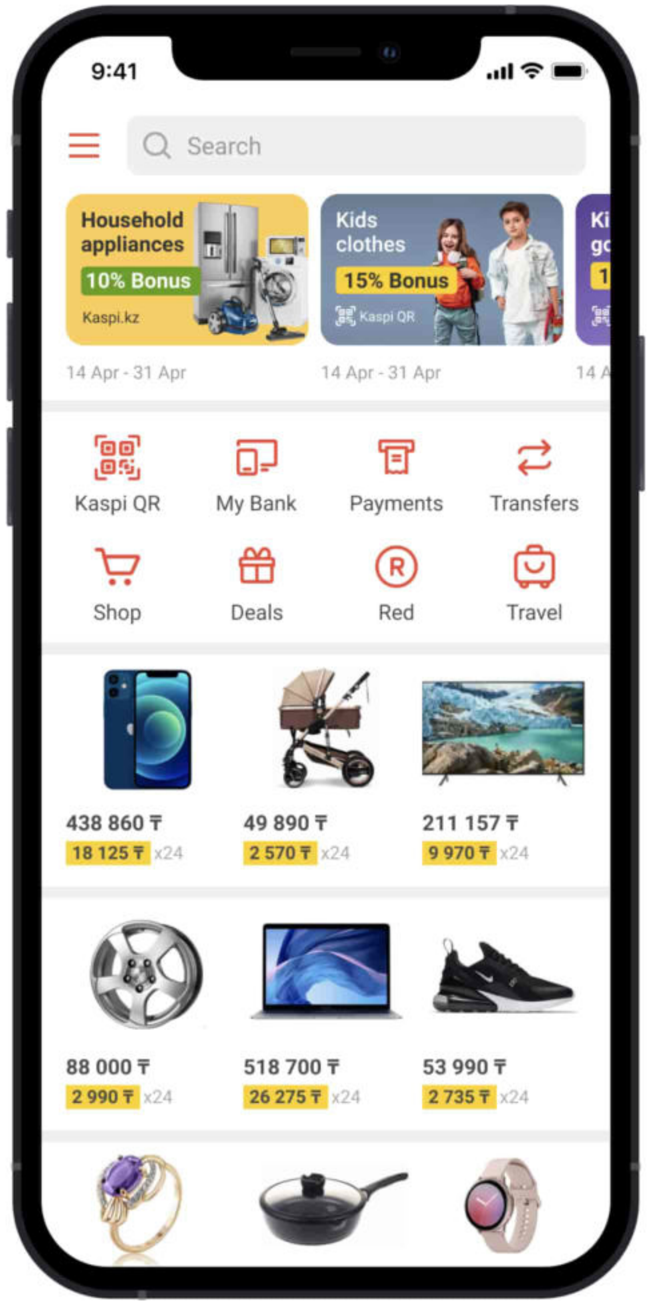
2020

Kaspi.kz

INNOVATION MAKES LIFE BETTER



Kaspi.kz 2020
Annual Report

Contents

Letter from the CEO and Co-founder

Dear Shareholders,

Last October we debuted on the LSE, making our mark as the second largest IPO of the year and Europe's third largest tech IPO. I'm very pleased to write this first letter to you, as the CEO and co-founder of a now publicly traded Kaspi.kz.

Covid-19 has presented a huge challenge for us all however, at Kaspi.kz we have remained committed to our core values and mission to improve people's lives by developing innovative products and services. Amidst all the disruption, our determination to create digital solutions that make a difference and delight users has never been more important. The lesson from COVID-19 is how important and relevant Kaspi.kz has become to our consumers and merchants. For 2020 the end result was another year of record-breaking user and financial growth.

I would like to take this opportunity to discuss the following four areas:

1 In 2020 phenomenal user trends led to excellent financials

"In 2020 user momentum at Kaspi.kz remained phenomenal, with every one of our platforms either delivering upon or exceeding the detailed KPI's we set out during our IPO. This resulted in another set of excellent financial results."

The Kaspi.kz Super App has always been integral to people's day-to-day lives, but user and engagement trends since the start of the Covid-19 pandemic have served to reinforce the relevance of our Ecosystem in the unfolding digital future. During the year Super App MAU increased to 9.1 million, up significantly from 5.7 million in 2019, with engagement levels continuing to hit all-time highs as both new and existing users discovered more reasons to use more of our services. DAU increased to 4.9 million, an increase of more than 150% year-over-year. The ratio of DAU to MAU reached 54%, amongst the highest level of user engagement of any leading Super App globally.

Kaspi.kz's success is a direct result of our unrelenting focus on high quality digital innovation and in 2020 we released more products than ever before. Kaspi QR Scan & Pay, Kaspi Travel, Kaspi Gold and Kaspi.kz mobile app for kids, free delivery and a range of in-app government services were some of our most important newly launched consumer targeted products and services.

The last year was also pivotal for the Kaspi Ecosystem, with an even greater strategic focus on innovation for merchants. Kaspi Pay PoS Solutions has emerged as a breakout product, accounting for 38% of all Kaspi Gold in-store PoS transactions in Kazakhstan by December 2020 despite having only been launched just several months earlier, with Kaspi QR Scan & Pay accounting for a majority of acquiring transactions on our devices. The benefits of this strategic push will be magnified in 2021 as new merchants shift a growing share of their payment volumes to Kaspi Pay. Over the mid-term the success of Kaspi Pay puts us in a fantastic position to expand the breadth and depth of our merchant focussed products and services.

Strong user momentum in turn resulted in another set of excellent and increasingly diverse financial results, with adjusted net income of KZT274 billion and 46% of adjusted net income in 4'Q 20 now from our Payments and Marketplace Platforms.

Full year 2020 adj. net income growth of 43% year-over-year, a net income margin of 43% and cash returns of KZT171bn in April 2021, following returns totalling KZT175bn during 2020 demonstrate that our business model can not only deliver growth at scale but do so in a way that is highly profitable and cash generative.

2 In our strategic vision payments, shopping and finance are increasingly digital and digitalisation is a powerful force for Kazakhstan's modernization

> "Digitalisation is a multi-year structural growth opportunity and we're in it for the long run. Our scale with both consumers and merchants, joined by our own proprietary network puts Kaspi.kz in a completely unique position."

Across the world digitalisation offers a multi-year structural growth opportunity. In Kazakhstan, we're in it for the long-run and will always aim to be at the forefront of new initiatives that digitalise how consumers shop, pay and manage their finances. The combination of our scale with both consumers and merchants, joined by our own proprietary network puts us in a completely unique position to lead this transformation.

With this in mind our strategic vision assumes ongoing convergence between mobile payments, shopping and finance and is Super App first. However, we see no reasons why our vision should be exclusive to Kazakhstan and expect to play a leading role in Central Asia and the broader regions digitalisation journey.

Digital 1st is a global theme and in Kazakhstan a powerful modernising force

Globally digital first is changing how we all live our everyday lives. Digital will be the primary method for shopping, payments and finance and the lines between physical and digital are increasingly irrelevant. In Kazakhstan digital is also a hugely powerful force for modernising a traditional, cash-based economy.

At Kaspi.kz mobile technology is the foundation of everything we do, and we will continue combining innovative and high quality mobile products with our AI and machine learning capabilities, to launch and scale best-in-class digital services.

Kaspi.kz is Super App 1st

Consumers no longer want 40-50 different apps on their phone, each with different passwords and requiring information to be entered again and again. Globally the 8 to 10 apps that we use regularly are morphing into super apps. Our strategy has been super app first from the beginning.

In 2020, our consumers transacted on average 28 times per month. This level of engagement is best-in-class by global standards and illustrates the power of a leading super app. We expect usage of our super app to grow further as we add more products and services and our customer's daily lives become ever more digitalised.

Mobile payments are fundamental to the Kaspi.kz Super App

The pandemic has accelerated the global movement towards mobile payments. Mobile payments are also a fundamental component of any super app, creating a simple way to pay across offline and online.

In Kazakhstan the shift away from cash, already underway before the pandemic began, has become even more apparent. For Kaspi.kz this creates a massive opportunity to develop a modern payments system, that is more efficient and inclusive. Kaspi Pay including Kaspi QR Scan & Pay for consumers and Kaspi Pay PoS Solutions for merchants are helping us directly address and shape these trends.

Consumers and merchants are embracing digital shopping

The development of digital shopping also accelerated significantly in 2020. Consumers want convenience and merchants need digital tools that enhance product discovery, payments, financing and delivery.

On the Kaspi.kz Marketplace we're significantly scaling the breadth and depth of our merchant proposition. This means more choice at the best prices and in turn attracts more consumers. Our consumers can now choose from around half a million listed products, often delivered within 24 hours and in most cases with free consumer delivery.

The result is a market-leading NPS around 87% and almost no merchant churn.

Digital finance is integral to the consumer shopping journey

Digital banking is often designed to be a more convenient way for consumers to manage their finances.

For Kaspi.kz our Fintech Platform has always been more than just stand-alone online banking. Digital finance must be deeply integrated with the shopping and payments experience. For example, our buy-now-pay-later consumer finance products are strategically integrated with our Marketplace Platform, allowing consumers make a purchase seamlessly with financing all through our Super App.

Integrated fintech, shopping and payments products provide consumers with an end-to-end experience. For merchants, an integrated proposition is an incredibly powerful tool to better understand their consumers and ultimately generate higher sales.

3 Our mission to improve the day-to-day lives of customers and deliver long-term, sustainable growth for our shareholders go hand-in-hand

"By continuing to deliver both modern digital products that improve lives and high profitability I'm confident we will build long-term value for our shareholders."

On top of delivering fantastic results for consumers, merchants, employees and shareholders, we want our long-term growth to be sustainable and responsible to the wider society. We have never been more essential to the lives our customers, and we have never had a greater opportunity to make a real difference. I'm confident that our mission to improve the day-to-day lives of customers goes hand in hand with our ambitious financial targets and sustainable value creation for shareholders over the medium-term.

In response to the many challenges that 2020 presented, we launched several initiatives to support different members of the community. To support consumers experiencing financial difficulties we launched a three-month loan repayment deferral program. We were responsible for digitally distributing around 60% of the government's pandemic financial assistance programme, straight into our customers Kaspi Gold wallets. Donations to Kazakhstan's healthcare system included Covid-19 testing equipment, over 100 new fully fitted ambulances and donations to support medical personnel. All of these significant and valuable contributions would not have been possible if Kaspi.kz's underlying operations were not firing on all cylinders.

As we look to a post pandemic world, we want to play our part driving an inclusive digital recovery, in which all stakeholders participate. To do this we will engage across our ecosystem to an even greater extent, with consumers, merchants, government and shareholders to ensure that everyone can thrive in a digital economy. Long-term working responsibly will remain integral to our strategy, competitive advantage and sustainable business performance.

4 The outlook for Kaspi.kz in 2021

"We will also explore international opportunities, where we think our digital products and services can create value in much the same way as they have done in Kazakhstan."

In 2020 user momentum at Kaspi.kz remained phenomenal, with every one of our platforms either delivering upon or exceeding the detailed KPI's we set out during our IPO. Having established our role as an essential company in the lives of our consumers and merchants the coming years hold even greater promise.

In 2021 our no.1 goal is to accelerate the adoption of Kaspi QR by consumers and Kaspi Pay by merchants. By working hand-in-hand with merchants, we will accelerate their growth, create value for consumers and continue to play a leading role in Kazakhstan's digital transformation. We are also developing new digital tools to enable our Marketplace to significantly expand the breadth and depth of its product proposition.

We have started 2021 with more reasons for consumers and merchants to use the Kaspi.kz Ecosystem than has been the case previously. User and financial trends remain strong and for the first time ever, we now expect that this year the majority of our adj. net income will come from our faster growing Payments and Marketplace Platforms.

We will explore international opportunities, where we think our digital products and services can create value in much the same way as they have done in Kazakhstan.

For shareholders the result should be accelerating top-line growth and increasing profitability, with the businesses cash generation capacity as strong as ever. We have once again set out detailed KPI's against which our shareholders can use to track our performance and hold us accountable. Taking this all into account we currently expect adj. net income above KZT410 billion in 2021.

Kaspi.kz's story has been over a decade in the making and I would like to take this opportunity to thank each and every member of our dedicated, long-standing and incredibly talented team for the role they have played in our success. To our shareholders, we truly value the trust you have placed in us and will remain committed to creating value. On behalf of the entire Kaspi.kz team I thank you for your support.

Kind regards,

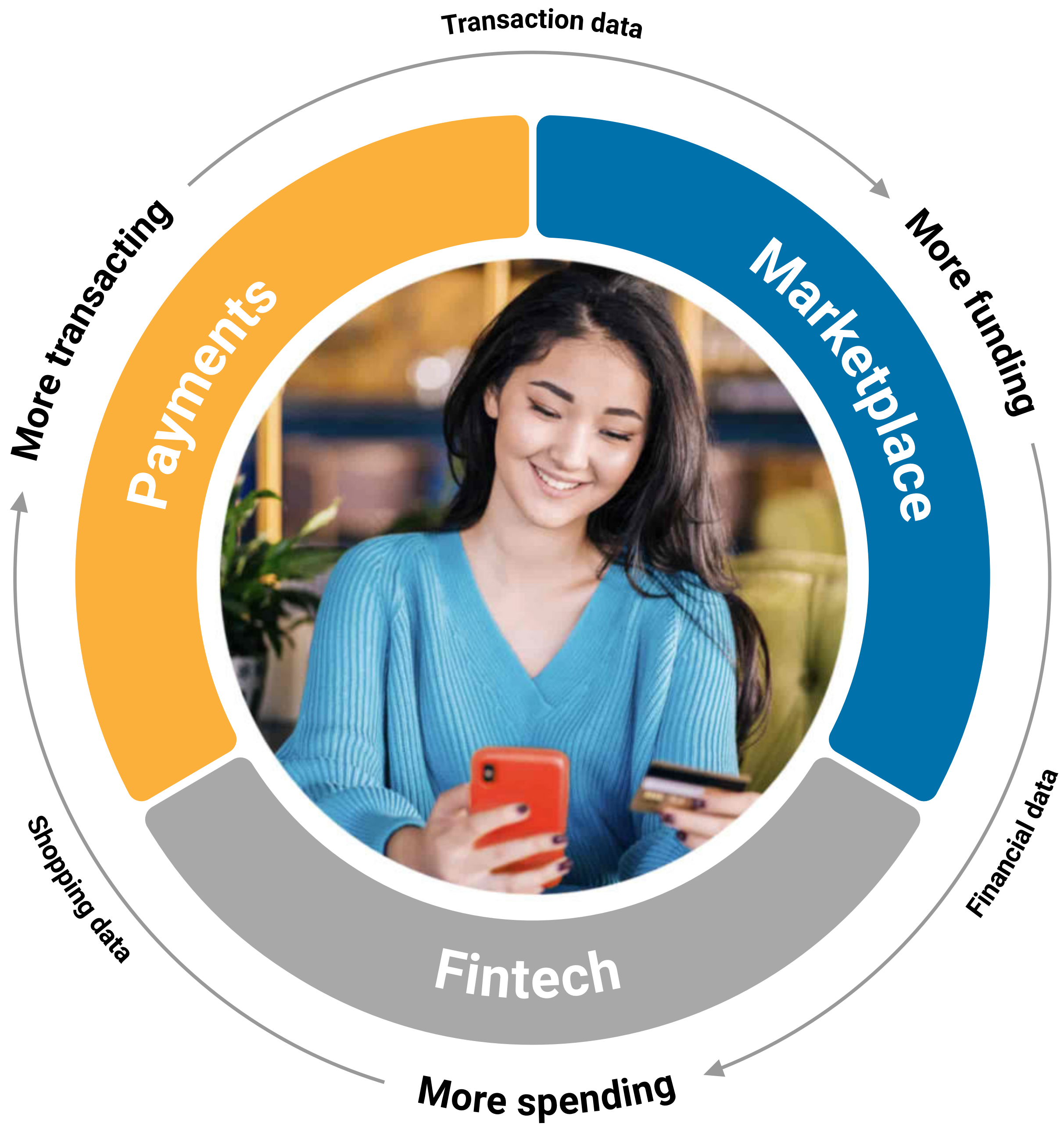
Mikheil Lomtadze

CEO & Co-founder
Chief Ecosystem Officer

Kaspi.kz Ecosystem Business Model

Our mission is to improve people's daily lives by developing innovative and highly relevant products and services. We do this through an ecosystem business model, comprising leading Payments, Marketplace and Fintech Platforms, all of which are accessed through the Kaspi.kz Super App which acts as a single gateway to our ecosystem. Our ecosystem serves both consumers and merchants and enables all participants to interact with each other.

Kaspi.kz's ecosystem business model means that 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 highly integrated and complementary services being used by our consumers and merchants also results in lower costs, synergies across all our platforms and creates a powerful self-reinforcing network effect, giving us strong competitive advantages.

For example, a large number of consumers and diverse range of convenient payments and financing options leads to increased spending on our Marketplace. Higher spending on the Marketplace Platform in turn increases transactions through our Payments Platform, as well as financing through our Fintech Platform. Our highly engaged consumer base attracts more merchants to our Marketplace, increasing product selection and price competitiveness, which in turn leads to growth in the number of consumers using Kaspi.kz Ecosystem.

2020 Key Highlights

Kaspi.kz successfully IPO's on the London and AIX Exchanges

- 2nd largest IPO on the London Stock Exchange
- 3rd largest tech IPO in Europe

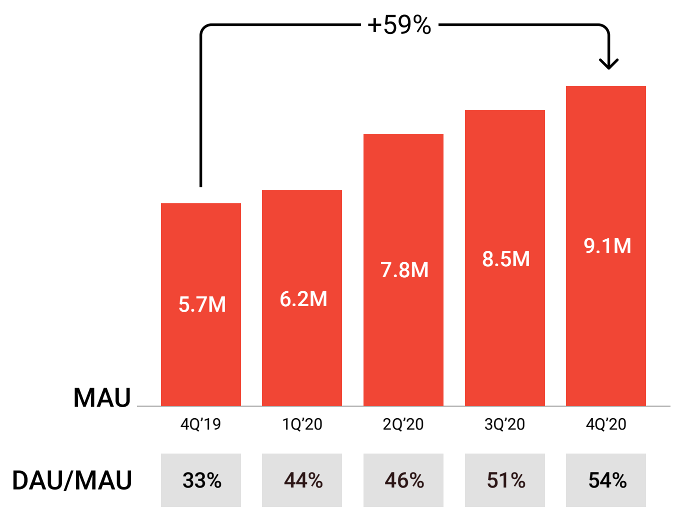
Strong user engagement led to fast and highly profitable growth across all platforms

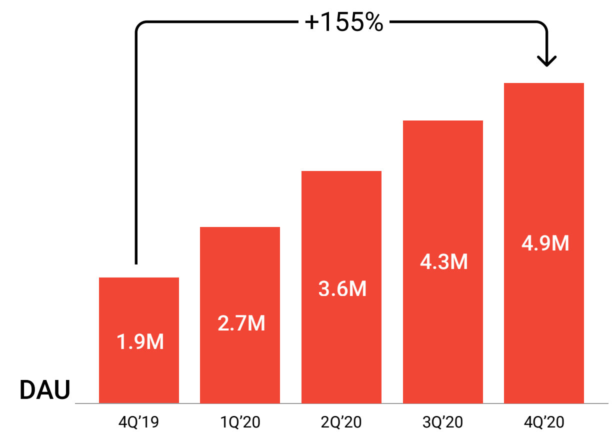
- 2020 user & financial results ahead of expectations
- Every IPO KPI delivered upon or exceeded.

		2020 GUIDANCE	2020A
PAYMENTS	RTPV	80-85% YoY Growth	80-85% YoY Growth
	Average Balances on Current Accounts	High 60% YoY Growth	High 60% YoY Growth
	Take Rate	Broadly Flat at 1.3%	1.3%
	Net Income Margin	Low 50%	52.1%
MARKETPLACE	GMV	Around 30% YoY Growth	30% YoY Growth
	Take Rate	Slight YoY Expansion from 7.1%	7.7%
	Net Income Margin	Low 60%	60%
FINTECH	TFV	Around 10% YoY Growth	9% YoY Decline
	Conversion Rate	1.4x Approximately	1.4x
	Yield	Flat YoY at 32.2%	32.6%
	Net Income Margin	High 30%	37.8%
	Adjusted Net Income	KZT 270B	KZT 274.3B

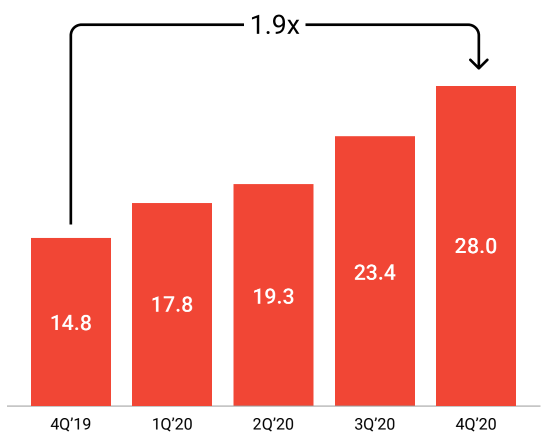
Record Kaspi.kz Super App Usage & Engagement

- Super App MAU up 59% to 9.1 million
- Super App DAU up 155% to 4.9 million
- Average monthly transactions per consumer up 1.9x to 28





Monthly transaction per customer



Another year of innovative consumer products

Kaspi QR Scan & Pay, Kaspi Travel, Offers & Promotions, Government Services & Kaspi Kids launched

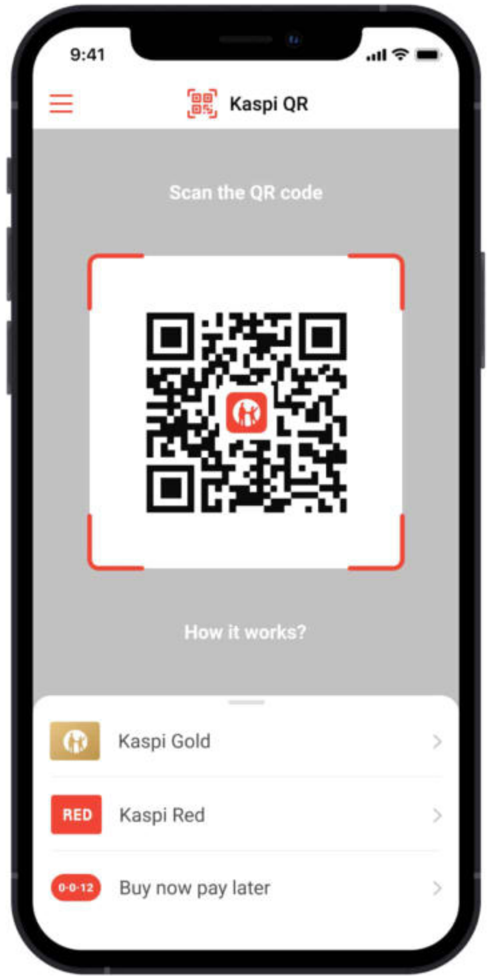
Kaspi QR Scan

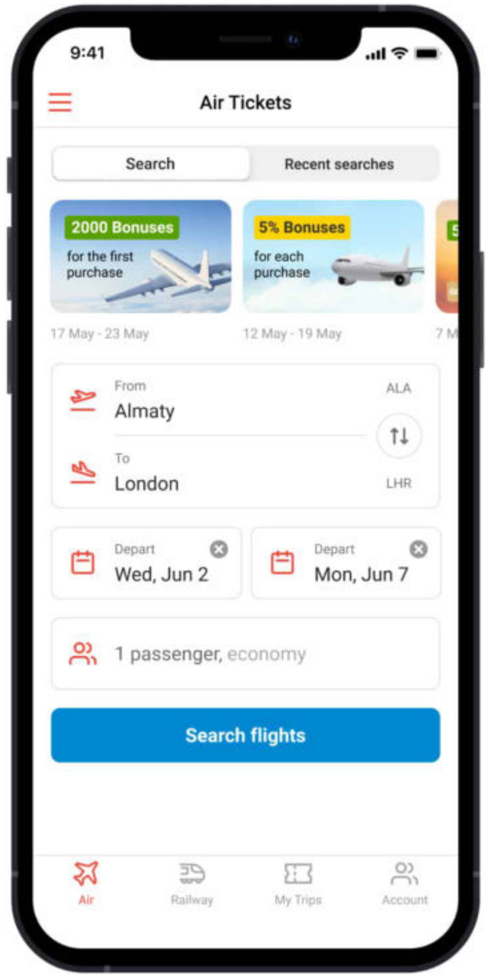
Kaspi Travel

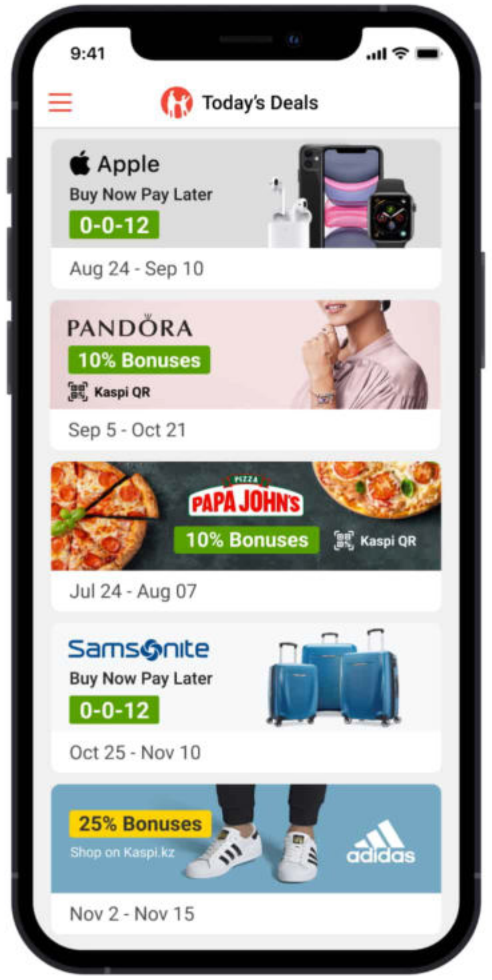
Offers & Promotions

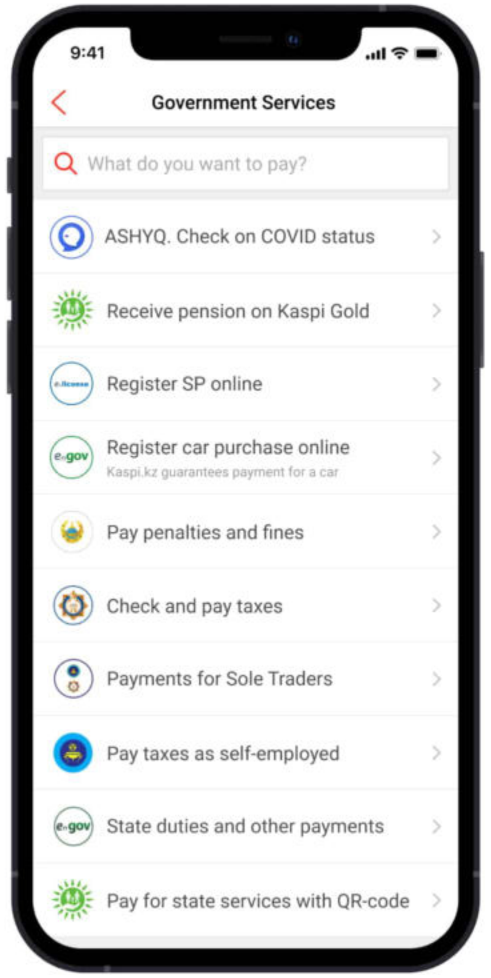
Government Services

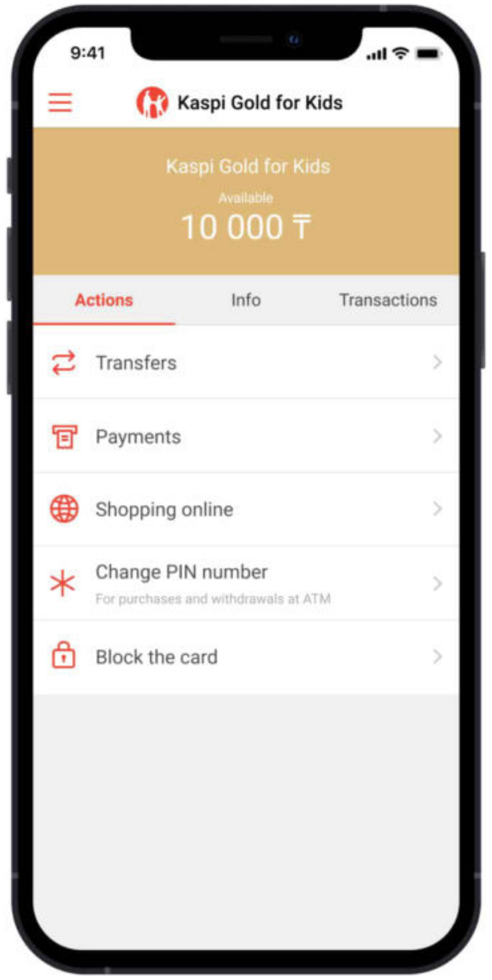
Kaspi Kids





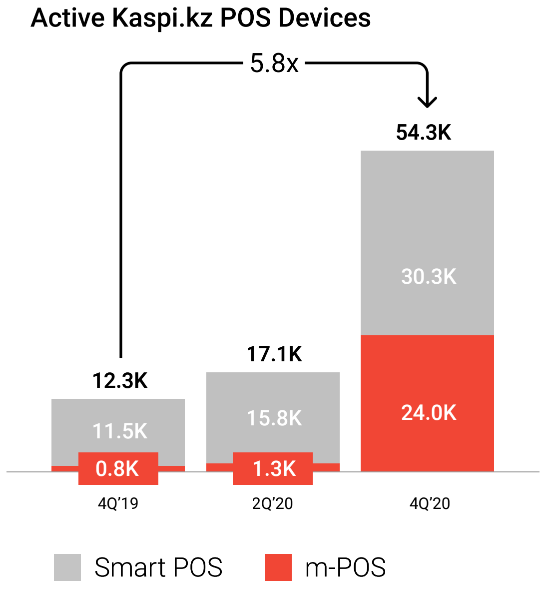




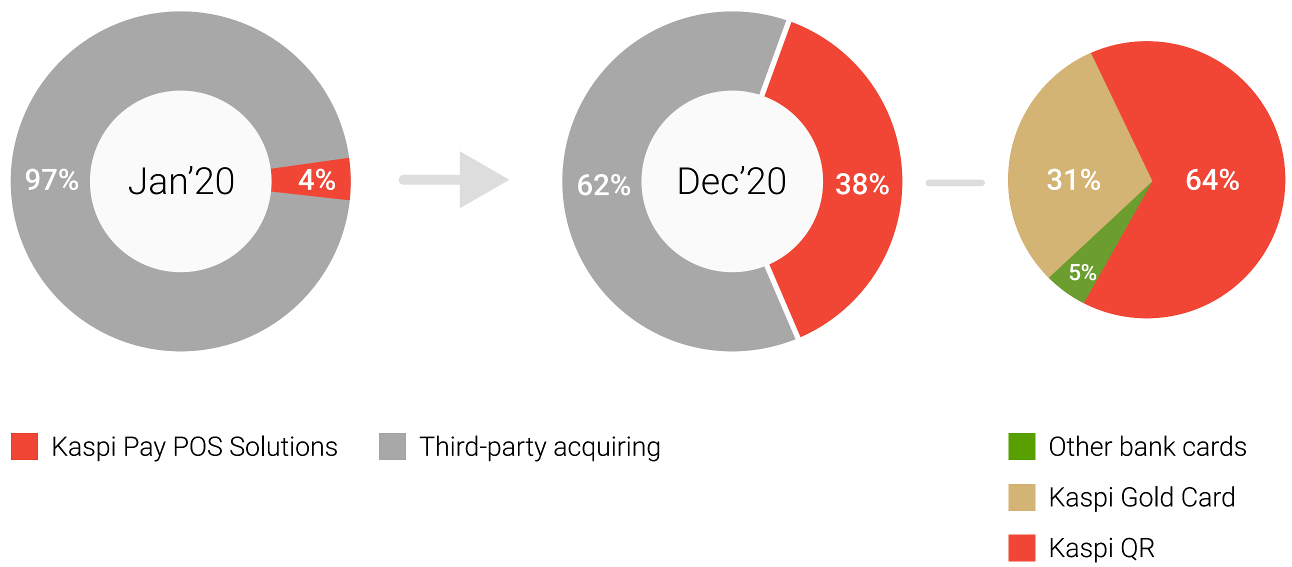


Greater focus on innovation for merchants than ever before Kaspi Pay has emerged as a breakout product

- Number of Active Devices reaching 54.3 thousand, up 4.4x from the beginning of the year
- 38% of all Kaspi Gold in-store PoS transactions migrated to Kaspi Pay in December 2020
- Incredible adoption of QR payments led Kaspi QR Scan & Pay to reach 64% of all acquiring transactions on Kaspi Pay

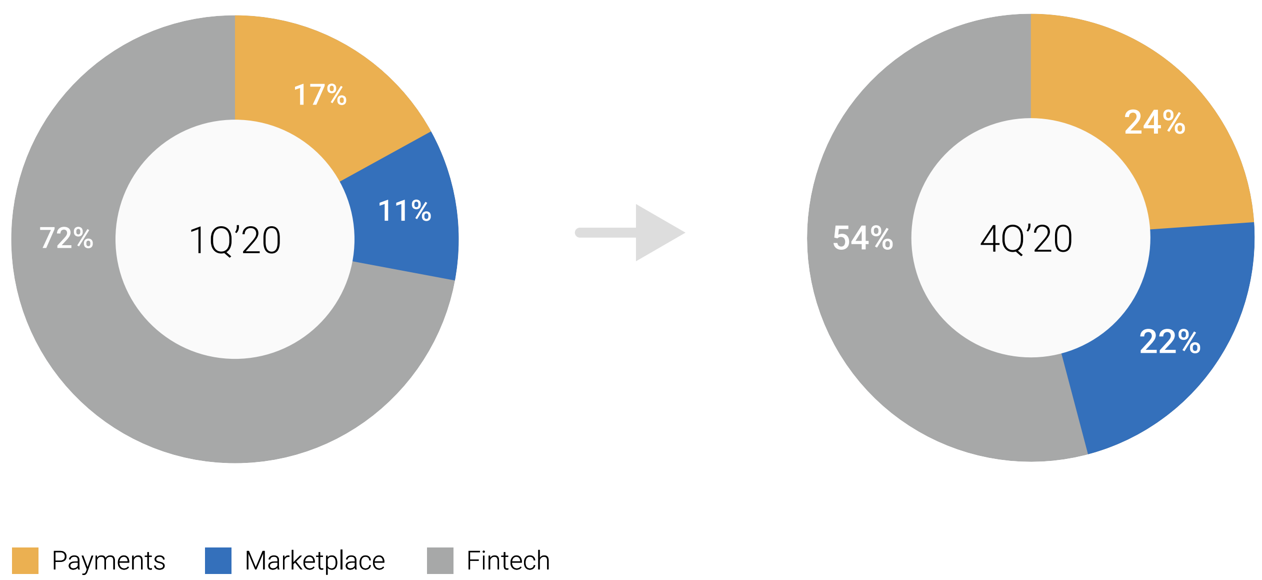


Kaspi.kz in-store transactions breakdown



2020 financials ahead of guidance

- KZT274 billion adj. net income of ahead of guidance
- In the final quarter of 2020 share of adj. net income coming from our Payments and Marketplace Platforms reached all time high 46%
- Dividends totalling KZT175 billion paid in 2020 with a further KZT171bn paid in April 2021



Kaspi.kz Super App Strategy

The Super App was first pioneered by Tencent, Alibaba and Alipay in China. Tencent stands out as the ultimate success story, by taking its WeChat messaging app and morphing it into an ecosystem of services that includes payments, taxi rides, food delivery, savings & investments, games, hotel reservations and more.

Super App, namely one app and one-sign-in for virtually any product or service a consumer could want is gaining momentum globally. In developed markets, the likes of Amazon, Google, Facebook and PayPal all recognise how powerful and disruptive a leading Super App can be and all have ambitions to develop their own propositions.

> Kaspi.kz has been Super App 1st from the beginning and our Super App is the fundamental core of the Kaspi.kz Ecosystem

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.

Our consumers can buy goods online with free delivery, shop in-store using QR code, make and receive payments instantly, pay regular household bills commissions free, pay taxes online and access other government services, open and manage accounts, receive consumer financing, buy airline tickets and use messaging to make and confirm transactions.

All our services are highly synergetic and interaction between services creates a one-stop-shop solution for consumers and a virtuous demand cycle for our business.

Payments

Mobile Payments & P2P

By phone number
Card to card
Global P2P
Kaspi Gold
Kaspi QR

Bill Payments

Taxes
Education
Public Transport
Utility Bills
Insurance
Taxi
Tickets
Charity
Others

Marketplace

e-Commerce

Smartphones & gadgets
Home appliances
Clothing & shoes
Home & garden
Furniture
Jewelry
Kids
Over 500 000 items

Mobile Commerce

Supermarkets
Beauty salons
Fitness centers
Petrol stations
Restaurants
Others

Fintech

Digital Finance

Buy-now-pay-later
Car finance
Consumer finance
Merchant finance
Instant deposit

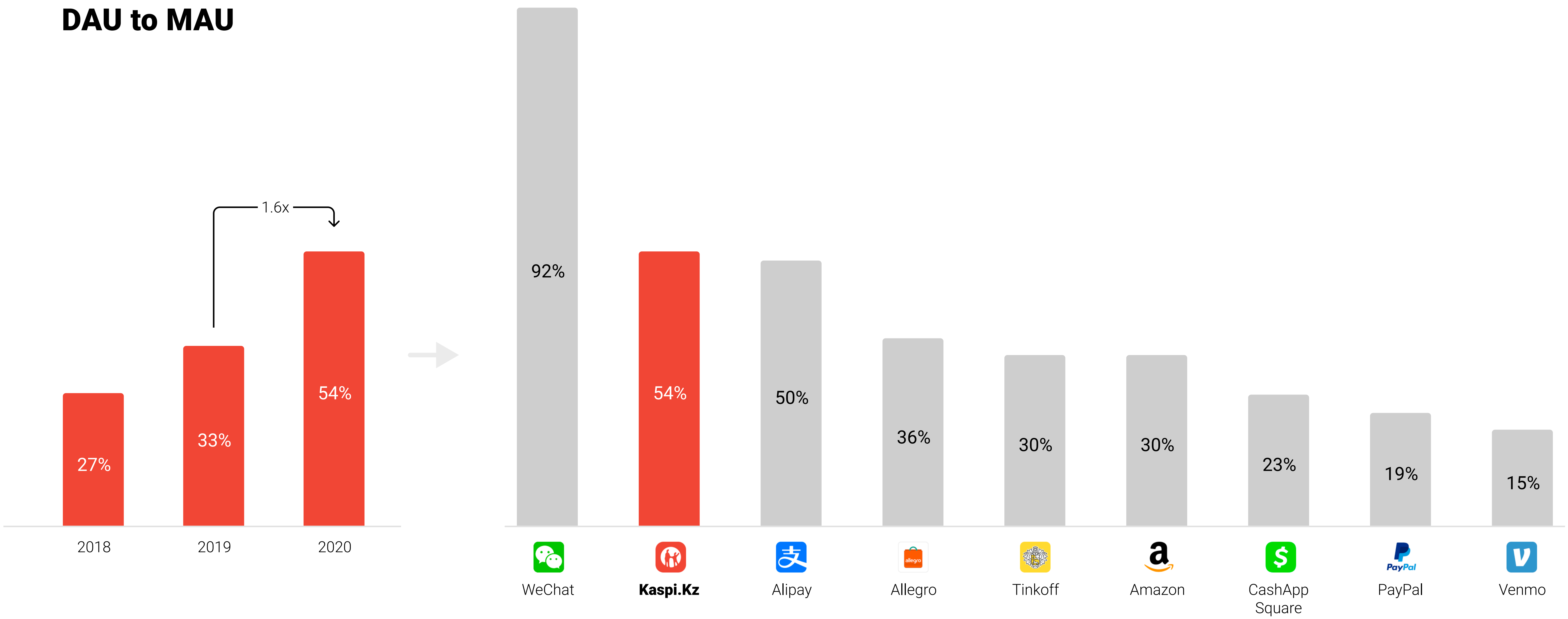
Kaspi.kz Super App user and engagement levels reached all-time highs in 2020

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.

In 2020 Super App user and engagement levels reached all-time highs. MAU (Monthly Active Users) increased by 59% year-over-year to reach 9.1 million by the end of the year. DAU (Daily Active Users) increased 155% year-over-year, a substantially faster rate than MAU. The ratio of DAU to MAU reached 54%, up from 33% at the end of 2019, which is amongst the highest levels of user engagement of any leading Super App globally.

Engagement is closely tied to one of our most important strategic objectives, namely, to facilitate digital transactions across all areas of a typical household's spending. Average monthly transactions per active consumer increased by 89% year-over-year to 28.0.

DAU to MAU

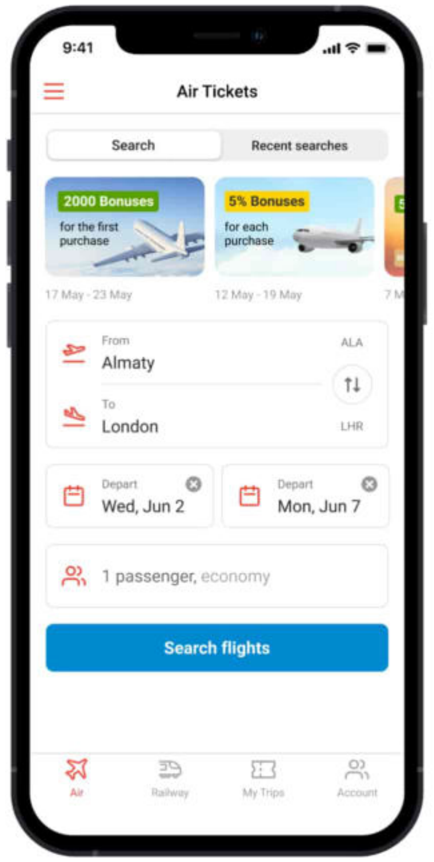


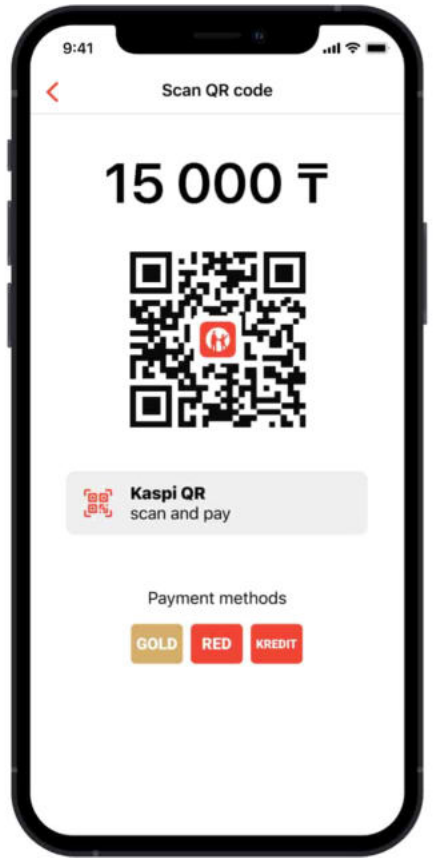
Source: Company data, Similar Web

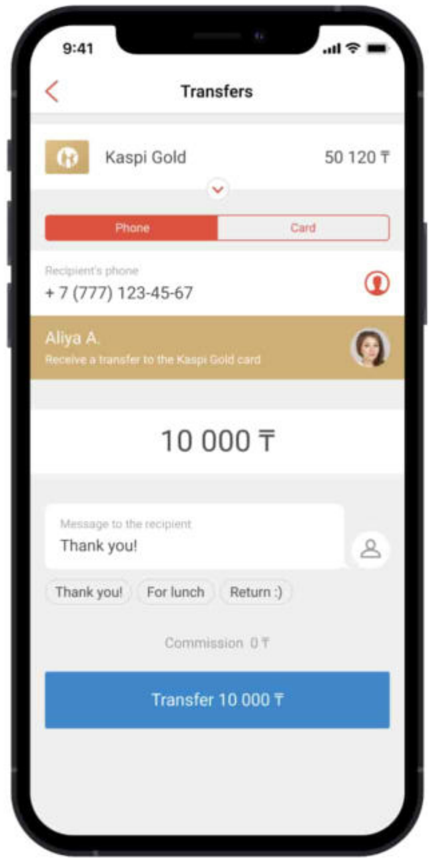
We will maintain a singular focus on continuing to expand our ecosystem by making new innovative digital products evermore discoverable through the Kaspi.kz Super App

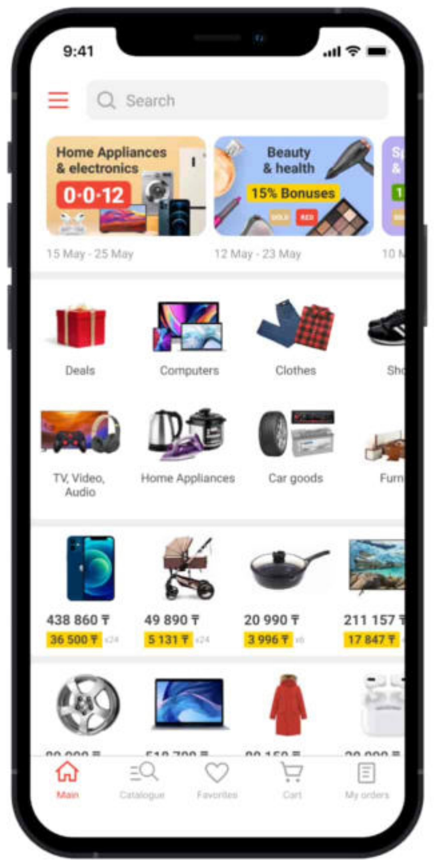
Our Super App strategy allows us to continually discover and add new highly relevant products and services around users' needs.

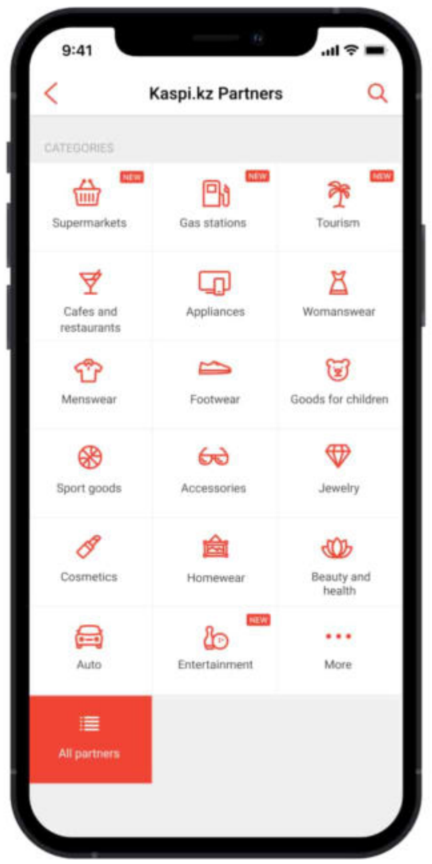
In 2020 we released more product than ever before. Kaspi QR Scan & Pay, Kaspi Travel, Offers & Promotions, a range of in-app Government Services, Kaspi.kz App for Kids were some of our most important consumer targeted products launched during the year.

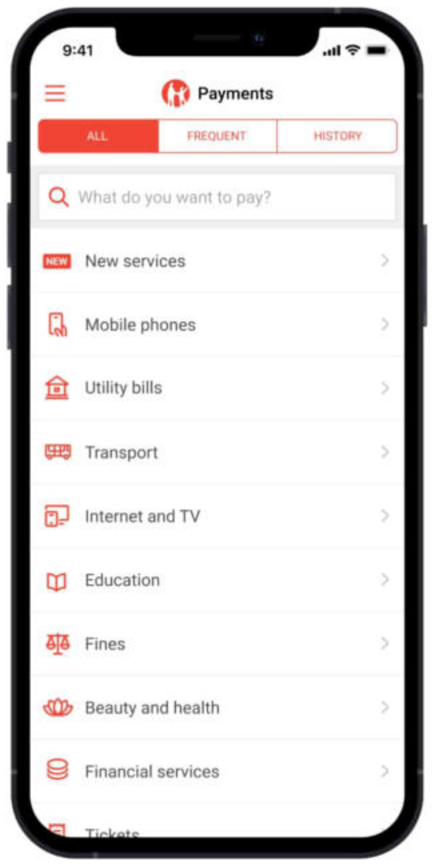


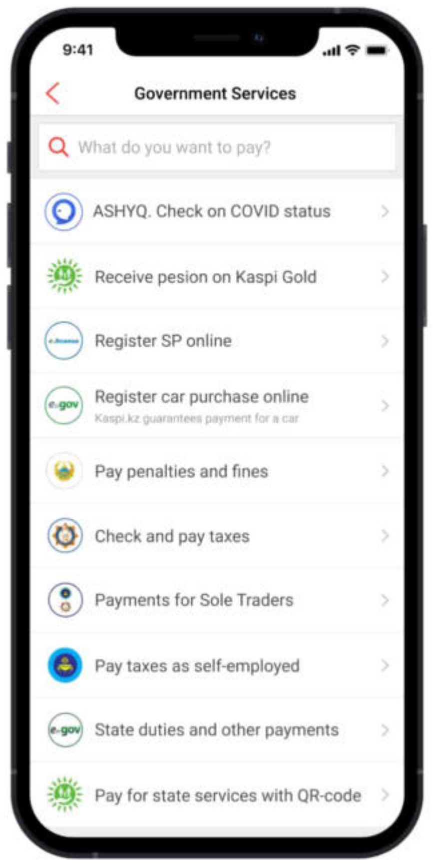


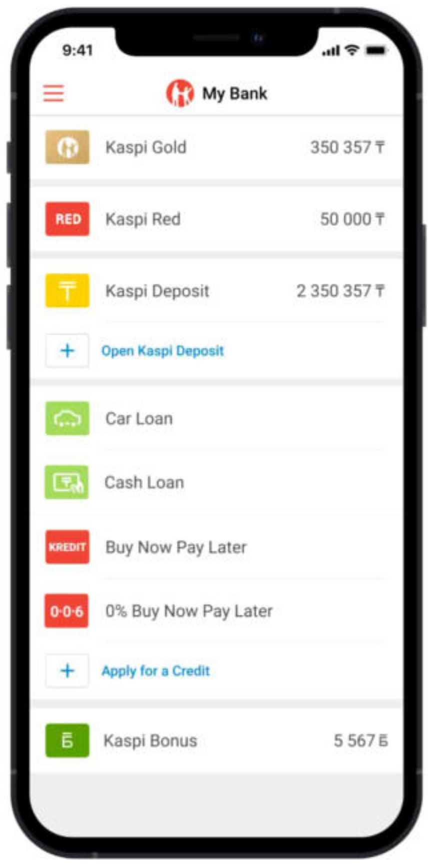










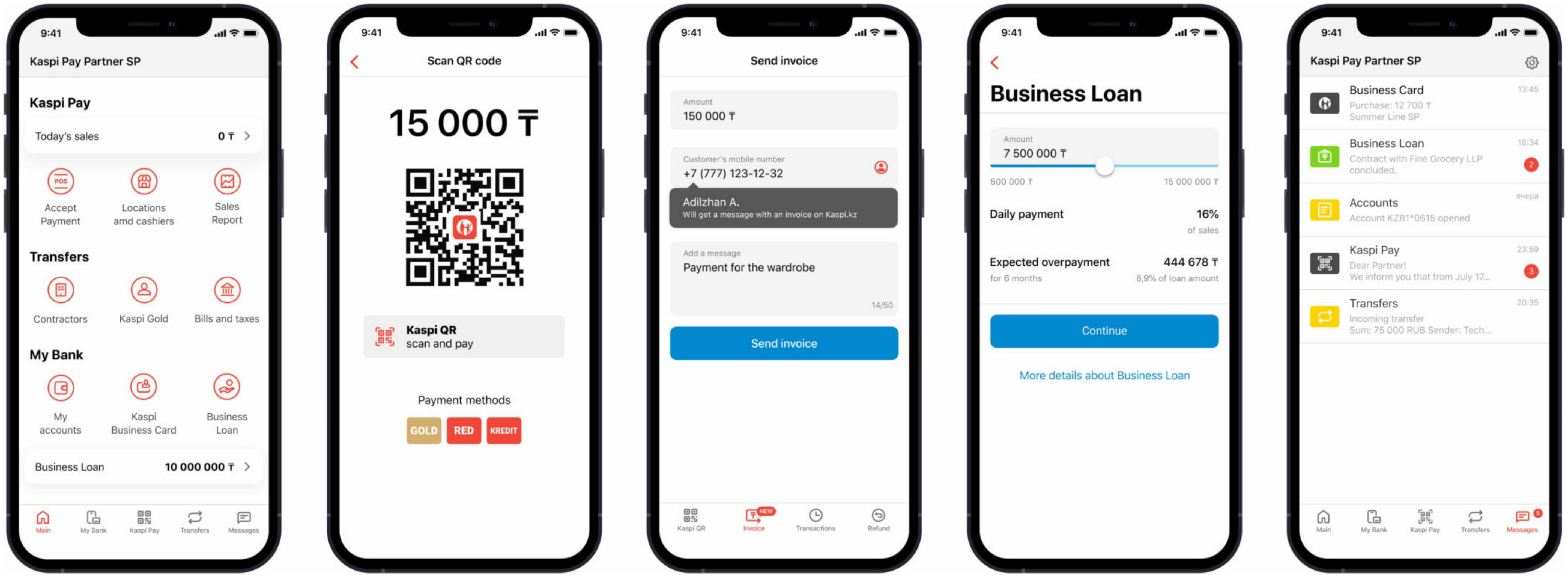


Kaspi Pay Super App for merchants

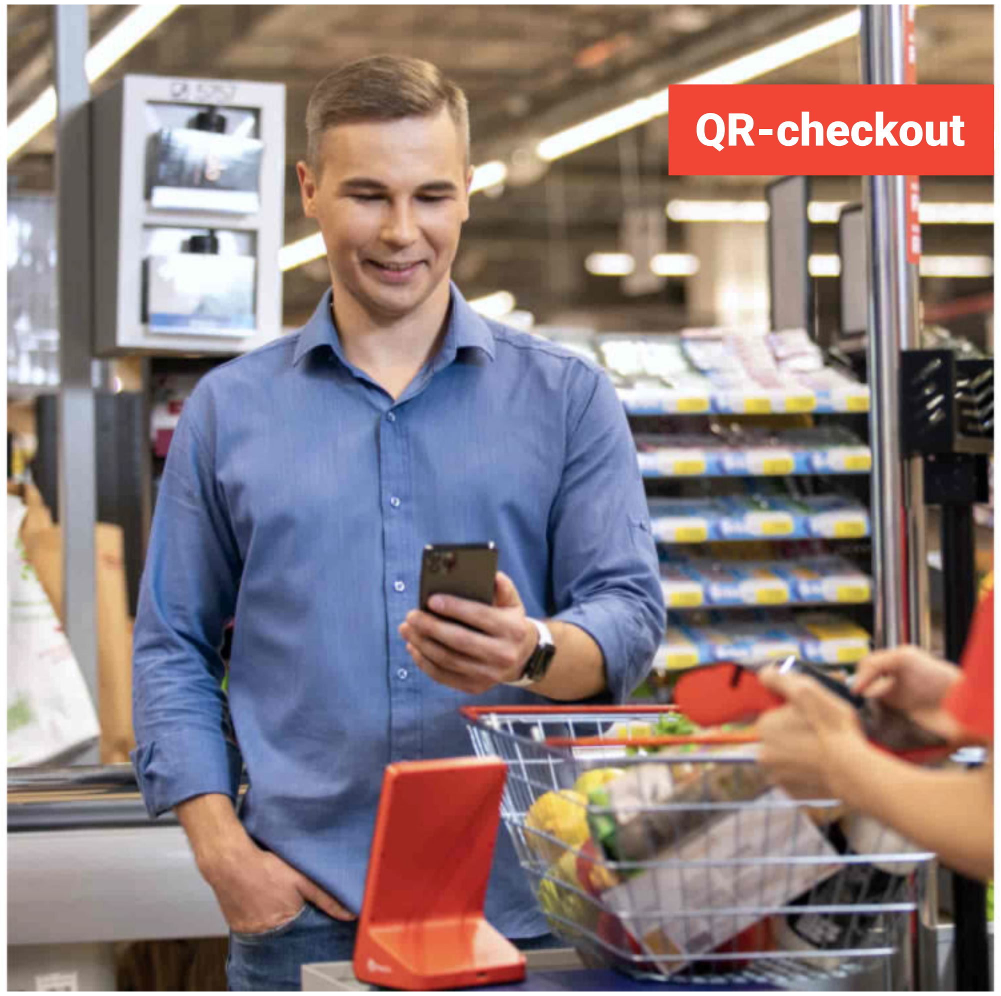
Kaspi Pay includes an integrated suite of services and products that allows merchants to seamlessly accept payments through Kaspi QR, issue invoices instantly, make transfers, receive merchant financing, open and manage accounts.

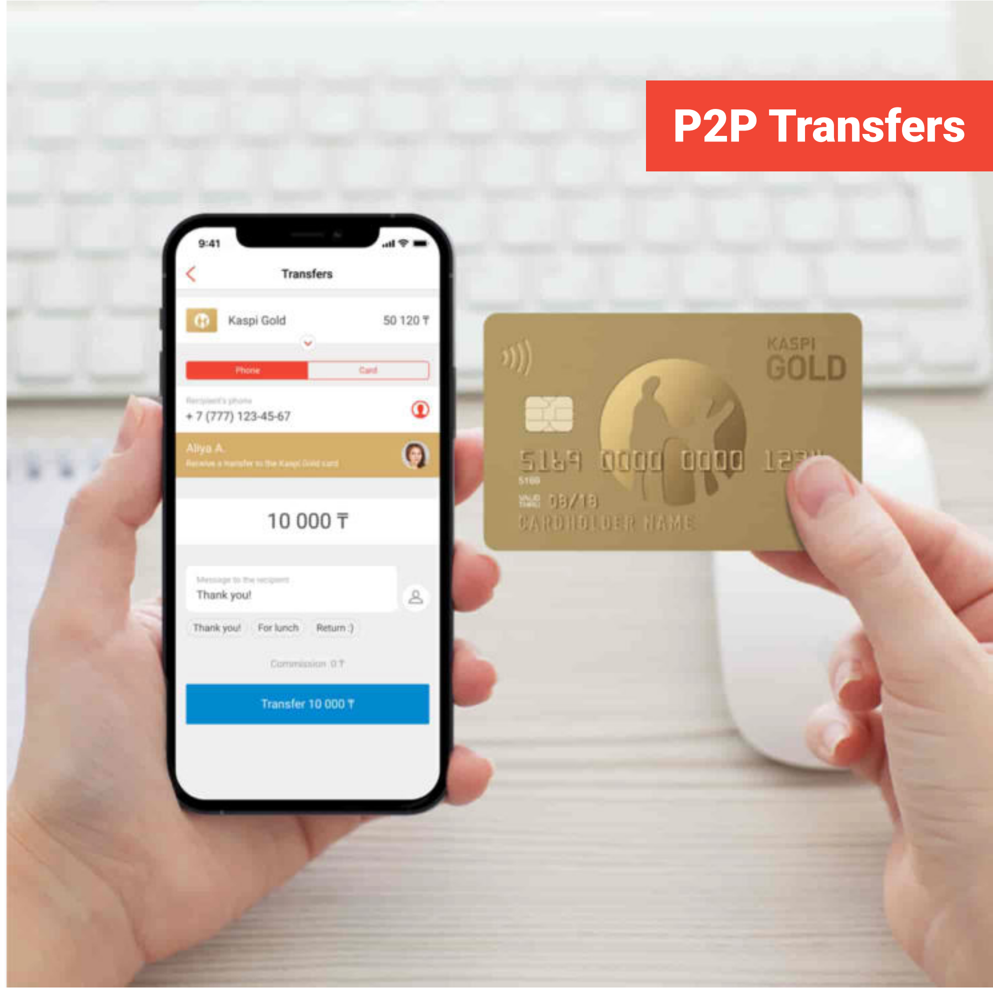
We launched our merchant focused Kaspi Pay Super App in summer 2020 and have been rapidly onboarding merchants ever since.

Inspired by the success of Kaspi.kz Super App strategy for consumers, we would like to replicate our success by turning Kaspi Pay into a Super App for merchants. We will achieve this goal by constantly launching new products and services for merchants around their business needs and have already launched merchant financing, which is currently seeing strong merchant adoption.



Payments Platform





Overview

Our Payments Platform connects consumers and merchants, to facilitate digital payment transactions. Through the Kaspi.kz Super App we offer our consumers a highly convenient way to pay for purchases, bills and make P2P mobile payments. Through the Kaspi Pay mobile app our merchants can accept payments online and in-store with Kaspi QR, issue invoices instantly and monitor their turnover and payment transactions.

As we continue to scale at a rapid rate, Kaspi QR technology has become a major disruptive force and Kaspi Pay has emerged as the digital payments platform of choice for all types of merchants in Kazakhstan. On the back of this substantial progress in 2020, we're now in a great position from which to expand our proprietary payments network further in future years.

We created Kaspi QR technology with the purpose of shifting our consumers' in-store payments experience to contactless payments via the Kaspi.kz Super App. This strategic move was inspired by the wide adoption of QR mobile payments in China. Kaspi Pay is a unique and disruptive proposition, that combines consumers and merchants at scale. Kaspi QR technology powers our own proprietary payments network, including end-to-end payment functionality directly from our Kaspi.kz Super App to a merchant's account in Kaspi Pay, without the need for a card and third-party payments network, such as Visa or Mastercard.

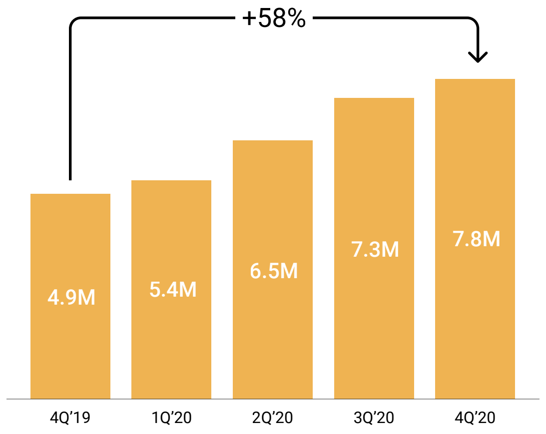
Kaspi.kz Payments Platform is the largest driving force behind Kazakhstan's transformation from cash to cashless and digital transactions. Based on NBK data, our TPV corresponded to a market share of 69% in 2020 for total cashless and digital transactions (card payments, P2P payments, internet and mobile payments) effected in Kazakhstan, up from 65% in 2019.

As has been the case globally, COVID-19 has accelerated consumer adoption of contactless mobile payments and our focus now is on helping consumers and merchants emerge stronger from the pandemic.

Performance

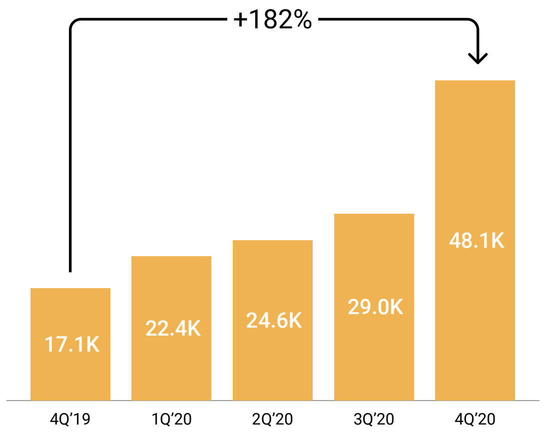
Payments Platform is amongst our most important tools to attract new consumers into the Kaspi.kz Ecosystem and increase engagement. Despite being the largest of our platforms by number of active consumers, Payments Platform consumer growth remained strong, up 58% year-over-year to reach 7.8 million active consumers in the final quarter of 2020.
Active Consumers made on average around 28 transactions per month in the final quarter of the year, up 1.9x year-over-year, which perfectly illustrates the power of our Ecosystem.

Active Consumers



Rapid take-up of Kaspi Pay led to an 182% year-over-year increase in Payments Platform merchants in the final quarter of 2020 and the real benefit of this will be magnified in 2021 as new merchants shift a growing share of their payment volumes to Kaspi Pay.

Active Merchants



In 2020 we started to roll out Kaspi Pay PoS Solutions and this quickly emerged as a breakout product, accounting for 38% of all Kaspi Gold in-store PoS transactions in December 2020 despite having only been launched several months earlier, with Kaspi QR Scan & Pay accounting for a majority of acquiring transactions on our devices.

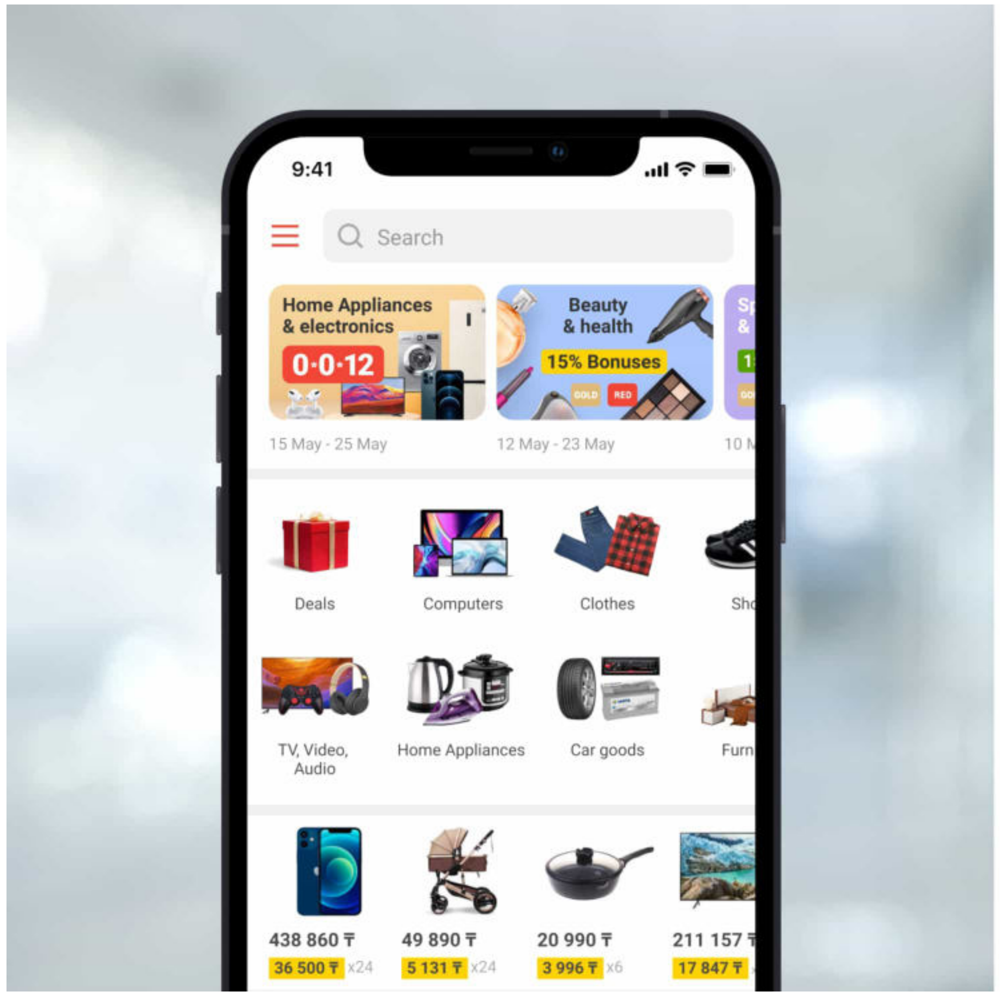
Throughout 2020 payments volume growth remained rapid and resilient to changes in the economic backdrop. TPV increased by 177% year-over-year reaching KZT23.9 trillion. Revenue Generating TPV (RTPV) increased by 81% to reach KZT6.2 trillion, with strong and consistent trends across all our payments products.

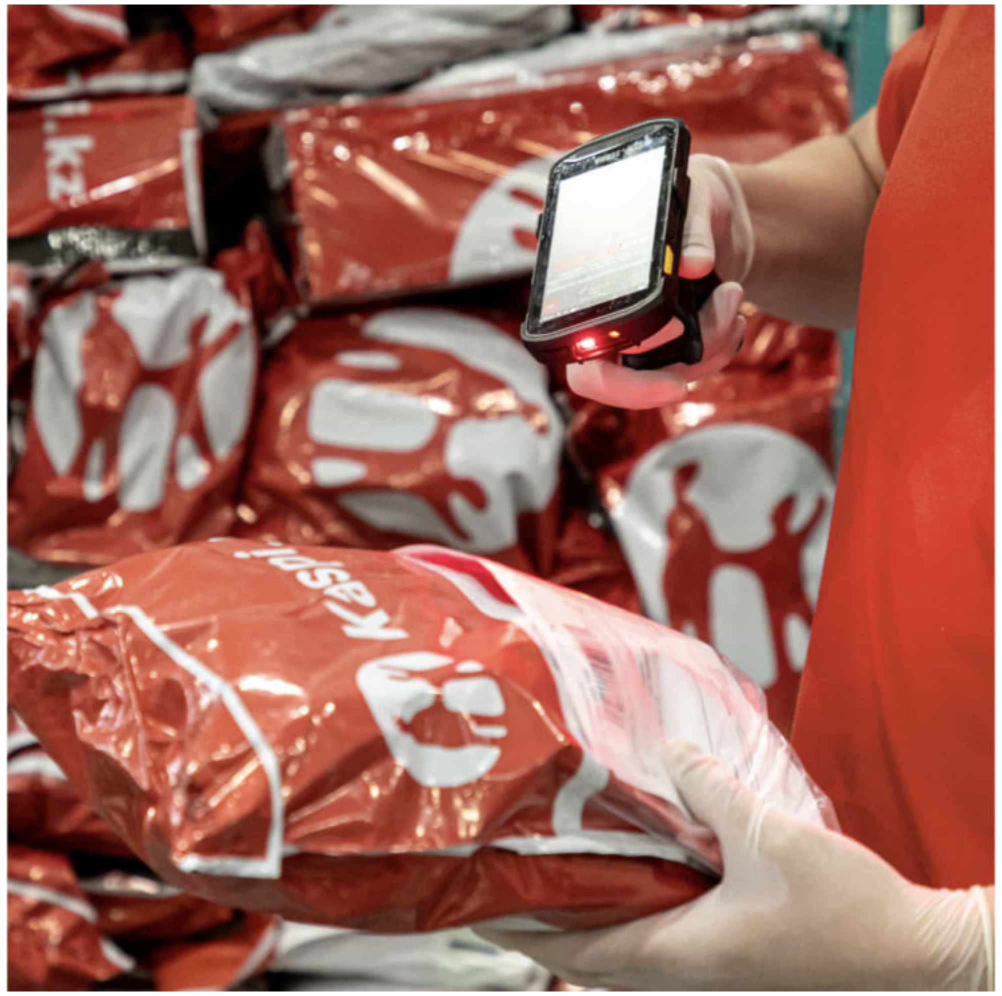
Payments Platform revenue increased by 82% year-over-year to KZT120,923 million during 2020. Take-rate remained stable year-over-year at 1.3%. Payments adj. net income increased 126% year-over-year to KZT63,004 million, with net income profitability of 52.1% up significantly from 42.0% in 2019. Payments Platform profitability continued to benefit from cost savings as we transition payment volumes away from third-party network providers to our own proprietary payments network, combined with the platforms inherent operating leverage.

In 2021 we will aggressively ramp-up merchant onboarding even further and expect this to 1) drive substantial growth in RTPV per consumer, 2) a more diverse mix of Payments Platform revenue streams and 3) higher profitability as our own proprietary network disintermediates third party related costs. With Kaspi Pay less than a year into its journey, we remain extremely excited about the outlook for our Payments Platform in 2021 and beyond.

Payments KPIs	2019	2020	Growth
Revenue (bn KZT)	66	121	82%
Adj.Net Income (bn KZT)	28	63	126%
Adj.Net Income Margin	42,0%	52,1%	
Number of Active Consumers ('000)	4 919	7 751	58%
Number of Active Merchants ('000)	17,1	48,1	182%
TPV (bn KZT)	8 619	23 882	177%
RTPV (bn KZT)	3 448	6 239	81%
Take rate	1,3%	1,3%	
Average balances (bn KZT)	194	333	71%

Marketplace Platform





Overview

Our Marketplace Platform connects merchants with consumers, enabling merchants to increase their sales and consumers to buy a broad selection of products and services from a wide range of merchants. Marketplace is fully integrated into the Kaspi.kz Super App and benefits from functionality including our payments and BNPL financing solutions.

Merchants include both online and offline, and the largest retailers and brands in Kazakhstan. Product categories include electronics, clothing, children's goods, furniture, restaurants and car accessories. We also work with a range of international brands that are increasingly using Kaspi.kz as a gateway to consumers in the region.

Depending on the range and type of products sold, we agree the seller fee, which is applied to the GMV generated. Merchants pay the same seller fee irrespective of whether a consumer buys an item through our e-Commerce or m-Commerce solutions.

Covid-19 related restrictions on the operation of physical retail have led to significant changes in the shopping behaviour of consumers, and our Marketplace Platform with its leading market share in e-commerce and Kaspi Delivery solution has been perfectly positioned to meet shoppers and merchants rapidly evolving needs. As street retail returns to normal, our advantage is a single brand and user experience, irrespective of whether online or offline.

We estimate that on average, merchants generate approximately one-third of their sales through the Marketplace Platform, which we believe contributes to a high a merchant retention rate of 99% in 2020.

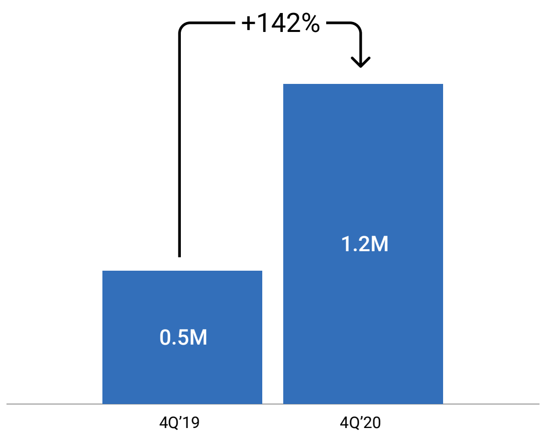
e-Commerce

Our online Marketplace provides an integrated e-Commerce experience through the Kaspi.kz Super App, starting from the product selection and purchase to in-store pick-up or delivery across Kazakhstan. Product categories make product selection convenient and are supplemented with product reviews, ratings and videos.

After selecting a listed item, the consumer has to select a merchant selling the item. Merchant selection is assisted by 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) BNPL consumer finance products from the Fintech Platform; or (ii) Kaspi Gold from the Payments Platform. For BNPL we make a decision within seconds to ensure a seamless shopping experience.

Our Marketplace provides a variety of fulfilment options, including in-store pick-up, delivery by merchant or Kaspi Delivery. Through Kaspi Delivery, we offer a seamless shipping experience, free for consumers, integrated with third-party logistics companies and courier services and in 2020 Kaspi Delivery's coverage expanded to reach 73 cities. Delivery volumes, whether delivered by Kaspi.kz or merchants themselves, increased 142% year-over-year in the final quarter of 2020, with next day delivery on 45% of our e-Commerce orders and two-day delivery on 55% of our e-Commerce orders.

Delivery volumes



Mobile Commerce provides mobile digital technology for street retailers

m-Commerce allows us to digitalise the entire shopping experience through the Kaspi.kz Super App directly to a merchant's street location. Consumers research goods and merchants first on our Kaspi.kz Super App and then complete the purchase in-store with Kaspi QR.

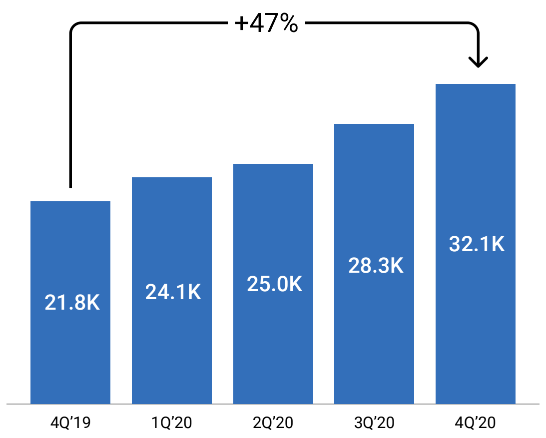
For a wide range of merchants, our m-Commerce platform is a valuable tool to attract consumers and increase sales. Consumers find information about merchants using the Super App, inspect the item at the physical store and complete the transaction digitally through the Kaspi.kz Super App.

m-Commerce is offered through the Kaspi Red Shopping Club, which has a dedicated section for merchants and consumers in our Super App and is organised around popular shopping and lifestyle categories including supermarkets, restaurants, petrol stations, medical services and beauty salons.

Performance

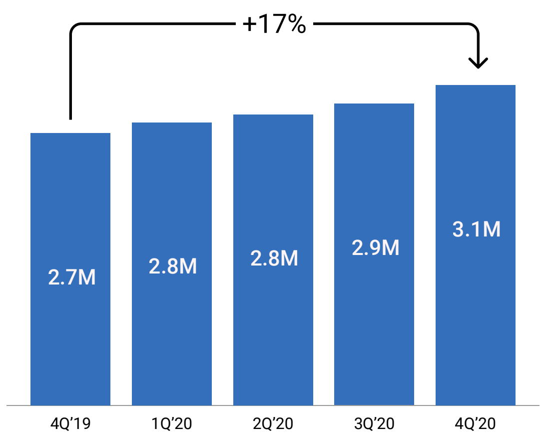
As with our Payments Platform, over the last year we have focussed on growing our merchant base, which is one of the most important drivers of consumer engagement and reached 32.1K by the end of 2020, up 47% year-over-year.

Active Merchants



A large and high quality merchant base, offering a wide selection of products, in turn drivers consumer and spending growth. Active consumers increased to 3.1 million in the final quarter of 2020.

Active Consumers



In 2020 Marketplace continued its rapid evolution in line with our strategic plan, namely; e-Commerce accounted for 46% of GMV, up from 29% in 2019.

Total Marketplace GMV reached KZT818 billion, representing an increase of 30% year-over-year in 2020. The growth of our GMV was driven by e-Commerce, which remained elevated at 106%. m-Commerce, experienced slower growth over the year due to Covid-19 restrictions on physical retail but accelerated in the second half of 2020.

Marketplace growth was also negatively impacted by the absence of our major promotional event Kaspi Juma, which we intend to resume once we move into a post Covid world.

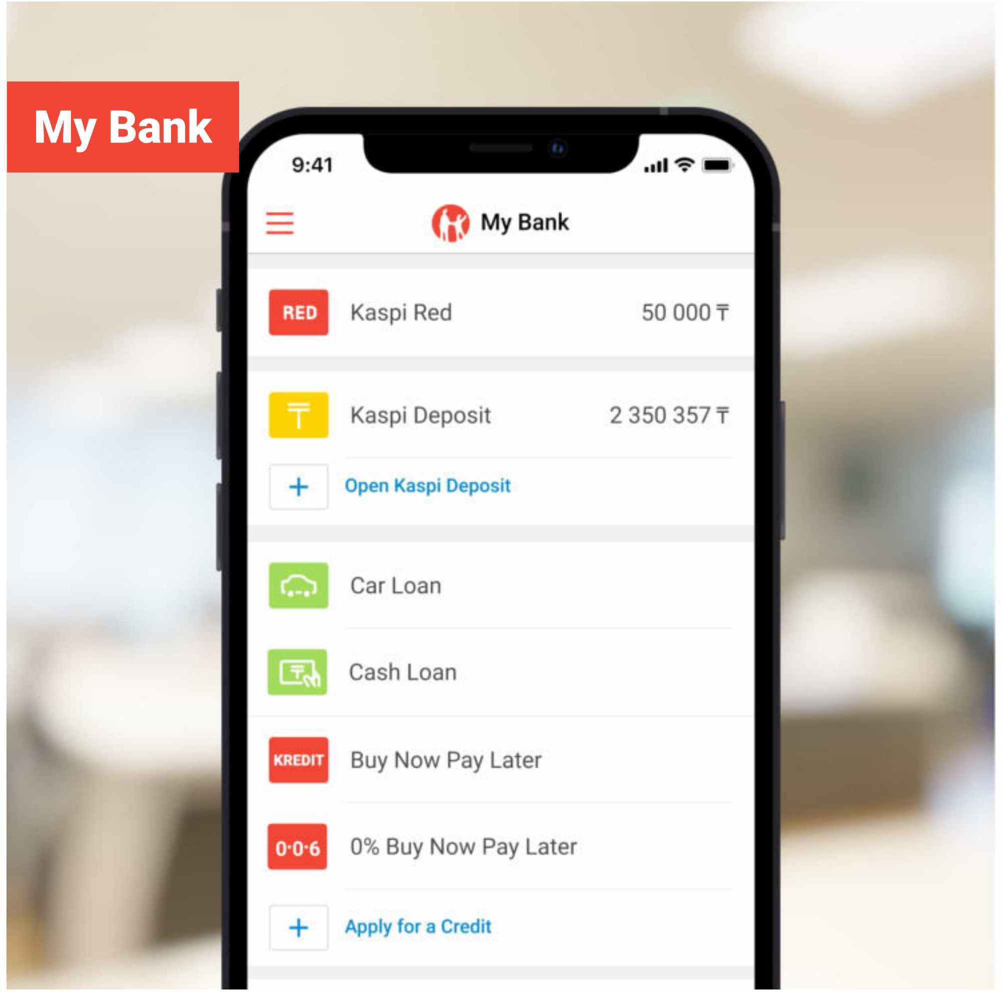
Marketplace take-rate increased 60bps to 7.7% and revenue increased 47% year-over-year to KZT65,977 million. High take-rate categories that grew quickly in 2020 included home, garden & furniture, supermarkets and auto accessories.

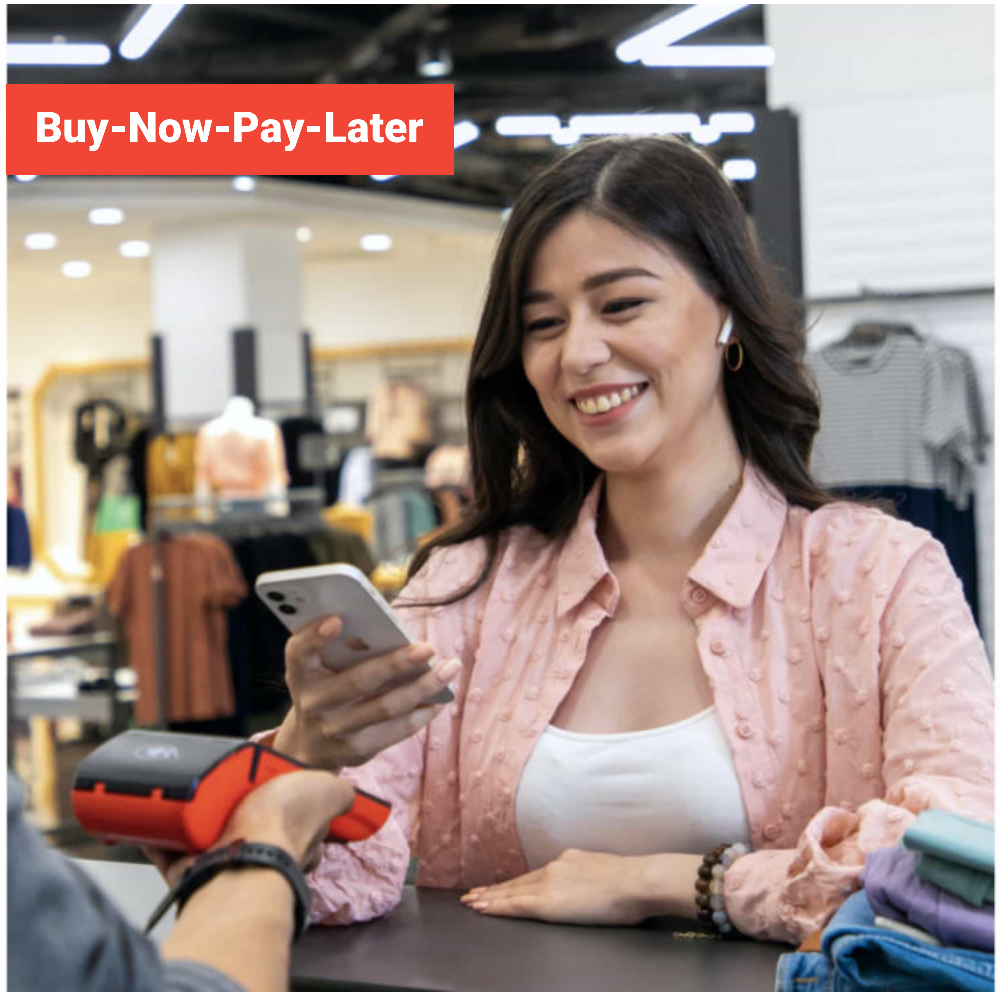
Marketplace adj. net income increased 40% year-over-year to KZT39,581 million, with net income margin of 60% broadly flat year-over-year despite substantial investments into our delivery offering, especially during 'lock-down'.

Going forward, we believe the addition of new merchants and a higher number of SKU's are the most important drivers of GMV/consumer and our long-term competitive advantage. In this regard, we see a substantial opportunity to accelerate merchant onboarding and are prioritising the development of innovative digital tools for merchants. With an enhanced merchant offering we expect to see a significant acceleration in Marketplace GMV growth in 2021.

Marketplace KPIs	2019	2020	Growth
Revenue (bn KZT)	45	66	47%
Adj.Net Income (bn KZT)	28	40	40%
Adj.Net Income Margin	62,6%	60,0%	
Number of Active Consumers ('000)	2 671	3 136	17%
Number of Active Merchants ('000)	21,8	32,1	47%
GMV (bn KZT)	627	818	30%
Take rate	7,1%	7,7%	

Fintech Platform





Overview

Our Fintech Platform allows consumers to instantly and seamlessly access, through the Kaspi.kz Super App, our digital finance products including consumer finance and deposits. Our buy-now-pay-later (BNPL) consumer finance products are also integrated with the Marketplace Platform, which means that consumers can buy now and pay in monthly instalments later. With risk management technology that can make credit decision within seconds, we offer a seamless shopping experience.

We believe that the number of transactions is crucial to the cash flow turnover in our Ecosystem and this thinking is key to our Fintech product development. We incentivise consumers to prepay any consumer finance product without 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.

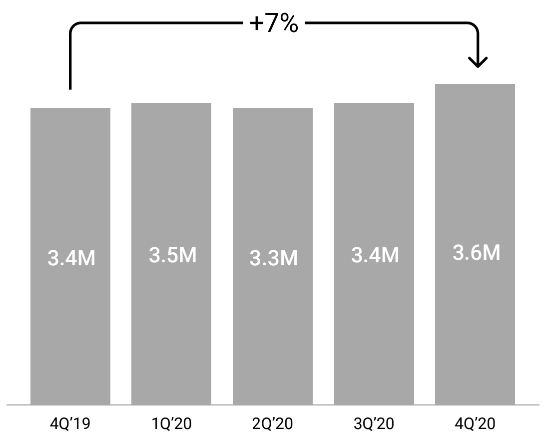
The short-term nature of all our financing and more specifically BNPL products allows us to quickly ramp-up or scale back origination as we observe changes in the consumer environment. With this in mind, following the onset of Covid-19, we significantly scaled back our TFV (Total Finance Value) origination in April and May. However, since June 2020, in line with the gradual recovery in consumer activity and transactions, we observed a corresponding recovery of our TFV. Origination from September was above pre-Covid-19 levels and TFV in December was the highest month of the year.

According to the NBK, in 2020, we were the leader in Kazakhstan in terms of Consumer Loans with 32% market share, and were second in terms of volume of retail deposits, with 18% market share.

Performance

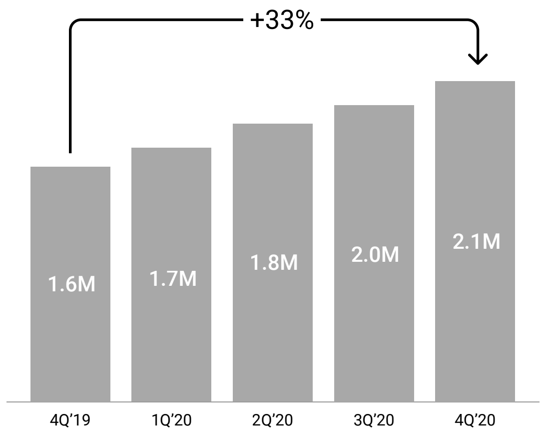
Fintech Platform active lending consumers reached 3.6 million by the end of 2020, equivalent to an increase of 7% year-on-year. Growth in new active consumers was at a slower rate than in our Payments and Marketplace Platforms which in part reflected our more cautious approach to new lending for most of the year.

Loan Consumers



Active deposit consumers however increased 33% year-over-year as consumers increasingly transfer funds into the Kaspi.kz Ecosystem, fuelling growth in our Payments and Marketplace Platforms and leaving us well positioned to fund higher TFV origination in 2021.

Deposit Consumers



During 2020 TFV declined 9% year-over-year, but increased 12% year-over-year to KZT693 billion in the final quarter of 2020, in sharp contrast to the 14% and 62% declines in the third and second quarters of 2020 respectively.

Our average net loan portfolio increased by 11% year-over-year, reaching KZT1.3 trillion by the end of 2020. Overall loan portfolio growth despite a 9% year-over-year decline in origination reflects lower levels of early repayments than was the case prior to the start of the pandemic. However, with the consumer backdrop continuing to improve and our increased focus on short duration and low ticket BNPL origination we expect a significant uptick in portfolio conversion in 2021.

Yield increased to 32.6% in 2020 from 32.2% in 2019 but declined to 31.5% in the fourth quarter of 2020 from 32.5% in the same quarter in 2019. Lower yield in the final quarter of 2020 reflected changes in the product mix, with general purpose consumer loans accounting for a lower share of TFV. Buy Now Pay Later accounted for 47% of origination in the final quarter of 2020 and our new Merchant and Micro Business Finance products accounted for 4% of TFV in 4Q20.

In 2020 our underlying credit related cost of risk improved to 1.8% from 3.5% in 2019. Improving cost of risk reflects the strength of our data driven real time risk management capabilities, which enable us to quickly adjust origination to reflect the changing economic reality, as well as our continuous efforts to improve the success of our collection processes.

The reversal of macro factor adjustments made in the first half of 2020 following the onset of Covid-19, reflects better than forecast economic trends and our excellent results collecting loans, delinquent more than 90 days. Consumer behaviour largely normalised and became more predictable in the final quarter of 2020 and this will likely continue to have positive implications for our cost of risk in 2021, which we target to be below 2.5%.

Fintech Platform revenue adj. revenue increased 14% year-over-year to KZT454,537 million in 2020. Adj. net income increased 27% year-over-year to KZT171,733 million with adj. net income margin reaching 37.8% from 33.9% in 2019. Improving profitability reflected favourable cost of risk trends and slightly higher yields year-over-year, combined with our increasing scalability.

Fintech Return on Equity reached 70.8%, up from 68.2% for the same period in 2019.

Assuming a more predictable macro-backdrop in 2021, we expect a substantial acceleration in TFV origination. Although we will continue to prioritise our BNPL product, approximately 10% of TFV growth will come from our recently launched merchant financing and SME Fintech products. Overall, we expect another strong year of profitability growth from our Fintech Platform in 2021.

Fintech KPIs	2019	2020	Growth
Adj.Revenue (bn KZT)	400	455	14%
Adj.Net Income (bn KZT)	135	172	27%
Adj.Net Income Margin	33,9%	37,8%	
Number of Active Consumers - loans ('000)	3 373	3 621	7%
Number of Active Consumers - savings ('000)	1 591	2 121	33%
TFV (bn KZT)	2 004	1 833	-9%
Average Net Loans (bn KZT)	1 145	1 274	11%
Average Savings (bn KZT)	1 407	1 829	30%
Yield	32,2%	32,6%	
CoR	3,5%	1,8%	
Conversion rate	1,7	1,4	

Our Growth Strategy

Our growth is underpinned by structural drivers and economic recovery

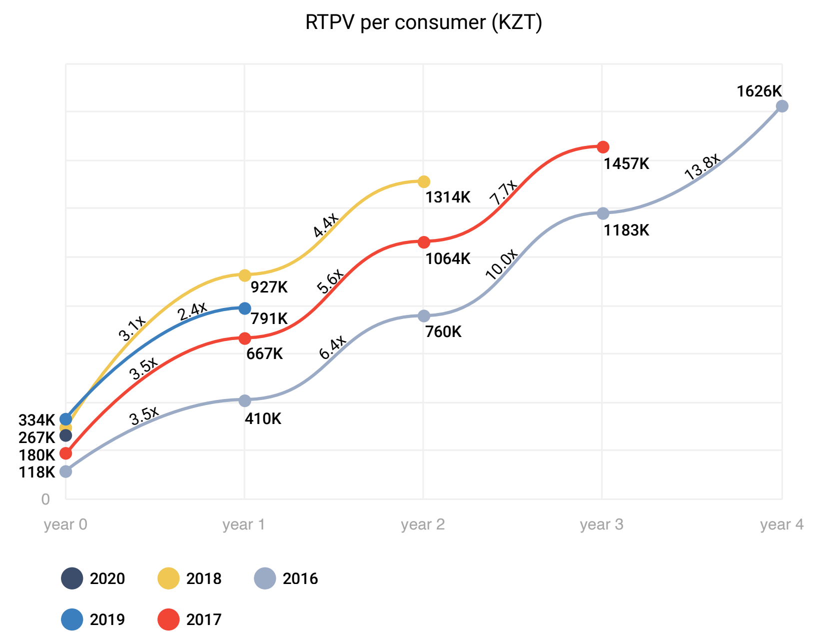
Mobile digital payments, shopping and financial services are experiencing structural growth globally, with Kazakhstan in the relatively early stages of this transition. In the short term, Covid-19 has accelerated the shift from offline to digital platforms, which has been reflected in the usage of Kaspi.kz's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

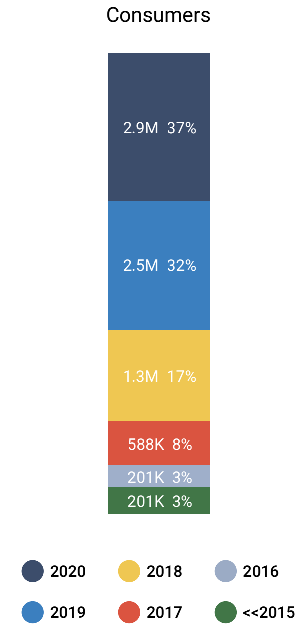
- Digital payments in Kazakhstan accounted for 67% of transactions in 2020 but in a post Covid-19 world, globally the transition to cashless societies is gaining momentum.
- Online retail sales, which accounted for 5.2% of the total retail market in 2020 are significantly below other markets. Our Marketplace also extends beyond online as we continue digitalising the in-store shopping experience with Kaspi.kz Super App and Kaspi QR- technology.
- Penetration of consumer financial services is low, with consumer loans accounting for only 6.8% of GDP in 2020 (based on data from the NBK and the MNE).

Long-run structural growth should be supported by a post Covid-19 economic recovery. In 2021 Kazakhstan's real GDP is forecast by the NBK to grow by between 3.6-3.9%, following a decline of 2.6% in 2020. In 2022 growth is expected to accelerate to between 4.0-4.3% as the economy returns to its long-run robust growth trajectory.

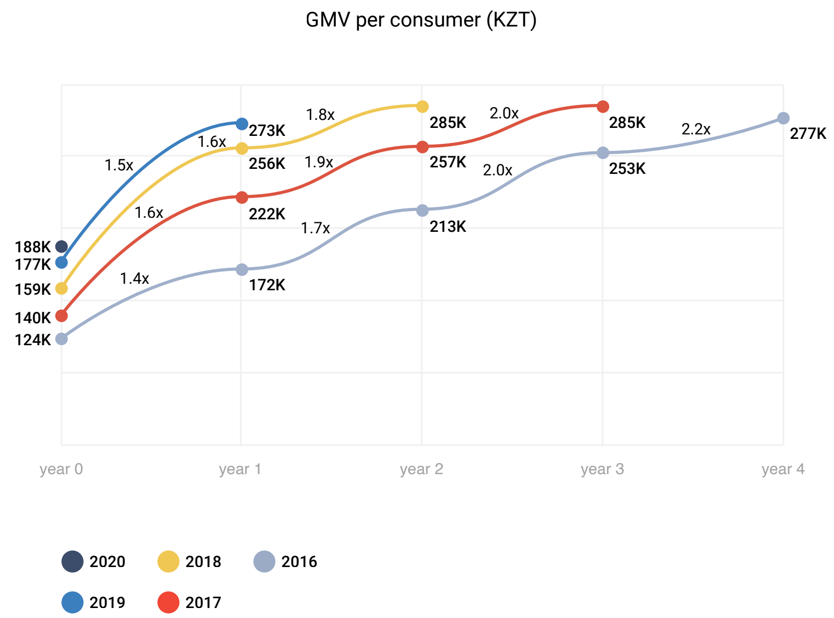
Our Payments and Marketplace Platforms have significant growth potential

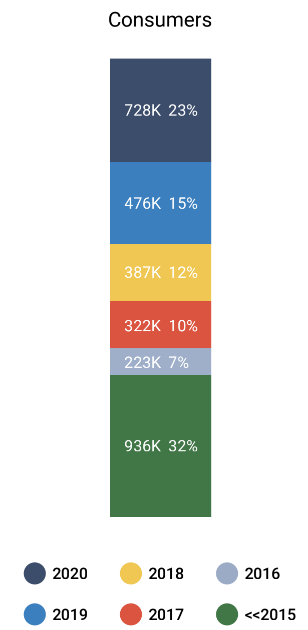
Cohort analysis for our Payments Platform shows that RTPV per consumer has increased 13.8x over 4 years and that both new and older consumers continue to contribute to strong RTPV growth. With 86% of Payments Platform consumers coming from our 2018, 2019 and 2020 cohorts we expect strong RTPV growth to continue into the mid-term.





Marketplace Platform cohort analysis shows that GMV per consumer has increased 2.2x over 4 years and that both new and older consumers continue to contribute to strong RTPV growth. With 50% of Marketplace Platform consumers coming from our 2018, 2019 and 2020 cohorts we expect strong GMV growth into the mid-term and this trends should be especially pronounced in 2021, as street retail opens driving an accelerating trends in our m-Commerce Marketplace solution





We aim to grow consumers, merchants and transactions by expanding services and products on our 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. 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 further growth.

In 2020 we released more product than ever before, with Kaspi Pay PoS Solutions, Kaspi QR Scan & Pay, Kaspi Travel, online merchant finance and a range of in-app government services some of our most important launches. In 2021 these latest products will add to our revenue growth and we have an exciting pipeline of new products and services which will be launched over the next year. By leveraging Kaspi.kz Super App infrastructure, we expect new initiatives to quickly have market leading shares, sustaining our top-line growth and profitability into the medium-term.

We will cross sell all of our platforms to all of our users

With 9.1 million MAU we have a high level of scale with consumers. However, at the end of 2020 only 35% of our consumers used 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 and in 2021 we expect to see cross platform usage accelerate.

We can scale further with merchants

We finished 2020 with 53k active merchants but with an even greater strategic focus on innovation for merchants than has been the case previously, we believe we can scale this number substantially over the next couple of years. Just as with consumers, the opportunity is not just to onboard new merchants, but to leverage them across all of our platforms. The rollout of Kaspi Pay in 2021 is the main way in which we will on-board new merchants and the Kaspi Pay Super App will subsequently allow merchants to adopt more services, including m-Commerce and Kaspi Merchant Financing.

As we continue expanding our merchant base, we can also launch new innovative services. We recently launched Kaspi Marketing, which will enable all our Payments and Marketplace merchants to promote their products through the Kaspi.kz Super App. We will gradually roll-out the service over 2021.

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

Regional expansion

In Azerbaijan our three leading classified platforms have continued to scale their users, revenue and profitability since being acquired by Kaspi.kz in 2019.

Following on from our initial success in Azerbaijan we will continue to explore international opportunities across Central Asia and Eastern Europe. Typically the region is characterised by high levels of cash usage, limited digital payments infrastructure, low e-Commerce penetration and low consumer leverage. The presence of these factors contributed to our initial success in Kazakhstan and when combined with our highly scalable asset light business model should enable us to expand efficiently across the region over the mid-term.

Our Competitive Strengths

In 2020 the end result was another year of record-breaking user and financial growth. 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. With 9.1 million MAU the Kaspi.kz Super App is one of the most popular mobile apps in Kazakhstan. Our Average DAU to MAU ratio increased to 54% in December 2020, which is amongst the highest levels of user engagement of any leading Super App globally.

With the Kaspi.kz Super App, our consumers can pay, shop and manage their personal finances amongst other services. All of our services are designed to be used frequently by a large number of people, contributing to a highly engaged user base. Interaction between services creates a one-stop-shop solution and a virtuous demand cycle.

We believe that our Super App eliminates the conventional offline/online boundaries between payments, shopping and finance, increasing the number of use cases for our services.

High Super App usage gives all of our key services no.1 market positions

With a highly popular Super App, this in turn propels our Payments, Marketplace and Fintech Platforms to leading market shares. 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.

- Our TPV corresponded to a market share of 69% in digital transactions (NBK).
- Kaspi.kz's proprietary payment network transactions accounted for 67% of the total payment network transactions, with Visa and Mastercard accounting for almost all remaining transactions (NBK).
- Our e-Commerce GMV corresponded to a market share of 62% (PwC) and the Marketplace Platform's total GMV was equivalent to 7.1% of Kazakhstan's retail trade in 2020 (MNE).
- Our market share of consumer loans was 32% and our market share of retail deposits was 18% (NBK).

Significant volumes of proprietary data contribute to superior product development and risk management

Our Active Consumers make on average around 28 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 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.

Highly integrated services and leading market shares contributes to highly profitability

Our Ecosystem's diverse and complementary array of services results in powerful network effects, with the growth and development of one service contributing to the growth of other services.

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.

Strong network effects reduce customer acquisition costs and when combined with high consumer retention the result is significant operating leverage and structurally high profitability.

Long-standing team and unique corporate culture

Our corporate culture is central to our success and is based on our mission of leveraging technology to improve the everyday lives of people. The key members of the management team have each been with the company 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.

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.

In 2021 the expansion of our equity settled LTIP program to a broader number of employees is another step aimed at differentiating our corporate culture in Kazakhstan and ensuring our best employees are incentivized into the long-term.

Social Responsibility

From the beginning, Kaspi.kz's central purpose has been to develop modern digital products and services that improve people's lives. In addition, at our core is a commitment to playing a key role addressing the needs of a wider group of stakeholders, namely our employees and the community in which we live and operate. To achieve our objectives, we first and foremost must continue to deliver growth, increased competitive advantage and strengthen our position as Kazakhstan's leading mobile ecosystem.

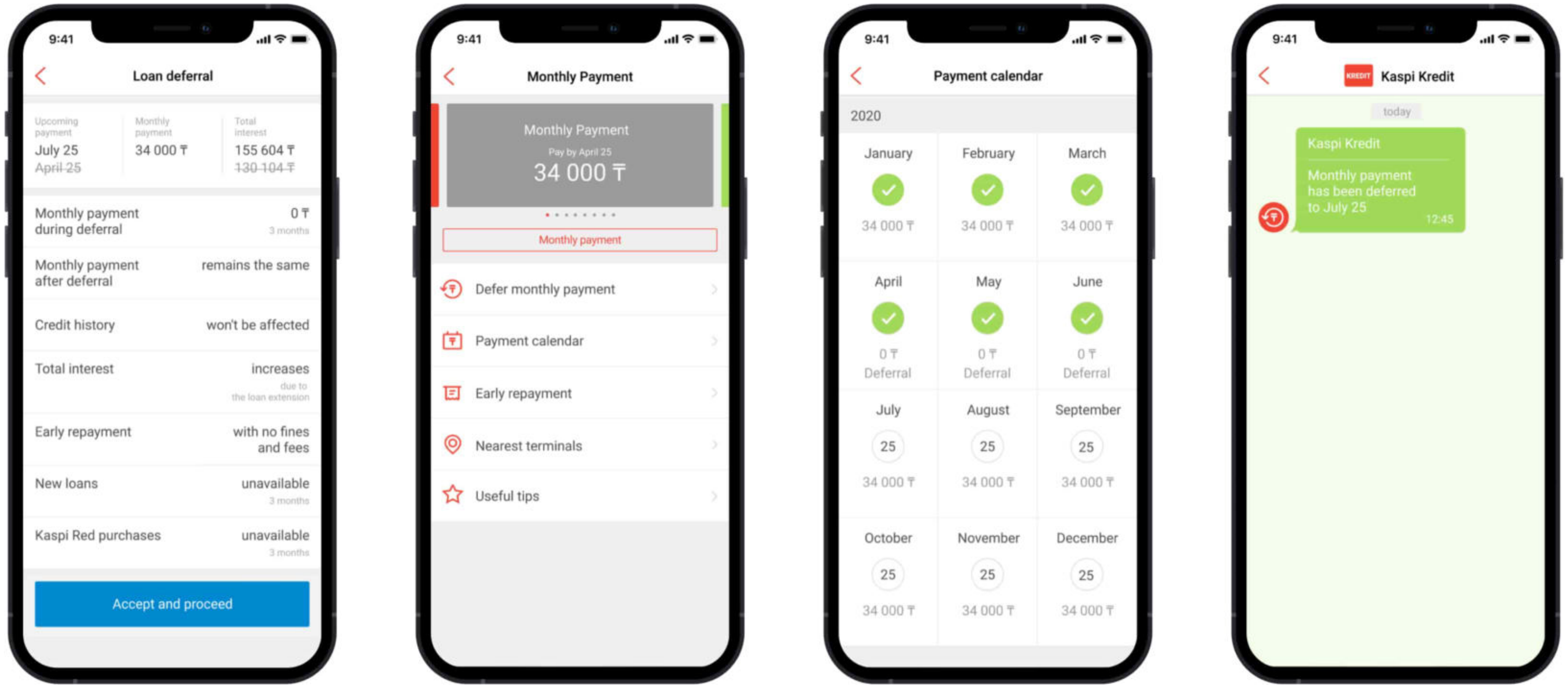
Our mission took on added importance in 2020, amidst the Covid-19 pandemic and the resulting unprecedented challenges. Some of the areas in which Kaspi.kz demonstrated leadership through the pandemic, as well as making progress on long-term Environmental, Social and Governance (ESG) initiatives included:

Consumers and merchants

> Kaspi.kz's most important stakeholders are our customers

Many of our customers were severely impacted by the economic fallout from the pandemic. To support consumers experiencing temporary financial difficulties, we launched a consumer loan repayment deferral programme. Consumers were able to postpone three upcoming monthly payments to later periods all via the Kaspi.kz Super App. The programme fully complied with the Kazakhstan government's support measures.

For our merchant customers, the ability to continue trading on our Marketplace Platform, especially during the lockdown period, made Kaspi.kz an indispensable ally. During lockdown we made significant investments in delivery subsidies, enabling our e-Commerce merchants to offer free delivery to consumers, at a time when this additional service really made a difference.



Our products and services have never been more relevant

Digital transformation is a key element of our long-term strategic vision, but over the last year became essential to getting our customers through the crisis. Newly launched products and services, such as Kaspi QR Scan & Pay, which enables safe, contactless payments for in-person purchases, perfectly met the needs of consumers and merchants alike.

Other previously launched products, such as our ATM's equipped with Kaspi QR biometric facial recognition technology and the ability to pay household bills commission free, without leaving home via the Kaspi.kz Super App also helped to put Kaspi.kz in a strong position to meet our customers rapidly changing needs.

For those consumers, who were not Kaspi.kz customers, our Super App enabled them to open an account fully remotely, with their Kaspi Gold debit card available in less than 60 seconds using Kaspi Kartomat, a proprietary device designed by the Kaspi.kz team.

Data responsibility, privacy and platform security

We strive to provide simple, secure and reliable digital services for consumers and merchants. To do this Kaspi.kz must remain a trusted brand and this guides our efforts to ensure a culture of data responsibility and customer empowerment through education, platform enhancements and product innovations.

First and foremost we must comply with data protection and privacy laws in Kazakhstan. The Law of the Republic of Kazakhstan "On Personal Data and the Protection Thereof" No. 94-V ZRK, dated 21 May 2013 (as amended) is a special legislative act that established a framework for the protection of personal data. Failure to operate effective data controls in respect of the collection, use, processing and storage of such personal data, as prescribed by law, could potentially lead to administrative fines, financial costs, reputational damage and undermine trust in the Kaspi.kz's Ecosystem and brand. We continually invest in our systems and processes to enhance the safety and security of our products and customer's data. However, ultimately data protection is embedded in product design and leveraged across all Kaspi.kz platforms.

Proprietary customer onboarding technology incorporating biometrics, e-sign and other identity verification checks helps us to detect fraudsters early. Removing the password requirement and using 2-factor authentication for new device sign ups helps substantially mitigate the risk of external breaches, while simplifying the sign on process so that customers have quick and secure access. Ease of use also helps merchants, who benefit from higher sales conversion via seamless sign-on for their customers. Our cybersecurity risk management allows us to identify, analyze and monitor action plans to minimize exposure.

Annual audits tell Kaspi.kz users that all our processes related to data processing, storage and transmission of data are protected at the highest level and fully meet international information security requirements. We are transparent about the data we collect and how we use it and we aim to stay head of the regulatory curve. For our consumers, we also run multiple education campaigns aimed at helping them to protect their personal data and identify fraudulent behavior.

We strive to ensure our platform is safe and reliable for all to use and expect all customers, both consumers and merchants, to comply with our acceptable use policy, which outlines prohibited activities and conduct. We work proactively to identify violations and take remedial action, ensuring the long-term health of our ecosystem.

We do not sell and never will sell our customers data to third-parties.

Employees

Supporting our employees during COVID-19

We consistently take steps to ensure our commitment to our employees is backed by action.

As Kazakhstan implemented its first lockdown, we mobilized nearly 100% of our head office workforce to work remotely and enabled flexible work arrangements. For those mission-critical employees that remained in the office, additional health and safety measures were introduced, including rapid testing and medical support where needed. Across our retail outlets, we also adopted enhanced sanitary measures.

Talent acquisition and development are core Kaspi.kz competencies

We continue to hire the best professionals on the market to support both our existing products and future plans. In the case of our IT and data scientists, we often recruit University graduates and then offer a mix of classroom and on the job training and career development.

Our Kaspi Lab's corporate university program is specifically designed to recruit Kazakhstan's top University graduates, offers courses in data science, Java and net development and fits our culture of long-term learning and development. We received over 10 thousand applications and 120 students graduated from Kaspi Labs in 2020.

By the end of 2020, Kaspi.kz's headcount exceeded 9 thousand, including around 1,2 thousand people in IT, data science and product development. 55% of our employees are female, 45% male. The average employment term is around 4 years, voluntary employee turnover stood at 15%, with around 35% of employees working with us for longer than five years. The average age of employees at Kaspi.kz is around 30.

In 2020 we launched our new equity linked LTIP program

For many of our employees the attraction of Kapsi.kz, is the ability see the products and services they develop used and loved by our customers. We also offer a modern working environment, with transparent career progression. We provide highly competitive fixed-rate salaries and bonuses, regularly assess employees' performance and give feedback for future career development.

Following the completion of our IPO we introduced an LTIP designed to retain and motivate our key employees and drive sustainable long-term performance, consistent with the ingredients of shareholder value creation. Participants receive awards in the form of nil-cost equity options and/or cash-settled rights adjusted for the prevailing market-price of our GDRs. This program is long-term in nature, vesting over a period of up to five years.

In 2020 the LTIP program included 23 of our most senior employees and Board of Directors, however in future years we expect to increase participation, gradually increasing to include around the top 100 members of our team. The Board of Directors, upon recommendation from the Remuneration and Strategic Review Committee, will be responsible for determining who participates in the LTIP, the terms of any such individual's participation and the schemes administration.

We granted 1,911,115 GDR's in 2020, of which 382,223 vested in the first quarter of 2021, with the remainder expected to vest annually through 2025. Cash settled phantom shares, equivalent to 89,488 GDR's vested in the first quarter of 2021, with the same amount expected to vest in the first quarter of 2022.

From our treasury GDR's we have reserved 5,783,885 GDRs for the purpose of future equity settled LTIP awards.

Community

We leverage the scale of our platform, resources and leadership to make a difference in our community

We're committed to expanding economic opportunity for all and believe entrepreneurs and SME's will play an important role in economic recovery, as we emerge from the pandemic.

Our ecosystem is an important enabler of small and medium sized businesses. In turn, SME's make Kaspi.kz a larger, deeper and more vibrant ecosystem for consumers. Kaspi Pay has emerged as the major enabler of digital payments in Kazakhstan, bringing entrepreneurs into the formal economy and rapidly transitioning Kazakhstan's economy away from cash. In 2020 linked to the roll out of Kaspi Pay, we worked with the Ministry of Digital Development to enable entrepreneurs to register their business as a legal entity, fully digitally, through the Kaspi.kz Super App. Registered entrepreneurs can then sign-up to Kaspi Pay in less than 10 minutes and start receiving payments from their customers.

Other ways in ways in which Kaspi.kz contributed to the community over the last year have included:

- For consumers, we worked with the Ministry of Labour and Social Protection to make COVID-19 social payments available digitally through the Kaspi Gold mobile wallet. Funds could be withdrawn at Kaspi.kz ATM's fully contactless and without a card, household bills could be paid commission free through the Kaspi.kz Super App, with online shopping available using our e-Commerce platform. Kaspi.kz was responsible for delivering around two thirds of the 7 million social payments made across Kazakhstan.
- Kaspi Kartomat is now open license, which means any bank in Kazakhstan can use our technology to make debit cards for their customers, available in less than 1 minute, contact free and without the need to visit a branch.
- We donated 100K COVID 19 express tests.
- In cooperation with Qazaq Geography, we are developing multiple programs, aimed at protecting the environment, improve the climate, developing science, creating modern infrastructure and initiatives to beautify Kazakhstan's national parks.

We set the standard for responsible consumer finance

Financial knowledge is the key tool that allows consumers to benefit from their finances. 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 gives our consumers' confidence in all of our products and services, which in turn drives their engagement in our ecosystem.

Through the Kaspi.kz Supper App consumers can see shopping analytics, helping them to manage their spending by category.

Our core BNPL lending proposition is short-duration, small-ticket, offers interest free borrowing for 3 months and encourages consumers to prepay, without incurring penalties and charges.

When our consumers experience repayment difficulties, 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 including reminders through Kaspi Message on our Super App to remind consumers of how and when to pay. 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.

After 90 days of delinquency, we stop charging interest and penalties, effectively freezing the outstanding loan for a consumer making recovery easier. We also stop making new financing available through our ecosystem. At this point, we engage a large number of licensed debt collection companies. 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 typically collect 40% of loans that are more than 90 days overdue

Kaspi Deposit gives consumers access to simple, low-risk savings with the possibility of using their money at any time. Account can be opened through the Super App in less than 1 minute, with a minimum balance of just 1,000 tenge

Kaspi Pay gives merchants information of strategic value that allows them to better manage and grow their business.

In 2020 we launched Kaspi Kids aimed at children 10 years and older, which we hope will help introduce future generations to basic financial literacy.

Asset, Liability and Risk Management

The main objectives of risk management is to ensure the safe and sustainable growth of our business with a systematic approach to identification, measuring, managing and monitoring all risks the company is exposed too. The risk appetite of the company is set in a way to ensure the solvency of the company in the event of expected losses and losses from unexpected but possible negative events.

The risk level is subject to regular stress tests that are performed internally as well as part of the Supervisory Review Process by means of bottom-up and top down stress tests. Material risk arises mainly from: Credit risk, Liquidity risk, Market risks, Operational risks and Information technology and information security risks.

Credit Risk

In the course of our operations, we are exposed to credit risk, namely the risk that one party to a financial instrument fails to discharge its obligations and thereby cause the other party to incur a financial loss. Our credit risk exposure arises primarily from our 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, we have centralised all processes related to decision making, verification and accounting. We have developed an automated, centralised and big data driven proprietary loan approval process that enables us to make instant credit decisions. Fully centralised risk management function is responsible for maintaining scoring models and the decision-making process.

The quality of approved loans is monitored by the risk management unit on a day-to-day basis with periodic validation of risk management strategies and models. In terms of credit risk, the risk management function comprises independent modelling, anti-fraud, monitoring and provisioning divisions.

Our data-driven decision making process is based on (i) data engineering (we constantly enrich our proprietary customer data using multiple touchpoints including transactional data, behavioral data and shopping information); (ii) data preparation (we structure collected data for use in risk management and do not share with third parties unless required by law); (iii) data analysis (we employ our proprietary risk algorithms, sophisticated predictive scoring models and machine learning for the analysis of structured data, after which 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.

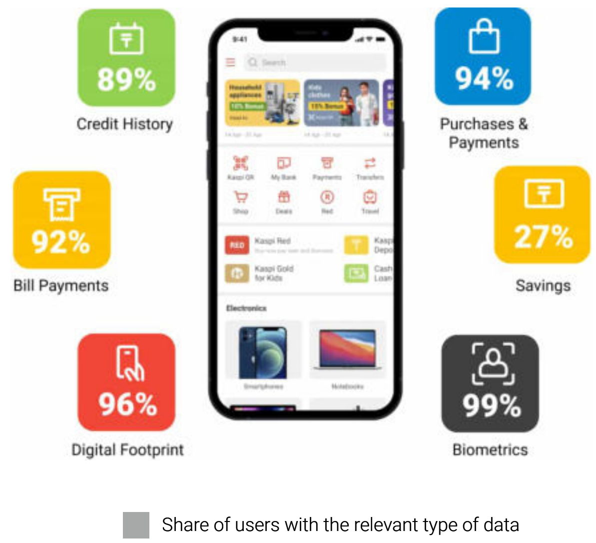
Credit Approval

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 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, behavioral, 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 analyzed on a continuous basis for effectiveness and validity. The additional proprietary data constantly accumulated around our customer's activity within our ecosystem enables us to continuously improve our credit decision-making process, thereby managing our risk at acceptable levels.

The chart sets out the share of Kaspi.kz's consumer finance applicants with the corresponding proprietary data records in 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 the Kaspi Message service of the Kaspi.kz 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 received 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 call centre business unit 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 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. The process is automated among the banks, 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, we issue a termination notice declaring that the outstanding principal amount, accrued interest and penalties are immediately due and payable. We do not charge any interest or penalties beyond 90 days of delinquency.

Borrowers who are over 90 day's 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.

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

Write offs

Loans to customers are written off against the allowance for impairment losses. However, the write off of a loan does not indicate that no further action 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.

Security and Fraud Prevention

We maintain a system of controls designed to keep fraud risk at or below acceptable levels. For example, in order to prevent fraud, we leverage 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, we also leverage 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 and signed 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.

Liquidity Risk

We are exposed to liquidity risk arising out of potential mismatches between the maturities of our assets and liabilities, which could result in us being unable to meet our obligations in a timely manner without incurring substantial losses. Our liquidity risk exposure arises primarily from potentially significant and unexpected withdrawals of deposits.

A major part of our liabilities consists of retail customer accounts with an average contractual maturity of less than two years. Individuals have the 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 a reliable and long-term funding base. In 2020, the average balance of our retail customer accounts was around KZT800 thousand and 97.0% of deposits that matured in 2020 were extended, which illustrates the diverse and stable nature of our funding base. As at 31 December 2020, approximately 80% of our deposits by individuals were under the insurance cap by KDIF (Kazakhstan Deposit Insurance Fund).

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 Government of Kazakhstan.

Market Risks

Market risk management covers interest rate risk, currency risk and securities portfolio risk to which the Group is exposed.

Interest Rate Risk

We have 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 company'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 company'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 contingent assets in a foreign currency are either greater or less than the actual or contingent liabilities in that currency.

We manage our currency risk by maintaining a modest open currency position as well as entering into currency derivative contracts with high quality counterparties. 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.

Operational Risks

The operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. All-around automatization and centralization of our processes minimises operational risk, and provides instant and well described data on operational risk events. Nevertheless, we have in place well developed operational risk framework, that ensures sound management of risk.

We have developed big data-driven advanced anti-fraud models, that detect fraudulent behavior with high certainty, and helps us to manage operational risk with minimal impact to customer experience. We also have in place risk identification and its instant log process, that ensures well-timed escalation, allowing balanced and prudent decision making at early stages of risk development.

To ensure proactive risk control and minimization all processes are constantly reviewed, covering the lifecycle of the products involving product office, risk management, compliance, accounting and the management of the company. The review of processes can be internally driven or based on external cases, that are constantly drawn-up from all available data sources. On a systematic basis we conduct self-assessment processes to get in-depth insight into plausible risks of poor processes and take timely actions to prevent loss or minimization of its severity.

Information technology and information security risks

During day-to-day operations the company is exposed to Information technology and information security risks which are the probability of losses due to malfunction of information and communication technologies and probability of losses due to breach of confidentiality, intended breach of integrity and availability of information assets, respectively.

We continuously upgrade our platforms to provide increased scale, improved performance, additional built-in functionality (including functionality related to security) and additional capacity investing significant time and resources. We ensure data confidentiality, data integrity and instant availability of services in normal and extreme circumstances, using state of art technologies and employing defense in depth concepts for information security.

Effectiveness of our business continuity plans was affirmed by practical actions when the major part of our staff were moved to remote work in a few days, with no interruption to the internal and external processes of the company, during national lockdown as a result of the COVID 19 pandemic.

Kaspi.kz

Board of Directors

Vyacheslav Kim
Chairman of the Board of Directors

Vyacheslav is a co-founder of Kaspi.kz and has been with the company since its inception and currently serves as the Chairman of the Board of Directors. Vyacheslav is a prominent businessman with extensive experience in 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. Vyacheslav 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.

Mikheil Lomtadze
Member of the Board of Directors and CEO

Mikheil is a co-founder of Kaspi.kz and currently serves as the CEO. He joined the company in 2007. Prior to that, Mikheil was a Partner at Baring Vostok Capital Partners. From 1995 to 2000, Mikheil founded and managed GCG Audit, the leading strategy consulting and auditing firm in Georgia, which later became part of the Ernst & Young. In 2018, 2019 and 2020, he was named the best CEO in Kazakhstan according to the survey carried out by Forbes and PwC. Mikheil received a Bachelor's degree from the European School of Management (Georgia) and an MBA degree from Harvard Business School (2002). He is currently a member of Harvard Business School's Middle East & North Africa Advisory Board.

Nikolai Zinoviev
Non-Executive Director

Nikolai serves as a Non-Executive Director of the Company. Nikolai 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, Nikolai is founder and CEO of the leading B2B online marketplace Superbrands.ru. He 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.

Douglas Gardner
Independent Non-Executive Director

Douglas (Doug) serves as an Independent Non-Executive Director of the Company. Doug has previously held Board and Audit Committee Chairman positions for retail companies, financial institutions, 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, Doug held the post of Managing Partner for Ernst & Young Russia, Kazakhstan and CIS. He is a Certified Public Accountant. Doug graduated from the University of Oklahoma with a Bachelor's of Business Administration in Accounting.

Alina Prawdzik
Independent Non-Executive Director

Alina serves as an Independent Non-Executive Director of the Company. Alina 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, Alina worked at e-Bay.com as a Regional Manager responsible for European Emerging Markets and as a General Manager responsible for International Expansion Europe. Alina graduated from the University of Gdansk (Poland), majoring in International Trade.

Szymon Gutkowski
Independent Non-Executive Director

Szymon serves as an Independent Non-Executive Director of the Company. Szymon is a Managing Partner of DDB Poland, the leading marketing strategy company in Poland. From 2014 to 2018, Szymon was President of the Polish Marketing Communication Association, and since 2017, he has been a Member of the Client Advisory Board of Facebook in Poland. Szymon is decorated with the Knights Cross of Polonia Restituta Order. He received a degree from Warsaw University in Theoretical Mathematics and an executive MBA from the joint program of the University of Illinois Urbana-Champaign and the International Management Centre of Warsaw University.

Management Board

Mikheil Lomtadze
Co-founder and CEO, Chief Ecosystem Officer

Mikheil is a co-founder of Kaspi.kz and currently serves as the Chairman of the Management Board. He joined the company in 2007. Prior to that, Mikheil was a Partner at Baring Vostok Capital Partners. From 1995 to 2000, Mikheil 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, 2019 and 2020, he was named the best CEO in Kazakhstan according to the survey carried out by Forbes and PricewaterhouseCoopers. Mikheil received a Bachelor's degree from the European School of Management (Georgia) and holds an MBA degree from Harvard Business School (Class of 2002).

Yuri Didenko
Deputy CEO, Head of Capital Markets

Yuri is a member of the founding management team. He joined the company in 2007 and currently serves as a Deputy CEO and Head of Capital Markets, responsible for capital markets and treasury. Yuri has extensive experience in investment and financial analysis. Prior to joining the company, he was a Director of Investments at Baring Vostok Capital Partners, the leading private equity firm in CIS. Yuri graduated from Kyiv National Economic University with a degree in Finance and is a CFA Charterholder. He also graduated from the Harvard Business School GMP programme (Class of 2015).

Pavel Mironov
Deputy CEO, Chief Operating Officer

Pavel is a member of the founding management team. He joined the company in 2008 and currently serves as a Deputy CEO and Chief Operating Officer, responsible for the company's daily operations. He has extensive experience in technology. Prior to joining Kaspi.kz, Pavel worked at Tieto, a leading European IT and software company, and covered projects in Russia, Georgia, Kazakhstan and other CIS countries. Pavel graduated from the Moscow Institute of Electronics and Mathematics of the Higher School of Economics with a degree in Computer Science. He also graduated from the Harvard Business School GMP programme (Class of 2015).

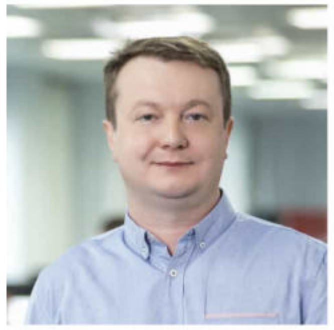
Tengiz Mosidze
Deputy CEO, Chief Financial Officer

Tengiz is a member of the founding management team. He joined the company in 2008 and currently serves as a Deputy CEO and CFO. Tengiz has extensive experience in the area of finance. Prior to joining the company, he worked at Ernst & Young as a Financial Manager for the Caucasus and Central Asia region. Prior to that, Tengiz was part of the World Bank team responsible for the development of microfinance organisations in Georgia. Tengiz received a Bachelor's degree and a Master's degree in Finance from the European School of Management (Georgia). He also graduated from the Harvard Business School GMP programme (Class of 2013).

Management Team

David Sarkisyan
Head of e-Commerce

David joined the company in 2013 and currently serves as Head of e-Commerce. Prior to joining the company, he worked as Head of Technology Projects at Kaspersky Lab and as a Project Manager, Team Lead and Software Developer at CQG, Inc. David graduated from Moscow Institute of Electronics and Mathematics in 2001.

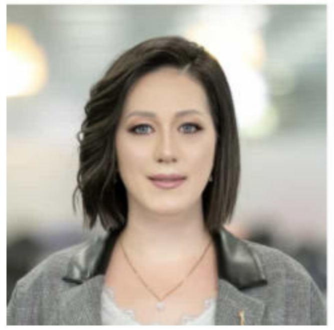


Sergey Timokhin
Head of Payments

Sergey joined the company in 2010 and currently serves as Head of Payments. Prior to joining the company, he worked at various payment technology businesses. Sergey graduated from the Kazakh State National University Al-Farabi in 2000 with a degree in Computer Science.

Saltanat Zhumabay
Head of Products

Saltanat joined the company at inception and currently serves as Head of Products, primarily responsible for product development in fintech and government services. She graduated from the Kazakh National University Al-Farabi in 2004 with degree in Applied Mathematics.



Oksana Ageyeva
Head of Kaspi Service

Oksana joined the company at inception and currently serves as Head of Kaspi Service, responsible for providing operational support to businesses across Kaspi.kz. She graduated from International Academy of Business in 2003 and the Kazakh Academy of Labor and Social Relations with a degree in Law in 2007.

David Ferguson
Head of Investor Relations

David joined the company in 2020 and currently serves as Head of Investor Relations. He has extensive experience in equity research and capital markets. Prior to Kaspi.kz, David worked at Renaissance Capital and Barclays. David graduated from University of Durham with a Bachelor degree in Politics in 1999.

Sandro Berdzenishvili
Head of Kaspi Pay

Sandro joined the company in 2014 and currently serves as Head of Kaspi Pay. Prior to that, he worked as Head of Business Development in Universal Card Corporation (Georgia). Sandro received MBA from Free University of Tbilisi Business School in 2010 (Georgia).

Anuar Yelshibayev
Head of Kaspi Travel

Anuar joined the company in 2011 and currently serves as Head of Kaspi Travel. Anuar has extensive experience in developing online services across companies. Anuar graduated from the Kazakh National University Al-Farabi with a degree in Computer Science in 2004.

Bota Turapbaeva
Head of Net Promoter Score

Bota joined the company at its inception and serves as Head of Net Promoter Score. Bota graduated from the Al-Farabi Kazakh State National University with a degree in Economics and Management in 2000.

Sergey Barkalov
Head of Design & UX

Sergey joined the company in 2014 and currently serves as Head of Design & UX. Prior to joining the company, he worked as a Project Manager at Tinkoff. Sergey graduated from the Moscow Institute of Physics and Technology with degree in Applied Mathematics in 2010 and the Russian School of Economics (Moscow) with degree in Economics in 2011.

Arseniy Kochetkov
Head of Kaspi Marketing Services

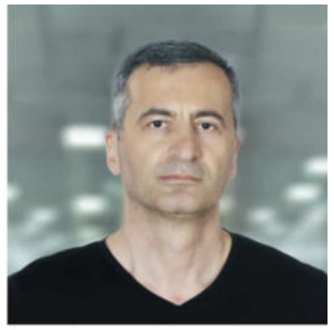
Arseniy joined the company in 2017 and currently serves as Head of Kaspi Marketing Services, our advertising platform for merchants. Prior to that, he worked at a leading financial company in Kazakhstan. He graduated from the Kazakh Economic University with a degree in Economics and Business in 2010.

Duman Uvatayev
Chief Data Officer

Duman joined the company in 2012 and currently serves as Chief Data Officer. He is responsible for big data analytics, machine learning, artificial intelligence and biometrics in various businesses across Kaspi.kz. Duman graduated from Central Asian University with a degree in Finance in 2010.

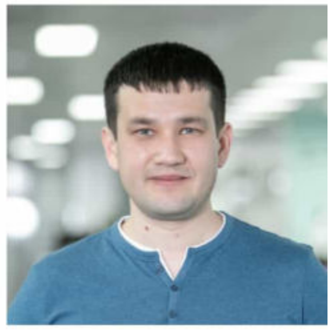
Marina Bolibok
Head of Kaspi Allo

Marina joined the company in 2006 and currently serves as Head of Kaspi Allo, responsible for customer service, telemarketing and soft-collection. Prior to that, Marina worked at a leading telecom operator in customer care. Marina graduated from the Alma-Ata Pedagogical Institute of Foreign Languages in 1990.



Mamuka Kirvalidze
Head of Azerbaijan Business

Mamuka joined the company in 2007 and currently serves as a Head of Azerbaijan. Before that, he was head of IT at Kaspi.kz. Prior to joining the company, Mamuka worked at Ernst&Young Georgia. He graduated from Tbilisi State University in 1996 with a degree in Applied Mathematics.



Jomart Kapanov
Chief Risk Officer

Jomart joined the company in 2007 and currently serves as Chief Risk Officer, responsible for risk management and the collection platform. Jomart graduated from Kyzylorda State University Korkyth Ata in 2004 and has an MBA from MBA School (Russia).

Oleg Bakhmutov
Head of People

Oleg joined the company in 2010 and currently services as Head of People. Prior to that, he was Head of Corporate University at a leading mobile operator in Kazakhstan and Head of HR at Sberbank (Kazakhstan). He graduated from the Academy of Architecture and Civil Engineering in 2002.

Olesya Vasileva
Head of Support

Olesya joined the company at its inception and currently serves as Head of Support, providing customer support across all Kaspi.kz businesses. Olesya graduated from the International Academy of Business with a degree in Finance in 2007.

Yevgeniy Popov
Head of Treasury

Yevgeniy joined the company in 2016 and currently serves as Head of Treasury. Prior to joining the company, he was Head of Financial Markets Operations at Sberbank (Kazakhstan). Yevgeniy graduated from the Al-Farabi Kazakh National University with a Master's degree in Information Systems in 2002.

Kanat Aitenov
Head of Network

Kanat joined the company in 2012 and currently serves as a Head of Network. Prior to joining the company, he worked at Societe Generale (France) and a major financial company in Kazakhstan. Kanat graduated from the Kazakh University of International Relations and World Languages in 2004.

Sabyrzhan Berkinbaev
Head of Local Legal

Sabyrzhan joined the company in 2008 and currently serves as a Head of Local Legal. Prior to joining the company, Sabyrzhan held senior positions in a leading legal firm. Sabyrzhan graduated from the Higher School of Law "Adilet" with a degree in Law in 1999.

Veronika Polishuk
Head of Kaspi Guide

Veronika joined the company in 2013 and currently serves as a Head of Kaspi Guide. She has extensive experience in journalism, social media marketing and search engine reputation management. Veronika graduated from the Kazakh American University with a degree in journalism in 2008.

Corporate Governance Bodies

Board of Directors

The Board of Directors is the primary supervisory body of the Company committed to the highest standards of corporate governance. The Board of Directors, among other functions, approves appointments to the Management Board of the Company, approves material acquisitions and disposals by the Company, and forms the audit and remuneration and strategic review committee

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.

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.

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.

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.

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.

	Board of Directors	Audit Committee	Remuneration and Strategic Review Committee
Vyacheslav Kim	Chairman		
Mikheil Lomtadze	Executive Director & CEO		Member
Douglas Gardner	Independent Non-Executive Director	Chairman	
Alina Prawdzik	Independent Non-Executive Director		Member
Szymon Gotkowski	Independent Non-Executive Director	Member	Chairman
Nikolai Zinoviev	Non-Executive Director	Member	

Responsibility Statement by the Management Board

The Management Board of Kaspi.kz is responsible for establishing and maintaining an adequate system for risk management and internal control. This system is designed to manage risks efficiently and to provide reasonable that financial and non- financial reporting is reliable and that laws and regulations are complied with.

Internal control over financial reporting is an integral part of the risk management and control systems of Kaspi.kz. Internal control over financial reporting is a process to provide reasonable assurance regarding the reliability of our financial reporting for external purposes in accordance with IFRS.

Due to its inherent limitations, internal control over financial reporting is not intended to provide absolute assurance that a misstatement of our financial statements would be prevented or detected.

Also, projections of any evaluation of the effectiveness of internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

We here with confirm that, to the best of our knowledge:

- The consolidated financial statements in this annual report are prepared in accordance with International IFRS and give a true and fair view of the financial position, results, cash flow and changes in equity of Kaspi.kz and its subsidiaries;
- The annual report includes a fair review of the development and performance, of the financial position of Kaspi kz and its subsidiaries included in the consolidated financial statements and taken as a whole and the principal risks and uncertainties that Kaspi.kz faces.

Almaty, Kazakhstan, 2021

Mikheil Lomtadze
CEO

Pavel Mironov
COO

Tengiz Mosidze
CFO

Yuri Didenko
Head of Capital Markets

Financial Statements

Kaspi.kz Joint Stock Company

Consolidated Financial Statements
For the years ended
31 December 2020 and 2019

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Statement of Management's Responsibilities
For the Preparation and Approval of the Consolidated Financial Statements
For the Years Ended 31 December 2020 and 2019

Management of Kaspi.kz JSC 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 2020 and the related consolidated statements of profit or loss, comprehensive income for the year then ended, changes in equity and cash flows for the year then ended, and of significant accounting policies and notes to the consolidated financial statements (the "consolidated financial statements") 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 for the year ended 31 December 2020 were approved by the Chairman of the Management Board, the Chief Financial Officer and the Chief Accountant on 26 February 2021 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
Tengiz Mosidze	Chief Financial Officer
Nailya Ualibekova	Chief Accountant

26 February 2021
Almaty, Kazakhstan

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 statement of financial position as at 31 December 2020 and the consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year 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 2020 and its consolidated financial performance and its consolidated cash flows for the year 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 Matter

Key audit matter is the matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. This matter was 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 this matter.

Why the matter was determined to be a key audit matter

Impairment of loans to customers under IFRS 9 Financial instruments ("IFRS 9")

As disclosed in Note 13 as at 31 December 2020, loans to customers amounted to KZT 1,404,554 million, net of the related allowance for impairment losses of KZT 121,889 million.

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:

- 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 the amount of recoveries expected from defaulted loans.

In response to the COVID-19 pandemic and its economic implications, the Bank introduced a loan repayment deferral program (the "Program") that allowed customers to postpone monthly payments to later periods. This implementation required the application of increased judgement that resulted in a higher than usual degree of uncertainty in relation to the staging of loans.

Due to the significance of the loans' balances, magnitude of estimation uncertainties inherent in the current and future environment due to COVID-19 and the complexity of judgements applied by management in measuring expected credit losses, we identified impairment of loans as a key audit matter.

How the matter was addressed in the audit

The audit procedures performed in this area, included:

- Obtaining an understanding of the loan loss provisioning process, particularly over the capture of loans in terms of the stage allocation and measurement and recognition of allowances for expected credit losses. It included an assessment of the 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, assessment of any recoveries expected from defaulted loans and forecasted macroeconomic variables with the involvement of our internal specialists against requirements of the accounting standards. We also analysed assumptions related to allocation of borrowers in stages after completion of the Program. We tested the underlying statistical data, represented by the principle balances, including the overdue principle and interest and allocation of loans by days in arrears, including borrowers who participated in the Program, on a sample basis;

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, including the impact of COVID-19 on expected credit loss.

We found no material exceptions in these tests.

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.

Deloitte LLP
State license on auditing in the
Republic of Kazakhstan
No. 0000015, type MFU-2, issued by the
Ministry of Finance of the
Republic of Kazakhstan
dated 13 September 2006

26 February 2021
Almaty, Kazakhstan

Zhangir Zhilysbayev
Engagement Partner
Qualified Auditor
of the Republic of Kazakhstan
Qualification certificate
No.MF-0000116
dated 22 November 2012

General Director
Deloitte LLP

Consolidated Statements of Profit or Loss
For the Years Ended 31 December 2020 and 2019
(in million of KZT, except for earnings per share which are in KZT)

	Notes	**Year ended 31 December 2020**	**Year ended 31 December 2019**
REVENUE	4,5,6	**641,437**	**513,914**
Interest revenue		322,913	262,335
Fees & commissions		165,450	163,876
Seller fees		63,196	44,701
Transaction & membership revenue		94,921	53,666
Other gains/(losses)		(5,043)	(10,664)
COST OF REVENUE	7	**(199,313)**	**(174,186)**
Interest expense		(139,002)	(118,505)
Transaction expenses		(14,074)	(14,125)
Operating expenses		(46,237)	(41,556)
TOTAL NET REVENUE		**442,124**	**339,728**
Technology & product development		(30,818)	(20,334)
Sales & marketing		(45,759)	(28,490)
General & administrative expenses		(20,101)	(13,259)
Provision expense	8	(27,622)	(38,505)
OPERATING INCOME		**317,824**	**239,140**
Income tax	9	(54,476)	(42,017)
NET INCOME		**263,348**	**197,123**
Attributable to:			
Shareholders of the Company		260,964	193,790
Non-controlling Interests		2,384	3,333
NET INCOME		**263,348**	**197,123**
Earnings per share			
Basic (KZT)	10	1,361	1,027
Diluted (KZT)	10	1,347	1,027

On behalf of the Management:

Mikheil Lomtadze	Chairman of the Management Board	______________________
Tengiz Mosidze	Chief Financial Officer	______________________
Nailya Ualibekova	Chief Accountant	______________________

The notes on pages 90-151 form an integral part of these consolidated financial statements.

Consolidated Statements of Other Comprehensive Income
For the Years Ended 31 December 2020 and 2019
(in millions of KZT)

	Year ended 31 December 2020	Year ended 31 December 2019
NET INCOME	**263,348**	**197,123**
OTHER COMPREHENSIVE INCOME		
Items that will not be reclassified subsequently to profit or loss:		
Movement in investment revaluation reserve for equity instruments at FVTOCI	(5)	(66)
Items that may be reclassified subsequently to profit or loss		
Movement in investment revaluation reserve for debt instruments at FVTOCI:		
Gains/(losses) arising during the period, net of tax KZT Nil	3,609	(630)
Expected credit losses/(recoveries) recognised in profit or loss	1,846	(1,256)
Reclassification of gains included in profit or loss, net of tax KZT Nil	(701)	(976)
Other comprehensive income/(loss) for the year	**4,749**	**(2,928)**
TOTAL COMPREHENSIVE INCOME	**268,097**	**194,195**
Attributable to:		
Shareholders of the Company	265,663	190,955
Non-controlling Interests	2,434	3,240
TOTAL COMPREHENSIVE INCOME	**268,097**	**194,195**

On behalf of the Management:

Mikheil Lomtadze	Chairman of the Management Board	_______________
Tengiz Mosidze	Chief Financial Officer	_______________
Nailya Ualibekova	Chief Accountant	_______________

The notes on pages 90-151 form an integral part of these consolidated financial statements.

Consolidated Statements of Financial Position
As at 31 December 2020 and 2019
(in millions of KZT)

	Notes	31 December 2020	31 December 2019
ASSETS:			
Cash and cash equivalents	11	330,409	239,140
Mandatory cash balances with National Bank of the Republic of Kazakhstan		27,659	25,243
Due from banks		44,259	43,484
Investment securities and derivatives	12	869,572	474,581
Loans to customers	13	1,404,554	1,292,104
Property, equipment and intangible assets	14	70,016	60,985
Other assets	15	51,645	52,044
Assets classified as held for sale	1	8,628	-
TOTAL ASSETS		**2,806,742**	**2,187,581**
LIABILITIES AND EQUITY			
LIABILITIES:			
Due to banks		-	3,000
Customer accounts	16	2,150,581	1,626,973
Debt securities issued	17	139,111	138,574
Insurance reserves		-	3,608
Other liabilities	18	41,343	42,018
Subordinated debt	19	78,009	77,786
Liabilities directly associated with the assets classified as held for sale	1	3,038	-
TOTAL LIABILITIES		**2,412,082**	**1,891,959**
EQUITY:			
Share capital	20	95,825	95,825
Additional paid-in-capital		506	506
Revaluation reserve of financial assets		5,171	472
Share-Based Compensation reserve		8,788	-
Retained earnings		280,828	195,232
Total equity attributable to Shareholders of the Company		391,118	292,035
Non-controlling interests		3,542	3,587
TOTAL EQUITY		**394,660**	**295,622**
TOTAL LIABILITIES AND EQUITY		**2,806,742**	**2,187,581**

On behalf of the Management:

Mikheil Lomtadze	Chairman of the Management Board	_______________
Tengiz Mosidze	Chief Financial Officer	_______________
Nailya Ualibekova	Chief Accountant	_______________

The notes on pages 90-151 form an integral part of these consolidated financial statements.

Consolidated Statements Of Changes in Equity
For the Years Ended 31 December 2020 and 2019
(in millions of KZT)

	Issued capital	Treasury shares	Additional paid-in-capital	Revaluation reserve of financial assets	Share-Based Compensation reserve	Retained earnings	Total equity attributable to equity holders of the parent	Non-controlling interest	Total equity
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	-	40,968	-	-	-	(31,942)	9,026	(9,026)	-
Transaction for entities under common control	-	-	-	-	-	(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**
Net Income	-	-	-	-	-	260,964	260,964	2,384	263,348
Other comprehensive income	-	-	-	4,699	-	-	4,699	50	4,749
Total comprehensive income	-	-	-	**4,699**	-	**260,964**	**265,663**	**2,434**	**268,097**
Dividends declared	-	-	-	-	-	(175,368)	(175,368)	-	(175,368)
Dividends declared by subsidiary to non-controlling interest	-	-	-	-	-	-	-	(2,479)	(2,479)
Share-based compensation reserve	-	-	-	-	8,788	-	8,788	-	8,788
Balance at 31 December 2020	**130,144**	**(34,319)**	**506**	**5,171**	**8,788**	**280,828**	**391,118**	**3,542**	**394,660**

On behalf of the Management:

Mikheil Lomtadze Chairman of the Management Board ____________________

Tengiz Mosidze Chief Financial Officer ____________________

Nailya Ualibekova Chief Accountant ____________________

The notes on pages 90-151 form an integral part of these consolidated financial statements.

Consolidated Statements of Cash Flows
For the Years Ended 31 December 2020 and 2019
(in millions of KZT)

	Year ended 31 December 2020	Year ended 31 December 2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Interest received*	273,432	237,198
Interest paid	(129,255)	(112,661)
Expenses paid on obligatory insurance of individual deposits	(5,721)	(4,391)
Fees & commissions	165,450	163,876
Seller fees	63,188	44,701
Transaction & membership revenue	99,268	30,290
Fees & commissions paid	(53,309)	(37,599)
Other income received	7,778	8,010
Operating expenses paid	(87,200)	(71,963)
Cash flows from operating activities before changes in operating assets and liabilities	333,631	257,461
Changes in operating assets and liabilities		
(Increase)/decrease in operating assets:		
Mandatory cash balances with NBRK	(2,416)	(8,028)
Financial assets at FVTPL	3,844	(6,460)
Due from banks	2,869	(20,657)
Loans to customers	(143,528)	(301,018)
Other assets	896	(4,174)
Increase/(decrease) in operating liabilities:		
Due to banks	(3,000)	2,951
Customer accounts	489,343	417,295
Financial liabilities at FVTPL	(5,846)	8,838
Other liabilities	(2,289)	(8,227)
Net cash inflow from operating activities before income tax	**673,504**	**337,981**
Income tax paid	(55,775)	(41,634)
Net cash inflow from operating activities	**617,729**	**296,347**
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property, equipment and intangible assets	(18,189)	(16,932)
Proceeds on sale of property and equipment	694	556
Proceeds on sale of financial assets at FVTOCI	396,615	296,318
Purchase of financial assets at FVTOCI	(743,169)	(381,067)
Acquisition of subsidiary, net of cash acquired	(662)	-
Net cash outflow on transaction under common control	-	(11,730)
Net cash outflow from investing activities	**(364,711)**	**(112,855)**
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of subordinated debt	-	(11,368)
Dividends paid	(175,368)	(97,697)
Dividends paid by subsidiary to non-controlling interest	(2,125)	(3,175)
Net cash outflow from financing activities	**(177,493)**	**(112,240)**
Effect of changes in foreign exchange rate on cash and cash equivalents	15,744	(583)
NET INCREASE IN CASH AND CASH EQUIVALENTS	91,269	70,669
CASH AND CASH EQUIVALENTS, beginning of period	239,140	168,471
CASH AND CASH EQUIVALENTS, end of period	**330,409**	**239,140**

* Please see Note 3 on presentation of interest received on loans participating in the repayment deferral program.

On behalf of the Management:

Mikheil Lomtadze Chairman of the Management Board ____________

Tengiz Mosidze Chief Financial Officer ____________

Nailya Ualibekova Chief Accountant ____________

The notes on pages 90-151 form an integral part of these consolidated financial statements.

1. Corporate information

Overview

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

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

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

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

Kaspi.kz Segments

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

- *Payments Platform* connects our customers, which consist of both consumers and merchants, to facilitate cashless, digital payment transactions. We offer our customers a proprietary technology platform to both pay and receive payments for goods and services, as well as to transfer and withdraw money. Consumers can transact with merchants and amongst themselves using services including the Kaspi.kz Super App, Kaspi QR Scan to Pay, Kaspi Gold debit card, any bankcard or e-Wallet. Merchants can accept payments from consumers using Kaspi Pay POS Solutions and Kaspi QR Checkout, amongst a wide suite of other products.

- *Marketplace Platform* connects merchants and consumers enabling merchants to increase their sales and enabling consumers to buy a broad selection of products and services offered by a variety of merchants. We help merchants increase their sales by linking them to our technology, Payments Platform, Buy Now Pay Later consumer finance products, marketing and fulfillment. Fulfilment options include in-store pick up, delivery by merchants and delivery powered by Kaspi.kz. In 2020 we launched Kaspi Travel, initially offering domestic and international flight tickets through our Super App but intend to develop a full consumer travel proposition as the market recovers.

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

Information about the group of companies

Kaspi.kz Joint Stock Company ("the Company") was incorporated in the Republic of Kazakhstan in 2008. The Company is regulated by the National Bank of the Republic of Kazakhstan ("NBRK") and the Agency of the Republic of Kazakhstan for Regulation and Development of Financial Market ("the FMRDA"). The registered address of the Company is 154A, Nauryzbai Batyr street, Almaty, 050013, the Republic of Kazakhstan. In May 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, except for acquisition of Traveleasy LLC and incorporation of a new subsidiary Kaspi Pay LLC.

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 substracted 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 substracted from Equity reserves of KZT 11,741 million.

In August 2020, Kaspi Pay LLC, a separate legal entity fully owned by Kaspi.kz, has been established. 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.

In June 2020, the Bank entered into a preliminary agreement to sell its subsidiary IC "Basel" JSC to an unrelated third party and on 26 January 2021, the sale was completed. As a result, no gain/loss was recognized by the Bank as net assets approximated the fair value of consideration received. As at 31 December 2020, assets of the subsidiary IC "Basel" JSC include financial assets measured at fair value through other comprehensive income, amounted to KZT 7,407 million, property, equipment and intangible assets, amounted to KZT 743 million and other assets of KZT 478 million. Liabilities included insurance reserves of KZT 2,944 million and other liabilities of KZT 94 million. As at 31 December 2020, assets and liabilities of IC "Basel" JSC were classified as assets held for sale and liabilities associated with assets classified as held for sale in accordance with IFRS 5 in these consolidated financial statements. IC "Basel" JSC is part of the Group's Fintech segment.

(in millions of KZT)

Kaspi.kz Joint Stock Company is the parent of the following directly and indirectly held subsidiaries:

Subsidiary	Type of operation	Country of operation	Ownership as at 31 December 2020	Ownership as at 31 December 2019
Kaspi Group JSC	Holding Company	Kazakhstan	Directly (100%)	Directly (100%)
Kaspi Magazin LLP	E-commerce	Kazakhstan	Directly (100%)	Directly (100%)
Kaspi Bank JSC	Banking	Kazakhstan	Indirectly (98.95%)	Indirectly (98.95%)
IC Basel JSC	Insurance	Kazakhstan	Indirectly (98.95%)	Indirectly (98.95%)
ARK Balance LLP	Distressed asset management	Kazakhstan	Indirectly (98.95%)	Indirectly (98.95%)
Kaspi Office LLP	Real estate	Kazakhstan	Directly (100%)	Directly (100%)
Digital Classifieds OÜ	E-commerce	Azerbaijan	Directly (100%)	Directly (100%)
Kaspi Travel LLC	Online travel	Kazakhstan	Directly (100%)	-
Kaspi Pay LLC	Payment processing services	Kazakhstan	Directly (100%)	-

As at 31 December 2020 and 2019, the shareholders' structure was as follows:

	31 December 2020 %	31 December 2019 %
Ultimate shareholders:		
Baring Vostok Funds	31.07	35.23
Kim Vyacheslav	24.52	31.77
Mikheil Lomtadze	22.92	29.00
Public Investors	15.45	-
Goldman Sachs	3.38	4.00
Management	2.66	-
Total	**100.00**	**100.00**

In June 2020 members of the founding management team of the Company acquired 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

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.

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.

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 before stabilization in the second quarter of 2020 that negatively affected the economy of Kazakhstan in which the Group operates.

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 ended and the majority of restrictions were removed. 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 certain restrictions on the activity of some entities associated with a high concentration of the population in confined areas due to continued instances of COVID-19. These restrictions were removed in mid-August 2020, with the introduction of strict sanitary rules to prevent further cases.

To support customers in 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 deferral program ("the Program"). The Program allowed customers to postpone three upcoming monthly payments to later periods with a corresponding extension of loan term for three months via the Kaspi.kz Mobile App.

(in millions of KZT)

The Program fully complied 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. 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;
- Loan repayment deferral 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 management's analysis of the Group's liquidity and capital position as at 31 December 2020, demonstrates 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. The Group has reflected the most recent macroeconomic outlooks, as well as actual customers' loan repayment statistics in its ECL estimates. Management expects gradual recovery of macroeconomic environment thereafter. A GDP rebound in 2021 is expected to offset the contraction in 2020.

These consolidated financial statements were approved by the Chairman of the Management Board, the Chief Financial Officer and the Chief Accountant on 26 February 2021 and will be provided to the shareholders for approval at the annual general meeting of shareholders 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 statements are as follows:

	31 December 2020	**31 December 2019**
KZT/USD	420.91	382.59
KZT/EUR	516.79	429.00

Going concern

These consolidated financial statements have been prepared on the assumption that the Group is a going concern, as the Group has the resources to continue in operation for the foreseeable future. In making this assessment, the management have considered a wide range of information in relation to present and future economic conditions, including projections of cash flows, profit and capital resources. These considerations include an assessment of stress scenario assuming a prolonged negative impact of Covid-19 pandemic on the Kazakhstan economy and as a result, its impact on the future financial performance of the Group.

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 or 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

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.

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.

Notes to Consolidated Financial Statements (Continued)
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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).

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Notes to Consolidated Financial Statements (Continued)
For the Years Ended 31 December 2020 and 2019
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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.

(in millions of KZT)

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.

Share-based compensation

In the fourth quarter of 2020, the Group introduced share-based compensation, according to which senior executives and other core Group personnel receive share options or phantom shares of the Group.

Awards are payable in annual installments over a five year vesting schedule for share options and a two year vesting schedule for phantom shares.

The management of the Group believes that share-based awards are vital to attract, incentivize and retain employees long-term.

Share-based compensation expenses

The Group applies the graded vesting method, under which the granted equity instruments are vested in instalments over the vesting period. Each installment is separately measured and attributed to expense over the vesting period. According to IFRS 2, this accelerates the recognition of compensation expenses resulting in a higher proportion of expenses being recognized in the early years of overall plan.

	Year ended 31 December 2020	Year ended 31 December 2019
Share-based compensation expense	**11,515**	-
Share options	8,788	-
Phantom shares	2,727	-

Share Options

Share options are measured at fair value of the shares at the date of grant using the Black-Scholes model. The fair value determined at the grant date is expensed over the five year vesting period, based on the group's estimate of the number of shares that will eventually vest. Recepients of Share Options are entitled to the dividends.

The following table summarizes the details of the share options outstanding during the years 31 December 2020 and 2019:

	Year ended 31 December 2020 (shares)	Year ended 31 December 2019 (shares)
Outstanding at the beginning of the year	-	-
Granted	1,911,115	-
Forfeited	-	-
Exercised	-	-
Expired	-	-
Outstanding at the end of the year	**1,911,115**	-

Share options in the quantity of 382,223 shares are expected to be excercised in March 2021.

All shares that will eventually vest will be delivered from treasury shares.

Phantom shares

For Phantom shares, a liability is recognised for services acquired, measured initially at the fair value of the liability, using the Black-Scholes model. At each reporting date until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in profit or loss for the year. As at 31 December 2020, a liability for phantom shares is recognized within Other liabilities in Note 18. For each share, holders of Phantom shares receive at vesting a cash settlement equal to the 10-day average closing price of shares in the London Stock Exchange listed shares of the Company. Recepients of Phantom shares are not entitled to the dividends.

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

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

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.

Notes to Consolidated Financial Statements (Continued)
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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 or 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 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 FVTOCI are recognized in the other comprehensive income, until these instruments are disposed of.

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.

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.

Notes to Consolidated Financial Statements (Continued)
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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:

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 carrying amount of the financial asset.

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 20%. The base scenario has an attached weight of 60% 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.

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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 unsecured loans Group calculates LGD based on historical NPL collection 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.

The Program described in Note 1 was an industry wide extraordinary measure supported by Government which in light of IASB clarification "IFRS 9 and COVID-19" was not treated as automatic indicator of significant increase in credit risk.

Write off of loans to customers

Loans are written off against the allowance for impairment losses. Decision to 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.

On derecogntion 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.

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

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 wordlwide. 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 and allowance for impairment losses for debt instruments measured at fair value through other comprehensive income.

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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 3, 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.

(in millions of KZT)

Accounting policy for repayment deferral

Given the mission of the Program, described in Note 1, the Group structured repayment deferral in a way to avoid a higher debt repayment burden and allow customers to defer payments during the lockdown period. To enable this, interest income accrued during the repayment deferral was recorded as received for 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 during the Program includes KZT 32,089 million, representing interest payments from borrowers who, participated in the Program.

As at 31 December 2020, 96% of all customers, participating in the Program, made their monthly payment including interest after expiry of the payments holiday.

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 23 for more details on fair value measurement.

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 23 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.

Adoption of new and revised Standards

New and amended IFRS Standards that are effective for the current year

The following amendments and interpretations are effective for the Group effective 1 January 2020:

Amendments to IFRS 9, IFRS 7	Basic interest rate reform
Amendments to IFRS 3	Definition of a Business
Amendments to IAS 1 and IAS 8	Definition of Materiality
Conceptual Framework	Amendments to References to the Conceptual Framework in IFRS Standards

The above standards and interpretations were reviewed by the Group's management, but did not have a significant effect on the consolidated financial statements of the Group.

New and revised IFRS Standards in issue but not yet effective

At the date of authorisation of these consolidated financial statements, 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;
- Amendments to IAS 1 (as part of the project to formulate Annual Improvements to IFRS 2010-2012 cycles)- Classification of Liabilities as Short-Term or Long-Term;
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16- Interest Rate Benchmark Reform — Phase 2;
- Amendments to IFRS 3- Business combinations - Reference to the Conceptual Framework;
- Amendments to IAS 16- Property and equipment - Proceeds before Intended Use;
- Amendments to IAS 37- Provisions, contingent liabilities and contingent assets - Onerous Contracts – Cost of Fulfilling a Contract;
- Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture;
- Amendments to IFRS 1, IFRS 9, IAS 41; and illustrative examples accompanying IFRS 16- Annual Improvements to IFRS 2018-2020 cycles.

The management does not expect that the adoption of the Standards listed above to have a material impact on the consolidated financial statements of the Group in future periods.

(in millions of KZT)

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 2020 and 2019 is presented below:

	Year ended 31 December 2020	Year ended 31 December 2019
REVENUE	**641,437**	**513,914**
Marketplace	**65,977**	**45,002**
Seller fees	63,196	44,701
Other gains	2,781	301
Payments	**120,923**	**66,393**
Transaction and membership revenue	88,347	49,454
Interest revenue	32,576	16,939
FinTech	**454,537**	**402,519**
Interest revenue	290,337	245,396
Fees & commissions	165,450	163,876
Transaction & membership revenue	6,574	4,212
Other gains/(losses)	(7,824)	(10,965)

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

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

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

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 consolidated financial statements of the Group.

The following tables present the summary of each segments' revenue, net revenue and net income for the years ended 31 December 2020 and 2019:

	Year ended 31 December 2020	Year ended 31 December 2019
REVENUE	**641,437**	**513,914**
Marketplace	65,977	45,002
Payments	120,923	66,393
FinTech	454,537	402,519
NET REVENUE	**442,124**	**339,728**
Marketplace	60,730	42,600
Payments	102,943	50,350
FinTech	278,451	246,778
NET INCOME	**263,348**	**197,123**
Marketplace	38,587	28,173
Payments	60,554	27,877
FinTech	164,207	141,073

Expenses associated with share-based compensation are recognized across the segments. The following table present the summary of share-based compensation expense by segments for the years ended 31 December 2020 and 2019:

	Year ended 31 December 2020	Year ended 31 December 2019
SHARE-BASED COMPENSATION	**11,515**	-
Marketplace	1,065	-
Payments	2,598	-
FinTech	7,852	-

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

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6. Revenue

Revenue includes interest revenue, fees & commissions, seller fees, transaction & membership revenue and other gains/(losses).

	Year ended 31 December 2020	Year ended 31 December 2019
REVENUE	**641,437**	**513,914**
Interest revenue	322,913	262,335
Fees & commissions	165,450	163,876
Seller fees	63,196	44,701
Transaction & membership revenue	94,921	53,666
Other gains/(losses)	(5,043)	(10,664)

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

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

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

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) is mainly due to net gains/(losses) on foreign exchange operations. For the years ended 31 December 2020 and 2019, the net (loss)/gain on foreign exchange operations amounted to KZT (6,087) million and KZT 7,447, respectively. It also includes revenue from delivery service, revenue from Kaspi Travel and revenue from Digital Classifieds in the Republic of Azerbaijan.

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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 2020	Year ended 31 December 2019
COST OF REVENUE	**(199,313)**	**(174,186)**
Interest expense	(139,002)	(118,505)
Transaction expenses	(14,074)	(14,125)
Operating expenses	(46,237)	(41,556)

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

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

Operating expenses include costs incurred to operate 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.

Employee benefits, depreciation and amortisation expenses and operating lease expenses for the years ended 31 December 2020 and 2019 are presented as follows:

	Year ended 31 December 2020			Year ended 31 December 2019		
	Employee benefits	Deprecia-tion & amortisation	Opera-ting lease	Employee benefits	Deprecia-tion & amortisation	Operating lease
Cost of revenue	(17,596)	(625)	(1,302)	(17,070)	(471)	(1,432)
Sales & marketing	(340)	-	(2)	(310)	-	(23)
Technology & product development	(13,136)	(6,688)	(1,635)	(8,963)	(4,589)	(1,443)
General & administrative expenses	(15,074)	(2,035)	(1,959)	(4,893)	(1,709)	(2,069)
Total	**(46,146)**	**(9,348)**	**(4,898)**	**(31,236)**	**(6,769)**	**(4,967)**

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

	Year ended 31 December 2020	Year ended 31 December 2019
	11,515	-
Cost of revenue	397	-
Technology & product development	4,818	-
General & administrative expenses	6,300	-

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8. PROVISION EXPENSE

The movements in loss allowance were as follows:

	Loans to customers			Due from banks	Financial assets at FVTOCI			Cash and cash equivalents	Other assets	Contingencies	Total
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 1	Stage 2	Stage 3	Stage 1	Stage 3	Stage 1	
Loss allowance for ECL as at 31 December 2019	**31,983**	**5,235**	**70,195**	**22**	**304**	**789**	-	**9**	**2,378**	**51**	**110,966**
Changes in provisions											
-Transfer to Stage 1	3,445	(635)	(2,810)	-	-	-	-	-	-	-	-
-Transfer to Stage 2	(443)	892	(449)	-	-	-	-	-	-	-	-
-Transfer to Stage 3	(2,475)	(3,576)	6,051	-	-	(789)	789	-	-	-	-
Net changes, resulting from changes in credit risk parameters	(4,921)	6,541	16,356	-	(220)	-	1,775	(6)	298	(23)	19,800
New assets issued or acquired	27,343	-	-	4	296	-	-	-	-	-	27,643
Repaid assets (except for write off)	(14,870)	(783)	(4,162)	-	(6)	-	-	-	-	-	(19,821)
Write-off, net of recoveries	-	-	(11,136)	-	-	-	-	-	(36)	-	(11,172)
Foreign exchange difference	-	-	108	-	-	-	-	-	6	-	114
Loss allowance for assets, reclassified as Assets held for sale	-	-	-	-	-	-	-	-	(588)	-	(588)
As at 31 December 2020	**40,062**	**7,674**	**74,153**	**26**	**374**	-	**2,564**	**3**	**2,058**	**28**	**126,942**

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

(in millions of KZT)

As at 31 December 2020, the allowance for expected credit losses on financial assets at fair value through other comprehensive income of KZT 2,938 million (31 December 2019: KZT 1,093 million) is included in the 'Revaluation reserve of financial assets' within equity.

	Loans to customers			Due from banks	Financial assets at fair value through other comprehensive income			Cash and cash equivalents	Other assets	Contingencis	Total
	Stage 1	Stage 2	Stage 3 and POCI	Stage 1	Stage 1	Stage 2	Stage 3	Stage 1	Stage 3	Stage 1	
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**

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 2020 and 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 31 December 2020 and 2019 comprise:

	31 December 2020	31 December 2019
Vacation reserve, accrued bonuses and share-based compensation	1,155	605
Property, equipment and intangible assets	(3,485)	(2,999)
Other	11	21
Net deferred tax liability	**(2,319)**	**(2,373)**

Relationships between tax expenses and accounting profit for the years ended 31 December 2020 and 2019 are explained as follows:

	Year ended 31 December 2020	Year ended 31 December 2019
Net income before income tax	**317,824**	**239,140**
Tax at the statutory tax rate of 20%	63,565	47,828
Non-taxable income	(9,793)	(6,273)
Non-deductible expense	704	462
Income tax expense	**54,476**	**42,017**
Current income tax expense	54,465	41,477
Deferred income tax expense	11	540
Income tax expense	**54,476**	**42,017**

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During 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.

	31 December 2020	31 December 2019
Net deferred tax liability:		
At the beginning of the period	**(2,373)**	**(1,833)**
Change in deferred income tax balances recognized in equity	-	-
Change in deferred income tax balances recognized in profit or loss	(11)	(540)
Reclassified as liabilities directly associated with the assets classified as held for sale	65	-
At the end of the period	**(2,319)**	**(2,373)**

10. Earnings per share

Earnings per share are determined by dividing the profit or loss attributable to owners of the Company by the weighted average number of participating shares outstanding during the reporting year, excluding treasury shares. For the purpose of diluted earnings per share calculation the Group considers dilutive effects of shares granted under share-based compensation plan.

	31 December 2020	31 December 2019
Net income attributable to the shareholders of the Company	260,964	193,790
Weighted average number of ordinary shares for basic earnings per share	191,805,000	188,748,808
Weighted average number of ordinary shares for diluted earnings per share	193,716,115	188,748,808
Earnings per share – basic (KZT)	**1,361**	**1,027**
Earnings per share – diluted (KZT)	**1,347**	**1,027**

Reconciliation of the number of shares used for basic and diluted EPS:

	31 December 2020	31 December 2019
Weighted average number of ordinary shares for basic earnings per share	191,805,000	188,748,808
Number of potential ordinary shares attributable to Share-based Compensation	1, 911,115	-
Weighted average number of ordinary shares for diluted earnings per share	**193,716,115**	**188,748,808**

11. Cash and cash equivalents

	31 December 2020	31 December 2019
Cash on hand	149,366	102,143
Current accounts with other banks	38,725	15,576
Short-term deposits with other banks	117,907	103,852
Reverse repurchase agreements	24,411	17,569
Total cash and cash equivalents	**330,409**	**239,140**

Cash on hand includes cash balances with ATMs and cash in transit. As at 31 December 2020 and 2019 the fair value of collateral of reverse repurchase agreements classified as cash and cash equivalents amounted to KZT 29,931 million and KZT 22,079 million, respectively.

12. Investment securities and derivatives

Investment securities and derivatives comprise:

	31 December 2020	31 December 2019
Total financial assets at fair value through OCI	865,847	473,255
Total financial assets at fair value through profit or loss	3,725	1,326
Total investment securities and derivatives	**869,572**	**474,581**

Financial assets at fair value through OCI comprise:

	31 December 2020	31 December 2019
Debt securities	865,577	472,943
Equity investments	270	312
Total financial assets at fair value through OCI	**865,847**	**473,255**

As at 31 December 2020 and 2019, sovereign debt securities of KZT 659,132 million and KZT 391,467 million, respectively, were included in debt securities.

Financial assets at fair value through profit or loss comprise:

	31 December 2020	31 December 2019
Financial assets at fair value through profit or loss:		
Derivative financial instruments	3,725	1,326
Total financial assets at fair value through profit or loss	**3,725**	**1,326**

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As at 31 December 2020, financial assets at fair value through profit or loss included swap and spot instruments of KZT 19 million (2019: KZT 6 million) with a notional amount of KZT 10,514 million (2019: KZT 2,761 million) and forwards of KZT 3,706 million (2019: KZT 1,320 million) with a notional amount of KZT 139,193 million (2019: KZT 193,683 million).

As at 31 December 2020, financial liabilities at fair value through profit or loss included swap and spot instruments of KZT 3 million (2019: KZT 21 million) with a notional amount of KZT 10,488 million (2019: KZT 8,915 million) and forwards of KZT 2,990 million (2019: KZT 8,817 million) with a notional amount of KZT 142,428 million (2019: KZT 205,458 million).

13. Loans to customers

	31 December 2020	31 December 2019
Loans to customers, gross	1,526,443	1,399,517
Less: allowance for impairment losses (Note 8)	(121,889)	(107,413)
Total loans to customers, net	**1,404,554**	**1,292,104**

As at 31 December 2020 and 2019, all loans to customers issued by the Group were allocated to the Fintech segment for internal segment reporting purposes.

Movements in allowances for impairment losses on loans to customers for the periods ended 31 December 2020 and 2019 are disclosed in Note 8.

As at 31 December 2020 and 2019, accrued interest of KZT 19,331 million and KZT 17,677 million, respectively, was included in loans to customers.

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

(in millions of KZT)

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

	Gross NPLs	Total allowance for impairment	Total allowance for impairment to 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 years ended 31 December 2020 and 2019:

	Year ended 31 December 2020	Year ended 31 December 2019
Provision expense on loans to customers:		
Loans to customers	(25,504)	(39,394)
Total provision expenses on loans to customers	**(25,504)**	**(39,394)**

As at 31 December 2020 and 2019, 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	Construction in progress	Total
At initial/revalued cost					
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**
Additions	851	11,948	4,206	1,915	18,920
Disposals	(432)	(600)	(280)	-	(1,312)
Reclassified as held for sale	(830)	(78)	(104)	-	(1,012)
31 December 2020	**36,886**	**52,944**	**19,268**	**3,002**	**112,100**
Accumulated depreciation and impairment					
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**
Charge for the year	783	5,527	2,574	-	8,884
Eliminated on disposals	(306)	(465)	(279)	-	(1,050)
Reclassified as held for sale	(124)	(48)	(97)	-	(269)
31 December 2020	**7,853**	**24,792**	**9,439**	-	**42,084**
Net book value					
31 December 2020	**29,033**	**28,152**	**9,829**	**3,002**	**70,016**
31 December 2019	**29,797**	**21,896**	**8,205**	**1,087**	**60,985**

As at 31 December 2020 and 2019, property and equipment included fully depreciated property and equipment of KZT 10,614 million and KZT 7,400 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 measurements were categorized into Level 3. During the years 2020 and 2019, 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 2020 and 2019, the net book value of those items, that would have been recognised had the assets been carried under the cost model totaled KZT 29,034 million and KZT 29,797 million, respectively.

In 2020 and 2019, 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 2020	31 December 2019
Other financial assets:		
Prepayments for customers online transactions	7,820	8,902
Settlement with brokers	6,617	1,880
Receivables from VISA and Master Card transactions	1,348	1,810
Other	2,323	2,258
Total other financial assets	**18,108**	**14,850**
Less: allowance for impairment losses	(1,939)	(2,243)
Total net other financial assets	**16,169**	**12,607**
Other non-financial assets:		
Investment property	23,788	29,804
Other	11,807	9,768
Total other non-financial assets	**35,595**	**39,572**
Less: allowance for impairment losses	(119)	(135)
Total net other non-financial assets	**35,476**	**39,437**
Total other assets	**51,645**	**52,044**

Movements in allowances for impairment of other assets for the years ended 31 December 2020 and 2019 are disclosed in Note 8.

Investment property movement as at 31 December 2020 and 2019 is presented as follows:

	2020	2019
Cost		
As at 1 January	30,178	2,722
Additions	4,320	27,926
Disposals	(9,855)	(470)
As at 31 December	**24,643**	**30,178**
Accumulated depreciation		
As at 1 January	(374)	(70)
Depreciation charge	(704)	(321)
Disposals	223	17
As at 31 December	**(855)**	**(374)**
Net book value	**23,788**	**29,804**

During the years ended 31 December 2020 and 2019, the Group foreclosed collateral it held as security for loans. As a result, the Group received investment property of KZT 4,320 million and KZT 27,926 million, respectively.

As at 31 December 2020 and 2019, the fair value of investment property amounted to KZT 27,430 million and KZT 36,678 million, respectively.

16. Customer accounts

	31 December 2020	31 December 2019
Individuals		
Term deposits	1,634,409	1,298,772
Current accounts	403,851	242,206
Total due to individuals	**2,038,260**	**1,540,978**
Corporate customers		
Term deposits	41,032	44,118
Current accounts	71,289	41,877
Total due to corporate customers	**112,321**	**85,995**
Total customer accounts	**2,150,581**	**1,626,973**

As at 31 December 2020 and 2019, accrued interest of KZT 12,265 million and KZT 8,996 million, respectively, was included in customer accounts.

As at 31 December 2020 and 2019, customer accounts of KZT 16,080 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 obligations.

As at 31 December 2020 and 2019, customer accounts of KZT 76,576 million (3.56%) and KZT 97,195 million (6.0%), respectively, were due to the top twenty customers.

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17. Debt securities issued

	Currency	Maturity date month/year	Nominal interest rate%	31 December 2020	31 December 2019
Third bond program – first issue	KZT	January 2025	9.90	51,043	51,042
Third bond program – second issue	KZT	January 2024	9.80	48,412	48,410
Third bond program – third issue	KZT	January 2023	9.70	39,656	39,122
Total debt securities issued				**139,111**	**138,574**

As at 31 December 2020 and 2019, accrued interest of KZT 5,620 million and KZT 5,620 million, respectively, was included in debt securities issued. All debt securities issued are recorded at amortised cost as at 31 December 2020 and 2019. The Group did not have any defaults or other breaches with respect to its debt securities during the years ended 31 December 2020 and 2019.

18. Other liabilities

	31 December 2020	31 December 2019
Other financial liabilities:		
Payables for customers' online transactions	8,980	11,703
Derivative financial liabilities	2,993	8,838
Accrued expenses	1,614	1,918
Accrued dividends payable to non-controlling interest	1,382	1,028
Payables for Visa and Master Card transactions	527	482
Other	96	174
Total financial liabilities	**15,592**	**24,143**
Other non-financial liabilities:		
Prepayments	11,172	6,825
Accumulated employee benefits, vacation reserves	3,049	3,071
Accumulated share-based compensation	2,727	-
Deferred tax liabilities	2,319	2,373
Other taxes payable	3,265	2,191
Current income tax payable	854	1,084
Other	2,365	2,331
Total non-financial liabilities	**25,751**	**17,875**
Total other liabilities	**41,343**	**42,018**

19. Subordinated debt

	Currency	Maturity date month/year	Nominal interest rate, %	31 December 2020	31 December 2019
Second bond program - first issue	KZT	July 2021	1% plus inflation rate	10,230	10,050
Second bond program – third issue	KZT	February 2023	2% plus inflation rate	5,401	5,466
Third bond program – fourth issue	KZT	June 2025	10.7%	62,263	62,261
Debt component of preference shares	KZT	n/a	n/a	115	9
Total subordinated debt				**78,009**	**77,786**

The debt component of preference shares relates to subsidiary Kaspi Bank JSC, and is held by the non-controlling interest. As at 31 December 2020 and 2019, accrued interest of KZT 3,816 million and KZT 3,616 million, respectively, was included in subordinated debt. All subordinated debt are recorded at amortised cost as at 31 December 2020 and 2019. 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 2020 and 2019.

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.

			Non-cash changes		
	1 January 2020	Financing cash flows	Foreign exchange movement	Changes in amortised cost	31 December 2020
Debt securities issued	138,574	-	-	537	139,111
Subordinated debt	77,786	-	-	223	78,009

			Non-cash changes		
	1 January 2019	Financing cash flows	Foreign exchange movement	Changes in amortised cost	31 December 2019
Debt securities issued	138,094	-	-	480	138,574
Subordinated debt	89,603	(11,368)	-	(449)	77,786

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20. 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 2020 and 2019:

	Authorised shares	Issued and fully paid shares	Treasury shares	Shares outstanding
Ordinary shares				
1 January 2019	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**
Movement	-	-	-	-
31 December 2020	**216,742,000**	**199,500,000**	**7,695,000**	**191,805,000**

The table below provides a reconciliation of the change in outstanding share capital fully paid as at 31 December 2020 and 2019:

	Preference shares	Ordinary shares	Total
Balance at 1 January 2019	-	**54,857**	**54,857**
Movements	-	40,968	40,968
31 December 2019	-	**95,825**	**95,825**
Movements	-	-	-
31 December 2020	-	**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.

On 15 October 2020, the Company completed its IPO on the London Stock Exchange (LSE) and the Astana International Exchange (AIX). The Company did not raise any primary funds in the IPO, with all shares sold being those held by the existing shareholders of the Company.

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The following tables represent dividends declared during the years ended 31 December 2020 and 2019:

	Dividends declared	Dividend per share
June 2020	76,563	KZT 399
September 2020	98,805	KZT 515
Total for 2020	**175,368**	

	Dividends declared	Dividend per share
April 2019	31,141	KZT 170
August 2019	32,990	KZT 172
October 2019	33,566	KZT 175
Total for 2019	**97,697**	

21. 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 2020 and 2019, provision for losses on contingent liabilities amounted to KZT 28 million and KZT 51 million, respectively.

As at 31 December 2020 and 2019, the Group's contingent liabilities and credit commitments comprised the following:

	31 December 2020	31 December 2019
	Nominal amount	Nominal amount
Commitments on loans and unused credit lines: Revocable loans	91,920	77,239
Irrevocable loans	-	83
Total commitments on loans and unused credit lines	91,920	77,322
Guarantees issued and similar commitments	1,460	1,428
Total contingent liabilities and credit commitments	**93,380**	**78,750**

As at 31 December 2020 and 2019, 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 2020 and 2019, the Group was not liable for any supplementary pensions, post-retirement health care, insurance benefits, or retirement indemnities to its current or former employees.

Taxes

Due to the presence in Kazakhstani commercial legislation and tax legislation in particular, of provisions allowing more than one interpretation, and also due to the practice developed in a generally unstable environment by the tax authorities of making arbitrary judgment of business activities, if a particular treatment based on Management's judgment of the Group's business activities was to be challenged by the tax authorities, the Group may by assessed additional taxes, penalties and interest. Such uncertainty may relate to valuation of financial instruments, loss and impairment provisions and market level for deals' pricing. The Group believes that it has already made all tax payments, and therefore no allowance has been made in the consolidated financial statements. Tax years remain open to review by the tax authorities for five years.

22. 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 2020 and 2019 with related parties:

	Year ended 31 December 2020		Year ended 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**
Consolidated statement of financial position				
Loans to customers	4,098	1,526,443	-	1,399,517
- key management personnel of the Group	-		-	
- other related parties	4,098		-	
Allowance for losses on loans to customers	(1)	(121,889)	-	(107,413)
- key management personnel of the Group	-		-	
- other related parties	(1)		-	
Customer accounts	8,349	2,150,581	10,303	1,626,973
- key management personnel of the Group	1,235		1,018	
- other related parties	7,114		9,285	

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

	Year ended 31 December 2020		Year ended 31 December 2019	
	Transaction with related parties	**Total category as per financial statements captions**	**Transactions with related parties**	**Total category as per financial statements captions**
Compensation to key management personnel:				
Employee benefits	(783)	(46,146)	(900)	(31,236)
Share-based compensation	(8,446)	(11,515)	-	-

During the years ended 31 December 2020 and 2019, interest income from transactions with key management personnel amounted to KZT Nil and KZT 104 million, respectively, and other related parties amounted to KZT 133 million and KZT Nil million, respectively. During the years ended 31 December 2020 and 2019, interest expense from transactions with key management personnel amounted to KZT 16 million and KZT 69 million, respectively, and other related parties amounted to KZT 148 million and KZT 120 million, respectively. During the years ended 31 December 2020 and 2019, transaction costs attributable to loans to customers and paid to other related parties on an arm's length basis, amounted KZT 12,527 million and KZT 13,043 million, respectively.

23. 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 2020	Fair value as at 31 December 2019	Fair value hierarchy	Valuation technique(s) and key input(s)
Non-derivative financial assets at fair value through other comprehensive income (Note 12)	406,772	442,002	Level 1	Quoted prices in an active market
Non-derivative financial assets at fair value through other comprehensive income (Note 12)	459,041	31,183	Level 2	Quoted prices in markets that are not active.
Unlisted Equity investments classified as financial assets at fair value through other comprehensive income	34	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)	3,725	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 12)	2,993	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.

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

The reconciliation of Level 3 fair value measurements of financial assets is presented as follows:

	Financial assets (Level 3)
At 31 December 2018	**70**
1 January 2019	-
Purchases	-
Total gain(losses):	-
- in profit or loss	-
Settlements	-
At 31 December 2019	**70**
1 January 2020	-
Purchases	-
Total gain(losses):	-
- in profit or loss	-
Settlements	(36)
At 31 December 2020	**34**

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

	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

(in millions of KZT)

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.

24. Regulatory matters

The management of Kaspi Bank JSC (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 Kaspi Bank JSC consolidated financial statements under Basel III are presented in the following table:

	31 December 2020	**31 December 2019**
Capital adequacy ratios:		
Tier 1 capital	14.7%	17.6%
Total capital	18.8%	22.4%

As at 31 December 2020 and 2019, Kaspi Bank JSC 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 2020	**31 December 2019**
Capital adequacy ratios:		
Tier 1 capital (k1.2)	11.3%	11.4%
Total capital (k.2)	14.3%	14.5%

25. 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 the 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.

(in millions of KZT)

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 2020 and 2019, 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 2020 and 2019, the maximum exposure to credit risk after offset and collateral of loans to customers amounted to KZT 1,067,047 million and KZT 1,015,844 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 uses 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 2020 and 2019, unsecured gross carrying amount of loans to customers amounted to KZT 1,162,426 million and KZT 1,094,746 million, respectively.

As at 31 December 2020, credit impaired loans with a net carrying value of KZT 19,330 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 2020 and 31 December 2019:

	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	Total
Loans at amortized cost				
Gross carrying amount as at 1 January 2020	**1,228,093**	**15,383**	**156,041**	**1,399,517**
Changes in the gross carrying amount				
- Transfer to Stage 1	10,198	(2,180)	(8,018)	-
- Transfer to Stage 2	(19,835)	21,026	(1,191)	-
- Transfer to Stage 3	(63,280)	(10,207)	73,487	-
New financial assets originated or purchased	938,746	-	-	938,746
Financial assets that have been repaid	(742,067)	(3,522)	(27,601)	(773,190)
Write-offs	-	-	(38,739)	(38,739)
Other changes	-	-	109	109
Gross carrying amount as at 31 December 2020	**1,351,855**	**20,500**	**154,088**	**1,526,443**

	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	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	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	Total
Loans to customers that individually assessed for impairment				
Grades: Low to fair risk	23,260	-	-	23,260
Grades: Monitoring	-	-	-	-
Grade: Impaired	-	-	14,094	14,094
Loans to customers that collectively assessed for impairment	1,328,595	20,500	139,994	1,489,089
Total gross carrying amount	**1,351,855**	**20,500**	**154,088**	**1,526,443**
Loss allowance	(40,062)	(7,674)	(74,153)	(121,889)
Carrying amount as at 31 December 2020	**1,311,793**	**12,826**	**79,935**	**1,404,554**

	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	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**

Notes to Consolidated Financial Statements (Continued)
For the Years Ended 31 December 2020 and 2019
(in millions of KZT)

As at 31 December 2020, out of the loans to customers, participating in the Program, the Group has classified to Stage 1 only loans that are not past due and had no delinquency after the end of the Programm.

	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	Total
Due from banks				
High grade (A- and higher)	14,017	-	-	14,017
Investment grade (BBB+ - BBB-)	29,046	-	-	29,046
Non-Investment grade (BB+ - B-)	1,222	-	-	1,222
Low grade (CCC+ and lower)	-	-	-	-
Total gross carrying amount	**44,285**	-	-	**44,285**
Loss allowance	(26)	-	-	(26)
Carrying amount as at 31 December 2020	**44,259**	-	-	**44,259**

	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	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	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	Total
Investment debt securities				
High grade (A- and higher)	883	-	-	883
Investment grade (BBB+ - BBB-)	848,887	-	-	848,887
Non-Investment grade (BB+ - B-)	14,497	-	-	14,497
Low grade (CCC+ and lower)	-	-	1,310	1,310
Carrying amount as at 31 December 2020	**864,267**	-	**1,310**	**865,577**

	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**

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 2020						
Cash and cash equivalents, net of cash on hand	36,837	143,763	273	-	173	181,046
Mandatory cash balances with NBRK	-	27,659	-	-	-	27,659
Due from banks	14,017	29,046	1,222	-	-	44,285
Investment securities and derivatives	3,368	850,434	14,817	3,891	-	872,510
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	3,093	439,177	30,631	2,773	-	475,674

As at 1 January 2020 and 31 December 2020, 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.

Notes to Consolidated Financial Statements (Continued)
For the Years Ended 31 December 2020 and 2019
(in millions of KZT)

Modified financial assets

As a result of the Group's forbearance activities financial assets might be modified. Modification doesn't lead to a material change in the net present value ("NPV"), therefore the Group doesn't recognise a modification gain/loss. 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 2020 and 2019:

	2020	2019
Gross carrying amount of financial assets that are impaired after modification but not in NPL as at 1 January	**14,126**	**16,421**
Gross carrying amount of modified loans within period	21,173	30,102
Loans transferred to Non impaired category (Cured loans)	(11,600)	(18,592)
Loans transferred to NPL	(5,516)	(11,325)
Repaid loans	(260)	(2,480)
Gross carrying amount of financial assets that are impaired after modification but not in NPL as at 31 December	**17,923**	**14,126**

The net carrying amount of loans at time of modification, that are modified during the years ended 31 December 2020 and 2019 amounted to KZT 12,931 million and KZT 18,434 million, respectively. The gross carrying amount of modified loans for which the loss allowance changed from lifetime to 12-month ECL in the years ended 31 December 2020 and 2019 amounted to KZT 8,018 million and KZT 13,371 million, respectively.

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 3.25% and 3.28% for years 2021 and 2022, respectively as the baseline scenario, 5.01% and 5.04% for the years 2021 and 2022 respectively as upside scenario and 1.49% and 1.52% for the years 2021 and 2022 respectively as downside scenario. A change in the 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 -5,160/+5,162 million as at 31 December 2020, respectively.

(in millions of KZT)

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 97% of deposits in 2020 were rolled over, which ensures the Group maintains a reliable and long-term funding base. The average amount of individuals' customer accounts balance is KZT 818 thousand as at 31 December 2020, which is another indicator of diversification and stability of the funding base.

The Group retains a significant amount of high quality liquid assets, which consists mainly of 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 only issues loans to customers in tenge, which protects the Group from hidden currency risk in case of a currency devaluation.

Interest rate risk

The 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 a short maturity which helps to minimize the sensitivity to a sharp increase of interest rates in case of a liquidity shortfall on the market.

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 2020 Total**
FINANCIAL ASSETS						
Interest bearing financial assets	657,658	402,890	780,943	505,353	121,978	2,468,822
Non-interest bearing financial assets	221,452	2,314	-	-	34	223,800
TOTAL FINANCIAL ASSETS	**879,110**	**405,204**	**780,943**	**505,353**	**122,012**	**2,692,622**
FINANCIAL LIABILITIES AND COMMITMENTS						
Total interest bearing financial liabilities	119,086	322,098	1,002,664	447,357	5,159	1,896,364
Non-interest bearing financial liabilities	487,033	1,295	1,595	-	-	489,923
Total financial liabilities	**606,119**	**323,393**	**1,004,259**	**447,357**	**5,159**	**2,386,287**
Guarantees issued and similar commitments	18	1	-	2,177	-	2,196
Total financial liabilities and commitments	**606,137**	**323,394**	**1,004,259**	**449,534**	**5,159**	**2,388,483**
Liquidity gap	272,973	81,810	(223,316)	55,819	116,853	
Cumulative liquidity gap	272,973	354,783	131,467	187,286	304,139	
Interest sensitivity gap	538,572	80,792	(221,721)	57,996	116,819	
Cumulative interest sensitivity gap	538,572	619,364	397,643	455,639	572,458	

(in millions of KZT)

As at 31 December 2020 and 2019, guarantee deposits in favour of international payments systems included in due from banks amounted to KZT 43,062 million and KZT 42,140 million, respectively.

	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	

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 2020, the impact on profit before income tax due to a +/-3% change in interest rate amounted -/+ KZT 469 million (2019: -/+ KZT 465 million).

As at 31 December 2020, the impact on equity due to a +/-3% change in interest rate amounted KZT -17,261 million KZT/+18,474 million (2019: KZT -7,035 million/KZT +7,756 million).

Currency risk

The Group's exposure to foreign currency exchange rate risk is presented in the table below:

	Tenge	USD 1 USD = KZT 420.91	EUR EUR 1 = KZT 516.79	Other currency	31 December 2020 Total
Non-derivative financial assets					
Total non-derivative financial assets	**2,398,772**	**278,917**	**7,362**	**3,846**	**2,688,897**
Non-derivative financial liabilities:					
Total non-derivative financial liabilities	**1,953,837**	**420,094**	**5,560**	**808**	**2,380,299**
NET POSITION ON NON-DERIVATIVE FINANCIAL INSTRUMENTS	**444,935**	**(141,177)**	**1,802**	**3,038**	
Derivative financial instruments					
Accounts payable on spot and derivative contracts	(137,184)	(1,297)	(14,729)	(2,700)	(155,910)
Accounts receivable on spot and derivative contracts	3,706	136,788	12,920	19	153,433
NET POSITION ON DERIVATIVE FINANCIAL INSTRUMENTS	**(133,478)**	**135,491**	**(1,809)**	**(2,681)**	**(2,477)**
NET POSITION	**311,457**	**(5,686)**	**(7)**	**357**	

	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**	

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 as at 31 December 2020 and 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 2020, the impact on profit or loss and on equity due to +/-25% change in USD rate amounted to KZT +/-1,422 million (2019: KZT +/-374 million).

As at 31 December 2020, the impact on profit or loss and on equity due to +/-25% change in EUR rate amounted to KZT +/-2 million (2019: KZT +/-42 million).

26. Subsequent events

On 26 January 2021, the Bank has completed the sale of its subsidiary IC "Basel" JSC to a third party.

Glossary

	Year ended 31.Dec.20 IFRS:	Year ended 31.Dec.20 Adjusted(2):	Year ended 31.Dec.19 IFRS:	Year ended 31.Dec.19 Adjusted(1):
REVENUE	**641 437**	**641 437**	**513 914**	**511 014**
Marketplace	65 977	65 977	45 002	45 002
Payments	120 923	120 923	66 393	66 393
FinTech	454 537	454 537	402 519	399 619
NET INCOME	**263 348**	**274 318**	**197 123**	**191 523**
Marketplace	38 587	39 581	28 173	28 173
Payments	60 554	63 004	27 877	27 877
FinTech	164 207	171 733	141 073	135 473
NIM	**41%**	**43%**	**38%**	**37%**
Marketplace	58%	60%	63%	63%
Payments	50%	52%	42%	42%
FinTech	36%	38%	35%	34%

(1) Adjusted revenue and net income exclude the one-off gain in 3Q19 from the Kazakhstan government's debt forgiveness program, decreased by partial reimbursement of penalties and fines on delinquent loans and partial repayment of loans to certain categories of borrowers. We have decreased 3Q19 revenue by KZT2.9bn and increased provisions by KZT4bn (both before tax) to normalize for this

(2) Adjustmets for share based compensation. Regular adjustment to Net Income starting with 4Q20 based on numbers presented in Kaspi.kz Financial Statements, notes 3, 5, 7.
Adjustment to Phantom shares portion of Share-based compensation is net of income tax for the purposes of this presentation

TERMINOLOGY	DEFINITION
Active Consumers	For Kaspi.kz Ecosystem – the total number of consumers which have used any of the Group's products or services at least once during the previous 12 months, expressed in thousands or millions of consumers as of the end of any such period. The metric is also calculated for each specific Platform (i.e. for Marketplace, Payments, Fintech) and is defined as the total number of consumers which have used the Platform's specific products or services at least once during the previous 12 months
Active Merchants	The total number of merchants that have successfully completed the sale of goods or services, or transaction to/with a consumer at least once during the previous 12 months
Adjusted for Share-based Compensation	Regular adjustment to Net Income starting with Q4'20 based on numbers presented in Kaspi.kz Financial Statements, notes 3, 5, 7. Adjustment to Phantom shares portion of Share-based compensation is net of income tax for the purposes of this presentation
Average Balances on Current Accounts	The average total balance of the Payments Platform's accounts (including Kaspi Business and Kaspi Gold accounts) for each respective period based on the monthly average balances
Average Monthly Transactions per Active Consumer	The ratio of the total number of transactions for the previous 12 months to the total number of Active Consumers as of the end of any such period, divided by 12
Average Monthly Transactions per Active Consumer	The ratio of the total number of transactions for the previous 12 months to the total number of Active Consumers as of the end of any such period, divided by 12
Average Net Loan Portfolio	The average balance of the Fintech Platform net loan portfolio for each respective period based on the respective monthly average balances
Cost of Risk (CoR)	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, expressed as a percentage. The cost of risk for 2019 (3.5%) is adjusted and excludes the impact of the government debt forgiveness programme (KZT 4bn). Taking the government debt forgiveness programme into account, cost of risk for 2019 amounted to 3.1%
DAU (Daily Active Users)	The daily number of users with at least one discrete session (visit) in excess of 10 seconds on the Mobile App; average DAU is a simple average of DAU for any given period
Delinquency Rate	The share of loans that were not delinquent in the previous month but missed their current due date payment

TERMINOLOGY	DEFINITION
Delinquency Rate	The share of loans that were not delinquent in the previous month but missed their current due date payment
FPD (First Payment Default)	The share of loans with the missed first payment
Fintech ROE	Calculated as a ratio of Fintech's net income to an average equity of Kaspi.kz adjusted for net income attributable to Payments and Marketplace segments (whereby all net income numbers are calculated on Adjusted basis).
Fintech Yield	The ratio of sum of interest income and banking fee divided by the Fintech Average Net Loan Portfolio
GMV (Gross Merchandise Value)	The total value of goods and services sold across our Marketplace Platform during the respective period
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
MAU (Monthly Active Users)	The monthly number of users with at least one discrete session (visit) in excess of 10 seconds on the Mobile App in the last calendar month of each respective period; average MAU is a simple average of MAU for any given quarter
Net Income Margin	The ratio of Net Income to Revenue
RTPV (Revenue-generating TPV)	TPV minus non revenue generating P2P Payments within the Kaspi Ecosystem
SPD (Second Payment Default)	The share of loans with the missed first and second payments
Take Rate	For Payments Platform: ratio of transaction and membership revenue (excluding Kaspi Business) to RTPV For Marketplace Platform: ratio of seller fees to GMV
TFV (Total Finance Value)	The total value of loans to consumers issued within the Fintech Platform
TFV to Loan Portfolio Conversion Rate	The ratio of TFV to Average Net Loan Portfolio, calculated for Fintech Platform
TPV (Total Payment Value)	The total value of payment transactions made by Active Consumers within the Payments Platform

Shareholder Information

Legal entity and registered office

Joint Stock Company Kaspi.kz

Legal entity identifier 2549003YU6FARG8OAZ13

The Company's registered address is:
154a Nauryzbai Batyr Street, Almaty, 050013, Republic of Kazakhstan, telephone +44 7427 751 275

Shareholder contact details

For investor information, including our audited financial statements, company presentation, news and upcoming events please visit our investor relations website https://ir.kaspi.kz/
or contact David Ferguson, Head of Investor Relations ir@kaspi.kz

Independent auditors

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Depositary

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Attention: American Depositary Receipt Administration (Fax: 001 (212) 571 3050)

Forward Looking Statements

Certain statements made in this Report are forward-looking statements. Such statements are based on current expectations and assumptions and are subject to a number of risks and uncertainties that could cause actual events or results to differ materially from any expected future events or results expressed or implied in these forward-looking statements. They appear in a number of places throughout this Report and include statements regarding the intentions, beliefs or current expectations of the Directors concerning, amongst other things, Kaspi.kz's results of operations, financial condition, liquidity, prospects, growth, strategies and the business.

Persons receiving this Report should not place undue reliance on forward-looking statements. Unless otherwise required by applicable law, regulation or accounting standard, Kaspi.kz does not undertake to update or revise any forward-looking statements, whether as a result of new information, future developments or otherwise.