PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

A. Directors and Senior Management

Not applicable.

B. Advisers

Not applicable.

C. Auditors

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION

A. [Reserved]

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. RISK FACTORS

Investing in the ADSs involves a high degree of risk. You should carefully consider the risks described below before making an investment decision. Additional risks not presently known to us or that we currently deem immaterial may also impair our business operations. Our business, financial condition, results of operations and cash flows could be materially adversely affected by any of these risks. The trading price and value of the ADSs could decline due to any of these risks, and you may lose all or part of your investment. This annual report also contains forward-looking statements that involve risks and uncertainties. You should carefully review the "Cautionary Statement Regarding Forward-Looking Statements and Risk Factor Summary." Our actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks faced by us described below and elsewhere in this annual report.

Risks Relating to Our Business and Industry

We may be unable to attract sufficient new customers, engage and retain our existing customers or sell additional functionality, products and services to them on our platforms.

The growth of our business depends on our ability to attract new customers and expand our existing customers' usage of our platforms by offering additional functionality, products and services and further integrating our Super Apps. While our Super Apps have achieved wide acceptance in Kazakhstan by both consumers and merchants, we may be unable to continue to grow at historical rates. We continue to invest significant resources in our infrastructure, research and development and other areas in order to enhance our platform technology and our existing products and services, as well as to introduce new high-quality products and services aimed at increasing the number of transactions made on our platforms and through our Super Apps. The changes and developments taking place in our industry may also require us to re-evaluate our business model and adopt significant changes to our long-term strategies. Our failure to innovate and adapt to these changes could have a material adverse effect on our business, financial condition,results of operations and cash flows.

As the markets for our platforms mature, or as new or existing competitors introduce new products, services or functionality that compete with ours, we may face external pressures and be unable to retain current customers or attract sufficient new customers. Our ability to engage, retain and increase our customer base will require us to successfully create new products and implement new business segments, both independently and together with third parties, and consequently, we may face risks associated with expanding into areas in which we have limited or no experience. We may also introduce significant changes to our existing products or develop and introduce new and unproven products and services, which may require significant investments of time, money and resources. For example, in 2021, we launched our e-Grocery business in partnership with Magnum. Similarly, over the last two years, we have developed Government Services in partnership with the Kazakhstan government to digitalize usage of government services and we have expanded Kaspi Travel to include holiday packages. Performance of these and other new business lines, however, is inherently uncertain, and if new or enhanced products or services fail to engage our consumers or merchants, we may fail to attract or retain customers or to generate sufficient return to justify our investments, which may adversely affect our ,business, financial condition, results of operations and cash flows.

Our efforts to attract and retain customers may also require more sophisticated and costly development, sales or engagement efforts and could be impaired for a variety of reasons, including adverse reaction to changes in general economic conditions or other factors. We may also take actions that fail to generate short-term financial results, and there can be no assurance that these actions will produce long-term benefits. In particular, efforts to expand our customer base and enhance the customer experience, especially in new markets, and investments in new products, services and business initiatives could adversely affect our short-term financial results. Such investments may not provide economic benefits to us in the short-term or at all. If our efforts to attract and retain customers are not successful, or if our customers reduce or discontinue their usage of our platforms and Super Apps, our business, financial condition, results of operations and cash flows may be materially adversely affected.

We may fail to maintain and improve the network effects of our Super App business model.

Our ability to maintain a fully integrated Super App business model that creates strong network effects among consumers, merchants and other participants is critical to our success. The extent to which we are able to maintain and strengthen these network effects depends, among other things, on our ability to:

- offer secure and reliable platforms for all participants and balance the interests of these participants, including consumers, merchants, service providers and others;
- provide tools and services that meet the evolving needs of consumers and merchants;
- provide consumers with a wide range of high-quality product and service offerings through our Kaspi.kz Super App;
- provide merchants with a seamless experience in our Kaspi Pay Super App, including a high level of traffic flow and effective online advertising services; and
- further enhance the attractiveness of our Super Apps by introducing new payment and financing methods and new and complementary products and services.

The network effects of our Super Apps also rest on our ability to attract and retain leading retailers as merchants, which can offer a wide selection of products and services for consumers at attractive prices. See *“Item 3. Key Information—D. Risk Factors—Our business relies on merchants selling their products on our platforms, and we may be unable to partner with sufficient new merchants or maintain relationships with our existing merchant partners.”* In addition, any changes we may make to our current operations to enhance and improve our Super App integration and balance the needs and interests of users of our Super Apps, or to comply with any regulatory requirements, may be viewed positively from one user group’s perspective, such as consumers, but may have negative effects from another group’s perspective, such as merchants. If we fail to balance the interests of all users of our Super Apps, consumers, merchants and other participants may spend less time on our platforms and Super Apps and conduct fewer transactions or use alternative platforms, any of which could result in a material adverse effect on our ,business, financial condition, results of operations and cash flows.

Failure to improve or maintain technology infrastructure could affect our business.

We rely on the efficiency, security, integrity, and availability of our technology infrastructure to protect the functionality and effectiveness of our software and platforms and in order to meet our business needs or the needs of our customers and partners. We frequently upgrade our platforms to provide increased scale, improved performance, additional built-in functionality (including functionality related to security) and additional capacity.

Adoption of new products and maintaining and upgrading our technology infrastructure requires a significant investment of both time and resources. There can be no assurance that our financial resources will be sufficient to maintain the levels of investment required to support such development efforts, which may require substantial capital commitment. Additionally, our competitors may have the ability to devote more financial and operational resources than we can to the development of new technologies and services and, if successful, their development efforts could render our services less desirable to customers, resulting in the loss of customers or a reduction in the fees we can generate.

In addition, any failure to improve or maintain our technology infrastructure could result in unanticipated system disruptions, slower response times, impaired user experience and delays in reporting accurate operating and financial information. Such issues may be further compounded during periods when user activity is higher than usual on our platforms, or as we expand our business. Issues with the functionality and effectiveness of our software or platforms could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Furthermore, security features and enhancements are frequently emerging to combat the rise of cybersecurity incidents and attacks. We have faced in the past and expect to continue to face attempted cyberattacks, such as phishing attacks, reverse engineering of our applications, Distributed Denial of Service (DDoS) attacks and ransomware attacks. While we have experienced cybersecurity incidents, to date, we do not believe that we experienced a material cybersecurity incident. The sophistication of cybersecurity threats, including through the use of artificial intelligence, continues to increase, and the preventative actions we take to reduce the risk of cybersecurity incidents and attacks, including the regular testing of our cybersecurity incident response plan, may be insufficient. In addition, new and emerging technologies that could result in greater operational efficiencies may further expose our computer systems to the risk of cybersecurity incidents. There are significant costs in both time and labor to ensure that we are maintaining adequate and up to date cybersecurity controls, including patching vulnerabilities in software and detecting security incidents. Any failure to timely upgrade our technology infrastructure or discover vulnerabilities may interrupt our ability to operate and conduct our business.

Our “first-party” e-Grocery operations are new to our business, and we may fail to successfully execute the new business model and reach sustained profitability of the e-Grocery operations.

We launched our e-Grocery business in partnership with Magnum in 2021, and in 2023, we acquired a 90.01% stake in Magnum E-commerce Kazakhstan. Following the acquisition, we changed the business model of our e-Grocery operations from a “third-party” business to a “first-party” business due to the more complex operational and logistical requirements of the grocery business. As a result, unlike in our other Marketplace business which we operate on a “third-party” basis, we are now primarily responsible for holding and accounting for e-Grocery’s inventory. We also rely on the timely delivery of quality produce and other food products from suppliers. Development of a grocery business requires significant start-up expenses, particularly for acquiring or leasing real estate for our dark stores. Due to our lack of experience in operating a “first-party” model, as well as risks inherent in the grocery business, we may not be able to replicate the profitability and growth in e-Grocery as we have in our other businesses. The grocery industry is generally characterized by relatively low profit margins.

In addition, the development of our e-Grocery business may prove more expensive than we currently anticipate, and we may not succeed in increasing its revenue and the number of purchases, if at all, in an amount sufficient to offset our expenses and to maintain profitability. As the online or digital grocery market in Kazakhstan is still nascent, it may be difficult to predict the size and growth rate of our target market and customer demand for our e-Grocery products or encourage customers to move away from more traditional in-store food shopping. Given the different profitability model of the e-Grocery business, we expect a reduction in the profit margin of our Marketplace Platform. If the revenue attributable to our e-Grocery operations does not grow over the long term, the e-Grocery business may fail to achieve and maintain profitability, and our business, financial condition, results of operations and cash flows may be materially adversely affected.

Our business relies on merchants selling their products on our platforms, and we may be unable to partner with sufficient new merchants or maintain relationships with our existing merchant partners.

We derive a significant and growing portion of our revenue from fees through our Marketplace, and revenue generated from our Payments and Fintech businesses relies on merchants offering and selling their products and services on our platforms and Super Apps. As of December 31, 2023, we had approximately 581,000 Active Merchants. We attempt to engage and retain our merchant partners by offering them additional functionality, products and services so they can reach more consumers. If our attempts to attract and retain merchants are not successful or if our merchants reduce their usage of our platforms, our business, financial condition, results of operations and cash flows may be materially adversely affected.

Our business depends on consumers’ consumption and income levels.

The mass-market online payments, marketplace, fintech and e-grocery industries in Kazakhstan in which we operate are highly dependent on economic stability and growth, continuing increases in consumers’ average disposable income and levels of consumer spending. Demand for the products and services offered on our platforms and through our Super Apps may decrease if there is a deterioration in the future performance of Kazakhstan’s economy or any stagnation or reduction in levels of personal income, individual purchasing power or consumer confidence in Kazakhstan. Consumer spending habits are affected by, among other things, levels of employment, salaries, consumer confidence and perception of economic conditions, inflation, prevailing interest rates, income tax rates, consumer debt levels, housing and utilities costs and consumer aspirations.

During periods of economic stagnation or decline, consumers tend to become more price-sensitive, which may lead to a decrease in demand for our products and services. The Kazakhstan economy has faced, and might face in the future, challenges, primarily due to the decline in prices of oil and other commodities which are principal exports and important drivers of its economy, as well as the effects of any downturns in the economies of the country’s key trading partners, including Russia or China. See *“Item 3. Key Information—D. Risk Factors—Risks Relating to Kazakhstan—Kazakhstan is heavily dependent upon export trade and commodity prices*.” These factors have also contributed to the volatility of the tenge. See *“Item 3. Key Information—D. Risk Factors—Risks Relating to Kazakhstan—Exchange rate fluctuations could have a material adverse effect on our ,business, financial condition, results of operations and cash flows*.”

According to Qazstat, Kazakhstan’s GDP grew by 4.3% in 2021, 3.2% in 2022 and approximately 5.1% in 2023. According to the NBK, annual consumer price inflation for the years ended December 31, 2023, 2022 and 2021 was 9.8%, 20.3% and 8.4%, respectively. A further period of sustained inflation, coupled with high interest rates, or any other deterioration of Kazakhstan’s economy, could lead to a reduction in levels of personal income, individual purchasing power or consumer confidence, weakening consumer spending and savings and increasing insolvencies. As a result, the size of operations within our platforms may grow at a slower rate or even decrease, resulting in a slowdown or decrease in all or any sources of revenue (interest, fee and retail revenue), which could have a material adverse effect on our ,business, financial condition, results of operations and cash flows.

With the introduction of a new Citizens Bankruptcy Law in December 2022, which for the first time introduced the concept of bankruptcy of individuals that are not individual entrepreneurs, any reduction in levels of personal income and savings can lead to an increasing number of individuals being unable to repay the loans and being declared bankrupt. As a result, Kaspi Bank may become exposed to significant debt write-offs in the future and may not be able to attract consumer borrowings from such individuals within five years following the declaration of such individuals’ bankruptcy. See *“Item 4. Information on the Company—B. Business Overview—Regulation—Bankruptcy of Individuals*.”

We may fail to effectively manage the growth of our business and operations.

Our business has grown rapidly and significantly in recent years as we have evolved from a banking services provider in Kazakhstan to a unique two-sided Super App business model. Because of the significant growth in our operations, our exposure to business risks has increased. This growth will continue to require improved monitoring and control procedures with respect to our operations, as well as continued investment in our financial and information management systems, recruitment and training of employees, marketing, monitoring of the consistency of customer service and increased operational costs. In addition, overall growth in our business requires greater allocation of management resources away from day-to-day operations and may create significant operational challenges, including the ability of our information technology systems to adequately handle the rate of growth of operations, the ability to design, implement and follow appropriate risk management procedures in respect of a much larger volume of operations, an increased variety of offered products and the ability to properly monitor our financial performance. Similarly, our future growth may also depend on our ability to grow our other businesses, including those businesses we have acquired or invested in and new business initiatives we may explore in the future. In particular, we face risks associated with expanding into industries in which we have limited experience, including e-Grocery (see *“Item 3. Key Information—D. Risk Factors—Our ‘first-party’ e-Grocery operations are new to our business, and we may fail to successfully execute the NEW business model and reach sustained profitability of the e-Grocery operations*”). Any failure to manage our growth while at the same time maintaining adequate focus on our existing operating segments may have a material adverse effect on our ,business, financial condition, results of operations and cash flows.

Growth opportunities may also involve expansion into international markets, which carries the risk of increased expenses to manage market, legal, regulatory, taxation and operational burdens. See *"Item 3. Key Information—D. Risk Factors—Acquisitions, strategic alliances and investments may be difficult to integrate and may not generate the expected return on our investment*." Such limitations in growth could materially adversely affect our business, financial condition, results of operations and cash flows.

We face credit, liquidity and market risks.

Credit risk

We are exposed to credit risk, which is the risk that a customer will be unable to pay amounts in full when due. Our credit risk exposure arises primarily from our consumer finance, merchant finance and micro business finance through our Fintech Platform. To manage credit risk during loan origination, we centralized all processes related to decision-making, verification and accounting through our headquarters. We have developed an automated, centralized and big data-driven proprietary loan approval process that enables us to make instant credit decisions. The risk management department is responsible for maintaining scoring models and the decision-making process. The quality of approved loans is monitored by the risk management department on a day-to-day basis with periodic validation of the models. As of December 31, 2023, 2022 and 2021, NPLs represented 5.5%, 6.3% and 4.7%, respectively, of our loan portfolio.

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

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

In addition, the vast majority of our loan portfolio is unsecured. While we have no significant industry or single borrower concentrations in our loan portfolio, in the event of defaults by a sizable number of borrowers due to, for example, an economic downturn, we may be unable to recover a significant proportion of the balance of such loans, which may have a material adverse effect on our business, financial conditions or results of operations.

Liquidity risk

We are exposed to liquidity risk arising out of the mismatches between the maturities of our assets and liabilities, which may result in us being unable to meet our obligations in a timely manner. We are exposed to daily calls on our available cash resources from current accounts, maturing deposits and loan drawdowns. Although a significant portion of our customer accounts (80% as of December 31, 2023) are held in term deposits, our customers have a right to withdraw their term deposits prior to maturity. We do not maintain cash resources to meet all of these needs as experience shows that a minimum level of rollover of maturing funds can be predicted with a high level of certainty. We calculate and monitor liquidity ratios on a daily basis in accordance with the NBK's requirements.

We meet a significant portion of our funding requirements using customer accounts (primarily deposits from retail customers), which increased to 5,441,456 million as of December 31, 2023 from 4,000,690 million as of December 31, 2022 and 2,763,043 million as of December 31, 2021. Over the past several years, we have primarily relied on funding from our retail customers' deposits and current accounts. As of December 31, 2023, our retail customers' term deposits and current accounts represented 79% and 15%, respectively of our total customer accounts (76% and 18%, respectively, of our total customer accounts as of December 31, 2022). Any unexpected and significant withdrawal of deposits may impact our ability to meet our funding requirements. The other portion of funding is primarily provided through the placement of local bonds (debt securities issued) and subordinated debt, which amounted to 2.8% and 4.8% of total liabilities as of December 31, 2023 and December 31, 2022, respectively. Any deterioration in our credit ratings could undermine confidence in us and limit our access to capital markets, which could require us to seek alternative, more expensive sources of funding.

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

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

Market risk

We have exposure to interest rate risk resulting from movements in market interest rates that affect income, expense or the value of financial instruments. For example, instruments on both the asset and liability side may exhibit different sensitivities to changes in interest rates, including changes in long-term and short-term interest rates relative to one another. In 2022, higher than normal interest rates directly contributed to declining profitability in the Fintech segment of our business. While we consistently monitor interest rate fluctuations and our asset-liability tenors in order to mitigate such interest rate risk, any significant interest rate movement on either domestic or international markets may have a material adverse effect on our ,business, financial condition, results of operations and cash flows.

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

Our securities portfolio (which predominantly comprises Kazakhstan government debt securities and quasi-government debt securities, representing 94% and 99% of total investment securities and derivatives as of December 31, 2023 and December 31, 2022, respectively) is subject to fluctuations in the value of financial instruments caused by changes in market prices, whether caused by factors specific to the individual instrument or factors affecting all instruments traded in the market. Interest rate and price movements on both domestic and international markets may (including as a result of any downgrade in Kazakhstan's sovereign credit ratings) affect the value of our securities portfolio, which in turn may have a material adverse effect on our business, financial condition, results of operations and cash flows.

Adverse developments affecting the financial services industry, such as actual events or concerns involving liquidity, defaults or non-performance by financial institutions or transactional counterparties, could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Our banking activities comprise a significant part of our business. For the year ended December 31, 2023 and the year ended December 31, 2022, our Fintech segment generated 34% and 40% of our net income, respectively. Actual events involving limited liquidity, defaults, non-performance or other adverse developments that affect financial institutions, transactional counterparties or other companies in the financial services industry or the financial services industry generally, or concerns or rumors about any events of these kinds or other similar risks, have in the past and may in the future lead to market-wide liquidity problems.

In 2023, several U.S. banks were placed into receivership or closed, including Silicon Valley Bank, Signature Bank and First Republic Bank. Similarly, on March 19, 2023, UBS agreed to purchase Credit Suisse, following the withdrawal of deposits with Credit Suisse worth $75.2 billion in the first three months of 2023. While we held no deposits or securities with SVB, Signature Bank, First Republic Bank or Credit Suisse at the time each was placed into receivership or closed (or, in the case of Credit Suisse, purchased), defaults by such institutions have led to weakened market conditions and have limited global liquidity. This may adversely impact merchants on our platforms who are exposed to global market conditions, and any such decline in engagement from merchants may lead to lower consumer interaction, which could have a material adverse effect on our ,business, financial condition, results of operations and cash flows. In addition, concerns regarding the United States or international financial systems could result in our retail customers withdrawing their deposits they hold with us or enhanced regulatory oversight of financial institutions such as Kaspi Bank (see *"Item 3. Key Information—D. Risk Factors—We face credit, liquidity and market risks*"), which may have a material adverse effect on our business, financial condition, results of operations and cash flows.

Although we assess our banking and customer relationships as we believe necessary or appropriate, our business and results of operations, as well as our access to funding sources and other credit arrangements in amounts adequate to finance or capitalize our current and projected future business operations, could be significantly impaired by factors that affect us or the financial services industry or economy in general. These factors could include, among others, events such as liquidity constraints or failures, the ability to perform obligations under various types of financial, credit or liquidity agreements or arrangements, disruptions or instability in the financial services industry or financial markets, or concerns or negative expectations about the prospects for companies in the financial services industry. The results of events or concerns that involve one or more of these factors could include a variety of material adverse effects on our ,business, financial condition, results of operations and cash flows.

Any harm to our brand or failure to maintain the trusted status of our platforms and Super Apps may limit our future growth and adversely affect our business.

We have built our business on consumer and merchant confidence, based on a strong brand name and reputation for our Super Apps in Kazakhstan. Any loss of trust in our business could affect our reputation and brand, and may result in consumers, merchants, brands and other counterparties reducing their activity on our platforms, which could in turn adversely affect our revenues. Our ability to maintain our position as a business used by people in Kazakhstan for all aspects of their day-to-day spending relies, among other things, on:

- the quality, breadth, functionality, connectivity, inter-operability, variety and appeal of the products, services, technology and content available through on our platforms and through our Super Apps;
- the high level of integration between our Super Apps;
- our commitment to high levels of service, reliability and integrity;
- the effectiveness and security of the procedures we have in place to maintain the safety, security and integrity of the data in our platforms;
- the effectiveness and perceived fairness of the rules governing our platforms;

- the strength of the protective measures in place in relation to our intellectual property rights; and
- compliance with environment, social and governance regulations and disclosure guidelines, as well as other sustainability matters.

Our management believes that the brand identity that we have developed through the strength of our platforms and customer focus has significantly contributed to the success of our business. We also believe that maintaining and enhancing our brand is critical to expanding our consumer base, network of merchants and other business partners. Maintaining and enhancing our brand will largely depend on our ability to maintain our status as an industry leader (including by maintaining relationships with merchants) and a provider of high-quality and reliable services. If we fail to maintain and enhance the trusted status of our platforms and Super Apps and the strength of our brand, our business, financial condition, results of operations and cash flows could be materially adversely affected.

Customer complaints or negative publicity about us could also diminish consumer confidence in our services and our reputation with customers. The significant scale of our business heightens the need for prompt and attentive customer service to resolve irregularities or customer dissatisfaction. In our e-Commerce business, our merchants primarily manage customer issues and complaints directly with the customer, and if they do not do so to the satisfaction of customers, our brand and reputation may be adversely affected. From time to time, we may also be the target of incomplete, inaccurate and misleading or false statements about our company and our business that could damage our brand and deter customers from using our Super Apps. Our reputation may be affected by instances of misconduct by our employees, as well as employees' failure to comply with our compliance procedures and any applicable legislative requirements. In addition, any significant problems with collection practices employed by external collection agencies, to which we outsource collections of our NPLs, could also adversely affect our reputation and brand. Our reputation may also be affected by events beyond our control. For example, in June 2023, a man took several of our employees hostage in one of our bank offices in Astana. While the crisis was resolved with no casualties and the hostages were successfully released by the police, any adverse press reports on this or similar events may harm our brand and customer confidence in us. If we are unable to handle customer complaints or negative publicity effectively, our reputation may suffer and we may lose customers' confidence, which could have a material adverse effect on our ,business, financial condition, results of operations and cash flows.

We depend upon talented employees, including our senior management, to grow, operate and improve our business. If we are unable to retain and motivate our personnel and attract new talent, or to maintain our corporate culture, we may not be able to achieve our strategic objectives.

Our ability to maintain our competitive position and to implement our business strategy is dependent on the skills and abilities of our senior management team. Our business has significantly benefited in the past from the vision and contributions of a small number of our key senior managers. In particular, Mr. Mikheil Lomtadze, the chairman of our management board and our significant shareholder, has been crucial to the development of our culture and strategic direction. Competition in Kazakhstan's technology and financial industries for personnel with relevant expertise is intense due to the relatively small number of available qualified individuals. Further increases in competition may lead to difficulties in recruiting and retaining qualified and experienced employees, including increased costs of salaries and bonuses, as well as a greater length of time taken to identify and recruit such employees or increased costs of recruitment. In order to attract and recruit qualified and experienced employees and minimize the possibility of their departure to other companies, we provide packages of compensation and non-financial incentives that are consistent with the evolving standards in Kazakhstan's labor market. The loss of or diminution in the services of members of our senior management team, or an inability to retain and attract additional senior management personnel, may impair our ability to achieve our strategic objectives.

Our management also believes that a critical contributing factor to our success has been our corporate culture, which values and fosters teamwork and innovation. If we do not maintain the beneficial aspects of our corporate culture as we grow and implement more complex organization management structures, this would adversely affect our business, financial condition, results of operations and cash flows.

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

The growth of our business, as well as the development of the mass-market online payments, e-commerce, fintech and e-grocery industries in Kazakhstan in which we operate, largely depends on the development of online and mobile consumption patterns and wider consumer understanding and continued acceptance of products offered online and of new products and solutions that we intend to offer, primarily through our Super Apps. The level of adoption of financial, e-commerce and e-grocery services offered through mobile applications and online in Kazakhstan is relatively low compared to those in more developed countries. As part of our strategy, we focus on increasing user engagement in our Super Apps, which integrate all products and services offered by us. Our ability to expand our operations, however, may be affected if the adoption of online or mobile device payment methods does not grow, if online and mobile consumption patterns do not further develop or if we are unable to attract a significant number of new mobile customers and increase levels of mobile engagement.

If we fail to keep pace with rapid technological developments to provide innovative services, our business may be adversely affected.

Our future success will depend on our ability to keep pace with the evolving needs of our customers and the evolution of our industry on a timely and cost-effective basis and to pursue new market opportunities that develop as a result of technological advances. In addition to our own innovations, we rely in part on third parties for the development of, and access to, modern technologies. Any rapid and significant technological developments, including developments in mobile technologies, authentication, virtual currencies and distributed ledger technologies, near-field communication and other proximity payment devices such as contactless payments, may result in the emergence of technologies superior to those currently employed by us and render our technologies obsolete. Developing and incorporating innovative technologies into our business may require substantial expenditure, take considerable time or ultimately may not be successful.

In particular, we face risks related to the development and implementation of our AI and machine learning capabilities, which are foundational to our AI virtual assistance, risk management models and user experience personalization across our products and services. As with many developing technologies, AI presents risks and challenges that could affect its further development, adoption, and use, and therefore our business. AI algorithms may be flawed, datasets may be insufficient, of poor quality, or contain biased information. Inappropriate or controversial data practices by data scientists, engineers, and end-users of our systems could impair the acceptance of AI solutions. If the recommendations or analyses that AI applications assist in producing are deficient or inaccurate, we could be subjected to competitive harm, potential legal liability, and brand or reputational harm. Furthermore, local and international laws and regulations regarding the use of AI may adversely impact our ability to use, develop, or implement our AI solutions.

We may not be able to implement changes to our systems and operations necessary to capitalize on our future growth opportunities.

Our anticipated future growth will depend, to a significant degree, on the ability of our executive officers and other members of senior management to operate effectively, our ability to further improve and develop our financial and management information systems, controls and procedures and our ability to anticipate and implement competitive product and service offerings to continue to attract customers to our platforms and increase the number of transactions made by our customers on our platforms and through our Super Apps. We expect to have to adapt our existing systems and introduce new systems to cater to the increasing sophistication of the consumer financial services market, evolving fraud and information security landscape, and regulatory developments relating to existing and projected business activities, train and manage our employees and improve and expand our marketing capabilities. Further, as we grow, our business becomes increasingly complex. To effectively manage and capitalize on our growth, we must continue to focus on innovative product and service developments. Our continued growth could strain our existing resources, and we could experience ongoing operating difficulties in managing our business, including difficulties in hiring, training and managing our employee base. Continued growth could also strain our ability to maintain the quality and reliability of our platforms, products and services, impact development and improvement of our operational, financial, legal and management controls and enhance our reporting systems and procedures. If we are unable to successfully implement necessary changes to our systems and operations as we continue to grow, our ,business, financial condition, results of operations and cash flows could be materially adversely affected.

We rely on third-party providers, including software and hardware suppliers, delivery services, credit bureaus and debt collection agencies. Any adverse changes in these relationships could adversely affect our business, financial condition, results of operations and cash flows.

In carrying out our operations, we rely on a variety of third-party services. Our technology infrastructure and services incorporate software, systems and technologies developed by third parties, as well as hardware purchased or commissioned from third-party suppliers. As our technology infrastructure and services expand and become increasingly complex, we face increased risks relating to the performance and security of our technology, including risks relating to incompatibility of the components produced by third parties, as well as service failures or delays or back-end procedures on hardware and software. Additionally, we grant certain third-party providers limited access to certain data in our systems at their request to effectively operate our business, which may pose additional security risks and challenges in protecting our technology infrastructure. Although we vet our third-party providers and contractually require them to implement reasonable cybersecurity controls, a compromise of their systems could have an adverse impact on our ability to operate and expose data that we have provided them. We cannot provide assurance that the contractual requirements related to the use, security and privacy regarding the information technology assets (and the data thereon) that we impose on our third-party suppliers will be followed or will be adequate to prevent misuse. Any misuse, compromise, or failure to adequately abide by these contractual requirements could result in liability, protracted and costly litigation and, with respect to misuse of personal information of our customers, lost revenue and reputational harm.

We also rely on facilities, components and services supplied by third parties, including data center facilities. For example, we depend on third parties in connection with our risk management processes, including external data from credit bureaus in Kazakhstan and the Kazakhstan State Pension Payment Center (the “Pension Center”) to perform credit assessments. As such, any risks related to the interruption of such credit bureaus’ or the Pension Center’s operations, the accuracy of the data kept thereby and the availability of such data generally, may impact our consumer finance origination process. Furthermore, as part of our debt collection process, we outsource certain debt collection functions to third-party debt collection agencies, which collect up to 65% of our NPLs, and any interruption in the operations of such agencies could negatively impact our debt collection efforts or increase the cost of debt collection services and cost of risk. If these third parties cease to provide the facilities or services, experience operational interference or disruptions, breach their agreements with us, fail to perform their obligations or meet our expectations, do not renew their licenses or otherwise cease to make their services or products available at a reasonable cost or at all, our operations could be disrupted or otherwise adversely impacted, which in turn could result in a material adverse effect on our ,business, financial condition, results of operations and cash flows.

Interruptions to, or failures in, third-party logistics and delivery services that we use to fulfill and deliver orders placed on our Kaspi.kz Super App could prevent the timely or proper delivery of products to our consumers, which would harm the reputation of our business. These interruptions may be due to events that are beyond our control or the control of the logistics and delivery companies that we use, such as inclement weather, natural disasters, transportation disruptions or labor unrest. These logistics and delivery services could also be affected or interrupted by industry consolidation, insolvency or government shut-downs. We may not be able to find alternative logistics and delivery companies to provide logistics and delivery services in a timely and reliable manner or at all. If the products sold on our Marketplace Platform are not delivered in proper condition or on a timely basis, our business, financial condition, results of operations and cash flows could be materially adversely affected.

Our business is subject to competition. We may fail to compete successfully against existing or new competitors, which may reduce demand for our services, reduce operating margins and result in loss of market share, departures of qualified employees and increased capital expenditures.

Our Payments Platform competes with foreign and domestic payment service providers and with retail banks (both domestic banks and subsidiaries of foreign banks) that look to gain a competitive edge through contracts with merchants. Our Marketplace Platform competes with global marketplace platforms and online and offline retailers operating in Kazakhstan. Our Fintech Platform competes with retail banks (both domestic banks and subsidiaries of foreign banks) that seek to differentiate themselves by offering retail deposits and consumer loans through their branch networks and points of sale at stores and shopping centers.

Some of our competitors may have longer operating histories or greater merchant bases, experience, scale and resources, which may provide them with competitive advantages, including more established relationships with customers. They may devote greater resources to the development, promotion, sale of products and services in the areas in which we operate, and they may offer lower prices or more effectively introduce and market their own innovative products and services that may in turn adversely impact our growth. Mergers and acquisitions by our competitors may lead to the emergence of even larger competitors with greater resources. Competing services tied to established brands might engender greater confidence in the quality and efficacy of their services relative to those offered by us. Any initiatives undertaken by the NBK to enhance the efficiency and decrease the costs of financial services may also increase competition. Furthermore, changes in the legal or regulatory framework in Kazakhstan relating to the industries in which we operate (such as the establishment of a “Sunqar” fast payment system) may increase the number of competitors or may more positively impact our competitors as compared to us, either of which could diminish our competitive advantage, which could have a material adverse effect on our ,business, financial condition, results of operations and cash flows.

The largest merchants that currently sell goods through our Marketplace Platform may decide, for any reason (including commercial considerations), to collectively negotiate the level of fees that we charge, or they may establish a separate marketplace. In addition, emerging start-ups may be able to innovate and provide some of the products and services faster than we can.

If our customers move to our competitors for any reason, including due to the pricing or terms of any such competitors’ products, or due to our inability to continue developing and providing our customers with high-quality and up-to-date services or to appropriately coordinate our services with market opportunities, it may become less attractive to merchants and other business partners, which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Our platforms may be used for fraudulent, illegal or improper purposes.

Despite measures we have taken and continue to take, our platforms remain susceptible to potentially illegal or improper uses. These may include use of our platforms (in particular, Payments or Marketplace) in connection with fraudulent or counterfeited sales of goods or bank fraud, which are becoming increasingly sophisticated. There can be no assurance that measures implemented by us, which are aimed at preventing our business from being used as a vehicle for money laundering, fraud or other illegal activities, will effectively identify, monitor and manage these risks, and that no incidents of fraud or other illegal activities will occur in the future. We cannot monitor with absolute certainty the sources of customers’ or counterparties’ funds or the ways in which they use them. In addition, an increase in fraudulent transactions could harm our reputation and reduce customer confidence in the use of our platforms or lead to regulatory intervention, which could require us to take steps to reduce fraud risk leading to an increase in our costs.

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

Continued public perception that counterfeit or pirated items are commonplace on our Marketplace Platform, perceived delays in the removal of these items, even if factually incorrect, or an increase in fraudulent transactions on our platforms could damage our reputation, reduce consumer confidence in the use of our platforms, result in lower list prices for goods sold through our Marketplace Platform and have a material adverse effect on our business, financial condition, results of operations and cash flows.

Acquisitions, strategic alliances and investments may be difficult to integrate and may not generate the expected return on our investment.

We may enter into select strategic alliances and potential strategic acquisitions that are complementary to our business and operations, including opportunities that can help us further improve our technology system. For example, we recently acquired a 90.01% share of Magnum E-commerce Kazakhstan, our e-Grocery subsidiary. These acquisitions and strategic alliances with third parties could subject us to a number of risks, including risks associated with sharing proprietary information, non-performance or default by counterparties and increased expenses in establishing these new alliances, any of which may have a material adverse effect on our business, financial condition, results of operations and cash flows. We may have limited ability to control or monitor the actions of our strategic partners. To the extent a strategic partner suffers any negative publicity as a result of its business operations, our reputation may be negatively affected by virtue of our association with such party.

Strategic acquisitions and subsequent integrations of newly acquired businesses would require significant managerial and financial resources and could result in a diversion of resources from our existing business. Acquired businesses or assets may not generate expected financial results, integration opportunities, synergies and other benefits immediately, or at all, and may incur losses. Additionally, we may face operational and structural challenges in integrating IT systems, retaining relationships with key employees of acquired businesses, and increased regulatory and compliance requirements. The cost and duration of integrating newly acquired businesses could also materially exceed our expectations, which could negatively affect our results of operations.

In light of our strategy to extend our geographical reach, these risks may be more likely to occur if we pursue strategic alliances and acquisitions in markets outside Kazakhstan and Azerbaijan. Further, as our business is technology driven, we will require a high level of real-time technology integration for efficient operations, customized and developed for the regions in which we may plan to operate. Our inability to obtain such technology in a timely manner and at the envisaged cost may have a material adverse effect on our business, financial condition, results of operations and cash flows. Our operations outside of Kazakhstan may also be subject to local political, economic and other risks that may impact our businesses there. We have operated in Azerbaijan since 2019 and intend to continue to explore international opportunities across Central Asia, the Caucasus region, and Central and Eastern Europe, as well as other select markets. In October 2021, we acquired 100% of Portmone Group, a payments company operating in Ukraine, although it represented only 0.1% of our total assets as of December 31, 2023 and 0.05% of our net income for the year ended December 31, 2023.

We may further incur reputational or financial losses in resolving outstanding litigations, contractual liabilities or financial indebtedness we inherit from our acquisitions, strategic alliances and investments. If any of such challenges are not resolved in our favor, we could lose opportunities in strategic acquisitions and alliances, which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Systems failures and resulting interruptions in the availability of our platforms and Super Apps could affect our business.

Our operations rely on the uninterrupted operation of our technology platforms and services. Although we seek to minimize such interruption risk with back-ups and redundancies, our systems and those of our service providers and partners may experience service interruptions or degradation or other performance problems because of hardware and software defects or malfunctions, an unexpected high volume of transactions, distributed denial-of-service and other cyberattacks, human error, natural disasters, power losses, disruptions in telecommunications services, infrastructure changes, unauthorized access fraud, military or political conflicts, terrorist attacks, legal or regulatory takedowns, phishing, computer viruses, ransomware, malware or other malware, or other events. Our systems may also be subject to break-ins, sabotage, theft, intentional acts of vandalism or our employees engaging in unauthorized shadow IT activities. As a provider of payments solutions, we are subject to heightened scrutiny by regulators that may require specific business continuity, resilience and disaster recovery plans, and more rigorous testing of such plans which may be costly, time-consuming and may divert resources from other business priorities.

We have experienced and may experience in the future system failures, denial-of-service attacks, and other events or conditions from time to time that interrupt the availability, reduce or adversely affect the speed or functionality of our platforms. For example, during the January 2022 events in Kazakhstan (see *“Item 3. Key Information—D. Risk Factors—Risks Relating to Kazakhstan—We are largely dependent on the economic, social and political conditions prevailing in Kazakhstan*”), there was a disruption in online transactions due to significant limitations on Internet access throughout Kazakhstan, although our Super Apps generally continued to operate. Any prolonged interruption in the availability or a reduction in the availability, speed or functionality of our platforms could have a material adverse effect our ,business, financial condition, results of operations and cash flows. Frequent or persistent interruptions in our services could cause current or potential customers to believe that our infrastructure is unreliable, leading them to switch to competitors or to avoid or reduce the use of our products and services, and could permanently affect our reputation and brand.

Moreover, if any system failure or similar event results in any damage to our customers or business partners, these customers or partners could seek compensation or contractual penalties from us for their losses, and those claims, even if unsuccessful, would likely be time-consuming and costly to address. In addition, systems, app components and software that have been or may be developed internally may contain undetected errors, defects or bugs, which we may not be able to detect and repair in time, in a cost-effective manner or at all. In such circumstances, we may be liable for all costs and damages as we would not be entitled to any indemnification or warranty that may have been available if we had obtained such systems or software from third-party providers. Any of these events could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Our business generates and processes a large amount of data. A breach or failure of our systems or website security, the theft, unauthorized access, acquisition, use, disclosure, modification or misappropriation of personal information, the occurrence of fraudulent activity, or other data security-related incidents may materially adversely affect our business, financial condition, results of operations and cash flows.

We collect, process and store personal data (including names, addresses, ages and bank details) from our customers, business contacts and employees as part of the operation of our business, and we must comply with data protection and privacy laws and industry standards in Kazakhstan, Azerbaijan, Ukraine and Uzbekistan. Those laws and standards impose certain requirements on us in respect of the collection, use, processing (including accumulation, modification, distribution, depersonalization, blocking and destruction of personal data) and storage of such personal data. Failure to operate effective data controls in respect of the collection, use, processing and storage of such personal data, as prescribed by applicable law, could potentially lead to administrative fines, financial costs, reputational damage and undermine trust in our business and brand (see *“Item 3. Key Information—D. Risk Factors—Risks Relating to Our Business and Industry—Any harm to our brand or failure to maintain the trusted status of our platforms and Super Apps may limit future growth and adversely affect our business*”), any of which could have a material adverse effect on our ,business, financial condition, results of operations and cash flows.

The Law of the Republic of Kazakhstan “On Personal Data and the Protection Thereof” No. 94-V ZRK dated May 21, 2013, as amended (the “Personal Data Law”), is a special legislative act that established a framework for the protection of personal data. Prior to the adoption of this law, Kazakhstan did not have any specific laws regulating the protection of personal data. Therefore, there is currently no widely-established or consistent judicial practice in respect of personal data protection matters. Existing laws and regulations on personal data protection may be amended, the manner in which such laws and regulations are enforced or interpreted may change and new laws or regulations on personal data protection may be adopted, including in order to further regulate or restrict the use of personal data. If the existing interpretation of the laws and regulations were to change or future regulations were imposed, it could have a material adverse effect on our ,business, financial condition, results of operations and cash flows.

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

The methods used to obtain unauthorized, improper or illegal access to information security systems are constantly evolving. Targeted attacks may also be difficult to detect quickly and are often not recognized until they are launched against a target. Unauthorized parties may attempt to gain access to our platforms through various means, including hacking into platforms, or attempting to fraudulently induce (often through spear phishing attacks) employees, customers, partners, vendors or other users of our systems into disclosing usernames, passwords, payment card information, or other sensitive information, which may in turn be used to access our systems. We have experienced in the past and may experience in the future cyberattacks and other security breaches (due, among other factors, to human error, malfeasance, system errors or vulnerabilities, or other irregularities) affecting the functionality of our platforms. While we have systems and processes designed to prevent cyberattacks and security breaches, which systems and processes have been effective in preventing us from incurring material financial losses in the past, and while we expect to continue to expend significant resources to bolster these protections, such measures cannot provide absolute security, and any security breach could have a material adverse effect on our ,business, financial condition, results of operations and cash flows.

Actual or perceived breaches of our security could interrupt our operations, resulting in, among other things, our systems or services being unavailable, improper disclosure of data, material damage to our reputation and brand, increased regulatory scrutiny or fines, as well as legal or financial exposure. In addition, third-party credit cards could refuse to allow us to process through their networks. Accordingly, such events could cause us to incur significant remediation costs, leading to loss of customer confidence in, or decreased use of, our products and services and the diversion of management's attention from the operation of our business. This could result in significant compensation or contractual penalties payable to consumers or merchants as a result of their claims, and could have a material adverse effect on our ,business, financial condition, results of operations and cash flows.

In addition, the SEC has adopted final rules enhancing disclosure requirements for publicly registered companies, requiring timely and detailed disclosures of material cybersecurity incidents, as well as periodic disclosures about cybersecurity risk management and governance, which could result in additional compliance costs for us.

We may fail to adequately obtain, maintain, enforce and protect our intellectual property and similar proprietary rights, which may harm our business and competitive position.

We regard our trademarks, domain names, proprietary technologies and similar intellectual property and proprietary rights (as applicable) as critical to our success. We have obtained various trademark registrations in various jurisdictions, including Kazakhstan, Azerbaijan, Armenia, Ukraine, Kyrgyzstan, Russia, Turkmenistan and Belarus, including for names and logos such as "Kaspi Pay," "Kaspi Kredit," "Kaspi Red," "Kaspi Gold" and "Kaspi Bank." Further, we have registered certain domain names, including "kaspi.kz," "kaspi.shop," "kaspi.online" and "kaspibank.kz." We also rely on a combination of intellectual property laws and contractual arrangements, including confidentiality provisions and non-compete clauses in our employment contracts with employees, to protect our proprietary rights. While we strive to protect our trademarks, service marks and domain names, effective trademark protection may not be available, and contractual or other disputes may affect the use of our marks. Similarly, not every variation of a domain name may be available.

Our intellectual property rights could be challenged, invalidated, circumvented or misappropriated despite the measures we have taken to protect them. For instance, it may be possible for a third party to copy or otherwise obtain and use our intellectual property, including our trade secrets, without authorization, and their adoption of trademarks and service names similar to ours may harm our ability to build brand identity and cause customer confusion. Similarly, confidentiality and non-compete agreements may be breached by counterparties or our employees under our standard employment contracts, and there may not be adequate remedies available to us for any such breach. We cannot ensure that all persons and entities contributing to our intellectual property have validly assigned to us all applicable intellectual property rights they may have, or that we will be able to enforce our rights under any such agreements. Moreover, we cannot guarantee that we have entered into confidentiality agreements with each party that has or may have had access to our confidential or proprietary information, know-how and trade secrets, or that any such confidentiality agreements will be effective in controlling access to, and distribution, use, misuse, misappropriation, reverse engineering or disclosure of, our confidential or proprietary information, know-how and trade secrets.

Preventing any unauthorized use of our intellectual property and proprietary information is difficult and costly and the steps we take may be inadequate to prevent the misappropriation, infringement, or other violations of our intellectual property and proprietary information. In the event that we resort to litigation to enforce our intellectual property rights, or defend against claims in connection with intellectual property rights, such litigation could result in substantial costs and a diversion of our managerial and financial resources. We can provide no assurance that favorable orders will be passed in such litigation. Determining reserves for pending litigation is a complex, fact-intensive process that requires significant legal judgment. It is possible that unfavorable outcomes in one or more such proceedings could result in substantial payments that could have a material adverse effect on our business, financial condition, results of operations, or cash flows in a particular period. Further, our efforts to enforce our intellectual property rights may be met with defenses, counterclaims, and countersuits attacking the validity and enforceability of our intellectual property rights, and if such defenses, counterclaims or countersuits are successful, we could lose valuable intellectual property rights. Furthermore, because of the substantial amount of discovery required in connection with intellectual property litigation, there is a risk that some of our confidential or sensitive information could be compromised by disclosure in the event of litigation.

We may use open source code in a manner that could be harmful to our business.

We use open source code in our software, technology and services. Some licenses applicable to open source software require software that incorporates, is linked to, or is derived from such open source software be made available to the public under the same or similar terms. From time to time, we may face claims from third parties of infringement of their intellectual property rights or demanding the release or license of the software that we developed using such open source software or otherwise seeking to enforce the terms of the applicable open source license. While we check the licensing policies before using open source code, we may still inadvertently use such open source software in a manner that exposes us to claims of non-compliance with the applicable terms of such license, including claims for infringement of intellectual property rights or for breach of contract. These claims could result in litigation and could require us to purchase a costly license, publicly release the affected portions of our source code, be limited in the licensing of our technologies or cease offering the implicated solutions unless and until we can re-engineer them to avoid infringement or change the use of the implicated open source software. Licensors of open source code do not provide warranties, indemnities, or other contractual protections for the use of their source code (for example, non-infringement or functionality). Our use of open source software may also present additional security risks because the source code for open source software is publicly available, which may make it easier for hackers and other third parties to determine how to breach our apps or websites and systems that rely on open source software. As a result, the use of open source code could materially adversely affect our ,business, financial condition, results of operations and cash flows.

Employee misconduct is difficult to determine and detect and could harm our reputation and business.

We face a risk that may arise out of our employees' lack of knowledge or willful, negligent or involuntary violations of laws, rules and regulations or other misconduct. Misconduct by employees could involve, among other things, the improper use or disclosure of confidential information (including trade secrets), embezzlement or fraud, any of which could result in regulatory sanctions or fines imposed on us and cause us serious reputational or financial harm. While we have not experienced fraudulent misconduct by employees in the past, any such misconduct in the future may result in unknown and unmanaged risks and losses. We have internal audit, security and other procedures in place that are designed to monitor our employees' conduct. However, despite these controls and procedures there can be no assurance that we will discover employee misconduct in a timely manner, if at all. It is not always possible to guard against employee misconduct and ensure full compliance with our risk management and information policies. The direct and indirect costs of employee misconduct can be substantial, and our business, financial condition, results of operations and cash flows could be materially adversely affected.

We do not have insurance coverage customary to more economically developed countries.

Kazakhstan's insurance industry is less developed than that in some more economically developed countries, with some insurance products being unavailable to us at all or on equivalent terms to those available in such economically developed countries. We do not maintain business interruption and property insurance, and our existing insurance policies required by Kazakhstan law are incremental and do not cover the majority of our assets and liabilities. In addition, as a result of our e-Grocery business, we may be exposed to liability claims in the event that the food and other products we sell cause injury or illness, for which we also do not have insurance. As a result, we may incur an uninsured loss of assets and face claims which are not covered or are inadequately covered by our insurance policies. Any such losses or claims could have a material adverse effect on our ,business, financial condition, results of operations and cash flows.

The adoption of new IFRS standards may impact our financial position and results of operations.

We prepare our consolidated financial statement on an annual basis under IFRS as issued by the IASB and interim condensed financial statements on a quarterly basis under IAS 34. The IASB is an independent body which is responsible for setting new standards and constantly improves the IFRS framework by amending existing standards and issuing new standards.

During the periods under review, we applied a number of amendments and interpretations to the existing IFRS and IAS. These amendments and interpretations were reviewed by our management but did not have a significant effect on our consolidated financial statements. However, the issue of any new standards that we will be required to adopt or the adoption by us of the already issued standards that are not yet effective could lead to changes in our consolidated financial statements and may impact our reported financial position and results of operations.

Real or perceived inaccuracies of our internally calculated operating metrics or industry and competitive information provided by third parties may harm our reputation.

Most of our operating metrics included in this annual report are calculated by us internally. We also provide industry, market and competitive information in this annual report based on studies and reports of third parties (see "*Market and Industry Data*"). There may be inherent challenges in calculating some of these measures, for example, in our assessment of value of certain assets. In addition, our measures of calculating operating metrics may differ from estimates published by third parties or from similarly titled metrics used by our competitors or other parties due to differences in methodology. However, if investors do not perceive our operating metrics or information on our competitive position in the market to be accurate, or if we discover material inaccuracies in our operating metrics, our reputation could be materially adversely affected.

Adverse judgments or settlements in legal disputes could result in materially adverse monetary damages or injunctive relief and damage our reputation.

We are subject to, and may become party to, a variety of litigation or other claims and suits that arise from time to time in the ordinary course of business. We could be adversely affected by complaints, claims or legal actions brought by consumers, merchants, regulatory authorities and others, in the ordinary course of business or otherwise, in relation to our services, technology or intellectual property, our branding or marketing efforts or campaigns or our policies. Further, in the ordinary course of our business, we have received and may receive communications in the form of letters and notices from various regulatory authorities, in relation to, among other things, requests for information and clarifications relating to our business, operations and past compliances. There can be no assurance that such complaints or claims or requests for information will not result in investigations, enquiries or legal actions by any regulatory authority against us, which may subject us to liabilities or penalties and may have a material adverse effect on our ,business, financial condition, results of operations and cash flows.

We may need to raise additional funds to finance our future capital needs, and we may not be able to raise additional funds on terms acceptable to us, or at all.

Growing and operating our business, including through the development of new and enhanced services, may require significant cash outlays and capital expenditures. If cash on hand, net cash inflow from operating activities and cash equivalents are not sufficient to meet our cash and liquidity needs, we may need to seek additional capital, and we may not be able to raise the necessary cash on terms acceptable to us, or at all. The financing arrangements we may pursue or assume may require us to grant certain rights, take certain actions or agree to certain restrictions that could negatively impact our business.

Furthermore, market volatility and the related Kazakhstan and global economic impact and other factors could also adversely impact our ability to access funds as and when needed. If additional capital is not available on terms acceptable to us or at all, we may need to modify, delay, limit or terminate our long-term strategies. For example, we have exposure to interest rate risk resulting from movements in interest rates that affect income, expense or the value of financial instruments, which would harm our ability to grow our operations and could have a material adverse effect on our business, financial condition, results of operations and cash flows. See *"Item 3. Key Information—D. Risk Factors—We face credit, liquidity and market risks*."

Moreover, while we have no plans as of the date of this annual report, we may in the future issue new common shares or any other securities convertible or exchangeable into common shares. Any such issue could result in an effective dilution for investors purchasing the securities. Any of these events could have a material adverse effect on the price of the securities. As a result, investors who purchase the securities could lose all or part of their investment in such securities.

Risks Relating to Our Legal and Regulatory Framework

Kazakhstan law prohibits or restricts the ability of legal entities registered in certain jurisdictions, including the U.S. Virgin Islands, Wyoming, Guam and the Commonwealth of Puerto Rico, to own our common shares or exercise voting rights in respect of the ADSs.

Under Kazakhstan law, legal entities registered in certain jurisdictions, including Andorra, the British Virgin Islands, Liechtenstein, Liberia, the Marshall Islands, Panama or certain U.S. territories and states, including Wyoming, Guam and the Commonwealth of Puerto Rico (the jurisdictions set out on page 207 of this annual report, the "Offshore Jurisdictions"), are not permitted to directly or indirectly own, use or dispose of voting shares of a

Kazakhstan bank, such as Kaspi Bank. Accordingly, an entity registered in an Offshore Jurisdiction that holds ADSs or whose direct or indirect shareholders or participants are registered in an Offshore Jurisdiction will not be able to surrender such ADSs and withdraw our common shares and will not be able to hold or dispose of our common shares. Further, under Kazakhstan law, such entities will not be entitled to exercise any voting rights in respect of such ADSs through the depositary (or otherwise) at general shareholders' meetings due to the rule that requires the voting shareholder to confirm that neither it nor any of its direct or indirect shareholders or participants is registered under the laws of an Offshore Jurisdiction. Although there have not been any cases when such entities were prohibited from holding ADSs or from exercising or benefiting from any rights (excluding voting rights) attached thereto (including rights to receive dividends and pre-emption rights), there can be no guarantee that the ARDFM, the NBK or any other relevant authority (such as a Kazakhstan court) will not take a different view as a result of an alternative interpretation of Kazakhstan law.

Disclosure requirements and voting procedures under Kazakhstan law may restrict voting rights.

Under the deposit agreement, if we request the depositary to solicit voting instructions from ADS holders (and we are not required to do so), the depositary will endeavor, insofar as practical and lawful, to exercise voting rights in respect of our common shares in accordance with the instructions of an ADS holder, but only to the extent that the ADS holder provides the identity and other specified information with respect to the beneficial owner of the ADSs and represents that the beneficial owner (i) is not and does not have a direct or indirect shareholder or participant that is a legal entity registered in an Offshore Jurisdiction; (ii) based solely on the number of outstanding shares as disclosed by us in the meeting notice, would not be a Major Participant or Bank Holding that has not received approval from the relevant authorities in Kazakhstan in relation to the exercise of its voting rights and (iii) has received any other required approval from the relevant authorities in Kazakhstan in relation to the exercise of its voting rights. ADS holders that cannot provide that identity information or make those representations with respect to the beneficial owner of ADSs will be unable to exercise voting rights with respect to the common shares those ADSs represent.

Even if an ADS holder satisfies the conditions described in the preceding paragraph to give voting instructions, the depositary may be unable to vote the relevant common shares if we determine that the exercise of those voting rights would not be in accordance with Kazakhstan law or our charter. For example, under Kazakhstan law, the determination whether a shareholder has voting power that would make it a Major Participant or a Bank Holding is based on the number of shares with respect to which identity information has been provided, not the number of outstanding shares. Therefore, it is possible, if other shareholders fail to provide identify information, that a shareholder could be treated as a Major Participant or a Bank Holding requiring regulatory approval to exercise voting rights even if it owns less than 10% or 25% of the outstanding shares (see "*Item 4. Information on the Company*—B. *Business Overview—Regulation—Regulation of Banking Activities—Acquisition of Shares of Kazakhstan Banks—Major Participant status*" and "*—Regulation—Regulation of Banking Activities—Acquisition of Shares of Kazakhstan Banks—Bank Holding status*").

There are other risks associated with voting with respect to ADSs that do not apply to voting of common shares. For example, it takes more time to send meeting notices and voting materials to holders and beneficial owners of ADSs than to give notice to holders of common shares, so it is possible you will not receive notice of a shareholders' meeting in time to give your voting instructions.

Further, under Kazakhstan law, a resolution of shareholders is not effective without a quorum, which requires shareholders holding 50% or more of the voting shares of a joint stock company or, for a repeated meeting called due to the absence of the 50% quorum, persons holding 40% or more of the voting shares of a joint stock company. The decisions at the general shareholders' meetings are adopted by a simple majority of the voting shares or, in limited circumstances, by 75% of the voting shares. In order for a share to qualify as voting for the purposes of the voting procedures, a relevant shareholder is required to disclose their identity to the Central Depository. Therefore, a holder of ADSs will not be entitled to exercise any voting rights in respect of such ADSs through the depositary at general shareholders' meetings unless such holder discloses its identity information to depositary, which will send such information to the Central Depository and if requested by the ARDFM, to the ARDFM. While the established voting procedures should not impact our ability to hold general shareholders' meetings and adopt decisions, in case of non-disclosure for voting procedures by the principal shareholders, resolutions may be approved by minority shareholders.

Kazakhstan's legislative and regulatory framework is evolving, which may create an uncertain environment for investment, business activity and our operations.

While a large volume of legislation was enacted several decades ago, the legal framework in Kazakhstan is still evolving in comparison to countries with more established market economies. The judicial system, judicial officials and other government officials in Kazakhstan may not be fully independent of external social, economic and political forces. For example, there have been instances of improper payments being made to public officials, unrelated to us or our business. Therefore, court decisions can be difficult to predict and administrative decisions have on occasion been inconsistent. Kazakhstan is a civil law-based jurisdiction and, as such, judicial precedents have no binding effect on subsequent decisions.

While Kazakhstan has an established legal framework specifically dedicated to consumer lending, major amendments to the consumer lending regulations or any shifts in existing court practice or the regulator's interpretation of the laws (including with respect to the pricing of loan products, in particular, any change to the caps on interest rates charged by financial institutions on consumer loan products, which stood at 56% as of December 31, 2023) could have a material adverse effect on our business, financial condition, results of operations and cash flows.

On July 12, 2023, the President of Kazakhstan signed the Law on Return of Illegally Acquired Assets, which regulates, among others, repatriation of assets located outside of Kazakhstan. The law targets a broad spectrum of individuals and legal entities and regulates unjust enrichment and return of illegally acquired assets by persons that hold a public office or having managerial roles in state or quasi-state entities, or persons that had influence over or connections with persons holding a public office or having managerial roles in state or quasi-state entities, and their affiliates, and that own assets exceeding 13 million Monthly Calculation Indexes ("MCI"). The MCI is set annually and is used for the calculation of benefits and other social payments, as well as the application of penalties, taxes and other payments in accordance with the Kazakhstan legislation. For 2024, the MCI is set at 3,692. As the enforcement practice under this new law has yet to develop, there can be no assurance as to what effect such law will have on Kazakhstan businesses and enterprises.

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

Existing laws and regulations, including tax and banking laws and regulations, could be amended, the manner in which laws and regulations are enforced or interpreted could change and new laws or regulations could be adopted. Any amendment or change in the interpretation of current rules and regulations as well as any adoption of new rules and regulations could require us to alter our business operations or strategy or reduce the profitability of our current business. We believe we have strong track record of compliance with applicable laws and our close working relationships with the Kazakhstan banking regulatory authorities have been professional and productive. However, any material failures by us to comply with applicable laws or regulations could result in the suspension or withdrawal of Kaspi Bank's banking license, which would have a material adverse effect on our ,business, financial condition, results of operations and cash flows. The Kazakhstan regulatory authorities have extensive discretion in connection with their supervisory and enforcement activities and the regulatory structure governing Kaspi Bank's operations is evolving.

We are exposed to the risk of inadvertently violating anti-corruption, anti-bribery, anti-money laundering, sanctions and other similar laws and regulations of Kazakhstan and other jurisdictions, and our current risk management and compliance systems may prove ineffective.

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

We have also implemented measures aimed at preventing our platforms from being used as a vehicle for money laundering, including "know-your-client" policies and the adoption of anti-money laundering and compliance procedures in all of our branches and banking outlets. Our responsibility unit seeks to prevent money laundering and terrorist financing by performing, among other things, the following functions:

- identifying both transactions subject to financial monitoring and suspicious transactions and reporting such transactions to the authorized state body;
- developing and improving policies, rules and other internal documents aimed at preventing the laundering of proceeds of crime and the financing of illicit activity (including terrorism);
- developing risk assessment criteria to assess our customers from a money laundering perspective;
- implementing anti-money laundering training sessions for our employees and discussing our anti-money laundering procedures with employees;
- participating in the preparation of a database of information aimed at preventing us from engaging in transactions related to the financing of terrorism, in accordance with a list of terrorists and terrorist organizations provided to us by the relevant authorities; and
- maintaining an electronic database containing a list of our suspicious customers.

Currently, we comply with our existing policies, rules of internal control and with the requirements of all applicable laws. However, there can be no assurance that attempts to launder money or finance illicit activity through us will not be made or that anti-money laundering measures implemented by us will always be effective. If we were associated with money laundering, even if this is solely due to the failure of our anti-money laundering measures, or if we were unable to comply with all of the relevant laws and internal policies regarding financial assistance or money laundering, we could be subject to significant fines, as well as harm to our reputation, and our business, financial condition, results of operations and cash flows may be materially adversely affected.

In addition, we comply with applicable U.S., EU and UK economic and trade sanctions, including those administered and enforced by the U.S. Department of the Treasury’s Office of Foreign Assets Control (“OFAC”), the U.S. Department of State, the U.S. Department of Commerce, the Office of Financial Sanctions Implementation of His Majesty’s Treasury and the Foreign, Commonwealth & Development Office of the United Kingdom, the United Nations Security Council and other relevant authorities. Our operations expose us to the risk of violating, or being accused of violating, economic and trade sanctions or engaging in conduct that may create a risk of the imposition of secondary sanctions. We do not currently have contracts or transactions with persons or entities that are targets of U.S. blocking or other applicable sanctions, such as parties included in the Specially Designated Nationals and Blocked Persons List maintained by OFAC, or similar sanctions-related lists of designated persons maintained by EU, UK and other relevant sanctions authorities. However, any failure to timely and accurately screen our contracts and transactions may expose us to secondary sanctions, reputational harm and significant penalties, including civil and criminal fines, and even investigations of alleged violations can be expensive and disruptive. In addition, despite our adoption of sanctions screening procedures and compliance policies, there can be no assurance that through these procedures and policies we will timely and effectively detect all sanctioned business partners or contractual counterparties, including as a result of new sanctions designations, nor achieve full compliance by all of our employees or representatives for which we may be held responsible, and any such failure or violation could have a material adverse effect on our ,business, financial condition, results of operations and cash flows.

Changes in the regulation of the Internet, mobile carriers and their partners could negatively affect our business.

Our business is dependent on the continued growth and maintenance of the Internet’s infrastructure, as well as our ability to market products through channels such as email and voice and text messaging. There can be no assurance that the Internet’s infrastructure will continue to be able to support the demands placed on it by sustained growth in the number of users and amount of traffic. To the extent that the Internet’s infrastructure is unable to support the demands placed on it, our business may be impacted. We may also be disadvantaged by the adverse effect of any delays or cancellations of private sector or government initiatives designed to expand broadband access. The reduction in the growth of or a decline in, broadband and Internet access poses a risk to us.

In addition, Kazakhstan and international government bodies and agencies have in the past adopted, and may in the future adopt, laws and regulations affecting the use of the Internet as a commercial medium. Changes in these laws or regulations could adversely affect the demand for our products and services or require us to modify our products and services in order to comply with these changes. Laws, rules and regulations governing advertising and e-commerce through Internet communications and mobile carriers and their partners are dynamic, and the extent of future regulation is uncertain. Kazakhstan regulations govern various aspects of our online business, including intellectual property ownership, infringement and misappropriation, including with respect to trade secrets, the distribution of electronic communications, marketing and advertising, data privacy and security, search engines and Internet tracking technologies. Existing or future regulation could hinder growth in or negatively impact the use of the Internet generally, including the viability of Internet e-commerce, which could reduce our revenue, increase our cost of goods and services and expose us to significant liabilities.

We require certain licenses, permits and approvals in the ordinary course of business, and the failure to obtain or retain them in a timely manner may materially adversely affect our operations.

We are required to obtain and maintain a number of statutory and regulatory licenses, permits and approvals in Kazakhstan, generally for carrying out our business, some of which may expire in the ordinary course and for which we would be required to apply to obtain the approval or their renewal. For details of material consents, licenses, permissions, registrations and approvals from various governmental agencies and other statutory or regulatory authorities, see "*Item 4. Information on the Company—B. Business Overview—Regulation*."

The Company is a parent entity of a banking group, which primarily comprises Kaspi Bank, an entity regulated under the laws of Kazakhstan. Our operations are subject to strict regulation by governmental and state authorities, particularly the ARDFM and the NBK. A breach of any regulatory guidelines could expose our regulated subsidiaries to potential liability, including the loss of our banking license. If the ARDFM was to suspend or revoke the banking license of Kaspi Bank, this would render us unable to perform our consumer lending, deposit taking and other banking operations (including processing the payments of our customers). See "*Item 4. Information on the Company—B. Business Overview—Regulation*."

Further, the licenses, permits and approvals required and obtained by us are subject to several conditions, and we cannot assure you that we will be able to continue to meet such conditions, which may lead to cancellation, revocation or suspension of the relevant licenses, permits and approvals. If there is any failure by us to comply with the applicable regulations or if the regulations governing our business are amended, we may incur increased compliance costs, be subject to penalties, have our licenses, approvals and permits revoked or suffer a disruption in our operations, any of which may materially adversely affect our business and results of operations. If we do not receive any permission in a timely manner or at all, we may incur increased compliance costs, be subject to penalties and inspections, and suffer disruptions in our operations. Additionally, unfavorable changes in or interpretations of existing laws, or the promulgation of new laws governing our business and operations in Kazakhstan could require us to obtain additional licenses and approvals.

Kaspi Bank's capital position may require us to provide capital support, which may have an impact on our profitability or limit the amount of dividends that may be made to the Company.

Kaspi Bank is one of the core elements of our business. The NBK's regulations require Kaspi Bank, which has been recognized as a systemically important financial institution with effect from January 1, 2020, to have a minimum total capital adequacy ratio (K2 ratio) of 12.0% and a Tier 1 capital adequacy ratio (K1-2) of 10.5% (including the buffers applicable to Kaspi Bank as a systemically important financial institution), based on Kaspi Bank's financial statements prepared under IFRS. Kaspi Bank is required to report the respective ratios to the NBK on a monthly basis. As of December 31, 2023, Kaspi Bank's total capital adequacy ratio was 13.0% and its Tier 1 capital adequacy ratio was 12.6%, which, in each case, exceeded the minimum required by the NBK. Going forward, we plan to maintain Kaspi Bank's Tier 1 and total capital ratios at levels above these required by NBK, including the buffers applicable to systemically important financial institutions, and to use the additional portion above this threshold for the purposes of distributing dividends to shareholders, subject to applicable law and commercial considerations (including cash requirements and future projects). These capital adequacy requirements may require us to provide capital support to Kaspi Bank or limit the amount of dividends and other distributions that Kaspi Bank may make to the Company.

In addition, the Basel Committee on Banking Supervision (the "Basel Committee") recommends a minimum risk-based capital adequacy ratio of 8.0% and Tier 1 capital adequacy ratio of 6.5%, calculated in accordance with the Basel III International Regulatory Framework for Banks (December 2010, updated in June 2011) ("Basel III"). Kaspi

Bank’s total capital adequacy ratio, calculated under Basel III, was 18.1% as of December 31, 2023 and 18.0% as of both December 31, 2022 and 2021, in each case higher than the minimum requirement of 8.0%. Kaspi Bank’s Tier 1 capital adequacy ratio, calculated under Basel III, was 17.4% as of December 31, 2023, 17.0% as of December 31, 2022 and 15.9% as of December 31, 2021, in each case higher than the minimum requirement of 6.5%. Both ratios, the total capital adequacy ratio and the Tier 1 capital adequacy ratio, exceeded the minimum requirements recommended by Basel III. See “*Item 4. Information on the Company—B. Business Overview—Regulation—Regulation of Banking Activities—Capital Adequacy, Liquidity Ratios*.”

Since the introduction of the current management in 2006, Kaspi Bank has complied with all applicable capital adequacy requirements. If Kaspi Bank’s capital position was to materially deteriorate, Kaspi Bank’s ability to fund its operations could be negatively impacted. Further, if Kaspi Bank’s capital position was to decline below the minimum levels of capital adequacy as required by statute, its banking license could be suspended or revoked and it could encounter difficulties in continuing to operate its business, which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Under Kazakhstan law, we are a “bank holding” company by virtue of our indirect ownership of over 25% of the voting shares of Kaspi Bank. As such, the ARDFM may request us to recapitalize Kaspi Bank in the event of the deterioration of its financial condition, systemic non-compliance with prudential requirements by Kaspi Bank and in some other cases as stipulated by law. Under the Law of the Republic of Kazakhstan No. 2444 “On Banks and Banking Activity in the Republic of Kazakhstan” dated August 31, 1995, as amended (the “Banking Law”), if a bank holding company is unable to provide to our bank subsidiary funding, as required by the ARDFM, the ARDFM may apply certain responsive measures as described in “*Item 4. Information on the Company—B. Business Overview—Regulation—Regulation of Banking Activities—Authority of the ARDFM under the Banking Law—Supervisory Response Measures*.”

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

If Kaspi Bank requires additional capital in the future, in the event we cannot provide it, there is no guarantee that it will be able to obtain it from third parties. If Kaspi Bank is unable to raise further capital to support its growth or if its capital position otherwise declines, this may have a material adverse effect on our ability to implement our business strategy. Kaspi Bank’s ability to obtain additional capital may be restricted by a number of factors, including Kaspi Bank’s financial condition, results of operations, any necessary government or regulatory approvals, regulatory changes or general market conditions for capital raising activities by financial institutions.

Risks Relating to Kazakhstan

Investing in securities of issuers in emerging markets, such as Kazakhstan, generally involves a higher degree of risk than investments in securities of issuers from more developed countries and carries risks that are not typically associated with investing in more mature markets.

Emerging markets such as Kazakhstan are subject to greater risks than more developed markets, including significant legal, economic, tax and political risks. Investors in emerging markets should be aware that these markets are subject to greater risk and should note that emerging economies such as the economy of Kazakhstan are subject to rapid change and that the information set out in this annual report may become outdated relatively quickly.

The Kazakhstan economy has been adversely affected by the global financial and economic crises in the past and could be adversely affected by market downturns and economic crises or slowdowns elsewhere in the world in the future. In particular, past disruptions in the global financial markets have had a severe impact on the liquidity of Kazakhstan entities, the availability of credit and the terms and cost of domestic and external funding for Kazakhstan entities. This could adversely influence customer demand for various services, including those provided by and through us. As has happened in the past, financial events such as significant depreciation of the tenge, capital outflows and a deterioration in other leading economic indicators or an increase in the perceived risks associated with investing in emerging economies due to, among other things, geopolitical disputes, such as the military conflict between Russia and Ukraine, and imposition of certain trade and economic sanctions in connection therewith, could dampen foreign investment in Kazakhstan and adversely affect the Kazakhstan economy. In addition, during such times, businesses that operate in emerging markets can face severe liquidity constraints as funding. These developments and adverse changes arising from systemic risks in global financial systems, including any tightening of the credit environment or a decline in oil, gas or other commodities prices, could slow or disrupt the Kazakhstan economy and adversely affect our ,business, financial condition, results of operations and cash flows. Generally, investment in emerging markets is only suitable for sophisticated investors who fully appreciate the significance of the risks involved. Potential investors are urged to consult with their own legal and financial advisers before investing in the ADSs.

We may be significantly affected by the health of the Kazakhstan markets in which we operate and general macroeconomic conditions.

The success of our business depends, directly and indirectly, on the health of the Kazakhstan markets in which we operate, which are affected in part by general macroeconomic conditions and other factors beyond our control. A number of macroeconomic factors that could adversely affect our business include:

- slow economic growth or recessionary conditions;
- increased levels of unemployment or slowly growing or declining wages;
- increased interest rates;
- weak credit markets;
- inflationary conditions;
- volatility and general declines in the stock market; and
- war, terrorism, political uncertainty, natural disasters, inclement weather, health epidemics or pandemics, acts of God and other events that disrupt markets in which we operate.

Our inability to effectively adapt to economic downturns could have a material adverse effect on our business, financial condition, results of operations and cash flows.

We are largely dependent on the economic, social and political conditions prevailing in Kazakhstan.

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

Since 1992, Kazakhstan has actively pursued a program of economic reform designed to establish a free market economy through privatization of government-owned enterprises and deregulation and is more advanced in this respect than some other countries of the former Soviet Union. However, as with any transition economy, there can be no assurance that such reforms will continue or that such reforms will achieve all or any of their intended aims. In addition, the significant size of the shadow economy in Kazakhstan may adversely affect the implementation of reforms and hamper the efficient collection of taxes. The Kazakhstan government has stated that it intends to address these problems by improving the business infrastructure and tax administration and by continuing the privatization process; however, the timing and steps for these reforms remain unclear.

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

Kazakhstan has, from time to time, experienced periods of political unrest, which has, and may have in the future, an adverse effect on our ,business, financial condition, results of operations and cash flows. For example, on January 2, 2022, protests triggered by a rise in fuel prices began in the Mangistau region of Kazakhstan and spread to other regions in the country. The protestors demanded a number of social, economic and political reforms. Although the Kazakhstan government took measures to respond to these demands, including by decreasing fuel prices, the protests escalated into significant social unrest in Almaty and southern regions of Kazakhstan. As a result, on January 5, 2022, a state of emergency was declared and restrictions were imposed on communication and transportation of people and vehicles, including railway and airline carriage, and activities of entities in certain locations. The state of emergency was lifted on January 19, 2022 as the situation in all regions of Kazakhstan stabilized, and the functioning of utilities and infrastructure were fully restored and restrictions on communication and transportation were removed. During the January 2022 events, a number of facilities were looted and damaged in Kazakhstan, including our facilities. Although our Super Apps continued to operate, there were significant limitations on Internet access throughout Kazakhstan, which led to disruption of online transactions. Financial institutions limited their operations for the period of the state of emergency. Due to these events, our losses amounted to 690 million, which were recognized in our technology and product development expenses for the respective period. In response to the economic implications of the January 2022 events, the Kazakhstan government launched several initiatives. A public fund “Kazakhstan Halkyna,” which was funded from private and public sources, was established to support citizens of Kazakhstan in the fields of healthcare and education and to provide other social support. We contributed 10 billion to the fund, which were recognized in our sales and marketing expenses for the respective period.

On February 24, 2022, due to an external geopolitical situation, the NBK set the base rate at 13.5% with a corridor of 1 percentage point. As of November, 27, 2023, the NBK’s base rate was set at 15.75% with a corridor of 1 percentage point. In order to maintain the stability of the financial market and support the attractiveness of tenge deposits, the Kazakhstan government announced a protection program for tenge deposits, under which tenge deposits of individuals have been provided with compensation from the Kazakhstan government’s budget resources generally equal to 10% of savings as of February 23, 2022. There can be no assurance that any further support measures, if adopted, will promote the economic stability of Kazakhstan or will not negatively impact our business, including by reducing the willingness of customers to finance purchases due to higher interest rates. Similarly, the increase has led to a rise in our funding costs, which has adversely impacted profitability in our Fintech segment.

In addition, on June 5, 2022, a referendum on the amendments to the Constitution of Kazakhstan providing for, among others, limitations on the powers of the president-elect, reforming the Constitutional Council and strengthening the role of the local representative authorities was held and the proposed amendments were adopted. In September 2022, President Kassym-Jomart Tokayev proposed holding extraordinary presidential elections, which were held on November 20, 2022 and won by Mr. Tokayev with 81.31% of the votes.

International geopolitical tensions may also impact our business and operations. The Russian invasion of Ukraine has led to disruptions in economic and business activity in Europe and elsewhere, although to date changes in the operating environment caused by the geopolitical situation have had an insignificant and limited impact on our operations. We have limited exposure to Ukraine mostly through our subsidiary, Portmone Group, which represented 0.1% of our total assets as of December 31, 2023 and 0.05% of our net income for the year ended December 31, 2023. Portmone Group continues to operate in the normal course of its business. Our business does not have any exposure to Russia or Russian businesses.

Kazakhstan is heavily dependent upon export trade and commodity prices.

As Kazakhstan produces and exports large quantities of commodity products (primarily oil and gas), its economy is particularly vulnerable to fluctuations in the prices of such commodities on the international markets. While the Kazakhstan government has been promoting economic reform to diversify the economy, the Kazakhstan government’s revenue continues to depend on the prices of export commodities. Weak demand in its export markets and low commodity prices, especially within the oil and gas industry, has adversely affected in the past and may adversely affect Kazakhstan’s economy in the future, which may in turn have a material adverse effect on our ,business, financial condition, results of operations and cash flows. For example, the decline in world prices for oil and other commodities in 2014 and subsequent devaluation of the tenge against the U.S. dollar in 2015 affected the public finances and resulted in a revision of the budget of the Kazakhstan government. There can be no assurance that oil price volatility in the future will not require revisions of the Kazakhstan budget, which could adversely affect the development of Kazakhstan and, in turn, our business, financial condition, results of operations and cash flows. An oversupply of oil or other commodities in world markets or a general downturn in the economies of any significant markets for oil or other commodities or a weakening of the U.S. dollar relative to other currencies would also have a material adverse effect on the Kazakhstan economy, which, in turn, could indirectly have a material adverse effect on our business, financial condition, results of operations and cash flows.

Any force majeure events, including the occurrence of natural disasters or outbreaks of contagious diseases, such as the COVID-19 pandemic, could affect the volume of international business activity and trade, resulting in a decreased demand for oil and other commodities, which may impact the macroeconomic environment globally, including in Kazakhstan. There can be no guarantee that the measures taken by the Kazakhstan government or the governments of other countries in response to any such outbreaks, will not seriously interrupt our operations or those of our merchants and consumers, which could in turn have a material adverse effect on our business, financial condition, results of operations and cash flows.

We depend on the performance, reliability and security of the telecommunications and Internet infrastructure in Kazakhstan.

Our business depends on the performance, reliability and security of the telecommunications and Internet infrastructure in Kazakhstan, where our computer hardware is currently located. Any disruptions in, or failures of, the telecommunications and internet infrastructure in Kazakhstan may adversely affect the quality or availability of our platforms and Super Apps. The failure of telecommunications network operators to provide us with the requisite bandwidth could affect the speed and availability of our platforms and Super Apps.

Moreover, if the security of our domain names is compromised for any reason, we will be unable to use such domain names in our business operations, which in turn could adversely affect our business and brand image. We may fail to implement adequate measures of encryption of data transmitted through the networks of the telecommunications and Internet operators and such operators, or their business partners may misappropriate our data, which could adversely affect our business.

Instability of the Kazakhstan banking sector could adversely affect our business.

The global financial and economic crisis of 2008-2009 significantly affected the Kazakhstan banking system, which continues to remain under stress with banks seeking to deleverage through partial repayments and debt restructurings. A number of distressed asset takeovers and mergers have occurred in the Kazakhstan banking sector. In addition, prior to transferring its powers in respect of issuing and revoking licenses of banks to the ARDFM, the NBK had revoked the licenses of a number of banks of varying size. While, along with the NBK's and subsequently the ARDFM's measures to support the liquidity of financial institutions, such restructurings, consolidations and revocation of licenses have contributed to the general stability of the Kazakhstan banking industry, the sector continues to operate in a challenging environment where further defaults or debt restructurings may occur.

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

The Kazakhstan banking sector has been particularly affected by the lack of availability of international wholesale debt financing and the volatility of deposits. Kazakhstan banks have previously relied heavily on such financing and deposits as a source of funding. The high dependence on capital market funding poses a significant refinancing risk for both individual banks and the banking system as a whole, particularly as wholesale debt financing has become significantly more expensive. In addition, the banking sector in Kazakhstan has been burdened by high levels of non-performing assets and NPLs across the sector. The negative impact of the continuing problems in the banking sector may affect the willingness of foreign investors and banks to consider lending to, or investing in, Kazakhstan banks, which in turn could result in lower liquidity levels and higher borrowing costs in the economy. It is also uncertain what impact the ongoing problems in the sector may have on investors' perceptions of Kazakhstan. Such problems could have a negative impact on the country's sovereign credit rating or lead to other adverse developments, which could, in turn, have a material adverse effect on our business, financial condition, results of operations and cash flows.

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

Local inflationary pressures have increased the prices of goods and services, which could raise the costs associated with providing our services, diminish our ability to compete or reduce consumer buying power.

Our operations are primarily located in Kazakhstan and a majority of our costs are incurred in Kazakhstan. Since the majority of our expenses are denominated in tenge, inflationary pressures in Kazakhstan are a significant factor affecting our expenses. For a variety of reasons, including geopolitical factors and the COVID-19 pandemic, Kazakhstan is facing heightened inflationary pressure, impacting the cost of doing business (in both supply and labor markets). These inflationary pressures have been and could continue to be exacerbated by geopolitical turmoil and economic policy actions, and the duration of such pressures is uncertain. According to the NBK, annual consumer price inflation for the years ended December 31, 2023, 2022 and 2021 was 9.8%, 20.3% and 8.4%, respectively. A period of sustained inflation, coupled with high interest rates, could lead to market instability, new financial crises, a decrease in loan origination, an increase in borrower defaults, fewer products on our Marketplace Platform, reductions in consumer purchasing power and the erosion of consumer confidence, all of which could have a material adverse effect on our ,business, financial condition, results of operations and cash flows.

Exchange rate fluctuations could have an adverse impact on our business.

Since the NBK’s adoption of a floating rate exchange policy for the tenge in 1999, the currency has fluctuated significantly, particularly during periods of volatility on the global financial and commodity markets. As of December 31, 2023, the official tenge to U.S. dollar exchange rate reported by the NBK was 454.56 per $1, compared to 462.65 per $1 and 431.80 per $1 as of December 31, 2022 and 2021, respectively.

Our assets, liabilities, share capital and equity are denominated in tenge, and we also declare dividends on our common shares in tenge. As a result, any significant devaluation of the tenge against the U.S. dollar will lead to a decrease in the U.S. dollar equivalents of these amounts. In addition, as of December 31, 2023, 2022 and 2021, 9%, 12% and 17% of our total financial liabilities, respectively, consisted of borrowings denominated in currencies other than the tenge. While we have a substantially similar amounts of assets in foreign currencies, any significant devaluation of the tenge against the U.S. dollar or other foreign currencies will increase our interest expense. A devaluation of the tenge against the U.S. dollar or other foreign currencies could also result in a further outflow of tenge deposits and increase our actual interest expense on our foreign currency-denominated liabilities. Any of these developments may have a material adverse effect on our ,business, financial condition, results of operations and cash flows.

Currency control laws may affect our foreign currency dealings.

The Law of Kazakhstan “On Currency Regulation and Currency Control” dated July 2, 2018, as amended, empowers the Kazakhstan government, by special action and under circumstances when the economic stability of Kazakhstan is threatened, to: introduce a special currency regime that would require the compulsory sale of foreign currency received by Kazakhstan residents; require the placement of a certain portion of funds resulting from currency transactions into a non-interest bearing deposit in an authorized bank or the NBK; restrict the use of accounts in foreign banks; impose deadlines for the return of foreign currency revenue and limits in relation to volumes, amounts and currency of settlements under currency transactions; and require a special permit from the NBK to conduct currency transactions. The Kazakhstan government may also impose other requirements and restrictions on currency transactions when the economic stability of Kazakhstan is threatened. In order for Kazakhstan to remain in compliance with its membership obligations under the charter of the International Monetary Fund, the currency regime cannot restrict residents from repaying foreign currency-denominated obligations. As of the date of this annual report, the Kazakhstan government has not invoked the statutory provisions set out above.

Accordingly, it is unclear how implementation of the currency regime would ultimately impact our business. However, any imposition of restrictions on our foreign currency dealings could have a material adverse effect on our ,business, financial condition, results of operations and cash flows.

There are risks of corruption and other business environment weaknesses in Kazakhstan.

As in many other emerging market jurisdictions, the incidence and perception of elevated levels of corruption remains a significant issue in Kazakhstan. Kazakhstan was ranked 93 out of 180 countries in Transparency International’s 2023 Corruption Perceptions Index. Kazakhstan’s score in the 2023 index was 39 (with 1 being the most corrupt score and 100 being the least corrupt), an increase compared to the ranking of 94 out of 180 in Transparency International’s 2020 Corruption Perceptions Index, where Kazakhstan’s score was 38. Kazakhstan’s business climate and competitive indicators are also negatively affected by the need for reform in investor protection arrangements, the cost of establishing a business, the tax system, resolving insolvency and contract enforcement.

Failure to address continued or perceived corruption and governance failures in the public sector and any future allegations, or perceived risk, of corruption in Kazakhstan could have a material adverse effect upon Kazakhstan’s ability to attract foreign investment, which could, in turn, have a material adverse effect on Kazakhstan’s economy.

We have developed controls to identify and investigate potential corruption and violations of anti-corruption laws and work with law enforcement and anti-corruption agencies to strengthen oversight and controls to avoid instances of bribery or corruption, but there can be no assurance we will not experience instances in which employees are subject to allegations or investigations from time to time. While there are no current material investigations or accusations pending against our senior management, accusations or arrests of employees for corruption, or perception of corruption on the part of our employees, could have a material adverse effect on our business, financial condition, results of operations and cash flows.

We may have difficulties in obtaining effective redress in court proceedings.

The Kazakhstan judicial system is not immune from economic and political influences. The judicial system is often understaffed and underfunded. Judges are generally inexperienced in corporate law matters. Not all Kazakhstan legislation and court decisions are readily available to the public or organized in an accessible manner. The Kazakhstan judicial system can be slow and court orders are not always enforced or followed by law enforcement agencies. All of these shortcomings may affect our ability or the ability of holders of the ADSs to obtain effective legal redress in Kazakhstan courts. In addition, the press has reported that court claims and government prosecutions are often used to further political aims supported by the courts. We may be subject to such political claims and may not receive a fair hearing. These uncertainties make judicial decisions in Kazakhstan difficult to predict and effective redress uncertain and could have a material adverse effect on our ,business, financial condition, results of operations and cash flows.

We cannot ensure the accuracy of official statistics and other data in this annual report published by Kazakhstan government authorities.

Official statistics and other data published by Kazakhstan government authorities may not be as complete or reliable as those of more developed countries. Official statistics and other data may also be produced on different bases from those used in more developed countries. We have not independently verified such official statistics and other data and any discussion of matters relating to Kazakhstan in this annual report is, therefore, subject to uncertainty due to questions regarding the completeness or reliability of such information. Specifically, investors should be aware that certain statistical information and other data contained in this annual report have been extracted from official Kazakhstan government sources and were not prepared in connection with the preparation of this annual report.

In addition, certain information contained in this annual report is based on the knowledge and research of our management using information obtained from non-official sources. We have accurately reproduced such information and, so far as we are aware and are able to ascertain from information published by such third parties, no facts have been omitted that would render the reproduced information inaccurate or misleading. Nevertheless, prospective investors are advised to consider this data with caution. This information has not been independently verified and, therefore, is subject to uncertainties due to questions regarding the completeness or reliability of such information, which was not prepared in connection with the preparation of this annual report.

Risks Relating to Taxation

If the Company were treated as a passive foreign investment company, investors in the ADSs subject to U.S. federal income tax could have material adverse tax consequences.

Special U.S. federal income tax rules apply to U.S. investors owning shares of a passive foreign investment company ("PFIC"). If the Company were treated as a PFIC for any taxable year during which a U.S. Holder (as defined in "*Item 10. Additional Information*—E. *Taxation—Material Tax Considerations—U.S. Federal Income Tax Considerations for U.S. Holders*") holds the ADSs, the U.S. Holder could be subject to certain material adverse tax consequences upon a sale, exchange, or other disposition of the ADSs, or upon certain distributions by the Company. Based on the current and anticipated profile of our income, assets and operations, we believe that the Company was not in 2023, and we do not currently expect the Company to become, a PFIC for U.S. federal income tax purposes. However, because this determination is made annually at the end of each taxable year and is dependent upon a number of factors, some of which are beyond our control, and there are uncertainties as to the application of various PFIC rules to the Company's income and assets, there can be no assurance that the Company will not be a PFIC in any taxable year or that the U.S. Internal Revenue Service (the "IRS") will agree with our conclusion regarding the PFIC status of the Company in any taxable year. U.S. Holders should consult their own tax advisers about the potential application of the PFIC rules to their investment in the ADSs. For a more detailed discussion of PFIC tax consequences, see "*Item 10. Additional Information—E. Taxation—Material Tax Considerations—U.S. Federal Income Tax Considerations for U.S. Holders—Passive Foreign Investment Company Considerations*."

Kazakhstan's taxation system is subject to frequent changes.

Kazakhstan's taxation system is continually evolving and is subject to frequent and, at times, ambiguous changes, which could have an adverse effect on our ,business, financial condition, results of operations and cash flows. Additionally, the Code of the Republic of Kazakhstan "On Taxes and Other Obligatory Payments to the Budget" dated December 25, 2017, as amended (the "Tax Code"), and tax provisions of the Constitutional Law of the Republic of Kazakhstan "On Astana International Financial Center" (the "AIFC Law") have been in force for a short period relative to the tax laws and regulations in more developed market economies and, therefore, risks of tax assessments within its jurisdiction are more probable than in nations with more developed tax systems. Our operations are principally conducted and most of our assets are located in Kazakhstan and, therefore, shortcomings of the Kazakhstan taxation system could have a material adverse effect on our business, financial condition, results of operations and cash flows. In addition, the adoption of a new Tax Code is being actively discussed, however, it is not yet known exactly when the new code will be adopted and how such new code could affect our business.

Historically, the system of tax collection in Kazakhstan has been difficult and unpredictable, which resulted in a number of changes to the tax legislation, sometimes on a short notice and with retroactive application, including changes to the provisions that establish the rules of tax administration, tax base determination and tax rate. In addition, the Kazakhstan tax legislation is subject to amendments on a regular basis, which often lead to tax uncertainties and may result in adverse tax implications for our business.

Interpretations of the tax legislation by the tax authorities are not legally binding; however, any inconsistent interpretations may increase the level of uncertainty and, therefore, tax risks, and could potentially lead to the inconsistent enforcement of tax laws and regulations. Official explanations and court decisions are often unclear and contradictory, while tax disputes could result in significant litigation costs for us. For example, clarifications of the tax authorities on particular Tax Code or AIFC Law provisions are not legally binding on either taxpayers or the tax authorities themselves, and may not be taken into account during the settlement of tax disputes. In addition, the tax authorities are not legally required to provide interpretations of the Tax Code or the AIFC Law. Thus, the tax authorities can change their position regarding the application of a particular provision. In addition, judges considering court cases related to the resolution of tax disputes sometimes issue decisions that can be considered arguable. The designation of the Supreme Court and the Astana City Court as the courts of first instance for investment-related disputes in 2016, including tax disputes relating to investments, did not lead to a significant improvement in the quality of tax litigation or substantial positive changes in the resolution of tax disputes.

As a consequence of the complexities around legal interpretations and the taxation mechanisms, the shortcomings of legal techniques, as well as gaps and contradictions that exist in the tax legislation, there are frequently different interpretations of the tax legislation by taxpayers and the tax authorities. During settlements of tax disputes, the tax authorities and courts often issue decisions in favor of the state. Therefore, taxation in Kazakhstan is often unclear or inconsistent, and may result in unexpected tax assessments and liabilities that could have a material adverse effect on our business, financial condition, results of operations and cash flows.

References to IFRS in the Tax Code could result in adverse tax assessments for our business.

A significant part of the Tax Code contains direct links to IFRS, which makes IFRS an important and considerable factor within the Kazakhstan tax system. Therefore, since IFRS is built on the “substance over form” principle, the application of certain principles and methods of IFRS is a matter of professional judgment, which may result in tax disputes between us and the tax authorities. During tax audits, the tax authorities sometimes interpret IFRS in a way that could differ from the professional judgment of financial reporting specialists or auditors. In addition, the tax authorities issue letters where they give their own interpretation of IFRS, which may fail to take into account all aspects of application of standards.

The complicated nature of the application of IFRS in the Kazakhstan taxation system entails a risk of ambiguous interpretation and practical application of IFRS provisions by taxpayers and the tax authorities, and may, therefore, lead to additional and, potentially, material, tax assessments on us that could have a material adverse effect on our business, financial condition, results of operations and cash flows.

The ADSs need to be listed on the official list of the AIX or the KASE and there should be certain trading in such securities in order for the holders of ADSs to enjoy the applicable tax exemptions provided under the Tax Code and the AIFC Law.

Under the AIFC Law, until January 1, 2066, dividends paid on securities are exempt from taxation in Kazakhstan, provided that such securities are included on the official list of the AIX at the time the dividends are accrued and the Active Trading Criteria (as defined below) are met. Similarly, capital gains derived from the disposal of securities are exempt from taxation in Kazakhstan, provided that such securities are included into the official list of the AIX on the date of their disposal.

Provisions of the AIFC Law in terms of certain tax benefits are broader than the provisions of the Tax Code. Accordingly, if the ADSs are delisted from the official list of the AIX for any reason, the holders of the ADSs will lose the applicable tax benefits under the AIFC Law and will have to follow the provisions of the applicable Tax Code effective as of the date of the taxable event.

The Tax Code provides relief from withholding tax in respect of capital gains derived by the ADS Holders (other than individuals) from the disposal of the ADSs on a stock exchange operating in Kazakhstan or a foreign stock exchange under the open trade method if the ADSs are included into the official lists of such stock exchanges on the date of their disposal. The Tax Code provides quite similar relief from withholding tax for the ADS Holders that are individuals, however only in case of disposal on a Kazakhstan stock exchange (i.e., there is no possibility to obtain such relief in case of the disposal of the ADSs on a foreign stock exchange). The Tax Code provides relief from withholding tax in respect of dividends paid to the ADS Holders (both individuals and legal entities) if the ADSs are included into the official list of a stock exchange operating in Kazakhstan on the date when the dividends are accrued.

In addition, since January 1, 2023, under the new amendments to the Tax Code and the AIFC Law, a mere inclusion of securities on the official list of a stock exchange operating in Kazakhstan (including the KASE and the AIX) is not sufficient to benefit from exemption of dividends on such securities from taxes. The dividend tax exemption applies only if there has been certain trading in such securities (the “Active Trading Criteria”). The Active Trading Criteria include the volume of deals with the securities in question being not less than 25 million a month and the number of deals with such securities being not less than 50 a month, and the criteria are satisfied only on the basis of executed deals. The KASE and the AIX are required to publish on their websites information on securities satisfying these criteria quarterly.

However, the current legislation of Kazakhstan and the AIFC Law do not specify the period within the relevant tax year during which the Active Trading Criteria must be met, and there are yet no clarification by the tax authorities or established practice on this matter. Payers of dividends may, therefore, decide that only the last month preceding the accrual of dividends must be considered for exemption purposes. However, there can be no assurance that the tax authorities would not require that the Active Trading Criteria must be met each month within the same tax year or, for example, that average figures for all such months must be calculated and used for this purpose. Therefore, there can be no assurance that the Active Trading Criteria will be met for the ADSs on the AIX when dividends are accrued and that no withholding tax will apply to dividends that may be paid on our common shares underlying the ADSs.

See "*Item 10. Additional Information—E. Taxation—Material Tax Considerations—Material Kazakhstan Tax Considerations*" for more details on the tax treatment of capital gains and dividends under the Tax Code and the AIFC Law.

Risks Relating to Our Organizational Structure

We are controlled by our current principal shareholders, which will limit your ability to influence corporate matters and could otherwise impact our business and reputation.

Mr. Vyacheslav Kim, Mr. Mikheil Lomtadze and Asia Equity Partners Limited together beneficially own 69.46% of our outstanding share capital. Accordingly, these shareholders have significant influence over our strategy, management, policies and affairs and over all matters requiring shareholder approval, including the election of members of our board of directors, amendment of our charter, issuance of additional common shares and approval of certain actions requiring the approval of a majority of our shareholders, such as dividends and significant corporate transactions. While we believe that such influence has been, and will continue to be, important in the development, pursuit and implementation of our strategy, management, policies and affairs, there can be no assurance that the interests or views of Mr. Kim, Mr. Lomtadze and Asia Equity Partners Limited in relation to the development of our business will coincide with those of other shareholders and ADS holders. Since these shareholders collectively own a majority of our common shares, this will give them control, if they were to act jointly, over us and the ability of ADS holders to influence our conduct will be limited. Potential conflicts may arise if Mr. Kim, Mr. Lomtadze and Asia Equity Partners Limited choose not to approve matters which would otherwise be in the interests of the remaining shareholders. Any divergence of interests of Mr. Kim, Mr. Lomtadze and Asia Equity Partners Limited and ADS holders may adversely affect the market price of the ADSs.

Furthermore, from time to time, the press and other non-traditional media may report on or speculate about a wide variety of matters relating to us, including Mr. Kim, Mr. Lomtadze and Asia Equity Partners Limited and their respective businesses, investments or affiliated persons. In addition, Mr. Kim, Mr. Lomtadze and Asia Equity Partners Limited or their investments in our or other businesses, which are extensive and varied, may have been from time to time, and may in the future be, subject to legal claims, accusations, proceedings or investigations, which may generate adverse press coverage with respect to our business, even if we are not directly involved in such matter. As a result, any reports in the media and other public statements regarding the activities of Mr. Kim, Mr. Lomtadze and Asia Equity Partners Limited, irrespective of whether such statements have any basis in fact, could have a material adverse effect on our reputation, which could have an impact on our ,business, financial condition, results of operations and cash flows.

The rights of our shareholders are governed by Kazakhstan law, and our charter differs in some important respects from the typical rights of shareholders under U.S. state laws.

Our corporate affairs are governed by our charter and by the laws governing joint-stock companies incorporated in Kazakhstan. The rights of our shareholders and the responsibilities of members of our board of directors under Kazakhstan law and our charter are different than under the laws of some U.S. states. For example, the existing holders of common shares in Kazakhstan joint-stock companies generally have a pre-emptive right to acquire newly placed common shares (including newly issued shares or shares previously repurchased by a joint-stock company) or other securities convertible into common shares. Our board of directors has the right to approve the placement of our common shares without the pre-emptive rights procedure if, for example, the common shares are provided to our employees as an incentive award.

In addition, our charter includes other provisions that differ from provisions typically included in the governing documents of most companies organized in the United States. For example, extraordinary general meetings of shareholders may be convened by either our board of directors or any shareholder or group of shareholders representing not less than 10% of our common shares.

As a result of these and other differences, our shareholders may have rights different to those generally available to shareholders of companies organized under U.S. state laws, and our board of directors may find it more difficult to approve certain actions.

The Company is a holding company and, as such, we depend on our subsidiaries for cash to fund our operations and expenses, including future dividend payments, if any.

As a holding company, the Company's principal source of cash flow is, and will continue to be, distributions from our key operating subsidiaries, Kaspi Bank, Kaspi Pay, Kaspi Travel, Kaspi Shop, Kaspi Office and Magnum E-commerce Kazakhstan. Therefore, our ability to fund and conduct our business and pay dividends, if any, in the future will depend on the ability of our subsidiaries to generate sufficient cash flow to make upstream cash distributions to us. Our operating subsidiaries are separate legal entities and have no obligation to make any funds available to us, whether in the form of loans, dividends or otherwise, and their ability to distribute cash to us may also be subject to, among other things, availability of sufficient funds in such subsidiary and applicable laws and regulatory restrictions, including capital adequacy requirements applicable to Kaspi Bank. See *"Item 3. Key Information—D. Risk Factors—Risks Relating to Our Legal and Regulatory Framework—Kaspi Bank's capital position may require us to provide capital support, which may have an impact on our profitability or limit the amount of dividends that may be made to the Company*." Claims of any creditors of our subsidiary generally will have priority as to the assets of such subsidiary over our claims and claims of our creditors and shareholders. In addition, as our key operating subsidiaries generate profits in tenge and any dividends paid to holders of the ADSs in the future would be paid in U.S. dollars, any significant fluctuation of the value of the tenge against the U.S. dollar and other currencies may have a material adverse effect on the dividend amounts received by holders of the ADSs. To the extent the ability of our subsidiaries to distribute dividends or other payments to us is limited in any way, our ability to fund and conduct our business and pay dividends, if any, could be adversely affected.

Risks Relating to Ownership of the ADSs

As a holder of the ADSs, you may not be able to exercise pre-emptive rights in relation to future issuances of common shares.

To raise funding in the future, we may grant our shareholders rights to purchase additional common shares. Rights of that kind may not be made available to ADS holders. Under the deposit agreement, we are not required to make rights of that kind available to ADS holders. Further, we are not allowed to make rights of that kind available to holders in the United States unless we register the rights and the common shares to which the rights relate under the Securities Act or unless an exemption from the registration requirements of the Securities Act is available. We are not required to register additional common shares for sale in the Unites States, and an exemption from the registration requirement may not be available. In cases where the pre-emptive rights are made available to ADS holders, you will not be able to exercise the pre-emptive rights directly (but only by instructing the depositary as the registered holder of our common shares) as only holders of our common shares and not of the ADSs have such rights in Kazakhstan.

There is no assurance that we will elect to make the pre-emptive rights offering available to ADS holders, or in the case of U.S. holders, that an exemption from the registration requirements of the Securities Act would be available to enable such U.S. holders to exercise such pre-emptive rights and, if such exemption were available, that we would take the steps necessary to enable U.S. holders of the ADSs to rely on it. Accordingly, you may not be able to exercise your pre-emptive rights on future issuances of common shares, and, as a result, your percentage ownership interest in us would be diluted. Furthermore, rights offerings are difficult to implement effectively under the current U.S. securities laws, and our ability to raise capital in the future may be compromised if we need to do so through a rights offering in the United States.

As we are a "foreign private issuer" within the meaning of the SEC rules, we are exempt from certain provisions of the Exchange Act that are applicable to U.S. domestic public companies and are permitted to follow certain home country corporate governance practices rather than those of Nasdaq, and ADS holders may not have the same protections afforded to shareholders of companies that are subject to all the corporate governance requirements.

We report under the Exchange Act as a non-U.S. company with "foreign private issuer" status. As long as we qualify as a foreign private issuer under the Exchange Act, we will be exempt from certain provisions of the Exchange Act that are applicable to U.S. domestic public companies, including:

- the sections of the Exchange Act regulating the solicitation of proxies, consents or authorizations in respect of a security registered under the Exchange Act;
- the sections of the Exchange Act requiring insiders to file public reports of their stock ownership and trading activities and liability for insiders who profit from trades made in a short period of time;
- the rules under the Exchange Act requiring the filing with the SEC of quarterly reports on Form 10-Q containing unaudited financial and other specific information, or current reports on Form 8-K, upon the occurrence of specified significant events; and
- Regulation Fair Disclosure, or Regulation FD, which regulates selective disclosures of material information by issuers.

In addition, as a foreign private issuer, we have the option to follow certain Kazakhstan corporate governance practices rather than those of Nasdaq, provided that we disclose the requirements we are not following and describe the home country practices we are following. For example, the Nasdaq corporate governance rules require listed companies to have, among other things, a majority of independent board members. As a foreign private issuer, we are permitted to, and we will, follow home country practice in lieu of the above requirement. As long as we rely on the foreign private issuer exemption to this Nasdaq corporate governance standard, a majority of the directors on our board of directors are not required to be independent directors. Therefore, our board of directors' approach to governance may be different from that of a board of directors consisting of a majority of independent directors, and, as a result, our management oversight may be more limited than if we were subject to all of the Nasdaq corporate governance standards. For more information, see "*Item 16G. Corporate Governance*."

Accordingly, ADS holders may not have the same protection afforded to shareholders of companies that are subject to all of the provisions of the Exchange Act that are applicable to U.S. domestic public companies and all of the corporate governance standards, and the ability of our independent directors to influence our business policies and affairs may be reduced.

We may lose our foreign private issuer status in the future, which could result in significant additional costs and expenses.

As discussed above, we are a foreign private issuer, and therefore, we are not required to comply with all of the periodic disclosure and current reporting requirements of the Exchange Act and certain requirements of the Sarbanes-Oxley Act. The determination of foreign private issuer status is made annually on the last business day of an issuer's most recently completed second fiscal quarter, and, accordingly, the next determination will be made with respect to us on June 30, 2024. If we lose our foreign private issuer status on this date, we would be required to file with the SEC periodic reports and registration statements on U.S. domestic issuer forms beginning on January 1, 2025, which are more detailed and extensive than the forms available to a foreign private issuer, including the need to file quarterly reports on abbreviated timelines. We would also have to mandatorily comply with U.S. federal proxy requirements, and our executive officers, directors and principal shareholders would become subject to the short-swing profit disclosure and recovery provisions of Section 16 of the Exchange Act. In addition, we would lose our ability to rely upon exemptions from certain corporate governance requirements under the listing rules of Nasdaq. As a U.S.-listed public company that is not a foreign private issuer, we would incur significant additional legal, accounting and other expenses that we would not incur as a foreign private issuer, and accounting, reporting and other expenses in order to maintain a listing on a U.S. securities exchange. These expenses would relate to, among other things, the obligation to present our financial information in accordance with U.S. GAAP or reconcile our financial statements to U.S. GAAP should we lose our status as a foreign private issuer.

The ADSs trade on more than one market and this may result in increased volatility and price variations between such markets.

The ADSs trade on Nasdaq, the KASE and the AIX. Trading in the ADSs on these markets will occur at different times (due to different time zones, trading days and public holidays in the United States and Kazakhstan). The trading prices of the ADSs on these markets may differ due to these and other factors. In addition, trading of the ADSs on the KASE and the AIX could adversely and significantly impact the price of ADSs traded on Nasdaq. Any decrease in the trading price of the ADSs on one of these markets could cause a decrease in the trading price of the ADSs on the other market. Additionally, while ADSs traded on Nasdaq will be settled through DTC and DTC will be the primary place of issuance of ADSs, ADSs traded on the KASE and the AIX will be settled through local clearing systems. Each of those clearing systems has established a link to DTC for the purposes of facilitating settlement with DTC. Any cross-market transfers of ADSs between direct participants in DTC, on the one hand, and participants in such other clearing systems, on the other hand, will require delivery of instructions to such local clearing systems by the participant in such system in accordance with the applicable rules and procedures and within the established deadlines of such system. As such, additional time may be required to conduct cross-market transfers and there is no certainty as to when ADSs acquired in a different market will be available for trading or settlement.

If we fail to establish and maintain proper internal controls, our ability to produce accurate financial statements or comply with applicable regulations could be impaired.

As a public company, we are subject to the Sarbanes-Oxley Act. Sections 404(a) and 404(b) of the Sarbanes-Oxley Act require that beginning with our second annual report following our initial public offering, management assess and report annually on the effectiveness of our internal control over financial reporting and identify any material weaknesses in our internal control over financial reporting, and obtain an attestation report on internal control over financial reporting from our independent registered public accounting firm.

We expect our first assessment under Section 404(a) of the Sarbanes-Oxley Act will take place for our annual report for the fiscal year ending December 31, 2024. As discussed below in "*—We have identified material weaknesses in our internal control over financial reporting, and if our remediation of such material weaknesses is not effective, or if we fail to establish and maintain an effective system of disclosure controls and internal control over financial reporting, our ability to produce timely and accurate financial statements or comply with applicable laws and regulations may be adversely affected*," we first identified material weaknesses in the course of preparing our consolidated financial statements as of December 31, 2022 and 2021 and for each of the three years in the period ended December 31, 2022, and our management has concluded that as of December 31, 2023, our disclosure controls and procedures were not effective, due to continuing material weaknesses in our internal control over financial reporting as of such date. The continued presence of these or other material weaknesses in any future financial reporting periods could result in financial statement errors that, in turn, could lead to errors in our financial reports and delays in our financial reporting, and that could require us to restate our operating results, or our auditors may be required to issue a qualified audit report, investors may lose confidence in the accuracy and completeness of our financial reports, and this may have a material adverse effect on the market price of the ADSs. We might also identify one or more material weaknesses or significant deficiencies in our internal controls in connection with evaluating our compliance with Section 404(a) of the Sarbanes-Oxley Act in the future and therefore be unable to conclude that our internal control over financial reporting is effective in connection with the management's assessment under Section 404(a). In order to improve the effectiveness of our disclosure controls and procedures and internal control over financial reporting, and maintain satisfactory controls once achieved, we will need to expend significant resources and provide significant management oversight. Implementing any appropriate changes to our internal controls may require specific compliance training of our directors and employees, entail substantial costs in order to modify our existing accounting systems, take a significant period of time to complete and divert management's attention from other business concerns. These changes may not, however, be effective in maintaining the adequacy of our internal controls.

If either we are unable to conclude that we have effective internal control over financial reporting or, at the appropriate time, our independent registered public accounting firm is unwilling or unable to provide us with an unqualified report on the effectiveness of our internal control over financial reporting as required by Section 404(b) of the Sarbanes-Oxley Act, investors may lose confidence in our results of operations, the price of the ADSs could decline, and we may be subject to litigation or regulatory enforcement actions. In addition, if we are unable to meet the requirements of Section 404 of the Sarbanes-Oxley Act, we may not be able to remain listed on Nasdaq.

We have identified material weaknesses in our internal control over financial reporting, and if our remediation of such material weaknesses is not effective, or if we fail to establish and maintain an effective system of disclosure controls and internal control over financial reporting, our ability to produce timely and accurate financial statements or comply with applicable laws and regulations may be adversely affected.

Although we are not yet subject to the certification or attestation requirements of Section 404 of the Sarbanes-Oxley Act, in connection with the preparation of our consolidated financial statements as of December 31, 2022 and 2021 and for each of the three years in the period ended December 31, 2022, we first identified material weaknesses in our internal control over financial reporting, and our management has concluded that as of December 31, 2023, our disclosure controls and procedures were not effective, due to continuing material weaknesses in our internal control over financial reporting as of such date. These continuing material weaknesses in our internal control over financial reporting relate to the following: (1) inadequate review and validation of models used in determining the allowance for impairment loss; and (2) not fully implemented components of the framework of the Internal Control – Integrated Framework (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"), including elements of the risk assessment, control activities and monitoring activities components, in respect of identification of risks and deficiencies in internal controls, as well as analysis, evaluation and communication of such deficiencies. SEC guidance defines a "material weakness" as a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis.

To address our material weaknesses, we have developed and begun the implementation of a remediation plan, as further described in "*Item 15 Controls and Procedures—Changes in Internal Control Over Financial Reporting*." There can be no assurance, however, that the measures we have taken to date, and actions we may take in the future, will be sufficient to remediate the control deficiencies that led to the material weaknesses in our internal control over financial reporting, or prevent or avoid potential future material weaknesses. Our current controls and any new controls that we develop may become inadequate because of changes in conditions in our business. If we fail to remediate our current or future material weaknesses or to meet the demands that will be placed upon us as a public company listed in the United States, including the requirements of the Sarbanes-Oxley Act, we may be unable to accurately report our financial results or report them within the timeframes required by law, our consolidated financial statements may be restated, investors may lose confidence in the accuracy and completeness of our financial reports, and this may have a material adverse effect on the market price of the ADSs, which may be suspended or delisted from Nasdaq, and our ,business, financial condition, results of operations and cash flows may be adversely affected. Failure to comply with Section 404 of the Sarbanes-Oxley Act could also potentially subject us to sanctions or investigations by the SEC or other regulatory authorities.

The obligations associated with being a public company will require significant resources and management attention.

As a public company in the United States, we have incurred and will continue to incur legal, accounting and other expenses that we did not previously incur. We now are subject to a broader scope of laws, regulations and standards, including the reporting requirements of the Exchange Act and the Sarbanes-Oxley Act, the listing requirements of Nasdaq and other applicable securities rules and regulations, and therefore, potentially subject to a broader scope of fines and penalties under U.S. securities laws. Compliance with these rules and regulations has increased and will continue to increase our legal and financial compliance costs, make some activities more difficult, time-consuming or costly and increase the demand on our systems and resources. The Exchange Act requires that we file annual and current reports with respect to our ,business, financial condition, results of operations and cash flows. It also requires us to make detailed narrative and financial statement disclosures regarding risks, initiatives and other matters confronting us relating to climate change as early as 2026. The Sarbanes-Oxley Act requires, among other things, that we establish and maintain effective disclosure controls and procedures and internal controls and procedures for financial reporting. Furthermore, the need to establish the corporate infrastructure demanded of a public company may divert management's attention from implementing our growth strategy, which could prevent us from improving our business, financial condition, results of operations and cash flows. We have made, and will continue to make, changes to our internal controls and procedures for financial reporting and accounting systems to meet our reporting obligations as a public company. However, the measures we take may not be sufficient to satisfy our obligations as a public company. In addition, these rules and regulations have increased and will continue to increase our legal and financial compliance costs and will make some activities more time-consuming and costlier. For example, we expect these rules and regulations to make it more difficult and more expensive for us to obtain director and officer liability insurance, and we may be required to incur substantial costs to maintain the same or similar coverage, and our business, financial condition, results of operations and cash flows could be materially adversely affected.

In addition, changing laws, regulations and standards relating to corporate governance and public disclosure are creating uncertainty for public companies, increasing legal and financial compliance costs and making some activities more time consuming. These laws, regulations and standards are subject to varying interpretations, in many cases due to their lack of specificity, and, as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices. We intend to invest resources to comply with evolving laws, regulations and standards, and this investment may result in increased general and administrative expenses and a diversion of management’s time and attention from revenue-generating activities to compliance activities. If our efforts to comply with new laws, regulations and standards differ from the activities intended by regulatory or governing bodies due to ambiguities related to their application and practice, regulatory authorities may initiate legal proceedings against us, and our ,business, financial condition, results of operations and cash flows could be materially affected.

We may elect not to pay dividends in the future.

To the extent that we declare and pay dividends on our common shares, holders of the ADSs on the relevant record date will be entitled to receive dividends payable in respect of our common shares underlying the ADSs, subject to the terms of the deposit agreement. We intend to pay dividends annually in the amount of at least 50% of net income, calculated under IFRS (see *“Item 8. Financial Information--A. Consolidated Statements and Other Financial Information—Dividend Policy*”). Any payment of dividends on common shares based on quarterly or half-year results is made pursuant to the decision of the general meeting of shareholders. Any decision on the payment of dividends on common shares based on full-year results shall be adopted by the annual general meeting of shareholders. Any future determination regarding the declaration and payment of dividends, if any, will, therefore, be at the discretion of our shareholders at a general meeting and will depend on then-existing conditions, including our financial condition, results of operations, contractual restrictions, capital requirements, business prospects and other factors our shareholders at a general meeting may deem relevant. In addition, our ability to pay dividends depends significantly on the extent to which it receives distributions from our subsidiaries.

The price of the ADSs might fluctuate significantly, and you could lose all or part of your investment.

Volatility in the market price of the ADSs may prevent you from being able to sell your ADSs at or above the price you paid for such shares. The trading price of the ADSs may be volatile and subject to wide price fluctuations in response to various factors, including:

- the overall performance of the equity markets;
- fluctuations in our actual or projected results of operations;
- changes in our projected earnings or failure to meet securities’ analysts’ earnings expectations;
- unfavorable analyst coverage;
- changes in trading volumes of the ADSs;
- issuance of new or changed securities analysts’ reports or recommendations;
- additions or departures of key personnel;
- sale of the ADSs by us, our principal shareholders or members of our management;
- general economic conditions;
- the impact of political and international geopolitical events;
- the activities of our competitors, suppliers and business partners;
- changes in the market valuations of comparable companies;

- changes in investor and analyst perception with respect to our business and industry in general;
- changes in interest rates;
- availability of capital; and
- changes in the statutory framework applicable to our business.

These and other factors might cause the market price of the ADSs to fluctuate substantially, which might limit or prevent investors from readily selling their ADSs and may otherwise negatively affect the liquidity of the ADSs. In addition, in recent years, the stock market has experienced significant price and volume fluctuations. This volatility has had a significant impact on the market price of securities issued by many companies across many industries. The changes frequently appear to occur without regard to the operating performance of the affected companies. Furthermore, investors in the secondary market may view our business more critically than investors in our initial public offering, which could adversely affect the market price of the ADSs in the secondary market. Prices for technology companies have traditionally been more volatile compared to share prices for companies from other industries.

Accordingly, the price of the ADSs could fluctuate based upon factors that have little or nothing to do with us, and these fluctuations could materially reduce our share price. Securities class action litigation has often been instituted against companies in periods of volatility in the overall market and in the market price of a company's securities. Such litigation, if instituted against us, could result in substantial costs, divert our management's attention and resources, and our business, financial condition, results of operations and cash flows could be materially adversely affected.

Future sales of the ADSs or issuance of additional common shares, or the perception in the public markets that these sales or issuances may occur, may depress our stock price.

Sales of substantial amounts of the ADSs or issuance of additional common shares in the public market, or the perception that these sales or issuances could occur, could adversely affect the price of the ADSs and could impair our ability to raise capital through the sale of additional shares. In the future, we may also issue additional common shares, ADSs or debt securities with conversion rights if we need to raise capital in connection with a capital raise or acquisition. The number of common shares issued in connection with a capital raise or acquisition could constitute a material portion of the then-outstanding common shares. An issuance of additional common shares, ADSs or debt securities with conversion rights could potentially reduce the market price of the ADSs. In addition, if we raise additional funds through the sale of equity securities, these transactions may dilute the value of the outstanding ADSs (see *"Item 3. Key Information—D. Risk Factors—Risks Relating to Our Business and Industry—We may need to raise additional funds to finance our future capital needs, and we may not be able to raise additional funds on terms acceptable to us, or at all*").

If securities or industry analysts publish unfavorable research about our business, or we fail to meet the expectations of industry analysts, our stock price and trading volume could decline.

The trading market for the ADSs will depend in part on the research and reports that securities or industry analysts publish about us, our business or our industry. We may have limited research coverage by securities and industry analysts. If one or more of the analysts who covers us downgrades our stock, the price of the ADSs will likely decline. If one or more of these analysts ceases to cover us or fails to publish regular reports on us, interest in the purchase of the ADSs could decrease, which could cause the price of the ADSs or trading volume to decline.

You may be subject to limitations on the transfer of your ADSs and withdrawal of our common shares.

Your ADSs are transferable on the books of the depositary. However, the depositary may close its books at any time or from time to time when it deems expedient in connection with the performance of its duties. The depositary may refuse to deliver, transfer or register transfers of your ADSs generally when our books or the books of the depositary are closed, or at any time if we or the depositary think it is advisable to do so because of any requirement of law, government or governmental body, or under any provision of the deposit agreement, or for any other reason. In addition, ADS holders may not be able to cancel their ADSs and withdraw common shares when they owe money for fees, taxes and similar charges or if the depositary has temporarily closed its books for cancellation of ADSs, which is it permitted to do in certain circumstances as provided in the deposit agreement.

It may be difficult to enforce a U.S. judgment against us, our directors and officers named in this annual report outside the United States, or to assert U.S. securities law claims outside of the United States.

We are incorporated in Kazakhstan and conduct substantially all of our operations in Kazakhstan. All of our executive officers and members of our board of directors reside outside the United States. Substantially all of our assets and the assets of our executive officers and members of our board of directors are located outside the United States. As a result, it may be difficult or impossible for investors to effect service of process upon us within the United States or other jurisdictions, including judgments predicated upon the civil liability provisions of the federal securities laws of the United States. Additionally, it may be difficult to assert U.S. securities law claims in actions originally instituted outside of the United States. Foreign courts may refuse to hear a U.S. securities law claim because foreign courts may not be the most appropriate forums in which to bring such a claim. Even if a foreign court agrees to hear a claim, it may determine that the law of the jurisdiction in which the foreign court resides, and not U.S. law, is applicable to the claim. Further, if U.S. law is found to be applicable, the content of applicable U.S. law must be proved as a fact, which can be a time-consuming and costly process, and certain matters of procedure would still be governed by the law of the jurisdiction in which the foreign court resides.

In particular, investors should be aware that there is uncertainty as to whether the Kazakhstan courts would recognize and enforce judgments of the U.S. courts obtained against us, our major shareholders or our directors or management predicated upon the civil liability provisions of the securities laws of the United States or any state in the United States or entertain original actions brought in the Kazakhstan courts against us, our major shareholders or our directors or officers predicated upon the securities laws of the United States or any state in the United States. There is no treaty between the United States and Kazakhstan providing for reciprocal recognition and enforcement of foreign court judgments in civil and commercial matters. While Kazakhstan law provides for enforcement of foreign court awards on the basis of reciprocity, there is no guidance or practice on this matter, and it is currently uncertain whether Kazakhstan courts will enforce decisions from foreign courts on such basis. The procedures applied by the relevant Kazakhstan officials may not be entirely consistent with the procedural legislation or court rules. This could delay enforcement procedures in Kazakhstan, particularly if enforcement is sought to be made in courts outside the principal commercial centers such as Almaty and Astana. As a result of the difficulty associated with enforcing a judgment against us, you may not be able to collect any damages awarded by either a U.S. or foreign court. In addition, there are doubts as to whether a Kazakhstan court would impose civil liability on us, our directors and officers in an original action predicated solely upon the U.S. federal securities laws brought in a court of competent jurisdiction in Kazakhstan against us or such directors and officers, respectively.

ADS holders may not be entitled to a jury trial with respect to claims arising under the deposit agreement, which could result in less favorable outcomes to the plaintiff(s) in any such action.

The deposit agreement governing the ADSs representing our common shares provides that, to the fullest extent permitted by applicable law, owners and holders of ADSs irrevocably waive the right to a jury trial for any claim that they may have against us or the depositary arising from or relating to our common shares, the ADSs or the deposit agreement, including any claim under the U.S. federal securities laws. However, ADS holders will not be deemed, by agreeing to the terms of the deposit agreement, to have waived our or the depositary’s compliance with U.S. federal securities laws and the rules and regulations promulgated thereunder. In fact, ADS holders cannot waive our or the depositary’s compliance with U.S. federal securities laws and the rules and regulations promulgated thereunder. If we or the depositary opposed a demand for jury trial relying on jury trial waiver mentioned above, it is up to the court to determine whether such waiver was enforceable considering the facts and circumstances of that case in accordance with the applicable state and federal law.

If this jury trial waiver provision is prohibited by applicable law, an action could nevertheless proceed under the terms of the deposit agreement with a jury trial. To our knowledge, the enforceability of a jury trial waiver under the federal securities laws has not been finally adjudicated by a federal court or by the United States Supreme Court. Nonetheless, we believe that a jury trial waiver provision is generally enforceable under the laws of the State of New York, which govern the deposit agreement, or by a federal or state court in the City of New York. In determining whether to enforce a jury trial waiver provision, New York courts will consider whether the visibility of the jury trial waiver provision within the agreement is sufficiently prominent such that a party has knowingly waived any right to trial by jury. We believe that this is the case with respect to the deposit agreement and the ADSs. In addition, New York courts will not enforce a jury trial waiver provision in order to bar a viable setoff or counterclaim sounding in fraud or one which is based upon a creditor’s negligence in failing to liquidate collateral upon a guarantor’s demand, or in the case of an intentional tort claim, none of which we believe are applicable in the case of the deposit agreement or the ADSs. If you or any other owners and holders of ADSs bring a claim against us or the depositary relating to the matters arising under the deposit agreement or the ADSs, including claims under federal securities laws, you or such other owner or holder may not have the right to a jury trial regarding such claims, which may limit and discourage lawsuits against us or the depositary. If a lawsuit is brought against us or the depositary under the deposit agreement, it may be heard only by a judge or justice of the applicable trial court, which would be conducted according to different civil procedures and may have different outcomes compared to that of a jury trial, including results that could be less favorable to the plaintiff(s) in any such action.

Nevertheless, if the jury trial waiver provision is not enforced, to the extent a court action proceeds, it would proceed under the terms of the deposit agreement with a jury trial. No condition, stipulation or provision of the deposit agreement or ADSs serves as a waiver by any owner or holder of ADSs or by us or the depositary of compliance with any substantive provision of U.S. federal securities laws and the rules and regulations promulgated thereunder.

As a holder of ADSs, you may not receive distributions on our common shares represented by the ADSs or any value for them if it is illegal or impractical to make them available to holders of ADSs.

Under the terms of the deposit agreement, the depositary has agreed to pay to you the cash dividends or other distributions it or the custodian receives on our common shares or other deposited securities after deducting its fees and expenses and any taxes or other governmental charges. However, it may be unlawful or impractical to make a distribution other than cash available to holders of ADSs. We have no obligation to take any other action to permit the distribution of the ADSs, common shares, rights or anything else to holders of the ADSs. This means that, as a holder of ADSs, you may not receive the distributions we make on our common shares or any value from them if it is unlawful or impractical to make them available to you. These restrictions may have a material adverse effect on the value of your ADSs.

ITEM 4. INFORMATION ON THE COMPANY

A. HISTORY AND DEVELOPMENT OF THE COMPANY

Our legal name is “Joint Stock Company Kaspi.kz.” Our commercial name is “Kaspi.kz”. We were incorporated in Kazakhstan on October 16, 2008 as a limited liability company under the laws of Kazakhstan and subsequently transformed into a joint stock company on October 17, 2014. Our registered and principal executive office is located at 154A Nauryzbai Batyr Street, Almaty, 050013, Kazakhstan. The telephone number at this address is +7 727 3306710. Our agent for service of process in the United States for U.S. federal security law purposes is Puglisi & Associates located at 850 Library Avenue, Suite 204, Newark, DE 19711 and the telephone number at this address is +1 302 738 6680.

For a discussion of the important events in the development of the company’s business since January 1, 2023 through the date of this annual report, see “*Item 5. Operating and Financial Review and Prospects—A. Operating Results—Recent Developments*.”

For information on our primary capital expenditures, see “*Item 5. Operating and Financial Review and Prospects—B. Liquidity and Capital Resources—Capital Expenditures*.” For the fiscal year ended December 31, 2023, our breakdown of capital expenditures in Kazakhstan and outside of Kazakhstan were 99.64% and 0.36%. For the fiscal year ended December 31, 2022, our breakdown of capital expenditures in Kazakhstan and outside of Kazakhstan were 99.64% and 0.36%. For the fiscal year ended December 31, 2021, our breakdown of capital expenditures in Kazakhstan and outside of Kazakhstan were 99.71% and 0.29%. There have been no public takeover offers by third parties in respect of our shares or by us in respect of other companies’ shares since January 1, 2023.

On January 26, 2021, Kaspi Bank completed the sale of its subsidiary IC “Basel” JSC, which was part of the Group’s Fintech segment and operated in Kazakhstan, to an unrelated third party. There have been no other principal divestitures since January 1, 2021.