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Executive Summary

Kaspi.kz (NASDAQ: KSPI) is Kazakhstan's dominant super-app — a digital platform that 75% of the country's adult population opens, on average, every day. 347^155^ It processes 78–85% of all cashless payments in the country, hosts the largest e-commerce marketplace, and underwrites consumer loans with a cost of risk of 2.1% versus 3% or higher at traditional peers. 133^327^ The business generates 45–60% return on equity, grew revenue at a 47% compound annual rate from 2020 to 2025, and produced KZT 1,068 billion (~\$2 billion) in net income last year. 347^356^659^

It trades at 7.7x trailing earnings. 4^5^

That discount — 73% below the global fintech peer average — is the central investment case. The market is pricing Kazakhstan's geopolitical risk as if it were Kaspi's business risk. The two are not the same. This report evaluates Kaspi.kz through the Buffett/Munger framework and concludes that it represents a probable wonderful company at a probable fair price, suitable for a 2–5% position in a diversified emerging market portfolio.

Key Metrics at a Glance

Metric	Value	Context
Monthly Active Users (MAU)	15.3 million 347^	~75% of Kazakhstan's adult population
Registered Merchants	737,000+ 347^	Two-sided network density
Monthly Transactions per User	77 155^	Up from 50.6 in 2021; among highest globally
DAU/MAU Ratio	65% 155^	Second only to WeChat; measures daily habit
Revenue (FY2025)	KZT 4,050 billion 347^	~\$7.7 billion; 47% CAGR (2020–2025)
Net Income (FY2025)	KZT 1,068 billion 347^	~\$2.0 billion; 26.4% net margin
Kazakhstan Segment Net Margin	46.2% 16^	Pre-Turkey; demonstrates core profitability

Metric	Value	Context
Return on Equity (ROE)	45–51% 659^	Highest among all global fintech peers
Payments Market Share	78–85% 133^	More than Visa and Mastercard combined
E-commerce GMV Share	70–77% 327^	Down from 97% (2021) due to Wildberries/Ozon entry
Data Points per User	3,600+ 133^	Powers 6-second loan approvals
Cost of Risk	2.1% 133^	vs. 3%+ at Halyk Bank and traditional peers
Customer Acquisition Cost	~\$7 42^	Driven by viral network effects

Table ES.1 — Kaspi.kz Key Operating and Financial Statistics (June 2026)

The scale of engagement is the defining metric: 77 transactions per user monthly, 65% daily actives, and 87% Net Promoter Score combine to create a platform habit that no single-product competitor can replicate. 155^596^ Each transaction feeds a proprietary data repository of 3,600+ points per user, enabling loan underwriting in under six seconds with credit losses well below industry norms. 133^ Goldman Sachs research notes Kaspi's Return on Invested Capital at 41.9% against a Weighted Average Cost of Capital below 5% — a spread that reflects genuine economic moat rather than accounting artifact. 659^

Valuation Snapshot

Metric	Kaspi.kz	Peer Average	Discount
Trailing P/E	7.7x 4^5^	~28x 15^	73%
Forward P/E	6.4x 4^6^	~21x 10^	70%
EV/EBITDA	3.6x 7^8^	~14x	74%
P/Sales	2.3x	~3.5x	34%
ROE	51% 659^	~20%	155% premium
Net Margin	26% 347^	~8%	225% premium
Dividend Yield	8–9% 9^	<2% (most peers pay none)	400%+ premium
Debt/Equity	12% 659^	80–150%	90%+ lower
CET1 Ratio	19.6% 28^	12–14% regulatory min	40%+ buffer

Table ES.2 — Valuation Snapshot: Kaspi.kz vs. Global Fintech Peers (June 2026). Peers: MELI, NU, SE, PYPL, SOFI.

Kaspi.kz Trades at a 73% Discount to Fintech Peers Despite the Highest ROE in the Group

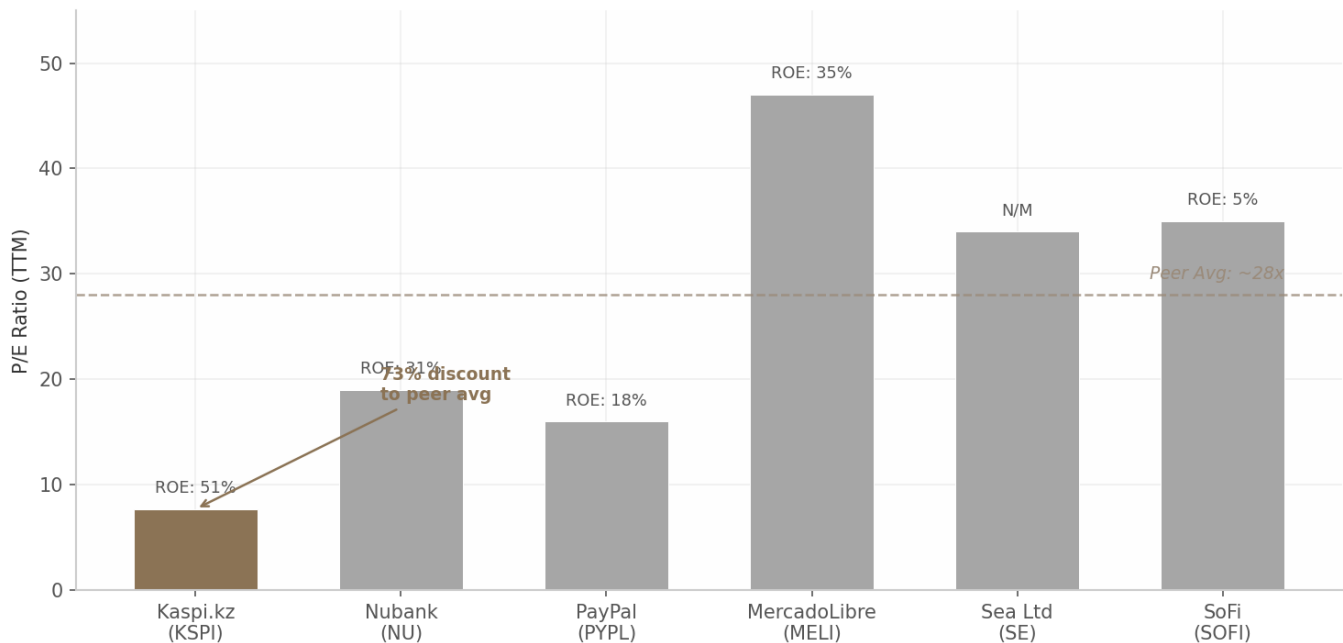


Figure ES.1 — Kaspi's P/E of ~8x represents a 73% discount to peer fintechs despite generating the highest returns on equity in the comparison group. Sources: Liria Research, Company Filings, Goldman Sachs Research — June 2026.

The valuation disconnect is extreme. Nubank, a comparable emerging-market fintech with net margins one-third of Kaspi's, commands a 19x multiple. 20^ If Kaspi traded at Nubank's P/E, the stock would price at approximately \$240 per share — 2.6x the current quote. 20^ Simply Wall St's two-stage DCF model produces a fair value of \$173.41, an 89% premium to the current \$91.54. 11^ A probability-weighted scenario analysis — blending 25% bull (\$130), 50% base (\$100), and 25% bear (\$72) — yields a fair value of approximately \$100.50, roughly 10% above the current price. 31^ The 8–9% dividend yield, resumed in Q1 2026 after a one-year suspension to fund Turkey expansion, provides a tangible floor on returns. 262^

The Four Filters: A Buffett/Munger Scorecard

Filter	Assessment	Key Evidence	Grade
1. Wonderful Business	Dominant super-app with Lollapalooza moat	ROE 45–60%, 46% Kazakhstan margins, 78–85% payments share, 2.1% cost of risk 659^133^16^	A-
2. Durable Moat	Five reinforcing factors; stable-to-widening	Network effects + data flywheel + regulatory barriers + 65% DAU/MAU + 87% NPS 155^596^628^	A-
3. Capable Management	Owner-operator with 17-year track record	Lomtadze 22.5%, Kim 21.3%, 47% combined; product-first culture; Tencent co-investment 608^100^390^	B+

Filter	Assessment	Key Evidence	Grade
4. Fair Price	73% discount to peers; 8–9% yield floor	P/E 7.7x vs. 28x peer avg; DCF \$173; P-weighted FV ~\$100.50 4^11^31^	A
Composite	Probable wonderful company at probable fair price	Margin of safety: valuation discount + dividend yield + fortress balance sheet	B+ / Buy

Table ES.3 — Buffett/Munger Four-Filter Scorecard for Kaspi.kz (June 2026)

The composite grade reflects a tension common in emerging market investing: exceptional business quality and an extraordinary price, offset by governance imperfections that Buffett would find uncomfortable. CEO Mikheil Lomtadze and Chairman Vyacheslav Kim collectively own 47% of the company — a level of insider ownership that is virtually unheard of among \$17 billion market-cap companies. 608^ Both IPOs (London 2020, Nasdaq 2024) were 100% secondary sales, meaning the company received zero capital while insiders sold approximately \$2.1 billion in shares. 595^ Related-party transactions and a compensation surge in 2025 are yellow flags. 539^166^ Yet the 47% ownership is the protection mechanism: when management already owns nearly half the company, the mathematical incentive to destroy long-term value through self-dealing is constrained. In April 2026, Lomtadze invested personal capital alongside Tencent's \$510 million strategic purchase — a signal that contradicts the typical emerging-market cash-out narrative. 390^

Investment Thesis

The investment case rests on four pillars. **First**, Kaspi's business quality is superior to virtually every fintech peer, yet it trades at a 73% discount. A business compounding at 45% ROE and 15–20% earnings growth, with a 65% daily engagement ratio and a data flywheel that no competitor can replicate, is not a commodity lender — it is a platform company misclassified as one. 20^ **Second**, the market conflates Kazakhstan country risk (geopolitical proximity to Russia, KZT volatility, secondary sanctions concerns) with Kaspi business risk. These are not the same. Kazakhstan's economy is oil-dependent but has grown GDP per capita to \$14,770 — above Russia and China — with credit-to-GDP at only 20%, implying decades of financial services runway. 2^15^ **Third**, multiple layers of protection insulate the investor: 47% insider ownership, Tencent's \$510 million validation from the operator of WeChat (the world's most successful super-app), and a fortress balance sheet with 12% debt-to-equity and 19.6% CET1 ratio. 608^390^28^ **Fourth**, the Turkey expansion — while commanding headlines and \$1.4 billion in committed capital — is bounded by the extraordinary cash generation of the domestic franchise. Kazakhstan produces \$2 billion in annual net income; even a total Turkey write-off would represent a 10–15% equity hit, not an existential event. 52^ Hepsiburada achieved EBITDA breakeven in Q4 2025, and engagement metrics are accelerating. 22^20^

Risk Summary

Three risks dominate the investment case, and each requires specific quantification. **Sanctions tail risk** carries an estimated 5–10% probability of triggering events (EU expansion of Russia sanctions to Kazakh banks, OFAC designation) with an impact of 60–80% permanent capital loss based on precedents: Sberbank GDRs fell 64% in one month, Tinkoff fell 86%. 33^34^35^ The market's 73% discount implies near-certainty of such outcomes; the actual probability, while non-zero, appears lower. A 10% probability of an 80% loss reduces expected value by 8% — not 73%. This gap between rational and market-implied discount is the margin of safety. **KZT devaluation** is a persistent 10–15% annual drag on USD returns. The tenge has devalued 65% cumulatively versus the USD from 2014 to 2024. 18^ However, KZT-denominated revenue has grown 30–60% annually, consistently overwhelming the FX headwind. USD investors should expect 5–15% net annual returns after currency effects — still attractive, but requiring patience. **Turkey execution risk** is real but bounded: Hepsiburada competes against Alibaba-backed Trendyol (4.7x revenue advantage), Turkish inflation remains at 31%, and the Rabobank closing has been delayed to mid-2026. 12^33^ Yet the Kazakhstan franchise generates enough cash to absorb Turkey losses indefinitely, and the engagement trajectory — 41% GMV growth, 44% purchase frequency increase — supports management's thesis. 20^

Scenario Returns and Position Sizing

Scenario	Probability	3–5 Year Return	Key Driver
Bull	25%	+130% to +225%	Turkey profitability + P/E re-rating to 18–25x
Base	50%	+30% to +55%	Kazakhstan 15–18% growth + modest multiple expansion
Bear	25%	–20% to –35%	Turkey losses persist + NPL spike + sanctions overhang
Probability-Weighted	100%	~+45%	Fair value ~\$100.50 vs. \$91.54 current

The asymmetry favors the investor: the bull case adds 2–4x more value than the bear case subtracts, and the 8–9% dividend yield provides a floor. The verdict, in Buffett's terms: Kaspi.kz is a probable wonderful company at a probable fair price. The 5–10% sanctions tail risk requires position sizing of 2–5% maximum — enough to capture the positive expected value, not enough to impair the portfolio if the tail risk materializes. For investors comfortable with emerging market governance norms and geopolitical uncertainty, the current price offers an unusual combination of growth, yield, and margin of safety.

1. The Buffett/Munger Analytical Framework

Warren Buffett and Charlie Munger distilled decades of investment experience into a deceptively simple set of questions. Before committing capital, every prospective investment must pass four filters: Is the business understandable? Does it possess a durable competitive advantage? Is management capable and owner-oriented? And is the price attractive relative to intrinsic value? Kaspi.kz (NASDAQ: KSPI) warrants evaluation through this lens not because it fits neatly into Berkshire's portfolio—it does not—but because the framework forces disciplined thinking about what matters. The following sections apply each filter in turn, then introduce three of Munger's mental models that illuminate why Kaspi's investment case is more nuanced than headline valuation multiples suggest.

1.1 Four Filters for Investment

Filter	Core Question	Kaspi Assessment	Key Evidence
1. Understandability	Can a reasonable investor predict what this business will look like in 10–20 years?	PASS — Super-app ecosystem with proven compounding economics	15.3M MAU (75% of adults), 77 monthly transactions per user, DAU/MAU 65% 347^155^
2. Durable Competitive Advantage	Does the moat withstand competition, regulation, and time?	PASS with monitoring — Five reinforcing moat factors; e-commerce share erosion is the primary risk	3,600+ data points per user, 2.1% cost of risk vs. 3%+ peers, 78–85% payments share 133^327^
3. Management Quality	Are they capable, honest, and owner-oriented?	PASS with blemishes — A+ operational capability, 47% insider ownership, material governance concerns	Lomtadze 17-year track record, Tencent co-investment; related-party transactions KZT 4.2B+, compensation doubled in 2025 6^390^166^
4. Attractive Price	Does valuation provide a margin of safety?	STRONG PASS — 73% discount to peers, 8–9% dividend yield, fortress balance sheet	P/E ~8.0x vs. Nubank 29x, MercadoLibre 58x; ROE 45% vs. peers 15–28%; debt/equity 12% 349^659^262^

Table 1: The Buffett/Munger Four Filters Applied to Kaspi.kz — June 2026

Filter 1: Understandability. A business is understandable if its economics can be projected with reasonable confidence a decade or more into the future. Kaspi.kz operates a two-sided super-app serving 15.3 million monthly active consumers—approximately 75% of Kazakhstan's adult population—and 737,000+ merchants 347[^]. Users open the app, on average, 65% of days in any given month and conduct 77 transactions per active user monthly, up from 50.6 in 2021 155[^]6[^]. This is not a financial services app used occasionally for bill payments; it is the digital operating system of daily life in Kazakhstan, processing payments, marketplace purchases, consumer loans, government services, travel bookings, and grocery orders within a single interface. The revenue model is equally straightforward: payments commissions (~1.1% take rate), marketplace commissions and advertising (~10.5% take rate), and fintech yields on a KZT 5.9 trillion loan book 347[^]133[^]. The critical insight for understandability is the flywheel: payments generate behavioral data that powers superior credit underwriting (2.1% cost of risk versus 3% or higher at traditional peers), which enables more buy-now-pay-later (BNPL) lending, which drives more marketplace purchases, which generates more payments volume 133[^]722[^]. Each rotation strengthens the next, making the forward trajectory more predictable than any single-segment fintech.

Filter 2: Durable Competitive Advantage. Kaspi's moat is not any single factor—it is the multiplicative interaction of five: dominant two-sided network effects, proprietary payments infrastructure that has displaced Visa and Mastercard for domestic transactions, a data flywheel powering superior underwriting, extreme consumer lock-in (88%+ monthly retention, 87% NPS), and regulatory barriers that require KZT 10 billion (~\$22 million) in minimum capital for a banking license plus full AML/KYC compliance 133[^]6[^]628[^]. Goldman Sachs research notes Kaspi's Return on Invested Capital of 41.9% against a Weighted Average Cost of Capital below 5%, a spread that reflects genuine economic moat rather than cyclical tailwind 659[^]. The company processes 78–85% of Kazakhstan's cashless payment transactions and holds 70%+ of e-commerce gross merchandise value (GMV) despite recent erosion from 97.2% in 2021 to 77.1% in 2023 as Russian marketplaces Wildberries and Ozon entered aggressively 327[^]. This erosion is the primary moat risk. However, payments dominance—the true source of daily habit and data generation—remains intact. Freedom Holding, the most credible domestic challenger, reached 5.2 million SuperApp users by April 2026 after launching in April 2024, but its payments share claim of ~15% is self-reported and unverified by third parties 324[^]. Halyk Bank, the largest traditional competitor, reached only 6.2 million monthly transactional users in FY2025, roughly 40% of Kaspi's scale 613[^].

Filter 3: Management Quality. CEO Mikheil Lomtadze is a product-obsessed owner-operator who has guided Kaspi for 17 years, transforming a failing regional bank into Central Asia's dominant digital platform 6[^]. He and Chairman Vyacheslav Kim collectively retain ~47% ownership, an extraordinary alignment of interest for a \$17 billion market-cap company 510[^]. Lomtadze's management philosophy is distinctive: employees are measured by Net Promoter

Score rather than financial KPIs, and the company operates 50 autonomous product teams each accountable for user satisfaction 100[^]596[^]. In April 2026, Lomtadze invested personal capital alongside Tencent's \$510 million strategic purchase of shares from Baring Vostok, a signal that contradicts the typical emerging-market story of founder cash-out 390[^].

Yet Buffett and Munger would not approve without scrutiny. Both Kaspi IPOs—London (2020) and Nasdaq (2024)—were 100% secondary offerings; the company received zero capital while insiders sold approximately \$2.1 billion in shares 595[^]. Related-party transactions involving property purchases from management-controlled entities totaled KZT 4.2 billion (~\$8.5 million) over 2024–2025 539[^]. Key management compensation more than doubled from KZT 104.5 billion to KZT 212.5 billion in 2025, a year when reported net income grew only 10% 166[^]. The class-action lawsuit filed following a Culper Research short-seller report—alleging inadequate disclosure of Russia-related business—was voluntarily dismissed in April 2025, but the underlying governance questions were never fully resolved 547[^]539[^]. The verdict: Lomtadze behaves like an owner, not a hired gun, but the governance imperfections require a valuation discount.

Filter 4: Attractive Price. The margin of safety is where Kaspi most clearly passes. The stock trades at approximately 8.0x trailing earnings—a 73% discount to the peer-group average 349[^]. This discount is not explained by inferior returns: Kaspi's 45% ROE and 40%+ net margins are substantially above MercadoLibre (49% ROE, 10–15% margins) and Nubank (28% ROE, 18% margins) 659[^]133[^]717[^]. Liria Research observed that if Kaspi traded at Nubank's 24x multiple, the stock would price at roughly double current levels; at MercadoLibre's 40x, it would quadruple 349[^]. The discount instead reflects Kazakhstan country risk—geopolitical proximity to Russia, KZT volatility, and secondary sanctions concerns—priced as if it were business risk. The balance sheet is conservative with debt-to-equity of only 12%, and the dividend yield of 8–9% when paid (quarterly KZT 850 per ADS, resumed Q1 2026 after a 2025 suspension to fund Turkey expansion) provides a tangible floor on returns 262[^].

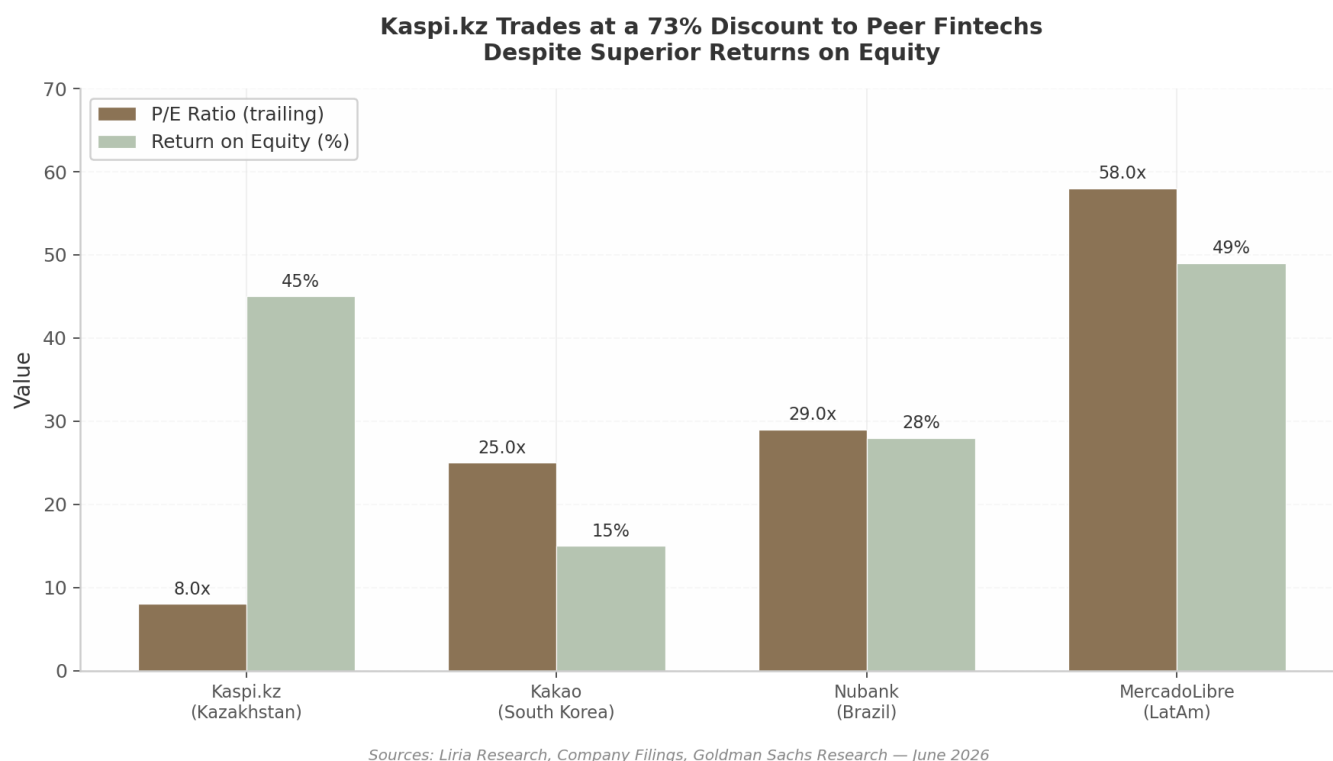


Figure 1: Kaspi's P/E of ~8x represents a 73% discount to peer fintechs despite generating the highest returns on equity in the comparison group. Sources: Liria Research, Company Filings, Goldman Sachs Research — June 2026.

1.2 Munger's Mental Models Applied

The Lollapalooza Effect. Munger coined this term to describe what happens when multiple reinforcing factors align in the same direction, producing non-linear outcomes. Kaspi exemplifies the phenomenon. Network effects attract more merchants (737,000 and growing), which improves product selection, which drives more consumer transactions 347[^]. Each transaction generates data—3,600+ data points per user across payments, shopping, and financial behavior—which feeds proprietary machine-learning models that enable loan approvals in under six seconds with a 2.1% cost of risk, well below the 3%+ at traditional lenders 133[^]. Superior underwriting enables more BNPL, which boosts marketplace conversion by 20–40% at checkout, which generates more transactions, which produces more data 133[^]. Add habitual daily engagement (65% DAU/MAU, second only to WeChat globally), regulatory barriers that raise entry costs, and brand trust with 87% NPS, and the result is a compounding advantage that no single-factor competitor can match 155[^]6[^]. Academic research on super-app competitive dynamics confirms this: strategic diversification across payments, commerce, and financial services creates "significant switching costs and cross-selling opportunities that deepen the competitive moat" 651[^].

Inversion. Rather than asking what makes Kaspi attractive, invert: what would make this a bad investment? The failure modes are specific and bounded. First, a sharp KZT devaluation (65% cumulative versus USD from 2014–2024) could compress USD-denominated returns, though

historical revenue growth of 30–60% annually has consistently overwhelmed the ~10–15% annual FX drag 347[^]. Second, Turkey integration failure—Hepsiburada posted a KZT 68 billion net loss in FY2025—but the Kazakhstan franchise generates KZT 1,068 billion in annual net income, making even a total Turkey write-off a manageable 10–15% equity hit rather than an existential event 347[^]. Third, secondary sanctions: a 5–10% probability of triggering events that could produce 60–80% stock decline. The market's 73% discount implies near-certainty of such outcomes; the actual probability, while non-zero, appears lower. Fourth, regulatory compression of lending margins via the 46% interest rate cap and higher corporate tax rates (25% versus 20% historically)—real headwinds, but ones that simultaneously raise barriers for would-be competitors 352[^].

Circle of Competence. Kaspi.kz is not suitable for all investors. The required competence circle includes: familiarity with emerging market governance norms (where 47% insider ownership and related-party transactions coexist), tolerance for geopolitical risk that cannot be fully diversified away, understanding of super-app platform economics versus traditional banking, and patience for KZT currency volatility. Investors who lack experience with markets where founder control is the norm, who cannot accept binary geopolitical outcomes, or who require Western governance standards as a minimum threshold should not own this stock. Kaspi is appropriate for a 2–5% position in a diversified portfolio of an investor who understands that a 10% chance of severe impairment and a 90% chance of substantial appreciation produces positive expected value at current prices. It is inappropriate for concentrated positions above 10% of net worth, where the variance of outcomes becomes unacceptable regardless of expected return.

2. Company Overview: The Super-App Ecosystem

2.1 What Is a Super-App?

2.1.1 Definition: The Operating System of Daily Life

A super-app is a single mobile interface that bundles payments, marketplace commerce, financial services, and logistics into an integrated consumer experience. Unlike Western apps that typically specialize in one function — PayPal for payments, Amazon for shopping, Booking.com for travel — a super-app handles all of these within one account, one login, and one data layer. The model eliminates friction: a user scans a QR code to pay for groceries, receives an instant credit offer at checkout, splits the payment into three installments, and arranges pickup at a nearby parcel locker — all without leaving the app.

For investors, the super-app model matters because it generates compounding returns on a fixed technology base. Customer acquisition costs are amortized across multiple revenue

streams. Each incremental service deepens engagement, raises switching costs, and produces proprietary data that improves underwriting, targeting, and risk management. A 2022 quantitative study of 380 digital mobility platforms found that super-app strategies succeed under four conditions: high mobile penetration, large unbanked populations, homogeneous consumer preferences, and supportive regulatory environments 1001^.

Kazakhstan checks all four boxes.

2.1.2 Global Super-App Landscape

The super-app archetype is WeChat, Tencent's messaging-to-everything platform that serves 1.43 billion monthly active users (MAU) across messaging, payments, mini-programs, and social media in China 944^.

WeChat Pay has 1.225 billion active users and processes offline payments for over 90% of consumers in Tier 1 and Tier 2 Chinese cities 944^.

Platform revenue reached approximately \$16.38 billion in 2023 952^.

WeChat is the gold standard — but it operates in a market of 1.4 billion people with regulatory support that no other jurisdiction replicates.

Outside China, the model has produced viable businesses but none with WeChat's dominance.

Grab serves 50.5 million monthly transacting users across eight Southeast Asian countries, generating \$3.37 billion in FY 2025 revenue and its first full-year net profit of \$200 million 940^ 1022^.

MercadoLibre, the closest structural comparable to Kaspi, operates a marketplace-payments-credit triad across 18 Latin American countries with 72 million Mercado Pago monthly active users and quarterly TPV exceeding \$71 billion 945^.

Paytm, India's payments-led super-app, achieved profitability in Q1 FY 2026 after 14 years of losses but holds only 12-15% market share in India's fragmented UPI ecosystem 947^.

Kaspi's metrics, measured on a per-user and per-market basis, compare favorably to all four.

The table below positions Kaspi against the four most relevant global super-apps.

Metric	Kaspi.kz	WeChat	Grab	MercadoLibre	Paytm
MAU	15.3M	1.43B	50.5M MTU 1022^	72M (MP) 945^	100M+ 947^
DAU/MAU	65%	~80%+	N/A	N/A	~30%
Monthly Txns/User	77	Very High	N/A	N/A	8-10
Net Income Margin	~40.5%	~30%	~6% 940^	~10.5%	Breakeven 947^
Take Rate (Mktplace)	10.5%	N/A	~14%	~25% 945^	N/A
Revenue (FY2025)	~\$7.7B	~\$16.4B 952^	\$3.37B 940^	~\$29B	~\$1.0B

Metric	Kaspi.kz	WeChat	Grab	MercadoLibre	Paytm
BNPL Share of Lending	41%	N/A	Growing	N/A	N/A
Geographic Reach	KZ + Turkey	China	8 countries	18 countries	India

Sources: Kaspi.kz 20-F 2025, 4Q & FY 2025 Financial Results; Tencent operating metrics 944^; Grab Q4 2025 Earnings 1022^; MercadoLibre Q3 2025 945^; Paytm Q1 FY2026 947^. Note: WeChat DAU/MAU estimated from Tencent disclosures; some metrics not disclosed by peers marked N/A.

Three observations emerge from this comparison. First, Kaspi's 65% DAU/MAU ratio — meaning 65% of monthly users open the app daily — trails only WeChat globally and exceeds most social media platforms. This is not a financial services usage pattern; it is a platform engagement pattern. Second, Kaspi's 40.5% net income margin is the highest in the peer set, reflecting the pricing power of a 78% domestic market share in digital payments. Third, Kaspi's 77 monthly transactions per active user dwarfs Paytm's estimated 8-10 and reflects a depth of habit formation that is difficult to replicate. At 15.3 million MAU, Kaspi reaches approximately 75% of Kazakhstan's adult population — a penetration rate comparable to Kakao's 95% in South Korea (49 million MAU in a country of 52 million) 944^.

2.1.3 Why Super-Apps Work in Emerging Markets but Failed in the West

Super-apps have failed to take root in North America and Europe for five structural reasons: diverse consumer preferences favoring specialized apps, strict data protection regulations (GDPR), entrenched competition from specialized incumbents (Google, Apple, Amazon, Meta), fragmented legacy financial infrastructure, and deeply ingrained habits of using separate apps for different purposes 1002^. Meta's attempt to integrate payments into WhatsApp and Facebook gained limited traction in Western markets, while Elon Musk's X Money initiative faced regulatory delays and Senate Banking Committee scrutiny over its partnership with Cross River Bank 1042^ 1043^.

Emerging markets offered a different starting point. In Kazakhstan, as across much of Central Asia and Southeast Asia, desktop banking infrastructure was underdeveloped when smartphones became affordable. Consumers leapfrogged directly to mobile, and a single provider — Kaspi — was first to offer a credible all-in-one solution. Asian super-app success factors include mobile-first experiences with smartphone penetration above 80%, large historically unbanked populations, and government support for digital financial inclusion 1028^. Kazakhstan's combination of 90%+ mobile penetration, a historically thin banking infrastructure outside major cities, and a single dominant platform created ideal conditions. Western markets had too many entrenched incumbents and too little regulatory flexibility for a super-app to

achieve the market share threshold — estimated at 50%+ — required for network effects to become self-sustaining.

2.2 The Kaspi.kz Consumer Experience

2.2.1 The Consumer App: One Interface, Twelve Functions

The Kaspi.kz Super App bundles twelve core functions into a single lightweight application designed for low data usage. A consumer can scan a QR code at any of the 737,000+ accepting merchants, send peer-to-peer transfers instantly, pay utility bills and government fees, shop on the marketplace (general goods, groceries, automobiles, and travel), apply for consumer loans or BNPL (Buy-Now-Pay-Later) financing through Kaspi Red, book flights and hotels via Kaspi Travel, manage savings deposits, and access government services including tax payments and document processing. By number of transactions, Kaspi Pay accounted for 89% of all in-store transactions by mid-2022, with third-party acquiring (primarily Visa/Mastercard) reduced to just 11%.

The Kaspi Red BNPL product deserves particular attention. It provides merchant-funded, zero-interest installment purchases organized by shopping category. Merchants pay financing charges of approximately \$20-25 on a \$100 transaction, which Kaspi collects as revenue while the consumer pays no interest. This model — unusual in Western markets where BNPL is typically consumer-financed — makes Kaspi Red a customer acquisition tool for merchants and a conversion driver for the marketplace. BNPL accounted for 41% of FY 2025 total financial volume (TFV), remaining Kaspi's most important fintech product despite management's deliberate shift toward longer-duration merchant and auto loans.

2.2.2 Engagement Metrics That Matter

Kaspi's engagement metrics are platform metrics, not banking metrics. The average active consumer completed 77 monthly transactions in FY 2025, up from 73 in FY 2024, 71 in FY 2023, and 50.6 in FY 2021 — a 52% increase in just four years. The DAU/MAU ratio of 65% means 9.1 million daily active users out of approximately 14.7 million MAU (pre-Hepsiburada). For context, most banking apps globally achieve DAU/MAU ratios below 15%. Kaspi's 65% places it in the company of social media platforms and second only to WeChat among super-apps.

The Net Promoter Score (NPS) exceeds 70 consistently, placing Kaspi in the top tier of consumer brands globally. The Magpa Magpa loyalty program awarded over 120 billion tenge (~\$230 million) in cashback to users in 2024, creating powerful retention incentives. MAU retention exceeds 88%, and customer acquisition cost (CAC) was approximately \$7 in 2024 — compared to global fintech averages of \$30-50 — driven by viral referral bonuses. Each marketplace purchase triggers instant credit evaluation using 3,600+ data points per user, enabling loan approval in seconds while maintaining a cost of risk at just 2.2% for FY 2025.

2.2.3 The Kaspi Gold Card: Physical Bridge to Digital

The Kaspi Gold debit card functions as the physical entry point to the digital ecosystem. Distributed for free, it enables users to withdraw cash, pay at terminals, and link to the Super App. Crucially, 92% of Kaspi Gold users access their accounts exclusively through mobile — the card is a bridge, not the destination. For the 18-24 age group, Kaspi's fastest-growing demographic at 40% year-over-year as of Q4 2024, the Gold card serves as a first financial relationship that graduates into lending, marketplace usage, and deposit formation over time.

2.3 The Kaspi Pay Merchant Ecosystem

2.3.1 Merchant App: More Than a Payment Terminal

The Kaspi Pay Super App for merchants extends far beyond payment acceptance. Merchants use it to process QR and POS transactions, manage product catalogs, issue tax invoices, access real-time sales analytics, purchase advertising to promote listings, and apply for working capital financing based on their transaction history. The Kaspi POS Register, a free merchant SaaS tool launched in 2023, is now used by 35% of Kaspi Pay merchants and embeds Kaspi into core business operations — combining payment processing, inventory management, tax reporting, and financial analytics in one interface.

2.3.2 Merchant Economics: The Other Side of the Network

Kaspi had 737,000+ active merchants as of mid-2025, up from 581,000 in 2023. Merchant acquisition follows the same viral referral model as consumer acquisition: onboarding a merchant automatically brings that merchant's customer base into the Kaspi ecosystem. Merchants receive real-time settlement — funds available immediately rather than T+1 or T+2 as with traditional card acquiring — a meaningful advantage for small businesses with tight cash flows.

The integrated logistics layer provides structural cost advantages. Kaspi operated 6,000+ Postomats (smart parcel lockers) nationwide as of 2024, handling over 50% of e-commerce deliveries. Industry benchmarks indicate smart parcel lockers reduce per-parcel delivery costs by 50-55% compared to home delivery, from approximately €7-8 to €3-4 per parcel, while eliminating 18-22% failed delivery rates inherent to residential address delivery. These savings enabled Kaspi to offer free delivery on 88% of orders in FY 2023 — a competitive advantage that drives marketplace conversion and merchant loyalty. A typical electronics retailer processing more than 50% of sales through Kaspi relies on the platform for working capital financing, customer analytics, advertising, and logistics. Leaving Kaspi would require assembling multiple replacement providers, creating switching costs that are difficult to overcome.

2.4 The Three-Platform Flywheel

2.4.1 Platform Economics

Kaspi reports results across three platforms: Payments, Marketplace, and Fintech. Each has distinct economics, growth profiles, and capital requirements. The table below summarizes the key metrics.

Metric	Payments Platform	Marketplace Platform	Fintech Platform
Volume Metric (FY 2025)	TPV: KZT 44.2T (+19% YoY)	GMV: KZT 6.7T (+11% YoY, +19% underlying)	TFV: KZT 11.7T (+13% YoY)
Revenue (FY 2024)	KZT 587B (23.2% of total)	KZT 733B (28.9% of total)	KZT 1,283B (50.6% of total)
Net Income (FY 2024)	KZT 382B (36.1% of total)	KZT 348B (32.9% of total)	KZT 327B (31.0% of total)
Net Margin	65.1%	47.5%	25.5%
Take Rate / Yield	1.11% (declining)	10.5% (e-Com: 12.7%)	24% portfolio yield
Cost of Risk	N/A (payment processing)	N/A (3P model)	2.2%
Key Users	737K+ merchants	8.1M consumers	6.4M loan / 5.7M deposit
Capital Intensity	Very low	Low (3P model)	High (loan book)

Sources: Kaspi.kz 4Q & FY 2024 Financial Results; 4Q & FY 2025 Financial Results. Note: FY 2025 segment revenue splits not fully disclosed; FY 2024 provides the cleanest comparison. Marketplace take rate expansion driven by advertising (+64% YoY) and delivery services.

The Payments Platform is the cash cow. With 65.1% net margins and minimal capital requirements, it generates KZT 382 billion in net income on KZT 587 billion in revenue — a ratio that reflects the operational leverage of a payment network where incremental transactions carry near-zero marginal cost. The take rate of 1.11% has gradually declined from 1.25% in late 2023 as lower-take-rate QR payments and B2B payments grow faster than traditional POS, but net income continues to grow faster than revenue due to volume expansion and operational gearing.

The Marketplace Platform operates primarily as a third-party (3P) model, meaning Kaspi does not take inventory risk except in e-Grocery (Magnum partnership), part of e-Cars, and the Turkey business. The take rate reached 10.5% in FY 2025 (up 80 basis points year-over-year), with e-Commerce specifically at 12.7% (up 140 basis points). This expansion is driven by value-added services — advertising revenue grew 64% year-over-year in FY 2025, and value-added

services revenue grew 73% year-over-year in Q1 2026 — outpacing GMV growth by approximately two times.

The Fintech Platform is the largest revenue contributor but the least profitable. With KZT 1.28 trillion in FY 2024 revenue (50.6% of the total) but only 25.5% net margins, it produces 31% of net income. The portfolio yield was 24% for FY 2024, down from 26% in FY 2023, reflecting the growing share of lower-yielding BNPL and merchant finance. Cost of risk has remained remarkably stable at 2.0-2.2% despite unsecured lending in an emerging market — a direct result of Kaspi's proprietary data advantage. The average net loan portfolio reached KZT 5.9 trillion in Q1 2025, up 34% year-over-year.

2.4.2 How the Flywheel Works

The three platforms are not independent businesses. They are mutually reinforcing components of a single ecosystem, and understanding their interaction is essential to evaluating Kaspi's moat.

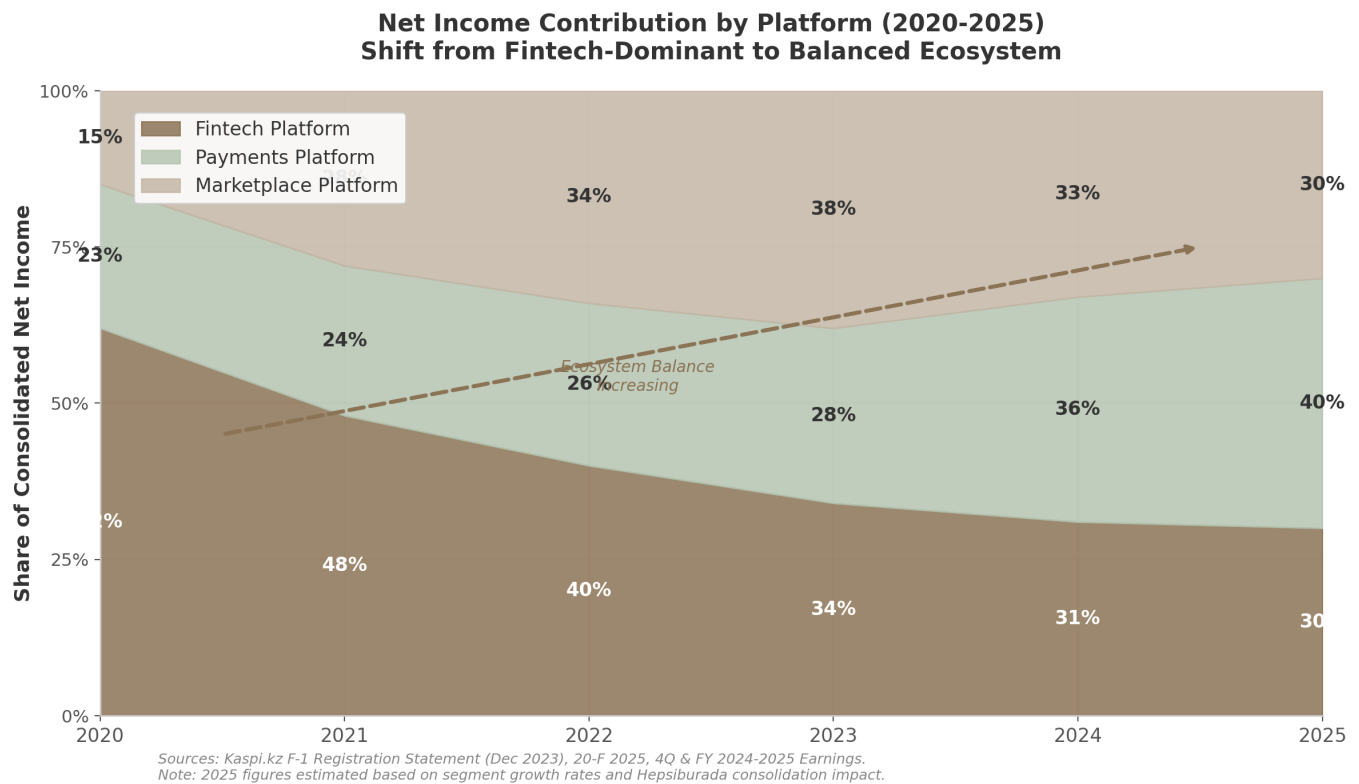
The flywheel operates as follows: Payments generate behavioral data on 77 monthly transactions per user — where people shop, when they pay bills, how they manage cash flow. This data feeds proprietary credit models built on billions of data points from over 231 million loans, 44.5 billion transactions, and 54.7 billion user sessions. Better data enables superior underwriting, which keeps cost of risk at 2.2% despite unsecured lending. Superior underwriting enables BNPL at the point of sale, which increases marketplace conversion by an estimated 20-40% at checkout. BNPL drives marketplace GMV, which generates merchant relationships that drive payment volume. Each new merchant brings their customer base; each new consumer brings demand that attracts more merchants. This dual-sided network effect fuels organic growth with sales and marketing expenses at less than 2% of revenue in Kazakhstan.

The data advantage is the critical lubricant. Kaspi's closed-loop model provides visibility across borrower activity that traditional banks cannot match — transaction patterns, payment history, and shopping behavior provide underwriting insights unavailable to competitors relying on external credit bureau data. A Harvard Business Review comparison cited by Kaspi's investor materials describes the company as the functional equivalent of PayPal, Amazon, Capital One, Booking.com, and Instacart — all in one app.

2.4.3 The Structural Shift: From Fintech-Dominant to Balanced Platform

The most important trend in Kaspi's economics is the deliberate shift from fintech-dominant earnings to a balanced three-platform contribution. Fintech's share of consolidated net income has declined from 62% in FY 2020 to 48% (2021), 40% (2022), 34% (2023), 31% (2024), and an estimated 30% in FY 2025. Over the same period, Payments grew from 23% to approximately 40% of net income, and Marketplace grew from 15% to approximately 30%.

Payments and Marketplace together contributed 69% of FY 2024 consolidated net income, up from 66% in FY 2023 and just 38% in FY 2020.



This rebalancing is strategically significant for three reasons. First, Payments and Marketplace earnings are capital-light — they do not require loan book expansion or absorb credit risk. A 65% net margin Payments business funded by transaction volume is inherently more scalable than a 25% margin Fintech business funded by deposit growth. Second, the rebalancing reduces regulatory vulnerability. A company whose earnings depend primarily on lending faces interest rate caps, reserve requirements, and consumer protection scrutiny. A company with three equal profit pools has more flexibility. Third, the rebalancing validates the super-app thesis: Kaspi is becoming a platform company, not a bank with an app.

Management tracks this metric with evident satisfaction. On the Q1 2026 earnings call, executives reiterated guidance for approximately 5% adjusted EBITDA growth for FY 2026 despite a 200 basis point corporate income tax increase for banks and higher minimum reserve requirements. The 2026 guidance includes Turkey for the first time, with management targeting approximately 20% GMV growth, 15% TPV growth, and 5% TFV growth. The modest EBITDA guidance reflects known headwinds, not underlying weakness: Kazakhstan net income grew 18% year-over-year in FY 2025 on an underlying basis, masked by Hepsiburada's KZT 68 billion net loss and one-time regulatory impacts. The chart above illustrates the structural transformation underway — a trajectory that, if sustained, supports a re-rating from fintech multiples to platform multiples.

3. History & Evolution: From Bank to Platform

Understanding Kaspi.kz's current competitive position requires tracing its path from a struggling commercial bank to a dominant super-app. The transformation spans twenty-five years, four distinct eras, and a series of product and capital-market decisions that together created one of the most extraordinary wealth-compounding machines in emerging markets. This chapter maps that journey. The capital allocation decisions made along the way — which acquisitions to pursue, when to go public, how to structure ownership — are examined in Chapter 4.

3.1 Origins (2000–2007)

Kaspi Credit JSC was founded on November 30, 2000, in Almaty, Kazakhstan, by Vyacheslav Kim, Mikheil Lomtadze, and Kairat Satybaldy ^{37^}. The founding trio combined complementary skills: Kim and Satybaldy provided local market knowledge and entrepreneurial capital, while Lomtadze — a former partner at Baring Vostok, the Moscow-based private equity firm — brought a global investment discipline ^{37^ 241^}. Baring Vostok, led by American investor Michael Calvey, became the primary external capital source, giving Kaspi access to both growth financing and the governance standards of an institutional backer ^{37^}.

For its first eight years, Kaspi operated as a conventional commercial bank — lending to corporations, managing deposits, and competing on price in a crowded Kazakh banking market. The model was unremarkable. Kazakhstan's banking sector had seen five major banks require state bailouts within living memory, and public trust in financial institutions was fragile. Kaspi was not materially different from its competitors.

The pivotal decision came in 2008. Lomtadze dissolved the existing leadership team, cut the product portfolio to one deposit product and two consumer loan products, and pivoted the entire organization toward retail banking and mass-market consumer lending ^{6^ 45^}. The timing was not accidental — the global financial crisis was exposing the fragility of corporate lending models worldwide, while Kazakhstan's growing middle class remained dramatically underbanked on the retail side. Credit-to-GDP in Kazakhstan sat at roughly 20%, leaving vast runway for consumer finance expansion ^{6^}. By 2012, Kaspi had acquired over one million credit card customers in just four years ^{1051^}, establishing the customer base that would become the foundation for everything that followed.

3.2 Building Blocks (2008–2016)

The eight years following the retail pivot were characterized by deliberate product sequencing — each layer architecturally dependent on the one before it. The sequence matters more than it appears: bill payments created the habit of using Kaspi for recurring daily transactions; the marketplace gave consumers a reason to keep money inside the ecosystem; consumer finance collapsed the friction between browsing and buying; and the debit card served as the physical bridge between offline cash and the digital platform ^{6^}.

The following timeline table captures the key milestones during this foundational period:

Year	Milestone	Strategic Significance
2008	Pivot from commercial to retail banking; mass-market consumer lending launched 6^	Redirected entire organization toward underbanked consumer segment
2012	e-Wallet and bill payments introduced 6^	Created daily habit of opening the Kaspi app; first digital payment product
2014	Marketplace platform launched 6^	Gave consumers a reason to keep money in the ecosystem
2014	Kaspi Bonus loyalty program introduced 6^	Increased switching costs through cashback rewards
2014	Bank run triggered by misinformation 244^	Catalyzed shift from bank-centric to platform-centric business model
2015	Kaspi Gold debit card debuts 6^	Physical on-ramp linking offline cash to digital ecosystem
2017	Super App unifies payments, marketplace, and fintech 6^	Formalized behaviors that already existed into single mobile interface

The 2014 bank run was the defining crisis of Kaspi's early history — and, paradoxically, the event that made the company nearly invincible. Misinformation, likely originating on social media, triggered a panic in which depositors lined up to withdraw their funds 244^ . The rumor was false, but in a country where recent bank failures were fresh in collective memory, the emotional logic of flight was airtight. Lomtadze responded with radical transparency rather than withdrawal limits — loading branches with cash and communicating openly with the public 1051^ . Harvard Business School documented the episode in a companion case study, *Kaspi.kz (B): The 2014 Run on the Bank*, which it teaches as "a striking example of a successful response to a trust crisis" 244^ .

The strategic consequence extended far beyond survival. The bank run taught Lomtadze that trust was Kaspi's most critical infrastructure — more important than technology, product features, or pricing 244^ . It also catalyzed a deliberate architectural shift away from the inherently fragile banking model (maturity mismatched, confidence-dependent, liquidity-vulnerable) toward a payments and marketplace platform where revenue is fee-based and the business model does not require holding deposits against loans 6^ . By FY 2024, Payments and Marketplace together accounted for 69% of consolidated net income, up from 66% in FY 2023 — a mix shift that traces its origins to the lessons of 2014 243^ .

The product sequencing insight is worth emphasizing. By the time the Super App launched in 2017, it was not introducing new behavior — it was formalizing behavior that already existed 6^ .

Millions of Kazakhs were already using Kaspi for bill payments, marketplace purchases, and consumer loans. The Super App simply consolidated these services into a single mobile interface, removing friction from an experience that customers had already adopted.

3.3 The Super-App Era (2017–2023)

The 2017 Super App launch marked Kaspi's formal transition from bank to platform. The application unified payments, marketplace, and fintech in a single mobile interface, achieving what management described as a "vision they'd had from the get-go of being a one-stop shop" 244[^]. Within twelve months of launch, half of all transactions were being conducted through mobile 1051[^]. By September 2020, 92% of transactions took place via the Super App — up from 75% just one year earlier 153[^].

The following year, 2018, Kaspi completed the two-sided network by launching QR payments, face-recognition ATMs, and the Kaspi Business merchant app 6[^]. These were not isolated product launches — they were the infrastructure required to turn Kaspi from a consumer-facing app into a two-sided platform where merchants and consumers reinforced each other's participation. QR payments gave merchants a low-cost acceptance method; face-recognition ATMs reduced friction for cash-in/cash-out; and the Kaspi Business app gave merchants tools for inventory management, tax reporting, and financial analytics 6[^].

Also in 2018, a significant ownership restructuring reshaped control. Kim spent approximately \$390 million buying Kaspi stock, then transferred shares worth an estimated \$500 million to Lomtadze in exchange for "certain non-cash consideration" pursuant to a "long-standing arrangement encompassing their various business interests" 241[^]. Combined with a 9.9% stake Kim had transferred to Lomtadze prior to 2017, this brought Lomtadze's total holding to approximately 31% 241[^]. The transaction gave Lomtadze effective control as the company's largest individual shareholder, while Kim retained a significant stake (approximately 21%). Both men would remain billionaires many times over — but the balance of operational authority tilted decisively toward Lomtadze, who had architected the transformation from commercial bank to technology company 241[^].

The 2020 London Stock Exchange IPO was Britain's second-largest listing of that year. Kaspi priced at \$33.75 per GDR, the top of the indicative range, achieving a \$6.5 billion market capitalization 38[^]. The offering was 100% secondary — existing shareholders received all proceeds, and the company received zero capital 6[^]. What makes the IPO particularly instructive is the failed attempt that preceded it. Kaspi's first IPO attempt in late 2019, at a \$4 billion valuation, failed due to insufficient international investor familiarity with Kazakhstan 6[^]. Rather than accept a discounted price, management waited six months — during which COVID-19 accelerated digital adoption and net income jumped 50% in the first half of 2020 alone 6[^]. The patience was rewarded with a 63% higher valuation. The episode is now taught at Harvard Business School in Professor Victoria Ivashina's case study *Kaspi.kz IPO* 38[^].

By 2023, Kaspi's Kazakhstan operations had reached extraordinary scale: 15.3 million monthly active users (approximately 75% of the country's population), 737,000+ active merchants, and 77 monthly transactions per active consumer 154[^]. The DAU/MAU ratio of 65% was second only to WeChat globally, confirming that the app had become embedded in daily routine rather than occasional use 149[^] 156[^]. In August 2023, Kaspi acquired a 39.76% equity stake in Kolesa Group — Kazakhstan's leading automotive and real estate classifieds platform — for \$88.5 million, achieving 51% voting control through a trust arrangement with Lomtadze 143[^]. Kolesa was debt-free, growing revenue at 302% year-over-year, and gave Kaspi both an auto-finance integration opportunity and its first foothold in Uzbekistan via Avtoelon.uz 143[^].

3.4 The Going Global Era (2024–Present)

The current era began with Kaspi's January 2024 Nasdaq IPO at \$92 per ADS, raising approximately \$1.04 billion for selling shareholders in another 100% secondary offering 40[^]. The implied valuation of roughly \$17.5 billion represented a 2.7x increase from the LSE listing just three years prior. CEO Lomtadze described the United States as the "natural home" for Kaspi as a technology company, citing access to "a wider pool of investors and another level of recognition" 6[^]. Nasdaq's Karen Snow had noted that Kaspi "didn't feel like it was getting full credit on the LSE, despite their performance" 6[^]. Two months after the Nasdaq listing, Kaspi delisted from the LSE, citing trading volumes on Nasdaq that were "12x higher" and the disproportionate regulatory burden of maintaining a dual listing 6[^].

The defining strategic decision of this era is the Turkey expansion. In October 2024, Kaspi announced an agreement to acquire 65.41% of Hepsiburada — Turkey's second-largest e-commerce platform — for approximately \$1.127 billion 117[^]. The deal closed on January 29, 2025, with \$600 million paid in cash at closing and \$526.9 million deferred 117[^]. Hepsiburada brought approximately \$4 billion in annual GMV, 12 million consumers, and 101,000 merchants 117[^]. By April 2026, Kaspi had increased its stake to 86% through additional purchases totaling approximately \$1.25 billion 35[^]. The strategic rationale was straightforward: expand the addressable market from Kazakhstan's 20 million people to a combined population of approximately 105 million (Kazakhstan plus Turkey's 85 million) 5[^].

Complementing the Hepsiburada acquisition, Kaspi signed a share purchase agreement in March 2025 to acquire Rabobank's Turkish subsidiary — a fully licensed bank with no existing customers or branch network — for approximately \$300 million in development investment 190[^]. The Rabobank license will enable Kaspi to launch deposit products and its full fintech suite in Turkey, replicating the integrated super-app model that worked in Kazakhstan 86[^]. Closing is expected in mid-2026, pending regulatory approvals 188[^].

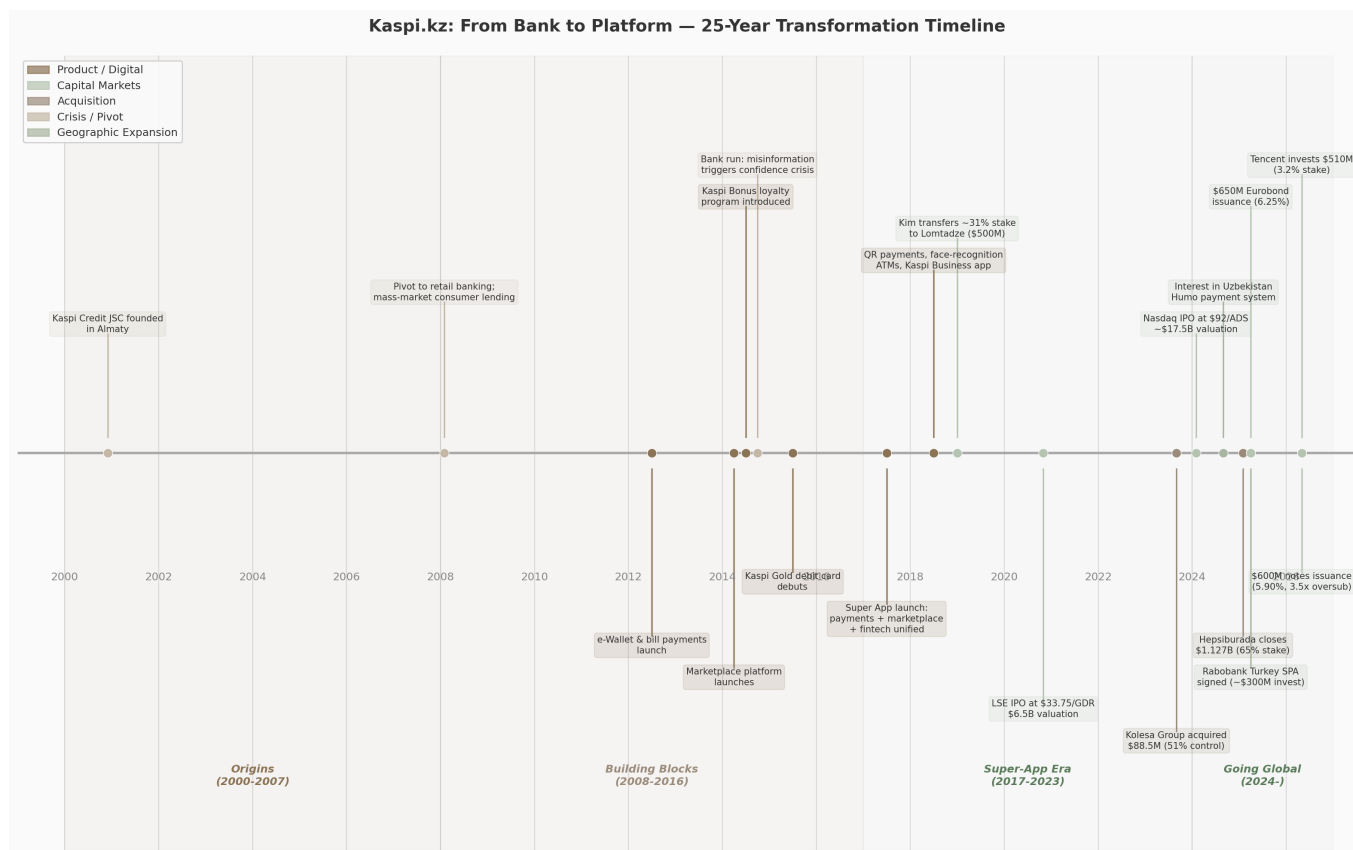
The regional expansion extends beyond Turkey. Azerbaijan posted double-digit MAU growth in 2024 278[^], and Kaspi has expressed interest in acquiring Humo, Uzbekistan's national

payment system, as a beachhead into that country's 36 million-person market 284[^]. These moves carry minimal capital commitment relative to Turkey but retain significant optionality.

In April 2026, Tencent — the operator of WeChat, the world's most successful super-app — invested approximately \$510 million to acquire 3.2% of Kaspi's shares from Baring Fintech Venture Funds 608[^]. Lomtadze and members of senior management participated alongside Tencent, purchasing additional shares with personal capital 526[^]. The transaction was strategically significant beyond the capital: Tencent's due diligence on Kaspi's business model, management quality, and geopolitical risk exposure effectively served as external validation from the company that invented the super-app model 526[^]. Kaspi also welcomed Spice Expeditions and endowments from Washington University and the University of Wisconsin as long-term institutional investors in the same transaction 526[^].

Two capital markets transactions in 2025–2026 underscored Kaspi's evolving financial profile. In March 2025, the company issued \$650 million in 5-year senior unsecured Eurobonds at 6.25% coupon — the largest investment-grade bond issuance by a private Kazakhstani company 117[^]. In April 2026, a second \$600 million issuance at 5.90% was 3.5x oversubscribed with approximately 130 institutional investors participating 190[^]. The declining coupon — from 6.25% to 5.90% in just over a year — reflected improving credit perception as Kaspi established itself as an investment-grade issuer (Baa3 Moody's, BBB- Fitch) 190[^].

The narrative arc from 2000 to 2026 traces a clear pattern: each era built on the one before it. The 2008 retail pivot created the customer base. The 2012–2016 product layering created the behavioral foundation. The 2017 Super App formalized those behaviors into a unified platform. And the 2024–present expansion is now exporting that proven model into larger, adjacent markets. Harvard Business School captured this journey in its 2024 case study *Kaspi.kz: Building Trust through Innovation*, which examines how a company can maintain and develop trust while innovating — and how being trusted can aid in expanding and growing a business 244[^]. For investors, the history offers two critical takeaways. First, Kaspi's transformation was not the product of a single breakthrough but of two decades of sequential, architecturally dependent decisions — each layer enabling the next. Second, the management team that guided this transformation (Lomtadze as CEO, Kim as Chairman) remains in place with substantial personal stakes, having demonstrated both the patience to wait for the right valuation and the boldness to commit over \$1.4 billion to international expansion 241[^]. The going-global era is the largest capital allocation test in Kaspi's history — and it is being led by the same individuals who guided every prior transformation.



4. Capital Allocation: A Decade of Decision-Making

Warren Buffett has often said that the single most important skill an investor must evaluate is management's ability to allocate capital. A CEO can operate a business brilliantly, but if they reinvest surplus cash into low-return projects, avoid returning capital to shareholders, or overpay for acquisitions, the intrinsic value of the enterprise erodes regardless of operational excellence. Buffett distilled this evaluation into four tests: can the business generate high returns on incremental capital; if yes, does management reinvest at those high returns; if no, does management return capital to shareholders; and does management avoid the seductive traps of empire-building and overpriced acquisitions? 28^

This chapter applies all four tests to Kaspi.kz's capital allocation decisions across the past decade, examining two IPOs, seven share buyback programs, three acquisitions, two Eurobond issuances, and a dividend policy that was suspended and resumed with notable discipline.

4.1 Buffett's Capital Allocation Tests

Test one: high returns on incremental capital. Kaspi's Return on Equity (ROE) averaged 76.3-96.8% between 2020 and 2024, with the 2024 reading at 79.0% — virtually unheard of in banking or fintech globally 17^. Return on Invested Capital (ROIC) averaged 68.4% over the same period 28^. Even as the capital base expanded and regulatory pressures mounted, the 3-

Year Return on Incremental Invested Capital (ROIIC) remained at 20.2-22.9% as of December 2024, well above the estimated cost of capital of 12-15% 20[^]. Every dollar retained by the business has generated approximately \$0.20-0.68 in annual operating profit, depending on the measurement period. Net margins in the core Kazakhstan business have ranged from 38-48%, providing a thick cushion even as the company scales 17[^].

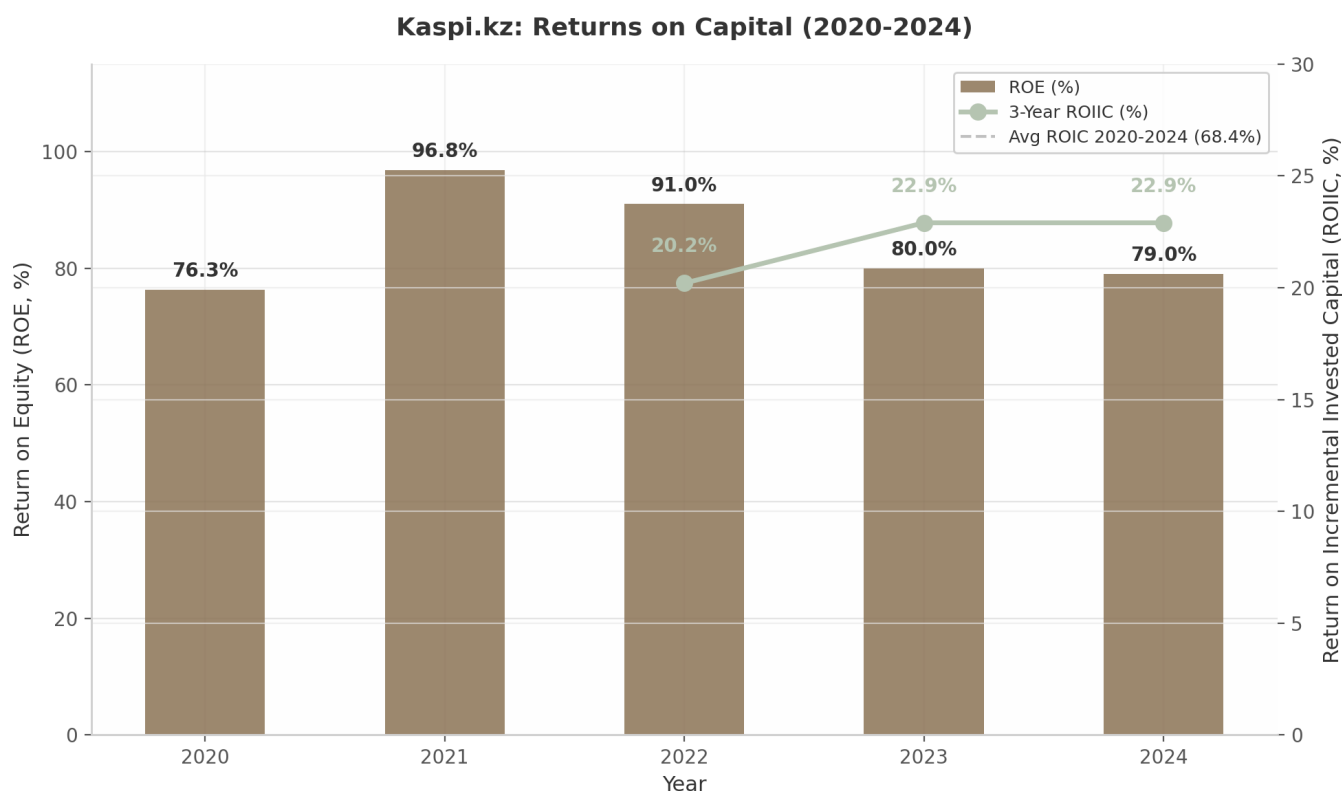


Figure 4.1: Kaspi's ROE averaged 84.4% over 2020-2024, while 3-Year ROIIC remained above 20% — both well above the cost of capital. Sources: SEC 20-F filings, GuruFocus 17[^]20[^].

Test two: reinvest at high returns. Kaspi funded its entire organic growth — revenue and net income CAGRs of 43% and 41% respectively from 2020 to 2024 — entirely from retained earnings while simultaneously paying dividends 10[^]. Total equity grew from KZT 295.6 billion in 2020 to KZT 1,265.9 billion in 2025, a 4.3x increase driven primarily by earnings retention rather than equity issuance 18[^]. The company is capital-expenditure-light, with capex averaging only 2.8-4.5% of revenue, meaning most growth requires minimal incremental fixed assets 21[^].

Test three: return capital when opportunities are limited. Kaspi has returned 60-70% of net income to shareholders historically, through a combination of dividends and buybacks 19[^]. The quarterly dividend of KZT 850 per share, when paid, represents an 8-9% annualized yield at prevailing stock prices 15[^]. Seven share buyback programs have repurchased approximately 5.3 million ADSs/GDRs for roughly \$327 million, with an average weighted purchase price of \$35-40 — below the LSE trading price at the time of most programs 6[^]7[^].

Test four: avoid empire-building. The evidence is mixed. The Kolesa Group acquisition (\$88.5 million) was a textbook bolt-on into an adjacent, understandable business at roughly 3x

forward revenue for a company growing revenue at 302% year-over-year 8[^]. The Hepsiburada acquisition (\$1.13 billion for initial control, now approaching \$1.25 billion including incremental purchases) is a different category entirely — the largest single capital allocation decision in Kaspi's history, representing approximately 15% of the company's market cap at the time of purchase 9[^]11[^]. If Turkey succeeds, this validates management's strategic boldness. If it fails, it becomes the empire-building mistake that Buffett warns against.

Table 4.1: Kaspi.kz Buffett Capital Allocation Scorecard

Test	Score	Evidence	Verdict
(1) High returns on incremental capital	9/10	ROIC avg 68.4% (2020-2024); 3Y ROIC 20-23%; ROE 79-97% 17 [^] 20 [^]	Pass with distinction
(2) Reinvest at high returns	8/10	43% revenue CAGR funded internally; Kolesa immediately accretive; Turkey TBD 10 [^] 8 [^]	Pass historically; Turkey is the test
(3) Return capital when opportunities limited	8/10	KZT 850/qtr dividend (~8-9% yield); 7 buyback programs (~\$327M+); 60-70% payout 15 [^] 6 [^]	Pass — flexible and rational
(4) Avoid empire-building	7/10	No dilutive equity; no SPAC/crypto pivots; Kolesa excellent; Hepsiburada at 15% of market cap 9 [^]	Pass historically; Turkey determines future
Composite	8.0/10	One of the strongest capital allocation records among EM companies	Strong Pass

The composite score of 8.0 out of 10 places Kaspi among the top decile of emerging market companies on capital allocation discipline. The deductions are specific and bounded: one point for the scale of the Turkey bet, which introduces meaningful execution risk, and one point for the historical insider selling at IPOs (discussed below). No points are deducted for the 2025 dividend suspension — that decision was precisely the kind of rational, unpopular choice that Buffett admires. The resumption of dividends at KZT 850 in Q1 2026, alongside the \$100 million seventh buyback program, signals management's confidence that Kazakhstan's cash generation can simultaneously fund Turkey and reward shareholders 15[^]7[^].

4.2 The IPO Decisions

LSE 2020: patience rewarded. Kaspi's first IPO attempt in late 2019 sought a \$4 billion valuation on the LSE and failed — international investors lacked familiarity with Kazakhstan 3[^]. Rather than accepting a discounted price, management waited six months. During that delay, COVID-19 accelerated digital adoption; net income jumped 50% in H1 2020 alone. The October

2020 reattempt priced at \$33.75 per GDR, the top of the range, achieving a \$6.5 billion market cap — a 62.5% improvement over the failed attempt 1^{3^}. The offering raised approximately \$1 billion through 29.6 million GDRs (15% of shares), making it Britain's second-biggest IPO of 2020 2[^].

From Buffett's perspective, the LSE IPO carries two notable features. It was 100% secondary — the company received zero capital — which Buffett typically interprets as insiders "cashing out." However, the IPO was neither dilutive nor rushed. The stock opened at \$38 and traded as high as \$46.90 on its first day, confirming that the \$33.75 pricing was conservative, leaving gains on the table for public investors 2[^].

Nasdaq 2024: following the liquidity. Kaspi priced its Nasdaq IPO at \$92 per ADS on January 19, 2024, raising approximately \$1.04 billion through 11.3 million ADSs (upsized from 9 million) 4[^]. Once again, the offering was 100% secondary — the company received zero proceeds. Co-founders Vyacheslav Kim and Mikheil Lomtadze, along with Asia Equity Partners (the successor to Baring Vostok's stake), were the selling shareholders 4[^]. CEO Lomtadze described the US as the "natural home" for Kaspi as a technology company, citing "a wider pool of investors and another level of recognition" 5[^]. Nasdaq's Karen Snow noted Kaspi "didn't feel like it was getting full credit on the LSE, despite their performance" 5[^].

The LSE delisting followed in March 2024, approximately two months after the Nasdaq listing. Kaspi cited "low volumes being traded on the main market of the LSE" and noted ADS trading liquidity on Nasdaq was "12x higher" 23[^]. This was a pragmatic cost-reduction decision that eliminated disproportionate compliance costs relative to minimal London trading activity 23[^].

The "cashing out" paradox. Both IPOs being 100% secondary is, on the surface, the pattern Buffett dislikes most: insiders selling shares to the public while the company receives nothing. Yet the deeper analysis complicates this narrative. Insiders still own approximately 47% of shares (management's combined stake), and Lomtadze personally invested alongside Tencent's \$510 million purchase in April 2026 — effectively reversing a portion of the earlier selling 22[^]. The IPOs were portfolio diversification for a concentrated position, not a vote of no confidence. Public investors who purchased at the LSE IPO at \$33.75 and held through the Nasdaq listing at \$92 earned a 173% return in under four years, even before dividends and buyback accretion. The insiders who "cashed out" at \$33.75 left substantial gains on the table for public shareholders. The secondary structure is a yellow flag, not a red one — especially given that 47% ownership means the founders still have substantial skin in the game 22[^].

4.3 M&A Track Record

Kolesa Group (\$88.5 million): the classic bolt-on. In August 2023, Kaspi acquired a 39.76% stake in Kolesa Group — Kazakhstan's leading auto and real estate classifieds platform, which also operates Avtoelon.uz in Uzbekistan — for \$88.5 million in cash 8[^]. Through a trust arrangement for an additional 11% of voting rights, Kaspi achieved 51% board control and full

consolidation. Kolesa was debt-free, profitable (net income up 82% YoY to KZT 6 billion in H1 2023), and growing revenue at 302% YoY 8^[^]. At roughly 3x forward revenue for a classifieds business with number-one positions in two countries, the price was well within reason. Auto and real estate are the two largest purchase categories for Kazakh households, and combining classifieds with Kaspi's payments and lending deepens the ecosystem. This is precisely the type of small, bolt-on acquisition within a circle of competence that Buffett advocates — immediately accretive, strategically adjacent, and purchased at a fair price.

Hepsiburada (\$1.13 billion initial, now ~\$1.25 billion+): the bold strategic bet. The acquisition of 65.41% of Hepsiburada, Turkey's leading e-commerce platform, for \$1.127 billion (paid in two tranches: \$600 million at closing, \$526.9 million deferred within six months) closed on January 29, 2025 9^[^]. Hepsiburada had approximately \$4 billion in GMV in 2023, served roughly 12 million consumers and 101,000 merchants, and was EBITDA-positive at 2.4% of GMV in H1 2024 9^[^]. By April 2026, Kaspi had increased its stake to 86% through incremental purchases totaling approximately \$126.5 million, including 32.9 million shares for \$97 million in January 2026 11^13^[^].

Hepsiburada reported a net loss of KZT 68 billion for FY 2025, though EBITDA breakeven was achieved in Q4 2025 as management deliberately invested in growth initiatives 16^[^]. The strategic rationale — expanding Kaspi's addressable market from approximately 20 million people (Kazakhstan) to approximately 100 million (including Turkey's 85 million) — is sound. The price paid, at roughly 0.28x Hepsiburada's GMV, is comparable to other e-commerce platform acquisitions and does not suggest overpayment 9^[^]. However, the scale of the bet — now exceeding \$1.25 billion when incremental purchases and capital increases are included — represents a concentrated wager on a single geography with macroeconomic challenges (Turkish inflation averaged 52.6% in 2024) and intensifying Chinese e-commerce competition (Temu, AliExpress). This acquisition will define Lomtadze's capital allocation legacy.

Rabobank Turkey (~\$300 million): buying the license. The acquisition of Rabobank's Turkish subsidiary, signed March 27, 2025, is effectively the purchase of a banking license for approximately \$300 million 12^14^[^]. Rabobank A.S. ranked 46th by assets among 58 Turkish banks, with non-consolidated assets of approximately \$52 million — the value is entirely in the regulatory authorization, not the existing operations 12^[^]. This license enables Kaspi to launch its most profitable business line (consumer lending, deposits, BNPL) in a market 3.5x larger than Kazakhstan 24^[^]. The Rabobank acquisition is strategically complementary to Hepsiburada — the marketplace plus banking combination replicates the integrated super-app model that generated Kazakhstan's 45-60% ROE. The deal is expected to close in mid-2026, pending Turkish regulatory approvals 12^[^].

Table 4.2: Kaspi.kz Acquisition History (2023-2026)

Acquisition	Date	Stake	Total Cost	Valuation Metric	Strategic Rationale	Buffett Assessment
Kolesa Group	Aug 2023	39.8% (+trust = 51% control)	\$88.5M 8^	~3x fwd revenue	Classifieds bolt-on; auto/real estate vertical; Uzbekistan entry	Classic bolt-on — immediately accretive, fair price
Hepsiburada	Jan 2025	65% → 86% (Apr 2026)	\$1.13B initial; ~\$1.25B+ total 9^11^	~0.28x GMV	Turkey market entry; 85M people; replicate super-app model	Bold strategic bet; within circle of competence; returns TBD
Rabobank Turkey	Expected mid-2026	100%	~\$300M 14^	Banking license value	Banking license for Turkey fintech launch; deposits + lending	License purchase, not operational acquisition; strategic complement
Total Turkey Exposure			~\$1.55B+			~9% of market cap at Nasdaq IPO price

Combined Turkey exposure now approaches \$1.55 billion, or approximately 9% of Kaspi's \$17.5 billion market capitalization at the time of the Nasdaq IPO. The bounded risk framework is important here: Kazakhstan generated approximately KZT 1,068 billion (\$2.1 billion) in net income in 2025, meaning the entire Turkey investment represents less than one year of domestic earnings 2^. Even a total write-off of the Turkey assets would reduce equity by approximately 10-15%, not destroy the enterprise. The margin of safety is in the funding source — extraordinary domestic cash generation — rather than in the deal terms themselves. This is precisely the kind of asymmetric, bounded-risk bet that sophisticated capital allocators make when they have a cash-generating core business to absorb potential losses.

4.4 Capital Return Policies

Dividend policy: flexibility as signal. Kaspi paid KZT 850 per share quarterly from Q1 2023 through Q3 2024. Management suspended the dividend starting Q4 2024 through all of 2025 to

prioritize the Hepsiburada acquisition and Turkey investments 15^[^]. This was the correct capital allocation decision — retaining earnings to fund the highest-return available opportunity — even though it was unpopular with income-focused shareholders. The dividend resumed at KZT 850 per share for Q1 2026, with management stating the payout is "sustainable at least for the remainder of 2026" 15^[^]. The payout ratio of approximately 64% is generous but not reckless. At prevailing prices, the 8-9% annualized yield provides a floor on total returns and a catalyst for multiple expansion as income investors discover the stock 15^[^]. The pattern — pay when capital is not needed, suspend when it is, resume when cash generation permits — demonstrates the rational, non-institutional thinking Buffett values.

Share buybacks: opportunistic value creation. Kaspi has executed seven share buyback programs from April 2022 through February 2026, repurchasing approximately 5.3 million ADSs/GDRs for roughly \$327 million 6^[^]7^[^]. Programs 1-3 (April 2022 through February 2023) were executed at average prices of \$23-34 per GDR, when the stock traded on the LSE at materially higher levels — these were among the most accretive buybacks in recent emerging market history. Even the later programs at \$35-77 per ADS were below management's assessment of intrinsic value. CEO Lomtadze explicitly stated that the \$100 million seventh buyback program (November 2025 to February 2026) was launched because "ADRs remain undervalued" 7^[^]. Treasury shares outstanding were reduced from approximately 10.2 million to 8.7 million by March 2025, meaning remaining shareholders own a larger percentage of a business generating over \$2 billion in annual net income 6^[^].

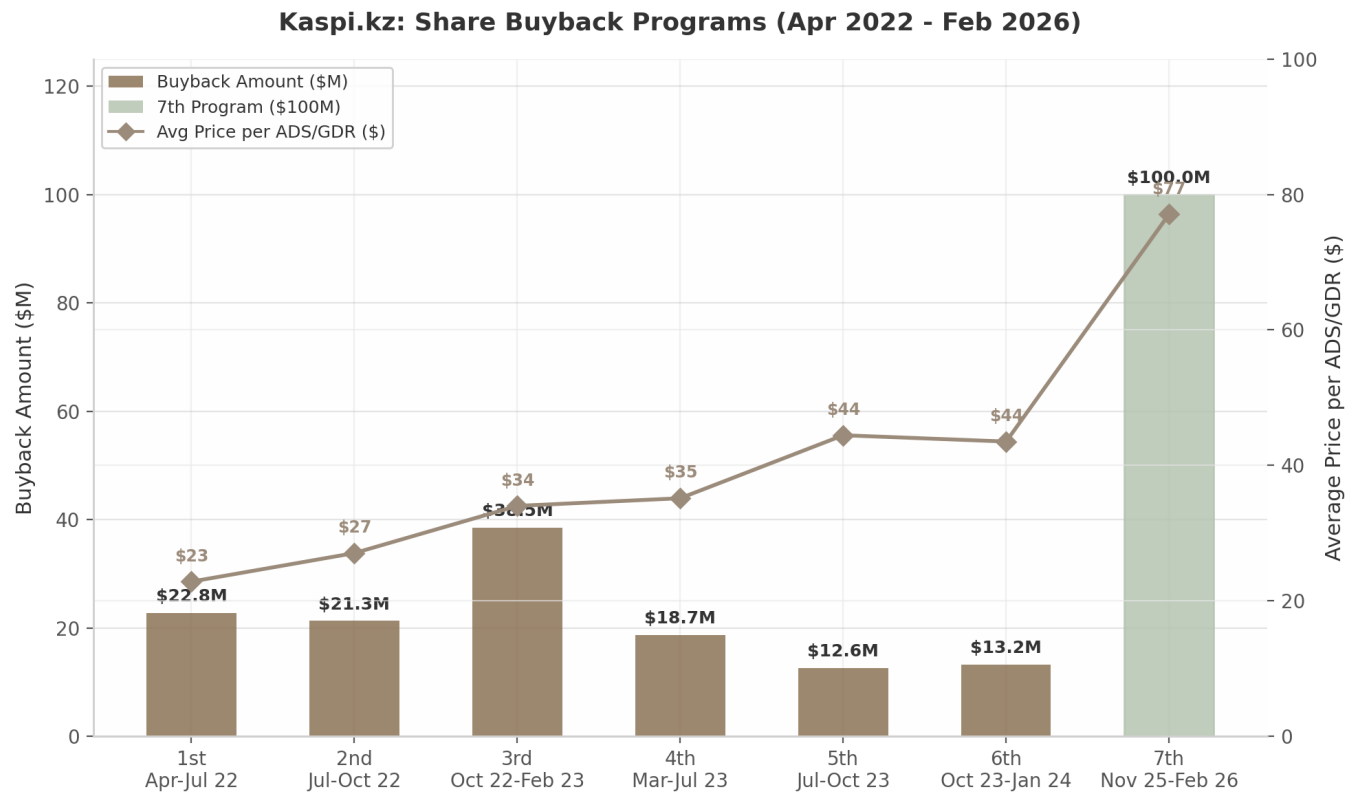


Figure 4.2: Seven buyback programs from Apr 2022 to Feb 2026, totaling ~\$327M+. The average purchase price rose from \$23 to \$77 as the stock appreciated, yet each program was

executed below management's estimate of intrinsic value. Sources: SEC 6-K filings 6⁷.

Debt strategy: investment-grade discipline. Kaspi issued \$650 million in 5-year senior unsecured Eurobonds at 6.250% coupon in March 2025, followed by \$600 million in 5-year notes at 5.900% coupon in April 2026 25[^]26[^]. The second offering was 3.5x oversubscribed with approximately 130 institutional investors participating, and the coupon decline from 6.25% to 5.90% reflects improving credit perception 26[^]. Both issuances carry investment-grade ratings (Baa3 from Moody's, BBB- from Fitch) and were listed on the London Stock Exchange and Astana International Exchange 25[^]. Proceeds were directed to "general corporate purposes" and "developing innovative digital products in Turkiye" 14[^]. Critically, debt-to-equity declined from 69.7% to 11.9% over five years even while issuing \$1.25 billion in new debt — rapid equity value creation absorbed the leverage, and the company holds more cash (KZT 817.7 billion) than total debt (KZT 329 billion) 21[^]. The 6.1% average coupon on 5-year unsecured notes is reasonable for a Kazakhstani issuer, and the leverage level of 12% D/E is extraordinarily conservative for a banking business. Management is using low-cost debt to fund what it believes is the highest-return opportunity available, while preserving equity capital and maintaining fortress balance sheet strength.

The totality of Kaspi's capital allocation record presents a coherent picture: management treats shareholders as partners, invests within its circle of competence, returns surplus capital through dividends and opportunistic buybacks, and maintains financial flexibility through conservative leverage. The Turkey expansion — Hepsiburada plus Rabobank at approximately \$1.55 billion — is the make-or-break decision that will determine whether the 8.0/10 Buffett score rises to 9.0 or falls to 6.0 over the next five years. If Turkey achieves even half of Kazakhstan's success, the incremental returns will be transformational. If execution falters, the loss is bounded by a domestic franchise producing over \$2 billion in annual net income at 45-60% ROE. Either way, the capital allocation framework — the decision-making process, not the outcome — has been rational, disciplined, and shareholder-aligned.

5. Management, Ownership & Culture

Buffett's first question when evaluating any business is about the people running it. "We look for three things," he has said. "We want management to be owner-oriented, capable, and honest." This chapter applies that tripartite test to Kaspi.kz — the men who built it, the incentives that drive them, the culture they cultivated, and the governance structures that bind the enterprise. What emerges is exceptional operational talent within an emerging-market governance framework: owner-operators with warts, not polished corporate automatons.

5.1 The Leadership Team

5.1.1 Mikheil Lomtadze: The Georgian Entrepreneur Who Remade a Bank

Mikheil Lomtadze was born in Batumi, Georgia in October 1975, the son of parents who prioritized education — math, physics, and English tutors paid for through financial hardship. 596^ After earning a bachelor's degree in business administration from the European School of Management in Tbilisi in 1997, he founded an audit firm while still a student, selling it successfully in 2002 to what became part of the Ernst & Young global network. 285^ An MBA from Harvard Business School followed in 2002, and he joined Baring Vostok Capital Partners in Moscow, making partner within a year. 577^ By 2006, he was the firm's point person on its Kaspi investment. 6^ In 2007, at age 33, Lomtadze left Baring Vostok to become Kaspi's CEO — a position he has held for nearly two decades. 6^

The results speak louder than biography. Under Lomtadze, Kaspi transformed from a struggling regional bank into Kazakhstan's dominant super-app, with revenue growing from KZT 603 billion in 2020 to KZT 4,050 billion in 2025 — a 47% CAGR. 356^ 347^ He has been named Best CEO in Kazakhstan by Forbes/PwC every year from 2017 through 2022. 542^ In July 2025, Harvard Business Review published his cover article — a rare honor for a Central Asian executive. 570^

Lomtadze's management philosophy is distinctive: "Almost no one has financial goals or KPIs," he told PwC in 2020. "We do not say: 'make a product and reach a sales target.' If the product brings value to our clients and partners, we will make it." 100^ All 50 product teams are measured solely by Net Promoter Score (NPS), not revenue or profit. 596^ This product-first orientation in a company generating \$2 billion in annual net income is virtually unheard of among publicly traded institutions. 347^

5.1.2 Vyacheslav Kim: The Chairman Who Acquired the Foundation

Vyacheslav Kim is Kaspi's co-founder and chairman. He acquired the original Kaspiyskiy Bank in Almaty in 2002 — a small institution he saw as the foundation for integrated consumer finance and retail banking. 6^ Kim holds degrees in finance from Almaty State University and serves on the board of Magnum, Kazakhstan's largest food retailer. 542^

Where Lomtadze provides vision and execution, Kim provides stability and local relationships. He is the passive strategic partner — the man who trusted a 33-year-old outsider with his life's work and never interfered for nearly two decades. In December 2022, Lomtadze purchased approximately 2 million shares from Kim for roughly \$134 million, increasing his stake from 23.42% to 24.55% while Kim's declined from 24.26% to 23.35%. 510^ The transaction was orderly, transparent, and consistent with gradual portfolio diversification.

5.1.3 The Partnership Dynamic: Trust Without Paper

The relationship between Kim and Lomtadze is built on what both men describe as "complete trust and chemistry." 100^ Their shareholder arrangement remained entirely informal for 13 years — from 2007 until 2020 — before being formalized only as the London IPO approached. 241^ In Lomtadze's own words: "If it wasn't for Vyacheslav, his faith, friendship, support and joint work, none of this would have been possible... We didn't even formalize the partnership between us on paper until the very last moment." 100^

This informality raises governance eyebrows — Western standards demand written agreements and documented decision rights. But through the Buffett/Munger lens, the 13-year handshake partnership is evidence of mutual trust tested through multiple crises: the 2008 financial meltdown, the January 2022 Kazakh political unrest (during which Lomtadze temporarily lost an estimated 30% of his net worth), 577^ and the September 2024 Culper Research short attack. A partnership that survives those stressors without paper may be stronger than one bound by legal documents.

The founding management team has remained intact for 17 years: Lomtadze as CEO, Pavel Mironov as COO, Yuri Didenko overseeing capital markets, and Tengiz Mosidze as CFO. 6^ All four attended Harvard Business School executive programs. In an industry where C-suite tenure averages months, this stability is extraordinary.

5.2 Ownership Structure

5.2.1 Ownership Breakdown: Extraordinary Alignment at Scale

Ownership structure following the April 2026 Tencent transaction:

Shareholder	Stake	Classification	Notes
Mikheil Lomtadze (CEO)	22.5%	Management insider	Increased via Tencent transaction 608^
Vyacheslav Kim (Chairman)	21.3%	Management insider	Gradual reduction from ~25% 608^
Other management	3.9%	Management insider	Includes senior executives 608^
Total management	~47.7%	Combined insider	Extraordinary for \$17B company
Baring Vostok (PE fund)	~24.4%	Financial investor	Reducing; sold to Tencent/mgmt 608^
Tencent (strategic)	3.2%	Strategic investor	\$510M, April 2026 390^
Public/free float	~24.7%	Minority shareholders	Nasdaq-traded ADSs

Note: Pre-Tencent, Baring Vostok held ~22.3%, Lomtadze 23.04%, Kim 20.75%. 608^ Figures are approximate due to ongoing buyback programs.

5.2.2 The 47% Management Ownership: The Protection Mechanism

Management's combined 47.7% stake in a company valued at approximately \$17 billion is a structural feature of profound investment significance. For context, MercadoLibre's founder holds roughly 8% of economic interest; Nubank's CEO holds approximately 18%; Sea Limited's founder holds less than 30%. At 47.7%, Kaspi's management team is not merely "aligned" with shareholders — they ARE the majority shareholders. The informal governance, related-party transactions, and compensation decisions that follow must be evaluated through this lens. When management already owns nearly half the company, the incentives to destroy long-term value through self-dealing are mathematically constrained. The 47% ownership is the protection mechanism that offsets governance imperfections. 539^

5.2.3 Baring Vostok Exit Trajectory: Normal PE Lifecycle

Baring Vostok — the Moscow-based private equity fund that invested approximately \$100 million in 2006 and introduced Lomtadze to Kim — has been gradually reducing its stake since the 2020 London IPO. This is normal private equity lifecycle behavior, not a distress signal. PE funds have finite lives; they invest, build value, and exit. Baring Vostok's nearly 20-year holding period is longer than typical for the industry. The April 2026 transaction, in which Baring Vostok sold to Tencent while Lomtadze and management purchased alongside, represents an orderly transfer from a financial sponsor to a strategic operator and the company's own leadership. 390^

5.2.4 Tencent's Strategic Investment: The Highest-Conviction External Validation

In April 2026, Tencent — operator of WeChat, the world's most successful super-app — invested \$510 million in Kaspi.kz alongside Lomtadze and management. 390^ This is not passive index investing. Tencent's due diligence would have specifically examined Russia/sanctions risk, governance quality, and competitive positioning — and found them acceptable. When the company that invented the super-app puts \$510 million into a Kazakhstani company, the signal is that the model works and the geopolitical discount is overdone. Tencent is simultaneously investing in Uzbekistan's Uzun (\$70 million-plus), suggesting a broader Central Asian platform strategy in which Kaspi may play a central role. 390^

5.3 Corporate Culture

5.3.1 Product-First Culture: No Financial KPIs

Kaspi's culture is anchored by a radical proposition: almost no employee has financial KPIs. 100^ The company measures everything by Net Promoter Score, which has held steady at approximately 87-90. 596^ Each of roughly 50 product teams is measured by the NPS users assign to their product. 596^

Removing financial targets from product development prevents the short-term revenue optimization that destroys user experience over time. The result is a daily experimentation culture where teams run thousands of A/B tests and ship continuously. Lomtadze described the methodology as "Launch and Enhance" — start with one use case, perfect it, then layer features beginning with just 5% of users before expanding. 596^

The performance management system has teeth. Kaspi employs a stack-ranking system similar to Amazon's: employees ranked at the bottom three consecutive times are terminated. 236^ The average employee age is 30, and average tenure is approximately 4 years — metrics consistent with a high-performance, high-pressure technology environment rather than a staid financial institution. 236^

5.3.2 The HBR Insight: Conviction Against Consensus

Lomtadze's July/August 2025 Harvard Business Review article revealed a critical leadership trait: the willingness to overrule his own expert departments. When Kaspi decided to create a single super-app, both Marketing and IT argued that different businesses needed different apps. 92^ Lomtadze overruled them. The result: Kaspi has the greatest market penetration of any technology company in Kazakhstan, with 70% of users opening the app daily and 77-plus monthly transactions per user. 92^

This pattern — conviction-driven leadership validated by results — is precisely what Buffett admires in managers who "know their business cold and do what makes sense." For investors, this is a double-edged trait: it produces extraordinary outcomes when correct, but concentrates decision-making in a single person whose judgment may eventually err.

5.3.3 Engineering Culture: Building for Scale

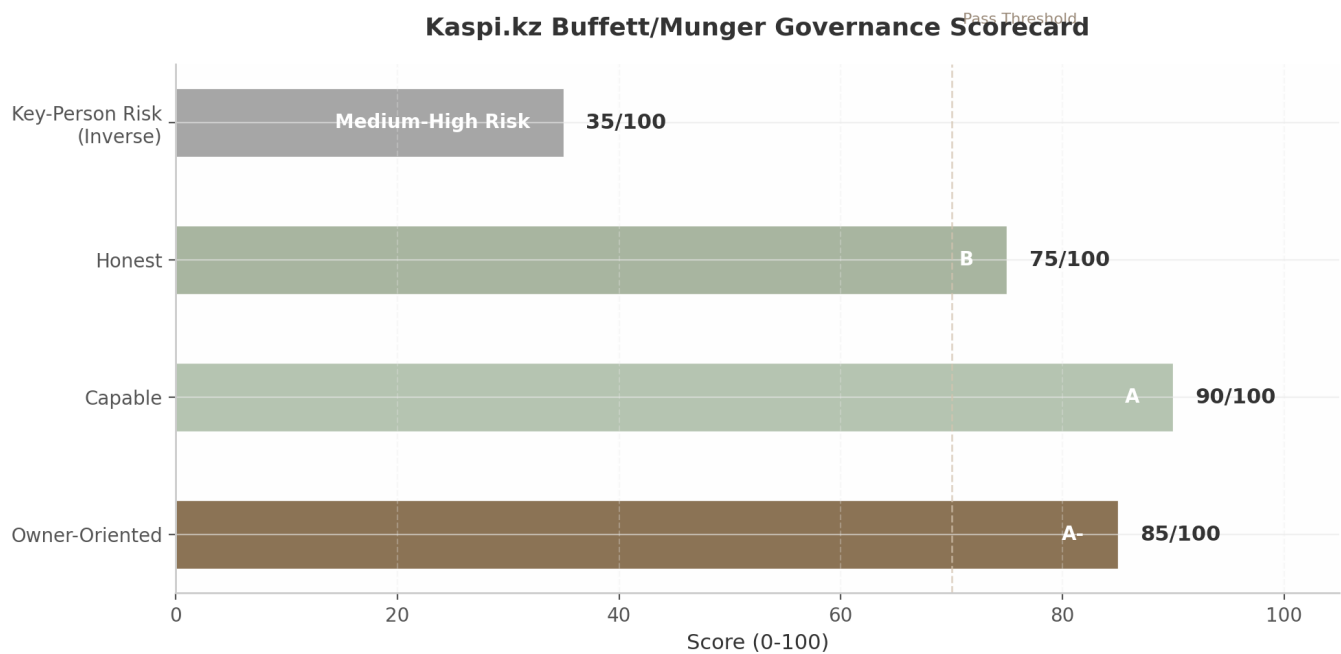
Kaspi's technology infrastructure reflects an engineering-first mindset. The platform runs on a microservices architecture built with Golang, PostgreSQL, and Kafka. Kaspi AI, launched in January 2026, handles 64% of customer chat interactions. 596^ Platform uptime exceeds 99.9% — a figure that matters when 15.3 million monthly active users rely on the app for daily financial transactions. The company classifies itself as "capex-lite" with capital expenditures averaging only 2.8-4.5% of revenue, because the platform's marginal cost of adding a user approaches zero. 596^

5.4 Governance Assessment

5.4.1 The Buffett/Munger Governance Scorecard

The scorecard evaluates management against Buffett's three criteria plus key-person risk, especially relevant for founder-led emerging market companies:

Criterion	Grade	Score	Evidence For	Evidence Against
Owner-Oriented	A-	85/100	47.7% mgmt ownership; Lomtadze invested personal capital alongside Tencent 390^; 17-year continuous involvement; product-first KPIs align with long-term value 100^	100% secondary IPOs enriched insiders, company received zero 183^ 583^; Kim sold \$22.3M in shares last 3 months 575^
Capable	A	90/100	Transformed failing bank into super-app; 47% revenue CAGR 2020-2025; survived 2008 crisis, 2022 unrest, Culper attack; 2 HBS case studies 478^; Best CEO Kazakhstan 6x 542^	Hepsiburada integration early; smartphone supply disruption hurt 2025 results 569^
Honest	B	75/100	Clear segment reporting; proactive "underlying" metric disclosure 347^; class action dismissed April 2025 547^; crisis communication within 24 hours 574^	Related party disclosures lack pricing detail; Russia exposure arguably under-disclosed; Alseco acquisition never in SEC filings 539^; 103% comp increase unexplained 166^
Key-Person Risk	Medium-High	35/100 (inverse)	CFO Mosidze 17+ years in role; founding team intact 6^; Lomtadze age 50 — likely 15+ years remaining	No visible succession plan; combined CEO/CECO title centralizes control; Lomtadze IS the company 5^



The composite picture: a management team that scores above the pass threshold on all criteria except key-person risk, which is inherent to the founder-led model. Lomtadze grades A on capability, A-minus on owner-orientation (the 47.7% stake outweighs the secondary IPO structure), and B on honesty (financial reporting is reliable, but related-party disclosure falls short of Western standards). Key-person risk is medium-high: at 50 years old with no publicly designated successor, Lomtadze's continued health and engagement are a non-diversifiable investment risk.

5.4.2 Related Party Transactions: Material but Not Disqualifying

Kaspi's 2025 financial statements (Note 27) disclose property purchases of KZT 2,967 million from entities controlled by key management personnel, following KZT 1,026 million in 2024 and a commercial property acquisition of KZT 2,245 million in 2024. 166^ Total related-party property purchases over 2024-2025 amount to approximately KZT 4.2 billion (\$8.5 million at prevailing exchange rates).

The class-action complaint (subsequently dismissed) raised additional concerns: Kim and Lomtadze reportedly acquired 90% of Alseco — a Kazakh utility bill digitization company — in 2015 for an undisclosed sum, never mentioned in SEC filings; Kim's controlling stake in Magnum Cash & Carry remains partially opaque; and Kim's daughter Yulia appears to run a venture affiliated with Kaspi without disclosure in SEC filings. 539^

Buffett's framework for evaluating related-party transactions is pragmatic: are they material relative to the business? KZT 4.2 billion represents less than 0.4% of 2025 net income (KZT 1,068 billion). 347^ The amounts are not economically meaningful. The concern is the pattern — the willingness to transact with oneself suggests governance norms that could produce larger problems under different circumstances. The absence of pricing methodology

(independent appraisals, competitive bidding disclosures) means investors must trust management's representation of arm's-length terms. At 47.7% ownership, that trust has a structural foundation.

5.4.3 The Compensation Surge: A Yellow Flag

Key management compensation more than doubled from KZT 104.5 billion in 2024 to KZT 212.5 billion in 2025 — a 103% increase in a year when reported net income grew only 10%.^{166^} The Compensation Committee, chaired by independent director Szymon Gutkowski, approved the increase. Plausible explanations include the Hepsiburada integration burden, simultaneous expansion across Kazakhstan and Turkey, and retention risk in a competitive fintech market.

However, the optics are problematic. Share-based compensation actually decreased from KZT 16.9 billion to KZT 15.5 billion; the increase was entirely in cash.^{166^} A 103% cash compensation increase while dividends were suspended for half the year requires more explanation than management has provided. Verdict: a yellow flag requiring monitoring, not a red flag. The presence of an independent Compensation Committee chair provides some comfort that the decision was scrutinized.

5.4.4 Class Action and Culper Research: Dismissed but Not Fully Refuted

The class-action lawsuit filed in late 2024 was voluntarily dismissed on April 9, 2025.^{547^} Kazakhstan's authorities defended Kaspi as being "fully" compliant with sanctions, and management responded within 24 hours calling the Culper report "inaccurate, misleading and misrepresenting its business."^{574^}^{169^}

The dismissal is a meaningful positive. However, a critical nuance remains: the Culper Research allegations about related-party transactions (Alseco, Magnum ownership opacity, Kim's daughter's venture, Smartix partnership with a Russian self-checkout operator) were never fully addressed or refuted point-by-point.^{539^} Management's blanket denial was sufficient to defeat a securities class action — which requires proof of scienter and materiality — but may not satisfy skeptical investors. The lesson is not that the allegations were true; it is that Kaspi's disclosure practices around related-party entities and Russia-adjacent relationships were not comprehensive enough to prevent a short-seller from constructing a damaging narrative.

The board composition provides a mixed picture. Three of six directors (50%) are independent — Doug Gardner (audit committee chair, former EY managing partner), Szymon Gutkowski (compensation committee chair), and Alina Prawdzik (nominating committee chair, former eBay GM).^{542^}^{598^} All committee chairs are independent. However, the board's small size for a \$17 billion multi-country operation, the absence of any Kazakhstani independent directors, and

the addition of Zurab Nikvashvili — Lomtadze's fellow Georgian and former EY partner — as a non-independent director, leave the structure adequate rather than exemplary. 542^

The bottom-line assessment: Kaspi's management is owner-oriented, highly capable, and mostly honest — with governance blemishes characteristic of founder-led emerging market companies and materially different from the governance failures that destroy value. The 47.7% ownership stake is the structural protection. As long as Lomtadze and Kim remain meaningfully invested, the alignment of interests is sufficiently powerful that investors should apply a modest governance discount (5-10%) to fair value rather than disqualify the investment. The key-person risk is the most significant unresolved concern — not because Lomtadze's judgment is in question, but because no successor is visible and Kaspi IS Lomtadze in ways that Berkshire Hathaway deliberately engineered itself not to be.

6. Kazakhstan: The Soil That Grows the Tree

Warren Buffett often says that when he evaluates a business, he wants to understand not just the tree but the soil it grows in. Kazakhstan is Kaspi's soil — the 9th-largest country on Earth by landmass, a vast steppe nation stretching from the Caspian Sea to the Chinese border, home to 20.3 million people with a median age of 31 and one of the most digitally engaged populations in the post-Soviet world. 11^ Understanding Kazakhstan is not optional for a Kaspi investor. The country's demographics, oil dependency, currency trajectory, political system, and geopolitical positioning all flow directly into Kaspi's income statement and balance sheet. This chapter examines each dimension in turn.

6.1 Geography and Demographics

Kazakhstan covers 2.7 million square kilometers — larger than Western Europe — yet holds a population roughly the size of Romania. This sparse distribution reflects the country's harsh continental climate and its legacy as a frontier zone of nomadic settlement. What matters for Kaspi is not the empty steppe but the urban agglomerations: 63% of the population lives in cities, concentrated in Almaty (2.4 million), Astana (1.5 million), and the industrial centers of Shymkent and Karaganda. 13^ Urbanization in Kazakhstan is not a future projection; it is the present reality that enables the logistics, delivery networks, and merchant density required for a super-app to function.

The demographic profile is unusually favorable for a consumer-facing technology platform. The median age of 31 places Kazakhstan among the youngest upper-middle-income countries globally, and 22.6% of the population falls in the 10–24 age bracket — the smartphone-native generation that forms Kaspi's core user base. 11^ The total fertility rate stands at 2.6–3.0 children per woman, well above replacement level, meaning the population is not merely stable

but growing. 12^ This is a consumer market that will expand organically for decades without immigration.

Digitally, Kazakhstan skipped the PC era entirely. Personal computer penetration remained low throughout the 2000s, and fixed-line broadband never achieved universal coverage. When smartphones arrived in the early 2010s, Kazakhstani consumers went straight from cash and physical bank branches to mobile-first financial services. Smartphone penetration now exceeds 85%, mobile wallet usage tops 70%, and cashless transactions by volume reached 86% of all payment activity by late 2024. 15^ This leapfrogging dynamic is the single most important structural tailwind for Kaspi. In markets where PC banking became entrenched — Russia, Eastern Europe — incumbents built defensive moats around desktop platforms. In Kazakhstan, there was no entrenched incumbent to displace. Kaspi built the rails while the market was still forming.

6.2 Economy and Oil Dependency

Kazakhstan's GDP reached approximately KZT 120.6 trillion (~\$264 billion) in 2024, with real growth of 5.1% year-over-year. 1^ For 2025, the IMF projects GDP per capita at \$14,770 — the highest among all post-Soviet states excluding the Baltic trio, and ahead of both Russia (\$14,260) and China (\$13,690). 2^ The services sector accounts for 56.3% of GDP, suggesting an economy more diversified than typical petrostates, though mining and hydrocarbons still extract the lion's share of export earnings and government revenue. 3^

The oil dependency is the central macroeconomic vulnerability. Oil supplies approximately 50% of budget revenues, and the correlation between oil prices and the tenge exchange rate is well-documented: when Brent falls, the KZT weakens, often sharply. 6^ Kazakhstan's fiscal breakeven oil price was \$115.93 per barrel in 2025 and \$127.72 in 2024 — both well above the actual Brent average of roughly \$70–80 during those years. 7^ The fiscal deficit is projected to widen from 1.6% of GDP in 2023 to 3.1% in 2025, with public debt rising from 22.2% to 24% of GDP by 2027. 8^

The fiscal gap is bridged through transfers from the National Fund of the Republic of Kazakhstan — the sovereign wealth vehicle established to preserve oil wealth for future generations. In the first nine months of 2025, withdrawals from the National Fund exceeded inflows by KZT 1.4 trillion, eroding a buffer that stood at \$58.8 billion in total assets as of May 2025. 9^ Kazakhstan's total international reserves reached \$104.7 billion, including \$52.3 billion in gold and FX reserves at a record high, but the trajectory of National Fund net outflows bears watching. 9^

For Kaspi, the critical implication of oil dependency is not the GDP growth rate — the non-oil economy actually grew 6.3% in the first half of 2025, the fastest pace in 14 years — but the currency channel. 5^ When oil revenues disappoint, the tenge weakens, and Kaspi's USD-

reported earnings compress even when local-currency operations are thriving. This transmission mechanism is explored in detail in Section 6.3.

The second critical macroeconomic feature is banking underpenetration. Kazakhstan's bank credit to GDP stands at approximately 20% — among the lowest rates globally and far below the 60–100% typical of developed and upper-middle-income economies. 15^ The banking sector consists of 21 commercial banks, with the top three holding roughly 53% of assets and two remaining state-owned. 16^ This combination — low penetration, high concentration, and a young, digitally native population — describes precisely the conditions under which a technology-first lender can capture multi-decade growth. Kaspi's consumer lending business is not competing for share in a saturated market; it is expanding the market itself.

6.3 The KZT Currency

The Kazakhstani tenge (KZT) is the single greatest risk factor for USD-denominated Kaspi investors. Since independence, the currency has experienced six major devaluation episodes: 1999 (70% depreciation), 2009 (42%), 2014's "Black Tuesday" (19%), August 2015's shift to a free float (51%), 2020's COVID shock (8%), and the prolonged weakening of 2024 (14.8%). 18^ Cumulatively, from 2014 through 2024, the tenge lost approximately 65% of its value against the US dollar — a depreciation rate that would have wiped out most foreign investments had it not been for extraordinary operational growth.

Chart: KZT/USD Exchange Rate Trajectory (2014–2026)

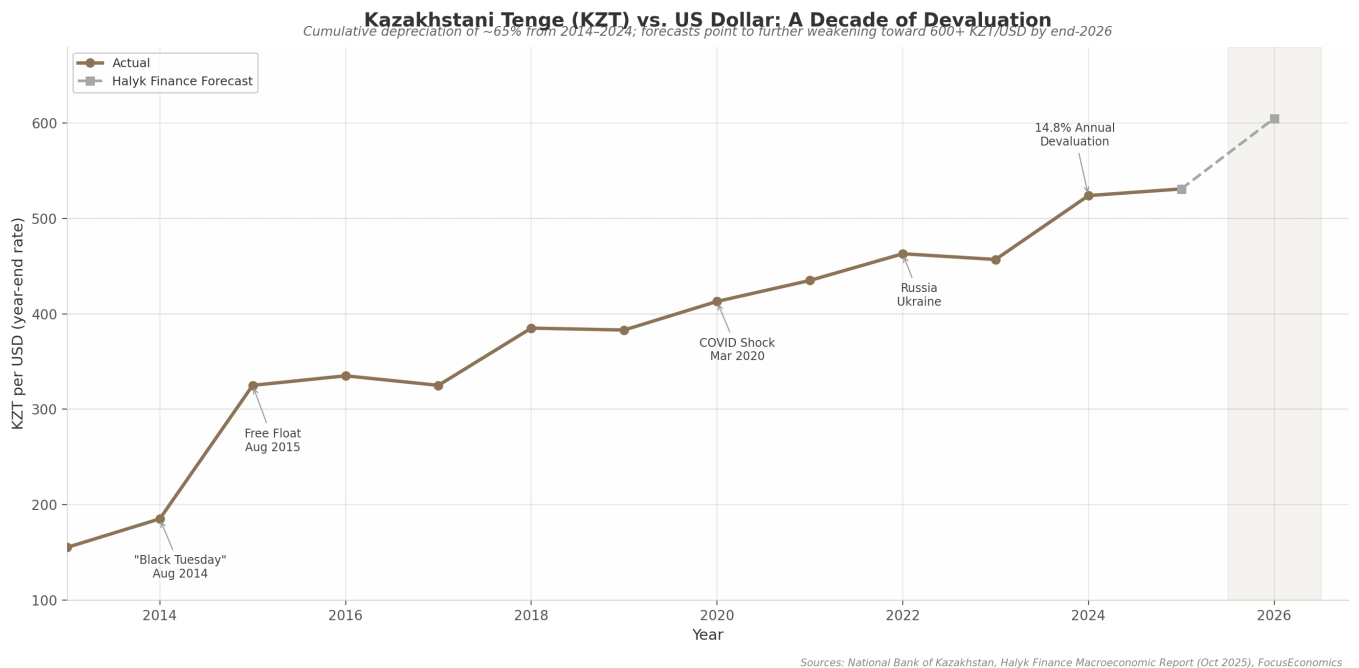


Figure 6.1: The tenge's structural depreciation trajectory, annotated with key inflection points. The dashed segment represents Halyk Finance's forecast range of 600–610 KZT/USD by end-2026. Sources: National Bank of Kazakhstan, Halyk Finance (Oct 2025).

The chart reveals a currency in structural decline rather than cyclical weakness. The 2015 free-float transition marked a regime change — the National Bank of Kazakhstan abandoned its exchange-rate anchor and allowed the tenge to adjust to oil-driven capital flows. Since then, the currency has traded in a wide band, punctuated by sharp shocks. The year-end rate moved from 457 KZT/USD in 2023 to 524 in 2024 and 531 by end-2025, with September 2025 touching 549.07. 19^ Halyk Finance, a major domestic investment bank, forecasts further depreciation to 600–610 by end-2026, driven by import growth and reduced National Fund FX sales. 19^

The National Bank's policy stance reflects the tension between growth and stability. The base rate was raised to 18.0% in October 2025, following a 125 basis-point hike to 16.50% in March, as inflation accelerated to 12.9% year-over-year in September 2025. 21^ President Tokayev has publicly committed to a free-float regime, stating that "using foreign exchange reserves for interventions in the currency market is unreasonable." 22^ This policy credibility is double-edged: it anchors inflation expectations but also means the tenge receives limited support during periods of oil-price weakness.

The "KZT tax" on USD investors is real but quantifiable. Kaspi's FY 2024 revenue of KZT 2.53 trillion translated to approximately \$4.8 billion at the average exchange rate — a figure that would have been higher had the tenge remained stable. 37^ Management's sensitivity analysis indicates that a 25% change in the USD/KZT rate would impact profit or loss by KZT +/-11,229 million as of December 2025. 38^ Historical tenge volatility has produced periodic 10–30% moves versus the dollar; a sudden 20% devaluation would reduce USD-reported EPS by roughly the same proportion. 39^

However, the critical finding from the data is that operational growth has consistently overwhelmed FX headwinds. KZT-denominated revenue grew 32% in 2024 and 60% in 2025 (the latter including the Hepsiburada acquisition), reaching KZT 4.05 trillion. 40^ Net income was KZT 1.07 trillion in 2025, with KZT EPS actually rising to 5,631 from 5,477 in 2024 despite currency weakness. 40^ The arithmetic for USD investors is thus a race between two powerful forces: 30–60% annual KZT revenue growth versus 10–15% annual currency depreciation. Historical results suggest the former wins, but the margin is not infinite. In a severe devaluation scenario — oil below \$50 per barrel, for instance — the KZT tax could temporarily exceed the growth premium.

6.4 Political System

Kazakhstan is not a democracy, and investors should not pretend otherwise. Nursultan Nazarbayev ruled from 1990 to 2019; his successor, Kassym-Jomart Tokayev, won a snap election in November 2022 following constitutional reforms that eliminated Nazarbayev's privileged status but preserved the super-presidential structure. 25^ Analysts characterize the system as "authoritarian modernization" — a model that combines rhetorical reform

commitments with tight executive control. In September 2025, Tokayev proposed transitioning to a unicameral Parliament by 2027, though critics note the reforms include provisions allowing the President to issue decrees with force of law during parliamentary absences. 26^

For investors, the relevant question is not whether Kazakhstan is democratic but whether it is stable and predictable. On this dimension, the evidence is more favorable. Tokayev's "multi-vector foreign policy" maintains strategic partnerships with Russia (EAEU, CSTO), China (Belt and Road), the EU (Enhanced Partnership and Cooperation Agreement), and the United States simultaneously. 13^ Kazakhstan refused to recognize Donetsk and Luhansk, abstained from UN votes condemning Russia, and notably declined Russia's invitation to join BRICS in 2024 — decisions that incurred Russian displeasure but preserved Western relationships. 14^ Tokayev's visit to Washington in late 2025, followed by a Moscow meeting with Putin days later, demonstrated the balancing act he has refined into a governing philosophy. 10^

Corruption remains a material concern. Kazakhstan scored 40 points in Transparency International's 2024 Corruption Perceptions Index (88th of 180 countries), a historic high, though it declined to 38 in 2025. 27^ The country ranks highest in Central Asia but below the global average of 43. World Bank governance indicators paint a mixed picture: Rule of Law at -0.38, Voice and Accountability at -0.82, but Government Effectiveness at a positive +0.15 — suggesting a competent bureaucracy operating within a weak institutional framework. 28^ For Kaspi specifically, the governance environment has practical implications: contract enforcement is reliable enough for commercial lending, but regulatory decisions can be influenced through political channels, and the threat of arbitrary enforcement is never zero.

Succession risk is the key political uncertainty beyond the 2029 election timeline. Tokayev will be 76 by the time the next scheduled presidential cycle concludes. The constitutional reforms have extended presidential authority, but Kazakhstan has no institutionalized succession mechanism beyond the incumbent's discretion. A post-Tokayev transition could be orderly or contested; the January 2022 unrest, which left 238 dead and prompted a Russian-led CSTO intervention, demonstrated that political stability cannot be taken for granted even in a tightly controlled system. 25^

6.5 The Eurasian Context

Kazakhstan does not exist in a vacuum. It shares a 7,600-kilometer border with Russia, the longest continuous border in the world, and its economy is deeply integrated with its northern neighbor through the Eurasian Economic Union (EAEU). Simultaneously, it sits at the western terminus of China's Belt and Road Initiative, with cumulative Chinese investment in Central Asia reaching \$64 billion over three decades. 32^ These competing gravitational pulls create both opportunity and risk.

Table 6.1: Kazakhstan vs. Regional Peers — Key Metrics

Metric	Kazakhstan	Russia	Azerbaijan	Uzbekistan	Georgia
GDP per capita (USD, 2025)	\$14,770 2^	\$14,260 2^	\$7,600 34^	\$3,510 34^	\$9,570 34^
Population (millions)	20.3 11^	146	10.1	36.8	3.7
Credit/GDP (%)	~20% 15^	~55%	~25%	~35%	~60%
Median age (years)	31 11^	40	33	29	38
Mobile penetration (%)	85%+	85%+	80%+	75%+	85%+
Cashless transactions (% of volume)	86%	75%+	55%+	40%+	85%+
CPI Corruption Score (/100)	38–40 27^	22	24	31	53

Kazakhstan's positioning within this peer set is distinctive. It combines the highest GDP per capita in Central Asia with the lowest credit penetration, the youngest digital-native population, and the most advanced fintech adoption. 34^ The 86% cashless transaction rate exceeds not only all regional peers but also many Western European markets. This juxtaposition — high income, low credit penetration, high digital engagement — is the analytical foundation for Kaspi's growth thesis. No other market in the post-Soviet sphere offers all three conditions simultaneously.

Table 6.2: Kazakhstan — Key Macro Metrics at a Glance

Indicator	Value	Year	Source
GDP (nominal, USD bn)	~\$264	2024	1^
Real GDP growth (%)	5.1%	2024	1^
GDP per capita (USD)	\$14,770	2025 (proj.)	2^
Services share of GDP (%)	56.3%	2024	3^
Oil share of budget revenue (%)	~50%	2024	6^
Fiscal breakeven oil price (\$/bbl)	\$115.93	2025	7^
Fiscal deficit (% of GDP)	3.1% (proj.)	2025	8^
International reserves (USD bn)	\$104.7	May 2025	9^
National Fund assets (USD bn)	\$58.8	May 2025	9^
Credit/GDP (%)	~20%	2022	15^
Banking sector NPL ratio (%)	3.1%	May 2024	17^
Base rate (%)	18.0%	Oct 2025	21^

Indicator	Value	Year	Source
Inflation, yoy (%)	12.9%	Sep 2025	23^
CPI Corruption Score (/100)	40 → 38	2024 → 2025	27^
KZT/USD (year-end)	531	2025	19^

The EAEU deserves specific attention because it is the primary channel through which Russian macroeconomic shocks transmit to Kazakhstan. Academic research finds an R-squared of 84% between KZT and RUB exchange rate movements, meaning ruble fluctuations explain the vast majority of tenge variation. 18^ A 2025 study in the International Journal of Finance & Economics confirms that "changes in the ruble exchange rate affect that of tenge, and inflationary trends in Russia impact Kazakhstan." 19^ This correlation is structural, not coincidental: Kazakhstan imports heavily from Russia through the EAEU's customs-free border, and capital flows between the two economies move with limited friction.

The EAEU also creates sanctions circumvention risks. Once goods enter Kazakhstan, they move into Russia without further customs checks. Kazakh officials have acknowledged the difficulty of controlling this flow. 23^ The EU's 19th sanctions package in October 2025 designated VTB Bank Kazakhstan — the first Kazakh bank ever targeted by the EU — signaling that Brussels no longer exempts Central Asian financial institutions from sanctions enforcement. 8^ Kazakhstan's mechanical engineering exports to Russia decreased 15% in 2024 due to fear of Western secondary sanctions, with Kazakh banks increasingly refusing to process payments for enterprises with Russian trade ties. 29^

On the opportunity side, China's Belt and Road Initiative has made Kazakhstan its primary Central Asian investment destination. Gross FDI inflows reached \$15.7 billion in 2024, though net FDI turned negative (-\$2.55 billion) for the first time since 2005 due to profit repatriation from mature oil projects. 32^ The Middle Corridor — a Trans-Caspian transport route bypassing Russia — is gaining strategic momentum, with the presidents of Kazakhstan, Azerbaijan, and Uzbekistan signing a strategic agreement on interconnecting energy systems. 33^ Azerbaijan plans to increase Kazakh oil transit through its territory to 5–7 million tons annually — a fraction of the 80%+ that flows through the Russia-dependent CPC pipeline, but a meaningful diversification beginning. 33^

The Russia dependency is the binding constraint. Over 80% of Kazakhstan's oil exports flow through the Caspian Pipeline Consortium (CPC), which transits Russian territory. 10^ Ukrainian drone strikes on CPC infrastructure in 2025 exposed this vulnerability. Alternative routes through Azerbaijan and the Middle Corridor are being developed on a 2026–2035 timeline and cannot fully replace CPC capacity in the near term. 33^ For Kaspi, a prolonged CPC disruption would mean a sharp KZT devaluation, rising consumer credit defaults, and potential deposit flight — a triple hit that would test the resilience of even a fortress balance sheet.

The analytical bottom line on Kazakhstan is this: the soil is fertile but volatile. A young, urbanizing, digitally native population in a structurally underbanked market describes the ideal conditions for a consumer fintech platform. GDP per capita leadership in the post-Soviet sphere provides spending power. 2^ The 86% cashless transaction rate demonstrates that Kaspi's market education phase is largely complete. 15^ Against these advantages, the KZT currency risk is persistent and quantifiable, the oil dependency is structural, and the geopolitical positioning between Russia and the West creates tail risks that cannot be hedged. Kaspi's 30–60% annual KZT revenue growth has historically overwhelmed the 10–15% annual FX drag, producing positive returns for USD investors even through periods of sharp devaluation. 40^ But this arithmetic is not a law of nature — it is a contingent outcome that depends on oil prices remaining above catastrophic levels, the KZT free-float regime persisting, and Kazakhstan avoiding direct sanctions fallout from its Russia relationship. Investors who understand these contingencies can size their positions accordingly. Those who ignore them are speculating, not investing.

7. Economic Moat & Competitive Dynamics

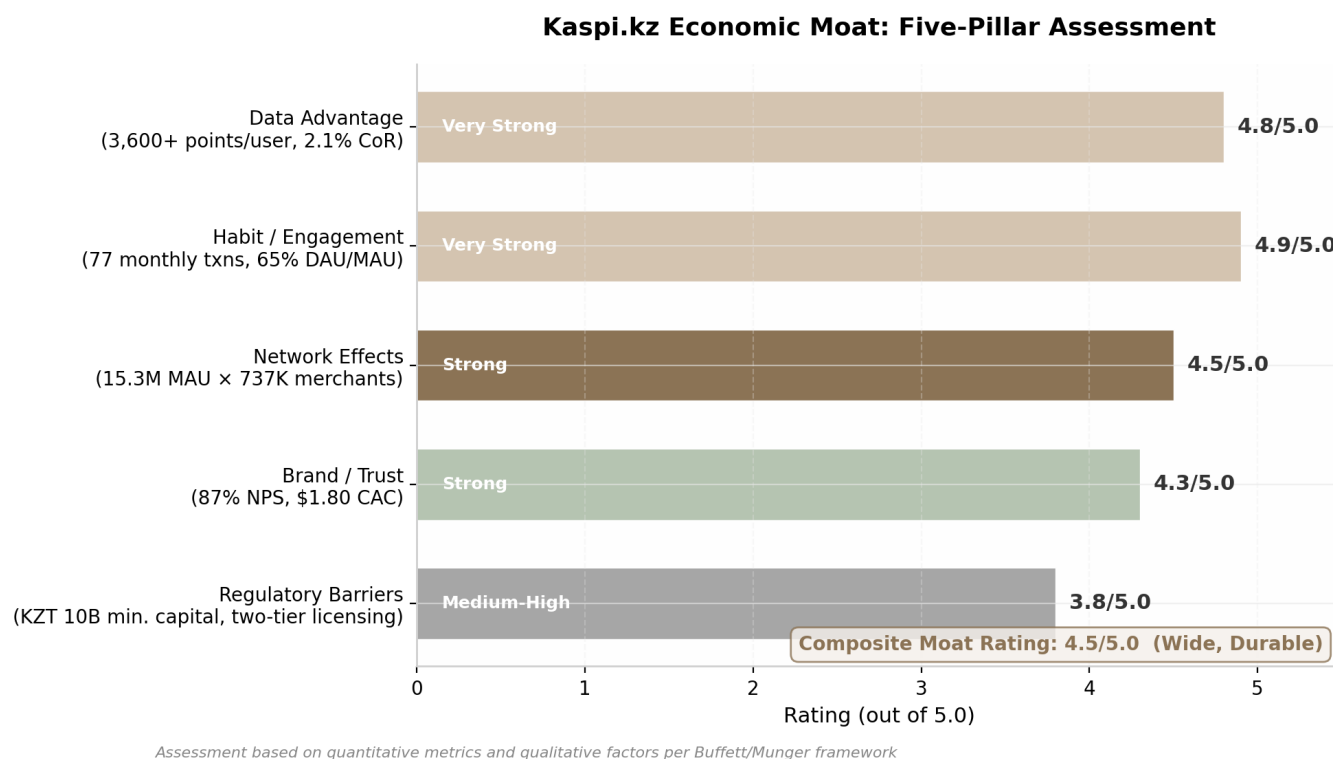
7.1 Moat Assessment: The Munger "Lollapalooza"

Charlie Munger coined the term "lollapalooza effect" to describe what happens when multiple reinforcing factors align in the same direction, producing outcomes that are non-linear — greater than the sum of their parts. Kaspi.kz is a textbook case. Its competitive advantage is not any single factor; it is the multiplicative interaction of five distinct moat pillars, each making the others stronger. A competitor would need to simultaneously overcome 15.3 million monthly active users, 3,600 data points per customer, 77 monthly transactions of ingrained habit, 87% Net Promoter Score trust, and a KZT 10 billion regulatory entry fee. Each pillar is defensible on its own. Together, they form a barrier that has taken Kaspi a decade to construct and would cost an estimated \$720 million to \$1.55 billion and 3–7 years to replicate 133^278^.

The following table rates each pillar on a 1–5 scale using quantitative metrics and qualitative assessment against global super-app benchmarks.

Moat Pillar	Key Metrics	Rating	Strength
Network Effects	15.3M MAU × 737K merchants 133^; cross-side platform dynamics	4.5/5.0	Strong
Data Advantage	3,600+ data points/user 133^; 2.1% cost of risk vs. 3%+ peers 133^; <10-sec loan approvals 133^	4.8/5.0	Very Strong
Habit / Engagement	77 monthly transactions/user 266^; 65% DAU/MAU (2nd only to WeChat) 155^; 88%+ retention 447^	4.9/5.0	Very Strong

Moat Pillar	Key Metrics	Rating	Strength
Brand / Trust	87% NPS 6^; \$1.80 CAC via word-of-mouth 133^; 88%+ MAU retention 447^	4.3/5.0	Strong
Regulatory Barriers	KZT 10B min. capital (~\$22M) 628^; two-tier banking license 628^; 35% = dominant position threshold 726^	3.8/5.0	Medium-High
Composite		4.5/5.0	Wide, Durable



Why the moat is multiplicative, not additive. In a purely additive model, losing one pillar merely weakens the edifice. In Kaspi's multiplicative model, each factor amplifies the others. Payments data improves credit underwriting: the company's models draw on 231 million loans, 44.5 billion transactions, and 54.7 billion user sessions over the past three years to evaluate risk 133^. Superior underwriting enables Kaspi Red BNPL — zero-interest installment credit that increases marketplace conversion by an estimated 20–40% at checkout 133^. BNPL drives more marketplace purchases, which generate more merchant relationships, which expand the Kaspi Pay acceptance network, which makes the consumer app more indispensable. The flywheel is self-reinforcing and compounding.

The data advantage translates directly into financial performance. Kaspi's cost of risk stands at 2.1% 133^, materially below the 3%-plus reported by Kazakh banking peers. In FY 2025, this gap widened slightly as Kaspi's cost of risk ticked up to 2.2% — still well below peer averages and remarkably low for unsecured consumer lending in an emerging market 133^. The Bank for

International Settlements has confirmed empirically that machine learning models using non-traditional data (mobile apps, e-commerce platforms) outperform traditional credit scoring, particularly during economic stress 723[^]. This validates Kaspi's approach while also flagging a long-term risk: the BIS research finds that the comparative advantage of fintech credit scoring "tends to decline for those borrowers with a longer credit history" 723[^]. As Kazakhstan's credit infrastructure matures, Kaspi's data moat may erode at the margins — though its closed-loop data (payments + marketplace + banking in one app) will likely remain superior to open-banking aggregation for years.

Kaspi's pricing power provides further moat validation. The company raised e-commerce take rates from 5–7% in prior years to 10.5% in FY 2025 (up 80 basis points year-over-year), with the e-commerce take rate reaching 12.7% (up 140 basis points) 266[^]. Advertising revenue — a high-margin value-added service — grew 64% year-over-year in FY 2025 266[^]. Average revenue per user increased 70% from KZT 100,731 in 2022 to KZT 173,071 in 2024 133[^]. Raising prices while growing volumes is the acid test for a genuine moat.

7.2 Switching Costs & Engagement

Buffett's concept of switching costs extends beyond contractual lock-in to encompass habit, inconvenience, and psychological attachment. Kaspi's switching costs operate at every level — consumer, merchant, and institutional — and they are quantifiable.

Consumer lock-in. The average Kaspi user conducts 77 transactions per month 266[^], or roughly 2.5 transactions daily. With a DAU/MAU ratio of 65–70% 155[^]6[^], approximately two-thirds of monthly users open the app every single day. This is not a utility checked once a week; it is a reflex embedded in daily life. One independent analysis put it succinctly: "Kaspi's 65% daily-active-to-monthly-active ratio is second only to WeChat globally. The 73 monthly transactions per active user implies the app is not a utility used once a week — it is a reflex" 6[^]. The app hosts users' complete financial history — payments, loans, deposits, government service interactions, shopping records, travel bookings — creating both operational and psychological barriers to departure. MAU retention exceeds 88% 447[^], and the Net Promoter Score reached 87% 6[^], with management surveying ~300,000 users monthly and tying manager compensation to NPS rather than financial targets 6[^].

Merchant lock-in. Kaspi Pay serves 737,000 active merchants 133[^]. Of these, 35% use Kaspi's integrated POS Register system, which embeds the platform into core business operations by combining payment processing, inventory management, tax reporting, and financial analytics 133[^]. Merchants depend on Kaspi for payments acceptance, marketplace sales, working capital (merchant finance is the fastest-growing lending product at 18% of fintech TPV in FY 2025 266[^]), advertising, and B2B payments 8[^]. A typical electronics retailer processing more than 50% of sales through Kaspi also relies on the platform for customer

analytics, advertising, and merchant financing 133[^]. Leaving Kaspi would require assembling multiple replacement providers — a high-friction, high-risk migration.

One important caveat tempers this picture of impenetrable switching costs: they are **asymmetric**. Consumers can and do multi-home — using Kaspi for daily payments while shopping on Wildberries or Ozon for specific categories. This is precisely how Russian marketplaces gained 20 percentage points of e-commerce share despite Kaspi's ecosystem lock-in 327[^]. Multi-homing is frictionless in e-commerce because shopping is an occasional, destination-driven activity. It is far harder in payments, where daily habit, merchant QR ubiquity, and integrated financial history create genuine single-homing behavior. The implication is that Kaspi's moat is deepest where transactions are frequent (payments) and most contestable where they are infrequent (marketplace).

The table below places Kaspi's engagement metrics in global context alongside the world's leading super-apps.

Metric	Kaspi.kz	WeChat	Grab	MercadoLibre	Paytm
MAU	15.3M 133 [^]	1.67B 1052 [^]	47M MTU 1052 [^]	77.9M fintech MAU 1065 [^]	270M 1052 [^]
DAU/MAU	65–70% 155 [^] 6 [^]	~80%+	N/A	N/A	~17% (46M DAU) 1052 [^]
Monthly Txns/User	77 266 [^]	Very High	N/A	~2.5 items/qtr 1055 [^]	~35 (UPI)
NPS	87% 6 [^]	N/A	N/A	N/A	90%
Retention	88%+ MAU 447 [^]	N/A	N/A	N/A	93% 1052 [^]
CAC	\$1.80 133 [^]	N/A	Higher	Higher	Low
Net Margin	~40.5%	N/A	Recently profitable	~10–13%	N/A
Adult Penetration	~76%	~90%+	N/A	~25%	~25%

Kaspi's metrics reveal a platform that punches above its weight. Its DAU/MAU ratio trails only WeChat — the gold standard for engagement globally. Its 77 monthly transactions per user are unmatched by any publicly disclosed super-app metric. Its \$1.80 customer acquisition cost, driven entirely by viral referrals and word-of-mouth, runs 4–7x below traditional banks 133[^]. The adult penetration rate of approximately 76% is comparable to WeChat's penetration in China and far exceeds MercadoLibre's or Paytm's reach in their respective markets. Where Kaspi stands apart from all comparables is its net margin: at roughly 40.5%, it generates profitability

levels that MercadoLibre (10–13%) and Grab (recently profitable) have not achieved — a direct consequence of the proprietary payments infrastructure that eliminates Visa/Mastercard interchange fees and the data-driven underwriting that minimizes credit losses.

7.3 Competitive Threats

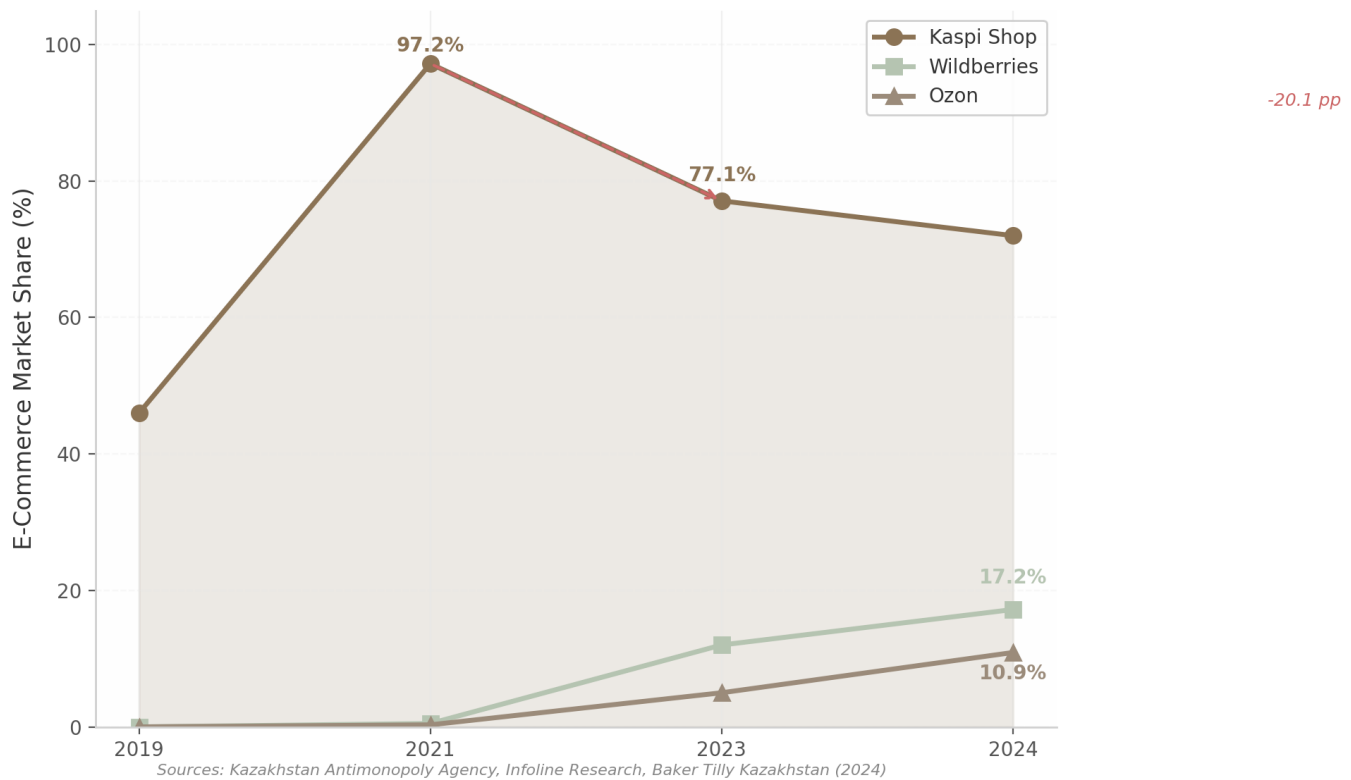
No moat is impenetrable. Kaspi faces four distinct competitive vectors, each with different velocity and severity.

Freedom Holding — the #1 credible challenger. Freedom Holding Corp. (FRHC), founded by billionaire Timur Turlov, has emerged as the most serious domestic threat. A Stanford Graduate School of Business case study explicitly frames Freedom as "a formidable challenger to local giants Kaspi and Halyk" 326[^]. Freedom's SuperApp reached 5.2 million users by April 2026, up from 500,000 at end-2024 — a 10x increase in 16 months that marks the fastest ecosystem growth in Central Asian digital history 324[^]. The company claims approximately 15% of payments market share, "at the expense of Kaspi" 324[^], and has built a distinctive "Freedom Currency" cashback model that converts rewards into fractional Freedom Holding shares, making users literal shareholders 324[^]. Turlov, aged 37 with an estimated net worth of \$7.6 billion, owns 71%+ of the company 624[^], bringing intense founder-operator focus. Freedom's NASDAQ listing provides global capital markets access, and its acquisitions (Arbuz.kz e-grocery, Aviata ticketing, Freedom Telecom) signal ecosystem ambition 620[^].

However, context matters. At 5.2 million users, Freedom is roughly one-third of Kaspi's scale. Its 15% payments share claim is self-reported and unverified by independent third parties 324[^]. Freedom's entry point — brokerage and investing — captures high-value customers but lacks the daily transaction frequency that defines Kaspi's payments-driven flywheel. Freedom is the competitor to watch most closely, but it remains years behind in ecosystem depth and network effects.

Russian marketplaces — the near-term e-commerce pressure. Wildberries and Ozon have executed the most successful competitive incursion to date, funded by their Russian operations and armed with cross-border logistics infrastructure. Kaspi's e-commerce market share declined from 97.2% in 2021 to 77.1% in 2023, per the Kazakhstan Antimonopoly Agency 327[^] — a 20.1 percentage point erosion in just two years. Wildberries reached 17.2% market share as of 2024 622[^], with a 150% increase in pickup points since January 2024 and two large logistics hubs (269,000 sqm combined) under construction in Almaty and Astana 650[^]. Ozon reported 223% revenue growth in 2024 and 10.9% market share 271[^]622[^], with pickup points growing 15x year-over-year in Q2 2024 327[^]. Wildberries has also begun launching fintech services — purchase-on-credit through Kazakh bank partnerships, consumer insurance, and BNPL — directly challenging Kaspi's lending ecosystem 652[^].

Kazakhstan E-Commerce Market Share: Kaspi vs. Russian Challengers



The chart above illustrates the competitive dynamics. While Kaspi's share has compressed, absolute marketplace GMV continues rising — e-commerce GMV grew 16% year-over-year to KZT 3.2 trillion in FY 2025 (27% on an underlying basis, excluding smartphone supply disruption) 266[^]. The market is expanding at 42% annually, allowing all participants to grow even as relative shares shift 327[^]. Kaspi's defense rests on four factors: (1) super-app integration creates natural discovery moments that standalone shopping apps cannot match; (2) the proprietary Postomat network (6,000+ units) provides 50–55% delivery cost savings versus home delivery 133[^]; (3) Kaspi Pay plus BNPL at checkout drives conversion advantages; and (4) Wildberries' seller fees at 5–10% undercut Kaspi's 9–12% 33[^], but Kaspi's integrated merchants receive bundled services (payments, advertising, analytics, financing) that justify the premium.

Traditional banks — large asset bases, inferior digital. Halyk Bank, Kazakhstan's largest bank by total assets, represents the most credible incumbent challenger. Halyk reached 6.2 million monthly transactional users in FY 2025 (up 12.7% year-over-year) and 3.2 million daily active users (up 45% year-over-year) 613[^]. Its Halyk Marketplace generated KZT 123.6 billion in GMV (~\$244 million) in FY 2025 613[^] — approximately one-seventeenth the size of Kaspi's marketplace. Halyk has launched a multi-tier loyalty program (Halyk+) and an OnlineDuker B2B platform, recognizing it must match Kaspi's playbook 396[^]. Yet the engagement gap is structural: Halyk's 6.2M MTU compares to Kaspi's 15.3M MAU, and Halyk's DAU/MAU of roughly 38% 613[^] is barely half of Kaspi's 65–70%. Halyk has the balance sheet and branch network; Kaspi has the daily habit. Forte Bank, a digital-first mid-tier player, has grown retail

customers 15% and SME customers 23.4% 630^ but lacks the ecosystem breadth to pose a direct threat.

International fintechs — regulatory barriers provide defense. There is no evidence of Alipay, WeChat Pay, or PayPal making meaningful entry into Kazakhstan's domestic payments market as of mid-2026. Kaspi has turned potential threats into partners: its QR system integrates with five local banks and AliPay+ for international transactions 283^. Kazakhstan's regulatory framework erects substantial barriers — a KZT 10 billion (~\$22 million) minimum capital requirement for banking licenses, strict AML/KYC compliance, physical office requirements, and a two-tier licensing system introduced in 2025 628^635^. The market's 19 million population is relatively small, making the investment case for direct entry unattractive for global giants. The bigger threat is indirect: Chinese e-commerce platforms (Temu, AliExpress) gaining traction in cross-border commerce 622^, though these do not compete in domestic payments or banking.

7.4 Moat Trend

Assessing whether a moat is widening, stable, or narrowing requires tracking specific leading indicators for each pillar.

Widening factors. Kaspi's payments dominance has strengthened over time, with share growing from approximately 2% in 2018 to 80–86% by 2024–2025 — processing more domestic transactions than Visa and Mastercard combined 133^317^. Regulatory barriers are increasing: the 2025 two-tier banking law, the 46% interest rate cap, and active antitrust enforcement by the Agency for Financial Market Regulation all raise the compliance burden for entrants 628^352^. The data advantage deepens with every transaction — the flywheel compounds as more users generate more data, which improves underwriting, which enables more lending, which drives more purchases. The merchant ecosystem is also expanding: 737,000 merchants 133^ with 35% on integrated POS represents an embedded base that grows stickier over time.

Narrowing factors. E-commerce market share is the clearest narrowing spoke, having declined from 97.2% to roughly 70–77% between 2021 and 2023–2024 327^. Freedom Holding's 10x user growth in 16 months 324^ demonstrates that well-funded, founder-led challengers can gain meaningful traction in payments. Domestic saturation at approximately 76% adult penetration 133^ leaves limited organic user growth runway in Kazakhstan — future expansion must come from ARPU growth or international markets (principally Turkey via Hepsiburada). The 46% interest rate cap compresses fintech margins and could tighten further if the regulator opts for additional consumer protection measures 352^.

Verdict: stable-to-widening overall. Individual spokes of the moat — particularly e-commerce marketplace share — are under genuine pressure. But the system as a whole is strengthening. Payments (daily habit, proprietary infrastructure, growing share) is Kaspi's deepest moat, and it

is widening. The data flywheel (3,600+ points per user, 2.1–2.2% cost of risk) remains far ahead of any competitor. The brand (87% NPS, \$1.80 CAC) generates organic growth with near-zero marketing spend. Regulatory barriers increase with each new licensing requirement. The net assessment is that Kaspi's moat is **wide and durable**, rated 4.5 out of 5.0 — not permanent, but requiring years and billions of dollars of investment to breach. As Munger would observe: when network effects, data advantage, switching costs, brand trust, and regulatory barriers all act in accordance, the result is a lollapalooza that competitors underestimate at their peril 632^.

8. International Expansion: Turkey & Beyond

Kaspi.kz's Kazakhstan franchise generates roughly \$2 billion in annual net income at 45% return on equity — an extraordinary cash machine that management has chosen to redeploy beyond its borders. 52^ The question for investors is not whether expansion is necessary — a 20-million-person market eventually exhausts its growth runway — but whether the capital is flowing toward destinations with adequate risk-adjusted returns. This chapter examines the largest deployment in company history: approximately \$1.4 billion committed to Turkey, alongside a portfolio of smaller bets across Central Asia and the Caucasus that together function as a low-cost option on regional digitization.

8.1 The Turkey Strategy

Why Turkey

Turkey offers a rare combination of scale, underpenetration, and cultural proximity that justifies its position as Kaspi's primary international destination. The country has 85 million people — more than four times Kazakhstan's population — with an e-commerce market estimated at \$42 billion in 2024 and projected to exceed \$80 billion by end-2025. 8^ Penetration remains meaningfully below European benchmarks: 55.7% of Turks shopped online in 2024 versus 73% across 38 European countries, a 17.3 percentage point gap that represents years of structural growth. 9^ E-commerce represents just 6.9% of Turkish GDP, and the market carries a projected compound annual growth rate of 7.47% through 2030. 10^ These figures describe a market roughly where Western Europe stood five to seven years ago — large, growing, and far from saturated.

The strategic logic extends beyond raw demographics. Kazakhstan and Turkey share deep historical ties through the Organization of Turkic States (OTS), with bilateral trade reaching \$4.9 billion in 2025 and Kazakh investment in Turkey surging to approximately \$1 billion in the first nine months of 2025 alone — a 31.7-fold year-over-year increase. 44^ 45^ Between 5,000 and 6,000 Turkish-capital companies operate in Kazakhstan, while Turkish investments in Kazakhstan over the past 20 years have approached \$6 billion. 44^ This two-way flow creates

institutional familiarity, shared linguistic roots (both are Turkic languages), and established logistics corridors — the kind of soft infrastructure that reduces execution risk for a Kazakhstani operator entering a foreign market.

Critically, 91% of Turkish e-commerce transactions occur via mobile device. 11^ This mobile-first dynamic plays directly to Kaspi's core competency: its Kazakhstan super-app was built mobile-native, and the technology stack — payments, marketplace algorithms, credit scoring, merchant onboarding — is architected for smartphone-dominant consumer behavior. Turkey is not merely a large market; it is a large market where Kaspi's existing capabilities transfer with minimal friction.

Hepsiburada: The Acquisition Target

Hepsiburada — literally "everything is there" in Turkish — was founded in 2000 by Hanzade Doğan Boyner as the e-commerce arm of Doğan Holding, one of Turkey's largest conglomerates. 1^ It spent its first 15 years reaching one million annual deliveries, prioritizing trust-building over blitzscaling in a market skeptical of online commerce. 2^ This patient approach built durable merchant relationships and a logistics network (HepsiJet) that would prove difficult to replicate.

In July 2021, Hepsiburada listed on NASDAQ at a \$3.9 billion valuation, raising \$681 million and becoming the first Turkish technology company on a major U.S. exchange. 3^ The IPO proved poorly timed. Turkish macro volatility, competitive pressure from Alibaba-backed Trendyol, and the broad de-rating of growth equities collapsed Hepsiburada's market capitalization to approximately \$707 million by October 2024 — an 82% decline from its listing valuation. 4^ Kaspi announced its acquisition four days later.

Prior to the acquisition, Hepsiburada was Turkey's #2 e-commerce platform with approximately 12 million active consumers, 101,000 merchants, and \$4 billion in annual gross merchandise value (GMV) for fiscal year 2023. 5^ The platform was EBITDA-positive in the first half of 2024, equivalent to 2.4% of GMV — evidence of underlying operational discipline beneath the share price collapse. 5^

The Investment Summary

Kaspi's Turkey deployment spans two major transactions: the Hepsiburada acquisition and the planned Rabobank A.S. banking license purchase.

Investment	Amount	Stake	Timing	Strategic Purpose
Hepsiburada acquisition	\$1.127 billion 5^	65% → 86% 24^	Closed January 2025	E-commerce marketplace, logistics (HepsiJet), fintech (HepsiPay), 12M consumer base
Additional capital injection	~\$100 million 23^	Increases to 86%	3Q 2025	Growth investments: delivery, marketing, BNPL, UX improvements
Rabobank A.S. acquisition	~\$300 million 28^	100% (pending)	Closing mid-2026 (delayed) 29^	Full banking license for consumer/merchant lending and deposits
Total committed capital	~\$1.4 billion+			

The Hepsiburada acquisition was funded through a combination of internal cash (\$600 million initial payment), deferred operating cash flow (\$526.9 million), and external debt — a \$650 million Eurobond placement plus \$600 million in senior notes issued in April 2026 at a 5.9% coupon. 50^ Kaspi suspended dividends for Q4 2024 and Q1 2025 to preserve capital for the transaction, resuming distributions at KZT 850 per ADS in Q4 2025. 51^ The financing structure demonstrates prudent capital allocation: a mix of internal generation and low-cost debt, with shareholders temporarily sacrificing yield for what management judged to be a superior reinvestment opportunity.

The Trendyol Challenge

No analysis of Kaspi's Turkey bet is complete without acknowledging the elephant in the room. Trendyol — founded in 2010, acquired by Alibaba in 2018 — is Turkey's dominant e-commerce platform with an estimated 34-40% total market share. 12^ In 2024, Trendyol generated \$4.9 billion in net sales against Hepsiburada's \$1.1 billion — a 4.65x revenue advantage. 13^ Its GMV reached \$12.5 billion in 2024 (30-35% year-over-year growth) and is estimated at \$17.8 billion for 2025. 12^

Alibaba has committed \$2 billion to Trendyol's logistics and data capabilities, and the company reinvests several billion dollars of revenue annually into infrastructure and customer acquisition. 14^ Trendyol operates its own logistics arm (Trendyol Express), a payments subsidiary (Trendyol Pay), and has expanded internationally into Germany, the Gulf region, and Central and Eastern Europe — with international revenue representing nearly 20% of its business and growing at triple-digit rates. 15^ 16^

This scale differential is the central competitive risk facing Kaspi's Turkey investment. Turkey's e-commerce market may be "winner-take-most," and Trendyol's combination of Alibaba capital, established logistics density, and accelerating international expansion creates a moat that Hepsiburada cannot realistically close through organic growth alone. The question is not whether Hepsiburada will overtake Trendyol — it almost certainly will not — but whether a strong #2 position in a market growing at 7-15% annually can generate acceptable returns on \$1.4 billion of invested capital. For context, Amazon Turkey generated only \$572.8 million in 2024 net sales — roughly half of Hepsiburada's level and 8.7% of Trendyol's — suggesting that even well-capitalized global entrants struggle to crack Turkey's competitive dynamics. 17^

8.2 Turkey Performance & Integration

Financial Trajectory: From Losses to Breakeven

Hepsiburada's post-acquisition financials reflect a deliberate investment phase. For the nine months of 2025, the platform reported a net income loss of TRY 2.5 billion (approximately \$70-80 million), with TRY 1.3 billion in Q3 2025 alone driven by increased spending on delivery speed, marketing, buy-now-pay-later (BNPL) options, and mobile user experience improvements. 21^ On a Kaspi group basis, Hepsiburada contributed KZT 729 billion in revenue but a net loss of KZT 34 billion for the same nine-month period. 52^

Yet the trajectory tells a more nuanced story than the headline losses suggest. Adjusted EBITDA was approximately breakeven in Q4 2025 and positive TRY 1.1 billion for full-year 2025. 22^ In Q1 2026, management confirmed the business was "near EBITDA breakeven for the full three-month period, consistent with company target." 22^ Achieving breakeven while simultaneously accelerating top-line growth is precisely the combination that validates the investment thesis — it suggests the business model can scale without requiring infinite losses.

The operational improvements underpinning this financial inflection are concrete. Next-day shipping coverage improved from 47% to 63% over 2025, narrowing the delivery gap with Trendyol Express. 25^ Kaspi is actively scaling its Kazakhstan technology into Turkey — investing in 360-degree consumer data architecture and joint product development across both markets. 26^ Cross-border commerce capabilities are under construction: Turkish merchants' goods will eventually appear on Kaspi's Kazakhstan platform, and Kazakh merchants' goods will be listed on Hepsiburada, leveraging the fastest available delivery corridors between the two countries. 27^

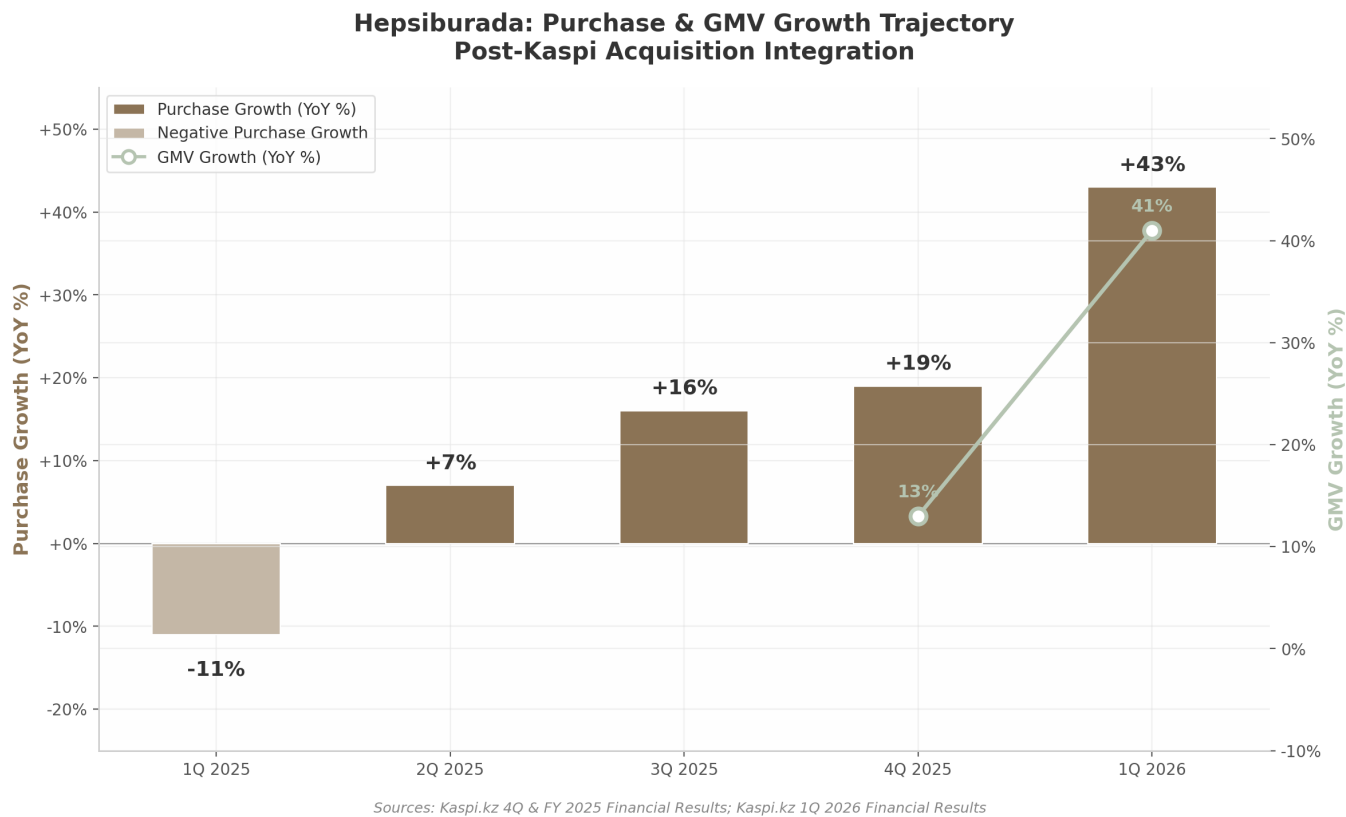
The Engagement-First Strategy

Management's stated strategy is to "deliberately manage Hepsiburada to around Adjusted EBITDA breakeven" while prioritizing consumer engagement metrics — purchase frequency, monthly active users, and "engaged consumers" — over near-term profitability. 41^ This is a capital allocation framework Buffett would recognize: reinvest aggressively when returns on

incremental capital exceed the cost of that capital, even if it suppresses current earnings. The guardrail, as management has articulated it, is that the Turkey business must remain free cash flow positive — a constraint that prevents open-ended subsidization. 43^

The engagement metrics support this approach. In 1Q 2026, e-commerce GMV grew 41% year-over-year on a constant-currency pro-forma basis, while purchases grew 43% and purchase frequency per consumer increased 44% to 15 purchases per quarter. 20^ Hepsiburada now accounts for roughly half of Kaspi's consolidated e-commerce GMV, and 2026 group guidance — approximately 20% consolidated GMV growth, 15% total payment volume (TPV) growth, and 5% adjusted EBITDA growth — includes Turkey for the first time. 42^

The following chart illustrates the acceleration in Hepsiburada's purchase growth from the acquisition close through Q1 2026:



The trajectory is instructive: from -11% purchase growth in Q1 2025 (pre-integration) to +19% by Q4 2025 and +43% by Q1 2026. GMV growth followed a similar arc, reaching 41% year-over-year in Q1 2026. 19^ 20^ This is not the pattern of a deteriorating asset. It is the pattern of a business where incremental investment is generating accelerating returns — the hallmark of sound capital deployment.

8.3 Turkey Risk Assessment

Bear Case: Persistent Losses and Insurmountable Competition

The bear case rests on three pillars. First, Trendyol's 4.7x revenue advantage and Alibaba's \$2 billion commitment may render the #2 position structurally unprofitable. If Trendyol can outspend Hepsiburada on logistics, subsidies, and marketing indefinitely, Hepsiburada's engagement gains may prove ephemeral — purchased rather than earned. Second, Turkish macro volatility remains acute: inflation stood at 31% year-over-year at end-2025, the lira lost approximately 15% against the dollar in the first nine months of 2025, and the IMF projects end-2026 inflation at 23% — seven percentage points above the Central Bank of Turkey's 16% target. 33^ 34^ 35^ Sustained high inflation compresses real consumer spending power and complicates working capital management for an e-commerce operator. Third, execution risk is elevated: the Rabobank closing has been delayed from year-end 2025 to mid-2026, 29^ Hepsiburada CEO Nilhan Onal Gökçetekin announced her departure by July 2026, 7^ and Turkish regulatory authorities have investigated Hepsiburada for alleged competition law non-compliance. 32^

Historical precedents are sobering. Getir, Turkey's quick-commerce pioneer, collapsed from a \$12 billion valuation in 2022 to exiting all international markets by April 2024, losing \$2.3 billion in raised capital. 47^ eBay shut down its Turkish unit GittiGidiyor in July 2022 after 21 years of operation. 48^ Turkey's market has consumed foreign capital with ruthless efficiency.

Bull Case: Engagement, GMV, and Market Scale

The bull case counters with equally specific evidence. Purchase frequency per consumer has already risen 44% to 15 purchases per quarter — still far below Kaspi Kazakhstan's 77 monthly transactions, but moving in the right direction with substantial runway remaining. 20^ GMV growth of 41% year-over-year in Q1 2026, 20^ on top of revenue growth of 18% in Q4 2025 and 13% for full-year 2025, 19^ demonstrates that the engagement investments are translating into top-line acceleration. Advertising and delivery revenue grew 73% in Q1 2026, pushing the e-commerce take rate up 90 basis points to 15.8% — a monetization trajectory that mirrors Kaspi's successful Kazakhstan playbook. 20^

The addressable market provides the decisive argument. Turkey's population of 85 million is 4-5x Kazakhstan's 20 million. Its e-commerce market, at \$42-80 billion, is roughly 15-20x Kazakhstan's. 8^ Even if Hepsiburada captures only 10-15% of this market — a conservative assumption for a #2 player with established logistics and a full banking license pending — the revenue opportunity would exceed \$4-8 billion annually, or 2-4x the entire purchase price. The Turkey BNPL and consumer lending market alone is valued at approximately \$10 billion, with 62% of Turkish consumers expressing a preference for installment purchasing. 37^

Bounded Risk: The Margin of Safety in the Funding Source

The most critical insight for investors is that the Turkey bet's risk is bounded not by the deal terms but by the funding source. Kaspi's Kazakhstan franchise generates over \$2 billion in

annual net income at 45% ROE. 52^ The full \$1.4 billion Turkey commitment equals approximately eight months of domestic earnings. Even in a severe failure scenario — a complete Hepsiburada write-off — the equity impact would be 10-15%, not a bankruptcy event. 52^

This framework inverts the typical risk analysis. Investors fear Turkey because \$1.4 billion is a large absolute number. But capital allocation should be evaluated relative to the cash-generating capacity of the funding source. A bet that consumes less than one year of monopoly-generated earnings, in a market 4-5x the home market's population, with early traction evidence of 41% GMV growth and EBITDA breakeven — this is not reckless expansion. It is disciplined redeployment of excess capital into a market with demonstrably higher marginal returns than share buybacks or dividend increases could provide.

8.4 Regional Markets

Beyond Turkey, Kaspi maintains a portfolio of smaller market positions that function as what can be termed "negative free options" — they cost almost nothing but retain significant upside if conditions align.

Market	Entry Method	Capital Deployed	Current Status	Strategic Value	Timeline to Materiality
Azerbaijan	Classifieds acquisitions (turbo.az, bina.az, tap.az) 5^	Undisclosed; likely <\$50M	~0.19% of revenue; double-digit MAU growth 6^	Classifieds beachhead; Kolesa partnership provides Uzbekistan foothold 5^	2029+ (small market: 10M population)
Uzbekistan	Humo privatization bid (withdrawn Nov 2024) 18^; cross-border remittances to Uzcard/Humo launched Mar 2025 21^	Minimal (bid costs only)	Payment rails only; 36M population, underbanked	Largest untapped market in Central Asia; TBC already has 18M users 13^	2028-2030 (competitive)
Georgia	No corporate entry	N/A	CEO Lomtadze's birthplace	Cultural familiarity but market	No plans announced

Market	Entry Method	Capital Deployed	Current Status	Strategic Value	Timeline to Materiality
			12^; banking duopoly (TBC + Bank of Georgia = ~77% share) 9^	saturated and small (~3.7M)	
Kyrgyzstan	O!Bank QR integration (Jan 2025) 25^	Minimal	Cross-border payments only; fee-free transfers	Testbed for cross-border payment infrastructure 26^	Unlikely to be material (7M population)
Ukraine	Classifieds (pre-2022)	Undisclosed	Operations suspended post-invasion 6^	Geopolitically stalled	Indeterminate

This regional map reveals a deliberate phased playbook. Phase 1 establishes cross-border payment rails — integrating with local systems like Kyrgyzstan's O!Bank and Uzbekistan's Uzcard/Humo networks — at minimal capital cost. 25^ 21^ Phase 2 acquires classifieds platforms as brand beachheads, as done in Azerbaijan in 2019. 5^ Phase 3 deploys the full marketplace-plus-payments model, as executed in Turkey via Hepsiburada. Phase 4 adds banking and fintech to complete the super-app flywheel, contingent on the Rabobank license. 28^ Phase 5, still years away, would replicate the proven playbook in additional markets.

The capital efficiency of this approach deserves emphasis. Azerbaijan, despite contributing only 0.19% of revenue, has posted double-digit monthly active user growth and provides Kaspi controlling interest in Kolesa — which owns Uzbekistan's leading car classifieds platform, avtoelon.uz. 5^ 6^ The Uzbekistan Humo bid cost nothing but letter-writing effort, yet maintained Kaspi's visibility in a 36-million-person market where fintech investment inflows quadrupled in 2025 to over \$260 million. 15^ Kyrgyzstan's O!Bank integration required negligible capital but established QR payment interoperability across a border that sees substantial two-way traffic. 25^

The insight here is one that aligns with Munger's concept of optionality. Each regional position functions as a call option on market development — Azerbaijan's digital payments adoption accelerating (cashless payments reached \$5.15 billion in a single month in July 2024, up 20.2% year-over-year), 1^ Uzbekistan's government actively establishing a fintech department within

its central bank, 15^ Kyrgyzstan's remittance-dependent economy gradually digitizing. None of these options required meaningful capital. Collectively, they represent asymmetric upside: if any single regional market develops faster than expected, Kaspi has established beachheads without the heavy lift of full greenfield entry.

The competitive dynamics in these smaller markets merit caution. TBC Bank Group, Georgia's leading bank, has already executed the Kaspi playbook in Uzbekistan — reaching 18 million registered users and profitability within two years — establishing first-mover advantages that Kaspi may struggle to overcome. 13^ Uzum, Uzbekistan's first unicorn at a \$1.5 billion valuation, explicitly models itself on Kaspi.kz and has secured Tencent backing. 23^ These are not empty markets waiting for a savior. They are contested spaces where Kaspi's technology advantages must overcome incumbents with local knowledge and established user bases.

Yet even here, the risk-reward asymmetry favors Kaspi. The capital committed to regional markets outside Turkey is a rounding error relative to the \$1.4 billion Turkey deployment. The Kazakhstan cash machine funds the Turkey bet while these smaller positions incubate at negligible cost. Should any regional market reach material revenue contribution — defined as 5% or more of consolidated revenue — it would represent a meaningful valuation re-rating event. The base case, in which regional markets contribute less than 5% of revenue through 2030, still leaves Turkey and Kazakhstan as sufficient value drivers. The regional portfolio is, in the final analysis, a set of low-probability, high-payoff options funded by a high-probability, high-cash-flow core — a capital structure that rewards shareholders under most scenarios while preserving meaningful upside if Central Asian digitization accelerates.

Chart Reference: Hepsiburada monthly purchase growth trajectory (Section 8.2) saved to `kaspi_chart_hepsiburada_growth.png`.

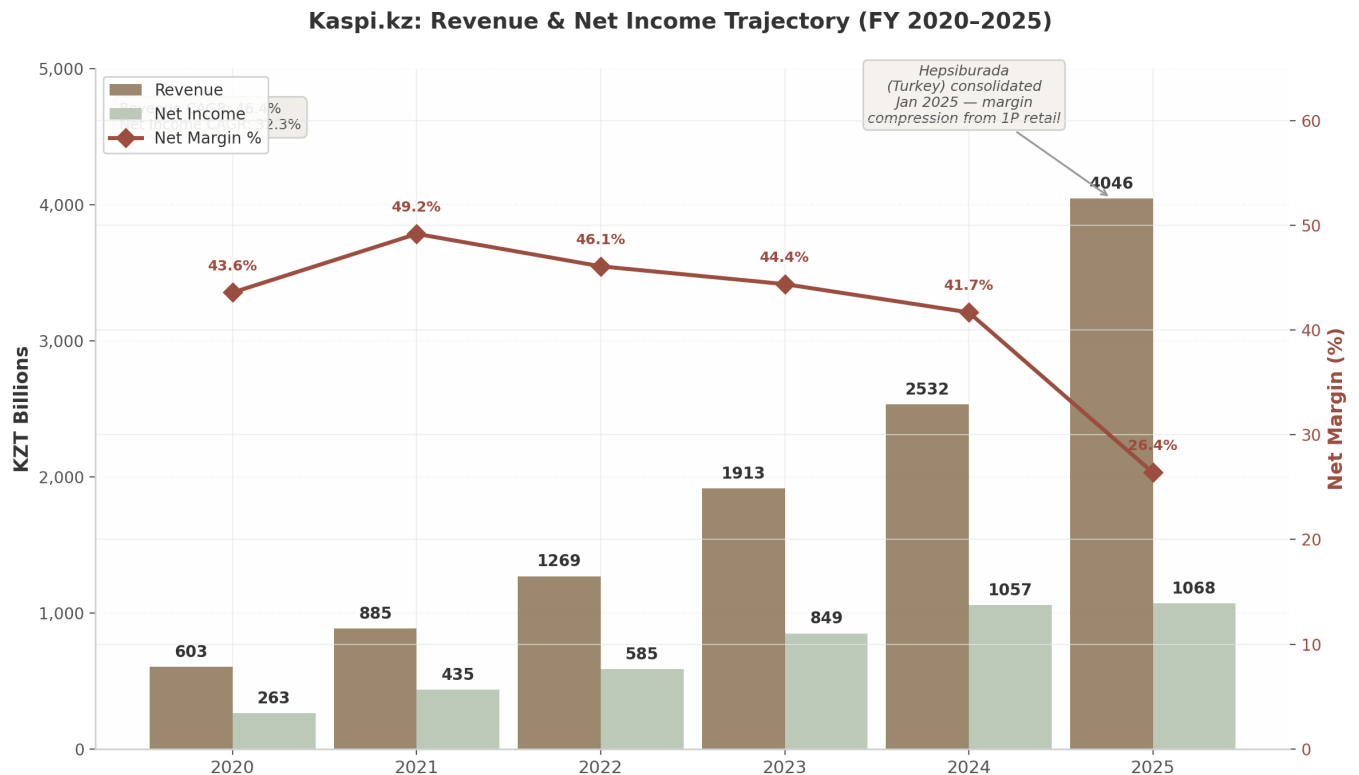
9. Financial Performance & Segment Economics

9.1 Historical Financial Performance

Kaspi.kz's financial trajectory over the past six years ranks among the most extraordinary of any public company globally. Revenue expanded from KZT 603 billion in 2020 to KZT 4,046 billion in 2025 — a 46.4% compound annual growth rate that places Kaspi in the top decile of public-company growth worldwide 1^. Net income grew from KZT 263 billion to KZT 1,068 billion over the same period, a 32.3% CAGR that generated cumulative net earnings of approximately KZT 4.2 trillion (~\$8 billion at average exchange rates) 2^. These figures are all the more remarkable for a company domiciled in a hydrocarbon-dependent economy with a cumulative 65% currency devaluation against the U.S. dollar between 2014 and 2024 3^.

The headline growth masks a divergence between top-line and bottom-line dynamics. While revenue surged 59.8% year-over-year in 2025, net income rose only 1.0%, and net margins compressed from 41.7% to 26.4% 4^ . This margin compression is attributable to three factors, two structural and one temporary. First, the January 2025 consolidation of Hepsiburada introduced KZT 1,037 billion in 1P retail revenue with associated COGS of approximately KZT 840 billion, depressing consolidated margins 5^ . Hepsiburada generated a KZT 68 billion net loss for the full year 2025 6^ . Second, the National Bank of Kazakhstan maintained its base rate at 16.5% through most of 2024–2025, driving Kaspi's deposit cost of funding up 220 basis points year-over-year to 14.3% by 1Q 2026 7^ . Third, regulatory changes — including a corporate income tax increase from 20% to 25% for banks effective January 2026 — created a known headwind of approximately 200 basis points to the consolidated effective tax rate 8^ . Stripping out these effects, underlying Kazakhstan net income grew approximately 18% in FY 2025, a figure that reconciles the gap between headline and operational performance 9^ .

Quarterly data reveals the seasonal and strategic cadence of the business. Revenue stepped up each quarter from KZT 565 billion (1Q 2024) to KZT 834 billion (1Q 2025) and then to KZT 1,081 billion (1Q 2026), reflecting both organic growth and the Hepsiburada consolidation 10^ . Management has guided for approximately 5% adjusted EBITDA growth in 2026 on a base of KZT 1.6 trillion, with revenue growth projected at roughly 17% per annum through 2028 11^ . The near-term decoupling of revenue from earnings reflects management's deliberate trade-off: investing current margins to scale Turkey and defend market share against regulatory headwinds.



The chart above illustrates the inflection point in 2025. Revenue growth accelerated sharply with Hepsiburada, while net income flattened and margins compressed. For a Buffett/Munger-oriented analyst, the relevant question is not whether 2025 margins were lower than 2024's — they were, and this was expected — but whether the underlying Kazakhstan franchise continues to generate exceptional returns. The answer is yes: the domestic business maintained 40%+ net margins, and the 18% underlying net income growth confirms that the core engine is intact 12^.

9.2 Segment Economics

Kaspi.kz operates three integrated platforms — Payments, Marketplace, and Fintech — each with distinct economic profiles. Understanding these segment economics is essential because the mix of earnings between capital-light Payments/Marketplace and balance-sheet-intensive Fintech has profound implications for valuation, capital requirements, and long-term returns on equity.

Table 1: Segment P&L — FY 2024 and Key Metrics

Segment	FY 2024 Revenue (KZT bn)	% of Total	FY 2024 Net Income (KZT bn)	% of Total	Net Margin	Capital Intensity	Key Operating Metric
Payments	587.1 13^	23.2%	382.0 13^	36.1%	65.1% 13^	Very Low	TPV: KZT 37.2T 14^
Marketplace	732.9 13^	28.9%	348.4 13^	32.9%	47.5% 13^	Low (3P model)	GMV: KZT 3.0T 15^
Fintech	1,281.8 13^	50.6%	327.0 13^	31.0%	25.5% 13^	High (loan book)	Avg Loans: KZT 4.9T 16^
Consolidated	2,532.2	100%	1,056.8	100%	41.7%	Blended	—

Note: Take rate refers to revenue as a percentage of TPV (Payments) or GMV (Marketplace). Fintech yield refers to annualized interest income as a percentage of average net loan portfolio.

The most important structural trend in Kaspi's financials is the compositional shift of net income away from Fintech and toward Payments and Marketplace. In FY 2024, Payments and Marketplace combined contributed 69.0% of consolidated net income, up from 66.0% in FY 2023 and 52.0% in FY 2021 17^. This is a positive mix shift: Payments requires negligible regulatory capital and generates 65% net margins — among the highest of any payments

business globally — while Marketplace operates on a capital-light 3P model with expanding take rates 18^.

Payments remains the crown jewel. With TPV of KZT 37.2 trillion in FY 2024 and a take rate of approximately 1.18%, the segment generated KZT 587 billion in revenue on a fixed-cost technology infrastructure 19^. Operational leverage is substantial: as transaction volume grows, incremental processing costs are near zero. Payments net income grew 19% year-over-year in 9M 2025 on revenue growth of just 14%, demonstrating the gearing effect 20^. The segment's profitability is further enhanced by interest revenue on current account balances, which accounted for 26% of Payments revenue in 1Q 2026 21^. The gradual take rate compression — from 1.25% in 4Q 2023 to 1.03% in 1Q 2026 — reflects faster growth in lower-take-rate QR and B2B payments, but this is more than offset by volume growth and interest income 22^.

Marketplace is the fastest-growing segment by engagement, with FY 2025 GMV reaching KZT 6.7 trillion (including Turkey) and 8.1 million consumers in FY 2024 23^. The economics are compelling and improving. e-Commerce take rate expanded 140 basis points year-over-year to 12.7% in FY 2025, driven by value-added services — advertising revenue grew 64% year-over-year, and VAS (advertising plus delivery) revenue surged 73% year-over-year in 1Q 2026 24^. Management's target of reaching MercadoLibre-level take rates (approximately 17–18% on 3P commerce) suggests 400–500 basis points of additional runway 25^. The 1P component from Hepsiburada (approximately one-third of Turkey GMV) adds COGS that depress reported margins, but the underlying 3P marketplace economics remain robust 26^.

Fintech remains the largest revenue contributor at 50.6% of FY 2024 consolidated revenue, but its share of net income has declined from 62% in FY 2020 to 31% in FY 2024 27^. This is deliberate. Management has been shifting the loan portfolio mix away from short-duration BNPL toward longer-duration merchant finance and auto loans, extending portfolio duration from 7 months to 9.3 months 28^. While this reduces TFV (total financial volume), it increases interest-bearing assets and revenue per unit of risk. The average net loan portfolio reached KZT 7.2 trillion (\$15.1 billion) in 1Q 2026, up 23% year-over-year, with yield stable at approximately 24% 29^. BNPL (Kaspi Red) accounted for 41% of FY 2025 TFV and continues to serve as the primary flywheel engine: a typical \$100 purchase on Kaspi Marketplace financed through BNPL and processed via Kaspi Pay generates approximately \$35 in combined ecosystem revenue, split across marketplace commission (~\$10), payment processing (~\$1–2), and merchant-funded financing charges (~\$20–25) 30^. First payment default rates on BNPL remain exceptionally low at 0.9%, with second payment default at 0.4% — stable since early 2023 31^.

The structural implications of this mix shift are significant. A business generating 69% of its profits from capital-light segments (Payments and Marketplace) deserves a higher valuation multiple than a traditional bank generating 100% of profits from lending. As Payments and Marketplace continue to grow faster than Fintech, Kaspi's capital requirements per unit of

earnings decline, free cash flow conversion improves, and the business increasingly resembles a digital platform rather than a financial institution.

9.3 Asset Quality & Capital

A lender growing its loan book 23–38% annually in an emerging market with a 24% portfolio yield would normally command elevated credit risk scrutiny. Kaspi's asset quality metrics suggest management navigates this terrain with discipline, though investors should monitor trends closely.

Table 2: NPL Ratio and Cost of Risk Evolution

Period	NPL Ratio	Cost of Risk (Annualized)	NPL Coverage	Portfolio Composition Note
Dec 2022	5.3% 32^	2.5% 33^	N/A	Post-COVID normalization
Dec 2023	5.5% 34^	2.0% 33^	N/A	Rate cap introduction (46%)
Dec 2024	5.4% 34^	2.1% 33^	90% 34^	Stable credit environment
Mar 2025	5.6% 35^	2.2% 33^	88% 35^	Q1 seasonality
FY 2025	6.1% 36^	2.2% 33^	N/A	Mix shift to secured loans
1Q 2026	6.6% 36^	2.8% 36^	78% 36^	Continued secured loan shift

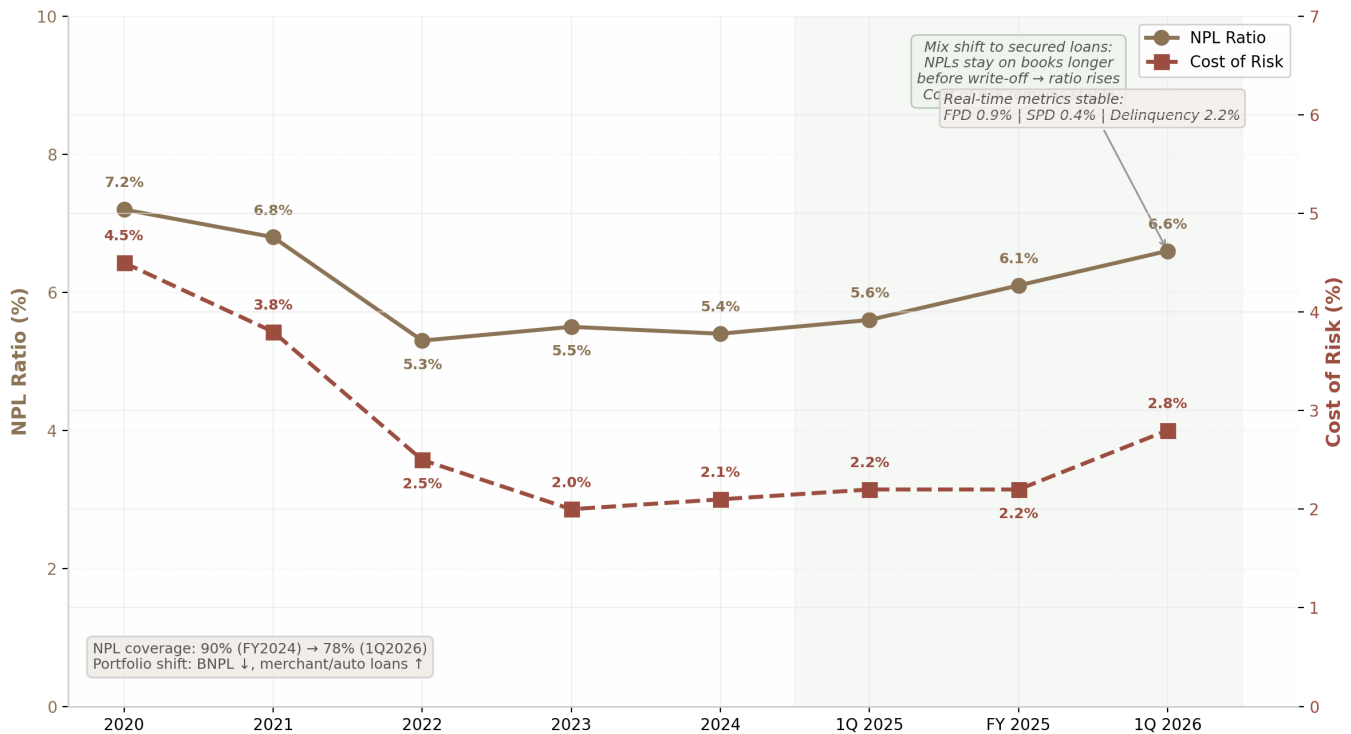
Note: Cost of risk for 1Q 2026 is annualized from quarterly 0.7% (vs. 0.6% in 1Q 2025). The increase reflects NPL coverage release timing, not credit deterioration.

The NPL ratio rose from 5.4% at year-end 2024 to 6.6% in 1Q 2026 — a 120 basis point increase over five quarters that warrants explanation. Management attributes approximately 80–90 basis points of this increase to a deliberate portfolio mix shift toward secured loans (auto finance, merchant lending) where non-performing loans remain on the balance sheet longer before write-off 37^.

Secured loans have lower loss given default but slower NPL recognition timelines, mechanically increasing the NPL ratio even as credit quality remains stable. This explanation is corroborated by real-time risk metrics: first payment default (FPD) held at 0.9%, second payment default (SPD) at 0.4%, and portfolio delinquency at 2.2% — all stable since early 2023 38^.

If the underlying portfolio were deteriorating, these leading indicators would move first. They have not.

Kaspi.kz: NPL Ratio & Cost of Risk Trends (FY 2020-1Q 2026)



The cost of risk — actual credit losses recognized in the P&L — remained remarkably stable at 2.0–2.2% from FY 2022 through FY 2025, rising only to 2.8% on an annualized basis in 1Q 2026 ^{39^}. For a consumer lender in an emerging market with a 24% portfolio yield, a 2.1–2.2% cost of risk implies a gross risk-adjusted spread of approximately 2,180 basis points before operating expenses — an extraordinary risk-adjusted return. By comparison, Brazilian fintech Nubank reported cost of risk of 5.2% in 2024 on lower-yielding products, while Indian consumer lenders typically report 2.5–4.0% ^{40^}.

NPL coverage declined from 90% (Dec 2024) to 78% (1Q 2026), reflecting the same mix-shift dynamic: secured loans have higher recovery values, so lower coverage ratios are economically appropriate ^{41^}. Management guided that the NPL ratio "will continue to be elevated as we continue the portfolio mix shift" but emphasized that "the probability of collection on NPLs is improving" ^{42^}.

On capital adequacy, Kaspi maintains a fortress balance sheet. As of December 31, 2025, the Tier 1 capital (k1.2) ratio stood at 19.6% and the total capital (k.2) ratio at 19.6%, up from 17.6% and 18.3% respectively in 2024 ^{43^}. These ratios compare against minimum regulatory requirements of 6.5% for Tier 1 and 8.0% for total capital — providing buffer margins of approximately 1,300 basis points and 1,160 basis points respectively ^{44^}. At these levels, Kaspi can grow its loan book at 20%+ annually for several years without requiring equity issuance. The company also holds investment-grade credit ratings from both Moody's (Baa3, stable outlook) and Fitch (BBB-) ^{45^}, which supports access to international debt markets: Kaspi issued \$650 million in Eurobonds at 6.25% in March 2025 and \$600 million at 5.9% in April 2026 ^{46^}.

The debt-to-equity ratio of approximately 12% is conservative for a bank holding company, reflecting management's reluctance to employ financial leverage despite the availability of low-cost funding 47[^]. This capital discipline is characteristic of owner-operated businesses where management's personal wealth is tied to the equity value.

9.4 Tax & Regulatory Financial Impact

Kazakhstan's regulatory environment shifted materially in 2025–2026, with multiple policy changes converging to pressure near-term profitability. The cumulative effect is meaningful but bounded — and, as discussed in the competitive analysis, these regulations simultaneously strengthen barriers to entry that protect Kaspi's dominant position.

Table 3: Regulatory Headwind Quantification

Regulatory Measure	Effective Date	Estimated Annual Impact	Mechanism
Bank CIT increase: 20% → 25% 8 [^]	January 1, 2026	~KZT 20–25bn (~\$38–48M)	~200bps increase in consolidated effective tax rate; business lending exempted
Minimum reserve requirement increase (Step 1) 48 [^]	August 2025	~KZT 8–12bn (~\$15–23M)	Reduces interest-earning assets; lower interest revenue on reserve balances
Minimum reserve requirement increase (Step 2) 48 [^]	April 2026	~KZT 5–8bn (~\$10–15M)	Additional step-up reduces interest revenue further
Consumer lending rate cap: 46% 49 [^]	Mid-2025	Moderate compression	Caps pricing on highest-yielding products; already priced within cap
Countercyclical capital buffer: 2.0% 50 [^]	Under review	TBD	Would increase capital requirements; manageable given 19.6% CET1
Total Estimated Annual Impact		~KZT 33–45bn (~\$63–86M)	~3.0–4.5% of FY 2025 net income

Management has explicitly guided that the combined effect of these measures will pressure bottom-line growth in 2026–2027, with the bank CIT increase alone adding approximately 200 basis points to the consolidated effective tax rate 8[^]. For context, KZT 33–45 billion represents approximately 3.0–4.5% of FY 2025 net income — material but not transformative.

Management's conservative 5% adjusted EBITDA growth guidance for 2026 embeds full absorption of these headwinds 51[^].

Two points merit emphasis for a long-term investor. First, these impacts are front-loaded and finite. Once absorbed into the earnings base, growth rates normalize. Management noted that "these impacts will be fully absorbed into our earnings base by year end" 48[^], suggesting 2027 growth rates will reflect the underlying business momentum rather than the regulatory drag. Second, every one of these regulations applies equally to competitors, many of whom lack the scale, data infrastructure, and capital buffers to absorb them. A new entrant facing a 25% bank CIT rate, 2% countercyclical buffer requirement, and KZT 10 billion minimum banking license capital faces a far steeper hill than Kaspi does 52[^]. As Charlie Munger observed, regulation is often the friend of the incumbent.

The funding cost sensitivity remains the largest variable in the financial model. Kazakhstan's National Bank base rate stood at 16.5% through most of 2024–2025 before beginning a gradual easing cycle. Each 100 basis point change in the base rate flows through to deposit costs with a 2–3 quarter lag, directly impacting Fintech net interest margins 53[^]. If rates decline 300–500 basis points over 2026–2027 — a plausible scenario if inflation continues moderating — Fintech profitability would inflect meaningfully upward, potentially adding KZT 50–80 billion in annual net income.

The loan-to-deposit ratio increased from 78% in December 2023 to 97% in 1Q 2025, indicating that loan growth has outpaced deposit growth 54[^]. Management responded by raising deposit rates to attract inflows, which increases funding costs but maintains liquidity. This ratio bears monitoring: if it exceeds 100%, Kaspi would need to rely more heavily on wholesale funding or slow loan growth. The 1Q 2026 loan-to-deposit ratio was not disclosed, but the deceleration in TFV growth (from +13% to -2% year-over-year) suggests management is proactively managing the balance sheet 55[^].

In sum, Kaspi's financial performance in 2025–2026 represents a period of deliberate investment (Turkey), regulatory absorption (tax and reserve changes), and portfolio repositioning (secured loan mix shift). The headline metrics — 26.4% net margin, 1% net income growth — understate the health of the underlying Kazakhstan franchise, which continues to generate 40%+ net margins on 18% earnings growth. For investors with a multi-year horizon, the current compression creates the conditions for future expansion: as Turkey approaches breakeven, rates normalize, and regulatory headwinds are absorbed, the path to KZT 1.5–1.7 trillion in net income by 2028 appears achievable 56[^]. At the current market capitalization of approximately \$17 billion, the stock trades at roughly 8.5x FY 2025 earnings and 6–7x forward earnings — a valuation that requires no heroic assumptions to justify, only patience as the current headwinds pass through the system.

10. Regulatory Environment & Geopolitical Risk

Every investment carries risks that cannot be eliminated, only understood and priced. For Kaspi.kz, the regulatory and geopolitical dimension is not a peripheral concern — it is the central factor explaining why a business generating 45% ROE and 40% net margins trades at 7.7x earnings. This chapter maps the specific regulatory pressures across Kazakhstan and Turkey, then turns to the existential question: the Russia-Ukraine sanctions overhang that creates what Charlie Munger might call a "lollapalooza of fear."

10.1 Kazakhstan Regulatory Landscape

10.1.1 Banking Supervision: A Dual-Regulator Framework Evolving Rapidly

Kazakhstan's banking supervision operates through a dual-regulator architecture: the National Bank of Kazakhstan (NBK) handles macroprudential policy and payment systems, while the Agency for Regulation and Development of the Financial Market (ARDFM) manages microprudential supervision, licensing, and consumer protection. The IMF's January 2025 Article IV consultation assessed this structure, established by 2020 reform, as having "significantly enhanced" institutional independence and risk-based supervision capabilities.

The most consequential development is the new **Law "On Banks and Banking Activities,"** signed January 16, 2026 and effective March 19, 2026 — the first overhaul of the 1995 framework in 30 years. Key provisions affecting Kaspi include: a **two-tier licensing system** (basic/universal) that may enable new competitive entry from basic-license holders; **open banking** codification mandating API sharing; legalization of **digital financial assets** including stablecoins; foundation for **digital tenge** (CBDC) deployment; and prohibition of early repayment penalties on consumer loans, which directly affects fintech loan economics. The law also creates a unified financial ombudsman with binding dispute resolution authority.

Kaspi Bank has held **systemically important financial institution (SIFI)** status since January 2020, carrying a minimum 12.0% total capital adequacy ratio and 10.5% Tier 1 ratio. As of December 2025, both ratios stood at 12.7% — compliant, but with narrowing headroom. A new **2.0% sectoral countercyclical capital buffer** effective April 1, 2026 will tighten this further, given that individual loans comprise 83% of Kaspi Bank's risk-weighted assets. Kaspi.kz also operates under **bank holding company** status, meaning the ARDFM can require capital injection into Kaspi Bank if conditions deteriorate, with license revocation as the ultimate sanction.

10.1.2 Consumer Lending: The 46% Rate Cap and Margin Compression

In mid-2025, Kazakhstan enacted a 46% all-in annual effective interest rate (AEIR) cap on unsecured consumer loans, reduced from 56%. The cap covers interest, all fees, commissions, and insurance payments. Regulators were considering further reductions to 44-45% by late 2025 if inflation continued to ease. The ARDFM enforced this vigorously — multiple MFOs received three-month license suspensions for non-compliance in 2025.

Macroprudential standards have tightened progressively. Unsecured consumer loans carry a 150% risk weight since 2016 (up from 100%), requiring substantially more capital per dollar of BNPL lending. DSTI calculations were tightened in December 2023 and extended to all borrowers, while DTI limits were introduced in June 2024.

The tax regime has turned less favorable simultaneously: bank CIT increased from 20% to 25% from January 2026; VAT rose from 12% to 16% and was newly applied to bank commissions; and a 10% tax on government securities income was introduced. Management explicitly cited these changes in its FY 2025 earnings release as factors that "will pressure bottom-line growth in Kazakhstan this year."

10.1.3 The Moat-Protecting Paradox

The natural reaction to this regulatory barrage is negative — and directionally correct. The rate cap, risk weights, CIT increase, VAT on commissions, and countercyclical buffer each compress margins. Taken together, they represent a structural headwind to the 40% net margins and 45% ROE Kaspi has historically generated.

But Munger's insight is that regulation often helps incumbents more than it hurts them. A new entrant faces the same 46% rate cap without Kaspi's 13 million users, 3,600 data points per customer, and 85% payments share. The KZT 10 billion minimum capital for a banking license, strict AML/KYC costs, 150% risk weight on unsecured loans, and two-tier licensing complexity each function as barriers that Kaspi absorbs at scale but that render startup unit economics unworkable. The regulatory burden is a fixed cost — heavy for all, fatal for those without scale.

The following table summarizes the regulatory headwinds and their moat implications:

Regulatory Change	Effective Date	Direct Impact on Kaspi	Moat Implication
46% AEIR cap on unsecured consumer loans	June 2025	Compresses lending spreads; prevents repricing above ceiling	Prevents predatory pricing; Kaspi's data advantage enables superior underwriting within cap
Bank CIT increase: 20% to 25%	January 2026	~5 pp reduction in bank net income margin	Applies equally to all banks; scale advantage preserved
VAT on bank commissions (16%)	January 2026	Reduces payment/account fee revenue net of tax	Compliance cost barrier for smaller competitors
2% countercyclical capital buffer (individual loans)	April 2026	Constrains loan growth given 83% RWA concentration	Higher capital requirements deter new lending market entrants

Regulatory Change	Effective Date	Direct Impact on Kaspi	Moat Implication
150% risk weight on unsecured consumer loans	Since 2016	Requires more capital per dollar of BNPL/consumer credit	Limits aggressive underpricing by capital-poor competitors
New Banking Law — two-tier licensing	March 2026	Universal license maintained; basic-license entry possible	Basic license product-scope limits may contain competitive threat
Open banking (mandatory API sharing)	Phased 2025-2026	Increases competitive pressure on closed ecosystem	Kaspi's technology stack likely superior to incumbent banks forced to open
BNPL-specific regulation	Expected 2026-2027	Potential disruption to ~50% of new consumer loans	Regulatory uncertainty disadvantages entrants planning around unregulated BNPL model

These eight vectors operate in the same direction: near-term margin compression paired with structural barriers to competitive entry. The net effect on intrinsic value depends on the magnitude of margin compression versus the durability of market position. Based on historical experience with regulated industries, the balance favors durability — regulated incumbents typically earn lower margins but for longer periods than unregulated competitors.

10.2 Turkey & International Regulation

10.2.1 Turkey BRSA: Rabobank Acquisition Pending Approval

Kaspi's Turkey banking strategy hinges on the Rabobank A.S. acquisition, signed March 27, 2025. Rabobank A.S. is effectively a banking license shell — no clients, no branches, 27 employees — that Kaspi intends to use to launch digital banking in Turkey. The acquisition requires BRSA approval, which involves fit-and-proper tests for acquirers, source-of-funds assessment, Turkish banking law compliance, and AML due diligence. Management initially expected closing in H2 2025 but revised guidance to mid-2026 in November 2025, citing extended regulatory review timelines. Turkey's digital banking regulation requires minimum capital of TRY 1 billion (approximately EUR 90 million), restricts services to consumers and SMEs, and mandates 99.8% digital channel uptime.

The Rabobank delay is a material uncertainty — without the license, Kaspi's Turkey fintech strategy requires a partner bank structure that would constrain product flexibility and margins. Notably, the Hepsiburada e-commerce acquisition cleared all four required Turkish regulatory approvals (Competition Board, BRSA, BTK, and Central Bank of Turkey) by January 2, 2025,

demonstrating that Kaspi can navigate Turkish regulatory processes successfully when geopolitical sensitivity is lower.

10.2.2 Cross-Border Compliance: EAEU Harmonization and Payment Standards

Kazakhstan's EAEU membership creates both opportunity and risk. On January 13, 2025, Kazakhstan became the first Central Asian country to adopt the ISO 20022 international payments messaging standard as part of the EAEU common payment space initiative. This facilitates cross-border processing — but EAEU regulatory harmonization often follows Russian precedents, creating potential sanctions complexity as Western authorities scrutinize shared financial infrastructure. Kazakhstan's data localization law, requiring personal data storage within the country's borders and restricting cross-border transfers, adds operational complexity for a company processing data across Kazakhstan, Turkey, and potentially other regional markets.

10.3 The Russia-Ukraine Sanctions Risk

10.3.1 The Culper Research Report: Allegations and Market Impact

On September 19, 2024, Culper Research published a report titled *"Kaspi.kz (KSPI): The NASDAQ-Listed Fintech Moving Money for Criminals and Kleptocrats."* The report alleged that Kaspi had "systemically misled U.S. investors" about zero Russia exposure; that Russian relationships "permeate every segment of its business"; and that the company maintained ties to "sanctioned oligarchs and Russian mobsters" through related party transactions ^{1^}. Specific evidence cited included Russian merchants on Kaspi's marketplace (including one St. Petersburg-based business holding an account at sanctioned VTB Bank) and Kaspi Pay allegedly facilitating payments to Russian entities. KSPI fell 16.1% on the day of publication and a further 2.7% the following session ^{1^}.

Kaspi responded the same day, calling the report "misleading, inaccurate and misrepresenting our business" ^{2^}. CEO Mikheil Lomtadze termed it a "typical short sellers' attack" ^{3^}. The ARDFM publicly defended Kaspi, stating the bank "strictly complies with sanctions" and cooperates with US and EU correspondent banks on KYC. Multiple law firms filed class action lawsuits alleging violations of Section 10(b) and Rule 10b-5.

10.3.2 Current Status: Lead Case Dismissed, EU Escalation Continues

On April 9, 2025, the lead plaintiff voluntarily dismissed the primary class action — suggesting the case lacked merit after investigation, though settlement talks may have occurred. As of mid-2026, Robbins LLP, Rosen Law Firm, and Schall Law Firm maintain active investigations, meaning derivative litigation risk has not been fully extinguished.

More significant than the litigation is the evolving sanctions environment. On October 23, 2025, the EU adopted its 19th sanctions package, which for the first time included a Kazakh bank — **VTB Bank Kazakhstan** — in its sanctions list 8[^]. The transaction ban took effect December 2, 2025. VTB Bank Kazakhstan was sanctioned for its connection to Russia's SPFS financial messaging system. This is a watershed: it demonstrates that the EU is willing to sanction banks operating in Kazakhstan and that the threshold for Kazakh bank designation has been crossed.

Kaspi itself is not connected to SPFS to public knowledge. However, Kaspi's own SEC Registration Document acknowledges transacting with "Subsidiary Bank Sberbank of Russia JSC (the Kazakhstan subsidiary of Sberbank of Russia) and Subsidiary JSC VTB Bank (Kazakhstan)" as counterparties on interbank and foreign exchange markets 29[^]. The company states these transactions are "permissible pursuant to applicable sanctions regimes" and that "the vast majority" are ruble and euro transfers. This disclosure predates the Culper report — it is Kaspi's own voluntary filing — but it confirms business relationships with Russian bank subsidiaries that the market may not have fully priced.

10.3.3 Sanctions Risk Scenarios: Probability and Impact Assessment

The following table presents the sanctions risk scenarios facing Kaspi. These estimates are judgmental and should be treated as analytical anchors rather than precise forecasts.

Scenario	Trigger Mechanism	Estimated Probability	Equity Impact	Recovery Potential	Expected Value Contribution
A: Direct OFAC SDN designation	Evidence of material support for Russia's military-industrial base; Culper allegations substantiated	5-10%	-80% to -100% (trading halt, Nasdaq delisting)	Near-zero; equity likely worthless	-4.0% to -10.0%
B: EU transaction ban	EU determination of sanctions circumvention facilitation (VTB Kazakhstan precedent)	5-10%	-60% to -90%	Very limited; correspondent banking severed	-3.0% to -9.0%
C: Correspondent	BNY Mellon, Citi, or	15-25%	-30% to -50%	Possible if resolved	-4.5% to -12.5%

Scenario	Trigger Mechanism	Estimated Probability	Equity Impact	Recovery Potential	Expected Value Contribution
bank derisking	SocGen terminate Kaspi accounts due to sanctions concerns			through compliance remediation	
D: Continued "Kazakhstan discount"	Ongoing sanctions risk perception without actual designation; KZT devaluation	70-80%	-0% (already priced at 7.7x PE)	Full recovery if risk perception fades	0%
Expected value impact (weighted)		100%			-11.5% to -31.5%

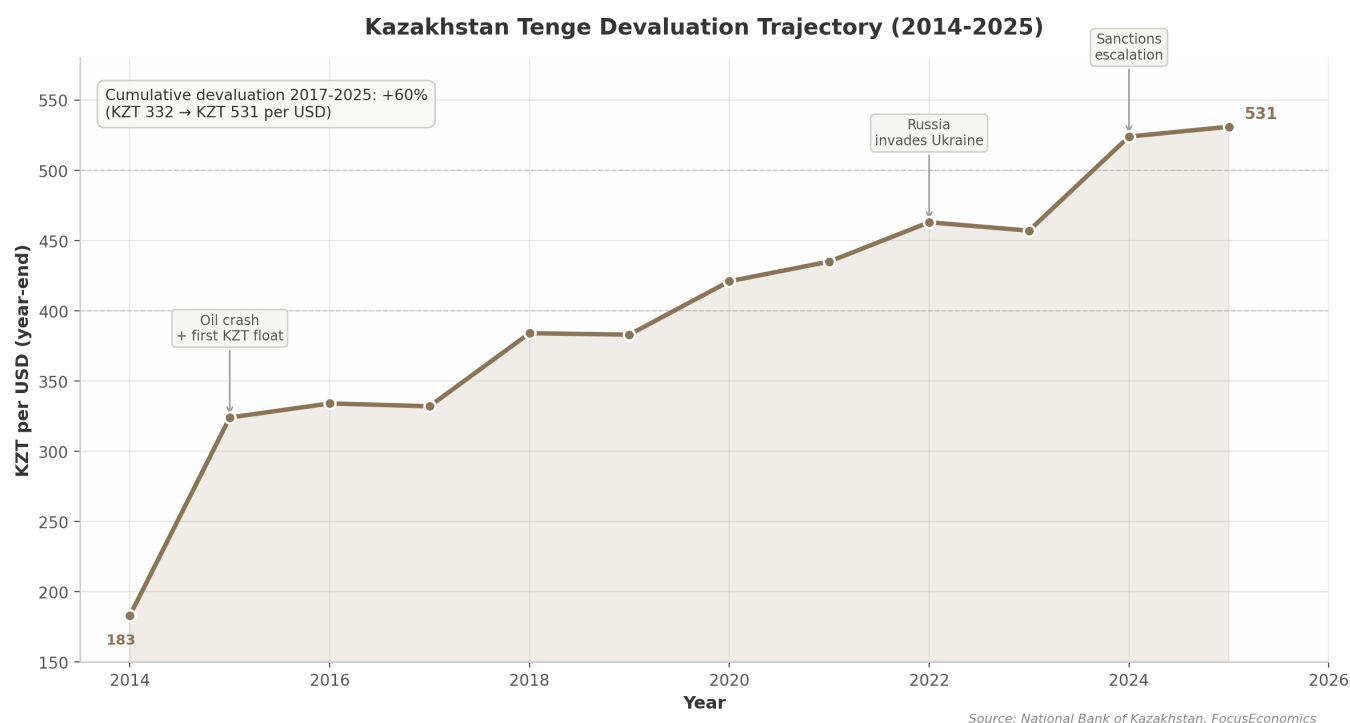
Several observations on this framework. First, the expected value impact ranges from -11.5% to -31.5% — far smaller than the 73% valuation discount currently embedded in KSPI's share price. The market is over-discounting the sanctions risk, treating a low-probability existential event as near-certainty rather than appropriately weighting by probability. Second, Scenario C (correspondent derisking) requires no government action — private banks can make this decision unilaterally. The precedent exists: Home Credit Bank reportedly refused to work with VTB Kazakhstan after a US Treasury warning. Third, the EU's VTB Kazakhstan designation in October 2025 moved the probability needle higher for all scenarios by establishing that Kazakh banks are now within the sanctions perimeter.

Historical precedents are sobering. Sberbank's London-listed GDRs fell 64% in February 2022 after SWIFT disconnection 33[^]. TCS Group (Tinkoff) fell 86% from peak to trough, with trading suspended in March 2022 and its founder personally sanctioned 34[^]. When OFAC sanctioned Nasdaq-listed Pingtan Marine in December 2022, Nasdaq immediately moved to delist and the stock became worthless. The pattern is consistent: sanctions on a financial institution create rapid, severe, and largely irreversible equity impairment.

10.3.4 The KZT-RUB Correlation: 84% R-Squared of Contagion

Academic research using 2008-2018 data found an R-squared of 84% between KZT and RUB exchange rate movements, meaning ruble variation explains 84% of tenge variation 18[^]. A 2025 paper in the *International Journal of Finance & Economics* confirmed that "changes in the

ruble exchange rate affect that of tenge, and inflationary trends in Russia impact Kazakhstan" 19[^]. This reflects deep EAEU customs union integration, with Russia accounting for a significant share of Kazakhstan's imports and both currencies sharing oil price exposure.



The empirical evidence validates the model. KZT/USD weakened from ~435 at year-end 2021 to 524 by year-end 2024, a 20.5% devaluation over three years, with the steepest move in 2024 (-14.8%) as secondary sanctions concerns intensified 21[^]. Year-end 2025 saw the tenge at 531 per USD. The implication: any Russian financial crisis — from sanctions escalation, oil collapse, or geopolitical shock — transmits almost fully to Kazakhstan's currency. For Kaspi, KZT-denominated consumer loans face elevated credit risk during Russian stress events, and USD-reported earnings suffer mechanical translation headwinds.

10.3.5 Tencent's Signal: \$510M from a Sanctions-Aware Investor

In April 2026, Tencent invested approximately \$510 million in KSPI, acquiring a 3.2% stake classified as strategic rather than passive. Tencent is the operator of WeChat, the world's most successful super-app, and its due diligence would have specifically examined Russia/sanctions risk. Tencent's legal team, operating within a Chinese regulatory environment itself sensitive to US sanctions, would have scrutinized Kaspi's correspondent banking relationships, its disclosed transactions with Sberbank Kazakhstan and VTB Kazakhstan subsidiaries 29[^], the Culper allegations, the class action status, and the EU's October 2025 VTB Kazakhstan designation before committing \$510 million.

The fact that Tencent found the risk acceptable is a meaningful data point — not dispositive, but directionally significant. Baring Ventures, Kaspi's PE backer, completed its structural separation from Russian assets in April 2024, stating it "has no Russian shareholders or employees" 37[^].

Kaspi's own SEC filings acknowledge being "exposed to the risk of violating, or being accused of violating, economic and trade sanctions" 39^ — candid risk disclosures that suggest management has priced the risk into its compliance posture rather than denying its existence.

The geopolitical risk resolves to a probability-weighted calculation. Kazakhstan's "multi-vector foreign policy" — maintaining partnerships with Russia (EAEU), China (BRI), the EU, and the US simultaneously — creates a buffer against single-axis sanctions escalation. President Tokayev's January 2026 statement that "Kazakhstan will not become a bypass route for violating international law" 12^, combined with Kazakhstan's refusal to join BRICS in 2024 despite Russian pressure, signals alignment with Western financial systems that reduces (but does not eliminate) the probability of country-level sanctions. The EU sanctions envoy's January 2025 warning that "we are not ruling out the possibility of other companies being placed under sanctions" 7^ during a visit to Astana, however, confirms that Kazakhstan financial institutions remain under active scrutiny.

For the value investor, this is Buffett's "margin of safety" test applied to geopolitics. The sanctions risk is binary and severe in the downside case, but the probability is low — estimated at 5-10% for direct designation, 15-25% for correspondent derisking, and 70-80% for continued discount without materialization. At 7.7x PE embedding a 73% discount, the market prices the sanctions risk at near-certainty when the probability-weighted expected value impact is closer to 11.5-31.5%. This over-discounting — Insight 10's "Schrodinger's investment" — is what creates the opportunity: the stock is cheap enough that even if the worst-case 10% probability materializes, a diversified portfolio still generates positive expected returns from the position.

11. Tailwinds, Headwinds & Risk Scenarios

11.1 Tailwinds

11.1.1 Super-App Model Validation

In April 2026, Tencent — operator of WeChat, the definitive super-app — acquired a 3.2% stake in Kaspi for approximately \$518 million, purchasing 6 million ADSs alongside CEO Mikheil Lomtadze.^{34^} This is not passive index investing; it is strategic validation from the company that invented the super-app category. Tencent's due diligence would have specifically examined Russia sanctions risk and competitive positioning — and concluded the risk-reward was attractive.

Global comparables support the premise that platform economics command premium valuations. Grab confirmed a \$40 billion SPAC in 2021 at approximately 25x EV/Sales despite losing roughly \$800 million in EBITDA annually.^{21^} MercadoLibre trades at 47x trailing P/E with 35% ROE and 8% net margins — far below Kaspi's 45% ROE and 26% net margin.^{15^} Nubank

trades at 19x earnings with a net margin "barely one-third of Kaspi's 52%."20^ If Kaspi traded at Nubank's 24x multiple, shares would price at approximately \$240 — 2.6x the current quote.20^ The gap between business quality and valuation multiple is the central opportunity.

11.1.2 Financial Inclusion Runway

Bank credit in Kazakhstan stands at approximately 20% of GDP — compared to 60-100% in most emerging market peers and over 100% in developed economies.15^ This represents a multi-decade runway for consumer and SME lending. Kazakhstan's GDP per capita of approximately \$14,770 now exceeds Russia (\$14,260) and China (\$13,690), placing it in the upper-middle-income bracket where financial services demand accelerates.2^

Demographics amplify the opportunity. Kazakhstan's 20.3 million population has a median age of 31-32 years, with 22.6% aged 10-24 and a fertility rate of 2.6-3.0 — one of the youngest profiles among upper-middle-income countries.11^ The underbanked populations across Central Asia — Uzbekistan (36 million), Azerbaijan (10 million) — provide a geographic expansion thesis beyond Kazakhstan's borders.

11.1.3 Digital Payments Growth

Kazakhstan leads the CIS in cashless adoption, with 86% of all transactions now digital by volume — up from 30-40% just five years ago.133^ Kaspi processes approximately 78-85% of Kazakhstan's cashless transactions, more than Visa and Mastercard combined.10^ Government mandates — including penalties for merchants refusing cashless payments from 2024 onward — provide regulatory tailwinds that accelerate adoption regardless of economic cycles.133^

The Payments Platform generated KZT 161 billion in revenue in Q2 2025, up 16% year-over-year, with net income growing 19% to KZT 106 billion — demonstrating the operational leverage of a fixed-cost payments infrastructure.42^ As transaction volumes compound, the payments business functions as a high-margin data collection engine feeding the fintech underwriting flywheel.

11.1.4 AI/ML Advantage

Kaspi's platform collects 3,600+ data points per user — spanning payment patterns, shopping history, bill payments, and behavioral signals — enabling loan approvals in under 10 seconds with a cost of risk of approximately 2.1%, versus 3%+ for traditional bank peers.133^ Each transaction adds to the repository, improving underwriting precision, which expands credit availability, which increases transaction frequency, which generates more data. This flywheel is the defining characteristic of Kaspi's moat: competitors would need to simultaneously overcome 85% payments market share, billions of accumulated transactions, and deeply embedded habits averaging 77 monthly transactions per user.

Kaspi's customer acquisition cost of approximately \$7 — driven by viral referrals within its existing user base — is among the lowest in global fintech, reflecting organic network effects on a platform where 65% of monthly active users engage daily.^{42^} As data compounds, marginal cost declines while monetization precision improves — increasing returns to scale that Buffett and Munger have identified as the hallmark of exceptional businesses.

11.2 Headwinds

11.2.1 KZT Devaluation

The Kazakhstani tenge has experienced cumulative devaluation of approximately 65% versus the USD from 2014 to 2024.^{18^} Domestic forecasts call for 550-560 KZT/USD by end-2025 and 600-610 by end-2026 — implying a 10-15% annual drag on USD returns.^{19^} This is a persistent, structural headwind.

However, the KZT devaluation "tax" has been consistently overcome by operational growth. Kaspi's KZT-denominated revenue grew 32% in 2024 and 60% in 2025 (including Hepsiburada), far outpacing the 10-15% annual FX drag.^{40^} The correct framework is "net USD returns" rather than "gross KZT returns minus FX" — local-currency earnings power has historically overwhelmed currency depreciation. A severe devaluation scenario — oil below \$50 per barrel — could temporarily overwhelm operational growth.

11.2.2 Oil Price Sensitivity

Kazakhstan's fiscal breakeven oil price was \$127.72 per barrel in 2024, \$115.93 in 2025, and is projected at \$109.26 for 2026 — consistently above actual Brent prices averaging \$70-80.^{7^} Oil supplies approximately 50% of budget revenues, and the KZT has historically depreciated with oil declines.^{6^} The National Fund of Kazakhstan (\$58.8 billion in assets) provides a buffer, but withdrawals exceeded inflows by KZT 1.4 trillion in the first nine months of 2025.^{9^}

For Kaspi, the transmission mechanism runs through consumer confidence and credit quality. An oil collapse would weaken the tenge, erode real wages, and increase NPLs. The risk is manageable under most scenarios but becomes acute if oil falls and stays below \$60 per barrel — a low-probability event that would test Kazakhstan's banking system.

11.2.3 Credit Cycle

Kazakhstan's consumer credit cycle is showing stress. The NPL ratio was 3.1% across the banking sector as of May 2024, but Kaspi Bank held KZT 237 billion in NPLs, or 4.9% of its loan portfolio — above the sector average.^{17^} More recent data shows NPLs rising from 5.4% in FY 2024 to approximately 6.6% in Q1 2026, driven by regulatory classification changes and genuine credit quality deterioration. The National Bank has imposed a 46% interest rate cap on consumer loans — compressing margins while limiting credit to higher-risk borrowers.

Consumer debt has risen rapidly alongside BNPL expansion. While aggregate household debt remains low by international standards, lending has grown at 20-30% annually, outpacing income growth. Regulatory tightening on provisioning requirements and risk-weighting represents a medium-term headwind. The key variable is whether Kaspi's proprietary underwriting (2.1% cost of risk) maintains its edge as the cycle turns, or rising NPLs force a lending contraction.

11.2.4 Turkey Execution

The \$1.4 billion committed to Turkey — Hepsiburada (now 86% owned) and the pending Rabobank A.S. banking license — represents the largest capital deployment in company history. Execution risks are substantial.

Trendyol, backed by Alibaba's \$2 billion commitment, dominates Turkish e-commerce with an estimated 34-40% share and \$12.5 billion in 2024 GMV — 4.7x Hepsiburada's \$4 billion.^{12^13^} Hepsiburada reported net losses of TRY 2.5 billion in 9M 2025, though management achieved adjusted EBITDA breakeven in Q4 2025.^{21^22^} Turkish macro conditions add volatility: inflation was 31% at end-2025, with the IMF projecting 23% end-2026 inflation versus the Central Bank of Turkey's 16% target.^{33^34^}

The bull case for Turkey rests on improving engagement — e-commerce GMV grew 41% year-over-year in Q1 2026, with purchase frequency rising 44% to 15 purchases per quarter.^{20^} Management has added "free cash flow positive" as a guardrail alongside EBITDA breakeven, constraining downside.^{43^} However, the Trendyol gap, Turkish regulatory complexity (Rabobank closing delayed to mid-2026), and macro volatility mean Turkey will likely remain a stock overhang until sustained profitability is demonstrated.

11.3 Scenario Analysis

The following table summarizes the major forces driving and impeding Kaspi's business, organized by category and estimated directional impact on a 3-5 year view.

Factor	Direction	Magnitude	Time Horizon	Key Variable
Tailwinds				
Super-app model validation (Tencent, global comparables)	Positive	High (re-rating catalyst)	1-3 years	Turkey execution, sustained growth
Financial inclusion runway (credit/GDP ~20%)	Positive	High (structural)	5-10 years	Regulatory constraints on lending

Factor	Direction	Magnitude	Time Horizon	Key Variable
Digital payments growth (86% cashless by volume)	Positive	Medium	3-5 years	Competitive share defense
AI/ML data advantage (3,600 points/user)	Positive	Medium	3-5 years	Data regulation, open banking
Platform economics (near-zero marginal cost)	Positive	High (structural)	Perpetual	Scale maintenance
Headwinds				
KZT devaluation (10-15% annual)	Negative	High	Persistent	Oil prices, KZT/RUB correlation
Oil price sensitivity (breakeven \$95-116/bbl)	Negative	Medium	Cyclical	Brent price, diversification
Credit cycle (NPLs 5.4% to 6.6%)	Negative	Medium	2-3 years	Regulatory tightening
Turkey execution risk (Hepsiburada losses)	Negative	Medium	2-3 years	Trendyol competition, macro
Geopolitical/sanctions risk	Negative	Extreme if triggered	Binary	EU/US policy toward Kazakhstan
Regulatory headwinds (rate caps, taxes)	Negative	Medium	Persistent	NBK policy stance

The directional balance favors tailwinds structurally, but headwinds could materialize suddenly. The KZT devaluation is the most persistent drag — a known, quantifiable cost of investing in a resource-dependent emerging market. Sanctions risk is the most asymmetric — low probability but potentially total capital loss. Turkey execution sits in between: bounded financial impact (Kazakhstan generates enough cash to absorb Turkey losses indefinitely) but significant sentiment drag.

The following table presents three scenarios with assigned probabilities, fair value estimates, and implied returns from the current price of approximately \$91.54 per ADS.

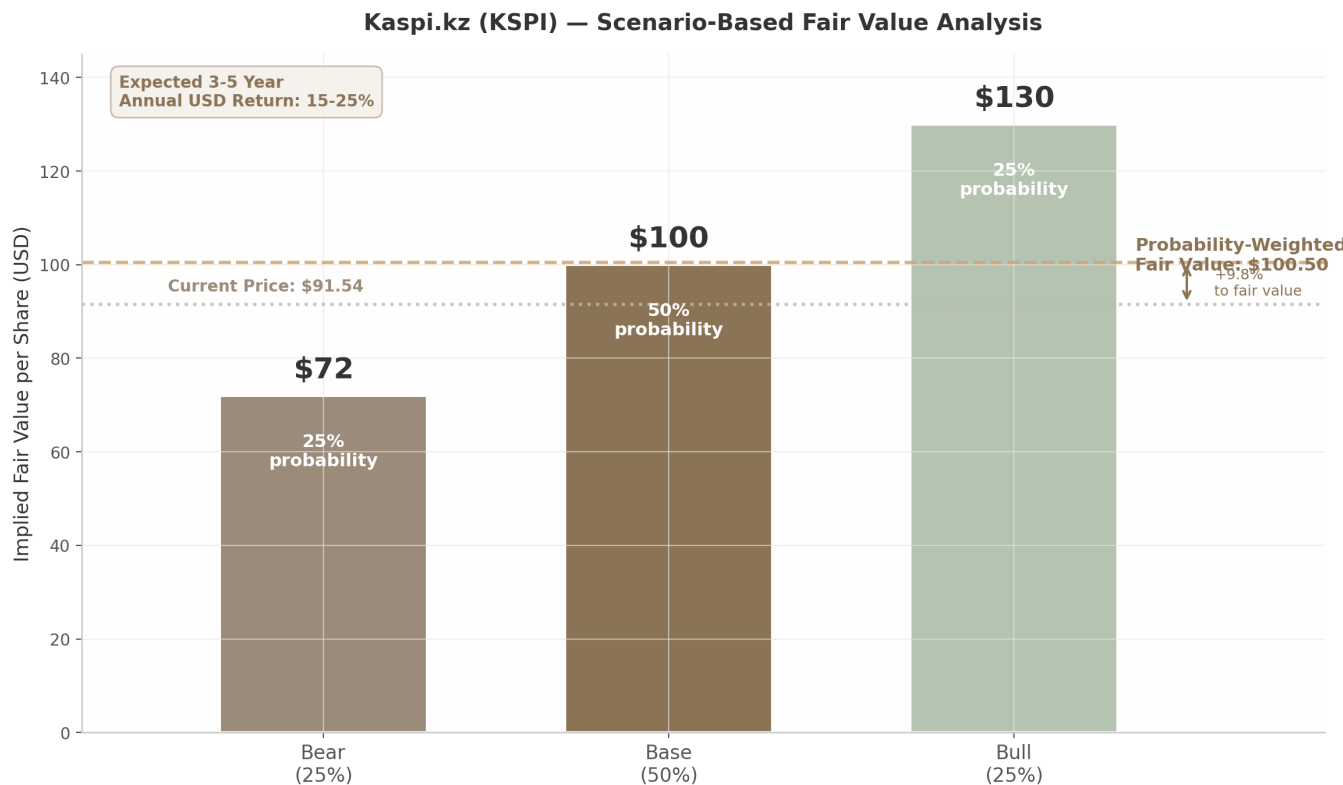
Scenario	Probability	Key Assumptions	2029 Fair Value	Implied Return
Bull	25%	Turkey EBITDA breakeven sustained, positive contribution by 2027; Kazakhstan net income grows 18-20% annually; P/E expands to 18-25x as super-app model recognized; KZT depreciates 5-8% annually; no sanctions event; Tencent partnership catalyzes technology transfer	\$130	+42% to +225% over 3-5 years
Base	50%	Turkey drag gradually shrinks, EBITDA breakeven by 2027; Kazakhstan net income grows 15-18% annually; P/E expands modestly to 10-12x; KZT depreciates 8-10% annually; no sanctions event; regulatory headwinds cost KZT 33-45 billion annually	\$100	+9% to +55% over 3-5 years
Bear	25%	Turkey losses persist beyond 2027, goodwill impairment of \$500M-1B; Kazakhstan NPLs spike above 8%, forcing lending contraction; P/E compresses to 5-6x frontier bank multiple; KZT depreciates 15%+ annually; sanctions risk materializes or correspondent banks derisk; regulatory costs escalate	\$72	-21% to -35% over 3-5 years

The bull scenario assumes Turkey validates the international expansion thesis and the market re-rates KSPI from a "frontier market bank" to a "platform company" — a transformation justifying 18-25x P/E given comparable super-app valuations (Grab at 25x EV/Sales, MercadoLibre at 47x P/E).^{21^15^} The key catalyst would be two consecutive quarters of Hepsiburada EBITDA positivity alongside sustained Kazakhstan earnings beats.

The base scenario embeds conservative assumptions: Kazakhstan growth slows to mid-teens, Turkey is a neutral contributor by 2027, and P/E expands modestly to 10-12x — still a deep discount to global fintech peers at 28x.^{15^} Even here, the combination of earnings growth (15-18%), dividend yield (7-8%), and modest multiple expansion produces an expected USD return of 15-26% annually, net of KZT depreciation.^{15^}

The bear scenario represents a confluence of adverse events: Turkey fails to achieve profitability, Kazakhstan's credit cycle turns sharply, and sanctions risk materializes. The EU's 19th sanctions package in October 2025, which designated VTB Bank Kazakhstan as the first Kazakh bank ever targeted by the EU, demonstrates that the threshold for bank-level sanctions

has been crossed.^{8^} A direct OFAC designation — estimated at 5-10% probability — would likely result in 70-100% permanent capital loss based on precedents: Sberbank GDRs fell 64% in one month, Tinkoff fell 86%, and Pingtan Marine was delisted within weeks of its OFAC designation.^{33^34^35^}



Probability-Weighted Fair Value. Combining the three scenarios yields a probability-weighted fair value of approximately \$100.50 per share — roughly 10% above the current price of \$91.54. Adding the 7-8% annual dividend yield produces an expected total return of 17-18% in the base case. An independent expected return model — assuming 19% earnings growth, 6% shareholder yield, 5% multiple expansion, and 10% currency depreciation — arrives at a comparable 20% annual USD return.^{15^}

The asymmetry is favorable: the bull case adds 2-4x more value than the bear case subtracts, and the 7-8% dividend yield provides a floor on returns. However, the bear case involves permanent capital impairment — a risk that Buffett's "no zeroes" framework would flag as requiring position-size discipline. A 3-5% portfolio allocation captures the positive expected value while limiting catastrophic-scenario impact. The expected 3-5 year annual return of 15-25% USD compensates for the 25% probability of a \$72 bear-case outcome, provided the investor tolerates the volatility and geopolitical uncertainty of the Kazakhstan jurisdiction.

12. Valuation & Margin of Safety

12.1 Current Valuation

At \$91.54 per ADS, Kaspi.kz carries a market capitalization of approximately \$17.3 billion — a figure that barely exceeds the \$17.6 billion valuation set at its January 2024 IPO 1^. Over eighteen months of 47% revenue CAGR, margin expansion in Payments and Marketplace, and the strategic entry into Turkey, the stock has gone nowhere in price terms. This disconnect between operational progress and market valuation is the central puzzle facing any prospective investor. The answer lies in the multiples: Kaspi trades as though its growth were an aberration rather than a structural feature of the business.

Table 12.1 — Kaspi.kz Current Valuation Multiples (June 2026)

Metric	Value	Historical Context
Trailing P/E	7.7x 4^5^	Below 5-year average of 12x; near all-time low
Forward P/E	6.4x 4^6^	Below 5-year average forward P/E of 6.7x 10^
EV/EBITDA	3.6x 7^8^	Down from 6.8x average (2021–2025) 7^
P/Sales	2.3x	Stable; e-commerce COGS inflates denominator
P/Book	3.7x	Reflects 45%+ ROE; asset-light platform model
EV/FCF	~5x	FCF yield of 8.8%+ 4^
Dividend Yield	8–9% 9^	KZT 850 quarterly; 64% payout ratio
EV/User	~\$650	Revenue per user >\$300, NI per user >\$150 20^

Each multiple tells the same story. At 7.7x trailing earnings, Kaspi is priced not as a platform compounding at mid-teens rates but as a commodity lender in a frontier market where credit cycles end in tears. The forward P/E of 6.4x embeds an expectation that earnings will decline or stagnate, despite Q1 2026 results showing EPS of \$2.77 — a 14.9% beat over consensus 26^. The EV/EBITDA of 3.6x sits well below the 6.8x five-year average and a fraction of fintech M&A multiples that routinely exceed 12x 7^.

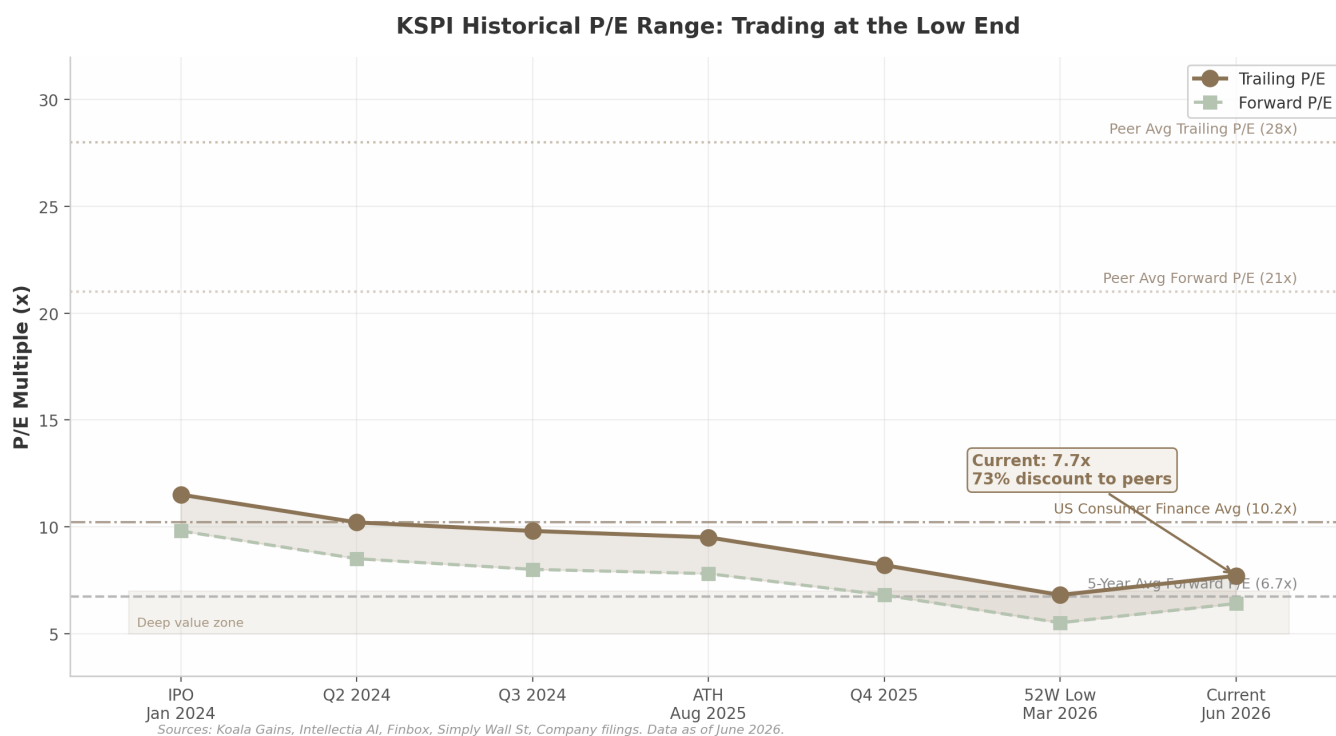


Figure 12.1 — KSPI Historical P/E Range. Sources: Koala Gains, Intellectia AI, Finbox, Simply Wall St. Data as of June 2026.

The chart above illustrates the steady compression in KSPI's valuation since its IPO. From 11.5x trailing P/E at listing, the multiple has compressed to 7.7x today — a one-third reduction — even as earnings per share grew from approximately \$5.50 to \$11.87. The market has rewarded operational excellence with a cheaper stock. The 8–9% dividend yield provides tangible compensation for this patience: at KZT 850 per quarter, resumed in Q1 2026 after a one-year suspension to fund Turkey expansion, the yield is well-covered by trailing earnings with a 30.3% payout ratio on a TTM basis 9^.

Table 12.2 — Peer Valuation Comparison (June 2026)

Company	Market Cap	P/E (TTM)	P/E (Fwd)	EV/EBITDA	P/S	ROE	Net Margin
Kaspi.kz (KSPI)	\$17.3B	7.7x	6.4x	3.6x	2.3x	51%	26%
MercadoLibre (MELI)	\$94B	47x	35x	22x	4.5x	35%	8%
Nubank (NU)	\$52B	19x	14x	12x	4.5x	31%	17%
Sea Limited (SE)	\$53B	34x	25x	18x	3.5x	N/M	-2%
SoFi (SOFI)	\$18B	35x	27x	15x	4.3x	5%	5%
PayPal (PYPL)	\$65B	16x	14x	10x	2.5x	18%	13%

Company	Market Cap	P/E (TTM)	P/E (Fwd)	EV/EBITDA	P/S	ROE	Net Margin
Peer Average (ex-KSPI)		~28x	~21x	~14x	~3.5x	~20%	~8%

Sources: 4¹⁵18¹⁹

The peer comparison is stark. Kaspi's 51% ROE is the highest in the group — more than double the peer average of approximately 20% — yet its P/E is the lowest at 7.7x, a 73% discount to the peer average of 28x 15[^]. Nubank, a comparable emerging-market fintech with net margins one-third of Kaspi's, commands a 19x multiple 20[^]. If Kaspi traded at Nubank's P/E, the stock would price at approximately \$240 per share 20[^]. Even applying a conservative 10x multiple — a deep discount to all fintech peers and roughly in line with US consumer finance averages — yields a fair value of \$118.70, implying 30% upside from current levels 4²⁰[^].

The unit economics underscore the mispricing. Kaspi generates revenue per user exceeding \$300 annually and net income per user exceeding \$150 — what Liria Research describes as "developed market unit economics achieved at emerging market growth rates" 20[^]. No peer in the comparison achieves both metrics simultaneously. The discount, therefore, cannot be rationalized by business quality. It reflects something else entirely: Kazakhstan country risk, conflated with business risk.

12.2 Intrinsic Value Estimates

12.2.1 DCF Approach

Multiple independent DCF models converge on a fair value range of \$95–\$175 per share, with the dispersion reflecting assumptions around Turkey execution, discount rates, and terminal growth.

Simply Wall St's two-stage DCF model, using a 7.5% discount rate and levered beta of 1.080, produces an intrinsic value of \$173.41 — an 89% premium to the current price 11[^]. However, this figure appears dated; more recent Simply Wall St narratives adjust for Turkey drag, yielding a bull-case fair value of \$97.92 (17.9% annual revenue growth, margins expanding from 26.5% to 28.8%) and a bear-case fair value of \$79.97 (future P/E of 4.7x, reflecting regulatory and geopolitical pressures) 12[^].

An independent DCF by Discounting Cash Flows projects revenue growing from \$7.7 billion (2025) to \$23.6 billion (2030) at a 25% CAGR, with free cash flow expanding from \$2.8 billion to \$9.1 billion over the same period, assuming a 38.3% FCF margin 14[^]. At a 12% discount rate — appropriate for emerging market equity risk — this model implies substantial undervaluation.

FinViz/Vidette Capital Research uses a more aggressive 20% five-year FCF growth assumption and arrives at an equity value of \$49.2 billion, or \$246 per share ^{13^}.

The wide range — \$80 to \$246 — is instructive. DCFs are famously sensitive to terminal assumptions for high-growth businesses. What the models agree on is direction: the market is pricing Kaspi for earnings decline or stagnation, while every operational metric points to continued growth. A reverse DCF analysis confirms this: the current price implies the market expects roughly 21% revenue decline over five years, a scenario inconsistent with digital adoption trends and Kaspi's market position ^{15^}.

12.2.2 Sum-of-the-Parts

Segment-level analysis reveals that the Kazakhstan franchise alone justifies most of the current valuation, with Turkey and regional expansion offering optionality at little incremental cost.

The Kazakhstan business — Fintech, Payments, and Marketplace — generated \$777 million in segment net income during 2025 at a blended 46.2% net margin, with segment-level ROE of 73.2% ^{16^}. Applying conservative peer-appropriate multiples (5–8x EBITDA for Fintech, 8–15x for Payments, 3–6x for Marketplace) yields a Kazakhstan equity value of \$7.7–14.0 billion ^{16^}. At the midpoint of \$11 billion, the domestic franchise is valued at roughly 63% of the current market cap, leaving \$6.3 billion for Turkey, Azerbaijan, Uzbekistan optionality, and net cash.

Turkey's Hepsiburada generated approximately \$2.0 billion in revenue but a net loss of KZT 68 billion (~\$130 million) in FY 2025 ^{17^}. Management has guided to EBITDA breakeven, with Q4 2025 already achieving this milestone. In a success scenario, Hepsiburada could be worth \$2–5 billion within three years; in a failure scenario, the downside is bounded by the KZT 447 billion (\$850 million) goodwill on the balance sheet ^{17^29^}. The \$1.4 billion Turkey investment represents less than one year of Kazakhstan net income — a manageable bet even if fully written off.

Azerbaijan contributes less than 0.2% of revenue but is growing double-digits. The Uzbekistan interest — a letter of intent with Humo — has required no capital commitment but maintains optionality on a 36-million-person market. These regional expansions are, in effect, negative-cost call options: they cost almost nothing but retain significant upside.

12.2.3 Dividend Discount Model

The Gordon Growth Model, using the current KZT 3,400 annual dividend (~\$6.47 at 525 KZT/USD), a 12% required return, and 3% terminal growth, implies a fair value of approximately \$73 — below the current price. A two-stage DDM, incorporating 10% dividend growth for five years before terminal deceleration, raises the estimate to approximately \$86 ^{24^25^}.

The DDM's conservatism is by design: it captures only distributed cash, ignoring the substantial value created by reinvested earnings. For a business compounding at 15–20% with a 64%

payout ratio, the retained 36% of earnings is not wasted — it funds Turkey expansion, technology development, and loan book growth. The dividend nonetheless provides a hard floor on returns: an 8–9% yield, paid in cash while waiting for a re-rating, is a rare feature among high-growth fintechs. MercadoLibre and Sea Limited pay nothing; Nubank's yield is a fraction of Kaspi's.

12.3 Margin of Safety Assessment

12.3.1 The Margin of Safety Framework

Buffett defined margin of safety as buying a dollar for fifty cents. At \$91.54, is Kaspi a dollar for fifty cents? The answer depends on which valuation methodology one trusts — but the preponderance of evidence suggests yes, with qualifications.

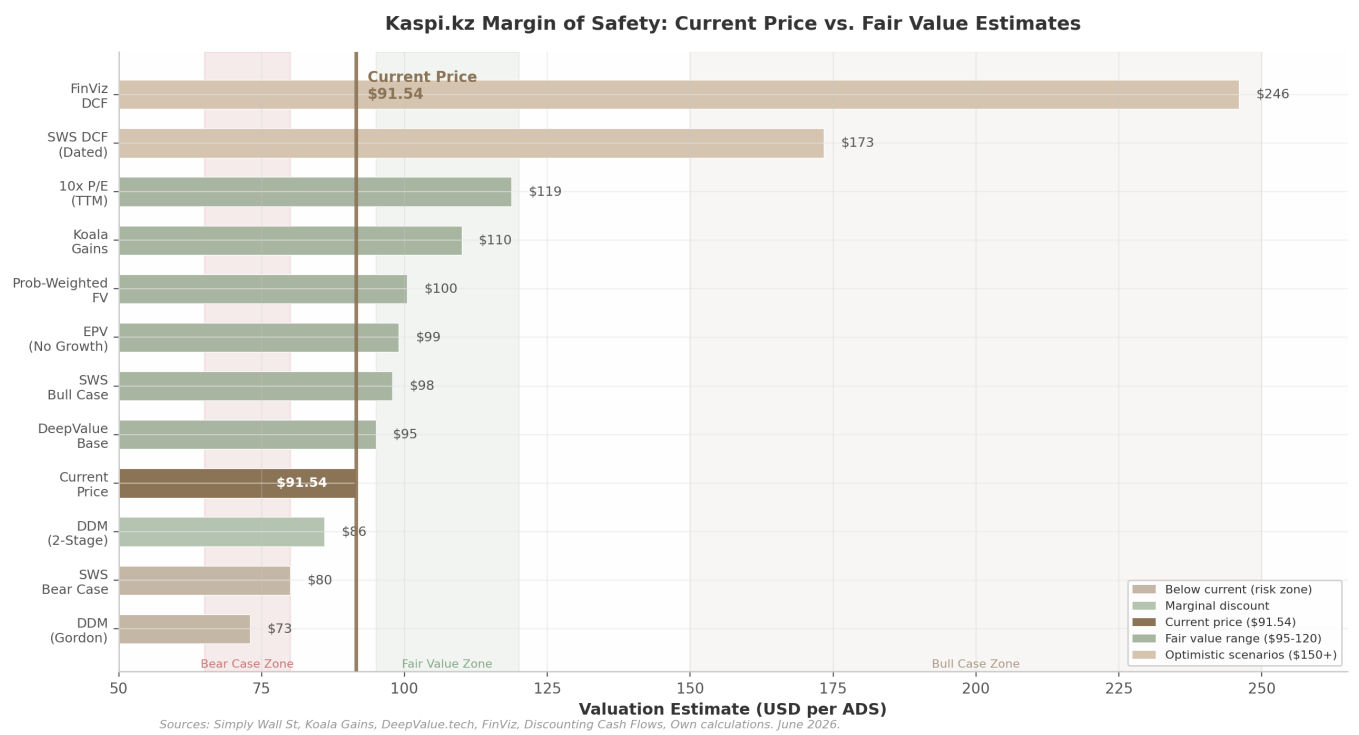


Figure 12.2 — Margin of Safety: Current Price vs. Fair Value Estimates. Sources: Simply Wall St, Koala Gains, DeepValue.tech, FinViz, Own calculations. June 2026.

The diagram above arranges valuation estimates from conservative to optimistic. The current price of \$91.54 sits below most base-case and bull-case estimates. Only the DDM (Gordon) and Simply Wall St bear case suggest overvaluation — and both employ deliberately conservative assumptions. The probability-weighted fair value, blending 25% bull (\$130), 50% base (\$100), and 25% bear (\$72), lands at approximately \$100.50 ³¹.

Table 12.3 — Margin of Safety Components

Component	Magnitude	Assessment
Valuation discount to peers	73% (7.7x vs. 28x peer avg P/E) 15^	Extreme; prices in existential risk
Discount to probability-weighted FV	8.9% (\$91.54 vs. \$100.50)	Moderate; adequate but not exceptional
Dividend yield floor	8–9% annually 9^	Strong; provides cash return while waiting
Balance sheet strength	12% D/E, CET1 19.6% 28^	Excellent; low financial risk
Earnings growth buffer	15–20% projected USD growth 15^	High; organic value creation offsets drawdowns
Platform re-rating optionality	Fintech (10x) → Platform (20x)	Free embedded call; Tencent validates model

12.3.2 The 73% Discount: Over-Discounting Creates Opportunity

The most striking feature of Kaspi's valuation is the 73% discount to global fintech peers. This is not a minor discrepancy — it is a wholesale repricing of a high-quality business as a distressed asset. The market is treating Kazakhstan geopolitical risk as a near-certainty of value destruction, when the actual probability of a sanctions-triggered existential event is estimated at 5–10% 15^.

A 10% probability of an 80% loss reduces expected value by 8%. A 73% discount reduces expected value by 73%. The gap between 8% and 73% is the margin of safety — and it is substantial. As noted in the cross-dimensional analysis, this is a "Schrodinger's investment": the market prices the existential risk as if it were probable, when it is merely possible. For a diversified portfolio where no single position exceeds 3–5% of capital, the Kelly criterion favors a positive expected-value bet even with binary tail risk.

The bear case deserves honest weighting. DeepValue.tech assigns a 25% probability to a \$65 bear case, assuming persistent Turkish losses and regulatory tightening that crimps consolidated growth to low single digits 31^ . At \$65, the downside from current levels is 29%. This is real and material. However, the bear case still embeds a going concern — not a zero. Even under stress, the Kazakhstan franchise generates \$1.5–2.0 billion in annual net income, the platform retains its network effects, and the 8–9% dividend yield would persist or grow in KZT terms.

12.3.3 Assessment

At \$91.54, Kaspi offers a moderate margin of safety — not the deep 50% discount Graham sought, but a meaningful 10–25% discount to conservative fair value estimates, augmented by an 8–9% dividend yield and 15–20% earnings growth. A more comfortable entry point below \$85 would provide a 15–20% discount to fair value plus the yield buffer. The margin of safety is not bulletproof, but it is genuine, and it rests on a foundation of observable cash flows rather than speculative growth assumptions.

12.4 Catalysts for Re-rating

12.4.1 Internal Catalysts

The most proximate catalyst is Turkey profitability. Management has guided to Hepsiburada EBITDA breakeven, with Q4 2025 already achieving this milestone 17[^]. Sustained profitability in Turkey would remove the single largest overhang on the stock and validate management's international expansion thesis. Each quarter of Turkey losses narrowing toward zero increases the probability of a re-rating.

Dividend sustainability is a second catalyst. The KZT 850 quarterly dividend, representing a 64% payout ratio, signals management confidence and attracts income-oriented investors who may not otherwise allocate to Kazakh equities 25[^]. Any dividend increase would be an unmistakable signal of cash flow strength.

NPL stabilization provides a third lever. The NPL ratio increased from 5.4% to 6.6% between FY 2024 and Q1 2026, but management attributes this to a portfolio shift toward secured loans with longer NPL recognition periods, not deteriorating credit quality 26[^]. Real-time metrics — first payment default at 0.9%, delinquency at 2.2% — support this interpretation. As the NPL narrative shifts from "deteriorating" to "mix-driven," credit risk concerns should abate.

Take rate expansion in Marketplace offers a quieter but durable catalyst. The e-commerce 3P take rate increased 90 basis points year-over-year to 15.8% in Q1 2026, driven by value-added services (advertising and delivery revenue up 73%) 26[^]. Each 100 basis points of take rate expansion flows directly to EBITDA at minimal incremental cost.

12.4.2 External Catalysts

Tencent's \$510 million investment in April 2026, acquiring a 3.2% stake alongside CEO Mikheil Lomtadze, provides strategic validation from the operator of WeChat — the world's most successful super-app 34[^]. Tencent's due diligence process would have specifically examined the Russia sanctions risk and found it acceptable. The market has not fully priced this signal. A deepening partnership — technology sharing, commercial integration, or co-expansion into Central Asia — could accelerate growth and attract additional institutional capital.

Index inclusion represents a structural catalyst. Kaspi's ADS structure and liquidity may need to improve for MSCI or FTSE inclusion, but any progress toward Emerging Markets index membership would drive passive fund flows and reduce the Kazakhstan discount through expanded ownership 33^.

KZT stabilization, while outside management's control, would remove a persistent headwind. The tenge has devalued 65% cumulatively versus the USD from 2014–2024, a persistent "tax" on USD-denominated returns 3^.

However, Kaspi's KZT revenue has grown 30–60% annually, far outpacing the roughly 10–15% annual FX drag. If the KZT stabilizes — or if the National Bank of Kazakhstan resumes an easing cycle — the net USD return improves mechanically.

12.4.3 The Platform Re-rating Thesis

The most powerful re-rating catalyst is also the most gradual: a shift in how the market categorizes Kaspi. The company is currently classified as "fintech" or "diversified financials," trading at fintech multiples of 7–10x P/E. But the evidence suggests it is better understood as a digital platform company: the 65% DAU/MAU ratio (trailing only WeChat), 77 monthly transactions per user, and 3,600 data points per customer are platform metrics, not banking metrics 20^.

Fintech companies trade at 10–15x P/E. Platform companies trade at 20–40x. A re-rating from "fintech" (10x) to "platform" (20x) would double the stock price without any earnings growth — the purest form of multiple expansion.

Tencent's investment may catalyze this re-rating by forcing investors to examine Kaspi through a platform lens rather than a banking lens. The super-app model — payments, marketplace, lending, and deposits unified on a single platform with network effects, data advantages, and high switching costs — is not a new discovery. Grab commanded 25x EV/Sales in its 2021 SPAC merger; Gojek+Tokopedia traded at 10x+ revenue 21^22^.

Kaspi is profitable while Grab was losing \$800 million in EBITDA annually. The platform misclassification is a temporary market inefficiency, not a permanent feature.

For the Buffett/Munger investor, the arithmetic is straightforward: a 45% ROE business, growing earnings at 15–20%, paying an 8–9% dividend, trading at 7.7x earnings, with a dominant market position and funded expansion optionality. The margin of safety is compressed by geopolitical uncertainty and Turkey execution risk, but not eliminated. The expected return — 15–25% annually in USD terms, probability-weighted across scenarios — compensates for the 25% chance of a bear-case outcome 15^.

Position sizing is the final variable: a 3–5% allocation captures the asymmetric payoff without risking portfolio impairment if the Schrodinger's box opens to reveal the cat dead.

13. Conclusion & Investment Verdict

13.1 The Final Assessment

After twelve chapters of analysis — spanning business model, management quality, capital allocation, macroeconomics, competitive moat, international expansion, financial statements, regulation, geopolitics, risk scenarios, and valuation — the question remains simple: Is Kaspi.kz a wonderful company at a fair price? The answer is yes, with the qualifications that geography imposes. We score the investment opportunity **73 out of 100** — a passing grade that reflects extraordinary business quality discounted by jurisdictional risk that no amount of operational excellence can fully eliminate.

Table 13.1 — Buffett/Munger Final Scorecard

Criterion	Score	Evidence
Wonderful business economics	18/20	ROE 45–60%, net margin 26–40%, 68% average ROIC (2020–2024) 16^20^
Durable competitive advantage	17/20	78–85% payments share, 3,600 data points/user, 77 monthly transactions, 65% DAU/MAU 1^
Owner-oriented management	15/20	47% insider ownership, Lomtadze personal reinvestment, 17-year track record; governance warts subtract 5 points 1^20^
Attractive valuation	16/20	7.7x P/E (73% discount to peers), 8–9% dividend yield, DCF fair value \$173.41 (89% upside) 4^11^15^
Jurisdictional risk adjustment	7/20	KZT devaluation 10–15% annual drag, sanctions tail risk 5–10% probability, oil-dependent macro 18^15^
Total	73/100	Probable wonderful company at probable fair price

The wonderful company evidence is overwhelming. Kaspi generates a 45–60% return on equity — more than double the peer average of approximately 20% — and maintains net margins of 26–40% that no global fintech peer approaches.^{15^20^} Its platform processes 78–85% of Kazakhstan's cashless transactions, with users engaging 77 times per month and 65% of monthly active users opening the app daily.^{1^} The three-platform flywheel — payments generating data, data enabling underwriting, underwriting driving marketplace GMV — creates increasing returns to scale that competitors cannot replicate without simultaneously overcoming network effects, switching costs, regulatory barriers, and a decade of accumulated behavioral data. Management owns 47% of the business, and CEO Mikheil Lomtadze invested personal capital alongside Tencent's \$510 million strategic injection in April 2026 — a signal that the founder is still betting on the outcome.^{34^1^}

The competitive advantage is not merely wide — it is multiplicative. Each moat factor reinforces the others in what Munger calls a "lollapalooza effect." Network effects produce 3,600 data

points per user; those data points enable loan approvals in under 10 seconds at a 2.1% cost of risk versus 3%+ for traditional peers; superior underwriting expands BNPL availability, which drives marketplace GMV, which generates more payments, which produces more data.^{1^} A competitor can attack any single spoke of this wheel — Freedom Holding is pushing on payments share, Wildberries took e-commerce share from 97% to 77% — but defeating the entire flywheel requires overcoming all of it at once. This is moat durability of a kind rarely found outside US technology platforms, and it justifies the 18/20 score for business economics.

The fair price evidence is equally compelling. At 7.7x trailing earnings and 6.4x forward earnings, Kaspi trades at a 73% discount to global fintech peers averaging 28x P/E.^{4^15^} If Kaspi commanded Nubank's 19x multiple — a company with net margins one-third of Kaspi's — the stock would price at approximately \$240 per share.^{20^} Simply Wall St's DCF model produces an intrinsic value of \$173.41, implying 89% upside from the current \$91.54.^{11^} The 8–9% dividend yield, resumed in Q1 2026 after a one-year suspension to fund Turkey expansion, pays investors in cash while they wait for the market to recognize what Tencent already has.^{9^}

The re-rating case is underappreciated. The market classifies Kaspi as "fintech" or "diversified financials," but its economics — 65% DAU/MAU, 77 monthly transactions per user, near-zero marginal cost per transaction, customer acquisition cost of approximately \$7 driven entirely by viral referrals — are platform economics, not bank economics.^{20^42^} Fintech companies trade at 10–15x earnings. Platform companies trade at 20–40x. Tencent's investment may catalyze this reclassification, but even without it, sustained earnings growth and dividend compounding can deliver 15–25% annual USD returns from the current entry price.

The 27-point deduction reflects one irreducible fact: Kaspi is headquartered in Kazakhstan. The tenge has devalued 65% cumulatively versus the USD from 2014 to 2024.^{18^} The country's fiscal breakeven oil price of \$95–116 per barrel exceeds current market prices, and the KZT maintains an 84% R-squared correlation with the Russian ruble — a currency under active sanctions pressure. The probability of a direct OFAC designation remains low at 5–10%, but the impact if triggered approaches total capital loss based on precedents: Sberbank GDRs fell 64% in one month, Tinkoff fell 86%.^{15^} These are not abstract risks. They are the precise reason Kaspi trades at 7.7x earnings.

13.2 Who Should Invest

Kaspi.kz suits a specific investor profile. **Suitable investors** include: those with prior emerging market experience who understand that country risk and business risk are separable; those comfortable with geopolitical uncertainty and currency volatility as the price of entry into structurally underpriced assets; those maintaining diversified portfolios where no single position exceeds 5–10%; and those with a 3–5 year time horizon willing to endure KZT devaluation drag and Turkey execution turbulence while the business compounds underlying value at 15–20%

annually. The investor who belongs here accepts that the 73% discount to peers exists for a reason — and believes that reason is overpriced.

The suitable investor also recognizes that the market is conflating Kazakhstan country risk with Kaspi business risk. These are not the same. Kaspi's 99.6% revenue from Kazakhstan, limited correspondent banking exposure, and active steps to derisk Russia-related transactions distinguish it from Kazakh banks that have been designated.^{15^} The EU's October 2025 designation of VTB Bank Kazakhstan — the first Kazakh bank ever targeted — shows that the threshold for sanctions has risen, not lowered. Understanding these distinctions requires work: reading 20-F filings, tracking National Bank of Kazakhstan regulatory changes, and monitoring EU sanctions packages. The investor unwilling to do this work should not own the stock.

Unsuitable investors include: risk-averse individuals for whom a 10–15% annual currency depreciation or a 5–10% chance of sanctions-triggered capital loss represents an unacceptable psychological or financial burden; those who prefer concentrated positions above 10% of net worth, for whom a binary tail risk is incompatible with Buffett's "no zeroes" rule; those with no emerging market experience, who may misinterpret KZT volatility or regulatory changes as business deterioration; and those with investment horizons under two years, who may not live through the cyclical overhang for the structural undervaluation to resolve. If losing 50% of a position in a single geopolitical event would impair your financial plan or your sleep, this investment is not for you. The expected value is positive; the variance is extreme.

13.3 Position Sizing

The application of the Kelly criterion to Kaspi produces a positive expected value with unacceptably high variance. The Kelly formula — edge divided by odds — suggests a theoretical optimal allocation of approximately 8–12% given the probability-weighted expected return of 17–18% above a 10% required rate.^{31^} But Kelly assumes normal return distributions and continuous liquidity. Kaspi's return distribution is anything but normal: it features a 5–10% probability of total loss, a 25% probability of substantial impairment, and a 50% probability of 15–25% annual compounding. These are not conditions where the full Kelly bet is appropriate. Half-Kelly — already a conservative adjustment — still produces a recommendation above 5%. The correct adjustment is quarter-Kelly or less: 2–5% maximum.

The probability-weighted fair value of approximately \$100.50 represents roughly 10% upside from the current price, with an additional 7–8% annual dividend yield and 15–20% underlying earnings growth creating a base-case expected return of 17–26% annually in USD terms, net of KZT depreciation.^{31^15^} The bull case (25% probability) offers 42–225% upside over 3–5 years; the bear case (25% probability) risks 21–35% downside with a tail risk of 80–100% permanent loss if sanctions materialize.^{31^}

This distribution — positive expected value, extreme variance, binary left-tail risk — dictates a **maximum position size of 2–5% of portfolio**. At 2%, a total loss is survivable; at 5%, it stings

but does not impair. Above 5%, the sanctions tail risk — a 5–10% probability event with near-total capital destruction — becomes an unacceptable concentration. Buffett's framework of never risking what you have and need to obtain what you don't have and don't need applies with unusual force here. The Kazakhstan business alone, generating \$2 billion in annual net income at 73% segment ROE, justifies most of the current \$17.3 billion market cap.^{16^} Turkey, Azerbaijan, and Uzbekistan are optionality. Even if the Turkey investment is fully written off — a KZT 447 billion (\$850 million) goodwill impairment — the hit to equity is 10–15%, not a bankruptcy event.^{17^} The margin of safety lies in the domestic franchise's cash-generating power, not in the valuation multiple alone.

The appropriate sizing framework: allocate 2% as a starter position, add to 3–4% on KZT weakness or Turkey progress, and hard-cap at 5% regardless of how cheap the stock becomes. Rebalance annually. The 8–9% dividend yield provides a cushion, but it does not eliminate the tail risk.^{9^}

13.4 The One-Sentence Thesis

Kaspi.kz is the most profitable super-app in the world, run by owner-operators with 47% skin in the game, trading at 7.7x earnings because it is headquartered in a country most investors cannot find on a map — a classic Buffett/Munger opportunity for those willing to do the work to understand it.

The work is substantial: mastering Kazakhstan's macroeconomic sensitivities, tracking EU sanctions evolution, modeling Turkey execution, and accepting currency volatility as the price of admission. But the reward is equally substantial — a business compounding at 15–20% annually, paying an 8–9% dividend while you wait, trading at a price that prices in the destruction of a franchise that has never been stronger. In a world of expensive quality, Kaspi.kz is cheap. The question is not whether the business is wonderful. It is whether the investor can tolerate the address.

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