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NATIONAL PAYMENT
CORPORATION OF
KAZAKHSTAN



TARLAN
PAYMENTS

July 2024

Kazakhstan Fintech Report 2024

2nd edition

Disclaimer

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Authors:



Market intelligence, research, and advisory firm specializing in fintech, venture capital, startups, tech ecosystems, and trends in the CIS & Central Asia region.



Ainur Zhanturina
RISE Research



Maken Ibragimov
Markets Mentor



National Payment Corporation of Kazakhstan (further-"NPCK") conducts interbank payments and clearing, ensuring compliance with laws. It aims to maintain the national payment system, develop research expertise, and implement fintech projects for the National Bank and its subsidiaries, collaborating with international research centers.



Dias Savetkanov
NPCK



Arman Assakayev
NPCK



Mastercard is a global technology company in the payments industry. Its mission is to connect and power an inclusive, digital economy that benefits everyone, everywhere by making transactions safe, simple, smart and accessible.



Assel Abdrakhmanova
Mastercard



Andrey Sedenko
Tarkan Payments



Tarkan Payments is a payment system in Kazakhstan. The company collaborates with the country's largest banks, Halyk, Jusan, and Kaspi. More than 20 mln transactions pass through the system each month.

Check out our previous reports

[Download them all on rise.com.kz](https://rise.com.kz)

[Venture Capital in Central Asia and the Caucasus 2023](#)

[Artificial Intelligence in Kazakhstan 2024](#)

[Fintech in Uzbekistan 2023](#)

[Fintech in Kazakhstan 2023](#)



FOREWORD



Ainur Zhanturina
Founder RISE Research

Welcome to the 2nd edition of the "Kazakhstan Fintech Report", offering a comprehensive overview of the current fintech landscape, key trends, and recent developments. Kazakhstan, a country of 20 million with high internet and mobile penetration, coupled with a sizable digitally banked population, leads the region in fintech adoption. The introduction of fintech business models has significantly reshaped the competitive environment, fostering innovation and accelerating the country's digital capabilities.

At RISE Research, our mission is to provide data-driven insights that deepen understanding of the region's market dynamics and drive innovation. We aim for our reports to illuminate market opportunities and inspire informed decision-making among industry stakeholders.

We extend our gratitude to our partners, contributors, and industry experts whose input and perspectives have enriched this report.



Binur Zhalenov
CEO National Payment
Corporation of Kazakhstan

I am honored to present this report on Kazakhstan's burgeoning fintech sector. Our nation has seen a remarkable transformation in digital financial infrastructure, driven by robust digital infrastructure, proactive regulation, and ambitious market players.

This document reflects the evolving fintech ecosystem, highlighting trends from Open APIs, CBDCs to AI solutions for the financial sector. At the NPCK, we foster an environment where fintech innovations thrive, enhancing accessibility, convenience, and security of financial services.

This report is a valuable resource for industry stakeholders, providing critical data and analysis. I extend my gratitude to our partners and contributors for their support. Together, we will build a digital economy that empowers every citizen and business in Kazakhstan.

FOREWORD



Suleyman Sozeri
General Manager Mastercard
Central Eastern Europe

The fintech landscape in Kazakhstan is undergoing rapid transformation, fuelled by a combination of many favourable factors. As the global fintech landscape evolves, in 2024 Kazakhstan stands at the forefront of innovation, with robust banking infrastructure, supportive government policies, and a tech-savvy population.

Mastercard will keep paying its active role in bringing cutting-edge technologies and payment innovations and developing a non-cash economy in Kazakhstan in partnership with banks, government, and other market players.

I'd like to express gratitude to National Payment Corporation, RISE Research and Tarlan Payments for this collaborative effort. Explore the full report for deeper insights and let's embark on this exciting journey together!



Andrey Sedenko
CEO Tarlan Payments

Fintech in Kazakhstan is rapidly developing, driven by a reliable digital infrastructure and widespread internet penetration, proactive regulation, and the ambitions of market players.

At Tarlan Payments, we are excited to be part of this dynamic ecosystem, collaborating with banks and fintech companies to make payments faster, more accessible, and convenient for consumers and businesses.

The trends described in the report, from open APIs and digital assets to the implementation of AI and solutions for SMEs, paint an inspiring vision of the future. The pace of progress and innovation detailed in this report gives me confidence that together we will shape a digital economy that empowers and benefits every citizen and business in Kazakhstan.

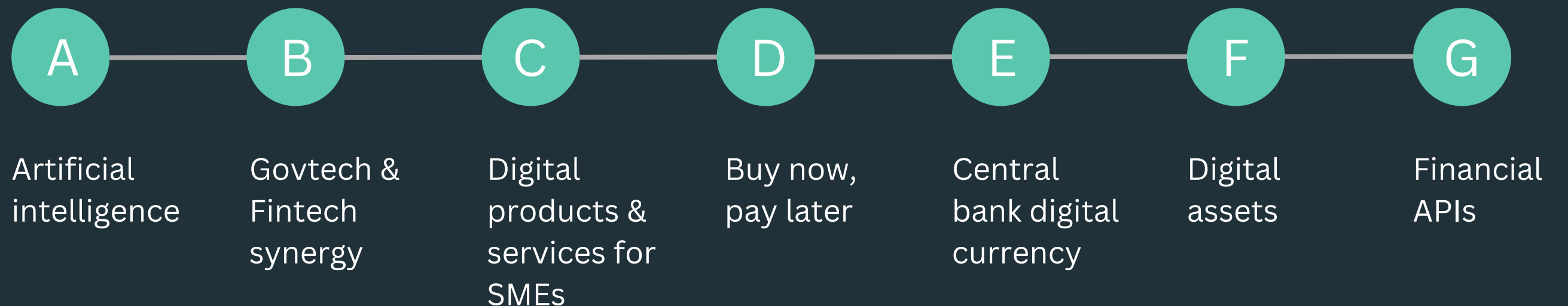
CONTENT OF THE REPORT

01 Industry overview & digital infrastructure

02 Fintech ecosystem & market potential

03 Fintech VC landscape

04 Fintech trends deep dives



Key takeaways

Increase in online banking usage, as well as all fintech-related services and products

Between 2019 and 2023, active online banking users in Kazakhstan increased 4.6 times due to technological improvements, regulatory support, high demand, market competition, and greater internet and cashless payment adoption.

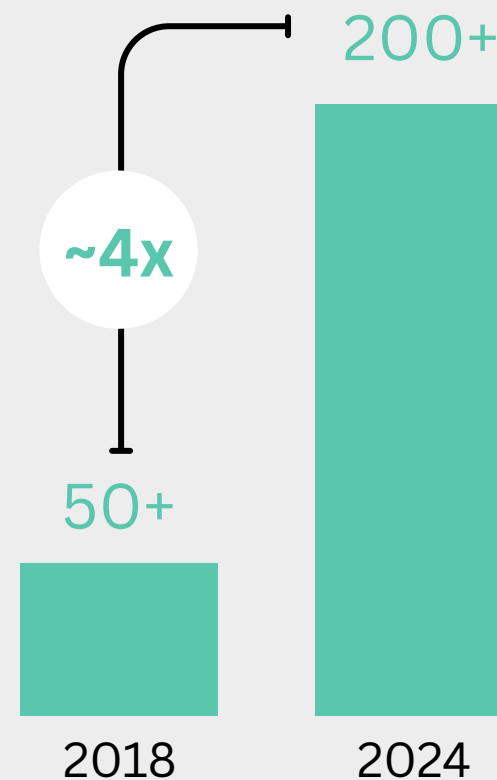
Number of active online banking users, mln



The rise in number of fintech startups, investments, and “bank+fintech startups” partnerships

Despite banks leading the fintech market, number of fintech startups in Kazakhstan have surged from around 50 in 2018 to over 200 by 2024. Moreover, fintech dominates venture capital deals in the country, accompanied by a noticeable rise in “bank+fintech startups” partnerships.

Number of fintech startups in Kazakhstan



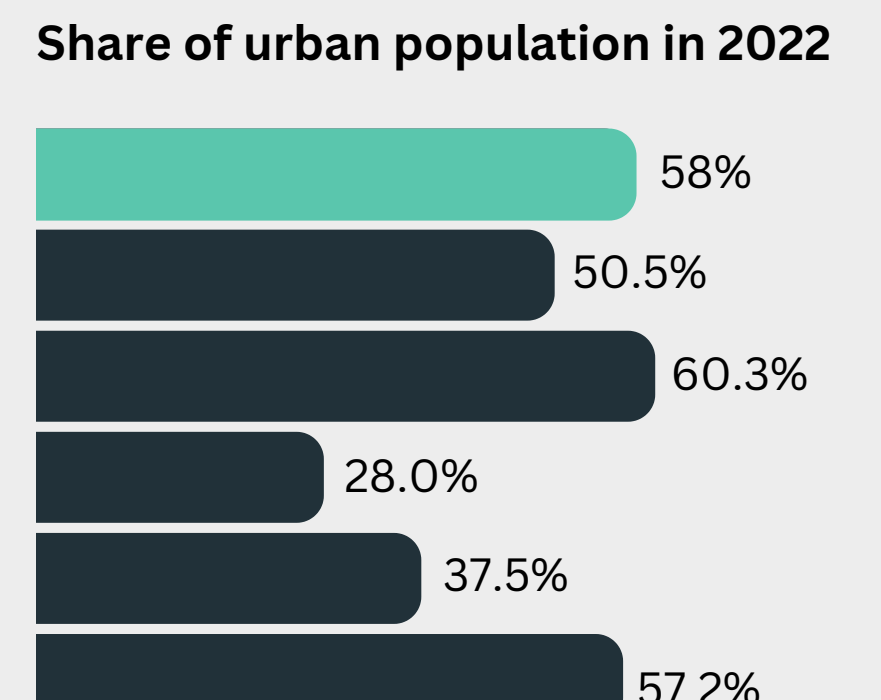
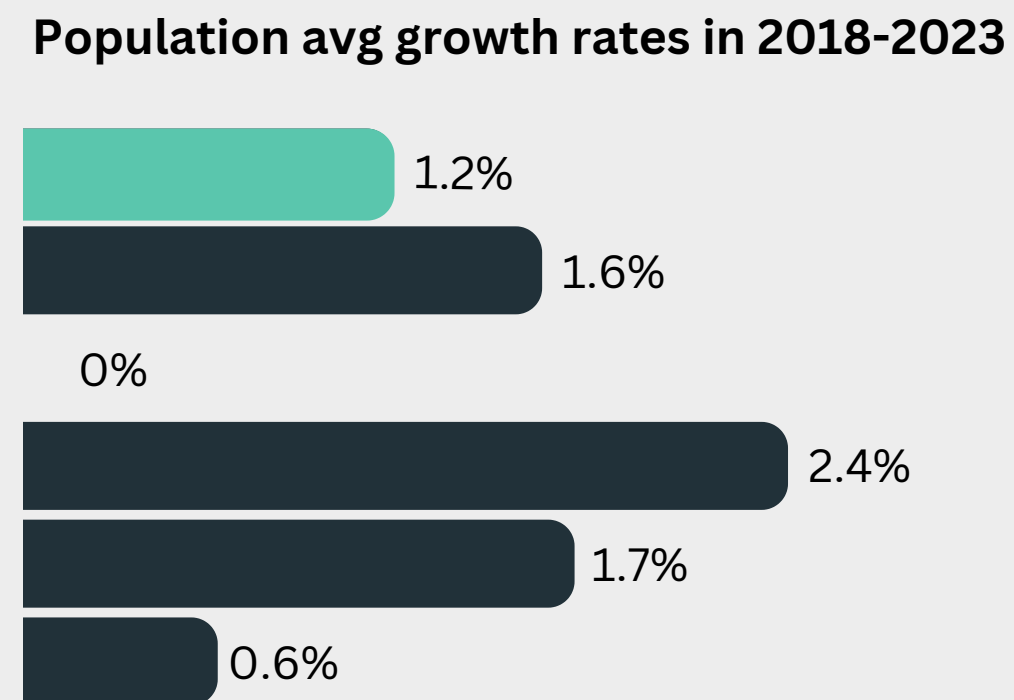
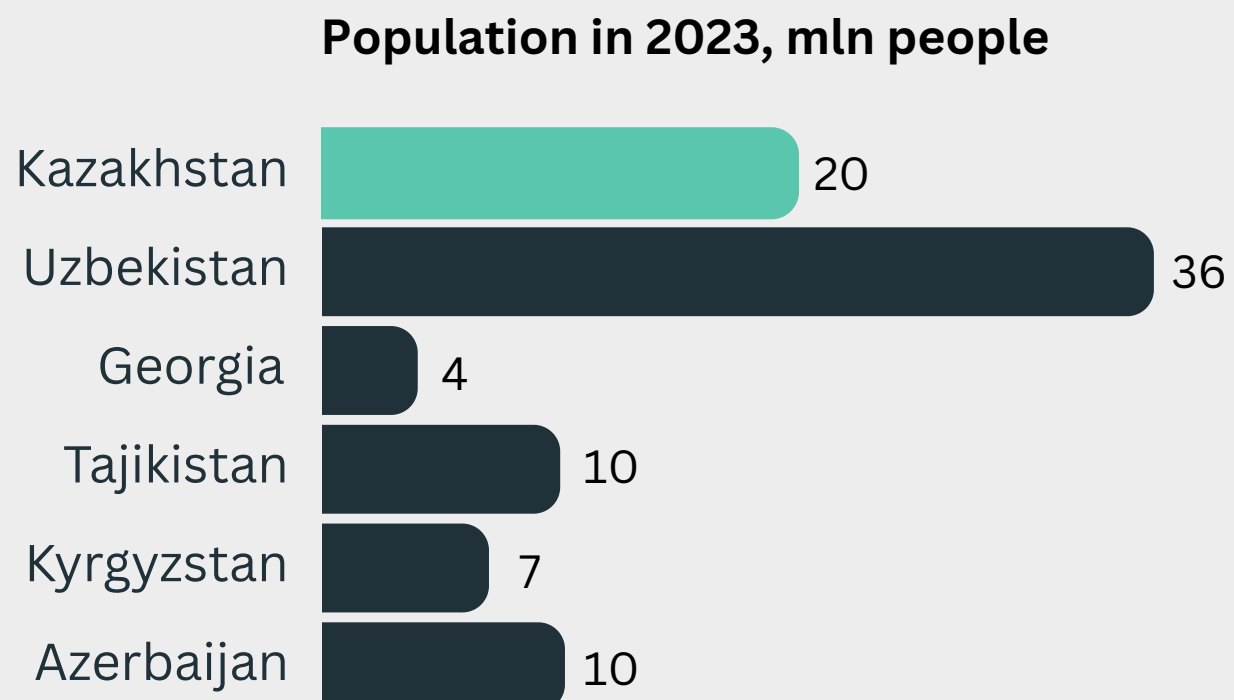
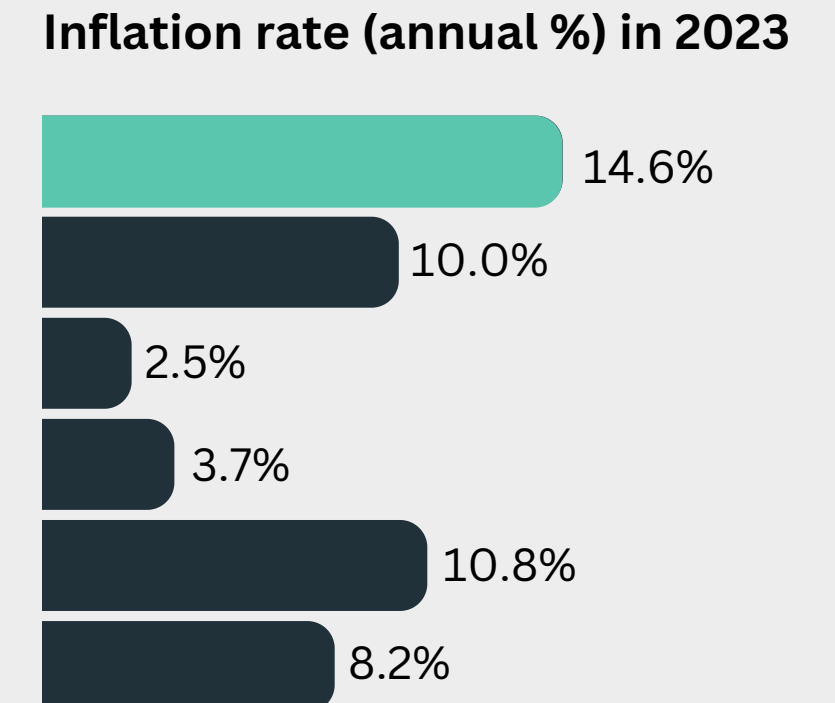
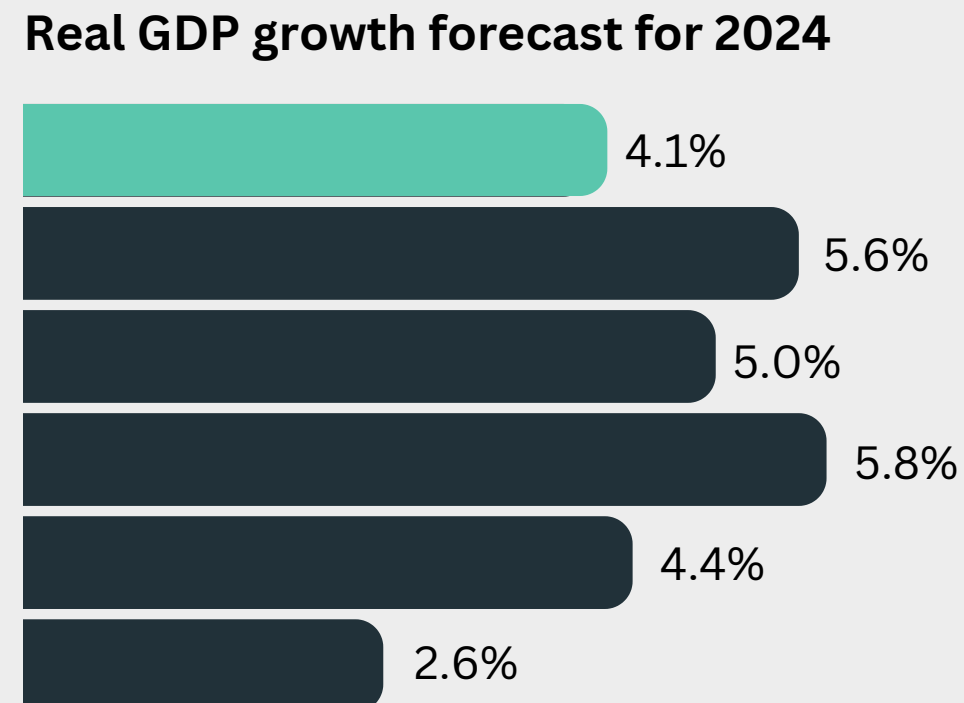
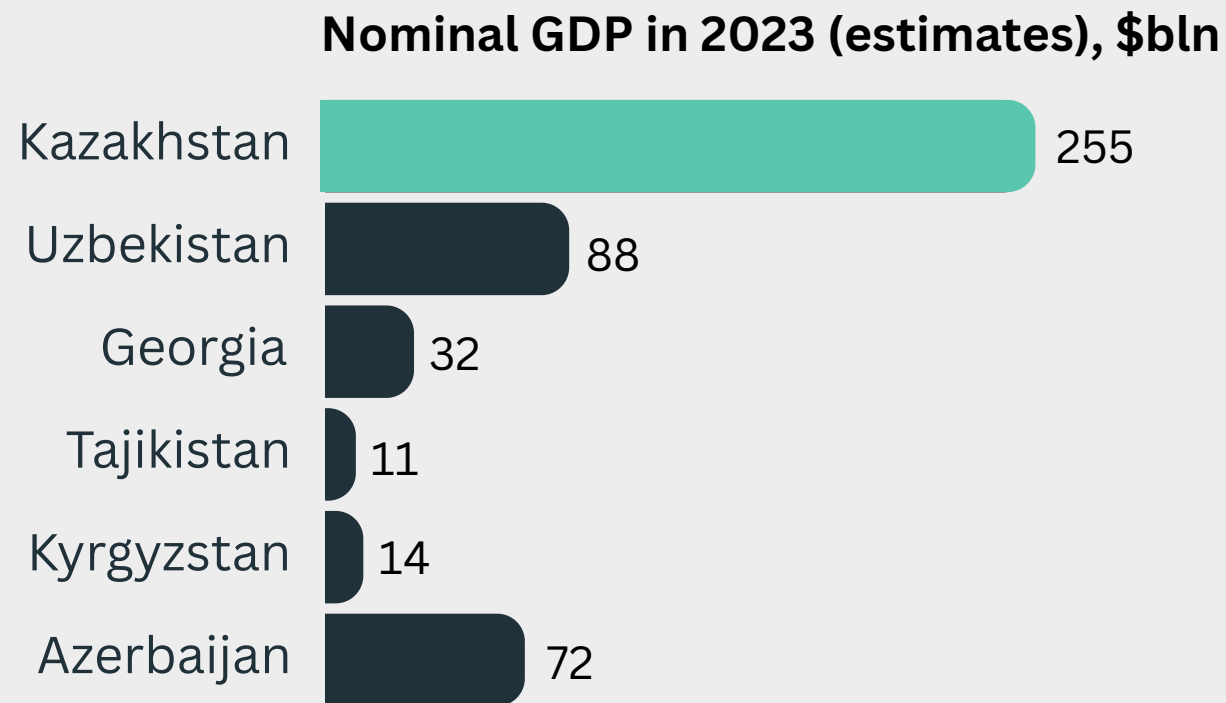
Market leaders share 7 trends:

- 1 Artificial intelligence
- 2 Govtech & Fintech synergy
- 3 Digital products & services for SMEs
- 4 Buy now, pay later (BNPL)
- 5 Central bank digital currencies (CBDC)
- 6 Digital assets
- 7 Financial APIs

01

Industry overview & digital infrastructure

Kazakhstan is the largest economy by GDP in the Central Asian & Caucasus region with 2023 nominal GDP of \$255 bln



Source: EIU as of April 1, 2024, World Development Indicators, IMF

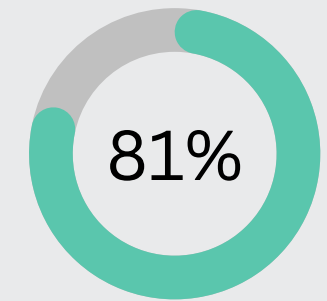
Between 2019 and 2023, number of active online banking users in Kazakhstan increased 4.6 times due to technological improvements, regulatory support, high demand, market competition, and greater internet and cashless payment adoption

Number of active online banking users, mln

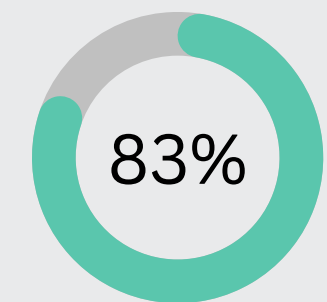


Source: Ranking.kz, National Bank of RK, Bureau of National Statistics of RK, GSMA Intelligence

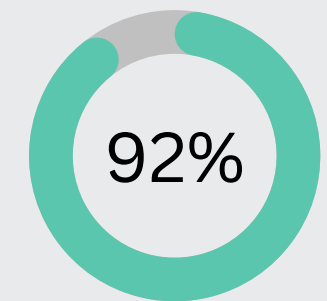
Banking penetration
(2021)



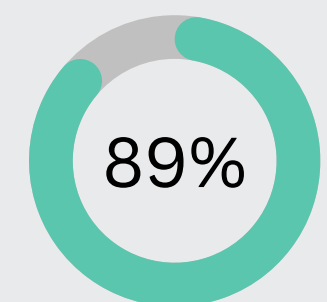
Smartphone adoption
(2023)



Internet penetration
(2024)



Share of cashless payments
(May 2024)



Kazakhstan's approach to digital financial services sets a high standard for speed and cost-effectiveness



Opening of bank account

<3 min

Average time to open a bank account online



Digital lending

~2 min

Average time to get online lending approved



GovTech

<1 hour

Average time for providing composite services online (for example, purchasing and re-registering a car)



International transfer

<1 hour

Average time for the settlement of an international transfer



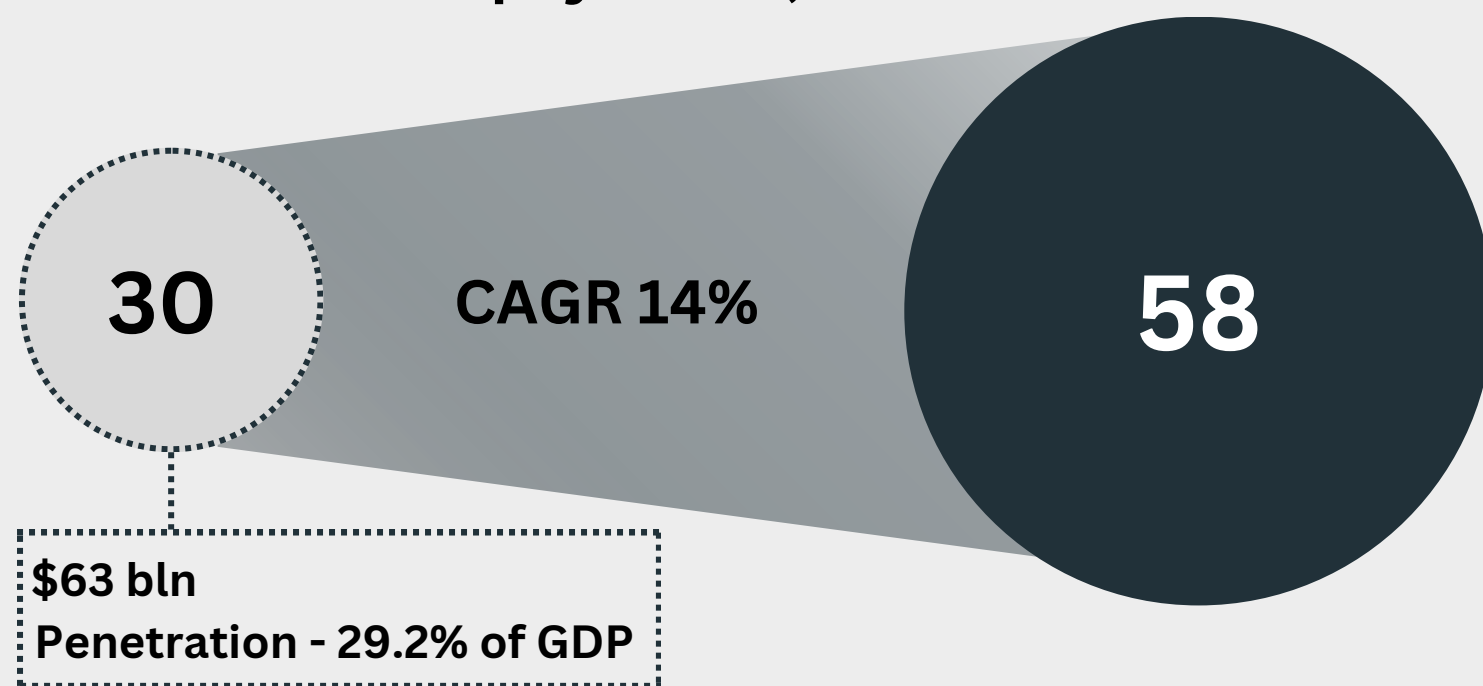
*“Thanks to government integration, we are far ahead of the USA and Europe. We offer **digital mortgages within a day for \$200**, whereas in the US, operational costs for banks to issue a mortgage to a client average \$10,500. **We are 50 times more efficient.** They cannot achieve similar results because they lack such data and capabilities. Their governments don't digitize as much data, and companies lack comprehensive data analytics on their clients.”*

Timur Turlov
Freedom Holding, CEO

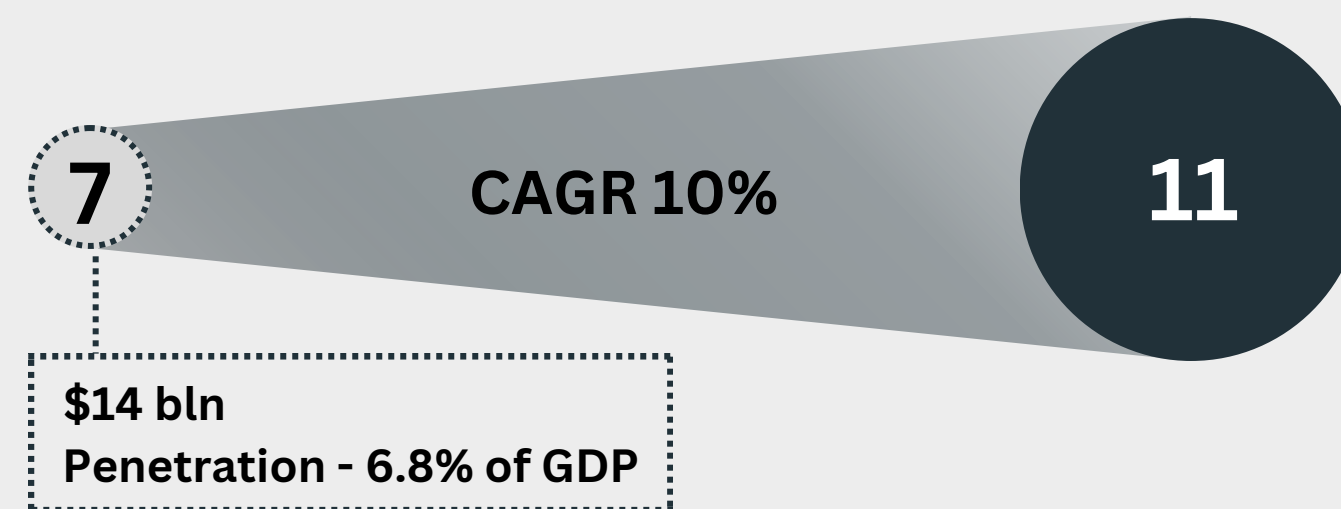
All of fintech related addressable markets in Kazakhstan are projected to continue expanding with at least a double-digit CAGR between 2022 and 2027

○ 2022A ● 2027E

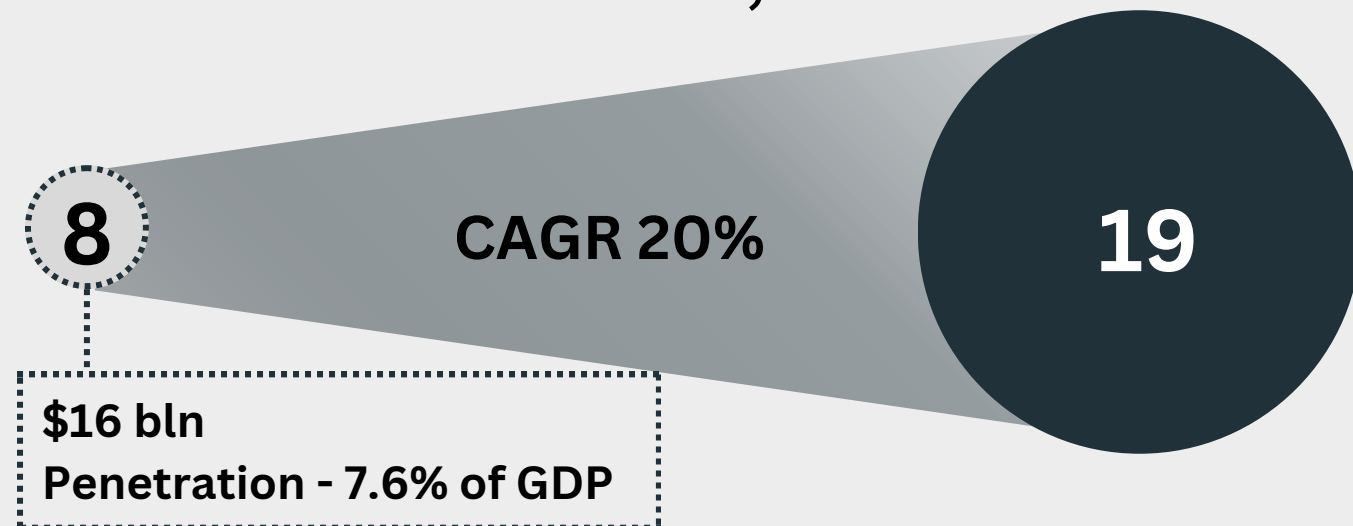
B2C payments, trillion KZT



B2B payments, trillion KZT



Consumer loans, trillion KZT



B2C payments consist of payments by consumers to businesses for transactions involving retail products and services, as well as bill payments, made through POS, Internet and smartphone apps or other available payment methods, including cash.

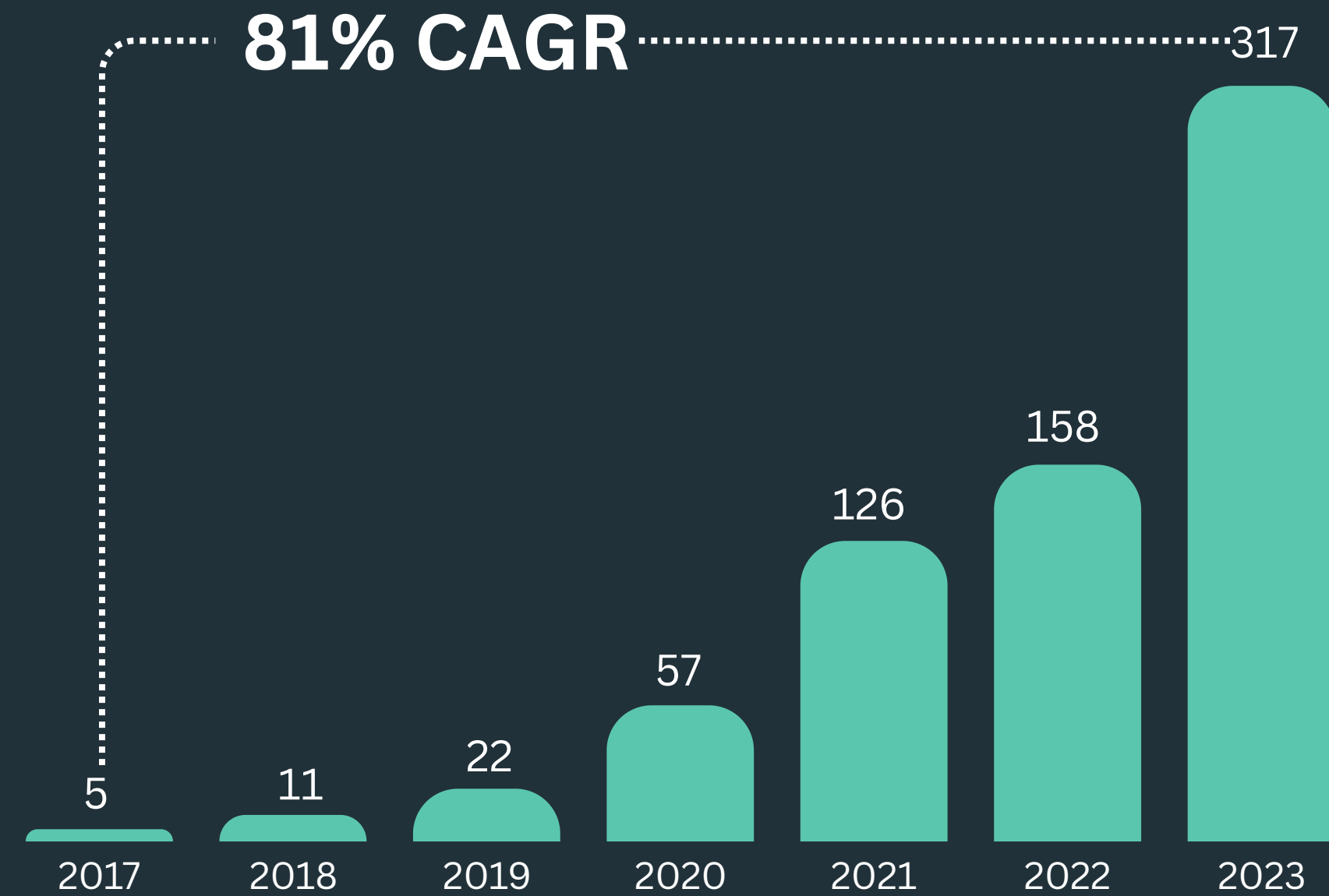
B2B payments consist of transactions between Kazakhstani wholesalers and distributors that supply local retailers and traditional retailers (including food service points). These transactions include the grocery, food services, health and beauty, home and electronics, and fashion industries. However, they exclude payments involving modern trade retailers (such as supermarkets and chain stores) and foreign distributors.

Consumer loans consists of loans to individuals, including general-purpose loans, BNPL, car loans, revolving loans (including overdraft or credit card) and other types of consumer finance instruments. These exclude mortgages and loans to individual entrepreneurs for business activities.

Source: ADL Report and Kaspi.kz prospectus, 2024
 Note: All amounts include VAT, other than consumer loans

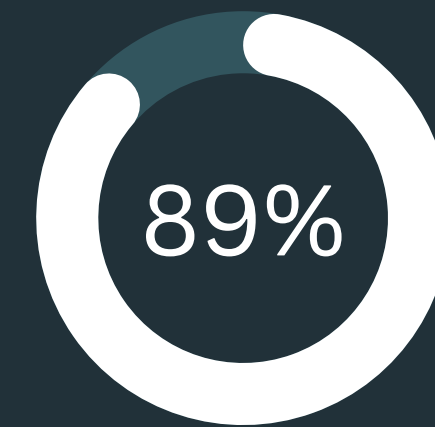
Non-cash payments surged at an 81% CAGR over the past 7 years, now comprising 89% of all transactions

Volume of cashless transactions, 2017-2023, \$bln



Source: National Bank of RK, Mastercard

Share of cashless payments, 2024



Growth of tokenized transactions (Apple Pay, Google Pay, etc.) in monetary terms and in the number of purchases



x3

transaction number growth, 2021-2023



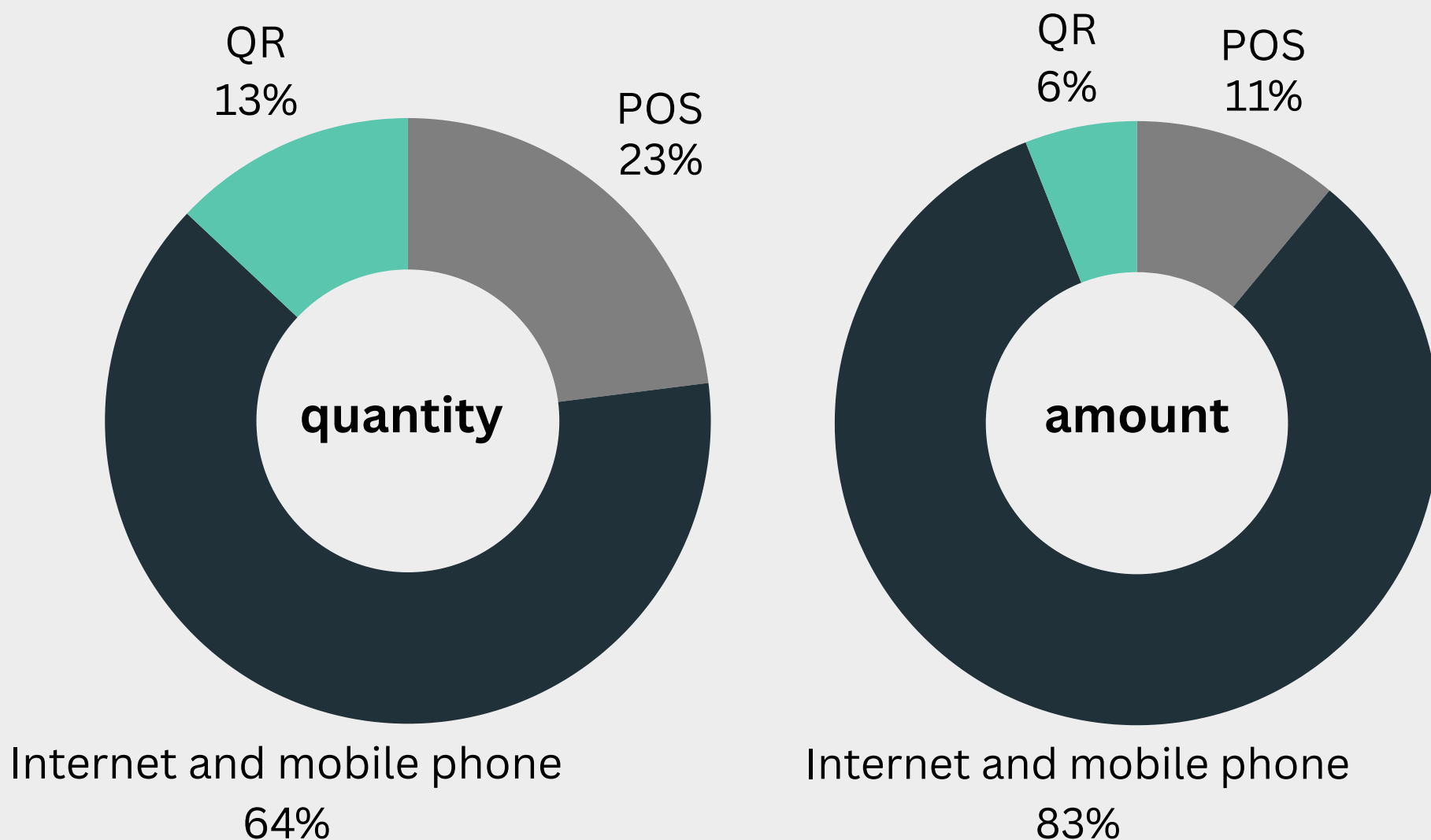
+170%

growth in USD amount, 2021-2023



Internet and mobile banking dominate the cashless payments and transfers category, accounting for 83% of all cashless payments amount

Cashless transactions breakdown, 2023



Key observations

The transformation of Kazakhstan's payment landscape has been driven by **several factors**: favorable demographics, growing digital readiness, increased e-commerce, improved banking accessibility, infrastructural developments (such as local payment systems and QR codes), the launch of major digital wallets (Apple Pay, Google Pay), and government initiatives.

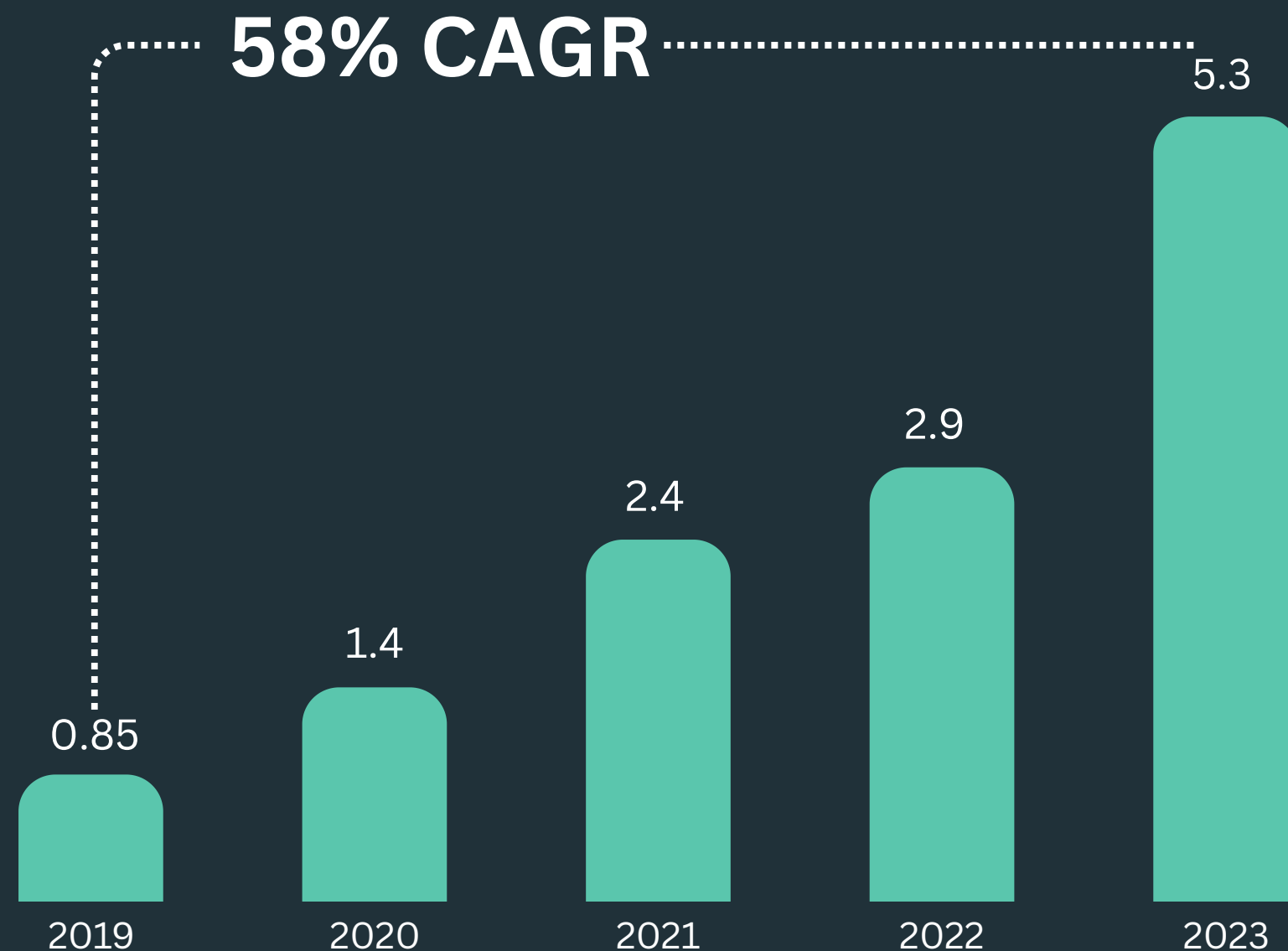
Kazakhstan has a young population of about 20 million, with a **median age of 30 years**. According to the World Bank, 62% of its population is aged between **15 and 64**. This youthful demographic is more tech-savvy and open to digital payment methods, aiding the adoption of non-cash payments.

The rise of e-commerce in Kazakhstan has also significantly contributed to the growth of non-cash payments. As more people shop online, they prefer digital payment methods. In 2023, e-commerce accounted for **12.6%** of total retail trade in Kazakhstan, according to the PwC. This growth trend is expected to continue, further driving the digitalization of payments.

Source: National Bank of RK

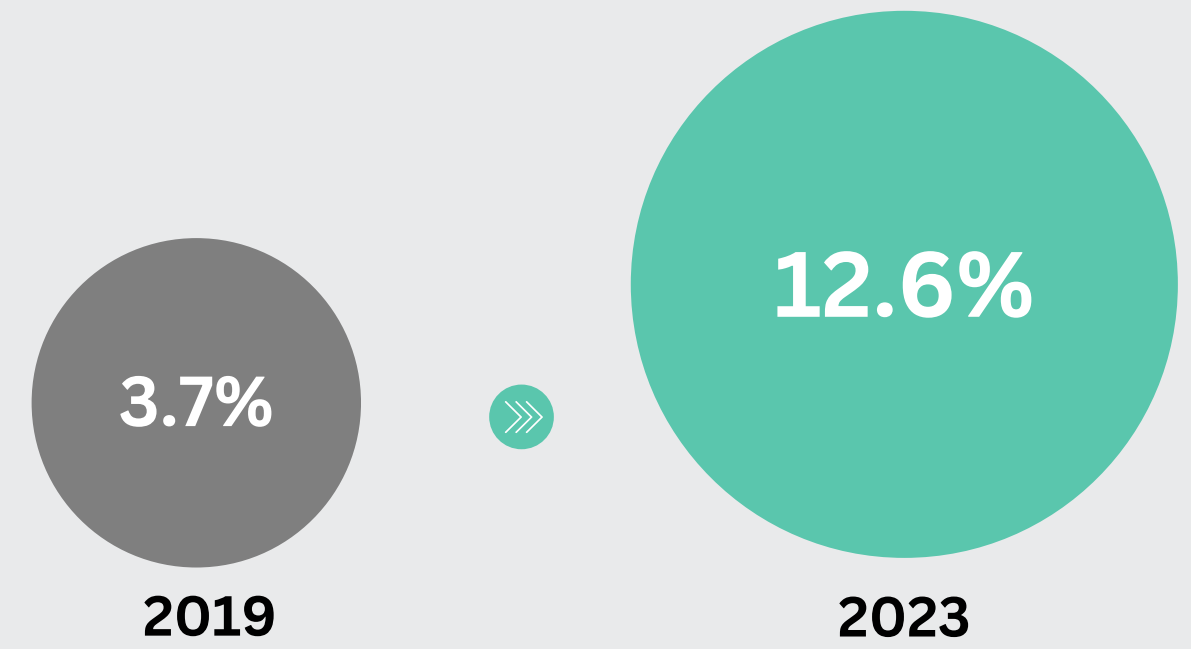
For the last 5 years the retail e-commerce market showed strong growth both in monetary terms and in the number of purchases made

Retail e-commerce market size, 2019-2023, \$bln



Source: Strategy&, part of the PwC network, Ministry of Trade and Integration of RK

E-commerce penetration (as a share of retail commerce)



4.3x

transaction number growth, 2019-2023

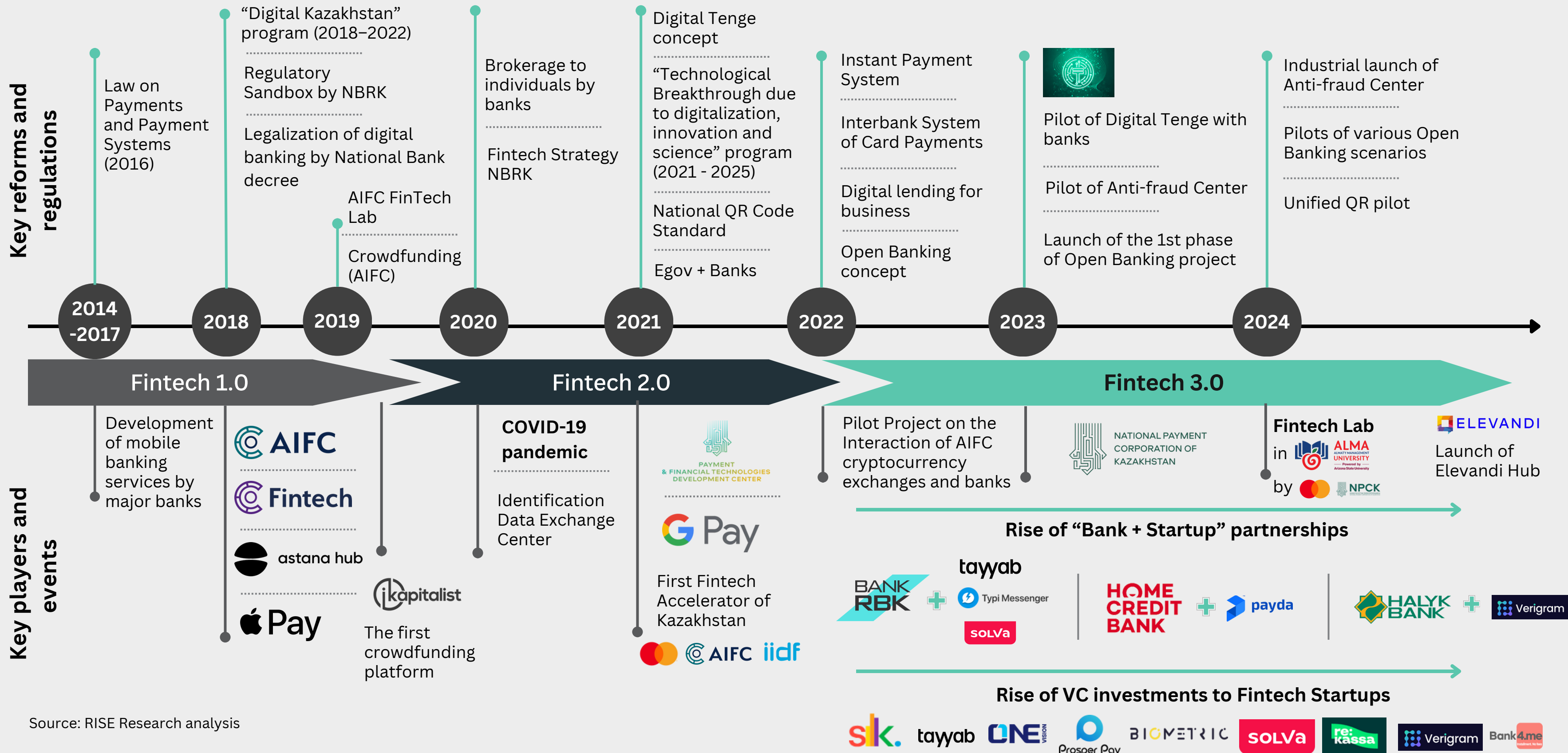


\$58.7

average check in 2023, 1.5x growth from 2019

Historical development of the market: regulations, initiatives and events

Not exhaustive



Source: RISE Research analysis



National Payment Corporation to launch Elevandi Hub in Kazakhstan in July 2024



ABOUT ELEVANDI

Established by the Monetary Authority of Singapore, Elevandi drives fintech advancement through public-private dialogue, events, and research. Key initiatives include the Singapore Fintech Festival, World Fintech Festival, Point Zero Forum, and Elevandi Insights Forum, engaging over 300 000 participants globally.

Goals of Elevandi Kazakhstan



Research

Collaborate with the National Bank of Kazakhstan and other regulators to publish reports on topics relevant to both Kazakhstan's and the global financial markets.



Events

Organize and participate in fintech events globally, featuring notable speakers and experts.



Investment

Leverage Elevandi's global network to attract investment into Kazakhstan's fintech sector.



Market support

Connect Kazakhstan's second-tier banks, fintech companies, and other market players with Elevandi's global network.



02

Fintech ecosystem & market potential

Globally, successful fintech players have emerged under various archetypes due to unique market enablers.....

Pure-play fintechs

Square



Offers payment processing and point of sales solution via phone or tablet, business financing, and a peer-to-peer payment app

- Offers a unique value proposition to meet small business needs, including credit card payment acceptance and value added services
- Leveraged its large merchant base to expand its peer-to-peer payment app to millions of consumers

Established consumer players

M-Pesa, Safaricom



Kenyan mobile phone-based money transfer, financing and microfinancing

- Available funding from one of largest telcos in Kenya
- Government law requiring identification for all SIM card owners
- Large distribution network for cash-in and cash-out

Source: Bain & Company, RISE Research's analysis

*Source: Bloomberg

Established financial services players

Swedbank, Nordea, Handelsbanken, SEB



Four leading Swedish banks with more than 70% in loans and deposits

- Successful early banking transformations
- Payments infrastructure shared among large banks
- Successful partnerships with innovative startups

Consumer tech platforms

Alibaba, Tencent/WeChat



Chinese super-apps that embed payments, lending and a host of financial services

- Broad ecosystem with frequent use cases (social media, gaming and e-commerce)
- Less developed payments system
- Open regulations for innovation
- Regulations that banned foreign competition

...and in the case of Kazakhstan, banks play a central role in advancing the country's fintech landscape



Two leading commercial banks handle about a 78% share of transfers and payments*



Absence of legacy banking systems and rapid transformation



Substantial investment by major banks in payment infrastructure



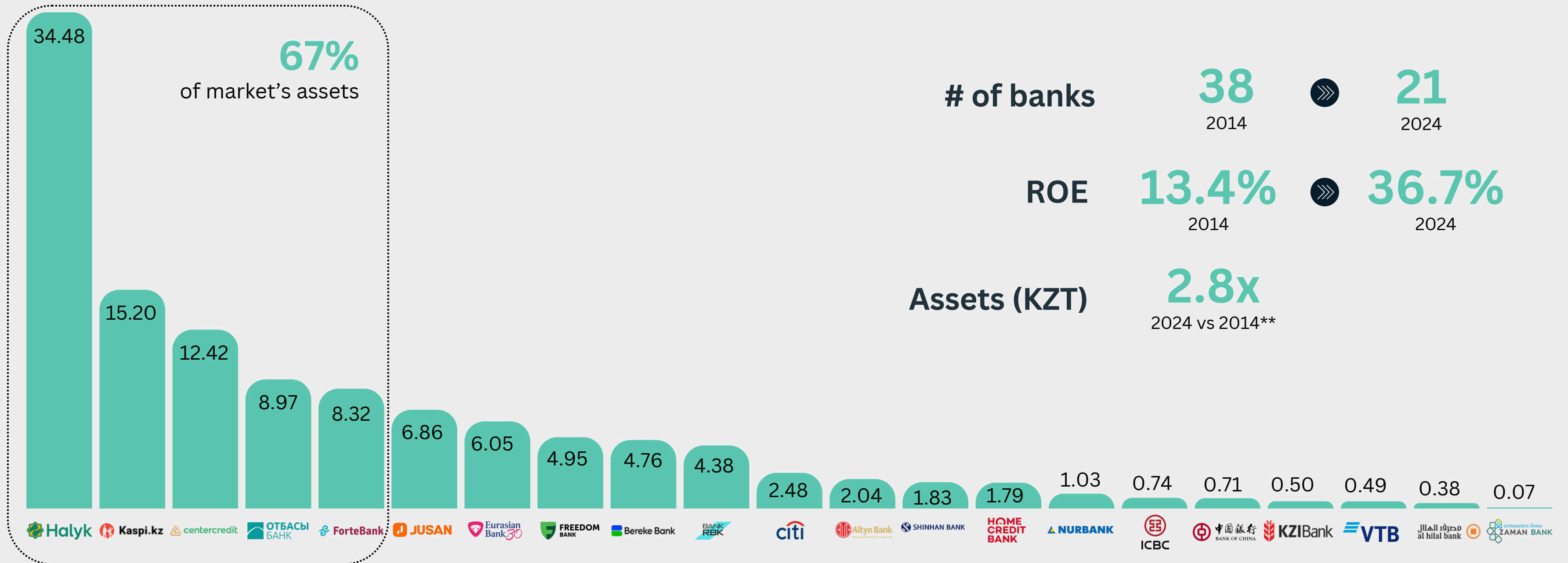
Proactive collaboration between banks and government e-systems



Closed ecosystems created by banks (QR, travel, marketplace, investments, govtech, etc)

Kazakhstan's banking industry shows a high concentration of market assets among a few banks. Return on equity (ROE) of the industry is 37% in 2024, which exceeds the global average (13%), reflecting considerable profitability

Banks' assets, \$bln, as of 01.04.2024*



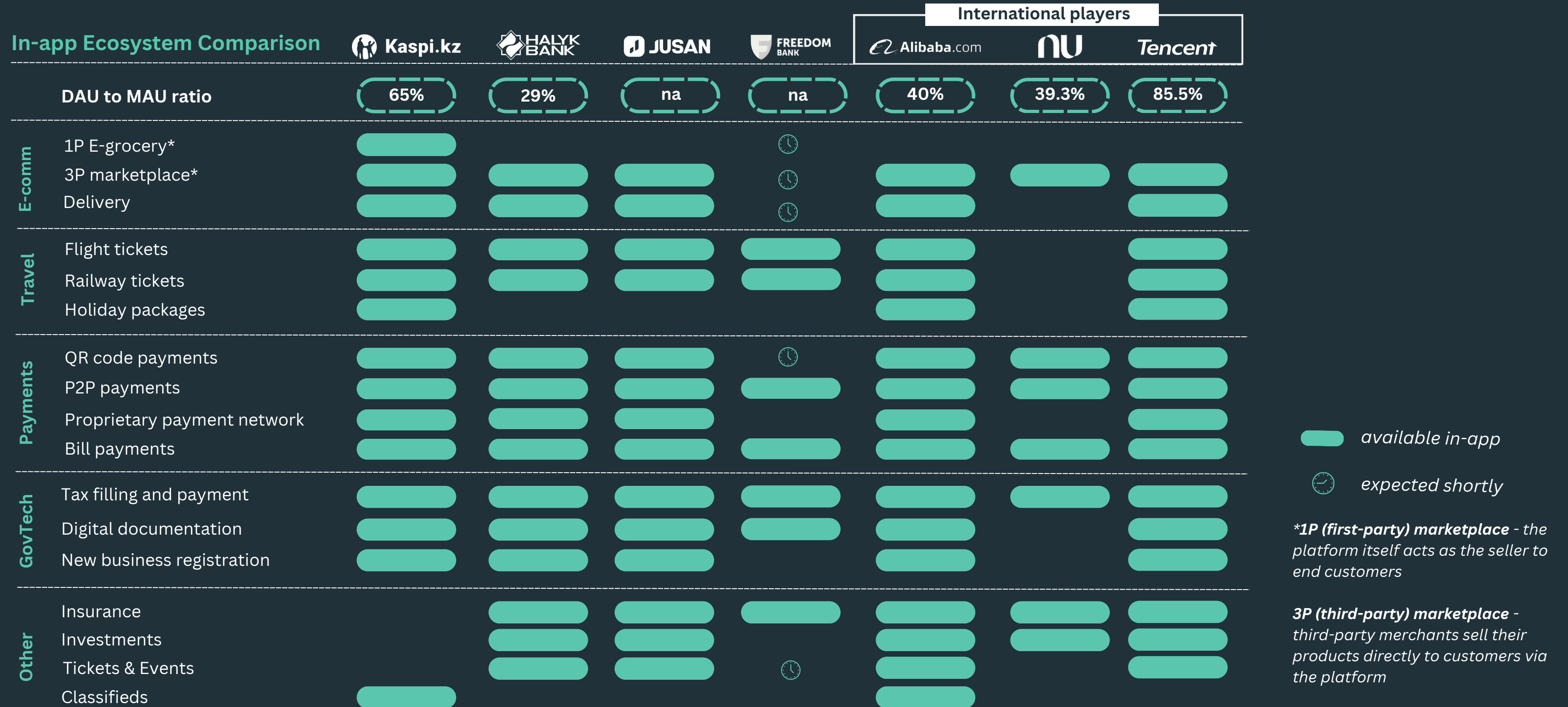
of banks 38 (2014) → 21 (2024)

ROE 13.4% (2014) → 36.7% (2024)

Assets (KZT) 2.8x (2024 vs 2014**)

Source: RISE Research's calculations based on the National Bank of RK data
 *the official exchange rate of the National Bank of RK as of 01.04.2024 is used for calculation
 **as of 01.01.2024 and 01.01.2014 respectively

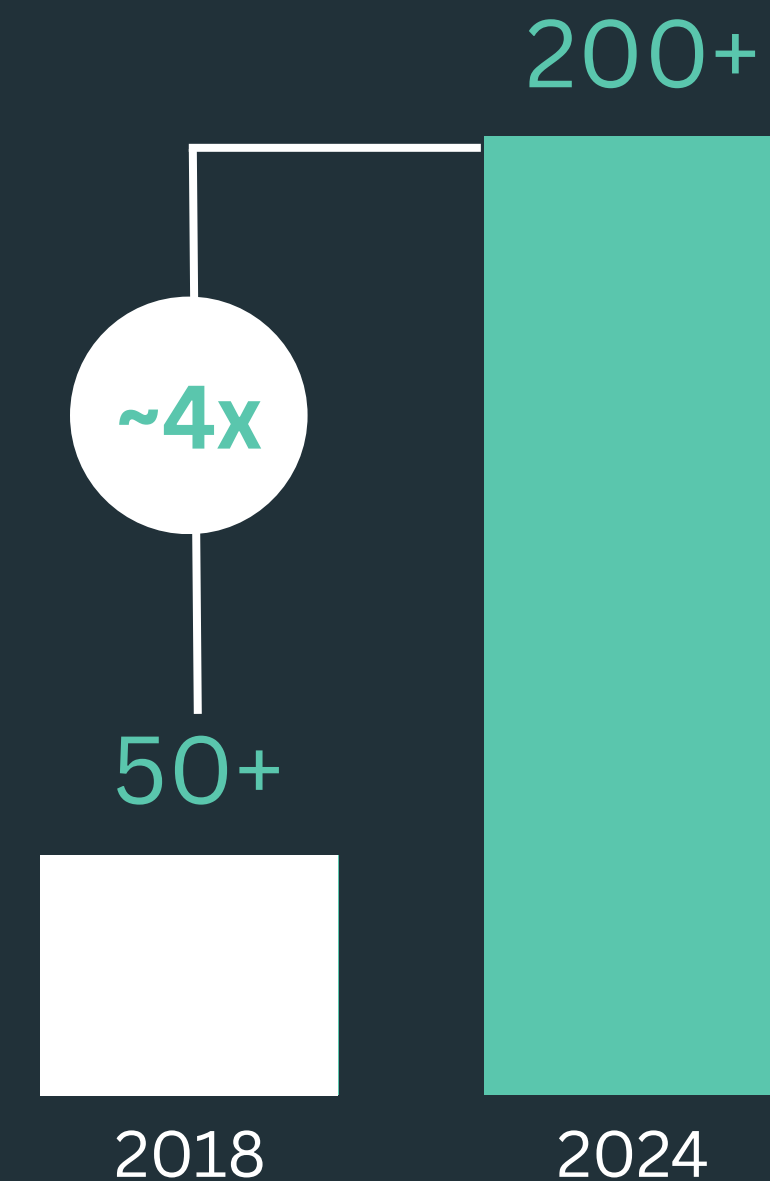
Kazakhstan's banks offer a unique mix of consumer and merchant services comparable to those of global super apps and digital platforms



Despite banks dominating the fintech market, the number of fintech startups continues to grow and mature.

From only 50+ fintech startups in 2018, the number of fintechs increased 4x to over 200 in 2024.

Number of fintech startups in Kazakhstan in 2019 and 2024

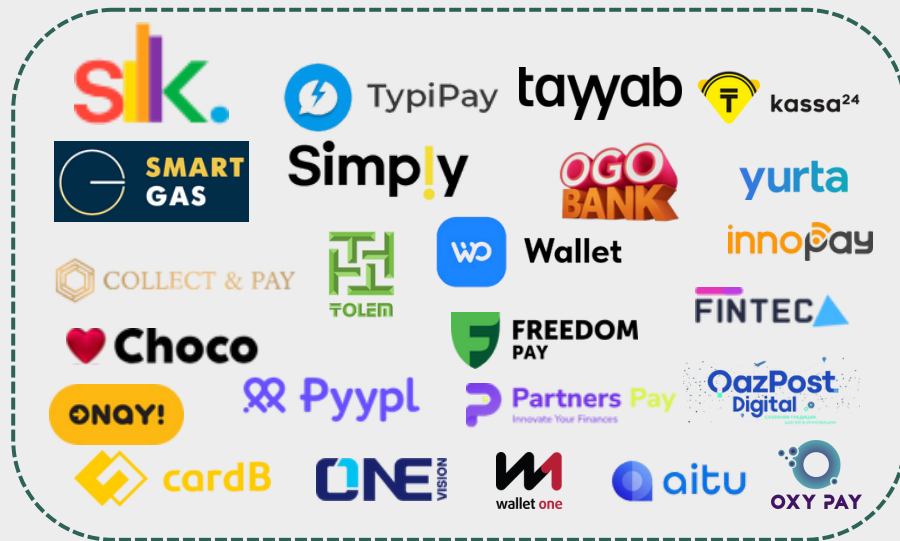


Source: RISE Research analysis, AIFC

Kazakhstan fintech map (excluding banks)*

Not exhaustive

Digital Payments



Online Cash Register & POS



Financial Marketplace



Earned Wage Access (EWA)



Credit Scoring



Internet Acquiring



Licensed Crypto Exchanges



Digital Lending



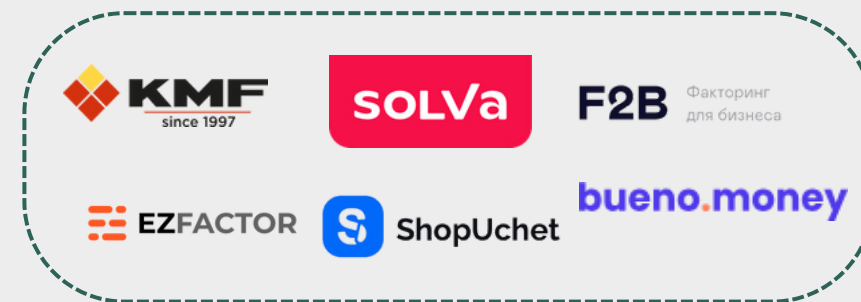
Islamic Finance



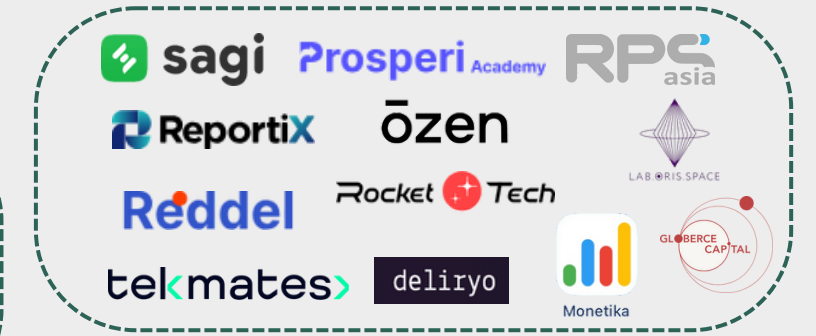
eKYC



Factoring



Other Sectors



AML & Anti-fraud



Crowdfunding & Crowdlending



WealthTech

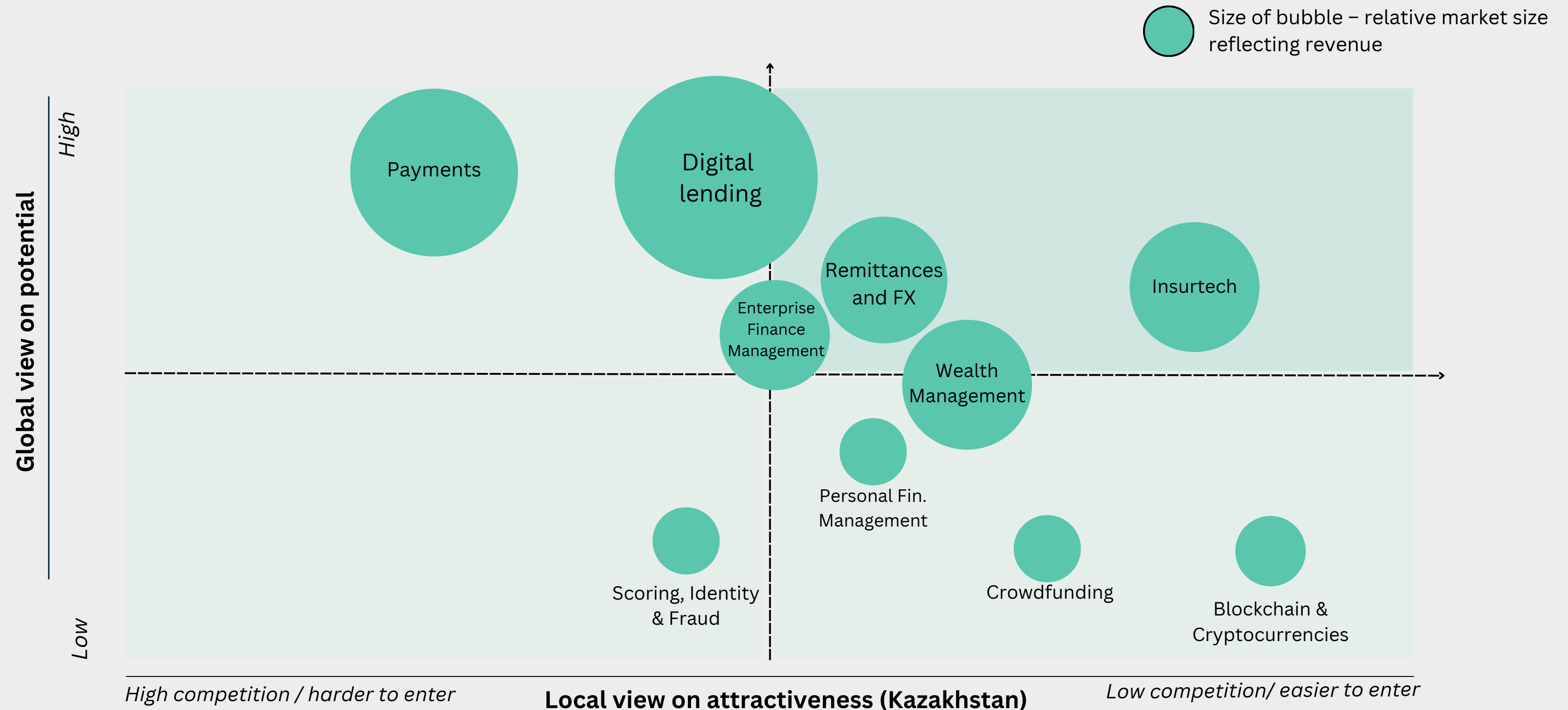


- 136** Payment Organizations
- 35** Electronic Money Systems
- +90** Digital MFOs (out of 229)
- 18** AIFC Fintech Lab Participants

Source: RISE Research analysis, registers of the National Bank of RK, AIFC public register, RISE Research' surveys and interviews with fintech market players, as of May 15, 2024

*i.e. independent technology companies legally providing or facilitating financial services in Kazakhstan (or created by natives of Kazakhstan), as well as corporate startups of non-financial entities

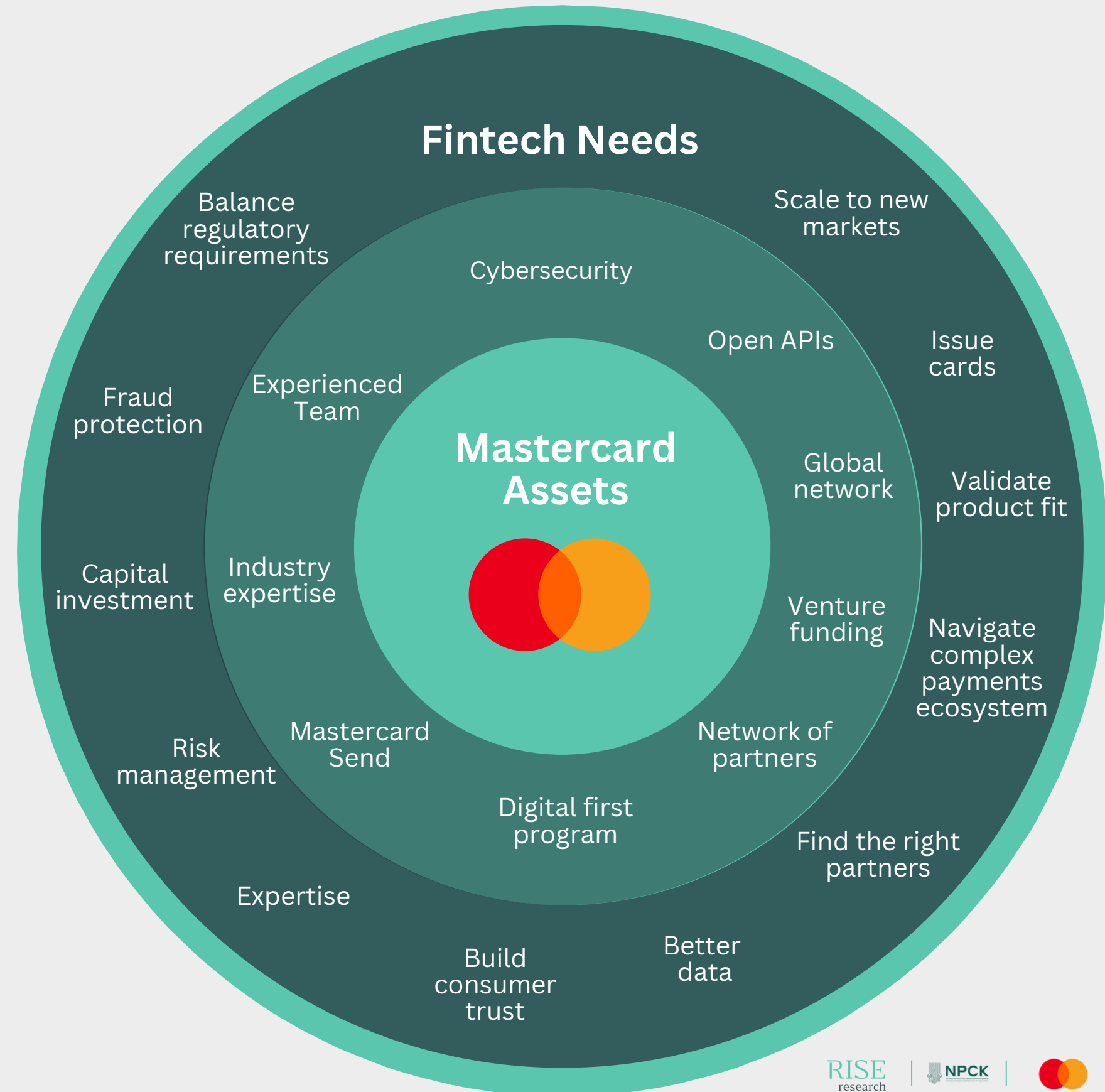
We've placed Kazakhstan's fintech segments on a 2x2 matrix based on their potential, attractiveness, and relative market size

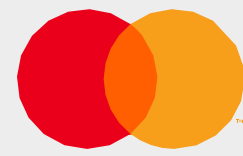


Mastercard and startups synergy map

Mastercard helps fintechs rise to the next level by connecting them to partners, end-to-end solutions and countless ways to innovate for the future

- Paytechs
- Enablers
- Value-added services



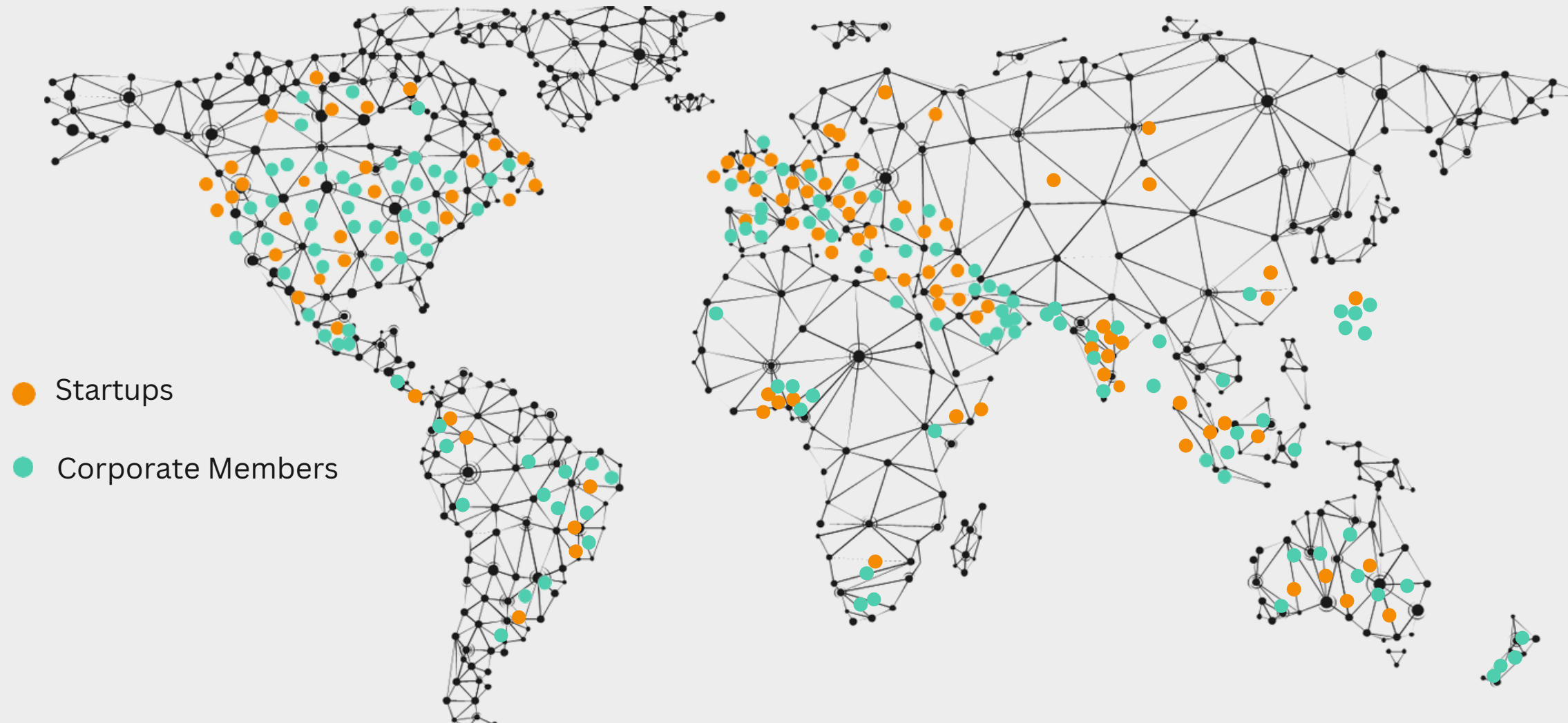


Start Path is Mastercard's award-winning fintech engagement program connecting high-potential startups to product and partnership opportunities across the globe

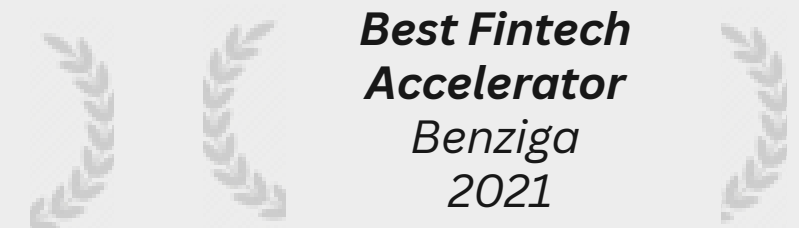
Global Portfolio



Representing 40+ countries and a diverse set of strategic domains



- Startups
- Corporate Members

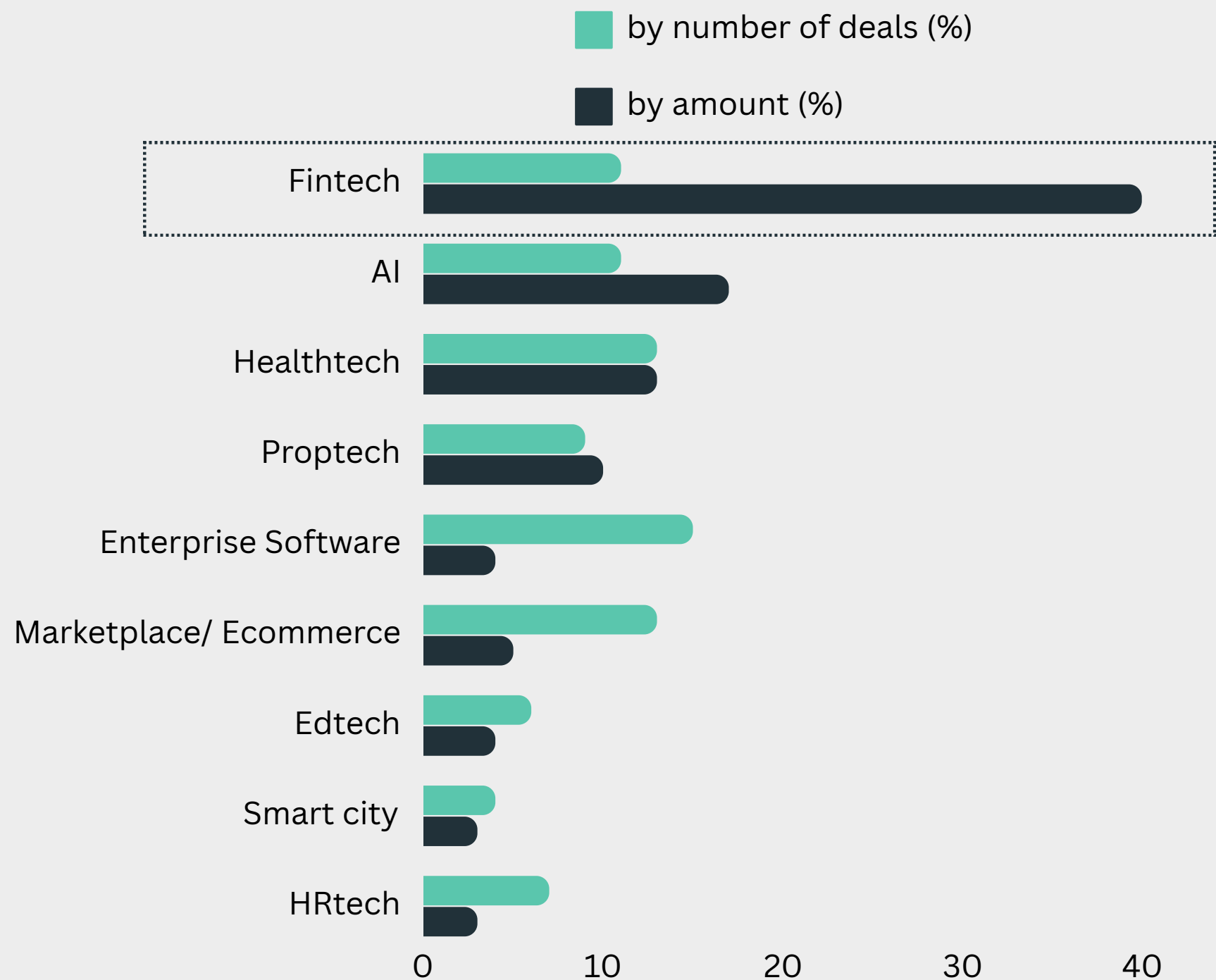


03

Fintech VC landscape

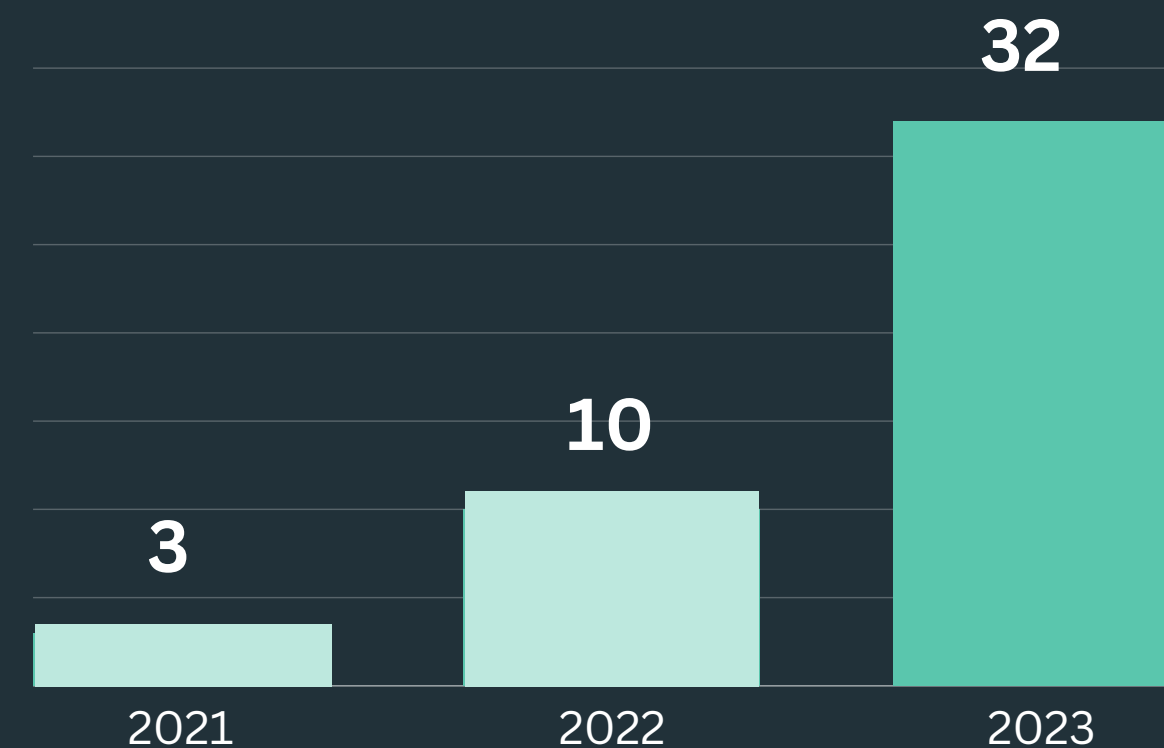
Fintech is the leading investment category in venture capital deals in Kazakhstan

VC deals by sectors in Kazakhstan, 2023



Source: Venture Capital in CCA report, RISE Research, 2024

Fintech VC deals amount in Kazakhstan, \$ mln

















Notable Fintech VC deals 2021-2023



Banks acquire startups to strengthen their ecosystem, leverage existing data, and gain access to top-tier talent...

2023 M&A activity

Target	Target's segment	Acquirer	Deal value (\$ mln)	Stake (%)
	Fintech		11.6	100%
	E-com/ Marketplace		31.3	100%
	E-com/ Marketplace		2.0	100%
	E-com/ Marketplace		26.6	94.6%
	Fintech		3.1	90%
	E-com/ Marketplace		88.5	40%
	na		na	50%
Total			163.1	

Source: RISE Research analysis

...and through these investments, banks improve the range of financial and non-financial products available to their customers

Illustration: Freedom Holding

\$170 mln

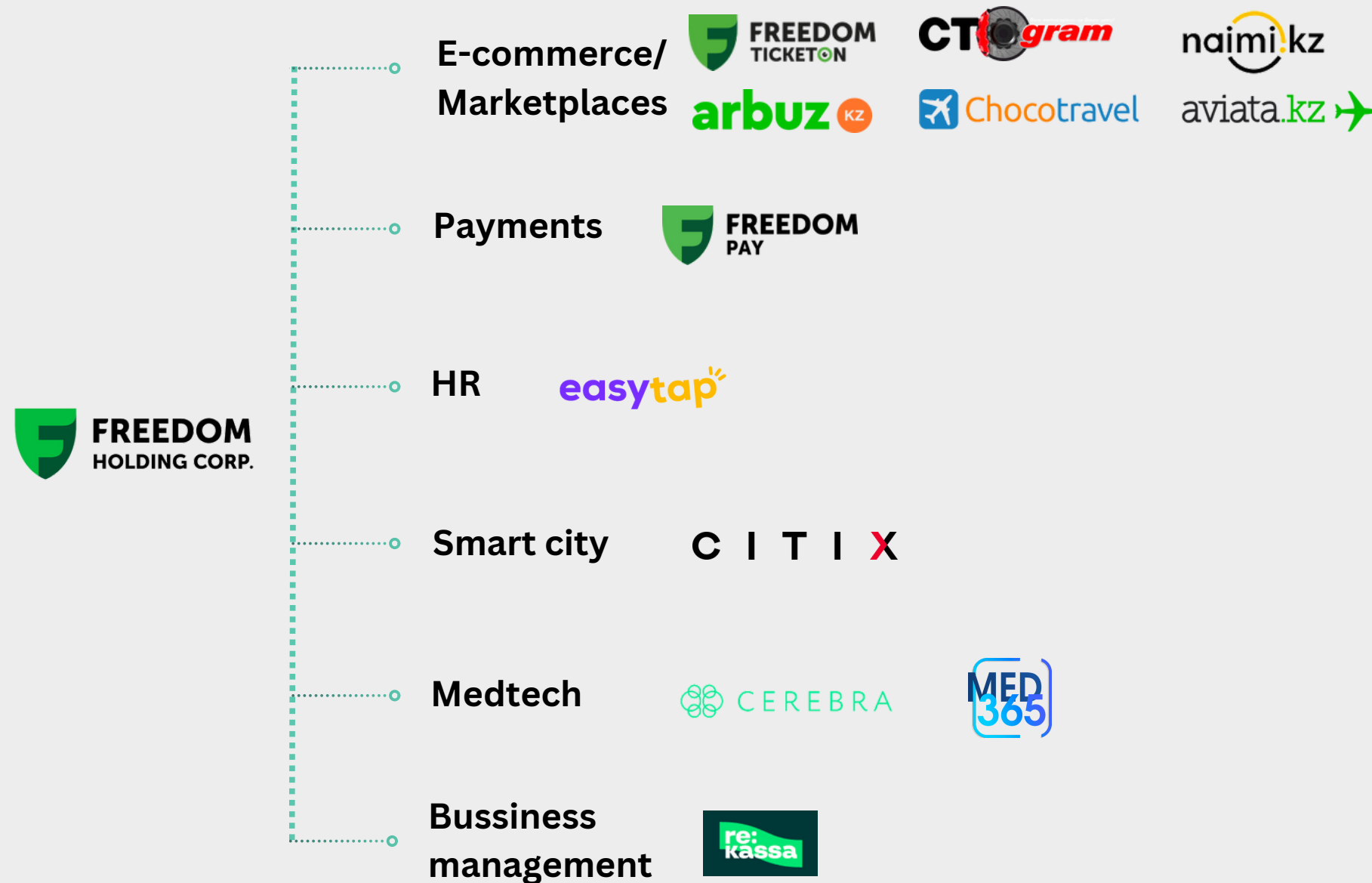
was invested in startups over the past years by Freedom Holding and its principal shareholder as of May 2024, with **\$136 mln invested by December 31, 2023.**



*“We aimed to strengthen our ecosystem and leverage existing **data's potential**. Integrating **government and commercial databases** has yielded significant impact. Investments have also granted access to **top-tier talent in the country**”.*

Timur Turlov
Freedom Holding, CEO

Venture acquisition activity of Freedom Holding* (not exhaustive)

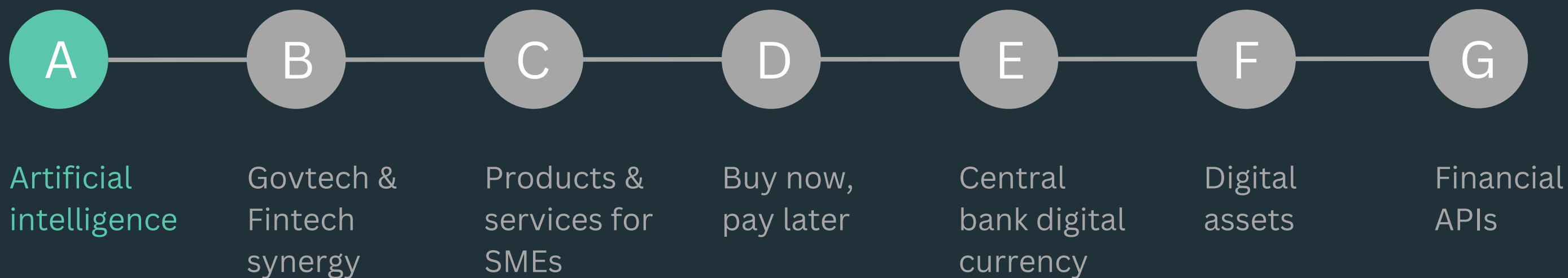


*Freedom Ticketon was previously Ticketon.kz, Freedom Pay was formerly PayBox.money

Source: RISE Research analysis

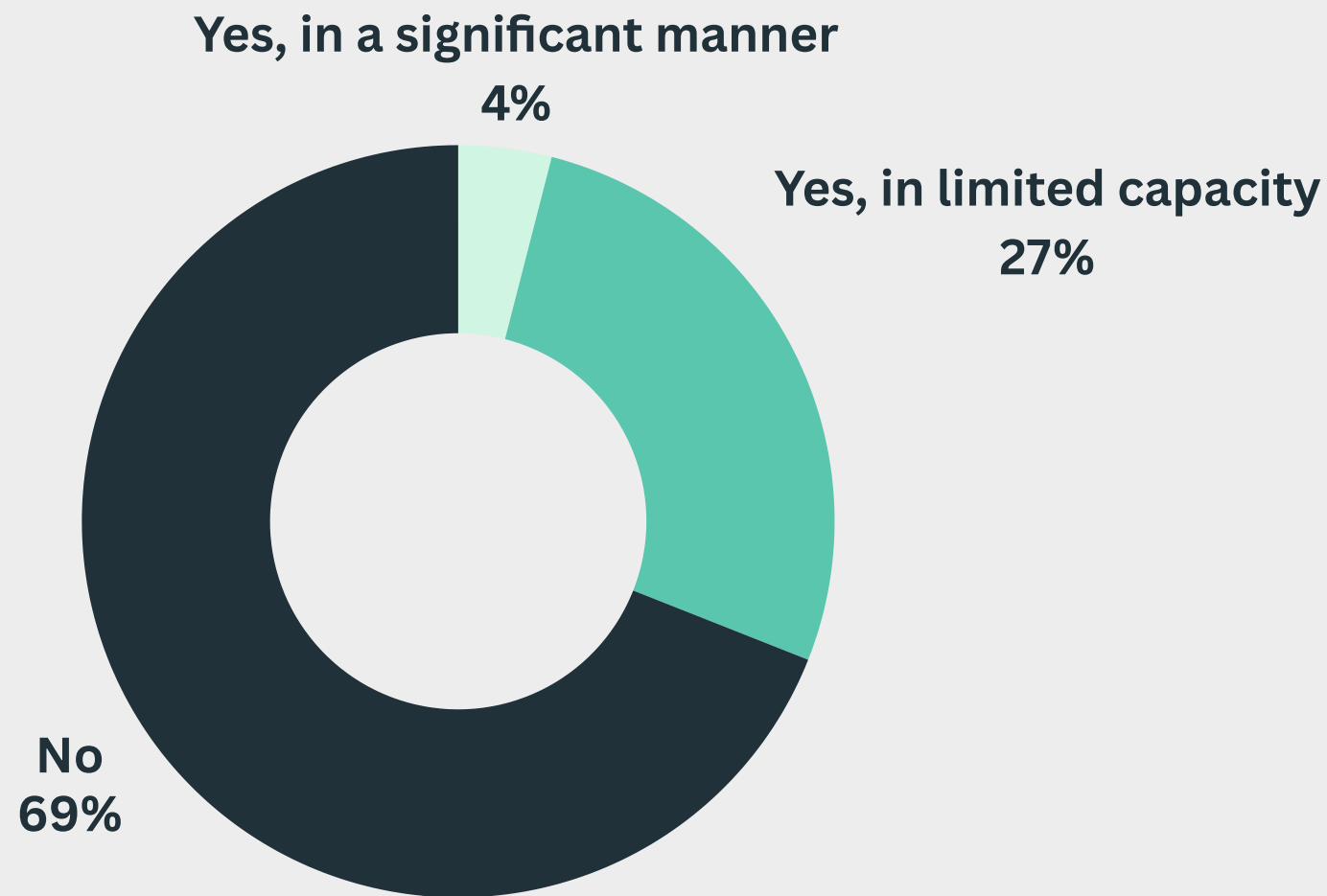
04

Fintech trends deep dives

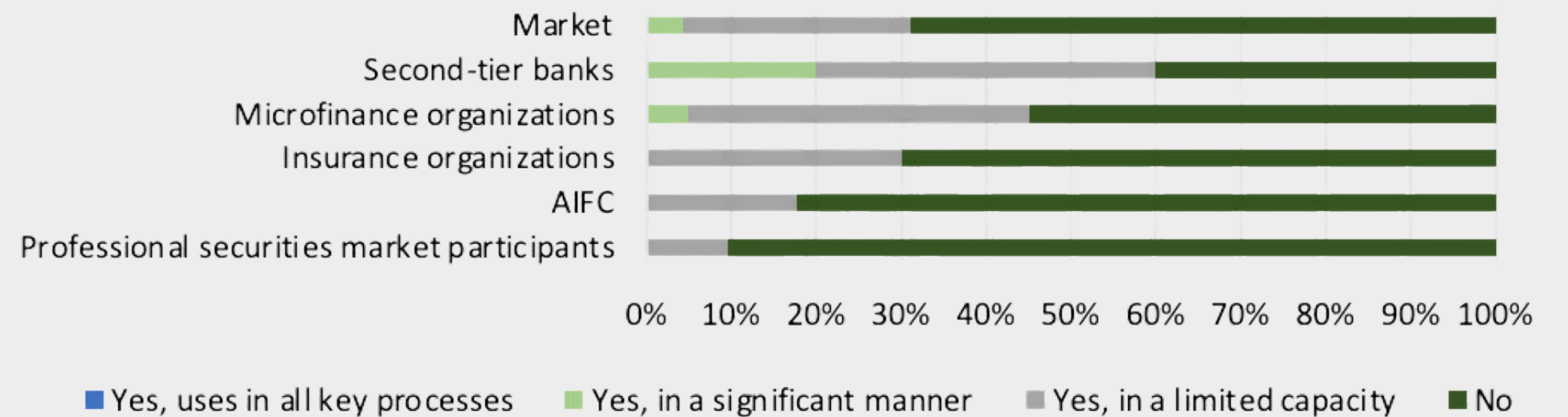


31% of financial market participants in Kazakhstan use AI, while the global average level of AI use among financial institutions is 43%

Does your organization use AI in its activities?



Differences in AI adoption levels among financial institutions show that some segments are more ready for innovation than others. This could be because of varying resources, innovation culture, and customer needs.



To find out more use the QR code to access the report “Artificial Intelligence in the financial market of Kazakhstan”



Source: The report “Artificial Intelligence in the financial market of Kazakhstan” by the National Bank of RK and the National Payment Corporation of the NBK, April 2024

AI use cases in financial industry

Not exhaustive

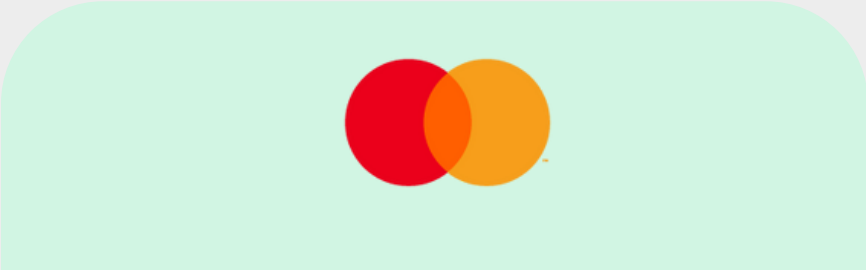
Client support improvement



Fraud detection (transactions/payments)



Mastercard AI use cases



Mastercard is a global technology company and an AI powerhouse, employing hundreds of data scientists and AI technologists dedicated to developing and applying effective and responsible AI in:

- o fraud detection
- o cybersecurity
- o identity
- o shopping personalization
- o and other domains.

It allows the **protection of over 143 bln transactions** every year, at speed and scale. AI-powered solutions have **saved \$35 bln in fraud** in the past three years.

Risk management



Cybersecurity & information protection

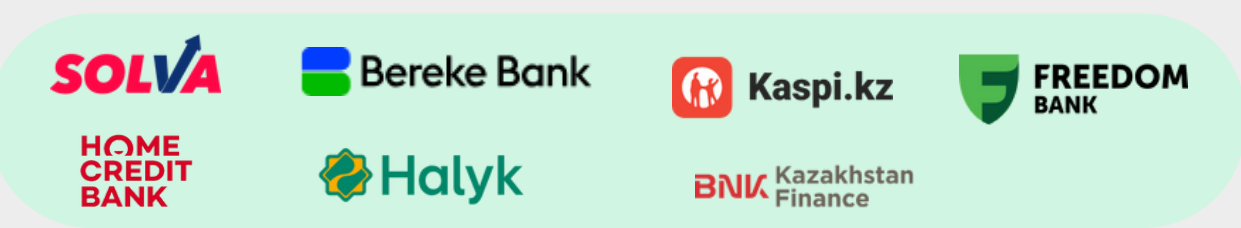


Other

 Development Bank of Kazakhstan
Project of the Development Bank of Kazakhstan to create AI to calculate the assessment of the level of adequacy for lending to large enterprises.

 ПЕРВОЕ КРЕДИТНОЕ БЮРО
Projects of the First Credit Bureau: HR Digital, FCB Bio F2F, FCB Bio LIVE, FCB Bio Core, FCB Decision Making (retail), FCB BML Score.

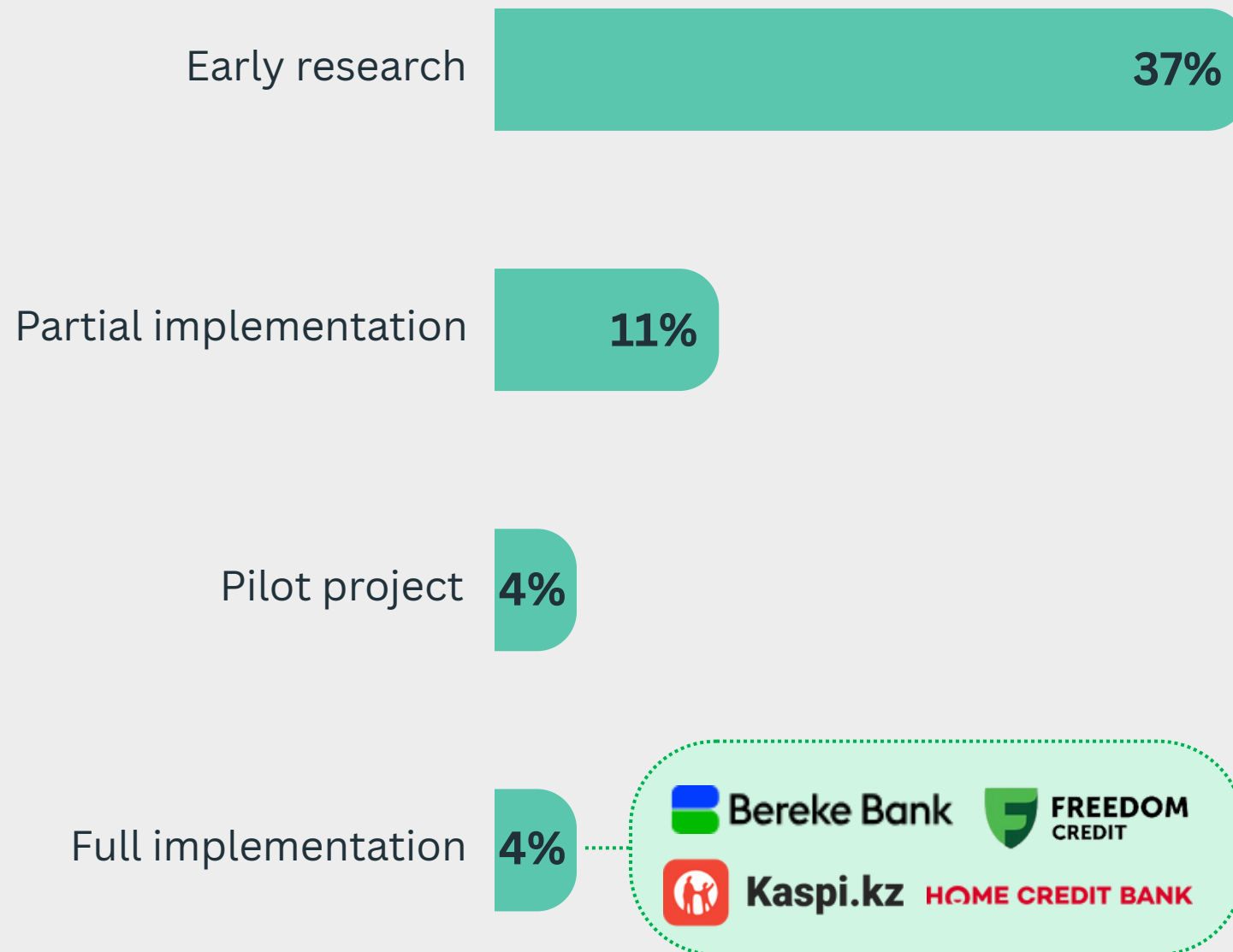
Customer satisfaction & complaint analysis



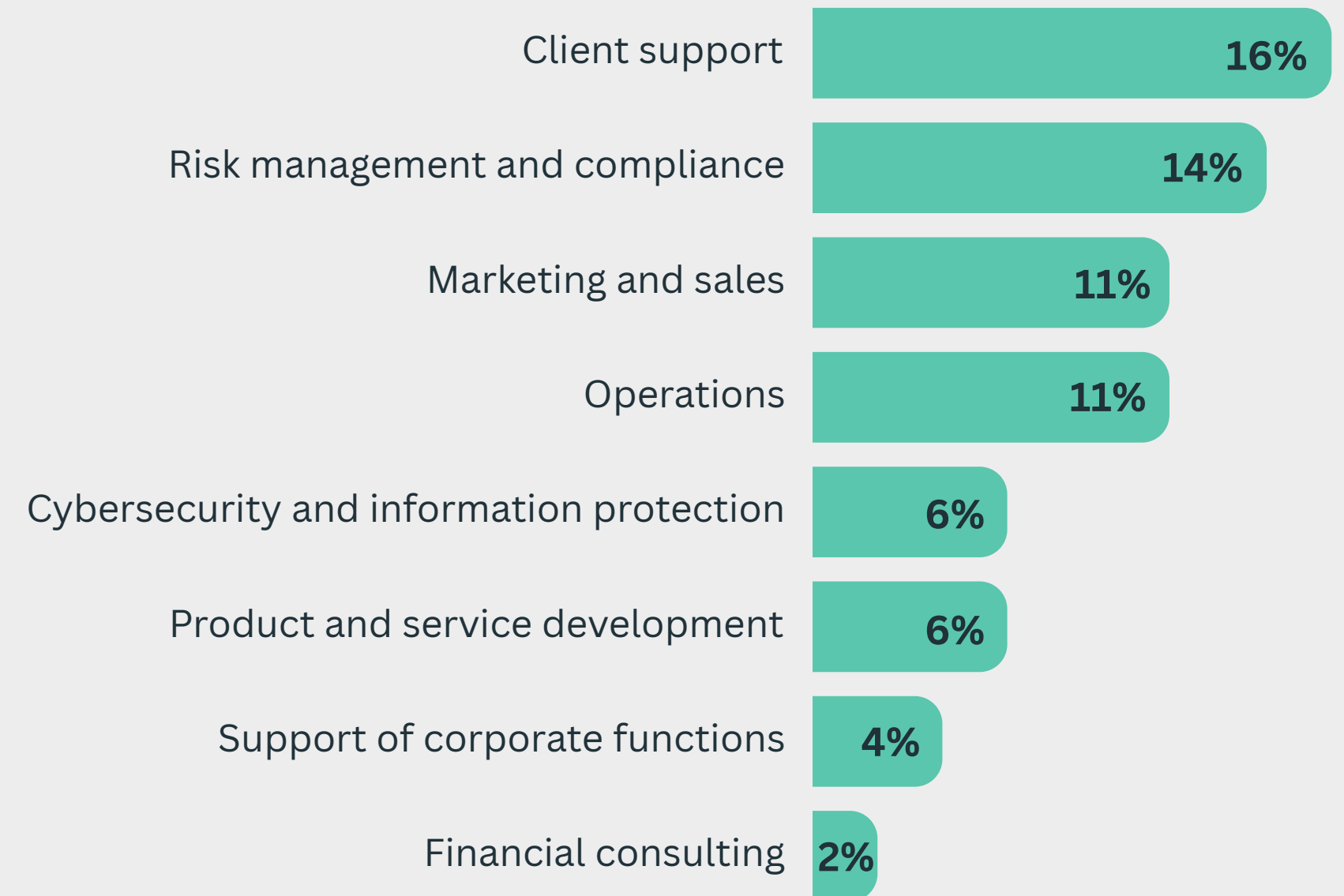
Source: The report “Artificial Intelligence in the financial market of Kazakhstan” by the National Bank of RK and the National Payment Corporation of the NBK, April 2024

More than a third of respondents noted that the implementation of AI is at an early stage, and only 4% of respondents have approached the full implementation of AI (3 second-tier banks and 1 MFO)

At what stage is your organization's adoption of AI?



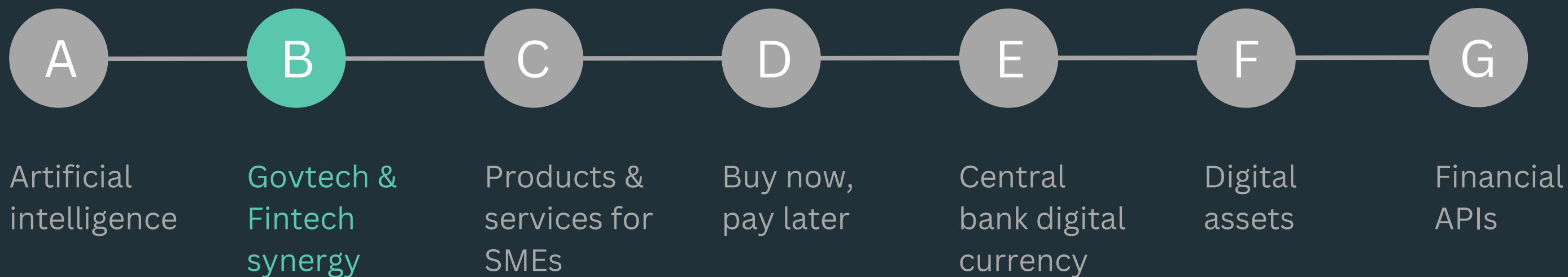
In which areas is your organization presently employing AI solutions?*



Source: The report “Artificial Intelligence in the financial market of Kazakhstan” by the National Bank of RK and the National Payment Corporation of the NBK, April 2024

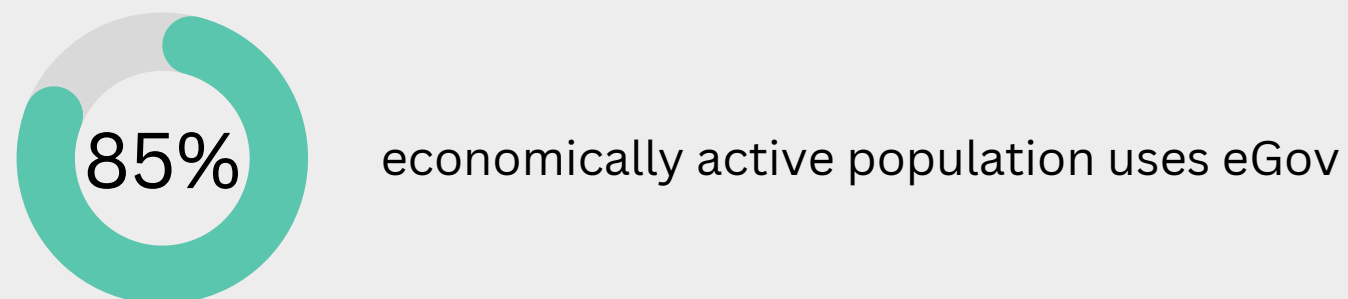
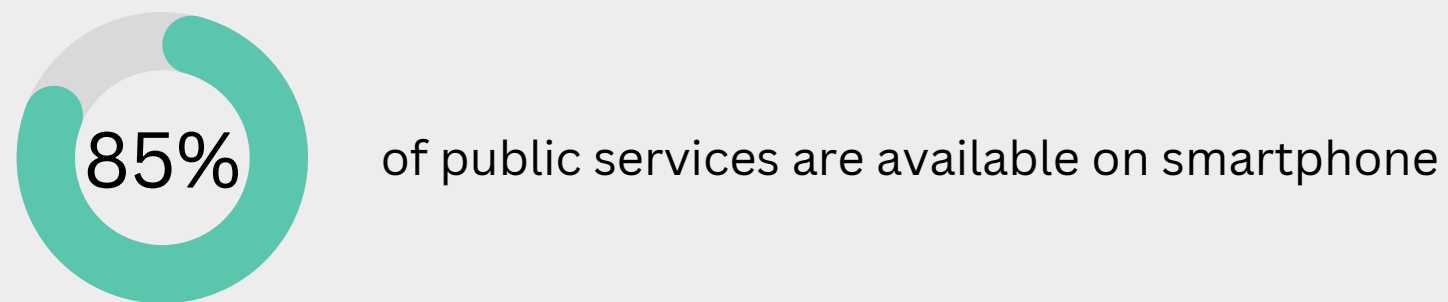
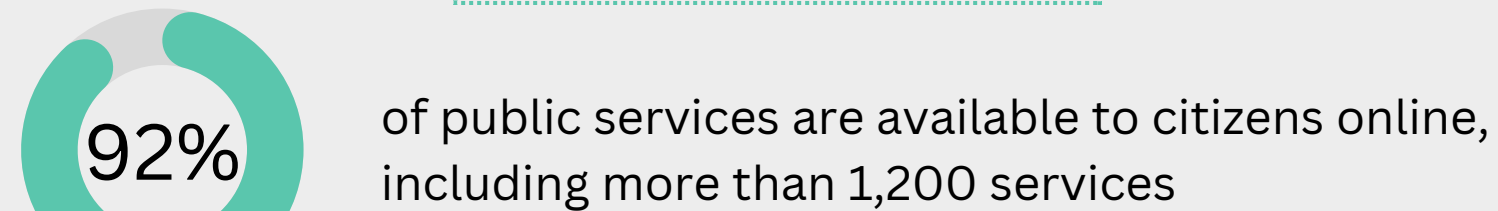
*The chart shows the most popular applications, respondents could choose more than one answer option at a time

Fintech trends deep dives



Kazakhstan is advancing in GovTech and exporting its solutions to other countries

E-Government Development Index, 2022



Kazakhstan Poised to Lead GovTech Technology Exports



Mastercard will assist in promoting Kazakhstani GovTech solutions abroad as was announced at the meeting of Kazakhstan President Kassym-Jomart Tokayev with Executive Vice President of Mastercard Nicola Villa in 2023



Kazakhstan helps to create digital government in Tajikistan



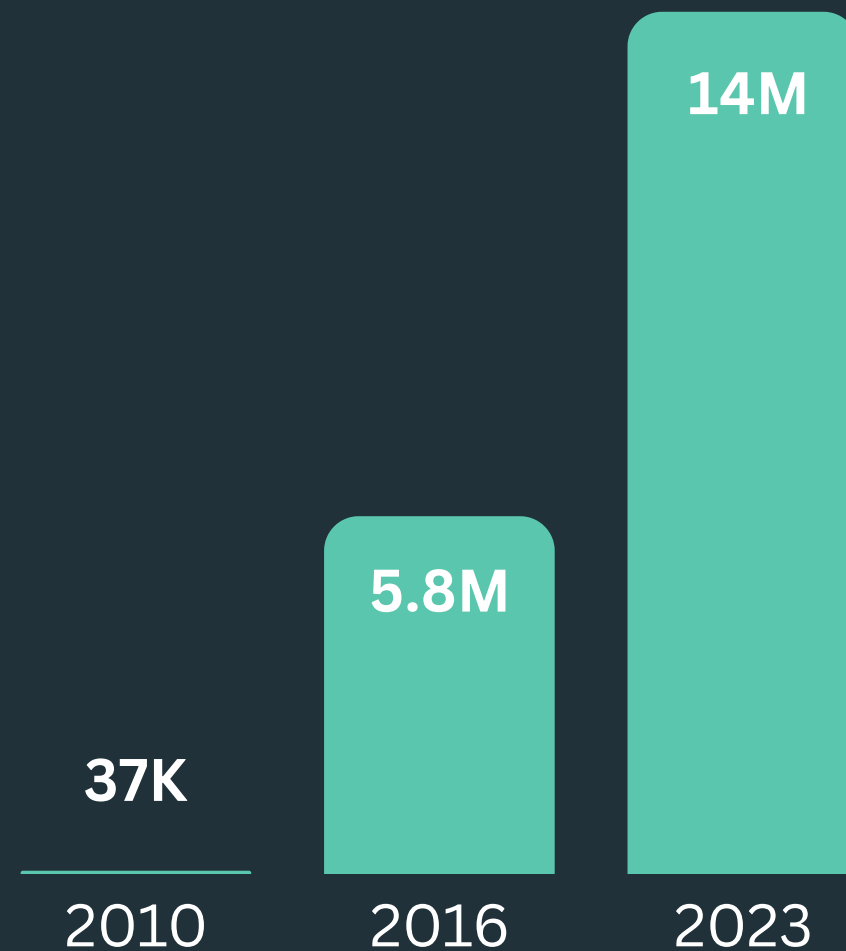
Source: Ministry of Digital Development, Innovation, and Aerospace Industry of RK, National Information Technologies

eGov and eGov Mobile services have gained widespread adoption and are utilized by the majority of citizens in their daily lives

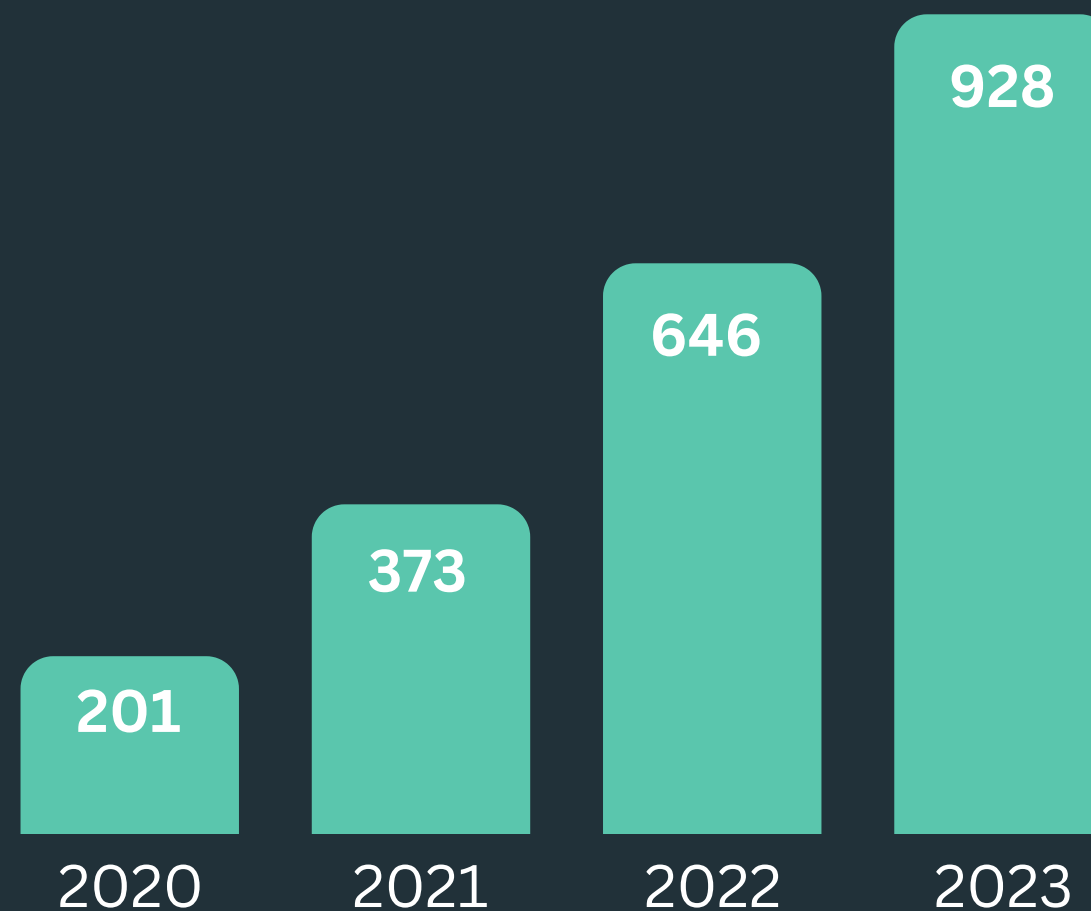


Smart Bridge platform simplifies integration between public authorities and banks/fintechs

eGOV registered users



G2B Smartbridge integrations



“The team at National Information Technologies is dedicated to enhancing Kazakhstan's digital ecosystem. Our efforts have earned international recognition for Kazakhstani IT products. The "Smart Data Ukimet" system ranked in the top three at the Future of Government Awards-2023 for Open Source Adaptation, while the "Digital Family Map" was honored as the best in Inclusive Digital Transformation at the World Government Summit in Dubai. These awards underscore the importance of our innovative approaches to improving public services and citizens' well-being.”

Dmitry Mun

National Information Technologies,
Acting Chairman of the Board

Source: Ministry of Digital Development, Innovation, and Aerospace Industry of RK, National Information Technologies

Integrating government digital documents and services into banking apps signifies a move towards an "Invisible Government", offering improved efficiency and a better citizen experience



Digital documents

30+ digital documents available via banking apps (as of May 2024)

Various government services, including residence deregistration, medical statements, maternity benefits, car history, and car registration, are accessible via banking apps.

All digital documents are legally recognized and valid for various purposes within the country.

This service is supported by the Ministry of Digital Development, Innovation, and Aerospace Industry.



Integration in financial services

110+ companies leverage Govtech in financial products (as of May 2024)

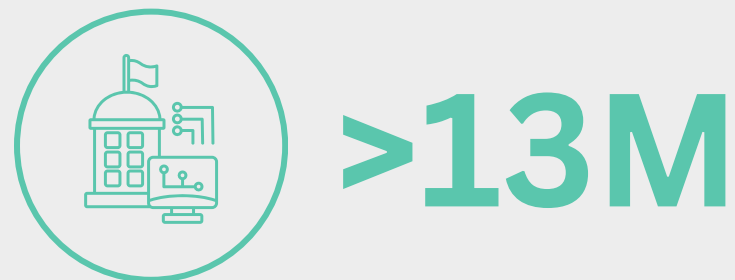
Any fintech company meeting platform requirements can connect to Smart Bridge to integrate government services. By May 2024, 56 banks and their branches, along with 62 financial companies, were connected.

Government services such as digital mortgages, car financing, and retail scoring are actively being integrated.

Govtech has set new benchmarks, enabling car transactions in 5-10 minutes and online mortgage approvals within 24 hours.

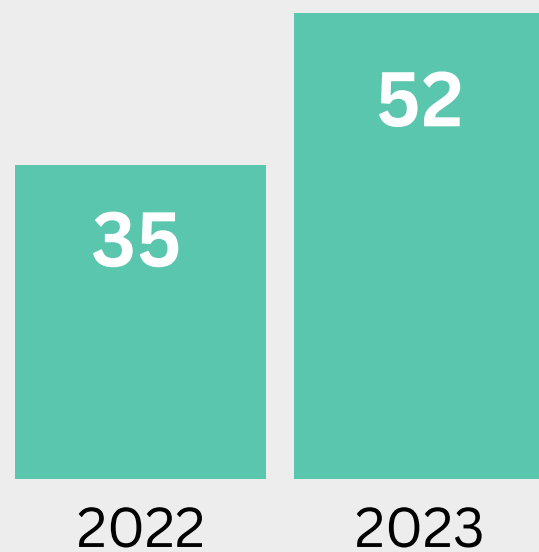
Banks demonstrate notable instances of integrating Govtech into their mobile apps

Illustration: Halyk Bank

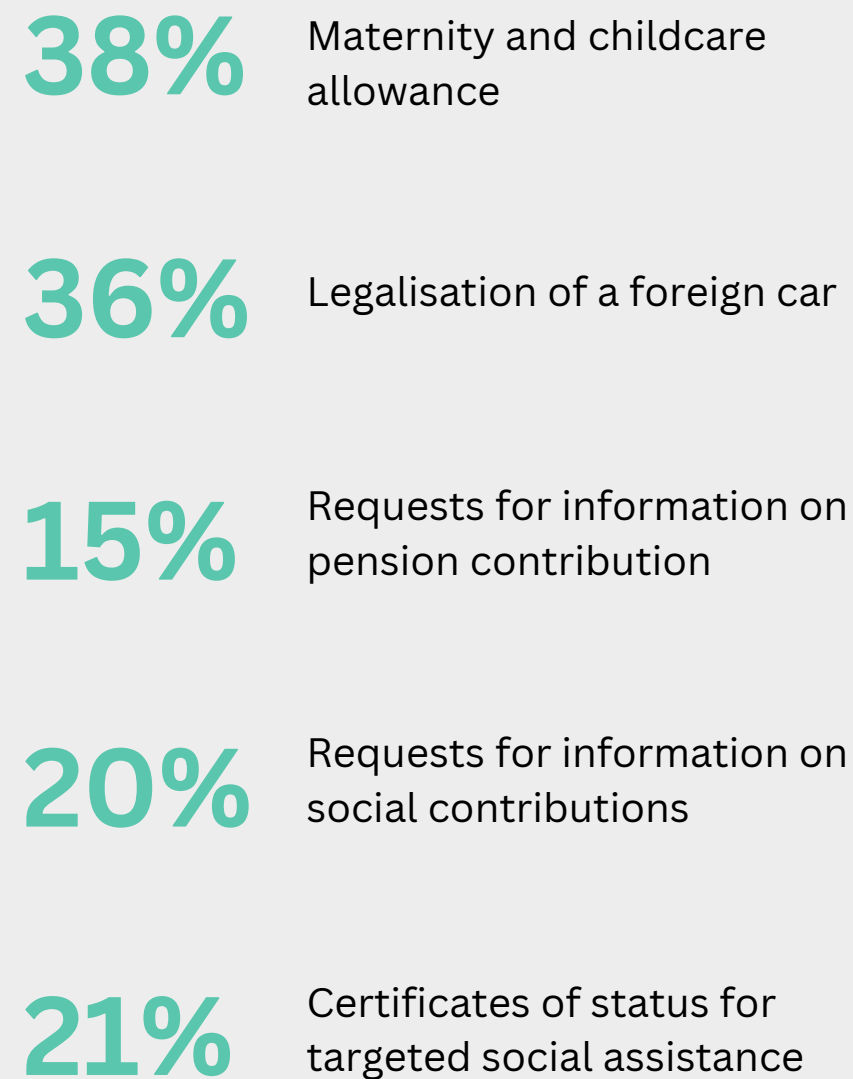


interactions with government services in 2023

Number of online government services available in Halyk App



Halyk Bank share in total interactions/requests with government services in 2023

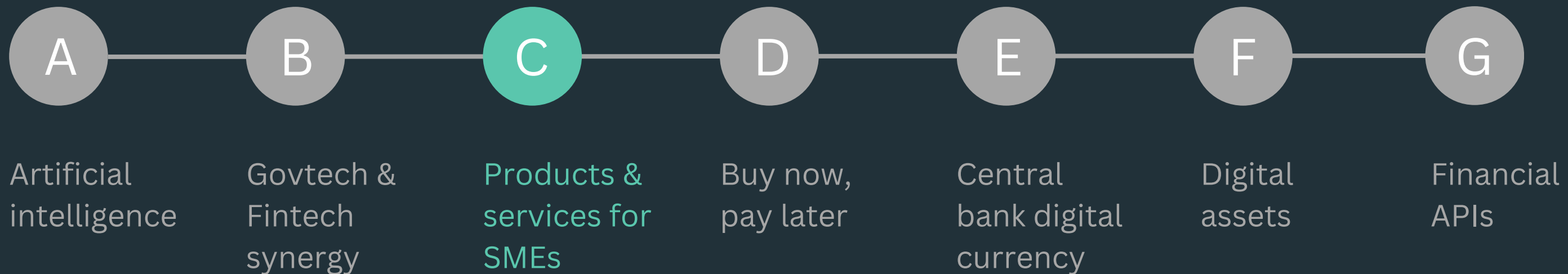


“Today, Halyk's GovTech products and services lead the digital transformation in Kazakhstan, exemplifying a successful partnership between the state and the private sector in the sphere of digitalisation. We continue to develop and implement innovative solutions for the convenience of Kazakhstanis.”

Nariman Mukushev
Halyk Bank,
Deputy Chairman of the Management Board

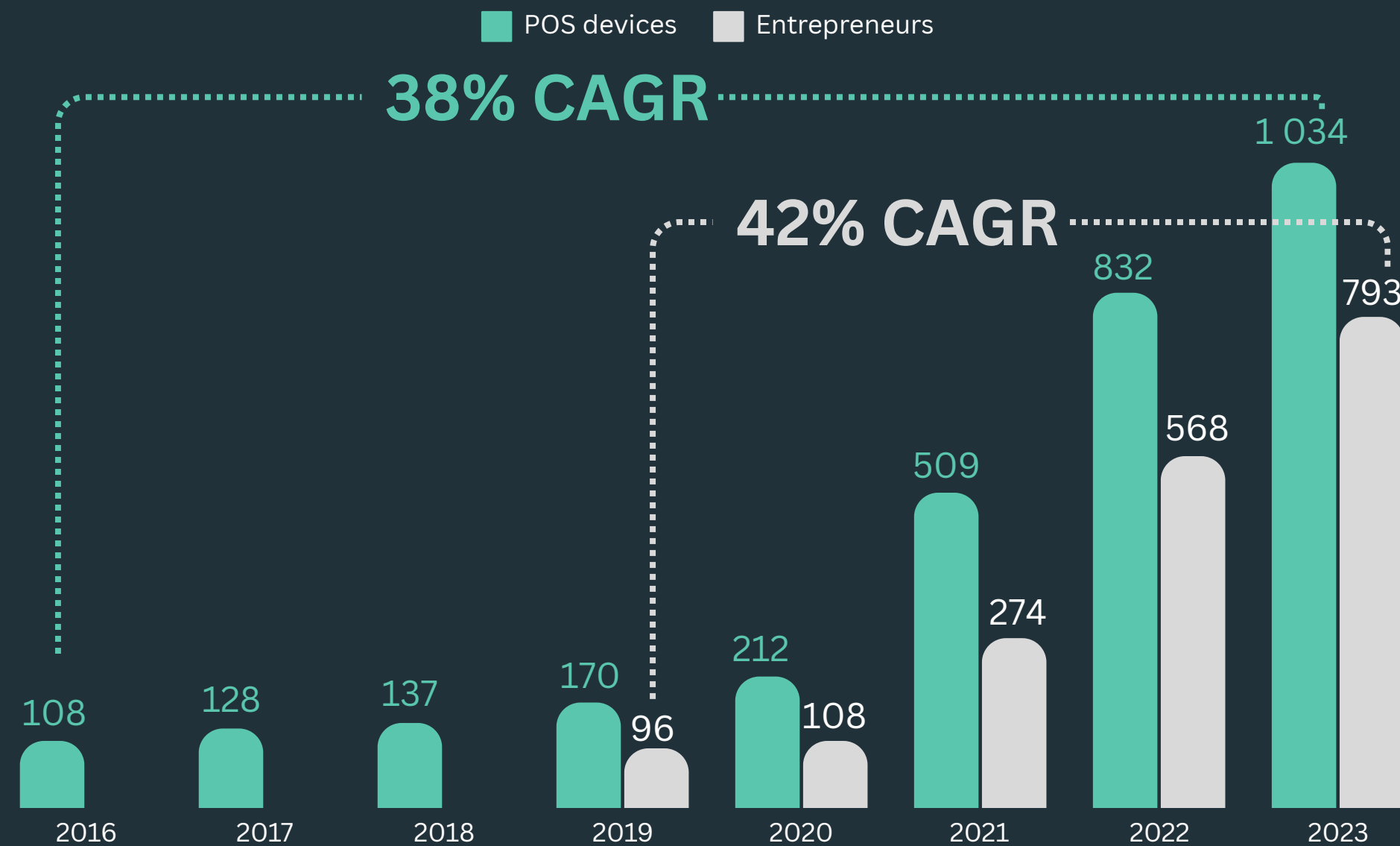
Source: Halyk Group results presentation 12M & 4Q 2023, Halyk Bank presentation for “Fintech without Borders. Digital Eurasia” forum 2023

Fintech trends deep dives



Kazakhstani SMEs, being the second-largest customer segment for banks after retail, are currently underserved yet hold significant potential

Number of POS devices and entrepreneurs who have concluded an agreement with an acquirer, 2016-2023, thsnd



Source: National Bank of RK, Bureau of national statistics of RK, Mastercard
Note: Statistics on entrepreneurs who concluded agreements with acquirers for the years 2016-2018 are not available

The SME landscape in Kazakhstan



>1.8M

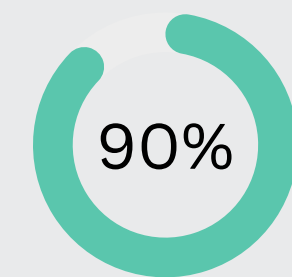
number of SMEs



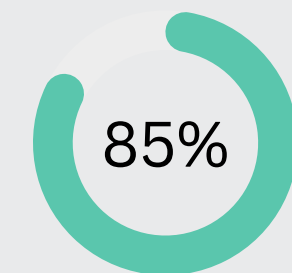
>4M

number of employed people at SME

Mastercard SME Confidence Index EEMEA 2023



of SMEs believe that digitalisation of business is about meeting the changing needs of customers



of SMEs consider digitalisation of business and multi-channel digital payments as the main factors of growth

Banks broaden support by aiding SMEs in marketing and sales, fostering mutual growth



Bank Marketplaces

8M+ marketplace consumers

- 4 biggest commercial banks have its own marketplaces: Kaspi.kz, Halyk Bank, ForteBank, Jusan Bank.
- Bank marketplaces link up merchants (SMEs) and consumers, giving SMEs the tools to enhance sales
- Marketplaces incentivize cashless payments, with nearly 100% of payments being made through cards or credit methods



Digital Banking

30+ business functions available

- The variety of services available for SMEs has significantly increased, becoming a crucial priority for all banks
- A fully digital service experience for SMEs, encompassing online onboarding, account opening, digital lending, and mobile apps, is increasingly becoming the norm
- Range of services designed to bring extra value to SMEs: online accounting, tax reporting, stock control, invoicing
- Traditional SME mobile banking is gradually evolving into a Business Super App



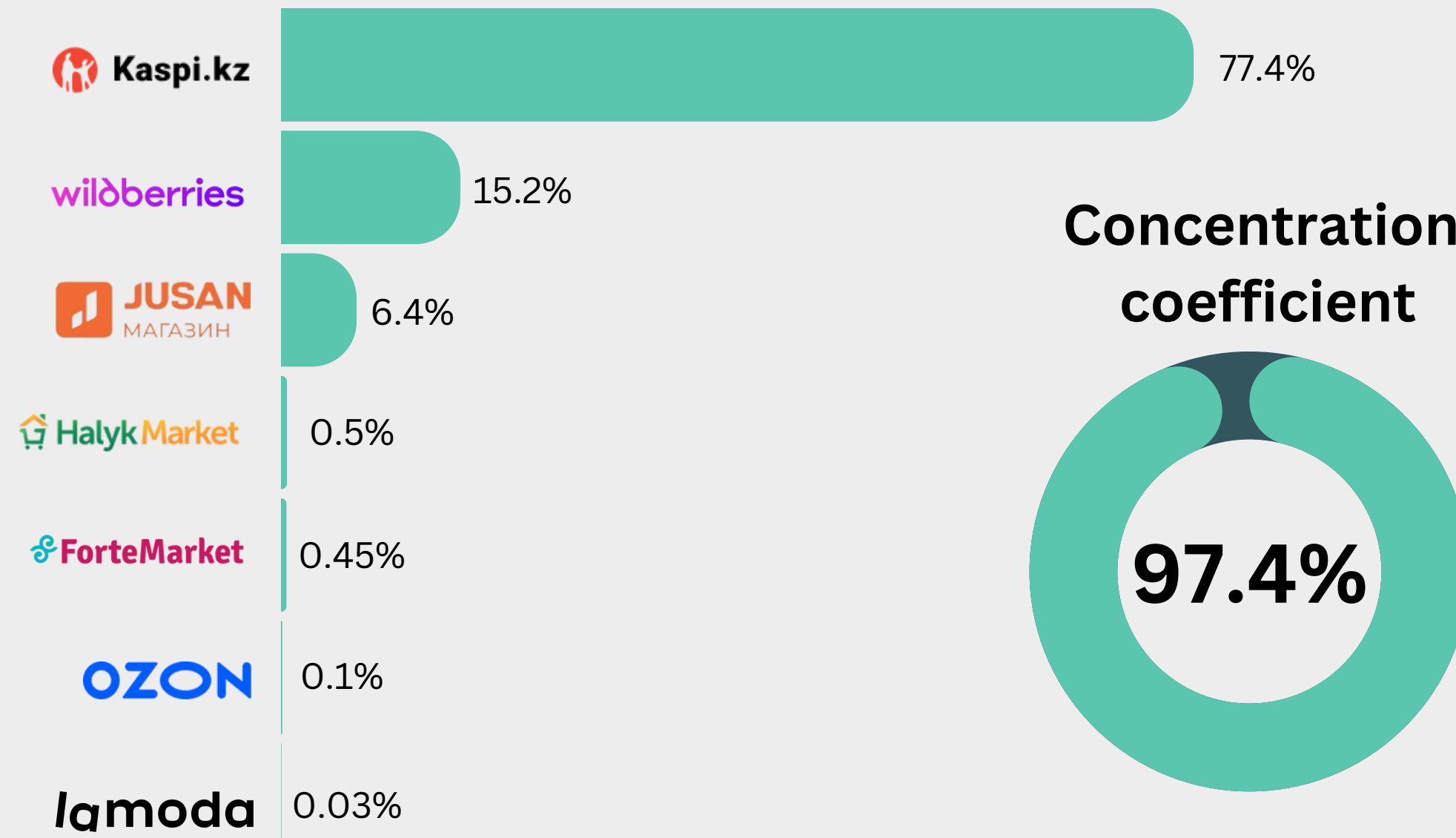
Paytech Innovations

1M+ POS devices across Kazakhstan

- Banks and fintechs offer comprehensive selection of payment technologies: POS-terminals, Tap on Phone, QR payments, BNPL, Internet acquiring, Electronic money
- SMEs are swiftly incorporating cashless payment technologies
- Access to payment services becomes significantly easier and readily available as a "bundle" solution from both banks and fintech companies

Despite the banking marketplaces dominating the market, the number of open-loop ecommerce merchants continues to grow helping consumers to pay with different options to ease online shopping experience

Distribution of marketplace shares by mid-2023, %



Source: The Agency for Protection and Development of Competition of RK



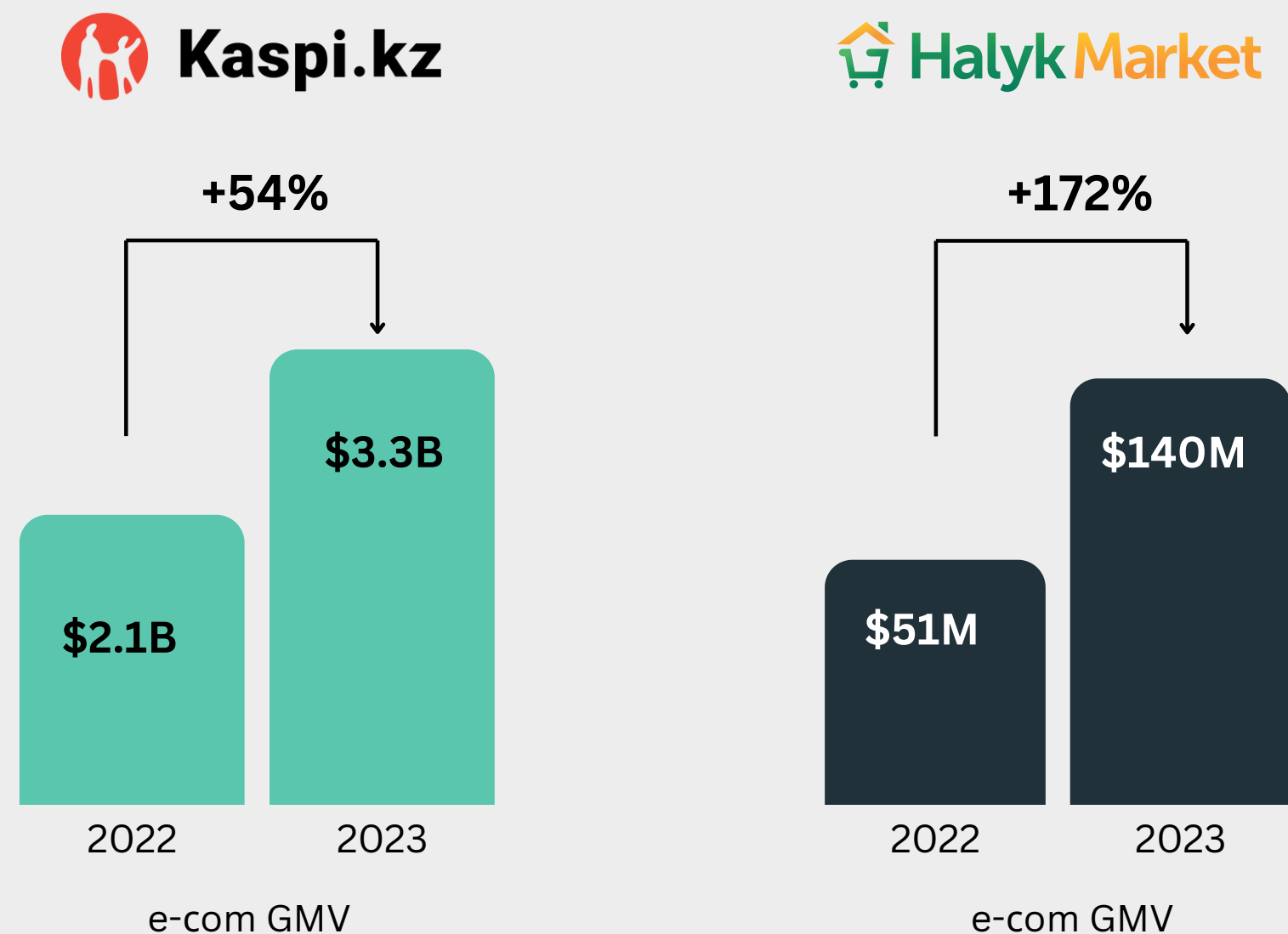
Mastercard initiatives

Mastercard is collaborating with banks, fintechs, merchants, and other partners to enhance e-com payments and user experience (minimize manual card entry in favor of a one-click button).

Key initiatives include:

- Replacing 16-digit card number with Token and e.g. Apple Pay and Google Pay check out
- Enhance Card on Files with Mastercard Secure Card on File: using network tokenization and digitization to secure stored card information
- Interoperable Masterpass: allowing customers to save their card once and pay at any merchant integrated with Masterpass
- Passkey: utilizing on-device biometric authentication, eliminating the need for passwords or one-time passcodes

In 2023, the marketplaces of two leading commercial banks showed an increase in e-commerce Gross Merchandise Value (GMV)



“By launching their own marketplaces, banks can create unique ecosystems that enable them and businesses of all sizes to **facilitate sales on client-friendly financial terms**, including installments, credit, and instant card payments.”

Zhumabek Mamutov
Halyk Bank, Deputy CEO

In 2024 and beyond, bank marketplaces seek to enhance their presence in the e-commerce sector by expanding partnerships, boosting customer lending, and offering additional services to merchants, aiming for further growth.

Source: Kaspi.kz 4Q & FY 2023 Results, Halyk Group results presentation 12M & 4Q 2023

Crucial elements shaping the future of payment advancement in Kazakhstan's SME sector in the coming years

Evolved acquiring



Fee rebalancing has made acquiring more cost-effective, thereby supporting the modern distribution of acceptance. The form factors of acceptance now vary from static QR options to comprehensive digital solutions, such as mobile acceptance (Tap on Phone)

Embedded payments



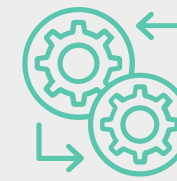
SMEs are integrating banking, lending, and other services into their customer offerings using APIs connected to fintechs. Open APIs will expedite this integration

B2B Payments



Leading banks are focusing on innovative B2B services. New payment solutions will enable suppliers and merchants to digitally issue and settle invoices, ensuring smooth transactions

Seamless integration



Various payment methods are available to SMEs as "bundled" solutions integrated with "no-code" technology

BNPL



More SMEs are recognizing the potential of BNPL to boost sales in their offline and online shops and marketplaces

Unified QR



The National Bank of Kazakhstan is preparing to introduce a unified QR code project in the first half of 2025, which aims to make payments quicker and simpler

Value-added services



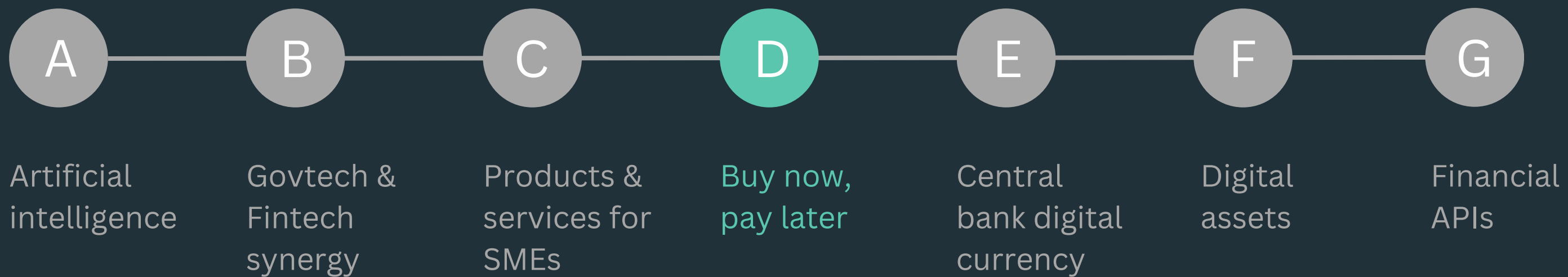
Value-added services such as accounting, tax reporting, invoicing, and digital cash registers facilitate business digitalization and streamline the integration of multi-channel digital payments

Cost-benefit balance



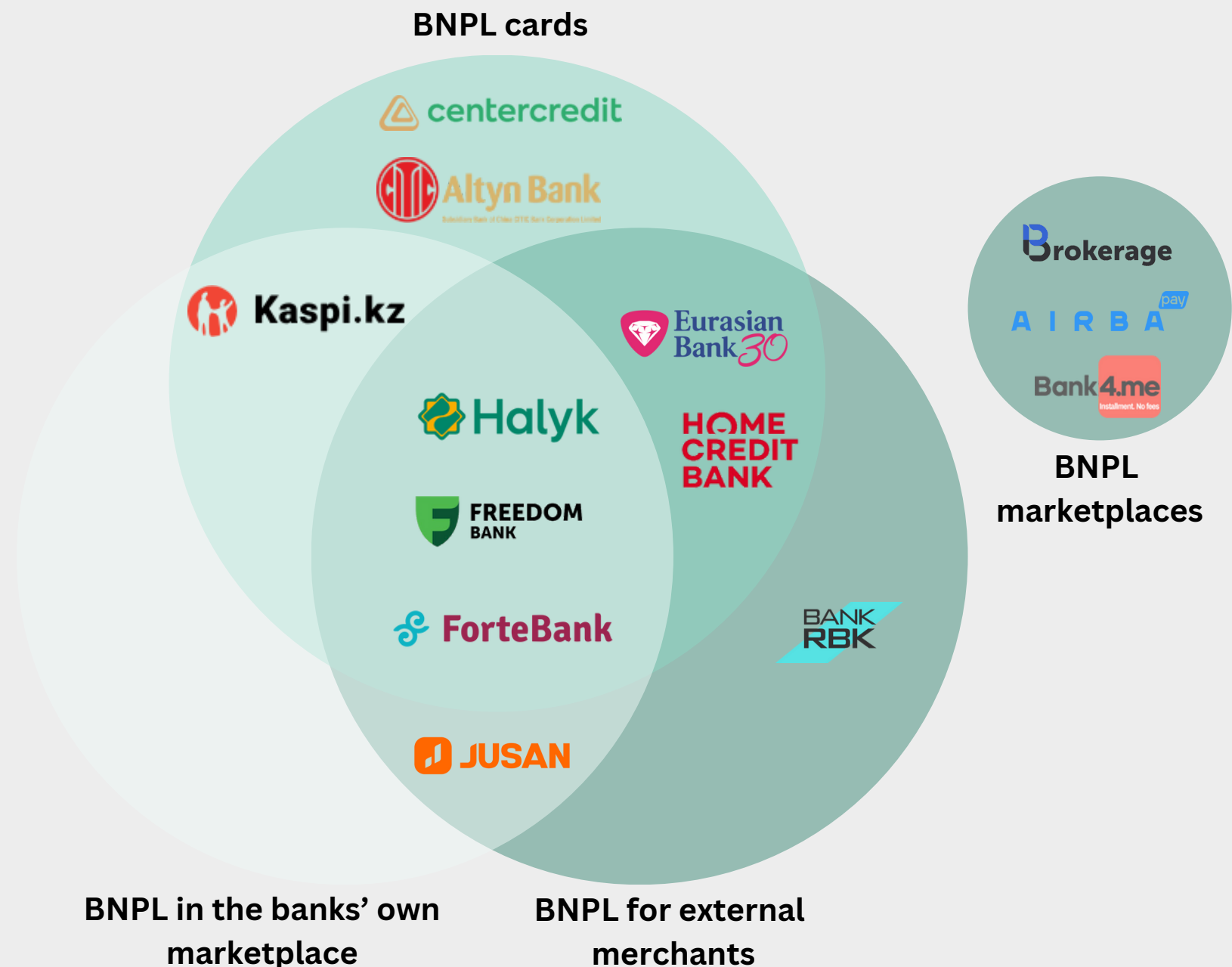
Reducing merchant costs lowers points and cashback, increasing the need for merchant-funded rewards

Fintech trends deep dives



BNPL's growth is one of the major fintech trend, with more banks entering the market. Due to consumer loans' relatively low GDP share, BNPL is set to sustain its rapid rise

BNPL providers in Kazakhstan



7.6%
consumer loans
to GDP, 2022



10.8%
consumer loan
to GDP, 2027

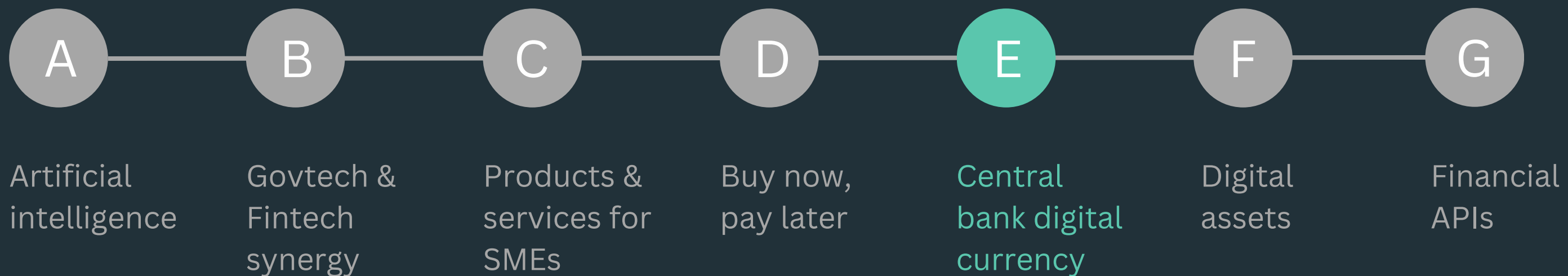
31.4%
CAGR of bank consumer lending
volume over 2021-2023 (KZT)*

- 8 banks offer BNPL cards** - Kaspi.kz, Halyk Bank, Bank CenterCredit, ForteBank, Eurasian Bank, Freedom Bank, Home Credit Bank, Altyn Bank
- 5 banks offer BNPL on their marketplaces** - Kaspi.kz, Halyk Bank, ForteBank, Jusan Bank, Freedom Bank **
- 7 banks offer BNPL to third-party merchants** (incl. through BNPL marketplaces) - Halyk Bank, ForteBank, Jusan Bank, Eurasian Bank, Freedom Bank**, Home Credit Bank, Bank RBK

*Anecdotal evidence suggests that BNPL represents over 50% of consumer lending volume and is the primary driver of growth, although official statistics do not specify its exact share.

**Installments can be provided by Freedom Credit (MFO), a subsidiary of Freedom Holding Corp.

Fintech trends deep dives



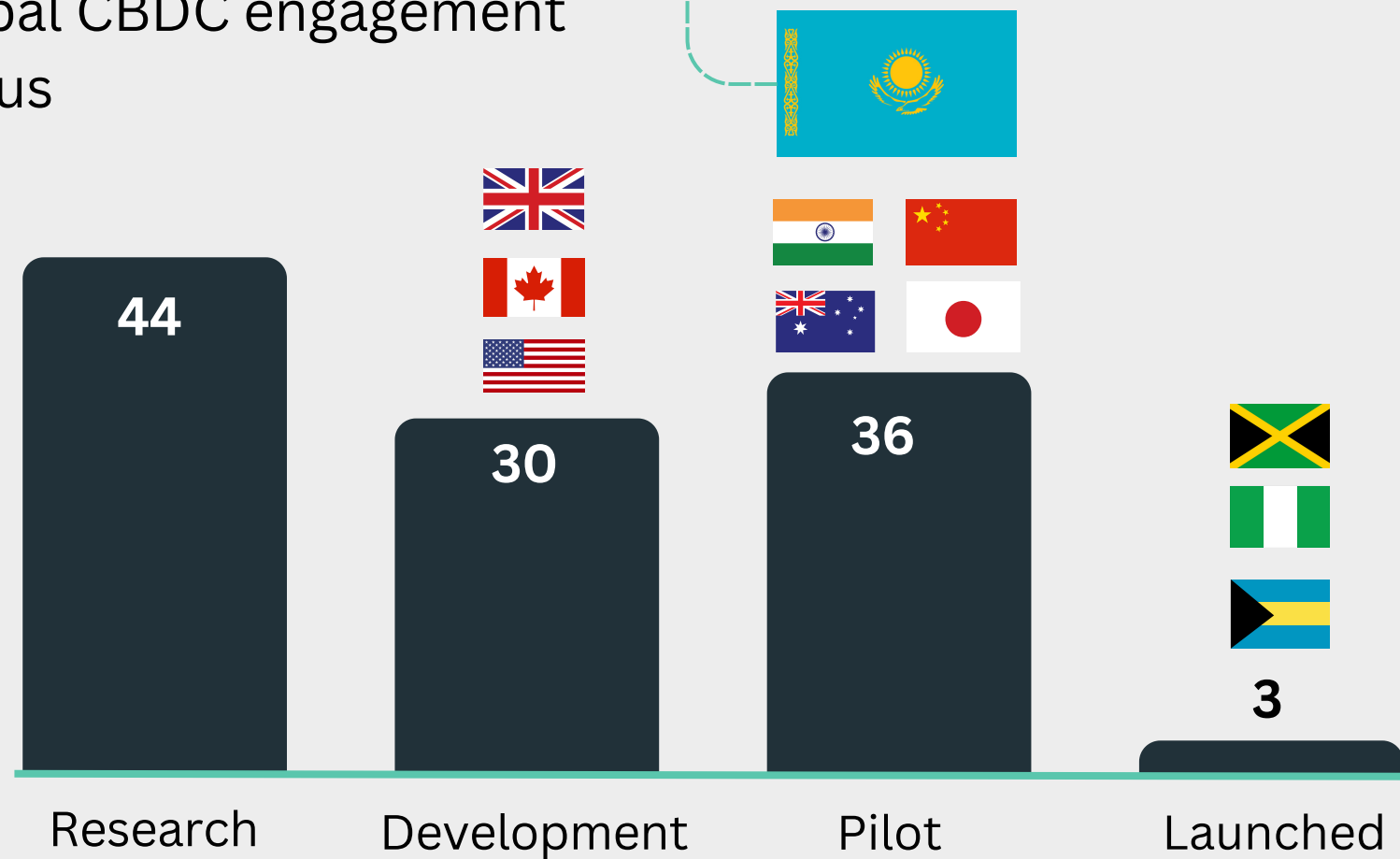
Over 130 countries are exploring CBDCs. Kazakhstan, one of the 36 countries piloting them, offers a tangible instrument for Digital Tenge payments, unlike others that mostly use web and mobile interfaces



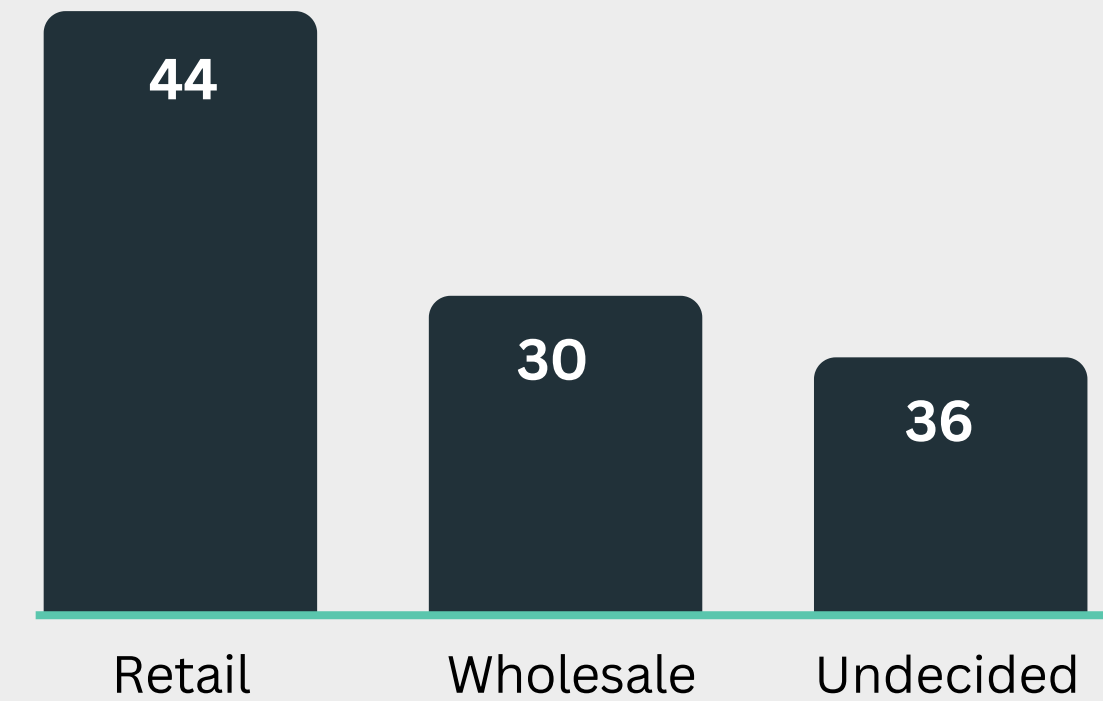
Digital Tenge will be launched in 3 phases by the end of 2025

Currently bank customers in Kazakhstan can apply for virtual and plastic CBDC cards and use them for both in-store and e-commerce purchases*

Global CBDC engagement status



Focus of engagement



Source: Atlantic council, May 2024

*cards have been launched in pilot mode and are not yet available to a general public

The National Bank of Kazakhstan is among the leaders in Central Bank Digital Currency innovations worldwide, achieving rapid implementation of the Digital Tenge concept to industrial operation within three years



Source: Digital Tenge, Results of the first implementation phase, White Paper, December 2023

The Digital Tenge Card will become the pioneering CBDC card in Eurasia, with four banks in Kazakhstan launching payment cards linked to the CBDC in a pilot program

Eurasian Bank, Bank CenterCredit, Altyn Bank and Halyk Bank introduced payment card linked to CBDC

CBDC payment card is accepted everywhere like regular card:

- payment in stores inside and outside the country
- transfer of Digital Tenge to digital accounts of other persons
- online purchases and cash withdrawal.

Next steps for 2024:

- expanding the number of functions available to customers to manage their Digital Tenge account through mobile applications
- automating the reconciliation of transactions on the Digital Tenge platform with banks' accounting systems
- elaboration of processes when paying by card.

Illustration: Eurasian Bank Digital Tenge card

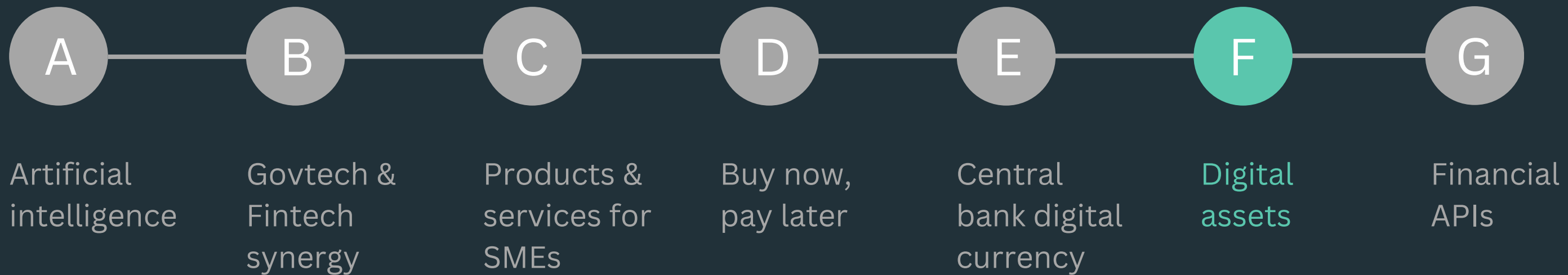


“Participation in the 'Digital Tenge' project opens up opportunities to launch innovative products for consumers and businesses using blockchain and cryptocurrency technology, develop a regulatory framework for digital assets, and, in general, represents a significant step in the development of a new digital economy in the country.”

Lyazzat Satiyeva
Eurasian Bank, CEO

Source: Digital Tenge, Results of the first implementation phase, White Paper, December 2023

Fintech trends deep dives

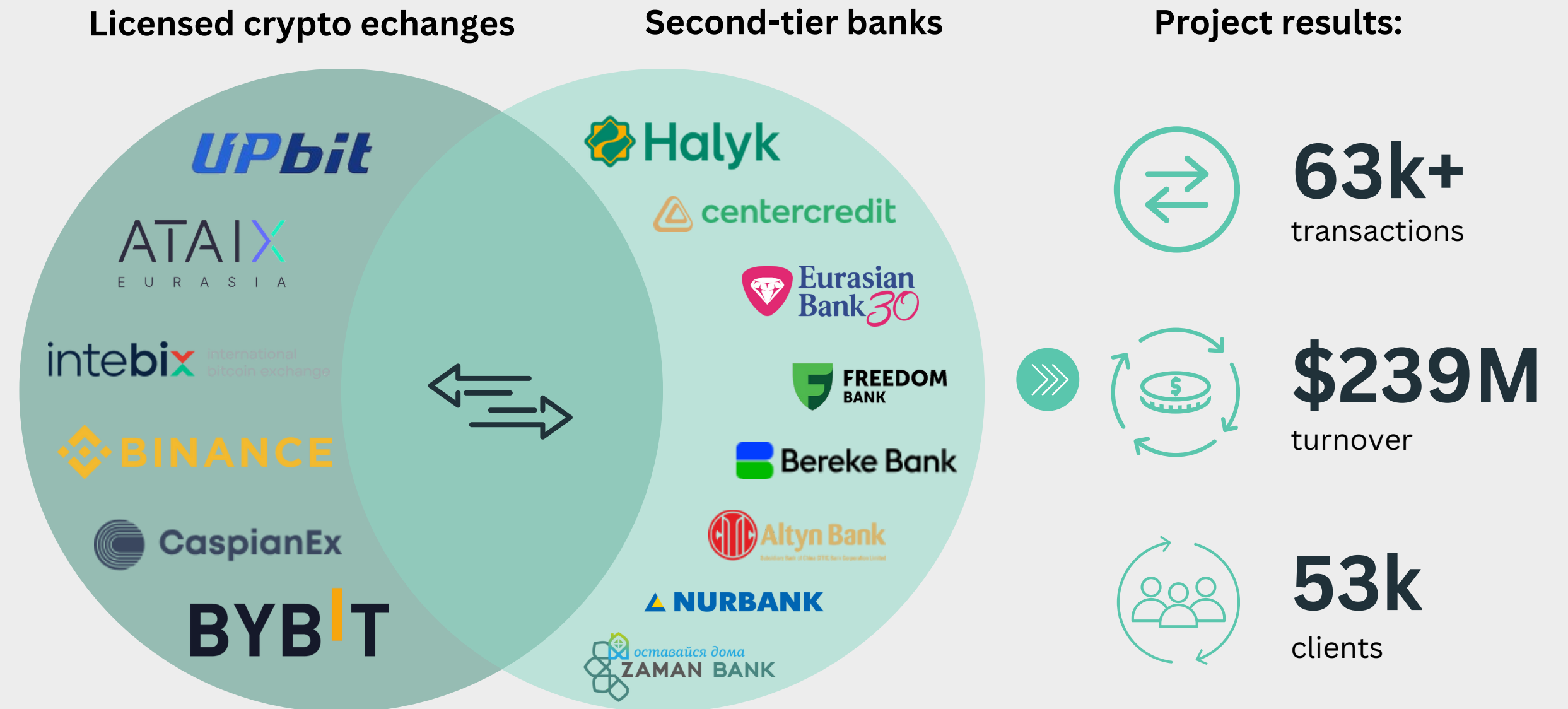


From June 2022 to January 1, 2024, pilot project on interaction of Astana International Financial Centre (AIFC) crypto exchanges with commercial banks engaged 6 crypto exchanges and 8 second-tier banks, shaping regulations for digital asset activities

In June 2022, the **pilot project** on interaction of AIFC crypto exchanges with commercial banks of Kazakhstan began. The feedback from this 1.5-year project helped shape the **regulations for digital asset** activities within the AIFC.

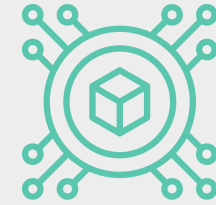
Now, licensed digital asset service providers can test various digital asset products and services in the AIFC, such as **margin trading, peer-to-peer trading, derivatives trading, staking, NFT trading, and digital asset lending.**

The Astana Financial Services Authority (AFSA) has also introduced its first **Stablecoin framework**, which took effect on January 1, 2024.



Source: Ministry of Digital Development, Innovation, and Aerospace Industry of RK, Astana Financial Services Authority

There is a significant movement towards swiftly transitioning digital asset concepts from theoretical and experimental stages to practical implementation on a national scale



Tokenization cases



Mastercard, in collaboration with **Intebix Crypto Exchange**, the **Technodom Ecosystem**, and **AIRBA**, has presented the first digital asset tokenization project in Kazakhstan. This project allows users to convert cryptocurrency into technobonuses, which can be spent within the ecosystem.



The **AFSA** has developed the **AIFC Security Token Offering Framework** to establish a comprehensive regulatory regime for the issuance and trading of security tokens within the AIFC.

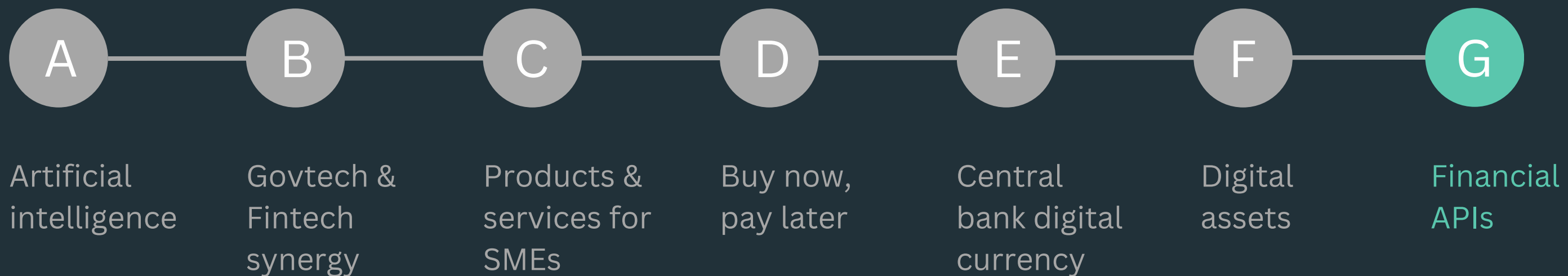


The **Kazakhstan Stock Exchange (KASE)** has introduced a pilot project called "**KASE Digital**" to issue tokenized securities using distributed ledger technology.



Additionally, initiatives are being developed to support the tokenization of **commodity trading**.

Fintech trends deep dives



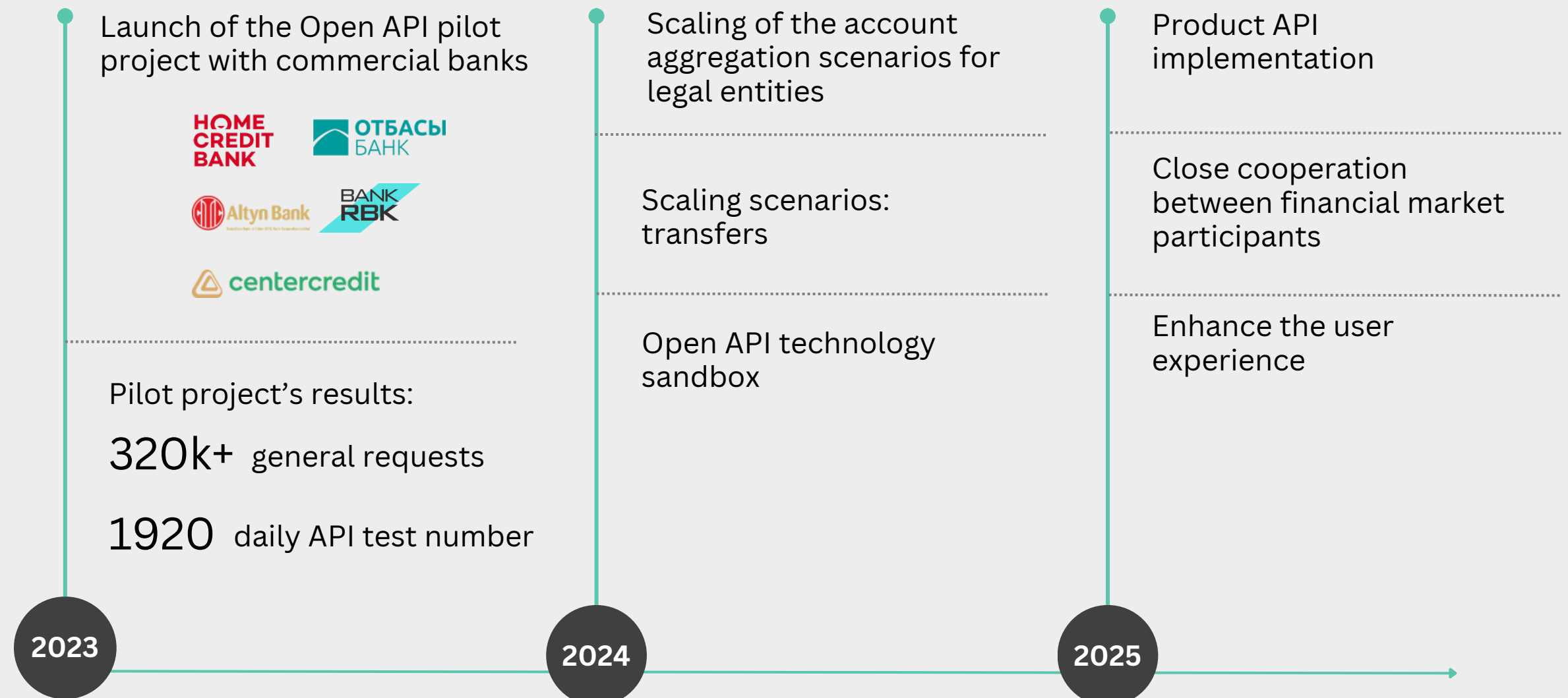
Fostering competition remains a priority for the country, with regulators developing an Open Banking infrastructure to ensure safe access to reliable information

In December 2022, the National Bank of Kazakhstan and the Agency for Regulation and Development of Financial Market, with the participation of the Agency for Protection and Development of Competition, developed and approved **the Concept of Development of Open Banking and Open API in Kazakhstan for 2023-2025**.

Thus, since the beginning of 2023, work has begun on the preparation and implementation of the initiative to launch the concept of Open Banking and Open API. The infrastructure will provide financial institutions with anonymized customer data from other financial institutions, enabling more personalized financial services, better risk assessment procedures, and higher competition among banks.

Digital Tenge accounts will adhere to Open API standards, facilitating their integration into the broader financial ecosystem. This enables third-party providers to offer competitive solutions, thus expanding the CBDC ecosystem.

Open Banking & Open API development timeline



Source: National Bank of RK

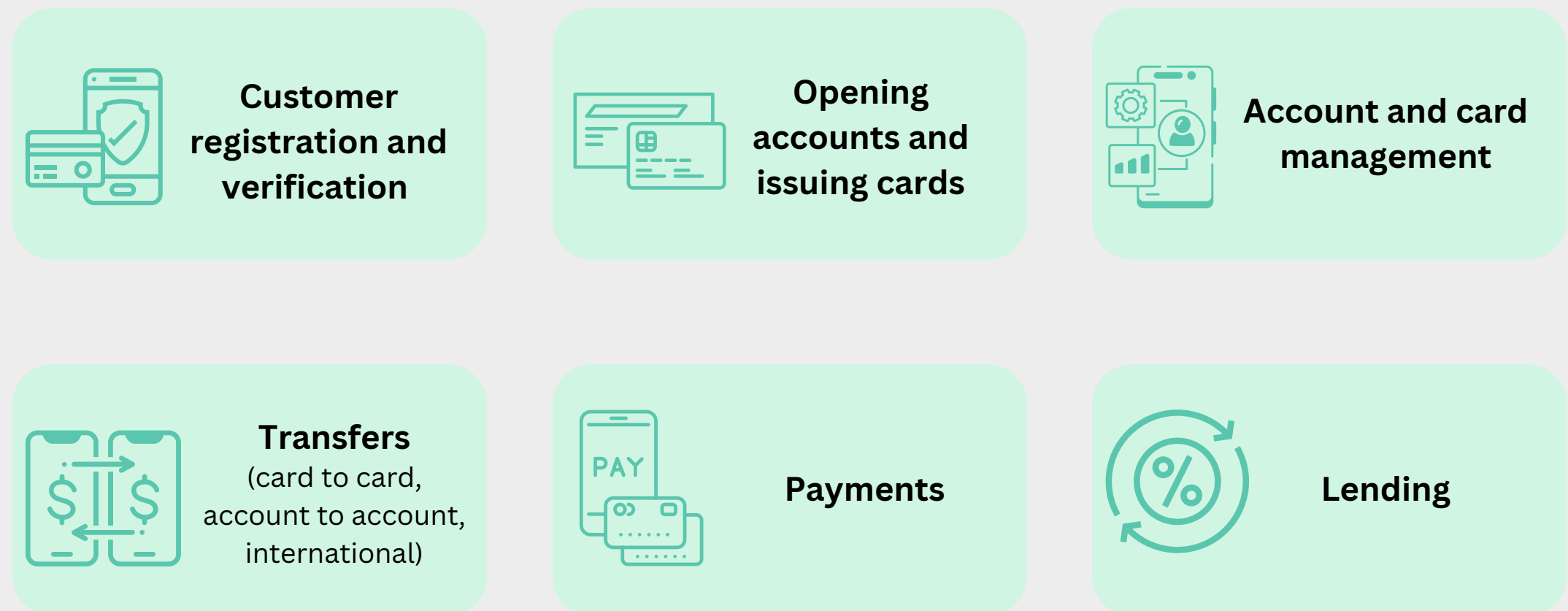
The open API initiative by regulators has the potential to align and unify similar efforts by private actors, as major financial institutions have already begun their own open API initiatives and are advancing the concept of Banking as a Service

Banks create their own API for third party vendors and startups.

A Banking as a Service (BaaS) model is now available in the Kazakhstani market, enabling clients to lease technologies and licenses from banks.

Banks are also enhancing their subsidiaries within their ecosystems by developing BaaS solutions to expand financial services. In this scenario, various elements of the ecosystem have the potential to evolve into neobanks themselves.

Illustration: Examples of financial services already utilized by fintech startups in the Kazakhstani market through the BaaS model



Partners can tailor a range of financial services to their specific requirements, effectively crafting their own bespoke "Bank"

RISE
research



NATIONAL PAYMENT
CORPORATION OF
KAZAKHSTAN



TARLAN
PAYMENTS

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