



# **BUSINESS PLAN JSCB “UZPROMSTROYBANK” FOR 2019**

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## INTRODUCTION

The business plan of JSCB "Uzpromstroybank" for 2019 is based on the tasks outlined in the Decrees and Resolutions of the President of the Republic of Uzbekistan, government decisions and the Bank's Strategic Plan for the period from 2018 to 2022 and is part of strategic planning, which allows you to set tasks for the current period, to determine the bank's development prospects, to use resources more rationally, to minimize possible risks as a result of active and passive operations, to introduce new types of services in a timely manner, to improve the quality of the provision of existing services in accordance with market conditions, to ensure the profitability of activities and a consistent increase in capital.

Despite the fact that the main clients of Uzpromstroybank are traditionally enterprises of the basic sectors of the economy, which include organizations of the oil, gas, chemical, energy industry, the construction complex, mechanical engineering and the transport industry of the republic, the bank also pays considerable attention to serving representatives of small business and private entrepreneurship, as well as individuals.

In 2019, the Bank intends to focus on corporate banking for both state and private enterprises, offering financing of transaction banking projects, including treasury services and working capital of investment banking, including green banking, consultations on the debt and equity capital market, retail business, introducing new modern technological products and services, significantly expanding the range of existing ones.

The bank's priorities will be given to the further development of plastic cards, primarily for employees of large corporations who are served on a payroll project by offering them various retail banking services (payday loans, consumer loans, credit cards), thereby attracting an increasing number of both corporate and private clients. The development will receive unique products, built on an effective platform for financing sustainable energy, aimed at preventing harm from industry, providing for new sales channels.

Large-scale development of corporate business will continue, the investment direction of which will allow maintaining and strengthening the position of a modern competitive universal bank in the main segments of the banking services market in Uzbekistan. Projects on energy efficiency, infrastructure development in the energy sector, renewable energy sources, as well as new environmental projects will attract new clients from among partners, existing traditionally served industries and enterprises of the oil, gas, chemical, energy, construction, engineering and transport industries of the republic.

At the same time, the Bank will pay considerable attention to serving small businesses and private entrepreneurship, increasing the number and quality of commercial services, contributing to the efficient management of the market economy, offering cash management services and replenishment of working capital through the financing of receivables / factoring services.

The main tasks of the joint-stock commercial bank "Uzbek Industrial and Construction Bank", in accordance with the Charter, will receive their further development, such as:

- expansion of participation in the processes of structural transformations, implementation of strategic investment projects aimed at modernization, technical and technological re-equipment of production in priority industries;
- provision of project financing for programs of modernization, reconstruction, technical and technological renovation of oil and gas, chemical, energy and other priority industries;
- improving the selection mechanisms, comprehensive assessment and examination of investment projects based on in-depth analysis, ensuring an increase in the technological level of production, as well as organizing, on a systematic basis, retraining and advanced training of bank employees on the implementation of investment projects.

In accordance with these objectives, in 2019, the Bank will continue to transform into a modern banking institution in accordance with international norms, requirements and standards.

The reorganization into a modern commercial institution will take place on the basis of increasing operational efficiency, improving business processes, improving risk management, IT platform and technologies, as well as the level of personnel training and HR development.

## **1. Brief political and economic overview of the current situation in the Republic of Uzbekistan**

In the Republic of Uzbekistan, broad measures are being taken to deepen structural reforms in the economy and modernize the country, to ensure macroeconomic balance.

Over the past years of independence, the ongoing large-scale reforms have laid a solid foundation for national statehood and sovereignty, ensuring security and law and order, the inviolability of state borders, the rule of law, human rights and freedoms, interethnic harmony and religious tolerance in society, created decent living conditions for the population and the implementation of creative potential of citizens.

The abandonment of administrative command management of the economy, the phased implementation of market reforms and a balanced monetary policy contributed to ensuring macroeconomic stability, high rates of economic growth, keeping inflation within forecast limits, creating ample opportunities and favorable conditions for the development of small business and private entrepreneurship, and farming movement.

At the same time, a comprehensive analysis of the past stage of development of the country, the changing environment of the world economy in the context of globalization and increasing competition require the development and implementation of fundamentally new ideas and principles for further sustainable and advanced development of the country.

In accordance with the Decree of the President of the Republic of Uzbekistan "On the Strategy of Actions for the Further Development of the Republic of Uzbekistan" in order to radically increase the effectiveness of ongoing reforms, create conditions to ensure the comprehensive and accelerated development of the state and society, implement priority areas for the modernization of the country and liberalize all spheres of life, a strategy has been developed further actions based on the results of a comprehensive study of topical issues of concern to the population and entrepreneurs, analysis of current legislation, law enforcement practice and best foreign experience, as well as a broad public discussion.

**The Action Strategy for the five priority areas of development of the Republic of Uzbekistan for 2017 – 2021** (hereinafter referred to as the Action Strategy) stipulates:

- improving the state and social construction, aimed at further strengthening the role of parliament and political parties in deepening democratic reforms and modernizing the country, reforming the public administration system, developing the organizational and legal foundations of public service, improving the "Electronic government" system, improving the quality and efficiency of public services, practical implementation of public control mechanisms, strengthening the role of civil society institutions and the media;

- ensuring the rule of law and further reforming the judicial and legal system aimed at strengthening the true independence of the judiciary and guarantees of reliable protection of the rights and freedoms of citizens, improving administrative, criminal, civil and economic legislation, increasing the efficiency of the system for combating crime and preventing offenses, full implementation of the principle competitiveness in litigation, improvement of the system of rendering legal aid and legal services;

- development and liberalization of the economy aimed at further strengthening macroeconomic stability and maintaining high rates of economic growth, increasing its competitiveness, modernizing and intensively developing agriculture, continuing institutional and structural reforms to reduce the presence of the state in the economy, further strengthening the protection of rights and the priority role of private property, stimulating the development of small business and private entrepreneurship, comprehensive and balanced socio-economic development of regions, districts and cities, actively attracting foreign investment in the economy and regions of the country by improving the investment climate;

- development of the social sphere, aimed at consistently increasing employment and real incomes of the population, improving the system of social protection and health protection of citizens, increasing the socio-political activity of women, implementing targeted programs for the construction of affordable housing, the development and modernization of road transport, engineering and communication and social infrastructures, development of education, culture, science, literature, art and sports, improvement of state youth policy;

- ensuring security, interethnic harmony and religious tolerance, implementing a balanced, mutually beneficial and constructive foreign policy aimed at strengthening the

independence and sovereignty of the state, creating a belt of security, stability and good-neighborliness around Uzbekistan, strengthening the country's international image.

## **2. BANKING SYSTEM OF THE REPUBLIC OF UZBEKISTAN**

During 9 months of 2018, a significant number of very important and significant legal and legislative acts were adopted for the further development of the republic's economy and improvement of almost the entire social sphere. Such as the Decree of the President of the Republic of Uzbekistan No. PP-3620 dated March 23, 2018 "On additional measures to increase the availability of banking services", Minutes of the meeting of the government meeting dated November 22, 2018 "On systemic problems in the work of commercial banks and their impact on strengthening the financial stability of banking sectors and socio-economic development of regions "and others. Timely measures taken gave a new, more powerful impetus for the further growth of the main most important macroeconomic indicators of the country. The monetary policy pursued by the Central Bank was carried out in the aforementioned macroeconomic conditions and the presence of high inflationary pressures in the economy.

In the current situation, in the presence of high inflationary pressure in the economy, in order to slow down the growth rate of prices in the domestic market and reduce inflationary risks, from September 25, 2018, the Central Bank raised the refinancing rate from 14% to 16%. This, in turn, was reflected in the increase in the average levels of interest rates in the interbank money market.

This decision was made taking into account changes in external conditions and is aimed at reducing inflationary pressures against the backdrop of rising inflationary expectations, rising regulated prices and increasing pressure on prices from the exchange rate. Annual inflation continued to decline and amounted to 15.7% in August, not exceeding the original forecast.

According to preliminary estimates of the Central Bank, the rate of economic growth by the end of 2018 is expected in the range of 5.0-5.2%. At the same time, the planned structural reforms in the basic sectors of the economy and the gradual achievement of sustainable profitability indicators by state-owned enterprises can increase growth in real GDP in 2019 and subsequent years.

High growth rates of investments in fixed assets, including government spending of an investment nature and an increase in consumer demand, make it possible to mitigate the negative impact of external factors on economic growth. It is expected that the increase in the volume of construction work, especially in the field of housing and infrastructure development, will continue to create additional jobs in this and related industries.

During 9 months of 2018, the main financial indicators of banks showed high growth rates. In particular, banking assets increased relative to the results of the same period of the previous year by 22.50% and amounted to 202.3 trillion UZS at the end of 9 months of 2018. In particular, credit investments of commercial banks increased by 44.79% compared

to the results of last year and amounted to 149.4 trillion UZS based on the results of the analyzed period.

Along with the increase in the assets of the banking sector, during the analyzed period, deposit services also increased. However, the dynamics of growth of the banks' deposit base showed relatively lower growth rates compared to the growth rates of other key parameters of the banking sector.

As a result, at the end of the third quarter of 2018, the volume of total deposits in commercial banks increased by 15.39% compared to the results of the same period last year and reached 67.2 trillion UZS. At the end of the third quarter of 2018, the total capital of the domestic banking system increased by 50.04% and amounted to 25.1 trillion UZS, which made it possible to ensure that banks met the capital adequacy and liquidity indicators set by the regulator.

According to the rating agency "Ahbor-Reyting", achieved during 9 months of 2018, the levels of the main indicators of the domestic banking system, such as: aggregate capital adequacy, liquidity of banks, dynamics of the volume of deposits, changes in the volume of credit investments fully correspond to the high level assessment.

In addition, the positive shifts in the main indicators of commercial banks that have emerged during the analyzed period create good prerequisites for increasing investments for commissioning or modernizing modern and high-tech industrial facilities and capacities, modernizing production, accelerating technical and technological renewal.

The banks of the republic make their significant contribution to the creation of a favorable business environment in the country and the further strengthening of small business. As a result, the volume of loans issued to small businesses and private entrepreneurship in the first 9 months of 2018 increased by 70.40% compared to the same period of the previous year and amounted to 39.1 trillion UZS (based on the results of 9 months of 2017: 22.9 trillion UZS).

So, for 9 months of 2018, JSCB "Uzpromstroybank" allocated loans to small businesses in the amount of 3168.1 billion UZS, which is 2.8 times more than in the corresponding period of the previous year.

Note that as of October 1, 2018, the total number of operating commercial banks was 28, including: 3 state banks, 14 - joint-stock commercial banks, 6 - private banks and 5 banks with foreign capital. It should be noted that during the period under review, 16 new branches were opened by domestic banks, including 2 branches opened by Uzpromstroybank. As a result, the total number of regional branches and branches of domestic banks amounted to 902 units. At the same time, in order to improve the quality and efficiency of the provision of banking services, about 3,500 mini-banks and special banking offices operate practically throughout the territory of Uzbekistan. As of October 1, 2018, in general, in the banking sector of the Republic of Uzbekistan, the banking staff amounted to about 60 thousand employees.



According to rating agencies, large banks, of which Uzpromstroybank are among the top three, currently have more significant potential and grounds for attracting more foreign investors to their business than other banks in the sector. Moreover, according to the agency, the concentration of assets of the top ten banks will continue to remain at a high level in the future.

### **3. BRIEF INFORMATION OF THE BANK**

Joint-stock commercial bank "Uzbek Industrial and Construction Bank" is one of the oldest financial institutions in the Republic of Uzbekistan and has been operating since 1922. In 1991 it was transformed into a joint-stock commercial bank.

JSCB "Uzpromstroybank" is a leading universal commercial bank of the Republic, carries out large-scale investment activities for the development of basic sectors of the country's economy, small business, financing large investment projects with the involvement of foreign credit lines.

The Bank carries out commercial and retail operations in the territory of the Republic of Uzbekistan on the basis of:

License for banking operations No. 17 issued by the Central Bank of the Republic of Uzbekistan on October 21, 2017;

The Bank is:

- a participant in the system of guaranteeing deposits of the population in the banks of Uzbekistan;

- a member of the Association of Banks of Uzbekistan;

- a shareholder and a member of the Republican Stock Exchange "Toshkent";

- a full member of the Uzbek Republican Currency Exchange in all sections;

- a member of the international electronic payment system S.W.I.F.T.;

- a subscriber of the transnational information dealing system Reuters Dealing 3000;

- a member of the national payment system Uzcard;

- a principal member of the international payment system "VISA International" and a shareholder of "VISA Inc.";

- a member of the international payment system "UnionPay International" and "MasterCard";

- the only settlement bank of the system of in-country settlements on VISA cards in the national currency of the Republic of Uzbekistan - sum on the territory of Uzbekistan - UzNNSS;

- a member of the international money transfer systems Contact, Blizko, Western Union, UNistream, Zolotaya Korona, Aziya Express.

The Bank's auditor is the largest international company Deloitte & Touche.



As of 01.10.2018, the authorized capital of JSCB "Uzpromstroybank" amounted to 1,451.8 billion UZS, of which preferred shares amount to 7.03 billion UZS, common - 1,444.8 billion UZS or 76.04 billion pieces simple and 370 million pieces privileged.

The main largest shareholders of the bank are: the state represented by the Ministry of Finance of the Republic of Uzbekistan, the Fund for Reconstruction and Development of the Republic of Uzbekistan, as well as enterprises in the basic sectors of the economy.

Other (minority) shareholders of JSCB Uzpromstroybank include the following organizations: JSC Uztransgaz, Unitary Enterprise Bukhara Oil Refinery, JSC Uzbekenergo, JSC Uzneftmahsulot, UDP Shurtan Gas Chemical Complex and others.

As of 01.10.2018, the number of shareholders was 34 437, of which 3905 legal entities, 30532 individuals.

There is a significant number of minority shareholders in the shareholder structure.

JSCB "Uzpromstroybank" is one of the three largest banks in the republic in all basic parameters of activity. The main competitive advantage of the bank, which ensures the preservation of strong market positions, remains the service of enterprises in the oil and gas industry, fuel, machine-building, chemical industries, construction and energy complex of the country.

The rating agency "Ahbor-Reyting" has confirmed the credit rating assigned to JSCB "Uzpromstroybank" on the national scale "uzA+" with a "Stable" outlook based on the monitoring of the rating for 9 months of 2018. The rating indicates a very high level of the bank's creditworthiness, reflecting a very low level of credit risk in his activities. The bank is characterized by a very high potential for timely and full fulfillment of its financial obligations to creditors, depositors and investors.

Constant work is carried out with the leading international rating companies "Fitch Ratings", "Standard & Poor's" to update the international rating.

In September 2018, the international rating agency "Standard & Poor`s" confirmed the credit ratings of JSCB "Uzpromstroybank" at the level of "B/B+" with a "Stable" outlook. In June 2018, the international rating agency "Fitch Ratings" confirmed the long-term ratings of JSCB "Uzpromstroybank in foreign and national currency at B+, the forecast for all ratings is "Stable". The received estimates reflect the adequate business position of Uzpromstroybank, position on risk and comparable indicators International agencies confirm the high position of Uzpromstroybank – the third largest bank in Uzbekistan, focused on servicing strategic sectors of the economy, in particular, energy, chemical and oil production.

The client base of JSCB "Uzpromstroybank" has more than 946 thousand clients, including enterprises of all types of property, including private, joint, international, as well as private entrepreneurs and clients-individuals.

JSCB "Uzpromstroybank" as of October 1, 2018 has 45 branches, 46 savings banks, 42 special cash desks, 97 payment points for receiving payments from the population, 44 field

offices, 45 mini-banks, 73 foreign exchange offices, 80 points international money transfers. Mini-banks received a profit in the amount of 19.2 billion UZS, profitability – 67%. Foreign exchange offices purchased foreign currency in the amount of 136.5 million US dollars. The points of international money transfers carried out the receipt and sending of funds in the amount of 217 million US dollars, a profit of 3 billion UZS was received. Special cash desks accepted cash in the amount of 791.4 billion UZS. Payment points received income in the amount of 4.7 billion UZS, profit - 83.2 million UZS.

In 2019, it is planned to expand them, create banking service centers and organize the work of a "mobile bank".

The number of the bank's staff as of 01.10.2018 is 3,683 people.

#### **4. MAIN LINES OF BUSINESS**

The prospects for the further existence and development of the Bank depend on the strengthening of its financial position and an increase in the volume and quality of services provided by the Bank.

**Main lines of business** of the Bank for 2019:

- ◆ Increasing the capitalization level of the Bank;
- ◆ Expansion of investment activity;
- ◆ Quality transformation of the Bank by:

- further improvement of the bank's credit and investment policy and mechanisms for long-term lending of investment projects for the creation of new industries, modernization, technical and technological re-equipment of enterprises, strengthening on this basis the long-term resource base of the bank;

- ensuring a careful selection, comprehensive assessment and high-quality examination of investment projects based on an in-depth analysis of project documentation, their financial payback and profitability;

- widespread use of reliable mechanisms to ensure the timeliness and completeness of repayment of loans provided, taking into account a thorough assessment of risks, market value of collateral and other types of collateral;

- mobilization of own funds and their effective use to finance investment projects, continuous monitoring of the progress of projects, timely and full return on investment.

- ◆ Improvement of the risk assessment system based on the recommendations of international experts, ensuring the presence of risk management in all decisions.

- ◆ Financial support for the real sector of the economy, especially exporting enterprises.

- ◆ Further development and comprehensive support for the development of poultry farming in the republic, the introduction of advanced technologies and innovative

developments in the field, deepening processing, expanding the range and export of poultry products.

- ◆ Providing comprehensive support to representatives of small business and private entrepreneurship in order to create new jobs, work at home, organize training for unemployed women on the basics of running their own business, with the further provision of start-up capital for the successful implementation of economic reform programs in the country.

- ◆ Participation in the implementation of the State program "Every family is an entrepreneur".

- ◆ Carrying out constant work to create favorable conditions, quality, reliability and efficiency of lending processes for the effective and successful development of small business and private entrepreneurship, increasing the number (scale) and quality of lending to business entities.

- ◆ Diversification of the loan portfolio, an increase in the share of small business, retail and other industries, as well as a decrease in the volume of long-term loans by activating short-term financing, in particular, the expansion of revolving lending, for replenishment of working capital, trade finance.

- ◆ Further development and implementation of new types of retail lending, including microloans.

- ◆ Continuation of work to attract credit lines from IFIs and foreign banks, as well as to maximize their development.

- ◆ Strengthening work on attracting free funds of the population and business entities to the bank's deposits through the systematic introduction of attractive long-term deposits.

- ◆ Issue and placement of certificates of deposit and bonds to expand the long-term resource base.

- ◆ Uninterrupted withdrawal of cash from customer accounts.

- ◆ Further development of the system of non-cash payments by means of plastic cards, increasing the convenience of using plastic cards and expanding the terminal network.

- ◆ Effective interaction with retail clients, meeting their needs in terms of the range and quality of services.

- ◆ Expansion of the service network - mini-banks, savings and special banks, especially in rural areas, cash collection points, banking service centers in large densely populated areas, as well as the organization of the "mobile bus".

- ◆ Creation of automated payment points at points operating 24/7.

- ◆ Creation of a special "Investment Center" at the Bank, providing services for finding reliable partners, joint preparation and implementation of projects.
- ◆ Achieving the maximum possible profit of the bank, while maintaining the reliability and liquidity of its positions.
- ◆ Continuation of work, together with international financial organizations, to transform the bank into a modern financial institution in accordance with international norms, requirements and standards.
- ◆ Application of digital technologies to banking services and business processes.
- ◆ Implementation of work on the application of methods of classification and valuation of assets in accordance with IFRS No. 9.
- ◆ The personnel management system will be built in accordance with the principles of HR management, based on the formation of highly qualified personnel potential, ensuring the guaranteed achievement of the planned results.

## **5. ORGANIZATIONAL STRUCTURE OF THE BANK**

The transformation of the bank, expansion of investment activities, the range of products and services, further increase of the bank's resource base, are making adjustments to the organizational structure of the bank.

In order to form a modern and adequate organizational structure that allows for effective and dynamic management of the bank's activities, compliance with the tasks solved by the bank, the structure is being reorganized, both the head office of the bank and its branches.

In accordance with the general directions and main tasks for the coming year, the following divisions of the bank (departments and departments) interact in a coordinated manner to achieve the set goals:

- Department of Project Management and Execution Control;
- Department of Internal Audit;
- Legal Department;
- Small Business Lending Department;
- Department of Risk Management;
- Department of accounting and reporting;
- Department of retail lending;
- Department of strategic development of the bank;
- Corporate finance department;
- Department of the Treasury;
- Department of Foreign Economic Activity;
- Department for work with banking and international financial institutions;
- Department of development of retail services;
- Department of Internal Control;

- Direction of security and information protection;
- Construction Department;
- Department of Information Technology;
- Department for work with corporate clients;
- Department of lending to agriculture;
- Management of personnel;
- The educational center;
- Department of coordination of cash transactions;

Changes in the organizational structure are accompanied by changes in the corporate culture and attitude of the bank's employees to business.

The ongoing improvement of the organizational structure will help to optimize banking activities, expand the client base, improve the quality and competitiveness of services offered to customers, the effectiveness of the slogan: "Not a client for a bank, but a bank for a client!" increase in profits.

The structure of the Bank's management allows for the management of the Bank in accordance with the nature and volume of operations performed.

The Bank intends to strive to achieve an optimal balance of distribution of functions and powers between the structural units of the management system, which will ensure the ability to perform the assigned tasks with minimal costs and an acceptable level of risk.

## **6. OPERATIONS WITH CORPORATE CLIENTS**

In 2019, work will continue on the development of the corporate banking sector, increasing the emphasis on increasing the intensity of customer relationships with existing customers, as well as attracting new corporate customers as part of the expansion of the bank's branch network. The Bank adheres to the basic principles of servicing corporate clients: creating maximum convenience for them, exceptional focus on their needs, reducing the time and cost of servicing, accelerating the processes of conducting transactions, ensuring the security and confidentiality of bank operations through the use of high technologies and innovations, including measures for widespread dissemination among clients of remote services, as well as the use of flexible tariffs.

In order to expand the attraction of new corporate clients within the branch network, the bank plans to increase its client base by at least 10% in 2019.

At the same time, the Bank will also take the necessary measures for the balanced development of the retail segment with an appropriate package of services aimed at meeting the needs of individual clients, including the personnel of corporate clients.

In the course of its activity, the Bank will pursue a clear targeted investment policy aimed at obtaining maximum profit from investments, achieving optimal management of the loan portfolio, maintaining the required level of liquidity and solvency, creating growth reserves, developing entrepreneurship, supporting the basic sectors of the economy.

In 2019, the Bank intends to continue active work on refinancing the funds of the Fund for Reconstruction and Development of the Republic of Uzbekistan. Loans in foreign currency are provided to finance strategically important investment projects aimed at modernizing the economy, construction, reconstruction or technical re-equipment, including the purchase of equipment, construction and installation works, organization and expansion of production, and small business development. In addition, investment projects included in the Investment Program of the Republic of Uzbekistan are financed, as well as projects involving the deep processing of local raw materials, the creation of additional infrastructure and jobs aimed at the production of export-oriented and import-substituting products.

In 2019, Uzpromstroybank plans to develop credit lines from European banks to finance small businesses:

- Construction of the Tashkent Metallurgical Plant in the amount of 36.6 million Euro;
- Compensation for the decommissioned capacities of the sulfur recovery unit at LLC Mubarek GPP in the amount of USD 50.0 million;
- Modernization of the foundry with the construction of a new foundry on the basis of JSC "Uzbekkhimmash Plant" - 20 million US Dollars;
- Construction of two para-gas units with a capacity of 230-280 MW at the Takhiatash TPP for the amount of USD 60.0 million;
- Construction of external power supply facilities for Toshkent Metallurgiya Zavodi LLC and Construction of power supply facilities in the Sergeli district of Tashkent city and adjacent territories, taking into account their future development, in the amount of USD 68.0 million;

In addition, at the expense of the PRC Eximbank, it is planned to allocate loans to finance the following projects:

- Modernization of Shargunkumir JSC in the amount of US \$ 27 million;

To finance the investment project "Organization of production of nitric acid on the basis of Navoiyazot", it is planned to attract an equal share of funds from Commerzbank and Credit Suisse in the amount of 68.1 million US Dollars.

In 2019, it is planned to finance the following projects in the private sector:

- Creation of a production facility for the production of "BIG-BEG" (flexible container) from polypropylene for enterprises of the chemical, textile, construction, food and non-food industries on the basis of JV LLC "SIRDARYO-MEGA-LUKS", at the expense of borrowed funds from Raiffeisenbank International in the amount of 25, 58 Euro;
- Project of LLC "YEC GILAM" for the purchase of equipment for the production of polypropylene yarn and carpets in the amount of 6.97 million Euro at the expense of loans from Landesbank Baden-Wuerttemberg;

- Organization of a greenhouse for the cultivation of agricultural products on the basis of LLC "GARDENS KHOREZM" in the amount of 11.0 million Euro at the expense of loans from foreign banks;

- The project for the acquisition of new agricultural machinery for the provision of services to farms on the basis of LLC "KHANTEX AGRO SERVIS" in the amount of 14.19 million Euro at the expense of loans from foreign banks.

At the same time, in 2019, JSCB "Uzpromstroybank" will continue to work on the implementation of measures to restore, technical and technological modernization and re-equipment of production, to ensure the production of products that are competitive in the foreign and domestic markets;

One of the ways to invest the bank's own funds and resources is investment in securities.

When forming an investment portfolio of a bank, investment objects can be all types of securities admitted to circulation by the legislation of the Republic of Uzbekistan. The main categories are securities with really predictable financial results: Government securities, certificates of deposit, corporate bonds, as well as shares and interest in financially stable enterprises.

Of the above categories of securities, it is envisaged to form five components of the bank's investment portfolio:

- portfolio of short-term debt securities (government short-term securities, Central Bank bonds, certificates of deposit and others) acquired for the purpose of obtaining interest, profit from the increase in the value of securities, not necessarily held until maturity. Investments in debt securities will have a short-term basis – a year or less;

- portfolio of corporate securities (corporate bonds of enterprises and financial institutions) acquired for the purpose of obtaining interest, profit from the increase in the value of securities, not necessarily held until their maturity. Investments in debt securities will have a shelf life of up to 50 years, depending also on the specific conditions of the issue of this security;

- Portfolio of securities (shares) for sale and purchase, acquired for the purpose of generating income from exchange rate differences;

- Portfolio of investment securities - long-term capital investments (shares, shares) of the bank in the authorized capital of enterprises, subsidiaries and joint ventures, as well as financial institutions that consistently pay income in the form of dividends and interest;

- Portfolio of infrastructure securities - long-term capital investments (shares, shares) of the bank in the authorized capital of subsidiaries and joint ventures, as well as financial institutions paying moderate dividends, while the bank has the opportunity to provide additional types of services necessary to improve the efficiency of the banking business (leasing, insurance, property appraisal, auditing services, depository services, information and consulting services).



The main objectives of the bank when performing investment activities with securities are:

- Increase in income from active operations;
- Diversification of assets, thereby reducing the risk of capital loss and ensuring a stable level of profitability;
- Stimulating the development of macro- and microeconomic processes by mobilizing deposits of bank clients for productive investment in the capital of economic entities.

In the future, when the Ministry of Finance of the Republic of Uzbekistan issues government securities, the Bank will continue its investment activities, making its investments also in safe, highly liquid - government securities. When forming its portfolio, the bank takes into account the risk of liquidity loss associated with the timeframe, therefore it adheres to the policy of equal distribution, which consists in dividing the investment portfolio equally between the investment terms acceptable for the bank.

The Bank plans to conduct an ongoing analysis of the stock market in order to:

- investing in securities of successfully functioning financially stable enterprises in various sectors of the economy, which consistently pay dividends;
- participation in the processes of privatization and corporatization of enterprises by purchasing shares of privatized joint-stock companies in the amount of up to 50% of their issue on the primary securities market;
- providing consulting services in the securities market;

The investment portfolio of the bank in 2019 will increase by 125.0 billion UZS due to the investment of the bank in the authorized capital of insurance and investment companies, where the bank's participation will be 100%. The estimated size of the authorized capital of an insurance company is 30.0 billion UZS, an investment company - 100.0 billion UZS.

The Bank also plans to take an active part in investing free funds in government securities with an amount of at least 25.0 billion UZS.

## **6.1. FINANCIAL OBJECTIVES**

The Bank will invest in securities subject to the following requirements of the current legislation:

- The size of the bank's investments in the authorized capital of one enterprise, as well as in other securities of this enterprise should not exceed 15% of the regulatory capital of the first tier bank;
- The size of the bank's investments in the authorized capital and other securities of all issuers should not exceed 50% of the bank's regulatory capital of the first tier;

- The size of the bank's investments in securities for purchase and sale should not exceed 25% of the bank's regulatory capital of the first tier;
- The Bank is not entitled to participate in the authorized capital of other banks (except for the cases of establishing banks with foreign capital and subsidiary banks), as well as in the authorized capital of a legal entity that owns 10 or more percent of the authorized capital of the bank;
- The bank cannot directly or indirectly (through subsidiaries) own more than 26% of the authorized capital of a legal entity, except for the following cases:
  - a) participation of banks in the authorized capital of insurance and leasing organizations;
  - b) participation of banks in the authorized capital of non-bank credit organizations, as well as legal entities that are part of the infrastructure of the financial market, or provide information and consulting services to banks;
  - c) participation of banks in the authorized capital of organizations carrying out professional activities in the securities market;
  - d) participation in the acquisition, in accordance with the established procedure, of shares of privatized enterprises in the amount of up to 50 percent of their issue on the primary securities market.

## **7. CREDIT POLICY OF THE BANK**

It is aimed at comprehensive customer service, provides for the provision of credit services, and tools for all target groups of consumers.

The main task of the Bank in the field of lending is to increase a high-quality and highly profitable loan portfolio based on the minimization and diversification of credit risks.

The main thesis of the relationship with the client is - lending on a commercial, contractual basis, while observing the basic principles of lending in order to make a profit (increase the profitability of the loan portfolio), increase the competitiveness of the Bank's loan products by ensuring the flexibility of lending conditions, expanding the product range and taking into account the individual needs of the client.

The priority of the Bank's credit policy in the corporate segment of the market remains the development of relationships with large enterprises in the real sector of the economy in order to ensure their stable operation and increase export potential.

Lending to corporate clients will be carried out in the following main areas: short-term commercial lending and investment lending.

It is planned to develop a new model of credit operations, introduce a scoring model in automatic mode, simplify and automate the entire process of issuing, monitoring and repaying loans.

For 2019, work is planned to organize a credit conveyor, i.e. full automation of all processes related to the processing of loan applications. This software module is planned to be applied to consumer, micro and online loans. The credit conveyor will give the Bank the following advantages: it will minimize losses at any stage of the credit process, reduce the time for consideration of loan applications, replace manual labor, optimize the credit process, increase customer loyalty, help improve the bank's risk strategy, and increase sales.

Currently, this process uses office applications and manual labor of employees. Uzpromstroybank plans to introduce software products jointly with international companies. For example, software solutions such as SAPCRM and xECM. These programs will enable key changes such as:

- Routing of a loan application;
- Setting up a full cycle of checks of a loan application in the decision-making system;
- Creation of an electronic credit dossier of the client and its integration with the selected system;
- Creation of a single product catalog and its integration with the bank's information systems (SAP CRM, decision-making systems, ABS, bank website);
- Automation of the formation of printed forms for a credit transaction;
- Creation of an automated calendar of transactions;
- Creation of a universal grocery calculator on the web, with the ability to integrate it into internal and external systems (virtual office, bank partners, etc.).

Providing comprehensive support to representatives of small business and private entrepreneurship in order to create new jobs, work at home, organize training for the population on the basics of running their own business with the further provision of start-up capital. Creation of favorable conditions and efficiency of lending processes.

Therefore, one of the priority tasks in 2019 will be to improve the lending mechanism, improve the bank's lending policy, mechanisms for short-term and long-term lending, lending of investment projects to create new production facilities, modernization, technical and technological re-equipment of enterprises.

Based on international experience, in order to reduce lending risks, segmentation of clients, identification of risks and control systems, valuation of risks, raising the awareness of business units about accepted risks will be carried out.

Further development of entrepreneurship and expansion of the Bank's resource base through attracted credit lines from international financial institutions will contribute to the expansion of the volume and scale of financial support for small businesses and entrepreneurship on mutually beneficial terms. Further growth in lending to small businesses and private entrepreneurship, including micro-lending, will ensure the creation of new jobs.

The expansion of the export potential of the republic will be facilitated by the financing of investment projects and programs aimed at attracting advanced technologies to the republic, modernization, technical and technological re-equipment of production facilities based on modern equipment for the production of high-quality consumer goods through the active use of various financial instruments (both internal and MFI). Creating favorable conditions for the accelerated development of small business and private entrepreneurship, expanding the Bank's resource base through attracted credit lines from international financial institutions will expand the volume of trade financing for small businesses and private entrepreneurship through attracted credit lines from international financial institutions.

In order to develop production potential and saturate the domestic market with domestic goods, the volume of lending to the production (output) of domestic food and non-food consumer goods will continue to increase (to replenish working capital).

The development of the regions and the strengthening of the investment activity of the banking system will be provided by lending projects for the implementation of state programs aimed at the creation and development of free economic and small industrial zones, attracting promising projects for implementation in the territory of free economic and small industrial zones on the basis of analysis, assessment of advisability, feasibility and profitability of projects.

The Bank's participation in lending to small businesses in the development of tourism, which is a target sector with great potential, will contribute to the active development of tourism in the Republic of Uzbekistan.

The development of entrepreneurship will be facilitated by the development of a financing program on a leasing basis.

The volume of loans provided in national currency in 2019 will amount to 3,178.8 billion UZS, of which short-term loans – 706.2 billion UZS, long-term loans, including investment projects - 2,472.6 billion UZS.

The volume of loans issued in foreign currency in 2019 will amount to USD 513.75 million, of which: short-term loans will amount to USD 70 million, long-term loans – USD 443.75 million. Loans in foreign currency will be issued at the expense of investment resources of international financial institutions.

## **7.1. STRATEGIC ALTERNATIVE**

➤ In order to diversify credit risks in the loan portfolio as a whole and to minimize and distribute risk within the framework of individual projects, it is necessary to introduce syndicated loans for the implementation of large investment projects.

➤ cooperation with other banks through the provision of syndicated loans will lead to higher returns, lower risks and administrative costs;

➤ development of a leasing financing program;

- allocation of loans by the bank to exporting enterprises to replenish working capital;
- development of mortgage, consumer lending and microfinance;
- participation of the bank in financing agricultural production, development and improvement of the village;
- an increase in lending to the production of domestic food and non-food consumer goods;
- participation of the Bank in financing and developing the country's scientific and technical potential, which is strategically important for the republic (financing projects using modern know-how, the latest technologies and the development of scientific projects);
- the Bank's participation in the development of tourism, which is a target sector with great potential.

## **7.2. FINANCIAL OBJECTIVES**

### **Monitoring and control of loans concentration**

The Bank monitors and controls the concentration of loans within certain limits. Loans are issued in accordance with the established percentage ratios of credit limits:

- The maximum amount of risk per borrower or a group of related borrowers should not exceed 25 percent of the bank's tier 1 capital;
- The maximum amount of unsecured (blank) loans, as well as factoring services per borrower or a group of related borrowers should not exceed 5 percent of the bank's tier 1 capital;
- The total amount of all large bank loans should not exceed the bank's capital of the 1st tier by more than 8 times;
- The total amount of all loans provided by the bank to all related parties should not exceed 100 percent of the bank's tier 1 capital.

### **Participation in interbank crediting.**

Interbank lending should be carried out mainly in order to optimally manage the Bank's liquidity, taking into account risks and costs, and should not be considered by the Bank as an instrument for placing significant amounts of resources.

To work with a wide range of republican counterparty banks:

- the list of accepted collateral has been optimized;
- the range of securities for carrying out operations with repurchase was determined;
- it provides for the conduct of exchange rate and deposit operations "swap";
- limits for counterparty banks have been determined.

### **Increasing the Bank's capital.**

The bank's own funds, which are actually the provision of general banking risks, must be sufficient not only to support the current activities of the bank, but also to develop the bank's operations. An increase in the volume of transactions increases the total risks of a banking institution, the growth of which requires additional own funds.

An increase in own funds can be achieved through:

- Capitalization of the bank's retained earnings of previous years, an increase in the authorized capital of the bank due to the additional issue of shares (additional issue of shares, convertible bonds, etc.). The choice of the source will depend on the economic situation and the conjuncture of the financial markets in general;

- Increasing the bank's net profit;

- Directing a part of the bank's net profit to increase the share capital (increase in the par value of shares).

In order to increase the total capital in 2019, the Bank plans to carry out an additional issue of ordinary shares for a total of 175.1 billion UZS with their placement among an unlimited number of persons through an initial public offering (IPO).

As of 01.10.2018, the authorized capital of the Bank was formed in the amount of 1,451.8 billion UZS, of which:

- preferred shares - 7.0 billion UZS;

- common shares - 1 444.8 billion UZS.

In pursuance of the order of the President of the Republic of Uzbekistan dated September 10, 2018, the authorized capital of the Bank increased by 300.0 billion UZS at the expense of the Ministry of Finance of the Republic of Uzbekistan and already as of 01.11.2018 increased to 1,751.8 billion UZS.

In the first quarter of 2019, it is planned to increase the authorized capital by an amount equivalent to USD 50 million in accordance with the Resolution of the President of the Republic of Uzbekistan dated November 13, 2018 on increasing the state share in the authorized capital of Uzpromstroybank by USD 50 million in equivalent at the expense of the Fund for Reconstruction and Development of the Republic of Uzbekistan. The Fund's funds allocated to the authorized capital of JSCB "Uzpromstroybank" are allocated at the expense of a credit line opened to the Bank in accordance with the Decree of the President of the Republic of Uzbekistan dated January 6, 2017 No. PP-2718 "On measures to expand sources of financing for investment projects in food, leather – footwear and pharmaceutical industry". The Fund, within three months, ensures the transfer of the funds specified in this paragraph to the authorized capital of JSCB "Uzpromstroybank".

Earmarked funds in the equivalent of 50 million US dollars, contributed to the authorized capital of Uzpromstroybank, will be used to finance projects for the development of the poultry industry.

The growth of the market value and attractiveness of the Bank's shares should be ensured by stable financial results and an increase in the Bank's rating, ensuring the transparency of financial information, and pursuing a rational and stable dividend policy.

As of 01.01.2020, the authorized capital is planned to be increased to 2,466.8 billion UZS.

### 7.3. ACTUAL AND FORECAST INDICATORS

(million UZS)

| Items                               | Actual as of<br>01.01.2018 | Actual as of<br>01.10.2018 | Forecast for<br>01.04.2019 | Forecast for<br>01.07.2019 | Forecast for<br>01.10.2019 | Forecast for<br>01.01.2020 |
|-------------------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| <b>Assets</b>                       |                            |                            |                            |                            |                            |                            |
| <b>Total loans (net), of which:</b> | <b>19 381 773</b>          | <b>23 355 602</b>          | <b>25 983 124</b>          | <b>27 368 419</b>          | <b>28 630 310</b>          | <b>30 801 148</b>          |
| Short-term loans (net)              | 217 345                    | 620 754                    | 856 350                    | 1 101 427                  | 1 380 098                  | 1 969 792                  |
| Long-term loans (net)               | 19 137 749                 | 22 733 250                 | 24 941 574                 | 26 081 992                 | 27 070 212                 | 28 651 356                 |
| Factoring (net)                     | 23 875                     | 0                          | 0                          | 0                          | 0                          | 0                          |
| Leasing (net)                       | 2 804                      | 1 598                      | 185 200                    | 185 000                    | 180 000                    | 180 000                    |
| Investment (net)                    | 24 288                     | 8 339                      | 60 257                     | 85 257                     | 115 257                    | 145 257                    |
| Fixed assets                        | 123 480                    | 144 268                    | 200 000                    | 215 000                    | 225 000                    | 235 000                    |
| Other assets (net)                  | 4 489 385                  | 5 149 106                  | 4 341 322                  | 4 666 525                  | 4 964 883                  | 5 318 595                  |
| <b>Total assets</b>                 | <b>24 018 926</b>          | <b>28 657 315</b>          | <b>30 584 703</b>          | <b>32 335 201</b>          | <b>33 935 450</b>          | <b>36 500 000</b>          |

|                                |                   |                   |                   |                   |                   |                   |
|--------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| <b>Liabilities</b>             |                   |                   |                   |                   |                   |                   |
| <b>Demand deposits</b>         | <b>1 382 977</b>  | <b>2 665 445</b>  | <b>2 221 540</b>  | <b>2 488 504</b>  | <b>2 616 812</b>  | <b>2 755 372</b>  |
| <b>Savings deposits</b>        | <b>513 255</b>    | <b>287 230</b>    | <b>231 538</b>    | <b>216 675</b>    | <b>213 123</b>    | <b>266 376</b>    |
| <b>Time deposits</b>           | <b>226 920</b>    | <b>563 839</b>    | <b>949 160</b>    | <b>1 045 622</b>  | <b>1 100 445</b>  | <b>1 183 470</b>  |
| <b>Other customer deposits</b> | <b>1 147 324</b>  | <b>1 652 939</b>  | <b>1 610 000</b>  | <b>1 625 000</b>  | <b>1 550 000</b>  | <b>1 575 000</b>  |
| <b>Payable to other banks</b>  | <b>374 327</b>    | <b>702 544</b>    | <b>808 560</b>    | <b>802 638</b>    | <b>722 745</b>    | <b>718 383</b>    |
| <b>Loans payable</b>           | <b>16 912 819</b> | <b>19 159 872</b> | <b>20 517 408</b> | <b>21 695 904</b> | <b>22 863 459</b> | <b>24 873 416</b> |
| <b>Bank-issued securities</b>  | <b>67 423</b>     | <b>63 012</b>     | <b>47 153</b>     | <b>56 053</b>     | <b>82 050</b>     | <b>171 050</b>    |
| <b>Other liabilities</b>       | <b>1 152 533</b>  | <b>1 284 388</b>  | <b>1 104 635</b>  | <b>1 269 604</b>  | <b>1 650 460</b>  | <b>1 445 027</b>  |
| <b>Total liabilities</b>       | <b>21 777 578</b> | <b>26 379 269</b> | <b>27 489 994</b> | <b>29 200 000</b> | <b>30 799 094</b> | <b>32 478 094</b> |
| <b>Capital</b>                 | <b>2 241 348</b>  | <b>2 278 046</b>  | <b>3 094 709</b>  | <b>3 135 201</b>  | <b>3 136 356</b>  | <b>3 511 906</b>  |
| <b>Total liabilities</b>       | <b>24 018 926</b> | <b>28 657 315</b> | <b>30 584 703</b> | <b>32 335 201</b> | <b>33 935 450</b> | <b>36 500 000</b> |



**Projected volume of loans issued in the national currency in 2019**

(million UZS)

| Description                          | 2019               | breakdown by quarters |                  |                  |                  |
|--------------------------------------|--------------------|-----------------------|------------------|------------------|------------------|
|                                      |                    | I                     | II               | III              | IV               |
| 1                                    | 2                  | 3                     | 4                | 5                | 6                |
| <b>Short-term loans (total)</b>      | <b>706 205,0</b>   | <b>141 431,0</b>      | <b>162 643,0</b> | <b>187 039,0</b> | <b>215 092,0</b> |
| <b>Long-term loans (total)</b>       | <b>2 472 570,5</b> | <b>593 536,9</b>      | <b>691 959,8</b> | <b>618 142,6</b> | <b>568 931,2</b> |
| <b>Including investment projects</b> | <b>1 630 500,0</b> | <b>351 800,0</b>      | <b>475 600,0</b> | <b>437 400,0</b> | <b>365 700,0</b> |
| <b>TOTAL</b>                         | <b>3 178 775,5</b> | <b>734 967,9</b>      | <b>854 602,8</b> | <b>805 181,6</b> | <b>784 023,2</b> |

**Including breakdown by branches**

| Regions                              | 2019               | breakdown by quarters |                  |                  |                  |
|--------------------------------------|--------------------|-----------------------|------------------|------------------|------------------|
|                                      |                    | I                     | II               | III              | IV               |
| 1                                    | 2                  | 3                     | 4                | 5                | 6                |
| <b>Short-term loans (total)</b>      | <b>706 205,0</b>   | <b>141 431,0</b>      | <b>162 643,0</b> | <b>187 039,0</b> | <b>215 092,0</b> |
| Andijan region                       | 30 763,0           | 6 162,0               | 7 085,0          | 8 147,0          | 9 369,0          |
| Bukhara region                       | 47 427,0           | 9 498,0               | 10 923,0         | 12 561,0         | 14 445,0         |
| Jizzak region                        | 7 402,0            | 1 483,0               | 1 705,0          | 1 961,0          | 2 253,0          |
| Kashkadarya region                   | 50 473,0           | 10 108,0              | 11 625,0         | 13 368,0         | 15 372,0         |
| Navoi region                         | 10 947,0           | 2 192,0               | 2 521,0          | 2 899,0          | 3 334,0          |
| Namangan region                      | 3 580,0            | 717,0                 | 825,0            | 948,0            | 1 090,0          |
| Samarkand region                     | 71 959,0           | 14 411,0              | 16 573,0         | 19 058,0         | 21 917,0         |
| Surkhandarya region                  | 37 996,0           | 7 610,0               | 8 750,0          | 10 063,0         | 11 573,0         |
| Syrdarya region                      | 54 686,0           | 10 952,0              | 12 594,0         | 14 483,0         | 16 657,0         |
| Fergana region                       | 28 455,0           | 5 699,0               | 6 553,0          | 7 537,0          | 8 666,0          |
| Horezm region                        | 10 498,0           | 2 102,0               | 2 418,0          | 2 781,0          | 3 198,0          |
| Karakalpakstan                       | 8 603,0            | 1 723,0               | 1 981,0          | 2 279,0          | 2 620,0          |
| Tashkent region                      | 18 303,0           | 3 665,0               | 4 215,0          | 4 847,0          | 5 575,0          |
| Tashkent city                        | 325 114,0          | 65 109,0              | 74 875,0         | 86 107,0         | 99 023,0         |
| <b>Long-term loans (total)</b>       | <b>2 472 570,5</b> | <b>593 536,9</b>      | <b>691 959,8</b> | <b>618 142,6</b> | <b>568 931,2</b> |
| <b>Including investment projects</b> | <b>1 630 500,0</b> | <b>351 800,0</b>      | <b>475 600,0</b> | <b>437 400,0</b> | <b>365 700,0</b> |
| Andijan region (total)               | 40 702,9           | 9 768,7               | 11 396,8         | 10 175,7         | 9 361,7          |
| - investment projects                | 26 971,8           | 5 819,5               | 7 867,4          | 7 235,5          | 6 049,4          |
| Bukhara region (total)               | 98 977,4           | 23 834,6              | 27 473,7         | 24 744,4         | 22 924,8         |
| - investment projects                | 60 286,3           | 13 007,5              | 17 584,9         | 16 172,5         | 13 521,4         |
| Jizzak region                        | 26 401,0           | 6 336,2               | 7 392,3          | 6 600,2          | 6 072,2          |
| - investment projects                | 17 494,6           | 3 774,7               | 5 103,0          | 4 693,1          | 3 923,8          |
| Kashkadarya region (total)           | 122 216,1          | 29 371,9              | 34 100,5         | 30 554,0         | 28 189,7         |
| - investment projects                | 78 336,0           | 16 901,9              | 22 849,8         | 21 014,5         | 17 569,8         |
| Navoi region (total)                 | 39 084,4           | 9 380,3               | 10 943,6         | 9 771,1          | 8 989,4          |
| - investment projects                | 25 899,3           | 5 588,1               | 7 554,6          | 6 947,8          | 5 808,9          |
| Namangan region (total)              | 23 224,5           | 5 573,9               | 6 502,9          | 5 806,1          | 5 341,6          |
| - investment projects                | 15 389,7           | 3 320,5               | 4 489,0          | 4 128,5          | 3 451,7          |
| Samarkand region (total)             | 107 626,6          | 25 830,4              | 30 135,4         | 26 906,6         | 24 754,1         |
| - investment projects                | 71 318,9           | 15 387,9              | 20 803,0         | 19 132,1         | 15 995,9         |

|                             |             |           |           |           |           |
|-----------------------------|-------------|-----------|-----------|-----------|-----------|
| Surkhandarya region (total) | 74 345,9    | 17 843,0  | 20 816,8  | 18 586,5  | 17 099,6  |
| - investment projects       | 49 265,4    | 10 629,6  | 14 370,2  | 13 216,0  | 11 049,6  |
| Syrdarya region (total)     | 142 301,9   | 34 152,5  | 39 844,5  | 35 575,5  | 32 729,4  |
| - investment projects       | 94 296,5    | 20 345,6  | 27 505,3  | 25 296,1  | 21 149,5  |
| Fergana region (total)      | 133 516,3   | 32 043,9  | 37 384,6  | 33 379,1  | 30 708,8  |
| - investment projects       | 88 474,8    | 19 089,5  | 25 807,2  | 23 734,4  | 19 843,7  |
| Horezm region (total)       | 32 881,9    | 7 891,6   | 9 206,9   | 8 220,5   | 7 562,8   |
| - investment projects       | 21 789,2    | 4 701,3   | 6 355,7   | 5 845,2   | 4 887,0   |
| Karakalpakstan (bcero)      | 82 133,6    | 19 712,1  | 22 997,4  | 20 533,4  | 18 890,7  |
| - investment projects       | 54 426,0    | 11 743,1  | 15 875,5  | 14 600,4  | 12 207,0  |
| Tashkent region (total)     | 230 475,5   | 55 314,1  | 64 533,1  | 57 618,9  | 53 009,4  |
| - investment projects       | 152 724,8   | 32 952,2  | 44 548,3  | 40 970,2  | 34 254,2  |
| Tashkent city (total)       | 1 318 682,5 | 316 483,8 | 369 231,1 | 329 670,6 | 303 297,0 |
| - investment projects       | 873 826,5   | 188 538,6 | 254 886,2 | 234 413,8 | 195 988,0 |

**Forecast of providing microloans to small businesses of JSCB "Uzpromstroybank" for 2019  
(million UZS)**

| Region                              | 2019           | breakdown by quarters |               |               |               |
|-------------------------------------|----------------|-----------------------|---------------|---------------|---------------|
|                                     |                | I                     | II            | III           | IV            |
| 1                                   | 2              | 3                     | 4             | 5             | 6             |
| Karakalpakstan                      | 13 517         | 2 990                 | 3 290         | 3 618         | 3 618         |
| Andijan                             | 16 797         | 3 716                 | 4 088         | 4 497         | 4 497         |
| Bukhara                             | 14 345         | 3 174                 | 3 491         | 3 840         | 3 840         |
| Jizzak                              | 6 217          | 1 375                 | 1 513         | 1 664         | 1 664         |
| Kashkadarya                         | 19 332         | 4 277                 | 4 705         | 5 175         | 5 175         |
| Navoi                               | 8 165          | 1 806                 | 1 987         | 2 186         | 2 186         |
| Namangan                            | 8 304          | 1 837                 | 2 021         | 2 223         | 2 223         |
| Samarkand                           | 13 448         | 2 975                 | 3 273         | 3 600         | 3 600         |
| Surkhandarya                        | 15 189         | 3 360                 | 3 696         | 4 066         | 4 066         |
| Syrdarya                            | 6 186          | 1 369                 | 1 506         | 1 656         | 1 656         |
| Tashkent region                     | 20 514         | 4 538                 | 4 992         | 5 492         | 5 492         |
| Fergana                             | 17 334         | 3 835                 | 4 219         | 4 640         | 4 640         |
| Horezm                              | 7 204          | 1 594                 | 1 753         | 1 929         | 1 929         |
| Tashkent region total               | 52 000         | 11 504                | 12 655        | 13 920        | 13 920        |
| Tashkent city                       | 44 812         | 9 914                 | 10 906        | 11 996        | 11 996        |
| Operations Dept. of UzPSB           | 3 612          | 799                   | 879           | 967           | 967           |
| Central Operational Regional Branch | 3 576          | 791                   | 870           | 957           | 957           |
| <b>TOTAL</b>                        | <b>218 552</b> | <b>48 352</b>         | <b>53 187</b> | <b>58 506</b> | <b>58 506</b> |

**Forecasted volume of loans issued in foreign currency in 2019**

(million USD)

| <b>№</b>  | <b>Description</b>                    | <b>2019</b>   | <b>Q1</b>    | <b>Q2</b>     | <b>Q3</b>     | <b>Q4</b>     |
|-----------|---------------------------------------|---------------|--------------|---------------|---------------|---------------|
|           | <b>Short-term loans</b>               | <b>70,0</b>   | <b>16,0</b>  | <b>18,0</b>   | <b>21,0</b>   | <b>15,0</b>   |
|           | <b>Long term loans</b>                | <b>443,75</b> | <b>81,58</b> | <b>86,75</b>  | <b>140,03</b> | <b>135,44</b> |
|           | <b>Breakdown by regions:</b>          |               |              |               |               |               |
| <b>1</b>  | <b>Andijan region</b>                 | <b>4,48</b>   | <b>1,12</b>  | <b>1,12</b>   | <b>1,12</b>   | <b>1,12</b>   |
| <b>2</b>  | <b>Bukhara region</b>                 | <b>4,48</b>   | <b>1,12</b>  | <b>1,12</b>   | <b>1,12</b>   | <b>1,12</b>   |
| <b>3</b>  | <b>Jizzak region</b>                  | <b>1,96</b>   | <b>0,49</b>  | <b>0,49</b>   | <b>0,49</b>   | <b>0,49</b>   |
| <b>4</b>  | <b>Kashkadarya region</b>             | <b>2,32</b>   | <b>0,58</b>  | <b>0,58</b>   | <b>0,58</b>   | <b>0,58</b>   |
| <b>5</b>  | <b>Navoi region</b>                   | <b>2,8</b>    | <b>0,7</b>   | <b>0,7</b>    | <b>0,7</b>    | <b>0,7</b>    |
| <b>6</b>  | <b>Namangan region</b>                | <b>3,08</b>   | <b>0,77</b>  | <b>0,77</b>   | <b>0,77</b>   | <b>0,77</b>   |
| <b>7</b>  | <b>Samarkand region</b>               | <b>13,55</b>  | <b>1,4</b>   | <b>9,35</b>   | <b>1,4</b>    | <b>1,4</b>    |
| <b>8</b>  | <b>Surkhandarya</b>                   | <b>2,2</b>    | <b>0,55</b>  | <b>0,55</b>   | <b>0,55</b>   | <b>0,55</b>   |
| <b>9</b>  | <b>Syrdarya region</b>                | <b>31,12</b>  | <b>0,49</b>  | <b>0,49</b>   | <b>29,65</b>  | <b>0,49</b>   |
| <b>10</b> | <b>Tashkent city</b>                  | <b>346,55</b> | <b>69,68</b> | <b>66,9</b>   | <b>98,97</b>  | <b>111,0</b>  |
| <b>11</b> | <b>Tashkent region</b>                | <b>8,4</b>    | <b>2,1</b>   | <b>2,1</b>    | <b>2,1</b>    | <b>2,1</b>    |
| <b>12</b> | <b>Fergana region</b>                 | <b>4,48</b>   | <b>1,12</b>  | <b>1,12</b>   | <b>1,12</b>   | <b>1,12</b>   |
| <b>13</b> | <b>Horezm region</b>                  | <b>14,66</b>  | <b>0,53</b>  | <b>0,53</b>   | <b>0,53</b>   | <b>13,07</b>  |
| <b>14</b> | <b>Republic of<br/>Karakalpakstan</b> | <b>3,72</b>   | <b>0,93</b>  | <b>0,93</b>   | <b>0,93</b>   | <b>0,93</b>   |
|           | <b>Total:</b>                         | <b>513,75</b> | <b>97,58</b> | <b>104,75</b> | <b>161,03</b> | <b>150,44</b> |

**Forecast of utilization of credit lines of foreign banks and  
international financial institutions in 2019**

(million USD)

| <b>Name of credit line</b>                    | <b>Forecast<br/>for 2019</b> | <b>Forecast<br/>for Q1<br/>2019</b> | <b>Forecast<br/>for Q2<br/>2019</b> | <b>Forecast<br/>for Q3<br/>2019</b> | <b>Forecast<br/>for Q4<br/>2019</b> |
|---|------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| <b>Credit line from<br/>German banks</b>      | <b>130,8</b>                 | <b>22,7</b>                         | <b>24,4</b>                         | <b>28,5</b>                         | <b>55,1</b>                         |
| <b>EXIM Bank of the<br/>Republic of Korea</b> | <b>4,0</b>                   | <b>1,0</b>                          | <b>1,0</b>                          | <b>1,0</b>                          | <b>1,0</b>                          |
| <b>State Development<br/>Bank of China</b>    | <b>40,0</b>                  | <b>10,0</b>                         | <b>10,0</b>                         | <b>10,0</b>                         | <b>10,0</b>                         |

|  |              |             |             |              |              |
|--|--------------|-------------|-------------|--------------|--------------|
| <b>Kommerzbank<br/>(Germany)</b>       | <b>15,0</b>  | <b>2,0</b>  | <b>5,0</b>  | <b>5,0</b>   | <b>3,0</b>   |
| <b>Raiffeisenbank<br/>(Austria)</b>    | <b>44,2</b>  | <b>2,0</b>  | <b>5,0</b>  | <b>34,2</b>  | <b>3,0</b>   |
| <b>PJSC "Gazprombank"<br/>(Russia)</b> | <b>20,0</b>  | <b>3,0</b>  | <b>6,0</b>  | <b>6,0</b>   | <b>5,0</b>   |
| <b>ODDO BHF (Germany)</b>              | <b>20,0</b>  | <b>3,0</b>  | <b>6,0</b>  | <b>6,0</b>   | <b>5,0</b>   |
| <b>Eximbank of China</b>               | <b>128,0</b> | <b>40,0</b> | <b>10,0</b> | <b>20,0</b>  | <b>58,0</b>  |
| <b>Total</b>                           | <b>402</b>   | <b>83,7</b> | <b>67,4</b> | <b>110,7</b> | <b>140,1</b> |

**Forecast of microloans issued at the expense of Uzpromstroybank's own funds in 2019**

**(million UZS)**

| <b>No.</b> | <b>Regional branches</b> | <b>Microloans</b> |               |               |               |               |
|------------|--------------------------|-------------------|---------------|---------------|---------------|---------------|
|            |                          | <b>2019</b>       | <b>Q1</b>     | <b>Q2</b>     | <b>Q3</b>     | <b>Q4</b>     |
| <b>1</b>   | <b>Karakalpakstan</b>    | <b>14 000</b>     | <b>3500</b>   | <b>3500</b>   | <b>3500</b>   | <b>3500</b>   |
| <b>2</b>   | <b>Andijan</b>           | <b>10 000</b>     | <b>2500</b>   | <b>2500</b>   | <b>2500</b>   | <b>2500</b>   |
| <b>3</b>   | <b>Bukhara</b>           | <b>8 000</b>      | <b>2000</b>   | <b>2000</b>   | <b>2000</b>   | <b>2000</b>   |
| <b>4</b>   | <b>Jizzak</b>            | <b>7 500</b>      | <b>1875</b>   | <b>1875</b>   | <b>1875</b>   | <b>1875</b>   |
| <b>5</b>   | <b>Kashkadarya</b>       | <b>9 000</b>      | <b>2250</b>   | <b>2250</b>   | <b>2250</b>   | <b>2250</b>   |
| <b>6</b>   | <b>Navoi</b>             | <b>9 000</b>      | <b>2250</b>   | <b>2250</b>   | <b>2250</b>   | <b>2250</b>   |
| <b>7</b>   | <b>Namangan</b>          | <b>9 500</b>      | <b>2375</b>   | <b>2375</b>   | <b>2375</b>   | <b>2375</b>   |
| <b>8</b>   | <b>Samarkand</b>         | <b>9 500</b>      | <b>2375</b>   | <b>2375</b>   | <b>2375</b>   | <b>2375</b>   |
| <b>9</b>   | <b>Surkhandarya</b>      | <b>10 000</b>     | <b>2500</b>   | <b>2500</b>   | <b>2500</b>   | <b>2500</b>   |
| <b>10</b>  | <b>Syrdarya</b>          | <b>10 000</b>     | <b>2500</b>   | <b>2500</b>   | <b>2500</b>   | <b>2500</b>   |
| <b>11</b>  | <b>Tashkent Regional</b> | <b>12 000</b>     | <b>3000</b>   | <b>3000</b>   | <b>3000</b>   | <b>3000</b>   |
| <b>12</b>  | <b>Fergana</b>           | <b>9 000</b>      | <b>2250</b>   | <b>2250</b>   | <b>2250</b>   | <b>2250</b>   |
| <b>13</b>  | <b>Horezm</b>            | <b>9 000</b>      | <b>2250</b>   | <b>2250</b>   | <b>2250</b>   | <b>2250</b>   |
| <b>14</b>  | <b>Tashkent City</b>     | <b>15 500</b>     | <b>3875</b>   | <b>3875</b>   | <b>3875</b>   | <b>3875</b>   |
| <b>15</b>  | <b>CORB</b>              | <b>1 000</b>      | <b>250</b>    | <b>250</b>    | <b>250</b>    | <b>250</b>    |
| <b>16</b>  | <b>Operations Dept.</b>  | <b>1 000</b>      | <b>250</b>    | <b>250</b>    | <b>250</b>    | <b>250</b>    |
|            | <b>Total</b>             | <b>144 000</b>    | <b>36 000</b> | <b>36 000</b> | <b>36 000</b> | <b>36 000</b> |

## Forecast of educational loans issued by Uzpromstroybank in 2019

(million UZS)

| No. | Regional branches | Educational loans |       |       |       |       |
|-----|-------------------|-------------------|-------|-------|-------|-------|
|     |                   | 2019              | Q1    | Q2    | Q3    | Q4    |
| 1   | Karakalpakstan    | 1250              | 312,5 | 312,5 | 312,5 | 312,5 |
| 2   | Andijan           | 600               | 150   | 150   | 150   | 150   |
| 3   | Bukhara           | 500               | 125   | 125   | 125   | 125   |
| 4   | Jizzak            | 500               | 125   | 125   | 125   | 125   |
| 5   | Kashkadarya       | 550               | 137,5 | 137,5 | 137,5 | 137,5 |
| 6   | Navoi             | 500               | 125   | 125   | 125   | 125   |
| 7   | Namangan          | 500               | 125   | 125   | 125   | 125   |
| 8   | Samarkand         | 524               | 131   | 131   | 131   | 131   |
| 9   | Surkhandarya      | 1500              | 375   | 375   | 375   | 375   |
| 10  | Syrdarya          | 700               | 175   | 175   | 175   | 175   |
| 11  | Tashkent Regional | 1000              | 250   | 250   | 250   | 250   |
| 12  | Fergana           | 550               | 137,5 | 137,5 | 137,5 | 137,5 |
| 13  | Horezm            | 500               | 125   | 125   | 125   | 125   |
| 14  | Tashkent City     | 1400              | 350   | 350   | 350   | 350   |
| 15  | CORB              | 100               | 25    | 25    | 25    | 25    |
| 16  | Operations Dept.  | 74                | 18,5  | 18,5  | 18,5  | 18,5  |
|     | Total             | 10748             | 2687  | 2687  | 2687  | 2687  |

**Forecast of loans issued to the population from Uzpromstroybank's own funds in 2019**  
(million UZS)

| No. | Regional branch   | Consumer loans |              |              |              |              |
|-----|-------------------|----------------|--------------|--------------|--------------|--------------|
|     |                   | 2019           | Q1           | Q2           | Q3           | Q4           |
| 1   | Karakalpakstan    | 22500          | 5625         | 5625         | 5625         | 5625         |
| 2   | Andijan           | 15000          | 3750         | 3750         | 3750         | 3750         |
| 3   | Bukhara           | 12500          | 3125         | 3125         | 3125         | 3125         |
| 4   | Jizzak            | 12500          | 3125         | 3125         | 3125         | 3125         |
| 5   | Kashkadarya       | 15000          | 3750         | 3750         | 3750         | 3750         |
| 6   | Navoi             | 12500          | 3125         | 3125         | 3125         | 3125         |
| 7   | Namangan          | 12500          | 3125         | 3125         | 3125         | 3125         |
| 8   | Samarkand         | 15000          | 3750         | 3750         | 3750         | 3750         |
| 9   | Surkhandarya      | 15000          | 3750         | 3750         | 3750         | 3750         |
| 10  | Syrdarya          | 12500          | 3125         | 3125         | 3125         | 3125         |
| 11  | Tashkent Regional | 20000          | 5000         | 5000         | 5000         | 5000         |
| 12  | Fergana           | 15000          | 3750         | 3750         | 3750         | 3750         |
| 13  | Horezm            | 12500          | 3125         | 3125         | 3125         | 3125         |
| 14  | Tashkent City     | 22500          | 5625         | 5625         | 5625         | 5625         |
| 15  | CORB              | 5000           | 1250         | 1250         | 1250         | 1250         |
| 16  | Operations Dept.  | 5000           | 1250         | 1250         | 1250         | 1250         |
|     | <b>Total</b>      | <b>225000</b>  | <b>56250</b> | <b>56250</b> | <b>56250</b> | <b>56250</b> |

**Forecast of loans issued to the population from Uzpromstroybank's own funds in 2019**

**(million UZS)**

| No. | Regional branch   | Mortgage loans |              |              |              |              |
|-----|-------------------|----------------|--------------|--------------|--------------|--------------|
|     |                   | 2019           | Q1           | Q2           | Q3           | Q4           |
| 1   | Karakalpakstan    | 4000           | 800          | 1100         | 1200         | 900          |
| 2   | Andijan           | 1600           | 300          | 400          | 500          | 400          |
| 3   | Bukhara           | 2800           | 600          | 700          | 800          | 700          |
| 4   | Jizzak            | 2200           | 400          | 600          | 700          | 500          |
| 5   | Kashkadarya       | 5000           | 1000         | 1500         | 1500         | 1000         |
| 6   | Navoi             | 1500           | 300          | 400          | 500          | 300          |
| 7   | Namangan          | 1500           | 200          | 350          | 450          | 500          |
| 8   | Samarkand         | 1500           | 200          | 400          | 500          | 400          |
| 9   | Surkhandarya      | 10000          | 2200         | 2600         | 2800         | 2400         |
| 10  | Syrdarya          | 1600           | 300          | 450          | 450          | 400          |
| 11  | Tashkent Regional | 4000           | 800          | 1000         | 1200         | 1000         |
| 12  | Fergana           | 2000           | 400          | 500          | 600          | 500          |
| 13  | Horezm            | 1000           | 200          | 300          | 300          | 200          |
| 14  | Tashkent City     | 10000          | 2300         | 2600         | 2700         | 2400         |
| 15  | CORB              | 2000           | 400          | 550          | 550          | 500          |
| 16  | Operations Dept.  | 2500           | 500          | 700          | 700          | 600          |
|     | <b>Total</b>      | <b>53200</b>   | <b>10900</b> | <b>14150</b> | <b>15450</b> | <b>12700</b> |



## **8. BANK POLICY FOR OPERATIONS WITH PRIVATE PERSONS**

In February 2018, a strategy for building a client-oriented bank model was approved. As part of this strategy, customer service standards and sales books have been developed and applied for all of the bank's main products.

In the course of its transformation and optimization of business processes, the Bank will offer new financial products for individuals, developed on the basis of assessing macro- and microeconomic parameters, regularly monitoring regional markets for deposits and services, and the level of demand for certain conditions on deposits. The deposits offered by the Bank will be attractive and will take into account the needs of all social and age groups of citizens - workers and pensioners, youth and middle-aged people.

The bank considers as a target group - potential clients - economically active population of the country and youth. The Bank will continue to develop and implement a set of measures aimed at attracting and servicing this group of customers, stimulating their savings activity and will direct its aspirations to meet the needs of depositors in housing, large purchases, payments for education, tourism and recreation, as well as to increase the volume of the consumer lending market. The Bank will continue to work on the integration of deposit products with credit cards, aimed at meeting the needs of depositors in large purchases, payments for education, tourism and recreation.

Operations to attract funds are planned to be organized in such a way as to facilitate the receipt of profit by the bank.

Over the past year, the Bank has developed and introduced new products and services for clients, such as "24/7" (a service for remote transfer of funds of legal entities at any time of the day), "microloan" (a loan in cash or non-cash form for any purpose), "VISA" card in national currency with automatic conversion into foreign currency.

Uzpromstroybank was the first in Uzbekistan to create a "24/7" mode, which allowed corporate clients to make payments on their accounts in the bank system remotely at any time of the day: payments on clients' accounts go through without the participation of the bank's executives, are directly credited to the recipient's account; on any day of the week and time of day, you can make payment on the bank account of an economic entity in the "24/7" mode.

A service has been introduced to issue overdraft loans using a mobile application for individuals "UzPSB Mobile".

In order to replenish the working capital of private entrepreneurs, a new service has been created for the allocation of short-term loans by replenishing the plastic cards of entrepreneurs with funds in foreign currency - International Business Card.

An opportunity has been created to replenish VISA plastic cards in national currency using funds on UzCard plastic cards.

In order to create favorable opportunities for the population to use banking services, the Bank plans to expand the network of savings banks, specialized cash desks for accepting

payments for utility services, create automated payment points operating 24/7 at 6 points, organize a mobile bank (bus) for providing retail services to the population in remote areas and introducing a unified standard of customer service quality (spending time on servicing one client, providing an opportunity to use automated payment and settlement systems, a wide range of banking services to attract customers).

The Bank will continue to create favorable opportunities for the population to pay for utility bills by relocating low-efficient specialized cash registers to more crowded and busy areas. Also, the bank pays special attention to the widespread use of modern information technologies when accepting utility and other one-time payments from the population. In particular, in order to improve the quality of services for receiving utility and other one-time payments from the population through cash desks, a mobile bus, as well as ensuring the safety of payments received and timely transfers to utility providers, receiving utility bills using mobile communications, by sending SMS messages. Utility payments from the population are accepted directly at the place of residence of the payer, the payment made by the payer is reflected in the personal account of the payer immediately after payment, since payment is made online (real time).

To reduce the accounts receivable of the population for the provided utilities and other services, work will continue to organize field cash desks, with representatives of enterprises providing services to the population. The organization of a mobile bank (bus) - a mobile office of the bank will facilitate the provision of retail services to the population in remote and hard-to-reach areas.

Work will continue to provide services through depository cells in the branches of Uzpromstroybank.

The Bank will systematically study the situation in regional markets, needs and requests of customers, continue to develop and improve banking products and services provided through savings banks, specialized cash desks. This policy is designed for the Bank to achieve a high position in the market for attracting citizens' savings, stimulating the savings and investment activity of the population by providing depositors with the opportunity to choose effective forms of savings that meet client requirements for liquidity, profitability and reliability, ensuring the growth and accumulation of invested funds.

The Bank will continue to create favorable opportunities for the population to use international money transfer systems. Accordingly, the quality and culture of servicing the bank's clients using the services of international money transfers through the networks "UNistream", "Blizko", "Western Union", "Contact", "Zolotaya Korona", "Aziya Express" will increase.

One of the main directions of the bank's activity is the further development of the system of non-cash payments by means of plastic cards, increasing the convenience of using plastic cards and expanding the terminal network. The use of various forms of plastic cards for payments is a promising direction for expanding services in order to attract deposits.

The bank plans to expand the range of services for plastic cards, work is underway to introduce a mobile payment system and expand the network of terminals in trade and service points for accepting payments for goods and services by means of plastic cards throughout the Republic.

Currently, holders of VISA plastic cards have the opportunity to make payments on the Internet. The Bank plans to implement the Internet Acquiring project, which will make it possible to make payments to domestic suppliers using international plastic cards from anywhere in the world.

The technology of secure Internet payments based on the 3D Secure protocol implies the availability of appropriate software both on the side of the issuing bank (Access Control Server - ACS) and on the side of the acquiring bank (Merchant Plug-In – MPI). When performing a payment operation, MPI (Acquire Domain) and ACS (Issuer Domain) interact with each other according to the 3D Secure protocol. VISA (Interoperability Domain) also takes part in the interaction of the acquirer with the issuer. Therefore, this technology also has the "3D" prefix, i.e. three-domain.

The technology based on the 3D Secure protocol is a unique system for ensuring the security of payment for goods and services on the Internet, which is part of the global Master Card Secure Code and Verified by Visa programs.

Thanks to the launch of the technology based on the 3D Secure protocol, the bank will provide its customers with the possibility of making secure Internet payments, since this protocol was developed to ensure the safety of purchases on the Internet due to additional customer identification. In addition, in 2019 JSCB "Uzpromstroybank" will be one of the first banks in our republic to introduce this innovative technology. In addition, this innovative technology will affect the development of e-commerce in conjunction with Internet sellers and other sites included in the Tas-ix network, as well as NJSC Uzbekistan Havo Yullari and JSC Uzbekiston Temir Yullari, in terms of selling and booking tickets for international plastic cards and hotel services.

Uzpromstroybank was the first in Uzbekistan to establish cooperation with the international organization Open Way, which is the creator of software for servicing plastic cards of international payment systems. Thanks to this cooperation, innovative services will be provided for individuals and legal entities, including international credit cards, virtual cards, corporate cards for legal entities, contactless payments using mobile applications using QR codes, 3D Secure systems in electronic commercial payments and bonus programs.

In 2019, the bank will start issuing plastic cards of the international payment systems "UnionPay International" and "MasterCard". Only Uzpromstroybank will accept plastic cards of the international payment system JCB (Japan).

Cooperation with international payment systems will contribute to the provision of innovative services to customers, including the issuance of international credit cards, virtual

cards, corporate cards for legal entities, contactless payments using mobile applications using QR codes and bonus programs. All of this will serve to expand the tourism industry.

The Bank's participation in various payment systems will provide customers with an alternative choice of plastic cards, and the Bank - flexible terms of customer service.

Plastic cards opened by submitting online applications will be delivered by Uzpromstroybank to the owner by the bank's employees.

The development and improvement of banking products will continue through a systematic study of market conditions to meet the needs of the population in consumer loans and microcredits.

In the new mobile application of the bank, it is planned to introduce a remote service - on-line microloan.

In 2019, it is planned to introduce a credit card service using plastic cards of the Uzcard system, as well as an international VISA card. The issue of a separate plastic card for this service is envisaged. All types stipulated by the legislation will serve as collateral for the loan.

In 2019, it is planned to establish acceptance of payments through the installed Uzcard terminals in retail outlets using international Mastercard plastic cards.

Also, a system for submitting an "electronic application" will be introduced through a mobile application and a personal account.

It is planned to improve the credit conveyor - to automate the processes of issuing loans and to create an integrated scoring model.

A further increase in the volume of consumer loans will continue.

Uzpromstroybank will continue to work on transformation into a modern, financially stable, competitive institution.

## **8.1. STRATEGIC ALTERNATIVE**

In order to achieve the desired growth of deposits, the Bank is considering the introduction of the so-called "Package of retail banking products" (credit cards, discount and bonus projects, consumer loans, microloans).

Using the branch network as its main point of sale, the bank will consider other sales channels such as the Internet and call center.

The selection and implementation of new banking products are closely related to the existing automation system, which is an important success factor. Consequently, the Bank needs to develop and improve the information technology system.

Carrying out measures to install ATMs for withdrawing cash, paying for various services, as well as services of mobile operators will help improve customer service, expand the product line.

## 8.2. FINANCIAL OBJECTIVES

Forecast for plastic cards of JSCB "Uzpromstroybank" for 2019 by quarters  
(pcs.)

| No. | Branch                       | 2019              |                   |                   |                   |
|-----|------------------------------|-------------------|-------------------|-------------------|-------------------|
|     |                              | as of<br>01.04.19 | as of<br>01.07.19 | as of<br>01.10.19 | as of<br>01.01.20 |
| 1   | Karakalpakstan               | 59 033            | 68 123            | 77 213            | 86 303            |
| 2   | Andijan                      | 65 351            | 76 259            | 87 167            | 98 075            |
| 3   | Bukhara                      | 71 224            | 83 950            | 96 676            | 109 402           |
| 4   | Kashkadarya                  | 75 023            | 85 931            | 96 839            | 107 747           |
| 5   | Jizzak                       | 7 832             | 11 468            | 15 104            | 18 740            |
| 6   | Navoi                        | 27 228            | 32 682            | 38 136            | 43 590            |
| 7   | Namangan                     | 33 732            | 37 368            | 41 004            | 44 640            |
| 8   | Samarkand                    | 40 004            | 45 458            | 50 912            | 56 366            |
| 9   | Syrdarya                     | 17 507            | 21 143            | 24 779            | 28 415            |
| 10  | Surkhandarya                 | 27 056            | 32 510            | 37 964            | 43 418            |
| 11  | Tashkent region              | 93 407            | 115 223           | 137 039           | 158 855           |
| 12  | Fergana                      | 83 930            | 96 656            | 109 382           | 122 108           |
| 13  | Horezm                       | 21 163            | 24 799            | 28 435            | 32 071            |
| 14  | Tashkent city                | 257 479           | 333 835           | 410 191           | 486 547           |
| 15  | CORB                         | 31 584            | 37 038            | 42 492            | 47 946            |
| 16  | Operations Dept. of<br>UzPSB | 24 400            | 25 620            | 26 901            | 28 246            |
|     | Total                        | 935 953           | 1 128 063         | 1 320 234         | 1 512 469         |

# Forecast of installation of terminals for 2019

(pcs.)

| No. | Branch            | Installed terminals<br>01.10.2018 | Quantity of terminals in 2019 |                   |                   |                   |
|-----|-------------------|-----------------------------------|-------------------------------|-------------------|-------------------|-------------------|
|     |                   |                                   | as of<br>01.04.19             | as of<br>01.07.19 | as of<br>01.10.19 | as of<br>01.01.20 |
| 1   | Karakalpakstan    | 774                               | 920                           | 1 012             | 1 164             | 1 280             |
| 2   | Andijan           | 514                               | 650                           | 715               | 822               | 904               |
| 3   | Bukhara           | 1 053                             | 1 150                         | 1 265             | 1 455             | 1 600             |
| 4   | Kashkadarya       | 772                               | 914                           | 1 006             | 1 157             | 1 272             |
| 5   | Jizzak            | 107                               | 123                           | 135               | 156               | 171               |
| 6   | Navoi             | 323                               | 460                           | 506               | 582               | 640               |
| 7   | Namangan          | 241                               | 299                           | 329               | 378               | 416               |
| 8   | Samarkand         | 426                               | 564                           | 620               | 713               | 784               |
| 9   | Syrdarya          | 308                               | 391                           | 430               | 495               | 544               |
| 10  | Surkhandarya      | 572                               | 696                           | 765               | 880               | 968               |
| 11  | Tashkent Regional | 1440                              | 1 708                         | 1 879             | 2 160             | 2 376             |
| 12  | Fergana           | 649                               | 828                           | 911               | 1 047             | 1 152             |
| 13  | Horezm            | 310                               | 339                           | 373               | 429               | 472               |
| 14  | Tashkent City     | 4699                              | 5 721                         | 6 293             | 7 237             | 7 961             |
| 15  | CORB              | 2249                              | 2 622                         | 2 884             | 3 317             | 3 649             |
| 16  | Operations Dept.  | 186                               | 253                           | 278               | 320               | 352               |
|     | <b>TOTAL</b>      | <b>14 617</b>                     | <b>17 638</b>                 | <b>19 401</b>     | <b>22 312</b>     | <b>24 543</b>     |

# Forecast of growth of balances of deposits for individuals by branches of Uzpromstroybank for 2019

(million UZS)

| No. | Bank branch            | Forecast for 1 April 2019 |                  |                    | Total              | Forecast for 1 July 2019 |                  |                    | Total              | Forecast for 1 October 2019 |                  |                    | Total              | Forecast for 1 January 2020 |                  |                    | Total              |
|-----|------------------------|---------------------------|------------------|--------------------|--------------------|--------------------------|------------------|--------------------|--------------------|-----------------------------|------------------|--------------------|--------------------|-----------------------------|------------------|--------------------|--------------------|
|     |                        | on-demand deposit         | Savings deposit  | fixed-term deposit |                    | on-demand deposit        | Savings deposit  | fixed-term deposit |                    | on-demand deposit           | Savings deposit  | fixed-term deposit |                    | on-demand deposit           | Savings deposit  | fixed-term deposit |                    |
| 1   | 2                      | 3                         | 4                | 5                  | 6=(3+4+5)          | 7                        | 8                | 9                  | 10=(7+8+9)         | 11                          | 12               | 13                 | 14=(11+12+13)      | 15                          | 16               | 17                 | 18=(15+16+17)      |
| 1   | Karakalpakstan         | 17 424,4                  | 9 309,7          | 9 843,8            | 36 577,9           | 17 598,6                 | 10 706,2         | 10 336,0           | 38 640,8           | 18 302,5                    | 12 847,4         | 10 646,1           | 41 796,1           | 19 034,6                    | 14 517,6         | 12 083,3           | 45 635,6           |
| 2   | Andijan                | 12 402,4                  | 2 164,0          | 4 647,2            | 19 213,6           | 12 526,4                 | 2 488,6          | 4 879,5            | 19 894,6           | 13 027,5                    | 2 986,4          | 4 977,1            | 20 991,0           | 13 548,6                    | 3 374,6          | 5 649,0            | 22 572,2           |
| 3   | Bukhara                | 27 588,1                  | 23 150,8         | 21 178,8           | 71 917,7           | 27 864,0                 | 26 623,4         | 22 237,7           | 76 725,1           | 28 978,5                    | 31 948,1         | 22 682,5           | 83 609,1           | 30 137,7                    | 36 101,4         | 25 744,6           | 1 983,6            |
| 4   | Kashkadarya            | 42 064,0                  | 8 233,5          | 14 888,8           | 65 186,3           | 42 484,6                 | 9 468,5          | 15 633,2           | 67 586,4           | 44 184,0                    | 11 362,2         | 15 945,9           | 71 492,2           | 45 951,4                    | 12 839,3         | 18 098,6           | 76 889,3           |
| 5   | Namangan               | 6 657,5                   | 1 998,4          | 2 280,1            | 10 936,0           | 6 724,1                  | 2 298,2          | 2 394,1            | 11 416,4           | 6 993,1                     | 2 757,8          | 2 442,0            | 12 192,9           | 7 272,8                     | 3 116,3          | 2 771,7            | 13 160,8           |
| 6   | Navoi                  | 14 388,5                  | 10 153,7         | 21 783,5           | 46 325,7           | 14 532,4                 | 11 676,8         | 22 872,7           | 49 081,8           | 15 113,7                    | 14 012,1         | 23 330,1           | 52 456,0           | 15 718,2                    | 15 833,7         | 26 479,7           | 58 031,7           |
| 7   | Jizzak                 | 1 240,7                   | 2 346,3          | 3 175,0            | 6 761,9            | 1 253,1                  | 2 698,2          | 3 333,7            | 7 285,0            | 1 303,2                     | 3 237,9          | 3 400,4            | 7 941,5            | 1 355,3                     | 3 658,8          | 3 859,4            | 8 873,6            |
| 8   | Syrdarya               | 5 831,1                   | 2 700,9          | 682,3              | 9 214,4            | 5 889,4                  | 3 106,0          | 716,4              | 9 711,9            | 6 125,0                     | 3 727,3          | 730,8              | 10 583,0           | 6 370,0                     | 4 211,8          | 829,4              | 11 411,2           |
| 9   | Samarkand              | 10 802,4                  | 12 048,4         | 35 799,1           | 58 649,9           | 10 910,5                 | 13 855,7         | 37 589,0           | 62 355,2           | 11 346,9                    | 16 626,9         | 38 340,8           | 66 314,5           | 11 800,7                    | 18 788,3         | 43 516,8           | 74 105,9           |
| 10  | Surkhandarya           | 10 272,7                  | 2 248,5          | 8 323,4            | 20 844,6           | 10 375,4                 | 2 585,7          | 8 656,4            | 21 617,6           | 10 790,5                    | 3 102,9          | 8 829,5            | 22 722,8           | 11 222,1                    | 3 506,3          | 10 021,5           | 24 749,8           |
| 11  | Fergana                | 23 820,8                  | 10 438,0         | 29 992,2           | 64 251,0           | 24 059,0                 | 12 003,7         | 31 191,9           | 67 254,6           | 25 021,4                    | 14 404,4         | 31 815,8           | 71 241,5           | 26 022,2                    | 16 277,0         | 36 110,9           | 78 410,1           |
| 12  | Horezm                 | 6 250,8                   | 6 334,3          | 8 794,9            | 21 379,9           | 6 313,3                  | 7 284,4          | 9 146,7            | 22 744,4           | 6 565,8                     | 8 741,3          | 9 329,6            | 24 636,7           | 6 828,5                     | 9 877,6          | 10 589,1           | 27 295,2           |
| 13  | Tashkent region        | 23 787,3                  | 11 937,8         | 3 983,4            | 38 708,4           | 23 015,1                 | 13 728,5         | 4 162,6            | 40 906,3           | 23 935,7                    | 16 474,2         | 4 245,8            | 44 655,8           | 24 893,2                    | 18 615,9         | 4 819,0            | 48 328,1           |
| 14  | Tashkent city          | 109 222,9                 | 109 066,0        | 169 477,1          | 387 766,0          | 109 295,0                | 125 425,9        | 174 561,4          | 409 282,3          | 114 627,5                   | 150 511,1        | 178 052,7          | 443 191,2          | 124 542,7                   | 170 687,1        | 203 359,3          | 498 589,1          |
| 15  | Operations Dept. UzPSB | 15 048,7                  | 66 668,2         | 119 305,1          | 201 022,1          | 15 199,2                 | 76 668,5         | 122 884,3          | 214 752,0          | 15 807,2                    | 92 002,2         | 125 342,0          | 233 151,3          | 16 392,1                    | 104 422,4        | 142 889,8          | 263 704,4          |
| 16  | CORB                   | 12 831,7                  | 17 094,0         | 31 387,3           | 61 313,0           | 12 960,0                 | 19 658,1         | 32 329,0           | 64 947,0           | 13 478,4                    | 23 589,7         | 32 975,5           | 70 043,6           | 13 950,1                    | 26 774,3         | 37 592,1           | 78 316,6           |
|     | <b>Total:</b>          | <b>338 634,0</b>          | <b>295 892,6</b> | <b>485 542,1</b>   | <b>1 120 068,7</b> | <b>341 000,2</b>         | <b>340 276,5</b> | <b>502 924,8</b>   | <b>1 184 201,3</b> | <b>355 600,9</b>            | <b>408 331,8</b> | <b>513 086,6</b>   | <b>1 277 019,3</b> | <b>375 040,3</b>            | <b>462 602,5</b> | <b>584 414,4</b>   | <b>1 422 057,2</b> |

### **8.3. TARGET GROUPS OF PRIVATE CLIENTS**

Subjects that are active in the retail market should be considered as priority client groups. In particular, the age groups of clients are young people, including young families, socially active population, working in sectors of the economy, pensioners.

The priority forms of work with private clients are:

- deposits for the population;
- service by means of plastic cards;
- provision of consumer loans, microloans, overdrafts.

For individuals and legal entities, innovative services will be provided, including international credit cards, virtual cards, corporate cards for legal entities, contactless payments using mobile applications using QR codes, the "3D Secure" system in electronic commercial payments and bonus programs.

The Bank also sees its clients among VIP clients of individuals, legal entities, enterprises of any form of ownership in all sectors of the economy, credit organizations and other financial institutions, government institutions.

In light of the implementation of government decisions in the field of tourism development in the regions of the republic, the bank plans to expand the sphere of services for tourists, as well as foreign guests visiting the Republic of Uzbekistan in the framework of international conferences. With the development of the tourism sector, we consider it expedient to expand the park of payment terminals that accept international plastic cards for payment in the tourist regions of Uzbekistan.

At the initiative of Uzpromstroybank, in cooperation with the higher educational institution INHA and the SAP company, an innovation laboratory was created, which will continue its work in 2019.

In this center, leading students of INHA University will develop and implement the latest banking services and software for them.

#### **Market segments:**

##### **1. Mass market**

As noted above, the deposits offered by the Bank will be aimed at meeting the needs of all segments of the population - workers and retirees, youth and middle-aged people, and will be designed for both low-income segments of the population and people with an average and high income.

##### **2. Corporate clients as private persons**

The Bank intends to offer and sell various types of retail products to employees of all businesses it serves.



#### **8.4. CHANNELS OF DISTRIBUTION OF RETAIL PRODUCTS**

Alternative distribution channels are projected to play an increasingly important role in the bank's expansion. In order to take a better position in the retail market, such distribution channels as a network of branches, Mini-banks, the Bank-Client software complex, ATMs, terminals, the Internet and a call-center are needed. To improve the service of the call-center, the bank will organize its own call-center, which, in addition to providing information, will provide services.

The biggest advantage of electronic banking is by far its low transaction costs. The transaction costs of e-banking account for half the cost of conventional banking, while Internet banking is several times cheaper than traditional banking.

To reduce operating costs, the bank will develop online payments, digital services, and business process automation.

##### **ATMs, terminals, info-kiosks**

Along with the growth of the issue of plastic cards, the network of terminals and ATMs will be expanded. Work is underway to further purchase plastic cards, payment terminals and ATMs.

Options for increasing their number will be:

1. Development and implementation of modern information technologies for servicing plastic cards;
2. Expanding the network of trade terminals, ATMs in the most attractive places, such as commercial or industrial areas, large supermarkets. In addition, it is planned to expand the network at the expense of the Associated Members of the international payment system, serviced under the sponsorship of JSCB "Uzpromstroybank".

With the increase in the issue and servicing of Uzcard-EMV plastic cards, there is a need for payment terminals serving On-Line cards. This situation is reflected in the reduction of the issue of VISA sum plastic cards and the corresponding park of payment terminals.

Considering the widespread increase in the issue of Uzcard-EMV plastic cards in order to provide and expand the service sector, as well as improve the service, it is necessary to expand the fleet of payment terminals.

##### **Network of branches**

The expansion of the branch network plays an important role in the banking approach. The bank intends to offer services through its branch network. Branch employees will continue to establish close contact with clients, providing consulting services. The bank intends to achieve profitability in customer service. Using the optimal capacity and quality of personnel will reduce costs and improve the quality of services through the organization of comprehensive control over the financial activities of regional divisions. To this end, the bank will pay special attention to the development of its network of divisions with the

provision of maximum convenience and greater rapprochement between the bank and the client. Creation of opportunities in branches to provide almost all types of financial services.

## **9. DEVELOPMENT AND IMPROVEMENT OF BANKING SERVICES USING MODERN TECHNOLOGIES**

The issue of the introduction of modern information and communication technologies, their development and the creation of a single information space is considered by the Bank's Board as the most important mechanism for integrating the bank into the world economy, as one of the essential factors of successful economic development and its competitiveness in the market.

Over the past several years, a sufficiently functional and stable On-Line information system has been created in JSCB "Uzpromstroybank", which allows:

- promptly manage branches;
- efficiently prepare analytical data on the activities of branches;
- to pursue a unified accounting policy of the bank;
- centrally manage and control the conditions and quality of services provided to clients.

However, the development of systems operating in the On-Line mode sets, in turn, rather stringent requirements for the minimum telecommunications bandwidth. In addition, communication issues have now begun to play a significant role in the development of information technologies, especially when it is required to organize the work of all departments with a centralized database, when there is a need for operational voice and video communication with all departments, when data protection issues are considered as the main ones. In this situation, the use of the services of one provider is fraught with the consequences of the loss of access of divisions serving clients to the main databases and services.

Based on this, the bank pays special attention to the development of telecommunications and communications between branches, increasing the capacity of existing channels, creating backup channels using the data transmission network of Internet providers and mobile operators.

The quality of the services rendered to customers also depends on the state of the internal local network. Over the past period, new types of active equipment have appeared on the world information technology market, allowing data exchange several thousand times faster than that installed in the bank's divisions. The existing network facilities in almost all divisions of the bank were put into operation about 10 years ago. Given this circumstance, the bank plans to replace the active equipment of the local area network of branches with a more modern one, which will ensure reliable data protection within the

network in accordance with the requirements of international standards, such as PCI DSS (Payment Card Industry Data Security Standard).

Work is underway to develop and improve existing information systems, supplement them with new modules and subsystems. At the same time, the general customer for updates to information systems are functional units, administration and management of the bank, whose requirements for the information system are developed on the basis of many years of experience and interaction with clients, regulatory and other state bodies, representatives of economic sectors. Particular attention is paid to improving customer self-service systems, such as Internet banking, SMS banking, self-service kiosk system, Bank-client, etc. Work continues to increase the number of services provided through the UzPSB-mobile mobile application. It is planned to introduce the Overdraft Credit service, as well as the WEB version of the application, which will allow customers to use the bank's services without being tied to a hardware platform.

The implementation of the Telegram bot will expand the bank's presence in social networks on the Internet.

The introduction of the interaction of the information system of JSCB "Uzpromstroybank" with the information system of other financial institutions and higher organizations will allow the bank to automate routine manual processes, receive operational information on trends and directions of development, on clients, borrowers, etc., which, accordingly, will lead to a reduction in labor and financial costs of the bank.

The electronic document management system (EDM) is currently one of the essential aspects of operational management and control of executive discipline, a means of increasing the efficiency of paper management and reducing the cost of stationery. Based on this, the bank will continue to widely use the EDI system in all divisions.

The electronic queue system, as well as the system for assessing the quality of services provided, is a modern means of managing customer flows, helping to change and improve the quality of service. Allow, on the basis of the information collected in the process of work, to optimize service, develop new methods, as well as promptly make changes. The result of their implementation is an improvement in the overall service climate and more efficient work of staff, which will have a positive effect on the bank's image.

The self-service kiosk system allows organizing customer service in places of large population traffic, expanding the geography of the bank's presence, providing a wide range of banking services. At the same time, self-service kiosks provide prompt round-the-clock information support for bank customers and potential customers, secure round-the-clock access of the client to transactions with their bank accounts.

The introduction of the IP-telephony system, as well as the "Videoconferencing" system in the regional and subordinate branches of the bank will provide a new range of possibilities in organizing the interaction of divisions, increase the efficiency of decision-making and the overall efficiency of the bank. An innovation of this type of communication

is the ability to organize videoconferences, as well as conference calls with the participation of employees from all regions.

The implementation of a data warehouse (Data Warehouse) will increase the speed of preparation of various types of reports, improve the quality of analytical information and, in the future, by introducing modern forecasting techniques, improve the decision-making process.

Undoubtedly, the introduction of advanced information technologies allows the bank to increase its competitiveness, contributes to the growth of the quality of banking services and their attractiveness to customers, creating conditions for a more flexible, efficient and efficient management of the bank's resources.

## **10. COMMUNICATION AND MARKETING**

With the aim of the efficient functioning of the organizational structure and the application of new methods of work, the "customer orientation" is determined and taken into account, carried out under the slogan "The bank is for the client, not the client for the Bank", measures are taken to generate demand and stimulate the sale of bank services, service and quality control of services.

As part of the approved strategy for building a client-oriented model of the bank, sales standards for all main products and services of the bank have been developed and applied in the activities of the bank's divisions.

The bank's brand book has been practically developed, a new logo and the corresponding color scheme have been created and implemented, in 2019 the process of rebranding on the spot in the bank's branches will continue. Transformation of the bank and optimization of business processes will continue.

Within the framework of cooperation with the Islamic Development Bank, the Islamic Window program will be introduced to attract free funds and finance projects based on Islamic rules.

The Bank is implementing standard number 9 of the International Financial Reporting Standards (IFRS-9) according to the internationally recognized hedging methodology, which allows forecasting possible losses and devaluation of financial instruments.

Together with foreign companies, software modules such as CRM, budgeting, HR, credit conveyor, automated analysis system and marketplace are being implemented.

For the Bank's clients, a new "Corporate website" has been created for convenient obtaining of complete information about the Bank. With the help of the website, the client can receive information not only about the Bank's services, but also receive interactive banking services (Internet banking, an application for opening a plastic card, personal account).

Uzpromstroybank creates its own CALL - Center of the Bank, which will operate 24/7 and provide banking services to all customers of the Bank by phone.

To promote and develop the tourism industry in the country, the re-opening of the Mirzo-Ulugbek branch was organized, as the first BANK-MUSEUM in Uzbekistan, in the building of the former Tashkent branch of the State Bank of the Russian Empire, built in 1895.

The buildings of all branches of the bank are being reconstructed in the same style and design.

The introduction of the "new logo" and "brand book" of Uzpromstroybank demonstrates its constant movement, resilience and modernity.

In accordance with the implemented Customer Service Standards, continuous training and monitoring of employees working directly with customers is carried out. In each branch of the bank, services are provided on the basis of uniform standards for working with clients.

Based on advanced experience and international service standards, all branches of the bank were divided into 2 parts - "FRONT-OFFICE" and "BEC-OFFICE".

It is planned to develop an incentive system for each employee - KPI, which is aimed at encouraging an employee to receive wages based on the actual amount of work performed.

Pursuing a targeted advertising policy contributes to the conquest of new markets, the introduction of new services to the market, an increase in the volume of their implementation, an increase in the knowledge of real and potential consumers about the bank and the range of services it provides, an increase in the bank's prestige and, ultimately, the implementation of long-term and short-term goals. This means that a bank, which usually focuses on banking products, will pay significant attention to the needs of existing and potential customers. It is planned to introduce such banking products that customers really need, which predetermines the need for a marketing approach in the bank's work. The Bank strives to increase the attractiveness of its operations and services, including deposits. The presence of an extensive network of branches combined with a high level of service, reducing the time spent on servicing one client, providing the opportunity to use electronic payment and settlement systems, a wide range of banking operations and services are of paramount importance when a client chooses a bank.

In product promotion activities, it is preferable to focus on specific target groups, for example, in terms of age. So, when conducting promotions to promote banking products, focus on various target groups (youth, socially active population, pensioners). In the sectoral context, the selection of the target group can be based on information from the database. Thus, a tailor-made approach can be developed for different target groups by making them aware that:

- Uzpromstroybank is a partner of a large number of priority industries, construction and other industries;

- Uzpromstroybank offers a range of banking products that range from international settlements to deposits and loans;
- banking services are a better alternative than non-bank financial services.

In the implementation of the market approach, it is necessary to provide for all means of communication: television, press, radio, outdoor advertising, the Internet, call center, personal contact, printed materials, pavement sign, light box, events, promotions, seminars, sponsorship, etc.

The advertising policy provides for the further maintenance and formation of the Bank's image, focused on the investment opportunities of the Bank and the priority of the preferences of existing and potential customers. It is advisable to significantly expand the information flow created on an initiative basis, to more actively use electronic media.

Sustainable growth dynamics will be reflected in the presented volumes of information on the Internet, by posting on its own website, as well as on other electronic resources, and informing customers about the standards of corporate services, the terms of products and services offered, and the Bank's technological capabilities will improve. Client seminars and conferences, targeted promotions targeting a specific group of clients, and a targeted advertising system will be put into practice. Formation of the relationship between the bank and the client involves the identification of specific effective measures to attract clients for service, an integral part of which is maintaining the corporate image of the bank employee, managing the general rules of behavior of the bank employee with clients. The marketing strategy is aimed at keeping the image created by the bank in line with the clients' requirements.

An important role in the organization of activities will be played by the technical equipment of the branches directly working with clients. These divisions of the bank must be equipped with all technical means and modern communication (including connection to the Internet) to provide full services to customers. The bank needs to pay special attention to standardization and organization of connections, subject to compliance with information security requirements.

The goals and objectives set require maintaining the Bank's marketing policy that meets the preferences and needs of the target groups of existing and potential customers. Active targeted sale of products and services provides for certain priorities in the product policy, as well as optimization of forms and methods of sales. The form of the offer should be convenient, accessible and attractive, the quality should meet the client's requirements, the price should correspond to the market level and ensure the required profitability.

In matters of policy and structure of sales of banking products and services, it is envisaged to create a system of individual customer service, including a full range of banking products and services that meet international standards.

This approach envisages:



- management of a number of banking products, including the selection of a list of investment services and products of a universal bank;
- offering to the client specially developed individual schemes and technologies that ensure the development and optimization of the client's business, insurance of his risks;
- assigning personal managers with the necessary level of authority to the client, providing clients with the Bank's technological and information capabilities, and a wide range of consulting services;
- implementation of a flexible tariff policy for individual service.

The evolution of the sales system should be carried out through the constant expansion of standard packages of banking products and services of mass consumption by replicating new products and technologies developed as part of individual service, increasing the offer of complex packages of products and services, taking into account the study of world experience.

For 2019, JSCB "Uzpromstroybank" plans a thematic advertising campaign, production and rental of banners on billboards, interactive, production of brochures, calendars and other information material, as well as advertising on radio and television.

The marketing plan is designed to strengthen the competitive position of the bank, improve its image, increase the volume of the resource base, the services provided and the number of clients.

### **10.1. SALES POLICY**

Structural divisions (branches, mini-banks) play an important role in the expansion of corporate banking, in which the Head Bank is the main coordinator.

The Bank intends to develop special products for corporate clients by sector, as well as provide them with more valuable services by offering advisory services (advice in the field of corporate finance, money management, investment funds).

The sale of banking products and services should be carried out using:

- personal contacts and building constructive relationships with clients;
- fast and high-quality customer service;
- the Bank's website, which provides information on activities, types of banking products and services in order to attract new customers;
- printed products of the Bank;
- regular publications on the activities, objectives and products of the Bank in the media;
- individual events (seminars, meetings) with the invitation of bank clients.

## 11. RISK MANAGEMENT

Risk management in the Bank is one of the topical areas of banking strategy. The Bank's performance of various operations (credit, deposit, settlement and cash, foreign exchange, investment, etc.) entails the unconditional emergence of a wide range of risks at various objects: financial instruments, business processes, activities.

### **The risk management strategy determines:**

- goals and objectives of risk management, taking into account the priority areas of the Bank's activities;
- basic methods of identifying, assessing, monitoring (continuous observation) of risk;
- the main methods of control and risk minimization (taking measures to maintain the risk at a level that does not threaten the interests of creditors and depositors, the stability of the Bank);
- the procedure for information support to reduce the degree of risk;
- conducting quarterly monitoring, conducting a stress test and its analysis.

The goal of risk management is to organize a clear process for effective risk management by setting boundaries, limit parameters for each type of risk. In the context of a downward trend in the profitability of most financial instruments and, as a consequence, a decrease in profitability, risk control is one of the main sources of maintaining the Bank's profitability at the proper level. An effective way to minimize risks is to regulate them by setting limits. The main task of the system for setting limits is to ensure the formation of the structure of assets and liabilities of the Bank, adequate to the nature and scale of its business.

### **The banking risk management system includes the following stages:**

- identification of risk, identification of its factors;
- risk assessment (measurement);
- determination of the acceptable level of risk, direct management;
- control of the risk level (current monitoring, subsequent control, reporting), development of measures to limit (reduce) it.

Identification, analysis, assessment and development of banking risk management methods are carried out by the Bank's structural division - the Risk Management Department. The Department is not only a function of risk managers, it is also integrated into all business processes of the Bank. The task of risk management is to implement procedures to mitigate emerging risks.



### **The main methods of banking risk management are:**

- monitoring - collection and analysis of information, making forecasts of development in relation to transactions that involve potential risk;
- regulation of operations - development of procedures for conducting operations;
- diversification - a balanced distribution of active and passive operations of the Bank by sources of attraction, investment instruments in order to limit the risks of certain market segments;
- limiting - the establishment of maximum permissible levels of risks in the areas of the Bank's activities, as well as a clear distribution of functions and responsibilities of the Bank's employees;
- ensuring the availability of the Bank's capital sufficient to cover potential losses from the Bank's activities;
- acceptance (recognition) of banking risks at an acceptable level for the Bank

The main task of risk management is to identify risks due to the nature of assets, liabilities and off-balance sheet positions of the bank and take measures to reduce them. The main types of risks that are objects of risk management include:

- **credit risk**
- **liquidity risk**
- **currency risk**
- **interest rate risk**
- **market risk**
- **operational risk**

When managing banking risks, the Bank takes into account the recommendations of the Basel Committee on Banking Supervision and Regulation, as well as the practice of international financial companies.

**In order to effectively manage and reduce the above risks, the following activities are planned in 2019:**

#### **1. Improving the methodological framework for risk assessment and management:**

development and implementation of a system for assessing the financial performance of the bank as a whole, taking into account the best practices and banking practices of developed countries, as well as criteria, standards and methods used by the leading international rating companies Fitch Ratings, Moody's and Standard & Poor's.

development and implementation of new methodologies and models for assessing credit risks

development and implementation of a new limiting system for managing the bank's assets and liabilities and credit risks;

development of technical specifications for improving the IABS system by introducing new additional sections on credit risk management (creating a database in the IABS on the repayment schedules of all issued loans, customer passports, with the help of which it is possible to monitor the current economic activities of large borrowers);

development and implementation in the bank of measures to improve the system for analyzing the financial condition of clients;

## **2. Development of the "Methodology for the analysis of financial condition and risks of the bank"**

The methodology is based on:

- the use of a system of indicators characterizing the bank's activities and the types of risks assumed, with the identification of the relationship between indicators;
- the study of the factors of changes in these indicators and the values of the accepted risks;
- comparison of the obtained indicators with the average indicators for the group of homogeneous banks.

Development using a system of indicators characterizing the activities of the bank and the types of risks taken with the identification of the relationship between indicators, the system of indicators used within the framework of this methodology will be grouped into analytical packages in the following areas of analysis:

1. Structural analysis of the balance sheet.
2. Structural analysis of the income statement. Commercial efficiency (profitability) of the bank and its individual operations.
3. Analysis of capital adequacy.
4. Analysis of credit risk.
5. Market risk analysis.
6. Analysis of liquidity risk.

Work on obtaining and regularly updating the bank's rating from the leading international rating companies "Fitch Ratings" and "Standard & Poor's".

**3. Creation on the basis of the "Methodology for the analysis of the financial condition and risks of the bank" software complexes "Analysis of the financial condition of the bank" and "Financial risk management".**

With the help of these software systems, an analysis is carried out in order to identify risks due to the nature of the bank's assets, liabilities and off-balance sheet positions. A comprehensive analysis includes the following points:

- Structural analysis of the balance sheet;
- Structural analysis of the income statement. Commercial efficiency (profitability) of the bank and its individual operations;
- Analysis of credit risk;
- Market risk analysis;
- Analysis of liquidity risk;

**4. Gradual implementation of the recommendations of the Basel Committee on Banking Supervision (Basel-3), aimed at increasing the stability, reliability and transparency of the banking system, the level of corporate governance, improving methods for assessing the risks of commercial banks.**

- study of foreign risk management practices, experience of implementing Basel-3 in foreign banks;
- creation of an integrated risk management system for the bank;
- integration of risk management procedures with existing procedures;
- design and implementation in the bank of activities related to
- Basel-3.

## **12. PRICE POLICY**

One of the tools for implementing the bank's market strategy is pricing policy.

Pricing policy is one of the most important elements of marketing, which belongs to the group of controlled factors and is the main indicator that determines the profitability of the bank. The objects of the pricing policy are interest rates, tariffs, commissions.

JSCB "Uzpromstroybank" pursues an interest rate and tariff policy based on the profitability of operations and assessment of market conditions.

The Bank's pricing policy should reflect the specifics of the transactions carried out with the main categories of customers, namely:

when providing complex services, the Bank will take into account the effectiveness of interaction with the client in terms of the overall financial result;

the cost of the attracted resources will be determined from the possibility of their placement in working assets with a given level of spread and the value of the immobilization coefficient, calculated based on the low level of riskiness of investments,

determined in accordance with the requirements of the governing documents of the Central Bank of RU;

the need to establish tariffs for traditional investment products at the level of competitive ones;

the need to establish higher tariffs for complex and derivative investment products.

A prerequisite for the application of the pricing method is the bank's clear knowledge of the structure of its costs and the establishment of prices for individual services in such a way that they cover the costs associated with their provision and ensure a high level of bank profitability due to the corresponding relationship with customers.

The Bank systematically conducts marketing research, develops a network of mini-banks, ATMs, ensuring the development of mutually beneficial relationships with customers, which should bring appropriate returns.

For the successful implementation of pricing in JSCB "Uzpromstroybank", it is necessary to take into account a number of factors affecting the setting of prices:

the image of the bank (the credibility of the bank, trust in the bank, relations with the clientele, the quality of the services offered and the prices for them);

location - an extensive network of branches in the regions of the republic (45 branches in the republic, including OPERA). It is necessary to take into account the peculiarities of the money market of each region, the sales market, the receipt and movement of cash flow, the raw material base, the acquisition of raw materials, encouraging the development of production based on its own raw materials. Find a sales market for selling products abroad to increase cash flow in foreign currency and attract foreign investment;

influence of other market participants (shareholders, clients, government). When putting forward any requirements, provide for acceptable adjustments in the pricing strategy.

Based on the current situation in the banking services market, on the basis of proposals from the Treasury Department and other divisions, the Bank approves tariffs for banking services.

The Assets and Liabilities Management Committee determines the rates for placed interbank deposits, as well as interbranch reinforcements.

At the same time, the established rates for a loan and collected income from credit and other services must ensure the amount and level of profitability and profit of the Bank's branches in accordance with the financial plan approved for 2019.

### 13. INTEREST POLICY

The main goal of the bank's interest rate policy is to ensure the maximum financial result from banking operations related to the attraction and placement of funds. This goal is achieved in the course of solving two interrelated tasks, namely, the task of maximizing the interest income from the placement of funds and minimizing the interest income from the placement of funds and minimizing interest costs as a result of attracting resources.

The main principle of the interest rate policy pursued by the bank in the field of attracting resources is to ensure a minimum level of costs associated with raising funds, subject to maintaining the optimal volume and optimal structure of liabilities (by maturity, by currency).

The interest rate policy of the bank in matters of attracting resources is based on:

- banking instruments used to attract resources;
- subjects of deposit relations (in relation to individuals and legal entities);
- terms of attraction of resources (short-term and long-term interest rate policy);
- objectives of attraction (for investment, lending, maintaining current liquidity);
- aggressiveness in attracting resources and related pricing policy and the degree of risk of operations.

When carrying out the interest rate policy of the bank in the field of attracting resources, the following principles are taken into account:

- the principle of differentiation of interest depending on the shelf life;
- the principle of "social" differentiation of interest on deposits;
- the principle of ensuring the profitability of banking;
- the principle of preserving and protecting the savings of depositors.

In the formation and practical implementation of the bank's interest rate policy in the field of resource allocation, a number of circumstances are taken into account:

- the level of the current refinancing rate of the Central Bank of the Republic of Uzbekistan;
- market conditions for the allocation of resources in relation to specific instruments (commercial lending, consumer lending, interbank lending, and so on);

- the real possibilities of the bank to attract additional resources that are optimal for conducting active operations in terms of term, currency, cost;
- established business and commercial relations with existing counterparties (legal entities and individuals, commercial banks).

The main principle of the interest rate policy pursued by the Bank in the field of resource allocation is to ensure maximum income with a balanced structure of assets and a minimum level of risk of non-return of the allocated resources.

When pursuing the Bank's interest rate policy in the area of resource allocation, the following principles are taken into account:

- the principle of differentiation of interest depending on the direction of investment, the timing of the allocation of resources, the degree of reliability and financial stability of counterparties, the level of collateral;
- the principle of ensuring the profitability of banking operations (taking into account the real cost of resources used in the course of operations);
- the principle of keeping and maintaining a high level of liquidity;
- the principle of maximum safety of clients' funds invested in active operations.

Based on the analysis of the structure of assets and liabilities, as well as taking into account the above principles, on the basis of the decision of the Board of JSCB "Uzpromstroybank", interest rates on commercial loans are established. Branches have the right to independently set interest on commercial loans, based on supply and demand in the credit market, but not lower than the interest rate determined by the Board of the bank. In some cases, interest rates on loans may be set by the Credit Committee of the Head Office at a lower rate than those determined by the Board of the bank.

#### **14. PERSONNEL POLICY OF THE BANK**

The main goal of the Bank's personnel policy is to form highly qualified personnel potential, which ensures the guaranteed achievement of the planned results. This policy is implemented by stimulating the mood in the team aimed at the formation of an energetic highly qualified team as a whole and each employee individually, encouraging proactive, creatively thinking employees and promoting the best specialists to management positions.

The personnel policy is fully subordinated to the goals of the Bank:

- protection of the corporate interests of the Bank;
- introduction of new and improvement of existing banking technologies and instruments;

- expansion of services provided to clients;
- improving the quality of customer service.

The Bank's personnel policy is aimed at long-term career planning of employees, consistent training of potential managers to perform managerial functions on the basis of professional systematic training, as well as internships in recognized training centers and abroad.

An important place in the personnel policy of the Bank is occupied by the issues of new methods of personnel selection, including gifted, creative thinking, gifted young professionals. Maintaining a high level of labor motivation, improving the system for assessing the performance of each employee, developing strategic principles for personnel management and building on their basis an optimal organizational structure will help to achieve a balance of distribution of powers between the structural links of the management system, as a result of which it will provide an opportunity to effectively perform the assigned tasks with minimal costs acceptable level of risk.

Changes in the organizational structure undoubtedly lead to a change in the very corporate culture of the Bank and the attitude of the employee to business.

## **15. FINANCIAL PLAN OF THE BANK**

The Bank's financial plan is based on the mobilization of the amount and types of resources required to carry out current and projected operations. The Bank's Management Board will systematically and as necessary adjust the financial plan and forecast balance sheet indicators, carry out a comparative analysis of planned and actual performance indicators, which is necessary to obtain a real picture of the Bank's financial condition.

Loan loss provisions are sufficient to cover potential losses. The investment management approach will be based on the gradual increase in profitability.

Systematic development of information and monitoring is necessary to assess trends in the development of the Bank's activities in the past and current performance indicators. At the same time, the performed analysis will be the basis for determining a banking strategy that would allow achieving financial goals.

## Forecast of financial indicators for 2019

(thousand UZS)

| Branch                              | 2019                 |                    |                    |                    |                    | 2019               |                   |                   |                   |                   |
|-------------------------------------|----------------------|--------------------|--------------------|--------------------|--------------------|--------------------|-------------------|-------------------|-------------------|-------------------|
|                                     | INCOMES              |                    |                    |                    |                    | PROFIT             |                   |                   |                   |                   |
|                                     | Total                | Q1                 | Q2                 | Q3                 | Q4                 | Total              | Q1                | Q2                | Q3                | Q4                |
| Karakalpakstan                      | 76 297 768           | 18 692 602         | 18 926 249         | 19 250 361         | 19 428 556         | 16 170 599         | 3 813 756         | 3 973 847         | 4 145 639         | 4 237 357         |
| Andijan                             | 54 345 990           | 13 364 970         | 13 530 051         | 13 669 118         | 13 781 851         | 7 414 984          | 1 779 575         | 1 847 010         | 1 869 052         | 1 919 347         |
| Bukhara                             | 80 043 213           | 19 518 247         | 19 781 949         | 20 259 938         | 20 483 078         | 11 919 026         | 2 786 257         | 2 886 902         | 3 054 702         | 3 191 165         |
| Navoi                               | 43 128 909           | 10 527 413         | 10 696 949         | 10 904 308         | 11 000 239         | 8 448 980          | 1 965 067         | 2 077 541         | 2 177 179         | 2 229 193         |
| Kashkadarya                         | 92 878 266           | 22 587 211         | 23 170 287         | 23 504 626         | 23 616 142         | 12 492 746         | 2 955 069         | 3 085 188         | 3 169 451         | 3 283 038         |
| Namangan                            | 25 941 238           | 6 323 518          | 6 412 098          | 6 554 561          | 6 651 061          | 3 697 044          | 846 502           | 885 371           | 952 148           | 1 013 023         |
| Samarkand                           | 67 544 787           | 16 761 866         | 16 797 246         | 16 977 843         | 17 007 832         | 10 667 291         | 2 372 758         | 2 749 170         | 2 764 525         | 2 780 838         |
| Surkhandarya                        | 53 898 164           | 13 217 000         | 13 332 588         | 13 606 073         | 13 742 503         | 9 310 280          | 2 200 335         | 2 266 029         | 2 359 534         | 2 484 381         |
| Tashkent region                     | 117 222 636          | 29 332 608         | 28 881 780         | 29 360 932         | 29 647 316         | 19 278 271         | 4 599 791         | 4 710 978         | 4 913 184         | 5 054 318         |
| Fergana                             | 89 421 765           | 21 806 173         | 22 138 636         | 22 591 759         | 22 885 197         | 18 447 378         | 4 462 907         | 4 498 935         | 4 646 507         | 4 839 030         |
| Horezm                              | 40 758 333           | 9 983 625          | 10 116 726         | 10 293 840         | 10 364 142         | 4 026 598          | 898 432           | 964 081           | 1 067 348         | 1 096 737         |
| Tashkent coty                       | 459 110 542          | 111 680 658        | 113 425 174        | 115 808 829        | 118 195 881        | 92 716 711         | 22 366 038        | 22 917 482        | 23 413 554        | 24 019 637        |
| Operations Dept.                    | 1 056 527 993        | 261 934 554        | 262 951 792        | 265 648 285        | 265 993 361        | 57 604 752         | 13 751 023        | 14 329 559        | 14 639 454        | 14 884 716        |
| Syrdarya                            | 37 928 951           | 10 904 707         | 8 912 094          | 9 021 576          | 9 090 575          | 6 234 889          | 1 496 720         | 1 537 931         | 1 577 222         | 1 623 015         |
| Central Operational Regional Branch | 35 101 101           | 8 915 077          | 8 581 105          | 8 751 627          | 8 853 292          | 3 907 631          | 868 268           | 987 874           | 1 002 689         | 1 048 800         |
| Jizzak                              | 16 064 108           | 3 914 396          | 4 005 548          | 4 050 440          | 4 093 724          | 2 662 819          | 588 664           | 672 134           | 690 347           | 711 675           |
| <b>Total for the Bank:</b>          | <b>2 346 213 762</b> | <b>579 464 627</b> | <b>581 660 269</b> | <b>590 254 116</b> | <b>594 834 750</b> | <b>285 000 000</b> | <b>67 751 164</b> | <b>70 390 031</b> | <b>72 442 535</b> | <b>74 416 270</b> |

**Profitability – 12,1%**



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