**Information
on the development of the “Development Strategy of JSCB "Microcreditbank"”
for 2021-2025**

**The basis for the development of the Strategy**

The following legal acts served as the basis for the development of the Strategy:

- 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";

- Decree of the President of the Republic of Uzbekistan No. PP-4699 dated April 28, 2020 "On measures for the widespread introduction of the digital economy and e-government";

- Decree of the President of the Republic of Uzbekistan No. UP-5992 dated May 12, 2020 "On the Strategy for Reforming the Banking System of the Republic of Uzbekistan for 2020-2025".

"Pricewaterhouse Coopers Central Asia and Caucasus B.V." Together with the company "Mikrokreditbank" ATB Development Strategy was developed.

**Scope of work in the framework of the development of the Strategy**

**I stage. The macroeconomic situation, analysis of the banking sector, and position of Microcreditbank in the market**

**II stage. Understanding the current position of the Bank**

**III stage Development strategy of JSCB "Microcreditbank"**

**As a result of the analysis of the initial position of the bank, the following main conditions were determined:**

* To become one of the leading banks in the segment of micro, small and medium business (hereinafter - SME);
* Increasing the volume of services to the SME and retail segment of the Uzbek market;
* To ensure rapid growth of the bank's customer base, to take a leading position in retail lending and digital services in the SME segment;
* The bank's strategic assets include:

- Initially (when the Bank was established), certain target segments were identified - small and medium-sized businesses;

- Availability of unsecured online loan products for individuals and legal entities;

- Large network of branches;

- Historical experience of financing the segment with minimal access to financial services.

**The main directions of development of the bank:**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Customers****segment**  | **Micro, small and medium business - MSMb** | **Individuals**  | **Individuals with minimal access to financial services**  | **Corporate business** |
| **Strategic priorities** | 1. Service and service change;2. Conduct detailed customer segmentation and develop approaches to each segment of MSMb | 1. Development of digital financial services and unsecured lending | Strategic priorities 1. Service and service change;2. Conduct detailed customer segmentation and develop approaches to each segment of MSMb 1. Development of digital financial services and unsecured lending 1. Separate subsidiary for microfinancingenterprise - microfinance organization (hereinafterin places - MMT) organization. 1. Maintaining the current corporate customer base with a regulated approach to lending, | 1. Maintaining the current corporate customer base with a regulated approach to lending,2. Development of transaction business; |
| **Strategic Initiatives** | 1. Development of package offers for micro business clients;2. Development of modular offers for small business customers3. Development of individual proposals for medium business clients4. Improvement of "Business Online" credit product5. Expansion of Internet banking services6. Development of the contact center | 1. Update of the "Online microcredit" credit product for individuals;2. Development of a mobile application for individuals with the expansion of transaction services,3. Development of a product for calculating interest on the balance of funds on the card,4. Creating a format-service model of trade and service (branches, departments, roles) | 1. Creation and development of a separate structural unit for microfinance. (The main task of the newly created MKT is to form an "entrepreneurial factory", in which clients will be financed, financial literacy will increase, and as the business develops and the client becomes larger, such clients will transfer to the Bank's services.) | 1. Updated service model.(On working with corporate clients in branchesmanagers, developing an updated product offering),2. Development of individual proposals for corporate clients. |

Additional strategic operational model initiatives in HR, IT, Risk, ALM and Treasury, Finance, Internal Control and Compliance, Operations and Business Processes to implement the necessary large-scale changes in the bank's business model and It allows to achieve the effective implementation of the strategy.

**Implementation of Transformation within the development strategy**

At the stage of preparation for the implementation of the strategy, it is important for the bank to comply with the following preliminary conditions:

I. Resources:

a. Appoint a team fully dedicated to transformation projects,

II. Management:

a. Appoint a program manager who reports to the board,

b. Appointing a leader for each block,

c. Ensuring the sustainability of the program (appointing "change agents" and ensuring communication of all teams with management),

III. Technologies:

a. Ensuring that transformation projects have sufficient IT staff, software and hardware.

**High level of 2021-2025 initiatives within the strategy implementation "Roadmap"**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| № | Blok | Initiative | 2021 | 2022 | 2023 | 2024 | 2025 |
| I | II | I | II | III | IV | I | II | III | IV | I | II | III | IV | I | II | III | IV |
| 1 | Product | Development of a set of transactional business products for small and micro businesses |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Development of a set of transactional business products for medium and corporate businesses |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Update / development of credit products for small and micro businesses |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Update / development of credit products for medium-sized businesses |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Development of a set of transactional business products for individuals |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Update / development of credit products for individuals |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 2 | Sales channels | Development of internal banking services |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Improve your mobile app |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Contact center development |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 3 | Sales and service | Creating a format-service model of sales and service (branches, departments, roles) |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 4 | HR | Development of HR function |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 5 | Finance | Development of financial management CFO function |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 6 | Bussines process  | Standardization, centralization and automation of business processes |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 7 | IT | Development of the IT function |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 8 | Risks | Development of the risk function |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 9 | Internal control and compliance | Development of internal control and compliance control functions |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 10 | ALM and Treasury | Development of the treasury function |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 11 | TO | Organization of transformation office and coordination of programs |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |

**Key financial indicators at the end of strategy implementation**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **№** | **Indicator name** | **Unit of easure** | **2021 year** | **2025 year** |
| **1** | **Changes in the composition of the bank's loan portfolio** |
| **1.1** | Share of micro and macro business loans | % | 27% | 51% |
| **1.2** | Share of retail segment loans | % | 30% | 23% |
| **1.3** | Share of medium and corporate business loans | % | 43% | 26% |
| **2** | **Market share of the Bank by Segments** |
| **2.1** | Micro- and small business | % | 1,2% | 2,3% |
| **2.2** | Retail segment | % | 5% | 3% |
| **2.3** | Medium and corporate business | % | 1,9% | 1,2% |
| **3** | **Main financial indicators** |
| **3.1** | ROA | % | 1,3% | 3,5% |
| **3.2** | ROE | % | 7,4% | 20,1% |
| **3.3** | Assets  | billion soums | 13 284 | 23 884 |
| **3.4** | Capital | billion soums | 2 338 | 4 309 |
| **3.5** | Sufficient regulatory capital Coefficient | % | 16,5% | 17,1% |
| **3.6** | Net interest margin | % | 5,7% | 7% |
| **3.7** | Interest-bearing assets  | billion soums | 12 374 | 22 271 |
| **4** | **Indicator of increase in the number of debtors by segments** |
| **4.1** | Micro-business segment | thousand customers | 78 | 163 |
| **4.2** | Small business segment | thousand customers | 2 497 | 5 578 |
| **4.3** | Retail Business Segment | thousand customers | 786 | 993 |
| **4.4** | Medium and corporate business segment | thousand customers | 638 | 661 |
| **5** | **Projected loan portfolio by segments** |
| **5.1** | Retail segment | % | 30% | 23% |
| **5.2** | Micro-business | % | 17% | 31% |
| **5.3** | Small business | % | 10% | 19% |
| **5.4** | Medium business | % | 10% | 6% |
| **5.5** | Corporate business | % | 33% | 20% |
| **5.6** | МКТ | % | 0 | 2% |
| **6** | **Projected loan portfolio from savings sources** |
| **6.1** | State programs | % | 35% | 18% |
| **6.2** | Commercial loans | % | 61% | 81% |
| **6.3** | Non-consolidated preferential loans | % | 4% | 1% |
| **7** | **NPL share in gross portfolio** | billion soums | 210 | 983 |
| **8** | **Composition of assets** |
| **8.1** | Loan portfolio  | % | 80% | 80% |
| **8.2** | Liquid assets  | % | 15% | 16% |
| **8.3** | Fixed assets and other assets  | % | 5% | 4% |
| **9** | **Composition of obligations** |
| **9.1** | Customer Deposits  | % | 33% | 51% |
| **9.2** | Debt instruments  | % | 54% | 29% |
| **9.3** | Eurobonds  | % | - | 11% |
| **9.4** | Other banking instruments  | % | 10% | 7% |
| **9.5** | Other obligations  | % | 3% | 2% |
| **10** | LDR (loan to deposit ratio)  | % | 307% | 192% |
| **11** | Debt to Equity (ratio of debt capital and private capital)  | % | 4,7% | 4,5% |
| **12** | Bank's interest income  | billion soums | 1 492 | 2 997 |
| **13** | Percentage income composition  | % |  |  |
| **13.1** | Interest on deposits  | % | 38% | 47% |
| **13.2** | Interest on debt instruments  | % | 43% | 27% |
| **13.3** | Interest expenses on issued securities  | % | - | 18% |
| **13.4** | Interest expenses on payments to other banks  | % | 19% | 5% |
| **13.5** | Interest on MKT loan funds  | % | - | 1% |
| **14** | Composition of non-interest income |  |  |  |
| **14.1** | Revenues from local payment mediation  | % | 47% | 51% |
| **14.2** | Income from other services and mediation  | % | 36% | 28% |
| **15** | **Dynamics of the share of the main items of operating expenses in the total structure** |
| **15.1** | Salary expenses  | % | 68% | 62% |
| **15.2** | Depreciation and depreciation  | % | 8% | 16% |
| **16** | Income before taxation  | billion soums | 210 | 983 |
| **17** | CIR  | % | 67% | 42% |