

**“NATIONAL BANK OF FOREIGN ECONOMIC ACTIVITY OF
THE REPUBLIC OF UZBEKISTAN”
JOINT STOCK COMPANY**

National Bank of Uzbekistan

BUSINESS PLAN
ON THE DEVELOPMENT AND EXPANSION
OF ACTIVITIES OF THE
“NATIONAL BANK OF UZBEKISTAN” JSC
for 2023

City of Tashkent - 2022

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INTRODUCTION

This Business Plan includes the activities planned for implementation by “National Bank of Foreign Economic Activity of the Republic of Uzbekistan” JSC in 2023 and is a financial project for the implementation of strategic parameters.

The National Bank of Foreign Economic Activity of the Republic of Uzbekistan was established by the Decree of the First President of the Republic of Uzbekistan I. Karimov in September, 1991.

The National Bank was transformed into a Joint Stock Company on the basis of the Decree of the President of the Republic of Uzbekistan No. PP-4540 dated November 30, 2019 “On measures to transform the “National Bank of Foreign Economic Activity of the Republic of Uzbekistan” Unitary Enterprise into a Joint Stock Company.

The founders of the Bank are the Ministry of Finance and the Fund for Reconstruction and Development of the Republic of Uzbekistan.

“National Bank of Foreign Economic Activity of the Republic of Uzbekistan” JSC has been operating for 30 years, being one of the largest banks in Uzbekistan. The stability of this financial institution is reflected in the assessments of authoritative international rating agencies such as Standard & Poor’s, MOODY’s, Fitch, AKPA.

Standard & Poor’s Agency assigned a credit rating to the National Bank at BB level - with a “Stable” outlook on October 13, 2021, and senior unsecured rating BB- on February 1, 2022.

MOODY’S Agency assigned a long-term rating of deposits at the level of “B1” in national currency, at the level of “B1” in foreign currency and a basic credit rating at the level of “B2” for the National Bank on September 28, 2022. Forecast on deposit ratings is “Positive”, which confirms the stable market position and financial performance of the National Bank for the next 12 months.

In its turn, Fitch Ratings assigned the ratings of the National Bank on the issuer's default (Issuer Default Rating) on June 13, 2022, in particular the long-term rating “BB-” with a “Stable” outlook and the short-term rating “B”. The “Stable” outlook also reflects the outlook for sovereign rating.

The main tasks and activities of the bank:

The main tasks and priorities of “National Bank” JSC for 2023 are: maintaining the reputation of the bank, strengthening international relations and maintaining financial stability of the bank, further maintaining and strengthening cooperation with the leading banks of the world and IFIs, maintaining leading position in the banking sector of the country, increasing profits and the quality of assets of the bank.

In accordance with the approved Bank Strategy, the National Bank sets new, complex tasks for 2023:

- Development of the competitive position of the National Bank of Uzbekistan;
- Integration of new processes;
- Development of the Bank’s scoring systems and improvement of credit operations;
- Scaling of the Bank’s services;
- Introduction of new risk assessment models;
- Development of the existing CRM system for improving customer relations;
- Implementation of enterprise-class systems for effective management;
- Developing skills and acquiring competencies by the Bank’s employees;
- Development of the internal communication system and increasing the attractiveness of the bank among employers in the country;
- Development of the Bank’s ecosystem;
- Improving the quality of banking services and experience of employees by introduction of modern technologies and international experience;
- Analysis of customer loyalty (NPS) of the micro and small business segment with bank services;
- Expansion of Call-center functionality for direct selling to bank customers;
- Development of partnership with car dealers, developers on auto loan financing and mortgages;
- Development of an efficiency management system (KPI) for employees;
- Expansion of the Bank’s branch network transformation;

The Balance Sheet Model of the Bank for 2023

The Bank intends to continue the intensification of its activities in all segments of the banking services and financial market. The Bank is planning to conduct credit transactions, securities transactions and investments, transactions with financial assets, and also intends to expand the scope and range of services provided in order to ensure the achievement of the target parameters of commercial activity established by this document.

Meanwhile, no drastic changes are planned in the balance sheet structure for the coming year. The values of all indicators presented in the calculations meet the requirements of the Central Bank of the Republic of Uzbekistan for capital adequacy, liquidity of the Bank's assets, as well as the use of Banks' own funds.

Annex No. 1 presents the settlement balance of the Bank. When designing the balance sheet, an enlarged structure of balance sheet items was used. The presented calculations reflect the analysis of each article with the total amount of the balance sheet. The settlement balance sheet also reflects the amounts as a whole by the balance sheet currency and by individual items compared to the previous period.

Management of active operations consists of the proportional placement of own and borrowed funds in order to optimize profitability at given levels of balance liquidity. The Bank plans to gradually reduce the share of non-performing assets, mainly by reducing the rate of immobilization.

When planning, the level of devaluation of the national currency during 2023 is forecasted at 10%.

Credit operations

The Bank is planning to carry out credit operations in national and foreign currencies both at the expense of internal resources and by attracting funds from foreign financial and banking institutions.

The Bank is planning to increase its loan portfolio (gross) to the equivalent of 96.4 trillion UzS in 2023.

The Bank carries out credit operations on the basis of the approved Credit Policy, the purpose of which is to ensure efficient, profitable credit operations, control of credit risks and use of tools to reduce them, including by diversifying the types of loans provided, the collateral accepted on them, and maintaining liquidity bank at the established regulatory level.

The strategic crediting directions of the Bank are:

- lending to ongoing projects aimed at creating new jobs, introducing advanced technologies, deep processing of raw materials, import substitution, modernization and technological re-equipment of industrial enterprises, including manufacturers of food and other consumer goods, expanding the industrial and export potential of the regions of the Republic of Uzbekistan, “green financing” and others;
- financing the creation or reconstruction of transport and social infrastructure facilities, energy supply facilities;
- credit support of effective functioning of small businesses and private entrepreneurship by providing them with borrowed funds for organizing and running a business, including modular lending;
- credit support for the development of entrepreneurial activity through the expansion of microcredit operations;

- providing the population with various types of credit products, including modular, real-time via plastic cards ones;
- finance investment projects through simplified and convenient for entrepreneurs mechanisms for the selection, support and examination of projects, including organization of Entrepreneur Support Centers in regional divisions of "Project Factory";
- lending to priority sectors of the economy;

By increasing the flexibility of lending conditions, expanding the product range, taking into account the client's individual needs, the competitiveness of the Bank's credit products will increase. The availability of loans for the maximum number of solvent borrowers will be ensured with effective advertising support. When granting a loan, attention will also be given to consulting and provision of additional services to the clients of the Bank.

Present Business Plan provides for the issuance of the following types of credit products:

- a. all types of credits, including post-financing, newly developed and modular;
- b. overdrafts on accounts of legal entities and individual entrepreneurs;
- c. factoring and forfaiting operations;
- d. letters of credit with installment payment;
- e. warranties;
- f. financial lease;
- g. overdrafts on plastic cards of individuals, as well as credit cards, including those provided in real time;
- h. microloans to individuals, including those provided in real time
- i. and other operation.

Interest rate policy of the Bank

Interest rate policy of the bank determines the requirements for setting interest rates on deposits of individuals and legal entities in national and foreign currencies, on interbank deposits/credits, interest rates on types of credits and other financial instruments, both in national and foreign currencies. It is one of the determining factors in the attractiveness of banking products for customers.

Capital investment

Bank pays great attention to the management of material and technical base. The material and technical base of the bank includes: buildings and structures, an information base (means of modern information and innovative technologies) and vehicle fleet. Developed material and technical base allows to create favorable and comfortable conditions for servicing bank customers, work and leisure of managerial and banking personnel, increasing the efficiency of bank activities and making a profit.

Introduction and development of innovative banking products is reflected in the strategy of the National Bank. Digitalization has become one of the drivers for Bank development helping to increase the level of trust between depositors and the National Bank and ensuring transparency in ongoing operations.

To this end, the National Bank plans to work on the implementation of a 24/7 self-service system complex, that will allow to receive such services as opening an account, obtaining a bank card, printing account statements, applying for a credit, making video calls to remote employees of the Bank and many other services independently. As well as the creation of a single contact center 24/7.

At the same time, in order to increase the efficient use of human resources, organize the work of personnel in a single digital platform of the Bank, as well as increase the motivation of employees, the bank will continue to introduce a CRM + HR system, which will improve the quality of customer service and automate the process of customer service remotely (mobile app, website, call center).

To achieve these goals, work is planned to develop and implement a new mobile platform MILLIY 3.0.

Personnel management

One of the priority areas of work to implement long-term strategy for 2022-2025 of the Bank is to increase the competence of employees in key areas of activity, develop a modern personnel management system that includes high-quality recruitment, training, career growth and promotion of the employer's brand.

In accordance with the Work Plan of HR Department, according to the priorities of established tasks, it is planned to:

- Conclude contracts for purchase of computer programs for remote training of Bank personnel
- Conclude contracts for services of involved business trainers to conduct training events for Bank personnel.
- Develop a personnel assessment system using SAP SF and LMS modules for recruitment, training and adaptation.
- Purchase a subscription to distance learning platform.
- Train and improve the knowledge of Bank employees in various courses, as well as on the basis of Training Bank in accordance with the curriculum.

Personnel costs will bring returns over a long period of time; therefore, they are considered from the point of view of current human resource management concepts as an investment in Bank human capital. Systematic work on managing personnel costs and evaluating their effectiveness is becoming the most important part of Bank Strategy, thus, the financial result of Bank activities is directly dependent on effectiveness of personnel costs.

National Bank JSC strives to increase its profits every year. However, such an increase depends not only on capital investments in the expansion or modernization of production activities, but also on the right motivation of employees, which can be increased through rational and efficient personnel costs.

Planned balance sheet indicators of the National Bank for 2023

Million UZS

ASSETS		Plan for Y2023
1. Cash and funds in the Central Bank of Uzbekistan		4 947 168
2. Funds in other banks		9 820 644
3. Securities portfolio		2 147 166
4. Investments		1 979 482
5. Credits (net)		91 909 360
6 Credit portfolio (gross)		96 944 735
7. Fixed assets and pledged property		1 796 236
8. Reserves for standard assets		820 387
9. Other assets, including		3 115 021
TOTAL		114 894 689
LIABILITIES		Plan for Y2023
1.Customer deposits		25 208 323
2.Deposits from other banks		4 589 428
3. Loans Payable		58 597 823
4. Subord. debt obligations and securities, incl.		5 503 908
5. Other liabilities, including		2 136 207
6. Capital		18 859 002
TOTAL		114 894 689

Appendix № 2

Planned profit and loss statement of the National Bank for 2023

Million UZS

Name	Plan for Y2023
Total Interest Income	11 114 007
Total Interest expense	6 414 395
Assessment of possible credit losses	-1 633 190
Total non-interest income	2 931 737
Total non-interest expense	325 123
Total operating expenses	2 302 067
Income tax	-822 516
Net profit for the reporting period	2 548 453