



INVESTOR PRESENTATION

DECEMBER 2020



Agenda

Banking sector

SQB profile and Strategy

Asset quality

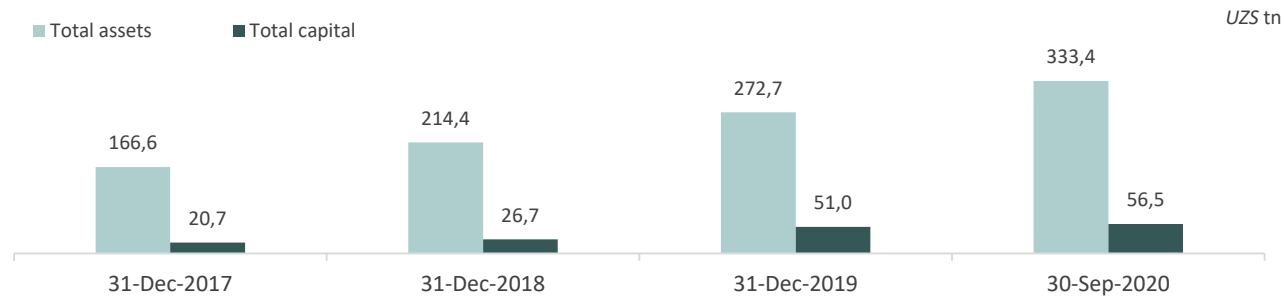
Capital, Funding, Liquidity

Profitability & Operational efficiency

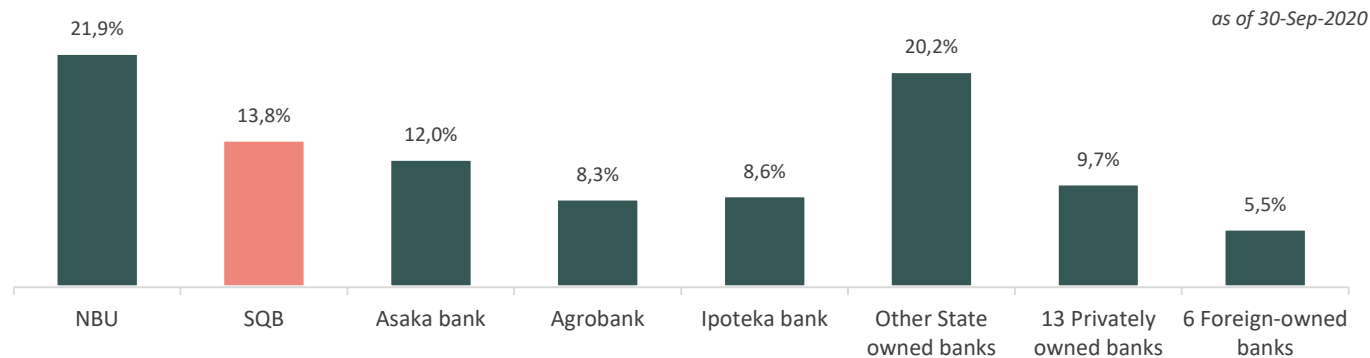
Appendix

BANKING SYSTEM: CONTROLLED BY STATE. GRADUAL PRIVATIZATION TARGETED.

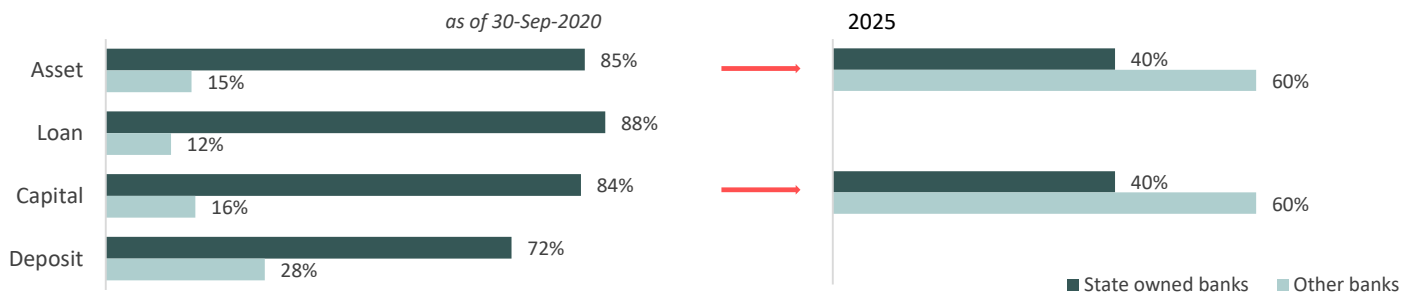
TOTAL ASSETS AND CAPITAL EVOLUTION



CONCENTRATION OF ASSETS BY SHAREHOLDER TYPE



TARGETED STATE PRESENCE BY 2025

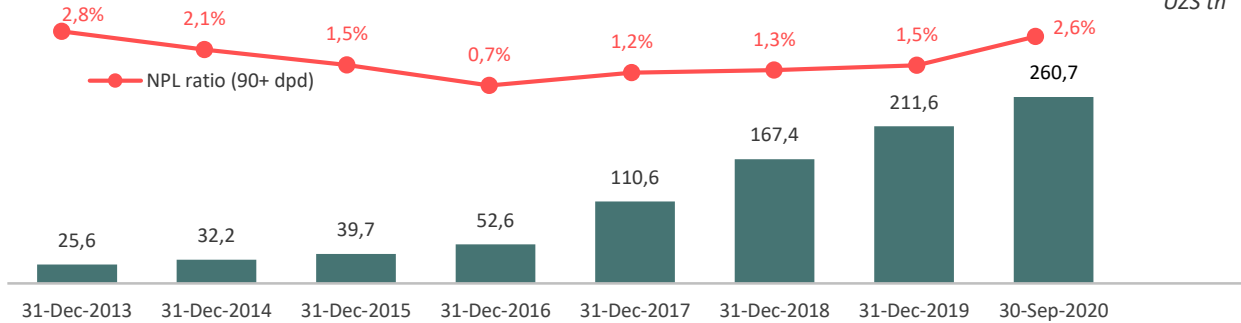


- The banking system has to date largely acted as a vehicle to direct state funding to SOEs, which dominate the economy
- Total **assets** of **USD 29 bn** at end-2019 amounted to **38%** of **GDP** and were **equal to** Uzbekistan's international FX and gold reserves
- The **state** has a strong **control** over the banking system, with ca. **85%** of the system's **assets** held by 13 state-owned banks
- The **Government** considers the **increase of efficiency** as the **strategic goal** in the **mid-term** via commercialization of operations and privatization of state-owned banks:
 - Gradual privatization of 6 state-owned banks is stipulated: Ipoteka bank, SQB, Asaka bank, Aloqabank, Qishloq qurilish bank, Turon bank by 2025. Sale to strategic investors

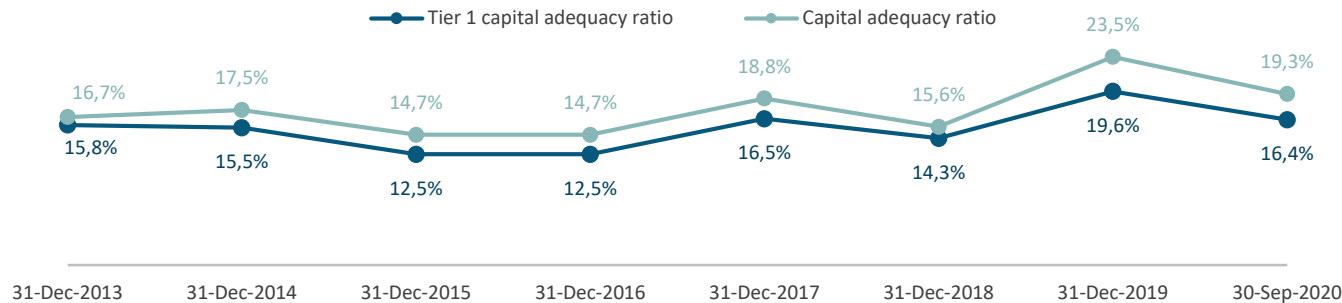
BANKING SYSTEM: ASSETS GROWTH SUPPORTED BY ROBUST CAPITALIZATION

GROSS LOANS

UZS tn

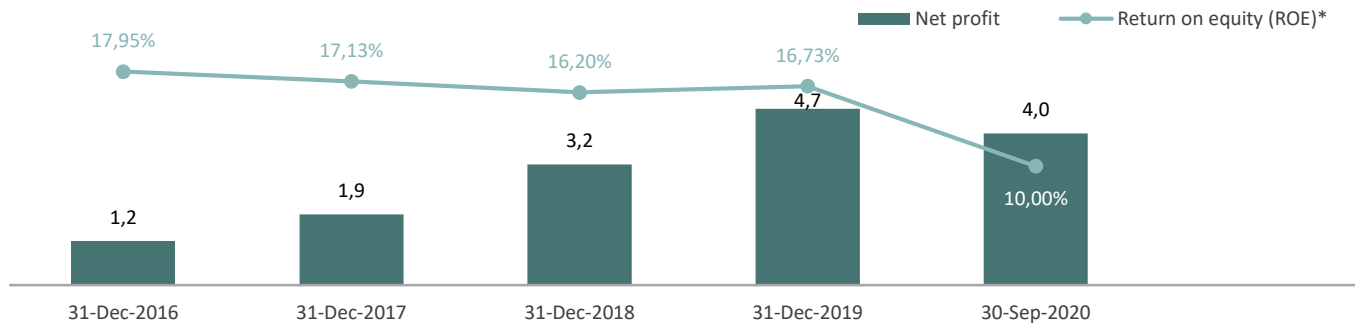


CAPITALISATION



PROFITABILITY

UZS bn



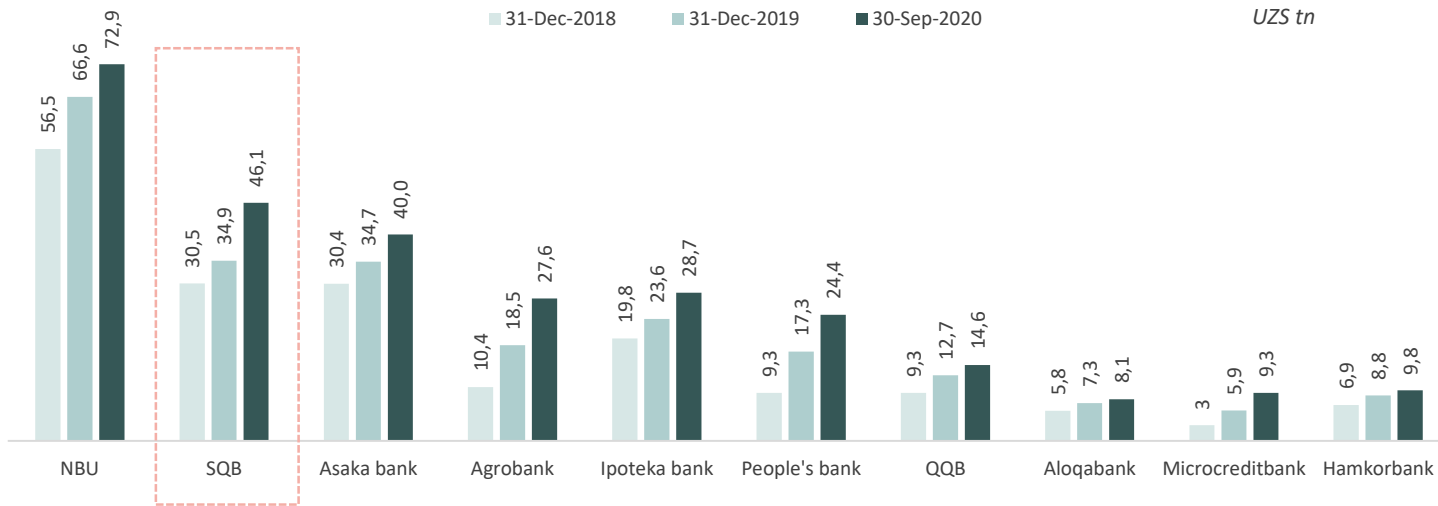
- High growth rates while robust capitalization and good asset quality in the banking system compared to other CIS countries

According to S&P assessment (April 2020):

- Debt of households to GDP stood at the lowest level among CIS, 7,8% in 2019
- High capital and liquidity stock
- Limited stock of external debt, almost all of which is due to IFIs
- High dollarization of assets, as for other CIS countries
- Profitability in the system is under pressure in current challenging economic environment

SQB: THE LEADER IN LENDING TO STRATEGIC SECTORS

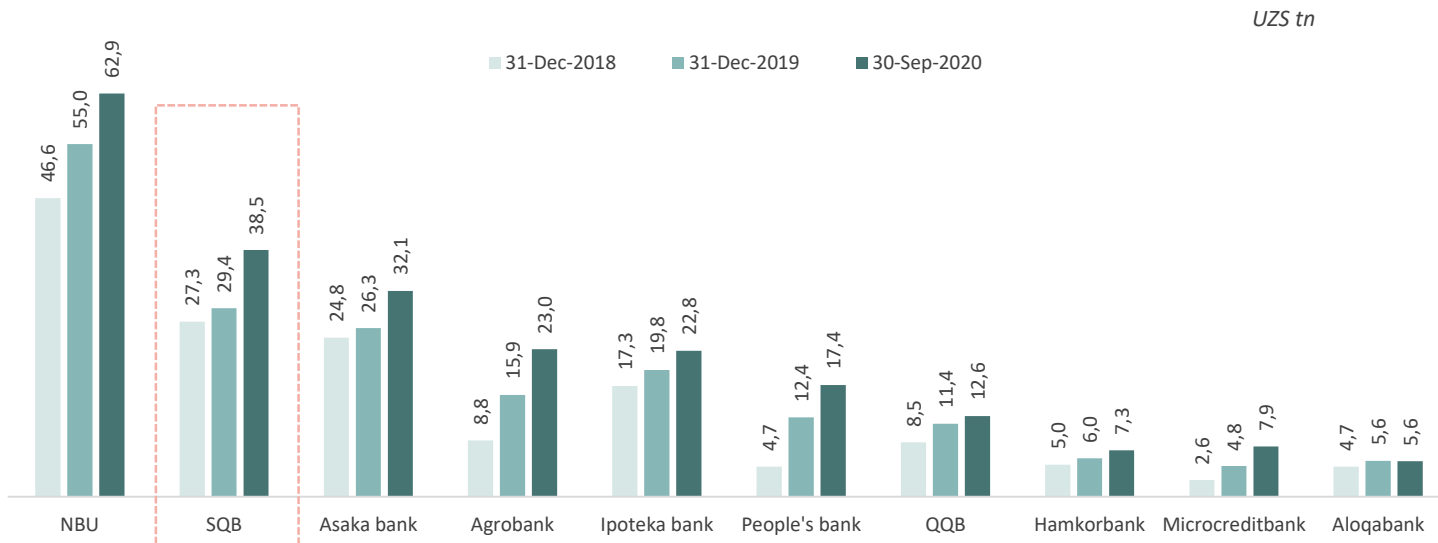
TOP-10 BANKS BY TOTAL ASSETS



- SQB plays an **important role in the Uzbek economy** and constantly **holds a strong market position**:

- **Second largest bank** in the Uzbek banking market accounting for **13,8%** of sector assets and **14,8%** of sector loans as of 30-Sep-2020

GROSS LOANS OF TOP-10 BANKS



- SQB is the **biggest creditor** of **strategic sectors** and has a **public policy role in financing** oil, gas, and energy enterprises and projects



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Capital, Funding, Liquidity

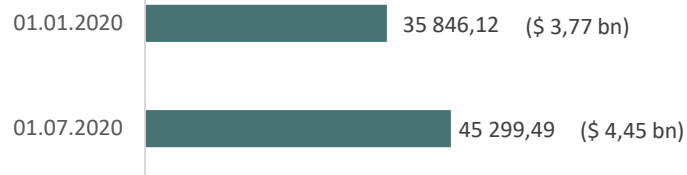
Profitability & Operational efficiency

Appendix

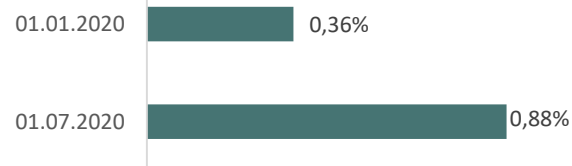
KEY FINANCIALS

UZS bn

**+ 26,4%
ASSETS**



**+0,5%
NPL**



**-4,1 pp
CAR**



**+ 0,7 pp
NIM**



CREDIT RATINGS

**Fitch
Ratings**
BB- Stable

**S&P Global
Ratings**
BB- Negative

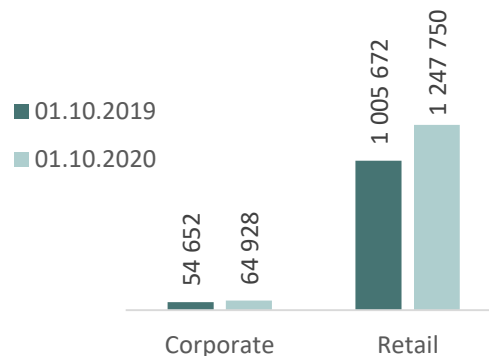
at the level of sovereign ratings of RUZ

SQB TEAM



number of employees
01.10.2020: 3 997
01.10.2019: 3 830

CUSTOMER BASE



Best domestic bank in
Uzbekistan, 2020



Leading partner bank Award,
ADB 2018, 2019, 2020

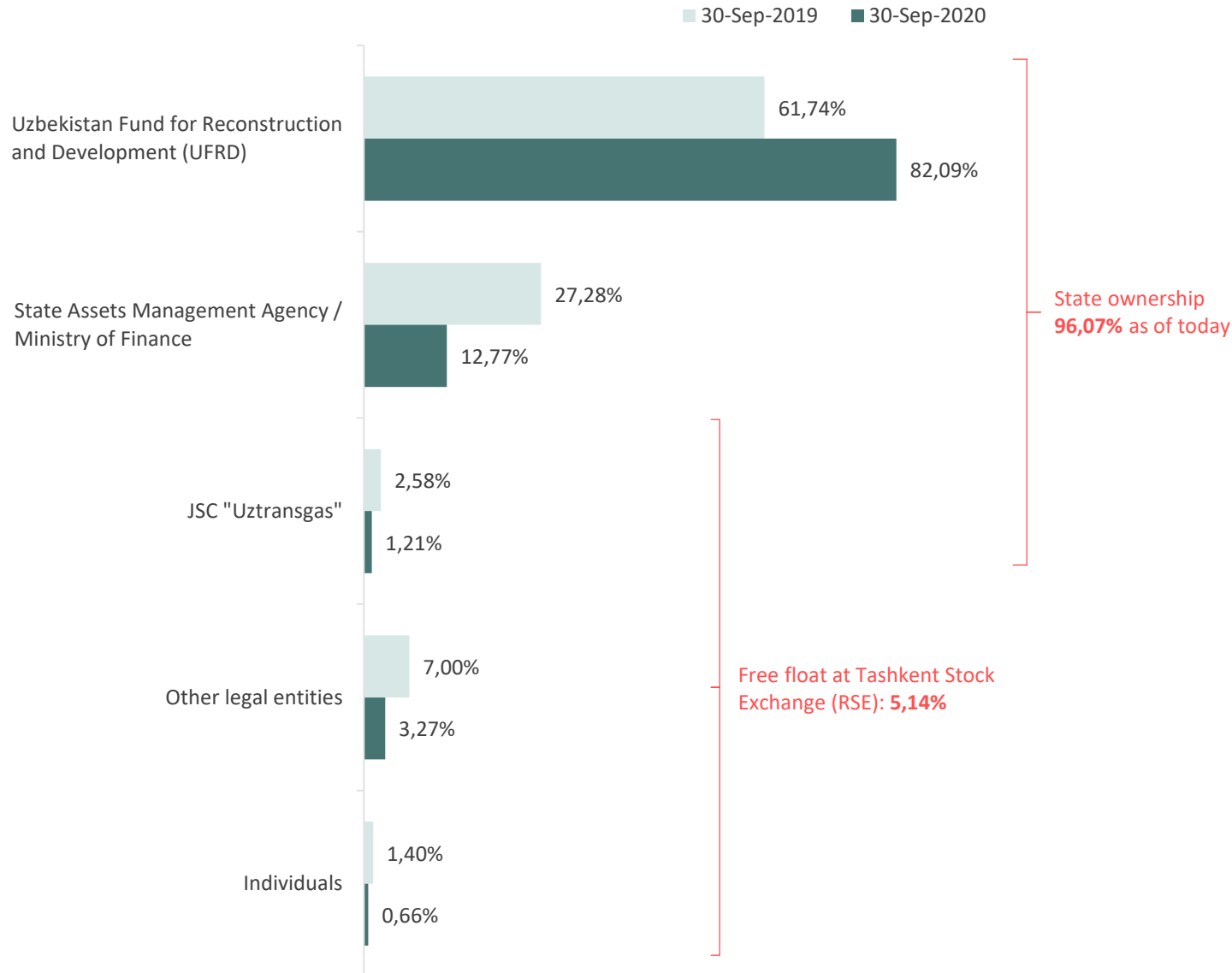


Bank corresponds with more
than **350 banks** –
correspondents including **338
foreign banks** in **58 countries**



Established relationship with
foreign financial institutes and
signed **25** credit lines worth
\$800 mn in 2019-2020

SHAREHOLDER STRUCTURE

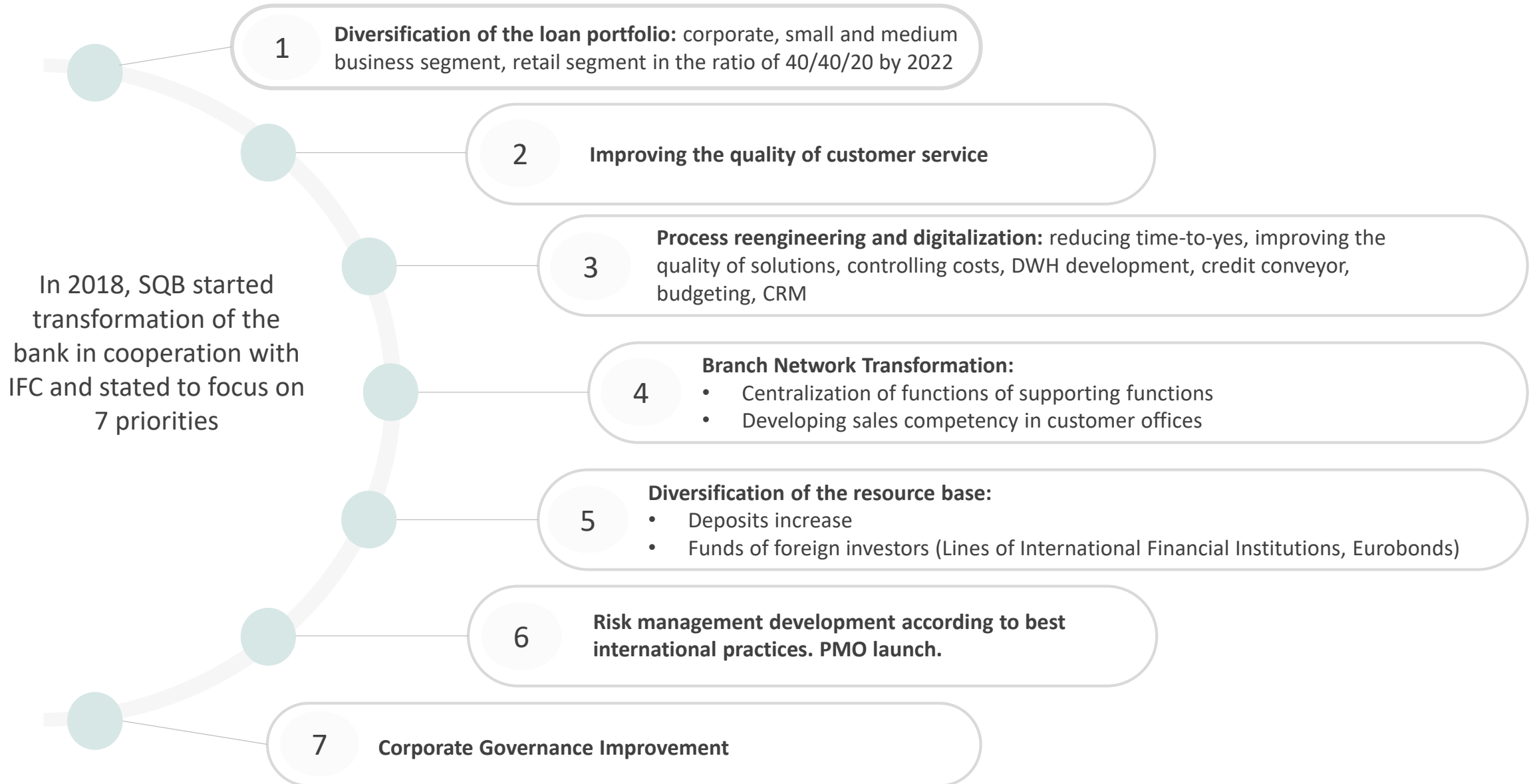


Uzbekistan government historically **demonstrated support** via capital injections, state funding, state guarantees for exposure to state-owned enterprises (SOEs)

In late 2019 SQB transferred 22 loans to the UFRD.

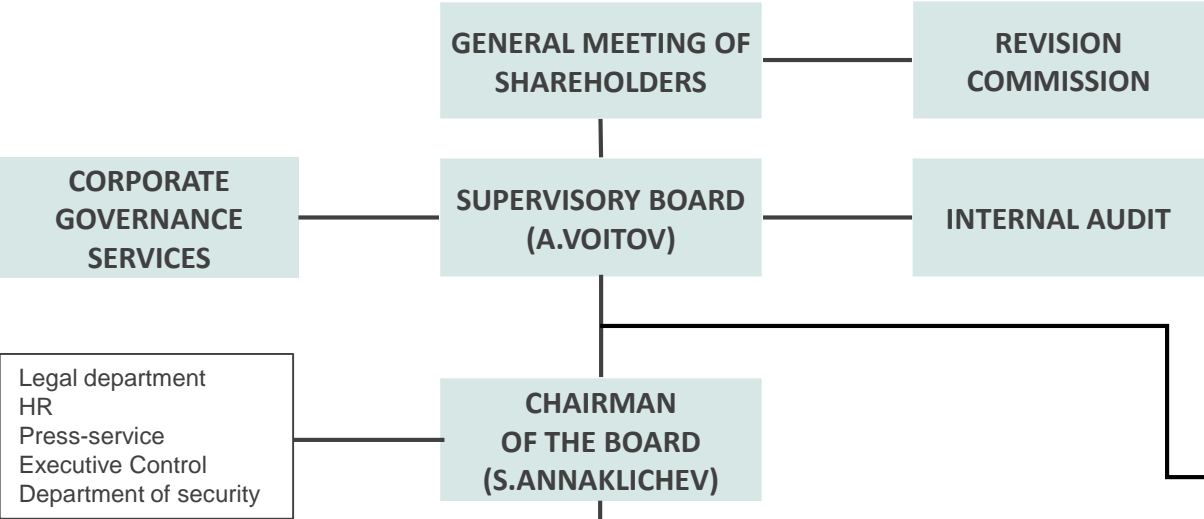
As a result of transaction:

- The Bank's **charter capital** and Tier 1 capital increased by UZS 4.634.513 mn (+ **113%**)
- **Tier 1 CAR increased** by 7,8 percentage points (CAR Tier 1) on 1-Jan-2020 compared to 30-Sep-2019
- **State ownership increased to 96,07%** from 91,6% on 30-Sep-2019



Collegial Committees under the Supervisory Board:

- Audit Committee
- Risk Management Committee *
- Strategy Committee
- Nomination and Remuneration Committee
- Committee on large transactions



Collegial Committees under the Management Board:

- Management Board of the Bank
- Project Committee
- Tender Committee
- Remuneration Committee
- ALCO

FIRST DEPUTY CHAIRMAN OF THE BOARD (A.AKBARJONOV)

DEPUTY CHAIRMAN OF THE BOARD (Z.AZIMOV)

DEPUTY CHAIRMAN OF THE BOARD (SH.YAKUBOV)

DEPUTY CHAIRMAN OF THE BOARD (U.TAVAKKALOV)

DEPUTY CHAIRMAN OF THE BOARD (A.ERGASHEV)

DEPUTY CHAIRMAN OF THE BOARD (Y.ABDUROZZOKOV)

CHIEF CREDIT OFFICER (M.SHERMATOV)

* CHIEF RISK OFFICER (A.KHAMIDOV)

FINANCIAL BLOCK

CORPORATE BLOCK

RETAIL BLOCK

OPERATING BLOCK

GOVERNMENT PROGRAMS BLOCK

CREDIT BLOCK

RISK BLOCK

Treasury
Strategy
PMO
Business analysis
Accounting
SQB Consulting
SQB Insurance

Transaction Banking
Financial Institutions

Corporate business
Green Banking

Retail business
SME business
Marketing
IT

Operations department
Cash operations
Administrative services
SQB Capital

Support of projects that included government programs

SME lending
Credit administration

Risk management
Compliance control

CORPORATE

Customers relationship

- Providing a high level of personalized comprehensive service and the formation of partnerships for the long term
- Increasing the coverage of the client base through partners of large clients
- Seeking new opportunities and growth points

Sales model

- Changing the sales model: client manager - single point of contact for all customer requests, sale of all products, comprehensive service, cross-selling opportunities
- Migration of customer transactions into digital channels

Products

- Differentiation of the product offer by customer segments
- Increasing the share of commission income
- Green Banking products development
- Transformation into the main settlement bank for customers
- Cooperation with the SME support fund

SME

Customers relationship

- Relationship managers
- Segmentation
 - Micro
 - Mini
 - Medium

Sales model

- Reengineering business model
- CRM
- Centralized operation processes (Back/Front offices)

Products

- Based on the expert's recommendation, the Bank launched the service in the amount of 23 parameterized products.
- Developing a comprehensive training program in sales, lending, and operations skills for all key roles (including Trainings for trainers) for employees of SME departments
- Participation in the implementation process in the selected pilot branch

RETAIL

Customer base and income

- Diversification of assets and income
- Growth of deposits of individuals
- Premium banking products development
- Increase in fee and commission income

Service quality leadership

- Comprehensive product offer
- Reducing the time of operations
- Improvement of the IT platform
- Process improvement

Strengthening distribution channels

- Optimization of the distribution network, increasing its efficiency and development of digital channels



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Asset quality

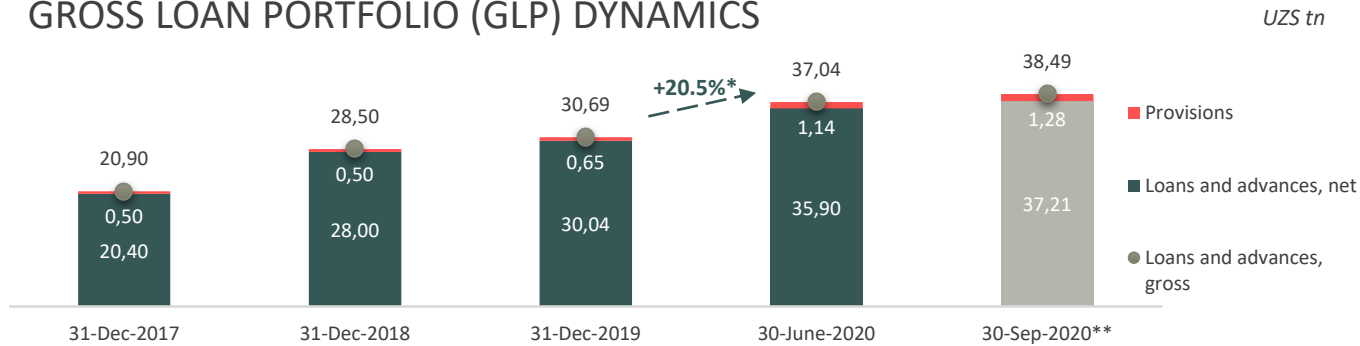
Capital, Funding, Liquidity

Profitability & Operational efficiency

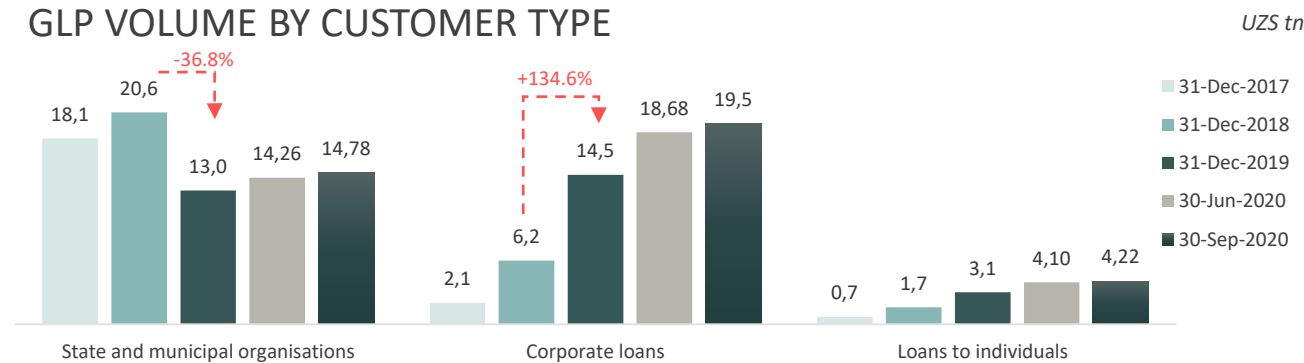
Appendix

LOAN PORTFOLIO: LENDING TO TOP TIER ENTITIES

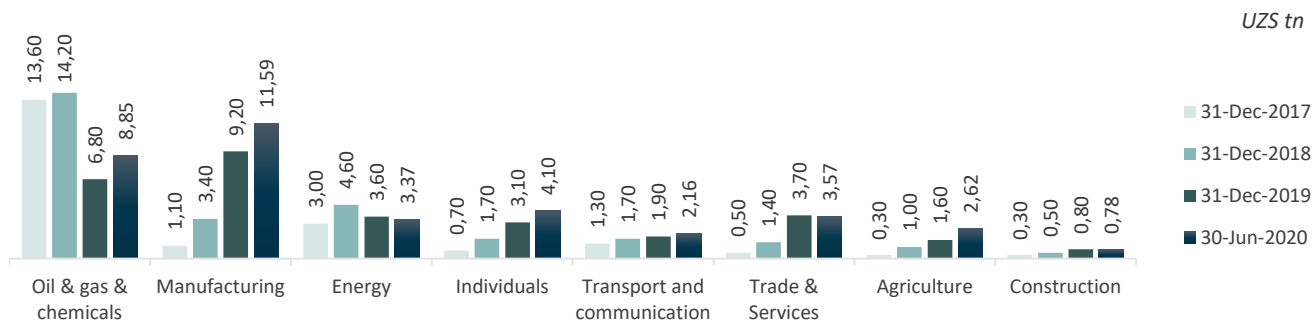
GROSS LOAN PORTFOLIO (GLP) DYNAMICS



GLP VOLUME BY CUSTOMER TYPE



GLP COMPOSITION BY ECONOMIC SECTORS

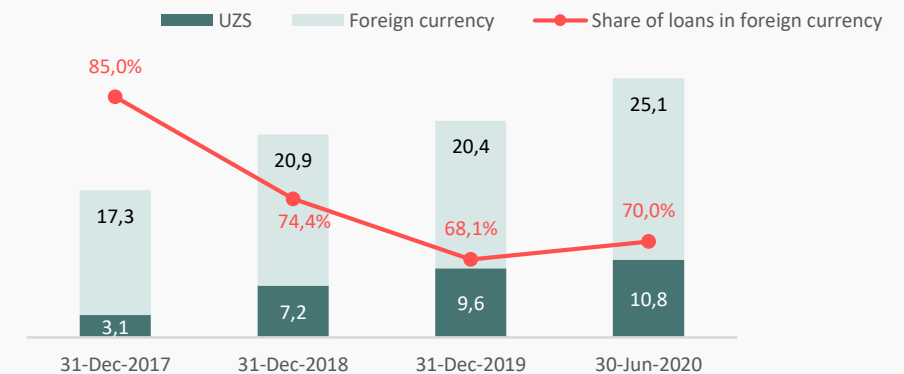


* Growth in GLP not adjusted for UFRD transfer resulted in 48,52%

** Data for 30-Sep-2020 - Local GAAP

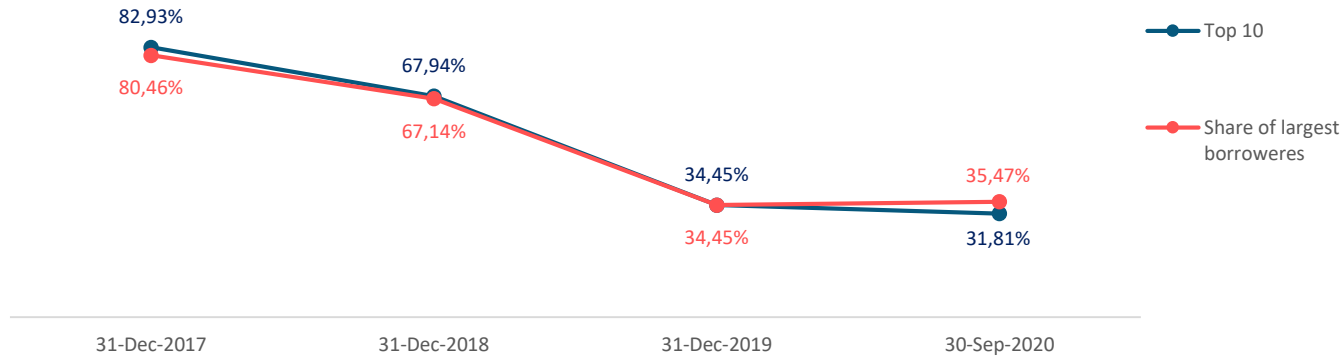
- Despite slow economic activity during 2020 due to current pandemic, Bank still was able to increase its loan portfolio noticeably
- During Covid-19 period has prioritized the following sectors:
 - Exporting companies (especially textile and agricultural products)
 - Pharmaceuticals
 - Food production
 - Construction and construction materials
 - Agriculture

PORTFOLIO CURRENCY SPLIT, UZS tn



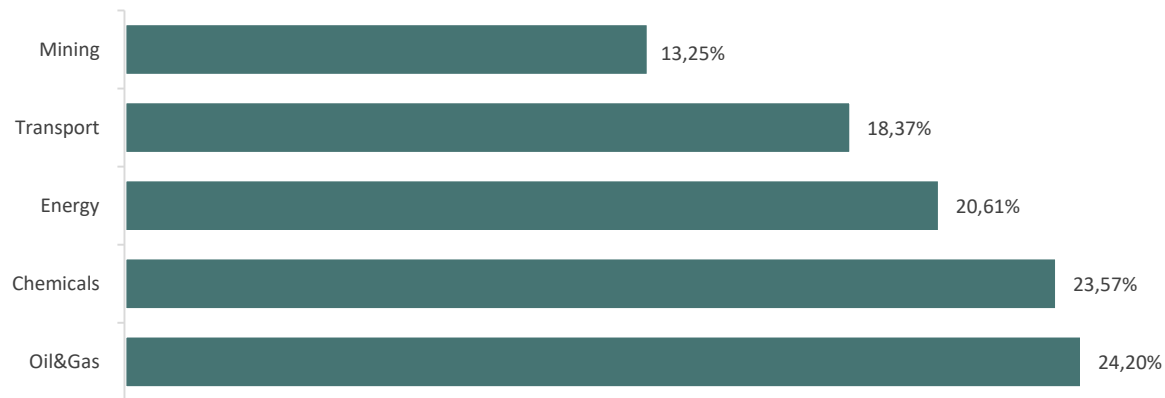
LOAN PORTFOLIO: DIVERSIFICATION IMPROVED

SHARE OF TOP 10 AND LARGEST BORROWERS IN GLP



- Concentration in GLP stays pretty high, while bearing **limited risk** and decreased significantly in 2019

TOP 10 LARGEST BORROWERS*: INDUSTRIAL COMPOSITION



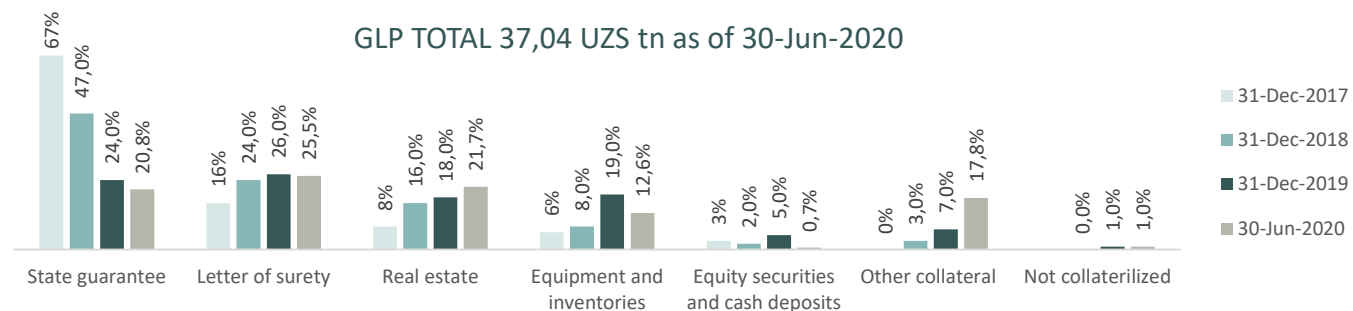
TOP-10 credit exposures profile:

- 82,98% are exposures on SOEs, 8 of 10 entities
- 53,84% are covered by state-guarantee
- 82,2% of Top 10 exposures were classified as Stage 1, others were Stage 2 as of 31-Dec-2019
- Good industrial diversification

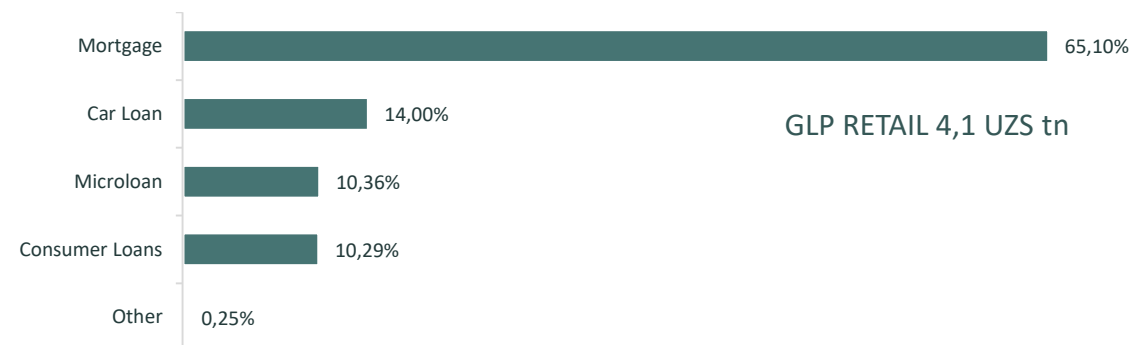
* Largest borrowers – total exposure to which individually exceeds 10% of the Bank's Tier I capital

LOAN PORTFOLIO: LIMITED RISK

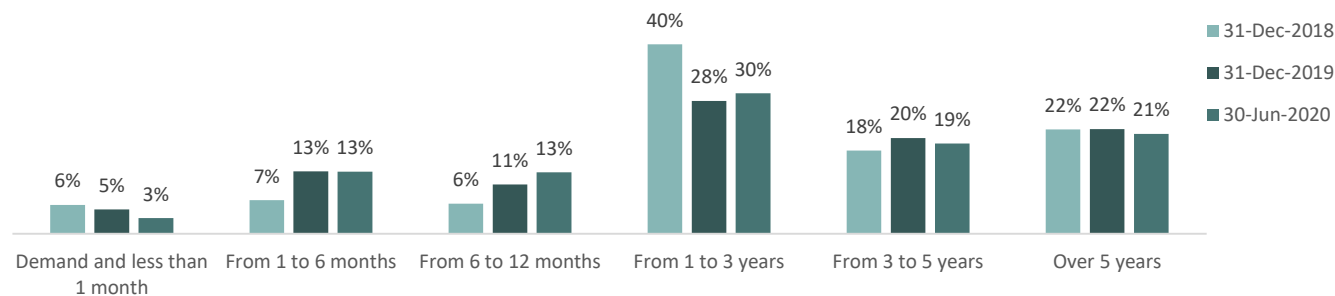
GROSS LOAN PORTFOLIO COVERAGE BY COLLATERAL TYPE



RETAIL LOAN PORTFOLIO PRODUCT MIX



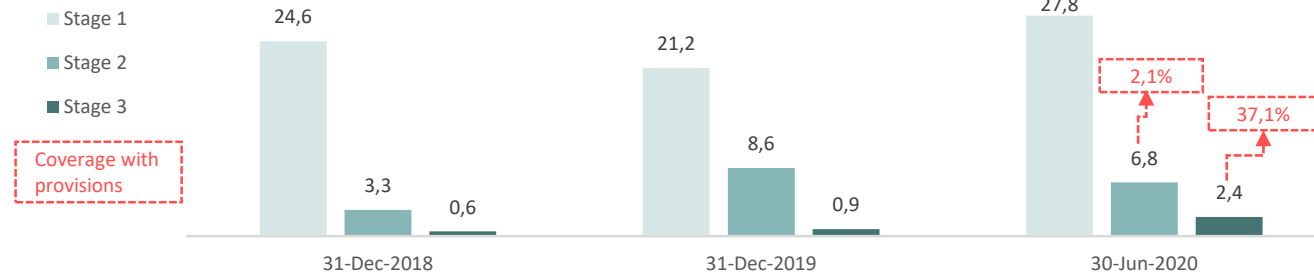
TOTAL GROSS LOAN PORTFOLIO MATURITY PROFILE



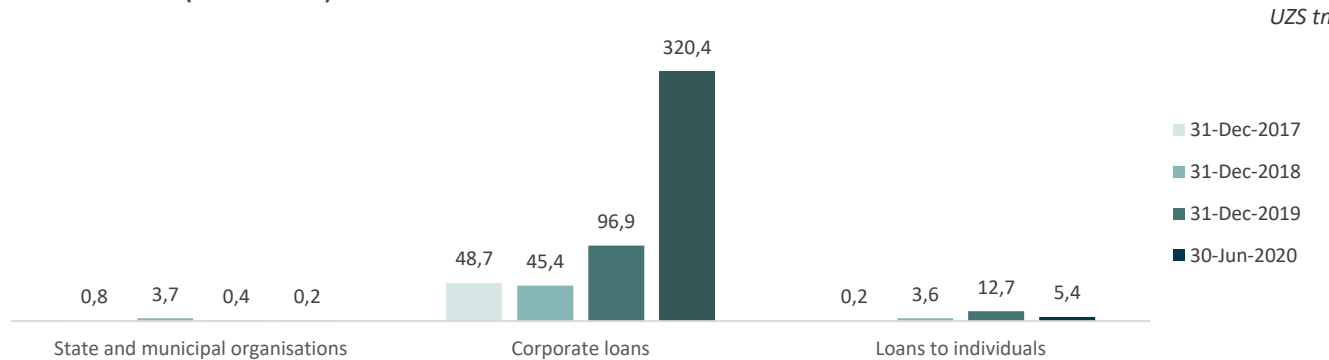
- SQB's loan portfolio is **well collateralized**, mostly by **real estate** (21,7% of GLP) and **letter of surety** by well established companies
- Only **1,0%** of GLP were unsecured as of 30-Jun-2020
- Retail FX lending is prohibited by law
- Bank is increasing high-yield short-term loans with maturity of up to 3 years

LOAN PORTFOLIO: HISTORICALLY STRONG CREDIT QUALITY

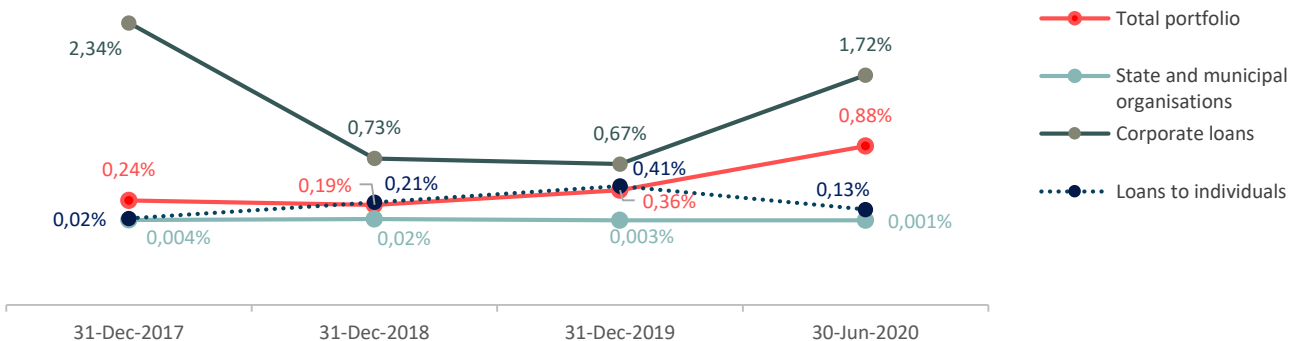
GLP VOLUME BY IFRS-9 STAGES



NPL LOANS (90+ DPD) BY CUSTOMER TYPE



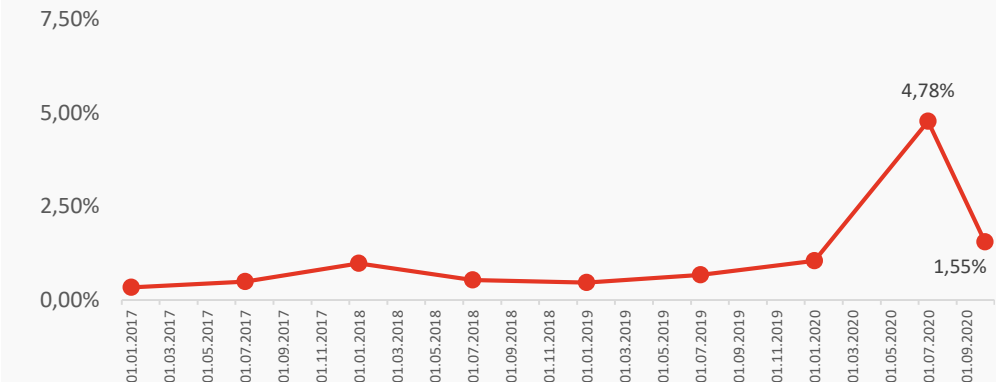
NPL RATIO (90+ DPD)



- Stage 1 loans represented 75,2% of GLP, Stage 2 18,3% of GLP, Stage 3 6,5% as at 1H2020
- SQB historically observes a strong recovery statistics for Stage 3 loans
- 90+ dpd loans constitute ca. 1/7 of Stage 3 loans, or 0,88% of GLP as of 1H2020

The spike in Stage 3 and Problem loans ratio (Local GAAP) was due to short term technical delinquency of one big customer, not related to Covid-19 impact to operations

PROBLEM LOANS* RATIO LOCAL GAAP



*Problem loans - share of loans in the category of "unsatisfactory", "doubtful" and "bad" in GLP



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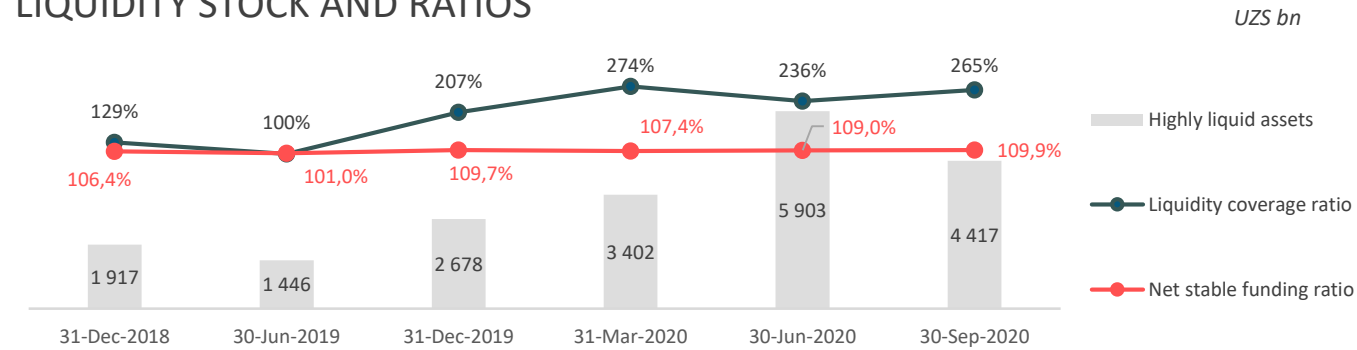
Capital, Funding, Liquidity

Profitability & Operational efficiency

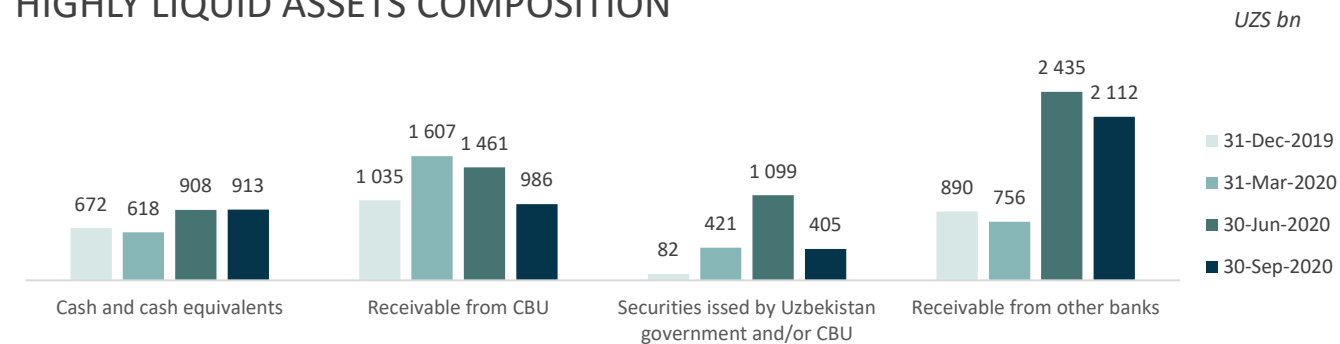
Appendix

SOUND LIQUIDITY STOCK & CAPITAL ADEQUACY

LIQUIDITY STOCK AND RATIOS



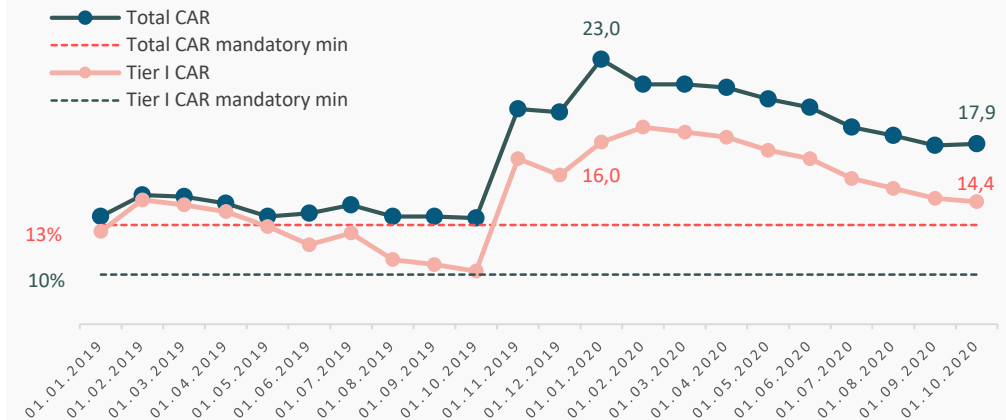
HIGHLY LIQUID ASSETS COMPOSITION



MATURITY PROFILE OF LIABILITIES



The bank **increased the stock of highly liquid assets** by 32% in 2020 via purchasing RUz sovereign securities



Government of Uzbekistan historically **demonstrated** support to the bank via capital injections and funding

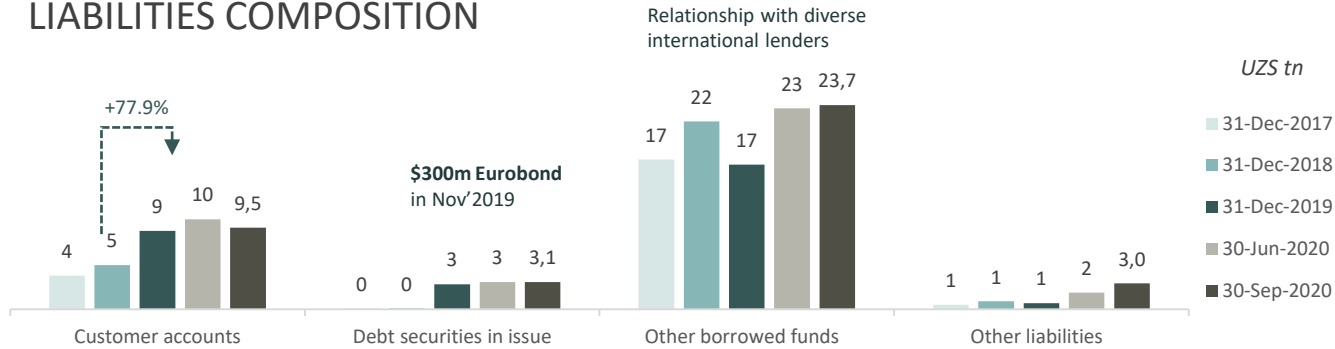
In 2H2019 both equity injection and RWA reduction resulting from UFRD transaction boosted CAR from **13,4%** at 1 Oct'19 to **23,0 %** at YE2019

Net stable funding ratio – the ratio of the available amounts of stable financing to the required amount of stable financing (min. 100% requirement)

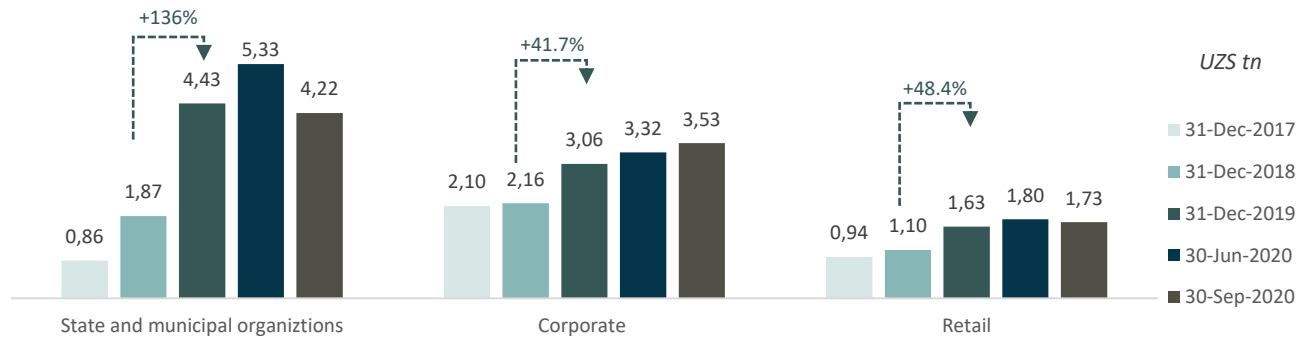
Liquidity coverage ratio – ratio of highly liquid assets to net outflow in the next 30 days (min. 100% requirement)

FUNDING BASE DIVERSIFICATION IS IMPROVING

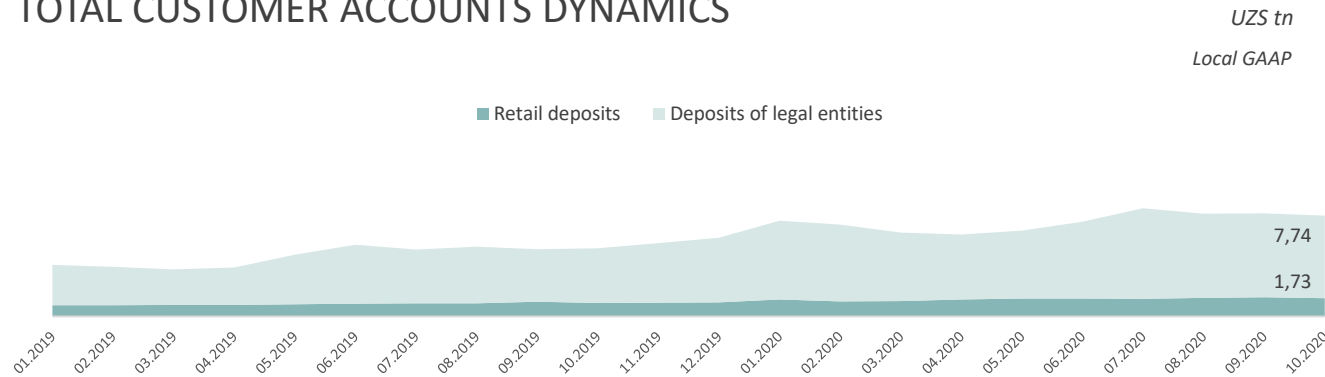
LIABILITIES COMPOSITION



TOTAL CUSTOMER ACCOUNTS BY CUSTOMER TYPE



TOTAL CUSTOMER ACCOUNTS DYNAMICS



All data as of 30-Sep-2020 are according to local GAAP.
The difference in figures shown in the section on banking market can arise from IFRS and local GAAP methodology

- During pandemic Bank not only was able to prevent significant deposit withdrawal by clients but also first 6 months of 2020 achieved **14,5%** increase of customer accounts
- During 1H 2020 Bank experienced significant deposit inflow from large SOEs, governmental institutions and retail clients
- Amidst the pandemic, the Bank has managed to raise credit facilities from international institutions **ca. USD 500 mn** mostly for financing customers business expansion



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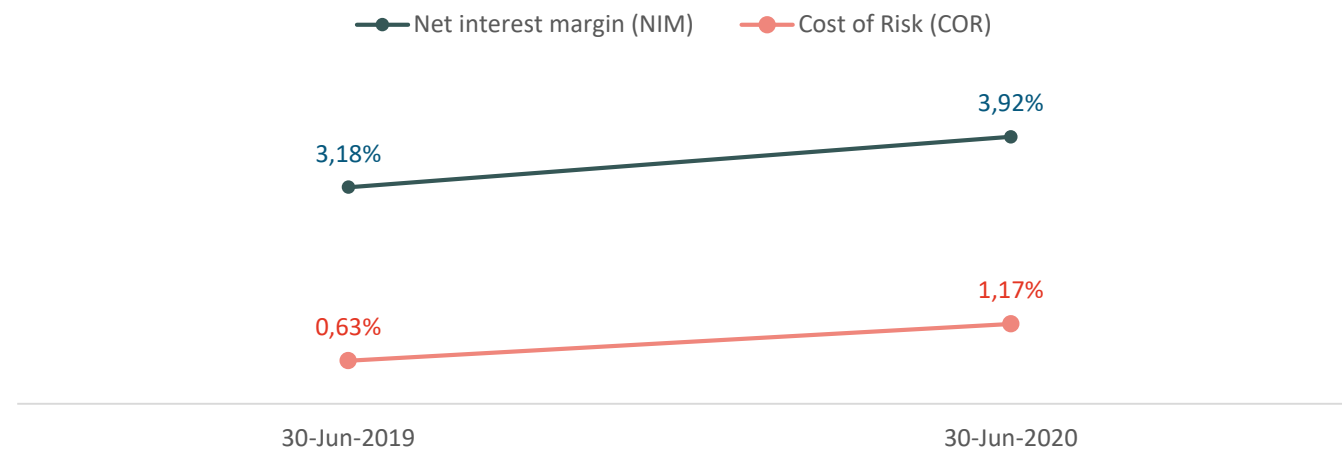
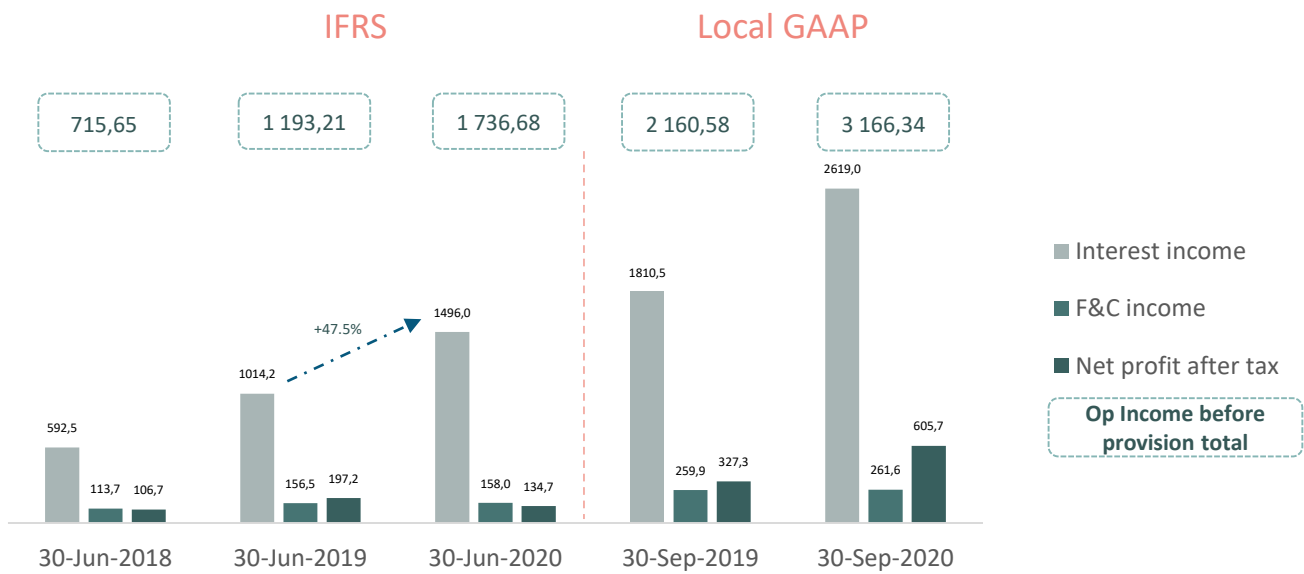
Capital, Funding, Liquidity

Profitability & Operational efficiency

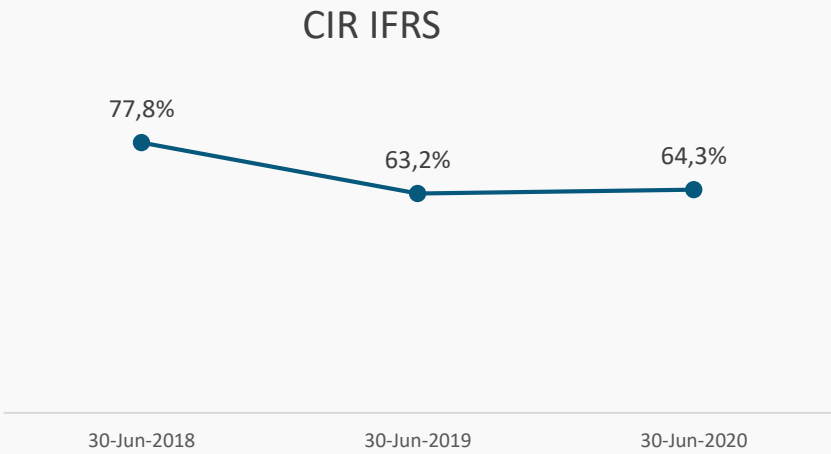
Appendix

OPERATING INCOME BEFORE PROVISIONS

UZS bn



- High growth in Operating income before provisions years: + 45,55%
- Interest income was the biggest contributor in 2020: +47,5%



- Over past few years change in the strategy has resulted in **significant improvement in operating efficiency**



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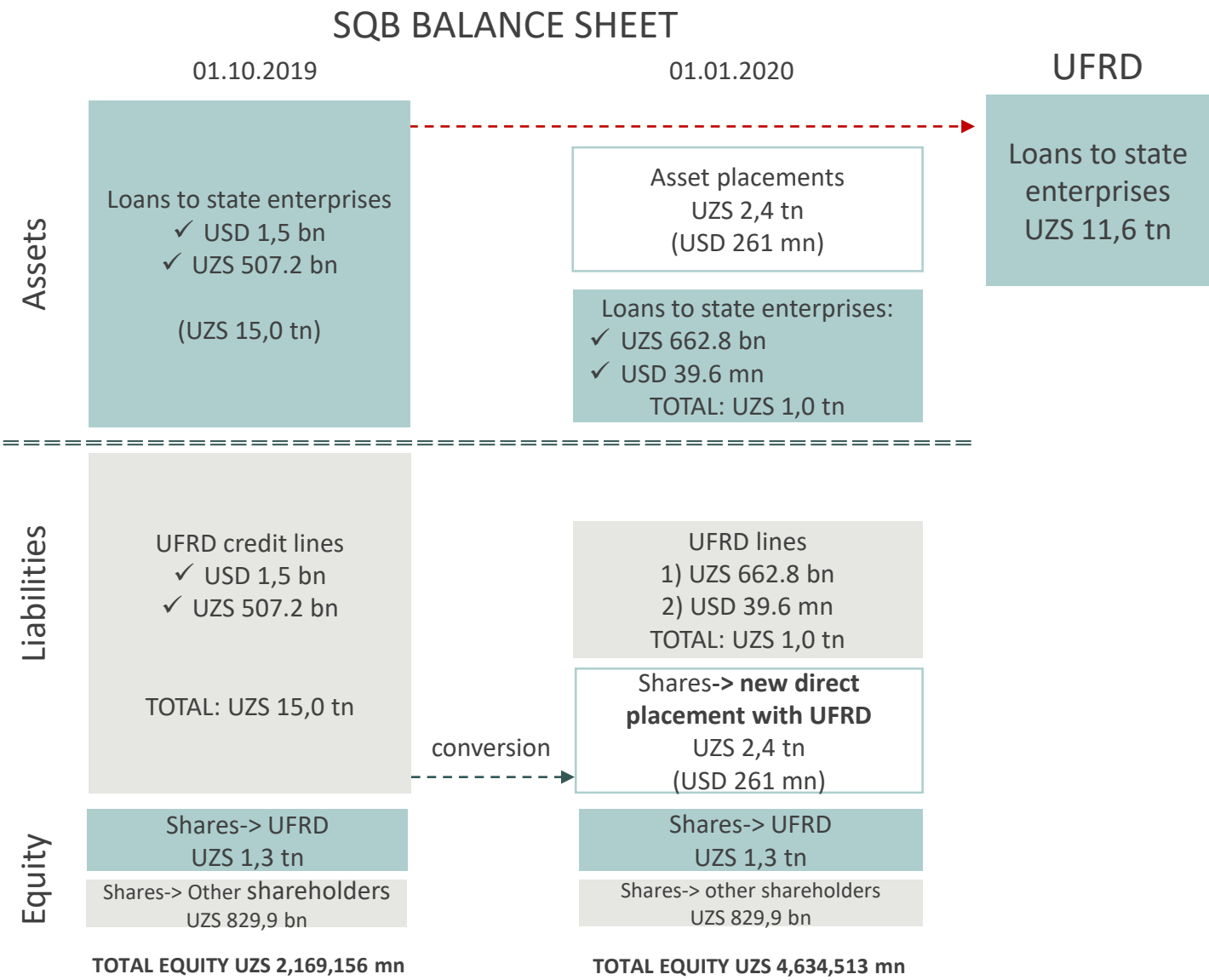
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APPENDIX 1: UFRD TRANSACTION IN 2019

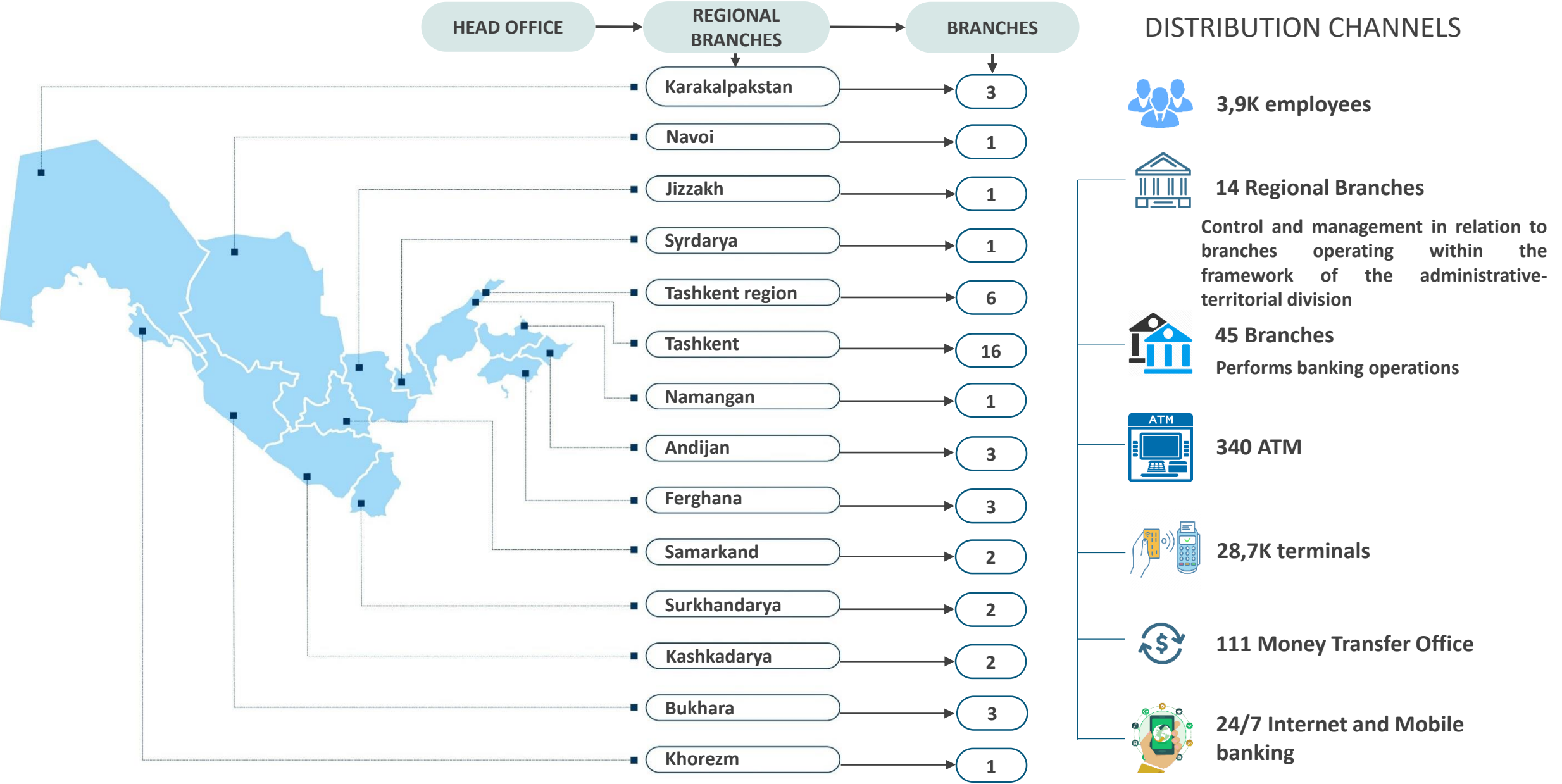


The Bank transferred 22 loans (“the Non-core loans”) to the UFRD. To compensate for the reduction of assets, the Bank simultaneously discharged from its liabilities from the UFRD for the same amount.

These loans, denominated predominantly in USD were provided to 12 large SOEs to fund national projects and amounted to an equivalent of UZS 11,6 tn

As a result of transaction:

- The Bank’s **charter capital** and Tier 1 capital increased by UZS 4,634,513 mn (+ 113%)
- **Tier 1 CAR** increased by 7,8 percentage points (CAR Tier 1) on 01.01.2020 compared to 01.10.2019
- **Share of UFRD** in the Bank's share capital increased to **82,09%** from 61,04% on 01.11.2019



Problem loans – Share of loans in the category of “unsatisfactory”, “doubtful” and “bad” in accordance with the Regulation on the classification procedure of the CBU in GLP

Stage 1: Loans without significant increase in credit risk (SICR)

- All loans at initial recognition are classified into Stage 1 and remain in Stage 1 until the identification of factors that indicate a significant increase in credit risk, except for acquired or created loan-impaired loans.

Stage 2: Loans with significant increase in credit risk (SICR)

- Loans in which the maximum number of days overdue on principal or interest ranges from 31 days to 90 days;
- Loans in the category of "substandard" according to the Regulation on the classification procedure of the CBU;
- Loans that were credit-impaired (Stage 3) as at the end of the previous quarter due to one or more transition criteria of Stage 3, and which as at the end of the current quarter have signs of Stage 1 or 2;
- Loans that were restructured and repaid 25% of principal from the date of restructuring.
- In the absence of historical information about the number of overdue days for accrued interest, loans for which there is an amount of overdue interest at the end of the current quarter.

Stage 3: Financial asset is in default

- Loans for which the maximum number of overdue days on principal or interest is more than 90 days;
- Loans in the category of “unsatisfactory”, “doubtful” and “bad” in accordance with the Regulation on the classification procedure of the CBU;
- Loans that have been revised since initial recognition (loans with the status “Restructured in the loan portfolio, including loans for which the repayment was less than 25% of the principal debt since the date of the last restructuring or the last revision (except in cases of restructuring of loans, when the financial condition of the borrower is stable and allows the borrower to repay the debt to the Group and when restructuring occurs at the decision of higher authorities);
- Loans for which there is a court decision or a trial is in progress (loans for which there are court decision dates in the loan portfolio);
- Presence of debt on off-balance sheet accounts for the principal debt and accrued interest in accordance with the Regulation on the Classification Procedure of the CBU and the Regulation on Non-Accrual of Interest of the CBU; Loans for which the contract has expired, but the borrower has not fully repaid the debt according to the payment schedule;
- Purchased or created credit impaired financial asset (POCI);

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