



**SANOAT QURILISH BANK**

# **INVESTOR PRESENTATION**

**FY2022 PERFORMANCE**

**AUGUST 2023**



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## Uzbekistan's economy and banking sector 4

Macroeconomic outlook .....	05
Foreign reserves .....	06
Banking sector analysis .....	07

## Overview of the SQB 8

Who we are .....	09
Key milestones .....	10
Corporate Governance .....	11
Management Board .....	12
Transformation in 2022-2023 .....	13
Privatisation process .....	14
Basic criteria for privatisation .....	15
The road to Sustainability .....	16

## Financial performance 17

Key Financials .....	18
Loan portfolio overview 1/2 .....	19
Loan portfolio overview 2/2 .....	20
Good growth of deposits .....	21
Well-diversified funding base .....	22
Strong operating results .....	23
Profitability .....	24

## Appendix 25

International recognition .....	26
Contact details .....	27
Summary Balance Sheet .....	28
Income Statement .....	29





# **UZBEKISTAN'S ECONOMY AND BANKING SECTOR**



## STRONG COMMITMENT TO REFORMS AND TRANSFORMATIONAL STRATEGY

	2020	2021	2022
GDP, bn \$	59,8	69,2	79,1
GDP growth, %	1,9%	7,4%	5,7%
Inflation, CPI	12,9%	10,8%	12,3%
Net remittances, bn \$	4,8	6,3	14,9
Export, bn \$	15,1	16,7	19,3
Import , bn \$	21,2	25,5	30,7
Balance, bn \$	-6,1	-8,8	-11,4

S&P Global Ratings  
**BB- / Stable**

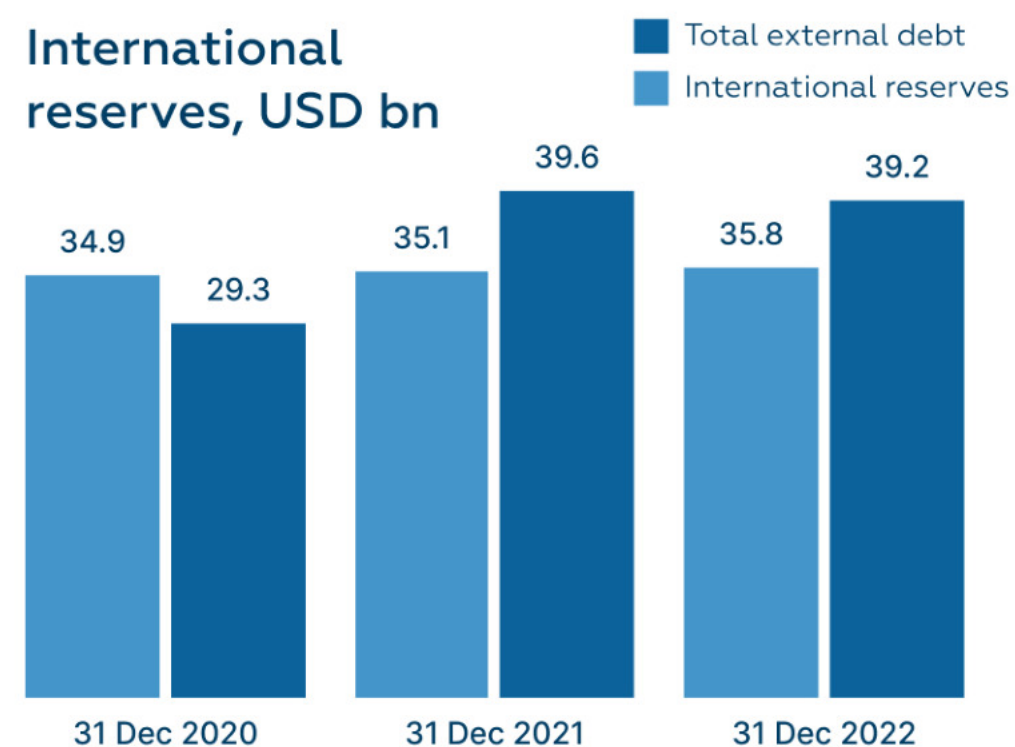
Fitch Ratings  
**BB- / Stable**

Moody's  
**Ba3 / Stable**

- Uzbekistan is experiencing the process of transition to a market-based economy and implementing several important reforms;
- The most significant was the liberalization of the foreign exchange market which led to re-entering of the MDBs such as EBRD, IFC, ADB and foreign investors in the Uzbek market;
- GDP is expected to reach \$160 bn in 2030;
- Government has announced plans to increase GDP per capita up to \$4k by 2030;
- With \$79,1 bn GDP, Uzbekistan is the second largest economy in Central Asia and the 59th in the world;
- Large natural resource endowment;
- Favourable demographics, young population, largest in Central Asia. Uzbekistan ranks in top-40 in the list of countries by population.

Exchange Rates	Jul-1 2023	% chng YTD
USD/UZS	11 488,12	↑ 2,34%
EUR/UZS	12 518,60	↑ 4,65%
RUB/UZS	135,78	↓ 13,32%
CNY/UZS	1 587,41	↓ 1,54%
KZT/UZS	25,51	↑ 4,81%

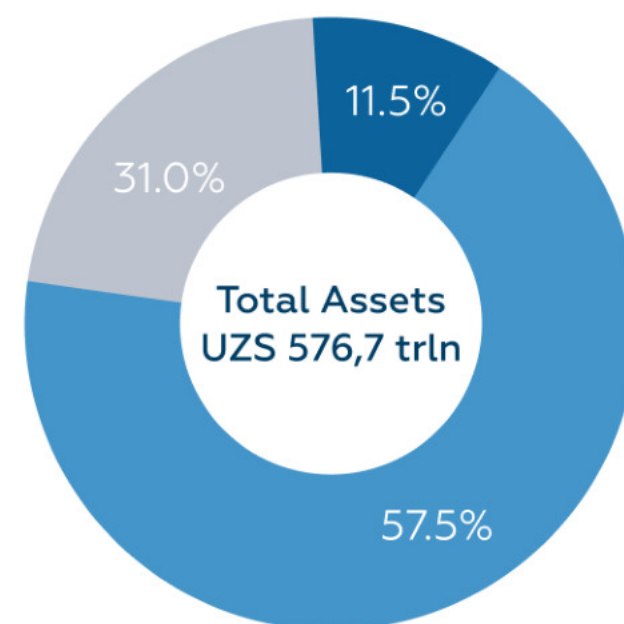
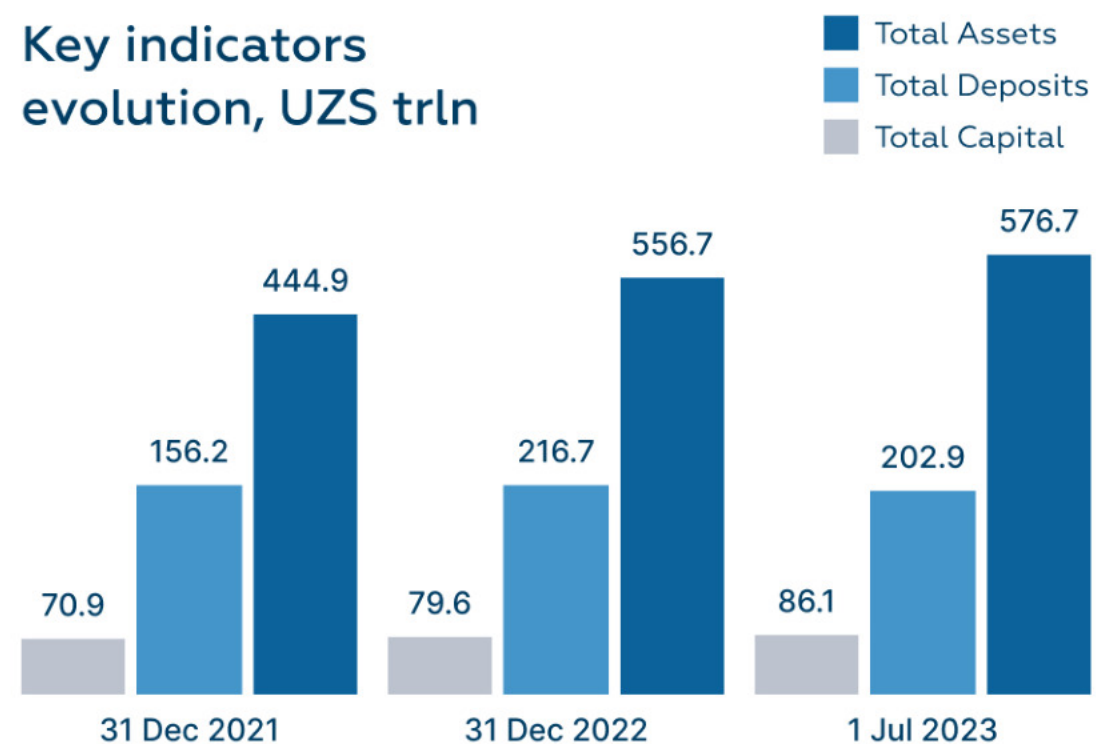
## International reserves, USD bn



- Currency liberalization has boosted all other economic reforms, including guarantees for repatriation of capital, development of private business, access to international capital markets, increase of foreign investments, etc.;
- Foreign reserves have reached \$35.8bn, including \$23.1bn in physical gold;
- In 2022, the total foreign debt reached \$39.2bn, including \$26.2bn of state debt;
- Government has limited the debt/GDP ratio to 60% levels, and has also decreased the volume of issued guarantees.



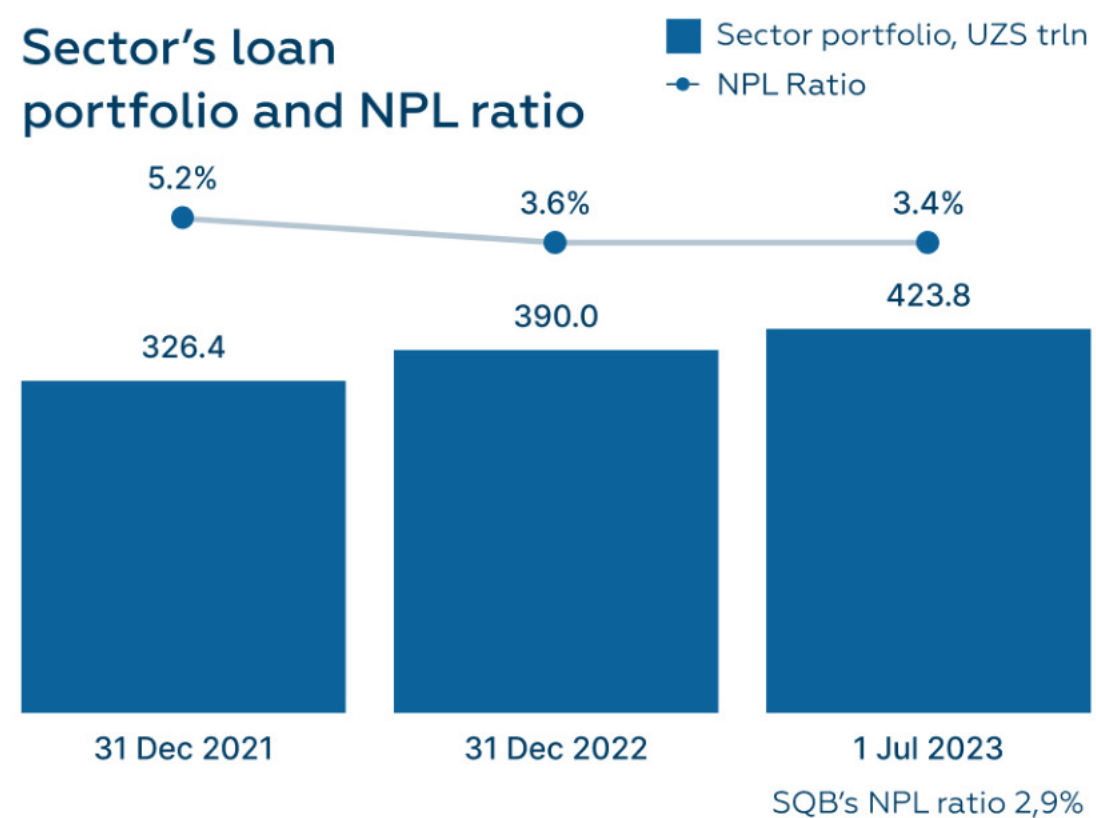
## Key indicators evolution, UZS trln



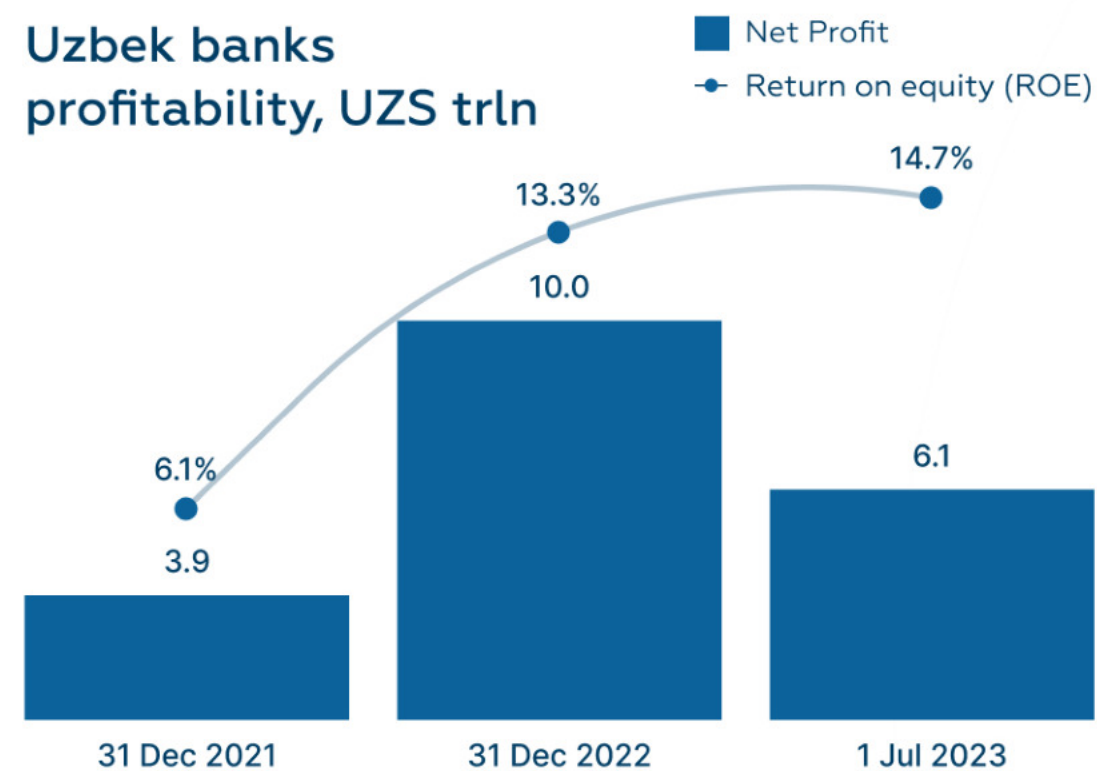
## Market share by total assets as of 1-Jul-2023



## Sector's loan portfolio and NPL ratio



## Uzbek banks profitability, UZS trln







# **OVERVIEW OF THE SQB**



WHO WE ARE

## TOP 1

---

Financing national champions in key strategic sectors

## EUROBOND

---

First ever corporate eurobond issuer in Uzbekistan in the amount of USD 300 mln

**91** bank offices

---

Country-wide presence with 91 bank offices

**3.7K** employees

---

Number of employees more than 3.7K

## TOP 2

---

Largest bank in terms of assets and loan portfolio

## GREEN BANKING

---

SQB is promoting greening of its operations including buildings and processes

**1,5** million

---

Providing a broad range of services to more than one and half million clients

**S&P**

GLOBAL RATINGS

**BB- / Stable**

**FITCH**

RATINGS

**BB- / Stable**

**AHBOR**

REYTING

**uzA+ / Stable**



## A LONG JOURNEY STARTING FROM 1922

## KEY MILESTONES

### 1922

Establishment of the Industrial Bank

### 1991

SQB was incorporated as a joint stock commercial bank

### 2006

In January 2006 SQB merged with Uzprivatbank

### 2020

SQB will be privatised by 2023 with assistance from the IFC and EBRD, under Presidential Decree UP-5992 dated 12 May 2020

### 2019

First ever non-sovereign Eurobond issuance in the country in the amount of USD300 mln on the London Stock Exchange

### 2014

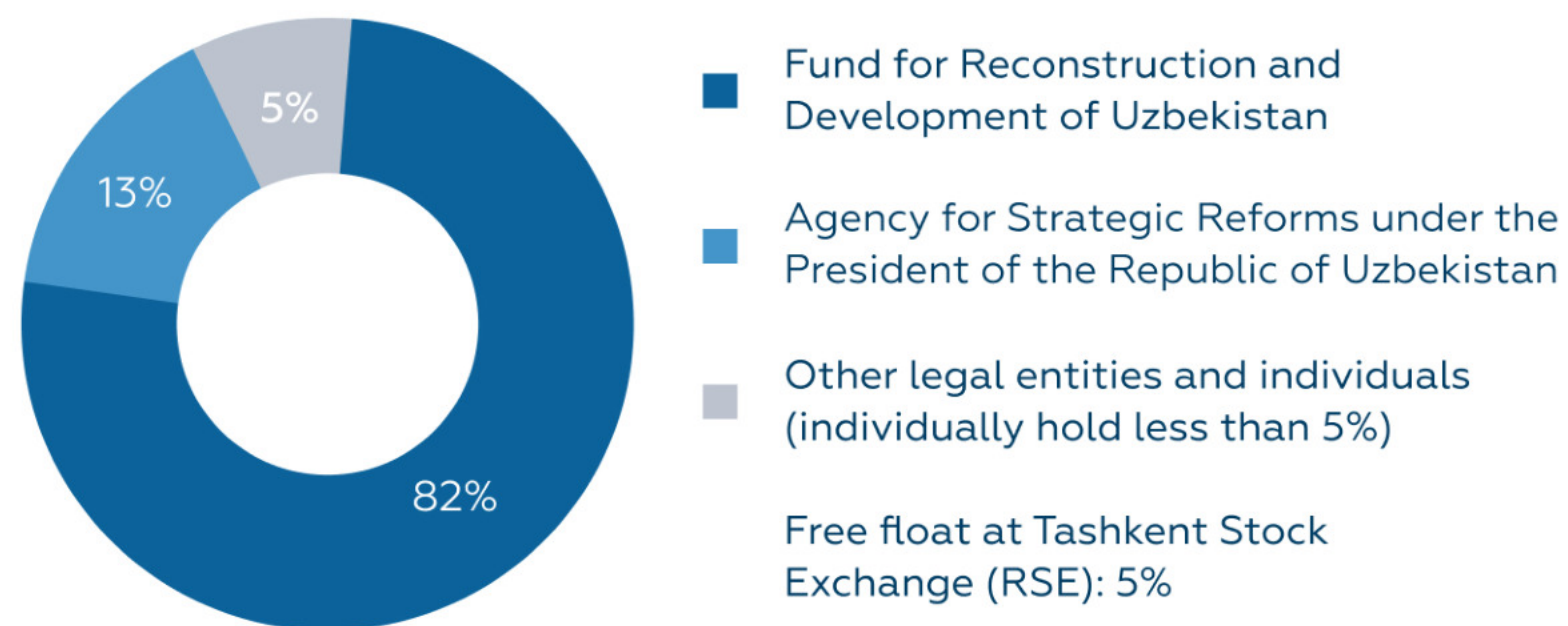
Rebranding to the Joint-Stock Commercial Bank "Uzbek Industrial and Construction Bank"



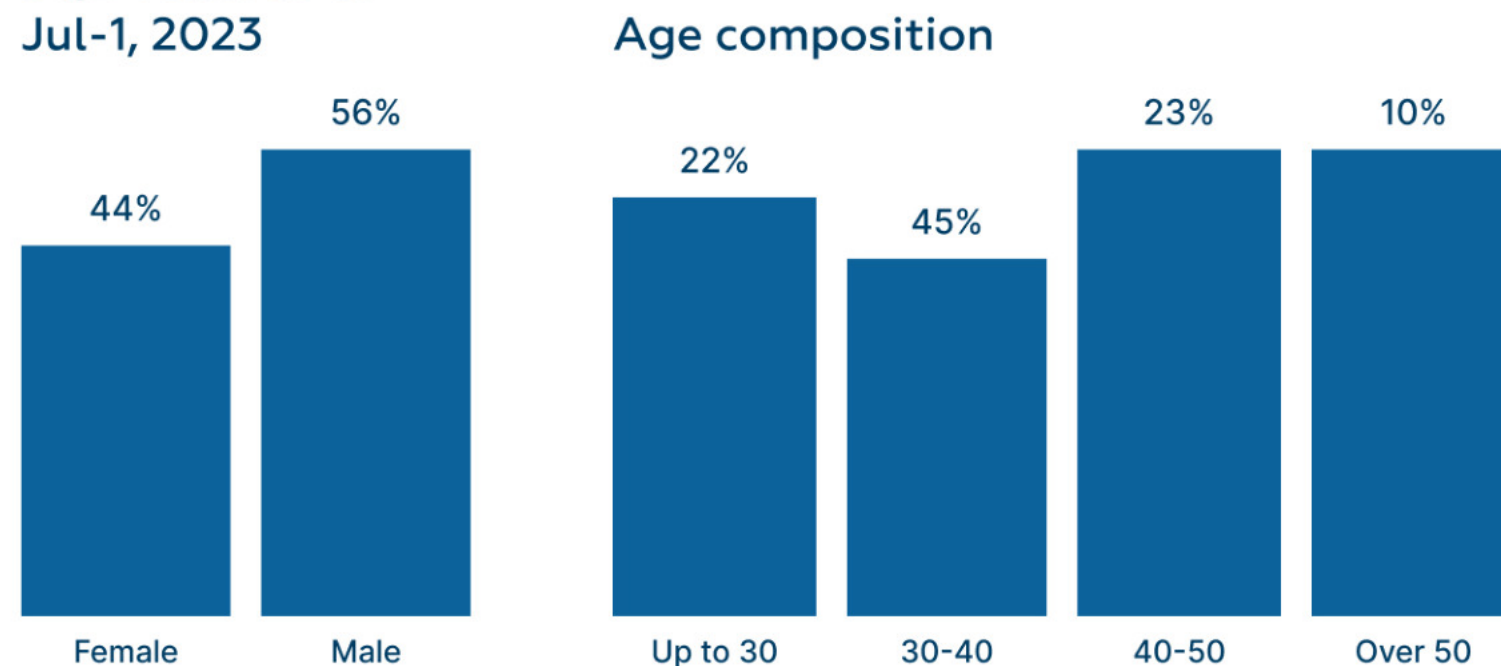


## SUPERVISORY BOARD: PROMOTING SUSTAINABLE VALUE CREATION

Ownership structure as of Jul-1, 2023



SQB Team as of Jul-1, 2023



## CORPORATE GOVERNANCE



CHAIRMAN  
**VOITOV AZIZ BOTIROVICH**  
Minister of Agriculture of the Republic of Uzbekistan



MEMBER  
**SULTANOV DILSHOD SHUKHRATOVICH**  
Deputy Minister of Finance of the Republic of Uzbekistan



MEMBER  
**MUKHTAROV ULUGBEK KHAKIMOVICH**  
Deputy Executive Director of the UFRD



MEMBER  
**MUSTAFAEV KHURSHED BAKHTIYOROVICH**  
Director, Ministry of Finance of the Republic of Uzbekistan



INDEPENDENT MEMBER  
**JULIA ALEXANDROVNA AYZUP**



INDEPENDENT MEMBER  
**CHRISTOPH ALEXANDER HANS-JÜRGEN VON GLEICH**



INDEPENDENT MEMBER  
**FERDINAND WILLEM TUINSTR**



INDEPENDENT MEMBER  
**OKSANA SIVOKOBILSKA**



INDEPENDENT MEMBER  
**GREGG SCOTT ROBINS**





## MANAGEMENT BOARD

DIVERSE AND EXPERIENCED MANAGEMENT TEAM CREATING OPPORTUNITIES



**SAKHI  
ANNAKLICHEV**  
Chairman of the Board



**ANVARJON  
ERGASHEV**  
Deputy Chairman  
of the Board



**SHOKHZOD  
YUSUPOV**  
Acting Deputy  
Chairman of the Board



**KHIKMAT  
AKBAROV**  
Chief Risk Officer



**AZIZ  
AKBARJONOV**  
First Deputy Chairman  
of the Board



**SHOKHPUR  
GULTURAEV**  
Deputy Chairman  
of the Board



**OYBEK  
VOKHIDOV**  
Chief Accountant –  
Member of the Board



**MANSUR  
SHERMATOV**  
Chief Credit Officer



**SHUKHRAT  
YAKUBOV**  
Deputy Chairman  
of the Board



**FARRUKH  
ABDURAKHMANOV**  
Deputy Chairman  
of the Board



**BAKHRITDIN  
NORKHUYAYEV**  
Director of the Legal  
department



**ILKHOM  
KHUDAYBERGANOV**  
Chief Funding Director



## TRANSFORMATION IN 2022

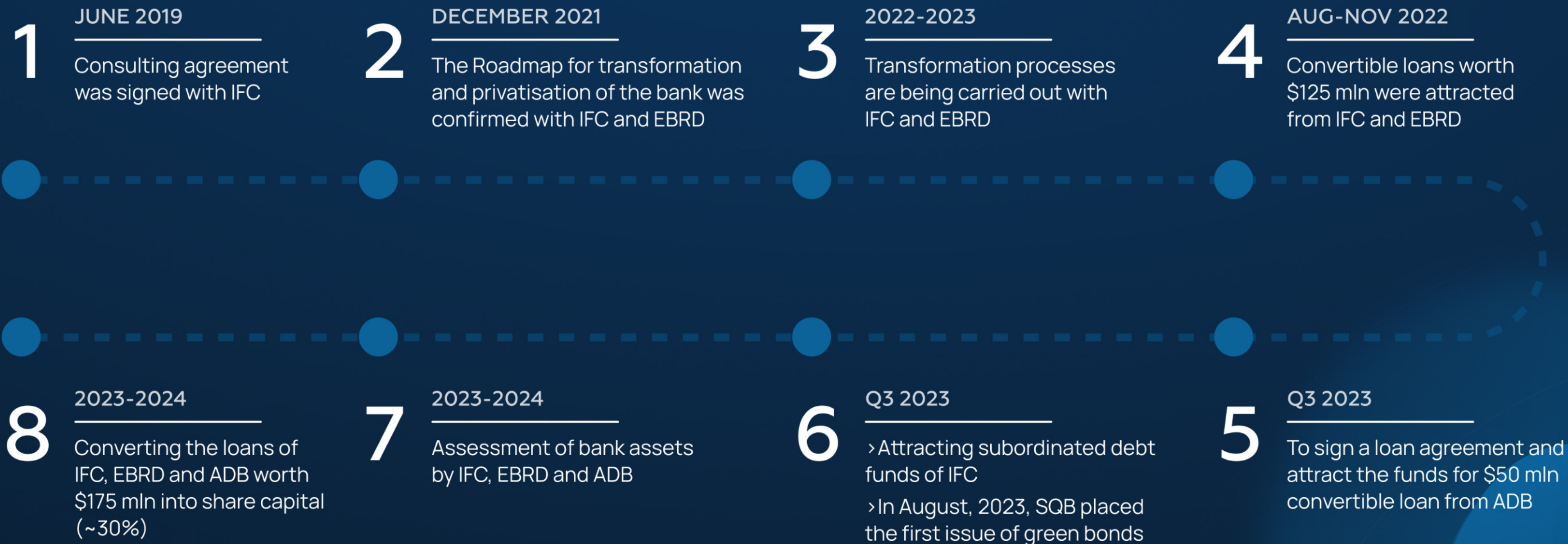
- ✓ The number of independent members with international banking experience in the Supervisory Board is increased to five
- ✓ SQB has received a certificate of compliance for ISO 37001:2016 anti-bribery management system
- ✓ The transition to a single MFO carried out and all branches transformed to point of sales
- ✓ The provision of banking services to individuals in CRM program was established
- ✓ Implemented a KPI system for Management Board
- ✓ Individual Loans debt collection robotized via FIS Collection platform
- ✓ Modern IT and Training Centre have started their operations
- ✓ The development of IT strategies has started in cooperation with KPMG

## TRANSFORMATION IN 2023

- Corporate Strategy for 2024-2026 will be developed with assistance of EBRD and KPMG
- Compliance management system will be fully digitalized
- Bank's automated information system will be modernized based on international experience
- Management system will be established through reengineering and digitalization of the business processes
- Risk Management processes will be digitalized



## YEARS OF PROGRESS: PAVING THE WAY FOR PRIVATISATION



### Q3 2023

Election of the Chairman of the Supervisory Board from the independent members

### Q2 2023

Independent assessment of the effectiveness of the Supervisory Board and its committees by internationally recognized external experts

### Q4 2023

Independent evaluation by external experts, in agreement with IFC, ADB and EBRD of the management of KPI performance and effectiveness of the operations by the members of the Board

### PLAN FOR 2023-2024

- 1 Improving Risk Management and loan allocation (uncollateralized, based on client funds)
- 2 Restrictions on granting loans at low interest rates. Establishment and operation of the Investment project financing department in the bank
- 3 Establishment of corporate management based on environmental and social management system, ESMS (with assistance of EBRD)
- 4 Restriction of dividend payment until the end of privatisation process



## SQB IS PROMOTING GREENING OF ITS OPERATIONS INCLUDING BUILDINGS AND PROCESSES

### SUSTAINABLE FINANCE FRAMEWORK

- Aligned with the 17 UN Sustainable Development Goals
- Use of Proceeds Eligibility Criteria
- Project Evaluation and Selection
- Management of Proceeds
- Reporting
- External Review of the Framework – Second Party Opinion (SPO)
- External Audit

### ENVIRONMENTAL AND SOCIAL MANAGEMENT SYSTEM (ESMS)

#### EBRD WILL SUPPORT SQB

- To enhance bank's ESMS
  - To define organizational structure, roles and responsibilities for further embedding E&S management into bank's day-to-day operations and transfer of responsibilities to the Risk Management team
- To increase the environmental and social management capacity of SQB and enable knowledge transfer of international best environmental and social management practices and tools
- To address potential compliance issues up-front by supporting the implementation of ESMS enhancement plan, thereby assuring and improving E&S compliance to all future transactions and supporting the pathway to potential privatization and lender share-holding

### CLIMATE CORPORATE GOVERNANCE

#### EBRD WILL SUPPORT SQB

- Governance: advice on most relevant enhancements to the bank's existing governance structure, processes, procedures, and skills base
- Strategy: suggestions on a range of climate-related (i) KPIs, (ii) targets, (iii) policies, and (iv) additions to the strategy
- Risk Management and Metrics: advice on ways to strengthen climate risk identification, assessment, and management
- Reporting, Disclosure and Engagement: advice on improving climate-related disclosures and engagement with any relevant stakeholders

## EXECUTED

- ✓ Multiple Awards and Recognition towards Green and Sustainable Initiatives
- ✓ Multiple Green Financing Instruments Offerings

## FINAL STAGE Q4 2023

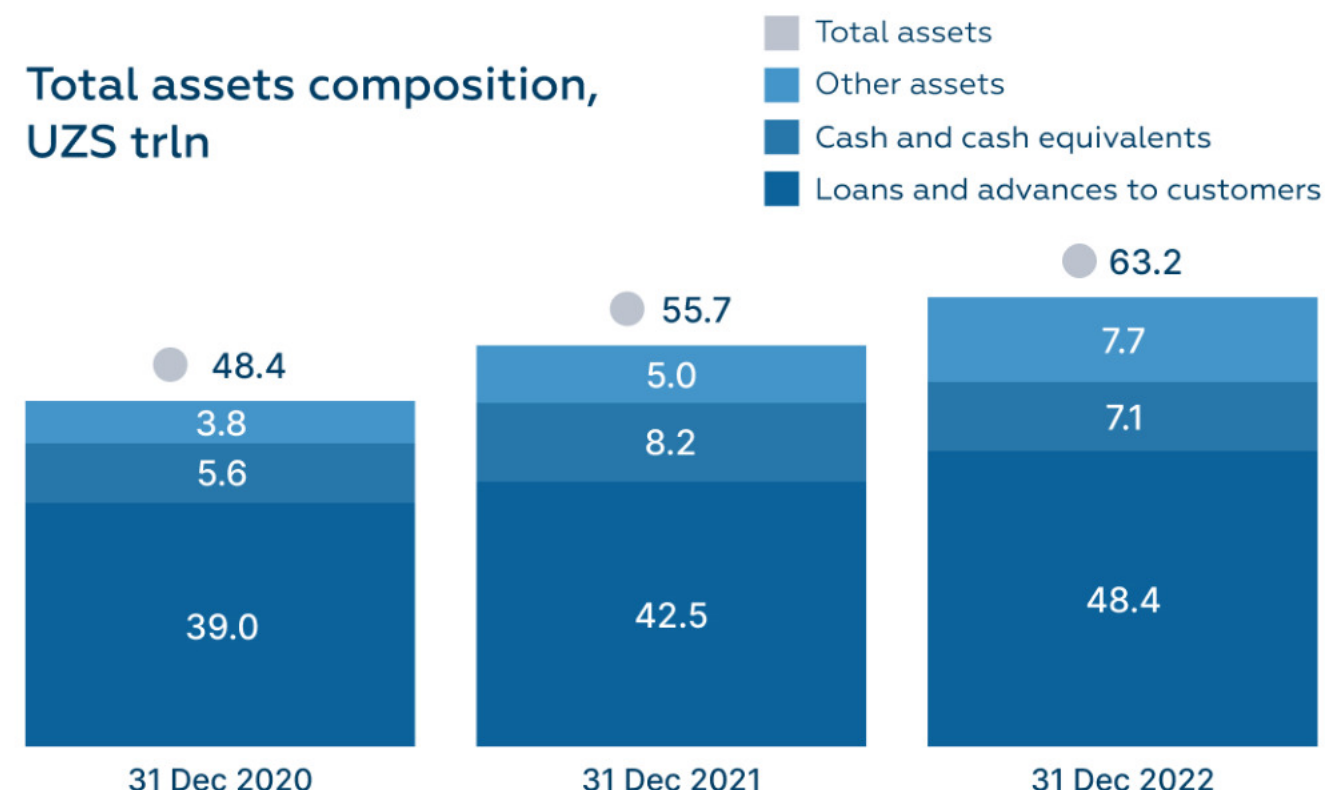
- Get a Second Party Opinion
- Getting an ESG rating
- Issue ESG instrument
- TCFD reporting



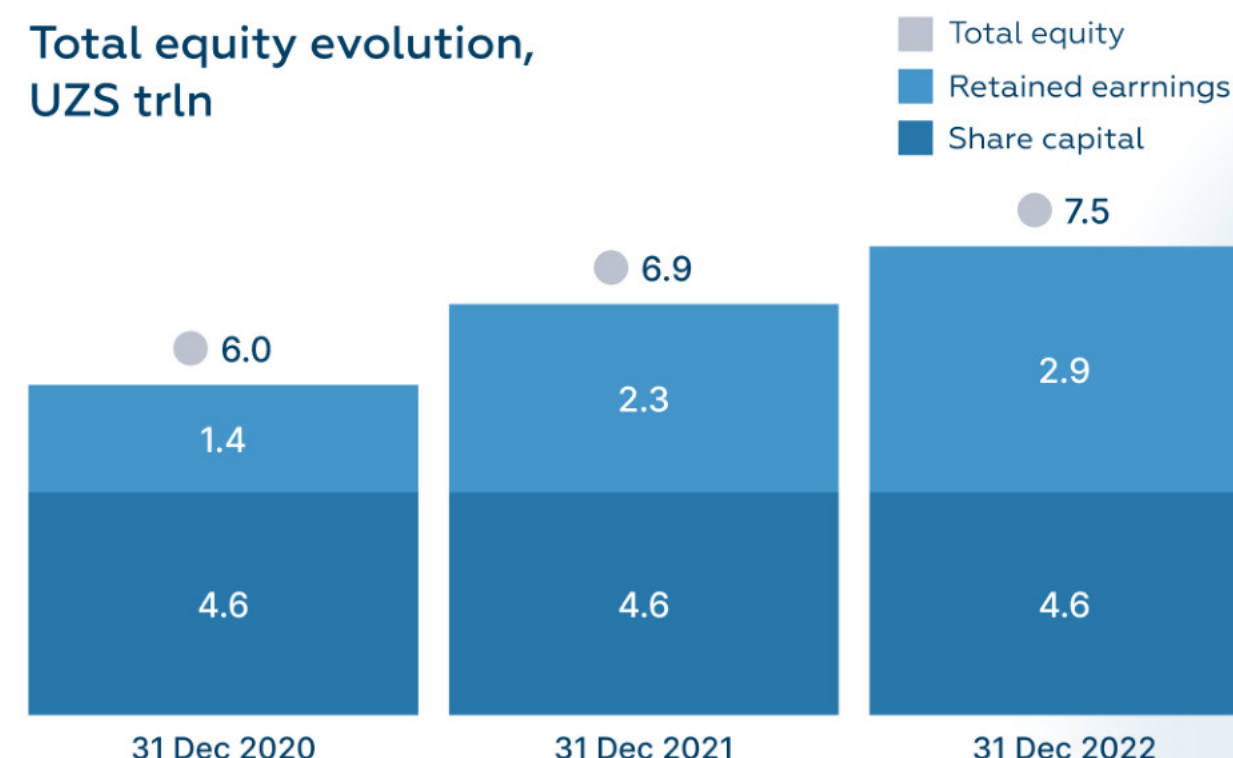


# **FINANCIAL PERFORMANCE**

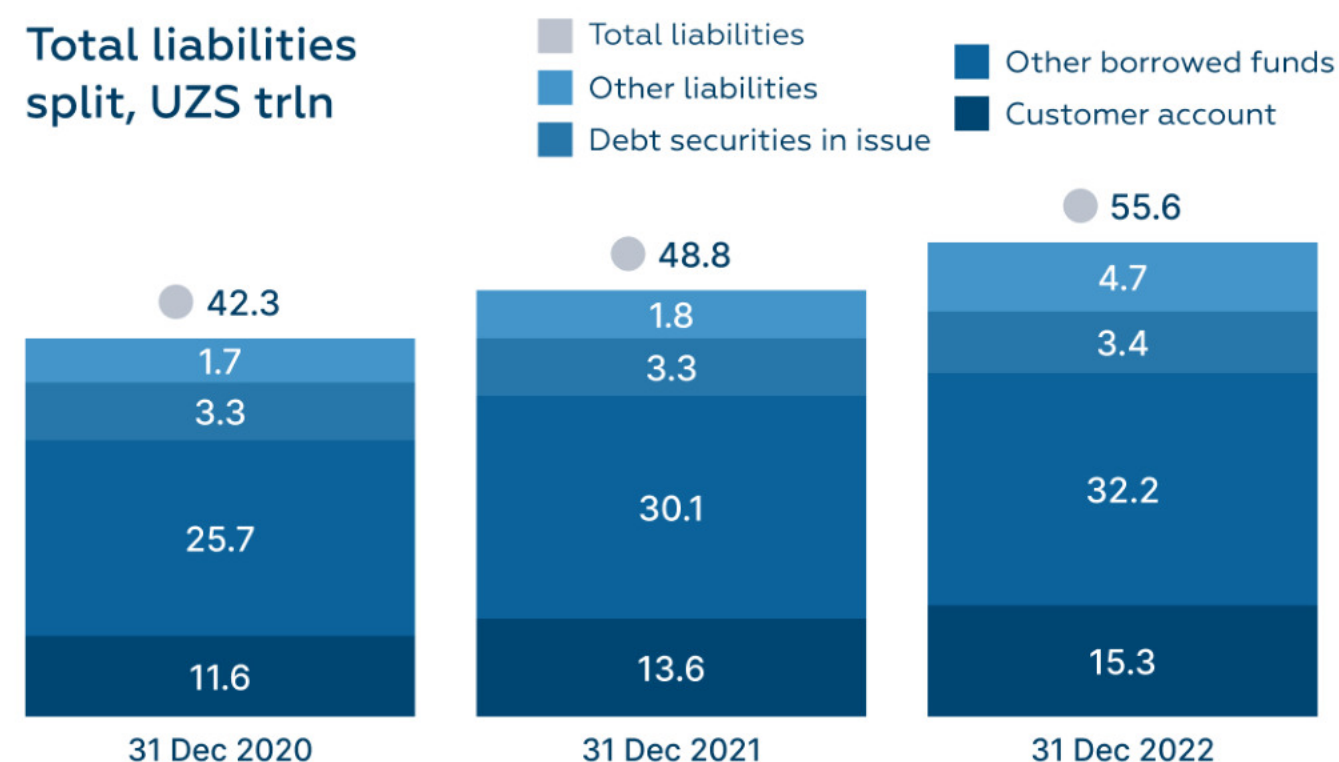
## Total assets composition, UZS trln



## Total equity evolution, UZS trln



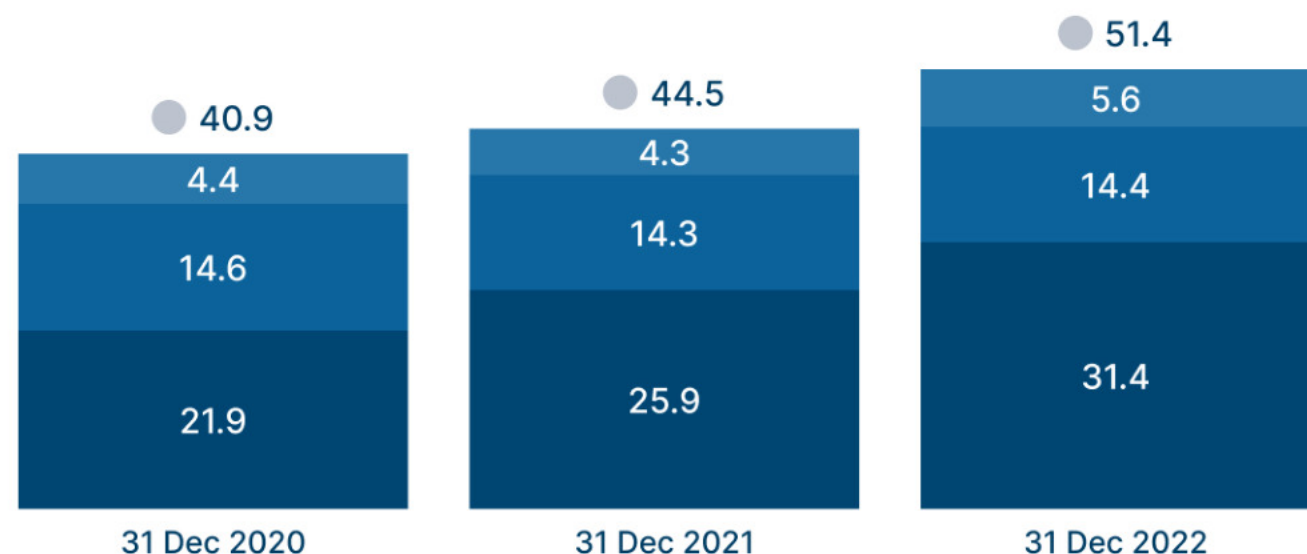
## Total liabilities split, UZS trln



- SQB is the second-largest bank in Uzbekistan, making up 12% of sector assets and loans and 7% of sector deposits at end-2022
- The bank has historically had a strong corporate franchise financing large corporate in strategically important industries, mainly oil & gas, chemicals and energy
- While it retains a strong corporate franchise in key strategic industries, SQB has recently focused on developing commercial SME and retail lending to diversify its operations prior to privatization

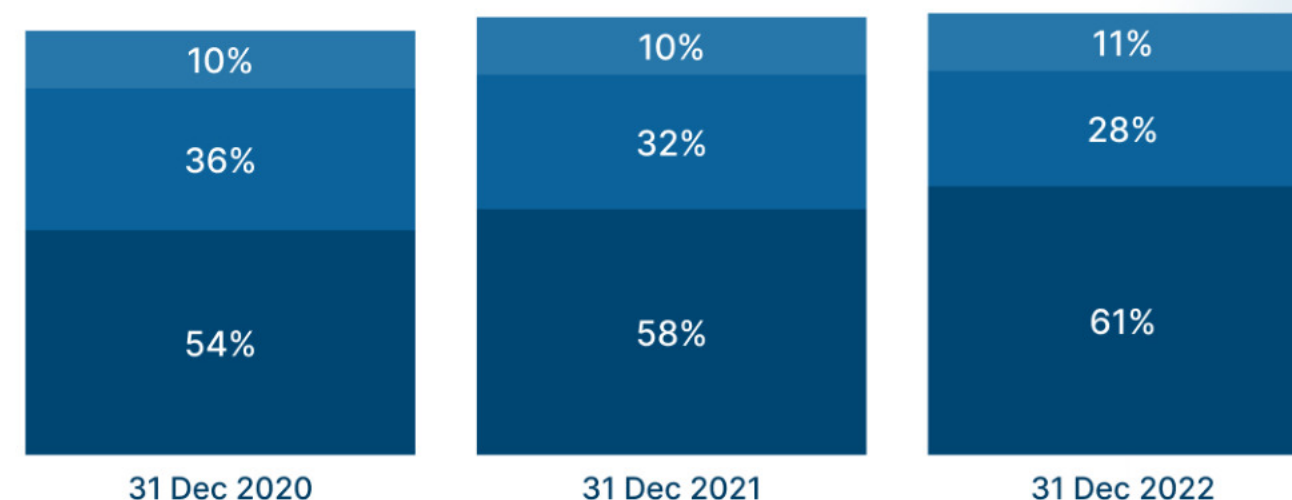
Gross Loan portfolio by customer type, UZS trln

● Gross loan portfolio  
■ Individuals  
■ State and municipal  
■ Corporate loans



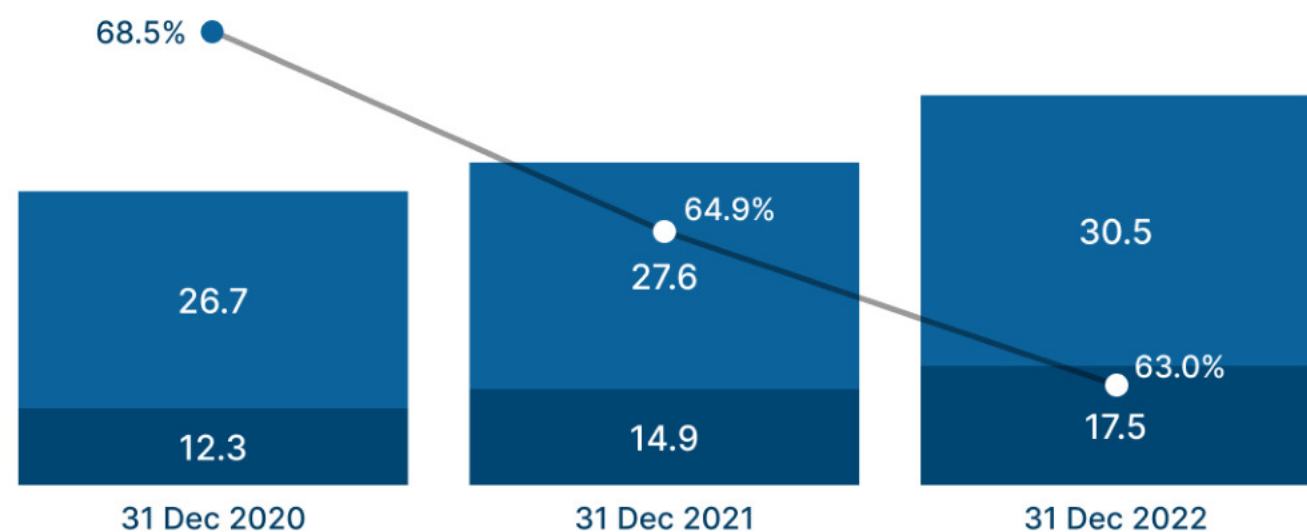
Total loan portfolio concentration, in %

■ Loans to individuals  
■ State and municipal organisations  
■ Corporate loans



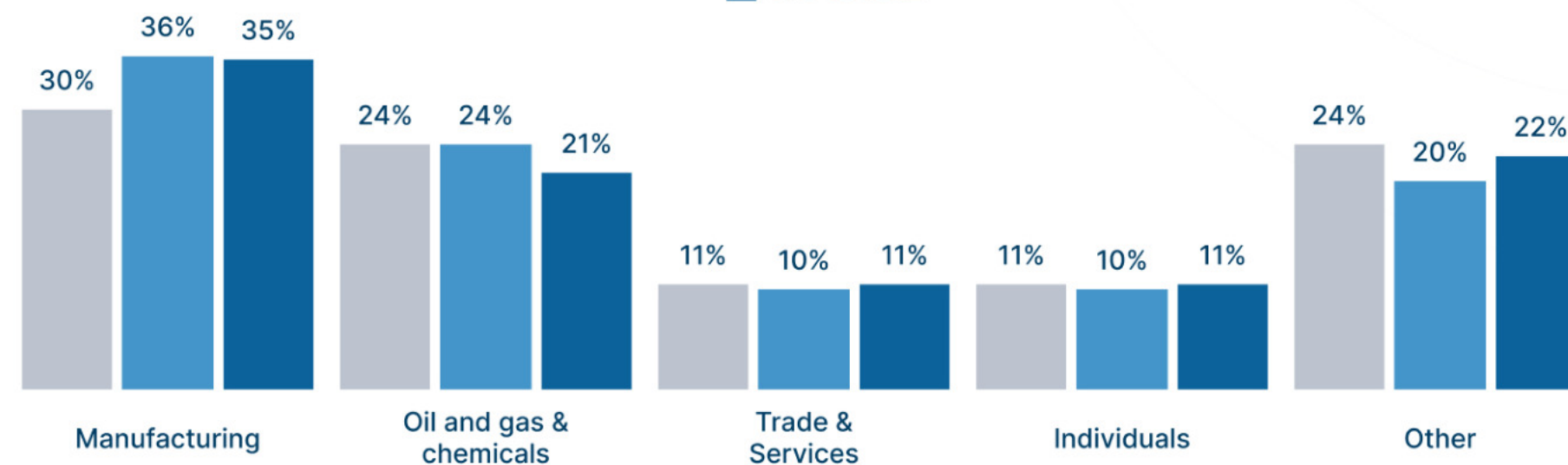
Loan portfolio currency split, UZS trln

■ Foreign  
■ UZS  
● Share of loans in FC



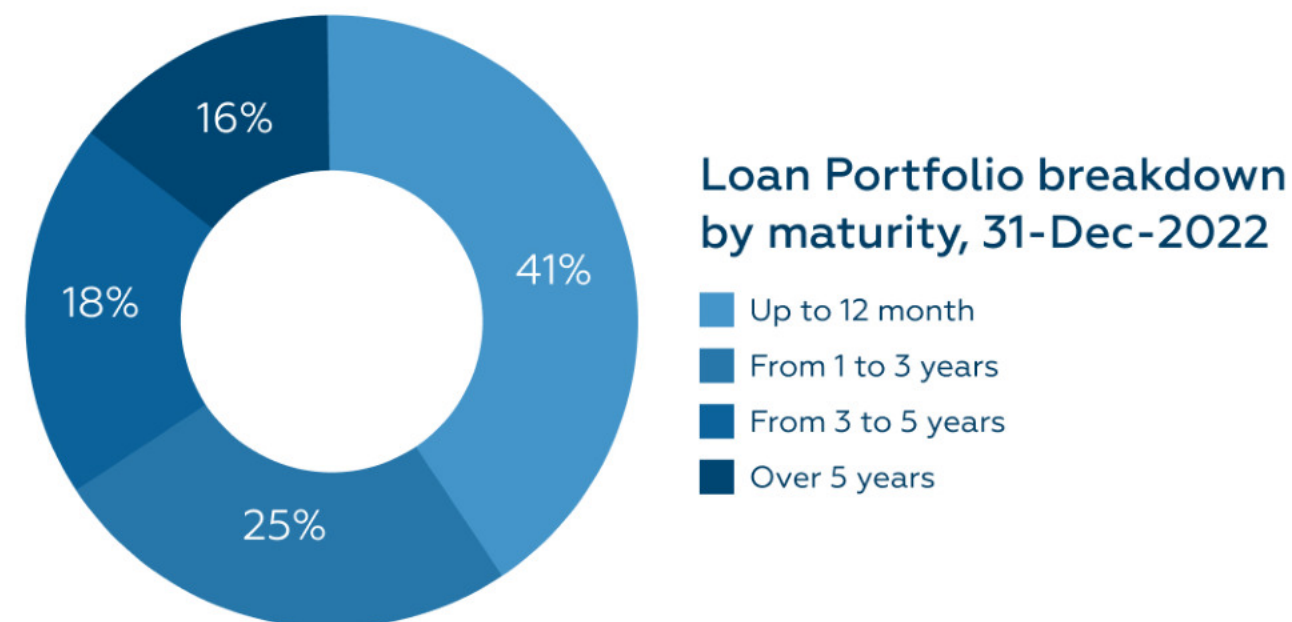
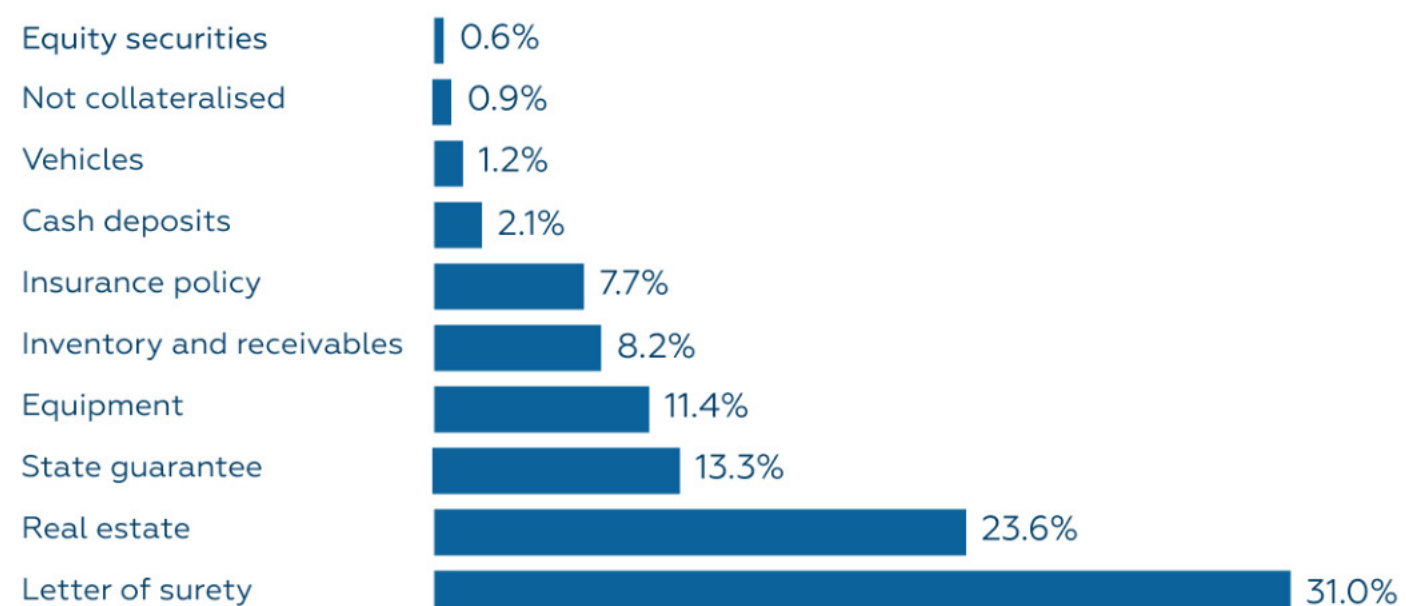
Loan portfolio concentration by economic sectors

■ 31 Dec 2020  
■ 31 Dec 2021  
■ 31 Dec 2022

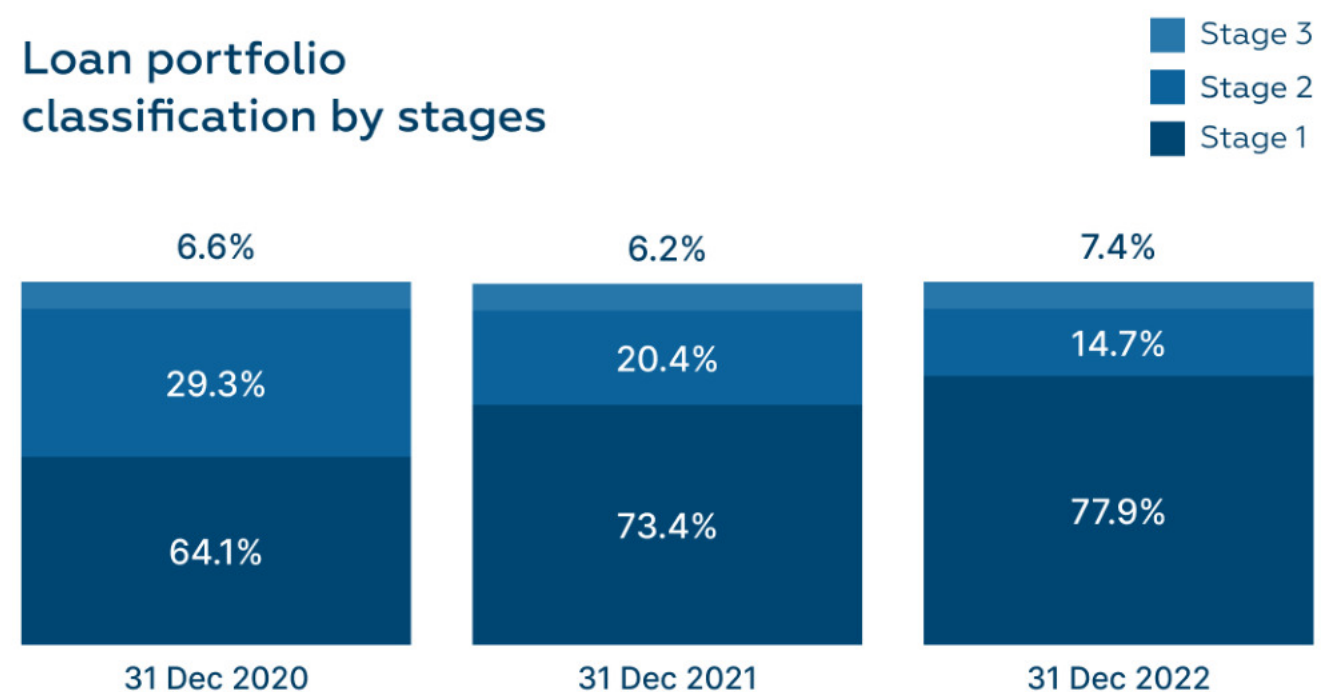




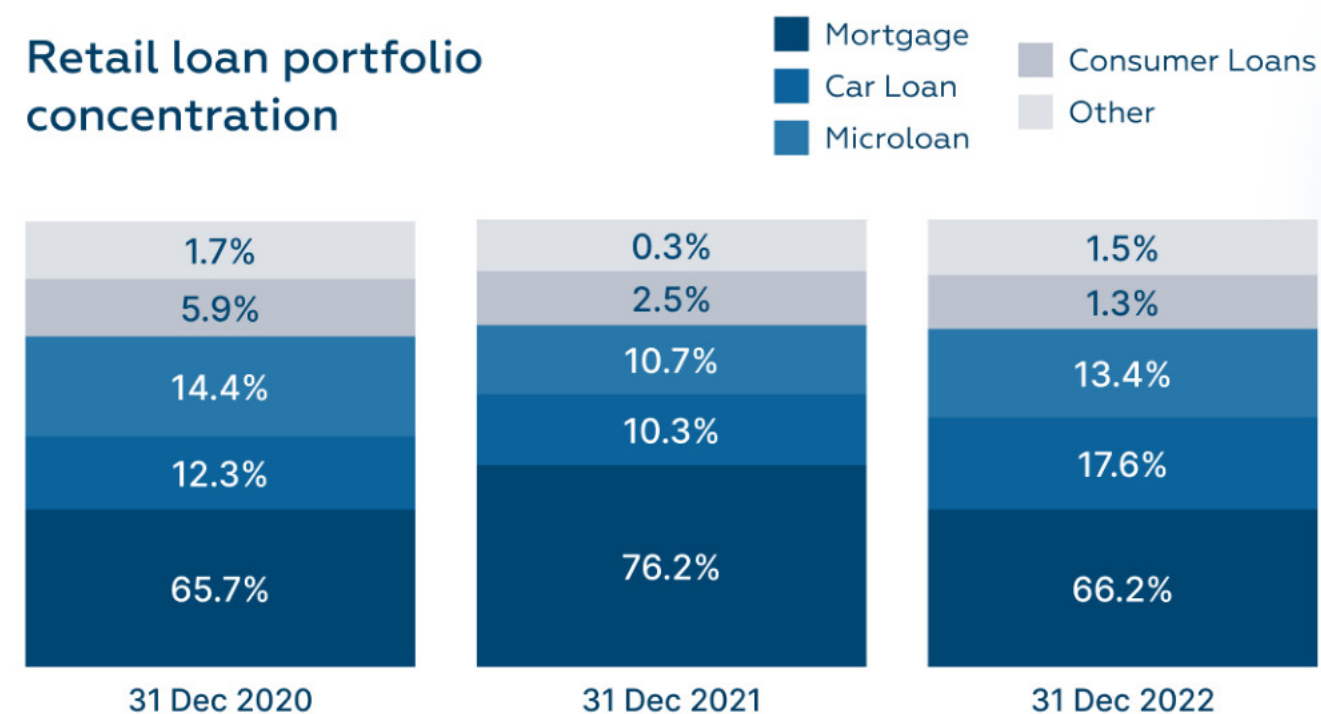
## Loan Portfolio coverage by collateral type, 31-Dec-2022



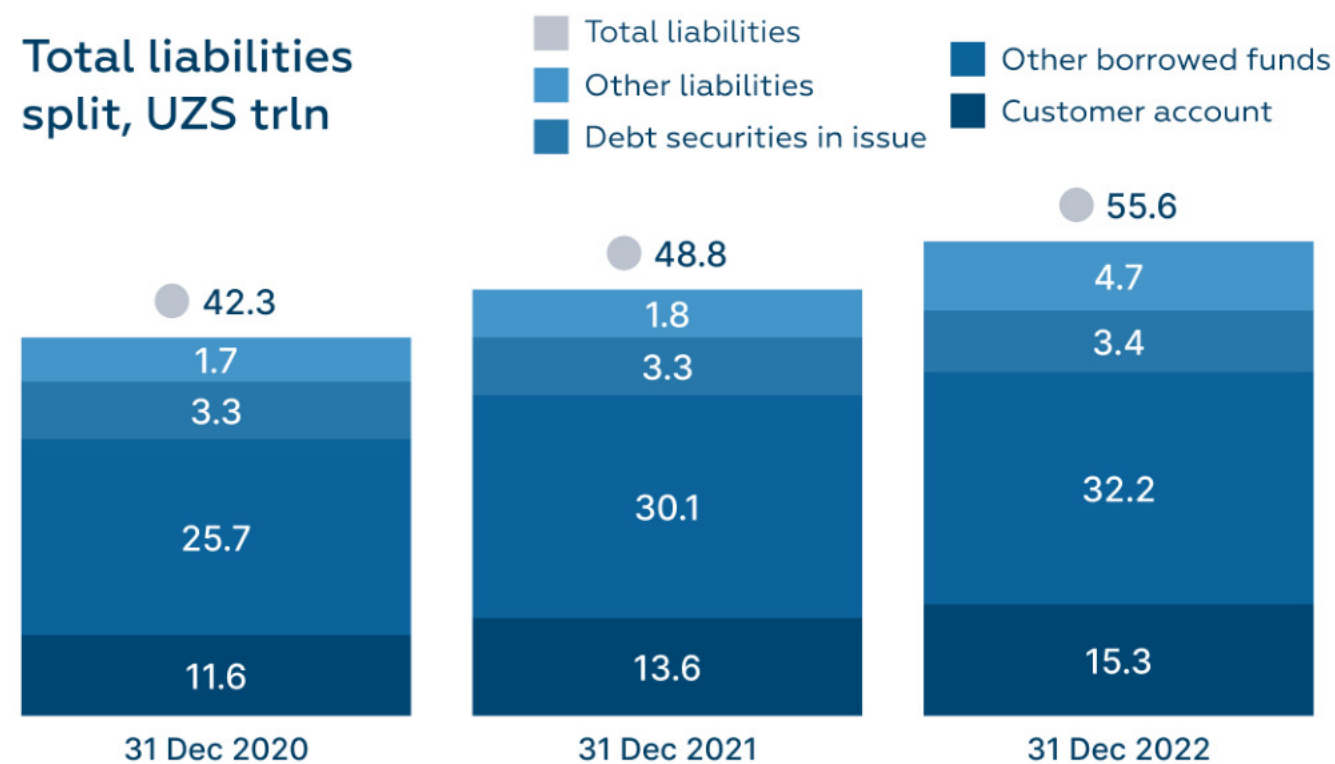
## Loan portfolio classification by stages



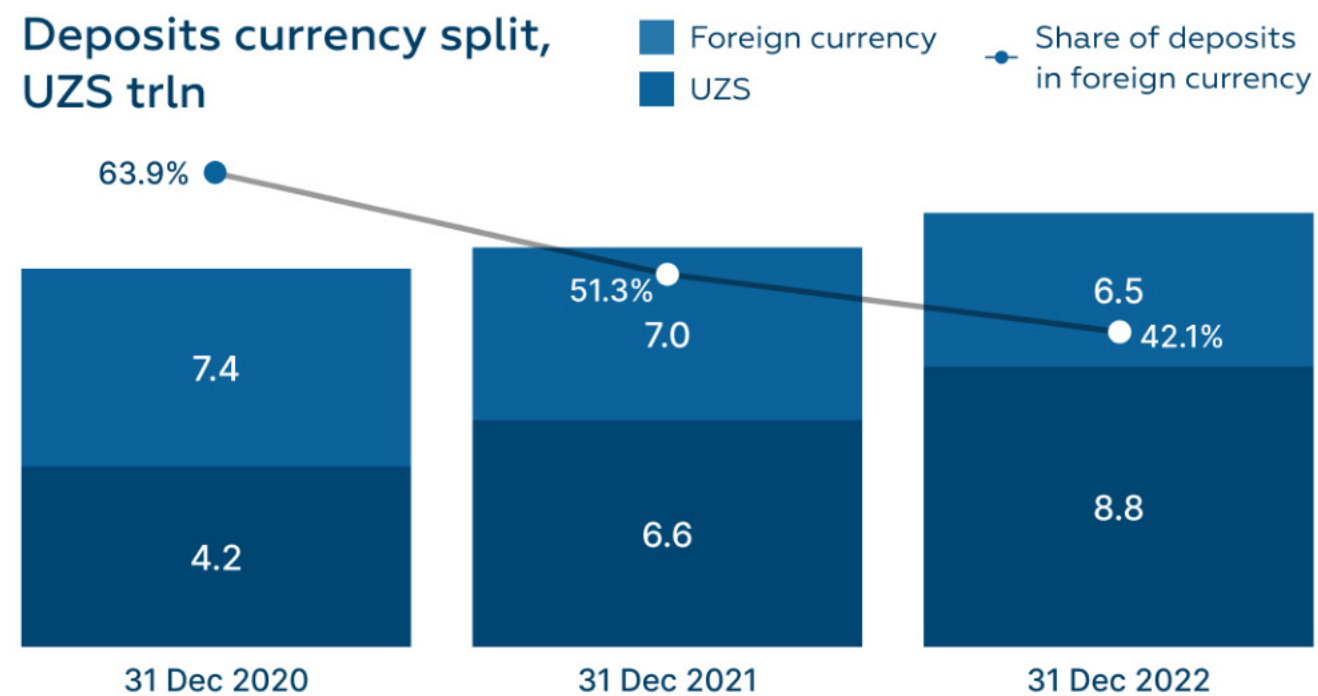
## Retail loan portfolio concentration



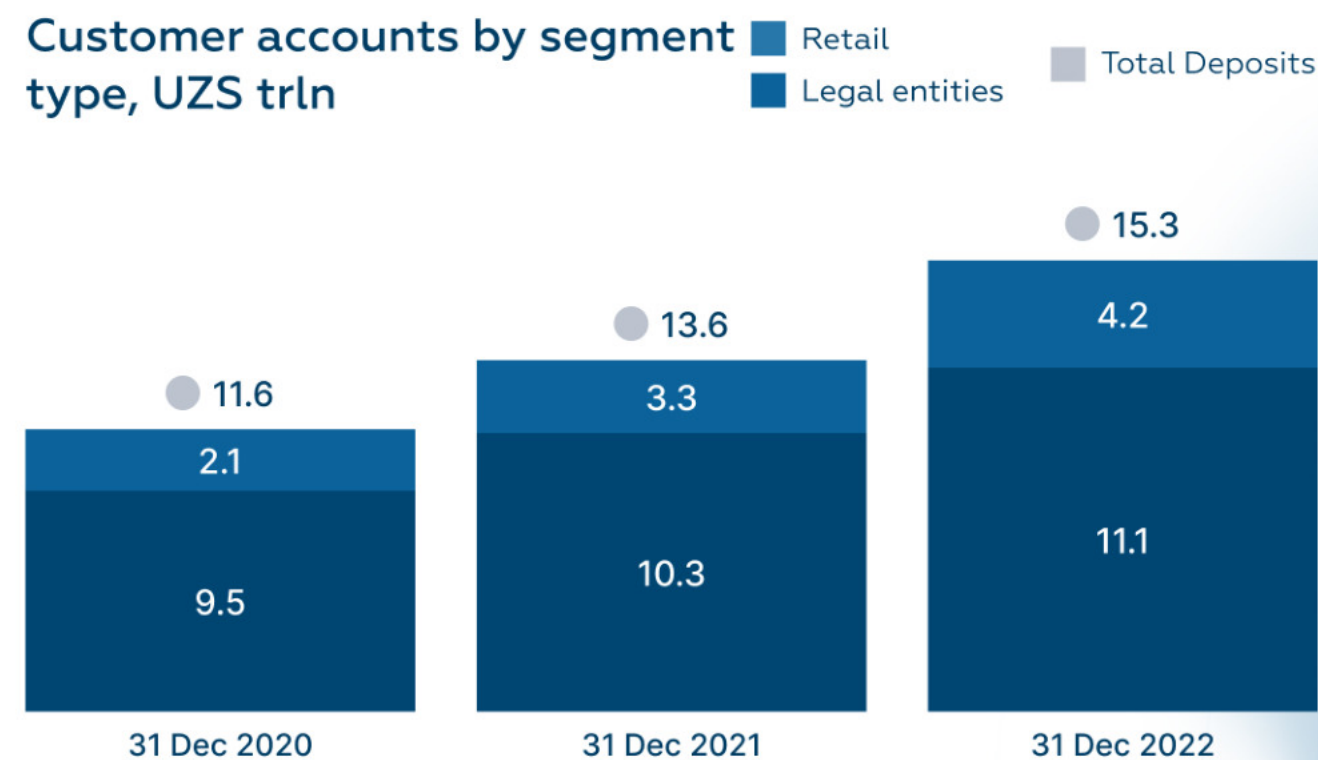
## Total liabilities split, UZS trln



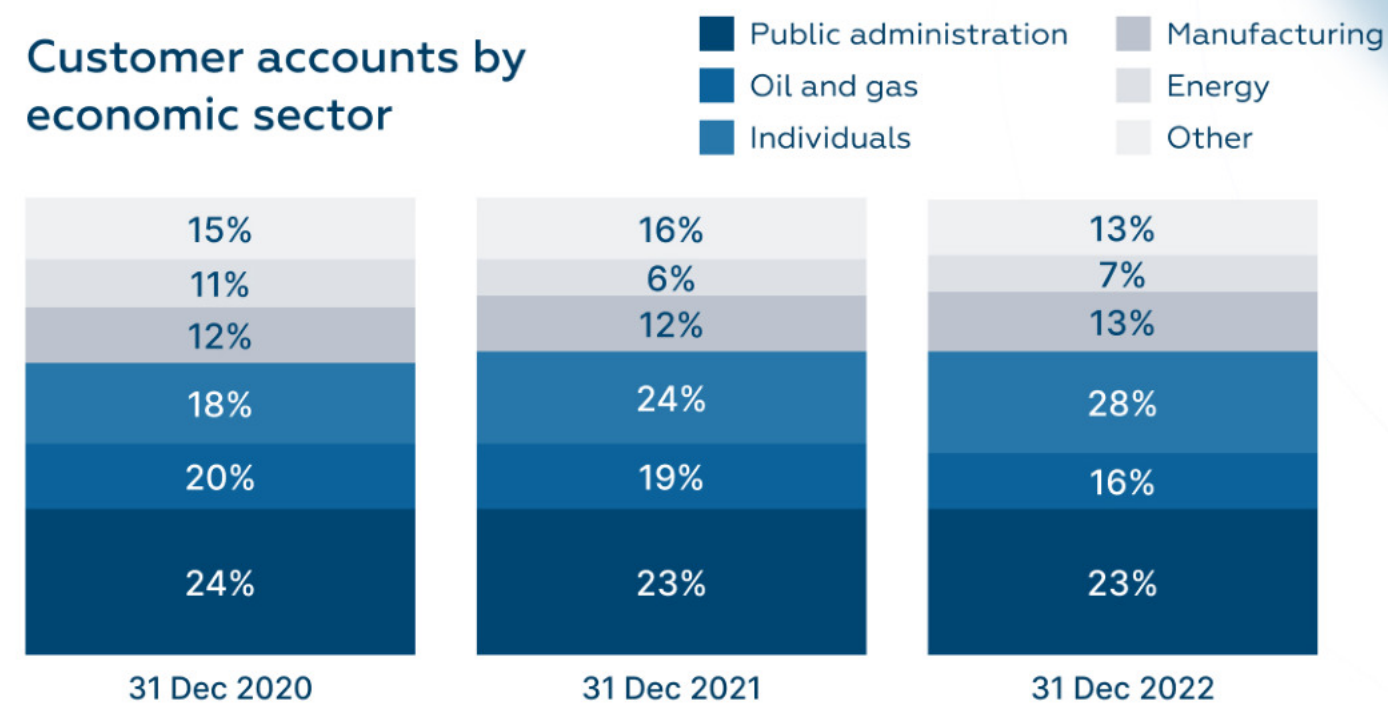
## Deposits currency split, UZS trln



## Customer accounts by segment type, UZS trln

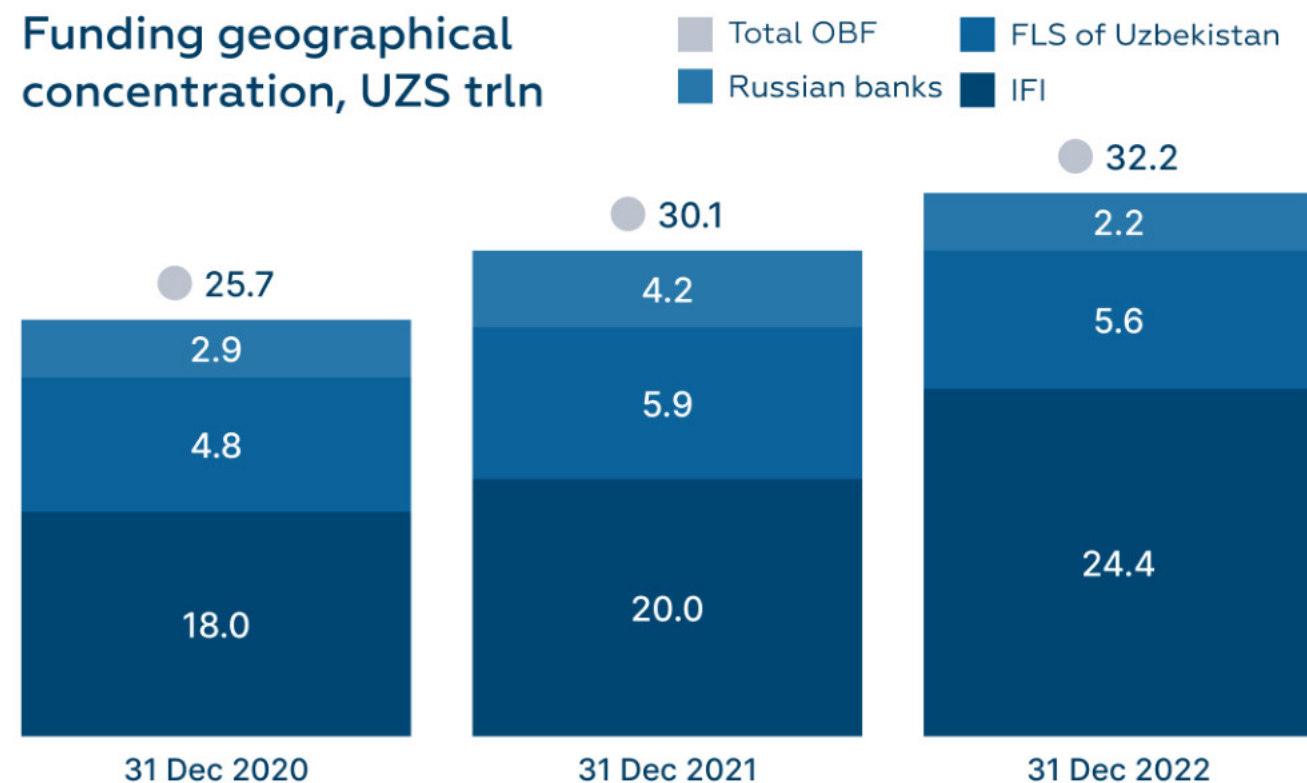


## Customer accounts by economic sector

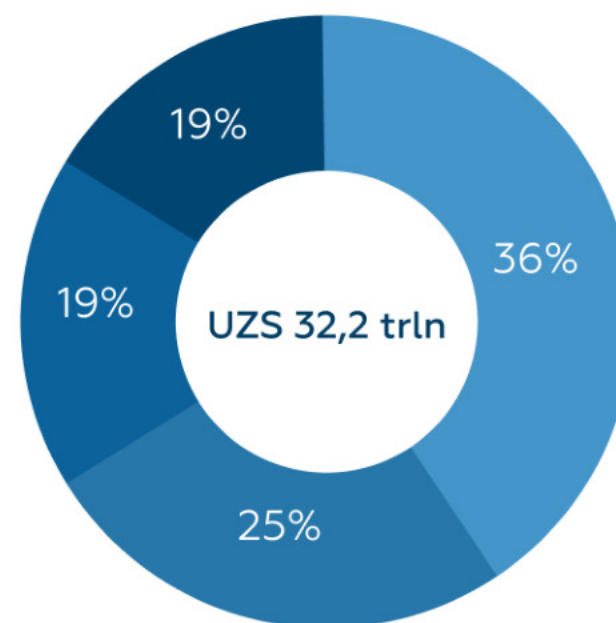
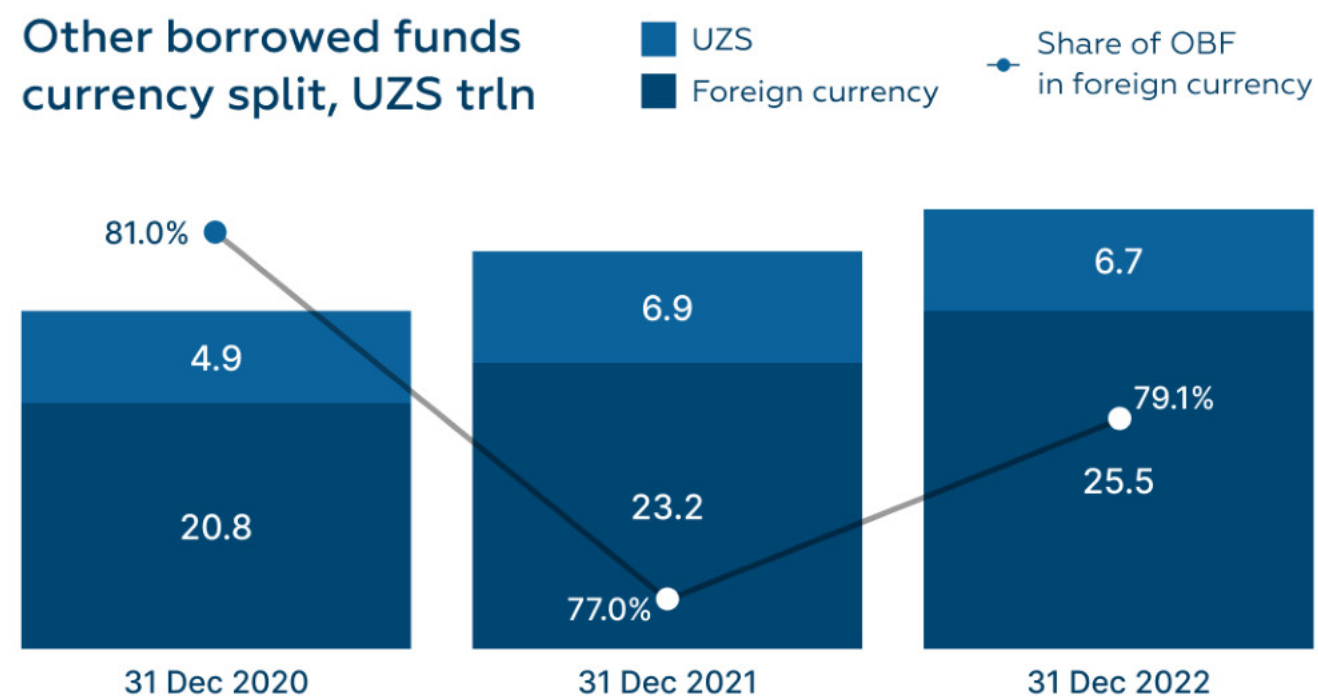




Funding geographical concentration, UZS trln

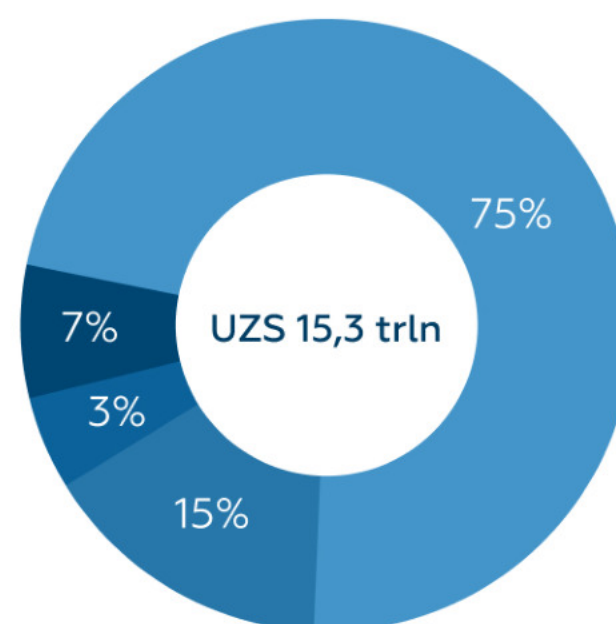


Other borrowed funds currency split, UZS trln



Other borrowed funds maturity profile, 31-Dec-2022

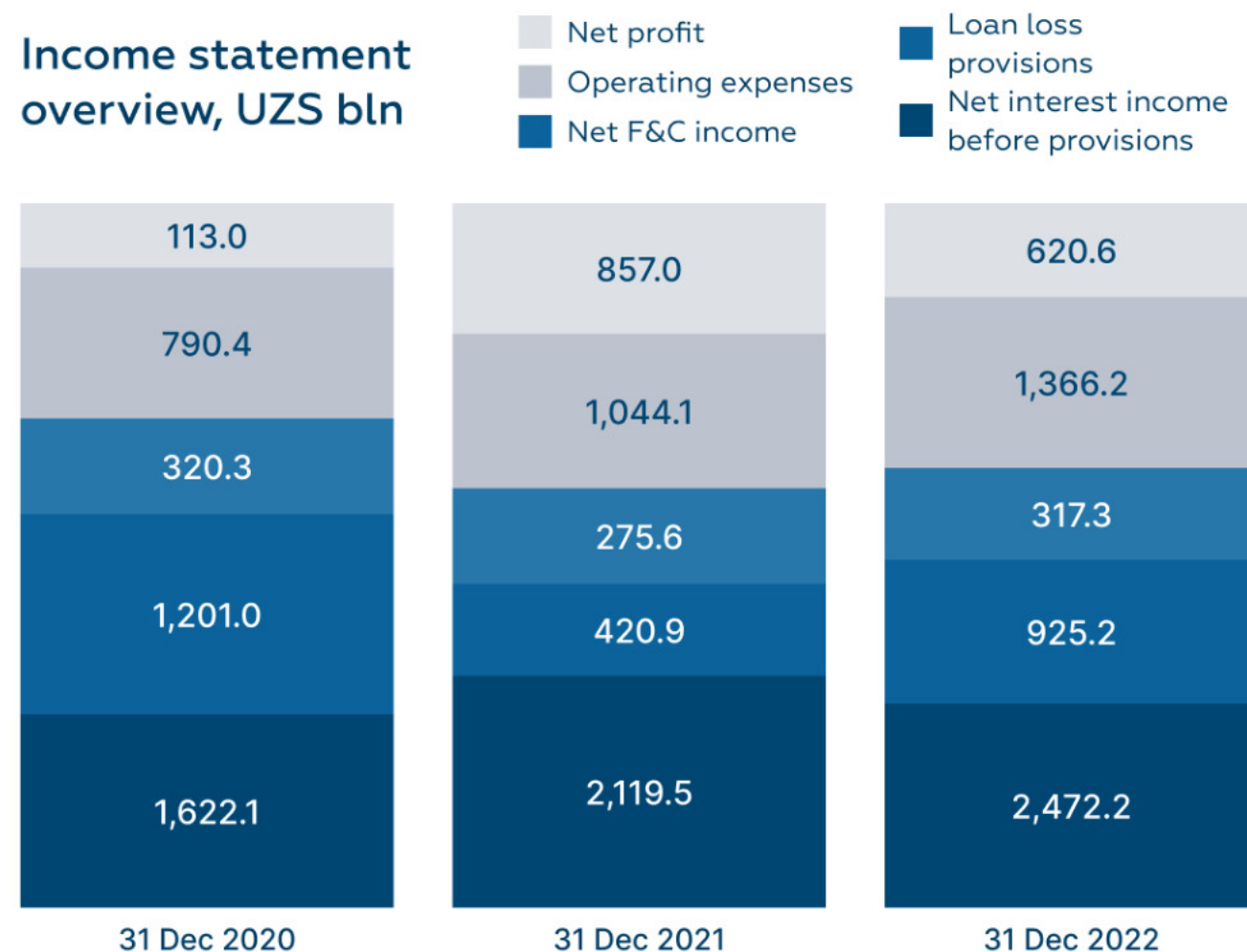
- Up to 12 month
- From 1 to 3 years
- From 3 to 5 years
- Over 5 years



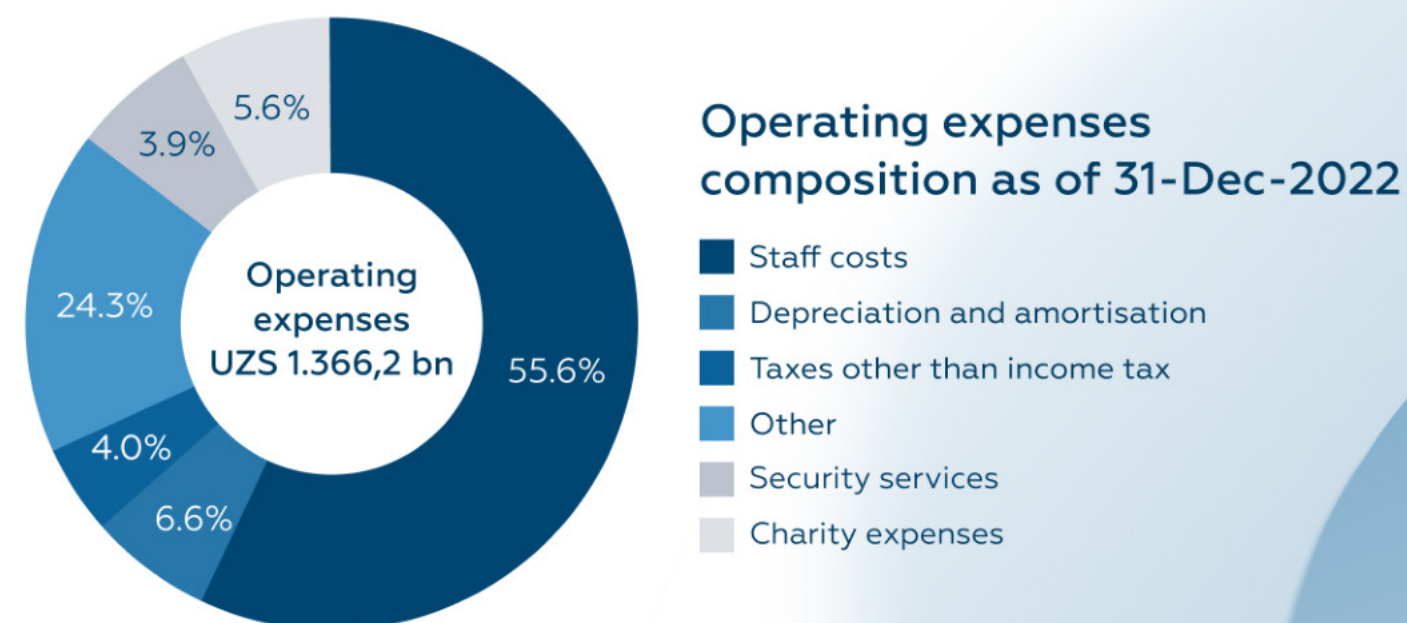
Customer accounts breakdown by maturity, 31-Dec-2022

- Up to 12 month
- From 1 to 3 years
- From 3 to 5 years
- Over 5 years

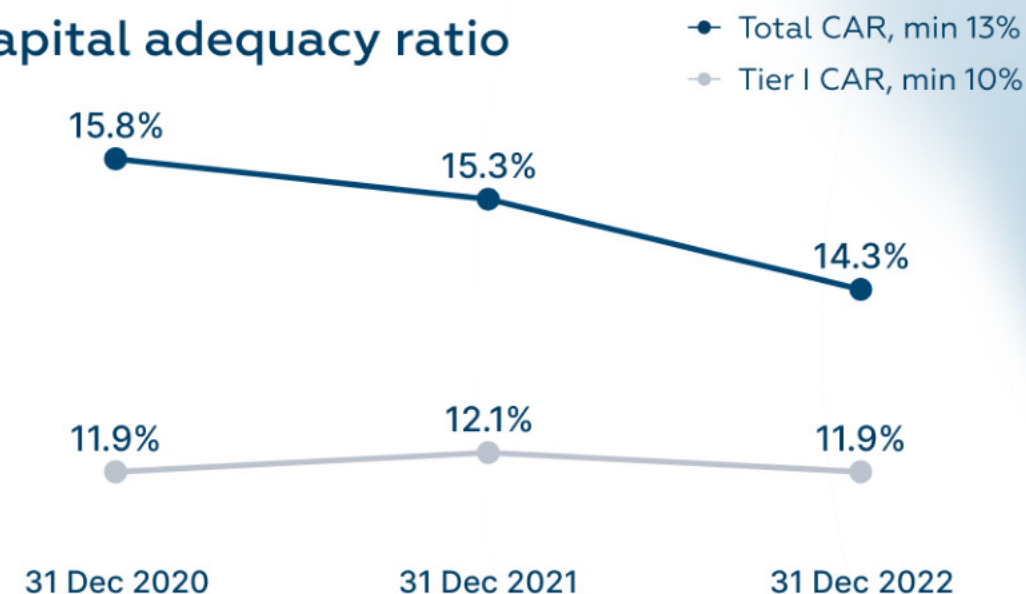
## Income statement overview, UZS bln



- Since SQB was targeted for privatization in 2020, it has not received ordinary capital support from the state, and it will continue up to the eventual sale of the controlling stake
- The bank will have to rely on internal profit generation to support its capital ratios, if convertible loans from IFIs were to be converted into equity, this would boost SQB's CAR ratio by over 300bp



## Capital adequacy ratio

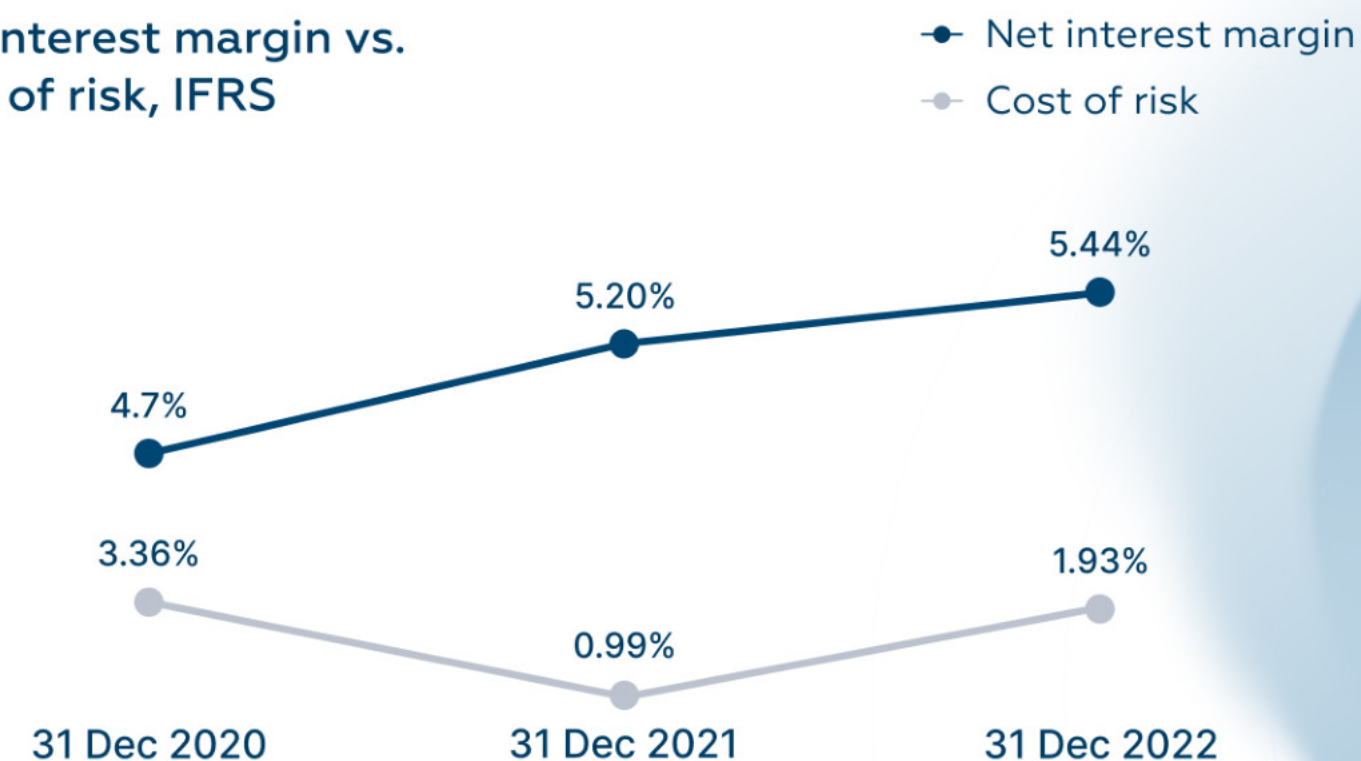




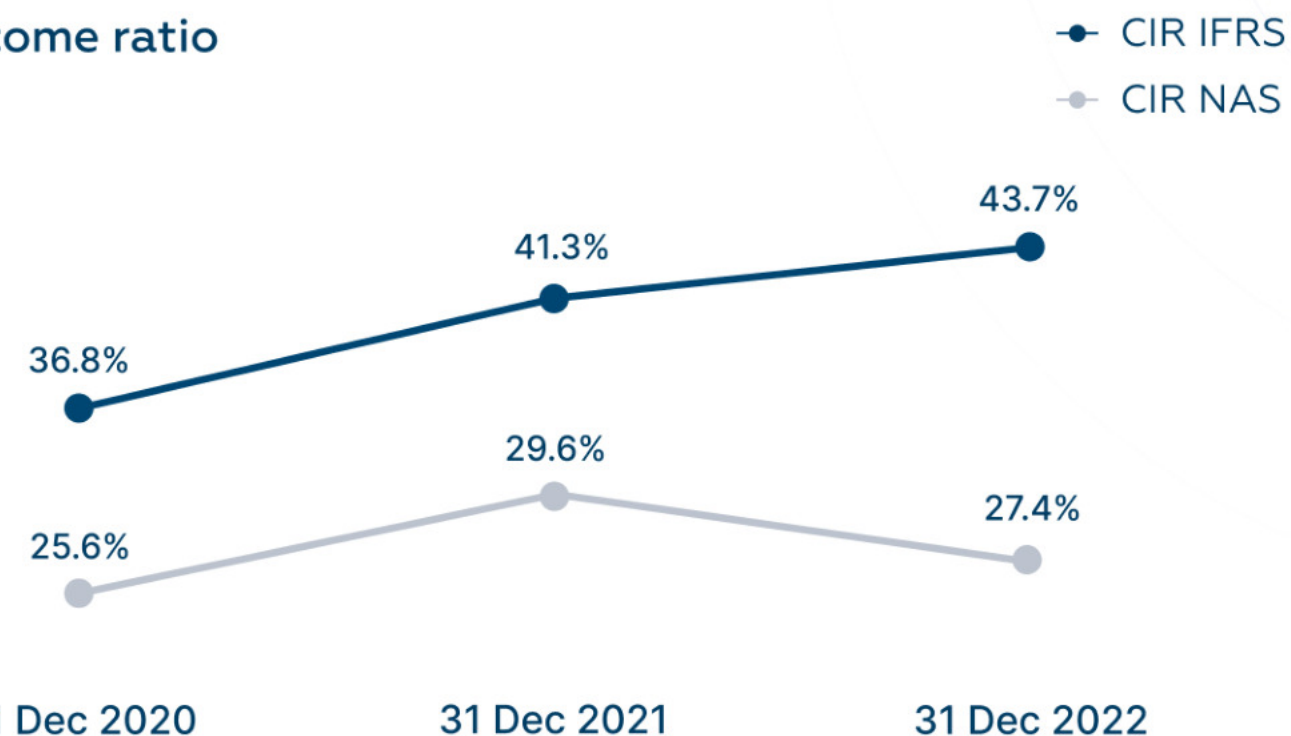
## Key indicators of profitability



## Net interest margin vs. Cost of risk, IFRS



## Cost income ratio



- Due to SQB's shift from low-margin directed lending to commercial business in the past five years, the bank's core profitability has gradually improved, with the net interest margin equal to 5.4% in 2022. However, revenue diversification remains limited, with net interest income contributing about 80% of total operating income
- The bank has maintained good operating efficiency compared to other state-owned banks of Uzbekistan, with its cost to-income ratio averaging 41% in 2019–2022



# **APPENDIX**





## INTERNATIONAL RECOGNITION



Leading partner bank  
in Uzbekistan 2017, 2018, 2019, 2020



Most Active Issuing Bank in Uzbekistan 2020  
Deal of the Year - Green Trade 2020, 2021, 2022



Climate Financing Leadership  
Certificate (CMT) 2022



Best domestic bank in Uzbekistan  
2020, 2021, Best Bank for ESG



Best Partner



1995-2021 Long-standing  
Partnership Award



2021, 2022 Quality  
Recognition Award



Most active bank in the field  
of FX-Trading in Uzbekistan



Awards for Excellence  
2022: Best bank in  
Uzbekistan

**Akmal Palvanov**

Director, Financial Institutions and  
Investor Relations department

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Deputy Head of FI division

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# SUMMARY BALANCE SHEET

	31 Dec 2022 Year End UZSm	31 Dec 2021 Year End UZSm	31 Dec 2020 Year End UZSm	31 Dec 2019 Year End UZSm	31 Dec 2018 Year End UZSm	31 Dec 2017 Year End UZSm
Assets						
Gross loan	51,298,388	44,529,794	40,862,673	30,686,202	28,481,961	20,898,871
Of which impaired	3,784,043	2,777,940	2,690,836	866,957	559,203	24,778
Loan loss allowances	2,877,899	1,992,743	1,902,715	646,417	461,332	538,280
Loan portfolio	48,420,489	42,537,051	38,959,958	30,039,785	28,020,629	20,360,591
Cash and cash equivalents	7,119,489	8,196,652	5,601,186	2,862,574	1,897,133	3,059,367
Other assets	7,651,987	4,998,213	3,762,701	2,943,759	1,108,316	886,826
<b>Total assets</b>	63,191,965	55,731,916	48,323,845	35,846,118	31,026,078	24,306,560
Liabilities						
Customer deposits	15,328,819	13,561,540	11,616,958	9,123,970	5,129,176	3,900,334
Debt securities in issue	3,361,256	3,317,817	3,273,048	2,920,894	67,741	68,885
Other borrowed funds	32,241,760	30,130,776	25,683,457	16,803,214	21,756,155	17,380,160
Other liabilities	4,699,486	1,776,982	1,669,518	677,472	869,537	493,800
Total equity	7,560,644	6,944,801	6,080,864	6,320,568	3,203,469	2,463,381
<b>Total liabilities and equity</b>	63,191,965	55,731,916	48,323,845	35,846,118	31,026,078	24,306,560
Exchange rate	USD = UZS 11225.46	USD = UZS 10837.66	USD = UZS 10476.92	USD = UZS 9507.56	USD = UZS 8339.55	USD = UZS 8120.07

# INCOME STATEMENT

	31 Dec 2022 Year End UZSm	31 Dec 2021 Year End UZSm	31 Dec 2020 Year End UZSm	31 Dec 2019 Year End UZSm	31 Dec 2018 Year End UZSm	31 Dec 2017 Year End UZSm
Summary Income Statement						
Net interest income before provision	2,472,220	2,119,517	1,622,077	1,157,321	671,602	364,690
Net fees and commissions	317,277	275,591	320,323	257,159	203,390	163,013
Other operating income	16,482	40,866	29,773	16,695	3,214	4,286
Operating costs	1,366,177	1,044,146	790,447	659,403	497,539	338,218
Loan and other impairment charges	925,158	420,937	1,200,998	95,454	99,526	-45,732
Profit before tax	831,985	1,071,570	134,482	711,536	266,886	997,953
Tax expense	211,433	214,582	22,358	107,056	48,695	99,446
Net income	620,552	856,988	113,013	604,466	219,396	899,336





**WE CREATE FUTURE  
TOGETHER**