



KDB Bank Uzbekistan

BUSINESS PLAN



FINANCIAL YEAR

2024

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Business Environment & Outlook

Economic Outlook of Uzbekistan

Review of 2023

- In 2023, the economy of Uzbekistan continued to demonstrate stability and steady growth in all sectors of the economy. According to the State Statistics Committee of the Republic of Uzbekistan, the gross domestic product (GDP) of the country increased by 6% last year.
- A slowdown in price growth was noted during the last year. Inflation in Uzbekistan equaled to 8.8% in 2023 against 12.3% in 2022.
- In 2023, investment activity amplified sharply – an increase of 22.1% versus 0.2% in 2022. The increase was achieved due to the growth of non-centralized investments by 26%. In particular, the foreign direct investments and loans grew by 58.9% (FDI almost doubled), the investments financed through the loans of commercial banks and the borrowed funds increased by 17.9%, the investments from the funds of population increased by 8.9%.
- The country's foreign trade activity continued to show high growth rates last year. In 2023, foreign trade turnover reached U\$ 62.5 bln (increased by 23.9% compared to 2022). The volume of exports increased by 23.8% to U\$ 24.4 bln., while the volume of imports - by 24% to U\$ 38.1 bln.

Outlook for 2024

- According to the forecast released on the latest reports of the Central Bank of Uzbekistan and International Financial Institutions, Uzbekistan's GDP expected to grow by 5.5-6% (CBU)¹, 5.6% (WB)², 5.5% (ADB)³, 6.5% (EBRD)⁴ in 2024. The expectation is closely tied with the continuation of structural reforms aimed at enhancing value addition, labor productivity, reducing the shadow economy and attracting foreign investments.
- The Central Bank of the Republic of Uzbekistan is expecting the inflation rate to be at 8-9% in 2024. However, the forecast of International Financial Institutions (ADB³, IMF⁵) is 1% above from Central Bank's expectation and projected at 10%.
- In line with the report on Budget for citizens⁶, the foreign trade turnover in the republic is expected to compose U\$ 67.2 bln in 2024 due to the favorable conditions created for foreign trade and measures taken to support exporters. Particularly, the volumes of export and import are going to constitute U\$ 25.4 bln and U\$ 41.8 bln, respectively. Consequently, a deficit trade balance to be at U\$ 16.4 bln.

Macroeconomic Indicators

Indicator	Unit	FY2021	FY2022	FY2023	FY2024 (P)
Real GDP growth	%	7.4	5.7	6.0	5.5-6
<i>WB</i>		-	-	-	5.6
<i>ADB</i>		-	-	-	5.5
<i>EBRD</i>		-	-	-	6.5
Nominal GDP	U\$ bln	69.2	80.4	90.9	99.8 ⁷
Inflation rate	%	10.0	12.3	8.8	8-9
Foreign trade turnover	U\$ bln	42.1	50	62.5	67.2
<i>Goods: exports fob</i>	U\$ bln	16.6	19.3	24.4	25.4
<i>Goods: imports fob</i>	U\$ bln	25.5	30.7	38.1	41.8
Trade balance	U\$ bln	-8.9	-11.4	-13.7	-16.4
Foreign currency reserves	U\$ bln	35.1	35.7	34.6	32.5 ⁸
Exchange rates					
UZS / U\$		10,837.66	11,225.46	12,338.77	13,640.00
UZS / U\$ (avg.)		10,609.98	11,051.22	11,737.16	13,020.00

¹ CBU (2024) *Monetary Policy Report IV Quarter (2023)* Available at: www.cbu.uz

² World Bank (2023) *Europe and Central Asia Economic Update Fall 2023* Available at: www.worldbank.org

³ ADB (2023) *Asia Development Outlook September 2023* Available at: www.adb.org

⁴ EBRD (2024) *Uzbekistan Country Strategy 2024-2029* Available at: www.ebrd.org

⁵ IMF (2023) *IMF Data Mapper October 2023* Available at: www.imf.org

⁶ Ministry of Economy and Finance (2023) *State Budget for 2024* Available at: www.imv.uz

⁷ Lex.uz (2023) *Law of RUz on the State Budget of the Republic of Uzbekistan for 2024* Available at: www.lex.uz

⁸ IMF (2023) *Regional economic outlook: Middle East and Central Asia October 2023* Available at: www.imf.org

Business Environment & Outlook

Banking Sector of Uzbekistan

Review of 2023⁹

- According to the financial results of the commercial banks as of December 31, 2023, the aggregated total assets of the banking industry increased by 6.5% and reached U\$ 52.8 bln in U\$ equivalent. Also, the aggregated total capital of the commercial banks grew by 10.8% and amounted to U\$ 7.9 bln at the end of 2023.
- As of the end of 2023, the number of commercial banks in Uzbekistan composed 35, out of which 10 are the banks with state ownership. The role of the banks with state ownership in the country's banking system remains significant. Particularly, 67.8% of the aggregated total assets and 65.2% of the aggregated total capital of the entire banking system belong to those 10 banks.
- As of December 31, 2023, the aggregated total assets of the commercial banks are mainly comprised of loans (70.2%), cash & due from banks (16.3%), securities (5.0%), and other assets (8.5%). At the same time, the aggregated total liabilities & equity are comprised of deposits (37.1%), borrowings from financial institutions (34.4%), due to banks (7.0%), bonds (2.0%), other liabilities (4.6%), and equity (14.9%).

Priorities for 2024-2025

- The Government continues the transformation and privatization process of state-owned banks in order to grow the share of private banks in the banking industry. Particularly, privatization of UzPromStroyBank and Asaka Bank had initially been planned to be done until the end of 2023 with the involvement of IFC, EBRD and ADB. However, the Government adjusted the plan and decided to decrease the state share in UzPromStroyBank to 50% until the end of 2024 and privatize Asaka Bank until the end of 2025.
- However, the experts believe that the privatization process may take longer time than planned due to the both banks historically focused on lending the corporate sector and state-owned companies and are now building a more diversified model (including SMEs and retail).
- Additionally, IPO of Business Development Bank (former QQB) has to be placed on the stock exchange until March 2024. Moreover, Agro Bank, Halq Bank, Mikrokredit Bank, Aloqa Bank and National Bank of Uzbekistan must complete the placement of IPO until the end of 2025¹⁰.

Top 20 Banks of Uzbekistan

Financial Summary for FY2023

(Unit: U\$ million)

Rank	Bank	Assets	Equity	EBIT	ROA	ROE
1	National Bank of Uzbekistan	10,334	1,447	192	2.4%	17.6%
2	UzPromStroyBank	6,049	707	96	2.2%	18.3%
4	Agro Bank	5,406	997	64	1.7%	9.3%
3	Asaka Bank	4,702	540	18	0.5%	4.3%
5	Ipoteka Bank	3,861	614	86	2.9%	20.1%
7	Kapital Bank	3,393	343	172	7.7%	80.0%
6	Halq Bank	2,966	477	21	1.0%	5.9%
8	Business Development Bank	2,193	258	24	1.4%	12.1%
9	Hamkor Bank	1,700	305	126	10.6%	63.2%
10	Mikrokredit Bank	1,545	319	5	0.5%	2.2%
13	Ipak Yuli Bank	1,367	223	77	8.1%	50.5%
11	Aloqa Bank	1,300	214	62	6.0%	44.0%
12	Turon Bank	1,292	154	6	0.7%	5.1%
14	Orient Finance Bank	1,064	182	66	8.5%	52.6%
17	Invest Finance Bank	776	96	27	5.0%	40.2%
15	Trust Bank	766	182	80	14.3%	65.3%
16	KDB Bank Uzbekistan	717	106	45	8.0%	64.8%
18	Asia Alliance Bank	651	69	32	7.2%	72.3%
19	Tenge Bank	538	103	5	1.5%	6.7%
20	Davr Bank	497	82	39	12.2%	74.6%

⁹ CBU (2024) Indicators of Banking System of Uzbekistan. Available at: www.cbu.uz
¹⁰ Spot (2023) Privatization of state banks take more time – Fitch Available at: www.spot.uz

Business Plan & Management Strategies

Vision & Major Tasks 2024

VISION

Leading Financial Institution in CIS Region

MAJOR TASKS 2024

Major Tasks for Business Improvement



Development of New Products

- Launching syndicated loan in cooperation with foreign banks
- Research & feasibility study for implementing Islamic finance products
- Preparation for launch of derivative instruments



Improvement of Card Business

- Upgrade of technical infrastructure for VISA and local card systems to improve service quality as well as security and stability of card business



Improvement of Service Quality

- Improvement of quality and speed of services for corporate clients of the bank as well as their staff

Major Tasks for Business Optimization



Improvements in Human Resources

- Analysis of job volumes as well as of roles & responsibilities of the departments and employees



Enhancement of Industry Analysis

- Improvement of the procedure for analysis & review of industries in order to support review & approval of credit applications amid the continuous expansion of the bank's lending activity



Automation of Credit Limit Management System

- Development of comprehensive credit limit management system in Unibanks considering exposure type and grouping (a group of related borrowers, industry, etc.)

Business Plan & Management Strategies

Financial Growth Plan

Considering the current trend in the global financial market as well as the financial environment in Uzbekistan, the financial statements for FY2024 have been projected as follows.

Key Points of Projected Financial Statements

Unit: US\$ thousand, %

Items	2024		2023		
	Plan (A)	Growth (A-C)/C	Plan (B)	Execution (C)	Performance (C/B)
FINANCIAL POSITION					
Total Assets	749,559	4.6%	777,671	716,848	92%
Cash in Vault, Bank Deposits & M/M Placements	459,849	-0.4%	558,890	461,510	83%
Loans	235,000	9.4%	205,000	214,742	105%
Securities	47,000	50.4%	10,000	31,241	312%
Other Assets	7,710	-17.6%	3,781	9,354	247%
Total Liabilities	627,450	2.8%	691,431	610,582	88%
Customer Deposits	502,000	-0.7%	638,700	505,718	79%
Interbank Borrowings	120,000	20.0%	50,000	100,000	200%
Other Liabilities	5,450	12.1%	2,731	4,863	178%
Total Equity	122,109	14.9%	86,240	106,266	123%
INCOME STATEMENT					
Net Interest Income	37,662	-14.1%	28,679	43,865	153%
Net Non-Interest Income	12,310	-2.8%	9,080	12,664	139%
Provision against credit & other loss (Creation - / Return +)	(715)		(2,652)	105	
Net Operating Revenue	49,257	-13.0%	35,107	56,634	161%
Operating Expenses	(14,411)	25.8%	(12,638)	(11,460)	91%
Provision for on- and off-balance standard assets	(823)		(915)	172	
Net Income before Tax	34,023	-25.0%	21,553	45,346	210%
Net Income after Tax	27,218	-25.8%	17,100	36,668	214%
Ex. Rate: UZS/US\$	13,640.00	10.5%	12,572.52	12,338.77	
Average Ex. Rate: UZS/US\$	13,020.00	10.9%	11,898.99	11,737.16	

Note: The Business Plan is prepared in accordance with the local accounting standards. As the Uzbek Soum is the functional currency of Uzbekistan, all the above figures are initially calculated in UZS and converted into US\$ using the forecasted exchange rates (US\$ 1 = UZS 13,640.00 as of December 31, 2024 and US\$ 1 = 13,020.00 – average exchange rate for 2024) for presentation purposes only.

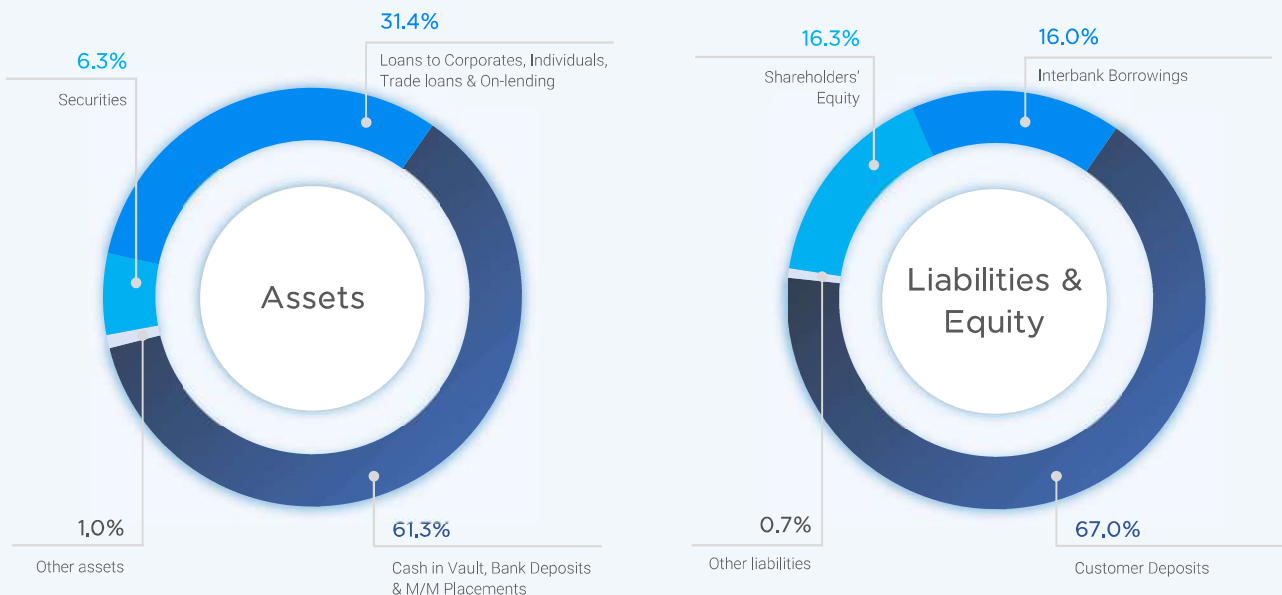
Notes to Key Points of Projected Financial Statements

According to the Business Plan, Total Assets are expected to amount to U\$ 749.6 mln at the end of FY2024, which has been forecasted based on a conservative approach due to the uncertainties in the global geopolitical situation. On the other hand, Total Liabilities are forecasted to amount to U\$ 627.5 mln at the end of FY2024.

In the structure of Total Assets and Total Liabilities, the following main changes are forecasted:

- Growth of Operating Assets (loans and debt securities) by U\$ 36 mln
- Additional Attraction of Interbank Borrowings by U\$ 20 mln

Total Equity is forecasted to grow by U\$ 15.8 mln despite the projected net income for U\$ 27.2 mln (equivalent of UZS 354.4 bln) mainly due to the expected devaluation of UZS against USD in 2024.



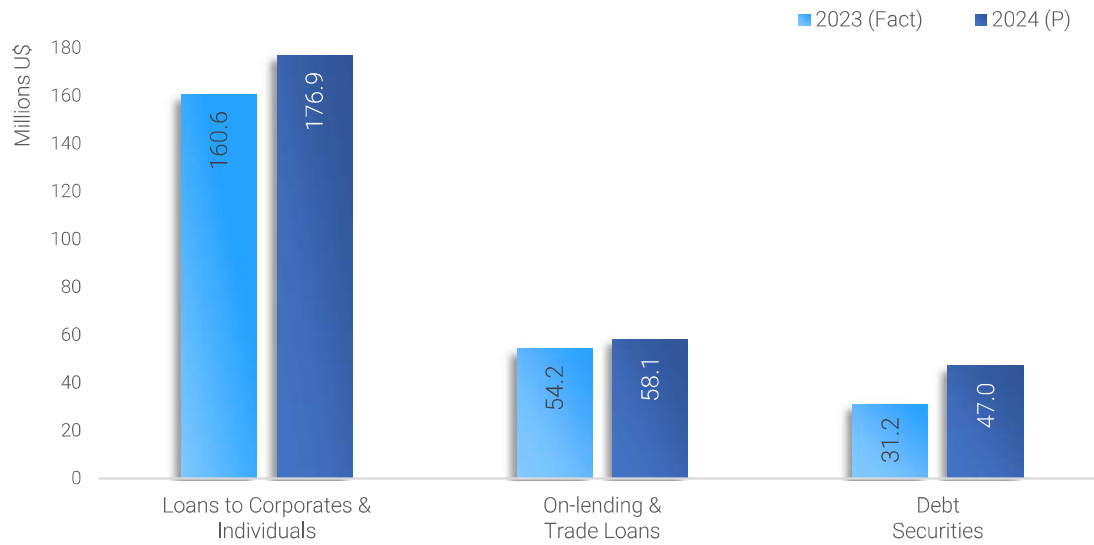
Operating assets

Operating Assets of the Bank are constituted by loans and investments in debt securities (bonds, treasury bills, etc.) of financial institutions and governments both local and foreign.

In 2024, the Bank has a plan to increase Operating Assets by U\$ 36 mln (or 14.6% in U\$ equivalent) in the following way.

- Growth of loans to corporates and individuals by U\$ 16.4 mln (or 10.2%);
- Growth of on-lending and trade loans to local banks by U\$ 3.9 mln (or 7.2%);
- Growth of investments into debt securities by U\$ 15.7 mln (or 50.4%).

Operating assets (2023 fact vs. 2024 plan)



Growth of Loans to Corporates and Individuals

(▲ U\$ 16.3 mln)

In 2024, the Bank will strengthen its activities aimed at attracting corporate borrowers with strong positions in their industries. As usual, the Bank will continue a conservative approach when reviewing the financial activity and business plan of the borrowers before financing their projects with loan funds.

Particularly, the Bank will mainly grant loans to the top manufacturing companies of mining & metallurgy, oil & gas, beverages & food processing,

cable products, construction materials, pharmaceuticals, textile, plastic goods, and paper & hygienic products industries with financially sound performance. Additionally, the Bank has a plan to accelerate syndicated loan deals in cooperation with other foreign and local banks.

At the end of 2024, the net amount of the loans to corporates & individuals is projected to reach U\$ 176.9 mln in comparison with U\$ 160.6 mln at the end of 2023.

Growth of On-lending & Trade Loans (▲ U\$ 3.9 mln)

In 2020-2021, the Bank first introduced the on-lending & trade loans to local banks in order to support small business enterprises and trade finance activity in Uzbekistan. During the last three years, several local banks are granted with on-lending and trade loans.

The total outstanding amount of on-lending and trade loans at the end of 2023 constituted U\$ 54.2 mln. In 2024, the Bank has a plan to grow the on-lending & trade loans up to U\$ 58.1 mln.

Investment in Debt Securities (▲ U\$ 15.8 mln)

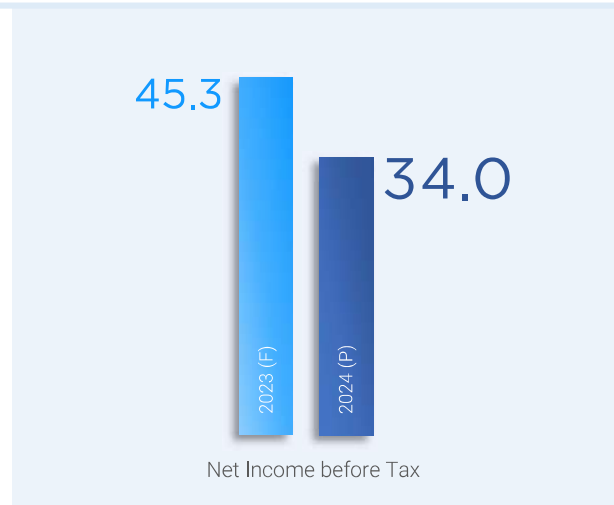
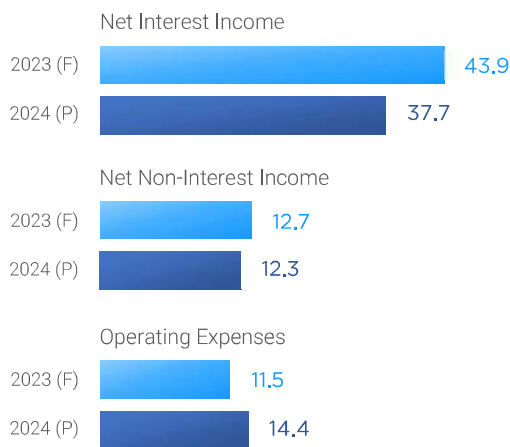
In 2023, the Bank purchased the securities issued by the Central Bank and Ministry of Finance of the Republic of Uzbekistan as well as by the Treasury of the United States. The total outstanding amount of the debt securities was equal to U\$ 31.2 mln as of December 31, 2023.

In 2024, the Bank is going to boost its investment activity in debt securities in order to grow and diversify Operating Assets. At the end of 2024, the Bank’s investments in debt securities are expected to reach U\$ 47 mln.

Profitability

Main indicators of Profitability (2023 fact vs. 2024 plan)

(Unit: US\$ million)



Net Interest Income

In 2024, Net Interest Income is expected to decrease by US\$ 6,203 ths in comparison with 2023 due to the following main changes in interest income and expenses:

- Growth of interest income (▲ US\$ 8,042 ths) from Loans and Investments in Debt Securities in line with the expansion of Operating Assets;
- Decrease of interest income (▼ US\$ 8,201 ths) from Money Market Placements mainly due to the expected decline of interest rates in global money markets and decrease of average customer deposits;
- Growth of interest expenses (▲ US\$ 6,044 ths) for attraction of customer deposits and additional interbank borrowings.

Net Non-Interest Income

Due to the high market competition among the commercial banks and the pandemic situation, the Bank experienced a downward trend of Net Non-Interest Income in 2017-2020 years. Particularly, Net Non-Interest Income of the Bank amounted to US\$ 4,462 ths (historical minimum) in 2020.

However, the situation with the fee business of the Bank began to change in a positive direction starting

from 2021 and the Bank's Net Non-Interest Income grew in 2021-2023 amounting to US\$ 6,728 ths in 2021, US\$ 9,879 ths in 2022 and US\$ 12,664 in 2023.

Considering the toughened competition and unstable geopolitical situation, the Bank conservatively plans to earn Net Non-Interest Income of US\$ 12,310 ths in 2024 which is the slightly less than 2023 (▼ US\$ 354 ths).

Provision, Operating Expenses and Net Income before Tax

The Bank is conservatively forecasting the Provisions for credit losses (US\$ 715 ths in 2024 vs. US\$ -194 ths in 2023) and standard assets (US\$ 823 ths in 2024 vs. US\$ -172 ths in 2023). Moreover, Operating Expenses of the Bank is expected to grow by US\$ 2,951 ths and reach US\$ 14,411 ths in 2024.

As a result of conservatively forecasted figures of Net Interest and Non-Interest Income as well as the Provisions and Operating Expenses in 2024 comparing with 2023, the Bank's Net Income Before Tax is forecasted to be less in 2024 by US\$ 11,323 ths than that in 2023.

Business Plan & Management Strategies

Annual Budget & Details

Operating Expenses

In 2024, the Bank's operating expenses are projected to grow by 25.8% in U\$ terms compared with 2023. The projected growth amount is equal to U\$ 2,951 ths.

(Unit: UZS million, U\$ thousand)

Items	Projection 2024		Actual 2023		Change in U\$		Remarks
	UZS	U\$	UZS	U\$	Amount	%	
Salary & Other Staff Cost	133,495	10,253	97,264	8,287	1,966 ¹	23.7%	Local & Foreign staff salaries and other staff related costs
Rent & Maintenance	13,334	1,024	8,906	759	265 ²	35.0%	Payments for rent, guarding, repair & maintenance, utilities
Trip & Transportation	1,263	97	804	68	29	41.6%	Business trip, fuel expenses
Administrative Expenses	5,598	430	4,359	371	59	15.8%	Communication expenses, stationery & office supply expenses, subscription fees to periodicals
Representation & Membership Fees	9,265	712	8,057	686	25	3.7%	Membership fee to Deposit Guarantee Fund, charity, representation, entertainment, etc.
Depreciation & Amortization	16,800	1,290	9,840	838	452 ³	53.9%	Depreciation of fixed assets and amortization of intangible assets
Other expenses	5,275	405	4,587	391	14	3.7%	Payments for insurance, audit, legal and other consulting services, to independent Supervisory Board members, taxes other than income tax, etc.
Reserve	2,604	200	690	59	141	240.4%	Reserves for unforeseen expenses in case of urgent necessity
Total	187,635	14,411	134,507	11,460	2,951	25.8%	
Aver. Ex. Rate	13,020.00		11,737.16				

¹⁾ mainly due to the increase of the amount of salary and other benefits to staff

²⁾ mainly due to the increase of maintenance expenses of the existing and new IT projects (incl. fees for consulting services related to IT)

³⁾ mainly due to the purchase of new fixed & intangible assets, particularly IT equipment and licenses

Capital Expenditures

(Unit: U\$ ths)

#	Major Expenses	Projection 2024
	Improvement of IT	7,515
1	- IT Infrastructure Improvement	4,765
	- IT Development (incl. Digital Banking Solutions)	2,750
2	Card Business	1,350
	General Affairs (Vehicles, Furniture & Equipment)	350
3	- Head office	300
	- Oybek Branch	50
	TOTAL	9,215

Improvement of IT

In 2024, the Bank is going to spend U\$ 7,515 ths for improvement of the Bank's IT infrastructure as well as for further digitalization of its business. Particularly, U\$ 3,905 ths is allocated for purchase of IT equipment, U\$ 860 ths - for purchase of licenses & software and U\$ 2,750 ths – for upgrade and development of IT applications (incl. digital banking solutions) such as Internet Banking, Management Information System (MIS BI), Intranet System, Mobile Banking, Compliance Management System, Risk Management System, and others.

Card Business

In 2024, the Bank has a plan to spend U\$ 1,350 ths for further development of Card Business, particularly U\$ 290 ths – for purchase of ATMs & POS-terminals, U\$ 1,000 ths – to upgrade of technical infrastructure (hardware, software & licenses, new services & features) for VISA card system and U\$ 60 ths – for other purposes.

General Affairs (Vehicles, Furniture, Equipment)

In 2024, the Bank is planning to purchase new vehicles, furniture and equipment for the amount of U\$ 350 ths including U\$ 300 ths for the Head Office and U\$ 50 ths for Oybek Branch.