



**Creating  
Opportunities**

## **Investor Presentation**

September, 2021

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# Management team (Speakers)



**Elyor Inomjonov**  
Chairman of  
Management Board



**Jahongir Fayazov**  
Deputy Chairman of  
Management Board  
(CRO)



**Aziz Mukhitdinov**  
CFO (Finance)



**Jamshid Khayrullaev**  
Head of Treasury

## Experience

- 21 years in the industry
- 7 years with Ipoteka

- 23 years in the industry
- 15 years with Ipoteka

- 21 years in the industry
- 15 years with Ipoteka

- 15 years in the industry
- 2 years with Ipoteka

## Section 1

**Operating environment: key developments and Ipoteka at glance**

## Section 2

**Financial Performance Highlights**

## Section 3

**Funding, liquidity and capital**

## Section 4

**Appendix**

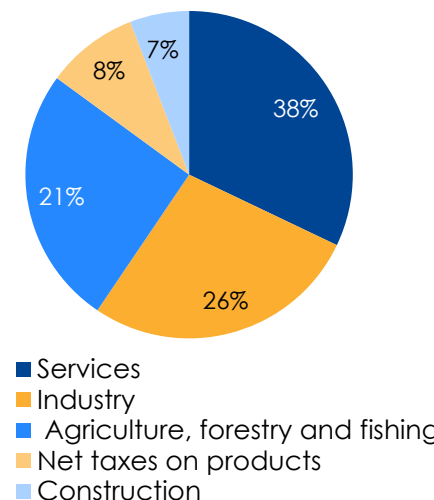


# Macroeconomic outlook for Uzbekistan

Significant economic reforms resulting in continuing growth and opportunities

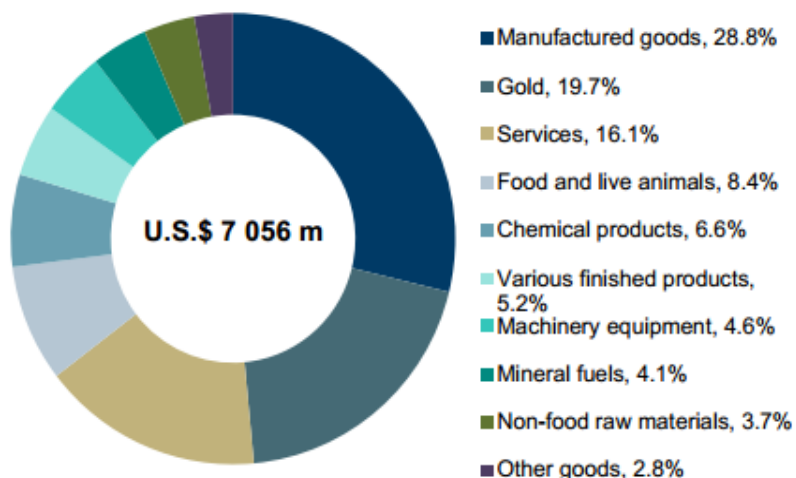
Macro Indicators	2018	2019	2020	1H 2021	2021 (forecast)
Population	33.0m	33.3m	34.6m	34.8m	35.0m
GDP	UZS 407.5tn USD 50.4bn	UZS 511.8tn USD 57.9bn	UZS 580.2tn USD 55.2bn	UZS 318.5tn USD 30.3bn	UZS 608.0tn USD 57.8bn
GDP Growth	5.1%	5.6%	1.6%	6.2%	5.0%
Unemployment	5.7%	5.9%	10.5%	13.2%	12.0%
Official Reserve Assets, U.S.\$ bn	28.1	29.2	34.9	34.1	-
Foreign trade turnover, U.S.\$ bn	33.5	42.2	36.3	18.0	-

## GDP composition, 1H2021



- Real GDP growth in Uzbekistan of **6.2%** in 1H 2021 remains one of the highest in CIS and mostly supported by state investments
- Industry production index** was **8.5% (YoY)**, mostly driven by mining and quarrying
- Services** real growth was **8.0%**
- Agriculture** grew by **1.8%**
- Declining Inflation rate is in line with CBU inflation targeting policy (5% by YE2023)

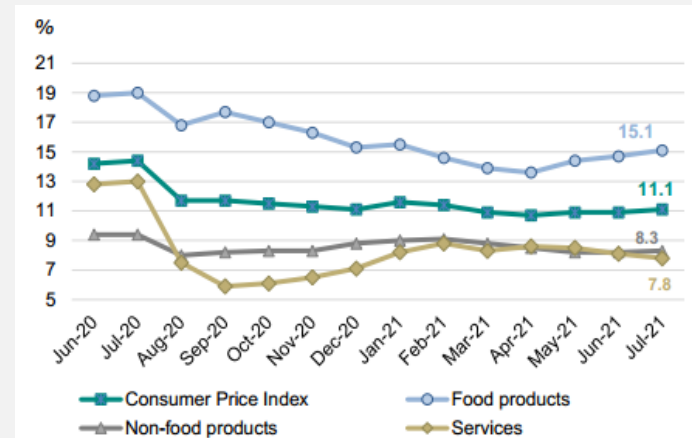
## Structure of Exports, 1H2021



## Structure of Imports, 1H2021



## Inflation rate (CPI)

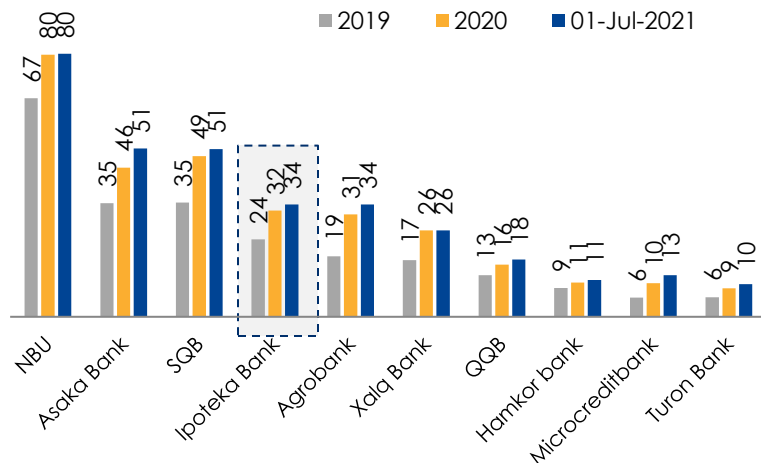


# One of the Leading Banking Institutions in Uzbekistan

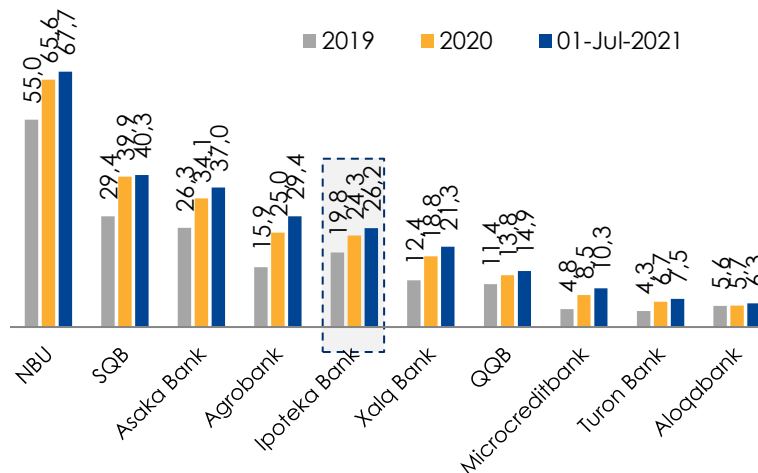
## The leading mortgage bank



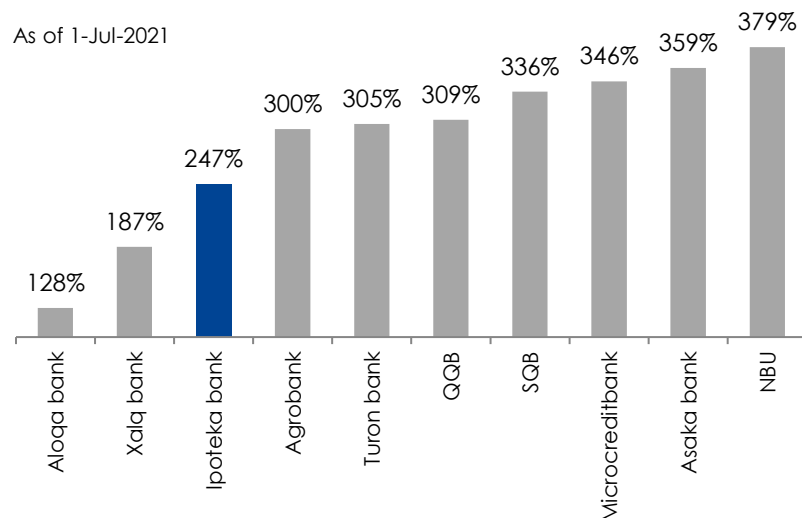
Top-10 banks by total assets, UZS tn



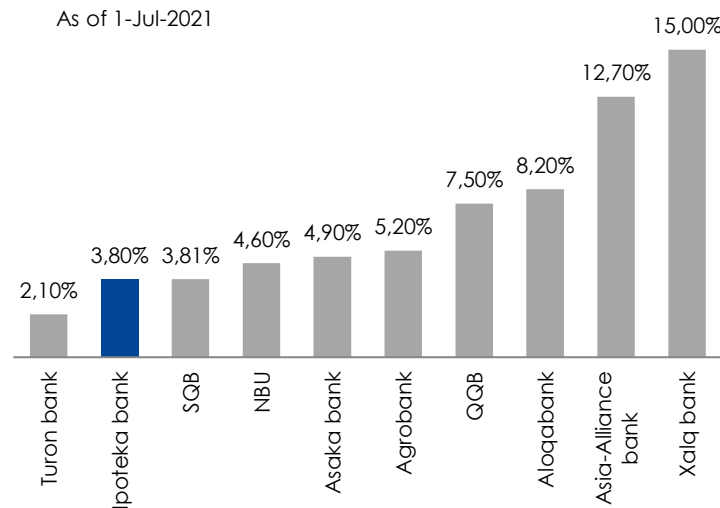
Top-10 banks by gross loans, UZS tn



Loan-to-deposit ratio



NPLs (local GAAP) in top-10 SOBs



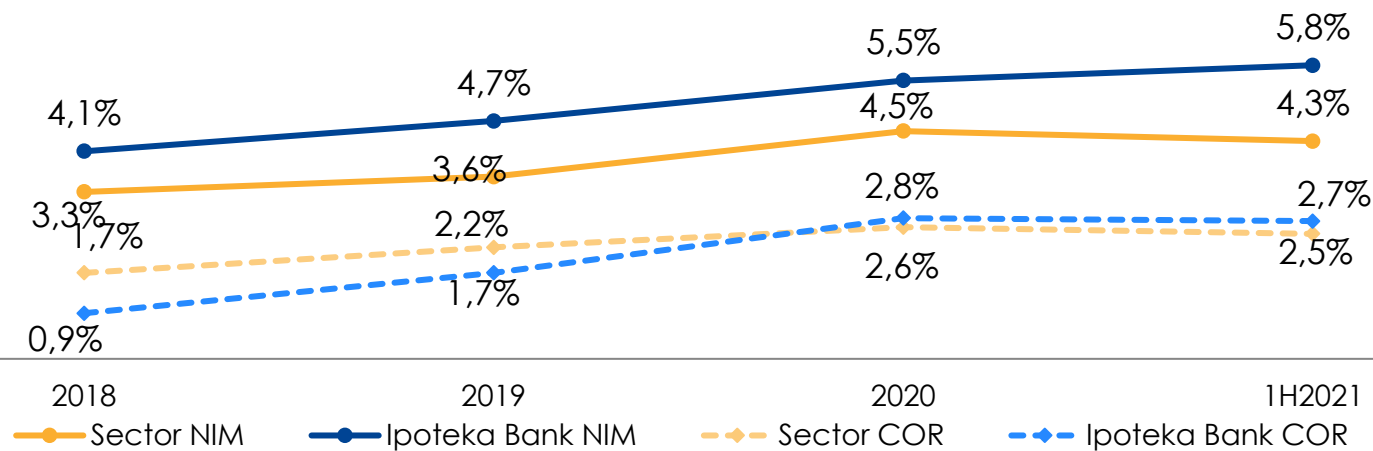
As of 01-Jul-2021:

- **4<sup>th</sup> largest bank by assets and 5<sup>th</sup> by total loans with 9% sector assets**
- **Ranked 1<sup>st</sup> in Uzbekistan by residential mortgage loans with 32% market share**
- **Ranked 3<sup>rd</sup> by total deposits**
- **1.3 million of retail customers**
- **4,000 employees**
- **The leader by number of corporate clients with remote access**

# Stronger performance vs. banking sector over the time

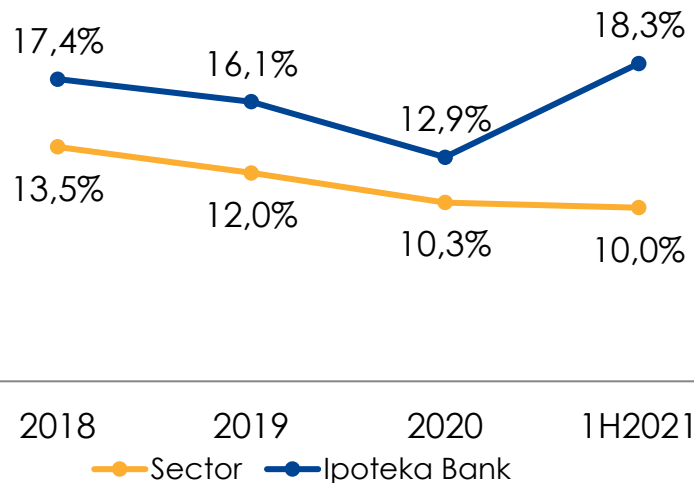
## Ipoteka bank NIM<sup>1</sup> and COR<sup>2</sup> vs banking sector

Based on local GAAP

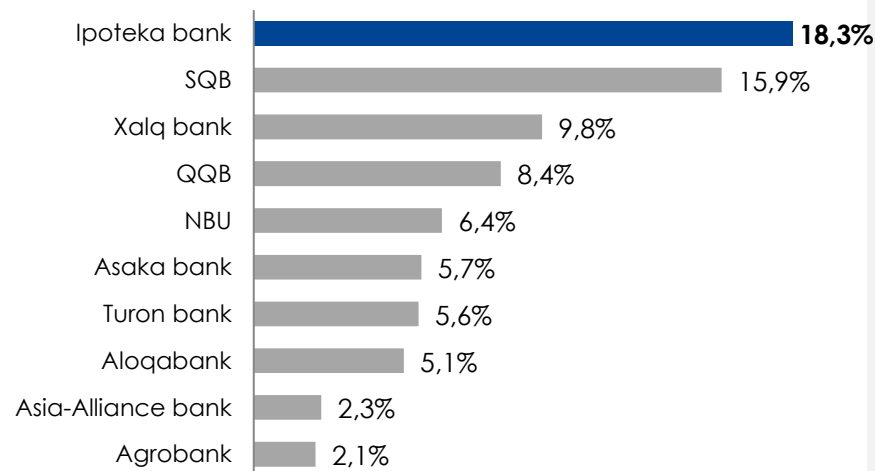


- **Ranked 1<sup>st</sup> by ROE** among state banks as 01-Jul-2021
- Cost of risk stands at a low level and is sufficiently covered by NIM
- The highest profitability with lower credit risks compared to other state-owned banks (SOBs) and the average Uzbek banking sector
- The leader in transformation towards higher efficiency and profitability

## Ipoteka bank ROE<sup>3</sup> vs banking sector



## ROE of top-10 SOBs as of 01.07.2021



1) Net interest margin is calculated as net interest income divided by average interest earning assets. The average interest earning assets are calculated as simple average of interest earning assets at the beginning and the ending of the period; 2) Cost of risk is calculated as charge for credit losses on loans and advances to customers divided by average gross loans and advances to customers. The average gross loans and advances to customers are calculated as simple average of gross loans and advances to customers at the beginning and the ending of the period; 3) Return on average equity is calculated as net profit for the period divided by the average of total equity. The average equity is calculated as simple average of total equity as at the beginning and the ending of the period;

## Key financials, UZS bn

IFRS data

Year ended 31-Dec (Audited)

	2018	2019	2020
Total Assets	19,831	23,845	32,604
Total Liabilities	18,219	20,297	28,564
Total Equity	1,612	3,548	4,040
Net Interest Income	647	1,035	1,410
Total Operating Income <sup>1</sup>	850	1,311	1,779
Net Profit for the Period	178	339	405

## Key balance sheet and performance indicators, %

Year ended 31-Dec (Audited)

	2018	2019	2020
Net Interest Margin <sup>2</sup>	4.5	5.2	5.8
Cost to Income Ratio <sup>3</sup>	59.3	47.2	37.4
Return on Average Equity <sup>4</sup>	11.9	13.1	10.7
Share of Liquid Assets in Assets <sup>5</sup>	7.4	11.6	18.2
Non-performing Loans as % of Gross Loans to Customers	0.8	1.9	2.5
Capital Adequacy Ratio <sup>6</sup>	13.1	25.6	17.0

1) Total operating income is calculated as the sum of net interest income before provision, net F&C income and net gain from foreign exchange translation, net gain from trading in foreign currencies, dividend income, other operating income, share of results from associates; 2) Net interest margin is calculated as net interest income before provision for impairment of loans divided by average interest earning assets. The average interest earning assets is calculated as simple average of interest earning assets at the beginning and the ending of the period; 3) Cost-to-income ratio is calculated as administrative and other operating expenses for the period divided by the sum of net interest income before provision for credit losses and net non-interest income (which comprises net fee and commission income, net gain/(loss) from trading in foreign currencies, net gain from foreign exchange translation, dividend income and other operating incomes) for the same period; 4) Return on average equity is calculated as net profit for the period divided by the average of total equity. The average equity is calculated as simple average of total equity as at the beginning and the ending of the period; 5) Share of liquid assets is calculated as total liquid assets (cash and cash equivalents, UZB Government debt securities) divided by total assets; 6) Capital adequacy ratio is calculated based on the basis of the CBU regulation.

- Ipoteka-bank is a universal bank operating in **all 14 regions** of Uzbekistan via a network of **39 branches and >100 banking services centres**
- Uzbek government holds 92.5% of the Bank's shares (1-Jul-2021)** and historically demonstrated its support via capital injections, state funding and state guarantees
- 1<sup>st</sup> bank** to be privatized as per the roadmap approved by the Ministry of Finance

**Credit ratings re-affirmed by all rating agencies in 2021**

MOODY'S

S&P Global  
Ratings

FitchRatings

**B1**

**BB-**

**BB-**

(Positive)

(Stable)

(Stable)



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**Ipoteka Bank and Operating environment:  
key developments**

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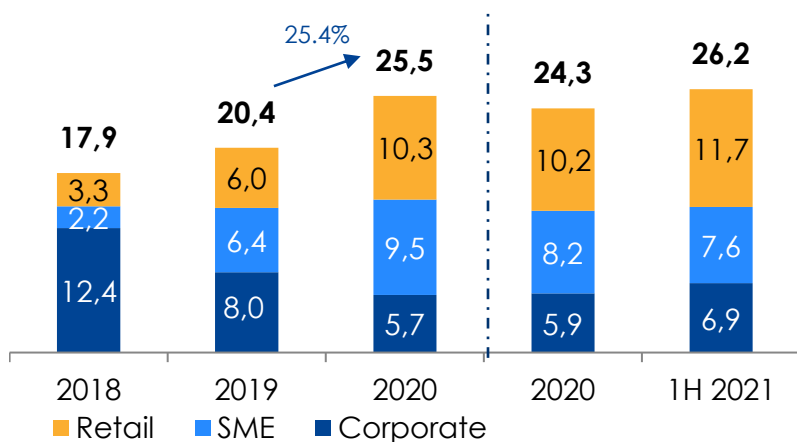
**Appendix**

# Loan portfolio overview

Targeting towards well-balanced loan portfolio split and leadership in retail market

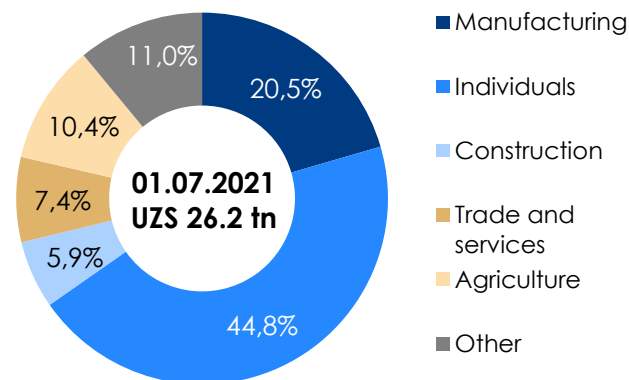
## Gross loan portfolio by customer segment

IFRS Local GAAP (tn. UZS)



## Gross loan portfolio by economic sector

Local GAAP

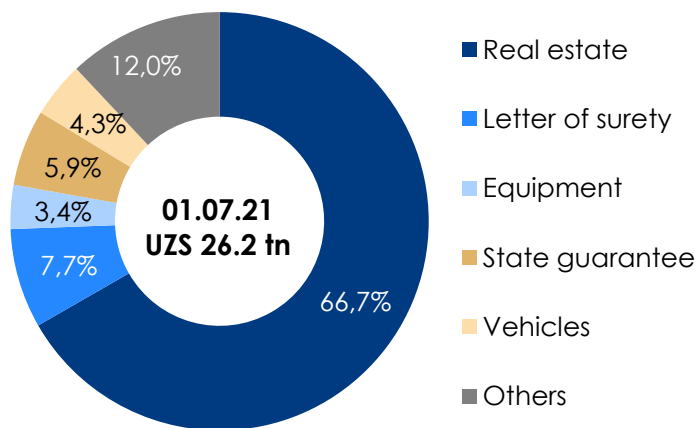


## In 2020 and 1H 2021:

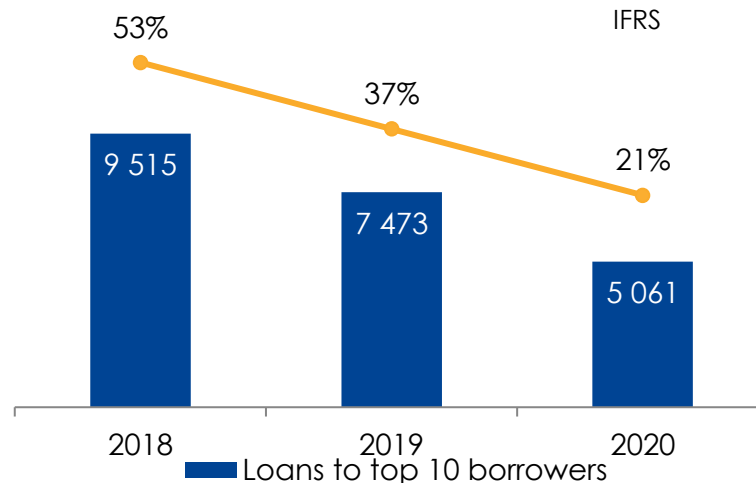
- Loan portfolio growth was driven mostly by retail business
- Retail loan portfolio doubled in the last 1.5 years mainly driven by mortgages (+UZS 4.5 tn or 87%)
- Mortgage loans issued on market terms with new funding from MoF and UzMRC\*
- High quality portfolio backed by liquid collateral and stricter underwriting standards
- Re-segmentation effect in corporate portfolio
- Continued drop in loan concentration

## Gross loan portfolio by collateral type

Local GAAP



## Top-10 borrowers, UZS bn



\* UzMRC= The Mortgage Refinancing Company of Uzbekistan

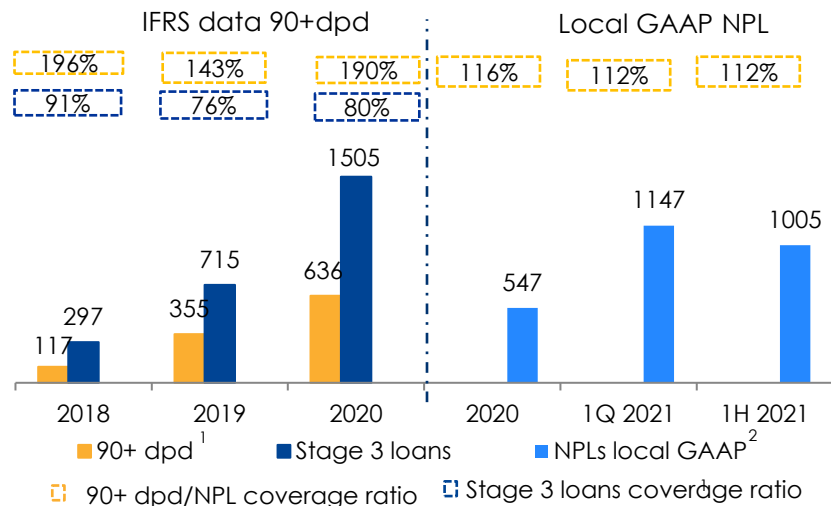


# Loan portfolio quality

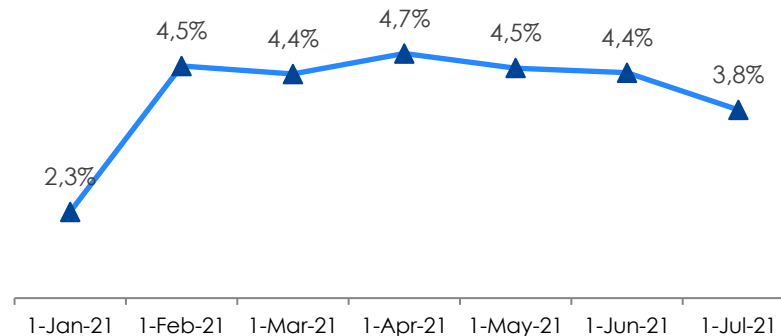
NPL increased in pandemic times, however it is fully provisioned and actively managed



## Problem loans dynamics, UZS bn

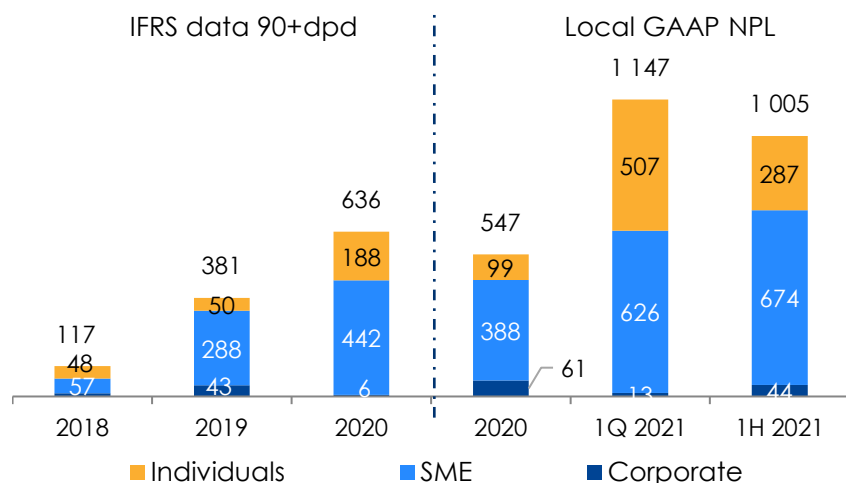


## NPL ratio Local GAAP

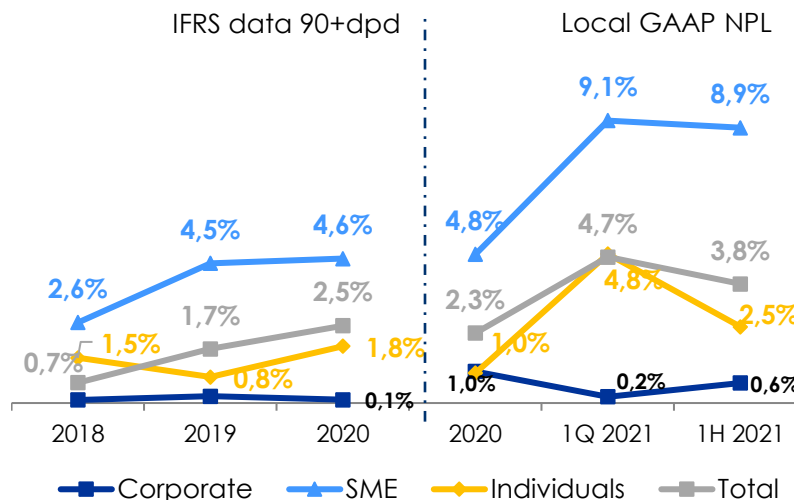


- NPL and Stage 3 growth due to pandemic crisis in 2020
- In 1H2021 SME NPLs increased as continuation of the pandemic
- In the 1H of 2021 anti-covid limitation measures in the country negatively influenced SME business (service, tourism, HoReCa, entertainment, etc.)
- Government approved decree in Jul 2021 for providing subsidies for SMEs
- Tax privileges for SMEs (property tax, VAT, customs concessions).
- Recovery of a big corporate loan in 1Q2021

## Problem loans by customer segment, UZS bn



## Problem loans by customer segment, %

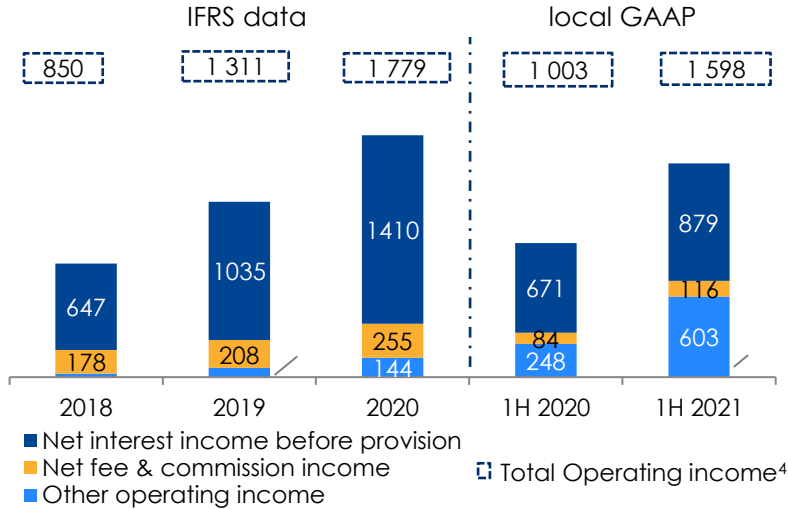


1) Loans with overdue payments on principal loan amount and/or interest by more than 90 days.

2) NPL Local GAAP = Loans in the category of "unsatisfactory", "doubtful" or "bad" in accordance with the CBU's classification procedure.

# Operating income and efficiency

## Operating income, UZS bn



## Operating income components growth 2020 vs 2019

**NET INTEREST INCOME** ▲36.2%

**NET COMMISSION INCOME** ▲22.9%

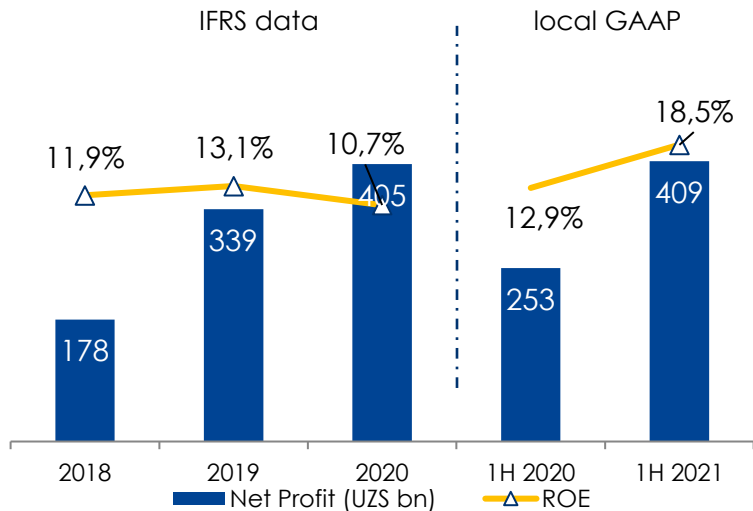
**OPERATIONAL EXPENSES** ▲7.4%

**OPERATING INCOME** ▲35.7%

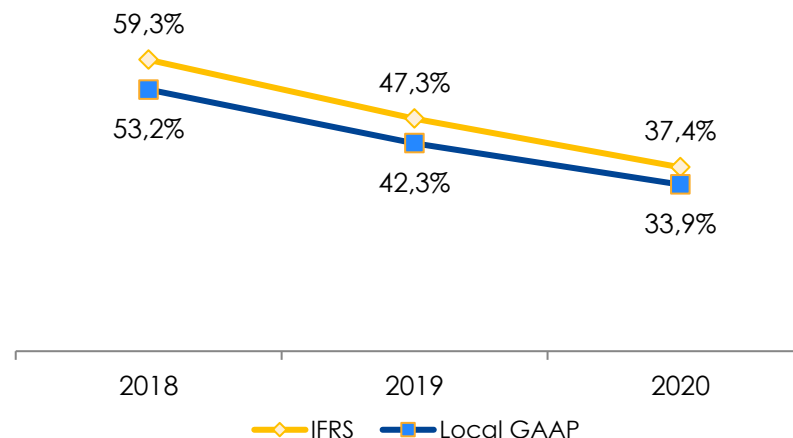
**CHARGE FOR LOAN LOSSES** ▲122%

**NET PROFIT** ▲19.5%

## Net profit and ROE



## Cost to income ratio



- Higher NII mainly due to improved funding costs and shifting to market-oriented lending
- Strong contribution to the operating income growth from MM & securities operations

1) Cost to income ratio and net interest margin for the six months ended 30-Jun-2020 are presented on an annualised basis; 2) Net interest margin is calculated as net interest income before provision for impairment of loans divided by average interest earning assets. The average interest earning assets is calculated as simple average of interest earning assets at the beginning and the ending of the period; 3) Other operating income includes net gain from foreign exchange translation, net gain from trading in foreign currencies, dividend income, other operating income and share of results from associates; 4) Total operating income is calculated as the sum of net interest income before provision, net F&C income and net gain from foreign exchange translation, net gain from trading in foreign currencies, dividend income, other operating income, share of results from associates; 5) Cost-to-income ratio is calculated as administrative and other operating expenses for the period divided by the sum of net interest income before provision for credit losses and net non-interest income (which comprises net fee and commission income, net gain/(loss) from trading in foreign currencies, net gain from foreign exchange translation, dividend income and other operating incomes) for the same period.

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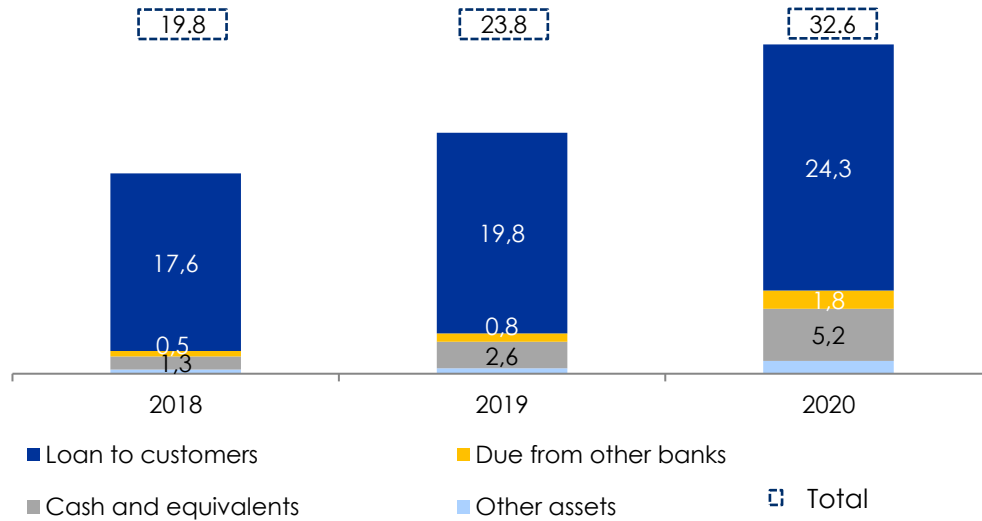


# Balance sheet position and funding base

Ongoing diversification of funding base supporting rapid asset growth

### Assets' composition, UZS tn

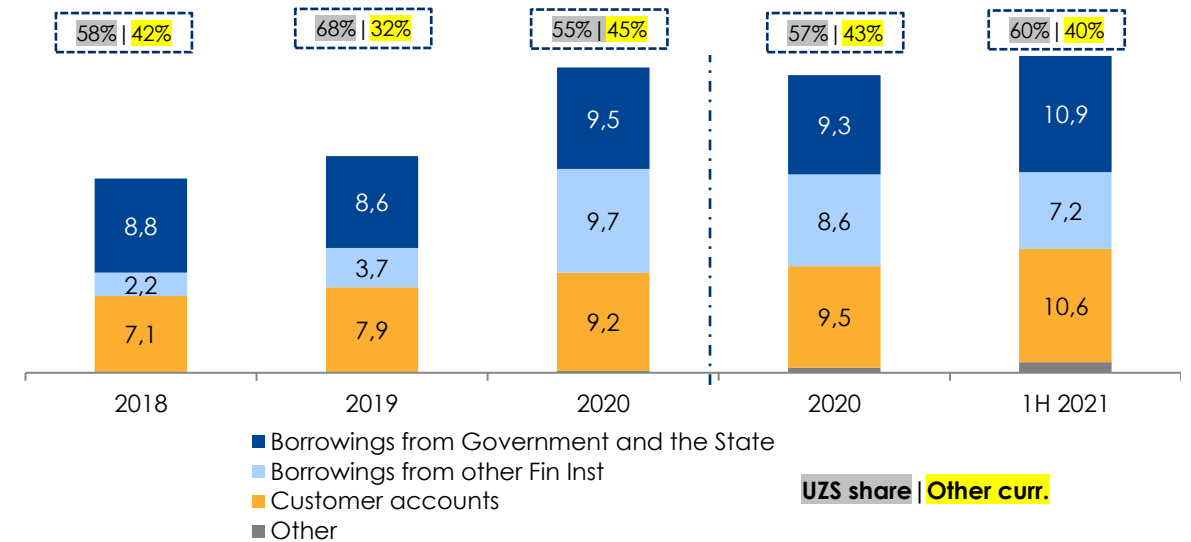
IFRS data



### Funding base composition, UZS tn

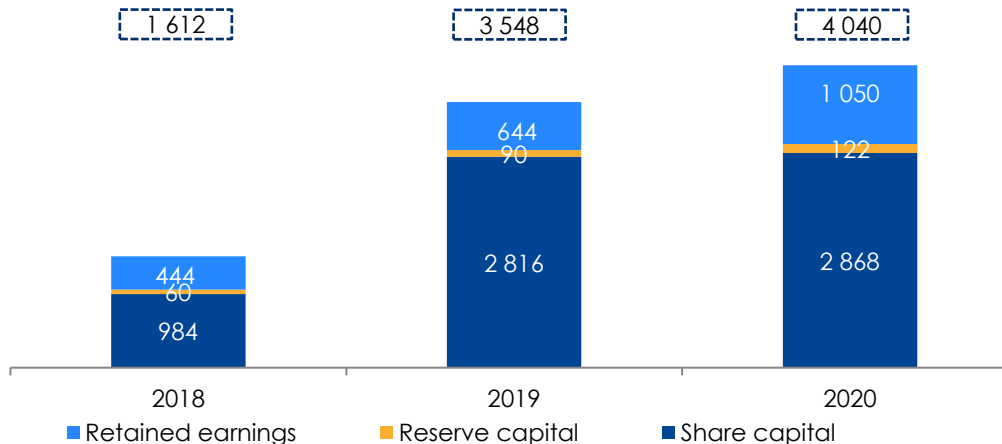
IFRS data

local GAAP

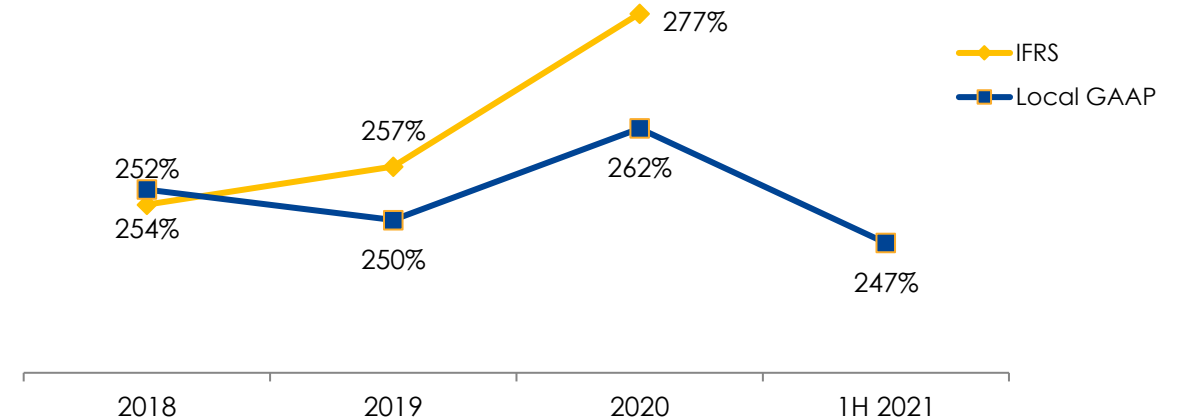


### Equity composition, UZS bn

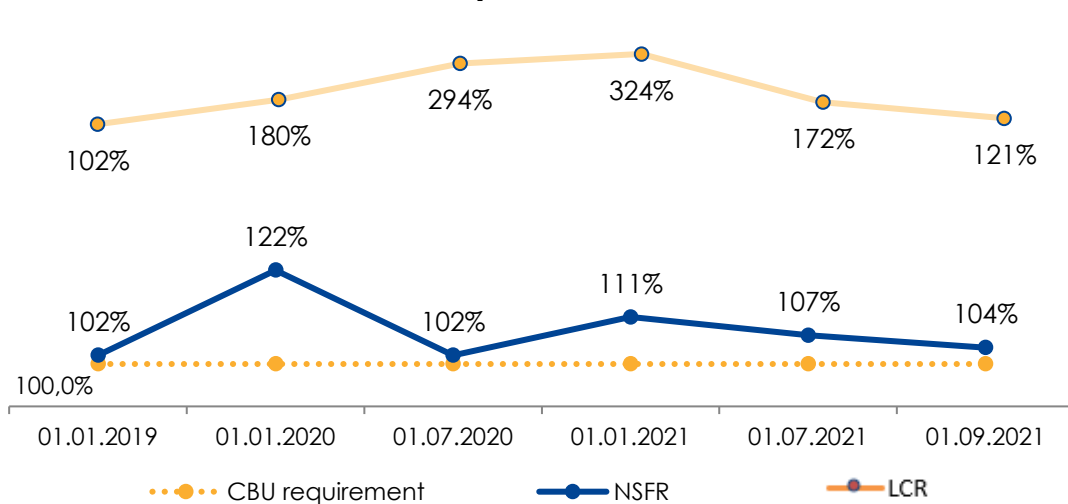
IFRS data



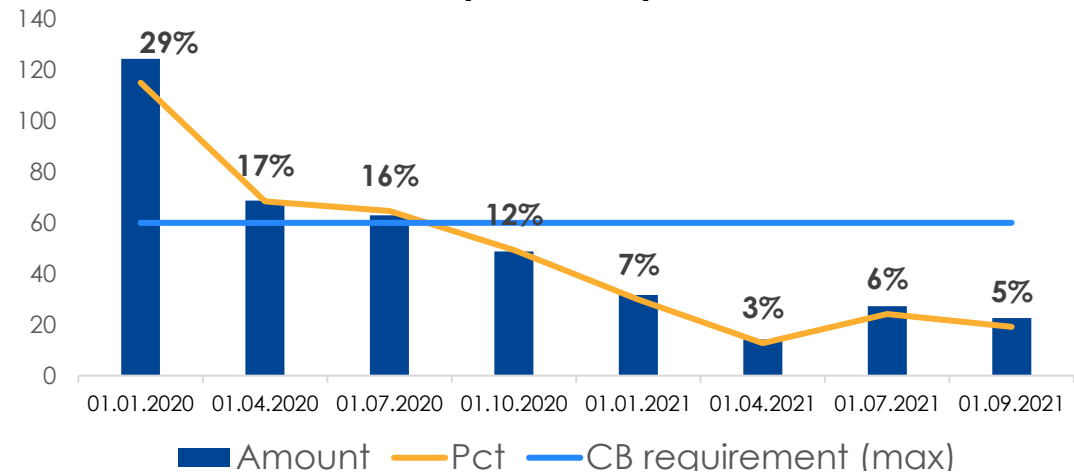
### Loan-to-deposits ratio



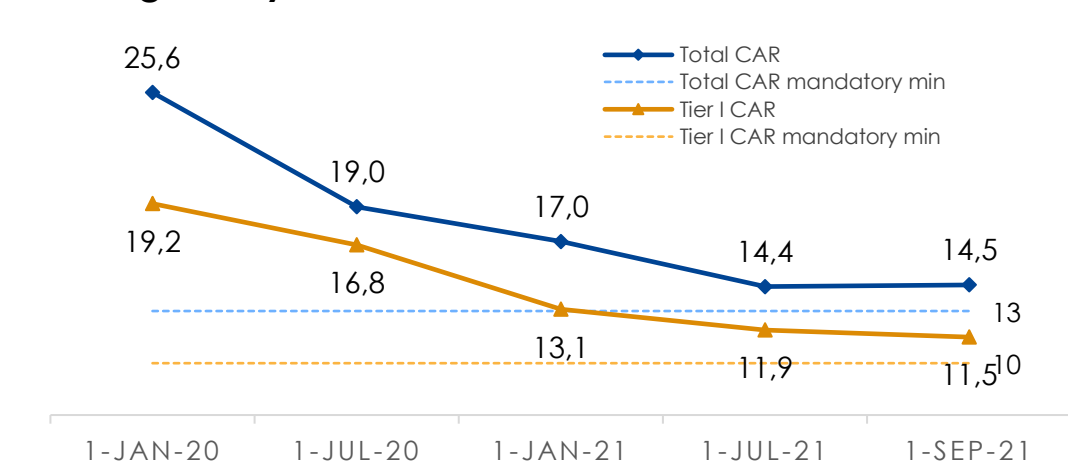
## NSFR and LCR development



## Total FX position dynamic

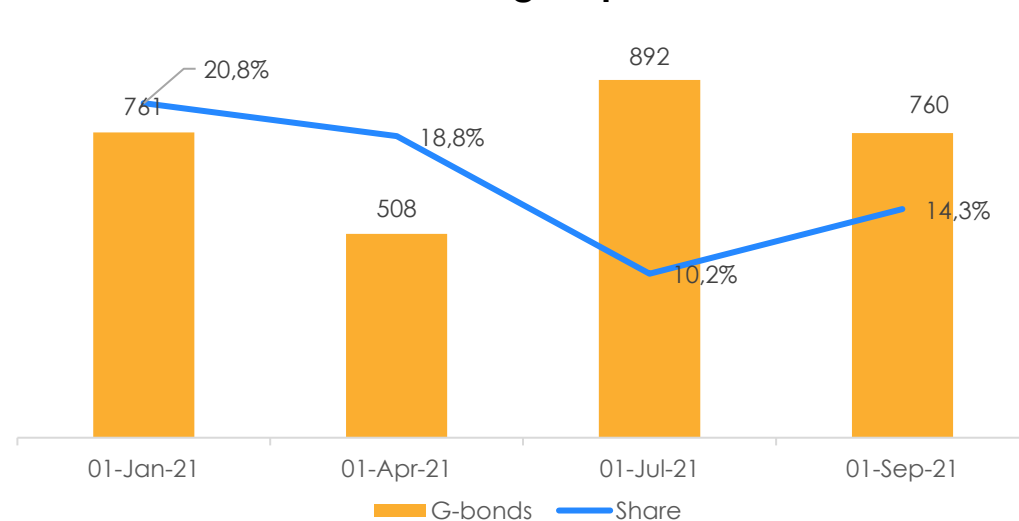


## Regulatory CAR



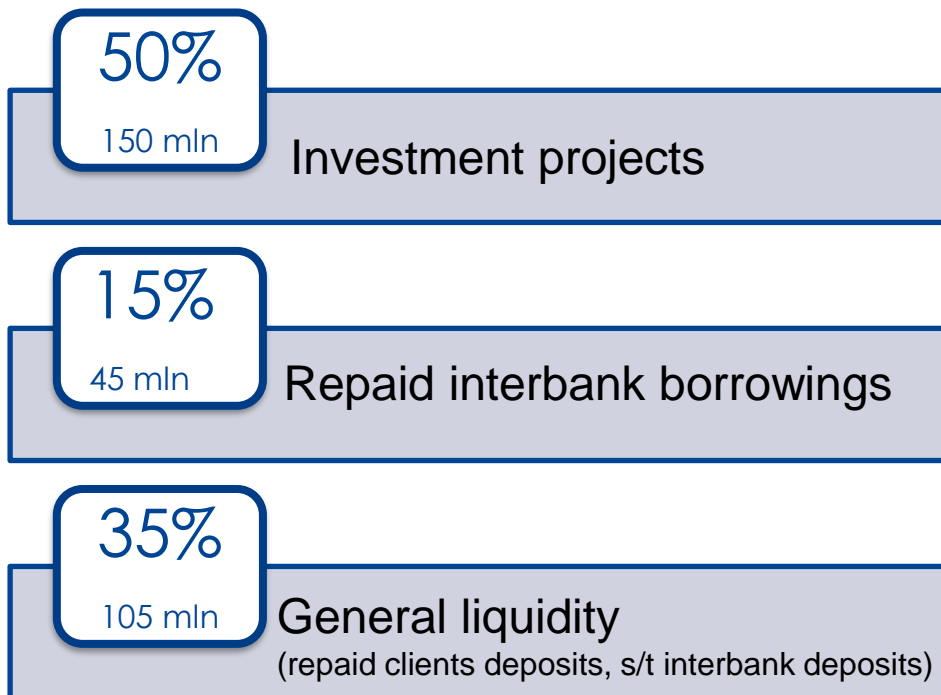
Based on local GAAP

## Share of G-bonds in high liquid assets, bn UZS

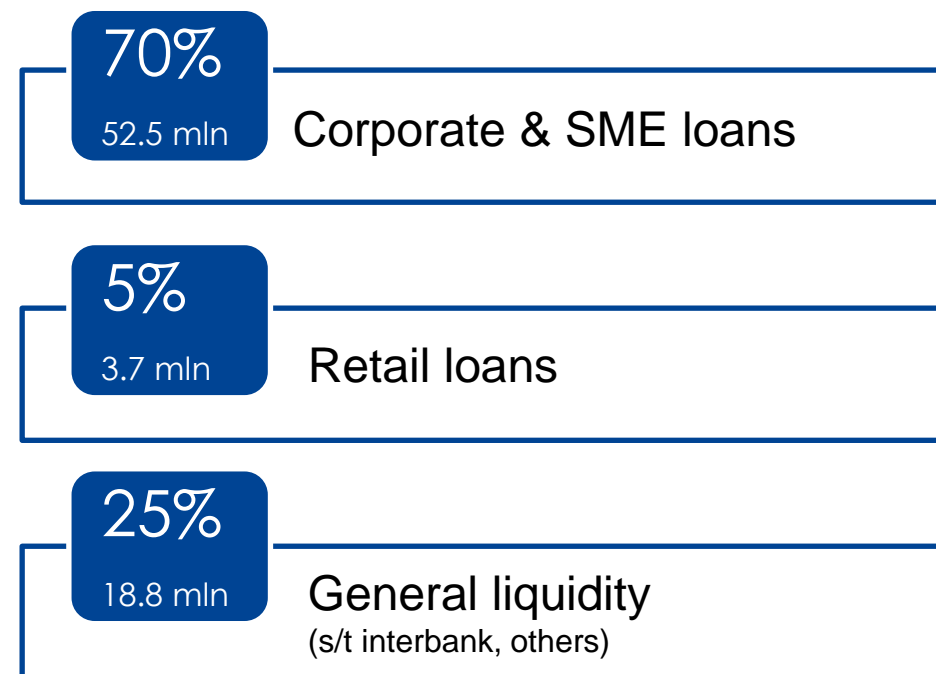


# EUROBOND-300mn USD(2020), 75mn USD(2021): Use of proceeds

## 2020 Eurobond (USD 300 mln): fact



## 2021 Eurobond (USD 75 mln) UZS denominated: in proceed



✓ Liquidity indicators

✓ Market trust:

- Increased interest from int'l FIs, local banks (higher limits), clients
- Stronger bargaining power (refinancing at lower cost)
- Other

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# Regulatory developments in 2020 and 1H2021

*Government commitment reforms and support of economy in COVID times*

## IPOTEKA-BANK ELIGIBLE CBU MEASURES

- ✓ Commercial loan repayment deferrals for certain clients until 1-Oct-2020 (following which Ipoteka Bank deferred UZS 1,377bn (10.4%) of the loans to legal entities and UZS 144bn (1.7%) of the loans to individuals beyond Q3 2020)
- ✓ No tax on accrued & deferred loans
- ✓ Waiver of penalties & other measures on overdue loans for certain borrowers
- ✓ Requirements to state guarantee fund on deposits were eased from 0.25% to 0.05%
- ✓ Cut in the CBU refinancing rate from 15% to 14% on 11-Sep-2020
- ✓ Additional liquidity resources of **UZS 2.6tn** by easing the requirements for mandatory reserves. For Ipoteka Bank impact on liquidity: + **approx. UZS 224bn**
- ✓ Postponement of the introduction of more stringent standards (LCR) to **Jan 2021**: As of today **Ipoteka-bank is in full compliance with the new LCR**

## REGULATORY AND OTHER UPDATES SINCE NOV-2020

- ✓ Receipt of CBU's special non-recallable credit line (+640 bn)
- ✓ Further liberalization of the FX market in Feb 2021 (+ given size of the Bank)
- ✓ Continued of the ban on dividend payments (+220 bn)
- ✓ Government approved decree in Jul 2021 for providing subsidies for certain SMEs
- ✓ Tax privileges (property tax, VAT, customs concessions)
- ✓ Regulator keeps on strict approach towards NPL transparency
- ✓ New approach on RWA resulted in lower interest rates on loans for businesses



## 1. Diversification of banking activities



- Further **diversification** of loan portfolio and funding base to support the growth and profitability. *commercial loans rose by 17% compared to 01.01.2021*
- **Higher margins** available from loans to private borrowers in key sectors

## 4. Structural modernisation



- Transformation of bank's **organizational structure** to align with international standards and improve efficiency (further changes in 2021 implemented)
- **Centralisation** of back-office operations: *Mirabad branch is fully centralized and working as a pilot*

## 2. IT infrastructure development



- Development of **remote banking** services and contact centre, mobile application enhancement. *As a result the number of clients using the mobile app increased by 8 times and reached to 320 thousand*
- New **core banking** and **IT solutions** development

## 5. Customer-centric sales models



- As a result of **branches transformation** into active sales and consulting centres, *the bank introduced 6 new modern banking service centres*
- Increase the **share of sales managers in branches to up to 70%** of the total number of branch personnel by the end of 2023. *the share rose to 43% compared to 30% as of 01.01.2021*

## 3. Risk management & credit policies development



- Independent **risk governance** to curb from aggressive risk taking (*automated reporting tools by risk coordinators, statistical scoring models modernization*)
- Refinement of **risk models** (*early warning signals*) and provide comprehensive information for **decision-making** (*elimination of less risky processes*)

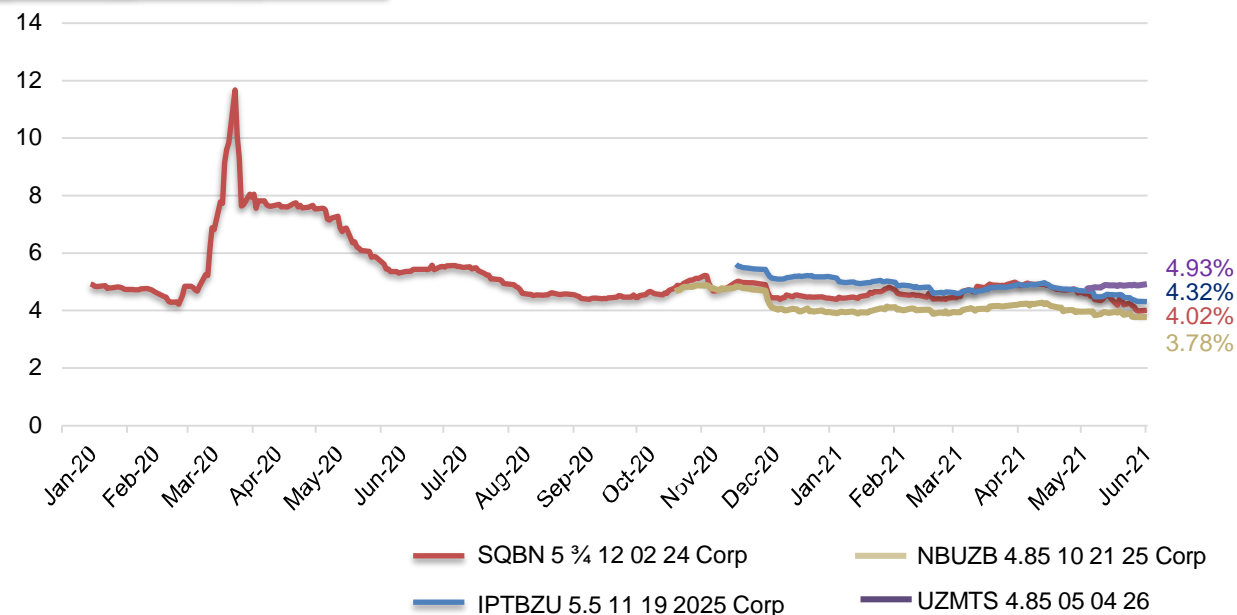
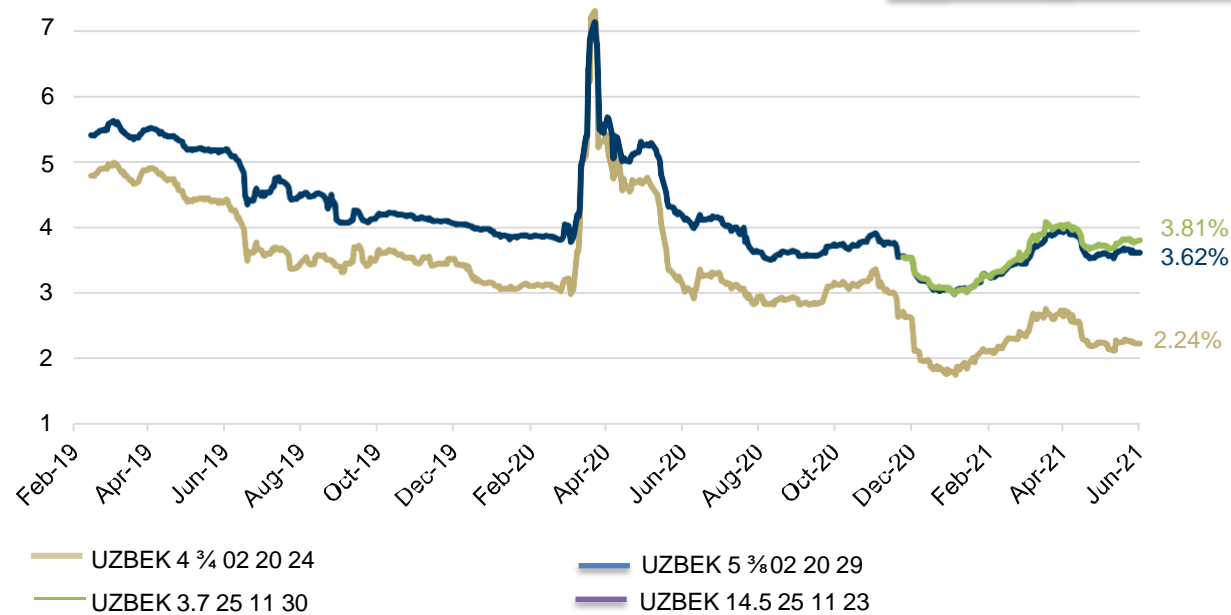
## 6. Corporate governance and HR advances



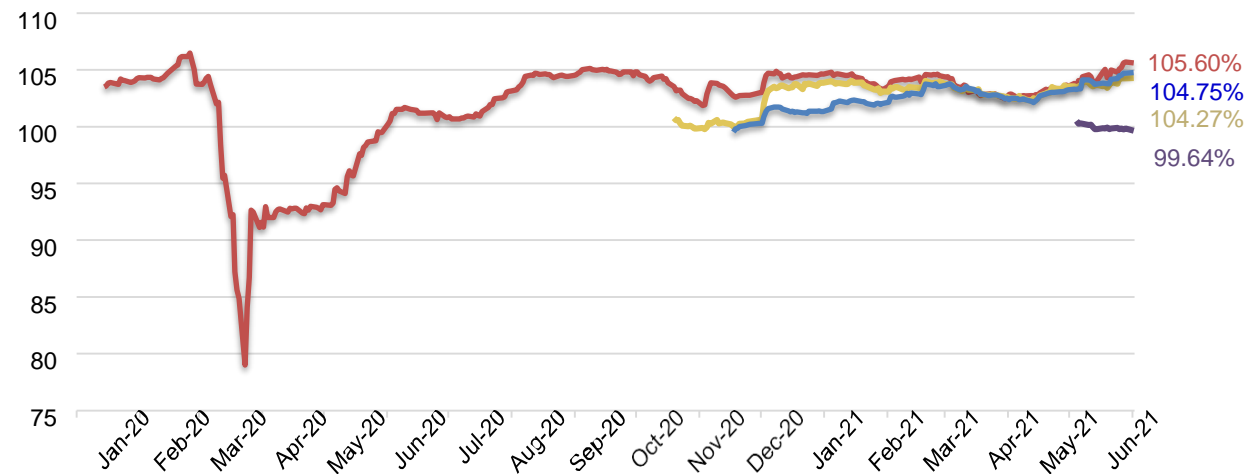
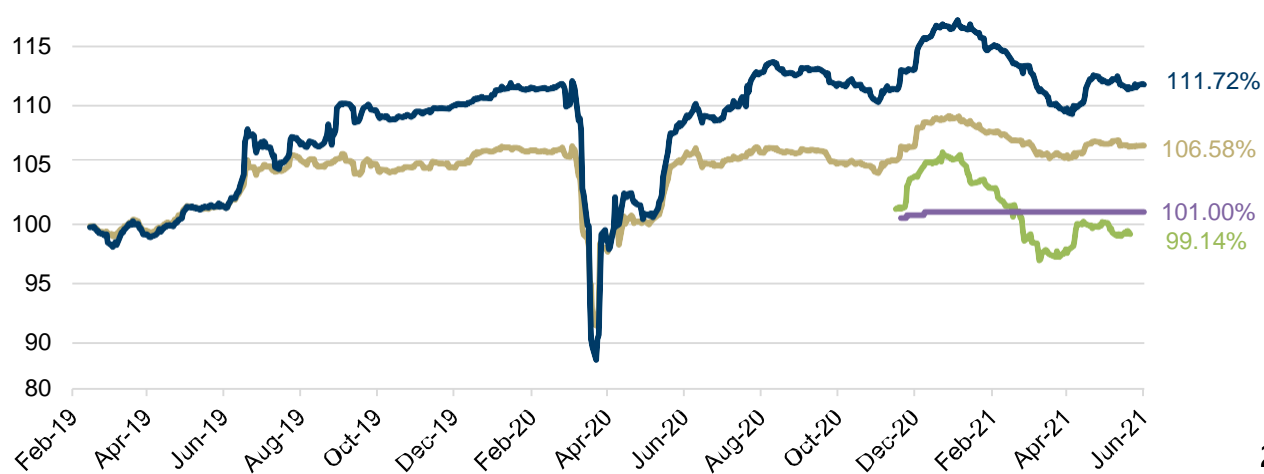
- Further development of **entrepreneurial corporate culture** (*employee engagement and surveys*)
- **Centralised HR functions** to increase management efficiency and employee development. *Salary calculation and personnel accounting are being centralized gradually from branches to HO*

# Sovereign and corporate Eurobonds

Yield- to-maturity (%)



Price (% , relative to the nominal value)



# Ipoteka Bank Credit highlights



- Leading mortgage bank of the country
- The first State owned bank to be privatized
- Well diversified and collateralized loan portfolio
- Extensive banking network covering the whole country
- Experienced management and personnel with developed corporate governance
- Historically strong support from the Government

# Contacts

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