

**"Approved"**  
**by the decision of the Supervisory**  
**Board of the Joint-stock company**  
**"Mortgage Refinancing Company of**  
**Uzbekistan"**  
**dated November 28, 2023.**

**BUSINESS PLAN**  
**for 2024**

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## SECTION I. MACROECONOMIC ENVIRONMENT

### 1.1. Macroeconomic overview

**GDP<sup>1</sup>.** According to the results of 9 months of 2023 gross domestic product of the country amounted to UZS 750.9 trillion (Eq. USD 63.8 billion) or 105.8% compared to the same period of the previous year. The sectors of Services (42%), Industry (24%), and Agriculture, Forestry, and Fisheries (22%) significantly contributed to the formation of GDP in the reporting period, while the sectors of Construction (6%) and Net taxes on products (5%) had the least impact. On year-to-year basis over the last four years, shares in gross added value added by the each of the above sectors has been roughly at the same level. Whereas separately observing each sector a slight increase can be observed in the Services and Industry sectors. The growth rate of economic sectors in dynamics shows a trend for sustainable recovery after the pandemic of 2020.

**Table 1. Dynamics of GDP for 2018-2023.**

Indicator		2018 YE	2019 YE	2020 YE	2021 YE	2022 YE	by end of 9M 2023	
GDP	trillion UZS (Eq. \$ bln)	406,7 (\$50,4)	529,4 (\$59,9)	602,2 (\$59,9)	738,4 (\$69,6)	888,3 (\$80,4)	750,9 (\$63,8)	
	Total shares	100%	100%	100%	100%	100%	100%	
	Growth rate, %	+5,1%	+5,7%	+1,9%	+7,4%	+5,7%	+5,8%	
Gross added value	Industry Sector	trillion UZS	95,8	136,1	153,2	186,8	220,7	182,1
		share in total	24%	26%	25%	25%	25%	24%
		Growth rate, %	+10,8%	+5,0%	+0,9%	+8,8%	+5,2%	+5,7%
	Construction Sector	trillion UZS	22,1	30,6	37,5	45,6	55,5	45,9
		share in total	5%	6%	6%	6%	6%	6%
		Growth rate, %	+14,3%	+22,9%	+9,5%	+6,8%	+6,6%	+5,6%
	Services Sector	trillion UZS	129,5	187,1	215,8	272,1	343,4	314,0
		share in total	32%	35%	36%	37%	39%	42%
		Growth rate, %	+5,5%	+6,0%	+0,7%	+9,5%	+8,5%	+6,5%
	Sector of Agriculture, Forestry, and Fisheries	trillion UZS	113,7	130,3	151,3	181,8	208,5	168,2
		share in total	28%	25%	25%	25%	23%	22%
		Growth rate, %	+0,3%	+3,1%	+2,9%	+4,0%	+3,6%	+4,1%
	Net taxes on products	trillion UZS	45,6	45,3	44,4	52,0	60,3	40,6
		share in total	11%	9%	7%	7%	7%	5%
		Growth rate, %	+5,9%	+4,7%	+1,6%	+4,6%	-0,8%	+7,7%
GDP per capita	Eq. \$	1529,2	1783,6	1749,4	1983,0	2256,1	1797,3	
USDUZS rate	average annual	8069,0	8839,0	10055,8	10610,0	11046	11606	

**Inflation<sup>2</sup>.** In Uzbekistan, in January-September 2023, the level of the consumer price index (CPI) on yearly basis increased by 5.1% against the same period of last year. Particularly, on yearly basis, there was an increase in prices for Food products by 5.6%, for Non-food products by 4.8%, and for Services by 4.7%.

<sup>1</sup>The State Committee of the Republic of Uzbekistan on Statistics  
source link: <https://stat.uz/ru/default/ezhekvtartal-nye-doklady/21517-2022>

<sup>2,3</sup> The State Committee of the Republic of Uzbekistan on Statistics  
source link: <https://stat.uz/ru/default/ezhekvtartal-nye-doklady/21517-2022>

**Table 2. Dynamics of CPI for 2018-2023.**

Indicator		2018 YE	2019 YE	2020 YE	2021 YE	2022 YE	by end of 9M 2023
CPI	<b>Total growth rate (yearly basis), %</b>	<b>14,3%</b>	<b>15,2%</b>	<b>11,1%</b>	<b>9,98%</b>	<b>12,3%</b>	<b>5,1%</b>
	Food products	14,9%	18,6%	15,3%	13,0%	15,6%	5,6%
	Non-food products	12,5%	10,9%	8,8%	7,8%	10,7%	4,8%
	Services	15,8%	15,2%	7,1%	7,7%	8,4%	4,7%

Significant part of the CPI is imported from countries with whom Uzbekistan has a high trade turnover.

**Table 3: The dynamics of CPI for 2018-2023 in the countries with the largest trade turnover with the Republic of Uzbekistan**

Country	Date source	2018 YE	2019 YE	2020 YE	2021 YE	2022 YE	by end of 9M 2023
China	*	2,1%	4,5%	2,5%	0,9%	1,8%	0,0%
Russian Federation	**	2,9%	3,0%	4,9%	6,7%	11,9%	5,2%
Kazakhstan	***	6,0%	5,2%	6,7%	8,4%	20,3%	11,8%
Turkey	****	20,3%	11,8%	14,6%	36,1%	64,3%	61,5%
South Korea	*****	4,4%	4,8%	5,4%	2,5%	5,0%	3,7%
Kyrgyzstan	*****	1,5%	1,1%	6,3%	11,9%	14,7%	9,6%
Germany	*****	3,8%	5,3%	5,8%	9,1%	8,1%	4,5%
India	*****	5,2%	9,6%	3,7%	5,6%	5,5%	4,7%
USA	*****	1,9%	2,3%	1,4%	7,0%	6,5%	3,7%

\*<http://www.stats.gov.cn/> | \*\*<https://rosstat.gov.ru/> | \*\*\*<https://stat.gov.kz/> | \*\*\*\*<https://data.tuik.gov.tr/> | \*\*\*\*\* <https://kosis.kr/> | \*\*\*\*\*<http://www.stat.kg/> | \*\*\*\*\*<https://www.destatis.de/> | \*\*\*\*\*<https://www.inflation.eu/>

**Foreign Trade Turnover (FTT)<sup>3</sup>.** Foreign trade turnover in January-September 2023 reached USD 44.8 billion and compared to the same period of 2022 increased by USD 8.8 billion or 24.4%. Exports amounted to USD 17.7 billion of the total FTT volume (an increase of 23.5% was registered against January-September 2022), and imports - USD 27.0 billion (an increase of 21.2%). As a result, the negative balance of foreign trade turnover amounted to - USD 9.3 billion.

**Table 4. Top ten countries with the largest trade turnover with the Republic of Uzbekistan (USD billion)**

Country		2018 YE	2019 YE	2020 YE	2021 YE	2022 YE	by end of 9M 2023
China	Export / Import	<b>2,87/3,56</b>	<b>2,52/5,10</b>	<b>1,93/4,50</b>	<b>2,52/4,92</b>	<b>2,52/6,40</b>	<b>1,86/7,60</b>
Russian Federation	Export / Import	<b>2,12/3,54</b>	<b>2,49/4,13</b>	<b>1,47/4,17</b>	<b>2,06/5,46</b>	<b>3,07/6,21</b>	<b>2,33/4,71</b>
Kazakhstan	Export / Import	<b>1,35/1,57</b>	<b>1,43/1,94</b>	<b>0,90/2,11</b>	<b>1,17/2,74</b>	<b>1,38/3,24</b>	<b>1,07/2,16</b>
Turkey	Export / Import	<b>0,94/1,11</b>	<b>1,20/1,32</b>	<b>1,02/1,08</b>	<b>1,69/1,70</b>	<b>1,51/1,72</b>	<b>1,02/1,33</b>
South Korea	Export / Import	<b>0,11/2,05</b>	<b>0,09/2,66</b>	<b>0,04/2,10</b>	<b>0,05/1,84</b>	<b>0,05/2,29</b>	<b>0,03/1,67</b>
Kyrgyzstan	Export / Import	<b>0,27/0,13</b>	<b>0,68/0,15</b>	<b>0,76/0,15</b>	<b>0,79/0,16</b>	<b>0,98/0,28</b>	<b>0,54/0,22</b>
Germany	Export / Import	<b>0,05/0,72</b>	<b>0,05/0,93</b>	<b>0,07/0,76</b>	<b>0,07/0,69</b>	<b>0,09/1,07</b>	<b>0,06/0,72</b>
Turkmenistan	Export / Import	<b>0,06/0,24</b>	<b>0,14/0,40</b>	<b>0,13/0,40</b>	<b>0,19/0,69</b>	<b>0,19/0,73</b>	<b>0,13/0,70</b>
Afghanistan	Export / Import	<b>0,60/0,00</b>	<b>0,61/0,00</b>	<b>0,77/0,00</b>	<b>0,65/0,00</b>	<b>0,75/0,00</b>	<b>0,60/0,01</b>
<b>Total</b>	<b>Export / Import</b>	<b>8,37/12,92</b>	<b>9,21/16,63</b>	<b>7,09/15,27</b>	<b>9,19/18,2</b>	<b>10,54/21,94</b>	<b>7,64/19,12</b>

## SECTION II. BUSINESS ENVIRONMENT

### 2.1. Banking sector

As of October 1, 2023, the number of commercial banks registered by the Central Bank of the Republic of Uzbekistan amounted to 35, including 10 banks with the government shares in the authorized capital.

The capitalization of the banking system since the beginning of 2023 has increased by 11.9% to UZS 89.0 trillion.

In 2023, the banking system continued to play a critical role in the economy and structural reforms by the Government. The state shares in Ipoteka Bank were sold to foreign investors. The role of the banking system in the economy in September 2023 is shown in the table below.

**Table 5. The role of the banking system in the economy <sup>4</sup>**

Name of indicators	2020 YE	2021 YE	2022 YE	by end of 9M 2023
GDP, UZS bln	602 193,0	734 587,7	888 341,7	750 925,7
Assets of commercial banks, UZS bln	366 121,1	444 922,5	556 746,3	615 801,8
Assets to GDP, %	60,8	60,6	62,7	61,5*
Loans, UZS bln	276 974,8	326 385,6	390 048,9	451 610,3
Loans to GDP, %	46,0	44,4	43,9	45,1*
Deposits, UZS bln	114 746,9	156 189,8	216 737,5	221 334,9
Deposits to GDP, %	19,1	21,3	24,4	22,1*
Equity, UZS bln	58 351,3	70 917,6	79 565,4	89 029,8
Equity to GDP, %	9,7	9,7	9,0	8,9*

\* annualized

State-owned banks continue to make significant contribution to the development of the banking system and economy of the country, the comparative main indicators of which are presented in the table below.

**Table 6. Information on the main indicators of two groups of commercial banks as of October 1, 2023 (UZS trillion)<sup>1</sup>**

Name of the group	Assets		Loans		Equity		Deposits	
	amnt.	share of total, %	amnt.	share of total, %	amnt.	share of total, %	amnt.	share of total, %
<b>Total</b>	615,8	100%	451,6	100%	89,0	100%	221,3	100%
Banks with government majority	422,1	69%	324,0	72%	58,8	66%	114,9	52%
Other banks	193,7	31%	127,6	28%	30,2	34%	106,4	48%

<sup>4</sup> Socio-economic situation of the Republic of Uzbekistan for January-September 2023, The State Committee of the Republic of Uzbekistan on Statistics, [www.stat.uz](http://www.stat.uz)

<sup>1</sup> Information on relative indicators of banks as of 01.10.2023, [www.cbu.uz](http://www.cbu.uz)

## 2.2. Mortgage market

There is high level demand for mortgage loans in Uzbekistan, which is facilitated by the relatively young population with the need of housing. Remarkably the population of Uzbekistan for the last 30 years has grown from 20 to 36 million people, or 1.8 times. At the same time, 57.0% of the country's population is of working age, and more than 60% of the population of Uzbekistan is not older than 30 years. With the population growth rate remaining unchanged and the necessity to replace the aging housing stocks, the potential demand for construction financing and, accordingly, mortgage lending in the next 20 years remains extremely high.

The main role in Uzbekistan mortgage market hold commercial banks, and, above all, banks with the predominant share of state participation in the authorized capital. As of January 1, 2023, the amount of loans of all commercial banks in Uzbekistan reached UZS 451.6 trillion, while the volume of mortgages amounted to UZS 55 trillion, or 12.2%.<sup>2</sup>

**Table 7. Key indicators of mortgage loans<sup>3</sup>**

Indicator (UZS trillion)	2020 YE	2021 YE	2022 YE	9m 2023
<b>Total volume of mortgages</b>	<b>9,1</b>	<b>9,8</b>	<b>14,4</b>	<b>12,2</b>
in the primary market	8,8	7,4	10,8	7,1
in the secondary market	0,3	2,4	3,6	5,1
<b>Government program “new arrangements”</b>	<b>1,7</b>	<b>4,8</b>	<b>8,5</b>	<b>6,0</b>
<b>Banks own resources (equity and deposits)</b>	<b>2,0</b>	<b>0,9</b>	<b>3,8</b>	<b>4,9</b>
<b>UzMRC resources</b>	<b>0,06</b>	<b>2,0</b>	<b>0,2</b>	<b>1,3</b>
<b>Total mortgage loans residual</b>	<b>28,3</b>	<b>35,8</b>	<b>46,4</b>	<b>55,0</b>

The ratio of the mortgage portfolio of banks to GDP is 5.4% (annualized), that is higher in comparison with 5.2% at the end of 2022.

The main players in the mortgage market are Ipoteka-bank, Qishloq Qurilish Bank, NBU, Uzpromstroybank, Xalq Bank, Asaka Bank, and other banks.

## 2.3. UzMRC performance

In 2022, Mortgage refinancing company of Uzbekistan (hereinafter – the Company, UzMRC) worked on the formation and strengthening of an internal regulatory framework, improving the terms of lending to banks and the work of efficiency of management bodies and relevant committees.

Also, during 2022 the Company continued to pay great attention to the issues of corporate governance. Particularly, the work of all management bodies was organized completely and on the high level: i.e. the General Meeting of Shareholders, the Supervisory Board and the relevant committees and the Executive Body.

The Annual General Meeting of Shareholders was held on June 29, 2022, which considered the general results of financial and economic activities in 2021, the activities of the

<sup>2</sup> CBU Mortgage loans review for 9 months of 2023, <https://cbu.uz/oz/press-center/reviews/>

<sup>3</sup> CBU Mortgage loans review for 9 months of 2023, <https://cbu.uz/oz/press-center/reviews/>

management bodies, the external auditors' opinion, and other issues that, according to the law, should be considered at the final annual meeting.

Ultimately the financial and economic figures for 2022 amounted: for assets UZS 2,065.7 bln, capital UZS 137.1 bln, liabilities UZS 1,928.6 bln., the gross profit at the end of the year reached to 24.1 UZS bln.

The 9 months of 2023 were characterized with continued refinancing activities, cooperation with international financial institutions and continued dialogue with the regulator and the government on unresolved issues.

During the above period, the Company's Credit Committee approved refinancing transactions for total amount of USD 799 bln in eligible mortgages.

Also, since late 2022 UzMRC operates government securities (GS). Investments of available funds in GS provides the number of advantages: 1) The yield on GS is more attractive compared to bank deposit instruments; 2) As CBU classifies risks in GS with highly liquid assets, investments in GS positively affect the performance of liquidity norms established by CBU; 3) the yield received by GS is higher for income tax amount (15%) as government relieves taxes received by investment in GS.

### **Important Projects**

Debut corporate bonds. The Company successfully issued its first unsecured corporate bonds for 3 years at 19% market interest rate via private placement.

Before issuance, UzMRC carried out several market surveys to identify the demand for its corporate bonds and capital market resources in July 2023. The survey indicated that investors' appetite is as twice as high than the offer. As a result of the survey and a series of meetings with partners, the potential list of subscribers (funds and banks) and borrowers (PFIs) were determined. The registration with the capital market Regulator and issuance of debut bonds was completed in September 2023. The placement and disbursement were carried out in mid-October 2023. The refinancing was conducted by adding a minimum standard margin of 1% in order to avoid the market disruption.

IT system. In Q1 2023, the Company received an approval from the Cyber Security Center and the State Examination Center for procurement of new core IT system. Subsequently, UzMRC published a tender as per the requirements of the legislation. The tender process was completed in Q2 2023, and the Company selected Azerbaijan based "GNI Software" company as vendor for the IT system. In July 2023, the contract with the supplier was signed. CEO established the working group with proper back-ups to commence the core system development process. In August 2023, GNI team visited Tashkent for two weeks to discuss UzMRC business processes in order to start the technical specifications development. Currently, the draft technical specifications have been developed by the vendor, which are at the final stage of discussion. Moreover, UzMRC onboarded a qualified Business Analyst, who is coordinating the implementation of the GNI system.

Electronic document flow (EDF) system. The Company completed the engagement of the developer for its EDF system. The newly onboarded business analyst together with the vendor carried out gap analysis of the developed system. As a result, several areas of improvement were determined. The developer and the business analyst together with UzMRC team worked on areas of improvement and completed the project in Q3 2023.

According to the additional agreement, the developer will carry out work on further improvement of the system.

Risk management system improvement. In 2023, UzMRC in accordance with the Supervisory Board recommendations, engaged a Risk consultant from the Frankfurt School to review the internal risk policies and ALM model of the Company. The Company completed its work with the Risk consultant from the Frankfurt School in Q2 2023. UzMRC team developed and approved new risk policies with conceptually new framework, which are Risk management framework policy, Liquidity risk management policy, Market risk management policy, ALM policy and ALCO regulation. All new documents were internally harmonized and brought in compliance with international best practice.

Share capital increase. In May 2023 another round of the Annual General Meeting of Shareholders was held. Shareholders reviewed the results of financial and economic activities of 2022: the activities of the management bodies, the external auditor's report, and other issues, which, according to the law, should be considered at the final annual meeting. Shareholders decided to allocate the most part of the net profit of 2022: to increase the share capital of UzMRC by issuing additional shares and distributing them among existing shareholders. The total amount of shares issued was UZS 20,567,000,000.

Blending of funds. In late 2022, within the framework of the Mortgage Market Development Program of Uzbekistan, ADB and UzMRC signed the Project Agreement. As a next step, MEF and UzMRC signed Subsidiary Loan Agreement for USD 150 mln. In 2023, the Company commenced utilizing these resources with outstanding balance of USD 83 mln as at end of September 2023. Moreover, the Company solicited local capital market resources at higher market rates. Given the limited amount of long-term ADB concessional funds, UzMRC initiated the concept for blending of 20-year concessional facilities with mid-term market rate resources for the purposes of the Company's liquidity and market risks mitigation. UzMRC team held number of meetings with ADB and MEF in order to obtain the consent for the concept. As of September 2023, ADB and MEF are in final stages of UzMRC's blending initiative consideration.

During the reported period, the Management continued working with other ongoing projects, including further increase of the share capital up to UZS 1 trln, maintained activities in working group of such mortgage laws as "Zakladnaya", further improvement of internal regulations, etc.

## **Main financial highlights of the Company**

Followings are key features of the Company's 2023 **financial position**:

- Balances on current accounts with banks, placements with banks and investments in securities are 11% higher than in 2022;
- Refinancing loans are expected to demonstrate the growth of 65% as compared to 2022;
- Other assets are estimated to increase mainly due to prepayments for the new IT accounting system, which is in the process of development and implementation;
- Loans received are expected to increase for 58% than 2022 year-end. The growth in loan book leads to corresponding increase in borrowings received, as the Company draws down facilities in accordance with lending activity;

- In 2023, the Company carried out its first bonds issuance for UZS 140 billion, which resulted in 100% increase of the balance item.

**Table 8. 2023 financial position.**

<b>Financial Position (UZS billion)</b>				
<b>ITEMS</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>Diff.</b>
	<b>Actual</b>	<b>Actual</b>	<b>Estimate</b>	<b>%</b>
<b>ASSETS</b>				
Due from banks & deposits, investments	111	130	144	11%
Refinancing loans	1,149	1,904	3,141	65%
Accrued interest receivable	19	30	126	321%
Other assets	2	2	7	227%
<b>TOTAL ASSETS</b>	<b>1,281</b>	<b>2,066</b>	<b>3,419</b>	<b>66%</b>
<b>LIABILITIES</b>				
Loans received	1,149	1,904	3,002	58%
Debt securities issued	-	-	140	-
Accrued interest payable	17	24	114	369%
Other liabilities	1	1	1	54%
<b>TOTAL LIABILITIES</b>	<b>1,166</b>	<b>1,929</b>	<b>3,257</b>	<b>69%</b>
<b>CAPITAL</b>	<b>114</b>	<b>137</b>	<b>162</b>	<b>18%</b>
<b>TOTAL CAPITAL AND LIABILITIES</b>	<b>1,281</b>	<b>2,066</b>	<b>3,419</b>	<b>66%</b>
<b>RATIOS</b>				
ROA	1.5%	1.4%	1.0%	
ROE	12.8%	19.2%	18.5%	
Cost to income	25.8%	20.2%	26.3%	
Net interest margin	2.7%	1.9%	1.7%	

Followings are key features of 2023 **profit and loss**:

- Total interest income is expected to increase for 56% as compared to 2022. This is mainly due to growth in loan book;
- Interest expenses are estimated to demonstrate the increase for 57% mainly because of borrowings increase;
- Net interest income will be only 47% higher than 2022;
- Net non-interest expense amounts to UZS 3 bln. The growth is related to commitment fees accrued on new ADB credit line that was received in late 2022;
- Total operating expenses are 62% higher than 2022. The reasons for costs growth are following:
  - Personnel expenses will amount to UZS 8.5 bln which is 56% above than UZS 5.4 bln in 2022 due to increase in staff count from 14 in the beginning of 2023 to 26 at the end of 2023;
  - Rent and maintenance costs is estimated to be UZS 0.9 billion, 35% higher than UZS 0.7 billion in 2022. The growth is related to the lease of additional premises due to staff count increase.

- Other general administrative expenses are estimated at UZS 1.3 billion as compared to UZS 0.6 billion. The significant increase is mainly related to audit fees (accrual for 2022 and 2023 due to application of IFRS accrual method).
- Depreciation expenses are expected at UZS 0.4 billion as compared to UZS 0.2 billion mainly due to purchase of fixed assets due to staff headcount increase (computers, furniture, etc.);
- Profit after tax is estimated at UZS 28 bln which is 14% higher than in UZS 24 bln in 2022. The insignificant growth in net income is mainly related to activation of lending activity only in Q2 of 2023. The lag in lending activities is mainly related to signing of loan agreement only in early 2023.

**Table 9. 2023 profit and loss**

<b>Profit and Loss (UZS billion)</b>				
<b>ITEMS</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>Diff.</b>
	<b>Actual</b>	<b>Actual</b>	<b>Estimate</b>	<b>%</b>
Interest income	83	202	315	56%
Interest expense	(61)	(171)	(269)	57%
<b>Total net interest income</b>	<b>22</b>	<b>31</b>	<b>46</b>	<b>47%</b>
Net non-interest income/(loss)	(2)	4	(3)	(170%)
<b>Operating income</b>	<b>20</b>	<b>35</b>	<b>43</b>	<b>24%</b>
Operating expense	(5)	(7)	(11)	62%
<b>Profit before reserves</b>	<b>15</b>	<b>28</b>	<b>32</b>	<b>15%</b>
Loan loss reserves	-	-	(1)	-
<b>Profit before tax</b>	<b>15</b>	<b>28</b>	<b>31</b>	<b>12%</b>
Income tax	(2)	(4)	(3)	(5%)
<b>Net profit</b>	<b>13</b>	<b>24</b>	<b>28</b>	<b>14%</b>

## SECTION III. BUSINESS PLAN FOR 2024

### 3.1. Key assumptions

According to the Presidential Decree No. UP-51 dated April 13, 2023 “On measures to implement the program to provide the population with housing through mortgage loans based on market principles for 2023”, it was planned to provide the mortgage market with long-term resources and disburse mortgage loans in total for the amount of over UZS 10trln in 2023.

For 9 months of 2023, total of UZS 12.2trln mortgage loans already were originated in the banking sector of Uzbekistan compared to UZS 10.3trln in the corresponding period of 2022. Mortgage loans disbursed within the budget programs for the same period amounted to UZS 6.0trln (49% of total disbursements) as compared to UZS 5.9trln (57% of total disbursements) in 9 months of 2022<sup>7</sup>.

Despite the continuous Government effort to support the growth of housing finance commercial banks continue to face the following challenges:

- the lack of long-term and accessible financing and accordingly the exposure to interest rate risk
- lack of a mortgage products tailored to various layers of income groups and property markets.
- lack of targeted/coordinated housing finance policy and sharp increase in housing prices.

At the same time UzMRC faced the following difficulties in 2023:

- Delays in increasing the Company’s share capital to UZS 1,200 billion within the timeframe planned in the business plan, before the end of the first quarter due to the need for Decree of the President or the Cabinet of Ministers, absence of which at the time of consideration by the relevant supervisory boards of banks, allowing the Ministry of Economy and Finance and banks with a State share to invest the necessary funds in the share capital of the Company. Although it should be noted that banks had previously expressed interest and agreed at a meeting with the Minister of Economy and Finance to provide additional capital.
- Continuing global and regional geopolitical factors, the consequence of which was the maintenance of the main rate of the CBU at the high level of 14% since 2022, as well as the strong volatility of the national currency and a sharp slope of the sovereign curve in international capital markets.

However, the Company managed to attract mid-term local capital market resources with further disbursement to commercial banks for longer-term to finance market-oriented mortgage loans. Furthermore, UzMRC successfully commenced and completed number of projects planned in 2023. The Company expects the current trend of its development will be maintained in 2024 as well with completion of ongoing and number of upcoming new projects.

Based on the above-mentioned conditions and factors, the Company makes following **key assumptions** in developing 2024 business plan:

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<sup>7</sup> CBU Mortgage loans review for 9 months of 2023, [https://cbu.uz/oz/press\\_center/reviews/](https://cbu.uz/oz/press_center/reviews/)

1. Business environment. It is assumed that the macroeconomic environment and the banking sector will remain stable maintaining its current positive trends of development. GDP will demonstrate the growth of 5.5% in 2024, inflation will ease in line with CBU's expectations at 8-9%. Such positive developments are expected to untie the Central Bank's hands which is expected to gradually commence the injection of liquidity into the banking sector by the end of 2024. Eventually, the CBU key rate might be reduced to the level of 11-13%.
2. Capital increase. UzMRC will manage to increase its share capital close to UZS 0.9trln in H1 2024. There is a risk that this may not take place within the timeframe or investment size envisaged. Capital increase would allow the Company to issue bonds up to the size of its capital. Should this plan fail, Company would immediately need to seek alternative funding sources to support its operations. This may include Government resources or to the lesser extent possible DFI resources.
3. Investment activity. According to UzMRC internal policies, the share capital is not intended to be used for the Company's refinancing activities but rather invested into Government bonds or money market instruments.
4. Funding. Following the increase of its capital, the Company will be able to issue a series of bonds including conventional and green/social bonds. UzMRC assumes that all of its operations will be supported using the Capital market resources blended with ADB funds. The Company assumes that it will issue a bond which can potentially be classified as green by an independent verifier. This would reflect positively on the Company's corporate image, help to contribute to the green economy and subsequently build a law based on the needs.
5. International Financial Institutions' (IFI) resources. UzMRC assumes that it will secure funding from the International Finance Corporation (IFC) in local currency. This is expected to take place in form of a loan or a bond and have the following features: (1) three-year funding with bullet repayment; (2) possibility of roll-over for another three years; (3) financing commercial banks onboarded by IFC, which are in UzMRC's PFIs list as well; (4) cost of funds is defined by the market at the time of disbursement. Pricing is expected to be competitive enough for UzMRC to stay relevant to the market.
6. Blending of funds. The Company assumes to obtain ADB and MEF's consent to blend capital market resources with those of received from ADB to help the Company transition into market-based operations. UzMRC team carried out duration analysis for the blending scheme to investigate the possible liquidity and interest rate risks associated with mixing of concessional long-term resources with mid-term market funds. The modelling demonstrated the viability of the concept. Thus, the blending would provide the Company with option to extend the use of ADB resources to disburse to PFIs mixed funds with interest rates lower than the market and for the long-term period, which would substantially reduce the risks.
7. Refinance using blended resources. UzMRC assumes that the new product based on blended cost of funds which will be relevant to the banks and preferred to resources generated only from ADB. The pricing of the new product is calculated considering the price of mixed funds and UzMRC's risk premium.

8. IT system. The Company assumes to fully implement the automated core IT system by Aug 2024. The technical specifications and the software itself will include accounting, treasury, reporting, and refinance modules. Furthermore, UzMRC will continue expanding its IT infrastructure by purchasing new servers and establishing independent and safe back-up facilities.

### 3.2. Financial highlights

**Table 10. 2024 projected financial position.**

<b>Financial Position (UZS billion)</b>			
<b>ITEMS</b>	<b>2023</b>	<b>2024</b>	<b>Diff.</b>
	<b>Estimate</b>	<b>Plan</b>	<b>%</b>
<b>ASSETS</b>			
Due from banks & deposits, investments	144	909	530%
Refinancing loans	3,141	4,267	36%
Accrued interest receivable	126	178	41%
Other assets	7	15	119%
<b>TOTAL ASSETS</b>	<b>3,419</b>	<b>5,370</b>	<b>57%</b>
<b>LIABILITIES</b>			
Loans received	3,002	3,682	23%
Debt securities issued	140	590	321%
Accrued interest payable	114	148	30%
Other liabilities	1	1	13%
<b>TOTAL LIABILITIES</b>	<b>3,257</b>	<b>4,420</b>	<b>36%</b>
<b>CAPITAL</b>	<b>162</b>	<b>949</b>	<b>485%</b>
<b>TOTAL CAPITAL AND LIABILITIES</b>	<b>3,419</b>	<b>5,370</b>	<b>57%</b>
<b>RATIOS</b>			
ROA	1.0%	1.6%	
ROE	18.5%	13.0%	
Cost to income	26.3%	25.3%	
Net interest margin	1.7%	2.7%	

Followings are key features of the Company's 2024 **financial position**:

- Balances on current accounts with banks, deposits with banks and investments in securities are significantly higher than in 2023 due to capital injection;
- Refinancing loans are expected to demonstrate the growth of 36% as compared to 2023 considering favorable business environment;
- Other assets are estimated to increase due to fixed and intangible assets growth in relation to booking of new IT accounting system and purchase of additional assets;
- Loans received are expected to increase for 23% than 2023 year-end considering disbursements from ADB 2 credit line and the expected deal with IFI;
- In 2024, the Company will proceed with its bonds issuance activity and plans to additionally issue several emissions;

**Table 11. 2024 projected profit and loss**

<b>Profit and Loss (UZS billion)</b>			
<b>ITEMS</b>	<b>2023</b>	<b>2024</b>	<b>Diff.</b>
	<b>Estimate</b>	<b>Plan</b>	<b>%</b>
Interest income	315	609	94%
Interest expense	(269)	(493)	83%
<b>Total net interest income</b>	<b>46</b>	<b>116</b>	<b>154%</b>
Net non-interest income/(loss)	(3)	(5)	111%
<b>Operating income</b>	<b>43</b>	<b>111</b>	<b>156%</b>
Operating expense	(11)	(28)	147%
<b>Profit before reserves</b>	<b>32</b>	<b>83</b>	<b>160%</b>
Loan loss reserves	(1)	(3)	345%
<b>Profit before tax</b>	<b>31</b>	<b>79</b>	<b>155%</b>
Income tax	(3)	(7)	102%
<b>Net profit</b>	<b>28</b>	<b>72</b>	<b>162%</b>

Followings are key features of 2024 **profit and loss**:

- Total interest income is expected to increase for 94% as compared to 2023. This is mainly due to growth in loan book and increase of investment activities;
- Interest expenses are estimated to demonstrate the increase for 83% mainly because of borrowings increase as a result of further disbursement of ADB loan and soliciting IFI resources;
- Net interest income will be substantially higher than 2023 due to higher growth in interest revenues, as the Company will not bear costs on injected capital;
- Net non-interest expense will also increase compared to 2023. These are commitment fees accrued on ADB 2 credit line that was received in late 2022, fees under new credit from IFC;
- Total operating expenses will be higher than 2023. The reasons for significant costs growth are following:
  - Personnel expenses will amount to UZS 16.8 bln which is 97% above than UZS 8.5 bln in 2023 due to increase in staff count from 24 in the beginning of 2024 to 30 at the end of 2024. Management also budgeted indexation of wages for the level of inflation rate;
  - Rent and maintenance costs are budgeted to be UZS 1.3 billion, 41% higher than UZS 0.9 billion in 2023. The growth is related to the lease and maintenance of additional premises due to planned staff count increase.
  - Representation and charity expenses will be UZS 1.0 billion which is significantly above than 2023. The Company budgeted several big events related to UzMRC's 5-year anniversary. However, Management will strictly control this item of expenditures in order to minimize its impact on financial results.
  - Other general administrative expenses are budgeted at UZS 6.5 billion as compared to UZS 1.3 billion in 2023. The significant increase is mainly related to VAT costs on new IT system (over UZS 1bln), new insurance costs (BBB insurance over UZS 0.3bln required by IFC), new IT and IS licenses, audit fees

(engagement of high-cost big four audit firm), social/green bond consultancy, internal and external rating fees, etc.

- Depreciation expenses are expected at UZS 1.7 billion as compared to UZS 0.4 billion mainly due to booking of expensive new GNI IT system and purchase of fixed assets due to staff headcount increase (computers, furniture, etc.);
- Loan loss provision expenses are expected to increase with assumption of loan book growth.
- Profit after tax is estimated at UZS 72 bln which is substantially higher than in UZS 28 bln in 2023. The growth in net income is mainly related to increase of lending and investment activities.

### **3.3. Loan operations**

In 2023 the Company offered two main products to PFIs depending on the sources of funding:

Loan product 1 – funding by ADB (Line 2) in accordance with the Loan Agreement between ADB and the Republic of Uzbekistan, represented by MEF, and UzMRC, as well as the Agreements on refinancing, concluded with commercial banks. Under this product loans in the amount of UZS 1088 bln (UZS 798 bln as of 9 months of 2023) are financed at the rate of CBU minus 2.5 % per annum and plus the UzMRC's operational margin of 1 % per annum. Considering the CBU policy rate to remain at its current level of 14% till the end of the year, the lending rate on Loan product 1 is at the level of 12.5% per annum.

Loan product 2 – funding by resources attracted through issuing corporate bonds at 19% per annum. In Q4 2023, the Company disbursed UZS 140 bln loans under this product. Considering 1% margin of the Company, the loan product provided to banks at 20% p.a.

As part of the redirection of capital market funds to commercial banks for refinancing mortgage loans, several rounds of market research were conducted to determine the demand for mortgage loans for issuance within this product, and active work was underway with commercial banks to determine a preliminary list of banks to which these funds would be redirected. As a result, the Company successfully disbursed product 2 loans to PFIs.

The UzMRC's total loan portfolio at the end of 2023, will amount to UZS 3132 bln with an average weighted interest rate of 13% per annum.

Furthermore, in 2023, UzMRC onboarded two new banks: Orient Finance Bank and InFin Bank. Thus, PFIs list currently consist of 12 local banks. The Company intends to onboard new commercial banks to its Participating Financial Institutions list in 2024 as well.

In 2024 the Company plans to offer a new product based on the blended scheme:

Loan product 3 – funding by facilities of mixing ADB concessional and market-based resources. In 2024, the Company plans to loan out UZS 1339 bln to existing and newly onboarded commercial banks. Considering 1% margin of the Company, the loan product will be provided to banks at approximately 17-20% based on the market conditions.

During the 2024, the Company will recall UZS 300 bln from commercial banks that were disbursed under the budget loan from MEF with a clause of early recall. The further use of these facilities is described in "Investment operations" section of this business plan.

Considering all disbursements and repayments, the net growth of UzMRC loan book is expected to reach approx. UZS 1130 bln in 2024.

Followings are details on the Company's loan book movement during the projected period.

**Table 12. Loan book**

UZS billion	2023	2024			
	Q4	Q1	Q2	Q3	Q4
	Estimate	Plan	Plan	Plan	Plan
Incoming balance	2,702	3,142	3,360	3,605	3,947
Disbursement	545	418	250	342	330
Repayment	(105)	(200)	(5)	-	(5)
<b>Outgoing balance</b>	<b>3,142</b>	<b>3,360</b>	<b>3,605</b>	<b>3,947</b>	<b>4,272</b>
Loan loss reserves	(1)	(2)	(2)	(3)	(5)
<b>Net outstanding balance</b>	<b>3,141</b>	<b>3,258</b>	<b>3,603</b>	<b>3,944</b>	<b>4,267</b>

The amount of planned income accruals in 2024 from credit operations is planned at the level of UZS 513bln as compared to UZS 289bln in 2023 estimate.

In order to manage credit risks and the classification of loans issued in accordance with the requirements of CBU, UzMRC will work closely with commercial banks to obtain all necessary information for monitoring, timely response and appropriate decisions on loan portfolio management.

Loan loss reserves on the loan portfolio are projected at the incremental rate, as the Company's borrowers are thoroughly analyzed and stable big and medium-sized commercial banks. UzMRC does not expect any sort of delinquencies. However, there might be non-significant quantity of underlying mortgage loans received as collateral that could be overdue. Insignificant level of loan impairment allowances will be allocated under these mortgage loans. The Company will continuously monitor the collateral portfolios and replenish such loans.

### 3.4. Investment operations

During 2023, UzMRC's investment portfolio consisted of bank deposit instruments and Government securities, which amounted to UZS 139bln.

Investments in bank deposits were made based on thorough analysis of market conditions, considering the choice of a reliable and solvent bank offering attractive interest rates, and internal exposure limits set for these banks.

Decisions on investments are made on a collegial basis with consideration of this issue at meetings of the Assets and Liabilities Management Committee of the Company (ALCO).

In 2023, yield on bank deposits were c. 19%, whereas yield on investments in securities were c. 18%.

The current composition of investments is 67% for term deposits and 33% for securities. The diversification of instruments is related to seeking for best balance between concentration risk, possible liquidity risks and earnings.

In 2024, the Company intends to extend its investment operations due to inflow of liquidity via share capital increase. The share of cash inflow is planned to be invested in deposit instruments, whereas the other share is expected to be invested in Government securities. Both deposit product and Government securities have advantages and disadvantages. While placements in banks earn higher income and subject for interest income taxation, state securities earn lower earnings, but fully exempt from taxation. Both instruments are highly liquid as deposit could be terminated and securities due to presence of secondary market.

Considering the possible reduction of CBU key rate described in “Key assumptions” section of this document, the yield composition is projected at the lower level of 16-17% for deposits, 14-15% for securities compared to 2023.

Followings are details on the Company’s investment portfolio movement during the projected period.

**Table 13. Investment portfolio movement**

UZS billion	2023	2024			
	Q4	Q1	Q2	Q3	Q4
	Estimate	Plan	Plan	Plan	Plan
Term deposits	95	401	412	419	439
Government securities	48	50	50	468	468
<b>Total investment portfolio</b>	<b>143</b>	<b>451</b>	<b>462</b>	<b>887</b>	<b>907</b>

According to the results of investment operations, the Management plans to receive income in the amount of UZS 96 bln as compared to UZS 25 bln in 2023. The growth of earnings is directly related to increase in balance of investments, although the interest rates are projected to decline in 2024.

Decisions on investments will be made on a collegial basis with consideration of issues at meetings of the Assets and Liabilities Management Committee of the Company (ALCO). ALCO will also consider the issues of exploiting limits for interbank transactions considering the overall exposure limits and analysis of banks' financial reports.

### 3.5. Funding – Borrowings

During 2023, the Company was servicing its existing borrowings from ADB (two credit lines) and budget loan from Ministry of Economy and Finance.

ADB loans have grace period for principal repayment until 2025, whereas first UZS 100 billion principal repayment of MEF budget loan was contracted for December 2023. However, once the Presidential Decree on capital injection into UzMRC is published, the total MEF budget loan of UZS 300 billion could be converted into the Company’s share capital. Therefore, the novation of the contract for budget loan is planned to cease the repayment of principal in December 2023.

UzMRC has been actively working to attract credit resources in local currency from such International Development Institutions as IFC. Negotiations are underway on the terms of attraction and assessment of market and liquidity risks, assessment of pricing considering

current market conditions. The Company is carefully studying all conditions for raising funds.

Due diligence started in September 2023 and is expected to be completed in early December 2023. Initial discussed terms of funding are following: (1) three-year funding with bullet repayment; (2) possibility of roll-over for another three years; (3) financing commercial banks onboarded by IFC, which are in UzMRC's PFIs list as well; (4) cost of funds is defined by the market at the time of disbursement. UzMRC will put effort to withdraw funds at the lowest possible cost. Preliminary disbursement period will be end of quarter one 2024.

Furthermore, UzMRC will continue withdrawing the outstanding balance of ADB 2 credit line. Both ADB and IFC facilities will be used for blending concept described on "Key assumptions" section of the business plan.

Followings are details on the Company's borrowings movement during the projected period.

**Table 14. Borrowings movement**

UZS billion	2023	2024			
	Q4	Q1	Q2	Q3	Q4
	Estimate	Plan	Plan	Plan	Plan
Incoming balance	2,702	3,002	3,220	3,265	3,607
Disbursement	400	418	45	342	75
Repayment	(100)	(200)	-	-	-
<b>Outgoing balance</b>	<b>3,002</b>	<b>3,220</b>	<b>3,265</b>	<b>3,607</b>	<b>3,682</b>

**Table 15. Borrowings disbursements**

UZS billion	2023	2024			
	Q4	Q1	Q2	Q3	Q4
	Estimate	Plan	Plan	Plan	Plan
<b>Borrowings draw down</b>	<b>400</b>	<b>418</b>	<b>45</b>	<b>342</b>	<b>75</b>
- ADB loan	400	100	45	80	75
- IFC loan	-	318	-	262	-

According to the results of resources soliciting operations, the Company plans to incur interest costs for UZS 428 bln as compared to UZS 264 bln in 2023. The increase in costs is directly related to increase in balance of borrowed funds.

### 3.6. Funding - Debt securities

The Company successfully attracts resources through the issuance of the Company's first unsecured corporate bonds in its history within the size of its own total capital in the amount of UZS 140 billion among local financial and other organizations.

Interest income on the Company's corporate bonds is exempt from taxation until the end of 2028 in accordance with Presidential Decree No. PP-291 dated September 2, 2023. "On additional measures to develop the capital market." In addition, the Company's unsecured bonds on banks' balance sheets are weighted at risk level at 20% for the purposes of

calculating capital adequacy in accordance with CBU Regulation No. 2693 dated July 6, 2015. “On the requirements for capital adequacy of commercial banks.”

In July 2023, the Company issued a letter to all financial sector participants to research for potential demand for its unsecured corporate bonds on the above terms. In August 2023, the Company received several letters from representatives of the sector expressing a high interest in the proposed financial instrument. Thus, the potential demand for the Company’s debt securities in the capital market was in place and it exceeded the preliminary supply volume.

In September 2023, UzMRC successfully registered UZS 140 billion corporate bonds under following terms:

- Issue volume – 140 000 pcs;
- PAR value – UZS 1 000 000 each;
- Total volume – UZS 140 bln;
- Tenor – 3 years;
- Interest rate – 19% p.a.;
- Interest repayment – semi-annual;
- Placement type – private placement;
- Placement period – 180 days.

The Management plans to proceed with mobilization of capital market resources by issuing its debt securities. It is forecasted to issue two emissions of corporate bonds at market conditions and social/green bonds at discount rate. Potential subscribers are expected to be local and international financial and non-financial institutions. However, the critical point is share capital issue, which will kickstart the further bonds issue program, as UzMRC already exhausted its total equity for debt instruments emission.

Estimated issue conditions are following:

- PAR value – UZS 1 000 000 each;
- Total volume – within total capital;
- Tenor – 3 years;
- Interest rate – based on market conditions;
- Interest repayment – semi-annual;
- Placement type – private and public placement;
- Placement period – 180 - 365 days.

All capital market facilities will be used for blending concept described on “Key assumptions” section of the business plan.

The Company has been holding discussions with Astana International Financial Centre (AIFC), who has broad experience in issuing and placing social and green bonds. In case of successful negotiation results on potential cooperation, UzMRC plans to engage AIFC to assist in bringing the Company’s internal policies in compliance with internationally accepted best standards. The consultant will also advise UzMRC team on marketing, reporting and placement of social/green bonds. The initial emission will be incremental with the amount not exceeding UZS 50 billion.

Followings are details on the Company's issued bonds movement during the projected period.

**Table 16. Bonds movement**

UZS billion	2023	2024			
	Q4	Q1	Q2	Q3	Q4
	Estimate	Plan	Plan	Plan	Plan
Beginning balance	-	140	140	340	340
Issuance	140	-	200	-	250
Repayment	-	-	-	-	-
<b>End balance</b>	<b>140</b>	<b>140</b>	<b>340</b>	<b>340</b>	<b>590</b>

According to the results of bonds issuance operations, the Company plans to incur interest expenses for UZS 65 bln as compared to UZS 5 bln in 2023. The increase in costs is directly related to increase in balance of debt securities issued by the Company.

### 3.7. Capital

UzMRC plans to raise an additional round of share capital from its existing shareholder base and other banks who are interested in joining the refinance platform. This will help the Company increase its capital up to approx. UZS 1trln. The exact amount and timing may change subject to the availability of liquidity and the Government's final decision. Once approved, UzMRC will be able to issue additional bonds up to the size of its capital and attract resources from DFIs.

Measures to increase the share capital and the placement of a new issue of shares are planned to be completed by the end of the first half of 2024.

It is also possible that such capital categories as retained earnings and reserve capital could be changed by decision of the Annual General Meeting of Shareholders. It is expected that 5% of the net profit received based on the results of the Company's activity in 2023 will be allocated, and that dividends are expected to be paid to shareholders either by additionally issued shares.

### 3.8. Asset and Liability Management

Based on lending, investing, borrowing and capital projections, the Management of UzMRC prepared forecasts of assets and liabilities movement that are budgeted to directly result in the Company's financial results. The projection is also made for the purposes of liquidity risks management.

It is initially assumed that the Company will be able to issue and place UZS 450 billion corporate bonds in order to achieve its lending plans for 2024. However, if there is a lack of demand for the Company's debt securities, UzMRC plans to attract up to USD 45mln from IFC. Furthermore, the Company is carrying out negotiations with other IFIs to solicit additional resources.

UzMRC also intends to channel MEF's resources in 2024 through refinance mechanism, subject to approval by the Government. Should this be approved by the Government, this will

be reflected in the revised budget for 2024. The Company Management will put efforts to provide the Company with additional sources of funding and to prevent fundings inflow disruptions.

Followings are summarized details of projected assets and liabilities movement in 2024:

**Table 17. Asset and liabilities management**

UZS billion	2023	2024			
	Q4	Q1	Q2	Q3	Q4
	Estimate	Plan	Plan	Plan	Plan
<b>ASSETS</b>					
<b>Investments</b>					
Term deposits	95	401	412	419	439
Government securities	48	50	50	468	468
<b>Outgoing balance</b>	<b>143</b>	<b>451</b>	<b>462</b>	<b>887</b>	<b>907</b>
<b>Loan book</b>					
Incoming balance	2,702	3,142	3,360	3,605	3,947
Disbursements	545	418	250	342	330
Repayments	(105)	(200)	(5)	-	(5)
<b>Outgoing balance</b>	<b>3,142</b>	<b>3,360</b>	<b>3,605</b>	<b>3,947</b>	<b>4,272</b>
<b>LIABILITIES</b>					
<b>Borrowings</b>					
Incoming balance	2,702	3,002	3,220	3,265	3,607
Disbursements	400	418	45	342	75
Repayments	(100)	(200)	-	-	-
<b>Outgoing balance</b>	<b>3,002</b>	<b>3,220</b>	<b>3,265</b>	<b>3,607</b>	<b>3,682</b>
<b>Debt securities issued</b>					
Incoming balance	-	140	140	340	340
Issuance	140	-	200	-	250
Redemption	-	-	-	-	-
<b>Outgoing balance</b>	<b>140</b>	<b>140</b>	<b>340</b>	<b>340</b>	<b>590</b>

### 3.9. Human resources

In late 2022, UzMRC introduced new staff remuneration and incentives system, according to which team members are assessed quarterly based on key performance indicators. In addition, new incentives system included reimbursement of sport clubs subscription and relevant training costs, as well as new voluntary medical insurance coverage system was introduced.

Despite the challenges the Company managed to increase its staff count by gradually engaging appropriate employees as new internal auditor, compliance manager, new capital market analyst, accountant and others. Average staff number in 2023 made up 19, whereas 2024 budgeted average staff number is projected to be 29.

Followings are details of estimated staff headcount for YE 2023 and YE 2024.

**Table 18. Headcount**

Position	2022	2023	2024
	Actual	Estimate	Plan
CEO	1	1	1
Deputy CEOs (CFO and COO)	-	2	2
Heads of departments	3	3	4
Other staff members	10	21	22
<b>Total</b>	<b>14</b>	<b>26</b>	<b>29</b>

In 2024, Management also budgeted indexation of staff wages to the headline inflation rate. This is a necessary measure considering the significant rise in CPI since the start of 2022.

Moreover, the Company has been actively exploring the possibilities of staff remuneration and motivation system improvement. New preliminary incentives would be extending the medical insurance scheme, increasing the level of annual bonuses, and team activities. Management believes that these measures will help to attract and retain qualified staff members.

#### SECTION IV. OPERATING EXPENSES

The Company's operating expenses are gradually increasing due to growth of operations volume, increase of staff count, increase of office premises, improvement of IT and IS infrastructure, inflation, and other factors.

However, it shall be noted that cost to income ratio in 2024 will be at 25.3% as compared to 26.3% in 2023. It means that the growth of operating costs is behind the increase in operating income of the Company.

Management will maintain strict control over its operating expenditures for the purposes of financial efficiency and higher profitability of UzMRC.

Followings are main details of projected operating expenses.

**Table 19. Operating expenses**

ITEMS (UZS billion)	2023	2024	Diff.
	Estimate	Plan	%
Personnel expense	8.5	16.8	97%
Rent and facility maintenance	0.9	1.3	41%
Travel and transportation expenses	0.1	0.5	705%
Administrative expenses	0.1	0.2	90%
Representation and charity	0.0	1.0	1,928%
Depreciation costs	0.4	1.7	348%
Insurance, taxes, and other expenses	1.3	6.5	402%
<b>Total operating expense</b>	<b>11.4</b>	<b>28.0</b>	<b>147%</b>

## SECTION V. CAPITAL EXPENDITURES

The development of UzMRC's IT system is the most important task for the Company to create technical infrastructure.

To achieve this goal, the Strategy of development of IT in UzMRC together with consultants of Frankfurt School of Finance and Management has been developed.

The strategy of development of IT is aimed to meet the needs of the Company in information, analytics, and structural solutions. This strategy is based on the Company's technical documents on IT and the minimum information security requirements of CBU.

The Supervisory Board approved the plan for the automation of the UzMRC's processes. In 2023 it was planned to carry out procurement procedures (tender), choose developer (supplier) for core accounting IT system.

In Q1 2023, the Company received an approval from the Cyber Security Center and the State Examination Center for procurement of new core IT system. Subsequently, UzMRC published a tender as per the requirements of the legislation. The tender process was completed in Q2 2023, and the Company selected Azerbaijan based "GNI Software" company as vendor for the IT system. In July 2023, the contract with the supplier was signed. CEO established the working group with proper back-ups to commence the core system development process. In August 2023, GNI team visited Tashkent for two weeks to discuss UzMRC business processes in order to start the technical specifications development. Currently, the draft technical specifications have been developed by the vendor, which are at the final stage of discussion. Moreover, UzMRC onboarded a qualified Business Analyst, who is coordinating the implementation of the GNI system.

The planned amount of investment in the development and implementation for IT project, and the other licenses estimated UZS 8.6 bln excluding VAT. However, despite the payments in 2023, intangible assets associated with the accounting system are planned to be recognized on the balance sheet in 1Q 2024.

Other capital expenditures of UZS 1 356 mln are related to purchase of server equipment for UzMRC IT system, personal computers, communications equipment, furniture & fixtures and other office equipment.

Cashflow of investments in fixed and intangible assets in 2024 are shown in the table below:

**Table 20. Company's investments in fixed and intangible assets**

Category (UZS billion)	2023	Investments in 2024	2024
	Estimate		Plan
Leasehold improvement	31.6	-	31.6
Furniture & Fixtures	369.5	210.0	579.5
Computer, IT and office equipment	785.9	546.0	1,331.9
Office cars	325.0	-	325.0
Intangible assets	143.8	9,173.2	9,317.0
Accumulated depreciation	(821.1)	(1,742.5)	(2,563.6)
<b>Net Fixed and Intangible assets</b>	<b>834.7</b>	<b>8,218.7</b>	<b>9,021.4</b>

## Statement of Financial Position for 2024

ITEMS (UZS billion)	Q1 '24	Q2 '24	Q3 '24	Q4 '24
	Plan	Plan	Plan	Plan
<b>ASSETS</b>				
Due from banks & deposits, investments	452	469	890	909
Refinancing loans	3,358	3,602	3,943	4,267
Accrued interest receivable	122	122	198	178
Other assets	14	13	15	15
<b>TOTAL ASSETS</b>	<b>3,947</b>	<b>4,207</b>	<b>5,047</b>	<b>5,370</b>
<b>LIABILITIES</b>				
Loans received	3,220	3,265	3,607	3,682
Debt securities issued	140	340	340	590
Accrued interest payable	118	119	176	148
Other liabilities	1	1	1	1
<b>TOTAL LIABILITIES</b>	<b>3,478</b>	<b>3,725</b>	<b>4,123</b>	<b>4,420</b>
CAPITAL	468	482	923	949
<b>TOTAL CAPITAL AND LIABILITIES</b>	<b>3,947</b>	<b>4,207</b>	<b>5,047</b>	<b>5,370</b>

## Profit and Loss Statement for 2024 (cumulative)

ITEMS (UZS billion)	Q1 '24	Q2 '24	Q3 '24	Q4 '24
	Plan	Plan	Plan	Plan
Interest income	112	254	423	609
Interest expenses	(97)	(214)	(346)	(493)
<b>Total net interest income</b>	<b>15</b>	<b>39</b>	<b>77</b>	<b>116</b>
Net non-interest income/(loss)	(1)	(2)	(4)	(5)
<b>Operating income</b>	<b>14</b>	<b>37</b>	<b>73</b>	<b>111</b>
Operating expense	(6)	(13)	(19)	(28)
<b>Profit before reserves</b>	<b>8</b>	<b>25</b>	<b>54</b>	<b>83</b>
Loan loss reserves	(1)	(2)	(3)	(3)
<b>Profit before tax</b>	<b>7</b>	<b>23</b>	<b>51</b>	<b>79</b>
Income tax	(1)	(3)	(5)	(7)
<b>Net profit</b>	<b>6</b>	<b>20</b>	<b>46</b>	<b>72</b>

## Key Performance Indicators

No.	Key Performance Indicators	Source	Share	Q1 '24	Q2 '24	Q3 '24	Q4 '24
				Plan	Plan	Plan	Plan
1	Net profit (loss) plan implementation	CMD* No.207	15	6,011,911	19,956,328	46,442,783	72,313,304
2	Return on average assets (ROAA)	CMD* No.207	5	0.18%	0.59%	1.31%	1.95%
3	Return on average share capital (ROAE)	CMD* No.207	5	2.13%	7.06%	9.23%	14.37%
4	Cost to income ratio (CIR)	CMD* No.207	5	45.57%	33.87%	25.50%	25.31%
5	Net interest margin (NIM)	Internal	5	0.43%	1.07%	1.89%	2.74%
6	Net stable financing ratio (NSFR)	CBMD** No.3219	10	> 100%	> 100%	> 100%	> 100%
7	Liquidity coverage ratio (LCR)	CBMD** No.3219	10	> 100%	> 100%	> 100%	> 100%
8	Leverage ratio	CBMD** No.3219	10	> 3%	> 3%	> 3%	> 3%
9	Capital adequacy ratio (CAR)	CBMD** No.3219	15	> 10%	> 10%	> 10%	> 10%
10	Maximum concentration size	CBMD** No.3219	10	< 30%	< 30%	< 30%	< 30%
11	Non-performing loans (NPL)	Internal	10	< 5%	< 5%	< 5%	< 5%
			<b>100</b>				

\* Cabinet of Ministers' Decree

\*\* Central Bank's Management Decree