

"APPROVED"

by the decision of the extraordinary general
meeting of shareholders of the Joint-stock
company "Mortgage Refinancing Company of
Uzbekistan"

dated February 20, 2025

STRATEGY
of Mortgage Refinance Company of
Uzbekistan for 2025-2030

Table of Abbreviations

ADB	Asian Development Bank
CBU	Central Bank of Uzbekistan
DTI	Debt to income ratio
DFI	Development Financial Institution
ESG	Environmental, Social and Governance
GHG	Greenhouse gas
GoU	Government of the Republic of Uzbekistan
HR	Human resources
ICMA	International Capital Market Association
IFC	International Finance Corporation
ITS	Information Technology Systems
LTV	Loan-to-value ratio
RMBS	Mortgage-backed security
MCHPU	Ministry of Construction and Housing and Public Utilities of the Republic of Uzbekistan
MLS	Mortgage Lending Standards
MMSDP	ADB mortgage market sector development programs
MoEF	Ministry of Economy and Finance of the Republic of Uzbekistan
NAPP	National Agency for Perspective Projects
NDFI	National Developmental Financial Institution
PFI	Participating Financial Institution
RM	Risk Management
ROE	Return on Equity
SAMA	State Assets Management Agency
SPV/C	Special Purpose Vehicle / Company
UzMRC	Mortgage Refinancing Company of Uzbekistan JSC (also Company)

FX rate used in the document UZS/USD - 12700

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Executive Summary

Uzbekistan population has been growing by 2% per year in 2010-2023, so has the demand for housing. Though the number of housing units in the same period has been increasing by 2.4% per year, housing adequacy at **18.5 sq.m. per person remains very low** (the 3rd lowest among 9 CIS countries after Kyrgyzstan and Tajikistan) – although since 2010 it grew by 3.5 sq.m. from 15 sq.m. **The growth in real income per capita** of 2.4% in 2023 and 7,3% in 2022¹ **fuels demand for housing**, emphasizing the need for increase in supply of dwellings and housing finance.

Since 2016, **Uzbekistan's mortgage market** has grown sevenfold with a 34% annual growth rate, but by 2023, **only ca. 25% of housing purchases were mortgage-financed**, with outstanding residential mortgage loans reaching UZS 62trln (USD 5.3bln).

Mortgage affordability remains low, as only households in the top 5th quantile of population by income can **afford non-subsidized mortgage loans** and only part of the 4th quintile can **afford mortgages at subsidized terms**.

At the same time, recent years have seen **key changes in the structure of the mortgage market**, including a significant shift in approach to subsidies, establishment of a mortgage refinancing institution with sector development mandate, initiation of development of the Capital Markets Law and electronic mortgage note, and adoption of Green Housing Finance taxonomy. Importantly, **key elements of housing and housing finance sectors have been included in the national Strategy “Uzbekistan - 2030”** with clear messages for market stakeholders.

However, mortgage products offered by banks **do not address financial needs of certain categories of borrowers with informal and/or insufficient income** (about 50-80% of population). These borrowers are **not able to accumulate funds** for downpayment and **their official monthly income is not sufficient** to qualify for mortgage loans at 50% DTI. These limitations hinder growth of mortgage originations and reduce homeownership opportunities.

Macroeconomic challenges and limited bank access to long-term affordable financing constrain mortgage affordability. Banks lack capacity to raise long-term funds via capital markets due to **inadequate infrastructure, weak incentives**, and reliance on government subsidies (57% of FY2023 originations). Subsidies result in illiquid portfolios due to below-market yields (17% subsidized vs. 25% market rates), further hampering market growth and efficiency.

Since UzMRC's establishment in Nov 2019, PFIs have reduced reliance on government funding, which still dominates liquidity sources. In 2023, MoEF-funded originations fell to 57% (from 72% in 2022), while bank-originated loans rose to 34% (up from 22% in 2020), and UzMRC refinancing accounted for 9% of total sector originations.

UzMRC is progressing through the development stages typical of mortgage refinancing companies, focusing on four key areas - liquidity provision, capital market development,

¹ The State Committee of the Republic of Uzbekistan on Statistics, source link: <https://stat.uz/images/uploads/reliz-2023/aholiturmushdarajasidekab2023pressrelizuru.pdf>

legislative reform, and promoting international mortgage lending standards. In its **foundation stage**, UzMRC established its institutional framework, commenced refinancing mortgage loans, and introduced initial mortgage lending standards to enhance credit quality. Transitioning to the **expansion and market development stage**, the company is expanding refinancing activities, strengthening governance, diversifying funding through local capital markets, and advocating for advanced legal frameworks for new products. To achieve the **maturity and market leadership stage**, UzMRC aims to become a systemic entity driving housing finance policies, scaling up RMBS issuance, collaborating with international institutions, and adopting advanced risk management frameworks to ensure resilience and sustainability.

As part of its 2025-2030 strategy, **UzMRC will concentrate on several objectives aimed at increasing the access and affordability of mortgage finance for underserved segments of the population**, particularly those with informal and middle formal income (households in 3rd and 4th income quintiles).

To enhance access to long-term mortgage finance, UzMRC plans to **lead the development of mortgage lending standards and practices** to be adopted by most market players. This will **reduce risks, improve consumer protection, and create homogeneous mortgage portfolios** suitable for securitization. Collaborating with stakeholders like MoEF, CBU, NAPP, MCHPU, and banks, UzMRC will introduce legal and regulatory changes to enable RMBS issuance and **develop new mortgage products**. Additionally, the Company will **strengthen its internal functions**, focusing on new products, risk management, digitalization, corporate governance, investor relations, and IT, all aligned with its ESG Policy and Sustainability Finance Framework.

UzMRC will **contribute to the sectoral housing finance strategy of Uzbekistan**, aimed at enhancing housing affordability and improving access to housing finance for various income groups. The Strategy will focus on increasing housing stock and developing tailored finance solutions to make mortgages more accessible to broader population segments while clarifying UzMRC's role in achieving Government objectives.

In parallel, UzMRC will support legal and regulatory modernization in areas such as RMBS issuance, mortgage claim rights, consumer protection, and green building initiatives. By actively engaging in international cooperation, the Company will leverage global expertise through collaboration with other MRCs and development partners.

Implementation of the above objectives would allow **UzMRC to refinance ca. 20% of the mortgage loans originated annually, with most of the funding raised from the capital market**.

To measure implementation of the strategy objectives, UzMRC has established a list of KPIs including several ESG and sustainability metrics.

Chapter I. Company Vision, Mission and Core Values

1.1. Vision

To be the leading catalyst for affordable homeownership and financial stability, empowering families to achieve their housing aspirations while driving economic progress and sustainable development.

We envision an Uzbek society where:

- Every household has access to affordable and secure housing finance.
- The banking sector is capable and willing to promote innovative housing finance solutions.
- The housing market is dynamic, inclusive, and aligned with the national and global sustainability goals.

Through integrity, innovation, and impact-driven strategies, we strive to shape a resilient housing finance ecosystem that transforms lives, strengthens communities, and fosters prosperity for generations to come.

1.2. Mission

To enable affordable and sustainable homeownership in Uzbekistan by providing long-term liquidity to the banking sector, developing innovative housing finance solutions, and fostering a resilient and inclusive mortgage market.

Through partnerships, market-driven strategies, and a commitment to excellence, we aim to drive economic growth, enhance housing accessibility, and contribute to the nation's social and financial well-being.

1.3. Core Values

Inclusivity - Commitment to providing equal opportunities for all citizens to access affordable housing finance solutions.

Sustainability - Promoting environmentally conscious housing solutions to ensure a sustainable future for communities and the nation.

Partnership - Building strong relationships with financial institutions, government agencies, and private stakeholders to achieve shared goals.

Integrity - Upholding trust and accountability in all operations, ensuring the highest ethical and professional standards.

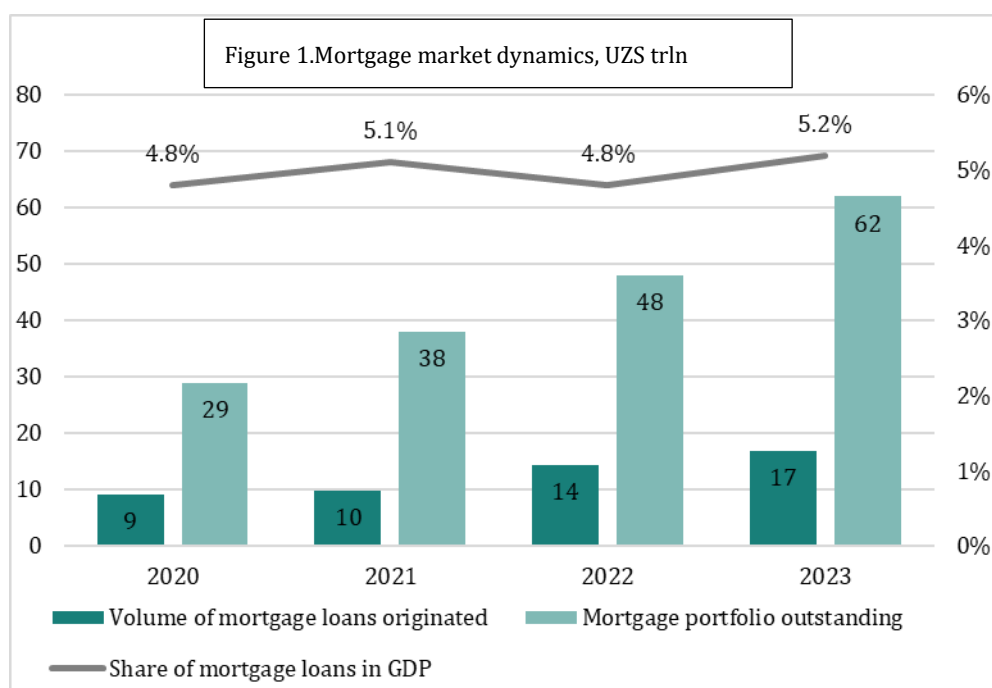
Innovation - Driving continuous improvement and creativity in housing finance solutions to meet the evolving needs of the market.

Chapter II. Macroeconomic context

2.1. Mortgage sector overview

a. Market dynamics and Housing affordability

In recent years, economic growth and rising incomes have increased household debt. In 2023, 68k new mortgages were originated, totaling UZS 16.85tn (approx. USD 1.3bn), up from 60k in 2021. Despite this growth, access to mortgages remains inadequate for the population of over 37.4m, as per capita housing stock is still low. By mid-2024, total outstanding mortgages in the banking system reached UZS 62trln, with a 29% annual growth rate (CAGR). The main drivers of this growth are: 1) increasing housing demand, 2) active government financing, and 3) UzMRC's market entry.



As per the Government statistics office 2023 national data on incomes, the following average per capita incomes distribution by quintile was derived. With an average family size of 5, household income figures per quintile are shown below².

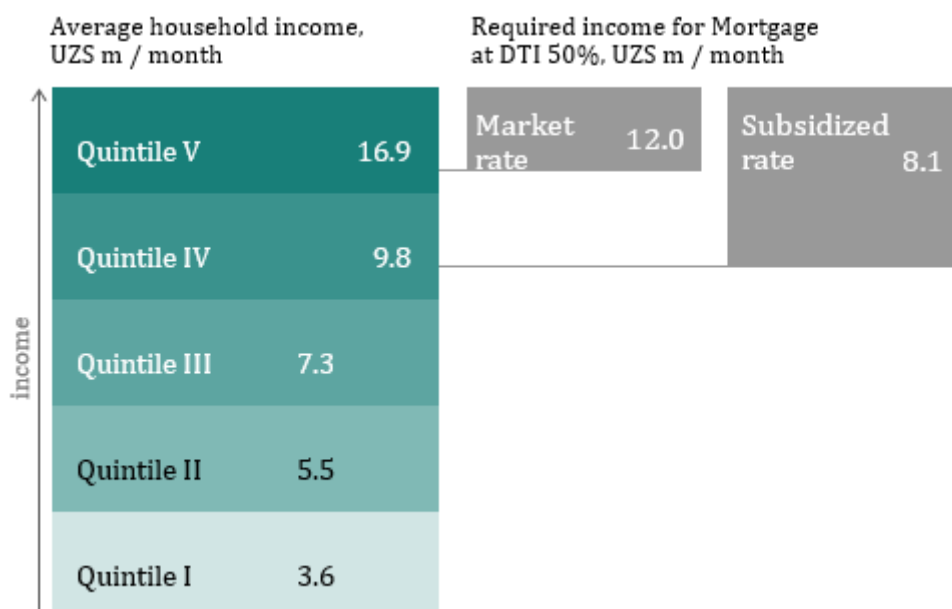
Table 1. Income distribution

Category	Quintiles	Income per person, UZS	Income per household, UZS
Q I	20 th %	699,662	3,568,274
Q II	40 th %	1,078,996	5,502,880
Q III	60 th %	1,424,612	7,265,521
Q IV	80 th %	1,913,532	9,759,014
Q V	100 th %	3,304,425	16,852,570

² The State Committee of the Republic of Uzbekistan on Statistics, source link: <https://stat.uz/ru/press-reizy>

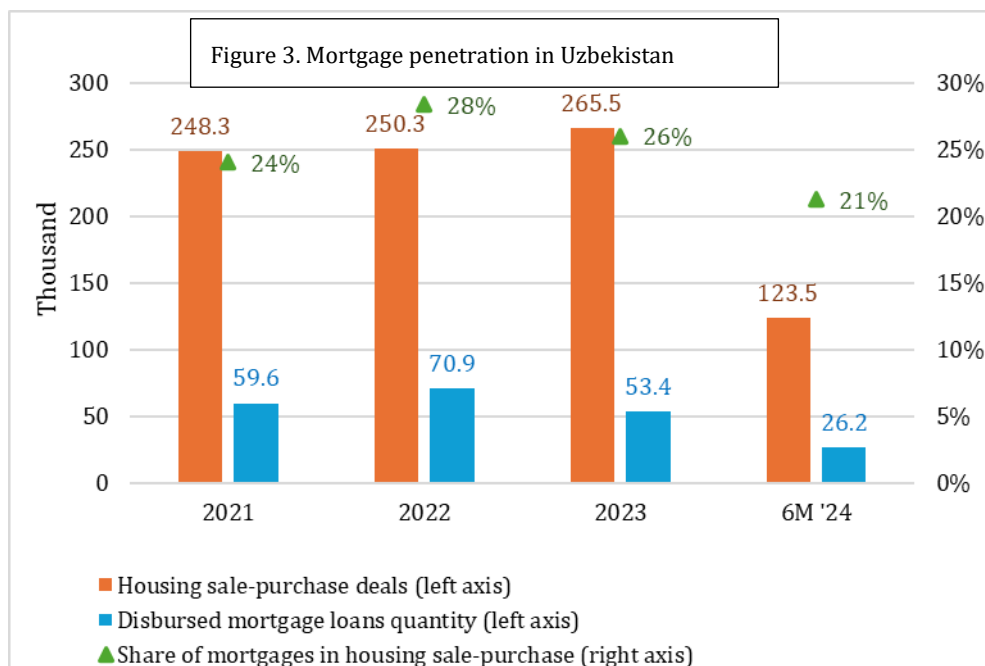
Market interest rate mortgage affordability in Uzbekistan is low, accessible only to the top 20% of households. To purchase a UZS 400mln property with a 20-year mortgage at 75% LTV and 50% DTI, a household would need an income of UZS 12mln and a monthly payment of UZS 6mln. This debt service is manageable only for the 5th income quintile, meaning affordability is limited to 20% of households. Subsidized mortgages, with lower interest rates, require a lower income of about UZS 8mln and a monthly payment of UZS 4mln, making them affordable for the 4th quintile (40% of families).

Figure 2. Mortgage affordability³



Low level of mortgage affordability results in low share of mortgages in real estate transactions. In 2021-2023 the share of mortgage deals in total amount of housing deals equaled to 24-26% according to the CBU data (and over a half of all mortgage deals are subsidized mortgages financed by MoEF).

³ The State Committee of the Republic of Uzbekistan on Statistics, source link: www.stat.uz



Comparing these numbers to developed markets where median of the population by income can afford a mortgage at prevailing terms - it is clear that significant effort should be done at improving housing finance affordability, including by providing lower cost mortgages, i.e., lower interest rate in line with overall cost of financial capital in the country.

b. Key stakeholders

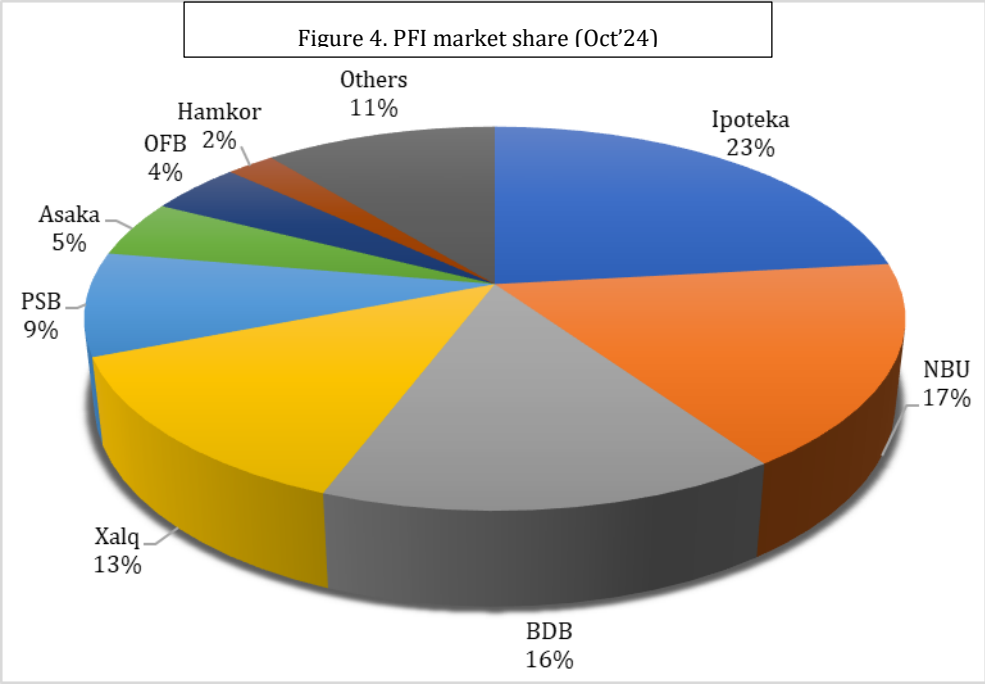
UzMRC operates with three main stakeholder groups: the Government and regulators, commercial banks, and Development Finance Institutions (DFIs).

As a founding shareholder, the Ministry of Economy and Finance (MoEF) played a key role in housing finance reforms in 2020 and remains UzMRC's primary sponsor. Despite four years of operations, UzMRC still relies on shareholder support, primarily from the Government, which provides policy and capital backing. However, the Company plans to reduce dependence on government support by increasing capital market funding. As of October 1, 2024, UzMRC's loan portfolio reached UZS 4.1tn, with over 21,000 refinanced loans.

Regulatory bodies like the Central Bank of Uzbekistan and the National Agency for Project Management are critical partners, helping UzMRC shape the mortgage market and introduce innovations such as RMBS and mortgage notes. Commercial banks, the third stakeholder group, directly impact UzMRC's operations through lending, bond investment, and shareholder roles. The top three banks accounted for 56% of mortgage loans in 2024, while the top 10 banks held 93%. However, the Government remains dominant, financing over 60% of annual mortgage originations at concessional rates.

DFIs are vital for market development, providing funding and expertise. The Asian Development Bank is the largest contributor, with other DFIs joining to address key market challenges. UzMRC plans to collaborate with DFIs in developing Uzbekistan's sectoral housing finance strategy, focusing on targeting vulnerable groups and fostering economic growth.

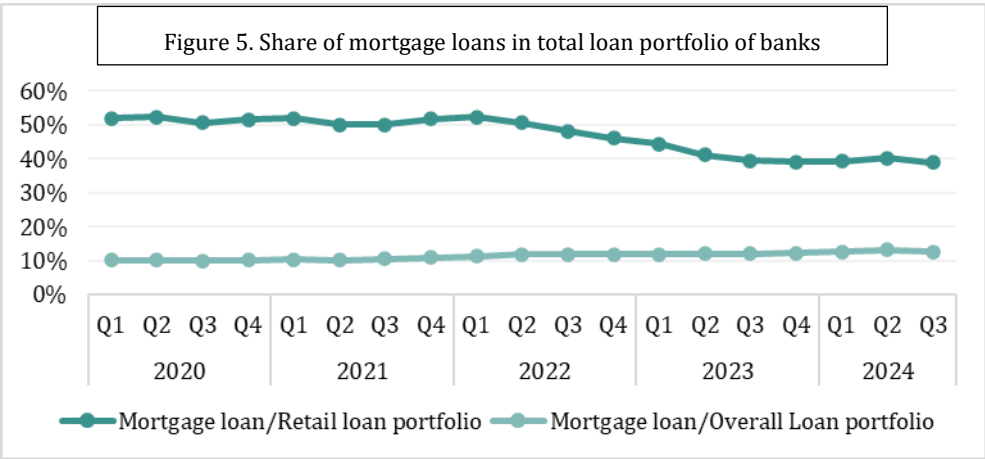
UzMRC has built strong relationships with all stakeholders and is committed to promoting affordable housing in Uzbekistan.



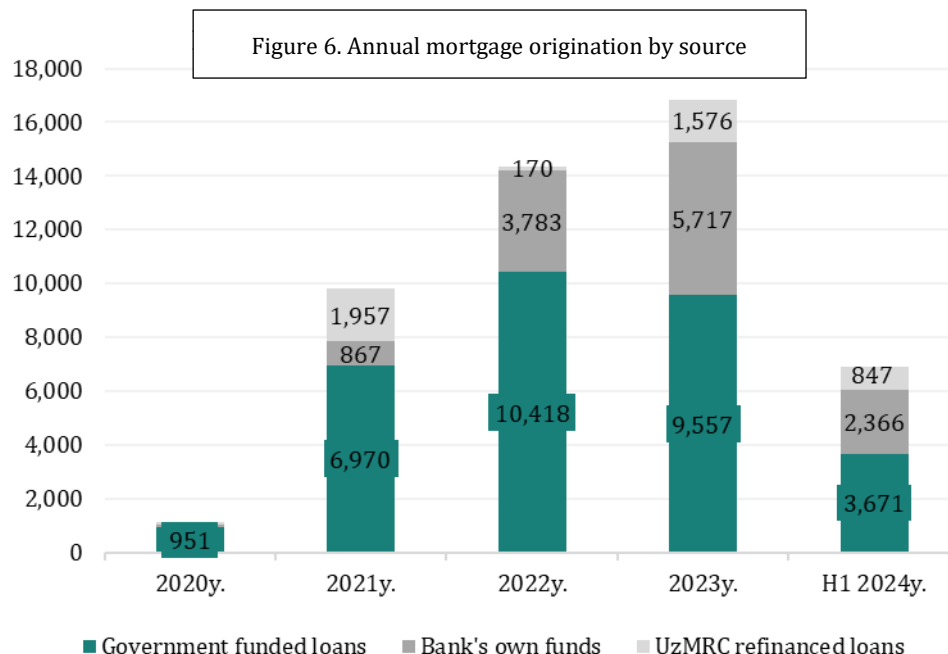
c. Mortgage funding context

Currently, banks fund mortgage lending on commercial terms using their own resources, while capital market funding is available only through UzMRC. This reliance on deposits and short-term funding creates interest rate and liquidity risks, as banks lack broader access to long-term liabilities to match their long-term assets.

Mortgages make up 10–12% of the banking sector's total loan book, but their share in retail portfolios has dropped from over 50% to around 40% in recent years.



Over half of the mortgage loans disbursed in 2023–H1 2024 were funded by the Ministry of Economy and Finance (MoEF) under concessional terms, including relaxed underwriting, lower-than-market rates, and 20-year periods. This approach distorts the market and discourages banks from developing competitive mortgage products.



Currently, UzMRC refinances about 6% of the outstanding mortgage portfolio, steadily growing its role over the last 4–5 years. UzMRC aims to enhance the mortgage system by introducing modern tools and stricter eligibility criteria, such as limits on borrower groups, DTI, LTV, and ESMS. These stricter standards ensure higher-quality portfolios, laying the groundwork for future issuance of RMBS.

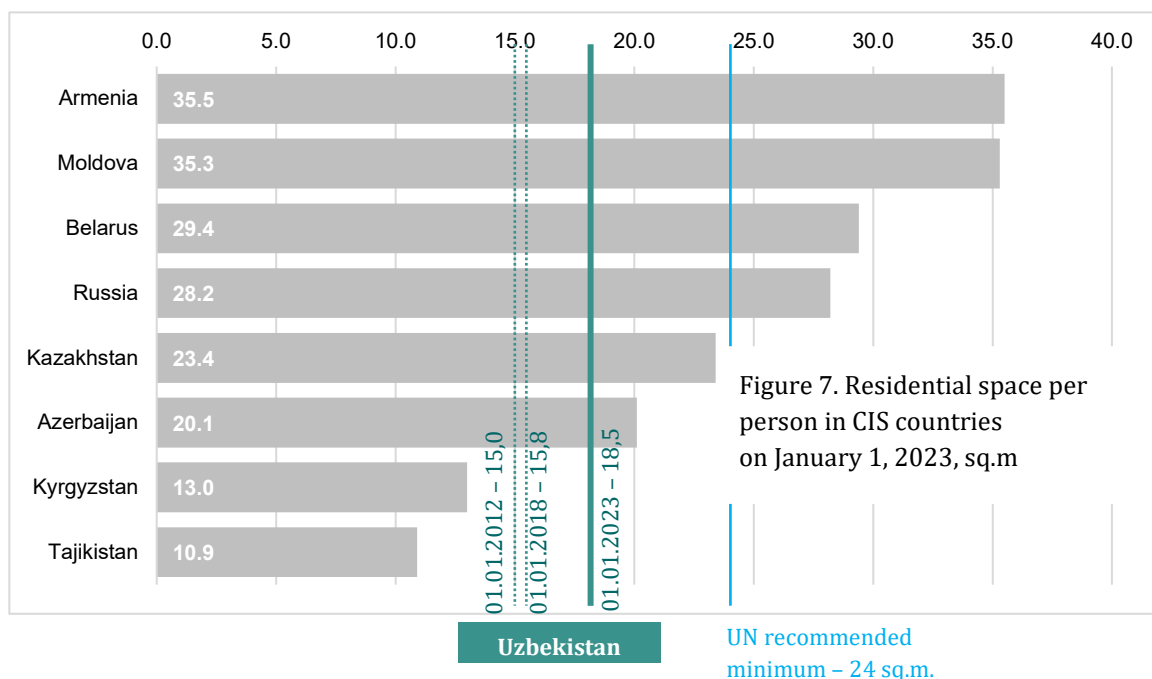
Table 2. Key indicators of mortgage loans⁴

Indicator (UZS trln)	YE'20	YE'21	YE'22	YE'23	6M'24
Total volume of mortgage originations	9.1	9.8	14.4	16.9	6.9
- Government program	1.7	4.8	8.5	8.7	3.2
- Banks own resources (equity and deposits)	2.0	0.9	3.8	5.7	2.4
- UzMRC resources	0.06	2.0	0.2	1.6	0.8
Mortgage sector outstanding to GDP, %	4.7%	4.9%	5.2%	5.5%	6.1%

2.2. Government's role in housing sector

Uzbekistan's housing finance sector is a key focus of government policy, reflecting its role in economic development and social stability. Over 30 years of independence, reforms have targeted expanding homeownership and reducing the housing deficit to boost living standards and urbanization. However, challenges persist in bridging the gap between housing demand and supply.

⁴ CBU Mortgage loans review for 6 months of 2024, https://cbu.uz/uz/press_center/reviews/



Housing demand continues to rise due to population growth, smaller household sizes, and aging infrastructure. The ADB estimates Uzbekistan needs to build 145k new housing units annually until 2040 to meet demand and address the current deficit, far exceeding the past decade's average of 90k units per year⁵.

a. Recent housing reforms

The GoU has prioritized housing in its development agenda, implementing reforms over the past four to five years to boost availability and affordability. Key measures include lifting migration restrictions under the previous registration system to encourage labor mobility, especially to urban areas with high housing demand.

The Government has also begun privatizing state-owned land, enabling private developers to access land for residential projects. While still in early stages, these reforms aim to transition toward a market-driven housing sector, reducing reliance on state-sponsored projects and increasing private sector involvement.

These initiatives, ambitious in scale and pace, will shape Uzbekistan's urbanization. Evaluating their effectiveness and streamlining efforts will be essential for ensuring long-term sustainability.

b. Housing supply and demand dynamics

Uzbekistan's housing sector faces a substantial gap between supply and demand. Population growth, which is expected to reach 41mln by 2029⁶, combined with a decline in the average household size, is creating pressure for more residential units. Furthermore, much of the existing housing stock, particularly in urban areas, is outdated and in poor condition. A

⁵ Asian Development Bank, Mortgage Market Sector Development Program, Recommendation of the President, October 2023, source link: <https://www.adb.org/projects/documents/uzb-51348-005-rpp>

⁶ International Monetary Fund. Republic of Uzbekistan: 2024 Article IV Consultation-Press Release; and Staff Report, source link: <https://www.imf.org/en/Publications/CR/Issues/2024/07/11/Republic-of-Uzbekistan-2024-Article-IV-Consultation-Press-Release-and-Staff-Report-551710>

government survey indicated that 80% of respondents identified a need for housing upgrades⁷, and a report from the United Nations Economic Commission for Europe (UNECE) underscored the substandard quality of many homes in the country⁸.

To address these challenges, the government has focused on housing construction. Many individuals finance their own housing construction, viewing it as a safe and profitable investment in an inflationary environment. Despite these efforts, the annual construction falls short to meet both current and future demand.

Moreover, GoU has introduced several tax and infrastructure subsidies to stimulate residential construction, such as exemptions on value-added tax and customs duties for housing-related materials. These measures have helped to some extent but have not been sufficient to significantly boost construction volumes, particularly in urban centers like Tashkent, where housing shortages are most acute.

c. Subsidy programs and challenges in current subsidy framework

Uzbekistan's housing policies have historically focused on rural areas, emphasizing support for rural communities and remote regions. Initiatives like the Housing for Integrated Rural Development Investment Program (HIRDIP) and the Affordable Rural Housing Program (ARHP) were aimed to improve rural living conditions and homeownership through extensive subsidies for mortgage loans and construction. Funded largely by ADB, these programs allowed beneficiaries to access subsidized mortgages and free land. However, an ADB report found that 71% of the funds benefited wealthier households in the top income quintiles, leaving low-income families unable to afford even subsidized homes. Many large rural homes also remained unaffordable for poorer families despite government support.

Since 2020, the Government of Uzbekistan (GoU) has shifted its housing policies toward urban development, prioritizing multi-story, high-density housing in cities like Tashkent, Samarkand, and Namangan. This shift addresses the growing urban population while promoting efficient land and infrastructure use. New mortgage programs include "below-market" loans at 17-18% interest for 20 years and subsidized loans for disadvantaged groups, offering reduced interest rates and down payments as low as 5%. These programs aim to support the primary and secondary housing markets and renovation projects.

Despite expanding housing access, these programs rely heavily on government funding. State-owned banks, which dominate the mortgage market, depend on government allocations, creating vulnerabilities during economic downturns. Additionally, subsidized loans with high DTI and LTV ratios increase financial risks for borrowers, especially those with limited or irregular incomes. Rising urban housing prices and inflation further challenge affordability, making tailored policies essential for sustainable growth.

d. Government vision for housing

The Government of Uzbekistan has approved strategic documents and legislation outlining its housing finance and development vision. In 2023, President Shavkat Mirziyoyev endorsed

⁷ Survey of the Institute of Social Housing Research under the Cabinet of Ministers of the Republic of Uzbekistan, 2017, on the demand for housing and communal services

⁸ United Nations Economic Commission for Europe. 2015. Country Profiles on Housing and Land Management: Uzbekistan. Geneva

the national Strategy “Uzbekistan - 2030,” building on prior reforms to guide economic, social, and infrastructural growth through targeted policies until 2030. The strategy includes ambitious goals, such as constructing 1mln new residential properties for the period of 2023 – 30 and implementing large-scale housing renovation programs to address high population demand.

While providing a comprehensive vision for housing finance development, the strategy requires additional regulatory and legislative support. UzMRC aims to play a key role in implementing initiatives that contribute to advancing Uzbekistan’s housing finance agenda.

e. Governmental response to environmental challenges

Uzbekistan's economic growth, driven by resource extraction, mining, and manufacturing, has made it the fifth highest globally and most GHG-intensive country in Europe and Central Asia⁹. This is due to a reliance on fossil fuels, an energy-intensive industrial sector, and inefficient buildings, with housing alone responsible for half of energy-related emissions¹⁰. The country also ranks 96th out of 191 for climate vulnerability¹¹, facing threats to its population, agriculture, water resources, and disaster risks.

Environmental sustainability is a national priority, reflected in initiatives like the “Strategy for the Transition to a Green Economy (2019–2030)” and the 2022 framework for improving reforms towards a green economy. In October 2023, Uzbekistan adopted its National Green Taxonomy (PKM-561), defining environmentally sustainable activities to attract private investment in green housing and infrastructure and support the transition to a green economy.

Despite progress, Uzbekistan still lacks standardized “green” construction and certification frameworks, currently under development by the Government. These measures aim to reduce GHG emissions and reliance on fossil fuels by improving housing quality and energy efficiency.

UzMRC has aligned with these initiatives by developing its Sustainability Financing and ESG Policy Frameworks. It plans to incorporate “green” mortgage products into its refinancing portfolio once the necessary legislation is in place.

⁹ Greenhouse Gas Emissions Factsheet: Uzbekistan, source link: <https://www.climatelinks.org/resources/greenhouse-gas-emissions-factsheet-uzbekistan>

¹⁰ Green Growth and Climate Change in Uzbekistan Policy Dialogue Series: A Compendium of Proceedings, source link: <https://documents1.worldbank.org/curated/en/099240007072223752/pdf/P1771080edd66408f0bcd9015de19bc66dc.pdf>

¹¹ ND-GAIN Country Index, source link: <https://gain.nd.edu/our-work/country-index/rankings/>

Chapter III. UzMRC performance

3.1. Overview of current activities

Since commencing operations in October 2020, UzMRC has achieved significant milestones across lending, funding, capitalization, legal framework, internal controls, and ESG initiatives.

Figure 8. Loans to PFIs outstanding, UZS trln

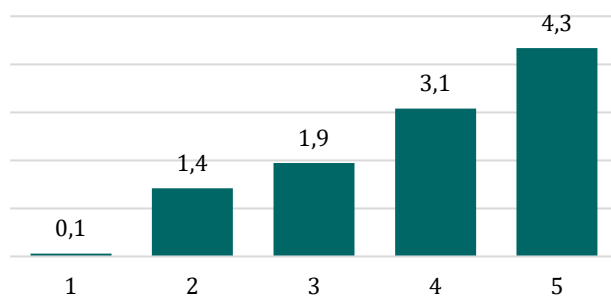
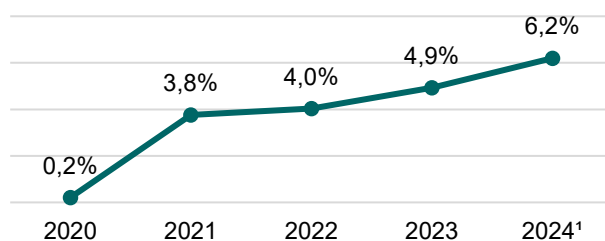


Figure 9. UzMRC refinanced outstanding mortgage share

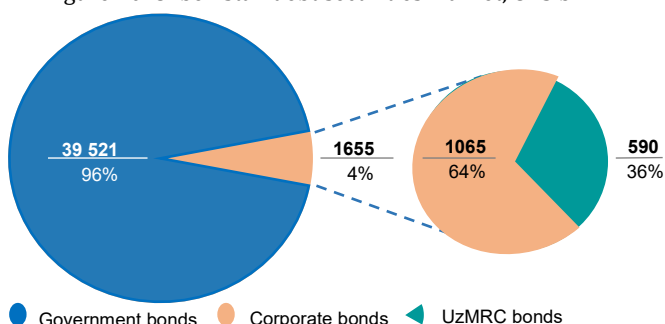


In lending, the Company's loan portfolio exceeded UZS 4.3trln by the end of 2024. This portfolio comprises four key products funded through various sources: (i) ADB concessional mortgages and housing renovation loans; (ii) UzMRC commercial unsecured corporate bonds; (iii) UzMRC green renovation loans; and (iv) an IFC commercial loan.

UzMRC also expanded its network of partner banks by onboarding two new commercial banks, bringing the total number of Participating Financial Institutions (PFIs) to 11. To date, the Company has refinanced over 6% of outstanding mortgage loans in the banking sector, showcasing its consistent growth.

Share capital of UzMRC increased sevenfold up to UZS 966bln from UZS 133bln in 2023, thus increasing the number of shareholders to 15 in accordance with Presidential Decree No. PP-394 dated 15.12.2023. Capital increase unlocked the borrowing potential of the Company via increasing prudential leverage ratio from 4% to 18% versus CBU 3% limit.

Figure 10. Uzbekistan debt securities market, UZS bln



In 2023-2024, UzMRC successfully issued and placed four rounds of unsecured corporate bonds totaling UZS 590bln, including UZS 50bln in green bonds. This achievement positioned UzMRC as the largest public issuer in Uzbekistan, commanding over one-third of the corporate bond market.

Additionally, the Company secured a deal with the International Finance Corporation following rigorous due diligence. A loan agreement for up to USD 45mln in commercial resources was signed in mid-2024, with the first tranche of USD 25mln disbursed in Q3 2024. This was blended with USD 11mln in concessional funding from ADB, and the proceeds were used to refinance mortgage loans.

UzMRC obtained an initial “UzA++” rating—the highest possible—from national rating agency Ahbor Rating LLC in 2024.

The Company has also made significant strides in enhancing its internal control systems. In 2023, two new deputy CEOs—Chief Operating Officer (COO) and Chief Financial Officer (CFO)—were appointed to strengthen oversight of various business operations. The roles of Chief Accountant and CFO were segregated to improve financial accounting, management accounting, budgeting, and reporting processes. A back-office function was created to support refinance and treasury activities, while a dedicated information security function was established to enhance data privacy and information security controls.

These developments underscore UzMRC’s commitment to sustainable growth, operational excellence, and its ongoing contributions to the housing finance and capital markets in Uzbekistan.

3.2. Implementation of previous strategy

For the three-year period of the previously approved Company strategy for 2022-2024, the Company has set the following strategic objectives, which were successfully achieved:

Objective 1: Creating a sustainable and automated mortgage refinancing mechanism.

The creation of a sustainable mortgage refinancing mechanism is a critical and entirely new activity for the Company and the country’s economy. This initiative involves implementing measures within the Company and coordinating with government agencies to achieve the following:

- Establishing a legal framework to secure PFI obligations using portfolios of mortgage loans during refinancing operations.
- Developing and integrating an IT system for quality control and valuation of pledged collateral (refinanced mortgage loan portfolios).
- Creating a legal framework to attract financial resources through secured bonds and securitization of mortgage portfolios.
- Implementing effective regulations for the Company and PFIs to ensure financial and regulatory benefits of refinancing.
- Establishing sustainable pricing to cover operational costs while remaining competitive.
- Standardizing and synchronizing refinancing operations with partners.
- Conducting public awareness campaigns to educate stakeholders about the refinancing mechanism and the Company’s role in developing the mortgage market.

Previously, no legal framework existed for securing PFI obligations through mortgage portfolios. However, amendments to legislation, including the introduction of an electronic “mortgage note,” have passed parliamentary readings and Senate approval and are expected to be signed by the President in early 2025. These changes will streamline real estate claim transfers and enhance collateral supervision through coordination with the Cadastral Agency and Central Securities Depository.

A top priority is creating an IT system to manage the refinanced collateral portfolio in real time. UzMRC procured GNI Software (Azerbaijan) and successfully migrated to the system

in July 2024. The system is currently in the “Go Live” stabilization phase, operating alongside the existing accounting system without significant deficiencies. Integration with PFIs’ software is ongoing, with full integration expected by Q1 2025.

To expand mortgage market coverage and enhance flexibility, the Company plans to onboard 3–5 new PFIs and broaden its shareholder base. By the end of 2021, the Company had an outstanding loan portfolio distributed among 9 commercial banks.

Table 3. Loan exposures to PFIs (Dec’ 2021)

No	Commercial banks	Outstanding loan book, UZS bln
1	Ipoteka-bank	289.31
2	O'zsanoatqurilishbank	221.27
3	Hamkorbank	195.40
4	Qishloq Qurilish bank	127.83
5	Asakabank	122.76
6	Turonbank	78.26
7	Agrobank	73.87
8	Halq bank	20.10
9	O'zmilliybank	20.00
	Total	1,148.81

By Q3 2024 the Company onboarded two new commercial banks as PFIs with Orient Finance bank and InFinBank and had following outstanding loan book, disbursed to 11 borrower banks:

Table 4. Loan exposures to PFIs (Sep’ 2024)

No	Commercial banks	Outstanding loan book, UZS bln
1	Ipoteka-bank	905.19
2	Hamkorbank	872.45
3	O'zsanoatqurilishbank	658.61
4	Asakabank	370.05
5	O'zmilliybank	257.75
6	Turonbank	245.99
7	Halq banki	235.39
8	Agrobank	202.53
9	Biznesni rivojlantirish banki (Qishloq Qurilish bank)	181.64
10	Orient Finance bank	70.00
11	InFinBank	60.00
	Total	4,059.60

During the latest capital increase, UzMRC's shareholder base grew to 14 banks, including Aloqabank and Microcreditbank. Discussions are ongoing with Aloqa, Microcredit, and Kapital banks, which are actively interested in becoming PFIs. Meetings with their top management have been held, due diligence documents requested, and initial submissions

are under review. The Company aims to onboard 3–5 new PFIs by the end of 2024, compared to 2021.

To streamline refinancing operations, the Company announces schedules and the number of refinancing rounds quarterly through townhalls with PFI representatives. Banks then submit applications based on these communications.

Educational and outreach efforts to promote sustainable mortgage lending continue through collaborations with banks, media coverage, and regular updates on the Company's website and social media platforms. The social media pages, followed by over 2k users, feature posts on lending standards, eligibility criteria, and achievements. In Q4 2023, UzMRC conducted a social media survey with 3k participants to determine optimal mortgage lending durations tied to corporate bonds. The results informed the design of a new commercial lending tenor.

Objective 2: New initiatives to promote mortgage lending.

Mortgage Guarantee Program

This program aims to help PFIs provide mortgage loans to borrowers unable to afford a 25% down payment but capable of meeting monthly payments. The program offers portfolio-based guarantees, compensating PFIs for net losses after selling collateralized property. Key priorities include defining guarantee terms to manage risks and ensure fair pricing for borrowers.

A legal framework and guarantee funds are required to implement the program. Although efforts to formalize regulations stalled in 2023–2024, discussions with MoEF, CBU, and DFIs are ongoing to establish a fund managed by UzMRC. Initial feedback has been positive.

Promoting Islamic Mortgage

With most of Uzbekistan's population practicing Islam, Islamic mortgages are a priority. The Company aims to refinance mortgages compliant with Islamic principles but faces regulatory and legislative barriers.

The "Uzbekistan-2030" strategy includes introducing Islamic finance in at least three banks and establishing a legal framework. While the CBU adopted a regulation for Islamic microfinance in July 2024, a broader Islamic finance law is still pending. UzMRC has engaged with the Islamic Development Bank (IsDB) on potential collaboration, but the lack of appropriate legislation has delayed the promotion of Islamic mortgage products.

Promoting Green Mortgages

In 2024, UzMRC approved its ESG Policy and Sustainability Financing Framework aligned with ICMA's Green Bond Principles. A positive external review from the AIFC Green Finance Centre confirmed eligibility to issue green bonds.

In Q3 2024, UzMRC issued UZS 50bln in green corporate bonds, the country's first sustainability-linked bonds listed on the Tashkent Stock Exchange. Supported by ADB, the Company also launched Uzbekistan's first web platform for underwriting green renovation loans, accessible to all commercial banks and compliant with ICMA standards.

Capacity-building sessions on ESG and sustainability finance were conducted for UzMRC staff and 13 PFIs with ADB's assistance. Despite these achievements, the absence of green construction standards and certifications hinders the promotion of green housing

mortgages. The Ministry of Construction is developing these standards, and UzMRC plans to launch green mortgages once the ecosystem is established.

Objective 3: Optimizing the Company's financing by attracting direct resources in the loan and debt capital markets

Under Presidential Decree UP-5715 (May 13, 2019), UzMRC's core mandate is to attract domestic and international financial resources, including issuing debt securities and mortgage bonds, to refinance mortgage loans.

Funding Mobilization (2022–2024)

UzMRC diversified funding with five key instruments:

- ADB Loan: Secured USD 150mln in concessional 20-year funds, offering end-borrowers loans at 17–18% interest. In July 2024, caps on commercial bank spreads were removed, transitioning to market rates.
- Budget Loan: Mobilized UZS 300bln in low-interest 3-year loans from MoEF, fully prepaid and converted into government equity by 2024.
- Corporate Bonds: Issued UZS 540bln in 3-year unsecured bonds to investors, including pension funds, banks, insurance firms, and IFIs, during 2023–2024.
- Green Bonds: Launched UZS 50bln in 5-year bonds compliant with ICMA Green Bond Principles.
- IFC Loan: Secured USD 45mln in 3-year commercial facilities for mortgage refinancing.

Corporate bonds were recognized by CBU as High-Quality Liquid Assets (HQLA) with favorable risk weightings (20% for unsecured, 0% for secured). UzMRC's bonds and shares were listed on the Tashkent Stock Exchange in August 2024.

Capital Market Reforms

Key achievements include tax exemptions on bond and stock investments until 2028 and UzMRC-led amendments to:

- 1) Enable shelf registration of bonds and issuance beyond total capital limits.
- 2) Establish exclusive incentives for UzMRC bonds, including REPO eligibility.

Development of Mortgage-Backed Securities (MBS)

UzMRC actively participates in a government-led working group exploring legal, operational, and regulatory aspects of trial MBS issuance. Successful securitization could significantly advance national capital market legislation.

By the end of 2024, UzMRC fully transitioned from concessional funding to commercial resources, with plans to pursue securitization once the necessary capital markets law is adopted.

Objective 4: Contributing to the streamlining of relevant legislation and regulation in the secondary mortgage market

a) Implementation of the use of electronic mortgages

Uzbekistan's current legislation mandates paper-based mortgages, complicating their use as securities for attracting investments. Presidential Decree UP-5715 (May 13, 2019) tasked UzMRC with advancing mortgage lending frameworks, including developing electronic “mortgage notes.”

Key initiatives include:

- **Electronic Mortgages:** Amendments to enable digital mortgage notes as pledgeable, transferable securities were developed, approved by the Cabinet of Ministers, and passed through Parliament and Senate approval in 2024. Signing by the President is expected in early 2025. These changes will modernize mortgage processing, enabling refinancing and issuance of mortgage-backed securities.
- **Supervisory Tools:** Plans are underway to enhance control and oversight of mortgage collateral in collaboration with the Cadastral Agency and Central Securities Depository.

b) Contribute to the establishment of a regulatory framework and oversight for mortgage bonds, and subsequently for RMBS

A law on secured (mortgage) bonds is critical for creating a viable financing instrument, yet no regulatory infrastructure currently exists. UzMRC advocates for:

- **Comprehensive Secured Bonds Law:** Establishing issuance procedures, collateral monitoring, and regulatory roles.
- **RMBS Development:** While RMBS issuance requires a mature capital market, UzMRC is actively involved in drafting enabling legislation, including trial issuance within a “regulatory sandbox” in collaboration with the CBU and NAPP.

In 2024, the capital markets regulator reinitiated efforts to draft a law enabling covered bonds and MBS. Pending approval, UzMRC proposed interim amendments for serial bond issuance and unsecured bonds exceeding capital limits. These amendments, now under Cabinet review, aim to sustain corporate bond issuances while broader legislation is finalized by 2025–2026.

The “sandbox” initiative will identify legislative gaps and test the process for trial MBS issuance, laying the groundwork for more advanced financial instruments in Uzbekistan.

3.3. Key lessons

As a company initiated by the Government to promote the development of the mortgage market, UzMRC is directly involved in shaping the legal and regulatory framework for the mortgage industry and capital markets. Accordingly, the following lessons learned from the previous strategy.

Lessons related to housing finance

- a) A comprehensive sectoral housing finance strategy (2025-2030) should be developed based on research, clear priorities, and a clear separation of roles between UzMRC and the government.
- b) Current housing finance policies have caused issues, such as competition between the government-run PD-6186 program and UzMRC's initiatives, confusing borrowers and

lenders, and distorting commercial mortgage rates.

- c) Preferential mortgage rates from state banks have made it difficult for private banks to compete, leading to increased dependence on state resources.
- d) The sector lacks housing finance products tailored to different borrower profiles (e.g., informal income earners, green mortgages, Islamic finance), limiting affordability.

Lessons related to regulation and legislation

- a) The absence of a prudential reporting framework for UzMRC complicates its regulation and communication with agencies. Current asset classification rules do not account for overdue or restructured assets.
- b) A robust legislative framework for capital markets, green construction standards, and Islamic finance is essential for diversifying mortgage products.
- c) While UzMRC has become a major issuer of corporate bonds, there is a significant gap between government securities and corporate bonds, making the sale of UzMRC bonds more difficult.

Lessons related to funding

- a) Limited local currency and long-term funding, along with insufficient FX hedging options, result in high borrowing costs, which translate to unaffordable mortgage rates for many households.
- b) UzMRC's capacity constraints limit the amount of direct funding it can attract from DFIs, as investors are cautious due to the Company's relatively small equity base.

Chapter IV. Strategic priorities and KPIs

4.1. Key sector challenges and actionable issues

The Company has performed relevant prioritization to identify issues that it can and should address as part of its strategy.

The top-level goal for housing finance sector in Uzbekistan is to increase housing affordability; in other words, to increase share of the families that can afford to purchase a reasonable home by using prevailing market financial solutions. This complex metric is driven by income distribution across Uzbek households, real estate price dynamics and available mortgage products. Actions by UzMRC – key housing finance sector actor – may have positive impact on the affordability of the financial solutions, which is typically perceived by borrowers through the lens of level and predictability of monthly mortgage payments.

The Company, along with other Government institutions, prioritize the following during 2025-2030.

1	Increase availability of mortgage finance for clients in the 3rd - 4th population income quintile especially those with informal income: <ul style="list-style-type: none">▪ Diversify mortgage products▪ Attract long-term finance through capital market instruments▪ Increase efficiency of working with informal clients and decrease the risks through standardization development	Priority
2	Contribute to the development and modernization of the legal and regulatory framework for usage of the capital market instruments, development of standards, necessary products and refinancing windows – in collaboration with all the other relevant sector stakeholders	
3	Continue strengthening its financial profile, existing and development of new internal functions by implementing projects related to enhancement of Risk management, ESG, Investor Relations and IT solutions	
4	Contribute to the development of the housing finance strategy with clear UzMRC mandate that would outline a sectoral approach to increasing housing affordability by developing solutions aimed at expanding access to the housing stock for different population income groups and developing housing finance solutions aimed at population in different income quintiles	

The Company has identified market-wide deficiencies on each of the functional levels which are under its direct influence. Below is the matrix summarizing these key challenges based on which the Company will develop strategic priorities for the next five years.

Table 5. High-level issues in Uzbekistan mortgage market

Top-level market issues	Sector challenges	Actions
Lack of coherent sectoral strategy / vision	○ Unclear Company market role vis-à-vis GoU	○ Establish a clear role for UzMRC in the mortgage sector impact framework

Top-level market issues	Sector challenges	Actions
	<ul style="list-style-type: none"> ○ UzMRC is a young institution with limited resources 	<ul style="list-style-type: none"> ○ Strengthen the Company's Risk management, HR and internal control systems ○ Increase volume and quality of comprehensive research and data on housing and housing finance sectors of Uzbekistan
Lack of long-term affordable funding suitable for housing finance	<ul style="list-style-type: none"> ○ Underdeveloped capital markets, low mortgage product diversification 	<ul style="list-style-type: none"> ○ Facilitate development of key sector enabling infrastructure including UzMRC debt REPOability, program bond regulation, streamlined and efficient bond program registration processes ○ Build the corporate bond yield curve through series of bond issuances and finalization of mortgage note law ○ Develop and promulgate standards of mortgage origination, servicing and reporting, to enable access to granular portfolio data and increased automation via suitable IT solutions ○ Expand housing finance product options (e.g., Mortgage guarantee, mortgage for informal income earners, Islamic, Green, rent-to-own etc.) commensurate with borrower profile and preferences

4.2. Strategic vision

UzMRC, like any other institution, is going through different stages of development since the inception of its active operations in 2020. Below are the stages of development for mortgage refinancing companies worldwide, focusing on long-term liquidity provision in national currency, local capital markets development, legislative reforms, and promoting mortgage lending standards.

Stage 1: Foundation

This stage focuses on the initial setup, operational structure, and building presence in the market.

- The **Company was established** by the Government in collaboration with the ADB. Legal and regulatory frameworks were established to define its mandate, governance, and operational scope.
- The Company **started to provide** the essential long-term **liquidity** to the banking sector by refinancing mortgage loans of commercial banks in national currency, addressing their liquidity constraints to enable further lending. Initial funding comes from government guaranteed resources of DFIs.
- Introduced initial **mortgage lending standards** by setting eligibility criteria for its refinancing products. Collaborated with financial institutions to introduce baseline mortgage lending standards for loan underwriting, servicing, and risk assessment to ensure consistency and credit quality.

Stage 2: Expansion and market development

At this stage, the company expands its refinancing activities and actively participates in capital market development.

- Corporate governance and internal control systems improvement. The Company reassesses and strengthens its internal control environment including business processes automation and risk management framework in response to its market expansion, business model improvement and implementation of new products.
- Local capital market development. The Company becomes a significant issuer in the local debt capital markets. Transition from relying solely on government-backed funding to issuing series of corporate bonds in local capital markets. These instruments help attract institutional investors and diversify funding sources.
- Advancing legislative frameworks and product diversification. Cooperate with the GoU and regulators to establish legal frameworks for new capital market features such as shelf registration of corporate bonds, incentives for corporate bonds, securitization, covered bonds, and advanced mortgage products, including mortgage guarantee, mortgages for informal income earners, green mortgage, Islamic housing, and green housing.
- Policy advocacy and standards development. Partner with the Government on establishing and strengthening the housing finance policy role of the company in the industry as a national development financial institution. Collaboration with the regulators to introduce comprehensive best practice international industry standards for mortgage lending, underwriting, servicing, reporting, and securitization and promote legislative amendments. Efforts also include consumer education and improving consumer protection.

Stage 3: Maturity and market leadership

In this stage, the company plays a pivotal role in stabilizing and developing the housing finance ecosystem, supporting macroeconomic and social goals.

- Systemic importance and economic impact. The Company transitions into an NDFI or systemic entity, actively shaping housing finance policies, promoting affordable housing, and increasing financial inclusion. The company also acts as a stabilizer during economic shocks, ensuring uninterrupted liquidity and market confidence.
- International engagement and innovation. The Company begins collaborating with global financial institutions and adopts advanced financial instruments such as securitization, green housing instruments, Islamic finance, and digital solutions. It also integrates its own digital platforms with commercial banks to streamline processes. The Company ensures adherence to global standards and expanding access to international capital markets.
- Resilience and risk management. Advanced risk management frameworks are adopted to ensure sustainability and stability during economic downturns, safeguarding liquidity and capital adequacy.

Based on these stages, JSC Mortgage refinancing company of Uzbekistan with four years of active operations, has completed the transition from Stage 1 to Stage 2 of mortgage refinancing companies' development lifecycle, requiring a focus on product diversification, further expansion of its capital market role, and collaboration with the GoU and regulators

to reform the legislative framework and solidify the Company's role as a critical player in Uzbekistan's housing finance sector.

The Company has the mandate to lead market-wide effort to increase housing affordability for Uzbek families. To successfully complete Stage 2 and transition to Stage 3 of the development, become a systemic NDFI and achieve its mandate, the Company has set the following objectives:

- **Establish UzMRC's clear role in the mortgage market**

UzMRC participates in development of the sectoral housing finance strategy and ensures that the Company mandate is formalized in the strategy

- **Strengthen UzMRC's financial profile, corporate governance and internal control systems**

Ensure the Company is a financially sound institution and provides sector leading expertise; its RM, ESG, and ITS are compliant with best global practices

- **Strengthen UzMRC's presence and contribute to the development of local capital market**

The Company achieves a refinancing volume of 20% of annual sector originations while attracting up to 50% of the funding from capital markets under a well-developed legal and regulatory framework

- **Promote mortgage lending standards**

Majority of market players use universal mortgage lending standards and technologies to reduce risks, increase consumer protection and produce homogeneous loan pools for RMBS issuance

- **Diversify UzMRC's product base**

The Company develops and implements multiple refinancing products aimed at specific market segments.

The Company has formulated the following objectives that directly address identified key sector challenges and contribute to increasing housing affordability for selected groups of population.

Table 6. Mortgage sector challenges

Sector challenge	Company response	Objective to be reached
Unclear Company market role vis-à-vis GoU	Company will actively advocate formalization of its sector role and mandate in relevant GoU guidance	UzMRC participates in development of the sectoral housing finance strategy and ensures that the Company mandate is formalized in the strategy. Once the sectoral strategy is developed, changes to UzMRC corporate strategy are implemented and approved by UzMRC shareholders.
UzMRC is a young institution with limited resources	Company will strengthen its financial profile, corporate capacity, ESG and ITS	UzMRC is a sound institution with strong financials and sector leading expertise; its RM, CG, ESG, and ITS are compliant with best global practices

Sector challenge	Company response	Objective to be reached
Underdeveloped capital markets, including with regards to mortgage-backed securities	Company will strengthen its market presence & contribute to development of the local capital market	Company achieves refinancing volume of at least 20% of annual sector originations while attracting up to 50% of funding from capital markets under a well-developed legal and regulatory framework.
	Company will develop and ensure wide adoption of mortgage standards	Majority of market players use universal mortgage lending standards and technologies to reduce risks, increase consumer protection and produce homogeneous loan pools for RMBS issuance
Low mortgage product diversification	Company will diversify its products	Company implements multiple refinancing windows with mortgage products aimed at specific market segments

In conjunction with the strategic objectives above, the Company has developed a list of relevant KPIs as indicated in the section below

4.3. Implementation of strategic priorities

The Company identified a list of activities which directly address stated objectives as per the matrix above.

a. Strategic priority 1

Establish UzMRC's clear role in the mortgage market

UzMRC participates in development of the sectoral housing finance strategy and ensures that the Company mandate is formalized in the strategy.

As the market infrastructure forming institution that has a social mandate and relevant expertise, the Company has an explicit role to initiate and actively participate in crystallization of systemic sector-level strategic directions and plans – which are currently vague. While details of such overarching strategy are yet to be discussed with market stakeholders and appropriately formulated in GoU and CBU guidance, it is critical to clearly establish UzMRC mandate to lead market strengthening while optimizing direct Government financial participation in the sector to preclude imbalances and distortions.

The Company will lead or actively participate in relevant consultations, working group and/or committee activities to provide robust support to the regulator with regards to these topics – aiming to obtain formalized guidance from appropriate GoU instrumentalities and CBU. In keeping with its role as the market developmental institution, the Company will regularly consult with sector stakeholders to present a uniform position vis-a-vis GoU and CBU on relevant matters.

Company sector role and development mandate need to be agreed with the Government and appropriately reflected in the sectoral housing finance long-term strategy.

UzMRC plans the following steps to achieve strategic priority 1:

- 1) Conduct quality housing and housing finance sector studies. Perform in-depth analyses of housing demand, affordability, and identify challenges and opportunities in the housing finance sector to provide data-driven recommendations.
- 2) Assist in redesigning the Government housing finance policy with assistance from DFIs. Collaborate with policymakers to develop a comprehensive sectoral housing finance strategy that addresses affordability and access and incorporate financial solutions and mechanisms to improve and streamline government housing programs.
- 3) Propose clear segregation of Government's and UzMRC's roles in housing finance. Define the distinct responsibilities of the Government and the Company to avoid overlaps and ensure efficiency and establish clear boundaries to enable UzMRC to operate as an independent financial intermediary while supporting national housing goals.
- 4) Propose amendments to the legislation on regulation of UzMRC activity where necessary after the UzMRC market role is cleared. Identify regulatory gaps or barriers that hinder UzMRC's operations and market participation, and advocate for legislative changes to enhance UzMRC's role and ensure compliance with evolving market needs.

Table 7. KPIs on strategic priority 1

Strategic Priorities	KPIs	
1. Establish UzMRC's clear role in the mortgage market UzMRC participates in development of the housing finance strategy and ensures that the Company mandate is formalized in the strategy	By mid-2025	Contribute to quality housing finance sector study
	By end-2025	Contribute to the development of the sectoral housing finance strategy for 2025-2030 clearly reflecting the Company's role in achieving the national objectives.
	By end-2026	Revise UzMRC corporate strategy to align it with the sectoral housing finance strategy, as required.
	By end-2026	Propose legislative amendments on UzMRC regulation proposed and approved by regulators (if necessary)

b. Strategic priority 2

Strengthen UzMRC's financial profile, corporate governance and internal control systems

The Company is a sound institution with strong financials and sector leading expertise; its RM, ESG, and ITS are compliant with best global practices

In the context of strategic sectoral vision – as adopted by the Government of Uzbekistan - it is necessary to strengthen Company risk management, formalize key success metrics and impact indicators. As UzMRC is planning to be a National Development Financial Institution and an active issuer of RMBS, it needs to also strengthen and enhance its corporate governance framework and Investor Relations function.

Specific areas where the management plans to enhance Company capacity are:

- a) Further improvement of enterprise-level risk management framework in focus areas including risk management framework, credit, liquidity, market and operational risk management and business continuity management. Develop new and/or adapt existing

risk management policies and practices to achieve and maintain risk appetite commensurate with deployment and refinancing of diverse mortgage solutions.

- b) Corporate governance policies and practices to achieve high standards of corporate responsibility, operational agility and market leadership. UzMRC, with support from DFI consultants, will assess the broader corporate governance framework against the best global practice using examples from leading housing finance NDFIs around the world, along the dimension of impact, capital, and risk of NDFIs. Based on the analysis conducted, the Company will develop a roadmap for implementation in coordination with MoEF and other policy and market stakeholders.
- c) Investor Relations function that was recently introduced in UzMRC will need to be strengthened. For that, UzMRC in partnership with DFI consultants, will analyze the status of investor relations services, determining and initiating the necessary measures for the preparation of IR activities. UzMRC will define the functionality of investor relations service, prepare a list of existing and missing IR activities and competencies, and develop relevant policies, procedures, methodologies, reports and presentations for the IR department.
- d) Human resource capacity to match challenging Company goals, including in such areas as market research, ITS development, capital market initiatives, international cooperation, refinancing with a focus on attracting additional resources and implementing good global practices with recruiting best in the market at competitive terms.
- e) Increased financial capacity of the Company through robust growth of equity maintaining acceptable level of profitability. Adequate capital position is achieved and prudential standards are maintained.
- f) Diversify funding base from DFIs, investment banks. Expand collaborations with Development Finance Institutions to access commercial and long-term capital and engage with investment banks to explore investment diversity, including equity deal, bonds, subordinate debt, etc.
- g) Further digitalization of UzMRC operating activities as follows:
 - System Modernization and Integration to ensure compatibility with the latest technologies and regulatory requirements. Integration with the systems of PFIs and other stakeholders will streamline data exchange, reduce manual processes, and improve accuracy and timeliness of information.
 - Data Security and Privacy will be ensured by advanced security protocols and tools to safeguard sensitive financial and personal data. Regular security audits and compliance checks will be conducted to ensure adherence to national and international data protection standards.
 - Automation and Process Optimization of key processes within reporting, treasury and mortgage refinancing lifecycle. This includes automating reporting templates, treasury operations origination and initiation, loan origination, underwriting, and portfolio management to increase efficiency and reduce operational risks.

- Disaster Recovery to ensure business continuity in case of system failures or cyber-attacks via deployment of redundant systems, regular backups, and the establishment of a dedicated disaster recovery site.
- Training and Capacity Building to ensure that all users are proficient in utilizing the new systems and tools, thereby improving overall operational efficiency.
- Enhancement of Data Centre Capabilities to ensure it meets the highest standards of data security, redundancy, and operational efficiency. This will include upgrading hardware, enhancing network infrastructure, and implementing advanced monitoring tools to ensure optimal performance and security.

Table 8. KPIs on strategic priority 2

Strategic Priorities	KPIs	
2. Strengthen UzMRC's financial profile, corporate governance and internal control systems The Company is a sound institution with strong financials and sector leading expertise;		Risk management
	By end- 2025	Reviewed enterprise level risk management framework in line with best international practice. Improved policies, developed stress-test models, effective risk reports, etc.
	By end-2025	Adopted Business Continuity Plan and Disaster Recovery Plan
	2026-2030	Continued improvement of risk management based on new business models and products (securitization, mortgage guarantees, etc.)
		Corporate Governance
	By end-2025	Strengthen corporate governance with technical assistance from DFI. Developed and redesigned internal policies, reports, etc.
	By end-2026	Establish Management Board with segregation of duties and responsibilities between the Management and the Supervisory Boards
		HR
	By end-2025	Increase number of staff by 10.
	By end-2025	Establish internal OKR (KPI) system for staff to achieve objectives
	By end-2026	Create back-up headcounts for key and control positions (e.g. HR, Compliance, Internal audit, IT support, Information security etc.)
		Investor relations and funding
	By end-2025	Strengthened IR function congruent with expected expansion of capital market activities and investor composition. Developed internal policies and procedures.
	By end-2025	Unsecured loans obtained from DFIs
	By end-2026	Borrowings from international investment banks
	By end-2030	Nearly 50% of funding are borrowings from DFIs and investment banks

Strategic Priorities	KPIs
	Capital and profitability
	By end-2026 Raise equity from international FI.
	By 2030 Company Equity is at least UZS 5trln (subject to shareholders' commitment)
	2025-2030 Company is profitable with ROE at least 5-10% on average.
	ESG
	By end-2025 ESG Strategy developed and approved
	By end-2026 Annual impact report on achievement of the Company's ESG Strategy and Sustainability Financing Framework is published

c. Strategic priority 3

Strengthen UzMRC's presence and contribute to the development of local capital market

The Company refinances around 20% of mortgages originated by PFIs annually, while attracting up to 50% of its funding from local debt capital markets.

UzMRC recognizes the critical role of serving as a major liquidity provider in the secondary mortgage market to promote international mortgage lending standards and foster financial inclusion. By actively participating in the refinancing market and issuing corporate bonds and RMBS of various sizes and tenors, UzMRC aims to develop innovative mortgage products for diverse income groups.

Key focus areas include advocating regulatory reforms to enable UzMRC issue unsecured bonds above the size of its capital, introducing a shelf-registration mechanism for efficient bond issuance, establishing repo infrastructure with the CBU on the Tashkent Stock Exchange, and extending tax incentives for UzMRC bonds. Moreover, UzMRC will work closely with regulators to develop RMBS and covered bond frameworks while strengthening its corporate bond issuance to gain investor confidence.

With a track record of successful issuances totaling UZSD 590bln, UzMRC plans to continue issuance of unsecured corporate bonds as a proven business model and deepen relationships with diverse investors, including insurance companies, asset managers, and funds, while fostering a primary dealers' group to ensure liquidity and market activity.

In line with Presidential Decree No. UP-70, UzMRC aims to reach a potential to source UZS equivalent of ca. USD 500mln annually. The Company hopes to achieve this challenging target by tapping various funding sources including local and international bond and loan markets. To back up its efforts, UzMRC plans to increase its capital gradually from UZS 0.96trln to UZS 5trln, improve the attractiveness of its bonds in the local market, and secure sovereign level international credit rating.

Recognizing the importance of sustainability, UzMRC has adopted a Sustainability Financing Framework that aligns its ESG activities with global standards, ensuring compliance with green and social objectives. Future funding strategies include leveraging domestic debt

markets for unsecured corporate bonds in the short to mid-term, and Sukuks and RMBS in the long-term, collaborating with DFIs during initial phases, and partnering with MoEF to operate non-subsidized government mortgage programs. These initiatives aim to position UzMRC as a systemic financial institution and a national development leader in the mortgage market, driving financial inclusion and sustainable growth.

UzMRC plans the following steps to achieve strategic priority 3:

- 1) Develop a comprehensive incentive package to attract a diverse investor base, including institutional and potentially retail participants, by enhancing the appeal of UzMRC bonds:
 - a. Advocate for fiscal benefits, such as tax exemptions or reductions on bond income, to increase the attractiveness of UzMRC bonds compared to alternative investment options. Engage with policymakers to ensure these incentives align with broader economic goals.
 - b. Work with the CBU to establish technical frameworks allowing UzMRC bonds for REPO transactions with CBU, providing additional liquidity options and boosting investor confidence in these instruments.
 - c. Public placement of UzMRC bonds. UzMRC will prioritize public placements of its bonds to attract a diverse pool of institutional and retail investors. This approach will improve liquidity, ensure fair pricing, and enhance the market visibility of UzMRC bonds, solidifying its reputation as a reliable issuer.
- 2) Collaborate with Capital markets regulator to review and revise the following areas of the capital markets activity:
 - a. Contribute to the Capital markets law and the bylaws on RMBS and covered bonds to facilitate issuance and trading of **RMBS and covered bonds**, ensuring alignment with international practices.
 - b. Introduction of **shelf registration framework** that allows UzMRC and other issuers to register and issue bonds in series, thereby reducing time-to-market and administrative burden.
 - c. Advocate creation, registration, and use of **electronic mortgage notes** to streamline lending and securitization processes.

The Company will initiate and/or participate in appropriate activities to introduce relevant changes to such frameworks – jointly with other market stakeholders.

Table 9. KPIs on strategic priority 3

Strategic Priorities		KPIs
3. Strengthen UzMRC's presence and contribute to the development of local capital market The Company achieves a refinancing volume of 20%	By end-2025	General Mortgage loan legal stature <ul style="list-style-type: none"> ▪ Electronic “mortgage note” legislation becomes effective ▪ Issuance of unsecured bonds over the size of the capital becomes effective
		UzMRC corporate bonds

Strategic Priorities	KPIs	
of annual sector originations while attracting up to 50% of funding from capital markets under a well-developed legal and regulatory framework	By end-2025	Amendments on serial bonds (shelf registration) for primary and secondary placement becomes effective
	By end-2026	<ul style="list-style-type: none"> Propose fiscal incentives for UzMRC bonds Advocate for UzMRC bonds to be REPO available with the CBU and the necessary IT infrastructure is in place. Public placement of UzMRC bonds (subject to approval of additional incentives)
	By end-2027	International credit rating in par with the sovereign level
	2025-2030	Continue issuing unsecured corporate bonds at various sizes and tenor as a major source of local capital markets funding and develop a yield curve
		Securitization
	By end-2026	Participate in new capital markets law development, that includes RMBS and covered bonds
	By end-2027	Structure and issue pilot RMBS (securitization)
	By 2030	Company attracts up to USD 500mln (equivalent) annually, including up to 50% via debt securities issuance on domestic and international capital markets

d. Strategic priority 4

Promote mortgage lending standards

Majority of market players use universal mortgage lending standards to decrease risks, increase consumer protection and produce homogenic loans that can be used for RMBS.

Uzbekistan's mortgage market lacks uniform standardization, and its information systems are inadequate for providing detailed mortgage portfolio analytics or required reporting. Historical data on mortgage performance, defaults, and prepayments are yet to be systematically collected and analyzed. The Mortgage Lending Standards (MLS) initiative aims to address these gaps through the standards. MLS developed with input from UzMRC and CBU, will define key terms and metrics like DTI, LTV, and APR and mandated for UzMRC refinancing and capital market activities, will cover all aspects of the mortgage lifecycle and ensure full automation of loan origination and servicing. The standards, although voluntary, will promote the best practices industry-wide, incentivizing high-quality mortgage loans through proposed CBU-defined preferential treatment for lenders and investors.

UzMRC will spearhead the development of comprehensive MLS, encompassing origination, underwriting, disbursement, servicing, documentation, data exchange, capital market activities, and analytics. Supported by DFI consultants and industry stakeholders, the Company will ensure cooperation and transparency in creating these standards. The standards will include a mortgage and RMBS glossary, loan servicing procedures, portfolio

reporting metrics, property valuation, insurance, credit risk management, and consumer disclosure requirements. Once developed, these standards will be submitted to CBU for adoption as top-level guidelines and recommended for broader application across the mortgage sector.

The adoption of uniform standards is expected to significantly enhance data collection, improve underwriting and servicing practices, and strengthen consumer protection. This will lead to better loan book quality, increased resilience to economic shocks, and facilitate securitization and market research. By establishing reliable portfolio metrics and analytics, UzMRC aims to support a transparent, efficient, and standardized secondary mortgage market, paving the way for future innovations like RMBS issuance and improved investor confidence.

UzMRC plans the following steps to achieve strategic priority 4:

- 1) Cooperate with the Central bank and establish a working group on Mortgage lending standards development that includes representatives from key stakeholders such as mortgage lenders, financial institutions, and industry experts.
- 2) Mortgage lending standards will include all aspects of mortgage loan lifecycle - (1) origination; (2) underwriting (borrower and collateral); (3) disbursement/closing; (4) servicing; (5) documentation and data exchange; (6) capital market activities; (7) reporting and analytics.
- 3) Advocate Mortgage lending standards to be mandatory. Highlight the benefits of mandatory adoption, such as enhanced market stability, increased consumer protection, and improved investor confidence. Work with policymakers and regulators to implement enforcement mechanisms that ensure compliance with the standards, reducing systemic risk and encouraging industry-wide adoption.
- 4) Suggest regulatory and legislative changes where necessary. Identify legal and regulatory gaps that hinder the effective implementation of mortgage lending standards and propose amendments or new legislation to address these gaps, facilitating smoother adoption of the standards and fostering a more robust mortgage market.

Table 10. KPIs on strategic priority 4

Strategic Priorities	KPIs	
4. Promote international mortgage lending standards Majority of market players use universal mortgage lending standards and technologies to reduce risks, increase consumer protection and produce homogenic loan pools for MBS issuance	By mid-2026	Mortgage Lending Standards are developed and submitted to the banking regulator
	By end-2026	UzMRC rolls out MLS and starts supporting lenders to implement new standards
	By 2030	Mortgage Lending Standards are used by most of the industry players

e. Strategic priority 5

Diversify UzMRC's product base

The Company develops and implements multiple refinancing products aimed at specific market segments.

UzMRC will continue focusing on refinancing with recourse that can potentially be securitized, while creating new products that can widen the client outreach and increase financial inclusion, including refinance of informal and Islamic mortgage loans, mortgage guarantees and RMBS. In doing so, UzMRC will prioritize onboarding new PFIs, targeting privately owned smaller banks.

To address housing affordability and deepen the housing finance sector, UzMRC will develop products tailored to different consumer segments. For applicants with **informal income**, the Company plans to implement mortgage underwriting and servicing standards alongside **mortgage guarantees. Mortgage guarantee product** and the eligibility criteria will be developed based on the past performance of the mortgage loans provided to informal income earners and the international best practice.

UzMRC sees significant potential in **Islamic finance** products, including rental and joint purchase forms, to meet demand from segments of Uzbekistan's population seeking sharia-compliant housing finance. However, the current legislative system lacks the foundational laws and regulations necessary for Islamic finance. While "Uzbekistan's – 2030" Strategy aims to establish Islamic financing frameworks in commercial banks, UzMRC will monitor regulatory developments and collaborate with key lenders to develop housing finance solutions once a conducive legal environment is in place.

To ensure effective implementation across all products, UzMRC will draw from international best practices and engage with sector stakeholders and regulators to address market needs. This includes developing corporate structures, aligning with legislative updates, and offering innovative products to expand access to housing finance while maintaining market stability and sustainability.

RMBS is another instrument that the Company aims to implement in line with the Presidential decree 70. RMBS is expected to be implemented through an SPV established by the Company and used as a conduit to securitize eligible mortgages. We expect the first transaction to be a pilot one and carried out with the help of prespecified PFIs within a legal sandbox drawn up by the Central Bank. The sandbox is expected to specify the rights and obligations of each party involved in the process.

UzMRC is also committed to **ESG**-compliant housing finance solutions, promoting sustainable housing construction and renovation practices that provide measurable environmental benefits. Recognizing the banking sector's need for clear guidance on certifiable climate-positive practices, UzMRC has taken a leadership role by issuing ICMA-compliant Green Bonds. The Company actively engages with regulators, market participants, and the Government to foster market awareness and investor education on ESG-compliant capital market instruments. In 2024, UzMRC approved a comprehensive Environmental, Social, and Governance Policy, aligning its operations with international and local

regulations while establishing a robust framework to assess and benchmark its ESG performance, including welcoming second-party evaluations.

Building on this foundation, UzMRC is finalizing its ESG Strategy, which will form a key component of its overall corporate strategy. The ESG Strategy identifies six critical areas: mitigating climate risk, enhancing financial access and inclusion, reducing environmental footprints, improving data privacy and security, fostering employee and community wellbeing, and integrating ESG into risk management and compliance. UzMRC is incorporating ESG considerations across all business processes, including lending, funding, risk management, HR, compliance, and internal audits. Additionally, through its Sustainability Financing Framework, UzMRC will provide annual qualitative and quantitative impact reports on environmental and social parameters and, starting in 2026, will implement specific reduction and efficiency targets to meet strategic ESG KPIs.

Table 11. Indicative impact metrics

KPIs	Metrics	Targets
Energy savings	% decrease in kWh usage; saving on energy bills	Targets to be determined in 2026 Impact Report
Water efficiency	Liters of water saved per month; % decrease in water bills	
Emissions reduction	Tons of CO2 emissions reduced per year; % decrease in emissions	
Waste reduction	Tons of waste recycled	

UzMRC will develop methodology to collect data and calculate an overall physical resilience score. Only the properties with an appropriate physical resilience score will be eligible for refinancing.

UzMRC plans the following steps to achieve strategic priority 5:

- 1) Develop mortgage refinancing products:
 - a. Different DTI, LTV grades, interest rate and terms for various products (formal & informal income, green mortgage, mortgage guarantee, Islamic mortgage, etc.)
 - b. Suggest regulatory and legislative changes where necessary
 - c. Implement and promote new refinancing products
- 2) Develop bond products:
 - a. Issue higher tenor debt securities with different interest rates based on duration and bond type
 - b. Arrange for securitization and/or covered bonds once the legislation is there

Table 12. KPIs on strategic priority 5

Strategic Priorities	KPIs	
5. Diversify UzMRC's product base	By end-2026	Test launch of Mortgage Guarantee Scheme

Strategic Priorities	KPIs	
The Company develops and implements multiple refinancing products aimed at specific market segments	By end-2026	First mortgage portfolio for informal income earners refinanced (subject to MLS is approved)
	By end-2027	First Green mortgage portfolio is refinanced (subject to relevant legislation is adopted)
	By end-2027	First Islamic housing portfolio is refinanced (subject to relevant legislation is adopted)
	By end-2028	Pilot Sukuk securitization is performed (subject to relevant legislation is adopted)
	By 2030	Company will achieve ca. 15% share in the banking sector mortgage portfolio outstanding and UzMRC loan portfolio composition includes: <ul style="list-style-type: none"> At least 5% – Green Renovation and Green Mortgage loans (subject to approval of green building standards) At least 20% – mortgages to female borrowers Up to 30% – mortgages to borrowers with informal income Up to 20% – mortgages to young borrowers (or first-time homeowners)
	2025-2030	<ul style="list-style-type: none"> Annual issuance of sustainability-linked instruments Annual sustainability impact reporting
	By 2030	New products constitute up to 30% of UzMRC portfolio. Indicative product options include: mortgage guarantee, Green mortgage, Islamic housing, etc.

4.4. Key challenges and conditions for effective implementation of the Strategy

Within its first four years of active operations, UzMRC successfully refinanced over 6% of the banking sector's mortgage portfolio and became the largest public issuer of unsecured corporate bonds in Uzbekistan. These achievements underline the Company's strong foundation and growing presence in the financial sector. However, UzMRC is now setting its sights on becoming a national development financial institution with a systemic role in advancing the housing finance sector and capital market of Uzbekistan. Achieving this transformative objective will require robust support from the Government, the Central Bank of Uzbekistan, the National Agency for Project Management, and significant amendments to existing national legislation.

Each of UzMRC's five strategic priorities relies heavily on either new legislative frameworks or direct government support, outlined as follows:

1. Establish UzMRC's clear role in the mortgage market

Defining UzMRC's role in Uzbekistan's mortgage market depends on the Government developing a comprehensive sectoral housing finance long-term strategy and formalizing the Company's mandate within it. As main player in the country's housing finance, the

Government will be proposed to clearly delineate its responsibilities to enable UzMRC to establish itself as a systemic institution in the sector.

The document is expected to clearly define UzMRC's role in advancing the country's mortgage market and ensure alignment with the Government's broader housing finance objectives.

2. Strengthen UzMRC's financial profile, corporate governance and internal control systems

Strengthening UzMRC's financial profile, corporate governance, and internal control systems depends on the willingness of its shareholders to provide additional resources. These include capital injections, human resource expansion, and investments in IT system upgrades.

Such developments are only feasible if UzMRC's role in the market is clearly defined and supported by the Government. In parallel, UzMRC will continue improving its governance and internal controls to adapt to evolving business needs and maintain transparency.

3. Strengthen UzMRC's presence and contribute to the development of local capital market

Expanding UzMRC's presence in the local capital market requires significant legislative amendments in two areas:

- Corporate Bonds:
 - i. Removing the cap on unsecured corporate bond issuance beyond capital size limits.
 - ii. Introducing a serial corporate bond (shelf registration) mechanism.
 - iii. Ensuring REPO availability of UzMRC corporate bonds with the CBU.
 - iv. Obtaining fiscal and other incentives for UzMRC corporate bonds.
- Securitization:
 - i. Enacting legislation for electronic mortgage notes.
 - ii. Standardizing mortgage lending practices across the banking sector.
 - iii. Developing laws and bylaws for securitization instruments, such as RMBS and covered bonds.
 - iv. Implementing risk assessment frameworks and incentivizing securitization instruments to stimulate their adoption.

Without these legal and regulatory updates, UzMRC cannot contribute effectively to the capital market's development. While advocating for these reforms, UzMRC will also focus on securing concessions for its corporate bonds to maintain its current issuances growth trend.

For UzMRC to obtain an international credit rating in par with the sovereign level, one or a combination of the following criteria shall be met:

- Clearly documented role in the national housing finance policy.
- Long-term operational track record or demonstrated resilience in overcoming crises.
- Recognition as a systemically important institution with a significant market share.
- Availability of Government support for UzMRC.

4. Promote mortgage lending standards

The adoption of unified mortgage lending standards depends on the CBU's approval and collaboration. These standards include consistent approaches to DTI, LTV, and APY calculations, along with detailed reporting on mortgage portfolios.

UzMRC will refine its internal standards and promote their adoption by the banking sector. Regardless of CBU's cooperation, the Company will advocate for the implementation of top-level industry standards to ensure consistency and transparency across the mortgage market.

5. Diversify UzMRC's product base

Expanding UzMRC's product base, such as introducing green housing loans, Islamic housing finance, and mortgage guarantees, is contingent on establishing the necessary legal and infrastructural framework:

- Green housing loans require green construction standards and certification systems.
- Islamic housing finance and Sukuk securitization depend on legislation for Islamic finance, an Islamic banking window, and a Shariah Board.
- Mortgage guarantees necessitate the creation of a government-sponsored risk-sharing fund and regulatory frameworks developed by the Banking Regulator.

Ultimately, UzMRC's ability to achieve these strategic priorities and fulfill its vision of transforming the housing finance sector and capital market depends on strong Government backing, regulatory alignment, and comprehensive legislative reforms. These measures will enable UzMRC to establish itself as a systemic development financial institution in Uzbekistan's financial landscape, driving sustainable growth and stability in the housing and capital markets.