

CLOSED JOINT-STOCK COMPANY "SPITAMEN BANK"

"Confirmed"

By the Decision of the Supervisory Board of
CJSC Spitamen Bank No. 53 dated April 12,
2023

"Agreed"

By the Decision of the Supervisory Board of
CJSC Spitamen Bank No. 31 dated April 12,
2023

**STRATEGY OF CJSC "SPITAMEN BANK"
FOR 2022-2026**

INTRODUCTION

CJSC “Spitamen Bank” began its operations in 2008 as a microcredit deposit organization (MCDO) “Spitamen Capital”, and in January 2014 it became a full-fledged commercial bank – CJSC “Spitamen Bank” (hereinafter referred to as the “Bank”), which provides banking services to corporate clients, private companies, and individuals.

The start of operations as a commercial bank was carried out in 2014-2017 against the backdrop of difficult macroeconomic conditions. The deterioration of the geopolitical situation and the adoption of economic sanctions against the Russian Federation, which led to a decrease in the value of the Russian ruble, which in turn negatively affected the volume of remittances from migrants in the Russian Federation, and as a result, the economic situation in Tajikistan as a whole worsened, especially in the banking sector.

Despite these circumstances, thanks to the coordinated work of all structural divisions, the Bank managed to complete many of the assigned tasks and prepare a significant portfolio of upcoming projects for further expansion of activities within the framework of the new Strategy.

In the new strategic period 2022-2026, the Bank will pay special attention to strengthening existing services and products, especially in the area of digitalization, integration of cooperation with existing and new internal and external partners.

The Bank's strategy for the period 2022-2026 was developed by the Bank's Management Board and approved by the decision of the Supervisory Board.

CHAPTER 1. THE SIGNIFICANCE OF THE INFLUENCE OF EXTERNAL CONDITIONS ON THE IMPLEMENTATION OF STRATEGY

1.1. Economic conditions

The economy of the Republic of Tajikistan is stable, and according to World Bank statistics, Gross Domestic Product growth is projected at 5.0% in 2023. Following real GDP growth in 2021, economic growth in 2022 was driven by industrial development and domestic demand, supported by public investment and robust remittances. Although the current account surplus narrowed slightly, imports increased in line with the economic recovery, and international reserves remain above adequate levels. Inflation is projected slightly above the National Bank of Tajikistan’s target of $6\% \pm 2$ percentage points, mainly due to rising global food and fuel prices.

In addition, the stability of the banking system was improved by closing troubled banks and supporting the flow of credit to the private sector. With the help of international partners, COVID-19 vaccination rates have increased while infection rates have remained low.

The economic recovery is expected to continue, with real GDP growth projected to continue in 2022-2023, reflecting the effect of stabilizing remittances. In the medium term, GDP growth will remain within the range of 5-7%, and inflation will be within the NBT targets ($6\% \pm 2$ basis points.). At the same time, risks to GDP growth prospects are decreasing due to uncertainty in the region and the spread of the pandemic. Regional security and geopolitical conflicts could threaten the economic outlook. Domestically, delayed reforms in state-owned enterprises, limited competition, structural rigidities, and underlying vulnerability of the financial sector could also lead to slower growth and higher inflation.

Internal factors that hinder rapid economic development and have a negative impact on it include: high taxes on business entities; a large number of inspection bodies, which are administrative obstacles, as well as a high level of taxes (the highest in Central Asia). These factors led to the fact that some economic entities were forced to transfer their businesses to other countries, while others completely ceased their activities, which in turn led to capital leaving the country.

External factors that have a significant impact on the country's economy include: the conflict between Russia and Ukraine, the announcement by Western countries of financial sanctions against Russia, which has caused economic instability in the countries of the region, the unstable situation in the Islamic Republic of Afghanistan, as well as global factors such as trade wars between the C20 countries.

1.2. Development of the banking sector

Due to economic development, the demand for various banking services from domestic entrepreneurs is increasing and requires modern services. It should be noted that, given the development of the economy, the share of assets and loan portfolio of the banking system in relation to GDP has been decreasing since 2020. Due to systemic problems in the banking sector, the National Bank of Tajikistan has strengthened the norms and instruments of influence to ensure the stability of the banking system in relation to unstable banks. As a result, the number of financial and credit organizations decreased in the period 2015-2022, and by the end of 2022 there were only 64 of them.

It should be noted that there are opportunities for economic development, but the banking system is not able to meet the growing needs of the economy.

The low quality of the loan portfolio in the banking sector as a whole was caused by previously “non-targeted” lending, as well as corrupt practices, and as a result of the adoption of tough measures by the National Bank of Tajikistan, the lending process and the formation of funds and reserves on their basis, the level and quality of the loan portfolio was improved.

The National Bank of Tajikistan continues to improve regulatory requirements, including those on corporate governance, improving the internal control and risk management system in credit and financial institutions, and the level of reserves and liquidity of banks, and has a positive impact on the ability of the banking system to lend to the real sector of the economy.

It should be noted that there is an increasing consumer demand for quality products and various banking services, such as 24/7 access to banking services, immediate access to necessary information and security of service. The widespread use of the Internet increases the role of banking services, including internet banking, mobile banking and call centers.

CHAPTER 2. MISSION, VISION, VALUES AND STRATEGIC GOALS

2.1. Mission of the Bank

Making customers' lives easier by providing innovative and digital banking services.

2.2. Vision of the Bank

Creation of a stable, reliable, high-tech bank and a leader in the banking services market.

2.3. Values of the Bank

* **Constant perfection.** Regular improvement of the quality of the Bank's services;

* **Satisfying customer needs.** Timely and high-quality service through respectful treatment, awareness and understanding of customer needs and provision of equal conditions;

* **Honesty and transparency.** Honesty and transparency in relation to the Bank's partners, employees, investors, shareholders and clients;

* **Responsible Financing.** Providing customers with complete and transparent information and accurately representing the Bank's relevant products and services..

2.4. Strategic goals and objectives:

To implement the Bank's mission, the following strategic goals are required:

2.4.1. Objectives to increase the Bank's share in the financial market:

* geographical expansion - the number of points of sale will increase;

* growth of the loan portfolio - more than 60% compared to the 2021 figure;

* preparation and issuance of bank cards - more than twice.

2.4.2. Provision of high-quality services in all structural divisions of the Bank's service.

2.4.3. Strengthening the Bank's position as a reliable, efficient credit institution, owner and user of the latest technologies.

In order to take a leading position in the field of retail lending, including small and medium-sized businesses, and increase its share of the lending market, the Bank carries out the following actions:

- Increasing of the lending volumes, taking into account the quality of the loan portfolio, which mainly consists of solvent clients;
- increasing the share of standard products and using new technologies in sales, including credit scoring;
- ensuring the quality and level of profitability of the loan portfolio, including through improving the methods of working with complex and overdue loans;
- increasing the number of goods per customer, as well as increasing the share of active clients in all segments.

In order to diversify sources of income by strengthening the Bank's position in the area of lending and providing services to entrepreneurs and the population, the Bank carries out the following types of activities:

- increasing the volume of lending and services to enterprises, organizations, priority sectors and classes of the economy, as well as the population;
- increasing the income from transaction and commission products in the Bank's income structure;
- increasing the number of cards and users of the Spitamen Pay mobile application;
- expanding the range of banking services for all client segments;

Reducing the accumulated risks of the credit portfolio remains one of the important problems for the Bank. Therefore, one of the Bank's goals is to reduce the average loan amount per borrower, as well as to minimize credit risk.

In addition, the bank intends to expand its geographical presence in order to diversify its portfolio.

In order to strengthen the Bank's position as an effective, reliable financial institution, owner and user of the latest technologies, the Bank intends to implement the following:

- implementation of actions to strengthen the operating model and improve the efficiency of business processes;
- continue further improvement of the Bank's technological infrastructure;
- increase the share of transactions through remote service networks (implementation of payments via QR and card delivery);
- increasing the efficiency of the regional network through proportional development of types and formats of access points to the Bank's products and services, including direct and remote channels, as well as through increasing the efficiency of expanding the location of branches and banking service centers;
- Strengthening the position of money transfer services through physical and online presence.

The business model of a universal commercial bank makes it possible to ensure the stable development and competitiveness of the bank in accordance with the requirements of regulations, as well as to achieve the required level of profitability and efficiency.

CHAPTER 3. BUSINESS STRATEGY

3.1. Customer Service Policy

The Bank will continue to implement a commercial method of customer service, which will allow it to fully satisfy the needs of customers for banking products and services both at banking service points and through remote services, as well as maintain the profitability of operations at a sufficient level.

The main condition for increasing investment attractiveness and maintaining positions in the banking services market is to improve the policy of working with clients, creating an effective system of cooperation with clients, based on their needs.

The Bank's main objective in implementing its Customer Service Policy is the active formation of a stable client base with a constant trend of its growth and studying the needs of clients for the further development of the offer aimed at maximizing the satisfaction of client needs.

Solving certain problems will allow the Bank to increase the number of clients (the number of active borrowers, cards and legal entity clients) by more than 5 times by 2026 compared to 2021.

3.2. Development of the lending sector

The bank has paid special attention to the issue of lending, and by 2026 the balance of the loan portfolio will be doubled. By 2026, the number of loans will double, and the overdue debt (RAR1) will be 2%. In general, the bank is trying to develop the lending direction, mainly offering loans to large businesses, small and medium businesses and small loans on the market.

3.3. Development of commission products

The Bank is a universal credit institution and is expanding its range of universal and diversified products based on a customer-oriented approach.

In order to improve the level of its activities, the Bank will continue to pay special attention to the development of banking products.

In order to increase non-interest income, the Bank continues to develop transaction-commission products for all client segments, including salary projects, acquiring, credit cards, payment services, which also helps to optimize the structure and reduce the cost of liabilities.

3.4. International cooperation

The development of the Bank's international cooperation is associated with the diversification of sources for the development of entrepreneurship, strengthening the reserve base and financing the Bank's clients through the opening of correspondent accounts and credit standards of foreign financial organizations.

Entering international markets enhances the Bank's reputation as an active participant in international cooperation, helps protect the financial interests of clients and promote the Bank's brand abroad. This is also how the Bank provides access to new technologies. In 2022-2026, the bank plans to conduct an audit of financial statements with the involvement of prestigious international auditing companies, including the Big 4, which will provide an opportunity to establish cooperation with European and American banks.

The main areas for expanding international cooperation in the medium term are the CIS countries, Europe, Southeast Asia and the USA. The growing interest of the Bank's corporate clients in developing business relations with companies and enterprises in these countries creates favorable conditions for the Bank's entry into these markets. The Bank will actively work to establish cooperation with financial institutions in these countries in search of potential partners.

3.5. Information Technology

The Bank makes effective use of Information Technology (IT) and plans further efforts to achieve goals and improve efficiency. In addition, one of the strategic goals of the IT Department is to increase the number of its own (in-house) solutions, which, in turn, reduces the Bank's dependence on outsourcing.

The Bank will strive for the gradual integration of software and information storage systems, and the formation of a single information space with the condition of reliability, stability and continuity of operation of all systems and programs. Also, one of the priority tasks of IT is to strengthen control over cybersecurity. In 2022–2026, the Bank plans to conduct an IT audit to identify weaknesses in its information technology activities for further elimination of deficiencies. The following projects are also planned to improve the Bank's cybersecurity:

- implementation of an online analysis program for all banking systems to prevent vulnerabilities;
- introduction of a cybersecurity system for Internet banking and card technologies.

3.6. Marketing Strategy

The Marketing Strategy, as part of the Bank's overall strategy, allows the Bank to increase its share in the banking services segment, achieve a positive net financial result, increase the client base, improve the level of financial literacy and increase the level of people's trust.

3.7. Services Networks

In December 2021, the number of Bank service points was 64.

During the Strategy period, the Bank continues to expand its branch network. When choosing the location of new points, the main requirements for opening will be economic opportunities, poverty level, and population density.

The development of the branch network is carried out through the active development of remote sales and service channels using the Internet and mobile banking, as well as information support through call centers, the Bank's website and social networks.

Diversification of service channels, including the implementation of remote banking operations based on the current legislation of the Republic of Tajikistan, also contributes to a significant improvement and increase in the level of territorial coverage and accessibility of the Bank's services.

3.8. HR Strategy

The Bank considers human resources as one of its most important assets. Given that the contribution of the Bank's employees plays a decisive role in the implementation of the Bank's current and future financial strategy, the HR policy for employees is aimed at achieving the following goals:

- always treat the Bank's employees fairly;
- offering fair wages taking into account their individual results, the results of the entire Bank and maintaining a competitive position;
- communicates the Bank's strategy to employees and takes into account their suggestions regarding this strategy;
- to inform employees of proposed changes that may affect them and discuss any changes with them;
- to provide employees with every opportunity to openly express their opinions, discuss them and resolve them.

CHAPTER 5. DEVELOPMENT OF MANAGEMENT SYSTEM

Continuous development and improvement of the corporate governance system in accordance with the best international practices and protection of shareholders' interests is one of the main guarantees of successful implementation of the Bank's strategic development plan.

The main objectives of improving corporate governance are: improving, creating and developing decision-making mechanisms for the management bodies of the bank as a joint-stock company, increasing the investment attractiveness of the bank, as well as improving the quality of the bank's work and the corporate culture of the Bank, and reducing the risks associated with it.

CHAPTER 6. IMPLEMENTATION OF THE STRATEGY

The Bank is constantly improving the system of strategic planning, analysis and monitoring. The Strategy's target indicators are detailed at the level of structural divisions and individual performers. All operational plans of the Bank, the activities of management bodies and structural divisions are developed taking into account the goals, objectives and priorities provided for in the Strategy..