

**“SPITAMEN BANK”
CLOSED JOINT STOCK COMPANY**

APPROVED by
Decision of the Supervisory Board
of the “Spitamen Bank” CJSC
No. ____ dt. _____, 2020
Sh.M. Rahimova

AGREED by
Decision of the Sole Shareholder
of the “Spitamen Bank” CJSC
“Spitamen Insurance” ILLC
No. ____ dt. _____, 2020
B.N. Muratov

**Strategy of the “Spitamen Bank” CJSC
for 2020-2022.**

Dushanbe 2020

INTRODUCTION

“Spitamen Bank” CJSC, which began its activity in 2008 as Microcredit Deposit Organization (MDO) “Spitamen Capital” in January 2014 was transformed into full value commercial bank – “Spitamen Bank” CJSC (hereinafter referred to as the “Bank”), which provides banking services to corporate customers, SMEs (small and medium-sized enterprises), as well as individuals.

Begin of activity as a commercial Bank in 2014–2017 occurred against the backdrop of difficult macroeconomic conditions. Escalation of the geopolitical situation led to the adoption of economic sanctions against the Russian Federation, which led to the collapse of the Russian ruble, which, in turn, negatively affected the volume of money transfers from migrants from the RF, and, as a result, the economic situation in Tajikistan worsened, as a whole, and in the banking sector in particular.

Despite these circumstances, the Bank, thanks to the coordinated work of all departments, was able to fulfill most of tasks assigned to it and form a significant portfolio of planned projects to further expand its activities in the framework of implementation of new Strategy.

In new strategic period 2020–2022, the Bank will focus its activity on strengthening existing and development of new products and services, especially in the area of e-commerce; on expanding the branch network and enhancing the integration of cooperation with existing and new external and internal strategic partners.

The Bank’s strategy for the period of 2020-2022 years was prepared by the Bank’s Management Board in cooperation with the Supervisory Board and supported by unanimous decision of the Bank’s supreme governing body – General Council of Shareholders.

SECTION 1. MISSION, VISION, VALUES AND STRATEGIC GOALS

1.1. Bank's Mission:

Providing high-quality, modern and reliable banking services to customers, for the growth of their entrepreneurial activity and financial well-being.

1.2. Bank's Vision:

Reliable, innovative and dynamically developing bank, striving for the best world banking standards.

1.3. Bank's Values:

Customer focus. Timely and quality service through respectful attitude; understanding of customer needs, as well as equal relationships.

Honesty and transparency. Honesty and transparency in relation to itself, to colleagues and to customers of the Bank.

Responsible financing. Providing customers with complete and transparent information, as well as the correct selection of suitable Bank products and services.

1.4. Strategic goals and objectives:

To fulfill the Bank's mission, following **strategic goals** will be required:

1.4.1. Increasing the Bank's market share by:

- Geographical expansion – number of points of sale up to 2022 year will increase by 125%.
- Increase in the Credit Portfolio – more than 100% (from the level of 2019).
- The growth of the deposit base, which should be at least 90% from the amount of the loan portfolio.
- Issue and distribution of bank cards – increase in the number of cards by more than 10 times – until 2022.
- Increasing the Bank's share in the total volume of money transfers to the level of 20%.
- Development of agents' network (agent banking).

1.4.2. Providing high quality services in all Bank service offices.

1.4.3. Strengthening the status of the Bank as: reliable, efficient, and high-tech credit institution.

In order to ensure one of the **leading positions in retail lending, as well as SMEs, including increasing its share in the lending market, the Bank will perform the following:**

- ✓ increase lending volumes, taking into account the quality of the loan portfolio, which consists mainly of solvent customers;
- ✓ increase the share of standard products and conveyor technologies in sales, including using scoring;
- ✓ ensure the quality and level of profitability of the loan portfolio, including through the improvement of tools for working with problem and overdue debts;
- ✓ increase the number of products per customer, as well as the share of active customers in all customer segments.

In order to **diversify** sources of income by strengthening the Bank's position in lending and servicing of priority sectors, segments of the economy and population, the Bank will:

- ✓ increase lending volumes and servicing enterprises, organizations, priority sectors and segments of the economy, as well as the population;
- ✓ increase the share of income from transactional and commission products in the Bank's revenue structure;
- ✓ diversify funding sources by increasing the share of stable customer liabilities;
- ✓ expand the range of banking and investment products and services offered for all client segments;
- ✓ increase the share of external customers in the Bank's income.

Minimization of currency risks of the loan portfolio remains one of the relevant topics for the Bank. The Bank aims to reduce the excessive prevalence of the foreign currency share of the portfolio, as well as reduce the average loan amount for the borrower to minimize the risks of losses to the client's share. Moreover, the Bank intends to expand its geographical presence in order to diversify its portfolio.

In order to strengthen the position of the Bank as the **effective, reliable and high-tech financial institution, the Bank intends to:**

- ✓ step up activities to optimize the operating model and increase the efficiency of business processes (creating an electronic back office and scoring system);
- ✓ continue further improvement of the Bank's technological infrastructure, as well as through the acquisition of banking and non-banking assets, including technology platforms;

- ✓ increase the share of operations performed through remote service channels (implementation of QR payments and implementation of CF projects through cards);
- ✓ increase the efficiency of the regional network through the balanced development of types and formats of access points to the Bank's products and services, including direct and remote channels, as well as through the effective expansion of the territorial expansion of branches and Banking services centers;
- ✓ increase transaction volumes and types of hedging operations;
- ✓ strengthen position of money transfer services through physical and online presence.

The implemented business model of universal commercial bank allows ensuring sustainable development and competitiveness of the Bank in compliance with regulatory requirements of the regulator, as well as achieving target levels of profitability and efficiency.

2. EVALUATION OF THE INFLUENCE OF EXTERNAL CONDITIONS ON THE IMPLEMENTATION OF THE STRATEGY

2.1. Banking sector development

NBT continues to improve regulatory requirements, including the assessment of risks, the level of reserves and liquidity of banks, which affects the potential of the banking system on lending to the real sector of the economy.

Consumer requirements for banking products and services are growing: round-the-clock multi-channel access to banking services, immediacy of obtaining the necessary information, speed, high quality and security of the provision of services. The widespread use of the Internet is increasing the role of RBS (remote banking services), including Internet banking, mobile banking and contact centers.

Competition among non-credit financial organizations and companies providing services in the field of information technology and telecommunications is intensifying. Competition is growing not only in the transaction market, but also in other types of services (lending, etc.). At the same time, non-credit financial organizations operate in milder conditions for regulating their activities in comparison with commercial banks. Thus, the Bank expects further tightening of regulatory standards by the NBT to reduce the gap between the standards of the Republic of Tajikistan and International Standards. The strategy was created taking into account the tightening of control by the NBT.

2.2. The impact of the COVID-19 pandemic on the macroeconomics and financial sector of Tajikistan:

According to recent estimates by the IMF and the World Bank, the COVID-19 pandemic significantly worsened the macroeconomic situation in Tajikistan in 2020. Termination of trade and links with trading partners (China, Uzbekistan, Iran, Russia and Kazakhstan) have significant negative impact on industrial production, construction and services.

In 2020, GDP growth is expected to drop to 1.7 percent or lower, reflecting the effects of the COVID-19 outbreak and economic slowdown in Russia and China. These effects include sharp decrease in trade and decline in commodity prices, probable significant reduction in money transfers and worsening prospects for the transport and tourism industries. Growth is likely to remain weak – around 3.5 percent in 2021–2022.

SECTION 3. BUSINESS STRATEGY

3.1. Customer policy

The Bank will continue to implement a customer-oriented business approach that allows it fully satisfy customer needs for banking products and services, both in field of service offices and through remote service payment services, taking into account maintaining the profitability of operations at the sufficient level.

Solution of certain tasks will allow the Bank to increase the number of customers by 2022 by 115% from the level of 2019.

3.2. Big business development

In this area, the Bank focuses on servicing large companies and large businesses, which means customers, receiving loans from 1 million TJS with annual turnover of over 10 million TJS.

By 2022, the share of large businesses in lending will amount to 35% of the total loan portfolio, which is 12% lower than in 2019. In general, the Bank will continue to strive to ensure that the share of large loans in the total loan portfolio does not exceed 20%.

3.3. Small and medium business development

Under this criterion in the Bank fall clients who receive loans in the range of 200 001 to 2,000,000 TJS, or whose annual turnover is from 1,000,000 to 10,000,000 TJS. The main priority for the Bank within the medium-sized business segment is their quantitative growth, as well as the growth of their turnover. In terms of lending, it is planned to increase the share of standard loan products.

The implementation of the plans will increase the share of this segment in the loan portfolio from 10% in 2019 to 20% by 2022.

3.4. Microbusiness development

A key priority of the Bank in small and micro businesses is a gradual increase in lending. These include the Bank customers who receive loans up to 200,000 TJS, whose annual turnover does not exceed 2,000,000 TJS. The main areas of activity in this segment for the Bank will remain support for small businesses, including in agriculture, lending to small and micro businesses without industry restrictions, the development of diverse economic activity in rural areas, small and medium-sized cities.

The share of micro-business in lending by 2022 should be at least 25% in the total loan portfolio, which is 11% higher than the level of 2019.

3.5. Retail Business Development

In the short term and medium term, the Bank plans to continue developing its retail business, relying on its current client base, as the most understandable from the point of view of risks. The key priority remains to increase the share of active customers.

In terms of lending, priority areas for development remain: mortgage and consumer lending, as well as credit cards. In terms of client funds, the Bank focuses on the growth of balances on settlement accounts of the population.

By 2022, it is planned to bring the share of the retail loan portfolio to the level of 35% of the total loan portfolio, which is 6% higher than the level of 2019.

3.6. International cooperation

The Bank's development of international cooperation is due to the need to diversify sources of business growth, strengthen the resource base and organize financing of bank customers through credit lines of foreign financial institutions.

Entering international markets will increase the bank's reputation as an active participant in international cooperation, will help protect the financial interests of customers and promote the Bank's brand abroad, and will also open up opportunities for the bank to gain access to new skills and technologies. In 2020, the Bank plans to conduct compliance audit, which will identify and eliminate problems. In addition, the availability of the audit assessment will allow access to the European market.

The main directions of expanding international cooperation in the medium term will be the CIS countries (Russia; Uzbekistan; Kazakhstan and Georgia), Europe (Germany; France), Southeast Asia (China; Singapore; Malaysia) and the United States. The growing interest of the Bank's corporate clients in developing business relations with companies and enterprises of these countries creates favorable conditions for the bank to enter these markets. The Bank will actively work to establish cooperation with financial institutions of these countries in order to find potential partners.

3.7. Information Technology

The Bank effectively uses IT resources and plans further acceleration in solving problems and increasing efficiency. Moreover, one of the strategic tasks of the IT department is to increase in-house solutions, which, in turn, will reduce the dependence on outsourcing.

The Bank will strive for the phased unification of software and information storage systems, for the formation of the single information space, provided that all systems and applications are reliable, stable and have trouble-free operation. Also, one of the priorities of IT is to strengthen control in the field of cyber security. Starting from 2020, IT plans to engage Audit in order to identify weaknesses in the work to further eliminate shortcomings. Following projects are also planned to strengthen the Bank's cyber security:

- **Implementation of online analysis program for all Bank systems for vulnerability (Mesus);**

- **Implementation of Klaut systems for cyber security of Internet banking and card technologies.**

3.8. Marketing strategy.

The marketing strategy, as part of the Bank's overall strategy, aims to increase the share of that part of banking services that enable the Bank to consistently receive positive net financial result, helping to increase its customer base, increase brand awareness and increase public confidence to the Bank.

3.9. Sales channels and service

As of December 2019, the number of Bank service offices was 35 units. At the same time, service offices are understood as branches and banking service centers.

The Bank will continue expanding its branch network during the Strategy period. When choosing the location of new offices at the opening, the main criterion will be economic feasibility, poverty, and population density.

Expansion of the branch network is ensured by the active development of **remote channels** of sales and service using Internet and mobile banking, as well as information support through the contact center, the Bank's website and social networks.

Diversification of channels in favor of lightweight and remote formats of service offices will significantly increase the commercial performance of the regional network, while increasing the level of territorial coverage and accessibility of Bank services.

3.10. Strategy of HR management

The Bank assumes that the hired human resources are its most important asset. Recognizing this fact that the contribution of the Bank's personnel is crucial importance in the implementation of the present business strategy and the financial prosperity of the Bank in the future, the personnel policy with respect to personnel aims to:

- ✓ always fair attitude to the staff of the Bank;
- ✓ give it fair remuneration, taking into account their individual results, the results of the entire Bank and its competitive position;
- ✓ to inform the staff of the Bank's business strategy and take into account their proposals for this strategy;
- ✓ notify staff of proposed changes that may affect them and discuss any such changes with them;
- ✓ provide staff with every opportunity to make complaints that they may have and deal with such complaints in a fair and transparent manner.

SECTION 4. BANK DEVELOPMENT SCENARIOS AND BASIC QUANTITATIVE INDICATORS

In the development of the Bank, three scenarios are considered:

The I basic scenario for the period from 2020 to 2022 is based on the indicators of 2019, while the external conditions of the Bank's activities and indicators on the client base will not deteriorate.

II scenario takes into account the possibility of further deterioration of the macroeconomic situation, as well as credit and market risks and threats of banking activities.

III scenario is Positive, considers the likelihood of favorable external and internal conditions for significant growth of the Bank's activities.

All scenarios provide for the possibility of maintaining economic sanctions against Russia and reducing the volume of money transfers throughout the Strategy horizon, weak economic dynamics, long-term funding shortages, tightening the NBT regulatory requirements, exchange fluctuations, and increasing banking competition.

SECTION 5. DEVELOPMENT OF MANAGEMENT SYSTEMS

CORPORATE MANAGEMENT

Continuous development and constant improvement of the corporate management system in accordance with the best international practices and interests of shareholders remains one of the key guarantees for the successful implementation of the Bank's Strategic development plan.

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

SECTION 6. IMPLEMENTATION OF THE STRATEGY

The Bank has created and is constantly improving the system of strategic planning, analysis and monitoring. The targets of the Strategy are detailed and brought to the level of departments and individual performers. All operational plans of the Bank, the activities of governing bodies and structural units are built taking into account the goals, objectives and priorities laid down in the Strategy.

SECTION 7. MONITORING THE IMPLEMENTATION OF THE BANK STRATEGY

Current control over the implementation by the Bank's units of the adopted strategic plan is carried out by the Bank's Management Board.

Within the framework of the current control, the Management Board of the Bank at least once a quarter reviews the actually achieved financial indicators and results of the Bank's activities and compares them with the Strategy. If the Bank deviates from the adopted Strategy, or if it fails to fulfill the tasks set in it, and if it is impossible to achieve the indicators and results stipulated in the Strategy, the Management Board analyzes the reasons for the indicated facts (phenomena) and determines whether these reasons are objective (not dependent on the Bank) or subjective. Upon completion of the analysis, constructive measures are developed to bring the Bank's activities in line with the adopted Strategy. In the future, the Management Board exercises control over the implementation of the above measures by the structural divisions of the Bank. All decisions of the Board on the implementation of the Strategy are documented in minutes.

The overall control over the implementation of the adopted Strategy by the Management Board of the Bank is exercised by the Supervisory Board of the Bank. At least once every six months, the Management Board of the Bank brings to the attention of the Supervisory Board of the Bank generalized information on the implementation of the Bank's Development Strategy for the past period, as well as on measures taken to bring the Bank's activities in line with the Strategy. The Supervisory Board of the Bank analyzes the specified information and evaluates activity effectiveness of the Bank's divisions and the Management Board in implementing the Strategy.

In case, if for objective reasons, the Bank deviates from the adopted Strategy, fails to fulfill the tasks set therein, fails to achieve the specified indicators and results, the Bank's Supervisory Board is authorized to make decision on revising the strategic plan and makes the necessary adjustments to it.

In the event of changes in the external environment, the Bank's Supervisory Board may initiate the development and adoption of alternative (most probable, best or worst) option for the development of banking business strategy (or its individual areas).