



**Fintech
Association**
Uzbekistan

INTERNATIONAL VENDORS LEADING THE TRANSFORMATION IN THE BANKING SECTOR IN UZBEKISTAN 2021-2022

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FinTech Market in Central Asia

Each country lacks accurate statistics on digitalization and online transactions.



UZBEKISTAN

Challenges for Fintech Development:

- Low Mobile phone and internet penetration
- Lack of clear FinTech development strategy and broader institutional support for FinTech
- Limited Access to finance and investments

Major risks arising from Fintech:

- Cybersecurity risks
- Currency Risks

Challenges for Fintech Development:

- Unfavorable government policy
- Lack of foreign investments

Major Risks arising from Fintech:

- Financial Consumer Protection Risks arising from new products and business models
- Cyber security risk
- Currency risks
- Data protection Risks



KAZAKHSTAN



KYRGYZSTAN

Challenges for Fintech Development:

- Low Internet penetration
- Small market with low maturity and low competition
- Unstructured government and regulatory strategy on digital financial services
- Lack of targeted and effective promotion of digital channels by financial institutions

Major risks arising from Fintech

Same as in Kazakhstan

Challenges for Fintech Development:

- Poor infrastructure, monopoly of state owned telecom providers
- Uncertain business environment for new players in the Fintech space
- Small market with low maturity
- Limited access to finance and investments

Major risks arising from Fintech:

- Cyber security risks
- Currency risks



TAJIKISTAN

Government support

						
Technology						
Remote identification						
Open API						
Blockchain						
Artificial intelligence						
The Internet of Things						
Cloud technologies						
Talent						
Accelerators/Incumbents	10+	10+	5+	360+		
Capital						
Government fund						
VC regulation						
Regulation						
Regulatory sandbox						
Tax privileges						

-  No data/no progress - Government has no initiation about law or there is no data about this project
-  In progress - Government representatives started to discuss this project
-  Ongoing project - There is ongoing draft for this law
-  Adopted - Project of this law is successfully adopted

Source: public available sources

Factors accelerating FinTech in Uzbekistan

- ✓ Increased volume of e-commerce after Lockdown
- ✓ Market demands and supporting Infrastructure
- ✓ Regulatory Issues
- ✓ Foreign Investors
- ✓ Financial inclusion of unbanked population
- ✓ Innovations (e-wallets, Cards)
- ✓ Recent migration from the neighboring countries due to the military conflict

Factors delaying FinTech Development in Uzbekistan:



Lack of strategic development for the Fintech (although due to recent Technical assistance from international Financial organizations, the Fintech strategy is slowly shaping up.



Internet Penetration: Uzbekistan ranks the lowest in the region in 4G coverage . Only 45% of the population can access 3G internet, compared with an average of 79% in lower middle-income countries.



Mobile Access in rural parts of Uzbekistan (77% men and 62% of women own mobile phone)



Human Capital: Uzbekistan ranks 69th out of 100 countries on the Inclusive Internet Index, which assesses internet availability, affordability, relevance, and readiness of the public (e.g., skills and literacy) to use the internet. Its weakest score (76th out of 100 countries) is in affordability (cost of access relative to income, and level of competition in the internet marketplace). Workers of the future require enhanced information technology skills.

1. Competitive landscape in the banking sector of Uzbekistan:



Some of the active international vendors in Uzbekistan:

Vendor	Solution provided in Uzbekistan	Deals signed in Uzbekistan
	Fusion Risk, Essence core and Islamic, TI Plus	Halk Bank
	Transact (Islamic and Traditional module), omnichannel and digital solutions	In negotiation
	Flexcube core banking solution(Islamic and Traditional) and front Office digitalization	In negotiation Universalbank, Infinbank, ApexBank (new Bank) Ziraat Bank
		Front Office Digitalization: Kapitalbank, National Bank of Uzbekistan, and Trustbank
	Islamic banking solution	TrustBank, QQB, Asia Alliance Bank, AgroBank
	Traditional core banking solution	AloqaBank, Turon Bank
	Core banking solution	Davr Bank , TBC Bank
	Video Teller Machine and partnership with FIDO on provision of Islamic banking module based on a white label	AgroBank
	Core banking, Microservice architecture	Ipoteka Bank
	Risk Management Solution	NA
	Risk Management and Treasury	NA
	Call Centre, Risk Management, And Core banking solution (R Style)	HamkorBank (R-Style), Call Centre- Halk Bank



Card Processing Centre, Payments

LIST OF BANKS to BE CONFIRMED



Call Centre, Card Management system, Middleware, CRM System

NA



Card processing Centre

LIST OF BANKS to BE CONFIRMED



Card processing Centre

LIST OF BANKS to BE CONFIRMED



Card processing Centre

LIST OF BANKS to BE CONFIRMED



Vendor

LIST OF BANKS to BE CONFIRMED



Card processing Centre

Microcreditbank, Agrobank, OFB



Core banking Traditional and Islamic

NA



Core banking (Traditional and islamic)

NA



Core banking, lending, and other solutions for banking and insurance sectors

NA



Card processing and terminals.w

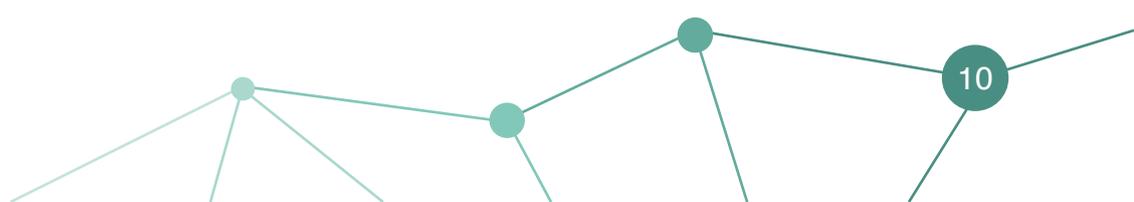
LIST OF BANKS



Business Intelligence solution powered by Power BI

PromstroyBank, Ipak Yilli Bank, InfinBank, Anorbank.

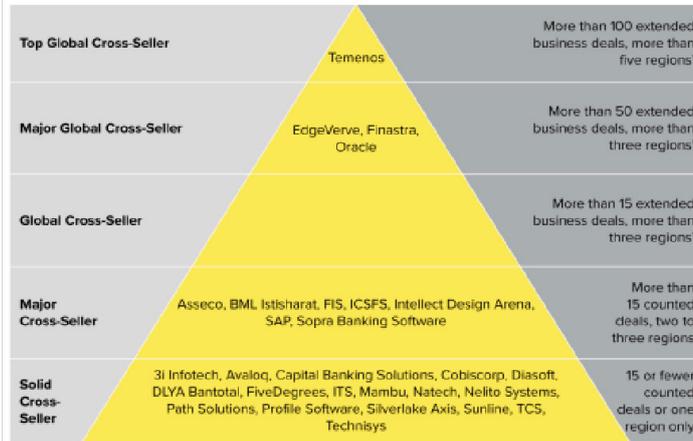
• Please note this is not a full list of projects as most of the projects or a vendor list, as most of the information is not announced in the market.



2. Global Ratings (Forrester)

The 2020 Global Banking Platform Vendor Pyramid: Extended Business Deals 2020

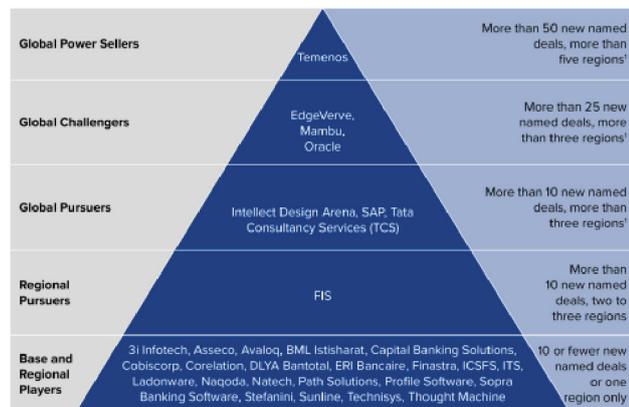
Use The Pandemic's Market Impact To Improve The ROI Of Digital Transformation



NEW: The Extended Business Deals Vendor Pyramid is new for 2021. Temenos is the only Top Global Cross-Seller based on deals in 2020.

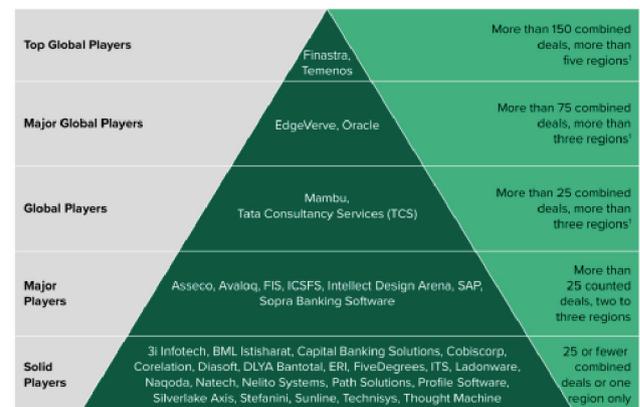
The 2020 Global Banking Platform Vendor Pyramid: New Named Deals

Use The Pandemic's Market Impact To Improve The ROI Of Digital Transformation



The 2020 Global Banking Platform Vendor Pyramid: Combined Deals

Use The Pandemic's Market Impact To Improve The ROI Of Digital Transformation



Some of the recent deals in the market and official announcements:



Oracle FS has signed two new clients for its flagship Flexcube core banking system in Uzbekistan. These are Ziraat Bank and a start-up challenger bank.

Ziraat Bank, which has been in the local market for more than 25 years providing retail and commercial banking services, has signed for a broad suite of Oracle products, including core, branch, payments treasury management, trade finance, and analytics. Ziraat Bank is a subsidiary of Turkish banking group Ziraat and was known as Uzbek-Turkish Bank until its rebrand in 2017. The other recent deal is with a new bank in Uzbekistan, which will provide conventional and Islamic banking services once it launches. The bank will also implement a host of Oracle's solutions in addition to the Flexcube core, including risk management, financial crime and compliance, and digital banking. There are now four Flexcube takers in Uzbekistan – an impressive result considering Oracle FS had no business there just 18 months ago – following earlier deals with Universabank and InfinBank. Oracle FS is also working on a trio of front-end digital banking projects there, with Kapitalbank, National Bank of Uzbekistan, and Trustbank.





Asia Alliance Bank becomes second ICSFS client in Uzbekistan

21st May 2021. Uzbekistan-based Asia Alliance Bank has selected the ICS Banks Islamic Banking solution from ICS Financial Systems (ICSFS).

Uzbekistan drafted new rules for Islamic finance in October 2020. The system selection occurred in collaboration with the Islamic Corporation for the Development of the Private Sector (ICD). Founded in August 2009, Asia Alliance Bank carries out commercial and retail banking in its home country. "Asia Alliance Bank will be heading towards providing its clients with a new holistic banking exposure," says board chairman Ikram Abdukakhorov. "We are committed to bring and expand our offerings by implementing innovative and trusted business and technology applications." Following the deployment of the new Islamic banking solution, the lender will deploy a series of Shariah-complaint products. These include Murabaha, Ijarah, Mudaraba, Musharka, and Islamic trade finance. The ICSFS deal with Asia Alliance Bank comes on the heels of a similar agreement signed with Trustbank at the start of the month. The Trustbank deal also saw support from the ICD. Uzbekistan first drafted rules for Islamic finance in October 2020. The majority Muslim nation has sought to attract fresh investment will allow local companies to issue sukuk domestically and abroad. Weal Malkawi, ICSFS executive director, says the addition of its Islamic banking solutions to universal banks displays the platform's abilities. "Although we are living in a very challenging times due to the pandemic, ICSFS's strong and solid reputation is paving its way into new regions."

Uzbekistan's Trustbank plans Islamic banking first with ICSFS



7th May 2021 Uzbekistan-based Trustbank has selected ICSFS and its ICS Banks Islamic banking software.

ICSFS calls the deal a “breakthrough” in Uzbekistan

The deal is hailed by both firms as the first Islamic banking revamp of its kind in the Central Asian country.

Trustbank, founded in 1994 as Private Joint-Stock Bank, provides what it calls a “full range of banking products and services”.

This includes private and corporate banking, settlements, and retail deposits.

The ICSFS system is deploying across several Islamic products at the lender, including Murabaha, Ijarah, Mudaraba, and Musharaka.

Trustbank completed its selection in cooperation with the country’s Islamic Corporation for the Development of the Private Sector (ICD).

“We strive [to become] the best in providing high quality modern banking services,” says Sardor Normukhamedov, Trustbank’s chairman of the board.

“With this new joint milestone with ICSFS [...] we are creating history”.

Weal Malkawi, ICSFS executive director, adds: “We are very happy to be part of this breakthrough to see Islamic Banking kick-off in Uzbekistan.

“I would like to thank the bank and ICD, as without them we couldn’t have reached this historical milestone. It takes courage to be the first bank in Uzbekistan to lead in launching Islamic Banking”.

ICSFS’ latest wins have come in Iraq. It has signed two new clients there in the past 12 months: First Iraqi Bank and Al Wifaq International Bank.





Kazakhstan's ecommerce banking app Kaspi quietly expands in CIS region

18th June 2020 Kaspi.kz, the ecommerce banking app which holds a 65% market share of digital payments in Kazakhstan, is expanding its offering into neighbouring commonwealth independent states (CIS) – starting with Azerbaijan.

Describing Kaspi as a mix between Alibaba's ecommerce offering, Ant Financial's payments platforms, and WeChat's social peer-to-peer (P2P) payments platform, managing director David Ferguson tells FinTech Futures that the fintech has been able to build scale "in a region which has gone under the radar".

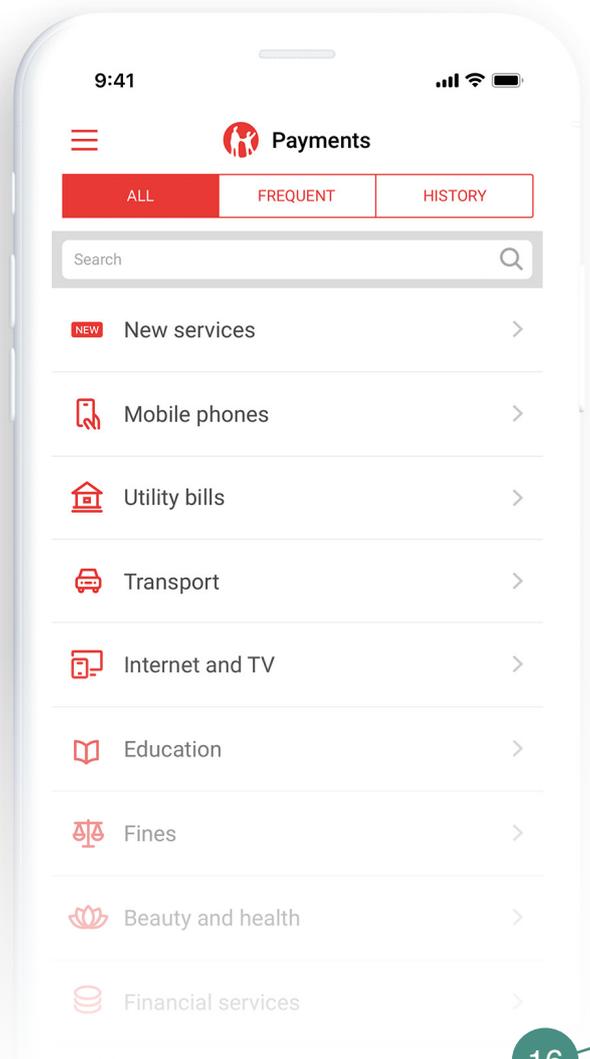
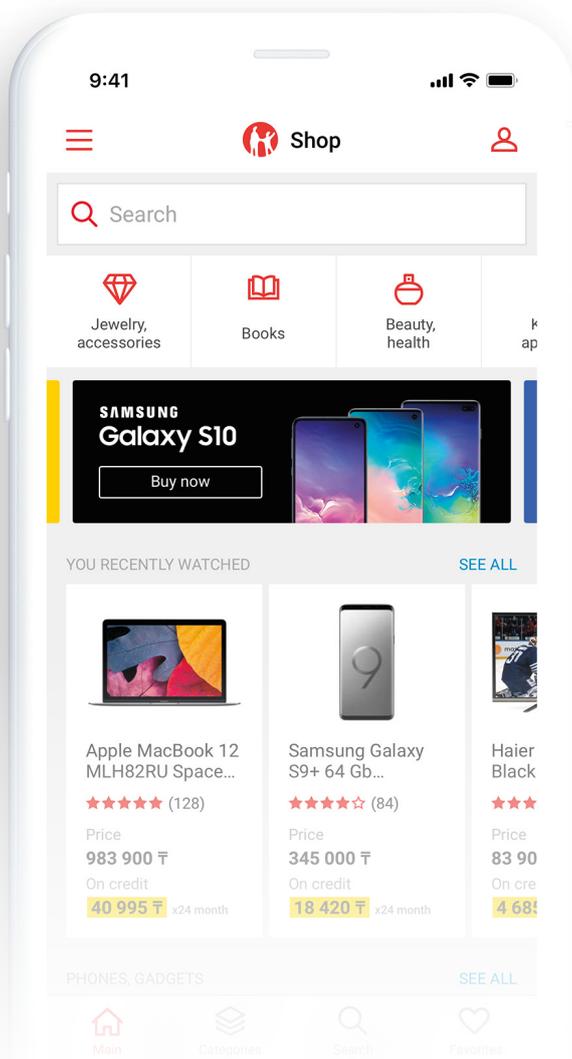
Goldman Sachs holds a 4% stake in Kaspi

"If you can take this mobile ecosystem and be one of the first, you can create a very valuable business whilst everyone else chases India and Brazil," says Ferguson. Having already launched its marketplace in Azerbaijan, the fintech is now considering the launch of its payment services in the region, before finally rolling out its lending capabilities. Azerbaijan has a population of 9.98 million, whilst Kazakhstan houses a larger 18.28 million people. Eventually, the fintech will expand into other markets – currently it is also considering Uzbekistan, which has a population of 33 million. Kaspi, which is 4% owned by Goldman Sachs, serves eight million users in its home market. The initial hook was payments, allowing users to pay P2P to both friends and small businesses, pay bills, and send gift payments. But overtime, the app has fleshed out its offering, morphing into the 'super app' term many fintechs across the world

aspire to be. It lets users log onto their tax accounts through the app, plug in meter readings for bills, and purchase items – be that household appliances or loans – through its marketplace, with the option of paying in instalments like Klarna except without the interest. “Things like direct debits don’t exist in Kazakhstan,” says Ferguson. “What is happening in Kazakhstan is exactly what happened in China,” he adds, highlighting the shift from cash to digital that has seen digital payments reach 30% of transactions – up from around 10% in just over two years.

Ferguson says the fintech holds a 45% share of Kazakhstan’s entire ecommerce market

Last year, Kaspi made a \$515 million profit. Whilst \$74 million of this was through its marketplace, \$369 million came from its fintech platform, and another \$73 million came from its payments business. Whilst payments have not made the company the most money, they have helped drive Kaspi’s user base growth. These users are tapping its more lucrative services, like its buy now, pay later financing which it offers alongside its marketplace. Ferguson says the company holds a 45% share of Kazakhstan’s entire ecommerce market, towering over competitor AliExpress which holds just a 15% share.



Uzbekistan's Based Halk Bank chooses Finastra's Fusion Risk

22 May 2020, Halk Bank (People's Bank) in Uzbekistan, is one of the biggest State owned banks in Uzbekistan choses Finastra's Fusion Risk Solution to transform Risk Transformation. The Risk Management transfroamtion is managed by FinExtra, a local Finastra's partner in Uzbekistan.

About the product:

Halk Bank selected Finastra's FusionRisk, an integrated solution for managing risk, liquidity and profitability, as the cornerstone of a new approach to risk management in Uzbekistan. The bank teamed up with Finastra implementation partner FinExtra to deploy the solution. Halk Bank will use the proven MAPS (Misys Application and Process Solutions) method to ensure rapid implementation of the Finastra FusionRisk Balance Sheet Management and Regulation modules. Halk Bank will work with FinExtra to connect FusionRisk to its core banking system and other internal sources using the Finastra FusionFabric Connect integration tool, which enables easy and accurate online data capture from all source systems. With FusionRisk in place, the bank will be able to assess and analyse market, credit and liquidity risk from a single point of control. Teams can manage liquidity coverage ratios, regulatory capital and stress tests, and make use of up-to-date risk figures, analysis and optimisation tools—helping them to better understand and manage risk. By enabling Halk Bank to more accurately analyse and manage its risk, FusionRisk will make it easier for the bank to anticipate potential threats, identify key opportunities, and optimise returns

About Support:

FinExtra will provide the support and implementation services and intergation with the core banking system at Halk Bank.

FinExtra is committed to develop and shape banking and financial services industry in Uzbekistan by partnership with the best global vendors.



List of projects in Uzbekistan

ALOQABANK

1. Aloqabank: Integrated Core banking solution by Kazakhstan based vendor- Colvir. The objectives of the project to replace current local core banking solutions FIDO and integrate directly with external government systems without leaving any chance to their current core banking provider to even stay as an integration middleware like it was done by TBC bank when integrating Capital Banking solutions (CBS) with FIDO (which was used as a middleware or as a “reporting engine”)

XalqBanki

2. Halk Bank: Implemented a first ever Risk management system choosing Fusion Risk solution from a world leading fintech company Finastra(previously known as Misys). The project consisted of implementing Asset and Liability management and IFRS9 modules. Fund transfer pricing was not initiated due to the changes in the team and objectives of the bank.Halk bank was also planning to introduce new HRM system and Islamic window as they have signed the transformation with ICD but the project got on hold due to the changes of objectives.

Universalbank

3. Universal Bank chose Oracle Financial Services as a core banking provider. The project has been initiated early 2022 and currently ongoing. The objectives to replace fully their current local core banking solution through the available APIs and middleware’s that the team has already developed in the past , before initiating the core banking implementation. Before signing with Oracle, Universal bank hired consulting company Expera to implement risk management Analytics and associated business processes.



4. Apex Bank (To be launched soon): new bank is now emerging and looking to build a fully fledged Islamic bank once the regulation is ready to adopt and service the market. Apex bank has chosen Oracle financial services for their new bank launch justifying the decision of having all products (including enterprise accounting) from a single vendor. The biggest vendors such as Temenos and Finastra, and some smaller once such as ICFS, ITS have been competition in the vendor selection process.

DAVR BANK

5. Davr Bank is still implementing Capital Banking solutions. To provide the details on their current status:



6. Trustbank is looking to tap into the Islamic financing introducing Islamic banking windows with the help of ICD and the chosen Software vendor ICFS. The vendor selection was managed by ICS and TrustBank team and included: Oracle, ITS, Path Solutions and ICFS where the latter won due to the best pricing.



7. TuronBank: Has attracted international consultants for the core banking selection where Colvir seems to be in favor . The deal is yet to be announced and the transformation to be kicked in. The IFC Consultants are now leading the digitalization transformation with the objective to assist Turon Bank in Privatization by 2025



8. AgroBank: preparing for the core banking transformation although other areas are actively developing such as Underwriting, collection, and risk management. Agrobank hired a number of international experts to manage the credit risk at the bank. The bank is working on its branding (change of logo), introduction of AgroTraining for dehkans and providing agro related loans to the SMEs. Agrobank has chosen ICFS with the guidance of ICD to introduce Islamic banking window



9. Ipak Yulli Bank is making investments into the corporate banking with the guidance and assistance of EBRD. The Trade finance adoption is important to the bank and they are currently approaching the selection process of some global trade finance solutions providers. Among the participants we see largest brands such as Finastra with it's Trade Innovation Plus and Temenos, the biggest finastra rival but not in the Trade finance space...



10. Asia Alliance bank: Chose ICFS for their journey to introduce Islamic banking windows



11. QQB- chose ICFS benefiting from a great discount by the vendor and with the great support of ICD



12. Ipoteka bank has chosen Russian CFT for their core banking implementation and micro services adoption. Ipoteka is currently using ASBT and the risk of current core banking provider to “disappear” is high. The initiation of this project has been guided by IFC



13. Microcredit bank: digital front end/mobile banking application



14. Asaka Bank: Large consulting transformation for digitalization performed by Expera which includes Risk management, trade finance, and other business processes. Implementation of the Enterprise solution by SAP



O'ZMILLIYBANK

15. NBU Bank: has recently downgraded their Swiss based GL Globus (by Temenos) to a local Fido. While all banks are trying to replace local ABS system, NBU, the largest bank in Uzbekistan implemented Fido to support day to day operations. NBU has also hired transformation consultant for their digitalization journey from Expera



OFB

16. OFB: Planning their core banking transformation journey starting with the adoption of conventional bank and then introducing islamic banking window (islamic module). Currently we see Temenos competing with Oracle Financial Services for the deal. The winner is yet to be announced as of June 2022.

17. Two more banks are planning to emerge and one Tajik bank has just received the licence, while the structure is evolving and software providers are invited to participate.

Methodology

The Fintech Association of Uzbekistan is committed to developing the fintech ecosystem by mobilising entrepreneurs, investment and industry knowledge. Above all else, we are here to be the voice of the Uzbekistan fintech community. A fundamental part of our commitment is to deliver comprehensive, focused, prescient thought leadership. This research project was undertaken to provide an independent snapshot of the fintech startup sector up to Q3 2022, characterising existing challenges and looking out for the future of the sector. While the research synthesises the views of over 40 startup founders, it is not an exhaustive coverage of nationwide startups but takes a systematic stakeholder approach to provide a comprehensive perspective of the ecosystem. This report aims to be a primary resource for all stakeholder groups in the market, including organisations or individuals outside of Uzbekistan who are already working or interested in participating in Uzbekistan's fintech startup ecosystem. It serves to:

- provide an overview of the landscape of the current fintech startup sector for potential corporate, institutional or individual investors.
- identify and compile main challenges and existing support resources in the ecosystem.
- catalyse constructive discourse by providing recommendations to enable more systematic approaches by all stakeholders to develop the digital economy. We hope that the data, insights, and analytics provided in this report give you a thorough outlook for fintech and banking projects in Uzbekistan.



International vendors leading
the transformation in the banking
sector in Uzbekistan 2021-2022