



Transparency. Quality. Profitability. Cooperation. Entrepreneurial Thought.



Current situation of bank assurance, trends and perspectives

Baku, 2016



Farid Huseynov, Ph.D.
Deputy Chairman, Chief Operating Officer

Agenda

Azerbaijan Banking Overview

Introduction to Kapital Bank

Branch transformation project

Nowadays problems

Perspectives and possibilities

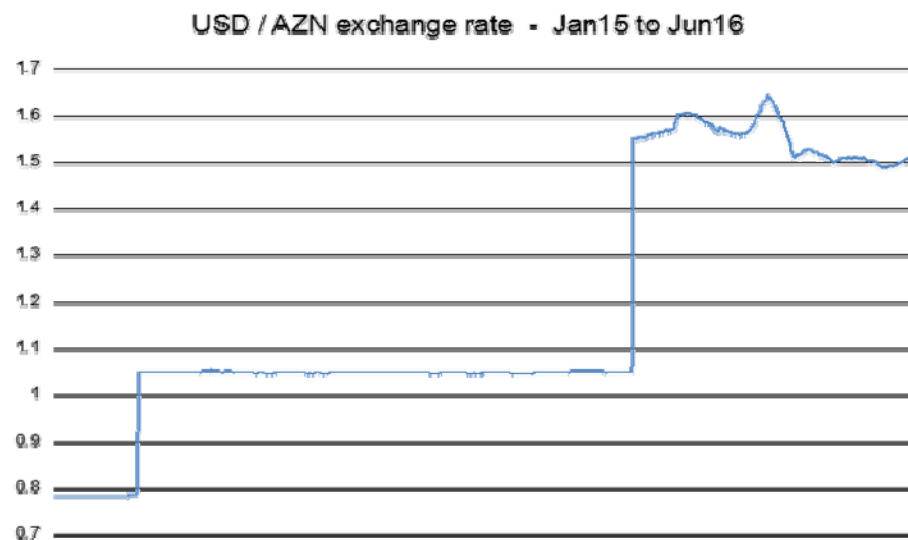
Q&A

Azerbaijan Banking Overview



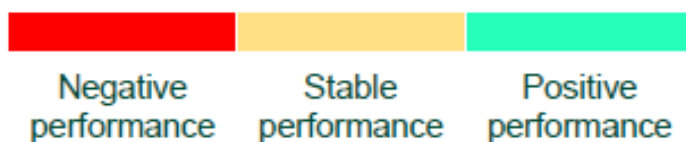
Azerbaijan Banking Overview

Key figures	
Number of banks	38
Total assets	~ 35 billion AZN
Total equity	~ 3.6 billion AZN
Total retail term deposits	~ 7.8 billion AZN



Azerbaijan Banking Overview

Indicators	2015				2016		
	1Q	6M	9M	Year	Jan	Jan-Feb	1 st Q
Total loan portfolio growth, YTD, %	2.2	0.3	-6.0	-9.7	-3.8	-6.6	-9.4
AZN loans growth	-9.6	-14.7	-20.9	-18.5	-7.3	-8.3	-8.9
FX loans net growth	33.7	40.6	33.9	13.7	-0.1	-4.9	-9.8
NPL, % end of period	5.9	6.6	7.1	6.9	6.2	6.5	6.7
Deposit base growth, YTD, %	3.1	1.3	-3.6	2.5	-5.8	-9.5	-1.3
AZN deposits growth	-28.4	-35.0	-44.5	-45.3	-6.8	-2.9	2.3
FX deposits net growth	34.8	37.7	37.4	50.6	-5.6	-10.9	-2.1
Deposit to Loan ratio, %	90	90	91	108	107	105	117



Introduction to Kapital Bank

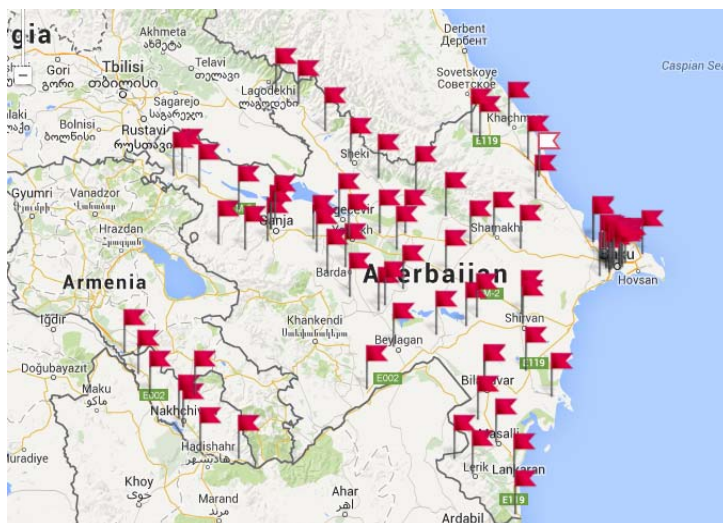


Introduction to Kapital Bank

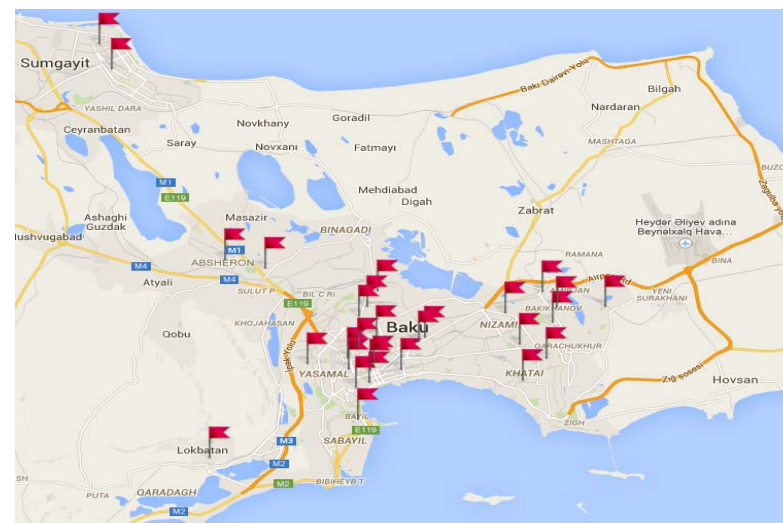
Key figures	
First transaction date	24 th July 1874
Total assets	~ 2.3 billion AZN
Total equity	~ 247 million AZN
Total retail deposits	~ 627 million AZN
IFRS based profit for year 2015	~ 62 million AZN
ROE ratio	25%
Liquidity ratio	165%
Moody's Investor Service rating	"Ba3"
Standard & Poor's rating	"BB-/B"
Fitch rating	"BB-"
Number of customers	~ 2.7 million
Number of employees	2200
Number of ATMs	735



Nationwide Largest Branch Network Coverage



Kapital Bank has the widest branch network, covering the whole country. The Bank holds a leading position in many regions, while in certain parts of Azerbaijan it is the only financial institution, providing financial services to the local population



The major part of population of the Republic is concentrated in Baku and in Absheron economic regions, where Kapital Bank has also an extensive branch network.

Bancassurance nowadays

- Life type of products
- Non-life type of products
- Special and combined products

Bancassurance nowadays – life products

- Credit life insurance
- Endowment life insurance
- Special case life insurance

Bancassurance nowadays – non-life product

- Loan collaterals' insurance
 - Vehicle (motor) insurance
 - Mortgage (property) insurance
- Home insurance
- Business insurance
 - (cargo, marine, construction, etc.
- CTP insurance
- Unemployment insurance

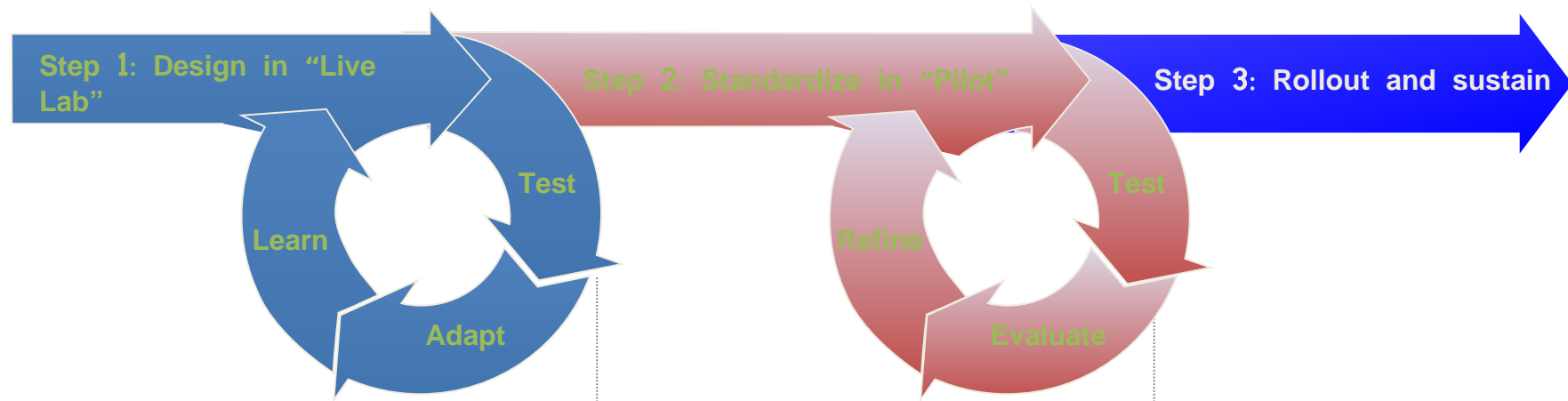
Bancassurance nowadays – other products

- Deposit insurance
- Travel insurance
- Credit risk insurance
- Plastic cards insurance

Branch transformation project in Kapital Bank



Branch transformation with McKinsey & Con



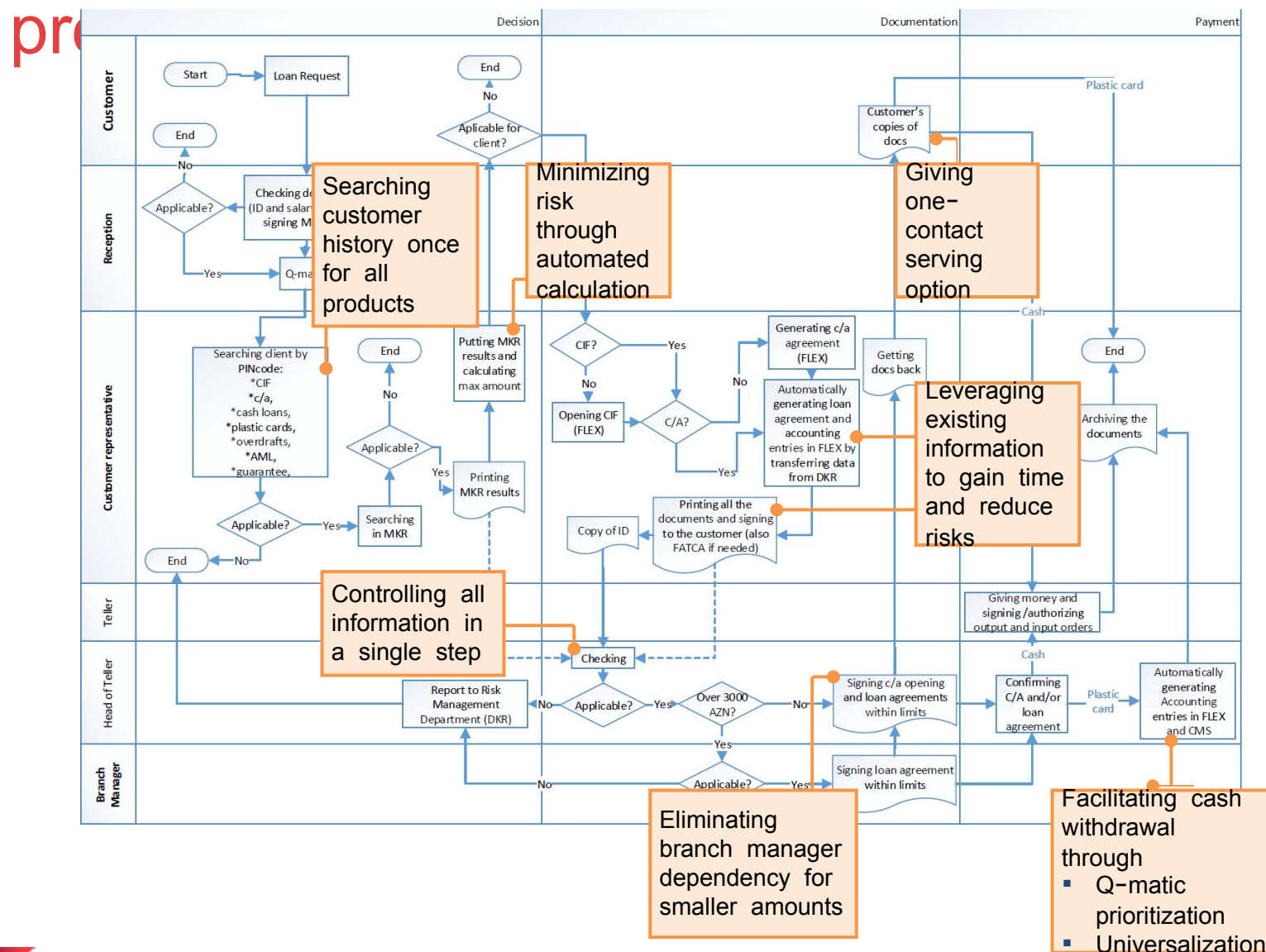
- **Understand** Kapital Bank today
 - As-is processes, time-activity allocation
 - As-is IT architecture, near-term transformation plans/efforts
- **Visit regional best-practice banks or banks who had been through similar efforts** to get inspired and collect applicable learnings
- **Experiment live** in a branch and pilot central setup to design to-be processes that will be
 - Applicable for branches given daily realities
 - Enabling Central Operations to increase efficiency (not to create additional layer)
 - Ensuring customer focus
 - Respecting IT realities (2-level design: On as-is and to-be IT architecture)



- **Finalize 2-level process designs**
 - Clarify 1st vs 2nd level improvements and how to run the pilot
 - Initial alignment with IT plan
- **Codify** to-be processes/implications and prepare training materials for branch and Central Operations employees
- **Empower** change agents
- **Pilot** to-be processes in selected branches and Central Operations set-up, **on the ground**, with emphasis on capability building

- Prepare **communication** plan
- Design **monitoring** mechanism
- **Prepare** two steps **roll-out** plan and **execute**
 - Quick-wins, to be communicated from HQ effective immediately
 - Full roll-out of to-be processes to all branches with change agents
- **Coordinate Central Operations** ramp up
- **Finalize alignment with IT** transformation plan

Branch transformation – sample business



Branch transformation – new BPM software

- Enabling **use of business** units via user-friendly interface
- Facilitating process implementation through **recycling services**
- Integrating **different systems** easily
- Integration with insurance companies software
- Easy insurance policies printout

26 ноября
четверг

Салом

Работа нешла

Действия

Копия процесса

Улучшить

Администратор

Задачи

Список задач

Вознашение

Увольнение

Платеж

Периодические задачи

Мой отдел

Мүштери маълуматларини daxil etmek

Информация о процессе

Залмат олмаса, CIF, FAN (arzulanandi) va ya olmasdi halida, digar ma'lumatni qayd edin

Мүштерини олтинг:

Ad	<input type="text"/>	Saxnidin nomi	<input type="text"/>
Soyad	<input type="text"/>	Saxnidin shartisi	<input type="text"/>
Ata (ot)	<input type="text"/>	Saxnidin nomeni	<input type="text"/>
CIF	<input type="text"/>	Vaslatqan PIN kodu	<input type="text"/>
FAN	<input type="text"/>	VDEN	<input type="text"/>

Uzartish

Clear

Höndəşmə	Məlumatlar	Göstərilən hesabat edən vaxt
Rəhbərlik	Giriş	
+ Perspektivlik vəzifəsi	Siz məlumatlarınızı yoxlayırsınız.	
Mail ödənişi		

Əsas məlumatlar	
CSP	3705555
Ad	TURAL
Soyad	MƏMMƏDOV
Axa id	RAMZ oğlu
Cins	Kişi
Doğubuduğu tarix	02.09.1987
Göstərilən ünvan	BAGI SHAH BILALCAN QAS MAM 505768
Familia Ünvan	BAGI SHAH BILALCAN QAS MAM 505768 EV A.M.41
Axa vətəndaşı	
Eyni nömrəsi	Axtırma qaydalarına "0" daxil edin
Mobil nömrəsi	994504910956 Axtırma qaydalarına "0" daxil edin

Göstərilən hesabat edən vaxt	
Hesabatın növbəti	1. Göstərilən vaxtdan:
Hesabatın sayı	AZE
Hesabatın nömrəsi	D0837512
Hesabatın verən orqanı	BAGI BİNAQICI RPI
Hesabatın verilmiş tarixi	10.10.2012
Hesabatın bitirilmiş tarixi	03.09.2022
Vəsaitlərin PIN kodu	2640515

Əsas məlumatlar	
Doğubuduğu ölkə	AZERBAIJAN
Doğubuduğu şəhər	AZERBAIJAN BAGI SHAH
Milliyeti	AZERBAIJAN
İş adı	APARICI MUTAKASSIB
Vəzifəsi	BANK
İş rəhbəri ünvanı	

Branch transformation – sample new-type



A Removal of chairs to speed up service interactions



B Improved equipment for tellers



C Differentiated space for customer representatives



D Q-matic to improve queue management and navigation



E Improved meet-greeter desks



F Payment terminals to increase ADC penetration

Bancassurance problems in Azerbaijan



Nowadays Bancassurance difficulties in Azer

- Changes in regulation
- Lowered interest of the banks
- Lowered interest of the customers
- Decreased volume and investments
- Low level of IT integration
- Low financial and insurance

Perspectives and possibilities



Perspectives and possibilities in Azerbaijan

- CRM implementation in banks
 - Merged client database
 - Segmentation and telemarketing
 - Cross-sell for most of retail loans
 - Product bundles
- Distant channels
(internet, mobile, ATM)
- IT integration (state, banks, insur.co)

Q&A

Address
: Fizuli str. 71, Baku , AZ1014, Azerbaijan

Tel.: +994 12 598 12 95

E-mail: Farid.Huseynov@kapitalbank.az

Web: www.kapitalbank.az