

JOINT-STOCK COMMERCIAL BANK  
“ASIA ALLIANCE BANK”

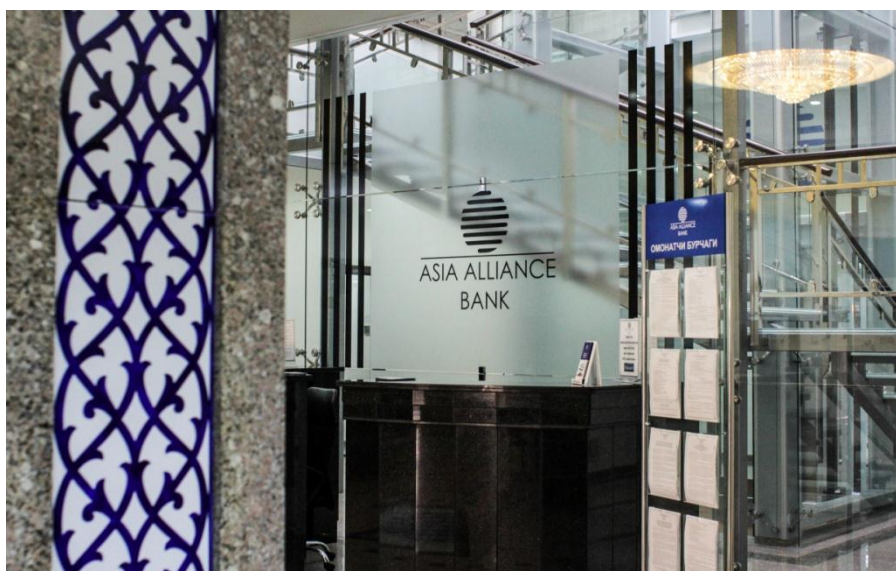
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**BUSINESS-PLAN**

FOR DEVELOPMENT AND EXPANSION OF ACTIVITY  
OF JOINT-STOCK COMMERCIAL BANK

“ASIA ALLIANCE BANK”

**for 2019**



*APPROVED BY RESOLUTION OF THE SUPERVISORY BOARD OF JSCB “ASIA ALLIANCE BANK”  
(Minutes No.K-44 dated 29.11.2018)*

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## INTRODUCTION

The present Business-Plan includes activities planned for implementation by JSCB "ASIA ALLIANCE BANK" in 2019 as well as the financial plan of the Bank for 2019.

Joint-Stock Commercial Bank "ASIA ALLIANCE BANK" (hereinafter referred to as the Bank) was created in August, 2009 in accordance with the Decree of the President of the Republic of Uzbekistan "On Measures on Stimulation of Creation of Private Commercial Banks" No.UP-1749 dated 24.04.1997. The Bank carries out its activity based on licenses of the Central Bank of the Republic of Uzbekistan No.79 dated 15.08.2014 and No. 69 dated 20.09.2014. The Head Office of the Bank is located at the following address: 2A, Makhtumquli Street, 100047, Tashkent city, Uzbekistan.

The Bank is a member of the Association of Banks of Uzbekistan, the Fund for Guaranteeing of Deposits of Citizens in Banks, the Uzbekistan Republican Currency Exchange and an associated member of the international organization VISA International.

The international rating agency Moody's Investors Service assigned the Bank with long-term and short-term ratings: B2 for deposits in national and foreign currencies, and B1 for Counterparty Risk Assessment according to the global scale. All ratings of the Bank have "Stable" outlook. The Bank also has a credit rating of the local rating agency "Ahbor-Reyting" of "uzA+" according the national scale with "Stable" outlook.

## ANALYSIS OF CURRENT SITUATION AND CHALLENGES FOR “ASIA ALLIANCE BANK”

### Macroeconomic Trends

Over the past period in 2018, the Government attached great importance to raising real incomes of the population and its social protection, timely funding targeted programs for the construction of affordable housing, development and modernization of social infrastructure in cities and rural areas to improve the living conditions of the population.

Intensification of efforts on diversification of country's economy, creation of new economic and industrial zones, drastic improvement of investment climate and attraction of foreign investments to sectors and regions by means of wide application of economic stimulus have formed positive expectations in the business community.

Consistent implementation of tasks identified in the Strategy of Actions in Five Priority Directions of Development of the Republic of Uzbekistan during 2017-2021, radical development of social and economic of spheres of the society and implementation of reforms performed by the Government of the Republic of Uzbekistan in respect to structural transformations of activity of agencies responsible therefore have ensured sustainable, balanced development and high rates of economic growth during 9 months of 2018.

The implementation of the measures stipulated by the decree "On priority measures to liberalize monetary policy" contributed to a fundamental reform of the current system of currency regulation, liberalization of monetary policy, the creation of equal conditions for all business entities in the implementation of foreign trade activities.

### Main Macroeconomic Indicators of Uzbekistan

Indicators	9 Months of 2018, billion soums	In % to January-September 2017
Gross Domestic Product	244 343,7	105,2
Industry	151 203,4	110,8
Agriculture, Forest and Fishery	59 327,1	101,3
Investments to Main Capital	71 068,1	130,9
Total Services	105 244,8	108,9
Construction Of work	33 652,9	107,4
Retail Goods Turnover	93 182,7	104,9
External Trade Turnover, million US dollars	23 142,9	117,7
- export	9 469,6	100,7
- import	13 673,3	133,3
- balance	-4 203,7	x

Source: Statistics Committee of the Republic of Uzbekistan

During 9 months of 2018, GDP of the country increased by 5.2%, the volume of industry grew by 10.8%, growth of agriculture was 1.3%, growth of services amounted to 8.9% and increase in construction was 7.4%.

At the same time, revenues of the state budget amounted to 54 132.4 billion soums, expenditures amounted to 54 075.2 billion soums. The state budget was implemented according to approved parameters and with surplus in the amount of 57.2 billion soums. The level of inflation did not exceed projected parameters.

According to data of the State Statistics Committee of the Republic of Uzbekistan, the level of inflation for January-September, 2018 calculated in terms of Consumer Prices Index amounted to 8.1 percent that is higher than the indicator of the similar period of 2017 (0.3 percentage points).

At the same time, average growth of prices for food goods during this period amounted to 6.0 percent (1.6 percentage points reduction during the respective period of 2017), 9.1 percent for non-food goods (0.5 percentage growth during the respective period of 2017), and 10.1 percent for paid services (3.1 percentage growth during the respective period of 2017).

According to data of the Central Bank of the Republic of Uzbekistan, gold and foreign currency reserves of the country decreased by 1 073 million dollars during 9 months of 2018 and total volume of gold and foreign currency reserves of the Republic Uzbekistan amounts to around 25.5 billion dollars as of October 1, 2018.

In 2019, the tasks of further liberalization of the foreign exchange market remain relevant, which requires increasing the liquidity of the economy and directing free funds to implement important investment and infrastructure projects. In turn, it is important to develop the capital market, to attract free funds of economic entities, banks and insurance companies to important projects.

It is necessary to strengthen the work on attracting foreign direct investment (FDI) to stimulate growth in the sectors in which goods are produced for foreign trading.

## Banking Sector of Uzbekistan

During 9 months of 2018, the monetary policy was conducted in conditions of high inflationary pressure in the economy. In this situation, in order to slow down the pace of price growth in the domestic market and reduce inflationary risks, the Central Bank decided to increase the refinancing rate from September 25, 2018 from 14% to 16%.

During 9 months of 2018, the main financial indicators of banks showed high growth rates. In particular, banking assets increased by 25.5% compared to the same period in 2017, reaching 202.3 trillion soums. At the same time, the loan portfolio grew by 44.8%, reaching 149.4 trillion soums.

Along with the increase in banking sector assets, an increase in the deposit portfolio was also observed. However, the growth dynamics of the deposit base of banks showed a relatively lower growth rate compared to the growth rates of other main indicators of the banking sector. So, as of October 1, 2018, the deposit base amounted to 67.2 trillion soums, which is 15.4% more than in the first 9 months of 2017.

As of October 1, 2018, the combined capital of the banking system increased by 50.04% compared with the corresponding period of the previous year and amounted to 25.1 trillion soums, which ensured the banks' compliance with capital adequacy and liquidity ratios established by the regulator.

The national system of non-cash payments using plastic cards in the national currency continues to develop in dynamic rates that confirm intensive growth of quantity of plastic cards issued to circulation as well as the amount of non-cash payments implemented through payment terminals, infokiosks and ATMs. As of October 1, 2018, due to withdrawal of offline plastic cards type DUET quantity of plastic cards issued to circulation decreased by 10.31% compared to results of 9 months of 2017 and achieved around 18.0 million units. Quantity of established of terminals in retail outlets and service enterprises is more than 24.2 thousand units, quantity of established ATMs and infokiosks amounted to more than 6.3 thousand units. Total volume of payment transactions implemented in the country using plastic cards amounted to more than 40.5 trillion soums according to results of Quarter III, 2018.

As of October 1, 2018, total quantity of operating commercial banks registered by the Central Bank of the Republic of Uzbekistan amounted to 28.

Total quantity of regional divisions and branches of domestic banks according to results of Quarter III, 2018 also increased by 16 units compared to the similar period of the last year and amounted to 902 units. As of October 1, 2018, banking personnel amounts to around 60 thousand in the banking sector of the republic as a whole that is 5 thousand more than the results of similar period of the last year.

Implementation of effective of measures on further strengthening of financial stability of banks assists thereto to obtain positive international rating valuations of creditworthiness. The international agency Moody's assigns a rating valuation with "Stable" outlook of the banking system of Uzbekistan seven years in a row. Activity of the banking system of Uzbekistan also is positively valued by the rating agencies "Standard & Poor's" and "Fitch Ratings".

It is assumed that dynamic rates of development of the banking sector of Uzbekistan, strengthening of capitalization of banks and financial stability thereof, raising their role in strengthening of economic potential of the country and growths of welfare of the population will be preserved in 2019.

## Main Events and Current Activity of the Bank

The Bank will continue consistent work in 2018 aimed at development and expansion of activity, raising financial stability of the Bank, strengthening of the resource base, expansion of the range of and raising quality of provided banking services.

An important event for the past period in 2018 is the recognition of JSCB "ASIA ALLIANCE BANK" for the fifth consecutive year as the best bank in Uzbekistan among banks in emerging markets in the Asia-Pacific region in 2018, according to the international financial magazine "GLOBAL FINANCE". In addition, JSCB "ASIA ALLIANCE BANK" was awarded the "The Most Innovative Bank" award by Thomson Reuters for introducing modern information and communication technologies in building customer relationships, and for the second time was recognized as the best bank in Uzbekistan by the international authoritative financial magazine "Euromoney".

The Bank was awarded with diplomas and awards of banking communities and partner banks for achievements in improvement of quality of banking servicing and active participation in national banking exhibitions and contests.

### Chronicle of Main Events in Activity of the Bank during January-October of 2018

January 2018	The Bank for the first time in Uzbekistan presented a multi-currency ATM
February 2018	The Bank launched mobile application for natural persons "MyAlliance" The bank for the first time in Uzbekistan introduced possibility of money transaction from one international plastic card to another
March 2018	Chilanzar branch of the Bank was opened Bank for the fifth consecutive year recognized as the best bank in Uzbekistan among banks in emerging markets in the Asia-Pacific, according to the international financial magazine "GLOBAL FINANCE"
April 2018	The Bank was awarded the "The Most Innovative Bank" award by Thomson Reuters for introducing modern information and communication technologies in building customer relationships
May 2018	An agreement has been signed between ASIA ALLIANCE BANK JSCB and World Bank (International Bank for Reconstruction and Development) for Implementation of the Energy Efficiency Increase of Enterprises of the Republic of Uzbekistan.
June 2018	The Bank and International Islamic Trade Finance Corporation, a member of the Islamic Development Bank, signed a \$ 9 million trade finance agreement, according to the principle of "Murabaha".
July 2018	The Bank for the second time was recognized as the best bank in Uzbekistan by the international authoritative financial magazine "Euromoney".
October 2018	Bank established correspondent relations with UniCredit S.p.A. (Italy)



### Market Position of the Bank

In the first 9 months of 2018, the activities of JSCB ASIA ALLIANCE BANK were aimed at ensuring a smooth transition to the new conditions of currency liberalization, while maintaining an acceptable level of liquidity and capital adequacy. Compared to the results of 9 months of 2017, the loan portfolio increased by 16%, deposits by 3%, and total capital by 11%.

#### Market Position of JSCB “ASIA ALLIANCE BANK” as of 01.10.2018

Indicators	in million soums	Position of the Bank
Total Assets	1 562 610	18
Credit Portfolio (net)	1 014 302	17
Deposits of Clients	1 221 624	16
Share Capital	208 874	17

Actual tasks remain to further strengthen competitive positions of the Bank in main segments of market by ensuring growth of assets, deposit base and capitalization. It is necessary to note that target goals of the Strategy of Development of the Bank for 2017-2021 provide for annual average growth of assets no less than 30% and 25 % for capital.

In accordance with the program for development of servicing of corporate clients, certain results on expansion of corporate client base, raising quality of customer servicing and attraction of free monetary funds thereof were achieved. As of October 1, 2018, the balance of monetary funds of corporate clients in bank deposits exceeded 830 billion soums, quantity of corporate clients of the Bank amounted 7.0 thousand.

It should be noted that there were achieved high results of the Bank on expansion of time resource base of the Bank due to attraction of free monetary funds of enterprises and the population to time deposit instruments and implementation thereby of deposit certificates of the Bank. As of October 1, 2018, the balance of time and saving deposits amounted to 400 billion soums; volume of sold deposit certificates amounted to 186 billion soums.

In order to ensure balanced and sustainable development of the Bank, attention is paid to expansion of capital base of the Bank. Thus, as of October 1, 2018, equity capital of the Bank amounted to 271 billion soums.

During the elapsed period, the Bank achieved a series of positive results on development of retail services and expansion of the role of retail units in business of the Bank. As of October 1, 2018, the Bank offered 9 types of time and saving deposits in the national currency and 5 types of deposits in foreign currency for the population. The balance of deposits of the population in the Bank amounted to 205.9 billion soums, increasing by 40%. Active work is carried out on development of services on international cash remittances of natural persons. At the present day, remittances of 7 systems of international cash remittances are serviced in the Bank.

Also, measures are taken to expand Bank's operations with plastic cards in the national currency and international foreign currency cards. At the present day, quantity of plastic cards issued to circulation amounted to 169.9 thousand pcs. (increase by 22%). The

main part of cards falls onto the share of plastic cards issued under salary projects. Quantity of established of retail outlet terminals increased by 23% and amounted to 3646 units.

Financial stability of the Bank is confirmed by rating valuations of the Bank according to the national and international scale under which monitoring is regularly performed on behalf of rating agencies. In particular, the bank preserves the rating of deposits in national and foreign currencies according to the B2 scale with “Stable” outlook assigned by the rating agency “Moody’s Investors Service”.

Also, RA “Akhbor-Rating” assigned the Bank with the credit rating according to the national scale “uzA+” with “Stable” outlook.

The Bank preserves its strengths such as high quality of assets and effective system of control over bank risks, perspective corporate customer base, high quality of servicing of clients based on responsiveness in decision making and flexibility of interaction with clients, high effectiveness of activity of the Bank which is reflected in high indicators of profitability and low level of operating expenses, positive reputation in domestic and international banking communities.

Increasing competition in banking services market, implemented measures on liberalization of the financial system as well as rapid rates of development of the domestic banking sector are main challenges for the Bank which determine a number of tasks in ensuring sustainable growth of activity of the Bank, maintaining of high quality of assets and improvement of diversification of credit portfolio, expansion of sales network and strengthening of Bank’s position in retail market, raising competitive advantages of the Bank by improving and optimizing of business processes.

## MAIN DIRECTIONS OF BUSINESS DEVELOPMENT

In 2019, activity of the Bank will be aimed at implementation of the following priority tasks assigned to commercial banks:

- improvement of bank management system, optimization of business processes, standardization of banking products as well as raising labor productivity;

- further development and implementation of perspective innovative technologies, improvement of telecommunication infrastructure and complexes of technical means, development of electronic sales channels;

- continuation of exploitation of new market segments in perspective sectors of economy including sectors such as services and tourism, industry, construction as well as servicing and participation in financing of enterprises performing their activity in free economic zones of the country;

- raising volumes of financing in modernization, technical and technological re-equipment of economy as well as active participation in financial support of entities of small business and private entrepreneurship;

- expansion of product lines and sales channels including retail products for mass promotion;

- raising the image of the Bank and its investment attractiveness by implementing measures on improvement of the rating level, improvement of corporate management methods, implementation of advanced methods for formation and management of Bank's assets, in particular, continuation of works on implementation of recommendations of the Corporate Management Code approved by the Commission on Raising Effectiveness of Activity of Joint-Stock Companies and Improvement of Corporate Management System;

- implementation of new mechanisms for examination of clients' satisfaction and strengthening interrelation with them, their behavior depending on changes in conditions of servicing as well as activation of work on permanent examination of needs of clients in financial solutions provided by the Bank;

- development of personnel of the Bank and improvement of labor motivation system;

- further development of activity on valuation and management of bank risks taking into account best domestic and international practices.

### Credit Activity

In 2019, implementation of a number of important tasks is planned to ensure further qualitative development of credit activity and achievement of quantitative parameters on the volume of credit portfolio and its structure.

In 2019, the volume of extension of credits is planned in the amount of 1 325 billion soums. The balance of credit portfolio (gross) as of the end of 2019 will amount to 1 744 billion soums. Correlation of credit portfolio to total assets to be preserved at the level of 66% (as of January 1, 2020). The balance of reserves against of possible losses is planned in the amount of 24.2 billion soums or 1.4% of total volume of credit portfolio.

As part of the measures provided for in the Roadmap to improve the financial condition of JSCB ASIA ALLIANCE BANK, by the end of 2019, it is planned to increase the bank's short-term loan portfolio to 325 billion soums and their share in the loan portfolio to 19%. Increasing the portfolio of short-term loans will reduce the liquidity gap between assets and liabilities of the bank.

Indicators	Plan for 01.01.2020, million soums
Gross Balance of Credit Portfolio including	1 744 200
Short-term credits	326 550
Long-Term Credits and Leasing	1 414 650
Reserves of Possible Losses	24 200
Net Balance of Credit Portfolio,	1 720 000
Reserves of Possible Losses / Gross Credit Portfolio,	1,4%

In order to implement measures on optimization of business processes in crediting, it is planned to apply new methodologies of scoring models and expansion of cooperation with credit history institutes on implementation of modern kinds of retail crediting.

The Bank will perform work on examination of possibility of participation in syndicated crediting of big trade and investment projects jointly with commercial banks of the republic and foreign banks.

Furthermore, work will be continued on financing of perspective projects of young entrepreneurs from graduates of educational institutions, entities of family entrepreneurship as well as other socially significant and important projects necessary for development of economic potential of our country.

Credit resources of the Bank, credit lines of international financial institutes, in particular, the Islamic Corporation for Development of Private Sector, the World Bank will serve as sources of financing of long-term perspective projects of enterprises of small business.

The Bank will take measures to ensure adequate diversification of credit portfolio of the Bank. In the framework of expansion of retail crediting, the Bank plans to increase portfolio of retail credits of the Bank up to 385 billion soums or 22% of total volume of credit portfolio of the Bank. Consumer credits will comprise the predominant part of credits of natural persons. For the purposes of mass promotion of retail credit products, it is planned to carry out advertising campaigns, to organize presentations of credit products among teams

of corporate clients, to hold talks with local consumers of goods and services on provision of consumer credits of the Bank for acquisition of goods and services.

The Bank intends to ensure the adequate level of profitability of credits taking into account the existing market conditions.

The Bank plans to continue work next year on fulfillment of a number of measures directed at implementation of new banking products and technologies into crediting process taking into account best local and foreign banking practice.

### **Investment and Emission Activity**

The Bank considers investment activity as a perspective direction of activity; and the Bank will continue to track trends in stock exchange market of Uzbekistan for appraisal of possibility of implementation of professional activity in securities market including as an investment intermediary, entrusted administrator of investment assets, investment consultant and so on.

In 2019, the Bank plans to continue works on formation of qualitative investment portfolio capable to ensure the stable level of profitability at the minimum level of investment risk.

Development of investment activity of the Bank for 2019 assumes raising return from investments and preservation of their pressure to capital of the Bank at the optimal level.

It is planned to perform a number of measures next year to raise investment attractiveness of the Bank.

Emission activity of the Bank in 2019 will be directed at strengthening of long-term resource base of the Bank by issuance and implementation of debt and share securities of the Bank. In particular, it is planned to perform regular issuance of shares and issuance of deposit certificates for strengthening of sustainable resource base. Issuance of own securities by the Bank assumes expansion and diversification of funds sources for active operations of the Bank and to creation alternative possibility for depositors of the Bank to place free monetary funds on attractive conditions.

## **Operations in Interbank and Currency Markets**

In order to expand the range of banking services as well as to raise effectiveness of activity of the Bank, work is performed to implement modern banking practice in dealing operations. In particular, at the present time, all forex operations in international currency market are carried out with foreign partner banks in the “FX Trading” dealing system of the company Thomson Reuters. This system provides possibility to enter into conversion transaction for any amount, to reduce prime-cost of transactions, to cut down time for agreement of transaction conditions as well as to obtain real-time currency quotations.

In addition, in the framework of cooperation with the company Thomson Reuters, an agreement was signed for usage of a dealing module “Fxall” in “FX Trading” terminal which enables to execute transactions at the best price using requests and to obtain flow quotations from partner banks, to accomplish automatic closure of open positions in respect to conversion transactions performed with clients in external market and other.

In the framework of activities carried out by the Bank in optimization of business processes, raising quality and convenience of servicing, sub-system “Online Conversion” in “Corporate Internet Banking” module is functioning in IABS system which enables clients to perform remote conversion transactions without visiting divisions of the Bank in the amount equivalent to 5 thousand US dollars.

The following stage of the work in this direction provides for further raising of effectiveness of interrelation with clients by creation of possibility for provision of conversion services through remote channels for real-time servicing (Internet and mobile banking) without limitation of volumes of performed operations.

Cooperation with market participants expands and deepens due to performed works directed to establish mutually beneficial relations with banks with high degree of reliability and reputation in interbank market. Next year, it is planned to implement the following measures in the framework of deepening of development of operations of the Bank in interbank money and currency markets according to the Strategy of Development of the Bank:

expansion of the volume and list of services by offering attractive kinds of banking services to clients in conversion, banknote transactions and other kinds of services as well as performance of various marketing activities on raising interest of clients in forex operations;

implementation of the on-line platform for provision of conversion services to corporate clients with possibility of transmission of currency quotations and performance of real-time transactions thereon;

raising business activity and reputation of the Bank in money and currency markets as well as measures on raising recognizability of the Bank;

establishment of cooperation with various TV channels and mass media in preparation and broadcast of brief headings through TV channels and publication based on analytical materials dedicated to money and currency markets;

participation in projects and cooperation with various institutes of financial market in development of money and currency market infrastructure;

improvement of dealing operations process by development of new modules in the integrated automatic banking system as well as development of a special mobile application for performance of forex operations with natural persons;

ensuring profitability of trade and information terminals;

other activities in accordance with changes in market conditions.

### **Correspondent Relations and International Activity**

In 2018, the Bank made important achievements in establishment of cooperation with international financial institutes for attraction of credit lines and maintenance of the international credit rating of the Bank.

In due course of cooperation with various foreign organizations, the international reputable publication Global Finance named ASIA ALLIANCE BANK as the best Bank of Uzbekistan in nomination “Best World Banks of Developing Markets in Asian-Pacific Region” five years in a row (2014, 2015, 2016, 2017 and 2018). In addition, the Bank was recognized as “The Best Bank in Uzbekistan” for the second time in 2018 by the international financial magazine “Euromoney”.

In order to expand correspondent relations with leading world banks, work is planned in 2019 to expand the network of correspondents by establishing relations with new foreign banks, in particular, Deutsche Bank (Germany), Bank of New York Mellon (USA), Raiffeisen Bank International AG (Austria), Sberbank (Russia) and other.

In order to attract and develop credit lines, work will be continued on establishing and expanding cooperation with international financial institutions (EBRD, ADB, ICDPS, International Islamic Corporation for the Development of Trade Finance (ITFC), etc.), in particular on attracting a credit line from the European Investment Bank in the framework of the project "Energy Efficiency of Industrial Enterprises (PEEP)".

Furthermore, work is performed by the Bank on cooperation with international rating agencies. Necessary measures are planned for 2019 to maintain and improve the international rating of the Bank.

In order to strengthen status of the Bank in the local and international financial arena, the bank will continue to take participation in various international banking exhibitions, symposiums, seminars and contests organized by foreign banks, international financial institutes, publications and mass media such as “The Banker”, “Global Finance”, “Euromoney” and others;

### **Development of Service Network and Corporate Clients**

At the present day, the commercial network of the Bank includes the Operations Division at the Head Office of the Bank, Shaykhontokhur, Almazar, Mirzo Ulugbek, Mirabad, Karshi, Bukhara, Samarkand and Chilanzar branches, 14 mini-banks and 11 special cash offices. Mini-banks and special cash offices are opened in premises of big corporate clients for creation of maximum convenience to clients and their employees.



In order to strengthen the market position of the bank in the city of Fergana, in 2019 it is planned to open a new branch of the bank. Today, construction work is being completed to organize the activities of the Fergana branch.

In 2018, in order to implement the tasks stipulated by the Decree of the President of the Republic of Uzbekistan No. PP-3620 of 23.03.2018. "On additional measures to improve the availability of banking services" Operational Management, Almazar and Bukhara branches have been transformed into "exemplary" branches that meet all modern requirements. By the end of 2018, in accordance with the approved schedule, it is planned to transform Mirabad and Samarkand branches into "exemplary" branches. By the end of the 3rd quarter of 2019, it is planned to transform the Karshi, Chilanzar, Mirzo Ulugbek and Shayhontohursky branches into "exemplary" branches.

Today, the Operations Department and all branches (Shayhontohursky, Karshi, Almazar, Mirzo Ulugbek, Mirabad, Bukhara, Samarkand and Chilanzar) are divided into zones of the front office and back office.

In the Operations Department and in all branches of the bank, staff members of administrators are staffed, providing preliminary advice to clients about banking services provided.

Electronic queue systems have been installed at the Operations Department, Almazar and Bukhara branches. The acquisition of electronic queue systems for other currently operating branches is envisaged in the near future.

As part of the bank's development strategy for monitoring and evaluating the effectiveness of the bank's branches in 2019, work will be continued to improve the system of rating scores in the process of encouraging and encouraging employees of the bank's branches.

In order to strengthen market position of the Bank in the capital, it is planned for 2018 to open a new branch of the Bank in Chilanzar district of Tashkent city as well as work will be launched on construction of the branch building in Ferghana city.

In the framework of the Strategy of Development of the Bank on monitoring and evaluation of effectiveness of branch activity of the Bank in 2018, work will be continued on raising effectiveness of the rating evaluation system in due process of stimulation and reward of employees of Bank's branches.

Ensuring of stable and qualitative development of activity of Bank's branches, raising their competitiveness and autonomy will be also a main task next year for development of the branch network of the Bank.

Work will be continued on creation of own stable time resource base of branches due to attraction of free monetary funds both from legal entities to time deposits and deposit certificates of the Bank and also from the population to attractive deposits of the Bank as well as expansion of income sources of branches due to development of retail operations.



In order to raise profitability of retail divisions of the Bank, the new format of mini-banks with new banking services with all modern solutions is proposed. By the end of 2018, it is planned to open an additional 4 mini-banks. In 2019, the number of mini-banks is scheduled to increase to 20.

In 2019, work will be continued on development of corporate units of banking servicing, putting a stress to raising intensiveness of customer relations with the existing clients as well as attraction of new corporate clients in the framework of expansion of the branch network of the Bank.

Main principles of servicing of corporate clients are creation of maximum convenience for clients, exclusive orientation to their needs, reduction of time and costs of servicing, acceleration of processes for performance of operations, ensuring safety and confidentiality of operations of the Bank by applying high technologies and innovations including measures on wide distribution of remote distance services among clients as well as application of flexible tariffs.

### **Servicing of Retail Clients**

The main areas of development of the Bank's retail business in 2019 envisage a significant expansion of the volume of retail operations, the transition from supplying individual banking products and services to the population to forming an integrated customer interaction model that will satisfy most of their financial services needs and serve a significant proportion of operations. The development of the product line and all sales and service channels - the formation of a full-featured multi-channel customer service system and the further development of the transactional business through cross-selling, expanding the product offer and transferring most of the operations to automated sales and service channels.

The priority direction of lending to individuals is consumer lending. The key target audience in this segment are employees of corporate clients, employees of large enterprises and depositors of the Bank, as well as clients with a positive credit history. When forming the retail loan portfolio, the Bank proceeds from the need to maintain a balance of its profitability and quality. In particular, work in this direction will include the following:

- widespread use and application of innovations in the use of credit information and reports, cooperation with the credit bureau "KIAC" in the field of electronic processing of customer loan applications, which allows for a preliminary assessment of the creditworthiness of the loan applicant and inform him of the further feasibility of a visit to the bank to issue and conclude a loan;

- organization of work on the development and expansion of credit product distribution channels through modern centers of comprehensive customer service, providing for the organization of an additional service on the "single window" or "credit factory" principle: advising clients, insurance services and appraiser, notary and other financial services;

- organization of work on improvement of efficiency of the credit departments of the bank, reduce the time for servicing and monitoring retail loans by simplifying and optimizing processes, introducing best banking practices;

Promising areas of lending to individuals are loans against employer guarantees (corporate clients), loans secured with gold (lombard loans), overdraft loans, car loans, mortgage loans, etc.

Against the background of the continuous improvement of the welfare of the population, as well as the implementation of state policy in the social sphere, retail lending has high prospects and will grow dynamically. Under these conditions, we can expect the development of the POS (Point of Sale) market of lending, providing for the issuance of loans for certain goods directly at retail outlets through express processing of loan documents.

Mortgage lending is a promising direction of the retail unit, but for the development of this direction it will be necessary to ensure long-term resources. In this regard, expanding cooperation with international financial institutions and foreign banks in order to attract a strategic investor to the Bank's capital, attracting their credit lines is the most important task of the Bank for the coming years and will contribute to expanding the long-term resource base for funding mortgage lending. Also, the Bank will pay attention to strengthening the long-term resource base by issuing debt securities.

Another important direction in the development of retail business is the expansion of the bank's retail deposit base. There is a good base for the development of deposit operations against the background of the population income growth. Under these conditions, the Bank's activities will focus on actively attracting private sector funds through investments in the development of a sales network, advertising, improving the quality of customer service and expanding the product line. This strategy will be implemented by focusing on the introduction of attractive deposit products, which are differentiated by types of customers, aiming to meet their specific needs.

At the same time, work in the following areas of retail business will be intensified:

improving the quality management system of deposit services and ensuring the attractiveness of deposit products for the population;

study of the experience of local and foreign banks in attracting free funds of individuals for time and savings deposits via the Internet and mobile banking;

expanding the possibility of a remote service channel (MyAlliance), which allows users to place free funds on card accounts for time and savings deposits (the choice of deposit, acceptance of deposit conditions by the depositor is carried out online in the system);

improving the usability by improving the interface and increasing the functionality of the ABS retail subsystems;

development and expansion of distribution channels for deposit products through modern centers for comprehensive customer service, active use of the cross-sales mechanism;

Card business development (payroll projects, VISA, Master Card, China Union Pay, etc.).

development of salary projects for the coming years, which involves:

- building up an effective customer base and expanding the tools for attracting new customers (marketing activity, development of the product line within payroll projects);

- improvement of sales efficiency;

- deepening the relationship between the retail and corporate banks in the sales of payroll projects;

In particular, in 2019, as part of the development of retail business, it is planned to increase the volume of card services through the GlobUzCard retail payment system, continue work to connect to the Mastercard WorldWide International Payment System and issue MasterCard Standard and MasterCard Gold cards. It is also planned to continue work in the field of issuing plastic cards with an individual design, which was launched in 2014 and in 2019 it is planned to expand this type of cards in all regional branches of the bank.

One of the priorities for the expansion of the Bank's services in terms of international plastic cards is obtaining the status of principal membership in the international payment system VISA. The Bank began work in this direction and in 2019 the tasks were set to acquire and install a processing center for the host connection in the VISA IPS.

In 2018, the Bank designed and manufactured a sample pavilion for placing an ATM. This pavilion meets the modern requirements of design, is convenient for use and service. In 2019, it is planned to expand self-service points by increasing the number of multi-functional ATMs (savings, currency, currency-exchange ATMs).

In 2019, work will also be carried out on introducing socially-oriented card banking products — issuing social, family, co-branding, introducing incentive, discount and bonus projects and services aimed at their further popularization among the population as convenient and reliable means of payment. and cash savings.

And also in 2019, it is planned to introduce into the bank's mobile application a system of electronic wallets, acceptance of payments through QR-online, new payment systems. In addition, it is planned to establish partnerships with international payment systems, such as Yandex.Kassa, Qiwi.

In order to improve profitability and ensure the self-repayment of retail services, work will continue in the area of creating an adequate management reporting system and introducing the practice of regular assessment of retail activities to make operational management decisions aimed at improving the efficiency of the Bank's business units and ensuring the profitability of retail banking products.

At the same time, to assess the success of the implementation of the retail business strategy, the Bank will develop key performance indicators (KPIs) characterizing:

- market positions in major banking products (market share);
- intensity and depth of relationships with customers (the number of products per customer, etc.);
- quality of service (time of service, time to make a decision on granting a loan);
- customer satisfaction (loyalty index, brand perception);
- development of distribution channels (share of transactions through remote channels, etc.);
- employee productivity (figures per employee - the number of operations, loan agreements, etc.).

## **MAIN TASKS IN SPHERE OF ENSURING BUSINESS DEVELOPMENT**

### **Measures to Increase Sustainability of the Bank and Risk Management**

The main purpose of risk management as an integral part of Bank management process is to ensure sustainable development of the Bank in the framework of implementation of the plan for its strategic development. The main tasks of effective risk management are:

- ensuring protection of rights of depositors, creditors and shareholders; correction, prevention and minimization of losses of the Bank when events adverse for the Bank occur;
- optimization of correlation of risks and profitability on all directions of activity;
- organization and improvement of risk management system including limit discipline;
- reduction of deviation of the actual financial result of the Bank from the planned one;
- effective use of existing competitive advantages which includes trust of clients, quality of servicing and others.

Risk management in the Bank is ensured by the organizational system including:

- management organs of the Bank (Supervisory Board and Management Board, Committee for risks supervision, Assets and Liabilities Management Committee, Credit and Investment committees) responsible for development and implementation of a respective policy as well as decision making;

- clear-cut separation of powers and responsibility between management organs and sub-divisions of the Bank;

- a structural sub-division onto which duties of risk management, preparation of regular reports for the management as well as other documents for the Committee for Risks Supervision and other working Committees in the Bank as well as draft proposals on effective risk management are vested with;

- information system which enables to effectively manage risks in the Bank, to perform analysis of the risk level including conformance to the limit discipline in the Bank, indicators of liquidity, capital adequacy and profitability, causes of non-conformance to mandatory normative and determination of measures to bring indicators, at least, to the normative values.

The Committee for Risks Supervision was created for protection of interests of shareholders, clients of the Bank, reduction and prevention of bank risks and ensuring stability of activity of the Bank. In its activity, the Committee is accountable directly to the Supervisory Board of the Bank. The main task of the Committee is to monitor influence of risks on financial standing of the Bank, implementation of control over effective implementation of the policy in credit risk management, evaluation of completeness of application and effectiveness of risk management procedures, control over conformance to established limitations on risks adopted by the Bank as well as adoption of measures on prevention of risks on behalf of the Bank.

Bank risk management regularly performs bank risk identification, monitoring, evaluation and management; stress-testing of the financial condition and liquidity of the Bank is made on quarterly basis. Taking into account wide range of risks affecting the bank, credit,

market, liquidity risks as well as operating risk are the most significant in respect to possible losses.

The following stages of risk management process are in place in the bank:

identification of all main risks arising in activity of the Bank;

analysis of identified risks and their evaluation, calculation of total risks;

performance of stress-testing;

decision making on fulfillment or non-fulfillment of operations exposed to risk, limitation of identified risks, and formation of reserves for possible losses;

control over conformance to established risk management procedures and limitations of the level of adopted risks;

permanent monitoring and optimization of established limitations taking into account evaluation of results of activity of the Bank connected with adoption of a certain kind of risk.

As part of further improving the financial stability of the bank and improving risk management the tasks are planned for 2019 in the framework on further rising of financial stability of the Bank and improvement of work on risk management, implementation and expansion of use of information technologies and software in risk management system in the Bank.

### **Internal Control System**

The Bank takes necessary measures on counteraction to legalization of incomes received from criminal activity and financing terrorism according to requirements of the Law of the Republic of Uzbekistan “On Counteraction to Legalization of Incomes Received from Criminal Activity and Financing Terrorism” dated 26.08.2004 No. 660-II and other normative acts. Internal Control Department responsible for correct organization and functioning of internal control system in the Bank functions; internal rules on counteraction to legalization of incomes received from criminal activity and financing terrorism are developed and approved by the Council of the Bank.

Next year, work will be continued on organization of effective work of internal control system. It is planned to introduce amendments and additions to internal rules of the bank on counteraction of legalization of income acquired from criminal activity and financing of terrorism in order to increase effectiveness of the work of internal control sub-division as well as rising of functional possibilities and analytical capacities of sub-systems of automated systems IABS and “Internal Control”. In particular, it is planned to implement the following tasks:

To fully automatize control over operations with by entities specified in lists of Special Authorized State Organ by implementation of Sanctions Screening functions in SWIFT system as well as by expansion of scope of application of the respective existing functions of IABS;

improvement of work of the sub-system “advanced search” by expansion of scope of application, raising convenience of entry for searched persons and output of search results;

consolidation of reports on suspicious and doubtful operations, creation of a single report form for automated detection of doubtful and suspicious operations;

decrease share of paper documents circulation in activity of internal control system and provision for gradual transformation to electronic documents circulation in the purpose of increase productivity of internal control department.

### **Information Technologies**

The main purpose of development of information technologies is to create modern IT-infrastructure capable to ensure stable functioning and sustainable development of the Bank. Development of information technologies in the Bank is aimed at ensuring to achieve main strategic tasks, qualitatively new level of automation of intra-bank processes, implementation of modern IT-technologies in bank servicing. According to the Strategy of Development of the Bank, it is planned to transform information technologies into a sustainable source of formation of unique competitive of advantages of the Bank.

In order to develop information technologies, it is planned to implement the following measures in the Bank in 2019:

development and expansion of IT-infrastructure of the Bank and its branches including renewal of computer equipment;

wide implementation of information technologies in due process of improvement and optimization of business processes in the Bank including in development of new of software products and applications of ABS of the Bank which promote facilitation and acceleration of work of business sub-divisions determined by functionality, affordability, power, safety, and continuity of provision of bank services;

cooperation with IT-developers to launch “Application for purchase and sale of foreign currency” in the software complex “Corporate Internet Banking” SC IABS as well as SC “Absentee vote”;

further development of systems of distance bank servicing for natural persons, in particular, integration of mobile banking with services of the State Tax Committee of the Republic of Uzbekistan in order to acquire information of TIN and debts through mobile application, development of program module “Cooperation SC IABC – SV Gate” for connection other banks` cards to “My Alliance”;

development and implementation of new directions of Bank’s web-site and ensuring conformance of its content to new requirements.

### **Development of Personnel of the Bank**

The personnel team of the Bank is a main asset and competitive advantage of the Bank. The main purpose of personnel management system of JSCB “ASIA ALLIANCE BANK” is effective management and development of intellectual capital of the Bank, formation and maintenance of a team of specialists on working level capable to implement the strategy of the Bank at optimal expenses, creation of conditions for implementation of professional ambitions of employees directed at harmonization of personal purposes and purposes of the Bank.



It is planned to carry out the following of measures in 2019 in order to further develop the personnel potential of the Bank:

Recruiting the Head Office and branches of the Bank with qualified specialists with work experience in banking sphere and with young graduates with potential for further development;

Organization of internship programs for graduates where young specialists become acquainted with management of the bank and in case of positive results of internship are joined to personnel of the bank.

Training and re-training of employees using new training technologies, ensuring their training in specialized educational institutions of the republic as well as participation in various trainings, programs, and seminars of local/international level;

permanent rising of qualification of senior personnel and reserves by training and re-training on bank operations in specialized training centers;

organization and holding of trainings, corporate programs which, apart from training of professional skills, maintain development of personal qualities of employees, and team works;

raising personnel potential in marketing, methodological developments and implementation of IAS as well as their active engagement to development and implementation of new bank services;

organization of scientific practical seminars and "round tables" on actual topics of development and further improvement of bank activity in accordance with generally accepted international norms and standards;

enactment of the Code of Corporate Ethics in order to form and implement norms and traditions of corporate behavior and style into every day practice which will, in general, promote maintenance of stable activity of the Bank, strengthening its image and raising trust of clients;

improvement and optimization of mechanisms of material stimulation and non-material reward in order to orient employees to final results in achievement of established purposes and tasks.

## **FINANCIAL PLANNING**

As a result of successful implementation of planned tasks on further development of priority directions of activity of the Bank, stable dynamics of main financial indicators is projected in 2018.

By expanding scales of its activity, the bank will strive to keep its gained positions in the banking sector and to strengthen its positions in crediting market and retail services. At the same time, special attention will be given to qualitative changes of balance sheet and incomes of the Bank, gradually achieving optimal correlation of key parameters of activity of the Bank recommended by international financial institutes and resulting from new requirement introduced in accordance with the new Basle agreement. The main accent in expansion of operations of the Bank will be made on unconditional implementation of

economic normative by the Bank and recommendations of the Central Bank of the Republic of Uzbekistan to ensure high level of financial stability of the banking system of the republic.

In order to expand the scale of banking operations, develop banking infrastructure and branch network, introduce new technologies, special attention is paid to expanding the capital base of the bank, including by capitalizing retained earnings of the bank.

Formation of borrowed resource base will take place due to attraction of deposits from legal and natural persons, and issuance of debt securities of the Bank.

Taking into account the stated principles, projected indicators of activity of the Bank are attached to the Business Plan.

In order to effectively implement measures provided for in Business Plan, the following main target benchmarks and projected indicators of activity of the Bank are attached. These target and projected indicators will be achieved by development of detailed projection plans for each business sub-division of the Bank.



**PROJECTED BALANCE SHEET (in million soums)**

Indicators	01.04.2019	01.07.2019	01.10.2019	01.01.2020
<b>ASSETS</b>				
Cash and other payment documents	105 500	105 500	116 050	116 050
Funds in CBRU and other banks' accounts	409 804	496 868	532 512	528 354
Investments and securities for purchase and sale	16 040	16 040	16 040	16 040
Net credits	1 310 000	1 430 000	1 530 000	1 720 000
Fixed assets and intangible assets, net	95 372	118 394	137 400	152 560
Other assets	95 764	84 198	100 079	80 370
<b>Total assets</b>	<b>2 032 480</b>	<b>2 251 000</b>	<b>2 432 081</b>	<b>2 613 374</b>
<b>LIABILITIES</b>				
Total deposits	1 285 561	1 455 787	1 536 010	1 643 042
Accounts payable to other banks	190 110	204 052	302 782	324 531
Debt securities of the Bank	184 800	194 040	197 921	201 879
Other liabilities	15 582	30 677	18 906	57 443
<b>Total liabilities</b>	<b>1 676 053</b>	<b>1 884 556</b>	<b>2 055 619</b>	<b>2 226 895</b>
<b>Share capital</b>	<b>356 427</b>	<b>366 444</b>	<b>376 462</b>	<b>386 479</b>
Share and additional capital	275 514	275 514	275 514	275 514
Reserve capital	41 355	44 305	45 555	46 805
Retained earnings	39 558	46 625	55 393	64 160
<b>Total liabilities and capital</b>	<b>2 032 480</b>	<b>2 251 000</b>	<b>2 432 081</b>	<b>2 613 374</b>

**PROJECTED INCOME AND EXPENSES STATEMENT (in million soums)**

Indicators	01.04.2019	01.07.2019	01.10.2019	01.01.2020
<b>Interest incomes</b>	<b>67 028</b>	<b>150 813</b>	<b>238 787</b>	<b>335 139</b>
<b>Interest expenses</b>	<b>36 759</b>	<b>82 708</b>	<b>130 955</b>	<b>183 795</b>
<b>Non-interest incomes</b>	<b>32 022</b>	<b>64 239</b>	<b>99 705</b>	<b>135 743</b>
<b>Non-interest expenses</b>	<b>7 863</b>	<b>17 942</b>	<b>28 575</b>	<b>41 366</b>
<b>Operating expenses</b>	<b>40 072</b>	<b>82 102</b>	<b>127 822</b>	<b>175 544</b>
Reserve for possible losses on loans and leasing	4 335	9 754	15 444	20 075
Reserve for income tax	2 006	4 514	7 148	10 032
<b>NET PROFIT</b>	<b>8 015</b>	<b>18 032</b>	<b>28 548</b>	<b>40 070</b>