

JOINT-STOCK COMMERCIAL BANK
"ASIA ALLIANCE BANK"

BUSINESS-PLAN

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

"ASIA ALLIANCE BANK"

for 2021



*APPROVED BY RESOLUTION OF THE SUPERVISORY BOARD OF JSCB "ASIA ALLIANCE BANK"
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INTRODUCTION

The present Business-Plan includes activities planned for implementation by JSCB "ASIA ALLIANCE BANK" in 2021 as well as the financial plan of the Bank for 2021.

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.PF-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 August 15, 2009 (re-registration No.79 dated October 21, 2017). 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 B2 for Counterparty Risk Assessment according to the global scale. 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

Macroeconomic Trends

2020 began with the rapid spread of the coronavirus pandemic around the world, and the quarantine measures introduced to mitigate its impact have impacted various sectors of the global economy and plunged into a deep recession. In particular, as a result of "isolation" in almost all countries, there was simultaneously a sharp rise in unemployment and a decline in production. All this led to economic difficulties on a global scale, including in Uzbekistan. However, according to updated forecasts by the International Monetary Fund in October this year, the forecast for global economic growth for 2020 improved from the previous figure and amounted to 4,4 percent (-5,2 percent).

In terms of resilience to difficult external and internal economic conditions, 2020 was not an easy year for the country. It is known that from the very beginning the government took a number of measures to strengthen the health care system, strengthen social protection, as well as implement flexible fiscal and monetary policies. All this made it possible to mitigate the negative impact of the pandemic on the socio-economic situation in the country, which in turn ensured the prevention of a deep economic crisis and the maintenance of positive growth rates.

International financial institutions, including the World Bank, predict that economic growth in Uzbekistan will be 0,6% in 2020 and 6% in 2021. In turn, the International Monetary Fund predicts growth of 0,7% in 2020 and 5% in 2021.

According to preliminary estimates of the Ministry of Economic Development and Poverty Reduction of the Republic of Uzbekistan, economic growth is expected at the level of 1-1,5% by the end of 2020 and 5,1% in 2021.

The economic situation in January-September 2020 showed that the gross domestic product (GDP) of Uzbekistan at current prices amounted to 408,3 trillion soums, an increase of 0,4% compared to the same period last year. This was mainly due to the growth of agriculture by 3,4% and construction by 8,6%. At the same time, during the reporting period, growth in industry decreased by 2,7%, and in the service sector - by 0,7%.

The dynamics of the sectors of the economy reflects the following:

Industry

Due to quarantine restrictions, the real production volume in January-September of this year decreased by 2,7% compared to the same period last year. At the same time, the volume of production in physical terms in September increased by 20% compared to the same period in 2019 and amounted to 33,1 trillion soums.

In terms of industries, the manufacturing industry grew by 2,7% during the reporting period. The growth rate of food production increased from 99,7% in 8 months to 105,5% in 9 months, construction materials from 98,4% to 106,3%, chemicals from 100,8% to 102,7%, automobile production from 102,4%, metallurgical industry grew from 101,4% to 103,7%.

Only in September there was a significant increase in the production of a number of goods by large enterprises in comparison with August. In particular, there was an increase in production volumes of diesel fuel (44,4%), gas condensate (32,7%), liquefied gas (8,7%), specialized cars (15,5%), cotton fabric (28,9%), knitwear or outerwear (by 25,7%) and other goods.

However, growth was not observed in all sectors. For example, since natural gas exports have yet to recover, oil and gas production fell by almost 32 percent compared to the same period last year. This, in turn, led to a sharp decline in production in the mineral resource industry.

However, the industrial sector's results for September this year show that the industry has the resources and capacity to maintain positive dynamics towards the end of the year.

Agriculture, forestry and fisheries

From January to September, industrial production grew by 103,4% and accelerated by 1,2 percentage points over the same period of last year. In particular, the growth rate of agricultural production accelerated by 2% and amounted to 104,3% this year; in fisheries, the growth rate accelerated by 6,8 percentage points, amounting to 112%; in animal husbandry, the growth rate increased by 0,3%, amounting to 102,3%.

The positive dynamics of growth was facilitated by the Presidential Decree "On additional measures to ensure food security, rational use of available resources, state support for agriculture during the coronavirus pandemic", adopted on May 1, 2020.

According to the document, the lands that are in operation and have groundwater reserves have been allocated to the population on preferential terms for the production of agricultural products. The introduction of this procedure has led to an increase in the cultivation of agricultural products.

In particular, the production of vegetables increased by almost 200 thousand tons compared to last year and amounted to 7,6 million tons, an increase of 2,7% over the reporting period. Fruits and berries – 2,1 million tons, an increase of 103,9%.

There are also problems with feed stocks, breeding and productivity in animal husbandry. During the reporting period, the growth rate of meat production in live weight in the country decreased by 0,5%, and eggs - by 3,6%.

Services sector

As a result of the impact of quarantine restrictions, this sector has been hit hardest. In particular, catering services decreased by 16,6%, real estate by 7,6%, rent and household services by 5,3% and 8%, respectively. However, in August, there was an increase in the volume of paid services after some relaxation of quarantine measures.

Thus, the volume of paid services for 9 months amounted to 157,1 trillion. soums, which is 1,8% more than in the same period last year. This is mainly due to the high growth rates of information (16,4 percent) and financial services (30,4 percent). In September alone, services were provided for \$ 221 trillion soums, which is 9,7% more than in the same period last year.

As a result of timely measures, by the end of this year, it is expected that the volume of services will reach the level of 2019. Due to the significant increase in the volume of communication, information and financial services, the positive trend will continue during the pandemic.

Population income

In January-September of this year, real gross incomes of the population decreased by 0,3% due to disruptions in the activities of economic entities and a decrease in economic activity during the pandemic. Over the past 9 months, the payment of overtime wages and other basic expenses financed from the budget, as well as the payment of pensions and social benefits no later than the established deadline, has become an important factor in the formation of real aggregate incomes of the population. This, in turn, prevented a sharp drop in domestic demand in the economy.

During the pandemic, the volume of foreign trade decreased. In particular, in January-September it amounted to \$27,5 billion, which is \$3,8 billion, or 12% less than last year. Over 9 months, the volume of remittances and exports also decreased.

The current difficult situation has led to a sharp increase in budget expenditures. In particular, in January-September 2020, state budget revenues amounted to 94,4 trillion soums, expenses – 102,1 trillion soums, along with this 53,7 trillion soums or 52,5% of total budget expenditures were allocated to the social sphere.

Despite the difficulties, by the end of the year it is planned to take measures to increase budget revenues by further supporting entrepreneurship in the economy, increasing economic activity and efficient use of production capacities.

The duration of the coronavirus pandemic and its continuing negative impact on the global economy remain uncertain in the coming period, which could lead to a number of difficulties in achieving key economic indicators. However, despite the pandemic, the global economy is expected to start recovering from 2021.

Taking into account the growth of economic activity in Uzbekistan, economic growth is expected to be at least 5,1% from 2021. This growth can be achieved through the recovery of one of the most affected areas during the pandemic - the service sector, which is expected to grow by 6,4%, launch of new businesses – 5,8%, construction – 6,5% and agriculture – 2,7%. These indicators can be achieved due to the correct and high-quality continuation of the structural reforms initiated in each area.

Banking Sector of Uzbekistan

In January-September 2020, the main emphasis of monetary policy was placed on curbing inflation in the economy, mitigating the negative impact of the coronavirus pandemic and the global economic crisis on the banking and financial system, as well as improving the operating mechanism to effectively regulate the banking system's liquidity.

In September this year, the annual inflation rate was 11,7 percent. Core inflation fell to 11,9 percent per annum. Inflation accelerated somewhat in September after a significant slowdown in price growth in the summer season. This is mainly due to the recovery in aggregate demand after the lifting of quarantine restrictions, seasonal factors and significant increases in prices for some basic consumer goods.

The third quarter there was a gradual recovery in economic growth and economic activity. In particular, in the third quarter of this year, economic growth accelerated somewhat compared to the first half of the year and amounted to 0,4%. At the same time, economic growth in the short-term forecast remains significantly below initial estimates.

The economy maintained positive real interest rates in the third quarter of this year. In the interbank money market, the weighted average interest rates on deposits were formed within the interest rate band and in September amounted to 14,8% per annum.

The weighted average interest rate on loans in national currency in September of this year fell to 19,8%. The weighted average interest rates on bank deposits of individuals in national currency in September amounted to 17,3%, for legal entities – 14,8%.

After a significant depreciation of the soum in April this year, the dynamics of the exchange rate is characterized by a relatively low level of fluctuations, formed mainly under the influence of internal fundamental factors of demand and supply of foreign currency. In the third quarter, the depreciation of the exchange rate of the soum was about 1,5%, and since the beginning of the year – 8,6%.

Fiscal policy (fiscal stimulus) played a key role in supporting the economy during the pandemic. At the same time, the following measures taken by the Central Bank in the banking system also contributed to ensuring macroeconomic stability:

1. Extension of the maturity of loans to the population and business entities.

As a result, the terms of loan payments of economic entities in the amount of 26,5 trillion soums (including 5,2 trillion soums for individuals and 21,3 trillion soums for legal entities) were extended until October 1, 2020. In addition, commercial banks were given the opportunity not to change the quality of loans during their classification and not to form reserves.

2. Taking into account that the extension of the loan maturity will have a significant impact on the liquidity of the banking system, appropriate measures were taken to ensure the liquidity of the banking system and the stability of the payment system.

In particular, the short-term monetary policy instruments, introduced on February 24, 2020, have had positive results amid the pandemic, providing banks with liquidity through repos and currency swaps and ensuring the continuity of payments even during the crisis.

Also during this period, the average required reserve ratio was increased two times - from 25% to 35% in April and from 35% to 75% in June, as a result of which liquidity in the amount of 2,8 trillion soums was returned to commercial banks.

3. Based on the goal of ensuring a balance between **reducing inflation in the economy and supporting economic activity**, the Central Bank reduced the key rate due to the impact of the pandemic on the macroeconomic situation, including on aggregate supply and demand, as well as based on current and projected inflation dynamics.

In particular, by the decision of the Management Board of the Central Bank of April 14, 2020, the base rate was reduced by 1 percentage point to 15% per annum, and by the decision as of September 10, it was reduced by another 1%, setting it at 14% per annum.

4. Further development and expansion of remote banking services. Since the early days of quarantine, all commercial banks have focused on further developing remote banking services, improving mobile applications, activating online deposits, credit and payment services, and expanding the ability to provide all types of banking services to customers without visiting the bank building. As a result, the number of users of online banking services has increased significantly in a short period of time.

The state of financial stability of banks at the end of 9 months of this year, including the consequences of the coronavirus pandemic and the fulfillment of tasks to optimize credit processes, are reflected in the following key indicators.

As of the reporting date, the capital adequacy ratio (19,3%), the share of highly liquid assets (10,5%), short-term (LCR - 201%) and long-term liquidity (NSFR - 107%) and the share of problem loans (NPL – 2,6%) in the banking system show that the data have settled at a relatively acceptable level and that the system is supposedly financially stable.

However, most banks have some problems with building capital and liquidity buffers, optimizing lending processes and ensuring the bank's resilience to the risks of a pandemic.

Liquidity risk situation in banks

The share of banks' short-term liabilities in total liabilities increased by 5 percentage points up to 47% over the same period last year. As a result, as of the reporting date, the coverage of short-term liabilities with highly liquid assets decreased by 7 percentage points up to 26% (acceptable level - 40%).

As a part of measures to mitigate the negative consequences of the pandemic, banks' liabilities on foreign credit lines on loans with deferred payment in foreign currency were fulfilled at their own expense. However, the resulting deficit was covered by the majority of banks by attracting short-term (up to 12 months) loans.

As a result, the share of short-term liabilities in foreign currency in the total volume of liabilities in foreign currency increased by 5 percentage points up to 38%. At the same time, the decline in highly liquid assets in foreign currency continued and decreased by 4,5 percentage points up to 10,9% compared to the beginning of the year. The collateral of short-term liabilities in foreign currency with highly liquid assets decreased by 17 percentage points up to 29% at the reporting date.

On January 25, 2020, the management of the Central Bank was instructed to bring the liquidity coverage ratio in accordance with the requirements of the new methodology by July 1 of this year. Due to the consequences of the pandemic, the implementation of this requirement has been postponed until January 1, 2021.

However, the share of highly liquid assets in total assets decreased by 1 percentage point compared to the beginning of the year and amounted to 10,5%; Liquidity coverage ratio (LCR) when calculating according to the new methodology: in all currencies decreased by 3,3 percentage points up to 75%, and in foreign currency decreased by 11 percentage points, amounting to 64%.

Net stable financing rate (NSFR) in the banking system compared to the beginning of the year: decreased by 6 percentage points up to 107% for all currencies; in national currency decreased by 7 percentage points up to 111%; in foreign currency decreased by 4 percentage points amounting to 103%.

Obviously, the long-term liquidity ratios in the banking system have approached the minimum requirements, while the coordination of the short-term liquidity ratio requirements until January 1, 2021 remains at risk.

In addition, the continuation of the practice of providing long-term loans at the expense of short-term liabilities suggests that from now on there may be violations of liquidity standards and a shortage of long-term liquidity, especially in foreign currency.

Credit risk situation in banks

The share of problem loans in the total volume of loans in the banking system over the past year increased by 1,1 percentage points and at the date of analysis amounted to 2,6%. During this period, problem loans increased by 4 trillion soums or 75%, reaching 6,8 trillion soums. At the same time, the balance of “unsatisfactory” loans increased by 88%, “doubtful” loans - by 1,1 times, “bad” loans - by 1,5 times. As a result, the share of “bad” loans in the total volume of problem loans increased from 38% to 44%.

Additional reserves to be created for possible loan losses

As of October 1, 2020, banks did not create reserves for possible losses on loans in the amount of 3,4 trillion soums, including the amount of uncreated reserves for loans issued under the guarantee of the state amounted to 3 trillion soums and additional reserves for the classification of the loan portfolio amounted to 409 billion soums.

As of the reporting date, the ratio of net (net of reserves) problem loans to total capital increased by 2,3 percentage points compared to the beginning of the year and amounted to 5% in the banking system.

The results of a stress test conducted by the Central Bank on the problem of credit debt of enterprises with a sharp drop in revenue during the coronavirus pandemic show that by the end of 2020 the share of problem loans in total loans will reach 5,7%.

Main Events and Current Activity of the Bank

In 2020, the bank continued consistent work to develop and expand its activities, improve the financial stability of the bank, strengthen the resource base, expand the range and improve the quality of banking services.

An important event over the past period of 2020 is the recognition of JSCB "ASIA ALLIANCE BANK" for the seventh consecutive year as the best bank in Uzbekistan among banks in emerging markets in the Asia-Pacific region according to the international financial magazine GLOBAL FINANCE. This year, the Bank passed another supervisory audit and confirmed that the quality management system meets the requirements of ISO 9001: 2015.

Chronicle of Main Events in Activity of the Bank during January-October of 2020

January 2020	The Bank and Berliner Sparkasse (Germany) signed a loan agreement to finance private sector projects.
March 2020	For the seventh year in a row, JSCB "ASIA ALLIANCE BANK" was recognized as the best bank in Uzbekistan among banks in emerging markets in the Asia-Pacific region according to the international financial magazine GLOBAL FINANCE. The bank passed another supervisory audit and confirmed that the quality management system meets the requirements of ISO 9001: 2015. The Banking Services Center "Muborak" was opened in the city of Mubarek, Kashkadarya region.
April 2020	ASIA ALLIANCE BANK, in order to support trade operations of small businesses and private entrepreneurship in Uzbekistan, joined the Trade Finance Program of the Asian Development Bank and signed a corresponding agreement.
July 2020	Corporate bonds of the bank in the amount of 45 billion soums have been successfully placed among legal entities and individuals at the Republican Stock Exchange "Tashkent". Moody's Investors Service Ltd has affirmed the bank's previous international credit rating at B2.
September 2020	Representatives of the Japan Digital University (JDU) in Tashkent and the bank's management signed an agreement on the provision of concessional loans to students who passed the competition to study at JDU. Cooperation was established with European Merchant Bank (Lithuania) and an interbank deposit of 1.0 million euros was attracted. The Banking Services Center "Dilkusho" was opened in Bukhara.
October 2020	At the awards ceremony for participants in the Trade finance program conducted by the Asian Development Bank, the bank was recognized as the "Bank of the Year for Financing the Best Small and Medium Business Project."

Market Position of the Bank

For the last 12 months, the activities of JSCB “ASIA ALLIANCE BANK” were aimed at growth of the main activities of the bank, while maintaining an acceptable level of liquidity and capital adequacy.

Results as of October 1, 2020 showed that the bank managed to improve all key indicators. The largest change was observed in assets and credit portfolio of the Bank

The Bank’s credit portfolio increased by 15% compared to October 1, 2019 and amounted to 1,8 trillion soums. This, in turn, led to an increase in interest income by 39%, which exceeded 296 billion soums. The Bank,s assets increased by 15% (from 2,3 trillion soums to 2,7 trillion soums). The total capital of the Bank increased by 19% or by 53,4 billion soums. The Bank’s net profit increased by 20% or by 6,8 billion soums compared to the same period last year. In conditions of tough competition, the Bank was able to maintain its positions only in terms of assets.

Market Position of JSCB “ASIA ALLIANCE BANK”

<i>Indicators</i>	<i>As of 01.10.19</i>		<i>As of 01.10.20</i>	
	<i>in million soums</i>	<i>position of the Bank</i>	<i>in million soums</i>	<i>position of the Bank</i>
Total Assets	2 336	18	2 693	18
Credit Portfolio (gross)	1 543	16	1 767	17
Deposits of Clients	1 722	16	1 851	18
Share Capital	278	19	332	20

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.

As a result of work on expanding and strengthening the deposit base, as well as attracting funds from the population and business to bank deposits as of October 1, 2020, the balance on customer accounts amounted to 1 851 billion soums (an increase in comparison with October 1, 2019 - 8%) , the balance of attracted term deposits amounted to 1 096 billion soums (growth - 15%). In addition, attracted credit lines / funds increased by 135 billion soums or by 50%, amounting to 403 billion soums.

According to the results of the 3rd quarter of 2020 liquid assets amounted to 25% in the structure of the Bank’s assets, indicating a high level of solvency of the Bank. A stable liquid position of the bank contributes to a positive assessment by international rating agencies and financial institutions.

As of October 1, 2020 the Bank's the liquidity coverage ratio made up 302,6% (min requirement – 100%), including in national currency – 252,3%, in foreign currency – 360,4%, net stable financing rate – 115,5%, including in national currency – 110,1%, in foreign currency – 126,4%.

Name of the economic standard	01.01.2020	01.04.2020	01.07.2020	01.10.2020	Requirement
Liquidity coverage ratio	2,890	2,170	3,306	3,026	Min 1,00
	2,271	1,401	2,293	2,523	
	3,749	3,798	5,634	3,604	
Net stable financing rate	1,149	1,179	1,175	1,155	Min 1,00
	1,065	1,137	1,126	1,101	
	1,325	1,268	1,292	1,264	

The Bank is currently experiencing certain difficulties in carrying out operational activities due to a lack of capital, and, accordingly, limiting activities to expand financing of credit projects, development of banking infrastructure, and attracting credit lines from international financial institutions and foreign banks.

Measures taken to improve capitalization, in particular, organization in the 2nd half of 2019 issuance of subordinated bonds in the amount of 50 billion soums allowed to bring the bank's capital adequacy ratio into line with the minimum requirement of the Central Bank (13%). Currently, bonds worth over 45 billion soums have been successfully placed, which accounts for 90% of the total issue.

The Bank's financial strength is also reflected in the rating results on the national and international scales. Rating agencies conduct monitoring on an ongoing basis. In particular, according to the rating agency Moody's Investors Service, the Bank keeps deposits in national and foreign currencies at B2 level.

Increased competition in the banking market, measures to liberalize the financial system, as well as the rapid development of the country's banking system are the main impetus for the development of banking activities. These aspects pose a number of tasks to ensure the Bank's sustainable development, maintain high asset quality and further diversify the credit portfolio, expand the sales network and strengthen the Bank's position in the retail market by optimizing and improving business processes, strengthening the Bank's competitiveness.

MAIN DIRECTIONS OF BUSINESS DEVELOPMENT

In 2021, activity of the Bank will be aimed at implementation of the following priority tasks assigned to commercial banks:

- implementation of the priority tasks set for the banking system in the Address of the President of the Republic of Uzbekistan to the Oliy Majlis as of January 24, 2020;
- continuation of work on reforming banking activities in accordance with the Decree of the President of the Republic of Uzbekistan dated May 12, 2020 PF-5992 “On the strategy of reforming the banking system of the Republic of Uzbekistan for 2020-2025”;
- fulfillment of relevant tasks in accordance with the Decree of the President of the Republic of Uzbekistan dated October 27, 2020 No. PF-6096 “On measures to accelerate the reform of state-owned enterprises and the privatization of state assets”;
- completion of work on the privatization of the bank in accordance with the Resolution of the President of the Republic of Uzbekistan dated December 28, 2019 No. PQ-4553 “On measures to further expand and strengthen bilateral cooperation between the Republic of Uzbekistan and Japan”;
- transformation of banking activities, optimization of business processes and ensuring the implementation of these processes using paperless technologies, improvement of the banking management system, standardization of banking products, as well as improvement of the system of productivity and labor incentives;
- implementation of the Digital Bank project, further development and implementation of promising innovative technologies, improvement of telecommunications infrastructure and technical equipment, development of electronic sales channels;
- implementation of the Islamic Window in cooperation with the Islamic Corporation for the Development of the Private Sector, purchase and installation of software that allows banking services to be provided in accordance with Sharia law, as well as staff training, creation of infrastructure (separate premises in the head office and branches);
- expansion of banking services and sales channels, including popular retail products;
- to increase the Bank’s reputation and its investment attractiveness through the implementation of measures to increase the rating, improve corporate governance, improve the quality of the Bank’s assets and introduce advanced management methods;
- implementation of systems of quality indicators of business processes, including assessment of the level of customer satisfaction and loyalty (NPS, CSI), key performance indicators of employees (KPI);
- continuous improvement of the knowledge and skills of bank employees, increase in labor productivity and quality of customer service through the introduction of teacher-student systems;
- further improvement of valuation activities taking into account the best local and international experience.

Banking transformation

In order to introduce digital technologies, provide banking services in accordance with the best world practices and modern requirements, optimize banking business processes and organize the process of transforming banking activities, a Project office was created in the Bank by the decision of the Bank's Management Board dated October 16, 2019 No. 110.

The Project office carried out diagnostics of the current state of the Bank (SWOT-analysis), carried out a functional and economic analysis of business areas, products and services, their priority business processes, optimization of organizational and operational structures, as well as cost structure, quality of business processes, developed proposals to stimulate the work of structural divisions and employees based on indicators of customer satisfaction (NPS, CSI) and key performance indicators of employees (KPI).

As part of the measures taken to transform the Bank's activities, a number of changes were made to the organizational structure of the bank. In particular, 2 qualified foreign consultants were attracted, the Department for the Development of Retail Business and E-Commerce was created, due to the fact that from 2020 the Bank will be classified as a large taxpayer, in connection with the centralized implementation of tax reporting and tax payments in the branches, the staff units of internal accounting department and deputy chief accountant of the Bank have been reduced. In order to improve the quality of customer service, an own Contact Center was created instead of an outsourcing Call Center.

Also, in order to implement the initiatives of the "Program of measures to optimize and improve the retail activities of the Bank", approved by the decision of the Bank's Supervisory Board on February 28, 2020 No. K-5, the Project office, together with attracted foreign consultants, as an experiment, began work on the universalization of retail service processes in the Chilanzar branch.

Within the framework of this project, the Chilanzar branch introduced a service system through a universal manager and universal cashiers instead of the previous system of individual staffing for each type of retail service, optimized the service area of the branch to create favorable conditions for customer service, introduced an effective system for selling banking products, carried out work on expanding the range of remote banking services and popularizing them among clients, developed proposals for the implementation of an employee motivation system (KPI). The project implemented in the Chilanzar branch is planned to be implemented in other branches as well.

As part of the transformation of the Bank's activities in 2021, it is planned to carry out work in the following areas:

1. Improving the quality of services provided by the Bank and optimizing operating costs:

- completion of processes for the introduction of a new format based on uniform standards of customer service, separation of reception areas (reception), cash operations, self-service, waiting areas and universalization of front offices and the gradual transformation of the Bank's branches in Tashkent into a banking services center;
- Simplification and automation of banking operations, business processes and workflow based on system software and paperless technologies, including:

- full implementation of the Customer Relationship Management System (FB CRM) with the aim of attracting customers, servicing and retaining them in the bank, as well as expanding the possibilities of providing banking products, including the introduction of automated conveyor and scoring systems for lending to individuals and small businesses;
- widespread use of biometric technologies in the process of identification, lending, making payments and providing cash services to customers, in particular, the ability to identify customers through mobile applications or other self-service equipment, perform operations using fingerprints and face control;
- Transfer of operations to paperless technologies, in particular, the introduction of tablet solutions, identification cameras, QR codes, passport or ID card readers and other software.

2. Expansion of the range of modern customer-oriented banking services of the Bank for a wide range of population, widespread introduction of information and digital technologies, development of remote systems and self-service systems and systematic work aimed at attracting customers.

- development of the digital bank platform “FB DIGITAL BANK”, which includes updated versions of the MyAlliance mobile banking application and Internet banking, e-wallet, market programs and customer welfare programs, as well as other attractive areas for expanding the range of digital banking services, increasing the speed and quality of services;
- improving the infrastructure and functions of cashless payments, expanding the Bank’s agent network, increasing the level of technical equipment, expanding the network of POS terminals (acquiring), ATMs, ADM devices, payment terminals, kiosks, contactless payments and other payment system tools;
- introduction and expansion of investment consulting, factoring, project financing, leasing and other attractive banking services;
- increasing the volume and quality of services provided to small and medium-sized businesses by simplifying business processes, standardizing and widespread use of information and communication technologies;
- implementation of the Islamic finance system within the framework of the Islamic Window project, implemented jointly with the Islamic Corporation for the Development of the Private Sector;
- carrying out comprehensive marketing research and segmentation work aimed at attracting customers, expanding the range of banking services, developing co-branding and other attractive programs in various forms and content, establishing cooperation with insurance companies;
- carrying out an active marketing policy aimed at popularizing mobile banking services among the population (introducing a system that includes bonus points, cash back, variable and attractive rates and rates, various promotions);
- complete revision of rates for bank offices and remote services, encouraging customers to use remote service systems and self-service equipment.

3. Simplification of the internal rules governing the processes of banking operations, including the simplification of the forms of documents, including contracts and everyday documents used in banking operations, the widespread use of paperless technologies and public offers based on biometrics, the introduction of documents in electronic form, the introduction of electronic confirmation mechanisms and electronic verification of transactions.

4. Further improvement of accounting and management in the banking system by creating a management accounting system and ensuring full compliance of financial statements with International Financial Reporting Standards (IFRS):

- development of the concept of the Bank's management accounting system (management accounting) and the creation of a management reporting system;
- development of guidelines, templates and forms for transforming bank reports into international financial reporting standards;
- ensuring the preparation of reports on the Bank's supervision in an automated and centralized manner in the ORACLE BI system and submitted to the relevant authorities;
- development of reporting forms, diagrams and dashboards aimed at introducing a highly effective mechanism for analyzing management reporting.

5. Development and expansion of the IT infrastructure of the Bank and its branches:

- creation of technological conditions to ensure uninterrupted operation of the Bank, including updating the fleet of necessary equipment, purchasing and installing server equipment;
- improvement and optimization of business processes in the Bank through the creation of new software and ABS applications that determine the functionality, availability, potential, security, continuity of banking services, facilitating and accelerating the work of business processes;
- ensuring the implementation of work on the integration of information exchange with intersystem IABS, FB CRM, FB DIGITAL BANK and the Bank's Contact Center, the Electronic Queue System, payment systems and other external systems.
- improvement and replenishment of the corporate database of the Bank, improvement of analytical accounting and improvement of IABS subsystems in order to expand the capabilities of the ORACLE BI business intelligence software;
- implementation of software to improve electronic document management in the bank.

6. Improvement of the corporate governance system:

- development of (main) processes of structural divisions of the bank's management, management process, banking services and products; analysis by categories such as procurement or support processes;
- creation of a system of incentives and control of employees based on the concepts of the balanced scorecard (BSC), goals, key performance and objectives management (SMART), key performance indicators (KPI);

- implementation of the practice of studying the opinions and suggestions of employees through the creation of an electronic survey, a program of proposals and a database to identify problems and shortcomings in the organization of business processes, as well as other issues of daily activities in the bank;

- improvement of the information disclosure system, including the creation of a new version of the Bank's website, the implementation of the "Related Persons" subsystem of the IABS software package, as well as ensuring the timely and complete input of information into it in order to improve the process of keeping records of related parties and concluding transactions with them.

Credit Activity

In 2021, 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 2021, the volume of extension of credits is planned in the amount of 1 100 billion soums. The balance of credit portfolio (gross) as of the end of 2021 will amount to 2 060 billion soums. Correlation of credit portfolio (net) to total assets to be preserved at the level of 66% (as of January 1, 2022). The balance of reserves against of possible losses is planned in the amount of 30 billion soums or 1,5% of total volume of credit portfolio.

By the end of 2021, it is planned to increase the short-term loan (leasing) portfolio to 350 billion soums, and their share in the loan portfolio to increase to 17%.

<i>Indicators</i>	<i>Plan as of 01.01.2022, million soums</i>
Gross Balance of Credit Portfolio including	2 060 016
Short-term credits	350 400
Long-Term Credits and Leasing	1 709 600
Reserves of Possible Losses	30 001
Net Balance of Credit Portfolio,	2 030 016
Reserves of Possible Losses / Gross Credit Portfolio,	1,5%

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.

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 40% of total volume of credit portfolio of the Bank.

Along with the increase in the share of retail loans, a number of measures are being taken to simplify the process of consideration and distribution of these loans, as well as to reduce the human factor in these processes.

In particular, in the process of retail lending, a scoring system was introduced, based on the basic principles of the Fair Isaac and Co (FICO) international scoring model, in order to introduce effective mechanisms for making decisions on granting loans.

Appropriate changes have been made to the organizational structure of the bank to create an Underwriting Services Department in the Retail Lending Department, which is formed from highly qualified underwriting groups.

On the basis of the FB CRM system, together with the developers of credit software, flowcharts of business processes were developed for organizing credit processes based on automated paperless technologies, and the development of an automated credit conveyor

system was completed. Today the system has been launched at the Chilanzar branch and preliminary tests are underway. In 2021, this system will be launched in all branches.

To organize the sale of credit products in a standard form, a passport system of credit products and flowcharts of business processes for each type of credit have been created.

In order to prevent an increase in bad assets due to the coronavirus pandemic and to ensure that the level of clients' debt burden does not exceed the acceptable amount, the Bank did not impose penalties on overdue loans and provided a grace period for the principal loan amount of up to 6 months and unpaid interest was transferred to a special account "Deferred interest during a pandemic" and is collected in equal installments for a period of up to 6 (six) months.

In order to further improve the retail lending process, the following projects are planned to be implemented in 2021:

- introduction of software with biometric (Face ID) analysis to determine by underwriters whether a client has come to the bank, and software to prevent credit risks that may arise in the future;
- Implementation of appropriate software based on the experience of foreign banks in monitoring, repayment and management of outstanding loans (soft collection, hard collection);
- optimization of the existing scoring system and creation of a new scoring system for the statistical assessment of the likelihood of fraud of debtors (fraud-scoring) and their behavior (behavioral-scoring);
- Introducing online loan products and launching credit cards.

Investment and Emission Activity

The Bank considers investment activity as one of the promising areas. In recent years, the first steps have been taken to implement a long-term strategy for the development of the capital market in Uzbekistan. In particular, with the support of the European Bank for Reconstruction and Development, the Asian Development Bank and a number of other international experts, a draft strategy for the development of the capital market of Uzbekistan for 2020-2025 has been developed. One of the main objectives of this strategy is to increase the ratio of securities in free circulation to Uzbekistan's GDP from the current 1% to at least 10-15% by the end of 2025. A set of measures is envisaged to ensure a free market in the stock market by coordinating the laws and regulations of the stock market with the requirements of developing countries, creating an ecosystem of financial markets, developing corporate governance in societies and attracting free funds of the population to the stock market by increasing the financial literacy of the population.

Taking into account these positive changes, in 2021 the Bank will continue to monitor trends in the stock market of Uzbekistan in order to assess the ability to act as an investment intermediary, trustee of investment assets, investment consultant in the securities market.

In 2020, the conditions for issuing corporate bonds in the country were simplified, and limited liability companies also received the right to issue corporate bonds. In the future, it is expected that bonds will become an alternative source of bank loans to attract financing of the bond market, an attractive instrument for the population and investors to invest free funds. ASIA ALLIANCE BANK plans to provide underwriting services to corporate clients when issuing and placing bonds, based on its experience in the securities market. In 2021, the Bank will continue to work on the formation of a high-quality investment portfolio capable of providing a stable level of profitability with a minimum level of risk, while maintaining the load on the bank's capital at an optimal level.

In 2019, the Bank issued its first corporate bonds in the amount of 50 billion soums with a maturity of 7 years, bonds in the amount of 45 billion soums were successfully placed on the stock market among legal entities and individuals. The issue of these bonds is an exclusive project for the securities market of Uzbekistan in recent years, and this is another bold step for the Bank in shaping its credit history and strengthening its position in the capital market. The successful entry of ASIA ALLIANCE BANK into the capital markets and its reputation as a stable borrower testifies to the growing investor confidence in the Bank.

In 2021, the Bank's issuing activities will be aimed at strengthening the long-term resource base by issuing and selling debt and equity securities. The issue of securities will allow the Bank to expand and diversify the Bank's resources, as well as provide all the Bank's depositors with an alternative opportunity to place their free funds on attractive terms.

Treasury Operations

Today, the treasury function of commercial banks goes beyond the management of bank liquidity and operations in the interbank market, becoming an important process in the management of all financial relations, the structure of the bank's balance sheet and banking risks. Rising regulatory requirements, complex trends in financial markets further increase the role of the treasury in banks. The complex challenges and serious challenges facing treasury require widespread use of information technology to analyze data in the future, including the effective use of digital technology and artificial intelligence capabilities.

In this regard, the Bank is expanding cooperation with leading companies around the world as part of its long-term strategy. In particular, together with the REFINITIV company, the information and analytical terminal EIKON is widely used, which allows monitoring and analyzing trends in financial markets in real time. Also, all treasury operations in the local and international currency and money markets are carried out with partner banks through the trading system of the company REFINITIV "FX TRADING". This system allows to make transactions of any amount, reduce the cost of transactions, reduce the time to agree on transaction parameters, as well as receive rates and quotes in real time.

In accordance with the Decree of the President of the Republic of Uzbekistan dated November 18, 2019 PF-5877 "On improving monetary policy through a gradual transition to inflation targeting", on the basis of best foreign experience, the Central Bank has issued bonds, auctions, government securities and foreign currency-backed credit auctions and overnight loans, it is planned to gradually increase the role of derivatives (swaps, options and futures) and commercial banks in the formation of the exchange rate in the management of interest and foreign exchange risks.

These positive changes make it possible to further improve the Bank's efficiency, effectively manage the Bank's liquidity and introduce the best banking practices in the field of dealing operations. In particular, in order to further improve the efficiency of interaction with customers, the volume of transactions in real time through remote service channels (Internet and mobile banking) is increasing.

In order to create additional conveniences for corporate clients, the issue of keeping foreign trade contracts in Chinese yuan was considered. To this end, in cooperation with Bank of New York Mellon, work is underway to launch foreign currency payment services with automatic conversion. This service can be used by individuals through a mobile application, and by legal entities through remote access.

Cooperation with market participants is strengthened by establishing mutually beneficial relationships with banks that have high prestige and reliability in the interbank market. In accordance with the long-term development strategy of the bank in 2021, as part of deepening banking operations in the interbank money and foreign exchange market, the following activities will continue:

- expanding the volume and types of services by offering attractive banking services for customers in the field of deposit, conversion, transactions with banknotes and other services, as well as carrying out various marketing activities to increase customer interest in financial transactions;
- introduction of an online platform for the provision of conversion services, allowing corporate clients to transfer currency quotes and conduct transactions with them in real time;

- participation and cooperation in projects of various institutions of the financial market in the development of the infrastructure of the money and foreign exchange market;
- improving the process of dealing operations through the development of new modules in the integrated automated banking system, as well as expanding the capabilities of mobile applications for conducting foreign exchange transactions with individuals.

International Relations

In order to expand its international activities, the bank in 2020 took a number of measures to attract credit lines from international financial organizations, establish partnerships with foreign banks and increase the international credit rating of the bank.

In particular, in April 2020, ASIA ALLIANCE BANK and the Asian Development Bank (ADB) signed a cooperation agreement to support trade activities of small businesses and the private sector. As a result, a credit line of \$5 million was attracted under the ADB trade finance program.

In the process of cooperation with various foreign organizations, the authoritative international publication Global Finance for seven years in a row (2014, 2015, 2016, 2017, 2018, 2019 and 2020) named ASIA ALLIANCE BANK as the best bank in Uzbekistan in the nomination “The best bank in emerging markets in the Asia-Pacific region”. In addition, in 2020, the Asian Development Bank recognized the bank as the “Best bank of the year in small and medium business financing”.

At the same time, ASIA ALLIANCE BANK has carried out a number of activities in cooperation with the Islamic Corporation for the Development of the Private Sector (ISRPS) with the aim of introducing the Islamic Window. In 2021, within the framework of the project, it is planned to purchase and install software that allows to provide banking services in accordance with Sharia law, as well as staff training, the creation of infrastructure (separate premises in the head office and branches) and other organizational work. As a result, the country will introduce new banking services in accordance with Sharia law.

In order to attract and develop credit lines, work will be continued on establishing and expanding cooperation with international financial institutions (EBRD, KfW, ITFC).

In 2021, it is planned to establish correspondent relations and establish bilateral cooperation with Sberbank, one of the most influential banks in Russia.

Furthermore, work is performed by the Bank on cooperation with international rating agencies. Necessary measures are planned for 2021 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.

Servicing of Retail Clients

As the well-being of the population grows, their demand for new modern banking services increases. In these circumstances, strong competition between banks and fintech companies can be expected to gain a foothold in the retail banking market.

The Bank is working to improve the quality and convenience of customer service using modern information technologies.

In particular, a credit conveyor was developed that automates the process of receiving, processing and making decisions on retail loans and saves a lot of time spent on making decisions on one-time lending, and is currently being used as a pilot project in the Chilanzar branch. From 2021, it is planned to introduce this credit conveyor in all branches.

In addition, in order to expand the range of remote services, work is underway to implement the Digital Banking Platform project. With the help of this platform, users will be able to remotely become a full-fledged client of the bank and use banking services anywhere and at any time.

As part of the digital banking platform, it is planned to introduce online lending. Clients will be able to apply for retail loans such as microloans, overdrafts, credit cards, in a short time, without visiting a bank and, most importantly, at any time of the day.

As the well-being of the population grows, their demand for household appliances and consumer goods grows. Taking into account these needs of the population, from 2021, in cooperation with chains selling household appliances and consumer goods, the bank plans to introduce cards with the functions of installment payment and receiving “Cashback” on the card from the purchases made.

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.

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.

Implementation by the bank of work to increase the resource base, in turn, year after year ensures stable growth of deposits. Thus, according to the results of the III quarter, the total balance in the accounts of individuals amounted to 406.5 billion soums, while this indicator at the beginning of the year amounted to 234.6 billion soums (an increase of 171.9 billion soums or 73.3%).

Currently, the bank offers 20 types of fixed and savings deposits for the population, including 11 types of deposits in national currency and 9 types of deposits in foreign currency. Also, to create convenience, it is given the opportunity for bank’s customers to

remotely perform operations on term and savings deposits in national and foreign currencies through the use of the MyAlliance mobile application.

According to the results of the 3rd quarter of 2019 the total amount of fixed and savings deposits opened through MyAlliance mobile applications amounted to 27.6 billion soums, while this indicator at the beginning of the year amounted to 9.3 billion soums (an increase of 18.3 billion soums).

In order to increase the volume of deposits and create convenience for the bank's customers, work is underway with the developer of banking software to introduce a deposit product with universal conditions. Through this type of deposit, the bank's clients will be able to set the terms of the deposit in accordance with their wishes and desires.

To create convenience for the bank's customers, the service of remote receipt of funds in both national and foreign currencies was also introduced through the bank's mobile application using international money transfer systems (Zolotaya Korona, Asia-Express, Kontakt and Unistream), however, since this type of service is associated with the bank's working hours, weekends are inconvenient for clients. Currently, in order to improve the quality of service, the process of integrating the banking system and mobile application with international money transfer systems is underway. As a result of the integration, it will be possible to receive money transfers 24/7 through the bank's mobile application.

In 2021, the bank plans to carry out a large-scale redesign of the current mobile application so that it becomes an effective service channel, a sales channel and a tool for increasing loyalty at the same time. And finally, allow customers to manage all their financial products as conveniently and profitably as possible.

From the first quarter of 2021, in cooperation with PJSC "Sberbank" it is planned to launch a project to transfer money from card to card (Card2Card). This will create convenience for our clients at home and abroad, and will also allow you to quickly receive money transfers.

In addition, the marketplace, which is part of the Digital Banking Platform project, is one of the projects planned for next year. Within the framework of this project, the Bank will unite in one place several legal entities and individuals, and the Bank will also provide loans to individuals through the sale of goods.

It is envisaged to increase the number of the Bank's customers in 2021 through the use of tools such as a bonus system and cashback to increase the loyalty of the Bank's customers. In this case, bonuses are awarded by dividing customers into certain categories.

The bank was the first among commercial banks to introduce the provision of services to bank customers by using ADM. As a result of the introduction of ADM, such processes as the receipt, determination of authenticity, recounting, cash storage and online transfer of deposited amounts to legal entities' accounts were automated. The use of ADM technology by the bank allowed significantly reducing the time and financial costs of collection, maximizing the automation of document management, significantly increasing the security of cash storage, reducing the costs of the collection process (the ability to plan the number of collections) and crediting funds on the day of their collection online, which allowed entrepreneurs use revenue on the same day. Currently, the corresponding tests for filling in Visa cards through ADM are being completed.

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 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 2021, it is planned to expand self-service points by increasing the number of multi-functional ATMs (soum, currency, currency-exchange ATMs).

In 2021, 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.

In order to increase the profitability and self-sufficiency of retail services, it is planned to provide services through remote service channels and self-service points, thereby reducing operating costs. Work will continue on creating a management reporting system and introducing the practice of continuous assessment of retail activities to make operational management decisions aimed at increasing 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:

- the cost of each retail banking service / product;
- 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);
- indicators of customer satisfaction with banking services (loyalty index, brand acceptance);
- development of distribution channels (share of transactions through remote channels, etc.);
- employee productivity (figures per employee - the number of operations, loan agreements, etc.).

Branch network optimization and format improvement

Until 2020, the bank has focused on expanding its branch network. A network of branches has been created in Tashkent and in the regions of the country with high economic potential. In particular, 6 branches of the bank were opened in Tashkent and 4 in the regions, including Samarkand, Karshi, Bukhara and the last one in 2019 in Fergana. Thus, currently there are 10 branches (with an operational department) and 12 banking service centers and mini-banks in the banking system.

Based on the priority tasks set for the banking system in the Address of the President of the Republic of Uzbekistan to the Oliy Majlis dated January 24, 2020, starting from 2020, work has begun to optimize business processes in the bank's branches, revise and improve the format of branches and thereby increase their efficiency.

In particular, in order to widely use digital technologies in the banking system, modernize banking services, create an advanced model of banking infrastructure in a pilot mode, the reorganization of the Chilanzar branch of the bank into a banking services center was launched.

For the effective implementation of these tasks, first of all, an internal procedure for optimizing the bank's branches was developed and approved by the decision of the Management Board of the Bank on June 1, 2020 No. 43. Also, on the basis of the developed roadmap for the reorganization of the Chilanzar branch, the issue of reorganizing the Chilanzar branch into a banking services center was submitted for consideration to the Supervisory Board of the Bank and this issue was approved by the decision of the Supervisory Board on October 6, 2020 No. K-14.

Also, by the decision of the Banking Supervision Committee of the Central Bank of the Republic of Uzbekistan No. 266/1 dated November 4, 2020, it was allowed to reorganize the Chilanzar branch into the Banking Services Center in January 2021.

The following factors led to the reorganization of the Chilanzar branch into a banking services center as a pilot project.

Firstly, the experience of banking practice in developed countries shows that service processes are increasingly moving from traditional bank offices to a remote digital service platform or compact "smart" offices.

Likewise, an analysis of the current service processes in our bank shows that 98% of payments of corporate clients are made remotely through the Internet banking system, without the participation of bank employees, 25 devices for collecting cash online - ADM are installed, more than 200 ATMs are working irregularly, the number is constantly growing these devices and the volume of operations carried out with their help. As a result, the number of clients turning to bank employees is decreasing, and the demand for remote banking services is growing sharply. In this case, it is very wise to create a banking service center.

Secondly, the banking services center allows a high degree of optimization of business processes and operating costs due to its compactness. In particular, due to the reorganization of the Chilanzar branch into a banking services center, the number of employees can be reduced by 2 times. Also, a large building is not required to operate the banking services center. This, in turn, will significantly reduce construction costs, including taxes and depreciation, safety and all costs associated with using the building. According to

preliminary estimates, the reorganization of the Chilanzar branch into a banking services center will cut costs on average by half.

Thirdly, the Central Bank of the Republic of Uzbekistan introduced the concept of a banking services office and removed all restrictions imposed on previous mini-banks. In particular, the presence of a bank branch in the territory where the banking service center will be opened is not required, restrictions on the acceptance and storage of cash, including restrictions on certain types of services, have been lifted. Most importantly, they allowed the opening of banking service centers along with the storage of money. Also, permission from the Central Bank to open a banking services center is not required, only a notification. That is, the status of a banking services center was equated to the status of a branch.

This, in turn, will allow the bank to expand its client base in the future through compact offices covering different regions of the country (oblasts, districts). The most important thing is that the number of branches will be reduced due to a network of compact and modern banking services, which will make it possible to implement the project "One balance sheet - one client". As a result, the client becomes a full-fledged client of the bank, and not a client of a specific branch, and he can be served from any branch or branch of the bank.

Fourthly, the Chilanzar branch is a suitable branch for the successful implementation of the initial project to become a banking center due to its relatively young age (established in 2018) and small client base (less than 400 corporate clients).

After the completion of the reorganization of the Chilanzar branch into a banking services center, the rest of the bank's branches will be gradually reorganized into a banking services center based on this model, depending on their position in the region and the size of clients.

Along with this, a number of important work is being carried out to optimize the business processes of existing branches. In particular, the level of workload of structural divisions of all branches and the ratio of the number of employees to a given volume of workload have been studied. As a result of these studies and the correct distribution of the workload between employees, the number of employees in branches was optimized by an average of 20%.

In addition, due to the fact that from 2020 the bank belongs to the category of large taxpayers, due to the centralized implementation of tax reporting and tax payments in the branches, the staff units of the internal accounting department and the deputy chief accountant of the Bank have been reduced.

In order to improve the quality of customer service, the bank created its own Contact Center instead of an outsourcing Call Center. The creation of the Bank's Contact Center made it possible to connect it directly to the bank's automated system and provide customers with certain types of services.

Also, in order to ensure the provision of all types of banking services to customers through the infrastructure of the bank, in 2020 the status of a mini-bank operating in Tashkent was changed to a banking services center. From 2021, it is planned to reorganize mini-banks within the framework of regional branches, as well as to open a new format of modern compact banking services in Tashkent.

The volume of transactions through remote devices and self-service devices is growing. In particular, the number of self-service pavilions operating around the clock has reached 44, more than 200 ATMs, 25 automatic deposit machines (ADM) have been installed, the number of users of the MyAlliance bank mobile application has exceeded 40,000.

In 2021, the bank plans to carry out a lot of work to optimize the business processes of the Bank's branches, including the introduction of a service system through universal managers and universal cashiers, the introduction of an effective system for the sale of banking products, further expansion of remote service and self-service systems and, most importantly, the development and introduction of modern new branch formats.

Risk Management System

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:

- creation of an effective risk management system, as well as continuous improvement of activities on the basis of a unified standardized approach to methods and processes of risk management;
- ensuring the achievement of the strategic goals of the bank;
- ensuring the financial stability of the bank in the development process;
- ensuring the protection of the rights of shareholders, creditors and customers.

Risk management in the Bank is carried out in accordance with the Bank's Risk Management Policy approved by the Supervisory Board of the Bank.

The Risk Control Committee of the Bank implements the levels of risk appetite, the effectiveness of internal rules and other important measures for risk management.

The Management Board of the Bank implements the implementation of the risk management policy controls the effective organization of risk management, effective implementation of risk management by all organizational structures of the bank and other measures in accordance with the risk management policy of the Bank approved by the Supervisory Board 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.

As part of further improving the financial stability of the bank and improving risk management the tasks are planned for 2021 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. It is also planned to improve the internal regulation of the bank's risk management based on the recommendations of the Central Bank, the best world practices and the recommendations of the Basel Committee.

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 2021:

- implementation of the Islamic banking system. This system allows you to automate the process of building relationships with customers in order to improve the quality of service within the framework of Sharia law;
- implementation of a digital banking system. This system allows customers to automate the process of establishing relationships with them in order to improve the quality of service, online identification, round-the-clock opening of accounts and transactions without visiting the bank;
- introduction of a full-fledged Contact Center operating 24/7;
- creation of a full-fledged remote backup Center in a new building, with the aim of increasing the reliability of data storage and organizing the smooth operation of automated banking systems and information infrastructure;
- integration of the electronic queue system with the mobile application, which will allow customers to sign up for services in advance through mobile banking;
- through the Personal Account system, add the ability for clients - legal entities to choose their own banking service tariffs, as well as submit an application remotely and without visiting a bank and sign an agreement with the bank to activate the Internet banking service;
- sending a bank SWIFT transfer via the MyAlliance mobile application. This service will allow a client to carry out transactions on sending a cross-border bank transfer through the SWIFT system.

Improving the management system of bank employees

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 2021 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 in the center of training and development of bank personnel;
- 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;
- 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 2021.

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.

APPENDIX

Projected balance sheet of JSCB “ASIA ALLIANCE BANK” for 2021 (in million soums)

Indicators	Plan for 01.04.2021	Plan for 01.07.2021	Plan for 01.10.2021	Plan for 01.01.2022
ASSETS				
Cash	254 469	262 179	270 124	278 309
Due from CBU	243 267	250 763	258 492	266 324
Funds in banks	176 199	181 538	187 038	192 706
Trading securities	98 643	100 723	110 866	115 074
Loans and leases, net	1 923 362	2 026 579	2 105 457	2 148 569
Investments	2 658	2 658	2 658	4 658
Fixed assets and Intangible assets	161 111	191 052	221 424	246 159
Accrued interest and non-interest income	49 846	29 907	19 954	24 923
Other assets	45 782	47 169	47 598	61 118
TOTAL ASSETS	2 955 336	3 092 569	3 223 611	3 337 840
LIABILITIES				
Demand deposits	885 957	929 810	972 229	1 001 022
Time deposits	1 162 979	1 198 218	1 234 525	1 281 933
Funds of banks	27 595	28 431	29 292	30 580
Credit lines and other borrowings	429 977	443 006	456 429	475 259
Issued bonds	44 987	44 987	44 987	51 087
Other liabilities	47 179	58 563	66 958	58 667
TOTAL LIABILITIES	2 598 674	2 703 015	2 804 421	2 898 548
CAPITAL				
Registered share capital	186 776	186 776	186 776	186 776
TOTAL CAPITAL	356 662	389 553	419 190	439 292
TOTAL LIABILITIES AND CAPITAL	2 955 336	3 092 569	3 223 611	3 337 840

Projected profit and loss of JSCB “ASIA ALLIANCE BANK” for 2021 (in million soums)

Indicators	Plan for 01.04.2021	Plan for 01.07.2021	Plan for 01.10.2021	Plan for 01.01.2022
INTEREST INCOME	111 241	224 281	337 922	453 989
INTEREST EXPENSES	70 047	140 914	212 391	284 594
NET INTEREST INCOME	41 194	83 368	125 531	169 395
Credit loss assessment	8 816	12 316	16 952	20 058
NET INTEREST INCOME after credit loss assessment	32 378	71 051	108 579	149 337
NON-INTEREST INCOME	44 894	89 002	142 042	212 850
NON-INTEREST EXPENSES	16 153	34 120	52 881	74 573
NET NON-INTEREST INCOME	28 741	54 882	89 161	138 277
OPERATING EXPENSES	47 605	97 834	152 530	214 641
NET PROFIT BEFORE TAX	13 514	28 099	45 210	72 973
Non-credit loss assessment	112	225	337	450
Profit tax assessment	2 680	5 575	8 975	14 505
NET PROFIT (LOSS)	10 721	22 299	35 899	58 018
TOTAL INCOME	156 135	313 283	479 964	666 839
TOTAL EXPENCES	145 413	290 984	444 066	608 820