

**«ASIA ALLIANCE BANK»  
JOINT STOCK COMMERCIAL BANK**

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**BUSINESS PLAN**

**FOR DEVELOPMENT AND EXPANSION OF ACTIVITIES  
"ASIA ALLIANCE BANK" JOINT-STOCK COMMERCIAL BANK  
in 2024**



*APPROVED BY RESOLUTION OF THE SUPERVISORY BOARD, "ASIA ALLIANCE BANK" JSCB  
(Minutes No.K-58/1 dated December 05, 2023)*

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## **INTRODUCTION**

This Business Plan includes activities planned for implementation by ASIA ALLIANCE BANK in 2024, as well as the Bank's financial plan for 2024.

"ASIA ALLIANCE BANK", a Joint-stock commercial bank (hereinafter referred to as the Bank) was established in August 2009. The Bank's Head Office is located at 2A Mahtumkuly Street, Tashkent, 100047, Republic of Uzbekistan.

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

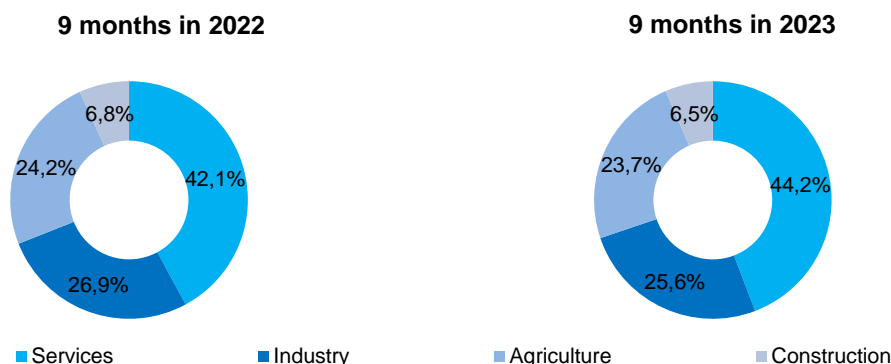
The international rating agency Moody's Investors Service assigned the Bank long-term and short-term deposit ratings in national and foreign currencies on a global scale of B2 with a forecast of "Stable", Counterparty Risk Assessment at the level of B1..

## ANALYSIS OF THE CURRENT SITUATION AND CHALLENGES FOR "ASIA ALLIANCE BANK" JSCB

### Macroeconomic trends

Over the nine months of 2023, the economy of Uzbekistan developed under the influence of continued pressure from the external situation that occurred in 2022-2023, as well as the unstable global market and geopolitical situation. According to the State Statistics Committee of the Republic of Uzbekistan, in January-September 2023, the gross domestic product (GDP) of the Republic of Uzbekistan at current prices amounted to 750.9 trillion. UZS (65 billion US dollars), its growth compared to January-September 2022 in real terms was 5.8%. A positive contribution to GDP growth was made by agriculture, forestry and fisheries - 0.9 percentage points, industry - 1.4 percentage points, construction - 0.4 percentage points. and service sector – 2.5 p.p. Due to the increase in net taxes on products, GDP increased by 0.6 percentage points.

### Uzbekistan GDP structure



*Based on data from the State Committee of the Republic of Uzbekistan on Statistics*

In January-September 2023, GDP per capita in current prices amounted to 20,577.6 thousand UZS (or, in equivalent, 1,789.5 US dollars) and, compared to January-September 2022, increased in real terms by 3.6%.

2023 is characterized by an acceleration of global inflation processes because of rising prices for food and fuel and energy products, as well as tightening monetary policy by leading central banks and an increase in key rates.

Over 9 months, inflation in Uzbekistan slowed to 9.2% compared to 12.2% in September 2022. Food inflation during the period under review slowed to 5.6% (for 9 months of 2022 - 10%). Prices for non-food products increased by 4.8% (7.9% for the same period in 2022), services - 4.7% (4.8%).

Based on the downward trend in inflation, as well as in order to prevent the negative impact of tight external financial conditions on domestic economic activity, in March 2023 the main rate of the Central Bank was reduced from 15% to 14%.

The foreign trade turnover of the republic at the end of 9 months of 2023 amounted to 44.8 billion US dollars and increased compared to the same period last year by 8.1 billion US dollars or 22.1%. Including, the export volume amounted to 17.7 billion US dollars (an increase of 23.5%), the volume of imports amounted to 27.0 billion US dollars (an increase of 21.2%).

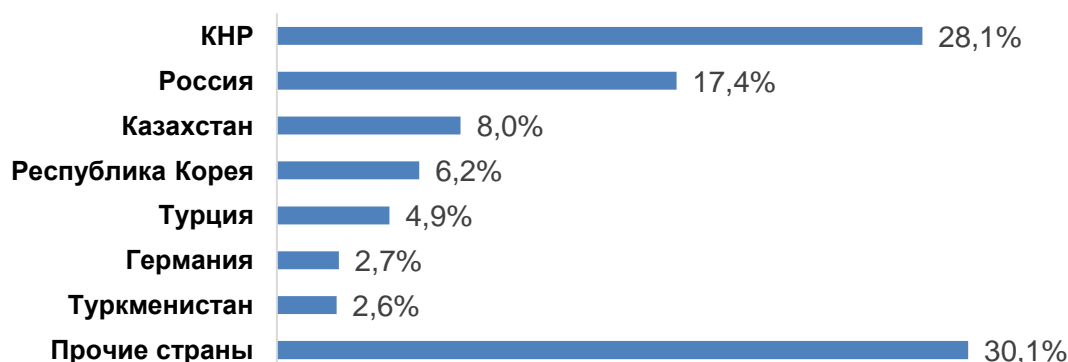
### Countries with the largest share in foreign trade with the Republic of Uzbekistan (for January-September 2023, million US dollars)

<b>PRC</b> <b>FTT – 9 454,9</b> Export: 1 855,5 Import: 7 599,5  21,1 %	<b>Russia</b> <b>FTT – 7 034,5</b> Export: 2 326,6 Import: 4 707,9  15,7 %	<b>Kazakhstan</b> <b>FTT – 3 229,8</b> Export: 1 067,0 Import: 2 162,8  7,2 %	<b>Turkey</b> <b>FTT – 2 350,5</b> Export: 1 016,4 Import: 1 334,1  5,3 %	<b>Republic of Korea</b> <b>FTT – 1 699,1</b> Export: 32,7 Import: 1 666,4  3,8 %
<b>Turkmenistan</b> <b>FTT – 830,3</b> Export: 129,4 Import: 700,9  1,9 %	<b>Germany</b> <b>FTT – 784,2</b> Export: 61,0 Import: 723,2  1,8 %	<b>Kyrgyzstan</b> <b>FTT – 753,8</b> Export: 537,4 Import: 216,3  1,7 %	<b>France</b> <b>FTT – 658,8</b> Export: 307,6 Import: 351,2  1,5 %	<b>Afghanistan</b> <b>FTT – 615,3</b> Export: 608,7 Import: 6,6  1,4 %

As a result of reforms aimed at increasing the export potential of the country, supporting exporters from the state and expanding the range of export products, the number of exporters reached 6,417, and the volume of exports of goods and services amounted to 12,101.9 million US dollars (in addition to non-monetary gold) and, compared to the same period in 2022, increased by 6.2%.

In the structure of exports, goods occupy 78.2%, of which industrial goods – 17.3%, food products and live animals – 7.3%, various finished products – 5.2%.

More than 2/3 of imports come from such large partner countries as China, Russia, Kazakhstan, Republic of Korea, Turkey, Germany and Turkmenistan:



The main share in its structure is occupied by machinery and transport equipment (38.2%), industrial goods (16.6%), as well as chemicals and similar products (13.3%).



For the nine months of 2023, the volume of remittances to Uzbekistan amounted to \$8.4 billion, which is 33.7% less than for the same period in 2022. The volume of international remittances in 2024 is projected to be higher than in 2023, taking into account devaluation expectations for the dynamics of the ruble next year, the flow of labor migrants and geopolitical changes among trading partners.

International reserves of the Republic of Uzbekistan as of October 1, 2023 amounted to 31.04 billion US dollars.

According to the preliminary conceptual draft of the main directions of monetary policy for 2024 and the period 2025-2026, which was published on the website of the Central Bank of the Republic of Uzbekistan in October 2023, the main directions of monetary policy cover measures of monetary policy response to changes in external and internal conditions in the coming years, measures to develop the operating mechanism, studies of relationships in the economy.

Taking into account the economic situation in foreign trade partners, high uncertainty in the commodity and financial markets, as well as the pace of implementation of structural reforms, the development and active continuation of structural reforms without significant changes in the current situation in foreign economic conditions in the coming years were identified as the conditions of the **main scenario**, and in as conditions for the **alternative scenario** - a further increase in uncertainty and the emergence of shocks in external conditions.

The implementation of the main scenario provides for the logical completion of structural reforms in the energy, transport, agriculture and water sectors, fiscal consolidation and reduction of the overall fiscal deficit in relation to 2023 indicators (from 5.5% of GDP in 2023 to 4% in 2024 and 3% in 2025-2026), a reduction in the state's share in the economy, rapid growth in private investment and exports of goods.

According to the updated forecasts under this scenario, the continued pressure on supply factors from changes in the external situation that occurred in 2022-2023 for a longer period of time, as well as the impact of some adjustments in regulated prices on overall inflation, creates the preconditions to expect the achievement of 5% constant inflation target in the second half of 2025.

Under the main macroeconomic development scenario in 2024, the projected inflation rate will be 8-9%. To ensure that inflation targets are achieved, monetary conditions will remain in a relatively tight phase in 2024.

According to forecast calculations of the Central Bank of the Republic of Uzbekistan, the volume of gross domestic product is projected at 5.0-5.7% in 2024, 5-6% in 2025 and 5.5-6.5% in 2026.

Under the **alternative scenario**, in contrast to the main one, it is assumed that there will be additional pressure on domestic prices due to the relatively unfavorable formation of external conditions, taking into account which a 9-10% inflation rate is predicted in 2024. In this case, achieving a permanent target will shift to a later period. Inflation in 2025 will be about 7-8%, and its reduction to 5% is predicted by the end of 2026.

## Banking sector of Uzbekistan

### Main indicators of the banking sector of Uzbekistan, billion UZS

Name of indicators	01.10.2022	01.10.2023	Growth, in %
<b>GDP*</b>	<b>638 338</b>	<b>750 926</b>	<b>-</b>
<b>Bank assets</b>	<b>539 990</b>	<b>615 802</b>	<b>14%</b>
Assets to GDP ratio, in%	85%	82%	
<b>Credit investments</b>	<b>362 933</b>	<b>451 610</b>	<b>24%</b>
Credit exposure to GDP ratio of, in%	57%	60%	
<b>Deposits</b>	<b>206 759</b>	<b>221 335</b>	<b>7%</b>
Deposits to GDP ratio, %	32%	29%	
<b>Capital</b>	<b>76 854</b>	<b>89 030</b>	<b>16%</b>
Capital to GDP ratio, %	12%	12%	
<b>Net profit</b>	<b>7 123</b>	<b>8 023</b>	<b>13%</b>
ROA	2,6%	2,4%	-0,2p.p.
ROE	12,9%	12,7%	-0,2p.p.
<b>Bank loan and deposit rates</b>			
Average interest rates on loans in national currency	22,3%	23,0%	-0,7p.p.
Average rates on loans in foreign currency	7,3%	9,1%	0,8p.p.
Average rates on household deposits in national currency	20,6%	21,1%	0,5p.p.
Average rates on household deposits in foreign currency	4,0%	4,9%	0,9p.p.
Average rates on deposits of legal entities in national currency	16,3%	16,8%	0,5p.p.
Average rates on deposits of legal entities in foreign currency	3,0%	4,2%	1,2p.p.

*Based on data from the State Committee of the Republic of Uzbekistan on Statistics and the statistical bulletin of the Central Bank of Uzbekistan*

Based on the results of 9 months of 2023, the main indicators of the banking sector showed stable growth rates. The total assets of banks in Uzbekistan increased by 14% relative to the results of the same period last year and, based on the results of 9 months of 2023, reached almost 751 trillion UZS

During 9 months of 2023, commercial banks issued loans totaling 183.9 trillion UZS, an increase compared to the same period last year amounted to 30%. During the compared period, the total loan portfolio of banks increased by 24% and as of October 1, 2023 reached up to 452 trillion UZS. According to the results of 9 months of 2023, the weighted average return on the bank loan portfolio in national currency was 23% (for 9 months of 2022 -22.3%), in foreign currency -9.1% (7.3%).

The deposit base of banks has expanded significantly, which increased by 7% relative to the results of the same period last year and as of October 1, 2023 amounted to 221 trillion UZS. The volume of household deposits increased by 39% and reached 83.6 trillion UZS. In the context of the policy of de-dollarization of the economy, there is an increase in the rate of attracting deposits in the national currency.

The total capital of banks increased by 16%, reaching 89 trillion UZS. The net profit of banks for 9 months of 2023 compared to the same period increased by 13% and exceeded 8 trillion UZS. At the same time, there is a deterioration in the performance indicators of banks, including the ROA indicator from 2.6% to 2.4%, the ROE indicator from 12.9% to 12.7%.

## Institutional characteristics of the banking sector

As of October 1, 2023, the total number of operating commercial banks registered by the Central Bank of the Republic of Uzbekistan was 35, including 10 banks with state participation and 25 private and other banks.

### Number of credit institutions and their structural divisions, units

Name of indicators	01.10.2022	01.10.2023
<b>Credit institutions, total*</b>	<b>190</b>	<b>204</b>
<i>including:</i>		
<b>commercial banks, including:</b>	<b>33</b>	<b>35</b>
Banks with government share	12	10
Other banks	21	25
<b>non-bank credit institutions, including:</b>	<b>157</b>	<b>169</b>
Microfinance organizations	77	84
Pawnshops	79	84
Mortgage refinancing organizations	1	1
<b>Branches of commercial banks, total</b>	<b>849</b>	<b>697</b>
<b>Banking service centers (mini-banks)</b>	<b>1 339</b>	<b>1 784</b>
<b>24-hour self-service points (24/7)</b>	<b>2 790</b>	<b>3 484</b>

*Based on data from the Central Bank's statistical bulletin*

The banking sector of Uzbekistan remains highly concentrated, in particular, 69% of all bank assets still belong to state-owned banks and 56% belong to 5 state owned banks (National Bank, Uzpromstroybank, Agrobank, Asakabank and Halq Bank). The deposit base of state-owned banks in relation to their loans is 35%. For comparison, in private banks this figure is over 83%. At the same time, deposits of individuals account for only 38% of the total volume of deposits in the banking system, which is about 11% of GDP.

Billion UZS	Assets		Loans		Capital		Deposits	
	Amount	Share,%	Amount	Share,%	Amount	Share,%	Amount	Share,%
<b>Total</b>	<b>615 802</b>	<b>100%</b>	<b>451 610</b>	<b>100%</b>	<b>89 030</b>	<b>100%</b>	<b>221 335</b>	<b>100%</b>
Government-owned bank	422 152	69%	324 035	72%	58 806	66%	114 881	52%
Private bank	193 650	31%	127 576	28%	30 224	34%	106 454	48%

*Based on data from the Central Bank's statistical bulletin*

The country is taking the necessary measures to reduce the state share in the banking sector by selling the state block of shares in banks to strategic investors with the appropriate experience and competencies. As part of the Strategy for reforming the Banking System of the Republic of Uzbekistan for 2020–2025, approved by No. UP-5992 Decree of the President of the Republic of Uzbekistan dated May 12, 2020, the state's share in the banking sector is planned to reduce to 40% in 2025, to increase the share of the private sector in the banking system from 18% to 60%.

In December 2022, an agreement was signed on the privatization of Ipoteka Bank, according to which the Hungarian OTP Bank acquires 100% of the shares of Ipoteka Bank owned by the Ministry of Finance of Uzbekistan (almost 97% of the total stake) in two stages.



The state share in Ipoteka Bank was sold for \$324 million. Because of the acquisition, OTP Group entered the Central Asian region and became the first foreign bank to take part in the privatization of the banking sector of Uzbekistan.

In July 2023, amendments to the privatization process of several state-owned banks were approved by the Decree of the President of the Republic of Uzbekistan. The government's focus in the near future will be on the sale of Uzpromstroybank, and by the end of 2024, it is planned to reduce the state stake in UzPSB to less than 50%. The time limits for privatization and public offering of shares of several other banks were postponed due to the complication of the entry of foreign investors into the markets of post-Soviet countries due to the geopolitical crisis, as well as low confidence of foreign investors, in particular:

- IPO of Qishloq Qurilish Bank is instructed to be completed by March 2024;
- IPO of Agrobank, Aloqabank, Microcreditbank, Halq Bank, NBU is required to be completed before January 1, 2025;
- deadline for the privatization of Asakabank is postponed to the end of 2025.

The previous deadlines for the sale of part of the stakes in the listed banks were designated by a presidential decree in March 2022, which provided for:

- by October 1, 2022 – initial public offering (IPO) of shares of Qishloq Qurilish Bank JSCB;
- by the end of 2022 - putting up for auction the state shares of Uzsanoatkurilishbank JSCB and JSCB Asakabank with the involvement of the International Finance Corporation, the European Bank for Reconstruction and Development, as well as the Asian Development Bank;
- by July 1, 2023 – organization of work on the public offering (IPO) on the stock exchange of shares of Halq Bank JSC, Microcreditbank JSCB, Aloqabank JSC, Agrobank JSCB, Uzmillobank JSC.

The “Strategy for Reforming the Banking System of the Republic of Uzbekistan for 2020–2025”, signed by the President on May 12, 2020, identified such priority tasks as creating the necessary conditions for the widespread introduction of modern information and communication technologies, automation of business processes of commercial banks and expansion remote banking services. Today, over 27 million people use remote banking services in Uzbekistan, 28 payment organizations specializing in providing digital financial services are registered, and the share of online payments in the country is rapidly increasing.

#### Information about bank plastic cards, terminals, ATMs, information kiosks and customers

Name of indicators	01.10.2022	01.10.2023	Growth, %
Number of bank plastic cards	31 820 600	41 359 507	30%
Number of payment terminals	432 269	429 182	-1%
Number of ATMs and information kiosks	19 318	24 036	24%
Amount of payments made through payment terminals, billion UZS	122 195	181 545	49%
Number of users of remote services, incl.	18 709 533	27 608 781	48%
<i>Number of legal entities and individual entrepreneurs</i>	27 608 781	39 335 648	42%
<i>Number of individuals</i>	1 128 684	1 311 418	16%

*Based on data from the Central Bank's statistical bulletin*

In modern conditions, the digital transformation of the banking sector is an integral part of the process for establishing a digital economy. As part of the “Digital Uzbekistan - 2030” strategy, the necessary measures have been taken to develop digital financial services, in particular, ensuring access to remote services for the wider population and improving their quality. Currently, there are 5 digital banks operating in the country (TBC Bank, Anor Bank, Uzum Bank, Smart Bank, Hayot Bank).

### Key indicators of the money and foreign exchange markets

Name of indicators	01.10.2022	01.10.2023
Basic rate	15%	14%
UZONIA rate	14%	14%
Volume of bonds issued by the Central Bank of Uzbekistan (billion UZS)	69 248	20 841
<i>Weighted average rate</i>	17%	16,5%
Volume of funds supplied by banks at Central Bank deposit auctions (billion UZS)	81 565	79 135
Volume of funds raised (billion UZS)	73 931	79 135
<i>Weighted average interest rate</i>	15%	14%
Overnight deposits placed by commercial banks with the Central Bank (billion UZS)	15 154	11 226
<i>Weighted average interest rate</i>	13%	12%
Interbank deposits in national currency (attraction)	99 774	258 313
<i>Weighted average interest rate</i>	16%	14%
Trading volume of foreign currencies on Uzbekistan Currency Exchange, million US dollars	14 218	18 284
<i>Purchase</i>	9585	14010
<i>Sales</i>	4632	4274
Weighted average exchange rate, USD/UZS	11003	11561
Volume of foreign currency purchased by commercial banks from individuals, million US dollars	8 969	6 476
Volume of foreign currency sold by commercial banks to individuals	8 932	6 826
Official exchange rate US dollar to UZS	11014	12156
Change for 9 months, UZS		1142
Change over 9 months, %		10,37%

*Based on data from the Central Bank's statistical bulletin*

The economic development of Uzbekistan in 2023 was shaped by tough global financial conditions, slowing global inflation and declining activity in most economies. The economic situation was also affected by significant fiscal incentives, increased investment activity, accelerated lending, and a significant decrease in the volume of remittances compared to the previous year.

Relatively tight monetary conditions remained in place at the start of 2023 in order to balance supply and demand in subsequent quarters. This, in turn, contributed to the formation of a positive level of interest rates in real terms in the money market and in the banking system.

Starting from February, there was a decrease in inflation expectations, and in March, the expectations of the population and entrepreneurs amounted to about 14-14.5%. This, in turn, made it possible to reduce the main rate by 1-percentage points in March of this year, while maintaining relatively tight monetary conditions.

Systematic work to improve the efficiency of monetary policy will continue, in particular, important measures will be taken to reduce the level of dollarization of the banking system, gradually reduce concessional lending operations, and switch to market interest rates.

Since the beginning of 2023, in the domestic currency market there has been a formation of higher demand dynamics compared to previous years, which was due to the expansion of the negative foreign trade balance, as well as an increase in the cost of debt servicing due to tightening external financial conditions.

The national currency exchange rate movements remained stable, but in July-August, there was a relatively high devaluation (4.2%) due to increased devaluation of the national currencies of the main trading partners and other internal factors. This process can be assessed as an adaptation of the UZS exchange rate to external changes. In general, the devaluation of the national currency in January-September amounted to 8.3% and formed at a level below the annual inflation index.

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## Main challenges for the bank

Studying the latest trends in the economic and operating environments, and analyzing the quantitative and qualitative parameters of the development of the Bank's activities allows us to identify the following challenges to ensuring the stable development of the Bank and increasing its competitive advantages in the market.

**The influence of external factors and changes in the political situation in the world.** Abrupt changes in global markets and the weakening of the world economy due to significant disruptions in trade relations and price shocks in the food and fuel markets create a high level of uncertainty and negatively affect the development prospects of Uzbekistan, in particular, a decrease in business confidence and increased uncertainty for investors, the level of income of the population and monetary translations. Against the backdrop of these trends and the tightening of the monetary policy of the Central Bank of Uzbekistan, business conditions are becoming more complicated, disruptions in trade relations may negatively affect the cash flows of bank customers under their foreign trade contracts, which may affect the bank's profitability level.

**Uzbekistan's strong external and fiscal reserves, moderate public debt and relatively high growth rates** will help counter negative macroeconomic consequences. Improving the operating environment creates some favorable conditions for organizing and doing business, ensuring positive growth rates in economic sectors and the banking market, increasing cash flows and the volume of customer transactions, and preventing various exchange rate and price shocks.

**In the parameters of qualitative characteristics of living conditions, there is an improvement in the indicators of population life expectancy and mortality rates.** These factors create opportunities to gradually expand the population's access to long-term credit products (auto and mortgage loans), expand financing for the supply of energy-saving technologies and cover relevant segments of the retail market through the introduction of new credit products in this area, and the development of cooperation with insurers in the field of health insurance.

Because of ongoing reforms in the field of education, **the number of private and foreign universities is noticeably increasing, which provides the population with access to secondary and higher education.** These factors create favorable conditions for the development of educational loans, the expansion of card products among students and university teachers, the development of recruiting and joint activities with universities in the field of training and retraining of specialists, as well as the implementation of measures to increase brand awareness through various programs in the field of increasing the financial literacy of the population.

**The predominance of state-owned banks in the financial sector** limits the bank's ability to attract customers and reach a wide segment of the market by providing relatively cheap loans. At the same time, the bank has the opportunity to attract customers through prompt and high-quality customer service.

**In the context of increased competition in the market, the active participation of international financial institutions** in the transformation program of state-owned banks and the expansion of their participation in the authorized capital of local banks, the emergence of such foreign players in the market as Tenge Bank (Kazakhstan), TBC (Georgia), OTP Bank (Hungary) stimulate the development and implementation of new technologies and new

approaches to doing business, and also require the Bank to take measures to improve financial stability, inject funds into the bank's capital, and also build an effective business model for the bank. It is expected that 2024 will be characterized by even greater activity among participants in the banking sector. Competition will be even tougher given the digitalization of many banks' businesses. More and more fintech companies will appear on the market, as well as new microfinance organizations, which will further create competition in the banking market.

In the context of liberalization of the banking services market, rapid development of technology, as well as under the influence of the pandemic, people's lifestyles and **the level of financial literacy of the population are rapidly changing**. Consequently, online banking services and the volume of electronic payments, alternative investment instruments and household savings are growing rapidly. These factors create favorable conditions for the development of the bank's business, increasing operational efficiency by expanding remote service channels and self-service points, expanding the bank's product line through the introduction of various capital market instruments and electronic money.

**Because of improving legislation in the field of freedom of religion, there is a tendency for believers to grow among the population**, which is reflected in their behavior in the area of preferences, including the use of financial services, as well as the need for Islamic banking products. These factors create favorable conditions for the development of the bank's business in the field of Islamic finance through the introduction of Islamic banking products and Islamic window networks.

**The rapid development of the global environmental, social and corporate governance (ESG) agenda as a key tool for attracting long-term financing and sustainable development.**

On 26 June 2023, the International Sustainability Standards Board (ISSB) issued the first set of standards IFRS S1 "General requirements for financial disclosures related to sustainable development" and the first thematic standard IFRS S2 "Climate change-related disclosures" which come into force on 1 January 2024 and apply to reports published in 2025.

Most companies in Central Asia and Uzbekistan have not yet begun to identify and assess the effect of climate risks on the financial health of their business and the sustainability of their development strategy. At the same time, for global investors, information about the impact of these risks on profits moves from the category of "desirable" to "necessary" when selecting projects for financing.

The new IFRS S1/S2 standards combine global best practices in financial and non-financial reporting into a single system of standards, thereby demonstrating the link between sustainable development, in particular climate change, and financial well-being.



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### Chronicle of the main events in the Bank's activities for 2023

January-March 2023	"ASIA ALLIANCE BANK" JSCB received an award from the Islamic Finance News (IFN) magazine for a successfully completed transaction with the Islamic Corporation for the Development of the Private Sector (ICPD) within the framework of the existing financing line. On March 16, a solemn ceremony took place in Dubai, UAE, at which ASIA ALLIANCE BANK was awarded the "Deal of the Year" award
May 2023	Memorandum of Understanding was signed between JSCB "ASIA ALLIANCE BANK" and the leading banking group of Georgia, Bank of Georgia. An agreement was signed to maintain a correspondent account, providing foreign investors with access to the market for securities issued by government institutions and private companies
May 2023	A Basic Credit Agreement for long-term financing was signed with the French-German financial group "ODDO BHF" in the amount of 25 million Euros, with the support of leading export credit agencies (ECAs) of the European Union
September 2023	The international rating agency Moody's Investors Service confirmed the long-term credit rating of ASIA ALLIANCE BANK at B2 with a stable outlook.
October 2023	At the UZCARD FORUM 2023, held at the InterContinental Tashkent hotel, ASIA ALLIANCE BANK received an award in the "Most Technological and Agile Bank" category.
November 2023	"ASIA ALLIANCE BANK" was recognized as "The Best SME Bank in Uzbekistan 2024" according to the international authoritative financial magazine Global Finance

## Market position of the Bank

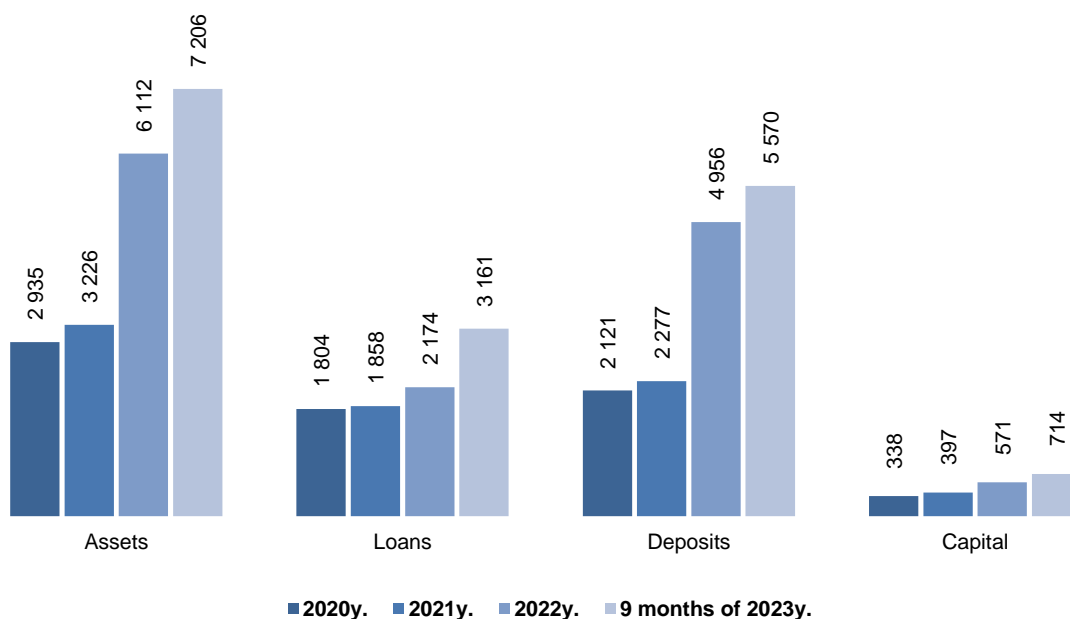
In 2023, the Bank continued work to further expand the scope of banking activities and ensure the comprehensive development of the banking business.

During 9 months of 2023, the Bank ensured positive dynamics in its main indicators. In particular, the Bank's assets increased by 18% and, as of October 1, 2023, exceeded 7.2 trillion UZS. The Bank's loan portfolio increased by 45% and amounted to 3.2 trillion UZS. The total capital of the Bank increased by 25% or amounted to 714 billion UZS; the net profit amounted to 143.5 billion UZS.

### Market position of "ASIA ALLIANCE BANK" JSCB

Indicators	As of 01.01.23		As of 01.10.23	
	billion UZS	bank position	billion UZS	bank position
Total assets	6 112	18	7 206	18
Loan portfolio (gross)	2 174	19	3 161	19
Customer deposits	4 956	17	5 570	17
Share capital	571	21	714	21
Net profit	202	14	143,5	15

### Dynamics of the Bank's main indicators (2012-2023), billion UZS



## Analysis of the competitive environment

According to an assessment of the level of competition in the banking sector of the Republic of Uzbekistan, conducted in May 2023 by experts from the Institute of Macroeconomics and Regional Studies using a calculated concentration indicator based on the Herfindahl-Hirschman Index (HHI), the level of concentration in the market is decreasing and competition in the banking market is increasing. In recent years, with the arrival of new players (OTP, TBC, Uzum, Anorbank, Hayot Bank, Smart Bank), competition in the retail and SME segments among private banks has increased sharply. In the future, as part of the privatization program, new players are also expected to enter the banking market.

The measures taken to reduce government participation and attract the private sector and foreign investors will help improve competitive conditions and further develop the country's banking sector. In particular, the adopted Presidential Resolution "On additional measures to increase the role and share of microfinance services in the development of business activities" opens up wide opportunities for non-bank credit institutions.

### Analysis of performance indicators (01.10.2023)

Banks	Assets	Capital	Loans	Securities portfolio	Net profit	ROA	ROE
ASIA ALLIANCE BANK	7 206 (5)	714 (6)	3 161 (6)	740 (3)	143,5 (6)	2,9%	29,8%
<b>COMPETITOR BANKS</b>							
IPAK YULI BANK	15 328	2 598	10 630	936	587	5,5%	33,7%
ORIENT FINANS BANK	11 191	2 095	7 547	0	452	5,4%	31,8%
INFINBANK	8 936	1 113	6 197	0	183	3,0%	24,0%
TRUST BANK	8 741	2155	4 837	1023	595	9,4%	42,0%
DAVR BANK	5 645	939	4 474	545	303	8,5%	51,4%
<b>Total average bank</b>	<b>9 508</b>	<b>1602</b>	<b>6 141</b>	<b>541</b>	<b>377</b>	<b>5,8%</b>	<b>35,5%</b>

*Based on data from the rating agency "Ahbor-Reyting"*

Against the backdrop of rapid growth in active operations due to the lack of external capital injection, the Bank experienced great pressure on capital adequacy indicators and was forced to maintain the growth of performance indicators within the limits of earned profit, while most of its competitor banks had high growth rates due to external injection of funds into their capital. Consequently, the bank's management took all reasonable measures to maintain stable operations and high quality of service, preserve a high-quality customer base and the bank's reputation in the local and foreign markets.

In the coming year, competition in the market will undoubtedly intensify, and the Bank needs to take measures to maintain competitive advantages and strives to build relationships with customers at a qualitatively new level, paying great attention to the introduction of modern technologies and innovations, the development of remote service channels and the optimization of business processes.

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## **Main directions of development of the bank's activities**

In 2024, the Bank's activities will be aimed at achieving the following priority tasks assigned to the Bank:

- strengthening competitive positions in the main segments of the banking market (attracting deposits and lending to legal entities, raising funds and lending to the population) and positioning among leading private banks in all key performance indicators;
- continuation of work in the field of transformation of banking activities, optimization of business processes and ensuring the implementation of processes with maximum automation, segmentation of the customer base, improvement of the risk management and compliance system;
- technological improvement through the introduction of a modern core banking system and Internet banking, further development and implementation of promising innovative technologies, improvement of banking infrastructure, development of electronic sales channels;
- increasing the investment attractiveness of the Bank through the implementation of measures to improve the quality of the Bank's assets, the introduction of advanced risk management methods, as well as strengthening the Bank's market position;
- development of a lending program for small businesses and entrepreneurship;
- expansion of the retail loan portfolio through the massive promotion of such retail loan products as: car loans, microloans, consumer loans, mortgage loans, credit cards and overdrafts;
- the bank's policy in relation to the product line will be aimed at creating a complex of banking services, as well as at actively developing target market segments, which will increase brand awareness and ensure the profitability of the product line;
- expansion of banking services and sales channels, standardization of banking products and improvement of the quality of customer service, introduction of systems of indicators for the quality of business processes;
- expansion of the bank's intermediary activities in the field of purchase and sale of government securities, development of market maker activities to maintain the secondary market, as well as expansion of sources of income;
- development of cooperation with international financial institutions and foreign banks. The main tasks of the bank in this direction will continue to be the development and deepening of cooperation in the field of trade finance, lending to small businesses, the introduction of new financial instruments, including derivatives, which allow effectively managing market and other risks;
- improving the knowledge and skills of Bank employees, increasing productivity and encouraging work based on employee performance indicators.

## Lending activities

As of 10/01/2023, the volume of the Bank's loan portfolio before deduction of credit reserves (gross) amounted to 3 trillion. 161 billion UZS, including loans in foreign currency 1 trillion. 147 billion UZS (36%).

The total volume of allocated loans for 9 months of 2023 amounted to 2,380 billion UZS, including by type of customer:

- legal entities – 1,676 billion UZS;
- individuals – 704 billion UZS.

In 2024, work will continue to increase the volume of the bank's loan portfolio by financing real economy projects and lending to the population. Taking into account the forecast of capital adequacy indicators, in 2024 the forecast volume of loan issuance is planned at more than 4 trillion UZS. The projected balance of the loan portfolio (net) at the end of 2024 will be **5,063 billion UZS**. The ratio of the loan portfolio (net) to total assets will be formed at the level of 46% (as of January 1, 2025). The balance of reserves for loans and leasing is planned in the amount of 126.6 billion UZS or 2.5% of the total loan portfolio.

### Key indicators of the Bank's lending activities, billion UZS

Key indicators	01.10.2023 (fact)	01.01.2024 (expect)	Forecast on 01.01.2025	Change, (to expect)%
Loan portfolio (gross)	3 161	3 553	5 063	12%
Created reserves against losses	2 176	2 446	3 268	12%
Loan portfolio (net)	985	1 107	1 795	12%
Volume of loans issued	2 380	2 700	4 080	13%
Average interest rate on loans	17,3%	17,4%	18,0%	0,1 п.п.
Reservation level, %	1,6%	1,6%	1,6%	-
Share of retail loans, %	31,0%	31,5%	35,0%	0,5 п.п.
Share of 5 large loans, %	11%	11%	10%	-

In order to expand the bank's credit line, as well as improve the quality of customer service, 9 types of modular lending were introduced in 2022-2023, providing for standard lending conditions and prompt consideration and approval of customer loan applications from branches. The total volume of modular loans issued in the reporting period amounted to 114 billion UZS.

In 2023, the volume of issuing short-term loans is planned for a total amount of 500 billion UZS, increasing their share in the loan portfolio to 10%, the volume of issuing long-term loans is planned to be 3,580 billion UZS and increasing their share in the portfolio to 90%.

The expansion of the loan portfolio is planned to be achieved through financing projects in promising sectors of the economy, including financing projects through credit lines from international financial institutions in the amount of 112 billion UZS, issuing modular loans to small businesses and private entrepreneurship in the amount of 600 billion UZS, as well as expanding the volume of retail credit products.



### Loan portfolio indicators by economic sectors

Main indicators	01.01.2024 (expect)	01.01.2025 (forecast)	Change, (to expect)%
	Structure %.		
Services	20%	21%	1 п.п.
Trade and public catering	17%	16%	-1 п.п.
Industry	12%	13%	1 п.п.
Agriculture	8%	7%	-1 п.п.
Construction	6%	5%	-1 п.п.
Transport and communications	5%	3%	-2 п.п.
Other (individuals, housing and communal services)	32%	35%	3 п.п.
<b>Total portfolio (gross)</b>	<b>100%</b>	<b>100%</b>	

Within 9 months of this year, retail and corporate credit products were introduced. In order to expand coverage of various market segments, opportunities have been created to provide loans to individuals who have stable sources of income without providing a salary certificate.

As part of the bank's lending business development program, in 2024 work will be carried out to expand the product line, improve the scoring model and improve the quality of loans. In addition, in 2024, it is planned to launch new online loans as part of a mobile application for individuals and in Internet banking for legal entities.

Work will also continue to optimize business processes for lending to small businesses and individual entrepreneurs, in particular, electronic data exchange between the bank and the State Tax Committee, the State Register of Credit Information, and credit bureaus.

In 2024, the implementation of the Collection system will be continued, providing for the systematization and unification of the processes of post-credit servicing of borrowers and collection of credit debt based on best banking practices and principles (pre, soft, hard, legal).

### Structure of the loan portfolio by type of collateral

Main indicators	01.01.2024 (expect)	01.01.2025 (forecast)	Change, (to expect)%
	Share %.		
Insurance policies	33%	33%	-
Commercial real estate	32%	31%	-1 п.п.
Vehicles	15%	17%	2 п.п.
Equipment	5%	4%	-1 п.п.
Third party guarantees	9%	8%	-1 п.п.
Residential real estate	4%	6%	-2 п.п.
Deposits	0,6%	0,5%	-0,1 п.п.
Other types of security	0,5%	0,5%	-
<b>Total</b>	<b>100%</b>	<b>100%</b>	

As of 10/01/2023, overdue loans (principal and interest) amounted to 51.7 billion UZS, loans in court proceedings - 12.7 billion UZS, and the bank's balance sheet includes restructured loans in the amount 422 million UZS. In terms of the quality level of the loan portfolio, the share of loans classified as "standard" loans in the Bank's loan portfolio amounted

to 2,917 billion UZS or 92.3% of loans, “substandard” loans amounted to 165 billion UZS (5.2%). Problem loans classified as “unsatisfactory”, “doubtful” and “bad” loans (NPL) amounted to 78.9 billion UZS or 2.5% of the Bank’s loan portfolio. The amount of net created (accumulated) loan reserves amounted to 49.8 billion UZS or 1.6% of the portfolio. In 2024, the level of overdue loans is planned to be 1.6%, the amount of net accumulated reserves is 79.7 billion UZS.

For 9 months of 2023, the amount of interest income received from lending activities amounted to 352.6 billion UZS, which increased by 20% compared to the previous year. At the same time, the weighted average rate of the loan portfolio as of the reporting date was 17.3% per annum, including 22.2% for loans in national currency and 8.7% for loans in foreign currency.

Based on the current situation in the monetary market, as well as in order to ensure the required level of the Bank’s net interest margin, in 2024 the weighted average rate for issuing loans is planned to be 18% per annum, including for loans in national currency 23.8% and in foreign currency 10 %. The bank will increase the volume of lending to SMEs by issuing modular loans with high margins (28%-30% per annum).

The Bank will take measures to ensure adequate diversification of the Bank's loan portfolio. As part of the expansion of retail lending, the Bank plans to increase its retail loan portfolio to 35% (1,795 billion UZS) from the total volume of the Bank’s loan portfolio.

### **Investment and issuance activities of the Bank**

The Bank considers investment activity as one of the promising areas. By No.UP-158 Decree of the President of the Republic of Uzbekistan dated September 11, 2023 “Regarding “Uzbekistan – 2030’ strategy”, a program was adopted to ensure the well-being of the population through sustainable economic growth, which included, among other things:

- bringing the volume of the market for publicly traded securities to \$8 billion;
- doubling the volume of portfolio investments by establishing the activities of mutual and venture funds;
- inclusion of shares of 40 enterprises with state participation in the “Halq IPO”, introduction of mechanisms to encourage the population to participate in IPOs;
- creation of infrastructure for the participation of foreign nominal depositors and custodian banks in the local capital market.

In addition, within the framework of No.PP-291 Decree of the President of the Republic of Uzbekistan dated 09/02/2023 “Regarding additional measures for the development of the capital market”, the following activities are planned:

- from January 1, 2025, unified accounting of government and corporate securities shall be maintained at Central Securities Depository JSC;
- providing citizens with the right to send voluntary funded pension contributions to purchase securities on the local stock market;
- income of individuals and legal entities - residents and non-residents of the Republic of Uzbekistan, received in the form of accrued interest on bonds of business companies, are exempt from personal income tax and corporate income tax until December 31, 2028;

– by July 31, 2024, opening direct accounts in national and foreign currency with the Central Bank for the purpose of conducting cash settlements on government securities in accordance with applications from recognized foreign nominee holders (Clearstream, Euroclear) and custodian banks.

Taking into account the above-expected positive changes, in 2024 the Bank will continue to monitor trends in the capital market of Uzbekistan in order to assess its ability to act as an investment intermediary, trustee of investment assets, and investment consultant in the securities market.

In 2024, the Bank's issuing activities will be aimed at strengthening the long-term resource and capital base through the issue and sale of debt securities. The issue of securities will allow the Bank to expand and diversify its resources, and will provide all depositors and investors of the Bank with an alternative opportunity to place their available funds on attractive terms.

In order to improve capital adequacy indicators, in September 2023, the General Meeting of Shareholders decided to capitalize the bank's profits for a total amount of 156 billion UZS. In the future, work will continue to support capital from internal and external sources of injection.

### Operations in the interbank money and foreign exchange markets

Today the Bank is one of the active participants in the interbank market, and carries out operations to attract and place interbank deposits in national and foreign currencies, currency swaps, forex transactions, etc.

Cooperation has been established with all banks of the Republic of Uzbekistan, and general agreements have been signed with local and foreign counterparty banks in the field of placement and borrowing, as well as conducting forex transactions in the interbank market. Operations on the interbank market are carried out with partner banks through REFINITIV trading terminals, terminals of partner banks and Uzbekistan Foreign Exchange.

In order to maintain a sufficient level of liquidity in national and foreign currencies, the Bank regularly carried out transactions to place and attract interbank deposits, and actively participated in the over-the-counter foreign exchange market.

#### Transactions on the money and foreign exchange markets, in millions of US dollars.

Indicators	01.10.2023		01.01.2024 (expect)		01.01.2025 (forecast)	
	Amount	Number of transactions	Amount	Number of transactions	Amount	Number of transactions
<b>Interbank transactions</b>						
<i>in national currency, in billion UZS</i>	5 776	111	7 701	148	9 626	185
<i>in foreign currency</i>	271	55	361	73	452	92
<b>Placement of deposits with the Central Bank (overnight), in billion UZS</b>	790	7	1053	9	1317	12
<b>Conversion at Uzbekistan Foreign Exchange</b>	644	273	859	364	1073	455

<b>Conversion of foreign currency for national currencies (local banks)</b>	741	210	988	280	1235	350
<b>Forex transactions</b>	574	1 168	765	1 557	957	1 947

The Bank actively carries out operations in the primary and secondary markets of government securities (GS) as an investor and dealer. It should be noted that in November 2022, at a session dedicated to the development of the money market and capital market, held within the framework of the International Economic Forum in the city of Samarkand, a “Primary Dealer Agreement” was signed between the Bank, the Ministry of Finance, and the Central Bank. Obtaining the status of a primary authority for the purchase and sale of government securities, along with large state-owned banks, opened up the opportunity for the Bank to expand sources of both interest income and non-interest income, as well as the opportunity to receive incentive remuneration for the volume of transactions with government securities, which provides for their targeted use for infrastructure development, increase qualifications and incentives for workers directly involved in this process.

The total book value of the government securities portfolio as of 10/01/2023 amounted to 739.8 billion UZS. During the reporting period, transactions were carried out for the purchase of government securities for investors for a total amount of 1,095.7 billion UZS, and transactions for the sale of government securities were also carried out for a total amount of 3,314.2 billion UZS.

In order to effectively manage liquidity, the Bank concludes repo transactions with government securities on a special platform of the Central Bank and on the Uzbekistan Foreign Exchange platform (inter-dealer REPO). Thus, over the 9 months of 2023, “repo sale” transactions amounted to 5,836.3 billion UZS, and “REPO purchase” transactions amounted to 88.4 billion UZS.

Taking into account the increased requirements for liquidity and capital adequacy indicators, the Bank will continue to increase its portfolio of government securities. In 2024, it is planned to increase the volume of purchase and sale and maintain the volume of government securities more than 1,290 billion UZS, which will ensure the optimal structure of the Bank’s liquid and profitable assets.

The bank has successful experience in financial markets, where it has formed a team with good knowledge and understanding of operations in financial markets, as well as corporate legislation. Work has been organized to monitor trends and changes in market conditions with the formation of extensive analytical and management data, extensive accumulated experience in issuing and placing its own securities, in particular, since the formation of the bank, 14 issues of bank shares have been organized, as well as 6 issues of certificates of deposit and the debut issue of subordinated bonds.

Taking into account internal and external economic conditions, prospects for the development of financial markets of Uzbekistan, expansion of the list of financial instruments, the Bank will implement consistent work in the field of operations in the money and foreign exchange markets, as well as the capital market, including:

- work will continue to optimize business processes for ongoing operations of the Treasury Department through their automation and unification, integration with Internet banking systems, mobile applications and external platforms (Refinitiv, Bloomberg, Uzbekistan Stock Exchange, Uzbekistan Foreign Exchange, Depository);

- expanding the number of partner banks to maintain liquidity in foreign currency and obtain a flow of favorable quotes;
- improving the risk management system and open currency position based on modern technologies and approaches;
- improvement of the methodological base in the field of managing assets and liabilities of the balance sheet, interest and currency risks;
- introduction and use of various financial instruments, including forwards, futures and other hedging instruments;
- expansion of the bank's intermediary activities in the field of purchase and sale of government securities, development of market maker activities to maintain the secondary market, as well as expansion of sources of income;
- optimization of the structure of risky assets and efficient use of capital through the purchase of Eurobonds and other low-risk instruments;
- development of the treasury product range by expanding investment instruments: the possibility of introducing trading with precious metals, including instruments of impersonal metal accounts, instruments of Islamic finance and cryptocurrencies;
- development of a proposal for transfer pricing through the preparation of calculations and approaches of the treasury for the cost of resources, net interest margin, allocation of resources;
- regular training of specialists in the field of treasury, futures and derivative instruments.



### **International activity**

During 2023, work continued to expand the Bank's foreign economic activities. In particular, the network of correspondent banks expanded due to the establishment of correspondent relations with Eurasian Bank JSC (Kazakhstan), and an agreement was reached with ITFC to allocate the bank a second line of financing for trade finance in the amount 10 million US dollars. Considering the steady global trend towards the introduction of ESG principles, which may subsequently be established as mandatory, on March 23, 2023, ASIA ALLIANCE BANK entered into an agreement with RBI AG for the provision of services for training bank employees in ESG principles, as well as writing internal policies for our bank.

In order to expand the scope of the Bank's activities, as well as develop relations with international financial institutions and foreign banks, the Bank will implement the following measures in 2024:

- expanding the networks of partner banks, opening a correspondent account in yuan in China construction Bank (London branch) and attracting lines from international companies.
- consolidation and further development of the positive image of the Bank as a reputable, customer-oriented and reliable banking institution;
- carrying out targeted work to improve the Bank's internal and international ratings, as well as participation in national and international banking exhibitions and conferences;
- exploring the possibility of participating in projects to support energy efficiency and renewable, alternative energy sources and clean technologies.

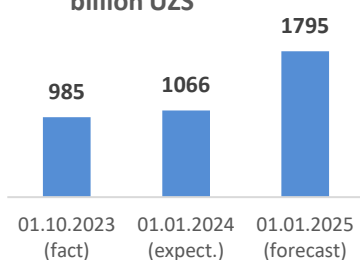
## Retail business

In recent years, the Bank has managed to achieve significant results in the retail services market. In particular, the range of retail services of the bank has been expanded and improved through the introduction of new types of services, improving the quality of service and creating new service channels. The share of retail business in the total volume of transactions is growing steadily. Thus, based on the results of 9 months of 2023, the share of the Bank's retail loan portfolio in the total loan portfolio was 31%, the share of retail deposits in the total deposit base was 28%, and the participation of retail operations in generating the Bank's income was 37%.

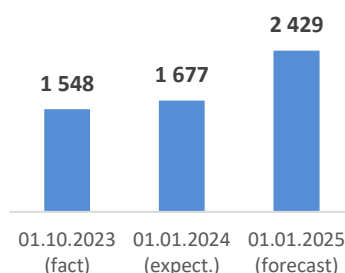
The measures taken as part of the transformation of the bank's business made it possible to expand the volume of operations and improve the quality of service. In particular, the introduction of our own scoring model and underwriting mechanism based on the credit pipeline, as well as the introduction of new types of deposits based on the deposit constructor, contributed to increasing the technological effectiveness of processes, expanding the lending potential and attracting customer deposits, as well as optimizing the bank's operating costs. Thus, during 9 months of 2023, the total number of loan applications processed through the loan pipeline amounted to 19,387. As of 10/01/2023, the share of online deposits in the total balance of retail deposits was 77% and the share of online conversion of individuals in the total volume of currency sales was 34% and currency purchases 16%

In addition, active work was carried out to increase the number of sales of bankcards, the total number of which increased by 66,045 during the reporting period. Balances on plastic cards of individuals increased by 38.5% and as of October 1, 2023 reached 578 billion UZS, the network of ATMs and information kiosks was expanded (more than 254), automated deposit machines (more than 25) and others were introduced.

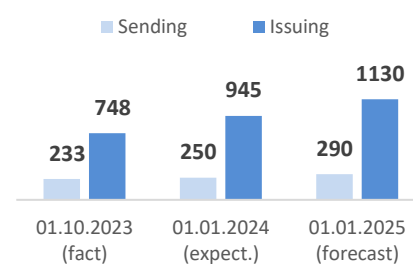
Track record of balances of individuals loan portfolios, billion UZS



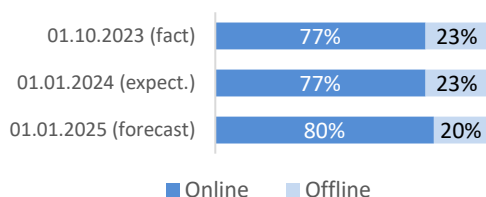
Track record of deposit balances, billion UZS



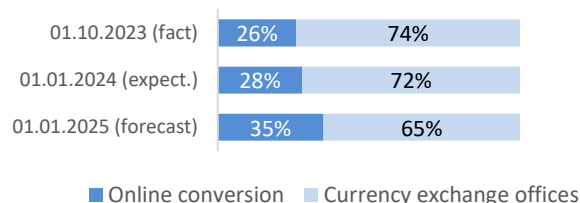
Comparative volume of remittances, billion UZS



Track record of fixed-term deposit balances by sales channels, %



Track record of foreign exchange transactions by sales channels, %



As the population's wealth grows, their demand for new retail banking services increases. Taking into account strong competition from banks and fintech companies, measures to develop the Bank's retail business should include a significant expansion of the volume of retail operations, a transition from offering individual banking products and services to the population to the formation of a comprehensive model of interaction with customers that will satisfy most of their needs in the financial services sector and serve a significant share of transactions, including:

- development of the product range and intensive development of all sales and service channels - the formation of a multifunctional customer service system and the widespread introduction of remote sales and service channels;
- building an effective cross-selling system, bundling products and using flexible pricing taking into account the level of risk;
- expansion of lending volumes to individuals, development and implementation of standard, popular retail loan products;
- organizing work to develop and expand sales channels for credit products through modern centers for comprehensive customer service;
- expansion of the long-term resource base by attracting credit lines, as well as issuing debt securities (certificates of deposit and corporate bonds);
- improving the quality management system for deposit services and ensuring the attractiveness of deposit products for the population, developing and expanding sales channels for deposit products through modern centers for comprehensive customer service, active use of the cross-sales mechanism;
- development of the card business (salary projects, VISA, Master Card, China Union Pay, etc.), in particular in the field of salary projects, providing for building up an effective customer base and expanding the tools for attracting new customers (marketing activity, development of a product line within the framework of salary projects), as well as deepening the relationship between retail and corporate banks when selling salary projects;
- introduction of Private Banking services, providing for the offer of additional services to VIP customers, in particular, consultations with a qualified financial specialist, round-the-clock telephone communication with a customer manager, and rental of an individual safe deposit box in the VIP zone, and others.

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## Corporate business

The development of customer service in the corporate segment and small businesses will remain a priority direction for the development of the Bank's activities in the coming year. The bank will continue its active customer policy in the corporate segment. Corporate business is the largest area for the Bank in terms of assets, generating the largest share of income. Active work to attract customers carried out in 2023 ensured a significant expansion of the bank's customer base. As of October 1 of this year. The bank serves over 14.8 thousand customers, business entities without forming a legal entity - over 4.6 thousand.

The main priority of working with legal entities for 2024 will be the implementation of a customer-oriented business model, which makes it possible to provide high quality, timely customer service while maintaining the profitability of banking operations at a sufficient level.

The main target category of corporate customers are large and medium-sized enterprises of private and state ownership, dynamically developing and having prospects for increasing the volume and range of operations. The basis for relationships with this category of customers will be the principle of comprehensive service, a combination of standard technologies for conducting operations with an individual approach. The implementation of such approaches will be carried out through the development of a system of customer managers with the assignment of a separate Bank specialist to the customer, performing the duties of a qualified consultant and manager.

Further development of the Bank's corporate segment will be focused on the following main areas:

- implementation of a customer-oriented business model based on the principle of comprehensive services and development of a system of customer managers;
- improving customer service by creating effective mechanisms for comprehensive cross-selling, optimizing business processes and actively introducing new innovative technologies, developing remote service channels, as well as expanding the product range;
- expanding the functionality and security of the Internet Banking system, in particular remote account management, adding options for selling deposit and other products, as well as creating access to the system from mobile devices;
- in the area of attracting free funds from corporate customers, the main focus will be on improving the quality of deposit services by introducing best global practices and innovative technologies, creating effective cross-selling mechanisms, implementing a flexible deposit policy taking into account market trends and the attractiveness of deposit products, expanding the product line with taking into account the individual needs of customers and creating new, including structured deposit products;
- creation of a good corporate customer base will contribute to the development of the Bank's investment intermediary services. The Bank will work on the development of such investment intermediary services as an investment consultant, underwriting services for the issue and placement of securities of corporate customers, brokerage and dealer services in the stock market;
- further development of the Bank's activities in the field of financing projects of large corporate customers, as well as small businesses and private entrepreneurship. In this direction, special attention should be paid to the implementation of measures to attract and utilize credit lines from international financial institutions, which will significantly expand the corporate customer base and many other advantages.

- ensuring the bank’s security of operations, minimizing risks, guaranteeing bank secrecy for all operations;
- organizing regular meetings of the bank’s management with the heads of the bank’s customer organizations throughout the year; – providing the bank with the opportunity to provide the customer with accompanying information about changes in legislation in the banking sector;
- control over compliance with customer service quality standards.

#### Main target parameters for the development of the corporate segment, in million UZS.

№	Indicators	01.10.2023	01.01.2024	01.01.2025	Change,
			(expect)	(forecast)	(to exp.%)
<b>1</b>	<b>Number of customers</b>	<b>15 674</b>	<b>16 134</b>	<b>20 168</b>	<b>25%</b>
	Corporate customers	11 005	11 255	14 069	25%
	Individual entrepreneurs	4 669	4 879	6 099	25%
<b>2</b>	<b>Customer loans</b>	<b>2 290</b>	<b>2 682</b>	<b>3 268</b>	<b>22%</b>
	Modular loans	114	131,1	196,7	50%
	Other loans	2 176	2 551	3 071	20%
<b>3</b>	<b>Customer deposits</b>	<b>4 023</b>	<b>5 140</b>	<b>6 294</b>	<b>22%</b>
	Demand deposits	1 736	2 218	2 717	22%
	Savings deposits	291	372	455	22%
	Fixed term deposits	1996	2550	3122	22%
<b>4</b>	<b>Interest income of customers</b>	<b>353</b>	<b>473</b>	<b>681</b>	<b>44%</b>
	For loans and leasing	353	473	681	44%
<b>5</b>	<b>Interest-free income of customer</b>	<b>91</b>	<b>110</b>	<b>160</b>	<b>45%</b>
	Commission income	91	110	160	45%

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## **Risk management system**

Risk management, being part of the corporate governance system, is aimed at ensuring the sustainable development of the Bank. For the coming year, the main risk management tasks are as follows:

- ensuring a common understanding of the Bank's risks by participants in the corporate risk management system;
- ensuring a continuous, consistent risk management process based on timely identification, assessment, control and monitoring to ensure achievement of set goals;
- setting limits, monitoring and control over the implementation of risk appetite within the established limits;
- assessment and forecast of the necessary internal resources of the bank to cover significant risks in the event of stressful events due to internal and external risk factors;
- increasing the efficiency of asset management of the Bank, including optimizing the risk/return ratio in all areas of activity;
- minimizing financial losses due to the realization of financial, operational and other risks to ensure the principle of continuity of the Bank's activities, including the safety of the Bank's equity capital; development of a risk culture in the bank for risk management;
- organizing work to develop new internal documents of the Bank regulating risk management;
- integration of the risk management system into the Bank's new automated banking system and implementation of work on the implementation of risk management software;

Risk management in the Bank will be carried out in accordance with the Bank's Risk Management Policy, approved by the Supervisory Board of the Bank. The policy defines the goals and objectives of risk management, the principles and organization of the risk management process, as well as the participants in the risk management process, their powers and responsibilities.

The Bank's Risk Supervision Committee will continue to implement an effective risk management system, manage risks within the framework of the approved risk appetite and other important risk prevention tasks.

The Bank's Management Board will continue to provide conditions for the effective implementation of the risk management system, organize the risk management process in the Bank, and determine the divisions responsible for risk management.

The Risk Supervision Committee will identify, assess, control and monitor risks on an ongoing basis; Stress testing is carried out quarterly for credit, interest rate, currency and liquidity risks; develop and implement early warning systems and triggers aimed at identifying approaches and violations of the Bank's risk appetite or risk limits.



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## Information Technology

The high pace of development of the banking sector, due to the liberalization of the country's economy, as well as large-scale transformation and changes in the business strategy of banks, creates the need to reconsider the further directions of development of the Bank's information technologies. In this regard, the Bank set a course for digital transformation and took the following steps:

- due to the outdated architecture, insufficient functionality, lack of flexibility and the difficulty of implementing modern banking products and solutions in a short time, the Bank decided to change the Automated Banking System, remote banking systems

- in order to reduce dependence on external partner banks, reduce the time required to issue effective and create unique card products, it was decided to organize our own processing based on the platform for supporting card issuance “Tieto Card Suite” based on the license previously acquired by the Bank.

- due to the need to increase the speed of customer service, it was decided to implement the ELMA365 business process modeling system. This system is designed to provide comprehensive support for the activities of the Contact Center, namely in terms of automating the work of specialists, creating a single integration window with service consumers by consolidating information from related systems, storing the history of interaction between Branch specialists and clients, as well as instant communication with clients via instant messengers and social networks: Telegram, WhatsApp, Viber, Instagram, etc. This system also includes an electronic document management system and, as a result, automation of work processes in the Bank and in branches, elimination of paper documents, correspondence between employees of the Bank and branches to speed up the processes of agreeing on tasks and documents, holding committees and meetings of the Management Board and the Supervisory Board, notification of deadlines, timely execution of tasks, as well as the use of an electronic digital signature;

- The bank is implementing the 1C: Accounting and 1C: Salary and HR management systems. The implementation of the project will automate:

- ✓ Personnel records - a unified information space for personnel records;
- ✓ Salary accounting - detailing at the request of the bank;
- ✓ Accounting for contracts for business activities;
- ✓ Accounting for goods and materials - warehouse accounting;
- ✓ Accounting for fixed assets and intangible assets – fixed assets and intangible assets
  - In order to reduce operational and reputational risks, it is planned to introduce compliance control functions in the new ABS system - providing expanded functions of general and sanctions compliance control compared to the current capabilities;

- Conducting SIT/UAT testing - involving experts in the QA project who will ensure the organization of the ABS acceptance testing process, management, training and control of the timing of its implementation.

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## **Improving the Bank's employee management system**

Personnel are the main asset and competitive advantage of the bank. The main goal of the personnel management system of "ASIA ALLIANCE BANK" JSCB is the effective management and development of the bank's intellectual capital, the formation and maintenance at an efficient level of a team of specialists capable of implementing the bank's strategy at optimal costs, creating conditions for the realization of professional ambitions of employees aimed at harmonizing personal goals and goals of the bank.

In 2024, in order to further develop the Bank's human resources potential, the following activities are planned:

- staffing the Head Office and branches of the Bank with both qualified specialists with experience in the banking sector and young graduates with potential for further development;
- organization of an internship program for university graduates, during which young specialists get acquainted with the management of the Bank and, subsequently, with a positive result of communication, the interns are enrolled in the Bank's staff;
- training and retraining of workers through the use of new training technologies, ensuring their training in specialized educational institutions of the Republic, as well as participation in various trainings, programs, seminars at the local/international level;
- continuous improvement of qualifications of management personnel and reservists through training and retraining in specialized training centers on banking operations;
- organizing and conducting trainings and corporate training programs at the Bank's personnel training and development center, which, in addition to teaching professional knowledge, support the development of personal qualities of employees and teamwork;
- increasing human resources in the field of marketing and sales, methodological developments, as well as their active involvement in the development and implementation of new banking services;
- introduction into everyday practice of norms and traditions of corporate behavior and style, which together will help maintain the stable activities of the bank, strengthen its image and increase customer confidence;
- improvement and optimization of mechanisms of both material incentives and non-material incentives in order to orient employees to the result in achieving their goals and objectives.

## FINANCIAL PLANNING

Because of the successful implementation of the planned tasks for the further development of the Bank's priority areas of activity in 2024, stable dynamics of the main financial indicators is predicted.

By expanding the scale of its activities, the Bank will strive to maintain its gained positions and improve its position in the lending and retail services market. Meanwhile, special attention will be paid to qualitative changes in the structure of the Bank's balance sheet and income. The main emphasis in expanding the Bank's operations will be on the Bank's unconditional compliance with the prudential standards of the Central Bank of the Republic of Uzbekistan to ensure a high level of financial stability of the Bank.

In particular, the forecast of the main parameters of the Bank's balance sheet indicators was based (base scenario) on the following:

a) *liquid assets were forecast taking into account the regulator's requirements for liquidity indicators;*

b) *the loan portfolio was forecast taking into account the regulator's requirements for capital adequacy indicators;*

c) *customer funds were forecast taking into account the forecast of the loan portfolio and government securities portfolio.*

### Capital adequacy forecast for 2024

Characteristics	01.10.2023 (fact)	01.01.2024 (expect)	01.01.2025 (forecast)	Change
<b>Total risk-weighted assets</b>	<b>5 317 482</b>	<b>5 717 482</b>	<b>8 068 729</b>	<b>2 351 247</b>
<b>Assets for calculating leverage</b>	<b>7 702 432</b>	<b>7 979 099</b>	<b>9 409 099</b>	<b>1 430 000</b>
<b>Tier 1 capital</b>	<b>551 438</b>	<b>644 377</b>	<b>960 106</b>	<b>315 728</b>
<b>Total - Regulatory capital</b>	<b>735 250</b>	<b>850 075</b>	<b>1 280 141</b>	<b>430 066</b>
<b>Tier 1 capital adequacy ratio</b>	<b>10,37%</b>	<b>11,27%</b>	<b>11,90%</b>	<b>п.п 0,6</b>
<b>Regulatory capital adequacy ratio</b>	<b>13,83%</b>	<b>14,87%</b>	<b>15,87%</b>	<b>п.п 1,0</b>
<b>Leverage ratio</b>	<b>7,16%</b>	<b>8,08%</b>	<b>10,20%</b>	<b>п.п 2,1</b>
Maximum risk amount for Tier 1 Capital	5 251 789	6 136 928	9 143 866	3 006 938
Maximum risk amount for the entire reg. capital	5 446 299	6 296 854	9 482 528	3 185 673
Maximum amount of assets for leverage ratio	8 483 659	9 913 499	14 770 861	4 857 361
<b>Maximum growth opportunity RWA monthly average</b>			<b>195 937</b>	
<b>Maximum growth opportunity for all assets monthly average</b>			<b>404 780</b>	

When financial planning activities for 2024, no additional injection into the Bank's capital is provided, as well as significant changes to the Bank's business model.

The forecast of the main parameters of the Bank's profit or loss for 2024 was based on the following:

- a) interest income is calculated based on the volume of the loan portfolio and government securities portfolio;*
- b) provisions for loan losses will amount to approximately 2.5% of the loan portfolio;*
- c) commission income will increase by approximately 28% compared to 2023;*
- d) operating expenses will increase by approximately 32% compared to 2023.*

In particular, the volume of interest income in 2024 is planned in the amount 890 billion UZS, including from lending activities in the amount 690.5 billion UZS (an increase compared to 2023 - 46%).

According to calculations, due to a significant increase in depreciation costs of the Bank's fixed assets, the Bank's operating expenses will amount to 361 billion UZS.

As a result, the Bank expects to receive net profit in the amount 583 billion UZS, taking into account the created reserves (83 billion UZS) – 500 billion UZS.

Taking into account the stated principles, the Bank's forecast indicators for 2024 are attached to the Business Plan.

**FORECAST BALANCE (in million UZS)**

Main indicators	Expected on 01.01.2024	Forecast on 01.04.2024	Forecast on 01.07.2024	Forecast on 01.10.2024	Forecast on 01.01.2025
<b>ASSETS</b>					
Cash	480 836	431 807	467 632	502 858	537 483
Receivable from the Central Bank of Uzbekistan	2 167 421	2 159 036	2 338 162	2 514 288	2 687 414
Due from banks	169 437	561 462	616 338	670 244	723 321
Trading securities	820 273	1 036 337	1 122 318	1 206 858	1 289 959
<b>Loans and leasing, net</b>	<b>3 474 306</b>	<b>3 965 933</b>	<b>4 294 970</b>	<b>4 618 496</b>	<b>4 936 372</b>
Investments	12 658	2 658	2 658	2 658	2 658
Fixed assets	130 464	133 464	136 464	139 464	142 464
Other assets	379 228	345 446	374 106	402 286	429 986
<b>TOTAL ASSETS</b>	<b>7 634 622</b>	<b>8 636 144</b>	<b>9 352 648</b>	<b>10 057 152</b>	<b>10 749 656</b>
<b>LIABILITIES</b>					
On-demand deposits	2 837 879	3 438 986	3 697 525	3 965 846	4 265 846
Saving Deposits	3 197 098	3 516 808	3 836 518	4 156 227	4 475 937
Accounts of other banks, interbank deposits, loans and borrowings	653 609	622 023	647 023	650 403	620 266
Issued bonds	45 080	45 080	45 080	45 080	45 080
Other liabilities	103 564	110 855	119 110	127 203	125 135
<b>TOTAL LIABILITIES</b>	<b>6 837 230</b>	<b>7 733 751</b>	<b>8 345 256</b>	<b>8 944 760</b>	<b>9 532 264</b>
<b>CAPITAL</b>					
Authorized capital	536 776	536 776	536 776	536 776	736 776
<b>TOTAL CAPITAL</b>	<b>797 392</b>	<b>902 392</b>	<b>1 007 392</b>	<b>1 112 392</b>	<b>1 217 392</b>
<b>TOTAL LIABILITIES AND CAPITAL</b>	<b>7 634 622</b>	<b>8 636 144</b>	<b>9 352 648</b>	<b>10 057 152</b>	<b>10 749 656</b>

### FORECAST REPORT ON INCOME AND EXPENSES *(in million UZS)*

Name of indicators	Expected on 01.01.2024	Forecast on 01.04.2024	Forecast on 01.07.2024	Forecast on 01.10.2024	Forecast on 01.01.2025
<b>INTEREST INCOME</b>	<b>601 445</b>	<b>222 580</b>	<b>445 160</b>	<b>667 740</b>	<b>890 320</b>
<b>INTEREST EXPENSES</b>	<b>301 832</b>	<b>100 615</b>	<b>201 230</b>	<b>301 845</b>	<b>402 460</b>
<b>NET INTEREST INCOME</b>	<b>299 613</b>	<b>121 965</b>	<b>243 930</b>	<b>365 895</b>	<b>487 860</b>
Credit loss assessment	194 179	20 698	41 396	62 094	82 792
<b>NET INTEREST INCOME after credit loss</b>	<b>105 434</b>	<b>101 267</b>	<b>202 534</b>	<b>303 801</b>	<b>405 068</b>
<b>NON-INTEREST INCOME</b>	<b>822 044</b>	<b>235 930</b>	<b>471 860</b>	<b>707 790</b>	<b>948 282</b>
<b>NON-INTEREST EXPENSES</b>	<b>376 335</b>	<b>101 875</b>	<b>203 750</b>	<b>305 625</b>	<b>407 501</b>
<b>NET NON-INTEREST INCOME</b>	<b>445 709</b>	<b>134 055</b>	<b>268 110</b>	<b>402 165</b>	<b>540 781</b>
<b>OPERATING EXPENSES</b>	<b>274 024</b>	<b>90 264</b>	<b>180 527</b>	<b>270 791</b>	<b>361 054</b>
<b>NET INCOME BEFORE TAXES</b>	<b>277 119</b>	<b>145 058</b>	<b>290 117</b>	<b>435 175</b>	<b>584 795</b>
Estimated income taxes	41 499	21 199	42 398	63 596	84 795
<b>NET PROFIT (LOSS)</b>	<b>235 620</b>	<b>123 859</b>	<b>247 719</b>	<b>371 579</b>	<b>500 000</b>

\* *Excluding interbranch interest income and interest expenses.*