

**JOINT-STOCK COMMERCIAL BANK
“ASIA ALLIANCE BANK”**

BUSINESS-PLAN

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

“ASIA ALLIANCE BANK”

for 2020



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INTRODUCTION

The present Business-Plan includes activities planned for implementation by JSCB "ASIA ALLIANCE BANK" in 2020 as well as the financial plan of the Bank for 2019.

Joint-Stock Commercial Bank "ASIA ALLIANCE BANK" (hereinafter referred to as the Bank) was created in August, 2009 in accordance with the Decree of the President of the Republic of Uzbekistan "On Measures on Stimulation of Creation of Private Commercial Banks" No.UP-1749 dated 24.04.1997. The Bank carries out its activity based on licenses of the Central Bank of the Republic of Uzbekistan No.79 dated 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 B1 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 AND CHALLENGES FOR JSCB “ASIA ALLIANCE BANK”

Macroeconomic Trends

Over the past period in 2019, the Government attached great importance to raising real incomes of the population and its social protection, timely funding targeted programs for the construction of affordable housing, development and modernization of social infrastructure in cities and rural areas to improve the living conditions of the population.

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

Consistent implementation of tasks identified in the Strategy of Actions in Five Priority Directions of Development of the Republic of Uzbekistan during 2017-2021, radical development of social and economic of spheres of the society and implementation of reforms performed by the Government of the Republic of Uzbekistan in respect to structural transformations of activity of agencies responsible therefore have ensured sustainable, balanced development during 9 months of 2019.

According to a preliminary assessment of the State Committee of the Republic of Uzbekistan on Statistics, the GDP of the Republic of Uzbekistan for January - September 2019 at current prices amounted to 361,858.4 billion soums, and compared to January - September 2018, it grew by 5.7% in real terms. The GDP deflator index in relation to January-September 2018 prices amounted to 118.0%. GDP per capita amounted to 10 805.0 thousand soums and compared with the corresponding period last year, increased by 3.7%.

Main Macroeconomic Indicators of Uzbekistan

Indicators	9 Months of 2019, billion soums	In % to January-September 2018
Gross Domestic Product	361 858,4	105,7
Industry	96 227,9	107,0
Agriculture, Forest and Fishery	92 186,7	102,4
Total Services	118 143,7	125,1
Construction	22 561,0	119,3

Source: State Committee of the Republic of Uzbekistan on Statistics

Compared with the corresponding period last year, industry grew by 7.0%, agriculture - 2.4%, services - 125.1%.

The volume of construction work increased by 19.3% as a result of large-scale work on the construction of residential complexes, the construction and overhaul of social and engineering infrastructure facilities, as well as the implementation of investment projects for the construction and modernization of enterprises in basic industries.

Reforms in our country contribute to the rapid growth of trade relations with foreign countries. In particular, decisions to increase the country's export potential will allow local

companies to gain more experience in foreign markets, which over time will give them a competitive advantage in world trade. As a result of the ongoing reforms in this direction, according to the results of January-September 2019, the foreign trade turnover of the republic for the reporting period amounted to \$31,645.8 million and increased by \$8,577.1 million, that is 37.2% more than the corresponding period last year. Exports reached \$13,677.0 million (growth rate - 45.5%), while imports reached \$17,968.8 million (growth rate - 31.5%). A passive balance of foreign trade amounted to \$4,291.7 million.

Uzbekistan has trade relations with more than 181 countries of the world. The largest volume of foreign trade was recorded with China (18.7%), the Russian Federation (14.9%), Kazakhstan (8.3%), the Republic of Korea (6.6%), Turkey (5.8%), Germany (2.4%) and Kyrgyzstan (2.0%).

According to the results of January-September 2019, trade with the CIS countries amounted to \$10 703.0 million, reaching 33.8% share in foreign trade of Uzbekistan.

During 9 months of 2019, 72.4 thousand new small enterprises and microfirms were created (excluding dekhkan and farm enterprises), which is 1.9 times more than the same period in 2018. The largest number of small enterprises and micro-firms were created in the field of trade (38.6%), industries (21.8%), construction (10.0%), agriculture, forestry and fisheries (7.5%), accommodation services and food (7.5%), transportation and storage (3.3%).

In the current period, the volume of investment in fixed assets amounted to 134 trillion soums and it was recorded an increase of 46.0% compared with the same period last year.

According to preliminary data, in January-September 2019, the total volume of the total income of the population amounted to 251.8 trillion soums, the growth rate reached 122.3%. Total per capita income amounted to 7.5 million soums, nominal growth rate - 120.0%, real growth rate - 105.2%.

In 2020, the tasks of further liberalizing the foreign exchange market remain urgent, which requires an increase in the liquidity of the economy and the allocation of free cash for the implementation of important investment and infrastructure projects. In turn, it is important to develop the capital market and attract free funds of business entities, banks and insurance companies to important projects.

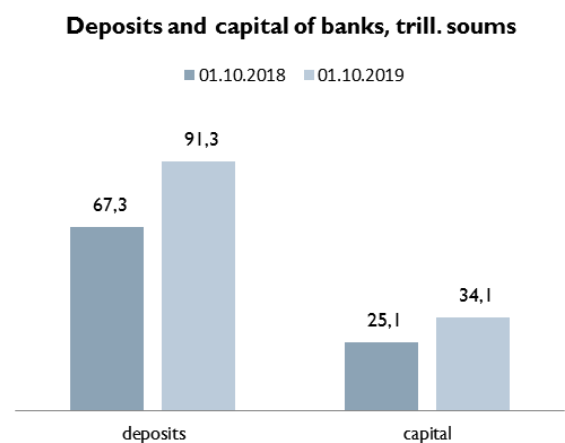
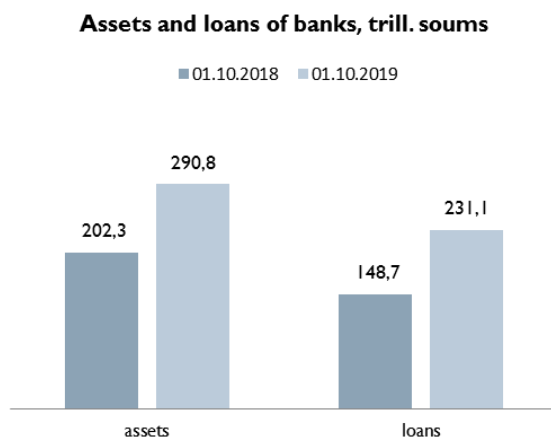
It is necessary to intensify efforts to attract foreign direct investment (FDI) to stimulate growth in the sectors of production of goods for export.

Banking Sector of Uzbekistan

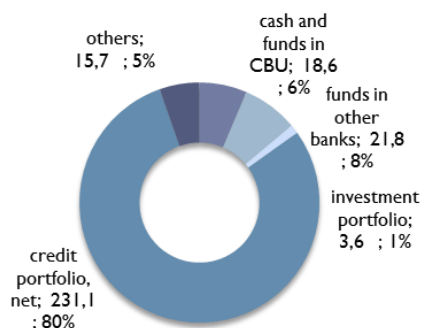
During 9 months of 2019, the monetary policy was conducted in conditions of high inflationary pressure in the economy. In this situation, in order to slow down the pace of price growth in the domestic market and reduce inflationary risks, the Central bank maintained a refinancing rate at 16%.

As of October 1, 2019, the number of commercial banks in the republic is made up 30, the number of their branches - 847.

Compared with the results of 9 months of 2018, the total assets of banks in Uzbekistan increased by 44%, while their total loan portfolio increased by 55%, amounting to 290.8 trillion soums and 231.1 trillion soums, respectively. Over the analyzed period, customer deposits increased from 67.3 trillion soums up to 91.3 trillion soums or 36%. The total capital of banks also increased by 36%, reaching 34.1 trillion soums.



Assets structure of banks as of 01.10.2019, trill. soums, %



Deposits structure of banks as of 01.10.2019, trill. soums, %



About 80% of the bank's assets are held by loans. For the analyzed period, there was a decrease in the share of cash and funds in the Central Bank from 8% to 6%, despite their growth in absolute terms. A similar situation occurred with interbank funds - their share in the structure of assets decreased from 12% to 8%.

For the analyzed period, the structure of deposits showed an increase in term deposits from 28.4 trillion soums up to 50.5 trillion soums (growth of about 78%), while demand deposits increased by 1.8 trillion soums (growth less than 5%).

According to the results of 9 months of this year lending to the economy grew by 38.3% (by 38.6 trillion soums). At the same time, loans in national currency increased by 34.3% compared to 61.1% in the same period of 2018.

From January to September of this year the growth of fixed deposits of the population and business entities in national currency amounted to 43.6%, with their 33% share in the total amount of national currency deposits (for the corresponding period of 2018 - 23.5%).

For 9 months of 2019, the total volume of foreign currency transactions of legal entities and individuals in the domestic foreign exchange market amounted to \$24.3 billion, which is 1.3 times higher than the corresponding period of the previous year (\$18.3 billion). The volume of foreign exchange transactions during interbank trading sessions on the currency exchange amounted to \$15.5 billion, where the demand for foreign currency amounted to \$7.7 billion, and the supply was \$4.8 billion.

It is remaining a high share of government in the banking sector:

	Assets		Loans		Capital		Deposits	
	amount	share	amount	share	amount	share	amount	share
Total	290,9	100%	234,7	100%	34,2	100%	91,3	100%
Banks with government share	250,5	86%	210,7	90%	27,9	82%	66,6	73%

The national system of non-cash payments using plastic cards in the national currency continues to develop in dynamic rates that confirm intensive growth of quantity of plastic cards issued to circulation as well as the amount of non-cash payments implemented through payment terminals, info kiosks and ATMs.

As of October 1, 2019, quantity of plastic cards issued to circulation achieved around 19 821 thousand units. Quantity of established ATMs and info kiosks amounted to more than 8.3 thousand units. Total volume of payment transactions implemented in the country using plastic cards amounted to more than 51.5 trillion soums according to results of Quarter III, 2019.

Commercial banks	Quantity of bank plastic cards in circulation	Quantity of established payment terminals	Quantity of established ATMs and info kiosks	Receipts through terminals jan-sep 2019 (mill. soums)
Total	19 821 477	339 588	8 327	51 545 372

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

It is assumed that dynamic rates of development of the banking sector of Uzbekistan, strengthening of capitalization of banks and financial stability thereof, raising their role in strengthening of economic potential of the country and growths of welfare of the population will be preserved in 2020.

Main Events and Current Activity of the Bank

The Bank will continue consistent work in 2019 aimed at development and expansion of activity, raising financial stability of the Bank, strengthening of the resource base, expansion of the range of and raising quality of provided banking services.

An important event for the past period in 2019 is the recognition of JSCB “ASIA ALLIANCE BANK” for the sixth consecutive year as the best bank in Uzbekistan among banks in emerging markets in the Asia-Pacific region in 2019, according to the international financial magazine “GLOBAL FINANCE”. In addition, JSCB “ASIA ALLIANCE BANK” was awarded “Deal of 2018” award by ITFC in the field of Islamic Trade Finance in Uzbekistan. The bank successfully passed a certification audit and received a certificate of compliance with the quality management system ISO 9001: 2015. For the first time in Uzbekistan, the Bank introduced an automated deposit machine.

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

Chronicle of Main Events in Activity of the Bank during January-October of 2019

January 2019	The Bank introduced new features in mobile application “MyAlliane”
February 2019	For the first time in Uzbekistan the Bank introduced ADM
March 2019	The Bank was awarded “Deal of 2018” award by ITFC in the field of Islamic Trade Finance in Uzbekistan. The bank successfully passed a certification audit and received a certificate of compliance with the quality management system ISO 9001: 2015.
April 2019	Fergana branch of the Bank was opened. MasterCard Standard and MasterCard Gold cards were issued. The Bank introduced web interface in mobile application “MyAlliane”
May 2019	The Bank introduced 3D-secure technology – modern standard of ensuring security when making online payment transactions for goods and services. “Yunusobod” mini bank was opened.
July 2019	The Bank issued corporate bonds for a period of 7 years amounted to 50 billion soums. The Bank introduced payment for goods and services via QR code. The Bank established correspondent relations with Aktif Yatirim Bankasi.A.S. (Turkey).
October 2019	The Bank established correspondent relations with Bank of New York Mellon and opened correspondent account in US dollars.

Market Position of the Bank

In the first 9 months of 2019, the activities of JSCB ASIA ALLIANCE BANK were aimed at strengthening competitive advantages and balanced growth of the main activities of the bank, while maintaining an acceptable level of liquidity and capital adequacy.

Results of 9 months of 2019 showed that the bank managed to improve all key indicators. The largest change was observed in the investment portfolio (growth of 147%) due to the acquisition of government securities through participating in primary and secondary markets. The bank's loan portfolio increased by 50%, exceeding 1.5 trillion soums, which in turn affected revenue growth (52%), which reached 318 billion soums. Bank assets increased by 49%, from 1.6 trillion soums up to 2.3 trillion soums.

Market Position of JSCB “ASIA ALLIANCE BANK” as of 01.10.2019

Indicators	in million soums	Position of the Bank
Total Assets	2 335 563	18
Credit Portfolio (net)	1 525 824	16
Deposits of Clients	1 721 626	16
Share Capital	278 425	19

Net profit of the bank compared to the results of 9 months of last year increased by 38% or 9.3 billion soums, while the total capital of the bank grew by only 3% or 7.8 billion soums. In the conditions of tough competitive environment, the bank as a whole managed to maintain its position in the banking market. Improvement of positions was observed in the loan portfolio, while deterioration in the investment portfolio and net profit.

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 focused work to expand and strengthen the fixed deposit base and intensive work to attract funds from business entities and population into bank deposits, as of 01.10.2019. the balance of working and free funds in the bank's customers accounts amounted to 1.722 billion soums, which increased by 38% compared to the beginning of the year, the balance of attracted fixed deposits amounted to 953 billion soums (an increase of 84%).

As a result of measures taken to diversify the deposit portfolio, the balance of retail deposits increased by 172 billion soums (73%) compared to the beginning of 2019, reaching 406.5 billion soums, where 305.4 billion soums are the balance of fixed deposits.

According to the results of the 3rd quarter of 2019 liquid assets amounted to 27% 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, 2019 the bank's current liquidity ratio made up 90.4%, that is 3 times higher than the established minimum requirement (30%), the liquidity coverage ratio - 266.9%, including in national currency - 248.8%, in foreign currency - 287.7%, net stable financing rate - 114.3%, including in national currency - 113.5%, in foreign currency - 116.0%.

At the beginning of 2019, in accordance with the Resolution of the Cabinet of Ministers of the Republic of Uzbekistan No. 1099-f dated December 27, 2018, accrued dividends in the amount of 27.48 billion soums were directed to increase the registered share capital of the bank, reaching 167.48 billion soums.

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 this year 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 34 billion soums have been successfully placed, which accounts for 68% of the total issue.

This issue of bonds is an exclusive project for the securities market of Uzbekistan in recent years, and this is another bold step towards building a public credit history and strengthening the bank's position in the capital market. The successful entry of ASIA ALLIANCE BANK into the capital market, as well as its reputation as a reliable borrower, indicate growing investor confidence in the bank.

In accordance with the Resolution of the Cabinet of Ministers of the Republic of Uzbekistan No. 358 dated April 26, 2019. "On the organization of conducting initial and secondary public offerings of shares on the stock exchange", an event is envisaged to organize an initial public offer (IPO) of shares of JSCB "ASIA ALLIANCE BANK" in the amount of 10% of the registered share capital.

Moreover, in accordance with the Resolution of the President of the Republic of Uzbekistan No. PP-4300 dated April 29, 2019, It is planned to sale a share of JSCB "ASIA ALLIANCE BANK" in the amount of 25% of its registered share capital. In pursuance of this resolution, the State Assets Management Agency of the Republic of Uzbekistan is working to attract a strategic investor into the registered share capital of the bank.

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

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

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

MAIN DIRECTIONS OF BUSINESS DEVELOPMENT

In 2020, activity of the Bank will be aimed at implementation of the following priority tasks assigned to commercial banks:

- improvement of the financial stability and liquidity of the bank, strengthening the resource base, stimulating investment activity, ensuring access to a higher level of banking organization, taking into account generally accepted international norms and standards in accordance with the Resolution of the President of the Republic of Uzbekistan No. PP-2344 dated May 6, 2015 “On measures to further increase the financial stability of commercial banks and the development of their resource base”;

- an increase in the total capital of the bank, including through an additional issue of shares, ensuring its growth in 2017-2021 by an average of 2 times, as well as further strengthening the resource base of the bank by increasing the volume of attracted deposits of the population and business entities in the period 2017-2021 at least 2.1 times in accordance with the Resolution of the President of the Republic of Uzbekistan No. PP-3270 dated September 12, 2017 “On measures to further develop and increase the stability of the banking system of the republic”;

- improvement of the assessment of banking risks taking into account international practice, improving the quality of provided banking services and dramatically improving working methods to establish full partnerships with business entities and strengthen the confidence of the population and business entities in the banking system as a reliable institutional partner in accordance with the Resolution of the President of the Republic of Uzbekistan No. PP-3270 dated September 12, 2017 “On measures to further develop and increase the stability of the banking system of the republic”;

- implementation of a set of measures aimed at increasing the availability of banking services and improving banking activities in accordance with the Resolution of the President of the Republic of Uzbekistan No. PP-3620 dated March 23, 2018 “On additional measures to increase the availability of banking services”;

- fulfillment of the tasks assigned to commercial banks at a meeting under the President of the Republic of Uzbekistan dated November 22, 2018 “On systemic problems in the activities of commercial banks and their impact on the financial stability of the banking system and on the socio-economic development of the regions”;

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

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

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

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

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

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

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

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

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

Credit Activity

In 2020, 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 2020, the volume of extension of credits is planned in the amount of 1 200 billion soums. The balance of credit portfolio (gross) as of the end of 2020 will amount to 2 026 billion soums. Correlation of credit portfolio (net) to total assets to be preserved at the level of 66% (as of January 1, 2021). 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.

As part of the measures provided for in the Roadmap of JSCB ASIA ALLIANCE BANK, by the end of 2020, it is planned to increase the bank's short-term loan portfolio to 300 billion soums and their share in the loan portfolio to 15%. Increasing the portfolio of short-term loans will reduce the liquidity gap between assets and liabilities of the bank.

Indicators	Plan for 01.01.2021, million soums
Gross Balance of Credit Portfolio including	2 025 849
Short-term credits	303 877
Long-Term Credits and Leasing	1 706 374
Reserves of Possible Losses	30 001
Net Balance of Credit Portfolio,	1 995 848
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.

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

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

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

The Bank will take measures to ensure adequate diversification of credit portfolio of the Bank. In the framework of expansion of retail crediting, the Bank plans to increase portfolio of retail credits of the Bank up to 600 billion soums or 30% of total volume of credit portfolio of the Bank. Consumer credits, microloans, credit cards will comprise the predominant part of credits of individuals.

For the purposes of mass promotion of retail credit products, it is planned to carry out advertising campaigns, to organize presentations of credit products among teams of corporate clients, to hold talks with local consumers of goods and services on provision of consumer credits of the Bank for acquisition of goods and services.

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

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

Investment and Emission Activity

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

In 2020, the Bank plans to continue works on formation of qualitative investment portfolio capable to ensure the stable level of profitability at the minimum level of investment risk.

Development of investment activity of the Bank for 2020 assumes raising return from investments and preservation of their pressure to capital of the Bank at the optimal level.

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

Emission activity of the Bank in 2020 will be directed at strengthening of long-term resource base of the Bank by issuance and implementation of debt and share securities of the Bank. In particular, it is planned to perform regular issuance of securities for strengthening of sustainable resource base. Issuance of own securities by the Bank assumes expansion and diversification of funds sources for active operations of the Bank and to creation alternative possibility for depositors of the Bank to place free monetary funds on attractive conditions.

Operations in Interbank and Currency Markets

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

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

In order to create additional amenities for the bank's customers, in accordance with the requests of corporate clients, it was worked out the issue of tracking settlements on foreign trade contracts in such non-traditional currencies as Chinese yuan. For these purposes, in cooperation with the Bank of New York, Mellon it is preparing to launch the automatic conversion and payment service in foreign currencies of the world both for individuals through a mobile application and for legal entities through remote services.

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

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

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

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

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

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

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

other activities in accordance with changes in market conditions.

Correspondent Relations and International Activity

In 2019, the Bank made important achievements in establishment of cooperation with international financial institutes for attraction of credit lines and maintenance of the international credit rating of the Bank.

In due course of cooperation with various foreign organizations, the international reputable publication Global Finance named ASIA ALLIANCE BANK as the best Bank of Uzbekistan in nomination “Best World Banks of Developing Markets in Asian-Pacific Region” six years in a row (2014, 2015, 2016, 2017, 2018 and 2019). In addition, the Bank was recognized as “The Best Bank in Uzbekistan” for the third time in 2019 by the international financial magazine “The Banker”.

As a result of systematic work, in September an account in US dollars was opened in the American bank BNY Mellon. The presence of this correspondent account will allow the bank's customers to make settlements in US dollars as soon as possible, as well as reduce the cost of customer payments. It is worth noting that the establishment of cooperation of this bank with banks of Uzbekistan took place for the first time in the last 10 years.

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

Furthermore, work is performed by the Bank on cooperation with international rating agencies. Necessary measures are planned for 2020 to maintain and improve the international rating of the Bank.

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

Development of Service Network and Corporate Clients

In 2019, work continued on expanding the bank's branch network. In April, the Ferghana branch of the bank was opened. Thus, at present, 10 branches (together with the Operations Department) and 16 minibanks operate in the bank's system.

All branches are organized as a “model branch”. In all branches of the bank, work has been done on the separation of customer service areas - separately for legal entities and individuals according to the principle of “front-office” and “back-office”. Units that provide direct service and provide preliminary advice to branch visitors are located in front office.

In all branches, staff members of administrators are open for preliminary consulting with bank customers. Turnstiles and barriers were dismantled in all branches, and unhindered passage of customers (without passes and without identification documents) to the front office area was ensured.

In order to protect the rights of consumers of banking services, a hotline (call center) system has been introduced, which allows one to directly receive information about bank services. In the operational management, Almazar, Bukhara, Samarkand, Karshi and Ferghana branches, electronic queuing systems are installed. For the installation of the electronic queue system in other branches, contracts have also been concluded.

In order to provide bank customers with complete and reliable information, to ensure convenient service conditions, information boards and information tablets are installed in all branches, which contain all the necessary information about the bank's services, tariffs, exchange rates, news and other useful information. In addition, detailed information on the bank's services is available on the bank's website. Along with this, information about new services of the bank is posted on the bank's pages on social networks (facebook.com, instagram.com, telegram: t.me/asiaalliancebank).

In order to ensure convenient service conditions, pavilions are installed in front of each branch, in which ATMs (Uzcard and HUMO) are located, including with the currency exchange function, Automated Deposit Machines (ADM), Self-service machines for legal entities, information kiosks that operate in 24/7.

In order to improve the quality of customer service of the bank, introduction of common approaches and customer service standards for all bank branches, as well as increase the customer focus of bank branches, "Customer service standards in JSCB "ASIA ALLIANCE BANK" have been developed.

In order to ensure compliance with customer service standards, the Mystery Client study is conducted quarterly.

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

In 2020 it will be continued on creation of own stable time resource base of branches due to attraction of free monetary funds both from legal entities to time deposits and deposit certificates of the Bank and also from the population to attractive deposits of the Bank as well as expansion of income sources of branches due to development of retail operations.

In order to raise profitability of retail divisions of the Bank, the new format of mini-banks with new banking services with all modern solutions is proposed. In 2020, the number of mini-banks is scheduled to increase to 20.

In 2020, work will be continued on development of corporate units of banking servicing, putting a stress to raising intensiveness of customer relations with the existing clients as well as attraction of new corporate clients in the framework of expansion of the bank service network.

Servicing of Retail Clients

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

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

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).

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).

In 2020, 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.

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.

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

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

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

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

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

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

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

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

- building up an effective customer base and expanding the tools for attracting new customers (marketing activity, development of the product line within payroll projects);
- improvement of sales efficiency;
- deepening the relationship between the retail and corporate banks in the sales of payroll projects;

In particular, in 2020, as part of the development of retail business, it is planned to increase the volume of card services through retail payment system, continue work to connect to the Mastercard WorldWide International Payment System and issue MasterCard Standart and MasterCard Gold cards. It is also planned to continue work in the field of issuing plastic cards with an individual design, which was launched in 2014 and in 2020 it is planned to expand this type of cards in all regional branches of the bank.

One of the priorities for the expansion of the Bank's services in terms of international plastic cards is obtaining the status of principal membership in the international payment system VISA. The Bank began work in this direction and in 2020 the tasks were set to acquire and install a processing center for the host connection in the VISA IPS.

In 2020, it is planned to expand self-service points by increasing the number of multi-functional ATMs (soum, currency, currency-exchange ATMs).

In 2020, 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 improve profitability and ensure the self-repayment of retail services, work will continue in the area of creating an adequate management reporting system and introducing the practice of regular assessment of retail activities to make operational management decisions aimed at improving the efficiency of the Bank's business units and ensuring the profitability of retail banking products.

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

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

MAIN TASKS IN SPHERE OF ENSURING BUSINESS DEVELOPMENT

Measures to Increase Sustainability of the Bank and Risk Management

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

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

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

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

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

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

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

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

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

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

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

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

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

performance of stress-testing;

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

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

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

As part of further improving the financial stability of the bank and improving risk management the tasks are planned for 2020 in the framework on further rising of financial stability of the Bank and improvement of work on risk management, implementation and expansion of use of information technologies and software in risk management system in the Bank.

Internal Control System

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

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

- in the function of the newly created Office of Financial Monitoring to entrust control and coordination in the bank of the following important issues today:

- Anti-Corruption, Anti-Bribery;
- Anti-Fraud;
- FATCA compliance;
- creation of an effective system of compliance with sanctions lists (Sanctions Screening) and work with requests from foreign banks.

- in order to increase the efficiency and optimize the work of employees of the financial monitoring service, to achieve the most complete automation of the processes for identifying suspicious transactions;
- Organization of accounting for doubtful and suspicious transactions in a single ABS database;
- automation of the process of transmitting messages on dubious and suspicious transactions in paperless form via ABS;
- Creation of a modern system for training employees on AML / CFT issues and assessing their knowledge based on the results.

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 2020:

- implementation of a CRM system in a bank. This system will automate the process of relations between the bank and customers in order to improve the quality of their service;
- 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.

Development of Personnel of the Bank

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

It is planned to carry out the following of measures in 2020 in order to further develop the personnel potential of the Bank:

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

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

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

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

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

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

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

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 2020.

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

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

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

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

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

PROJECTED BALANCE SHEET (in million soums)

	Fact as of 01.10.2019	Projected as of 01.01.2020	As of 01.04.2020	As of 01.07.2020	As of 01.10.2020	As of 01.01.2021
ASSETS						
Cash	177 409	198 760	204 783	210 988	214 169	217 397
Due from CBU	260 864	306 963	316 264	325 847	330 759	335 746
Due from CBU FOR	66 272	76 718	79 043	81 438	85 158	89 048
Funds in banks	100 162	115 782	124 014	135 514	153 168	165 411
Trading securities	29 110	29 594	51 105	59 057	60 380	60 600
Loans and leases, net	1 540 624	1 569 639	1 715 352	1 819 652	1 920 553	1 995 848
Investments	10 540	10 540	540	540	540	540
Fixed assets	95 508	95 410	101 250	108 500	118 561	129 039
Intangible assets	5 579	5 166	15 528	19 728	30 187	31 102
Other assets	49 494	54 333	58 196	60 554	63 630	65 558
TOTAL ASSETS	2 335 563	2 452 905	2 666 075	2 821 818	2 977 105	3 090 289
LIABILITIES						
Demand deposits	772 868	787 969	835 641	894 629	958 594	1 047 482
Savings deposits	92 289	95 094	108 757	112 053	121 791	125 481
Time deposits	826 618	859 506	994 985	1 076 691	1 108 185	1 115 955
Funds of banks	12 496	14 466	14 905	15 356	15 822	16 301
Credit lines and other borrowings	262 748	295 937	310 982	323 794	337 150	351 072
Issued bonds	33 255	40 000	50 000	50 000	50 000	50 000
TOTAL LIABILITIES	2 057 138	2 168 249	2 338 814	2 494 450	2 631 049	2 728 504
CAPITAL						
Registered share capital	167 482	167 482	184 230	184 230	184 230	184 230
TOTAL CAPITAL	278 425	284 758	325 914	338 053	354 270	357 045
TOTAL LIABILITIES AND CAPITAL	2 335 563	2 452 905	2 666 075	2 821 818	2 977 105	3 090 289

PROJECTED INCOME AND EXPENSES STATEMENT (in million soums)

Indicators	Projected as of 01.04.2020	Projected as of 01.07.2020	Projected as of 01.10.2020	Projected as of 01.01.2021
INTEREST INCOME	92 853	169 706	282 843	426 132
INTEREST EXPENSES	55 370	102 739	171 232	257 829
NET INTEREST INCOME	37 483	66 967	111 611	168 303
Credit loss assessment	2 632	5 264	8 774	13 161
NET INTEREST INCOME after credit loss assessment	34 851	61 702	102 837	155 142
NON-INTEREST INCOME	34 813	69 626	116 043	174 064
NON-INTEREST EXPENSES	11 385	22 770	37 949	56 924
NET NON-INTEREST INCOME	23 428	46 856	78 094	117 140
OPERATING EXPENSES	45 713	83 426	139 043	209 451
NET PROFIT BEFORE TAX	12 566	25 132	41 887	62 831
Non-credit loss assessment	99	198	330	495
Profit tax assessment	2 465	4 931	8 218	12 327
NET PROFIT (LOSS)	10 002	20 004	33 340	50 010
TOTAL INCOME	127 666	239 332	398 886	554 656
TOTAL EXPENCES	117 664	219 328	365 546	504 457