

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

BUSINESS PLAN

**FOR DEVELOPMENT AND EXPANSION OF ACTIVITIES
"ASIA ALLIANCE BANK" JOINT-STOCK COMMERCIAL BANK
in 2022**



*APPROVED BY RESOLUTION OF THE SUPERVISORY BOARD, "ASIA ALLIANCE BANK" JSCB
(Minutes No.K-1/12 dated April 08, 2022)*

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INTRODUCTION

This Business Plan includes activities planned for implementation by ASIA ALLIANCE BANK in 2022, as well as the Bank's financial plan for 2022.

"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.

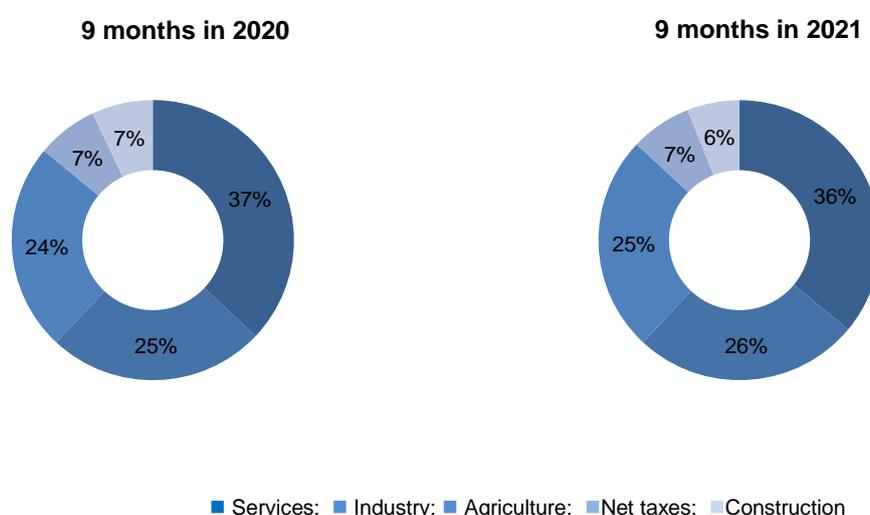
The international rating agency Moody's Investors Service assigned the Bank long-term and short-term deposit ratings in national and foreign currencies on a global scale of B2 with a forecast of "Stable", Counterparty Risk Assessment at the level of B1. The bank also has a credit rating of the local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

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

Macroeconomic trends

The measures taken by the Government of the Republic of Uzbekistan in 2020 and over the past 2021 in the field of fiscal, monetary and structural economic reforms have become factors in stimulating economic activity and aggregate demand. As a result, the real economic growth rate in 2020 amounted to 1.7%, for 9 months in 2021 - 6.9%. According to preliminary data, the GDP of the Republic of Uzbekistan for 2021 in current prices amounted to 734,588 billion UZS and increased by 7.4% compared to the result of 2020.

Uzbekistan GDP structure



According to the results of 2021, GDP per capita reached \$1,983, which is the highest figure in the last 30 years in the country's history.

In 2021, as a result of the relative improvement in the situation with the pandemic, the easing of quarantine measures and the increased level of adaptation of business entities to the pandemic, there was a significant recovery in economic activity, which helps to achieve the level of aggregate demand before the pandemic. At the same time, it should be noted that there remains a high level of uncertainty regarding future changes in external and internal economic conditions.

In the context of the pandemic, in order to achieve a balance between the objectives of maintaining economic activity and ensuring price stability, in 2020 the base rate of the Central Bank was reduced from 16% to 14%, and monetary conditions were slightly eased and transferred to a moderately tight phase. Monetary conditions remained unchanged throughout 2021.

2021 is characterized by an acceleration of global inflation processes because of rising prices for food and fuel and energy products, as well as a reciprocal tightening of monetary conditions in most developing countries.

In Uzbekistan, according to the results of 2021, inflation was formed at the level of the interim target indicator and amounted to 10%. The main factor in the formation of the inflationary environment in the past year was a significant increase in prices for food and fuel

and energy products. The rise in prices, on the one hand, is explained by global inflation trends, and on the other, by factors related to competition and supply in the domestic market.

Although there were no significant fluctuations in the currencies of the main trading partners (except Turkey) in 2021, inflation increased sharply in them. According to the results of 2021, the devaluation of the UZS exchange rate amounted to 3.4%, which is the lowest figure in the last three years.

The foreign trade turnover of the republic for 2021 amounted to 42,071.6 million US dollars and increased compared to last year by 5,815.5 million US dollars or 16.0%. Including, the volume of exports amounted to 16,610.6 million US dollars (an increase of 10.0%), the volume of imports - 25,461.0 million US dollars (an increase of 20.4%).

In particular, according to the results of 2021, exports of goods amounted to \$14.1 billion (\$12.8 billion in 2020, \$13.9 billion in 2019). At the same time, exports of goods (excluding gold) increased by 42 percent or by \$3.0 billion, amounting to \$10.0 billion (\$7.0 billion in 2020, \$9.0 billion in 2019). The main share of exported goods (excluding gold) falls on the product groups “textiles and textile products” – \$3.2 billion, “base metals and products made from them” – \$1.6 billion, as well as “products of plant origin” – \$1.2 billion.

Exports of services increased by 35 percent or \$592 million compared to last year, amounting to \$2.3 billion (\$1.7 billion in 2020, \$3.1 billion in 2019). At the same time, the increase in trade turnover in services in 2021 is the result of a gradual easing of restrictive measures related to the pandemic.

Compared to last year, imports of goods increased by 21 percent or by \$4.0 billion and amounted to \$23.0 billion (\$19.0 billion in 2020, \$21.2 billion in 2019). The main share of imported goods was made up of the “plant and equipment” product groups – 6.2 billion US dollars, “base metals and articles made therefrom” – 3.2 billion US dollars, “chemical industry products” – 2.9 billion US dollars, as well as “transport equipment” – \$2.8 billion.

Compared to last year, imports of services increased by 33 percent or \$1.2 billion and amounted to \$4.7 billion (\$3.5 billion in 2020, \$5.4 billion in 2019).

According to the results of 3rd quarter 2021, the country’s assets in foreign currency amounted to \$68.3 billion, and the volume of external liabilities amounted to \$51.4 billion. At the same time, the net investment position of the Republic of Uzbekistan since the beginning of the year has decreased by 17% or by \$3.4 billion and, as of October 1, 2021, amounted to \$16.9 billion.

Since the beginning of the year, the total external debt of the Republic of Uzbekistan has increased by 11% or \$3.7 billion and, as of October 1, 2021, amounted to \$37.6 billion (\$33.8 billion as of January 1 of this year). In particular, compared to the beginning of the year, public external debt increased by 7% or 1.5 billion US dollars and amounted to 22.9 billion US dollars, and non-state external debt increased by 18% or 2.2 billion US dollars and reached 14.7 billion US dollars.

The international reserves of the Republic of Uzbekistan as of October 1, 2021 amounted to \$34.4 billion.

According to the forecast and estimates of the Central Bank of the Republic of Uzbekistan, the situation with the pandemic is normalizing, it is expected that high rates of growth in economic activity will continue, as well as a complete restoration of investment and consumer demand to pandemic levels.

According to forecast calculations of the Central Bank of the Republic of Uzbekistan, the volume of gross domestic product in 2022 will reach its potential level and the real economic growth rate will be 3.5%, and in 2023-2024 about 6%.

Private domestic and foreign investment and structural reforms carried out in various sectors of the economy are considered as the main driving forces of economic growth. In addition, fiscal incentives aimed at the economy in 2020-2021 will be one of the main factors in maintaining economic activity in the country.

The objectives of ensuring macroeconomic stability determine the implementation of gradual fiscal consolidation and, in this regard, the overall fiscal deficit is projected to reduce to 2-3% in 2023-2024.

Based on the influence of the above factors and the degree of liberalization of regulated prices, according to forecasts of the Central Bank of the Republic of Uzbekistan, the inflation rate will be 14% in 2022 and will decrease to 5% in 2023-2024.

Banking sector of Uzbekistan

Banking sector indicators

Compared to the results of 2020, the total assets of banks in Uzbekistan increased by 22%, while their total loan portfolio increased by 18%, ultimately amounting to 445 trillion UZS and 326 trillion UZS accordingly. During the analyzed period, customer deposits increased from 115 trillion UZS up to 156 trillion UZS or by 36%. The total capital of banks increased by 22%, reaching 71 trillion UZS. In the structure of banks' assets, about 73% of the share belongs to loans.

According to the results of 2021, the ratio of bank assets to the country's GDP was 61%, and the ratio of bank loans to Uzbekistan's GDP was 44%.

Main indicators of the banking sector of Uzbekistan

Indicators, billion UZS	01.01.2021	01.01.2022	Growth, by %
Total assets	366 121	444 894	21,52%
Total loans	276 975	326 386	17,84%
Total deposits	114 747	156 190	36,12%
Total capital	58 351	70 897	21,50%

High concentration of the government share

As of January 1, 2022, the number of commercial banks in the republic is 33 (including banks with government shares are 12), the number of their branches is 863.

billion UZS	Assets		Loans		Capital		Deposits	
	Amount	Share,%	Amount	Share,%	Amount	Share,%	Amount	Share,%
Total	444 922	100%	326 386	100%	70 918	100%	156 190	100%
Government -owned bank	362 422	81%	280 074	86%	57 695	81%	104 248	67%
Private bank	82 501	19%	46 312	14%	13 222	19%	51 942	33%

The banking system of Uzbekistan is characterized by high concentration: 81% of all bank assets still belong to the banks with government share, and 62% belong to 5 government-owned banks (National Bank, Asakabank, Uzpromstroybank, Ipoteka Bank and Agrobank). The share of deposits in banks with a state share in relation to loans is 37%. For comparison, in private banks this figure is over 100%. At the same time, deposits of individuals account for only 25% of the total volume of deposits in the banking system, which is about 5% of GDP.

Reforms in the banking system

Over the past 5 years, great changes have occurred in the development of the banking sector, largely due to the liberalization of foreign exchange policy in 2017 and free movement of the national currency. In recent years, there has been 56 new credit organizations, including 5 commercial banks (Poytakht Bank, Tenge Bank, TBC Bank, Anor Bank, Orange Bank), 33 microcredit organizations and 18 pawnshops. The average annual real growth of banking assets was more than 20%. Loan volume growth averaged more than 30% per year.

Because of the liberalization of foreign exchange policy, the level of dollarization in the banking sector decreased significantly. If in 2017 the share of banks' foreign currency assets in total assets was 64%, then in 2021 this figure dropped to 50%. In addition, the share of loans in foreign currency in the loan portfolio of banks decreased from 62% to 50%.

At the same time, the banking sector needs to deepen reforms, primarily by reducing government participation and strengthening the role of the private sector. In this regard, in 2020, No. UP-5992 Decree of the President of the Republic of Uzbekistan "Regarding Strategy for Reforming the Banking System in the Republic of Uzbekistan for 2020 - 2025" was adopted on May 12, 2020. The decree provides for the privatization of state-owned banks and, by 2025, to increase the share of assets of banks without the state share in the total assets of the banking system from current 19 percent to 60 percent. In particular, Ipoteka Bank, Uzpromstroybank, Asakabank, Aloqabank, Qishloq Qurilish Bank and Turonbank will be privatized.

In 2021, it became known about plans to sell two state-owned banks to Russian companies: Expobank became the main contender for the purchase of Poytakhtbank; Sovcombank announced its intention to buy Uzagroexportbank. In addition, the Hungarian OTP Bank plans to acquire 75% of the state share in Ipoteka Bank. At the same time, the government approaches the privatization process carefully and gradually implements each reform. Because it is important not just to sell an asset at the highest possible price, but also to attract institutional investors who, in addition to investments, will also bring modern technologies and expertise, and apply the best practices in Uzbekistan from work in their own countries.

Project offices for business transformation have been established in banks and work is underway to attract international consultants on the privatization of commercial banks. In particular, in order to support the privatization of Ipoteka Bank, IFC provided the bank with a loan in UZS in the amount equivalent to \$35 million. The EBRD advises Uzpromstroybank on issues of privatization, improvement of treasury operations, and asset management. It is expected that the privatization of the banking sector in Uzbekistan in the coming years will increase its competitiveness and will actively contribute to attracting foreign investment in its development.

Main trends in banking business

President's Initiatives

The President of the Republic of Uzbekistan, during an open dialogue with entrepreneurs in 2021, announced some expected changes in the banking system. In particular, to increase the capital of banks in 2022, an additional \$600 million will be allocated

from the Reconstruction and Development Fund. These funds, based on a competition, will be placed not only in the state-owned but also in private banks.

In addition, in 2022, banks intend to attract Eurobonds in national currency in the international financial markets for a total amount of 5 trillion UZS.

A company will be established under the Ministry of Finance to hedge currency risks on attracted foreign resources, providing banks with the opportunity to finance projects in the national currency of Uzbekistan.

Declining margins and profitability of the banking business

2021 was the year of the lowest profitability for banks. The ratio of net profit of the banking system to total capital (ROE) at the end of 2021 was below 10%. For comparison, the banking system of Uzbekistan has finished 2019 with a profitability of 16.7%.

Decrease in the profitability of the banking system is due to three main factors.

First, asset quality deteriorates and huge provisions are created to cover losses on non-performing loans. In 2021, banks allocated to reserves more than 10 trillion UZS. For comparison: in 2019, banks created almost 2.5 times less reserves - 4.1 trillion UZS.

Secondly, margins are decreasing. During 2021, interest income on bank loans grew more slowly than interest expense on deposits. In other words, interest rates on deposits rose faster. As a result, both the ratio of net interest income to total assets and the level of net interest margin decline.

Third, non-interest and operating expenses of banks are growing at an unprecedented rate. The costs of digitalization and new technologies, transformation processes, rebranding, PR, focus on the retail market without deep calculations have a very serious impact on the profitability of banks. In the case of foreign banks, this trend can be called as their own risk. However, the time is coming when individual banks will have to question whether spending in these areas has been worthwhile.

Digitalization

As throughout the world, the pandemic in Uzbekistan stimulated the process of transformation of banks towards digitalization, development of remote banking services, and restructuring of customer service algorithms. In particular, as of January 1, 2022, the number of users of remote services amounted to 20.2 million (including 19.3 million individuals, 974 thousand business entities). The issuance of licenses by the Central Bank to operate digital banks was also an impetus for further digitalization of the financial and banking system.

If earlier payment systems took market share from banks by providing peer-to-peer transfer services and online payments, then since the beginning of the pandemic some banks have intensified their work in this direction and began to regain lost ground. In 2021, Apelsin Bank received a banking license, which became the third digital bank in Uzbekistan, after the Georgian TBC Bank and the domestic Anor Bank.

An important event in 2021 was the introduction of digital customer identification. Remote customer identification allows to digitally determine a person's identity. In this case, the customer does not need to be physically present to sign documents; he can be completely verified (go through the identity verification process) remotely. This change will allow banks to strengthen their position in competition with payment organizations.

Super apps

In the banking market, digital ecosystems that combine telecom services with financial services have become new competitors to existing players. Instead of many disparate services, the user receives a single tool with which he can make purchases in an online store, call a taxi, etc. By combining solutions to all these problems into one super app, the company occupies an increasing share of the customer's attention, and, accordingly, in his wallet. It is along this path that ecosystems combined with the super app model are developing, such as Jio in India, Rakuten in Japan, Kaspi in Kazakhstan, and Chinese giants Alibaba and Tencent. In Uzbekistan, the first super app was Humans.

It is expected that 2022 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 intensify competition in the banking market.

Main events in the Bank's activities in 2021

The main event for the Bank in 2021 was the change in the Bank's shareholder composition. The state share in the authorized capital of the Bank was transferred to private shareholders, who had previously been major shareholders of the Bank. The Bank's shareholders will continue measures to ensure a comprehensive transformation of the Bank, introduce modern information technologies and software products, improve corporate governance, develop human resources and improve the Bank's position in international ratings.

In addition, an important event in 2021 was the recognition of the Bank as "The best bank in Uzbekistan for small and medium-sized businesses" according to ASIAMONEY international financial magazine. In addition, "ASIA ALLIANCE BANK" JSCB was awarded an award from the International Islamic Trade and Finance Corporation "The First Partner Bank in Uzbekistan".

At the end of 2021, the Bank introduced a new digital mobile application "Alliance". The Bank's new banking platform allows users to conveniently manage their funds on cards, place funds in deposits and carry out other banking transactions directly from their mobile phone 24/7. Among the new features of the Alliance mobile application are loyalty programs (bonuses, cashback), the "My Home" service, online loans and remote customer identification. The application meets modern information security requirements.

Chronicle of the main events in the Bank's activities in 2021

January 2021	ASIA ALLIANCE BANK established correspondent relations with Sberbank PJSC (Russia)
March 2021	ASIA ALLIANCE BANK" was recognized as "The best bank in Uzbekistan for small and medium-sized businesses" according to ASIAMONEY international financial magazine
June 2021	The bank became private
August 2021	ASIA ALLIANCE BANK established correspondent relations with Tinkoff Bank (Russia)
September 2021	The Bank received an award "The First Partner Bank in Uzbekistan" from the International Islamic Trade and Finance Corporation.
October 2021	The Bank introduced a new digital mobile application "Alliance"
December 2021	ASIA ALLIANCE BANK was recognized as Bank of 2021 in Uzbekistan by The Banker prestigious British publication

Market position of the Bank

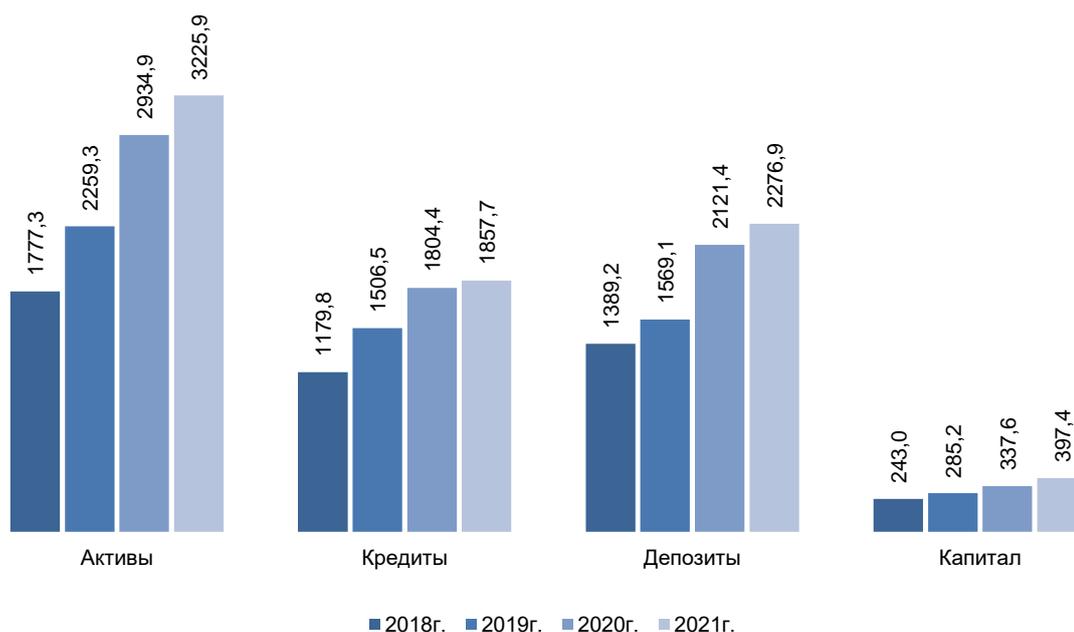
Over the past 2021, the activities of ASIA ALLIANCE BANK were aimed at growing the main areas of the bank's activities while maintaining an acceptable level of liquidity and capital adequacy.

As of January 1, 2022, the Bank managed to improve the size of all key indicators. In particular, the Bank's assets increased by 10%, from 2.9 trillion UZS up to 3.2 trillion UZS. The Bank's loan portfolio increased by 3% and amounted to 1.9 trillion UZS. The total capital of the Bank increased by 17% or 59 billion UZS. The Bank's net profit increased by 28% or 13 billion UZS compared to last year. However, the growth rate of the Bank's activities was insufficient to compete with other banks. In conditions of fierce competition, the Bank was able to maintain its position only in terms of equity capital and net profit.

Market position of "ASIA ALLIANCE BANK" JSCB

Indicators	As of 01.01.21		As of 01.01.22	
	billion UZS	bank position	billion UZS	bank position
Total assets	2 935	18	3 226	19
Loan portfolio (gross)	1 852	17	1 903	18
Customer deposits	2 121	17	2 277	18
Share capital	338	20	397	20
Net profit	47,1	19	60,3	17

Dynamics of the Bank's main indicators (2018-2021), billion UZS



2019-2020 was a difficult period for ASIA ALLIANCE BANK JSCB. The changes that have occurred in the shareholder structure and the outflow of funds from the Bank's capital, as

well as the emergency situation due to the Covid pandemic, have negatively affected the dynamics of development and the preservation of the competitiveness of the Bank. In the conditions of continued uncertainty and the absence of external injection of funds into capital, in order to maintain stable activities of the Bank, the only way out of the difficult situation was organic growth, i.e. growth of indicators within the limits of earned profit. Consequently, the Bank's management took all reasonable measures to maintain stable operations and quality of service, preserve the customer base and the Bank's reputation in the local and foreign markets. As a result, the growth rate of the Bank's total assets for 2019-2021 amounted to 82%, deposits - 64%, loan portfolio -57% and total capital - 64%.

Today, the urgent task for the Bank remains to maintain and further strengthen the Bank's competitiveness in key segments of the banking market by increasing the volume of the deposit base, loan portfolio and further growth of capitalization.

Analysis of the competitive environment

Analysis of performance indicators (01/01/2022)

Banks	Net profit, billion UZS	ROA	ROA ranki ng	ROE	ROE ranki ng	Cost Income Ratio (CIR)	CIR ranki ng
ASIA ALLIANCE BANK	60,3	1,96%	12	16,40%	8	74,7%	20
COMPETITOR BANKS							
HAMKORBANK	450,9	3,94%	6	26,48%	5	51,37%	11
KAPITALBANK	356,3	3,11%	7	30,25%	3	49,81%	10
IPAK YULI BANK	366,3	4,46%	5	26,90%	4	52,87%	13
ORIENT FINANS BANK	300,0	5,45%	3	24,31%	6	33,10%	2
TRUSTBANK	450,6	7,73%	1	44,99%	1	34,37%	3
INFINBANK	145,4	2,80%	9	20,88%	7	57,14%	16
DAVR-BANK	124,0	5,55%	2	34,84%	2	40,72%	4
TENGE BANK	60,2	2,44%	10	7,57%	16	52,79%	12
UNIVERSAL BANK	13,1	0,98%	23	6,98%	17	83,37%	23
RAVNAQ-BANK	6,3	0,80%	24	4,50%	22	88,15%	25
Total banking sector	3 885	0,96%		6,01%		67,27%	

An analysis of the financial indicators of competing banks shows that a favorable level of ROE is observed in such competing banks as Trustbank (45%), Davrbank (35%), Kapitalbank (30%), Ipak-Yuli Bank (27%), Hamkorbank (26%) and OFB (24%), which is explained by these banks conducting more efficient operating activities and the relatively high level of their interest margin on loans.

The highest level of ROE at Trustbank is associated with the specifics of the bank's customer base, the use of comparatively cheap resources of the Uzbekistan Commodity Exchange, since the bank is the supporting bank of the Commodity Exchange.

It should be noted that in recent years there has been a pronounced activity of Davrbank, which initially positioned itself as a reference bank for trade and public catering, actively attracting individual entrepreneurs and SMEs with high-margin operations. Today, the

bank is also developing its retail business. Davrbank maintains high efficiency indicators, at the end of 2021 it received a profit in the amount 124 billion UZS, in terms of ROA and ROE it ranks 2nd among all banks, 4th place in terms of the Cost Income Ratio (CIR).

Through the active development of foreign credit lines and financing facilities from international financial institutions, Hamkorbank, Kapitalbank and Ipak Yuli Bank are actively increasing the volume of lending to the private sector and SMEs. The strategy of these banks is aimed at actively developing promising market segments and selling high-margin loan products without price dumping. Banks are constantly improving their employee motivation systems based on KPIs and effective risk management, attracting professionals to these projects. To achieve high margins, banks have introduced “shadow” scoring tools based on their own assessment of the creditworthiness of borrowers who do not have official income. At the same time, the share of NPL in the loan portfolio of these banks is less than 3-4%.

Current activities of the Bank

A comparative analysis of our Bank’s efficiency ratios indicates that the Bank’s existing business model does not fully take into account modern trends and approaches to customer focus and risks, which is reflected in the Bank’s profitability indicators. Thus, the ratio of net profit to assets and equity (ROA, ROE) of the Bank is significantly lower than that of its main competitor banks. A high level of the CIR indicator indicates the ineffectiveness of the Bank's current operating model.

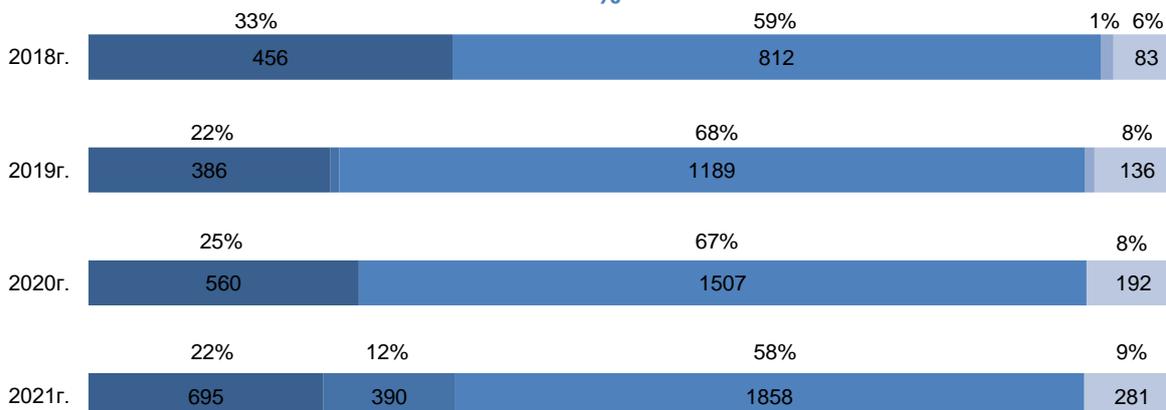
Problem assets negatively affect the Bank's position in the domestic and foreign markets and are a serious obstacle to the development of cooperation of the Bank, especially with foreign partners. In particular, as of December 1, 2021, the Bank’s NPL indicator amounted to 12.4% of the loan portfolio, which is one of the highest indicators in the banking system. In other words, according to the NPL indicator, the Bank ranked 7th among all commercial banks, which is 3-5 times higher than that of competing banks.

The relatively high level of NPL is explained by the high concentration of the loan portfolio among large borrowers, which increases the level of sensitivity of the portfolio quality and the Bank’s efficiency in the event of crisis situations. Of the total amount of problem assets, more than half falls on the share of a certain circle of borrowers, which requires taking effective measures to return large problem loans, as well as improve the financial condition of borrowers. Sales of non-performing assets in the amount 100 billion UZS will allow reducing the NPL level to less than 5% and freeing up reserves, accordingly expanding the Bank’s credit operations by an additional 500 billion UZS.

It should be noted that in 2021 there were changes in the structure of the Bank’s assets towards improving their quality. In particular, as of 01/01/2022 the volume of government securities purchased by the Bank amounted to 390 billion UZS, which had a positive impact on the growth of the share of highly liquid assets and led to an increase in risk-free income-generating assets.

At the same time, the yield on government securities is 14% per annum, taking into account the tax effect - 17% per annum.

Dynamics and structure of the Bank's assets in 2018-2021, in billion UZS and share in %



[■High quality liquid assets; ■Government bonds; ■Loans and leasing, net; ■Investments; ■Fixed assets, Intangible Assets and other assets]

The Bank's income-earning assets account for more than 70% of the Bank's total assets. As of 01/01/2022 the Liquidity Coverage Ratio (LCR) was 227% (with a minimum standard of 100%), the Net Stable Funding Ratio (NSFR) was 125% (with a minimum standard of 100%), which correspond to the recommendations of international financial institutions and are a positive factor for improving international credit Bank rating.

Despite the current situation with capital adequacy, because of effective management of risky assets and capital, the Bank created an additional buffer of regulatory capital, which as of 01/01/2022 amounted to 410 billion UZS, and the capital adequacy ratio was 13.9%, with the minimum requirement of the Central Bank being 13.0%.

Increasing competition in the banking services market, measures to liberalize the financial system, as well as the rapid development of the country's banking system serve as the main impetus for the development of banking activities and the Bank's business in the coming years. These aspects pose a number of tasks to ensure the sustainable development of the Bank, maintain high quality of assets and banking services, further diversification and growth of profitability of the loan portfolio, as well as expanding sales channels, strengthening the position and competitiveness of the Bank in the banking market by optimizing and improving business processes.

MAIN AREAS OF DEVELOPMENT OF THE BANK'S ACTIVITIES

In 2022, the Bank's activities will be aimed at achieving the following priority objectives assigned to the Bank:

- continuation of work on reforming banking activities in accordance with UP-5992 Decree of the President of the Republic of Uzbekistan “Regarding strategy for reforming the banking system of the Republic of Uzbekistan in 2020-2025” dated May 12, 2020;
- determination of the main directions of the Bank's Development Strategy for the medium term (2022-2025). In the process of approving the Bank's Development Strategy, it is advisable to involve external consultants and/or a company from among the Big 4;
- development and implementation of the Bank's operating model and new organizational structure, appointment of people and development of the Bank's business model;
- 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;
- development of the financial structure of the Bank, determination of the structure and hierarchy of centers by functional, service and business (product) divisions;
- – creation of a Financial Service (CFO) of the Bank, development and implementation of a budgeting and cost control system;
- introduction of a transfer pricing mechanism to determine the cost of products and improve the efficiency of results management; – implementation of the “Digital Bank Platform” project, further development and implementation of promising innovative technologies, improvement of banking infrastructure, development of electronic sales channels;
- introduction of Islamic finance in cooperation with the Islamic Corporation for the Development of the Private Sector and other financial institutions, creation of infrastructure that allows the provision of banking services in accordance with Sharia law;
- expansion of banking services and sales channels, standardization of banking products and improving the quality of customer service, introduction of systems of indicators for the quality of business processes, including assessments of the level of customer satisfaction and loyalty (NPS, CSI);
- 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;
- improving the knowledge and skills of Bank employees, increasing productivity and encouraging work based on employee performance indicators.

Transformation of the Bank's business and activities

As the competitive environment in Uzbekistan develops, commercial banks are increasingly thinking about measures to improve the efficiency of their activities, such as developing a new business model, increasing the profitability of operations, operational efficiency and labor productivity.

In this regard, currently, with the involvement of an external consultant, the Bank is considering the possibility of reorganizing the Bank's structure in all key areas of business, which should allow the Bank to become competitive and attract strategic foreign investors. The development of the "business finance" direction in the Bank, with some additions, can serve as a catalyst for creating the foundation for further transformation of the Bank and effective implementation of projects, and subsequently organize focused initiatives for the development of individual business areas, such as retail and corporate business, Islamic and investment banking and others.

In order to organize the process of transformation of banking activities, provision of banking services in accordance with the best global practices and modern requirements, optimization of banking business processes in 2022, the Bank plans to carry out work in the following areas:

1. Development and approval of a new organizational structure of the Bank:

- determination of the management structure and high-level authorities;
- development and approval of job responsibilities of key managers of 2nd level areas (COO, CFO, business area);
- development and approval of a detailed organizational structure of the Bank's financial service;
- preparation of a Roadmap for the transition to a new organizational structure of the Bank; - cascading of the new organizational structure in the Bank's branches;
- selection of employees and implementation of the training plan for Bank employees.

2. Creation of a budgeting and cost control system (after approval of the organizational structure):

- identification of financial responsibility centers throughout the Bank;
- determination of the most suitable cost distribution method for the Bank;
- development of forms and methodology for cost management;
- training of personnel to perform work on generating reports and forms for budgeting and cost management;
- cascading of developments in Bank branches.

3. Introduction of transfer pricing and development of management accounting:

- studying the capabilities of management information systems for transfer pricing calculations;
- development of technical specifications for the implementation of settlements in an automated banking system;
- development of transfer pricing methodology;
- determination of the most suitable transfer pricing methodology for the Bank and its approval;
- training and implementation of the formation of management accounting, coordination of the work of the responsible financial unit of the Head Office and branches of the Bank;

- application of developments in management reporting and FTP to implement planning in the strategic planning process.

4. Improving the quality of services provided by the Bank, expanding the range of modern customer-oriented banking services and optimizing operating costs:

- completion of processes in the field of improving operational processes and universalization of front offices, changing the format of services and offices, improving the activities of the Bank's Contact Center;

- simplification and automation of banking operations, business processes and document flow based on the best experience and software, transferring operations to paperless technologies;

- continuation of work on the implementation of the Customer Relationship Management System (FB CRM) in order to develop customer analysis and improve the quality of customer service;

- continuation of work on the implementation of a digital platform, which includes a mobile application and Internet banking, electronic wallet, market programs, as well as other attractive areas to expand the range of digital banking services, improve the speed and quality of services;

- introduction of Islamic finance products within the framework of the project together with the Islamic Corporation for the Development of the Private Sector;

- improving the infrastructure and functions of non-cash payments, increasing the level of technical equipment, expanding the network of POS terminals (acquiring), online cash registers, ATMs and ADM devices, payment terminals, contactless payments and other payment system tools;

- introduction and expansion of consulting services on investment banking, factoring, project financing, leasing and other banking services;

- increasing the volume and quality of services provided to small and medium-sized businesses by simplifying business processes, standardization and widespread use of information technologies;

- conducting comprehensive marketing research and segmentation work aimed at attracting customers, pursuing an active marketing policy aimed at popularizing mobile and Internet banking services.

It should be noted that after the approval of the Bank's new operating model, when choosing the Bank's business model, it is necessary to take into account such factors as the current market position and level of capitalization of the Bank, the structure of the customers base, the expected volumes of infusion of shareholders' funds into capital and the possibility of attracting funds from outside, the level of credit risks and attractiveness of interest rates for the main market segments.

It is also necessary to strengthen the Bank's human resources by attracting qualified specialists, especially in the field of organizing sales and marketing work, promoting the Bank's products and brand, mainly through digital channels, as well as specialists in the field of developing relationships with large corporate customers and partners for the purpose of joint promotion services, examination of investment projects and project financing, use of modern tools for assessing and calculating the return on investment projects (NPV, IRR), organizing syndicates for financing large projects.

Lending Activities

As of 01/01/2022 the volume of the Bank's loan portfolio amounted to 1,903 billion UZS, including short-term loans - 242 billion UZS (13% of the loan portfolio), long-term loans and leasing - 1,662 billion UZS (87%), retail loans - 616 billion UZS (32%). The share of loans in the Bank's assets amounted to 58%, compared to 63% as of January 1, 2021.

Indicators of the Bank's Lending Activities at the End of 2021

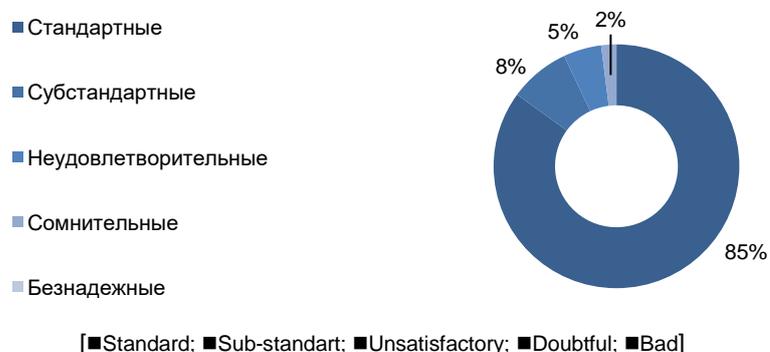
Indicators	Loan Portfolio, total	Corporate loans	Retail loans
Portfolio volume (gross), billion UZS	1 903	1 288	616
<i>specific gravity, %</i>	100%	68%	32%
Interest income on loans, billion UZS	287,5	149,3	138,2
<i>specific gravity, %</i>	100%	52%	48%
Average weighted % interest rate on loans in UZS, in % per annum	21,78%	17,83%	25,73%
Average weighted % interest rate on loans in US dollars, in % per annum	6,56%	6,56%	

The highest share by type of customer in the loan portfolio falls on corporate loans (51.3% of the portfolio), and by industry sector on production (26.9% of the portfolio). The share of loans to individuals in the portfolio was 31.8%.

An analysis of the structure of loan collateral shows that the main types of loan collateral are real estate (36.3%), insurance policy (25.2%) and vehicles (15.5%).

As of 01/01/2022, reserves were created for loans classified in the "Substandard" status to cover possible losses in the total amount of 13,412 million UZS, in the "Unsatisfactory" status in the amount 12,570 million UZS, in the "Doubtful" status in the amount 19,522 million UZS, for loans classified as "Bad" – 64 million UZS.

Classification of loans, in billion UZS and share in % (01/01/2022)



In 2022, it is planned to implement a number of important tasks to ensure further qualitative development of lending activities and achieve quantitative parameters for the volume of the loan portfolio and its structure.

In 2022, the volume of loan issuance is planned at more than 1 trillion UZS. The balance of the loan portfolio (net) at the end of 2022 will amount to **2,837 billion UZS**. The ratio of the loan portfolio (net) to total assets will be formed at the level of 64% (as of January 1, 2023). The balance of reserves against possible losses is planned in the amount 98 billion UZS or 3.4% of the total loan portfolio.

By the end of 2022, it is planned to increase the short-term loan portfolio to 426 billion UZS, and their share in the loan portfolio to 15%.

Indicators	Plan for 01/01/2023, million UZS
Balance of the loan portfolio, net, including:	2 837 170
short-term loans	425 575
long-term loans and leasing	2 411 594
Reserves for possible losses	97 648
Gross balance of loan portfolio	2 879 175
Provisions for possible losses / loan portfolio, gross	3,4%

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 maintain the retail loan portfolio at the level of 28%-30% (750-800 billion UZS) of the total volume of the Bank's loan portfolio.

It should be noted that in 2021, the difference between rates on retail loans and retail deposits in national currency decreased to 2%. Since 2020, the cost of retail deposits has been steadily increasing, and in 2021, retail loan rates have decreased significantly. Banks will not be able to continue to operate with a margin of 2%, given the risks that exist and accumulate in the retail market. Otherwise, banks that enter the retail market without taking into account relative advantages and future losses will do no good.

Yield on retail loans by risk scale

	I	II	III	IV
Risk Weighted Assets (RWA)	100%	150%	200%	200%
Interest rate	23%	27%	31%	35%
Loan amount (billion UZS)	300	200	150	150
RWA amount (billion UZS)	300	300	300	300
Amount of interest on the loan (billion UZS)	69	54	47	53
Required amount of capital (13%) (billion UZS)	39	39	39	39
Required amount of deposit (resource) (billion UZS)	300	200	150	150
Deposit rate, taking into account the Fund of Mandatory Reserves and Citizens Deposits Insurance Fund	24%	24%	24%	24%
Amount of interest on deposit (billion UZS)	72	48	36	36
Net interest income (billion UZS)	-3	6	11	17
Return on capital, excluding operation and other expenses	-7,69%	15,38%	26,92%	42,31%

In such difficult circumstances, the Bank should use its capital and credit resources more efficiently and prudently.

According to the requirements established by the Central Bank, loans are issued on a risk scale of 100%, 150% and 200% (Risk Weighted Assets - RWA), depending on the interest rate, and accordingly create a burden on the bank's capital. The above analysis shows that the Bank can achieve sufficient profitability only when placing retail loans at a rate of more than 31% per annum.

Also, in conditions of limited capital capacity, the Bank needs to increase the volume of lending to SMEs and high-margin credit projects, reduce the provision of relatively cheap loans to corporate customers in order to retain them, diverting credit resources to capital-intensive projects with high credit risks.

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 2022 it is planned to finance SME projects at a rate of 27-28% per annum in national currency, and at a rate of 12-14% per annum in foreign currency.

In 2022, in order to optimize business processes in the field of lending to SMEs, it is planned to introduce scoring models and an underwriting system for considering loan applications, as well as the introduction of new types of express lending.

In this direction, the Bank has established cooperation with the company "CRIF" (Italy), which will provide the following services:

- Development and optimization of the Bank's credit policy rules;
- Development of a system of indicators for corporate customers (legal entities), including in the field of SME lending;
- Development of a scoring system;
- Risk-based pricing.

CRIF has extensive experience in developing and implementing analytical solutions in 35 countries. The strategic value of cooperation with CRIF is as follows:

- CRIF is a global company founded in 1988, specializing in information, analytical and software solutions and operating on four continents (Europe, America, Africa and Asia).
- CRIF provides analytical services for the development and maintenance of credit policy rules, questionnaire scoring, behavioral scoring, collection scoring, ECL (expected credit loss) calculation structures under IFRS 9 and other data-based modeling and analysis reports;
- CRIF has successfully established and continues to develop its credit bureau solutions in 20 countries and business information platform in more than 30 countries;
- CRIF offers software solutions for loan origination (LOS), decision automation and collection activities.

In order to further improve the retail lending process, the following projects are planned to implement in 2022:

- implementation of software for biometric analysis of data of borrowers - individuals;
- improving the practice of working with overdue debt based on the experience of foreign banks in monitoring, repayment and management of outstanding loans (soft, hard, legal collection);
- optimization of the existing scoring system, implementation of a scoring model for statistical assessment of the probability of debtors' fraud (fraud-scoring) and their behavior (behavioral-scoring);

– introduction of high-margin online credit products, launch of credit cards and installment cards for a wide segment of the population.

It should be noted that, under the influence of the crisis, there is a tendency for the workload of Bank employees who are engaged in collecting overdue loans to increase. The Bank remains faced with the pressing issue of optimizing business processes and improving the activities of the Bank's collection divisions by introducing new approaches and automated systems for collecting credit debt.

The introduced collection system (credit debt collection system) should ensure full automation of business processes at all phases of work - soft (*including integration with the contact center*), hard, legal collection - throughout the country and allow simultaneous support of all credit and bank accounts of borrowers. In addition, this system should allow the Bank to track the collection process and monitor the efficiency of work at each stage, including the collection and analysis of statistical data to measure the performance of employees and departments, setting up various collection tactics, and preparing reports for management and partners of the Bank.

Investment and Issuance Activities of the Bank

In recent years, the first steps have been taken to implement the strategy for the development of the capital market of Uzbekistan. In 2021, the President of Uzbekistan signed No. UP-6207 Decree dated April 13, 2021 “Regarding measures for the further development of the capital market”, which approved the Capital Market Development Program in 2021–2023.

The Roadmap for the implementation of the Capital Market Development Program in 2021 – 2023 provides for 40 activities, including:

- introduction of new types of instruments (futures, including foreign exchange, options, ETFs, exchange-traded bonds);
- abolition of collateral requirements for the issue of corporate bonds;
- introduction of Sukuk bonds based on the principles of Islamic finance;
- creation of a legal framework for organizing the activities of national rating agencies in the field of the capital market;
- development by the Republican Stock Exchange “Tashkent” of a mobile application for carrying out transactions with securities online, with the ability to connect brokers;
- establishing close cooperation between the CD and the largest international securities depositories (Clearstream, Euroclear) to attract large international investors to the domestic capital market;
- development of proposals for improving the activities of investment funds;
- creation of an investment fund to attract \$50 million without government guarantees to invest funds in corporate securities;
- creating the opportunity to purchase government securities (except for Central Bank bonds) by citizens, as well as non-residents (at the initial stages - for MFIs).

This Decree establishes that bringing the total volume of securities in free circulation to at least 5% of GDP is the main target parameter. Starting from 01/01/2023 domestic issuers can place their shares on foreign stock markets after preliminary placement on the republican stock exchange.

At the beginning of 2021, the Capital Market Development Agency was abolished, and all its tasks, functions and powers were transferred to the Ministry of Finance of Uzbekistan. It is envisaged that in the early stages the main driver of development of the capital market will be the issue of government securities (GS).

The Bank considers investment activity as one of the promising areas. Taking into account the above-expected positive changes, in 2022 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.

Investment portfolio of the Bank as of 01/01/2022 consists of investments in a subsidiary leasing company - Absolut Leasing DE LLC, program investments in the Credit Information Analytical Center and Credit Information Services CRIF (credit bureaus). The volume of the Bank's investment portfolio is 2,658.1 million UZS.

In 2022, the Bank plans to implement an Islamic finance project through the Bank's participation in the authorized capital of a specialized Islamic finance company, since the current banking legislation and strict regulatory requirements do not allow the implementation of the "Islamic Window" project at the Bank at an accelerated pace.

Taking into account the current operating environment and the low level of capitalization of the Bank, at the current stage of development of banking services for Islamic finance, the Bank's investment participation in this project in 2022 will be limited to up to 5 billion UZS.

In 2022, the Bank's issuance activities will be aimed at strengthening the long-term resource and capital base through the issue and sale of debt and equity 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 under attractive terms and conditions.

In particular, in order to increase the size of regulatory capital, the Bank has the opportunity to issue preferred shares in the amount of up to 20% of the Bank's authorized capital, with a fixed yield of 44% per share, provided that the placement price is at least 200% (500 UZS) from the par value of the share (250 UZS).

This proposal is based on the current trend in the market of rates on deposits of individuals (22% per annum), i.e. you can offer a competitive rate for preferred shares. At the same time, in the case of the issue of preferred shares in the amount 10% of the authorized capital of the Bank, it is possible to attract funds in the amount 40 billion UZS, with a growth multiplier of profitable assets of about 400 billion UZS. Considering that the issue of preferred shares is practiced in most banks, this proposal can be updated in 2022 to increase the level of the Bank capitalization.

Treasury Operations

Today, the treasury function of commercial banks goes beyond managing bank liquidity and operations in the interbank market, becoming an important process in managing all financial relationships, the structure of the bank's balance sheet and banking risks. Increasing regulatory requirements and challenging trends in financial markets are further increasing the role of treasury in banks.

The complex challenges and significant challenges facing treasury require extensive use of information technology for data analysis in the future, including the effective use of digital technologies and artificial intelligence capabilities.

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

Currently, the interbank market has established the development of operations with overnight deposits and government securities within the framework of UP-5877 Decree of the President of Uzbekistan dated November 18, 2019 "Regarding improvement of monetary policy through a gradual transition to inflation targeting." These positive changes provide an opportunity to further improve the Bank's efficiency and effectively manage the Bank's liquidity.

In 2021, on the government securities market, the Bank, using its own funds, made 30 transactions to purchase government securities for a total amount of 652 billion UZS.

As of 01/01/2022, the Bank's portfolio consists of 399,800 units of government securities (nominal value of government securities - 1 million UZS), including 349,800 units were bonds of the Ministry of Finance and 50,000 units were bonds of the Central Bank. Activities in the government securities market brought income to the Bank in the amount 45.6 billion UZS, including:

- *interest income from investments in government securities – 43,169.9 million UZS;*
- *income from the sale of government securities – 2,317.0 million UZS;*
- *commission income from servicing the investor – 88.5 million 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 2022, it is planned to increase the volume of government securities by more than 500 billion UZS, which will ensure an optimal structure of the Bank's liquid and profitable assets.

In addition, in 2021, 161 transactions were completed to place funds in national currency with the Central Bank of the Republic of Uzbekistan under overnight terms for a total amount 5.4 trillion UZS, resulting in interest income in the amount 2.7 billion UZS.

The Bank actively participates in the over-the-counter foreign exchange market. In 2021, to meet the needs of corporate customers in foreign currency, 136.9 million US dollars were purchased from local banks, and transactions for the purchase of foreign currency in the amount 298.2 million US dollars and 3.05 million Euro.

Today, enterprises - participants in foreign economic activity - exporters and importers, regardless of its size and industry, need to hedge currency risks under foreign trade contracts, since exchange rates are influenced by numerous factors related to international trade, geopolitical risks, and volatility in financial markets.

In this regard, in 2022, the Bank plans to develop a comprehensive offer to corporate customers for hedging currency risks aimed at minimizing possible financial losses because of sharp fluctuations in currency exchange rates.

In addition, the Bank's treasury department is currently working to attract funds from the international money market, denominated in UZS. In this direction, negotiations are underway with international companies such as TCX Investment Management Company B.V., Frontclear Management B.V. (Amsterdam, Netherlands).

In accordance with the Bank's long-term development strategy, in 2022, as part of the deepening of banking operations in the interbank money and foreign exchange market, measures will be continued to expand the volume and types of services by offering attractive banking services to customers in the field of deposit operations, conversion, banknote transactions and others treasury services.

International Activity

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

In the course of cooperation with various foreign organizations and international authoritative publications, in the 1st quarter of 2021, the Bank was recognized as the “Best Bank in Uzbekistan for small and medium-sized businesses” according to ASIAMONEY financial magazine. In addition, in the 4th quarter of 2021, ASIA ALLIANCE BANK for the fourth time was announced as the Bank of the Year in Uzbekistan by The Banker, prestigious British publication.

Because of the successfully completed work, on January 18, 2021, an agreement was signed to establish correspondent relations with the largest bank in Russia, PJSC Sberbank. Based on this agreement, a correspondent account in Russian rubles was opened for the Bank in a foreign bank.

In addition, in order to introduce a new product for Card2Card money transfers from Russia at the Bank, on August 27, 2021, an agreement was signed to establish correspondent relations with Tinkoff Bank (Russia) and a correspondent account in Russian rubles was opened for the Bank.

In order to attract and develop credit lines in 2022, work will continue to establish and expand cooperation with international financial institutions (European Bank for Reconstruction and Development), investment companies (Agents for Impact, Germany), foreign banks (Mashreq Bank, Dubai) to attract their credit resources.

The Bank carried out a number of activities in cooperation with the Islamic Corporation for the Development of the Private Sector (ISRPS), IsBF and CENTIL companies with the aim of introducing Islamic finance products. In 2022, as part of the project, it is planned to purchase and install software from ICSFS (Jordan), which will allow the provision of banking services in accordance with Sharia law, as well as other organizational work. As a result, the Bank will introduce new banking services in accordance with Sharia law in the market.

In addition, the Bank is working on cooperation with international rating agencies. In 2022, the necessary measures are planned to maintain and improve the Bank’s international rating.

In order to strengthen the Bank’s status in the local and international financial arena, the Bank will continue to take part in competitions organized by foreign banks, international financial institutions, publications and media such as “The Banker”, “Global Finance”, “Euromoney”, etc.

Retail Business

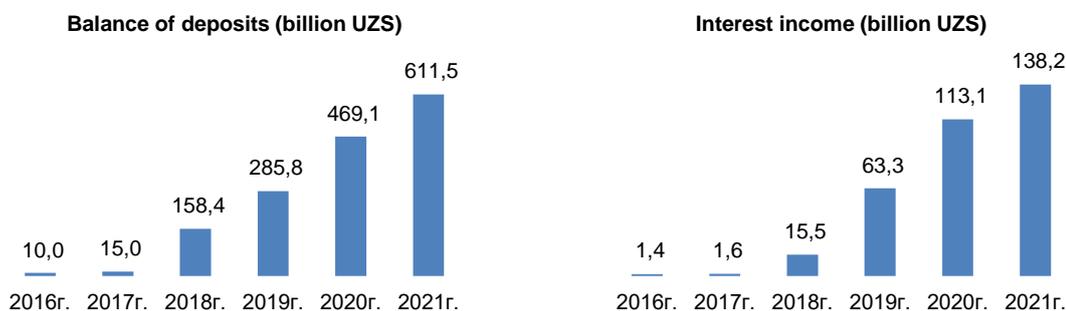
As the population's wealth grows, their demand for new retail banking services increases. In these circumstances, there is strong competition from banks and Fintech companies to gain a foothold in the retail banking market.

No. 3620 Resolution of the President of the Republic of Uzbekistan dated March 23, 2018 "Regarding additional measures to increase accessibility of banking services" has created a number of opportunities for banks to develop retail-banking services. Prior to this, the retail banking market was in a deplorable state, with very limited access to foreign exchange transactions and credit products.

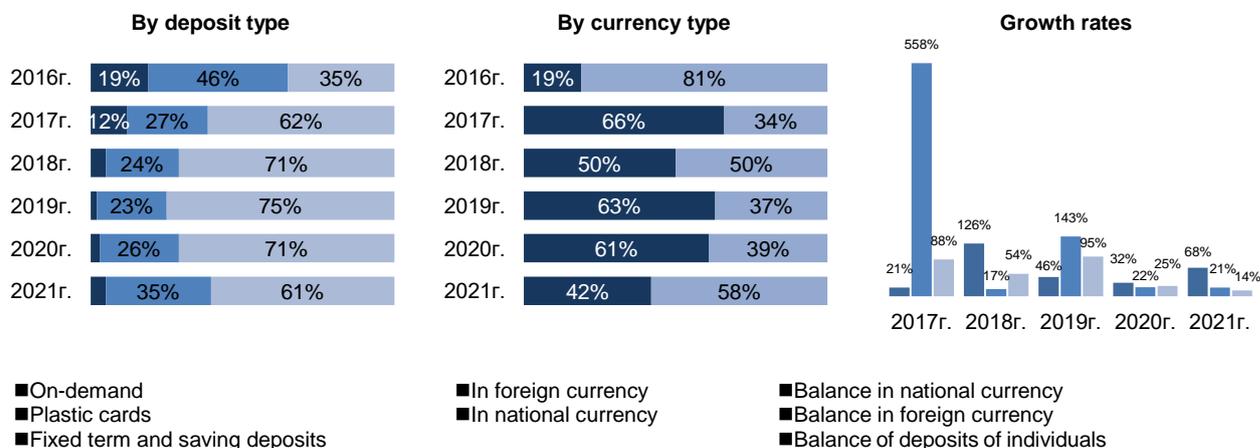
Positive changes in legislation and the operating environment laid the foundation for the development of retail business in the Bank. In 2018, the Bank decided to develop its retail business by making significant changes to its business and operating model. Corresponding changes were made to the organizational structure of the Bank's head office and branches, and new departments and divisions were established.

As a result, a number of positive results have been achieved in the retail business. In particular, the share of retail loans in the bank's loan portfolio reached 30%, the ATM network was expanded (more than 200), automated deposit machines (more than 20) were introduced, and others.

Dynamics of retail loans and interest income thereon



Structure and growth rates of the retail deposit base



However, it should be noted with particular vigilance that today the pressure of retail loans on the Bank's regulatory capital is increasing, margins have sharply decreased, and the collection of retail loans requires large resources.

Today's operating and competitive environment is very different from what it was 4-5 years ago. The emergence of digital banks such as ANOR bank and APELSIN bank on the retail market, as well as the entry of foreign banks such as TBC and Tenge bank into the banking market, creates strong competition.

Today we can observe that competing banks have surpassed our Bank in many aspects of retail business. In particular, while we are thinking about various individual cards, banks are issuing multifunctional cards (Anor bank - Tria, OFB - Multicard), we are looking for new opportunities to expand the network of ATMs and ADMs, while other banks are launching devices, including these functions in one machine (Ipak Yuli Bank). Other banks have already introduced credit products such as online loans and installment cards ("TBC", "Davrbank", "SQB", etc.), which we have been dealing with for years.

Strong competition and rapidly changing market conditions require us to rethink our retail business model in 2022.

Based on the above, newly created retail business structures are required to promote new initiatives, ensure the profitability of the retail business, and conduct an in-depth analysis of the retail business (for example, an analysis of the share of customers within the framework of salary projects in the Bank's retail business has not yet been carried out).

Particular attention should be focused on the 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 a product line within the framework of salary projects);
- deepening the relationship between retail and corporate banks when selling salary projects.

At the same time, to assess the success of the implementation of initiatives in the field of retail business, the Bank needs to develop key business performance indicators that characterize:

- cost of each retail banking service/product;
- market positions for main banking products (market share);
- intensity and depth of relationships with customers (number of products per customer, etc.); – quality of service (service time, time to make a decision on issuing a loan);
- indicators of customer satisfaction with banking services (loyalty index, brand acceptance);
- development of sales channels (share of transactions through remote channels, etc.);
- employee productivity (indicators per employee - number of transactions, loan agreements, etc.).

Optimizing the sales network and improving the service format

Until 2020, the Bank focused on expanding its branch network. A network of branches has been established in Tashkent and in regions of the country with high economic potential. In particular, 6 branches of the Bank were opened in Tashkent and 4 in the regions, including Samarkand, Karshi, Bukhara and the last one in 2019 in Fergana. Thus, there are currently 9 branches (with an operational department) and 12 banking service centers and mini-banks in the banking system.

However, today the experience of banking practice in developed countries shows that service processes are increasingly moving from traditional banking offices to a remote service platform or compact “smart” offices. An analysis of current service processes in our Bank shows that 98% of payments from corporate customers are made remotely through the Internet banking system, without the participation of Bank employees.

In addition, the Central Bank of the Republic of Uzbekistan introduced the concept of a banking services office and removed all restrictions imposed on previous mini-banks. That is, the status of a banking services center was equal to the status of a branch. The banking services center allows you to highly optimize business processes and operating costs due to its compactness.

In order to ensure the provision of all types of banking services to customers through the Bank’s infrastructure, in 2022, the Bank will continue the process of reorganizing mini-banks within regional branches and in Tashkent.

In addition, the Bank plans to implement the “Single Balance Sheet - Single Customer” project. As a result, the customer becomes a full-fledged customer of the bank, and not a customer of a specific branch, and can be served from any branch or department of the Bank.

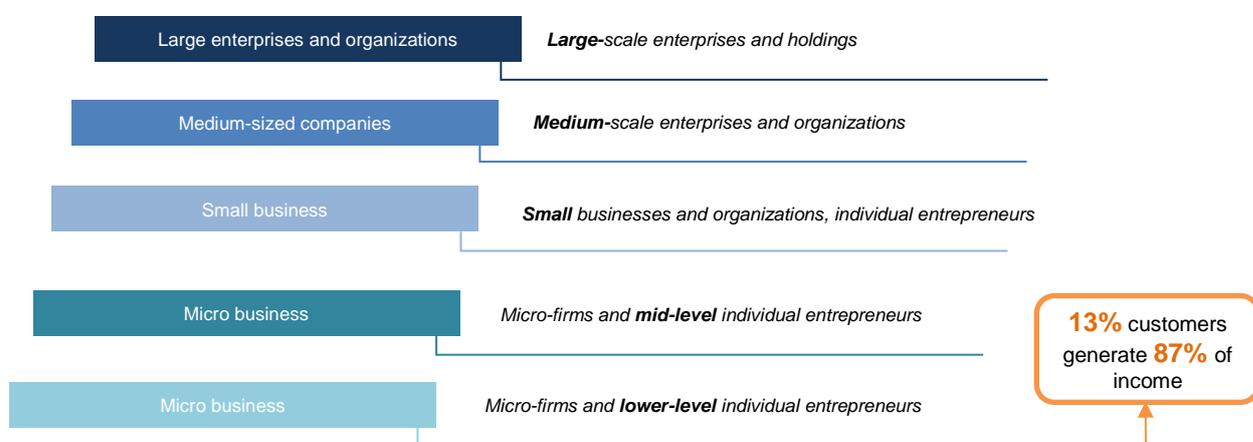
In 2022, the Bank plans to carry out work to optimize the business processes of the Bank’s branches, introduce an effective sales system for banking products, further expand remote service and self-service systems, as well as introduce modern customer service standards.

Corporate business

Today, the limiting factors in the development of the Bank's corporate business are the following:

- lack of a specialized division and model for covering corporate customer;
- lack of customer segmentation through a clear division between corporate, medium, small and micro businesses;
- lack of a clear division of functions between business (front office) and supporting divisions (operations unit, underwriting, etc.);
- low qualifications of specialists in the field of examination of investment projects and project financing, organization of syndicates and structuring for financing large credit projects, effective management of customer cash flows;
- low level of capitalization and limited resource base of the Bank.

Analyses of the Bank's corporate customer base show that out of a total number of corporate customers 13,000, about 350 customers are classified as key customers or customers in the maturity zone of the Bank's relationship with them, about 8,200 customers are included in the group of regular (active) customers with the level of development of the Bank's relationship with them, as well as over 4,000 customers are included in the database of dormant or inactive customers. In addition, calculations show that more than 80% of the Bank's profits are generated by less than 20% of corporate customers.



Customer category	Number of customers	Share in relative profitability	Min. profitability amount	Average profitability amount	Max. profitability amount
Largest corporations	21	26%	707	2 087	8 585
Large enterprises and organizations	28	9%	340	532	1 117
Medium-sized companies	291	31%	53	179	1 500
Small business	785	20%	10	43	1 211
Mid-level micro business	2 743	11%	1	7	252
Lower level micro business	4 659	2%	0	1	26
Grand total	8 527	100%			

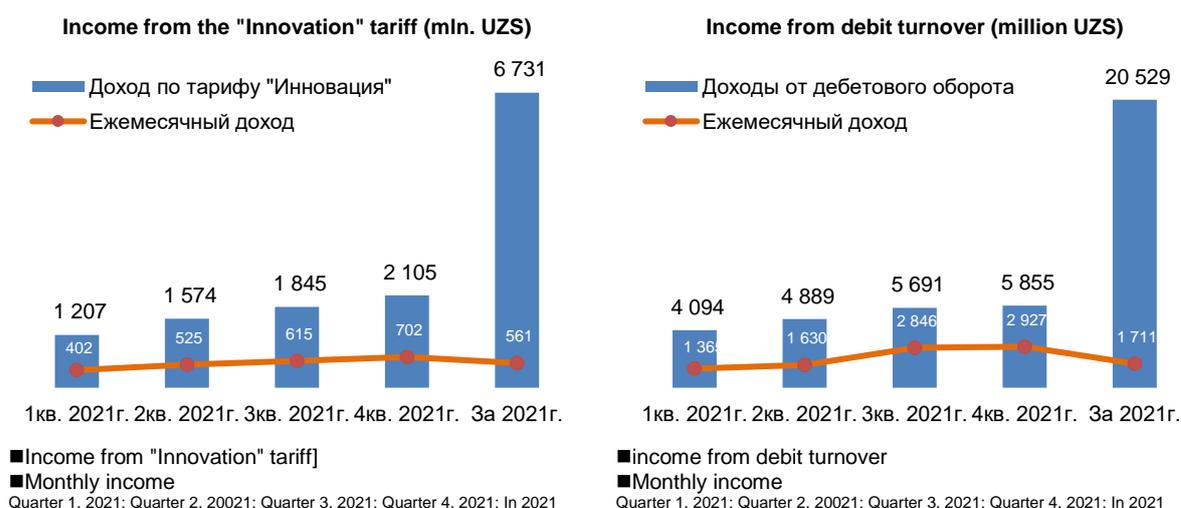
In order to deepen relationships with the above key corporate customers, as well as expand the corporate customer base and provide quality services, in 2022 it is necessary to determine the organizational structure of the Bank in terms of customer coverage and other issues in order to outline further tasks for the development of the Bank's corporate business.

The Bank's main resources in working with corporate customers will be personnel and technology, and the key to successful activities will be the Bank's effective operating model, aimed at comprehensive and individual service to corporate customers, increasing the efficiency of customer managers and the efficiency of service, as well as the introduction of the latest technological developments and solutions in the field of service and analysis of corporate customers.

In 2022, for further dynamic growth of the Bank's activity in the field of lending to corporate customers, it is necessary to take measures to constantly increase the level of capitalization of the Bank. The transition to new regulatory requirements of the Central Bank had a direct impact on the Bank's active operations, as a result, the Bank's ability to expand its loan portfolio and finance loans to a single borrower was significantly reduced. To meet the needs of customers for credit resources, the Bank must continue to work to increase the level of capitalization of the Bank.

Another important task in the corporate lending segment is to strengthen the Bank's resource base by attracting long-term customer resources. The Bank's objectives in this direction in 2022 will be focused on active funding and diversification of the deposit portfolio by taking measures to expand the Bank's customer base and attracting new corporate customers and their available funds for bank deposits.

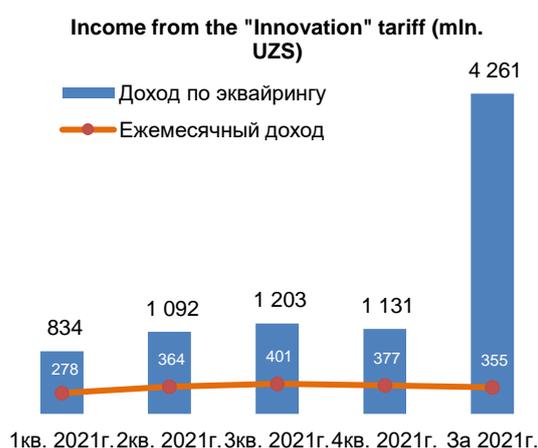
Today, the low level of capitalization and limited resource base do not allow maintaining the Bank's competitive advantages in attracting or retaining corporate customers to finance their projects, if they even exist - these are offers and diversions of the Bank's cheap credit resources into capital-intensive projects. In this regard, in 2022 the Bank should look for opportunities to develop a commission service model and transaction business.



In particular, in 2021, income from debit turnover and the "Innovation" tariff collectively exceeded 27 billion UZS. It should be noted that after the decline in economic activity of corporate customers in 2020 due to the coronavirus pandemic, in 2021 the cash flows of real sector enterprises gradually recovered.

In 2022, the Bank plans to increase commission income on the above items to 35 billion UZS, including at the Innovation tariff to 9 billion UZS.

In addition, the development of cooperation with merchants through expanding the network of trading terminals (acquiring) will allow the Bank to increase the share of risk-free commission income.



№	Top 10 merchant customers, million UZS	Bank fee	Amount of transactions
1	"INTER IMPROVEMENT"	165	82 508
2	"OSIYO SHAROB SAVDO"	136	67 788
3	"TYRE PRO GROUP"	90	45 030
4	DIMAXI LIGHT	72	35 863
5	"KRISTALL VOHA SAVDO"	55	27 462
6	"BOTTLED DRINKS"	52	25 994
7	"ZAAMIN-MARKET"	46	4 578
8	"NIKA FARM SERVIS"	43	19 798
9	FALCON-M TOURS	43	21 149
10	"YAKAMOZ AVIA"	42	20 717

[■ Enquiring income; ■ Monthly income]
 [Quarter 1, 2021; Quarter 2, 2021; Quarter 3, 2021; Quarter 4, 2021; In 2021]

In 2022, the Bank plans to receive acquiring income in the amount 6 billion UZS. This requires an in-depth analysis of the activities of merchants and the operations of trading terminals of retail customers, as well as the establishment and expansion of close cooperation with them.

Because of liberalization of the foreign exchange market and an increase in the republic's foreign trade turnover, the volume of the Bank's foreign exchange transactions and income from them are significantly increasing. Especially, the changes introduced on February 15, 2021 in foreign exchange operations allowed the Bank to independently carry out direct foreign exchange transactions with customers in the over-the-counter segment of the market. Thus, in 2021, the volume of conversion of the Bank's corporate customers reached 580 million USD.

Type of currency	1 Quarter 2021	2 Quarter 2021	3 Quarter 2021	4 Quarter 2021	In 2021
USD	80	124,2	127,3	132,3	463,8
EUR	14,3	24,5	20,6	8,73	68,1
RUB	8,4	11,6	11,9	12,3	44,2
Other	0,9	0,3	0,4	0,6	2,2
Total:	103,8	160,7	160,2	153,9	578,3

As a result, in 2021 the Bank received a profit from exchange rate differences in the amount 67 billion UZS, including from the revaluation of the currency position on transactions with corporate customers in the amount of more than 50 billion UZS.

In 2022, conversion of corporate customers will remain an important area of generating profit for the Bank. In this direction, the Bank's branches in Tashkent must increase the monthly volume of conversion of legal entities to 15 million USD. As a result, in 2022 the Bank plans to increase income from exchange rate differences to 80-90 billion UZS.

Given the low level of capitalization, in 2022 one of the most important areas of the Bank's corporate business will be documentary operations. The Bank will pay special attention to the development of tools to support export-import operations and trade financing (pre-export loans, direct export loans to the supplier, refinancing of the export loan to the supplier, export leasing, other documentary operations, guarantees, factoring, and forfeiting).

The bank needs to create a unique model of cooperation with customers through the creation of a modern B2B and B2C platform. One of the unique modern solutions is the platform of the European vendor Bowwe (Poland), which presents an ecosystem based on onboarding and a modern Internet banking system. In particular:

- *BOWWE Business Builder* is an intelligent platform consisting of multiple interoperable applications, supported by artificial intelligence, helps in developing online businesses by users without knowledge of IT, marketing and e-commerce. At the same time, the website builder allows you to create beautiful and professional web pages and online stores, and artificial intelligence helps business owners constantly analyze the results of their business and make the next marketing decisions.

- *BOWWE Market Place* - customers can quickly and conveniently find, compare and safely buy products and services, i.e. It's easy to move your business online, find and contact potential customers, and then sell them your product and service, in the B2B and B2C sectors.

TBC Bank and Apelsin Bank are making great efforts to develop this area, including providing services to corporate customers for opening and running a business, which opens up opportunities for the bank to cross-sell, develop settlement business and acquiring.

Risk management system

The main goal of risk management, as an integral part of the bank management process, is to ensure the sustainable development of the bank as part of the implementation of its strategic development plan. The main objectives of effective risk management are:

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

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

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

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

The Risk Control Committee continuously identifies, monitors, evaluates and manages banking risks, and conducts stress testing of the bank's financial condition and liquidity on a quarterly basis. Considering the wide range of risks affecting the Bank, the most significant in terms of the level of possible losses are credit, market, liquidity risk, as well as operational risk.

As part of further increasing the financial stability of the Bank and improving risk management, objectives to introduce and expand the use of information technology and software in the risk management system at the Bank are planned for 2022. It is also planned to improve the Bank’s internal risk management regulations based on the recommendations of the Central Bank, best global practices and recommendations of the Basel Committee.

Information Technology

The main goal of the development of information technology is the creation of a modern IT infrastructure capable of ensuring the stable operation and sustainable development of the bank. The development of information technologies in the bank is aimed at ensuring the achievement of the main strategic objectives, reaching a qualitatively new level of automation of intrabank processes, and the introduction of modern IT technologies in banking services. In accordance with the bank's development strategy, it is planned to transform information technology into a sustainable source of creating the Bank's unique competitive advantages.

In order to develop information technologies in the Bank, the following activities are planned for implementation in 2022:

- introduction of the Islamic banking system. This system allows you to automate the process of building relationships with customers in order to improve the quality of service within the framework of Sharia law;
- - introduction of new functionality of the digital banking system. This system allows customers to automate the process of establishing relationships with them in order to improve the quality of service, online identification, round-the-clock account opening and transactions without visiting the bank;
- expanding the capabilities of the Contact Center operating 24/7;
- creation of a full-fledged remote backup Center in a new building, in order to increase the reliability of data storage and organize the uninterrupted operation of automated banking systems and information infrastructure;
- integration of the electronic queue system with a mobile application, which will allow customers to sign up for services in advance through mobile banking;
- through the “Personal Account” system, add the opportunity for customers - legal entities to choose their own tariff for banking services, as well as to submit an application remotely without visiting the bank and sign an agreement with the bank to connect the Internet banking service;
- sending a bank SWIFT transfer through the Alliance mobile application. This service will allow an individual customer to carry out operations to send a cross-border bank transfer via the SWIFT system.

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 2022, in order to further develop the Bank's human resources potential, the following events 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;
- organizing 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;
- organization of scientific and practical seminars and round tables on topical issues of development and further improvement of banking activities in accordance with generally accepted international norms and standards;
- 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 final 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 2022, 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.*

It should be noted that at the beginning of 2022, the ability of the Bank's regulatory capital to expand active operations amounted to 600 billion UZS, including the expansion of credit investments in the amount 400 billion UZS.

Forecast calculation of regulatory capital in 2022 (million UZS)

Characteristics	As of 01.01.2022	Expected on 01.01.2023
TIER I CAPITAL		
Common shares, net	186 776 423	186 776 423
Increase in authorized capital (additional injection)		
Added capital - simple	4 014 492	4 014 492
Retained earnings (loss), including capital reserves	119 107 089	179 107 089
Deductions from Tier I capital stock (investments in subsidiaries)	2 658 143	7 658 143
New investments in subsidiaries		5 000 000
TOTAL ADJUSTED TIER I CAPITAL	307 239 861	362 239 861
TIER II CAPITAL		
Profit for the current year	60 000 000	75 000 000
ADJUSTED TIER II CAPITAL	102 413 287	120 746 620
TOTAL REGULATORY CAPITAL	409 653 148	482 986 481
Total risk-weighted assets	2 999 101 178	3 615 877 379
Growth in the amount of risk-weighted assets		600 000 000
Growth in the volume of the loan portfolio (with 150% risk)		400 000 000
Tier I capital ratio (min. 10%)	10,24%	10,02%
Total regulatory capital ratio (min. 13%)	13,66%	13,36%

In developing financial planning for 2022, no significant changes were planned in the parameters of the Bank's activities, such as additional injections into the Bank's capital, or significant changes to the Bank's business model.

The forecast of the main parameters of the Bank's profit or loss for 2022 was based (base scenario) 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 3.4% of the loan portfolio;*
- c) *interest income will increase by approximately 25% compared to 2021;*
- d) *operating expenses will increase by approximately 30% compared to 2021.*

In particular, the volume of interest income in 2022 is planned in the amount 495 billion UZS, including from lending activities in the amount 425 billion UZS (an increase compared to 2021 - 47%).

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 257 billion UZS.

As a result, the Bank expects to receive net profit in the amount of

117 billion UZS, taking into account the created reserves for loans (32 billion UZS) – 149 billion UZS.

Taking into account the stated principles, the Bank's forecast indicators for 2022 are attached to the Business Plan.

FORECAST BALANCE (in million UZS)

Main indicators	Actually as of 01.01.2022	Forecast on 01.04.2022	Forecast on 01.07.2022	Forecast on 01.10.2022	Forecast on 01.01.2023
ASSETS					
Cash	239 687	400 062	412 184	424 673	437 541
Receivable from the Central Bank of Uzbekistan	417 992	221 245	227 949	234 856	241 973
Due from banks	37 338	43 986	45 319	46 692	48 107
Trading securities	390 006	432 305	458 766	486 846	516 645
Loans and leasing, net	1 857 735	2 033 439	2 255 050	2 585 640	2 837 170
Investments	2 658	2 658	2 658	2 658	2 658
Fixed assets	159 631	107 982	111 254	114 625	118 099
Other assets	73 641	197 639	210 257	217 836	211 344
TOTAL ASSETS	3 225 896	3 455 646	3 706 864	4 097 813	4 435 865
LIABILITIES					
On-demand deposits	1 059 475	1 122 723	1 165 743	1 253 886	1 414 264
Saving Deposits	310 755	210 569	279 864	364 269	477 259
Fixed term Deposits	906 558	1 061 096	1 160 433	1 396 762	1 299 539
Due from banks	93 062	211 663	66 150	76 577	88 647
Credit lines and other borrowed funds	378 046	369 851	381 058	392 605	404 501
Issued bonds	45 032	45 032	45 032	45 032	45 032
TOTAL LIABILITIES	2 828 475	3 042 116	3 262 633	3 628 430	3 939 202
CAPITAL					
Authorized capital	186 776	186 776	186 776	236 776	236 776
TOTAL CAPITAL	397 420	413 530	444 231	469 383	496 663
TOTAL LIABILITIES AND CAPITAL	3 225 896	3 455 646	3 706 864	4 097 813	4 435 865

FORECAST REPORT ON INCOME AND EXPENSES (in million UZS)

	Actually as of 01.01.2022	Forecast on 01.04.2022	Forecast on 01.07.2022	Forecast on 01.10.2022	Forecast on 01.01.2023
INTEREST INCOME	337 763	120 608	228 499	352 505	495 072
INTEREST EXPENSES	168 099	50 897	105 447	174 395	247 406
NET INTEREST INCOME	169 664	69 711	123 052	178 111	247 667
Credit loss assessment	70 286	16 177	21 178	26 486	32 118
NET INTEREST INCOME after credit loss	99 378	53 533	101 874	151 625	215 549
NON-INTEREST INCOME	237 769	49 445	115 077	174 760	240 213
NON-INTEREST EXPENSES	73 135	12 554	26 354	43 140	61 208
NET NON-INTEREST INCOME	164 634	36 891	88 723	131 620	179 005
OPERATING EXPENSES	197 104	50 686	114 573	177 631	256 845
NET INCOME BEFORE TAXES	66 909	39 739	75 494	105 614	125 895
Estimated income taxes	6 624	5 820	11 404	15 842	20 656
NET PROFIT (LOSS)	60 284	33 919	64 620	89 772	117 053