

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

BUSINESS PLAN

**FOR DEVELOPMENT AND EXPANSION OF ACTIVITIES
"ASIA ALLIANCE BANK" JOINT-STOCK COMMERCIAL BANK
in 2023**



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

This Business Plan includes activities planned for implementation by ASIA ALLIANCE BANK in 2023, as well as the Bank's financial plan for 2023.

"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

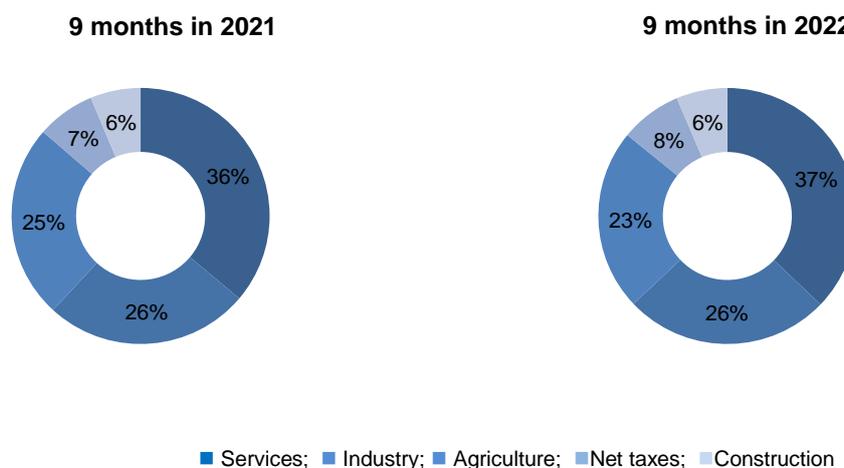
Macroeconomic trends

Over the nine months of 2022, the economy of Uzbekistan developed under the influence of price shocks and uncertainties against the backdrop of an unstable global market and geopolitical situation. According to the State Statistics Committee of the Republic of Uzbekistan, in January-September 2022, the gross domestic product (GDP) of the Republic of Uzbekistan in current prices amounted to 627,476.9 billion UZS (57.0 billion US dollars), its growth compared to January-September 2021 in real terms was 5.8%. A positive contribution to GDP growth was made by the agriculture, forestry and fisheries sectors – 0.9 percentage points; industry – 1.4 percentage points; construction – 0.4 p.p.; and service sector – 2.8 p.p. Due to the increase in net taxes on products, GDP increased by 0.3 percentage points.

The growth rate of gross added value of industries in the GDP structure was 5.9%, including: services - 7.9%; construction – 6.3%; industry -5.3%; agriculture, forestry and fisheries -3.6%.

Based on the results of January-September 2022, small businesses created added value in the amount of 305,965.9 billion UZS, or 52.8% of the total added value in the economy.

Uzbekistan GDP structure



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

In January-September 2022, GDP per capita in current prices amounted to 17,652.4 thousand UZS (or, equivalently, 1,603.4 US dollars) and, compared to January-September 2021, increased by 3.6%.

2022 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.

Inflation in Uzbekistan over 9 months, against the backdrop of external shocks, accelerated to 8.1% against 5.9% in January-September 2021. Prices increased mainly for food products - 10% (for 9 months of 2021 - 6.7%) and non-food products - 7.9% (4.9%). Meanwhile, price growth for paid services slowed from 6.1% for 9 months of 2021 to 4.8% for the same period of 2022.

During 2022, due to the global geopolitical situation, the main rate of the Central Bank sharply increased by 17% and in July 2022 dropped by 15%.

The foreign trade turnover of the republic at the end of 9 months of 2022 amounted to 36,024.6 million US dollars and increased compared to last year by 7,701.4 million US dollars or 27.2%. Including, the volume of exports amounted to 14,051.5 million US dollars (an increase of 35.7%), the volume of imports - 21,973.1 million US dollars (an increase of 22.3%).

In particular, at the end of 9 months of 2022, exports of goods amounted to 8.2 billion US dollars (an increase of 15.5%), exports of services amounted to 2.8 billion US dollars (an increase of 55.6%) and gold 2.97 billion US dollars (an increase of 115.2%).

Taking into account current factors in world markets and major trading partners, our country's exports (excluding gold) are projected to grow by 13-17% in 2023 and about 9-12% in 2024-2025.

In January-October, remittances increased 2.2 times compared to the same period last year and amounted to \$12.9 billion. The volume of international remittances in 2023 is projected to be lower than in 2022, taking into account devaluation expectations for the dynamics of the ruble next year, the flow of labor migrants and geopolitical changes among trading partners.

Compared to last year, imports of goods amounted to \$20.0 billion (an increase of 20.5%) and imports of services amounted to \$1.9 billion (an increase of 55.0%). The main share in its structure is occupied by machinery and transport equipment (32.1%), industrial goods (19.2%), as well as chemicals and similar products (13.8%).

The international reserves of the Republic of Uzbekistan as of October 1, 2022 amounted to \$33.5 billion.

According to the forecast and estimates of the Central Bank of the Republic of Uzbekistan, the focus of the Central Bank's monetary policy will be on achieving the main goal established by law - price stability in the economy. Together with this main goal, the country will ensure monetary conditions that serve inclusive economic growth and financial stability.

According to forecast calculations of the Central Bank of the Republic of Uzbekistan, the volume of gross domestic product in 2023 will reach its potential level and the real economic growth rate will be 4.5-5%, and in 2024-2025 about 5-6.5%.

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 2021-2022 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, a reduction in the overall fiscal deficit is projected to 2-3.5% in 2023-2025.

Based on the influence of the above factors and the degree of liberalization of regulated prices, according to the forecasts of the Central Bank of the Republic of Uzbekistan, the inflation rate will be 8.5-9.5% in 2023 and will decrease to 5% in 2024.

Uzbekistan Banking sector

Main indicators of the banking sector of Uzbekistan, bln.UZS

Indicator names	01.10.2021	01.10.2022	Growth, in %
GDP*	520 840	627 477	-
Bank assets	408 477	539 990	32%
Assets to GDP ratio, in%	78%	86%	
Credit investments	311 591	362 933	16%
Credit exposure to GDP ratio of, in%	60%	58%	
Deposits	134 406	206 759	54%
Deposits to GDP ratio, %	26%	33%	
Capital	65 608	76 854	17%
Capital to GDP ratio, %	13%	12%	
Net profit	4 618	7 123	54%
ROA	2,0%	2,6%	0,6 p.p.
ROE	10,0%	12,9%	2,9 p.p.
Bank loan and deposit rates			
Average interest rates on loans in national currency	21,3%	22,1%	0,8 p.p
Average rates on loans in foreign currency	11,5%	11,6%	0,1 p.p
Average rates on household deposits in national currency	19,2%	20,7%	1,5 p.p
Average rates on household deposits in foreign currency	4,0%	4,0%	-
Average rates on deposits of legal entities in national currency	15,9%	16,6%	0,7 p.p
Average rates on deposits of legal entities in foreign currency	3,8%	3,1%	-0,7

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

According to the results of 9 months of 2022, the main indicators of the banking sector showed stable growth rates. The total assets of banks in Uzbekistan increased by 32% relative to the results of the same period last year and, based on the results of 9 months of 2022, reached almost 540 trillion UZS.

During 9 months of 2022, commercial banks issued loans totaling 141.1 trillion UZS, an increase compared to the same period last year amounted to 18%. During the compared period, the total loan portfolio of banks increased by 16.5% and as of October 1, 2022 reached up to 363 trillion UZS. According to the results of 9 months of 2022, the weighted average return on the bank loan portfolio in national currency amounted to 22.1% (for 9 months of 2021 -21.3%), in foreign currency -11.6% (11.5%).

The deposit base of banks has expanded significantly, which increased by 54% relative to the results of the same period last year and as of 01/10/2022 amounted to 207 trillion UZS. The volume of household deposits increased by 65% and reached 54.5 trillion UZS. In the context of the policy of de-dollarization of the economy, there is an increase in the rate of attracting deposits in the national currency, while the rate on deposits in foreign currency is decreasing.

The total capital of banks increased by 17%, reaching 77 trillion UZS. The net profit of banks for 9 months of 2022 compared to the same period increased by 54% and exceeded 7.1 trillion UZS. At the same time, there has been some improvement in the performance

indicators of banks, including the ROA indicator from 2.0% to 2.6%, the ROE indicator from 10% to 12.9%.

Institutional characteristics of the banking sector

As of October 1, 2022, the total number of operating commercial banks registered by the Central Bank of the Republic of Uzbekistan was 33, including 12 banks with state participation, 11 joint-stock commercial banks, 3 private banks and 7 banks with foreign capital.

Number of credit institutions and their structural divisions, units

Name of indicators	01.10.2021	01.10.2022
Credit institutions, total*	170	190
<i>including:</i>		
commercial banks, including:	32	33
Banks with government share	12	12
Other banks	20	21
non-bank credit institutions, including:	138	157
Microfinance organizations	69	77
Pawnshops	68	79
Mortgage refinancing organizations	1	1
Branches of commercial banks, total	861	849
Banking service centers (mini-banks)	1 231	1 339
24-hour self-service points (24/7)	2 146	2 790

Based on data from the Central Bank's statistical bulletin

The banking sector of Uzbekistan remains highly concentrated, in particular, 79% of all bank assets still belong to the state-owned banks and 57% belong to 5 state-owned banks (National Bank, Uzpromstroybank, Asakabank, Agrobank and Ipotekabank). The share of deposits in the state-owned banks in relation to loans is 44%. For comparison, in private banks this figure is over 122%. At the same time, deposits of individuals account for only 26% of the total volume of deposits in the banking system, which is about 12% of GDP.

billion UZS	Assets		Loans		Capital		Deposits	
	Amount	Share,%	Amount	Share,%	Amount	Share,%	Amount	Share,%
Total	539 990	100%	362 933	100%	76 854	100%	206 759	100%
Government-owned bank	427 327	79%	303 129	84%	60 299	78%	133 962	65%
Private bank	112 664	21%	59 804	16%	16 555	22%	72 797	35%

Based on data from the Central Bank's statistical bulletin

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

In March of this year, the President of the Republic of Uzbekistan signed No. PP-168 Resolution “Regarding additional measures to further reduce state participation in the economy and accelerate privatization” dated March 18, 2022, which provided for:

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

According to experts, the implementation of these tasks may be postponed until next year in order to avoid the negative consequences of privatization. In particular, EBRD experts recommend organizing this process with great social responsibility, since privatization aims to increase efficiency and streamline processes, which most often implies a reduction in staff.

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

Name of indicators	01.10.2021	01.10.2022	Growth, %
Number of bank plastic cards	25 207 659	31 820 600	26%
Number of payment terminals	434 971	432 269	-1%
Number of ATMs and information kiosks	12 710	19 318	52%
Amount of payments made through payment terminals, billion UZS	76 919	122 195	59%
Number of users of remote services, incl.	18 709 533	27 608 781	48%
<i>Number of legal entities and individual entrepreneurs</i>	<i>932 521</i>	<i>1 128 684</i>	<i>21%</i>
<i>Number of individuals</i>	<i>17 777 012</i>	<i>26 480 097</i>	<i>49%</i>

Based on data from the Central Bank's statistical bulletin

The system of non-cash payments is intensively developing in Uzbekistan. Retail payment systems based on bank cards - Uzcard and Humo - operate in the republican market. The launch of the Humo retail payment system in 2018 contributed to the formation of a competitive environment, a significant increase in the scale of non-cash payments in the economy and a reduction in risks associated with the activities of payment service providers. Contactless payments are rapidly gaining popularity. When making payments in public transport, a contactless payment system using bank and transport cards has been introduced as well. One of the urgent tasks remains the introduction of modern payment services based on the development of existing infrastructure in order to create comfortable conditions for customers. For example, the ability to make NFC payments at retail and service points without a bankcard was implemented using the “HumoPay” technology (similar to ApplePay or GooglePay) installed in mobile devices. In addition, in 2021, the Central Bank launched the “QR-online” payment system, which provides business entities and the self-employed with additional opportunities for accepting payments (in addition to the POS terminal), with a reduction in operating costs through the use of a QR code.

In modern conditions, the digital transformation of the banking sector is an integral part of the process of establishing a digital economy. As part of the “Digital Uzbekistan - 2030” strategy, the necessary measures have been taken to develop digital financial services, in

particular, ensuring access to remote services for the wider population and improving their quality. Currently, there are three digital banks in the country (TBC Bank, Anor Bank, Apelsin Bank) and 34 non-bank payment organizations, 10 of them are included in the register of electronic money system operators.

Key indicators of the money and foreign exchange markets

Name of indicators	01.10.2021	01.10.2022
Basic rate	14%	15%
UZONIA rate	n/a	14%
Volume of bonds issued by the Central Bank of Uzbekistan (billion UZS)	14 000	69 248
<i>Weighted average rate</i>	13%	17%
Volume of funds supplied by banks at Central Bank deposit auctions (billion UZS)	34 342	81 565
Volume of funds raised (billion UZS)	13 250	73 931
<i>Weighted average interest rate</i>	13%	15%
Overnight deposits placed by commercial banks with the Central Bank (billion UZS)	6 292	15 154
<i>Weighted average interest rate</i>	13%	13%
Interbank deposits in national currency (attraction)	78 965	99 774
<i>Weighted average interest rate</i>	13%	16%
Trading volume of foreign currencies on Uzbekistan Currency Exchange, million US dollars	8 983	14 218
<i>Purchase</i>	6 824	9 585
<i>Sales</i>	2 159	4 632
Weighted average exchange rate, USD/UZS	10 571	11 003
Volume of foreign currency purchased by commercial banks from individuals, million US dollars	5 172	8 969
Volume of foreign currency sold by commercial banks to individuals	3 125	6 475
Official exchange rate US dollar to UZS	10 691,91	11014,01
Change for 9 months, UZS	214,99	176,35
Change over 9 months, %	2,1%	1,6%

Based on data from the Central Bank's statistical bulletin

In 2022, under the influence of the external economic situation, different levels of rigidity of monetary conditions were formed in the economy. In order to reduce the impact of external risks on the country's economy in the context of the external geopolitical situation that developed in February, in March the main rate of the Central Bank was raised to 17% per annum and "tight" monetary conditions were ensured.

Due to the absence of some possible inflationary factors in June-July, the main rate of the Central Bank was reduced to 15%.

Decisions to change the prime rate, in turn, influence the corresponding change in interest rates in the interbank money market through the instruments of the operating mechanism. In particular, due to the increase in the main rate in March and a temporary decrease in overall liquidity, average interest rates in the money market in April increased to 18.2%, against the backdrop of increased liquidity in the banking system and two reductions in the main rate in subsequent months, in September interest rates rates dropped to 14.2%.

Along with making decisions on the main rate, the Central Bank brings monetary policy mechanisms into line with the standards of the inflation targeting regime, making appropriate changes to monetary operations in the context of increasing the overall liquidity of the banking system.

Since March, deposit auctions used to attract liquidity have been conducted in the form of “fixed-rate full-allotment” transactions. To create convenience for commercial banks in managing liquidity during the period of storing required reserves, starting in July of this year, these auctions were transformed into weekly auctions, held once a week, on Thursdays.

In order to attract the resulting additional liquidity for a longer period, over the 9 months of 2022, bonds of the Central Bank were issued for a total amount of 69.2 trillion UZS. As of October 1 of this year, the balance of Central Bank bonds in circulation reached 16.5 trillion UZS.

In the first quarter of this year, due to the seasonal reduction in government spending and external risks that occurred in March, the demand for operations to attract liquidity decreased slightly, and in March, there was a demand for overnight REPO and SWAP operations to provide liquidity. Starting from April, in conditions of balancing of the total volume of liquidity and the increasing influence of factors increasing liquidity, the demand for overnight REPO and SWAP operations formed at a minimum level, and the demand for deposit operations increased

In January-September 2022, the situation in the domestic foreign exchange market was formed against the backdrop of external risks and devaluation expectations of economic entities, as well as a significant increase in foreign exchange flows into the country (in the form of remittances, export earnings and bank deposits). In particular, in the first two months of the year, demand in the domestic foreign exchange market exceeded supply.

In the context of external geopolitical tensions and a high level of uncertainty regarding external risks that arose at the end of February, both the population and business entities experienced an increase in devaluation expectations, and the demand for foreign currency increased sharply. At the same time, the population transferred part of their savings from national to foreign currency. In this situation, the volume of interventions of the Central Bank in the domestic foreign exchange market was significantly expanded, and the main rate was increased by 3 percentage points. The interventions helped reduce devaluation expectations by fully satisfying demand, and the increase in interest rates helped slow down the process of transferring deposits into foreign currency by increasing the attractiveness of assets in the national currency.

Since April, due to a significant increase in the flow of foreign currency into the domestic market, the expected negative consequences of risks have not manifested themselves and high trends in the growth of foreign exchange flows into the country have been noted. In particular, after a decline in March, since April there has been a significant increase in the volume of international remittances. Over the first 9 months of 2022, the total volume of cross-border transfers, reaching \$12.6 billion, increased 2.2 times compared to the same period last year, which became a factor supporting supply in the foreign exchange market.

Since April, against the background of the balancing of the UZS exchange rate, there has been an increase in the volume of sales of foreign currency by the population to banks. The exchange rate of the UZS against the US dollar as of March 18, against the background of external risks, has weakened by 6.8% since the beginning of the year, and then in subsequent months the UZS strengthened due to the measures taken and an increase in the

supply of foreign currency, and as of October 1, the level of depreciation compared to the beginning of the year amounted to 1.6%.

The Central Bank intends to continue the policy of “freely floating” exchange rate within the framework of the inflation targeting regime and will intervene in the domestic foreign exchange market based on the principle of “neutrality of gold and foreign exchange reserves,” which has been in effect since 2018.

According to the Central Bank, the level of dollarization of loans and deposits remains high and at the end of September, this year amounted to 46% and 38%, respectively. The main reasons for the high level of dollarization are the relatively high demand for loans in foreign currency from private and public enterprises, the predominance of the share of external sources of financing in lending to the economy, and the lack of hedging instruments. To reduce the level of dollarization, the mandatory reserve instrument is actively used. At the same time, an 18% standard for required reserves formed by banks on foreign currency deposits was established.

Main challenges for the bank

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

The influence of external factors and changes in the political situation in the world.

The military conflict between Russia and Ukraine led to dramatic changes in global markets and a weakening of the global economy due to significant disruptions in trade relations and price shocks in the food and fuel markets. These factors and the political situation in neighboring countries create a high level of uncertainty and negatively affect the development prospects of Uzbekistan, in particular a decrease in business confidence and increased uncertainty for investors, the level of household income and remittances. Against the backdrop of these trends and the tightening of the monetary policy of the Central Bank of Uzbekistan, business conditions are becoming more complicated, disruptions in trade relations may negatively affect the cash flows of bank customers under their foreign trade contracts, which may affect the bank’s profitability level. The trend of activity of Russian business and the flow of migrants from Russia, on the one hand, increase the volume of banking transactions; on the other hand, create compliance risks, risks of fraud and cyber attacks associated with their new requests regarding the provision of banking services.

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

Low levels of institutional and managerial quality, high inflation and low GDP per capita are limiting factors for ensuring sustainable growth and the influx of foreign investment into the country's economy. These factors limit the development of such areas of the bank's business as retail business, SMEs, a decrease in loan yields and an increase in the level of NPL. According to a study by the Central Bank of Russia, households with lower incomes spend most of their expenses on food products, and correspondingly less on education, health

care, transport and other non-food products. In addition, older people also spend more of their income (average 80%) on food and groceries. These factors limit the bank's ability to expand retail-lending operations and servicing previously received loans, expanding the product line and covering a wide segment of the population with the bank's loan products seem somewhat difficult. In order to reduce the level of debt burden, the Central Bank will pursue a more stringent credit policy, in particular, there are currently restrictions on the issuance of consumer loans for the purchase of imported goods, and the practice of increased requirements for calculating capital for risk-weighted assets depending on the size of the interest rate has been introduced loan rates. The development of mortgage lending is limited due to the low level of income of the population and the weak long-term base of banks.

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

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

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

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

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

Increasing the Internet access capacity on average in the republic, increasing coverage due to lower tariffs, which leads to greater involvement of the population in the market of mobile and Internet services. The country has set a course for digitalization, and therefore more and more external systems are being transferred to digital format, which allows creating

new banking products and reducing the number of visits to the bank using remote service channels.

The impact of climate change in the form of more variable weather, higher temperatures, poorer air quality and reduced water resources. According to Uzhydromet observations, an average statistically significant increase in air temperature is observed throughout the republic. Over the past 60 years, the number of days with temperatures above 40 degrees has increased across the country, especially in the central region. In November 2021, an anomalous natural phenomenon was observed for the first time in Tashkent and some regions - the effect of dusty-sandy haze with visibility deteriorating to 100-200 meters. These factors can negatively affect the sustainable growth of the bank's business due to the deterioration of the social standard of living of the population, the occurrence of various shocks, as well as cause defaults of industries and enterprises due to their high vulnerability and sensitivity to such circumstances.

The banking sector of Uzbekistan is immature in the implementation of environmentally oriented activities. The main limiting factors for the development of sustainable finance are the following:

- the concept of environmental responsibility as an element of corporate culture is relatively new to the country's banking sector, which explains the reluctance of many banks to include this element in their strategic plans; the priority goal of banks' business strategy is to maximize profits; Considering current trends in global markets, these factors become more relevant to ensure further sustainable development of the bank's activities, which require top management to take the necessary measures in the area of changing corporate culture, including ESG practices and standards in the bank's medium and long-term development strategies, study and research ESG practices of Western banks, innovations of the Basel Committee, development of relationships with partners and customers, increasing knowledge and training of specialists in this area.

In the context of increased competition in the market, the active participation of international financial institutions in the transformation program of state-owned banks and the expansion of their participation in the authorized capital of local banks, the emergence of such foreign players in the market as Tenge Bank (Kazakhstan), TBC (Georgia), OTP Bank (Hungary) stimulate the development and implementation of new technologies and new approaches to doing business, and also require the Bank to take measures to improve financial stability, inject funds into the bank's capital, and also build an effective business model for the bank. It is expected that 2023 will be characterized by even greater activity among participants in the banking sector. Competition will be even tougher given the digitalization of many banks' businesses. More and more fintech companies will appear on the market, as well as new microfinance organizations, which will further create competition in the banking market.

Chronicle of the main events in the Bank's activities for 2022

January 2022	ASIA ALLIANCE BANK launched a product for online lending to individuals through the bank's mobile application
February 2022	Correspondent relations were established with JSC CB Solidarnost. The Bank has begun the process of connecting to the Bank of Russia Financial Message Transmission System (SPFS)

April 2022	As part of expanding cooperation in the field of trade finance with Aktif Yatirim Bankasi A.S. (Türkiye), on April 27, a limit from a foreign bank was set in the amount of 1.5 million US dollars
June 2022	ASIA ALLIANCE BANK" was recognized as "The best bank in Uzbekistan for small and medium-sized businesses" according to the international financial magazine ASIAMONEY
August 2022	ASIA ALLIANCE BANK received an award from the National Payment System HUMO for fruitful cooperation. An updated version of the bank's website has been launched
October 2022	ASIA ALLIANCE BANK" was recognized as "The best bank in Uzbekistan for small and medium-sized businesses" according to the international financial magazine Global Finance
October 2022	Correspondent relations were established with one of the largest banks in the United Arab Emirates - Mashreq Bank and an account in Arabic dirhams was opened
November 2022	A Memorandum of Understanding and Cooperation was signed between ASIA ALLIANCE BANK and the leading Austrian banking group Raiffeisen Bank International AG
December 2022	At a session dedicated to the development of the money market and capital market, held within the framework of the International Economic Forum, a "Primary Dealer Agreement" was signed based on international standards between the Ministry of Finance, the Central Bank and nine banks of the Republic of Uzbekistan, including ASIA ALLIANCE BANK The international payment system VISA presented ASIA ALLIANCE BANK with an award for long-term cooperation. "ASIA ALLIANCE BANK" received the prize "For an active marketing campaign in Uzbekistan" from the International payment system MasterCard

Market position of the Bank

In 2022, the Bank continued work to further expand the scope of banking activities and ensure the comprehensive development of the banking business.

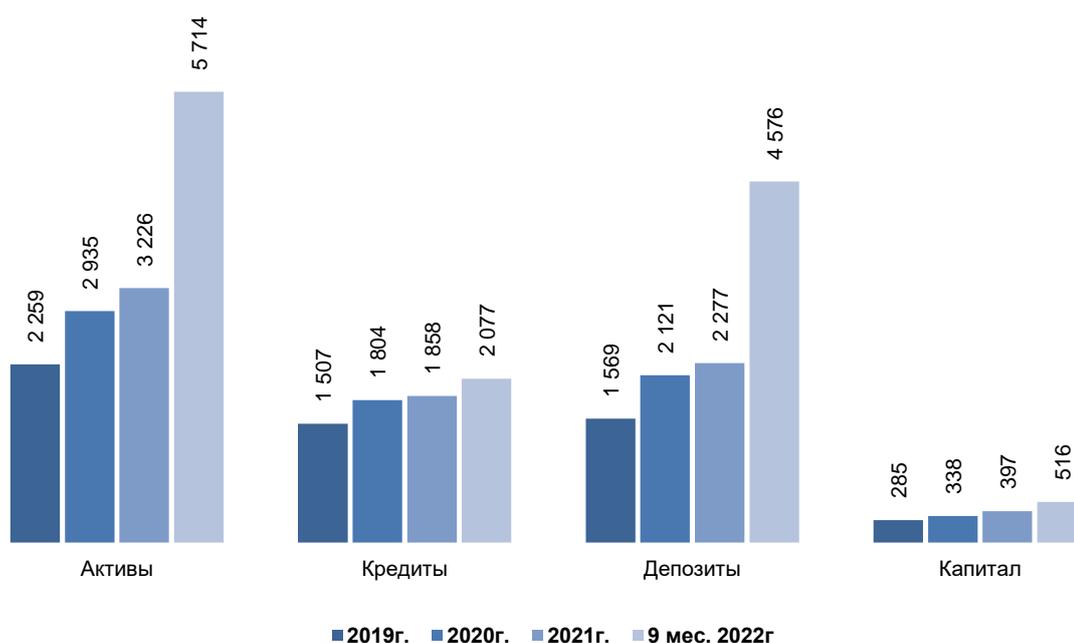
During 9 months of 2022, the Bank ensured positive dynamics in its main indicators. In particular, the Bank's assets increased by 77% and, as of October 1, 2022, exceeded 5.7 trillion UZS. The Bank's loan portfolio increased by 9% and amounted to 2.1 trillion UZS. The total capital of the Bank increased by 30% or amounted to 516 billion UZS, the net profit amounted to 136.6 billion UZS. Despite intense competition in the market and continued

pressure on capital, the Bank managed to improve its position in the market in terms of assets (+1), deposits (+2) and net profit (+2).

Market position of JSCB "ASIA ALLIANCE BANK"

Indicators	As of 01.01.22		As of 01.10.22	
	billion UZS	bank position	billion UZS	bank position
Total assets	3 226	19	5 714	18
Loan portfolio (gross)	1903	18	2 077	18
Customer deposits	2 277	18	4 576	16
Share capital	397	20	516	21
Net profit	60,3	17	136,6	15

Dynamics of the Bank's main indicators (2019-2022), billion UZS



Analysis of the competitive environment

According to an assessment of the level of competition in the banking sector of the Republic of Uzbekistan, conducted in May 2022 by experts from the Institute of Forecasting and Macroeconomic Research by calculating the concentration indicator based on the Herfindahl-Hirschman Index (HHI), the level of concentration in the market is decreasing and competition in the banking market is increasing. In recent years, with the arrival of new players (TBC, Apelsin, Anorbank), competition in the retail and SME segments among private banks has increased sharply. In the future, it is also expected to enter the banking market of the Hungarian OTR through the privatization of Ipoteka Bank. Over the past 5 years, digitalization has been taking place in the banking sector, banks are developing mobile applications, developing remote service channels, the demand for online services has significantly

increased during the COVID-19 pandemic, and fintech companies are successfully developing (Click, Payme, Humans). The measures taken to reduce government participation and attract the private sector and foreign investors will help improve competitive conditions and further develop the country's banking sector. In the Development Strategy of New Uzbekistan for 2022-2026. It also provides for the completion of transformation processes in commercial banks with a state share, bringing the share of the private sector in the assets of the banking system to 60% by the end of 2026

Analysis of performance indicators (01.10.2022)

Banks	Assets	Capital	Loans	Securities portfolio	Net profit	ROA	ROE
ASIA ALLIANCE BANK	5 714 (6)	516 (7)	2 077 (6)	1 070 (3)	137 (7)	4,1%	40,0%
COMPETITOR BANKS							
KAPITALBANK	25 706	2 334	13 037	2 018	801	5,2%	56,0%
IPAK YULI BANK	12 482	1 991	7 800	860	402	4,9%	30,5%
ORIENT FINANS BANK	10 469	1 562	4 821	0	310	5,1%	28,5%
TRUSTBANK	7 893	1 487	3 493	1 750	498	9,0%	49,9%
INFINBANK	6 925	875	4 385	701	140	3,0%	22,9%
DAVR-BANK	3 268	567	2 542	264	151	6,8%	41,3%
Total average bank	10351	1333	5 451	952	348	5,4%	38,4%

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

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

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

MAIN AREAS OF DEVELOPMENT OF THE BANK'S ACTIVITIES

In 2023, 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 No.UP-5992 Decree of the President of the Republic of Uzbekistan dated May 12, 2020 “Regarding the strategy for reforming the banking system of the Republic of Uzbekistan in 2020-2025”;
- determination of the main directions of the Bank's Development Strategy for the medium term (2023-2025). Work with external consultants will continue in this direction;
- approval of a new organizational structure, developed jointly with external consultants based on modern banking practice and international standards;
- continuation of work in the field of transformation of banking activities, optimization of business processes and ensuring the implementation of processes with maximum automation, segmentation of the customer base, improvement of the risk management and compliance system;
- organizing the work of the financial service (CFO) of the Bank, improving the budgeting and cost control system, as well as introducing a transfer pricing mechanism to determine the cost of products and improve the efficiency of results management;
- technological improvement through the introduction of a modern core banking system and Internet banking, further development and implementation of promising innovative technologies, improvement of banking infrastructure, development of electronic sales channels;
- continuation of work in the field of introducing Islamic finance in cooperation with the Islamic Corporation for the Development of the Private Sector and other financial institutions, creating an 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.

Lending activities

As of 10/01/2022, the volume of the Bank's loan portfolio before deduction of credit reserves (gross) amounted to 2 trillion 77 billion UZS, including loans in foreign currency 733 billion UZS (35%).

The total volume of allocated loans for 9 months of 2022 amounted to 1,262 billion UZS, including by type of customer:

- legal entities – 878 billion UZS;
- individuals – 384 billion UZS.

In 2023, work will continue to increase the volume of the bank's loan portfolio by financing real economy projects and lending to the population. Taking into account the forecast of capital adequacy indicators, in 2023 the forecast volume of loan issuance is planned at more than 1.7 trillion UZS. The balance of the loan portfolio (net) at the end of 2023 will amount to **2.778 billion UZS**. The ratio of the loan portfolio (net) to total assets will be formed at the level of 38% (as of January 1, 2024). The balance of reserves against possible losses is planned in the amount of 103 billion UZS or 3.6% of the total loan portfolio.

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

Main indicators	01.10.2022 (fact)	01.01.2023 (expect)	Forecast on 01.01.2024	Change, (to expect) %
Loan portfolio (gross)	2 077	2 174	2 893	33%
Created reserves against losses	29	38	47	24%
Loan portfolio (net)	2 048	2 136	2 846	33%
Volume of loans issued	1 262	1 786	1 766	-1%
Average interest rate on loans	17,90%	17,80%	18,8%	5,62%
Reservation level, %	1,40%	1,70%	1,60%	-0,10%
Share of retail loans, %	32,90%	32,60%	31,0%	-1,60%
Share of 5 large loans, %	9,10%	15,10%	12,3%	-2,80%

In order to expand the bank's credit line, as well as improve the quality of customer service, 9 types of modular lending were introduced in 2022, providing for standard lending conditions and prompt consideration and approval of customer loan applications by branches. The total volume of modular loans issued in the reporting period amounted to 101.6 billion UZS. In particular, online lending to small businesses was launched through the BIILLZ automated system, the issuance volume of which amounted to 4.1 billion UZS.

In 2023, the volume of issuing short-term loans is planned for a total amount of 389 billion UZS, increasing their share in the loan portfolio to 19%, the volume of issuing long-term loans is planned to be 1,377 billion UZS and increasing their share in the portfolio to 81%.

It is planned to expand the volume of the loan portfolio by financing projects in promising sectors of the economy, including financing projects through credit lines of international financial institutions in the amount of 175 billion UZS, issuing modular loans to small businesses and private entrepreneurship in the amount of 172 billion UZS, as well as expanding the volume of retail credit products.

Loan portfolio indicators by economic sectors

Main indicators	01.01.2023 (expect)	01.01.2024 (forecast)	Change (to expect.)%
	Structure %.		
Services	21%	22%	1%
Trade and public catering	17%	18%	1%
Industry	16%	17%	1%
Agriculture	8%	8%	-
Construction	3%	2%	-1%
Transport and communications	2%	2%	-
Other (individuals, housing and communal services)	33%	31%	-2%
Total portfolio (gross)	100%	100%	

Within 9 months of this year car loans were introduced for the purchase of KIA and CHERRY cars, online lending was launched in the mobile application, and methodological developments for the introduction of credit cards were completed. In order to expand coverage of various market segments, opportunities have been created to provide loans to individuals who have stable sources of income without providing a salary certificate.

As part of the bank's retail business development program, in 2023 work will be carried out to expand the retail product line, improve the scoring model and improve the quality of loans.

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

In 2022, in order to improve the bank's scoring model, joint work was carried out with the credit bureau CRIF and ZYPL (Tajikistan). In 2023, cooperation with FIS - GROUP (Russia) will be continued on the implementation of the Collection system, which provides for the systematization and unification of the processes of post-credit servicing of borrowers and collection of credit debt based on the best banking practices and principles (pre, soft, hard, legal).

Structure of the loan portfolio by type of collateral

Main indicators	01.01.2023 (expect)	01.01.2024 (forecast)	Change, (to expect)%
	Share %.		
Insurance policies	36%	30%	-6%
Commercial real estate	32%	33%	1%
Vehicles	11%	15%	4%
Equipment	9%	10%	1%
Third party guarantees	8%	9%	1%
Residential real estate	3%	3%	-
Deposits	0%	0%	-
Other types of security	0%	0%	-
Total	100%	100%	

As of 10/01/2022, overdue loans (principal and interest) amounted to 37 billion UZS, loans in court proceedings - 17 billion UZS, and the bank's balance sheet includes restructured loans in the amount 14 billion UZS. In terms of the quality of the loan portfolio, the share of loans classified as "standard" loans in the Bank's loan portfolio amounted to 2,375 billion UZS or 92.6% of loans, "substandard" loans amounted to 116 billion UZS (4.5%). Problem loans classified as "unsatisfactory", "doubtful" and "bad" loans (NPL) amounted to 62.4 billion UZS or 3% of the Bank's loan portfolio. The amount of net created (accumulated) loan reserves amounted to 28.7 billion UZS or 1.4% of the portfolio. In 2023, the level of overdue loans is planned to be 1.8%, the amount of net accumulated reserves is 43.6 billion UZS.

For 9 months of 2022, the amount of interest income received from lending activities amounted to 292.9 billion UZS, which increased by 33% compared to the previous year. At the same time, the weighted average rate of the loan portfolio as of the reporting date was 17.9% per annum, including 23.5% for loans in national currency and 7.6% for loans in foreign currency.

Based on the current situation in the monetary market, as well as in order to ensure the required level of the Bank's net interest margin, in 2023 the weighted average rate for issuing loans is planned to be 20% per annum, including for loans in national currency 23.8% and in foreign currency 9.8%. In addition, in conditions of limited capital availability, the Bank will increase the volume of lending to SMEs by issuing modular loans with high margins (28%-29% per annum).

The Bank will take measures to ensure adequate diversification of the Bank's loan portfolio. As part of the expansion of retail lending, the Bank plans to maintain the retail loan portfolio at the level of 30%-35% (868-1012 billion UZS) of the total volume of the Bank's loan portfolio.

Investment and issuance activities of the Bank

The Bank considers investment activity as one of the promising areas. No. UP-6207 Decree of the President of the Republic of Uzbekistan dated April 13, 2021 “Regarding measures for the further development of the capital market” approved the Capital Market Development Program for 2021–2023, which included the following 40 measures:

- introduction of new types of instruments (futures, including currency, 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 to improve 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 possibility of purchasing government securities (except for Central Bank bonds) by citizens, as well as non-residents (at the initial stages - for MFIs).

This Decree also established 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.

Taking into account the above-expected positive changes, in 2023 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.

The Bank's investment portfolio as of October 1, 2022 consists of investments in a subsidiary company - DE LLC Absolut Leasing, program investments in the Credit Information Analytical Center and Credit Information Services CRIF. The volume of the investment portfolio as of the reporting date amounted to 2,658.1 million UZS

In 2023, the Bank will continue to implement the Islamic finance project through the Bank's participation in the authorized capital of a specialized Islamic finance company. It should be noted that Islamic finance is also one of the promising areas for the development of banking business. A study conducted by the country's Chamber of Commerce and Industry together with UNDP showed that 38% of business representatives surveyed and 56% of individuals do not take out loans from traditional banks due to religious beliefs. Taking into account the prospects for the development of this area, the Bank has taken steps to introduce Islamic financing services by organizing “Islamic windows” in the city of Tashkent and the regions where the bank operates. Currently, the bank has organized work to study and purchase software and train specialists in the field of Islamic banking. However, the lack of infrastructure, regulatory framework, deposit protection, as well as fiscal barriers hinder the introduction of Islamic finance. In this regard, the Bank will work to create a concept of Islamic

finance based on world practice, develop the “Islamic Window” project within the framework of current legislation, and search for opportunities to promote Islamic finance products.

In 2023, 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 on attractive terms.

In order to improve capital adequacy indicators in September of this year. The general meeting of shareholders decided to capitalize the bank's profits for a total amount of 193 billion UZS. However, this decision does not allow realizing the full potential of the bank's development and the bank's ambitions to strengthen its position in the market. In this regard, in order to increase the level of capitalization, work will be carried out to search for strategic partners from among international financial institutions (IFC, EBRD, ADB, etc.), as well as the possibility of injecting shareholders' funds into the bank's capital.

In addition, in order to increase the size of regulatory capital, the Bank has the opportunity to issue preferred shares for 20% of the Bank's authorized capital, with a fixed return.

Operations in the interbank money and foreign exchange markets

Today the Bank is one of the active participants in the interbank market, being a net lender in the money market. In the money and foreign exchange markets, the Bank carries out operations to attract and place interbank deposits in national and foreign currencies, currency swaps, forex transactions, etc.

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

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

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

Indicators as of 01.10.2022	Сумма Amount	No of transactions
Interbank transactions		
<i>in national currency, in billion UZS</i>	3 761	109
<i>in foreign currency</i>	99	58
Placement of deposits with the Central Bank (overnight), in billion UZS	8 535	99
Conversion at Uzbekistan Foreign Exchange	306	270
Conversion of foreign currency for national currencies (local banks)	230	135
Forex transactions	886	544
Swap - sale	47	10
Banknote transactions	176	38

In order to improve the bank's liquidity and capital adequacy indicators, currency swap sales transactions were carried out for a total amount of 44.2 million USD and 3 million EUR. Of these, a deal for \$33.2 million was concluded with the Central Bank under overnight terms.

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

Thus, during the reporting period, 34 transactions were carried out to purchase 1,094,062 units of government securities for investors for a total amount of 1,017.0 billion UZS.

At the same time, the Bank participates in the secondary government securities market at its own expense. In the reporting period, 13 transactions were carried out on the sale of 132,470 units of government securities for a total amount of 124.3 billion UZS.

The total book value of the government securities portfolio as of 10/01/2022 amounted to 1,069.5 billion UZS. Activities in the government securities market in the reporting period brought income in the amount 66,038.8 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 2023, it is planned to increase the volume of purchase and sale and maintain the volume of government securities at more than 952 billion UZS, which will ensure the optimal structure of the Bank's liquid and profitable assets.

In order to effectively manage liquidity, the Bank concludes REPO transactions with government securities on a special platform of the Central Bank with a period of 1 day (overnight) and on the Uzbekistan Currency Exchange platform with other terms (auction). Thus, over the 9 months of 2022, 97 transactions were completed, of which 91 transactions related to overnight repos. The total number of government securities participating in repo transactions is 2,707,700 units for a total amount of 2,707.8 billion UZS.

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

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

- development of a detailed description and block diagrams of business processes for the transactions performed by the Treasury Department for the purpose of their automation and unification, integration with Internet banking systems, mobile applications and external platforms (Refinitiv, Bloomberg, UzSE (Uzbekistan Stock Exchange), UzFE (Uzbekistan Currency Exchange), Depository);
- expanding the number of partner banks to maintain liquidity in foreign currency and obtain a flow of favorable quotes;
- improving the risk management system and open currency position based on modern technologies and approaches;
- improvement of the methodological base in the field of managing assets and liabilities of the balance sheet, interest and currency risks;
- introduction and use of various financial instruments, including forwards, futures and other hedging instruments;
- expansion of the bank's intermediary activities in the field of purchase and sale of government securities, development of market maker activities to maintain the secondary market, as well as expansion of sources of income;

- optimization of the risky assets structure and efficient use of capital through the purchase of Eurobonds and other low-risk instruments;
- development of the treasury product range by expanding investment instruments: the possibility of introducing trading with precious metals, including instruments of impersonal metal accounts, instruments of Islamic finance and cryptocurrencies;
- development of a proposal for transfer pricing through the preparation of calculations and approaches of the treasury for the cost of resources, net interest margin, allocation of resources;
- improving the practice of establishing rates for foreign exchange and conversion transactions, and developing a single document for determining and establishing rates for ongoing foreign exchange transactions, improving the accounting of exchange rate differences;
- regular training of specialists in the field of treasury, futures and derivative instruments.

International activity

In order to expand international activities, the Bank took a number of measures in 2022 to attract credit lines from international financial organizations, establish partnerships with foreign banks and improve the image of the Bank. In particular, in February 2022, an agreement was signed to establish correspondent relations with JSC CB Solidarnost (Russia), and in April a limit was established in the field of trade finance from Aktif Yatirim Bankasi A.S. (Turkey) in the amount of 1.5 million US dollars, in June a correspondent account in Turkish lira was opened for ASIA ALLIANCE BANK to fulfill obligations on foreign trade transactions.

An agreement was reached on the allocation to AAB of an additional line of financing for ICRES in the amount of USD 20 million, the issue of correspondent relations was established with one of the largest banks in Dubai - Mashreqbank, issues of possible cooperation in the field of treasury operations were discussed, such as FX, Custody and banknotes business.

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

- expansion of networks of partner banks, in particular, within the framework of the signed memorandum of cooperation between Raiffeisen Bank and Asia Alliance Bank will be established in the field of forex transactions and attracting a trade finance line in the amount of 5 million Euros, as well as the development of an ESG policy of the bank;
- consolidation and further development of the positive image of the Bank as a reputable, customer-oriented and reliable banking institution;
- carrying out targeted work to improve the Bank's internal and international ratings, as well as participation in national and international banking exhibitions and conferences;
- carrying out targeted work to increase the investment attractiveness of the Bank and attract a strategic investor. Particular attention will be paid to the implementation of measures to increase the investment attractiveness of the Bank, expanding cooperation with international financial institutions and foreign banks in order to attract strategic investors to the Bank's capital and attract their credit lines and financing lines. Attracting a foreign investor will be one of the strategic tasks for the Bank, which in turn will contribute to the growth of the Bank's reputation and reliability before customers, and the influx of customer funds from other Banks;

As part of the implementation of measures to attract a strategic investor to the Bank's capital, in its activities the Bank will pay attention to protecting the natural environment and minimizing the harmful impact on it. In particular, given that environmental concerns figure prominently in the investment activities of international financial institutions, the Bank is exploring opportunities to participate in projects to support energy efficiency and renewable, alternative energy and clean technologies.

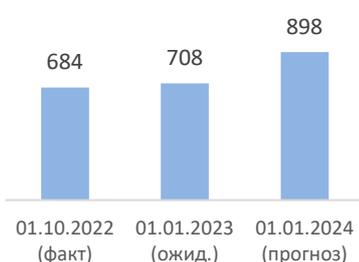
Retail business

In recent years, the Bank has managed to achieve significant results in the retail services market. In particular, the range of retail services of the bank has been expanded and improved through the introduction of new types of services, improving the quality of service and creating new service channels. The share of retail business in the total volume of transactions is growing steadily. Thus, at the end of 9 months of 2022, the share of the Bank's retail loan portfolio in the total loan portfolio was 32.9% (at the end of 9 months of 2021 it was 29.8%), the share of retail deposits in the total deposit base was 27.3% (at the results of 9 months of 2021 amounted to 8.4%), the participation of retail operations in the formation of the Bank's income -%.

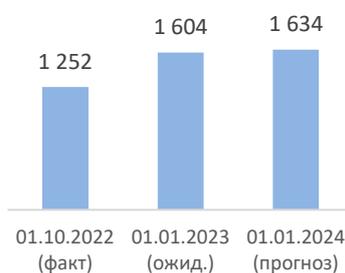
The measures taken as part of the transformation of the bank's business made it possible to expand the volume of operations and improve the quality of service. In particular, the introduction of our own scoring model and underwriting mechanism based on the credit pipeline, as well as the introduction of new types of deposits based on the deposit constructor, contributed to increasing the technological effectiveness of processes, expanding the lending potential and attracting customer deposits, as well as optimizing the bank's operating costs. Thus, during 9 months of 2022, the total number of loan applications processed through the loan pipeline amounted to 19,976 compared to the 9th month of the same period last year increased by 1,259 units. As of 10/01/2022, the share of online deposits in the total balance of retail deposits was 27.9% and the share of online conversion of individuals in the total volume of currency sales was 22.2% and currency purchases 14.2%

In addition, active work was carried out to increase the number of sales of bankcards, the total number of which increased by 89,719 during the reporting period. Balances on plastic cards of individuals increased by 104% and as of October 1, 2023 reached 418 billion UZS, the network of ATMs and information kiosks was expanded (more than 259), automated deposit machines (more than 20) and others were introduced.

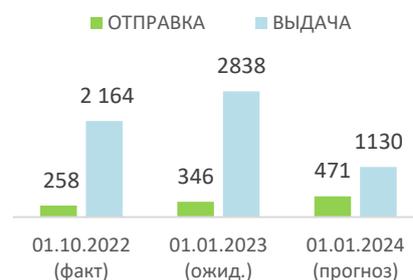
Track record of deposit balances, billion UZS



Track record of balances of individuals loan portfolios, billion UZS



Comparative volume of remittances, billion UZS



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



Track record of foreign exchange transactions by sales channels, %



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

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

Corporate business

The development of customer service in the corporate segment and small businesses will remain a priority direction for the development of the Bank's activities in the coming year. The bank will continue its active customer policy in the corporate segment. Corporate business is the largest area for the Bank in terms of assets, generating the largest share of income. Active work to attract customers carried out in 2022 ensured a significant expansion of the bank's customer base. As of October 1 of this year, the bank serves over 10 thousand customers, business entities without forming a legal entity - over 4.2 thousand. In the reporting period, the bank attracted large customers for settlement and cash services, such as IP LLC "KRU OVERSEAS CIS", individual entrepreneur UNEX TASHKENT LLC, BEKOBODSEMENT JSC, QIZILQUMSEMENT JSC, QUVASOYCEMENT JSC, Representative Office of KANTSKII CEMENTNYI ZAVOD, UNITED CEMENT GROUP LLC, UZKIMYOIMPEKS LLC.

The main priority of working with legal entities for 2023 will be the implementation of a customer-oriented business model, which allows us to provide high quality, timely customer service while maintaining the profitability of banking operations at a sufficient level. The main target category of corporate customers are large and medium-sized enterprises of private and state ownership, dynamically developing and having prospects for increasing the volume and range of operations. The basis for relationships with this category of customers will be the principle of comprehensive service, a combination of standard technologies for conducting operations with an individual approach. The implementation of such approaches will be carried out through the development of a system of customer managers with the assignment of a separate Bank specialist to the customer, performing the duties of a qualified consultant and manager.

Along with concentrating efforts on the target category of customers, the Bank will continue to serve small businesses and individual entrepreneurs. In relation to this category of customers, it is expected to apply a policy of providing high-quality standardized banking products and services (modular loans and deposits) that can fully satisfy their needs. Proposals will be prepared and their practical implementation will be ensured for specific standardized products for business entities, taking into account the types of classification of customers and their needs for banking products.

The main emphasis when servicing corporate customers will be placed on maintaining high quality of service and maximum coverage of each customer with banking services, which involves creating maximum convenience for customers, reducing time and costs for servicing, accelerating transaction processes, ensuring the security and confidentiality of banking operations through the use of high technologies and innovation, including measures to widely disseminate remote service services among customers, as well as the use of flexible tariffs.

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

- implementation of a customer-oriented business model based on the principle of comprehensive services and development of a system of customer managers;
- improving customer service by creating effective mechanisms for comprehensive cross-selling, optimizing business processes and actively introducing new innovative technologies, developing remote service channels, as well as expanding the product range;

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

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

№	Indicators	01.10.2022	01.01.2023	01.01.2024	Change, (to expect.%)
			(expctec)	(forecast)	
1	Number of customers	13 856	14 455	16 884	17%
	Corporate customers	9 832	10 254	11 988	17%
	Individual entrepreneurs	4 024	4 201	4 896	17%
2	Customer loans	1 392	1 465	1 995	36%
	Modular loans	78	84	279	232%
	Other loans	1 314	1 381	1 716	24%
3	Customer deposits	3 324	3 352	4 299	28%
	Demand deposits	1 903	2 199	2 804	28%
	Savings deposits	434	262	455	74%
	Fixed term deposits	987	891	1040	17%
4	Interest income of customers	162	217	260	20%
	For loans and leasing	162	217	260	20%
5	Interest-free income of customer	56	82	100	22%
	Commission income	56	82	100	22%

Risk management system

The main aim of risk management, as an integral part of the bank management process, is to ensure the sustainable development of the bank within the framework of the bank's approved risk appetite. The main objectives of effective risk management are:

- ensuring a common understanding of the Bank's risks by participants in the corporate risk management system;
- ensuring strategic planning taking into account the level of risk assumed;
- ensuring a continuous, consistent risk management process based on timely identification, assessment, control and monitoring to ensure achievement of set goals;
- increasing the efficiency of asset management of the Bank, including optimizing the risk/return ratio in all areas of activity;
- minimization of financial losses due to the realization of financial, operational and other risks to ensure the principle of continuity of the Bank's activities, including the safety of the Bank's equity capital;
- testing the Bank's stability in relation to internal and external risk factors;
- assessment of capital adequacy to cover significant risks. Risk management in the Bank shall be carried out in accordance with the Bank's Risk Management Policy, approved by the Supervisory Board of the Bank.

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

The Bank's Management Board shall implement the risk management policy, control 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 Supervision Committee shall continuously identify, monitor, evaluate and manage banking risks, and conduct quarterly stress testing of the bank's financial condition and liquidity. 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, tasks are planned for 2023 to introduce and expand the use of information technology and software in the risk management system at the Bank. 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 high pace of development of the banking sector, due to the liberalization of the country's economy, as well as large-scale transformation and changes in the business strategy of banks, creates the need to reconsider the further directions of development of the Bank's IT and formulate a complete and adequate IT strategy for the bank.

The stagnation of the bank's business over the past three years, caused by the state's entry into the bank's capital and the effect of the global pandemic, led to a weakening of the bank's competitive advantages and the level of profit generation for further investment in the development of activities and IT systems.

Despite the existing limitations, the Bank took steps to develop the IT system by introducing a CRM system and the Bank's Digital Platform. At the same time, the decisions to implement FB CRM and the digital platform FB DIGITAL BANK together with FIDO BIZNES LLC were made based on the bank's limited budget, the lack of in-house developers, as well as the experience of competing banks in implementing expensive solutions (SAP, Pega) , which were not successful. By implementing these two projects, AAB had the opportunity to improve the performance of payment and operational systems, interaction with systems of other vendors by providing a universal integration bus and improving the bank's IT architecture based on service-oriented (SOA) and microservice architectures.

Today, the main limiting factors for the development of the bank and the timely introduction of new banking products to the market (time to market) are as follows:

- lack of a clearly formulated bank's own IT strategy;
- bank's dependence on the monolithic systems of Fido-Business LLC in conditions of a low level of development of the IT market and a limited number of IT service providers in the banking business;
- absence or insufficiency of our own team of developers and business analysts in the IT field, high level of turnover of IT personnel in the context of a shortage of IT specialists in the market;
- need to make large investments and costs to develop the bank's IT systems and attract highly qualified specialists while maintaining strict regulatory requirements for suppliers of IT solutions, the use of cloud solutions and other modern technologies;
- continued high threat of losing the bank's competitive advantages against the backdrop of increasing competition from foreign and local players.

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 introducing 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 and the Bank's IT infrastructure, in 2023 it is planned to implement comprehensive measures aimed at:

- conducting an audit of the bank's information systems and technologies in order to determine their compliance with the Bank's business strategy, as well as modern requirements for IT in the banking sector;

- development and implementation of an IT strategy, management and control over the process of implementing the Bank’s key IT projects;
 - increasing server capacity, creating a test environment and ensuring IT security;
 - IT architecture design. Development of a project plan to create an integrated information system to support the main areas of business (corporate, retail, etc.) and a system for its operation, construction of a Data Processing Center (DPC) of Tier III reliability level;
 - creation of special tools and skills to identify vulnerabilities and apply appropriate countermeasures to reduce risk, passing PCI DSS certification;
 - organizing work to replace the current ABS system with a modern ABS system that meets modern requirements and provides flexibility in introducing changes and innovations;
 - implementation of a project to create a new system of remote banking services for individuals and legal entities;
 - increasing the uniqueness of the Bank and its operations in the future, developing such promising areas as Soft-Collection, marketing solutions based on Big Data technology, artificial intelligence, machine learning;
 - introduction of the Islamic banking system. This system allows you to automate the process of building relationships with clients in order to improve the quality of service within the framework of Sharia law;

Improving the Bank's employee management system

Personnel are the main asset and competitive advantage of the bank. The main aim 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 2023, in order to further develop the Bank's human resources potential, the following events are planned to implement:

- staffing the Head Office and branches of the Bank with both qualified specialists with experience in the banking sector and young graduates with potential for further development;
- organization of an internship program for university graduates, during which young specialists get acquainted with the management of the Bank and, subsequently, with a positive result of communication, the interns are enrolled in the Bank's staff;
- training and retraining of workers through the use of new training technologies, ensuring their training in specialized educational institutions of the Republic, as well as participation in various trainings, programs, seminars at the local/international level;
- continuous improvement of qualifications of management personnel and reservists through training and retraining in specialized training centers on banking operations;
- organizing and conducting trainings and corporate training programs at the Bank's personnel training and development center, which, in addition to teaching professional knowledge, support the development of personal qualities of employees and teamwork;
- increasing human resources in the field of marketing and sales, methodological developments, as well as their active involvement in the development and implementation of new banking services;
- 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 2023, stable dynamics of the main financial indicators is predicted.

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

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

- a) *liquid assets were forecast taking into account the regulator's requirements for liquidity indicators;*
- b) *the loan portfolio was forecast taking into account the regulator's requirements for capital adequacy indicators;*
- c) *customer funds were forecast taking into account the forecast of the loan portfolio and government securities portfolio.*

Capital adequacy forecast for 2023

Characteristics	01.10.2022 (fact)	01.01.2023 (expect)	01.01.2024 (forecast)	Change
Total risk-weighted assets	3 919 389	3 980 763	4 916 835	936 071
Assets for calculating leverage	5 960 740	6 346 565	6 690 265	343 701
Tier 1 capital	382 145	430 621	556 399	125 778
Total - Regulatory capital	509 526	574 161	741 865	167 704
Tier 1 capital adequacy ratio	9,8%	10,8%	11,3%	0,5%
Regulatory capital adequacy ratio	13,0%	14,4%	15,1%	0,7%
Leverage ratio	6,4%	6,8%	8,3%	1,5%
Maximum risk amount for Tier 1 Capital	3 821 447	4 306 208	5 563 990	1 257 783
Maximum risk amount for the entire reg. capital	3 919 433	4 416 624	5 706 657	1 290 033
Maximum amount of assets for leverage ratio	6 369 079	7 177 013	9 273 317	2 096 304
Maximum growth opportunity RWA monthly average			78 006	
Maximum growth opportunity for all assets monthly average			28 642	

In developing financial planning for 2023, 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 2023 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 3.7% of the loan portfolio;*
- c) commission income will increase by approximately 70% compared to 2022; g) operating expenses will increase by approximately 38% compared to 2022.*

In particular, the volume of interest income in 2023 is planned in the amount of 759 billion UZS, including from lending activities in the amount of 483 billion UZS (an increase compared to 2022 - 22%).

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 340 billion UZS.

As a result, the Bank expects to receive net profit in the amount 268.8 billion UZS, taking into account the created reserves for loans (103 billion UZS) – 371.8 billion UZS.

Taking into account the stated principles, the Bank's forecast indicators for 2023 are attached to the Business Plan.

FORECAST BALANCE (in million UZS)

Main indicators	Expected on 01.01.2023	Forecast on 01.04.2023	Forecast on 01.07.2023	Forecast on 01.10.2023	Forecast on 01.01.2024
ASSETS					
Cash	822 700	948 759	889 422	975 807	1 096 308
Receivable from the Central Bank of Uzbekistan	1 857 757	1 115 391	889 488	1 234 422	1 441 227
Due from banks	76 031	315 338	399 156	483 329	567 873
Trading securities	747 797	501 534	651 534	801 534	951 534
Loans and leasing, net	2 136 000	2 374 220	2 547 192	2 697 661	2 845 954
Investments	2 658	2 658	2 658	2 658	2 658
Fixed assets	120 995	118 786	123 514	128 460	133 635
Other assets	347 000	217 345	235 397	313 749	358 857
TOTAL ASSETS	6 110 938	5 594 031	5 738 362	6 637 621	7 398 046
LIABILITIES					
On-demand deposits	3 291 791	2 696 620	2 628 420	3 292 986	3 799 462
Saving Deposits	314 507	354 580	406 148	476 421	540 107
Fixed term Deposits	1 350 379	1 368 953	1 430 835	1 494 280	1 592 996
Due from banks	419 477	388 497	388 497	388 497	388 497
Credit lines and other borrowed funds	45 055	45 055	45 055	45 055	45 055
Issued bonds	119 729	139 527	174 908	206 177	221 913
TOTAL LIABILITIES	5 540 938	4 993 231	5 073 864	5 903 415	6 588 030
CAPITAL					
Authorized capital	380 269	380 269	380 269	380 269	380 269
TOTAL CAPITAL	570 000	600 800	664 498	734 205	810 016
TOTAL LIABILITIES AND CAPITAL	6 110 938	5 594 031	5 738 362	6 637 621	7 398 046

FORECAST REPORT ON INCOME AND EXPENSES (in million UZS)

Name of indicators	Expected on 01.01.2023	Forecast on 01.04.2023	Forecast on 01.07.2023	Forecast on 01.10.2023	Forecast on 01.01.2024
INTEREST INCOME	654 100	180 093	362 759	553 569	758 986
INTEREST EXPENSES	389 013	109 718	221 965	340 186	465 704
NET INTEREST INCOME	265 087	70 375	140 794	213 382	293 282
Credit loss assessment	138 000	27 141	51 261	82 145	102 728
NET INTEREST INCOME after credit loss	127 087	43 234	89 533	131 237	190 554
NON-INTEREST INCOME	542 801	149 295	298 713	457 890	634 954
NON-INTEREST EXPENSES	189 817	43 780	87 570	131 365	175 290
NET NON-INTEREST INCOME	352 984	105 515	211 143	326 525	459 664
OPERATING EXPENSES	245 940	72 385	152 267	231 398	339 807
NET INCOME BEFORE TAXES	234 131	76 364	148 410	226 365	310 411
Estimated income taxes	34 132	10 707	20 956	31 201	41 536
NET PROFIT (LOSS)	199 999	65 657	127 454	195 164	268 875