

**THE JOINT-STOCK COMMERCIAL BANK  
ASIA ALLIANCE BANK**

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**BUSINESS PLAN  
FOR DEVELOPMENT AND EXPANSION OF ACTIVITIES  
OF THE JOINT-STOCK COMMERCIAL BANK  
«ASIA ALLIANCE BANK»  
For 2016**



***APPROVED BY THE RESOLUTION OF THE BOARD OF JSCB, «ASIA ALLIANCE BANK»  
(Minutes No.K-66 dated 24.11.2015)***

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## INTRODUCTION

This Business Plan covers activities planned for the implementation by JSCB "ASIA ALLIANCE BANK" in 2016, as well as Financial Plan of the Bank for 2016.

The Joint-Stock Commercial Bank "ASIA ALLIANCE BANK" (hereinafter referred to as the Bank) was established in August 2009 in accordance with the Decree of the President of the Republic of Uzbekistan "On Measures to Promote the Creation of Private Commercial Banks" No. UP-1749 dated April 24, 1997. The Bank carries out its activities on the basis of Licenses of the Central Bank of the Republic of Uzbekistan No.79 dated August 15, 2014 and No.69 dated September 20, 2014. The Head office of the Bank is located at: 2A, Tarakkiyot Street, 100047, Tashkent, Uzbekistan.

The Bank is a member of the Bank Association of Uzbekistan, Deposit Insurance Fund, Uzbek Republican Currency Exchange and an associate member of the VISA International Organization.

The International Rating Agency Moody's Investors Service has assigned the Bank a financial stability rating E +, which corresponds to B3 rating on the long-term scale, as well as long-term and short-term ratings of deposits in the national and foreign currencies on the global scale B3 / Not Prime. All ratings of the Bank have a "Stable" forecast. 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

## Macroeconomic Trends

Undertaken measures on implementation of main guidelines and priorities of the economic program of the Republic of Uzbekistan for 2015 have enabled to preserve stability of the country's economic growth and macroeconomic sustainability in the conditions of the ongoing global economic crisis. An additional impetus to the large-scale reforms carried out in the country has been given by the implementation of the program for further reformation, structural transformation and diversification of the economy for 2015-2019.

The volume of the country's gross domestic product according to the results of 9 months of 2015 has increased by 8 percent compared with the same period in 2014 (for 9 months of 2014 - 8,1 percent). Along with it, positive balance of the foreign trade turnover in the amount of 217.8 million US\$ has been ensured; the State budget was executed with a surplus at the rate of 0,1 percent of GDP against a background of consistent lowering of the tax burden level from 16,8 percent to 16,6 percent of GDP.

Thanks to implementation of an active investment policy directed at fulfillment of the structural reforms, modernization and diversification of production, acceleration of commissioning of the most important high-tech facilities, as well as strengthening of the industrial potential of the regions and advancing development of transport and communication infrastructure, for 9 months of 2015 total volume of disbursed investments amounted to 28.5 trillion UZS, having increased in comparison with the same period of 2014 by 9.9 percent.

## Macroeconomic Indicators of Uzbekistan for January-September 2015

Indicators	Bln UZS	Growth rate, % by January-September, 2014
Gross domestic product	117 491,7	108,0
Industry	62 225,3	107,3
Agriculture	31 821,8	106,6
Investments in the fixed assets	28 477,0	109,9
Construction works	18 880,7	118,7
Transit of goods, million tons	1 136,9	104,3
Cargo turn-over, million tons-kilometers	63 493,8	101,0
Carriage of passengers, million persons	5 458,1	103,4
Passenger turnover, million passenger-kilometers	76 262,1	105,6
Retail turnover	50 731,9	115,0
Services, total	62 841,0	112,9

Source: GosComStat, Republic of Uzbekistan

2,4 billion US\$ or 21,1 percent of the total volume of disbursed investments made up foreign investments and loans with growth by 11 percent including 1,8 billion US\$ of direct foreign investments (with an increase by 7.4 percent). Over 514 million US\$ of the Fund for Reconstruction and Development of Uzbekistan has been disbursed in a framework of implementation of major investment projects in strategic branches of the economy.

The largest share in the structure of capital investments made up the investments from own funds of business entities (30,5 percent), which volume is increased by 20.7 percent as compared with the same period in 2014 that evidenced of enterprises active involvement in implementation of structural reforms, modernization and diversification of production .

In order to stimulate expansion of the range and volumes of consumer goods production since the beginning of the year for the purchase of technological equipment and replenishment of working capital to the enterprises producing consumer goods have been allocated loans of commercial banks in the amount over 3.4 trillion UZS, or by 1.3 times more as compared to the same period last year. As a result of it for 9 months of 2015 volume of consumer goods production has increased by 10, 1 percent including food products by 20, 9 percent.

Within 9 months of 2015 it has been preserved positive dynamic of the banks' overall capital growth by 23, 9 percent, and their assets by 27, 4 percent. The capital adequacy of the banking system meets the level exceeding the minimal international standards by 3 times, and the banking system liquidity is more than 2 times higher than the minimal requirements.

Reduction of the refinancing rate of the Central Bank from 10 to 9 percent in the beginning of 2015 had a stimulating impact on loan growth by commercial banks to the real sector of economy by 30.1 percent, 79.7 percent of which were long-term loans for investment purposes.

Within the scope of measures aimed at the reduction of the state involvement level in the economy and provision of complete freedom for the development of private property and private entrepreneurship in 2015, works related to the administration of the up-to-date methods of corporate governance in the Joint-Stock Companies have been carried out in accordance with the Decree of the President of the Republic of Uzbekistan No. UP-4720 dated April 24, 2015. In particular, actions have been taken to adjust organizational structures of 623 joint-stock companies in accordance with the standard structure of corporate management.

In 2016 it is planned to increase GDP at the level of 7.8 percent, production volume in industry of 8.2 percent, agriculture of 6, 1 percent, retail turnover of 14 percent, and services of 17.4 percent; keep inflation within the limits of 5.5 – 6.5 percent, ensure growth of real incomes of the population by 9.5 percent, average wages, pensions, scholarships and allowances with regard of provided tax benefits by 15 percent.

### **Banking Sector of Uzbekistan**

In the environment of the achieved stable and sustainable growth rates as well as macroeconomic equilibrium of economy banking system of Uzbekistan continues to develop at a stable pace. Main priorities of the banking sector development are remaining in expansion of commercial banks participation in lending of the real sector of economy and financial support for the small business development, wide attraction of money resources of enterprises and population to the bank circulation, development of cashless and card payment system, introduction of new banking technologies, as well as increase of financial stability of commercial banks.

The Decree of the President of the Republic of Uzbekistan “On Priority Directions of Further Reforming and Increase of Financial and Banking System Sustainability of the Republic in 2011-2015 and Achievement of High International Rating Indicators” No. PP-1438 dated November 26, 2010 serves as the main policy document for enhancing the sustainability and investment activity of the banking system in Uzbekistan. For 9 months of 2015 stable growth has preserved in all key indicators of the banking sector development.

## Main Indicators of the Banking Sector in Uzbekistan, in trillion UZS

Indicators	as of October 1,2014	as of October 1,2015	Changes	
			billion UZS	gains,%
Total Assets	48,7	62,1	13,4	28%
Overall Capital	6,0	7,4	1,4	23%
Loans Granted to the Real Sector of Economy	30,5	39,7	9,2	30%
Loans Granted to the Small Business Entities	7,3	9,6	2,3	32%
Investment Loans	6,7	7,9	1,2	18%
Bank Deposits	24,4	31,8	7,4	30%

Source: Central Bank of the Republic of Uzbekistan

The level of current liquidity within a number of years has exceeded 64% that is twice the required minimum norm accepted in the world practice. Total assets of banks compared to the same period of the previous year have increased by 27.4% and amounted to 62.1 trillion UZS.

Effective banking supervision based on international standards, and continuous monitoring of the quality of assets and liquidity of banks have allowed all domestic banks to confirm positive rating estimates assigned by leading international rating agencies such as Fitch Ratings, Moody's and Standard & Poor's.

Rating agency Moody's for six years in a row has assigned a rating with a "stable" estimate to the banking system of Uzbekistan. In particular, agency notes that only Uzbekistan's banking system has stable growth outlook among the CIS countries, as in the future the level of asset quality indicators and the growth of deposits will continue.

In particular, in the reporting period, the total volume of loans allocated for the real sector of economy has increased by 30.1% compared to the corresponding period of the previous year, and as of October 1, 2015 their volume amounted to more than 39.7 trillion UZS.

Volume of loans allocated for the investment purposes in comparison with the same period of the previous year has increased by more than 1,2 times, and as of October 1, 2015 amounted to 7.9 trillion UZS.

In the reporting period in the financial services structure the Bank's share made up 88%, and this indication compared to the same period of 2014 has increased by 1.3 times. This is a practical confirmation of the implementation of targeted measures on expansion and improvement of the quality of banking services provided to the business entities, and population as well as the reform of the banking sector as a whole.

It should be noted that special attention has been paid to the further development of non-cash payments, which is demonstrated by the intensive growth in the number of issued plastic cards. Today, in the Republic more than 15.2 million plastic cards have being actively used, and the number of installed terminals has reached 170 thousand units.

Commercial banks have been tasked with fulfilling the most important items of the economic program for 2015, especially implementation of measures to ensure banking system stability in compliance with the requirements of the Resolution of the President of the Republic of Uzbekistan "On Measures for Further Enhancement of Commercial Banks' Financial Stability and Development of their Resource Base" dated May 6, 2015, further improving banks performance appraisal system on the basis of international standards and principles, streamlining the supervision, strengthening cooperation with international financial institutions, financial support for small businesses and private entrepreneurship, expanding and improving the quality of banking services, accelerated application of new information and communication technologies in banking.

The work which is carried out in the republic for a better business climate has been positively reflected in the business environment ratings of international economic organizations. In October, 2015 the World Bank published the “Doing Business” rating, where Uzbekistan has risen by 16 points in just one year and took 87-th place. It should be especially noted that according to criteria such as "support for new business", Uzbekistan currently occupies the 42-nd place in the world; ensuring execution of the concluded contracts – the 32-nd; efficacy of the bankruptcy system of economically insolvent enterprises – the 75th place. During the past three years Uzbekistan raised by the indicator of "rendering credits to small business entities" from the 154th to the 42nd place, having improved its rating by 63 positions only for the previous year.

As it has been marked in the Report of the World Bank, Uzbekistan currently enters in the first ten countries of the world that achieved the best results in the field of improvement of business environment during the last year.

It is expected that in 2016 dynamic rates of the Uzbekistan’s banking sector development and strengthening of banks capitalization as well as their financial sustainability will continue, increasing their role in strengthening of the country's economic potential and growth of the population well-being.

### **Main Events and Current Activities of the Bank**

Over the past effective years of the Bank's development, its reputation in Uzbekistan and the world banking community has been strengthened as well as it has been notable successes related to the development of the branch network and retail customer service points, expansion of banking products, fruitful cooperation with leading domestic and foreign banks, payment systems and international financial Institutions.

An important event of 2015 was recognition of JSCB “ASIA ALLIANCE BANK” as the best bank in Uzbekistan for the second year in a row among the banks in the developing markets of the Asia-Pacific region in 2015 according to the international financial magazine “GLOBAL FINANCE”.

For the achievements in the field of improving the quality of banking services and active participation in the national banking exhibitions and completions, the Bank was awarded with diplomas and awards of banking communities and partner banks.

### **Chronicle of the main events in the Bank's activity for January-September 2015**

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January 2015	Rating Agency Moody’s confirmed international credit rating of the Bank at the previous level with an outlook “Stable”.
February 2015	The Bank became the winner of the competition for attracting deposits of population following the results of 2014 in the nomination "The Best Acquiring Bank of Plastic Cards".
March 2015	The Bank became the winner in the nomination "The Most Effective Financial Project" in the annual "National Exhibition of Banking Services, Equipment and Technologies - BANKEXPO 2015". Karshi branch of the bank became a prize-winner in the nomination "The Best Territorial Branch of the Bank’s Financial Support of Entrepreneurs".
March 2015	The Bank was recognized as the best bank in

Uzbekistan among the Banks in the Asia-Pacific developing markets 2015 according to the Global Finance Journal "Global Finance".

June 2015	Mini Bank "Minor" was opened in Tashkent.
July 2015	The Contract was signed with Islamic Corporation for the Development of the Private Sector for financing projects of the small business and private entrepreneurship in the amount of US\$ 3,000,000.00
July 2015	Mini Bank "Oltintepa" was opened in Tashkent.
August 2015	The Bank received an award from Commerrzbank AG, Germany for the excellent cooperation in the field of trade financing.
November 2015	Mini Bank "Orzu" was opened in the city of Karshi.

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### Market Position of the Bank

Following the results of 9 months of 2015 the JSCB "ASIA ALLIANCE BANK" entered the second ten of commercial banks on all main indicators of banking activity. Thus, in terms of assets, the bank took the 15-th place among 26 commercial banks.

#### Market Position of JSCB «ASIA ALLIANCE BANK» as of October 1, 2015

Indicators	mln.UZS	Bank's position
Total assets	925 992	15
Total loans (net)	396 473	14
Customer Deposits	621 597	13
Authorized Fund	180 694	11

Following the main priorities of the bank's strategic development, the Bank continued expanding the banking network, introducing new banking services and technologies, and actively working to improve the quality of customer service. In particular, in 2015 three mini banks were opened in the cities of Tashkent and Karshi. As of today, the Bank has 5 branches, 13 mini-banks and 13 special cash points.

As a part of the corporate customer service development program, certain results have been achieved to expand the corporate customer base, improve the quality of customer service, and attract their free cash. As of October 1, 2015, the balance of customers' funds on bank deposits amounted to 575 billion UZS; number of the Bank's corporate customers was approaching to 3, 5 thousand.

It should be noted that have been obtained high results by the bank to expand the bank's fixed term resource base by attracting free funds of enterprises and the population to fixed term deposit instruments and issue of deposit certificates by the bank. As of October 1, 2015, the balance of fixed term and savings deposits exceeded 142 billion UZS, the volume of realized deposit certificates amounted to 47 billion UZS.



In order to ensure a balanced and sustainable development of the bank, attention is being paid to expansion of the bank's capital base. Thus, as of October 1, 2015, the bank's own capital amounted to 181 billion UZS. The bank occupies the 11th place among banks, conceding to the state and other large joint-stock banks.

For the previous period, the bank has achieved a number of results on the development of retail services and expansion of the retail unit role in the business of the bank. As of October 1, 2015, the bank offered 12 types of fixed term and savings deposits for the population in the national currency and 5 types of deposits in foreign currency. The balance of deposits of the population in the bank amounted to 43 billion UZS, having increased by 13 percent. Active work is underway to develop services for international money transfers of individuals. As of today, the bank serves transfers for 7 international money transfer systems.

Also, measures are being taken to expand the bank's operations with plastic cards in the national currency and international currency cards. As of today, the number of issued plastic cards amounted to 72,3 thousand units, having increased by 42% as compared with the corresponding period in 2014. The main part of the cards falls to the share of plastic cards issued on the payroll projects. The number of installed trading terminals amounted to 1223.

Financial sustainability of the Bank is confirmed by the bank's ratings in the national and international scale, which is regularly monitored by the rating agencies. In particular, the Bank maintains a rating on the global scale B3 / NP / E+ with a "Stable" estimate assigned by the rating agency "Moody's Investors Service". Also, Rating Agency "Akhbor-Rating" has assigned the Bank a credit rating on the national scale "uzA +" with a "Stable" estimate.

The Bank strengthens achieved competitive positions, and also creates new, unique competitive advantages.

The Bank has its own strengths, such as high asset quality and effective system of control over banking risks, a promising corporate customer base, high quality customer service, based on efficiency in decision-making and flexibility of interaction with clients, high efficiency of the bank's activity, which is reflected in the high rates of profitability and low level of operating expenses, a positive reputation in the domestic and international banking communities.

At the same time, the successful development of the Bank's activity in the future depends on effective implementation of the tasks related to the expanding of the branch network, improving diversification of lending activities, strengthening the Bank's position in the retail market, and enhancing its competitive advantages by improving and streamlining business processes.

## MAIN DIRECTIONS OF THE BUSINESS DEVELOPMENT

In 2016, the Bank's activities shall be aimed at fulfilling the following priority objectives set for commercial banks:

- further increase of financial stability in accordance with international norms and standards;
- strengthening of investment activities and the level of capitalization of the bank;
- implementation of measures to strengthen the resource base, broad attraction of free cash assets of the population and business entities to the banking sector through introduction of new attractive types of deposits;
- improving methods of corporate management, introduction of advanced methods for the bank assets formation and management, increasing resilience to risks and improving internal control;
- financial support of small business and private entrepreneurship;
- expanding the range and quality of banking services provided with the extensive use of advanced information and communication technologies as well as expanding the system of non-cash settlements through bank plastic cards.

### Credit Activity

In 2016, it is planned to implement a number of important objectives to ensure further qualitative development of the credit activity and achieve quantitative parameters in terms of the loan portfolio size and its composition.

In 2016, the volume of loans is planned in the amount of 605 billion UZS. The balance of the loan portfolio (gross) at the end of 2016 shall be 587 billion UZS. The ratio of the loan portfolio to total assets shall be about 46% (as of January 1, 2017) against 43% as of October 1, 2015. The balance of reserves against potential losses is planned at the level of 10.3 billion UZS or 2% of the total loan portfolio.

By the end of 2016, it is planned to increase the long-term loan portfolio (leasing) of the bank to 488 billion UZS and its specific weight in the loan portfolio shall be 83%. An increase in the portfolio of long-term investment loans shall create stable sources of the interest income.

<b>Indicators</b>	<b>Plan as of January 1, 2017, in mln. UZS</b>
Balance of the loan portfolio, gross, including:	587 301
Short-term loans	99 625
Long-term loans and leasing	477 676
Provisions for possible losses	10 270
Net balance of the loan portfolio	577 031
Provisions for potential losses / loan portfolio, gross	1,75%

As a part of the development of lending to small and private businesses, it is planned to enhance activity of the bank's branches to finance medium-sized projects from 100 to 500 million UZS. Branches will continue to actively explore potential segments and successfully developing business lines of clients and their lending. In order to improve the credit process in the Bank, in particular, the interaction of branches with the Head Office, it is planned to set individual limits for branches to finance medium-sized credit projects of legal entities, taking into account the potential of the branch and the region.

The Bank shall pay attention to the possibility of co-financing with the commercial banks of the republic in syndicated lending of large trading and investment projects requiring large amounts of financing.

And also, special attention shall be paid to financing promising projects of young entrepreneurs from a number of graduates of educational institutions, family business entities, as well as other socially significant and important projects necessary to develop the economic potential of our country.

Sources for financing of long-term promising projects of small businesses shall be the bank's credit resources, credit lines of international financial institutions, in particular the Islamic Corporation for the development of the private sector.

The Bank shall take measures to ensure adequate diversification of the bank's loan portfolio. As a part of expanding retail lending, the bank plans to increase the bank's retail loan portfolio by at least 8,9 billion UZS or 1,5 % of the total loan portfolio of the Bank. The prevailing part of individuals' loans shall be consumer loans. For the purpose of mass promotion of retail lending products, it is planned to conduct advertising campaigns, arrange presentations of credit products among corporate customers, conduct negotiations with local consumers of goods and services to provide consumer loans aimed at purchasing goods and services.

The Bank intends to ensure an adequate level of return on loans with regard of the existing market conditions.

In the coming year, the Bank plans to continue activities on the implementing a number of measures aimed at introduction of new banking products and technologies in the process of lending with regard of the best local and foreign banking practices.

### **Investment and Issuing Activities**

The Bank considers investment activity to be a promising area of its operation and in 2016, and it is planning to carry out work to increase investment deposits of the bank, as well as increase the efficiency of investment resources. One of the urgent objectives is to expand the activities of financial companies, in which the bank has investment, especially the development of more attractive segments of the market by these companies.

In the coming year, it is planned to expand the possibility of the bank's participation in the securities market as an investor of the first-class corporate issuers of the local market, and also to increase transactions with instruments of the securities market with a gradual increase in the bank's share in the secondary segment of this market.

Issuing activity of the bank in 2016 shall be aimed at strengthening the long-term resource base of the bank by issuance and realization of equity and debt securities. In particular, it is planned the next issue of deposit certificates for satisfying clients demands in investing in debt securities with low par value. This issue of securities should allow the Bank to expand and diversify the sources of borrowed resources of the Bank and offer all the clients of the Bank (including not large ones) a profitable alternative of placing their free funds.

As a part of the expansion of the Bank's capital base, it is planned to implement an additional issue of the Bank's shares for a total of more than 25 billion UZS and to increase the amount of the authorized capital of the bank.

### **Operations in the Interbank and Foreign Exchange Markets**

Today the Bank is one of the active participants of the interbank market. In the monetary and currency markets, the Bank conducts operations to attract and place interbank deposits in national and foreign currencies, currency SWAP, Forex transactions at the international and local currency exchanges, and documentary operations.

Cooperation with participants of this market is improving, and mutually beneficial relations with banks with a high degree of reliability and reputation for placement and borrowing of funds in the interbank market are also increasing.

One of the priority directions of the bank's activity in 2016 in the interbank market will be deepening of interaction with local and foreign banks, preservation and expansion of the won positions.

The Bank's Asset and Liability Management Committee and Risk Management Committee in accordance with the requirements of the market regulator and to ensure the effectiveness of managing the liquidity and profitability of the bank, will continue participation in the Bank's activities in 2016 to preserve the Bank's capital management, asset and liabilities management policy, establish prices (tariffs), as well as to provide limits to counterparty banks for conducting transactions in the interbank monetary market.

Within the framework of deepening the development of the Bank's operations in the interbank monetary and foreign exchange markets, in accordance with the Bank's Development Strategy, the following activities are planned for the coming year:

- development of the Bank's infrastructure in the field of conducting operations in the monetary and foreign exchange markets, providing the possibility of creating a modern dealing center through connection to the trading and information platforms of such financial institutions as Reuters and Bloomberg;
- expansion of the volume and list of services by offering attractive types of banking services to customers in the field of conversion, banknote transactions and other types of services;
- raising to a new level interaction with counterparty banks in the sphere of placement and attraction of interbank deposits, conversion and banknote transactions;
- monitoring of changes in exchange rates for the diversification of assets in foreign currency and their effective placement in correspondent banks;
- ensuring an acceptable level of profitability of interbank deposits in the national currency;
- other activities in accordance with changes in the market conditions.

### **Correspondent Relations and International Activity**

As a part of the expansion of international activities in 2015, the Bank achieved important successes in expanding the network of correspondent banks, establishing cooperation with international financial institutions to attract credit lines and maintain the international credit rating of the bank.

Today, the Bank has correspondent relations with the leading banks of the world, in particular, Landesbank Berlin AG, Landesbank Baden-Wurtemberg, Commerzbank AG (Germany), DBS (Singapore), UBS (Switzerland), Kookmin Bank (Korea), Bank of China (China), Agricultural Bank of China (China). As of December 1, 2016, the number of common correspondent accounts of the bank amounted to 43 Nostro accounts in four local and thirteen foreign banks.

It is planning to develop cooperation in financing projects on the basis of credit lines of international financial institutions, in particular, with the German banks Landesbank Berlin AG and Landesbank Baden-Wurtemberg, the Islamic Corporation for the Development of the Private Sector. In 2016, work will be carried out to sign regular agreements with international financial

institutions to provide the bank's customers with alternative financing sources for investment projects to acquire technological equipment and upgrade production on more favorable terms.

When establishing correspondent relations with banks, priorities such as reliability of partners, interests of bank customers, quality and speed of international settlements are being preserved. Establishment of correspondent relations with leading banks contributed to the expansion of the Bank's activities in the field of international settlements, trade finance operations, development of international money transfer services, and the strengthening of the international bank status.

Expansion and deepening of cooperation with correspondent banks and international financial institutions will remain as one of the priority directions of the Bank's development. In the coming year, it is planned the following activities aimed at enhancing efficiency of using the network of correspondent banks and developing the international activities of the bank as well as strengthening the status of the bank in the international financial arena, in particular:

- deepening mutually beneficial and comprehensive cooperation with foreign partner banks in the field of documentary, depository, Forex operations, correspondent relations, as well as other areas of relationships, taking into account the competitive advantages of each correspondent bank;

- continuation of works on establishment and deepening of cooperation with foreign banks and international financial institutions with a view to attracting and developing long-term credit lines for financing small businesses, including through the ICD credit facilities and in trade finance;

- participation of the bank and bank employees at various international banking exhibitions, symposiums, seminars, internships and competitions organized by foreign banks, international financial institutions, publications and mass media such as The Banker, Global Finance, Euromoney and others;

- maintaining cooperation with international rating agencies on regular updating of the bank's credit rating;

- implementation of measures to increase the Bank's investment attractiveness and attraction of foreign investors in the performance of the Resolution of the President of the Republic of Uzbekistan "On Additional Measures to Attract Foreign Investors to Joint-Stock Companies" (No. PP-2454 dated December 21, 2015) through preparation of materials and presentations of the Bank in the international arena (as a "road-show"), exploring the possibility of attracting technical assistance from the IFC.

### **Development of the Service Network and Corporate Customers**

One of the main strategic objectives of the Bank is the establishment of a highly efficient branch network, which should provide a solid basis for strengthening its market position in the capital and expanding its activities in the regions of the country. Establishment of new branch units will help to increase the customer's base as a result of approaching the bank's infrastructure to a wide range of users as well as diversifying the bank's business.

Today, the commercial network of the Bank includes Operations Department at the Bank's Head Office, Shayhontohur, Almazar, Mirzo Ulugbek, Mirabad and Karshi branches, 13 mini-banks, and 13 special cash offices. Mini-banks and special cash offices have been opened in the premises of large corporate customers in order to create maximum convenience for customers and their employees.

In 2016, it is planned to open 2 new regional branches of the Bank in the cities of Bukhara and Samarkand. It gives a possibility of the development of the branch network and implementation of the principle of maximum availability of services in the banking services

market of Uzbekistan, which remains the most important objective of the Bank for the coming years.

Within the framework of the Bank's development strategy for monitoring and evaluating the efficiency of the Bank's branches in 2016, it is planned to take measures aimed at improving methods for assigning ratings to the bank's branches as well as increase the efficiency of the rating evaluation system in the process of stimulating and encouraging employees of the Bank's branches.

Ensuring stable and high-quality development of the bank's branches, enhancing their competitiveness and autonomy shall be the main objective in the forthcoming year for development of the bank's branch network.

In particular, it is planned to intensify branches activity related to the creation of their own fixed term and stable resource base by attracting free cash assets of legal entities for fixed deposits and realization of the bank's certificates of deposit by them as well as expanding the income sources of the branches through the development of retail operations.

Along with it, activities shall be continued to ensure self-sufficiency of the opened mini-banks and other retail banking outlets. To this end, it is planned to increase profitability of the bank's retail outlets through introduction of new banking services, more active marketing and customer management, creation of effective incentive mechanisms for employees and supervising units. It is intended to create a system for monitoring and evaluating branches and retail sales outlets, encouraging branches operation by arrangement of different contests and competitions in various areas of activity.

In 2015 the Bank has made good progress in the development of the corporate business unit of the bank. The deposit base of corporate clients in the bank as of January 1, 2016 is expected to reach 760 billion UZS, where 111 billion UZS are fixed deposits of corporate clients, 56 billion UZS are savings deposits. Fixed term and savings deposits of corporate clients provide the main part of the bank's fixed term resource base.

In 2016, activities shall be continued on the development of the corporate banking service unit, focusing on increasing the intensity of customer relationships with existing customers, as well as attracting new corporate customers within the expansion of the bank's branch network.

The main principles of servicing corporate customers are creation of maximum customer convenience, exceptional focus on their needs, reducing time and costs for servicing, speeding up operations, ensuring security and confidentiality of the Bank operations through the use of high technologies and innovations, including activities to widely disseminate remote services to customers, as well as the use of flexible tariffs.

During 2016 it is planned to increase the balance of corporate customers' deposits by 25%.

## **Retail Customer Service**

Objectives for developing retail activity, increasing consumer lending, attracting people's funds to form a source of funds for active retail operations of the Bank and developing operations with international and local bank cards shall be priorities in 2016 as well. Creation of the developed retail segment shall allow the Bank to maximally diversify its credit and deposit operations, interest and commission income, thereby to reduce financial risks. Moreover, the retail segment is the most promising in terms of relatively high profitability of the retail operations.

In 2016, as a part of the development of the retail unit, activities shall be carried out to expand the service networks and develop highly demanded mass-market products and qualitative services, including regular introduction of new types of deposits, loans, bank transfers and services in the sphere of the plastic cards business.

To this end, in the coming year, it is planned to accelerate development of the retail activities of the bank with expansion of the sales channels based on the modern integrated customer service centers, phased transfer of clients to online platforms and self-service points, development and introduction of sought-after loan products, attractive and available retail banking services to the clients, increase the efficiency of services and standards of service.

## **MAIN OBJECTIVES IN THE SPHERE OF ENSURING BUSINESS DEVELOPMENT**

### **Measures to Improve the Bank's Sustainability and Risk Management**

Arrangement of efficient work aimed at the Bank's risk management is considered to be an important condition for ensuring stable activity of the Bank, maintaining high asset quality, achieving high indication of its financial stability and profitability.

The Bank has a special structural division for risk management, it has been developed the Bank's risk management policy, which includes methods for estimation and monitoring, control over the volume and concentration to maintain an optimal balance between the assumed risks and profitability of banking operations. It has been arranged distribution of powers among collegial bodies (the Board of the Bank, Banking Risk Management Committee, Assets and Liabilities Management Committee, Credit Committee, Investment Committee, Audit Committee) and the Bank's structural divisions, including timely exchange of information and analysis, and ensuring planned accomplish of the tasks set to the bank.

Management of banking risks on an ongoing basis performs identification, monitoring, assessment and management of banking risks. Taking into account wide range of risks affecting the bank, the most significant in terms of possible losses are credit, market, and liquidity risk as well as operational risk.

In 2016, objectives were planned in the framework of further increasing of bank's financial stability and improving risk management work, transfer to the new recommendations of Basel 3, introducing and expanding the use of the latest technologies and software in the Bank within the system of risk management, internal control and information security.

### **Internal Control System**

The Bank takes necessary measures to counteract legalization of proceeds derived from the criminal activity and terrorism financing in accordance with the requirements of the Law of the Republic of Uzbekistan "On Counteracting Legalization of Proceeds from Crime and Financing of Terrorism" No. 660-II of August 26, 2004 as well as the other legislative acts. The Internal Control Department is responsible for the proper organization and functioning of the internal control system in the bank, internal rules for counteracting legalization of proceeds from crime and financing of terrorism have been developed and approved by the Board of the Bank.

In the coming year, activities shall be carried out further to arrange effective operation of the internal control system. Pursuant to the Bank's development strategies, it is planned to continue work on optimizing business processes and increasing the efficiency of internal control units, as well as increasing the functionality and analytical capabilities of the subsystems of IABS automated systems, and "Internal Control".

### **Information Technologies**

The main goal of the information technologies development is the creating a modern IT infrastructure that can ensure stable functioning and sustained development of the bank. The development of information technologies in the bank is focused on ensuring achievement of the main strategic objectives, reaching a qualitatively new level of automation of intra-bank processes, introducing modern IT technologies in the banking services. In accordance with the bank's development strategy, it is planned to transform information technologies into a stable source of generation of the bank's unique competitive advantages.

In order to develop information technologies in the Bank in 2016, implementation of the following activities are planned:



- development and expansion of the IT infrastructure of the bank and its branches, including renewal of the equipment stock, acquisition and installation of the server equipment;
- broad introduction of information technologies in the process of improvement and optimization business processes in the bank, including through the development of new software products and applications of the ABS bank, facilitating easement and acceleration of the business units operations, determined by functionality, availability, capacity, security, continuity of the banking services;
- cooperation with IT developers on the launching of projects "Kernel IABS-6" and "Retail - deposits of individuals, utility payments, accounting of valuable forms, and sub-accounts", providing support for a long operational day to increase the bank's capabilities and competitive advantages by removing time constraints for Clients servicing and indicating the budget and implementation schedules;
- increase the Bank's capabilities and competitive advantages by removing time constraints for Clients servicing and indicating the budget and implementation schedules;
- further development of the remote banking systems for legal entities and individuals, in particular, taking measures to develop the system "Internet banking for individuals" and "Mobile banking for individuals";
- development and introduction of new directions of the Bank's website and ensuring compliance of its content with new requirements;
- implementation and development of CRM-systems for improvement of work with clients and management of the bank's personnel;
- improvement of an analytical system for monitoring the bank's activities and forecasting.

### **Development of the Bank's Personnel**

The Staff Employees of the Bank are its main asset and competitive advantage. The main objective of the personnel management system is effective management and development of the bank's intellectual capital, formation and maintenance of a team of specialists at an efficient level capable to implement the Bank's strategy at optimal costs, creation of conditions for the implementation of professional ambitions of employees aimed at harmonizing personal goals and objectives of the bank.

In 2016, in order to further develop the bank's staff potential, implementation of the following activities are planned:

- staffing of the Head Office and branches of the bank both with qualified specialists having experience in the banking sector, and young graduates having potential for further development;
- training and retraining of employees through the use of new teaching technologies, ensuring their education in the field-specific educational institutions of the Republic, as well as participating in various trainings, programs, workshops at the local / international level;
- organization and holding of trainings, which, in addition to the training of professional knowledge, support the development of personal qualities of employees, and teamwork;
- staff capacity building in the marketing, development of the methodology and implementation of IFRS, as well as its active involvement in the development and introduction of new banking services;

- raising of professional ethics and responsibility of employees of the bank while performing official duties and observance of bank secrecy;
- improvement and optimization of mechanisms, both financial rewards and non-financial incentives in order to orient employees towards final result in achieving the set goals and objectives.

## **FINANCIAL PLANNING**

As a result of successful implementation of the planned objectives for further development of the Bank's priority directions of activities in 2016, stable dynamics of the main financial indicators is forecasted.

Expanding the scope of its activities, the Bank will strive to retain its attained positions in the banking sector and strengthen its position in the lending and retail services market. Meanwhile, a special attention shall be paid to a qualitative change in the structure of the bank's balance and income, gradually achieving the optimal ratio of the bank key performance parameters recommended by the international financial institutions and resulting from the new requirements being introduced in accordance with the new Basel Accord. The main emphasis in expanding bank's operations will be placed on the unconditional fulfillment by the bank of economic norms and recommendations of the Central Bank of the Republic of Uzbekistan to ensure high level of financial stability of the banking system in the republic.

The capital base of the Bank shall grow mainly due to internal sources of the Bank, that is, capitalization of the bank's net profit. Creation of the borrowed resource base shall be carried out by attracting deposits from legal entities and individuals, and issue of the bank's debt securities.

Taking into account the above principles, the Business Plan is accompanied with the forecast indicators of the Bank's activities.

In order to effectively implement the activities provided for in the Business Plan, the following main targets and forecast indicators of the bank's activities are being attached. These target and forecast indicators shall be implemented by developing detailed forecast plans for each business unit of the Bank.

## ESTIMATED BALANCE (in thousand UZS)

Indicators	As of January 1, 2017
<b>ASSETS</b>	
Cash and other payment documents	26 107 526
Funds on accounts with the Central Bank of Uzbekistan and other banks	597 320 449
Investments and securities for purchase and sale	13 040 700
Loans, net	577 030 977
Other assets	41 582 412
<b>Total assets</b>	<b>1 255 082 064</b>
<b>LIABILITIES</b>	
Total deposits	846 122 074
Accounts payable to other banks	2 100 000
Debt securities of the bank	63 900 000
Other liabilities	125 804 086
<b>Total liabilities</b>	<b>1 037 926 161</b>
<b>Share capital</b>	
<b>Share capital</b>	<b>217 155 904</b>
Registered share and added capital	127 547 261
Reserve capital	10 136 803
Retained profit	79 471 840
<b>Total liabilities and equity</b>	<b>1 255 082 064</b>

## ESTIMATED INCOME AND LOSS STATEMENT (in thousand UZS)

Indicators	As of January 1, 2017
<b>Interest income</b>	<b>89 914 332</b>
<b>Interest expenses</b>	<b>30 131 991</b>
<b>Interest-free income</b>	<b>73 056 178</b>
<b>Interest-free expenses</b>	<b>10 447 831</b>
<b>Operating expenses</b>	<b>62 081 443</b>
Estimation of possible losses on loans and leasing	6 060 988
Income tax assessment	12 246 271
<b>NET PROFIT</b>	<b>42 001 985</b>