

JOINT-STOCK COMMERCIAL BANK  
“ASIA ALLIANCE BANK”

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**BUSINESS-PLAN**

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

“ASIA ALLIANCE BANK”

**for 2018**



*APPROVED BY RESOLUTION OF THE SUPERVISORY BOARD OF JSCB “ASIA ALLIANCE BANK”  
(Minutes No.K-96 dated 30.11.2017)*

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## INTRODUCTION

The present Business-Plan includes activities planned for implementation by JSCB "ASIA ALLIANCE BANK" in 2018 as well as the financial plan of the Bank for 2018.

Joint-Stock Commercial Bank "ASIA ALLIANCE BANK" (hereinafter referred to as the Bank) was created in August, 2009 in accordance with the Decree of the President of the Republic of Uzbekistan "On Measures on Stimulation of Creation of Private Commercial Banks" No.UP-1749 dated 24.04.1997. The Bank carries out its activity based on licenses of the Central Bank of the Republic of Uzbekistan No.79 dated 15.08.2014 and No. 69 dated 20.09.2014. The Head Office of the Bank is located at the following address: 2A, Makhtumquli Street, 100047, Tashkent city, Uzbekistan.

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

The international rating agency Moody's Investors Service assigned the Bank with long-term and short-term ratings: B2 for deposits in national and foreign currencies, and B1 for Counterparty Risk Assessment according to the global scale. All ratings of the Bank have "Stable" outlook. The Bank also has a credit rating of the local rating agency "Ahbor-Reyting" of "uzA+" according the national scale with "Stable" outlook.

## ANALYSIS OF CURRENT SITUATION AND CHALLENGES FOR “ASIA ALLIANCE BANK”

### Macroeconomic Trends

The macroeconomic situation in the republic for the elapsed period of 2017 was formed under conditions of transition to qualitatively new level of economic reforms, liberalization of economy, and active implementation of state programs of complex development of regions.

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

At the same time, phased liberalization of external economic activity and stimulating dynamics of the real exchange rate of the national currency promoted significant increase of the volume of foreign currency proceeds from export that positively affected economic activity in the real sector.

Accelerated devaluation of the official exchange rate of the national currency in January-August of the current year and expectations of the population and entrepreneurship entities in regards to liberalization of the foreign currency market rendered differently directed influence onto economic and investment activity in the real sector.

#### Main Macroeconomic Indicators of Uzbekistan

Indicators	9 Months of 2017, billion soums	In % to January-September 2017
Gross Domestic Product	170 074.8	105.3
Industry	99 060.5	105.6
Agriculture, Forest and Fishery	46 194.3	103.5
Investments to Main Capital	39 536.1	101.1
Total Services	77 250.8	106.9
Construction Of work	25 176.2	105.3
Retail Goods Turnover	76 358.1	104.3
External Trade Turnover, million US dollars	19 951.5	116.7
- export	10 359.6	125.6
- import	9 591.9	108.4
- balance	767.7	x

Source: Statistics Committee of the Republic of Uzbekistan

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

During 9 months of 2017, GDP of the country increased by 5.3%, the volume of industry grew by 5.6%, growth of agriculture was 3.5%, growth of services amounted to 6.9% and increase in construction was 5.3%. Big investments were attracted to production of finished textile and stockinet of products; 3 new and modernized modern enterprises of light industry were commissioned into operation and more than 1000 new work places were created.

In its turn, revenues of the state budget amounted to 35 589.5 billion soums, expenditures amounted to 35 400.4 billion soums, that is 20.8% relative to GDP. The state budget was implemented according to approved parameters and with surplus in the amount of 0.1% to GDP. The level of inflation did not exceed projected parameters.

During 9 months of 2017, special attention was paid to construction of affordable housing in cities and rural areas; development and modernization of road and transport, engineering communication and social infrastructure serve to ensure decent life for the population.

According to data of the State Statistics Committee of the Republic of Uzbekistan, the level of inflation for January-September, 2017 calculated in terms of Consumer Prices Index amounted to 7.8 percent that is higher than the indicator of the similar period of 2016 (2.2 percent).

At the same time, average growth of prices for food goods during this period amounted to 7.6 percent (3.3 percent reduction during the respective period of 2016), 8.6 percent for non-food goods (6.4 percent growth during the respective period of 2016), and 7.0 percent for paid services (7.0 percent growth during the respective period of 2016).

According to data of the Central Bank of the Republic of Uzbekistan, gold and foreign currency reserves of the country increased by 750 million dollars during 9 months of 2017 and total volume of gold and foreign currency reserves of the Republic Uzbekistan amounts to around 26 billion dollars as of November 1, 2017.

## Banking Sector of Uzbekistan

The elapsed 10 months of 2017 were very rich with events in the sphere of state and public construction, key transformations in economic field. Significant shifts in liberalization of the foreign currency market and opening of free conversion became the main events of the year which contributed to growth of business activity of entrepreneurship entities and banks.

The Central Bank adopted a decision on raising the refinancing rate from 9% to 14% from June 28, 2017.

As of October 1, 2017, total capital of the banking system increased by 98.51% compared to the respective period of the last year and amounted to 16.7 trillion soums. Capital adequacy level of the banking system exceeds international standards 1.5 times, and liquidity thereof is in 4 times higher than the required minimum standard. As of October 1, 2017, assets of banks amounted to 161.1 trillion soums and they grew by 112.02% compared to the similar period of the last year.

Total volume of credits directed to the real sector of economy increased by 116.54% compared to the same period of the last year and it amounted to 103.2 trillion soums (47.6 trillion soums according to results of Quarter III, 2016) as of October 1, 2017.

The national system of non-cash payments using plastic cards in the national currency continues to develop in dynamic rates that confirm intensive growth of quantity of plastic cards issued to circulation as well as the amount of non-cash payments implemented through payment terminals, infokiosks and ATMs. As of October 1, 2017, quantity of plastic cards issued to circulation increased by 5.76% compared to results of 2016 and achieved around 20.1 million pcs.; quantity of established of terminals in retail outlets and service enterprises is more than 231.5 thousand pcs.; quantity of established ATMs and infokiosks amounted to more than 5.4 thousand pcs. Total volume of payment transactions implemented in the country using plastic cards amounted to more than 40.5 trillion soums according to results of Quarter III, 2017.

As of October 1, 2017, total quantity of operating commercial banks registered by the Central Bank of the Republic of Uzbekistan amounted to 28 including a new bank - JSCB "Uzagroexportbank" which received a license in July of 2017.

Total quantity of regional divisions and branches of domestic banks according to results of Quarter III, 2017 also increased by 9 units compared to the similar period of the last year and amounted to 887 units. As of October 1, 2017, banking personnel amounts to around 55 thousand in the banking sector of the republic as a whole. It should be mentioned for comparison that total quantity of banking employees amounted to around 51 thousand as of October 1, 2016.

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

It is assumed that dynamic rates of development of the banking sector of Uzbekistan, strengthening of capitalization of banks and financial stability thereof, raising their role in strengthening of economic potential of the country and growths of welfare of the population will be preserved in 2018.

## Main Events and Current Activity of the Bank

The Bank will continue consistent work in 2017 aimed at development and expansion of activity, raising financial stability of the Bank, strengthening of the resource base, expansion of the range of and raising quality of provided banking services.

Recognition of JSCB "ASIA ALLIANCE BANK" as the best bank in Uzbekistan for the second time by the prestigious international publication "The Banker" as well as the best bank four years in a row in Uzbekistan among banks in developing markets in the Asian-Pacific region in 2017 according to the international financial magazine "GLOBAL FINANCE" may be called as important events for the elapsed period of 2017.

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

### Chronicle of Main Events in Activity of the Bank during January-November of 2017

February, 2017	Shaykhontokhur Branch of JSCB "ASIA ALLIANCE BANK" took the honorary third place in the nomination "The best branch of the year in attraction of deposits of the population in cities"
February, 2017	JSCB "ASIA ALLIANCE BANK" implemented the service Sanctions Screening of the international system S.W.I.F.T.
March, 2017	"ASIA ALLIANCE BANK", four years in a row, was recognized as the best bank in Uzbekistan among banks in developing markets in the Asian-Pacific region in 2017 according to the international financial magazine "Global Finance"
June, 2017	Correspondent relations were established with PJSC "TransCapitalBank" (Russia)
September, 2017	The official page of "ASIA ALLIANCE BANK" was launched in Facebook.
November, 2017	The reputable international financial publication "Global Finance" published an article about activity of JSCB "ASIA ALLIANCE BANK" in the November edition of its magazine.
November, 2017	"ASIA ALLIANCE BANK" was awarded for the second time "The Bank of the Year (2017) in Uzbekistan" at the Annual Award Ceremony of the Bank of the Year held by the reputable international publication "The Banker"

## Market Position of the Bank

According to results of 9 months of 2017, activity of JSCB "ASIA ALLIANCE BANK" was aimed at ensuring sustainable and balanced growth of indicators as well as raising competitive advantages of the Bank. Assets of the Bank compared to results of 9 months of 2016 increased by 48%; credit portfolio increased by 49%; deposits increased by 66%; total capital increased by 15%.

Under competitive conditions, the Bank managed to improve its position in respect to deposits of clients and of net profit ranking 15<sup>th</sup> and 10<sup>th</sup> positions, respectively.

### Market Position of JSCB "ASIA ALLIANCE BANK" as of 01.10.2017

Indicators	in million soums	Position of the Bank
Total Assets	1 562 604	16
Credit Portfolio (net)	875 862	14
Deposits of Clients	1 184 213	14
Share Capital	242 862	17

Actual tasks remain to further strengthen competitive positions of the Bank in main segments of market by ensuring growth of assets, deposit base and capitalization. It is necessary to note that target goals of the Strategy of Development of the Bank for 2017-2020 provide for annual average growth of assets no less than 30% and 25 % for capital.

In accordance with the program for development of servicing of corporate clients, certain results on expansion of corporate client base, raising quality of customer servicing and attraction of free monetary funds thereof were achieved. As of October 1, 2017, the balance of monetary funds of clients in bank deposits amounted to 1 184 billion soums, quantity of corporate clients of the Bank exceeded 5.6 thousand.

It should be noted that there were achieved high results of the Bank on expansion of time resource base of the Bank due to attraction of free monetary funds of enterprises and the population to time deposit instruments and implementation thereby of deposit certificates of the Bank. As of October 1, 2017, the balance of time and saving deposits exceeded 293 billion soums; volume of sold deposit certificates amounted to 105 billion soums.

In order to ensure balanced and sustainable development of the Bank, attention is paid to expansion of capital base of the Bank. Thus, as of October 1, 2017, equity capital of the Bank amounted to 243 billion soums.

During the elapsed period, the Bank achieved a series of results on development of retail services and expansion of the role of retail units in business of the Bank. As of October 1, 2017, the Bank offered 8 types of time and saving deposits in the national currency and 5 types of deposits in foreign currency for the population. The balance of deposits of the population in the Bank amounted to 146.6 billion soums, increasing 2 times. Active work is carried out on development of services on international cash remittances of natural persons. At the present day, remittances of 7 systems of international cash remittances are serviced in the Bank.

Also, measures are taken to expand Bank's operations with plastic cards in the national currency and international foreign currency cards. At the present day, quantity of plastic cards issued to circulation amounted to 139.1 thousand pcs. increasing by 24% compared to the respective period of 2016. The main part of cards falls onto the share of plastic cards issued under salary projects. Quantity of established of retail outlet terminals amounted to 2961.

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

Also, RA "Akhbor-Rating" assigned the Bank with the credit rating according to the national scale "uzA+" with "Stable" outlook.

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

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

## MAIN DIRECTIONS OF BUSINESS DEVELOPMENT

In 2018, activity of the Bank will be aimed at implementation of the following priority tasks assigned to commercial banks:

- improvement of bank management system, optimization of business processes, standardization of banking products as well as raising labor productivity;
- further development and implementation of perspective innovative technologies, improvement of telecommunication infrastructure and complexes of technical means, development of electronic sales channels;
- continuation of exploitation of new market segments in perspective sectors of economy including sectors such as services and tourism, industry, construction as well as servicing and participation in financing of enterprises performing their activity in free economic zones of the country;
- raising volumes of financing in modernization, technical and technological re-equipment of economy as well as active participation in financial support of entities of small business and private entrepreneurship;
- expansion of product lines and sales channels including retail products for mass promotion;
- raising the image of the Bank and its investment attractiveness by implementing measures on improvement of the rating level, improvement of corporate management methods, implementation of advanced methods for formation and management of Bank's assets, in particular, continuation of works on implementation of recommendations of the Corporate Management Code approved by the Commission on Raising Effectiveness of Activity of Joint-Stock Companies and Improvement of Corporate Management System;
- implementation of new mechanisms for examination of clients' satisfaction and strengthening interrelation with them, their behavior depending on changes in conditions of servicing as well as activation of work on permanent examination of needs of clients in financial solutions provided by the Bank;
- development of personnel of the Bank and improvement of labor motivation system;
- further development of activity on valuation and management of bank risks taking into account best domestic and international practices.

## Credit Activity

In 2018, implementation of a number of important tasks is planned to ensure further qualitative development of credit activity and achievement of quantitative parameters on the volume of credit portfolio and its structure.

In 2018, the volume of extension of credits is planned in the amount of 767 billion soums. The balance of credit portfolio (gross) as of the end of 2018 will amount to 1 148 billion soums. Correlation of credit portfolio to total assets to be preserved at the level of 59% (as of January 1, 2019). The balance of reserves against of possible losses is planned in the amount of 15.6 billion soums or 1.4% of total volume of credit portfolio.

Till the end of 2018, it is planned to increase portfolio of long-term credits (leasing) of the Bank to 1 046 billion soums and their share in credit portfolio will amount to 91%. Increase of portfolio of long-term investment credits will enable to create stable sources of interest proceeds.

Indicators	Plan for 01.01.2019, million soums
Gross Balance of Credit Portfolio including	1 148 111
Short-term credits	101 649
Long-Term Credits and Leasing	1 046 462
Reserves of Possible Losses	15 627
Net Balance of Credit Portfolio,	1 132 483
Reserves of Possible Losses / Gross Credit Portfolio,	1.4%

In order to implement measures on optimization of business processes in crediting, it is planned to apply new methodologies of scoring models and expansion of cooperation with credit history institutes on implementation of modern kinds of retail crediting.

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

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

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

The Bank will take measures to ensure adequate diversification of credit portfolio of the Bank. In the framework of expansion of retail crediting, the Bank plans to increase portfolio of retail credits of the Bank by no less than 65 billion soums or 6% of total volume of credit portfolio of the Bank. Consumer credits will comprise the predominant part of credits of natural persons. For the purposes of mass promotion of retail credit products, it is planned to carry out advertising campaigns, to organize presentations of credit products among teams

of corporate clients, to hold talks with local consumers of goods and services on provision of consumer credits of the Bank for acquisition of goods and services.

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

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

### **Investment and Emission Activity**

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

In 2018, the Bank plans to continue works on formation of qualitative investment portfolio capable to ensure the stable level of profitability at the minimum level of investment risk.

Development of investment activity of the Bank for 2018 assumes raising return from investments and preservation of their pressure to capital of the Bank at the optimal level.

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

Emission activity of the Bank in 2018 will be directed at strengthening of long-term resource base of the Bank by issuance and implementation of debt and share securities of the Bank. In particular, it is planned to perform regular issuance of shares and issuance of deposit certificates for strengthening of sustainable resource base. Issuance of own securities by the Bank assumes expansion and diversification of funds sources for active operations of the Bank and to creation alternative possibility for depositors of the Bank to place free monetary funds on attractive conditions.

## **Operations in Interbank and Currency Markets**

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

In addition, in the framework of cooperation with the company Thomson Reuters, an agreement was signed in 2017 for usage of a dealing module “Fxall” in “FX Trading” terminal which enables to execute transactions at the best price using requests and to obtain flow quotations from partner banks, to accomplish automatic closure of open positions in respect to conversion transactions performed with clients in external market and other.

In the framework of activities carried out by the Bank in optimization of business processes, raising quality and convenience of servicing, a new sub-system “Online Conversion” in “Corporate Internet Banking” module was launched in IABS system in July, 2017 which enables clients to perform remote conversion transactions without visiting divisions of the Bank in the amount equivalent to 5 thousand US dollars.

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

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

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

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

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

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

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

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

ensuring profitability of trade and information terminals;

other activities in accordance with changes in market conditions.

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

In 2017, the Bank made important achievements in establishment of cooperation with international financial institutes for attraction of credit lines and maintenance of the international credit rating of the Bank.

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

In order to expand correspondent relations with leading world banks, work is planned in 2018 to expand the network of correspondents by establishing relations with new foreign banks, in particular, Deutsche Bank (Germany), Credit-Suisse (Switzerland), Natixis (France), Credit Agricole (France), Sberbank (Russia) and other.

In order to attract and implement long-term credit lines, work will be continued on establishment and expansion of cooperation with international financial institutes (the EBRD, IDA, IBRD, International Islamic Corporation on development of trade finance (ITFC) and others), in particular, on attraction of credit lines of the International Development Association (IDA) in the framework of “Development of Cattle Sector in the Republic of Uzbekistan” Project, attraction of credit lines of the International Bank for Reconstruction and Development (IBRD) in the framework of “Raising Energy Effectiveness of Industrial enterprises (EEIE)” Project, attraction of credit lines of the International Bank Reconstruction and Development (IBRD) in the framework of “Development of Fruits and Vegetables Growing Sector in the Republic Uzbekistan” Project.

Furthermore, work is performed by the Bank on cooperation with international rating agencies. Necessary measures are planned for 2018 to maintain and improve the international rating of the Bank.

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

### **Development of Service Network and Corporate Clients**

At the present day, the commercial network of the Bank includes the Operations Division at the Head Office of the Bank, Shaykhontokhur, Almazar, Mirzo Ulugbek, Mirabad, Karshi,

Bukhara and Samarkand branches, 13 mini-banks and 10 special cash offices. Mini-banks and special cash offices are opened in premises of big corporate clients for creation of maximum convenience to clients and their employees.

In order to strengthen market position of the Bank in the capital, it is planned for 2018 to open a new branch of the Bank in Chilanzar district of Tashkent city as well as work will be launched on construction of the branch building in Ferghana city.

In the framework of the Strategy of Development of the Bank on monitoring and evaluation of effectiveness of branch activity of the Bank in 2018, work will be continued on raising effectiveness of the rating evaluation system in due process of stimulation and reward of employees of Bank's branches.

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

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

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

In 2018, work will be continued on development of corporate units of banking servicing, putting a stress to raising intensiveness of customer relations with the existing clients as well as attraction of new corporate clients in the framework of expansion of the branch network of the Bank.

Main principles of servicing of corporate clients are creation of maximum convenience for clients, exclusive orientation to their needs, reduction of time and costs of servicing, acceleration of processes for performance of operations, ensuring safety and confidentiality of operations of the Bank by applying high technologies and innovations including measures on wide distribution of remote distance services among clients as well as application of flexible tariffs.

During 2018, it is planned to increase the balance of deposit funds of corporate clients by no less than 25%.

### **Servicing of Retail Clients**

Tasks on development of retail activity, increase of volumes of consumer crediting, attraction of funds of the population for formation of funds source for active retail operations of the Bank and development of operations with international and local banking cards will be also of priority in 2018. Creation of the developed retail segment will enable the bank to utmost diversify its credit and deposit operations, interest and commission incomes, thus reducing financial risk. In addition, the retail segment is the most perspective in terms of relatively high profitability of retail operations.

In 2018, in the framework of development of retail units, work will be continued on expansion of servicing networks and development of market demanded mass products and high quality

service including regular implementation of new types of deposits, credits, bank transfers and services in plastic business.

For these purposes it is planned to accelerate development of retail activity of the Bank next year with expansion of sales channels based on modern centers of complex servicing of clients, phased transfer of clients to on-line platforms and self-service points, development and implementation of demanded credit products, retail services attractive and affordable for clients of the Bank, raising responsiveness of provided services and servicing standards.

In 2018, in the framework of development of retail business, it is planned to expand self-service points by increasing the fleet of modern banking equipment (infokiosks, multifunctional ATMs (soum, foreign currency, currency exchange ATMs)), increase of the volume of card services through retail payment system GlobUzCard, continuation of works to connect to the International payment system Mastercard WorldWide. It also is planned to continue work in issuance of plastic cards with individual design which was launched in 2014; it is planned to expand this type of cards in all regional branches of the Bank in 2018.

The Bank will continue consistent work next year with business partners to launch a mobile application of the Bank for natural persons with various functions, in particular, in credit operations, implementation of on-line payments, account management and transfer of monetary funds between bank accounts, and operations with international money remittances.

Work will be also performed in 2018 to implement socially oriented bank card products - issuance of social, family, co-branding, implementation of loyalty, discount and bonus projects and services directed at their further popularization among the population as convenient and reliable means of payment and saving of monetary funds.

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## MAIN TASKS IN SPHERE OF ENSURING BUSINESS DEVELOPMENT

### Measures to Increase Sustainability of the Bank and Risk Management

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

ensuring protection of rights of depositors, creditors and shareholders; correction, prevention and minimization of losses of the Bank when events adverse for the Bank occur;

optimization of correlation of risks and profitability on all directions of activity;

organization and improvement of risk management system including limit discipline;

reduction of deviation of the actual financial result of the Bank from the planned one;

effective use of existing competitive advantages which includes trust of clients, quality of servicing and others.

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

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

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

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

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

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

Bank risk management regularly performs bank risk identification, monitoring, evaluation and management; stress-testing of the financial condition and liquidity of the Bank is made on quarterly basis. Taking into account wide range of risks affecting the bank, credit, market, liquidity risks as well as operating risk are the most significant in respect to possible losses.

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

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

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

performance of stress-testing;

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

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

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

The tasks are planned for 2018 in the framework on further rising of financial stability of the Bank and improvement of work on risk management, implementation and expansion of use of information technologies and software in risk management system in the Bank.

### **Internal Control System**

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

Next year, work will be continued on organization of effective work of internal control system. It is planned to continue work on raising effectiveness of the work of internal control sub-division as well as rising of functional possibilities and analytical capacities of sub-systems of automated systems IABS and "Internal Control". In particular, it is planned to implement the following tasks:

To fully automatize control over operations with by entities specified in lists of Special Authorized State Organ by implementation of Sanctions Screening functions in SWIFT system as well as by expansion of scope of application of the respective existing functions of IABS;

Improvement of work of the sub-system "advanced search" by expansion of scope of application, raising convenience of entry for searched persons and output of search results;

consolidation of reports on suspicious and doubtful operations, creation of a single report form for automated detection of doubtful and suspicious operations.

## **Information Technologies**

The main purpose of development of information technologies is to create modern IT-infrastructure capable to ensure stable functioning and sustainable development of the Bank. Development of information technologies in the Bank is aimed at ensuring to achieve main strategic tasks, qualitatively new level of automation of intra-bank processes, implementation of modern IT-technologies in bank servicing. According to the Strategy of Development of the Bank, it is planned to transform information technologies into a sustainable source of formation of unique competitive of advantages of the Bank.

In order to develop information technologies, it is planned to implement the following measures in the Bank in 2018:

development and expansion of IT-infrastructure of the Bank and its branches including renewal of equipment, acquisition, installation of server equipment for the analytical system;

wide implementation of information technologies in due process of improvement and optimization of business processes in the Bank including in development of new of software products and applications of ABS of the Bank which promote facilitation and acceleration of work of business sub-divisions determined by functionality, affordability, power, safety, and continuity of provision of bank services;

cooperation with IT-developers to launch “Application for Bank Transfer ” and “On-Line Conversion” projects in the software complex “Corporate Internet Banking” SC IABS as well as PM “Recording of Overdraft Operations” which enable to raise quality of servicing of clients of the Bank with specification of a budget and schedules for implementation;

further development of systems of distance bank servicing for legal and natural persons, in particular, adoption of measures to develop the system “Internet Banking for Natural Persons” and “Mobile Banking for Natural Persons”;

development and implementation of new directions of Bank’s web-site and ensuring conformance of its content to new requirements;

implementation of work to implement the analytical system for monitoring of activity of the Bank and projection.

## **Development of Personnel of the Bank**

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

It is planned to carry out the following of measures in 2018 in order to further develop the personnel potential of the Bank:

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

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

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

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

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

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

enactment of the Code of Corporate Ethics in order to form and implement norms and traditions of corporate behavior and style into every day practice which will, in general, promote maintenance of stable activity of the Bank, strengthening its image and raising trust of clients;

improvement and optimization of mechanisms of material stimulation and non-material reward in order to orient employees to final results in achievement of established purposes and tasks.

## **FINANCIAL PLANNING**

As a result of successful implementation of planned tasks on further development of priority directions of activity of the Bank, stable dynamics of main financial indicators is projected in 2018.

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

The capital base of the Bank will grow predominantly due to internal sources of the Bank that is capitalization of net profit of the Bank. Formation of borrowed resource base will take place due to attraction of deposits from legal and natural persons, and issuance of debt securities of the Bank.

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

In order to effectively implement measures provided for in Business Plan, the following main target benchmarks and projected indicators of activity of the Bank are attached. These target

and projected indicators will be achieved by development of detailed projection plans for each business sub-division of the Bank.

**PROJECTED BALANCE SHEET (in million soums)**

Indicators	01.04.2018	01.07.2018	01.10.2018	01.01.2019
<b>ASSETS</b>				
Cash and other payment documents	80 457	85 309	89 939	95 201
Funds in CBRU and other banks' accounts	439 077	500 067	564 488	578 246
Investments and securities for purchase and sale	16 041	16 041	16 041	16 041
Net credits	900 510	983 683	1 064 000	1 132 483
Other assets	88 197	97 442	119 319	127 218
<b>Total assets</b>	<b>1 524 282</b>	<b>1 682 542</b>	<b>1 853 786</b>	<b>1 949 189</b>
<b>LIABILITIES</b>				
Total deposits	972 490	1 051 474	1 120 109	1 201 456
Accounts payable to other banks	90 000	20 000	20 000	30 000
Debt securities of the Bank	144 200	151 500	164 500	170 800
Other liabilities	63 915	197 915	271 744	254 930
<b>Total liabilities</b>	<b>1 270 604</b>	<b>1 420 888</b>	<b>1 576 352</b>	<b>1 657 186</b>
<b>Share capital</b>	<b>253 678</b>	<b>261 653</b>	<b>277 434</b>	<b>292 003</b>
Share and additional capital	146 070	146 096	146 124	146 152
Reserve capital	24 677	27 677	27 677	27 677
Retained earnings	82 931	87 879	103 633	118 174
<b>Total liabilities and capital</b>	<b>1 524 282</b>	<b>1 682 542</b>	<b>1 853 786</b>	<b>1 949 189</b>

**Projected Income and Expenses Statement (in million soums)**

Indicators	01.04.2018	01.07.2018	01.10.2018	01.01.2019
<b>Interest incomes</b>	<b>48 589</b>	<b>102 445</b>	<b>161 884</b>	<b>225 781</b>
<b>Interest expenses</b>	<b>21 444</b>	<b>43 420</b>	<b>66 682</b>	<b>92 735</b>
<b>Non-interest incomes</b>	<b>23 651</b>	<b>48 208</b>	<b>72 905</b>	<b>98 564</b>
<b>Non-interest expenses</b>	<b>7 902</b>	<b>16 028</b>	<b>24 022</b>	<b>32 773</b>
<b>Operating expenses</b>	<b>26 840</b>	<b>55 181</b>	<b>85 795</b>	<b>119 466</b>
Reserve for possible losses on loans and leasing	1 940	4 025	6 096	8 533
Reserve for income tax	3 105	7 040	11 483	15 584
<b>NET PROFIT</b>	<b>11 010</b>	<b>24 958</b>	<b>40 712</b>	<b>55 253</b>