FitchRatings

RATING ACTION COMMENTARY

Fitch Affirms SQB at 'BB'; Outlook Stable

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Fitch Ratings - Dubai - 13 Mar 2026: Fitch Ratings has affirmed Uzbek Industrial and Construction Bank Joint-Stock Commercial Bank's (also known as Sanoat Qurilish Bank, or SQB) Long-Term (LT) Foreign- and Local-Currency Issuer Default Ratings (IDRs) at 'BB' with Stable Outlooks. Fitch has also affirmed the bank's Viability Rating at 'b'. A full list of rating actions is below.

KEY RATING DRIVERS

SQB's LT IDRs are driven by Fitch's view of a moderate probability of support from the government of Uzbekistan (BB/Stable), as reflected in its Government Support Rating (GSR) of 'bb'. The bank's 'b' VR reflects its exposure to the volatile, but improving, domestic operating environment, high loan dollarisation and concentrations, material legacy asset-quality risks and a high share of external wholesale funding.

State Support Despite Sale Plans: The government had initially planned to privatise SQB by end-2025 but has recently postponed the sale. Under our baseline scenario, it will not happen until 2027 at the earliest, and we continue to factor state support into SQB's ratings. In our view, the government will provide extraordinary support to the bank, as long as it retains a controlling stake.

Improving Operating Environment: The operating environment for Uzbek banks has materially strengthened over the past five years, and we expect further improvements, particularly in addressing structural risks and enhancing the quality of regulation and governance. This, alongside a robust economy, should support business growth and translate into stronger earnings and capital generation, making banks' credit profiles more resilient. The outlook on the operating environment score for Uzbek banks is therefore positive.

Mostly Corporate Focus, Diversification Efforts: SQB is the third-largest bank in Uzbekistan, with 11% of sector assets and loans at end-2025. It has a strong corporate franchise in industries considered as key and strategic by the government but has recently targeted micro, small, and medium-sized enterprise and retail lending to diversify its operations. A recent transfer of the bank's 40% stake to the Uzbekistan National Investment Fund, managed by the global asset management firm Franklin Templeton, will further benefit the bank's governance and risk management frameworks prior to its privatisation, in our view.

Dollarised, Concentrated Loan Book: The bank's corporate focus results in high loan dollarisation (end-2025: 60%) and single-name and industry concentrations, although they should gradually reduce given SQB's efforts to prioritise growth in more granular and less dollarised loan segments. We expect lending expansion to accelerate in 2026 given the bank's improved capital buffers.

Stable Asset Quality, Legacy Risks: We expect SQB's impaired (Stage 3) loans ratio to be stable in 2026 (end-1H25: 5.9%), with total reserve coverage at about 90%. However, large Stage 2 loans (23% of gross loans at end-1H25) present downside risks, as some of them may migrate to Stage 3 over the medium term.

Limited, but Improving, Profitability: The bank's operating profit/risk-weighted assets (RWAs) ratio improved to an annualised 1.9% in 1H25 (2024: 1.7%), supported by stable net interest margin (5.3%) and better cost efficiency. The annualised pre-impairment profit equaled 5% of gross loans, comfortably above loan impairment charges (2.6%), providing a reasonable buffer against a potential rise in impairment charges. Fitch expects SQB's operating profit to exceed 2% of RWAs in 2026 on gradually increasing margins, further improvements in operating efficiency, and stable risk costs.

Capital Ratios to Gradually Increase: SQB's regulatory Tier 1 and total capital ratios improved markedly to 14% and 17% at end-2025, respectively, following a USD300 million additional Tier 1 debt issue in 4Q25, providing a 400bp buffer over regulatory minimum requirements. Fitch expects the Fitch Core Capital ratio (end-1H25: 11%) to improve to above 12% in 2026, supported by improved internal capital generation and full profit retention.

Deposit Growth, Large Wholesale Funding: Non-state customer deposits increased by a high 60% in 2025 under local GAAP but still accounted for only 25% of non-equity funding. The bank's key funding sources are wholesale borrowings from international financial institutions and legacy state-related funds. We expect SQB's loans/deposits ratio (end-

1H25: 270%) to decrease in 2026 on deposit growth but remain above 200%. Liquid assets covered a moderate 24% of non-state liabilities at end-2025 while near-term refinancing risks are manageable.

RATING SENSITIVITIES

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

SQB's GSR and LT IDRs would be downgraded if Uzbekistan's sovereign ratings were downgraded. The bank's ratings could also be downgraded if the bank is sold to a strategic investor with a lower rating than the sovereign, or one without a rating.

A downgrade of the VR could stem from material asset-quality deterioration, translating into loss-making performance for several consecutive periods.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

A positive action on the sovereign ratings would not necessarily result in a similar action on SQB's GSR and LT IDRs, unless its privatisation is cancelled and the bank remains under long-term strategic state ownership.

An upgrade of the bank's VR would require material improvements in Uzbekistan's operating environment, coupled with a tangible strengthening of its commercial franchise and risk profile that would result in sustainably higher profitability and capitalisation.

OTHER DEBT AND ISSUER RATINGS: KEY RATING DRIVERS

The bank's Short-Term (ST) Foreign- and Local-Currency IDRs are 'B', which is the only option for LT IDRs in the 'BB' rating category.

SQB's ex-government support (xgs) ratings exclude assumptions of extraordinary government support from the underlying rating on the international scale. The LT IDRs (xgs) are equalised with the bank's VR. The ST IDRs (xgs) are mapped to the bank's LT IDRs (xgs).

The senior unsecured debt ratings are aligned with SQB's LT Foreign-Currency IDR and LT Foreign-Currency IDR (xgs), respectively.

OTHER DEBT AND ISSUER RATINGS: RATING SENSITIVITIES

The bank's LT IDRs (xgs) are sensitive to changes in the bank's VR.

The bank's ST IDRs are sensitive to a multi-notch downgrade of the bank's LT IDRs.

SQB's senior unsecured LT debt ratings are sensitive to changes in the bank's LT Foreign-Currency IDR and LT Foreign-Currency IDR (xgs), respectively.

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

PUBLIC RATINGS WITH CREDIT LINKAGE TO OTHER RATINGS

SQB's LT IDRs are driven by potential support from the government of Uzbekistan.

CLIMATE VULNERABILITY SIGNALS

Fitch has assigned SQB an elevated Climate Vulnerability Signal (Climate.VS) of 50 in 2035, indicating that climate-risk factors present challenges and may weaken the credit profile. The elevated VS mainly reflects exposure to transition risks through material lending to vulnerable sectors such as the oil and gas industry. These risks are not reflected in current ratings because they will unfold over an extended timeframe, remain highly uncertain, and the entity may implement adaptation or mitigation strategies that reduce their ultimate impact. This is particularly evident in SQB's commitment to sustainable development, which we believe may lead to a lower contribution of vulnerable financing in total assets.

ESG CONSIDERATIONS

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit https://www.fitchratings.com/topics/esg/products#esg-relevance-scores.

RATING ACTIONS

ENTITY / DEBT	RATING	PRIOR

Uzbek Industrial and Construction Bank Joint-Stock Commercial Bank	LT IDR BB Rating Outlook Stable Affirmed	BB Rating Outlook Stable
	ST IDR B Affirmed	B
	LC LT IDR BB Rating Outlook Stable Affirmed	BB Rating Outlook Stable
	LC ST IDR B Affirmed	B
	Viability b Affirmed	b
	Government Support bb Affirmed	bb
	LT IDR (xgs) B(xgs) Affirmed	B(xgs)
	ST IDR (xgs) B(xgs) Affirmed	B(xgs)
	LC LT IDR (xgs) B(xgs) Affirmed	B(xgs)
	LC ST IDR (xgs) B(xgs) Affirmed	B(xgs)

VIEW ADDITIONAL RATING DETAILS

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APPLICABLE CRITERIA

Bank Rating Criteria (pub. 22 Mar 2025) (including rating assumption sensitivity)

Financial Institutions Climate Vulnerability Rating Criteria (pub. 09 Dec 2025)

ADDITIONAL DISCLOSURES

Dodd-Frank Rating Information Disclosure Form

Solicitation Status

Endorsement Policy

ENDORSEMENT STATUS

Uzbek Industrial and Construction Bank Joint-Stock Commercial Bank	UK Issued, EU Endorsed

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