

Research Update:

Uzbekistan-Based Uzbek Industrial and Construction Bank Joint-Stock Commercial Bank Ratings Affirmed; Outlook Stable

July 9, 2025

Overview

- We think that Uzbekistan-based Uzbek Industrial and Construction Bank Joint-Stock Commercial Bank (Uzpromstroybank) will work on its problem loans and improving its credit risk management, and as a result its asset quality indicators that deteriorated in 2024 will gradually improve and will remain in line with those of domestic peers.
- We expect that cautious lending growth coupled with the bank's efforts to improve its profitability and capitalization of profits will strengthen its capital base.
- Therefore, we affirmed our 'BB-/B' ratings and stable outlook on Uzpromstroybank.
- The stable outlook reflects our view that the bank will maintain its solid business position in Uzbekistan, while improving its asset quality and strengthening its capital buffers due to capitalization of profits to support its business growth, which will support its credit profile in the coming 12 months.

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Rating Action

On July 9, 2025, S&P Global Ratings affirmed its 'BB-/B' long- and short-term issuer credit ratings on Uzpromstroybank; the outlook remains stable.

Rationale

The bank's key asset-quality metrics deteriorated in 2024, despite an overall supportive macroeconomic environment. Contrary to our previous expectations, Uzpromstroybank reported an increase in problem loans (stage 3 loans under International Financial Reporting Standards) to 5.9% of total loans by end-December 2024, from 4.8% a year previously. Within the same period, stage 2 loans increased to 27.1% of total loans from 15.8%. We expect Uzpromstroybank will continue to work out its problem loans, improving its underwriting standards and credit risk management. As a result, we anticipate that its nonperforming assets

will gradually improve to about 5.5%-6.0% of total loans in 2025, in line with our systemwide forecasts.

In our view, the bank's volatile asset quality reflects its focus on corporate lending and high single-name concentrations (as of Dec. 31, 2024, Uzpromstroybank's exposure to the top 20 corporate borrowers accounted for a still-high 33.4% of the total portfolio). As a state-owned bank, Uzpromstroybank is influenced by government agendas, which can affect its underwriting standards and loan quality. However, about 8.6% of the bank's lending is backed by government guarantees, somewhat mitigating credit risk.

We expect that Uzpromstroybank will strengthen its capital adequacy buffers over the next 12-18 months. As of year-end 2024, the bank's risk-adjusted capital (RAC) ratio was 6.6% on the back of higher-than-expected loan growth over 2024 (below 7.3% as of year-end 2023 and below our previous expectations for 2024). We anticipate that credit exposure growth will slow to about 8%-10% in 2025 and 10%-15% in 2026. This reflects modest growth appetite while the bank is implementing its transformation plan, resulting in our forecast RAC ratio returning to 7.0%-7.5% through year-end 2026. Our forecast incorporates gradually improving profitability and capitalization of profits over the next two years. While we understand that the bank has been working on various plans to further strengthen its capital buffers, we currently do not incorporate the plans into our forecasts due to high uncertainty of these at this stage. We expect Uzpromstroybank will continue to operate with a capital adequacy ratio of sustainably above the minimum requirement of 13% over the next two years.

We expect the bank to maintain its solid business position and strong ties with the government over the next two years. Uzpromstroybank will continue to serve large corporate clients, including government-related entities, and it also aims to increase its business with small and midsize enterprises and retail customers to support margins. However, increasing competition from other banks in Uzbekistan targeting the same segments may limit margin improvements. Furthermore, we expect the bank will remain important to the government and maintain close ties with it over the next two years, even amid privatization plans.

We understand that the government intends to privatize Uzpromstroybank, however, this process will take longer than initially expected. In 2024, the bank started working on a wide-ranging transformation project that aims to enhance corporate governance, underwriting standards, efficiency through centralization, automatization, and digitalization, and to increase commercial lending and noninterest income. We think that privatizing large state-owned banks in Uzbekistan will remain complex and will take time.

Outlook

The stable outlook reflects our view that the bank will maintain its solid business position in Uzbekistan, while improving its asset quality and strengthening its capital buffers due to capitalization of profits to support its business growth, which will support its credit profile in the coming 12 months.

Downside scenario

We could consider a negative rating action over the next 12 months if, contrary to our expectations, the bank's asset quality deteriorates and remains worse than that of its domestic

peers or its capital growth is not commensurate to the growth of its assets, resulting in our forecast RAC falling below 7%.

Upside scenario

We could consider a positive rating action over the next 12 months if we took a positive rating action on the sovereign, and we also concluded that the bank's stand-alone credit profile (SACP) improved to the level comparable to peers with 'bb' SACP. For example, we would consider a positive rating action on Uzpromstroybank if the bank's capitalization materially strengthened and our forecast RAC ratio sustainably improved to above 10%.

Rating Component Scores

Rating Component Scores

Issuer Credit Rating	BB-/Stable/B
SACP	bb-
Anchor	b+
Business position	Adequate (0)
Capital and earnings	Adequate (1)
Risk position	Adequate (0)
Funding and liquidity	Adequate and Adequate (0)
Comparable ratings analysis	0
Support	0
ALAC support	0
GRE support	0
Group support	0
Sovereign support	0
Additional factors	0
SACP--Stand-alone credit profile. ALAC--Additional loss-absorbing capacity. GRE--Government-related entity.	

Related Criteria

- [General Criteria: Hybrid Capital: Methodology And Assumptions](#), Feb. 10, 2025
- [Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology](#), April 30, 2024
- [Criteria | Financial Institutions | General: Financial Institutions Rating Methodology](#), Dec. 9, 2021
- [Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions](#), Dec. 9, 2021
- [General Criteria: Environmental, Social, And Governance Principles In Credit Ratings](#), Oct. 10, 2021

- [General Criteria: Group Rating Methodology](#), July 1, 2019
- [General Criteria: Methodology For Linking Long-Term And Short-Term Ratings](#), April 7, 2017
- [General Criteria: Rating Government-Related Entities: Methodology And Assumptions](#), March 25, 2015
- [General Criteria: Principles Of Credit Ratings](#), Feb. 16, 2011

Related Research

- [Banking Industry Country Risk Assessment: Uzbekistan](#), July 9, 2025
- [Uzbekistan Outlook Revised To Positive On Resilient Growth And Reform Momentum; 'BB-/B' Ratings Affirmed](#), May 23, 2025
- [Central Asia And Caucasus Banking Outlook 2025: Positive Momentum Continues](#), Feb. 14, 2025

Ratings List

Ratings list

Ratings Affirmed

[Uzbek Industrial and Construction Bank Joint-Stock Commercial Bank](#)

Issuer Credit Rating	BB-/Stable/B
Senior Unsecured	BB-

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