

## Tear Sheet: JSCB Uzbek Industrial and Construction Bank

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***The bank's key asset-quality metrics deteriorated in the first nine months of 2024, despite an overall supportive macroeconomic environment.*** Contrary to our previous expectations, JSCB Uzbek Industrial and Construction Bank (Uzpromstroybank) reported an increase in problem loans (stage 3 loans under IFRS) to 6.0% of total loans by end-September 2024, from 4.8% at the start of the year. Stage 2 loans also increased to 29.6% from 15.8%. We also expect Uzpromstroybank's gross nonperforming assets to remain between 6.0%-6.5% in 2025, in line with our systemwide projections.

The bank's volatile asset quality reflects its focus on corporate lending and high single-name concentrations. As a state-owned bank, Uzpromstroybank is influenced by government agendas, which can affect its underwriting standards and loan quality. However, about 9% of the bank's lending is backed by government guarantees, somewhat mitigating credit risk.

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

***We understand 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 non-interest income. We consider privatizing large state-owned banks in Uzbekistan remains a complex and time-consuming operation.

## Ratings Score Snapshot

## Issuer Credit Rating

BB-/Stable/B

**SACP: bb-**

**Support: 0**

**Additional factors: 0**

Anchor	b+	
Business position	Adequate	0
Capital and earnings	Adequate	+1
Risk position	Adequate	0
Funding	Adequate	0
Liquidity	Adequate	
CRA adjustment		0

ALAC support	0
GRE support	0
Group support	0
Sovereign support	0

**Issuer credit rating**

**BB-/Stable/B**

ALAC--Additional loss-absorbing capacity. CRA--Comparable ratings analysis. GRE--Government-related entity. ICR--Issuer credit rating. SACP--Stand-alone credit profile.

## Outlook

The stable outlook on Uzpromstroybank mirrors that on Uzbekistan (BB-/Stable/B) and reflects our view that the bank's adequate capital buffers, gradually improving asset quality, and solid business position in Uzbekistan will support its credit profile in the coming 12 months.

## Downside scenario

We could take a negative rating action in the next 12 months if we take similar action on Uzbekistan. We could also consider a negative rating action if, contrary to our expectations, the bank's asset quality deteriorates and remains worse than that of its domestic peers.

## Upside scenario

We are unlikely to take a positive rating action over the next 12 months because it would require a similar rating action on the sovereign, together with a further improvement in the bank's stand-alone credit profile (SACP).

## Key Statistics

Table 1

Uzpromstroybank--Key figures					
--Fiscal year end Dec. 31--					
	2024*	2023	2022	2021	2020
Adjusted assets	82,337,087.0	73,205,044.0	63,096,181.0	55,653,948.0	48,291,054.0
Customer loans (gross)	67,392,862.0	60,407,775.0	51,298,388.0	44,529,794.0	40,862,673.0
Adjusted common equity	8,934,011.0	8,309,103.4	7,431,511.4	6,826,470.4	6,001,038.4
Operating revenues	3,588,190.0	3,866,761.0	3,156,680.0	2,543,678.0	2,104,240.0
Noninterest expenses	1,395,490.0	1,670,778.0	1,366,177.0	1,044,146.0	790,447.0
Core earnings	618,881.2	856,154.0	617,280.6	830,831.4	89,916.3

\*Data as of Sept. 30, 2024. Sources: BBank's year-end audited reports (IFRS), interim unaudited reports (IFRS), S&P Global Ratings.

Table 2

Uzpromstroybank--Business position					
--Fiscal year end Dec. 31--					
(%)	2024*	2023	2022	2021	2020
Total revenues from business line (currency in millions)	3,588,190.0	3,866,761.0	3,161,066.0	2,576,384.0	2,131,906.0
Return on average common equity	9.4	10.7	8.6	13.2	1.8

\*Data as of Sept. 30, 2024. Sources: Bank's year-end audited reports (IFRS), interim unaudited reports (IFRS), S&P Global Ratings.

Table 3

Uzpromstroybank--Capital and earnings					
--Fiscal year end Dec. 31--					
(%)	2024*	2023	2022	2021	2020
Tier 1 capital ratio	10.1	11.0	12.1	11.9	13.0
S&P Global Ratings' RAC ratio before diversification	N/A	7.3	7.7	8.1	8.7
S&P Global Ratings' RAC ratio after diversification	N/A	2.4	2.1	1.9	1.7
Net interest income/operating revenues	75.0	81.2	78.3	83.3	77.1
Fee income/operating revenues	7.4	9.9	10.1	10.8	15.2
Market-sensitive income/operating revenues	18.7	5.7	4.8	4.8	7.3
Cost to income ratio	38.9	43.2	43.3	41.0	37.6
Provision operating income/average assets	3.8	3.2	3.0	2.9	3.1
Core earnings/average managed assets	1.1	1.3	1.0	1.6	0.2

\*Data as of Sept. 30, 2024. N/A--Not available. Sources: Bank's year-end audited reports (IFRS), interim unaudited reports (IFRS), S&P Global Ratings.

Table 4

Uzbek Industrial and Construction Bank Joint-Stock Commercial Bank--Risk-adjusted capital framework data					
(Mil. UZS)	Exposure*	Basel III RWA	Average Basel III RW(%)	Standard & Poor's RWA	Average Standard & Poor's RW (%)
<b>Credit risk</b>					
Government & central banks	6,162,784.0	0.0	0.0	2,595,497.4	42.1
Of which regional governments and local authorities	0.0	0.0	0.0	0.0	0.0

Table 4

Uzbek Industrial and Construction Bank Joint-Stock Commercial Bank--Risk-adjusted capital framework data (cont.)					
Institutions and CCPs	4,662,376.0	0.0	0.0	6,616,529.3	141.9
Corporate	51,964,066.6	0.0	0.0	75,408,382.7	145.1
Retail	7,867,980.0	0.0	0.0	7,391,870.9	93.9
Of which mortgage	5,160,171.9	0.0	0.0	3,861,872.6	74.8
Securitization§	0.0	0.0	0.0	0.0	0.0
Other assets†	5,723,800.5	0.0	0.0	12,509,832.5	218.6
Total credit risk	76,381,007.1	0.0	0.0	104,522,112.8	136.8
<b>Credit valuation adjustment</b>					
Total credit valuation adjustment	--	0.0	--	0.0	--
<b>Market Risk</b>					
Equity in the banking book	197,031.0	0.0	0.0	2,123,218.8	1,077.6
Trading book market risk	--	0.0	--	0.0	--
Total market risk	--	0.0	--	2,123,218.8	--
<b>Operational risk</b>					
Total operational risk	--	0.0	--	7,250,176.9	--
	Exposure	Basel III RWA	Average Basel II RW (%)	S&P Global Ratings RWA	% of S&P Global Ratings RWA
<b>Diversification adjustments</b>					
RWA before diversification	--	0.0	--	113,895,508.4	100.0
Total Diversification/Concentration Adjustments	--	--	--	229,656,040.7	201.6
RWA after diversification	--	0.0	--	343,551,549.1	301.6
	Tier 1 capital	Tier 1 ratio (%)	Total adjusted capital	S&P Global Ratings RAC ratio (%)	
Capital ratio before adjustments	7,802,768.0	0.0	8,309,103.4	7.3	
Capital ratio after adjustments‡	7,802,768.0	0.0	8,309,103.4	2.4	

\*Exposure at default. §Securitization Exposure includes the securitization tranches deducted from capital in the regulatory framework. †Exposure and S&P Global Ratings' risk-weighted assets for equity in the banking book include minority equity holdings in financial institutions. ‡Adjustments to Tier 1 ratio are additional regulatory requirements (e.g. transitional floor or Pillar 2 add-ons). RWA--Risk-weighted assets. RW--Risk weight. RAC--Risk-adjusted capital. UZS--Uzbek sum. Sources: Company data as of Dec. 31 2023, S&P Global Ratings.

Table 5

Uzpromstroybank--Risk position					
	--Fiscal year end Dec. 31--				
(%)	2024*	2023	2022	2021	2020
Growth in customer loans	15.4	17.8	15.2	9.0	33.2
Total diversification adjustment/S&P Global Ratings' RWA before diversification	N/A	201.6	262.3	314.1	N/A
Total managed assets/adjusted common equity (x)	9.2	8.8	8.5	8.2	8.1
New loan loss provisions/average customer loans	2.9	2.0	2.0	1.1	3.4
Net charge-offs/average customer loans	1.6	3.0	0.2	0.9	(0.0)
Gross nonperforming assets/customer loans + other real estate owned	6.6	5.1	7.8	6.3	6.6

Table 5

Uzpromstroybank--Risk position (cont.)					
(%)	--Fiscal year end Dec. 31--				
	2024*	2023	2022	2021	2020
Loan loss reserves/gross nonperforming assets	66.9	77.8	71.8	70.5	70.0

\*Data as of Sept. 30, 2024. N/A--Not applicable. Sources: Bank's year-end audited reports (IFRS), interim unaudited reports (IFRS), S&P Global Ratings.

Table 6

Uzpromstroybank--Funding and liquidity					
(%)	--Fiscal year end Dec. 31--				
	2024*	2023	2022	2021	2020
Core deposits/funding base	25.3	22.2	27.8	28.0	27.4
Customer loans (net)/customer deposits	349.3	404.8	315.9	313.7	335.4
Long-term funding ratio	76.5	69.2	61.2	67.6	78.2
Stable funding ratio	88.9	79.0	72.6	82.1	90.6
Short-term wholesale funding/funding base	26.4	34.8	44.0	37.0	24.9
Broad liquid assets/short-term wholesale funding (x)	0.6	0.4	0.4	0.6	0.6
Broad liquid assets/total assets	14.7	13.1	16.5	18.4	13.9
Broad liquid assets/customer deposits	65.8	67.1	68.1	75.6	57.8
Net broad liquid assets/short-term customer deposits	(58.3)	(124.3)	(120.6)	(65.3)	(56.5)
Short-term wholesale funding/total wholesale funding	35.3	44.8	61.0	51.3	34.3
Narrow liquid assets/3-month wholesale funding (x)	3.7	2.4	11.2	20.1	6.7

\*Data as of Sept. 30, 2024. Sources: Bank's year-end audited reports (IFRS), interim unaudited reports (IFRS), S&P Global Ratings.

## Rating Component Scores

Uzpromstroybank--Rating component scores	
Issuer Credit Rating	BB-/Stable/B
SACP	bb-
Anchor	b+
Economic risk	7
Industry risk	9
Business position	Adequate
Capital and earnings	Adequate
Risk position	Adequate
Funding	Adequate
Liquidity	Adequate
Comparable ratings analysis	0
Support	0
ALAC support	0
GRE support	0
Group support	0

**Uzpromstroybank--Rating component scores (cont.)**

<b>Issuer Credit Rating</b>	<b>BB-/Stable/B</b>
Sovereign support	0
Additional factors	0

SACP--Stand-alone credit profile. ALAC--Additional loss-absorbing capacity. GRE--Government-related entity.

**Related Criteria**

- Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology, April 30, 2024
- Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions, Dec. 9, 2021
- Criteria | Financial Institutions | General: Financial Institutions Rating Methodology, 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: Ratings Above The Sovereign--Corporate And Government Ratings: Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

**Ratings Detail (As Of February 28, 2025)\*****Uzbek Industrial and Construction Bank Joint-Stock Commercial Bank**

Issuer Credit Rating BB-/Stable/B

Senior Unsecured BB-

**Issuer Credit Ratings History**

08-Nov-2021 BB-/Stable/B

09-Jun-2020 BB-/Negative/B

25-Oct-2019 BB-/Stable/B

**Sovereign Rating**

Uzbekistan BB-/Stable/B

\*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.

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