

WAYS TO ENSURE THE PROFITABILITY OF COMMERCIAL BANKS IN UZBEKISTAN

Erkinkhojiev Ismoiljon

Associate Professor, PhD in Economic Sciences.

Tashkent State University of Economics

Abstract

In the global economy, ensuring the profitability of commercial banks is of strategic importance for the continuous functioning of financial intermediation, the sustainable allocation of credit resources to the real sector, and strengthening the stability of the banking system. With sufficient profitability, banks can expand their capital base, diversify risks, introduce innovative financial products, and pursue a competitive interest rate policy, which serves as a driver of economic growth. On the contrary, low profitability increases the risk of limiting credit activity, deteriorating asset quality, and increasing threats to financial stability. Therefore, in the banking practice of countries around the world, ensuring the profitability of commercial banks is considered one of the priority areas of bank management.

Keywords: Economy, commercial banks, financial resources, mobile banking services, macroeconomic environment, market conditions, regulation, risks, stability, regulators.

Introduction

Due to the increasing competition in the world banking system, the importance of the correct assessment of their activities by international rating agencies is increasing. The correct assessment of the activities of banks by various organizations and rating agencies leads to an increase in the level of use of banking services. The World Bank also publishes a rating of the volume of bank assets annually. "As of the end of 2024, the top five banks of the People's Republic of China in terms of this indicator were Industrial and Commercial Bank of China (ICBC) - 6.3 trillion. US dollars, Agricultural Bank of China - 5.62 trillion. US dollars, China Construction Bank Corporation - 5.4 trillion. US dollars, Bank of China Ltd - 4.57 trillion. US dollars." This has led to an increase in the ability of Chinese banks to compete with various institutions in the global market and a sharp increase in the number of their clients. Therefore, it demonstrates the urgency of improving the methodology for increasing the asset efficiency of commercial banks worldwide.

Given the importance of increasing asset efficiency in a country's banking system, great importance is being attached to scientific research on improving the methodological and practical foundations of these processes. The importance of the bank rating system in managing bank risks, assessing the solvency of creditors, ensuring the financial stability of banks, organizing financial management in the fight against the crisis, ensuring their superiority in the competitive market, attracting external investors and increasing customer confidence in the



bank, fulfilling the new requirements of the Basel Committee on managing bank risks and assessing the solvency of bank creditors, further improving the system of indicators for determining the rating of banks in developing countries to take their place in the global banking market, effectively managing problem loans, reducing reserves created against possible losses on loans, expanding the share of net interest income, conducting macroprudential policy to manage systemic risks, and analyzing the activities of banks in each country are among the priority areas of scientific research being conducted to create a rating system.

Methods

Constitutes the economic relations that arise in the process of ensuring the profitability of commercial banks. The research work used the world's experiences and studies, approaches, and concepts on financial support for the comeral bank sector as a theoretical and methodological basis. The results and scientific significance of the research may serve in the future financing of banks sectors.

Results

The current conditions in Uzbekistan have created a need to increase the efficiency of commercial banks' assets, form the level of bank profitability, and effectively manage risks. In particular, factors such as the low level of bank capitalization, the discrepancy between the amount of bank net interest income and the level of profitability, the high amount of reserves created for possible losses on loans, the decreasing ratio of bank total capital to gross assets, and the relatively low share of bank gross assets, gross loans, and gross capital in the volume of gross domestic product affect the improvement of commercial banks' asset efficiency.

Uzbekistan's commercial banking sector is growing, with total assets exceeding 711 trillion UZS (around \$56bn) by mid-2024, featuring 35 banks (state, private, foreign-owned) and 376 branches. Key players include state-owned giants like NBU and private banks such as Kapitalbank, with recent growth driven by digital innovation and new entrants like Hayot Bank, though state banks still hold significant assets. The sector is dynamic, with strong growth in private banks and evolving rankings in mid-2025.

Key Statistics & Trends Total Assets: Reached UZS 711.1 trillion (\$56.2bn) as of July 2024, with state banks holding about UZS 475.2 trillion. Bank Count: 35 commercial banks in total (9 state, 18 private, 8 foreign) as of late 2025. Growth: Banking system assets grew 21% year-on-year in H1 2025, with private banks seeing significant 28% asset growth. Branches: 376 total bank branches across the country.

Major Banks: National Bank for Foreign Economic Activity (NBU): Largest state bank by assets. Kapitalbank: Largest private bank, part of the Uzum group. Hamkorbank & Asia Alliance Bank: Among leading private banks. Aloqabank & Mikrocreditbank: Showing strong asset growth.

Since 2021, the Bank Activity Index has been calculated by CERR to evaluate transformation processes within the banking sector and the effectiveness of measures aimed at increasing transparency and outreach. The methodology is based on 27 indicators, grouped into seven key dimensions, including financial inclusion, financial intermediation, return on assets and loan portfolio quality, profitability, management efficiency, liquidity, and asset quality. The Index



reflects both the operational and structural aspects of banking performance and evaluates banks' activity in the market environment. The consolidated ranking demonstrates the current standings of banks based on a comprehensive evaluation across all sub-indices. As of the first half of 2025, the total assets of Uzbekistan's banking system grew by 21% year-on-year. This growth, however, varies across bank categories. State-owned banks increased their assets by an average of 17%, with the most notable growth observed at Aloqabank (39%) and Mikrokreditbank (36%). Growth was more pronounced among private banks, where aggregate assets rose by 28%, driven in part by new market entrants such as Hayot Bank (419%), Smart Bank (233%), and Yangi Bank (223%), reflecting the dynamics typical of early-stage scaling.

Discussion

At the end of the first half of 2025, Kapitalbank maintained its leadership, remaining at the top of the ranking. Trastbank showed the most dynamic performance, climbing three positions to claim second place. Hamkorbank and Asia Alliance Bank secured third and fourth positions, respectively. Anor Bank, which entered the large banks category, ranked fifth, despite dropping one position.

#	BANK	Overall Rating	Change in the Rating	Financial Intermediation Rating	Financial Access Rating	Capital Adequacy Rating	Asset Quality Rating	Management Quality Rating	Earning ability Rating	Liquidity Rating
1	Kapitalbank	1	0	4	1	12	16	6	4	7
2	Trast bank	2	3	6	12	1	10	7	2	3
3	Hamkor bank	3	-1	11	2	6	2	5	1	10
4	Asia Alliance bank	4	-1	3	18	20	3	4	3	2
5	Anor bank	5	-1	1	5	19	8	12	10	14
6	Ipak yuli bank	6	0	17	7	9	1	9	6	5
7	Xalq bank	7	0	7	9	4	17	14	9	4
8	Invest finance bank	8	3	1	16	15	4	15	14	9
9	Davr bank	9	-1	9	11	13	5	8	8	13
10	Orient Finance bank	10	0	12	19	3	6	2	5	8
11	Aloqa bank	11	-2	5	8	18	9	11	18	18
12	Ipoteka bank	12	0	10	10	8	20	13	7	6
13	Business Development Bank	13	0	16	3	7	19	10	15	12
14	Tenge bank	14	1	8	20	2	7	17	13	1
15	SQB bank	15	-1	18	14	16	15	1	12	11
16	NBU	16	1	20	17	5	18	3	11	15
17	Mikrokreditbank	17	1	13	6	17	13	20	17	17
18	Agrobank	18	-2	14	4	11	12	16	20	20
19	Turon bank	19	0	19	13	14	11	18	16	19
20	Asaka bank	20	0	15	15	10	14	19	19	16

Invest Finance Bank advanced three positions to rank eighth. Tenge Bank and NBU each improved by one position, reaching 14th and 16th place, respectively. At the same time, one-third of large banks experienced a decline in their rankings. Davr Bank and Uzpromstroybank (SQB) each dropped by one position, while Aloqabank and Agrobank fell by two positions each. Other banks retained their positions, indicating increasing competition across key

performance dimensions. Among small banks, Universal Bank, Hayot Bank, TBC Bank, and Oktobank maintained their positions in the top four, demonstrating the resilience of their operational models amid market volatility and competitive pressure.

#	BANK	Overall Rating	Change in the Rating	Financial Intermediation Rating	Financial Access Rating	Capital Adequacy Rating	Asset Quality Rating	Management Quality Rating	Earning ability Rating	Liquidity Rating
1	Universal bank	1	0	2	4	13	1	2	10	7
2	Hayot bank	2	0	6	1	15	5	8	7	13
3	TBC bank	3	0	8	2	12	9	10	3	15
4	Oktobank	4	0	3	14	3	2	3	12	3
5	Poytakht bank	5	1	9	10	10	4	7	2	8
6	Ziraat bank	6	1	7	8	11	12	6	6	9
7	KDB bank	7	1	12	11	1	6	1	8	1
8	Yangi bank	8	-3	5	6	9	10	14	11	5
9	Apex bank	9	1	4	12	7	8	13	15	4
10	AVO bank	10	-1	14	3	5	15	9	1	14
11	Madad invest bank	11	3	13	5	4	13	4	4	11
12	Garant bank	12	-1	1	7	14	14	15	14	6
13	Iranian Saderat bank	13	-1	11	9	2	11	12	9	2
14	Smart bank	14	-1	15	13	8	7	11	13	12
15	Uzum bank	15	0	10	15	6	3	5	5	10

One-third of small banks improved their performance compared to the previous quarter. Madad Invest Bank showed the most improvement, climbing three positions to rank 11th. Meanwhile, five banks demonstrated a negative trend. The most notable decline in performance was seen at Yangi Bank, reflecting a weakening of operational indicators. The results of the updated Bank Activity Rating reveal growing competition among both large and small banks in Uzbekistan. Monitoring these indicators remains a critical tool for assessing the resilience and progress of the financial sector.

- The income base of commercial banks is the main indicator of their successful activity. Understanding the factors affecting this base allows banks to optimize their operations and increase profitability.
- Macroeconomic changes, regulatory requirements, innovations in technology and other factors have a significant impact on banks' profit base. Banks must adapt their strategies and operations to effectively manage these impacts.
- Effective risk and credit management is important for banks to ensure a stable income base. Banks should develop strategies that minimize potential losses and improve the quality of the loan portfolio.
- In today's economic environment, where banks are challenged by global events, technological innovations and regulatory changes, research remains highly relevant. As a result, understanding and taking into account the factors affecting the income base will help banks develop sustainable strategies and ensure long-term profitability, which in turn will serve the stability and development of the entire banking system.

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