O'ZBEKISTON RESPUBLIKASI MARKAZIY BANKI

FINANCIAL STABILITY REPORT

EXECUTIVE SUMMARY

For 2025

Note: Unofficial translation. The original Uzbek text shall prevail in case of any discrepancy.

I. OVERALL ASSESSMENT

According to the Financial Stability Report for 2025 (hereinafter – the Report), financial conditions in Uzbekistan eased moderately. This was supported by a slight decline in global uncertainty, improved banking sector indicators, positive developments in the domestic foreign exchange market, and macroeconomic activity.

The banking system remains financially stable and has a strong capacity to absorb risks. Capital and liquidity indicators are above the established regulatory requirements, the share of non-performing loans has declined, and banks' profitability has improved. At the same time, the quality of microdebts, cyber risks, and factors related to climate change require additional attention.

Key message of the Report: the financial system is generally stable. However, to preserve this stability, credit quality, household debt burden, liquidity sources, and global financial conditions need to be monitored on an ongoing basis.

Key financial indicators as of 1 January 2026

Indicator	Value
GDP growth	7,7%
Inflation	7,3%
Non-performing loan ratio (NPL)	3%
Regulatory capital adequacy ratio (CAR)	18,3%
Common Equity Tier 1 capital adequacy ratio (CET1)	14,7%
Liquidity Coverage Ratio (LCR)	208%
Net Stable Funding Ratio (NSFR)	120%
Return on Assets (ROA)	2,2%
Return on Equity (ROE)	12,4%
Household debt service-to-income ratio (DSTI)	37%

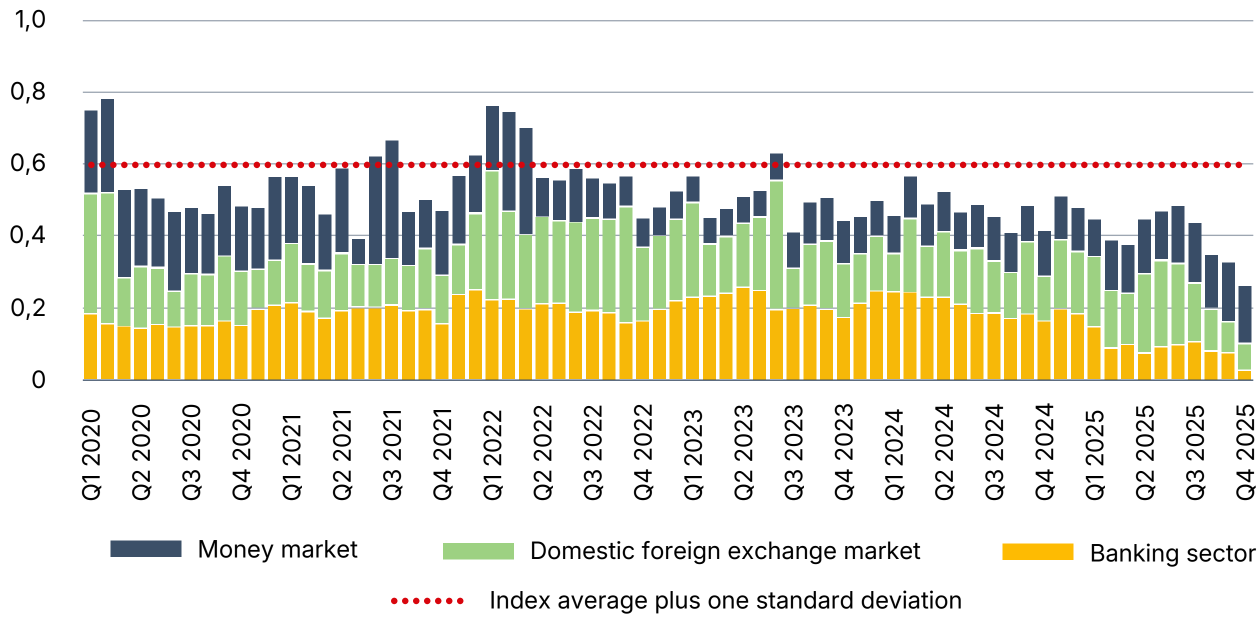
Source: Financial Stability Report

II. BANKING SECTOR

The banking sector at the end of 2025 was characterized as stable, with a strong capacity to absorb risks. The improvement in banks' profitability, the expansion of deposits, and the decline in non-performing loans (NPLs) strengthened the solvency of the banking system.

The financial stress index of the banking system fell to a historical low: This indicates a reduction in pressure or general signs of concern in the banking system. According to the Systemic Contingent Claims Analysis (CCA) analysis, the simple arithmetic average probability of default for the analyzed systemically important banks decreased by 4 percentage points and stood at 46 percent. However, this does not mean that risks have disappeared completely. In particular, the growing share of retail loans, exchange rate volatility, and the quality of microdebts require close monitoring.

Uzbekistan's Financial Stress Index



Source: Financial Stability Report

Capital indicators are above regulatory requirements: The total regulatory capital adequacy ratio (CAR) stood at 18.3%, while the Common Equity Tier 1 capital adequacy ratio (CET1) was 14.7%. This indicates that banks have sufficient capital to absorb unexpected losses.

Liquidity conditions also improved: The Liquidity Coverage Ratio (LCR) reached 208%, and the Net Stable Funding Ratio (NSFR) was 120%. In simple terms, banks are able to cover short-term cash outflows and operate while relying on stable funding sources.

Credit portfolio quality improved: The share of NPLs declined to 3%. At the same time, the declining level of dollarization in banks' loan and deposit portfolios helped mitigate risks arising from exchange rate movements.

Key conclusion: At the end of 2025, the banking sector had sufficient capital and liquidity, while the decline in non-performing loans and improved profitability strengthened the system's resilience to risks. At the same time, retail loans, the quality of microdebts, and exchange rate volatility require continuous monitoring in the banking sector.

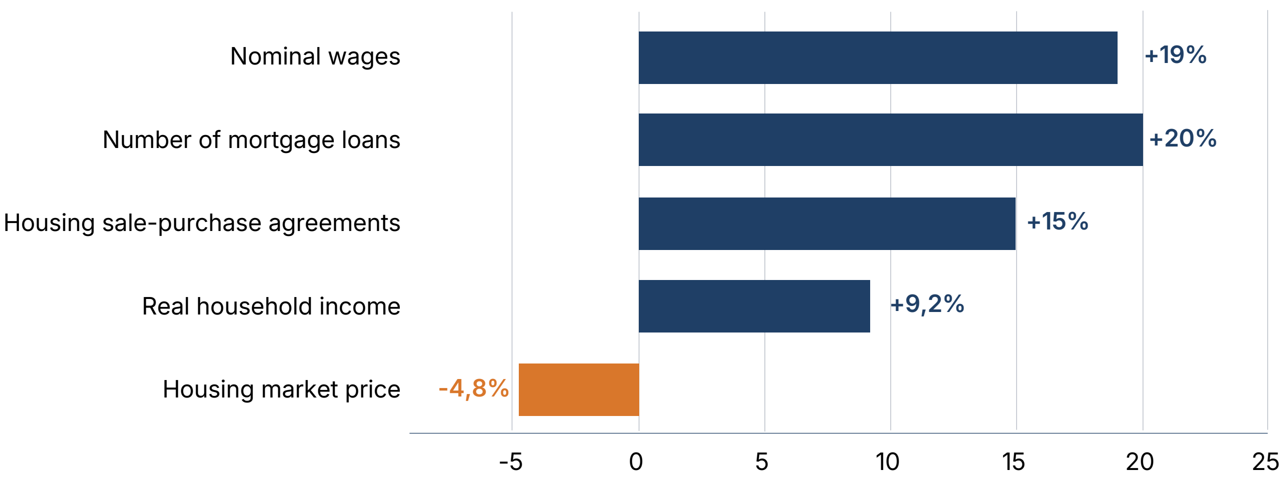
III. REAL ESTATE MARKET

In 2025, the real estate market showed signs of moving closer to price equilibrium. Market prices for housing were formed around fundamental prices, meaning the price level explained by incomes, demand, supply, and broader economic factors.

Appreciation of the national currency: At the end of 2025, market prices for housing in soum terms decreased by 4.8% year-on-year. However, due to the appreciation of the national currency, housing prices increased by 1.5% in foreign currency equivalent.

Household income and mortgage conditions: Growth in household incomes and easing of mortgage conditions improved households' ability to purchase housing. Nominal wages increased by 19%, while the housing affordability index rose from 115% to 126%. As a result, the number of households without their own housing decreased by 34.7 thousand.

Annual changes in real estate market factors (2025)



Source: Financial Stability Report

Market activity increased: The number of notarized residential sale and purchase agreements increased by 15% to 295.4 thousand, of which 24% were attributable to mortgage loans. At the same time, the ratio of housing price growth to rental growth fell below one, indicating that market participants are shifting toward more cautious investment based on stable rental income rather than asset price appreciation.

Key conclusion: Signs of overheating in the real estate market weakened, while fundamental factors began to play a greater role in price formation. At the same time, market and fundamental price formation in the real estate market, as well as housing prices relative to household incomes, should remain under continuous monitoring.

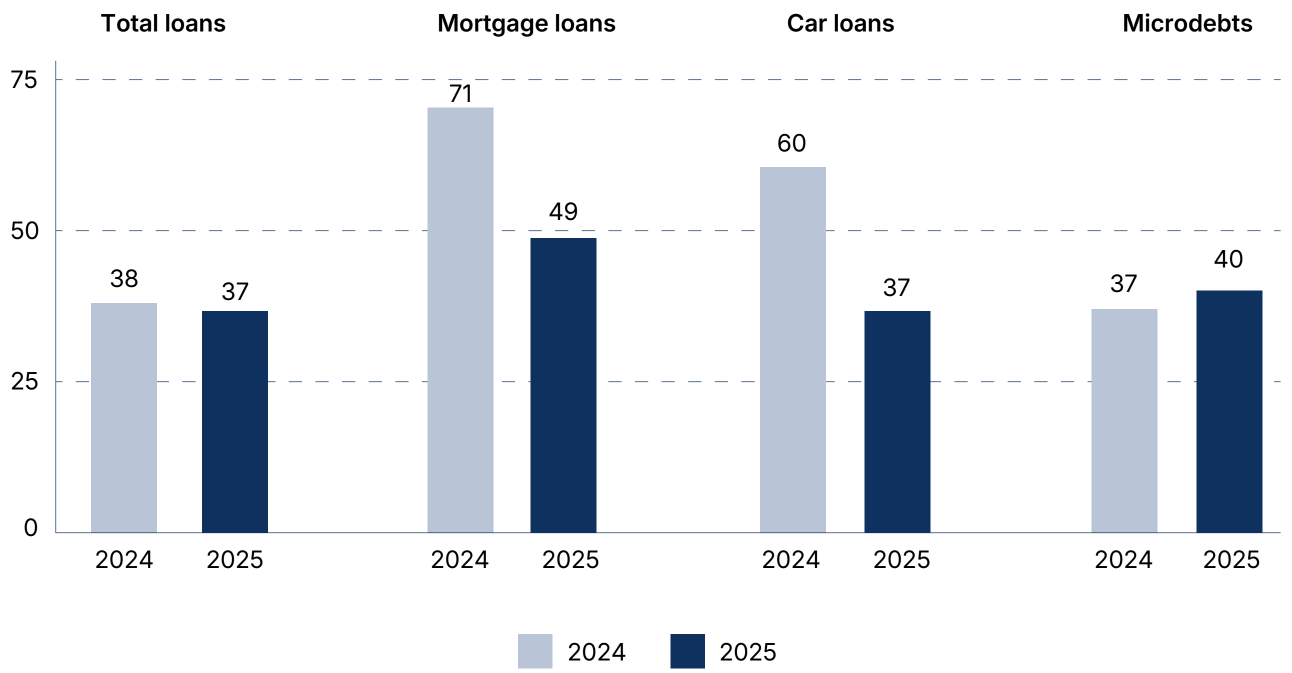
IV. HOUSEHOLD SECTOR

The overall situation in the household sector is assessed positively. Growth in household incomes and the tightening of macroprudential measures for borrowers led to a moderate decline in the overall debt burden of individuals.

Average DSTI declined: The tightening of debt service-to-income (DSTI) requirements reduced the debt burden of households. The average DSTI indicator for individuals who borrowed from banks, taking into account all bank and non-bank liabilities, decreased from 38% to 37%. The increase in the share of borrowers with DSTI of 50% or below is a positive signal for the stability of the credit portfolio.

Debt burden in mortgage and car loans declined significantly: The average DSTI in the mortgage segment decreased by 22 percentage points to 49%, while for car loans it fell from 60% to 37%. The introduction of loan-to-value (LTV) requirements improved collateral coverage for mortgage and car loans.

Average DSTI of individuals indebted to banks, taking into account all non-bank liabilities



Source: Financial Stability Report

The microdebts segment requires particular attention: High activity in retail lending remains and requires special attention. The quality composition of non-performing microdebts deteriorated. In particular, the average DSTI increased from 37% to 40%, while the number of contracts per borrower rose from 1.7 to 1.9. The number of microdebts borrowers reached almost 2.7 million. Outstanding microdebts reached 48.8 trillion UZS, accounting for 8% of the total loan portfolio.

Key conclusion: In 2025, the overall debt burden in the household sector declined, while risks related to mortgage and car loans eased to some extent. This was driven by growth in household incomes and the tightening of borrower-based measures. At the same time, high activity in the microdebts market, the increase in the number of contracts per borrower, and the rising debt burden on microdebts demonstrate the need for continuous monitoring of credit quality and household payment capacity in this segment.

V. BANKING SECTOR MACRO STRESS TEST

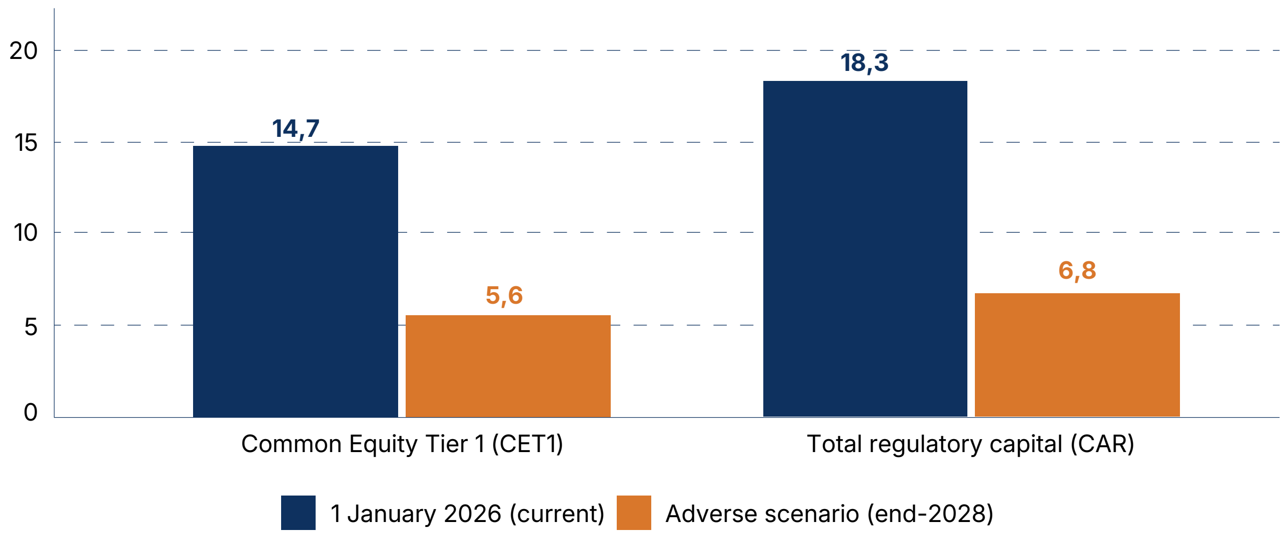
The macro stress test assesses how resilient the banking system would be to significant risks under a very adverse but low-probability economic scenario. It is not a forecast, but a scenario-based analysis that examines the strength of the banking system under risky conditions.

The stress test was conducted under two scenarios: a baseline scenario that assumes the continuation of current macroeconomic trends, and an adverse scenario that takes into account a tightening of macrofinancial conditions and an intensification of risk factors. According to the Growth-at-Risk (GaR) model, in the adverse scenario, real GDP growth could decline to negative 0.7% by the end of 2026.

Under the baseline scenario, banks' capital indicators may increase. Under the adverse scenario, loan losses, operating expenses, and the increase in risk-weighted assets would put pressure on capital indicators.

According to the stress-test results: Under the adverse scenario, by the end of 2028, the Common Equity Tier 1 capital adequacy ratio (CET1) could decline to 5.6%, while the total regulatory capital adequacy ratio could fall to 6.8%. This means that some banks could approach or fall below the minimum capital requirements. In such a situation, the amount of additional capital needed by banks to meet minimum requirements could amount to 4.6% of GDP.

Capital adequacy ratios - stress-test results



Source: Financial Stability Report

Liquidity stress-test results: Under the adverse scenario, net cash inflows for the banking system are expected to remain positive. The mismatch between the maturities of assets and liabilities improved further. Potential negative net cash inflows at some banks would account for 9% of the banking system's highly liquid assets and 2% of total assets, which is sufficient to address system-wide liquidity risk.

Key conclusion: The banking system remains stable under baseline conditions, but under a sharply adverse scenario the adequacy of capital and liquidity across individual banks should be monitored closely.

VI. MACROPRUDENTIAL POLICY

In 2025, macroprudential policy instruments were enhanced in line with Basel III standards. These measures aim to prevent the accumulation of risks in the financial system, strengthen banks' solvency, and limit the increase in household debt burden.

Capital buffers were introduced: The capital conservation buffer was set at 2.5%, the countercyclical capital buffer at 1.5%, and the capital buffer for systemically important banks at 1%. At the beginning of 2026, banks fully complied with minimum capital requirements, including buffers. In particular, taking capital buffers into account, the minimum requirement for Common Equity Tier 1 capital is 9.5% for systemically important banks and 8.5% for other banks.

Borrower-based instruments were strengthened: The debt service-to-income (DSTI) requirement was tightened to 50% for all loan types, while the loan-to-value (LTV) ratio was set at 75% for car loans and 80-85% for mortgage loans. From 1 March 2026, a direct debt-to-income requirement was established at 8 times the average monthly income for borrowers whose income can be identified, and at 5 times where income cannot be determined under the relevant procedure.

Credit portfolio diversification: To prevent excessive concentration of the credit portfolio in one direction, it was established that microdebts, overdrafts, and credit cards may account for no more than 25% of the loan portfolio balance. In order to avoid abrupt restrictions on banks' activities, banks that do not meet these requirements were given the opportunity to adjust the structure of their credit portfolio gradually by the end of 2028.

Key conclusion: In 2025, macroprudential policy focused on strengthening the solvency of the banking system, limiting the increase in household debt burden, and preventing excessive accumulation of risks in the credit portfolio. Capital buffers in line with Basel III, DSTI and LTV requirements, and concentration limits on certain retail credit products formed important protective mechanisms supporting financial stability. At the same time, the impact of these requirements on banks' lending activity, public access to credit, and credit portfolio quality needs to be assessed continuously.

Note: Macroprudential policy is a set of measures aimed at limiting systemic risks in the financial system and mitigating their negative consequences. It is designed not to address individual banks, but to contribute to the stability of the financial system as a whole.

VII. RISKS AND MITIGATING MEASURES

The main risks to financial stability in Uzbekistan are related to external and internal factors.

Tightening of global financial conditions amid geopolitical instability. This could make it more difficult for the country to raise funds in international financial markets, increase the cost of servicing external debt, slow international capital flows, and intensify domestic inflationary pressure through external trade channels.

Increase in concerns related to credit risk on microdebts, cyber risks, and climate change. The rising debt burden on microdebts could increase the likelihood of credit losses at banks. In addition, as digitalization processes expand, cybersecurity issues are becoming increasingly important.

As mitigating measures, it is important to maintain fiscal discipline, develop the capital market, improve the investment climate, diversify export and logistics routes, strengthen credit scoring, monitor suspicious transactions using artificial intelligence, and develop climate stress tests.

Risk	Brief description	Mitigating measures
Tightening of global financial conditions	Could make it more difficult to raise funds in international financial markets	Fiscal discipline, development of the domestic capital market, improvement of the investment climate
Credit risk on microdebts	The increase in non-performing microdebts and the rise in the debt burden of microdebts borrowers could increase credit risk and consequently lead to higher credit losses	Strict application of debt burden requirements, minimum income criteria, improvement of credit scoring
Cyber risks	As digital services expand, the likelihood of cyber risks materializing may also increase	AI-based monitoring, restrictions on suspicious transactions, and improving the financial literacy of the population
Climate change	Risks arising from climate change may affect the economy and bank assets	Climate stress tests, review of capital/liquidity requirements for vulnerable sectors, and support for green projects

VIII. CONCLUSION

At the end of 2025, financial conditions in Uzbekistan eased. A slight decline in global uncertainty, positive developments in the foreign exchange market and the macroeconomic environment strengthened the country's financial stability. The banking system is characterized by high profitability, a solid capital base, and improved liquidity, and it complies with Basel III standards.

In the household sector, the debt burden eased; in the real estate market, prices formed around their fundamental values; and households' ability to purchase housing improved. At the same time, high activity in retail lending, especially the increasing debt burden and deteriorating loan quality in the microdebts segment, requires continuous and careful monitoring.

The results of the macro stress test confirmed the resilience of the banking system: although capital indicators could fall below the established minimum requirements under the adverse scenario, the liquidity position remains stable. The macroprudential policy enhanced on the basis of Basel III helps mitigate systemic risks. The Central Bank will continue to monitor the main risks to Uzbekistan's financial stability and take the necessary measures to safeguard the country's financial stability.