



# Technical Assistance Consultant's Report

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Project Number: TA – 4565 (UZB)  
Financial Sector Infrastructure Development

**Draft Final Report**  
March 7, 2007

## Uzbekistan: Banking Sector Diagnostic Review

This consultant's report does not necessarily reflect the views of ADB or the Government concerned, and ADB and the Government cannot be held liable for its contents.

Asian Development Bank

**CURRENCY EQUIVALENTS**

(as of December 31, 2005)

\$1.00 = 1180 Uzbek sums

**ABBREVIATIONS**

ADB	–	Asian Development Bank
CBU	–	Central Bank of Uzbekistan
EBRD	–	European Bank for Reconstruction and Development
IFI	–	International Financial Institution
NBU	–	National Bank of Uzbekistan
WOCCU	–	World Council of Credit Unions

**NOTE**

In this report, "\$" refers to US dollars.

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## **Preface**

This report was prepared by Prepared by A. Michael Andrews for the Asian Development Bank. It draws heavily on the work completed under TA 4565 (UZB) by Alfred C. Dostie, Ravshan Rashidov, and Irina Tchen, and could not have been completed without the assistance of the Centre for Social and Economic Research. The author gratefully acknowledges these contributions, as well as the help provided by many people in Government and the private sector in Uzbekistan during the field research for this project. Mr. Jurgen Conrad, Senior Financial Economist in the Governance, Finance and Trade Division, Central and West Asia Department of the Asian Development Bank, supervised the implementation of the TA, provided helpful guidance and comments throughout, and participated in some of the field research. The conclusions, and any errors and omissions, are solely the responsibility of the author.

## **BANKING DIAGNOSTIC REVIEW**

- The basic elements of a market-based financial sector are in place in Uzbekistan, but private sector intermediation has yet to assume an important role. Banking dominates the financial system. However, in real terms, the banking system is stagnating and its investment activities are not keeping pace with overall economic growth. The strong economic growth recently experienced in Uzbekistan is occurring in spite of rather than because of the contribution of the banking sector.
- The banking system is highly segmented and concentrated. Majority state-owned banks account for two-thirds of banking system assets. Banks with significant state minority shareholdings account for another quarter of banking system assets. Private domestic and foreign banks control less than 10 percent of banking assets.
- The state-owned banks are unusually dependent on non-deposit funding, reflecting that their role in delivering policy loans and administering government programs is larger than their savings intermediation function.
- The role of banks as agents for tax collection, government fiscal activities and direct intervention in the financial management of enterprises is a serious obstacle to private sector development, and a disincentive for businesses and individuals to use the formal financial system.
- Direct policy interventions to require or co-opt banks to provide specific products and lend to targeted sectors have had limited success. Further, these interventions reduce incentives for provision of products and services on commercial terms and embed otherwise avoidable risks in the banking system.
- Prudential standards are generally sound, and banks' reporting in most cases indicates comfortable margins above required minimums such as the 10 percent capital adequacy ratio. The prevailing standard for loan classification and provisioning, however, makes it likely that earnings and capital are overstated. This suggests that financial soundness indicators present an overly optimistic view.
- In common with most transition countries, the legal framework and practice of bank supervision focuses more on regulatory compliance than on risk management, as evidenced by the virtual absence of risk-management references in the banking law, and the devotion of resources to daily reporting and analysis of every branch of every bank.
- Disclosure and the application of international accounting standards vary among the banks, with overall improvement required to implement emerging best practices in transparency and to permit market discipline to play a role in fostering financial soundness.

- The remedial powers of the banking law have been adequate to resolve small problem banks. Larger banks, which generally have a state-ownership stake, have usually been restructured or merged in a manner which does not explicitly acknowledge or address the extent of problem loans in the bank.
- The Deposit Insurance Fund would have to be legally empowered to pay deposits immediately upon the failure of a bank and participate in minimally disruptive resolutions such as purchase and assumption transactions if it is to fulfill a useful policy purpose.
- There is limited scope to fulfill the unmet demand for credit through additional government programs and financing provided by international financial institutions. Only increased domestic savings and intermediation has the potential over the medium term to meet this demand.
- Consistent policies and consistent interpretation of regulatory requirements is required to build confidence in the banking sector and overcome the legacies of losses through inflation, delays in cash withdrawals and obtaining foreign exchange, and charges to bank accounts originated by authorities other than the account holder for tax and other payments.
- There should routinely be a period of consultation with the industry and provision of drafts to the bankers association for review prior to introduction of new legal instruments or amendments to existing instruments. A systematic review of the entire legal framework applicable to banks is required to identify and address inconsistencies and ambiguities.
- Separation of the delivery of policy lending from commercial lending would provide incentives for mobilization of savings. It would also enable commercial banks to focus on lending on market terms and conditions unfettered by the need to deliver policy loans. Establishment of a specialized development bank funded by the government could provide a vehicle to continue to deliver policy loans while also transparently accounting for the fiscal cost of government programs.

### **A. Financial Sector Overview**

1. The basic elements of a market-based financial sector are in place in Uzbekistan, but private sector intermediation has yet to assume an important role. Institutions owned directly or indirectly by government account for the majority of the financial system. Banks dominate, with those wholly or majority owned by the state comprising two-thirds of financial sector assets. Leasing and insurance, which are the only other sizable segments of the financial sector, are also dominated by state-owned companies (Table 1). Other financial services providers remain small in both number and size. The Tashkent Republican Stock Exchange has six listed companies,<sup>1</sup> although the shares of a larger number of companies, mostly privatized state-owned enterprises, trade on the exchange. Corporate debt is also traded, but the market remains small with only about

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<sup>1</sup> These include four banks with minority state ownership: Pakhta Bank, UzPromstroy Bank, Gallabank and Ipoteka Bank.

50 issues since 1999 and approximately 36 billion sums (\$32 million) outstanding at end-2005.

Table 1. Uzbekistan financial sector, end-2005.

	Number	Assets (sum billion)	Assets (percent of GDP)
Commercial banks	28	5,657	37.2
Wholly or majority state-owned <sup>a</sup>	5	3,764	24.7
Joint stock with minority state ownership <sup>b</sup>	7	1,436	9.4
Private joint-stock	12	268	1.8
Banks with foreign capital	4	189	1.2
Credit unions	22	7	0.0
Microfinance organizations	14	6	0.0
Insurance companies	25	214 <sup>c</sup>	1.4
Of which, Uzbekinvest (state-owned)	1	148 <sup>c</sup>	1.0
Leasing companies	12	77 <sup>d</sup>	0.5
Of which, Uzquishloqmash (state-owned)	1	70 <sup>d</sup>	0.5
Collective investment funds	18	4	0.0
Private pension plans	1	n.a.	n.a.

a. NBU, Asaka, Khalk Bank, Microcredit Bank, Aloqabank.

b. Pahkta, Uzpromstroy, Ipoteka, Gallabank, Ipak Yuli, Savodar, Turon.

c. Estimate.

d. Estimate for end-2004.

Memo: GDP 15,210 billion sums at end-2005.

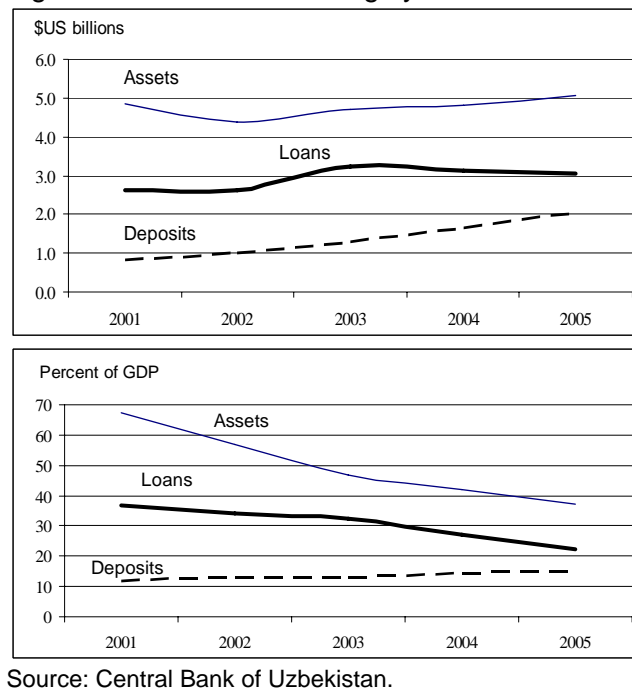
Sources: Central Bank of Uzbekistan, Credit Unions Association of Uzbekistan, Microfinance Association of Uzbekistan, Centre for Social and Economic Research, bank financial statements.

## B. The Banking System

2. The Uzbek banking system is stagnating in real terms even though deposit mobilization has begun to increase (Figure 1). When converted to \$ at end-of-period exchange rates, total assets of the banking system are virtually unchanged from end-2001. The investment activities of the banking system have not kept pace with growth in the economy, with assets and loans declining sharply as a percent of GDP. This indicates that the strong economic growth recently experienced in Uzbekistan is occurring in spite of rather than because of the contribution of the banking sector.

3. This prompts the question: why is the Uzbek banking system not growing and not providing more financial intermediation to foster faster private sector development? There are several factors that help to explain this phenomenon. These relate to the history of banking sector development in general, and in particular the non-bank functions that Uzbek banks perform. The evidence of the growing deposit base and increased intermediation by privately owned banks, although from a small base, provides insights into policy options that would increase overall banking sector intermediation and foster private sector development.

Figure 1. Size of the banking system.



## Structure

4. The banking sector in Uzbekistan is highly concentrated and segmented. State-owned National Bank of Uzbekistan (NBU) accounts for almost 60 percent of total bank loans and over 50 percent of total bank assets, but only about one-third of total bank deposits (Figure 2.). Two other banks are wholly owned by government—Asaka and Khalk (Peoples') Bank—and two joint stock banks are majority owned by government—Microcredit Bank and Aloqabank. Collectively, the five state-owned banks hold two-thirds of banking system assets.

5. Asaka Bank and Microcredit Bank, like NBU, are anomalous banking institutions as their total loans exceed total deposits, indicating that they do not mobilize the savings used to fund their investment activities. While Khalk Bank and Aloqabank have somewhat more conventional funding profiles, collectively the government-owned banks function more as conduits for various government financing programs than as true intermediaries of public savings into productive investments.

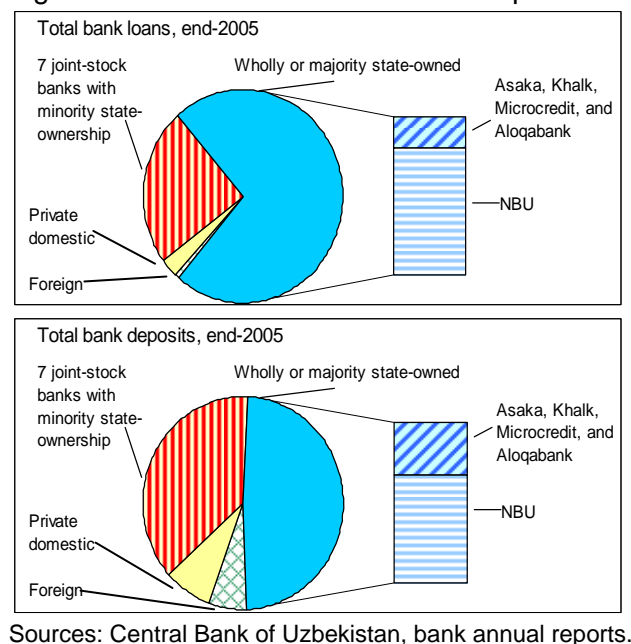
6. In addition to the five banks controlled outright by government, the state directly or indirectly exercises a significant controlling interest in five banks with the legal form of open joint stock companies:

- Pahkta Bank (28 percent direct or indirect state-shareholding)
- Uzpromstroy Bank (32 percent)
- Ipotekabank (43 percent)
- Galla Bank (48.5 percent)
- Ipak Yuli Bank (24.4 percent).

Two other banks have smaller state shareholdings: Turon (10 percent), and Savdgor (0.5 percent). The seven banks with government minority shareholdings collectively account for 26 percent of banking system assets.

7. The 12 banks with wholly private domestic ownership and four banks with foreign shareholders have only a small share of the market. However, unlike the state-owned banks, the private and foreign banks have deposits that exceed their volume of loans, indicating that these institutions function more like conventional banks, mobilizing savings to finance their lending and other activities rather than acting as conduits for various government programs. Thus, the private and foreign banks collectively account for only about 4 percent of total loan volume, but almost 14 percent of total bank deposits.

Figure 2. Market share of loans and deposits.



## Banking Sector Development

8. The gradual pace of financial sector reform in Uzbekistan has resulted in a significantly different course of development than that observed in many other Commonwealth of Independent States (CIS) countries. The focus during the 1990s on establishment of a core legal foundation and the building of supervisory capacity in the Central Bank of Uzbekistan (CBU) helped to avoid the boom and bust in the banking sector observed in most of the CIS countries.

9. The banking sector has evolved away from the Soviet system of specialized banks. All Uzbek banks have universal licenses and thus officially serve all economic sectors, however the joint-stock banks with state ownership that emerged through initial rounds of privatization and the remaining state-owned banks all have a legacy of serving particular sectors or functions (Box 1). A cautious approach to licensing new private banks has meant that Uzbekistan has not been burdened with the need to resolve the sometimes hundreds of ill-conceived banks hastily licensed in the early stages of transition in many countries. Nevertheless, there has been some consolidation in Uzbekistan since 2001. Eight banks with private domestic ownership and one with foreign ownership have left the market, while six new private banks were licensed. Mergers among state-owned banks also contributed to consolidation, with the total number of banks declining from 38 in 2001 to 28 in 2006.

10. Another consequence of the gradual approach to financial sector reform is that the Uzbek banking sector has much higher levels of government ownership than in most other CIS countries. Majority ownership of some of the smaller state-owned banks was divested, but government ownership remains dominant (paragraphs 4-7). Plans were announced in 2004 for the sale of 49 percent of NBU shares and 50 percent of Asaka Bank, but these have not yet come to fruition.

## Limited Savings Intermediation

11. Commercial banks in Uzbekistan are unusually dependent on non-deposit funding. Part of the explanation for the slow growth in savings intermediation can be attributed to the “inflation tax” incurred by depositors through triple digit consumer price index increases in the mid-1990s. Holders of monetary assets such as bank deposits saw their real purchasing power quickly eroded, and thus developed an aversion for bank deposits and a preference for foreign currency holdings or real goods as a store of wealth. However, increasing intermediation in other CIS countries indicates that this legacy has been more successfully addressed elsewhere (Figure 3).

### Box 1. Large Banks

The six largest banks, of which three are wholly or majority owned by government and three have significant government minority holdings, account for about three-quarters of bank deposits and over 90 percent of loans.

*National Bank of Uzbekistan*, 100 percent owned by the Ministry of Finance, finances large investment projects in priority sectors and administers the majority of credit lines provided by International Financial Institutions (IFIs). It has a network of 100 branches and 56 mini-banks (sub-branches usually staffed by up to three employees providing deposit and payments services, and accepting loan applications which are adjudicated at a branch) covering all regions of the country. It accounts for almost two-thirds of banking sector loans, 90 percent of which are government guaranteed under various financing programs.

*Asaka Bank*, 98 percent held by the Ministry of Finance and indirectly 100 percent owned by government, is the second largest bank accounting for just over 10 percent of banking sector assets. Like all the state-owned banks it has a universal banking licence and thus serves all sectors of the economy, however, its core business continues to be serving the automotive sector, including providing low interest rate loans to finance UzDaewoo car purchases. It has 27 branches and 71 mini-banks.

*UzPromstroy Bank*, with a 33 percent government shareholding, mobilizes a larger share of deposits than the large wholly government-owned banks, accounting for about 13 percent of total bank deposits, but only about 9 percent of assets. UzPromstroy Bank historically has focused on large industrial and construction enterprises with a network of 46 branches and 72 mini-banks.

*Pakhta Bank* historically served the cotton sector and related agricultural enterprises. Although only 28 percent government-owned, it continues to play a central role in channelling agricultural credit, evidenced by the fact that its deposits comprise only about half of its funding base and are less than total loans extended. Pakhta Bank has also spearheaded government efforts to extend banking services in rural areas, with over 600 mini-banks, accounting for more than a third of all mini-banks in the country, although it has only about 6 percent of total banking assets.

*Ipoteka Bank*, with a 43 percent state-shareholding was formed in 2005 through the merger of two other banks to provide mortgage financing at preferential rates. It has about a five percent market share, and in contrast to the other large government-controlled banks has a loan to deposit ratio of only 62 percent, likely because mortgage lending has not yet developed into a major activity.

*Khalk (Peoples') Bank*, 50 percent owned by the Ministry of Finance and 50 percent by the CBU, provides basic banking services including deposits and transfers, utilities payments, foreign exchange transactions and payment of state-pensions through a network of 199 branches, 183 mini-banks and 2350 retail service points. Despite the breadth of coverage, its focus on small deposits and transactions services is evident in its relatively small market share—3.4 percent of total assets.

12. Deposits comprise only about 40 percent of the funding base of commercial banks (Figure 4). Only about one-quarter of total deposits are household savings even through Uzbekistan avoided the experience of significant depositor losses in failed banks and pyramid schemes that initially served to undermine confidence in the banking systems of other transition countries. The low level of household savings largely reflects distrust fostered by the non-bank functions undertaken by banks, such as tax collection, and the legacy of the previous inability to access savings on demand due to cash controls and shortages.

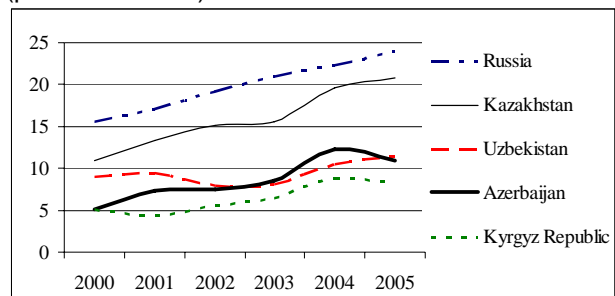
13. To the extent they need to mobilize funds, it is easier and less costly for banks to use interbank funds and to target large deposits from government and state-owned enterprises (SOEs) than it is to develop the capacity for large-scale mobilization of small deposits. The availability of centralized funding had been a disincentive for banks to mobilize small savings. Although the CBU has no longer provides a flow of centralized loans to banks through the interbank market, the existing stock continues to be an important element in bank funding.

14. The state-owned banks are especially dependent on the legacy of government and Central Bank of Uzbekistan (CBU) funding, with NBU accounting for almost 60 percent of bank loans outstanding but less than one-third of total deposits. For the state-owned banks, relationships with government entities and state-owned enterprises are particularly important in obtaining deposits. Banks with wholly private ownership or foreign shareholders have only about 8 percent of banking sector assets, but about 13 percent of deposits and a smaller share of government financing, reflecting greater reliance on deposit mobilization.

15. The modest level of financial deepening reflected in low deposit ratios has persisted despite numerous policy initiatives to support the development of the financial system. Implementation of an efficient electronic payment system to promote non-cash transactions and use of the banks for the majority of transactions, and introduction of deposit insurance in an effort to build confidence in the banking system, have had only a minimal effect on financial deepening.

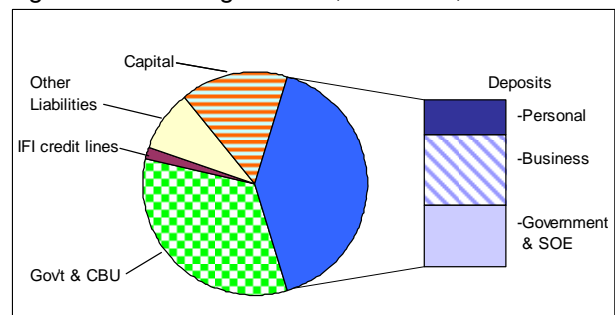
16. A major reason for the current limited role of banks in financial intermediation is the effect of policy measures that conflict with the objectives of encouraging use of

Figure 3. Bank deposits in selected CIS countries. (percent of GDP)



Sources: Centre for Social and Economic Research, National Bank of Azerbaijan.

Figure 4. Financing sources, all banks, end-2005



Source: Estimated from CBU and bank data.

commercial banks, coupled with frequent changes in and inconsistent application of various regulatory requirements. This is the case despite a number of direct policy interventions mandating the use of the banking system, which are at least partly meant to facilitate banking sector development. These measures include:

- All registered businesses and entrepreneurs are required to deposit in all cash receipts daily.
- All transactions between enterprises and individual entrepreneurs must be settled by electronic transfer.
- All loan disbursements must be made by electronic transfer to the supplier of the asset being acquired by the borrower.

17. The primary motivation for these measures, however, is ensuring that transactions are captured for tax purposes rather than conducted in cash in the informal economy. Coupled with the non-bank functions performed by banks, the level of direct control historically exercised over cash transactions and frequent changes to policies and their implementation, these measures have at best had an ambiguous effect. In all probability, these measures have been counterproductive for banking sector development because they provide strong disincentives for households and enterprises to deal with banks.

#### **Non-bank Functions of the Banking System**

18. The Uzbek banking system performs very significant tax collection functions and serves as a fiscal agent of government, with such responsibilities extending beyond the allocation of resources to include direct intervention in the financial management of enterprises. A number of decrees and resolutions make senior bank management personally liable for a variety of tax, budget and non-budget payments (Table 2). The result is that enterprises' bank accounts are subject to withdrawals initiated as and when there are credit balances, without notice to or approval of the account holder. This is an unprecedented incursion into the rights of deposit-holders providing large incentives to avoid use of the formal financial sector. In addition, the tax authorities are provided with information on demand about the accounts of enterprises and individuals, with these accounts subject to debits initiated by the tax authority or bank, again without notice to or approval of the account-holder. These measures directly contradict the banking secrecy provisions of the banking law, and the Bank Secrecy Law, providing additional incentives for individuals and businesses to avoid using the formal financial sector if at all possible.

19. Restrictions on withdrawals from bank accounts were lifted in October 2005, but until that time, enterprises and individuals were subject to specific withdrawal limits, such as a maximum of five percent of monthly turnover for retail businesses. Resolution of the Cabinet of Ministers No. 280 of August 5, 2002, granted discretion to the CBU and commercial banks in controlling cash withdrawals, which was widely used in the period after currency convertibility was introduced in October 2003, resulting in cash shortages. Although withdrawal restrictions were removed and have actually been replaced with provision for penalties for banks not providing funds when required, the practice of unilaterally debiting accounts for tax and other payments, and the legacy of limits on bank withdrawals, leaves lingering uncertainty about the availability of funds on deposit at banks. Further, the requirement for banks to provide funds on demand can be abused by disgruntled customers referring bank transactions to the Prosecutors Office.

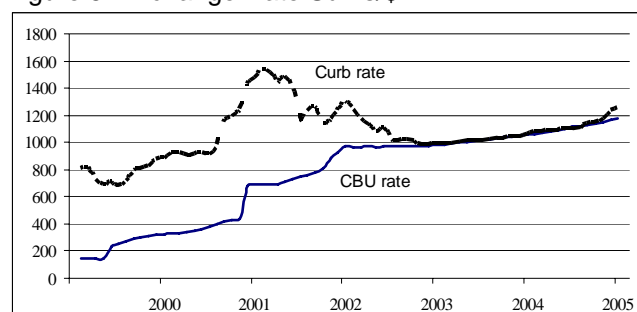
Table 2. Some taxation and fiscal agent functions of commercial banks.

Tax collection
<ul style="list-style-type: none"> <li>• Senior management and chief accountants of commercial banks are personally liable for budget revenue collection from enterprises (Decree of the President No. 1923)</li> <li>• Senior management and chief accountants of commercial banks are liable for fines if taxes are unpaid when available funds are in the enterprise's accounts (Decree of the President No. 1154)</li> <li>• Upon request commercial banks are to provide balances of all settlement accounts by daily e-mail (Ministry of Justice Regulation No. 874)</li> </ul>
Fiscal agent for government
<ul style="list-style-type: none"> <li>• Commercial banks have to verify whether procurement agencies spend cash to purchase specified agricultural products (Resolution of CM 195)</li> <li>• Pakhta Bank and Galla Bank have to be the main financial agents for the Fund for Purchase of Agricultural Goods for production financing, procurement and process of cotton; and grain and rice; respectively (Decree of the President No. 2165)</li> </ul>
Financial management of enterprises
<ul style="list-style-type: none"> <li>• Management of commercial banks are personally liable for timely payment of wages due employees of business entities (Resolution of the Cabinet of Ministers No. 504)</li> <li>• Senior staff of commercial banks are responsible for any accounts payable and receivable of enterprises (Decree of the President No. 1163)</li> <li>• Commercial banks are to strictly control payments between enterprises and organizations, not allowing the delivery of goods without guaranteed payment (Decree of the President No. 1363)</li> <li>• Commercial banks are responsible for restructuring of agricultural enterprises (Resolution of CM No. 24)</li> </ul>

## Foreign Exchange

20. Introduction of convertibility of the sum for current account transactions in 2003 served to unify the exchange rate, with the black market (or curb) rate rapidly converging on the CBU rate. Individuals and businesses initially reported relatively short delays in the processing of applications to purchase foreign currency. However, recently there are anecdotal reports that delays of 45 days or more are not uncommon. This anecdotal evidence is supported by the beginning of divergence between the curb rate and CBU rate at end-2005 (Figure 5), suggesting that a premium is being paid for faster unofficial access to foreign currency. One interpretation of these developments is that the policy of foreign exchange convertibility is being inconsistently applied. This exacerbates the underlying lack of confidence in the banking system as a store of value and means to complete transactions, which stems from the history of sudden policy changes and inconsistent application or interpretation of policies.

Figure 5. Exchange Rate Sums/\$.



Sources: Centre for Social and Economic Research.

## Deposit Growth

21. Considered against this policy background, the fact that deposits are growing at all is a notable trend which augers well for an increase in intermediation.

- Unification of exchange rates provided encouragement to conduct transactions in the official market. This is likely to be more successful than coercive regulations in increasing use of the banking sector, but will lose its effectiveness when individuals and businesses face long delays in obtaining foreign currency through banks.
- Removal of restrictions on withdrawals was a good step towards building confidence in the banking sector, but will have to be matched with consistently applied supportive policies to obviate the distrust that has been ingrained by the history of frequent policy changes.

22. It is particularly important to note the source of deposit growth: since 2001 the deposits of the private banks have increased 170 times in nominal terms, versus a six-fold increase for the banking sector overall and three-fold for NBU. While all banks are required to fulfill significant non-bank functions, those with the least direct government involvement are growing the fastest and mobilizing proportionately far greater savings than the large state-owned banks. This conclusion is reinforced by considering the success of credit unions, which do not fulfill any of the tax collection or government fiscal agent functions required of banks. Since establishment in 2002 credit unions have quickly grown in the vastly underserved small and micro-credit segment, already serving about half as many small and micro borrowers as the banking system. Credit unions are wholly funded by members' shares and deposits.

## Mandated Supply of Financial Services

23. Efforts to directly control the supply of financial services are another distinct feature of banking sector development in Uzbekistan. Existing banks have been required, or in some cases strongly encouraged through moral suasion or tax incentives, to serve specific markets. In addition, the practice continues of creating specialized state-owned banks to focus on specific functions. This is illustrated by the merger of two banks in 2005 to form Ipoteka Bank to foster mortgage lending, and the establishment of Microcredit Bank in 2006 through the re-structuring of an existing state-owned bank.

24. Government has taken measures to address many of the usual banking sector policy concerns including financing for small businesses, migration away from cash transactions, encouraging service provision even in remote and sparsely populated regions, and provision of longer term finance. Although successful in some respects, these direct interventions by government to meet policy objectives have significant downsides, primarily in reducing incentives for provision of products and services on commercial terms, and in embedding risks in the banking system. For example, the provision of long-term loans largely funded from short term liabilities exposes the banks to significant interest rate risk. Further, low margin policy lending reduces earnings and hence banks' resilience to shocks.

25. Direct efforts to increase the flow of credit to smaller businesses include a requirement to devote 25 percent of profits to the Fund for Preferential Lending.<sup>2</sup> This

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<sup>2</sup> Under resolutions 902 and 195 of the Cabinet of Ministers, all banks are required to dedicate 25 percent of profits to the fund for preferential lending, which is directed to individual entrepreneurs,

may have encouraged all banks to support entrepreneurs and small and medium-sized businesses. However, one practical effect of providing funds at below market rates is to reduce banks' profitability, and thus their ability to generate the capital and liquidity needed to support increased lending. There is also a wide range of lending programs at preferential interest rates (Table 3). While these programs provide some funding for enterprises, the existence of subsidized rate programs is a disincentive for banks to try to serve these borrowers on commercial terms and also dissuades the banks from focusing on deposit mobilization. The fact that banks and other lenders can attract borrowers prepared to pay rates several times those charged under the various specialized programs is evidence that the supply of subsidized credit is insufficient to meet the total demand of the real sector.

Table 3. Funding Sources and Interest Rates.

Suppliers	Interest Rates
Commercial Banks	
Commercial lending	18 – 24 percent, or more
Policy lending	
Fund for the support of employment	16 to 45 percent of CBU refinance rate* depending on the purpose
Fund for preferential lending	50 percent of CBU refinance rate
Fund for the purchase of agricultural products	3 percent per annum
Fund for the promotion of dekhkan and farming entities	16 to 40 percent of CBU refinance rate, depending on the purpose
Centralized financing for construction	2 percent
Mortgage lending fund	5 percent
Purchase of terminal for acceptance of plastic card payments by retailers and service providers	50 percent of CBU refinance rate
Asaka Bank	
Loans for purchase of Uzdaewoo cars	4 to 7 percent per annum, depending on the term
Microcredit Bank	
Business start-up	5 percent
Micro-leasing	50 percent of CBU refinance rate
Expansion and working capital	Not higher than CBU refinance rate
Credit unions	24 to 60 percent per annum
Microfinance organizations	24 to 72 percent per annum

\*CBU refinance rate at end-2005, 16 percent.

Sources: Decrees, resolutions, regulations, CBU, banks, credit unions, microfinance organizations.

26. A further downside of subsidized lending schemes is the creation of opportunities for rent-seeking behavior, as those not among the eligible borrowers attempt to obtain subsidized credit, and those obtaining it may opt to use it for other than the intended purpose. This leads to further restrictions and policing efforts on the part of government and the banks, with effectiveness always open to question because of people's endless inventiveness. Regardless of the effectiveness of efforts to ensure only qualified borrowers receive the funds, and that they are used for their intended purposes, the policing efforts devoted to subsidized lending programs are a substantial cost to both the banks and borrowers.

27. In 2004 the authorities attempted to increase the use of plastic cards as a substitute for cash transactions by requiring all merchants above a threshold size to

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small and medium businesses, dekhkan and farming entities at an interest rate of 50 percent of the CBU refinance rate.

acquire card-reader terminals at their own expense. Even the provision of concessional interest rate loans to finance the terminals did not make this proposition attractive, and the number of merchants actually accepting cards for payment numbers only in the hundreds, mostly in the Tashkent region.<sup>3</sup> The volume of plastic card transactions in 2005 was Sum 827 million, equivalent to 0.4 percent of bank deposits at end-2005, or about 0.3 percent of currency in circulation. The average per-card transaction total for the year amounted to Sum 275, or about \$0.25 equivalent for each of the 3 million cards issued, indicating that most people who have been issued cards do not use them. Each card costs the issuing bank approximately four Euros and with minimal transactions there is no offsetting revenue stream, so the issuance of plastic cards has effectively taxed the banking system and has had no significant impact on cash transactions.

28. The doubling of the number of mini-bank service outlets from 800 to 1603 between 2003 and 2005 reflects quick response by the banking system to government's policy of increasing outreach. However, this 50 percent increase in the number of bank service locations has thus far resulted in only modest growth in intermediation, with banks incurring increased operating costs that may not be matched by corresponding increases in revenues.

29. Long term lending has been encouraged since April 2005 by an exemption from income tax for income from loans to domestic enterprises for terms of more than three years.<sup>4</sup> Predictably, the percentage of longer term loans increased sharply in 2005. A major difficulty for banks is that this shift has not been matched by an equivalent lengthening of the maturities of liabilities. Over 90 percent of deposits have maturities of less than one year, so banks are vulnerable through maturity mismatches to rising interest rates.

### **Financial Performance**

30. When analyzing the financial performance of the Uzbek banking system it is useful to consider NBU separately, both because of its dominant size and because its function as a conduit for government financing distinguishes it qualitatively from the joint-stock, private and foreign banks, and even some of the other government-controlled banks.<sup>5</sup>

31. The banking system overall reports high levels of capital adequacy, although this is somewhat deceptive because about 90 percent of NBU's loans, comprising about 50 percent of the loans of the banking system, are government guaranteed and thus zero risk-weighted. If these loans were weighted at 100 percent as commercial loans, total risk assets in the system would increase by about Sum1,700 billion, and reported capital adequacy would decline to approximately 17 percent. Further, although detailed information on asset quality is not publicly available, the prevailing prudential standard for loan classification and provisioning makes it likely that asset quality is overstated. Banks are not required to adversely classify and establish provisions against government guaranteed loans.

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<sup>3</sup> NBU, which accounted for about 20 percent of plastic card transaction volume in 2005, lists 100 merchant locations on its website.

<sup>4</sup> Resolution of the President No. 56, April 15, 2005.

<sup>5</sup> NBU summary consolidated financial statement information is available at <http://eng.nbu.com/finances/finances/report1.php>. Analysis of the banking system by Ansher Capital is available at [www.anshercap.com](http://www.anshercap.com).

32. To the extent that loans to government entities or guaranteed by government are actually non-performing, the practice of not classifying and suspending interest accrual overstates profitability and capital, and more importantly limits the ability of the banking sector to intermediate. It is sometimes argued that government guarantees mean the bank is not exposed to a loss. However unless a loan is serviced promptly by the borrower or guarantor, the bank does suffer economic losses because:

- Accruing interest does not provide the cash income required by the bank to pay depositors and non-interest expenses, ultimately resulting in the bank consuming deposits to pay expenses because it does not receive cash interest income.
- Long delays in repaying principal and interest owed, especially when inflation is high, impose real losses on the bank, even if the nominal amounts owed are ultimately paid.
- Rolling over rather than provisioning for or writing off non-performing loans overstates the value of real investment undertaken by banks, as these loans are being consumed by money-losing enterprises rather than being used for more productive purposes.

33. For these reasons, international practices require banks to adversely classify delinquent loans and suspend the accrual of interest when 90 days in arrears, regardless of the collateral or a guarantee held in support of a loan. In this way the effect on the bank of not collecting interest, even if the loans is supported by a government guarantee, is appropriately reflected in earnings, capital and net loans outstanding.

34. Profitability indicators for the overall banking system have been trending downward over the last five years. However, excluding NBU gives a rather different picture. Net income after tax for the system excluding NBU is almost twice the figure including NBU (Table 4). This reflects the much lower margins earned by NBU due to the dominance of various concessional loan programs, as well as significantly lower fee and commission income. Non-interest expenses for the system are very high, indicative of large branch networks and high staffing levels relative to asset size. NBU does somewhat better in this regard, likely reflecting that it alone has sufficient size to realize economies of scale in information technology and centralized services, notwithstanding the overall structural inefficiencies.

35. The banking system excluding NBU is quite liquid (Table 5), indicating that the binding constraint for growth among the private and foreign banks is more likely to be the perceived lack of bankable opportunities than available funding. This is consistent with the larger share of deposits held by these banks relative to the state-owned banks, which are more liquidity constrained. Part of the explanation may be that borrowers opt first to use the various concessional rate facilities delivered primarily through the state-owned banks, and only turn to the higher rate facilities offered by private banks when subsidized credit is not available. To the extent that these borrowers are viable, providing subsidized credit reduces the profitability of the banking sector as in the absence of the subsidized programs they would be served on market terms and conditions.

Table 4. Income Statement 2005 (percent of total assets).

	Banking system	System excluding NBU	NBU
Interest income	6.25	8.19	4.40
Interest expense	(3.76)	(4.19)	(3.34)
Net interest income	2.50	4.00	1.05
Provision for loan loss	(0.95)	(1.33)	(0.58)
Fees and commission income	3.15	4.95	1.42
Other income	0.75	1.09	0.43
Net income	5.45	8.71	2.33
Non-interest expense	(4.26)	(6.67)	(1.95)
Net income	1.19	2.04	0.38
Provision for tax	(0.33)	(0.48)	(0.19)
Net income after tax	0.86	1.56	0.19

Sources: Central Bank of Uzbekistan, bank annual reports, National Bank of Uzbekistan website.

36. The banking system has substantial indirect sensitivity to market risk. Over 70 percent of the loan portfolio is denominated in foreign currency, with most of these loans concentrated in NBU. Many borrowers lack the natural hedge of foreign currency income, but borrow in foreign currency because there is foreign currency funding through International Financial Institution (IFI) programs, or to take advantage of lower interest rates relative to sum-denominated loans. A rapid depreciation of the sum could lead to significant credit losses as many unhedged borrowers would likely default.

Table 5. Balance Sheet 2005 (percent of total assets).

	Banking system	System excluding NBU	NBU
Cash and liquids	22.11	32.98	11.67
Net loans and advances	59.97	51.55	68.05
Other assets	17.93	15.47	20.28
Total assets	100.00	100.00	100.00
Deposits	40.54	55.97	25.73
Government, banks, other borrowings	37.22	20.65	53.14
Other liabilities	6.59	7.63	5.60
Total capital	15.64	15.75	15.53
Total liabilities and capital	100.00	100.00	100.00

Sources: Central Bank of Uzbekistan, bank annual reports, National Bank of Uzbekistan website.

### C. Bank Regulation

37. The legal regime for bank supervision is based on the law on Banks and Banking, 1996, with a number of subsequent amendments, and over 200 instructions, regulations, resolutions of the President and Cabinet of Ministers and other normative documents of the CBU. The Banking Law in conjunction with the law on the Central Bank of Uzbekistan provides a basic framework empowering the CBU to license and supervise banks, and to establish prudential requirements through regulations.

38. In common with the banking laws of many CIS countries, the Uzbek law has virtually no reference to risk management standards or risk-focused supervision, which

has become central to international best practices.<sup>6</sup> Some areas of risk management are addressed by prudential norms, but the basic legal framework is more oriented to regulatory compliance than towards risk management.

39. Frequent amendments to laws and issuance of new resolutions makes regulatory compliance a continually moving target for Uzbek banks. For example, Resolutions of the President No. 57 and No. 69 introduced in April and May 2005 regarding cash controls were revoked in September of 2005. It is not uncommon for new laws and resolutions to contradict provisions of the existing legal framework, for example:

- Decree of the President No. 3750, adopted in May 2006, establishes that four commercial banks are to become shareholders of Microcredit Bank. However Article 7 of the Law on Banks and Banking prohibits banks, except in the case of foreign shareholdings and affiliates, from owning shares in other banks.
- Article 15 of the Law on Anti-Money Laundering and Countering the Financing of Terrorism requires banks to notify the Prosecutor's Office of transactions exceeding the defined limit, but Article 6 of the Law on Bank Secrecy prohibits banks from passing information on client's transactions to third parties, including the Prosecutor's Office, unless there are criminal investigations.
- Numerous resolutions requiring banks to provide information about client accounts to the tax authority notwithstanding contradicting provisions of the Banking Law and Law on Bank Secrecy (see bullet point above).

40. In part, this is due to the policy formation and legal drafting process, which does not necessarily include consultation with the banking industry. Establishing a formal process of review and consultation with the banking association prior to amending existing instruments or introducing new instruments would help to avoid the ambiguities and contradictions that currently exist in the regulatory framework. A systematic review of the existing framework is required to identify and address all inconsistencies and ambiguity.

41. Prudential requirements for Uzbek banks are based on international standards, and in many instances are more stringent than the minimums required by best practices (Table 6). Minimum capital adequacy of 10 percent of risk-weighted assets is consistent with the Basel Committee recommendation that requirements should exceed 8 percent in countries where the preconditions for effective banking supervision may be absent. Most prudential limits in Uzbekistan are determined as a percentage of tier 1 capital rather than the more usual approach of using total capital as the denominator.<sup>7</sup> In practice, determining limits based on tier 1 rather than total capital does not result in more stringent requirements because all Uzbek bank capital is tier 1. Preference shares, subordinated debt and other qualifying tier 2 capital instruments have not been issued.

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<sup>6</sup> A risk-based approach to supervision relies on verification of the adequacy and implementation of banks' own policies and procedures rather than extensive review of individual transactions.

<sup>7</sup> Tier 1 capital comprises common equity, contributed surplus and retained earnings. Tier 2 capital includes qualifying preference shares, subordinated debt and hybrid instruments that incorporate some of the characteristics of debt and equity.

42. While the prudential standards are sound, and bank reporting in most cases indicates comfortable margins above the required minimums, the evidence suggests that the banking system has much less resilience than the numbers indicate. As noted above, the prevailing standard for loan classification and provisioning makes it likely that earnings and capital are overstated.

Table 6. Uzbekistan prudential norms.

Capital adequacy	H1	10 percent of risk-weighted assets
Tier 1 capital	H2	5 percent of risk-weighted assets
Leverage	H3	Capital to assets ratio minimum 6 percent
Liquidity ratio	H4	Short term assets to short term liabilities ratio minimum 30 percent
Single borrower limit	H5	15 percent of tier 1 capital
Single borrower limit, unsecured	H6	5 percent of tier 1 capital
Large exposures limit	H7	All large exposures cannot exceed 800 percent of tier 1 capital
Investment in securities, single issuer	H8	15 percent of tier 1 capital
Investment in trading book securities	H9	50 percent of tier 1 capital
Total investment in securities	H10	50 percent of tier 1 capital
Credit to a single insider	H11	15 percent of tier 1 capital
Credit to a single insider, unsecured	H12	5 percent of tier 1 capital
Total credit to insiders	H13	100 percent of tier 1 capital
Minimum capital		January 1, 2006: sum equivalent of \$2.0 million January 1, 2007: sum equivalent of \$2.5 million
Net open position		10 percent of capital, single currency 20 percent of capital, all currencies

Source: Law on Banks and Banking, regulations of Central Bank of Uzbekistan.

#### D. Supervision

43. The CBU devotes about 70 staff to supervision, divided into departments for on-site (Inspection) and off-site (Licensing). The CBU has received extensive technical assistance to support the development of prudential standards and supervision methodology. Bank reporting requirements are extensive, with the CBU using an automated system to process daily balance sheet and transaction reports for every branch of every bank, as well as a range of specific prudential reports which vary in frequency from daily to annually. Each bank is subject to an annual on-site inspection.

44. The detail of daily reporting by banks and analysis by the CBU is evidence of the extensive focus on regulatory compliance, as a risk-based approach to supervision relies on verification of the adequacy and implementation of banks' own policies and procedures rather than extensive review of individual transactions. The CBU has used a CAMEL (Capital, Assets, Management, Earnings, Liquidity) rating system since 1998-99, with ratings of 1 to 5 assigned after on-site examinations. While such an approach was once at the forefront of international practices, more recently best practices in supervision have become more forward-looking, using matrix-type risk-assessments to

match supervisory activities to the perceived levels of risk presented by individual institutions.

### **E. Disclosure, Transparency and Accounting Standards**

45. Improved disclosure and transparency is required for Uzbekistan to implement the supervisory concepts incorporated in International Convergence of Capital Measurement and Capital Standards (Basel II). As contemplated by the Basel Committee, rather than moving to fully implement Basel II, Uzbekistan should first focus on preconditions of disclosure and transparency required for market discipline to play an effective role as the second pillar in an effective system of supervision.<sup>8</sup> The current disclosure requirement of the CBU requires only banks participating in the financial market to publicly disclose financial statements—the Securities Market and Coordination and Control Centre (SMCCC) disclosure requirements for listed companies also apply to the four banks listed on the Republican Stock Exchange.<sup>9</sup> There are no requirements for other banks to publicly disclose their financial statements.

46. Disclosure and accounting standards vary widely within the Uzbek banking system. Not all listed banks appear to fully comply with the disclosure requirement. Some among the non-listed banks, particularly the smaller joint-stock and private banks audited by internationally affiliated firms, make publicly available financial statement prepared in accordance with International Financial Reporting Standards (IFRS) and audited in accordance with International Standards for Auditing. NBU makes available on its website summary financial statement information, which although better than no disclosure, lacks detail and in particular does not include the audit opinion and notes that knowledgeable users of financial statements require.

47. There is a widespread shortage in Uzbekistan, as in many other countries, of qualified accounting professionals. This affects audit firms and industry as well as public institutions. The mandated chart of accounts for Uzbek banks was amended in 2004 with technical assistance to incorporate International Accounting Standards (IAS—which are successively complemented and/or replaced by International Financial Reporting Standards), and training was also provided to assist the CBU and banks with implementation. Review of available annual financial statements indicates a range in quality. One particular problem is the application of IAS 29, Accounting in Countries Experiencing Hyperinflation, although this is becoming more of a legacy issue than an active one as Uzbekistan no longer meets the IAS 29 criteria of inflation approaching 100 percent or more for three consecutive years.

48. The regulatory requirements for corporate governance established by the CBU Regulation on Corporate Governance in Banks (No 472, June 24, 2000) as well as the more generally applicable requirements of the Civil Code and resolutions of the President and Cabinet of Ministers, are broadly consistent with the principles established by the Basel Committee and Organization for Economic Cooperation and Development.

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<sup>8</sup> The Basel Committee's implementation recommendations for Basel II note that "the advanced approaches may not be the ultimate destination for all banks in all jurisdictions." For many countries, the first priority should be a sound baseline system. Basel Committee on Banking Supervision, *Implementation of Basel II: Practical Considerations* (Basel: Bank for International Settlements, July 2004), p. 2.

<sup>9</sup> Ipoteka Bank, UzPromstroy Bank, Pakhta Bank and Galla Bank.

In practice, however, there are a number of factors which limit the application of good governance principles:

- Government exercises direct and indirect influence through its significant shareholding in joint-stock banks, with strategic planning, appointment of directors and senior management, and day-to-day operational decisions consistent with government policies not necessarily being in the best interests of other shareholders.
- Banks are influenced by local government to “voluntarily” participate in the sponsorship and financing of municipal or socially desirable activities.

49. Minority shareholders have limited protection, and the as yet undeveloped equity market is thinly traded, making it difficult for shareholders to “vote with their feet” without triggering large price movements.

#### **F. Problem Bank Resolution**

50. Part VIII of the Central Bank of Uzbekistan law provides a range of remedial powers including monetary fines, the power to require a bank to take specific restructuring actions, the power to appoint a conservator and the ability to revoke a license. The CBU has a dedicated Division for Correction of Problem Banks. For small banks the CBU generally has taken enforcement actions, culminating in license revocation if deficiencies have not been corrected. For larger banks, which are all state-owned or have minority state-shareholdings, taking remedial action presents particular challenges. Extensive consultation can be required with the Ministry of Finance and other state agencies, leading to delays in taking supervisory action. Typically, problems in large banks have been resolved through some form of merger or reorganization that does not explicitly acknowledge or address the extent of problem loans in the bank.

51. These issues are not uncommon in countries with large state-owned banks. On the one hand, since government as shareholder is ultimately responsible for the deposits and other liabilities of the bank, supervisory authorities may see a less compelling case for decisive action to protect depositors and preserve confidence in the system than when dealing with privately owned-banks. On the other hand, however, failure to enforce prudential standards for state-owned banks can result in inefficient state-owned banks unable to properly intermediate, and can also undermine the authority of the supervisory agency if it is publicly known that it is unable to take remedial action with respect to state-owned banks.

52. The Deposit Insurance Fund established in 2002 by the Law on Protection of Deposits currently serves no public policy purpose. It has not been involved in the resolution of any failure banks, nor is it likely to do so. Public awareness is low, and the practical benefits to depositors are minimal. The Fund, financed by levies on banks, exists to pay household depositors, commencing within two months of the liquidation of a bank, up to the established limits:

- Full payment of deposits up to 100 times the minimum salary size.
- 90 percent of amounts exceeding 100 times the minimum salary size, but not more than 250 times the minimum salary size.

53. This coverage incorporates elements of international best practice by establishing an amount large enough to cover the bulk of individual depositors, while avoiding moral hazard by excluding large deposits. However, the scheme does not contribute to building depositor confidence in the banking system, nor does it facilitate non-disruptive resolutions of failing financial institutions because the Fund only makes payments in liquidations where the assets of the failed bank are insufficient to repay depositors.

54. Given the priority of claims established in law and the small proportion of household deposits in the total funding base of Uzbek banks, in virtually any bank failure there will be sufficient recoveries to pay in full all household deposits. The problem for individual depositors is the delay between failure of the bank and payment—being deprived of access to funds for several months can be almost as great a hardship as the loss of the deposit. In order for the Deposit Insurance Fund to serve a useful policy function, it would have to be legally empowered to pay insured deposits immediately upon failure of the bank, acquiring the depositor's claim against the estate of the failed bank, or be legal able to participate in minimally disruptive solutions to failing banks such as purchase and assumption transactions.

### **G. Policy Issues**

55. The current approach to financial sector development provides mixed messages to the users and providers of financial services. These have resulted in limited deepening of the financial sector despite the recent strong economic growth in trade and agriculture. Greater financial intermediation is required to further accelerate growth, and perhaps more importantly, position the economy through greater diversification to deal with down-cycles in commodity prices.

56. Bringing more savings into the formal sector requires policy measures to encourage rather than mandate the use of the banking system. The non-bank functions performed by commercial banks and channeling of funds to identified sectors and borrowers through preferential financing programs has limited the growth of savings intermediation. The small private banks and credit unions, which are less involved in these directed activities, are growing rapidly, in contrast to the banking system as a whole. This suggests that separation of policy functions from intermediation would spur development of the financial sector and contribute to stronger growth.

57. The policies necessary to support financial sector deepening can be considered under several broad headings. First, some financial-sector specific issues need to be addressed as part of government's ongoing efforts to reduce the bureaucratic burden on businesses. Key policy changes that would help the financial sector better support private sector development include:

- Removal of the system of daily cash limits for businesses;
- replacement of the requirement for all business-to-business transactions to be conducted electronically with a limit on the maximum size of cash transactions;
- placing the onus for tax payment on the tax payer, and cease the practice of requiring banks to provide customer information to third parties such as the revenue authority; and

- timely processing of foreign exchange purchases.

58. Second, government policy lending needs to be separated from commercial banking so that the commercial banks, whether government owned or private, have a clear focus on savings mobilization and investment on commercial terms. This could be accomplished in two ways. One is to re-designate an existing bank as a development bank, transferring its commercial business to another bank, and transferring policy lending from other state banks to the development bank. The other option is to create a new development bank to assume state-bank's policy functions. Under either option, the process could be phased, starting first with one bank. Starting with NBU offers the opportunity to remove the majority of policy lending from the commercial banking system, but it would also be possible to begin with one of the smaller banks, treating it as a pilot project. Given the dominant role of NBU, ultimately it has to be transformed to have a real impact on the banking system.

59. Other specific measures to reinforce the separation of commercial banking from policy lending include divestiture of the remaining government minority shareholdings in joint-stock banks. This would remove the direct influence of government as shareholder, and weaken the linkages between the banks and the state-owned enterprises the banks originally existed to serve.

60. Delivering new or expanded on-lending programs through the private banks would help avoid reinforcing the traditional reliance of state-owned banks on centrally provided funds. Given the varying levels of transparency and disclosures, however, there may be challenges in identifying a significant number of private banks meeting the standards required by development partners. On-lending programs are necessarily limited in size and thus are most successful when serving as catalysts for expanding private intermediation. The private banks have demonstrated strong growth in mobilization of deposits and lending, so provision of funds through on-lending programs to the private banks is more likely to expand the actual supply of credit rather than simply displacing other funding sources of the state-owned banks, provided the private banks can meet the requisite governance standards.

61. There is a need over the medium term to review the existing legal framework for banking to identify and remove inconsistencies, and to introduce the elements of best practices that have developed since the original introduction of the banking law in 1996. Reduction in the frequency of legal changes and improvement in the consultation and drafting process would facilitate regulatory compliance. Introduction of a greater focus on risk management and risk-focused supervision would enhance the environment for private sector intermediation, and greater transparency and disclosure would help foster market discipline as a necessary complement to prudential oversight.

## APPENDIX 1: BANKS IN UZBEKISTAN

Bank (end-2005 data)	Headquarters	Legal structure	State-ownership (includes indirect)	Staff	Branches	Minibanks	Deposits (sum billions)	Assets
National Bank of Uzbekistan	Tashkent	State joint-stock	100 percent	6,201	93	56	743	2,886
Asaka Bank	Tashkent	State joint-stock	100 percent	2,365	27	71	231	599
UzPromstry Bank	Tashkent	Joint-stock	33 percent	3,981	46	72	309	522
Pakhtha Bank	Tashkent	Joint-stock	28 percent	8,108	183	618	186	357
Ipoteka Bank	Tashkent	Joint-stock	43 percent	4,338	39	130	212	272
Khalk (Peoples) Bank	Tashkent	State joint-stock	100 percent	10,845	199	183	89	191
ABN AMRO Bank Uzbekistan	Tashkent	Foreign subsidiary	18 percent	52	1	0	88	104
Ipak Yuli Bank	Tashkent	Joint-stock	24 percent	459	4	14	50	72
Gallabank	Tashkent	Joint-stock	48 percent	1,615	32	72	23	72
Hamkorbank	Andijon	Joint-stock		838	22	42	35	61
UzKDB (formerly UzDaewoo)	Tashkent	Foreign subsidiary	5.5 percent	81	0	2	43	58
Microcredit Bank	Tashkent	Joint-stock	90 percent	2,911	75	161	25	55
Kapital Bank	Tashkent	Joint-stock		476	2	19	32	53
Savdogar Bank	Tashkent	Joint-stock	0.5 percent	1,408	35	50	30	49
Turon Bank	Tashkent	Joint-stock	10 percent	996	18	40	35	47
Credit Standard Bank	Tashkent	Joint-stock		88	1	0	35	46
Aloqabank	Tashkent	Joint-stock	52 percent	722	12	17	28	34
Exchange Trust Bank	Tashkent	Joint-stock		301	2	5	27	30
ALP Jamol Bank	Tashkent Region	Joint-stock		298	3	7	17	22
RavNAQ Bank	Tashkent	Joint-stock		127	0	2	13	21
Parvina Bank	Samarkand	Closed joint-stock		279	4	27	12	20
Uzbekistan-Turkish Bank	Tashkent	Foreign subsidiary		92	0	0	10	17
Bank Saderat Iran	Tashkent	Foreign branch		28	0	0	1	11
Universal Bank	Kokand	Joint-stock		148	2	6	2	5
Uktambank	Qarshi	Joint-stock		81	0	7	1	4
Davr Bank	Tashkent	Closed joint-stock		56	0	0	2	3
Turkison Bank	Tashkent	Joint-stock		105	0	2	1	2
Samarkand Bank	Samarkand	Joint-stock		19	0	1	0	1

Sources: Central Bank of Uzbekistan and commercial banks.