

30 JUN 2025

Fitch Revises JSCB Kapitalbank's Outlook to Positive; Affirms IDRs at 'B'

Fitch Ratings - Dubai - 30 Jun 2025: Fitch Ratings has revised JSCB Kapitalbank's (Kapital) Outlooks to Positive from Stable, while affirming its Long-Term Foreign-Currency and Local-Currency Issuer Default Ratings (IDRs) at 'B'. Fitch has also affirmed the bank's Viability Rating (VR) at 'b'.

The revision of the Outlooks to Positive reflects our expectations that favourable economic conditions in Uzbekistan will persist and result in sustained strengthening of Kapital's business profile, its robust internal capital generation, and funding and liquidity.

Key Rating Drivers

Kapital's IDRs are driven by its standalone profile, as reflected in the 'b' VR. The ratings factor in the positive outlook on the banks' operating environment in Uzbekistan, and Kapital's robust profitability and reasonable liquidity coverage. Fitch also factors in Kapital's evolving business model, high appetite for growth, and large single-sector lending concentration, which lead to a heightened risk profile and weigh on the bank's asset-quality metrics.

Improving Operating Environment: The operating environment for Uzbek banks has materially strengthened over the past two to three years, and we expect further improvements, particularly in addressing structural risks and enhancing the quality of regulation and governance. This, alongside a robust economy, should support business growth and translate into stronger earnings and capital generation, making banks' credit profiles more resilient. Therefore, we have revised the outlook on the operating environment score to positive from stable.

Evolving Business Model, Sector Concentrations: Kapital had a moderate 6% share in system loans at end-May 2025. It has been highly profitable over the past four years, supported by a rapid expansion in car finance in 2021-2023. The bank significantly slowed origination in this sub-sector but aggressively shifted towards SMEs and secured consumer lending in 2024. Auto-backed loans still dominate the portfolio (end-1Q25: more than 40% of total loans). The bank's rapidly evolving business mix has not affected profitability but has increased asset-quality risks.

Aggressive Growth, High Dollarisation: Kapital doubled SME lending and significantly grew its exposure to secured consumer loans in 2024, albeit from a low base. We view expansion into SMEs in Uzbekistan as higher risk due to its mainly foreign-currency (FC) nature. The share of FC loans increased to 38% at end-1Q25 (end-2023: 27%), which is close to the market average (42%). Kapital's risk profile is supported by the focus on secured lending but is undermined by single-sector concentration and aggressive growth, which we expect to moderate in 2025-2026.

Loan Deterioration After High Growth: Impaired loans ratio markedly increased to 4.5% at end-2024 (end-2023: 1.7%), and we believe asset-quality deterioration will continue in 2025-2026. This is due to the seasoning of auto-backed loans issued during the previous years of rapid growth. We expect credit costs to moderately increase but risks are mitigated by the granular nature of problem exposures, their denomination in local currency, and liquid collateral.

Strong Operating Performance: Wide margins and strong lending growth primarily supported Kapital's robust operating profit at 5% of risk-weighted assets (RWAs) ratio in 2024 (2022-2023: 6%). Return on equity was a strong 37% in 2024 (2022-2023: 50%). We expect operating profit to moderate to below 5% of RWAs in 2025-2026 but remain strong, despite an anticipated moderate increase in the cost of risk.

Average Capitalisation, Increase Expected: Kapital's Fitch Core Capital (FCC) ratio was a moderate 12% at end-2024. We expect the ratio to strengthen in the next two years, as internal capital generation outpaces loan growth.

Reasonable Liquidity, Stable Deposits: Kapital's gross loans/deposits ratio was an adequate 87% at end-2024, which is considerably below many peers' (market average: around 170%). Customer account balances were stable in 2023 and 2024 after four-fold growth in 2021-2022, although from a low base, while risks are also mitigated by reasonable liquidity. Liquid assets covered a healthy 35% of customer accounts at end-2024, while wholesale debt repayments scheduled for the next 12 months were limited.

Rating Sensitivities

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

Fitch would likely revise the Outlook on Kapital's IDRs to Stable if there were no material improvements in the operating environment for Uzbek banks, or if there were a persistent decline in the bank's FCC ratio sharply below 12%, driven by weaker internal capital generation and aggressive growth.

The ratings could be downgraded if the bank's capital buffer reduces close to regulatory minimums on a sustained basis, for example due to a sharp deterioration in the bank's asset quality resulting in losses, or higher lending growth. Deterioration of liquidity buffers, for example as a result of material customer account outflows, would also weigh on the VR.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

An upgrade of Kapital's ratings would require an improvement in Fitch's assessment of the local operating environment, alongside stable financial metrics.

Kapital's Government Support Rating (GSR) of 'No Support' reflects the absence of a record of reliable support from Uzbekistan's authorities for privately owned banks, and the lack of a clearly articulated framework for state support of systemically important banks (D-SIBs), particularly those that are privately owned. This is despite the strong sovereign financial flexibility, regular capital support from

the government for state-owned banks, especially policy institutions, and Kapital's moderate systemic importance, with a moderate 6% share of system loans at end-May 2025.

An upgrade of the GSR would be contingent on a positive change in the sovereign's propensity to support D-SIBs, and Kapital in particular. This would require an introduction of clearly articulated legislation on government support of D-SIBs, or a strong and predictable record of timely capital support by the authorities for D-SIBs.

VR ADJUSTMENTS

The earnings and profitability score of 'b+' is below the 'bb' category implied score because of the following adjustment reason: historical and future metrics (negative).

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

ESG Considerations

Unless otherwise disclosed in this section, the highest level of ESG credit relevance is a score of '3'. This means ESG issues are credit neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation of the materiality and relevance of ESG factors in the rating outcome. For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/esg

Fitch Ratings Analysts

Pavel Kaptel

Director

Primary Rating Analyst

+971 4 424 1235

Fitch Ratings Ltd Dubai Branch Maze Tower, 18th Floor Sheikh Zayed Road, P.O. Box 215584, Dubai

Artem Beketov

Director

Secondary Rating Analyst

+971 4 424 1233

Olga Ignatieva

Senior Director

Committee Chairperson





+44 20 3530 1300

Media Contacts

Matthew Pearson

London
+44 20 3530 2682
matthew.pearson@thefitchgroup.com

Rating Actions

ENTITY/DEBT	RATING		RECOVERY	PRIOR
JSCB Kapitalbank	LT IDR	B 	Affirmed	B 
	ST IDR	B	Affirmed	B
	LC LT IDR	B 	Affirmed	B 
	LC ST IDR	B	Affirmed	B
	Viability	b	Affirmed	b
	Government Support	ns	Affirmed	ns

RATINGS KEY OUTLOOK WATCH

POSITIVE		
NEGATIVE		
EVOLVING		
STABLE		

Applicable Criteria

[Bank Rating Criteria \(pub.21 Mar 2025\) \(including rating assumption sensitivity\)](#)

Additional Disclosures

[Solicitation Status](#)

Endorsement Status

JSCB Kapitalbank UK Issued, EU Endorsed

DISCLAIMER & DISCLOSURES

All Fitch Ratings (Fitch) credit ratings are subject to certain limitations and disclaimers. Please read these limitations and disclaimers by following this link: <https://www.fitchratings.com/understandingcreditratings>. In addition, the following <https://www.fitchratings.com/rating-definitions-document> details Fitch's rating definitions for each rating scale and rating categories, including definitions relating to default. ESMA and the FCA are required to publish historical default rates in a central repository in accordance with Articles 11(2) of Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 and The Credit Rating Agencies (Amendment etc.) (EU Exit) Regulations 2019 respectively.

Published ratings, criteria, and methodologies are available from this site at all times. Fitch's code of conduct, confidentiality, conflicts of interest, affiliate firewall, compliance, and other relevant policies and procedures are also available from the Code of Conduct section of this site. Directors and shareholders' relevant interests are available at <https://www.fitchratings.com/site/regulatory>. Fitch may have provided another permissible or ancillary service to the rated entity or its related third parties. Details of permissible or ancillary service(s) for which the lead analyst is based in an ESMA- or FCA-registered Fitch Ratings company (or branch of such a company) can be found on the entity summary page for this issuer on the Fitch Ratings website.

In issuing and maintaining its ratings and in making other reports (including forecast information), Fitch relies on factual information it receives from issuers and underwriters and from other sources Fitch believes to be credible. Fitch conducts a reasonable investigation of the factual information relied upon by it in accordance with its ratings methodology, and obtains reasonable verification of that information from independent sources, to the extent such sources are available for a given security or in a given jurisdiction. The manner of Fitch's factual investigation and the scope of the third-party verification it obtains will vary depending on the nature of the rated security and its issuer, the requirements and practices in the jurisdiction in which the rated security is offered and sold and/or the issuer is located, the availability and nature of relevant public information, access to the management of the issuer and its advisers, the availability of pre-existing third-party verifications such as audit reports, agreed-upon procedures letters, appraisals, actuarial reports, engineering reports, legal opinions and other reports provided by third parties, the availability of independent and competent third-party verification sources with respect to the particular security or in the particular jurisdiction of the issuer, and a variety of other factors. Users of Fitch's ratings and reports should understand that neither an enhanced factual investigation nor any third-party verification can ensure that all of the information Fitch relies on in connection with a rating or a report will be accurate and complete. Ultimately, the issuer and its advisers are responsible for the accuracy of the information they provide to Fitch and to the market in offering documents and other reports. In issuing its ratings and its

reports, Fitch must rely on the work of experts, including independent auditors with respect to financial statements and attorneys with respect to legal and tax matters. Further, ratings and forecasts of financial and other information are inherently forward-looking and embody assumptions and predictions about future events that by their nature cannot be verified as facts. As a result, despite any verification of current facts, ratings and forecasts can be affected by future events or conditions that were not anticipated at the time a rating or forecast was issued or affirmed. Fitch Ratings makes routine, commonly-accepted adjustments to reported financial data in accordance with the relevant criteria and/or industry standards to provide financial metric consistency for entities in the same sector or asset class.

The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from 'AAA' to 'D'. Fitch also provides information on best-case rating upgrade scenarios and worst-case rating downgrade scenarios (defined as the 99th percentile of rating transitions, measured in each direction) for international credit ratings, based on historical performance. A simple average across asset classes presents best-case upgrades of 4 notches and worst-case downgrades of 8 notches at the 99th percentile. For more details on sector-specific best- and worst-case scenario credit ratings, please see [Best- and Worst-Case Measures](#) under the Rating Performance page on Fitch's website.

The information in this report is provided "as is" without any representation or warranty of any kind, and Fitch does not represent or warrant that the report or any of its contents will meet any of the requirements of a recipient of the report. A Fitch rating is an opinion as to the creditworthiness of a security. This opinion and reports made by Fitch are based on established criteria and methodologies that Fitch is continuously evaluating and updating. Therefore, ratings and reports are the collective work product of Fitch and no individual, or group of individuals, is solely responsible for a rating or a report. The rating does not address the risk of loss due to risks other than credit risk, unless such risk is specifically mentioned. Fitch is not engaged in the offer or sale of any security. All Fitch reports have shared authorship. Individuals identified in a Fitch report were involved in, but are not solely responsible for, the opinions stated therein. The individuals are named for contact purposes only. A report providing a Fitch rating is neither a prospectus nor a substitute for the information assembled, verified and presented to investors by the issuer and its agents in connection with the sale of the securities. Ratings may be changed or withdrawn at any time for any reason in the sole discretion of Fitch. Fitch does not provide investment advice of any sort. Ratings are not a recommendation to buy, sell, or hold any security. Ratings do not comment on the adequacy of market price, the suitability of any security for a particular investor, or the tax-exempt nature or taxability of payments made in respect to any security. Fitch receives fees from issuers, insurers, guarantors, other obligors, and underwriters for rating securities. Such fees generally vary from US\$1,000 to US\$750,000 (or the applicable currency equivalent) per issue. In certain cases, Fitch will rate all or a number of issues issued by a particular issuer, or insured or guaranteed by a particular insurer or guarantor, for a single annual fee. Such fees are expected to vary from US\$10,000 to US\$1,500,000 (or the applicable currency equivalent). The assignment, publication, or dissemination of a rating by Fitch shall not constitute a consent by Fitch to use its name as an expert in connection with any registration statement filed under the United States securities laws, the Financial Services and Markets Act of 2000 of the United Kingdom, or the securities laws of any particular jurisdiction. Due to the relative efficiency of electronic

publishing and distribution, Fitch research may be available to electronic subscribers up to three days earlier than to print subscribers.

For Australia, New Zealand, Taiwan and South Korea only: Fitch Australia Pty Ltd holds an Australian financial services license (AFS license no. 337123) which authorizes it to provide credit ratings to wholesale clients only. Credit ratings information published by Fitch is not intended to be used by persons who are retail clients within the meaning of the Corporations Act 2001. Fitch Ratings, Inc. is registered with the U.S. Securities and Exchange Commission as a Nationally Recognized Statistical Rating Organization (the "NRSRO"). While certain of the NRSRO's credit rating subsidiaries are listed on Item 3 of Form NRSRO and as such are authorized to issue credit ratings on behalf of the NRSRO (see <https://www.fitchratings.com/site/regulatory>), other credit rating subsidiaries are not listed on Form NRSRO (the "non-NRSROs") and therefore credit ratings issued by those subsidiaries are not issued on behalf of the NRSRO. However, non-NRSRO personnel may participate in determining credit ratings issued by or on behalf of the NRSRO.

dv01, a Fitch Solutions company, and an affiliate of Fitch Ratings, may from time to time serve as loan data agent on certain structured finance transactions rated by Fitch Ratings.

Copyright © 2025 by Fitch Ratings, Inc., Fitch Ratings Ltd. and its subsidiaries. 33 Whitehall Street, NY, NY 10004. Telephone: 1-800-753-4824, (212) 908-0500. Reproduction or retransmission in whole or in part is prohibited except by permission. All rights reserved.

Endorsement policy

Fitch's international credit ratings produced outside the EU or the UK, as the case may be, are endorsed for use by regulated entities within the EU or the UK, respectively, for regulatory purposes, pursuant to the terms of the EU CRA Regulation or the UK Credit Rating Agencies (Amendment etc.) (EU Exit) Regulations 2019, as the case may be. Fitch's approach to endorsement in the EU and the UK can be found on Fitch's [Regulatory Affairs](#) page on Fitch's website. The endorsement status of international credit ratings is provided within the entity summary page for each rated entity and in the transaction detail pages for structured finance transactions on the Fitch website. These disclosures are updated on a daily basis.