AVESTA INVESTMENT GROUP

EUROMONEY AWARDS FOR EXCELLENCE 2025 UZBEKISTAN BEST INVESTMENT BANK

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Microfinance Sector in Uzbekistan:
Market Overview

Summary

The microfinance market continued to expand in 2024–2025, as reflected in the growth of non-bank credit organization loan portfolios and the increasing share of microfinance lending within the financial system. This expansion coincided with the rapid growth of digital lending platforms and increased lending activity across retail and microfinance segments.

At the same time, the expansion of the market was accompanied by increasing differentiation across business models and funding structures. Digital lending expanded rapidly, while microfinance organizations became more reliant on borrowed funding. Aggregate market growth occurred alongside declining average profitability metrics and rising credit risk at the institution level.

The operating environment remained competitive, as commercial banks continued to dominate microloan and microcredit issuance. Traditional banks accounted for the majority of total issuance in 2025, while non-bank credit organizations continued to expand their presence. Over the same period, profitability indicators declined from peak levels observed in 2021–2023, and credit risk indicators remained unchanged, with the average NPL ratio of 2.4% as in 2024.

Structural developments during the period included the dominance of digital lending channels, increased reliance of microfinance organizations on borrowed funding, ongoing regulatory initiatives related to the proposed introduction of microfinance banks, and the expansion of standardized Islamic finance products.

Key Findings and Market Trends

- Regulatory reforms, digitalization of lending processes, and inflows of international funding continued to support the expansion of Uzbekistan's microfinance market.
- As of Q1-Q3 2025, the total volume of microfinancial services reached UZS104 trillion, representing a 1.8x increase compared to the same period of 2024.
- Digital lending became the dominant distribution channel, with online loans accounting for 69% of total MFO disbursements in 2025, compared to 54% in 2024.
- Lending activity in the digital segment remained concentrated among a limited number of platforms.
- Traditional commercial banks continued to dominate the microloan and microcredit segment, accounting for more than 79% of total issuance volumes.
- The average non-performing loan ratio across microfinance organizations remained the same in 2025 in line with the figure in 2024
- Profitability indicators declined compared to peak levels observed in 2021-2023, reflecting increased funding volumes, rising operating expenses, and intensified competition.

Market Research

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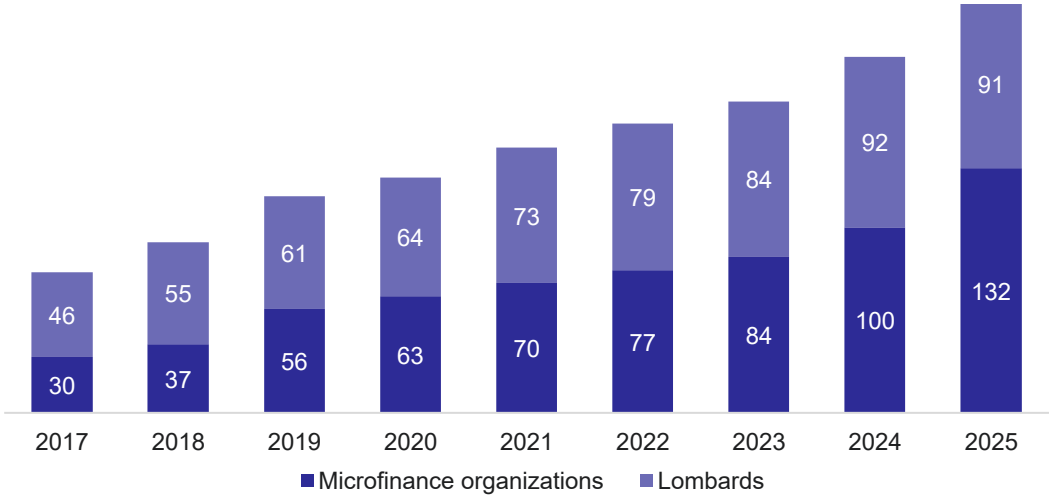
Market Structure and Competitive Landscape

The microfinance sector in Uzbekistan consists of microfinance organizations (MFOs), pawnshops, microfinance banks, and bank affiliated microfinance activities. Over the period from 2017 to 2025, the number of market participants increased steadily, reflecting regulatory liberalization and growing demand for non-bank credit products.

Between 2017 and 2025, the number of licensed microfinance organizations increased from 30 to 132, while the number of pawnshops rose from 46 to 91. The expansion accelerated after 2019, coinciding with legislative changes governing non-banking credit organizations and the gradual digitalization of lending processes. Growth in the number of institutions was driven primarily by the entry of new MFOs, while the number of pawnshops increased at a slower pace.

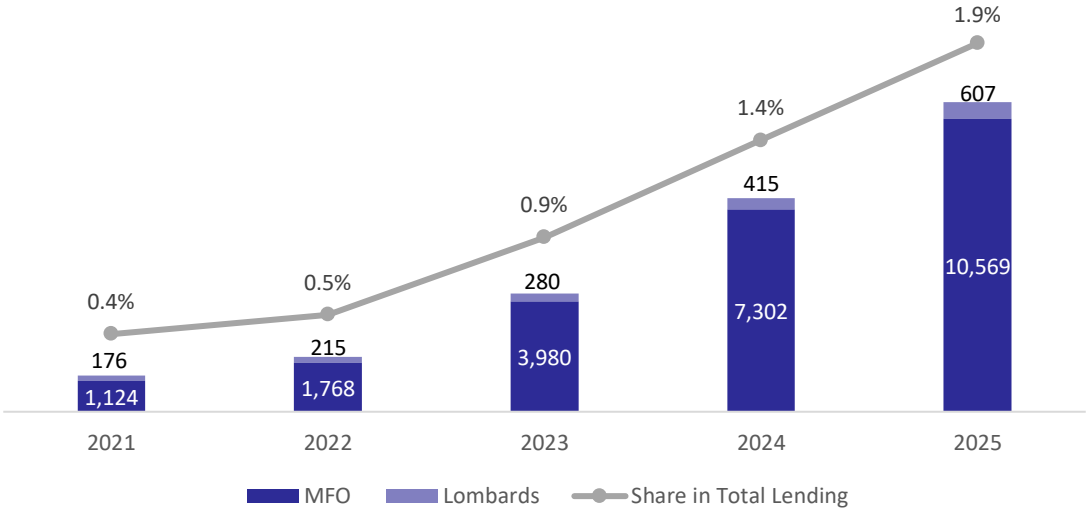
Number of Microfinance Organizations and Lombards



Source: Central Bank of the Republic of Uzbekistan

Despite the increase in the number of non-bank credit organizations, their role in total lending volumes remains limited compared to traditional commercial banks. As at the end of 2025, non-bank credit organizations accounted for approximately 1.9% of total lending in the financial system, compared to 0.4% in 2021. Over the same period, commercial banks continued to dominate the microloan and microcredit segment, accounting for more than 79% of total issuance volumes in 2025.

Net Loan Portfolio and Share of Total Lending



Source: Central Bank of the Republic of Uzbekistan, Avesta Investment Group estimates.

Within the non-bank segment, microfinance organizations represent the core component in terms of lending activity. By the end of 2025, the combined net loan portfolio of MFOs exceeded UZS 10.5 trillion, compared to approximately UZS 11.2 trillion for non-bank credit organizations as a whole. Pawnshops accounted for the remaining portion of the portfolio and demonstrated accelerated growth of approximately 46.3% in 2025, driven by short term collateralized lending.

Digital lending has reshaped the internal structure of the microfinance market. In 2025, online loans accounted for 69% of total MFO disbursements, compared to 54% in 2024. Lending activity in the digital segment remained highly concentrated. A limited number of large digital platforms accounted for a substantial share of online loan issuance, reflecting scale advantages in customer acquisition, technology infrastructure, and data processing.

Traditional branch-based microfinance organizations continued to operate primarily through physical networks, particularly outside major urban centers. These institutions focused on relationship driven lending and maintained localized underwriting practices. As a result, growth rates among traditional MFOs were generally lower than those of digitally focused lenders, while credit performance remained more stable in several cases.

The competitive landscape expanded further in 2025 with the operational launch of microfinance banks. Following legislation adopted in August 2024, the first microfinance banks began accepting retail deposits of up to UZS 200 million per depositor. This regulatory change introduced a new institutional category within the sector and differentiated market participants by funding model, governance requirements, and balance sheet structure.

Islamic finance also contributed to market segmentation. After the finalization of regulatory standards in early 2025, Sharia compliant products such as Murabaha and Ijara expanded across both private and state affiliated institutions. These products were offered by selected banks and non-bank lenders and represented a growing share of microfinance activity.

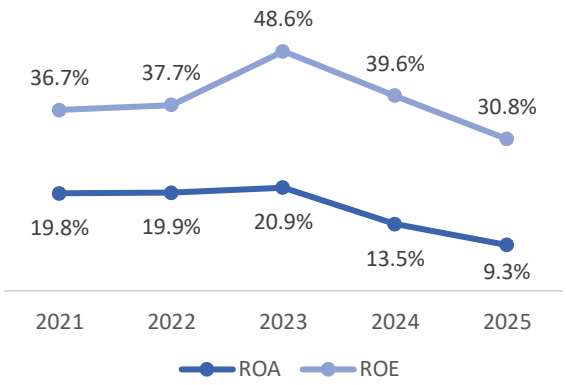
The structure of Uzbekistan’s microfinance market reflects a combination of increasing institutional diversity, persistent dominance of traditional banks in total lending volumes, and rising concentration within the digital lending segment. These structural characteristics provide the basis for assessing profitability, funding structures, and credit risk dynamics across different categories of market participants

Profitability, Funding and Margin Compression

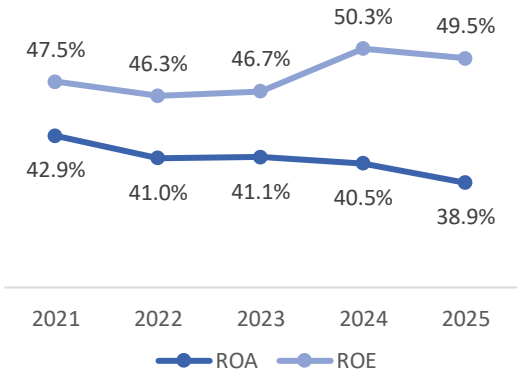
Financial performance indicators of microfinance organizations in Uzbekistan changed materially over the period from 2021 to 2025, reflecting rapid balance sheet expansion, changes in funding structure, and increasing competitive pressure. While profitability levels remained high in absolute terms, key return metrics declined from peak values observed in 2021–2023.

Return on assets of microfinance organizations increased from 19.8% in 2021 to 20.9% in 2023. Beginning in 2024, profitability declined, with ROA decreasing to 13.5%, followed by another decline to 9.3% in 2025. Return on equity followed a similar trajectory, increasing from 36.7% in 2021 to 48.6% in 2023, before declining to 39.6% in 2024 and 30.8% in 2025. The decline in return metrics coincided with higher funding volumes, increased operating expenses, and intensified competition in the microloan and microcredit segment.

ROA and ROE of MFOs



ROA and ROE of Lombards



Source: Central Bank of the Republic of Uzbekistan, Avesta Investment Group estimates.

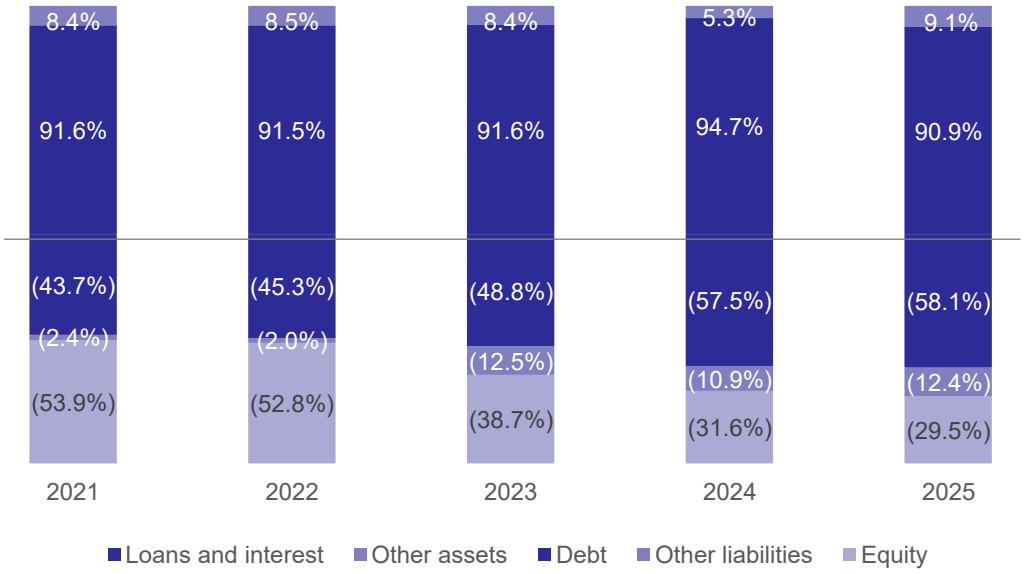
Operating expenses increased alongside digitalization and regulatory tightening. Microfinance organizations invested in mobile lending platforms, biometric identification systems, real time anti-fraud mechanisms, and expanded compliance functions. These investments increased fixed costs, particularly for institutions pursuing rapid digital scaling. At the same time, regulatory requirements related to borrower assessment and reporting added to administrative expenses.

Competitive pressure intensified during 2024–2025. Traditional commercial banks expanded their presence in the microloan and microcredit segment, leveraging lower funding costs and existing customer bases. Fintech platforms and bank affiliated digital channels further increased competition, exerting downward pressure on lending rates and increasing customer acquisition costs for standalone MFOs.

Despite the overall decline in profitability metrics, performance dispersion across institutions increased. Some microfinance organizations maintained higher return levels through conservative growth strategies, lower operating cost growth, and disciplined funding management. Other institutions experienced sharper declines in profitability, reflecting faster portfolio expansion combined with higher funding and operating costs.

The balance sheet structure of Microfinance Organizations (MFOs) in Uzbekistan has undergone a notable transformation between 2021 and 2025, shifting from an equity-heavy model to one increasingly reliant on external funding. In 2021, the sector maintained a conservative stance with equity comprising 53.9% of the total balance structure, while debt stood at 43.7%. Over the subsequent four years, this relationship inverted as MFOs leveraged their positions to fuel rapid market expansion. By 2025, debt became the primary funding source at 58.1%, while the equity share nearly halved to 29.5%, reflecting a maturing industry that is more integrated with credit markets and debt financing.

Balance structure of MFOs



Source: Central Bank of the Republic of Uzbekistan, Avesta Investment Group estimates.

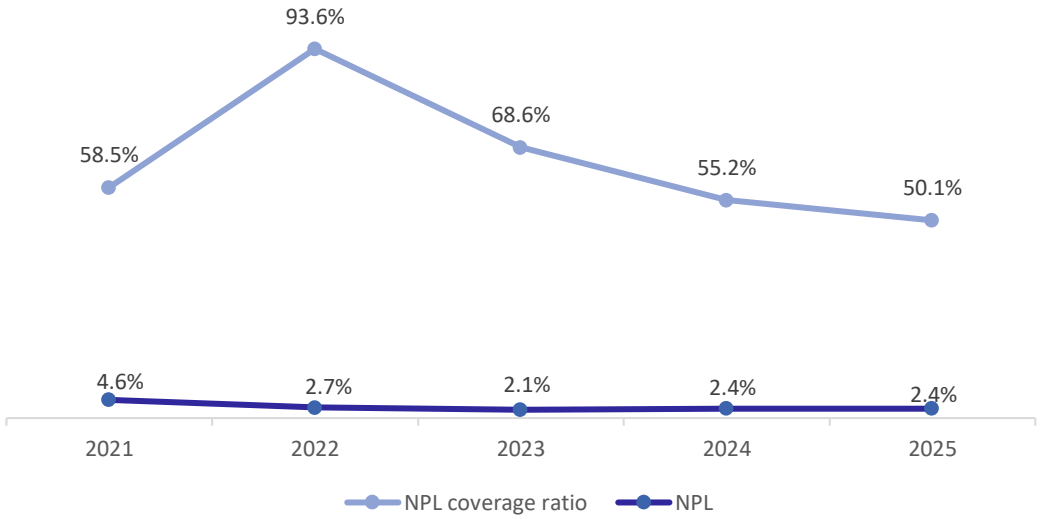
On the asset side of the ledger, the portfolio composition has remained remarkably consistent, underscoring the sector's singular focus on its core mission. Loans and interest consistently represent the vast majority of assets, hovering between 90.9% and 94.7% throughout the five-year period. This stability suggests that despite the aggressive shift in how these organizations are funded, their operational focus remains strictly dedicated to credit issuance. The slight peak in loan concentration in 2024 (94.7%) followed by a marginal dip in 2025 indicates that while lending remains the engine of growth, organizations may be slightly diversifying their asset bases or increasing liquidity as they manage a more leveraged balance sheet.

Credit Risk, NPL Dynamics

Between 2021 and 2025, Uzbekistan's microfinance sector experienced a significant shift in its risk management profile, characterized by a steady improvement in loan performance alongside a sharp contraction in provisioning buffers. After peaking at 4.6% in 2021, the average non-performing loan (NPL) ratio saw a consistent decline, eventually stabilizing at a manageable 2.4% by 2025. This downward trend in defaults initially coincided with a massive strengthening of the NPL coverage ratio, which surged to a high of 93.6% in 2022. However, this period of exceptional resilience proved temporary as the sector transitioned toward more aggressive growth strategies and digital lending expansion.

The subsequent years marked a definitive trend of "coverage erosion," where the growth of loan loss reserves failed to keep pace with the rapidly expanding credit portfolios. From its 2022 peak, the coverage ratio underwent a three-year decline, falling to 68.6% in 2023 and ultimately reaching 50.1% by the end of 2025. While the stable NPL ratio of 2.4% suggests that credit quality remains under control for now, the persistent decline in coverage indicates a narrowing margin of safety. This suggests that the sector is now operating with significantly less protection against potential shocks than it held during the conservative peak of 2022.

Asset Quality: NPL Ratio and Coverage



Source: Central Bank of the Republic of Uzbekistan, Avesta Investment Group estimates.

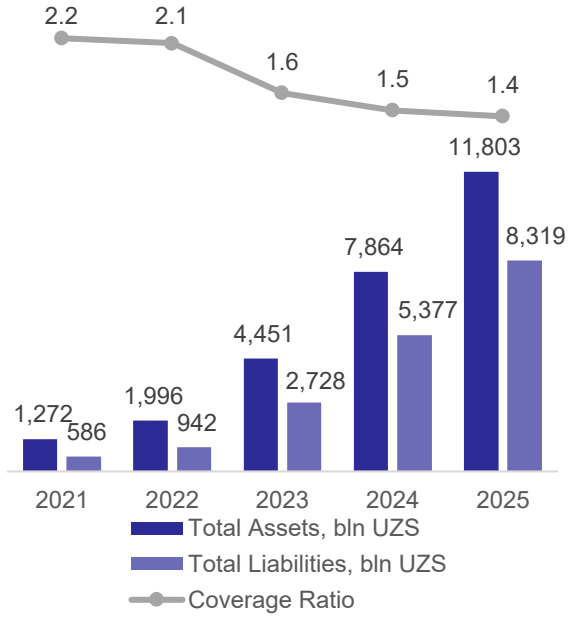
Credit performance differed materially across institutions and business models. Digitally focused microfinance organizations experienced faster increases in NPL ratios as loan portfolios expanded rapidly and matured. In several cases, institutions that previously reported minimal levels of problem loans recorded higher NPL ratios as portfolio seasoning effects became more visible.

Traditional branch-based microfinance organizations demonstrated comparatively more stable asset quality indicators. Localized underwriting practices, smaller average loan sizes, and closer borrower relationships contributed to slower deterioration in credit quality for a number of such institutions. As a result, dispersion in NPL ratios across the sector increased during the period.

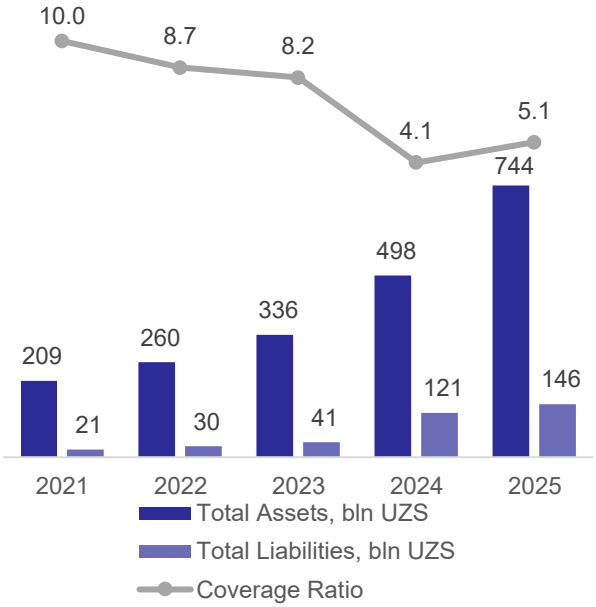
Regulatory and operational measures influenced credit risk dynamics. The introduction of mandatory biometric identification in late 2024 and enhanced borrower assessment requirements in 2025 improved borrower verification and reduced fraud-related risks. At the same time, these measures constrained marginal borrower acquisition and increased operational complexity for lenders.

Sector concentration also played a role in aggregate credit dynamics. A significant portion of digital lending volumes was concentrated among a limited number of large platforms, amplifying the impact of credit performance at individual institutions on overall sector indicators. Despite this concentration, the presence of diversified funding sources and regulatory oversight mitigated systemic risks.

MFO's Assets, Liabilities and Coverage Ratio



Lombards Assets, Liabilities and Coverage Ratio



Source: Central Bank of the Republic of Uzbekistan, Avesta Investment Group estimates.

The microfinance organization sector has experienced explosive growth over the last five years, with total assets ballooning from 1,272 billion UZS in 2021 to 11,803 billion UZS by 2025. While total liabilities followed a similar upward trajectory, reaching 8,319 billion UZS in 2025, the pace of asset accumulation has significantly outstripped the growth of debt obligations. Despite this massive scale-up, the MFO coverage ratio has entered a period of steady compression, declining from 2.2 in 2021 to 1.4 in 2025. This trend suggests that while the sector is expanding rapidly, its equity-to-asset margin is tightening as it becomes increasingly leveraged to fund its broader reach.

In contrast, the Lombard sector exhibits a more volatile relationship between balance sheet growth and risk coverage. While assets grew from 209 billion UZS to 744 billion UZS during the period, the Lombard coverage ratio, which started at a robust 10.0 in 2021, underwent a dramatic collapse to a low of 4.1 in 2024 before rebounding slightly to 5.1 in 2025. This fluctuation in coverage coincided with a sharp rise in liabilities in 2024 and 2025, indicating a shift toward external financing. Ultimately, both sectors reflect a broader maturing of the Uzbek microcredit market, where organizations are moving away from exceptionally high capital buffers in favor of more efficient, leveraged balance sheet management.

Top 20 Microfinance Organizations

The table below presents the largest microfinance organizations in Uzbekistan ranked by loan portfolio size as of January 1, 2025 and 2026. The data illustrates differences in portfolio growth dynamics and asset quality across leading market participants.

Top 20 Microfinance Organizations by Loan Portfolio

No	Name	As of 1st January 2025,		As of 1st January 2026,	
		Loan portfolio	NPL	Loan portfolio	NPL
1	TEZCOIN	842.6	0.0%	3,459.8	2.2%
2	SHAFFOF-MOLIYA	2,206.9	4.3%	1,863.8	3.8%
3	FORTUNA BIZNES	1,071.4	0.9%	1,019.6	0.8%
4	VODIY TARAQQIYOT	625.9	0.8%	670.6	1.0%
5	HAMROH	374.6	0.7%	355.7	2.3%
6	DELTA	203.7	1.0%	320.2	0.8%
7	RENESANS	194.4	0.4%	258.4	0.6%
8	BIZNES FINANS	132	0.7%	220	0.5%
9	CASH U	124.1	0.1%	199.3	0.3%
10	EHTIROM PLUS	112.9	0.6%	157.8	3.3%
11	OLTIN YULDUZ PLUS	130.2	0.4%	156.2	1.7%
12	AGAT CREDIT	80.8	6.7%	146.6	3.9%
13	BIZNESGA KUMAKLASHISH	-	-	133.1	0.0%
14	OASISCREDIT	87.6	1.6%	128.9	2.3%
15	PULMAN	177.6	5.0%	111.8	5.1%
16	YANGI FINANCE	141.7	13.2%	105.3	7.4%
17	FAST FINANCING SERVICE	36	1.1%	84	0.9%
18	PAYLATER	19.6	1.9%	79.7	7.5%
19	CLEVER	62.8	1.0%	75.7	0.5%
20	EASY FINANS	40	0.0%	62.5	0.0%
OTHERS		878.1	5.0%	1,229.8	6.7%
TOTAL		**7,543.3**	**2.4%**	**10,838.4**	**2.4%**

Source: Central Bank of the Republic of Uzbekistan, Avesta Investment Group estimates

As of January 1, 2026, Tezcoin held the largest loan portfolio among microfinance organizations, increasing its portfolio from UZS 842.6 billion at the beginning of the year to UZS 3,459.8 billion. Shaffof-Moliya ranked second by portfolio size, although its loan book declined from UZS 2,206.9 billion to UZS 1,863.8 billion over a year. Fortuna Biznes recorded a slight decline in portfolio size, from UZS 1,071.4 billion to UZS 1,019.6 billion.

Several mid-sized institutions demonstrated portfolio growth during the period. Vodiy Taraqqiyot increased its loan portfolio from UZS 625.9 billion to UZS 670.6 billion, while Delta expanded from UZS 203.7 billion to UZS 320.2 billion. Biznes Finans, Cash U, and Renesans also reported portfolio growth during 2025.

Asset quality indicators varied across institutions. The average non-performing loan ratio across all organizations stood at 2.4%. Tezcoin's NPL ratio increased from 0% to 2.2%, while Paylater and Yangi Finance reported one of the highest NPL ratios among the largest lenders. Several institutions reported stable or improving asset quality. Agat Credit reduced its NPL ratio from 6.7% to 3.9%, while Renesans and Biznes Finans maintained NPL ratios below 1% as of January 2026.

Overall, the data highlight significant dispersion in portfolio growth and credit quality among leading microfinance organizations. Differences reflect variations in growth strategies, borrower segments, and underwriting practices rather than uniform sector-wide trends.

Outlook

The microfinance market in Uzbekistan is expected to continue expanding, supported by sustained demand for small ticket lending among private individuals and self-employed borrowers, further digital penetration, and ongoing access to domestic and international funding sources. Growth in lending volumes is likely to moderate compared to the rapid expansion observed in 2023–2024.

Structural characteristics observed in 2024–2025 are expected to persist. Digital lending is likely to remain the dominant distribution channel for microfinance organizations, while traditional commercial banks are expected to continue accounting for the majority of microloan and microcredit issuance. Non-bank credit organizations are expected to gradually increase their share of total lending from a relatively low base.

Profitability indicators are expected to remain below peak levels observed in earlier years, reflecting higher funding volumes, increased operating and compliance expenses, and competitive pressure from banks and fintech platforms. Funding structures are likely to remain characterized by a high share of borrowed capital, while microfinance banks may continue to expand the role of deposit-based funding within the sector.

Credit risk indicators are expected to remain elevated relative to the 2021–2023 period. Portfolio seasoning continued digital expansion, and changes in borrower assessment standards are likely to influence asset quality dynamics across institutions. Differences in underwriting practices and portfolio management are expected to remain a key source of dispersion in credit performance.

International financial institutions are expected to remain active participants in the sector through funding programs and technical assistance. Islamic finance products are expected to remain part of the microfinance landscape following regulatory standardization.

Overall, the outlook for Uzbekistan’s microfinance sector reflects continued growth alongside increased differentiation across institutions in terms of scale, funding structure, profitability, and credit risk.

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