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Article

Analysis of the Organizational Structure and Management Processes of Lending Activities in Commercial Banks

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Abstract: The article examines the organizational structure of lending activities in commercial banks and the management processes through which credit decisions are prepared, approved, monitored and controlled. Drawing on the data of the Central Bank of the Republic of Uzbekistan for 2020–2026, the study analyses the institutional configuration of the banking sector, the dynamics and structure of the aggregate loan portfolio by borrower, maturity, currency, sector and purpose, the quality of loans and the efficiency of credit risk management. The analysis shows that the loan portfolio of commercial banks nearly tripled over the period, from 211.6 trillion soums to 623.3 trillion soums, while its structure shifted markedly towards retail lending, national-currency lending and working-capital financing. At the same time, the share of state-owned banks in total lending declined from 88.2 per cent to 66.7 per cent, the physical branch network was replaced by service centres and 24/7 self-service points, and the non-performing loan ratio, after peaking at 5.2 per cent in 2022, stabilized at around 3 per cent. Based on these findings, the article proposes directions for improving the organizational design of credit departments, the credit approval and monitoring cycle, and the risk-based management of lending in Uzbek commercial banks.

Keywords: commercial banks, lending activity, credit process, organizational structure, credit risk management, loan portfolio, non-performing loans, Uzbekistan.

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1. Introduction

Lending is the core business of a commercial bank. It generates the largest share of interest income, determines the level of credit risk assumed by the institution, and links the banking system to the real economy by converting deposits and other borrowed funds into productive investment and household consumption. How effectively a bank performs this function depends not only on the volume of resources at its disposal, but on the way its lending activity is organized: how responsibilities are distributed between front-office, risk and back-office units, how credit decisions are prepared and approved, how disbursed loans are monitored, and how problem exposures are identified and resolved.[1][2]

In the Republic of Uzbekistan, the organization of bank lending has been undergoing deep transformation since 2017. The liberalization of the foreign-exchange market, the transition of the Central Bank to an inflation-targeting regime, the adoption of the Strategy for Reforming the Banking System for 2020–2025, the privatization of several state-owned banks and the entry of new private and foreign-owned institutions have changed both the competitive environment and the internal management practices of banks. Commercial banks have moved from the predominantly directed and preferential

lending of state programmes towards market-based lending, which places new demands on the organizational structure of credit departments, on credit risk management and on the digitalization of the credit process.[3]

The purpose of this article is to analyse the organizational structure of lending activities in commercial banks and the management processes that underpin them, using the statistical data of the Central Bank of the Republic of Uzbekistan for 2020–2026. The study pursues three tasks: first, to describe the theoretical model of the organization of bank lending and the stages of the credit process; second, to assess, on the basis of official statistics, the institutional structure of the banking sector and the dynamics and composition of the aggregate loan portfolio; third, to evaluate the effectiveness of credit management through indicators of loan quality, capital adequacy and profitability, and to formulate recommendations for improving the management of lending in Uzbek banks.[4]

The organizational design of bank lending has long been a subject of academic research. Early contributions treated the credit process as a sequence of information-gathering and decision stages aimed at overcoming the asymmetry of information between lender and borrower (Stiglitz and Weiss, 1981; Diamond, 1984). From this perspective, the credit department of a bank is an institution for the production of information: screening before the loan is granted and monitoring after it is disbursed are its two fundamental functions, and the organizational structure should be built so as to perform them at minimum cost.[5]

A second strand of research focuses on the separation of duties within the credit function. Rose and Hudgins (2013) and Koch and MacDonald (2015) describe the classical division between relationship managers who originate loans, credit analysts who assess them, credit committees that approve them, and loan-administration units that service them. The Basel Committee on Banking Supervision (2000) formalized these requirements in its Principles for the Management of Credit Risk, emphasising the independence of the risk function from business units, the establishment of credit limits and approval authorities, and the maintenance of an adequate credit administration, measurement and monitoring process. Subsequent work on bank governance (Laeven and Levine, 2009; Ellul and Yerramilli, 2013) showed that banks with stronger and more independent risk-management structures assumed less risk and performed better during the global financial crisis.[6]

A third line of literature examines the relationship between organizational form and lending technology. Stein (2002) argued that hierarchical, centralized organizations are better suited to transaction-based lending that relies on hard, verifiable information, whereas decentralized organizations are more effective in relationship lending based on soft information. Berger and Udell (2006) developed this idea into a framework of lending technologies, each requiring a specific allocation of decision rights between the branch and the head office. More recent studies address the digital transformation of the credit process, including credit scoring, automated decision engines and remote servicing channels, which reduce the need for a dense branch network while raising requirements for data quality and model risk management (Frost et al., 2019).[7]

In Uzbekistan, the problems of organizing and managing bank lending have been studied by Abdullaeva (2017), Bobakulov (2019), Khudoykulov (2022) and other authors, who examined the credit policy of commercial banks, the quality of the loan portfolio and the regulatory framework of credit risk. The present article contributes to this literature by combining the organizational perspective with an analysis of the most recent sectoral statistics covering the period of banking reform.

2. Materials and Methods

The study is based on the methods of systemic and structural analysis, comparison, grouping, and the calculation of relative and dynamic indicators. The organizational structure of lending is examined through the prism of the credit process,

understood as a cycle of interrelated stages: development of credit policy; attraction and preliminary screening of applicants; credit analysis and assessment of creditworthiness; structuring of the transaction and collateral; approval by the authorized body; disbursement and credit administration; monitoring of the borrower and of collateral; classification of loans and provisioning; and work with problem assets.[8]

The empirical basis of the research is the Statistical Bulletin of the Central Bank of the Republic of Uzbekistan for March 2026, which contains monthly data on the number of credit institutions and their structural units, the main indicators of commercial banks, the structure of the loan portfolio by borrowers, maturities, sectors and purposes, non-performing loans, capital adequacy, liquidity and profitability of the banking system, as well as the grouping of banks by the size of assets. The period of analysis covers 1 January 2020 to 1 April 2026. All stock indicators are taken as of the beginning of the year (1 January) and as of the latest reporting date (1 April 2026); flow indicators (loans disbursed) are taken for calendar years and for the first quarter of 2026. Monetary values are expressed in trillions of Uzbek soums (1 trillion = 1,000 billion); structural indicators are calculated by the author as percentage shares of the respective totals.[9]

3. Results and Discussion

3.1 Organizational model of lending in a commercial bank.

In modern banking practice, the lending function is organized on the basis of three lines of defence. The first line consists of business units: corporate, SME and retail lending departments, branch credit officers and relationship managers, who attract borrowers, collect documents and prepare credit applications. The second line is formed by independent units of credit risk management, which assess the creditworthiness of the borrower, set internal limits, develop rating and scoring models, classify loans and calculate provisions, together with the compliance and legal services, which verify the legality of the transaction and the enforceability of collateral. The third line is internal audit, which periodically checks the compliance of credit operations with the credit policy and internal regulations.[10]

Decision-making authority is distributed hierarchically. Large and non-standard exposures are approved by the credit committee of the head office or by the supervisory board; medium-sized exposures by regional credit committees; and standard retail and micro loans by automated decision systems within limits delegated to branches and service centres. The credit administration (middle office) is responsible for the opening of loan accounts, control over the fulfilment of the conditions precedent, registration of collateral and maintenance of the credit file, while the back office performs accounting and reporting. The problem-asset unit takes over exposures that migrate to the non-performing category and organizes restructuring, collateral enforcement or write-off.[11]

Such an organizational model requires that the bank's internal regulations clearly define the credit policy, the limits of authority of each level, the criteria of creditworthiness, the procedures of monitoring and the classification of assets. The quality of these management processes is ultimately reflected in the structure, growth and quality of the aggregate loan portfolio, which is analysed below.

3.2. Institutional structure of the banking sector.

Table 1 shows how the institutional configuration of the credit market in Uzbekistan changed between 2020 and 2026. The number of commercial banks rose from 30 to 35, but the composition changed qualitatively: the number of banks with a state share fell from 13 to 9 as a result of privatization and consolidation, whereas the number of other (private and foreign-owned) banks increased from 17 to 25. A microfinance bank appeared as a new type of credit institution, and the non-bank segment expanded almost twofold, from 117 to 224 organizations.

Table 1. Number of credit institutions and their structural units in the Republic of Uzbekistan

Indicator	01.01.2020	01.01.2022	01.01.2024	01.01.2026	01.04.2026
Credit institutions, total	147	177	204	260	259
Commercial banks, of which:	30	33	35	36	35
banks with a state share	13	12	10	9	9
other banks	17	21	25	26	25
Microfinance banks	–	–	–	1	1
Non-bank credit institutions	117	144	169	224	224
Branches of commercial banks	850	860	696	288	288
Banking service centres (service offices and mini-banks)	1050	1244	1816	1729	1715
24/7 self-service points	902	2287	3723	5615	6197

Source: compiled by the author on the basis of the Central Bank of the Republic of Uzbekistan, Statistical Bulletin, March 2026.

The most striking organizational change concerns the distribution network through which loans are originated and serviced. The number of full-scale branches of commercial banks fell from 850 at the beginning of 2020 to 288 by the beginning of 2026, a reduction of two-thirds, while the number of banking service centres (service offices and mini-banks) grew to more than 1,700 and the number of 24/7 self-service points increased almost sevenfold, from 902 to 6,197. This reflects a deliberate restructuring of the lending organization: branches with their own balance sheets and credit committees have been replaced by lighter sales points that collect applications and transmit them to centralized underwriting and decision-making centres at head offices. Credit analysis, scoring, collateral valuation and monitoring are thereby concentrated in specialized divisions, which reduces operating costs, standardizes decisions and strengthens control, but also raises the importance of information systems and of the quality of data on which centralized decisions are based.[12]

3.3 Dynamics and ownership structure of the loan portfolio

The aggregate loan portfolio of commercial banks grew from 211.6 trillion soums at the beginning of 2020 to 623.3 trillion soums on 1 April 2026, that is, 2.9 times (Table 2). Over the same period, total assets of the banking system increased 3.5 times and deposits 4.8 times, so that the share of loans in total assets declined from 77.6 to 65.0 per cent, while the ratio of deposits to loans improved from 43.0 to 69.6 per cent. In other words, lending expansion has become progressively more reliant on domestic deposit funding rather than on external borrowing and state resources, which is a sign of a more sustainable funding model.[13]

Table 2. Main indicators of commercial banks of the Republic of Uzbekistan, trillion soums

Indicator	01.01.2020	01.01.2022	01.01.2024	01.01.2025	01.01.2026	01.04.2026
Assets, total	272.7	444.9	652.2	769.3	924.8	959.4
Loans, total	211.6	326.4	471.4	533.1	604.0	623.3
banks with a state share	186.6	280.1	333.3	366.7	404.5	415.6
other banks	25.0	46.3	138.1	166.4	199.5	207.7
Share of state-share banks in loans, %	88.2	85.8	70.7	68.8	67.0	66.7
Deposits, total	91.0	156.2	241.7	308.7	417.3	433.9
Capital, total	51.0	70.9	97.1	114.8	135.3	141.5
Loans / assets, %	77.6	73.4	72.3	69.3	65.3	65.0

Indicator	01.01.2020	01.01.2022	01.01.2024	01.01.2025	01.01.2026	01.04.2026
Deposits / loans, %	43.0	47.9	51.3	57.9	69.1	69.6

Source: compiled by the author on the basis of the Central Bank of the Republic of Uzbekistan, Statistical Bulletin, March 2026, shares calculated by the author.

The ownership structure of lending changed radically. The loan portfolio of banks with a state share grew 2.2 times, whereas that of other banks grew 8.3 times, from 25.0 to 207.7 trillion soums. As a result, the share of state-owned banks in total loans fell from 88.2 per cent at the beginning of 2020 to 66.7 per cent on 1 April 2026. The sharpest shift occurred in 2023, when the privatization of Ipoteka-bank transferred a large portfolio into the private segment. From the standpoint of the organization of lending this means that an increasing share of credit decisions in the economy is taken on commercial rather than programme criteria, by banks whose credit committees are accountable to private shareholders and whose credit policies are oriented towards risk-adjusted returns.[14]

The flow of newly disbursed loans confirms the acceleration of credit activity. Annual disbursements rose from 127.2 trillion soums in 2020 to 390.0 trillion soums in 2025, and in the first quarter of 2026 banks disbursed 90.0 trillion soums, 9.1 per cent more than in the first quarter of 2025. Within the 2025 disbursements, 276.4 trillion soums (70.9 per cent) were in national currency, compared with 62.1 per cent in 2020, which reflects the de-dollarization of lending and the growing role of soum-denominated retail and SME products.[15]

3.4 Structure of the loan portfolio by borrower, currency and maturity

Table 3 presents the composition of the loan portfolio by category of borrower, currency and maturity. The most important structural change is the rise of retail lending. Loans to individuals grew from 39.9 trillion soums to 227.1 trillion soums, 5.7 times, and their share in the portfolio almost doubled, from 18.9 to 36.4 per cent. Loans to individual entrepreneurs, although small in absolute terms, grew 7.6 times. Loans to legal entities grew 2.2 times, and their share declined from 79.9 to 60.3 per cent.

Table 3. Structure of the loan portfolio of commercial banks by borrower, currency and maturity, %

Indicator	01.01.2020	01.01.2022	01.01.2024	01.01.2026	01.04.2026
Loan portfolio, trillion soums	211.6	326.4	471.4	604.0	623.3
By borrower:					
legal entities	79.9	77.5	67.0	60.4	60.3
individual entrepreneurs	1.3	1.2	1.5	3.2	3.3
individuals	18.9	21.3	31.5	36.5	36.4
By currency:					
national currency	52.3	50.2	55.0	60.8	60.5
foreign currency	47.7	49.8	45.0	39.2	39.5
By maturity:					
short-term (up to 1 year)	8.5	10.2	13.0	12.0	11.7
long-term (over 1 year)	91.5	89.8	87.0	88.0	88.3

Source: compiled by the author on the basis of the Central Bank of the Republic of Uzbekistan, Statistical Bulletin, March 2026, shares calculated by the author.

The growth of retail lending has direct organizational consequences. Retail loans are numerous, small and homogeneous; they cannot be processed efficiently by traditional credit committees and require scoring models, automated decision engines, centralized verification and digital channels of origination and servicing. The replacement of branches by service centres and self-service points described above is thus closely linked to the change in the composition of the portfolio. At the same time, the concentration of retail

credit, in particular unsecured consumer loans and microloans, calls for prudent macroprudential and internal limits on the debt burden of households, which the Central Bank introduced in 2023–2025.

The currency structure has improved: the share of foreign-currency loans fell from 47.7 to 39.5 per cent. Foreign-currency loans are almost entirely extended to legal entities (242.8 of 246.3 trillion soums on 1 April 2026), many of which have no foreign-currency revenues, so this exposure remains a significant source of indirect credit risk that must be managed through currency-matching requirements, stress testing and higher risk weights. The maturity structure is dominated by long-term loans (88.3 per cent), which reflects the investment orientation of corporate lending and the weight of mortgage lending in the retail segment, but also creates a maturity mismatch with the deposit base and increases the importance of liquidity management and of the monitoring of long-term projects.[16]

3.5 Sectoral and purpose structure of lending

The allocation of credit across sectors of the economy and across purposes (Table 4) indicates how the credit policies of banks have been reoriented. The share of industry in the portfolio fell from 35.7 to 22.3 per cent, and the share of transport and communications from 11.1 to 5.6 per cent; these were the sectors most dependent on large state-directed investment loans, often in foreign currency. Conversely, the shares of agriculture (from 8.1 to 10.2 per cent), construction (from 2.8 to 3.3 per cent), trade and services (from 6.8 to 7.5 per cent) and especially individuals (from 18.9 to 36.4 per cent) increased.

Table 4. Structure of the loan portfolio of commercial banks by sector and purpose, %

Indicator	01.01.2020	01.01.2022	01.01.2024	01.01.2026	01.04.2026
By sector:					
industry	35.7	36.0	29.7	23.6	22.3
agriculture	8.1	10.7	10.0	10.1	10.2
construction	2.8	2.8	2.6	3.1	3.3
trade and services	6.8	8.4	6.9	7.2	7.5
transport and communications	11.1	8.8	7.3	5.6	5.6
individuals	18.9	21.3	31.5	36.5	36.4
other sectors	16.6	12.0	12.0	13.9	14.7
By purpose:					
acquisition of fixed assets	44.3	38.9	32.0	25.1	23.1
replenishment of working capital	14.8	17.7	18.2	23.8	24.0
new construction and reconstruction	10.9	7.9	5.6	5.7	6.2
housing construction and purchase by households	9.7	11.5	13.2	13.1	15.3
other purposes	20.2	24.0	31.0	32.2	31.4

Source: compiled by the author on the basis of the Central Bank of the Republic of Uzbekistan, Statistical Bulletin, March 2026, shares calculated by the author. "Other sectors" includes material and technical supply and housing and communal services.

By purpose, the share of loans for the acquisition of fixed assets fell from 44.3 to 23.1 per cent, whereas the share of working-capital loans rose from 14.8 to 24.0 per cent, and the share of housing loans from 9.7 to 15.3 per cent. The portfolio has therefore become shorter in economic (if not contractual) terms, more diversified and more granular. For the organization of credit management this implies a shift from project-finance type analysis of large investment loans, performed by a small number of highly qualified analysts, towards the mass processing of working-capital, SME and mortgage applications, which requires standardized products, cash-flow based assessment of creditworthiness, portfolio-level monitoring and early-warning systems.

3.6 Quality of the loan portfolio and efficiency of credit management

The effectiveness of the organization of lending and of credit risk management is ultimately measured by the quality of the portfolio and by the financial results of the bank. Table 5 summarises the relevant indicators. The non-performing loan (NPL) ratio rose from 1.5 per cent at the beginning of 2020 to a peak of 5.2 per cent at the beginning of 2022, reflecting the consequences of the pandemic, the expiry of repayment holidays and the stricter recognition of problem assets after the introduction of the new asset-classification rules. Since then the ratio has declined and stabilized at around 3 per cent (3.0 per cent on 1 January 2026 and 3.2 per cent on 1 April 2026).

Table 5. Indicators of loan quality, capital adequacy and profitability of the banking system

Indicator	01.01.2020	01.01.2022	01.01.2024	01.01.2025	01.01.2026	01.04.2026
Non-performing loans, trillion soums	3.2	17.0	16.6	21.2	18.1	19.9
NPL ratio, total, %	1.5	5.2	3.5	4.0	3.0	3.2
banks with a state share, %	1.5	5.4	4.0	3.9	3.2	3.4
other banks, %	1.4	4.1	2.4	4.1	2.6	2.7
Regulatory capital adequacy ratio, %	23.5	17.5	17.5	17.4	18.3	18.5
Tier 1 capital adequacy ratio, %	19.6	14.6	14.1	14.3	15.2	15.8
Liquidity coverage ratio, %	208.5	189.6	164.8	193.8	207.5	244.6
Net interest income on loans / loan portfolio, %	4.7	5.1	6.2	6.4	6.3	6.3
Return on assets (ROA), %	2.2	1.3	2.6	1.4	2.2	2.6
Return on equity (ROE), %	16.7	6.1	14.2	6.6	12.4	16.0

Source: compiled by the author on the basis of the Central Bank of the Republic of Uzbekistan, Statistical Bulletin, March 2026.

Two features of the NPL dynamics deserve attention. First, the quality of loans is systematically weaker in banks with a state share (3.4 per cent on 1 April 2026) than in other banks (2.7 per cent), which is consistent with the legacy of directed lending and with less developed risk-management functions in some state-owned institutions. Second, the level of NPLs in absolute terms (19.9 trillion soums) continues to grow, so that the improvement in the ratio is to a considerable extent the result of rapid portfolio growth; the real test of credit management will come when the growth of lending slows down. This underlines the importance of forward-looking monitoring, including the identification of restructured and watch-list loans that are not yet classified as non-performing.

Capital adequacy remains well above the regulatory minimum of 13 per cent, although the regulatory capital ratio fell from 23.5 per cent in 2020 to 17.4–18.5 per cent in 2025–2026 as the risk-weighted assets of banks expanded faster than capital. Liquidity indicators are strong: the liquidity coverage ratio stood at 244.6 per cent and the net stable funding ratio at 140.0 per cent on 1 April 2026, which gives banks room to continue lending but also signals that part of the resource base is not yet effectively transformed into credit. The profitability of lending has improved: net interest income on loans relative to the loan portfolio rose from 4.7 to 6.3 per cent, and return on equity reached 16.0 per cent in annualized terms in the first quarter of 2026. The dips in ROA and ROE at the beginning of 2022 and 2025 coincide with periods of elevated provisioning, illustrating how the cost of credit risk directly determines the financial results of banks.

The grouping of banks by size of assets (Table 5.1.11 of the Bulletin) reveals an important organizational asymmetry. On 1 April 2026, eleven banks with assets of 30 trillion soums or more held 500.9 trillion soums of loans, or 80.4 per cent of the total portfolio, with a capital adequacy ratio of 17.9 per cent and ROE of 13.6 per cent. Eighteen medium-sized banks with assets between 3 and 30 trillion soums accounted for 19.2 per cent of loans but achieved markedly higher returns on equity (24.0–24.8 per cent), while the five smallest banks held only 0.4 per cent of loans with a capital adequacy ratio of 44.9

per cent and ROE of 2.8 per cent. Medium-sized, predominantly private banks have thus built the most efficient lending organizations, whereas the largest banks carry the burden of legacy portfolios and the smallest banks have not yet reached the scale at which a full-fledged credit infrastructure pays off.

Finally, the weighted average interest rate on new loans in national currency declined only moderately, from 25.8 per cent in January 2020 to 22.3 per cent in March 2026, and short-term loans to individuals remain the most expensive segment (27.8 per cent). The persistently high cost of credit reflects the level of the policy rate and inflation, but also the operating costs and risk premia embedded in the credit process; improving the organization of lending is therefore one of the levers through which banks can reduce the cost of credit for the economy.

3.6 Directions for Improving the Organization and Management of Lending

The analysis allows several conclusions about the state of the lending organization in Uzbek commercial banks and about the directions of its further development.

First, the centralization of credit decision-making, which accompanied the reduction of the branch network, should be complemented by a clear segmentation of the credit process by client type. For corporate and project lending, banks need specialized industry teams of credit analysts, a formalized rating system and a credit committee structure with graduated approval authorities; for SME lending, a cash-flow based assessment methodology combined with simplified products; and for retail lending, fully automated scoring and decision engines with model-validation and model-risk management functions that are independent of the business line.

Second, the organizational separation of the three lines of defence must be made effective rather than formal. The credit risk function should report to the supervisory board's risk committee, participate in the credit committee with a right of veto on exposures above a given threshold, and own the methodology for the classification of assets and provisioning. The difference in asset quality between state-owned and other banks suggests that the strengthening of independent risk management is particularly urgent in banks with a state share, where the privatization process should be accompanied by the reform of governance and credit procedures.

Third, the monitoring stage of the credit process requires the greatest improvement. Given that the loan portfolio is 88 per cent long-term and that almost 40 per cent of it is denominated in foreign currency, banks should introduce early-warning systems based on behavioural indicators, covenant tracking and regular revaluation of collateral; a dedicated unit for problem assets with clear triggers for the transfer of exposures and a toolkit of restructuring options; and regular stress testing of the portfolio for exchange-rate, interest-rate and sectoral shocks, with the results feeding back into limit setting and pricing.

Fourth, the management of lending should be increasingly portfolio-based. Concentration limits by sector, borrower group, currency and product, the pricing of loans on a risk-adjusted basis (RAROC), and the use of the information from credit bureaus and from the Central Bank's debt-burden indicators would allow banks to manage the trade-off between growth and quality consciously rather than reactively. The rapid growth of retail lending, in particular, makes it necessary to monitor the debt-service-to-income ratios of households and to align the incentives of sales staff with the long-term quality of the loans they originate.

Fifth, digitalization should extend beyond the front office to the entire credit cycle: electronic credit files, integration with state registers for the verification of income and collateral, automated post-disbursement monitoring and data warehouses that allow the risk function to analyse the portfolio in real time. The infrastructure of more than 6,000 self-service points and 1,700 service centres created in recent years will yield its full effect only if the back-office and risk processes behind it are equally modernized.

4. Conclusion

The organization of lending in commercial banks of Uzbekistan has undergone a profound transformation in 2020–2026. The loan portfolio nearly tripled to 623.3 trillion soums, the share of state-owned banks in lending fell from 88 to 67 per cent, retail loans grew to more than a third of the portfolio, foreign-currency lending declined to below 40 per cent, and the branch-based model of credit origination was replaced by a network of service centres and self-service points linked to centralized underwriting. The quality of the portfolio, after deteriorating in 2020–2022, has stabilized at an NPL ratio of about 3 per cent, and the profitability of lending has improved, while capital and liquidity buffers remain comfortable.

These results indicate that the organizational reforms of the credit process have on the whole been effective. However, the persistence of higher NPL ratios in state-owned banks, the continued growth of problem loans in absolute terms, the high share of long-term and foreign-currency exposures and the still high cost of credit point to the need for further improvement of credit management. The priority directions are the effective independence of the risk function, the segmentation and automation of the credit process by client type, the strengthening of monitoring and early-warning systems, the transition to portfolio-based and risk-adjusted management of lending, and the end-to-end digitalization of the credit cycle. Implementing these measures would allow commercial banks to sustain the growth of lending to the economy while keeping credit risk within acceptable limits and gradually reducing the cost of credit for enterprises and households.

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