



# Capital Market of Uzbekistan

## Investors' View

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Cbonds, Uzbekistan  
September 13, 2018

Увидимся в **13 Сентября 2018**  
Международная конференция CBONDS  
«Рынок капитала Республики Узбекистан»

UZBEKISTAN



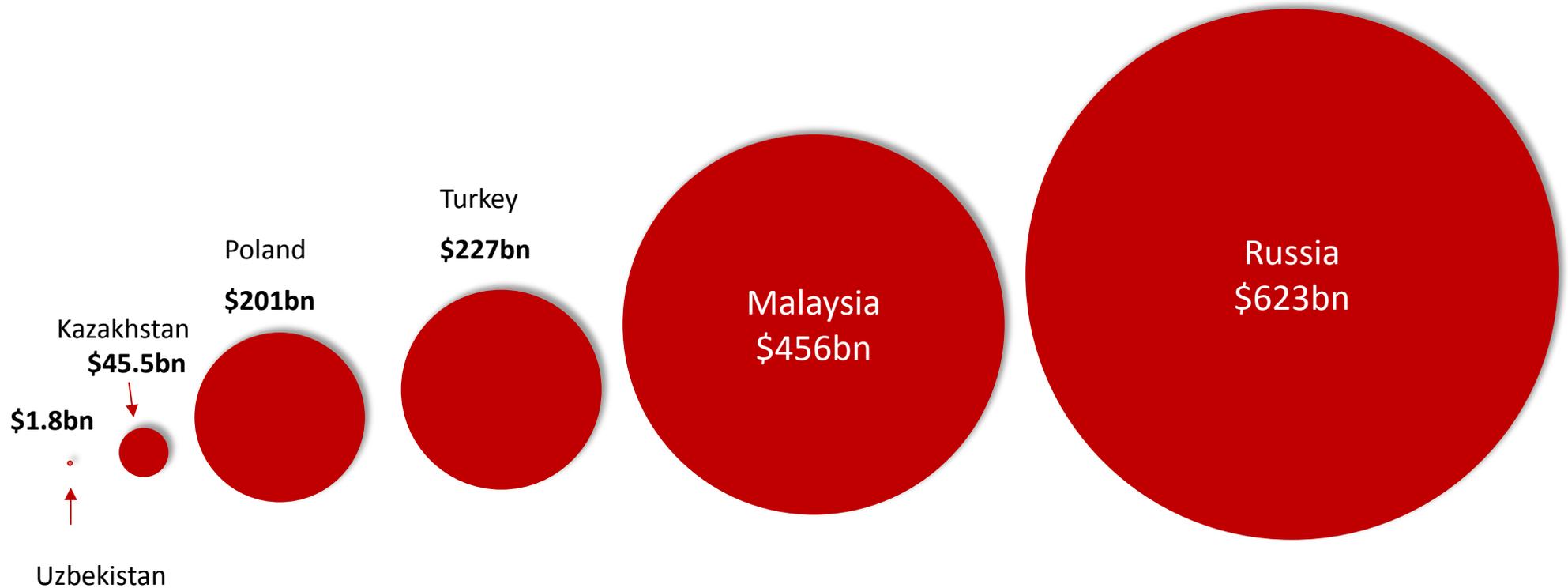
# Outline

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- ❖ Market size
- ❖ Key Companies
- ❖ Financing need
- ❖ Liquidity
- ❖ Supply of shares
- ❖ Valuations
- ❖ Benchmarking: sovereign credit rating

# Small Market Size (by marketcap)...for now?!

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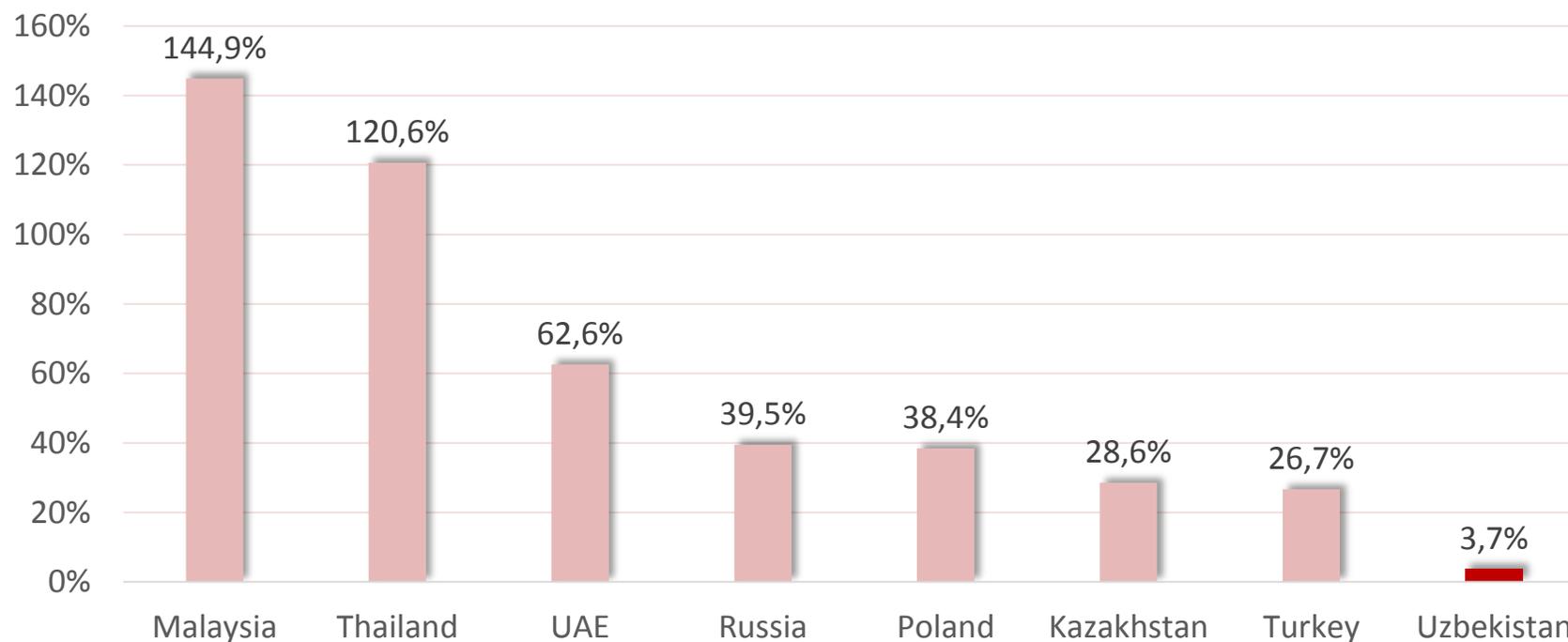


# Key Companies not Represented

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- ❖ 169 listed companies (1 July 2018)
- ❖ Only 3.7% of GDP

**Marketcap-to-GDP (% of GDP)**



# Financing need is there...

- ❖ **28 banks** operate in Uzbekistan, incl. 11 with state ownership, 5 with foreign capital
- ❖ State-owned banks dominate the sector - 83.5% of all bank assets
- ❖ **Assets UZ\$185.1 trillion or \$23.5bn**, incl **loans UZ\$134.6 trillion or \$17.1bn** (Jul1, 2018, CBU)
- ❖ Banking sector is largely **undercapitalized**
- ❖ **Shareholder capital** at UZ\$23.5trln or **\$2.99bn**; and **deposits UZ\$63trln or \$8bn**
- ❖ Domestic banks are highly dependent on government financing - 51% of deposits and loans from the government (2017, IMF)
- ❖ Loans on preferential terms extended to state enterprises account 56% of all loans vs 23% to private sector (IMF, 2017).



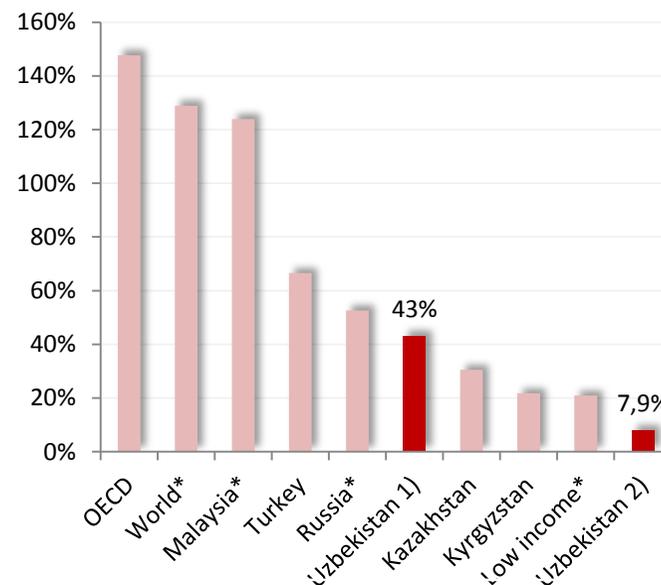
**\$2.85bn equity**  
**\$27bn assets**

**vs**

**\$2.91bn equity**  
**\$22.4bn assets**



## Domestic credit to private sector (% of GDP, 2017)



Source: World Bank, IMF, CBU

\*2016 data

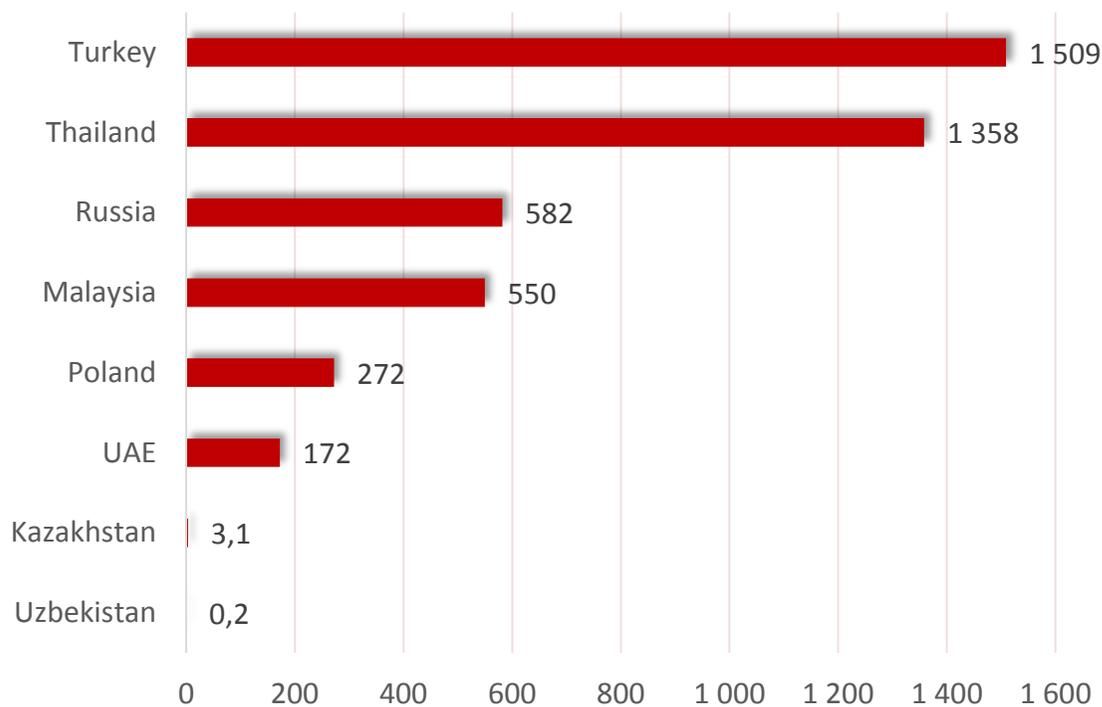
1) credit to the economy (IMF)

2) credit to small and private entrepreneurship (CBU)

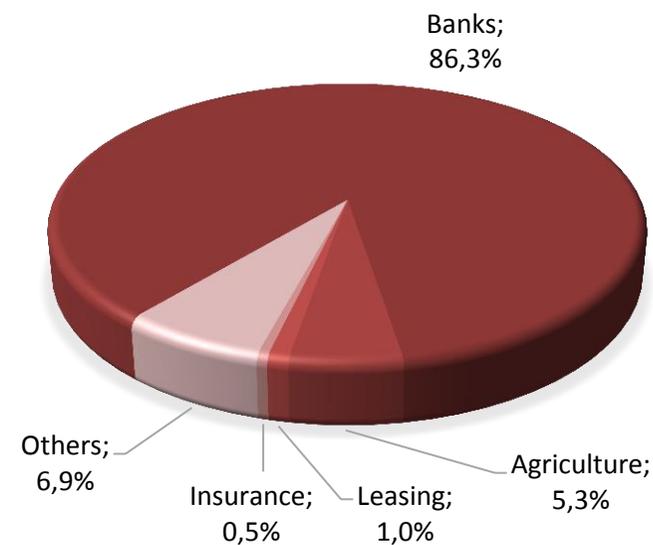
# Low Liquidity

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Daily liquidity, 2017 (stocks, \$mn)



Trading Volumes by Sectors, 2017



# Limited Supply

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UZ7021720006 [UZMK]



UZ7011340005 [HMKB]

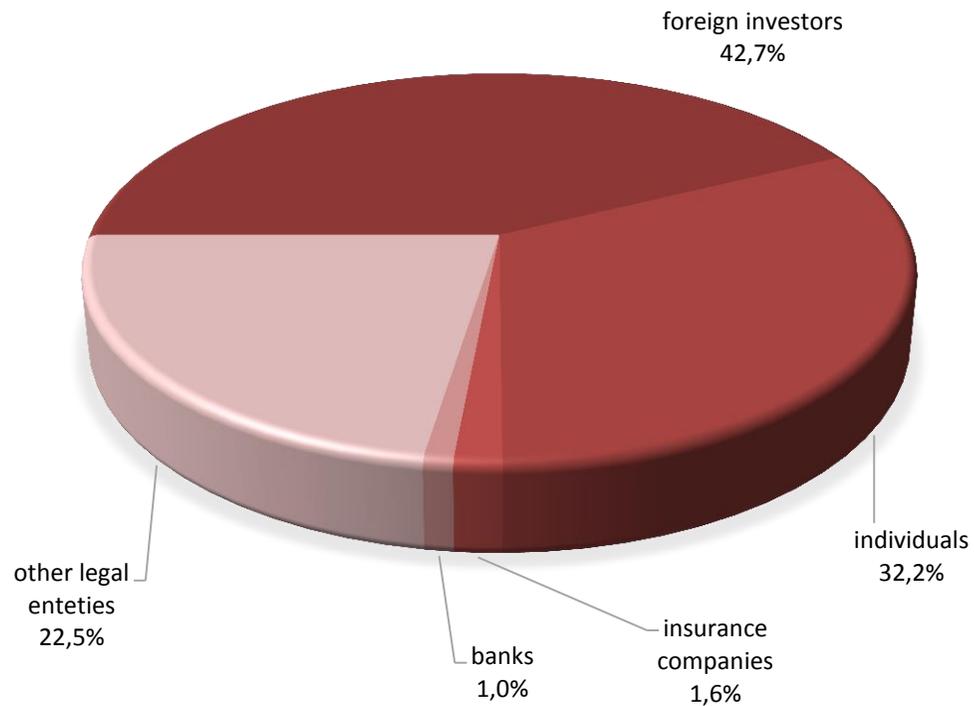


# Buyers mostly local

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- ❖ In 2017 **foreign investors** prevailed at the TSE with **43% of all traded volumes** (Ziraat Bank deal)
- ❖ **Retail investors** accounted for 74% of all volumes in 1H 2018

Trading by type of Investors, 2017



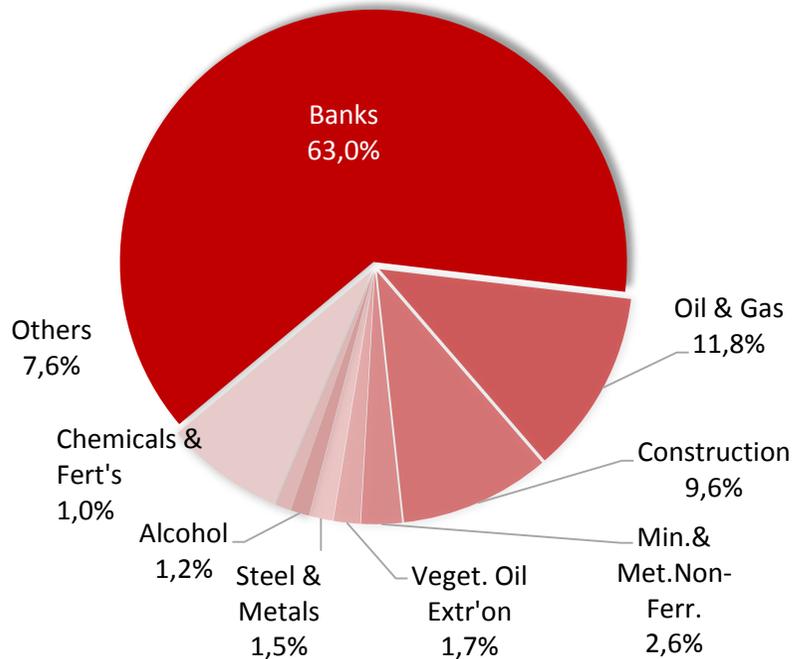
# Top-20 Stocks: Banking play

#	Company	Industry	MarketCap, \$ mn 31 Dec 2017
1	Asaka Bank	Banking	261.0
2	Agro Bank	Banking	193.7
3	O'zsanoatqurilish Bank	Banking	140.7
4	Qishloq Qurilish Bank	Banking	132.3
5	Ohangaronsement	Const. Materials	91.0
6	Ipoteka Bank	Banking	88.7
7	O'ztransgaz	Oil & Gas	72.1
8	Qizilqumsement	Const. Materials	71.6
9	O'zneftgazqazibchiqarish	Oil & Gas	70.0
10	Mikrokredit Bank	Banking	62.2
11	InFin Bank	Banking	54.2
12	Olmaliq KMK	Min.& Met.Non-Ferr.	47.4
13	O'zneftmahsulot	Oil & Gas	46.3
14	Turon Bank	Banking	34.4
15	Aloqa Bank	Banking	29.4
16	Ziraat Bank Uzbekistan	Banking	28.1
17	O'zmetkombinat	Steel & Metals	27.2
18	Orient Finans Bank	Banking	21.0
19	Ipak Yo'li Bank	Banking	18.1
20	Asia Alliance Bank	Banking	17.9
	<b>Total</b>		<b>1,507.4</b>

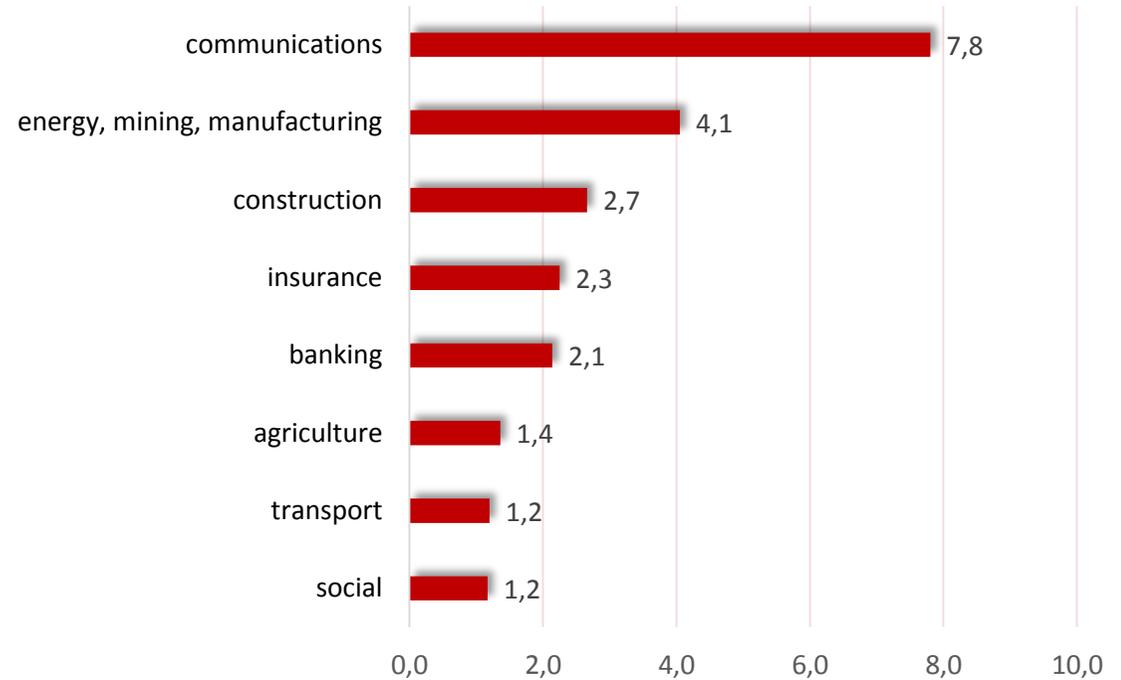
Source: Tashkent Stock Exchange, Silk Capital estimates

# Selective approach needed...

**Market cap by sectors**  
(% of total, 31 Dec 2017)

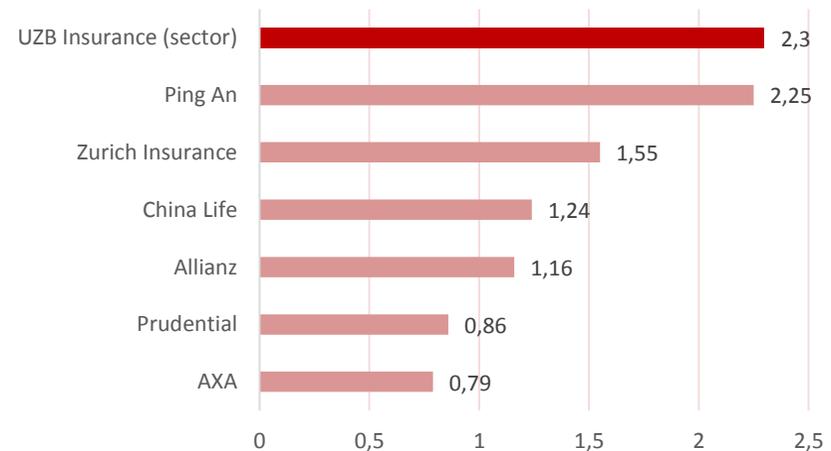
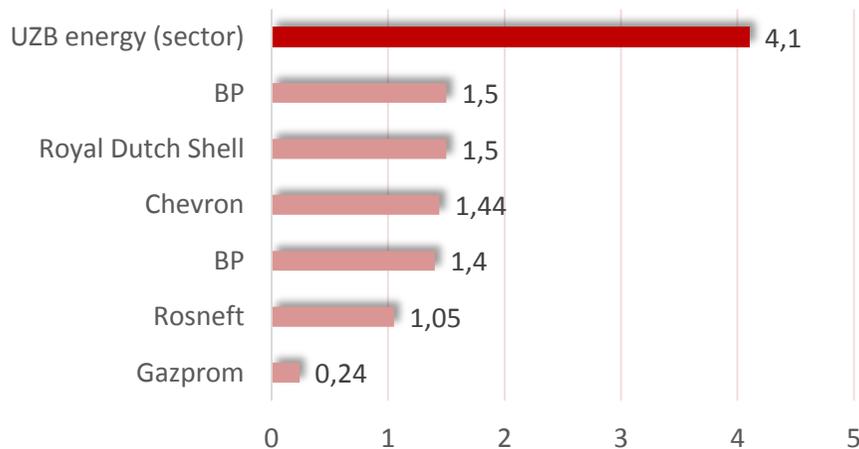
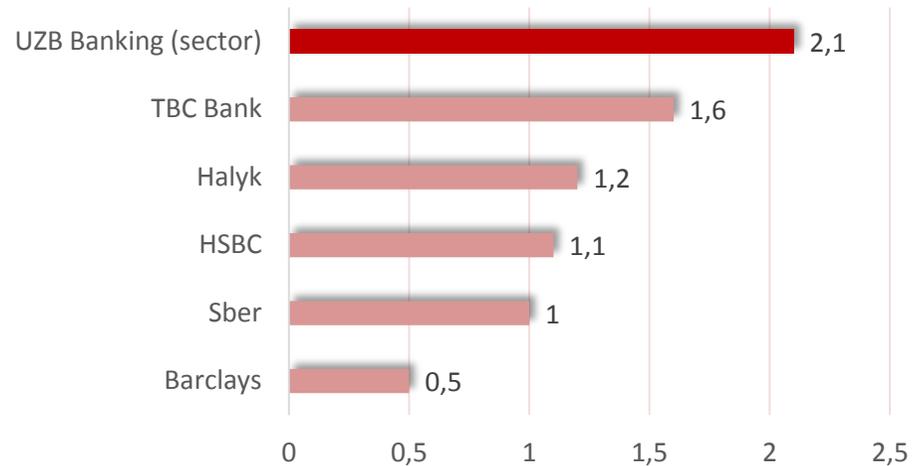
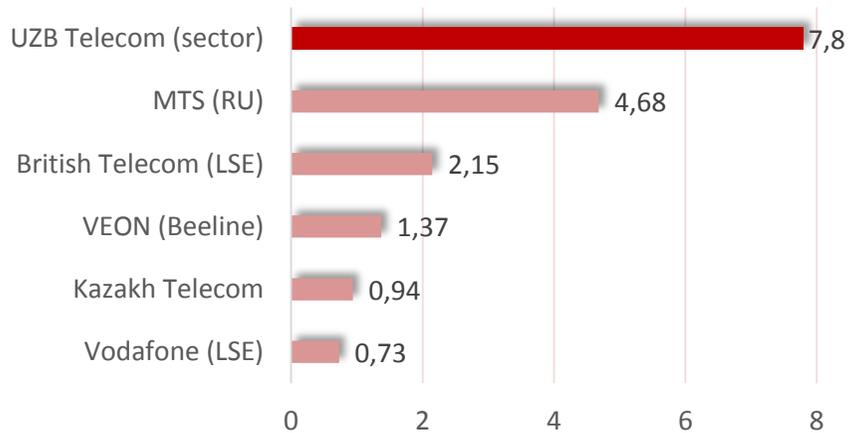


**PB ratios by sector**  
(31 May 2018)



Source: Tashkent Stock Exchange, Silk Capital

# First impression: valuations (PB) not cheap...



# Benchmarking is key

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- ❖ **Sovereign credit rating** to be obtained by end-2018, led by *JPMorgan Chase*
- ❖ **McKinsey, BCG** on development strategy, investment climate
- ❖ **\$1BN sovereign bond issue** in 2018
- ❖ Uzbekistan - the only **one of two remaining medium-sized frontier economies that does not have credit rating or international bond issue** (Myanmar is the other country)
- ❖ **Hamkor Bank Uzbek Sum “Samarkand Bonds”**, first ever Uzbekistan sum bonds listed on the London Stock Exchange on June 20, 2018
  - issued by triple-A rated **IFC**
  - raised **UZS 160bn (\$20mn)**
  - Terms: **2 years, 9.5% coupon rate**
  - **IFC VP Georgina Baker** says first-ever Uzbek Soum bond listed on LSE is *“an important capital markets innovation. We see this pioneering issuance having a positive flow-on effect, connecting international investor demand with a wide range of Uzbekistan’s financing needs”*
  - **Nikhil Rathi, CEO, London Stock Exchange Plc** *“As a world first, the successful issuance of IFC’s inaugural Uzbek Soum bonds highlights London Stock Exchange’s ability to finance global growth without issuer foreign exchange currency risk.”*

JPMORGAN  
CHASE & CO.

 **HAMKORBANK**

 **IFC**  
International  
Finance  
Corporation  
WORLD BANK GROUP



**London**  
Stock Exchange

# Sovereign Credit Rating

## S&P SOVEREIGN RATINGS OF MSCI FM COUNTRIES

(as of 31 MARCH 2018)

RANKING	COUNTRY	RATING	RANKING	COUNTRY	RATING
1	KUWAIT	AA	12	CROATIA	BB+
2	ESTONIA	AA-	13	SERBIA	BB
3	SLOVENIA	A+	14	OMAN	BB
4	LITHUANIA	A	15	BANGLADESH	BB-
5	BOTSWANA	A-	16	VIETNAM	BB-
6	T&T	BBB+	17	<b>JORDAN</b>	<b>B+</b>
7	PANAMA	BBB	18	<b>BAHRAIN</b>	<b>B+</b>
8	ROMANIA	BBB-	19	<b>ARGENTINA</b>	<b>B+</b>
9	BULGARIA	BBB-	20	<b>SRI LANKA</b>	<b>B+</b>
10	MOROCCO	BBB-	21	<b>KENYA</b>	<b>B+</b>
11	<b>KAZAKHSTAN</b>	<b>BBB-</b>	22	BOSNIA HERZEGOVINA	B
			23	JAMAICA	B
			24	NIGERIA	B
			25	LEBANON	B-
			26	GHANA	B-
			27	UKRAINE	B-
			28	MAURITIUS	NR
			29	TUNISIA	NR
			30	ZIMBABVE	NR

Uzbekistan  
could be here?

# CONTACTS

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