Mortgage Refinancing
Company of Uzbekistan

Mortgage Refinancing Company of Uzbekistan

Results | Challenges | Priorities

November 2024

UzMRC’s objectives and mandate

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UzMRC was established by decree (# 5715) of President of Uzbekistan in November 2019 and started its active operatioons in October 2020.

1

Liquidity

Sustainably attract liquidity from local and international capital markets and channel them to the mortgage market.

3

Legislation

Participate in developing methodological and normative-legislative base of housing and mortgage market.

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2

Capital market

Develop local capital market by adopting practice of covered bonds and MBS issuance.
Establish securitization of long-term illiquid assets of commercial banks.

4

Standardisation

Participate in improving mortgage market, introduce modern methods and tools for its development, increase liquidity and reduce risks in the market.

UzMRC Corporate Governance

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Supervising and regulating institutions

Central bank of Uzbekistan

National Agency for Perspective Projects

UzMRC shareholders

DAVLAT AKTIVLARINI BOSHQARISH AGENTLIGI UzSAMA STATE ASSETS MANAGEMENT AGENCY

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14 commercials banks

Participating Financial Institutions

National Bank of Uzbekistan, XalqBanki, Agrobank, Biznesni Rivojlantirish Banki, Asakabank, Turon Bank, MKBANK, AloqaBank, ipotekabank otp group, SQB, OFB, HAMKORBANK, InfinBANK, KAPITALBANK

Corporate governance system

Annual Shareholders GM	x15 shareholders
Supervisory board	x7 members 3 are independent
Executive body	x1 Chief Executive Officer x33 employees

Development stages

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2019-20

- **Established in Nov 2019**;
- The authorized capital of UzMRC raised up to **UZS 100 bln** due to the investment of 12 commercial banks and state;
- UzMRC was registered by the Central Bank in the registry of refinancing organizations;
- The first refinancing activity was launched and initially **1,173** mortgage loans were financed.

2021-22

- **1st line of financing** (USD 150 mln) from ADB was fully utilized ahead of schedule. More than **11,000 mortgage loans were refinanced**;
- **The terms of the 1st ADB loan line were fully fulfilled** and UzMRC's activities were conducted based on international standards;
- **A renovation mortgage loan** was introduced.
- Became a member of the International Secondary Mortgage Market Association **(ISMMA)**.

2023- 24

- Additional **USD 150 mln** sovereign credit line was attracted from ADB;
- Refinanced mortgage loans **reached 16 thousand;**
- **UZS 140 bln** local currency **corporate** bonds were issued and proceeds utilized;
- Became member of the Secondary Mortgage Market Association of Asia **(ASMMA)**.

2024

- UZS 2.6 tln mortgages are going to be refinanced;
- Green mortgage loans and capital market debt instrument are introduced;
- Direct resource is attracted from DFI (IFC, USD 45 mln).

2025-30

- Increase the number of shareholders additionally **for 5 members**;
- The loan portfolio will be increased **up to 5** times to a total of **approx. UZS 20 trln**;
- **Up to 90,000+** mortgage loans will be refinanced;
- The product base will be expanded, including: a) **Green mortgages** refinance, b) mortgage **guarantee** and c) **reverse** mortgage instruments will be introduced;
- **Securitization** will be introduced *(after approval of the relevant law and regulatory document).*
- **Up to USD 600 mln** Eurobonds are going to be issued.

UzMRC products and portfolio dynamics

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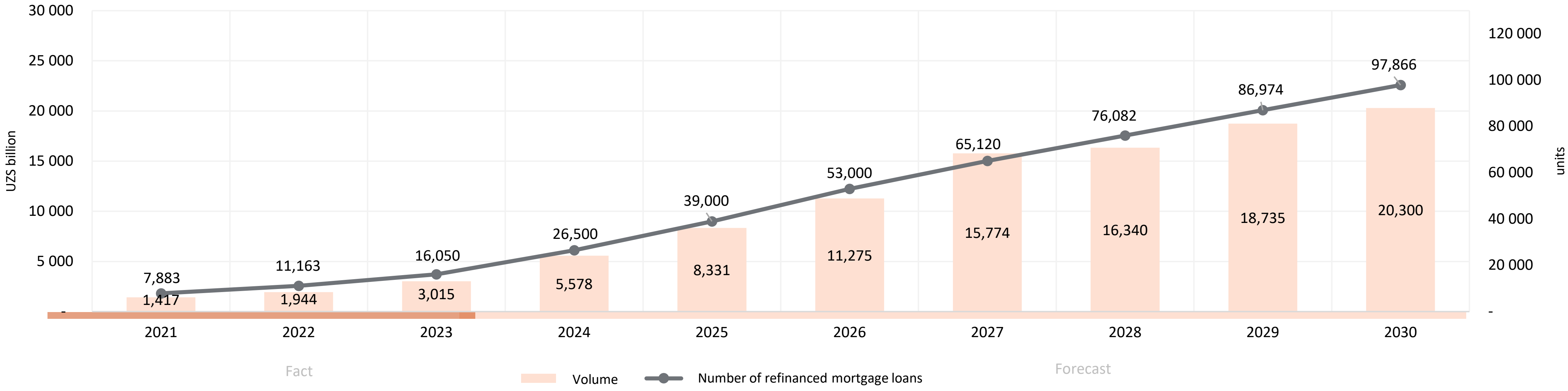
UzMRC PRODUCTS (UZS bln)											
Products	Fact				Forecast						
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
① Mortgage loans **for purchase**	303	1 379	1 873	2 906	4 878	7 731	10,700	14 774	15 240	17 485	18,800
② Mortgage loans **for renovation**	-	38	71	109	250	350	450	550	600	700	850
③ Corporate **bonds**	-	-	-	140	450	250	125	450	500	550	650

UzMRC loan portfolio



Portfolio dynamics & coverage

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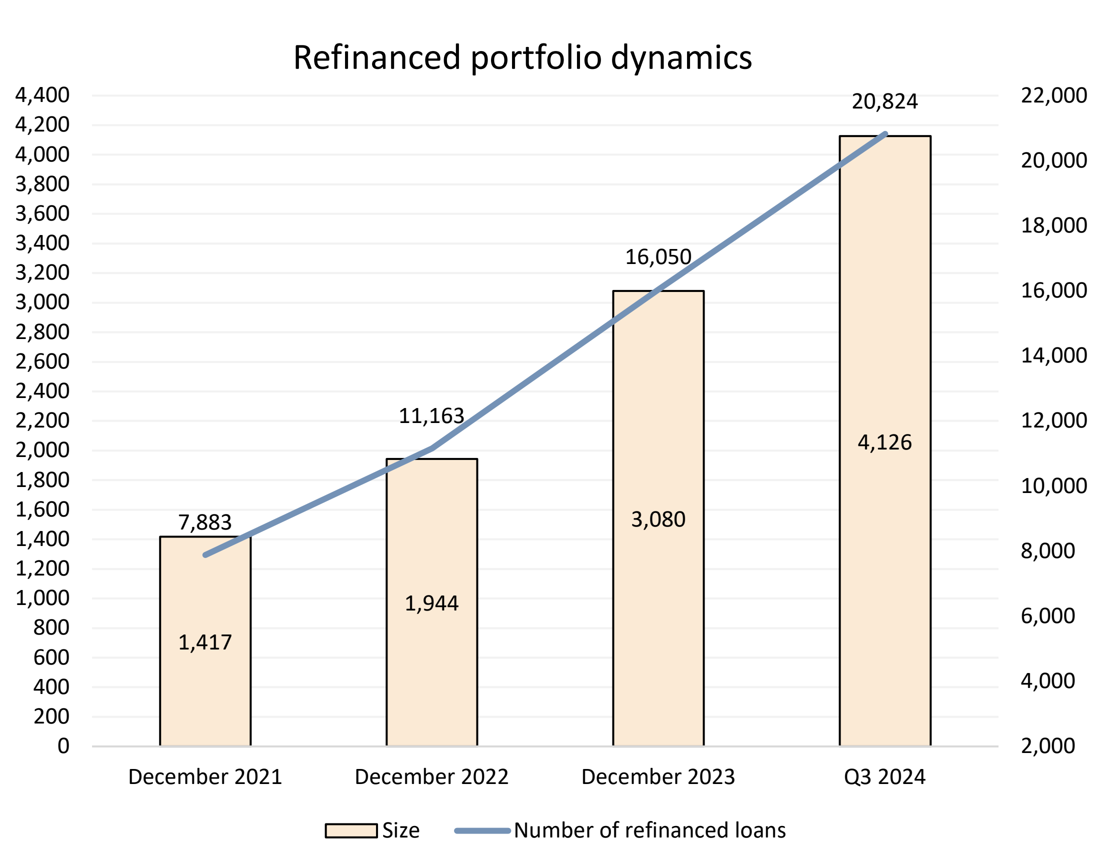
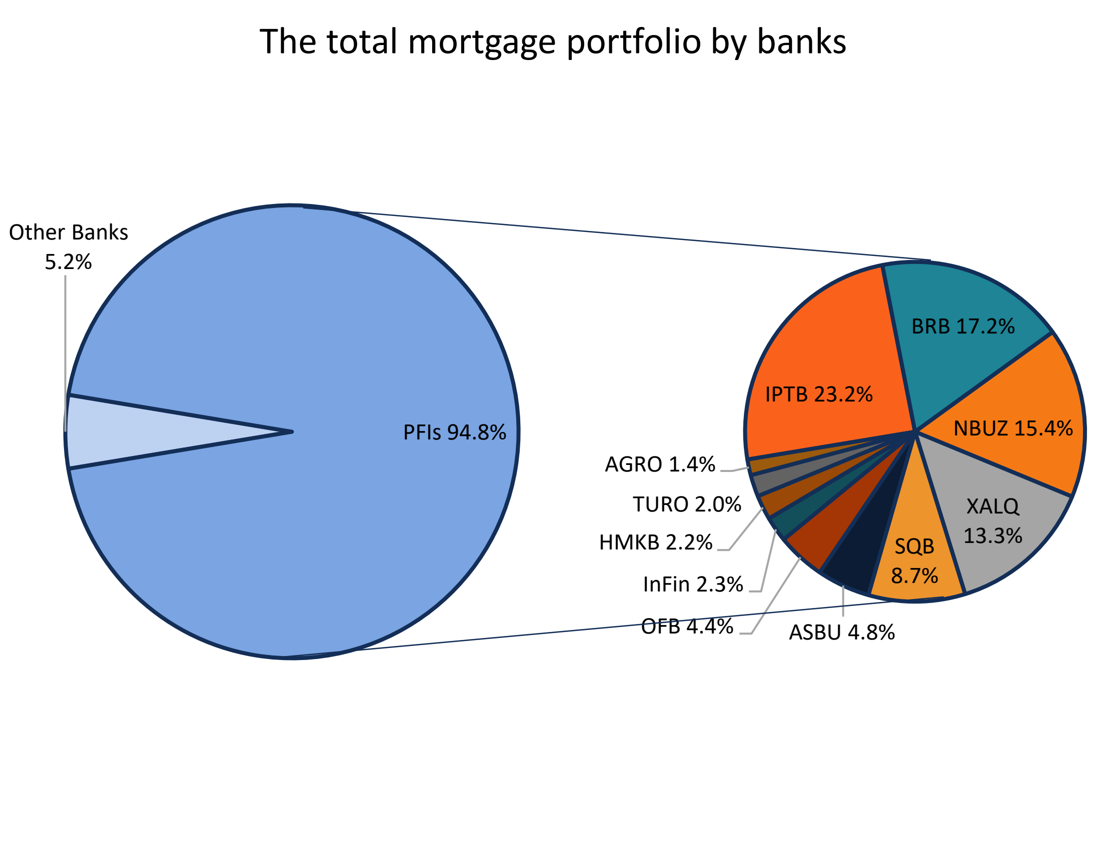
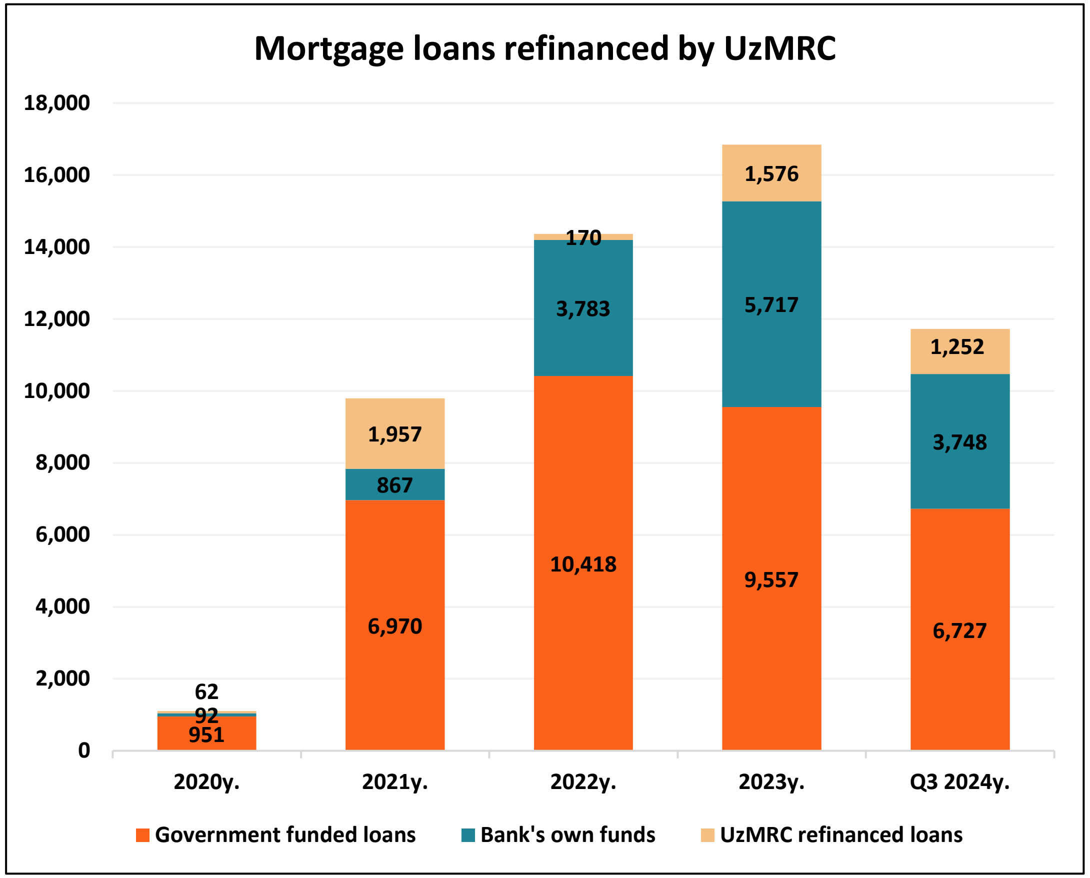


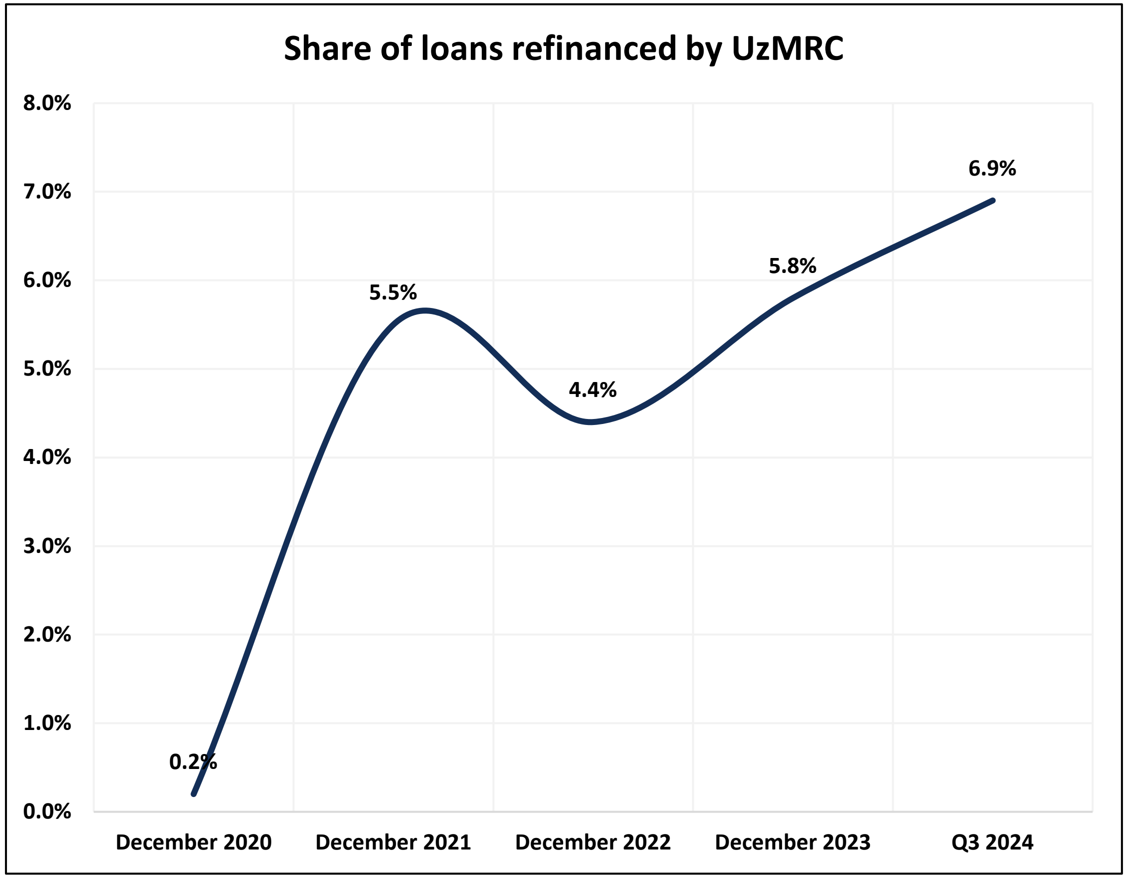


By the end of the quarter, the number of refinanced loans reached 20,824 (UZS 4.1 trillion).

94.8% of mortgage loans were generated by PFIs.

Mortgage loans refinanced by UzMRC





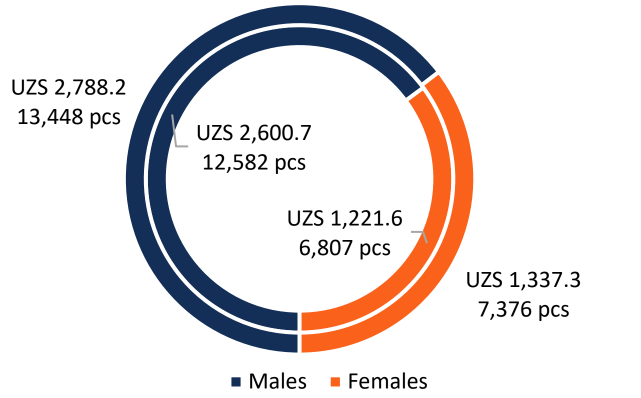
During the third quarter of 2024, a total of UZS 11,727 billion of mortgage loans were allocated to the population. Of this, 10.7%, i.e. UZS 1,252 billion, were loans refinanced by UzMRC.

By the end of Q3 2024, the share of mortgage loans refinanced by UzMRC in total mortgage loans reached 6.9%.

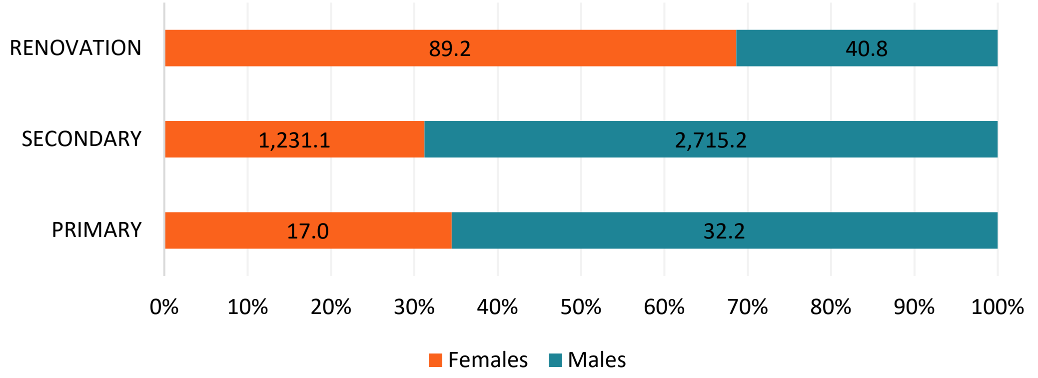
Results of lending activity during 2024

Mortgages (quantity and amount) by gender

Inner circle – Q2 2024, Outer circle – Q3 2024



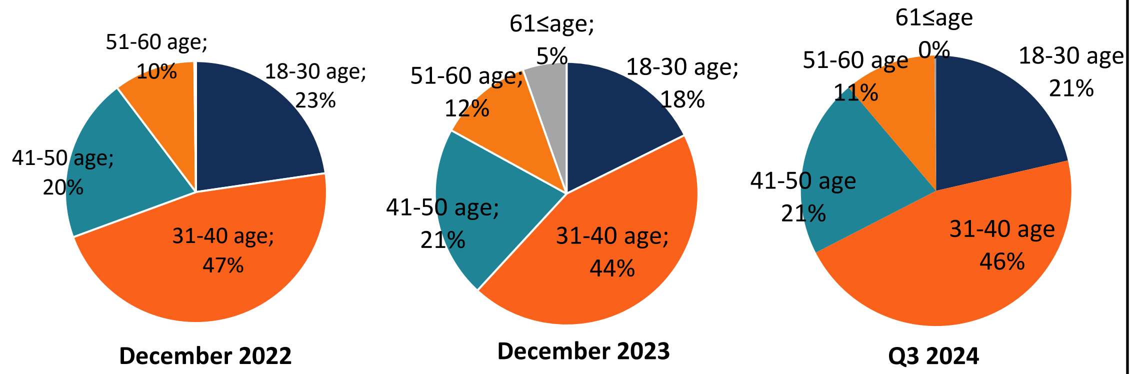
Mortgages by gender and purpose, UZS billion



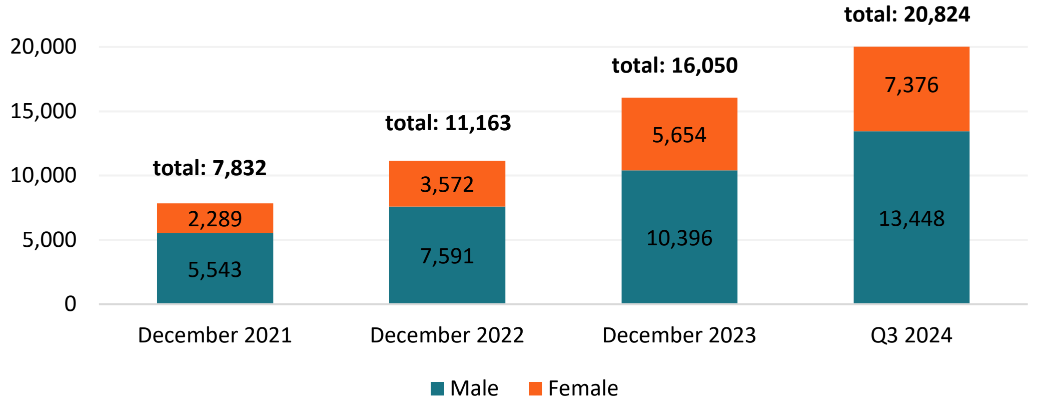
In Q3 2024, 35.4% of refinanced loans were disbursed to women and 64.6% to men.

In Q3 2024, the share of women loans allocated for renovation was at 68.6% and decreased by 5.9% compared to the previous quarter.

In the age group



In the gender group



Housing market overview

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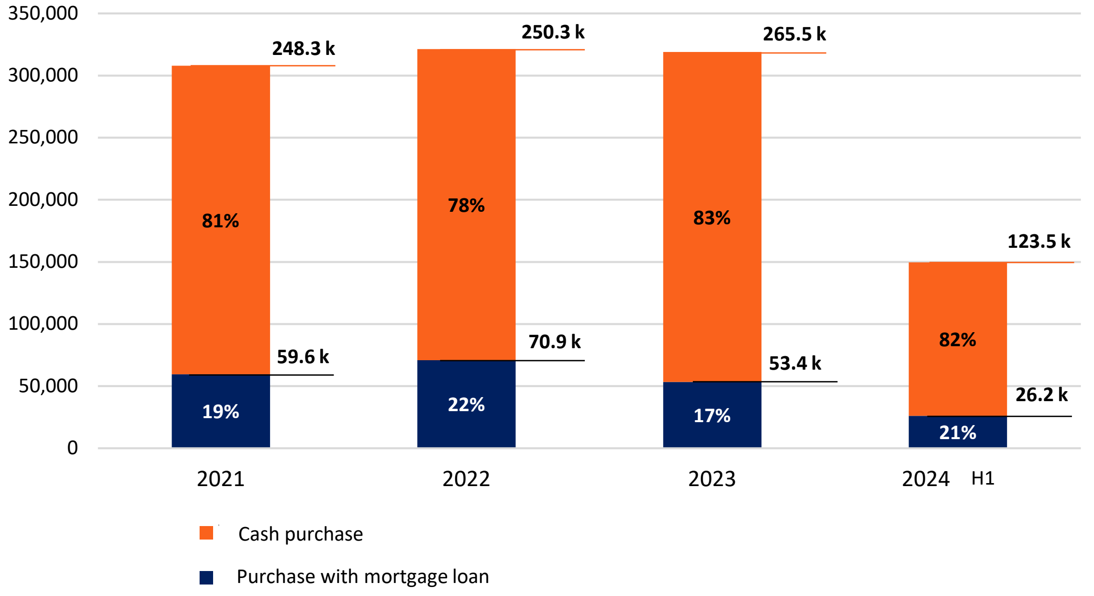
Mortgage supply



Challenges in Uzbek housing market

1. **Mortgage penetration level is low - 24%** (USA - 70%, Great Britain - 60-70%, Russia - 64%).
2. **Government Mortgage program** is concentrated **explicitly on primary market**, as a result distorting the market and driving prices up**;**
3. Dominant Government role squeezing out private sector and overburdening SOB's balance sheet**.**

Mortgage market share and other countries

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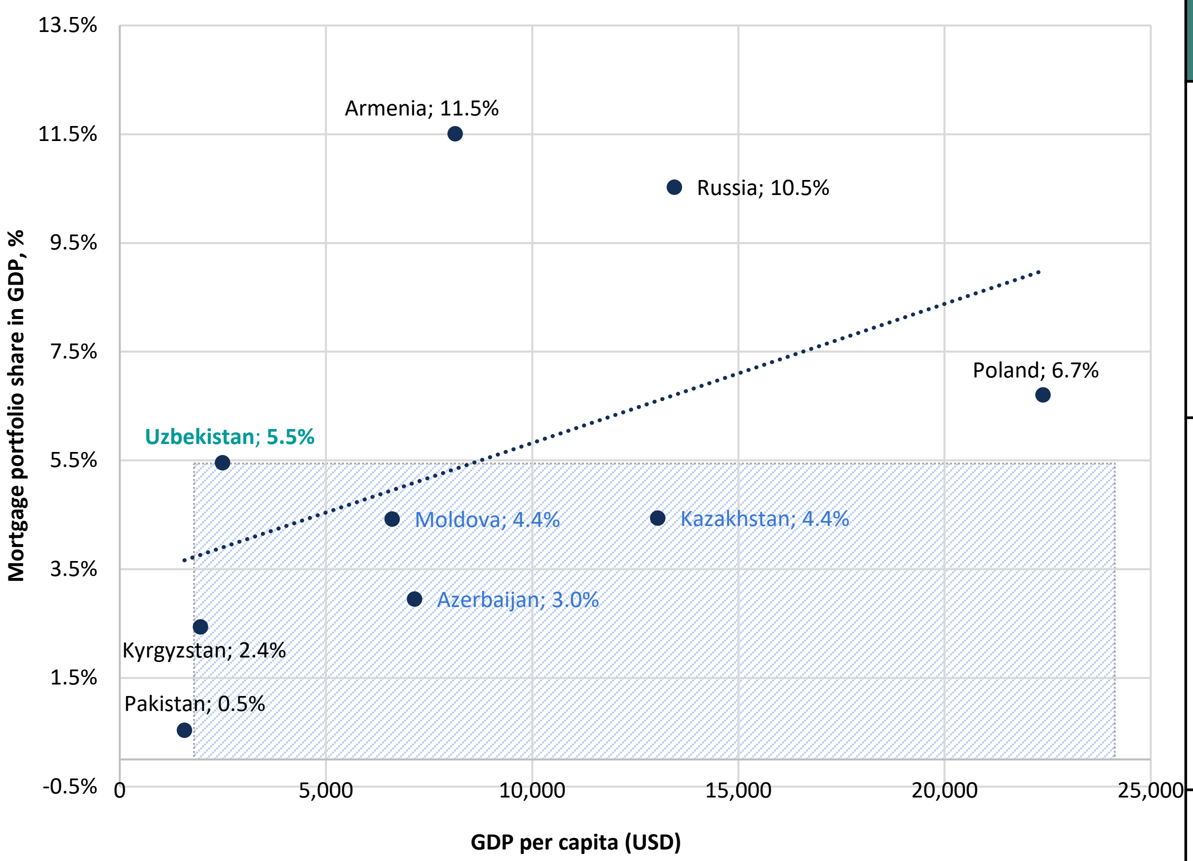
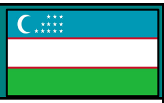
Outstanding mortgage portfolio in some countries and GDP per capita

(2023 YE)



Outstanding mortgage portfolio share compared to GDP per capita is higher than in other peer countries (Kazakhstan, Azerbaijan , Moldova, etc.).

Comparative analysis of the mortgage market in CIS

Indicators					
Central Bank key rate		13.5 %	16 %	14.75%	13%
Average annual interest rate		17.10 %	7.11 %	14.40 %	17.00 %
Average tenor of mortgage		18.6 years	23.6 years	9.8 years	12.2 years
Maximum available tenor for mortgage		20 years	30 years	25 years	25 years
Average amount of mortgage loan		$ 20,230	$ 53,468	$ 32,763	$ 42,610
Mortgage Balance / GDP	2019	3.8%	17.5%	3.0%	2.6%
	2020	4.9%	9.4%	5.0%	3.8%
	2021	5.3%	10.0%	3.6%	2.9%
	2022	5.2%	10.0%	4.0%	2.8%
	2023	5.5%	10.5%	4.4%	2.4%
Apartment price in the capital's primary market (per sq.m)		$ 1475	$4180	$ 1340	$ 1230
Apartment price in the secondary market of the capital (per sq.m)		$ 1310	$3965	$ 1395	$ 1350

Source: *Central Bank of Uzbekistan and UzMRC calculations*

Dynamics and composition of the mortgage market

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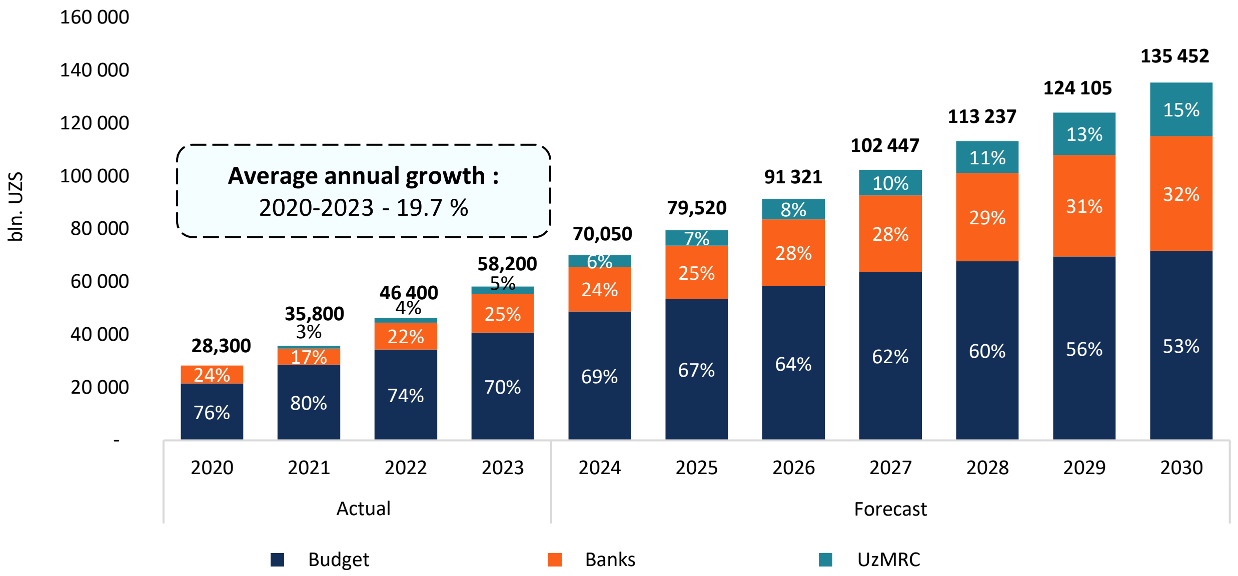
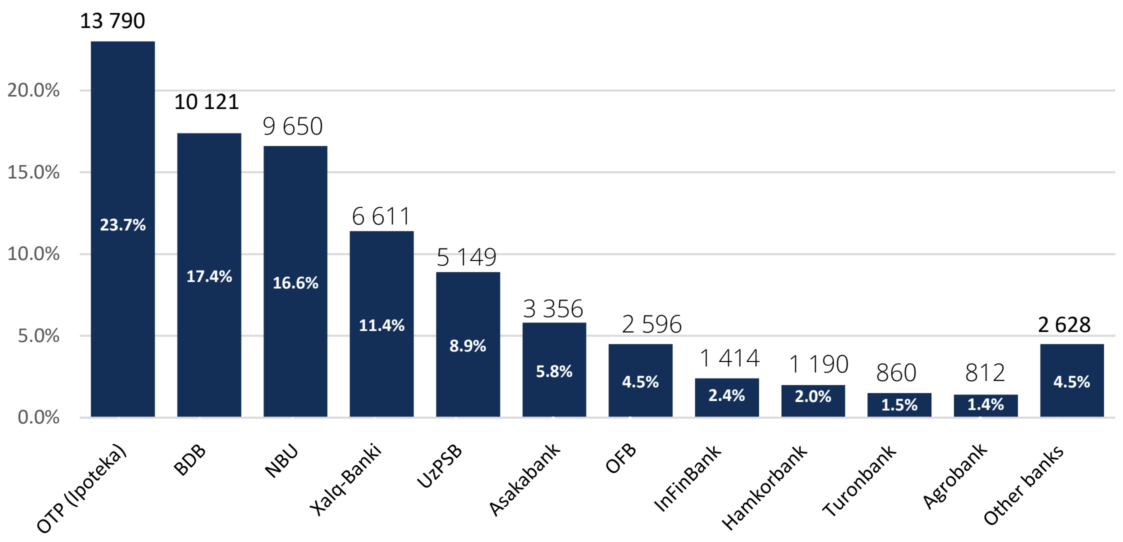
Dynamics of the mortgage balance by source

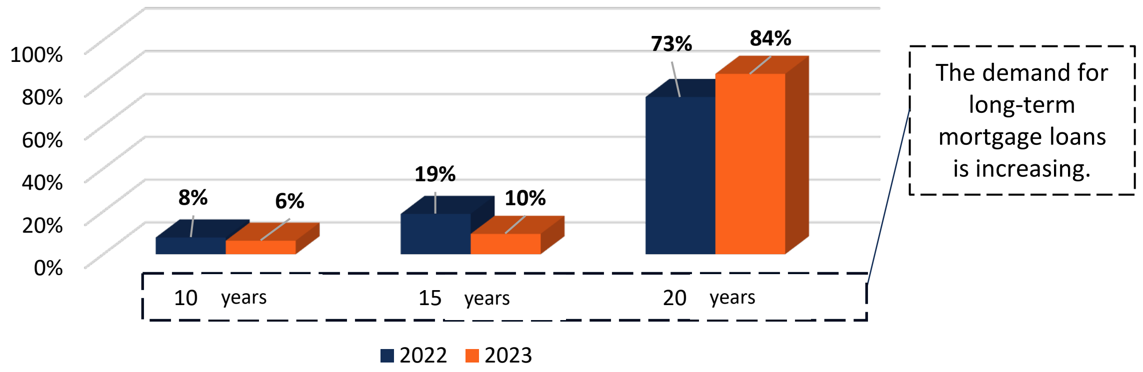


Overall mortgage balance outstanding by banks, 2023 *(UZS bln)*

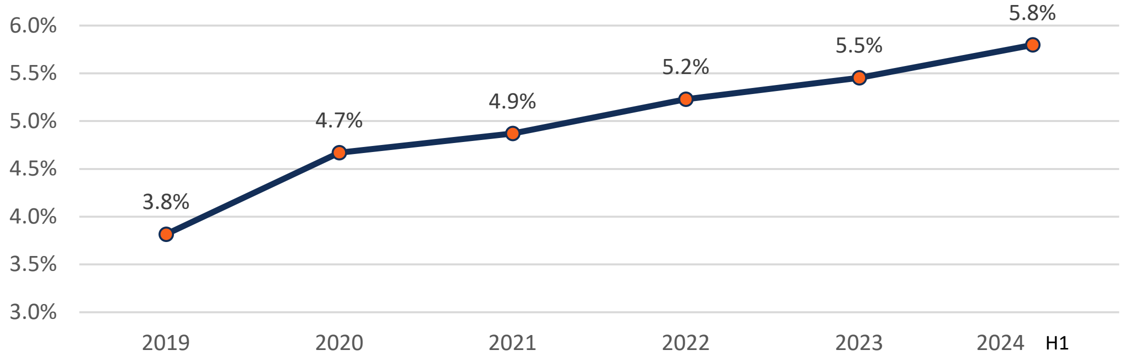


Total mortgage portfolio by tenor

(Budget, Banks and UzMRC funds)



Mortgage loans portfolio share in GDP



Available mortgage loans and their qualities

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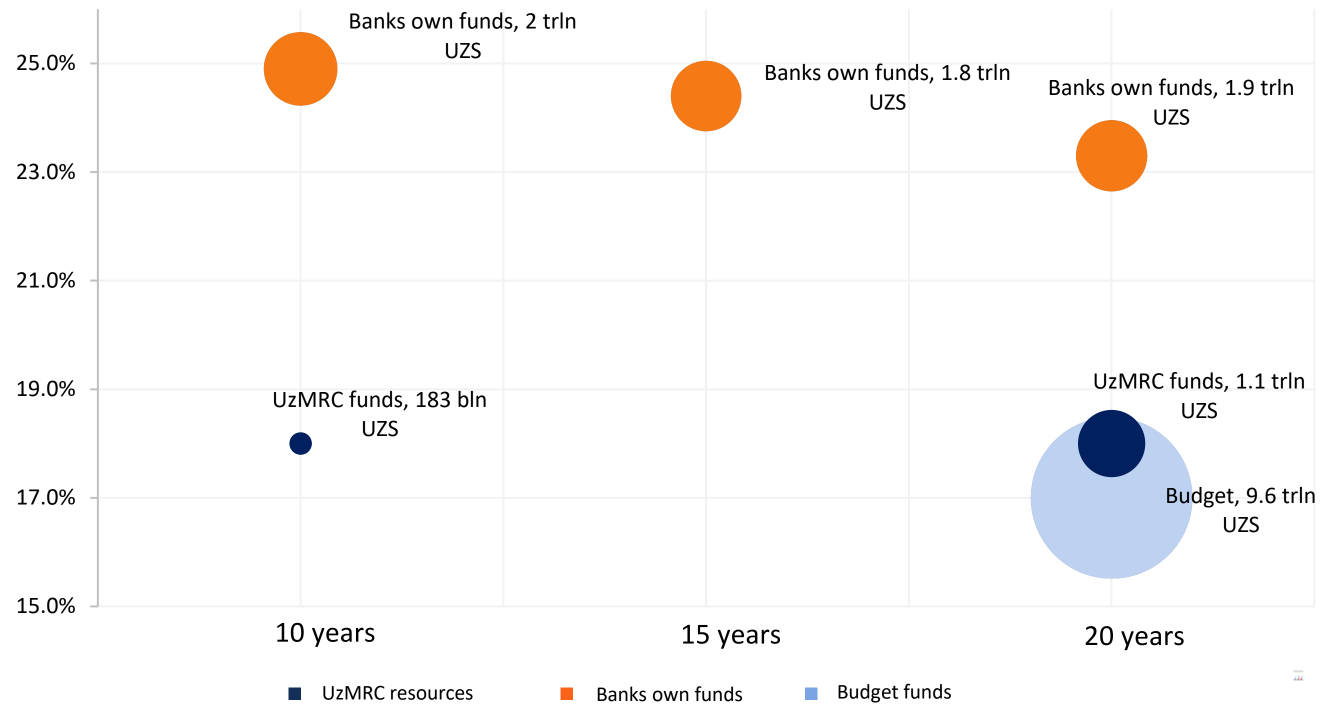
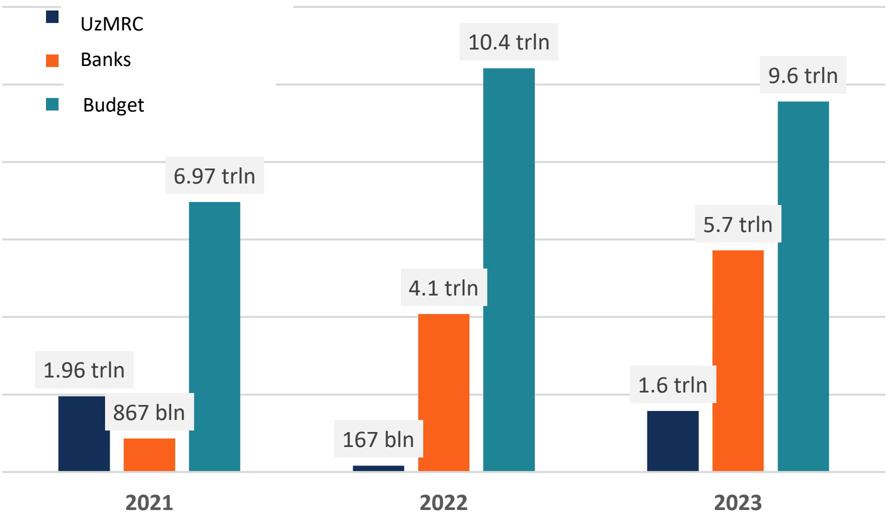
Mortgage loan funds allocated in 2023



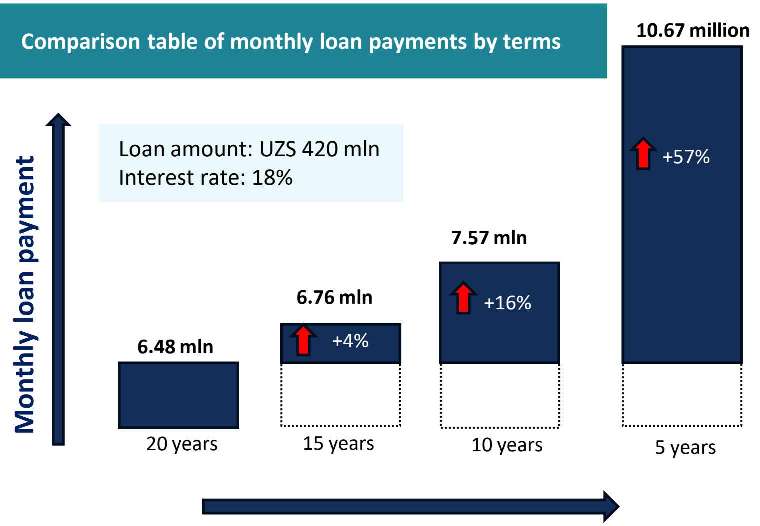
Mortgage loans by source in 2021-23



of mortgages originated in 2023:

- **35%** is **commercial at an average rate of 23%** - **25%** and **65%** from the **budget** and **UzMRC funds** offered at a rate of **17-18%**.
- **76%** - with **20 year** tenor, **11%** - with **15 year** tenor and **13%** - with **10 year** tenor.
- **57%** - **budget** and **43%** - **UzMRC** and **bank funds**.

Comparison table of monthly loan payments by terms



Approach to financing UzMRC's activities

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Housing finance **in national currency** is of high importance for the future of the housing sector and its participants

2020-23

State

ADB (sovereign) – USD 300 million equiv.

Local capital market

Corporate bonds – UZS 140 billion

2024

Local capital market

- Corporate bonds – UZS 400 billion
- Corporate **Green** bonds – UZS 50 billion

International capital markets

- **IFC** – USD 45 million equivalent

2025-30

Local capital market

- Corporate bonds – *(USD 120 mln eq.)*
- Mortgage bonds – *(USD 120 mln eq.)*
- Budget funds – *(USD 190 mln eq.)*

International capital markets

- International development organizations – *(USD 800 mln)*
- Eurobond – *(USD 600 mln)*

Issued bonds

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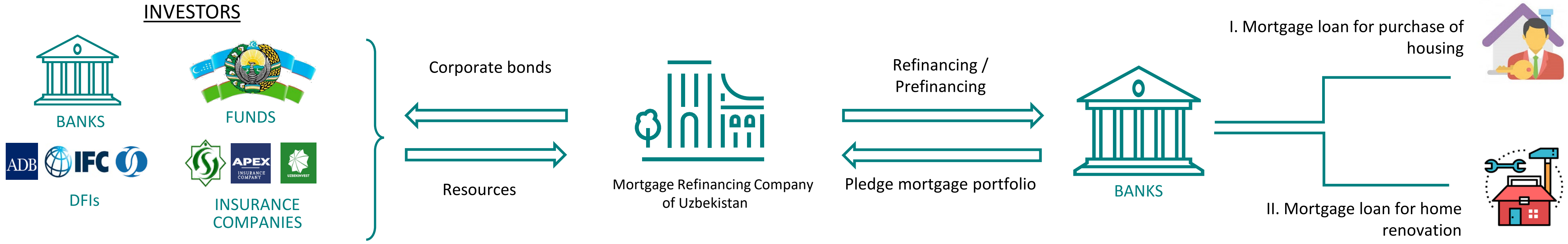
CORPORATE BONDS ISSUED WITHIN THE LIMITS OF EQUITY CAPITAL IN 2023-2024				
Emissions:	First	Second	Third	Fourth
Emission date:	17 October 2023	10 July 2024	18 September 2024	14 November 2024
Type:	**Corporate**	**Corporate**	**Corporate “Green”**	**Corporate**
Volume issued:	**UZS 140 bn**	**UZS 150 bn**	**UZS 50 bn**	**UZS 250 bn**
Coupon rate:	**19.0 %**	**19.0 %**	**18.0 %**	**19.0 %**
PAR value:	UZS 1 mln	UZS 1 mln	UZS 1 mln	UZS 1 mln
Tenor:	**3 years (1095 days)**	**3 years (1095 days)**	**5 years (1826 days)**	**3 years (1094 days)**
Interest repayments:	**Semi-annually**	**Semi-annually**	**Quarterly**	**Quarterly**
Placement type:	**Private**	**Private**	**Private – UZSE**	**Private – UZSE**
Ticker No. in UZSE “Tashkent”:	**IQMK3**	**IQMK3V2**	**IQMK5E**	**IQMK3V4**

REFINANCE MODEL



Local capital market on the run

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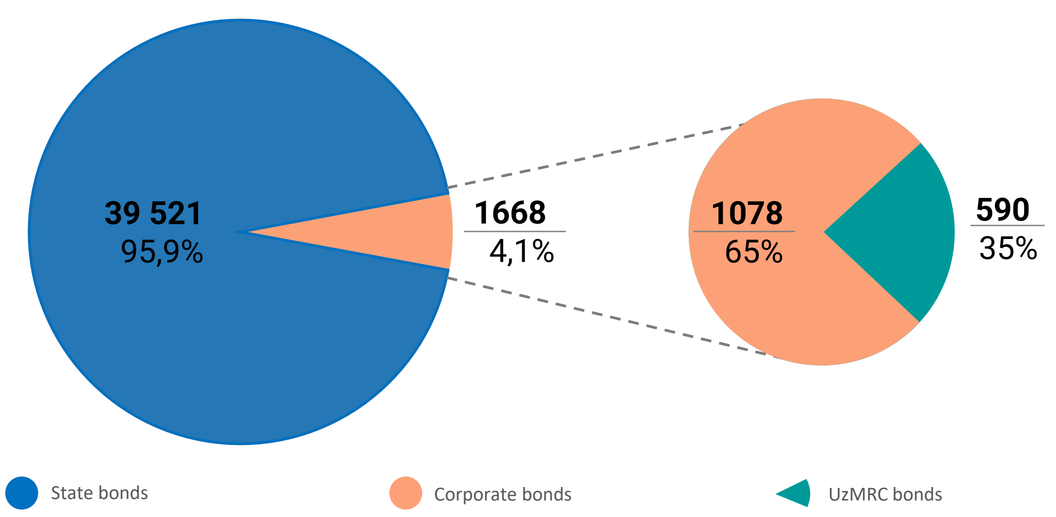
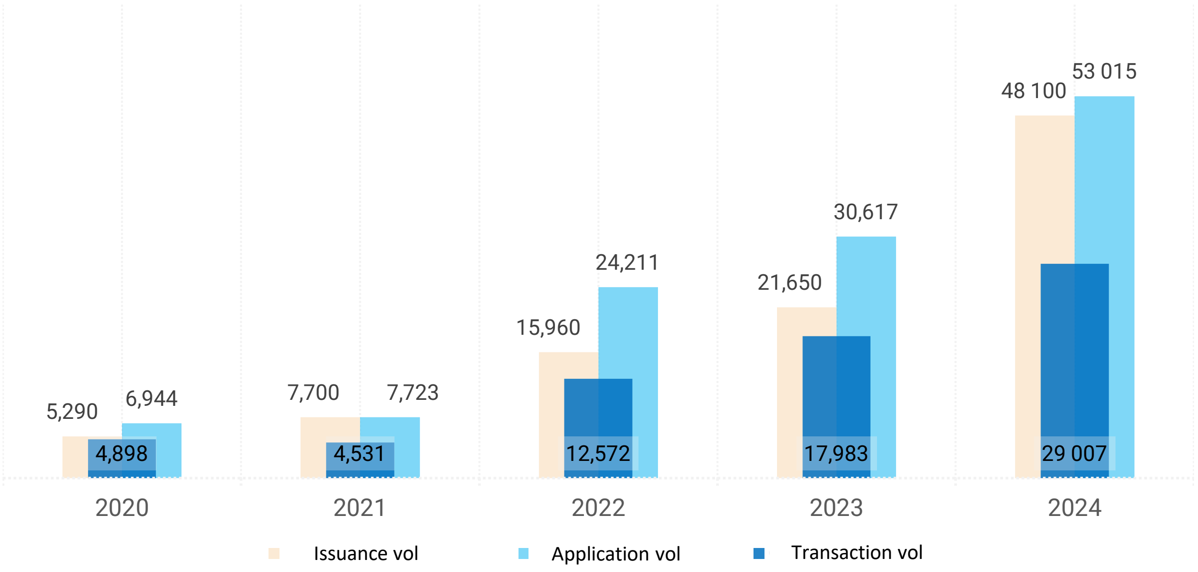
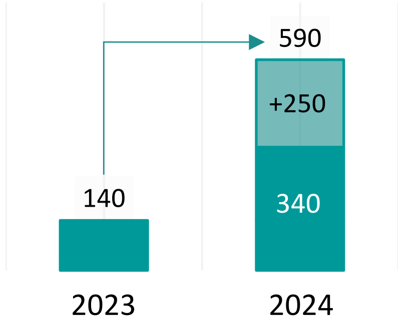
Bonds (UZS bln)



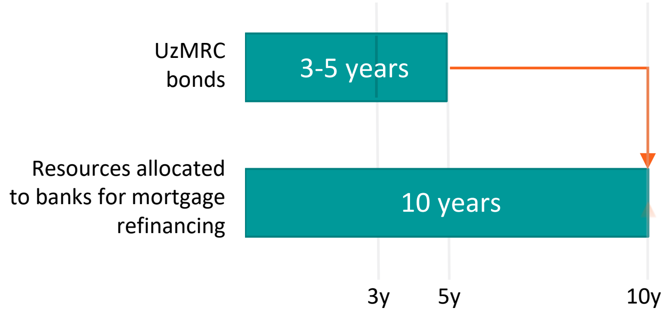
Dynamics of government securities trading 2020-2024



Resources allocated to banks through UzMRC bonds (UZS bln)



Maturity transformation



As of **November 18, 2024**, the total volume of bonds in circulation on the local capital market amounts **to UZS 41.2 trillion**, with the following breakdown:

- ✓ The share of government securities in the capital market is **95.9%**;
- ✓ The share of corporate bonds in the capital market is **4,1%**;
- ✓ The share of UzMRC bonds in the total corporate bonds volume is **35%**.

The trading dynamics of government securities between 2020 and 2024 show that the volume of submitted bids exceeds the issuance volume by an average of **126%**, and the volume of unsatisfied bids averages **41%**.

Plans on incrase UzMRC's authorized capital to sustainably finance future activities

№	Shareholders	Actual (01.07.24)		PLAN (31.12.25)		PLAN (01.07.30)	
		UZS bln	%	UZS bln	%	UZS bln	%
1	State share	342,2	35,4%	645	43,0%	1 750	35,0%
2	Banks with state shares	537,3	55,6%	720	48,0%	2 400	48,0%
3	Private banks	86,9	9,0%	135	9,0%	350	7,0%
4	Foreign investors	-	-	-	-	500	10,0%
	TOTAL	**966,4**	**100%**	**1 500,00**	**100%**	**5 000,00**	**100%**

As a result of the authorized capital increase, UzMRC:

1. Is going to be able to attract from international financial institutions **up to USD 500 million** resources.
2. Is going to be able to attract from international and local capital markets up to **UZS 5 trillion**.

UzMRC capitalization (UZS bln)