



International Congress on Economics, Management and Business Studies

Hosted Online from New York, USA

Date: 23rd May , 2026

Website: <https://econferencia.com>

THE ISSUER ACTIVITY OF COMMERCIAL BANKS IN THE SECURITIES MARKET: AN ANALYSIS OF CAPITALISATION SOURCES AND DIRECTIONS FOR IMPROVEMENT

Tillayev Khurshidjon Sulaymon ugli

PhD, Associate Professor, Department of Banking,

Tashkent State University of Economics

Abstract

The issuance and placement of a bank's own shares, bonds, certificates of deposit and other securities constitute one of the principal instruments for building its resource base. While share issues directly increase a bank's own funds, bonds make it possible to attract long-term and stable debt financing. The legal framework for these operations is established by the laws on banks and banking activity, on the securities market and on joint-stock companies [1–3].

The practical relevance of the issue has increased considerably in recent years. Under Law No. ZRU-831 of 19 April 2023, the minimum charter capital requirement for banks was raised in several stages: to UZS 200 billion from September 2023, UZS 350 billion from April 2024 and UZS 500 billion from January 2025 [4]. The active operations of two banks that failed to meet this requirement were restricted in early 2025 [5], and on 15 January 2026 the licence of Yangi Bank JSC, whose charter capital amounted to UZS 355 billion, was revoked [6]. In December 2025, banks and companies were permitted to issue foreign-currency bonds on the Tashkent Republican Stock Exchange; by that time 35 banks were operating in the country, with total assets of UZS 877 trillion [7]. These developments call for a research-based assessment of banks' securities issuance policies.



International Congress on Economics, Management and Business Studies

Hosted Online from New York, USA

Date: 23rd May , 2026

Website: <https://econferencia.com>

In the literature, F. Modigliani and M. Miller demonstrated that, in a perfect market, the financing structure does not affect firm value [8]. According to the pecking order theory of S. Myers and N. Majluf, firms rely first on internal funds, then on debt, and only as a last resort on new equity, since a share issue is perceived by the market as a negative signal [9]. R. Gropp and F. Heider found that regulatory requirements shape bank capital structure mainly in near-threshold situations [10], whereas A. Admati and M. Hellwig argued that a higher share of equity strengthens bank stability [11]. The Basel III standards recognise common shares and retained earnings as the highest-quality capital [12].

The analysis draws on Central Bank statistics and the 2020–2025 annual reports of Aloqabank, Ipak Yuli Bank, Turonbank, Poytakht Bank and Xalq Banki [13; 14]. Three indicators were used to distinguish capitalisation sources: the issuance share (IS), i.e. the share of charter capital growth in total equity growth; internal capital generation (ICG), i.e. the part of equity growth not attributable to charter capital; and the charter capital share in equity (CCS). A CCS above 100% indicates that accumulated losses have absorbed part of the capital.

Structural changes in the capital of the banking system are shown in Figure 1. Over the six-year period, the system's charter capital rose from UZS 44.7 trillion to UZS 94.4 trillion (average annual growth of 16.2%), and total capital from UZS 58.4 trillion to UZS 135.3 trillion (18.3%). Some 64.6%, or UZS 49.7 trillion, of the UZS 77.0 trillion increase in total capital came from charter capital, which indicates that share issuance remains the main source of capital in the system.



International Congress on Economics, Management and Business Studies

Hosted Online from New York, USA

Date: 23rd May , 2026

Website: <https://econferencia.com>

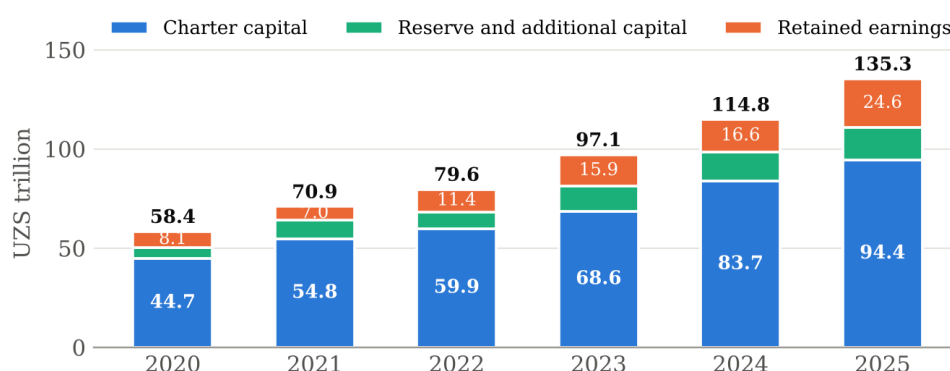


Figure 1. Capital structure of the banking system of Uzbekistan, US\$ trillion

Source: compiled by the author based on Central Bank data [13].

A positive structural shift is also observed: the share of charter capital in total capital fell from 76.5% to 69.8%, while the share of retained earnings rose from 13.8% to 18.2%. However, the decline in the capital-to-assets ratio from 15.9% to 14.6% points to a growing need for additional issuance in the future. Indicators for the selected banks are presented in Table 1.

Table 1. Charter capital of the selected banks and its share in equity

Bank	Charter capital, US\$ billion		Ratio to the minimum requirement (US\$ 500 billion), 2025, times	CCS, %	
	2020	2025		2020	2025
Xalq Banki	4,230.9	11,517.3	23.0	86.9	108.4
Aloqabank	951.4	2,832.9	5.7	60.6	73.6
Turonbank	876.0	1,634.1	3.3	72.4	78.1
Ipak Yuli Bank	532.4	602.4	1.2	44.7	13.6
Poytakht Bank	100.0	100.0	0.2	80.8	57.0
Banking system	44,700	94,400	×	76.5	69.8

Source: author's calculations based on banks' financial statements and Central Bank data [13; 14].



International Congress on Economics, Management and Business Studies

Hosted Online from New York, USA

Date: 23rd May , 2026

Website: <https://econferencia.com>

The charter capital of the five banks increased 2.5-fold to UZS 16.69 trillion, although issuance activity was unevenly distributed. Xalq Banki raised its charter capital by a total of about UZS 7.0 trillion in 2021, 2024 and 2025 and, in June 2023, offered up to 2% of its shares on the stock exchange as part of a “people’s IPO” [15]. In contrast, Poytakht Bank’s charter capital remained at UZS 100 billion, only one-fifth of the minimum requirement, while Ipak Yuli Bank exceeds the requirement by a mere 20%. The share of preferred shares in charter capital does not exceed 0.52% in any of the banks, meaning that banks rely almost exclusively on common shares. By sources of equity growth, the banks fall into three groups (Figure 2).

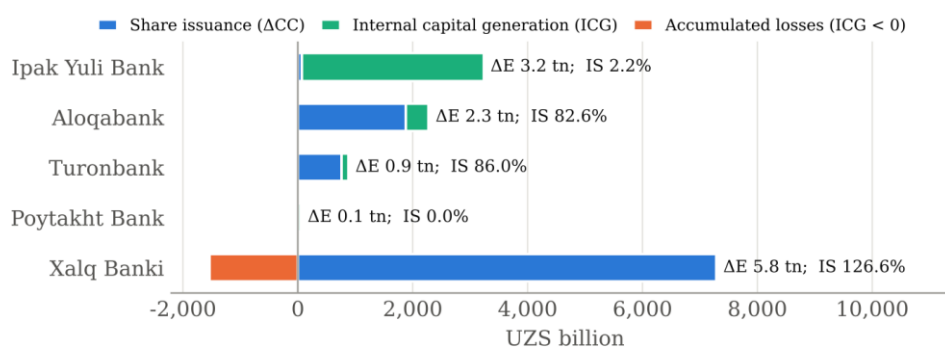


Figure 2. Sources of equity growth of the selected banks (2020–2025), UZS billion

Source: author’s calculations based on banks’ financial statements [14].

The first group follows an internal-funding model: Ipak Yuli Bank’s equity grew by UZS 3.23 trillion, 97.8% of which was generated through reserves and retained earnings, underpinned by an average ROE of 27.2%. The second group follows an issuance-based model: at Aloqabank and Turonbank, 82.6% and 86.0% of capital growth respectively was secured through share issues, while low



International Congress on Economics, Management and Business Studies

Hosted Online from New York, USA

Date: 23rd May , 2026

Website: <https://econferencia.com>

profitability (ROE of 12.2% and 3.0%) constrained internal sources. The third group represents loss-absorbing issuance: at Xalq Banki, charter capital increased by UZS 7.29 trillion while equity grew by only UZS 5.75 trillion, the difference being explained by a loss of UZS 2.19 trillion incurred in 2021.

Unlike the selected banks, large banks regularly access international markets with debt securities. The coupon on the National Bank of Uzbekistan's dollar-denominated Eurobonds fell from 8.5% in 2024 to 7.2% in 2025 [16]; demand for the bonds placed by Ipoteka Bank in October 2025 with a 6.45% coupon exceeded supply by 2.8 times [17]; and the proceeds of SQB's 2024 sustainability bonds were directed to green and social projects [18]. Hence, there is real scope for using debt instruments, and the narrow range of instruments is attributable mainly to banks' capital planning practices.

Conclusions

The analysis leads to the following conclusions:

1. Bank capitalisation is excessively dependent on share issuance: 64.6% of capital growth in the system and 81.9% in the selected banks was generated through charter capital. To reduce this dependence, it is advisable to link dividend policy to the capital plan and to introduce a mechanism for the mandatory capitalisation of part of profits.
2. The range of issuance instruments is narrow: preferred shares and subordinated bonds are virtually unused. They should be incorporated into Tier 2 capital planning, and a programme of local-currency international bond issues should be developed for large banks.
3. For small banks that fail to meet the minimum capital requirement, mergers or the attraction of a strategic investor (as in the case of Ipoteka Bank and OTP Bank) should be the priority option.



International Congress on Economics, Management and Business Studies

Hosted Online from New York, USA

Date: 23rd May , 2026

Website: <https://econferencia.com>

4. Issuance transparency needs to be enhanced through mandatory disclosure of the placement price, method and investor categories, the gradual placement of shares of state-owned banks via IPO/SPO, and the introduction of a market-maker institution for foreign-currency exchange-traded bonds.

References

1. Law of the Republic of Uzbekistan “On Banks and Banking Activity”. No. ZRU-580, 05.11.2019.
2. Law of the Republic of Uzbekistan “On the Securities Market”. No. ZRU-387, 03.06.2015.
3. Law of the Republic of Uzbekistan “On Joint-Stock Companies and Protection of Shareholders’ Rights”. No. ZRU-370, 06.05.2014.
4. Law of the Republic of Uzbekistan No. ZRU-831 of 19.04.2023.
5. The Central Bank restricted active operations of 2 banks that did not increase their charter capital // Spot.uz. — 22.01.2025 (in Uzbek).
6. The Central Bank revoked the licence of Yangi Bank // Gazeta.uz. — 15.01.2026 (in Uzbek).
7. Local companies and banks to be allowed to issue foreign-currency bonds // Spot.uz. — 15.12.2025 (in Uzbek).
8. Modigliani F., Miller M.H. The Cost of Capital, Corporation Finance and the Theory of Investment // American Economic Review. — 1958. — Vol. 48(3). — P. 261–297.
9. Myers S.C., Majluf N.S. Corporate financing and investment decisions when firms have information that investors do not have // Journal of Financial Economics. — 1984. — Vol. 13(2). — P. 187–221.
10. Gropp R., Heider F. The Determinants of Bank Capital Structure // Review of Finance. — 2010. — Vol. 14(4). — P. 587–622.



International Congress on Economics, Management and Business Studies

Hosted Online from New York, USA

Date: 23rd May , 2026

Website: <https://econferencia.com>

11. Admati A., Hellwig M. The Bankers' New Clothes. — Princeton University Press, 2013.
12. Basel Committee on Banking Supervision. Basel III: A global regulatory framework for more resilient banks and banking systems. — BIS, 2011.
13. Central Bank of the Republic of Uzbekistan. Banking system statistics (2020–2025). — cbu.uz
14. Aloqabank, Ipak Yuli Bank, Turonbank, Poytakht Bank, Xalq Banki: annual financial statements for 2020–2025.
15. Xalq Banki shares placed on the stock exchange // Spot.uz. — 12.06.2023 (in Uzbek).
16. National Bank of Uzbekistan places USD, UZS int'l bonds worth \$418 mln // Interfax. — 09.07.2025.
17. Ipoteka Bank dual-currency Eurobond placement // OTP Group. — 09.10.2025.
18. SQB launches USD 400 million and 2.25 trillion UZS Sustainability Bond on the LSE // GGGI. — 22.07.2024.