



Mortgage Refinancing
Company of Uzbekistan

***Establishing the first Mortgage Refinancing Company
as a vehicle to promote sustainable housing finance in Uzbekistan***

9 November 2022



Objectives and operating model

Mortgage Refinancing Company of Uzbekistan(UzMRC) was **established on 4 Nov 2019**, with a Presidential decree on the back of recommendations from ADB.

UzMRC's objectives

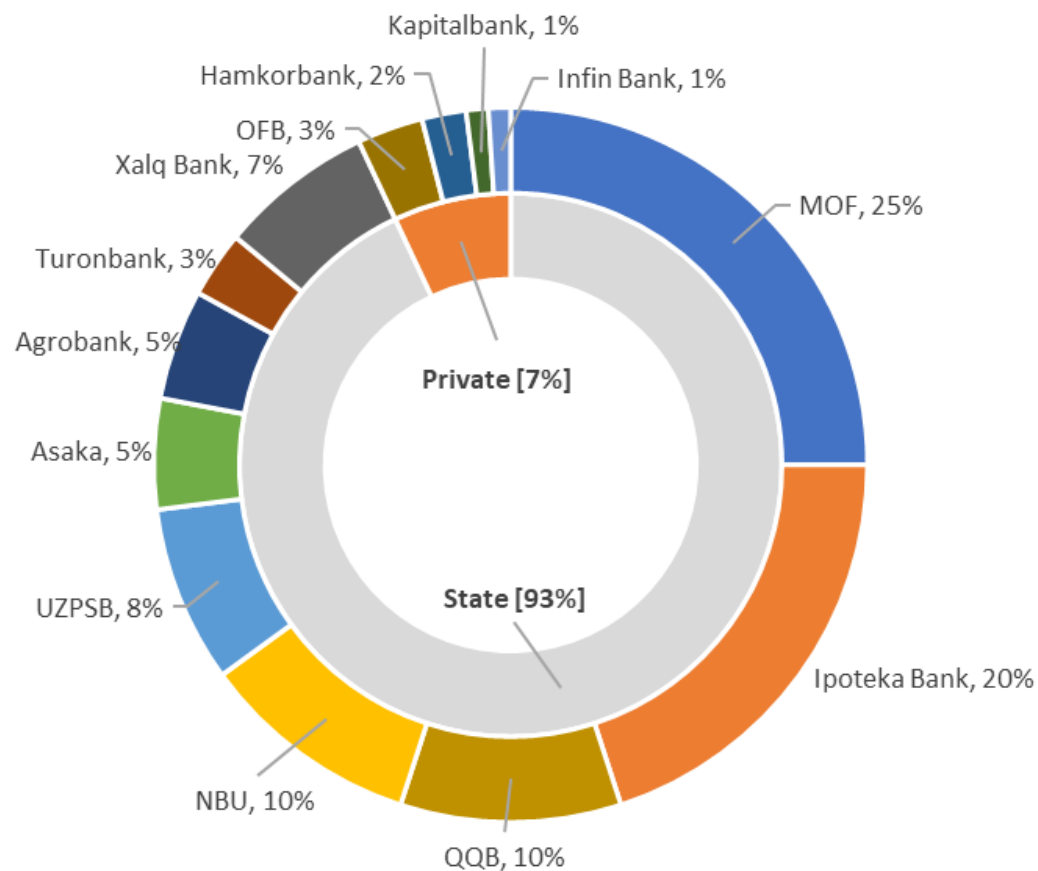
- ❖ **Provide liquidity** to the banking sector for the stable development of mortgage lending;
- ❖ **Develop local capital markets** through issuance of (covered) bonds and securitisation;
- ❖ **Promote international mortgage lending standards and practices**;
- ❖ Facilitate the creation of a **legislative framework** that supports the secondary mortgage market.

Operating model

Liquidity/Refinance	Capital markets	Guarantee
<ul style="list-style-type: none"> ▪ Mortgage ▪ Renovation <ul style="list-style-type: none"> - Green Renovation 	<ul style="list-style-type: none"> ▪ Stage I: Unsecured (recourse) ▪ Stage II: Covered bond/MBS (non-recourse) 	<ul style="list-style-type: none"> ▪ Guarantee fund (First Loss)
<ul style="list-style-type: none"> ○ <i>Refinanced LP(#): UZS 1.948trln (#11060)</i> ○ <i>Mortgages(#): UZS 1.889trln (#10227)</i> ○ <i>Renovation(#): UZS 59.37bln (833)</i> ○ <i>Female borrowers: 3434 (31%)</i> ○ <i>% flats vs houses: 68.9% vs 31.1%</i> ○ <i>% primary vs secondary vs renovation: 0.3% vs 92.2% vs 7.5%</i> 	<ul style="list-style-type: none"> ○ <i>Approve a new law on mortgage deeds [2022]</i> ○ <i>Issue unsecured bonds [Q1'23]</i> ○ <i>Issue covered bonds/MBS [2024]</i> 	<ul style="list-style-type: none"> ○ <i>To be established by the government with a seed capital of UZS 5bln (approx. USD 5mln);</i> ○ <i>Non-cash means of developing mortgage market;</i> ○ <i>PFIs are expected to create 95% LTV product for the designated group on the back of government guarantee</i>



Shareholders and Partner Financial Institutions



Onboarded PFIs

Founder and the largest shareholder

Ministry of Finance of the Republic of Uzbekistan

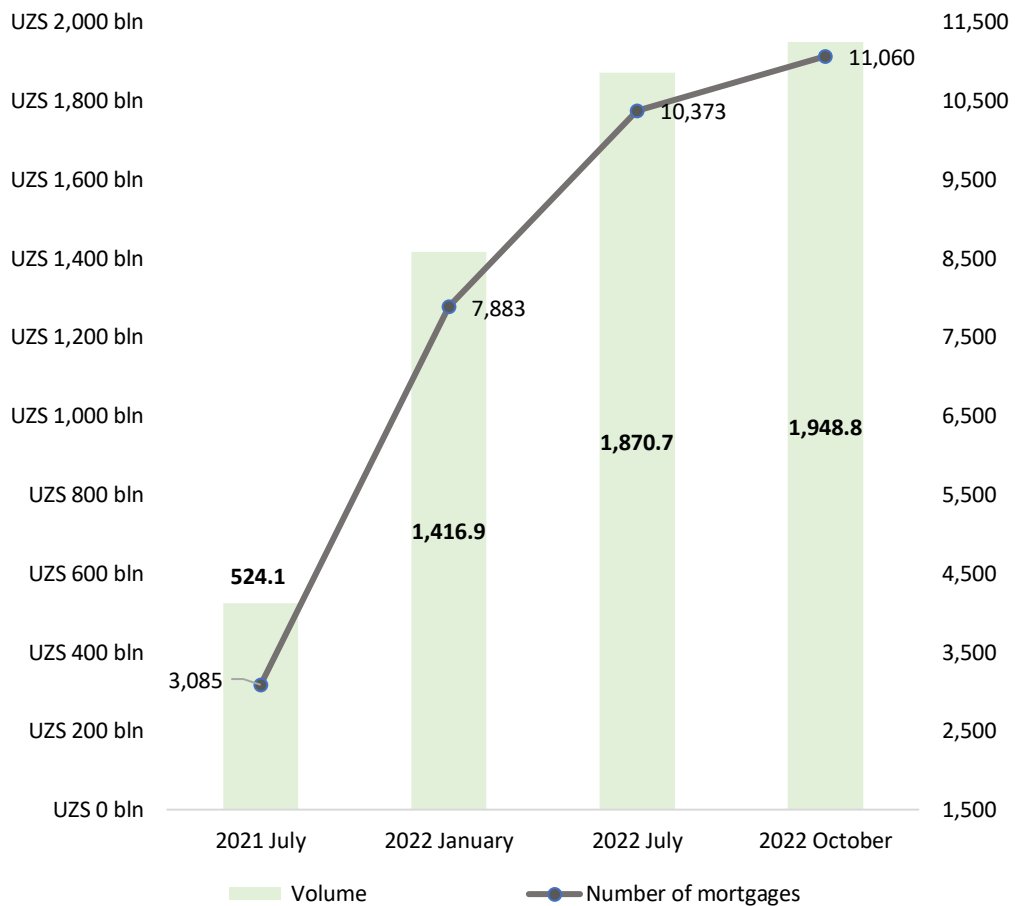
12 Shareholder banks < - > 9 PFIs

The image displays the logos of 12 shareholder banks and 9 PFIs. The banks shown are Ipoteka Bank, SQB, NBU, QQB, Asaka Bank, Asaka, Turon Bank, Hamkorbank, XalqBanki, InfinBank, Kapitalbank, and OFB. The PFIs shown are NBU, Asaka, and XalqBanki.

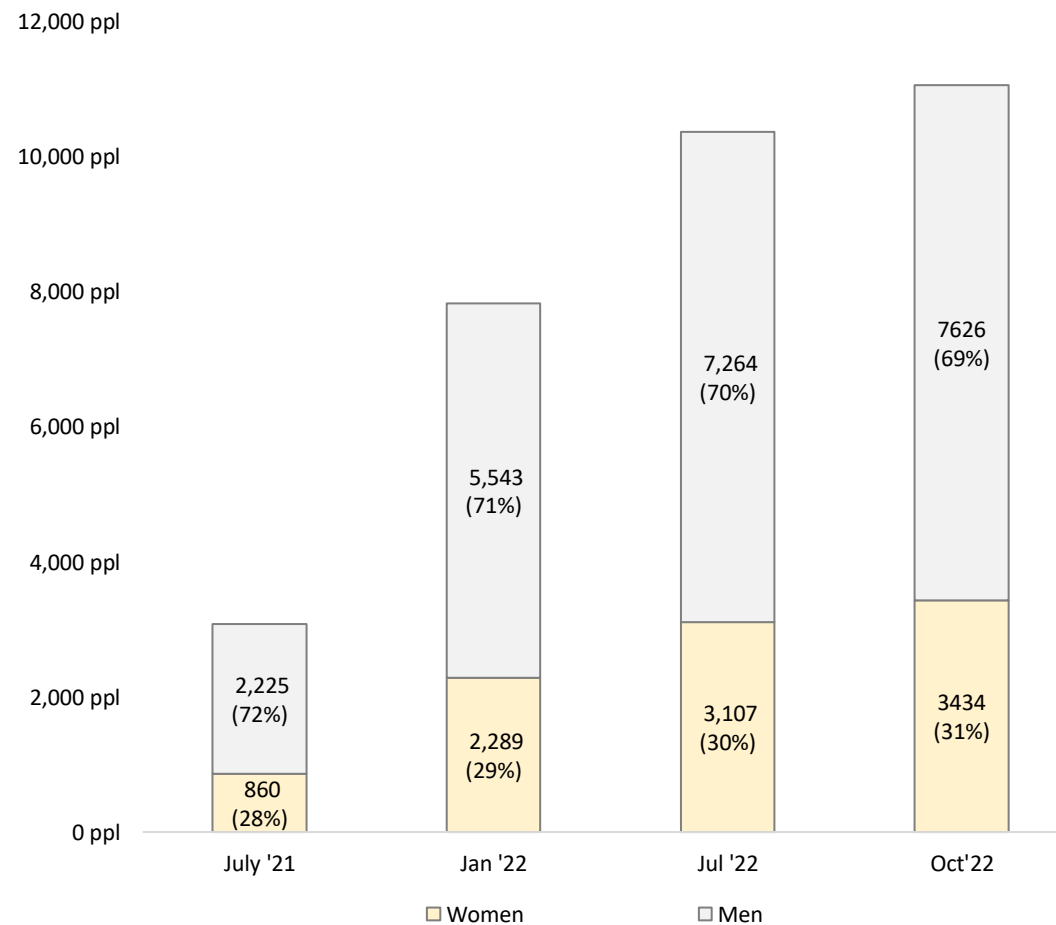


I. Liquidity/Refinance model

Mortgage loans refinanced by UzMRC

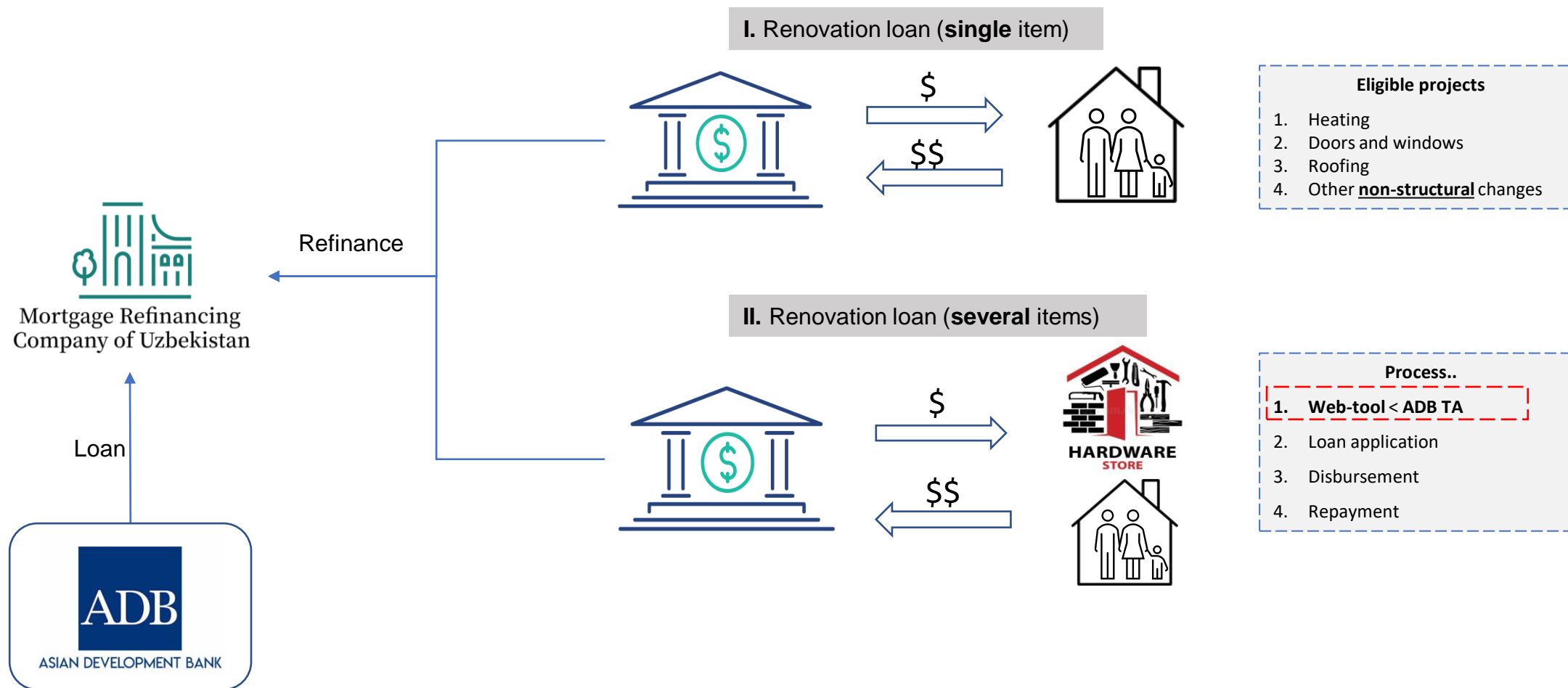


Gender breakdown





I. Green Renovation Loan - Concept

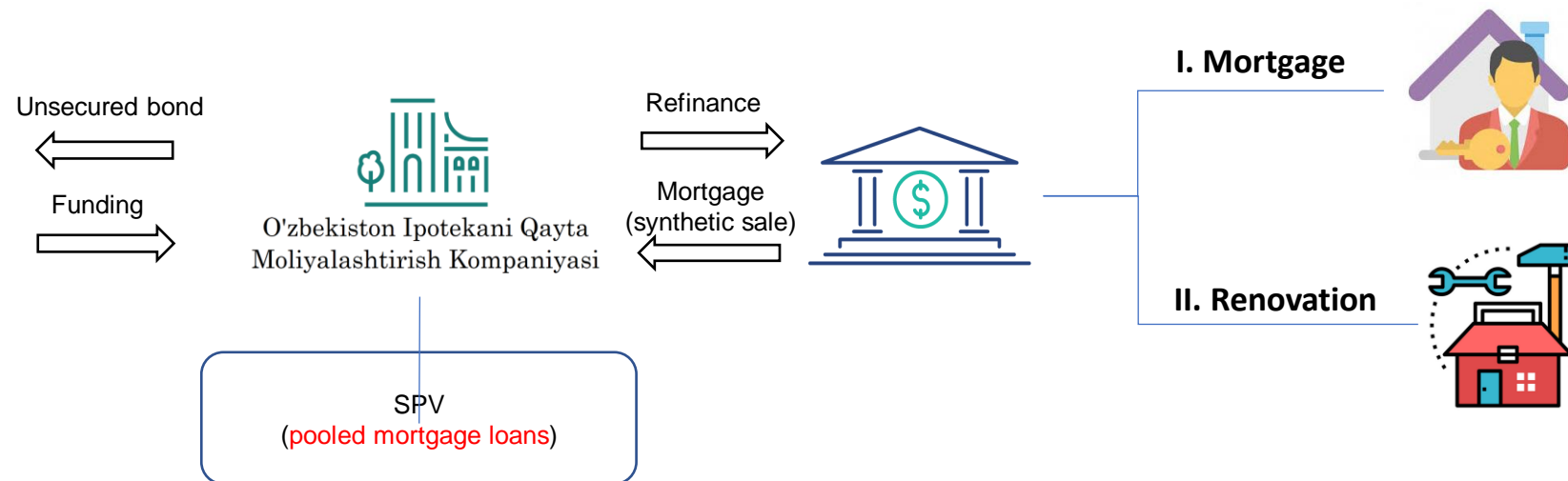


II. Securitization

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- Preconditions**
- UzMRC bonds to be classified **HQLA** by the Central Bank and be **eligible for repo**;
 - **Perfection of interest** in form of “Zakladnaya” is expected to be fully implemented before the bond issuance;
 - Clear guidance provided by the respective regulators on the **legal, tax and accounting treatment** of bonds





Demand and Supply for housing in Uzbekistan

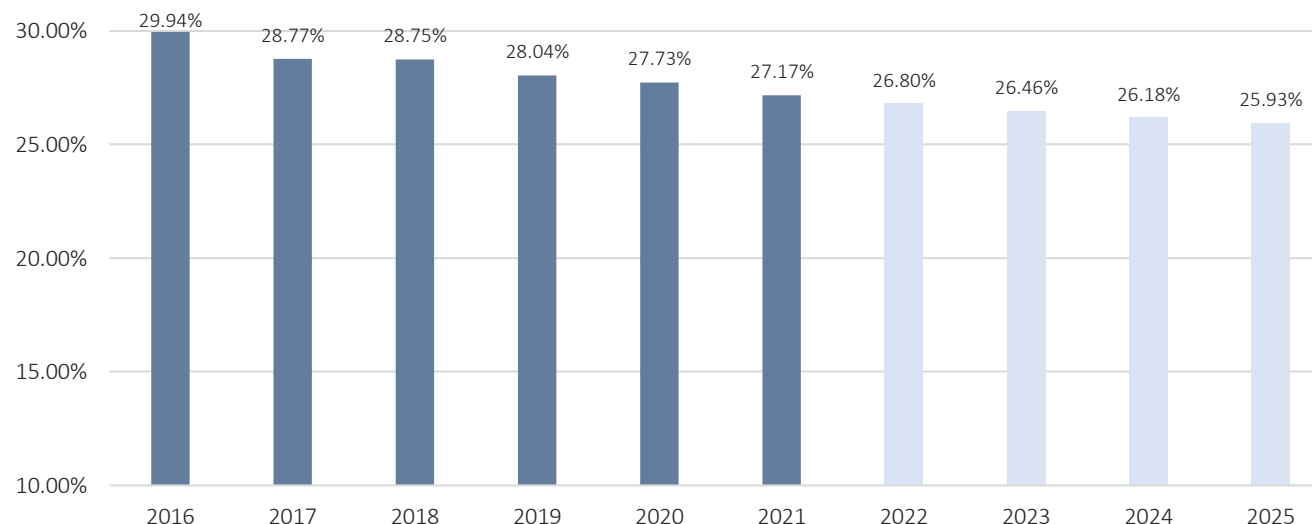
Overview of home ownership										
🏠	2016	2017	2018	2019	2020	2021	Forecast			
							2022	2023	2024	2025
Population (mln)	31.85	32.39	33.25	33.91	34.56	35.27	35.89	36.48	37.03	37.53
Housing stock (mln sqm)	490.85	507.55	521.24	536.79	552.00	566.62	581.51	596.40	611.29	626.18
Demand for housing (mln sqm)	700.65	712.55	731.59	745.93	760.30	772.72	785.36	798.19	811.24	824.50
Housing deficit (mln sqm.)	209.81	205.00	210.35	209.14	208.30	206.11	203.85	201.80	199.95	198.32

Key facts

- Population growth during 2016-2021 made up 2%.
- As at YE 2021, housing stock made up 566.6mln sqm ≈ 7mln homes
- Standard housing space is set at 16sqm per person by the Government
- International standards housing space per person is set at 22 sqm

Source: data.gov.uz va ЎзИҚМК прогнози

Housing Deficit (%)

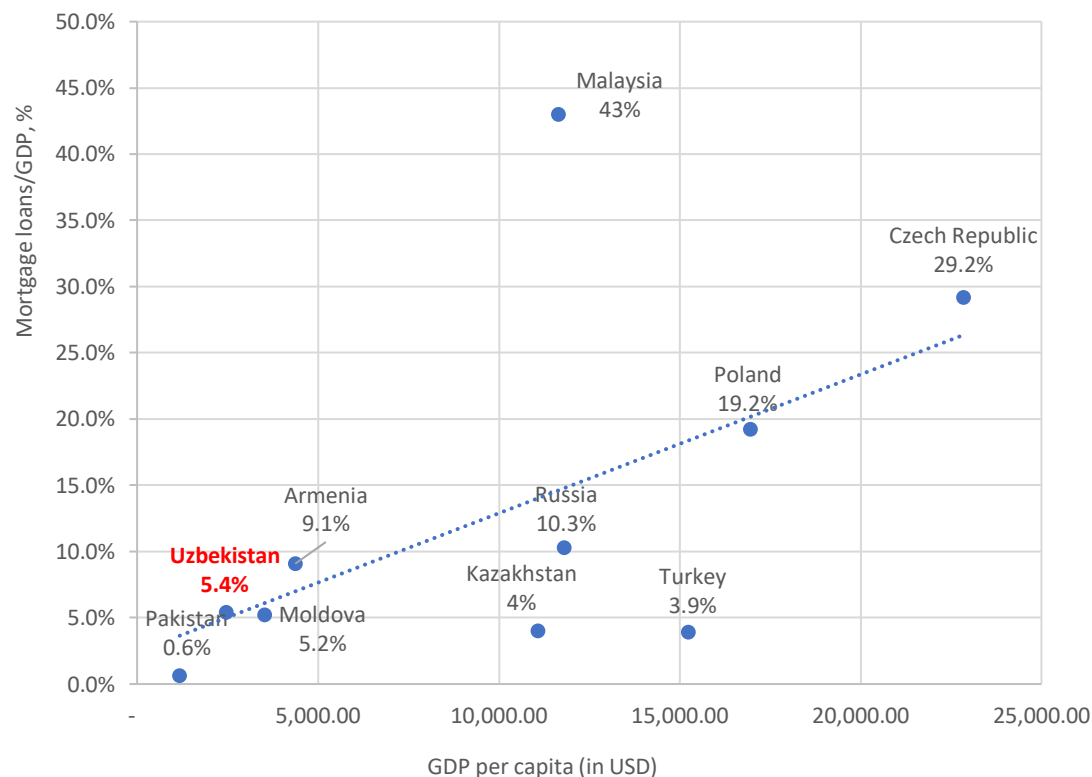


Source: UzMRC calculations



Uzbekistan vs others

Mortgage indebtedness

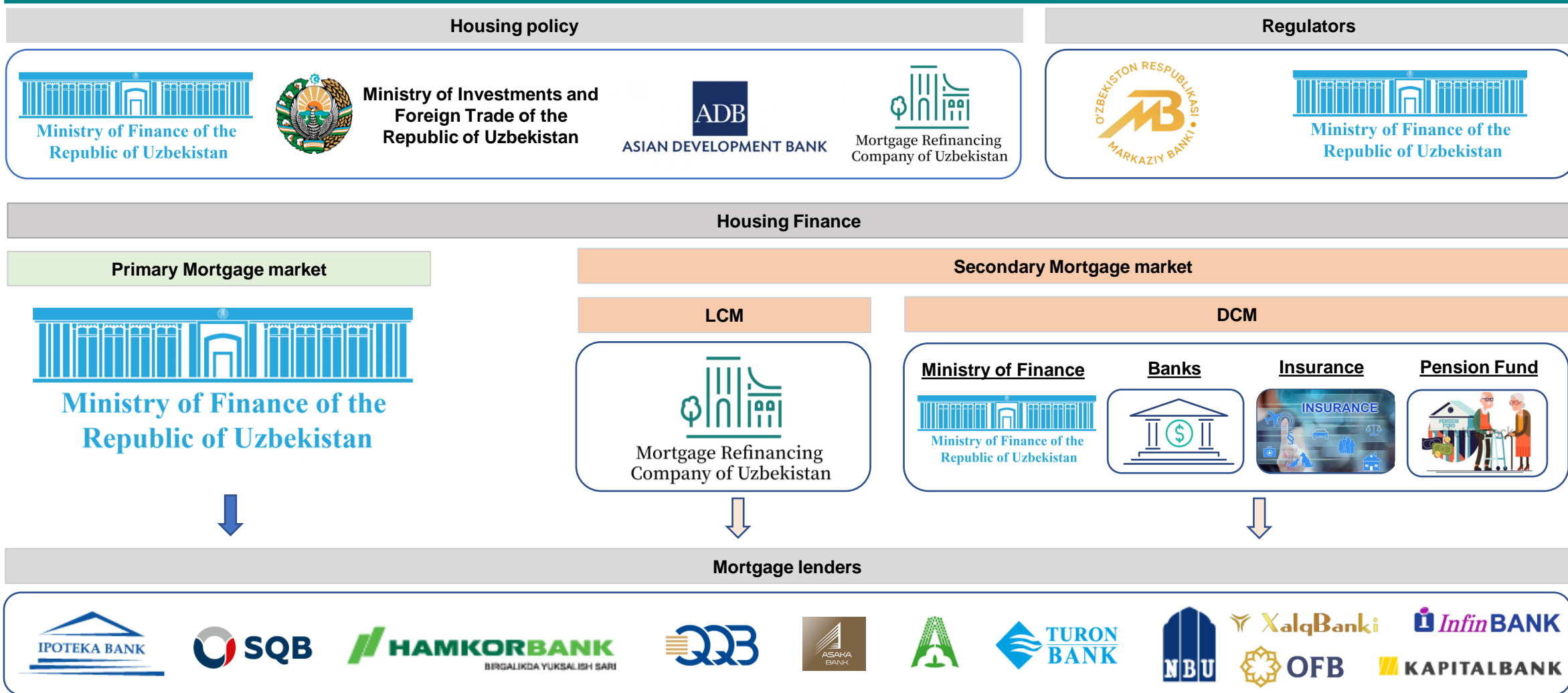


Measures	Uzbekistan	Russia	Kazakhstan	Kyrgyzstan
Central Bank key rate	16%	9.50%	14%	14%
Av. mortgage interest rate	17.30%	6.17%	8.60%	12.80%
Av. Mortgage tenor	18.8yr	22.7yr	9yr	9.8yr
Max available mortgage tenor	20yr	30yr	25yr	25yr
Av. size of mortgage loan	\$19,711	\$65,010	\$30,360	
Mortgages/GDP	2019	3.8%	17.5%	3.0%
	2020	4.9%	9.4%	5.0%
	2021	5.3%	10.0%	3.8%
Price of new apartments(per sqm)	\$ 821	\$ 4180	\$ 964	\$815
Price of old apartments (per sqm)	\$ 780	\$ 3965	\$ 943	\$790



Mortgage Refinancing Company of Uzbekistan

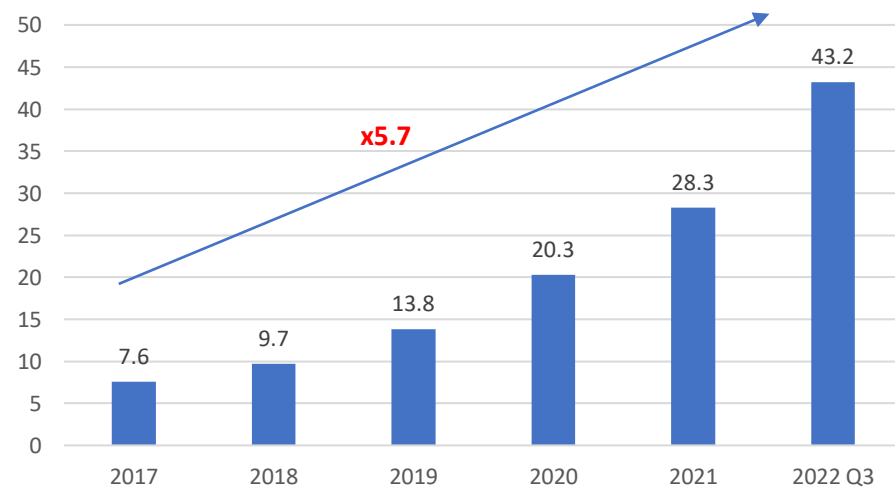
Mortgage market key stakeholders



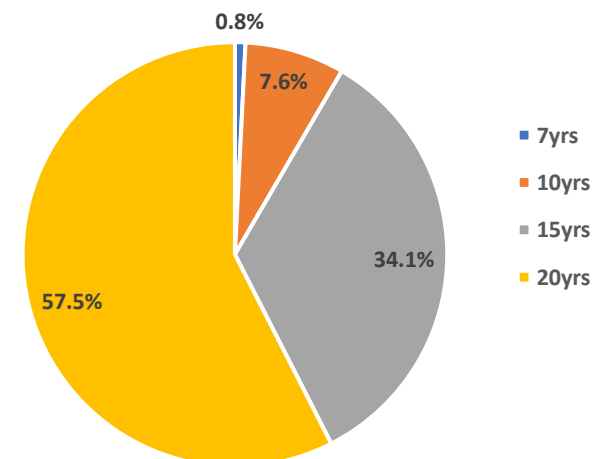


Mortgage market overview

Banking sector mortgage loan (trln. sum)



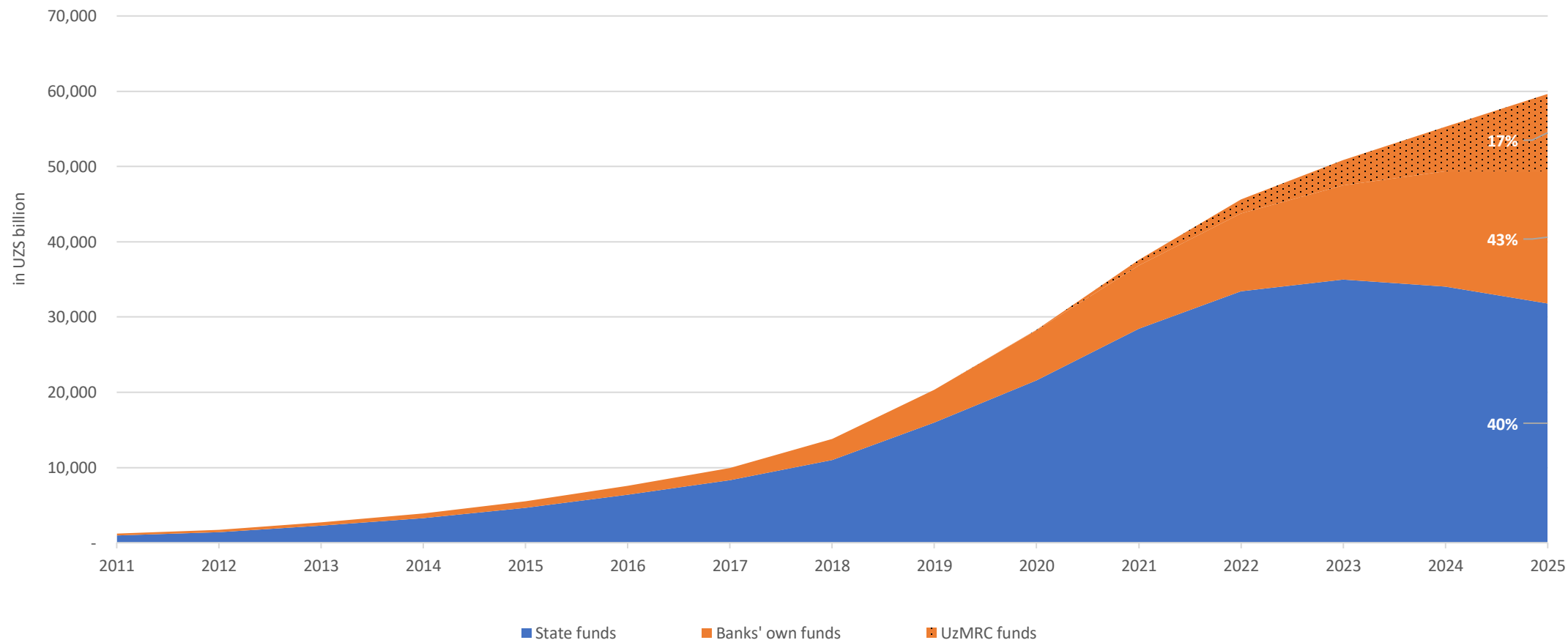
Banking sector mortgage portfolio by tenors





Mortgage market funding

Mortgage market by the source of funding





Challenges

Monetary and housing policy

1. CBU inflation targeting
YE'24 – 5%, currently 11%
2. Conflict housing finance programs led by the Government
2019 – UZS 0.5trln (≈USD 450m)
2020 – UZS 0.9trln (≈USD 880m)
2021 – UZS 1.5trln (≈USD 1bln)
3. Housing policy:
 - *Fragmented*
 - *Conflict of interest (regulation vs financing)*

Financial industry

1. Undeveloped capital markets
 - *Corporate bonds issuances (volume) – limited & unsuccessful: UZS 281bln from 7 issuers.*
 - *No history of loan portfolio sale*
2. Inexperienced regulator
 - *Lack of appropriate regulation/guidance for secondary mortgage market participants (UzMRC, PFIs, Insurance etc.)*
3. Unsophisticated investor base
4. Security rights
 - *Transfer of security rights has not been tested*
 - *Absence secondary mortgage market*