

DEVELOPMENT OF COMMERCIAL BANKS' SECURITIES ISSUANCE ACTIVITIES

Dilnozakhon Mukhitdinova

Department of "Corporate Finance and Securities",
Tashkent State University of Economics, Tashkent, Uzbekistan,
d.mukhitdinova@tsue.uz

Ibrokhim Avezov

Department of "Corporate Finance and Securities",
Tashkent State University of Economics, Tashkent, Uzbekistan,
ibrohim6041@gmail.com

Abstract

This article offers an in-depth analysis of the capital-raising activities of commercial banks through the issuance of securities, drawing on theories of financial markets and corporate finance. The literature review examines the research of foreign and domestic scholars on increasing bank capital, including the motives for issuing shares and bonds. The article also compares the securities-related activities of Hamkorbank and Ipoteka-Bank for the period from 2023 to 2025, based on statistical data. The analysis shows the volume of share issuance of Hamkorbank and Ipoteka-Bank using graphs and tables. The conclusion offers recommendations for enhancing the capital-raising strategies of banks based on the findings.

Keywords. Commercial banks, securities issuance, corporate finance, capital raising, bonds, stocks, investments, bank capitalisation, stock market, financial market.

Introduction

Modern financial market theory suggests that financial institutions and businesses utilize various financial instruments to finance their activities. While deposits are the primary funding source for commercial banks, they can also raise additional capital by issuing shares or bonds in the international market. "The determinants of long-term debt issuance by European banks: evidence of two crises", as noted in the publication, "ultra-large" long-term debt (wholesale debt) in commercial banks is the primary source of financing, along with deposits and equity¹. According to Saida Ibraimova, banks can attract additional funds through the issuance of securities such as shares, bonds, and certificates to diversify their assets and generate income.² In the context of the Uzbek banking market, the shares of 16 out of 35 commercial banks are

¹ "The determinants of long-term debt issuance by European banks: evidence of two crises" - BIS Working Papers No. 513, September 2015 - <https://www.bis.org>.

²Ibraimova S.M. "Kommercheskie banki kak istenny rynka tsennyy bumag" - B iznes. Education Pravo Vestnik volgogradskogo instituta biznesa, 2012, No. 3 (20).

listed on the Tashkent Stock Exchange and are open to both legal entities and individuals in most cases. However, the possibilities for issuing bank bonds are limited; currently, only two banks, Asia Alliance Bank and Kapitalbank, have their bonds listed on the exchange.

RESEARCH METHODOLOGY

This study employs a qualitative research approach to provide a comprehensive analysis of the securities issuance activities of Hamkorbank and Ipoteka-Bank during the 2023–2025 period. This approach enables a more robust understanding of the various factors influencing securities issuance in the context of Uzbekistan's banking sector, including theoretical frameworks, financial data, and strategic decision-making processes.

LITERATURE REVIEW

Foreign literature, including classical theories that model the capital structure of financial firms, particularly the Modigliani–Miller theorem (1963), agency theory (Jensen & Meckling, 1976), and adverse selection theory (Myers, 1984), explains the factors that attract savings. According to the BIS analysis, corporate finance values are also utilized in commercial banks; that is, decisions on increasing debt and private equity are explained by theories of agency issues, information asymmetry, and tax incentives.³ At the same time, there is little research on the banking sector, as banks, unlike corporate firms, are not regulated by special legal and regulatory documents. As Ibraimova S. notes, commercial banks can participate not only in intermediary activities but also in the securities market as issuers; that is, they can issue shares, bonds, certificates, and other securities on their behalf.⁴ In his opinion, banks can increase financial independence by "raising additional funds through their issues."

Transparency and alignment with global standards are crucial for the integrity of the banking system. With an annual coupon rate of 5.5% on the London Stock Exchange for the first time in 2020, Uzbek banks have been raising capital through the international market since the 2020s. The issuance of large corporate bonds, as a factor influencing the banking sector and investors, is of great importance in bank capitalization. In Uzbekistan, bank bond issuance decisions may be more influenced by regulatory and insurance factors, as most corporate bonds are considered mandatory insured assets under local law. Banks should diversify their sources of funding by the principles of corporate finance, including more actively using issuance mechanisms to increase capitalization. Banks can strengthen market confidence and provide new opportunities for investors by offering their shares for sale. To achieve this, it is necessary to make the processes of issuing shares and bonds more transparent and open and to align financial reporting with global standards. This commitment to transparency and global standards will reassure investors and the public about the integrity of the banking system.

³ "The determinants of long-term debt issuance by European banks: evidence of two crises" - BIS Working Papers No. 513, September 2015 - <https://www.bis.org>.

⁴ Ibraimova S.M. "Kommercheskie banki kak istenny rynka tsennyx bumag" - B iznes. Education Pravo Vestnik volgogradskogo instituta biznesa, 2012, No. 3 (20).



ANALYSIS AND RESULTS

Hamkorbank increased its authorized capital twice in 2023-2025. At the shareholders' meeting on May 26, 2023, a decision was made to increase the authorized capital from 107.77 billion soums to 323.32 billion soums. These additional shares will be issued through a closed subscription, and it has been determined that each shareholder will receive two new shares. At the meeting on December 18, 2024, an increase in the authorized capital from 323.32 billion soums to 646.65 billion soums was approved, and this time, in a closed subscription, each shareholder was issued a new share in a ratio of 1:1. As for corporate bonds, a decision was made to issue a total of 50,000 discounted bonds with a nominal value of 1 million soums at the beginning of 2024 (Supervisory Board resolution 01.03.2024). On May 1, 2024, Hamkorbank's corporate bonds worth 50 billion soums were put up for sale on the Tashkent Stock Exchange. The bonds were issued for a 1-year term and sold at a 22% discount. The nominal value of each of them is 1 million soums. Capital Investment Company was involved as an underwriter for the issue, playing a crucial role in guaranteeing the successful sale of the bonds. These bonds were completed on May 1, 2025. At the end of the circulation period, that is, on May 1, 2025, the bondholders fully repaid their investments. Payments on the bonds were made on May 11, 2025. Payments were transferred to the bank accounts of the bondholders based on the register of bondholders formed by the Central Securities Depository of the Republic of Uzbekistan. Payments were not delayed, and all investors received their funds on time.

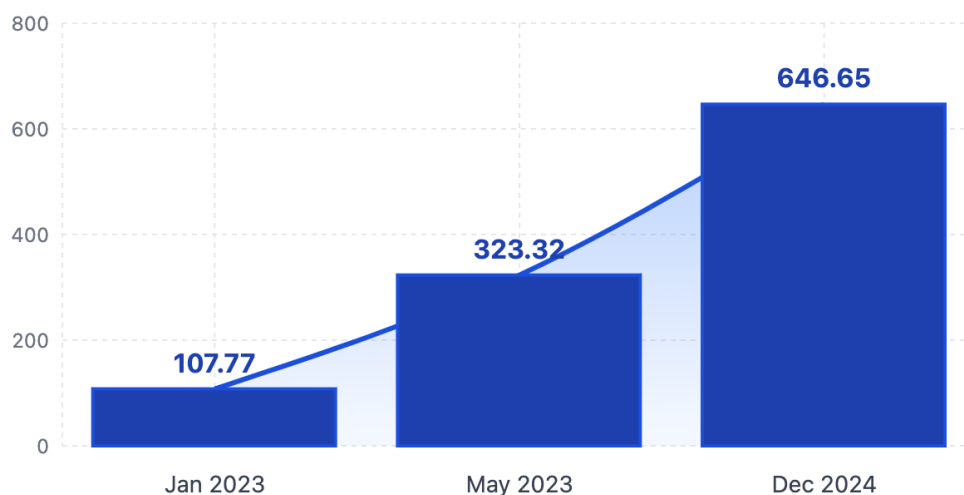


Figure 1. Dynamics of the authorised capital of Hamkorbank JSC in 2023-2024 (in billion soums)⁵

According to Hamkorbank's published reports, in 2021 and 2022, no dividends were paid on ordinary shares, while preferred shares received 30% of their nominal value. For example, for the end of 2022, a dividend of 0% (0 soums) was set for ordinary shares and 30% (1.5 soums) for preferred shares. This disparity (zero dividend on ordinary shares, 30% on preferred shares)

⁵ Prepared by the author based on the financial results of Hamkorbank JSC.

remained stable in 2021–2022. In general, the bank distributes its annual profit in proportion to the number of shares (in soums or as a percentage), with preferential shareholders receiving priority payments.

According to the latest data, in 2024, Hamkorbank's total capital increased by 36.6% to 5.541 billion soums (approximately USD 429 million); net profit reached 1.505 billion soums (approximately USD 119 million), representing a significant increase compared to 1.216 billion soums (approximately USD 103 million) in 2023. These results indicate that the bank has increased its financial stability. Official data for the first half of 2025 have not been provided. However, the current trend suggests that the bank's capital structure is expected to remain strong, and profitability will continue to be high in key indicators for 2025. For example, according to the 2024 results, the capitalization rate and return on assets have improved compared to the previous year.

CONCLUSION

The article analyses the problems and opportunities for the development of securities issuance by commercial banks based on an integrated scientific approach. It is demonstrated that in both foreign and domestic literature, the issuance of shares and bonds by banks is explained by financial market theories. Using the example of Uzbek banks, it is revealed that the issuance of securities by banks is essential as a source of additional funds for entrepreneurship and financial institutions. Banks should expand their issuance activities to strengthen the financial market infrastructure and expand their capital base. This requires deepening the legal framework, increasing investment attractiveness, and enhancing market confidence. For example, legislative changes adopted since 2020 have increased the number of corporate bond issuers. Continuing similar reforms in cooperation with banks and regulators will create diversified financing opportunities for banks. In the future, it is recommended that strategies focus on increasing bank capitalization, enhancing information provision to investors, and promoting professional participation in the securities market.

References

1. Ibraimova S. 2012. Kommercheskie banki kak issues rynka tenny bumbag. Vestnik business.
2. Laeven L., Majnoni G., Marquez R., Romero K. (2015). The determinants of long-term debt issuance by European banks. BIS Working Papers, No. 513.
3. Makhkamov Z., Shodiyev M., Nurayev J. 2022. Analysis of Corporate Securities Market Development in Uzbekistan. International Journal of Management, IT and Engineering, 12(2), 118–122.
4. Hamkorbank JSCB (2023). Press release: To the attention of shareholders - On the increase in the authorized capital. Hamkorbank official website. hamkorbank.uz
5. Hamkorbank JSCB (2020). Press release on the start of Hamkorbank's activities in the international securities market. Hamkorbank press center. hamkorbank.uz
6. Securities of Uzbek banks and their purchase options (12.01.2024). Deposit. uz
7. Uzbek capital market reforms unlock corporate funding boom, fuels investor demand (22.06.2025). intellinews.com



8. Akmalov A., Kadyrov B., Mirzakhmedov H. 2024. Analysis of the Current State of Bond Financing of Industrial Enterprises in Uzbekistan and Development Prospects. International Journal of Multicultural and Multireligious Understanding, 11(8), 604–614. ijmmu.com

9. Of Hamkorbank JSCB for 2023. Collection of official reports of Hamkorbank.