

## E- Global Congress

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### **STRATEGIC DIVERSIFICATION OF EUROBOND ISSUANCE BY UZBEK CORPORATE ISSUERS: CURRENCY, INSTRUMENT TYPES, AND INVESTOR BASE EXPANSION**

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#### **1. Introduction**

Uzbekistan’s integration into international capital markets has accelerated significantly over the past several years, driven by the country’s inaugural sovereign Eurobond issuance, ongoing economic reforms, and increasing investor confidence in its long-term development trajectory. The sovereign Eurobond of 2019 established a liquid benchmark yield curve and served as a catalyst for corporate and quasi-sovereign issuers, enabling them to pursue global funding opportunities with greater visibility and pricing efficiency. This shift coincides with a broader policy agenda aimed at market liberalization, modernization of the banking sector, and the gradual transition toward market-based financing models.

Against this backdrop, Uzbek corporates have become increasingly active in the international debt capital markets. Initially reliant on conventional U.S. dollar-denominated senior unsecured bonds, the issuer base is now demonstrating rising sophistication in instrument design, currency diversification, and syndicate strategy. Motivated by the need to reduce refinancing risks, optimize their cost of capital, and secure longer-tenor funding, issuers are exploring multi-currency structures, hybrid capital instruments, ESG-labelled securities, and selective use of private placements. These developments coincide with an environment of ongoing structural reforms, enhanced regulatory standards, and several sovereign and corporate credit rating upgrades, all of which support expanding global investor appetite for Uzbek credit.

This study examines the strategic evolution of Eurobond issuance patterns among Uzbek corporate issuers by analyzing diversification across currencies, instrument types, and issuance formats. It evaluates the increasing relevance of ESG instruments, the development of capital-stack

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instruments such as Additional Tier 1 (AT1) securities, and the potential emergence of Additional Tier 2 (AT2) instruments. The paper also highlights how syndicate composition—especially the coordinated participation of GCC institutions and U.S. Tier-1 banks—affects investor distribution, orderbook quality, and pricing outcomes.

The study is guided by four research questions:

1. How are Uzbek corporate issuers diversifying their Eurobond issuance across currencies, maturities, and instrument types?
2. What factors shape issuer choice between 144A/RegS public placements and private placements?
3. How do syndicate strategies and investor geography influence pricing dynamics and spread tightening?
4. In what ways do sovereign and corporate rating upgrades translate into lower borrowing costs and improved market access?

By addressing these questions, the study contributes to the growing body of literature on emerging-market debt issuance and offers practical insights for policymakers, corporate treasurers, and investors seeking to understand Uzbekistan's rapidly evolving external financing landscape.

## 2. Methods

### Research design and data sources

This research adopts a qualitative, descriptive, and comparative analytical approach. The objective is to evaluate structural shifts in Eurobond issuance strategies among Uzbek corporates, focusing on diversification dimensions such as currency denomination, instrument type, market-entry format, and pricing outcomes.

A comparative framework is used to benchmark:

- Belarus, Kazakhstan, and Georgia as regional market peers;
- Uzbekistan's sovereign curve as the primary pricing anchor;
- global trends in ESG financing and hybrid capital instruments.

Content analysis of offering documents, rating agency reports, and market data enables triangulation of observations and ensures analytical reliability. Where issuer transparency is limited—such as orderbook depth or allocation by geography—interpretations rely on publicly disclosed figures, arranger commentary, and secondary-market performance indicators.

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This method enables a holistic and multi-layered understanding of the evolution of Uzbekistan's Eurobond issuance.

The study is grounded in a comprehensive set of publicly available, credible, and verifiable sources that are widely recognized in international capital markets research. Primary market documentation constitutes the core dataset, including Eurobond prospectuses, offering memoranda for both RegS and 144A/RegS formats, pricing supplements, issuer roadshow materials, investor presentations, arranger disclosures, trustee reports, and filings submitted to listing authorities. These documents provide authoritative information on issuance structure, covenants, risk factors, and pricing terms.

In addition, the analysis incorporates publications from leading international rating agencies—Fitch Ratings, Moody's Investors Service, and S&P Global Ratings. These include rating action commentaries, issuer-level assessments, sovereign and corporate credit reports, and sector outlooks, offering essential insights into credit risk dynamics and rating rationales relevant to Uzbek corporates.

Market data forms another crucial component of the methodological base. This includes Emerging Market Bond Index (EMBI and CEMBI) summaries, sovereign and corporate yield curves, indicative pricing levels, pricing sheets, secondary-market trading information, and orderbook allocations where disclosed. These datasets enable cross-sectional and time-series comparisons of spreads, yields, and market performance.

Secondary sources, including academic literature, reports issued by international financial institutions such as the IFC, EBRD, and ADB, as well as reputable financial media coverage of Uzbekistan's capital markets reforms, supplement the empirical evidence by providing broader context and comparative frameworks.

All sources were assessed for internal consistency, temporal comparability, and methodological reliability. This triangulation approach ensures that the analytical framework developed in the study rests on robust, traceable, and high-quality market evidence.

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Analytical Dimension	Description of Assessment Focus	Indicators / Variables Analyzed	Data Sources
<b>1. Currency Diversification</b>	Evaluation of shifts from single-currency (USD) dependence toward multi-currency strategies (EUR and emerging UZS offshore).	<ul style="list-style-type: none"> <li>• Share of issuance by currency</li> <li>• Yield differentials vs. sovereign curve</li> <li>• FX exposure considerations</li> <li>• Investor demand by currency</li> </ul>	Prospectuses, pricing sheets, sovereign yield curves, EM indices
<b>2. Instrument-Type Diversification</b>	Analysis of corporate issuers' transition toward advanced structures (ESG, subordinated debt, hybrid capital instruments).	<ul style="list-style-type: none"> <li>• ESG/Green/Sustainability issuance</li> <li>• Senior unsecured vs. subordinated</li> <li>• AT1 structures, call features</li> <li>• Potential AT2 readiness</li> </ul>	Prospectuses, regulatory documents, ESG frameworks, rating reports
<b>3. Market-Entry Format</b>	Comparative assessment of private placements versus public issuance formats (RegS, 144A/RegS).	<ul style="list-style-type: none"> <li>• Disclosure requirements</li> <li>• Tenor structure</li> <li>• Pricing outcomes</li> <li>• Execution timelines</li> <li>• Liquidity implications</li> </ul>	Offering documents, market announcements, arranger presentations
<b>4. Syndicate Structure &amp; Investor Geography</b>	Examination of the influence of syndicate composition on demand generation and pricing.	<ul style="list-style-type: none"> <li>• GCC bank participation</li> <li>• U.S. tier-1 bank involvement</li> <li>• Regional investor allocation (Asia/GCC/EU/US)</li> <li>• Orderbook size &amp; oversubscription</li> </ul>	Final terms, investor presentations, roadshow materials
<b>5. Pricing &amp; Spread Performance</b>	Evaluation of primary pricing efficiency and post-issuance trading dynamics relative to benchmarks.	<ul style="list-style-type: none"> <li>• Initial vs. final pricing guidance</li> <li>• New-issue premium</li> <li>• Spread tightening vs. sovereign curve</li> <li>• Secondary-market spread performance</li> </ul>	Pricing sheets, EM trading data, sovereign curve data
<b>6. Rating-Pricing Relationship</b>	Assessment of how rating upgrades/outlook improvements influence the cost of capital.	<ul style="list-style-type: none"> <li>• Rating changes (issuer + sovereign)</li> <li>• Spread movements around rating actions</li> <li>• Correlation with issuance pricing</li> </ul>	Rating agency releases, pricing data, issuer disclosures

### 3. Results

Uzbekistan's corporate Eurobond market has expanded rapidly in recent years, shaped by increasing issuance volumes, greater structural sophistication, and evolving investor preferences. The period from 2024 to 2025 witnessed several landmark deals that collectively demonstrate the diversification of instruments, currencies, and funding structures, as well as



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the integration of sustainability considerations. These developments provide a robust empirical basis for evaluating Uzbekistan's progress toward becoming a regular participant in international capital markets. A defining feature of this period has been the gradual diversification of funding currencies beyond the historically dominant U.S. dollar. While USD continues to account for the majority of corporate Eurobond transactions supported by deep liquidity, a broad institutional investor base, and favorable pricing dynamics for benchmark-size issuances recent transactions show noteworthy movement toward multi-currency funding strategies. The issuance of a dual-currency sustainability bond by SQB (Sanoat Qurilish Bank) in July 2024, comprising USD 400 million and UZS 2.25 trillion tranches listed on the London Stock Exchange under the 144A/RegS format, marked a significant step toward widening the currency mix available to Uzbek issuers. Soon after, Agrobank's October 2024 green bond issuance, amounting to the equivalent of USD 455 million split between a USD 400 million five-year tranche and a UZS 700 billion two-year tranche, reinforced the emerging relevance of local-currency offshore instruments. These UZS-denominated deals are supported by moderating inflation, stronger macroeconomic stability, and rising interest among regional investors seeking local-currency exposure.

Although euro-denominated transactions remain limited, Uzbekistan's growing trade integration with Europe and sustained demand from European real-money accounts particularly pension funds and insurance companies indicate that future EUR issuance is plausible, especially for export-driven corporates. The overall shift toward diversified currency strategies strengthens balance-sheet resilience by reducing FX mismatch risk and aligning liability structures with issuer revenue profiles.

Parallel to currency diversification, Uzbekistan has experienced rapid development in sustainability-labelled financing. ESG considerations are increasingly embedded in corporate funding programs, driven both by issuer strategic priorities and the rising influence of global sustainability-oriented capital. Agrobank's 2024 Green Bond explicitly allocating 80 percent of proceeds to Climate Smart Agriculture illustrates the alignment between corporate financing and national development objectives related to climate mitigation and resilience. Sustainability tranches, such as those issued by

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SQB in 2024, have attracted strong participation from European ESG-mandated funds, often enabling issuers to benefit from modestly tighter pricing through greenium effects. These transactions have not only elevated the visibility of Uzbek issuers in the international sustainable finance landscape but also demonstrated their capacity to comply with globally recognized frameworks and reporting standards.

Uzbekistan's international bond market has also witnessed notable growth in issuance formats and structural complexity. The choice between private placements and 144A/RegS public offerings has become increasingly strategic. While private placements offer quicker execution and reduced documentation requirements for smaller deals, the major transactions executed in 2024–2025 increasingly favored the 144A/RegS format due to its broader distribution reach and deeper liquidity. Large benchmark transactions such as NMMC's inaugural USD 1 billion Eurobond in October 2024 structured in two equal tranches with maturities of four and seven years—demonstrated the benefits of tapping global institutional markets through public issuance formats. NMMC's subsequent USD 500 million Eurobond in May 2025, executed under favorable market conditions, further reinforced the growing appetite for Uzbek corporate credit among international investors. Similarly, the National Bank for Foreign Economic Activity (NBU) successfully issued dual-tranche bonds in July 2025, totaling USD 418 million and UZS 1.5 trillion, to finance wide-ranging infrastructure and regional development projects. These multi-currency, multi-tenor structures reflect a strategic shift toward more sophisticated capital-market engagement.

The evolution of Uzbekistan's capital markets reached a new milestone with the introduction of Additional Tier 1 (AT1) instruments. In October 2025, SQB issued the country's first AT1 perpetual notes, raising USD 300 million and becoming the first Central Asian bank to enter the AT1 market. This transaction diversified the bank's capital structure, strengthened regulatory buffers, and opened a new asset class for global high-yield investors. The emergence of AT1 instruments indicates readiness for further progression toward AT2 subordinated debt, which would deepen the capital stack and expand Uzbekistan's corporate credit curve toward multilayered, Basel-aligned structures.

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Syndicate strategy has played a decisive role in driving successful outcomes for these transactions. Deals arranged through a dual-track syndicate—combining the liquidity strength of GCC banks such as FAB, Emirates NBD, and Mashreq with the global distribution reach of U.S. Tier-1 institutions including Citigroup, J.P. Morgan, and Bank of America have historically achieved superior results. These transactions typically benefited from higher oversubscription levels, broader geographic investor participation, more aggressive spread tightening during book-building, and improved secondary-market support. The multi-regional syndicate model has consequently enhanced Uzbekistan’s market visibility and contributed to more efficient pricing dynamics for corporate issuers.

Spread performance further validates the strong investor sentiment underlying these developments. Across the sovereign and corporate yield curves, spreads have exhibited persistent tightening, supported by improved macroeconomic performance, structural reforms, and moderating inflation. This tightening has translated directly into reduced borrowing costs for corporate issuers, enabling larger issue sizes, longer maturities, and more competitive coupons. The pricing advantages gained through spread compression have been amplified by rating actions. Reaffirmed BB-category sovereign ratings, often accompanied by stable or positive outlooks, have driven stronger benchmark curves, reduced new-issue premiums, and increased participation from global real-money accounts. Improvements in credit ratings have therefore reinforced market access and strengthened the pricing power of Uzbek issuers.

Taken together, the results demonstrate that Uzbekistan’s corporate Eurobond market is undergoing a structural transformation. It is evolving from predominantly USD-based, plain-vanilla instruments toward a more diversified, sustainable, and sophisticated landscape that accommodates varied currencies, ESG labels, hybrid capital instruments, and globally standardized issuance formats. This progression reflects not only improved issuer capabilities but also investor confidence in Uzbekistan’s macroeconomic trajectory and regulatory reforms.

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### 5. Conclusion

Uzbekistan's corporate Eurobond market has entered a phase of meaningful evolution, reflected in expanding currency options, adoption of ESG-focused instruments, development of hybrid capital structures, and increasingly strategic syndicate partnerships. These advancements are supported by macroeconomic reforms, strengthened regulatory frameworks, and sovereign and corporate credit rating upgrades. As a result, Uzbek corporates are achieving tighter spreads, enhanced investor diversification, and more reliable access to long-term funding. The growing sophistication of issuers suggests a market capable of supporting increasingly complex financial instruments and larger international transactions. Looking forward, continued structural reforms, enhanced transparency, and deeper integration into global financial markets will further consolidate Uzbekistan's role as a rising participant in the emerging market Eurobond universe, contributing significantly to the country's broader economic transformation.

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