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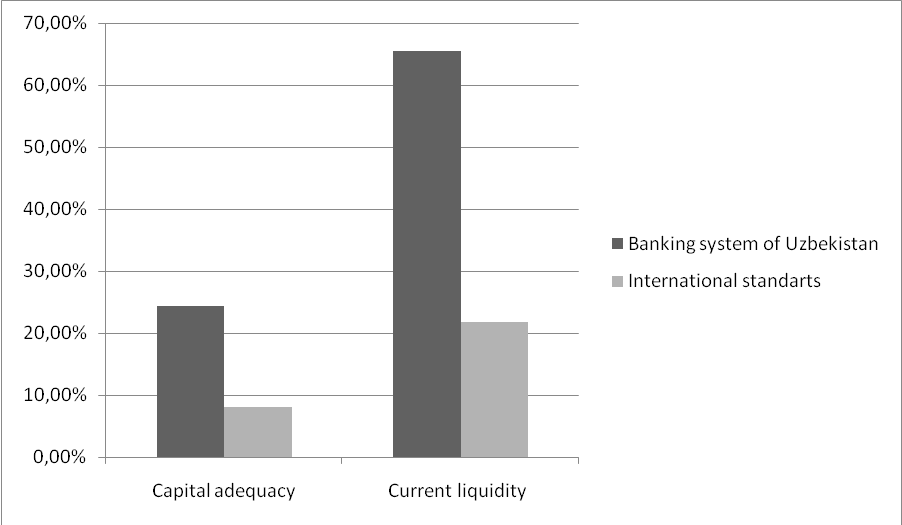
**(Tashkent, Uzbekistan)**

**STEADY DEVELOPMENT OF THE BANKING SYSTEM OF UZBEKISTAN**

At the time when in some countries the rating of the majority of top banks is being revised downwards, to prevent such negative phenomena, Uzbekistan since 2000, have been paying particular attention to ensure the financial stability and increase the capitalization of commercial banks. The support of the financial system by the state and effective banking supervision allowed Uzbekistan’s commercial banks to receive positive ratings from leading rating agencies. The course of reforms Uzbekistan follows, which differ from the approach of other countries, has proved its advantages. In particular, 13 commercial banks have received “stable” ratings from the leading international rating companies, such as Fitch Ratings, Moody’s and Standard & Poor’s.

The outlook for Uzbekistan's banking system remains stable, says Moody's Investors Service in a new report. According to Moody’s, the stable forecast is provided by the high rates of economic growth in Uzbekistan accompanied by considerable volumes of investments. The factors cited as positively influencing the forecast include the steadfast incomes of Uzbek banks that ensure the capital for funding the growth in loans. Moody’s stresses the steady dynamics in the quality of assets of Uzbek banks, notably the encouraging trends in capital investments, affording every reason to suggest that the value of assets will remain at the stable level. The outlook is underpinned by the country's persistently strong economic growth, as banks channel high levels of investment from the cash-rich central government into the economy. Other key drivers include Uzbek banks' robust earnings which generate capital to fund some of their loan growth. In addition, Moody's leading asset-quality indicators suggest stable trends for problem loans. Moody's notes positively the stability of commodity prices (cotton, natural gas and wheat) that represent the rating agency's leading indicators for asset quality in Uzbekistan, and based on historical correlations, capital-investment trends also bode well for asset quality. The rating agency expects the average ratio of problem loans to total gross loans to remain in the range of 6%-7% in the next 12 to 18 months [1].

According to analyses of Standard & Poor’s high economic growth in Uzbekistan is supported with financing of real sector of economy by the commercial banks. Efficient banking supervision and regulation of the banks’ activities help to keep main figures of the banking system in high level and meet international requirements . Stable position of the banks serves as firm foundation for confidence in the banking system and mobilization of corporate and population deposits at the banks, which rose 2.2 times in last three years. In 2013, the deposits rose by 30.2% and aggregate assets – 30%. It was noted that total capital of the banks rose 2 times in last three years and by 25.1% in 2013. Capital adequacy of the banking system makes up 24.3%, which exceeds international standards three timesFig1). It is planned that aggregate capital of the banks will grow at least 20% till 2015. Current liquidity of the banking system is 65.5%, which is twice higher compared to international requirements [2].



Fitch Ratings says in a newly-published sector report that Uzbekistan’s banks have demonstrated stable growth rates (albeit from a quite low base), relying mostly on domestic savings. Sector performance is supported by consistently strong economic growth resulting from favorable export markets and the sovereign’s currently strong fiscal position that underpins the largely centralized economy. Bank lending continues to grow at a rapid pace (28% in 2013) on the back of strong economic growth and low credit penetration (loans/GDP ratio of 22% at end-2013). The share of impaired loans, based on IFRS accounts, was a moderate 8% at end-2013, with the ratio benefiting from growing loan portfolios. However, unreserved impaired loans were a material 22.5% of sector equity at end-2013. Foreign currency lending was a significant 40% of total loans, although positively most borrowers have FX revenues, while the sector's currency position is balanced by FX denominated funding amounting to 39% of total liabilities [3].

Taking everything into consideration, It is essential to emphasize that all these factors clearly show that our banking system has significantly developed due to effective banking supervision.

**Literature:**

1. <http://www.moodys.com>
2. <http://www.standartandpoors.com>
3. <http://fitchratings.com>

**Scientific supervisor:**

Namozov Olim Botirovich – the teacher of Tashkent Financial Institute.