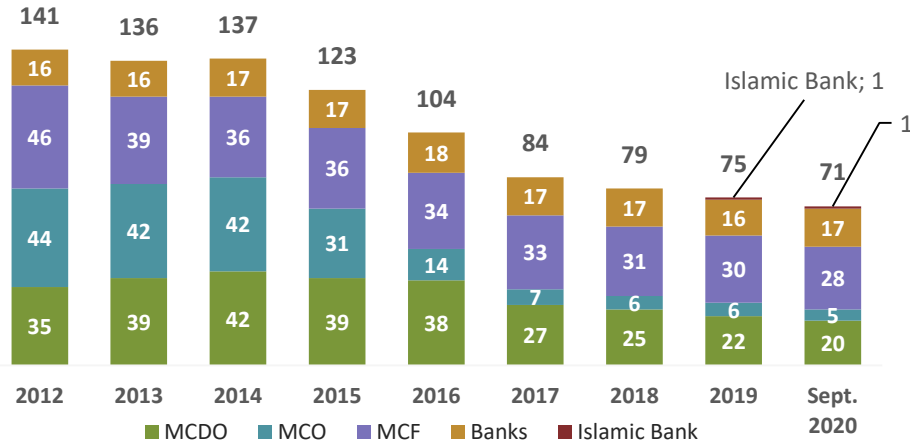


Overview of the Tajik banking sector

Dushanbe
November, 2020

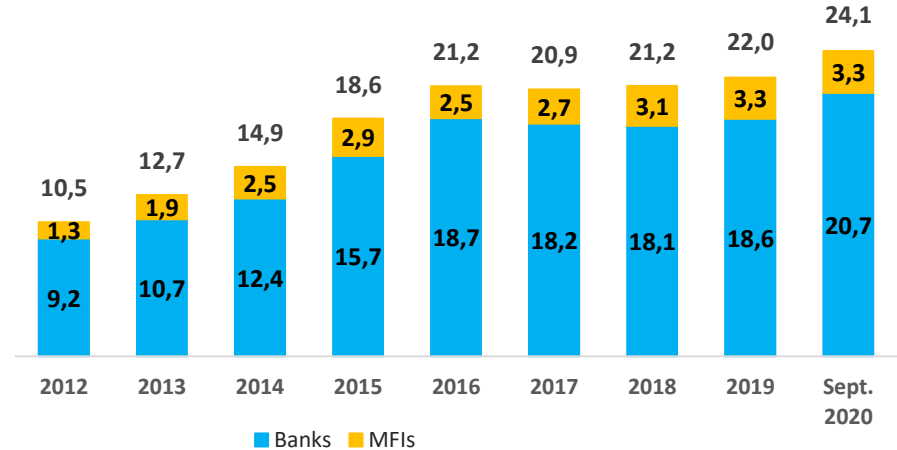
Banking System

Structure (number of credit institutions)



- 1 state bank, 2 banks with state participation
- 9 local private banks (including 1 Islamic bank), 7 foreign banks
- Moved from quantity to quality policy, revoked licenses of about 75 non-viable MFIs since 2015
- Revoked licenses of 2 insolvents banks

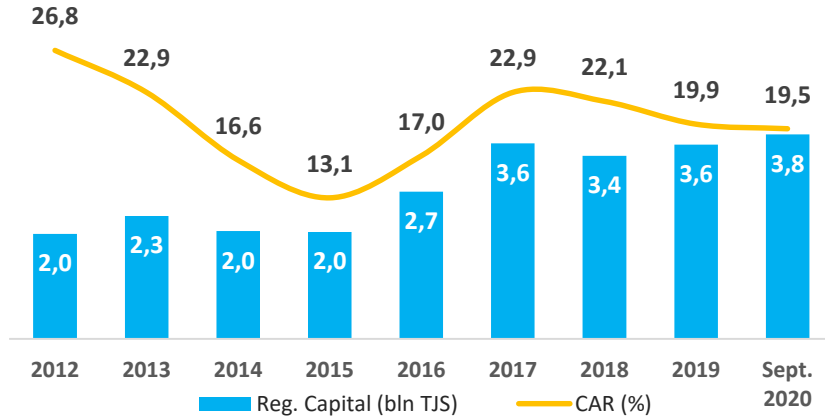
Assets (bln TJS)



- Over the last five years banking system assets increased almost by 29,4% and has made TJS 24.1 billion
- The share of microfinance institutions in total assets of the credit institutions is 13,6%
- 1 Islamic bank and 2 Islamic Windows

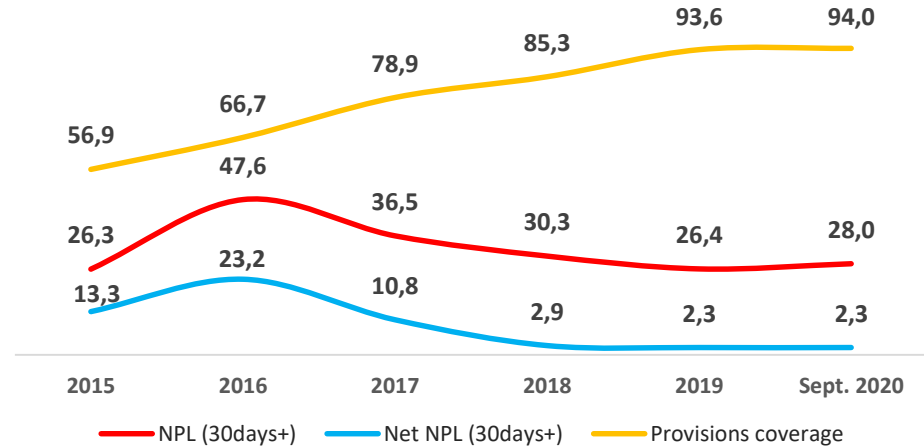
Stability

Capital Adequacy Ratio



- CAR is 7,5 p.p. above the required ratio
- In Dec. 2016, Government recapitalized 2 SIBs (Agroinvestbank and Tojiksodirotbank) by 3.3 bln. TJS (\$321,4 mln.)
- Accumulation of regulatory capital due increase in profit and reserves.

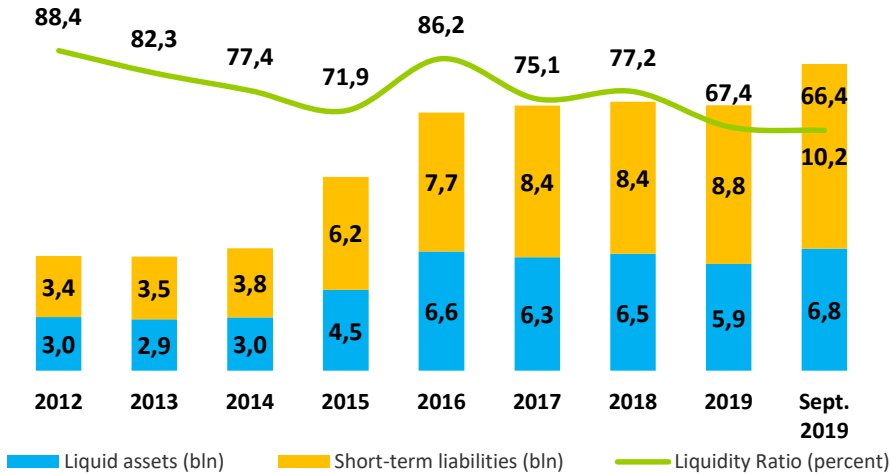
NPLs and provisions coverage (%)



- In 2016 sudden increase of NPLs, mostly because of strengthened supervision and enforced transparency
- NBT required NPL recovery plans from banks with high NPL level
- NPLs provision coverage ratio is at 94%, higher than good practices (75%)

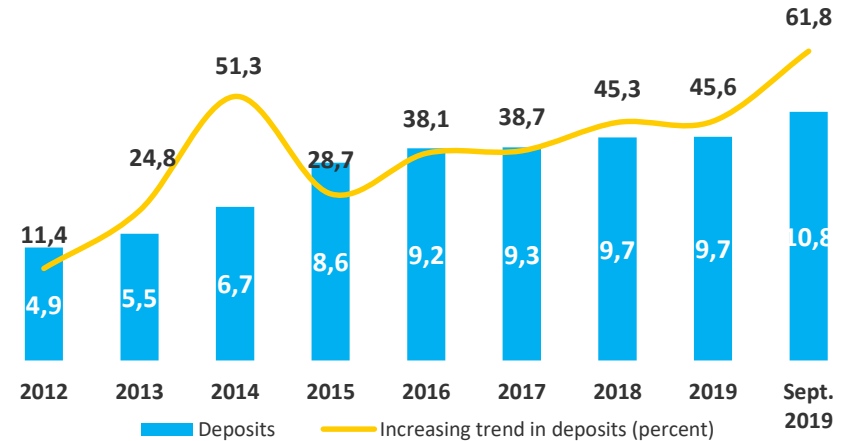
Liquidity

Liquidity Ratio



- Liquidity ratio of the system is more than the required limit by 36,4 p.p.
- The figure includes two inactive problematic banks

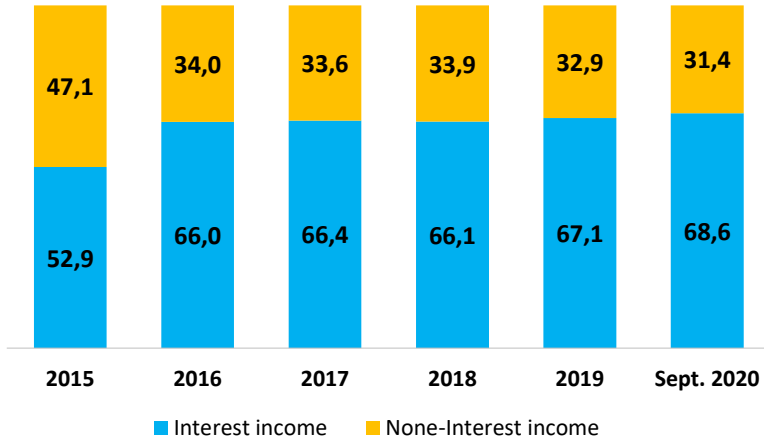
Deposits (bln TJS)



- Since 2014 deposits of the banking system increased by 61,8%
- Despite the difficulties in two banks deposits shows increasing trend

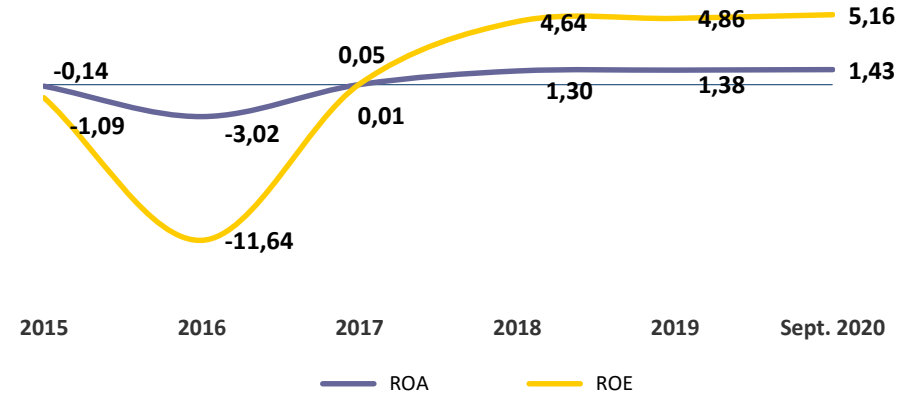
Performance

Net interest income to total income (%)



- The structure of total income is stable
- Banks to focus on financial intermediation as their main function
- Share of net interest income increased from 52,9% to 68,6%

ROA and ROE (%)



- Return on assets (ROA) has improved from negative 3,0% in 2016 to positive 1,4% in Sept. 2020
- Return on equity (ROE) has improved from negative 11,6% in 2016 to positive 5,2% in Sept. 2020
- This is indicating that the system is stable

NBT Reforms,
2015 to present...

NBT Reforms

- **Established Financial Stability Department, Financial Stability Committee, Division for supervision of Islamic banking, Consumer Protection Division & Insurance Supervision Department**
- **Ensured transparency of financial reports** and enhanced reporting standards, disclosed banks' shareholders and investments
- **Ensuring the health and safety of the financial sector** (quantity towards quality) – **revoked license of more than 75 non-viable Cis**
- **First Islamic** banks started operating
- Conducted **AQRs of 5 SIBs** by international audit companies & required recovery plans
- Adopted the Law on **Payments Services and Payment Systems**,
- Made amendments to the legislation on **AML/CFT, Bureau of Credit History, Consumer Rights Protection, Insurance Activity, Secured transactions etc.**
- Improvement of **Financial and Regulatory Infrastructure**: RTGS, NPCR, CSD are operationalized, Banking Supervision IT Infrastructure is updated
- Strengthening legal and regulatory framework for **Agency Banking**,
- Made amendments to the laws on NBT, Banking Activity, Deposit Insurance & Liquidation to strengthen the supervision powers, **corporate governance**, introduce **macro prudential regulation, implement effective resolution mechanisms**
- **Regulatory Sandbox** is functioning since Feb. 2019

Thank you!