

Review of the Banking System of the Republic of Tajikistan on December 31, 2022

There are 64 credit financial institutions that are functioning in the Republic of Tajikistan as of December 31, 2022 including 14 traditional banks, 1 Islamic bank, 1 nonbank credit institution, 19 microcredit deposit organizations, 3 microcredit organizations and 26 microcredit funds.

Within the period starting from December 31, 2021 to December 31, 2022 were issued licenses to 1 nonbank credit institution (LLC NBCO "Vasl"), 2 microcredit deposit organizations (LLC MDO "Emin Sarmoya" and CJSC MDO "Shukr Moliya" and a license of 1 microfinance organization (MCF "Istiqlol") were revoked.

At the same time, by the resolutions of the Board of the National Bank of Tajikistan were issued licenses to LLC MDO "Furuz" (№31 as of March 18, 2022), CJSC "Dushanbe City Bank" (№68 as of June 9, 2022) and LLC NBCO "Vasl" (№151 as of December 30, 2022) to conduct banking transactions. The licenses of LLC MCO "Furuz" and LLC MDO "Dushanbe City" were revoked due to their transformation.

It should be noted that there is a representative office of 1 foreign bank (Agricultural Bank of China Limited) that operates in the banking system of the country. In addition, outside the territory of the Republic of Tajikistan OJSC "Orienbank" has representative offices in the United Arab Emirates (Dubai), United Kingdom of Great Britain and Northern Ireland (London), Republic of Turkey (Istanbul), Republic of Korea (Seoul), Republic of Uzbekistan (Tashkent), People's Republic of China (Beijing) and SSB of RT "Amonatbank" has representative office in the Russian Federation (Moscow).

At the reporting date the number of structural units of credit financial institutions compared to December 31, 2021 increased by 7 units and stood at 1 862 units.

Table 1. Structure of the banking system of the Republic of Tajikistan

<i>Structure</i>	<i>31.12.2021</i>	<i>31.12.2022</i>	<i>Ch-ge (+/-)</i>
1.Credit financial institutions (total)	63	64	1
1.1 Banks	14	15	1
1.1.1 Traditional banks	13	14	1
1.1.2 Islamic banks	1	1	-
1.2 Nonbank credit organizations	-	1	1

1.3 Microfinance organizations	49	48	-1
1.3.1 Microcredit deposit organizations	18	19	1
1.3.2 Microcredit organizations	4	3	-1
1.3.3 Microcredit funds	27	26	-1
2. Structural units of CFI (total)	1 855	1 862	7
2.1 Branches	295	310	15
2.1.1 Islamic banking windows	2	2	-
2.2 Centers of banking services	1 204	1 205	1
2.3 Centers of microfinance services	353	343	-10
2.4 Mobile units	3	4	1

As of December 31, 2022 **total assets of the credit financial institutions** made TJS 30 030,7 million and increased by TJS 7 616,0 million or 34,0% compared to December 31, 2021 mainly due to the accounts receivable from the National bank of Tajikistan, cash and the balance of the credit portfolio.

Total balance of the credit portfolio of the credit financial institutions at the end of the reporting period made TJS 13 577,6 million. The figure increased by TJS 1 607,2 million or 13,4% compared to December 31, 2021 driven by loans to small and medium enterprises.

The amount of **nonperforming loans** (overdue for more than 30 days) at the reporting period was TJS 1 630,9 million or 12,0% of the total credit portfolio of the banking system, which is 1,4 percentage points less than December 31, 2021.

Provisions for nonperforming loans as of December 31, 2022 made TJS 1 704,2 million or 104,5% of total nonperforming loans, which is 12,0 percentage points higher compared to the same period of 2021.

Table 2. Quality of credit portfolio of the credit financial institutions

	<i>(TJS million)</i>		
<i>Classification of loans</i>	<i>31.12.2021</i>	<i>31.12.2022</i>	<i>Ch-ge (+/-)</i>
Total (gross), including:	11 970,4	13 577,6	1 607,2
Performing	10 363,6	11 946,7	1 583,2
Nonperforming	1 606,8	1 630,9	24,1
Share of nonperforming loans	13,4%	12,0%	-1,4 p.p.
<i>Share of nonperforming loans (net)</i>	<i>1,1%</i>	<i>-0,6%</i>	

Total liabilities of the credit financial institutions on the reporting date made TJS 23 731,7 million and increased by TJS 6 392,6 million or 36,9%, compared to the same period of 2021, which was mainly driven by increasing the amount of deposits.

The Current Liquidity Ratio of the credit financial institutions on December 31, 2022 was 94,88% which exceeded the minimum requirements (30%) by 64,88 percentage points.

Total deposits of the credit financial institutions on the reporting date increased by TJS 5 348,5 million or 52,6% compared to the December 31, 2021 to stand at TJS 15 507,8 million.

The share of **foreign currency deposits of the credit financial institutions** on the reporting date constituted 44,3% which is 0,2 percentage points lower than the same indicator as of December 31, 2021.

Total balance sheet capital of the credit financial institutions increased by TJS 1 223,3 million or 24,1% compared to the end of December, 2021 mainly due to current year's profit and the capital surpluses and stood at TJS 6 299,0 million.

The Capital Adequacy Ratio of the credit financial institutions on December 31, 2022 was 25,27%, which is 13,27 percentage points higher than the minimum requirements (12%).

Credit financial institutions at the end of December 2022 showed a **profit** of TJS 1 179,5 million which is TJS 1 071,2 million or 988,3% higher compared to the same period of 2021.

Return on assets (ROA) of the credit financial institutions for the reporting period increased from 0,5% to 3,9% and **return on equity (ROE)** increased from 2,1% to 18,7% compared to the end of December 2021.

OVERVIEW OF INSURANCE SYSTEM OF THE REPUBLIC OF TAJIKISTAN FOR 2022

As of December 31, 2022, there are 16 insurance organization operating in the Republic of Tajikistan, 1 of which is a state-owned organization (in form of SUE) and 15 are non-state insurance organizations. The number of branches of insurance (reinsurance) organizations for the reporting period amounted to 67 units, which is less for 5 units compare to 2021.

In 2022, by the Resolutions of Board of the National Bank of Tajikistan, the insurance organizations the LLC "IO Insurance" and LLC "IO Bima Life" were issued a license for carrying out insurance activities, and the validity period of the license of LLC "IO Itminon" was extended. In connection with the change of name and location, the licenses of LLC «IO Sipahr», LLC «SPO Spitamen Insurance», LLC «IO Takafful», LLC «Insurance of the 21st Century» and LLC «IS Bima Life» were reissued.

For this period due to expiration of the license of CJSC «IO Kafil», by the Resolution of Board of the National Bank of Tajikistan its license was terminated.

During the reporting year, by the Resolution of Board of the National Bank of Tajikistan, to the audit organizations LLC "CROW HORVAT" and LLC "Kreston AS" were issued a licenses to carry out auditing activities in the field of auditing of insurance (reinsurance) organizations.

Table 1. Number of insurance (reinsurance) organizations and their branches in 2022

	2021	2022	<i>(in units)</i> Changes (+/-)
Insurance organizations	19	16	-3
State insurance organizations	2	1	-1
Non-state insurance organizations	17	15	-2
Branches of insurance organizations	72	67	-5

Total assets of insurance (reinsurance) organizations in 2022 amounted to TJS 612.2 million, which is more for TJS 86.3 million (16.4 %) compare to the previous year, of which solvent assets (in cash, bank savings and investments) amounted to TJS 507.6 million, consisting 82.9 % of total assets.

In total, the share of assets of insurance system in relation to the total assets of the country's financial system for the reporting period has reached 1.9%, amounting to 0.5% of GDP.

In 2022, the balance sheet liabilities of insurance (reinsurance) organizations of the country amounted to TJS 225.9 million, which is more by TJS 20.4 million (9.9%) in compare to the same date of 2021.

Own funds (capital)¹ of the country's insurance system for 2022 amounted to TJS 386.3 million, which is more for TJS 65.9 million (20.6%) compare to the same period of last year. This increase is regarded as an important priority in terms of financial stability and solvency of insurance (reinsurance) organizations.

The authorized capital (fund) of insurance organizations as of December 31, 2022 amounted to TJS 279.5 million, which is more by TJS 43.9 million (18.6%) in compare to the same date in 2021.

Total number of insurance contracts in 2022 amounted to 2 114.5 thousand units, which increase by 143.8 thousand units (7.3%) compared to the same period of last year. This process indicates that year by year the interest of

¹Own funds (capital) of insurance institutions include authorized capital, reserve capital, additional capital, incentive fund, as well as retained earnings

the population in the insurance is increasing and financial literacy is also improving.

Total volume of insurance premiums (insurance payments) for January – December, 2022 amounted to TJS 305.9 million, which is more for TJS 19.5 million (6.8%) compared to the same period of 2021.

Insurance liabilities of the insurance (reinsurance) organizations for the reporting period amounted to TJS 105.6 billion, having increased by TJS 698.7 million (0.7%) compared to the same period of 2021.

At the same time risks transferred for reinsurance by insurance organizations in 2022 amounted to TJS 68.0 billion, which is less by TJS 5.7 billion (7.7%) compare to the same period of last year.

Ceded premiums (insurance payments) of insurance system transferred for reinsurance organizations in 2022 amounted to TJS 71.5 million, which is less for TJS 11.7 million (14.1%) compare to the same period of last year. On one hand, this process has a positive impact on the financial stability and solvency of insurance (reinsurance) organizations and on the other hand, it contributes to the timely repayment of insurance claims.

Formulation and availability of insurance reserves in insurance organizations timely payment of insurance claims from insurance organizations, for the reporting period amounted to TJS 170.7 million, which is more for TJS 488.0 thousand somoni (0.3%) compared to the same period of 2021.

It should be noted that, the process of formulation of insurance reserves in the insurance system of the country for the reporting period was ensured to a large extent.

Insurance payments (insurance compensations) for the reporting period tended to increase and amounted to TJS 26.3 million, which is increased by TJS 4.0 million (17.9%) compare to the same period of 2021.

The volume of savings of insurance (reinsurance) institutions in the banking system of the country in 2022 amounted to TJS 43.3 million, which is more by TJS 9.2 million (27%) compare to the last year, this process is aimed at facilitating the implementation of investments in various sectors of the economy of country.

The net profit of insurance institutions amounted to TJS 77.8 million, which is more by TJS 15.8 million compare to the same period of last year. (25.4%).