

International Bank of Tajikistan

Helping investors unlock Tajikistan's future

Tajikistan's favourable demographics and strong trade links to Asia - China accounts for more than half of all foreign direct investment (FDI) into the country - have made it a hotspot for seasoned investors with knowledge of the region. Today, the Government of Tajikistan is pursuing greater public sector efficiency and structural reforms to open the country to a new generation of global investors. Alongside access to a network of free economic zones, investors in Tajikistan benefit from some of Central Asia's most competitive tax policies. At the lower end, businesses investing up to USD 500 thousand will receive a two-year exemption on any tax on profits, or three years for investments between USD 500 thousand and USD 2 million, whilst investments exceeding USD 5 million will net businesses five years of tax exemption.

Over the past decade, Tajikistan's banking sector has been crucial in promoting economic growth, international investment, and long-term social prosperity. As of March 2023, Tajikistan had 64 credit organisations, 15 commercial banks, 23 microfinance organisations, and 26 microfinance funds. Most importantly, they are all looking to diversify the range of financial services they offer. Currently, these include the ability for citizens and businesses to charge foreign Visa cards, access foreign currencies, and easily send and receive money abroad. Last year, Tajikistan joined more than 30 other countries in launching a National Financial Inclusion Strategy (2022-2026) to help facilitate access to financial services for individuals and small businesses, accelerate digitisation and diversification, and promote financial literacy. The strategy highlights the importance of Tajikistan's banking sector in the future of the country's development and its role in upholding the confidence of domestic and foreign businesses.

Initially founded as 'Standard Finance' in 2014 to help finance micro and small enterprises, the International Bank of Tajikistan (IBT) received its banking licence in 2016 and now has 15 branches and 12 banking service centres across Tajikistan. IBT's services include loans,



Iskandar Rajabov
Chairman

deposits, money transfers, cash and non-cash payments, foreign exchange transactions, and mobile banking.

"Our strategy has been clear from the beginning," says IBT's chairman, Mr. Iskandar Rajabov, "rather than offering loans to big business or investing in real estate, we offer payment and cash management services instead." This is because, Mr. Rajabov explains, big

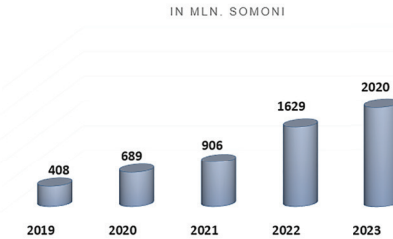
businesses generally have smaller margins and secure their loans against non-liquid, hard-to-sell assets - like land or real estate - which means banks that do loan to them receive little reward for what is a relatively high-risk venture. "When it comes to serving our bigger corporate clients, we offer retail credit financing - which uses their money - so whilst the risk remains low, the margin for us is far higher." IBT only loans to low-risk projects, and its conservative approach has resulted in the lowest percentage (<1%) of nonperforming loans (NPLs) - where the borrower is 90 days past due - of any bank in Tajikistan.

Since its founding, IBT has always been professionally audited by one of the Big Six. "We change auditors every three years, as required by law, and this year it is RSM. We already have a rating from Microfinanza, an Italian rating agency, and we are now seeking confirmation from the Big Three," says Mr. Rajabov.

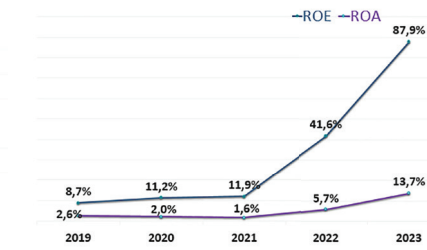
Meanwhile, about half of the Chinese companies currently invested in Tajikistan are clients of IBT, using it as their main service bank. "This means we've passed compliance with their head offices in terms of transparency, reliability, and international standards."

When it comes to innovation, IBT remains ahead of the competition. IBT was the first bank in Tajikistan to

TOTAL ASSETS DYNAMICS OF GROWTH



KEY FINANCIAL INDICATORS



implement HCE (Host Card Emulation) for UnionPay and VTS (Visa Token Service) for Visa cards - enabling customers to pay via its mobile app using NFC (Near Field Communication) - and the first to offer e-commerce for national cards. Soon, IBT is going to launch the first digital Visa cards in Tajikistan, having just launched IBT24 - a Visa Direct mobile banking service. Eventually, IBT aims to develop a framework for self-service banking, where customers can access all its services without entering a branch or contacting it directly. "We see online banking as just an interim stage; the next stage is self-service banking. It saves the client time and reduces our expenditure," says Mr. Rajabov. IBT is now looking to invest in developing self-service systems.

In the first quarter of 2023, IBT became Tajikistan's most profitable bank. But profit is not its primary motive, emphasises Mr. Rajabov, rather a tool to help it achieve its overarching mission: to positively impact society and spread financial well-being across the country. "To achieve long-term success, you have to reinvest in society. Any business whose interest is pure profit will have little chance of long-term success. It has to be committed to solving issues; if you do that, people will always need you. So, we decided from the beginning that profit would not be our main goal. We're always focused on solving social issues. We want to help people make their lives better."

IBT currently provides low-interest loans designed to support the agriculture sector and entrepreneurs - such as artisans engaged in 'folk craftsmanship' - and is committed to financially supporting infrastructure development nationwide. Additionally, as the only Tajik bank issuing Visa credit cards, IBT has launched the Visa INSOF card, which allows customers to make purchases through instalments with 0% interest for 30 days.

The customer, as Mr. Rajabov remarks, is IBT's "polestar," and the bank wants all its customers to feel financially confident, whether by utilising

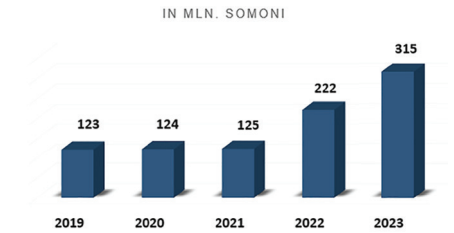
its 24/7 services and short-term loans or through IBT's pioneering approach to simple banking. "I believe the bank has just one task: to transfer money from person A to person B. Once we simplify our services, everything will come down to connecting two people who don't know each other but place their trust equally in us," says Mr. Rajabov.

People, not funds, are IBT's main asset, and Mr. Rajabov sees its progressive management philosophy as the key to fulfilling its social mission and building trust within the bank. "Let's say an employee mistakenly transferred funds to the wrong address. Other companies might blame that employee; we look into why it happened and how we can readjust our management and control system to prevent it from reoccurring. It must be easy for people to do right and difficult to do wrong - that's our motto." Additionally, IBT encourages its employees to participate in social programs and charity work. "Whilst we cannot make our employees donate to charity, we can encourage them to become better societal role models. We believe our employees become kinder, more compassionate, and more responsible through working with us."

IBT is committed to bringing the best out of its employees - whose onboarding includes various upskilling programs - and Mr. Rajabov hopes for them to adopt the same attitude towards society as a whole. "Whilst we cannot make our employees donate to charity, we can push them to become better societal role models. We believe our employees become kinder, more compassionate, and more responsible through working with us. Overall, it certainly has a positive effect on our business," says Mr. Rajabov.

IBT's wealth of human resources makes it the ideal partner, and the bank has a proven track record of collaboration with other financial institutions. The bank currently has a share in a Visa and Mastercard PCI/PSS-certified processing company, created in partnership with

TOTAL CAPITAL DYNAMIC OF GROWTH



several other banks to make transactions cheaper. "We've upgraded its software to be the most advanced, and quite a few banks are now ready to be served by it," says Mr. Rajabov. IBT is now looking for similar opportunities. "We're keen on foreign partnerships, especially new expertise and ideas."

Besides partnering directly with IBT, the bank welcomes partnerships with its leasing company and early-stage insurance company. Beyond that, IBT is always looking for untapped M&A-led growth opportunities. "One of our key activities is investing in other companies. We have a growing portfolio of subsidiaries, and last year we acquired a Kazakh bank in Tajikistan, which is now our subsidiary bank. We saw their potential, and we're developing it," says Mr. Rajabov. IBT also offers experienced legal assistance to help foreign businesses navigate Tajikistan's public and private sectors and its tax code when registering or opening a branch in the country.

As Tajikistan develops economically, investors worldwide are awakening to its enormous, untapped potential. According to the Asian Development Bank, Tajikistan's GDP will grow at 5.5% in 2023 and 6.5% in 2024, and the country's abundant natural resources - particularly in minerals and rare metals - and rapidly growing young population make it an unmissable investment opportunity. Additionally, thanks to government investments to build a flagship hydroelectric power station, Tajikistan's energy sector is now almost 100% green, meaning foreign manufacturers in the country can easily mark their products as green-certified. Going forward, IBT will continue to serve as the gateway for countless investors in Tajikistan, and it is thanks to institutions like it that doing business in the country has never been more straightforward.