



REVIEW OF THE FINANCIAL SOUNDNESS OF BANKING SYSTEM¹ OF THE REPUBLIC OF TAJIKISTAN IN THE FIRST QUARTER OF 2022

In the first quarter of 2022, due to the challenging and sudden political and economic situation in the region, imposition of sanctions on the main trading partner, uncertainty of financial markets and the increase in exchange rate and inflationary pressures compared to the same period in 2021, the relative change was observed in the main indicators of the banking system.

Capital adequacy. According to the results of the 1st quarter of 2022, the capital adequacy ratio in the banking system (K1-1) exceeded the minimum requirements by 10,2 p.p. and equaled to 22,2%. The increase in this indicator over this period was facilitated by the uneven decrease of regulatory capital (2,7%) and risk-weighted assets (9,6%). The K1-2 ratio increased by 0,2 p.p. and in comparison with the same period of 2021 amounted to 18,2%.

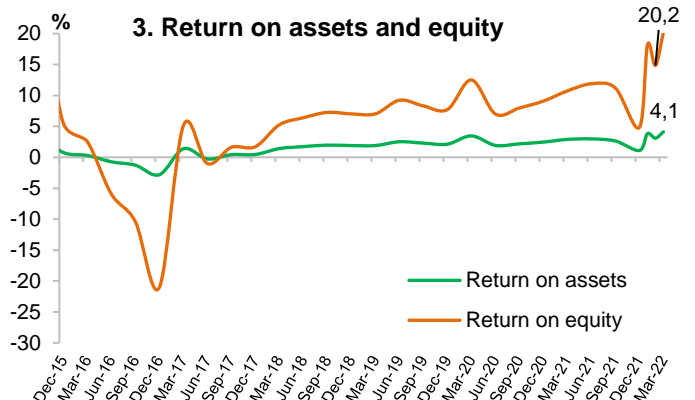
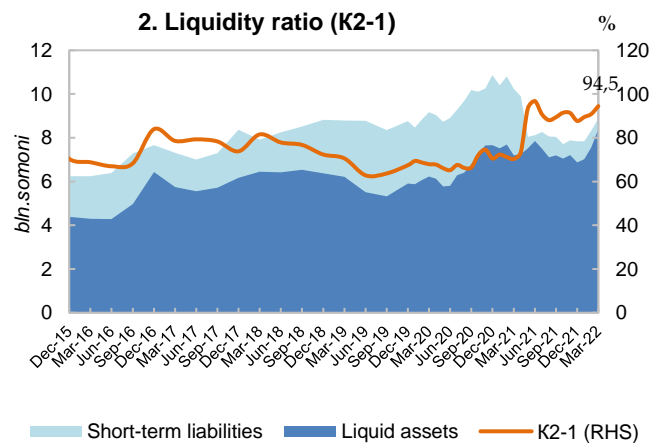
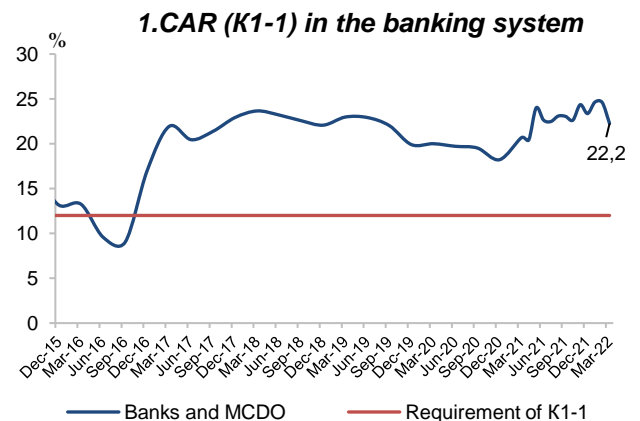
Despite this, K1-1 and K1-2 ratios decreased by 1,1 p.p., and 0,8 p.p. respectively compared to the end of 2021.

Liquidity. The liquidity ratio (K2-1) at the system level complies with the prudential requirements and amounted to 94,5% which is 24,2 p.p. more compared to the 1st quarter of 2021.

The level of liquidity of the banking system in foreign currency is at an appropriate level and amounted to 120,0%.

Profitability. Over this period, stable profitability of the banking system in relation to assets and capital was ensured, which amounted to 4,1% and 20,2%, respectively, which is 1,2 p.p. and 9,5 p.p. more compared to the same period of 2021.

It should be noted that over the reporting period the majority of credit financial institutions operated with profit, and this was reflected in the increase of these indicators.



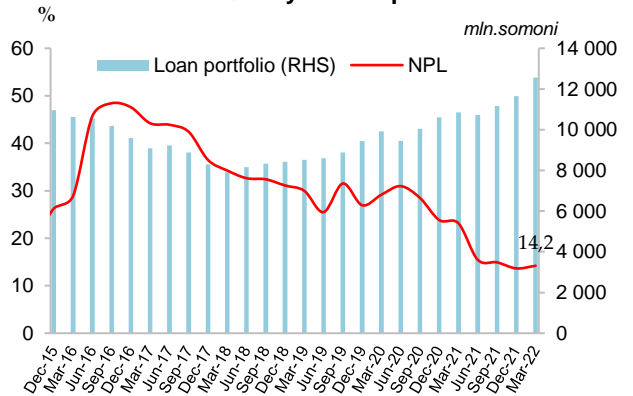
¹Banks and MCDO

The quality of the loan portfolio. As of the end of March 2022, the quality of the loan portfolio improved due to the revocation of the licenses of troubled banks and implementation of an action plan for the return of non-performing loans and the sale of collateral as part of the improvement of the financial situation of 5 banks. The share of non-performing loans (overdue by more than 30 days) amounted to 14,2%, which is 9,0 p.p. less compared to the same period of 2021.

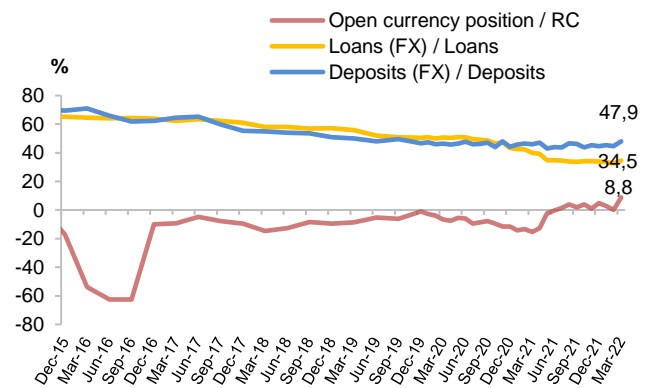
Currency risk. At the end of the 1st quarter, 2022 the total open currency position in the banking system was long and its indicator amounted to 8,8% which complies with the minimum requirements (K6-1).

Over the reporting year, the share of loans in foreign currency decreased by 5,6 p.p. compared to March 2021 and the share of deposits in foreign currency increased by 1,9 p.p. amounting to 34,5% and 47,9% respectively, which indicates a gradual process of de-dollarization in the economy.

4. Quality of loan portfolio



5. Indicators of FX risk



**The analyzes were carried out on the basis of statistical data and calculations of the NBT.*