



## REVIEW OF THE FINANCIAL SOUNDNESS OF BANKING SYSTEM<sup>1</sup> OF THE REPUBLIC OF TAJIKISTAN IN THE FIRST QUARTER OF 2021

In the 1st quarter of 2021, despite continued spread of COVID-19 pandemic, the growth of the national economy was ensured and the stability of the financial state of the banking system in terms of financial stability was also observed. Over this period, such financial and banking indicators as liquidity level and capital adequacy ratio demonstrated upward tendency compared to the same period last year and significant improvement has been achieved in terms of quality of the loan portfolio.

**Capital adequacy.** According to the results of the 1<sup>st</sup> quarter of 2022, the capital adequacy ratio in the banking system (K1-1) exceeded the minimum requirements by 8,7 p.p. and equaled to 20,7%.

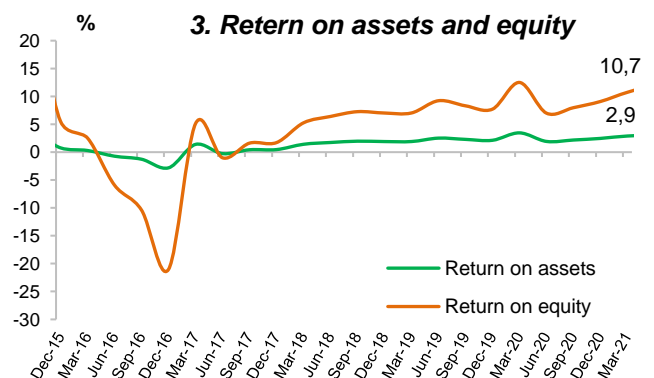
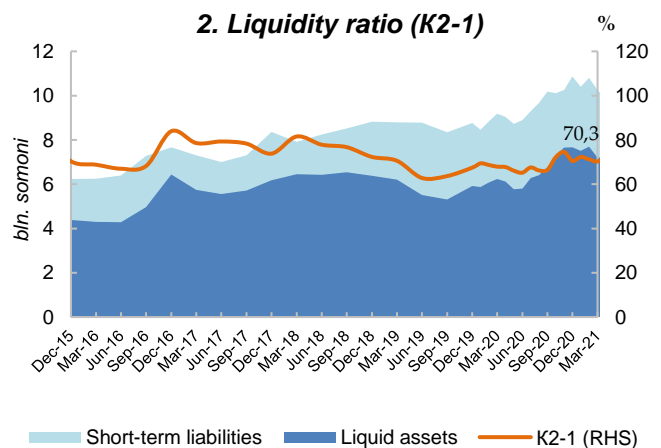
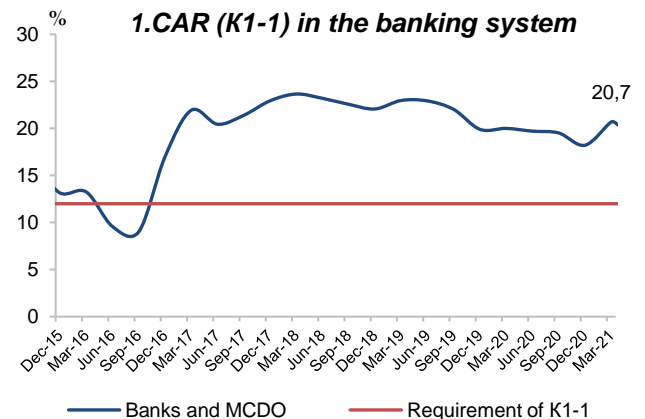
**Liquidity.** Another important indicator of financial soundness - the liquidity ratio (K2-1) at the system level complies with the prudential requirements and amounted to 70,3%, which is 2,4 p.p. more compared to the same period of the last year.

The level of liquidity of the banking system in foreign currency amounted to 73,1%.

**Profitability.** Over this period, despite the stable level of profitability of the banking system in relation to assets and equity has been preserved and amounted respectively to 2,9% and 10,7%. In comparison with the same period of 2020 these indicators separately decreased by 0,6 p.p. and 1,8 p.p.

**The quality of the loan portfolio.** At the end of the first quarter of 2021, the share of non-performing loans (overdue above 30 days) in the loan portfolio amounted to 23,1% having declined by 6,0 p.p. in comparison with the same period of last year. Downward tendency of this indicator is observed in most credit financial organizations.

Over this period provision to NPL reached 75,0%.



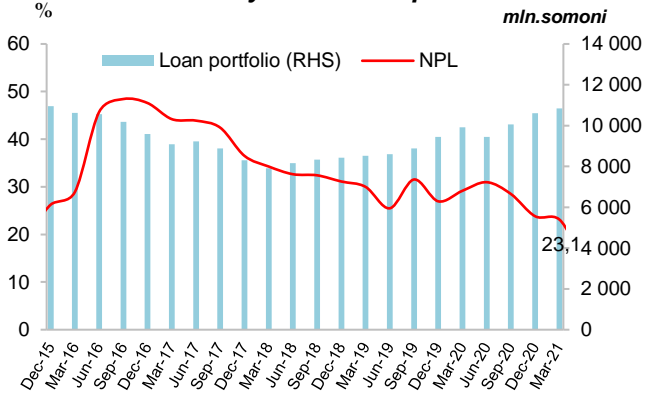
<sup>1</sup>Banks and MCDO

**Currency risk.** At the end of the 1<sup>st</sup> quarter, 2021 the total open currency position in the banking system was short and its indicator amounted to 15,3%, which complies with the minimum requirements (K6-1).

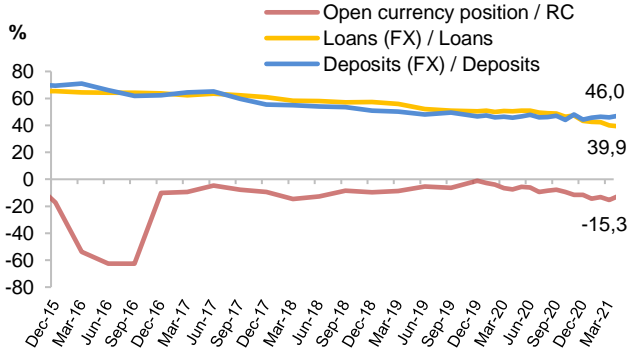
Over the reporting year, 39,9% of banking system loans were loans in foreign currency and 46,0% were deposits in foreign currency which is 10.8 p.p and 0,5 p.p less in comparison with the same period of the last year.

Downward tendency in attracting deposits and providing loans in foreign currency over the past years demonstrates gradual decline of dollarization of the economy.

**4. Quality of the loan portfolio**



**5. Indicators of FX risk**



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