



REVIEW OF THE FINANCIAL SOUNDNESS OF BANKING SYSTEM¹ OF THE REPUBLIC OF TAJIKISTAN IN THE FOURTH QUARTER OF 2021

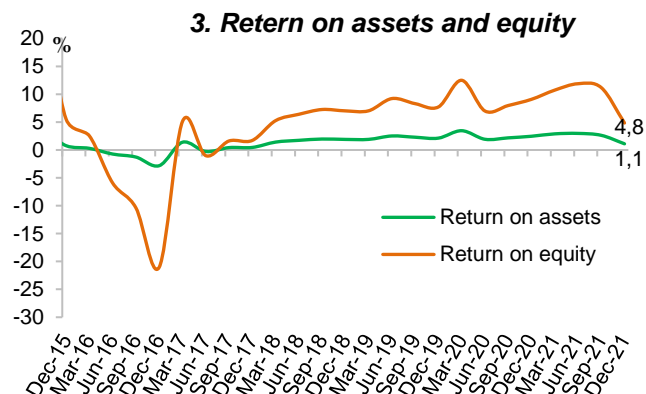
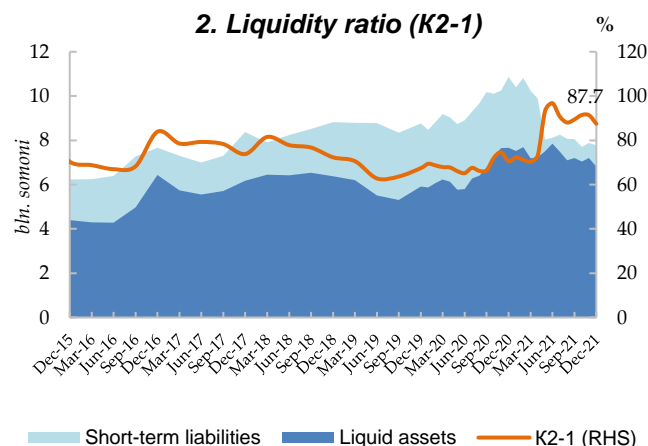
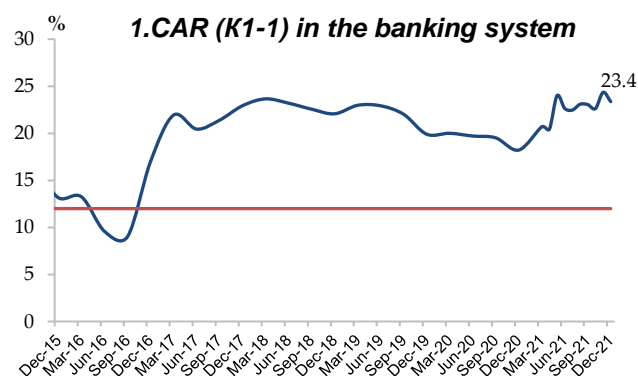
In the fourth quarter of 2021 due to the gradual mitigation of the negative consequences of the COVID-19 pandemic in the country's economy, the expansion of trade relations with countries, the restoration of economic growth, the increase in household incomes, the decrease in exchange rate fluctuations and the improvement of the banking system, the stability of financial soundness indicators was ensured, including level of liquidity, profitability and capital adequacy.

Capital adequacy. According to the results of the 4th quarter of 2021, the capital adequacy ratio in the banking system (K1-1) exceeded the minimum requirements by 11,4 p.p. and equaled to 23,4%. The increase in this indicator over this period was due to an uneven decrease in regulatory capital (4,9%) and risk-weighted assets (25,9%). The K1-2 ratio increased by 2,2 p.p. compared to the same period in 2020 and amounted to 19,0%.

Liquidity. The liquidity ratio (K2-1) at the system level complies with the minimum requirements and amounted to 87,7%, which is 17,2 p.p. more compared to the 4th quarter of 2020.

The level of liquidity of the banking system expressed in foreign currency is also at an acceptable level and increased by 26,2 p.p. compared to this period in 2020 and reached 106,0%.

Profitability. During the reporting year, a stable level of profitability of the banking system in relation to assets and equity has been preserved and amounted respectively to 1,1% and 4,8%. In comparison with the same period of 2020 these indicators separately decreased by 1,4 p.p. and 4,2 p.p. This decrease was due to the implementation of recovery measures in one separate bank.



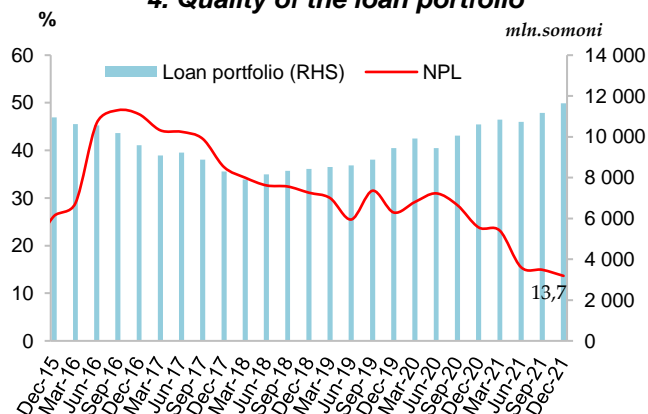
¹Banks and MCDO

The quality of the loan portfolio. At the end of December 2021, the quality of the loan portfolio improved due to the recovery of the banking system in relation to liquidation of problem banks and the reduction of non-performing loans in most credit financial institutions. The share of non-performing loans (overdue above 30 days) amounted to 13,7%, which is 10,2 p.p. less than in the same period of last year.

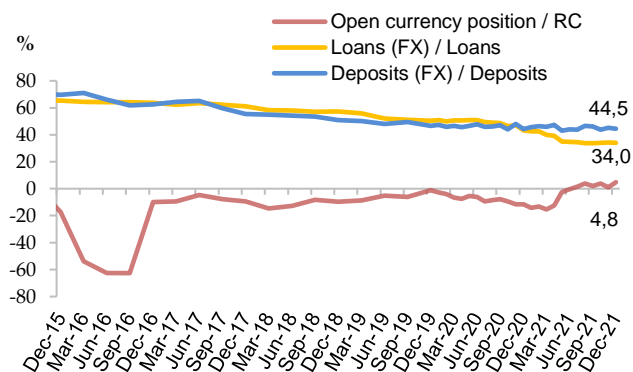
Currency risk. At the end of quarter 4, 2021 the total open currency position in the banking system was long and its indicator amounted to 4,7%, which complies with the minimum requirements (K6-1).

During the reporting year, the share of loans and deposits in foreign currency of the banking system continued to decline and amounted to 34,0% and 44,5%, respectively, which compared to the same period in 2020, the share of loans in foreign currency decreased by 9,2 p.p. and currency deposits increased by 0,3 p.p. This situation shows a gradual decline of the dollarization in 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.*