



## REVIEW OF BANKING SYSTEM FINANCIAL STABILITY OF THE REPUBLIC OF TAJIKISTAN<sup>1</sup> IN THE FIRST QUARTER OF 2024

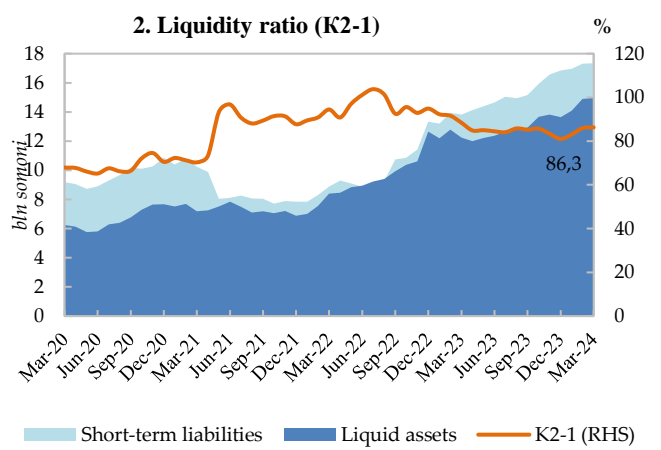
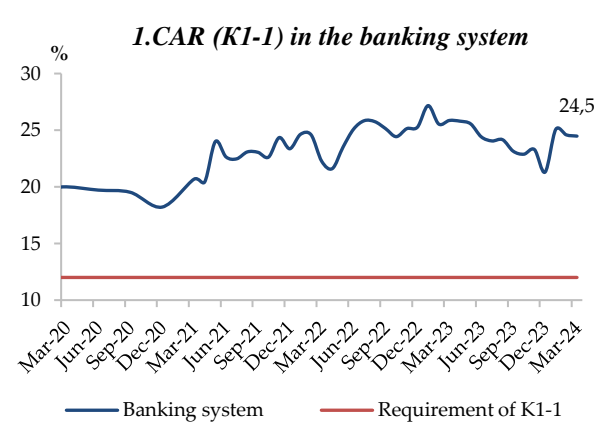
*In the first quarter of 2024, despite the existence of economic uncertainty because of difficult geopolitical situation in the world, the country's banking system withstood risks and continued to operate uninterrupted. During this period, financial stability indicators were at an acceptable level, and assets, capital, lending, and deposits in the banking system tended to increase.*

**Capital Adequacy.** According to the results of the 1<sup>th</sup> quarter of 2024, the capital adequacy ratio in the banking system (K1-1) exceeded the minimum requirements by 12,5 percentage point (p.p.) and equaled to 24,5%. Uneven growth of regulatory capital (20,9%) and risk-weighted assets of banking system (27,7%) over this period facilitated the change of adequacy capital ratio (K1-1). The K1-3 ratio amounted to 18,7%.

It should be noted that exceeding the capital adequacy ratio of the minimum requirement promotes to reducing potential financial losses and ensuring the uninterrupted activities of the banking system.

**Liquidity.** The liquidity ratio (K2-1) at the system level complies with the prudential requirements (30%) and amounted to 86,3%.

The liquidity of banking system in foreign currency is at an acceptable level and amounted to 81,0%.



<sup>1</sup> Banks, non-bank credit organizations and MCDO

**Profitability.** Over the reporting period, profitability indicators of the banking system in relation to assets and capital had stable trend and amounted to 3,5% and 18,7%.

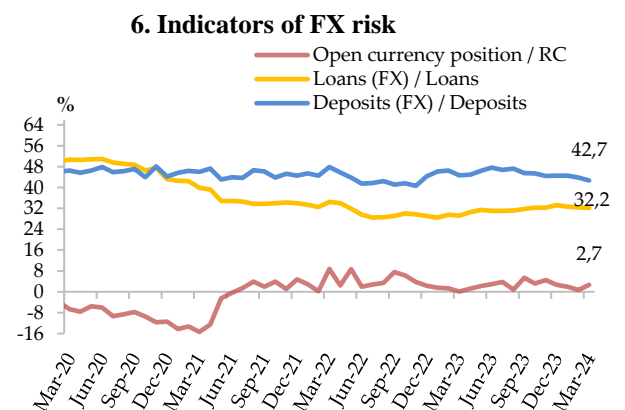
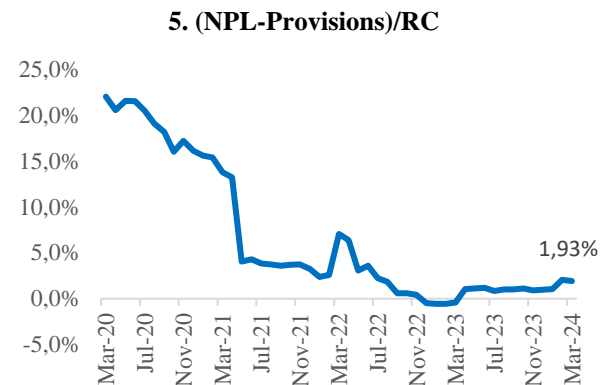
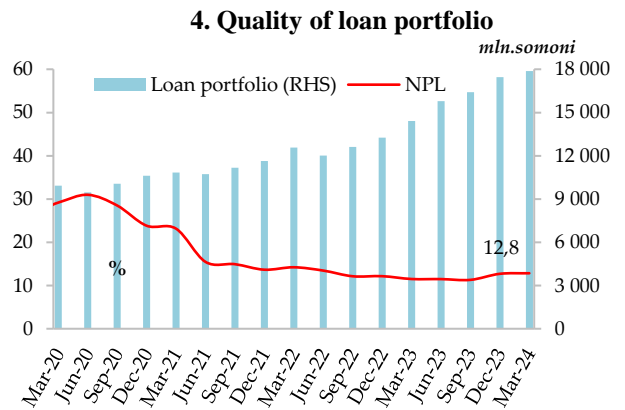
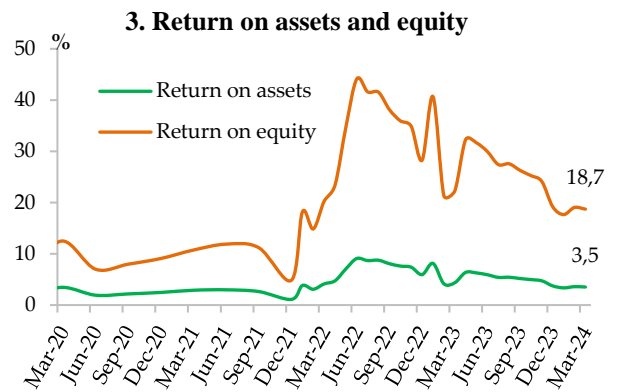
**The quality of the loan portfolio.** The share of non-performing loans (overdue by more than 30 days) in the loan portfolio increased from 11,5 % at the end of March 2023 to 12,8 % for the reporting period.

Over this period the provision fund indicator in relation to nonperforming loans totaled to 94,2%.

It should be noted that the ratio of nonperforming loans less special fund to cover potential losses to regulatory capital as of March 31, 2024 was 1,93% which indicates a low in the load of non-performing loans on capital.

**Currency risk.** Over the reporting period, the share of loans in foreign currency increased by 3,0 p.p. compared to March 2023 and the share of deposits in foreign currency decreased by 2,0 p.p. which amounted to 32,2% and 42,7% respectively.

One of the ways of determination of capital vulnerability to currency risk is a ratio of total open currency position in relation to regulatory capital which shows discrepancy of currency position on assets and obligations (open position). According to an analysis the capital of banking system of Tajikistan is less vulnerable to foreign currency and this indicator (open currency position/regulatory capital) accounted to 2,7% at the end of March 2024.



Source: NBT calculations