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Financial situation of the banking sector for 9 months of 2024

The financial situation of the banking sector, according to data presented by banks, is characterized by an increase in assets, loans, own funds, deposits of individuals, deposits of legal entities.

The non-performing loans in absolute value and expired loans decreased. As a result, the portfolio quality indicators improved compared to the end of the previous year.

The profit for the year compared to the same period of the previous year decreased, mainly due to lower interest income. Interest income decreased, primarily as a result of lower income from investments in debt securities (SS, NBC), income from funds placed with the NBM (required reserves) and income from lending activity.

At the same time, the own funds ratio decreased as a result of the increase in the total amount of risk exposure by MDL 9 507.7 million (13.6%) (increase in loans).

As of September 30, 2024, 11 banks licensed by the National Bank of Moldova were active in the Republic of Moldova.

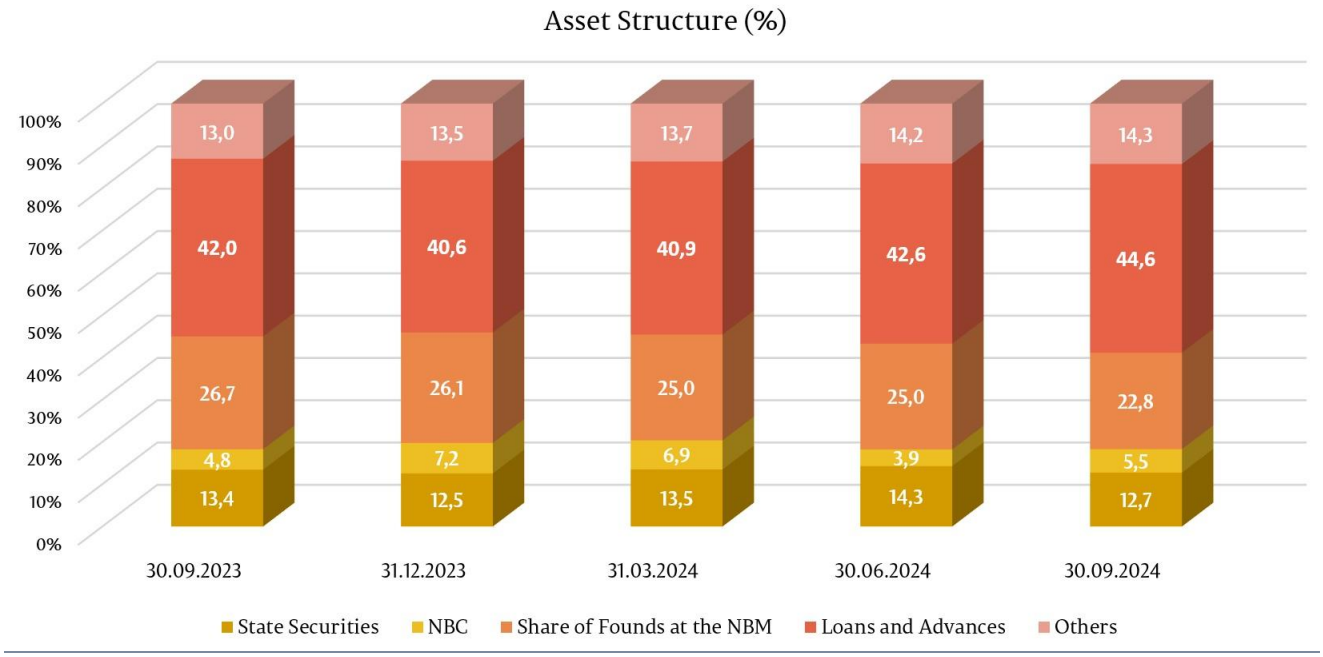
Financial situation of the banking sector and compliance with prudential regulations

As of September 30, 2024, the situation in the banking sector, as reflected in the reports submitted by the banks, showed the following trends:

Assets and liabilities

Total assets amounted to MDL 164 728.6 million, increasing by 7.1% (MDL 10 874.0 million) compared to the end of the previous year.

In the assets structure, the largest share was held by the balance sheet item "Loans and advances at amortized cost", which accounted for 44.6% (MDL 73 470.3 million), increasing by 4.0 percentage points compared to the end of the previous year. The share of funds placed with the NBM was 22.8% (MDL 37 563.6 million), decreasing by 3.3 percentage points, and the share of banks' investments in state securities and NBM certificates amounted to 18.3% (MDL 30,135.8 million), decreasing by 1.5 p.p. The remaining assets, which accounted for 14.3% (MDL 23,558.9 million), are held in other banks in cash, tangible fixed assets, intangible fixed assets, etc. Their share increased by 0.8 p.p. compared to the end of 2023.



[1]

The gross (prudential) balance of loans accounted for 45.0% of total assets or MDL 74,198.5 million, increasing by 16.1% (MDL 10,302.9 million) during the period under review.

The largest increase was recorded in loans granted for the purchase/construction of real estate – by MDL 2 989.3 million (22.5%) up to MDL 16 271.5 million, in consumer loans – by MDL 2 710.2 million (24.2%) up to MDL 13 910.1 million, in loans granted to trade – by MDL 1 328.1 million (9.3%) up to MDL 15 566.7 million, in loans granted to the energy industry – by MDL 543.0 million (72.5%) up to MDL 1 292.1 million, in loans granted for construction – by MDL 491.8 million (41.4%) up to MDL 1 678.3 million, and in loans granted in the field of transport, telecommunications, and network development – by MDL 464.2 million (22.0%) up to MDL 2 571.2 million.

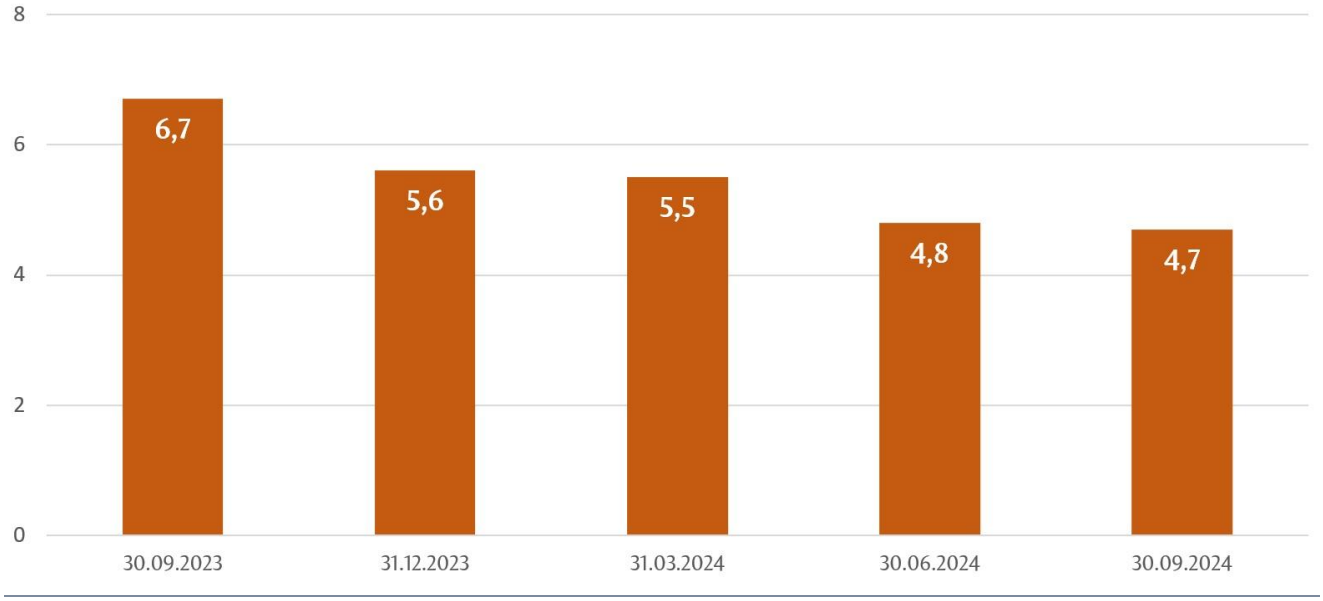
At the same time, the largest decrease over the 9 months of 2024 was recorded in other loans - by MDL 134.2 million (5.9%) to MDL 2 155.9 million.

During the reference period, the share of non-performing loans (substandard, doubtful, and compromised) in total loans decreased by 0.8 percentage points, reaching 4.7% as of September 30, 2024, with the indicator ranging from 3.0% to 6.2%, depending on the bank.

At the same time, non-performing loans in absolute value decreased by 0.8% (MDL 29.4 million) to MDL 3 517.8 million.

Also, during the period under review, expired loans decreased by 20.4% (MDL 415.9 million) to MDL 1,623.0 million. The share of expired loans in total loans was 2.2%, decreasing by 1.0 p.p. compared to December 31, 2023, varying between 0.6% to 5.3%, depending on the bank.

Dynamics of the share of non-performing loans in total loans (%)

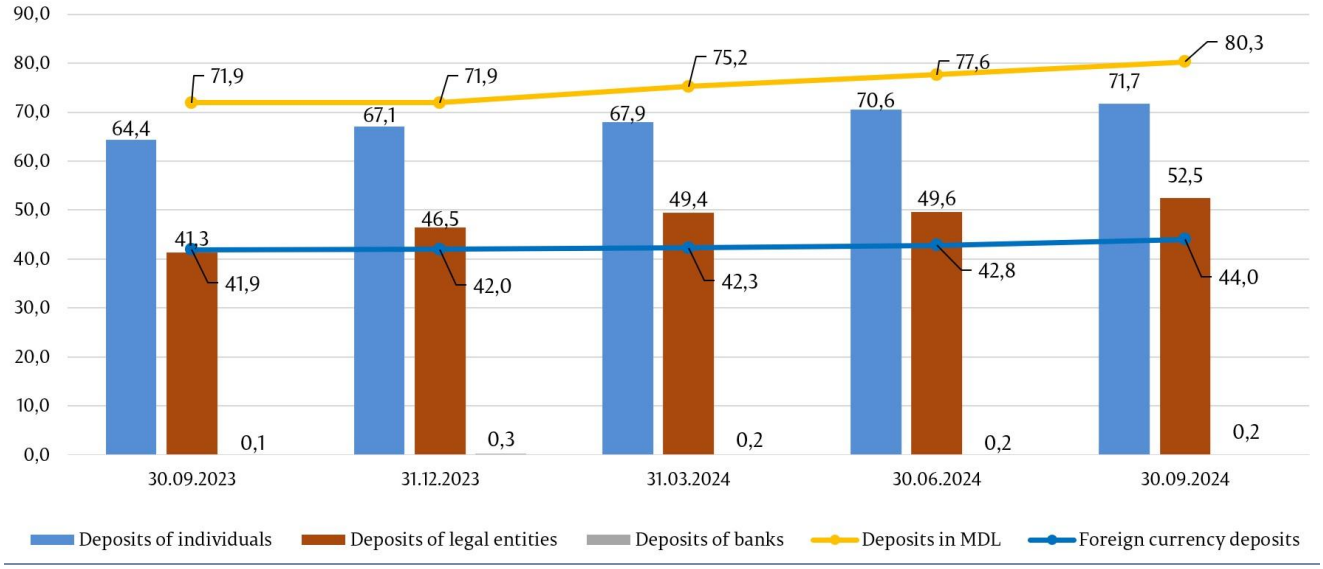


[2]

At the same time, during the reference period, the total balance of deposits increased by MDL 10 495.6 million or by 9.2%, amounting to MDL 124 342.3 million (deposits of individuals accounted for 57.7% of total deposits, deposits of legal entities - 42.2% and banks deposits - 0.1%), as a result of the increase in the balance of deposits of individuals by MDL 4 662.2 million (7.0%) to MDL 71 734.3 million and deposits of legal entities by MDL 5 945.4 million (12.8%) to MDL 52 452.9 million.

Of the total deposits, 64.6% were deposits in MDL, their balance increasing by MDL 8 419.6 million (11.7%) compared to the end of the previous year and amounted to MDL 80 317.2 million on September 30, 2024. Foreign currency deposits accounted for 35.4% of total deposits, their balance increased during the reference period by MDL 2,075.9 million (4.9%), amounting to MDL 44,025.1 million.

Deposits of the banking sector, billion MDL



[3]

Revenues and profitability

As of September 30, 2024, the profit in the banking sector amounted to MDL 2 933.6 million, decreasing by

MDL 421.6 million (12.6%) compared to the same period of the previous year.

The decrease in profit was driven by the decrease in interest income by MDL 2 396.3 million (26.4%). At the same, income from exchange rate differences increased by MDL 366.7 million (28.5%) and income from fees and commissions by MDL 259.4 million (10.8%). Meanwhile, interest expenses decreased by MDL 1 626.6 million (45.2%), while non-interest expenses (related to fees and commissions, administrative expenses, provisions, impairment of financial and non-financial assets, etc.) increased by MDL 275.6 million (4.6%).

The total revenue amounted to MDL 11 130.9 million, decreasing by MDL 1 772.6 million (13.7%) compared to the same period of the previous year, of which interest income amounted to 60.0% (MDL 6 681.9 million), while non-interest income - 40.0% (MDL 4 449.0 million).

At the same time, total expenses amounted to MDL 8 197.3 million, decreasing by MDL 1 351.0 million (14.1%) compared to the same period of the previous year, of which interest expenses amounted to 24.0% (MDL 1 971.2 million) and non-interest expenses - 76.0% (MDL 6,226.0 million).

As of September 30, 2024, the return on assets amounted to 2.4%, decreasing by 0.4 p.p. compared to the end of the previous year, and the return on equity was 14.6%, also down by 1.6 p.p. compared to the end of the previous year.

Compliance with prudential requirements

During the first 9 months of 2024, banks continued to maintain liquidity indicators at a high level, above the regulated limits.

Thus, the value of the long-term liquidity indicator (liquidity principle I) stood at 0.77 (limit ≤1), ranging from 0.22 to 0.85, depending on the bank, and increasing by 0.05 compared to the end of 2023.

Liquidity Principle III, which is the ratio of adjusted effective liquidity to required liquidity in each maturity band, and which must not be less than 1 in each maturity band, was also complied with by all banks, ranging from 1.33 in the maturity band up to and one month inclusive to 147.43 in the maturity band between one and three months inclusive.

The liquidity coverage indicator by sector amounted to 280.2% (limit ≥ 100%), ranging from 134.9% to 1 737.9%, decreasing by 1.9 p.p. compared to the end of 2023.

According to the reports submitted by the banks as of September 30, 2024, the total own funds ratio for the banking sector amounted to 26.9%, decreasing by 3.0 percentage points compared to the end of the previous year, ranging from 20.8% to 88.7%. All banks complied with the "Total own funds ratio" indicator (≥10%).

All banks also complied with the "Total own funds ratio" indicator requirement, taking into account capital buffers.

As of September 30, 2024, total own funds amounted to MDL 21 347.7 million, registering an increase of 2.1% (446.0 million MDL). The increase in own funds was driven by the recognition of eligible profits by some banks following the general shareholders' meetings and obtaining the NBM's permission to include the profits earned in own funds.

As of September 30, 2024, the banks complied with the prudential indicators on large exposures and exposures to their related persons, except for one bank, which was found to exceed the limit of 30% of the aggregate amount of loan exposures to customers or a group of related customers, which by size constitute

the top ten loan exposures in the total loan portfolio, amounting to 56.4%. In accordance with Chapter IV, point 26 of the Regulation on Large Exposures No. 109 of April 5, 2019, exceeding the limit of the above-mentioned indicator shall not be considered a violation if the bank maintains an additional own funds requirement on the respective excess and complies with this requirement.

Also, all banks complied with the limit of the dominant position in the banking market, being below the 35% limit for this indicator concerning the size of assets and deposits of individuals, except for one bank, which exceeded the 35% limit of the dominant position in the banking market by the size of assets, constituting 35.4%, and by the size of deposits of individuals, constituting 35.2%.

Development of the national legal framework and its harmonization with EU legislation

During the third quarter of 2024, the NBM continued the activities related to the development and implementation of the draft updates of secondary normative acts for the application of Law No. 202/2017 and the promotion of Basel III requirements.

Thus, the draft Decision of the NBM "On the approval of the Regulation on the organization of accounting in banks and on the abrogation of certain normative acts of the National Bank of Moldova" (approval in a new wording and abrogation of the Regulation on the organization of accounting, as well as abrogation of the Regulation on the requirements for internal accounting documents) was published for decision-making transparency.

The elaboration of the draft decision is conditioned by the need to update and improve the regulatory framework on the organization of accounting according to the International Financial Reporting Standards and normative acts, given that some provisions no longer meet the regulatory requirements. At the same time, taking into account the volume of amendments, it was considered appropriate to repeal the Decision of the Executive Board of the National Bank of Moldova No. 238/2002 on the approval of the Regulation on the organization of accounting in banks in the Republic of Moldova and, respectively, to approve the new wording of the Regulation on the organization of accounting.

See also

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