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Financial situation of the banking system in 2010

In 2010, Moldova's banking system has recorded positive development trends.

Tier I Capital, the financial indicator determining the solvency of banks and their level of consolidation, increased by 5.2 percent, up to 6758.0 million lei, as of 31.12.2010. This evolution indicates the performance of the system in overcoming the crisis, as compared to the decrease of 2.8 percent recorded in 2009. The share of foreign investment in banks capital constituted 77.0 percent, by 0.6 percentage points lower compared with the end of 2009, following the share capital increase at the expense of resident shareholders investment.

The average of capital adequacy ratio in the system continues to be at a high level of 30.1 percent (the minimum required being of 12 %). Its reduction of 2.0 percentage points, as compared to the end of 2009, shows a progression of banks regarding the use of their potential to carry out credit operations, without jeopardizing their financial security.

Total assets, an indicator related to the extensive development of the banking system, amounted to 42302.9 million lei as of 31.12.2010, increasing by 5.9 percent compared to the end of 2009. Within the structure of assets, during 2010, the following have increased: net financial leasing and credits - by 15.3 percent, up to 23350.5 million lei, net securities - by 9.9 percent, up to 6651.1 million lei, funds due from the NBM - by 22.7 percent, up to 2384.6 million lei. Simultaneously, funds due from banks and overnight net funds decreased by 24.0 percent, up to 4155.2 million lei, other net assets - by 7.0 percent, up to 3767.2 million lei, and the cash - by 8.5 percent, up to 1994.3 million lei. The largest share of net financial leasing and credits - constituting 55.2 percent or by 4.5 percentage points more compared to the end of 2009 - indicates a redistribution of assets in favor of the mention component and a revival of this activity.

The quality of loan portfolio has also improved during 2010. Thus, during the analyzed period, the share of nonperforming loans (substandard, doubtful and loss) decreased by 3.1 percentage points in total loans as compared to the end of 2009, constituting 13.3 percent as of 31.12.2010. At the same time, the share of nonperforming loans in total regulatory capital has reduced by 6.6 percentage points, representing 49.5 percent as of 31.12.2010.

As of 31.12.2010, in the context of risk management, the largest share in total loan portfolio was held by the credits granted to industry and trade - 51.4 percent, followed by those granted to agriculture and food industry –14.9 percent, loans for real estate, construction, and development - 12.3 percent, and consumer loans - 8.4 percent.

The net income in the banking system totaled 219.1 million in 2010, as compared to 172.5 million losses recorded in 2009.

As of 31.12.2010, the return on assets and return on equity constituted 0.5 percent and 3.0 percent respectively compared to the negative values of (-0.5) percent and (-2.5) percent recorded in 2009.

Long-term liquidity in the banking system (assets with the term of more than two years / financial resources with the withdrawal potential term of more than two years ≤ 1) recorded a coefficient of 0.7. The current liquidity on the system (liquid assets denominated in cash, deposits with the NBM, state securities, and net interbank loans with maturity up to one month / total assets × 100% ≥ 20 percent) accounted for 34.2 percent. The values of liquidity indicators point out the existence of adequate sources for the support of payments related to bonds and determine the low level of vulnerability of banks.

The total bonds, as of 31.12.2010, registered 35013.0 million lei, or by 6.1 percent more than at the end of 2009. Within their structure, the deposits rose by 8.7 percent, up to 28718.5 million lei, including deposits of individuals - by 10.4 percent, up to 18174.3 million lei, as a reflection of the growing credibility of the banking system after the financial crisis.

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