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Financial situation of the banking system in 2013

In 2013, the banking system of the Republic of Moldova recorded the following trends:

Tier I capital reached the level of MDL 7919.3 million as on December 31, 2013, increasing by 14.6 percent. This development was driven largely by the profit sector during the year and the issuance of shares of four banks. Tier I capital reflects a level of consolidation of licensed banks, allowing them to cover any potential losses, without prejudice to financial safety. As on December 31, 2013 the Tier I capital of all banks, except one, complied with the minimum required capital (minimum required level is ≥ MDL 200 million).

The share of foreign investments in the licensed banks was 72.2 percent on December 31, 2013 with 0.5 percentage points more than at the end of 2012. This dynamics was due to the increase of investment in the share capital by non-resident shareholders with 16.9 percent and the investment in the share capital by domestic shareholders with 13.6 percent.

Average risk-weighted capital adequacy on the system still remains at a high level - 23.4 percent (minimum required level is ≥ 16 percent), although decreasing by 0.9 percentage points. For many years, this proves the existence of a lending potential in banks.

The assets totaled MDL 76184.0 million as on December 31, 2013 or by 31.0 percent more than at the end of 2012, indicating a continuing trend of expanding banking activity. Positive dynamics of “cash and cash equivalents” and “loans and receivables” had a significant impact on assets growth. Thus, these elements have increased by 69.5 percent, up to MDL 24346.1 million and by 20.7 percent, up to MDL 43728.6 million.

As of December 31, 2013 the balance of loans, according to prudential reports of December 31, 2013 amounted to MDL 42177.3 million or by 20.6 percent more and indicates a more dynamic lending process. The portfolio quality has also improved, the non-performing loans in absolute value recording the value of MDL 4883.0 million or by 3.7 percent less than at the end of 2012. The share of net non-performing loans in total regulatory capital decreased by 9.3 percentage points, up to 16.6 percent as on December 31, 2013, which indicates reduced risks of capital loss.

The total volume of new loans granted in 2013 recorded an upward trend, increasing by 14.3 percent compared to the previous year and amounted to MDL 30504.5 million. Accordingly, the total volume of new attracted term deposits was MDL 34125.2 million or less by 12.3 percent.

As of December 31, 2013 the profit of licensed banks accounted for MDL 1020.2 million. Compared to the same period of the previous year, the profit of licensed banks increased by MDL 585.6 million (134.8 percent). This development has occurred due to the reduction of non-interest related expenses by MDL 549.9 million (15.9 percent) and in particular, the reduction of financial asset impairment by MDL 422.2 million (57.3 percent). Simultaneously, interest-related expenses increased by MDL 348.5 million (7.9 percent).

Return on assets and return on equity represented 1.6 percent and 9.4 percent as on December 31, 2013, increasing by 0.8 percentage points and 5.1 percentage points compared to December 31, 2012.

Long-term liquidity ratio of the banking system (assets with terms more than two years/financial resources with potential withdrawal term of over two years ≤ 1) recorded a level of 0.7. Current liquidity on the system (liquid assets, expressed in cash, deposits with the NBM, liquid securities, and net interbank credits with maturity up to one month / total assets × ≥ 20 percent) accounted for 33.8 percent. The respective values of liquidity indicators show the existence of adequate sources to support the payments related to liabilities and determine the soundness of banks to possible external shocks.

The balance of deposits, according to the prudential reports of December 31, 2013, increased in 2013 by 30.5 percent up to MDL 51889.9 million. In particular, the deposits of individuals increased by 23.0 percent up to MDL 31349.3 million, which reflects the credibility of the banking sector of the Republic of Moldova.

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