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Financial situation of the banking system in January - September 2013

During the first 9 months of 2013, the banking sector of the Republic of Moldova has recorded the following trends:

As of September 30, 2013 the Tier I capital amounted to MDL 7600.2 million, increasing by 10.0 percent from the beginning of year. This increase shows a level of consolidation of the banking sector, enough to cope with unforeseen external or internal financial disturbances.

The share of foreign investments in banks constituted 74.1 percent as on September 30, 2013, increasing by 2.4 percentage points compared to December 31, 2013. This evolution was due to higher capital investments of non-resident shareholders by 17.0 percent.

The average risk-weighted capital adequacy on the system is still at a high level - 23.3 percent (minimum required level being of ≥ 16 percent). The insignificant decrease of 1.0 percentage points compared to December 31, 2012 indicates the same lending potential without risk of not recovering the eventual losses.

The assets amounted to MDL 69094.0 million, increasing by 18.8 percent in the first nine months of this year, reflecting the expansion of banking activity. Within the structure of assets, the following elements had a significant impact assets increase: cash and cash equivalents by 38.7 percents (up to MDL 19930.1 million), and loans and receivables by 13.7 percent (up to MDL 41185.5 million). Loans and receivables held the largest share in total assets - 59.6 percent, decreasing by 2.7 percentage points compared to December 31, 2012. Non-performing loans in absolute terms decreased by 4.2 percent up to MDL 4858.1 million, while the share of non-performing loans in total loans decreased by 2.1 percentage points compared to December 31, 2012, up to the level of MDL 12.4 percent as of September 30, 2013.

The balance of gross loans totaled MDL 39258.1 million as of September 30, 2013, increasing by 11.7 percent in the first nine months of this year as to support the economy.

The total volume of new loans granted during the first 9 months of 2013 recorded an upward trend, increasing by 3.2 percent compared to the same period last year and totaling MDL 25407.8 million. This trend is recorded amid EU economic recovery and is determined by the domestic demand recovery prospects.

The total volume of new term deposits[1] [1] amounted to MDL 25407.8 million or by 14.8 percent less.

As of September 30, 2013 the banking sector profit for the financial year totaled MDL 838.6 million. Compared to the previous year, profit rose by 5.1 percent due to the reduction in noninterest-related expenses by 7.0 percent. This evolution indicates the improvement of efficiency of banks' internal policies.

Return on assets and return on equity amounted to 1.8 percent and 10.5 percent respectively as of September

30, 2013. Compared to December 31, 2012 these indicators increased by 1.0 and 6.2 percentage points respectively.

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 within the system (liquid assets, denominated in cash, deposits with the NBM, liquid securities, and net interbank credits with maturity up to one month / total assets ´ 100% ³ 20 percent) accounted for 32.3 percent. The respective values of liquidity indicators show the existence of adequate sources to support the payments related to liabilities and determine the durability of banks to possible external shocks.

The balance of deposits, according to the prudential reports, recorded the value of MDL 46087.9 million as on September 30, 2013, increasing by 15.9 percent as compared to the December 31, 2012. In this context, the increase in deposits of individuals by 14.6 percent (up to MDL 29212.6 million) confirms the credibility in the banking system of the Republic of Moldova.

[1] [2] The decreasing dynamics of the volume of term deposits was due to methodological changes made since July 2012 on the determination and calculation of interest rates applied by banks in the Republic of Moldova.

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