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## Financial situation of the banking system in the first quarter of 2014

The banking system of the Republic of Moldova recorded the following trends in the first quarter of 2014:

Tier I capital of licensed banks reached the level of MDL 8,177.5 million as on March 31, 2014 and increased by 3.3 percent in the first three months of the year. This indicator reflects the resistance at the system level in case of unforeseen external or internal financial disturbances.

At the time, the Tier I capital corresponded to the minimum required capital (minimum required level is  $\geq$  MDL 200 million) to all banks, except one of these institutions.

The share of foreign investments in the banks' capital was 74.3 percent on March 31, 2014 by 2.1 percentage point more than the end of last year due to the increase in the share capital on the account investments of the non-resident shareholders.

Average risk-weighted capital adequacy on the system still remains at a high level - 23.5 percent (minimum required level is  $\geq$  16 percent). This reflects the existence of a lending potential in some banks.

The assets totaled MDL 78,744.2 million as on March 31, 2014 increasing by 3.4 percent compared to the end of last year due to the increase in debt and equity. Thus, the trend of expansion of the banking activity continues. This was mainly supported by the increase in articles of "loans and receivables" and "cash and cash equivalents", mainly due to the increase of interbank placements.

As of March 31, 2014 the balance of loans, according to prudential reports, amounted to MDL 43,292.4 million or by 2.6 percent more and indicates a more dynamic lending process. Non-performing loans in absolute value totaled MDL 5702.3 million or by 16.8 percent more than the end of year. The share of those loans (substandard, doubtful and compromised) increased in total loans by 1.6 percentage points, up to 13.2 percent on March 31, 2014.

The total volume of new loans granted in the first quarter of 2014 amounted to MDL 6906.6 million, increasing by 31.2 percent compared to the same period of last year. Accordingly, the total volume of attracted deposits was MDL 9561.6 million, increasing by 9.9 percent.

As of March 31, 2014 the banking sector related profit amounted to MDL 252.1 million during the reporting year or by 10.7 percent less compared to the same period of last year. The dynamics of this indicator was determined by the increase of noninterest-related expenses by 37.6 percent and interest-related expenses by 21.5 percent.

Return on assets and return on equity were 1.3 percent and 8.5 percent, respectively, on March 31, 2014.

The value of long-term liquidity ratio on the system (liquidity principle I) (assets with terms of reimbursement more than two years/ financial resources with potential withdrawal term of over two years  $\leq$  1) recorded a level of 0.7. Current liquidity on the system (liquidity principle II) (liquid assets, expressed in cash, deposits with the NBM, liquid securities, and net interbank credits with maturity up to one month / total assets  $\times$  100%  $\geq$  20 percent) accounted for 34.7 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 March 31, 2014, amounted to MDL 54,360.4 million, increasing by 4.8 percent compared to December 31, 2013.

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