



25.10.2016

Financial situation of the banking system in the first 9 months of 2016

To ensure a transparent ownership structure, the National Bank of Moldova assesses the suitability of the shareholders of banks. Simultaneously, assets have increased in this period, banks are capitalized enough, but face some problems with the level of non-performing loans, the downward trend in lending being still persistent.

As at 30.09.2016, the banking sector of the Republic of Moldova included 11 banks licensed by the National Bank of Moldova (NBM), of which 4 are branches of foreign banks and financial groups.

NBM actions over banks under closer supervision

Following the detection of some issues related to non-transparent shareholder structure, involvement in high risk lending operations, the National Bank of Moldova, in accordance with the Law on Financial Institutions established special supervision on 11.06.2015 over 3 banks, BC „MOLDOVA - AGROINDBANK” S.A., BC „Moldindconbank” S.A. and B.C. „VICTORIABANK” S.A., which hold together 64.7 percent of banking sector assets. In connection with recent amendments in legislation, special supervision was substituted with closer supervision until the existing problems in these banks will be resolved. For each of these banks, National Bank has created supervisory committees, which analyse the financial situation of banks, transactions, agenda of the governing bodies, participate in their meetings, make recommendations on the activity of these banks.

NBM prescribed to these banks a diagnostic study by an audit company specialized in this field. Following the results of diagnostic studies, the National Bank of Moldova adopted decisions on the preparation of a Remedial Action Plan by BC „MOLDOVA-AGROINDBANK” S.A. and B.C. „VICTORIABANK” S.A., demanding the removal of all shortcomings until the end of 2016.

In August 2016, the two banks presented to the National Bank of Moldova their Remedial Action Plan, which were reviewed and accepted by the NBM. Banks shall undertake measures to improve the core areas of activity, namely: monitoring shareholders and affiliated persons, corporate governance, lending, risk management, prevention of money laundering, etc. Banks shall report monthly to the NBM on the implementation of remedial action plans. The first progress reports submitted by banks on the implementation of action plans were evaluated by the NBM, which presented proposals to banks for their improvement.

Additionally, to ensure shareholder transparency, the National Bank constantly monitors the compliance by shareholders of suitability requirements stipulated in the legislation of the Republic of Moldova.

Thus, in March 2016, the National Bank of Moldova found that a group of shareholders of BC „MOLDOVA-AGROINDBANK” S.A. act in concert and have acquired a qualifying holding in the bank's capital in the amount of 39.58 percent, without having prior written permission of the NBM. Respectively, according to Article 15, paragraph (2) of the Law on financial institutions, the National Bank of Moldova suspended the rights related to the shares held by the respective shareholders and informed them about the obligation to sell within 3 months from the date of detection of concerted activity, the shareholdings acquired with the violation of the legislation in force. As a result, the period of 3 months has expired, and those shareholders have failed to sell their shares. Thus, according to the aforementioned law, the executive body of BC

„MOLDOVA-AGROINDBANK” S.A. cancelled the respective shares and issued new ones, which are put up for auction on Moldova Stock Exchange until 26.12.2016. National Bank informs that the shares put for sale through Moldova Stock Exchange will only be purchased by proposed acquirers who obtained the prior written permission of the National Bank of Moldova.

National Bank of Moldova (NBM) found by the decision of 20 October 2016 that a group of persons act in concert in relation to BC "Moldindconbank" S.A. by acquiring and holding a qualifying holding in the bank's share capital in the amount of 63.89 percent, without the prior written permission of the NBM, thereby violating the Law on financial institutions. As a result, the exercise of certain rights of these shareholders was suspended as of 20 October 2016. According to the Law on financial institutions, these shareholders shall sell their qualifying holdings acquired without prior written permission from the National Bank within 3 months.

Subsequently, the National Bank suspended the mandates of members of the governing bodies of BC "Moldindconbank" S.A. from 20 October 2016 and appointed a temporary administrator with the powers of the Board and chairman of the Board of the bank.

In order to restore the corporate governance and to complete the Board of B.C. „VICTORIABANK” S.A., National Bank called for the extraordinary general meeting of shareholders and the submission of dossiers of candidates. Thus, the National Bank confirmed 2 persons to perform the functions of members of the Board, which became functional and on 14.10.2016 it was held the first meeting of the newly composed Board.

Financial situation of the banking sector and compliance with prudential regulations

During the reporting period, the situation in the banking sector reflected based on the reports submitted by licensed banks, as required by law, recorded the following trends:

Total assets of the sector were MDL 72.7 billion, increasing by 5.7 percent (MDL 3.9 billion) compared with the end of the previous year.

Gross loan portfolio amounted to only 50 percent as of 30.06.2016 in total assets or MDL 36.3 billion, decreasing during the first 9 months of 2016 by 4.8 percent. At the same time, the volume of total new credits decreased by 12.3 percent compared to the same period of the previous year. This decrease is due to the economic situation in the country, lack of demand for loans and the high average interest rate on loans. Thus, banks increased their investments in securities (National Bank certificates and government securities) by 2 times, representing 13.9 percent of total assets.

The remaining assets, constituting 36 percent, are held by banks in the accounts opened with the National Bank, other banks, in cash etc.

During the first 9 months of 2016, the share of non-performing loans (substandard, doubtful and compromised) in total loans increased by 5.8 percentage points compared to the end of last year, constituting 15.8 percent per system as at 30.09.2016. This indicator varies from one bank to another, the greater value constituting 32.9 percent. The largest upward dynamics of non-performing loans were made by banks under closer supervision, including as a result of the requirements issued by the National Bank of Moldova on the reclassification of loans, given the prudential approach applied by the NBM. It should be mentioned that most reclassified loans were granted previously to the established of closer supervision by the NBM.

According to the reports submitted as of 30.09.2016, it was found that "Moldindconbank" S.A. and BC "Victoriabank" S.A. violate the maximum exposure limit of 15 percent set in the NBM normative acts. National Bank required these banks to undertake measures in order to comply with the requirements of the legislation in short time limits.

High level of risk-weighted capital adequacy ratio allowed banks to absorb losses related to deterioration of credit quality. At the same time, there is a risk that some banks may have insufficient capital to cover potential losses in the event of further deterioration in asset quality. NBM will require banks to review their policies and strategies to reduce the level of

non-performing loans and to strengthen their capital.

The average risk weighted capital adequacy ratio was 28.7 percent, up by 2.4 percentage points compared to end of previous year, an indicator respected by all banks (limit per bank ≥ 16 percent), ranging between 21.6 percent and 139.7 percent.

Tier I capital was MDL 9.2 billion, increasing by MDL 1.7 percent (MDL 0.2 billion) during the first 9 months of 2016. Tier I capital increase was driven by the profit obtained in the amount of MDL 1.4 billion. At the same time, the amount of capital was negatively influenced by the reclassification of loans (increase of calculated amount, but unreserved of the allowances for impairment losses on assets and contingent liabilities by 51.7 percent or MDL 0.9 billion). It also recorded a capital decrease of MDL 50 million, following the acquisition by a bank ("FinComBank" S.A.) of its shares.

As of 30.09.2016, the profit of the banking sector for the period accounted for MDL 1.4 billion. Compared to the same period of the previous year, the profit increased by 2.1 percent due to the increase in interest related income by 26.8 percent. Simultaneously, non-interest related income increased by 6.7 percent.

Return on assets and return on equity represented 2.5 percent and 15.0 percent as on 30.09.2016, increasing by 0.8 percentage points and 4.8 percentage points.

Banks have maintained the liquidity indicators at a high level. Long-term liquidity (Principle I) accounted for 0.7, remaining at the same level compared to the end of the previous year. Current liquidity on the sector (principle II of liquidity) increased by 5.5 percentage points, amounting to 47.2 percent. It should be mentioned that the highest increase in liquid assets structure in the first 9 months of 2016 was recorded by liquid securities - by 107.3 percent.

According to prudential reports of 30.09.2016, the balance of deposits increased by 8.1 percent during the reporting period, constituting MDL 54.3 billion (individuals deposits accounted for 68.9 percent of total deposits, deposits of legal entities - 30.8 percent and bank deposits - 0.3 percent). Individuals deposits had the biggest impact on the increase of deposits, which increased by MDL 2.4 billion (6.8 percent), while the balance of deposits of legal entities increased by MDL 1.7 billion (11.4 percent).

Смотрите также

Метки

[capital](#) ^[1]

[банк](#) ^[2]

[assets](#) ^[3]

[liquidity](#) ^[4]

[credits](#) ^[5]

[deposits](#) ^[6]

[financial stability](#) ^[7]

Источник УРЛ:

<http://bnm.md/ru/node/54163>

Ссылки по теме:

[1] [http://bnm.md/ru/search?hashtags\[0\]=capital](http://bnm.md/ru/search?hashtags[0]=capital) [2] [http://bnm.md/ru/search?hashtags\[0\]=банк](http://bnm.md/ru/search?hashtags[0]=банк) [3]

[http://bnm.md/ru/search?hashtags\[0\]=assets](http://bnm.md/ru/search?hashtags[0]=assets) [4] [http://bnm.md/ru/search?hashtags\[0\]=liquidity](http://bnm.md/ru/search?hashtags[0]=liquidity) [5]

[http://bnm.md/ru/search?hashtags\[0\]=credits](http://bnm.md/ru/search?hashtags[0]=credits) [6] [http://bnm.md/ru/search?hashtags\[0\]=deposits](http://bnm.md/ru/search?hashtags[0]=deposits) [7]

[http://bnm.md/ru/search?hashtags\[0\]=financial stability](http://bnm.md/ru/search?hashtags[0]=financial stability)