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Financial situation of the banking system in 2008

In the course of 2008 the banking system of the Republic of Moldova recorded the trends as shown below.

Tier I Capital went up by 27.5% to the level of 6665.2 million lei, and further confirmed the strengthening of the banking system and its ability to withstand both domestic and external potential financial challenges.

The share of foreign investments with banks' capital constituted 74.1% or by 2.2 percentage points more versus the beginning of the year, following the increase of the share capital on the account of the investments by non-resident shareholders.

The average value of the risk-weighted capital adequacy within the system was kept at a high level – 32.2% (the minimum necessary level is 12%) and indicated the banks' high safety degree determined by the existence of the necessary potential to carry out risky operations without prejudice to capital.

As of 31.12.2008 the assets totalled 39122.7 million lei or by 22.3% more versus the beginning of the respective year, which is proof of the banking system's development. The structure of assets recorded increases for all items. Therefore, the net credit portfolio advanced by 18.6% to 23570 million lei, the net funds owed by banks and by NBM – by 40.6% up to 8586.1 million lei, other net assets – by 27.2% up to 2631.9 million lei.

The banking risks were managed and traditionally diversified, according to market requirements. Thus, credits extended to industry and trade held the highest weight of the credit portfolio – 48.7%, being followed by credits for real estate, construction and development – 14.6%, credits for agriculture and food industry – 13.3% and consumer credits – 12.9%. The increment of the weight of credits for real estate, construction and development by 1.8 percentage points determined their classification on the second place.

The balance of consumer credits extended in an amount of 700 thou lei enlarged as of 31.12.2009 by 12.2% up to the level of 2560.1 million lei as compared to as of 31.12.2007. The balance of credits extended to trade entities accounted for 7051.6 million lei, increasing by 13.6% versus the beginning of the year. The balance of credits extended to small and medium-sized enterprises as of 31.12.2008 constituted 9061.9 million lei or by 19.2% more as compared to as of 31.12.2007.

Incomes also recorded increases. The net income of the banking system in 2008 totalled 1270.3 million lei or by 16.9% more versus 2007, further reflecting the system's ascendant trend.

The return on assets (net income/assets average) and the return on equity (net income/equity average) registered 3.5% and 19.9%, respectively, decreasing by 0.4 percentage points and 4.1 percentage points, accordingly. The diminution was determined by higher growth rates of the assets and of the equity versus the net income's growth rates.

The long-term liquidity of the banking system (assets with the term over two years /financial resources with the potential withdrawal term over two years ≤ 1) recorded the ratio of 0.7. The level of this indicator denoted the availability of resources that can be invested for a term over two years.

The current liquidity within the system (liquid assets, expressed in cash, deposits with NBM, state securities, net interbank credits with the term of up to 1 month / total assets x 100% ≥ 20%) accounted for 30.6%. The observance by banks of liquidity indicators revealed the existence of adequate financing sources to cover both long-term needs, as indicated above, and short-term needs.

As of 31.12.2008 banks' liabilities equalled to 32088 million lei or by 21.3% more versus the beginning of the year. Deposits totalled 27196.6 million lei, increasing by 17.7% as compared to as of 31.12.2007. In the course of Quarter IV of the previous year this indicator recorded a reduction in October and November by 4.3% and by 1.3%, accordingly, while in December the growth resumed by 3.1%.

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