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Developments in loan and deposit markets in February 2021

Loans market

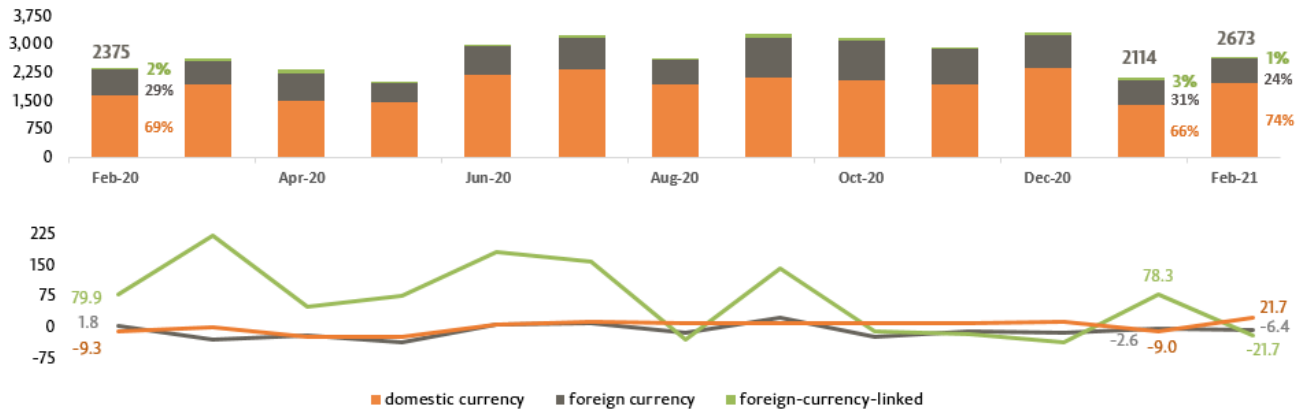
In February 2021, new loans extended[1] by banks totaled MDL 2,673.2 million, recording an increase by 12.5 percent compared to February 2020.

The structure of loans granted (Chart 1) in the reporting month evolved as follows:

- 74.1% represent loans extended in domestic currency, which totaled MDL 1,981.1 million (+42.2% compared to the previous month and +21.7% compared to February 2020);
- 24.4% represent loans extended in foreign currency, whose volume, recalculated in MDL, amounted MDL 652.8 million (+0.4% compared to the previous month and -6.4% compared to February 2020);
- 1.5% represent foreign-currency-linked[2] loans, which amounted MDL 39.3 million (-44.3 % compared to previous month and -21.7 % compared to February 2020).

Chart 1

Dynamics of new loans extended, million lei (top chart) and annual growth rate of new loans extended by banks,% (lower chart)

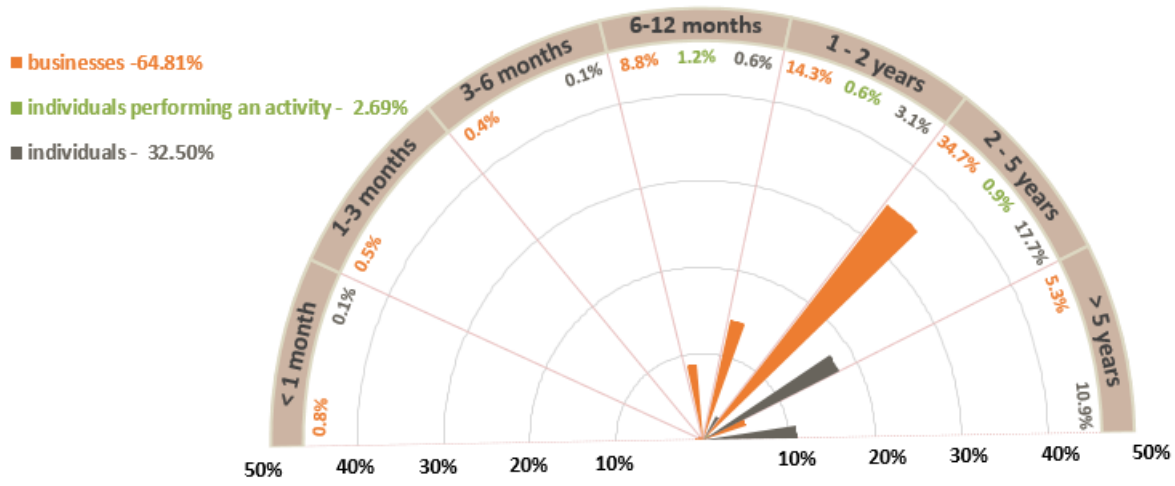


Source: NBM report on average rates and volumes of new loans and new deposits attracted for February 2021.

In terms of maturity (Chart 2), loans with terms from 2 to 5 years recorded the highest demand of 53.4% of total extended loans. Businesses held 34.7% of these loans.

Chart 2

New loans extended by maturity and their structure,%



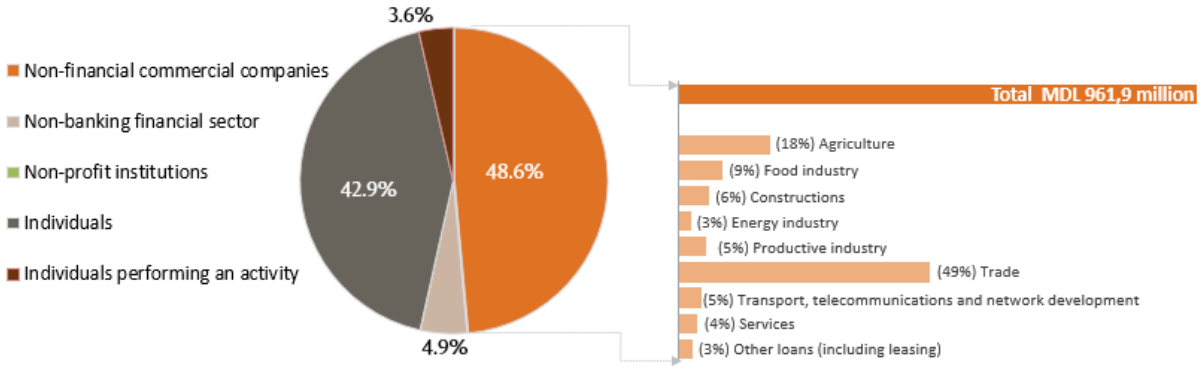
Source: NBM report on average rates on new loans and new deposits attracted to the banking system for February 2021.

Domestic currency loans (Chart 3) were mainly represented by loans extended to businesses (53.5%). Non-financial commercial companies held a share of 48.6% of total extended loans in domestic currency (49.0% of which belong to trade).

Foreign currency loans were mainly requested by non-financial commercial companies (94.7%), and the largest share (58.9% belongs to trade).

Chart 3

Domestic currency loans by business sectors, %



Source: NBM report on average rates on new loans and new deposits attracted to the banking system for February 2021.

The average interest rate on new loans extended in domestic currency constituted 7.40%, for those in foreign currency - 4.13%, and on foreign-currency-linked loans - 4.41 %.

Compared to the previous month, the average rate evolved as follows:

— on domestic currency loans decreased by 0.28 % percentage points (p.p.). Businesses received loans at an average rate of 8.35%, individuals performing an activity[3] – at a rate of 8.96%, while individuals – at a

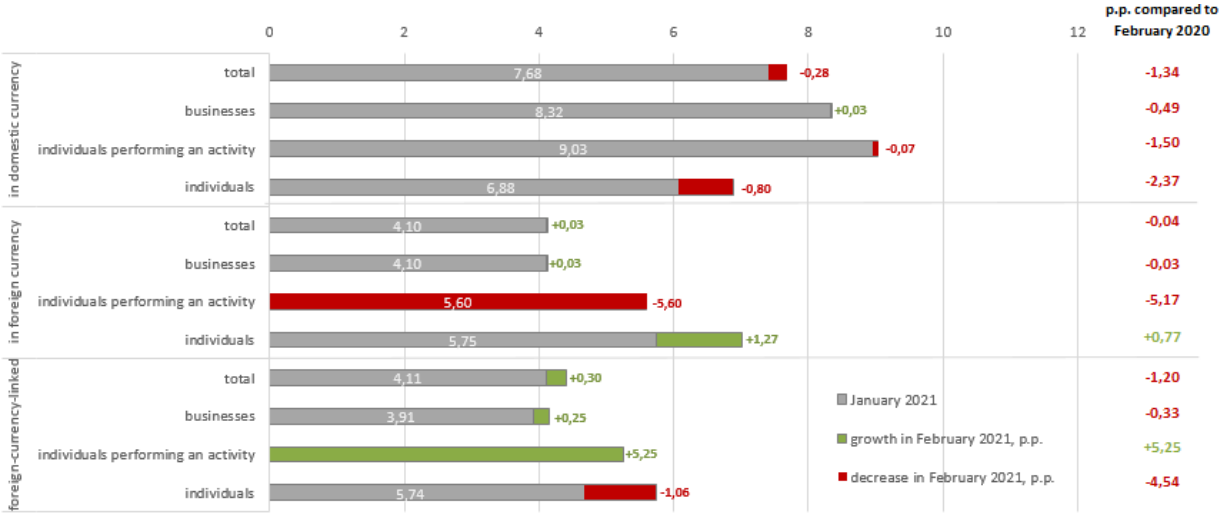
rate of 6.08% (Chart 4);

- on foreign currency loans it increased by 0.03 p.p. Businesses received loans at an average rate of 4.13%, individuals – at a rate of 7.02%, while individuals performing an activity did not apply for foreign currency loans.
- on foreign-currency-linked loans it increased by 0.30 p.p. Businesses received loans at an average rate of 4.16%, individuals performing an activity – at a rate of 5.25%, while to individuals - with a rate of 4.68%.

Compared to the similar period of the previous year, the interest rate on domestic currency loans decreased by 1.34 p.p., on those in foreign currency - by 0.04 p.p., and on foreign-currency-linked loans - by 1.20 p.p.

Chart 4

Weighted average rates on new loans,%

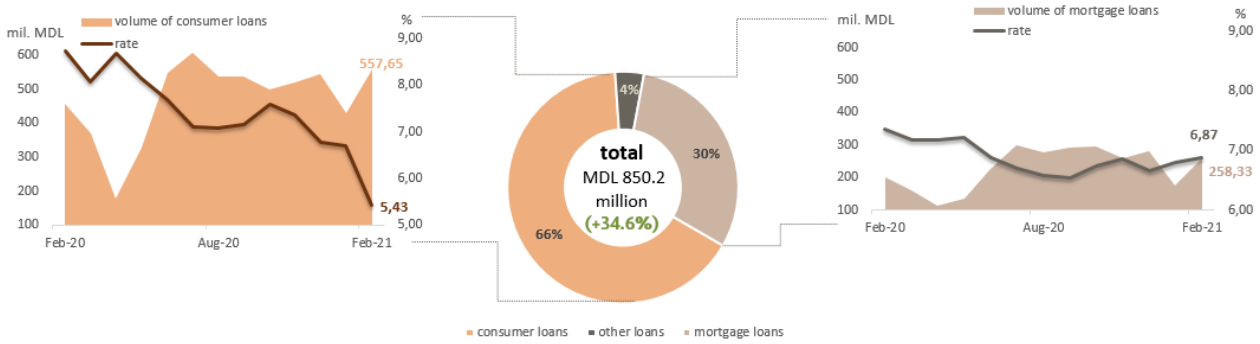


Source: NBM report on average rates and volumes of new loans and new deposits attracted for February 2021.

The volume of domestic currency loans extended to individuals, increased in February 2021 by 34.6% as compared to the previous month and totaled MDL 850.2 million (Chart 5). The average rate on these loans decreased by 0.80 p.p. and accounted for 6.08%.

Chart 5

Domestic currency loans extended to individuals



Source: NBM report on average rates and volumes of new loans and new deposits attracted for February 2021.

From the perspective of the purpose of newly extended loans, consumer loans held the largest share (65.6%) and were granted at an average rate of 5.43% (-1.25 p.p. compared to the previous month and -3.30 p.p. compared to February 2020).

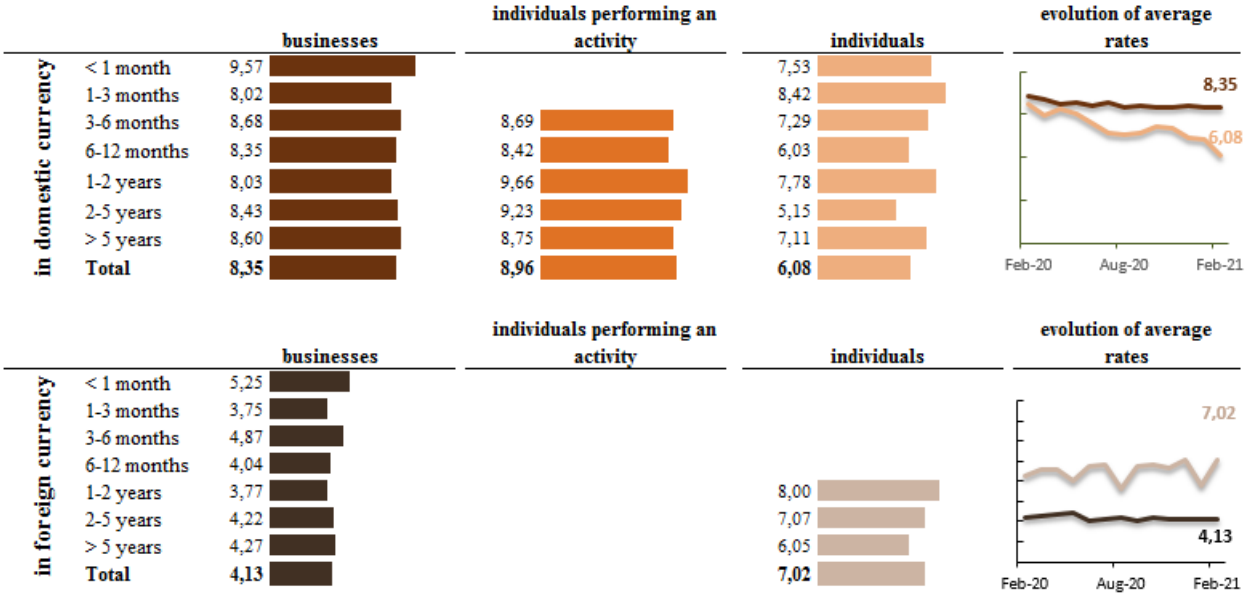
The average rate on mortgage loans increased by 0.07 p.p. compared to the previous month and decreased by 0.48 p.p. compared to February 2020.

It should be noted that 94.4% of all mortgage loans were extended in domestic currency. Consumer loans, were also extended mainly in domestic currency (99.4% of total consumer loans).

Domestic currency loans (Chart 6) with maturity from 2 to 5 years, being the most requested in the reporting month, were extended at an average interest rate of 6.97% (8.43% on businesses loans, 9.23%, on individuals performing an activity loans, and 5.15% on individuals' loans).

Chart 6

Average rates on extended loans, by maturity,%



Source: NBM report on average rates and volumes of new loans and new deposits attracted for February 2021.

The highest average rate on domestic currency loans was recorded on loans with maturity up to 1 month, amounting 9.43 % (businesses loans - 9.57 %, individuals' loans – 7.53%, while individuals performing an activity did not apply for domestic currency loans).

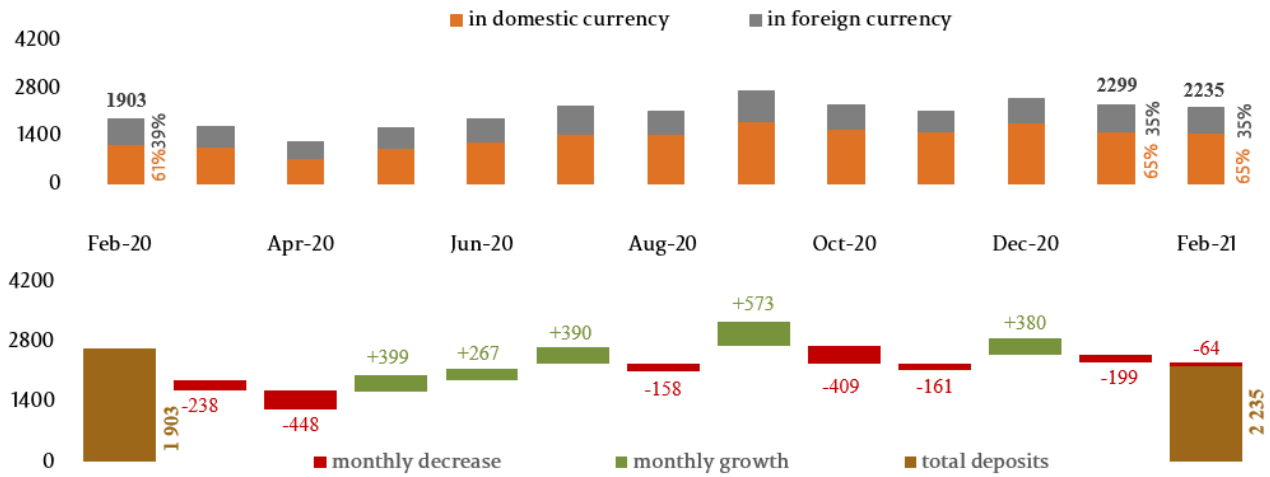
Loans in foreign currency with terms of 2 to 5 years (which had the highest volume in the reporting month) were extended at an average rate of 4.22% (businesses loans - 4.22%, individuals' loans - 7.07%, while individuals performing an activity did not apply for foreign currency loans (Chart 6)).

Deposits market

In February 2021, the new term deposits totaled MDL 2,234.5 million, increasing by 17.4% compared to February 2020 (Chart 7).

Chart 7

Dynamics of term deposits (upper chart) and their change from the previous month (lower chart), million lei



Source: NBM report on average rates and volumes of new loans and new deposits attracted for February 2021.

The volume of new term deposits constituted:

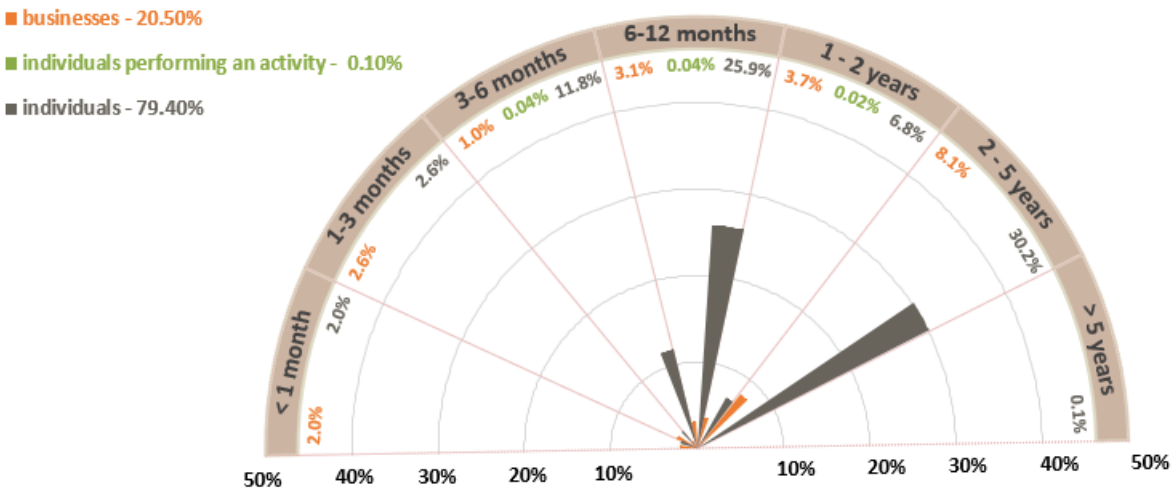
- in domestic currency – MDL 1,462.0 million (-2.6% compared to the previous month and +25.7% compared to February 2020);
- in foreign currency recalculated in MDL - 772.5 million (-3.1% compared to the previous month and + 4.4% compared to February 2020).

The share of deposits attracted in the domestic currency constituted 65.4%, of those in foreign currency - 34.6%.

Individuals' deposits (Chart 8) represented the largest share of total deposits of 79.4% (where 50.8 % represent domestic currency deposits and 28.6 %- foreign currency deposits).

Chart 8

New term deposits placed by maturity and their structure,%



Source: NBM report on average rates and volumes of new loans and new deposits attracted for February

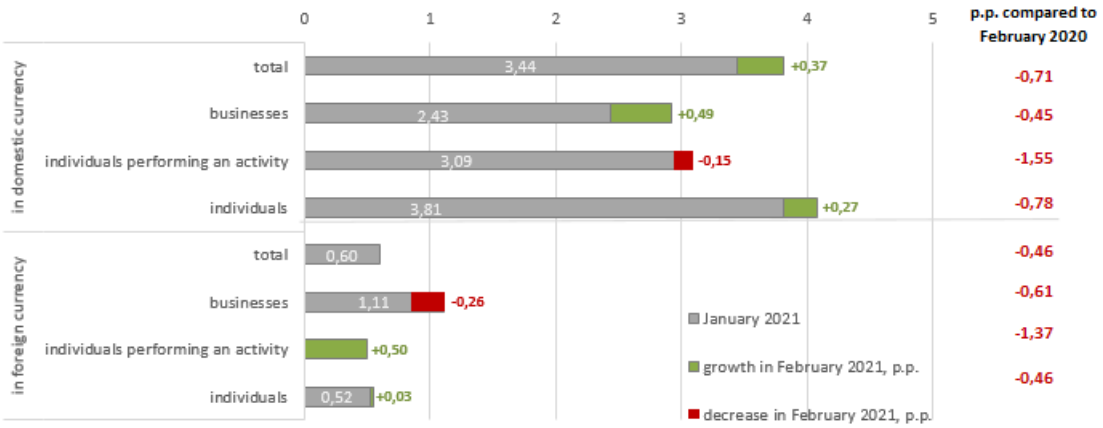
2021.

In terms of maturity, the highest demand was recorded for deposits with terms from 6 to 12 months, which held 29.0% of all term deposits (25.9% - individuals' deposits).

The average interest rate on domestic currency term deposits constituted 3.81%, and on those in foreign currency - 0.60%.

Chart 9

Weighted average rates on new term deposits,%



Source: NBM report on average rates and volumes of new loans and new deposits attracted for February 2021.

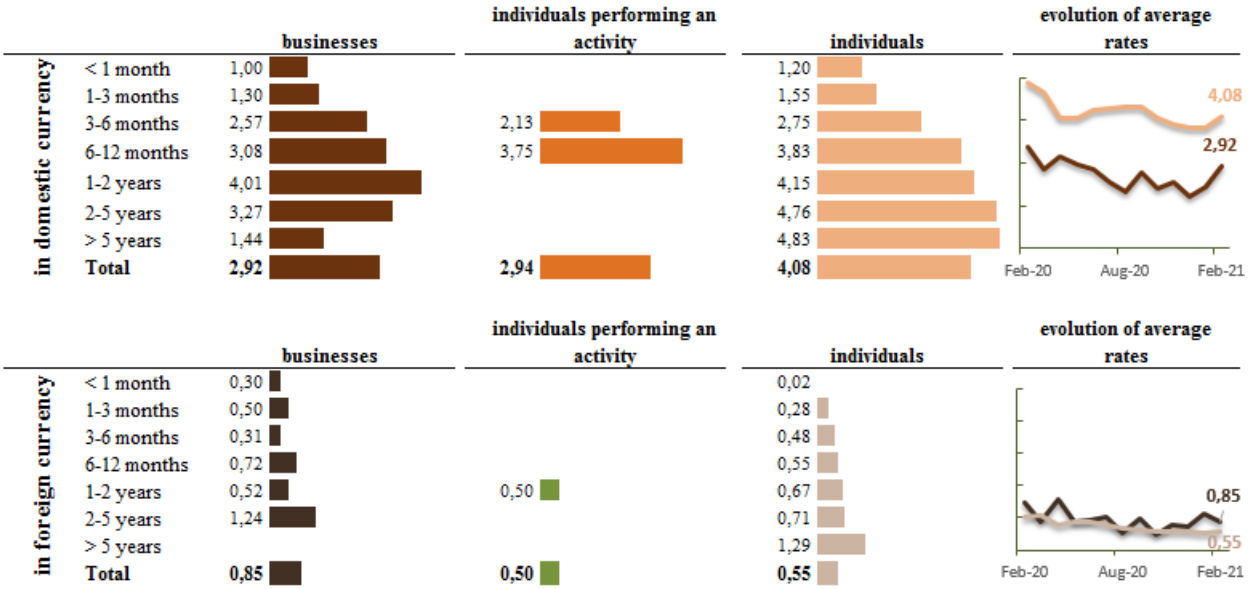
Compared to the previous month, the average rate has evolved:
• on domestic currency deposits it increased by 0.37 pp. Businesses placed their deposits at an average rate of 2.92%, individuals performing an activity - at a rate of 2.94%, while individuals – at a rate of 4.08%;
• on foreign currency deposits it did not changed. Businesses placed their deposits at an average rate of 0.85%, individuals performing an activity - at a rate of 0.50%, while individuals – at a rate of 0.55%.

Compared to February 2020, the average interest rate on domestic currency deposits decreased as well that on foreign currency deposits (Chart 9).

Domestic currency deposits with maturity from 6 to 12 months, which recorded the highest demand in the reporting period, were attracted at an average interest rate of 3.73% (businesses deposits – at a rate of 3.08%, deposits of individuals performing an activity – at a rate of 3.75%, and individuals' deposits – at a rate of 3.83% (Chart 10).

Chart 10

Average interest rates on new term deposits, by maturity, %



Source: NBM report on average rates and volumes of new loans and new deposits attracted for February 2021.

In the case of foreign currency deposits, the most attractive were those with terms from 2 to 5 years, which were placed at an average interest rate of 0.85% (businesses placed their deposits at a rate of 1.24%, and individuals - at a rate of 0.71%).

The highest average rate on domestic currency deposits was recorded:

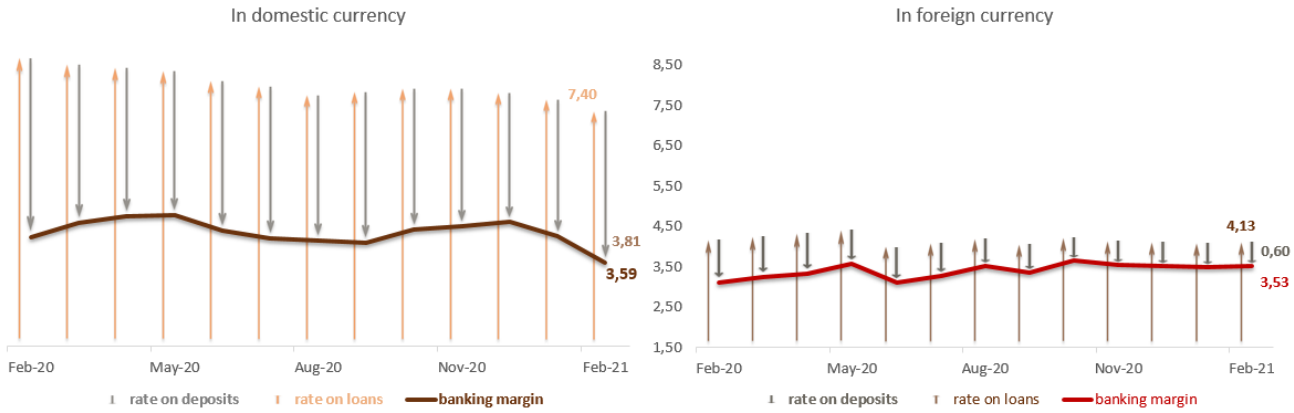
- on businesses deposits with terms from 1 to 2 years (4.01%);
- on deposits of individuals performing an activity with terms from 6 to 12 months (3.75%);
- on individuals deposits with terms over 5 years (4.83%).

The highest average interest rate on foreign currency deposits was recorded:

- on businesses deposits with terms from 2 to 5 years (1.24%);
- on deposits of individuals performing an activity with terms with terms from 1 to 2 years (0.50 %);
- on individuals deposits with terms over 5 years (1.29%).

The interest rate margin on domestic currency transactions was 3.59 p.p., while on those in foreign currency - 3.53 p.p.

Chart 11
Bank interest margin, p.p.



Source: NBM report on average rates and volumes of new loans and new deposits attracted for February 2021.

The interest rate margin on domestic currency transactions decreased 0.65 p.p. compared to the previous month and by 0.63 p.p. compared to February 2020 (Chart 11).

The interest margin on foreign currency transactions increased by 0.03 p.p. compared to the previous month and by 0.42 p.p. compared to February 2020.

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1. The information is reflected according to the Guidelines on the preparation and presentation of reports on interest rates applied by banks in the Republic of Moldova, approved by DEB of the NBM no. 331 of 1.12.2016, Official Monitor of the Republic of Moldova no.441-451 of 16.12.2016, with subsequent amendments and completions.

2. Loans foreign-currency-linked, according to the Regulation on the open currency position of the bank, approved by Decision of the Executive Board of the National Bank of Moldova No 126 of 28.11.1997, Official Monitor of the Republic of Moldova no. 112-114/198 of 14.10.1999, with further modifications and completions, refer to the assets which balance, according to the conditions established in the relevant contracts concluded by the bank, shall be modified depending on the evolution of the exchange rate of Moldovan currency against the attached exchange rate.

3. Individuals performing an activity, according to the Guidelines on the drafting by the licensed banks of the Report on monetary statistics, approved by Decision of the Executive Board of the NBM no. 255 of 17.11.2011, Official Monitor of the Republic of Moldova no. 206-215 of 02.12.2011, with further modifications and completions, work in associations without legal personality and are producers of goods and/or services for market, and namely, individual enterprises, farms, patent holders, notaries, lawyers, bailiffs, etc."

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