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## Financial situation of the banking system during January-September 2010

During the first 9 months of 2010, the banking system in Moldova recorded the following development trends.

As of 30.09.2010, Tier I capital increased by 7.1 percent up to 6882.6 million lei. The increase of this financial indicator shows a better capacity of banks to cover potential losses and induces a higher degree of protection of interests of depositors. For comparison, in the same period last year, the Tier I capital has decreased by 3.0 percent.

The share of foreign investment in banks constituted 78.6 percent or 1.0 percentage points more compared to the end of 2009, following the increase in share capital at the expense of non-resident shareholders investment.

The average value of the risk-weighted capital adequacy within system is still positioned on a high level - 31.2 percent, decreasing by 0.9 percentage points compared with the end of 2009 (the minimum accepted level is 12 percent). The respective evolution reflects the existence in banks of a potential of operations subject to risks, with capital coverage, without affecting it.

During the first 9 months of 2010, the total banking assets, another important indicator, recorded a growth of 2.3 percent up to 40865.3 million, indicating an extensive development of the system. The positive trend is determined by comparison with the similar period last year, when assets have declined by 3.3 percent. Within their structure, all assets recorded increases during the first 9 months of 2010: cash - by 0.8 percent up to 2197.3 million lei, net securities - by 14.7 percent up to 6944.2 million lei, credits and net financial leasing - by 9.1 percent up to 22078.9 million lei, the net means owed by the NBM - by 4.3 percent up to 2027.9 million lei.

Simultaneously, due from banks and net overnight decreased by 34.3 percent up to 3592.3 million lei and other net assets - by 0.6 percent up to 4024.7 million lei. This took place at the expense of a more efficient redistribution of the aforementioned assets, such as, for example, credit increase, and activity of banks revealing a more intensive evolutionary aspect.

The weight of non-performing loans (substandard, doubtful and loss) in total loans decreased by 0.7 percentage compared to the end of 2009, constituting 15.7 percent on 09/30/2010. The weight of non-performing loans in total regulatory capital has reduced by 1.5 percentage points on 12/31/2009, registering 54.6 percent on 09/30/2010.

In the context of risk management, the largest share in total loan portfolio as of 30/09/2010 held the credits to industry and trade - 49.5 percent, followed by loans to agriculture and food industry - 16.2 percent, for real estate construction and development - 12.7 percent and consumer loans - 8.6 percent. For the first 9 months of 2010, net banking income amounted to 371.5 million lei or 8.1 times more than during the same period of the previous year, when the indicator amounted to 45.8 million lei. On 09/30/2010, the return on assets and shareholders equity constituted 1.2 percent and 6.9 percent respectively. It should be mentioned that at the end of 2009, these indicators have been negative.

Long-term liquidity in the system (principle I of liquidity) (assets with reimbursement term of more than two years / financial resources with potential term of withdrawal more than two years  $\leq 1$ ) has marked during the reference period a coefficient of 0.7. The current liquidity in the system (principle II of liquidity) (liquid assets denominated in cash, deposits with the NBM, liquid securities, net interbank loans with term of up to one month / total assets  $\times 100\% \geq 20$  percent) registered 34.1 percent. The liquidity indicators show the existence of adequate financing to cover anticipated or potential

needs both on short and long term.

Banks liabilities as of 30.09.2010 amounted to 33483.2 million lei, increasing by 1.4 percent compared to the end of 2009. In particular, the deposits increased by 3.4 percent up to 27325 million lei during the aforementioned period, confirming the credibility of the banking system.

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