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## Financial situation of the banking system during January-September 2014

The banking system of the Republic of Moldova recorded the following trends during the first nine months of 2014:

Tier I capital reached the level of MDL 8107.8 million as on 30 September 2014 and increased by 2.3 percent compared to the end of the last year. This development was largely determined by the profit on the system in the nine months of the year and the share issues at three banks. The recorded Tier I capital reflects a strengthening of the licensed banks that allows covering the potential losses. As on 30 September 2014, 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 76.4 percent on 30 September 2014 by 4.2 percentage points more compared to the end of 2013. This dynamics was due to the increase by 15.2 percent in the share capital on the account of the non-resident shareholders' investments and the decrease by 7.4 percent in the domestic shareholders' investments.

Average risk-weighted capital adequacy on the system was 19.8 percent, decreasing by 3.2 percentage points compared to the end of the last year. On 30 September 2014, all banks except one, complied with the above-mentioned indicator.

The assets totaled MDL 82114.0 million as on 30 September 2014 or increased by 7.8 percent compared to the end of 2013 and show a continuing trend of expansion of banking activity. Loans and receivables had a significant impact on the increase in the structure of assets, which increased by 12.4 percent up to MDL 49125.0 million. Loans and receivables held the largest share in total assets – 59.8 percent, which increased by 2.4 percentage points compared to 31 December 2013.

As of 30 September 2014, the balance of loans, according to prudential reports, indicates a positive development and amounted to MDL 47228.5 million, increasing by 12.0 percent during the nine months of 2014. Non-performing loans in absolute value totaled MDL 5801.4 million or by 19.0 percent more compared to the end of last year. The share of non-performing loans increased in total loans by 0.7 percent up to 12.3 percent and the share of net non-performing loans = amount subject to classification as non-performing loans minus the allowances thereof increased in total regulatory capital by 2.5 percentage points up to 19.1 percent.

The total volume of new loans granted during the nine months of 2014 recorded an upward trend and amounted to MDL 24685.3 million, increasing by 21.3 percent compared to the same period of last year. Accordingly, the total volume of new attracted deposits was MDL 28969.6 million or less by 14.0 percent.

The banking sector related profit amounted to MDL 767.2 million during the nine months of 2014, decreasing by 8.5 percent compared to the same period of last year on the account of the increase of noninterest-related expenses by 25.9 percent and interest-related expenses by 13.5 percent.

Return on assets and return on equity were 1.3 percent and 8.5 percent, respectively, on 30 September 2014, decreasing by 0.3 percentage points and 0.9 percentage points, respectively, compared to 31 December 2013.

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, net

interbank credits with maturity up to one month total assets  $\times 100\% \geq 20$  percent) accounted for 34.2 percent. The respective values of liquidity indicators show the existence of adequate sources to support the payments related to liabilities.

According to the prudential reports of 30 September 2014, the balance of deposits amounted to MDL 57845.1million, increasing by 11.5 percent during the nine months of 2014. In this context, the increase of individuals' deposits by 8.2 percent up to MDL 33933.3 million reflects the credibility of the banking sector in the Republic of Moldova.

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