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Financial situation of the banking system in the first half of 2010

During the first semester of 2010, the banking system in Moldova has shown clear signs of stabilization.

One of the main financial indicators, tier I capital, increased by 2.4 %, up to 6581.9 million lei, decreasing by 2.3 % as compared to the same period of the previous year. This evolution shows a better ability of banks to cover potential losses and to withstand shocks. As of 30.06.2010 all banks had the tier I capital adequate to the minimum set capital.

The share of foreign investment in banks capital constituted 77.3 % or 0.3 percentage points lower compared with the end of 2009, following the capital increase at the expense of the resident shareholders investments.

The average of capital adequacy ratio in the system continues to be at a high level of 31.2 % (the minimum required being of 12 %) or by 0.9 percentage points less compared to the end of 2009. The registered indicator reflects the existence of a high potential of banks to grant loans, applicable in the conditions of qualitative demands from individuals and legal entities.

Total assets in the system as of 30.06.2010 consisted 39653.4 million lei, decreasing by 0.7 % compared to the end of the year. Within the structure of assets during the first semester of 2010, the following have dropped: cash - by 10.0 % up to 1960.5 million lei, funds due from banks and net overnight funds - by 26.6 % up to 4012.8 million lei, funds due from the NBM - by 3.9 % up to 1867 million lei. Simultaneously, the following have increased: credits and net financial leasing - by 3.8 % up to 21,019.5 million lei, net securities - by 10.0 % up to 6658.2 million lei, and other net assets - by 2.1 % up to 4135.4 million lei.

The assets decrease, during the mentioned period, was due to the reduction of liabilities by 1.4 %, offset by the shareholder capital by 2.6 percent.

Gross loan portfolio during the first semester of 2010 increased by 4.6 % and amounted to 23456.5 million lei at 30.06.2010. As compared to the same period of the last year, the gross loan portfolio has decreased by 9.6 percent. During the second quarter of 2010, the lending dynamics has increased its upward trend. The new loans registered an annual growth rate of 98.2 %, reaching a value of 6160.3 million lei. The loan process development from the beginning of the year is largely determined by outlining the first signs of economic stabilization and by the economic recovery expectations during 2010.

The bad loans in absolute value increased by 11.5 % up to 4097.8 million lei, while the share of bad loans (substandard, doubtful and compromised) in total loans increased by 1.1 percentage points compared to the end of 2009, constituting 17.5 % as of 06/30/2010.

The loans granted to commerce and industry held the highest share in total loan portfolio at 06/30/2010 - 51.1 %, followed by loans granted to agriculture and food industry - 16.0 %, loans for building, construction and development - 12.4 % and consumer loans - 8.2 %.

The net banking income amounted to 351.6 million lei as for the six months of 2010. Compared with the same period of the last year this number increased by 296.4 %, totaling 88.7 million lei at 06/30/2009.

Return on assets and shareholders' equity at 30.06.2010 constituted 1.8 % and 9.9 % respectively, increasing by 2.3 percentage points and 12.4 percentage points respectively as compared to the end of 2009.

Long-term liquidity in the banking system (the maximum accepted level is 1) had a coefficient of 0.6. The current liquidity in the system (the minimum required level is 20%) recorded 34.8 %. The liquidity indicators reveal the existence of adequate funding sources to cover the anticipated or potential needs both on short and long term.

Bank liabilities as of 30.06.2010 amounted to 32546.0 million lei or by 1.4 % less than at the end of 2009. In particular, the deposits constituted 26126.3 million lei at 30/06/2010, decreasing by 1.1 % compared with 12/31/2009, primarily at the expense of the reduction of funds due to banks - by 39.9 % up to 1164.8 million lei. The respective reduction may be explained by shifting funds to other investments, including generating interest. At the same time, the individuals' deposits increase of 1.6 % up to 16734.7 million lei and deposits of legal entities by 2.7 % up to 8226.8 million lei indicates an increase in credibility of the banking system, which is an important factor for its consolidation.

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