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Financial situation of the banking system in the first semester of 2013

The banking system of the Republic of Moldova recorded the following trends in the first semester of 2013.

Tier I capital reached the level of MDL 7364.5 million as on June 30, 2013, increasing by 6.6 percent. This development was driven largely by the profit on the sector in the first half of the year and by the issue of shares at a bank. Tier I capital reflects a level of consolidation of licensed banks, allowing them to cover any potential losses, without prejudice to financial safety. As on June 30, 2013 the Tier I capital of all banks, except one, corresponded to the minimum required capital (minimum required level is ≥ MDL 200 million).

The share of foreign investments in the licensed banks was 75.1 percent on June 30, 2013 with 3.4 percentage points more than at the end of 2012. This dynamics was due to the increase of investment in the share capital by non-resident shareholders with 15.5 percent and the decrease of investment in the share capital by domestic shareholders with 3.2 percent.

Average risk-weighted capital adequacy on the system still remains at a high level - 23.3 percent (minimum required level is ≥ 16 percent), although decreasing by 1.0 percentage points. For many years, this proves the existence of a lending potential in banks in conditions of financial stability.

The assets totaled MDL 63516.2 million as on June 30, 2013 or by 9.2 percent more than at the end of 2012, noting further expansion of banking activity. Within the structure of assets, the following elements have increased during the first half of 2013 (in descending order): loans and receivables - by 9.2 percent, up to MDL 39557.7 million, cash and cash equivalents - by 13.4 percent up to MDL 16288.8 million, tangible assets - by 16.4 percent up to MDL 1973.5 million, financial assets held for trading - by 104.8 percent up to MDL 379.3 million, financial assets available for sale - by 29.8 percent up to MDL 442.5 million, claims on taxes - by 16.8 percent up to MDL 121.5 million.

At the same time, the following elements have decreased: other assets - by 30.6 percent up to MDL 603.1 million, fixed assets and disposal groups classified as held for sale - by 29.5 percent up to MDL 512.7 million, held-to-maturity investments - by 0.5 percent up to MDL 3390.8 million, intangible assets - by 2.3 percent up to MDL 246.3 million.

As of June 30, 2013 the balance of loans, according to prudential reports of June 30, 2013 amounted to MDL 37756.6 million or by 7.9 percent more and indicates a more dynamic lending process. The portfolio quality has also improved, the non-performing loans in absolute value recording the value of MDL 4790.7 million or by 5.6 percent less than at the beginning of the year. The share of net non-performing loans in total regulatory capital decreased by 7.5 percentage points, up to 18.4 percent as on June 30, 2013, which indicates reduced risks of capital loss.

The total volume of new loans granted in the first semester of 2013 recorded an upward trend, increasing by 2.7 percent compared to the previous year and amounted to MDL 13397.0 million. Accordingly, the total

volume of new attracted term deposits was MDL 16073.1 million or less by 20.4 percent.

The sum of the ten largest net debts on loans, an important indicator in determining banks' financial stability, has totaled 23.4 percent of net loans on sector (maximum - 30 percent of total net loans).

As of June 30, 2013 the profit of licensed banks accounted for MDL 488.8 million, including June 2013 - MDL 28.9 million. Compared to the same period last year, the profit of licensed banks has declined by 5.4 percent due to the increase in interest-related expenses by 20.8 percent and the decrease of noninterest-related income by 4.3 percent.

Return on assets and return on equity represented 1.6 percent and 9.3 percent as on June 30, 2013, increasing by 0.8 percentage points and 5.0 percentage points compared to December 31, 2012.

Long-term liquidity ratio of the banking system (assets with terms more than two years/financial resources with potential withdrawal term of over two years ≤ 1) recorded a level of 0.8. Current liquidity on the system (liquid assets, expressed in cash, deposits with the NBM, liquid securities, and net interbank credits with maturity up to one month / total assets ≥ 20 percent) accounted for 31.2 percent. The respective values of liquidity indicators show the existence of adequate sources to support the payments related to liabilities and determine the soundness of banks to possible external shocks.

The balance of deposits, according to the prudential reports of June 30, 2013, increased in the first half-year by 9.7 percent up to MDL 43613.3 million. Individuals' deposits increased by 6.7 percent up to MDL 27189.5 million, which continues to reflect the credibility of the banking sector of the Republic of Moldova.

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