Publicat pe (https://www.bnm.md)

02.05.2017

Financial situation of the banking system in the first quarter of 2017

As of 31.03.2017, the banking sector of the Republic of Moldova included 11 banks licensed by the National Bank of Moldova (NBM), of which 4 are subsidiaries of foreign banks and financial groups.

The National Bank of Moldova, in accordance with the commitments assumed towards development partners, continued to assess the banking shareholding in order to ensure a transparent structure thereof and will inform the public about the measures taken against the shareholders who infringe the provisions of the normative acts. National Bank, with an effective legislative and supervisory framework, will prevent the infiltration into the banking sector of certain non-transparent shareholders, with a doubtful reputation and unstable financial situation.

During the first quarter of 2017, the banking sector assets continued to increase and the banks became more resistant, being capitalised with a high level of liquidity. At the same time, the non-performing loans of the banking sector decreased and the lending activity maintained its downward trend. The banks continued to enhance their corporate governance and risk management framework to which they are subject..

The National Bank of Moldova actions on banks placed under intensive supervision

Following the detection of issues related to non-transparent shareholder structure, engaging in high risk lending operations, the National Bank of Moldova, in accordance with the Law on Financial Institutions, established special supervision over three banks on 11.06.2015 (BC „MOLDOVA - AGROINDBANK" S.A., BC „Moldindconbank" S.A. and B.C. „VICTORIABANK" S.A. holding 64.9 percent of total banking sector assets). In connection with amendments in legislation, as from 4 October 2016, the special supervision has been substituted with intensive supervision until the existing issues in these banks are resolved.

In June 2015, National Bank of Moldova has prescribed a diagnostic study to the respective banks, which was conducted by an audit company specialized in this field. In June 2016, based on the results of diagnostic studies, National Bank has adopted decisions on preparing remedial action plans for BC „MOLDOVA-AGROINDBANK" S.A. and B.C. VICTORIABANK" S.A. and obliged banks to remove any deficiencies identified in these studies until the end of 2016. For this purpose, the banks have taken a number of measures to improve their basic fields of activity, such as: the monitoring of shareholders and bank's related parties, corporate governance, lending activity, risk management, prevention of money laundering, IT and others.

In the period September 2016 - January 2017, banks reported monthly to the NBM about the implementation of remedial action plans. At the same time, National Bank monitored intensively these plans, notifying periodically the licensed banks of the recommendations issued for their improvement.

In the first quarter of 2017, the fulfilment of Plan of measures on removal of deficiencies identified within

the diagnostic studies was also verified during the on-site controls at BC „MOLDOVA-AGROINDBANK" S.A. and BC „VICTORIABANK" S.A. Based on the results of controls, the National Bank of Moldova will decide, when appropriate, on the supervision measures to be applied.

Following the National Bank has found that two group of shareholders of BC „MOLDOVA-AGROINDBANK" S.A have acted in concert and acquired a qualifying holding in the bank's share capital in the amount of 43.1 percent, without prior written permission from the National Bank, these groups should dispose of shares acquired within a period of three months. The time limits set for disposal of shares mentioned above failed to be met, so these shares have been annulled and issued new ones. Thus, two share packages are exposed for sale to the stock exchange of the Republic of Moldova until June 2017. The potential investor has to obtain the NBM permission for its qualifying holding in the bank's share capital.

NBM pays an increasing attention to the assets' classification and shareholders' transparency during the intensive supervision process at BC „VICTORIABANK" S.A. In this regard, NBM initiated the assessment procedures of the shareholders holding qualifying holdings in the capital of B.C. „VICTORIABANK" S.A., and as a result, there were applied sanctions in form of fees, in the total amount of MDL 980 thousand, to certain shareholders with qualifying holdings in the share capital of B.C. „VICTORIABANK" S.A. At the same time, the aforementioned persons shall eliminate the infringement committed by submitting the documents requested.

As from 20 October 2016, the intensive supervision regime has been substituted with the early intervention regime at BC „Moldindconbank" S.A., as a result of the fact that a group of persons acquired and held a qualifying holdings in the bank's share capital, in the amount of 63.89 percent, without prior written permission of the NBM, thereby infringing the provisions of the Law on financial institutions. The exercise of certain rights of these shareholders has been suspended and the shareholders shall dispose of shares related to qualifying holding acquired without prior permission from the National Bank of Moldova within the period provided for by the legislation. Thereafter, National Bank has suspended the mandates of certain members of the management bodies of BC „Moldindconbank" S.A. and appointed temporary administrators, whose mandates have been extended until 20 July 2017.

Also, NBM has approved, by its decision of 20 October 2016, an audit company to carry out the assessment of shares, debts and equity instruments of BC „Moldindconbank" S.A. Final assessment report was submitted to the National Bank and will be updated soon.

Following the on-site controls carried out at BC „Moldindconbank" S.A., National Bank applied sanctions to administrators of banks in form of fees in the total amount of MDL 1.7 million. At the same time, NBM obliged BC „Moldindconbank" S.A. to form additional provisions for a series of shares of the bank, to strengthen the credit and liquidity risk management and maintain the level of risk-weighted capital adequacy higher than 20 percent etc.

It should be mentioned that after the application of the early intervention regime, the liquid assets of BC „Moldindconbank" S.A. continued to record a high level of growth.

Additionally, NBM prescribed to carry out a complex on-site control at BC „Moldindconbank" S.A., which is currently ongoing.

At the same time, National Bank will select a company, which will support the NBM to examine the transactions of affiliated persons made by these banks.

Financial situation of the banking sector and compliance with prudential regulations

As of 31.03.2017, the situation of the banking sector, reflected based on the reports submitted by the licensed banks in accordance with the legislation in force, recorded the following tendencies:

Assets and liabilities

The total assets of the sector were MDL 74.0 billion, increasing by 1.5 percent (MDL 1.1 billion) during the first quarter of 2017.

As of 31.03.2017, gross loan portfolio amounted to 46.2 percent in total assets or MDL 34.2 billion, decreasing by 1.6 percent (MDL 573.1 million) during the first quarter of 2017. Taking into consideration that the lending process in real sector represents the basic pillar, which ensures a sustainable growth of the country, National Bank requested the experts, banks and interested persons to submit proposals for improving the lending process to national economy.

Investments in securities (certificates of the National Bank of Moldova and state securities) recorded a share of 15.2 percent of total assets, recording practically the same level as at the end of 2016. The rest of assets, which amounted to 38.6 percent, are held by banks in accounts opened with the National Bank, in other banks, in cash etc.

During the first quarter of 2017, the share of non-performing loans (substandard, doubtful and compromised) in total loans decreased compared to the end of last year, accounting for 16.2 percent as of 31/03/2017. This indicator varies from a bank to another, reaching the highest level of 31.3 percent.

This development was recorded by one of the banks under the intensive supervision regime, mainly due to the loans repaid and collateral traded, which influenced the decrease in non-performing loans.

The National Bank of Moldova as the supervisory authority, requested the banks to review their policies and strategies for the efficient monitoring and management of the level of non-performing loans. As a result of the aforementioned policies and strategies examination, NBM recommended to banks to further monitor the loan portfolio quality using the conservative approaches, in order to promote a good governance and to consolidate credit risk management.

In the first quarter of 2017, the balance of deposits continued to increase in accordance with the prudential reports as of 31.03.2017, which increased by 1.4 percent during the reporting period, accounting for MDL 55.6 billion (deposits from individuals amounted to 68.8 percent of total deposits, deposits from legal entities - 31.0 percent and deposits from banks - 0.2 percent). The deposits from individuals had the highest impact over the deposits increase that increased by MDL 586.5 billion (1.6 percent) and the deposits of legal entities - by MDL 264.4 million (1.6 percent). At the same time, the balance of deposits from banks decreased by MDL 72.8 billion (42.4 percent).

Compliance with prudential limits

Referring to the limits on large exposures and exposure to affiliated persons, it should be mentioned that these have been complied with by all banks, except one bank, which continued to exceed the maximum exposure limit by 15 percent of total regulatory capital.

The high level of the risk-weighted capital adequacy (average per sector - 29.7 percent) allowed the banks to absorb the losses related to loan quality worsening. This indicator recorded an insignificant decrease compared to the end of last year, being complied with by all banks (limit for each bank ≥ 16.0 percent),

varying between 24.4 percent and 116.8 percent.

Tier I capital was MDL 9.9 billion, increasing by 4.6 percent (MDL 438.3 billion) during the first quarter of 2017. The increase of Tier I capital was driven mainly by the profit obtained in the amount of MDL 499.8 billion.

Considering that the capital is the main coverage source of losses incurred in case of risks materialisation, National Bank has previously requested the banks to adopt a more prudent and conservative policy relating to the distribution of dividends. At the same time, some banks requested the NBM permission for the capital distribution. In this regard, National Bank suggested them to review their possibilities of capital distribution in near future, taking into account that the banks will bear costs of transitioning to Basel III, which will lead to the increase in capital requirements risks to which banks are exposed.

Banks maintained the liquidity indicators at a high level. Thus, the long-term liquidity ratio (liquidity principle I) accounted for 0.6, reaching practically the same level as at the end of 2016. Current liquidity on the system (liquidity principle II) increased by 1.1 percentage points, accounting for 50.3 percent, thus half of banking sector assets are concentrated in liquid assets. It should be mentioned that "Nostro" accounts and cash recorded the highest increase in the liquid assets structure, by 6.6 percent and 19.6 percent, respectively.

Income and Rentability

As of 31.03.2017, the profit of the banking sector accounted for MDL 499.8 million and decreased by 11.8 percent compared to the same period of last year due mainly to the decrease in interest-related income by 26.2 percent.

Return on assets and return on equity represented 2.6 percent and 15.3 percent as on 31 March 2017 (increasing by 0.6 percentage points and 3.3 percentage points, respectively).

Development of the legislative framework and its alignment to the EU framework

In the first quarter of 2017, the draft Law on banks' activity and of investment firms was subject to public consultations and to compatibility expertise with the community legislation. Thereafter, this law will be submitted for approval to the Government of the Republic of Moldova and to the Parliament in the third quarter of 2017, with its application beginning with 01.01.2018. This law will come into force at the beginning of 2018. Both the new banking law and secondary regulatory framework for its implementation, will represent the transition from the application of international standards Basel I to the last standards in the field of Basel III. The terms and conditions imposed by the EU - Moldova Association Agreement will be fully complied with, along with the promotion and entry into force of the new legislative framework.

In 2017, the activity on developing a new legislative framework in the financial and banking field will be concluded along with the conclusion of Twinning project on strengthening the NBM's capacity in the field of banking regulation and supervision financed by the EU in the context of the EU Directive 2013/36/EU and Regulation 575/2013(CRD IV), whose beneficiary is the National Bank of Moldova.

The new requirements implementation along with a modern and efficient prudential regulation and supervisory framework will strengthen the banking sector's resistance and will reduce the probability of banks failure.

It should be mentioned that the new regulatory framework will maintain some existing prudential provisions and will focus mainly on strengthening the internal governance practices and banks risk management. At the same time, there will be introduced new approaches to calculate the level of the risk-weighted capital adequacy (which includes operational, market risk and other risks) and of liquidity indicators and more other new elements.

However, the framework based on Basel III standards will allow the alignment of the legislation of the Republic of Moldova in this field to the applicable international standards, will contribute to the foreign investors attraction, to the development of new financial products and services and to safe and sound banks, playing an important role in the economy of the country.

In conclusion, the new law will strengthen the banking system and ensure the financial stability of the Republic of Moldova.

Vezi și

Tag-uri
capital [1]
bancs [2]
assets [3]
liquidity [4]
credits [5]
deposits [6]
financial stability [7]
financial situations [8]
financial report [9]

Sursa URL:
https://www.bnm.md/ro/node/55076

Legături conexe:

[1] https://www.bnm.md/ro/search?hashtags[0]=capital [2] https://www.bnm.md/ro/search?hashtags[0]=bancs [3] https://www.bnm.md/ro/search?hashtags[0]=assets [4] https://www.bnm.md/ro/search?hashtags[0]=liquidity [5] https://www.bnm.md/ro/search?hashtags[0]=credits [6] https://www.bnm.md/ro/search?hashtags[0]=deposits [7] https://www.bnm.md/ro/search?hashtags[0]=financial stability [8] https://www.bnm.md/ro/search?hashtags[0]=financial situations [9] https://www.bnm.md/ro/search?hashtags[0]=financial report