Published on (https://bnm.md)

14.03.2025

Financial situation of the banking sector for 2024

The financial situation of the banking sector, according to data submitted by banks, is characterised by growth in assets, loans, own funds, deposits of individuals and deposits of legal entities.

Non-performing loans in absolute value and overdue loans decreased. Consequently, portfolio quality indicators improved compared to the end of the previous year.

The profit for the year compared to the same period of the previous year decreased, mainly due to a decline in interest income, primarily as a result of a decrease in income from investments in debt securities (GS, NBC) and income from funds placed with the NBM (required reserves). At the same time, income from lending activities increased.

At the same time, the own funds ratio decreased as a result of an increase in total risk exposure by MDL 15 406,8 million (22,0%) (increase in loans).

As of 31 December 2024, 11 banks licensed by the National Bank of Moldova were operating in the Republic of Moldova.

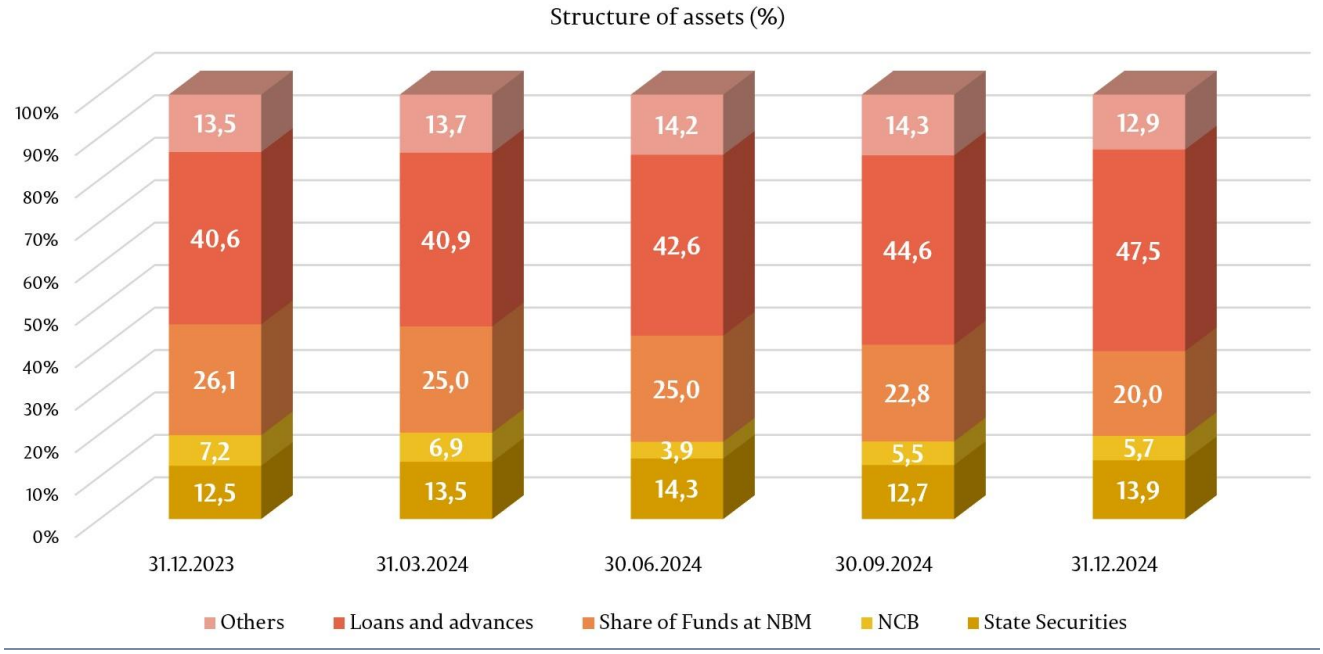
Financial situation of the banking sector and compliance with prudential regulations

As of 31 December 2024, the situation in the banking sector, as reflected in the reports submitted by banks, showed the following trends:

Assets and Liabilities

Total assets amounted to MDL 170 175,0 million, increasing by 10,6% (MDL 16 320,4 million) compared to the end of the previous year.

In the assets structure, the largest share was held by the balance sheet item "Loans and advances at amortized cost" accounting for 47,5% (MDL 80 823,9 million), up by 6,9 percentage points (p.p.) compared to the end of the previous year. The share of funds placed with the NBM amounted to 20,0% (MDL 33 991,8 million), decreasing by 6,1 percentage points, and the share of banks' investments in government securities and National Bank certificates represented 19,6% (MDL 33 352,4 million), decreasing by 0,2 p.p. The remaining assets, which accounted for 12,9% (MDL 22 006,9 million), are held by banks in other banks, cash, tangible fixed assets, intangible assets, etc. Their share decreased by 0,6 p.p. compared to the end of 2023.



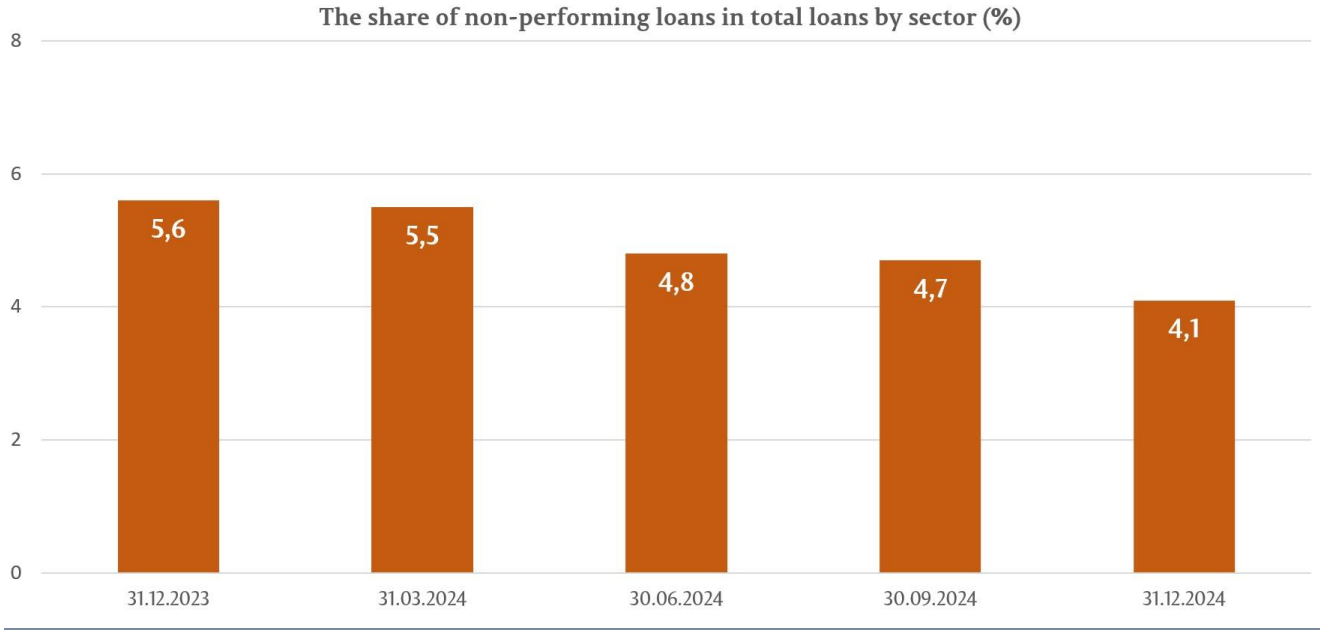
[1]

The gross (prudential) balance of loans amounted to 47,5% of total assets or MDL 80 824,6 million, increasing during the period under review by 26,5% (MDL 16 929,1 million).

The highest increase was recorded in loans granted to the purchase/construction of real estate - by MDL 5 324,8 million (40,1%) up to MDL 18 607,0 million; in consumer loans - by MDL 3 561,0 million (31,8%) to MDL 14 760,9 million; loans granted to trade - by MDL 2 595,6 million (18,2%) to MDL 16 834,3 million; loans granted to energy industry - by MDL 936,3 million (125,0%) to MDL 1 685,4 mil. MDL; loans to the construction sector by MDL 867,6 million (73,1%) up to MDL 2 054,1 million; loans granted to the non-banking financial sector - by MDL 729,6 million (26,5%) up to MDL 3 487,2 million; loans granted to the services sector - by MDL 688,5 million (31,8%) up to MDL 2 856,8 million; loans granted to agriculture - by MDL 557,5 million (12,3%) up to MDL 5 079,3 million.

At the same time, the largest decrease during 2024 was recorded in other loans - by MDL 45,2 million (2,0%) to MDL 2 245,0 million.

During the reference period, the share of non-performing loans (substandard, doubtful and compromised) in total loans decreased by 1,4 p.p. accounting for 4,1% as of 31 December 2024, with the indicator ranging from 2,6% to 10,8%, depending on the bank.



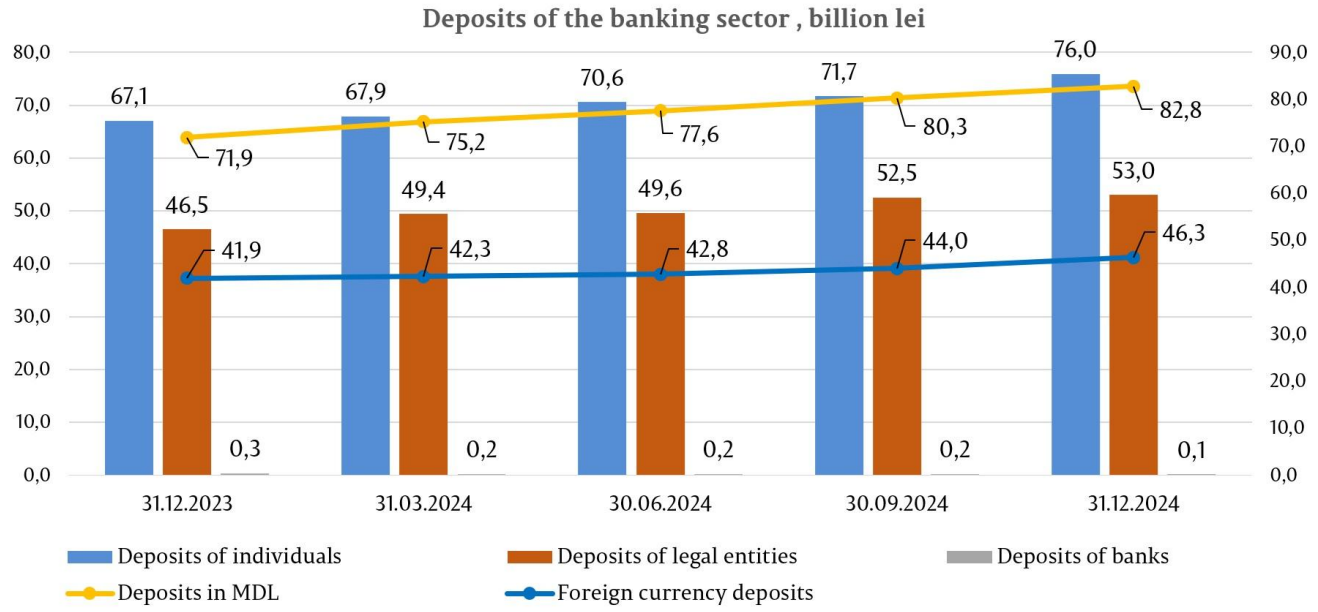
[2]

At the same time, non-performing loans in absolute value decreased by 5,5% (MDL 193,3 million) to MDL 3 353,8 million.

During the analysed period, overdue loans decreased by 24,1% (MDL 492,0 million), reaching MDL 1 546,9 million. The share of overdue loans in total loans amounted to 1,9%, decreasing by 1,3 p.p. compared to 31 December 2023, ranging from 0,0% to 5,2%, depending on the bank.

At the same time, during the reference period, the total balance of deposits increased by MDL 15 245,0 million or by 13,4%, amounting to MDL 129 091,7 million (deposits of individuals accounted for 58,8% of total deposits, deposits of legal entities – 41,1% and banks deposits – 0,1%), as a result of the increase in the balance of deposits of individuals by MDL 8 886,2 million (13,2%) to MDL 75 958,4 million and deposits of legal entities by MDL 6 504,6 million (14,0%) to MDL 53 012,0 million.

Of the total deposits, 64,1% were deposits in MDL, the balance increased by MDL 10 870,2 million (15,1%) compared to the end of the previous year and amounted to MDL 82 767,8 million as of 31 December 2024. Deposits in foreign currency accounted for 35,9% of total deposits, their balance increased during the reporting period by MDL 4 374,8 million (10,4%), amounting to MDL 46 323,9 million.



[3]

Revenues and Profitability

As of 31 December 2024, the profit in the banking sector amounted to MDL 3 973,6 million, decreasing by MDL 116,5 million (2,8%) compared to the same period of the previous year.

The decrease in profit was driven by a decline in interest income by MDL 2 551,4 million (22,3%). At the same time, income from exchange rate differences increased by MDL 342,1 million (18,0%) and income from fees and commissions by MDL 316,0 million (9,6%). Concurrently, interest expenses decreased by MDL 1 964,3 million (43,6%), while non-interest expenses (expenses related to fees and commissions, administrative expenses, provisions, impairment of financial and non-financial assets, etc.) increased by MDL 474,5 million (5,8%).

Total revenues amounted to MDL 15 197,1 million, decreasing by MDL 1 606,3 million (9,6%) compared to the same period of the previous year, of which interest income amounted to 58,6% (MDL 8 911,8 million) and non-interest income – 41,4% (MDL 6 285,3 million).

At the same time, total expenses amounted to MDL 11 223,5 million, decreasing by MDL 1 489,8 million (11,7%) compared to the same period of the previous year, of which interest expenses amounted to 22,7% (MDL 2 544,7 million) and non-interest expenses – 77,3% (MDL 8 678,8 million).

As of 31 December 2024, the return on assets was 2,4%, down by 0,4 p.p. compared to the end of the previous year, and the return on capital was 14,7%, down by 1,4 p.p. compared to the previous year-end.

Compliance with Prudential Requirements

During 2024, banks continued to maintain liquidity ratios at a high level, above the regulated limits.

Thus, the value of the long-term liquidity indicator (liquidity principle I) amounted to 0,76 (limit ≤1), ranging from 0,19 to 0,86, depending on the bank, and increasing by 0,07 compared to the end of 2023.

Liquidity Principle III, which represents the ratio of adjusted actual liquidity to required liquidity in each maturity band, and which must not be less than 1 in each maturity band, was also respected by all banks, ranging from 1,44 in the maturity band up to and including one month to 74,75 in the maturity band between

one month and three months inclusive.

The liquidity coverage ratio by sector amounted to 274,2% (limit ≥ 100%), ranging from 157,5% to 1 671,4%, decreasing by 7,9 p.p. compared to end-2023.

According to the reports submitted by banks as of 31 December 2024, the total own funds ratio in the banking sector amounted to 26,3%, down by 3,6 percentage points compared to the end of the previous year, ranging between 20,6% and 110,5%. All banks complied with the "Total own funds ratio" indicator (≥10%).

All banks also complied with the "Total own funds ratio" indicator requirement, considering capital buffers.

As of 31 December 2024, total own funds amounted to MDL 22 433,5 million, an increase of 7,3% (MDL 1 531,8 million). The increase in own funds was due to the reflection by some banks of eligible profits after holding general meetings of shareholders and after obtaining the NBM's approval to include the obtained profits in own funds.

As of 31 December 2024, banks complied with the prudential indicators on large exposures and exposures to affiliated persons, except for one bank, which exceeded the limit of 30% of the aggregate amount of credit exposures to customers or a group of connected clients, which by size constitute the top ten credit exposures in the total loan portfolio, representing 51,3%. In accordance with Chapter IV, point 26 of the Regulation on Large Exposures No. 109 of April 5, 2019, exceeding the limit of the above-mentioned indicator shall not be considered a breach if the bank maintains an additional own funds requirement on that excess and complies with this requirement.

Also, all banks complied with the banking market dominance limit, being below the 35% threshold for this indicator in terms of assets size and deposits of individuals, except for one bank. This bank exceeded the 35% limit for banking market dominance in deposits of individuals, constituting 35,8%, while the dominance in the banking market in terms of total assets stood at 35,0%, being at the established limit.

Development of the National Legislative Framework and its harmonisation with EU legislation

During 2024, the National Bank of Moldova (NBM) continued the activities related to the development and updating of secondary normative acts for the implementation of Law No. 202/2017 on banks' activity and the promotion of Basel III requirements.

In this context, by the Decision of the Executive Board of the NBM No. 03/2024, amendments were made to the Regulation No. 292/2018 on requirements regarding the members of the governing body of the bank, financial holding company or mixed holding company, the heads of the branch of a bank from another state, persons holding key positions and for the liquidator of the bank under liquidation, including differentiated requirements on the quality of persons who are appointed as the head of the bank's executive body.

Also, amendments were made to the Chart of Accounts of accounting records in the banks of the Republic of Moldova, which aimed to update and improve accounting within banks, including in the context of the implementation of instant payments in the field of financial technologies. Additionally, the amendments made to the Chart of Accounts concerned adjustments based on changes in the normative acts and requests

received from banks.

Furthermore, amendments were made to Regulation No. 41/1997 on the bank's open foreign exchange position, namely by adding new accounts to Annex No. 2 "The procedure of compiling the report "Bank's open foreign exchange position" related to the position that includes the equivalent in MDL of the balances of current accounts in foreign currency of resident legal entities, resident individuals performing entrepreneurial or other types of activities and resident individuals.

By Decision No. 177 of 27.06.2024 of the Executive Board, amendments were made to the Instruction on the submission by banks of COREP reports for supervisory purposes, approved by Decision No. 117/2018 of the Executive Board of the National Bank of Moldova.

This instruction (COREP) has been supplemented with provisions related to a new liquidity supervision tool (liquidity by maturity bands), which will allow the NBM to monitor banks' liquidity more effectively. The C 66.01 Maturity bands form is a report on the basis of which banks will provide information on future contractual cash flows generated by all on-balance-sheet and off-balance-sheet items, such as the stock of unencumbered assets or other sources of funding legally and practically available to the bank, contingent outflows and memorandum items allocated to maturity bands. The information provided by the bank will serve as a basis for the NBM’s additional liquidity monitoring in order to ensure, if necessary, through the tools available to the supervisor, the maintenance of an adequate level of liquid assets.

Correspondingly, the report serves as a tool for the NBM to monitor the gaps between the bank's contractual liquidity inflows and outflows for defined time intervals. The maturity bands monitoring tool covers contractual cash flows and contingent outflows.

At the same time, it should be noted that the C 66.00 Maturity bands report, in accordance with European best practices, is used to assess a bank's liquidity in the event of emergency liquidity assistance.

Also, for decision-making transparency, the draft Decision of the NBM Executive Board "On the approval of the Regulation on the organization of accounting in banks and on the repeal of certain normative acts of the National Bank of Moldova" was published (approval in a new wording and repeal of the Regulation on the organization of accounting, as well as the repeal of the Regulation on requirements for internal accounting documents).

The drafting of the project is driven by the need to update and improve the regulatory framework for the organization of accounting in accordance with International Financial Reporting Standards and normative acts, given that some provisions no longer meet regulatory requirements. At the same time, taking into account the volume of amendments, it was deemed appropriate to repeal Decision No. 238/2002 of the Council of Administration of the National Bank of Moldova on the approval of the Regulation on the organization of accounting in banks in the Republic of Moldova and, accordingly, to approve the new wording of the Regulation on the organization of accounting.

By Decision No. 290 of the Executive Board of the NBM of 14 November 2024, amendments were made to the Regulation on the classification of assets and contingent liabilities, approved by Decision No. 231/2011 of the Council of Administration of the National Bank of Moldova, which were aimed at aligning the Regulation with the terminology and requirements laid down in the current regulatory framework and amending certain provisions of the Regulation based on supervisory practice and proposals of the banking community. Specifically, the changes relate to the amendment of the list of assets and contingent liabilities falling under the scope of the Regulation, reclassification of assets/contingent liabilities according to newly

established criteria, as well as increasing the level of the loan amount for their classification.

Also, by Decision No. 329 of 19 December 2024 of the NBM Executive Board on the approval, amendment, and repeal of certain normative acts of the National Bank of Moldova (on the liquidity coverage and stable funding requirements):

1. The Regulation on Liquidity Coverage Requirements for Banks, approved by the Decision No. 44/2020 of NBM Executive Board, has been repealed (as of 1 July 2025).
2. The Regulation on Liquidity in a new wording has been approved, which enters into force on 1 July 2025 and by which:
   - the provisions related to the Liquidity Coverage Requirement (LCR) are adjusted following the amendments introduced in Delegated Regulation (EU) No. 2015/61;
   - the regulatory framework for the net stable funding requirement (NSFR) is established in accordance with the provisions of EU Regulation No. 575/2013;
   - it establishes that banks will report in the reporting currency (MDL) to the NBM, in addition to the currently reported monthly indicator - LCR, and the NSFR indicator reported quarterly;
   - the requirement for banks to report liquidity by maturity bands to the NBM is introduced;
   - a deadline of 60 working days is set for the NBM to complete the procedure for deciding on applications for prior approval, derogation, approval, authorization and the imposition of stricter conditions.
3. The Regulation on Disclosure Requirements for Banks has been amended. Starting from 1 July 2025, banks shall display on bulletin boards in their offices, on a monthly basis, the information on the liquidity coverage ratio (LCR) and the net stable funding ratio (NSFR), as well as the components of these ratios.
4. Regulation No. 28/1997 on Bank Liquidity has been repealed as of 01 July 2026. For a transitional period of one year, in addition to the NSFR indicator, banks will report in parallel the currently applicable indicators: long-term liquidity (Principle I) and liquidity by maturity bands (Principle III), which will ensure continuity and effective monitoring of banks' liquidity.

By Decision No. 330 of December 19, 2024, of the NBM Executive Board "On the amendment of certain normative acts of the National Bank of Moldova (on the reporting of the liquidity coverage requirement and stable funding requirement)":

1. The new reporting format for the liquidity coverage requirement (LCR) has been approved, which has been adjusted in line with Implementing Regulation (EU) 2021/451 and aligned with the provisions of the Liquidity Regulation. LCR reporting on an individual basis will be conducted on a monthly basis, as it is currently. Additionally, consolidated LCR reporting will be introduced on an annual basis.
2. The format and frequency of reporting on stable funding (NSFR) has been approved. NSFR reporting will be carried out quarterly on an individual basis and annually on a consolidated basis.
3. Editorial changes have been introduced related to the reporting of additional liquidity monitoring indicators (maturity bands).
4. It has been established that, as of 13 July 2026, the reporting of Principle I and Principle III will be repealed in accordance with the provisions of Instruction No. 279/2011 on the preparation and submission of reports by banks for prudential purposes. Thus, within one year, the currently applicable liquidity ratios will be reported in parallel with the NSFR.

See also

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