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Annual Report 2018

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Throughout 2018, the National Bank of Moldova (NBM) continued its reforms in the financial and banking sector, focusing on shareholders' transparency, supervision and regulation of financial institutions.

Transparency efforts of shareholders have resulted in attracting strategic investors in the sector. Thus, as of 31 December 2018, Banca Transilvania (the second largest commercial bank in Romania by assets) together with the European Bank for Reconstruction and Development (EBRD) held over 72% of the capital of B.C. "VICTORIABANK" S.A.; Intesa Sanpaolo, Italy, became the sole shareholder of B.C. "EXIMBANK" S.A.; and an international consortium of investors formed by the European Bank for Reconstruction and Development (EBRD), Invalda INVL and Horizon Capital became holders of 41.09%

of B.C. "MOLDOVA-AGROINDBANK" S.A. The new shareholders have contributed to the flow of Foreign Direct Investments and aim to transfer new technologies and know-how in the financial and banking sector of the Republic of Moldova. At the same time, conditions were created for the attraction of European investors and BC "Moldindconbank" S.A., which materialized at the beginning of 2019. We can see that the banking sector in the Republic of Moldova has had an essential change compared to the situation before the crisis.

The efforts of the NBM have enjoyed political support from the Parliament and the Government and have resulted in a substantial reform of the banking regulatory framework, ensuring the independence of the central bank, expanding the diversity of instruments by which the NBM can interfere, setting regulatory and supervisory standards in the sector according to EU directives and Basel III. Banks' own consolidation trend continued in 2018, with the Moldovan banking sector becoming one of the most capitalized sectors in the region.

The Republic of Moldova, during 2018, marked a robust economic expansion. Thus, gross domestic product (GDP) registered a 4.0% increase, largely determined by the increase in investment activity. Inflation stayed low during the year and amounted to an average of 3.0%, being by 3.6 percentage points lower than in 2017. The low level of inflation was mainly determined by the disinflationary impact of prices for network gas, electricity tariffs, the appreciation of the domestic currency, as well as the prices of agro-food products. We are confident that the positive dynamics of economic growth will continue in 2019, and the inflation rate will return to the target level in the medium term.

The NBM assumed the leading role in promoting reforms in the financial system and will continue to encourage innovation and sector development. The establishment of the single Central Securities Depository (CSD) by the NBM, assisted by the United States Agency for International Development (USAID) and other development partners, is the redefinition of a key component in the financial system infrastructure of the Republic of Moldova, as well a new stage in the process of securities settlement and trading in dematerialized form. On 31 July 2018 the CSD launched the settlement activity and recorded the first transactions for financial instruments: State Securities and National Bank Certificates. From Depository launching until 31 December 2018, the CSD generated transactions with a settled value of about MDL 187 billion.

Looking at the tasks ahead, the NBM is determined to promote the reforms aimed at strengthening and developing the banking sector. At the same time, the NBM will promote a prudent monetary policy in order to maintain inflation within the deviation corridor and to ensure the optimal conditions for achieving the country's economic potential.

Octavian Armașu
Governor

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