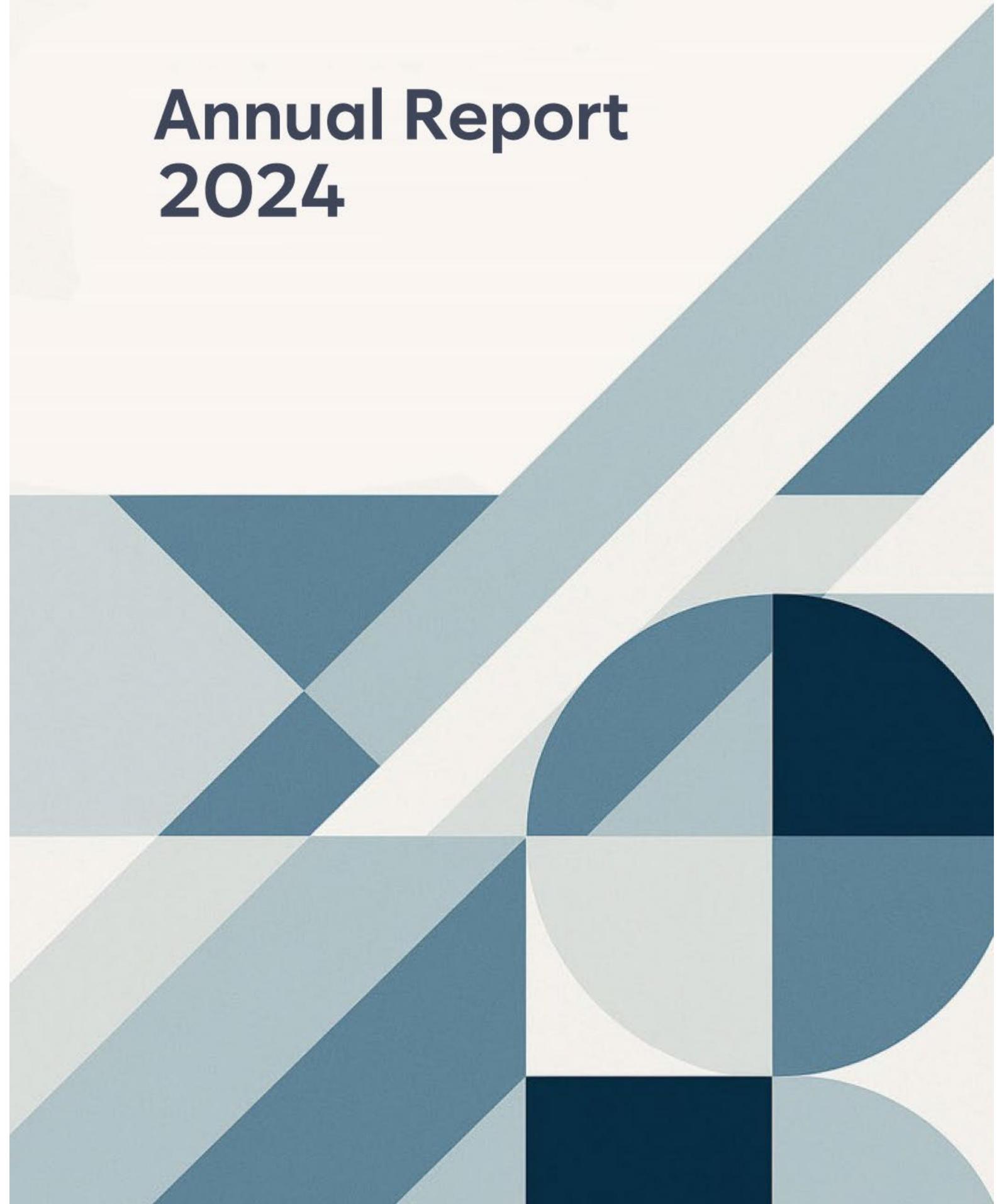




National Bank of Moldova

Annual Report 2024



Notes

The National Bank of Moldova is an autonomous public legal entity, which operates in accordance with the Law No. 548/1995 on the National Bank of Moldova (republished in the Monitorul Oficial of the Republic of Moldova, 2015, No. 297-300, art. 544, with subsequent amendments).

*According to art. 69 par. (1) of the Law No. 548/1995, the National Bank of Moldova shall submit to the Parliament of the Republic of Moldova by July 1 the **Annual Report** containing information on the financial statements confirmed by the external auditor, the activity and operations of the NBM for the financial year ended and the economic situation of the State. At the same time, a copy of the Annual Report shall be submitted to the President of the Republic of Moldova for information, as provided for in art. 69 par. (1¹).*

For the elaboration of Annual Report 2024, statistical data from the National Bureau of Statistics, Ministry of Economic Development and Digitalization, Ministry of Finance, Eurostat, International Monetary Fund, National Agency for Energy Regulation, State Hydrometeorological Service were used. Statistical information provided by international organizations, national statistical offices and central banks was also analysed.

The calculation of some statistical data, as well as the economic interpretation were elaborated and carried out by the National Bank of Moldova. Some statistical data are preliminary and are to be revised during the current year in accordance with the associated calculation methodologies.

The Annual Report 2024 was examined and approved by the Supervisory Board of the National Bank of Moldova at its meeting of June 26, 2025.

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*The Annual Report 2024 is a translation of Raport anual 2024 in Romanian. In case of discrepancies, the version of **the Report** in the original language prevails.*

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²Full analytical comments on the development of international accounts can be found at: <https://www.bnm.md/en/content/international-accounts-republic-moldova-quarter-iv-2024-preliminary-data>

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List of abbreviations

ADPS	Automated Domestic Payments System
AIS	Automated Information System
AML/CFT	Anti-Money Laundering and Countering the Financing of Terrorism
API	Application Programming Interface
ARS	Account Registration System
BSTDB	Black Sea Trade and Development Bank
CASCO	Casualty and collision insurance
CBOE	Chicago Board Options Exchange
CEF	Center of Excellence in Finance
CHIBID	Average interest rate at which the contributing banks are available to borrow in the interbank money market financial means in MDL from other banks
CHIBOR	Average interest rate at which the contributing banks are available to lend in the interbank money market financial means in MDL to other banks
CIS	Commonwealth of Independent States
CoB	Council of Bureaux
COR	Combined operating ratio
CPI	Consumer Prices Index
CS	Corporate securities
CSD	Single Central Securities Depository
DEB	Decision of the Executive Board
DNS	Designated-time Net Settlement System
EACHA	European Automated Clearing House Association
EBRD	European Bank for Reconstruction and Development
EB	Executive Board
ECB	European Central Bank
ECF	Extended Credit Facility
EEA	European Economic Area
EFF	Extended Fund Facility
EIB	European Investment Bank
EIOPA	European Insurance and Occupational Pensions Authority
ETA	External technical assistance

EU	European Union
EUR	Euro
FAO	Food and Agriculture Organization of the United Nations
FATF	Financial Action Task Force
FATF-GAFI	Financial Action Task Force-Groupe d'action financière
FCC	Freely convertible currency
FPSV	Fund for the Protection of Street Victims
FRS	Federal Reserve System
FSAP	Financial Sector Assessment Program
FSSR	Financial Sector Stability Review
FSTA	Moldova Financial Sector Transparency Activity program
GB	Government bond
GDP	Gross Domestic Product
GVA	Gross Value Added
GWP	Gross underwritten premiums
HHI	The Herfindahl-Hirschman Index
IAD	Internal Audit Department
IBRD	International Bank for Reconstruction and Development
ICAAP	Internal Capital Adequacy and Assessment Process
ICT	Information and communication technology
IFC	International Finance Corporation
IFRS	International Financial Reporting Standards
IIA	Institute of Internal Auditors
ILAAP	Internal Liquidity Adequacy Assessment Process
IMF	International Monetary Fund
IORWG	International Operational Risk Working Group
JVI	Joint Vienna Institute
LCR	Liquidity Coverage Ratio
LB	Local budgets
MDL	Moldovan leu
MHIF	Mandatory Health Insurance Fund
MIA	Instant Payments system MIA
MISRA	Moldova Institutional and Structural Reforms Activity
ML/TF	Money Laundering/Terrorist Financing
MTPL	Motor Third Party Liability
NBC	Certificates of the National Bank of Moldova
NBM	National Bank of Moldova

NBMI	National Bureau of Motor Insurers
NBR	National Bank of Romania
NBS	National Bureau of Statistics of the Republic of Moldova
NBU	National Bank of Ukraine
NCC	Non-convertible currency
NCFM	National Commission for Financial Markets
NLO	Non-bank lending organization
NSFR	Net Stable Funding Ratio
OPEC+	The alliance between the Organization of the Petroleum Exporting Countries (OPEC) and a group of non-OPEC oil-producing countries.
ORA	Official Reserve Assets
P2P	Person-to-person transactions
PEP	Politically exposed persons
PSD2	Payment Services Directive 2
RAPI	Remote access payment instrument
RBNS	Reported But Not Settled Reserves
REER	Real effective exchange rate of the national currency
RM	Republic of Moldova
ROA	Return on assets
ROE	Return on equity
RSF	Resilience and Sustainability Facility
RTGS	Real-Time Gross Settlement System
RTP	Request To Pay
SAS AML	Statistical Analysis System Anti-Money Laundering
SB	State Bonds
SDR	Special Drawing Rights (XDR)
SEPA	Single Euro Payments Area
SLA	Savings and Loan Association
SOFR	Secured Overnight Financing Rate
SREP	Supervisory Review and Evaluation Process
SS	State Securities
SSIB	State social insurance budget
TAIEX	Technical Assistance and Information Exchange instrument
UPR	Unearned Premium Reserve
USA	The United State of America
USAID	United States Agency for International Development
USD	US dollar
USDXX	US dollar index

Foreword by the Governor of the National Bank of Moldova



The year 2024 provided valuable evidence of the adaptability of the Moldovan economy. Despite an international context marked by geopolitical challenges and energy uncertainties, our country has demonstrated a remarkable ability to withstand challenges and build solid foundations for its European future.

The monetary policy pursued by the National Bank of Moldova in 2024 decisively contributed to maintaining economic stability and creating the premises for long-term sustainable development. The favorable mix of monetary and economic policies supported economic stability and fostering private sector investment.

For the National Bank of Moldova, 2024 was the year when strategic vision harmoniously blended with concrete action. It was a period of strategic transformations aimed at laying the foundation for a robust framework of sustainable economic development. The NBM actively contributed to accelerating the European integration of the Republic of Moldova.

At the beginning of my mandate, I committed to improving the indicators in the four main areas of the institution: price stability, credit growth, contribution to the European integration process, and strengthening the independence and reputation of the National Bank of Moldova. Today, with both satisfaction and responsibility, I can state that these commitments have been fulfilled.

Inflation was brought under control at 4.7%, lending in the national currency increased by 43.6% in volume, and the share of lending in GDP rose from 24% to 27%. Admission to SEPA marked a historic step towards Europe, while at the same time strengthening the image of the NBM in the European Union and in its relations with international partners. The institutional independence of the NBM has been reinforced through professional and transparent decisions, earning the respect and trust of the European financial community.

Today, the Western world looks at Moldova with great confidence. In 2024, Chişinău became the stage for global financial dialogues, bringing together more than 100 representatives of ministries of finance and central banks from 16 countries, which are part of the Constituency of the International Monetary Fund and the World Bank.

These results represent the foundation on which we are building confidence in the economic future of the Republic of Moldova – a country that possesses all the attributes to establish itself as a strong economy within the European Union.

The conduct of monetary policy throughout 2024 was marked by a prudent approach, shaped by pronounced risks and uncertainties generated by events associated with the military conflict in Ukraine and by energy tariff challenges. The measures adopted by the Executive Board of the NBM were timely from multiple perspectives, ensuring an optimal balance between supporting economic activity and anchoring inflation expectations. The confirmed effectiveness of the accommodative stance in 2024 motivates us to continue this strategic approach in the future.

The gradual reduction of the monetary policy rate from 4.75% in December 2023 to 3.60% annually in December 2024 created the necessary monetary conditions to stimulate lending and support domestic aggregate demand.

The average annual inflation rate in 2024 amounted to 4.7%, which was 8.7 percentage points lower than in the previous year. Throughout the year, the consumer price index was placed within the variation range of ± 1.5 percentage points from the target of 5.0%, with the exception of minor deviations in May and December. The recorded dynamics confirm the NBM's capacity to ensure medium-term price stability.

In the global economic context marked by moderate growth of 3.3% and the persistence of instability factors generated by the energy crisis and geopolitical tensions in the Middle East, the economy of the Republic of Moldova managed to maintain a positive trend. Although economic activity registered an increase of 0.1% compared to 2023, this performance reflects the resilience of the national economy in the face of external challenges and the impact of drought on the agricultural sector.

The stimulative monetary policy measures produced visible results in the financial sector. The volume of new loans granted in the national currency by licensed banks increased by 43.6% compared to the previous year, demonstrating access to financing with stimulative potential for economic activity, as well as for infrastructure development and the private sector.

The Moldovan financial system continues to strengthen. Total assets in the banking sector reached MDL 170,175.0 million, increasing by 10.6% compared to the end of 2023. This sustained growth confirms confidence in the stability of the banking system and its ability to support economic development. The insurance sector continued its consolidation trend, with assets increasing by 10.7% to MDL 5,509.3 million, while the non-bank lending sector strengthened its position with a 15.3% increase in assets, reaching MDL 18,802.2 million.

The year 2024 marked historic progress in European integration and modernization of financial infrastructure. Through the sustained efforts of the NBM, in collaboration with national and international institutions, the Republic of Moldova was accepted into the Single Euro Payments Area (SEPA) in March 2025, based on the application submitted in 2024. Thus, the Republic of Moldova marked a significant step forward in the economic and financial sphere. This achievement strengthens our country's position on the European financial market and facilitates access to modern and affordable banking services for both citizens and companies.

Digitalization brings successful projects to the financial and banking system. Thus, the implementation of the MIA Instant Payments system has revolutionized the national financial infrastructure, providing both individuals and businesses with efficient and affordable payment methods. The MIA system for businesses can be integrated by all entrepreneurs in the country, offering alternative methods of electronic payment acceptance through QR codes at points of sale, payment button integration in online stores, and payments via link for remote deliveries. These technological innovations strengthen the competitiveness of the Moldovan economy and facilitate the digitalization of the financial sector.

Financial education of the population, ensuring cybersecurity, and guaranteeing a unified evolution in this digital transition represent responsibilities with medium- and long-term impact.

Adapting to new technologies and maintaining public trust in the digital financial system constitute an ambitious objective that we manage with caution. Cybersecurity challenges and the need for adequate regulation of financial innovations remain constant priorities on the NBM's agenda. In this context, the rapid evolution of artificial intelligence technologies in the financial sector represents a reality that requires a proactive approach to ensure both innovation and system stability.

Throughout 2024, the NBM continued the implementation of reforms, including aligning the regulatory framework with European standards and strengthening the banking infrastructure for faster and more secure transactions. In the insurance sector, the necessary supervisory measures were undertaken to ensure compliance with legal requirements and to protect the rights of policyholders and beneficiaries. Thus, the outlook for the near future remains optimistic.

The independence and integrity of the Bank, the contribution to Moldova's European path, the maintenance of price stability, and the support of financial intermediation to boost economic activity constitute our strategic objectives. The process of convergence and the sustainable growth of Moldova's economy continue to be the fundamental priorities of the policies promoted by the NBM.

Moldova is part of the European family and must become a member of the European Union. Membership in this community is a guarantee of peace, security, democracy, and prosperity – the four fundamental pillars of a safe and stable future that we are building together with society as a whole. The results achieved in 2024 confirm the Republic of Moldova's ability to meet European standards and to fully integrate into the European economic area.

After a year of joint efforts, transformations, and achievements, I would like to emphasize that these successes belong not only to institutions, but to society as a whole. Every citizen who placed trust in the national currency, every entrepreneur who invested, and every financial institution that responded positively to reforms – all are contributing to the creation of a safer, more prosperous, and more stable future.

Anca-Dana Dragu
Governor

THE YEAR 2024 IN FIGURES



The average annual inflation rate in 2024 amounted to 4.7%, which was 8.7 percentage points lower than in 2023. Throughout 2024, the consumer price index was placed within the variation range of ± 1.5 percentage points from the target of 5.0%, with the exception of May and December 2024.



The economic activity evolved under the impact of both domestic and external demand, as well as drought conditions, recording a slight increase of 0.1% compared to 2023.



The volume of new loans granted in the national currency by licensed banks recorded an increase of 43.6% compared to 2023, driven by the stimulative monetary policy measures.



The volume of new term deposits attracted in the national currency recorded an annual decrease of 4.4%, as a result of interest rate cuts.



The official reserve assets amounted to USD 5,483.6 million, covering 6.3 months of actual imports.



As of December 31, 2024, there were **11 banks licensed** by the National Bank of Moldova operating in the Republic of Moldova, including **5 branches** of foreign banks and financial groups.



Total assets in the banking sector amounted to MDL 170,175.0 million, increasing by 10.6% compared to the end of 2023.



As of December 31, 2024, there were **9 insurance undertakings, 48 insurance or reinsurance brokers, 52 insurance agents, 33 bancassurance agents, 206 savings and loan associations, and 135 non-bank lending organizations** operating in the Republic of Moldova.



In 2024, the insurance sector continued the trend of asset consolidation, with total assets amounting to MDL 5,509.3 million, increasing by 10.7% compared to the end of 2023.



In 2024, the non-bank lending sector strengthened its position, with 15.3% increase in assets up to the level of MDL 18,802.2 million.

Summary

International context

In 2024, the global economy grew on average by 3.3%³, which represents a lower increase compared to 2023. To a large extent, the global economy continued to be affected by previously generated factors, such as the energy crisis in Europe, the military conflict in Ukraine, and the geopolitical tensions in the Middle East that intensified during the reporting year. The slowdown in the annual inflation rate prompted FRS and ECB to reduce interest rates. At the same time, in 2024, many economies recorded the fading of disinflationary factors and the beginning of consumer price increases in certain segments, as well as the tightening of monetary policies, particularly in emerging economies. International quotations began to rise gradually, stimulated by consumer demand, but it should be noted that they showed lower volatility compared to previous years. OPEC+ continued its plan to limit oil production, which contributed to keeping oil prices at high levels. Among the major events with an impact on the global economy in 2024, one can mention the presidential elections in the USA, political changes in Europe, and significant fiscal and monetary stimulus measures in China.

Developments of economic activity in the Republic of Moldova

In 2024, economic activity in the Republic of Moldova recorded only a minor increase. GDP grew by just 0.1% compared to the 2023. In the first half of the year, the annual GDP rate remained in positive territory, registering values of 2.0% and 2.5% in first quarter and second quarter of 2024, respectively. Subsequently, in third quarter and fourth quarter of 2024, the annual GDP rate entered negative territory, recording -1.9% and -1.3%, respectively. The contraction of GDP in the second half of the year and, as a result, the insignificant GDP growth in 2024 were mainly driven by the effects of drought on the agricultural sector, which led to a decline in agri-food exports and created conditions for an increase in imports. Domestic demand, both from households in the context of real income growth and from businesses, mitigated this effect. At the same time, some positive developments are worth mentioning in the information and communication, financial and insurance, construction, accommodation, and food service sectors.

³INTERNATIONAL MONETARY FUND. *World Economic Outlook: A Critical Juncture amid Policy Shifts*. April 2025. Washington, D.C.: IMF, 2025. ISSN 1564-5212. Available: <https://www.imf.org/en/Publications/WEO/Issues/2025/04/22/world-economic-outlook-april-2025>

From the perspective of expenditure, household consumption increased by 2.4% compared to 2023. At the same time, in 2024, final consumption by public administration decreased by 3.6%. Gross capital formation generated a positive contribution of 3.3 percentage points to GDP dynamics. Within it, gross fixed capital formation increased by 8.0% compared to 2023. Exports, in real terms, contracted by 5.0% due to the drought's impact on the 2024 harvest, thus generating a negative contribution of 1.8 percentage points. In 2024, imports increased by 5.2%, contributing -3.1 percentage points to GDP dynamics.

Inflation developments

In 2024, the average annual CPI rate stood at 4.7%, which was 8.7 percentage points lower than in 2023. In the first half of 2024, the annual inflation rate followed a downward trajectory. Thus, it declined from 4.6% in January 2024 to 3.3% in May 2024, thereby falling below the lower bound of the ± 1.5 percentage point variation band around the 5.0% target stipulated in the Medium-term monetary policy strategy. The downward trajectory of the annual inflation rate in the first part of 2024 was supported by moderate domestic demand, which exerted disinflationary pressures on prices. Further disinflationary pressures were generated by developments in international food prices, as well as domestic agricultural and industrial output prices, and by the reduction of certain tariffs.

Subsequently, starting in June 2024, the annual inflation rate returned within the inflation target band, reaching 3.8%, and outlined an upward trend until December 2024, when it reached 7.0%, thus exceeding the upper limit of the aforementioned band. The upward trajectory of the annual inflation rate in the second half of 2024 was supported by certain adverse sectoral developments, including the drought conditions of the previous summer and the adjustment of mains gas tariffs. According to estimates, aggregate demand continued to exert a disinflationary impact on prices during that period.

At the same time, producer prices for agricultural products and prices in construction increased, while industrial output prices decreased compared to 2023.

Promoting monetary policy

The conduct of monetary policy throughout 2024 was influenced by disinflationary risks and particularly pronounced uncertainties related to events associated with the military conflict in Ukraine, energy and other commodity prices, tariff adjustments, refugee flows, and weather conditions. The monetary policy measures were timely from multiple perspectives. They were based on moderate negative aggregate demand, negative fiscal impulse, and, at the same time, the negative impact of external demand. The monetary policy promoted by the NBM created monetary conditions aimed at further stimulating lending and supporting domestic aggregate

demand by encouraging consumption and investment, balancing the national economy, and anchoring inflation expectations, with the objective of maintaining medium-term inflation within the ± 1.5 percentage point variation band around the 5.0% target.

During the year, the NBM Executive Board gradually reduced the base rate from 4.75% in December 2023 to 3.60% annually in December 2024, seeking to ensure the continuity of stimulative measures in the context of the monetary easing cycle that began at the end of 2022, against well-founded premises associated with the emergence of a disinflationary macroeconomic framework. At the same time, the required reserve ratio for funds attracted in Moldovan lei was reduced during 2024 from 33.0% to 25.0%. This decision led to an additional injection of liquidity into the money market, contributing to the expansion of lending resources for both the real and public sectors.

The annual growth rate of broad money supply in 2024 was 13.7%. Monetary aggregate M2 increased by 14.7% year-on-year, while cash in circulation rose by 14.6% year-on-year. The average interest rate on new loans granted in the national currency stood at 8.82% annually, while the average rate on new deposits attracted amounted to 3.38% annually.

Banking sector

As of December 31, 2024, 11 banks licensed by the National Bank of Moldova (NBM) were operating in the Republic of Moldova, including 5 branches of foreign banks and financial groups.

During 2024, according to the data reported by banks, the banking sector was characterized by high liquidity, growth in assets, loans, own funds, deposits of individuals, and deposits of legal entities.

Non-performing loans in absolute value and overdue loans recorded a decrease. Accordingly, the quality indicators of the loan portfolio improved compared to the end of the previous year.

Banks' revenues remained stable, serving as the main source for capital consolidation. At the same time, profit for the financial year decreased compared to the end of the previous year, mainly due to a decline in interest income, accompanied by an increase in non-interest income. Interest income decreased primarily because of lower earnings from investments in debt securities (SS, NBC) and from funds placed with the NBM (required reserves).

In 2024, the banking sector continued the trend of increasing own funds, which amounted to MDL 22.4 billion, up by 7.3%.

At the same time, all banks complied with the requirements regarding the indicators "Total own funds ratio" and "Total own funds ratio taking into account capital amortization". The "Total own funds ratio" for the banking sector, according to the data submitted by licensed banks, stood at 26.3%, decreasing by 3.6 percentage points compared to the end of the previous year.

At the same time, banks maintained a high level of liquidity. Liquidity indicators show the existence of adequate funding sources to cover liquidity needs both in the short-term and in the long-term.

Thus, the value of the long-term liquidity indicator (liquidity principle I) amounted to 0.76 (limit ≤ 1), increasing slightly by 0.07 percentage points compared to the end of the previous year.

As of December 31, 2024, all banks also complied with liquidity principle III, which represents the ratio between adjusted effective liquidity and required liquidity for each maturity band (limit ≥ 1).

The liquidity coverage ratio for the sector stood at 274.2%, decreasing by 7.9 percentage points compared to the end of the previous year. This indicator was also observed by all banks (limit $\geq 100\%$). The liquidity reserve as of December 31, 2024 amounted to MDL 38.5 billion, increasing by MDL 4.4 billion (12.8%) compared to December 31, 2023.

The profit for the financial year ended December 31, 2024 in the banking sector amounted to MDL 4.0 billion, decreasing by 2.8% compared to the previous year. For 2024, the return on assets⁴ and equity⁵ of licensed banks recorded values of 2.4% and 14.7%, respectively, decreasing by 0.4 percentage points and 1.4 percentage points compared to the end of the previous year.

Assets and deposits continued to grow, by 10.6% to MDL 170.2 billion and by 13.4% to MDL 129.1 billion, respectively.

Compared to the end of the previous year, the loan portfolio in the banking sector increased by 26.5% to MDL 80.8 billion. During the year, the share of non-performing loans in the loan portfolio decreased by 1.4 percentage points, amounting to 4.1%.

The National Bank carries out ex-officio supervision based on the annual prudential supervision program. For the year 2024, the prudential supervision program included various ongoing actions (monitoring of key indicators, analysis of financial reports submitted by banks, review of external audit reports, and monitoring of remediation plans following on-site inspections), as well as actions aimed at preparing the SREP report (business model evaluation, governance and internal control framework analysis, capital and liquidity risks evaluation, analysis of ICAAP reports, etc.).

In 2024, the NBM continued its supervision of banks based on the Supervisory Review and Evaluation Process (SREP). Thus, the results of the SREP evaluation for 2022 were approved for all 11 banks. Following this assessment, one bank was sanctioned with a written warning due to identified breaches and deficiencies related to internal governance, risk management framework, ICAAP and ILAAP processes, and outsourced activities.

At the same time, during 2024, the SREP supervision and evaluation process for 2023 was carried out, and its results are to be approved in 2025.

⁴Return on assets (ROA) = Annualized net income/ Average assets

⁵Return on equity (ROE) = Annualized net income/ Average shareholders' equity

Also, in 2024, the Executive Board of the National Bank of Moldova approved decisions concerning thematic on-site inspections conducted during 2023-2024 at 6 licensed banks.

As a result, written warnings were issued to 2 banks and 5 individuals (2 key function holders and 3 members of the Management Board), and supervisory measures were prescribed for 6 banks to remedy the breaches identified during on-site inspections.

In general, the infringements and deficiencies identified during thematic inspections referred to breaches of the legislation and regulatory acts of the National Bank of Moldova, non-compliance with certain measures imposed by the NBM, breaches of internal bank regulations, failure to fully organize activity in accordance with prudent and sound banking practices, failure to fully oversee the implementation of a rigorous governance framework, insufficient evaluation and lack of assurance regarding the quality of stress scenarios used in stress testing exercises, violation of minimum requirements for banks' Information and Communication Systems, including those related to IT and communication risk management (ICT) and information security, as well as insufficient involvement of the risk management and compliance functions in the lending process and in approving changes to loan products.

Insurance sector

As of December 31, 2024, 9 insurance undertakings were operating in the Republic of Moldova (of which 8 companies carried out only general insurance activities, while one composite company simultaneously conducted activities in both "general insurance" and "life insurance"), along with 48 insurance or reinsurance brokers, 52 insurance agents, and 33 bancassurance agents.

During 2024, according to the data reported by professional participants in the insurance market, the insurance sector was characterized by growth in total assets, capital, technical reserves, gross written premiums, as well as insurance compensations and indemnities compared to the previous year.

The net profit of insurance undertakings for the financial year decreased compared to 2023, amounting to MDL 293.8 million, while the technical result from insurance activity increased compared to the previous year, reaching MDL 179.8 million. All insurance undertakings recorded profit from their activities.

In 2024, the insurance sector continued the trend of asset consolidation, with total assets amounting to MDL 5,509.3 million, up by 10.7% compared to December 31, 2023, and technical reserves totalling MDL 3,175.8 million, 7.1% higher than at the end of the previous year. Insurance undertakings held sufficient assets to cover technical reserves. At the same time, all insurers, with the exception of one case, had sufficient assets to cover the minimum capital requirement. Predominantly, government securities, reinsurer shares in technical reserves, and bank deposits were used to cover technical reserves and the minimum capital requirement.

All licensed insurance undertakings recorded solvency ratios above 100%. The average solvency ratio for general insurance at the end of 2024 increased by 27.5 percentage points compared to the end of the previous year, reaching 175.4%. Insurance undertakings also recorded liquidity ratios above 1 for each category of insurance, with an average sector ratio of 3.4 for general insurance, down by 0.3 points compared to the end of the previous year, and 16.4 for life insurance, lower by 7.5 points compared to December 31, 2023.

During 2024, gross written premiums amounted to MDL 3,251.6 million, up by 10.8% compared to the previous year. At the same time, gross claims paid were reported at MDL 1,278.4 million, an increase of 27.0% compared to 2023.

In 2024, insurance density in the Republic of Moldova amounted to MDL 1,341.8 per capita, increasing by approximately MDL 173.4 per capita or 14.8% compared to the previous year. The insurance penetration rate in GDP registered a value of 1.0% in 2024, unchanged from the previous year. The total assets held by insurance undertakings reached, at the end of 2024, a level equivalent to 1.7% of GDP, up by 0.1 percentage points compared to the previous year.

Throughout 2024, the National Bank of Moldova continued its efforts to strengthen the stability of the insurance sector and undertook the necessary supervisory measures to ensure compliance with legal requirements for preventing and mitigating sector-specific risks, with the aim of protecting the rights and collective interests of policyholders, insured persons, reinsurers, beneficiaries, injured third parties, and other individuals whose rights may be affected.

Thus, 14 administrative procedures were carried out regarding the activity of professional participants in the insurance market, including 10 off-site inspections and 4 on-site inspections. As a result of inspections into the activity of insurance undertakings, 4 fines were imposed on insurers and/ or their executive bodies, one warning was issued to an insurance company, one warning was issued to the head of the actuarial function within an insurer, and supervisory measures and/ or prescriptions were imposed for remedying the identified breaches. At the same time, inspections revealed that 4 insurance and/ or reinsurance brokers did not meet the legal conditions for conducting brokerage activities. Consequently, by decisions of the Executive Board of the NBM, their licenses for insurance and/ or reinsurance brokerage activities were withdrawn.

In general, the infringements and deficiencies identified with regard to insurers' activities referred to non-compliance with certain regulatory requirements on insurance activity, governance and internal control systems, underwriting risk, calculation and maintenance of technical reserves, as well as failure to adopt the necessary measures for using adequate and proportionate systems, resources, and procedures in the area of ICT risk management to ensure business continuity.

It should be noted that, at the end of 2024, the NBM approved reference premiums for domestic and cross-border compulsory motor third-party liability insurance (MTPL), these representing minimum indicative insurance premiums, marking an essential

step towards liberalizing this market segment. The partial liberalization of MTPL premiums is an important step ensuring a gradual and efficient transition towards the full liberalization of MTPL premiums in line with EU directives and standards. By applying the partial liberalization mechanism, insurance undertakings calculated and implemented their own insurance premiums, taking into account the specific risks of their MTPL insurance portfolios. This contributes to a competitive and fair environment in which consumers benefit from fair tariffs and a greater diversity of offers, while insurance undertakings enjoy the necessary flexibility to compete effectively.

With reference to the administration of the Automated Information System RCA Data, in 2024, 1,099 requests were examined, most of which concerned assistance to professional participants related to technical issues in the electronic processing of compulsory motor third-party liability insurance documents via suport.rca@bnm.md (247 requests), changes in system nomenclatures (241 requests), requests from bailiffs or authorized administrators (221 requests), and revision of the bonus-malus class at the request of citizens from the left bank of the Dniester (190 requests).

At the same time, within its digitalization and technological transformation strategy, the National Bank of Moldova focused on modernizing and reinventing the system. In this regard, during 2024, a series of actions were implemented, including the launch of the RCA.BNM.MD portal, the development of a set of digital API tools, strengthening personal data access control, anonymization of personal data, implementation of new formats for the domestic compulsory MTPL insurance policy and the "Green Card" insurance certificate, and the digitalization of the damage certificate.

Non-bank lending sector

During the period 2020-2024, the non-bank lending sector strengthened its position within the financial sector, with assets increasing by 60.5% from MDL 11,715.2 million in 2020 to MDL 18,802.2 million in 2024, while the number of non-bank financial entities authorized to operate decreased. At the same time, assets increased by 15.3% compared to the end of 2023.

Payment systems

Key indicators

The application for accession to SEPA, together with the complete file, was submitted to the responsible EU authorities (European Payments Council) on January 30, 2024.

The examination of the SEPA accession file was finalized by the European Payments Council at the beginning of August 2024 and subsequently forwarded for review to the European Commission, specifically the Directorate-General for Financial Stability, Financial Services and Capital Markets Union (DG FISMA).

The implementation and launch of the MIA Instant Payments system took place on March 12, 2024 with certain functionalities (P2P⁶, RTP⁷) for individuals, and starting from July 31, 2024 the system was expanded with new functionalities: Me2Me⁸, QR code/link payments for businesses, and RTP payments for legal entities.

Ensuring high availability (99.99%) of the country's financial market infrastructures (the Automated Domestic Payment System, the Central Securities Depository System).

Maintaining the annual growth trend in the number and value of cashless payments (on average, over 2020-2024, by 38.5% and 36.2%, respectively).

Strengthening the regulatory framework with the aim of ensuring increased security of cashless payments (strong customer authentication).

Achievements

Throughout 2024, the NBM implemented essential reforms, including aligning the regulatory framework with European standards and strengthening banking infrastructure to enable faster and more secure transactions. In this context, as a result of the efforts undertaken by the NBM in cooperation with several national and international institutions, the Republic of Moldova was accepted into SEPA in March 2025, a significant economic and financial step for the Republic of Moldova.

The implementation of the MIA Instant Payments system has revolutionized Moldova's financial infrastructure, providing both individuals and businesses with an efficient and affordable way to make payments. The MIA system for businesses can be integrated by all entrepreneurs in the country, offering alternative methods of electronic payment acceptance, regardless of the financial institution serving the merchant. Thanks to the new MIA functionalities dedicated to businesses, entrepreneurs can accept payments via QR codes at points of sale, integrate the MIA payment button into their online stores, or provide payments through a link when products are delivered remotely.

⁶P2P – transfers initiated by participants on behalf of individual clients to the accounts of other individual clients.

⁷RTP (Request To Pay) – a messaging service enabling the payment beneficiary, via their payment service provider, to request the initiation of a payment order in MDL from a payer.

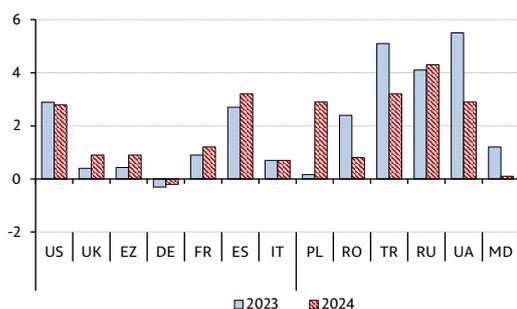
⁸Me2Me – a service that enables the transfer of funds between a customer's own accounts held at different financial institutions, provided that the accounts have been enrolled at least once in the MIA Instant Payments system.

Chapter 1

International context

1.1 Global economy, financial and commodity markets

Chart 1.1: GDP comparative evolution in selected economies* in 2023 and 2024 (%)



Source: Eurostat, National statistical offices of the concerned countries

Note: *US – United States of America, UK – United Kingdom, EA – euro area, DE – Germany, FR – France, ES – Spain, IT – Italy, PL – Poland, RO – Romania, TR – Türkiye, RU – Russian Federation, UA – Ukraine, MD – Republic of Moldova

In 2024, the global economy grew on average by 3.3%⁹, which represents a lower growth compared to 2023. To a large extent, the global economy continued to be affected by previously generated factors, such as the energy crisis in Europe, the military conflict in Ukraine, and the geopolitical tensions in the Middle East that intensified during the reporting year. The slowdown in the annual inflation rate prompted the FRS and the ECB to reduce interest rates. At the same time, in 2024, many economies recorded the fading of disinflationary factors and the onset of consumer price increases in certain segments, as well as the tightening of monetary policies, especially in emerging economies. International quotations began to rise gradually, stimulated by consumer demand, but it should be noted that they exhibited lower volatility compared to previous years. OPEC+ continued its plan to limit oil production, which contributed to keeping oil prices at high levels. Among the major events that had an impact on the global economy in 2024 were the presidential elections in the US, political changes in Europe, and significant fiscal and monetary stimulus measures in China.

For the second consecutive year, the economy of the United States of America was one of the few advanced economies to record significant growth of 2.8%. At the same time, for the third consecutive year, the economies of the euro area were affected by the consequences of the energy crisis on the industrial sector, even though the services sector performed satisfactorily enough to offset the decline in industry. In the euro area, gross domestic product grew by 0.9% compared to 0.4% in 2023. Also, for the second consecutive year, Germany's economy was in recession, and GDP registered a decline of 0.2%. The French economy grew by 1.2%, supported by investment and consumption related to the Summer Olympic Games of 2024. The Italian economy grew at the same pace as in 2023, by 0.7%, while the Spanish economy grew by 3.2% compared to 2.7% in 2023. Likewise, the UK economy recovered and registered GDP growth of 0.9%. In the region, developments were mixed, with Poland's economy advancing by 2.9% compared to 0.2% previously, while in Romania GDP growth fell from 2.4% to 0.8%. Türkiye's economy grew by 3.2% compared to 5.1% previously, amid persistent hyperinflation and a significant increase in interest rates. Ukraine's economy, under

⁹INTERNATIONAL MONETARY FUND. *World Economic Outlook: A critical Juncture Amid Policy Shifts*. April 2025. Washington, D.C.: IMF, 2025. ISSN 1564-5212. Available: <https://www.imf.org/en/Publications/WEO/Issues/2025/04/22/world-economic-outlook-april-2025>

war conditions for the third consecutive year, recorded growth of 2.9%. By comparison, the economy of the Republic of Moldova grew by 0.1% in 2024, after having grown by 1.2% in 2023 (Chart 1.1).

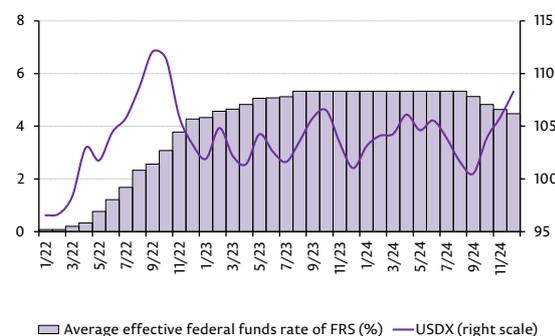
In 2024, **US dollar** exhibited heightened volatility and recorded a significant appreciation at the end of the year, driven by the results of the US presidential elections and the prospects of imposing trade tariffs. As annual inflation gradually declined towards the FRS's target level and the labor market remained balanced, the FRS began to narrow the interest rate range from 5.25-5.5% to 4.25-4.5%. The much more favorable performance of the US economy compared to other economies also contributed to the appreciation of the US dollar, while the increase in geopolitical risks further enhanced the attractiveness of the US dollar as a reserve asset (Chart 1.2).

The **single European currency** was, during the period under review, under the influence of fragile economic growth in the euro area compared to robust economic growth in the United States of America. At the same time, internal political issues affected investor confidence. Towards the end of the year, the single currency depreciated even more against the US dollar, following the results of the US presidential elections. Since inflation in the euro area declined towards the ECB's 2.0% target, interest rates were gradually reduced (Chart 1.3).

In 2024, the cumulative indices of **international commodity prices** began to rise in certain segments compared to the lows of 2023, but overall registered a decrease of 2.7% compared to 2023. The largest decline was recorded in the fertilizers group, down 23.4% year-on-year. Likewise, the index for the energy resources group registered an annual decrease of 5.1%. Global consumer demand growth and stimulus measures in China provided momentum for the recovery of quotations for metals and minerals, with the cumulative index increasing by 2.6% year-on-year. Agricultural product quotations recorded the strongest increase during the period under review, by an average of 3.7%. In particular, significant increases were observed in the beverages group, namely coffee and cocoa (Chart 1.4).

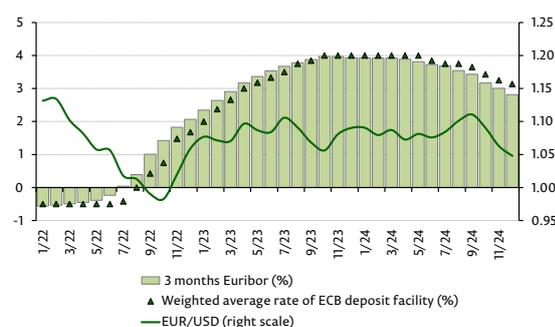
European natural gas prices followed a slightly upward trend; however, overall, they were less volatile than in previous years, since at the beginning of 2024 high temperatures were recorded, allowing European countries to save sufficient natural gas reserves. In addition, the natural gas purchasing plan for the 2024-2025 winter season was implemented rapidly. At the same time, domestic purchase prices for natural gas approached Netherlands TTF values in the second half of the reporting period. The annual average price for Netherlands TTF quotations was USD 387.9/1,000 cubic meters, or 16.4% lower than in 2023. According to S.A. "Moldovagaz", the weighted average purchase price of natural gas was USD 521.2/1,000 cubic meters, or 34.5% lower than in 2023 (Chart 1.5).

Chart 1.2: USDX evolution in the context of FRS monetary policy



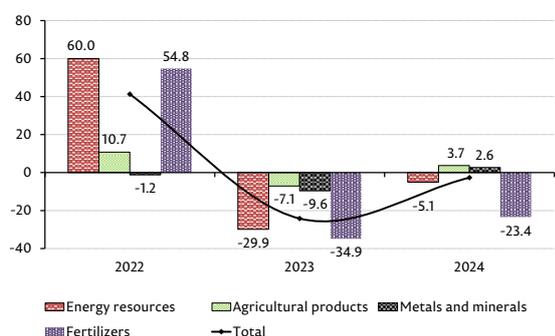
Source: FRS, Bloomberg

Chart 1.3: Evolution of the EUR/USD and interest rates for the euro area



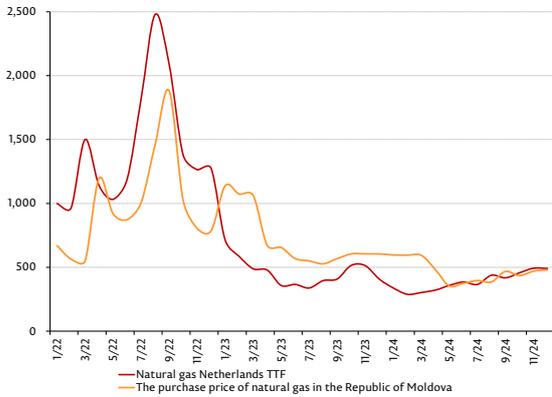
Source: ECB

Chart 1.4: The annual average growth rate of world prices by categories (%)



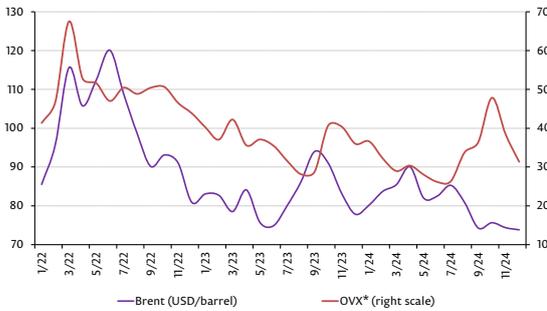
Source: World Bank, NBM calculations

Chart 1.5: The prices of natural gas, USD/1,000 cubic meters



Source: World Bank, S.A. "Moldovagaz"

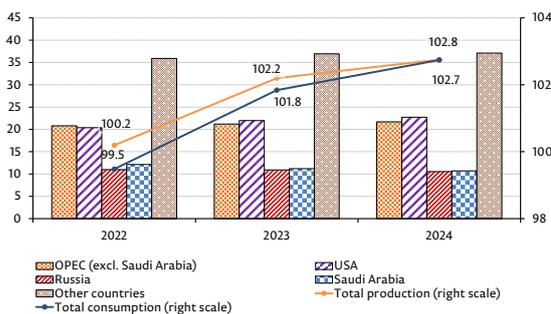
Chart 1.6: Oil market



Source: World Bank, CBOE

*Oil Volatility Index

Chart 1.7: World supply and by countries/ groups vs. world oil consumption (million barrels per day)



Source: US Energy Information Administration, NBM calculations

The **Brent crude oil price** recorded an average of USD 80.7/barrel in 2024, down by 2.3% compared to 2023. The reduced volatility of oil quotations was ensured by the persistence of relatively weak demand and the implementation of the OPEC+ production cut plan. Periodically, factors such as rising geopolitical tensions and the announcement of fiscal and monetary stimulus measures in China acted in the direction of increasing oil quotations. The decline in oil prices was also driven by factors such as the appreciation of the US dollar, weak economic growth in Europe, and President Trump's electoral promises (Chart 1.6).

In 2024, the oil market was fairly balanced, registering a minor oil deficit. At the same time, US oil supply increased from 22.0 million barrels per day in 2023 to 22.7 million barrels per day. Oil supply also increased from other non-OPEC countries. However, within OPEC+, oil production was restricted. Oil production in Saudi Arabia fell from 11.2 to 10.7 million barrels per day, while Russia's oil production declined from 10.9 to 10.5 million barrels per day. Although it was anticipated that starting in October 2024 OPEC+ would ease oil production restrictions, this was postponed until spring 2025. The biggest challenge in the oil market remained weak demand from China, which had not returned to pre-pandemic levels (Chart 1.7).

1.2 Evolution of important economies

In 2024, the **United States of America** gross domestic product recorded an increase of 2.8%, which represents a good performance for advanced economies. However, industrial production in the US contracted on average by 0.2%, reflecting that economic growth was generated by the services sector and consumption. The labor market was quite satisfactory, and the unemployment rate fell to 4.1% in December 2024. Consumer prices in the US stagnated in December 2024 compared to the previous month and increased by 2.9% compared to December 2023.

For 2024, the gross domestic product in the **euro area** recorded growth of 0.7%. As in previous years, due to the energy crisis, industrial production contracted on average by 3.0%. The unemployment rate continued to remain at historically low levels, reaching 6.2% in December 2024. Consumer prices began to increase gradually, and in December 2024, annual harmonized inflation registered a positive monthly rate of 0.4% and an annual increase of 2.4%. It should be noted that another factor contributing to economic growth in the euro area was domestic consumption, driven by the significant increase in real incomes, as well as by the prospect of monetary policy easing by the ECB.

According to statistical data, the **Germany's** economy contracted by 0.2% in 2024, marking the second consecutive year of economic slowdown. In 2023, Germany's economy declined by 0.3%. Increasing competition for German exports, high energy costs, elevated interest rates, and an uncertain economic outlook are affecting Germany's growth prospects. The country also faced a crisis in the residential construction sector, which was attributed

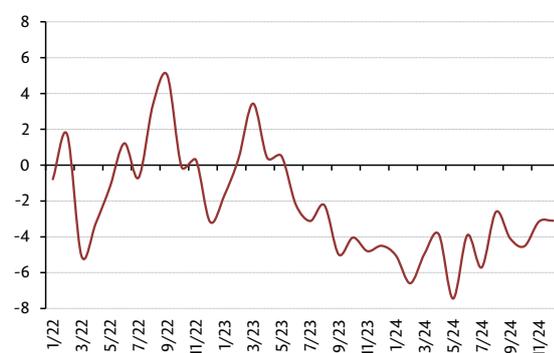
to high interest rates and rising construction material costs. At the same time, many key industries, such as the automotive sector, are under pressure. Carmakers are struggling with the transition to electric vehicles, as well as with strong competition from China. Consumer prices in Germany increased in December 2024 by 0.5% compared to the previous month and by 2.6% compared to December 2023.

The **France's** economy held up in 2024, supported by public spending and foreign trade. Real GDP grew by 1.2%. Net exports drove GDP growth in the fourth quarter of 2024, due to the boost from transport equipment exports. Public consumption and investment also contributed to economic growth, while private demand remained subdued, against the backdrop of tight financial conditions and a high savings rate. Annual inflation gradually decreased in 2024, reaching 1.3% in December 2024, largely due to lower energy and food prices, as well as a considerable reduction in service prices. The public administration deficit amounted to 6.2% of GDP in 2024 (up from 5.5% in 2023), as fiscal revenues grew well below economic activity while public spending increased significantly, particularly by local administrations.

The **Italy's** economy expanded by 0.7% in 2024. The phasing out of tax credits for home renovations is affecting construction activity, even though infrastructure investment is recovering, supported by the Recovery and Resilience Facility (RRF). Against the backdrop of positive real wage dynamics, household consumption is expected to offset the negative economic performance of 2023. Net exports contributed positively to GDP growth, mainly due to a considerable decline in goods imports. In 2025, the implementation of Italy's RRF is expected to accelerate, largely offsetting the restrictive fiscal policy. As job opportunities continue to improve, labor market participation is projected to outpace the expected decline in the working-age population. Amid the continued decline in energy resource prices, annual inflation decreased to 1.2% by the end of the year. In 2024, the public deficit fell to 3.4% of GDP, from 7.2% in 2023, driven by the gradual phasing out of measures mitigating the impact of high energy prices and of tax credits for home renovations. Despite modest growth in nominal GDP, robust tax revenues, particularly from personal income tax and withholding taxes on financial assets, also contributed to the deficit reduction in 2024.

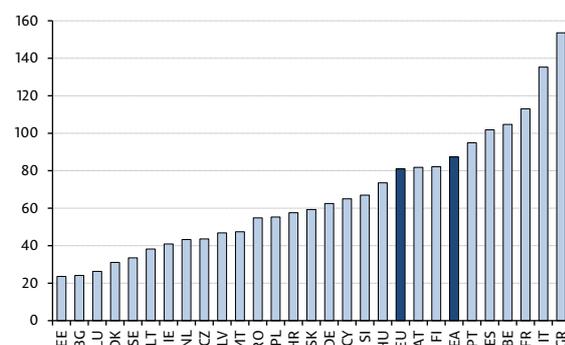
The **China's** economy grew by 5.0% in 2024, according to official data, driven by increased production and exports in anticipation of higher tariffs imposed by the United States of America, as well as by measures taken by the Chinese government to stimulate the economy. In September 2024, the People's Bank of China announced monetary stimulus measures and support for the stock market. Beijing also launched a program to refinance local public debt and increase stimulus spending on infrastructure and other areas. Nevertheless, economists expressed concerns that China could face deflation. Producer prices have remained in negative territory for more than two years, while consumer prices rose by only 0.1% year-on-year in December 2024.

Chart 1.8: Annual growth rate of industrial production in Germany, seasonally adjusted (%)



Source: Eurostat, NBM calculations

Chart 1.9: Public debt in EU countries* (% of GDP, in the fourth quarter of 2024)



Source: Eurostat

Note: EE – Estonia, BG – Bulgaria, LU – Luxembourg, DK – Denmark, SE – Sweden, LT – Lithuania, IE – Ireland, NL – Netherlands, CZ – Czechia, LV – Latvia, MT – Malta, RO – Romania, PL – Poland, HR – Croatia, SK – Slovakia, DE – Germany, CY – Cyprus, SI – Slovenia, HU – Hungary, EU – European Union, AT – Austria, FI – Finland, EA – euro area, PT – Portugal, ES – Spain, BE – Belgium, FR – France, IT – Italy, GR – Greece

Table 1.1: The evolution of selected indicators in the economies of main trading partners in 2024 (%)

	GDP	CPI, annual average	Industrial production	Export*	Import*	Unemployment
EA	0.9	2.4	-3.0	0.6	-3.7	6.4
EU	1.0	2.6	-2.3	1.1	-3.5	6.0
DE	-0.2	2.2	-4.6	-1.8	-3.2	3.4
FR	1.2	2.0	-0.3	-3.7	-6.6	7.4
IT	0.7	1.0	-3.5	-2.6	-3.3	6.5
RO	0.8	5.6	-1.7	0.2	1.5	5.3
PL	2.9	3.6	0.5	-6.3	-3.8	3.0
UA	2.9	6.5	3.6	15.3	11.3	X**
TR	3.2	58.5	0.4	2.4	-5.0	8.7

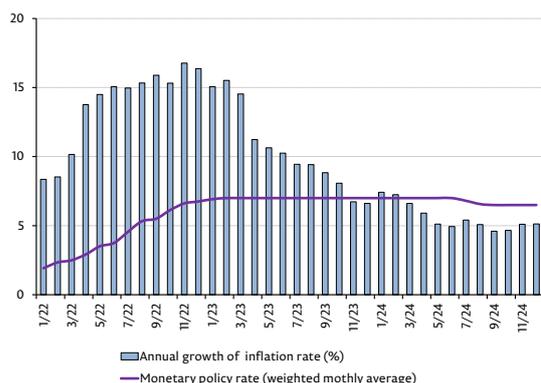
Source: Eurostat, National statistical offices of the concerned countries

*Data on external trade with goods

**Statistical data have not been published

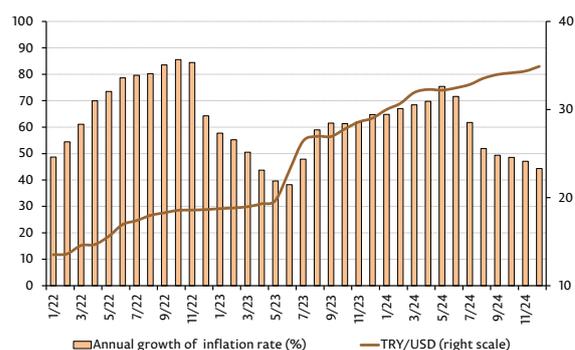
Note: EA – euro area, EU – European Union, DE – Germany, FR – France, IT – Italy, PL – Poland, RO – Romania, UA – Ukraine, TR – Türkiye.

Chart 1.10: Evolution of consumer prices in Romania in the context of NBR monetary policy (%)



Source: National Institute of Statistics of Romania, National Bank of Romania, NBM calculations

Chart 1.11: Evolution of consumer prices in Türkiye in the context of Turkish lira depreciation



Source: Central Bank of the Republic of Türkiye, Turkish Statistical Institute, NBM calculations

1.3 Evolution of the economies of main trading partners

Overall, in 2024, the **Romanian's** gross domestic product grew by 0.8%. Industrial production decreased compared to 2023 by 1.7% on the gross series. In December 2024, consumer prices increased by 0.3% compared to the previous month's price level and by 5.1% compared to December 2023. During 2024, industrial production, residential construction, IT services, and transportation lost their significant growth momentum due to weak external demand from Romania's main trading partners, rapidly rising wages, and high energy prices. At the same time, retail sales increased considerably as real disposable incomes rose at a fast pace. However, dynamic private consumption was largely offset by the high negative contribution of net exports to GDP growth, while private investment growth was moderate against the backdrop of uncertainty regarding the expected fiscal consolidation measures. Labor market pressures eased, reflecting mainly the slowdown in economic activity and an increasing inflow of foreign workers. Nominal wages in both the public and private sectors continued to rise substantially at a double-digit rate in 2024. Romania's public deficit is estimated to have reached 8.0% of GDP in 2024, much higher than in 2023 (6.5% of GDP), reflecting very rapid growth in government spending, mainly due to large increases in public sector wages, expenditures on goods and services, and social transfers, including pensions. It also indicates a slightly slower growth in revenues due to weaker-than-expected economic activity. Public investment as a share of GDP is anticipated to increase significantly, reflecting ambitious targets for both nationally financed investment projects and those funded by the EU.

In 2024, the **Poland's** gross domestic product increase by 0.9%, while industrial production increased by 0.5%. Private consumption was the main growth driver, supported by rapid wage growth, government spending on family support, improved consumer sentiment, and declining inflationary pressures. The positive contribution of public consumption increased, while the contribution of investment declined due to weaker private investment. Net exports contributed negatively to growth, as rising domestic demand fueled imports against a backdrop of reduced exports. The general government deficit is estimated to have increased to 5.8% of GDP in 2024, driven by higher defense spending (estimated at 2.6% of GDP) and wage increases in the public sector. In December 2024, consumer prices stagnated compared to the previous month but were 4.7% higher than in December 2023.

In the reporting year, the **Türkiye's** gross domestic product grew by 3.2%, while industrial production increase by 0.4%. Against the backdrop of the cumulative effect of Turkish lira depreciation, consumer prices continued to rise in December 2024 by 1.0% compared to the previous month and by 44.4% compared to December 2023. Overall, Türkiye recorded an average annual inflation of 58.5% in 2024.

Preliminary data show that the **Ukraine's** economy increased by 2.9%, despite the ongoing war, which has severely affected industrial infrastructure and maritime transport. In 2024, goods exports increased on average by 15.3% compared to 2023, while imports rose by 11.3%. In 2024, industrial production in Ukraine grew by 3.6% compared to the previous year. Consumer prices continued to rise against the backdrop of the depreciation of the Ukrainian hryvnia and increases in regulated prices, with December 2024 recording monthly inflation of 1.4%, while compared to December 2023, consumer prices in Ukraine rose by 12.0%. The average cumulative inflation in Ukraine in 2024 was 6.5%.

Chapter 2

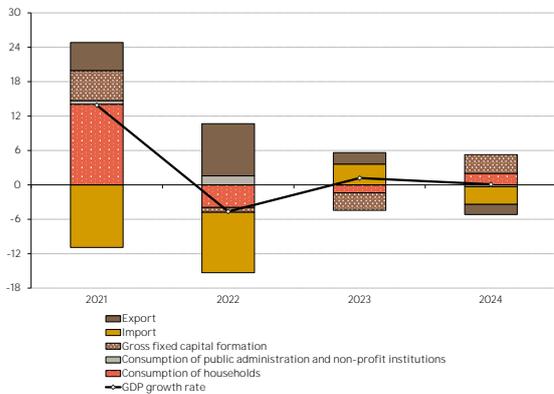
Economic situation of the Republic of Moldova

2.1 Real sector

Gross domestic product

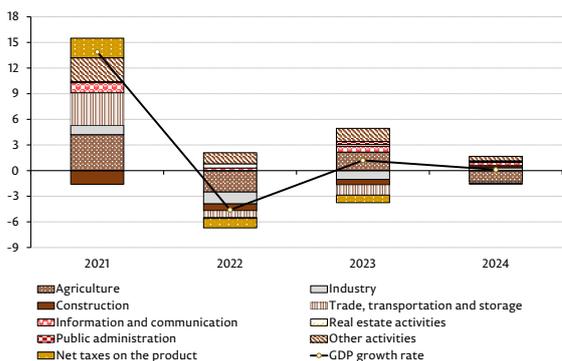
In 2024, the economic activity in the Republic of Moldova recorded only a minor increase. GDP rose by just 0.1% compared to the 2023 level. In the first half of the year, the annual GDP growth rate remained in positive territory, posting values of 2.0% and 2.5% in the first and the second quarter of 2024, respectively. Subsequently, in the third and the fourth quarter of 2024, the annual GDP growth rate turned negative, registering values of -1.9% and -1.3%, respectively. The contraction of GDP in the second half of the year and, consequently, the marginal GDP growth in 2024 were mainly driven by the effects of drought on the agricultural sector, which led to a decline in agri-food exports and created premises for an increase in imports. Domestic demand, both from households, in the context of rising real incomes, and from economic agents, mitigated this effect. At the same time, certain positive developments are worth mentioning in the information and communication, financial and insurance, construction, accommodation and food service sectors.

Chart 2.1: Contribution of demand components to GDP growth (percentage points)



Source: NBS, NBM calculations

Chart 2.2: Contribution of economic sectors to GDP growth (percentage points)



Source: NBS, NBM calculations

From the utilization perspective (Chart 2.1), consumption of households rose by 2.4% compared to 2023. Meanwhile, final public administration consumption fell by 3.6%. Gross capital formation contributed positively by 3.3 percentage points to GDP dynamics. Within this, gross fixed capital formation increased by 8.0% compared to 2023. Exports, in real terms, contracted by 5.0% due to the drought's impact on the 2024 harvest, thereby generating a negative contribution of 1.8 percentage points. In 2024, imports grew by 5.2% and contributed -3.1 percentage points to GDP dynamics.

By resource categories, a significant negative impact (-1.3 percentage points), (Chart 2.2) on the annual GDP growth rate in 2024 was primarily driven by a 18.9% decline in gross value added (GVA) in agriculture compared to the previous year, amid adverse agrometeorological conditions. Negative developments, though with a lesser impact, were also recorded in other sectors. Thus, GVA in transportation and storage contracted by 4.9%. GVA in education and health and social work declined by 2.3% and 0.9%, respectively. Net taxes on products decreased by 0.4%.

The aforementioned negative effects were offset by GVA growth in the information and communication sector and in the financial and insurance activities sector, by 5.5% and 6.7%, respectively.

The industrial sector exerted a positive influence on GDP in 2024, estimated at 0.4 percentage points. Within this, the energy industry increased by 11.3%, the manufacturing industry – by 1.2%, and the extractive industry by 7.3%. At the same time, GVA in construction and real estate activities grew by 3.4% and 1.2%, respectively. GVA related to the trade¹⁰ subcomponent rose by 0.4%, while that related to accommodation and food service activities increased by 9.1%. The arts, recreation, and entertainment subcomponent expanded by 16.3% compared to 2023.

Household consumption

In 2024, household final consumption increased by 2.4% compared to the previous year, this annual growth rate being 4.1 percentage points higher than in 2023 (Chart 2.3). This dynamic was driven by a 5.2% rise in expenditures on services purchases and a 1.9% increase in expenditures on goods purchases.

The positive evolution of household consumption was supported by the increase in disposable income. Thus, in 2024, the main sources of consumption financing, according to estimates, increased in real terms by about 8.5%, after a decline of about 1.1% in the previous year (Chart 2.4). This dynamic was determined by the growth of the wage fund, social payments-related incomes, and new granted loans to individuals. At the same time, the positive impact of these factors was partially offset by the negative contribution of remittances dynamics.

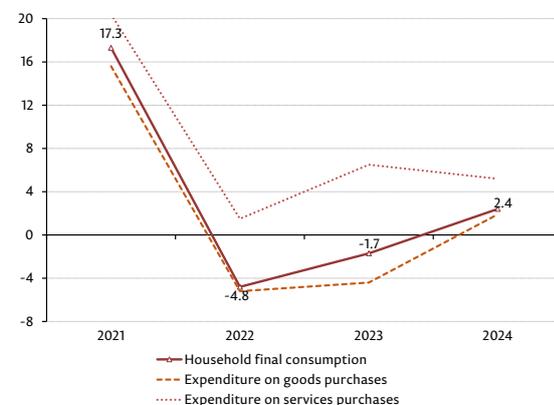
Investments

After two years of contraction, in 2024 the annual investment rate returned to positive territory, thus supporting GDP growth by about 3.3 percentage points. Gross fixed capital formation increased by 8.0% compared to the previous year. Within this, investments in machinery and equipment rose by 11.9%, while investments in construction increased by 8.2%.

In 2024, investments in long-term assets increased by 7.9% compared to the previous year. From the perspective of funding sources, this dynamic was mainly driven by the positive contribution of investments from own funds (8.5 percentage points), foreign investors' funds (1.2 percentage points), and other sources (1.2 percentage points). This effect was partially offset by the negative contribution of investments from the state budget (-2.6 percentage points) and budgets of the administrative-territorial units (-0.3 percentage points), (Chart 2.5).

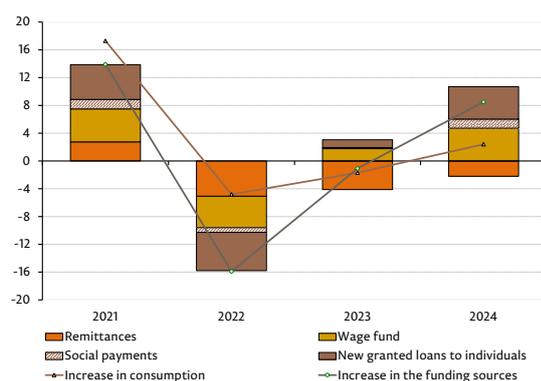
By type of fixed assets, the aforementioned positive dynamics of investments in long-term assets was determined by the impact of investments in machinery and equipment (4.4 percentage points), in means of transport (2.4 percentage points), in residential buildings (2.3 percentage points), in other tangible assets (1.5

Chart 2.3: The evolution in real terms of the household final consumption growth (% , compared to the previous year)



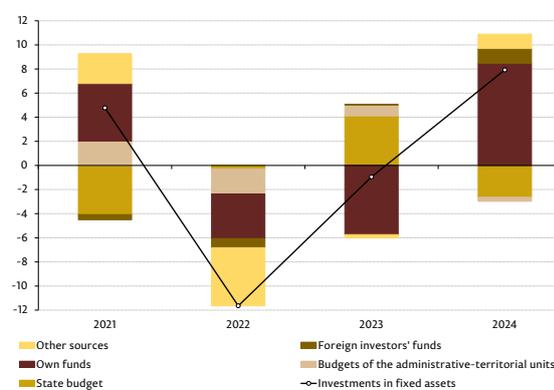
Source: NBS, NBM calculations

Chart 2.4: Evolution of the population's disposable income (% , compared to the previous year) and contributions of components (percentage points)



Source: NBS, NBM calculations

Chart 2.5: Annual investment rate by funding sources (%) and components contribution (percentage points)



Source: NBS, NBM calculations

¹⁰Wholesale and retail trade; maintenance and repair of motor vehicles and motorcycles.

Chart 2.6: Annual investment rate by type of fixed assets (%) and components contribution (percentage points)

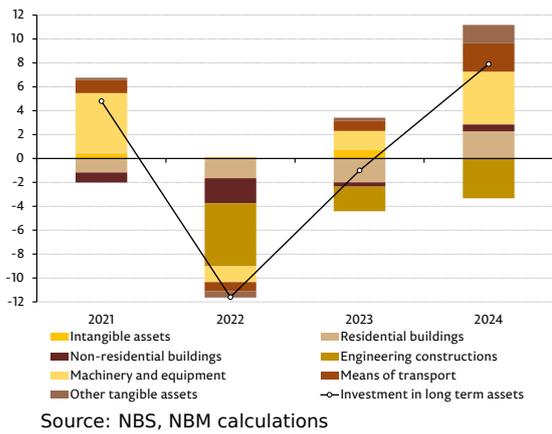


Chart 2.7: Annual rate of global agricultural production (%) and contribution by sectors (percentage points)

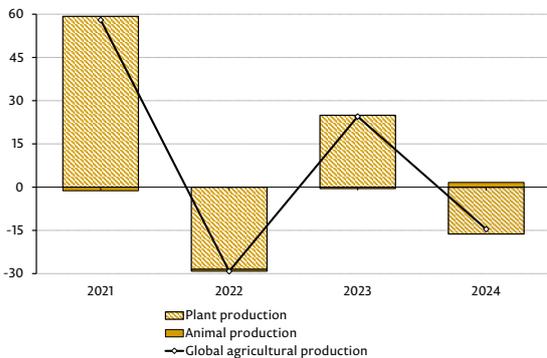
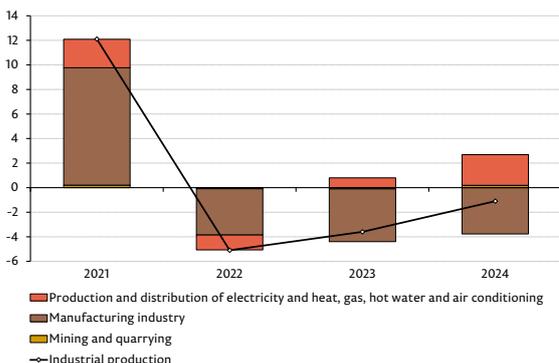


Chart 2.8: Industrial production developments (% compared to the previous year) and components contribution (percentage points)



percentage points), and in non-residential buildings (0.6 percentage points). This impact was offset by the contribution from engineering constructions (-3.3 percentage points), (Chart 2.6).

Agricultural production

The severe drought during the summer of 2024 had a major impact on the development of agricultural crops, thus overall agricultural production in this year decreased by 14.6% compared to 2023 (Chart 2.7).

This dynamics was influenced by the negative developments in the plant production sector, which recorded a decline of 22.9%. At the same time, the volume of output in the livestock sector increased by 5.7%. Moreover, compared to 2023, the largest decreases in plant production volumes were recorded for "rapeseed" (-59.5%), "cereals and pulses" (-32.8%, of which: "maize" (-47.0%), "wheat" (-23.5%), and "barley" (-17.6%)), "sugar beet" (-31.9%), "grapes" (-30.6%), "potatoes" (-21.5%), and "sunflower" (-19.0%). The increase in output in the animal production sector was driven by higher production across all product types¹¹.

It is worth noting that, after seven consecutive years during which animal production recorded only negative growth rates, in 2024 signs of recovery appeared, although they were not yet sufficiently conclusive.

Industrial production

The volume of industrial production across all forms of ownership decreased in real terms by 1.1% compared to 2023 (Chart 2.8), as a result of a decline in manufacturing industry (the subcomponent with the largest share) by 4.5%. At the same time, production in the mining and quarrying increased by 10.7%, while the sector "production and distribution of electricity and heat, gas, hot water and air conditioning" grew by 16.0%. Within manufacturing industry, the most significant decreases were recorded in the following industrial activities: "tanning and dressing of leather; manufacture of luggage, handbags, saddlery and harness; dressing and dyeing of fur" (-32.8%), "manufacture of machinery, equipment, and n.e.c." (-30.9%), "manufacture of food products" (-17.0%), "wood processing, manufacture of wood and cork products, except furniture; manufacture of articles of straw and other plaiting materials" (-13.4%) and "manufacture of motor vehicles, trailers, and semi-trailers" (-7.8%).

Goods transport

In 2024, railway, road, river, and air transport enterprises carried 2.2% more freight compared to 2023 (Chart 2.9). This increase was mainly driven by a 12.4% year-on-year rise in the volume

¹¹Animal breeding (live weight) – 6.6%; eggs – 3.4%; milk – 2.3%.

of goods transported by road. At the same time, the volume of goods transported by air and by river increased in annual terms by 19.5% and 0.2%, respectively. Meanwhile, the volume of goods transported by rail decreased by 38.0% compared to the previous year.

Passenger transport

In 2024, railway, road, river, air, and trolleybus transport enterprises carried 12.5% more passengers compared to 2023 (Chart 2.10). This increase was mainly driven by the growth in the number of passengers transported by trolleybus (7.8%) and by road (22.9%) in annual terms. At the same time, the number of passengers carried by air rose by 24.0% in annual terms, the number of passengers transported by river remained at the level of the previous year, while the number of passengers transported by railway decreased by 23.9%.

Internal trade

Internal retail trade (based on VAT declarations¹²) increased on average by 14.4%, a growth rate 6.8 percentage points higher than in 2023 (Chart 2.11). At the same time, wholesale trade (based on VAT declarations) recorded an average increase of 5.8%, a rate 9.9 percentage points higher than in the previous year.

External trade¹³

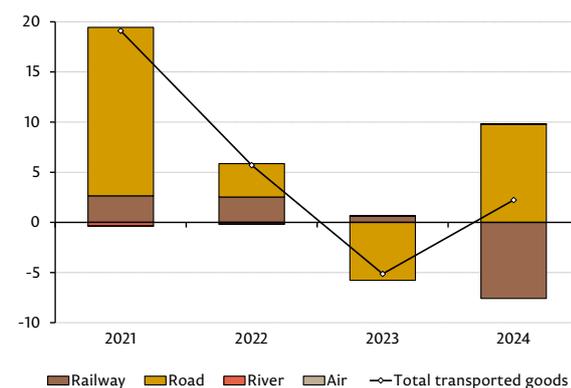
In 2024, the annual growth rate of exports remained in negative territory for the second consecutive year. The annual growth rate of imports returned to positive territory in 2024; however, the increase recorded was not sufficient to recover the decline from 2023. It should be noted that the severe drought in the summer of 2024 affected the overall agricultural harvest; consequently, exports of agri-food products contracted, and export capacity for the first half of 2025 was significantly impaired.

The annual growth rate of exports stood at -12.2%, thus 5.7 percentage points lower than in 2023. The downward trend in the annual export growth rate was driven by the contraction of exports to all groups of countries (Chart 2.12). It should be mentioned that, starting from 2024, Ukraine is no longer included in the Commonwealth of Independent States group, in accordance with the European Union's Geonomenclature, 2023 edition. As a result, the share of exports to CIS countries decreased significantly, from around 22.2% (in 2023) to about 6.8% (in 2024).

¹²NATIONAL BUREAU OF STATISTICS. *Statistics on value indices of sales (deliveries) of goods and services developed for the first time based on VAT returns*. Chişinău: NBS, 2025. Available: https://statistica.gov.md/ro/statistici-privind-indicii-valorici-ai-vanzarilor-livrarilor-de-marfuri-si-servi-12_60432.html

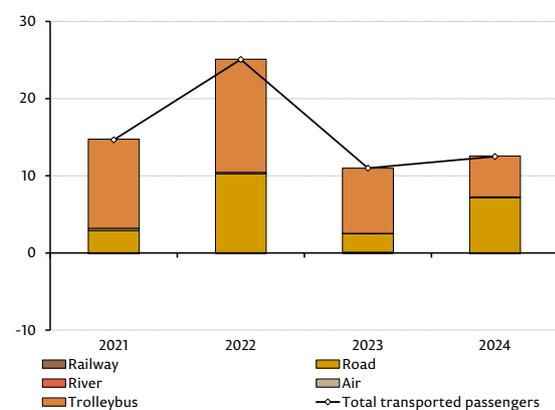
¹³Quarterly data on the development of the Republic of Moldova's external trade, expressed in US dollars, were used.

Chart 2.9: Development in real terms of goods transport (% , compared to the previous year) and components contribution (percentage points)



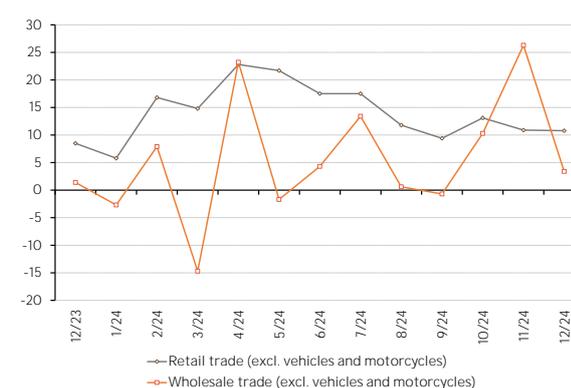
Source: NBS, NBM calculations

Chart 2.10: Development in real terms of passenger transport (% , compared to the previous year) and sub-components contribution (percentage points)



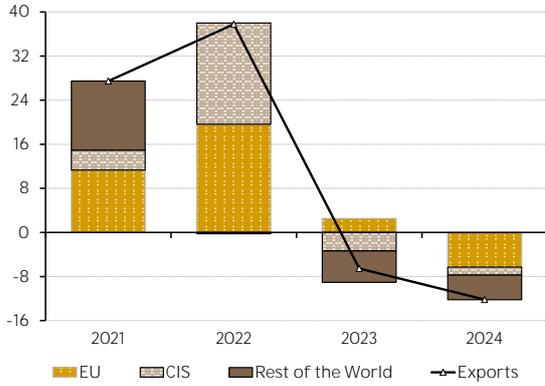
Source: NBS, NBM calculations

Chart 2.11: Internal trade (based on VAT declarations), (% , compared to the previous year)



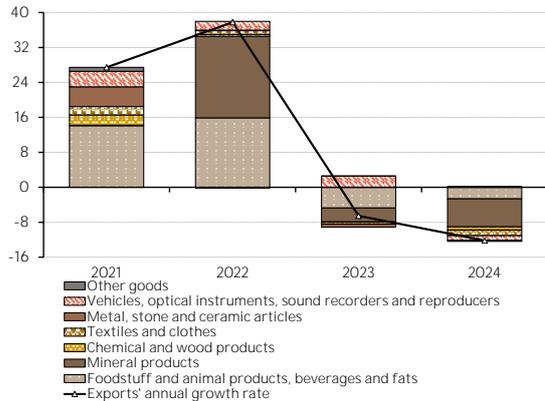
Source: NBS, NBM calculations

Chart 2.12: Development of the annual rate of exports (%) and contribution by country categories (percentage points)



Source: NBS, NBM calculations

Chart 2.13: Development of the annual rate of exports (%) and contributions by commodity groups (percentage points)



Source: NBS, NBM calculations

By product categories, the contraction of the annual export growth rate in 2024 was driven by the evolution of exports of "mineral products", "foodstuff and animal products, beverages and fats", and "textiles and clothes" (Chart 2.13). It should be noted that the decline in international energy prices, as well as the continued reduction in the re-export of petroleum products to Ukraine, mainly determined the negative dynamics of mineral product exports. At the same time, the severe drought of summer 2024 significantly affected the overall agricultural harvest of that year. As a result, exports of agri-food products in 2024 contracted, and export capacity for the first half of 2025 was significantly impaired.

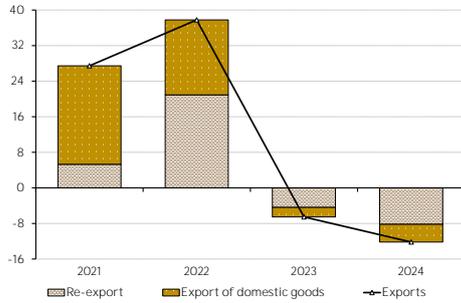
Analysing export developments by product origin, it can be observed that the decline in the annual export growth rate in 2024 was determined both by the decrease in re-exports and by the decrease in exports of domestic goods (Chart 2.14).

The annual import growth rate stood at 4.5%, which is 10.4 percentage points higher than in 2023. The positive dynamics of imports in 2024 were driven by the increase in imports of goods from EU countries and those classified as "Rest of the World" (Chart 2.15). At the same time, imports from CIS countries contracted. In 2024, the share of imports from the EU accounted for around 50.2%, while those from CIS countries and those classified as "Rest of the World" accounted for 3.8% and 46.0%, respectively.

By commodity groups (Chart 2.16), the positive dynamics of imports in 2024 were driven by imports of "vehicles, optical instruments, sound recorders and reproducers", "foodstuff and animal products, beverages and fats", and "metal, stone and ceramic articles". In 2024, similar to 2023, imports of "mineral products" contracted and therefore had a negative contribution to overall import dynamics. It is noteworthy that the trajectory of mineral product imports in 2024 was determined by the decline in international energy prices as well as by the reduced demand for petroleum products from Ukraine¹⁴.

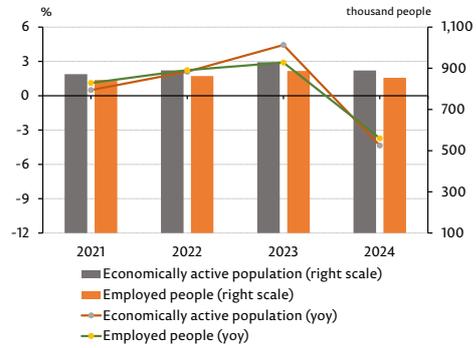
¹⁴Part of the petroleum products were imported through companies from the Republic of Moldova and subsequently exported to Ukraine.

Chart 2.14: Development of the annual rate of exports (%) and contribution by origin (percentage points)



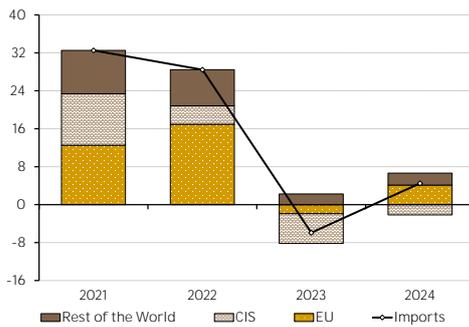
Source: NBS, NBM calculations

Chart 2.17: Economically active population and employed population



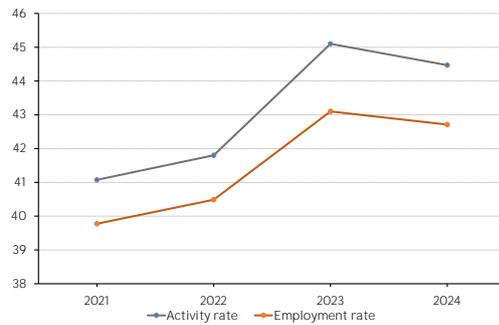
Source: NBS, NBM calculations

Chart 2.15: Development of the annual rate of imports (%) and contribution by country categories (percentage points)



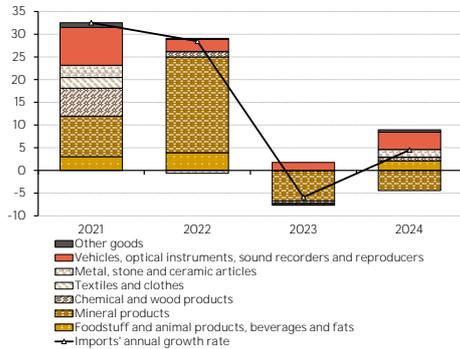
Source: NBS, NBM calculations

Chart 2.18: Development in the population's activity and employment rates (%)



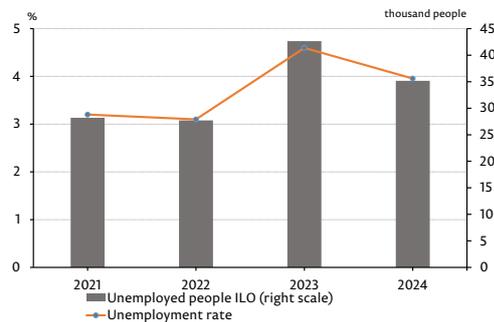
Source: NBS, NBM calculations

Chart 2.16: Development of the annual rate of imports (%) and contribution by commodity groups (percentage points)



Source: NBS, NBM calculations

Chart 2.19: Development in the number of unemployed and unemployment rate

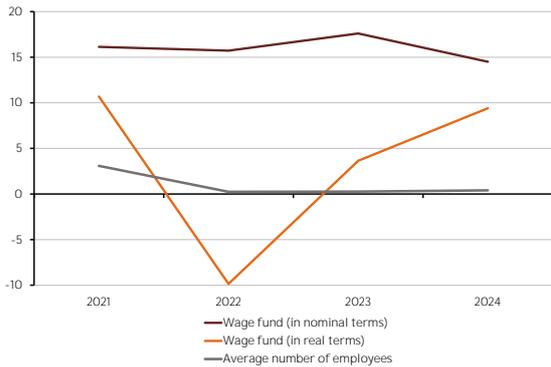


Source: NBS, NBM calculations
*International Labor Office

Labor market

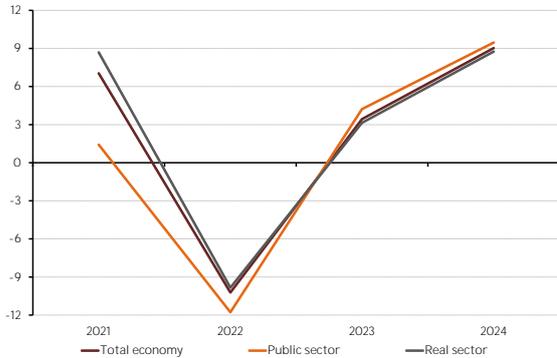
Labor force

Chart 2.20: Wage fund in the economy and average number of employees (% , compared to the previous year)



Source: NBS, NBM calculations

Chart 2.21: Average real wage (% , compared to the previous year)



Source: NBS, NBM calculations

In 2024¹⁵, both the economically active population and the employed people recorded a negative dynamics. Thus, the economically active population amounted to 889.1 thousand people, 4.3% lower than in 2023, while the employed people totalled 853.9 thousand people, 3.7% lower than in 2023 (Chart 2.17).

At the same time, the economic activity rate stood at 44.5%, 0.6 percentage points lower than in 2023, while the employment rate was 42.7%, 0.4 percentage points lower than in 2023 (Chart 2.18).

Meanwhile, the number of unemployed people in 2024 decreased by around 7.5 thousand people, down to 35.2 thousand people. The unemployment rate was 4.0%, 0.6 percentage points lower than in 2023 (Chart 2.19).

Wage income

In 2024, the total wage fund per economy increased by 14.5% compared to 2023. Adjusted for CPI dynamics, the wage fund increased by 9.4% compared to the previous year. At the same time, the average number of employees in the national economy grew by 0.4% compared to 2023 (Chart 2.20).

All sectors of the economy recorded increases in the wage fund. At the same time, the most significant positive contributions to the dynamics of the wage bill came from the trade, industry, information and communication, education and healthcare sectors.

During the reporting period, the average wage in the national economy registered an increase of 14.1% compared to 2023. In the budgetary sector of the economy, the average wage rose by 14.6%, while in the real sector it grew by 13.9%. Wages increased across all branches of economic activity. The most significant increases were recorded in accommodation and food service activities, real estate activities, administrative services, construction, agriculture and industry.

In real terms, the annual growth rate of the average wage in the economy was 9.0% in 2024 (Chart 2.21), reaching 8.8% in the real sector and 9.5% in the public sector.

¹⁵Quarterly averages were used for 2024.

2.2 Evolution of inflation

Consumer Price Index (CPI)

In 2024, the average annual CPI rate stood at 4.7%, which was 8.7 percentage points lower than in 2023 (Table 2.1). In the first half of 2024, the annual inflation rate followed a downward trajectory. Specifically, it declined from 4.6% in January 2024 to 3.3% in May 2024, thus falling below the lower bound of the ± 1.5 percentage point variation band from the 5.0% inflation target stipulated in the Medium-term monetary policy strategy (Chart 2.22). The downward trajectory of annual inflation in the first half of 2024 was supported by moderate domestic demand, which exerted disinflationary pressures on prices. Additional disinflationary pressures continued to stem from the trajectory of international food prices, as well as from domestic agricultural and industrial production prices, alongside the decline in certain tariffs.

Subsequently, starting from June 2024, the annual inflation rate returned to the target band, reaching 3.8% and outlining an upward trend until December 2024, when it stood at 7.0%, thus exceeding the upper bound of the aforementioned range. The upward trajectory of annual inflation in the second half of 2024 was driven by several adverse sectoral developments, including the drought conditions of the previous summer and the adjustment of mains gas tariffs. According to estimates, aggregate demand continued to exert a disinflationary impact on prices during this period.

Core inflation¹⁶

In the first nine months of 2024, the annual rate of core inflation followed an upward trajectory, rising from 5.9% in December 2023 to 8.2% in September 2024. Subsequently, in the last three months of 2024, it moderated, reaching 6.0% in December 2024.

The upward trend in the first half of the year was supported by adverse sectoral developments.

In this context, a significant contribution to the annual dynamics of core inflation was exerted by the subcomponent "means of transportation, auto parts" (Chart 2.25), whose prices in December 2024 were 6.8% higher than in December 2023. These were also influenced by expectations regarding adjustments in the taxation formula for automobile imports, which were initially scheduled to come into force on January 1, 2025¹⁷, but were subsequently postponed.

¹⁶Core inflation is calculated by the National Bureau of Statistics by excluding prices outside the area influenced by monetary policy measures promoted by the National Bank of Moldova, such as food and beverages, fuels, products and services with regulated prices.

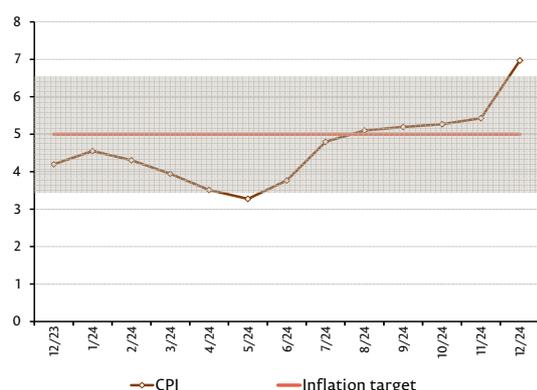
¹⁷The decision regarding the application of this measure was postponed to January 1, 2026. Monitorul Fiscal, Available: <https://monitorul.fisc.md/regimul-tva-si-accize-pentru-autoturisme/>

Table 2.1: Average annual rate of CPI

	2021	2022	2023	2024
CPI (% , yoy)	5.1	28.7	13.4	4.7

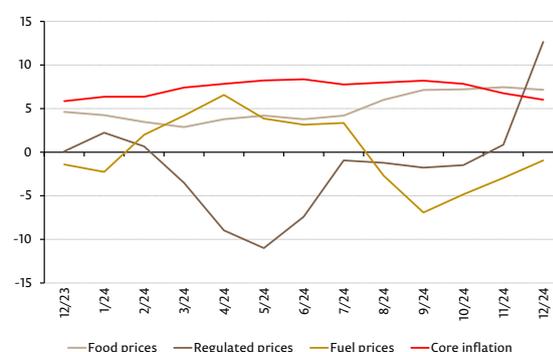
Source: NBS

Chart 2.22: Annual CPI rate (%)



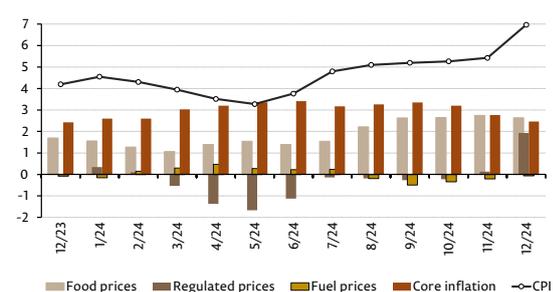
Source: NBS, NBM calculations

Chart 2.23: Annual rate of inflation subcomponents (%)



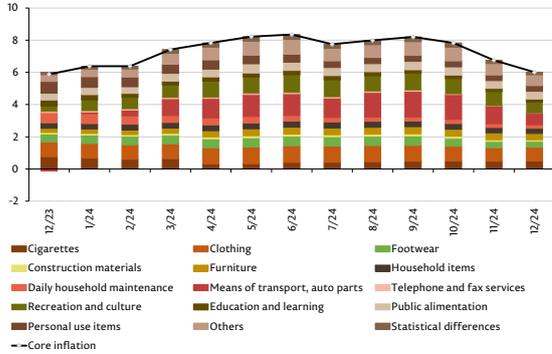
Source: NBS

Chart 2.24: Annual inflation evolutions and contribution of subcomponents (percentage points)



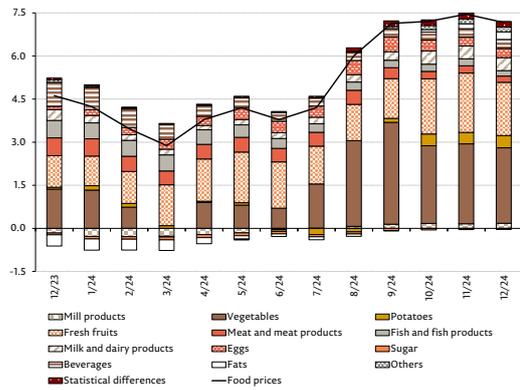
Source: NBS, NBM calculations

Chart 2.25: Contribution of subcomponents (percentage points) to the annual core inflation dynamics (%)



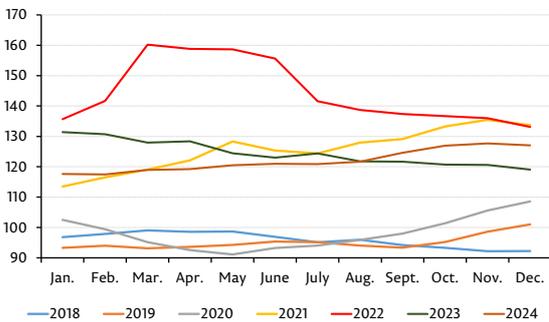
Source: NBS, NBM calculations

Chart 2.26: Contribution of components to the annual food prices dynamics (percentage points)



Source: NBS, NBM calculations

Chart 2.27: Evolution of the international food prices index, FAO index



Source: FAO, NBM calculations

At the same time, a significant impact on the increase in the annual core inflation rate in the first half of the previous year was exerted by the subcomponent "recreation and culture". Within this category, prices for international tourist service packages rose by 30.3%, including against the backdrop of higher airfares. At the same time, the contribution from the subcomponents "clothing" and "footwear" remained significant throughout 2024. Within these categories, prices for "clothing" and "footwear" increased by 5.6% and 7.1%, respectively, in December 2024 compared to December 2023. A positive impact on the annual core inflation rate was also determined by the increase in prices for the subcomponent "public alimentation", which were 6.8% higher in December 2024 than in the same month of the previous year, a development largely attributable to higher food prices. In addition, the adjustment of excise duties on tobacco products, which entered into force on January 1, 2024, as well as the establishment of a minimum retail price, generated a positive impact from cigarettes prices throughout 2024. As a result, "cigarettes" prices in December 2024 were 13.6% higher than in December 2023. The downward trajectory of the annual core inflation rate observed in the last three months of 2024 can be associated with the gradual fading of sectoral shocks. At the same time, according to estimates, aggregate demand continued to exert disinflationary pressures on the components of core inflation during 2024.

Food prices

During 2024, the annual rate of food prices followed a predominantly upward trajectory (with the exception of the first three months of the year). Thus, in December 2024 it stood at 7.2%, or 2.5 percentage points higher than at the end of 2023. The upward trajectory of the annual food price rate was mainly driven by intensified inflationary pressures from the "vegetables", "fresh fruits", and "potatoes" groups (Chart 2.26).

Drought conditions recorded in the summer of 2024 both in the Republic of Moldova and in the region significantly affected the supply of vegetables, fresh fruits, and potatoes, resulting in a considerable increase in the market prices of these products. At the same time, in the context of moderate domestic demand, prices for processed food products registered relatively modest growth rates.

On the international market (Chart 2.27), the annual rate of food prices remained in negative territory during the first eight months of the year, after which it recorded positive growth rates (December 2024: 6.7%).

Regulated prices

In the first part of 2024, the annual rate of regulated prices followed a downward path, temporarily entering negative territory. Subsequently, starting from June 2024, it recorded an upward trend, returning to positive territory in November 2024 and rising sharply towards the end of the year in the context of adjustments to mains gas tariffs. Thus, the annual rate of regulated prices decreased from 2.2% in January 2024 to -11.0% in May 2024, and by December 2024 it had risen to 12.7% (Chart 2.28).

The first quarter of 2024 was marked by the reduction of certain tariffs¹⁸, as well as by the effects of compensation for energy resources granted to the population for the period November 2023 – March 2024¹⁹, which supported the decrease in district thermal energy, mains gas, and electricity prices included in the CPI. In this context, the tariff for district thermal energy supplied by S.A. "Termoelectrica" and S.A. "CET-Nord" was reduced starting from January 1, 2024¹⁸. Subsequently, on March 19, 2024, ANRE adjusted once again the tariffs for district thermal energy supplied to consumers by the two providers mentioned above, as well as the tariffs for electricity supplied by S.A. "Furnizarea Energiei Electrice Nord" and Î.C.S. "Premier Energy" S.R.L.²⁰. In addition, on February 21, ANRE approved new tariffs for the supply of mains gas by S.A. "Moldovagaz". As a result, the final tariff (including VAT) for mains gas supplied to households was reduced to MDL 14.5/cubic meter by MDL 3.6/cubic meter lower than the previous tariff²¹ (around -20.0%).

With the end of the heating season in April 2024, the NBS reflected the actual tariffs (without compensation) for mains gas, central heating, and hot water in the CPI. As a result, in April 2024, the prices for mains gas, central heating, and hot water preparation in the CPI increased by 15.2%, 41.7%, and 43.5%, respectively, compared to the previous period. However, given the high base effect from April 2023, the subcomponents "mains gas" and "central heating" generated a pronounced negative impact on the annual rate of regulated prices in the second quarter of 2024, contributing significantly to its downward trajectory. In addition, at the beginning of May 2024, the ANRE decision on adjusting the tariff for mains gas supplied to final consumers entered into force²². Thus, the tariff for mains gas decreased by about 9.2%, from MDL 14.5/cubic meter to MDL 13.1/cubic meter.

¹⁸NATIONAL AGENCY FOR ENERGY REGULATION. *ANRE approved tariffs for district heating delivered to consumers*. Chişinău: ANRE, 2023. Available: <https://anre.md/anre-a-aprobat-tarifele-pentru-energia-termica-livrata-consumatorilor-3-796>

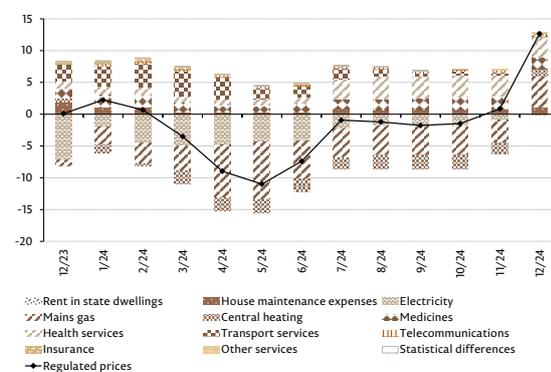
¹⁹GOVERNMENT OF THE REPUBLIC OF MOLDOVA. *Press releases – State Chancellery*. Chişinău: Government of the Republic of Moldova, s.n. Available: https://cancelaria.gov.md/sites/default/files/document/attachments/nu-876-mmps-2023_0.pdf

²⁰NATIONAL AGENCY FOR ENERGY REGULATION. *ANRE reduced tariffs for district thermal and electricity energy*. Chişinău: ANRE, 2024. Available: <https://anre.md/anre-a-micsorat-preturile-si-tarifele-pentru-energia-termica-si-energia-electrica-3-830>

²¹NATIONAL AGENCY FOR ENERGY REGULATION. *ANRE reduced regulated prices for mains gas supply*. Chişinău: ANRE, 2024. Available: <https://anre.md/anre-a-micsorat-preturile-reglementate-pentru-furnizarea-gazelor-naturale-3-820>

²²NATIONAL AGENCY FOR ENERGY REGULATION. *ANRE reduced regulated prices for the supply of mains gas*. Chişinău: ANRE, 2024. Available: <https://anre.md/anre-a-micsorat-preturile-reglementate-pentru-furnizarea-gazelor-naturale-3-853>

Chart 2.28: Contribution of components to the annual regulated prices dynamics (percentage points)



Source: NBS, NBM calculation

In July 2024, ANRE approved a new tariff for thermal energy supplied by S.A. "Termoelectrica", about 14.7% lower than the previously approved tariff. Subsequently, in November 2024, prices for central heating supplied by S.A. "CET-Nord" decreased by about 1.6%. The tariff for thermal energy was about 23.4% lower than the previous one.

The impact of lower tariffs for mains gas and thermal energy on the annual rate of regulated prices in the second half of the year was partially offset by adjustments in health services tariffs. Thus, in July 2024, prices for health services within the CPI increased by 16.7% compared to the previous month. The decision in this regard was approved by the Government on February 28, 2024, and reflected through adjustments in the Catalogue of Uniform Tariffs for Medical-Sanitary Services provided by public institutions in the country. It should be noted that, over the course of the year, tariff adjustments for health services in the private sector were also recorded.

The annual rate of regulated prices increased sharply in December 2024 following the adjustment of the mains gas tariff by about 27.6% (ANRE decision of November 29, 2024²³).

In 2024, tariffs for water supply and sewerage, as well as for sanitation services, were also adjusted in various regions of the country, such as in Edineț²⁴, Soroca^{25,26}, Bălți²⁷, Orhei²⁷, Cahul²⁸ and Ungheni²⁶.

Airfare prices recorded significant increases in the first half of 2024, exerting a strong influence on the annual rate of regulated prices; however, the effect diminished in the second half of the year. Medicines prices continued their upward trend, being about 8.1% higher in December 2024 compared to the corresponding month of the previous year.

²³NATIONAL AGENCY FOR ENERGY REGULATION. *ANRE adjusted regulated prices for mains gas supplied by S.A. "Moldovagaz"*. Chișinău: ANRE, 2024. Available: <https://anre.md/anre-a-ajustat-preturile-reglementate-la-gazele-naturale-furnizate-de-sa-moldovagaz-3-961>

²⁴Decision on the approval of tariffs for the provision of the public water supply, sewerage, and wastewater treatment service by Î.M. "Apă-Canal" Edineț: No 751 of 12.12.2023. *Monitorul Oficial of the Republic of Moldova* 2023, No. 477-479a (8983-8985a), p.14. ISSN 2587-389X, e-ISSN 2587-3903.

²⁵Decision on the approval of tariffs for waste collection by ÎM "DGLC Soroca" and the accumulation rate of solid waste from social, commercial, and cultural-communal institutions: No. 4/54 of 01.03.2024. *Soroca Municipal Council*. 2024. Available: https://www.primsoroca.md/uploads/article/Decizie_nr_54_din_01032024_K2g2.pdf

²⁶NATIONAL AGENCY FOR ENERGY REGULATION. *ANRE approved and endorsed new tariffs for public water supply and sewerage services provided by four licensed operators*. Chișinău: ANRE, 2024. Available: <https://anre.md/anre-a-aprobat-si-avizat-noi-tarife-pentru-serviciile-publice-de-alimentare-cu-apa-si-de-canalizare-prestate-de-patru-titulari-de-licente-3-903>

²⁷NATIONAL AGENCY FOR ENERGY REGULATION. *ANRE approved tariffs for public water supply, sewerage services, and mains gas distribution*. Chișinău: ANRE, 2024. Available: <https://anre.md/anre-a-aprobat-tarifele-pentru-serviciile-publice-de-alimentare-cu-apa-canalizare-si-distributie-a-gazelor-naturale-3-884>

²⁸NATIONAL AGENCY FOR ENERGY REGULATION. *ANRE approved the tariff for district heating supplied to consumers and the price of electricity produced by S.A. "Termoelectrica"*. Chișinău: ANRE, 2024. Available: <https://anre.md/anre-a-aprobat-tariful-pentru-energia-termica-livrata-consumatorilor-si-pretul-la-energia-electrica-produsa-de-catre-sa-termoelectrica-3-897>

Fuel and lubricants prices

In the first half of 2024, the annual rate of fuel and lubricants prices followed an upward trajectory; subsequently, starting in May, it reversed, and from August remained in negative territory through the end of the year. Thus, the annual rate increased from -2.3% in January 2024 to 6.6% in May 2024 (Chart 2.29). The maintenance of the annual rate of fuel and lubricants prices in positive territory was supported by higher lubricants prices, driven by rising international oil prices. Accordingly, the average Brent oil price in the first half of 2024 stood at USD 84.0/barrel, 1.7% higher compared to the 2023 average oil price. In addition to the impact of higher oil prices, the increase in lubricants prices was reinforced by the adjustment of excise duties on gasoline and diesel for 2024. Subsequently, against the backdrop of declining oil prices (in the second half of 2024, the average Brent oil price stood at USD 77.4/barrel), the annual rate of fuel and lubricants prices entered negative territory in August 2024, reaching -0.9% in December 2024.

Throughout 2024, prices for wood, brushwood etc. generated positive contributions, while prices for liquefied gases and coal generated negative contributions to the dynamics of fuel and lubricants product prices.

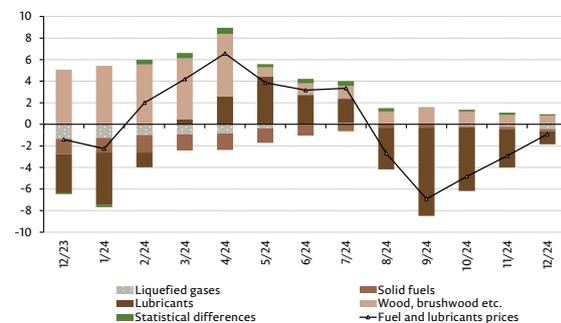
Industrial production prices

In 2024, the annual rate of industrial production prices recorded exclusively negative growth rates. Thus, in December 2024 it stood at -1.3%, 2.7 percentage points lower than in December 2023.

It is worth noting that the placement of the annual rate of industrial prices in negative territory throughout 2024 was determined by the evolution of prices for products delivered on the domestic market. At the same time, the annual rate of prices for products delivered to foreign market recorded positive growth (Chart 2.30).

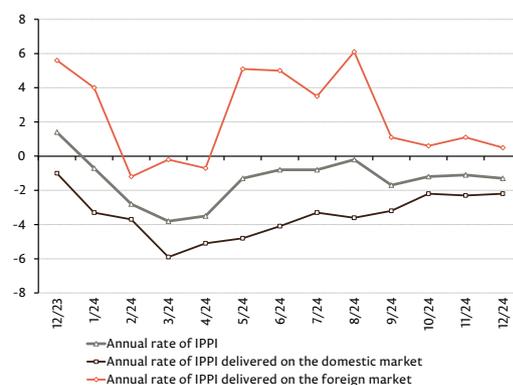
An analysis of the annual rate of industrial prices by main branches reveals that its decline was supported by developments in the energy sector (Chart 2.31). It should be emphasized that the annual rate of prices in the energy sector recorded a pronounced downward trend, standing at -24.4% in the fourth quarter of 2024. At the same time, in the fourth quarter of 2024, the annual rate of prices in the manufacturing industry registered an average of 0.8%, while in the extractive industry prices increased by 11.6% in annual terms, generating only a marginal contribution to the overall dynamics of industrial prices.

Chart 2.29: Contribution of components (percentage points) to the annual increase in fuel and lubricants prices (%)



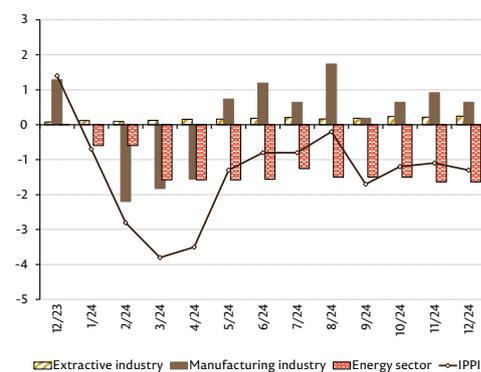
Source: NBS, NBM calculations

Chart 2.30: Annual rate of prices in industry (%)



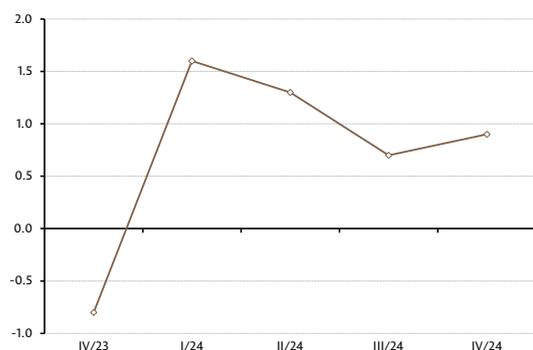
Source: NBS

Chart 2.31: Annual rate of prices in industry (%) and its components contribution classified by main branches (percentage points)



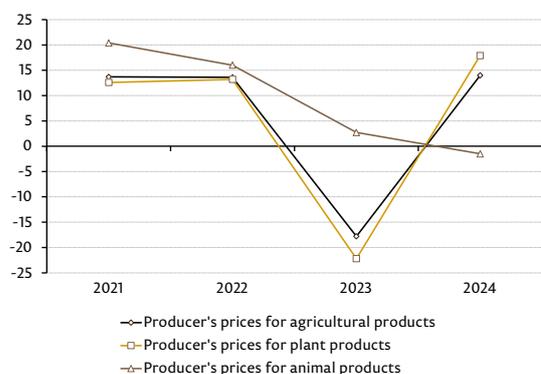
Source: NBS, NBM calculations

Chart 2.32: Evolution of the annual rate of prices in construction (%)



Source: NBS

Chart 2.33: Annual rate of producer's prices for agricultural products (%)



Source: NBS

Prices in construction

Throughout 2024, the annual rate of prices in construction followed a relatively stable trajectory, fluctuating around 1.0%. At the same time, in the fourth quarter of 2024, it stood at 0.9%, or 1.7 percentage points higher than at the end of 2023 (Chart 2.32).

Producer's prices for agricultural products

In 2024, producer's prices for agricultural products increased by 14.0% compared to the previous year. This evolution was driven by a 17.9% rise in producer prices for plant products (Chart 2.33), in the context of drought conditions during the summer of 2024, which negatively affected the annual agricultural output. At the same time, producer prices for animal products decreased by 1.5%.

The evolution of producer's prices for plant products was mainly determined by higher prices for "pome fruits" (69.4%), "grapes" (37.2%), "rapeseed" (29.5%), "stone fruits" (25.8%), "sunflower" (23.3%), "nuts in shell" (18.1%), "grain legumes" (15.6%), "maize" (9.1%), and "wheat" (7.0%). Meanwhile, price decreases were recorded for the following product groups: "cucurbits"²⁹ (-21.0%), "sugar beet" (-18.3%), and "vegetables" (-7.6%).

The decline in 2024 in producer's prices for animal products was driven by a decrease in prices for meat (live weight) and table eggs, by 1.7 and 1.0%, respectively. Meanwhile, milk prices increased slightly by 0.1% compared to 2023.

²⁹Watermelons; melons.

2.3 Public sector and fiscal policy

Execution of the state budget

In 2024, total state budget revenues amounted to MDL 66,980.4 million, 3.7% higher than in the previous year. In the structure of state budget revenues, the largest share was held by taxes and duties – 90.9%, amounting to MDL 60,869.0 million, which is MDL 4,453.4 million or 7.9% more than in 2023. Of these, taxes and duties on goods and services were collected in the amount of MDL 46,412.9 million, or MDL 4,531.1 million more than in the previous year; income taxes amounted to MDL 11,845.4 million; and taxes on external trade and operations amounted to MDL 2,578.6 million (Chart 2.34). As a share of GDP, taxes and duties in 2024 represented 18.8%.

In 2024, grants amounting to MDL 2,484.7 million were disbursed, a decrease of MDL 2,652.3 million compared to 2023. In the structure of state budget revenues, grants accounted for about 3.7%. The share of grants in GDP was about 0.8%.

Other state budget revenues amounted to MDL 3,620.8 million, increasing by 19.3%, or MDL 585.2 million compared to the previous year. As a share of total revenues, these collections accounted for 5.4%, and as a share of GDP – 1.1%.

According to budget execution results in 2024, state budget expenditures amounted to MDL 80,070.2 million, compared to the same period of 2023, expenditures recorded a decrease of MDL 657.0 million, or by -0.8% annually (Chart 2.35). As a share of GDP, state budget expenditures in 2024 accounted for 24.7%.

From a functional aspect, the largest expenditures were recorded for social protection – MDL 20,858.2 million, down by -2.4% year-on-year; education expenditures – MDL 18,461.6 million, up by 5.6% compared to 2023; and general public services – MDL 11,446.6 million, up by -9.2% compared to the previous year.

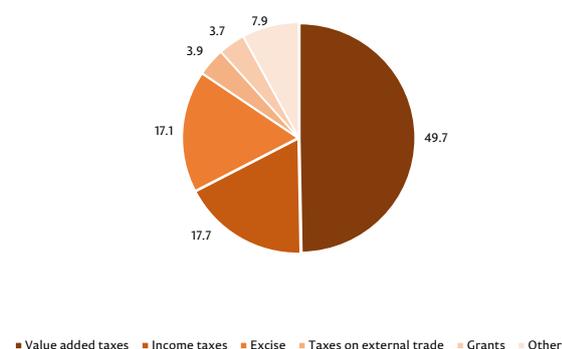
The budgetary year for 2024 ended with a budget balance (deficit) amounting to MDL 13,089.8 million. As a share of GDP, the budget balance accounted for 4.0%. Financing of the state budget deficit was carried out mainly through borrowing, from both external and domestic sources.

As of December 31, 2024, the balances of monetary funds in the state budget accounts increased by MDL 2,698.4 million, compared to December 31, 2023, amounting to MDL 6,102.0 million.

Execution of the national public budget

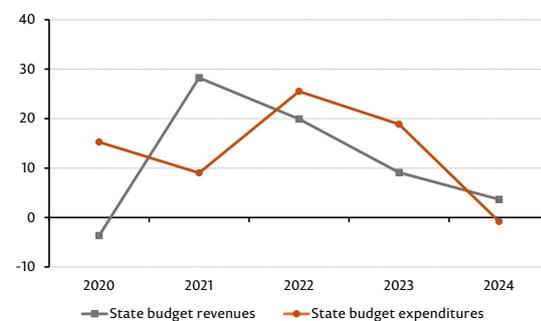
In 2024, the national public budget indicators were affected by risks and uncertainties at the global, regional, and national level, as a result of the spillover effects from the tense situation caused by the military conflict in the neighbouring country, moderate

Chart 2.34: State budget revenues structure (%)



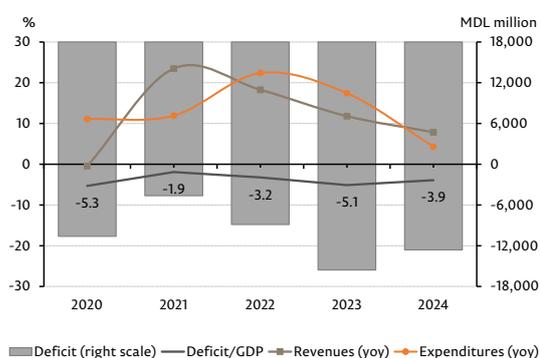
Source: Ministry of Finance

Chart 2.35: State budget indicators (%)



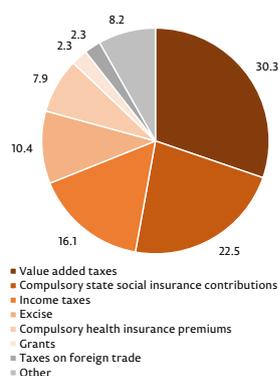
Source: Ministry of Finance

Chart 2.36: National public budget indicators



Source: Ministry of Finance

Chart 2.37: Structure of national public budget revenues (%)



Source: Ministry of Finance

domestic demand due to declining household consumption, lower investment, and the modest recovery of economic activity. As a result, both revenues and expenditures increased at a slower annual pace. Thus, according to data provided by the Ministry of Finance, national public budget revenues amounted to MDL 110,338.5 million, 7.9% above the revenues collected in 2023 (Chart 2.36). As a share of GDP, revenues collected in 2024 accounted for 34.1%, by 0.4 percentage points higher than in the previous year.

The largest share of budget revenues was from taxes and duties, which accounted for 62.1% (MDL 68,481.3 million). Mandatory insurance contributions and premiums accounted for 30.4% (MDL 33,564.2 million), while the share of other revenues and grants amounted to 5.2% (MDL 5,700.7 million) and 2.3% (MDL 2,592.3 million), respectively, of total budget revenues (Chart 2.37).

During the reporting year, the Republic of Moldova received financial support for budgetary assistance in the form of external grants amounting to MDL 2,592.3 million, 51.5% less than in 2023. As a share of GDP, grants accounted for 0.8%, 1.0 percentage point less than in the previous year. Assistance provided by international financial organizations and donor countries plays an essential role in supporting the process of economic revitalisation and in implementing key reforms aimed at modernizing and developing the Republic of Moldova.

At the same time, among the main objectives of the budget included improving the efficiency of social assistance through better targeted measures, strengthening social protection mechanisms, and increasing energy security, which led to higher budget expenditures. As a result, national public budget expenditures totalled MDL 122,962.7 million in the reference year, up by 4.3% compared to 2023. Of the total expenditures, the largest share was allocated to social protection (38.2%), followed by education (16.0%) and healthcare (14.7%). Public expenditures, relative to GDP, amounted to 38.0%, 0.9 percentage points lower than in 2023.

It should be noted that in 2024, transfers from the state budget (SB) to the state social insurance budget (SSIB), the mandatory health insurance fund (MHIF), and local budgets (LB) amounted to MDL 43,803.1 million (down by 0.9% compared to 2023). The largest share of transfers was directed to local budgets, approximately 44.6% of total transfers, followed by transfers to the SSIB (around 39.4%), while the MHIF accounted for a smaller share of 16.0%.

In this context, in 2024, the execution of the national public budget resulted in a deficit of MDL 12,624.2 million. Relative to GDP, this deficit represented 3.9%, 1.2 percentage points below the 2023 level. The sources of financing the national public deficit consisted of net external borrowings amounting to MDL 12,214.1 million, which represented 3.8% of GDP (up by 0.9 percentage points compared to the previous year), and changes in balances amounting to MDL -3,192.7 million or -1.0% of GDP (down by 0.5 percentage points compared to the previous year). At the same time, the balances of funds in the accounts of the component budgets of the national public budget amounted to MDL 10,815.0 million at year-end.

2.4 International accounts (provisional data)³⁰

Balance of payments

According to preliminary data, in 2024, the deficit of the **current account** of the balance of payments increased by 54.1% compared to 2023 and amounted to USD 2,917.0 million. Relative to GDP, the current account stood at -16.0% (compared to -11.3% in 2023) (Chart 2.38, Table A.1). The evolution of the current account deficit was driven by the widening of the goods trade deficit and by the decrease in the surpluses of primary and secondary income, while the surplus of the services balance increased slightly.

The deficit of the **external trade in goods**³¹ recorded in the balance of payments amounted to USD 5,619.9 million, increasing by 15.4%, as a result of lower exports (USD -412.0 million) alongside with an increase in imports of goods (USD +338.9 million).

The **exports of goods** recorded in the balance of payments totalled USD 3,013.5 million (-12.0% compared to 2023).

In the reference year, 62.4% of exports of goods were directed to the EU, 29.3% to other countries, and the remaining 8.3% to the CIS³². The decline in exports of goods was caused by a 9.9% (USD -207.2 million) decrease in exports to the EU, by 14.5% (USD -149.7 million) in exports to other countries, and by 18.1% (USD -55.1 million) in exports to the CIS (Chart 2.39).

The largest negative contribution to total exports came from mineral products, which fell by 49.6% (USD -262.7 million), as well as agri-food products, which decreased by 5.1% (USD -88.4 million), mainly due to a 50.5% decline (USD -125.8 million) in exports of animal or vegetable fats and oils. At the same time, positive contributions to total exports were recorded from base metals, which increased by 27.2% (USD +20.3 million), and chemical industry products, which rose by 7.5% (USD +6.4 million).

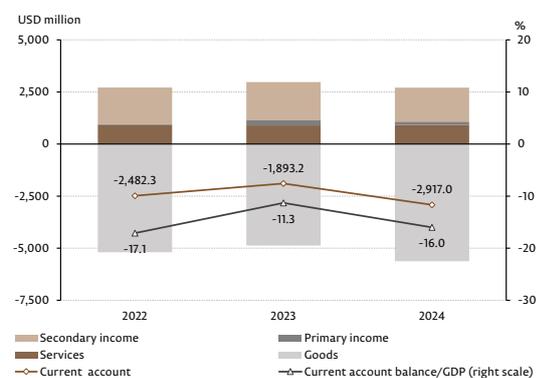
The **imports of goods** recorded in the balance of payments amounted to USD 8,633.4 million (+4.1% compared to 2023), of which imports from the EU accounted for 63.6% of the total value, imports from other countries – 32.7%, and those from the CIS – 3.7%. The increase in imports in 2024 was driven by imports from the EU, which rose by 4.8% (USD +249.2 million), and from other countries, which rose by 3.8% (USD +103.0 million), while imports from the CIS declined by 4.0% (USD -13.3 million), (Chart 2.40).

³⁰Full analytical comments on the development of international accounts can be found at: <https://www.bnm.md/en/content/international-accounts-republic-moldova-quarter-iv-2024-preliminary-data>

³¹Data on external trade in goods data, compiled in accordance with the balance of payments methodology (BPM6), include a series of adjustments compared to the statistical data on external trade in goods compiled by the NBS. For more details on adjustments, see methodology: <https://www.bnm.md/en/content/international-accounts-methodological-standards-and-data-sources>

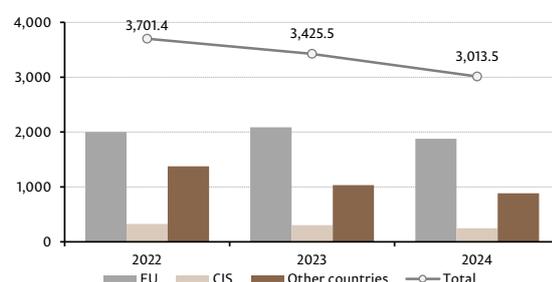
³²Economic transactions with Ukraine are reflected under other countries.

Chart 2.38: Current account – main components



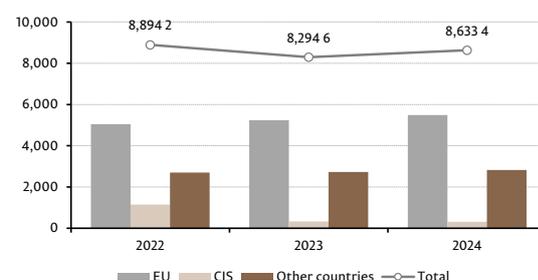
Source: NBS, NBM calculations

Chart 2.39: Exports of goods in the balance of payments, by geographical areas (USD million)



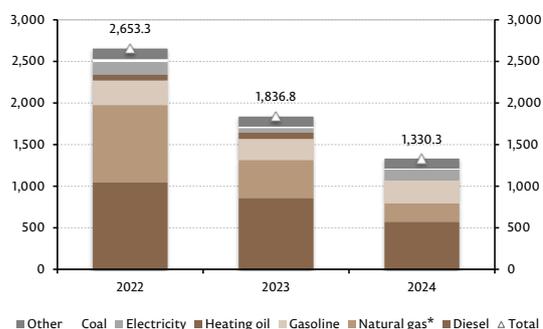
Source: NBM

Chart 2.40: Imports of goods in the balance of payments, by geographical areas (USD million)



Source: NBM

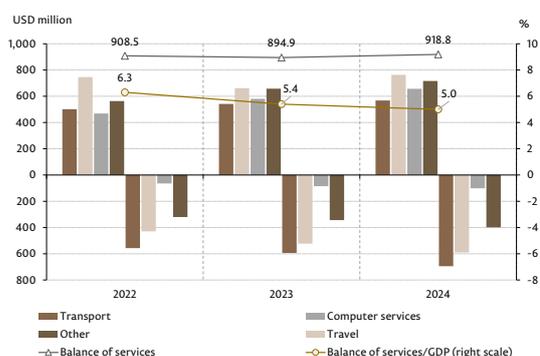
Chart 2.41: Imports of energy products and electricity, according to the balance of payments (USD million)



Source: NBM

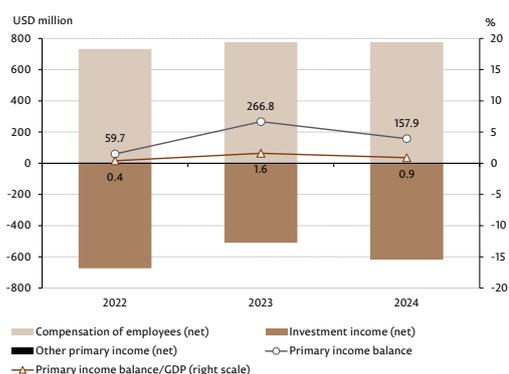
* Data on natural gas imports were adjusted based on the change-of-ownership principle.

Chart 2.42: Exports and imports of services



Source: NBM

Chart 2.43: Primary income by components



Source: NBM

Within the structure of imports, the largest positive contribution of 2.3 percentage points came from deliveries of machinery, appliances and equipment, which increased by 15.2% to USD 1,456.1 million; agri-food products – up by 14.3% to USD 1,400.1 million; vehicles and transport equipment – up by 15.1% to USD 1,183.4 million; and base metals – up by 32.8% to USD 490.2 million. At the same time, imports of mineral products decreased by 25.7% and totalled USD 1,454.8 million.

Imports of *energy products and electricity* in 2024 amounted to USD 1,330.3 million, recorded a 27.6% decrease compared to 2023. The most significant decline was in natural gas (gaseous state) – 2.1 times, followed by diesel fuel imports down by 33.4%, and fuel oil which dropped from USD 73.8 million in 2023 to USD 0.3 million in 2024. At the same time, electricity imports increased by 2.2 times, while imports of motor gasoline grew by 9.9% (Chart 2.41).

The external trade surplus in *services* rose by 2.7% compared to 2023, reaching USD 918.8 million, driven by a stronger increase in exports of services (USD +263.2 million) than in imports (USD +239.3 million). The ratio of the services balance to GDP was 5.0%, down by 0.4 percentage points compared to 2023 (Chart 2.42).

Exports of services amounted to USD 2,703.7 million, increasing by 10.8% compared to the previous year, due to increases in travel services (+15.4%, to USD 763.3 million), which accounted for 28.2% of total exports, and in IT services (+13.1% compared to 2023, up to USD 656.7 million), accounting for 24.3% of total. Imports of services totalled USD 1,784.9 million, up by 15.5%, driven by transport services, which increased by 16.9% to USD 694.6 million and accounted for the largest share (38.9% of total imports), as well as by travel services, whose imports increased by 12.9% to USD 590.6 million, representing 33.1% of total imports.

In 2024, the *primary income* surplus decreased by 40.8% compared to 2023, to USD 157.9 million, representing 0.9% of GDP (Chart 2.43). This development was driven by an increase in outflows of primary income (USD +149.7 million) exceeding the increase in inflows (USD +40.9 million). The increase in outflows was determined by reinvested earnings from direct investments, which rose by 15.7% to USD 392.8 million, and by dividends paid to direct investors, which increased by 36.2% to USD 294.3 million. The growth in primary income inflows was supported by a rise of 18.8% to USD 213.1 million in income from reserve asset management. Inflows from compensation of employees for work performed for non-resident employers decreased by 0.2% and totalled USD 887.9 million.

Secondary income recorded in 2024 a decrease in the surplus by 10.4% compared to 2023, down to USD 1,626.2 million (8.9% of GDP), (Chart 2.44). This development was driven by a decline in secondary income inflows (USD -124.2 million), while outflows increased (USD +63.8 million). Personal transfers received from abroad by residents decreased by 8.3% and totalled USD 1,029.8 million, while outflows increased by 18.8% to USD 397.3 million. Inflows from technical assistance, humanitarian aid, and grants within international cooperation for all institutional sectors fell by 25.1% and amounted to USD 428.5 million.

Personal remittances³³ received by residents of the Republic of Moldova amounted to USD 1,858.2 million (-4.5% compared to 2023), accounting for 10.2% of GDP (Chart 2.45). The decrease in remittance inflows was driven by lower inflows from the CIS and the EU (-43.8% and -1.7%, respectively). At the same time, remittances from other countries increased by 7.4% compared to 2023. Remittances to non-residents (debit) amounted to USD 529.1 million, up by 12.8%.

The **capital account** in 2024 changed very little compared to the previous year and recorded a surplus of USD 81.8 million. Net capital inflows recorded in the private sector totalled USD 69.5 million, while outflows amounted to USD 28.7 million. Meanwhile, technical assistance received from abroad by public administration for the financing of investment projects totalled USD 41.0 million.

The sum of the current account and capital account balances indicates that, as a result of residents' current and capital transactions with non-residents, the **net external borrowing requirement** amounted to USD 2,835.2 million (+56.5%), which represents 15.6% of GDP.

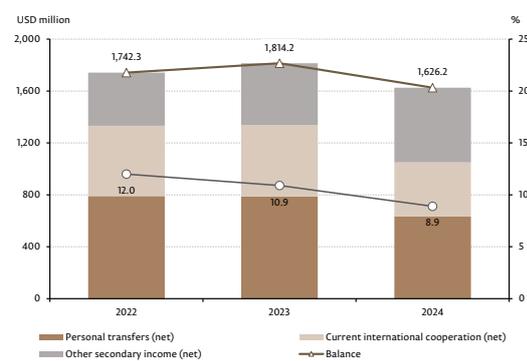
In 2024, the **financial account** recorded net capital inflows of USD -2,824.0 million, due to a net decrease in residents' external financial assets of USD 1,992.8 million and a net increase in residents' liabilities to non-residents of USD 831.3 million (Chart 2.46). The net decrease in **external financial assets**, which represents net inflows of financial resources, during 2024 was driven by net inflows of USD 2,523.1 million in assets in the form of currency and deposits. Meanwhile, assets in the form of trade credits and advances recorded net outflows of USD 159.8 million, reserve assets – USD 155.6 million, direct investments – USD 89.6 million, portfolio investments – USD 67.8 million, and assets in the form of loans – USD 57.7 million (Table A.2).

The net increase in **external financial liabilities** reflects the predominance of inflows of financial resources from non-residents. During 2024, external commitments in the form of loans recorded net inflows of USD 676.0 million, while commitments in the form of direct investments (Chart 2.47) recorded net inflows of USD 333.3 million, mainly due to reinvested earnings amounting to USD 392.8 million and the increase in equity and shares owned by non-residents of USD 1.1 million. At the same time, while debt instruments reflected net outflows of USD 60.5 million. External commitments in the form of trade credits and advances recorded net outflows of USD 164.2 million, and those in the form of currency and deposits – USD 9.9 million.

In 2024, the public administration contracted new external loans totalling USD 1,005.2 million, the main creditors being: the International Monetary Fund – USD 321.5 million, the European Bank for Reconstruction and Development – USD 296.9 million, the European Commission – USD 101.9 million, the European Investment Bank – USD 59.3 million, the Government of Canada – USD 56.4 million, the International Development Association – USD 54.5 million, the International Bank for Reconstruction and Development – USD 53.7 million, the French Development Agency – USD 48.6 million, and other creditors – USD 12.4 million.

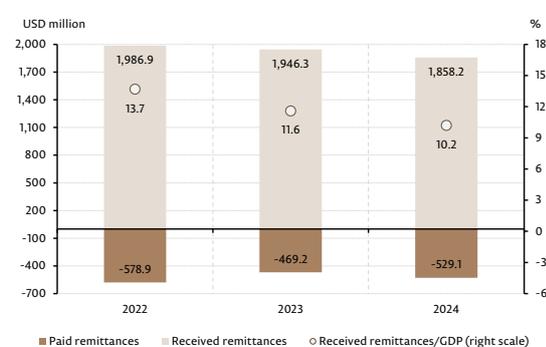
³³Personal remittances are a supplementary item to the balance of payments and reflect the sum of net remuneration of employees (excluding workers' expenses in the host country and some taxes and duties paid by residents abroad), personal transfers, and capital transfers between households.

Chart 2.44: Secondary income by components



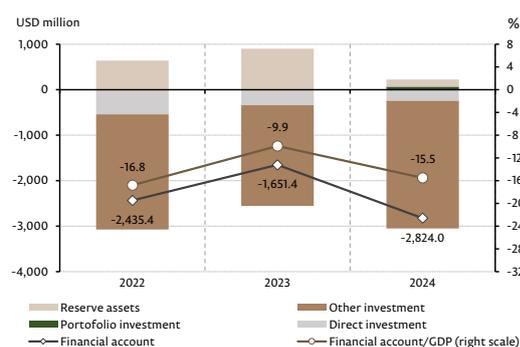
Source: NBM

Chart 2.45: Personal remittances



Source: NBM

Chart 2.46: Financial account by functional categories

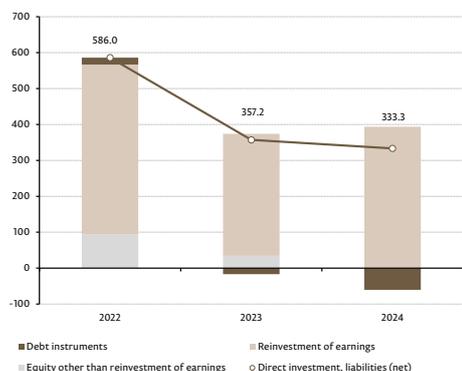


Source: NBM

Note: (+) net outflows, (-) net inflows of capital.

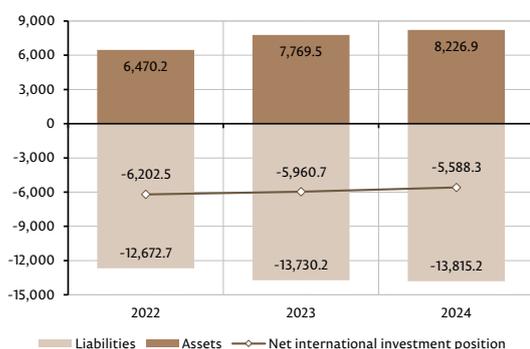
International investment position of the Republic of Moldova as of December 31, 2024

Chart 2.47: Direct investment: net accumulation of liabilities, disaggregated by instruments (USD million)



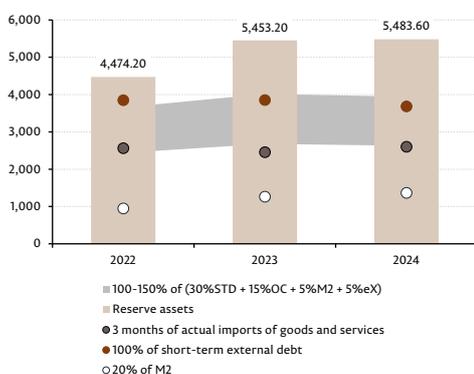
Source: NBM

Chart 2.48: International investment position in dynamics, end of period (USD million)



Source: NBM

Chart 2.49: Indicators of the sufficiency of official reserve assets of the Republic of Moldova, at the end of period (USD million)



Source: NBM

Note: STD – short-term debt (by original maturity), OC – other commitments, M2 – money supply, eX – exports of goods and services.

The **international investment position (IIP)** amounted to USD -5,588.3 million (or -30.7% of GDP), with the net debtor balance decreasing by 6.2% compared to the end of 2023 (Table A.3, Chart 2.48).

The position of **external financial assets** totalled USD 8,226.9 million, up by 5.9% since the beginning of the year, while liabilities stood at USD 13,815.2 million, up by 0.6%.

The position of **financial assets** increased since the beginning of the year as a result of other changes (USD 2,630.8 million) and changes in the prices of financial instruments (USD 5.8 million), while net transactions in the balance of payments (USD -1,992.8 million) and exchange rate fluctuations of original currencies against the US dollar (USD 186.5 million) contributed to a decrease in the assets' position.

From the point of view of the structure of IIP by functional categories, the increase in external financial assets as of December 31, 2024 was driven by higher positions in trade credits and advances – 19.5% (USD +139.1 million), direct investments (+21.7% or USD +89.0 million), currency and deposits (+7.4% or USD +73.4 million), portfolio investments (3.9 times or USD +67.8 million), loans (+33.0% or USD +57.6 million), as well as reserve assets (+0.6% or USD +30.4 million). The increase in portfolio investments reflects the evolution of non-resident securities held in the portfolios of licensed banks in the Republic of Moldova.

The official reserve assets position amounted to USD 5,483.6 million as of December 31, 2024, meeting all adequacy criteria: coverage of at least 3 months of imports of goods and services (actually covering 6.3 months of actual imports); full coverage of short-term external debt by residual maturity (148.8% coverage); coverage of 20.0% of broad money M2 (covered 80.3%); coverage of 100-150% of the sum: 30% of short-term external debt by residual maturity +15.0% of other external commitments +5.0% of M2 +5.0% of exports of goods and services (covered 208.5%), (Chart 2.49).

The increase in **financial liabilities** was driven by flows from the balance of payments (USD 831.3 million), while exchange rate fluctuations of original currencies against the US dollar (USD -583.7 million), changes in financial instrument prices (USD -133.1 million), and other changes (USD -29.4 million) led to a decline in financial liabilities.

The evolution of **liabilities**, compared to December 31, 2023, was driven by a 2.0% increase in commitments under **other investment**, which accounted for 60.8% of the country's external liabilities. Other investment consisted of: **loans** – 70.1%, **trade credits and advances** – 22.6%, **special drawing rights** – 4.4%, **cash and deposits** – 2.3%, and **other liabilities** – 0.6%.

Commitments in the form of **direct investment** decreased by 1.4% and accounted for 39.0% of the country's external liabilities. Direct

investment consisted of 66.4% *equity capital* and 33.6% *debt instruments* (Chart 2.50).

In the geographic distribution of direct investment in the form of accumulated holdings and shares a, those from EU countries increased by 1.7% to USD 3,066.6 million, while those from other countries decreased by 8.6%, totalling USD 534.2 million.

The main economic activities that attracted foreign direct investment in the form of equity were: financial and insurance activities (34.4%), wholesale and retail trade (24.4%), and manufacturing industry (20.0%), (Chart 2.51).

2.5 Public debt and external debt

Public debt

At the end of 2024, the public debt of the Republic of Moldova amounted to MDL 121,394.0 million, representing 37.5% of GDP. Public debt increased by MDL 17,390.9 million or 16.7% towards the end of 2024, due to the rise in domestic public debt (positive contribution of 4.1 percentage points) and external public debt recalculated in the national currency (positive contribution of 12.6 percentage points). As a share of GDP, domestic public debt accounted for 13.6%, while external public debt stood at 23.9% (Chart 2.52).

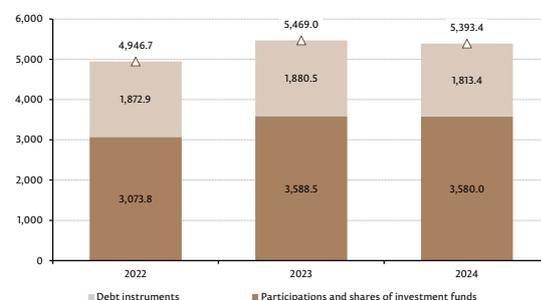
As of December 31, 2024, public debt consisted of 63.8% external public debt and 36.2% domestic public debt.

The stock of external public debt, expressed in foreign currency, as of December 31, 2024, increased by 13.4% compared with December 31, 2023 and amounted to USD 4,190.3 million. External public debt, expressed in MDL, totalled MDL 77,432.8 million at the end of the reporting year, up by 20.4% compared with the end of 2023.

Domestic public debt, at the end of 2024, reached MDL 43,961.2 million, exceeding the level recorded at the end of 2023 by 10.8%. The increase in domestic public debt was largely determined by additional issuances of SS on the primary market, up by 17.3%. At the same time, in the second half of 2024, the Direct Sale Program of state securities to individuals through the eVMS platform was implemented. Concurrently, in 2024, SS issued in 2016 to honour payment obligations derived from state guarantees, in the amount of MDL 330.0 million, were redeemed. Thus, at the end of 2024, domestic debt consisted of: SS issued on the primary market (68.8%), SS issued to execute state guarantees (26.0%), converted SS (4.7%), and SS issued through direct placement to individuals (0.5%).

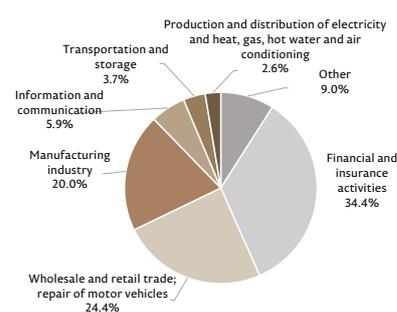
In 2024, funds in the amount of MDL 4,322.5 million were used to service the public debts from national public budget, down by 18.5% compared with 2023. External public debt service amounted to MDL 1,827.2 million, while the domestic public debt service stood at MDL 2,495.3 million.

Chart 2.50: Direct investment, liabilities, basic components, position* at the end of the period (USD million)



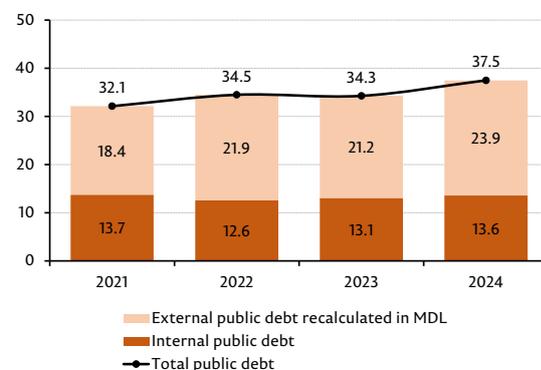
Source: NBM
*Positions calculated according to the balance sheet value

Chart 2.51: Direct investment, equity capital accumulated as of December 31, 2024, by economic activities (according to CEAM 2), at the end of period



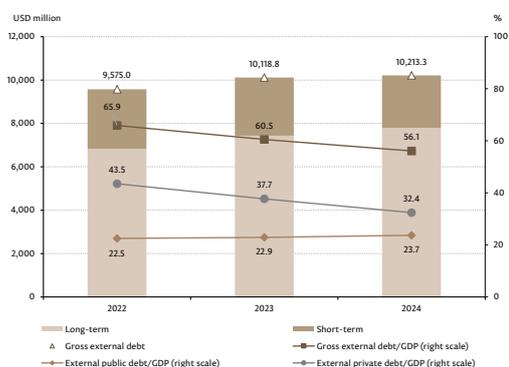
Source: NBM

Chart 2.52: Public debt as a share of GDP (% end of the year)



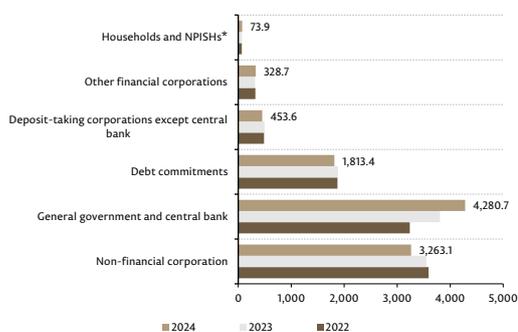
Source: Ministry of Finance, NBS, NBM calculations

Chart 2.53: Gross external debt in dynamics



Source: NBM

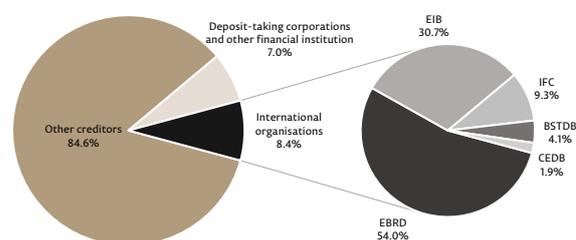
Chart 2.54: External debt structure – sectoral overview, end of period (USD million)



Source: NBM

*NPISH – non-profit institutions serving households

Chart 2.55: Creditor structure of private debt, as of December 31, 2024 (%)



Source: NBM

Note: CEDB – Council of Europe Development Bank, BSTDB – Black Sea Trade and Development Bank, IFC – International Finance Corporation, EIB – European Investment Bank

External debt of the Republic of Moldova

The gross external debt of the Republic of Moldova increased by 0.9%, amounting to USD 10,213.3 million at the end of the year, which represents 56.1% of GDP (-4.4 percentage points compared to December 31, 2023), (Chart 2.53, Table A.4).

In terms of maturity structure (based on original maturity), the increase in external debt during 2024 was driven by the rise in *long-term debt*, which grew by 4.8% compared to December 31, 2023, reaching USD 7,792.9 million. *Short-term debt* decreased by 9.8%, amounting to USD 2,420.4 million as of December 31, 2024.

External debt by *short-term* external debt included: trade credits and advances (consisting of advances received for exports and unpaid invoices for imports) – 85.7%, deposits (time and sight) of nonresidents in licensed banks of the Republic of Moldova – 8.1%, other short-term loans – 2.8%, other debt liabilities – 2.0%, intragroup loans – 1.4%. *Long-term* external debt included: long-term loans other than intragroup – 74.7%, intragroup loans – 12.5%, other debt liabilities – 7.1%, SDR allocations – 4.7%, trade credits and advances – 1.0%.

External public debt accounted for 42.2% of total external debt, amounting to USD 4,310.3 million (+12.8% since the beginning of the year). *Private external debt* totalled USD 5,903.1 million, down by 6.3% compared to December 31, 2023.

In terms of institutional sectors, as of December 31, 2024, the largest share of total external debt belonged to *public administration*, with a share of 41.5% (+4.4 percentage points). This was followed by *non-financial corporations* – 31.9% (-3.2 percentage points compared to December 31, 2023), *intragroup lending* within direct investment (which is not sectorally allocated), including debts for natural gas imports – 17.8% (-0.8 percentage points), *deposit-taking corporations, exclusive the central bank* – 4.4% (-0.5 percentage points), *other financial corporations* – 3.2% (+0.1 percentage points), *NBM* – 0.4% (-0.2 percentage points), *households* – 0.7%, maintaining the same share as at the end of 2023 (Chart 2.54).

As of December 31, 2024, the main creditor of the state was the IMF with 31.7% (USD 1,364.7 million)³⁴, followed by the World Bank Group with a share of 25.2% of total public debt (USD 1,085.7 million) and the EIB with 10.5% (USD 453.5 million).

The currency structure of external loans under *public debt*, those contracted in euro predominated – 54.5%, while SDR-denominated commitments accounted for 39.9%.

³⁴Including the tranches under the ECF and EFF facilities received in December 2021 from the IMF (reflected according to IMF's External Debt Statistics: Guide for Compilers and Users, 2014, <https://www.imf.org/external/np/sta/ed/ed.htm>, para 2.26). The data published by the Ministry of Finance on the stock of public debt as of December 31, 2021 did not include these amounts, as they were recorded on January 28, 2022 (the date of entry into force of Law No. 7/2022 and Law No. 8/2022 approving the contracting of the external state loan by the Government of the Republic of Moldova from the IMF).

External loans under *private debt* were contracted mainly in euro – 57.4% and in US dollars – 40.7%.

The structure of the main creditors of the private sector is shown in chart 2.55. As of December 31, 2024, among international organizations (8.4% of the total), the EBRD accounted for 54.0%, followed by the EIB with 30.7%. However, the majority share of 84.6% was held by other creditors.

The analysis of the main indicators of external debt shows a consistent quality of favorable external financing, expressed indirectly by the average implicit quarterly interest rate on external debt in the form of loans and SDR allocations (Table A.5).

The average implicit maturity of long-term external debt in the form of loans increased compared to the end of 2023. This indicator is correlated with the evolution of the refinancing rate, which rose in 2024, following the continuation of external financing inflows.

Relations of the National Bank of Moldova with the Government of the Republic of Moldova

Government debt to the National Bank

As of December 31, 2024, the public debt to the National Bank in the form of state securities in the NBM's portfolio amounted to MDL 13,484.6 million and consisted of:

- government bonds issued and transmitted to the National Bank on October 4, 2016 in order to settle the Ministry of Finance's obligations arising from state guarantees No. 807 of November 17, 2014 and No. 101 of April, 1 2015 – MDL 11,421.2 million. The related interest (coupon) rates were 1.40% for 9-year maturity and 5.30% for maturities of 10-25 years;
- state securities obtained in the NBM portfolio following the conversion of loans previously contracted by the Ministry of Finance from the NBM – MDL 2,063.4 million. During 2024, the re-issuance of government securities reaching maturity was carried out in the form of treasury bills with a circulation period of 91 days, at an average interest rate of 2.13%.

In 2024, state securities issued for the settlement of payment obligations arising from state guarantees were redeemed in the amount of MDL 330.0 million.

State deposits placed with the National Bank of Moldova

During 2024, the Ministry of Finance placed term deposits with the National Bank for the management of the resources of the Single Treasury Account, in a total volume of MDL 27.0 million with a maturity of up to one year. The interest rate varied between a maximum of 5.00% per annum and a minimum of 2.61% per annum.

As of December 31, 2024, the balance of time deposits of the Ministry of Finance placed with the National Bank amounted to MDL 63.1 million. The weighted average interest rate of the balance was 8.88%, with an average maturity of 655 days.

Cooperation between the National Bank of Moldova and the Ministry of Finance

During 2024, cooperation between the National Bank of Moldova and the Ministry of Finance continued under the Memorandum of Understanding on cooperation for monetary and financial purposes between these institutions. Joint meetings of the working group composed of representatives of the Ministry of Finance and the National Bank were organized, as well as consultations and information exchanges between the meetings of the working groups. The main areas of activity were the following: forecasting banking system liquidity, forecasting the evolution of resources from the Single Treasury Account, the government securities issuance calendar, liquidity forecasting and management, conditions for placing Government deposits with the NBM, the stock of government securities in the National Bank of Moldova's portfolio, as well as others. These activities were beneficial both for the implementation of the NBM's monetary and foreign exchange policy and for the efficient management of public finances by the Ministry of Finance.

It should be mentioned that, at the end of 2024, the parties, in order to strengthen cooperation, amended the Memorandum, and its new version was signed by the NBM and the Ministry of Finance at the beginning of 2025.

Chapter 3

Monetary policy

3.1 Monetary policy objective

According to the provisions of Law No. 548/1995 on the National Bank of Moldova, the NBM is the central bank of the Republic of Moldova, being an autonomous public legal entity that establishes and promotes the monetary and foreign exchange policy of the state. During 2024, the NBM conducted its activity in line with the Medium-term monetary policy strategy, approved by the Executive Board of the National Bank of Moldova on December 27, 2012.

The fundamental objective, namely ensuring and maintaining price stability, was pursued through the monetary policy framework associated with the direct inflation targeting regime.

According to the strategy, in order to ensure and maintain price stability, the NBM has set a continuous target for the annual inflation rate, measured by the consumer price index published monthly by the National Bureau of Statistics, at the level of 5.0%, with a possible deviation of ± 1.5 percentage points.

During 2024, the National Bank of Moldova promoted a stimulative monetary policy aimed at supporting the rebalancing of the national economy by creating monetary conditions conducive to the revival of lending in the context of declining related costs, encouraging consumption, and thereby contributing to boost aggregate demand.

At the same time, monetary policy measures have been geared towards creating the necessary monetary conditions to bring inflation back within the variation band of ± 1.5 percentage points around the inflation target of 5.0% and to maintain it within this range over the medium-term.

3.2 Monetary policy decisions

The conduct of monetary policy during 2024 was influenced by disinflationary risks and pronounced uncertainties related to events associated with the military conflict in Ukraine, the quotations of energy resources and other raw materials, tariff adjustments, refugee flows, and weather conditions. Monetary policy measures were timely from several perspectives. They were based on moderately negative aggregate demand, negative fiscal impulse, and, at the same time, the negative impact of external demand. The monetary policy promoted by the NBM created monetary conditions designed to further stimulate lending

and support domestic aggregate demand by encouraging consumption and investment, rebalancing the national economy, and anchoring inflation expectations, with the aim of maintaining medium-term inflation within the variation band around the 5.0% target.

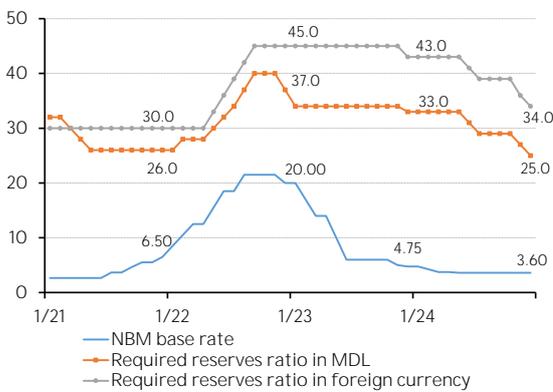
During 2024, eight meetings of the Executive Board of the National Bank of Moldova on the promotion of monetary policy took place, all of which were held in accordance with the approved calendar. At the meetings of the Executive Board of the National Bank of Moldova regarding monetary policy promotion, three decisions were adopted to reduce, five decisions to maintain, and no decisions to increase the base rate applied to the main short-term monetary policy operations and to the rates on overnight deposit and credit standing facilities.

At the same time, the Executive Board of the National Bank of Moldova adopted decisions regarding the required reserve ratio from attracted funds in Moldovan lei and in non-convertible currency, namely five decisions to maintain and three decisions to reduce. With respect to the required reserve ratio from attracted funds in freely convertible currency, five decisions to maintain and three decisions to reduce were adopted.

During 2024, risks and uncertainties intensified at global, regional, and national levels, generated by the geopolitical armed conflicts in Ukraine and the Middle East, amid heightened global trade and geopolitical tensions and continued inflationary pressures. Risks related to the prices of energy resources, production and transportation costs, international quotations of raw materials and food products persisted throughout the year, alongside disruptions in supply, production, and transportation chains, which slowed down the recovery of the global economy against a backdrop of weak external demand and low consumption.

Under these circumstances, central banks reduced monetary policy interest rates, thereby initiating a period of monetary policy easing and revising inflation forecasts downward for the upcoming periods.

Chart 3.1: Evolution of monetary policy instruments (%)



Source: NBM

Thus, during 2024, the National Bank of Moldova undertook measures to ease monetary policy, and in this context, the Executive Board of the NBM decided to gradually reduce the monetary policy rate from 4.75% in December 2023 to 3.60% annually in December 2024 (Chart 3.1). By lowering the base rate, the aim was to ensure the continuity of the stimulative measures within the monetary policy easing cycle that had started at the end of 2022, against a well-founded background associated with the shaping of a disinflationary macroeconomic framework. At the same time, the required reserve ratio for funds attracted in Moldovan lei was reduced during 2024 from 33.0% to 25.0%. This decision led to an additional injection of liquidity into the money market, contributing to the expansion of lending resources for both the real sector and the public sector.

3.3 Monetary policy implementation

In 2024, the NBM continued to actively use the components of the operational framework of monetary policy in order to adjust monetary conditions with a view to maintaining, in the medium-term, inflation within the variation range of the 5.0% target ± 1.5 percentage points.

Under these circumstances, the NBM accompanied the reduction of the monetary policy rate in the first part of the year and its subsequent status quo with a decrease of similar magnitude and with the unchanged maintenance of the interest rates on standing facilities.

In this context, in the first half of 2024, the NBM carried out three consecutive reductions of the representative interest rates, albeit in differentiated proportions (two of 0.50 and one of 0.15 percentage points). Complementarily, and in correlation with the current and prospective evolution of the structural liquidity position of banks, as well as with developments in the main segments of the financial market, the NBM reduced the reserve requirement ratio on banks' leu-denominated liabilities cumulatively by 8.0 percentage points, and that on banks' foreign currency-denominated liabilities by 9.0 percentage points.

At the same time, the NBM maintained control over liquidity on the money market. Thus, the net liquidity surplus was drained through the consistent issuance of NBM certificates and, subsidiarily, through the deposit facility.

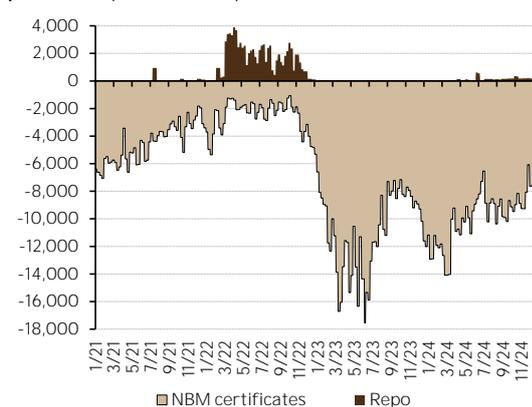
Open market operations

The ample excess liquidity on the money market during the first quarter of the year determined a change in the trend of the daily balance of NBC, which halted its decline and entered an upward trajectory. Reaching the annual maximum of MDL 14,092.3 million in March, the daily balance of NBC then outlined a downward trend, as part of the liquidity migrated towards the government securities market (the Ministry of Finance carried out the largest issuances in June and July) and the credit market for the primary sector (reflected in a doubling of the volume of such loans). It reached the annual minimum of MDL 6,069.5 million in November, when the NBM intervened most actively as a seller on the foreign exchange market and placements in SS increased significantly. By the end of December, the daily balance of NBC had corrected and stood at MDL 9,759.8 million at year-end (Chart 3.2).

Issuance of NBM certificates

The NBM conducted weekly auctions for the placement of NBC with a maturity of 14 days and with the announcement of the maximum interest rate (the NBM base rate). The gradual contraction of the daily balance of NBM certificates was less pronounced in quantitative parameters (the volume of liquidity drained through issued certificates and the annual average stock of NBC placements), these having slightly decreased compared to the previous year. The annual average balance of NBM certificates

Chart 3.2: Daily balance evolution of open market operations (MDL million)



Source: NBM

amounted to MDL 9,657.1 million compared to MDL 10,923.6 million recorded in 2023.

Repo operations

Repo operations were carried out weekly through unlimited auctions, with a maturity of 14 days and at a fixed rate (the NBM base rate plus a margin of 0.25 percentage points). The decrease in excess liquidity on the money market resulted in an intensification of banks’ recourse to liquidity-providing operations. Thus, the volume of liquidity provided (MDL 3,106.0 million) was significantly higher than in the previous year (MDL 125.0 million).

Standing facilities

The interest rate corridor system for standing facilities applied by the NBM continued to signal the overall orientation of monetary policy, ensuring, alongside open market operations, an adequate level of short-term liquidity in the banking system.

During 2024, as in the previous year, the National Bank continued monetary easing measures, including the reduction of policy rates.

Interest rates on standing facilities maintained their downward trend, with three reductions implemented in the first half of 2024 (two of 0.50 percentage points and one of 0.15 percentage points), while keeping the corridor symmetric around the base rate at ±2.0 percentage points.

As of December 31, 2024, the rates had declined to 5.60% and 1.60% for overnight loans and overnight deposits, respectively.

Throughout 2024, banks made use of both standing facilities offered by the NBM.

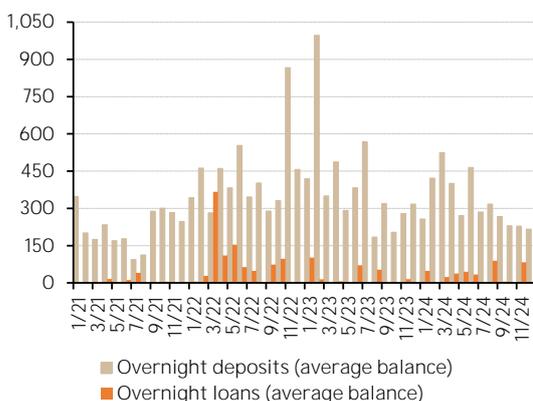
In the year under review, banks made less use of the **overnight deposit facility** offered by the NBM, usually resorting to overnight placements towards the end of the reserve maintenance periods, as they fulfilled their reserve requirements.

The total volume of overnight deposits amounted to MDL 83,909.5 million (2023: MDL 96,914.9 million), with the daily average stock standing at MDL 322.9 million, below the MDL 395.4 million recorded in the previous year.

The monthly average balance of banks’ overnight placements showed uneven values throughout the year, with the maximum (MDL 524.2 million) reached in March and the minimum (MDL 216.4 million) in December (Chart 3.3).

With regard to **overnight credit facility**, in 2024 banks borrowed from the NBM through overnight loans slightly above the level of the previous year. The total amount of overnight loans granted by the NBM in 2024 stood at MDL 7,332.0 million, up by about 12.7% compared to the previous year (MDL 6,507.0 million). The monthly peak of overnight loans granted in 2024 was recorded in August, with a balance of MDL 88.7 million.

Chart 3.3: Evolution of average monthly balance of overnight deposits/ loans in 2021-2024 (MDL million)



Source: NBM

Required reserves

During 2024, the NBM reduced the required reserve ratio on funds attracted in Moldovan lei (MDL) and in non-convertible currencies (NCC) by 8.0 percentage points, and the required reserve ratio on funds attracted in freely convertible currencies (FCC) by 9.0 percentage points (Chart 3.4). Thus, the NBM continued its policy of recalibration, narrowing the gap between the two ratios to 9.0 percentage points, with the aim of enhancing the efficiency of monetary policy transmission to the real sector. As of December 31, 2024, the required reserve ratio in MDL stood at 25.0%, and that in FCC – at 34.0%, compared with 33.0% and 43.0%, respectively, as of December 31, 2023.

In this context, the required reserves in MDL maintained by banks during the period December 16, 2024 – January 15, 2025 amounted to MDL 19,877.6 million, down by 13.0% compared with the reserves maintained by banks during the period December 16, 2023 – January 15, 2024, while funds attracted in MDL and NCC increased by 14.9% (Chart 3.5).

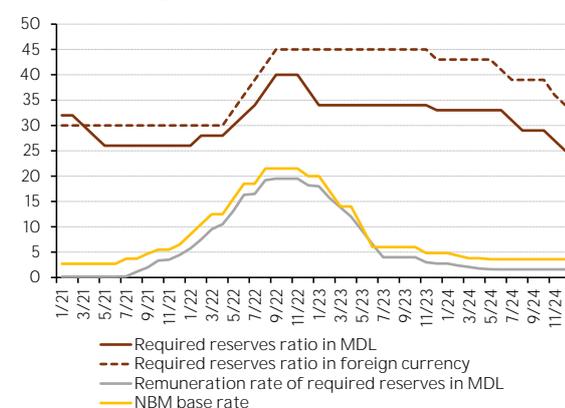
As of December 31, 2024, the required reserves in FCC held by banks amounted to USD 197.0 million and EUR 568.4 million. Compared to December 31, 2023, required reserves in USD decreased by 19.2%, while those in EUR declined by 11.0%. Funds attracted subject to reserve requirements in USD increased by 2.2%, and those in EUR – by 12.5%.

According to Article 17 of Law No. 548/1995 on the National Bank of Moldova, required reserves may be remunerated, and, in line with the applicable regulatory framework, when required reserves are remunerated, interest is paid on the portion exceeding 5.0% of the liabilities on which the required reserves are established. During 2024, in accordance with monetary policy decisions, the interest rate on the NBM overnight deposit facility, at which required reserves in MDL are remunerated, was gradually reduced to 1.60% at the end of December. Under these conditions, the remuneration rate of required reserves in MDL decreased from 2.75% in December 2023 to 1.60% in December 2024. The remuneration rates of required reserves in USD and EUR are calculated based on the SOFR and €STR³⁵, reduced by 2.0 percentage points. These rates also declined during the year, from 1.90% for the remuneration of reserves in EUR and 3.34% for those in USD in December 2023, to 1.05% and 2.52%, respectively, in December 2024. The reduction of required reserve ratios and their remuneration rates contributed to a decrease in the NBM's interest expenses on required reserves by MDL 851.1 million (or 56.4%) compared to 2023, totaling MDL 657.5 million (Chart 3.4).

Interventions on the domestic foreign exchange market

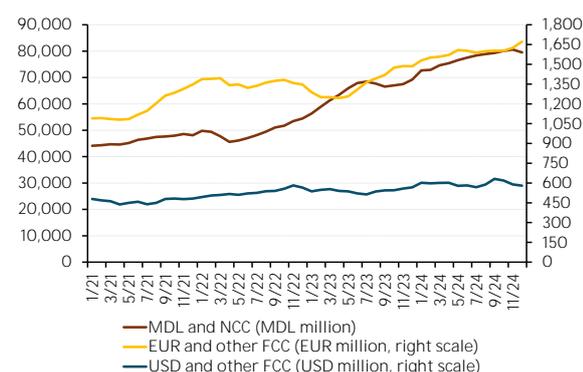
In 2024, the National Bank of Moldova intervened on the domestic foreign exchange market predominantly as a seller of foreign currency, especially in the fourth quarter, when a pronounced demand for foreign currency emerged.

Chart 3.4: Evolution of the required reserve ratio in MDL and foreign currency in 2021-2024 (%)



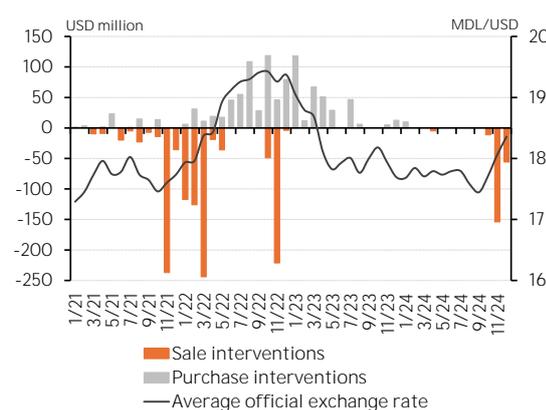
Source: NBM

Chart 3.5: Evolution of attracted funds subject to reserve requirements in 2021-2024 (averages over observation periods)



Source: NBM

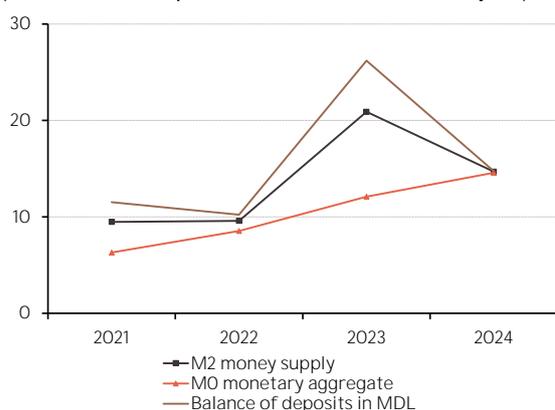
Chart 3.6: Evolution of the official MDL/USD exchange rate and the volume of NBM interventions in 2021-2024



Source: NBM

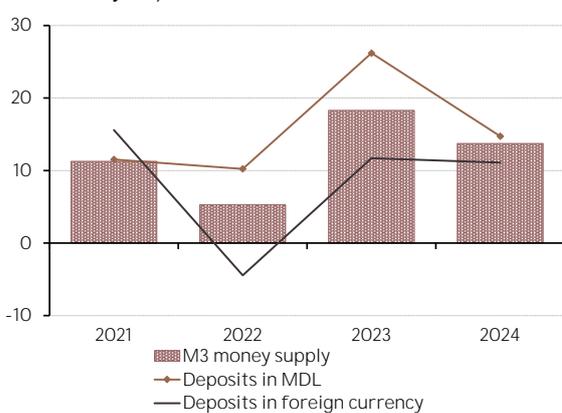
³⁵Euro short-term rate

Chart 3.7: Evolution of M2 money supply components (% increase compared to the same month last year)



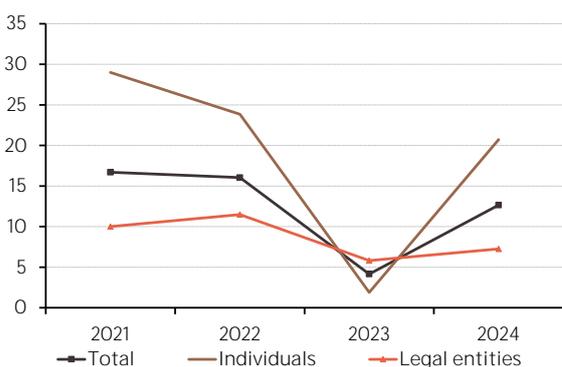
Source: NBM

Chart 3.8: Dynamics of the main components of M3 money supply (% increase compared to the same month last year)



Source: NBM

Chart 3.9: Average annual balance of loans granted in economy (% annual growth)



Source: NBM

During the reporting period, the net sales carried out by the National Bank of Moldova on the interbank foreign exchange market against Moldovan lei at the value date amounted to USD 204.62 million, including net purchases of foreign currency from World Bank institutions in the amount of USD 11.68 million (Chart 3.6).

In addition, during the reporting period, the NBM carried out purchase swap operations amounting to USD 5.45 million.

3.4 Monetary and foreign exchange conditions

Dynamics of monetary indicators³⁶

The evolution of monetary indicators during 2024 was influenced by the monetary policy easing measures adopted with the purpose of stimulating aggregate demand and boosting lending. These measures had an impact on the behavior of both economic agents and the population, contributing to the adjustment of saving and investment mechanisms.

Overall, monetary indicators in 2024 were characterized by a more moderate increase in money supply and a reduction in interest rates, in the context of monetary policy measures adopted by the NBM to support economic recovery and ensure financial stability.

At the end of 2024, broad money recorded an annual growth rate of 13.7%, marking a more tempered expansion compared to the previous year, as a result of changes in the structure of deposits in lei and foreign currency, as well as the monetary policy decisions implemented by the NBM.

Money supply

Throughout 2024, the National Bank of Moldova continued the process of easing monetary conditions by reducing the base rate and subsequently maintaining it at a favorable level. In addition, the required reserve ratio on attracted funds both in MDL and in freely convertible currencies was reduced. These measures were aimed at stimulating consumption, facilitating access to credit, and supporting investments in the economy.

As a result, the money supply (M2) increased by 14.7% in 2024, which is 6.2 percentage points below the annual growth recorded in 2023 (Chart 3.7). A more detailed analysis of the M2 monetary aggregate reflects a fluctuating growth pattern, with a downward trend in the first half of the year, followed by an acceleration of growth until October. Towards the end of the year, the growth pace moderated but remained on a positive trend. This development was mainly determined by the dynamics of deposits in the national currency and by the monetary policy measures adopted by the NBM.

³⁶The analysis in this subchapter was carried out based on the latest available data, using monetary statistics, in accordance with the "Instruction on the procedure for completing the Monetary Statistics Report by licensed banks", approved by Decision of the Executive Board of the NBM No. 255 of November 17, 2011.

The balance of deposits in lei recorded a weaker annual growth rate after a significant increase in 2023, which was driven by the reduction of interest rates. At the same time, currency in circulation continued to grow compared to the previous year. Thus, at the end of 2024, deposits in the national currency and currency in circulation increased by 14.7% and 14.6%, respectively, compared to 2023.

The evolution of deposits in MDL (Chart 3.8) was largely driven by the increase in sight deposits of individuals. Term deposits in MDL had a more limited impact, with their growth amounting to 7.0% annually.

At the end of December 2024, currency in circulation reached MDL 44,175.1 billion, registering an increase of MDL 5,619.9 billion compared to the beginning of the year. The annual growth rate of currency in circulation maintained the upward trend observed at the end of 2023, fluctuating slightly around a relatively stable level. The peak growth was recorded in October 2024, when it reached 19.7% annually, but by year-end it had returned to 14.6% annually.

During the year, an average increase in cash turnover was observed compared to the previous year. The main factors contributing to the rise in currency in circulation were cash withdrawals from ATMs and cash disbursements for foreign exchange operations carried out by individuals.

At the same time, (M3) money supply recorded an annual growth of 13.7%, down by 4.6 percentage points compared to 2023 (Chart 3.8).

At the end of 2024, the growth rate of foreign currency deposits amounted to 11.1%, driven mainly by a higher contribution of sight deposits, which, recalculated in MDL, recorded an annual growth of 16.1%. Term deposits increased by 5.3% annually.

The share of deposits in MDL in total deposits amounted to 65.3%, increasing by 0.7 percentage points, while the share of foreign currency deposits stood at 34.7%.

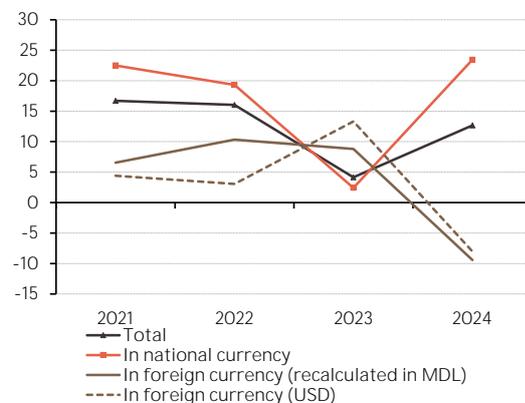
Within the structure of deposits in MDL, the share of term deposits in total deposits in MDL at year-end was 39.1%, marking a decrease of 2.8 percentage points compared to 2023. With regard to the structure of foreign currency deposits, 43.9% represented term deposits, down by 2.4 percentage points compared to the level recorded in the previous year.

Lending market

The accommodative monetary policy pursued in 2024 resulted in a gradual reduction of interest rates throughout the year, which continuously stimulated the lending process in the national currency. Thus, the MDL component consolidated its dominant share.

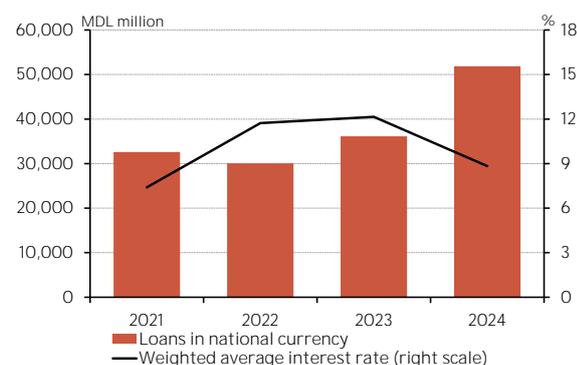
In 2024, the evolution of the average annual balance of claims on the economy followed an upward trend, driven mainly by loans granted to individuals (Chart 3.9).

Chart 3.10: Dynamics of the components of the average annual balance of loans granted in economy (% annual growth)



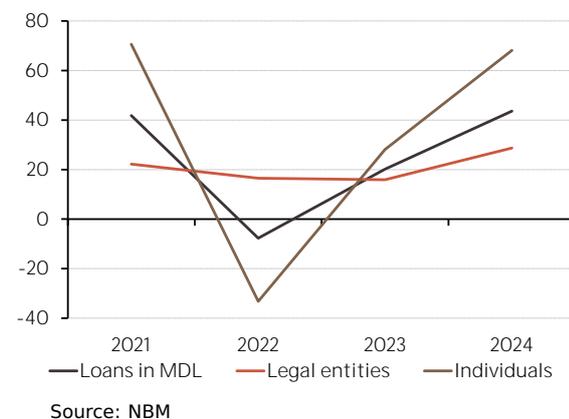
Source: NBM

Chart 3.11: Dynamics of the volume and weighted average rates to new loans granted in MDL



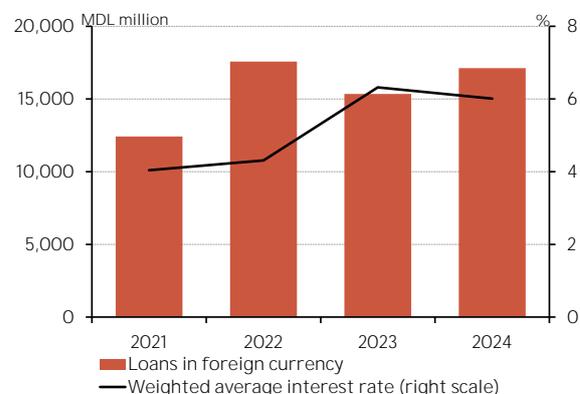
Source: NBM

Chart 3.12: Dynamics of the volume of new loans granted in MDL (% annual growth)



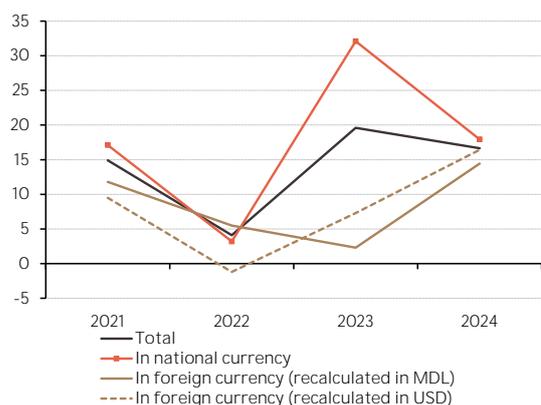
Source: NBM

Chart 3.13: Dynamics of the volume and weighted average rates of new loans granted in foreign currency and attached to the exchange rate



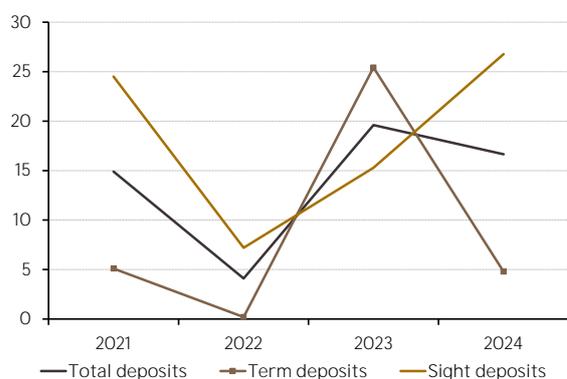
Source: NBM

Chart 3.14: Dynamics of the components of the average annual balance of attracted deposits (% annual growth)



Source: NBM

Chart 3.15: Dynamics of the average annual balance of attracted sight and term deposits (% annual growth)



Source: NBM

Accordingly, the average annual balance of total claims on the economy recorded a nominal annual growth rate of 12.7%, compared to 4.1% in 2023. The pronounced dynamics of claims on the economy were due to the MDL component, influenced by accommodative monetary policy decisions and measures (Chart 3.10). The average annual balance of claims on the economy in the national currency recorded a significant increase compared to 2023, amounting to 23.4% (Chart 3.10), against the background of gradual reductions in interest rates. On the segment of the national currency, from a sectoral perspective, the average annual growth of individuals claims was 22.3%, while that of legal entities claims reached 25.1%.

The share of claims on the economy in the national currency stood at 75.2% at the end of 2024 compared to 70.1% at the end of 2023. At the same time, the balance of foreign currency claims declined, recording a negative average annual rate compared to the previous year.

Evolution of new loans granted by the licensed banks

In 2024, the accommodative monetary policy continuously stimulated the lending process in the national currency. As a result, the annual dynamics of new loans granted by licensed banks recorded a clear upward trend (Chart 3.11), against the background of gradual reductions in interest rates (Chart 3.18). The total volume of new loans granted by licensed banks in the national currency amounted to MDL 51,867.5 million, 43.6% higher than in 2023 (Charts 3.11 and 3.12).

The increase was driven by the growth in loans granted to legal entities by 28.7% and by a more pronounced dynamic of loans granted to individuals, 68.1% (Chart 3.12). The growth rate of loans granted to individuals was due to the increase in the volume of consumer and mortgage loans. The dynamics of lending to this sector led to an increase in the share of loans granted in MDL to individuals, reaching 44.0% in 2024, compared to 37.6% in 2023.

The national currency component consolidated its dominant share in total loans, increasing to 75.2% in 2024, from 70.2% in 2023. This evolution reflected the revival of lending in MDL.

At the same time, in the reporting year, the volume of loans granted in foreign currency and attached to the exchange rate, recalculated in MDL, was 11.6% higher than in 2023, totaling MDL 17,119.6 million (Chart 3.13). The dynamic was entirely due to loans granted to legal entities, supported by the recovery of certain sectors of activity and the reduction of interest rates.

Deposit market

The average annual balance of deposits slowed its growth in 2024, driven mainly by the structural component in the national currency (Chart 3.14). The average annual balance of deposits in MDL recorded an annual growth rate of 17.9%, compared to 32.1% in 2023, primarily due to the reduction in the volume of new term deposits attracted, in line with the gradual decline in interest rates.

From the perspective of maturity, the average annual balance of deposits was influenced by the deceleration in the growth rate of the average annual balance of term deposits, down to 4.8%, compared to 25.4% in 2023 (Chart 3.15). This impact was offset by the dynamics of the average balance of sight deposits, whose annual growth rate rose to 26.8%. At the end of the year, the share of sight deposits stood at 59.2%, up by 2.7 percentage points compared to the end of 2023.

Evolution of new term deposits attracted by the licensed banks

In 2024, new term deposits attracted by licensed banks followed a downward trajectory compared to the previous year, against the background of the gradual reduction in interest rates.

The total volume of term deposits amounted to MDL 40,384.9 million, lower by 8.0% than in the previous year, as a result of developments in deposits attracted both in foreign currency and in the national currency.

In this context, in 2024, the volume of deposits in the national currency amounted to MDL 26,864.8 million (Chart 3.16), down by 4.4% compared to 2023. The decrease was driven by a 10.7% decline in deposits attracted from individuals, offset by a positive increase of 16.5% in term deposits from legal entities. The decrease in term deposits attracted from individuals reduced their share to 71.8%, compared to 76.9% in the previous year.

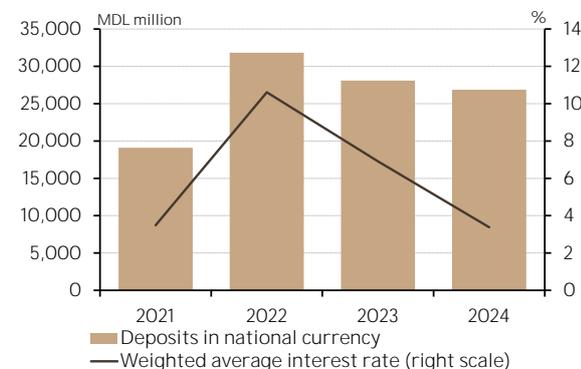
At the same time, deposits attracted in foreign currency, recalculated in the national currency, also recorded a decline (Chart 3.17). At the sectoral level, the decrease was attributable to both categories of depositors.

Interest rates on attracted deposits and new loans granted by licensed banks

Reflecting the effects of the National Bank of Moldova's accommodative monetary policy decisions, through the gradual reductions of the base rate, interest rates on term deposits and loans granted in the national currency followed downward trajectories.

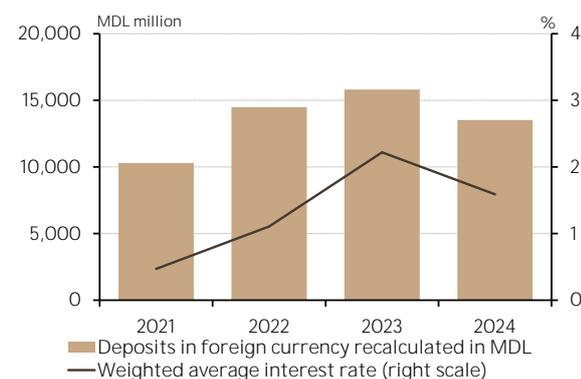
During 2024, the Executive Board of the National Bank of Moldova gradually reduced the base rate applied to the main monetary policy operations, with the aim of stimulating lending and supporting domestic aggregate demand, balancing the national economy, and anchoring inflation expectations, in order to maintain inflation within the variation band of the target over the medium-term. Thus, in the first half of 2024, through three decisions, the base rate was reduced from the annual level of 4.75% to 3.60% per annum, and it was maintained at this level until the end of the year (Chart 3.18).

Chart 3.16: Dynamics of the volume and weighted average interest rates on new term deposits attracted in MDL



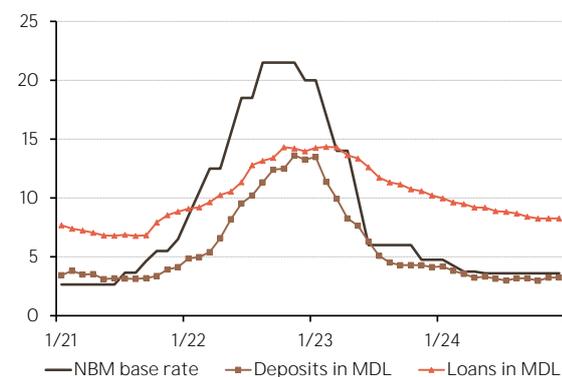
Source: NBM

Chart 3.17: Dynamics of volume and weighted average rates on new term deposits attracted in foreign currency, recalculated in MDL



Source: NBM

Chart 3.18: Average interest rates in MDL (% annual)



Source: NBM

Chart 3.19: Average interest rates on the balance of loans and deposits at end-of-year (% annual)

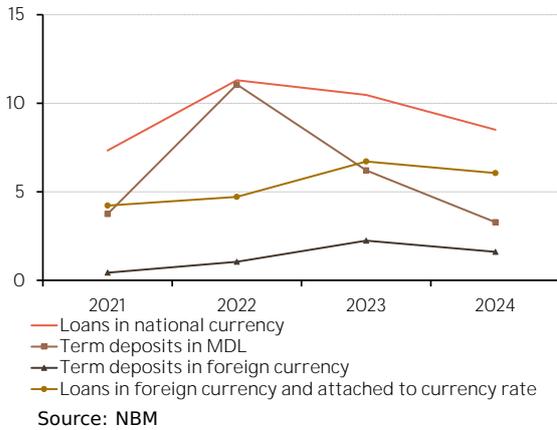


Chart 3.20: Money velocity (percentage points)

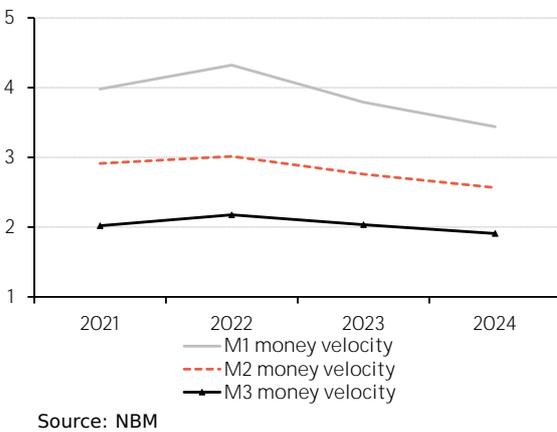
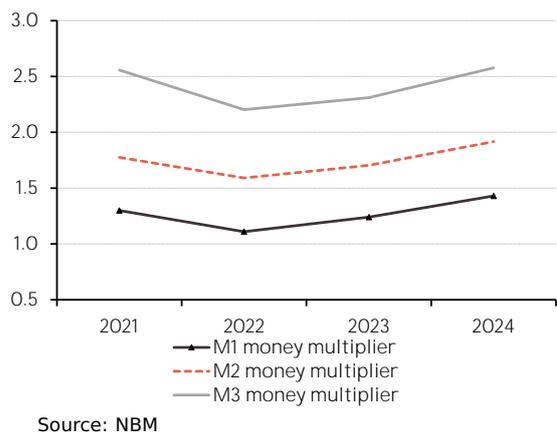


Chart 3.21: Monetary multiplier indicators (percentage points)



Interest rates on new loans granted by the licensed banks

As a result of the transmission of monetary policy decisions and the conditions on the money and foreign exchange markets, the weighted average interest rate on new loans granted by licensed banks in MDL decreased from 9.97% annually in January 2024 (the peak value) to 8.25% annually in October 2024 (the minimum value), while in November and December no significant changes occurred (Chart 3.18). At the sectoral level, monthly developments were similar. Thus, the weighted average interest rate on new loans granted to individuals decreased from 10.98% annually in January to 8.78% annually in November 2024, mainly due to reductions in interest rates on new consumer and mortgage loans. In the corporate sector, the weighted average interest rate on loans in MDL also fell, from the peak value of 9.26% annually in January to 7.72% annually in October.

Over the course of 2024, the weighted average annual interest rate on loans granted in the national currency stood at 8.82% annually, down by 3.33 percentage points compared to 2023 (Chart 3.11).

Interest rates on new term deposits

Following the reductions of interest rates on term deposits attracted in the national currency in 2023, in the reporting year, against the background of the continued reduction of the NBM base rate and monetary developments, the decreases were insignificant. Thus, the weighted average interest rates on new term deposits attracted by licensed banks in the national currency ranged between 4.18% annually in January and 2.97% annually in October (Chart 3.18). Subsequently, in the last two months of the year, the trend reversed, and the weighted average interest rate increased to 3.24% annually in December. The weighted average interest rates on deposits attracted from individuals also decreased slightly, fluctuating between 4.16% annually and 3.25% annually. It should be noted that the weighted average interest rate on deposits attracted from legal entities decreased from 4.24% per annum to 2.22% per annum.

At the same time, the weighted average interest rate on term deposits in the national currency stood at 3.38% annually, twice as low compared to 2023 (Chart 3.16).

Interest rates on balances

In the context of developments on the money market, over the course of 2024, the impact of reductions in interest rates on new transactions was also reflected in the weighted average interest rates on balances in MDL, both for term deposits and for loans granted by the banking system (Chart 3.19).

At the end of 2024, the weighted average interest rate on the balance of loans in the national currency stood at 8.50% annually, lower by 1.97 percentage points compared to the end of 2023. At the same time, the weighted average interest rate on the balance of loans in foreign currency and linked to the exchange rate amounted to 6.06% annually, down by 0.66 percentage points compared to 2023.

A more pronounced decline, in the national currency segment, was recorded in the weighted average interest rate on the balance of term deposits in MDL, which at the end of the reporting year amounted to 3.28% annually, lower by 2.93 percentage points compared to the end of 2023. The weighted average interest rate on the balance of deposits in foreign currency decreased by 0.63 percentage points compared to the end of 2023, reaching 1.61% annually.

Monetary indicators

In 2024, the indicators of money velocity continued their downward trajectory that began in the previous year, due to disruptions in real economic activity as well as the faster growth rate of monetary aggregates compared to the growth rate of nominal GDP.

The velocity of the monetary aggregate M1 decreased by 0.35 percentage points, reaching a level of 3.4 percentage points (Chart 3.20), while the velocity coefficient of the M2 aggregate declined by 0.19 percentage points to 2.6 percentage points. At the same time, the velocity of the M3 aggregate registered 1.9 percentage points, down by 0.13 percentage points compared to the level recorded in the previous year.

With regard to the monetary multiplier indicators, in the reporting year they reinforced the trend observed in the previous year, as both money supply and the monetary base expanded. In 2024, all monetary multipliers slightly increased: the M3 multiplier rose by 0.27 percentage points to 2.58 percentage points (Chart 3.21), the M2 multiplier increased by 0.21 percentage points to 1.92 percentage points, while the M1 multiplier reached 1.43 points, up by 0.19 percentage points.

In 2024, the economy monetization coefficient also increased, driven by the cycle of monetary policy easing. Thus, at the end of 2024, the monetization coefficient M3 reached 0.52 points (Chart 3.22), which is 0.03 percentage points higher than the previous year.

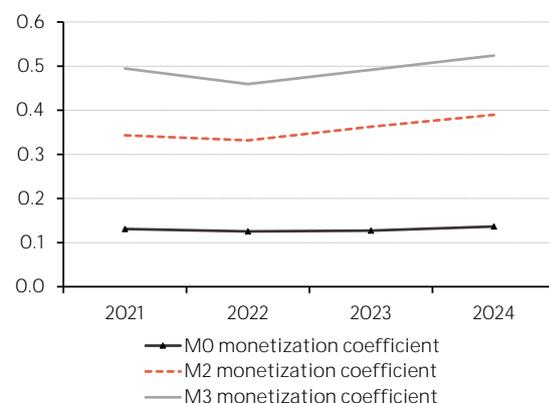
The monetization coefficient M2 stood at 0.39 points, also up by 0.03 percentage points compared to 2023. The monetization coefficient M0 reached 0.14 points, recording a marginal increase of 0.01 percentage points.

The indebtedness degree of the economy increased in 2024 by 3.8 percentage points compared to the previous year, reaching 25.5%, driven by the growth rate of loans granted by the banking sector.

At the same time, the economy lending coefficient (the ratio of loans to deposits) expanded by 6.1 percentage points in 2024, reaching 65.9% (Chart 3.23), as the growth rate of loans outpaced that of deposits.

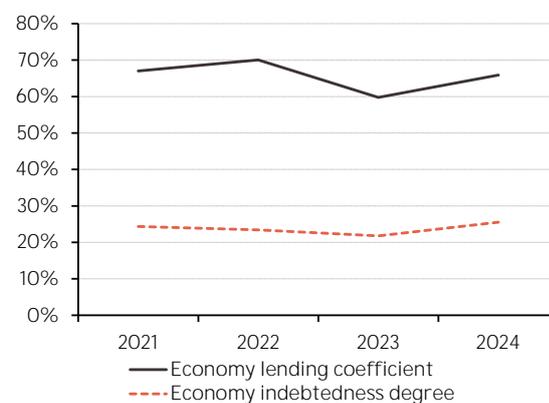
The degree of dollarization of the balance of loans granted in the economy continued its downward trend, standing at 24.8% of total balance of loans, which is 5.1 percentage points lower than at the end of the previous year, reflecting the stronger growth of lending in the national currency during 2024. The dollarization of deposits also declined by 0.7 percentage points, amounting to 34.7% at year-end (Chart 3.24).

Chart 3.22: Monetization coefficient of economy (percentage points)



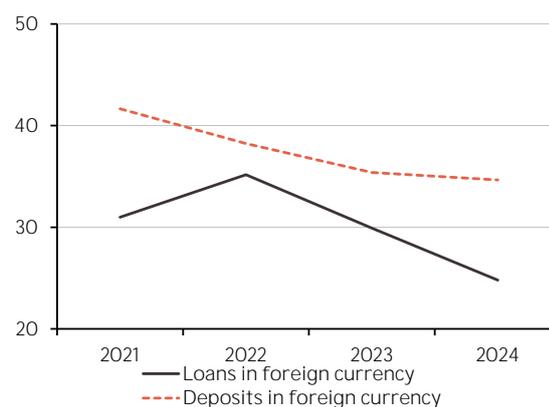
Source: NBM

Chart 3.23: Economy lending coefficient and the degree of indebtedness (%)



Source: NBM

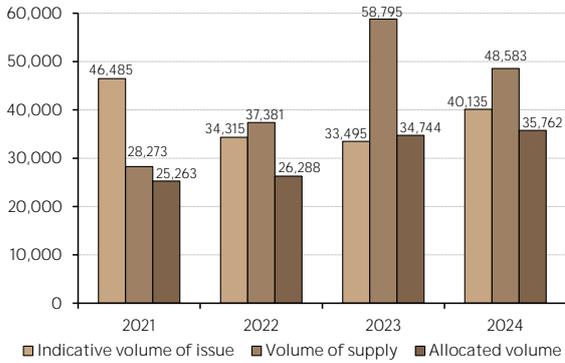
Chart 3.24: Degree of dollarization in the economy (%)



Source: NBM

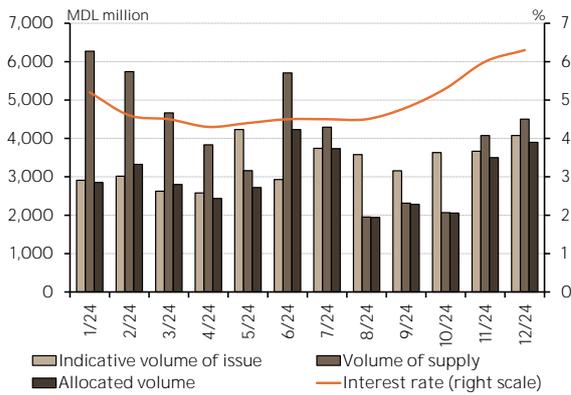
3.5 Monetary market

Chart 3.25: Quantitative indicators of the primary market for SS (MDL million)



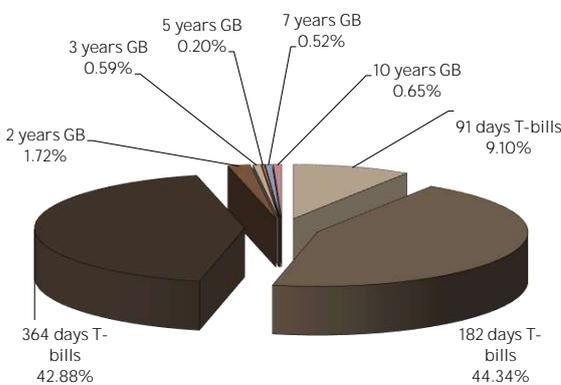
Source: NBM

Chart 3.26: Monthly dynamics of primary market indicators of SS



Source: NBM

Chart 3.27: Structure of SS issues by maturity in 2023



Source: NBM

Primary market of state securities

In 2024, the Ministry of Finance maintained the usual maturities of securities offered for sale while reducing the number of auctions held from 111 to 92. The ratio between the volume demanded by investors and the volume announced by the issuing authority in the auctions decreased, but remained above unity. Nevertheless, in an attempt to counteract the increase in interest rates, the Ministry of Finance rejected part of the bids submitted during the auctions and placed a volume of SS below the amount announced. Even under these circumstances, the total volume of securities issued increased, reaching a new historical maximum of MDL 35,762.4 million (Chart 3.25).

The evolution of interest rates on the primary market for state securities reflected the combined influences, during 2024, of the persistence of excess liquidity in the banking sector and, implicitly, the investors' interest in this type of placement as well as the reductions applied to the NBM's policy rate.

The average interest rate on the SS market continued its downward trend in the first four months of the year, after which it recorded a relatively flat evolution. In September, the average interest rate initiated an upward trend, which continued until the end of the year, reaching the annual maximum of 6.28% in December (Chart 3.26).

The relatively high attractiveness of SS placements fueled investors' interest outside the banking sector, as illustrated by the renewed surge to record highs of recent years in the volumes purchased by these investors during 2024 – MDL 7,790.8 million, (MDL 7,537.2 million in 2023), or 21.8% of SS issued (21.7% in 2023).

Investors, continuing to express risk aversion, opted for SS with a maturity of up to one year, which held the largest share in total SS issued. The share of GB in total SS remained small and continued to decline in 2024, halving compared to the level recorded in 2023. However, the average maturity of securities issued managed to register a slight increase, due to the reduction in the share of 91-day and 182-day treasury bills and the increase in those with 364 days, reaching 306 days (Charts 3.27 and 3.28).

The interest rates on SS continued to decline rather sharply in the first part of the year. This downward path was interrupted in September, and until the end of the year they experienced a continuous upward trend, driven by investors' expectations regarding future inflationary pressures.

These developments were also associated with a widening gap between the interest rates on 182-day and 364-day securities, which oscillated at the upper end of the corridor of rates and exceeded its upper limit in the last quarter of the year, compared to the 91-day securities, which remained predominantly close to

the deposit facility rate. This situation can be explained by the increase, in the reporting year, of the volume allocated by the Ministry of Finance to the issuance of treasury bills with longer maturities (Chart 3.29).

The annual average also recorded a notable decrease: from 8.62%, the value recorded in 2023, to 4.93% in 2024. However, the magnitude of the declines was heterogeneous across maturities, being more pronounced for 91-day bills (-7.00 percentage points).

The annual weighted average nominal interest rates on SS sold during the last two years at primary market auctions, broken down by maturities, are presented in table 3.1.

In the hierarchy of financial market yields, the leading position was retained for the second consecutive year by the interest rates on loans granted to the economy. However, SS interest rates resumed and then accelerated their growth in the last quarter of the year, distancing themselves significantly from those on deposits. The margin between the interest rates on loans granted and deposits placed maintained the amplitude characteristic of the previous year (Chart 3.30).

The volume of state securities placed on the primary market through auctions and in circulation as of December 31, 2024 amounted to MDL 30,240.8 million at nominal value (Chart 3.31). At the purchase-sale price, constituted MDL 29,075.7 million, registering an increase of MDL 4,667.1 million at the end of the reporting year compared to the end of the previous year. Of the SS in circulation as of December 31, 2024, those with a residual maturity of up to three months accounted for 28.5%, from 3 to 6 months – 34.7%, from 6 to 12 months – 31.4%, and over one year – 5.3% (values comparable to those recorded in the previous year).

Secondary market for state securities

The total volume of secondary market transactions in 2024 recorded a decrease of about 25.0% compared to the previous year, amounting to MDL 539.8 million (2023: MDL 720.0 million). The monthly maximum value (MDL 86.1 million) was registered in July.

The yields on government securities with maturities of up to one year traded on the secondary market followed the trend of the primary SS market, reflecting the changes applied to the NBM's monetary policy rates. Thus, the maximum level of the average monthly interest rate, of 5.53%, was recorded in October, while the minimum of 3.83% was registered in May (Chart 3.32).

The average annual interest rate on SS with a maturity of up to one year stood at 4.49% (2023: 9.39%), while the weighted average maturity increased to 239 days (2023: 165 days).

In the maturity structure of SS traded on the secondary market, securities with maturities of up to one year remain the most actively traded, with a noticeable increase in the share of securities maturing from 183 to 364 days, at the expense of those maturing within 91 days (Charts 3.33 and 3.34). At the same time, trading activity in the GB segment intensified, with their total share rising from 1.8% in 2023 to 10.1% in the reporting year, of which 7.9% represented GB with a maturity of 10 years.

Chart 3.28: Structure of SS issues by maturity in 2024

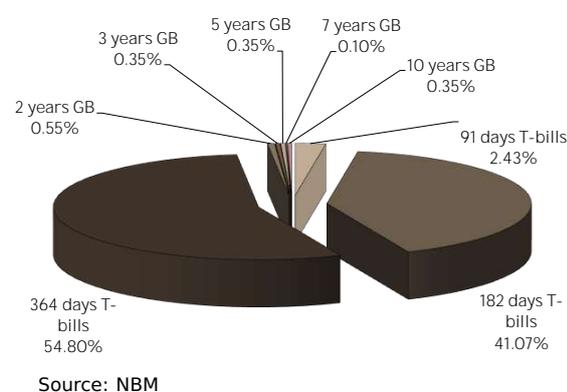


Chart 3.29: Dynamic of nominal interest rates on SS with the maturity up to one year (%)

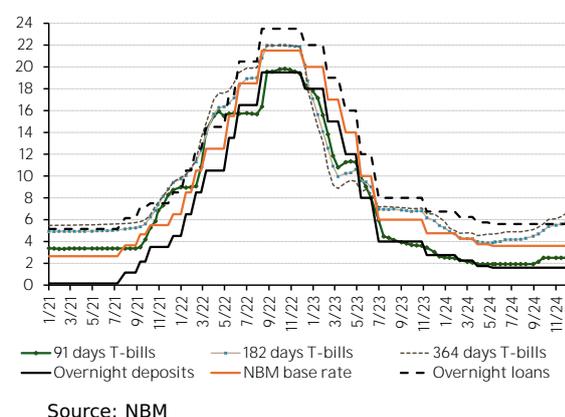


Table 3.1: Annual weighted average nominal interest rates of the state securities by maturities (%)

	2024	2023
91 days T-bills	2.21	9.21
182 days T-bills	4.60	8.80
364 days T-bills	5.26	8.15
SS with maturity up to one year	4.93	8.62
2 years GB	5.14	9.31
3 years GB	5.24	8.56
5 years GB	5.94	7.36
7 years GB	5.60	8.60
10 years GB	7.61	8.42

Source: NBM
Note: effective interest rates are shown for government bonds.

Evolution of interbank market indicators in MDL

Reference interest rates on the interbank money market

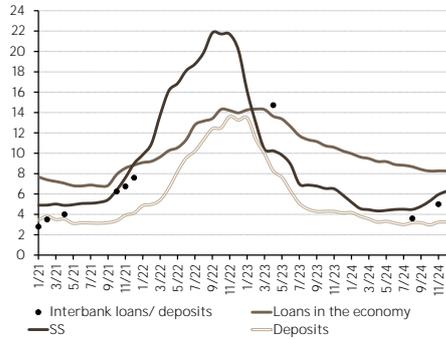
The curve of reference rates CHIBOR/ CHIBID (calculated on the basis of indicative interest rates for placing/ attracting funds in national currency on the interbank market) reduced its volatility and recorded an overall downward trend during 2024.

In their turn, CHIBOR 2W quotations did not react to the changes in the base rate in the first half of the year, deviating significantly from it, and remained almost constant until the end of the analysis period. Thus, their values at the end of 2024 were slightly lower than those recorded in the same period of the previous year, standing at 7.43% (Chart 3.35).

Interbank loans/ deposits market in MDL

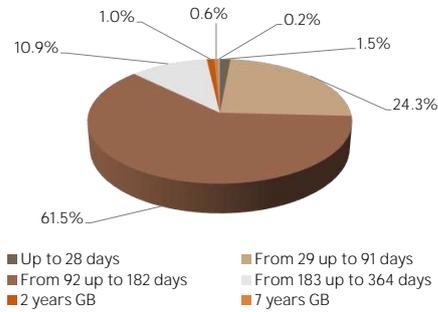
During 2024, on the interbank loans/ deposit market, transactions were recorded on very short-terms (overnight) by a limited number of participants. The total transaction volume amounted to MDL 255.0 million, carried out in August and November. The annual weighted average value of interbank loans/ deposits yield amounted to 4.04%.

Chart 3.30: Dynamic of interest rates on the financial market (%)



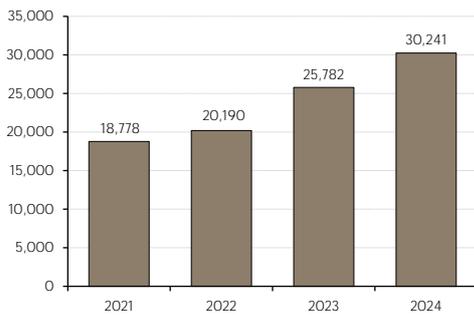
Source: NBM

Chart 3.33: Structure of SS traded on the secondary market by maturity split in 2023



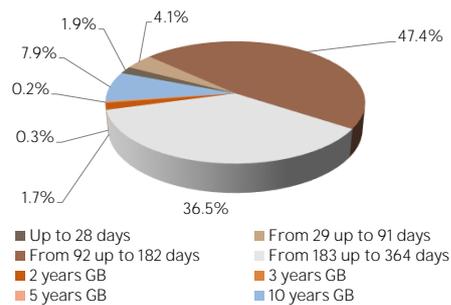
Source: NBM

Chart 3.31: Dynamic of SS volume in circulation at the end of the period (MDL million)



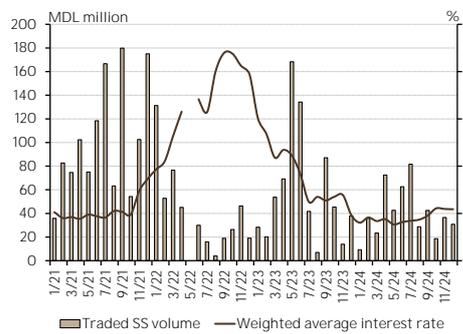
Source: NBM

Chart 3.34: Structure of SS traded on the secondary market by maturity split in 2024



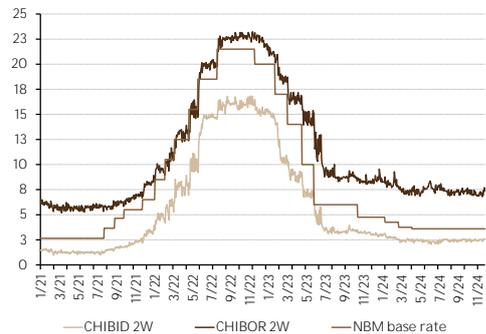
Source: NBM

Chart 3.32: Dynamic of SS indicators (T-bills) traded on the secondary market in the period 2021-2024



Source: NBM

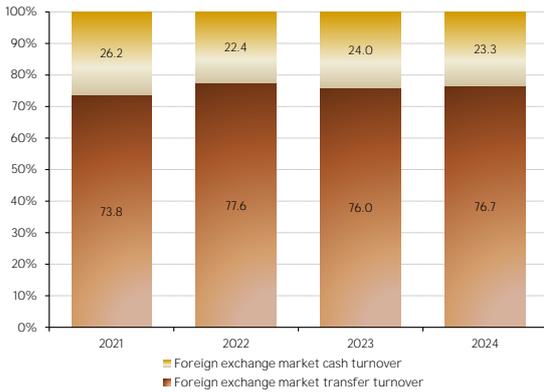
Chart 3.35: Evolution of reference rates on the interbank market and the NBM base rate (%)



Source: NBM

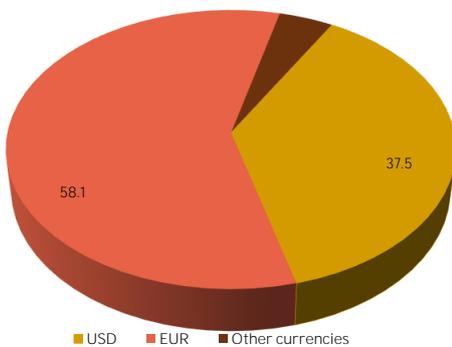
3.6 Foreign exchange market

Chart 3.36: Turnover of foreign exchange transactions against MDL realized on the domestic foreign exchange market, in structure by settlement modality (transfer or cash), years 2021-2024 (%)



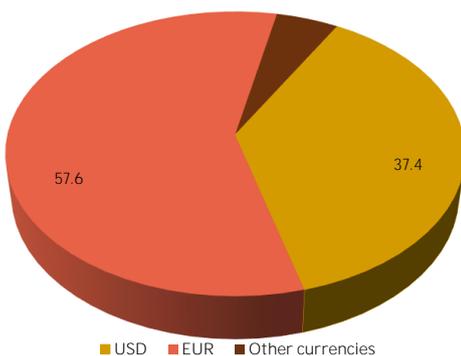
Source: NBM

Chart 3.37: Currency structure of the total turnover of foreign exchange transactions against MDL carried out on the domestic foreign exchange market in 2023 (%)



Source: NBM

Chart 3.38: Currency structure of the total turnover of foreign exchange transactions against MDL carried out on the domestic foreign exchange market in 2024 (%)



Source: NBM

Evolution of the foreign exchange market of the Republic of Moldova

The total turnover of currencies traded against MDL increased by 5.9% to the equivalent of USD 22,997.4 million (Table A.6), driven by the rise in transactions of licensed banks with legal entities and individuals.

The turnover of giro transactions rose by 6.9%, while the turnover in cash transactions increased at a lower pace, by 2.8%. As a result, the share of the foreign exchange market turnover conducted via transfer transactions expanded from 76.0% in 2023 to 76.7% (Chart 3.36).

Within the structure by counterparty type of transfer transactions, there was an increase of 1.7 percentage points to 10.7% in transactions with individuals, while the majority share continued to be held by transactions with legal entities (89.3%).

Regarding cash foreign exchange operations, 57.1% were carried out through exchange offices of licensed banks.

Similar to the previous year, the euro continued to be the preferred currency for foreign exchange transactions, maintaining its dominant share.

In the currency structure of the total turnover of the domestic foreign exchange market, the euro accounted for 57.6%, a slight decrease of 0.5 percentage points compared to the previous year (Charts 3.37 and 3.38). The euro held the majority share in both the cash transactions segment of the foreign exchange market (69.9%) and in the transfer transactions segment (53.9%), (Table A.7).

The euro also maintained its dominant position in terms of the number of transactions. About 69% of foreign exchange operations with non-bank legal entities were carried out against the euro (Chart 3.39).

Transactions against the euro predominate in terms of the number of transactions up to the equivalent of USD 1 million, while conversions of larger amounts continued to be carried out mainly in US dollars (Charts 3.40 and 3.41).

The turnover of foreign exchange operations against MDL carried out by licensed banks amounted to USD 20,703.2 million, up by 5.4% compared to the previous year. The turnover of transactions with legal entities, which holds the largest share in operations conducted by licensed banks, expanded by 11.8%. Sales to economic agents increased more sharply (14.4%) compared with purchases from them (7.4%), in a context of rising imports and declining exports. At the same time, the turnover of transactions with individuals and exchange offices rose by 7.0%, against the

background of higher sales (12.8%) and purchases from individuals and exchange offices (5.3%).

With regard to the interbank foreign exchange market, the turnover of transactions between resident banks increased by 0.7%, while the turnover of transactions with non-resident banks decreased by 48.7%.

Overall, the domestic foreign exchange market recorded a currency deficit, as net foreign currency purchases from individuals, exchange offices and other sources (USD 3,345.1 million) were below the net foreign currency demand from economic agents (USD 3,580.0 million). Under these conditions, during the year, the NBM intervened with net foreign currency sales to licensed banks in the amount of USD 216.3 million. The NBM's sales were mainly concentrated in the fourth quarter, when a currency deficit was recorded, driven primarily by higher demand for foreign currency to finance energy imports and by a decline in the supply of foreign currency from individuals (Table A.8).

Foreign exchange assets and liabilities dynamics of licensed banks

During the reporting year, the **balance sheet foreign exchange assets and liabilities**³⁷ of the licensed banks increased slightly, with their balances standing at USD 2,789.2 million and USD 2,788.2 million, respectively, as of December 31, 2024, up by 0.4% and 0.9%, respectively, compared to December 31, 2023. Excluding exchange differences³⁸, balance sheet foreign exchange assets and liabilities increased by 5.2% and 5.6%, respectively. As a share of total bank assets and liabilities, compared to the end of 2023, balance sheet foreign exchange assets accounted for 30.3% of total assets (-1.1 percentage points), while balance sheet foreign exchange liabilities accounted for 36.2% (-1.6 percentage points) of total liabilities.

Balance sheet foreign exchange assets and liabilities continue to be predominantly denominated in euro. In 2024, the share of this currency rose slightly, exceeding 75.0% in the structure of both indicators (Charts 3.42 and 3.44).

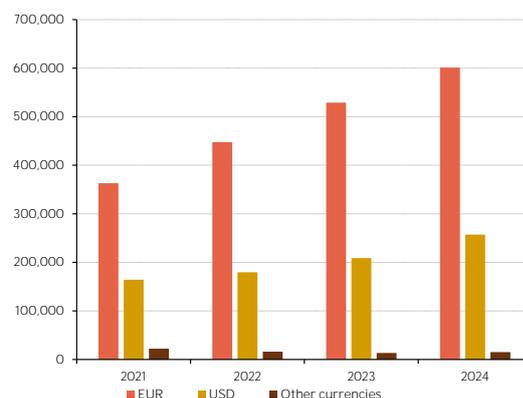
In the structure of assets by items, there was a positive dynamics of banks' foreign currency holdings. At the end of the reporting year, these amounted to USD 876.5 million, up by 18.2% compared to the previous year, or by 22.9% when excluding exchange rate differences. In particular, balances of placements, including overnight placements in foreign banks, and holdings of foreign currency securities increased (Tables A.9 and A.10). At the end of the year, foreign currency holdings accounted for 31.4% of total balance sheet foreign exchange assets.

Regarding the currency structure of local banks' foreign currency holdings, as of December 31, 2024, the largest share was held by

³⁷ Both indicators exclude the regulatory position and include assets and liabilities attached to foreign exchange rate.

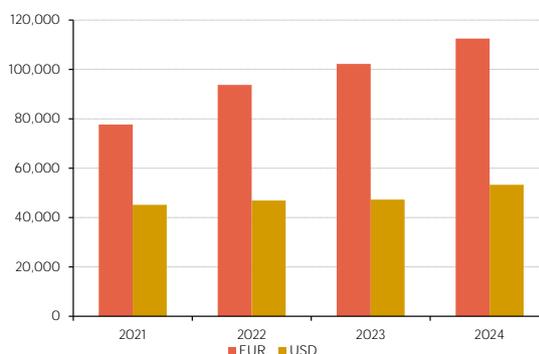
³⁸ Which arise from the recalculation into US dollars of the currencies in which foreign exchange assets and liabilities are denominated.

Chart 3.39: Total number of foreign exchange transactions with legal entities, by currencies



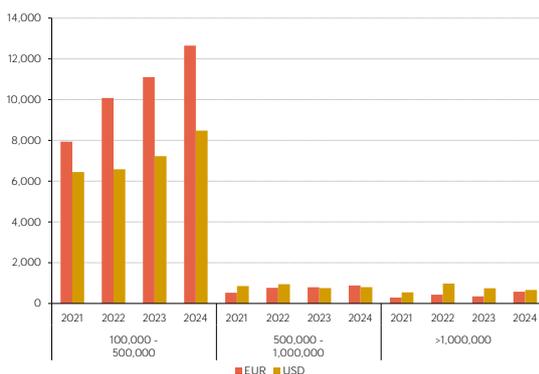
Source: NBM

Chart 3.40: Number of transactions in euro and US dollars on the intra-bank foreign exchange market by transfer, broken down by amount traded (with the equivalent from USD 10,000 to USD 100,000)



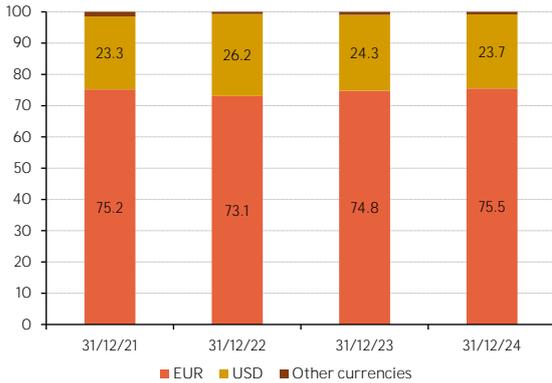
Source: NBM

Chart 3.41: Number of transactions in euro and US dollars on the intra-bank foreign exchange market by transfer, broken down by amount traded (greater than the equivalent of USD 100,000)



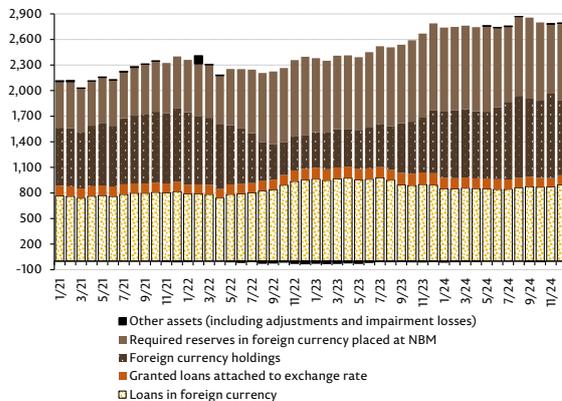
Source: NBM

Chart 3.42: Currency structure of balance sheet foreign exchange assets, effective exchange rate (%)



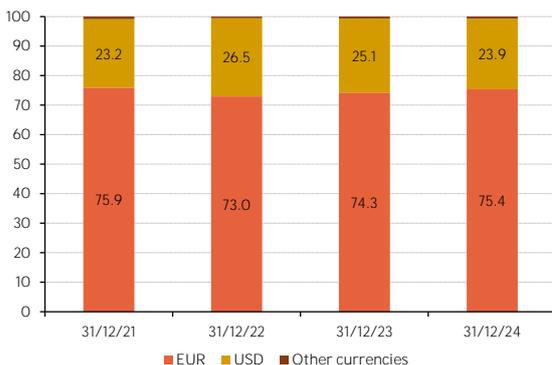
Source: NBM

Chart 3.43: Balance sheet foreign exchange assets, at effective exchange rates, broken down by type of asset (USD million)



Source: NBM

Chart 3.44: Currency structure of balance sheet foreign exchange liabilities, effective exchange rate (%)



Source: NBM

the euro – 64.2%, followed by the US dollar – 33.4%, and other currencies – 2.4%.

In 2024, the foreign currency lending activity of licensed banks recorded an increase of 5.4%³⁹. Thus, the loan portfolio denominated in US dollars grew by 0.1%, while the loan portfolio denominated in euro increased by 6.7%⁴⁰. At the same time, loans denominated in the national currency but attached to the exchange rate registered a decline. Those attached to the euro exchange rate decreased by 14.2%, while those attached to the US dollar exchange rate fell by 10.1%.

Under these conditions, the balance of foreign currency loans and exchange rate attached loans amounted to USD 1,007.6 million (of which USD 113.0 million were attached to the exchange rate). Their share in total balance sheet foreign exchange assets stood at 36.1% – 1.0 percentage points lower than at the end of 2023.

Against the backdrop of a reduction in the reserve requirement, as of December 31, 2024, the balance of *required reserves in foreign exchange* decreased to the equivalent of USD 907.5 million, 6.3% lower, at the fixed exchange rate, compared to the end of 2023.

In the structure of balance sheet foreign exchange liabilities of licensed banks, 89.6% were traditional: term and sight deposits⁴¹ of non-banking customers (hereinafter – foreign exchange accounts). At the end of 2024, the balance of foreign exchange accounts amounted to USD 2,497.9 million – an increase of 4.6%, or 9.3% when excluding exchange rate differences, compared to the end of 2023.

In 2024, banks' customers – both legal entities and individuals, increased their placements in foreign currency deposit accounts with banks. At the fixed exchange rate, the balances of current accounts rose more significantly (by 12.6% to USD 1,368.3 million) and sight deposits (by 15.3% to USD 317.3 million), while term deposits grew at a slower pace (by 2.3% to USD 812.3 million).

Term deposits in foreign currency attracted from non-bank customer of banks, mainly from individuals, covered 90.8% of foreign currency loans granted by licensed banks (excluding those attached to the exchange rate) compared to 93.2% at the end of 2023.

Broken down by type of customer, compared to the end of the previous year, deposits of individuals increased by 14.7% (excluding exchange rate differences), to USD 1,524.3 million, while deposits of non-bank legal entities decreased by 1.4%, to USD 937.0 million. Thus, at the end of the reporting year, the shares of foreign currency account balances of individuals and non-bank legal entities stood at 54.7% and 33.6%, respectively, of the total balance sheet foreign exchange liabilities of licensed banks.

In 2024, the level of foreign currency loans contracted by banks decreased, mainly external ones, as repayments of loans by

³⁹Calculated by excluding exchange rate differences, at the effective exchange rate, it increased by 0.2%.

⁴⁰Calculated by excluding exchange rate differences, at the effective exchange rate, they increased by 0.3%.

⁴¹Current accounts and sight deposits.

licensed banks exceeded disbursements. Accordingly, the balance of loans received by banks decreased by 22.7% (excluding exchange rate differences) to USD 195.9 million.

Conditional foreign exchange assets and liabilities, at the end of 2024, recorded similar amounts – USD 8.0 million each, reflecting the commitments of local banks to carry out foreign exchange/ currency swaps (Table A.13).

Nominal and real effective exchange rate evolution

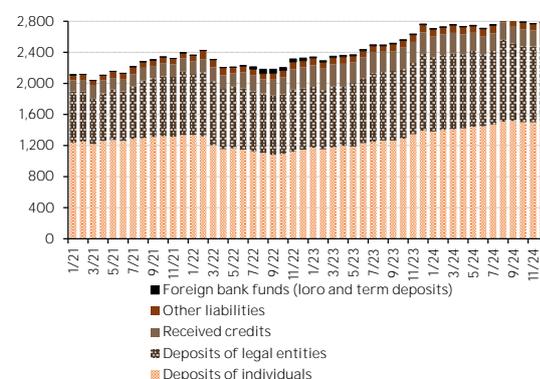
According to exchange rate values at the end of 2024, the national currency depreciated against the US dollar by 6.2%, while it appreciated by 0.2% against the single European currency (Chart 3.46). On average values, the Moldovan leu appreciated by 2.0% against both the US dollar and the euro.

As for the dynamics against the US dollar of the currencies of countries with significant weights in the foreign trade of the Republic of Moldova, and, respectively, included in the REER⁴² basket, the appreciation – similar to the Moldovan leu – of the Polish zloty, the British pound, and the Swiss franc was observed. At the same time, higher depreciations against the US dollar were recorded by the Turkish lira, Russian ruble, Ukrainian hryvnia, Belarusian ruble, and Czech koruna (Chart 3.47). Thus, in 2024, the effective exchange rate of the Moldovan leu appreciated, on average, by 7.5% in nominal terms and by 3.7% in real terms against the currencies of the main trading partners. This dynamic was driven by all trading partners, except Poland and Türkiye, with Ukraine contributing 1.1 percentage points and the Russian Federation – 0.9 percentage points (Charts 3.48 and 3.49).

During the first three quarters of 2024, demand and supply for foreign currency on the local foreign exchange market were close to equilibrium. However, there were periods when foreign currency demand exceeded supply, resulting in short episodes of mild depreciation of the Moldovan leu against the US dollar. In the fourth quarter of 2024, the amplitude of MDL/USD exchange rate fluctuations increased, recording a sharp depreciation, reaching by the end of the year the maximum level observed during 2024. Unlike the previous year, when there was a surplus of foreign currency on the local foreign exchange market, in 2024 the market situation worsened. The deterioration of market conditions in the last quarter of 2024 was generated by increased demand for foreign currency from economic agents, alongside reduced foreign currency supply from households, who preferred to increase savings in foreign currency, which temporarily raised the degree of dollarization of their deposits. At the same time, in 2024, the external trade deficit deepened: exports of goods contracted by 12.2%, while imports of goods rose by 4.5%. As a result, the trade balance of goods remained in deficit, with the deficit increasing by 15.4% compared to that recorded in 2023.

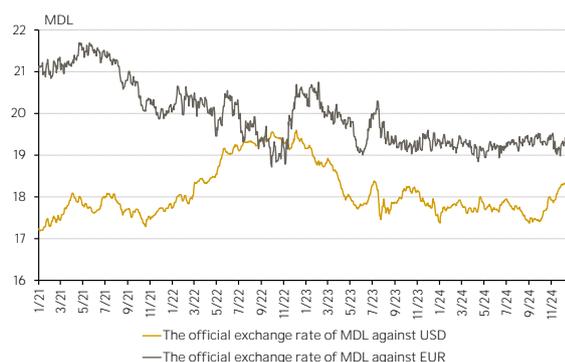
The net supply of foreign exchange from individuals increased in annual terms by 5.9% compared to 2023, amounting to USD 3,043.0 million, driven by the growth in foreign currency cash

Chart 3.45: Balance sheet foreign exchange liabilities, at effective exchange rates, in structure by liability type (USD million)



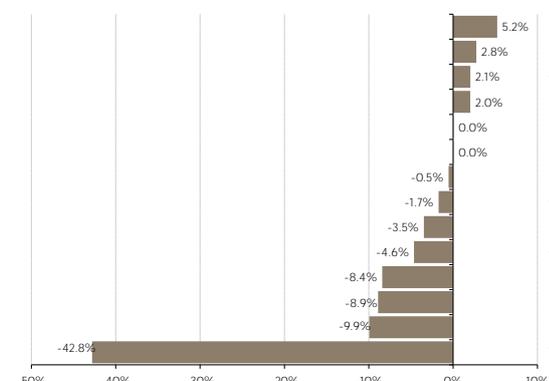
Source: NBM

Chart 3.46: Official exchange rate fluctuations of the national currency against the US dollar and the euro



Source: NBM

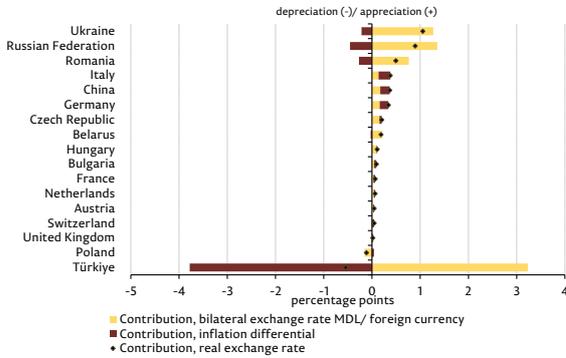
Chart 3.47: Evolution of the currencies of some major trading partners of the Republic of Moldova and countries in the region against the US dollar, average exchange rate 2024/2023 (%)



Source: NBM

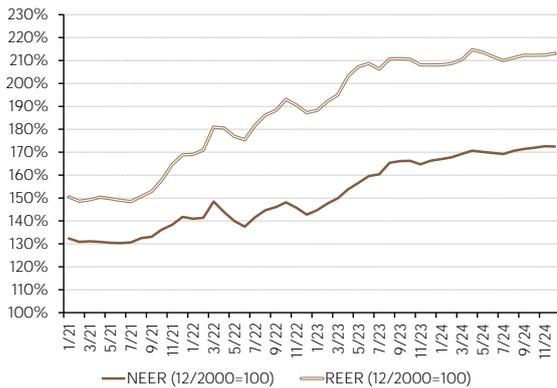
⁴²According to the updated weights of the main trading partners in the foreign trade of the Republic of Moldova for the years 2020–2022.

Chart 3.48: Contribution of the main trading partners of the Republic of Moldova to the change in the real effective exchange rate in 2024 (percentage points)



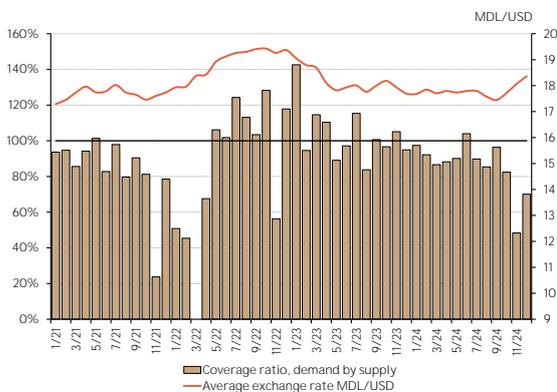
Source: NBM

Chart 3.49: Dynamics of the real effective exchange rate of the national currency calculated on the basis of the weights of the main trading partners over the period 1/2021 – 12/2024 (%)



Source: NBM

Chart 3.50: Coverage of net demand by net supply and exchange rate dynamics



Source: NBM

purchases from individuals. At the same time, after a more pronounced decline in the previous year, net transfers from abroad in favour of households moderated their downward trend in 2024, recording a decrease of 1.0%. The net supply of foreign exchange from households continued to be denominated predominantly in euro (64.9%⁴³), with other currencies also present, mainly pound sterling (Chart 3.51).

In contrast, the significant increase in net foreign currency demand from economic agents impacted the dynamics of the domestic foreign exchange market, rising by 26.7% compared to the previous year, to USD 3,580.0 million. A breakdown of this indicator reveals the following trends: economic agents, mainly importers, purchased more foreign currency, with demand primarily stemming from importers of energy resources, machinery and automotive equipment, pharmaceuticals, and other consumer goods, while supply from certain exporters of agricultural produce, seeds, and oilseeds declined.

Under these circumstances, the coverage ratio of net foreign currency demand from economic agents by the net supply of foreign currency from individuals stood at 85.0% during the reporting period, compared to 101.7% in the previous year. Thus, the NBM intervened in the domestic foreign exchange market through net sales of foreign currency amounting to USD 216.3 million, in order to mitigate excessive exchange rate volatility, predominantly in the last quarter of the year, when a currency deficit was recorded (Chart 3.50).

Driven by the above-mentioned supply and demand factors, during the reporting period the Moldovan leu remained relatively stable throughout the first three quarters of 2024, but at the beginning of the fourth quarter of 2024 the trend reversed towards a sharp depreciation, which persisted until the end of the reporting year.

Official reserve assets

At year-end, official reserve assets amounted to USD 5,483.6 million, increasing by 0.6% compared to the end of 2023, as a result of offsetting effects between receipts and payments related to external reserves. In this context, the following external financing inflows as budget support were highlighted:

IMF – USD 321.5 million (equivalent to SDR 244.3 million), of which:

- tranches 7 and 8 of credit under the Extended Credit Facility and Extended Fund Facility amounting to USD 264.8 million (equivalent to SDR 201.2 million);
- tranches 1 and 2 of credit under the Resilience and Sustainability Facility (RSF) amounting to USD 56.7 million (equivalent to SDR 43.1 million).

The European Commission, on behalf of the EU, has disbursed EUR 160.4 million, equivalent to USD 172.8 million, under two projects:

⁴³Calculated by applying a constant exchange rate.

- EUR 125.4 million (equivalent to USD 134.6 million) under the new macro-financial assistance program, including EUR 97.9 million – loan and EUR 27.5 million – grant;
- EUR 35.0 million (equivalent to USD 38.2 million) as a grant under the European Neighbourhood Policy and Enlargement Negotiations.

World Bank institutions (the International Bank for Reconstruction and Development and the International Development Association) allocated the equivalent of USD 56.8 million, of which:

- USD 46.3 million equivalent for the "Supporting Growth and Resilience Development Policy Operation in Moldova" Program, including EUR 37.3 million (equivalent to USD 41.3 million) – loan and USD 5.0 million – grant;
- USD 10.5 million as a grant for the Multi-Donor Trust Fund "Moldova Growth, Resilience and Opportunities for Well-being (M-GROW)".

Budget support equivalent to USD 105.5 million was also provided within the Republic of Moldova's bilateral relations:

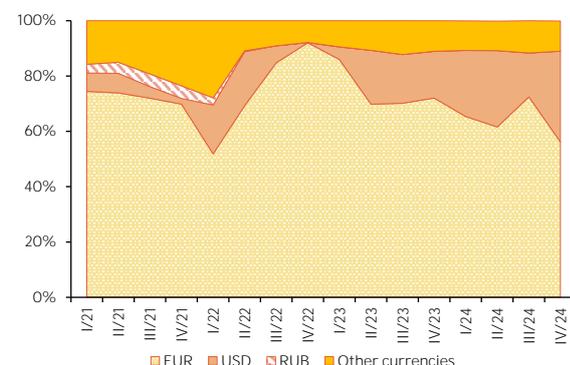
- the Government of Canada granted a loan of USD 56.3 million for financing state budget needs and supplementing the World Bank "Supporting Growth and Resilience Development Policy Operation in Moldova" Program;
- the French Development Agency provided a loan of EUR 45.0 million (equivalent to USD 48.6 million) to finance Moldova's transition to a green economy;
- the Governments of the Czech Republic and Latvia contributed EUR 0.45 million (equivalent to USD 0.47 million) to the Energy Vulnerability Reduction Fund;
- the European Investment Bank (EIB) granted EUR 13.3 million (equivalent to USD 14.5 million) as budget support in the form of a loan allocated for the development of Moldova's railway infrastructure.

At the end of 2024, official reserve assets sufficiently covered the actual import of goods and services for approximately 6.3 months of effective imports.

Management of foreign exchange reserves

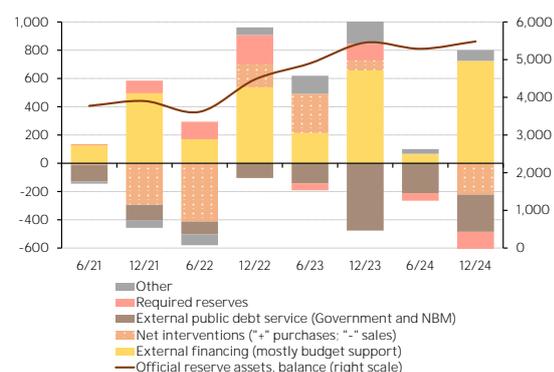
In accordance with Articles 5, 16, 53, and 71 of Law No. 548/1995 on the National Bank of Moldova, the NBM shall keep and manage the foreign reserves of the State, conduct foreign exchange operations using these reserves, and maintain them at an adequate level to ensure the implementation of the State's monetary and foreign exchange policy. The role of foreign exchange reserves is to ensure the credibility and macro-financial stability of the country, to honour external debt obligations of the State, and to cope with unforeseen exogenous shocks.

Chart 3.51: Currency structure of the net supply of foreign exchange from individuals (recalculated at a constant exchange rate) (%)



Source: NBM

Chart 3.52: Official reserve assets (ORA), by flow type (USD million)



Source: Bloomberg

In managing foreign exchange reserves, the NBM ensures a high degree of safety and the necessary level of investment liquidity. The NBM's investment policy is prudent, aiming to promote sustainable investments (ESG: environmental, social, governance) and optimize profitability as secondary objectives, with safety and liquidity of reserves being the primary objectives, which indicates a low risk appetite. An essential element of the foreign exchange reserve management process is the investment risk management, which is achieved by imposing investment constraints and limits.

Table A.14 presents the main risks associated with foreign exchange reserve management and the techniques applied to mitigate exposure.

Since July 2013, under cooperation with the World Bank, the Strategic Asset Allocation (SAA) framework has been implemented. Strategic Asset Allocation represents a long-term vision for asset management, oriented towards achieving the optimal balance of return and risk. Under the SAA framework, international reserves are divided into three tranches (current, liquidity, and investment), depending on their specific objectives and regulations. This approach ensures more efficient achievement of the established goal. The SAA is reviewed periodically, generally on an annual basis. However, if internal or external conditions necessitate adjustments and require revision of objectives, risk tolerance, risk assessment indicators, as well as the re-examination of the optimal portfolio structure, the SAA review is carried out more frequently than once a year.

In the context of geopolitical uncertainties, and considering the dynamics recorded and projected for foreign reserves, interest rates, and government bond yields under inflationary pressures, the strategic asset allocation framework was revised. Amendments to the Regulation on the Management of International Reserves were approved under Decision of the Executive Board No. 277/2023, effective as of January 1, 2024 or another date during 2024, allowing for the necessary transition period.

The amendments concerned, in particular, the increase of the externally managed portfolio, the extension of the investment horizon, and the corresponding adoption of new benchmarks for term deposit portfolios with commercial and investment banks, the adoption of the indicators "duration deviation" and "spread duration" to quantify exposure to market and credit risk, and to align them with the institution's risk tolerance. In addition, the structure of allocation by currencies and types of instruments, the size of the tranches, and the permissible deviations were modified.

In 2024, the global economy continued its recovery process after multiple shocks in previous years, maintaining a stable trajectory, albeit with a moderate growth pace, with the balance of risks tilted to the downside. Although energy markets partially stabilized after the extreme price volatility of 2022 and early 2023, significant challenges persisted, such as geopolitical tensions, high levels of public debt, supply chain disruptions, the integration of renewable energy, and changes in demand and supply dynamics.

The slow global recovery was marked by significant discrepancies across regions, between advanced economies and emerging markets. While some countries managed to maintain robust

growth, others faced sharp slowdowns and weak economic prospects. Advanced economies generally recorded modest growth, affected by high interest rates and subdued domestic demand, with the exception of the United States, where growth exceeded expectations.

At the same time, 2024, being perceived as an electoral year with elections in numerous countries, constituted another factor of uncertainty, especially in terms of policy and trade relations, which added pressure on stability and exacerbated geopolitical conflicts.

The process of managing foreign reserves is conditioned by the evolution of the global economy and by the decisions of the world's main central banks, particularly the monetary authorities of the euro area, the United States, and the United Kingdom, given the importance of the currencies of these countries in the structure of official reserve assets.

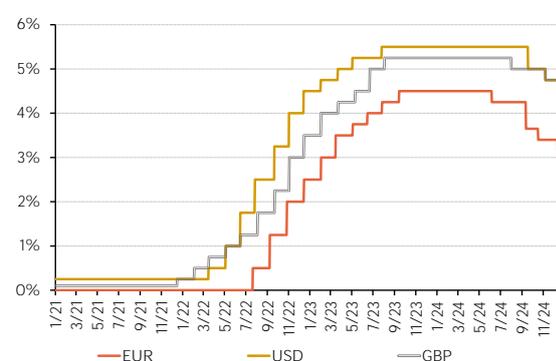
The global economic context determined the adoption of policies aimed at safeguarding macroeconomic stability through a calibrated monetary policy easing, carefully adjusted to fully capture inflationary pressures, and highlighted the necessity of fiscal policies adapted to future spending pressures.

Thus, the reference rate of the US Federal Reserve System evolved from 5.25-5.50% at the beginning of the year to 4.25-4.50% at the end of December 2024, while that of the Bank of England declined from 5.25% to 4.75% by year-end, against the backdrop of easing inflationary pressures, with monetary authorities adopting a gradual and prudent approach consistent with macroeconomic indicators as well as global developments. At the same time, throughout 2024, according to monetary policy decisions of the European Central Bank, determined by concerns over weak economic growth outweighing those related to persistent inflation, the main policy rate was gradually reduced from 4.50% to 3.15%. Furthermore, on March 13, the ECB announced changes to the operational framework for monetary policy implementation, whereby, starting September 18, the spread between the rate on main refinancing operations and the deposit facility rate was reduced to 15 basis points. The marginal lending facility rate was also adjusted so that the spread between the marginal lending facility rate and the main refinancing operations rate remained unchanged at 25 basis points (Chart 3.53). These decisions were also reflected in exchange rate volatility, in terms of reaction speed, policy adaptation, transmission, and the expected effect.

The evolution of monetary policy rates set by the monetary authorities was implicitly reflected in the dynamics of financial instrument yields. Given that the monetary policy easing measures adopted by the three authorities took place gradually, predominantly in the second half of the year, the impact of rate cuts on the financial performance of the National Bank was not significant. A higher return was recorded due to the prolonged maintenance of high interest rate levels during much of the year, as well as the diversified portfolio structure with varying sensitivity to changes in interest rates.

Official reserve assets, as of December 31, 2024 compared to December 31, 2023, increased by 0.6% or approximately USD 30

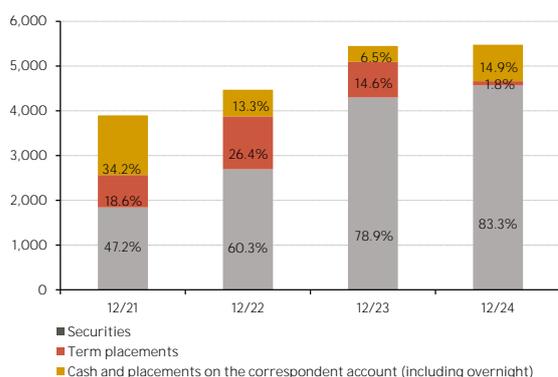
Chart 3.53: Monetary policy rates in the US, EU and the United Kingdom (%)



Source: NBM

million (from USD 5,453.1 million to USD 5,483.6 million). Among the main factors contributing to the accumulation of international reserves were external disbursements for budget support and investment projects from the IMF, the European Commission, the World Bank, and other development partners, as well as income from reserve management. These inflows were almost entirely offset by external public debt service payments, foreign exchange sales interventions on the domestic market, the reduction of commercial banks' required reserves, and the depreciation of the component currencies of the reserves against the US dollar (the reporting currency). In managing foreign exchange reserves, the investment policy of the National Bank is prudent, with assets allocated to safe instruments also used by other central banks: placements on correspondent accounts (generally with other central banks), term placements, and securities, classified as supranational securities (issued by supranational institutions), government securities (issued by the US government, governments of EU member states, and other government issuers), and non-government securities (issued by agencies).

Chart 3.54: Structure of foreign exchange reserves by investment instruments at the end of 2021-2024 (USD million)



Source: NBM

Part of the foreign exchange reserves is managed externally by the World Bank. In accordance with the Advisory and Investment Management Agreement between the International Bank for Reconstruction and Development (IBRD) and the National Bank of Moldova, dated December 8, 2010 (extended by EB Decision No. 168 of December 30, 2015), IBRD acts as advisor and trustee of the NBM for the management of part of the external assets, limited to 20% of the foreign exchange reserves. As of December 31, 2024, the share of externally managed assets amounted to 7.62% of the foreign exchange reserves.

By the end of 2024, taking into account expectations regarding yield developments, the downward inflation trend, and the premises for a looser monetary policy in the euro area, the Investment Committee decided to supplement the amortized cost securities portfolio with an additional EUR 200 million, taking advantage of the opportunity to lock in higher long-term rates. The value of this portfolio as of December 31, 2024 amounted to approximately USD 712 million, or 13.0% of foreign exchange reserves. According to the year-end reporting data, 83.3% of reserves were invested in securities, 14.9% held as cash and correspondent account balances, and 1.8% placed in term placements (Chart 3.54).

The NBM gradually reduced the share of deposits with commercial and investment banks to 0.0% of reserves, an objective reached by the end of 2024. The exception is term deposits with central banks and international financial institutions. In this context, term deposits declined significantly, while correspondent account balances increased due to the maturity, toward the end of 2024, of deposits previously placed with foreign commercial banks. At the same time, available liquidity will be gradually reinvested in securities or term deposits with financial institutions and foreign central banks from the list of authorized counterparties, thereby ensuring alignment with the new currency composition of the reserves.

In 2024, many currency pairs dropped to unexpected lows against a strong US dollar, including the euro, which nearly approached parity. This reflected the economic strength of the United States amid weak euro area growth and subdued economic activity in

China. In addition, the return of President Trump to the White House boosted the dollar, driven by the anticipated impact of proposed tariff measures and renewed optimism regarding the US economy.

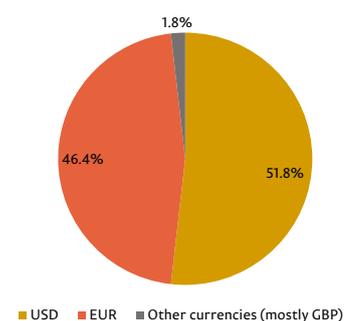
At the same time, with Russia's ongoing war of aggression against Ukraine, energy prices in the euro area remained well above historic lows; however, the threat of persistently high energy prices diminished considerably. The decline in energy prices was driven by the diversification of natural gas supply sources, the increase in LNG (liquefied natural gas) imports, and lower energy demand due to milder weather. Moreover, the expansion of renewable energy, particularly wind and solar power, eased market pressures and contributed to price stabilization.

Meanwhile, the euro continued to depreciate against the US dollar, reaching a new two-year low, against the backdrop of concerns over the euro area economy, tariffs imposed by President Trump, and the monetary policy divergence between the ECB and the FRS.

Despite these developments in the international economic environment, foreign exchange flows on the Moldovan market, the intensification of relations with the EU, as well as the increase in euro-denominated trade with EU Member States, have significantly enhanced the importance of the euro for the economy of the Republic of Moldova. In this context, starting from January 2, 2025, the NBM decided that the euro will be used as the reference currency for setting the official exchange rate of the Moldovan leu. Against the background of the euro's dominant role in the currency structure of imports and external debt and following the decision to change the reference and intervention currency, it was considered appropriate to recalibrate the currency composition of international reserves in order to ensure a share of at least 50% for the euro. To this end, a new method for establishing the normative currency structure was approved, introducing allowable deviation bands for currency shares within the following ranges: euro – between 50% and 70%, US dollar – between 25% and 50%, other currencies – a maximum of 10% of reserves. According to Decision of the Executive Board No. 333 of December 19, 2024, the transition to the new currency composition will be completed by March 31, 2025. As of year-end, the structure of international reserves was slightly tilted in favour of the US dollar with a share of 51.8%, while the euro accounted for 46.4%. Exposure in other currencies stood at 1.8% (Chart 3.55).

Based on the global economic developments in 2024, particularly in the US, the EU, and the United Kingdom, the financial market environment, and the exchange rate dynamics against the US dollar (the reporting currency for reserves in 2024), the management of foreign exchange reserves generated a profit of USD 213.10 million, at an average profitability rate of 3.90%.

Chart 3.55: Currency structure of foreign exchange reserves as at December 31, 2024 (%)



Source: NBM

Chapter 4

The NBM supervisory activity

4.1 Banking supervision

Developments in the banking sector

Core indicators of the banking system

As of December 31, 2024, 11 banks licensed by the National Bank of Moldova were operating in the Republic of Moldova, including 5 subsidiaries of foreign banks and financial groups.

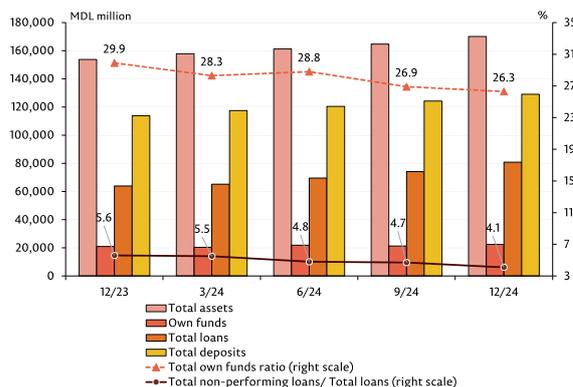
The total number of subdivisions of licensed banks in the Republic of Moldova was 532, of which 272 were branches and 260 were agencies.

In the banking sector, as of December 31, 2024, there were 8,484 people working. On average, each employee managed assets worth MDL 20.1 million, up by MDL 2.1 million (11.6%) compared to the end of 2023.

The financial situation of the banking sector as of December 31, 2024 was satisfactory, characterized by an increase in assets, loans, own funds, deposits of individuals and deposits of legal entities.

The dynamics of the main financial indicators is shown in the chart 4.1.

Chart 4.1: Dynamics of the main financial indicators for the banking sector of the Republic of Moldova for the period 31.12.2023* – 31.12.2024



Source: NBM

* Data as of December 31, 2023 throughout the text are adjusted according to the results of the external audit.

Banks are sufficiently capitalized, their own funds amounted to MDL 22,433.5 million, increasing by MDL 1,531.8 million (7.3%) compared to the previous year, and the total equity ratio remains at a high level, registering a value of 26.3%, 3.6 percentage points lower than in 2023, as a result of the increase in the total amount of risk exposure by 22.0%. According to the reports submitted by the banks, all banks complied with the "Total own funds ratio" indicator (limit for each bank $\geq 10\%$) and the additional requirements imposed by supervisory measures.

The profit for the year ended December 31, 2024 amounted to MDL 3,973.6 million per sector, having decreased by MDL 116.5 million (2.8%) compared to the previous year, as a result of the decrease in interest income by MDL 2,551.4 million (22.3%). Simultaneously, income from exchange rate differences increased by MDL 342.1 million (18.0%), income from fees and commissions – by MDL 316.0 million (9.6%). At the same time, interest expenses decreased by MDL 1,964.3 million (43.6%) and non-interest expenses increased by MDL 474.5 million (5.8%).

For 2024, the return on assets⁴⁴ and on equity⁴⁵ of banks recorded values of 2.4% and 14.7%, respectively, having decreased compared to the previous year by 0.4 percentage points and 1.4 percentage points, respectively.

Total assets amounted to MDL 170,175.0 million, having increased during 2024 by MDL 16,320.4 million (10.6%).

As of December 31, 2024, the gross (prudential) loan portfolio constituted 47.5% of total assets or MDL 80,824.6 million, having increased during the analyzed period by MDL 16,929.1 million (26.5%). At the same time, non-performing loans decreased by MDL 193.3 million (5.5%) to MDL 3,353.8 million, respectively, the share of non-performing loans in total loans decreased by 1.4 percentage points, constituting 4.1%.

The deposit balance increased during 2024 by MDL 15,245.0 million (13.4%) to MDL 129,091.7 million due to the increase in 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. At the same time, bank deposits decreased by MDL 145.8 million (54.6%) to MDL 121.4 million.

Own funds

As of December 31, 2024, the own funds by sector, according to data presented by banks, amounted to MDL 22,433.5 million, having registered an increase of MDL 1,531.8 million (7.3%) during the year.

The increase in own funds was due to the reflection by the bank of eligible profits after holding general meetings of shareholders and after obtaining the NBM permission to include the obtained profits in own funds. At the same time, subordinated debts increased by MDL 549.5 million. Simultaneously, the Common Equity Tier 1 instruments of financial sector entities in which the bank does not have a significant investment decreased by MDL 224.0 million (the investment to acquire BCR Chişinău S.A.).

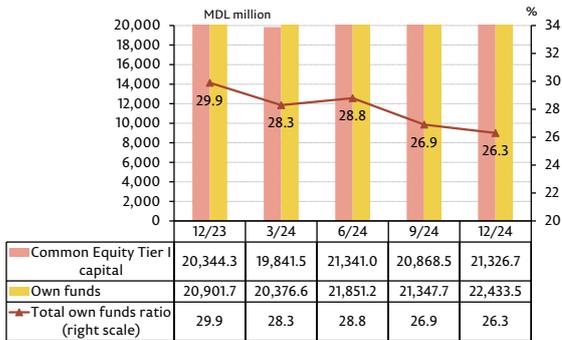
Also, during the reporting year, 8 banks distributed capital in the form of dividends in a total amount of MDL 2,255.2 million, and one bank repurchased Common Equity Tier 1 instruments for their subsequent transfer to its employees under the long-term incentive plan for employees, in the amount of MDL 231.4 million.

The structure of total own funds at 8 banks is entirely made up of core Equity Tier 1 capital (total per sector – MDL 21,326.7 million), and 3 banks (BC "MOLDOVA – AGROINDBANK" S.A., BC "VICTORIABANK" S.A. and BC "ProCredit Bank" S.A.) have, in addition to Equity Tier 1 capital, Equity Tier 2 capital (subordinated loans), in the amount of MDL 499.6 million, MDL 480.7 million and MDL 126.6 million, respectively.

⁴⁴Return on assets = $\frac{\text{Annualized net income}}{\text{Average assets}}$

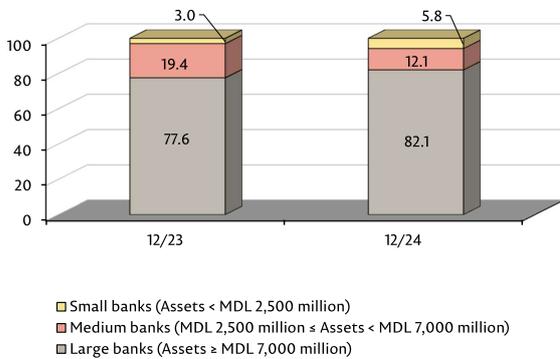
⁴⁵Return on equity = $\frac{\text{Annualized net income}}{\text{Average equity}}$

Chart 4.2: Dynamics of own funds (MDL million) and the total own funds ratio (%) on the banking sector of the Republic of Moldova for the period 31.12.2023* – 31.12.2024



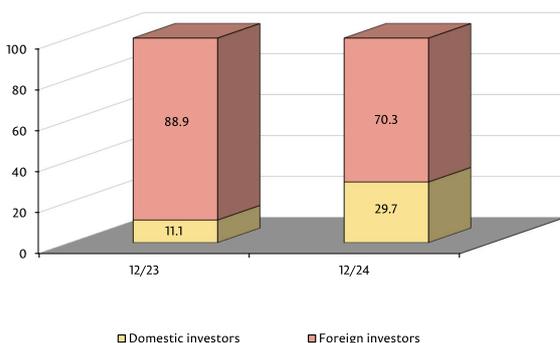
Source: NBM

Chart 4.3: Dynamics of the concentration of total own funds of the banking sector of the Republic of Moldova by groups of banks for the period 31.12.2023* – 31.12.2024 (%)



Source: NBM

Chart 4.4: Share capital structure of the banking sector in the Republic of Moldova, according to the source of investments for the period 31.12.2023* – 31.12.2024 (%)



Source: NBM

As of December 31, 2024, the total own funds ratio⁴⁶ by banking sector registered a value of 26.3%, decreasing by 3.6 percentage points compared to the end of the previous year as a result of the increase in the total risk exposure amount by MDL 15,406.8 million or by 22.0% (increase in loans). All banks complied with this indicator (limit for each bank ≥ 10%). At the same time, banks also complied with the requirement for the "Total own funds ratio" indicator, taking into account capital buffers. Thus, in addition to the minimum requirement for own funds of 10%, banks are required to maintain the necessary core tier 1 capital to meet the requirements for the capital conservation buffer (2.5%), the countercyclical capital buffer (0.0%), the systemic risk buffer (1%) and, as applicable, buffer for the systemically important institution (0.5%/1.0%/1.5%) (O-SII buffer).

At the same time, the Executive Board of the NBM, as a result of the supervisory and evaluation process of the banks' activity (SREP), imposed specific capital requirements on each bank, depending on the individual risk profile, which were also complied with by all banks.

The dynamics of Common Equity Tier 1 capital and total own funds during the analyzed period is represented in the chart 4.2.

The leverage indicator⁴⁷ as of December 31, 2024 amounted to 11.9%, having decreased by 0.8 percentage points compared to the end of the previous year, ranging from 9.2% to 32.6%.

The change in the structure of the banking sector own funds, from the point of view of concentration on bank groups, is shown in the chart 4.3.

The share of total own funds of large banks in total own funds of the banking sector constituted 82.1%, increasing by 4.5 percentage points compared to the end of the previous year, and the share of total own funds of medium-sized banks constituted 12.1%, decreasing by 7.3 percentage points. At the same time, the share of total own funds of small banks increased by 2.8%. This dynamic is the result of changes in the composition of bank groups.

During the reference period, the significant share of foreign investments in banks capital was maintained, which, as of December 31, 2024, constituted 70.3% (Chart 4.4), by 18.6 percentage points lower than at the end of the previous year as a result of the acquisition, on January 15, 2024, by BC "VICTORIABANK" S.A. of BCR Chișinău S.A.

Among the foreign investors participating in the capital formation of the banks of the Republic of Moldova are banks from Italy, Romania, Hungary, as well as the European Bank for Reconstruction and Development, as well as investors from Germany, Bulgaria, the Netherlands, Austria, Estonia, the United Kingdom, Greece and Iraq.

Out of the total number of banks, 3 banks (B.C. "ProCredit Bank" S.A., B.C. "EXIMBANK" S.A., BC "COMERTBANK" S.A.) have capital made up entirely of foreign investments (including 2 subsidiaries

⁴⁶Total own funds ratio = $\frac{\text{Own funds} * 100}{\text{Total risk exposure amount}}$

⁴⁷The leverage indicator = $\frac{\text{Equity Tier 1 capital} * 100}{\text{The total leverage ratio exposure}}$

of foreign banks and financial groups: BC "EXIMBANK" S.A. and BC "ProCredit Bank" S.A.), 6 banks (BC "MOLDOVA – AGROINDBANK" S.A., BC "Moldindconbank" S.A., BC "VICTORIABANK" S.A., OTP Bank S.A., BC "ENERGBANK" S.A., BC "EuroCreditBank" S.A.) – have capital made up of foreign and domestic investments and 2 banks ("FinComBank" S.A., BCR Chişinău S.A.) – have capital made up entirely of domestic investments.

Assets and their quality

Banking sector assets are concentrated in the group of large banks (determined by the NBM). It is worth mentioning that, in December 2024, the composition of the groups changed. Thus, BC "ProCredit Bank" S.A. migrated from the group of medium-sized banks to the group of large banks. Accordingly, at the end of 2024, the group of large banks included 5 banks (BC "MOLDOVA – AGROINDBANK" S.A., BC "Moldindconbank" S.A., BC "VICTORIABANK" S.A., OTP Bank S.A. and BC "ProCredit Bank" S.A.). The share of assets of banks in this group amounted to 87.6% as of December 31, 2024, increasing by 5.4 percentage points compared to the end of 2023.

At the same time, BCR Chişinău S.A. migrated from the group of medium-sized banks to the group of small banks. Thus, the share of assets of banks in the group of medium-sized banks ("FinComBank" S.A., BC "EXIMBANK" S.A., BC "ENERGBANK" S.A.) decreased by 6.4 percentage points, constituting 8.9%, and the share of assets of banks in the group of small banks (BC "COMERTBANK" S.A., BCR Chişinău S.A., BC "EuroCreditBank" S.A.) increased by 1.0 percentage points, constituting 3.5%.

Total assets by sector amounted to MDL 170,175.0 million, increasing by MDL 16,320.4 million (10.6%) compared to the end of the previous year. The main source of financing of assets is debt, which increased by MDL 15,111.0 million (11.9%) to MDL 142,334.8 million, mainly due to the increase in attracted deposits by MDL 15,361.9 million (13.5%) to MDL 129,337.6 million. Another source of financing assets is capital, which increased by MDL 1,209.4 million (4.5%) to MDL 27,840.2 million, as a result of obtaining profit in the reference period.

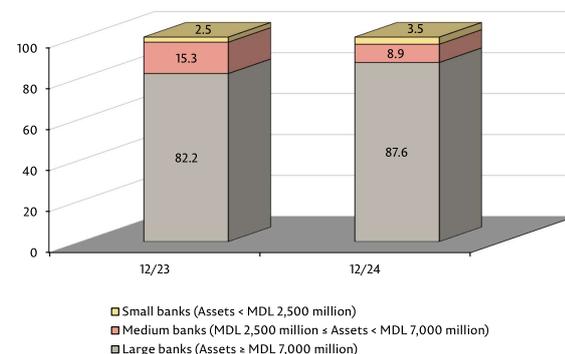
During 2024, the share of assets in GDP⁴⁸ increased by 1.4 percentage points, from 51.2% to 52.6% (Chart 4.8).

The concentration of banking sector assets is shown in the chart 4.5.

It is worth noting that all banks complied with the limit of the dominant position in the banking market concerning the size of assets. At the same time, the share of total assets of BC "MOLDOVA – AGROINDBANK" S.A. in relation to total assets in the banking sector amounted to 35.0%, being at the established limit (limit $\leq 35\%$), followed by BC "Moldindconbank" S.A. – 21.3% (Chart 4.6).

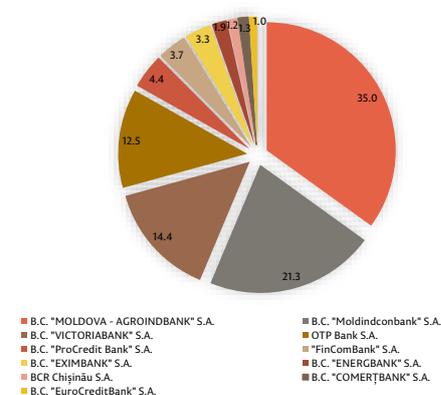
As a result of analysis of concentration of assets in the banking sector of the Republic of Moldova, the Herfindahl-Hirschmann index (the value of which does not exceed 10,000) was calculated based on the share of bank assets in total assets in the banking sector. This indicator is calculated by summing the squares of the market shares of all banks in the sector. In international practice, the following division is used:

Chart 4.5: Dynamics of the concentration of assets by groups of banks for the period 31.12.2023* – 31.12.2024 (%)



Source: NBM

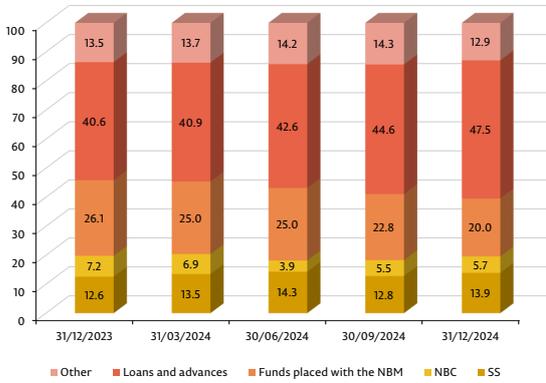
Chart 4.6: Concentration of the banking sector's assets as of December 31, 2024 (%)



Source: NBM

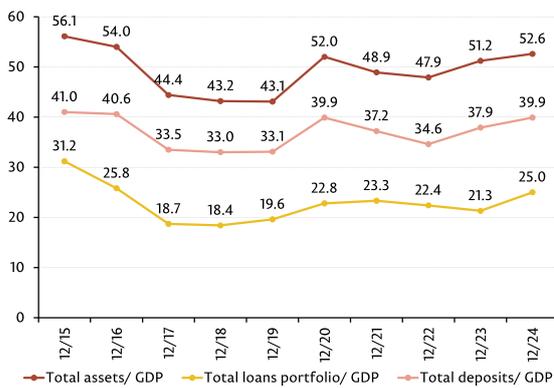
⁴⁸GDP in current prices.

Chart 4.7: Dynamics of the banking sector's assets structure for the period 31.12.2023* – 31.12.2024 (%)



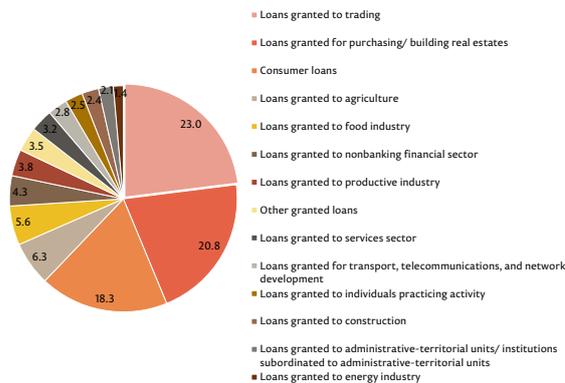
Source: NBM

Chart 4.8: Dynamics of assets, loans and deposits relative to GDP (%)



Source: NBM

Chart 4.9: Distribution of loans by branches as of December 31, 2024 (%)



Source: NBM

- HHI below 100 indicates a market with a very low level of concentration;
- HHI between 100 and 1,500 indicates an unconcentrated market;
- HHI between 1,500 and 2,500 indicates a moderate concentration;
- HHI above 2,500 indicates a high concentration.

Thus, as a result of the calculations made, we conclude that by obtaining HHI=2,090.6, the banking sector of the Republic of Moldova presents a moderate concentration, having increased over the last five years from the level of 1,761.9 in 2020.

In the assets structure, the largest share was held by the balance sheet item "Loans and advances at amortized cost", which constituted 47.5% (MDL 80,823.9 million), up by 6.9 percentage points 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. The share of banks' investments in state securities (SS) and National Bank certificates (NBC) amounted to 19.6% (MDL 33,352.4 million), decreasing by 0.2 percentage points. 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 percentage points.

The structure of banking sector assets, according to the main components, is shown in the chart 4.7.

It is worth mentioning that, in 2024, the lending process resumed. Thus, the gross loan portfolio (according to prudential reports), as of December 31, 2024, amounted to MDL 80,824.6 million, having increased during the year by MDL 16,929.1 million (26.5%). The growth of the loan portfolio was recorded monthly, except for January. The loan concentration indicator (HHI) as of December 31, 2024 was 2,289.0 (moderate concentration), recording an increase compared to the level of 1,961.8 in 2020, the growth trend is maintained over the last five years.

At the same time, the share of the gross loan portfolio in GDP increased by 3.7 percentage points, constituting 25.0% as of December 31, 2024 (Chart 4.8).

The largest increase was recorded in loans granted for purchasing/ building real estate by MDL 5,324.8 million (40.1%) to MDL 18,607.0 million, in consumer loans – by MDL 3,561.0 million (31.8%) to MDL 14,760.9 million, in loans granted to trade – by MDL 2,595.6 million (18.2%) to MDL 16,834.3 million, in loans granted to energy industry – by MDL 936.3 million (125.0%) to MDL 1,685.4 million and in loans granted to construction – by MDL 867.6 million (73.1%) to MDL 2,054.1 million.

At the same time, during 2024, a decrease was recorded only in other granted loans by MDL 45.2 million (2.0%) to MDL 2,245.0 million.

Regarding the structure of loans by branches, it is important to mention that the largest share in total loans is held by loans

granted for the purchasing/ building real estate – 23.0% of the loan portfolio, with a non-performance rate of 1.4%, followed by loans granted to trade with a share of 20.8% of total loans and a non-performance rate of 2.5% and consumer loans with a share of 18.3% of the loan portfolio and a non-performance rate of 3.0%. The rest of the sectors account for a smaller share in the total loan portfolio, having a lower performance, among which are: loans granted to agriculture, with a share of 6.3% of total loans and a non-performance rate of 19.2%, loans granted to the food industry, with a share of 5.7% and a non-performance rate of 5.5%, loans granted to productive industry, with a share of 3.8% and a non-performance rate of 8.7%, loans granted to services sector, with a share of 3.5% and a non-performance rate of 5.1%, other granted loans, with a share of 2.8% and a non-performance rate of 7.0% and loans granted to individuals practicing activity, with a share of 2.4% and with a non-performance rate of 14.4%.

The detailed structure of the banking sector's loan portfolio, according to the branch in which the debtor operates according, is reflected in the chart 4.9.

During 2024, non-performing loans (substandard, doubtful and impaired) in absolute value decreased by MDL 193.3 million (5.5%), constituting MDL 3,353.8 million, as a result of reclassification into performing categories due to the improvement of the financial situation of some debtors and the repayment of loans from direct payments. At the same time, the share of non-performing loans in total loans decreased by 1.4 percentage points, accounting for 4.1% compared to the end of 2023 as of December 31, 2024.

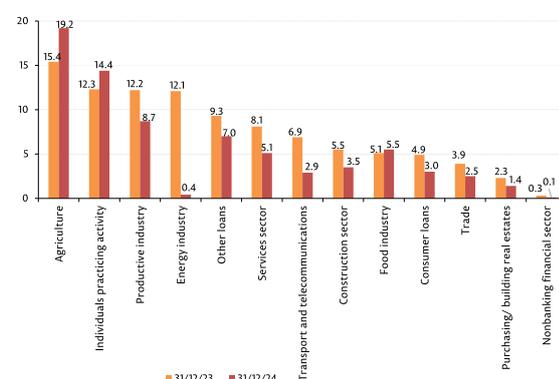
The non-performing loan rate by branches in the banking sector is presented in the chart 4.10.

The share of net non-performing loans⁴⁹ in own funds decreased by 0.7 percentage points, constituting 6.7% as of December 31, 2024.

Compared to the end of the previous year, the following migration of the loan portfolio by classification category has been recorded, which is reflected in the chart 4.11.

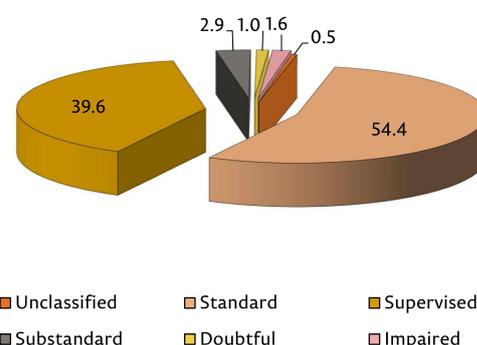
- the share of loans classified as "standard" (2% risk category) decreased by 1.9 percentage points up to 52.5%;
- the share of loans classified as "supervised" (5% risk category) increased by 3.3 percentage points up to 42.9%;
- the share of loans classified as "substandard" (30% risk category) decreased by 0.5 percentage points up to 2.4%;
- the share of loans classified as "doubtful" (60% risk category) decreased by 0.4 percentage points up to 0.6%;
- the share of loans classified as "impaired" (100% risk category) decreased by 0.4 percentage points up to 1.2%;
- the share of loans not subject to classification decreased by 0.1 percentage points up to 0.5%.

Chart 4.10: Distribution of non-performing loans by branches for the period 31.12.2023* – 31.12.2024 (%)



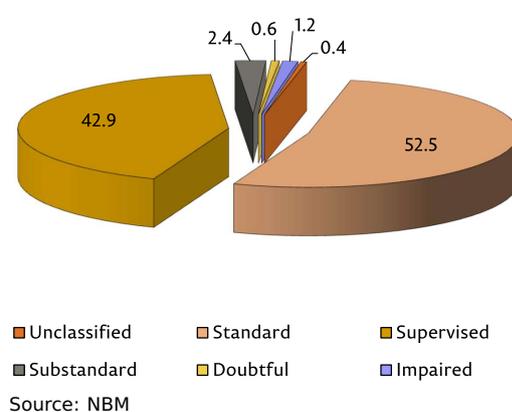
Source: NBM

Chart 4.11: Dynamics of the loan portfolio structure according to the classification categories as of December 31, 2023* (%)



Source: NBM

Chart 4.12: Dynamics of the loan portfolio structure according to the classification categories as of December 31, 2024 (%)



Source: NBM

⁴⁹Net non-performing loans = the amount subject to classification as non-performing loans minus the reductions thereon

The balance of expired loans, as of December 31, 2024, amounted to MDL 1,546.9 million, decreasing by MDL 492.0 million (24.1%) compared to the end of the previous year, and their share amounted to 1.9%, decreasing by 1.3 percentage points compared to December 31, 2023.

The level of provisioning for non-performing loans (the ratio of allowances calculated for non-performing loans in the total non-performing loans) was high, constituting 53.5%, ranging by bank from 32.9% to 82.6%, down 0.5 percentage points compared to the previous year.

The share of allowances calculated for loan losses in total loans as of December 31, 2024 constituted 5.3%, decreasing by 0.7 percentage points compared to the end of 2023.

It should be noted that the calculated allowances (prudential allowances) on all assets and contingent liabilities as of December 31, 2024 amounted to MDL 5,034.9 million, increasing by MDL 457.9 million (10.0%) compared to December 31, 2023 while the allowances for impairment losses formed (IFRS allowances) amounted to MDL 3,729.3 million, increasing by MDL 72.7 million (2.0%), the difference recorded – MDL 1,305.6 million.

Thus, the share of allowances for impairment losses on loans (IFRS allowances) in the calculated allowances on loans (prudential allowances) in the banking sector decreased by 6.6 percentage points up to 77.7%, ranging from 15.8% to 208.8%.

Banks' exposures to affiliated persons register insignificant shares in total loans – 1.9% (banking sector average). The indicator "Ratio of exposures to affiliated persons to eligible capital" (limit for each bank \leq 20% of eligible capital), as of December 31, 2024, was met by all banks (banking sector average – 6.7%).

As of December 31, 2024, the indicator "Ratio of the sum of the ten largest net debts to the total portfolio of loans and contingent liabilities" (maximum limit for each bank – 30% of the total net loans) was met by all banks (banking sector average – 17.5%). At the same time, only one bank recorded an excess of the abovementioned indicator, which, according to Chapter IV, point 26 of the Regulation on Large Exposures No. 109/2019, is not considered a violation if the bank maintains an additional own funds requirement on the respective excess.

The indicator on the total amount of the bank's net exposures, in MDL, attached to foreign exchange rate, to individuals, including those engaged in entrepreneurial or other activities (limit for each bank \leq 30% of eligible capital), was met by all banks. The average by sector of the nominated indicator amounted to 2.5%.

The ratio of the total amount of net exposures, other than mortgage exposures, towards individuals, attached to the exchange rate, to total normative capital (the limit for each bank \leq 10% of eligible capital) was also met by all banks. The average by sector of this indicator amounted to 0.4%.

The ratio between the total value of real estate investments and total own funds by sector constituted 15.0% (limit for each bank \leq 50%) and was met by all banks.

Incomes and profitability development

As of December 31, 2024, the profit for the year in the banking sector amounted to MDL 3,973.6 million, decreasing by MDL 116.5 million (2.8%) compared to the end of the previous year mainly as a result of the decrease in interest income.

Interest income decreased compared to the end of the previous year by 2,551.4 (22.3%) up to MDL 8,911.8 million. During the mentioned period, the largest decrease in interest income was recorded in income from investments in debt securities (SS, NBC), which amounted to MDL 1,632.5 million (50.8%) up to MDL 1,583.0 million, as a result of the decrease in the average effective rate on SS from 5.94% on December 31, 2023 to 5.34% on October 31, 2024. At the same time, starting from November, the average rate registered a slight increase. Simultaneously, the effective average rate for NBC (91 days) decreased from 2.95% on December 31, 2023 to 2.53% on December 31, 2024.

Income from funds placed with the NBM (required reserves) decreased by MDL 885.5 million (57.2%) to MDL 663.0 million⁵⁰, as a result of the decrease in the remuneration rate of required reserves from 2.75% to 1.60%, as well as the decrease in the ratio of required reserves held by banks from 33% on December 31, 2023 to 25% on December 31, 2024.

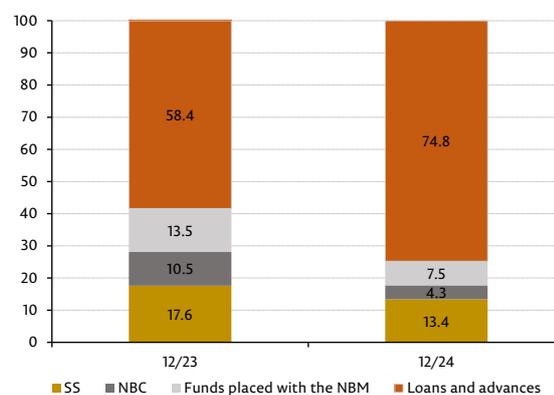
Income obtained from investments made in loans decreased insignificantly by MDL 35.7 million (0.5%) to MDL 6,663.5 million, as a result of the decrease in the average rate on loans in the national currency from 10.22% on December 31, 2023 to 8.26% on December 31, 2024, and the average rate on loans in foreign currency – from 6.79% on December 31, 2023 to 5.59% on December 31, 2024.

In the structure of interest income, the largest share returned to the income obtained from investments in loans – 74.8%, which increased by 16.4 percentage points compared to December 31, 2023, followed by the share of income obtained from investments in debt securities (SS, NBC) – 17.7%, which decreased by 10.4 percentage points compared to December 31, 2023, and by the share of income obtained from funds placed with the NBM – 7.5%, which decreased by 6.0 percentage points compared to December 31, 2023 (Chart 4.13).

Non-interest income increased by MDL 945.1 million (17.7%) to MDL 6,285.3 million, mainly due to the increase in income from exchange rate differences by MDL 342.1 million (18.0%) and the increase in income from fees and commissions by MDL 316.0 million (9.6%).

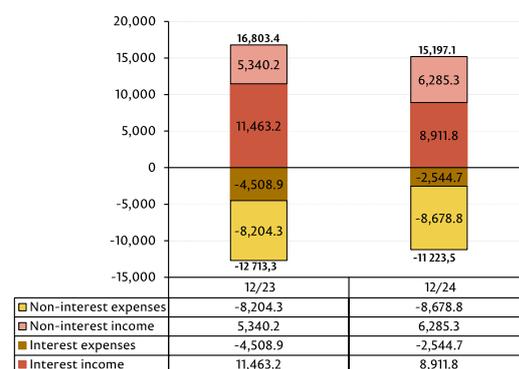
Interest expenses decreased by MDL 1,964.3 million (43.6%) to MDL 2,544.7 million, as a result of the decrease in the average rate on deposits in the national currency from 4.13% on December 31, 2023 to 3.24% on December 31, 2024 and the average rate on deposits in foreign currency from 2.21% on December 31, 2023 to 1.75% on December 31, 2024.

Chart 4.13: Structure of interest income distributed by counterparties for the years 2023* – 2024 (%)



Source: NBM

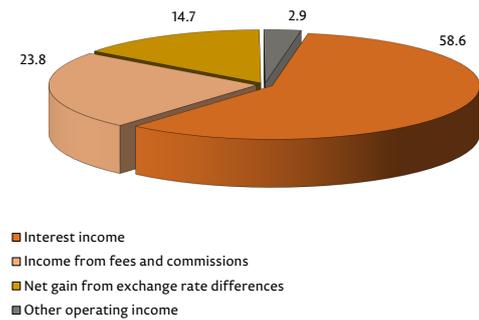
Chart 4.14: Dynamics of income and expenses of the banking sector for the years 2023* – 2024 (MDL million)



Source: NBM

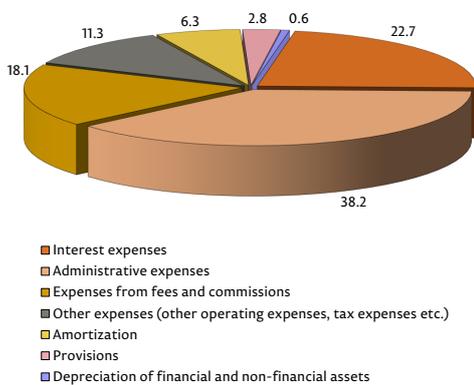
⁵⁰Data on income from remuneration of required reserves were taken from report F 16.01 – Interest income and expenses, broken down by instruments and sectors of counterparties, submitted by banks and generated from the FAS application on February 7, 2025.

Chart 4.15: Structure of the banking sector's income in 2024 (%)



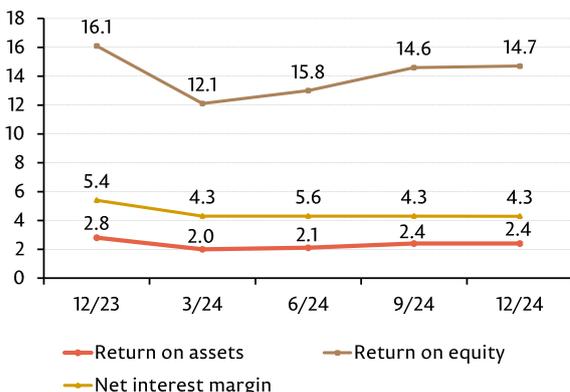
Source: NBM

Chart 4.16: Structure of the banking sector's expenses in 2024 (%)



Source: NBM

Chart 4.17: Dynamics of net interest margin, return on assets and return on capital of the banking sector for the period 31.12.2023* – 31.12.2024 (%)



Source: NBM

During the reporting period, non-interest expenses increased by MDL 474.5 million (5.8%) to MDL 8,678.8 million, mainly as a result of the increase in administrative expenses by MDL 317.9 million (8.0%), in expenses from fees and commissions by MDL 174.3 million (9.4%) and on depreciation by MDL 107.8 million (18.1%).

At the same time, in the structure of non-interest expenses, losses caused by the depreciation of financial and non-financial assets decreased by MDL 161.9 million (69.0%). The decrease in losses caused by the depreciation of financial assets is due to the improvement of the quality of the loan portfolio, including due to the repayment of previously granted loans.

The dynamics of banks' income and expenses is presented in the chart 4.14.

Total income amounted to MDL 15,197.1 million, decreasing by MDL 1,606.3 million (9.6%) compared to the end 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).

Total expenses amounted to MDL 11,223.5 million, decreasing by MDL 1,489.8 million (11.7%) compared to the end of the previous year. Of which, interest expenses constituted 22.7% (MDL 2,544.7 million), and non-interest expenses – 77.3% (MDL 8,678.8 million).

The significant shares of non-interest expenses are made up of administrative expenses – 49.6% (MDL 4,292.4 million) and expenses from fees and commissions – 23.4% (MDL 2,030.7 million).

The structure of banking sector income and expenses for 2024 is shown in the charts 4.15 and 4.16.

For 2024, the return on assets and capital of banks amounted to 2.4% and 14.7%, respectively, down by 0.4 percentage points and 1.4 percentage points, respectively, compared to the end of the previous year.

Net interest margin⁵¹ amounted to 4.3% as of December 31, 2024, down by 1.1 percentage points compared to the end of the previous year.

The dynamics of the banking sector's net interest margin return on assets and capital for the period between December 31, 2023 and December 31, 2024 is shown in the chart 4.17.

The average monthly value of interest-earning assets increased during 2024 by MDL 17,332.4 million or 12.6%, constituting MDL 154,906.0 million as of December 31, 2024. The significant share of interest-earning assets in the average monthly value of banking sector assets, which constituted 89.2%, indicates the ability of banks to generate income in the future.

⁵¹Net interest margin = $\frac{\text{Annualized net interest income}}{\text{Average interest-earning assets}}$

Liabilities and liquidity

Bank liabilities as of December 31, 2024, amounted to MDL 142,334.8 million, increasing by MDL 15,111.0 million (11.9%) compared to December 31, 2023. The largest share in total liabilities, as of December 31, 2024, was held by financial liabilities valued at amortized cost (customer deposits, other financial liabilities) – 98.1% (MDL 139,632.7 million), which increased in absolute value by MDL 15,802.0 million (12.8%) compared to the end of the previous year.

Customer deposits amounted to MDL 129,337.6 million or 90.9% of total liabilities, increasing by MDL 15,361.9 million (13.5%) compared to December 31, 2023. At the same time, the issued debt securities (financial resources attracted by a bank through the issuance of securities (bonds) in order to increase long-term financing sources and diversify financing instruments) increased by MDL 525.1 million (206.1%) to MDL 779.9 million, provisions – by MDL 65.2 million (8.2%) to MDL 858.1 million (including provisions for business restructuring, liabilities related to pensions and employee benefits, provisions related to expenses for damages that may result from lawsuits filed against the bank, financing commitments, other provisions), financial liabilities held for trading – by MDL 0.1 million (100.0%) to MDL 0.2 million. Simultaneously, other liabilities decreased by MDL 732.9 million (30.2%) to MDL 1,690.0 million (including transit and clearing amounts, payment card operations, settlements with bank employees, other individuals and legal entities, settlements with the budget, settlements on the purchase/ sale of securities and foreign currency, etc.), other financial liabilities – by MDL 85.0 million (0.9%) to MDL 9,515.3 million (including loans (overnight, short-term and medium-term) from the NBM, the Government, international financial organizations, etc.), tax liabilities – by MDL 23.5 million (17.0%) to 115.1 MDL million (Table A.15).

The share of large banks' liabilities in total banking sector liabilities, as of December 31, 2024, constituted 88.5%, up by 5.6 percentage points compared to December 31, 2023. The share of small-sized banks' liabilities also increased by 0.7 percentage points to 3.1%. Respectively, the share of medium-sized banks' liabilities decreased by 6.3 percentage points, amounting to 8.4% as of December 31, 2024. This dynamics is the result of changes in the composition of bank groups.

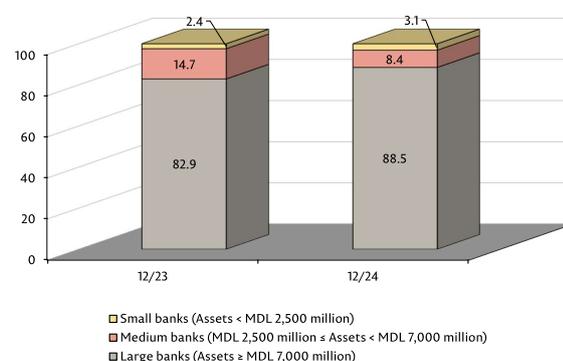
The concentration of banking sector's liabilities is shown in the chart 4.18.

The balance of deposits, according to prudential reports as of December 31, 2024, amounted to MDL 129,091.7 million, increasing by MDL 15,245.0 million (13.4%) compared to December 31, 2023, as a result of the increase in deposits of individuals by MDL 8,886.2 million (13.2%) to MDL 75,958.4 million, deposits of legal entities by MDL 6,504.6 million (14.0%) to MDL 53,012.0 million. At the same time, bank deposits decreased by MDL 145.8 million (54.6%) to MDL 121.4 million.

The total share of deposits in GDP increased from 37.9% in 2023 up to 39.9% in 2024.

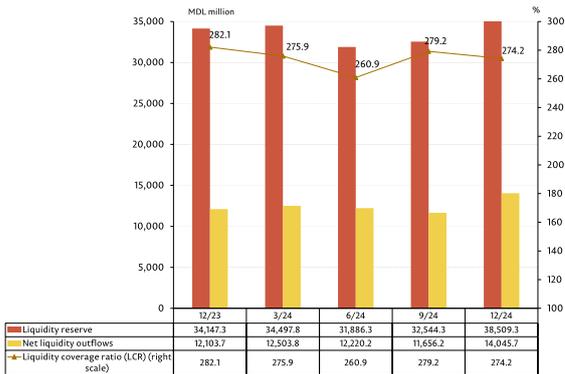
As of December 31, 2024, in the total deposits, 35.9% (the equivalent to MDL 46,323.9 million) were deposits in foreign

Chart 4.18: Dynamics of debt concentration of the banking sector, by groups of banks, for the period 31.12.2023* – 31.12.2024 (%)



Source: NBM

Chart 4.19: Indicator on liquidity coverage ratio (LCR) by components (MDL million) and LCR (%)



Source: NBM

currency, the absolute value of which increased compared to the end of the previous year by MDL 4,374.8 million (10.4%) on the account of attracting funds – by MDL 3,813.2 million and on the account of re-evaluation as a result of exchange rate fluctuations – by MDL 628.8 million (the calculation from the re-evaluation of deposits was carried out based on EUR, USD, Russian ruble, Romanian leu and Ukrainian hryvnia, the share of other currencies being insignificant). Deposits in MDL accounted for 64.1% of total deposits or MDL 82,767.8 million, increasing by MDL 10,870.2 million (15.1%) compared to the previous year.

The value of the long-term liquidity indicator for the banking sector (liquidity principle I, assets with a repayment term of more than two years/ financial resources with a potential withdrawal term of more than two years) amounted to 0.76 (average by sector), ranging from 0.19 to 0.86, showing a insignificant increase of 0.07 percentage points compared to the end of the previous year. The given indicator was met by all banks (the limit for each bank ≤ 1).

As of December 31, 2024, liquidity principle III, which is the ratio between adjusted actual liquidity to required liquidity on each maturity band (limit ≥ 1), was met 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 1 month and 3 months inclusive.

The liquidity coverage ratio (LCR) indicator by sector amounted to 274.2% and ranged from 157.5% to 1,671.4%, increasing by 7.9 percentage points compared to the end of the previous year. All banks complied with this indicator (limit $\geq 100\%$).

The liquidity reserve as of December 31, 2024 amounted to MDL 38,509.3 million, increasing by MDL 4,362.1 million (12.8%) compared to December 31, 2023. At the same time, net liquidity outflows during the analyzed period increased by MDL 1,941.9 million (16.0%), amounting to MDL 14,045.7 million. Details are shown in the chart 4.19.

Thus, liquidity indicators reveal the existence of adequate sources of funding to cover both short-term and long-term liquidity needs.

Market risk sensitivity

The foreign exchange risk is regulated by the NBM's normative acts, and the limits of long and short open foreign currency positions are established for each currency ($\leq +10\%$ and $\geq -10\%$, respectively), as well as for all currencies ($\leq +20\%$ and $\geq -20\%$, respectively). These limits were met by all banks.

The share of foreign currency balance sheet assets combined with foreign currency rate attached assets in total assets as of December 31, 2024, constituted 30.2%, being at the same level as the share of foreign currency balance sheet liabilities and foreign currency rate attached liabilities in total assets, which amounted to 30.2%, which denotes the fact that the currency risk is well managed by the banks and is minimal, respectively.

Foreign placements of Moldovan banks as of December 31, 2024, according to the data submitted by banks, amounted to 11,317.1 MDL million, increasing by MDL 1,812.9 million (19.1%) compared

to the end of the previous year and accounting for 6.6% of total assets (as of December 31, 2023 – 6.2%) and 50.5% of own funds (as of December 31, 2023 – 45.5%). The largest increases in placements were in France by MDL 635.8 million (28.7%), in the USA – by MDL 311.2 million (24.5%), in Italy – by MDL 282.3 million (27.0%) and in Spain – by MDL 272.6 million (42.7%).

At the same time, placements in Austria decreased the most – by MDL 178.3 million (10.9%). Details are shown in the table A.16.

As of December 31, 2024, France accounted for the largest share of total placements by sector – 25.2%, followed by Germany – 18.9%, the USA – 14.0%, Austria – 12.9% and Italy – 11.7%. Placements are predominantly made in highly-rated countries and banks, which indicates a cautious activity.

According to the Regulation on the Classification of Assets and Contingent Liabilities, banks reduce their own funds by the size of the reductions formed, taking into account the rating assigned by international agencies to countries and banks.

Supervisory activity

In order to protect the interests of depositors, as well as to ensure the stability and viability of the banking system, the National Bank of Moldova conducts the prudential supervision of banks in the Republic of Moldova, ensuring compliance with the legal requirements for the prevention and limitation of risks specific to the banking activity.

During 2024, the NBM continued its efforts to strengthen the stability and resilience of the banking system, effectively using the available tools, procedures and supervisory measures. As a result, the banking system of the Republic of Moldova registers strong capital and liquidity positions.

The main areas on which the banking supervision process was focused in 2024, according to the set priorities, were: assessing the adequacy of the internal control framework, in particular by assessing the actions taken by banks as a result of the recommendations related to the controls carried out, in terms of compliance with the legal framework and supervisory requirements; identification and adequate management of credit risk, as well as IRRBB risk; the analysis, assessment and resolution of vulnerabilities related to the payment systems and payment services, the prevention and combating money laundering and terrorist financing, the identification and effective management of the risk associated with the information and communication technologies.

Ex-officio controls

The National Bank conducts ex-officio supervision on the basis of the annual prudential supervision program. For the year 2024, the prudential supervision program included various routine actions (monitoring of key indicators, analysis of financial reports submitted by banks, analysis of external audit reports, monitoring

of remedial plans following on-site inspections), as well as actions in view of the preparation of the SREP report (business model assessment, analysis of governance and internal control framework, capital and liquidity risk assessment, analysis of ICAAP reports, etc.)

In 2024, the NBM continued to supervise banks based on the SREP. Thus, the results of the 2022 Supervisory Review and Evaluation Process (SREP) were approved for all 11 banks. As a result of this evaluation, one bank was sanctioned in the form of a written warning, given the violations and deficiencies found related to internal governance, risk management framework, ICAAP and ILAAP processes, and outsourced activities.

At the same time, during 2024, the SREP supervision and evaluation process for 2023 was carried out, and its results are to be approved in 2025.

The National Bank will continue to act in accordance with the legislation of the Republic of Moldova and international best practices, applying all the instruments assigned by law and statute, with a view to increasing the level of transparency of the ownership structure and ensuring prudent and sound management of licensed banks.

On-site inspections

During 2024, 6 planned thematic on-site inspections of banks were carried out, covering the following supervisory areas: credit risk, interest rate risk from activities outside the trading portfolio (IRRBB), operational risk, liquidity risk, assessment of internal control functions, decisions taken by members of the bank's management bodies, as well as the fulfillment of measures prescribed by the Executive Board of the National Bank of Moldova as a result of previous inspections.

Also, in 2024, Decisions of the Executive Board of the National Bank of Moldova related to the thematic on-site inspections carried out during 2023-2024 at 6 licensed banks were approved.

As a result, sanctions in the form of a written warning were applied to 2 banks and 5 individuals (2 key function holders and 3 members of the Management Committee) and supervisory measures were prescribed for 6 banks in order to remedy the violations detected during the on-site inspections.

The main violations and deficiencies identified during the controls include:

- violations of legislation and regulatory acts of the National Bank of Moldova (NBM);
- failure to comply with the measures prescribed by the NBM;
- violations of the bank's internal regulations;
- failure to fully organize the activity in accordance with the rules of prudent and sound banking practice;

- failure to fully supervise the implementation of a rigorous activity management framework;
- insufficient assessment and quality assurance of stress scenarios used in the stress testing exercise;
- violation of minimum requirements for banks' Information and Communication Systems, including with regard to information and communication technology (ICT) risk management and information security;
- insufficient involvement of the risk management function and the compliance function in the lending process and approval of changes to credit products.

Early intervention and shareholder transparency actions

During 2024, no bank was supervised under the early intervention regime.

Banks in the process of liquidation

As of December 31, 2024, there were 4 banks in the process of forced liquidation.

With regard to the liquidation process of Banca de Economii S.A., BC "BANCA SOCIALĂ" S.A. and BC "UNIBANK" S.A., initiated in 2015, we mention that with the aim of recovering the funds of these banks, during 2024, the liquidators reported that they cooperated with the criminal prosecution bodies, undertook organizational measures on the sale of assets owned and possessed by the banks and continued to work with the debtors of the banks.

The bank's liquidator has full and exclusive powers to direct, manage and control the bank and to take all measures to liquidate the bank efficiently and to obtain the maximum amount from the sale of assets.

As a result, at the end of 2024, 35 actions were underway in the courts to recover the funds previously granted by the banks in a total amount of MDL 3,814.6 million. At the same time, under the management of the criminal prosecution bodies there were 63 criminal cases filed on the basis of the liquidators' referrals.

As a result of the actions taken by the liquidators during the liquidation process of the three banks, funds were collected in a total amount of MDL 2,981.9 million, including MDL 43.1 million in 2024 (Banca de Economii S.A. – MDL 17.6 million, BC "BANCA SOCIALĂ" S.A. – MDL 21.1 million and BC "UNIBANK" S.A. – MDL 4.4 million). The information related to the collections from the date of withdrawal of licenses, until December 31, 2024, is reflected in the chart 4.20.

The funds obtained in the process of the liquidation of banks were used to cover the expenses related to the liquidation process, as well as to honor the claims related to the emergency loans granted to Banca de Economii S.A., BC "BANCA SOCIALĂ" S.A. and BC "UNIBANK" S.A., until the appointment of the liquidators of the

Chart 4.20: Receipts from the date of license withdrawal, until December 31, 2024 (MDL thousand, %)

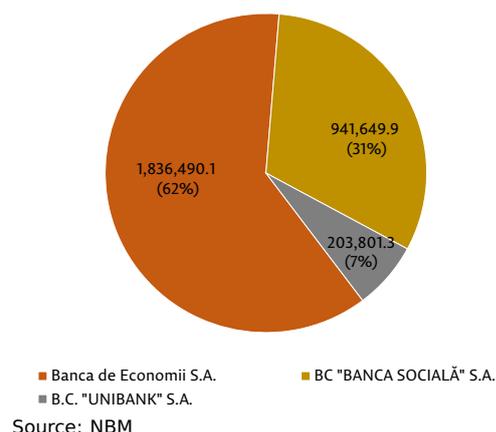
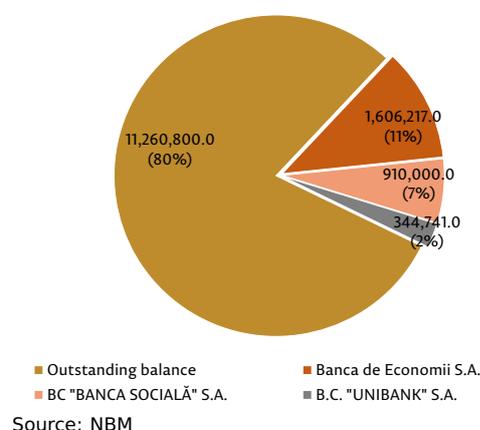


Chart 4.21: Payments of emergency loans from the date of license withdrawal, until December 31, 2024 (MDL thousand, %)



respective banks. Thus, up to December 31, 2024, funds in the amount of MDL 2,861.0 million were repaid, including in 2024 – MDL 29.0 million (Banca de Economii S.A. – MDL 9.0 million, BC "BANCA SOCIALĂ" S.A. – MDL 17.0 million and BC "UNIBANK" S.A. – MDL 3.0 million). The information related to the reimbursement of emergency loans from the date of license withdrawal, until December 31, 2024, is reflected in the chart 4.21.

Resolution funding mechanisms

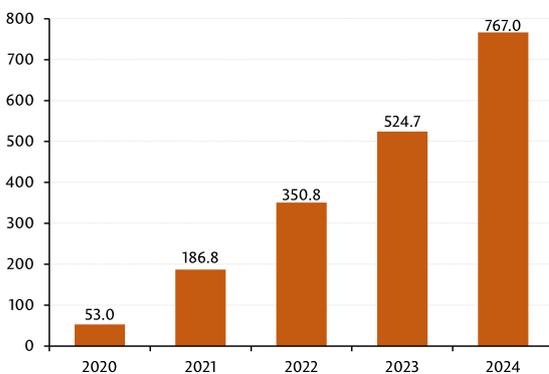
In 2020 the bank resolution fund became operational. It was set up to cover the needs related to the effective application of resolution tools in accordance with the provisions of Law No. 232/2016 on the recovery and resolution of banks.

The Banking Resolution Fund consists of:

- annual contributions to reach the target level set by law;
- extraordinary contributions, if the annual contributions are insufficient in the opinion of the resolution authority;
- loans and other forms of support.

The resources of the Banking Resolution Fund are administered by the Deposit Guarantee Fund in the Banking System, which, as the administrator of the Banking Resolution Fund, is obliged to invest the available financial resources of the Fund in low-risk assets. The use of the resources of the Banking Resolution Fund is decided by the NBM, as resolution authority, for the purposes described in Law No. 232/2016, while the calculation and payment of contributions by banks is carried out in accordance with the Regulation on the manner of calculation and payment of contributions to the Banking Resolution Fund, approved by the DEB of the NBM No. 74 of March 20, 2020 (in force since April 30, 2020).

Chart 4.22: Dynamics of the banking resolution fund resources (MDL million)



Source: NBM

According to the law, the financial resources of the Banking Resolution Fund are to reach an amount at least equal to 3.0% of the amount of guaranteed deposits of all banks licensed on the territory of the Republic of Moldova. As of December 31, 2024, banks have fully paid the annual contributions calculated by the NBM for the years 2020-2024. Thus, at the end of 2024, resources of the resolution fund reached, for the first time, the target level of 3.0% of the amount of guaranteed deposits, constituting MDL 767.0 million⁵² (Chart 4.22).

The establishment of the resolution fund contributes to the consolidation of the banking sector and its credibility, in support of the interests of depositors.

⁵²The National Bank of Moldova annually reassesses the target level in the process of calculating ordinary contributions to the resolution fund, taking into account the current value of guaranteed deposits of the entire banking system.

Banking sector risk assessment

Macroprudential supervision

Without prejudice to the fundamental objective of the National Bank of Moldova to ensure and maintain price stability, the NBM contributes to the stability of the financial system and supports the general economic policy of the state.

During 2024, the NBM continued to ensure macroprudential supervision of the financial system in order to maintain financial stability, in the uncertain global economic context, in accordance with the Macroprudential Policy Strategy⁵³. The strategy describes the national regulatory framework for financial stability, macroprudential policy objectives and intervention tools, establishes the link between the intermediate objectives and the addressed specific risks, as well as the role of the authorities involved.

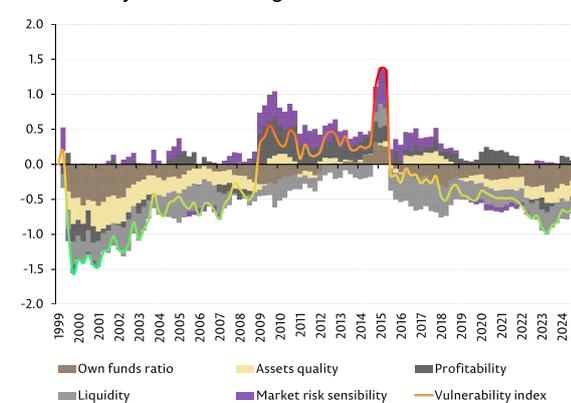
In order to assess potential risks that could affect the stability of the sector and of each bank, the NBM conducts a study on the identification of banking sector vulnerabilities. During 2024, the vulnerability index remained below the warning threshold, signaling the absence of systemic risks. However, during the mentioned period, there was a slight deterioration in the index, reflecting a negative dynamic in terms of the capital adequacy ratio, market risk sensitivity and liquidity. The unfavorable dynamics were counterbalanced by the improvement in the profitability subcomponent (Chart 4.23). At the individual level, the majority of banks continued the process of strengthening their resilience degree, while the overall vulnerability indices remained below the alert threshold.

With a view to identifying vulnerabilities in the banking system and preventing the excessive build-up of systemic risk, the NBM continued to assess banks' resilience to adverse scenarios and potential risks through stress tests and sensitivity studies in the banking sector. These macroprudential analytical tools have contributed to assessing the ability of the Republic of Moldova banks to cope with the potential shocks generated by the uncertainty of macroeconomic and financial developments.

The resilience of the banking sector to shocks is confirmed by stress tests conducted by the NBM, which show the robust capacity of banks to absorb potential losses, even in adverse but plausible scenarios. The stress tests used by the NBM focus on scenarios regarding credit risk, liquidity risk, interest rate risk, foreign exchange risk, contagion risk, as well as combinations thereof, estimating the impact of simulated shocks at the banking sector level and at the individual bank level.

The NBM conducts quarterly crisis simulations regarding macroprudential credit risk at both the banking system and individual bank levels. This exercise assesses the resilience of the

Chart 4.23: Dynamics of the general index of vulnerability of the banking sector



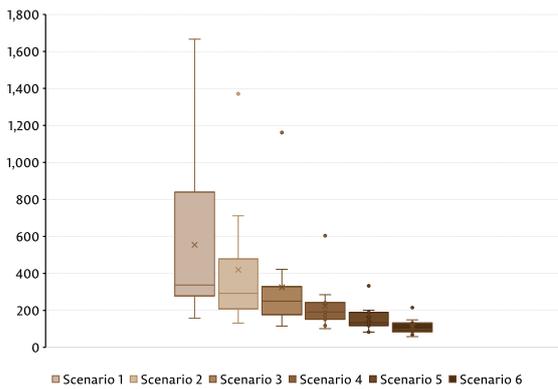
Source: NBM

⁵³NATIONAL BANK OF MOLDOVA. *Macroprudential policy strategy*. Chişinău: NBM, 2023. Available: <https://www.bnm.md/ro/content/comunicat-cu-privire-la-aprobarea-strategiei-privind-politica-macroprudentiala>

banking system under adverse but plausible macroeconomic scenarios over a three-year simulation horizon (2024-2026). Two scenarios were examined: a baseline scenario and an adverse scenario, which presents a stagflation situation characterized by rapid inflation and slow economic growth. According to the results of the stress test, all banks would consistently meet the overall capital requirement (OCR), as required by the regulatory framework of the Republic of Moldova.

Additionally, the NBM performs sensitivity analysis of the banking sector’s exposures to specific economic sectors, focused on the quality of loans granted to these sectors. The sensitivity analysis showed that banks had the highest levels of sensitivity in sub-portfolios related to the household sector (consumer loans and real estate loans), as well as the trade and agricultural sectors. However, the recorded sensitivity levels indicated that a significant increase the non-performing loan ratio would lead to banks breaching their prudential capital ratio requirements. On average, larger banks showed greater sensitivity to a potential deterioration in their total loan portfolio, as a result of the increase in exposure volumes and the reduction in voluntary capital buffers.

Chart 4.24: Distribution of the stressed liquidity coverage ratio (LCR)



Source: NBM

In 2024, the results of the stress tests confirmed the high level of liquidity of the banking sector, the banks being able to withstand scenarios simulating deposit withdrawals at historically high rates. The liquidity coverage ratio (LCR) stress test exercise analyses a set of five gradually deteriorating scenarios and a severe historical scenario, considering the typical 30-day LCR time horizon. The overall results indicated that most banks are able to withstand at least the five gradually simulated scenarios without violating the minimum 100% LCR requirement (Chart 4.24).

To survey the opinion of banks’ risk managers on the major risks to which the financial system is exposed, the NBM conducts a semi-annual survey on systemic risk. According to the respondents’ opinion, geopolitical, macroeconomic and sovereign risks persist in the financial system (Figure 1 of Annex A.37). At the same time, at the end of 2024, banks estimated at a medium to high level the probability of the occurrence of an event with a high impact on the financial system in the next 12 months. The medium-term (1-3 years) expectations regarding the occurrence of an adverse event are estimated at a medium to high level.

In order to determine the financing conditions and risk profile of the sectors financed by the banks of the Republic of Moldova, the NBM the bank lending survey on a quarterly basis. During 2024, the survey results indicated a trend of slight relaxation of lending standards for both legal entities and individuals. Banks’ short-term expectations reveal a tightening of lending standards for legal entities and an easing of lending standards for individuals.

Macroprudential policy tools

In order to exercise its powers regarding the implementation of macroprudential policy, to reduce systemic risk, the NBM may apply macroprudential policy measures and tools, setting the levels of capital buffers and requirements regarding the limitation of indebtedness.

Thus, the Executive Board of the National Bank of Moldova set the capital buffer rates applied to the banks of the Republic of Moldova as at the end of 2024, as follows:

- The capital conservation buffer rate, applied to all banks, was maintained at the level of 2.5% of the total amount of banks' risk exposure;
- The countercyclical buffer rate for exposures located in the Republic of Moldova has been maintained at the level of 0% of the amount of banks' risk exposure;
- The systemic risk buffer rate for exposures located in the Republic of Moldova was maintained at the level of 1.0% of the amount of banks' risk exposure;
- Capital buffer ratios for banks, which have been identified as systemically important institutions (O-SIIs), ranged between 1.0 and 1.5% of the total amount of banks' risk exposure.

As a result, at the end of 2024, the total capital buffer requirement applied to banks in the Republic of Moldova varied between 3.5% and 5.0%, depending on the systemic importance of the bank.

During 2024, macroprudential tools aimed at limiting the indebtedness of individuals, such as the loan-to-collateral ratio (up to 80% of the value of pledged real estate), the debt service-to-income ratio (up to 40% of the consumer's confirmed income), as well as the maximum loan maturity (5 years for consumer loans and 30 years for real estate investment loans) continued to be applied. The requirements for the calculation of these indicators were introduced by Regulation No. 101/2022 on responsible lending to consumers by banks to ensure responsible lending, in which banks assess the consumer's creditworthiness when granting loans. Similar measures were also adopted for the non-bank lending market. In 2024, the NBM initiated the review of the regulatory framework on responsible lending to consumers, with a view to harmonizing the provisions applied to banks and non-bank lending organizations, in order to effectively limit excessive indebtedness and ensure continuous access to financing.

4.2 Supervision of non-bank payment service providers and inspection of foreign exchange units

Supervision of non-bank payment service providers

In accordance with Article 93 paragraph (2) letters b), b¹) of Law No. 114/2012 on payment services and electronic money, the National Bank supervises the activity of payment institutions, electronic money institutions, postal service providers acting as payment service providers, and banks acting as payment service providers and electronic money issuers.

In 2024, inspections were carried out at 4 non-bank payment service providers, during which compliance with the legal requirements applicable to payment systems and the provision of payment services was verified. As a result, the following infringements were mainly identified:

- failure to fully safeguard funds received from payment service users and electronic money holders;
- failure to comply with the prescription issued by the NBM regarding the commencement of activity within one year from the communication of the NBM decision;
- failure to meet the requirement to hold own funds in accordance with the legal provisions;
- failure to request NBM's approval for the appointment of the audit entity;
- establishment and application of fees for the execution of payment orders in excess of the amount stipulated by the regulatory framework;
- non-compliance with minimum security requirements when interacting with the Automated Domestic Payment System;
- failure to designate an employee of the provider as a person holding a key function.

As a result of the inspections carried out, proposals and recommendations were submitted regarding the actions necessary to eliminate the identified infringements and deficiencies and, where appropriate, remedial measures were ordered, and sanctions applied. Thus, in 2024, sanctions were imposed in the form of fines for 3 providers and license withdrawal for 1 non-bank payment service provider.

In addition, the NBM conducted ex-officio monitoring of the activity carried out by payment service providers, including continuous monitoring of their activity based on quarterly reports submitted to the NBM, as well as through the examination of complaints concerning the activity of payment service providers, the review

of information published on their websites, the examination of changes in ownership structure, etc.

During 2024, a total of 59.4 million payment operations were executed through non-bank payment service providers, down by 5.7% compared to the number of transactions executed in 2023, amounting to a total value of MDL 38.1 billion, 3.7% higher than the value of transactions executed in 2023 (Chart 4.25).

Inspection of foreign exchange units

Pursuant to the provisions of Article 62 of Law No. 62/2008 on Foreign Exchange Regulation, the NBM exercises control over compliance by foreign exchange offices with foreign exchange legislation.

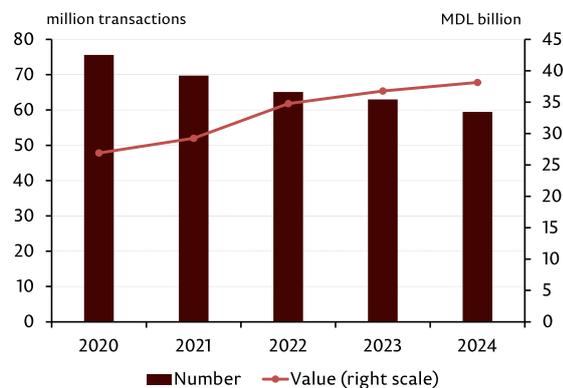
In 2024, 46 inspections were carried out at foreign exchange offices, which revealed violations such as:

- failure to ensure the maintenance/ retention of circulating funds, consisting of cash contributions to the share capital, at the level required by law;
- failure to notify the NBM regarding changes in the data submitted at licensing;
- delayed reporting to the NBM of the monthly report on transactions performed;
- reporting with errors/ failure to report/ changing information on the daily buying and selling rates of major currencies;
- lack of internal procedures regulating the method of changing buying and selling rates of currencies;
- use of outdated/ non-compliant forms;
- lack of video recordings related to cash foreign exchange operations with individuals.

In the context of the violations found, for the inspection procedures finalized in 2024, the following sanctions were applied:

- 1 sanction of license withdrawal;
- 9 sanctions of activity suspension;
- 20 fine enforcement sanctions;
- 8 written warnings.

Chart 4.25: Number and value of payments made via non-bank payment service providers, 2020-2024

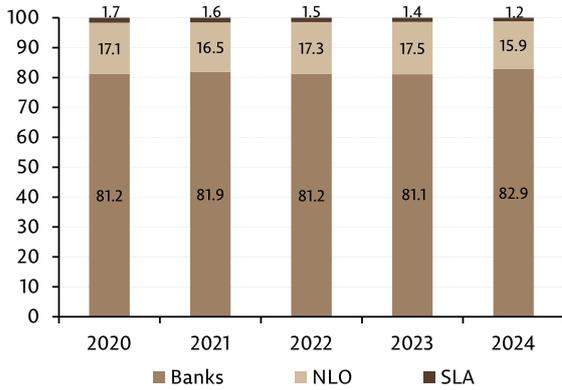


Source: NBM

4.3 Supervision of the non-bank lending sector

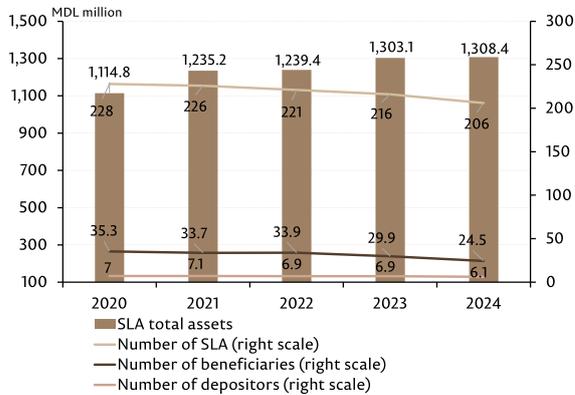
The non-bank lending activity is carried out through non-bank lending organizations (NLO) and savings and loan associations (SLA).

Chart 4.26: Share of loans and credits granted by banks, NLOs and SLAs (%)



Source: NBM

Chart 4.27: Dynamics of assets and number of SLAs compared to the number of loan beneficiaries and depositors



Source: NBM

During 2024, the non-bank lending sector registered an increase in its asset portfolio.

By the value of loans granted, the non-bank lending sector maintained a share of approximately 17.1% in total loans granted in the banking and non-bank financial sector, with a decrease of 1.8 percentage points compared to 2023.

During the period 2020-2024, the non-bank lending sector consolidated its position within the financial sector, recording an increase of 60.5% in assets, from MDL 11,715.2 million in 2020 to MDL 18,802.2 million in 2024, concurrently with a decrease in the number of licensed non-bank financial entities.

As of December 31, 2024, assets registered an increase of 15.3% compared to the end of 2023.

Savings and loan associations

The SLA sector remains relatively small in terms of assets and number of beneficiaries, while also being the most fragmented compared to other components of the financial system.

As of December 31, 2024, 206 associations held licenses to conduct SLA activity. Over the past 5 years, the number of associations decreased by 33 units.

During 2024, the number of loan beneficiaries (24,567) decreased by 17.9%, while the number of depositors (6,154) decreased by 11.1% compared to the end of 2023.

As of December 31, 2024, the total value of SLA assets amounted to MDL 1,308.4 million, recording a slight increase of 0.4% compared to the end of 2023. In the structure of SLA assets, 88.4% accounts for granted loans.

In 2024, the SLA sector continued to consolidate, with a smaller number of associations holding a larger volume of assets. The market share of the 10 largest SLA was 59.0%, while the maximum market share held by a single SLA was 22.5%.

The total value of loans granted to members amounted to MDL 1,156.4 million, up by 3.9% compared to the previous year.

Credit and funding risk

During 2024, the SLA sector recorded a decrease of about 1.2 percentage points in the non-performing loan rate, with the rate of non-performing loans standing at 6.4% at the end of the reporting period.

The funding sources of SLAs remain own funds for Category A SLAs and savings deposits in the case of Category B SLAs. Category A SLAs are financed 14.7% from loans received, while the share of own capital represents 83.7% of total assets. At the same time, for Category B SLAs, 64.4% of funding sources consist of savings deposits, 1.2% from loans received, while the share of own capital represents 32.1%.

As of December 31, 2024, the share of savings deposits amounted to 69% of total loans granted, decreasing by 1 percentage point compared to the previous year.

Supervisory activity of savings and loan associations

In accordance with Art. 46 paragraph (1) of the Law on savings and loan associations No. 139/2007, the National Bank is the sole state authority regulating and supervising the activity of associations.

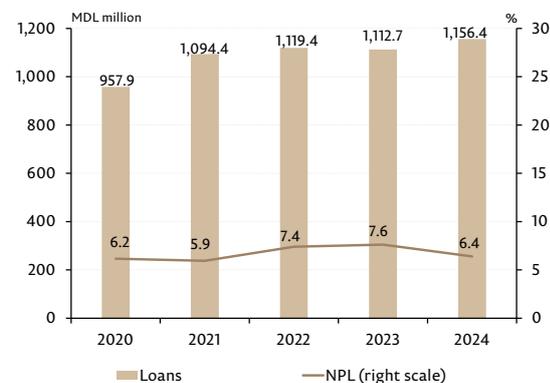
During 2024, 6 inspections were carried out at savings and loan associations.

The infringements and shortcomings identified during the inspections mainly related to:

- non-compliance with the restrictions regarding the holding of the minimum size of the institutional reserve;
- non-compliance with restrictions regarding the placement of the minimum size of liquidity in the Savings Deposits Fund;
- acceptance of savings deposits, granting of loans, exceeding the maximum share of loans overdue for more than 30 days, classification and provisioning for loan losses – in breach of the Financial Prudence Rules of savings and loan associations;
- non-compliance with the limit of 0.04% per day of the total amount of the loan granted, set for the "other payments" component;
- non-compliance with licensing conditions;
- failure by the censors' committee to fulfil its duties regarding the assessment of the organization of the internal control and risk management system within the association;
- non-compliance with the association's obligation to file a court action for the recovery of the loan and the related calculated interest within 30 calendar days from the date on which the loan and related interest have been overdue for more than 180 days, etc.

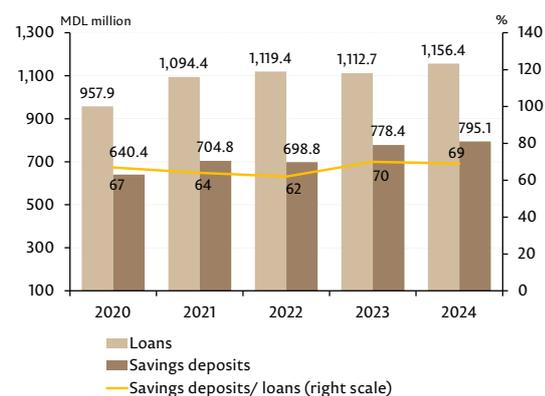
In the context of the violations found, for the inspection procedures finalized in 2024, the following sanctions were applied:

Chart 4.28: Dynamics of SLAs's non-performing loans



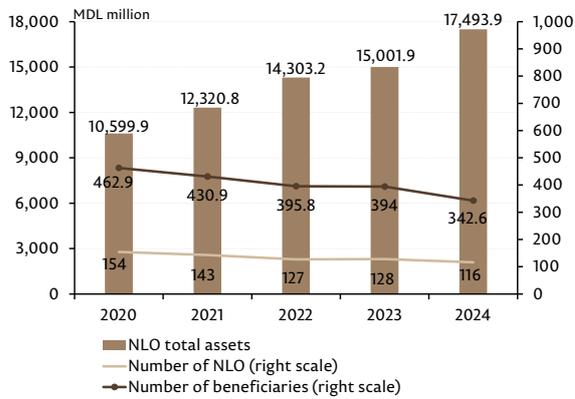
Source: NBM

Chart 4.29: Ratio between the deposits attracted and loans granted by the SLAs



Source: NBM

Chart 4.30: Development of assets and number of NLOs



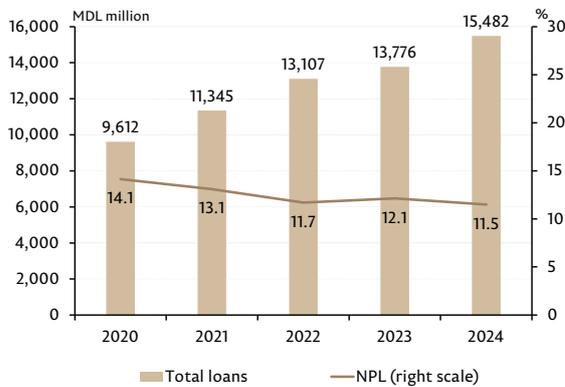
Source: NBM

- 4 sanctions of license withdrawal;
- 2 fine enforcement sanctions;
- 10 written warnings;
- 6 sanctions of withdrawal of administrators' confirmation in office.

Non-bank lending organizations

The high degree of concentration of the NLO market persists, with the largest 10 NLOs consolidating their market position, their market share accounting for 76.5%, an increase of 2.2 percentage points compared to the previous year.

Chart 4.31: Dynamics of NLOs' non-performing loans



Source: NBM

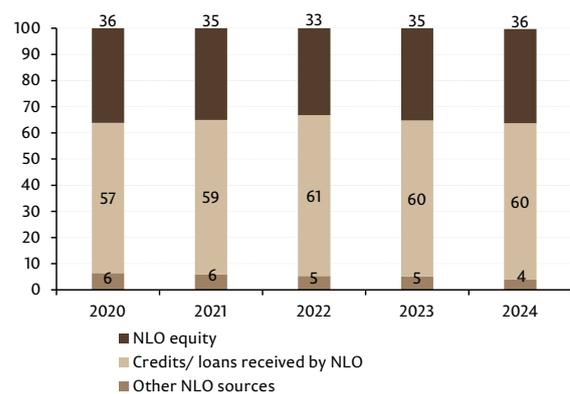
At the end of 2024, the Register of non-bank lending organizations authorized on the non-bank lending market included 135 NLOs, of which 19 organizations had suspended activity.

The NLOs sector reported a net profit of MDL 1,077.0 million in 2024, down 5.7% compared to 2023. The decline in profits in 2024 was mainly determined by the decrease in interest income and the increase in other operating expenses. During 2024, return on assets (ROA) and return on equity (ROE) decreased. ROA reached 6.2% and ROE – 19.1%.

Credit and funding risk

Credit risk represents an essential component of NLOs activity. In 2024, the quality of loans granted by NLOs recorded a slight improvement, with non-performing loans accounting for about 11.5% of the total portfolio, down 0.6 percentage points compared to the previous year.

Chart 4.32: Financing sources of the NLOs



Source: NBM

The structure of NLO funding sources did not register significant changes during the year under review, being composed mainly of bank loans and borrowings from non-residents. NLOs are financed 36.0% from own capital, 60.0% from loans and borrowings, and 4.0% from other attracted funds.

At the end of 2024, the share of financing attracted from non-residents accounted for 51.1% of total loans and borrowings attracted, or MDL 5,076.7 million, of which 84.4% or MDL 4,287.4 million were in foreign currency.

NLOs also actively borrow from banks, with the balance of contracted loans at the end of 2024 registering an increase of 31.8% compared to 2023, reaching a value of MDL 3,620.2 million.

Foreign exchange risk

At the end of 2024, loans granted by NLOs attached to the exchange rate amounted to MDL 5,896.4 million or 38.1% of total loans granted, recording an increase of 1.7% compared to the same period of the previous year.

The value of loans attracted in foreign currency amounted to MDL 6,169.5 million, up 3.7% compared to the end of 2023.

Supervisory activity of non-bank lending organizations

In accordance with Article 23 paragraph (1) of Law No. 1/2018 on non-bank lending organizations, the National Bank is the state authority that regulates and supervises the activity of non-bank lending organizations.

During 2024, 7 inspections were carried out at non-bank lending organizations.

The infringements and shortcomings found during the inspections mainly concerned:

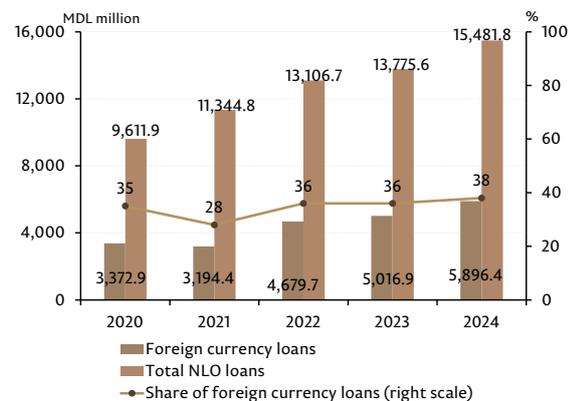
- failure to comply with the requirements regarding the development and approval of internal regulations on service provision and on the business management framework;
- failure to comply with the requirements for publishing information on the website;
- failure to comply with the requirements regarding the publication and submission to the supervisory authority of the audit report;
- failure to submit supporting documents to the supervisory authority regarding the compliance of the executive body with legal provisions;
- failure to comply with the responsible lending standards by allowing, in the lending process, the exceeding of the maximum admissible level of consumers' indebtedness;
- failure to comply with the requirements regarding the classification of assets.

In the context of the infringements found, for the inspection procedures finalized in 2024, the following sanctions were applied:

- 2 fine enforcement sanctions;
- 1 written warning.

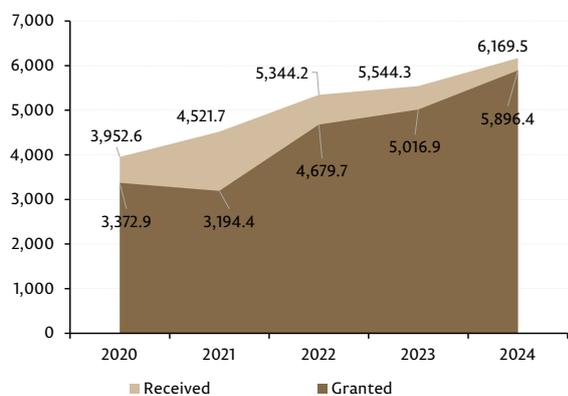
In addition, the NBM applied risk-based supervision of non-bank lending organizations, which involves ex-officio monitoring of the activity carried out by non-bank lending organizations, including through continuous monitoring of their activity, analysis of quarterly reports submitted to the NBM, and examination of complaints related to their activity.

Chart 4.33: Loans granted or attached to the foreign exchange rate



Source: NBM

Chart 4.34: Loans granted or attached to the foreign exchange rate: received versus granted



Source: NBM

4.4 Insurance sector supervision

Basic indicators characterizing the insurance sector

As of December 31, 2024, there were 9 insurance undertakings operating in the Republic of Moldova (of which 8 undertakings carried out only general insurance activities and one company carried out composite activity), 48 insurance or reinsurance brokers, 52 insurance agents and 33 bancassurance agents.

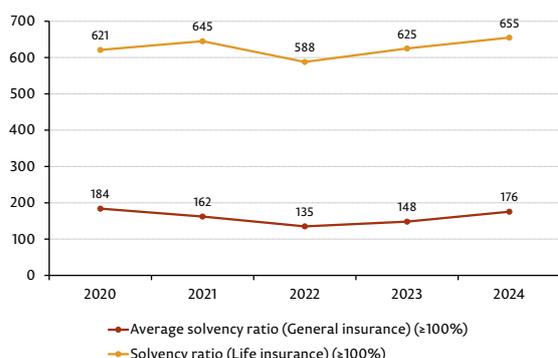
The financial situation of the insurance sector at the end of 2024 was satisfactory. According to the reports submitted by insurance undertakings, all insurance undertakings recorded solvency ratios and liquidity coefficients above the minimum legal requirements. At the end of 2024, insurance undertakings held total assets of MDL 5,509.3 million, up by 10.7% compared to the end of the previous year, while net assets amounted to MDL 1,850.2 million, 15.3% more compared to December 31, 2023. As of December 31, 2024, insurers had formed gross technical reserves amounting to MDL 3,175.8 million, 7.1% more than at the end of the previous year.

During 2024, insurance undertakings underwrote gross premiums worth MDL 3,251.6 million, 10.8% more than in the previous year. At the same time, gross claims paid amounted to MDL 1,278.4 million, up by 27.0% compared to 2023.

The net profit for the year ended December 31, 2024 amounted to MDL 293.8 million, decreasing by MDL 14.7 million or 4.8% compared to the previous year.

For 2024, the return on equity recorded by insurance undertakings was 16.6%, 2.6 percentage points lower than in the previous year. Return on assets was 5.5%, down by 0.7 percentage points compared to 2023.

Chart 4.35: Development of the average solvency ratio in the insurance sector during the period 2020-2024 (%)



Source: NBM

Assets, solvency and liquidity of insurance companies

The total assets of insurance undertakings at the end of 2024 amounted to MDL 5,509.3 million, an increase of MDL 533.4 million or 10.7% compared to the end of the previous year. The excess of assets over liabilities (net assets) increased by MDL 245.7 million or 15.3% during the reporting period, reaching MDL 1,850.2 million.

All licensed insurance undertakings recorded solvency ratios⁵⁴ above 100%. The average solvency ratio for general insurance at the end of 2024 increased by 27.5 percentage points compared to the end of the previous year, reaching 175.4%, with insurance undertakings reporting solvency ratios ranging from 139.0% to

⁵⁴Following the approval of Decision of the Executive Board of the NBM No. 328/2024, amendments were made to the formula for calculating the solvency ratio, which is determined as the ratio between the value of own funds eligible for solvency and the higher of the minimum capital requirement and the minimum solvency margin.

234.0%. For life insurance, a solvency ratio of 655.4% was recorded, a significant increase of 30.3 percentage points compared to December 31, 2023.

As of December 31, 2024, the own funds of insurance undertakings amounted to MDL 1,449.0 million, of which MDL 1,204.4 million for general insurance and MDL 244.6 million – for life insurance.

As of December 31, 2024, all insurance undertakings recorded a liquidity ratio above 1 for each type of insurance, ranging for general insurance from 2.0 to 5.3. Taking into account also the amendments to the regulatory framework⁵⁵, on average, in the insurance sector the liquidity ratio for general insurance decreased by 0.3 points compared to the end of the previous year (from 3.7 to 3.4), while for life insurance a significant decrease of 7.5 points was reported (from 23.9 to 16.4).

Technical reserves

At the end of 2024, insurance undertakings had constituted gross technical reserves amounting to MDL 3,175.8 million, an increase of 7.1% compared to December 31, 2023, distributed across the two insurance categories as follows:

- ▶ gross technical reserves for general insurance amounted to MDL 2,276.0 million, representing 71.7% of total technical reserves;
- ▶ for life insurance, technical reserves of MDL 899.9 million were formed, a level corresponding to a weight of 28.3% of total technical reserves.

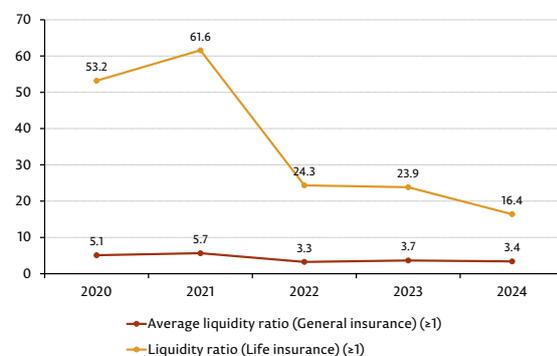
Technical reserves for general insurance increased by MDL 146.9 million or 6.9% compared to the end of the previous year, mainly resulting from the increase of MDL 150.1 million or 11.9% in the Unearned Premium Reserve (UPR).

For general insurance, the largest share of gross technical reserves was represented by the Unearned Premium Reserve (UPR) – 62.1%, up by 2.7 percentage points compared to the previous year, and the Reported But Not Settled Reserves (RBNS) – 19.0%, down by 1.6 percentage points compared to December 31, 2023.

For life insurance, gross technical reserves amounted to MDL 899.9 million, up by MDL 63.5 million or 7.6% compared to the end of the previous year. Most of the reserves (89.1%) consisted of mathematical provision and additional mathematical provision, up by 0.6 percentage points compared to the end of the previous year.

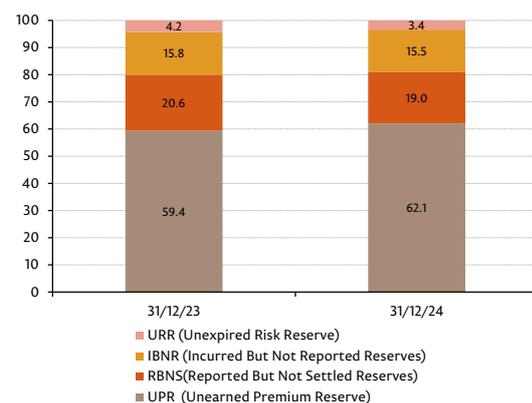
⁵⁵By the Decision of the Executive Board of the NBM No. 328/2024, amendments were made to the formula of the liquidity ratio, which represents the ratio between liquid assets and the short-term liabilities of the insurance undertaking.

Chart 4.36: Development of the average liquidity ratio in the insurance sector during the period 2020-2024



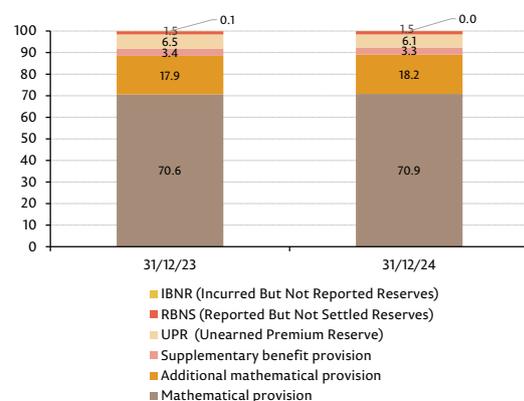
Source: NBM

Chart 4.37: Structure of technical reserves constituted for the general insurance activity (%)



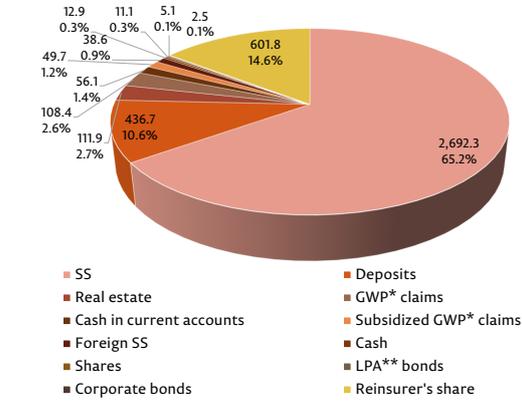
Source: NBM

Chart 4.38: Structure of technical reserves constituted for the life insurance activity (%)



Source: NBM

Chart 4.39: Structure of eligible and finally allocated assets for covering technical reserves and the minimum capital requirement as of December 31, 2024 (MDL million, %)



Source: NBM
 *Gross underwritten premiums
 **Local public authorities

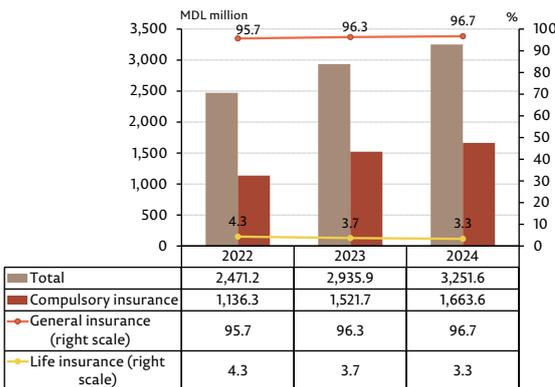
Coverage with assets of technical reserves and the minimum capital requirement

As of December 31, 2024, the total value of eligible and finally allocated assets for covering technical reserves and the minimum capital requirement was MDL 4,117.1 million, with the excess of assets after coverage amounting to MDL 567.9 million. All insurance undertakings held sufficient assets to cover technical reserves, and all insurers, except for one case, had sufficient assets to cover the minimum capital requirement, considering the restrictions established in legislation. The eligible and finally allocated assets by undertakings for covering technical reserves and the minimum capital requirement were distributed as follows: state securities – MDL 2,682.3 million or 65.2% of the assets covering technical reserves and the minimum capital requirement, reinsurers’ share – MDL 601.8 million (14.6%), deposits – MDL 436.7 million (10.6%), real estate property – MDL 111.9 million (2.7%), gross underwritten premiums claims – MDL 108.4 million (2.6%), cash in current accounts – MDL 56.1 million (1.4%), subsidized GWP claims – MDL 49.7 million (1.2%), foreign state securities⁵⁶ – MDL 38.6 million (0.9%), cash in the cash desk – MDL 12.9 million (0.3%), unlisted shares – MDL 11.1 million (0.3%), local public authorities’ bonds – MDL 5.1 million (0.1%) and corporate bonds – MDL 2.5 million (0.1%).

Gross underwritten premiums, claims and damage rates

During 2024, insurance undertakings underwrote gross premiums amounting to MDL 3,251.6 million, 10.8% more than gross underwritten premiums in the previous year.

Chart 4.40: Development of gross premiums underwritten by the insurance undertakings during the period 2022-2024



Source: NBM

As in previous years, in 2024 the insurance market in the Republic of Moldova was strongly oriented towards general insurance, which accounted for 96.7% of the total gross underwritten premiums by insurance undertakings (MDL 3,143.9 million), while the value of gross underwritten premiums for life insurance was MDL 107.7 million, equivalent to 3.3% of the total volume of gross underwritten premiums.

As of December 31, 2024, the number of policies/ contracts in the Republic of Moldova was 1,326.8 thousand units, an increase of 43.6 thousand units or 3.4% compared to the number of contracts at the end of the previous year. Out of the total number of policies/ contracts, 98.0% referred to general insurance and 2.0% to life insurance.

Gross underwritten premiums for life insurance in 2024 increased by MDL 0.1 million or 0.1% compared to 2023.

The total volume of gross underwritten premiums during 2024 for general insurance increased by MDL 315.6 million or 11.2% compared to the previous year, reaching MDL 3,143.9 million. The structure of gross underwritten premiums by classes of general insurance is presented in chart 4.41.

⁵⁶State securities issued by the government of an EU member state or an OECD member state, by an international financial organisation or an entity for which one of the nominated subjects acts as guarantor, provided that the states or international financial institutions have a BBB+ or higher rating.

Thus, out of the total gross underwritten premiums for general insurance, the largest shares were held by the classes *Mandatory motor third-party liability insurance* (MTPL domestic, "Green Card", TIR Carnet, CMR Carnet) and *Insurance of land vehicles, excluding railway vehicles* (CASCO), together accounting for over 73.5% of the market, followed by *Fire and natural disaster insurance*, for which 8.0% of premiums were written. Other classes of insurance recorded gross underwritten premiums of less than MDL 156.0 million or 5.0% each.

In 2024, the market remained highly dependent on mandatory motor insurance (domestic MTPL and "Green Card"), which accounted for 51.2% of gross underwritten premiums. Gross underwritten premiums for domestic MTPL increased by 2.6% compared to the previous year, reaching MDL 1,197.0 million, while gross underwritten premiums for "Green Card" rose by 11.8%, to MDL 466.6 million.

The average premium for domestic MTPL insurance in 2024 was MDL 1,449.1 per unit, up by MDL 71.1 per unit or 5.2% compared to 2023. For "Green Card" insurance, the average premium was MDL 1,083.4 per unit, down by MDL 40.1 per unit or 3.6% compared to 2023.

With regard to other classes of insurance, significant increases in gross premiums written in 2024 compared to the previous year were observed for the class *Insurance of land vehicles, other than railway vehicles* (CASCO) – up by MDL 70.8 million or 12.7%, for the class *Fire and natural disaster insurance* – up by MDL 52.3 million or 26.2%, and for the class *Aircraft insurance*, up by MDL 35.4 million or 78.0%.

As in the previous year, the most significant decrease in gross underwritten premiums in 2024 compared to 2023 was recorded for the class *Aircraft liability insurance* – down by MDL 44.4 million or 53.7%.

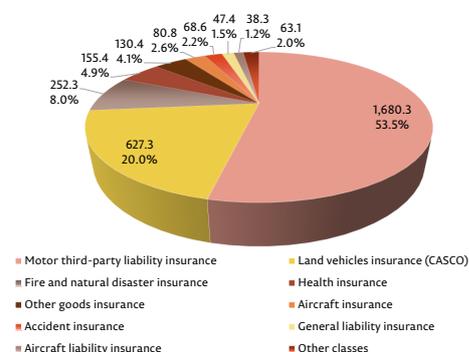
As regards general insurance, the highest volume of premiums was written by "ASTERRA GRUP" S.A., followed by "MOLDASIG" S.A. and "GENERAL ASIGURĂRI" S.A.

Based on the value of the Herfindahl-Hirschman Index (HHI) 1,288.3, calculated according to the volume of gross underwritten premiums by insurance undertakings, as well as on the concentration ratios CR_3 of 48.4% and CR_5 of 72.9%, the general insurance market in the Republic of Moldova is characterised by a low to moderate level of concentration, with no changes compared to 2023.

On the life insurance market, only one insurance undertaking operates simultaneously in both general insurance and life insurance categories – "GRAWE CARAT ASIGURĂRI" S.A.

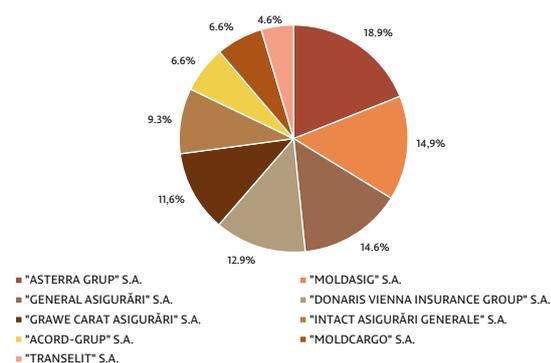
During 2024, gross underwritten premiums by one insurance undertaking for risks received in reinsurance from resident and non-resident insurers amounted to MDL 13.1 million, an increase of MDL 12.4 million compared to 2023, divided into the following classes: *Fire and natural disaster insurance*, *General liability insurance*, *Insurance of sea, lake and river vessels* and *Maritime, lake and river liability insurance*.

Chart 4.41: Structure of gross underwritten premiums by the insurance undertakings during 2024, by classes of general insurance (MDL million, %)



Source: NBM

Chart 4.42: Structure of gross underwritten premiums during 2024, by insurance undertakings (%)

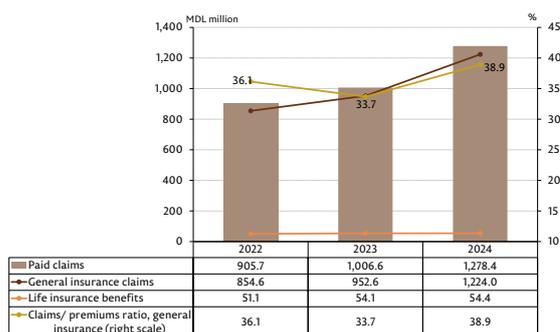


Source: NBM

Gross claims paid by the insurance undertakings

During 2024, the insurance undertakings reported gross claims paid, cumulated for both categories of insurance, amounting to MDL 1,278.4 million, up by MDL 271.8 million or 27.0% compared to claims paid during the previous year, of which:

Chart 4.43: Development of claims paid by the insurance undertakings during 2022-2024

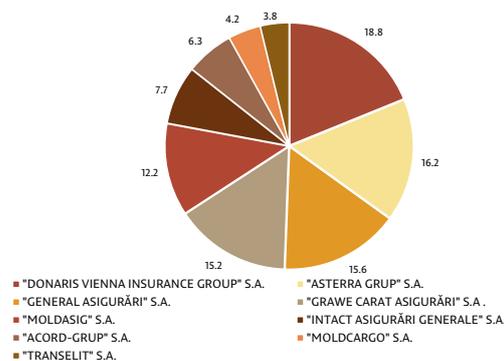


Source: NBM

- ▶ MDL 1,224.0 million or 95.7% represented claims related to general insurance contracts, recording an increase of MDL 271.5 million or 28.5% compared to the previous year.
- ▶ MDL 54.4 million or 4.3% represented amounts paid for life insurance benefits (including annuities and payments for matured contracts), recording an increase of MDL 0.3 million or 0.5% compared to 2023.

Insurance claims have shown an upward trend over the past three years for both categories of insurance. In 2024, the claims-to-premiums ratio (gross values) for general insurance was 38.9%, up by 5.2 percentage points compared to the previous year.

Chart 4.44: Structure of the claims paid for general insurance classes during 2024, by insurance undertakings (%)



Source: NBM

Out of the total claims, MDL 628.7 million or 49.2% were claims related to mandatory motor insurance (domestic MTPL, "Green Card"), up by MDL 138.2 million or 28.2% compared to the previous year. Claims paid for domestic MTPL insurance amounted to MDL 487.4 million, up by MDL 125.6 million or 34.7% compared to 2023. At the same time, insurance undertakings paid claims for external MTPL ("Green Card") insurance amounting to MDL 141.4 million, up by MDL 12.5 million or 9.7% compared to the previous year.

The average claim for domestic MTPL insurance in 2024 was MDL 20,020.2 per unit, up by MDL 1,335.6 per unit or 7.1% compared to 2023. For "Green Card" insurance, the average claim was MDL 82,862.3 per unit, up by MDL 8,352.2 per unit or 11.2% compared to 2023.

In addition to mandatory insurance, the most significant increases in claims compared to 2023 were reported for the classes *Fire and natural disaster insurance* – up by MDL 88.2 million or 342.7%, *Insurance of land vehicles, other than railway vehicles (CASCO)* – up by MDL 25.3 million or 8.5%, and *Other property insurance*, including crop insurance – up by MDL 12.7 million or 32.4%. The largest decreases in claims were recorded for the class *Insurance of goods in transit* – down by MDL 5.2 million or 46.5%.

With reference to claims paid for general insurance, more than half of these were accounted for by three insurance undertakings – "DONARIS VIENNA INSURANCE GROUP" S.A., "ASTERRA GRUP" S.A. and "GENERAL ASIGURĂRI" S.A.

Transfer of risks into reinsurance

The total value of premiums ceded into reinsurance amounted to MDL 870.1 million, an increase of MDL 200.2 million compared to 2023. At the same time, the reinsurance cession ratio increased by 4.0 percentage points compared to the previous year (26.8% versus 22.8%). During the reporting period, 22.5% of claims

(MDL 288.2 million) were recovered from reinsurers, up by 6.4 percentage points compared to the previous year.

With regard to the reinsurance transfer by country, according to the reports of insurance undertakings, premiums ceded into reinsurance were directed mainly to reinsurers domiciled in Germany – 31.6%, Austria – 13%, Barbados – 12.5%, France – 5.9%, the Czech Republic – 4.6%, Cayman Islands – 3.7%, Switzerland – 3.3%, Puerto Rico – 2.7%, Vietnam – 2.7%, to reinsurance pools with reinsurers from multiple countries – 11.0%, and to a reinsurance pool related to the "Green Card" insurance (through the National Bureau of Motor Insurers) – 5.5% of the total premiums ceded into reinsurance.

It should be noted that, in accordance with the requirements set by legislation, risk transfer into reinsurance can only be carried out to reinsurers with a credit rating of no less than BBB+, according to the assessments of the rating agencies Standard & Poor's, Fitch-IBCA, AM BEST or Moody's, or to reinsurers subject to the EU Solvency II regime from an EU member state or an OECD member state and holding a solvency ratio of at least 120%.

Rate of damages and expenses

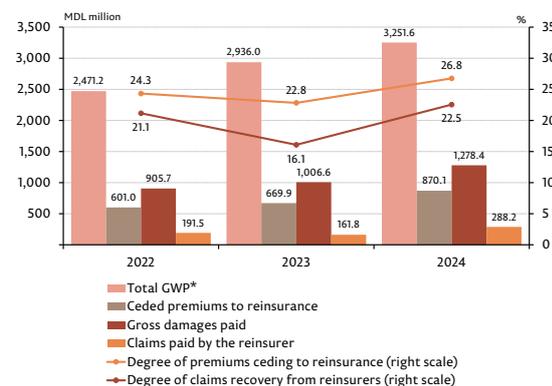
The net combined operating ratio (COR)⁵⁷, calculated on cumulative data for all classes of general insurance, stood at 95.6% as of December 31, 2024, down by 0.8 percentage points compared to the previous year. Regarding mandatory insurance, for domestic MTPL the gross combined operating ratio was 93.4%, down by 1.6 percentage points compared to the end of the previous year, while for external MTPL ("Green Card") the gross combined operating ratio was 93.2%, up by 5.8 percentage points compared to 2023.

Revenues and profitability developments

At the level of the entire insurance market, the net result of activity in 2024 was positive, with a net profit of MDL 293.8 million, down by MDL 14.7 million or 4.8% compared to 2023. All insurance undertakings reported net profit from their activity.

The net technical result, an indicator referring to the result obtained by companies from their core insurance activity, amounted to MDL 179.8 million, up by MDL 4.3 million or 2.5% compared to 2023. The net technical result accounted for 61.1% of the net profit recorded in the sector. Return on equity (ROE) recorded by insurance undertakings was 16.6%, 2.6 percentage points lower than in 2023. Return on assets (ROA) was 5.5%, down by 0.7 percentage points compared to 2023.

Chart 4.45: Transfer of risks into reinsurance



Source: NBM
*Gross underwritten premiums

⁵⁷The net combined operating ratio is an indicator of the operational profitability of insurance undertakings, calculated by adding the net loss ratio and the net expense ratio; the net combined ratio does not include income/ expenses from investment activity.

Activity of the National Bureau of Motor Insurers of the Republic of Moldova (NBMI)

Management of the Funds for the Protection of Street Victims (FPSV)⁵⁸

Since the beginning of the year, the FPSV recorded contributions amounting to MDL 11.9 million (1% of gross underwritten premiums), 11.2% more than in the same period of the previous year, due to the proportional increase in gross underwritten premiums for domestic MTPL.

During the reporting period, 211 claims were settled from the Fund, of which three cases related to unidentified vehicles and/ or drivers and 208 cases related to the absence of an insurance policy (79.8% caused by vehicles used by individuals and 20.2% – by vehicles used by legal entities). The amount of claims paid during 2024 was MDL 8.5 million, of which more than 95.6% referred to material damages. As of December 31, 2024, the Fund recorded 113 outstanding claims, with a reserve of MDL 8.4 million established. The balance of the FPSV at the end of the reporting period was MDL 42.5 million, 27.8% more than at the beginning of the year, of which 92.6% were placed in state securities and the remaining 7.4% were held in the settlement account.

Management of the Compensation Fund

The Compensation Fund is established and managed in accordance with the General Regulations of the Council of Bureaux (CoB).

As of December 31, 2024, contributions to the Compensation Fund amounted to MDL 23.3 million (5% of gross underwritten premiums), which is 2.6% more than in the same period of the previous year, based on the increase in the volume of gross underwritten premiums.

During the reporting period, 344 claims files were settled from the Compensation Fund. Out of the total number of settled claims, 94.5% represented claims settled in the Republic of Moldova, being amounts owed to injured parties in the Republic of Moldova, to compensate for damages caused by holders of "Green Card" insurance certificates issued by foreign insurers. Another 4.9% of the settled claims referred to reimbursements to foreign counterparties for amounts paid by them as insurance compensation for damages caused by holders of "Green Card" certificates, members of the NBMI, while two claims (0.6%) were paid in connection with false "Green Card" policies.

The amount of claims paid totalled MDL 11.6 million, of which 97.5% represented material damages and 2.5% – bodily injuries. It

⁵⁸Funds for the Protection of Street Victims (FPSV) is a fund established to protect persons harmed by accidents caused by vehicles whose owners and/ or users have not concluded mandatory MTPL contracts, by unidentified vehicles and/or drivers, by unregistered vehicles or those not subject to registration on the territory of the Republic of Moldova, and/ or by illegally obtained and uninsured MTPL vehicles.

should be noted that the value of claims paid during the reporting period decreased by 46.4% compared to the same period of the previous year, when claims of MDL 21.6 million were paid. As of December 31, 2024, the Compensation Fund recorded 88 outstanding claims, for which a reserve of MDL 7.2 million was established.

At the end of the reporting year, the Compensation Fund recorded assets of MDL 159.6 million, 18.8% more than at the beginning of the year, of which 59.2% were placed in bank deposits, 39.2% in state securities, and 1.6% in settlement accounts.

Activity of insurance intermediaries

As of December 31, 2024, the intermediation market was represented by 48 insurance and/ or reinsurance brokers, 52 insurance agents and 33 bancassurance agents.

According to reports submitted as of December 31, 2024, insurance intermediaries concluded 1,068.6 thousand insurance contracts, representing 53.3% of the total contracts concluded in the market. At the same time, insurance premiums intermediated amounted to MDL 1,886.4 million, up by MDL 184.7 million compared to the previous year. Intermediated premiums accounted for about 58.0% of total gross underwritten premiums.

Commissions calculated reached MDL 693.9 million, up by MDL 79.9 million, including MDL 684.2 million from intermediation of insurance contracts and MDL 9.7 million from claims assistance and settlement activities.

The share of premiums intermediated by intermediaries is shown in chart 4.46.

Thus, the largest share was held by insurance brokers – 67.2%, insurance agents accounted for 21.8%, and bancassurance agents – 11.0%.

The intermediation rate for 2024 reached 58.0% and broken down by insurance categories it was 56.7% for general insurance and 95.7% for life insurance.

Integrating the insurance sector into the economy

Insurance density, calculated as the ratio between the value of gross underwritten premiums in the Republic of Moldova and its population, is an indicator showing how much, on average, a country’s resident spends on insurance products. In 2024, insurance density in the Republic of Moldova was MDL 1,341.8 per inhabitant, up by about MDL 173.4 per inhabitant or 14.8% compared to the previous year.

Insurance penetration in GDP, an indicator calculated as the ratio between the value of gross underwritten premiums by insurance undertakings in the Republic of Moldova and gross domestic product, amounted to 1.0% in 2024, unchanged compared to the previous year.

Total assets held by insurance undertakings reached, at the end of 2024, a level equivalent to 1.7% of GDP, up by 0.1 percentage points compared to the previous year.

48 brokers of insurance reinsurance

- intermediated insurance premiums amounted to MDL 1,268.1 million, representing 39.0% of total GWP;
- the losses settled by brokers amounted – MDL 51.4 million;
- calculated commissions amounted to MDL 471.6 million, including intermediation – MDL 462.0 million, and assistance – MDL 9.7 million.

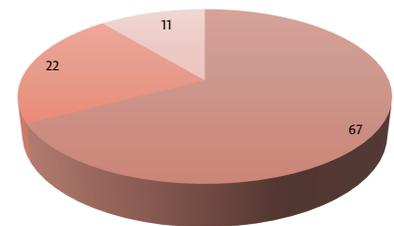
52 agents of insurance legal entities

- intermediated insurance premiums amounted to MDL 411.2 million, accounting weight of 12.6% of total GWP;
- commissions calculated from intermediation – MDL 131.3 million.

33 agents bancassurance

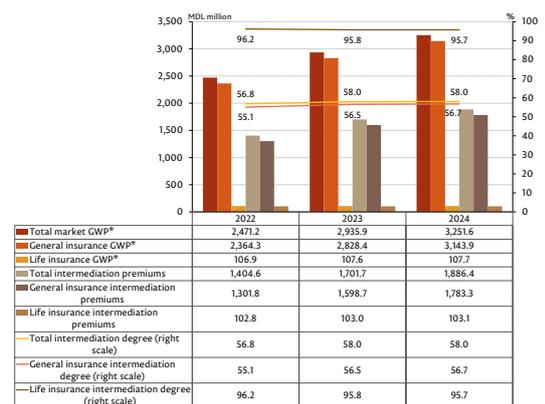
- intermediated insurance premiums amounted to MDL 207.1 million, representing 6.4% of total GWP;
- commissions calculated from intermediation – MDL 90.9 million.

Chart 4.46: Share of premiums intermediated by intermediaries (%)



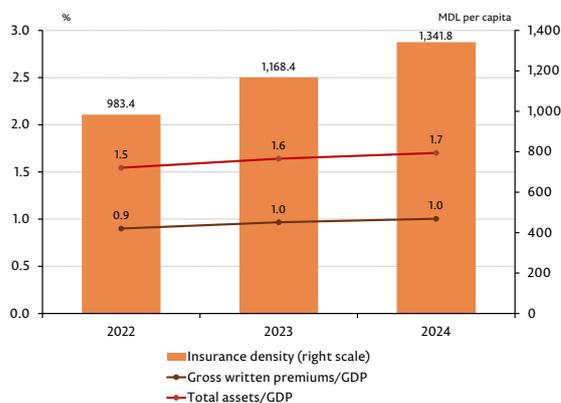
■ Insurance-reinsurance brokers
 ■ Insurance agents
 ■ Bancassurance agents

Source: NBM
 Chart 4.47: Degree of intermediation



Source: NBM
 *Gross underwritten premiums

Chart 4.48: Integrating the insurance sector into the economy in the period 2022-2024



Source: NBM

Supervisory activity

For the purpose of protecting the rights and collective interests of policyholders, insured persons, reinsurers, insurance beneficiaries, injured third parties and other persons whose rights may be infringed, as well as to support the development of the insurance sector, the National Bank of Moldova carries out prudential supervision of professional participants in the insurance market, monitoring their compliance with the regulatory framework, preventing and limiting risks specific to insurance activities, and maintaining the financial stability of insurers.

The supervisory process is transparent, proportionate, complex and risk-based. According to the priorities set for 2024, it focused on the following main areas: internal governance of insurance undertakings, underwriting risk, and coverage of technical reserves and minimum capital requirement with assets.

During 2024, the supervision of professional participants in the insurance market included various ongoing, on-site and off-site actions, including:

- analysis of reports and specialised financial statements submitted by supervised entities;
- monitoring of basic indicators;
- analysis of governance and internal control;
- assessment of insurers' solvency and liquidity;
- monitoring the coverage of technical reserves and the minimum capital requirement with eligible assets in accordance with legal requirements;
- analysis of the reinsurance programmes of insurance undertakings, etc.

During this period, 14 administrative procedures were carried out regarding the activity of professional participants in the insurance market, of which 10 ex-officio inspections and 4 on-site inspections. As a result of the inspections carried out concerning the activity of insurance undertakings, 4 fines were imposed on insurers and/or executive bodies, a warning was issued in relation to one insurance undertaking, a warning was issued to the head of the actuarial function within an insurer, and supervisory measures and/or prescriptions for remedying the identified infringements were ordered. At the same time, as a result of the inspections, it was found that 4 insurance and/or reinsurance brokers did not meet the legal conditions for carrying out brokerage activity. Consequently, by decisions of the Executive Board of the NBM, their licences for insurance and/or reinsurance intermediation were withdrawn. At the end of the reporting year, five administrative procedures were still ongoing.

In general, the infringements and deficiencies identified in relation to insurers' activity referred to non-compliance with certain regulatory requirements concerning the conduct of insurance business, governance and internal control systems, underwriting risk, calculation and maintenance of insurance technical reserves, as well as the failure to take necessary measures regarding the use of adequate and proportionate systems, resources and procedures in the area of ICT risk management to ensure business continuity.

It should be noted that, at the end of 2024, the NBM approved reference premiums for mandatory motor third-party liability insurance (domestic and external MTPL), these representing minimum indicative insurance premiums, marking an essential stage towards the liberalisation of this market segment. The partial liberalisation of MTPL premiums is an important step ensuring a gradual and efficient transition towards full liberalisation of MTPL premiums in line with European Union directives and standards. Through the application of the partial liberalisation mechanism, insurance undertakings calculated and applied their own insurance premiums, taking into account the specific risks of their MTPL insurance portfolios. This contributes to a competitive and fair environment, where consumers benefit from fair tariffs and greater diversity of offers, while insurance undertakings have the necessary flexibility to compete effectively.

Administration of the Automated Information System RCA Data

The Automated Information System RCA Data (AIS RCA Data) is an information system intended for the electronic processing of mandatory domestic and external motor third-party liability insurance documents. Through this system, applications, contracts, policies and certificates of mandatory motor third-party liability insurance are processed and claim files caused by vehicles are managed. The main task of the AIS RCA Data is the registration, collection, accumulation, updating, control and analysis of information regarding insurance contracts, domestic and external MTPL policies, insured persons, injured parties, claim files and insurance indemnities.

With reference to the administration of the Automated Information System RCA Data, during 2024 a total of 1,099 requests were examined, most of them concerning assistance to professional participants related to technical issues identified in the electronic processing of mandatory MTPL documents via suport.rca@bnm.md (247 requests), modifications to the system nomenclatures (241 requests), requests from bailiffs or authorised administrators (221 requests), and the review of the Bonus-Malus class at the request of citizens from the left bank of the Dniester (190 requests).

At the same time, starting from July 1, 2023, when the National Bank of Moldova, as the supervisory authority of the insurance sector, took over the management of the AIS RCA Data, one of the objectives of the digitalisation and technological transformation strategy was the modernisation and reinvention of the System. The main developments and achievements in the management of the AIS RCA Data during 2024 were:

Launch of the RCA.BNM.MD portal

The RCA.BNM.MD portal is a single access point to data associated with mandatory motor third-party liability (MTPL) insurance underwritten by professional participants in the insurance market of the Republic of Moldova. Its purpose is to facilitate access to high-value, machine-readable data generated and hosted by the State Automated Information System in the field of mandatory MTPL insurance. The portal provides financial services consumers with a suite of digital tools useful for calculating domestic MTPL insurance premiums, "Green Card" premiums, verifying the status of domestic and external vehicle insurance, obtaining information on Bonus-Malus classes, obtaining the Certificate on claims registered by the applicant, and querying the registered claims history of the vehicle.

Development of the API digital toolkit

In November 2023, the National Bank of Moldova announced the expansion and optimisation of API services within the AIS RCA Data. This progress marked an important step in the digital transformation of the insurance sector, providing significant benefits for both professional participants in the insurance market and final consumers of financial insurance services.

The new digital tools facilitate the programmatic registration of MTPL insurance policies and improve the efficiency and security of related processes, providing instant access to insurance services. During 2024, the toolkit was further enhanced, offering professional participants in the insurance market new solutions for automated interaction with the AIS RCA Data to optimise operational processes. The number of entities adopting the toolkit grew exponentially. Additionally, optimisation works were carried out on the AIS RCA Data, significantly reducing the information resources consumed and ensuring faster execution of operations by professional participants in the insurance market of the Republic of Moldova.

Control of access to personal data

Increased attention is devoted to the protection of personal data. In this context, a strategy was developed for the anonymisation of personal data used in the calculation of MTPL insurance premiums, and a mechanism for monitoring access to personal data was established. Information on access to data from the state registers of the population and vehicles is now available in the MCabinet, ensuring an additional level of security and transparency. The same mechanism has also been extended to claims file management processes.

Anonymisation of personal data

In the context of the strategy to strengthen mechanisms for the protection of personal data, anonymisation of personal data was implemented within the AIS RCA Data (Desktop application, AIS RCA Data digital toolkit), so that such data is accessible in anonymised format until the conclusion of the mandatory MTPL insurance contract.

New format of the domestic MTPL insurance policy

In accordance with Decision of the NCFM No. 24/1 of May 14, 2024 on the approval of the form and content of standardised forms related to mandatory motor third-party liability insurance for damage caused by vehicles and the instructions for completing them, published in the Monitorul Oficial of the Republic of Moldova No. 275–277 of June 28, 2024, adjustments of form and content were also made to the standardised forms processed through the AIS RCA Data.

In addition, regarding the standardised forms processed through the AIS RCA Data, the format and content of the *Application for concluding the mandatory motor third-party liability insurance contract for damage caused by vehicles* (domestic MTPL insurance), the *Mandatory motor third-party liability insurance contract for damage caused by vehicles* (domestic MTPL insurance), as well as the *Application for concluding the mandatory motor third-party liability insurance contract for damage caused by vehicles* (external MTPL "Green Card" insurance) and the *Mandatory motor third-party liability insurance contract for damage caused by vehicles* (external MTPL "Green Card" insurance) were updated.

New format of the "Green Card" insurance certificate

In accordance with Decision of the NCFM No. 24/1 of May 14, 2024 on the approval of the form and content of standardised forms related to mandatory motor third-party liability insurance for damage caused by vehicles and the instructions for completing them, published in the Monitorul Oficial of the Republic of Moldova No. 275–277 of June 28, 2024, adjustments of form and content were also made to the standardised forms processed through the AIS RCA Data, including:

- Discontinuation, starting from November 1, 2024, of the standardised primary document form with special regime "Green Card" insurance certificate provided for in point 7 of the Nomenclature of standardised primary documents with special regime, approved by Government Decision No. 294 of March 17, 1998;
- Adoption of the "black on white" format for the "Green Card" insurance certificate, starting from November 1, 2024. The new format required the mandatory possession of the respective certificate in paper form at border crossing, until December 31, 2024 inclusive;
- Adoption of the digital format for the "Green Card" insurance certificate, starting from January 1, 2025. This format requires possession of the "Green Card" insurance certificate in electronic format, without the obligation to print and hold it in paper form.

Digitalisation of the certificate on registered damages

The certificate on registered damages, issued based on the data stored in the AIS RCA Data, was digitalised in accordance with point 4 letter e) of Government Decision No. 133/2012 on the approval of the Technical Concept of the State Automated Information System in the field of mandatory MTPL insurance, a provision introduced by Government Decision No. 641/2024 and effective as of November 3, 2024. One of the tasks of the AIS RCA Data consists in "issuing, through the rca.bnm.md portal, the certificate on damages registered by the applicant during the last 5 years of contractual relations, or confirming the absence of such damages. The certificate is issued in electronic format or on paper and contains a unique electronic identifier (QR code, barcode, digital code) that allows electronic verification of its authenticity".

4.5 Regulation and supervision in the field of preventing and combating money laundering and terrorist financing

During 2024, the National Bank of Moldova, in its capacity as the supervisory authority in the field of preventing and combating money laundering and terrorist financing, through the Division of Money Laundering and Terrorist Financing⁵⁹, continued its efforts to strengthen the regulatory and supervisory framework, pursuing alignment with international standards, implementation of MONEYVAL Committee recommendations, and compliance with European Union regulations.

In this respect, existing regulatory acts were revised and amended, and new regulatory acts related to anti-money laundering activities for reporting entities supervised by the NBM were drafted. On January 24, 2024, amendments were adopted to the *Regulation on requirements for preventing and combating money laundering and terrorist financing in the activity of banks*, approved by Decision of the Executive Board of the National Bank of Moldova No. 200/2018, the *Regulation on requirements for preventing and combating money laundering and terrorist financing in the activity of foreign exchange entities and hotels*, approved by Decision of the Executive Board of the National Bank of Moldova No. 201/2018, and the *Regulation on requirements for preventing and combating money laundering and terrorist financing in the activity of non-bank payment service providers*, approved by Decision of the Executive Board of the National Bank of Moldova No. 202/2018. In the reporting year, by Decisions of the Executive Board of the National Bank of Moldova (No. 280 and No. 281 of November 7, 2024), the *Regulation on requirements for preventing and combating money laundering and terrorist financing in the activity of non-bank financial institutions* and the *Regulation on requirements for customer identification and verification through electronic means* were approved. In line with the requirements of the regulatory framework ensuring decision-making transparency, the NBM submitted the above-mentioned draft regulatory acts for public consultation, receiving 546 recommendations from 25 public institutions and stakeholders.

Subsidiarily, the NBM issued opinions on draft legislative acts relevant to this field, which were subject to specialized analysis, namely: the draft Law amending and supplementing Law No. 308/2017 on preventing and combating money laundering and terrorist financing, and the draft Law amending and supplementing Law No. 25/2016 on the implementation of international restrictive measures.

⁵⁹The Division of Money Laundering and Terrorist Financing (DMLTF) is the NBM subdivision responsible for supervising reporting entities in accordance with the provisions of Art. 15, in correlation with Art. 4 of Law No. 308/2017, as well as for undertaking the necessary actions to ensure an effective system for preventing and combating money laundering and terrorist financing within the NBM's own activity. During the year, in the division worked 14 dedicated specialists, including 2 managerial staff.

An important component of the NBM's activity in the field of preventing and combating money laundering is its contribution to the implementation of MONEYVAL recommendations, particularly for improving the regulatory framework regarding technical compliance with international standards for the prevention of money laundering and terrorist financing. Thus, the NBM contributed to the update and amendment of national legislation, transmitted to the Office for Prevention and Fight against Money Laundering relevant information in the supervised area for the identification and analysis of risks related to the use of legal entities for money laundering and terrorist financing purposes, provided pertinent information for the identification and assessment of risks related to virtual assets and virtual asset service providers, and submitted important information and data regarding the fulfilment of the necessary actions from the *National Strategy for the Prevention and Combating of Money Laundering and Terrorist Financing for the years 2020-2025* and its Implementation Measures Plan, etc.

In addition, during 2024, the NBM played an active role in the screening process related to the status of candidate country for accession to the European Union, contributing to the analysis of the compliance of the national regulatory framework on preventing and combating money laundering and terrorist financing with the EU acquis. Based on the findings resulting from the screening process, the NBM contributed to the drafting of the *National Programme for the Accession of the Republic of Moldova to the European Union for the period 2025-2029*⁶⁰, including for the field of preventing and combating money laundering and terrorist financing, a strategic document which sets out the priority directions of reform, the necessary legislative and institutional measures, as well as the implementation timeline.

Active participation and involvement in the EU screening processes highlight the central bank's commitment to strengthening the national system for preventing money laundering and terrorist financing. Thus, the NBM continued to play an essential role in supervising the activity of reporting entities, ensuring that they comply with applicable international norms and regulations. In this way, the supervision of the financial sector under the NBM's competence in the field of preventing and combating money laundering was carried out according to the principle of risk-based supervision, with an optimized allocation of resources depending on the identified risks and vulnerabilities. To ensure that the measures adopted towards reporting entities are proportional to their risk profile, the NBM continuously and systematically collects and analyzes a broad range of information, such as: the type and complexity of the reporting entity's activities and products; the geographical risk associated with cross-border transactions; the number and volume of cash transactions; data on foreign exchange operations; the results of previous inspections (controls) and the remedial measures undertaken by the reporting entity; data on the vulnerabilities of the reporting entity's internal control system; data on the complexity of the AML/CFT programs of each reporting entity; the results of the annual internal assessment of money laundering and terrorist financing risks conducted by each reporting entity; the results of external audit missions; information on changes in the ownership and control structure of reporting entities and/ or

⁶⁰The final document is to be submitted for approval during 2025.

significant changes at the executive level; notifications from national authorities regarding the identification of illicit activities, new typologies, or investigations related to certain clients or categories of clients; information provided by the Financial Intelligence Unit regarding the quality of suspicious transaction reports or the identification of relevant deficiencies in this respect, etc. The results of the examination of the above-mentioned data and information are taken into account when planning inspections or may constitute triggering factors for thematic or ad-hoc controls, depending on the severity of the identified risks and the corrective measures required.

In 2024, a total of 14 inspections and ex-officio monitoring were carried out regarding banks' compliance with their obligations towards clients and/ or high-risk transactions, 1 on-site inspection of a payment service provider concerning compliance with the anti-money laundering requirements, and 23 on-site or ex-officio inspections of foreign exchange entities regarding compliance with the regulatory framework on the prevention and combating of money laundering. As a result of the inspections conducted, whether on-site or ex-officio, several types of infringements were identified, such as: the absence of internal assessments of money laundering and terrorist financing risks within their field of activity; incorrect or incomplete application of customer due diligence rules, including those concerning politically exposed persons; inaccurate or superficial risk assessments of clients with respect to money laundering and terrorist financing; insufficient or incorrect application of due diligence measures, including enhanced due diligence for both natural and legal persons; incorrect identification or failure to identify the beneficial owner; failure to report transactions to the Financial Intelligence Unit in accordance with the requirements of Law No. 308/2017; disclosure of data regarding the transmission of information to supervisory authorities and the Financial Intelligence Unit; lack of employee training activities for staff with obligations and responsibilities related to the implementation of the relevant regulatory framework. Furthermore, inspections revealed deficiencies in the internal control systems related to compliance with preventing and combating money laundering requirements, such as: poor management of processes concerning the acceptance of business relationships/ continuation of business relationships; shortcomings in the bank's IT system regarding the processing of card transactions in the absence of mandatory data required for the transfer of funds; accumulation and retention of supporting documentation obtained from clients in a poorly organized manner, etc.

In cases where non-compliance was deemed significant or recurrent, administrative sanctions were imposed, along with remedial action plans with clear implementation deadlines. In this respect, 12 prescriptions were applied to foreign exchange offices, and 8 prescriptions to banks and individuals responsible within banks for ensuring the compliance of policies and procedures with legal AML/CFT requirements. Additionally, in 2024, the NBM applied 5 fines for breaches of the national legislation on preventing and combating money laundering. Two of these fines, totaling MDL 100,000, were applied to foreign exchange offices, while the remaining three, totaling approximately MDL 5.3 million, were applied to banks.

In addition to traditional supervisory activities, given the increasing use of digital channels for conducting financial transactions, the NBM intensified its supervisory measures over the risks associated with remote banking service systems. The monitoring of transactions carried out via online-banking and mobile-banking was strengthened, with a focus on identifying atypical behaviors and possible techniques to circumvent control measures. To mitigate risks, specific recommendations were issued regarding the remote identification and verification of clients, and the obligations of banks and payment service providers were emphasized with respect to monitoring inactive accounts or accounts used by clients in an unusual manner. At the same time, working meetings were organized with supervised entities, as well as inter-institutional meetings, in order to assess the level of implementation of control measures and to support the optimization of mechanisms for identifying and deterring suspicious transactions. In the same context, to support the financial sector in implementing the new requirements, the NBM issued a series of circulars concerning the application of enhanced due diligence measures, the screening of clients and transactions against sanctions lists and international restrictive measures, as well as the management of risks associated with politically exposed persons (PEP) and jurisdictions with strategic deficiencies in the implementation of international FATF-GAFI standards.

In the reporting year, the NBM conducted a sectoral risk assessment of money laundering and terrorist financing at the banking level. This assessment was carried out in the context of a technical assistance mission from the International Monetary Fund and was based on both quantitative and qualitative indicators, in order to adjust supervisory and intervention strategies.

In addition to the direct supervision of reporting entities in the field of preventing and combating money laundering and terrorist financing, in 2024 the NBM reviewed, through the lens of compliance requirements in the field of preventing and combating money laundering, the information, data, and documents related to individual administrative acts issued for the approval of potential acquirers, holders, shareholders, as well as persons in management or key positions within licensed banks and other supervised reporting entities. The assessment focused on verifying the source of funds used to acquire shareholdings, identifying beneficial owners, and analyzing potential risks associated with money laundering and terrorist financing. With regard to persons in management positions, the expert opinion focused on integrity, professional competence, and potential conflicts of interest, with an emphasis on compliance with governance standards and the prevention of undue influence over strategic decision-making.

The exchange of information and cooperation between the central bank and other national authorities in the field of preventing and combating money laundering are essential to ensuring effective supervision of the financial system. In this regard, during the reporting year, the National Bank intensified its cooperation with the Office for Prevention and Fight against Money Laundering, as well as with other supervisory authorities, law enforcement bodies, and relevant institutions, in order to detect and prevent illicit financial activities. Considering the identified risks associated with cash transactions, transactions carried out through remote banking service systems or money transfer systems, transactions

executed in the absence of mandatory data related to credit transfers, as well as the risks associated with international restrictive measures, the NBM's cooperation with relevant national authorities involved the prompt exchange of data on suspicious transactions and activities, changes in risk factors characteristic of the field of preventing and combating money laundering and terrorist financing, sectoral risk assessments, the implementation of international standards, as well as the coordination of measures to manage emerging risks and the compliance measures of reporting entities. Through extended partnerships with national authorities, more effective monitoring of transactions and associated risks was ensured. In this context, reporting and analysis processes for suspicious transactions were improved, facilitating a faster response to threats identified during the year.

In 2024, the launch event of the specialized SAS AML IT solution took place. This system is intended to support the NBM in supervising money laundering and terrorist financing risks in the banking sector and in assessing its compliance with the requirements of normative acts. At the institutional level, the tool is designed to provide an overview of each supervised entity, including the identification of links between shareholders, beneficial owners, administrators, debtors, and other clients, as well as their transactions. These individual assessments are subsequently used to underpin sector-wide risk analysis and the supervision of entities under a risk-based approach.

Another strategic objective achieved during the reporting period was the strengthening of institutional capacity through the continuous training of specialists engaged in supervisory activities in the field of preventing and combating money laundering and terrorist financing, as well as of the supervised entities. Training sessions were organized both for internal staff and for supervised reporting entities on the following topics: regulation and supervision of non-financial entities and providers of virtual asset services in the context of preventing and combating money laundering and terrorist financing; transparency and verification of the beneficial owner for compliance with the national legal framework on preventing ML/FT; international restrictive measures (sanctions) – challenges and best practices, etc.

These sessions focused not only on the transmission of theoretical information but also on the application of practical scenarios relevant to the daily activity of reporting entities, so that compliance measures are implemented effectively and proactively. In addition, operational sessions were organized with banks and payment service providers to provide relevant information on typologies of the use of cardless instruments in illicit activities, as well as to clarify obligations related to international sanctions.

In conclusion, the year 2024 for the National Bank of Moldova, in its capacity as supervisory authority in the field of preventing and combating money laundering and terrorist financing, was characterized by the strengthening of the national regulatory framework on preventing and combating money laundering and terrorist financing, by effective inter-institutional cooperation, an integrated supervisory approach based on diverse monitoring and control activities over the compliance of supervised entities, as well as on the continuous monitoring of regional and global circumstances that determined the evolution of money laundering and terrorist financing risk factors, and of the risks associated with international restrictive measures.

Chapter 5

Financial market infrastructures

5.1 Regulation and monitoring of financial market infrastructures

According to *Law No. 548/1995 on the National Bank of Moldova*, the regulation and monitoring of financial market infrastructures in the Republic of Moldova is one of the core responsibilities of the National Bank.

This duty is carried out in line with international best practices, as well as with recommendations, principles, and standards issued in this field by the Bank for International Settlements, the European Central Bank, the International Monetary Fund, and the World Bank.

In view of implementing the instant payments scheme, provided for in the Concept on the development of the payments sector in the Republic of Moldova⁶¹, the stages of the project implementation continued throughout 2024. This project is aimed at developing the payments system in the Republic of Moldova and modernizing payment services, in order to provide the financial community of our country with a payments system with infrastructures that meet the performance expected and required by payment service providers, as well as with modern payment instruments suited to the needs of individual and corporate consumers.

The system was launched on March 12, 2024, with some functionalities (P2P⁶², RTP⁶³) for individuals, designed to improve the financial system and respond to the increasing consumer demand for faster and more efficient transactions.

Simultaneously with the system launch, the brand "MIA" (mia.bnm.md) was also introduced on the market, encompassing all initial payment services, as well as those subsequently introduced in the market by payment service providers with the support of the National Bank of Moldova, such as:

⁶¹NATIONAL BANK OF MOLDOVA. *Excerpt from the Concept on the development of the payments sector in the Republic of Moldova*. Chişinău: NBM, 2020. Available at: <https://www.bnm.md/ro/content/extras-din-conceptul-privind-dezvoltarea-domeniului-de-plati-din-republica-moldova>

⁶²P2P – transfers initiated by participants on behalf of individual clients to other individual clients.

⁶³RTP (Request To Pay) – a messaging service that allows the beneficiary of the payment, through its payment service provider, to request the initiation of a payment order in Moldovan lei from a payer.

1. The Me2Me⁶⁴ functionality, which allows instant transfers between one's own payment accounts held at different financial institutions, regardless of the institution;
2. Payments via QR code/ link for businesses, enabling customers to quickly make payments at cash registers by simply scanning with their mobile phone or using the financial application;
3. RTP payments to legal entities.

The implementation of MIA Instant Payments has revolutionized Moldova's financial infrastructure, offering both individuals and businesses an efficient and accessible way to make payments. The MIA system for businesses can be integrated by all entrepreneurs in the country, providing alternative methods of electronic payment acceptance, regardless of the financial institution serving the merchant. Thanks to the new MIA functionalities dedicated to businesses, entrepreneurs can accept QR code payments at points of sale, integrate the MIA payment button in online shops they manage, or offer payments by link when products are delivered remotely.

The measures in question will strengthen the payment system of the Republic of Moldova, improve the management of operational and liquidity risks, and facilitate the implementation of new payment instruments and services. They will also create the premises for the efficient development of innovative payments, including mobile payments, with immediate final settlement and the possibility of immediate reuse of the received funds. As a result, the circulation of economic flows will become easier, the innovative payments sector will have a better capacity to attract investments, and the velocity of money in the economy will increase. These developments will bring benefits at multiple levels – to payment service providers and final consumers (individuals), as well as to economic operators and public authorities.

According to Article 5 of *Law No. 548/1995 on the National Bank of Moldova*, the NBM regulates and monitors financial market infrastructures, under the conditions established by law, and promotes their safe and efficient functioning. Within this core objective, the National Bank monitors the payment and settlement systems of the Republic of Moldova, whose stable and efficient operation is essential for financial stability, the implementation of monetary policy, and the promotion of public confidence in cashless payments.

In the area of the monitoring of payment and settlement systems, the following are subject to monitoring:

1. Payment and settlement systems (large-value payment systems and large-volume and small-value payment systems);
2. Securities clearing and settlement systems;
3. Payment schemes (card payment schemes, money remittance schemes);

⁶⁴Me2Me – the service enables instant transfers between one's own payment accounts opened with different financial institutions, provided they are enrolled at least once in the MIA Instant Payments system.

4. Payment instruments (including electronic remote access payment instruments).

In exercising its monitoring function, the NBM pays particular attention to systems that process, clear, and settle large-value payments and present substantial risks in the event of an operational or settlement failure.

5.2 Licensing, regulation and supervision of the activity of providing payment services and issuing electronic money

According to *Law No. 114/2012 on Payment services and electronic money*, the NBM licenses, regulates, and supervises the activity of payment service providers and electronic money issuers.

The licensing process of non-bank payment service providers (payment institutions, electronic money institutions, and postal service providers) and the registration of payment agents is carried out in compliance with a set of requirements ensuring a uniform and competitive approach to accessing and carrying out payment service activities in the territory of the Republic of Moldova.

As of December 31, 2024, eight non-bank payment service providers were operating in the Republic of Moldova: two payment institutions, one postal service provider, and five electronic money institutions, of which one payment institution expanded its payment service activity by obtaining a license for the provision of all payment services provided for in Article 4 paragraph (1) of Law No. 114/2012 on Payment services and electronic money, while one electronic money institution had its license withdrawn.

The normative framework developed by the NBM, in the context of payment service provision, aligns the domestic regulatory framework with European rules, resulting in the adoption of the normative acts necessary for conducting payment service activities. This framework serves as an essential support for increasing the number of modern and secure payment services, boosting competition in the payment services market thanks to the entry, alongside licensed banks, of non-bank payment service providers, thereby enhancing efficiency and quality, reducing service costs, achieving a high level of cashless payments, and reducing the amount of cash in circulation.

Within the Twinning technical assistance project entitled: "*Strengthening supervision, corporate governance and risk management in the financial sector*", the National Bank of Moldova benefited from support in aligning its legislation and regulatory framework with the rules of the Single Euro Payments Area (SEPA). In addition, it received assistance in preparing the SEPA accession file, necessary to demonstrate the Republic of Moldova's compliance with the criteria for extending the geographical scope of SEPA, as a non-EEA (European Economic

Area) member state. The accession request, together with the complete file, was submitted to the responsible EU authorities (the European Payments Council) on January 30, 2024.

The Republic of Moldova's accession to the Single Euro Payments Area represents a strategic step towards integration into the European financial system, bringing significant benefits for payment efficiency and economic connectivity. It will facilitate euro transfers at reduced costs, support the competitiveness of Moldovan companies by removing administrative barriers, and attract foreign investment by integrating Moldova into a modern financial ecosystem aligned with European standards.

The examination of the application and the file regarding the Republic of Moldova's accession to SEPA by the European Payments Council (EPC) was completed at the beginning of August 2024, when the NBM was informed about the EPC's positive conclusion regarding the Republic of Moldova's compliance with the accession criteria. Subsequently, according to EPC procedures, a favorable opinion is to be obtained from the European Commission, specifically from the *Directorate-General for Financial Stability, Financial Services and Capital Markets Union* (DG FISMA) of the European Commission, which is responsible for EU policy on financial services.

During 2024, the NBM implemented essential reforms, including aligning the regulatory framework with European standards and strengthening the banking infrastructure to allow for faster and more secure transactions.

In this context, as a result of the efforts made by the NBM in cooperation with several national and international institutions, the Republic of Moldova was accepted into SEPA in March 2025, a significant economic and financial step for the Republic of Moldova.

In the upcoming period (a few months), commercial banks will carry out the necessary technical adjustments to ensure faster, safer, and significantly more affordable euro payments. In addition, the NBM will closely supervise this transition, providing technical and regulatory support for a smooth process.

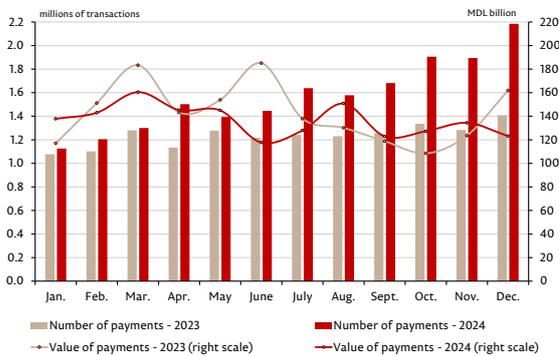
Also, during 2024, amendments were made to the secondary regulatory framework relevant to payment systems and their participants. Thus, the Executive Board of the NBM adopted several decisions, including:

- For the approval of the Regulation on holdings in non-bank payment service providers;
- For the approval of the Regulation on the activity of non-bank payment service providers;
- For the approval of the Regulation on licensing and registration of payment institutions, electronic money institutions and postal service providers acting as payment service providers and/ or electronic money issuers;
- For the approval of the Regulation on strong customer authentication and open, common and secure communication standard between payment service providers;

- For the amendment of the Decision of the Executive Board of the National Bank of Moldova No. 179/2019 on the approval of the Regulation on the automated interbank payment system, the amendment and repeal of certain normative acts of the National Bank of Moldova;
- For the approval of the Regulation on the audit of non-bank payment service providers, and the amendment and supplementation of certain normative acts of the National Bank of Moldova;
- For the approval of the Regulation on the monitoring of financial market infrastructures, schemes, arrangements, and payment instruments.

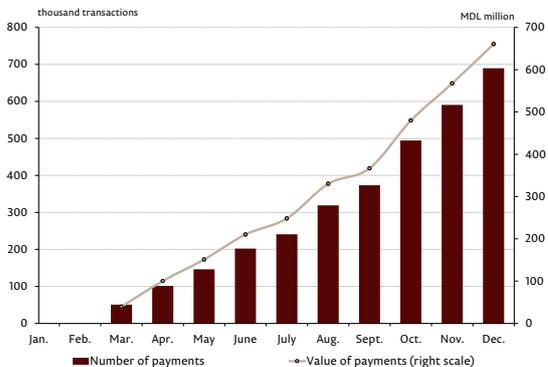
The adoption of these decisions was dictated by the amendments and supplements made to the Law No. 114/2012 on Payment services and electronic money (by the Law on the Amendment of certain normative acts No. 209/2022, which transposes Directive (EU) 2015/2366 on payment services in the internal market (PSD2)).

Chart 5.1: Number and value of payments processed in the ADPS, 2023-2024



Source: NBM

Chart 5.2: Number and value of instant payments (MIA) in 2024



Source: NBM

5.3 Automated Domestic Payments System

The Automated Domestic Payments System (ADPS) is the system through which payments in Moldovan lei are executed automatically by/ through participants on the territory of the Republic of Moldova. ADPS is composed of the real-time gross settlement system (RTGS system), the designated-time net settlement system (DNS system), and the instant payment system (instant system). The RTGS system is intended for processing urgent and high-value payments, the DNS system is intended for processing low-value payments, and the instant system is intended for the immediate/ instant processing of low-value payments. It should be noted that the instant system was launched on March 12, 2024, recording significant growth during 2024 (Chart 5.2).

At the end of 2024, there were 22 participants registered in ADPS, namely:

- National Bank of Moldova;
- 11 banks licensed by the National Bank of Moldova;
- Cash and Settlement Center in Tiraspol city;
- 5 non-bank payment service providers;
- State Treasury of the Ministry of Finance, including as a mandated participant;
- Single Central Securities Depository S.A.;
- Deposit Guarantee Fund in the banking system.

In 2024, through ADPS a total volume of 18.8 million transactions worth MDL 1.6 trillion was processed, increasing in number (by 27.0%) but decreasing in value (by 4.6%) compared to 2023. The average daily volume⁶⁵ of operations amounted to 72.7 thousand transactions worth MDL 6.5 billion.

The implementation of MIA Instant Payments has revolutionized Moldova's financial infrastructure, offering both individuals and businesses an efficient and accessible way to make payments. From its launch in March 2024 until December 31, 2024, the Instant system processed 3.2 million transactions worth MDL 3.1 billion. This rapid growth indicates a high level of trust and satisfaction from users. Thus, the swift adoption and significant transaction volumes reflect the success and relevance of this system in the context of the modern digital economy.

On average per day, 4.2 thousand payments worth MDL 5.4 billion were settled through the RTGS system, 57.6 thousand payments worth MDL 1.1 million through the DNS system, and 10.8 thousand payments worth MDL 10.7 million through the instant payment system (instant system). The average value of a payment settled in the RTGS system was MDL 1,276.3 thousand, in the DNS system – MDL 18.8 thousand, and in the instant payment system – MDL 1.0 thousand.

As regards the structure of payments made through the ADPS in 2024, it was found that payment transactions executed by participants *on behalf of the customers* were predominant (99.9% of the number of settled transactions), but their total value remained relatively low (only 38.7% of the value of settled transactions).

In terms of the perspective of the structure of payments made *on behalf of the customers* by the ADPS participants, the following representation was noted:

- ordinary customers transfers – 61.4% of the total number of payments;
- transfers related to budgetary payments – 35.2%;
- other types of payments – 3.4%.

In terms of value, the transactions in the ADPS performed *on behalf of customers* had the following structure:

- ordinary customer transfers – 62.3% of the total value of payments;
- budget transfers – 29.1%;
- other types of payments – 8.6%.

During 2024, the average system availability for participants was 99.9%, an indicator confirming the participants' ability to use the ADPS without discontinuities or incidents throughout the program's operating hours.

⁶⁵In 2024 there were 253 operational days (for the DNS and RTGS systems) and 295 operational days (for the Instant system).

5.4 The Single Central Securities Depository System

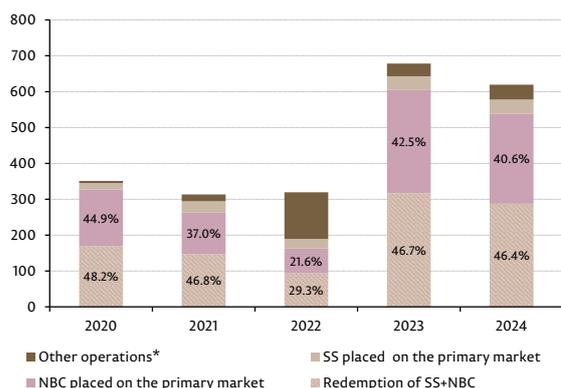
The Single Central Securities Depository System (CSD) is administered (managed and operated) by the S.A. Single Central Securities Depository.

The CSD system represents a securities settlement system, which ensures the provision by the Central Depository of services for the registration of securities, centralized administration, settlement, and, where applicable, ancillary services. The CSD system is based on modern straight-through processing technology, connected to the ADPS, and provides efficient infrastructure and services for the settlement of securities transactions and the registration of ownership rights over securities.

At the end of 2024, there were 19 participants registered in the CSD system, of which:

- National Bank of Moldova;
- 11 banks licensed by the National Bank of Moldova;
- Ministry of Finance;
- Deposit Guarantee Fund in the banking system;
- 5 non-bank investment companies.

Chart 5.3: Structure of the value of operations settled through the CSD system (MDL billion, %)



Source: CSD

*Overnight credits, coupon payments on GS, repo operations, outright sales/ purchases on the secondary market, reservation/ release of SS in/ from the ILF (intraday liquidity facility) account, blocking and unblocking operations of securities, stock exchange transactions, OTC transactions (executed by the CSD and by brokers).

Securities registration services provided by the CSD

At the end of 2024, 449.4 million government securities (SS and NBM certificates NBC) were registered in the CSD system at a nominal value of MDL 53.7 billion.

At the same time, according to the data presented by the CSD at the end of 2024, the CSD system had registered 1,039.4 million corporate securities (CS), of which 1,036.9 million were ordinary shares, 2.3 million preference shares, 70.0 thousand municipal bonds, and 41.2 thousand corporate bonds. The total value of CS for the reporting period amounted to MDL 18.6 billion, of which 95.2% of the total value of CS represented ordinary shares.

Settlement services

During 2024, the CSD system settled 7.1 thousand transfer orders with a total value of MDL 618.4 billion.

Supervision of the CSD activity

At the end of 2024, a thematic inspection was initiated, including an on-site inspection, covering the activity of the CSD for the period June 1, 2022 – December 31, 2024, a process which will continue throughout 2025.

Monitoring of the CSD activity

During 2024, amendments and additions were made to the Rules of the Central Securities Depository (CSD), adjustments stemming from the need to harmonize them with the primary legal framework (Law No. 234/2016 on the Central Securities Depository, Law No. 419/2006 on Public Sector Debt, etc.), as well as the inclusion of requirements related to the individual or omnibus segregation of participants' clients, in line with the amendments made to Regulation No. 159/2018 on the conditions for granting, suspending, and withdrawing participant status in the CSD, by Decision of the Executive Board of the National Bank of Moldova No. 188/2024.

5.5 Cashless payment instruments

Cashless payment instruments are essential components of payment systems, and the National Bank monitors them to ensure the efficiency and security of their use.

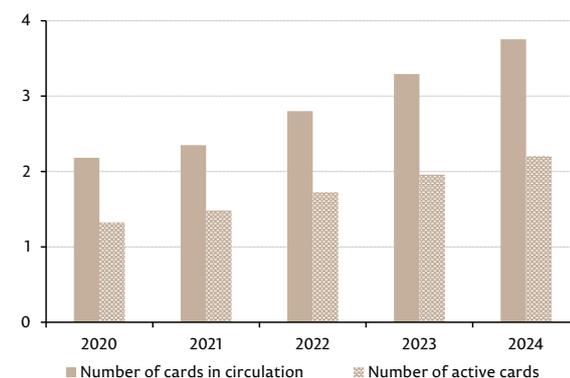
Among the payment instruments, the most widely used by the population (individuals) are payment cards. It should be noted that the NBM undertakes relevant measures, in coordination with other national authorities and institutions, to promote the use of cashless payment instruments and to increase the transparency of money circulation.

Payment cards

The number of cards⁶⁶ in circulation at the end of 2024 amounted to 3.75 million units, marking an increase of 14.0% compared to the end of 2023 (Chart 5.4).

Against the background of the increase in the number of cards in circulation, the number of *active cards*⁶⁷ grew by 12.5% compared to the end of 2023, while the share of active cards in the total number of cards in circulation did not undergo significant changes, amounting to 58.7%. It is worth noting that this card usage rate has remained at the same level over the past few years. Regarding the technical solution of payment cards, the number of proximity (contactless) cards recorded an increase of 13.3% compared to 2023. The rapid growth of the share of these types of cards in the total number of cards in circulation contributed to the gradual replacement of hybrid cards, which had previously replaced magnetic stripe cards. Thus, at the end of

Chart 5.4: Number of payment cards in circulation, years 2020-2024 (million units)

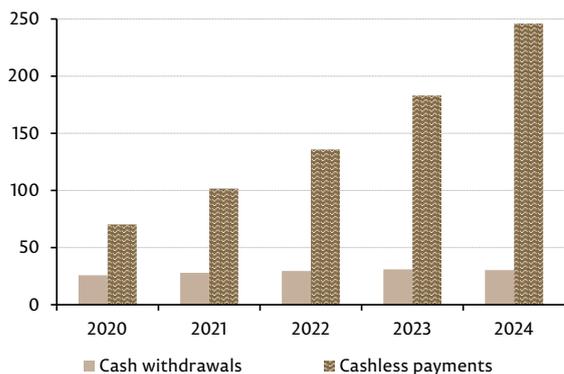


Source: NBM

⁶⁶Standardized and, where applicable, personalized information carrier through which the holder, usually by using a personal identification number and/ or other codes allowing their identification, depending on the type of payment card, has remote access to the payment account linked to the card in order to carry out payment operations.

⁶⁷Payment card through which at least one financial transaction was carried out during the reporting period.

Chart 5.5: Number of transactions carried out with payment cards issued in the Republic of Moldova, years 2020-2024 (million transactions)



Source: NBM

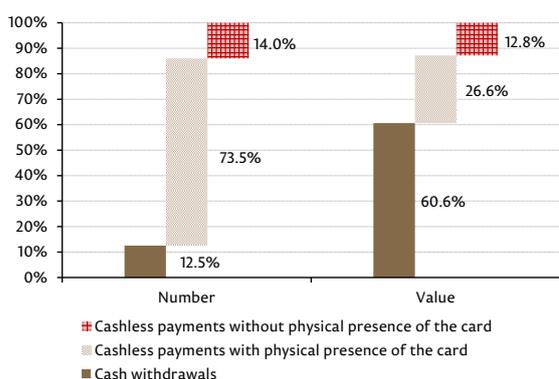
2024, *contactless cards* accounted for the majority share (97.7%) of the total number of cards in circulation in the Republic of Moldova. *Hybrid cards* (cards with both microchip and magnetic stripe), whose number decreased considerably (by 99.7%) compared to the end of 2023, are in the process of being completely phased out. *Virtual cards* held a small share of 2.3%, although their growth has shown significant variations in recent years. At the end of 2024, *magnetic stripe cards* were no longer in circulation.

During 2024, payment cards issued by payment service providers in the Republic of Moldova were used to carry out 276.3 million transactions, both domestically and abroad, with a total value of MDL 176.6 billion, representing an increase of 29.1% in number and 17.6% in value compared to 2023.

Out of the total volume of transactions made with cards issued domestically, 89.0% represented cashless payments, while 11.0% were cash withdrawals. The number of cashless payments increased by 34.4% compared to the previous year, while the number of cash withdrawals decreased by 2.1% compared to the same period. The reduction in cash withdrawals reflects an increasingly pronounced trend of payment digitalization and a significant change in the financial behavior of citizens and the economy as a whole.

On a daily basis, payment cards issued in the Republic of Moldova were used to perform an average of 83.0 thousand cash withdrawals and about 674.0 thousand cashless payments. The average value of a cash withdrawal reached MDL 3,183, up by 10.1% compared to 2023. At the same time, a cashless payment had an average value of MDL 326, down by 1.9% compared to 2023.

Chart 5.6: Structure of domestic operations in 2024



Source: NBM

Domestic transactions⁶⁸ made with payment cards issued by payment service providers accounted for 86.5% (239.1 million transactions) of the total number of transactions with cards issued in the Republic of Moldova.

Of the total domestic transactions, the share of cashless payments was 87.4% by number (compared to 83.6% in 2023) and 39.4% by value (compared to 34.7% in 2023).

On average per day, payment cards issued domestically in the Republic of Moldova were used to perform 82.4 thousand cash withdrawals and about 572.8 thousand cashless payments. The average value of a domestic cash withdrawal reached MDL 3,183, up by 10.2% compared to 2023. At the same time, a domestic cashless payment had an average value of MDL 297, down by 1.5% compared to 2023.

Out of the total number of domestic transactions, 73.5% were cashless payments made with the physical presence of the card, and 14.0% without the physical presence of the card (NPC), (Chart 5.6).

⁶⁸Payment transaction carried out at an accepting provider in the Republic of Moldova using cards issued by payment service providers in the Republic of Moldova.

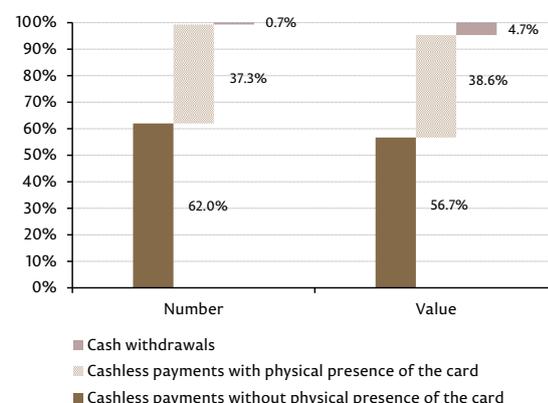
The number of transactions with cards issued in the Republic of Moldova and carried out abroad during 2024 (37.2 million transactions) showed an increase of 37.1% compared to the previous year. Nevertheless, the number of transactions carried out abroad is approximately six times lower than the number of domestic transactions performed with cards issued in the Republic of Moldova. Out of the total number of transactions carried out abroad, 99.3% were cashless payments, up by 37.4% compared to 2023. It should be noted that 62.0% of the total number of transactions carried out abroad were cashless payments made without the physical presence of the card, while 37.3% were cashless payments made with the physical presence of the card (Chart 5.7). These data indicate that approximately three out of four transactions carried out abroad with cards issued in the Republic of Moldova represent online purchases, and the increase in their volume demonstrates the convenience and consumer confidence in the digital use of this payment instrument.

With regard to the assessment of the situation on payment card fraud, the main indicator applied is the share of the total value of fraud committed in the total value of transactions carried out both domestically and abroad with payment cards issued by local providers. In the Republic of Moldova, this indicator amounted to 0.018% for 2024, being about 1.6 times lower than the European average (0.029% for 2022⁶⁹).

The positive trends observed in the card market of the Republic of Moldova during 2024 were as follows:

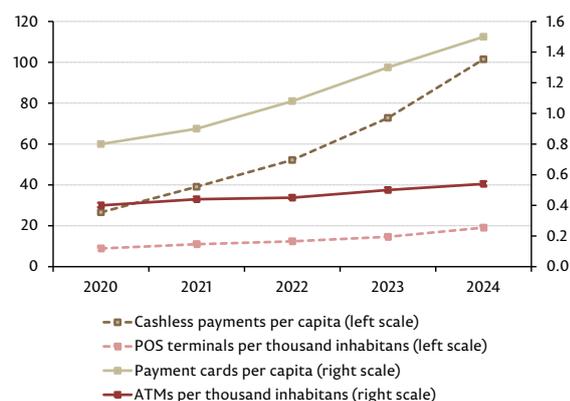
- The number and value of payments with cards issued in the Republic of Moldova and carried out at the physical locations of domestic merchants increased by 37.2% and 33.51%, respectively, compared to the previous year;
- The number and value of domestic card payments made without the physical use of the card (within electronic commerce platforms, remote access payment instruments (RAPI), etc.) increased by 18.7% and 28.6%, respectively, compared to 2023;
- 62.0% of the cashless transactions carried out abroad with payment cards issued in the Republic of Moldova represent electronic commerce transactions;
- The payment card acceptance network in the Republic of Moldova expanded during 2024, with the number of POS and mPOS terminals increasing by 8.4 thousand units compared to the previous year, amounting to 46,171 POS terminals at the end of the reporting year;
- The share of *contactless* cards in circulation recorded a slight decrease, from 98.3% at the end of 2023 to 97.7% at the end of 2024, as a result of changes in consumer behavior, with an emphasis on the use of digital payment technologies, particularly *virtual cards*, which represent a more flexible and secure option for online and mobile payments.

Chart 5.7: Percentage of transactions carried out abroad with cards issued in the Republic of Moldova in 2024



Source: NBM

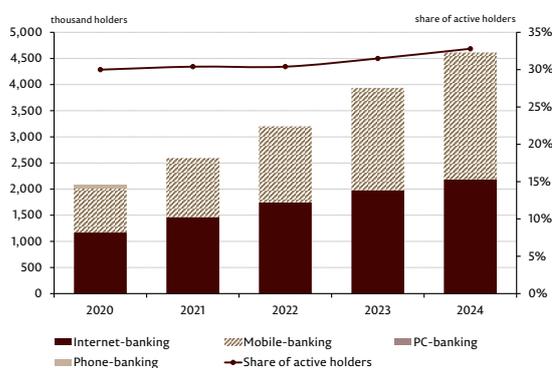
Chart 5.8: Payment card market development indicators in the Republic of Moldova, years 2020-2024



Source: NBM

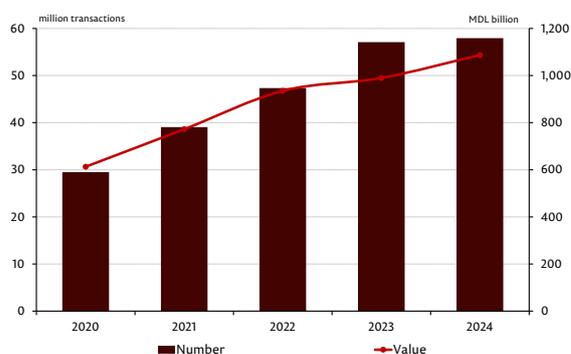
⁶⁹EUROPEAN CENTRAL BANK; EUROPEAN BANKING AUTHORITY. 2024 Report on payment card fraud. Frankfurt am Main: ECB, 2024. Available: <https://www.ecb.europa.eu/press/pr/date/2024/html/ecb.pr240801~f21cc4a009.en.html>

Chart 5.9: Number of RAPI users by type of systems, end of 2020-2024



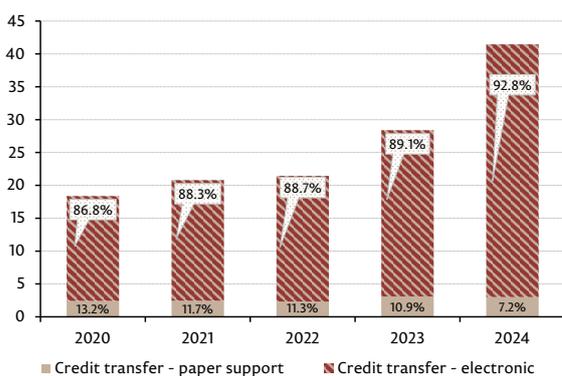
Source: NBM

Chart 5.10: Number and value of transactions carried out via RAPI, 2020-2024



Source: NBM

Chart 5.11: Number of credit transfer transactions carried out, 2020-2024 (million transactions)



Source: NBM

Electronic remote access payment instrument

The electronic remote access payment instrument (RAPI) represent a set of procedures based on an IT solution and/ or equipment such as internet-banking, PC-banking, phone-banking, or mobile-banking, which allow the user, through an authentication method and a communication channel, to access the payment account and initiate payment operations using the available funds.

The total number of RAPI holders amounted to 4,614.4 thousand at the end of 2024, increasing by 17.3% compared to 2023. The number of active holders⁷⁰ also showed an upward trend of 22.1%, reaching 1.5 million, which indicates the growing interest and confidence of payment service providers' clients in using RAPI. Out of the total number of RAPI holders, active ones accounted for 32.8% (Chart 5.9).

The distribution of RAPI holders by type of systems used shows that 52.6% of them are registered in mobile-banking systems (3.0% age points more compared to the end of 2023), while 47.4% are internet-banking users (3.0% age points less compared to the end of 2023). At the same time, during 2023-2024, payment service providers discontinued the offering of PC-banking systems (PC-banking users were only legal entities), and during 2021-2024 they also discontinued phone-banking systems.

In 2024, through RAPI, 57.9 million transactions were carried out, 1.5% more than in 2023. The increase in the number of transactions through RAPI can be explained by the fact that clients of payment service providers increasingly pay for various services/ goods via RAPI, due to the convenience it offers.

The total value of all transactions carried out through RAPI by individuals and legal entities amounted to MDL 1,086.9 billion during 2023, up by 9.8% compared to the previous year, which indicates growing client confidence in carrying out transactions via RAPI (Chart 5.10). Approximately 94.2% of the value of transactions carried out via RAPI were made by legal entities.

Credit transfer

Out of the total number of payment transactions carried out through credit transfers initiated by bank clients (41.5 million transactions), 92.8% were in electronic format via RAPI. Over the past five years, this indicator has shown a continuous increase, from 86.8% in 2020 to 92.8% in 2024, indicating a higher degree of digitalization of payment services in the Republic of Moldova. In relative terms, the number of electronically initiated credit transfers increased by 52.2% compared to the previous year, while the number of paper-based ones decreased by 3.6% compared to 2023. At the same time, the total value of transactions carried out through credit transfers initiated by payment service providers' clients reached MDL 907.9 billion, of which 88.4% were executed electronically and 11.6% on paper.

⁷⁰A RAPI holder who carried out at least one financial transaction during the reporting period through a remote access electronic payment instrument.

Direct debiting

In 2024, a total of 101.3 thousand transactions amounting to MDL 56.2 million were carried out through direct debit, decreasing both in number and in value by 32.8% and 65.7%, respectively, compared to 2023. The total number of users of this instrument amounted to about 3.7 thousand at the end of 2023, 10.3% less compared to the previous year, which indicates the reduced use of this payment method.

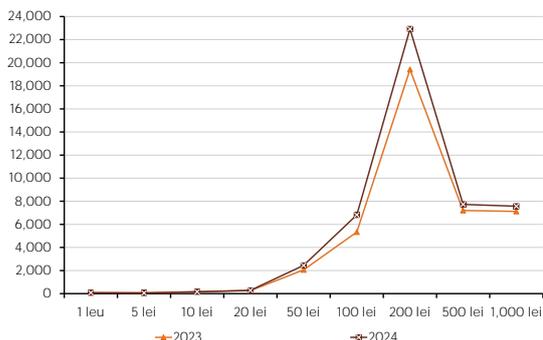
Chapter 6

Cash issue

In 2024, cash in circulation continued its upward trend (+15.3%, reaching MDL 48,552.2 million⁷¹), with a growth rate 3.9 percentage points higher than that recorded in 2023.

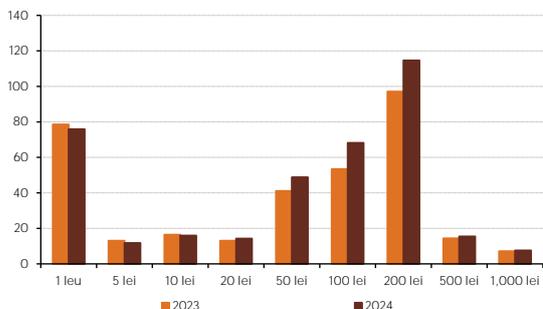
6.1 Development of cash in circulation

Chart 6.1: Nominal value development of banknotes in monetary circulation in value term (MDL million)



Source: NBM

Chart 6.2: Nominal value development of banknotes in monetary circulation in quantitative terms (million banknotes)



Source: NBM

Banknotes in circulation, at the end of 2024, amounted in value terms to MDL 48,062.3 million, about 15.3% more compared to the end of the previous year. The value dynamics of banknotes in circulation by denomination structure are shown in chart 6.1.

At the end of 2024, about 372.4 million banknotes were in circulation, an increase of 11.5% compared to the end of 2023. The denomination breakdown of banknotes in quantitative terms is shown in chart 6.2.

The banknote with a nominal value of MDL 200 continued to be the most widely used, accounting for 30.8% of the total number of banknotes in circulation, followed by the banknote with a nominal value of MDL 1 with a share of 20.4% (down 3.5 percentage points compared to 2023 due to natural withdrawal from circulation as a result of wear) and the MDL 100 banknote with a share of 18.3%. The lowest shares of the total number of banknotes in circulation were held by the banknote with a nominal value of MDL 5 (3.2%, down 9.7 percentage points compared to 2023 due to natural withdrawal) and the MDL 1,000 banknote (2.0%).

According to the nominal value structure, at the end of the reporting period, the number of banknotes in circulation was approximately: MDL 1 – 75.8 million banknotes, MDL 5 – 11.8 million, MDL 10 – 15.9 million, MDL 20 – 14.2 million, MDL 50 – 48.8 million, MDL 100 – 68.2 million, MDL 200 – 114.6 million, MDL 500 – 15.5 million, and MDL 1,000 – 7.6 million banknotes.

The number of banknotes in circulation continued to decrease in the case of banknotes with the denominations of MDL 1, MDL 5, and MDL 10, in the context of their gradual replacement with Moldovan leu coins.

The nominal value structure of banknotes in circulation at the end of 2024, in both quantitative and value terms, is shown in chart 6.3.

⁷¹Including cash balance in the central cash office

At the end of 2024, there were MDL 137.6 million coins in circulation, with a total value of MDL 327.8 million, both the quantitative and value indicators having increased by about 21.2% and 33.1%, respectively, compared to 2023 (Charts 6.4 and 6.5).

The number of MDL coins in circulation increased for all nominal values, mainly MDL 1, MDL 2, and MDL 5 coins, as a result of the gradual replacement of the MDL 1, MDL 5, and MDL 10 nominal value banknotes which were gradually withdrawn from circulation due to wear. In terms of quantity, at the end of the reporting period, MDL 1 and MDL 2 coins accounted for 81.3% of the total MDL coins in circulation (Chart 6.6).

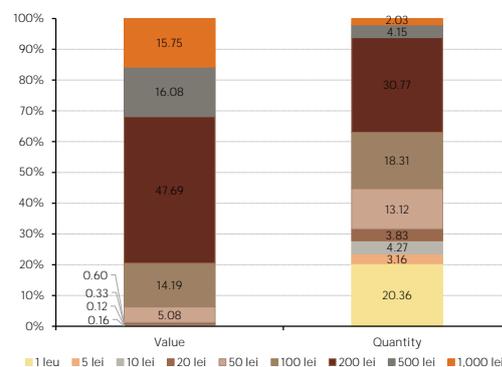
In the reference year, the largest share of the total value of MDL coins in circulation was held by the MDL 10 coin (27.1%), exceeding the MDL 2 coin (26.2%) and the MDL 5 coin (25.6%).

At the end of 2024, 981.1 million divisible coins were in circulation, equivalent to MDL 144.5 million. Their number increased by 2.2% and their total value by 2.6% compared to the previous year (Charts 6.7 and 6.8).

The increase in quantity of divisible coins in circulation was mainly driven by the higher number of coins with a face value of 10 bani and 25 bani.

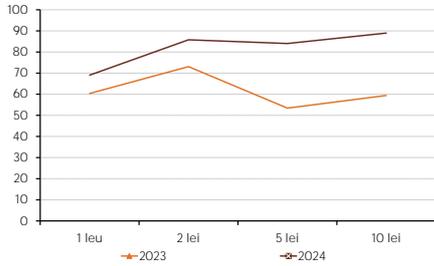
At the end of the reporting year, the highest share in the structure of divisible coins by denomination was held, both in quantitative and value terms, by the 25 bani coin, accounting for 31.9% and 54.1% respectively, followed by the 10 bani coin with 31.2% and 21.2% respectively (Chart 6.9).

Chart 6.3: Nominal value structure of banknotes in circulation at the end of 2024



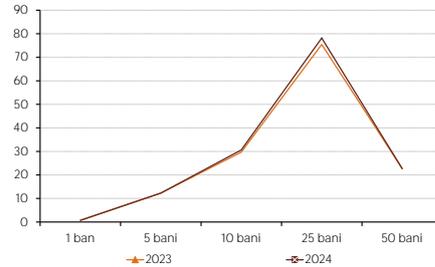
Source: NBM

Chart 6.4: Nominal value development of MDL coins in monetary circulation in terms of value (MDL million)



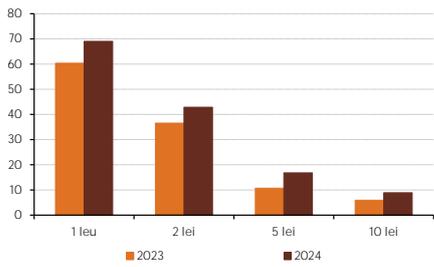
Source: NBM

Chart 6.7: Nominal value development of divisible coins in monetary circulation in terms of value (MDL million)



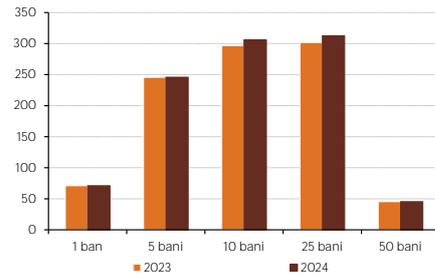
Source: NBM

Chart 6.5: Nominal value development of MDL coins in monetary circulation in terms of quantity (MDL million)



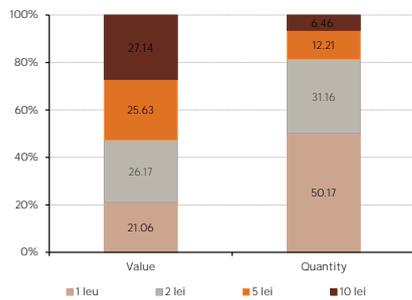
Source: NBM

Chart 6.8: Nominal value development of divisible coins in monetary circulation in terms of quantity (million coins)



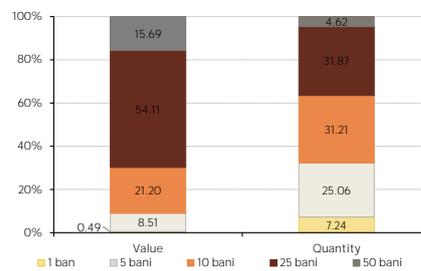
Source: NBM

Chart 6.6: Nominal value structure of MDL coins in circulation at the end of 2024



Source: NBM

Chart 6.9: Nominal values structure of divisible coins in circulation at the end of 2024



Source: NBM

6.2 Issuing, withdrawing and processing cash

During 2024, the National Bank of Moldova put into circulation cash in a total amount of MDL 8,825.7 million⁷², about 2.8% less compared to 2023.

Banknotes issued in 2024 amounted to MDL 8,740.5 million in value (of which MDL 8,072.5 million were modernized banknotes), down by about 3.0%, while in quantitative terms they reached 68.3 million banknotes, an increase of about 2.7% compared to the previous year.

According to the nominal value structure, the quantity of banknotes put into circulation amounted to: 10 MDL – 1.5 million banknotes, 20 MDL – 3.2 million banknotes, 50 MDL – 18.9 million banknotes, 100 MDL – 20.8 million banknotes, 200 MDL – 22.0 million banknotes, 500 MDL – 1.4 million banknotes, and 1,000 MDL – 0.5 million banknotes.

The nominal value structure of banknotes put into circulation is presented quantitatively and in value terms in chart 6.10 and chart 6.11, respectively.

Metal coins (MDL), including commemorative ones, issued in 2024 amounted to MDL 81.5 million in value, about 21.9% more than in 2023, while in quantity they reached 24.1 million coins, about 13.5% less than in 2023.

The quantitative structure by nominal values of MDL coins issued in 2024 shows: 1 MDL – 8.7 million coins, 2 MDL – 6.3 million coins, 5 MDL – 6.1 million coins, 10 MDL – 3.0 million coins, including commemorative coins.

The share per each nominal value of MDL coins issued are presented in terms of value and in terms of quantity in chart 6.12 and chart 6.13, respectively.

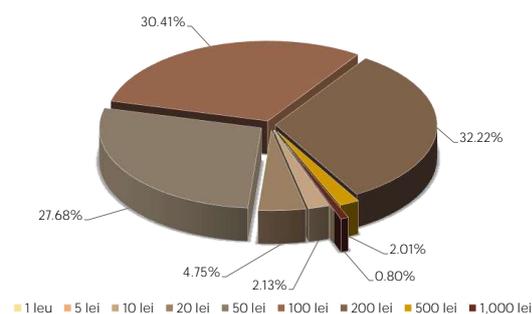
The divisible coins issued in 2024 amounted to MDL 3.7 million in value and 20.6 million coins in quantity, about 3.1% and 11.4% less, respectively, compared to 2023.

The nominal value structure of divisible coins issued changed quantitatively compared to 2023 and shows: 5 bani – 0.2 million coins, 10 bani – 9.5 million coins, 25 bani – 10.9 million coins.

The shares per each nominal value of divisible coins issued in 2024 are presented in terms of value and in terms of quantity in chart 6.14 and chart 6.17, respectively.

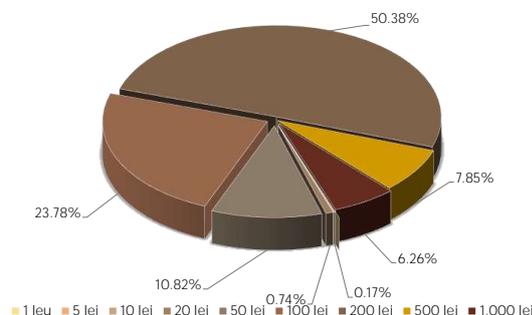
During 2024, through deposits made by licensed banks as well as by individuals at the NBM operational cash desk, 30.1 million banknotes returned to the central bank (about 46.6% less

Chart 6.10: Banknotes issued in 2024 in quantitative terms



Source: NBM

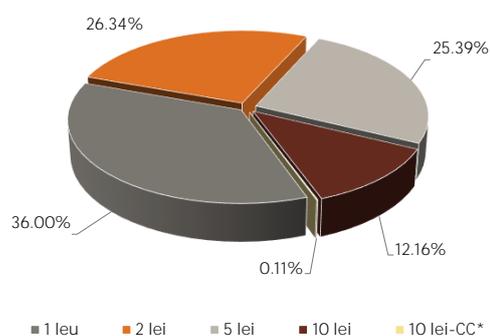
Chart 6.11: Banknotes issued in 2024 in value terms



Source: NBM

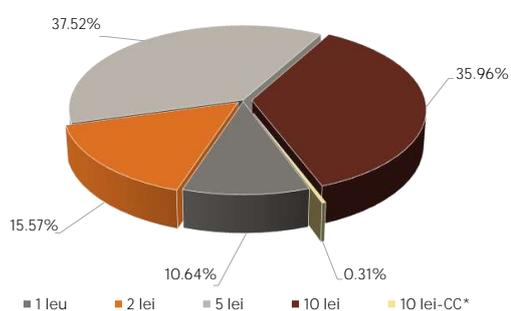
⁷²Excluding jubilee and commemorative banknotes and coins.

Chart 6.12: MDL coins issued in 2024 in terms of quantity



Source: NBM
*commemorative coins

Chart 6.13: MDL coins issued in 2024 in terms of value



Source: NBM
*commemorative coins

compared to 2023), amounting in value to MDL 2,372.5 million (about 50.3% less compared to 2023).

The quantitative and value-based shares of the withdrawn banknotes by denomination are presented in chart 6.15 and chart 6.18, respectively.

In carrying out its responsibilities related to maintaining the quality of banknotes in circulation, during 2024 the National Bank processed 30.7 million banknotes (29.0 million fewer than in 2023), by verifying both authenticity and quality. As a result of automated processing, about 16.9 million banknotes were withdrawn as unfit for circulation, representing about 55.0% of the total number of banknotes processed.

During the reporting year, the National Bank ensured the cash required for the smooth operation of monetary circulation in terms of quantity, value and nominal value structure, while also taking appropriate measures to maintain the quality level of currency in circulation.

In 2024, the NBM joined the 20th edition of the "European Night of Museums". The NBM also organized the "Open Doors Day" event, on the occasion of the 33rd anniversary of the National Bank of Moldova, as well as multiple visits throughout the year to the central bank's exhibition hall for public information, offering visitors the opportunity to discover interesting and useful facts about the national currency and the jubilee and commemorative coins issued by the NBM. During these visits, organized by the NBM as part of public-oriented events for financial education and to enhance the visibility of the central bank, the NBM consistently informed the public about the security features of the national currency, with a view to raising awareness about methods of verifying the authenticity of banknotes and coins issued by the NBM.

Counterfeits recorded for national currency

During 2024, counterfeits⁷³ of banknotes recorded in the banking system totalled 260 pieces, down by about 51.5% compared to 2023. Relative to the total number of 372.4 million genuine banknotes in circulation at the end of the reference period, the number of recorded counterfeits remained low, representing 0.7 pieces per 1 million genuine banknotes in circulation (compared to 1.6 pieces in 2023).

The highest number of counterfeits was recorded for the 100-lei banknote, with 82 pieces, followed by the 20-lei banknote, with 79 counterfeits, and the 200-lei banknote, with 69 counterfeits.

The share of counterfeits by nominal value identified during 2024 and 2023, is presented in the chart 6.16 and chart 6.19, respectively.

During 2024, the NBM cooperated constantly with the Ministry of Internal Affairs, with the purpose of withdrawing counterfeit or suspected banknotes from circulation. Through the Internal Counterfeit Recording System (CRS), up-to-date information on

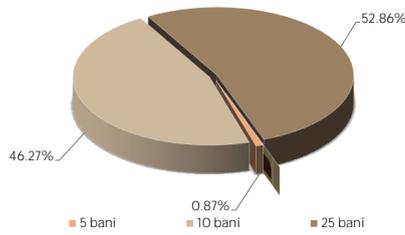
⁷³Counterfeits or suspected counterfeits until the results of an expert opinion are issued.

suspected banknotes was promptly recorded, thus providing the banking sector with relevant data for identifying and withdrawing counterfeit banknotes from circulation.

In order to protect the national currency against forgery/counterfeiting, the National Bank emphasizes the importance of public awareness of the security features of the national currency notes⁷⁴. The NBM also encourages vigilance in the face of this phenomenon when carrying out daily cash payments, recommending the verification of the authenticity of banknotes and coins. In cases where banknotes suspected of being counterfeit are identified, it is essential to immediately inform the police authorities.

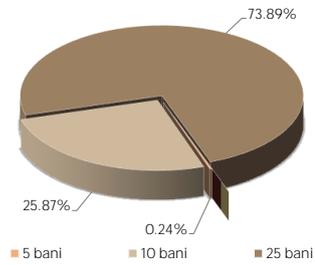
⁷⁴NATIONAL BANK OF MOLDOVA. *Security features of the modernized banknotes*. Chişinău: NBM, n.d. Available: <https://www.bnm.md/ro/content/elementele-de-siguranta-pe-leul-moldovenesc>

Chart 6.14: Divisible coins issued in 2024 in terms of quantity



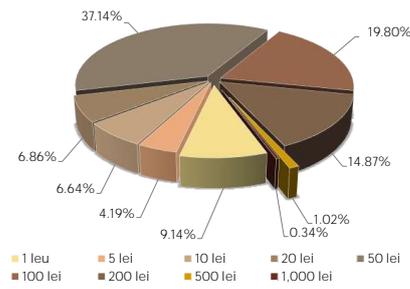
Source: NBM

Chart 6.17: Divisible coins issued in 2024 in terms of value



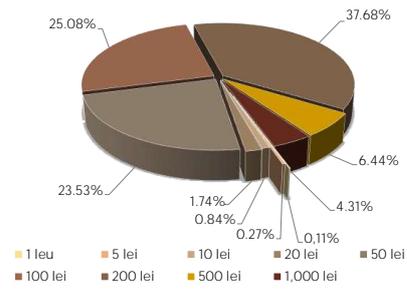
Source: NBM

Chart 6.15: Banknotes withdrawn from circulation in 2024 in quantitative terms



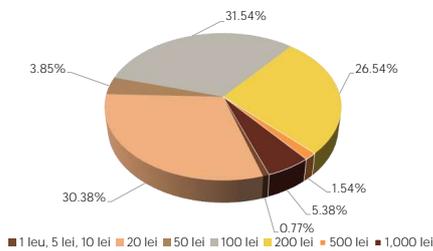
Source: NBM

Chart 6.18: Banknotes withdrawn from circulation in 2024 in terms of value



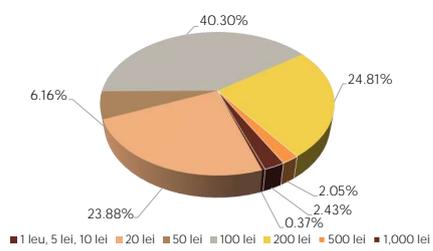
Source: NBM

Chart 6.16: Structure by nominal values of counterfeits detected in 2024 in terms of quantity



Source: NBM

Chart 6.19: Structure by nominal values of counterfeits detected in 2023 in terms of quantity



Source: NBM

6.3 Numismatic issue

At the end of 2024, there were 46.9 thousand commemorative banknotes and 130.2 thousand jubilee and commemorative coins in circulation.

Pursuant to the amendments to Article 62 of Law No. 548/1995 on the National Bank of Moldova, effective as of August 2, 2024, the National Bank is entitled to market jubilee and commemorative banknotes and coins, as well as other numismatic items issued by the Bank.

Thus, starting in December 2024, the NBM offers individuals the possibility to submit online applications for the purchase of jubilee and commemorative coins directly at the counter of the National Bank of Moldova (1 Grigore Vieru Blvd., MD-2005, Chişinău).

To submit an application for the purchase of jubilee and commemorative coins, applicants must access the "Commemorative coins and banknotes" section in the "Currency" compartment of the official website of the National Bank, review the terms and conditions established by the NBM for the commercialization of jubilee and commemorative coins, and fill in the required information. The application is only registered by the National Bank after confirmation of the e-mail message received by the applicant.

Based on Law No. 548/1995 on the National Bank of Moldova, in 2024, the National Bank launched a numismatic issue of nine jubilee and commemorative coins with various themes. Among them is the commemorative coin "European Moldova", dedicated to the historic event of December 14, 2023, when the European Council approved the opening of negotiations for the accession of the Republic of Moldova to the European Union.

In addition, the NBM issued a set of three commemorative (colored) coins dedicated to the achievements of Moldovan sports: "Canoeing", "Weightlifting", and "Freestyle Wrestling" – three sports disciplines in which the Republic of Moldova has achieved remarkable results in recent years in world and European rankings.

Furthermore, in 2024, an additional 300 gold coins and 500 silver coins dedicated to the anniversary of the Moldovan leu, which had been launched in 2023, were put into circulation. These coins may be additionally issued until the total mintage for each reaches 5,000 pieces.

The mintage of jubilee and commemorative coins issued by the NBM in 2024 varies depending on the theme and the metal used. Each type of coin features a distinctive design dedicated to important events or achievements in the history and culture of the Republic of Moldova. In total, during 2024, the NBM issued 6,650 silver coins and 300 gold coins.

Table A.18 provides details on the jubilee and commemorative coins issued in 2024.

Chapter 7

Legal and regulatory framework development activity

7.1 Prudential regulation, regulation of accounting records in banks

In 2024, the National Bank of Moldova continued its activities related to the drafting and updating of secondary normative acts for the implementation of Law No. 202/2017 on the activity of banks and the promotion of Basel III requirements.

In this context, amendments were made to *Regulation No. 292/2018 on the requirements for members of the governing body of the bank, financial holding company or mixed holding company, heads of branches of a bank in another state, key function holders, and the liquidator of a bank in liquidation*, by introducing differentiated requirements concerning the quality of persons appointed as chief executive of a bank.

Amendments were also made to the *Chart of accounts of the bookkeeping within banks of the Republic of Moldova* aimed at updating and improving accounting within banks, including in the context of implementing instant payments in the area of financial technologies. The amendments to the Chart of accounts were based on changes in normative acts and on requests submitted by banks.

In addition, amendments were made to *Regulation No. 41/1997 on the open foreign exchange position of banks*, specifically by supplementing Annex No. 2 "Method for preparing the report on the "Open foreign exchange position of banks", to include the equivalent in MDL of balances on current foreign currency accounts of resident legal entities, resident individuals engaged in entrepreneurial or other activities, and resident individuals.

The *Instruction on the submission by banks of COREP reports for supervisory purposes* was supplemented with provisions related to a new liquidity supervision tool (maturity ladder liquidity), which will allow the NBM to monitor bank liquidity more effectively. The "Maturity ladder" form is a report through which banks present 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 legally and practically available funding sources, contingent outflows, and memorandum items distributed by maturity bands. The information provided by banks will serve as the basis for additional monitoring of liquidity by the NBM, in order to ensure, where necessary, through the supervisor's available instruments, the maintenance of an adequate level of liquid assets.

Amendments to the *Regulation on the classification of assets and conditional commitments* were aimed at aligning the regulation with the terminology and requirements of the current regulatory framework and amending certain provisions of the regulation following supervisory practice and proposals from the banking community, namely regarding the modification of the list of assets and conditional commitments falling under the scope of the regulation, the reclassification of assets/ conditional commitments according to newly established criteria, and the increase in the threshold amount of loans for their classification.

Also, through a single decision, the Executive Board approved, amended, and repealed several regulatory acts related to liquidity requirements, such as:

1. *Regulation on liquidity coverage requirements for banks*, approved by the EB of the NBM Decision No. 44/2020, which will be repealed on July 1, 2025.
2. *Regulation on liquidity*, approved in a new version, which enters into force on July 1, 2025 and which:
 - adjusts the provisions related to the Liquidity Coverage Ratio (LCR) following the amendments introduced in Delegated Regulation (EU) No. 2015/61;
 - establishes the regulatory framework related to the Net Stable Funding Ratio (NSFR) in line with the provisions of Regulation EU No. 575/2013;
 - provides that banks shall report to the NBM, in addition to the LCR indicator monthly, also the NSFR indicator quarterly;
 - introduces the requirement for banks to report to the NBM liquidity by maturity bands;
 - establishes a 60-business day period for the completion by the NBM of the procedure of prior approval, derogation, authorization, approval, and the imposition of stricter conditions.
3. *Regulation on disclosure requirements by banks*, as amended. Thus, starting from July 1, 2025, banks will display on notice boards in their offices, on a monthly basis, information regarding the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR), as well as the components of these indicators.
4. *Regulation No. 28/1997 on bank liquidity*, which will be repealed on July 1, 2026. For 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.

The amendments to the regulatory acts on liquidity requirements also required the modification of certain regulatory acts of the National Bank of Moldova concerning the reporting of the Liquidity Coverage Ratio and the Net Stable Funding Ratio, namely:

1. A new reporting format for the Liquidity Coverage Ratio (LCR) was approved, adjusted in line with Implementing Regulation (EU) 2021/451 and harmonized with the provisions of the Regulation on liquidity. Reporting of LCR on an individual basis will continue to be performed monthly, as at present. In addition, consolidated LCR reporting will be introduced, to be submitted annually.
2. The format and frequency of reporting on the Net Stable Funding Ratio (NSFR) were approved. Reporting of NSFR on an individual basis will be carried out quarterly, while on a consolidated basis – annually.
3. Editorial amendments were introduced concerning the reporting of additional liquidity monitoring indicators (maturity bands).
4. It was established that, as of July 13, 2026, the reporting of Principle I and Principle III will be repealed, in accordance with Instruction No. 279/2011 on the preparation and submission by banks of prudential reports. Thus, for one year, in parallel with the NSFR, the currently applicable liquidity indicators will continue to be reported.

The alignment of the banking legislation of the Republic of Moldova with international standards, through the improvement of quantitative and qualitative bank management mechanisms, will contribute to promoting a safe and stable banking sector, increasing transparency, confidence, and attractiveness of the domestic banking sector for potential investors and creditors of banks, as well as for depositors and clients, and to the development of new financial products and services.

7.2 Foreign exchange regulation

In order to fulfil the commitments undertaken by the Republic of Moldova under Article 267 of the Association Agreement between the Republic of Moldova, on the one hand, and the European Union and the European Atomic Energy Community and their Member States, on the other hand (ratified by Law No. 112/2014), and the provisions of the National Action Plan for the Republic of Moldova's accession to the European Union for the years 2024-2027, approved by Government Decision No. 829/2023 (action No. 1, Chapter 4. "Free movement of capital"), for the purpose of further liberalization of capital foreign exchange operations, the National Bank of Moldova drafted and submitted the Draft Law amending Law No. 62/2008 on foreign exchange regulation (concerning the liberalization of certain capital foreign exchange operations) to the Ministry of Finance for promotion. The Draft Law in question provides for the liberalization of certain capital foreign exchange operations (such as the purchase of foreign financial instruments, the import/ export of cash in the national currency by banks), which were recommended by IMF experts for the first stage of liberalization, according to the conclusions presented by the IMF under the technical assistance provided in 2024.

7.3 Prudential regulation of the financial system

During 2024, the NBM continued to strengthen the regulatory framework in the field of insurance in line with best practices in the area. To this end, secondary legislation was developed to consolidate the primary legislative framework applicable to the insurance sector, consisting of Law No. 92/2022 on insurance or reinsurance activity and Law No. 106/2022 on compulsory motor third party liability insurance for damage caused by vehicles.

Among these, the following regulations are noteworthy:

Regulation on the audit of insurance or reinsurance undertakings (approved by the Executive Board of the National Bank of Moldova, Decision No. 71/2024), which sets out the regulatory framework for the audit of financial statements and supervisory audits of insurance or reinsurance companies, the approval procedure, including the criteria for the audit entity and the members of the audit team, and the procedure for withdrawal of the audit entity's approval. In addition, the regulation specifies aspects to be detailed in the auditor's reports and the deadlines for their submission (including the requirement to be accompanied by the management letter and the opinion signed by the actuary who was part of the audit team). The regulation also establishes provisions concerning the auditing of outsourced functions and activities, as well as communication with the audit entity, approved by the National Bank of Moldova.

Regulation on the governance system of insurance or reinsurance undertakings (approved by the Executive Board of the National Bank of Moldova, Decision No. 241/2024), which establishes a series of fundamental requirements for the proper functioning of insurance or reinsurance companies, such as: general requirements for the governance system; minimum requirements for systems, functions, and policies within the governance framework; requirements for the risk management system, activities related to the internal control system, the compliance function, the internal audit function, and the actuarial function. The regulation also sets out requirements for the responsibilities of the company's management bodies and specialized board committees, the responsibilities of the board in developing the general principles of the remuneration policy and ensuring professional and responsible conduct at the company level. Furthermore, the regulation contains the procedure for reporting to the National Bank of Moldova the conditions under which the internal control of the company is carried out, with distinct treatment of aspects related to the risk management function, compliance function, and internal audit function.

Regulation on the outsourcing of functions and activities related to insurance or reinsurance by insurance or reinsurance undertakings (approved by the Executive Board of the National Bank of Moldova, Decision No. 242/2024), which lays down the conditions under which an insurance or reinsurance company may outsource functions and activities related to insurance or reinsurance, after obtaining the prior approval of the supervisory

authority, as well as the minimum requirements for the company's assessment of the provider; the requirements for the content of the outsourcing contract; the specific features of outsourcing insurance or reinsurance functions and activities; the management of risks associated with outsourcing; the procedure for prior approval, notification, and reporting of outsourcing; outsourcing of information and communication technologies.

At the same time, the regulation details the mechanisms to be used by insurance or reinsurance companies, depending on their nature, scale, and complexity, when delegating certain functions and activities to third parties, in order to provide higher-quality services, as well as to reduce costs, execution time, and allow resources to be focused on the core activities of the companies.

Regulation on the own risk and solvency assessment (ORSA) by insurance or reinsurance undertakings and requirements for stress-testing their capacity to maintain financial stability (approved by the Executive Board of the National Bank of Moldova, Decision No. 243/2024), which establishes the rules and content of the assessment by insurance companies of the quantitative tools used to assess their ability to meet solvency ratio requirements in the event of possible future events or changes in economic conditions that could adversely affect their financial situation. In this regard, the regulation provides for the role and powers of the company's management bodies within the internal assessment process, as well as the method of conducting stress tests to assess the capacity to maintain financial stability. The regulation requires documentation of each assessment, setting out the requirements for organizing the internal risk and solvency assessment process, as well as the documentation to be prepared and maintained by the company.

Amendments to the Regulation on the electronic processing of compulsory motor third-party liability insurance documents, approved by Decision of the National Commission for Financial Markets No. 15/6 of April 15, 2019 (approved by Decision of the Executive Board of the National Bank of Moldova No. 293/2024), determined by the modification of the Technical Concept of the State Automated Information System in the field of compulsory motor third-party liability insurance for damage caused by vehicles, allow insurance companies to issue the "Green Card" insurance certificate in digital format.

Thus, according to the amendments, the process of issuing the "Green Card" insurance certificate has been digitalized, by eliminating the use of the primary paper-based form with special status and ensuring the possibility of issuing it in electronic form.

The Regulation on own funds, valuation of assets and liabilities, assets eligible to cover technical provisions and the minimum capital requirement, solvency and liquidity of the insurance or reinsurance undertaking (approved by Decision of the Executive Board of the National Bank of Moldova No. 328/2024) establishes the methods and assumptions to be applied by insurance or reinsurance companies when valuing assets and liabilities, other than technical reserves (valuation using market prices), the categories of assets admissible to cover technical reserves and the minimum capital requirement, as well as the general aspects regarding own funds, the requirements and categories of own funds (basic and ancillary), the elements and distribution of basic

own funds by tiers (Tier I, Tier II, and Tier III), restricted own funds, including the eligibility of own funds for solvency purposes. For the recognition of ancillary own funds, prior approval from the National Bank of Moldova is required, and the regulation sets out the procedure for obtaining such approval.

The regulation establishes the calculation methods and reporting procedures for the minimum capital requirement, the calculation and reporting methods for prudential indicators – solvency ratio and liquidity coefficient (separately for insurance activities carried out in the categories "general insurance" and "life insurance"), the deadlines and the format for report submission, including in electronic form through SIRBNM (the IT system for reporting to the NBM). In this regard, the regulation defines the specialized reporting forms and their completion procedures.

Chapter 8

International relations and European integration

8.1 European integration

European integration⁷⁵ of the Republic of Moldova is a national priority, and the National Bank of Moldova has always had a significant contribution to the achievement of this major objective. During 2024, a series of activities were carried out aimed at deepening European integration and continuing the preparation of the Republic of Moldova for future accession to the European Union.

National mechanism of coordinating the process of the Republic of Moldova's accession to the European Union

In 2024, the National mechanism of coordinating the process of accession of RM to EU, was established in the Republic of Moldova, approved by Government Decision No. 180/2024, which replaced the mechanism existing until then (approved by Government Decision No. 868/2022). According to the new mechanism, the NBM regularly participates in several national platforms, established through this mechanism, as follows:

- The Governor of the NBM is a member of *the National Commission for European Integration* (established by Decree of the President of the Republic of Moldova No. 441/2022), chaired by the President of the Republic of Moldova and responsible for ensuring the coordination of activities necessary for achieving reforms and European integration priorities;
- the delegated representative of the NBM is part of the *Negotiation Team*, responsible for leading the accession negotiations of the Republic of Moldova to the European Union;
- the NBM representative is a member of the *Interinstitutional Coordination Council*, responsible for ensuring coherence and consistency in the activity of the working groups established for each negotiation chapter with the European Union;

⁷⁵The collaborative relationships between the Republic of Moldova and the EU are developing on the basis of the Association Agreement between the Republic of Moldova, on the one hand, and the European Union and the European Atomic Energy Community and their Member States, on the other hand, signed in Brussels on June 27, 2014, in force since July 1, 2016 (provisionally applied since September 1, 2014).

- The NBM acts as the coordinating institution, together with the Ministry of Finance, for 3 *working groups*: Group 4 "Free movement of capital", Group 9 "Financial services", Group 17 "Economic and monetary policy". At the same time, the NBM is also a member of other working groups: Group responsible for the economic criterion, Group 3 "Right of establishment and freedom to provide services", Group 5 "Public procurement", Group 16 "Taxation", Group 18 "Statistics", Group 20 "Industrial and entrepreneurship policy", Group 24 "Justice, freedom and security", Group 32 "Financial control", Group 33 "Financial and budgetary provisions". The working groups provide the implementation of all activities necessary for the preparation and conduct of the negotiation process for accession to the European Union, as well as the implementation of the commitments deriving from the documents related to the EU accession process.

The process of joining the Single Euro Payments Area (SEPA)

On January 30, 2024, the NBM submitted to the European Payments Council (EPC) the application for the inclusion of the Republic of Moldova in the geographical area of the Single Euro Payments Area (SEPA)⁷⁶. To this application, the NBM attached a comprehensive file with information on meeting the necessary criteria for Moldova's inclusion in the SEPA geographical area, as well as information on the alignment of relevant national legislation with the *acquis* of EU. During 2024, the NBM had an ongoing dialogue with both the EPC and the European Commission regarding the Republic of Moldova's fulfilment of the SEPA accession criteria. In this context, the NBM presented to the European structures the information necessary in the process of evaluating the application for SEPA membership, promoted at the national level a series of amendments to the legislation that were necessary for full compliance with SEPA criteria. For the accession to the geographical area of SEPA, the positive opinion of the European Commission and the decision of the EPC are required. Following these decisions, payment service providers in Moldova will take the necessary actions for the actual accession to SEPA. SEPA membership offers benefits for citizens, companies and the entire economy, as within SEPA participants have the opportunity to make payments in euro that are fast, transparent, secure and at a sustainable price.

Economic Reform Program

During 2024, the NBM participated in the development of the Economic Reform Program of the Republic of Moldova for the period 2025-2029 (Economic Reform Programme – ERP). This program is a medium-term plan, which is prepared annually by each of the candidate countries for the EU accession and which is presented to the European Commission and the European Central Bank for

⁷⁶SEPA is an initiative of the EU banking and payments industry, launched in 2008 with the support of the European Commission, the European Central Bank and other EU authorities and which was implemented in 2014 for Euro area countries and in 2016 for countries outside the Euro area. At the end of 2024, the SEPA geographical area included 38 European countries, among which: 27 EU Member States, the United Kingdom, 4 European Free Trade Association – EFTA countries (Switzerland, Liechtenstein, Iceland, Norway), 4 microstates (Andorra, Monaco, San Marino, Holy See (Vatican)), 2 candidate countries for EU accession (Albania and Montenegro).

evaluation. The ERP contains information on recent economic developments, medium-term macroeconomic forecasts, and public finance plans for the next three years. The aim of the ERP is to prepare candidate countries for their future participation in the European Semester – the EU framework for the coordination and surveillance of the economic and social policies of the EU countries.

Annual High-Level Meeting of the Economic and Financial Dialogue with the EU

On May 14, 2024, the First Deputy Governor of the NBM, together with the Minister of Finance, participated in the Annual High-Level Meeting of the Economic and Financial Dialogue between the representatives of the EU and those of the candidate countries, held in Brussels (Belgium). The representatives of the Republic of Moldova participated in this event for the first time. During the meeting, the NBM representative presented the evolution of the macroeconomic framework, forecasts for the coming period, and progress in the financial system. The meeting is a high-level multilateral dialogue platform, bringing together the finance ministers from EU countries, representatives of the European Commission and the European Central Bank, the representatives of line ministries and central banks from candidate countries. This dialogue is a permanent framework for coordinating, guiding and monitoring the implementation of economic policies of candidate countries, according to the EU standards and practices. The Dialogue is based on the Economic Reform Programme (ERP). During the meeting, participants formulated conclusions and recommendations regarding the ERP for each candidate country. The recommendations for the Republic of Moldova, related to the areas of competence of the NBM, aim at price stability, central bank independence, and the development of the financial sector supervision and regulatory framework.

2024 EU Enlargement Package

In 2024, the NBM prepared updated information for the contribution of the Republic of Moldova to the following chapters of the European Commission Report regarding the Republic of Moldova under the EU Enlargement Package for 2024: "Economic criterion", Chapter 4 "Free movement of capital", Chapter 9 "Financial services", Chapter 17 "Economic and monetary policy", Chapter 18 "Statistics", Chapter 32 "Financial control".

On October 30, 2024, the European Commission published the 2024 Enlargement Package, which also includes the report on the level of readiness of the Republic of Moldova for EU accession⁷⁷. The report, structured by negotiation chapters, contains findings, conclusions and recommendations that need to be taken into account by the Moldovan authorities in the EU accession process. The report assesses, for each negotiation chapter, both the progress made by the Republic of Moldova between June 15, 2023 and September 1, 2024, and the level of preparation of the Republic of Moldova for EU accession. The European Commission's assessments regarding the main chapters that cover to a certain extent the areas of competence of the NBM are

⁷⁷DELEGATION OF THE EUROPEAN UNION TO THE REPUBLIC OF MOLDOVA. *The Commission adopts the 2024 enlargement package*. Brussels: EEAS, 2024. Available: https://www.eeas.europa.eu/delegations/moldova/comisia-adopt%C4%83-pachetul-de-extindere-2024_ro?s=223

summarized in the table A.19. It is important to note that achieving the necessary progress for increasing the level of preparation related to these chapters involves the participation of several national authorities.

Thus, the above-mentioned report of the European Commission notes certain progress regarding Chapter 4 "Free movement of capital", Chapter 9 "Financial services" and Chapter 17 "Economic and monetary policy". At the same time, the European Commission assessed that the general degree of preparation of the Republic of Moldova regarding the three chapters remained at the same level that was assigned in the 2023 assessment, namely: referring to the Chapter 4 "Free movement of capital", Moldova is between some level of preparation and a moderate level of preparation for EU accession, but in Chapter 9 "Financial services" and Chapter 17 "Economic and monetary policy", Moldova is at some level of preparation.

The European Commission, regarding *Chapter 4 "Free movement of capital"*, noted, among others, the following progress: 1) The Republic of Moldova continues to liberalize capital operations, although certain restrictions in this area remain; 2) The NBM has further reduced the interchange fees for card-based payments, which will reduce expenses for economic operators and final consumers; 3) the instant payment system put in action, thus significantly simplifying the financial transactions; 4) Moldova applied to be included in the geographical area of the Single Euro Payments Area (SEPA); 5) Moldova is implementing national legislation aiming to align with the 5th Anti-Money Laundering Directive of the EU. At the same time, the European Commission recommended, among other things, that: 1) foreign exchange legislation be aligned with the *acquis* of EU to liberalize foreign exchange capital transactions; 2) that legislative and institutional changes be introduced to facilitate, from the point of view of combating money laundering and terrorist financing, the regulation and supervision of virtual asset service providers.

Referring to *Chapter 9 "Financial services"*, the European Commission noted, among others, the following progress: 1) the national legislation has been partially aligned with Directive 2009/138/EC on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II Directive), as well as with Directive 2009/103/EC on motor third party liability insurance and the enforcement of the obligation to insure against such liability; 2) The Law on the National Bank of Moldova was amended in order to give the NBM an express mandate to ensure financial stability, which also includes macroprudential instruments; 3) the Sustainable Finance Roadmap for the period 2024-2028 was approved and an Inter-institutional Working Group on Sustainable Finance was established. At the same time, the European Commission has formulated, among others, the following recommendations, such as: 1) to assess the degree of preparedness of insurance companies for the implementation of the requirements of the Solvency II Directive (Pillar I) and Directive 2009/103/EC; 2) to continue efforts for aligning legislation with the EU *acquis* regarding the regulation of the banking and insurance sectors (including bank resolution and bank deposit guarantee schemes), financial market infrastructure and digital finance.

Regarding *Chapter 17 "Economic and monetary policy"*, the European Commission noted, among others, the following progress: 1) Moldova submitted its first Economic Reform Programme (ERP) to the EU; 2) The NBM continued to achieve its fundamental objective of price stability, and inflation returned to within the ± 1.5 percentage point range of the 5.0% target; 3) measures were taken to strengthen the functional and financial independence of the NBM; 4) the National Action Plan for the Accession of the Republic of Moldova to the EU for the years 2024-2027 reflected the commitment to align the national legislation with the EU *acquis* regarding the prohibition of the central bank to grant loans to the public sector. The European Commission has also submitted some recommendations, including strengthening the independence and governance of the NBM.

National Action Plan for the Accession of the Republic of Moldova to the EU for the years 2024-2027

The NBM participated in the updating and implementation of the National Action Plan for the Accession of the Republic of Moldova to the EU for the years 2024-2027 (approved by Government Decision No. 829/2023⁷⁸), responsible or co-responsible for carrying out the actions of Chapter 4 "Free movement of capital", Chapter 9 "Financial services", Chapter 18 "Statistics" and Chapter 32 "Financial control".

National Programme for the Accession to the European Union for the period 2025-2029

At the same time, the NBM also participated in the process of developing the National Programme for the Accession to the European Union for the period 2025-2029, which is intended to become one of the main national strategic planning documents. As part of this process, the NBM submitted some commitment proposals and actions related to its powers, aiming at increasing the level of readiness of the Republic of Moldova for EU accession. The NBM proposals aim at a series of regulatory measures to harmonize the national legislation with the EU *acquis*, as well as some implementation measures. These proposals concern Chapter 4 "Free movement of capital", Chapter 9 "Financial services", Chapter 17 "Economic and monetary policy", Chapter 18 "Statistics" and Chapter 32 "Financial control".

Screening meetings

In the context of the Republic of Moldova's preparation for EU accession, national authorities, including the NBM, together with the European Commission have initiated a broad exercise to examine the degree of alignment of national legislation with the EU *acquis*, known as Screening.

Explanatory screening represents the first part of this exercise, which started and was completed in 2024. The NBM, together with other national authorities, participated in the explanatory screening meetings, during which the European Commission presented and explained the EU *acquis* for all negotiation

⁷⁸Decision No. 829 of October 27, 2023 on the approval of the National Action Plan for the accession of the Republic of Moldova to the European Union for the years 2024-2027. *Monitorul Oficial of the Republic of Moldova*. 2023, nr. 422-425. Available: https://www.legis.md/cautare/getResults?doc_id=141820&lang=ro

chapters. In their turn, the authorities of the Republic of Moldova, including the NBM, had the opportunity to ask the European Commission questions for better understanding the EU legislation. Thus, in the first half of 2024, NBM representatives participated in the explanatory screening meetings, held mainly in Brussels, at which the following chapters were addressed:

- Chapter 3 "Right of establishment and freedom to provide services" (March 11, 2024);
- Chapter 9 "Financial services" (March 14, 2024);
- Chapter 32 "Financial control" (March 18, 2024);
- Chapter 24 "Justice, freedom and security" (March 20, 2024);
- Chapter 5 "Public procurement" (March 21, 2024);
- "Economic criterion" (March 22, 2024);
- Chapter 4 "Free movement of capital" (April 9, 2024);
- Chapter 18 "Statistics" (April 15, 2024);
- Chapter 17 "Economic and monetary policy" (May 27, 2024).

Bilateral screening is the second part of the screening exercise. Bilateral screening meetings, which also take place mainly in Brussels, are a stage of EU accession negotiations, during which Moldova informs the European Commission about its level of readiness to fulfill the commitments arising from EU membership. During the respective meetings organized for each negotiation chapter, Moldova shall present to the European Commission the current situation, the measures taken (including for the harmonization of legislation with the EU *acquis*), the ongoing activities, as well as the plans for achieving a full level of alignment of the national framework with the EU standards and practices. To participate in the respective meetings, the national authorities shall complete the questionnaires sent by the European Commission and prepare the presentations for each thematic block in each chapter.

In this context, in the second half of 2024, the NBM representatives participated in several bilateral screening meetings during which they presented information on the international cooperation framework, the national legal framework and its level of alignment with the EU *acquis*, the national institutional structure and administrative capacities, the current situation and the main evolutions regarding each area presented, the existing challenges, the requests regarding the possibilities of accelerated integration, as well as future plans. Thus, the NBM participated in the following bilateral screening meetings:

- The meeting regarding *Chapter 32 "Financial control"* was held on October 14, 2024 and during it the NBM representative presented the topic "Protection of the euro against counterfeiting".
- During the meeting regarding *"Economic criterion"*, also held on October 14, 2024, the NBM representative gave presentations on "Macroeconomic stability" and "Functioning of the financial market" topics.

- At the meeting regarding *Chapter 18 "Statistics"*, which took place on November 13-14, 2024, the NBM representative presented the following topics: "Balance of payments and international investment position", "Financial accounts", "Monetary and financial indicators", "Foreign direct investment", "International trade in services".
- The meeting regarding *Chapter 4 "Free movement of capital"* was held on December 16, 2024 and during it, the NBM representatives presented the topics "Free movement of capital and payments", "Payment systems" and "Anti-corruption measures related to the free movement of capital". At the same time, the NBM provided information on the development of the presentation "Combating money laundering".

Screening meetings for Chapter 9 "Financial services" and Chapter 17 "Economic and monetary policy" are planned for 2025.

The Economic Growth Plan for the Republic of Moldova

On October 10, 2024, the European Commission announced a support package worth EUR 1.8 billion to support the Economic Growth Plan for the Republic of Moldova for the period 2025-2027 (Growth Plan). The implementation of this growth plan will be based on a reform agenda, developed by the authorities of the Republic of Moldova in consultation with the European Commission aimed at 6 major areas: 1) private sector development; 2) economic resilience and infrastructure; 3) economic governance; 4) social capital; 5) green transition and natural capital; 6) fundamental values. The disbursement of the above-mentioned financial support by the EU will be conditioned by the implementation by the Republic of Moldova of actions on the reform agenda.

The NBM project dedicated to the preparation of the RM accession to the EU

In 2024 the project "*Preparation for the accession of the Republic of Moldova to the European Union in the areas under the competence of the National Bank of Moldova*", was launched within the NBM, the objective of which is to ensure the preparation of the accession process of the RM to the EU in the areas under the competence of the NBM, including by harmonizing the banking and non-banking financial legislation of the RM with that of the EU, as well as strengthening the institutional capacity of the NBM. Thus, 8 working groups (implementation teams) were established within the NBM according to the chapters of the EU *acquis* relevant to the powers of the NBM. Members of the NBM teams shall participate in all activities aimed at the process of preparing for EU accession, and some of these members are also part of the national working groups established under the National coordination mechanism of the process of accession of the Republic of Moldova to the European Union.

Other significant evolutions and activities carried out in the context of European integration

- *The first EU-Moldova Intergovernmental Conference*⁷⁹ took place on June 25, 2024 marking the formal launch of Moldova's accession negotiations to the EU. During this conference, the EU presented the Negotiation Framework for the Republic of Moldova, which refers to the principles governing the negotiations, the content of the negotiations and the procedures related to the negotiations. At the same time, during the aforementioned conference, Moldova presented its General negotiation position, to the elaboration of which the NBM also contributed (in the part referring to the financial sector). The General negotiation position of the Republic of Moldova concerns the European integration process, the content of the negotiations, as well as the negotiation process.
- The NBM participated in *the meetings of the cooperation platforms established by the RM-EU Association Agreement*: The RM-EU Association Committee in trade configuration as of November 14-15, 2024, the RM-EU Association Committee as of December 2, 2024, during which the topics related to the areas of competence of the NBM were also examined, for example, macroeconomic evolutions and prospects of the Republic of Moldova, achievements and plans regarding the financial sector. The NBM also presented information to the national authorities in the context of organizing the Moldova-EU Association Council meeting on May 21, 2024.
- *Meetings with the European Commission regarding macroeconomic forecasts*. In the context of the European Commission's elaboration of periodic macroeconomic forecasts for the EU candidate countries (as part of the "Spring 2024 Economic Forecast" and "Autumn 2024 Economic Forecast" exercises), the NBM representatives participated, on April 16, 2024 and October 10, 2024, in expert-level meetings with the representatives of the Directorate-General for Economic and Financial Affairs of the European Commission (DG ECFIN). During the meetings, the representatives of the NBM and of the European Commission had discussions on macroeconomic evolutions and forecasts focused on the EU and the Republic of Moldova.
- The NBM continued *strengthening cooperation relations with the EU authorities*, including by organizing bilateral meetings with their high-level representatives. Thus, the NBM cooperated with the European Central Bank, the European Banking Authority, the European Commission's Directorate-General for Economic and Financial Affairs (DG ECFIN), the European Commission's Directorate-General for Financial Stability, Financial Services and Capital Markets Union (DG FISMA), the European Commission's Directorate-General for Neighbourhood and Enlargement Negotiations (DG NEAR), as well as with some EU central banks and EU financial supervisory authorities, including central banks responsible for the supervision of EU credit

⁷⁹ GOVERNMENT OF THE REPUBLIC OF MOLDOVA. *The EU-Moldova Intergovernmental Conference*. Chişinău: Government of the Republic of Moldova, June 25, 2024. Available: <https://old.gov.md/ro/conferinta-interguvernamentala-moldova-ue>

institutions that have subsidiaries in Moldova. The NBM also developed good cooperation with the European Payments Council (EPC) in the context of examining the file submitted by the NBM for the inclusion of the Republic of Moldova in the geographical area of the Single Euro Payments Area (SEPA). Similarly, in 2024, the NBM management had meetings with the Head of the EU Delegation to the Republic of Moldova, as well as with some ambassadors of EU countries to the Republic of Moldova.

8.2 International collaboration

International Monetary Fund (FMI)⁸⁰

The International Monetary Fund, one of the strategic partners of the Republic of Moldova, provides our country with continuous and valuable support by promoting and supporting the reforms necessary to ensure sustainable economic growth and financial stability.

During 2024, the relations between the National Bank of Moldova and the IMF have evolved, especially in the context of the implementation of the Program⁸¹ supported by the IMF through the EFF⁸² (Extended Fund Facility) financing mechanisms, ECF⁸³ (Extended Credit Facility) and RSF⁸⁴ (Resilience and Sustainability Facility) in the context of the fifth evaluation of the ECF and EFF supported programme, as well as the first evaluation of the RSF supported programme. After the completion of these assessments by the IMF's Board of Executive Directors⁸⁵. The Republic of

⁸⁰ NATIONAL BANK OF MOLDOVA. *International Monetary Fund (FMI)*. Chişinău: NBM, 2024. Available: <http://bnm.md/ro/content/relatia-republicii-moldova-cu-fondul-monetar-international-fmi>

⁸¹The value of financial assistance provided by the IMF for the implementation of the program supported by the Extended Credit Facility and the Extended Fund Facility, with the implementation period between December 2021 and October 2025, is USD 795.72 million (SDR 594.26 million). From the moment of its launch until the end of 2024, the total value of the program supported by the ECF and EFF was disbursed with the amount of USD 733.07 million (SDR 549.8 million).

⁸²Extended Fund Facility – EFF is an IMF financing instrument intended for countries with large imbalances in the balance of payments caused by some structural impediments or the slow rate of economic growth and certain inherently precarious balance of payments conditions.
<https://www.imf.org/en/About/Factsheets/Sheets/2023/Extended-Fund-Facility-EFF>

⁸³Extended Credit Facility – ECF is an IMF financing instrument through which the eligible (low-income) countries can benefit from financial assistance on concessional terms, in a more flexible form and better adjusted to their diverse needs, including during crises (for example, in the case of long-term balance of payments problems).
<https://www.imf.org/en/About/Factsheets/Sheets/2023/Extended-Credit-Facility-ECF>

⁸⁴The program supported by the Resilience and Sustainability Facility (RSF), with the implementation period between December 2023 and October 2025, provides funding in the amount of approximately USD 169 million (SDR 129.375 million). From the moment of launch until the end of 2024, from the total value of the respective program, the amount of USD 56.72 million (SDR 43.12 million) was disbursed.

⁸⁵The IMF's Board of Executive Directors is one of the bodies of the IMF, consisting of 25 executive directors (elected by member countries) and the IMF Director General, who chairs the meetings of this board. The Executive Board is responsible

Moldova received budget support of USD 174.99 million (equivalent to SDR⁸⁶ 132.94 million).

During the assessment, IMF representatives noted that the program supported by the ECF and EFF was broadly implemented according to the agreed parameters: since October 2023, inflation has remained within the range targeted by the National Bank of Moldova; the base rate was maintained at the level recorded during the period under assessment; the authorities' commitment to maintaining current prudential requirements regarding bank shareholding was assessed as an important factor in protecting macrofinancial stability. At the same time, it was mentioned the need to continue ensuring the governance, autonomy, transparency and consolidated responsibility of the NBM. The IMF Executive Board also noted that positive results were achieved under the RSF-supported program, with successful implementation of all reforms, in accordance with the conditions established for the first program review.

In December 2024, following the IMF expert mission conducted from October 1 to 11, 2024, the IMF Executive Board concluded the sixth review of the ECF and EFF-supported program and the second review of the RSF-supported program, disbursing USD 146.53 million (SDR 111.38 million) to the Republic of Moldova. The total amount of disbursements made in 2024 under the ECF and EFF-supported program and the RSF program amounted to USD 321.52 million (SDR 244.32 million). Thus, the IMF Executive Board appreciated the maintenance of inflation, largely, within the limits of the range of ± 1.5 percentage points from the target of 5.0%, set by the NBM; the submission to Parliament of the package of amendments to the legislation to strengthen the autonomy and governance of the NBM; the presence of conditions favourable to rapid progress in implementing structural reforms, such as the steps taken in the context of the implementation of the European Union's Economic Growth Plan for Moldova and the steady progress in its efforts to join the European Union.

In 2024, total payments related to servicing the loans granted to the NBM by the IMF amounted to SDR 9.5 million (equivalent to USD 12.6 million), of which payments for the principal amount of the loan constituted SDR 7.7 million (equivalent to USD 10.2 million), and payments for interest and commissions on the loans constituted SDR 1.8 million (equivalent to USD 2.4 million).

As of December 31, 2024, the balance of financial commitments to the IMF, from which the NBM benefited, amounted to: EFF – SDR 28.1 million (USD 36.6 million), and ECF – SDR 6.4 million (USD 8.4 million).

In the context of approval by the IMF Board of Governors of Resolution No. 79-1 of December 15, 2023 on the sixteenth general

for conducting the day-to-day business of the IMF and typically meets several times each week and conducts its work largely on the basis of documents prepared by IMF management and staff.

<https://www.imf.org/external/np/sec/memdir/eds.aspx>

⁸⁶The Special Drawing Right (SDR) is an international reserve asset created by the IMF. The value of the SDR is determined based on a currency basket consisting of 5 currencies: the US dollar, the euro, the Pound sterling, the Chinese yuan renminbi, and the Japanese yen.

<https://www.imf.org/en/About/Factsheets/Sheets/2023/special-drawing-rights-sdr>
<https://imf.md/press/pressw/press-230109.html>

review of IMF quotas, which provides for a 50% increase in the quotas of all IMF members, the NBM has developed the draft law on the increase in the amount of subscription of the Republic of Moldova in the International Monetary Fund, adopted by the Parliament on December 5, 2024⁸⁷.

Given that the Republic of Moldova is represented on the IMF Board of Governors by members of the Executive Board of the NBM, the representatives of the NBM, in their capacity as Governor and Alternate Governor of the IMF, participated in the Spring and Annual Meetings of the IMF and the World Bank Group, which took place from April 15 to April 20, 2024, and from October 21 to October 26, 2024, respectively, in Washington D.C., USA. Among the topics discussed during these meetings were: the evolution and prospects of the global economy, the main regional economic challenges, the increase in IMF capital through the implementation of the 16th General Review of IMF Quotas, the review of IMF financing policies and the strengthening of the IMF's capacity to provide support to member states, the promotion of efficient monetary policy and structural reforms, the implementation of the climate agenda, digital currency, fintech, cybersecurity, the alignment of banking rules with EU standards, and the independence of central banks.

During July 10 and 12, 2024, the NBM, together with the Ministry of Finance of the Republic of Moldova, hosted, according to the rotation principle, the Meeting of the Belgian-Dutch Constituency of the International Monetary Fund and the World Bank Group. The event held in Chişinău became the scene of global financial dialogues, bringing together over 100 representatives of finance ministries and central banks from 16 countries that are part of the IMF and WB constituencies led by Belgium and the Netherlands. Our country was represented at this meeting by the President and Prime Minister of the Republic of Moldova, the Minister of Finance, the Governor of the National Bank of Moldova, as well as the official representatives of other important institutions. On this occasion, the Deputy Managing Director of the International Monetary Fund and the World Bank Vice President for Europe and Central Asia arrived in Chişinău. The meeting was a high-level conference with the participation of all members of official delegations and high-ranking representatives from the Republic of Moldova and abroad. The central theme of the meeting in Chişinău was "Ensuring vigorous growth in a volatile and uncertain environment" with topics related to mobilizing private capital and opportunities for innovation and growth driven by artificial intelligence. The notable participants and speakers exchanged views on topics of common interest, as well as on various current international events.

The Republic of Moldova is a member of the Constituency led by the Netherlands and Belgium since August 12, 2012, along with Andorra, Armenia, Belgium, Bosnia and Herzegovina, Bulgaria, Cyprus, Croatia, Georgia, Israel, Luxembourg, the Republic of North Macedonia, Montenegro, the Netherlands, Romania and Ukraine. This group of countries is represented in the decision-making bodies of the IMF and the World Bank (the Boards of Executive Directors of the IMF and the World Bank) by an Executive Director,

⁸⁷Law on the increase in the amount of subscription of the Republic of Moldova in the International Monetary Fund: No. 280 of December 5, 2024. *Monitorul Oficial of the Republic of Moldova*. 2024, nr. 516-518, art. 713. Available: https://www.legis.md/cautare/getResults?doc_id=146163&lang=ro

who is elected for a 4-year term. This is the second time that the Belgian-Dutch Constituency Meeting of the IMF and the WB has been organized in the Republic of Moldova, the first took place in 2007. Next year, the representatives of member countries, as well as the IMF and the World Bank, will meet on the same occasion in Luxembourg.

During 2024, the NBM employees participated online in various training events related to the central bank's specific areas of activity organized by the IMF, as well as benefited from training on the IMF's online training platform.

World Bank

In 2024, the NBM continued the dialogue with the World Bank, during which the necessary information was presented for an objective assessment of the situation in the domestic financial system, in order to facilitate decision-making by this international financial institution to continue providing financing in various priority areas for the Republic of Moldova.

European Bank for Reconstruction and Development (EBRD)⁸⁸

EBRD is one of the important international financial institutions that provides the Republic of Moldova with continuous and valuable support, especially in the process of developing and consolidating the banking sector.

During 2024, the NBM cooperated with the EBRD to implement the Country Strategy for the Republic of Moldova for the period 2023-2028, approved by the EBRD Board of Directors on February 23, 2023. Among the strategic priorities of this strategy is supporting the development of resilient financial infrastructure by continuing active policy dialogue with other international partners, such as the International Monetary Fund and the European Union, strengthening the resilience of the financial sector, including by harmonizing the regulations with the European Union standards.

The presence of the EBRD as a shareholder in the banking sector contributes to improving corporate governance, which complements the NBM's efforts to admit only quality shareholders to the sector, who fully meet the criteria of honesty and professionalism.

⁸⁸NATIONAL BANK OF MOLDOVA. *European Bank for Reconstruction and Development (EBRD)*. Chişinău: NBM, 2024. Available: <http://bnm.md/ro/content/relatia-republicii-moldova-cu-banca-europeana-pentru-reconstructie-si-dezvoltare-berd>

The European Automated Clearing House Association (EACHA)⁸⁹

In 2024, the NBM continued its collaboration with EACHA by exchanging information and experience in the field of payment processing houses' activities. Thus, during May 21-22, 2024, the representatives of the NBM, as members of EACHA, participated in the "EACHA 11th Annual Payment Forum" organized in Sofia, Bulgaria. The participation in this event took place in the context of the realization of the strategic objectives of the NBM, namely, the initiatives aimed at increasing cashless payments, such as the accession of the Republic of Moldova to the Single Euro Payments Area (SEPA), the interoperability of instant payments in Europe, the interconnection of instant payment systems.

International Operational Risk Working Group Management of Central Banks (IORWG)⁹⁰

Between June 11 and 13, 2024, the NBM representatives participated in the IORWG Annual Conference, hosted by the Central Bank of Italy, in Rome. During the event, the results of the survey "Survey on Maturity Model, Trends and Best Practices" were presented, through which the IORWG annually assesses the maturity of operational risk management in the central banks, members of the group. According to the results of the assessment, in 2024, the NBM was placed in the top 5 central banks in the Risk Culture category. This result highlights the progress in the maturity of NBM's operational risk management, which increased compared to 2023 from level 3 to level 4, corresponding to the "Advanced" maturity level according to the IORWG methodology.

Also, during 2024, the NBM continued to participate in the activities carried out by the IORWG, providing responses to the following studies initiated by the group: "Currency Issue Activity Benchmarking", "Survey on Risk Reporting (Dashboards)", "Survey on Risk & Incident Repository", "Survey on ESG Practices of Central Bank", "Survey on Maturity Model, Trends and Best Practices" and "Survey on Transversal risks".

⁸⁹*The European Automated Clearing House Association (EACHA)* is a non-profit organization of clearing system administrators and payment processing centers. Within the EACHA, several payments industry working groups are organized to address issues such as interoperability within the Single Euro Payments Area (SEPA). EACHA currently consists of 26 members from 23 countries. The NBM, as the administrator of the Automated Domestic Payments System (ADPS), became a member of EACHA in 2014.

⁹⁰*International Operational Risk Working Group Management of Central Banks (International Operational Risk Working Group – IORWG)* is a working group for central banks and monetary and supervisory authorities, which aims to exchange experiences, innovate methodological frameworks and share best practices among central banks in the field of operational risk management. The NBM became a member of the IORWG in 2015.

The Centre of Excellence in Finance (CEF)⁹¹

Between June 2023 and June 2024, the NBM held the presidency of the CEF Governing Board. In this context, on June 13, 2024, in Chişinău, the Annual Meeting of the CEF 2024 Governing Board was held, an event chaired by the Governor of the NBM, as Chairman of the Board⁹². During the meeting, the following were approved: the CEF activity report for 2023 and the report of the executive director, the activity program for 2025, the election of the CEF Governing Board Chairman, etc.

In addition to the above-mentioned Meeting, the CEF Forum was also held, dedicated to strengthening skills governance for retaining talented people. During this event, the participants emphasized the importance of developing institutional capacity, organizational culture that supports knowledge sharing, improving leadership skills, knowledge management, as mechanisms for retaining talented people within institutions.

The Group of Banking Supervisors from Central and Eastern Europe (BSCEE)⁹³

The Group of Banking Supervisors of Central and Eastern Europe (BSCEE) is a regional organization without legal personality, established in 1991 in Budapest. The BSCEE members are banking supervisory institutions from 24 countries. The purpose of BSCEE is to promote and maintain cooperation between banking supervisory authorities in Central and Eastern Europe, to serve as a high-level forum for the exchange of experience, supervisory techniques, information and know-how.

During May 28 and 31, 2024, the NBM representatives attended the 36th Annual Conference of the BSCEE, which took place in Budapest, Hungary, during which the following topics were discussed: priorities and challenges in the field of regulation and supervision for 2024, assessment of supervision and application of machine learning and artificial intelligence and supervisory steps in fraud prevention, possible regulatory instruments to reduce interest rate risk, green financing – revenues at the macroeconomic level directed towards energy efficiency, report of

⁹¹*The Centre of Excellence in Finance (CEF)* is an international organization with the mission to support the implementation of reforms in the areas of public finance and banking and finance in South-Eastern Europe through training activities. The CEF was established in 2001 in the framework of the Stability Pact for South-Eastern Europe by the Government of Slovakia, on the initiative of the Slovenian Ministry of Finance and in close cooperation with other Ministries of Finance of the former Yugoslav countries and Albania. In 2015 the CEF became an international organization after 14 successful years as a regional institution.

The Republic of Moldova became a member of the CEF through the approval of Law No. 115/2015 for the ratification of the Agreement on establishing the Center of Excellence in Finance. The Republic of Moldova is represented in the Governing Council of the CEF, by the NBM and the Ministry of Finance, each holding one voting right in the decision-making process.

⁹²The Governor of the NBM was elected the Chairman of the CEF Governing Board for the period between June 2023 and June 2024.

⁹³GROUP OF BANKING SUPERVISORS FROM CENTRAL AND EASTERN EUROPE. [Web Page.] Available: https://www.bscee.org/o_nas/wspolpraca_miedzynarodowa/bscee_index

the BSCEE Secretariat, amendment of the BSCEE Agreement, election of the new BSCEE Chairman for the period between December 16, 2024 and December 15, 2025, etc.

Also, during 2024, the NBM continued its collaboration with BSCEE members, through the exchange of information and experience in the field of banking supervision and regulation.

International Association of Insurance Supervisors (IAIS)⁹⁴

In May 2024, the NBM became a provisional member of the IAIS. Provisional membership provides all the benefits of IAIS membership, except voting rights, until formal approval at the Annual General Meeting. During the Extraordinary General Meeting on August 26, 2024, which was held through a written procedure, the full membership of the NBM was approved. Accession to the IAIS contributes to strengthening the NBM's insurance sector supervision capacities and facilitating the resolution of supervisory issues, as well as representing an opportunity for the NBM to access to the IAIS Multilateral Memorandum of Understanding on Cooperation and Information Exchange, which provides a strong institutional framework for collaboration and information exchange between insurance regulatory and supervisory authorities around the world.

It should be noted that the NBM representatives participated in various events organized by IAIS in the field of insurance.

Cooperation with other regional organizations

On September 10, 2024, the NBM representatives participated in the "EIOPA Eastern Cooperation Conference 2024" organized by the European Insurance and Occupational Pensions Authority (EIOPA)⁹⁵ in Frankfurt am Main, Germany. This conference is a regional event, held periodically, aimed at jurisdictions outside the European Economic Area in the Eastern European and Western Balkan areas that have an interest in adapting or implementing European Union legislation on risk-based insurance. The event focused, in particular, on the exchange of information on regulation and the exchange of experiences and practices in the field of insurance sector supervision, highlighting the current discussions and presentations in this field. The conference brought together the experts in the field of insurance supervision and regulation, as

⁹⁴International Association of Insurance Supervisors (IAIS) is a non-profit organization of insurance supervisory and regulatory authorities, created in 1994, being based in Basel, Switzerland. The IAIS brings together members from over 200 jurisdictions covering over 97% of the global insurance market measured by gross written premiums.

The mission of the IAIS is to promote effective and consistent global supervision of the insurance industry in order to develop and maintain a fair, safe and stable insurance market for the benefit and protection of policyholders, and also to ensure global financial stability.
<https://www.iais.org/>

⁹⁵European Insurance and Occupational Pensions Authority (EIOPA) is part of the European system of financial supervision, which has the following responsibilities: to contribute to the stability of the financial system, to ensure the transparency of financial markets and products, and to contribute to the protection of policyholders and members and beneficiaries of pension schemes.

well as opinion leaders in this field, including participants from the countries like Albania, Austria, Belgium, Bosnia and Herzegovina, Croatia, Georgia, Germany, Kosovo, Montenegro, Poland, Romania, Serbia, Slovenia, Slovakia and Hungary.

The representatives of the NBM participated in the training sessions offered by the regional training center Joint Vienna Institute (JVI)⁹⁶ in the following areas: insurance and reinsurance and the non-banking financial sector; research, forecasting and financial stability; anti-money laundering and combating the financing of terrorism; communication, financial education and protocol; financial development and financial inclusion; external cooperation and European integration; sustainable economy; fintech; human resources management; foreign exchange reserve management; monetary and foreign exchange policy implementation; monetary policy; reporting and statistics; bank resolution; determination of the exchange rate regime of the national currency and banking supervision.

Cooperation with other central banks and banking supervisory authorities of other countries

In the current globalized economic context, cooperation with central banks and financial supervisory authorities of other countries represents a fundamental pillar for the stability and development of the national financial system. This cooperation is focused on the exchange of information and experience, technical assistance, negotiation, conclusion and implementation of cooperation agreements and memoranda of understanding with a view to strengthening the institutional capacity to exercise the specific duties of central banks and alignment with international standards in the financial field.

In this regard, the trusted partner of the National Bank of Moldova is the **National Bank of Romania** (NBR) with which an in-depth dialogue was held during 2024 to develop a framework for cooperation in the field of bank resolution. Thus, based on the Cooperation Agreement between the National Bank of Moldova and the National Bank of Romania, signed on June 11, 2021, the two institutions are working together to sign a Cooperation and Information Exchange Agreement in the field of bank resolution. This agreement will favour the planning and implementation of the resolution of banks/ credit institutions, as well as allow for the strengthening of the institutional capacities of the signatory parties, related to their role and responsibilities in this field.

Another example of a special institutional partnership between the NBM and the NBR was the organization, in September 14-22, 2024, in cooperation with the Academy of Economic Studies of Moldova (ASEM) and the Academy of Economic Studies of Bucharest (ASE), of a new edition of the program *School of Modern Finance*. This large-scale program contributes to the advancement of financial education of young people in the Republic of Moldova and to the

⁹⁶JVI is a regional training center for public sector officials, mainly from Central, Eastern and South-Eastern Europe, the Caucasus and Central Asia. It was established in 1992 by the Austrian authorities (Federal Ministry of Finance and the Austrian Central Bank), the International Monetary Fund and several other international organizations.

deepening of the skills of the specialized academic environment, necessary for the development of financial culture, based on an approach applied at the level of a member state of the European Union.

The Banque de France (BdF) represents another important partner with which, during 2024, the NBM intensified its cooperation, which focused on negotiating a Memorandum of Understanding between the two institutions. The memorandum is to establish a broad framework for cooperation, with the main objective of exchanging experience and strengthening capacities in key areas such as: monetary policy and financial stability, financial market regulation and supervision, including in the banking, non-banking and insurance sectors, capital account liberalization, macroeconomic research and studies, digital transformation of business processes and risk management, etc. A distinct element of this cooperation is the participation of NBM experts in the training programs organized by the International Banking and Finance Institute of the Banque de France, which contribute to the development of skills, in particular in macroeconomic analysis and financial policy.

During 2024, the National Bank of Moldova and the **National Bank of Ukraine** intensified their cooperation and mutual technical assistance in areas of common interest. Thus, the National Bank of Moldova took advantage of the support of the National Bank of Ukraine (NBU) in organizing a workshop on ensuring the continuity and recovery of activity in the event of a disaster. On the other hand, the NBM, during a videoconference, shared with the NBU its experience in organizing the process of the Republic of Moldova's accession to the SEPA.

In the context of taking over the licensing, authorization, regulation and supervision of the insurance and reinsurance sector since July 1, 2023, during the reference year, the NBM started the process of negotiating a cooperation agreement with the **Financial Supervisory Authority** of Romania. The signing of this agreement will open new prospects for cooperation in the context of aligning the legislative and supervisory framework applicable to the insurance and reinsurance sector in the Republic of Moldova with the norms and standards of the European Union.

In order to strengthen the relations between institutions for the implementation of joint projects aimed at supporting the development of financial markets, including the insurance and reinsurance sector, on December 16, 2024, the NBM, the Financial Supervisory Authority, together with the National Commission for Financial Market, the Academy of Economic Studies of Moldova and the Institute of Financial Studies Foundation signed a Collaboration Protocol in this regard. According to the protocol, the parties commit to promoting joint educational programs, supporting university and postgraduate programs specific to the financial sector, conducting research studies, as well as developing the implementation framework for the financial education and inclusion program in the Republic of Moldova.

On the subject of concluding a Memorandum of Understanding, the NBM is engaged in dialogue with the **Bulgarian Financial Supervisory Commission**. The need to formalize the cooperation between the two institutions stems from the presence of Bulgarian investments in the Moldovan banking and other

sectors, as well as the international commitments set out in the Association Agreement between the Republic of Moldova and the EU.

During the reporting year, in order to fulfill the duties of licensing the activity of banks, the NBM cooperated with the European Central Bank, the National Bank of Romania, the Central Bank of North Macedonia, the Central Bank of Albania, the Bank of Lithuania, the National Bank of Ukraine, the Estonian Financial Supervision and Resolution Authority, the Banking Agency of the Federation of Bosnia and Herzegovina, the United States Agency for International Development, the Federal Financial Supervisory Authority (BaFin). At the same time, in order to fulfill the tasks of authorizing professional participants in the insurance market, the NBM cooperated through information exchange with the following financial supervisory authorities: the Financial Supervisory Authority of Romania, the Bank of Serbia, the Austrian Financial Market Authority.

At the same time, the NBM delegated participants to a series of events and training seminars, in various areas of activity of the central bank, organized by the European Central Bank, the Bank for International Settlements, the European Banking Authority (EBA), the Oesterreichische Nationalbank, the Deutsche Bundesbank, the Banque de France, the Swiss National Bank, the National Bank of Hungary, the National Bank of Belgium, the National Bank of Georgia, the Central Bank of the Netherlands, the Central Bank of Armenia, the Florence School of Banking and Finance.

8.3 External technical cooperation

External technical assistance (ETA) represents an essential tool for the institutional strengthening of the banking and non-banking financial sector of the Republic of Moldova by supporting the implementation of the best international practices and standards, as well as increasing the capacities of the NBM in carrying out its institutional duties.

Based on its strategic objectives, the NBM supports constant cooperation in various fields of activity with external development partners and supervisory authorities from other countries.

In 2024, the NBM benefited from the external technical assistance for the institutional strengthening capacities in multiple areas such as: financial stability; liberalization of foreign exchange and capital transactions; payment systems; improving the framework for bank recovery and resolution; preventing and combating money laundering and terrorist financing; reporting and statistics; banking supervision; economic research; areas related to digital financial services; financial education and others.

ETA donors in the reporting period included: the European Union, the International Monetary Fund, the World Bank Group, the United States Agency for International Development, the National Bank of Romania, the Banque de France, the Bank of Lithuania, the Deutsche Bundesbank and the Ministry of Finance of the Netherlands, etc.

The **European Union** (EU), due to its tools and technical assistance programs, it contributes significantly to the consolidation of the financial sector of the Republic of Moldova. Considering the aspirations of the Republic of Moldova to join the European Union, the National Bank of Moldova, as a key institution, cooperates closely with European institutions in order to align with EU requirements and standards.

A valuable support from the EU, from which the NBM benefited from during 2024 and which directly contributes to the adoption of best European practices, is the *European Union High Level Advisers' Mission to the Republic of Moldova*. Thus, the EU High Level Advisor for the financial services sector provided advice to the NBM for aligning the national framework with the European one in the banking and non-banking areas, including financial supervision, financial stability, combating money laundering and terrorist financing, payment systems and financial markets. Also, within the project: the European Union High Level Advisers' Mission, between August and December 2024, a short-term expert mission was carried out, providing support for the exercise to assess the degree of preparedness of the insurance sector for the implementation of Pillar I of the Solvency II Directive. We emphasize that the implementation of the quantitative requirements of Solvency II offers a series of advantages for the insurance and reinsurance sector, contributing to the financial stability of insurance companies, as well as the entire insurance sector, providing increased protection to consumers of insurance services.

The Twinning project had a significant impact in supporting the NBM's commitments and efforts to consolidate the banking and non-banking financial sector and align it with the best European practices and standards: *Strengthening supervision, corporate governance and risk management in the financial sector*, funded by the European Union and successfully completed on April 17, 2024. Among the most important achievements of this project are the creation of a new macroprudential policy strategy, the alignment of regulations in the field of insurance and non-bank lending with EU Directives, the adjustment of regulations for monitoring the financial market infrastructure, and the preparation of the file for the accession of the Republic of Moldova to the Single Euro Payments Area (SEPA). On March 19, 2024, the closing conference of the Twinning project was organized in Chişinău, an event that aimed to present the results achieved, the efforts and progress made within the project, as well as the favorable impact on the banking and non-banking financial sector in the Republic of Moldova.

The assistance through the TAIEX of the European Union is another important instrument for providing technical support that the NBM benefited from during 2024. Thus, between January 22 and 26, 2024, a TAIEX mission of experts was organized for *assessing the alignment capacities with the Eurostat balance of payments vademecum*. As a result of this assistance, a roadmap was developed for the collection, processing, compilation and dissemination of data, as well as the compliance with the quality requirements, which would allow alignment with the requirements of the European Union acquis in the field of balance of payments statistics.

Also, through the TAIEX instrument, at the beginning of December 2024, a workshop was held in Chişinău aimed at strengthening the

research function within the NBM, providing opportunities to learn from the experience of the National Bank of Croatia and to improve the skills of the NBM employees in the area of macroeconomic modeling.

The strengthening of the field of economic research is also supported on a bilateral basis by central banks within the European Union. Thus, in October 2024, a mission of the Director of Research within the Banque de France took place, which provided the opportunity for the NBM employees to learn about the specifics of the research activity within the Banque de France.

During the reference year, the NBM, due to the support from the international development community, strengthened its capacities in preventing and combating money laundering and terrorist financing. In this context, the NBM participates as a co-beneficiary institution in the project: *Enhancing the anti-money laundering and asset recovery regime in the Republic of Moldova* within the joint program of the European Union and the Council of Europe "Partnership for Good Governance". This project is aimed at supporting the country's policies, practices and operational tools to combat corruption and money laundering, as well as strengthening the capacities of competent institutions in the Republic of Moldova, including the NBM. Within this project, NBM experts participated in a series of seminars and workshops such as: "Ensuring the Compliance Regarding the Identification of the Beneficial Owner: International Standards and Good Practices"; "Action against Money Laundering and Terrorist Financing in Moldova"; "Identifying Suspicions of Money Laundering and Terrorist Financing and Complying with Reporting Obligations".

The segment of preventing and combating money laundering and terrorist financing (ML/TF) is also supported by the IMF, which provides technical assistance to the NBM, the Office for Preventing and Fight against Money Laundering and the State Tax Service in order to *develop the framework and tools for analyzing money laundering risks related to cross-border payments*. With the support of the IMF experts from the Legal Department, the Bank Supervision Methodology was developed by applying the approach based on the assessment of money laundering and terrorist financing risks. At the same time, the preliminary report of the sectoral ML/TF risk assessment exercise was prepared, based on the analysis of data and information obtained from banks, which is to be approved and coordinated by the IMF expert involved in this project.

To strengthen the institutional capacities in the field of statistics, in addition to the European Union, the NBM received technical assistance from the IMF in the form of an expert mission in April 2024 for *compiling statistics related to financial accounts and sectoral balance sheets (FABS)*. Thus, following the expert's recommendations, the NBM experts initiated the procedure for preparing the data related to the compiled financial accounts, including the preparation of the adjusted FABS methodology.

In order to identify the opportunities for *the liberalization of foreign exchange capital operations* in the Republic of Moldova, the IMF provided the NBM with technical assistance during an expert mission in June 2024, the need for which was accentuated in the context of granting the Republic of Moldova the status of candidate country for accession to the EU. As a result of the

mission, the IMF developed a report that included the conclusions and recommendations of the IMF experts regarding the stages of liberalization of foreign exchange capital operations in the Republic of Moldova.

In a world of increasing capital flows, strengthening the financial and macroeconomic stability function is essential to ensure a sustainable and well-regulated financial system. In this context, the International Monetary Fund seeks to support the reforms necessary for economic stability and prosperity. Thus, during 2024, it was agreed to conduct the *Financial Sector Assessment Program (FSAP)*⁹⁷, together with the World Bank. This program, which will run throughout 2025, has as its general objective the assessment of the stability and identification of vulnerabilities affecting the financial system, as well as the development needs in terms of infrastructure, institutions and financial markets, thus contributing to increasing the resilience of the Moldovan financial system.

One factor that impacts the stability of the financial system is institutional transparency. In this regard, a team of the IMF experts conducted a *Transparency Assessment of the NBM* in November 2024, in accordance with the Central Bank Transparency Code⁹⁸. The assessment is focused on the way in which the National Bank promotes its activity, including through the lens of alignment with international transparency standards. At the same time, the assessment of the NBM's transparency by IMF experts reinforces the commitment to further strengthening institutional autonomy and governance, essential aspects provided for in the Memorandum of Economic and Financial Policies agreed by the authorities of the Republic of Moldova and the IMF.

To assess the autonomy and governance framework of the National Bank of Moldova, the IMF conducted a mission in March 2024 to identify vulnerabilities and offer recommendations for their remediation.

Also, in the reference year, the IMF provided technical assistance in *development of the new framework for bank liquidity stress testing*, which resulted in the development of two liquidity risk stress test models for banks, as well as the development of stress model scenarios for crisis simulations. This technical assistance was carried out in the context of the implementation of the recommendations formulated following the Financial Sector Stability Review (FSSR)⁹⁹ conducted by IMF experts in 2021.

At the same time, to strengthen the financial stability and macroprudential supervision function, the NBM experts participated in an online workshop on November 19, 2024, offered

⁹⁷Since May 1999, the International Monetary Fund, together with the World Bank, has been working on the Financial Sector Assessment Programs (FSAP). These programs aim at increasing the efficiency of efforts to promote the proper functioning of the financial system in member countries.

⁹⁸The Central Bank Transparency Code is an international Code that enables central banks and their stakeholders to align their central bank transparency practices with the international best practices. The aim is to increase the transparency and accountability of the central bank and to contribute to the effectiveness of policies: <https://www.imf.org/external/datamapper/CBT/>

⁹⁹Launched in late 2017, the FSSR diagnostic exercise represents an in-depth analysis of financial sector vulnerabilities, combined with an analysis of the assessed countries' capacities to recover and cope with these vulnerabilities.

by the **Deutsche Bundesbank** with a view to developing an early warning tool for the financial system in the Republic of Moldova. This online workshop was geared towards the needs of the National Bank of Moldova and the National Bank of the Republic of North Macedonia.

To achieve the objective of aligning the regulatory framework and supervisory practices with EU prudential standards, the NBM benefited from technical assistance supported by the European Bank for Reconstruction and Development for *assessment of the equivalence in regulatory frameworks and supervisory practices with that of the EU*. Thus, in December 2024, a hybrid mission of the EBRD team and experts from PricewaterhouseCoopers (PwC) selected as providers of this assistance took place for discussing the results of the assessment carried out by the experts based on the European Banking Authority questionnaire.

The field of bank resolution is the subject of technical assistance provided to the NBM by experts from the Financial Sector Advisory Center (FinSAC) of the **World Bank**. The assistance focused on the revision of Law on Banks Recovery and Resolution No. 232/2016 and, due to the support of FinSAC experts, the draft amendment to the law was developed, which was voted by Parliament in final reading at the end of December 2024. In November 2024, FinSAC experts had a mission to the NBM related to *improvement of the regulatory framework in determining the major difficulty with reference to a bank*.

During 2024, the NBM participated in the international project of the World Bank, with the support of the International Monetary Fund and Eurostat, to improve data related to remittances (*RemStat – International Working Group on Improving Data on Remittances*). At the same time, the NBM employees participated in various professional training events organized by the World Bank within the *RAMP (Resilience and Adaptation Mainstreaming Program)* program in areas such as: foreign exchange reserve management, risk management, compliance and internal audit, banking supervision, combating money laundering and terrorist financing. At the same time, within the same program, 9 people were designated to participate in professional certification programs in the fields of activity of the NBM.

The NBM is focused on promoting the environmental agenda within the financial system and achieving the objective of developing the necessary instruments for the transition to sustainable financing. In this regard, the World Bank offers technical assistance to the NBM for *Developing a sustainable financing framework for the financial sector of the Republic of Moldova*. Thus, with the support of experts from the International Finance Corporation (IFC), the Sustainable Finance Roadmap has been developed and approved on May 28, 2024. The roadmap was drafted and developed taking into account the NBM's commitment to developing and implementing a national sustainable financing framework aligned with international and EU best practices, in accordance with the *Memorandum of Economic and Financial Policies* concluded with the IMF, which launched reform measures under the program supported by the Resilience and Sustainability Financing Facility (RSF). At the same time, the Memorandum of Understanding on the development of the framework on sustainable and environmentally responsible finance was signed between the Government of the Republic of

Moldova, the National Bank of Moldova and the National Commission for Financial Markets, aiming at establishing cooperation between the parties, in order to facilitate the integration of sustainable financing principles into the national financial system. It is worth noting that the Roadmap represents the reference point for the development of sustainable finance in the Republic of Moldova for the next five years.

In addition to the support to the NBM in the context of alignment with the principles of sustainable and inclusive finance, through the technical support program financed by the "Moldova – Development, Resilience and Opportunities for Well-being" (M-GROW) Trust Fund, the World Bank is also offering technical assistance for the development of the *National Financial Inclusion Strategy*. Therefore, the World Bank team of experts trained in this exercise conducted a mission in the fall of 2024 to assess the current state and identify constraints related to the development and access to financial services. We emphasize that the National Financial Inclusion Strategy will focus on the following pillars: 1) quality and usage of financial services; 2) payments ecosystem; 3) financial services consumer protection and 4) financial capability.

To achieve financial inclusion, an important attribute is the promotion of financial education among the population. To this end, the *Financial Literacy Campaign* was organized by the NBM with the support of the USAID "Moldova Institutional and Structural Reforms Activity" (MISRA) Program of the **United States Agency for International Development (USAID)**. Within the Financial Education Campaign, 24 young *financial education ambassadors* were selected, who were prepared to organize financial education lessons throughout the country.

Also, within the same campaign, the "*Financial Education for All*" camp was organized, attended by over 50 young people, essential steps were taken to create the "Financial Education" portal, as well as several multimedia materials were developed. With the support of USAID/MISRA, the concept of the National Financial Education Program was developed.

Digital financial services and the capitalization of the potential of information technologies represent another area of development with USAID/MISRA support. With the assistance of the Institutional and Structural Reforms Program, on March 12, 2024, the launch event of the MIA Instant Payment system¹⁰⁰ was organized, and the communication campaign was also launched to popularize the system, which represents a premiere on the financial market in the Republic of Moldova. Additionally, with the financial support of USAID/MISRA, between April 8 and May 17, 2024, five NBM experts benefited from a Cambridge University innovation leadership program, being the second group of NBM employees to benefit from this course. The SupTech¹⁰¹ program provided participants with advanced market surveillance methodologies to adapt to the rapid digitalization of the financial sector.

Starting from the operational objective of developing the supervisory information system (SupTech), the NBM follows the

¹⁰⁰The Instant Payment system allows making transfers and payments in MDL within the country simpler and cheaper, just by using a mobile phone number.

¹⁰¹Surveillance technology or SupTech is the use of technology by supervisors to provide innovative and effective surveillance solutions that will support a more efficient, flexible and responsive surveillance system.

trends in this field. In this context, on October 17, 2024, an ECB expert mission took place to become technically and functionally familiar with the Information Management System (IMAS)¹⁰² as a component of the Single Supervisory Mechanism. Thus, the analysis of technological solutions and the architecture of the IMAS system contributed to the identification of key components that can be adapted and integrated into the SupTech concept developed at the NBM level.

Additionally, for the field of digital financial services, the NBM also benefits from support of IFC within the World Bank Group. On October 21, 2024, the NBM signed a Cooperation Agreement with IFC to establish a bilateral framework for the implementation of the project: *"Digitalization of financial services"*. Under the umbrella of this project, the NBM benefits from technical assistance for the strategic development and implementation of fintech¹⁰³ innovations in Moldova, improving the customer onboarding process through electronic means, combating money laundering and terrorist financing, as well as addressing cyber risks for new regulated entities. The IFC experts were actively involved in the coordination of the technical documentation necessary for the implementation of the Open Banking project. At the same time, a series of workshops were organized for financial institutions, addressing technical topics and essential legal aspects, as well as sessions dedicated to regulatory authorities, with the main aim of transmitting advanced and relevant knowledge for the successful integration of the Open Banking project into the national financial system. In the field of combating money laundering, the National Bank of Moldova was assisted by IFC experts in the development of the e-KYC Regulation (*Regulation on the requirements for the identification and verification of customer identity through electronic means, approved by the Executive Board of the NBM on November 07, 2024*¹⁰⁴). The IFC also provided support on the topic: *Updating information on the financial inclusion of refugees in the Republic of Moldova*, meetings with the IFC experts aimed at the general policy of banks to reduce risks related to the prenoted area that affects the access of refugees from Ukraine to financial services.

On the implementation side of technical solutions, with the support of USAID, through the *Moldova Financial Sector Transparency Activity* (FSTA) project¹⁰⁵, an IT solution has been developed that is managed and used by the NBM for monitoring the transparency of shareholders in the financial system and transactions.

Strengthening the institutional capacities of the NBM is a priority for the proper functioning of the central bank, while developing

¹⁰²The IMAS portal allows supervised banks and third parties to transmit information related to supervisory processes, monitor the status of these processes and exchange information with supervisory authorities.

¹⁰³Financial technology (fintech) is the technology and innovation that aims to compete with traditional financial methods in the provision of financial services.

¹⁰⁴Decision on the approval of the Regulation on the identification and verification of customer identity through electronic means: No. 281 of November 07, 2024. *Monitorul Oficial of the Republic of Moldova*. 2024, No. 467-469, art. 886. Available: https://www.legis.md/cautare/getResults?doc_id=145729&lang=ro

¹⁰⁵The "Moldova Financial Sector Transparency Activity" project has 4 major objectives: 1. Strengthening the capacity of the Government of the Republic of Moldova and of the NBM in the fight against financial crime; 2. Capacity building and support to the Single Central Securities Depository of Moldova; 3. Capacity building and support to the National Commission for Financial Markets; 4. Supporting the Government of the Republic of Moldova to improve fiscal/ budgetary transparency.

the skills of the institution's employees is an ongoing concern. In this context, the NBM, in collaboration with the **Center of Excellence in Finance** and with the support of the **Ministry of Foreign Affairs of Slovenia** and the **Ministry of Finance of the Netherlands**, benefits from the project *NBM LearnOrgLab – Institutional transformation into a learning-oriented organization*. The aim is to transform the NBM into a learning-oriented institution through the development of internal management capacity with an emphasis on professional development and the cultivation of a culture of learning.

During 2024, a series of activities and events were carried out within this project, including workshops, webinars, job shadowing, study visits, individual coaching sessions, thematic learning weeks (microlearning). The events focused on topics such as: strategic and critical thinking, change management and decision-making, training of trainers, combating money laundering and terrorist financing, the non-banking financial sector, European integration, developing organizational culture, payment systems, communication and negotiation techniques, policy writing and regulatory acts. Based on the premise of developing internal capacities, a methodology for training trainers, at the "junior" level was developed. At the same time, on September 17-18, 2024, within the framework of this project, a regional conference was organized in Chişinău, which brought together executive and non-executive members of the boards of directors or supervisory boards of central banks, other high-ranking representatives of central banks in South-Eastern Europe, as well as representatives of the IMF and CEF. The participants of the event discussed the current governance, risk management and communication challenges that central banks are facing, particularly cyber security and fintech.

In the context of strengthening governance, resilience and institutional agility, the National Bank of Moldova aims to improve internal processes and adopt best practices for the regulation and operation of a central bank. To achieve this objective, the NBM employees carried out two study visits to the **National Bank of Romania** in the reporting year, between October 30 and November 2, to *familiarize themselves with the process of organizing and operating the compliance function* and, to study the NBR's experience in terms of the organizational structure, as well as the powers of the Governor's Cabinet – between November 20 and 22.

Chapter 9

Institutional and organizational framework

9.1 Corporate governance of the National Bank

Law No. 548/1995 on the National Bank of Moldova provides the legal authority and governance framework of the National Bank.

The corporate governance structure comprises the governing bodies, committees supporting the governing bodies, risk management and control levels (external and internal). This structure is complemented by strategic planning, the compliance and ethics framework, which includes the NBM's Code of Ethics and Professional Conduct, the National Bank of Moldova's anti-fraud policy, the information security policy, the management of personal data, as well as public access to the NBM's normative acts, statistics and publications.

Governing bodies of the National Bank

Supervisory Board

The Supervisory Board is composed of 7 members appointed by the Parliament for a 7-year term of office: 4 non-salaried members of the NBM and 3 members from the executive structure of the National Bank – the Governor, the First Deputy Governor and a Deputy Governor. The Chairman of the Supervisory Board is the Governor of the NBM. During 2024, the Supervisory Board functioned in full composition. On May 16, 2024, the Parliament appointed a new member of the Supervisory Board – Ion Lapteacru, who replaced Vadim Enicov.

In exercising the powers assigned by law, the Supervisory Board shall: (i) approve the annual report and the annual financial statements; (ii) adopt the standards of the internal control system, continuously verify and evaluate the functioning of the internal control system; (iii) appoint to office the Comptroller General, upon the proposal of the Audit Committee and determine the terms of his/ her remuneration, (iv) adopt the rules of professional ethics; (v) determine the National Bank's payroll fund, the level of remuneration of the members of the Executive Board and the amount of monthly allowances of the members of the Supervisory Board who are not members of the Executive Board; (vi) submit proposals to increase the capital of the National Bank; (vii) approve the National Bank's expenditure estimates and investment allocations and monitor their execution; (viii) confirm

the selected audit entity; (ix) determine the manner of creation and functioning of the National Bank's committees; (x) determine the nominal value, the design of banknotes and coins, the manner of putting into circulation and the conditions of their withdrawal from circulation; (xi) approve the internal regulations related to the exercise of duties. The Supervisory Board shall submit to the Parliament, at least annually, reports on the supervisory activity carried out.

For the execution of other duties the Supervisory Board shall: (i) approve the internal regulations regarding the remuneration of the National Bank's employees, in accordance with the provisions of Article 25¹⁾ of the Remuneration Law No. 847/2002; (ii) annually approve, by December of the current year, the indicative activity program for the following year.

The meetings of the Supervisory Board are convened by its chairman at least quarterly.

For the execution of its duties during 2024, 14 meetings of the Supervisory Board were convened, at which 50 decisions were approved, with the following topics:

- Approval of the graphic designs, nominal values and putting into circulation of the jubilee and commemorative coins of 2024 and 2025 issuance;
- Approval of the Report on internal audit activity in 2023;
- Approval of the 2023 Annual Report on operational risk management in the National Bank of Moldova;
- Approval and amendment of internal normative acts of the National Bank of Moldova;
- Examination of the direct or indirect financial interests of the members of the governing bodies and members of their families;
- Approval of the Report on the execution of the expenditure estimates and investment allocations of the National Bank of Moldova as of December 31, 2023 and for the period of 6 months ended on June 30, 2024;
- Rectification of the expenditure estimates and allocations for investments of the National Bank of Moldova for 2024 and approval of the expenditure estimates and allocations for investments of the National Bank of Moldova for 2025;
- Approval of the Annual Financial Statements of the National Bank of Moldova for the year ended on December 31, 2023;
- Approval of the Report of the Audit Committee of the National Bank of Moldova on the monitoring activity in 2023;
- Approval of the Report of the Supervisory Board of the National Bank of Moldova on the supervisory activity carried out in 2023;
- Approval of the Annual Report of the National Bank of Moldova for 2023;
- Approval of the Report on the level of implementation in the second semester of 2023 and in the first semester of 2024 of the projects of the National Bank of Moldova;

- Submission of the proposal to increase the statutory capital of the National Bank of Moldova according to the financial situation as of December 31, 2023;
- Approval of the Internal Audit Plan for 2025.

During 2024, 3 decisions of the Supervisory Board were submitted for publication in the Monitorul Oficial of the Republic of Moldova (according to annex A.20).

In its activity, the Supervisory Board has continuously cooperated with the representatives of the Republic of Moldova's development partners and other financial and banking institutions on issues of common interest. The Supervisory Board promoted the transparency of decision-making and monitored the activities of the NBM with reference to its statutory duties.

Executive Board

The Executive Board is composed of 5 members appointed by the Parliament: the Governor, the First Deputy Governor and three Deputy Governors. The Chairman of the Executive Board is the Governor of the National Bank.

During the first 7 months of 2024, the Executive Board operated with 4 members, and by Parliament's decision No. 209 of July 31, 2024, Petru Rotaru was appointed to the vacant position of the member of the EB and deputy governor.

According to Law No. 548/1995, the main duties of the Executive Board are: (i) to determine the monetary policy in the country, including the level of interest rates on monetary policy instruments, the conditions for granting credits, the type and level of reserves that banks are obliged to maintain with the National Bank; (ii) to determine the foreign exchange policy in the country and the exchange rate regime of the national currency; (iii) to decide on the mode of issuing licenses, authorizations, permissions, approvals to be issued by the National Bank; (iv) to examine the results of the controls carried out on the entities supervised by the National Bank and to adopt the decisions related thereto; (v) to decide on the issuance of claims of the National Bank, the volume and conditions of their issuance; (vi) to adopt the normative acts of the National Bank; (vii) to ensure the implementation of the decisions of the Supervisory Board; (viii) to plan and organize the current activity of the National Bank.

In addition to the basic duties established by Law No. 548/1995 on the National Bank of Moldova and the subsequent ones, provided for by the laws regulating the fields of activity managed by the National Bank of Moldova, the Executive Board also decides on some auxiliary duties, such as: (i) regulation of the methods of calculating the reference index for floating interest rates, established in consumer credit contracts (Article 13 letter a) of Law No. 202/2013 on consumer credit contracts); (ii) establishing, jointly with the Office for Prevention and Fight against Money Laundering, the method of completing and evaluating the self-declaration submitted by the persons specified in Article 2 paragraph (1) letter f) of Law No. 34/2024 on cash settlements and for the amendment of certain normative acts (Article 5 paragraph (6) of Law No. 34/2024). At the same time,

according to the internal regulatory framework, the Executive Board approves the Strategic Plan of the National Bank.

Meetings of the Executive Board shall be convened by its Chairman at least once a month.

For the execution of its duties during the year 2024, 89 meetings of the Executive Board were convened, at which 354 decisions were examined and approved.

The said decisions concerned the following areas:

- Monetary and foreign exchange policy of the National Bank of Moldova;
- The supervisory activity of the National Bank of Moldova;
- Financial stability and macroprudential oversight;
- Financial market infrastructure and development;
- The development of the legal and regulatory framework;
- Cash issuance;
- Reporting and statistics;
- Banking resolution;
- International relations;
- Institutional and organizational framework;
- The analysis of the financial situation and position of the National Bank of Moldova at individual and consolidated levels.

During 2024, 43 decisions of the Executive Board were submitted for publication in the Monitorul Oficial of the Republic of Moldova (according to the annexes A.20 and A.21).

The Executive Board has continuously promoted: the application of monetary policy instruments and measures to ensure and maintain price stability; the provision of the economy with the national currency and the promotion of the credibility of the national currency; the regulation and supervision of the activity of financial institutions, as well as the efficiency, safety, accessibility and innovativeness of payments.

Structure of the governing bodies:

Anca DRAGU

Governor, Chairman of the Supervisory Board (SB) and of the Executive Board (EB)

Vladimir MUNTEANU

First Deputy Governor, Vice-Chairman of the SB and the EB

Tatiana IVANICICHINA

Deputy Governor, member of the SB and the EB

Constantin ȘCHENDRA

Deputy Governor, EB member

Petru ROTARU since July 31, 2024

Deputy Governor, EB member

Dumitru URSU

SB member

Natalia GAVRILIȚA

SB member

Vitalie LEMNE

SB member

Ion LAPTEACRU since May 16, 2024

SB member

Governor

The Governor of the National Bank is appointed by the Parliament on the proposal of the President of the Parliament.

In accordance with *Law on the National Bank of Moldova*, the Governor shall be responsible for formulating monetary, as well as foreign exchange policy initiatives to be submitted to the Executive Board, as well as for their execution. The Governor also organizes and directs the activity of the Bank and represents it in its relations with any legal or natural person both in the Republic of Moldova and abroad, issues binding orders and provisions for the employees of the National Bank, supervises their execution, signs directly or through authorized persons, the agreements and other acts concluded by the National Bank and approves the internal regulations regarding the activity of the Governor's Cabinet and the Governor's Control Body.

The decision-making process at the level of the NBM's governing bodies.

In order to ensure the efficiency of the decision-making process, the decisions of the Executive Board and the Supervisory Board of the National Bank of Moldova are adopted based on draft decisions developed and submitted to the meeting by their authors.

The draft decision submitted for examination by the Executive Board or the Supervisory Board shall be prepared in accordance with the requirements of the applicable legislation, including, as the case may be, the provisions of Law No. 100/2017 on normative acts and of the Administrative Code of the Republic of Moldova No. 116/2018.

The draft decision shall contain the title, which briefly sets out the content of the matter under examination, the preamble, which places real provisions and tasks before the executors, set out clearly, consecutively and succinctly, indicating the reasonable deadlines for executing the decision.

The draft is accompanied by an informative note containing, as appropriate: the conditions that imposed the development of the draft; the objectives pursued and the proposed solutions; the regulatory impact analysis; the compatibility of the draft regulatory act with European Union legislation, etc.

The draft decision of the Executive Board is endorsed by the head of the initiating subdivision (author) of the project, and if the draft refers to the field of activity or assigns tasks to a subdivision other than the initiating one, it is also endorsed by its head. The draft is aimed at compliance with the legislation in force by the Legal Department and in the case of the draft act of a normative nature, both internal and applicable to third parties – by the Legislation and International Law Department. Afterwards, the draft is submitted for approval to the member of the Executive Board responsible for the activity of the subdivision initiating the draft, who, if supported, submits the draft as the competent authorized representative for the field addressed in the draft for examination by the Executive Board. After the approval of the draft by the member of the Executive Board, the head of the subdivision initiating the respective draft presents it to the secretary of the Executive Board for its inclusion in the agenda.

The draft decision of the Supervisory Board is submitted for approval to the Supervisory Board based on the decision of the Executive Board.

The draft can also be developed by the member of the Executive Board or the Supervisory Board, who, in this case, ensures that the draft complies with legal requirements.

Following the debates on the draft at the meeting of the Executive Board or the Supervisory Board, the members of the Executive Board or the Supervisory Board may vote to approve the draft, may propose to amend the draft or resume the debates at another meeting, as well as may vote to reject it.

The decisions of the members of the Executive Board and the Supervisory Board on the drafts are approved by open vote and are recorded in the minutes of the meeting.

The decisions of the Executive Board and the Supervisory Board are approved by a simple majority of votes of the members of the Executive Board or the Supervisory Board present at the meeting, except for the cases provided for by Law No. 548/1995 on the National Bank of Moldova or by the internal normative acts of the National Bank of Moldova.

Committees

In order to ensure the efficiency of the decision-making process, the Audit Committee, the Investment Committee, the Risk Committee and the Business Continuity Committee operate within the NBM. The Standing Committees have their own operating regulations detailing their specific purpose, composition, duties and responsibilities.

Investment Committee

The Investment Committee is established in order to assist the Executive Board of the NBM in reviewing the investment policies and strategies related to the management of the foreign exchange reserves of the country. The Investment Committee is composed of 10 members, NBM employees, including 2 members of the Executive Board, one of whom is the Chairman of the Board.

Meetings of the Investment Committee are usually convened on a monthly basis, and extraordinary meetings are organized for urgent or major issues. The Investment Committee held 12 ordinary meetings in 2024. At each meeting, the performance of the investment portfolio, developments and forecasts related to the domestic foreign exchange market and international financial markets, dynamics and factor analysis of risk indicators were analyzed.

Also, in accordance with the provisions of the Regulation on the management of international reserves and in line with the established practice, at the end of 2024 the members of the Investment Committee reviewed the strategic asset allocation framework. In this context, strategic investment decisions were examined with a view to capitalizing on investment alternatives, taking into account the international financial market environment and the trends emerging, provided that the safety and liquidity of the investments were ensured.

Audit Committee

The Audit Committee is composed of 3 members of the Supervisory Board who are not employees of the National Bank. The members of the Audit Committee shall be approved for the duration of their term of office as members of the Supervisory Board of the National Bank of Moldova. The Audit Committee consists of:

- Vitalie LEMNE, Chairman of the Audit Committee, Member of the Supervisory Board of the NBM;
- Natalia GAVRILIȚA, Member of the Audit Committee, Member of the Supervisory Board of the NBM;
- Ion LAPTEACRU, Member of the Audit Committee, Member of the Supervisory Board of the NBM.

Performance of duties

The Audit Committee carries out its activity on the basis of the provisions of Article 26 and Article 28 of Law No. 548/1995 on the National Bank of Moldova and the Regulation on the functioning of the Audit Committee of the National Bank of Moldova, approved by the Decision of the NBM's Supervisory Board No. 15 of December 22, 2016 (hereinafter – Regulation No. 15/2016).

According to these provisions, the Audit Committee has the following basic duties:

- a) monitors the financial reporting process of the National Bank;
- b) monitors the effectiveness of the internal control and risk management system;
- c) monitors and directs the internal audit function;
- d) monitors the independence and activity of the external audit.

Regulation No. 15/2016 sets out the detailed areas and duties of the activity, based on the powers granted by Law No. 548/1995, in line with international practices and includes: the financial reporting of the NBM; internal control and risk management; independence of internal and external audit.

In order to fulfill its legal duties, the Audit Committee has access to the necessary information through the Internal Audit Department. During the reporting period, audit mission reports and quarterly and annual summary reports were submitted.

The secretarial activities of the Audit Committee are performed by an employee of the Internal Audit Department designated by the Comptroller General.

During 2024, the Audit Committee made decisions in 16 ordinary and extraordinary meetings, the main topics of which were:

- a) Establishing, developing relationships and monitoring the activity of the external auditor;
- b) Monitoring the activity of the Internal Audit Department;
- c) Directing the activity of the Internal Audit Department;
- d) Overseeing the independence of the Internal Audit Department's activities;
- e) Overseeing the compliance with security, anti-fraud policies, good management of related risks;
- f) Examination of the consolidated and individual financial statements of the NBM for the financial year ended on December 31, 2023;
- g) Examination of the Quarterly Summary Reports on the results of audit activities, the Report on the internal audit activity in 2023 and the coordination of the Internal Audit Plan for 2024;
- h) Examination of information on the recommendations of the Internal Audit Department not implemented in time;
- i) Submission of the proposal regarding the modification of the calculation of the Key Performance Indicator (KPI) and the distribution of funds for the related the year-end bonus;
- j) Examination of the results of the audit mission regarding information security assurance within the NBM;
- k) Submission to the Supervisory Board of the proposal regarding the discussion of the topic related to operations performed through the account of the Cash and Settlement Center in Tiraspol city, opened in ADPS and the related risks;
- l) Examination of proposals regarding the training budget and employee salary budget and proposals to modify the staff structure of the Internal Audit Department for 2025;
- m) Examination of the Report on the internal audit activity in 2023;
- n) Coordination of the Internal Audit Plan for 2025;
- o) Approval of the performance indicators and objectives for the year 2024, approval of the performance management form of the Comptroller General of the NBM.

Among these, 12 meetings are related to monitoring and directing the audit function, 3 to monitoring the financial reporting process and one meeting had as its main topic monitoring the efficiency of the internal control and risk management system (Chart 9.1).

In 2024, the Internal Audit Department carried out its activity according to the Annual Internal Audit Plan for 2024, which was developed based on risk assessment. 9 audit missions related to 2024 and 6 audit missions related to the 2023 plan were completed. In addition, at the request of the NBM Governor, 2 ad hoc missions were carried out. The audit reports of these 2 missions are to be examined and approved by the Supervisory Board, with the implementation of the necessary recommendations to mitigate risks and strengthen internal control mechanisms.

In chart 9.2 we can observe a considerable increase in the number of recommendations of the Internal Audit Department implemented during 2024, namely: from 23 recommendations (implemented during 2023) to 50 recommendations during 2024. We can also highlight that during 2024 the number of recommendations not implemented on time decreased from 48 recommendations to 47 recommendations, but, in return, the risk-weighted average duration of unimplemented recommendations increased from 1,291 days to 1,500 days (Chart 9.3). However, due to the active involvement of the Internal Audit Department and the Audit Committee, the implementation of these recommendations in 2024 contributed to improving the level of IT control and security (access controls, continuity, software management, etc.).

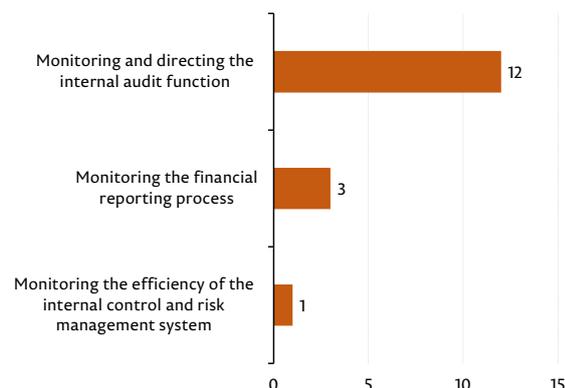
The Audit Committee monitored the implementation of the Internal Audit Department’s recommendations to strengthen internal procedures and controls. Considering the large number of recommendations of the Internal Audit Department that are not implemented on time and its risk monitoring role, the Audit Committee proposed a mechanism to hold the subdivisions accountable. Thus, the calculation of the Key Performance Indicator (KPI) and the distribution of funds for the related year-end premium have been modified. The new indicator is to be applied starting from 2026.

In the control and risk management system of the NBM, the concept called "three lines of defense" is implemented, and the control environment is sufficiently defined and applicable to mitigate existing risks (figure 2 of annex A.37). The Internal Audit Department shall present quarterly to the Audit Committee information on the results of the operational and financial risk management, including general data on the methods and techniques applied to mitigate risk exposure, as well as data on the evolution of the risk quantification indicators recorded.

Risk Committee

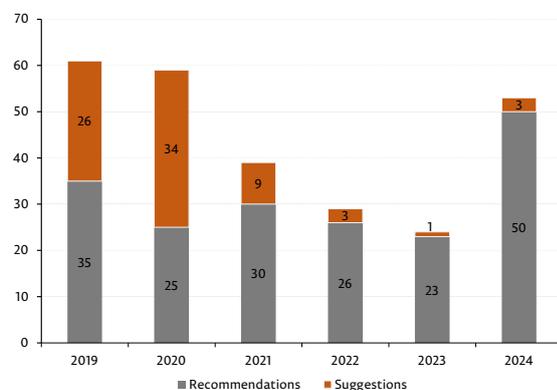
The Risk Committee, as part of the second line of defense, is set up to assist the Executive Board in providing direct objective oversight over the management of the operational risk management system in the National Bank. The Risk Committee is composed of 8 voting members, including one member of the Executive Board – the Chairman of the Risk Committee.

Chart 9.1: Distribution of Audit Committee meetings



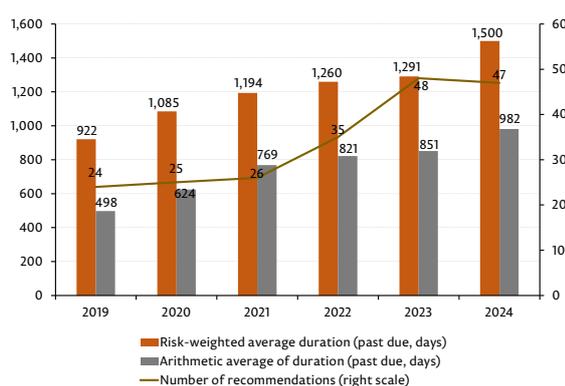
Source: NBM

Chart 9.2: Recommendations / implemented proposals (by years)



Source: NBM

Chart 9.3: Risk-weighted IAD recommendations not implemented on time



Source: NBM

The Risk Committee meets quarterly in ordinary sessions. If necessary or at the request of the Governor, or any other member of the Executive Board, it may be convened ad hoc.

In 2024, the Risk Committee held 5 ordinary meetings.

The basic decisions taken concerned:

1. examination and endorsement of the **annual report** regarding *the operational risk management in 2023 in the National Bank of Moldova, the dashboard and the risk profile as of December 31, 2023*;
2. endorsement **of the maturity level 3** operational risk management system in the NBM by December 31, 2023 and its development objectives for 2024;
3. taking note of *the quarterly reports* on the results of the selfassessment of operational risks by activity processes of the NBM;
4. quarterly taking note *of the NBM operational risk profile* for the processes assessed in 2024;
5. endorsement of risk response strategies and quarterly approval *additional control measures* proposed for the response to the operational risks from *the yellow area* of the risk profile;
6. taking note of *information related to incidents* with impact on the activity processes and validating their level of impact;
7. *proposals* of implementing control measures *for incident management*;
8. taking note of the information on the membership activity of the International Operational Risk Working Group – IORWG;
9. taking note of the information on the implementation of the decisions taken at the Risk Committee meetings.

Business Continuity Committee

The Business Continuity Committee is established to assist the Executive Board in managing effective business continuity in order to achieve the continuity objectives of the National Bank of Moldova. The Business Continuity Committee is composed of 12 members, of which 10 are voting members, including one member of the Executive Board – the Chairman of the Business Continuity Committee, who is the Governor of the National Bank.

The Business Continuity Committee meets annually in ordinary meetings and ad hoc meetings are organized in case of events that may affect the continuity of the NBM's activity.

In 2024, the Business Continuity Committee met in two meetings, addressing current issues regarding business continuity within the NBM.

Control levels

External control

External audit

The external audit of the National Bank shall be carried out annually on the financial statements, accounts and registers of the NBM, in accordance with the International Standards on Auditing, by an independent auditing company with a recognized reputation and experience in the field of auditing central banks, selected in accordance with the National Bank's regulations on the selection and mandate of the audit entity for the audit of the financial statements and confirmed by the Supervisory Board. The external auditor's Report shall be published together with the annual financial statements of the National Bank. The same external audit organization may not be appointed consecutively for a period exceeding 5 years.

National Bank's safety assessment by the IMF

Periodically, the credibility and safety of central banks is assessed by the IMF experts to receive assurance on the implementation and operation by the NBM of control, accounting, reporting and auditing systems related to the management of resources, appropriate to the integrity of the operations carried out. The assessment covers six key areas relevant to the control and governance within central banks according to the GELRIC acronym:

- *G* – governance arrangements;
- *E* – external audit mechanism;
- *L* – legal framework and central bank independence;
- *R* – financial reporting;
- *I* – internal audit mechanism;
- *C* – internal controls system.

Assessment of the transparency of the National Bank by the IMF

In order to maintain the commitment to further strengthening of the institutional autonomy and governance of the NBM and in accordance with the Memorandum of Economic and Financial Policies of November 20, 2023 and the letter of intent of June 13, 2024, at the request of the National Bank, in the period between August and November 2024, the Mission on the assessment of transparency of the National Bank of Moldova was carried out by the IMF experts. The assessment of the National Bank's transparency was carried out according to the process regulated by the IMF in the Central Bank Transparency Code (CBT Review) and through the lens of its 5 pillars: governance, policies, operations, results and official relations.

The National Bank has completed the following stages of the CBT Review process:

- training of National Bank subdivisions by IMF experts on the self-assessment procedure;
- finalization of the self-assessment questionnaire by the National Bank subdivisions and its submission to the IMF;
- the conduct of the Main Mission of IMF experts within the National Bank (November 7-18, 2024);
- preparation and presentation of the IMF preliminary assessment report;
- transmission of opinions and comments of the National Bank regarding the draft to the IMF;
- receiving the draft IMF assessment report on the transparency of the National Bank.

The Assessment Report on the Transparency of the National Bank includes key recommendations from the IMF experts to improve the National Bank's transparency and assess the practices used by the National Bank (resulting from extensive consultations of the IMF experts with relevant stakeholders), based on the principles and sub-principles regulated by the IMF's Central Bank Transparency Code.

According to the report, the transparency of the National Bank's activities was assessed at 95%, which is in line with established principles. In particular, the National Bank's transparency was assessed at a "comprehensive" level for 29% of the practices used, at a "extended" level for 36% of the practices and at a "basic" level for 30% of the practices.

Audit of the Court of Accounts of the Republic of Moldova

The external public audit on the legality and regularity of expenditure estimates and investment allocations is carried out by the Court of Accounts, limited, according to Law No. 548/1995, to the examination of the operational efficiency of the decisions taken by the management of the National Bank, except for those related to the implementation of the monetary and foreign exchange policy of the National Bank and the management of the State foreign exchange reserves.

Risk management and internal control

The National Bank aligns its risk governance and internal control system with the international standards COSO¹⁰⁶, ISO 31000¹⁰⁷ and best practices in the field (including those of the International Operational Risk Working Group in Central Banks (*IORWG*), the National Bank being a member of it).

In the context of operational risk management, with the approval of the *Framework on operational risk management in the National*

¹⁰⁶COSO – The Committee of Sponsoring Organizations of the Treadway Commission.

¹⁰⁷ISO 31000 – Risk Management – Guidelines, International Organization for Standardization.

Bank of Moldova, the Supervisory Board has established the risk tolerance in the National Bank.

Risk management and internal control within the NBM are established according to the **three lines of defense**.

The first line of defense manages risks and is *represented by the NBM subdivisions*, which are also the "owners" of the risks. The heads of subdivisions (line managers) bear responsibility for identifying and managing the risks inherent in the activity processes and IT systems whose owners they are, and appropriately establish control activities in the risk management process. In 2024, operational risk self-assessment activities by activity processes continued with the establishment of control measures to keep risks within the tolerance zone, with reporting of the results to the operational risk management function. The subdivisions apply on a daily basis a set of control procedures for the activity processes and systems they manage, ensuring their effectiveness and efficiency.

The second line of defense consists of organizing the process, providing the methodological framework, coordination and independent supervision of the risk management and internal control process. The functions of the second line of defense include specific mechanisms and processes to implement the appropriate financial and operational risk management system and exercise internal control. The second line of defense is represented by the structures with *dedicated financial and operational risk management functions, the Investment Committee, the Risk Committee and Business Continuity Committee*. At the level of this line, the methodological framework for an efficient risk management process in the NBM is developed: the internal framework on how to carry out and control foreign exchange operations, operational risk management by activity processes, ensuring business continuity and information security, personal data protection, standards, policies and plans for responding to incidents, which disrupt or threaten the operational functions of the National Bank. An incident management system is in place at the National Bank, which keeps records of incidents, including the measures taken and the persons responsible for carrying them out.

The financial risk management shall be organized in accordance with the functions, specificities and role of the Bank as the central bank of the Republic of Moldova and the duties assigned to the National Bank by Law No. 548/1995. The Executive Board shall assume responsibility for the establishment and supervision of the financial risk management framework, including through the Investment Committee, whose creation and functioning mode shall be determined by the Supervisory Board. The financial risk management activity is regulated by internal rules and monitored by the Executive Board, which reviews issues related to the monetary, investment and foreign exchange policy of the National Bank. The way in which the financial risks are managed is detailed in the Consolidated and Separate Financial Statements and in the Independent Auditor's Report¹⁰⁸ published on the official website of the NBM.

¹⁰⁸NATIONAL BANK OF MOLDOVA. *Consolidated and Separate Financial Statements...* Chişinău: NBM, s.n. Available: [https://bnm.md/ro/search?partitions\[0\]=677&post_types\[677\]\[0\]=913](https://bnm.md/ro/search?partitions[0]=677&post_types[677][0]=913)

The operational risk management function ensured in 2024 the organization and conduct of operational risk self-assessment meetings by activity processes. Based on the operational risk self-assessment, the operational risk profile was developed and reported quarterly and annually to the Risk Committee. At the same time, internal trainings were conducted for the representatives of the subdivisions (heads of subdivisions, persons responsible for operational risk and participants in the assessed processes).

The operational risk assessment procedure is carried out according to the Framework for operational risk management in the NBM¹⁰⁹ (excerpt published on the official website). The assessment consists of determining the level of impact and likelihood based on the 5 levels presented in the Annex to the framework¹⁰⁹. The impact of the operational risk is assessed in terms of *the impact on the NBM's activity, reputational impact* and *financial impact*. In order to manage and mitigate risks within the approved risk tolerance zone, a number of control measures are established, such as: segregation of functions, financial control, authorizations, authorized/ limited access, dual checks, documentation, reporting, information systems, measures to ensure business continuity, data protection, etc.

In order to avoid the materialization of certain operational risks that may lead to activity disruptions, financial losses or damage to the reputation of the NBM, 5 risk response strategies are applied in the risk assessment: *avoid (denial); mitigation (reduction); transfer (externalization); acceptance* and *follow-up (monitoring)*.

In order to provide a consolidated picture of all types of operational risk exposures, a risk profile is prepared which prioritizes the qualitative assessment of the risks specific to the NBM's activity: figure 3 in annex A.38.

Likewise, the operational risk management function prepares the operational risk profile by risk categories, divided including by operational risk triggers, and represents the average risk levels by the categories presented: figure 4 in annex A.38.

As a result of operational risk management in 2024, all risks fall within the risk tolerance zone approved by the Supervisory Board.

At the same time, the operational risk management function represents the NBM as a member of the IORWG.

In 2024, a series of *objectives* were achieved aimed at *strengthening the risk management function* in the National Bank. These include: identifying and assessing operational risks associated with the activity processes taken over from the National Commission for Financial Market; strengthening the compliance function by establishing the Compliance Department; approving critical activity processes; ensuring continuous training for both people within the risk management functions and employees within the NBM subdivisions in order to strengthen the organizational culture of risk management.

In 2024, the NBM made significant progress in *strengthening organizational resilience and business continuity risk*

¹⁰⁹NATIONAL BANK OF MOLDOVA. *Operational risk management in the NBM*. Chişinău: NBM, s.n. Available: https://bnm.md/files/excerpt_Cadru.pdf

management capacity. Proactive measures and complex testing were carried out, aimed at ensuring the optimal functioning of the institution even *under critical conditions*.

Subsequently, testing of the implemented solution for centralized employee notification was carried out in a real scenario. This practical simulation demonstrated the speed and efficiency of the system, ensuring that employees are informed promptly and efficiently in the event of an emergency.

Additionally, within the Business Continuity Committee, a detailed assessment was carried out and the update of critical processes that support the institution's essential activities was approved. The result of this analysis is the establishment of a clear hierarchy, essential for prioritizing interventions and allocating the necessary resources in the event of a crisis.

At the same time, rigorous annual tests were carried out to verify the continuity of the Automated Domestic Payment System in collaboration with all participants involved, the continuity of the SWIFT service and the uninterrupted operation of the technological and communications infrastructure, thus contributing to the stability and security of these critical systems.

The responsibilities of operational departments were explicitly defined and key people were identified, guaranteeing a rapid and efficient response in the event of continuity incidents. To consolidate these measures, periodic training sessions dedicated to employees were organized, thus emphasizing the institutional preparation and the capacity to respond promptly and organized to challenges.

In order to ensure the safety and protection of employees, a *Evacuation Plan for Employees* was approved, which contains clear procedures for a coordinated, structured and rapid evacuation from the head office, thus reducing potential risks for NBM employees.

All these measures and initiatives reflect the firm commitment to maintaining transparency, strengthening the general public trust and demonstrating the institution's ability to effectively manage risks and maintain business continuity, regardless of the complexity of the circumstances it may face.

At the same time, for the year 2025 the objectives are set for the further development of the risk management system. They include: adjusting internal regulations related to the change in the operational risk management framework; developing the internal control system framework and the integrated risk management framework in the NBM; developing the climate risk management framework; piloting the monitoring of key performance indicators as the first stage for monitoring key risk indicators for automated monitoring systems; updating business continuity plans; assessing business continuity risks for critical processes; updating regulations related to business continuity management.

The compliance function aims to create, develop and ensure the observance within the National Bank of a compliance framework, as well as to provide the necessary support in developing and implementing an effective internal control system to manage the compliance risk related to the established regulations. In 2024, the Compliance Department became operational and will ensure the

development and implementation of the compliance framework at the NBM level, as it takes over its duties in this field.

The third line of defense provides an independent and objective assurance and is represented by the internal audit. The internal audit provides the governing bodies and line managers with independent reasonable assurance on the adequacy and effectiveness of governance, risk management and internal control, including the way in which the first and second lines of defense are achieving their risk management objectives. It should be noted that the internal normative framework on the functioning of the internal audit, which is approved at the level of the Supervisory Board, has been revised, aligning it with the *Global Internal Audit Standards*, approved in a new version by the Institute of Internal Auditors (IIA) on January 2024. According to the external assessment report dated March 14, 2021, the internal audit function was rated "Generally Compliant" with the IIA Standards and Code of Ethics, which represents the highest level of compliance.

Internal control in the NBM also operates through a set of regulations approved by the governing bodies and ensures the effective management of resources to achieve the NBM's mission and strategic objectives.

Compliance and Ethics Framework

Code of Ethics and Professional Conduct of the National Bank of Moldova

The Code of Ethics and Professional Conduct of the NBM, aligned to the best practices, sets out requirements for all employees to adhere to the highest standards of professional ethics. To this end, the Code lays down rules on the compliance with the legal regime of conflicts of interest, declaration of assets and personal interests, incompatibilities and restrictions, improper influence, gifts. At the same time, it provides for the rules of professional ethics related to the use of the NBM resources, the conduct of procurement procedures, internal relations, personal financial transactions of the employees, external activities, conduct in external and international relations in the performance of the NBM employees' duties, as well as measures for their protection.

Anti-fraud policy

The National Bank's anti-fraud policy promotes fraud risk awareness and management.

It aims to identify the areas of activity subject to the risk of fraud and to implement appropriate control measures at all levels of the National Bank, which will contribute to the prevention and detection of fraud, monitoring the risk of fraud and promoting consistent organizational conduct. The anti-fraud policy also sets out the conditions for conducting investigations in the prevention and examination of suspected fraud.

The implementation of the anti-fraud policy, staff training on fraud risk and fraud risk management, reporting suspicions of fraud – all these establish and develop *an anti-fraud culture*, which deters

potential perpetrators and strengthens the commitment of the National Bank's staff to fight fraud. The responsibility of all National Bank staff has a major contribution to creating an environment conducive to raising awareness of the risk and consequences of fraud.

The governing bodies of the National Bank promote a zero tolerance policy on fraud and corruption.

Measures to combat money laundering and terrorist financing

The NBM shall reaffirm its commitment to implementing international standards in preventing and combating money laundering and terrorist financing, applying them in all aspects of its activity. To this end, the authority has developed and approved internal rules, aligned to international standards, which aim to avoid the involvement of the central bank in operations or activities of money laundering, terrorist financing or circumvention of international sanctions (hereinafter "ML/TF and CIS")

With a particular emphasis on the risk-based approach, the internal regulatory framework of the National Bank regulates both governance in the field of reference, as well as internal control and risk management measures associated with the operations carried out. Thus, in order to manage the risks of preventing and combating money laundering and terrorist financing, the NBM has and implements an internal regulatory framework, which includes measures to achieve the given objective. At the same time, given the dynamics of money laundering and terrorist financing (ML/TF) risks and the constantly evolving international sanctions regime, as well as the status of the Republic of Moldova as a candidate country for accession to the European Union, a process of reviewing the internal regulatory framework was carried out during 2024. This approach aims to strengthen the mechanisms for identifying, assessing and mitigating risks at the NBM level, by aligning them with the latest regulatory requirements and international best practices. At the same time, the NBM aims to adapt its internal policies and procedures dedicated to preventing and combating money laundering and terrorist financing in order to effectively respond to compliance obligations, ensuring more rigorous control over potential exposures and greater transparency in the activities carried out. The internal regulatory framework is to be finalized and approved during 2025.

In the same vein, during 2024, specific actions were implemented to reduce the risks of money laundering and terrorist financing, as well as the risks associated with international restrictive measures (sanctions), such as: identification of transactions with increased risk, taking into account the results of the national risk assessment of the area of reference; establishment of control mechanisms to mitigate the identified risks, including by applying customer knowledge procedures when establishing correspondence banking relationships, cash operations, procurement, logistics and service provision operations, etc.; continuous application of monitoring measures for transactions carried out within the framework of correspondent banking relationships maintained by NBM staff; the continuous use of a real-time payment screening system to ensure compliance with international restrictive measures, as well as the individual examination of certain high-risk payments; the continuous

exchange of information between the internal structures of the National Bank on the identified risks and management measures; the provision of expert opinions in the context of the NBM's activities related to the authorization of foreign transactions in accordance with the provisions of Law No. 62/2008 on foreign exchange regulation, approval of the purchasers of shares in the share capital of entities supervised by the NBM, approval of persons in management or key positions within banks, etc.

Likewise, in the context of undertaking the measures dedicated to the management of the risks of money laundering and terrorist financing within the NBM, the "AML Week" training session was organized between January 29, 2024 and February 02, 2024, through which the NBM staff was familiarized with the requirements and obligations established in the national legislation on the prevention and combating of money laundering and terrorist financing, the role of national institutions, including the NBM, in the national system for preventing and combating money laundering and terrorist financing, the importance and impact of the Republic of Moldova's alignment with the International Standards FATF, as well as the implementation of the MONEYVAL recommendations, etc. In the same context, in 2024, training was organized for the NBM employees on the topic "Precautionary measures in the field of prevention and combating money laundering and terrorist financing, within the framework of cash operations carried out by the NBM".

Also, during 2024, the internal reporting process on ML/TF risks continued, both to the members of the Executive Board and directly to the patron responsible for this field.

In parallel, recognizing the importance of continuous training in achieving compliance objectives in the field of combating ML/TF and restrictive measures (international sanctions), the NBM has invested in the professional development of staff with specific responsibilities, through their participation in training programs, including within technical assistance missions.

In its capacity as the 3rd line of defense and in accordance with the Regulation on the prevention and combating of money laundering and terrorist financing within the operations carried out by the NBM, the Internal Audit Department (IAD) performs an independent, regular assessment of the adequacy and compliance of the NBM's activity with the provisions of the aforementioned regulation and communicates the results in accordance with the internal regulations regarding the activity of the IAD.

During the last audit mission, the IAD found that key risks are identified by those responsible and managed effectively and that the process objectives are consistently achieved. At the same time, some opportunities for improvement were identified, formulated within the recommendations that referred to:

- strengthening the internal regulatory framework for the efficiency of cooperation and the exchange of domain information (verification of the customer and beneficial owner) between the NBM subdivisions, as well as for describing the controls applied to the use of SWIFT message flow monitoring and analysis services;

- training on the necessary precautionary measures to be applied by the NBM cashier staff;
- granting access to state registers to those responsible for organizing NBM procurement to make customer verification more efficient;
- application of additional controls related to accounts opened for NBM customers.

About 60% of the recommendations issued by the IAD within this audit mission were implemented.

Information Security Policy

The National Bank's Information Security Policy, approved by the Supervisory Board, sets the overall organizational context to ensure the achievement of information security and cybersecurity objectives in the NBM. It also sets out requirements to ensure the secure management of information within the NBM and minimize the impact that may arise as a result of security incidents.

The members of the Supervisory Board and the members of the Executive Board, as well as any employee of the National Bank are obliged to ensure the security of the information in their possession and to which they have access in whatever form. At the same time, the responsibilities in the process of ensuring information security are clearly established and divided, as regards information management, monitoring the use and dissemination of information, reporting information security incidents and how to investigate them.

In the same context, in order to ensure information security in the NBM, in accordance with the Information Security Policy, the Information Security Officer of the NBM is appointed.

Personal data management

The National Bank processes personal data in accordance with Law No. 133/2011 on personal data protection and the Personal Data Protection Policy of the National Bank of Moldova. The National Bank has effective policies, procedures and information systems in place to ensure the protection of personal data. In the National Bank is appointed the personal data protection officer who is responsible for informing and advising the NBM staff, the members of the Executive Board in the processing of personal data, monitoring compliance with regulations, carrying out awareness-raising and training of the staff involved in personal data processing operations, cooperation with the National Center for Personal Data Protection.

Public access to NBM normative acts, statistics and publications

Public access to the normative acts, statistics and publications of the National Bank ensures a high degree of transparency, while respecting the independence and confidentiality of certain aspects related to the fulfillment of the National Bank's duties. The publication of various data and analyses related to the duties of the National Bank, as well as the promotion of openness in

relations with target groups are of major importance in the Bank's external communication.

The National Bank pays great attention to the backward link in the communication scheme. Thus, by sending regular and frequent messages, the National Bank provides the necessary explanations on its activity and the functioning of the banking sector. The operation of the interactive database on the website of the National Bank ensures the public access to information, data and analysis and aims to provide accurate, timely, clear and transparent information for the formation of a public opinion on the decisions of the National Bank, as well as for the conduct of various studies and research.

Transparency and access to information of public interest

During 2024, the National Bank of Moldova received a total number of 294 requests for access to information from various applicants, including individuals, legal entities, media representatives and other interested entities. All these requests were analyzed and resolved in accordance with the legal provisions in force, ensuring transparency and respect for the right of access to information of public interest.

Of the requests submitted, in the case of 26 of them, the NBM was unable to provide the requested information, as it was subject to specific legal restrictions. More exactly, a part of the requested information was classified as professional secret according to the provisions of Article 36 of the Law on the National Bank of Moldova. This article stipulates that certain data and information obtained by the NBM in the exercise of its functions cannot be disclosed, being of a confidential nature, which ensures the protection of sensitive data related to the activity of the institution and supervised entities.

The NBM remains committed to ensuring a high level of transparency and access to information of public interest, responding to all requests within legal limits.

The NBM remains committed to respecting both the principles of transparency and the obligations of data protection and confidentiality in accordance with the applicable legal framework.

9.2 Development prospects

The development prospects of the NBM are largely correlated with the implementation of the strategic and cross-cutting objectives set in the new Strategic Plan of the National Bank of Moldova "NBM 2025", approved in early 2023.

Among the key priorities of the NBM for 2025, taking into account the strategic objectives of the institution, the following are highlighted:

- ✓ Continuation of activities within the project on the preparation of the Republic of Moldova's accession to the European Union in the areas of competence of the NBM, in particular the continued participation of the NBM in the legislative screening process, negotiation for accession, as well as the continued alignment of the regulatory framework in the financial-banking and non-banking fields with the EU practices;
- ✓ Providing technical and regulatory support to payment service providers from the Republic of Moldova in order to ensure a seamless connection to the infrastructures of the Single Euro Payments Area (SEPA), following the acceptance of the Republic of Moldova's application for accession to this area;
- ✓ Continuation of expansion of the infrastructure for accepting MIA payments in the private sector and government services. Popularization of QR code payments among the population;
- ✓ Launching of the Open Banking project and implementation of related basic functionalities;
- ✓ Continuation of the activities related to the liberalization of foreign exchange capital operations; Finalization and promotion for approval of the draft Law No. 62/2008 on foreign exchange regulation;
- ✓ Development and calibration of macroprudential instruments in the financial system;
- ✓ Strengthening the supervisory function of the non-banking financial sector;
- ✓ Initiation of the development of the National Strategy for Financial Inclusion, with the support of the World Bank and the responsible national authorities;
- ✓ Increasing the awareness and strengthening institutional capacities regarding sustainable financing in the Republic of Moldova, according to the activities approved in the Roadmap. Development and adoption of taxonomy for sustainable finance;
- ✓ Strengthening the financial intermediation, focusing efforts on supporting small and medium-sized enterprises and households, conducting relevant analyses and research in this regard;

- ✓ Implementation of recommendations submitted by the IMF on increasing the degree of alignment of the NBM with the principles of transparency of central banks;
- ✓ Further development of activities and events related to the consolidation of financial education among civil society;
- ✓ Initiation of activities for strengthening the surveillance capacities through the integration of advanced technologies – SupTech;
- ✓ Initiation of activities regarding the implementation of a centralized data management system of the Data Warehouse/Big Data/Data Lake type;
- ✓ Initiation of the public procurement procedure for the purchase of a new banking operations (CBS) and corporate resource management (ERP) information system;
- ✓ Continuation of the digitalization of the NBM's business processes related to core business areas, as well as support and internal governance areas;
- ✓ Strengthening the governance and security of information and communications technology, focusing on cybersecurity;
- ✓ Strengthening the governance, organizational culture and a motivating and inspiring work environment, focused on human capital;
- ✓ Developing and capitalizing human capital.

The evolution of the NBM's ongoing major projects is reflected in the annex A.22 "Evolution of major projects of the NBM during 2024".

9.3 The strategic plan of the National Bank of Moldova

During 2024, the National Bank of Moldova continued the implementation of the 7 strategic objectives, including 49 operational/ complementary/ transversal objectives established within the Strategic Plan of NBM "NBM 2025". The Strategic Plan "NBM 2025" is made up of fundamental elements that refer to the mission, vision, values, core areas of activity, strategic objectives and cross-cutting objectives.

Mission of the National Bank of Moldova

The fundamental objective of the National Bank is to ensure and maintain price stability. Without prejudice to its fundamental objective, the National Bank aims to ensure the stability and viability of the banking system and to support the general economic policy of the State.

Vision of the National Bank of Moldova

The National Bank of Moldova is an independent, performing and transparent institution, resilient to the challenges of the external

environment, proactive in its actions and credible in its decisions, guided by good governance practices, with a strengthened team of professionals, committed to fulfilling its mandate for the benefit of all citizens.

Values of the National Bank of Moldova

Independence – autonomy in exercising the duties established by law, impartiality and objectivity, without any interference from other authorities or persons.

Responsibility – an ongoing concern for the economic, social and environmental impacts of the work carried out and decisions taken.

Flexibility – openness to change, innovativeness and agility.

Team spirit – unity and consistency in values and actions, commitment, care, support and mutual respect.

Credibility – policies, reforms, communication and attitudes that inspire trust and confidence in the public and markets by applying the principles of transparency.

Professionalism – competence, efficiency, ethics, integrity, decision assumption, continuous improvement.

Resilience – human resources, internal procedures and information technologies resilient to external shocks, which maintain the security and diligence in the functioning of the institution.

Core business areas

The core business areas constitute the pillars of the NBM's strategy for the period between 2023 and 2025 and relate to: monetary policy, financial stability, banking and non-banking financial sector supervision, financial market infrastructures and national currency cash. Each area listed is assigned a strategic objective.

Strategic objectives

The Strategic Plan of the National Bank of Moldova "NBM 2025" contains 7 (seven) strategic objectives, of which 5 (five) objectives derive from the core business areas (numbers 1-5 in the list below) and 2 (two) relate to the support and governance business areas (numbers 6 and 7 in the list below), as follows:

- 1.** Strengthening the monetary policy framework and optimizing monetary policy implementation;
- 2.** Strengthening the financial stability function and macro-prudential supervision;
- 3.** Strengthening the supervisory function at the financial-banking and non-banking sector level;
- 4.** Ongoing development of financial market infrastructures and contribution to increasing cashless payments;
- 5.** Enhancing the quality of national currency and strengthening the national currency cash insurance function;
- 6.** Strengthening institutional resilience and agility;
- 7.** Developing and capitalizing human capital.

Cross-cutting objectives

In order to align the new strategy of the NBM with international development practices, i.e. the new global trends towards a safer and more sustainable environment, the Strategic Plan "NBM 2025" integrates the current drivers of the global economy, such as climate change, innovation and digitalization, financial inclusion and research. Thus, five (5) cross-cutting objectives have been included in the Strategic Plan, which will be considered, implemented and monitored in the process of realizing the strategic objectives set in the new Strategic Plan, as applicable. The cross-cutting objectives relate to:

- 1.** Alignment with EU standards and international cooperation;
- 2.** Research, innovation and digitalization;
- 3.** Financial education and inclusion;
- 4.** Social and environmental responsibility;
- 5.** Diversity, equity and organizational inclusion.

During 2024, achievements have been recorded towards the implementation of the strategic objectives, some of the most important of which are included in the table below. Also, in the annex A.22 "Evolution of major projects of the NBM during 2024" the most important achievements related to major projects of the NBM, which derive from the strategic objectives, are found.

Table 9.1: Major achievements recorded during 2024

Strategic objective	Major achievements recorded during 2024
1. Strengthening the monetary policy framework and optimizing the implementation of monetary policy	<ul style="list-style-type: none"> ✓ Maintaining the annual inflation rate, during 2024, within the target range, without the impact of regulated price dynamics. ✓ Benefiting from technical assistance from the IMF in order to identify the opportunities for liberalization of foreign exchange and capital operations in the Republic of Moldova in the context of alignment with the Community acquis. ✓ Elaboration and submission to the Ministry of Finance for promotion of the draft law to amend Law No. 62/2008 on Foreign Exchange Regulation. ✓ Automating the reception of new SWIFT MX messages as part of the project to transition to the new ISO 20022 Universal Financial Industry Message Schema standards. ✓ Adoption of the decision on the use of the euro as the reference currency for establishing the official exchange rate of the Moldovan leu, starting from January 2025.
2. Strengthening the financial stability function and macroprudential supervision	<ul style="list-style-type: none"> ✓ Elaboration and submission to the Ministry of Finance for promotion of the draft Law No. 232/2016 on Bank Recovery and Resolution, adopted by the Parliament on December 26, 2024. ✓ Further development of the activities regarding the development of the draft law on the forced liquidation of banks within the framework of the technical assistance provided by the IMF. ✓ Approval of the NBM's internal regulatory framework regarding assessments for resolution purposes. ✓ Implementation of the stress testing model for macroprudential purposes.
3. Strengthening the supervisory function at the level of the banking and non-banking financial sector	<ul style="list-style-type: none"> ✓ Final acceptance and closure of the project on "<i>Implementation of the IT solution to optimize the process of monitoring shareholder transparency and remote analysis in the field of preventing and combating money laundering and terrorist financing</i>", with the support of USAID. ✓ Approval of the technical assistance project provided by the European Bank for Reconstruction and Development, for the period between 2024 and 2026, regarding the alignment of the regulatory framework and supervisory practices with EU prudential standards for the banking sector, for the purpose of assessing the equivalence of the prudential framework applicable to banks and including the Republic of Moldova in the list of third countries that apply supervisory and regulatory requirements at least equivalent to those applied in the EU. ✓ Approval of normative acts in the context of preventing and combating money laundering and terrorist financing: <ul style="list-style-type: none"> - <i>NBM regulations establishing requirements for preventing and combating money laundering and terrorist financing in: the activity of banks; non-bank payment service providers; the activity of foreign exchange units; non-bank financial institutions;</i> - <i>Regulation on requirements for the identification and verification of customer identity by electronic means (e-KYC).</i>

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Strategic objective	Major achievements recorded during 2024
4. Ongoing development of financial market infrastructures and contribution to increasing cashless payments	<ul style="list-style-type: none"> ✓ Finalization of the technical assistance mission from Cambridge SupTech Lab, funded by USAID, within the SupTech project – <i>strengthening institutional capacities in the field of surveillance through technology and innovation</i>, with the Diagnostic Report of the field of Surveillance for the development of the SupTech Strategy. ✓ Transition to a new version of the licensing, authorization and notification (CRM) information system. Digitalization of the CRM process for receiving regulatory documents from insurers. ✓ Approval of Instruction No. 15/2024 on reporting of non-bank lending organizations. ✓ Further promotion of primary and secondary legislation projects relevant to aligning the domestic legal framework with the European one related to the insurance field (Directive 2009/138/EC (Solvency II)) and the field of compulsory third party car liability insurance (Directive 2009/103/EC (MTPL)). ✓ Partial liberalization of MTPL premiums by approving new reference premiums for mandatory domestic and foreign MTPL insurance. ✓ Approval of the internal regulatory framework of the NBM regarding the risk assessment of insurance/ reinsurance companies. <hr/> <ul style="list-style-type: none"> ✓ Finalization of the project of implementation of instant payments in the Republic of Moldova. Launching the MIA Instant Payments system and the possibility of making 24/7/365 regime payments based on an alias (phone number), an RTP (payment request) or by scanning the QR code. ✓ Signing the application and submitting the Single Euro Payments Area (SEPA) accession file. Cooperation with relevant authorities for adjusting the regulatory framework and identifying the optimal interconnection scenarios to the SEPA payment infrastructure. ✓ Strengthening the normative framework for the activity of payment service providers, on aspects of: <i>licensing; authorization; reporting; credit transfer and direct debit; strict customer authentication; operational and security risks; operational and security risks; outsourcing of functions; notification of exempted activities; petitions/ opinions under Law No. 114/2012; monitoring of financial market infrastructure and participants thereof, etc.</i> ✓ Approval of the Regulation on the notification of the exempt activities under Law No. 114/2012 on payment services and electronic money, in accordance with the provisions of the European Banking Authority (EBA) Guidelines.
5. Enhancing the quality of the national currency and strengthening the national cash insurance function	<ul style="list-style-type: none"> ✓ Obtaining a positive opinion from the Public Property Agency regarding the transmission and permission for development of the land by the NBM for the construction of the Cash Processing Center. Acquisition of cadastral works for land formation and collaboration with the Institute for Territorial Planning Design for the organization of the territory in this regard. ✓ Launching the sale of jubilee and commemorative banknotes and coins to the general public and digitalization of the related process.

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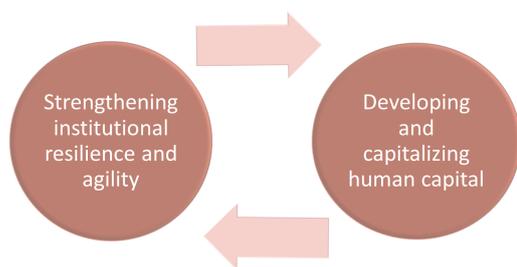
Strategic objective	Major achievements recorded during 2024
6. Strengthening institutional resilience and agility	<ul style="list-style-type: none"> ✓ Increasing the independence of the NBM by adopting in Parliament amendments to the NBM Law No. 548/1995, which provides for the consolidation of the NBM's activity framework and institutional governance. ✓ Carrying out the NBM transparency assessment exercise, in accordance with the IMF Central Bank Transparency Code. Receiving from the IMF the draft Transparency Assessment Report. ✓ Approval of the Market Consultation Report in order to initiate the procurement procedure for a new banking operations information system (CBS), corporate resource management (ERP). Approval of changes to the Project Concept. Approval of the procurement initiation note. ✓ Increasing the operational resilience of ICT services by modernizing the NBM Data Center Backup. ✓ Strengthening the cybersecurity and resilience of the NBM data network by reorganizing the NBM network architecture through ZTNA (Zero Trust Network Access) within the project on the implementation of the IT solution to ensure the security of the NBM local network and interaction with the Internet. ✓ Modernization of the infrastructure related to critical services and modernization of the performance and maintainability capabilities of the server infrastructure. ✓ Strengthening interdepartmental communication and cooperation by organizing: internal training; induction and professional orientation sessions; social responsibility initiatives, etc. ✓ Development and promotion of the NBM's image as an employer through the participation in external events dedicated to staff recruitment, as well as the organization of internal initiative: "Career Week at the NBM".
7. Developing and capitalizing human capital	<ul style="list-style-type: none"> ✓ Further development of activities within the NBM project LearnOrgLab – <i>Institutional transformation into a learning-oriented organization</i>, including: <ul style="list-style-type: none"> - Developing the Organizational Culture Strategy; - Realizarea unui program de coaching individual; - Conducting thematic workshops: decision-making management, critical thinking, organizational culture, regulatory policy development, strategic thinking, change management, etc.; - Conducting thematic microlearning weeks in different fields; - Finalization of the training of trainers (ToT) program for the first group of employees. ✓ Organizing, in collaboration with the Center of Excellence in Finance, the forum on the topic "Strengthening skills governance for talents retention", by considering the NBM presidency of the CEF board of directors for 2024. ✓ Carrying out the internal training sessions and participating in external training, on various topics, in order to consolidate knowledge and continuous professional development among employees.

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Strategic objective	Major achievements recorded during 2024
<p>Cross-cutting objectives:</p> <p>1. Alignment with the European Union standards and international cooperation</p> <p>2. Research, innovation and digitalization</p> <p>3. Financial education and inclusion;</p> <p>4. Social and environmental responsibility;</p> <p>5. Diversity, equity and organizational inclusion.</p>	<ul style="list-style-type: none"> ✓ Implementation of the project "Preparing the Republic of Moldova for accession to the European Union in the areas under the competence of the NBM": <ul style="list-style-type: none"> - <i>Approval of the project Management plan and Action plan;</i> - <i>Including the NBM in the main national structures coordinating the EU accession process (Negotiation Team, Interinstitutional Coordination Council, National Commission for European Integration, committees, groups);</i> - <i>Participation in the national self-assessment process of the compliance of national legislation with the EU acquis (self-screening);</i> - <i>Participation in explanatory screening meetings;</i> - <i>Participation in bilateral screening meetings for: Chapter 32 "Financial control", Economic criterion, Chapter 18 "Statistics", Chapter 4 "Free movement of capital";</i> - <i>Carrying out preparatory activities for participation in bilateral screening meetings for Chapter 9 "Financial services" and Chapter 17 "Economic and monetary policy".</i> ✓ Finalization of the Twinning project "Strengthening supervision, corporate governance and risk management in the financial sector". ✓ Implementation of the appropriate activities by the NBM and, subsequently, the adoption by the Parliament of Law No. 280/2024 on the increase in the amount of subscription of the Republic of Moldova in the International Monetary Fund. ✓ Organizing by the National Bank in cooperation with the Ministry of Finance of the Constituency Meeting of the International Monetary Fund and the World Bank Group. ✓ Obtaining by the NBM the status of member of the International Association of Insurance Supervisors (IAIS). ✓ Signing of the Collaboration Agreement with the International Finance Corporation (World Bank Group) on the development of digital financial services for the period between 2024 and 2027. ✓ Signing of the Memorandum of Understanding between the Banque de France and the National Bank of Moldova. ✓ Holding of the regional conference organized by the National Bank of Moldova, the International Monetary Fund and the Center of Excellence in Finance, during which the challenges related to governance, risk management and communication, faced by central banks in the current context were discussed. ✓ Launching of the new version of the RCA.BNM.MD portal. Implementation of digital tools within it: <ul style="list-style-type: none"> - <i>domestic MTPL and "Green Card" Insurance policy calculator;</i> - <i>Checking the status of the MTPL insurance policy, the Bonus-Malus class and the vehicle's damage history;</i> - <i>The digitalization of the "Green Card" insurance certificate and the Certificate regarding the recorded damages or lack of such damages.</i>

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Strategic objective	Major achievements recorded during 2024
	<ul style="list-style-type: none"> ✓ Implementation of a new format for the domestic MTPL insurance policy. ✓ Development of the ICT incident reporting system by banks, as reporting entities. ✓ Further strengthening and expanding the capabilities of the intelligent assistant based on Artificial Intelligence methodologies, initially implemented based on Microsoft Azure OpenAI. Integration of an advanced vector database and an efficient knowledge filter. ✓ Development of the personal data access management system in State Registers (dcp.bnm.md). ✓ Development and implementation of the ICT surveillance HUB – the NBM platform for managing the requests for information and data for ICT surveillance. ✓ Starting the process of developing the National Strategy for Financial Inclusion, with the support of the World Bank. <i>Creation of the internal working group at the NBM level, as well as at the inter-institutional level. Signing of the Memorandum of Understanding on the development, implementation and monitoring of the National Strategy for Financial Inclusion. Conducting the World Bank technical assistance mission to assess the current situation.</i> ✓ Establishment of the NBM working group to develop analyses, proposals and recommendations in the field of financing small and medium-sized enterprises and households. Carrying out a survey among the entities supervised by the NBM (banks, NLO). ✓ Recognition of the NBM's excellence for the campaign: "Financial Education for All", by obtaining the "Silver" award at the XXII edition of the Romanian PR Award. ✓ Carrying out the 3rd edition of the "School of Modern Finance" program, in collaboration with the National Bank of Romania and the Academy of Economic Studies of Bucharest, for master's and students in economics from the Academy of Economic Studies of Moldova. ✓ The further development of financial education activities aimed at civil society. ✓ The further development of activities in the context of the finalization of the National Financial Education Program, developed with the support of USAID. ✓ Participation, for the first time, in the 20th edition of the event "European Night of Museums in the Republic of Moldova" ✓ Signing of the Memorandum of Understanding with the Government and the National Commission for Financial Market on the development of the sustainable and environmentally responsible finance framework. ✓ Approval of the Roadmap for Sustainable Financing of the Republic of Moldova. ✓ The participation of the NBM for the first time in the global meeting of the international Sustainable Finance Network – Sustainable Banking and Finance Network (SBFN). ✓ Strengthening the civic spirit of NBM employees, by organizing internal initiatives, as well as supporting and participating in external initiatives of social and environmental responsibility, including: National blood donation campaign, Greening the Plain, organizing various charity actions, etc. ✓ Implementation on the NBM website of the mechanism for adapting the contents of the external web page to facilitate access for people with disabilities. ✓ Adapting the contents of the Personnel Policy displayed on the NBM website, related to diversity, equity and inclusion, thus increasing the attractiveness of the NBM as an employer.



9.4 Management and organization

According to the Strategic Plan of the National Bank of Moldova "NBM 2025", two of the set strategic objectives are partially or fully related to the human resources domain:

Strengthening institutional resilience and agility and Developing and capitalizing human capital. Strengthening institutional resilience and agility encompasses operational objectives such as: strengthening institutional capacity, including in the context of taking over the supervision of the non-banking financial sector, strengthening governance and organizational culture, developing and promoting the NBM's image as an employer.

Developing and capitalizing human capital encompasses operational objectives such as: developing the integrated human resources management system, creating a motivating and inspiring work environment, continuous professional development, developing the internal training center and knowledge transfer capabilities, developing leadership and management competencies.

In order to achieve the strategic objectives, the key priorities in human resources management and development in 2024 have been focused in particular on these areas, and the measures undertaken are detailed below.

Organizational developments

In 2024, there were changes in the organizational structure of the National Bank of Moldova aimed to contribute to the achievement of the Bank's strategic objectives and its core duties, as well as to increase its efficiency by allocating the necessary resources to the developing directions, adjusting the positions' duties, as well as optimizing the hierarchical levels. In particular, changes were made in the field of regulation and supervision, to consolidate the activity of the subdivisions that carry out these duties in the non-banking financial sector. Another important factor that conditioned some adjustments in the organizational structure of the NBM is the development of the European integration process, where the National Bank had the role of the coordinating institution (along with the Ministry of Finance) for Working Groups No. 4 "Free movement of capital", No. 9 "Financial services" and No. 17 "Economic and monetary policy".

At the same time, new subdivisions were created based on the completion of Law No. 548/1995 on the National Bank of Moldova with Article 241, which regulated the establishment of the Governor's Cabinet and Control Body, in order to strengthen the support structure for the Governor's activity.

In overall terms, these changes aimed to ensuring the NBM's ability to adapt to changes in the external environment, respectively, to strengthen the institutional resilience and agility.

At the same time, several executive functions have been adapted to the current needs of the subdivisions, with no impact on the total number of staff units.

It is worth noting that all changes to the NBM staff structure are approved by the NBM Executive Board.

Thus, at the end of 2024, the number of units of functions of the NBM was 710 units, the number of active employees was 568 people.

The changes made during 2024 did not influence the control area indicator, which remained the same compared to 2023 at 5.6 executors per one manager. Also, the balance was maintained between job units from job families in the core activity of the NBM and the job units in the governance and support job families, which denotes that the organizational structure of the NBM has developed proportionally in both directions.

Human resource management

The dynamics of human resources processes, the analysis of the various factors influencing these processes, the effects of the measures taken and the personnel policy applied are reported on a regular basis to the governor and, upon request, to other members of the Executive Board, and annually to the Executive Board of the National Bank with details on segments such as: the evolution of the organizational structure, the analysis of the structure and dynamics of the actual staff of the NBM, the evolution of the salary system in the NBM, as well as of the reference market, performance evaluation, professional development of employees, the volume and result of the recruitment and hiring process of the staff, etc.

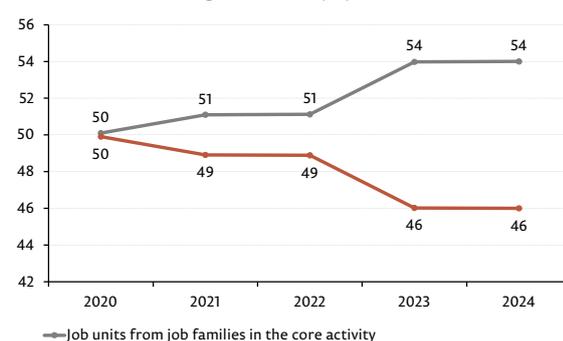
Human resources management within the NBM represents the strategic approach to efficient personnel management, which includes the set of organizational processes regarding hiring, transfers and promotions, and termination of employment contracts.

In 2024, compared to 2023, we observe the maintenance of a high hiring pace in the context of continuing efforts to strengthen institutional capacity as a result of the expansion of the area of supervision, regulation and licensing of the financial sector, as well as in the context of the European integration process.

A slowdown was observed in internal mobility related to internal promotions. It should be noted that at the National Bank, vacant positions are filled through competition, thus the NBM employees can participate in the launched competitions and, if they are designated winners, they are promoted. Statistics show a return in 2024 to the usual pace recorded in 2021 and 2022, with increased activity being attested in 2023, which later moderated.

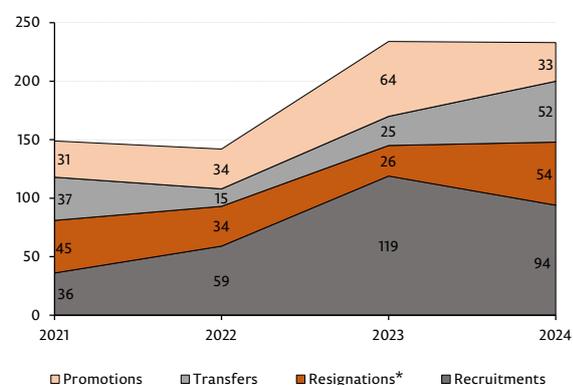
The number of transfers increased compared to 2023, due to the reorganization process carried out during 2024 in order to optimize the operational activity of the National Bank.

Chart 9.4: Evolving structure (%)



Source: NBM

Chart 9.5: Human resources management processes (number of people)



Source: NBM

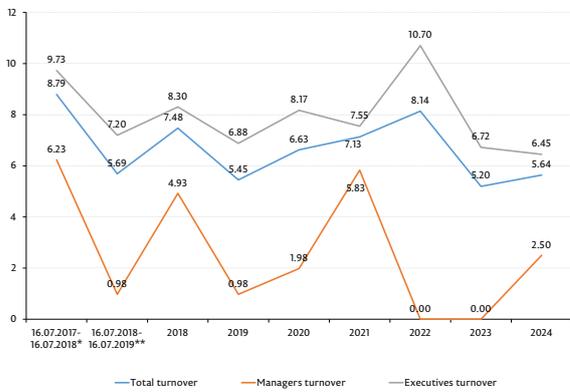
* The terminated employment contracts include retirement cases (15), as well as those related to technical staff (13)

The increasing number of terminated employment contracts was largely caused by an increased fluctuation in technical-level positions within support activities with a share of about 24% (13 people) of the total number of registered positions, as well as by the termination of employment contracts with the retired employees with age-retirement status with individual fixed-term employment contracts after the expiration of their term, with a share of about 27% (15 people) of the total number of terminated employment contracts.

Personnel processes within the NBM, in particular, the permanent organization of internal and external competitions for filling the vacant positions, offer employees the opportunity for professional growth, changing jobs according to interest, respecting the principles of equity, transparency and fairness in the internal mobility process. Thus, the development and maintenance of reliable human resources management processes, as well as the consolidation of an integrated human resources management system, aim at the institutional level at ensuring a sufficient number of personnel that meets the requirements and needs of the NBM's activities.

Fluctuation rate

Chart 9.6: Voluntary turnover of the NBM staff (%)



Source: NBM
 *Year of implementation of the new payroll system
 **Year after the implementation of the new payroll system

In 2024, the voluntary staff turnover of the NBM was 5.64%, slightly increasing compared to 2023, when it registered a level of 5.20%. Correlating the minor increase in voluntary turnover with the double increase in the number of terminated employment contracts, the disproportionality can be explained by the fact that the calculation of voluntary turnover does not include cases of termination of employment relationships that are not at the initiative of the employee, but also because the average number of employees increased from 486 in 2023 to 534 in 2024. Analyzing the voluntary turnover by hierarchical levels, for managerial positions in 2024, it equaled to 2.5%, remaining at a low level, which has a positive effect on the continuity of the NBM's activity, by retaining high-level expertise. For executive positions, voluntary turnover reached a rate of 6.45%, which is lower than in 2023, when it recorded 6.72%. It should be noted that the voluntary turnover includes only people who resigned on their own initiative, excluding from the calculation people employed on fixed-term contracts with pensioner status and those who left for other reasons (retirement, termination of employment contract, downsizing, etc.), additionally, the dismissals of the NBM employees whose employment contracts were suspended in the year prior to the year in which they actually resigned were excluded.

It should be noted that the voluntary turnover of NBM staff is maintained at a low level compared to that recorded at the financial sector level, as well as the market of reference specialized services, as a result of the continuous effort to ensure a competitive level of remuneration, as well as to create a favorable work environment, professional development, as well as an organizational culture that develops a strong sense of institutional belonging and awareness of the personal impact on the results of the NBM's activity and on the society in general.

Payroll system

The payroll system used within the NBM for the remuneration of employees was implemented in 2018 as part of the project for the implementation of an integrated human resources management system, carried out with the assistance of the consulting company with international experience, including in the field of central banks and international financial organizations Korn Ferry (Hay Group). The payroll system for NBM employees provides for the establishment of a direct relationship between job value and pay level, as well as ensuring internal equity and external competitiveness of pay, which entails the following benefits: alignment of the salary with the reference market; internal equity (positions with the same value have the same salary level); external competitiveness (positions with the same value have the same salary level with the reference market); attractive employer (increasing the attractiveness of the NBM as an employer in the labor market); clear rules (the system provides clear rules for promotion in salary steps); improvement of the working environment.

In 2022, in order to ensure the competitiveness of the NBM as an employer, in collaboration with the consultant Korn Ferry, the wage system was adjusted to the reference market, a necessity imposed by the major consequences on the labor market of the COVID-19 pandemic, the overlapping crises, labor migration, etc.

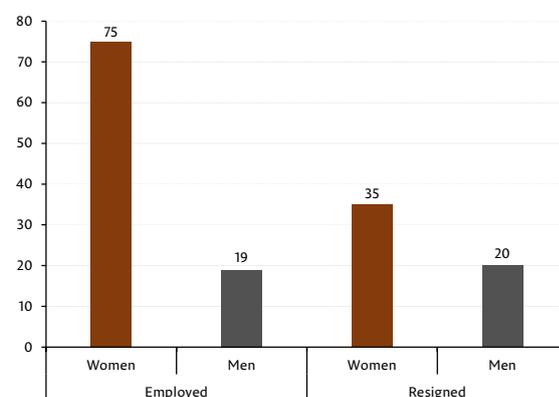
In 2024, based on the request of the Supervisory Board, the practices of central banks of the European Union were analyzed, in particular the Central Bank of the Netherlands, the Deutsche Bundesbank, the National Bank of Romania, the European Central Bank, etc., regarding the indicator used for the annual adjustment of the salary system and the opportunity to flatten the salary curve. The conclusions served as a basis for maintaining the current annual adjustment instrument of the salary system, as well as for taking measures to flatten the salary curve in order to reduce the difference between managerial and executive levels.

The reference level of the position and the salary level, both established according to the value of the position, the positions family to which each position belongs – elements of the staff structure of the National Bank, are approved annually by the Executive Board of the NBM.

Equity and inclusion

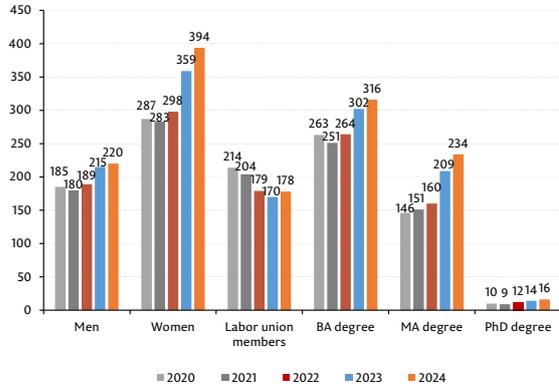
Equity and inclusion are a priority in the staff policy of the NBM. Ensuring the principles of equity and inclusion is an important aspect of the Republic of Moldova's path towards European integration and of the objectives of strengthening the institutional capacity of the NBM. These principles constitute one of the transversal strategic objectives of the NBM, being respected both in the recruitment process and throughout the entire activity within the NBM. In 2024, the NBM has certified 12 people, employees with disabilities. The respective employees work under legal conditions, without violating their rights, ensuring equity with other employees.

Chart 9.7: Number of people employed and resigned in 2024 classified by gender



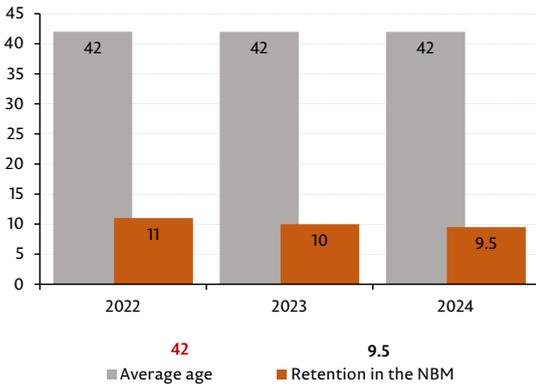
Source: NBM

Chart 9.8: General information on NBM employees (number of people)



Source: NBM

Chart 9.9: Average age and retention in the NBM (years)



Source: NBM

At the same time, it is worth mentioning that in the competitions for filling the vacant positions at the National Bank, each candidate is treated equally, without discrimination of any kind, direct or indirect, on the basis of sex, age, race, skin color, ethnicity, religion, political opinion, social origin, domicile, disability, HIV/AIDS infection, union membership or activity, as well as on other criteria unrelated to his/ her professional qualities. This is provided for in the internal regulatory framework in the field of human resources, as well as in the Code of Ethics and Professional Conduct, and is monitored in its implementation by the Executive Board.

After the analysis of the situation regarding the employment of personnel, an increased employment rate of women compared to men should be noted, that is explained exclusively by the fact that the share of women who applied for the vacant positions published by the National Bank was higher, the criteria that are used to select employees in the competitions are the criteria of meritocracy and honesty the criteria followed in the selection of employees in the competitions being those of meritocracy and integrity.

There is an increase in the share of employees with master’s degrees and the number of employees with doctoral degrees within the National Bank of Moldova, which has a positive impact on the skills and performance of employees.

The average age of the bank’s team as of December 31, 2024 was 41 years 9 months. Almost two-thirds are women (64%) and more than a third (36%) are men. It should also be noted that women are represented at a rate of 50% in front-line management positions and 53% of all managerial positions.

The retention of the NBM employees has been decreasing from 10 years in 2023 to 9.5 years in 2024, as a result of maintaining a high recruitment rate in 2024, as well as as a result of the increase in the organizational structure of the National Bank in the context of institutional adjustment processes. Thus, taking into account that in 2023 the share of employees with up to one year of experience within the NBM was about 20% and about 15% in 2024, as well as that the employment/ termination ratio is significantly higher in favor of employment, the cumulative effect of these factors leads to a decrease in the retention indicator.

The NBM employees belong to various active generations, which ensures the continuity of knowledge management accumulated at the institutional level, as well as the creation of optimal conditions for the purpose of aligning with new trends in the financial and banking sector, as well as for innovations.

Professional training

Professional development

During 2024, in order to ensure the development of professional skills and increase the human capital of the NBM, about 89.7% of the actual employees benefited from various forms of training. The training events were selected according to individual professional

development needs, by ensuring internal knowledge transfer and starting from training programs provided by external development partners and specialized organizations and from online training resources on e-learning platforms.

Knowledge transfer internally was carried out through the organization of seminars and presentations by the NBM experts, mainly aligned with the objectives of the NBM. The sessions were organized at an in-person event format, as well as online, with access for all NBM staff. At the same time knowledge-building sessions were organized at the departmental level. Internal trainings facilitated the transfer of knowledge from specialized subdivisions to employees in other subdivisions on various areas of the Bank’s activities (Charts 9.11 și 9.12).

At the same time, during 2024, NBM employees participated in external training in various fields, organized and conducted by the bank’s external development partners and specialized organizations, as well as capitalized on online training resources on e-learning platforms, as presented in the chart 9.13.

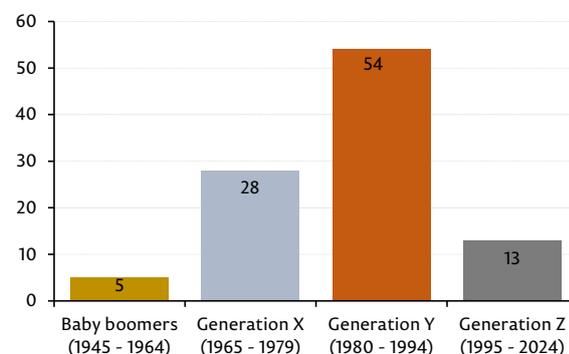
In the context of accession to the European Union, an increased emphasis in employee participation in training was placed on the field of external cooperation and European integration.

At the same time, the NBM employees benefit from the continuous professional training, both in banking and insurance, on the FSI Connect platform of the Bank for International Settlements, with 24 licenses being allocated. We also have 10 licenses on the Intuition platform of the World Bank program – RAMP, which ensures continuous professional training of employees in the fields of finance and banking, fintech, capital markets, investment management, regulation and compliance, and other areas relevant to the banking sector.

At the same time, in 2024, the NBM continued the implementation of the Project "NBM LearnOrgLab" – Institutional transformation into a learning-oriented organization, in cooperation with the Center of Excellence in Finance in Ljubljana, Slovenia, with the financial support of the Ministry of Finance of the Netherlands, the Ministry of Foreign and European Affairs of the Republic of Slovenia and the Ministry of Finance of the Republic of Slovenia. Under the project, 14 learning initiatives were carried out, including 7 thematic workshops, 1 webinar, 3 learning products, 1 study visit, 1 forum, 1 regional conference, and individual coaching sessions were also continued to strengthen and develop managerial and interdepartmental cooperation skills. The implemented learning products were presented in a microlearning format dedicated to the field of combating money laundering and terrorist financing, the field of payment systems and the development of organizational culture.

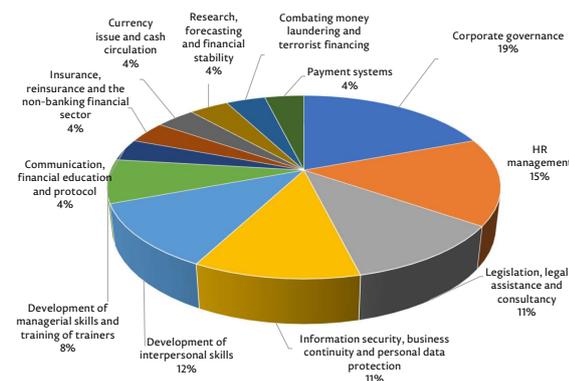
The project activities covered topics in the areas of: managing and facilitating the learning process; developing and promoting organizational culture conducive to learning; developing trainer skills; managing change and decision-making, developing collaboration and negotiation skills, and policy writing techniques. The events were conducted in both physical and online presence, each offering a learning product that the NBM will further utilize. Thus, as a result of the activities planned for 2024, about 300 NBM staff members were trained in the direction of learning

Chart 9.10: Classification of the NBM employees by generation categories (%)



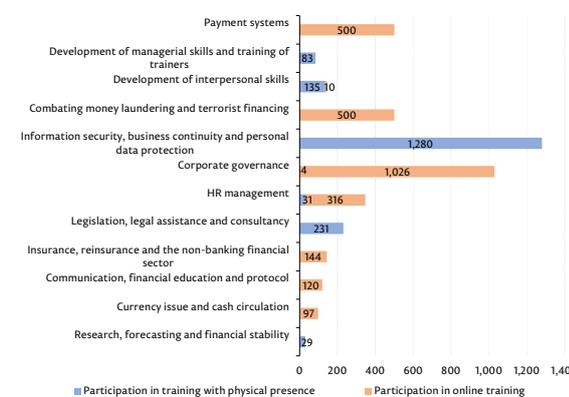
Source: NBM

Chart 9.11: Structure of staff professional development through internal training, by areas (%)



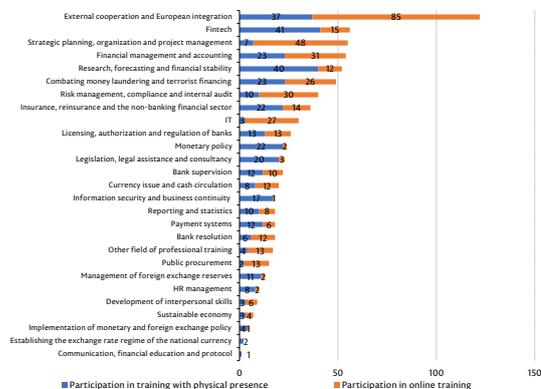
Source: NBM

Chart 9.12: Participation of the NBM employees in internal trainings, by areas (number of people)



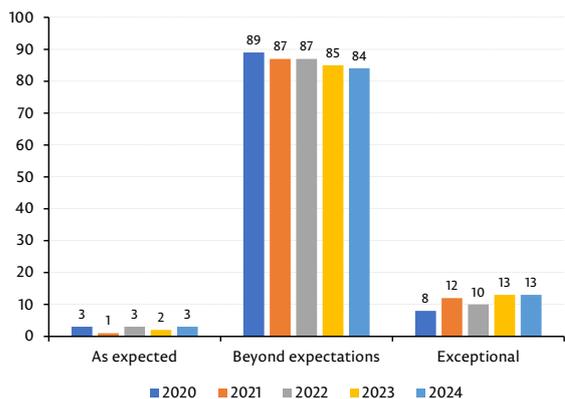
Source: NBM

Chart 9.13: Participation of the NBM employees in trainings provided by external providers, by areas (number of people)



Source: NBM

Chart 9.14: Evolution of the performance level of NBM employees (%)



Source: NBM

capacity development and knowledge transfer, about 70 managers participated in workshops in the areas of organizational culture development, change management and decision-making, and the development of critical and strategic thinking. At the same time, within the programme, 20 NBM staff members were trained in the field of training of trainers, in order to create the NBM’s internal trainers’ base, one of the learning products presented by them being the thematic micro-learning weeks. Also, this group of trainers will contribute in the coming years to the training of future trainers.

In 2024, the functionality of the NBM e-learning platform was expanded, by including recordings and thematic courses for new employees, and by initiating the development of courses in interactive format. The learning resources generated by the project "NBM LearnOrgLab" complement the platform.

Performance management

The performance management system is a tool applied by the National Bank of Moldova since 2016 in order to increase the efficiency of employees’ activity. Thus, following the evaluation of the results of the employees’ activity for the year 2024, a stable evolution of the performance was observed compared to the previous periods (Chart 9.14).

Work environment and organizational culture

To fortify organizational culture and efforts to strengthen it, continued throughout 2024. As a result of the workshops to define the desired organizational culture, the Organizational Culture Development Strategy was developed, which included ten guidelines for the development of organizational culture. To facilitate the implementation of the guidelines, various initiatives have been undertaken. Within the framework of the project "NBM LearnOrgLab" – Institutional transformation into a learning organization, workshops were organized on the development of critical and strategic thinking, change management and decision-making, and the development of collaboration and negotiation skills.

At the same time, as a result of the positive experience gained during 2022-2023, the practice of implementing remote working for the NBM employees for one day a week was continued in 2024, whose duties can be performed without physical presence at the NBM premises by using information and communication technology means. This tool is intended to be used both to ensure the continuity of the NBM’s activity in a situation of increased risk and as a benefit offered by the employer for a more flexible, modern and dynamic working environment, adapted to the new developments in the labor market. In the same vein, in 2024, the flexible work schedule was implemented as another tool to ensure a modern environment, aligned with new labor market trends.

In addition, activities and events were organized throughout the year to help strengthen the organizational culture and maintain a sense of institutional belonging.

In this context, events were held during which the annual report, the report on the development of the organizational culture were presented, as well as the Ia Day at the NBM, the Friendship Day, the Love of Reading Day, etc. were organized.

In addition, to promote a balance between personal and professional life, the second edition of the initiative for "A Day with the Parent at the Office" was organized, where employees' children had the opportunity to see their parents' workplace and participate in age-appropriate interactive activities. In the same vein, employees' children took part in competitions of creativity and talent in making the most beautiful Easter decorations and compositions dedicated to Christmas traditions and had an emotional meeting with Santa Claus at the NBM.

At the same time, like every year, the NBM employees promoted the spirit of responsibility towards the environment by carrying out greening actions, by planting saplings.

At the same time, the civic spirit and social responsibility were promoted by the NBM employees through participation in national campaigns: blood donation, "The Gift in a Shoebox", "Santa Claus Letter". They also contributed to organizing charity events and brought the joy of the winter holidays to children and families in need. During 2024, three charity fairs were also organized, where the participants showed their creativity and generosity and were very actively involved. The funds raised were directed towards carrying out charitable initiatives for a retirement home, as well as for children in difficulty. At the same time, a part of the raised funds were directed towards the implementation of the initiative "Echoes from the Future – Memories from the Past", dedicated to pensioners, former employees of the NBM.

NBM employees did not remain indifferent to the noble cause to help homeless animals. Thus, due to the funds raised from employees donations, as well as their efforts, dog cages and deer feeders were also built.

Among the initiatives that aimed to promote healthy lifestyle and social responsibility were: participation in the Chişinău International Charity Marathon and Gladiator Mud Race, where participants showed interest, involvement, community membership and team spirit.

In this vein, the NBM's actions have been aligned and oriented to create an efficient working environment that inspires and determines conditions for promoting and sharing the values of the NBM, enhancing the productivity of the activity and the spirit of institutional ownership.

Recruitment

The recruitment and selection process within the National Bank of Moldova is characterized by a continuous effort to attract and hire the best specialists to contribute to the fulfillment of the Bank's mission and objectives.

Considering the specific nature of the Bank's vacancies, which is distinguished by increased requirements in terms of educational level, complexity and expertise, as well as the shortage of qualified labor on the Moldovan labor market, the NBM is increasingly focusing on developing and strengthening its image as an employer. In particular, the bank uses various tools to be as close as possible to its target group.

Thus, to this end, several recruitment platforms have been contracted for the publication and dissemination of announcements on the NBM vacancies, within which profile pages were developed, which provide the public with more details about the NBM as an employer. The use of social networks and specialized profile pages such as LinkedIn in informing and attracting potential candidates was also increased.

During 2024, the NBM had an active presence at career fairs organized at the national level. During these events, specialists in the field informed, in particular, young people concerned about their professional development in the field of finance, got acquainted with the NBM's areas of activity.

In 2024, the second edition of the "Career Week at the NBM" event was organized to promote interest in a career in the financial and banking sector. The event intended for professionals and students in the financial and banking area was a platform where participants had the opportunity to learn how they can become part of the big NBM family, to interact directly with the NBM employees and to learn first-hand about their areas of responsibility, given the organized workshops that included topics like:

- Behind the Monetary Curtain: The Role of the Finance Department in the Central Bank;
- The tools used by the NBM to manage foreign exchange reserves and implement monetary policy;
- The role of the National Bank of Moldova in the field of electronic payments;
- Theoretical and practical aspects regarding the supervision of licensed banks and insurance or reinsurance companies as basic responsibilities of the National Bank of Moldova;
- The path to financial stability in the Republic of Moldova;
- The direct inflation targeting regime implemented by the NBM.

The year 2024 was characterized by the continuation of the upward trend of indicators related to the recruitment process, compared to previous years, with the increasing number of applicants to the competition, the number of guests and participants, as well as the number of competitions held (Chart 9.15). On the other hand, the number of people hired is decreasing, a fact determined mainly by the complexity of the positions, the level of training of the candidates and the high salary expectations of the competition participants. A considerable effort was made to fill vacant positions in the areas of: banking and insurance supervision and regulation, infrastructure, payments and supervision of other institutions, information technologies, European integration, budget, finance and accounting. It should be noted that the National Bank of Moldova ensures the integration and continuous professional development of new employees, through induction and orientation programs, internal and external training, trainings conducted on the job, with the support of NBM colleagues.

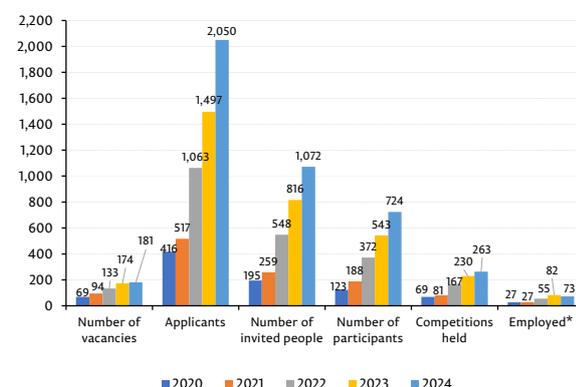
Internships

In order to contribute to the professional development of banking specialists, and not only, the NBM encourages students studying at educational institutions in the country and abroad to carry out their internship at the NBM. The number of interns doubled in 2024 compared to 2023 (Chart 9.16). Also, for the first time, in 2024, two students with foreign citizenship followed an internship at the NBM – this fact denotes the increased interest of students in the fields of activity of a central bank.

This effect is due to the continuous collaboration of the National Bank of Moldova with higher education institutions in the country. In 2024, a cooperation agreement was signed between the National Bank of Moldova and the "Alecu Russo" State University of Bălți, for establishing mutually beneficial collaboration, in order to adjust the professional training process of specialists to the needs of the financial and banking market, in the context of aligning educational and banking activities with European standards. It should be noted that the National Bank of Moldova has signed similar agreements with such institutions as: the Academy of Economic Studies of Moldova, the State University of Moldova, the Technical University of Moldova and the Center of Excellence in Economics and Finance.

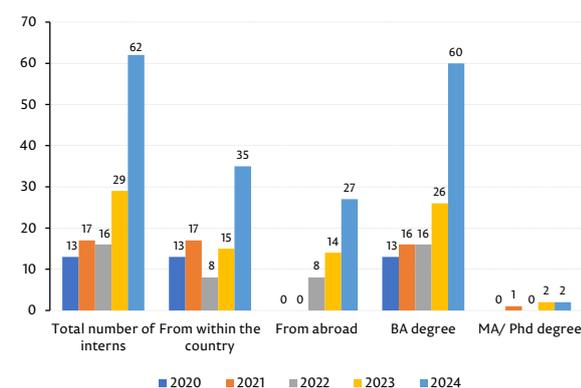
At the same time, during 2024, the representatives of the central bank participated in internship fairs organized within the Academy of Economic Studies of Moldova, the State University of Moldova, and the Center of Excellence in Economics and Finance. During these fairs, students learned more about internship or employment opportunities, as well as the specific requirements of the labor market. In addition to these events, the representatives of the National Bank of Moldova periodically organize various seminars within educational institutions related to the areas of activity of a central bank, such as: monetary policy, banking supervision, financial markets, payment systems, etc.

Chart 9.15: Evolution of the recruitment process in the NBM



Source: NBM
* Only the people hired as a result of the competitions were reflected in the report

Chart 9.16: Student internships at the NBM



Source: NBM

9.5 Internal audit

The overall purpose of the Internal Audit Department (IAD) is to strengthen the NBM's capacity to create, protect and maintain its values by providing the NBM management and linear management of some insurances with assurance, advice, overall analysis and forecasting that are independent, objective, and apply a risk-based approach. Internal audit helps the NBM improve the successful achievement of the NBM's objectives, the governance, risk management and control processes in the NBM, the decision-making and oversight process in the NBM, the reputation and credibility of the NBM in relation to stakeholders, as well as the NBM's ability to serve the public interest.

The IAD is guided in its work by the *Global Internal Auditing Standards*, developed by the Institute of Internal Auditors (IIA). The IAD operates under the Regulation on the functioning of the Internal Audit Department of the National Bank of Moldova¹¹⁰, which was approved in a new version in 2024, subject to the approval, on January 09, 2024, of the *Global Internal Audit Standards* by the Institute of Internal Auditors (IIA), with mandatory application starting from January 09, 2025. According to the Qualification Standards, the quality assurance and improvement program has the role of ensuring an assessment of the internal audit activity's compliance with the IIA Standards, as well as the application of the Code of Ethics. Compliance with the aforementioned standards and the Code of Ethics was confirmed by the March 17, 2021 Report on the External Quality Assessment of Internal Audit.

During 2024, the self-assessment process of the internal audit function was carried out, representing an element of the quality assurance and improvement program, and its general compliance with the *Global Internal Audit Standards* was established. This exercise provides information support for the external assessment of the quality of internal audit activity, in accordance with the *Global Internal Audit Standards*, scheduled to be initiated in 2025.

Based on the best practice in this field, the independence of internal audit is achieved through functional subordination to the NBM Supervisory Board/ Audit Committee and administrative subordination to the Governor of the National Bank of Moldova.

During 2024, the actions on the implementation of the recommendations submitted by the external assessor continued¹¹¹ set out in the respective plan¹¹² and the implementation of the *Internal Audit Strategy of the NBM 2023-2025*, aligned with the *Strategic Plan of the NBM*, in which the following strategic objectives were set:

¹¹⁰Regulation on the functioning of the Internal Audit Department of the National Bank of Moldova, approved by the Decision of the Executive Board of the NBM No. 35 of November 25, 2024.

¹¹¹External quality assessment report of March 17, 2021 (the external assessment was carried out by a representative of the National Bank of Belgium certified in this field).

¹¹²Plan on the implementation of recommendations approved on November 12, 2021.

1. Strengthening the capacity of the IAD to support the NBM in achieving its strategic objectives and improving the effectiveness of processes.
2. Developing professional skills.
3. Promotion of a risk-based and client-oriented approach and adherence to the allocated time budget.

The degree of achievement of the *Internal Audit Strategy of the NBM 2023-2025* is about 70%, with the following major actions carried out in 2024:

- Updating the *Regulation on the functioning of the Internal Audit Department of the NBM* harmonized with the *Global Internal Audit Standards*, developed by the Institute of Internal Auditors, which also incorporates some actions from the IAD strategy;
- Quarterly reporting on the participation in projects of the IAD representatives according to the approved Guidelines;
- Analysis of the possibility of the IAD access to the IT systems for monitoring/ screening transactions/ events available within the NBM and collecting information on emerging risks.

In 2024, the audit activity was carried out according to the approved audit plan, which was developed by applying the risk-based approach and the outlined priorities. The IAD in its work was guided by the *Global Internal Audit Standards*, including the principle of independence and objectivity. The Director of the IAD regularly reported the results of the audit activity to the governing bodies of the NBM: the Audit Committee, the Executive Board and the Supervisory Board.

During 2024, IAD completed the audit engagements related to the 2023 Audit Plan and completed the 2024 Annual Internal Audit Plan at a rate of 100%¹¹³. At the same time, in 2024, 2 ad hoc engagements were carried out¹¹⁴ according to the regulatory framework of the IAD¹¹⁵. Several types of engagements were carried out: financial/ compliance/ operational audit (60%), information technology audit (10%), integrated audit (20%), monitoring engagements (10%). The audit activities covered¹¹⁶ 24% of the processes assessed by the IAD as having high residual risk, 27% medium risk and 7% low risk.

In addition, the IAD carried out: endorsement of the financial statements and execution of the expenditure estimate, investment

¹¹³In total: 10 audit engagements including 1 monitoring engagement.

¹¹⁴The results of the engagements were reported, and decisions were examined and approved by the Supervisory Board of the NBM.

¹¹⁵Point 30 of the *Regulation on the functioning of the Internal Audit Department of the National Bank of Moldova*: "The basic duties of the IAD aim at, but are not limited to, performing ad hoc audit engagements, not planned in advance, but initiated in certain situations, if requested by the Governor of the NBM, the Audit Committee, the Supervisory Board or IAD based on the information which can justify the initiation of the audit engagement, with the revision of the annual audit plan if necessary."

¹¹⁶Calculated from the total activity processes of the NBM with the respective residual risk, including the processes related to the duties taken over by the NBM from the National Commission for Financial Markets.

allocations and the NBM budget; verification of reports to the IMF of some statistical indicators in the context of the financing program. In 2024, the IAD officials participated as monitors in seven major NBM projects.

9.6 Information Technology

In 2024, the NBM continued to make significant progress towards strengthening its technological and operational capabilities, implementing a series of major initiatives aimed at increasing the institution's efficiency, security and adaptability to challenges in the financial field.

One of the most important projects carried out in 2024 was the launch of the instant payment system, as well as the expansion of new payment schemes. In addition to the achievements related to the commissioning of this system, the efforts also aimed at important stabilization and additional security works of the related infrastructure, thus ensuring a safe and efficient environment for conducting financial transactions in real time. The implementation of this system represents an essential step in the digitalization of the payment system, contributing to increasing the accessibility and speed of financial services.

On the digitalization side of services, multiple significant actions were carried out within the Automated Information System RCA Data (AIS RCA Data). This system is intended for the electronic processing of internal and external compulsory motor third party liability insurance documents. Among the most notable modernization and digitalization actions carried out in 2024, we can mention the journaling of changes made in claim files, the integration of AIS RCA Data with the MConnect interoperability platform, the implementation of the digital format for both internal and external MTPL policies, the digitalization of the certificate regarding recorded damages, the implementation of the new methodology for calculating insurance premiums, etc. All these modernizations have had a considerable impact on the efficiency and transparency of processes related to MTPL insurance, facilitating access for companies and citizens to insurance services in a fully digital format.

A significant progress recorded in 2024 aimed at continuing work on implementing the Zero Trust Network Access (ZTNA) concept. The process included the migration and reconfiguration of ICT services according to the principles and architecture of the ZTNA, thus strengthening the cybersecurity of the NBM. This innovative approach ensures a higher level of protection against cyber threats, by applying highly granular access policies and by reducing the attack surface on the NBM's ICT infrastructure.

Also, on the infrastructure side, the NBM has carried out multiple actions to strengthen the capacities and resilience of its IT infrastructure. One of the main directions of work was the adaptation of corporate ICT services to support a hybrid on-premise and cloud configuration. This approach allows for a significant increase in service resilience in the event of major incidents, ensuring the continuity of NBM's critical operations. At

the same time, the NBM paid special attention to securing and consolidating the applications taken over from the NCFM. After integrating them into its infrastructure, the NBM conducted extensive penetration tests to identify and remediate potential vulnerabilities. Following these assessments, the advanced security measures were implemented to bring the applications up to the strict cyber protection standards imposed by the NBM, thus increasing their reliability and safety against cyber threats.

On the part of innovation, the NBM has carried out several pilot projects aimed at exploring the potential of emerging technologies for optimizing internal processes. One of the most notable projects was the creation of an internal assistant based on artificial intelligence (AI), designed to provide answers and suggestions regarding legislation on banking. This AI assistant facilitates quick and accurate access to relevant information, thus contributing to the efficiency of the decision-making process within the NBM.

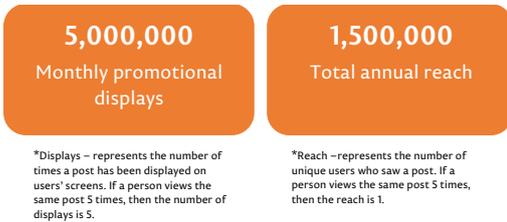
The year 2024 was therefore marked by major progress in strengthening the ICT infrastructure of the NBM, through the implementation of innovative and secure solutions, as well as through the digitalization and automation of essential processes. These achievements underline the commitment of the NBM's to modernization, security and operational efficiency, contributing to strengthening its role as a trusted financial authority in the Republic of Moldova.

9.7 Fintech Division activity

The purpose of the Fintech Division is to inform and support innovation in the field of financial technologies (fintech) in the Republic of Moldova, with the aim of transforming the financial sector, offering modern solutions that meet the financial needs of the population and financial institutions. It also aims to integrate the latest financial technologies into the users’ daily lives, facilitating access to innovative and efficient financial services.

In this context, the Fintech Division focused its efforts on identifying the most promising fintech solutions and informing the population about them, actively collaborating with financial institutions, regulatory authorities, external donors and local economic operators. At the same time, the Division has implemented an action plan aimed at promoting innovative financial solutions such as MIA Instant Payments, removing the existing barriers in their adoption and integration, but also ensuring a comprehensive experience and affordable costs for both individuals and businesses.

Figure 9.1: KPI achieved in 2024 following public information and education campaigns



Source: NBM

Table 9.2: General statistics of views and impressions on social media channels

	Average monthly	Total per year
META (Facebook, Instagram)		
Posts	3,929,290	47,151,483
Reach	132,093	1,585,119
Google (Display, Youtube)		
Posts	1,448,926	17,387,117
Interactions	469,399	5,632,790

Source: NBM

Table 9.3: General impression statistics (META and Google)

	Average monthly	Total per year	KPI achieved?
Posts	5,378,216.66	64,538,600	Yes
Reach/ Interactions	601,492.41	7,217,909	Yes

Source: NBM

Key activities carried out

- *Collaboration with fintech startups and business incubators.* These partnerships were essential for stimulating local innovation and developing customized technological solutions for the Moldovan market.
- *Organizing information sessions and workshops.* To facilitate the integration of fintech technologies into business and to educate economic operators, the Fintech Division organized training sessions. These sessions addressed essential topics such as financial efficiency, the security of transactions carried out through the instant payment system, and the implementation of fintech solutions in business processes.
- *Conducting market studies and research.* To better understand market needs and propose effective solutions, the Fintech Division conducted both local and international market studies and research that guided the implementation of the functionalities of the MIA instant system.
- *Organizing, participating and conducting launch events for individuals and legal entities.* An essential element of the Fintech Division activities was the organization of launch events to present the benefits of the MIA Instant Payments solutions to the general public, as well as to companies. These events aimed at familiarizing the public with the system’s functionalities, educating users and creating a platform for interaction between professionals and financial authorities. To this end, the following events were organized:

Launch event for individuals

Objective – encouraging the population to adopt fintech solutions for the efficient management of personal finances (digital payments, online savings, access to digital loans).

Activities – interactive educational sessions, presentations on the safety and advantages of digital payments, tutorial videos to guide participants in using fintech platforms.

Benefits – participants learned how fintech solutions can improve money management and were encouraged to adopt modern financial habits.

Launch event for legal entities

Objective – supporting the integration of fintech solutions into companies financial processes, by facilitating payment automation and financial risk management.

Activities – training sessions for company representatives, networking sessions between banks, fintech events and authorities, presentations on the efficiency of fintech solutions in the financial management of businesses.

Benefits – companies had the opportunity to understand how to adopt innovative technologies to optimize financial processes and facilitate access to international payment solutions.

Marketing campaigns and collaboration with influencers

To attract a wide audience and educate users about new fintech solutions, the Fintech Division, in collaboration with the local economic operator – marketing service provider (*hereinafter referred to as service provider*), conducted the influencer marketing campaigns, using content creators to inform the general public and emphasize the benefits of the MIA Instant Payments system.

Objective – increasing the visibility of MIA and educating the public about the use of instant payments in everyday life.

Activities – creating a series of engaging videos about using MIA, tutorials about fast and secure payments, testimonials from satisfied users.

Participation in key events and fairs

The Fintech Division was active in important events in the country, contributing to promoting the digitalization of financial services and the integration of fintech solutions into the national economy.

Activities – participation with the MIA stand at fairs and exhibitions: Presentation of new fintech solutions at mass events, direct interaction with the audience in order to explain the benefits of fintech solutions.

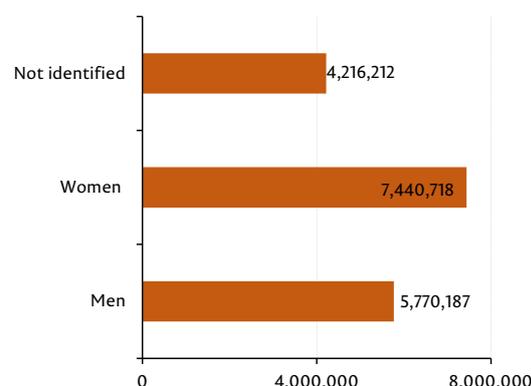
Specialized conferences and seminars – participation in discussions on issues of digitalization of financial services, regulation of the fintech sector, security of financial data and other topics of interest.

Collaboration with government authorities – development of policies favorable to the fintech sector and their promotion on a national and international level.

Informing the population about MIA functionalities

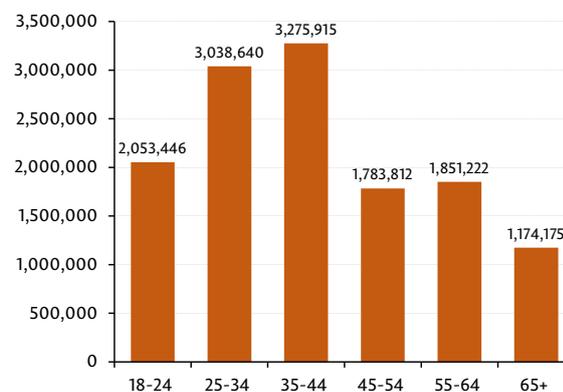
The Fintech Division worked to inform the population about the benefits of using MIA Instant Payments and other digital financial solutions, encouraging users to adopt these technologies for faster and more secure access to financial services and an increase in the use of cashless payments.

Chart 9.17: Number of promotional display views, categorized by gender



Source: NBM

Chart 9.18: Number of promotional display views, categorized by age



Source: NBM

Activities

- Creation of educational materials – guidelines and video tutorials for using MIA functionalities.
- User training sessions – training the individuals and legal entities in the use of mobile applications for making MIA for fast and secure payments.
- Online promotion campaigns to inform and encourage the use of MIA functionalities.
- Offline promotional campaigns to inform the public about the benefits of MIA and encourage first-time use among individuals.

Chapter 10

Research activity

A central bank's research serves as the conceptual and empirical basis for formulating proposals regarding the policies and decisions of the central bank. The role of research is to ensure that the central bank has at its disposal the necessary information for the effective management of challenges arising in its fields of activity. To this end, the Department of Economic and Applied Research produces original research, analyses, and other analytical materials on topics related to the tasks and functions of the National Bank and coordinates the research activity within the National Bank.

The research activity at the National Bank is coordinated between two working groups: economic research and applied research, each focusing on various current areas of interest.

Analyses and research have been directed towards a deeper understanding of the evolution of the exchange rate, budgetary expenditures, and interest rates on the inflationary process, with the aim of providing scientific and practical support for the policies promoted by the National Bank. At the same time, the remuneration of required reserves was analysed through the lens of the transmission mechanisms of monetary policy decisions, with the identification of optimization possibilities to increase the efficiency of applied instruments.

The war in Ukraine has affected the national economy, including through the significant number of refugees, which has increased consumption and accelerated the upward trend in the real estate and rental market. Detailed analysis has enabled the understanding and quantification of these factors for the elaboration of measures to temper the reverse processes once the war ends.

The activity of the NBM as the sole issuer of the national currency requires the determination of the optimal structure of denominations in circulation and the delineation between coins and banknotes, which was carried out based on analyses and research grounded in internationally accepted methods and the specific features of the national economy.

The complexity of the inflationary process requires a deeper study of the factors involved, including: the evolution of the exchange rate through the lens of unrecorded foreign currency inflows, yield curve imbalances in the money market and their effects on macro-financial management, and the price of borrowed financial resources as a component of the costs of final production. The shift of the population towards the use of cashless payments is based on the scientific and practical international substantiation of commissions on instant payments and the quantification of the economic and social costs of using cash.

In order to achieve the expected level of efficiency in terms of academic excellence and practical usefulness, and to bring the scientific research of the National Bank to a level of international recognition by ensuring quality in line with high standards of research excellence, it is necessary to invest continuously in the development of researchers, in order to enhance their expertise, understanding of current situations, and knowledge of developments in financial markets. Thus, during 2024, the Department of Economic and Applied Research participated in training events and continuously monitored the evolution of the national and international economic context, so as to be able to deliver well-founded opinions and to be prepared to contribute to the continuous development of the analytical and research toolkit that underpins policy decisions.

The Department of Economic and Applied Research actively participates in thematic working groups organized at the initiative of the management, other subdivisions, or third-party organizations, and supports cooperation in research both within the Bank and outside it. The Department acknowledges the importance of information exchange, discussions, and debates in the research process, considering them vital elements for the research process and for the development of the field.

Chapter 11

External communication

The external communication of the National Bank of Moldova is guided by the criteria set forth in the Communication Strategy and is carried out with the aim of promoting a financial system based on market principles and supporting the country's economic development. The institution has adapted to new global, regional, and national developments, communicating its decisions in an efficient and transparent manner. The promotion of its institutional image has been directed equally toward both domestic and international audiences. In recent years, communication with the public has taken on a hybrid form, characterized by communication processes oriented both toward an audience with physical presence and toward the online environment, while maintaining the principles of accessibility, clarity, timeliness, predictability, and transparency as a foundation.

The NBM's communication has continued to focus on achieving its main objective: anchoring inflationary expectations close to the target pursued by the NBM and strengthening the credibility of the financial-banking sector of the Republic of Moldova. At the same time, the shocks related to the continuation of the war in Ukraine and the situation in the energy sector, which led to increased tariffs, compelled the central bank to adopt a proactive communication strategy, aimed at ensuring the stability of the financial-banking sector and maintaining calm in society.

In order to ensure broader informational coverage, the NBM has used multiple channels to inform the general public. Traditionally, the NBM's website has been the primary source of information. Thus, during 2024, a total of 1,899 informational materials (press releases, media interviews, publications, analytical materials, regulatory acts, draft regulations submitted for public consultation, announcements, explanatory articles) and 3,450 statistical reports were published and updated on the website www.bnm.md in Romanian, English, and Russian. Additionally, responses and clarifications to 79 messages addressed to the NBM were provided via the *online messages* mechanism on the website. Through email, phone calls, and text messages, over 445 information requests were received.

The relationship with the mass media was characterized by openness, responsiveness, and collaboration. Thus, during the year, approximately 45 interviews and appearances were granted and carried out across television, radio, print, and online media. In addition, 12 live broadcasts were organized from various events (Table A.23), such as: the presentation of the Inflation Reports (4) and the presentation of monetary policy decisions (2), the National Forum on Financial Education, the launch of the MIA Instant Payments system, the signing of the application for the

Republic of Moldova's accession to the Single Euro Payments Area (SEPA), the Constituency Meeting of the International Monetary Fund and the World Bank in Chişinău, and the "Career Week at the NBM", 2nd edition. In 2024, the NBM continued its series of financial education podcasts (Table A.24). Over the year, 4 editions of the podcast were produced and broadcast on the NBM's platforms and those of its partners, with the participation of NBM officials, representatives of civil society, financial education experts, and representatives of the central bank's partners who supported the implementation of ongoing projects. The podcasts were broadcast not only on the NBM's communication platforms but also on the platforms of several media institutions and on television, including public TV. Furthermore, several meetings and training sessions for media representatives were organized. Among these, a topic of immediate relevance at the time – the transition to the euro as the reference currency – was addressed, highlighting its positive impact at different levels: social, entrepreneurial, and on the economy in general.

NBM Website

The central bank's communication is oriented toward strengthening institutional transparency by promoting, on its website, the Open Register of NBM Public Procurement. The Register provides real-time data on all types of procurements carried out to maintain operational processes and the proper functioning of the institution in fulfilling its legal responsibilities. The information is published in accordance with the law on access to information of public interest and transparent communication practices, is presented in a dynamic format, maintains the procurement history, and can be consulted at any time by the general public and all interested parties.

The communication process through the NBM's website continues to be oriented toward the well-being and overall benefit of citizens. Thus, the website has been adapted to facilitate access for persons with disabilities to informational content, in line with European best practices and applicable legislation. Users with visual impairments can arrange the information published on the site according to their needs and visual comfort by setting their own font size, page contrast, full or partial inversion, data animations, as well as the font most suitable for their own readability.

The NBM has also started to communicate and publish daily on its official website the official exchange rates from the interbank foreign exchange market, together with the traded volumes. These rates in international markets are a usual tool used by banks to satisfy their clients' demand for foreign currency liquidity. The NBM decided to communicate these market rates daily in order to further promote transparency, ensure fairness between economic agents generating demand and banks providing supply, stimulate fair competition, reduce volatility, and eliminate informational asymmetry for foreign exchange market participants.

In addition, the NBM has made repo operation rates publicly available, alongside reference rates for key monetary policy operations, displayed on the homepage. This approach reflects the National Bank's communication effort to enhance transparency and to strengthen and increase the efficiency of the monetary policy transmission mechanism, for the benefit of the market and the people of the Republic of Moldova.

According to the communication strategy and its principles, the NBM promoted on its website the mechanism for purchasing commemorative and jubilee coins directly from the NBM, as soon as the Law was amended to allow the central bank to sell coins directly to citizens. The legislative change, the communication thereof, and the implementation of the online Request Form for the purchase of coins directly from the NBM were met with enthusiasm by Moldovan citizens, with the coin stocks offered at the first sale being exhausted in less than one hour after the announcement.

According to statistical data provided by Google Analytics, users of the NBM's website continued to access the central bank's portal. Referring to the topics of interest accessed by the public on the website, the top positions were occupied by exchange rates, followed by commemorative coins issued by the central bank, employment opportunities at the NBM, normative acts regulating the activity of the banking and non-banking financial sectors, as well as information on the interest rates and monetary policy promoted by the NBM, etc.

The NBM's communication effort, including its approach focused on data openness and the promotion of new information access tools, had a positive impact on the development of relationships and the institution's feedback connection with the general public. Analytical reports indicate an increase in public interest in the information and data disseminated by the NBM. Thus, the number of content views increased in 2024 to 20.5 per user, up from 11.61 in 2023, while the average time spent by a user on the NBM's website increased from 2 minutes 25 seconds in 2023 to 4 minutes 15 seconds in 2024 (chart 11.1 and chart 11.2).

During 2024, on the www.bnm.md website, 5,349 informational materials were published and updated in Romanian, English, and Russian (an increase of 113 compared to 2023), including 1,899 press releases, media interviews, publications, analytical materials, normative acts, draft acts for public consultation, announcements, explanatory articles, etc., and 3 450 statistical reports disseminated through the interactive database. In addition, 79 responses/ clarifications to requests submitted to the NBM through the *online messages* mechanism on the website were provided.

Social media communication

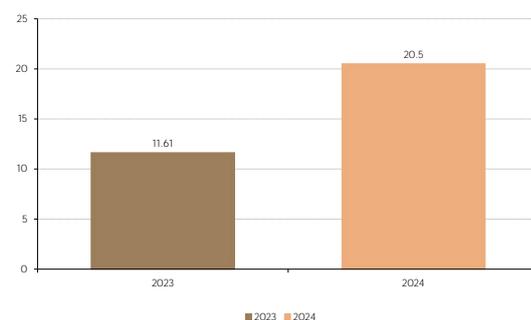
Active social media presence contributes to familiarizing and informing the general public about the NBM's activities.

Thus, over the years, the NBM has recorded a constant increase in the number of subscribers/ users (Table A.25) and the impact of posts (Table A.26) on its social media profiles.

In 2024, through the Facebook social network, more than 380 information requests and questions from citizens were received, which were either redirected to the relevant subdivisions or resolved within the service's competence.

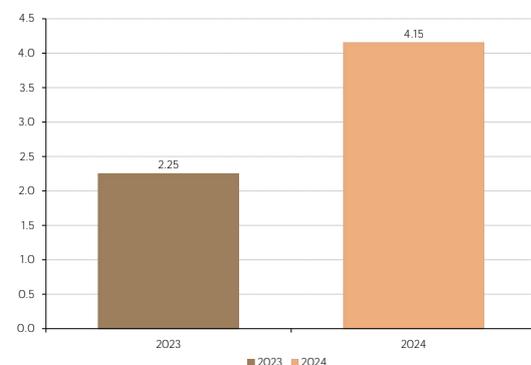
On the NBM's YouTube channel, 29 video materials were published, 12 live streams were transmitted from events organized by the bank, including 4 broadcasts of the Inflation Reports, 2 of monetary policy decision presentations, as well as 4 episodes of the financial

Chart 11.1: Content views per user on the NBM website, www.bnm.md



Source: NBM

Chart 11.2: Average time spent by users on the NBM website, www.bnm.md (minutes, seconds)



Source: NBM

education podcast: 1 episode of the "Make Sense of Money" podcast and 3 episodes of the "The Meaning of Money" podcast.

Thus, the implementation of the NBM's external communication is based on principles of modern institutional communication, targeted at specific audiences through a wide range of channels and instruments. Through its external communication, the NBM continues to demonstrate openness toward the public, aiming for transparent and efficient information of citizens in the exercise of its role as a central bank.

Chapter 12

Financial education

The continuous development of the financial environment and the trend towards digital innovation place upon public authorities, institutions, the private sector, and civil society the need for educational commitments that help citizens shape favourable financial behaviours, oriented towards personal and socio-economic well-being.

The National Bank of Moldova highlights this important endeavour through its financial education activities carried out for more than 10 years with professional and social responsibility, this commitment being embedded in 2024 into its institutional mandate provided by law.

The new legal responsibility reaffirmed the central bank's role as national coordinator of financial education in its effort to provide the public with accessible educational resources, including from a digital and innovation perspective.

The organization by the NBM of the annual event "Global Money Week" emphasized multiple learning and knowledge opportunities for the public, in a harmonious combination of financial education with historical awareness. Thus, the event was hosted by the National Museum of History of Moldova, promoting, alongside the country's monetary values, historical values in a friendly and interactive educational setting.

Over 2,500 children, young people, and adults from various professions participated in workshops and seminars on financial topics, delivered by NBM experts in language tailored to the needs of target groups.

The financial education process, with an impact both at the level of each member of society and at the level of the country's economy, is under the attention of the NBM as an important component of financial inclusion. In this context, Governor Anca Dragu held meetings with the teaching staff of the Academy of Economic Studies of Moldova, within the partnership with the NBM, for discussions focused on training specialists in the financial-banking sector, and delivered public lectures on financial education in high schools and universities in the Republic of Moldova (Chişinău, Bălţi, Călăraşi, etc.).

On May 18, the NBM joined the 20th edition of the "European Night of Museums in the Republic of Moldova". Visitors to the central bank's exhibition hall had the opportunity to listen to a short history of the national currency and to admire the collection of commemorative and jubilee coins issued by the National Bank.

On June 1, the NBM joined the event dedicated to International Children's Day organized by the Ministry of Education and Research

of the Republic of Moldova and the Republican Center for Children and Youth "ARTICO", during which it held a financial education workshop for children of all ages.

On June 8-9, in the context of the 33rd anniversary of its establishment, the NBM organized the annual event "Open Doors Day", intended for the general public for the purpose of financial education as an expression of transparency and its social commitment.

In addition, throughout 2024, with notable educational emphasis, the national campaign "Financial Education for All" continued, launched by the NBM in partnership with the Independent Analytical Center "Expert-Grup" in the autumn of 2023, with the support of the USAID Program "Moldova Institutional and Structural Reforms Activity" (MISRA). Within this large-scale public information initiative, 12 financial education lessons, 10 information sessions, 5 press clubs with 45 journalists were organized, 5 interactive online quizzes were conducted, and 30 informational materials supported by 15 multimedia products for all ages were created. A financial education camp was also organized for intensive training purposes for 51 young people selected through a rigorous competition, who recorded a significant increase in financial knowledge from 50% to 80%. Another 24 young people became financial education ambassadors, teaching lessons and in turn inspiring 800 people.

The national campaign "Financial Education for All" included events held in high schools, colleges, and universities across the country, and, in total, the information disseminated reached nearly 700,000 people.

For this campaign, the National Bank of Moldova received the Silver Award at the Romanian PR Award XXII, based on the opinions of a top international jury that brought together communication expertise and experience from 17 countries.

In 2024, the third edition of the financial education program "School of Modern Finance" was also held, intended for students of ASEM and organized with the support of the National Bank of Romania, in collaboration with the Bucharest University of Economic Studies. Thus, the National Bank of Moldova places particular emphasis on the training of future specialists in economics, offering them educational opportunities to expand their acquired competences.

In the same spirit, the next edition of the financial education podcast "Make Sense of Money" with the Governor of the National Bank, Anca Dragu, was also prepared, and the second season of "The Meaning of Money" was launched with another three episodes.

Furthermore, on November 29, the National Bank, in cooperation with licensed banks, held a financial education event under the theme "The Path of Money" (6th edition). The purpose of this project is to promote general financial concepts among the public, especially children and young people, in order to cultivate the ability to make well-founded financial decisions as future consumers of financial products.

The educational context was also maintained through the continuation of the process of developing the draft National

Program for Financial Education. Previously launched at the national level by the central bank, with the support of USAID, this program reached the finalization stage. The upcoming discussions within the interinstitutional working group will focus on the necessary subsequent coordination, harmonized according to the competences of the institutions and representatives of civil society involved.

At the end of the year, the National Bank carried out a large-scale and important review event – the National Forum on Financial Education. During the forum, the results of the National Financial Education Campaign were presented, along with institutional experiences from the Republic of Moldova and abroad, as well as prospective aspects of the educational process at the country level.

Throughout the year, on a regular basis, the National Bank responded to public requests to visit the exhibition hall of the central bank and to learn more about various aspects of the development of the national currency.

Thus, the National Bank has a strong orientation towards promoting financial education for citizens and, through well-defined initiatives, encourages responsible financial behavior at both individual and collective levels, supporting financial stability.

Chapter 13

Analysis of the financial situation and position of the NBM at the individual and consolidated level for the year 2024

The fundamental objective of the NBM is to ensure and maintain price stability. Making a profit is not an objective. However, guaranteeing price stability, given that the market is influenced by internal and external factors, also implies assuming possible losses, precisely in order to bring balance to the market, which benefits both the business environment and the population.

13.1 Key indicators

Consolidated assets

The consolidated assets of the Bank as of December 31, 2024 constitute **MDL 121,735 million** and continued the upward trend of the previous years, increasing by **MDL 8,348 million (+7.36%) in 2024**. Financial assistance from the Republic of Moldova's development partners and income from the management of foreign exchange assets are some of the main factors behind the increase in the level of assets, an effect partially mitigated by the decisions to gradually lower monetary policy rates adopted in terms of stimulating aggregate demand by encouraging consumption and investment, balancing the national economy and anchoring inflationary expectations.

Foreign exchange assets, equivalent in MDL¹¹⁷

Foreign exchange assets include cash, monetary gold, the Republic of Moldova's quota at the IMF, investments and investment securities in foreign currency, and other financial assets in foreign currency. Foreign exchange assets, as of December 31, 2024, amounted to **MDL 107,502 million**, which represents 88% of total consolidated assets. Profits from the management of foreign exchange assets during 2024 amounted to **MDL 4,300 million**, 41% more than the result reported in 2023.

The level of foreign exchange assets, equivalent in lei, increased by **MDL 8,517 million (+8.60%)**, mainly as a result of the inflow

¹¹⁷The level of foreign exchange assets is reported according to the financial statements, their value may differ from the value of official reserve assets reported by the Bank, as a result of the conversion of official reserve assets into US dollars and the exclusion of those assets that do not meet the definition of the international reserves of the state according to the Balance of Payments Manual.

of significant financial assistance flows from the main development partners of the Republic of Moldova, as well as income from foreign exchange assets management during 2024.

State securities

The state securities held in the Bank's portfolio include state bonds issued pursuant to *Law no. 235/2016*¹¹⁸, state securities obtained from the conversion of loans previously contracted by the Ministry of Finance and state securities held in the portfolio of the Single Central Securities Depository. The value of the portfolio of state securities as of December 31, 2024, amounted to **MDL 13,884 million**, down from the previous year, mainly as a result of the redemption at maturity of the government bond issued pursuant to *Law No. 235/2016*, in the amount of MDL 330 million. The interest income on the SS recorded during 2024 amounted to **MDL 718 million**.

Monetary liabilities

All liabilities reflected in the balance sheet of the National Bank (individual level), except for liabilities vis-à-vis the Government and those vis-à-vis the International Monetary Fund, are monetary liabilities. Monetary bonds as of December 31, 2024, amounted to **MDL 92,920 million**, decreasing by **MDL 1,264 million (-1.34%)** compared to the end of the previous year, as a result of monetary policy decisions adopted during 2024 regarding the reduction of the required reserve ratio and the evolution of the level of liquidity in the banking sector. The increase in the national currency in circulation by 15.3% compared to December 31, 2023 was mitigated by the decrease in the balance of bank cash and the balance of the NBM certificates by 15.4%, correspondingly by 12.6%.

Statutory capital

As of December 31, 2024, the statutory capital amounted to **MDL 6,369 million**. At the end of the reporting year, the level of statutory capital (after allocation of profit available for distribution) in relation to NBM monetary bonds represented **6.85%**, increasing compared to December 31, 2023, from **3.34%** above the minimum level established by Law of 4.00%, mainly as a result of the realization of a profit available for distribution in the amount of MDL 3,222 million during 2024, used entirely to increase the statutory capital.

Restoring the statutory capital level on December 31, 2024 above the legal limit of 4.00% **eliminates the need for capitalization of the NBM by the Ministry of Finance**, in the amount of MDL 620 million established as of December 31, 2023.

During 2024, the Government, in the person of the Ministry of Finance, did not issue state securities in the established amount of MDL 620 million requested by the NBM and necessary to increase the statutory capital up to 4.00% of the total monetary bonds of the Bank registered as of December 31, 2023. The level of capital below the limit of 4.00% of monetary bonds does not affect the

¹¹⁸Regarding the issuance of government bonds for execution by the Ministry of Finance of the payment obligations derived from state guarantees No. 807 of November 17, 2014 and No. 101 of April 1, 2015.

Bank's ability to operate efficiently or adequately implement its policies or perform its duties. However, it is imperative that the Government fulfill its potential obligations to provide the necessary capital contribution in a timely manner to ensure legal compliance and maintain the financial stability of the Bank.

Profit to be distributed to the state budget revenues

The profit available for distribution, after the breakdown of unrealized income from exchange rate differences and from the re-evaluation of precious metals, constitutes **MDL 3,222 million**. Until the breakdown of the unrealized results to reserves, the net (accounting) profit from the Bank's activity constituted **MDL 6,006 million**.

The profit available for distribution was mainly generated by income from the official reserve assets management, which increased during the reporting year, due to the increase in the profitability of foreign exchange reserves from 3.72% to 3.90% and the average balance of foreign exchange reserves compared to the previous year by about 12%. The increase in the profitability of foreign exchange reserves is explained by maintaining the high level of the remuneration interest rates on financial assets for a longer period in line with the decisions of the monetary authorities related to the component currencies, as well as by reinvesting funds in financial instruments at more advantageous rates, including by increasing the duration of the portfolio.

The registration of a higher profit available for distribution compared to the previous year, when it amounted to MDL 274 million, was also determined by the decrease in net expenses related to the monetary instruments applied, as a result of the monetary policy decisions adopted during the year regarding the gradual decrease of the related remuneration rates and the required reserve norm.

For the year 2024, the NBM will not distribute profit to the state budget revenues, similar to the previous year, considering that the level of statutory capital from the total monetary liabilities of the NBM until the distribution of profit available for distribution, on December 31, 2024, constituted 3.39%, below the minimum level of 4.00%.

13.2 General considerations in financial analysis

13.2.1 Instruments applied in the exercise of basic duties and their reflection in the statement of financial position and performance

The core duties of the National Bank are provided for in *Law No. 548/1995 on the National Bank of Moldova*. In accordance with the legal provisions, the operations of the National Bank of Moldova are carried out in order to promote and support the monetary and foreign exchange policy in the state, ensure the stability of the banking and non-banking financial system, issue national currency, manage the state's international reserves, act as the agent and banker of the state, provide payment and electronic money services, etc.

Given that the activities and operations of the National Bank of Moldova are carried out in support of the implementation of its policies and the execution of its core duties, the financial position and the financial result achieved should be analyzed together with the actions taken in implementing its policies and the IFRS accounting treatment applied to recognize and assess these activities and policies.

Implementing monetary policy

Permanent facilities granted by the NBM to banks aim to sterilize and provide very short-term liquidity (with overnight maturity) and to reduce fluctuations in short-term interest rates on the interbank money market through the corridor established by the NBM on the interest rates related to the two facilities.

Licensed banks may use the two standing facilities offered by the NBM on their own initiative:

- **Overnight deposits** (with overnight maturity), with a predetermined interest rate (the interest rate on the deposit facility is usually the threshold overnight interest rate on the interbank money market);

*Overnight deposits represent the Bank's bonds. In the balance sheet they are reflected at **Banks' holdings**, valued at amortized cost.*

- **Overnight loans** granted by the NBM (with overnight maturity), to cover overdrafts outstanding at the end of the operational day, as well as to supplement liquidity, based on pledging of securities pledged with the NBM, at a pre-specified interest rate (this interest rate is usually a ceiling for the overnight interest rate on the interbank money market).

*Overnight loans are assets of the Bank and are valued at amortized cost less allowances for expected credit losses. They are reflected in the Bank's balance sheet at **Loans granted to banks and other persons**.*

Money market operations (open market operations) are the most important monetary policy instrument of the NBM. They are carried out at the initiative of the NBM and have the function of managing liquidity conditions in the money market and influencing short-term interest rates in the interbank money market. Money market operations can be carried out through pre-announced auctions or direct negotiations. According to the regulations in force, the main categories of money market operations available to the NBM are:

- **Repo operations/ reverse repo** – reversible operations, aimed at injecting/ absorbing liquidity, where the NBM buys/ sells state securities from banks/ to banks, with the commitment of the banks/ NBM to repurchase the respective SS at a later date and at a price set at the transaction date.

*Transactions with securities purchased (repo) with a simultaneous commitment to sell on a specific date are recognized on the settlement date. Considering the need for mandatory resale the securities are not recognized in the Bank's portfolio of state securities, but are recognized as **Loans granted to banks and other persons**.*

The difference between the sale price and the repurchase price represents interest expense and the difference between the purchase price and the resale price represents interest income calculated using the effective interest rate method.

- **Issue of certificates of the National Bank of Moldova (NBC)** – liquidity-absorbing operations where the NBM sells negotiable debt instruments of the NBM to banks. In the current structural excess of liquidity, the NBM weekly conducts NBC placement auctions with a 14-day maturity and with the announcement of the maximum interest rate equivalent to the NBM base rate.

*Certificates issued by the National Bank represent monetary bonds of the Bank issued in the form of discount securities and are reflected in the balance sheet on the settlement date at **Certificates issued by the NBM**. Certificates are valued at amortized cost, using the effective interest rate method, with the amortization of the discount reflected at **Interest expense on securities and repo operations**.*

- **Attracting deposits** – liquidity-absorbing operations under which the NBM attracts deposits with a predetermined maturity from banks.
- **Sales/ purchases of SSs** – operations aimed at liquidity absorption/ injection, where the NBM sells/ purchases SSs, the transfer of ownership from the seller to the buyer being realized through the "delivery against payment" mechanism.

Required reserves are banks' holdings in Moldovan lei and foreign currency held in accounts with the NBM. Required reserves (RRs) are an auxiliary instrument of monetary policy, aimed at restricting excess liquidity and mitigating its impact on interbank interest rates. The main role of the foreign currency RRs is to prevent excessive foreign currency credit growth. **RRs in MDL** are maintained in the "Loro" accounts with the NBM, being

constituted as the average balance of banks' holdings over the application period. **RRs in foreign currency** are maintained only in US dollars and in euro on the "Nostro" accounts of the NBM opened with foreign banks. According to the *Regulation on Required Reserves Regime* (DEB No. 302/2019) during the period of application, part of the established level of required reserves in USD and EUR is variable – maintained by banks on average, and another part is maintained in an unchanged volume.

The NBM shall pay banks interest on the share of required reserves that exceeding 5% of the liabilities on the basis of which they are established. RRs in MDL and in foreign currency are remunerated at separate rates, applying for reserves in MDL the NBM overnight deposit rate, and for required reserves in foreign currency – separate rates calculated on the basis of the SOFR and €STR rates, each reduced by 2 percentage points.

Required reserves represent monetary bonds of the Bank and are reflected in the balance sheet at **Banks' holdings**. Required reserves in MDL are presented in the "Loro" accounts category. Required reserves in foreign currency are presented in separate accounts from required reserves. Remuneration of required reserves (interest calculated and paid) are expenses of the Bank and are reflected in **Interest expenses related to cash holdings**.

Foreign exchange interventions

The National Bank shall use foreign exchange interventions in order to achieve monetary and foreign exchange policy objectives. These can be carried out both through **direct operations** (sight purchases or sales of foreign exchange against MDL), which influence the money supply, and through **adjustment operations (foreign exchange swaps)**, which are reversible instruments and do not influence the money supply in the long run.

The NBM intervenes in the foreign exchange market in order to mitigate the official excessive exchange rate fluctuations, stop speculative operations, and replenish international foreign exchange reserves.

Interventions for direct sales decrease the level of foreign exchange reserves and generate realized exchange rate differences, reflected in the statement of comprehensive income under **Income/ (losses) from transactions and exchange rate differences**. The corresponding impact of the sales intervention is the decrease in money supply (banks' holdings in MDL) and the sterilization of structural liquidity in the system, the sterilization effect on the Bank's performance being consequently the decrease in interest costs on banks' holdings and securities operations.

Interventions for direct purchase of foreign exchange contribute to increasing the level of foreign exchange reserves. Interventions for purchase do not generate **Income/ (losses) realized from the exchange rate differences**, being only the interest generators from the investment. The corresponding impact of the intervention is an increase in the money supply.

Crediting licensed banks and other entities

The National Bank may grant credits to banks under conditions established by the National Bank. In order to maintain the stability of the financial system, the National Bank may grant, at its sole discretion and under the conditions established by it, to solvent and viable banks facing temporary liquidity problems, emergency liquidity assistance, secured by eligible assets.

Liquidity assistance shall be provided in national currency at an interest rate determined on the basis of the overnight lending facility rate plus 2 percentage points for a term of up to 3 months, with the possibility of extension up to 12 months. The liquidity assistance is provided on the condition that the licensed bank has exhausted all other sources of liquidity.

Loans in the form of liquidity assistance shall be granted on condition of collateralization with eligible assets comprising state securities issued by the Government of the Republic of Moldova; certificates of the National Bank; deposits and other accounts with the National Bank or deposits and other accounts with a bank accepted by the National Bank, pecuniary claims, except claims on persons affiliated to the bank; corporate securities admitted to trading on a regulated market and/ or a multilateral trading facility (MTF), and other eligible assets. The adjusted value of the assets pledged as collateral must cover at least 100% of the assistance granted and the related interest.

The NBM may also grant loans to the Deposit Guarantee Fund in the banking sector, under the conditions and within the terms and conditions set by the Executive Board of the NBM.

Lending or any form of financial assistance granted by the NBM to the Government of the Republic of Moldova is prohibited.

Loans granted to licensed banks are assets of the Bank and are reflected in the balance sheet under the heading ***Loans granted to banks and other persons***. Loans are valued at amortized cost less allowances for expected credit losses estimated in accordance with IFRS 9. Interest income on loans is presented in ***Interest income on loans granted and repo*** and recognized using the effective interest method.

Establishing the exchange rate of the MDL

The National Bank of Moldova quotes the MDL against foreign currencies. The official exchange rate of the MDL against the US dollar is determined for each working day by the National Bank on the basis of the information on the volumes of spot purchase/ sale transactions of US dollars against MDL and the exchange rates applied by the licensed banks and the National Bank.

The official exchange rate of the MDL against foreign currencies other than the US dollar is determined on the basis of the official exchange rate of the MDL against the US dollar multiplied by the cross-currency exchange rate of the respective currency against the US dollar established on the international market.

Foreign currency transactions performed by the National Bank shall be recorded in the financial statements at the exchange rate on the day of the transaction and shall be revalued daily using

the official exchange rate of the MDL. On the reporting date, monetary assets and liabilities denominated in foreign currency are converted at the official exchange rate of the MDL on the reporting date established and published by the National Bank.

As the NBM has a long currency position, the appreciation of the MDL generates unrealized losses and the depreciation of the MDL – unrealized gains from exchange rate differences.

International reserves management

The NBM holds and manages the foreign exchange reserves of the state (also referred to as "international reserves"), conducts foreign exchange operations using foreign reserve assets and maintains them at a level adequate for the conduct of monetary and foreign exchange policy. The foreign exchange reserves shall be managed for the purpose of direct financing of the balance of payments imbalance, for the indirect adjustment of the balance of payments imbalance through foreign exchange market interventions in order to realize the monetary and foreign exchange policy of the National Bank of Moldova, and for other purposes.

In managing foreign exchange reserves, the NBM ensures a high degree of safety and a necessary level of investment liquidity. The NBM's investment policy is prudent, favoring sustainable investments (ESG: environmental, social, governance) and optimizing profitability as secondary objectives, with safety and liquidity of reserves as the primary objectives.

Within the framework of foreign reserves management, the NBM invests in safe instruments, also used by other central banks: placements on correspondent accounts (with other central banks or international financial organizations), term placements and securities issued by the Governments and government agencies of the United States of America, the European Union and other countries and those issued by supranational institutions, with the implicit guarantee of the governments.

The management of foreign reserves is carried out based on the strategic asset allocation (SAA). Strategic asset allocation implies a long-term view of foreign exchange asset management, geared towards achieving the optimal level of return and risk.

The main sources of foreign exchange reserves formation in the balance sheet of the National Bank of Moldova:

- Recording of loans and grants in favor of the Ministry of Finance;
- Procurement interventions of the National Bank of Moldova on the interbank foreign exchange market;
- Inflows related to foreign exchange required reserves of licensed banks;
- Income from foreign exchange reserves management;
- Gains from the re-evaluation of securities held in the investment portfolio.

The main sources of the decrease in foreign exchange reserves on the Bank's balance sheet:

- Payments related to the servicing of the external public debt and payments of the Ministry of Finance;
- Selling interventions of the National Bank of Moldova on the interbank foreign exchange market;
- Outflows related to foreign exchange required reserves of the licensed banks;
- Losses from the re-evaluation of securities held in the investment portfolio.

The official reserve assets are presented in the balance sheet under the heading "**Cash and short-term investments**", "**Investment securities**", "**Holdings of SDRs**", "**Monetary gold**", "**IMF assets**" and "**Other assets**". These are measured at amortized cost (those held in corresponding business models) or at fair value through other comprehensive income (foreign currency investment securities).

Transactions for the sale/purchase of foreign exchange stocks are recognized on the trade date and reflected in off-balance sheet accounts until the settlement date.

*Net interest income is calculated using the effective interest method, including coupon calculations and amortized premiums and discounts are included in the statement of comprehensive income under the heading **Interest income on short-term placements and Interest income on securities**.*

*Expected credit losses for financial assets related to foreign exchange reserves according to the 3-stage method (described in the accounting policies in the Financial Statements) and the income from their reversal are reflected in the statement of comprehensive income under **(Expenses)/ Income on depreciation of financial assets**.*

Re-evaluation of foreign exchange reserves

Foreign exchange reserves are recalculated daily at the official exchange rate of the National Bank. Subsequent to the formation of the net result:

- Unrealized losses from exchange rate differences and re-evaluation of precious metals shall be excluded from the profit available for distribution/ (total loss) and shall be offset against the reserve account of unrealized gains from exchange rate differences on the re-evaluation of foreign exchange stocks and on the re-evaluation of precious metals. If the balance of these reserves is insufficient, the loss is covered from the General Reserve Fund account.
- Unrealized gains from exchange rate differences and re-evaluation of precious metals shall not be included in profit available for distribution/ (total loss) and shall be allocated to the increase in the Reserve of unrealized gains from exchange rate differences on the re-evaluation of foreign exchange stocks and on the re-evaluation of precious metals.

*Daily re-evaluation differences represent unrealized differences, which are reflected in the statement of comprehensive income in **Gains/ (losses) from transactions, foreign exchange and precious metals re-evaluation differences.***

Exchange rate differences realized from foreign exchange transactions

Realized income and losses shall be calculated from foreign exchange transactions by applying the weighted average cost method, on each business day, on each currency, for both transactions for the sale and for the purchase of foreign exchange. Where foreign exchange transactions (daily level) do not affect the foreign currency stock, realized gains and/ or losses shall be calculated as the difference between the average cost of selling transactions and the average cost of buying transactions.

The weighted average cost of foreign exchange reserves on each currency at the end of each year shall be equal to the official exchange rate set by the NBM on January 1.

*Realized gains and losses are presented in the statement of comprehensive income under the heading **Gains/ (losses) from transactions, exchange rate differences and re-evaluation of precious metals.** Realized gains and losses are distributable and included in the profit available for distribution/ (total loss).*

Issuance of national currency

The National Bank of Moldova shall have the exclusive right to issue banknotes and coins on the territory of the Republic of Moldova as means of payment. The NBM shall put into circulation banknotes and coins through the banking system. The objective of the NBM in the field of stability of the national currency circulation is to promote, following the principles of continuity and credibility, the policy of providing the economy with national currency, in strict accordance with the real needs of monetary circulation.

The withdrawal from circulation of unfit banknotes and coins shall be carried out only by the National Bank of Moldova, through the banking system, in order to exchange them for fit banknotes and coins or to replace them.

*The commissions charged by the Bank upon issuing national currency to licensed banks represent income of the National Bank and are recognized upon issuance under the heading **Other income.***

*The national currency represents monetary bonds of the Bank, is recognized at nominal value when put into circulation and is shown in the balance sheet under the heading **National currency in circulation.** The national currency in circulation is valued at amortized cost. For the purpose of presentation in the balance sheet, national currency in circulation is decreased by the national currency at the cash desk of the Bank.*

*Until putting into circulation, the national currency (banknotes and coins) is recorded off-balance sheet. The costs of producing the national currency are reflected in the statement of comprehensive income under heading **Costs related to the production of national currency** to the extent incurred (the*

provision of services for the production of national currency) and include costs for banknotes, metal coins, divisional coins and commemorative coins.

On the occasion of commemoration of events and distinguished personalities of national history and literature, promotion of literary works, national traditions, representation of architectural monuments of historical value of the Republic of Moldova, flora and fauna, the National Bank of Moldova has the right to issue commemorative and jubilee banknotes and coins as a means of payment and for numismatic purposes (CJBC). The National Bank of Moldova shall put into circulation the respective banknotes and coins through licensed banks, and starting from December 2024, also through their direct marketing to individuals.

Commemorative and jubilee banknotes and coins are recognized under bonds in the heading **National currency in circulation** on the date of putting into circulation with reflection in the accounting records at nominal value. Commemorative and jubilee banknotes and coins are marketed at the sale price and the difference between the sale price and the nominal value is reflected in the category **Other income**.

Banker and state agent

The National Bank acts as banker and agent of the state and its bodies. As depositary, the National Bank receives and disburses money, keeps accounts, opens deposits and provides any other financial services.

In accordance with *Law No. 548/1995 on the National Bank of Moldova* and *Law No. 181/2014 on public finance and budgetary fiscal responsibility*, the National Bank of Moldova shall open and service the Single Treasury Account of the Ministry of Finance. The Single Treasury Account shall be serviced through the participation of the Ministry of Finance in the Automated Domestic Payment System.

The National Bank shall open and service (make payments, collections, foreign exchange conversions) the foreign exchange accounts of the Ministry of Finance, including those opened for the purpose of implementing donor-funded projects.

All settlements in the accounts of the Ministry of Finance are carried out within the limits of the respective accounts balance (Single Treasury Account and foreign exchange accounts). The National Bank accepts deposits from the Ministry of Finance on market conditions, in accordance with the regulations of the National Bank.

Sight deposits of the Ministry of Finance bear variable interest, calculated monthly, based on the average interest rate on the banking system, available for the last three months, based on interest bearing deposits in MDL attracted on sight from legal entities. For term deposits of the Ministry of Finance, the Bank pays an interest according to the term of the deposit, applying the weighted average interest rate constituted on state securities placed at the last auction for the respective term.

The National Bank of Moldova, as an agent of the Ministry of Finance, manages the primary market of state securities issued in book-entry form on the domestic market, authorized to organize and conduct auctions for the sale of SS on the basis of the State Agent Agreement concluded with the Ministry of Finance.

*The balances of the Ministry of Finance accounts opened with the National Bank are presented under the heading **The RM Government holdings**. These include state budget means held in foreign currency, sight and term deposits of the Ministry of Finance, which are reflected in the balance sheet at amortized cost.*

*Interest expense paid on Government holdings is reflected in the statement of comprehensive income under the heading **Interest expense related to holdings**, and the commissions collected by the Bank from servicing the accounts of the Ministry of Finance (ADPS commissions, foreign exchange transfers, conversions, organization of auctions) are reflected under the heading **Other income**.*

The National Bank shall not grant loans and guarantees in any form whatsoever to the state or its bodies, including through the procurement on the primary market of state securities or by granting overnight loans.

The National Bank may purchase on the secondary market state securities that have been publicly issued, only through open market operations and in connection with the granting of loans to banks.

The National Bank holds in its portfolio state securities derived from government guarantees issued in accordance with *Law No. 235/2016 on the issuance of government bonds for execution of Ministry of Finance's payment obligations derived from the State Guarantees No. 807 of November 17, 2014 and No. 101 of April 1, 2015* and submitted to the National Bank on October 4, 2016 in the form of government bonds and government securities issued as a result of conversion into state securities of loans contracted by the Ministry of Finance from the Bank in the previous years. The trading by the Bank on the secondary market of government bonds derived from government guarantees is limited to 40% of the volume of government bonds submitted to the Bank by the Ministry of Finance.

State securities as a result of the conversion into state securities of loans contracted by the Ministry of Finance from the Bank during the previous years were repurchased by the Government at maturity and reissued in the same volume new securities that are transmitted to the Bank.

The subsidiary of the National Bank, the Single Central Securities Depository (CSD), holds in its portfolio securities issued by the Government of the Republic of Moldova, purchased for investment purposes and held for the collection of cash flows from principal and interest, thus at consolidated level they are included in the consolidated assets of the Bank.

State securities, available in the Bank's portfolio, may be used in money market operations for monetary policy purposes.

Securities issued within auctions organized by the Bank are not reflected in the Bank's accounting records.

*The commission collected by the Bank from the exercise of its duties as agent of the state is recorded at the date of the auctions under the heading **Other income**.*

All portfolios of state securities held by the Bank and its subsidiary are valued at amortized cost, with the Bank's intention to collect the contractual flows.

Government bonds derived from government guarantees are issued with maturities of up to 25 years, with fixed interest rates (nominal rate of 1.4% and 5.3%), the effective interest rate of the bond portfolio being 5%, which was the fair value at the date of initial recognition.

*State securities in the portfolio of the National Bank of Moldova and its subsidiary represent the consolidated assets of the Bank and are reflected under the heading **Securities issued by the Government of the Republic of Moldova**.*

*Interest income from state securities is measured using the effective interest method (taking into account issuance costs) and is reflected in the statement of comprehensive income under **Interest income from state securities**.*

Transactions with the IMF

The National Bank acts as the agent of the state when conducting financial transactions with the IMF and as depository for maintaining IMF accounts. Membership in the IMF is distributed on a quota basis.

The National Bank, as the agent of the state, makes on behalf of the state, the payments related to the repayments of IMF loans, including those of the Ministry of Finance.

The National Bank of Moldova as depository of the IMF opens and maintains the IMF's accounts in MDL with the National Bank.

According to the Parliament Decision (PD) No. 1107/1997 on Moldova's accession to the IMF and the IMF Articles of Agreement, the Bank was empowered to be the agent of the Republic of Moldova to the IMF and the fiscal agent and depository of the IMF in the Republic of Moldova. The Parliament, on the basis of PD No. 1107/1997 and Law No. 548/1995 on the NBM, has empowered the Bank to carry out, on behalf of the Republic of Moldova, all operations and transactions authorized under the provisions of the IMF Articles of Agreement and to receive any sums that may be paid or transferred to the Republic of Moldova in operations and

transactions authorized under the various provisions of the IMF Articles of Agreement.

The subscriptions to the IMF quota are carried out by the National Bank of Moldova, on the basis of Law No. 548/1995 and special laws, whereby it is mandated to assume all obligations for the subscription to the IMF in accordance with the Fund's requirements.

Republic of Moldova's quota in the IMF is a strategic investment and is recognized as an asset of the Bank, being reflected in the balance sheet under the heading **Assets at the IMF.**

The quota is valued at fair value with monthly re-evaluation, on the last working day of the management month, at the XDR exchange rate against the MDL calculated by the IMF.

Considering that the Bank is empowered by law to represent the Republic of Moldova at the IMF, to undertake and conduct operations with the IMF, to make quota subscriptions to the IMF, to receive amounts on behalf of the Republic of Moldova from the IMF, to appoint its representatives to the IMF's governing body, as well as to act as fiscal agent and depository of the IMF, in relation to the Republic of Moldova's operations with the IMF, except those directly attributable to the Government of the Republic of Moldova, the Bank acts as the principal debtor and recognizes the assets and liabilities from these operations in its balance sheet.

The National Bank as the agent of the Republic of Moldova may assume bonds and execute transactions relating to the participation of the Republic of Moldova in international organizations, including the IMF.

Accounts 1 and 2 of the IMF opened with the Bank are Bank bonds reflected under the heading **Bonds to the IMF**, related to the RM's contribution to the IMF quota.

*Credits received by the Republic of Moldova under arrangements with the IMF are reflected in the balance sheet under **Bonds to the IMF**, but only in the part of the volume collected by the National Bank (for the replenishment of foreign exchange reserves), the part received by the Ministry of Finance to cover the budget deficit is recorded by the Ministry of Finance.*

Automated Domestic Payments System

The National Bank oversees the payment system in the Republic of Moldova and promotes the stable and efficient functioning of the Automated Domestic Payments System.

The Automated Domestic Payments System (ADPS) is a payment system owned and operated by the National Bank of Moldova, which allows the automatic and final settlement of payments in Moldovan lei by the ADPS participants on the territory of the Republic of Moldova in the scriptural currency of the National Bank of Moldova.

ADPS consists of a) the real-time gross settlement system for processing urgent and large-value payments; b) the designated-time net settlement system for processing small-value payments

in MDL and c) the instant payment system, implemented during 2024, intended for processing instant payments.

Payments through the ADPS are made by ADPS participants through payment accounts opened with the National Bank of Moldova.

The ADPS participants are: the NBM, banks, the State Treasury of the Ministry of Finance, CSD, the Deposit Guarantee Fund in the banking system, the Cash and Settlement Center in Tiraspol city, non-bank payment service providers, entities providing payment initiation services participating in the Instant system.

Balances of ADPS participants' accounts opened with the NBM are reflected in the financial statements in the balance sheet headings: "Banks' holdings", "RM Government holdings" and "Holdings of other customers". Commissions charged by the NBM on the execution of ADPS transactions are recognized under heading Other income.

Single Central Securities Depository

The National Bank of Moldova owns 480 shares with a nominal value of MDL 50 thousand, which represents 98.36% of the capital of the Joint Stock Company "Single Central Securities Depository" (hereinafter CSD or subsidiary), an entity founded and registered on April 4, 2018. The activity of the CSD is regulated by *Law No. 234/2016 on the Single Central Securities Depository*.

CSD operates as of July 31, 2018 the Single Central Securities Depository System, representing a securities settlement system, which ensures the provision by the Central Depository of securities registration, centralized administration, settlement, where appropriate, of ancillary, corporate services.

The CSD system is based on modern straight-through-processing technology, connected to ADPS and providing an efficient infrastructure and services for the settlement of securities transactions and registration of ownership rights on securities.

The CSD registers the financial instruments issued in the Republic of Moldova and allocates ISIN codes. The operation is performed by registering the securities in the CSD System and opening accounts for the issuer and first owners. The CSD settles the securities registered by the CSD. The CSD keeps records of the securities, rights and restrictions on the rights offered by the securities.

*At the individual level, the Bank's investment in its subsidiary – CSD, is represented under the heading **Investments in subsidiaries**, being valued at the historical cost of the investment (capital contribution) minus depreciation losses.*

At the consolidated level, the investment in the CSD subsidiary is consolidated, showing the position, performance and cash flows of the Bank and the CSD, with the elimination of the related transactions and balances from the balances and transactions between the NBM and the CSD.

Consolidated transactions and balances including positions related to the Central Depository on consolidation include Cash and placements, State securities issued by the Government of

the Republic of Moldova, Other assets, Fixed assets, Other liabilities, Other reserves, Non-controlling interests, Interest income on securities, Other income, Operating expenses, etc.

Banking, payment systems and foreign exchange supervision

In order to protect the interests of depositors, as well as to ensure the stability and viability of the banking system, the National Bank of Moldova conducts prudential supervision of banks in the Republic of Moldova, ensuring compliance with the legal requirements for the prevention and limitation of risks specific to the banking activity.

According to Law No. 114/2012 on payment services and electronic money, the NBM licenses, regulates and supervises the activity of payment service providers and electronic money issuers.

According to the Law No. 62/2008 on foreign exchange regulation, the NBM licenses, regulates and supervises the activity of foreign exchange entities.

Licensing fees and fines imposed in the process of supervision of entities are paid to the state budget.

The National Bank does not apply regulatory supervisory payments similar to other European or Moldovan supervisory authorities.

Payments collected from licensing and fines applied in the supervision process are not reflected in the NBM's financial statements, they are revenues transferred directly to the state budget of the Republic of Moldova by the payers.

13.2.2 Financial autonomy in the implementation of basic duties

The institutional, functional, personal and financial independence of the central bank is the key to a stable, reliable, competitive and efficient financial market that serves the national economy and the well-being of society.

The financial autonomy of the National Bank is a fundamental element in the efficient and independent implementation of the powers conferred by law.

A central bank cannot credibly operate independently without adequate financial means, dependent on external financing for its operational expenses. However, financial autonomy must be assessed from the perspective of the ability of third parties to directly or indirectly influence not only the duties of a central bank, but also its capacity (both operationally, in terms of personnel, and financially, in terms of adequate financial resources) to fulfill its mandate.

The financial autonomy of the NBM is ensured under Law No. 548/1995 on the National Bank of Moldova NBM through the following instruments:

Budgetary independence (Article 21)

The National Bank of Moldova is fully financed from its own revenues obtained as a result of carrying out activities specific to central banks, and among the constant concerns for the good financial management of resources are maintaining budgetary balance and controlling operating expenses.

Annually, the forecast of the Bank's revenues, expenses, including administrative expenses and capital investments, is presented for examination to the members of the Executive Board, serving as a managerial instrument for monitoring over time the Bank's economic and financial activity and forecasting the capital requirements and profit available for distribution for the management year.

Subsequently, the administrative expenses included in the Expenditure Estimates and the capital investments included in the Investment Allocations are presented to the Supervisory Board for approval, which is verified in practice, according to the practices and procedures of internal control and audit.

It should be noted that, in addition to the income obtained from the management of financial assets in foreign currency and national currency, the National Bank may charge fees for some permitted activities defined in Law No. 548/1995, in order to recover the costs incurred in connection with the services provided and the operations performed.

Accounting and auditing of financial statements defined in the legal framework (Articles 66-68)

Accounting, financial reporting and auditing policies are not subject to regulation by third parties.

The National Bank is obliged to keep accounting records and prepare financial statements in the manner provided for by the legislation in the field of accounting and financial reporting and by international financial reporting standards, providing a true and fair view of the financial position, financial performance and other information related to its activity.

At the end of each financial year, the National Bank prepares annual individual and, where applicable, consolidated financial statements, in accordance with IFRS, and semi-annually, individual and, where applicable, consolidated condensed financial statements, in accordance with ARS 34 "Interim Financial Reporting".

The annual financial statements of the National Bank are subject to annual audit, in accordance with international auditing standards, which is carried out by an independent, reputable audit entity with recognized experience in the field of central bank auditing.

The legality and regularity of the budget for administrative expenses and capital investments is audited by the Court of Accounts. The external public audit of the Court of Accounts is limited to examining the operational efficiency of decisions taken by the management of the National Bank, excluding those related to the implementation of the National Bank's monetary and foreign exchange policy and the management of the state international reserves.

Clear provisions for profit distribution, capital and reserves formation (Article 19, Article 20)

The method of distributing the profit available for distribution and formation of reserves is provided for in *Law No. 548/1995 on the National Bank of Moldova*.

At the end of the financial year, the profit available for distribution is allocated to increase the statutory capital in full, if the size of the statutory capital, until the distribution of the profit available for distribution at the end of the financial year, constitutes less than 4% of the total monetary liabilities of the National Bank; 50% for the increase in the statutory capital and 50% transferred to the state budget – if the size of the statutory capital constitutes from 4% to 10% of the total monetary liabilities; entirely transferred to the state budget – if the size of the statutory capital constitutes more than 10% of the total monetary liabilities.

The capital of the National Bank includes the statutory capital, reserve accounts created in accordance with the provisions of IFRS and reserve accounts of unrealized income formed in accordance with the provisions of Law No. 548/1995.

The statutory capital consists of authorized capital and general reserve fund. The authorized capital is subscribed and held exclusively by the state, it is not transferable or encumbered with charges. No reduction in the level of monetary debts, both during and at the end of the financial year, implies a decrease in the previously created statutory capital.

The General Reserve Fund is used exclusively to cover losses recorded according to the result of the year at the end of the financial year.

If at the end of the financial year the level of the statutory capital falls below 4% of the total monetary liabilities of the National Bank, the Government, represented by the Ministry of Finance, within 60 days after receiving the external auditor's report on the financial statements of the National Bank shall transfer to the National Bank a capital contribution in state securities at a market interest rate, in the amount necessary to increase the statutory capital up to 4% of the total monetary liabilities of the National Bank.

The right to acquire and dispose of the goods (Article 3, Article 70)

The National Bank is competent to acquire and dispose of movable and immovable property for the purpose of exercising its duties and for its operational needs.

The National Bank exercises exclusively and unrestrictedly the rights of possession, use and disposal over the assets constituting the state's international reserves, over the acquired assets, as well as over the movable assets used in the exercise of monetary and foreign exchange policy duties. Goods constituting international reserves of the state cannot be subject to seizure, compulsory pursuit, confiscation, requisition or expropriation.

The National Bank may sell the unused assets, which represent tangible and intangible assets that are part of the private domain of the state and are owned by the National Bank, in the manner

established by the Government. The financial means obtained from the sale of the respective properties, after covering the expenses related to their sale, are registered as income of the National Bank.

The National Bank is not liable for the obligations of the state and the obligations of other authorities or public institutions.

The Supervisory Board independent of executive management with limited powers in financial decision-making (Article 22, Article 26)

The Supervisory Board is responsible for organizing an efficient system of independent public supervision of the activity of the National Bank.

The Supervisory Board is composed of the Governor, the First Deputy Governor, a Deputy Governor and four members who are not employees of the National Bank.

The powers of the Supervisory Board are limited to adopting the standards of the internal control system, continuously verifying and evaluating its functioning; approving the annual report, annual financial statements, administrative expenses and capital investments of the NBM; submitting proposals to increase the capital of the National Bank; confirming the audit entity; determining the National Bank's payroll fund, the level of remuneration of the members of the Executive Board, and the remuneration conditions of the Comptroller General, including his/her appointment; setting the conditions for granting loans to the employees of the National Bank; establishing the nominal value, the design of banknotes and coins, the method of putting them into circulation and the conditions for withdrawing them from circulation; adopting professional ethics norms; establishing the method of creating and operating the committees that may operate within the National Bank; approving the submission to Parliament of proposals for the dismissal of members of the management bodies, following the request submitted by the governor; approving internal regulations related to the exercise of their powers; issuing the opinions in situations provided for by law.

Autonomy in personnel matters (Article 34)

The staff of the National Bank is hired and dismissed in the manner and under the conditions established by the Executive Board, with the exception of the staff of its Cabinet and the Governor's Control Body, which is appointed and dismissed from office according to the internal regulations approved by the Governor.

The Executive Board shall decide on the remuneration of the script staff of the National Bank in accordance with the legislation. The National Bank shall establish and maintain the remuneration system of its employees in a manner that, according to principles accepted in international practice, ensures internal equity and external competitiveness, strengthens the institutional capacity, the continuity of the activity and the human resources. In this regard, the level of remuneration of the National Bank employees shall not be below the level of remuneration for positions of similar impact and complexity from the banking sector and/ or the general market of specialized services.

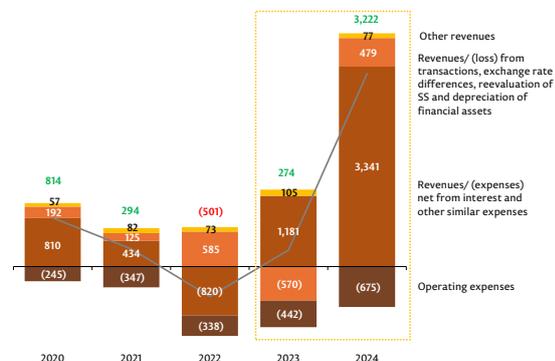
13.3 Analysis of the financial result at individual level

The financial result of the National Bank of Moldova directly depends on the need to carry out monetary and foreign exchange operations, in order to achieve the fundamental objective and fulfill the basic duties of the bank. The evolution of the financial result, during the years 2020-2024, is reflected in the chart 13.1.

According to the financial statement as of December 31, 2024, the Bank recorded a profit available for distribution of MDL 3,221.94 million, by MDL 2,947.53 million higher than the situation as of December 31, 2023 when the Bank recorded a profit of MDL 274.41 million (Table A.27).

The achievement of a result exceeding the comparative period derives mainly due to:

Chart 13.1: Evolution of the financial result during the years 2020-2024 (MDL million)



Source: NBM

- The recording of some net expenses for remuneration of monetary policy instruments, lower by approximately MDL 1,702.94 million. Net expenses for remuneration of required reserves during 2024 were lower by approximately 851.05 million lei, that was determined both by the evolution of the average required reserve remuneration rate in MDL, and by required reserve ratios that have been reduced in several steps through monetary policy decisions. Sterilization expenses through the NBC were lower by about MDL 805.36 million, compared to 2023, as a result of the decrease in the average interest rate on NBC;
- Recording higher net income from foreign exchange reserve management by approximately MDL 1,241.59 million, largely due to the increase in the profitability of foreign exchange reserves from 3.72% in 2023 to 3.90% in 2024, with the average balance of foreign exchange reserves during 2024 recording an increase of approximately 12% compared to the average balance recorded during the previous year;
- Recording on December 31, 2023 of unrealized losses from exchange rate differences from the re-evaluation of foreign exchange stocks, not offset from the balance of the unrealized income reserve, in the amount of MDL 293.72 million, which reduced the financial result for the year 2023, as of December 31, 2024, the unrealized income was recorded and was distributed to the balance of the reserve of unrealized income.

The impact of the factors that determined the recording of a higher result than the comparative period was partially tempered by the recording of net income from the relationship with the Government regarding monetary-foreign exchange activity lower by approximately MDL 38.38 million, as well as the increase in net expenses in national currency by approximately MDL 143.94 million and net expenses related to other operations, including operating costs, by approximately MDL 117.24 million.

The impact of the implementation of monetary policy and activities related to relations with the Government of the Republic of Moldova on the financial situation of the National Bank of Moldova

The year 2024 was characterized by a decreasing inflation rate in the first half of the year, driven by moderate domestic demand, lower food prices on the international market and a reduction in some utility tariffs, followed by an increase towards the end of the year, mainly considering the unfavorable weather conditions in the summer of 2024, the increase in regulated prices for certain services and products and the significant appreciation of the US dollar, the effects partially offset by the continued recording of relatively moderate domestic demand.

In this context, at the beginning of 2024, the National Bank made decisions to reduce the base rate applied to the main monetary policy operations from 4.75% to 3.60%, aiming to support lending and stimulate domestic demand. Also, interest rates on overnight loans and deposits were reduced to 5.6% and 1.6% annually, respectively, by a total of 1.15 percentage points. In the second half of the year, the National Bank maintained a stimulative monetary policy, keeping interest rates unchanged.

Under these conditions, the expenses for sterilization operations carried out through the issuance of NBCs decreased by MDL 805.36 million, largely determined by the evolution of the average interest rate on NBC, which during the reporting period amounted to 3.88%, compared to 2023, when the average rate was 10.89%. The average daily balance of NBCs amounted to MDL 9,657.09 million (2023: MDL 10,923.63 million).

At the same time, during 2024, the required reserve ratios were reduced in several steps through monetary policy decisions, both in MDL, from 33.0% (in effect on December 31, 2023) to 25.0% (in force on December 31, 2024), and in FCC, from 43.0% (in force on December 31, 2023) to 34.0% (in force on December 31, 2024).

The remuneration rate for required reserves in MDL was reduced from 2.75% in January 2024 to 1.60% in December 2024, while required reserves maintained in US dollars were remunerated at rates within the variation range from 2.52% to 3.34%, and required reserves maintained in EUR – within the variation range from 1.05% to 1.91%. In 2023, the required reserves in FCC, from January to October, until the entry into force of EBD No. 221/2023, were remunerated at the rate of 0.01%, subsequently, the required reserves maintained in US dollars were remunerated at an annual rate of 3.32% in November and 3.34% in December, and the required reserves maintained in EUR – by 1.90%.

Under these conditions, the expenses related to the remuneration of required reserves for 2024 decreased by MDL 851.05 million, the average annual remuneration rate of required reserves in MDL decreasing to 1.81% (2023: 8.04%).

Net expenses related to the accounts and deposits of the Ministry of Finance decreased by MDL 113.19 million compared to the previous year, mostly due to the registration of interest expenses on demand deposits by MDL 81.75 million lower, the average remuneration rate of the balance of the Single Treasury Account being 1.89% (2023: 3.71%). The average daily balance of the

Single Treasury Account during 2024 amounted to MDL 7,014.20 million (2023: MDL 5,798.02 million).

In the same way, interest expenses related to the term deposits of the Ministry of Finance decreased by approximately MDL 30.91 million, having been influenced both by the evolution of the average remuneration rate, which in the reporting period amounted to 8.68% (2023: 16.28%), and by the registration of an average balance of deposits by MDL 153.67 million lower than in 2023.

The decrease in interest expenses on overnight deposits attracted at term from resident banks by MDL 32.13 million was determined both by the evolution of the average interest rate, during the reporting period constituting 1.85% (2023: 9.64%), and by the registration of an average balance of deposits by MDL 72.56 million lower than in 2023.

Net income from holding the SS portfolio, in 2024 compared to the previous year, decreased by MDL 151.89 million, being largely influenced by the decrease in income from the amortization of the discount on SS by approximately MDL 109.17 million, considering the weighted average interest rate on TB issued in the analyzed period of 4.29% (2023: 13.28%), as well as by the registration of an average balance of TB held in the portfolio by MDL 173.02 million lower than in 2023.

The set of monetary policy instruments applied by the National Bank of Moldova during 2024 and the activities related to the relations with the Government generated a net loss of MDL 442.54 million, compared to the loss of MDL 2,107.10 million recorded in 2023 (Table A.28).

Impact of the operations of management of the official reserve assets of the state on the financial statement of the National Bank of Moldova

The official reserve assets held by the National Bank of Moldova increased as of December 31, 2024 compared to December 31, 2023 by 0.56% or by USD 30.43 million (from USD 5,453.14 million to USD 5,483.57 million), being invested mainly in US dollar and euro instruments.

At the same time, during 2024, the average annual volume of international reserves increased by 11.82% or by USD 575.17 million (from USD 4,866.85 million to USD 5,442.02 million).

The net income related to the official reserve assets management amounted to MDL 4,300.15 million, increasing by MDL 1,241.59 million compared to the previous year, when it amounted to MDL 3,058.56 million. This result was largely determined by the increase in the return on official reserve assets from 3.72% in 2023 to 3.90% in 2024.

The increase in profitability is explained by the maintenance of a higher level of interest rates on financial assets for a longer period in accordance with the decisions of the monetary authorities related to the component currencies, as well as the reinvestment of funds in financial instruments at more advantageous rates, including the increase in the duration of the portfolio.

At the same time, for the whole of 2024, the reference rate of the US Federal Reserve System evolved from 5.25%-5.50% to 4.25%-4.50%, the rate of the Bank of England from 5.25% to 4.75%, and the rate of the European Central Bank decreased from 4.50% to 3.15% (the deposit facility rate evolved from 4.00% to 3.00%), in the context of the moderation of inflationary pressures, updated assessments of the inflation outlook and transmission power, and the approach/ stabilization around the target value. These evolutions had an impact on the rates of remuneration of funds in USD, GBP and EUR placed on demand and term.

The increase in the result of the official reserve assets management was also partially determined by the recording of net income from foreign exchange sales in the amount of MDL 524.42 million, compared to 2023 when the net expenses were recorded in the amount of MDL 156.48 million.

The income from foreign exchange operations arise from the sale of currency and represent the positive difference between the selling rate and the cost of the stock of that currency (or the average exchange rate of the purchased currency) multiplied by the sales volume (and vice versa in the case of negative stock).

During 2024, the income generated was recorded mainly as a result of USD to EUR conversions for the purpose of adjusting the currency composition of reserves, as well as other currency conversions performed. During the analyzed period, the NBM recorded foreign exchange sales in the amount of US dollars 542.38 million, of which sales interventions of US dollars 226.3 million, as well as foreign exchange conversions against MDL in a total volume of approximately US dollars 580.51 million (recalculated in USD). In 2023, foreign exchange sales in the amount of US dollars 203.60 million were carried out, as well as foreign exchange conversions against MDL in a total volume of US dollars 535.82 million.

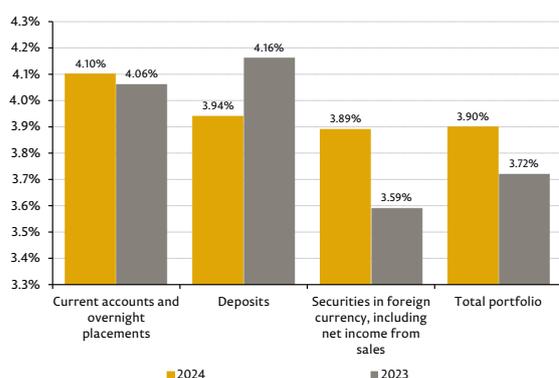
Additional information on the official reserve assets management is presented in **Chapter 3 Monetary Policy. Official reserve assets**.

The impact of the official reserve assets management operations on the financial situation of the National Bank of Moldova is presented in the table A.29.

In accordance with international best practices, as well as the provisions of the Law on the National Bank of Moldova, the main criteria for the selection of reserve assets are the safety of the base amounts and liquidity. Thus, only after these two criteria are ensured, the profitability of the instruments in which the official reserve assets of the state are invested is taken into account.

The evolution of the official exchange rate of the MDL against the currencies in which the official reserve assets are held had a significant impact on the financial situation of the National Bank of Moldova, with a depreciation of the USD/MDL exchange rate of 6.2% at the end of 2024 compared to the end of the previous year. At the end of 2023, there was recorded a 9.1% appreciation of the USD/MDL exchange rate compared to the end of the previous reporting year (Table A.30).

Chart 13.2: Evolution of the profitability of official reserve assets in 2024 compared to 2023 (%)



Source: NBM

Thus, at the end of 2024, as a result of the depreciation of the MDL against some currencies that make up foreign exchange stocks, net unrealized income from exchange rate differences from the re-evaluation of foreign exchange stocks in the amount of MDL 2,753.77 million was recorded. At the end of 2023, unrealized losses from exchange rate differences from the re-evaluation of foreign exchange stocks were recorded in the amount of MDL 5,787.27 million.

Analysis of the execution of the Expenditure Estimates and Investment Allocations

Annually, all administrative expenses and capital investments of the National Bank are provided for in the expenditure estimate and, respectively, in the investment allocations, which are approved by the Supervisory Board and verified in practice, according to the practices and procedures of internal control and audit.

Budget proposals are established taking into account the objectives set out in the Strategic Plan, the Information and Communications Technology Strategy and the Annual Activity Plan of the National Bank of Moldova for the following year.

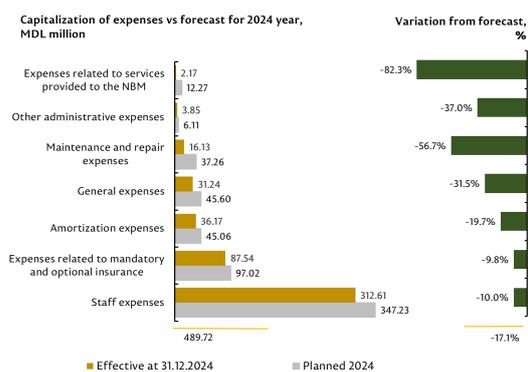
The Executive Board is responsible for the detailed planning and execution of the Expenditure Estimates and Investment Allocations, for the detailed determination of the types of planned expenditures, for the establishment of the responsible subdivisions, as well as for the supervision of the entire planning process and for the decision-making of acceptance/ rejection of the necessary expenditures to be made by the responsible subdivisions.

Planning of administrative expenses and capital investments is carried out based on the following essential principles:

- a) *consultation* – involving all responsible subdivisions in the process of planning administrative expenses and capital investments, through discussions, making estimates, studying the market, presenting budget proposals, etc.;
- b) *responsibility* – responsible attitude from the part of the subdivisions involved in the process of planning administrative expenses and capital investments related to the subdivision's activity, as well as regarding their adequate management;
- c) *performance* – planning financial resources in an economical, efficient and effective manner, in accordance with the principles of good governance;
- d) *exhaustiveness* – comprehensive approach to all administrative expenses and capital investments that are significant, pursuing an efficient and reasonable planning process;
- e) *prudence* – a cautious approach in applying reasoning regarding planning under conditions of uncertainty, in order to avoid undervaluation of administrative expenses and overvaluation of capital investments;
- f) *rationality* – planning administrative expenses and capital investments considering their execution capacity;

- g) *sustainability* – balanced and integrated approach to economic, social and environmental dimensions in the planning and execution process of administrative expenditures and capital investments.

Chart 13.3: Capitalization of administrative expenses as of December 31, 2024



Source: NBM

For 2024, administrative expenses were approved in the amount of MDL 591,355.00 thousand, which were subsequently rectified by decreasing to MDL 590,547.00 thousand. Actually, on December 31, 2024, administrative expenses in the amount of MDL 489,719.00 thousand were utilized, which indicates a degree of realization of 82.9%. The registration of lower than planned administrative expenses demonstrates the National Bank's constant concern for the sound financial management of its own operating resources (Chart 13.3).

Personnel expenses, including social security contributions, represent the largest share of total administrative expenses, executed in the amount of MDL 400.15 million or 90.1% of the approved amount. The failure to capitalize on the total amount planned for the reported period is mainly due to hiring a smaller number of employees than planned, as well as hiring new employees at a lower salary range than the budgeted average.

The general expenses were capitalized in the amount of 68.5% of the approved amount of MDL 45.60 million. The main factors that determined the non-execution of the planned amounts in total were obtaining lower prices than those estimated for the purchased services, covering some expenses from technical assistance projects from which the Bank benefited, revising the plan for carrying out some administrative activities which led to the postponement of some planned expenses, or carrying out procurement procedures for a longer period than initially planned.

Maintenance and repair expenses amounted to MDL 16.13 million. The entry into force of the legislative amendments, which provide for obtaining the authorizations for certain repair works, consequently replanned for future periods, and the payment of lower maintenance service fees than those initially planned, mainly determined the registration of a degree of realization of 43.30% of the approved amount.

At the same time, some exogenous factors, as well as the revision of planned amounts according to real needs, largely influenced the degree of realization of expenses regarding the services provided to the Bank, which were capitalized in the amount of only MDL 2.17 million of the planned amount.

The planned expenses regarding the depreciation of fixed assets were capitalized in the amount of 80.3%. The recorded savings are mainly due to the postponement of some asset purchases.

For the purpose of purchasing and modernizing the tangible and intangible assets of the National Bank of Moldova, as well as ensuring the purchase of works and services, for the years 2024-2027, the financial means in the amount of MDL 176,264.00 thousand were approved.

Considering the time horizon of capitalizing on the allocations over a period of about 4 years, the financial means were planned to be paid during 2024 in the amount of MDL 83,213.00 thousand.

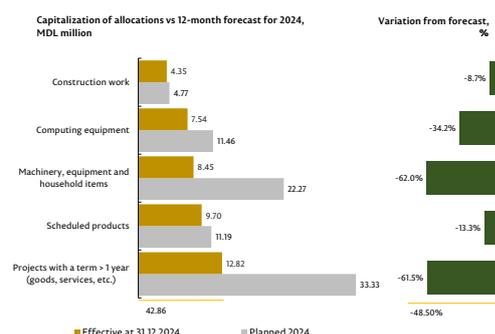
Actually, as of December 31, 2024, the financial means in the amount of MDL 42,857.22 thousand were utilized.

A large share of capital investments in 2024 were related to the purchase of hardware and software products and the implementation of IT projects (Chart 13.4). During this period, the Bank purchased Microsoft licenses, computing equipment, services for capital repairs of the Bank’s assets, household inventory and also incurred expenses for payments related to the development of some IT solutions implemented during the year (Instant Payments solution, Prevention and Combating Money Laundering Software, etc.).

The degree of realization of the approved amounts, amounting to 51.5%, was influenced by several factors, which had a direct impact on the calendar of the planned capital investments to be carried out, among which the most important ones were:

- ambiguities in the interpretation of legal regulations in the field of public procurement relevant to investment projects led to delays in the process of finalizing the procurement documentation;
- some of the major projects targeted at investments were particularly complex and required additional studies to accurately determine the Bank’s needs and specific technical requirements;
- considering the emergence of new needs and implementation conditions, a replanning of activities was necessary. In this regard, the projects with immediate impact were given priority, to the detriment of investments that were not urgent. This reprioritization led to the postponement of the implementation of the projects that, although important, did not represent an urgency in relation to the Bank’s immediate needs, thus were rescheduled for future periods.

Chart 13.4: Capitalization of capital investment as of December 31, 2024



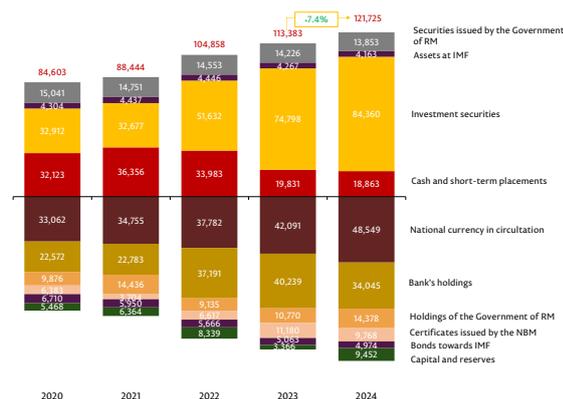
Source: NBM

13.4 Analysis of the financial position at individual level

The activities carried out by the National Bank of Moldova during 2024, in order to fulfill its core duties, have an impact on the balance sheet structure of the National Bank of Moldova, which is reflected in chart 13.5 and table A.31.

The Balance Sheet and Statement of Comprehensive Income of the NBM are published quarterly on the bank’s website, and the complete Annual Financial Statements, together with the Independent Auditor’s Report, are published annually.

Chart 13.5: Evolution of the balance sheet over the years 2020-2024 (MDL million)



Source: NBM

13.5 Comparative analysis of the financial position and consolidated financial result

The financial result of the subsidiary

The CSD manages, starting from July 31, 2018, the Single Central Securities Depository System, which represents a securities settlement system, which ensures the provision of securities registration services, centralized administration, settlement, as appropriate, of ancillary, corporate services. The CSD operates with state securities and the receivables of the National Bank of Moldova, with corporate financial instruments and fully ensures the settlement functions of stock market transactions. The operations are carried out by registering the securities in the CSD System and opening accounts for the issuer and the first owners. The CSD performs settlements with registered securities, at the same time, keeps records of securities, rights and restrictions on the rights offered by the securities.

The analysis of the financial result on the main activities of the CSD is presented in table A.32.

Analysis of the financial position of the subsidiary

The activities carried out by the CSD during 2024, in order to fulfill its core duties, have an impact on the structure of the subsidiary's balance sheet, which is reflected in table A.33.

Following the consolidation of the financial result of the subsidiary of the National Bank of Moldova, the consolidated and individual financial position of the National Bank of Moldova is presented in table A.34.

Following the consolidation of the financial result of the subsidiary, as of December 31, 2024, the consolidated financial position of the National Bank of Moldova increased by MDL 9.36 million, the effect determined by the investment of reserve assets accumulated by the CSD in state securities.

Following the consolidation of the financial result of the subsidiary of the National Bank of Moldova, the consolidated and individual financial result of the National Bank of Moldova is presented in the table A.35.

13.6 Capital and reserves

In accordance with Article 19 of Law No. 548/1995 on the National Bank of Moldova, the bank's capital includes the statutory capital, reserve accounts created in accordance with the provisions of Article 66 and reserve accounts of unrealized income. The statutory capital includes the authorized capital and the general reserve fund, it is dynamic and is formed from the profit of the year available for distribution, from the income obtained in accordance with Article 64 paragraph (3) and/ or from the contributions of the Government of the Republic of Moldova, until its size reaches 10% of the total monetary bonds of the National Bank of Moldova. The general reserve fund may be used exclusively to cover losses realized in accordance with the result for the financial year at the end of the financial year, in the event of a negative result.

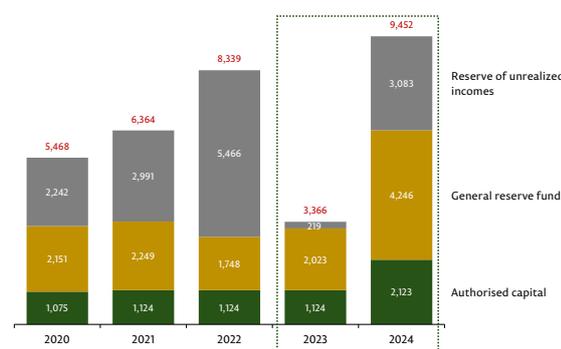
If at the end of the financial year the level of the statutory capital, after the distribution of the financial result for the current year, falls below 4.00% of the total monetary liabilities of the National Bank, the Government, represented by the Ministry of Finance, within 60 days after receiving the external auditor's report on the financial statements of the National Bank, shall transfer to the National Bank, in a single installment, a capital contribution in state securities at a market interest rate, in the amount necessary to increase the statutory capital up to 4.00% of the total monetary liabilities of the National Bank, in the manner provided for in Article 19 paragraph (6).

The capital and reserves situation is shown in table A.36.

On December 31, 2024, the authorized capital was increased by MDL 998,608 thousand, up to MDL 2,122,980 thousand, and the general reserve fund was increased by MDL 2,223,333 thousand, up to MDL 4,245,959 thousand. In the reserve for unrealized income from exchange rate differences from the re-evaluation of foreign exchange stocks, unrealized income in the amount of MDL 2,753,773 thousand was distributed (December 31, 2023: unrealized losses in the amount of MDL 5,787,275 thousand, partially covered from the reserve for unrealized income, the difference of MDL 293,718 thousand remaining in the profit available for distribution and being implicitly covered from the general reserve fund), until the allocation, and the balance of the reserve was zero.

Considering that the level of capital as of December 31, 2024, until the distribution of the profit available for distribution constituted 3.39% of the total monetary liabilities, which is below the minimum admissible level of 4.00%, the profit available for distribution was allocated in full to increase the authorized capital, up to the level of 1/3 of the statutory capital, and the general reserve fund up to the level of 2/3 of the statutory capital, in accordance with the provisions of Law No. 548/1995. Thus, the level of capital, as of December 31, 2024, after the distribution of the profit available for distribution, increased up to 6.85%.

Chart 13.6: Capital and reserves structure in 2020-2024 (MDL million)



Source: NBM

As of December 31, 2023, the level of capital after the distribution of profit available for distribution constituted 3.34% of total monetary liabilities, which is below the minimum level of 4.00%. Thus, during 2024, it was necessary for the Government, represented by the Ministry of Finance, to transfer to the National Bank a capital contribution in the amount of MDL 620,372 thousand in the form of state securities at a market interest rate, in order to increase the level of statutory capital up to 4.00% of the Bank's total monetary liabilities. Until the end of 2024, the Government, represented by the Ministry of Finance, had not issued state securities in the established volume of MDL 620,372 thousand necessary to increase the statutory capital up to 4.00% of the Bank's total monetary liabilities recorded as of December 31, 2023.

Under these conditions, the National Bank will not request a capital contribution from the Government, represented by the Ministry of Finance, during 2025, the profit available for distribution recorded in 2024 will be sufficient to restore the capital level above the minimum level of 4.00%.

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Appendix A

Statistical tables

Table A.1: Balance of payments of the Republic of Moldova (according to BPM6), main aggregates (USD million)

	2022	2023	2024
CURRENT ACCOUNT	-2,482.3	-1,893.2	-2,917.0
Goods	-5,192.8	-4,869.1	-5,619.9
Services	908.5	894.9	918.8
Primary income	59.7	266.8	157.9
Secondary income	1,742.3	1,814.2	1,626.2
CAPITAL ACCOUNT	42.6	81.9	81.8
Net borrowing (current and capital account)	-2,439.7	-1,811.4	-2,835.2
FINANCIAL ACCOUNT	-2,435.4	-1,651.4	-2,824.0
Direct investment, net	-541.1	-341.6	-243.8
Portfolio investment, net	1.7	9.4	68.7
Other investment, net	-2,533.3	-2,210.5	-2,804.6
Reserve assets	637.3	891.3	155.6
<i>Net errors and omissions</i>	<i>4.3</i>	<i>160.0</i>	<i>11.2</i>
<i>Informative: Personal remittances, credit</i>	<i>1,986.9</i>	<i>1,946.3</i>	<i>1,858.2</i>
	% to GDP		
CURRENT ACCOUNT	-17.1	-11.3	-16.0
Goods	-35.8	-29.1	-30.9
Services	6.3	5.4	5.0
Primary income	0.4	1.6	0.9
Secondary income	12.0	10.9	8.9
CAPITAL ACCOUNT	0.3	0.5	0.4
Net borrowing (current and capital account)	-16.8	-10.8	-15.6
FINANCIAL ACCOUNT	-16.8	-9.9	-15.5
Direct investment, net	-3.7	-2.0	-1.3
Portfolio investment and financial derivatives, net	0.0	0.1	0.4
Other investment, net	-17.4	-13.2	-15.4
Reserve assets	4.4	5.3	0.9
<i>Informative: Personal remittances, credit</i>	<i>13.7</i>	<i>11.6</i>	<i>10.2</i>

Source: NBM

Note: For financial account: (-) – net capital inflows, (+) – net capital outflows.

Table A.2: External loans (incurrence of liabilities), by institutional sectors, drawings and repayments (USD million)

	2022		2023		2024	
	draw.	rep.	draw.	rep.	draw.	rep.
Loans	1,215.7	423.0	1,293.8	817.6	1,347.7	671.7
Central bank	-	24.2	-	7.9	-	10.3
long-term	-	24.2	-	7.9	-	10.3
General government	799.4	115.8	961.3	494.5	1,005.2	337.8
long-term	799.4	115.8	961.3	494.5	1 005.2	337.8
Deposit-taking corporations except central bank	168.6	53.2	53.9	74.9	56.5	67.0
short-term	26.4	25.7	-	-	-	-
long-term	142.2	27.5	53.9	74.9	56.5	67.0
Nonfinancial corporations.	116.6	132.4	146.2	113.8	132.6	131.1
Hs and NPISHs						
short-term	13.2	12.9	6.6	6.0	34.3	30.5
long-term	103.3	119.5	139.6	107.8	98.3	100.6
Other financial corporations	131.2	97.4	132.5	126.5	153.3	125.5
short-term	-	-	0.7	0.1	2.1	1.0
long-term	131.2	97.4	131.8	126.4	151.3	124.5

Source: NBM

Note: Hs – households, NPISHs – non-profit institutions serving households

Table A.3: International investment position (BPM6) of the Republic of Moldova, end of period (USD million)

	2022	2023	2024
Net international investment position	-6,202.5	-5,960.7	-5,588.3
Assets	6,470.2	7,769.5	8,226.9
<i>Direct investment</i>	393.3	409.3	498.3
Equity and shares	287.5	298.5	388.7
Debt instruments	105.7	110.8	109.6
<i>Portfolio investment</i>	15.7	23.6	91.4
<i>Other investment</i>	1,587.1	1,883.5	2,153.7
Currency and deposits	538.5	986.5	1,059.9
Loans	211.0	174.3	231.9
Trade credits and advances	828.6	713.7	852.8
Other accounts receivable	9.0	9.0	9.0
<i>Reserve assets</i>	4,474.2	5,453.2	5,483.6
Liabilities	12,672.7	13,730.2	13,815.2
<i>Direct investment</i>	4,946.7	5,469.0	5,393.4
Equity and shares	3,073.8	3,588.5	3,580.0
Debt instruments	1,872.9	1,880.5	1,813.4
<i>Portfolio investment</i>	24.6	23.3	22.4
<i>Other investment</i>	7,701.4	8,237.9	8,399.4
Currency and deposits	203.6	211.4	194.2
Loans	4,847.1	5,462.1	5,890.8
Trade credits and advances	2,218.3	2,132.0	1,895.7
Other accounts payable – other	55.7	52.6	49.5
Special drawing rights – other	376.7	379.8	369.3

Source: NBM

Note: SDR – Special Drawing Right

Table A.4: Gross external debt (BPM6) of the Republic of Moldova by institutional sectors and by maturity (original), end of period (USD million)

	2022	2023	2024
General government	3,172.9	3,751.2	4,235.7
Short-term	0.7	1.3	2.2
Long-term	3,172.2	3,749.9	4,233.5
of which the debt of ATU*	31.6	54.6	44.9
Central bank	64.0	56.6	45.0
Long-term	64.0	56.6	45.0
Societăți care acceptă depozite. except central bank	486.7	494.4	453.6
Short-term	192.4	210.5	193.8
Long-term	294.3	283.9	259.8
Other sectors	3,978.6	3,936.2	3,665.7
Short-term	2,272.5	2,166.6	1,935.1
Long-term	1,706.1	1,769.5	1,730.7
<i>Other financial corporations</i>	322.1	316.5	328.7
Short-term	33.9	23.0	22.9
Long-term	288.2	293.6	305.8
<i>Nonfinancial corporations</i>	3,590.3	3,548.4	3,263.1
Pe termen scurt	2,236.0	2,140.6	1,907.3
Long-term	1,354.3	1,407.8	1,355.8
of which the debt of public corporations	26.8	12.7	10.0
<i>Households and NPISHs**</i>	66.2	71.2	73.9
Short-term	2.7	3.1	4.8
Long-term	63.6	68.2	69.0
Direct investment: intercompany lending	1,872.9	1,880.5	1,813.4
Short-term	278.0	306.2	289.4
Long-term	1,595.0	1,574.3	1,524.0
TOTAL	9,575.0	10,118.8	10,213.3

Source: NBM

*ATU – administrative-territorial units

**NPISHs – non-profit institutions serving households

Table A.5: The main indicators related to external debt (BPM6), end of period (%)

	2022	2023	2024
Share of public external debt in gross external debt	34.1	37.8	42.2
Share of long-term external debt in gross external debt	71.3	73.5	76.3
Share of creditors international organizations and foreign governments in external debt in form of loans and SDR allocations	56.5	59.6	62.4
Implicit quarterly average interest rate on external debt in form of loans and SDR allocations	1.3	2.3	2.5
Financing renewal rate (the ratio between new withdrawals and repayments on long-term loans)	223.9	126.1	144.9
	years		
Implied average maturity of long-term external debt in the form of loans (in how many years will the debt be repaid, if current repayments are maintained and there are no new withdrawals)	8.8	5.3	6.5

Source: NBM

Table A.6: Operations on the domestic foreign exchange market against MDL (equivalent in USD million)

	Transactions of licensed banks in the foreign exchange market against MDL, structured by sources (including operations with financial derivatives)									Foreign exchange offices (Cash)	Domestic foreign exchange market		
	NBM	Resident banks	Non-resident banks	Legal entities	Individuals and foreign exchange offices			Miscellaneous	Total		Transfer	Cash	Total
					Cash	Transfer	Total						
	1	2	3	4	5	6	7=5+6	8	9=1+2+3+4+7+8	10	11=9-5	12=5+10	13=11+12
Turnover													
2023	585.7	852.0	188.7	11,472.1	3,130.7	1,485.5	4,616.2	1,921.0	19,635.7	2,072.6	16,505.0	5,203.3	21,708.3
2024	236.3	858.0	96.8	12,824.8	3,056.1	1,882.9	4,939.0	1,748.3	20,703.2	2,294.2	17,647.1	5,350.3	22,997.4
2024/2023, %	-59.7	0.7	-48.7	11.8	-2.4	26.8	7.0	-9.0	5.4	10.7	6.9	2.8	5.9
Purchases													
2023	119.0	426.0	40.1	4,304.9	2,737.4	846.3	3,583.7	1,314.2	9,787.9	1,197.5	7,050.5	3,934.9	10,985.4
2024	226.3	429.0	3.5	4,622.4	2,732.1	1,041.9	3,774.0	1,287.1	10,342.3	1,364.1	7,610.2	4,096.2	11,706.4
2024/2023, %	90.2	0.7	-91.3	7.4	-0.2	23.1	5.3	-2.1	5.7	13.9	7.9	4.1	6.6
Sales													
2023	466.7	426.0	148.6	7,167.2	393.3	639.2	1,032.5	606.8	9,847.8	875.1	9,454.5	1,268.4	10,722.9
2024	10.0	429.0	93.3	8,202.4	324.0	841.0	1,165.0	461.2	10,360.9	930.1	10,036.9	1,254.1	11,291.0
2024/2023, %	-97.9	0.7	-37.2	14.4	-17.6	31.6	12.8	-24.0	5.2	6.3	6.2	-1.1	5.3

Source: Report on purchases and sales operations of foreign currency made by licensed banks and the NBM data; Report on foreign exchange operations carried out by foreign exchange offices; Report on foreign exchange operations carried out by hotels.

Table A.7: Structure of turnover of foreign exchange transactions against MDL on domestic foreign exchange market

	Domestic foreign exchange transfer market		Domestic foreign exchange cash market		Total foreign exchange market	
	purchases	sales	purchases	sales	purchases	sales
2023	<i>Share, %</i>					
USD	43.9	43.7	16.4	21.7	34.0	41.1
EUR	54.7	53.3	72.4	69.0	61.1	55.1
Other currencies	1.4	3.0	11.2	9.3	4.9	3.8
Total	100.0	100.0	100.0	100.0	100.0	100.0
2024	<i>Share, %</i>					
USD	47.3	39.8	19.3	16.3	37.5	37.2
EUR	51.4	55.9	68.8	73.6	57.5	57.8
Other currencies	1.3	4.3	11.9	10.1	5.0	5.0
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: Report on purchases and sales operations of foreign currency made by licensed banks and the NBM data; Report on foreign exchange operations carried out by foreign exchange offices; Report on foreign exchange operations carried out by hotels.

Table A.8: Net balance (purchases minus sales) operations of foreign currency against MDL performed by licensed banks, according to the date of the transaction (equivalent in USD million)

	Net balance						TOTAL
	NBM*	Resident banks	Non-resident banks	Legal entities	Individuals (including foreign exchange offices)	Miscellaneous	
Quarter I	-199.4	0.0	-5.1	-516.2	509.1	169.1	-42.5
Quarter II	-78.0	0.0	-17.9	-755.8	658.0	157.0	-36.7
Quarter III	-52.5	0.0	-40.0	-890.9	784.9	226.8	28.3
Quarter IV	-17.8	0.0	-45.5	-699.5	600.2	153.6	-9.0
2023	-347.7	0.0	-108.5	-2,862.4	2,552.2	706.5	-59.9
Quarter I	-10.0	0.0	-32.8	-659.4	522.2	159.7	-20.3
Quarter II	5.0	0.0	-21.5	-828.2	659.2	214.8	29.3
Quarter III	0.0	0.0	-19.4	-1,145.5	880.3	261.0	-23.6
Quarter IV	221.3	0.0	-16.1	-946.9	547.3	190.4	-4.0
2024	216.3	0.0	-89.8	-3,580.0	2,609.0	825.9	-18.6

Source: NBM

*including currency swap operations between NBM and licensed banks.

Table A.9: Balance sheet assets in foreign currency of the licensed banks (equivalent in USD million)

	Balance as of 31.12.2023*			Balance as of 31.12.2024		31.12.2024/ 31.12.2023, %	
	Fixed rate (31.12.2024)	Actual rate	Share %	Actual (31.12.2024)	Share %	Fixed rate (31.12.2024)	Actual rate
Loans granted in foreign currency, including:	848.5	892.5	32.2	894.6	32.0	5.4	0.2
EUR	685.8	729.8	26.3	731.7	26.2	6.7	0.3
USD	162.7	162.7	5.9	162.9	5.8	0.1	0.1
Disposable funds in foreign currency, including:	713.0	741.4	26.7	876.5	31.5	22.9	18.2
EUR	435.0	463.0	16.7	562.8	20.2	29.4	21.6
USD	252.1	252.1	9.1	293.0	10.5	16.2	16.2
Alte valute	25.9	26.3	0.9	20.7	0.8	-20.1	-21.3
Required reserves in foreign currency	969.0	1,015.0	36.5	907.5	32.5	-6.3	-10.6
Other assets in foreign currency (1+2+3), including:	-5.0	-5.2	-0.2	0.4	0.0	-108.0	-107.7
1. "Nostru" accounts opened in banks of the Republic of Moldova	3.6	3.7	0.1	0.7	0.0	-80.6	-81.1
2. Other assets	37.0	38.9	1.4	41.6	1.5	12.4	6.9
3. Adjustments and allowance for impairment losses	-45.6	-47.8	-1.7	-41.9	-1.5	-8.1	-12.3
Assets attached to the foreign exchange rate	126.8	134.4	4.8	110.2	4.0	-13.1	-18.0
Total foreign exchange balance-sheet assets	2,652.3	2,778.1	100.0	2,789.2	100.0	5.2	0.4

Source: NBM

*Updated data during 2024.

Table A.10: Disposable funds in foreign currency of the licensed banks (equivalent in USD million)

	Balance as of 31.12.2023*	Share %	Balance as of 31.12.2024	Share %	31.12.2024/ 31.12.2023, %
"Nostro" accounts opened abroad	305.9	41.3	291.3	33.2	-4.8
Cash in foreign currency	173.7	23.4	167.7	19.1	-3.5
Placements abroad	107.9	14.6	194.8	22.2	80.5
Overnight placements	133.6	18.0	135.1	15.5	1.1
Securities in foreign currency	20.3	2.7	87.6	10.0	331.5
Total	741.4	100.0	876.5	100.0	18.2

Source: NBM

*Updated data during 2024.

Table A.11: Balance sheet liabilities in foreign currency of licensed banks (equivalent in USD million)

	Balance as of 31.12.2023*			Balance as of 31.12.2024		31.12.2024/ 31.12.2023, %	
	Fixed rate (from 31.12.2024)	Actual rate	Share, %	Actual rate	Share, %	Fixed rate (from 31.12.2024)	Actual rate
Total current and deposit accounts of non-bank clients, including:	2,284.6	2,388.8	86.4	2,497.9	89.6	9.3	4.6
- residents	2,170.5	2,271.7	82.2	2,389.8	85.7	10.1	5.2
- non-residents	114.1	117.1	4.2	108.1	3.9	-5.3	-7.7
Term deposits	794.2	831.6	30.1	812.3	29.1	2.3	-2.3
Current accounts	1,215.1	1,268.4	45.9	1,368.3	49.1	12.6	7.9
Sight deposits	275.3	288.8	10.4	317.3	11.4	15.3	9.9
Credits received	253.3	268.4	9.7	195.9	7.0	-22.7	-27.0
"Loro" accounts and term deposits of banks from abroad	9.0	9.4	0.4	4.9	0.2	-45.6	-47.9
Other liabilities in foreign currency	93.1	97.6	3.5	89.5	3.2	-3.9	-8.3
Total foreign exchange balance-sheet liabilities	2,640.0	2,764.2	100.0	2,788.2	100.0	5.6	0.9

Source: NBM

*Updated data during 2024.

Table A.12: Currency structure of current accounts and deposits in foreign currency of bank's clients (equivalent in USD million)

	Balance as of 31.12.2023*			Balance as of 31.12.2024		31.12.2024/ 31.12.2023, %	
	Fixed rate (from 31.12.2024)	Actual rate	Share %	Actual rate	Share %	Fixed rate (from 31.12.2024)	Actual rate
EUR	1,617.9	1,721.8	72.1	1,848.5	74.0	14.3	7.4
USD	649.6	649.6	27.2	631.2	25.3	-2.8	-2.8
Other currencies	17.1	17.4	0.7	18.2	0.7	6.4	4.6
Total	2,284.6	2,388.8	100.0	2,497.9	100.0	9.3	4.6

Source: NBM

*Current accounts and sight deposits.

Table A.13: Conditional assets and liabilities in foreign currency of licensed banks (equivalent in USD million)

	Balance as of 31.12.2023	Share %	Balance as of 31.12.2024	Share %	31.12.2024/ 31.12.2023, %
Conditional assets in foreign currency					
Current purchases	18.2	75.5	7.4	92.5	-59.3
Purchases on term	5.9	24.5	0.6	7.5	-89.8
Other conditional assets	0.0	0.0	0.0	0.0	0.0
Total conditional assets	24.1	100.0	8.0	100.0	-66.8
Conditional liabilities in foreign currency					
Current sales	18.3	75.6	7.4	92.5	-59.6
Sales on term	5.9	24.4	0.6	7.5	-89.8
Other conditional liabilities	0.0	0.0	0.0	0.0	0.0
Total conditional liabilities	24.2	100.0	8.0	100.0	-66.9
Conditional assets minus conditional liabilities	-0.1		0.0		
(Conditional assets minus conditional liabilities)/ own funds (%)	0.0		0.0		

Source: NBM

Table A.14: Investment limits and constraints applied by the NBM in the investment risk management process

Risks	Decreasing methods
Credit risk	<ul style="list-style-type: none"> ▪ Investment in safe, highly rated counterparties as determined by the international rating agencies Standard & Poor's, Moody's and Fitch Ratings (the average rating of the three agencies' ratings, estimated based on at least two ratings, is applied). ▪ Establishing a minimum permissible rating of counterparties authorised to conduct transactions. ▪ Establishing limits on investment instruments, counterparties/ issuers, deviation from benchmark and daily monitoring of compliance. ▪ Quantifying credit risk, using the default probabilities estimated by the rating agency Standard & Poor's, for each rating type and according to the residual maturity of the financial instruments. ▪ Monthly calculation of expected credit losses according to IFRS 9.
Market risk	<ul style="list-style-type: none"> ▪ The daily monitoring of the market risk is performed through the evaluation at the market price of the unrealized income/ losses from the fluctuation of the exchange rates and from the modification of the securities prices. ▪ The market risk related to the investment securities portfolio is assessed based on risk value methodology (VaR), which estimates the potential financial losses, based on set parameters and assumptions regarding adverse developments in market conditions. ▪ Monitoring interest rate risk and determining the price sensitivity of securities in investment portfolios to changes in interest rates is performed by applying the PV01 indicator. ▪ Setting by the Executive Board of the NBM of the normative foreign exchange composition of the investment portfolio aiming at hedging the foreign exchange risk and optimizing the portfolio through an adequate correlation of the foreign exchange composition of assets and liabilities, as well as through an acceptable investment horizon to ensure the continuity of servicing the current external obligations and implementing the monetary and foreign exchange policies of the state. The normative foreign exchange structure is determined based on a broad analysis of: the foreign exchange composition of trade in goods and services, external debt, the currency in which interventions are carried out, etc. The NBM Investment Committee establishes when is necessary the foreign exchange structure of each sub-portfolio and the permissible deviations. ▪ Compliance with the normative foreign exchange composition and the foreign exchange structure of each sub-portfolio within the permissible deviation limits.
Liquidity risk	<ul style="list-style-type: none"> ▪ Ensuring liquidity through a substantial share of sight deposits and investments in highly liquid, low-risk securities. ▪ Setting duration limits per sub-portfolio and maximum maturity of investments depending on the instrument. ▪ In the case of index-linked investment sub-portfolios, daily monitoring of liquidity risk is also carried out by applying benchmarks depending on the type of instrument and currency. Benchmarks are market indices, recognised and used worldwide to benchmark the performance and risks of investment portfolios. ▪ The NBM's investment policy allows for active reserve management, with limited deviations of instruments and duration from the benchmark.

Source: NBM

Table A.15: Debt structure dynamics of the banking sector of the Republic of Moldova for the period 31.12.2023* – 31.12.2024 (MDL million)

Name	31.12.2024	31.12.2023	Dynamics	
	MDL million	MDL million	MDL million	%
Financial liabilities held for trading	0.2	0.1	0.1	100.0
Financial liabilities designated as at fair value through profit or loss	38.6	38.6	0.0	0.0
Financial liabilities measured at amortized cost, including:	139,632.7	123,830.7	15,802.0	12.8
<i>deposits</i>	129,337.6	113,975.7	15,361.9	13.5
<i>debt securities issued</i>	779.9	254.7	525.2	206.1
<i>other financial liabilities</i>	9,515.3	9,600.3	-85.0	-0.9
Provisions	858.1	792.9	65.2	8.2
Tax liabilities	115.1	138.6	-23.5	-17.0
Other liabilities	1,690.0	2,422.9	-732.9	-30.2
Liabilities included in disposal groups classified as held for sale	0.0	0.0	0.0	0.0
Total liabilities	142,334.8	127,223.8	15,111.0	11.9

Source: NBM

*The data for the situation on 31.12.2023 are adjusted according to the results of the external audit.

Table A.16: Dynamics of placements abroad by banks from the Republic of Moldova (MDL million)

Name of country	31.12.2024		31.12.2023		Dynamics 31.12.2024/ 31.12.2023	
	Share		Share			
	MDL million	(%)	MDL million	(%)	MDL million	(%)
France	2,847.7	25.2	2,211.9	23.3	635.8	28.7
Germany	2,135.4	18.9	1,976.0	20.8	159.4	8.1
United States of America	1,579.0	14.0	1,267.7	13.3	311.2	24.5
Austria	1,461.3	12.9	1,639.6	17.3	-178.3	-10.9
Italy	1,326.2	11.7	1,043.9	11.0	282.3	27.0
Spain	911.1	8.1	638.5	6.7	272.6	42.7
United Kingdom	346.4	3.1	273.8	2.9	72.7	26.5
Singapore	272.8	2.4	226.9	2.4	45.9	20.2
Romania	191.1	1.7	134.4	1.4	56.7	0.0
Belgium	178.7	1.6	0.0	0.0	178.7	100.0
People's Republic of China	52.4	0.5	46.4	0.5	5.9	12.8
Russian Federation	7.4	0.1	16.4	0.2	-9.0	-54.9
Hungary	3.5	0.0	0.0	0.0	3.5	100.0
Switzerland	2.5	0.0	27.9	0.3	-25.4	-91.1
Other countries (Azerbaijan, Hong Kong, Türkiye, Ukraine, Belarus, Armenia)	1.7	0.0	0.8	0.0	0.9	112.3
Total	11,317.1	100.0	9,504.2	100.0	1,812.9	19.1

Source: NBM

Table A.17: Evolution of payments settled through the automated domestic payment system

System	Year	Number (thousand of payments)		Value (MDL million)		Average value per transaction (MDL thousand)
		Total	Daily average	Total	Daily average	
ADPS	2023	14,843.4	59.2	1,714,479.7	6,830.6	115.5
	2024	18,854.9	72.7	1,635,427.2	6,462.4	86.7
Including						
RTGS	2023	970.5	3.9	1,461,458.6	5,822.5	1,505.8
	2024	1,063.9	4.2	1,357,828.3	5,366.9	1,276.3
DNS	2023	13,872.9	55.3	253,021.1	1,008.1	18.2
	2024	14,582.3	57.6	274,444.4	1,084.7	18.8
Instant system	2024	3,208.7	10.8	3,154.4	10.7	1.0

Source: NBM

Table A.18: Characteristics of the jubilee and commemorative coins, 2024 issuance

Coin name	Nominal value	Metal	Weight (gr)	Diameter (mm)	Mintage (ex.)
Series "Historical Events"					
European Moldova	MDL 100	Silver 999/1,000	31.1	37	2,000
Series "Holidays, Culture, and Traditions of Moldova"					
Mărțișorul – Symbol of spring (color)	MDL 50	Silver 999/1,000	22.0	35	1,200
Series "Personalities"					
Mitropolitan Dosoftei – 400 years since birth	MDL 50	Silver 999/1,000	22.0	35	300
Ștefan Petrice – 75 years since birth	MDL 50	Silver 999/1,000	22.0	35	300
Series "Science and Innovation"					
Nicolae Donici – 150 years since birth	MDL 50	Silver 999/1,000	16.5	30	350
Series "Sanctuaries"					
Sts. Constantine and Helena Cathedral, Bălți	MDL 50	Silver 999/1,000	16.5	30	500
Series "Others"					
Anniversary of the national currency (2024)	MDL 50	Silver 999/1,000	31.1	37	500*
Anniversary of the national currency (2024)	MDL 100	Silver 999.9/1,000	7.8	24	300*
Series "Sports"					
Achievements of Moldovan sports (set of 3 coins)					
Canoe (color)	MDL 50	Silver 999/1,000	22.0	35	500
Weightlifting (color)	MDL 50	Silver 999/1,000	22.0	35	500
Freestyle wrestling (color)	MDL 50	Silver 999/1,000	22.0	35	500

Source: NBM

*The initial mintage, with additional issue possibilities, in total mintage up to 5,000 coins

Table A.19: European Commission assessment of the level of preparation of the Republic of Moldova for EU accession and the progress achieved between June 15, 2023 and September 1, 2024 (chapters 4, 9 and 17)

Chapter	Level of preparation*		Progress made during the period	
	2023 assessment	2024 assessment	June 15 2023 –	September 1 2024**
Chapter 4 "Free movement of capital"	2.5	2.5		Some progress
Chapter 9 "Financial services"	2	2		Some progress
Chapter 17 "Economic and monetary policy"	2	2		Limited progress

Source: NBM

*(1 – minimum level, 5 – maximum level). The European Commission assesses the level of preparation for EU accession according to the following scale: (1) early stage; (2) some level of preparation; (3) moderately prepared; (4) good level of preparation; (5) well advanced. Where appropriate, the European Commission may assess the level of preparation using intermediate levels (e.g. "between a certain level of preparation and a moderate level of preparation").

**The European Commission assesses the progress achieved according to the following scale: backsliding, no progress, limited progress, some progress, good progress, very good progress.

Table A.20: List of decisions of the Supervisory Board and Executive Board of the National Bank of Moldova issued for publication in the Monitorul Oficial of the Republic of Moldova in 2024

Decisions of the Supervisory Board (DSB)						
No.	DSB No.	Date	Title of	Published in the		
		of approval	DSB	Monitorul Oficial		
				number/article	of the Republic of Moldova	
					date	
1	2	23.02.2024	On the issuance into circulation, as legal tender and for numismatic purposes, of the commemorative coin "Mărțișor – Symbol of spring"	83-85/192	29.02.2024	
2	34	25.11.2024	On the additional issuance into circulation, as legal tender and for numismatic purposes, of the commemorative coins "Anniversary of the National Currency", 2024 issue, as well as the conditions for the sale of previous issues of jubilee and commemorative coins issued by the National Bank of Moldova	498-500/953	29.11.2024	
3	45	20.12.2024	On the issuance into circulation, as legal tender and for numismatic purposes, of certain jubilee and commemorative coins, 2024 issue	548-551/1020	27.12.2024	
Decisions of the Executive Board (DEB)						
No.	DEB No.	Date	Title of	Published in the		
		of approval	DEB	Monitorul Oficial		
				number/article	of the Republic of Moldova	
					date	
1	3	04.01.2024	On amending the Regulation on the requirements for members of the management body of the bank, financial holding company or mixed holding company, managers of a branch of a bank from another state, the persons holding key positions and for the liquidator of the bank under liquidation, approved by Decision of the Executive Board of the National Bank of Moldova No. 292/2018	32-35/83	25.01.2024	
2	9	11.01.2024	On the approval of the Regulation on participations in non-bank payment service providers	32-35/84	25.01.2024	
3	10	11.01.2024	On the approval of the Regulation on the activity of non-bank payment service providers	32-35/85	25.01.2024	
4	11	11.01.2024	On the approval of the Regulation on the licensing and registration of payment institutions, electronic money institutions and postal service providers as payment service providers and/or electronic money issuers	36-39/89	26.01.2024	
5	12	11.01.2024	On the approval of the Regulation on strong customer authentication and the common and secure open communication standard between payment service providers	36-39/90	26.01.2024	
6	15	19.01.2024	On the approval of the Instruction on reporting by non-bank credit organizations	58-60/128	08.02.2024	
7	16	19.01.2024	On the repeal of the Instruction on reporting by microfinance organizations, approved by Decision of the National Commission for Financial Markets No. 52/6/2015	58-60/129	08.02.2024	
8	20	24.01.2024	On amending certain normative acts of the National Bank of Moldova	58-60/130	08.02.2024	
9	22	24.01.2024	On amending the Decision of the Executive Board of the National Bank of Moldova No. 179/2019 on the approval of the Regulation on the automated interbank payment system, amending and repealing certain normative acts of the National Bank of Moldova	58-60/131	08.02.2024	
10	23	29.01.2024	On amending the Decision of the Executive Board of the National Bank of Moldova No. 180/2019 "On the fees charged for payment transactions carried out through a payment card or a similar device, the fees charged by payment service providers for payment transactions involving the automated interbank payment system, the fees charged by the National Bank of Moldova for payments processed in the automated interbank payment system, as well as the maximum value of the payment document accepted by the net settlement clearing system from participants"	58-60/132	08.02.2024	
11	34	06.02.2024	On the level of interest rates of the National Bank of Moldova and the required reserves ratio	58-60/133	08.02.2024	
12	36	15.02.2024	On amending certain normative acts of the National Bank of Moldova (updating the Chart of Accounts and the reporting of the bank's open foreign exchange position)	93-95/204	07.03.2024	
13	48	22.02.2024	On maintaining the countercyclical buffer rate for credit exposures located in the Republic of Moldova	83-85/191	29.02.2024	
14	71	29.02.2024	On the approval of the Regulation on the audit of insurance or reinsurance undertakings	98-100/223	14.03.2024	
15	86	21.03.2024	On the level of interest rates of the National Bank of Moldova and the required reserves ratio	125-129/276	29.03.2024	
16	95	04.04.2024	On establishing the banks that are other systemically important institutions in the Republic of Moldova and the O-SII buffer	141-143/308	09.04.2024	
17	108	25.04.2024	On maintaining the countercyclical buffer rate for credit exposures located in the Republic of Moldova	195-197/365	03.05.2024	
18	124	07.05.2024	On the level of interest rates of the National Bank of Moldova and the required reserves ratio	202-204/383	10.05.2024	
19	163	20.06.2024	On the level of interest rates of the National Bank of Moldova	271-274/508	27.06.2024	
20	177	27.06.2024	On amending the Instruction on the submission by banks of COREP reports for supervisory purposes, approved by Decision of the Executive Board of the National Bank of Moldova No. 117/2018	295-298/552	09.07.2024	

Table A.21: List of decisions of the Executive Board of the National Bank of Moldova issued for publication in the Monitorul Oficial of the Republic of Moldova in 2024 (continuation)

No.	DEB No.	Date of approval	Title of DEB	Published in the Monitorul Oficial of the Republic of Moldova	
				number/article	date
21	188	09.07.2024	On amending the Decision of the Executive Board No. 159/2018 on the approval of the Regulation on the conditions for granting, suspending and withdrawing the status of participant in the Single Central Securities Depository	308-310/574	18.07.2024
22	189	09.07.2024	On the approval of the Regulation on the notification of activities provided for in Article 2(2) item 11) letters a) and b) of Law No. 114/2012 on payment services and electronic money	308-310/575	18.07.2024
23	204	06.08.2024	On the level of interest rates of the National Bank of Moldova and the required reserves ratio	344-346/638	08.08.2024
24	205	08.08.2024	On maintaining the countercyclical buffer rate for credit exposures located in the Republic of Moldova	355-357/649	15.08.2024
25	236	19.09.2024	On the level of interest rates of the National Bank of Moldova and the required reserves ratio	411-413/757	27.09.2024
26	241	26.09.2024	On the approval of the Regulation on the governance system of insurance or reinsurance companies	418/773	03.10.2024
27	242	26.09.2024	On the approval of the Regulation on the outsourcing of functions and activities related to the business of insurance or reinsurance by insurance or reinsurance undertakings	418/774	03.10.2024
28	243	26.09.2024	On the approval of the Regulation on the own risk and solvency assessment by insurance or reinsurance undertakings and the requirements regarding the performance of tests for assessing the capacity to maintain financial stability	419-422/782	04.10.2024
29	267	31.10.2024	On the approval of the Regulation on the audit of non-bank payment service providers, amending and supplementing certain normative acts of the National Bank of Moldova	459-461/872	07.11.2024
30	273	05.11.2024	On the level of interest rates of the National Bank of Moldova and the required reserves ratio	459-461/873	07.11.2024
31	280	07.11.2024	On the approval of the Regulation on requirements for the prevention and combating of money laundering and terrorist financing in the activity of non-bank financial institutions	470-472/897	15.11.2024
32	281	07.11.2024	On the approval of the Regulation on the requirements for the identification and verification of customers' identity through electronic means	467-469/886	14.11.2024
33	289	14.11.2024	On the approval of the Regulation on the monitoring of financial market infrastructures, schemes, arrangements and payment instruments	481/912	20.11.2024
34	290	14.11.2024	On amending the Regulation on the classification of assets and contingent liabilities, approved by Decision of the Council of Administration of the National Bank of Moldova No. 231/2011	481/913	20.11.2024
35	293	20.11.2024	On amending the Regulation on the electronic processing of compulsory motor third-party liability insurance documents, approved by Decision of the National Commission for Financial Markets No. 15/6 of April 15, 2019	494-497/945	28.11.2024
36	301	28.11.2024	On the approval of the calculation of basic insurance premiums, adjustment coefficients and reference premiums for domestic and cross-border compulsory motor third-party liability insurance	506-508/964	05.12.2024
37	307	05.12.2024	On the level of interest rates of the National Bank of Moldova and the required reserves ratio	516-518/980	12.12.2024
38	310	05.12.2024	On amending the Regulation on setting the official exchange rate of the Moldovan leu against foreign currencies, approved by Decision of the Council of Administration of the National Bank of Moldova No. 3/2009	516-518/981	12.12.2024
39	326	19.12.2024	On maintaining the countercyclical buffer rate for credit exposures located in the Republic of Moldova	544-547/1016	26.12.2024
40	328	19.12.2024	On the approval of the Regulation on own funds, valuation of assets and liabilities, assets eligible for covering technical reserves and the minimum capital requirement, solvency and liquidity of insurance or reinsurance companies, and on amending certain normative acts (prudential/financial stability indicators in the insurance sector)	544-547/1017	26.12.2024
41	329	19.12.2024	On the approval, amendment and repeal of certain normative acts of the National Bank of Moldova (regarding the liquidity coverage requirement and the net stable funding requirement)	544-547/1018	26.12.2024
42	330	19.12.2024	On amending certain normative acts of the National Bank of Moldova (regarding the reporting of the liquidity coverage requirement and the net stable funding requirement)	560-563/1039	30.12.2024
43	331	19.12.2024	On amending paragraph 2 of the Decision of the Executive Board of the National Bank of Moldova No. 290/2024 "On amending the Regulation on the classification of assets and contingent liabilities, approved by Decision of the Council of Administration of the National Bank of Moldova No. 231/2011"	560-563/1040	30.12.2024

Source: NBM

Table A.22: Developments of NBM's major projects during 2024

No.	Project name	Benchmark	Project objectives	Starting period	Achievements	Next spteps for 2025
1.	Preparing the Republic of Moldova's (RM) accession to the European Union (EU) in the areas falling within the competence of the NBM	1. Alignment with European Union standards and international cooperation	Ensuring the preparation of the RM's accession process to the EU in the areas under the NBM's competence by harmonising the RM's legal framework applicable to the NBM's areas of competence with that of the EU and its effective implementation, as well as by strengthening the governance and institutional capacities of the NBM and implementing an efficient coordination mechanism for fulfilling the EU accession criteria. Ensuring the harmonisation of activities arising from this project with the national measures related to the European integration commitment.	Second quarter of 2023	During 2024, the project team, the detailed action plan and the project management plan were developed and approved. At the same time, the coordination mechanism at institutional level for the European integration process of the Republic of Moldova in the areas falling under the NBM's competence was finalised. The process of self-assessment of the compliance of national legislation with the EU acquis was carried out. In addition, NBM representatives participated in the explanatory screening within the accession negotiations, as well as in the meetings of the working groups established at national level. Subsequently, NBM representatives participated in the bilateral screening sessions concerning the chapters relevant to the NBM's areas of competence: Chapter "Economic criterion", No. 32 "Financial control", No. 18 "Statistics", No. 4 "Free movement of capital". Contributions were also submitted for the European Commission's Enlargement Package for 2024 for the following negotiation chapters: No. 4 "Free movement of capital", No. 9 "Financial services", No. 17 "Economic and monetary policy", No. 18 "Statistics", No. 32 "Financial control", Chapter "Economic criterion".	Approval and implementation of the institutional-level Coordination Mechanism for the European integration process of the Republic of Moldova in the areas under the NBM's competence. Continued participation of NBM representatives in the legislative screening meetings in accordance with the NBM's areas of competence. Submission of contributions for the National Programme for the Accession of the Republic of Moldova to the EU. Submission of contributions for the negotiation position related to the Chapters in Cluster I "Fundamentals". Implementation of actions aimed at harmonising the RM legal framework applicable to the NBM's areas of competence with that of the EU. NBM's participation in the implementation of the economic accession criterion to the EU. NBM's participation in the Economic and Financial Dialogue. Development and implementation of the Economic Reform Programmes. Ensuring NBM's participation on national and EU cooperation platforms in the field of European integration.

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No.	Project name	Benchmark	Project objectives	Starting period	Achievements	Next steps for 2025
2.	Implementation of the solution for streamlining the process of monitoring shareholders' transparency and remote analysis in the field of preventing and combating money laundering and terrorist financing	3. Strengthening the supervisory function in the financial-banking and non-banking sector	Streamlining the process of identifying and assessing the risk of shareholders' transparency, as well as ensuring that the supervisory authority has access to operational information and data related to potential suspicions of involvement of bank clients or banks as individual entities in money laundering and/or terrorist financing transactions and operations.	Third quarter of 2014	During the year, data uploading to the production environment continued. The project was finalised through the signing of the gratuitous transfer agreement between the NBM and International Development Group LLC (IDG) and, respectively, the final acceptance of the IT solution.	Project completed
3.	Implementation of the core banking solution (CBS), enterprise resource planning (ERP) system and cash operations management	6. Strengthening institutional resilience and agility	Transforming the NBM's business processes related to banking operations, financial, material and human resource management, as well as modernising the NBM's banking IT system in order to streamline the NBM's operational activity.	Fourth quarter of 2013	In 2024, the report on the market consultation procedure, the amendments to the project concept and the note on the initiation of the public procurement procedure for the acquisition of CBS and ERP were approved. In addition, the Procurement Documentation, including the Terms of Reference, was updated.	Initiation and conduct of the public procurement procedure for the acquisition of CBS and ERP.
4.	Migration to new SWIFT standards – ISO 20022	1. Strengthening the monetary policy framework and optimising the implementation of monetary policy	Ensuring the successful transition to the application of ISO 20022 standard and migration to new platforms and services that operate with MX messages, while ensuring the continuity of the operational process during the migration to the new standards.	First quarter of 2022	Within this project, during the year, activities continued regarding the partial automation of the import of SWIFT messages in MX format related to collection operations in the NBM's IT system. In addition, the Terms of Reference for the automated generation of SWIFT messages in MX format were developed.	Automation of the generation of SWIFT messages in XML format from the NBM's IT system. Testing and verification of the correctness of generating SWIFT messages in MX format from the NBM's IT system. Drafting, where necessary, the specific requirements of correspondents for the receipt and generation of messages in XML format.

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No.	Project name	Benchmark	Project objectives	Starting period	Achievements	Next steps for 2025
5.	Implementation of an instant payments scheme	4. Continuous development of financial market infrastructures and contribution to increasing cashless payments	Increasing the level of use of electronic payments compared to cash and creating alternative and innovative payment methods by implementing the instant payments solution (platform) (operational 24/7/365), which will create the premises for the development of innovative/mobile payments, with their immediate final settlement and the possibility for beneficiaries to reuse the received funds immediately. Creating a liquidity limits management functionality and using a more advanced payment message format (ISO 20022) will allow the implementation of STP (straight-through processing) across the entire chain of payment message processing. Facilitating the circulation of economic flows.	First quarter of 2020	During the year, the IT system testing with participants was completed. Accordingly, the Functional and Technical Requirements for participants were approved. Following the Go-Live stage, the system was launched into production. The project was finalised through the final acceptance of the IT solution, as well as by organising the launch event of the Instant Payments Automated System (MIA Instant Payments).	Project completed

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No.	Project name	Benchmark	Project objectives	Starting period	Achievements	Next steps for 2025
6.	Creation of the Cash Processing Center	5. Enhancing the quality of the national currency and strengthening the function of supplying the economy with cash in national currency	Strengthening the institutional capacity and efficiency of the National Bank of Moldova by establishing a modern cash processing centre, aligned with the best practices applied by European central banks, particularly those ensuring compliance with high standards and security requirements.	Third quarter of 2022	During the year, activities were carried out related to the adjustment of the feasibility study to determine the land area required for the construction of the Cash Processing Centre. The procurement for cadastral works for the formation of the land was initiated and carried out, followed by the signing of the contract with the State Enterprise "Institute for Territorial Planning Design", as well as the service provision document for cadastral works related to the formation by separation of the immovable property.	Carrying out activities related to identifying the needs for the analysis/ consultancy/ feasibility study and contracting these services, including proposals for optimal solutions to define the Terms of Reference required for the design of the "Cash Processing Centre" construction. Carrying out other activities, as appropriate, in cooperation with the competent authorities for the transfer into NBM's administration of the portion of land within the identified plot.
7.	Digitisation of the National Bank of Moldova's archive	6. Strengthening institutional resilience and agility	Leveraging the electronic archiving service for the National Bank of Moldova's documents, covering the NBM's needs for managing the entire life cycle of documents throughout their retention period.	First quarter of 2021	During the year, the metadata scheme for personnel files was developed, as well as the procedure for placing files within the system. Pilot activities were thus carried out for the migration to the business and compliance archive. The draft amendment to the Regulation on the activity of the NBM archive was finalised and is under coordination.	Approval of the amendments to the Regulation on the activity of the NBM archive (with the delaying factor still being the lack of a national regulatory framework on electronic archiving). Completion of the first stage of the electronic archiving project and initiation of stage II for other business processes within the NBM.

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No.	Project name	Benchmark	Project objectives	Starting period	Achievements	Next steps for 2025
8.	Twinning: Strengthening supervision, corporate governance and risk management in the financial sector	2. Strengthening the financial stability and macroprudential supervision 3. Strengthening the supervisory function in the financial-banking and non-banking sector 4. Further development of financial market infrastructures and contribution to increasing cashless payments	Providing the necessary support to the Republic of Moldova in implementing reforms under the Republic of Moldova (RM) – European Union (EU) Association Agreement and the RM-EU Association Agenda, regarding the strengthening of supervision, corporate governance and risk management in the financial sector.	Fourth quarter of 2021	During the first quarter of 2024, activities were carried out in line with the project plan, as a result of which foreign experts conducted technical assistance missions, as planned, concerning component 2 of the project "Alignment of the legal framework on insurance sector supervision and motor third-party liability insurance with the EU acquis". The quarterly meeting of the Project Supervisory Committee was held. Closure of the project with the organisation and holding of an event to this effect on March 19, 2024.	Project completed

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No.	Project name	Benchmark	Project objectives	Starting period	Achievements	Next steps for 2025
9.	NBM LearnOrgLab – Institutional transformation into a learning-oriented organisation	6. Strengthening institutional resilience and agility 7. Developing and capitalising on human capital	Transforming the NBM into a learning-oriented institution by developing internal capacity for management and professional development, as well as a supportive environment for fostering a culture of learning and knowledge sharing.	First quarter of 2023	<p>During the year, workshops were organised on effective drafting of policies and internal regulations, collaboration and negotiation skills, development of the NBM’s organisational culture, exploration of critical and strategic thinking, change management and decision-making, webinars, individual coaching sessions, as well as microlearning products. The CEF (Center of Excellence in Finance) Forum on "Strengthening skills governance for talent retention" was organised. The regional conference "Promoting governance, risk management and communication in central banks in a changing environment" was organised. The training-of-trainers programme was completed.</p> <p>In addition, the methodology for the "junior" level training-of-trainers programme was developed, with actions initiated for launching the programme for another group of employees. The draft organisational culture development strategy was also developed.</p>	Continued organisation of webinars, microlearning products and workshops, considering the Agile approach to project implementation. Approval of the organisational culture development strategy.

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No.	Project name	Benchmark	Project objectives	Starting period	Achievements	Next steps for 2025
10.	Ensuring the prerequisites for the banking sector's accession to the Single Euro Payments Area (SEPA)	4. Further development of financial market infrastructures and contribution to increasing cashless payments	Carrying out all necessary actions by the NBM, as the national coordinator in the process of accession to the Single Euro Payments Area (SEPA), in cooperation with the relevant national institutions and market participants, in order to ensure the prerequisites and the highest level of success in the process of accession of payment service providers from the Republic of Moldova to SEPA.	Third quarter of 2022	<p>The most important achievement of this project was the signing of the application for accession to the Single Euro Payments Area (SEPA) on 30 January 2024. Subsequently, the accession file was submitted to the European Payments Council (EPC). During the year, the SEPA application was supplemented with the information requested by the EPC.</p> <p>Actions were also continued on assessing options for connection to SEPA infrastructures and providing support in the process of payment service providers' understanding of the technical requirements for SEPA accession. The concordance tables of the relevant regulations, which are an integral part of the SEPA application file, were translated. The Association of Moldovan Banks assumed the role of NASO (National Adherence Support Organisation). In addition, amendments were approved to certain NBM regulations concerning requirements for information accompanying fund transfers. The application file submitted was constantly analysed and updated, and the necessary information was sent to the EPC, where applicable, in the course of examining the SEPA accession file submitted.</p>	Providing the necessary support to the Association of Moldovan Banks regarding options for connection to SEPA infrastructures. Further analysis, review and, where applicable, updating of the application file submitted.

Source: NBM

Table A.23: Live streams from events organized by the NBM

Date	Event	Distribution channel
January 30, 2024	The Republic of Moldova's application for accession to the Single Euro Payments Area (SEPA)	www.bnm.md privesc.eu rlive.md YouTube (NBM) Facebook (NBM) LinkedIn (NBM)
March 12, 2024	A premiere for the Republic of Moldova – the NBM launches the MIA Instant Payments system	www.bnm.md privesc.eu rlive.md YouTube (NBM) Facebook (NBM) LinkedIn (NBM)
March 19, 2024	Closing Event of the European Union-Funded Twinning Project	www.bnm.md privesc.eu rlive.md YouTube (NBM) Facebook (NBM) LinkedIn (NBM)
July 11, 2024	The meeting of the International Monetary Fund and World Bank Constituency in Chişinău	www.bnm.md privesc.eu rlive.md YouTube (NBM) Facebook (NBM) LinkedIn (NBM)
November 19, 2024	"Career Week at the NBM", 2nd edition	www.bnm.md privesc.eu rlive.md YouTube (NBM) Facebook (NBM) LinkedIn (NBM)
December 10, 2024	National Forum on Financial Education	www.bnm.md privesc.eu rlive.md YouTube (NBM) Facebook (NBM) LinkedIn (NBM)

Source: NBM

Table A.24: Financial education podcast episodes

Date	Event	Distribution channel
February 4, 2024	The Governor of the NBM, Anca Dragu, presents her priorities in the podcast "Make Sense of Money"	www.bnm.md privesc.eu rlive.md Youtube (NBM) Facebook (NBM) LinkedIn (NBM)
November 11, 2024	Podcast "The Meaning of Money", Episode 1	Agora.md Moldova1 Vocea Basarabiei AgroTV www.bnm.md Youtube (NBM) Facebook (NBM) LinkedIn (NBM)
November 25, 2024	Podcast "The Meaning of Money", Episode 2	Agora.md Moldova1 Vocea Basarabiei AgroTV www.bnm.md Youtube (NBM) Facebook (NBM) LinkedIn (NBM)
December 30, 2024	Podcast "The Meaning of Money", Episode 3	Agora.md Moldova1 Vocea Basarabiei AgroTV www.bnm.md Youtube (NBM) Facebook (NBM) LinkedIn (NBM)

Source: NBM

Table A.25: Number of subscribers/ followers of NBM profiles on social media

	Year 2024	Year 2023
Facebook	5,760	4,619
LinkedIn	5,899	2,366
Twitter	532	489
Instagram	766	553
Youtube	2,023	1,530

Source: NBM

Table A.26: Impact of NBM's social media profile posts

	Year 2024	Year 2023
Facebook	301,508	267,378
LinkedIn	724,688	41,475
Instagram	16,737	13,288

Source: NBM

Table A.27: Analysis of financial result by main activities of the National Bank of Moldova

	2024	2023
Activities managed by the bank:	MDL thousand	MDL thousand
Applied monetary instruments	(1,036,460)	(2,739,396)
Relations with the Government from monetary and foreign exchange activity	593,921	632,303
Management of official reserve assets	4,300,151	3,058,559
National currency	(131,798)	12,141
NBM's relationship with the IMF	(35,614)	(44,457)
Other operations, including operating costs	(468,259)	(351,020)
Unrealized losses on exchange rate differences not covered by reserves	-	(293,718)
Total financial result	3,221,941	274,412

Source: NBM

Table A.28: Net result of monetary policy implementation and activities related to relations with the Government of Moldova

	2024	2023
	MDL thousand	MDL thousand
Required reserves	(657,549)	(1,508,600)
Certificates issued by the NBM	(379,066)	(1,184,423)
Accounts and deposits of the Ministry of Finance	(127,357)	(240,549)
Overnight deposits	(5,984)	(38,112)
State securities	714,891	866,780
Lending activity (repo operations, overnight loans)	6,160	3,944
Others	6,366	(6,133)
Net result	(442,539)	(2,107,093)

Source: NBM

Table A.29: Net result from the management of official reserve assets held by the National Bank of Moldova

	2024	2023
	MDL thousand	MDL thousand
Securities in foreign currency	3,198,446	2,363,257
Short-term placements (deposits, "Nostro" accounts)	583,580	861,172
Realized exchange rate differences	533,555	(152,610)
Fees and charges, others	(15,430)	(13,260)
Net result	4,300,151	3,058,559

Source: NBM

Table A.30: Evolution of the official exchange rate

	2024		2023	
	average per period	at the end of the year	average per period	at the end of the year
MDL/USD	17.7918	18.4791	18.1607	17.4062
MDL/EUR	19.2533	19.3106	19.6431	19.3574
MDL/GBP	22.7384	23.2875	22.5714	22.2660
MDL/XDR	23.6172	24.1110	24.2302	23.3534
MDL/XAU	1,364.0512	1,559.8835	1,132.5963	1,153.7733

Source: NBM

Table A.31: Share of significant balance sheet positions (%) and average annual rates on financial instruments (%)

	2024		2023	
	Share, %	Average annual interest rate,%	Share, %	Average annual interest rate, %
ASSETS	100.00	-	100.00	-
Assets in foreign currency	88.32	3.90	87.30	3.72
State securities	11.38	7.00-5.00	12.55	13.28-5.00
Other assets	0.30	-	0.15	-
LIABILITIES	100.00	-	100.00	-
National currency in circulation	39.88	-	37.12	-
Government holdings, including:	11.81	-	9.50	-
- <i>at sight, MDL</i>	9.81	1.89	8.29	3.71
- <i>at term, MDL</i>	0.05	8.68	0.09	16.28
- <i>at sight, FCC</i>	1.95	-	1.12	-
Banks' holdings, including:	27.97	-	35.49	-
- <i>"Loro" accounts, including:</i>	14.16	-	19.74	-
- <i>required reserves in MDL remunerated</i>	-	1.81	-	8.04
- <i>required reserves in EUR remunerated</i>	10.76	1.64	11.72	0.33
- <i>required reserves in USD remunerated</i>	3.01	3.14	3.87	0.56
- <i>overnight deposits</i>	-	1.85	0.11	9.64
NBM Certificates (placed)	8.02	3.88	9.86	10.89
Bonds towards international financial organizations, including:	4.09	-	4.47	-
- <i>IMF holdings</i>	3.40	-	3.58	-
- <i>IMF loans (EFF/ECF)</i>	0.68	4.79/0.00	0.88	4.82/0.00
Other bonds	0.46	-	0.59	-
Capital and reserves	7.77	-	2.97	-

Source: NBM

Table A.32: Analysis of the financial result by main activities of the Single Central Securities Depository

Activities managed by the CSD	2024	2023
	MDL thousand	MDL thousand
SS and NBC processing and settlement	6,109	6,029
Depositing securities	4,245	4,025
Interest income on SS	1,835	3,800
Settlement of transactions in corporate securities	1,189	199
Services provided to the issuer	592	565
Other operations, including operating costs and taxes	(13,138)	(13,331)
Total	832	1,287

Source: NBM

Table A.33: Share of significant balance sheet positions (%) and average annual rates on financial instruments (%)

	2024		2023	
	Share, %	Average annual interest rate, %	Share, %	Average annual interest rate, %
ASSETS	100.00	-	100.00	-
Cash and equivalents	5.21	0.00	21.31	0.00
State securities	89.47	3.88-12.00	73.32	6.75-21.94
Other assets	5.32	-	5.37	-
LIABILITIES	100.00	-	100.00	-
Other bonds	4.80	-	6.31	-
Capital and reserves	95.20	-	93.69	-

Source: NBM

Table A.34: Consolidated and individual financial position of the National Bank of Moldova as of December 31, 2024

	Consolidated	Bank	Consolidation effect
	MDL million	MDL million	MDL million
ASSETS			
Cash and short-term placements	18,862.81	18,862.65	0.16
Investment securities	84,360.02	84,360.02	-
Assets at the IMF	4,163.50	4,163.50	-
Securities issued by the Government of RM	13,884.47	13,852.55	31.92
Other assets	463.88	486.60	(22.72)
TOTAL ASSETS	121,734.68	121,725.32	9.36
BONDS			
National currency in circulation	48,548.98	48,548.98	-
Holdings of the Government of RM	14,378.44	14,378.44	-
Banks' holdings	34,044.74	34,044.74	-
Bonds to the IMF	4,974.30	4,974.30	-
Certificates issued by the NBM	9,767.61	9,767.61	-
Other bonds	558.36	558.95	(0.59)
TOTAL BONDS	112,272.43	112,273.02	(0.59)

Source: NBM

Table A.35: Consolidated and individual financial result of the National Bank of Moldova for 2024

	Consolidated	Bank	Consolidation effect
	MDL million	MDL million	MDL million
Interest incomes on foreign exchange reserve	3,839.24	3,839.24	-
Interest incomes on SS	717.56	715.73	1.83
Transaction losses and exchange rate differences and price differences	3,263.80	3,263.81	(0.01)
Other incomes	91.59	84.07	7.52
Expenses with impairment of financial assets	(0.44)	(0.45)	0.01
Interest expenses	(1,218.66)	(1,221.26)	2.60
Operating expenses	(685.90)	(675.06)	(10.84)
Other expenses	(0.54)	(0.26)	(0.28)
NET PROFIT	6,006.65	6,005.82	0.83
<i>From the Bank's activity</i>	6,005.82	6,005.82	-
<i>From the branch's activity</i>	0.83	-	0.83
Allocation of unrealised results	(2,783.88)	(2,783.88)	-
PROFIT AVAILABLE FOR DISTRIBUTION	3,221.94	3,221.94	-

Source: NBM

Table A.36: Capital and reserves

	December 31, 2024	December 31, 2023
	MDL thousand	MDL thousand
Authorised capital	2,122,980	1,124,372
General reserve fund	4,245,959	2,022,626
Total statutory capital	6,368,939	3,146,998
Reserve for unrealized incomes		
- from exchange rate differences	2,753,773	-
- from re-evaluation of investment securities	178,427	178,427
- from re-evaluation of precious metals	70,076	39,970
Other reserves	81,077	1,025
Total capital and reserves	9,452,292	3,366,420
NBM monetary liabilities	92,920,277	94,184,254
Capital level, % (after the distribution of the financial result)	6.85	3.34
Profit allocated to the state budget	-	-
Required capital contribution	-	620,372

Source: NBM

Annex A.37

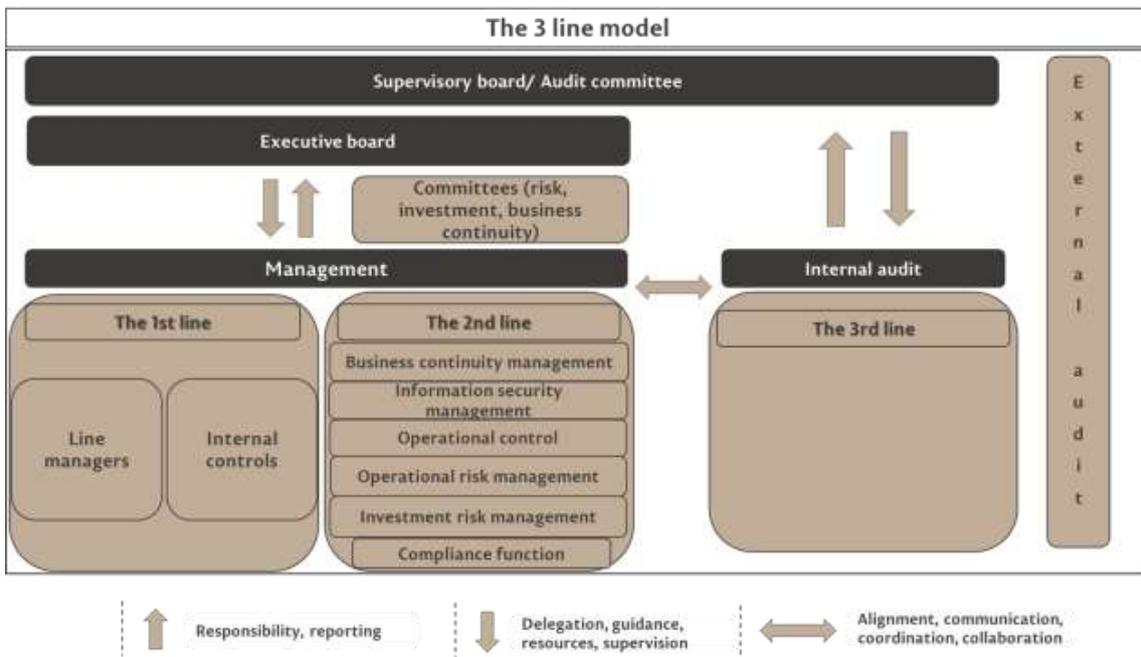
Figure 1. Dynamics of risks included in the survey

	IV/21	II/22	IV/22	II/23	IV/23	II/24	IV/24
Cyber risk	Yellow						
Real estate risk	Green						
Reputational risk	Yellow						
Regulatory risk	Green						
Macroeconomic risk	Orange						
Geopolitical risk	Yellow	Red	Red	Red	Red	Red	Red
Sovereign risk	Yellow	Orange	Orange	Orange	Orange	Orange	Orange
Credit risk	Yellow	Orange	Orange	Orange	Orange	Orange	Orange
COVID-19 risk	Orange	Yellow	Green	Green	Green	Green	Green
Environmental risk	Grey	Grey	Grey	Grey	Green	Green	Green

low importance
 average importance
 high importance

Note: Importance was calculated as the geometric mean of the probability of occurrence, potential impact, and management capacity.

Figure 2. The concept of the three lines of defense



Annex A.38

Figure 3. Profile of residual operational risks assessed as of December 31, 2024

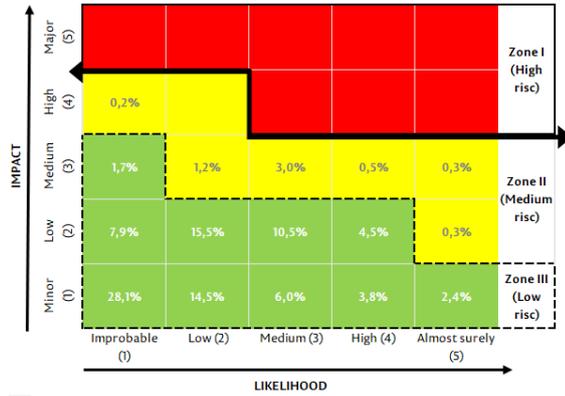


Figure 4. Profile of residual operational risks classified by risk category as of December 31, 2024

