Presentation of the Annual Report 2017

PARLIAMENTARY COMMITTEE FOR ECONOMY, BUDGET AND FINANCE

Parliament of the Republic of Moldova

3 October 2018

Sergiu Cioclea
Guvernor

Presentation of the Annual Report 2017

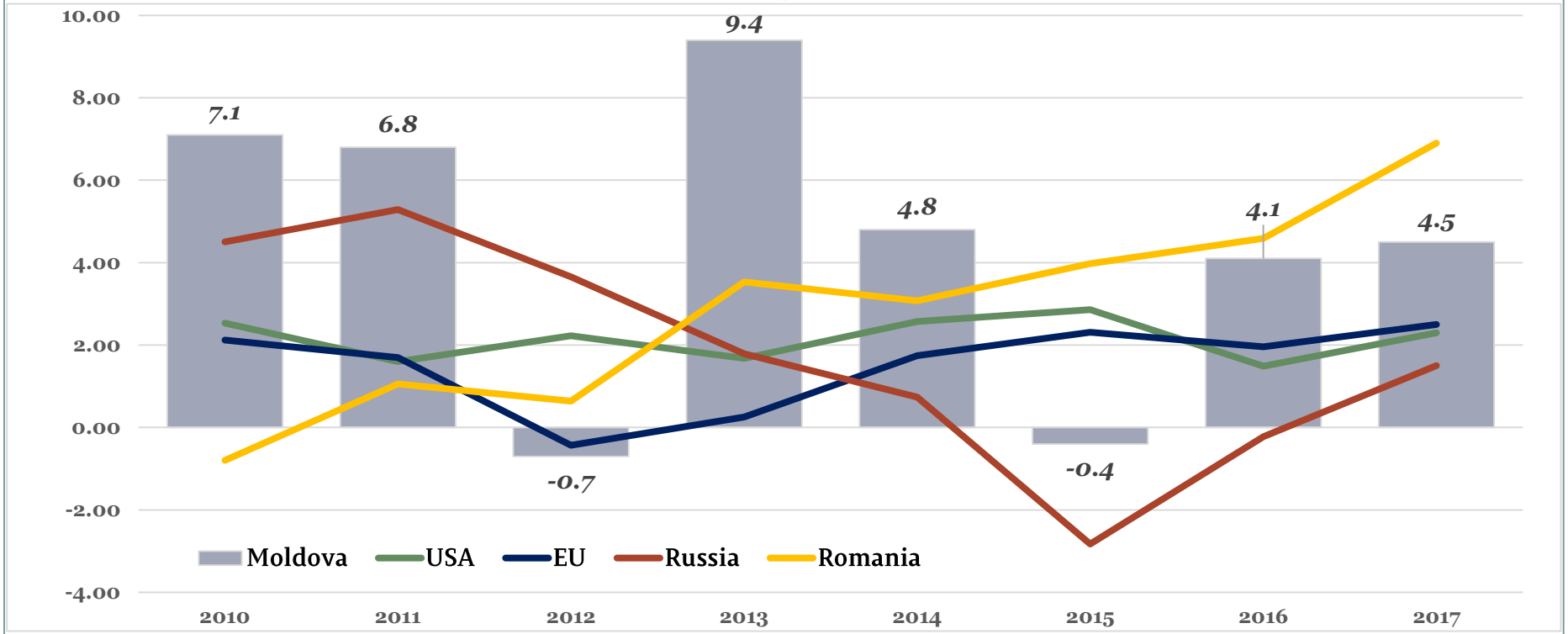
1. External environment and national economy
2. Monetary conditions
3. Banking sector
4. Domestic currency
5. Financial statements
6. Reforms initiated by the NBM

EXTERNAL ENVIRONMENT AND NATIONAL ECONOMY

National Bank of Moldova

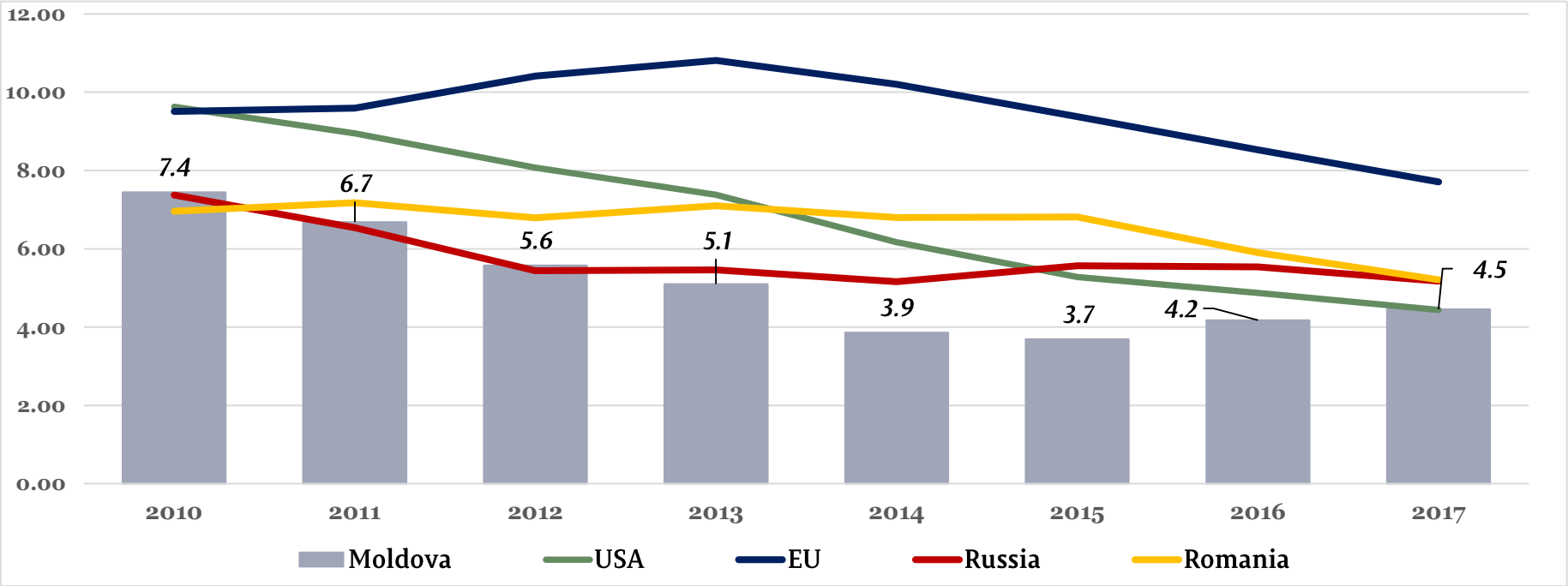
Rising economic growth in the region

4



National Bank of Moldova

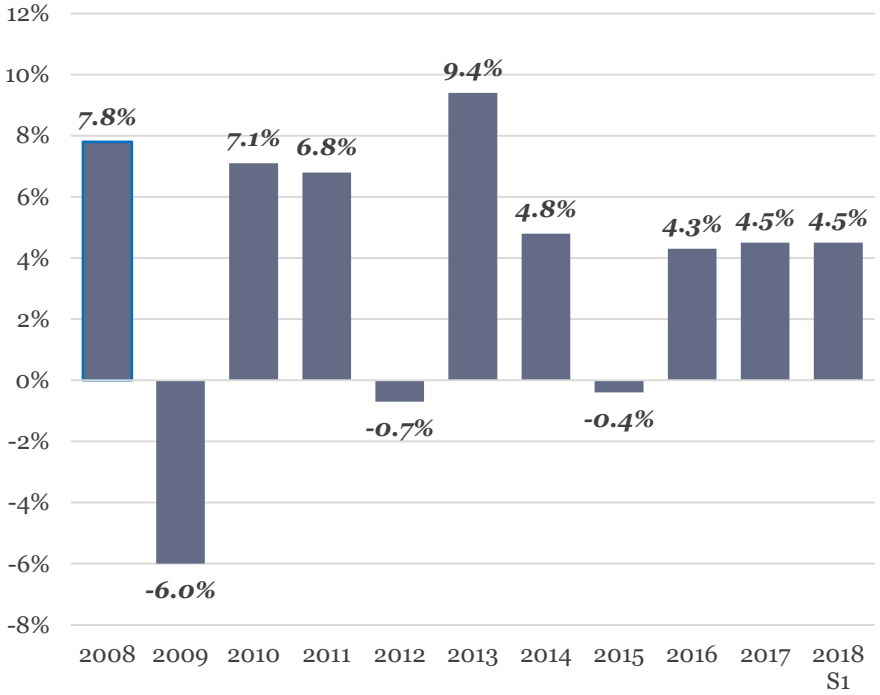
Decreasing unemployment rate in partner countries



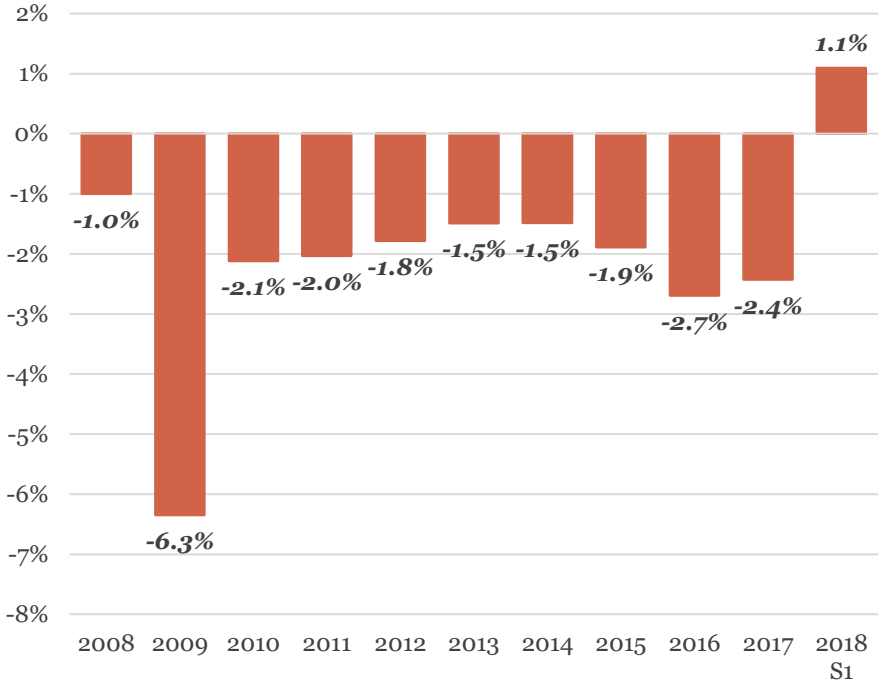
National Bank of Moldova

Economic growth

GDP variation

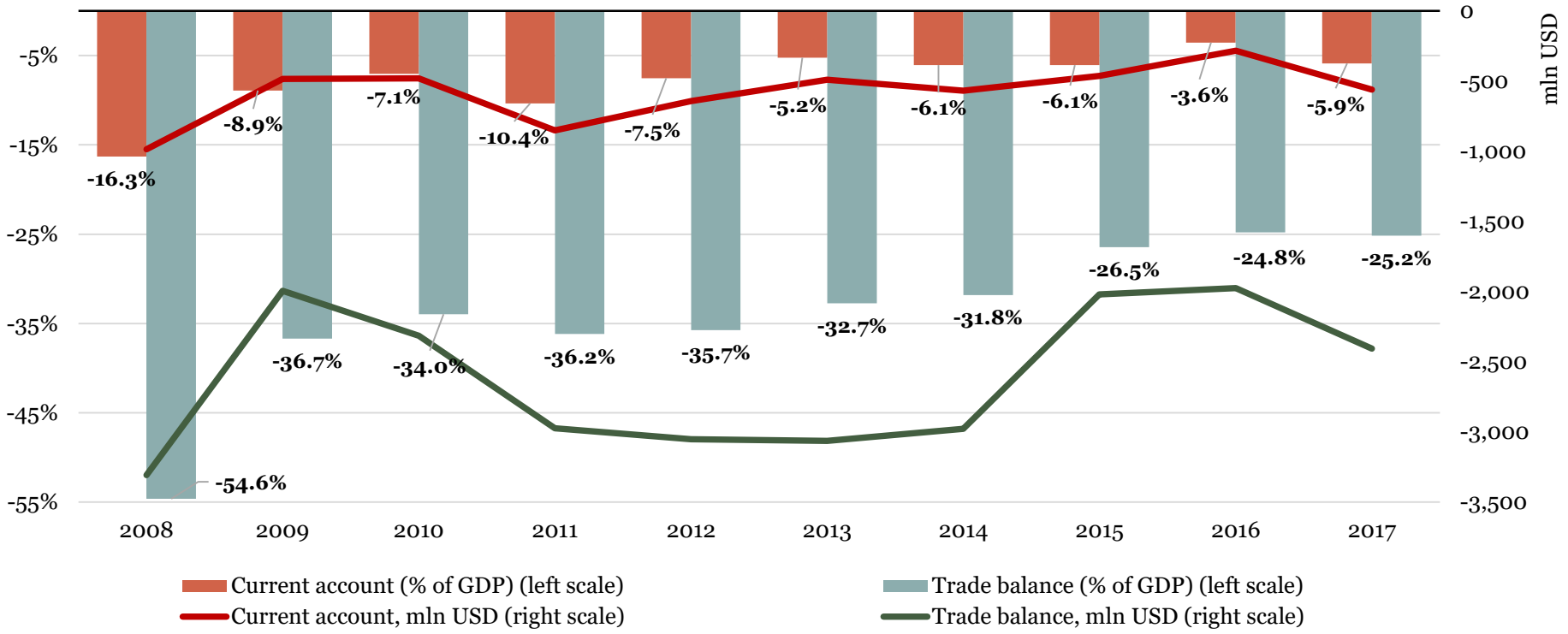


The balance of state budget (% of GDP)



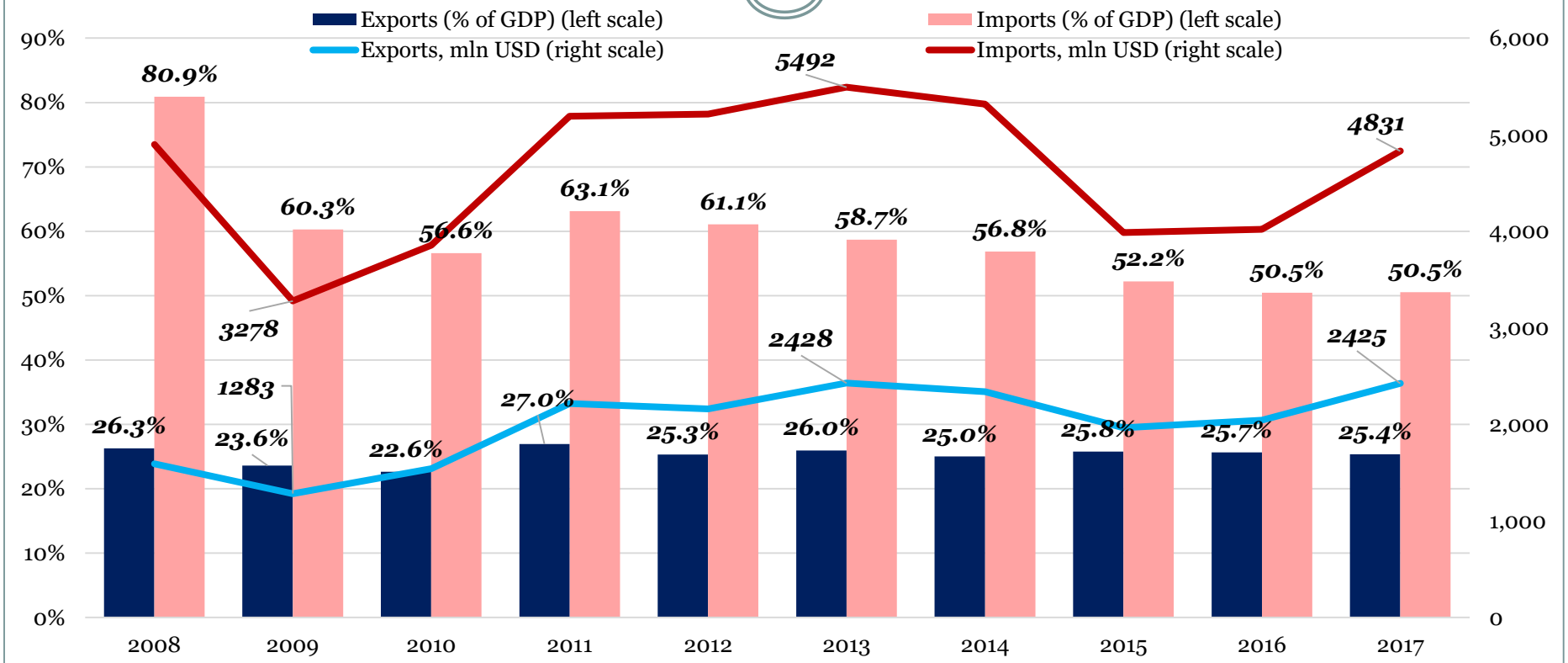
National Bank of Moldova

External accounts



National Bank of Moldova

Foreign trade

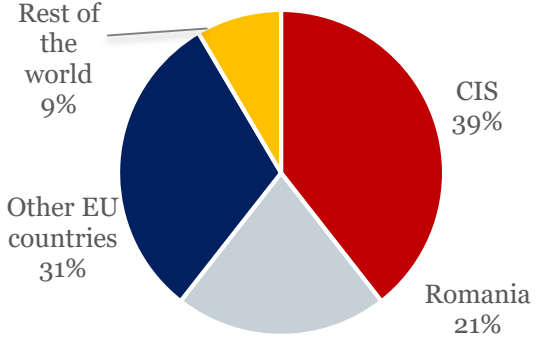


National Bank of Moldova

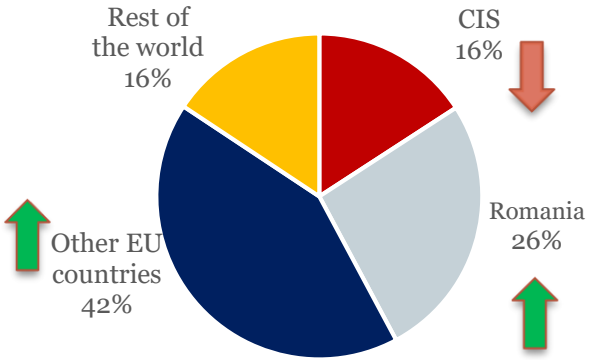
Reorientation of foreign trade

Exports

2008



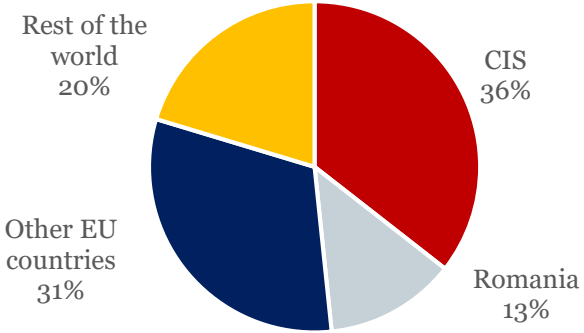
S1, 2018

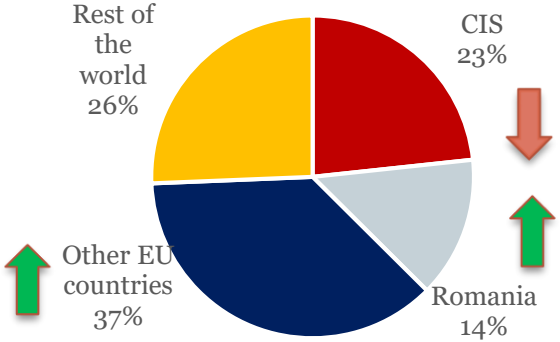


EU = 52% in 2008

EU = 68% in 2008

Imports



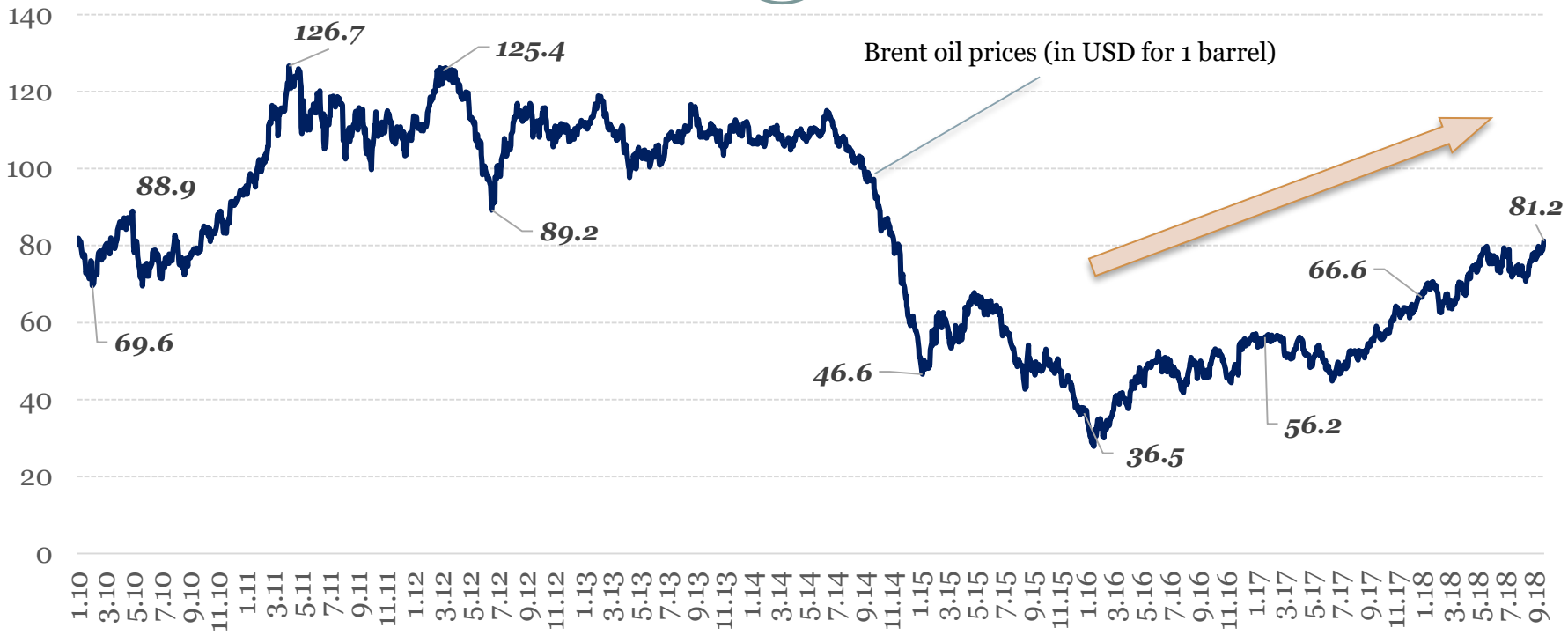


EU = 44% in 2008

EU = 51% in 2008

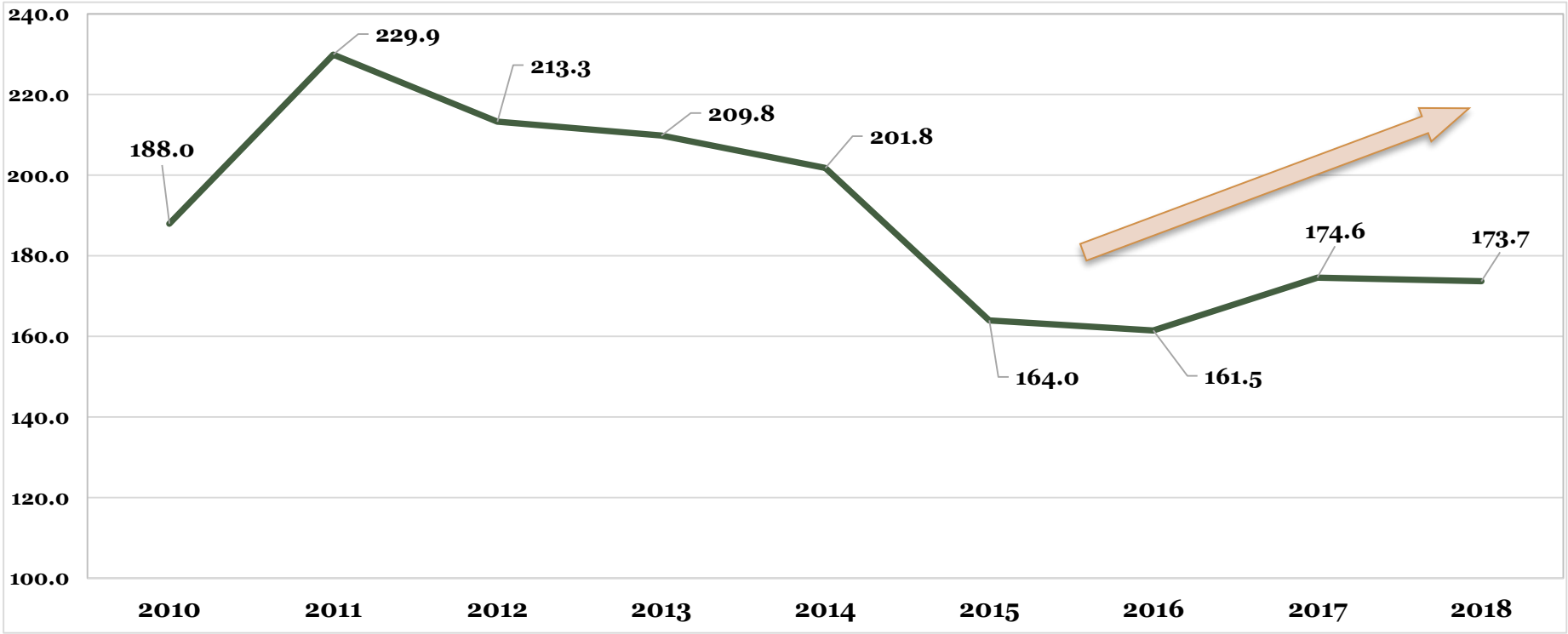
National Bank of Moldova

Rise in international oil prices



National Bank of Moldova

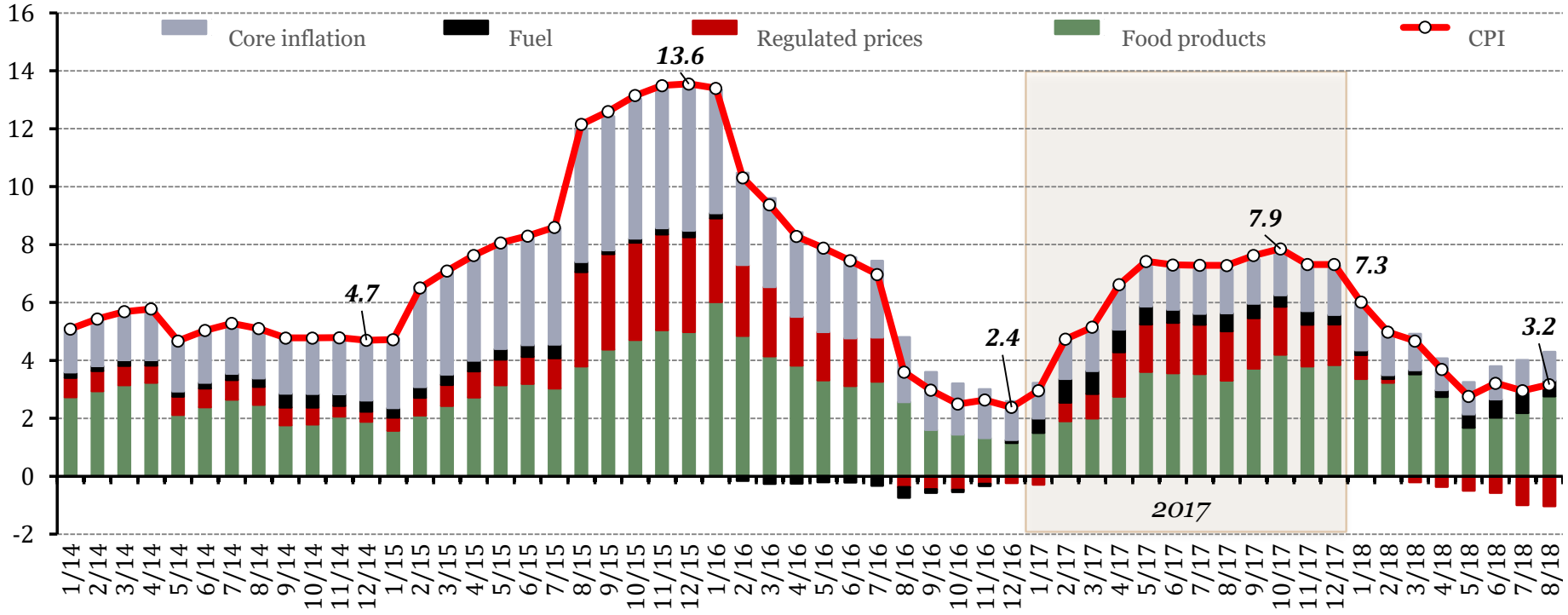
Rise in food prices



MONETARY CONDITIONS

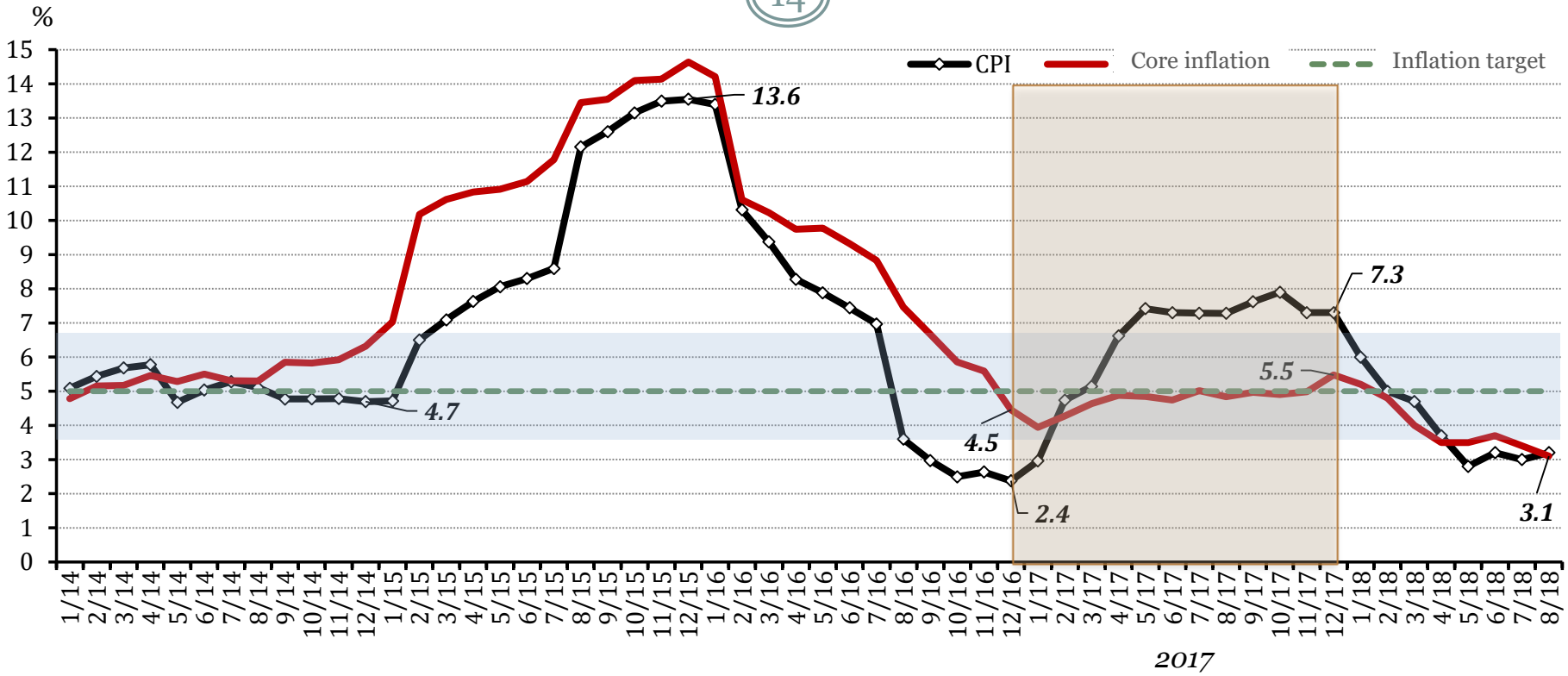
National Bank of Moldova

CPI variation by subcomponents (%)



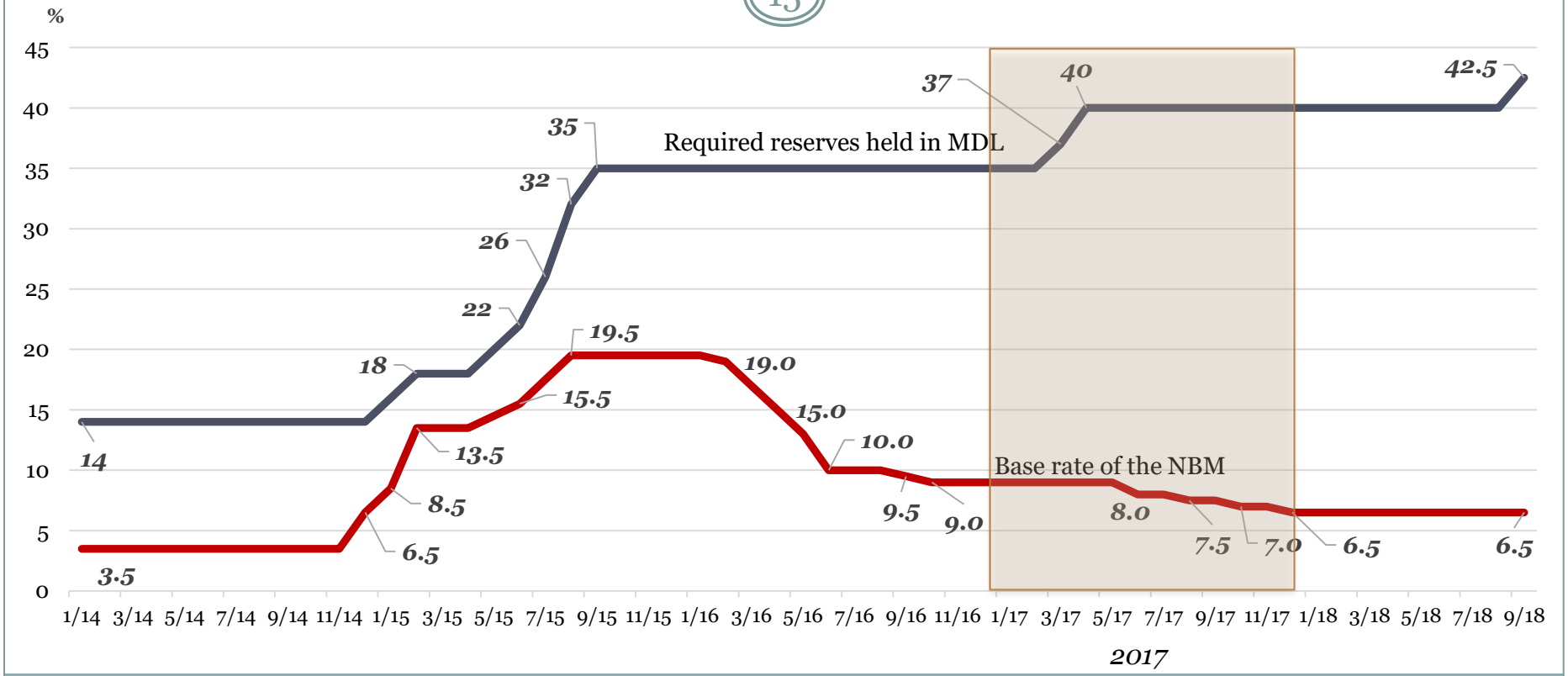
National Bank of Moldova

Variation of CPI and core inflation



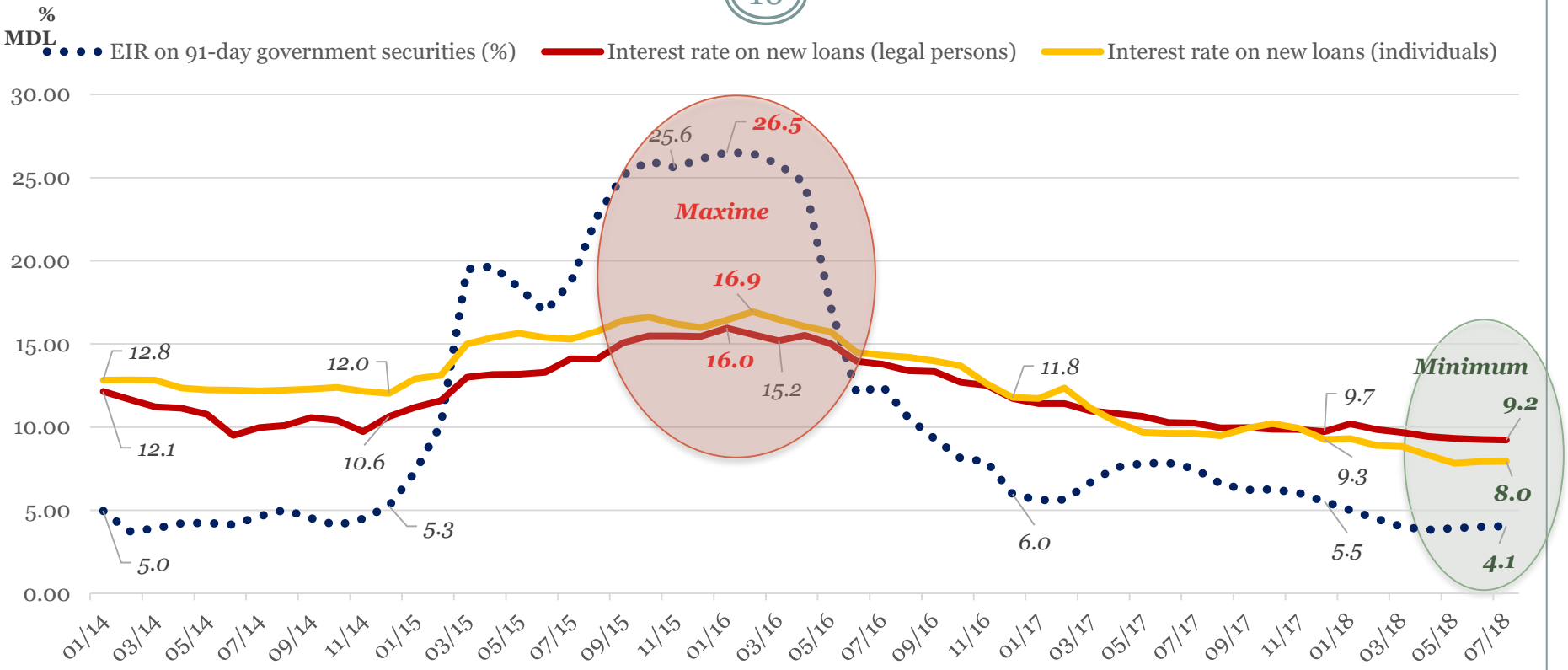
National Bank of Moldova

Monetary policy decisions



National Bank of Moldova

Interest rates on government securities and new loans

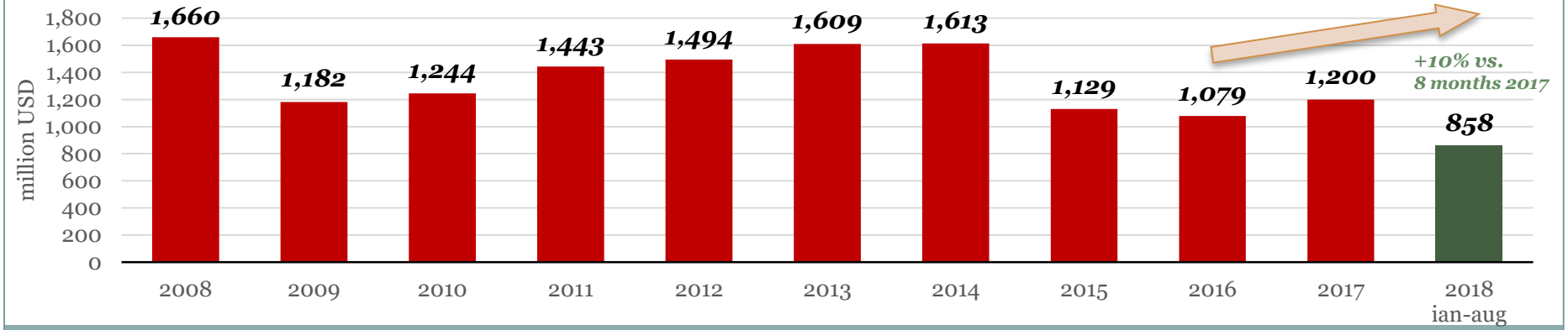


National Bank of Moldova

Remittances

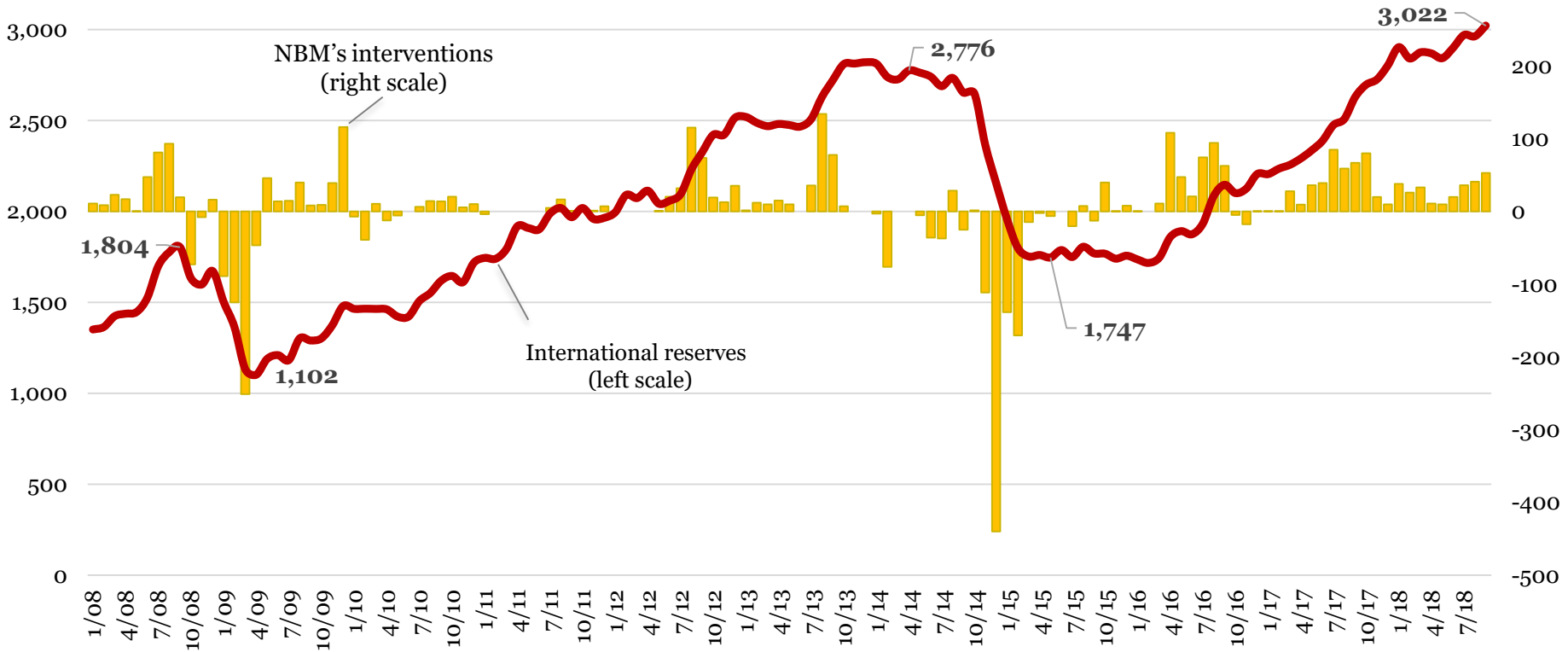
S1 2011 (637 M$)

S1 2018 (640 M$)



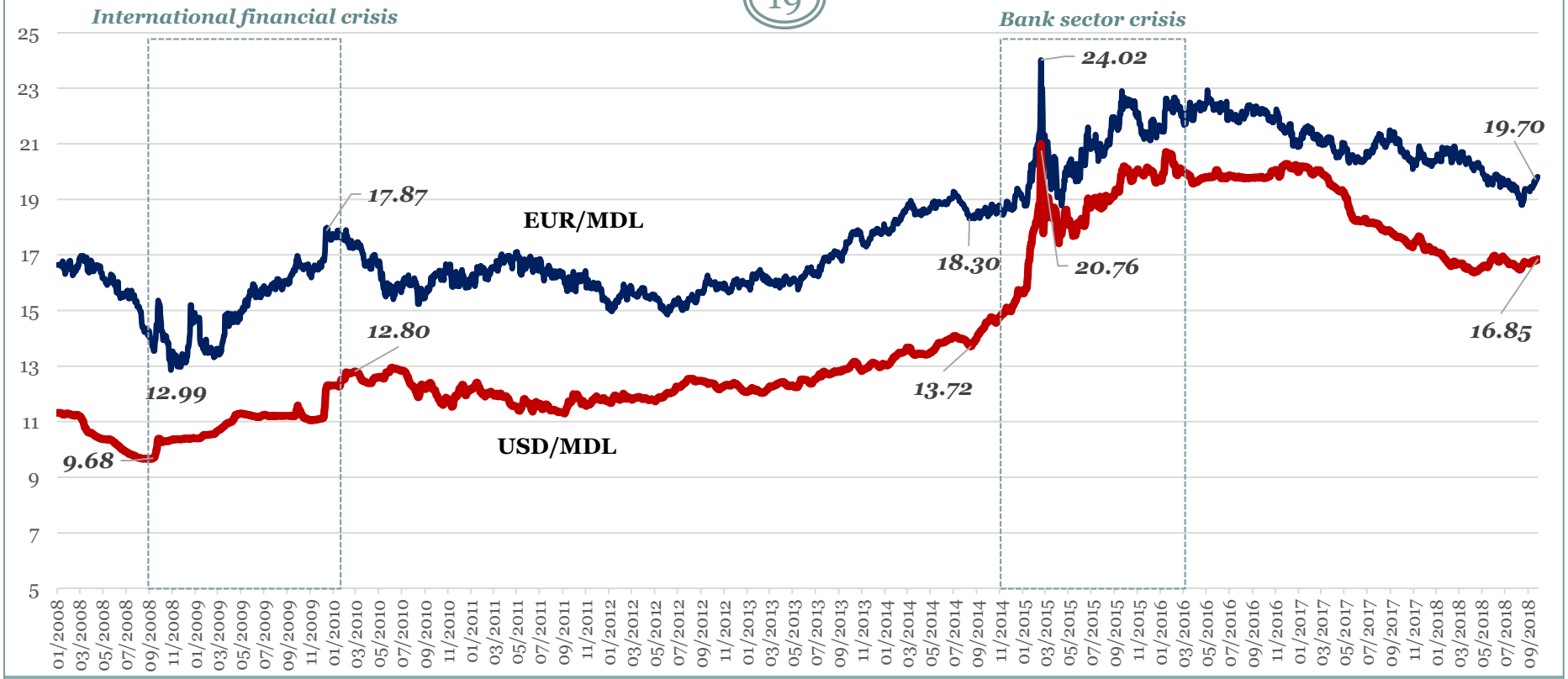
National Bank of Moldova

Foreign exchange reserves and NBM's interventions



National Bank of Moldova

Exchange rate of the Moldovan leu



BANKING SECTOR

National Bank of Moldova

Commercial banks as of 30 June 2018

Shareholding by transparent international groups

- 2016 ~ 25% of assets
- 2018 (Oct.) ~ 71% of assets

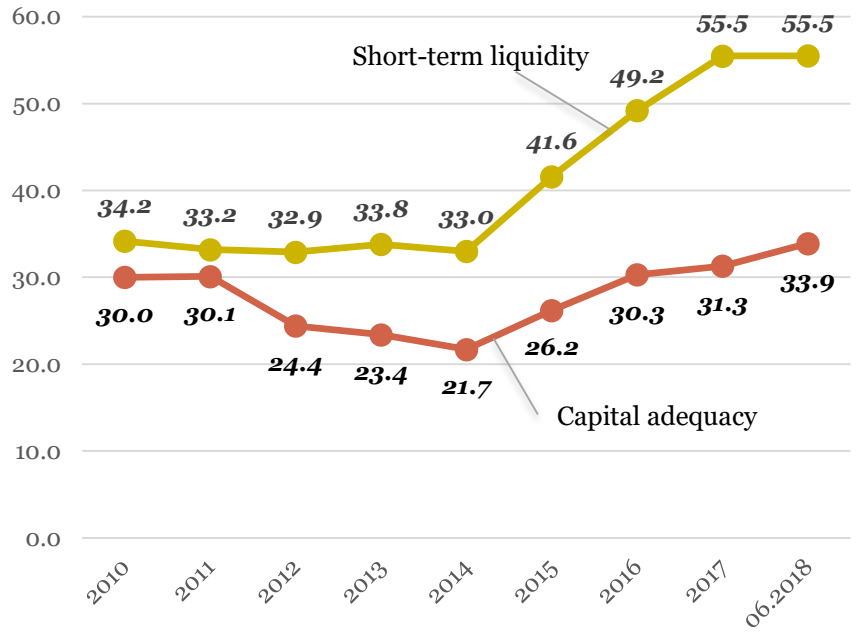
	Market share	Assets bil. MDL	Deposits bil. MDL	Loans bil.MDL	Controls exhaustive	Controls RPs
MOLDOVA-AGROINDBANK *	27%	22,166.1	17,369.3	11,186.5	✓	✓
MOLDINDCONBANK	19%	15,347.1	12,080.5	6,533.3	✓	✓
VICTORIABANK *	19%	15,041.6	12,405.0	3,634.1	✓	✓
MOBIASBANCĂ	13%	10,370.4	7,802.6	4,904.1	✓	✓
EXIMBANK *	6%	4,445.8	3,059.7	759,2	✓	✓
PROCREDIT BANK	4%	3,264.6	1,545.8	2,084.5	✓	✓
FINCOMBANK	4%	3,005.3	2,257.1	1,410.9	✓	✓
ENERGBANK	3%	2,643.6	1,900.5	943,9	✓	✓
BCR CHIȘINĂU	2%	1,784.2	982.4	668.0	✓	✓
COMERȚBANK	2%	1,394.8	947.5	600.3	✓	✓
EUROCREDITBANK	1%	901.4	580.6	421.2	✓	✓

* - *New investors in 2018*

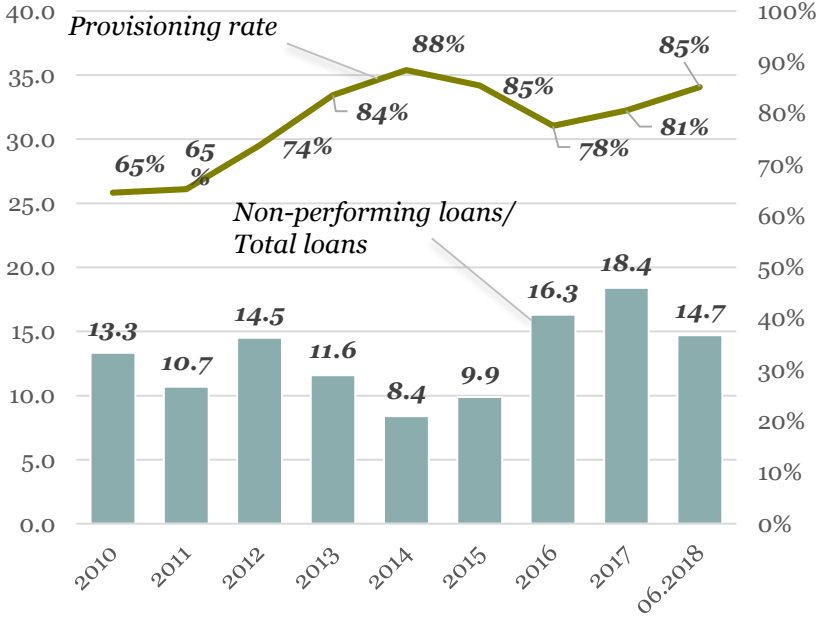
National Bank of Moldova

Financial soundness of banks

PRUDENTIAL INDICATORS

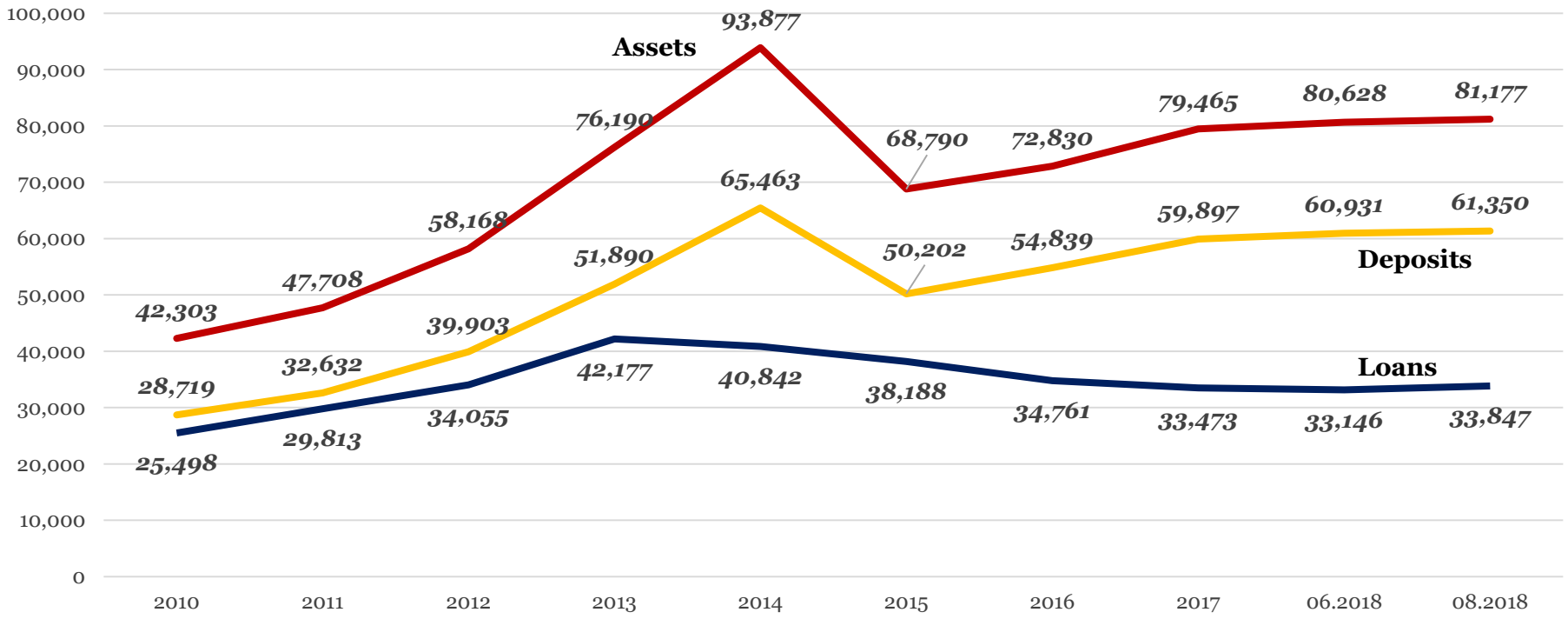


NON-PERFORMING LOANS



National Bank of Moldova

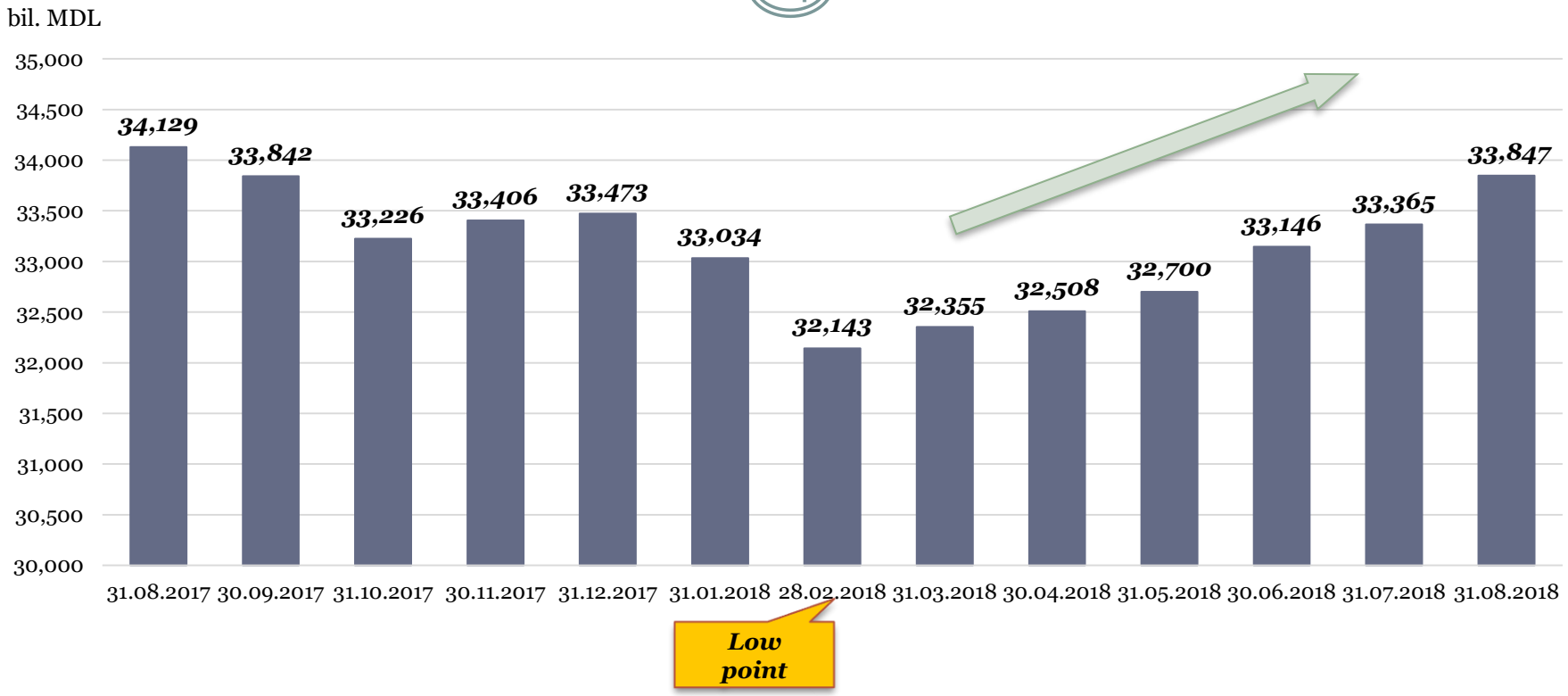
Core Bank Indicators *



* *System-wide developments (including BEM, Social Bank and Unibank prior to their liquidation in October 2015)*

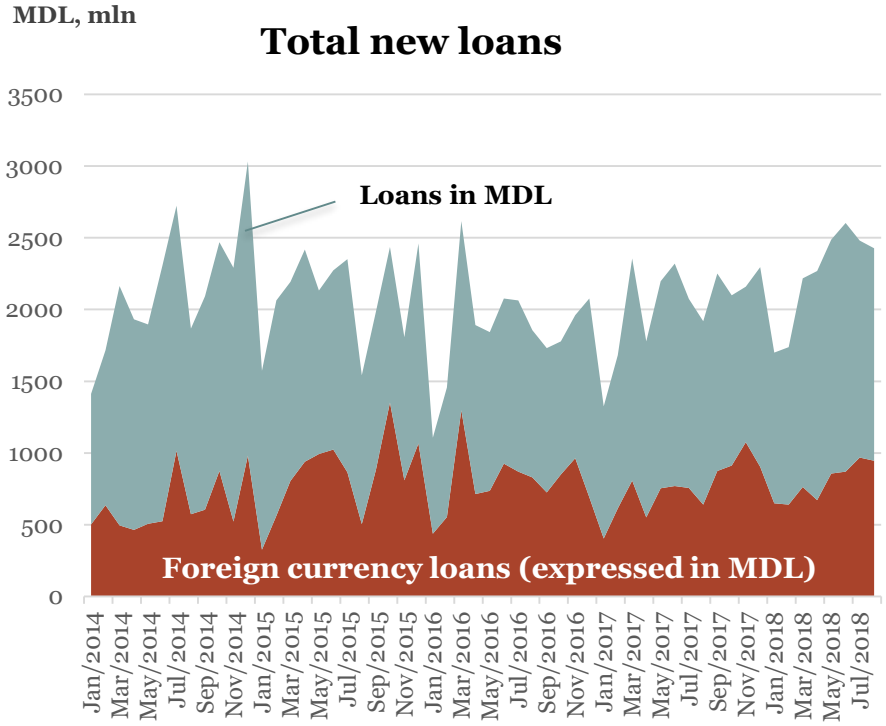
National Bank of Moldova

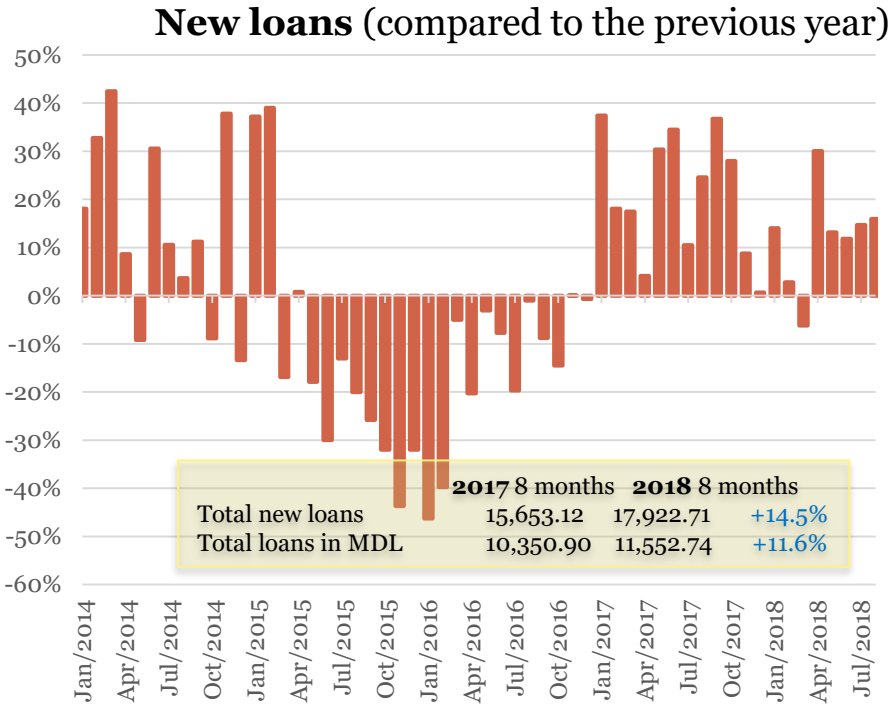
Balance of extended loans (total)



National Bank of Moldova

Evolution of new loans*



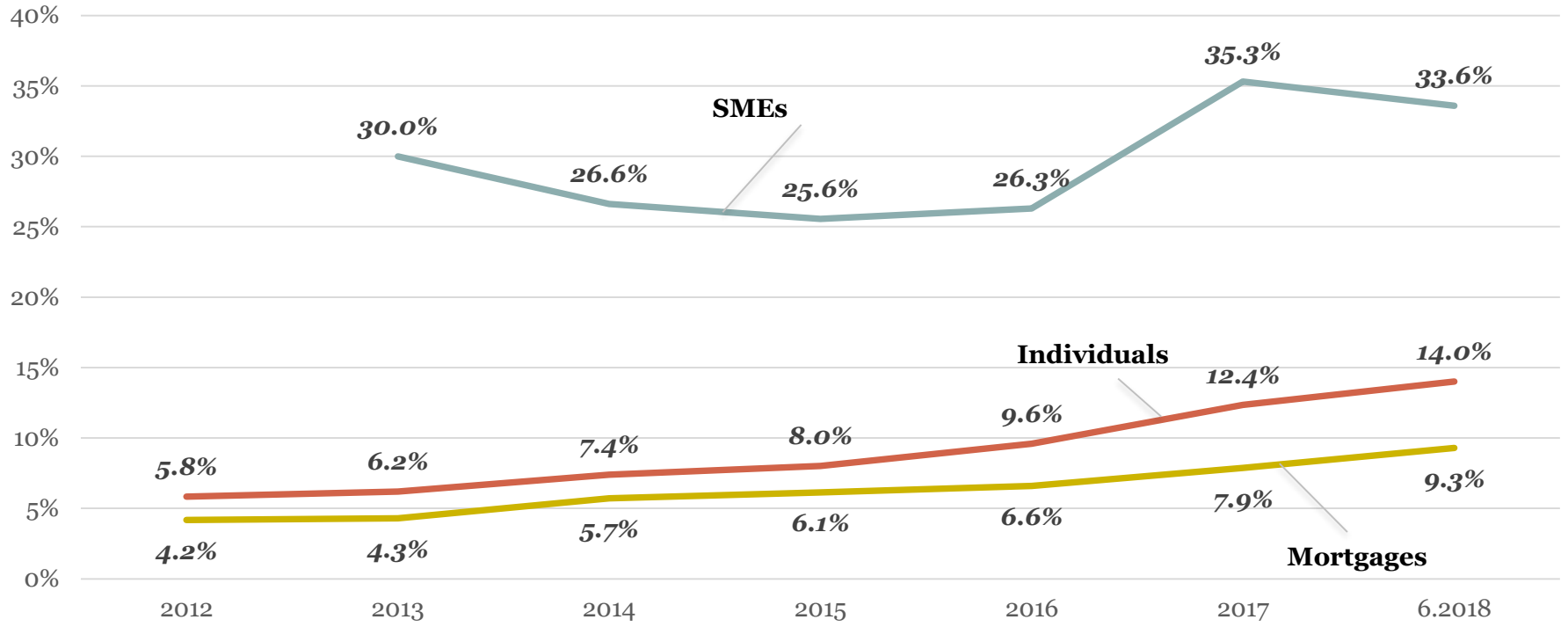


	2017 8 months	2018 8 months	
Total new loans	15,653.12	17,922.71	+14.5%
Total loans in MDL	10,350.90	11,552.74	+11.6%

* - *Excluding BEM, Banca Sociala and Unibank*

National Bank of Moldova

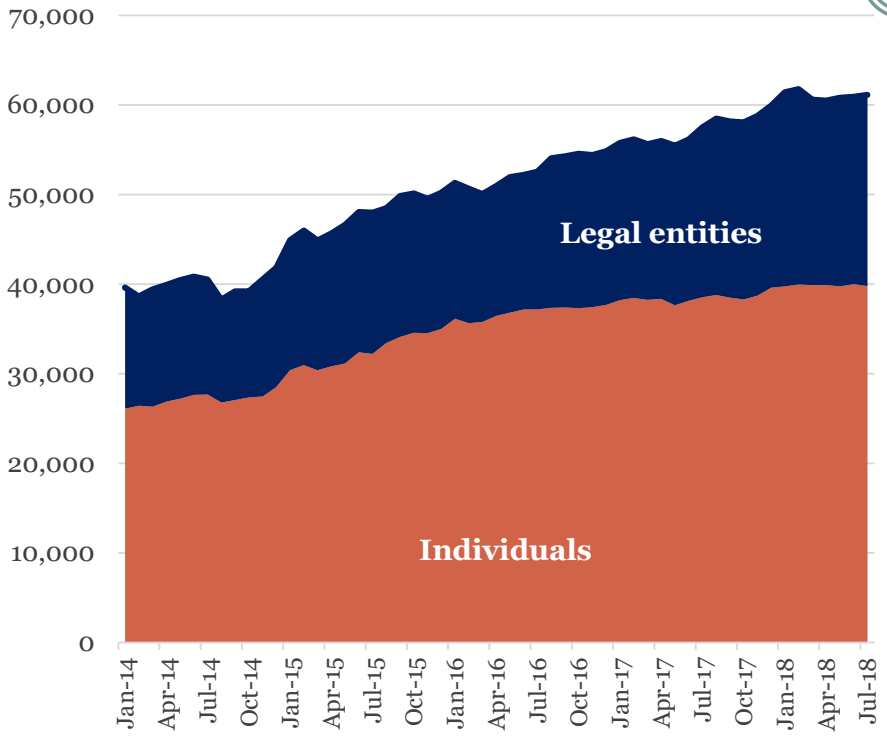
Lending evolution by client category *

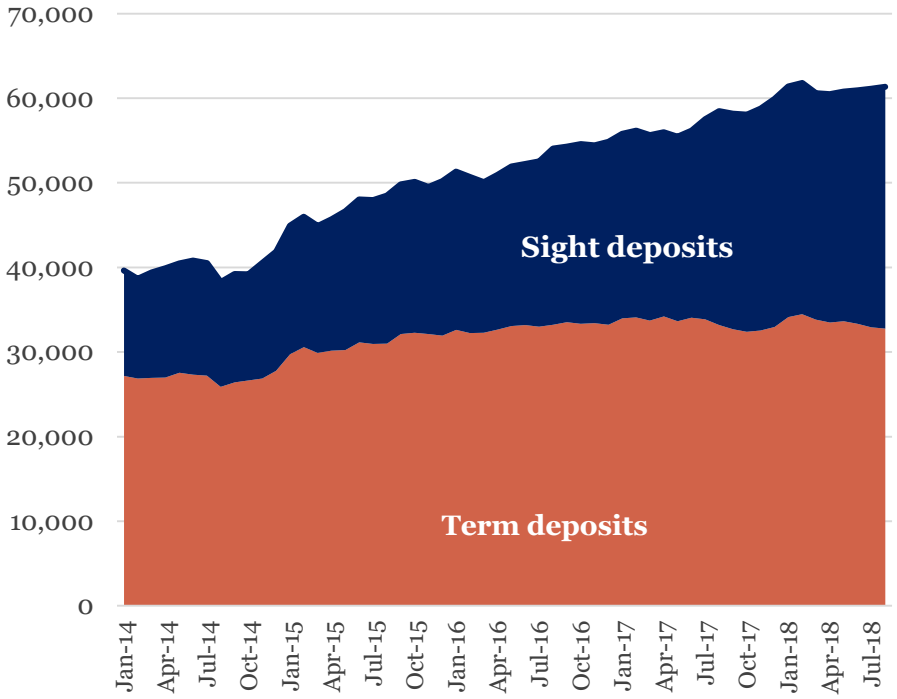


* - *Excluding BEM, Banca Sociala and Unibank*

National Bank of Moldova

Evolution of the balance of deposits* (MDL)

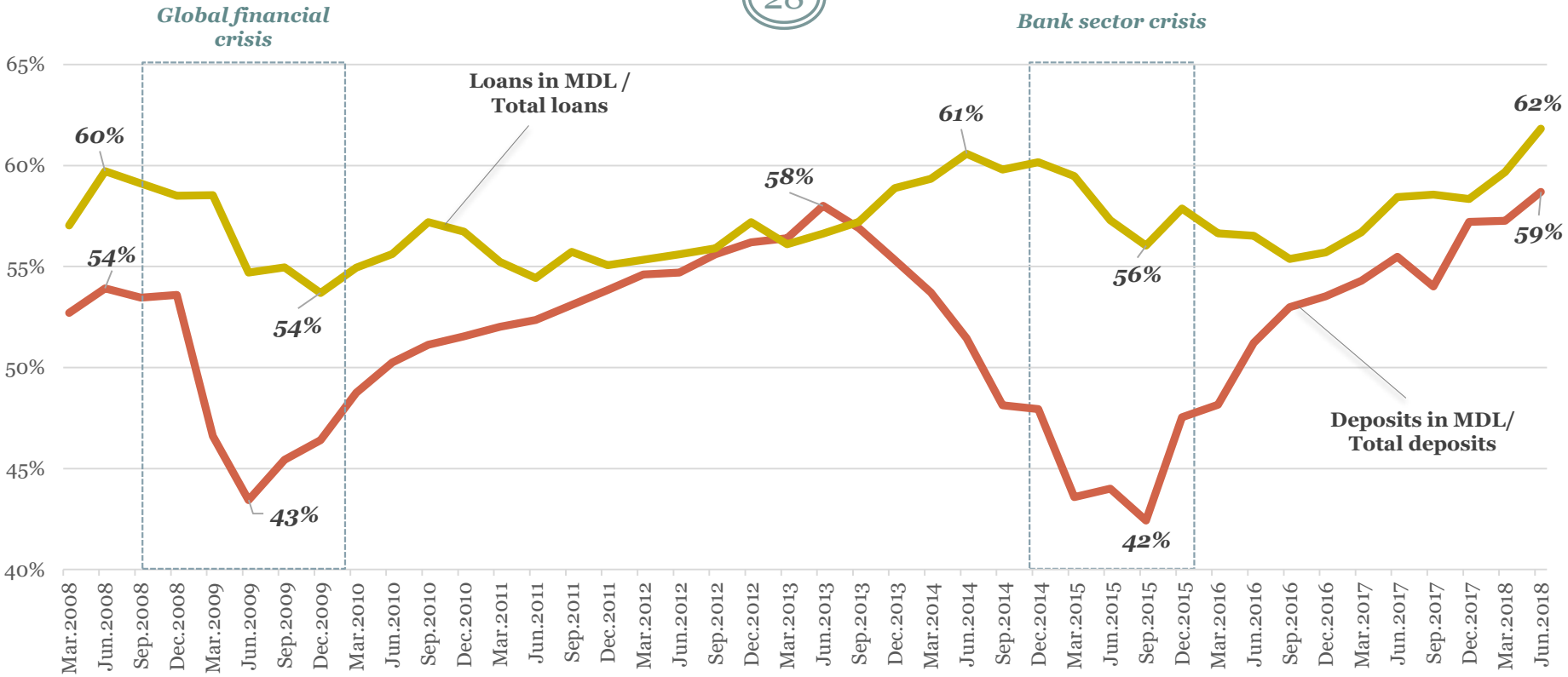




* - *Excluding BEM, Banca Sociala and Unibank*

National Bank of Moldova

Confidence in MDL

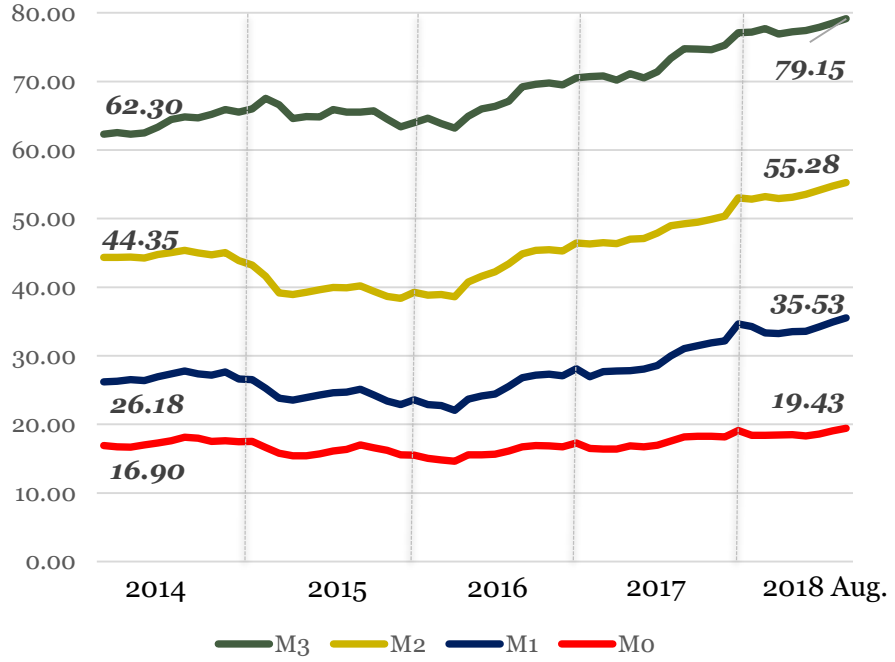


DOMESTIC CURRENCY

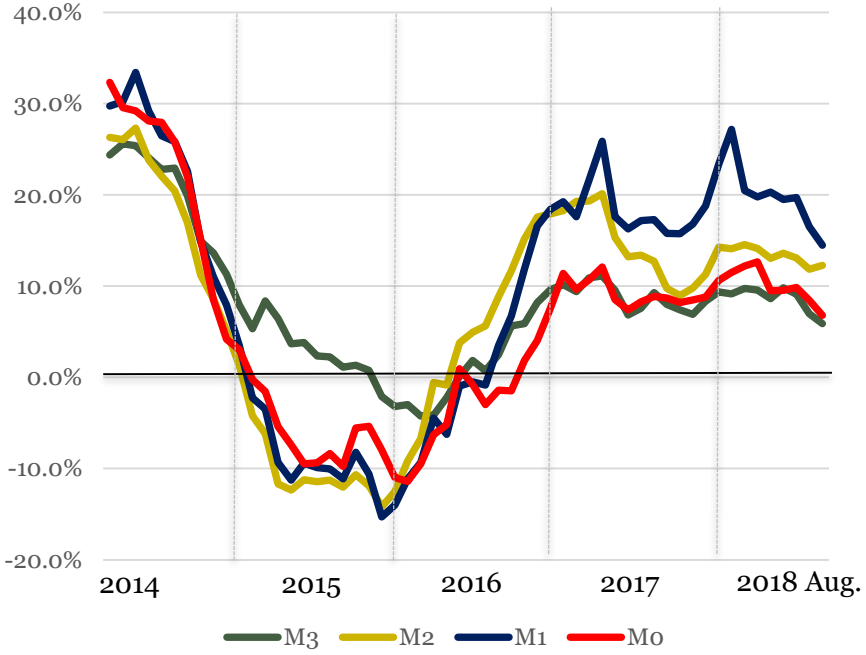
National Bank of Moldova

Monetary aggregates

EVOLUTION OF AGGREGATES
(bil. MDL)

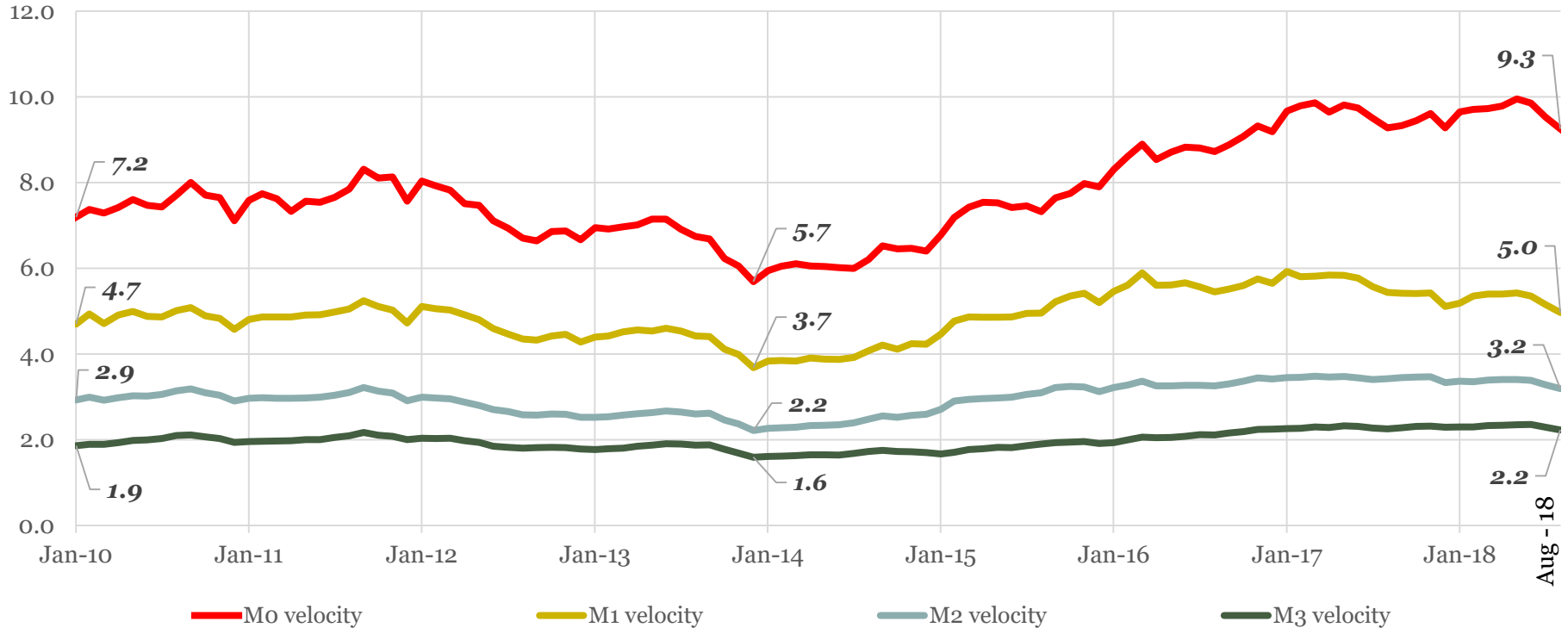


ANNUAL AGGREGATE VARIATION (%)



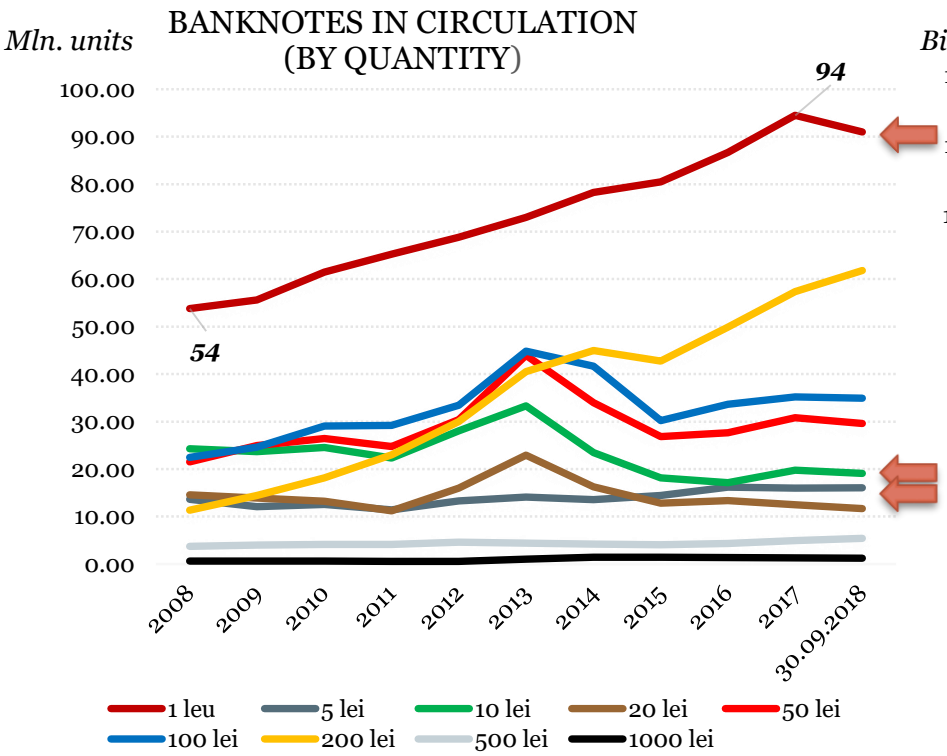
National Bank of Moldova

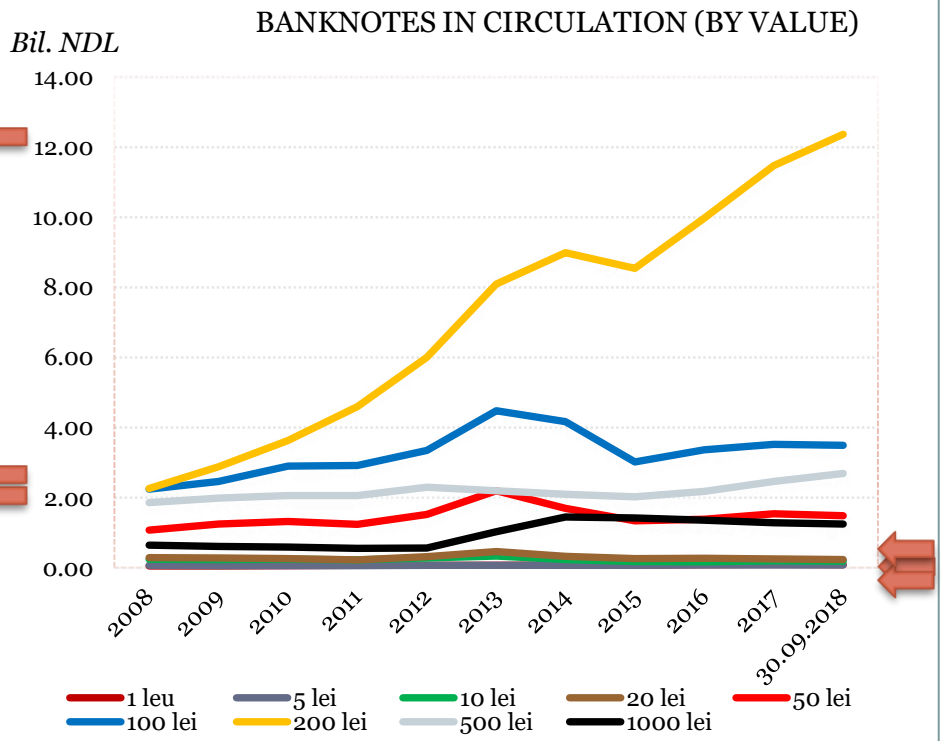
Money velocity



National Bank of Moldova

Structure of Money in circulation





New coins with face value of MDL 1, 2, 5 and 10

- At the end of 2017, over **130 milion banknotes with denomination of MDL 1, 5 and 10** circulated in Moldova

  - an amount that accounted for approximately **50% of the total number** of banknotes in circulation

  - and for only **1,6% of their total value**

- Average banknote lifespan:

  1 leu – 1.2 years
  5 lei – 1.8 years
  10 lei – 1.5 years

- Metal coins' lifespan is approximately <u>10 times longer</u>

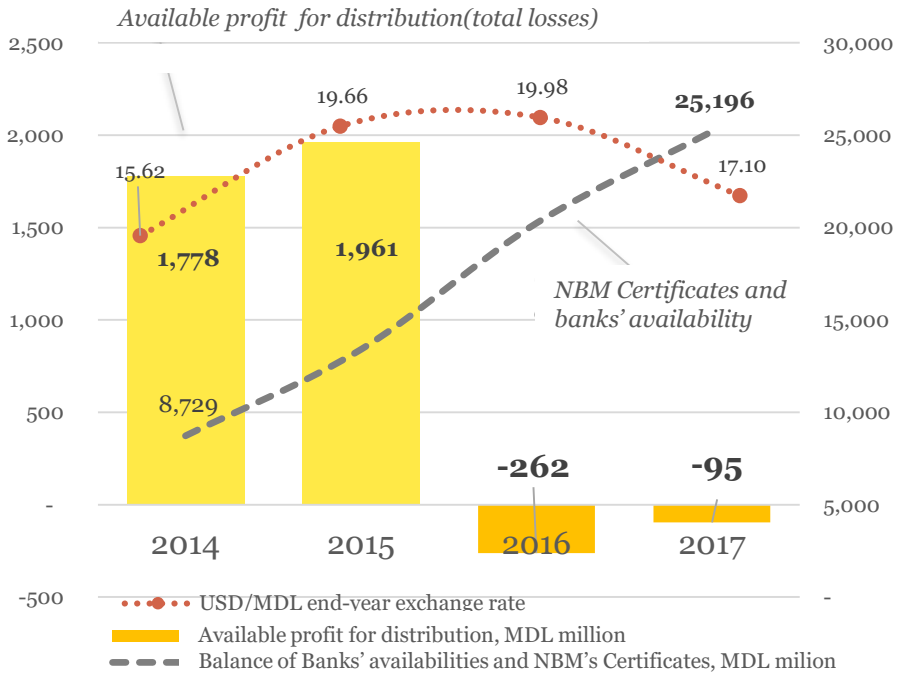
- At comparable production costs, the introduction of metal coins will generate savings of over MDL 300 million over the next 20 years.

https://www.youtube.com/watch?v=E7QYzsxexC4

FINANCIAL STATEMENTS

Financial statements

Available profit



Annual financial results are directly determined by the monetary and foreign exchange operations required to achieve the Bank's fundamental objective.

The total loss of MDL (95.31) million, recorded in 2017, was determined by the following developments of significant impact:

	2016	2017
Income from foreign exchange reserves and government securities	1 188,75	1 315,37
Cash expenditure and monetary transactions	(1 289,63)	(1 249,81)
Other operational income and expenditure	(161,28)	(160,87)
(Total loss)	**(262,15)**	**(95 31)**

National Bank of Moldova

Financial statements

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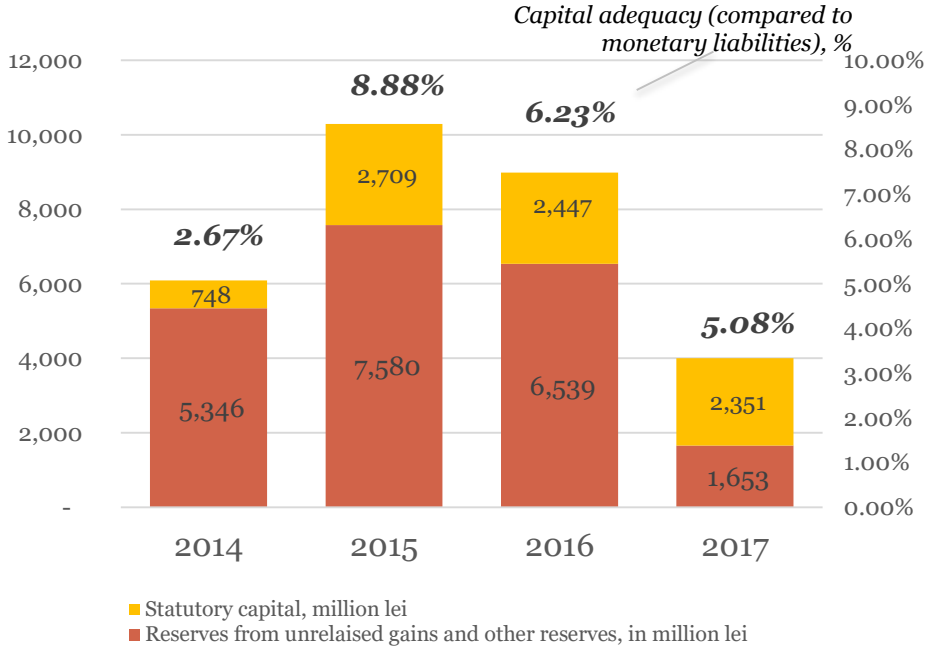
Capital and reserves

Statutory capital formation is dynamic and shall continue increasing up to the level equal to 10% of total monetary liabilities.

Reserves from unrealized gains are used to cover unrealized losses from the exchange rate and market price differences as a result of currency reevaluation.

As of 31 December 2017, the Bank's capital and reserves amounted to a total of MDL 4,004.72 million.

Unrealized losses from exchange rate differences amounting to (MDL 4,851.88) and unrealized losses resulting from the revaluation of securities in the amount of MDL (28.89) million, recorded in 2017, were covered by the reserves from unrealized gains.



REFORMS INITIATED BY THE NBM

National Bank of Moldova

Reforms initiated by the NBM

- The IMF and WB Program (since November 2016)
  - Ensuring an increased transparency of shareholders / Sale of blocked shares / Moving away from the regime of the early intervention measures
  - Assess the Related Party Lending phenomenon / Eliminate illegal practices
  - Financial consolidation of the banking sector / Adequate capitalization / Reduce the amount of non-performing loans
  - Set up the Central Securities Depository / Transfer of transactions involving securities
  - Strengthen the independence of the National Bank of Moldova

GOOD GOVERNANCE FUND

- Implementation of the EU-RM Association Agreement and Multi-Fiber Agreement
  - Modification of the legislative framework and transposition of EU Directives
  - Implementation of the regulatory framework based on Basel III principles
  - Strengthening of the Deposit Guarantee Fund
  - Transposition of the CSB / FT principles into the regulatory framework

EBA EUROPEAN BANKING AUTHORITY

MONEYVAL

- Internal reforms
  - Reorganizing staff positions. Optimization of Human Resources. Automation - IT.

KORN FERRY HayGroup

Questions & Answers

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