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Financial situation of the banking sector for the first quarter of 2025

By Decision No 71 of 13 March 2025 of the Executive Board of the National Bank of Moldova, the license of Banca Comercială Română Chișinău S.A. (BCR Chișinău S.A.) was withdrawn following the merger-based reorganization of B.C. "VICTORIABANK" S.A. with BCR Chișinău S.A. (the absorption of BCR Chișinău S.A. by B.C. "VICTORIABANK" S.A.). Thus, as of 31 March 2025, 10 banks licensed by the National Bank of Moldova were operating in the Republic of Moldova.

The financial situation of the banking sector, according to data provided by banks, is characterized by an increase in assets, loans, and deposits of individuals.

The profit for the year, compared to the same period of the previous year, increased mainly as a result of higher interest income and non-interest income. Interest income grew primarily due to higher income generated from lending activities.

The absolute value of non-performing loans increased, as did their share in total loans. At the same time, expired loans decreased in absolute value, and their share in total loans declined.

At the same time, own funds, the own funds ratio, deposits from legal entities, and deposits from banks decreased.

The decrease in the own funds ratio occurred as a result of an increase in the total amount of risk exposure by MDL 3,578.1 million (4.2%) (increase in loans).

Financial situation of the banking sector and compliance with prudential regulations

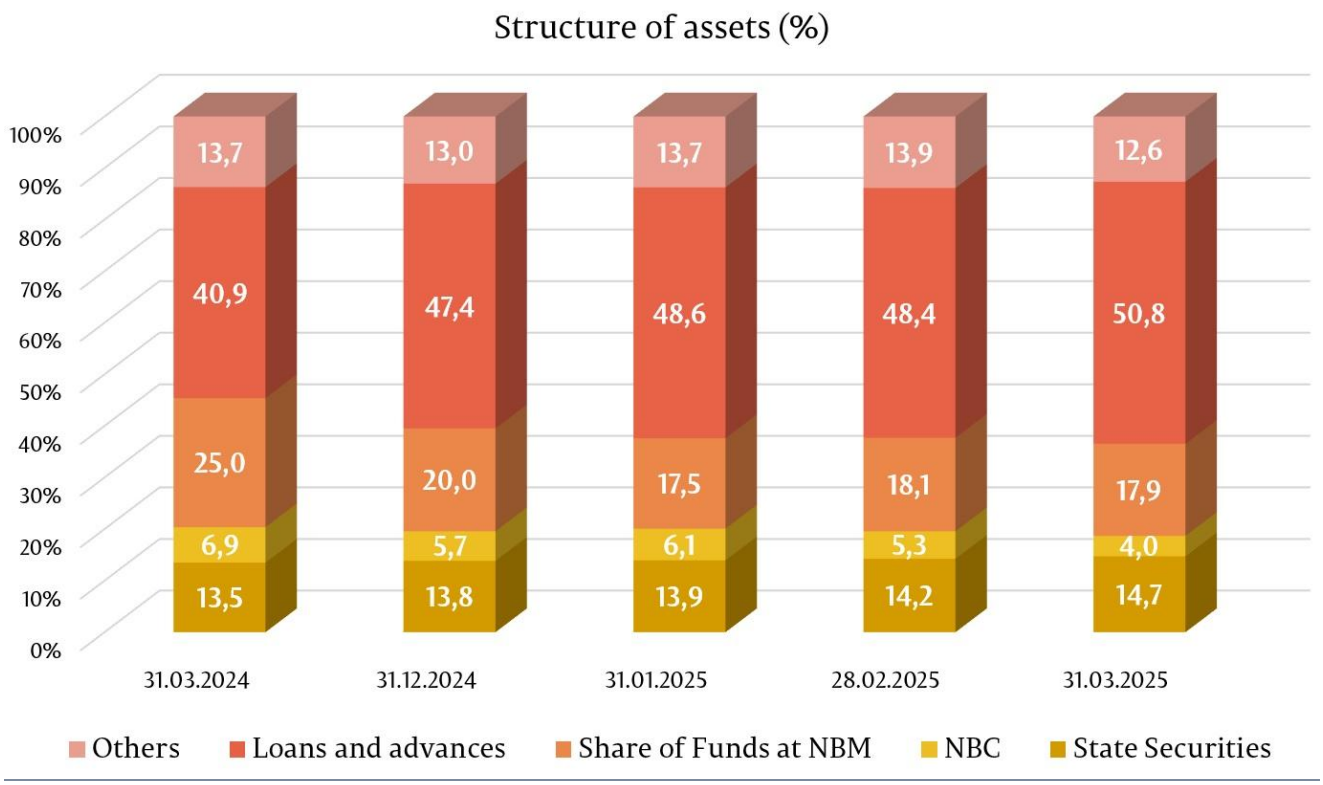
As of 31 March 2025, the situation in the banking sector, as reflected in the reports submitted by the banks, showed the following trends:

Assets and liabilities

Total assets amounted to MDL 172,603.7 million, increasing by 1.3% (MDL 2,247.5 million) during the first quarter of 2025.

In the asset structure, the largest share was held by the balance sheet item "Loans and advances at amortized cost," which amounted to 50.8% (MDL 87,708.7 million), increasing by 3.4 percentage points (p.p.) compared to the end of the previous year. The share of funds placed with the NBM amounted to 17.9% (MDL 30,845.5 million), decreasing by 2.1 p.p., while the share of banks' investments in state securities and NBM certificates accounted for 18.7% (MDL 32,235.1 million), down by 0.9 p.p. The remaining assets, which account for 12.6% (MDL 21,814.4 million), are held in other banks in cash, tangible assets, intangible assets,

etc. Their share decreased by 0.4 p.p. compared to the end of 2024.



[1]

The gross (prudential) balance of loans accounted for 50.9% of total assets, or MDL 87,805.6 million, increasing by 8.6% (MDL 6,981.0 million) during the period under review.

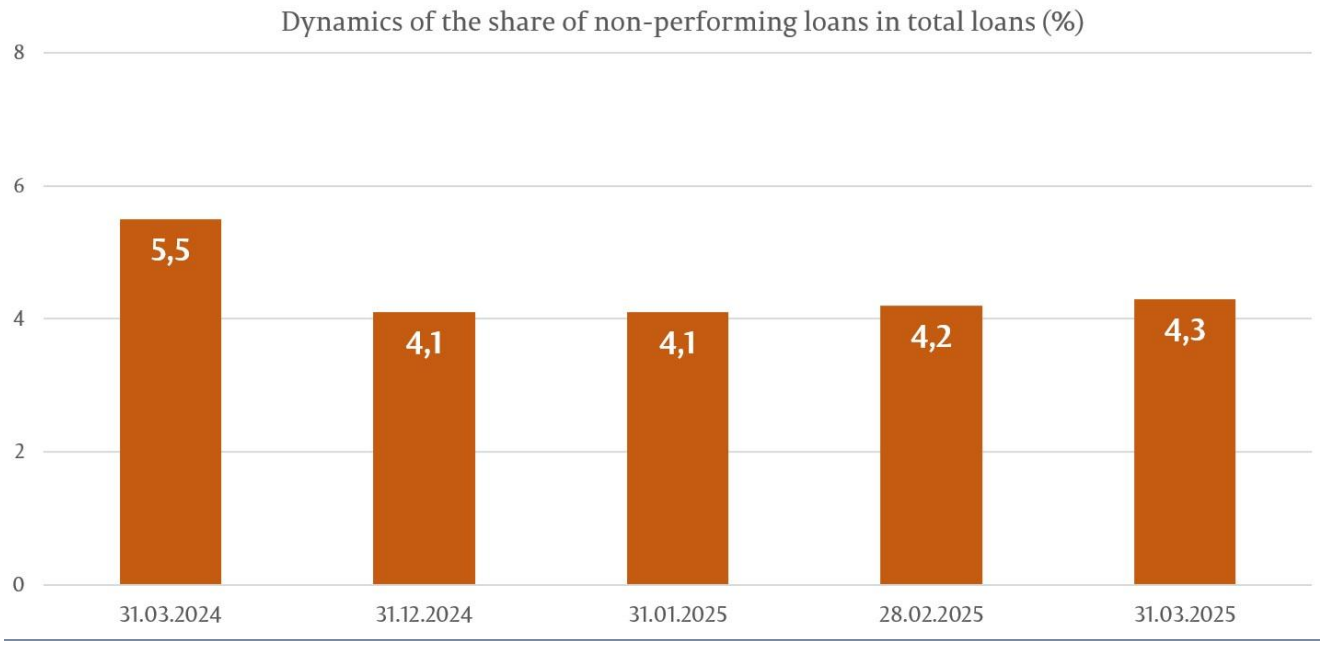
The largest increase was recorded in loans granted for the purchase/construction of real estate - by MDL 2,017.8 million (10.8%), up to MDL 20,624.8 million, other loans granted - by MDL 1,408.0 million (62.7%), up to MDL 3,653.0 million, loans granted to trade - by MDL 1,237.8 million (7.4%), up to MDL 18,072.1 million, and consumer loans increased by MDL 837.9 million (5.7%) to MDL 15,598.8 million.

At the same time, during the first quarter of 2025, the largest decrease was recorded in loans granted to administrative-territorial units/institutions subordinated to administrative-territorial units, by MDL 76.1 million (6.9%), to MDL 1,019.6 million.

During the reference period, the share of non-performing loans (substandard, doubtful, and compromised) in total loans increased by 0.2 percentage points, reaching 4.3% as of 31 March 2025, with the indicator ranging from 3.1% to 8.1%, depending on the bank.

Also, non-performing loans in absolute value increased by 11.4% (MDL 381.1 million) to MDL 3,735.0 million.

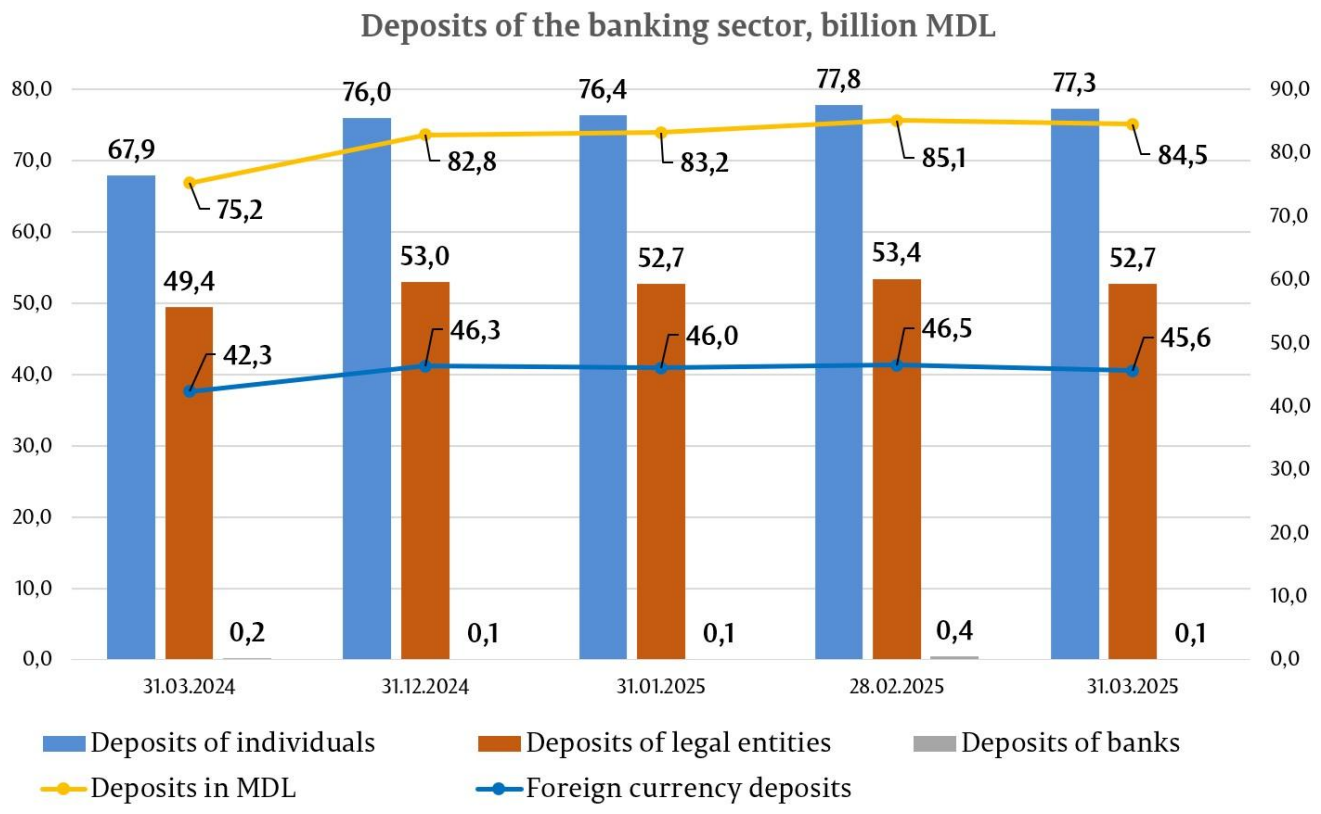
At the same time, during the period under review, expired loans decreased by 2.0% (MDL 30.4 million) to MDL 1,516.5 million. The share of expired loans in total loans was 1.7%, decreasing by 0.2 p.p. compared to 31 December 2023, varying from 0.5% to 5.5%, depending on the bank.



[2]

In the first quarter of 2025, the total balance of deposits increased by MDL 1,049.5 million or 0.8%, reaching MDL 130,141.3 million (deposits of individuals accounted for 59.4% of total deposits, deposits of legal entities – 40.5%, and deposits of banks – 0.1%), as a result of an increase in the balance of deposits of individuals by MDL 1,360.5 million (1.8%), to MDL 77,318.9 million, and a decrease in the balance of legal entities' deposits by MDL 296.8 million (0.6%) to MDL 52,715.2 million.

Of the total deposits, 65.0% were deposits in MDL, their balance increasing by MDL 1,778.2 million (2.1%) compared to the end of the previous year and amounted to MDL 84,546.0 million on 31 March 2025. Foreign currency deposits accounted for 35.0% of total deposits, their balance decreasing during the reference period by MDL 728.7 million (1.6%), amounting to MDL 45,595.3 million.



[3]

Revenues and profitability

As of 31 March 2025, the profit in the banking sector totalled MDL 1,040.6 million, increasing by MDL 226.3 million (27.8%) compared to the same period last year.

The increase in profit was driven by a rise in interest income by MDL 169.6 million (7.4%) and fee and commission income by MDL 78.9 million (9.8%). At the same time, income from exchange rate differences decreased by MDL 21.1 million (4.4%). At the same time, interest expenses decreased by MDL 130.3 million (17.9%), while non-interest expenses (related to fees and commissions, administrative expenses, provisions, impairment of financial and non-financial assets, etc.) increased by MDL 182.6 million (8.9%).

The total revenue amounted to MDL 3,882.1 million, increasing by MDL 278.6 million (7.7%) compared to the same period of the previous year, of which interest income accounted for 63.1% (MDL 2,449.8 million) while non-interest income represented 36.9% (MDL 1,432.3 million).

At the same time, total expenses reached MDL 2,841.5 million, increasing by MDL 52.3 million (1.9%) compared to the same period of the previous year, of which interest expenses accounted for 21.1% (MDL 598.4 million), and non-interest expenses represented 78.9% (MDL 2,243.1 million).

As of 31 March 2025, the return on assets stood at 2.3%, unchanged from the end of the previous year, while return on equity was 14.7%, decreasing by 0.1 percentage points compared to the end of the previous year.

Compliance with prudential requirements

During the first quarter of 2025, banks continued to maintain liquidity indicators at a high level, above the regulated limits.

Therefore, the value of the long-term liquidity indicator (liquidity principle I) amounted to 0.79 (limit ≤1), ranging from 0.64 to 0.86, depending on the bank, and increasing by 0.04 compared to the end of 2024.

Liquidity Principle III, which is the ratio of adjusted actual liquidity to required liquidity in each maturity band and which must not be less than 1 in each maturity band, was also met by all banks, ranging from 1.17 in the maturity band up to and including one month to 240.63 in the maturity band between one month and three months inclusive.

The liquidity coverage ratio by sector amounted to 291.1% (limit ≥ 100%), ranging from 194.5% to 916.7%, decreasing by 16.9 p.p. compared to the end of 2024.

According to the reports submitted by banks as of 31 March 2025, the total own funds ratio for the banking sector amounted to 24.6%, down by 1.8 percentage points compared to the end of the previous year, ranging between 19.9% and 38.6%. All banks complied with the “Total own funds ratio” indicator (≥10%).

Banks also complied with the “Total own funds ratio” indicator requirement, taking into account capital buffers.

As of 31 March 2025, total own funds amounted to MDL 21 837.4 million and decreased by 2.8% (MDL 630.2 million). The decline in own funds by sector was determined by the withdrawal of the license to carry out permitted activities of BCR Chisinau S.A. (DEB of the NBM No 71 of 13 March 2025), following the merger-based reorganization of B.C. “VICTORIABANK” S.A. with BCR Chișinău S.A. (absorption of BCR Chișinău S.A.

by B.C. “VICTORIABANK” S.A.).

As of 31 December 2024, the banks complied with the prudential indicators on large exposures and exposures to their related persons.

During the reporting period, all banks complied with the limit of the dominant position in the banking market, being below the 35% limit of this indicator on the size of assets and deposits of individuals, except for one bank, which exceeded the 35% limit of the dominant position by size of deposits of individuals, constituting 35.6%, and the dominant position in the banking market by size of assets amounted to 36.4%.

Development of the national legal framework and its harmonization with EU legislation

During the first quarter of 2025, the NBM continued the activities related to the development of the draft updates of secondary normative acts for the implementation of Law No 202/2017 and the promotion of Basel III requirements.

Thus, by Decision No 3 of 9 January 2025, amending Regulation No 110/2018 on capital buffers of banks (effective as of 16 February 2025), the secondary regulatory framework related to the own funds that banks are required to hold for the establishment of capital buffers was updated. The amendments ensured alignment with the amendments introduced by EU Directive 2019/878 to EU Directive 36/2013 on access to the activity of credit institutions and the prudential supervision of credit institutions.

The amendments provide for the increase from 2% to 3% of the O-SII buffer cap for systemically important institutions, which may be set by the National Bank of Moldova.

Additionally, the amendments supplement the secondary framework with provisions on the use of core tier 1 own funds that are maintained to meet the combined buffer requirement, in relation to the own funds requirements set for the risk associated with the excessive use of leverage.

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