National Bank of Ukraine

Banking Sector Review

August 2019

Banking assets rebounded in Q2, primarily due to accelerated retail lending. The increase of net hryvnia retail loans continues to exceed 30% yoy. Net hryvnia corporate loans were up by 3.1% during the quarter, although this was partly driven by seasonal factors. Loan portfolio dollarization fell the most in the corporate segment. Hryvnia household deposits continue to grow – by 11.8% yoy. The banking sector has had high returns for two years in a row, thanks to the steady growth in lucrative consumer lending. In H1, the net profit of the banking sector was UAH 31 billion significantly exceeding that for the whole of 2018. The sector's profitability will remain robust in the medium term. In June, the NBU revised its methodology for identifying systemically important banks, bringing it into line with guidelines of the European Banking Authority. According to the new methodology, 14 banks were designated systemically important. At the beginning of August, the NBU revoked the required N4 and N5 liquidity ratios. The introduction of the required liquidity coverage ratio (LCR) has made those ratios redundant.

Sector Structure

In Q2, 76 banks were in operation: one bank surrendered its license and turned into a financial institution. The share of state-owned banks in net assets and retail deposits edged down by 1.2 pp and 0.6 pp, to 54.1% and 62.4% respectively. State-owned financial institutions, including PrivatBank, were the only category of banks that saw a fall in their net assets. The concentration level in the sector decreased: in Q2, the share of the top five banks dropped by 0.8 pp, to 60.1% of net assets. However, the share of the top 20 banks remained the same (91%).

Assets

The banking sector's net assets grew by 1.2%[1], to UAH 1.36 trillion in Q2. Investments in domestic government bonds and certificates of deposit decreased the most in the structure of assets, while cash balances, as well as account balances with the NBU and other banks, increased. As a result, over the quarter the share of government securities in net assets decreased by 2.8 pp. to 31.4%. The percentage of funds held at the NBU and other banks was up by 2.2 pp, to 14.7%.

Net hryvnia corporate loans were up by 3.1% in Q2 and by 8.9% yoy, mainly driven by seasonal factors and by lending to state-owned companies. At the same time, FX loans reduced by 1.7% (in the USD equivalent). Both these trends contributed to a decrease in the dollarization of the net corporate loan portfolio by 2.2 pp, to 47.5%. Another contributing factor was the strengthening of the hryvnia.

Net hryvnia retail loans continue to surge: +6.6% qoq and +33.2% yoy. The top lenders were private and state-owned banks, with 12.7% and 10.3% yoy growth respectively. On the other hand, PrivatBank, having been the leader in retail lending after its nationalization, saw its portfolio grow only moderately in Q2 – by 3.3%. A stable dedollarization trend in retail loans persists: the share of net FX loans in the retail loan portfolio declined by 0.7 pp, and by the end of June stood at only 5.7%.

New retail lending improved the quality of the retail loans portfolio. In Q2, the non-performing loans (NPL) ratio shrank by 3.1 pp, to 40.7%[2]. The quality of the total loan portfolio improved in almost all bank categories, with the NPL ratio falling by 0.9 pp, to 50.8% in the quarter. Private and foreign banks, apart from Russian ones, reported the greatest improvement (to 21.4%). The top five foreign banks account for only 13.8% of NPLs.

In Q2, non-performing exposures dropped by 4.8% in nominal terms, in particular due to the liquidation of Finansova Initsiatyva bank. Provisions against all exposures cover 92.9% of non-performing exposures.

Funding

Retail and corporate deposits increased by 2.7% over Q2. Funds from international financial institutions, 89% of which are held by state-owned banks, were 12.2% down. The April's Eurobonds redemption by Ukreximbank, which together with interest amounted to USD 400 million, was the major driver behind it.

Hryvnia retail deposits grew by 5.9% qoq, and by 11.8% yoy. This was seen in all bank categories, but most noticeably at private banks (+8.5% in Q2). FX deposits increased by 2.2% qoq (in the USD equivalent). A positive trend was reported in all groups, except for PrivatBank, where FX retail deposits fell by 6.5% qoq.

Hryvnia corporate deposits grew by 1.9% qoq, and by 8.7% yoy, while FX corporate deposits were up by 9.7% and 2.5% respectively in the USD equivalent. Foreign banks posted the

[1] Banks that were solvent as of the end of June 2019.
[2] At all reporting banks.

highest growth rates, in both domestic and foreign currencies (6.5% and 16.0% respectively).

The share of foreign currency increased in corporate deposits, but declined in retail deposits. At the end of Q2, the dollarization of customer deposits stood at 40.7%.

Interest rates

In April through July, the NBU twice cut the key policy rate: it dropped from 18.0% to 17.0% per annum. However, in Q2, this was met with little to no response from interest rates on 12-month hryvnia retail deposits. These rates remained at close to 15.5% per annum[3]. The interest rate on 12-month U.S. dollar retail deposits hit a new all-time low once again, falling by 0.3 pp to 3.1% per annum. The interest rate on hryvnia corporate deposits fell to 13.4% per annum. However, this is above the average for the last four years.

Retail lending remains the most profitable segment for banks due to high demand for consumer loans. Compared to March, interest rates on retail loans increased by 0.9 pp, to 29.5% per annum, while rates on corporate loans edged down by 0.1 pp, to 17.1% per annum.

Financial Results and Capital

In H1, the banking sector generated the net profit of UAH 31 billion. This is a 3.8-times increase in year-on-year terms, and also higher than the profits the banks earned over the whole of 2018. PrivatBank accounted for almost 60% of the sector's profit. Of the 76 banks in operation, 66 were profitable. The combined profit of those banks was UAH 31.9 billion.

Operating income increased by 41.7% yoy, while operating expenses were only up by 10.7% yoy. As a result, operating profit before loss provisions increased by 89.1% yoy, and operating performance remained high: the sector's CIR was 47.1%. The trend in operating income was set by the stable growth of net interest income (+20.2% yoy) and net fee and commission income (+17.4% yoy), due to the surge in consumer lending and cashless retail operations. Significant gains from trading operations by state-owned banks, in particular through the revaluation of FX instruments, were another contributor to the banking sector's high profitability.

Loss provisions decreased by 63.3% in Q2 compared to Q1. In H1, loss provisions totaled UAH 6.4 billion (-31.2% yoy), and were mainly made by state-owned banks (apart from PrivatBank) and a bank with Russian capital.

Prospects and Risks

The cycle of rate cuts initiated by the NBU will have a positive effect on banks' profitability, as the cost of financing will decrease and high demand in the retail segment will support high rates on consumer loans.

The increase in deposits will decelerate somewhat, but will remain sufficient – primarily to cover retail lending. The NBU confirms its previous forecast for growth of the net hryvnia retail loan portfolio of above 30% yoy.

Stress testing of 29 banks is underway. At the end of September, the NBU will release aggregated its stress test findings, and at the end of December will make available information about individual banks.

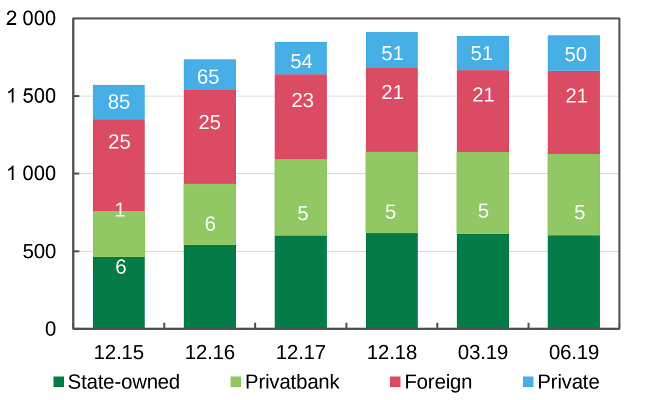
As part of harmonizing banking regulation and supervision with European acquis, work is underway to set up new rules for calculating regulatory capital, capital needs to cover operational risk, and the net stable funding ratio (NSFR). The NBU plans to approve the NSFR calculation methodology by the end of 2019 and introduce the new requirement in 2020. The initial value of the NSFR and the phase-in period during which the ratio will be introduced will be determined on the basis of test calculations.

[3] Based on the Ukrainian Index of Retail Deposit Rates.

Sector Structure

In Q2, the sector's total assets were little changed, and stood at UAH 1.89 billion. In May, the number of operating banks decreased by one: Vernum bank, holding 0.01% of the sector's assets, ceased banking operation as planned, and became a financial company.

Figure 1. Banks' total assets, UAH billion*



* Solvent banks have been grouped in accordance with the categorization in effect during the relevant reporting period.
The caption on the figure corresponds to the number of banks in a group.

Table 1. Number of banks*

	2015	2016	2017	2018	March 2019	June 2019
Solvent	117	96	82	77	77	76
change	-30	-21	-14	-4	0	-1
State-owned**	7	6	5	5	5	5
change	0	-1	-1	0	0	0
Foreign	25	25	23	21	21	21
change	0	0	-2	-2	0	0
Private	85	65	54	51	51	50
change	-30	-20	-11	-2	0	-1
Insolvent	3	4	2	1	1	1
change	-13	1	-2	0	0	0

* Number as of the end of the relevant period.
** Including PrivatBank.

Private banks continued to expand their market shares. The share of net assets of foreign bank groups rose most notably – by 0.9 pp, to 30.9%. Conversely, the shares of state-owned banks (including PrivatBank) of net assets and retail deposits edged down by 1.2 pp and 0.6 pp respectively, to 54.1% and 62.4%.

Figure 2. Distribution of net assets by bank groups

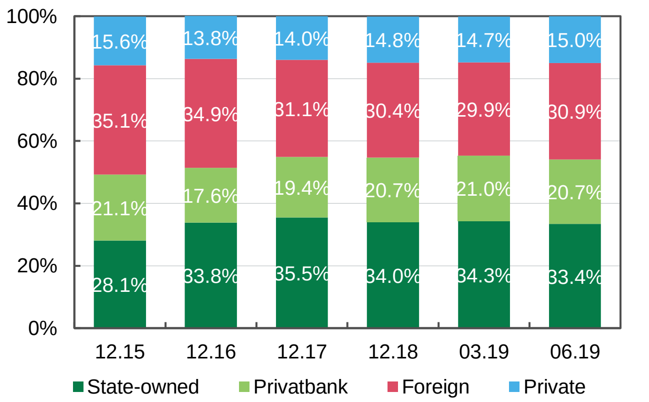
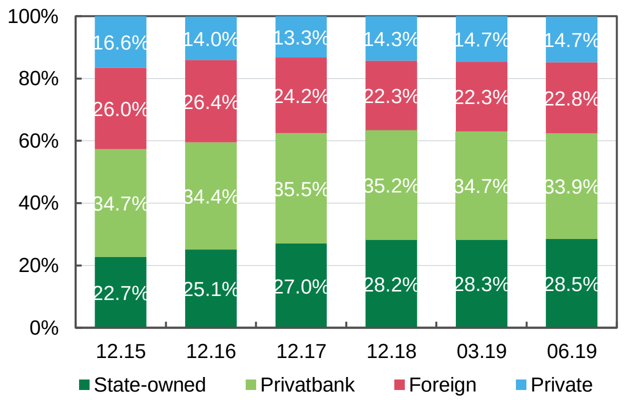


Figure 3. Distribution of retail deposits by bank groups



Asset and retail deposit concentration lessened somewhat due to a decrease in the share of PrivatBank. The top 20 banks' share of net assets has remained unchanged for three consecutive years (91%).

Figure 4. The largest banks' share of the sector's net assets

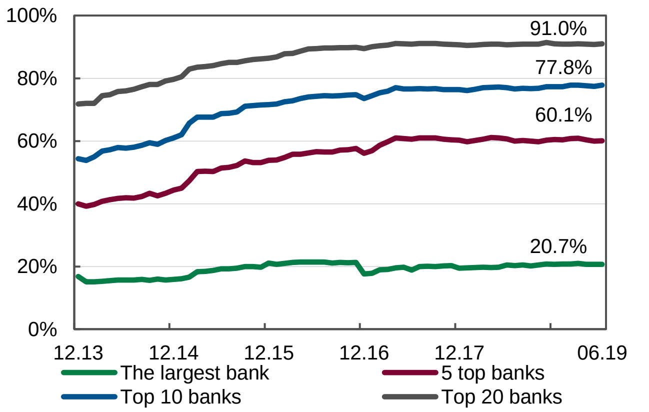
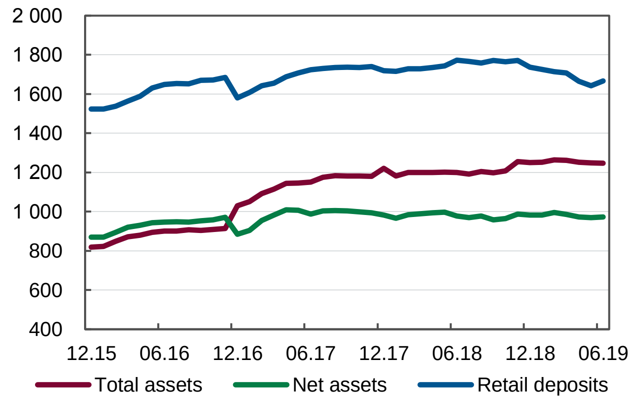


Figure 5. Concentration as defined by the HHI*

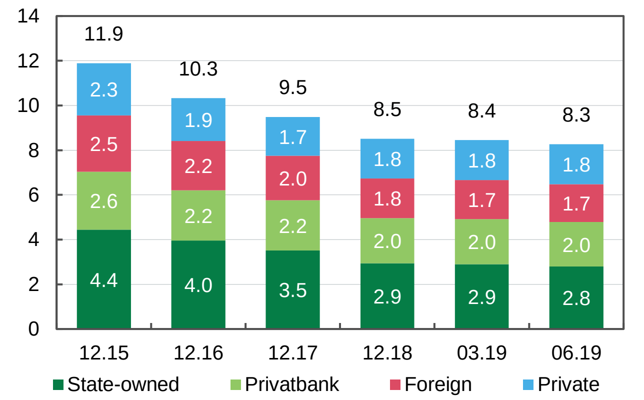


* The Herfindahl-Hirschman Index (HHI) is an indicator of banking sector concentration. It is calculated as the sum of the banks' squared market shares. The index can have values between 0 and 10,000 (with values below 1,000 indicating low market concentration).

Banking infrastructure

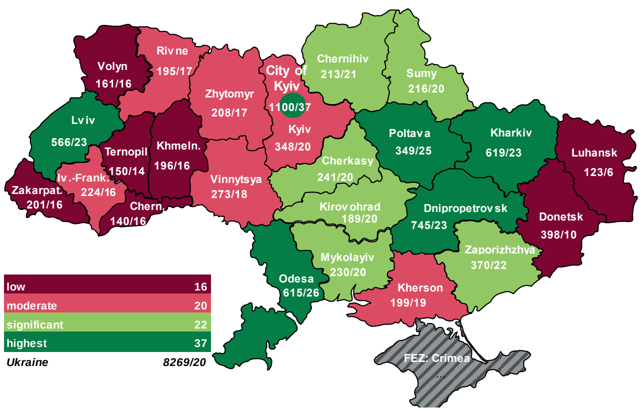
In Q2, the banks were actively closing offices (-183). Oschadbank was the leader, cutting down 102 offices (in the previous quarter it closed 41 offices). Foreign banks closed 56 offices. The biggest relative decrease of 30 was reported in Dnipropetrovsk oblast.

Figure 6. Number of bank offices, thousand*



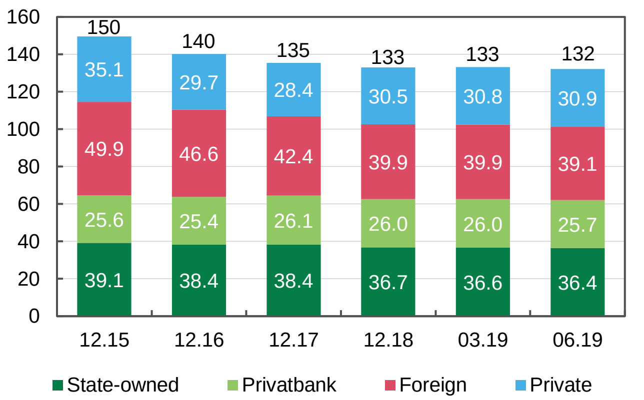
* Standalone bank units and head offices.

Figure 7. Operating bank offices by region as of 1 July 2019, offices per 100,000 individuals.



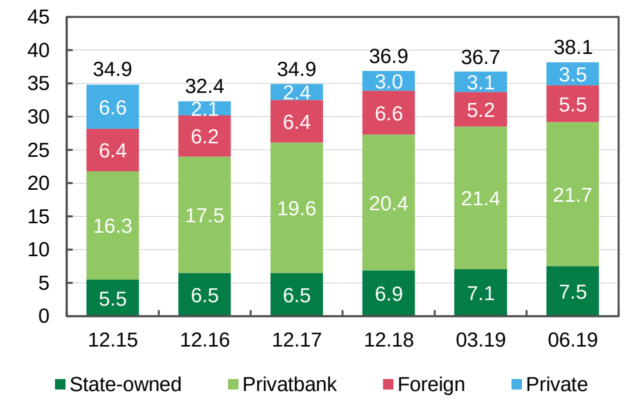
In Q2, staff numbers fell by 1,100 employees. Only private banks hired staff (111 employees).

Figure 8. Staffing level at banks, thousand employees



The number of active payment cards rose by 1.3 million units in Q2. The top banks were state-owned banks, together with PrivatBank (+680,000 cards).

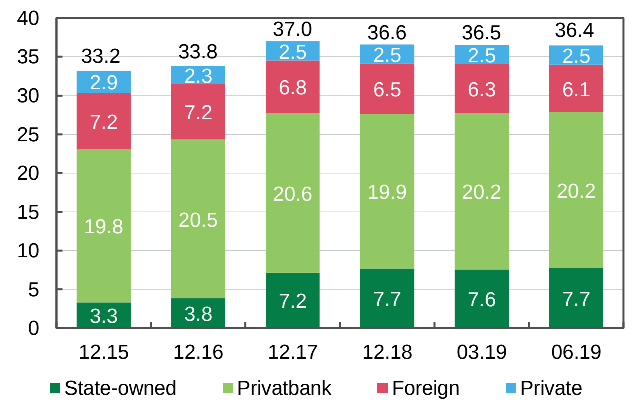
Figure 9. Number of active payment cards by bank groups, million units



* Preliminary data.

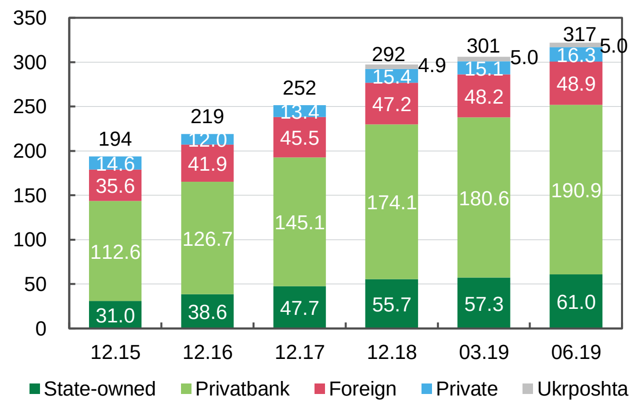
The POS-terminal network continues to evolve. State-owned banks led the way in Q2 (+13,900 units jointly with PrivatBank), as did private banks (+1,200 units). As of the end of June, Ukrposhta had 5,045 POS-terminals. New self-service bank machines were installed only by state-owned banks (+133 units) and private banks (+20 units). On the other hand, the ATM network continues to shrink.

Figure 10. Number of ATMs*, thousand units



* Number of self-service bank machines (ATMs, deposit ATMs, self-service kiosks).
** Preliminary data.

Figure 11. Number of POS terminals, thousand units



* Preliminary data.

Assets

The banking sector's net assets grew by 1.2%, to UAH 1.36 trillion in Q2. The most significant changes in their structure were caused by a reduction in investment in domestic government bonds and certificates of deposit by one of the state-owned banks, combined with an increase in funds in accounts at other banks.

Figure 12. Net assets by bank groups, UAH billion

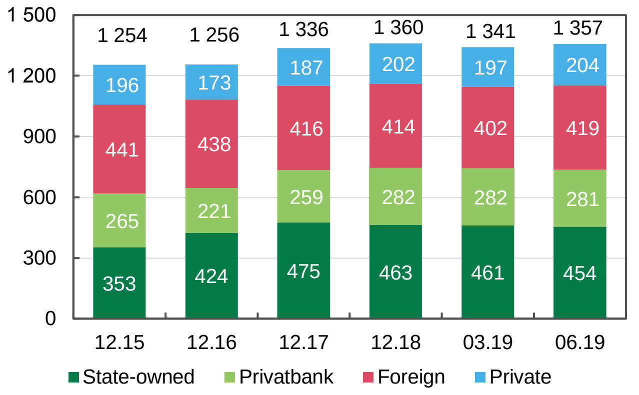
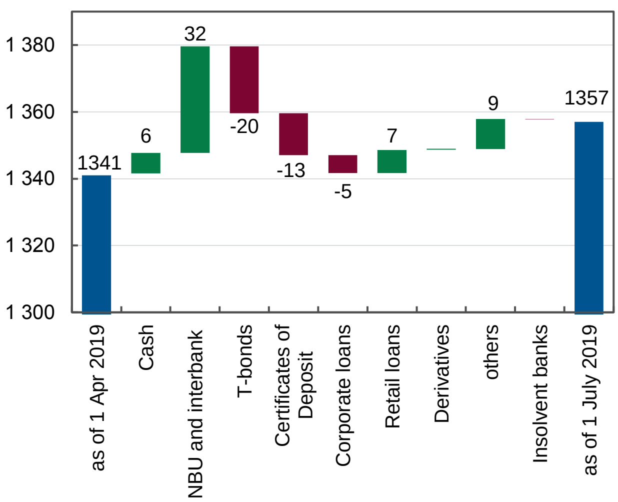


Figure 13. Change in net assets by components in Q2 2019*, UAH billion



* Adjusted for the amount of loan loss allowances; insolvent banks

The share of domestic government bonds and certificates of deposit edged down by 2.8 pp, to 31.4% of net assets. The percentage of funds at the NBU and other banks was up by 2.2 pp, to 14.7%. The overall reduction in the banking system's loan portfolio is associated with the suspension of reporting by the insolvent Financial Initiative bank.

Figure 14. Sector's net assets by component

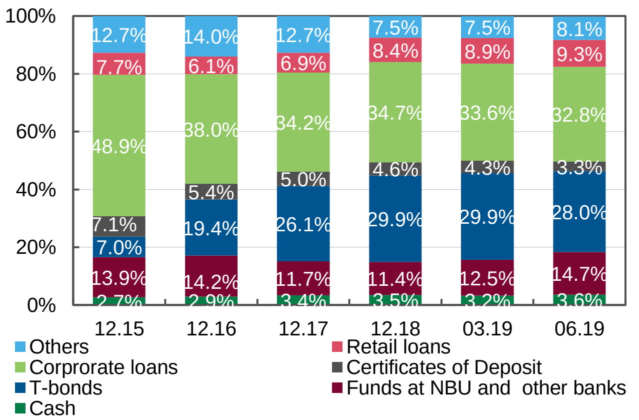
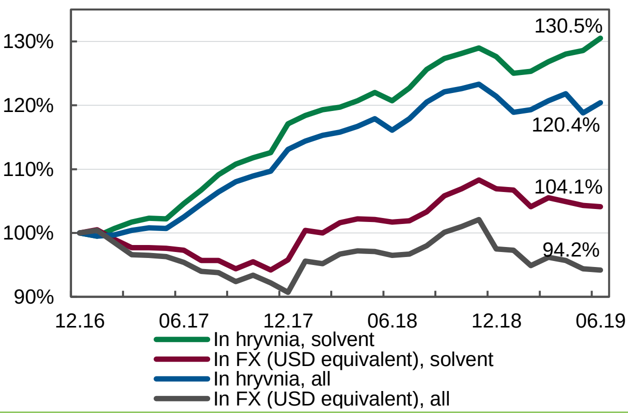


Figure 15. Gross corporate and retail loans, 2016=100%



* Issued by banks solvent as of 1 July 2019.

The share of net FX loans in the corporate loan portfolio reduced by 2.2 pp, to 47.5%, due to the recovery of hryvnia lending and the strengthening of the hryvnia. The dedollarization trend in retail loans remains stable: the share of net FX loans at the end of June was only 5.7%.

Figure 16. The share of foreign-currency loans

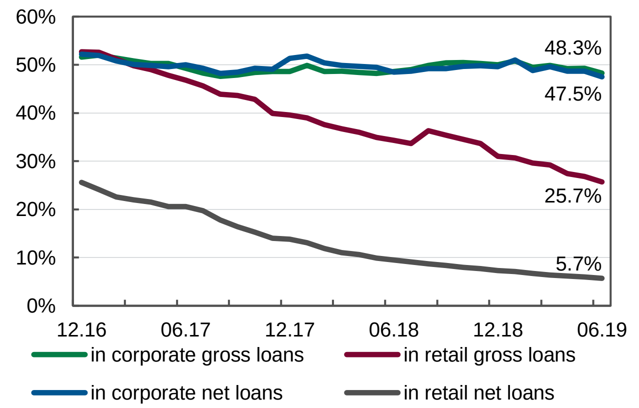
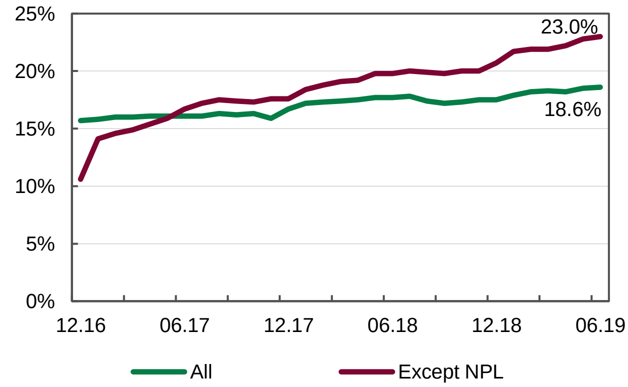
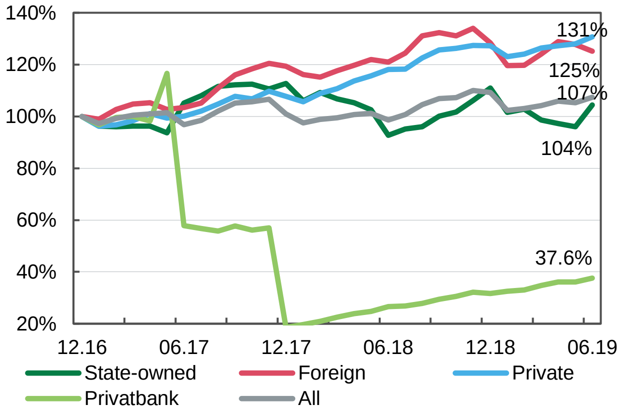


Figure 17. The share of retail loans in the total loan portfolio



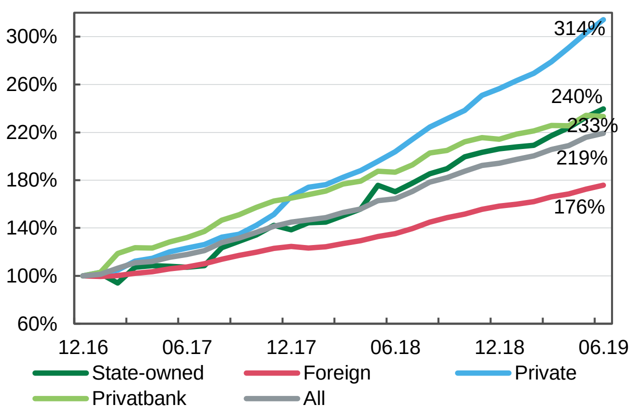
In Q2, net hryvnia corporate loans were up by 3.1%. The highest nominal growth was reported by state-owned banks due to lending to state-owned corporations. Net hryvnia retail loans grew by 6.6% qoq, and by 33.2% yoy.

Figure 18. Net hryvnia corporate loans, 2016=100%*



* Issued by banks solvent as of 1 July 2019, including accrued interest.

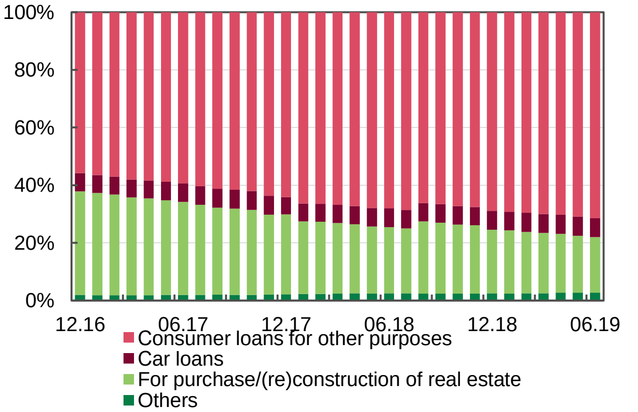
Figure 19. Net hryvnia retail loans, 2016=100%*



* Issued by banks solvent as of 1 July 2019, including accrued interest.

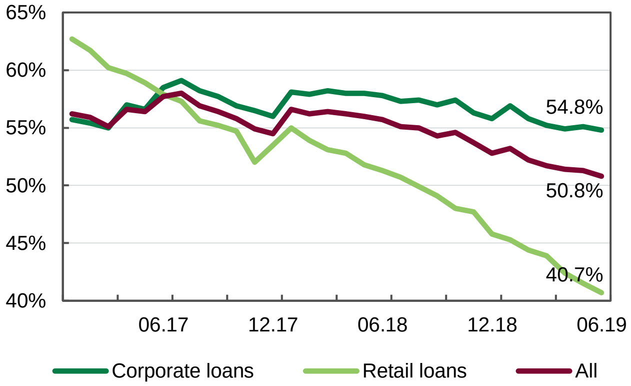
In Q2, the percentage of consumer loans was up by 1.4 pp, to 71.4%.

Figure 20. Gross retail loans by purpose



New loans improved the quality of the retail portfolio: in Q2, the NPL ratio shrank by 3.1 pp, to 40.7%.

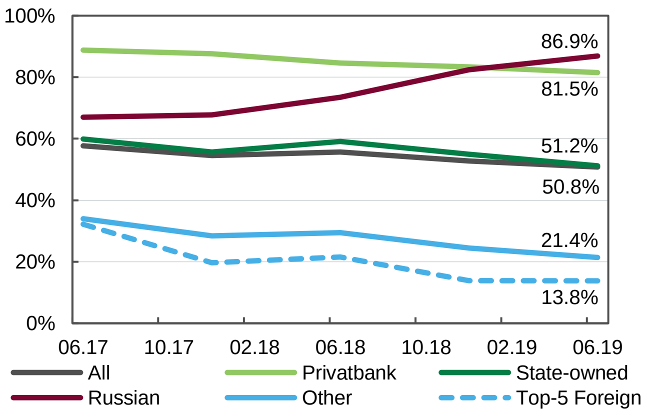
Figure 21. Percentages of non-performing loans in bank portfolios*



* All banks, including insolvent ones; excluding off-balance liabilities.

Almost all bank categories improved the quality of their loan portfolios: in Q2, the NPL ratio fell by 0.9 pp, to 50.8%.

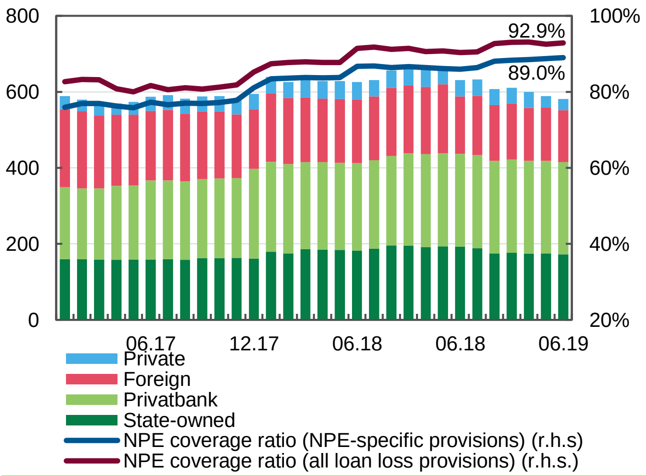
Figure 22. Non-performing loans in loan portfolios by bank group*



* Including interbank loans; all banks including insolvent institutions; excluding off-balance liabilities.
** The five largest foreign banks by net assets as of 1 July 2019 (not including banks with Russian capital).

In Q2, non-performing exposures dropped by 4.8%, including a fall of 1.9% due to the liquidation of Finansova Initsiatyva bank. The level of general loss provisions for non-performing exposures is 92.9%.

Figure 23. Non-performing loans, in UAH billions, and provisioning



* Including interbank loans; all banks, including insolvent ones; excluding off-balance liabilities.

Funding

In Q2, the banks' total liabilities increased by 1.8%, to UAH 1.19 trillion, due to a rise in retail and corporate deposits. At the same time, funds from international financial institutions decreased substantially due to the redemption of Eurobonds by Ukreximbank.

Figure 24. Liabilities by bank groups, UAH billion

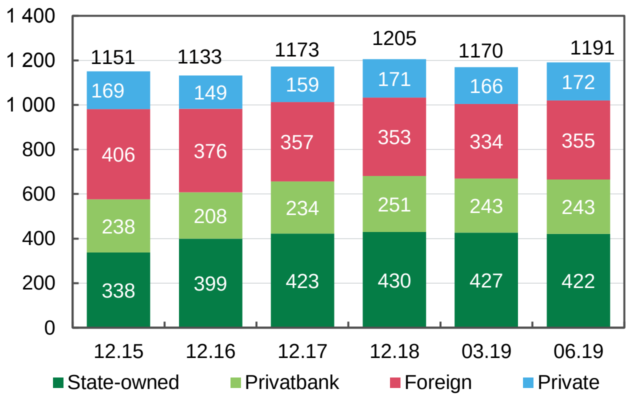
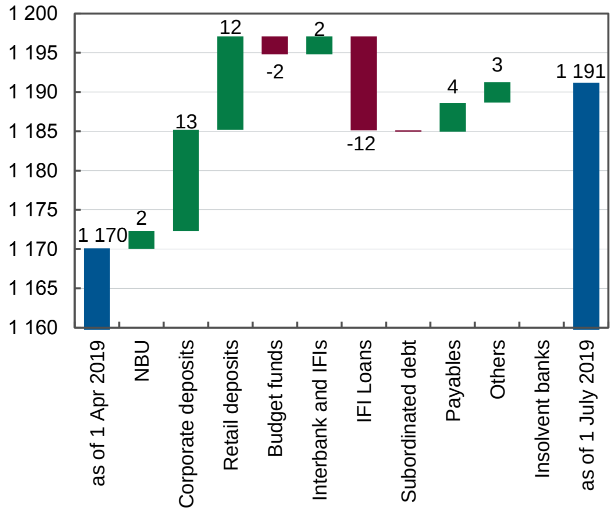
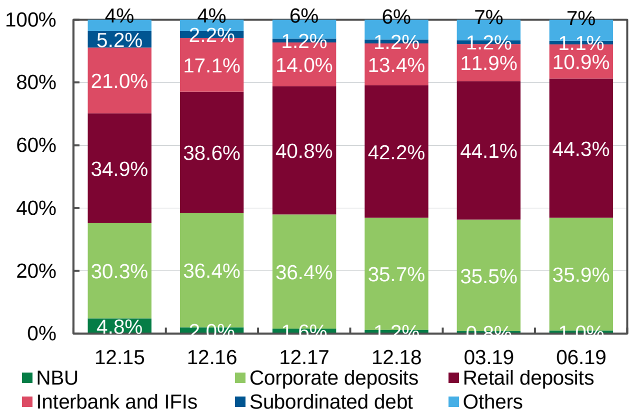


Figure 25. Changes in liabilities in Q2 2019 by factors, UAH billion



In Q2, the share of household deposits edged up by 0.2 pp, to 44.3%. The share of households and businesses is the highest since 2000: 80.3% of total liabilities.

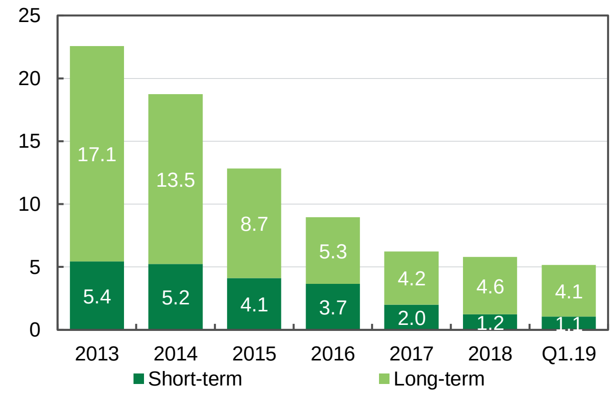
Figure 26. Distribution of liabilities



* Including savings certificates.

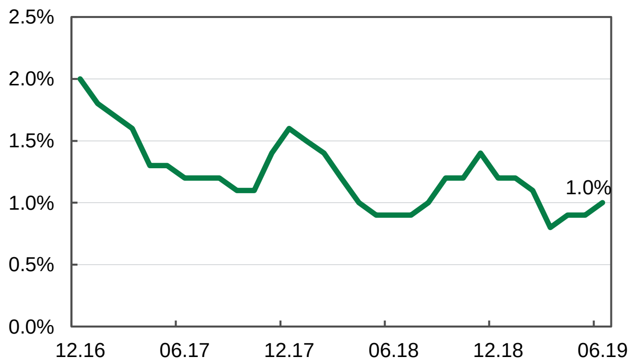
The gross external debt of the banks decreased at a faster pace yoy: by 11% in Q1. The main reason is the repayment of external debt by state-owned banks.

Figure 27. Gross external debt of banks, USD billion



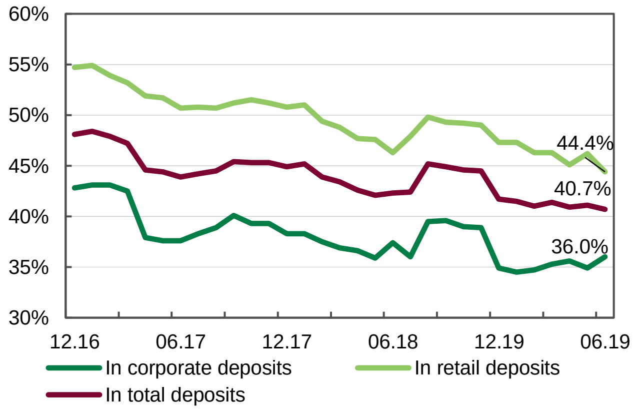
The share of NBU funds in bank liabilities increased by 0.2 pp, since financial institutions took out loans via tenders to support their liquidity.

Figure 28. Share of NBU funds in bank liabilities



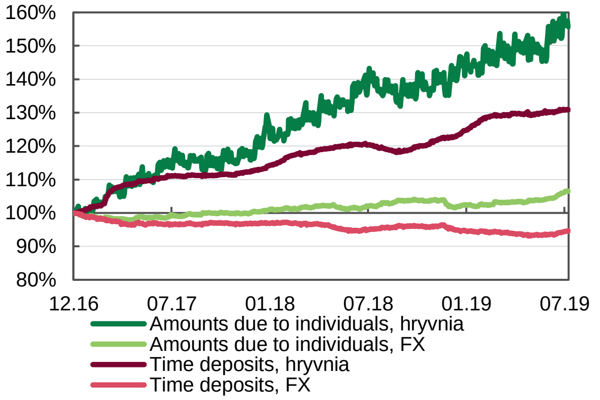
In Q2, the dollarization of corporate deposits edged up by 0.7 pp, to 36.0%, due to an increase in foreign currency deposits of companies by 9.7% (in the USD equivalent).

Figure 29. Percentage of foreign-currency deposits



In Q2, hryvnia retail deposits increased by 5.9% qoq and by 11.8% yoy.

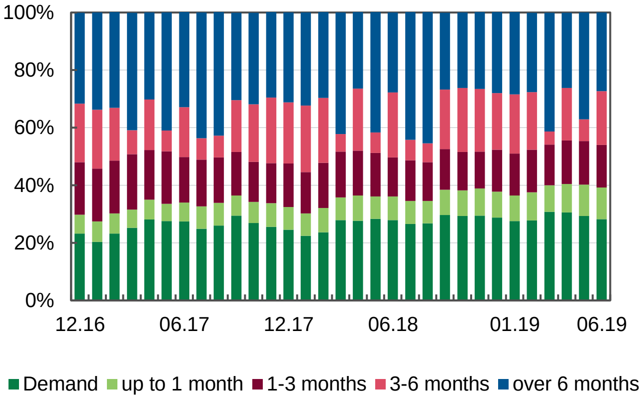
Figure 30. Retail deposits, 2016=100%*



* In banks that were solvent as of 1 July 2019, including savings certificates.

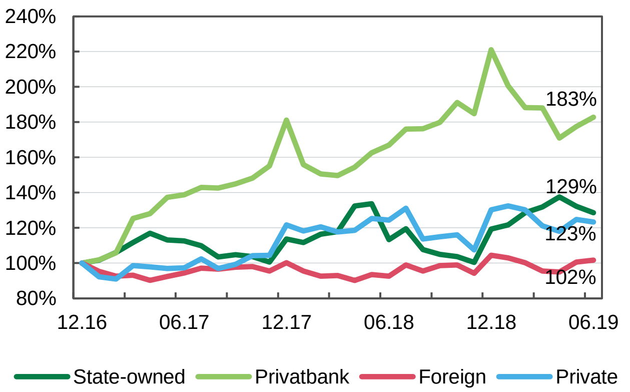
New hryvnia household deposits decreased by 1.8% in Q2. The percentage of new short-term deposits was up by 2.6 pp qoq, to 55.0%.

Figure 31. New hryvnia retail deposits by maturity



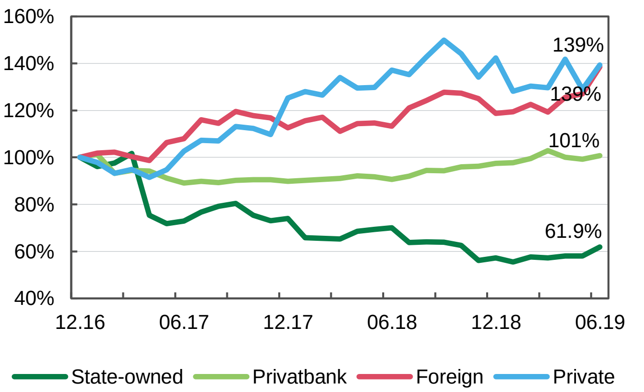
In Q2, foreign banks accounted for the highest growth rate of corporate deposits in both domestic and foreign currencies (6.5% and 16.0% respectively). Foreign currency deposits decreased only at PrivatBank (-2.1%). Hryvnia deposits at state-owned banks, including PrivatBank, decreased by 2.6%.

Figure 32. Hryvnia corporate deposits by bank groups, 2016 = 100%*



* In banks solvent as of 1 July 2019.

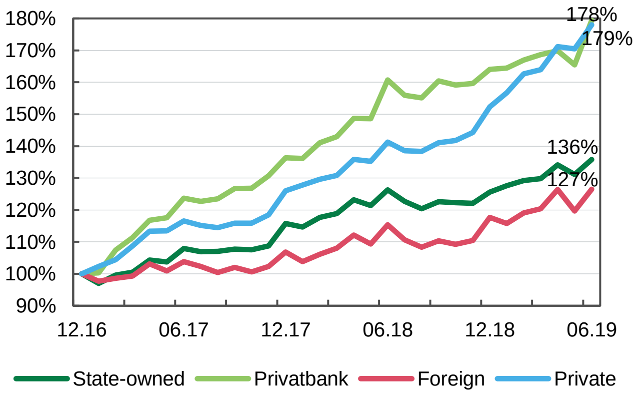
Figure 33. Foreign-currency corporate deposits (in the USD equivalent) by bank groups, 2016 = 100%*



* In banks solvent as of 1 July 2019.

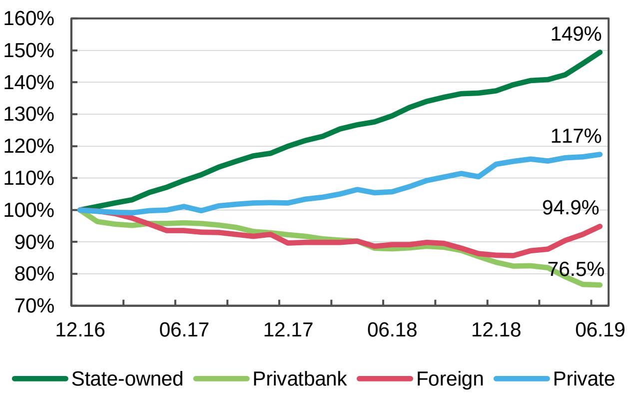
In Q2, household deposits in domestic currency increased in all bank categories. The highest growth rates were reported by private banks (8.5%). Deposits in foreign currency increased in all bank categories, save for PrivatBank (-6.5%).

Figure 34. Hryvnia retail deposits by bank groups, 2016 = 100%*



* In banks that were solvent as of 1 July 2019, including savings certificates.

Figure 35. Foreign currency retail deposits (in the USD equivalent) by bank groups, 2016 = 100%*

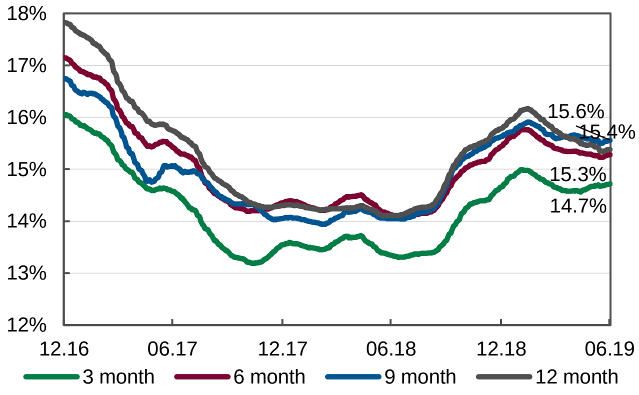


* In banks that were solvent as of 1 July 2019, including savings certificates.

Interest Rates

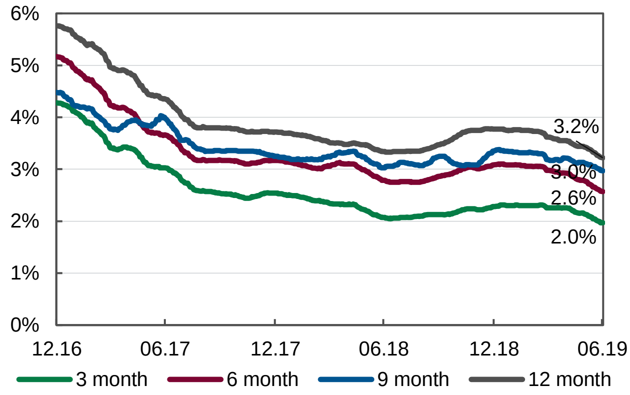
The rate on 12-month hryvnia retail deposits remained practically unchanged: 15.5% per annum at the end of June. At the same time, the gap between rates on 3-month and longer-term deposits narrowed. The rates on 12-month U.S. dollar deposits edged down by 0.3 pp, to 3.1% per annum.

Figure 36. Ukrainian Index of Hryvnia Retail Deposit Rates, % per annum*



* Thomson Reuters data, 20-day moving average.

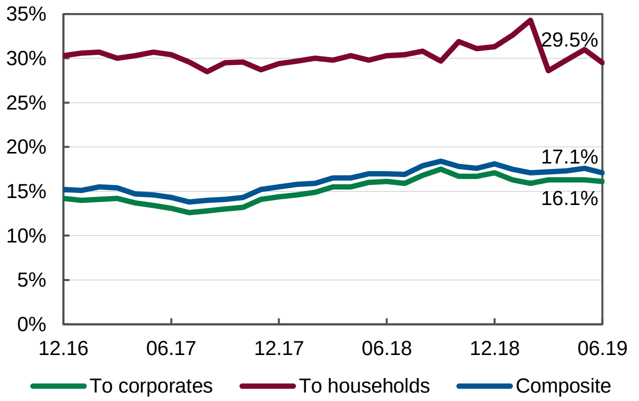
Figure 37. Ukrainian Index of USD Retail Deposit Rates, % per annum*



* Thomson Reuters data, 20-day moving average.

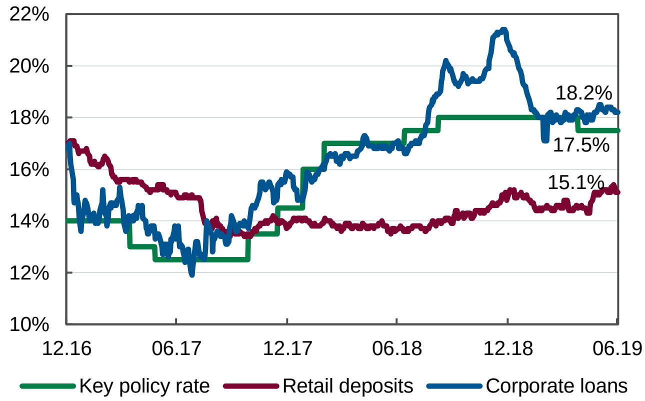
Robust demand for consumer loans prevented retail loan rates from falling: compared with March the average loan rate increased by 0.9 pp, up to 29.5% p.a. Corporate loan rates remained almost the same in Q2 (-0.1 pp).

Figure 38. Interest rates on new loans*, % per annum



* Without loan extension or any other changes to lending terms.

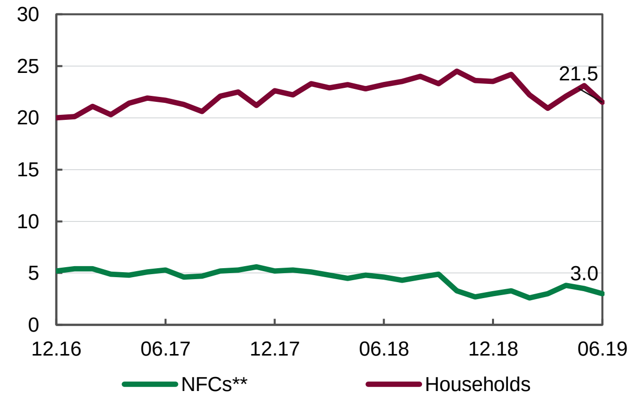
Figure 39. NBU key policy rate and interest rates on new hryvnia deposits and loans*, % per annum



* Daily rates, 5-day moving average.

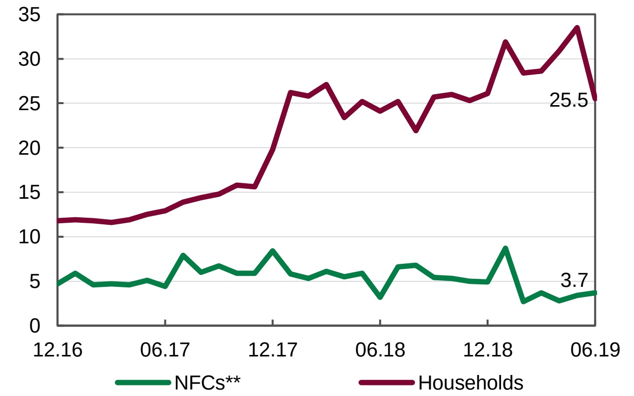
Retail lending is a highly profitable segment of the banks' lending. The spread between rates on outstanding loans and deposits has exceeded 20 pp for a year-and-a-half.

Figure 40. Spread between new** loan rates and deposit rates, pp*



* Including insolvent banks.
** New loans and deposits are loans and deposits issued or obtained under primary agreements that were entered into during the reporting period, as well as those under additional agreements in which the amount or interest rate have been changed.

Figure 41. Spread between rates on outstanding loans and deposits, pp*

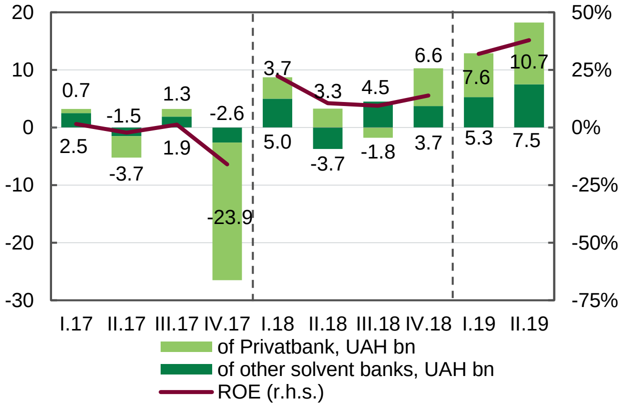


* Including insolvent banks.

Profit or Loss, and Capital

In Q2, the sector earned UAH 18.1 billion, which is 1.4 times more that in Q1.

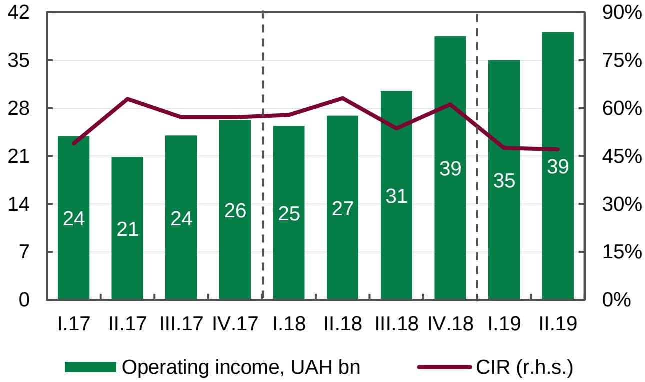
Figure 42. Profit/loss* and return on equity



* Quarterly data, including adjusted entries.

Operating efficiency improved: the CIR* was 47.1%, down from 47.6% in Q1.

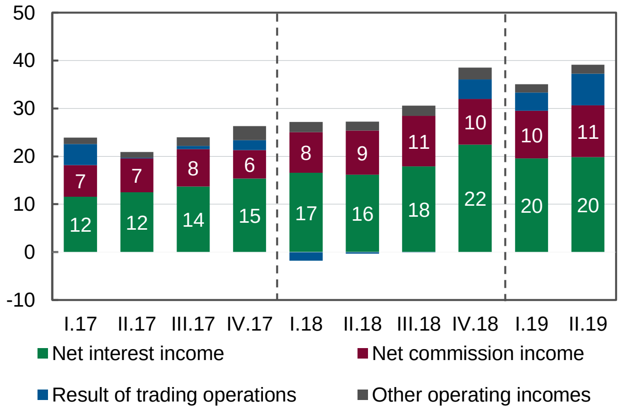
Figure 43. Operating income and operating efficiency



* The CIR (Cost-to-Income Ratio) measures the ratio of operating expenses to operating income.

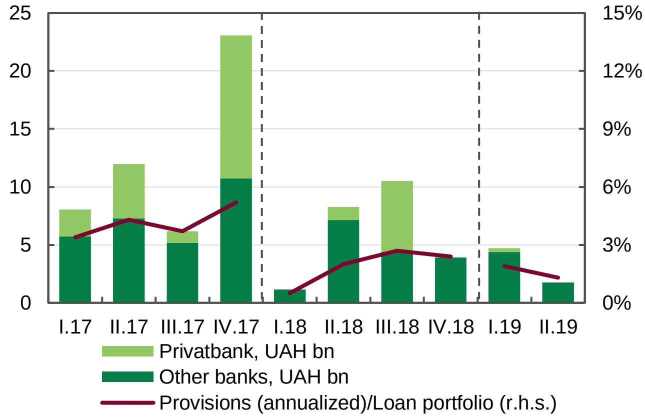
In H1, operating income grew by 41.7% yoy thanks to an increase in net interest income and fee and commission income, and on the back of a large trading profit earned by state-owned banks.

Figure 44. Operating income components for the period, UAH billion



In Q2, loss provisions decreased by 63.3% qoq, and were significantly lower than those for the whole of 2018.

Figure 45. Provisioning



* Annualized.

The regulatory capital adequacy ratio fell somewhat compared to the previous quarter (by 0.8 pp, to 17.5%), but remained above the minimum required level. After a slight increase in Q1, the sector's regulatory capital returned to the level observed at the beginning of the year, while authorized capital grew by UAH 4.1 billion, or 0.9% in H1

Figure 46. Regulatory capital and the regulatory capital adequacy ratio

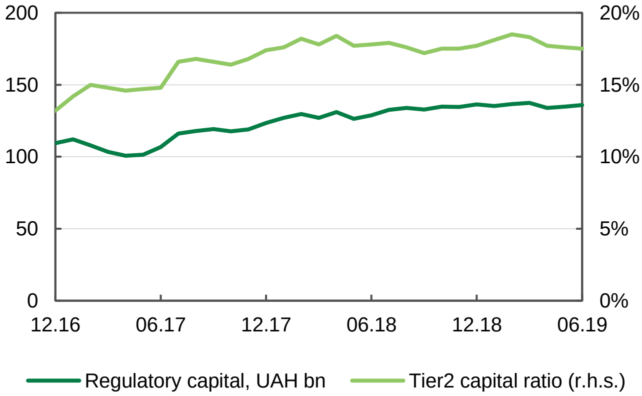
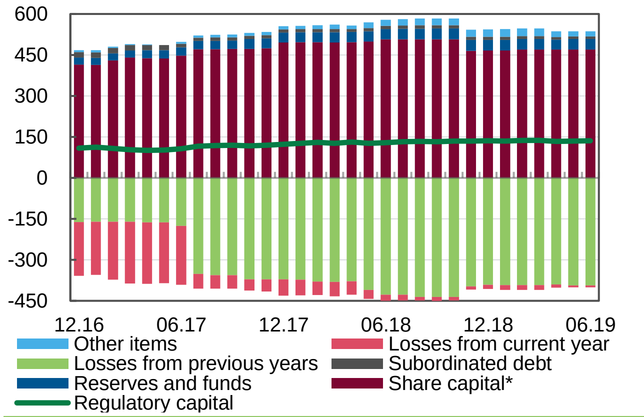


Figure 47. Composition of regulatory capital, UAH billion



* Registered and unregistered authorized capital.

Table 2. **Key banking sector indicators**[1]

	2012	2013	2014	2015	2016	2017	2018	Q1 2019	Q2 2019
Number of operating banks	174	180	145	117	96	82	77	77	76
General balance sheet indicators (UAH billion)[22]									
Total assets	1,264	1,409	1,477	1,571	1,737	1,840	1,911	1,888	1,892
including in foreign currency	503	513	667	800	788	755	779	745	736
Net assets	1,125	1,278	1,290	1,254	1,256	1,334	1,360	1,341	1,357
including in foreign currency	450	470	565	582	519	507	495	465	471
Gross corporate loans[3]	634	727	820	831	847	864	919	895	884
including in foreign currency	227	252	400	492	437	423	460	447	427
Net corporate loans[3]	553	648	710	614	477	451	472	450	445
Gross retail loans	184	189	208	176	157	171	197	202	203
including in foreign currency	84	67	101	97	83	68	61	59	52
Net retail loans	133	145	144	96	76	92	114	120	127
Corporate deposits[3]	221	258	283	349	413	427	430	415	428
including in foreign currency	80	81	114	141	177	163	150	146	154
Retail deposits[4]	368	443	403	402	437	478	508	516	528
including in foreign currency	187	189	214	215	239	244	241	239	235
Change (yoy, %)									
Total assets	4.3%	11.4%	4.8%	6.4%	10.6%	5.9%	3.8%	2.6%	2.1%
Net assets	6.7%	13.7%	1.0%	-2.8%	0.2%	6.2%	1.9%	3.6%	4.5%
Gross corporate loans[3]	4.2%	14.7%	12.8%	1.3%	2.0%	2.0%	6.3%	1.4%	0.9%
Gross retail loans	-6.7%	3.0%	10.3%	-15.7%	-10.4%	8.5%	15.3%	15.1%	13.1%
Corporate deposits[3]	7.9%	16.8%	9.5%	23.5%	18.2%	3.4%	0.8%	4.3%	5.8%
Retail deposits[4]	18.1%	20.2%	-8.9%	-0.3%	8.7%	9.4%	6.3%	8.8%	7.4%
Penetration level[5] (%)									
Gross corporate loans[3]/GDP	43.4%	47.7%	51.7%	41.8%	35.5%	29.0%	25.8%	24.4%	23.5%
Net corporate loans[3]/GDP	37.9%	42.6%	44.7%	30.9%	20.0%	15.1%	13.3%	12.3%	11.8%
Gross retail loans/GDP	12.6%	12.4%	13.1%	8.8%	6.6%	5.7%	5.5%	5.5%	5.4%
Net retail loans/GDP	9.1%	9.5%	9.1%	4.8%	3.2%	3.1%	3.2%	3.3%	3.4%
Corporate deposits[3]/GDP	15.1%	17.0%	17.8%	17.6%	17.3%	14.3%	12.1%	11.3%	11.4%
Retail deposits/GDP	25.2%	29.1%	25.4%	20.2%	18.3%	16.0%	14.3%	14.1%	14.0%
Financial results[6] (UAH billion)									
Net interest income	49.2	49.1	52.2	39.1	44.2	53.0	73.0	19.5	19.8
Net commission and fee income	18.1	21.0	23.1	22.6	24.2	27.5	37.8	10.0	10.8
Loss allowance	22.3	28.0	84.4	114.5	198.3	49.2	23.8	4.7	1.7
Net profit/loss	6.0	1.4	-33.1	-66.6	-159.4	-26.5	22.3	12.9	18.1
For reference:									
UAH/USD (period average)	7.99	7.99	11.89	21.84	25.55	26.60	27.20	27.30	26.56
UAH/USD (end-of-period)	7.99	7.99	15.77	24.00	27.19	28.07	27.69	27.25	26.17
UAH/EUR (period average)	10.27	10.61	15.72	24.23	28.29	30.00	32.14	31.02	29.84
UAH/EUR (end-of-period)	10.54	11.04	19.23	26.22	28.42	33.50	31.71	30.57	29.73

[1] Data for solvent banks for each reporting date.

[2] Including accrued income/expenses.

[3]Including non-bank financial institutions.

[4]Including savings certificates.

[5]GDP is calculated as per the 2008 national accounts system methodology. From 2008 through 2013 it includes data for the temporarily occupied Autonomous Republic of Crimea and City of Sevastopol

from 2014 through 2019 it excludes data for the temporarily occupied Autonomous Republic of Crimea and City of Sevastopol and part of the ATO zone data for Q1 and Q2 2019 include values for the past 12 months and the NBU's projections, as published in its Inflation Report.

[6]Including adjusted entries.

Notes:

Source: NBU (unless otherwise stated).

The sample of banks consists of banks solvent as at each reporting date unless otherwise stated.

Banking groups up to 2016 were based on decision No. 657 by the Committee on Banking Regulation and Supervision and Oversight of Payment Systems dated 31 December 2015. 2017 data were prepared pursuant to NBU Board Decision No. 76-D dated 10 February 2017. 2018 data were prepared pursuant to Decision No. 444 by the Committee on Banking Regulation and Supervision dated 29 December 2017.

State-owned banks means all state-owned banks except PrivatBank, unless otherwise specified.

The data include accrued interest as at the end of the period (month, quarter, year) unless otherwise specified.

All of the data in the report are based on monthly balance sheets. Indicators of the banks' financial performance are based on adjusted quarterly balance sheets (data for Q4 2018 are preliminary).

Gross loans means loans not adjusted for provisions against asset-side banking transactions.

Fixed-exchange-rate-based change means that the foreign-currency amount of the instrument is calculated based on the exchange rate at the beginning of the period.

Rounding may cause discrepancies between the sum of components and the total.

Terms and Abbreviations:

ATM	Automated teller machine / cash dispenser
CIR	Cost-to-Income Ratio
FX	Foreign currency
GDP	Gross domestic product
HHI	Herfindahl-Hirschman Index
IFI	International financial institution
LCR	Liquidity coverage ratio
NBU	National Bank of Ukraine
NFC	Non-financial corporation
NPL	Non-performing loan
NPE	Non-performing exposures
NSFR	Net stable funding ratio
ROE	Return on equity
UIRD	Ukrainian Index of Retail Deposit Rates
bn	Billion
qoq	quarter-on-quarter
yoy	year-on-year
p.a.	per annum
pp	percentage point
EUR	Euro
UAH	Ukrainian hryvnia
USD, dollar	United States dollar
H	Half year
Q	Quarter
r.h.s.	Right-hand scale