National Bank of Ukraine

Banking Sector Review

February 2020

The banking sector had a successful year in 2019, refreshing several of its historical records. The sector's total profitability rose to an all-time high, yet over half of all profits was generated by PrivatBank. The return on equity for the entire sector hit 34%, due to both a rapid increase in operating income and the lowest provisioning in a decade. Slower inflation enabled the NBU to start a monetary policy easing cycle last year. Commercial interest rates on hryvnia deposits and loans also started to trend lower. Interest rates on FX corporate loans sank to historical lows in 2019; they are likely to continue to decline this year. However, this has not yet contributed to growth in banks' foreign currency loan portfolio, indicating a shortage of creditworthy borrowers. The NBU expects interest rates on hryvnia loans, including mortgage rates, to fall to new record lows in 2020. All this will be possible due to low inflation and macro-financial stability. In this benign environment, banks will have no difficulty building up sufficient capital cushions to meet enhanced capital requirements in future.

Sector Structure

The number of solvent banks decreased to 75 in Q4 2019, as Ukrsotsbank merged into Alfa Bank. The state-owned banks (including PrivatBank) saw their share of total net assets inch up by 1.0 pp, 55.2%, while their share of retail deposits dropped by 1.0 pp, to 61.6%. The privately and foreign-owned banks each increased their share in retail deposits by 0.5 pp.

Assets

Sector assets grew noticeably in Q4, with total assets up 5.7%[1] and net assets up 8.8%. Banks' investments in NBU certificates of deposit increased the most, up by UAH 92.2 billion over the quarter (including UAH 75.0 billion in December), to UAH 152.2 billion as of end-2019. This was due to record inflows into corporate accounts in December (+UAH 70.7 billion), mainly to Naftogaz. In addition, cash in circulation, funds in correspondent accounts with the NBU, and interbank loans all increased.

Net hryvnia corporate loans dropped by 6.1% qoq and 6.2% yoy. The largest decreases were reported by the state-owned banks (apart from PrivatBank) and foreign-owned banks, down 10.6% qoq and 5.5% qoq, respectively, as state monopolies and local subsidiaries of multinational groups repaid their loans. Despite increasing by 1.3% qoq in the dollar equivalent, net foreign currency loans declined by 4.1% yoy.

Net hryvnia retail loans grew by 6.6% qoq and 29.8% yoy. The private banks generated the bulk of the growth: +13.3% qoq and +54.0% yoy.

The non-performing loans ratio shrank by 0.6 pp qoq and 4.5 pp yoy, to 48.4% as of end-2019. The main reasons for this were the issuance of new retail loans and write-offs of nonperforming loans against provisions. This decreased the ratio of non-performing retail loans by 4.0 pp qoq, to 34.1% as of end-2019. The quality of the corporate portfolio changed little in Q4.

The dollarization rate for gross loans decreased by 0.5 pp, to 40.7%, due to the issuance of new hryvnia retail loans and hryvnia appreciation. The dollarization rate for net loans remained practically flat, totaling 35.4% as of end-2019.

Funding

The sector's total liabilities increased by 8.9% in Q4. Customer deposit inflows pushed retail and corporate deposits as a share of total liabilities up by 1.5 pp, to 83.3%, a new historical high. The end of 2019 saw a seasonal drop in budgetary funds, while foreign banks repaid a portion of interbank liabilities.

Hryvnia household deposits rose by 16.2% qoq and 19.5% yoy. The highest growth was generated by the state-owned banks, up 23.1% qoq and 28.3% yoy. FX corporate deposits surged by 48.4% yoy due to an increase in FX deposits with the state-owned banks (up 43.8% in Q4 or up 109.5% yoy). This growth was mainly driven by a USD 2.9 billion award paid to Naftogaz under a ruling by the Stockholm Arbitration Court.

Following a decline in Q3, hryvnia retail deposits rose across all bank groups, up 8.4% qoq and 17.5% yoy. This increase is explained by weaker depreciation expectations and very low interest rates on foreign currency deposits. Foreign currency retail deposits (in the U.S. dollar equivalent) increased by 6.4% qoq and 15.4% yoy.

In Q4, the share of customers' FX deposits shrank by 0.7 pp, to 39.8%. Factoring out the FX payment to Naftogaz, the decrease would be more substantial.

[1] For banks that were solvent as of end-2019.

Interest Rates

The NBU cut its key policy rate twice in Q4, including a sharper 2 pp cut in December. In January 2020, the NBU trimmed its key rate by a further 2.5 pp. Interest rates on retail deposits started to fall only in December, after the state-owned banks cut their rates. Over the year, the state-owned banks kept their deposit rates high due to being slow in revising their asset and liability management strategies and due to legal risks arising from the PrivatBank case. In Q4, interest rates on 12-month hryvnia retail deposits fell by 0.7 pp, to 15.1% per annum[2], followed by drops of 1.1 pp in January 2020 and 1.0 pp, to 13.0% per annum, in the first week of February. Interest rates on 12-month U.S. dollar retail deposits decreased by 0.6 pp, to 2.6% per annum, in Q4, and by another 0.7 pp in 2020. Interest rates on corporate deposits in hryvnia decreased by 2.7 pp, to 10.3% per annum, in Q4.

In Q4, cuts in the key policy rate resulted in a significant decrease in interest rates on hryvnia corporate loans, down 2.4 pp to 15.7% per annum. Interest rates on hryvnia retail loans dipped by a mere 0.5 pp over the quarter, to 33.6% per annum. Interest rates on FX corporate loans remained at historical lows, at 4.6% in December 2019.

Profit or Loss and Capital

The banking sector generated net income of UAH 59.6 billion in 2019, up 2.7 times yoy. PrivatBank accounted for over half of the total profit. Out of the 75 operating banks, only six banks were loss-making, reporting a combined loss of UAH 0.2 billion.

In Q4, total operating income fell by 4.9% qoq, while operating expenses rose by 15.2% qoq. Growth in operating profit before provisioning thus decelerated, from 70.1% to 46.9% yoy. The operating performance worsened, with the sector's CIR growing to 57.4% from 47.4% in the previous quarter. That said, the operating performance indicator for the full year was better than in 2018, at 49.8% compared to 58.1%. The drop in operating income in Q4 stemmed from a decrease in revaluation results of the state-owned banks and slowing growth in net interest income (to +9.9% yoy). Net fee and commission income rose by 16.3% yoy, driven by an increase in cashless transactions and robust retail lending.

Provisioning in the sector dropped by 50.1% over the year, to UAH 12.5 billion, the lowest level in a decade. The banks with significant provisioning included two state-owned banks and one bank with Russian capital. Although 29 out of the 75 banks released their provisions in 2019, the total amount of the released provisions was only UAH 700 million.

Prospects and Risks

The banking system is gradually adjusting to operating in a low interest rate environment. Interest rates on retail deposits declined substantially in December-February, driven by the large banks cutting their deposit rates. The decline in loan rates was even more pronounced, which narrowed the spread between loan and deposit rates and could decrease the sector's profitability in the medium term.

Household deposit growth is likely to continue at the previous year's pace despite a significant decrease in deposit rates. This will be due to both an increase in current account balances and a rise in term deposits.

Growth in retail loans will slow only marginally, being propped up by sustained and strong demand for these loans on the back of rising household income and high consumer confidence.

Corporate loan growth will be further dampened by the low transparency of corporate finances. In 2019, interest rates on foreign currency loans were the lowest in the entire history of the national banking sector, but this did not lead to an increase in banks' foreign currency loan portfolio.

The NBU expects interest rates on hryvnia loans, including mortgages, to hit historical lows in 2020. High interest rates will no longer restrain lending recovery thanks to low inflation and macro-financial stability.

Banks are required to continue to build up capital conservation buffers – by the start of 2021, these buffers must make up 1.25%. Systemically important banks must also put in place, during 2020, the buffers for systemically important institutions. Given the high profitability of the banking sector, this should not pose additional challenges for banks.

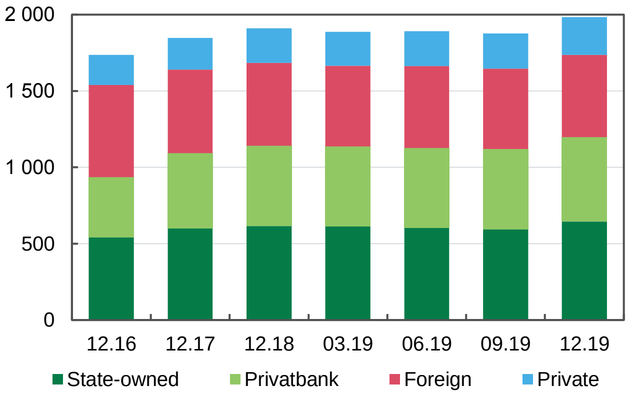
By the end of March, banks are to approve their programs for management of nonperforming loans and submit these programs to the NBU for consideration. In addition, the process of setting up risk management systems is due to be finalized in February. Among other things, banks must approve their risk appetite declarations.

[2] According to the Ukrainian Index of Retail Deposit Rates.

Sector Structure

The banking sector's total assets increased by 5.7% in Q4 2019, to UAH 1.98 trillion. In Q4, Ukrsotsbank and Alfa Bank finalized their merger. As of end-2019, there were 75 solvent banks.

Figure 1. Total banking assets, UAH billions*



* Solvent banks were grouped in accordance with their classification in the respective reporting period.

Table 1. Number of banks*

	2016	2017	2018	03.19	06.19	09.19	2019
Solvent	96	82	77	77	76	76	75
change	-21	-14	-4	0	-1	0	-1
State-owned**	6	5	5	5	5	5	5
change	-1	-1	0	0	0	0	0
Foreign	25	23	21	21	21	21	20
change	0	-2	-2	0	0	0	-1
Private	65	54	51	51	50	50	50
change	-20	-11	-2	0	-1	0	0
Insolvent	4	2	1	1	0	0	0
change	1	-2	0	0	-1	0	0

* The number is given as of the end of the respective period.
** Including PrivatBank.

The state-owned banks' net asset share (including PrivatBank) moved up by 1.0 pp, to 55.2%, while their share of retail deposits dropped by 1.0 pp, to 61.6%. The private banks have seen their share of retail deposits increase for three years running.

Figure 2. Distribution of net assets by group of banks

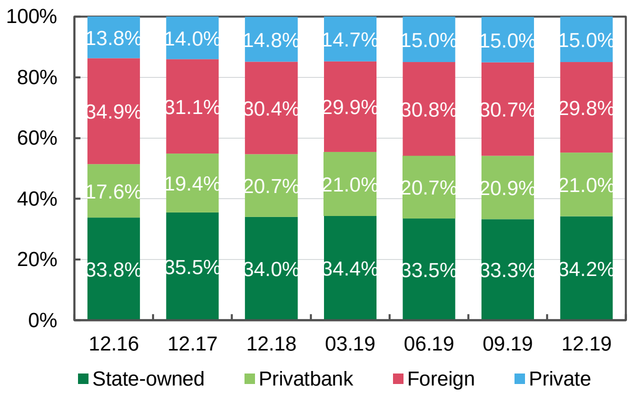
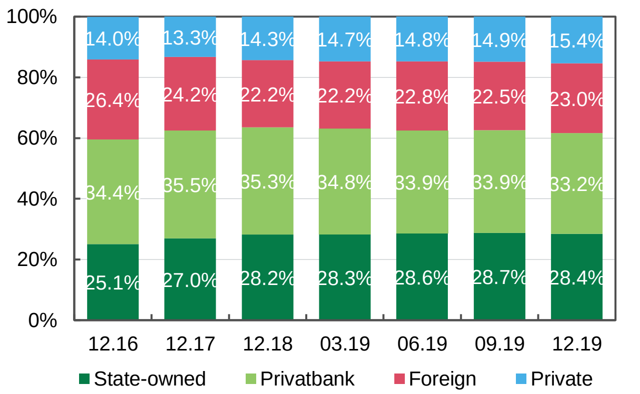


Figure 3. Distribution of retail deposits by group of banks



Concentration in the sector increased in Q4, with the twenty largest banks' net asset share growing by 0.8 pp to 92.2%, a decade high.

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

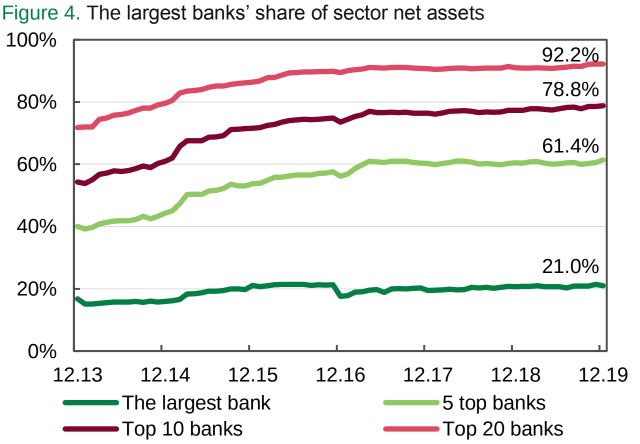
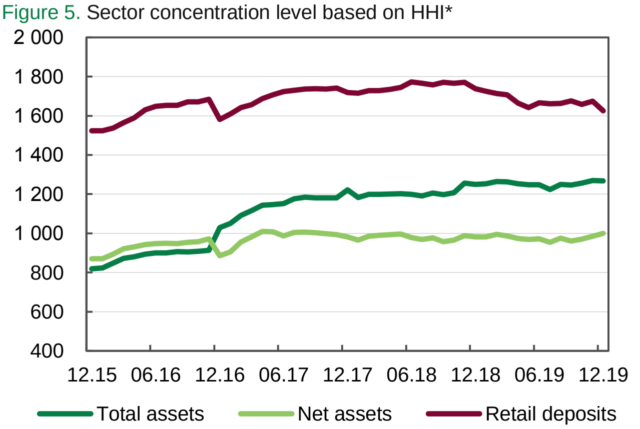


Figure 5. Sector concentration level based on HHI*

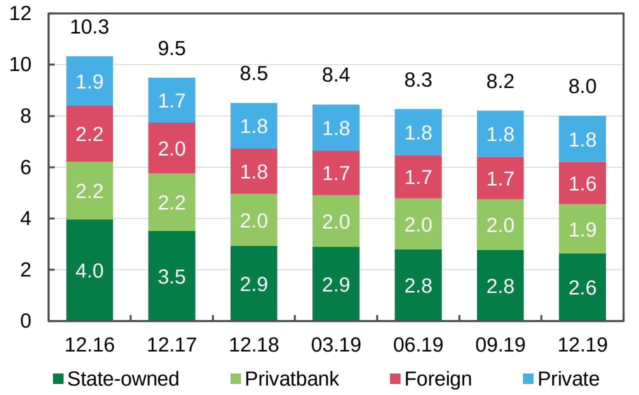


* The Herfindahl-Hirschman Index (HHI) is an indicator of banking sector concentration. It is calculated as the sum of individual banks' squared market shares. The index ranges from 0-10,000, with values below 1,000 indicating low market concentration.

Banking Infrastructure

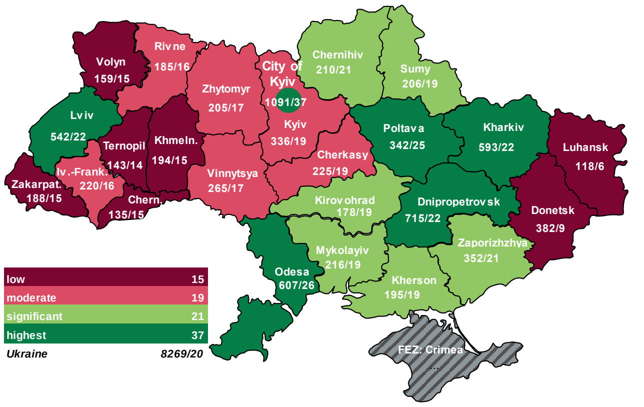
In Q4, the state-owned and foreign-owned banks were active in downsizing their branch networks, with Oschadbank closing 144 structural units. In contrast, the private banks opened five new branches. In 2019, banks closed a total of 507 branches, with the largest number, 64, shut down in Dnipropetrovsk oblast.

Figure 6. Number of bank structural units, thousands*



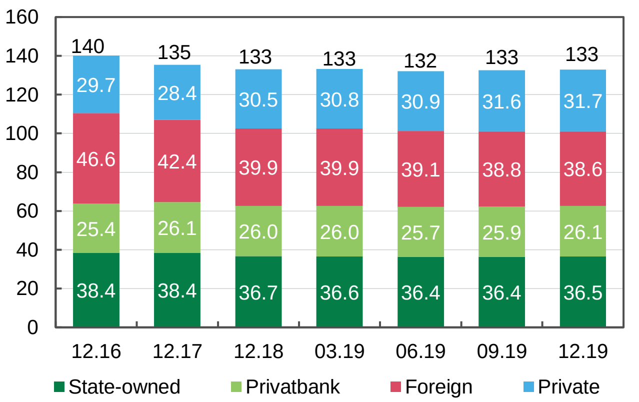
* Standalone bank structural units and head offices.

Figure 7. Operating bank structural units in selected regions as of 1 January 2020, structural units per 100,000 population.



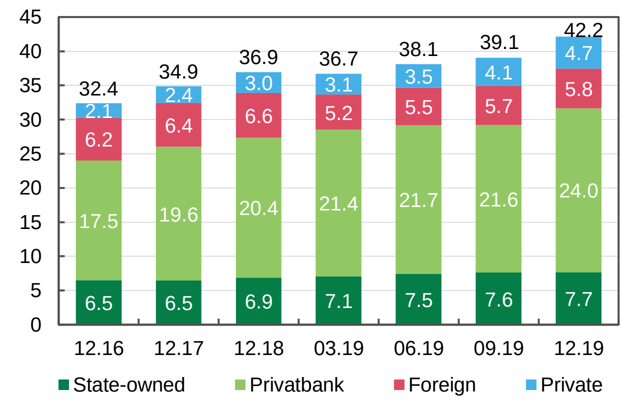
In Q4, bank staff increased, by 275 persons at the state-owned banks and by 180 at the private banks. Conversely, the foreign-owned banks cut their labor force by 243 persons.

Figure 8. Staffing level at banks, thousands employees



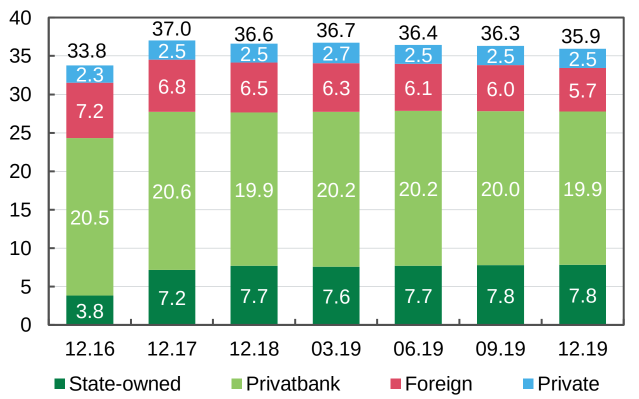
The number of active payment cards rose by 3.1 million units in Q4. PrivatBank was the leader (+2.4 million cards). The private banks issued 570,000 active payment cards.

Figure 9. Number of active payment cards by groups of banks, millions units



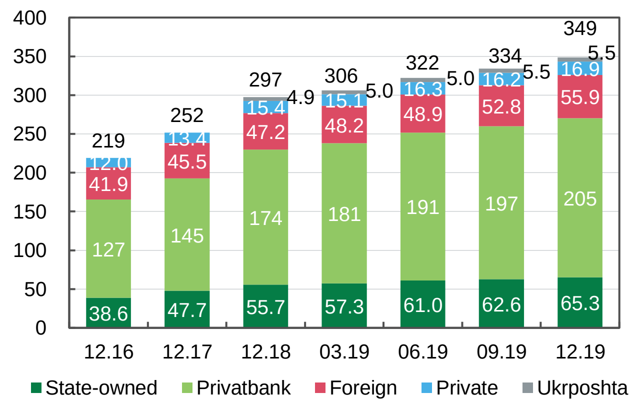
Banks continued to develop their POS terminal networks. The state-owned banks led in Q4 (+10,500 units jointly with PrivatBank), followed by the foreign-owned banks (+3,100 units). In late 2019, Ukrposhta operated 5,500 POS terminals (+584 over the year). In contrast, the number of self-service bank machines declined by 363 units in Q4 and by 655 units for the full year.

Figure 10. Number of ATMs*, thousands units



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

Figure 11. Number of POS terminals, thousands units



Assets

The banking sector's net assets increased by 8.8% in Q4, to UAH 1.49 trillion. The end of 2019 saw the largest investments in NBU certificates of deposit. The state-owned banks, together with PrivatBank, generated half of the investment growth seen in Q4.

Figure 12. Net assets by groups of banks, UAH billions

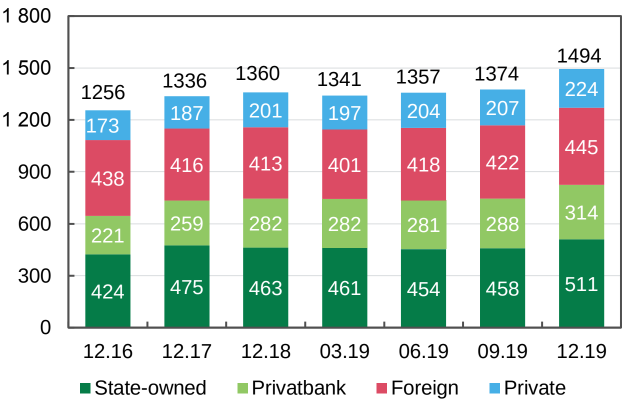
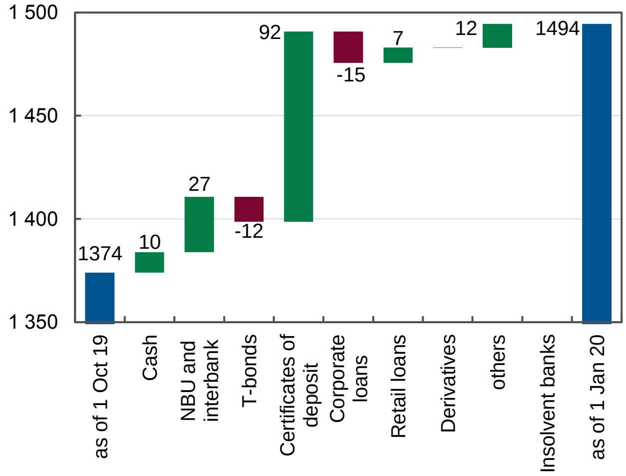


Figure 13. Change in net assets by component in Q4 2019*, UAH billions



* Adjusted for amount of loan loss allowances.

The volume of certificates of deposit increased by 2.5 times in Q4, with their share of net assets almost doubling, to 10.2% as of end-2019. As a result, the share of the rapidly rising household loans in net assets declined to 9.5%, the first drop in three years.

Figure 14. Sector net assets by component

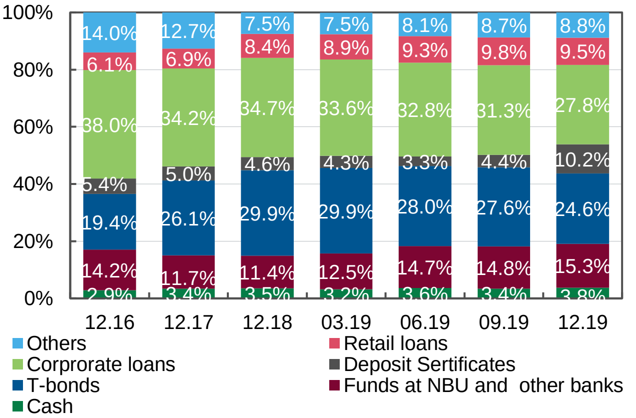
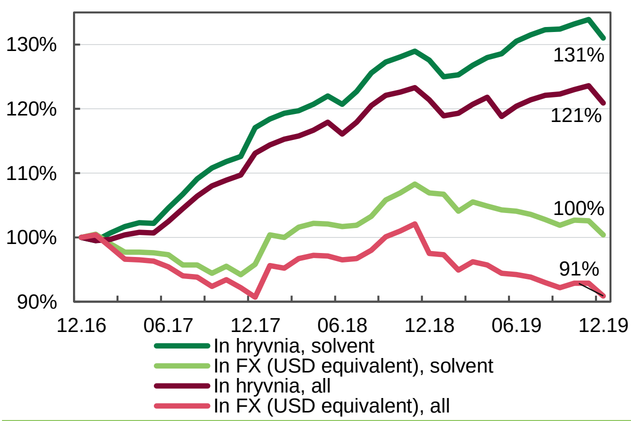


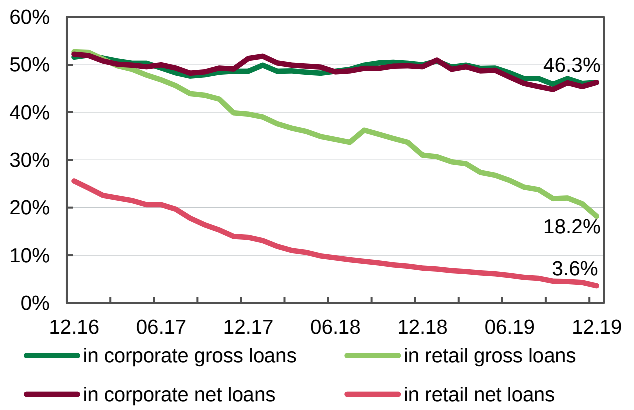
Figure 15. Gross corporate and retail loans, 2016=100%



* Issued by banks solvent as of 1 January 2020.

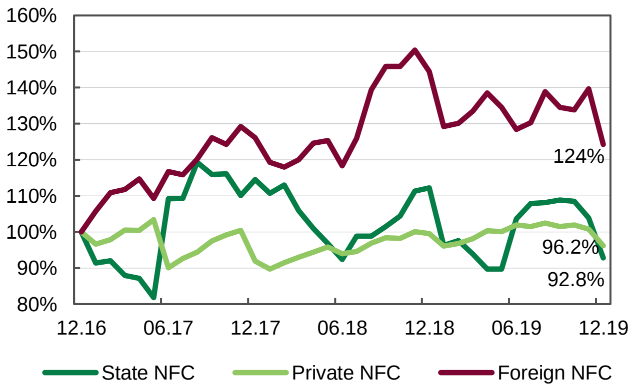
The dollarization of the net corporate loan portfolio increased by 1.5 pp, to 46.3%. In the end of 2019, foreign currency loans accounted for 3.6% of net household loans.

Figure 16. Share of foreign currency loans



State-owned companies and subsidiaries of international groups repaid their loans in Q4, either by borrowing abroad or by drawing on their increased operating cash flows.

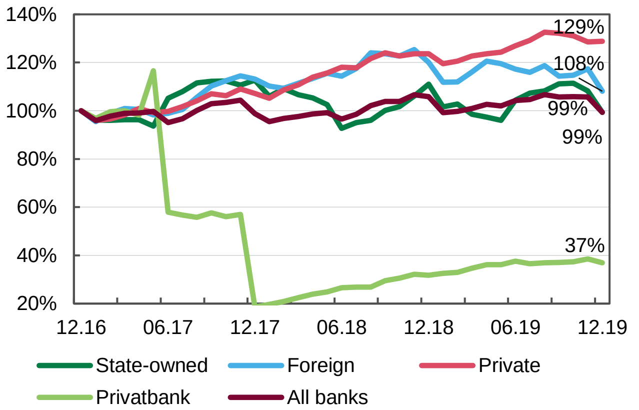
Figure 17. Net hryvnia loans to non-financial corporations (NFCs), 2016 = 100%*



* Issued by banks solvent as of 1 January 2020.

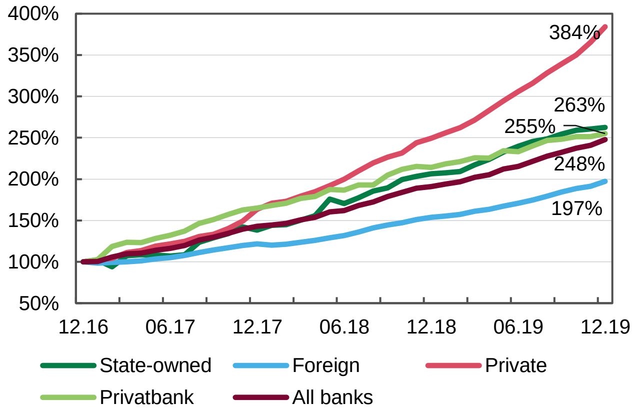
Net hryvnia retail loans grew by 6.6% qoq and 29.8% yoy. Net hryvnia corporate loans dropped by 6.1% qoq in Q4 and 6.2% yoy in 2019. Net FX corporate loans decreased by 4.1% in 2019.

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



* Issued by banks solvent as of 1 January 2020.

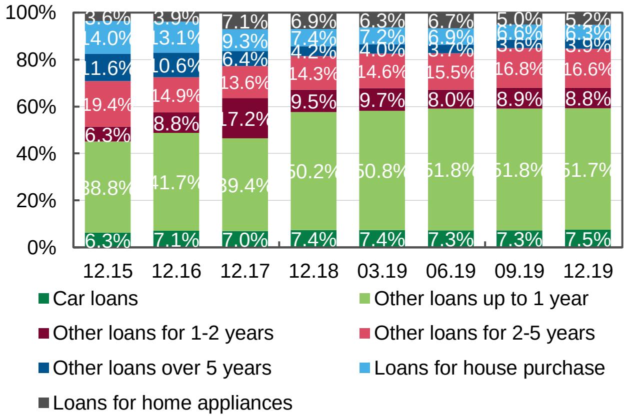
Figure 19. Net hryvnia retail loans, 2016=100%*



* Issued by banks solvent as of 1 January 2020.

The share of gross hryvnia real estate loans fell by 1.1 pp in 2019, to 6.3%. The share of real estate loans in all currencies stood at 15.8% as of end-2019.

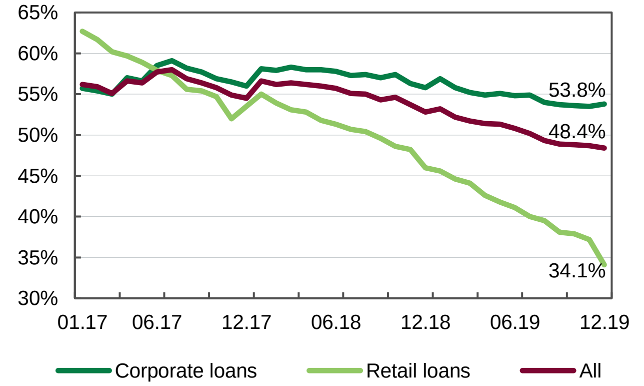
Figure 20. Gross hryvnia retail loans by purpose



* For purchases, construction and reconstruction of real estate (including land plots)

The non-performing loans ratio shrank by 0.6 pp qoq and 4.5 pp yoy, to 48.4%, as of end-2019.

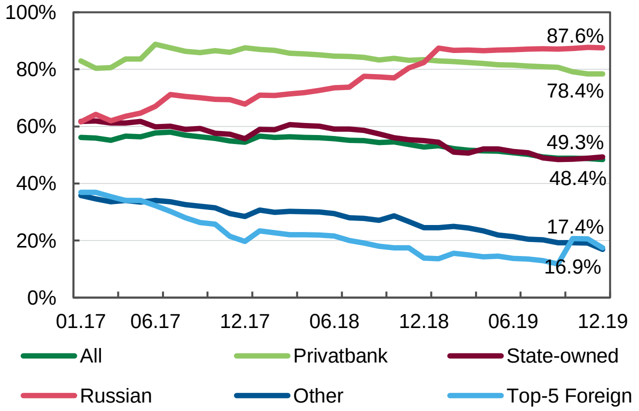
Figure 21. Share of nonperforming loans in bank portfolios*



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

The increase in the non-performing loans ratio of the five largest banks was due to Ukrsotsbank's merger with Alfa Bank.

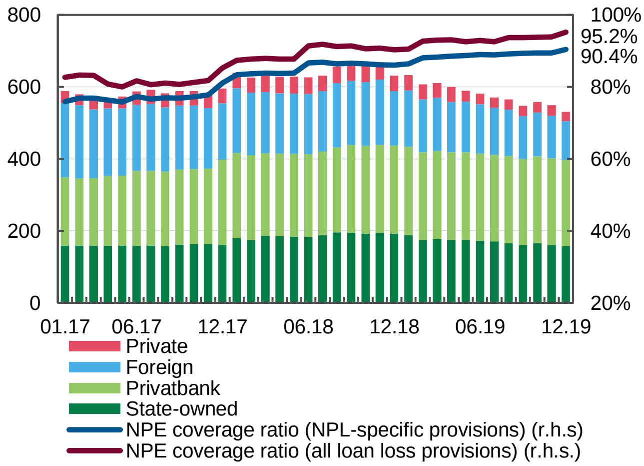
Figure 22. Share of non-performing loans in portfolios by groups of banks*



* Including interbank loans; all banks, including insolvent institutions; excluding off-balance liabilities.
** The five largest foreign-owned banks by net assets as of 1 January 2020 (excluding Russian-owned banks).

The ratio of non-performing loans to provisions increased by 1.5 pp in Q4, to 95.2%.

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



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

Funding

In Q4, banks' liabilities increased by 8.9%, to UAH 1.29 trillion, driven mainly by an increase in corporate and retail deposits. The state-owned banks recorded the strongest growth in liabilities after Gazprom made to Naftogaz a payment awarded by the Stockholm Arbitration Court.

Figure 24. Liabilities by groups of banks, UAH billions

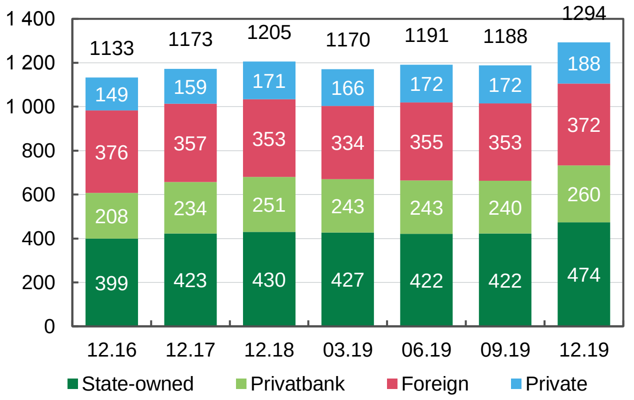
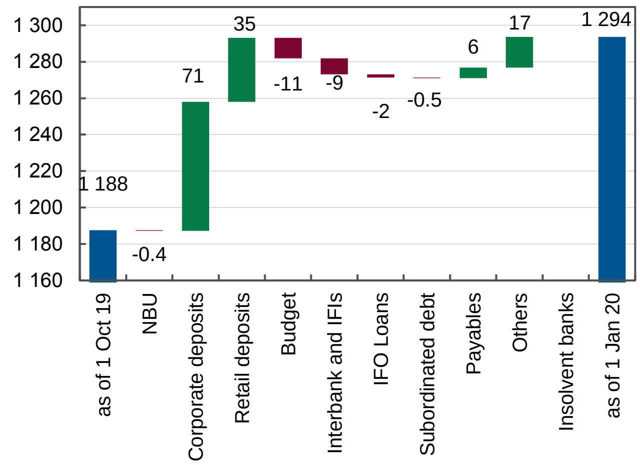
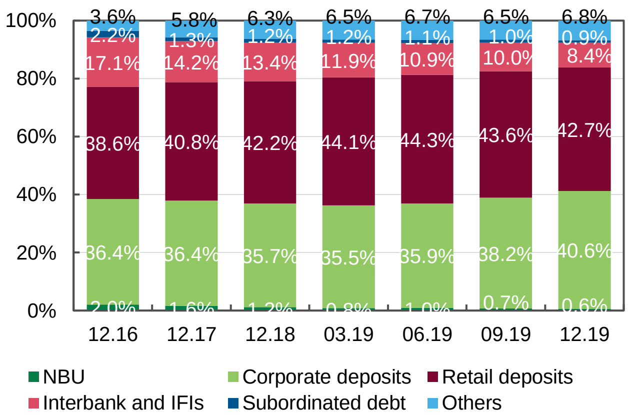


Figure 25. Changes in liabilities in Q4 2019 by factor, UAH billions



The significant increase in corporate deposits seen in Q4 pushed up the share of these deposits in total liabilities by 2.3 pp, to 40.6%.

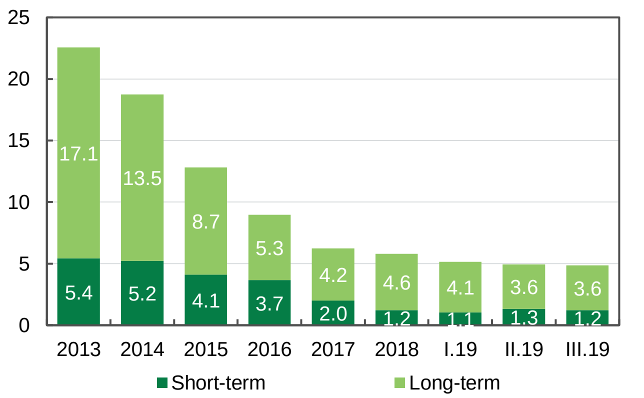
Figure 26. Breakdown of liabilities



* Including certificates of deposit

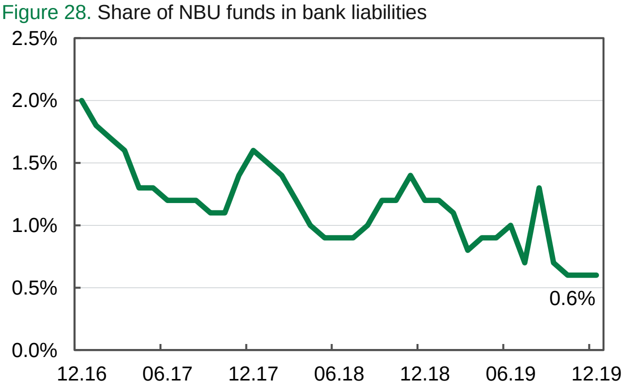
Banks' gross external debt fell by 2.0% in Q3, to USD 4.9 billion.

Figure 27. Banks' gross external debt, USD billions



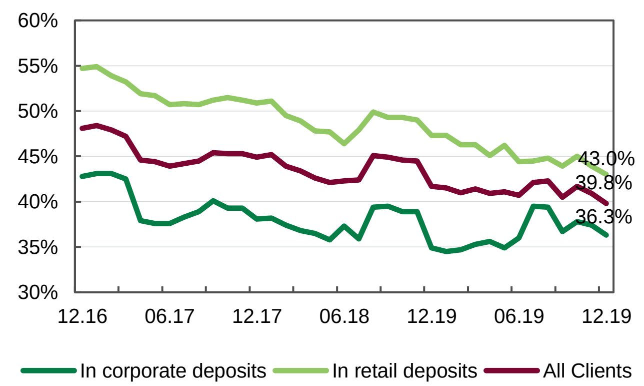
The share of NBU funds in total liabilities dropped to a new low of 0.6% as the state-owned banks repaid their refinancing loans.

Figure 28. Share of NBU funds in bank liabilities



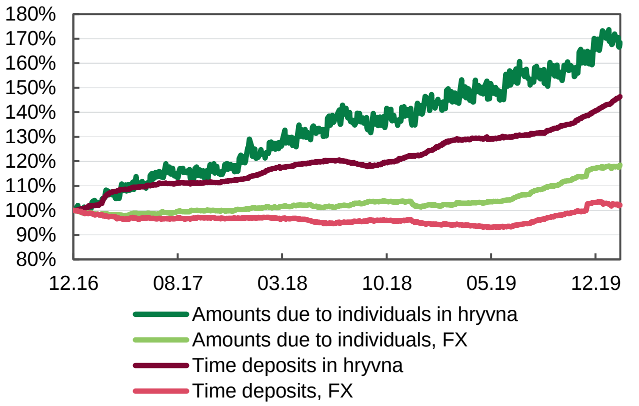
The share of FX customer deposits shrank by 0.7 pp in Q4.

Figure 29. Percentage of foreign currency deposits



Hryvnia household deposits rose by 8.4% qoq and 17.5% yoy, while FX household deposits grew by 6.4% qoq and 15.4% yoy in the U.S. dollar equivalent.

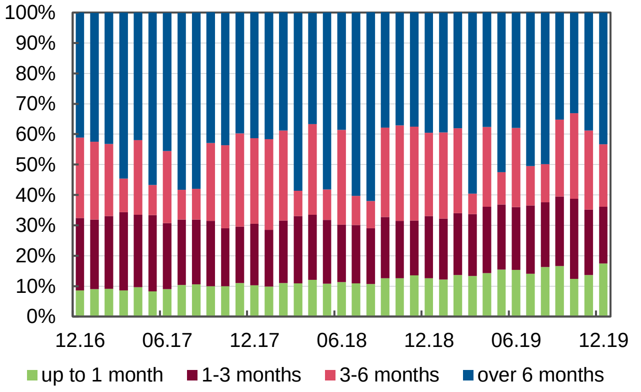
Figure 30. Retail deposits, 2016=100%*



* With banks that were solvent as of 1 January 2020, including certificates of deposit.

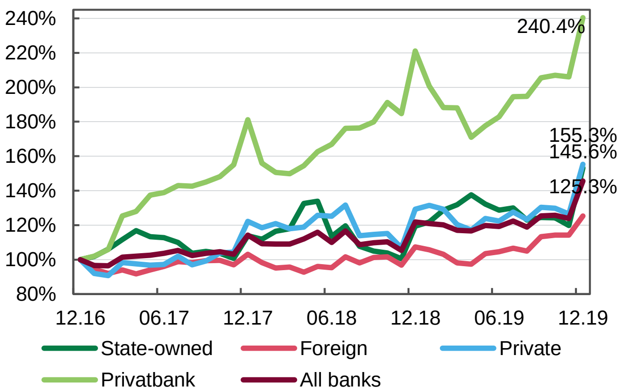
New term deposits increased by 10.6% qoq in Q4.

Figure 31. Breakdown of new hryvnia household deposits



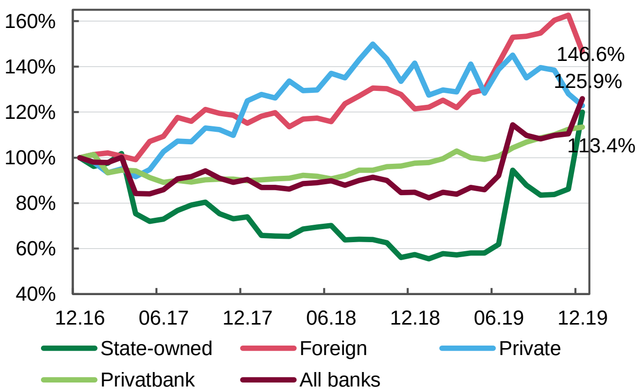
The seasonal rise in corporate deposits in December was augmented by the funds Gazprom paid to Naftogaz. As a result, total FX deposits grew by 16.4% qoq, while deposits with the state-owned banks rose by 43.8%. Growth in hryvnia deposits was robust in Q4, ranging from +23.1% at the state-owned banks to +10.6% at the foreign-owned banks.

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



* With banks that were solvent as of 1 January 2020.

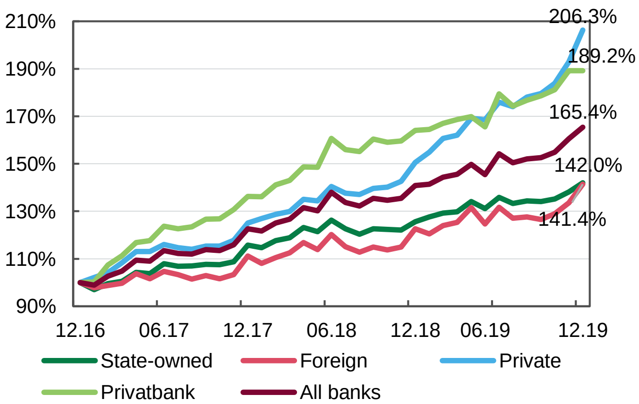
Figure 33. FX corporate deposits (in USD equivalent) by groups of banks, 2016 = 100%*



* With banks that were solvent as of 1 January 2020.

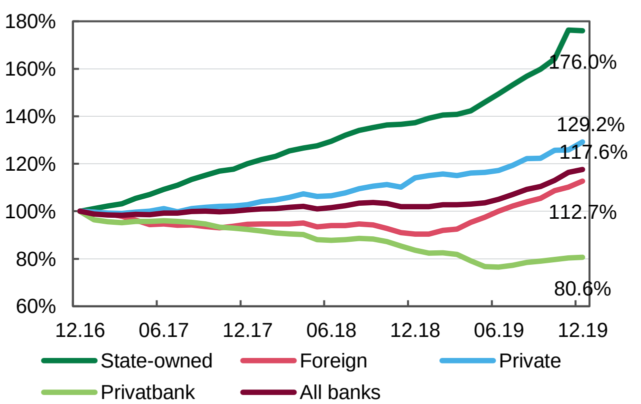
The private and foreign-owned banks reported the highest growth in hryvnia household deposits (+14.9% and +11.7%, respectively), mainly due to reasonably high interest rates offered by these groups of banks in the end of 2019. In Q4, the state-owned banks (apart from PrivatBank) and foreign-owned banks showed the highest growth in FX deposits.

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



* With banks that were solvent as of 1 January 2020, including certificates of deposit.

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

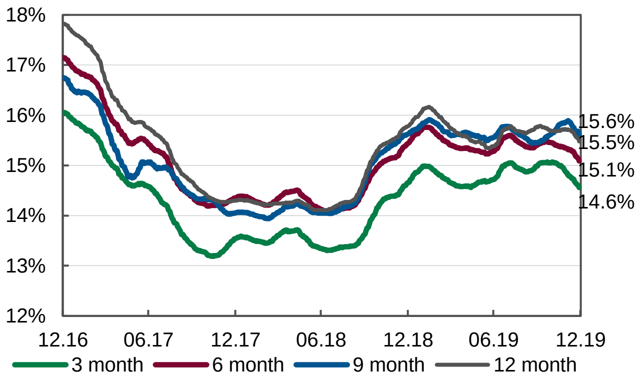


* With banks that were solvent as of 1 January 2020, including certificates of deposit.

Interest Rates

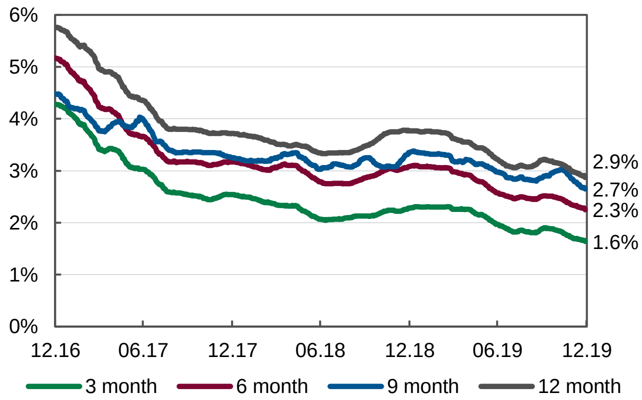
Q4 saw a drop in interest rates on retail deposits across all maturities and currencies. Interest rates on 12-month hryvnia deposits fell by 0.7 pp, to 15.1% per annum, in late December, while those on 12-month U.S. deposits declined by 0.6 pp, to 2.6% per annum.

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



* Thomson Reuters data, 20-day moving average.

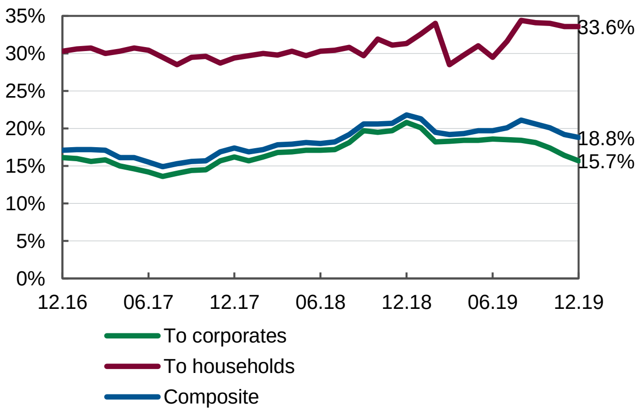
Figure 37. Ukrainian Index of U.S. dollar Retail Deposit Rates, % per annum*



* Thomson Reuters data, 20-day moving average.

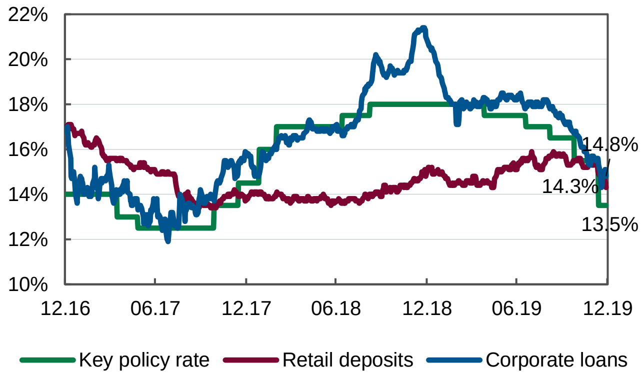
Hryvnia corporate loans responded to key policy rate cuts by decreasing by 2.4 pp, to 15.7% per annum. Interest rates on new retail loans dropped by 0.5 pp, to 33.6% per annum.

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



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

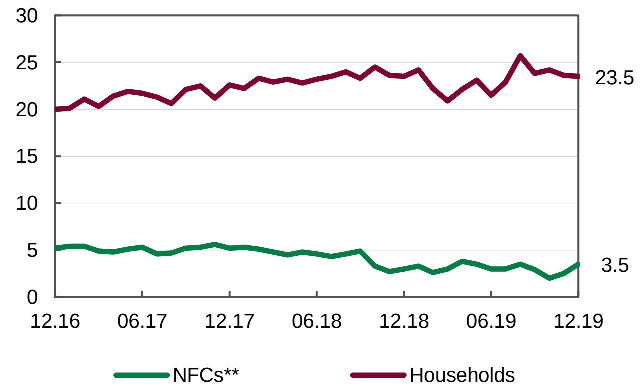
Figure 39. NBU key policy rate and interest rates on new hryvnia deposits and loans*, % per annum



* Daily rates, 5-day moving average

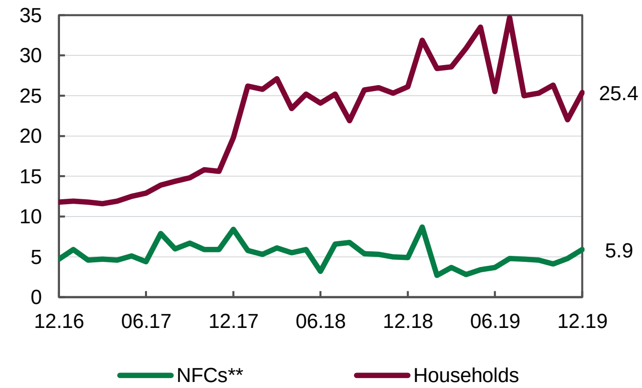
The rapid contraction in interest rates on corporate loans decreased the spread between interest rates on new loans and deposits. Meanwhile, the spread between interest rates on outstanding corporate loans and deposits remained almost unchanged. Albeit narrowing, the spread between interest rates on retail loans and deposits still exceeded 20 pp.

Figure 40. Spread between interest rates on new** loans and deposits, pp*



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

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

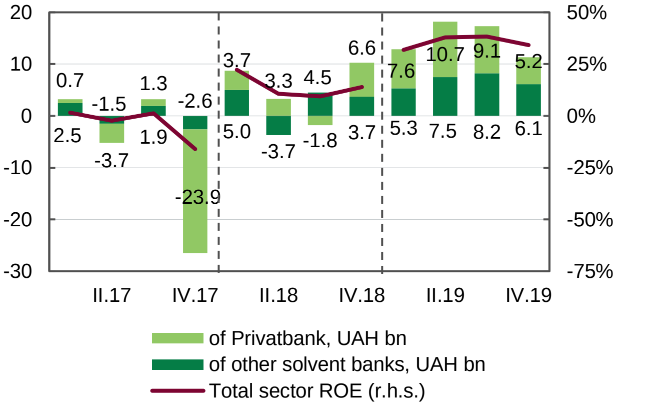


* Including insolvent banks.
** Non-financial corporations.

Profit or Loss, and Capital

In Q4, the sector's total profit fell by 34.8% qoq, depressed by lower operating income and higher expenses. Despite that, the sector booked a record-high profit for the full year of UAH 59.6 billion, up by 2.7 times yoy.

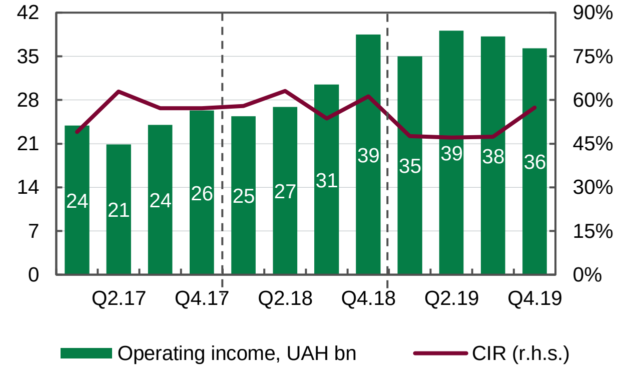
Figure 42. Profit/loss* and return on equity



* Quarterly data, including adjusted entries.

The operating performance deteriorated compared to the previous quarter but remained substantially better than a year before, with the CIR* falling to 49.8% from 58.1%.

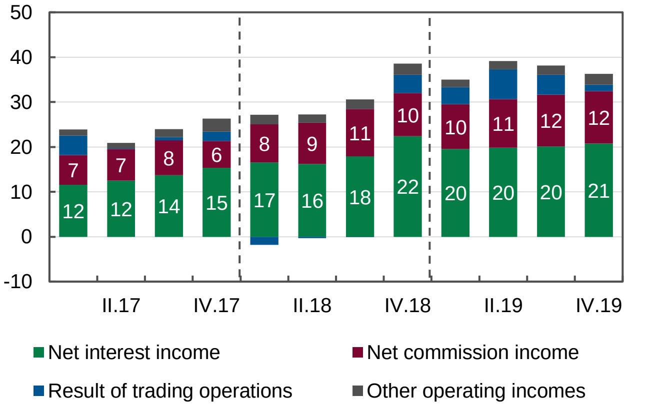
Figure 43. Operating income and operating efficiency



* The CIR (cost-to-income ratio) is the ratio of operating expenses to operating income.

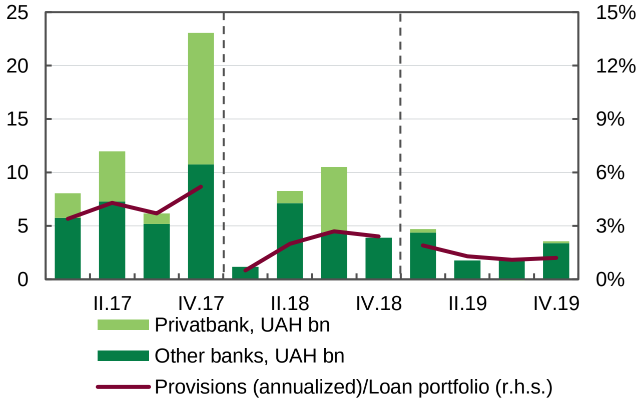
In Q4, total operating income dropped by 4.9% qoq due to a decline in trading profits generated by the state-owned banks and weaker growth in net interest income.

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



Despite rising by 91.5% qoq, the sector's provisions halved yoy, to UAH 12.5 billion.

Figure 45. Quarterly provisions



* Annualized.

Regulatory capital adequacy rose from 18.4% in Q3 to 19.7% in Q4, and was significantly higher than the minimum required level. Regulatory capital grew by 10.3% in 2019, while share capital increased by 1.1%.

Figure 46. Regulatory capital and regulatory capital adequacy ratio

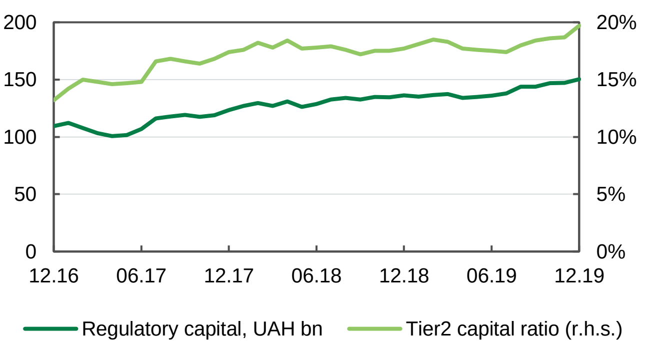
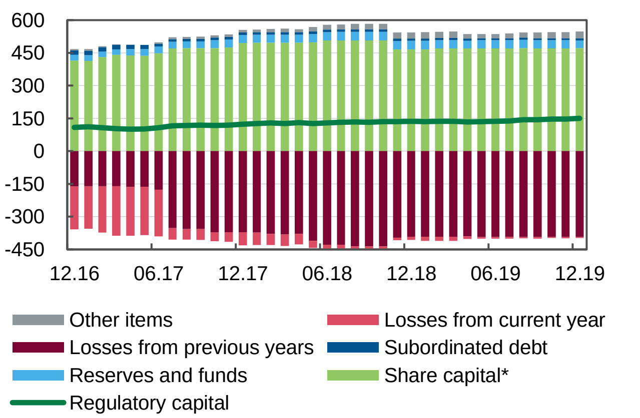


Figure 47. Composition of regulatory capital, UAH billions



* Registered and unregistered authorized capital.

Table 2. **Key indicators of Ukraine's banking sector**[1]

	2013	2014	2015	2016	2017	2018	I.19	II.19	III.19	IV.19
Number of operating banks	180	145	117	96	82	77	77	76	76	75
General balance sheet indicators (UAH billion)[2]										
Total assets	1 409	1 477	1 571	1 737	1 840	1 911	1 888	1 892	1 876	1 983
of which in foreign currency	513	667	800	788	755	779	745	736	707	717
Net assets	1 278	1 290	1 254	1 256	1 334	1 360	1 341	1 357	1 374	1 494
of which in foreign currency	470	565	582	519	507	495	465	471	470	492
Gross corporate loans[3]	727	820	831	847	864	919	895	884	841	822
of which in foreign currency	252	400	492	437	423	460	447	427	386	381
Net corporate loans[3]	648	710	614	477	451	472	450	445	430	415
Gross retail loans	189	208	176	157	171	197	202	203	207	207
of which in foreign currency	67	101	97	83	68	61	59	52	45	38
Net retail loans	145	144	96	76	92	114	120	127	135	143
Corporate deposits [3]	258	283	349	413	427	430	415	428	454	525
of which in foreign currency	81	114	141	177	163	150	146	154	167	191
Retail deposits [4]	443	403	402	437	478	508	516	528	517	553
of which in foreign currency	189	214	215	239	244	241	239	235	227	238
Change (yoy, %)										
Total assets	11.4%	4.8%	6.4%	10.6%	5.9%	3.8%	2.6%	2.1%	-3.7%	3.8%
Net assets	13.7%	1.0%	-2.8%	0.2%	6.2%	1.9%	3.6%	4.5%	1.4%	9.9%
Gross corporate loans[3]	14.7%	12.8%	1.3%	2.0%	2.0%	6.3%	1.4%	0.9%	-11.0%	-10.6%
Gross retail loans	3.0%	10.3%	-15.7%	-10.4%	8.5%	15.3%	15.1%	13.1%	3.9%	5.0%
Corporate deposits [3]	16.8%	9.5%	23.5%	18.2%	3.4%	0.8%	4.3%	5.8%	8.4%	22.1%
Retail deposits [4]	20.2%	-8.9%	-0.3%	8.7%	9.4%	6.3%	8.8%	7.4%	1.5%	8.7%
Penetration[5] (%)										
Gross corporate loans[3]/ GDP	47.7%	51.7%	41.8%	35.5%	29.0%	25.8%	24.4%	23.4%	21.6%	20.7%
Net corporate loans[3]/ GDP	42.6%	44.7%	30.9%	20.0%	15.1%	13.3%	12.3%	11.8%	11.1%	10.4%
Gross retail loans/ GDP	12.4%	13.1%	8.8%	6.6%	5.7%	5.5%	5.5%	5.4%	5.3%	5.2%
Net retail loans/ GDP	9.5%	9.1%	4.8%	3.2%	3.1%	3.2%	3.3%	3.4%	3.5%	3.6%
Corporate deposits[3]/ GDP	17.0%	17.8%	17.6%	17.3%	14.3%	12.1%	11.3%	11.3%	11.7%	13.2%
Retail deposits/ GDP	29.1%	25.4%	20.2%	18.3%	16.0%	14.3%	14.1%	14.0%	13.3%	13.9%
Profit or loss[6] (UAH billion)										
Net interest income	49.1	52.2	39.1	44.2	53.0	73.0	19.5	19.8	20.1	20.8
Net commission income	21.0	23.1	22.6	24.2	27.5	37.8	10.0	10.8	11.5	11.7
Provisions	28.0	84.4	114.5	198.3	49.2	23.8	4.7	1.7	1.9	3.6
Net profit/loss	1.4	-33.1	-66.6	-159.4	-26.5	22.3	12.9	18.1	17.3	11.3
Memo items:										
UAH/USD (period average)	7.99	11.89	21.84	25.55	26.60	27.20	27.30	26.56	25.26	24.26
UAH/USD (end-of-period)	7.99	15.77	24.00	27.19	28.07	27.69	27.25	26.17	24.08	23.69
UAH/EUR (period average)	10.61	15.72	24.23	28.29	30.00	32.14	31.02	29.84	28.09	26.86
UAH/EUR (end-of-period)	11.04	19.23	26.22	28.42	33.50	31.71	30.57	29.73	26.33	26.42

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

[2] Including accrued income/expenses.

[3] Including non-banking financial institutions.

[4] Including certificates of deposits.

[5] GDP is calculated as defined in the 2008 national accounts system methodology. From 2008 through 2013 it includes data for the temporarily occupied 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 a part of the ATO zone.

[6] Taking into consideration adjustment entries.

Notes:

Source: NBU (unless otherwise stated).

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

The sample of banks that were solvent as of the last reporting date includes banks that merged with other banks under simplified procedure.

Bank groups formed up to 2016 in accordance with 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. In 2018, data were prepared pursuant to Decision No. 444 by the Committee on Banking Regulation and Supervision, dated 29 December 2017.

“State-owned banks” refers to all state-owned banks except PrivatBank, unless otherwise specified.

The data include accrued interest as of 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” refers to loans not adjusted for provisions against asset-side banking transactions.

“Fixed-exchange-rate-based change” refers to the foreign-currency sum of an instrument being calculated using 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
IFO	International financial organization
NBU	National Bank of Ukraine
NFC	Non-financial corporation
NPL / NPE	Non-performing loan / non-performing exposures
POS	Point of sale
SSK	Self-service kiosk
T-bond	Domestic government bills and bonds
ROE	Return on equity
UIRD	Ukrainian Index of Retail Deposit Rates
pp	percentage point
EUR	euro
UAH	Ukrainian Hryvnia
USD	United States dollar
Q	Quarter
bn	Billion
r.h.s.	right-hand scale
yoy	year-on-year
qoq	quarter-on-quarter