



National Bank
of Ukraine

Banks: weekly review

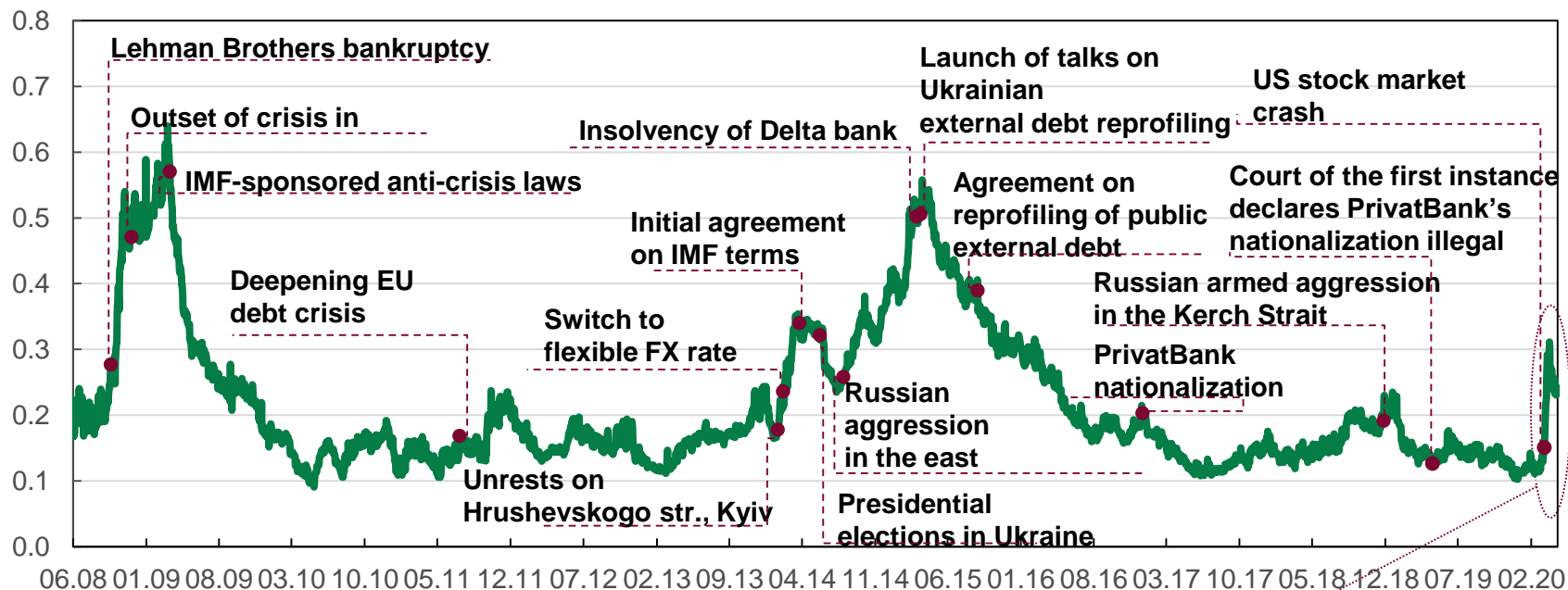
22 April 2020



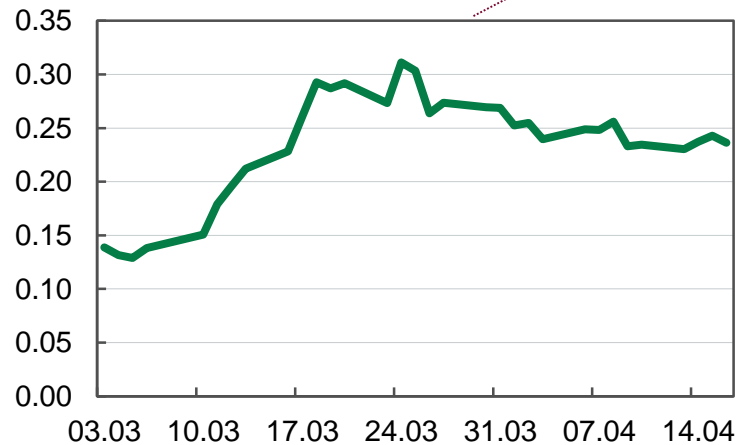
Resume

- The spike in financial stress index was short-lived. It was caused primarily by higher yields on government securities.
- In the first decade of March, the upward trend in hryvnia and FX deposits reversed. Time hryvnia retail deposits declined by 2.5% from their peak readings, while FX deposits dropped by 4.0% (in USD equivalent). However, rates of outflow were lower than in the first days of 2008 and 2014 crises.
- In the week that ended on 17 April, retail hryvnia deposits increased by 1.4% due to pay-outs of wages and social transfers to households. Time hryvnia deposits edged down by 0.1%. FX deposits decreased by 0.5% in the reporting week; however, that was less than in the week before (-1.3%).
- The time deposits outflow reversed the downward trend in interest rates on hryvnia deposits. Since the beginning of this year, the cost of 3-month hryvnia deposits declined slower than on the 12-month ones.
- Most of the large banks have sufficient liquidity and maintain hryvnia deposit rates almost flat. Liquidity coverage ratio (LCR) exceeds the required ratio almost twofold.

The financial stress index is normalizing after the March hike



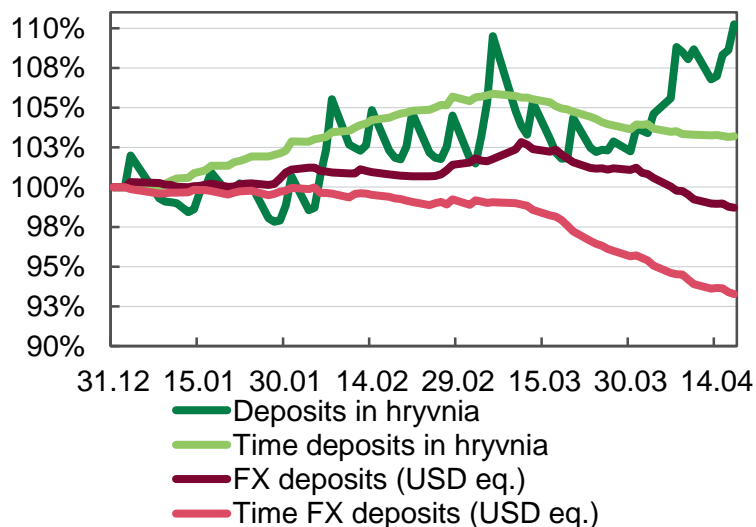
- Local high was recorded on 24 March; afterwards, the stress index has been gradually declining.
- The government securities sector made the largest contribution to the index hike.



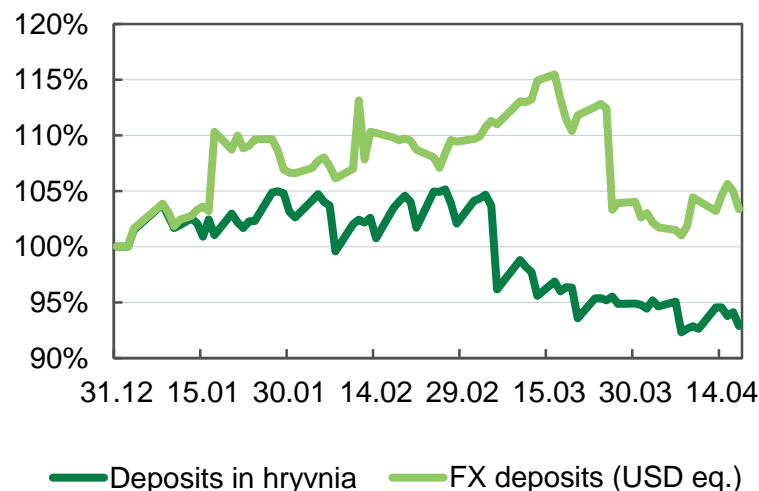
Source: NBU.

Retail deposits outflow was moderate

Retail deposits, 31 Dec 2019=100%



Corporate deposits, 31 Dec 2019=100%



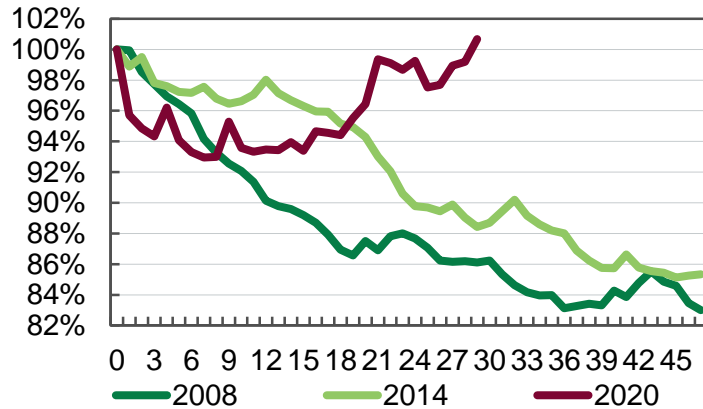
Source: NBU, daily data.

- Time hryvnia deposits and FX retail deposits had been growing until the first decade of March and then began to decline.
- During the week that ended on 17th March, the decline in FX deposits, including time FX deposits, slowed down. The strengthening of the hryvnia and the steady supply of cash to banks' cash desks facilitated the slowdown.
- The hryvnia retail deposits on demand were driven by the payout of salaries, pensions and social benefits. Moreover, some maturing deposits were transferred to current accounts.

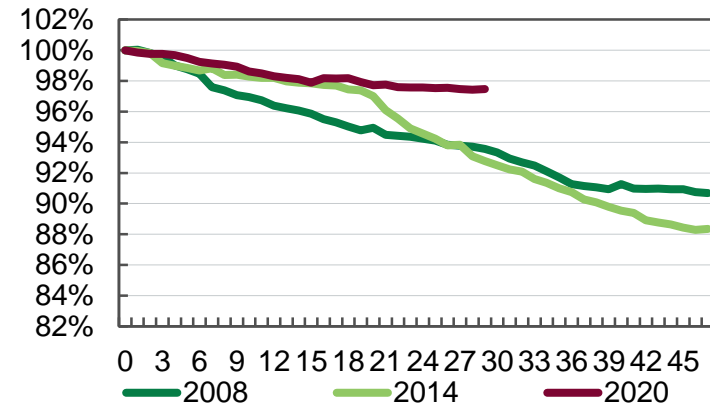
Outflow of retail deposits is slower than during previous crises

Retail deposits in hryvnia, the last day before the outflow*= 100% (at solvent banks as of 1 April 2020)

all deposits

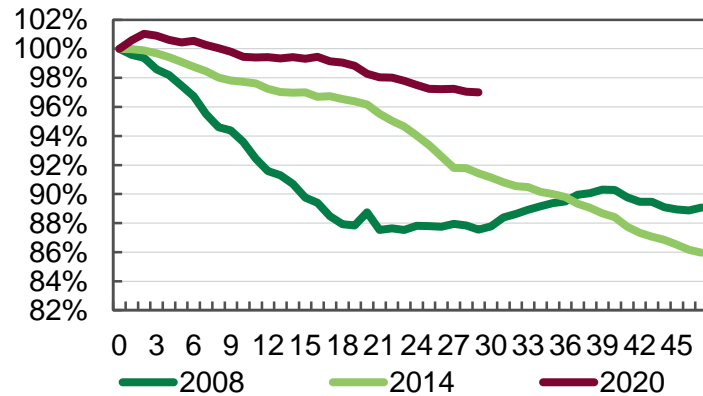


time deposits

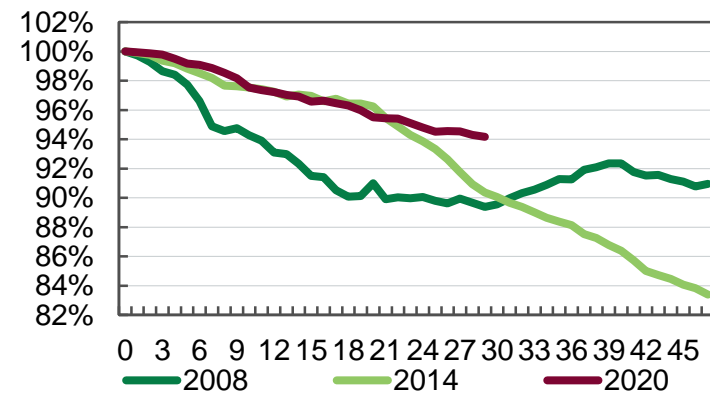


FX deposits (USD eq.), the last day before the outflow*= 100% (at solvent banks as of 1 April 2020)

all deposits



time deposits



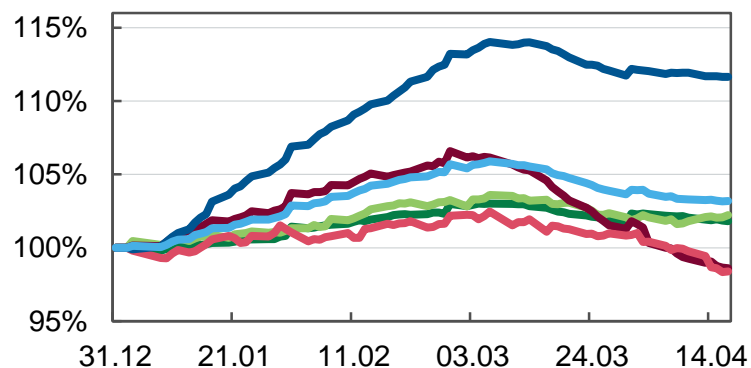
* The highest readings of hryvnia deposits recorded before the crises: in 2008 – 3 October 2008; in 2014 – 23 Jan 2014; in 2020 – 10 Mar 2020.

X axis indicates number of working days.

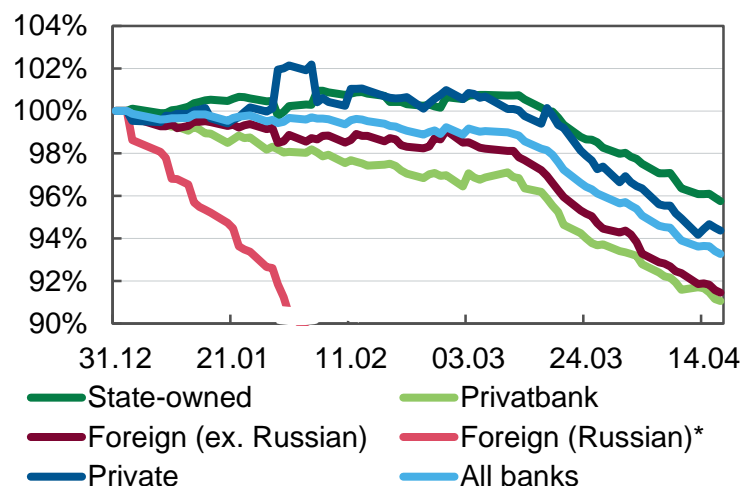
Source: NBU, daily data.

Time hryvnia deposits decreased at foreign-owned banks

Time retail deposits in hryvnia by groups of banks, 31.12.2019=100%



Time FX retail deposits (USD eq.) by groups of banks, 31.12.2019=100%



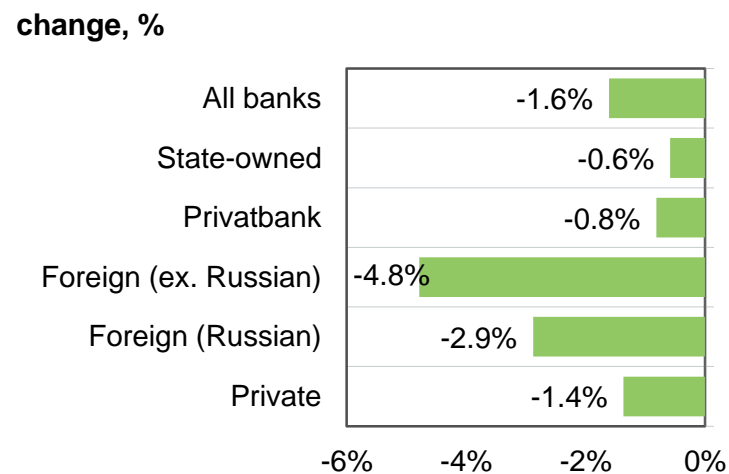
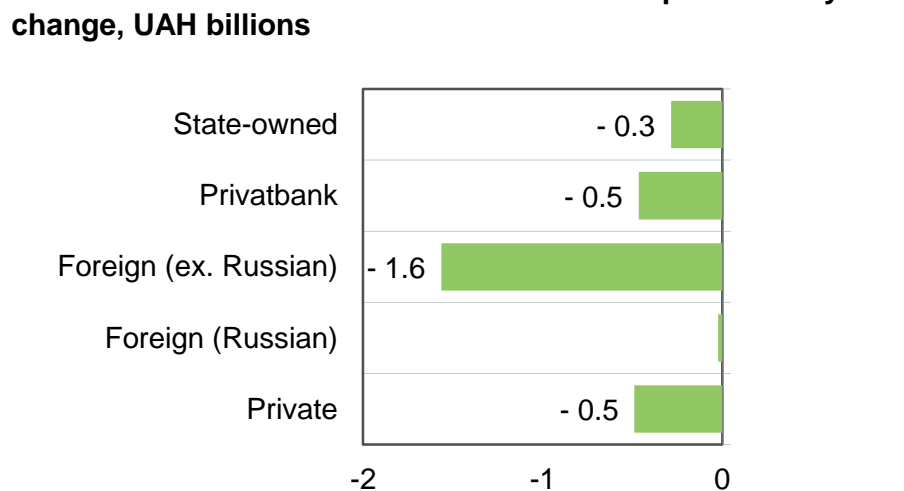
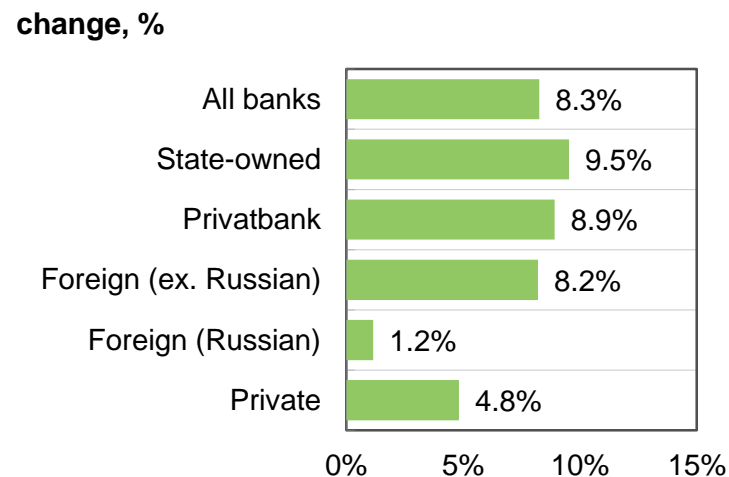
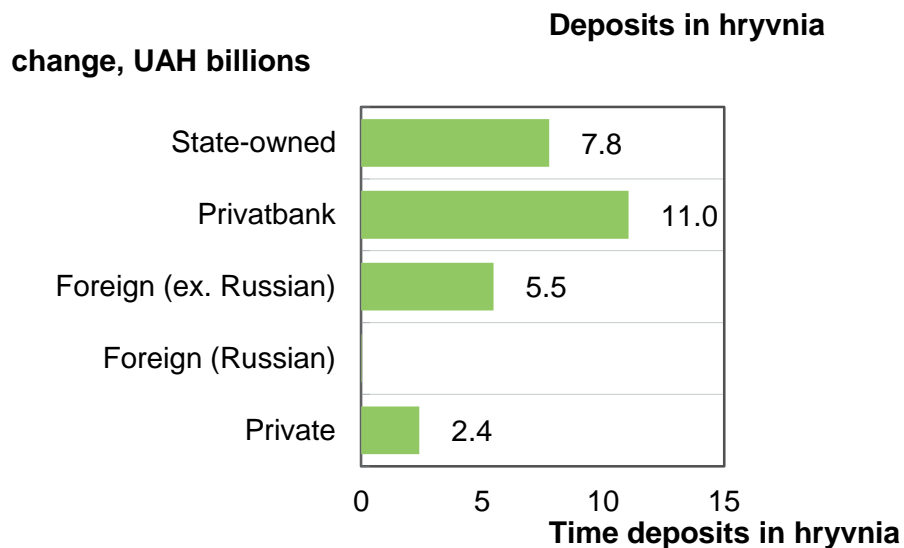
Change in deposits

	Change during the previous week 06.04 - 10.04		Change during the reporting week 13.04 - 17.04	
	UAH billions	%	UAH billions	%
Retail deposits in hryvnia	13.0	3.9%	4.9	1.4%
of which time deposits	-0.6	-0.4%	-0.2	-0.1%
Corporate deposits in hryvnia	-6.6	-2.1%	0.8	0.3%
	USD millions	%	USD millions	%
FX retail deposits (USD eq.)	-132.6	-1.3%	-51.9	-0.5%
of which time deposits	-82.7	-1.2%	-44.1	-0.7%
FX corporate deposits (USD eq.)	192.2	2.3%	-58.9	-0.7%

*Time FX retail deposits (USD eq.) in Russian-owned banks declined since the beginning on the year by 41%.

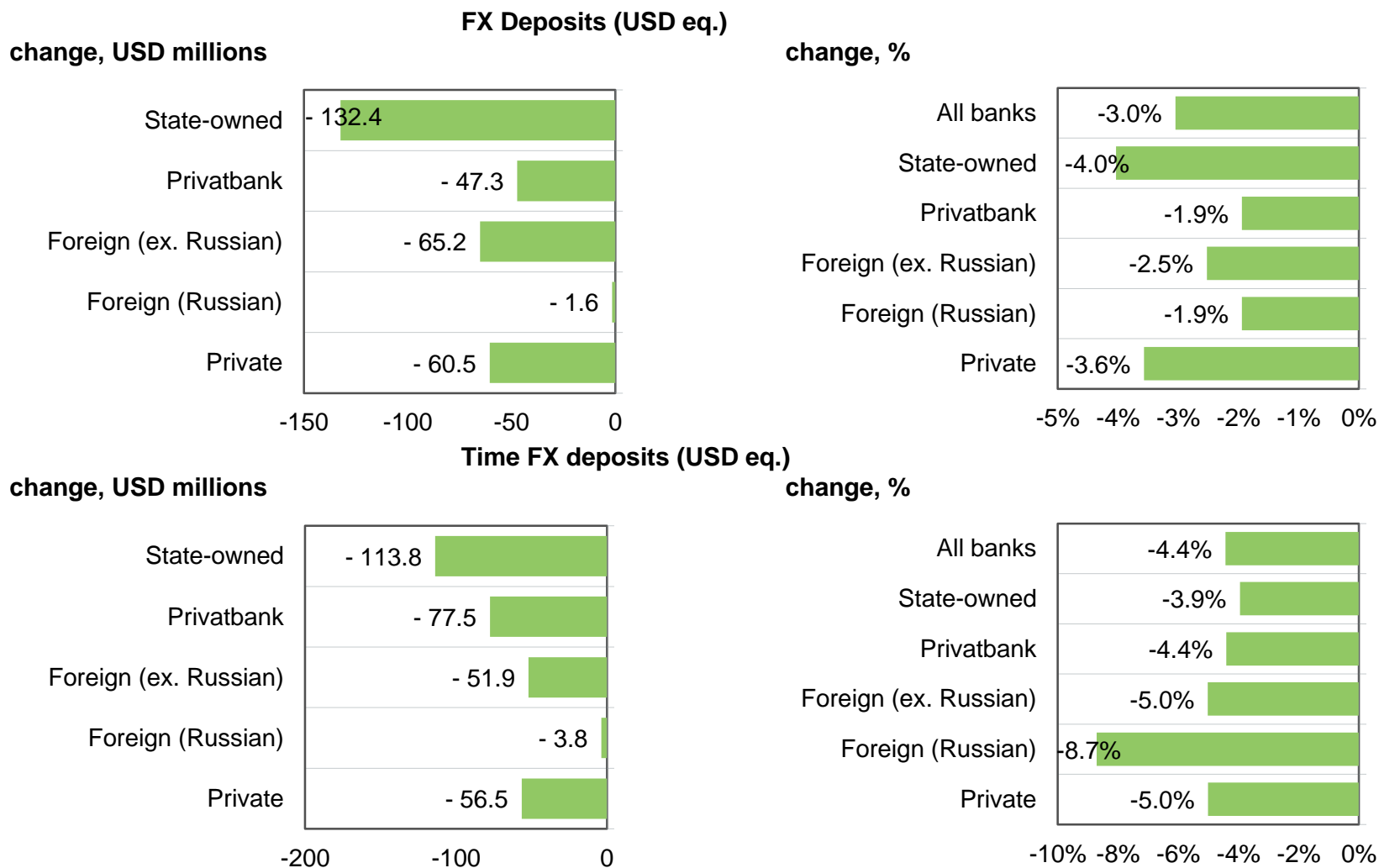
Source: NBU, daily data.

Change in hryvnia retail deposits (20 March – 17 April 2020)



Source: NBU, daily data.

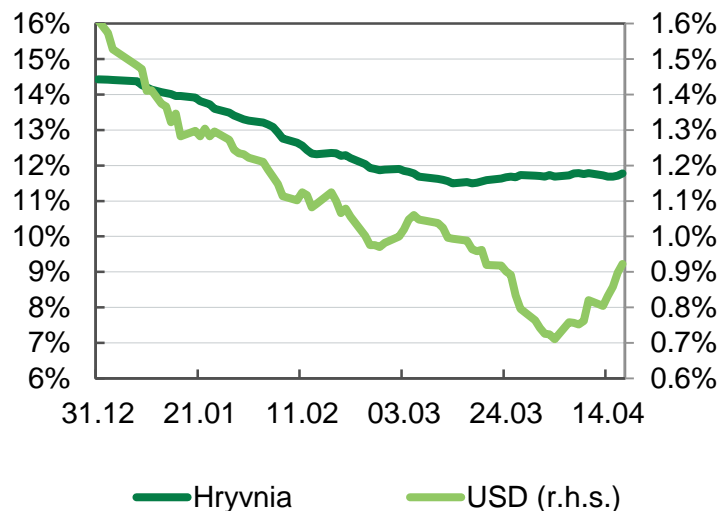
Change in FX retail deposits (20 March – 17 April 2020)



Source: NBU, daily data.

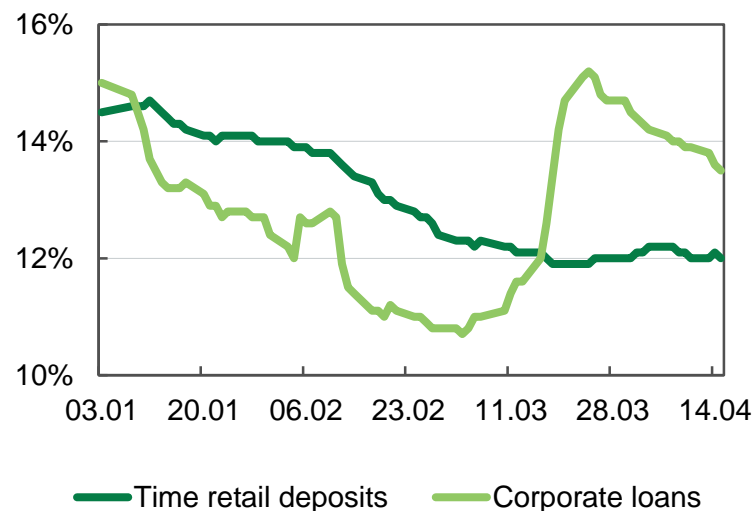
The decline in interest rates on time hryvnia deposits slowed down

Ukrainian Index of 3 month Retail Deposit rates, % per annum



Source: "Thomson Reuters", 5-day moving average.

Interest rates on new hryvnia time deposits and loans*, % per annum

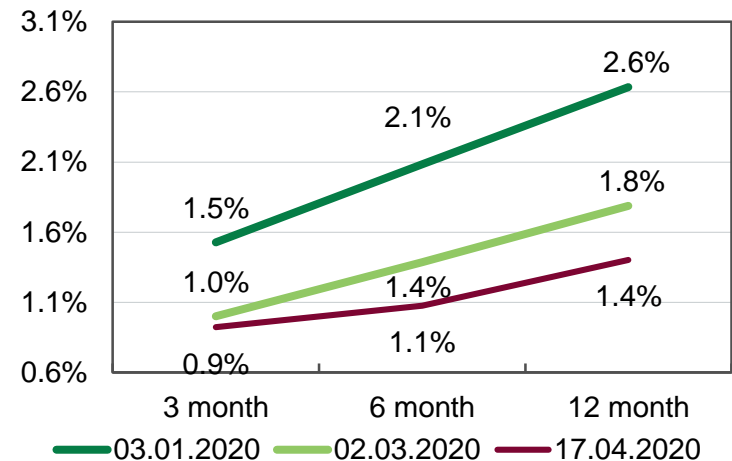
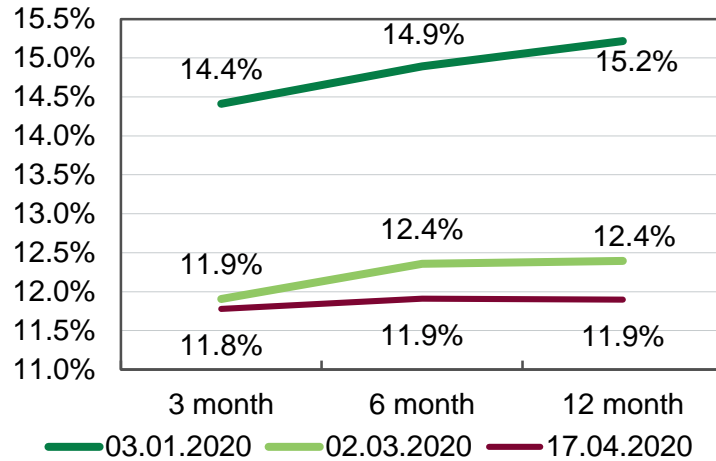


Source: NBU, daily data.

- The interest rates on time hryvnia deposits were declining since December 2019. From mid-March, the decline slowed down, reflecting the uncertainty of depositors.
- The surge in the credit interest rates to business entities was a temporary phenomenon.

Interest rates on retail deposits declined across maturities

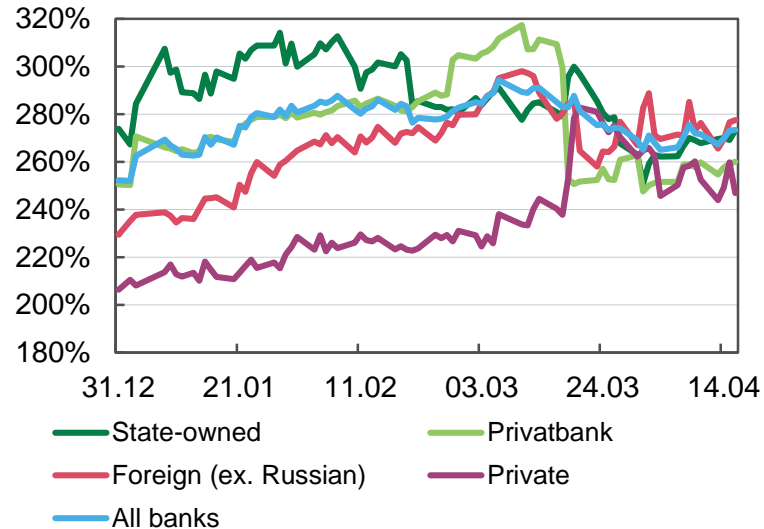
Ukrainian Index of Retail Deposit rates, % per annum
Hryvnia **USD**



Source: "Thomson Reuters", 5-day moving average.

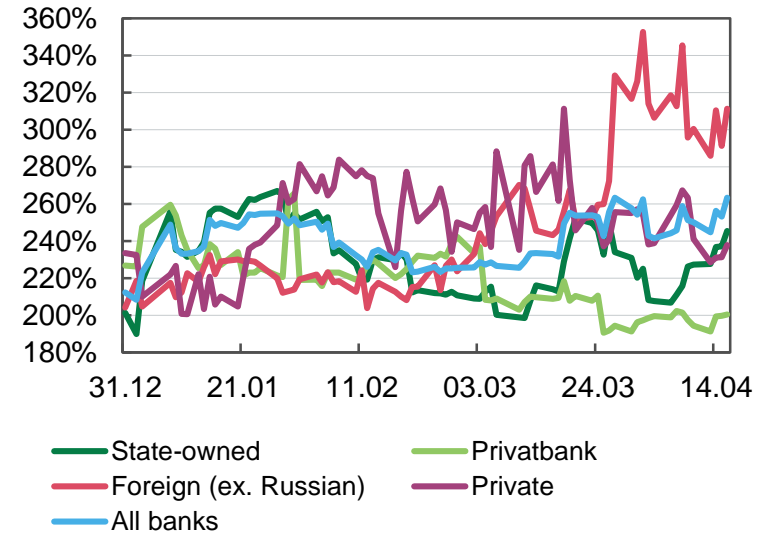
LCR in all currencies is declining, yet stays above the required ratio

Liquidity Coverage Ratio (LCR) in all currencies (daily data)



* LCR of Russian-owned banks is not shown (>1000%)
Source: NBU.

LCR in FX (daily data)

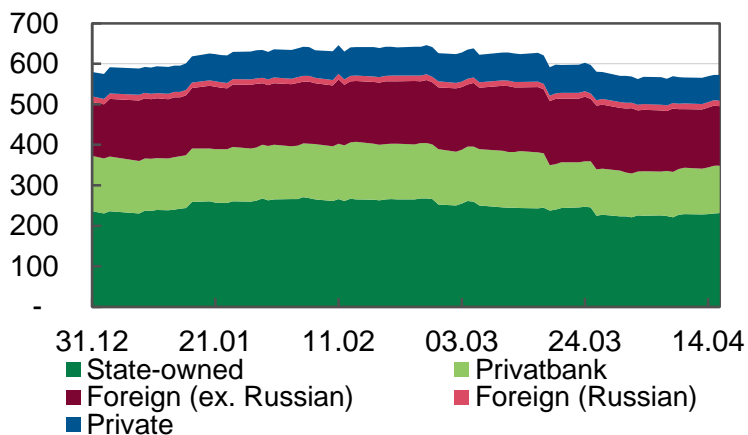


- The liquidity coverage ratio (LCR) rose in April in all currencies and in foreign currency.
- Almost all banks comply LCR with excess.

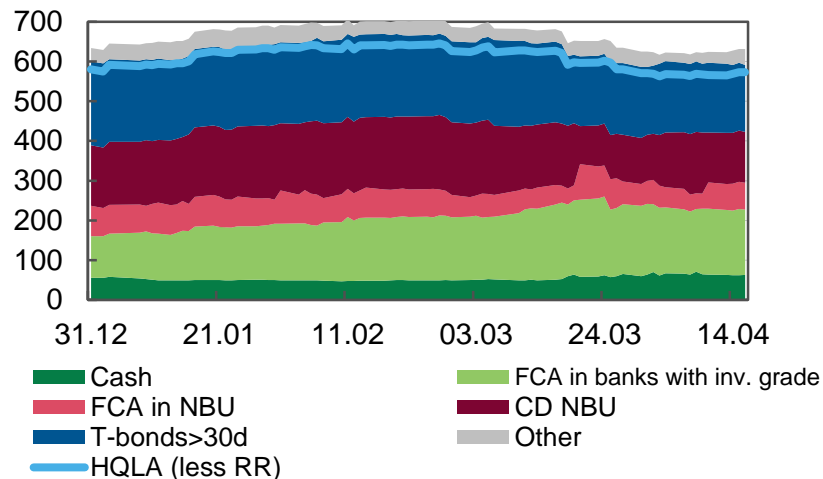
High Quality Liquid Assets in all currencies grew up over the week

High Quality Liquid Assets (HQLA) in all currencies, UAH billions

by groups of banks

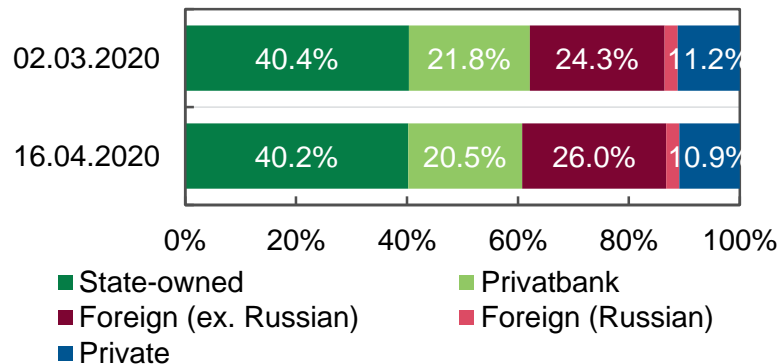


by components

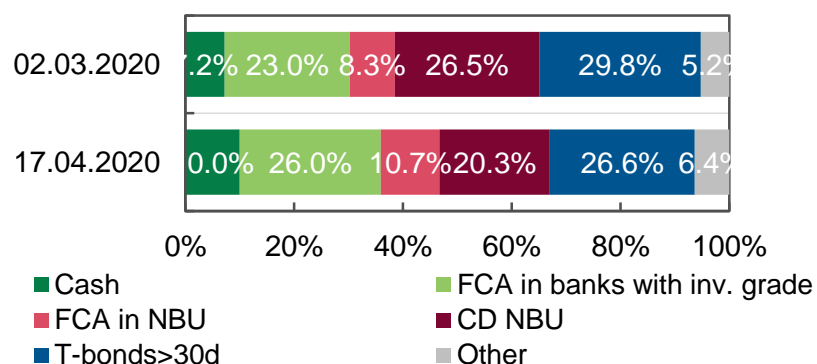


Structure of HQLA in all currencies

by groups of banks



by components



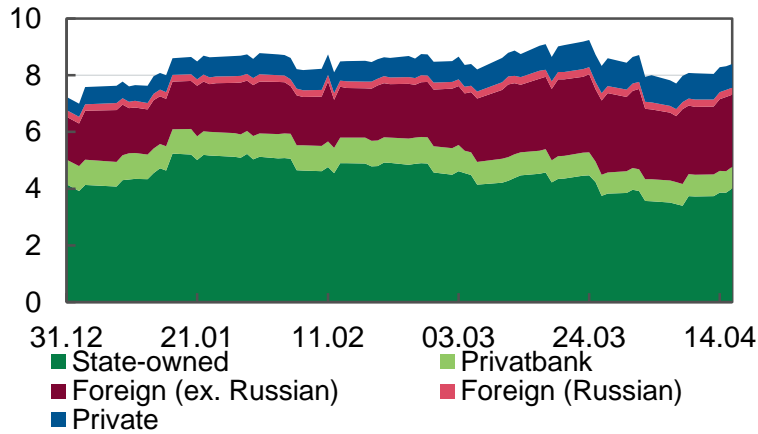
RR – Required Reserves, FCA - Foreign Currency Accounts, CD – Certificate of Deposit, IFO - debt securities issued by international financial institutions / governments of the G7 nations rated by global credit rating agencies as “AA-”/“Aa3”.

Source: NBU.

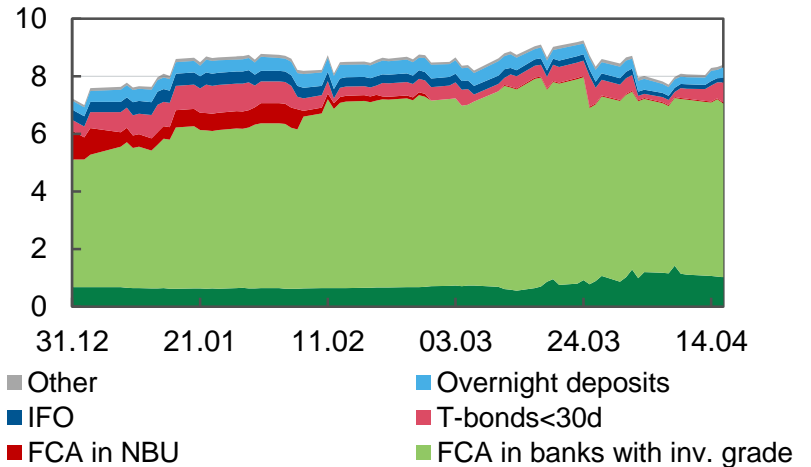
HQLA in FX also increased

High Quality Liquid Assets (HQLA) in FX, USD billions

by groups of banks

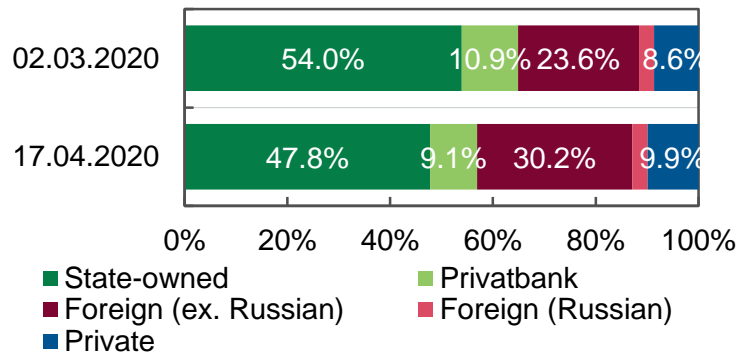


by components

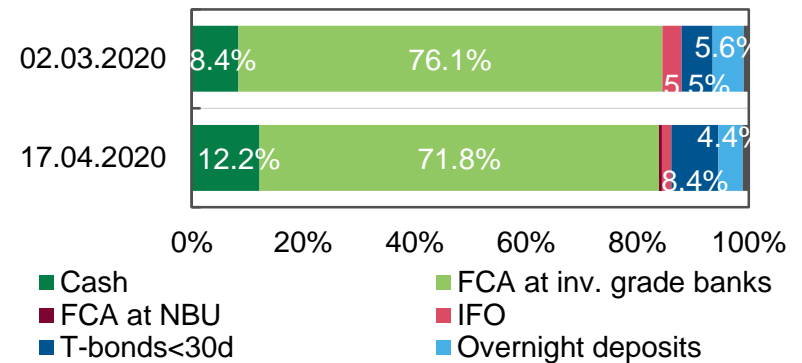


Structure of HQLA in FX

by groups of banks



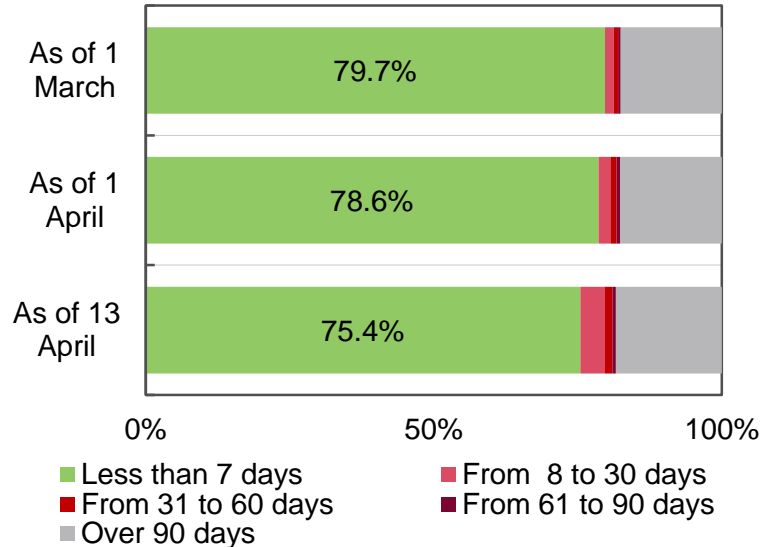
by components



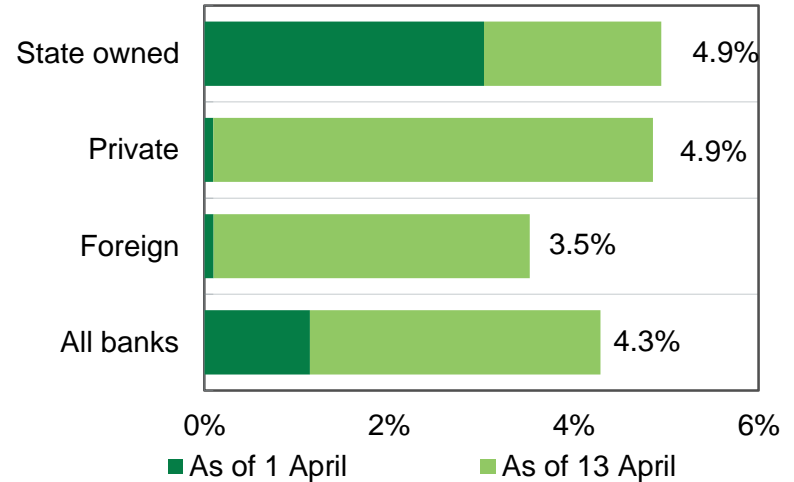
FCA - foreign currency accounts, IFO – international financial organizations.
Source: NBU.

Fraction of past due hryvnia loans has increased

Retail hryvnia loans by days past due*



Change in fraction of hryvnia retail loans with overdue over 7 days comparing to 1 March 2020*



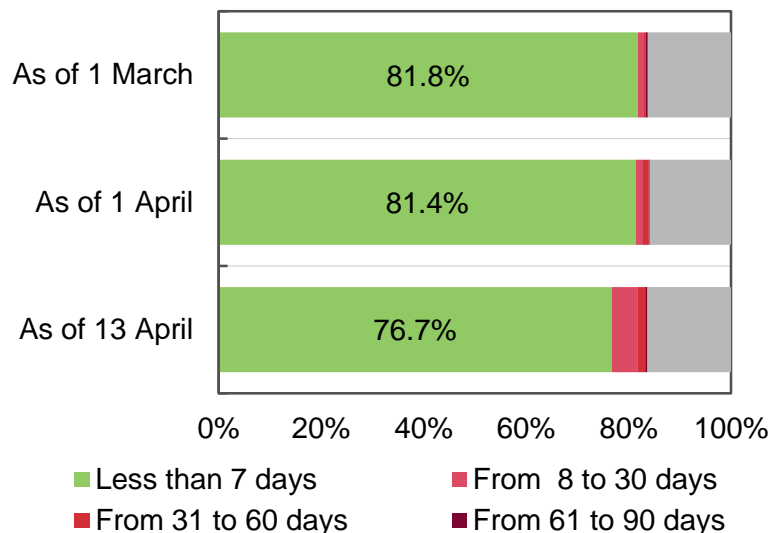
Source: bank survey data, calculations of NBU.

- Fraction of defaulted loans (90 days overdue) marginally increased by 1 p. p. as quarantine restrictions were introduced quite recently.
- Nevertheless, fraction of loans with 7 days overdue increased by 4.3 p.p. since 1 March and growth accelerated in April.
- Private and foreign owned banks are leading.

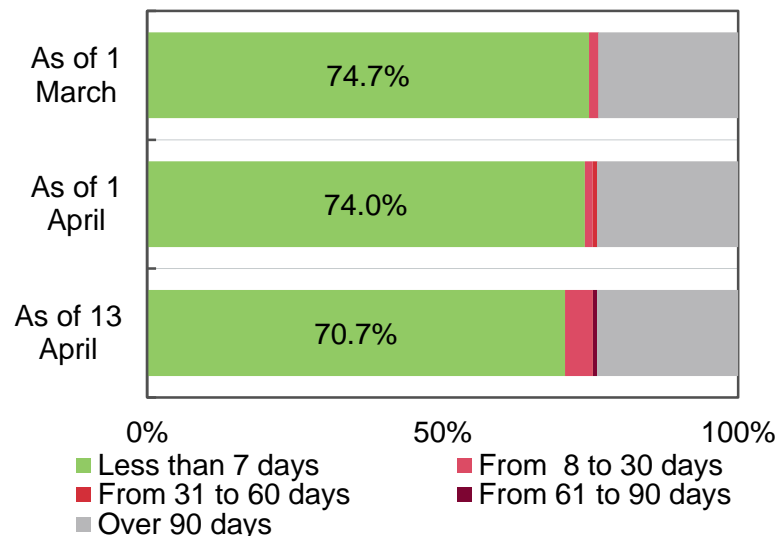
* Information from survey of 21 largest banks. It is not a part of required statistical reports and reflects the banks data. The NBU does not guarantee the accuracy of the data reported by the banks.

Quality of SMEs loans servicing also gradually deteriorates

Composition of hryvnia SME loan portfolio by days overdue*



Composition of FX SME loan portfolio by days overdue*



Excluding 90 days past due as of 1 March 2020 hryvnia loans of Privatbank.
Source: bank survey data, calculations of NBU.

- Fraction of hryvnia loans 7 days overdue increased by 5.1 pp since 1 March. For loans in foreign currency the increase was 4.1 pp.
- The growth was most pronounced in the first weeks of April.
- Meanwhile the fraction of defaulted loans was almost flat.

* Information from survey of 21 largest banks. It is not a part of required statistical reports and reflects the banks data. The NBU does not guarantee the accuracy of the data reported by the banks.

Measures taken to mitigate the crisis fallout (1)

Key issues	What was done
Increased risks of asset quality deterioration	<p>Banks offered “loan payment holidays” and launched restructuring of loans to borrowers who were hit by the quarantine-related restrictions</p> <p>Banks maintain balanced credit limit policy: limits for card holders are considered if needed, and decreased to inactive card holders</p> <p>The National Bank of Ukraine (NBU) relaxed requirements on credit risk assessment – loans restructured due to quarantine-related restrictions will not have negative impact on banks’ capital (amendments to Regulation No. 351 on credit risk assessment for bank’s exposures)</p>
Worsening consumer sentiments that push up risks of capital outflow	<p>Banks maintain a considerable stock of high-quality liquid assets and comply with liquidity requirements with a safe margin</p> <p>Banks meet all liabilities to customers in full</p> <p>Banks ensure continuous operations of branches, ATM network and on-line payment systems</p> <p>The NBU and banks arranged for cash delivery, demand for FX cash is met</p>

Measures taken to mitigate the crisis fallout (2)

Key issues	What was done
Impediments to work under quarantine	<ul style="list-style-type: none">Banks arranged for flexible working hours of bank branchesBanks regularly disinfect premisesBanks held information campaigns for customers to promote on-line paymentsBanks reduced commission for cashless transactionThe NBU arranged cash quarantineThe NBU temporarily suspended inspections of banksDeadlines for submitting reports and financial statements were extendedThe NBU postponed a number of requirements to banks that required physical presence of employees including implementation of certain IT-solutions for risk management systems and NPL management processes, stress testing, and SREP assessmentThe NBU temporarily suspended requirements on assessment of property collateral
Worsening funding conditions	<ul style="list-style-type: none">Suspension of requirements on building up capital buffersThe NBU recommended banks to refrain from dividend distribution; that should help banks to maintain capital needed for lending recoveryThe NBU increased frequency of operations and extended terms of refinancing loansA long-term refinancing facility was introduced
