



National Bank  
of Ukraine

# **Banks: weekly review**

*29 April 2020*



# Resume

---

- The financial stress index trends further down.
- Retail time deposits continue to decrease. However, the pace of decline is significantly slower than during the 2008 and 2014 crises.
- In a week that ended on 24 April, retail hryvnia deposits increased by +0.3%, while time hryvnia deposits edged down by 0.2%. In the reporting week, FX deposits decreased by 0.3%; the decline has decelerated compared to previous weeks.
- Since early April, the cost of 3-month hryvnia deposits has slightly increased, while the rate on 12-month hryvnia deposits remained flat. FX deposit rates grew in the first half of April, while in the reporting week they remained unchanged.
- The hike in cost of corporate hryvnia deposits in March was short-lived. Now, the dynamics of interest rates returns to downward trend, facilitated by the NBU key rate cut of 2 pps to 8%.
- Liquidity coverage ratio (LCR) increases for all currencies as well as in foreign currency. The LCR reading exceeds the minimum regulatory required ratio twofold.

# Financial stress index decline continues

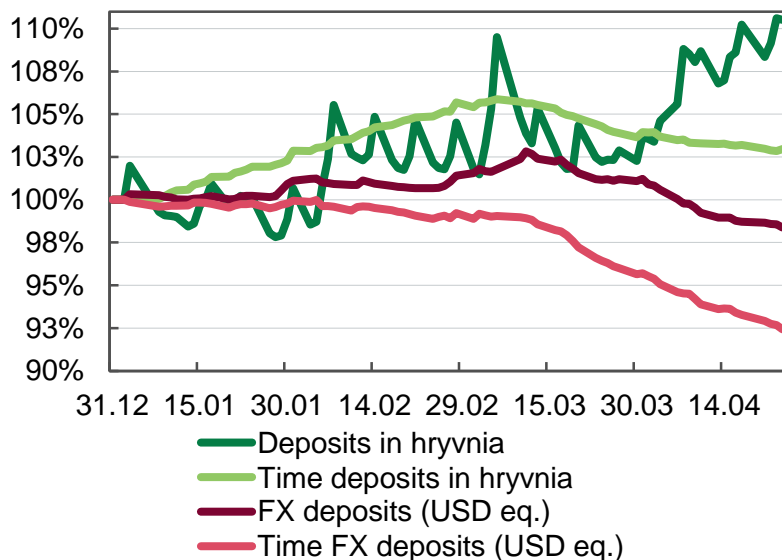


Source: NBU.



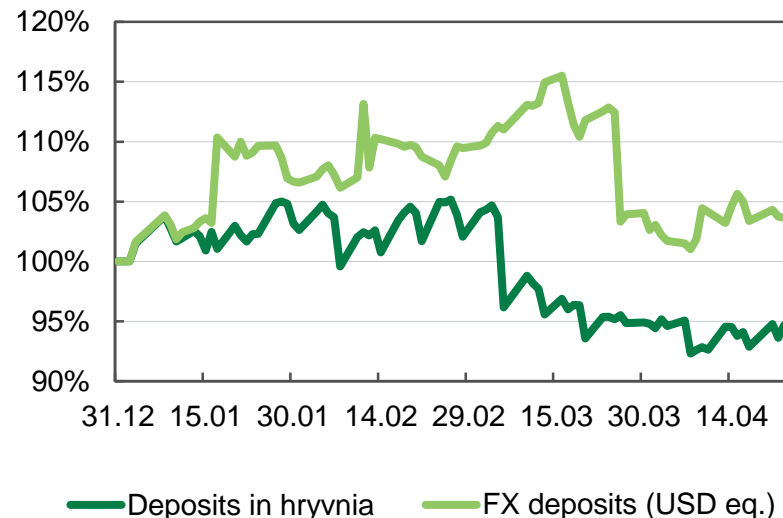
## Retail deposits outflow continues at a moderate rate

Retail deposits, 31 Dec 2019=100%



Source: NBU, daily data, including certificates of deposit.

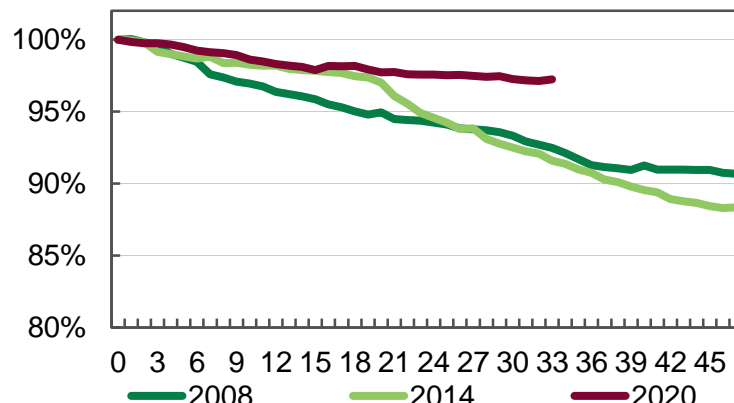
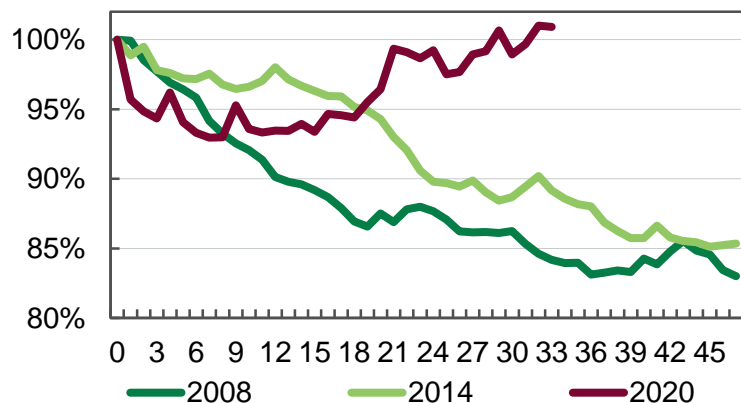
Corporate deposits, 31 Dec 2019=100%



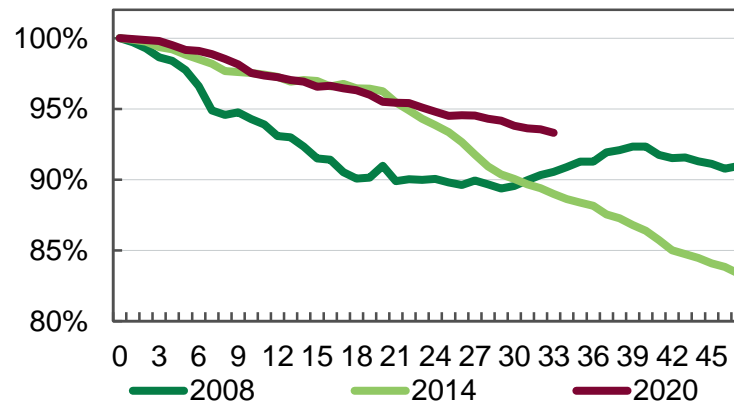
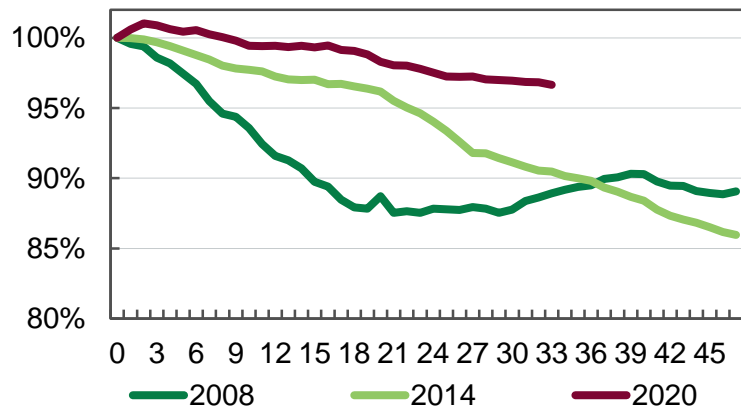
- During the reporting week, the decline in FX deposits slowed, but time deposits declined both in hryvnia and FX.
- The hryvnia retail deposits on demand rose albeit more moderately than during the previous week as there were no payouts of salaries and pensions these days. Also, some maturing deposits 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**



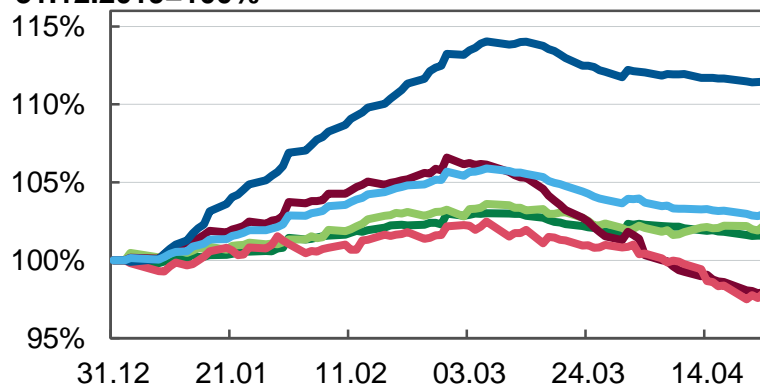
**FX deposits (USD eq.), the last day before the outflow\*= $100\%$  (at solvent banks as of 1 April 2020)**  
**all deposits** **time deposits**



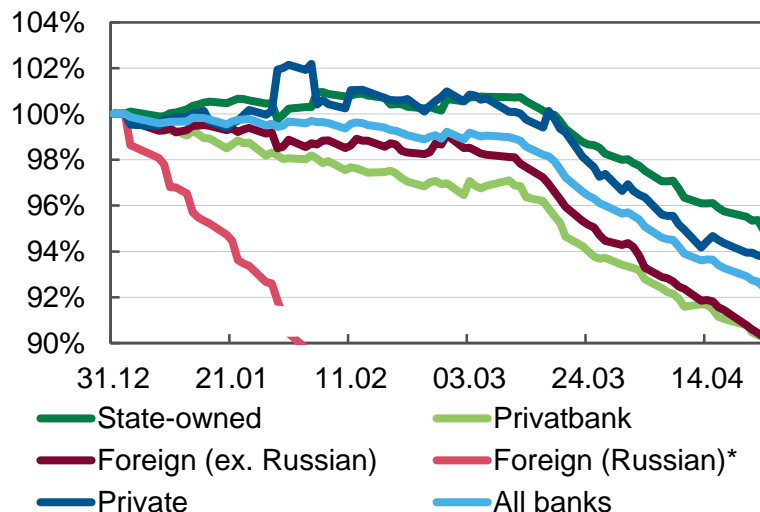
\* The highest readings of hryvnia deposits recorded before the crises: in 2008 – 3 October 2008; in 2014 – 23 Jan 2014; in 2020 – 10 Mar 2020.  
 X axis indicates number of working days.  
 Source: NBU, daily data, including certificates of deposit.

# 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 13.04 - 17.04		Change during the reporting week 21.04 - 24.04	
	UAH billions	%	UAH billions	%
Retail deposits in hryvnia	4.9	1.4%	0.9	0.3%
of which Term deposits	-0.2	-0.1%	-0.4	-0.2%
Corporate deposits in hryvnia	0.8	0.3%	3.4	1.1%
	USD millions	%	USD millions	%
FX Retail deposits (USD eq.)	-51.9	-0.5%	-33.4	-0.3%
of which Term deposits	-44.1	-0.7%	-58.9	-0.9%
FX Corporate deposits (USD eq.)	-58.9	-0.7%	18.7	0.2%

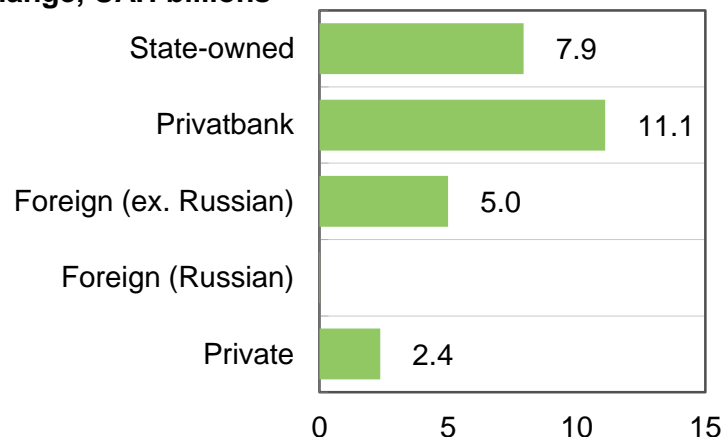
\*Time FX retail deposits (USD eq.) in Russian-owned banks declined since the beginning on the year by 42%.

Source: NBU, daily data, including certificates of deposit.

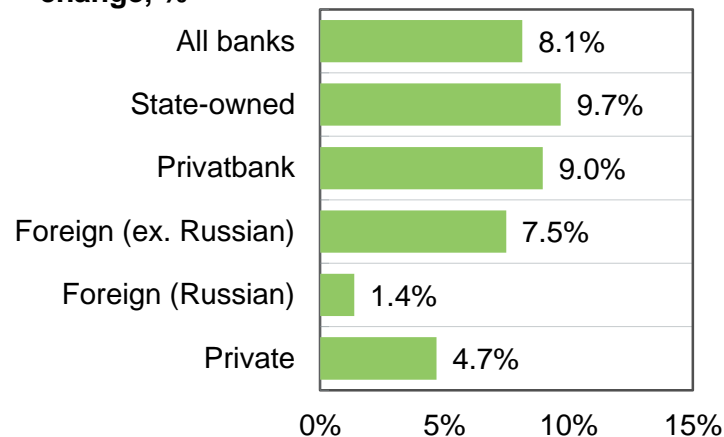
# Change in hryvnia retail deposits (24 March – 24 April 2020)

**Deposits in hryvnia**

change, UAH billions

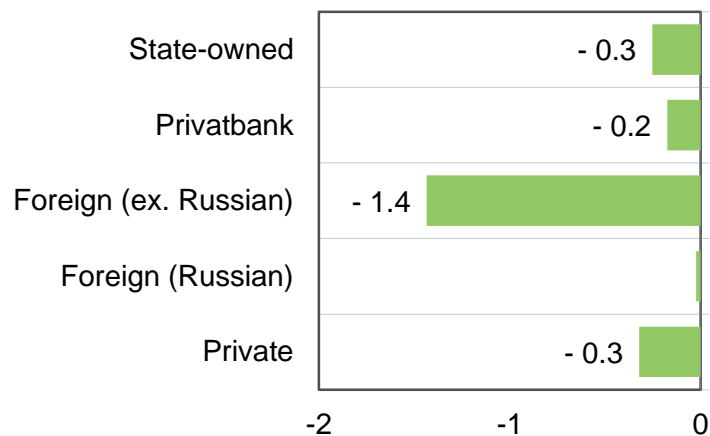


change, %

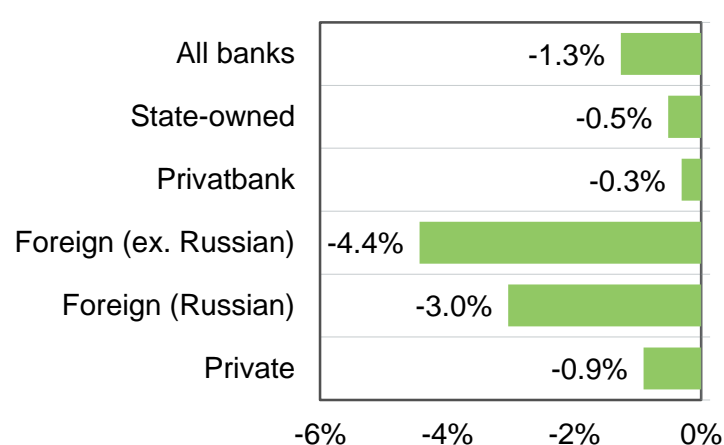


**Time deposits in hryvnia**

change, UAH billions

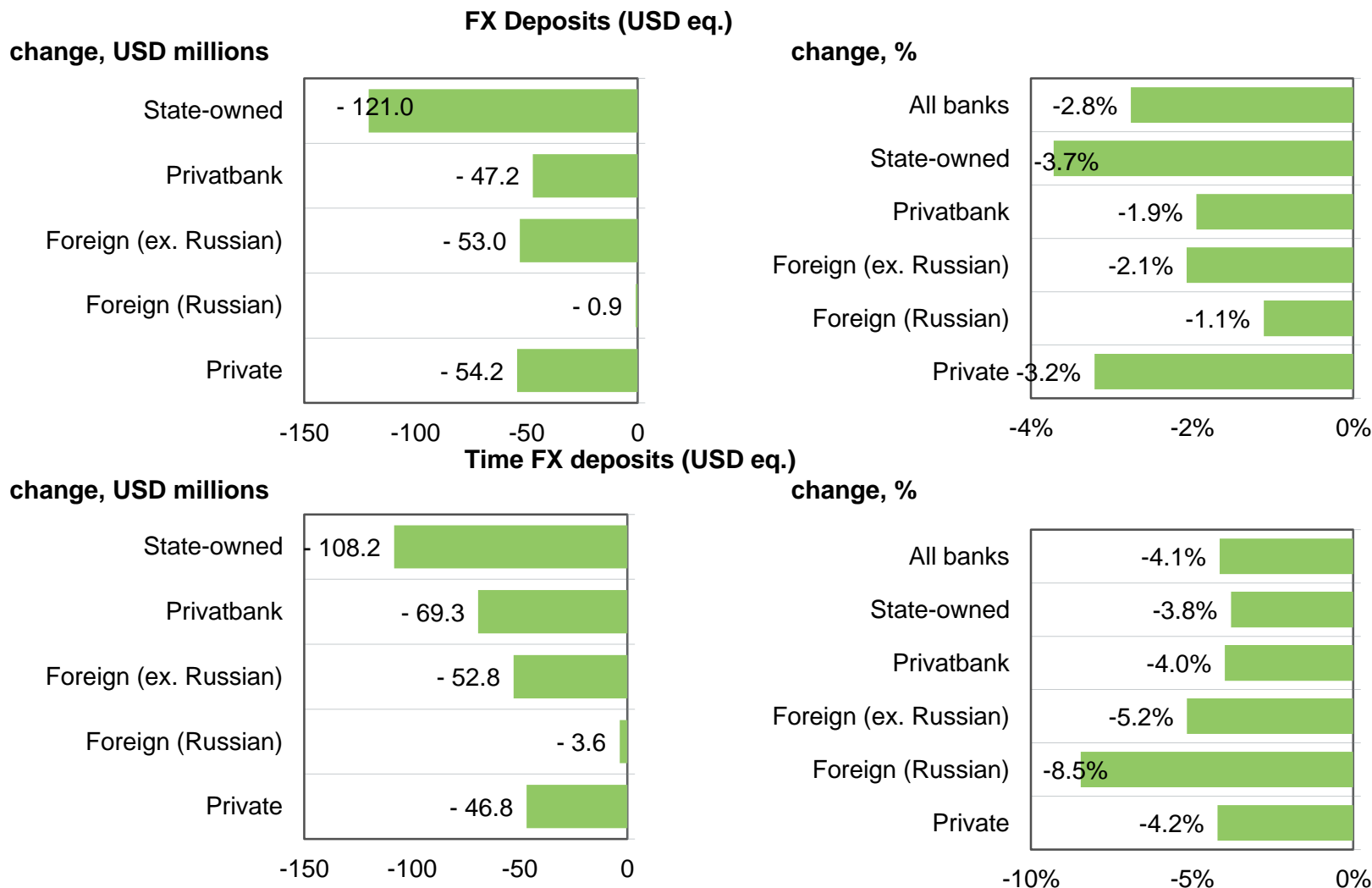


change, %



Source: NBU, daily data, including certificates of deposit.

# Change in FX retail deposits (24 March – 24 April 2020)

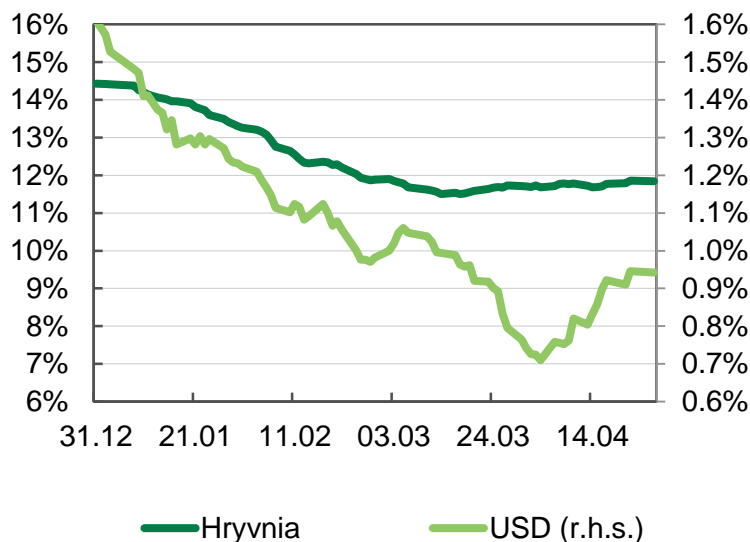


Source: NBU, daily data, including deposit certificates.



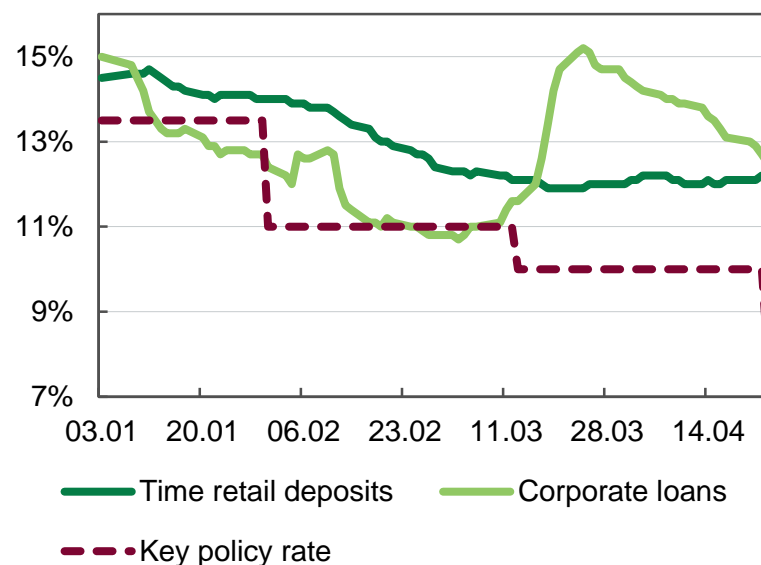
# In April, the cost of short-term FX deposits increased

**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**

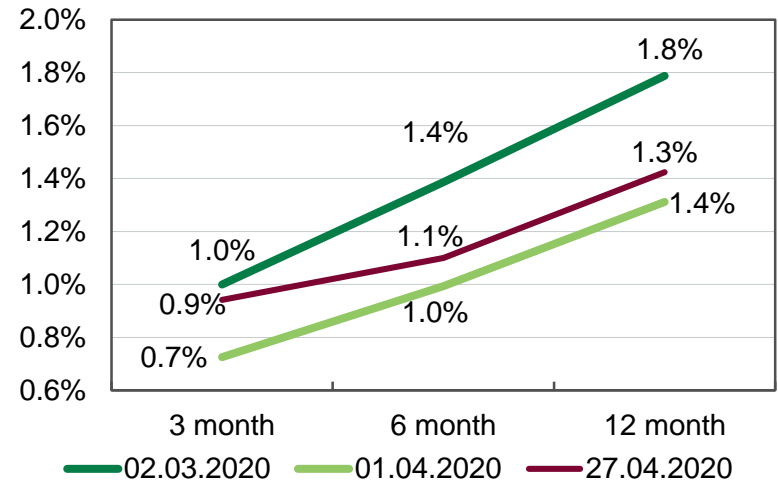
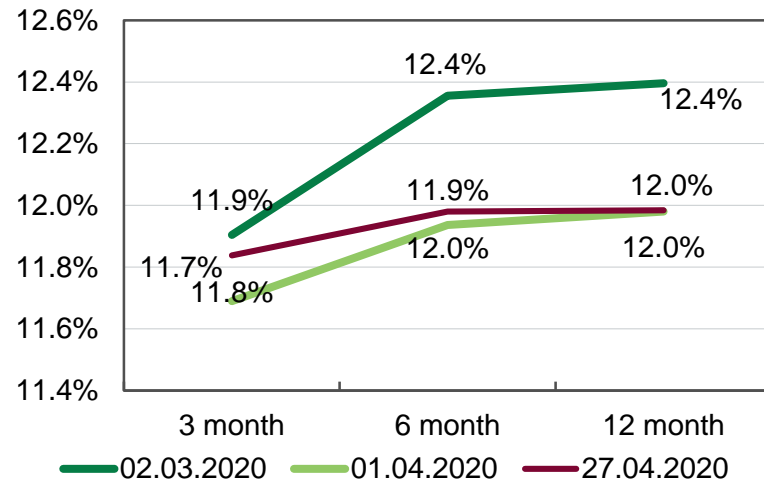


Source: NBU, daily data.

- The cost of time hryvnia deposits has been edging up for the second month in a row.
- The cost of corporate loans returns to the downward trend, facilitated by the key rate cuts by the National Bank.

# Cost of 12-month hryvnia deposits remained unchanged in April

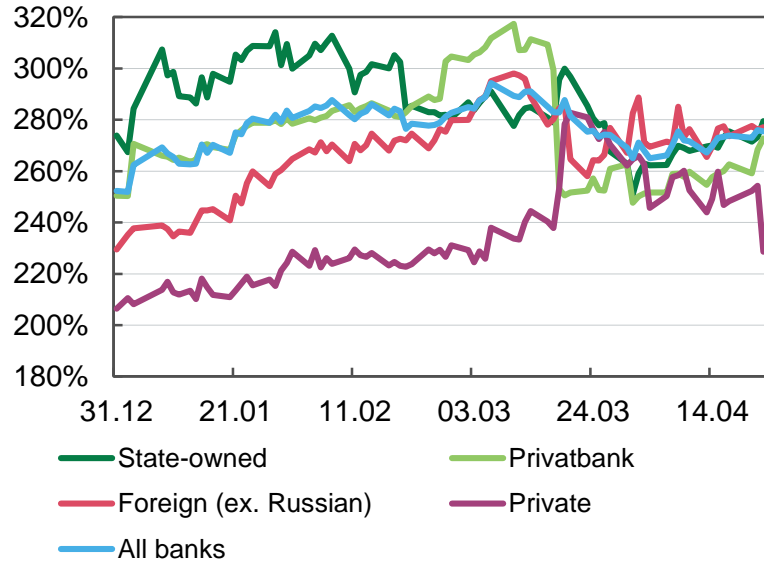
**Ukrainian Index of Retail Deposit rates, % per annum**  
**Hryvnia USD**



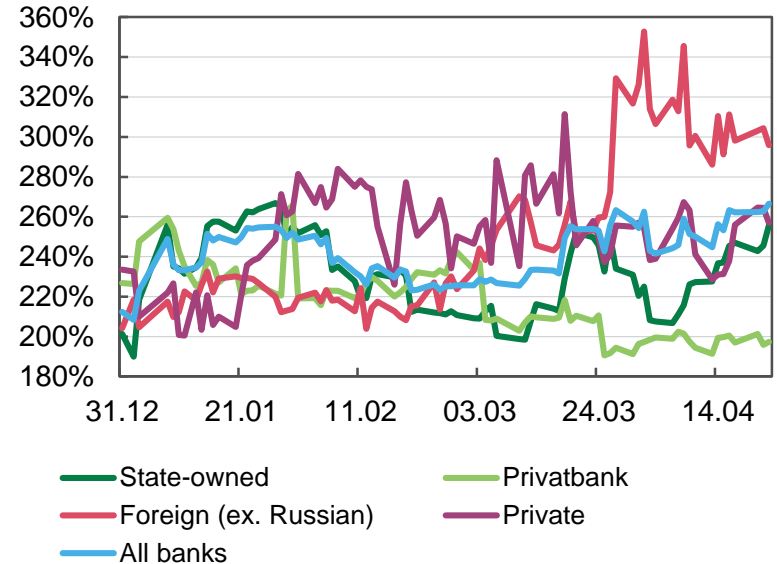
Source: "Thomson Reuters", 5-day moving average.

# LCR stands well above the required ratio and grows in April

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



**LCR in FX (daily data)**



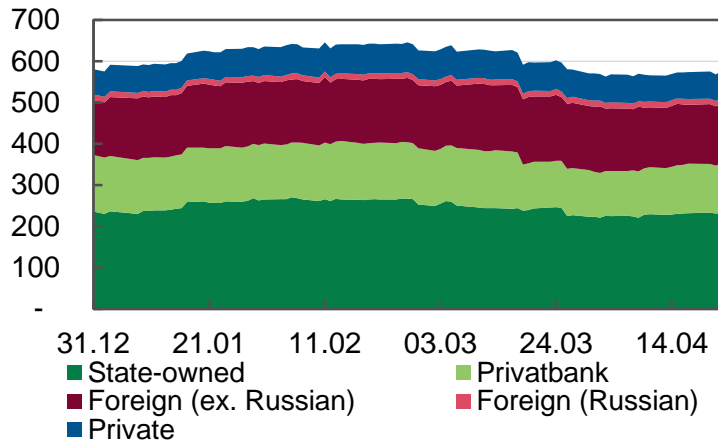
\* LCR of Russian-owned banks is not shown (>1000%)  
Source: NBU.

- The Liquidity coverage ratio (LCR) in April increased both in all currencies and in FX.
- Almost all banks comply with LCR requirement with a safe margin.

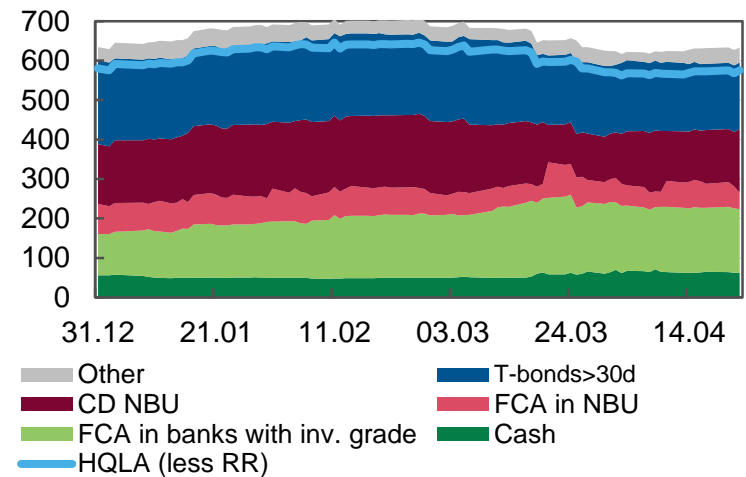
# High Quality Liquid Assets in all currencies did change over the week

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

by groups of banks

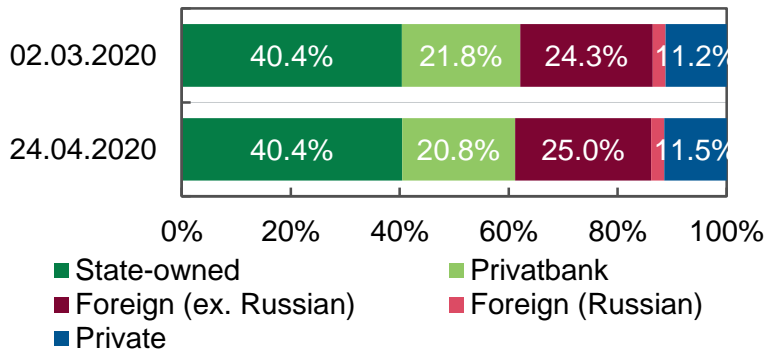


by components

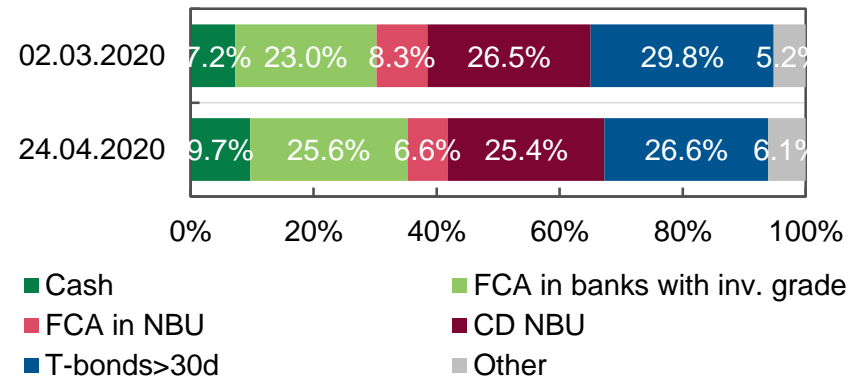


## Structure of HQLA in all currencies

by groups of banks



by components



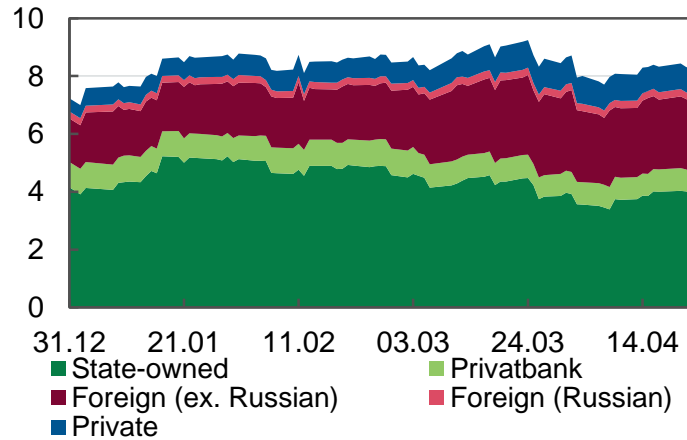
RR – Required Reserves, FCA - Foreign Currency Accounts, CD – Certificate of Deposit.

Source: NBU.

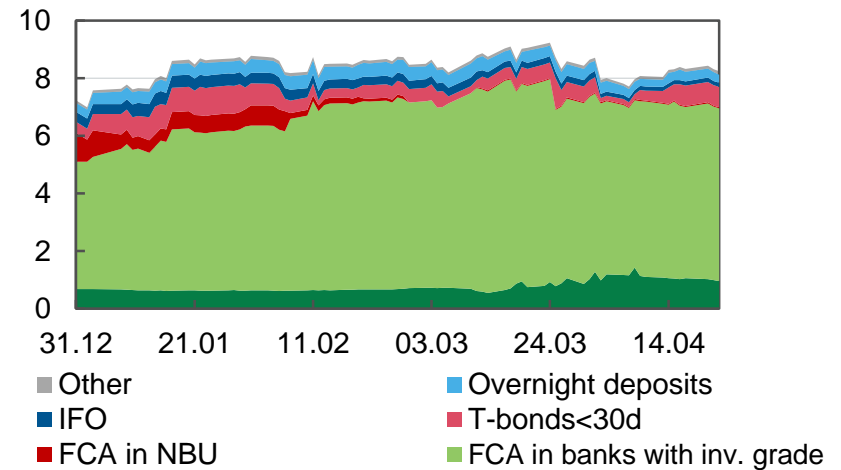
# HQLA in FX remained unchanged

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

by groups of banks

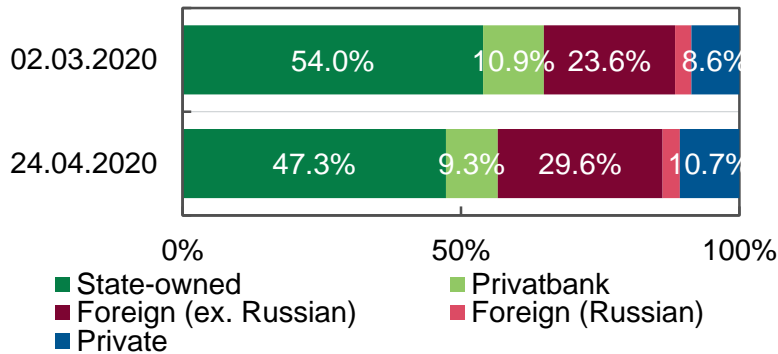


by components

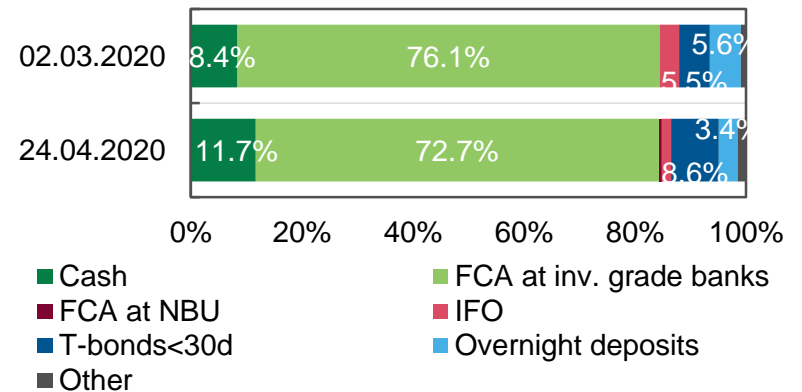


## Structure of HQLA in FX

by groups of banks



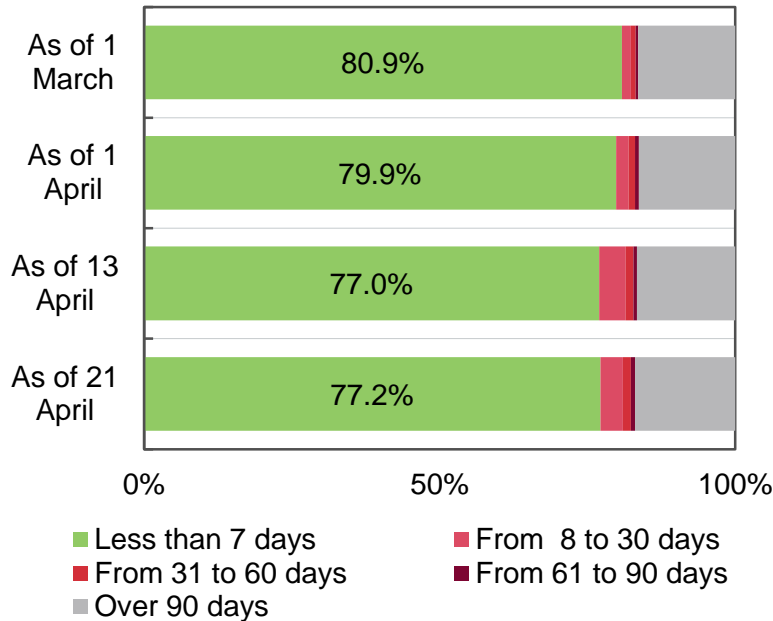
by components



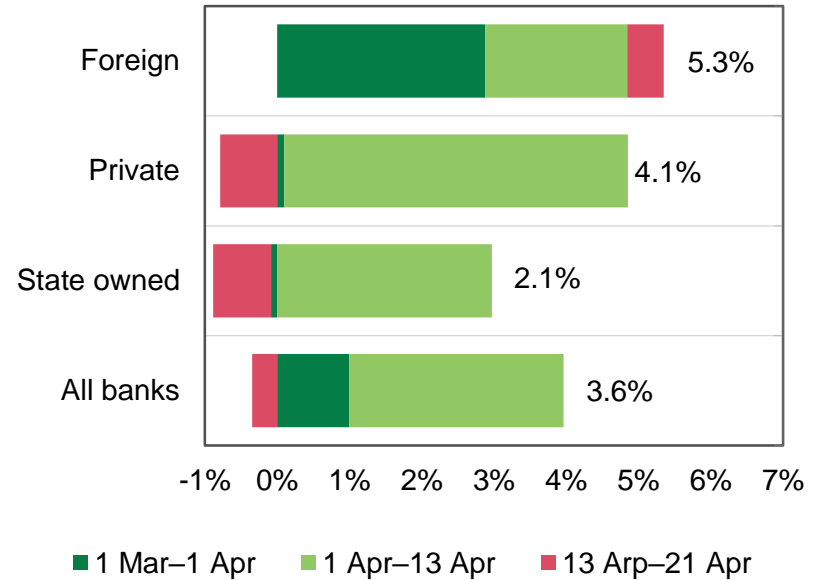
FCA - foreign currency accounts, IFO – international financial organizations.  
Source: NBU.

# Fraction of past due hryvnia loans has slightly decreased

Retail hryvnia loans by days past due\*



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

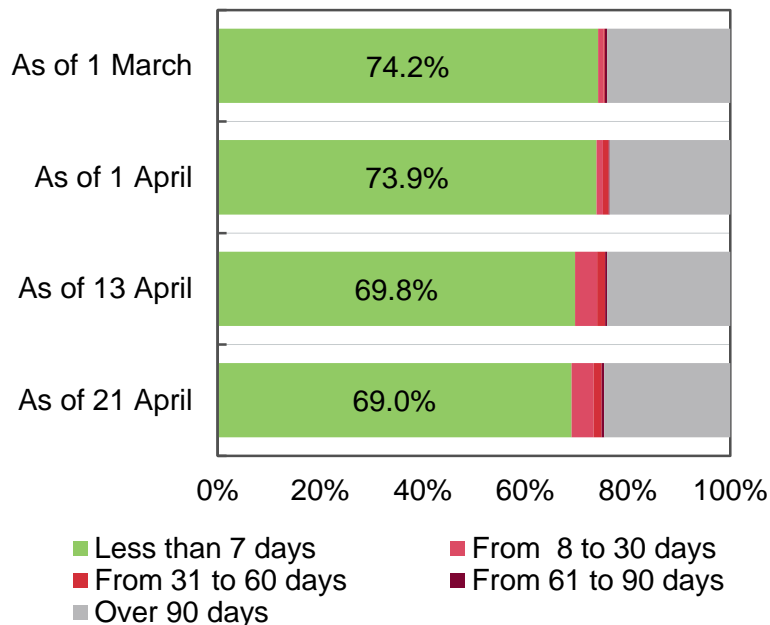


Source: bank survey data, calculations of NBU.

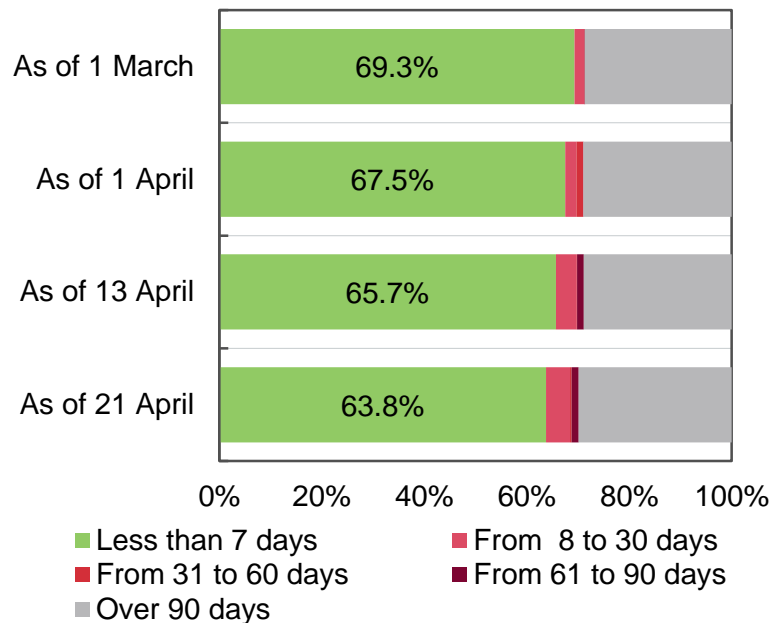
\* Information from survey of 22 largest banks. One bank was added in comparison to data as of 22 April 2020. It is not a part of required statistical reports and reflects the banks data. The NBU does not guarantee the accuracy of the data reported by the banks.

# Deterioration persists in quality of SMEs loans servicing

**Composition of hryvnia SME loan portfolio by days overdue\***



**Composition of FX SME loan portfolio by days overdue\***

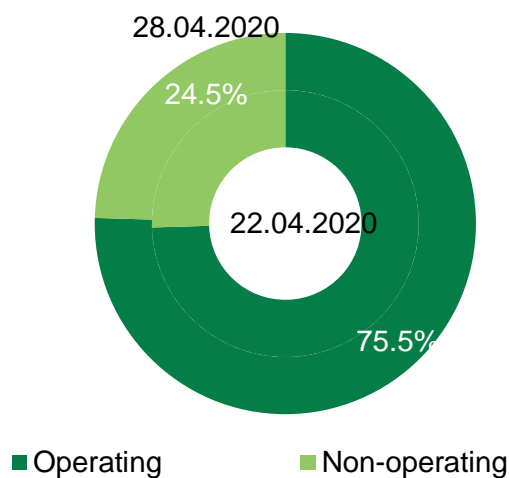


Excluding 90 days past due as of 1 March 2020 hryvnia loans of Privatbank.  
Source: bank survey data, calculations of NBU.

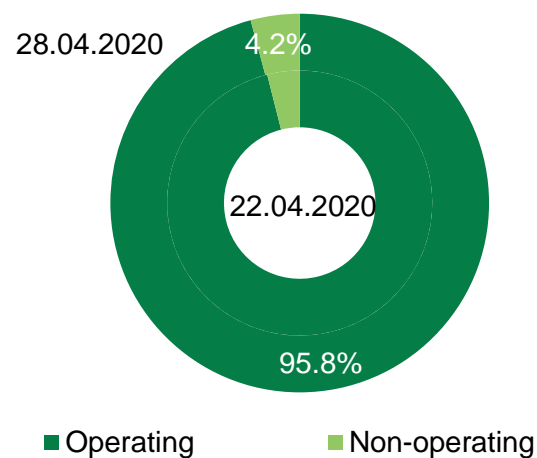
\* Information from survey of 22 largest banks. One bank was added to selection compared to data of 22 April 2020. It is not a part of required statistical reports and reflects the banks data. The NBU does not guarantee the accuracy of the data reported by the banks.

# Banking infrastructure works on

Share of non-operating units of banking infrastructure  
Branches



ATMs\*



\* Banking self-service devices (ATMs, deposit machines, self-service kiosks).

Source: data based on survey of 22 largest banks. The information is not an element of compulsory statistical reporting and reflects data from banks. The NBU does not guarantee accuracy of data received from 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"><li>Banks arranged for flexible working hours of bank branches</li><li>Banks regularly disinfect premises</li><li>Banks held information campaigns for customers to promote on-line payments</li><li>Banks reduced commissions for cashless transactions</li><li>The NBU arranged cash quarantine</li><li>The NBU temporarily suspended inspections of banks</li><li>Deadlines for submitting reports and financial statements were extended</li><li>The 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 assessment</li><li>The NBU temporarily suspended requirements on assessment of property collateral</li><li>The cap on transactions for qualifying for simplified FX supervision was raised from UAH 150 thousand to UAH 400 thousand (in equivalent).</li></ul>
Worsening funding conditions	<ul style="list-style-type: none"><li>Suspension of requirements on building up capital buffers</li><li>The NBU recommended banks to refrain from dividend distribution; that should help banks to maintain capital needed for lending recovery</li><li>The NBU increased frequency of operations and extended terms of refinancing loans</li><li>A long-term refinancing facility was introduced</li></ul>

---