



National Bank
of Ukraine

Banks: weekly review

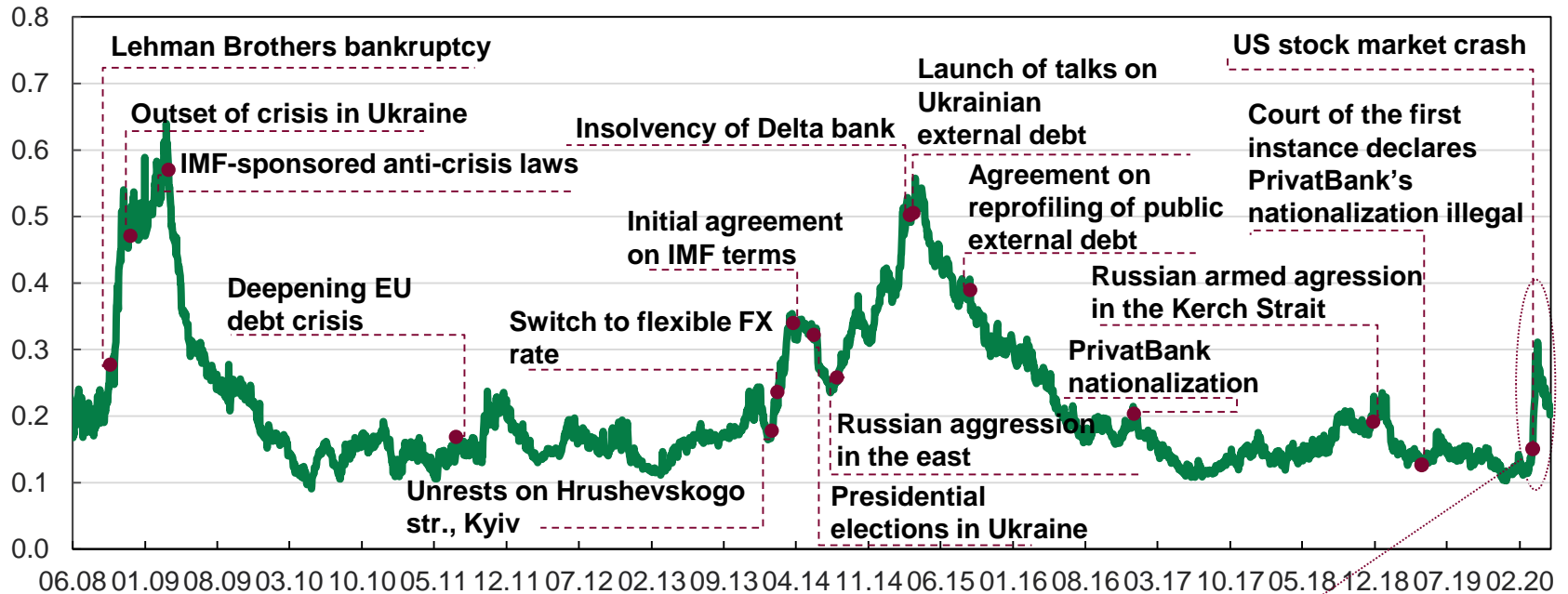
6 May 2020



Resume

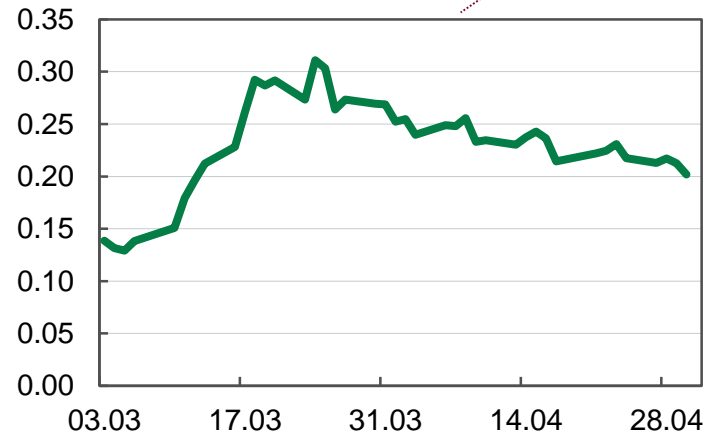
- The financial stress index is further receding.
- In the last week of April, retail deposits increased across all categories. In the week that ended on 30 April, hryvnia retail deposits and hryvnia retail term deposits grew by +0.3%. FX deposits rose by +0.2% in USD terms, for the first time since the outflow started. Decrease in term FX deposits decelerated significantly compared to the past weeks.
- The outflow of hryvnia term deposits and FX retail deposits halted in late April. The outflow was notably more limited compared to the ones during 2008 and 2014 crises. For the second week in a row, retail deposits have held at the highest levels since early March.
- Since early April, cost of new hryvnia term deposits declined, most notably for short-term deposits. FX deposit rates edged up; however, they remain low (at 0.9% per annum for 3-month deposits).
- By the end of April, the March hike in cost of hryvnia corporate loans was fully offset; the rates returned to the levels seen in early March. The decline was facilitated by the NBU key rate cut of 2 pps to 8%.
- Liquidity coverage ratio (LCR) remains well above regulatory required ratio.
- Over 96% of ATMs and 77% of bank branches work as usual.

Financial stress index decline continues



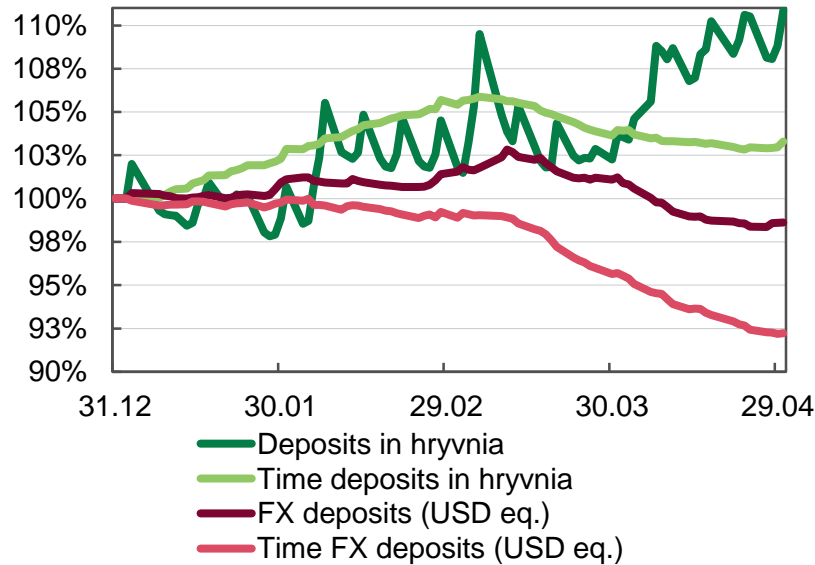
Source: NBU.

- Corporate and banking subindices are declining further.
- The decline in corporate subindex is the most pronounced, in particular thanks to lower yields of securities.

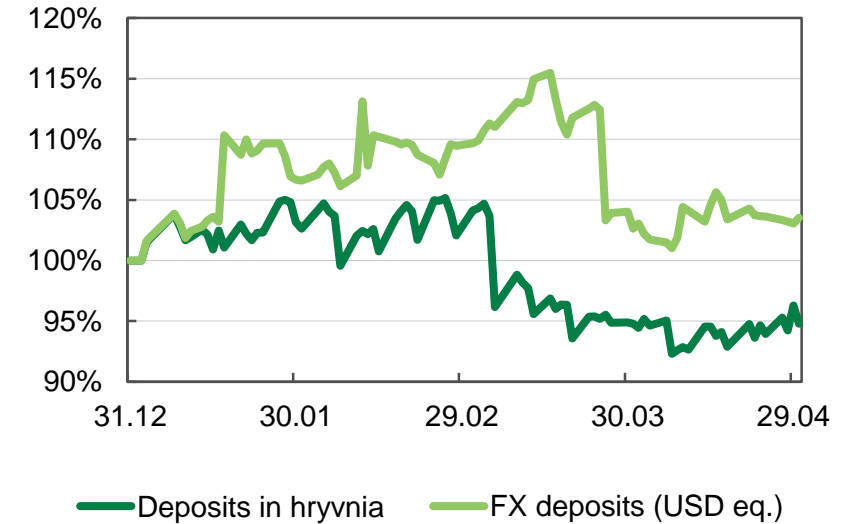


Outflow from retail deposits has stopped

Retail deposits, 31 Dec 2019=100%



Corporate deposits, 31 Dec 2019=100%

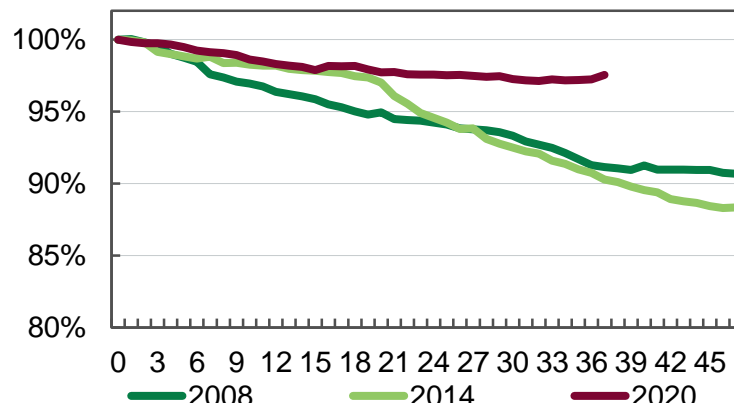
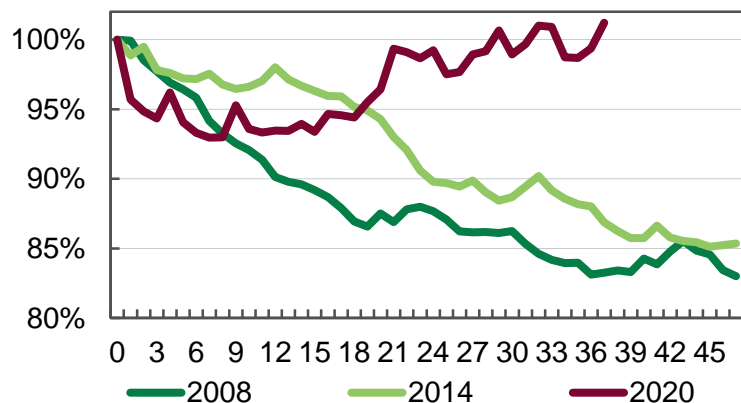


Source: NBU, daily data, including certificates of deposit.

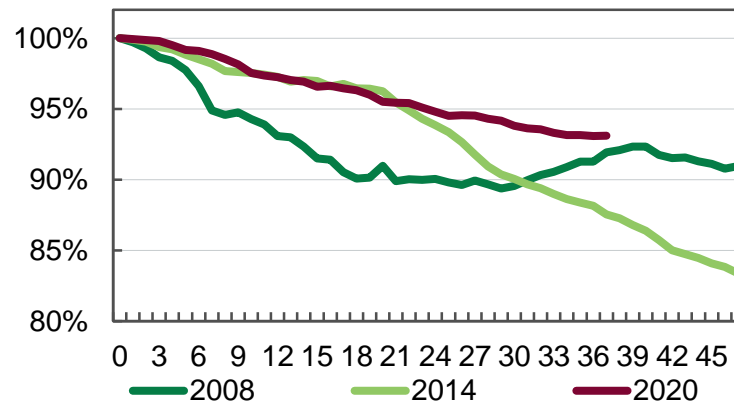
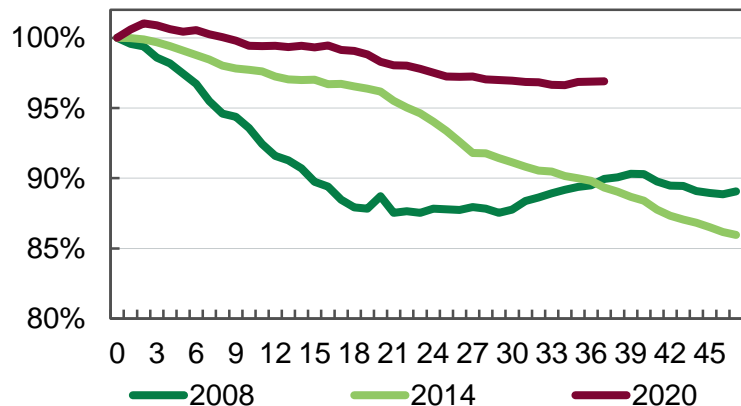
- Over the reporting week, retail deposits increased across all categories except for term FX deposits.

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**



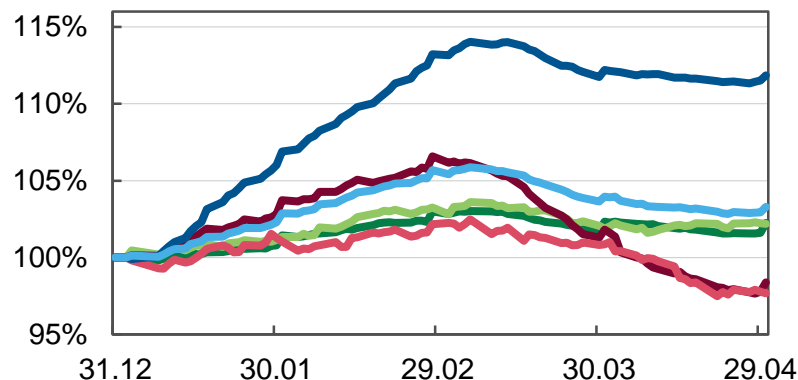
FX deposits (USD eq.), the last day before the outflow*= 100% (at solvent banks as of 1 April 2020)
all deposits **time deposits**



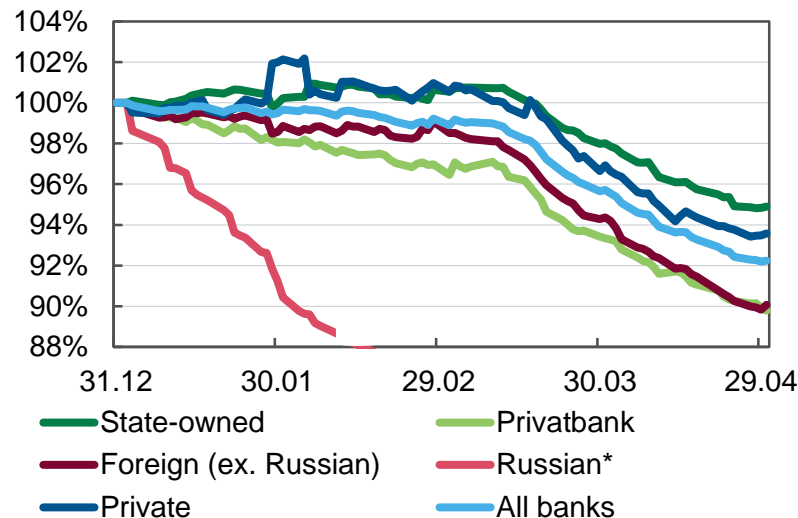
* The highest readings of hryvnia deposits recorded before the crises: in 2008 – 3 October 2008; in 2014 – 23 Jan 2014; in 2020 – 10 Mar 2020. X axis indicates number of working days.
 Source: NBU, daily data, including certificates of deposit.

Over the week, hryvnia term deposits increased at all groups of 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 21.04 - 24.04 | | Change during the reporting week 27.04 - 30.04 | |
|---------------------------------|--|-------|---|-------|
| | UAH billions | % | UAH billions | % |
| Retail deposits in hryvnia | 0.9 | 0.3% | 1.0 | 0.3% |
| of which Term deposits | -0.4 | -0.2% | 0.6 | 0.3% |
| Corporate deposits in hryvnia | 3.4 | 1.1% | 2.8 | 0.9% |
| | USD millions | % | USD millions | % |
| FX Retail deposits (USD eq.) | -33.4 | -0.3% | 24.0 | 0.2% |
| of which Term deposits | -58.9 | -0.9% | -14.2 | -0.2% |
| FX Corporate deposits (USD eq.) | 18.7 | 0.2% | -7.8 | -0.1% |

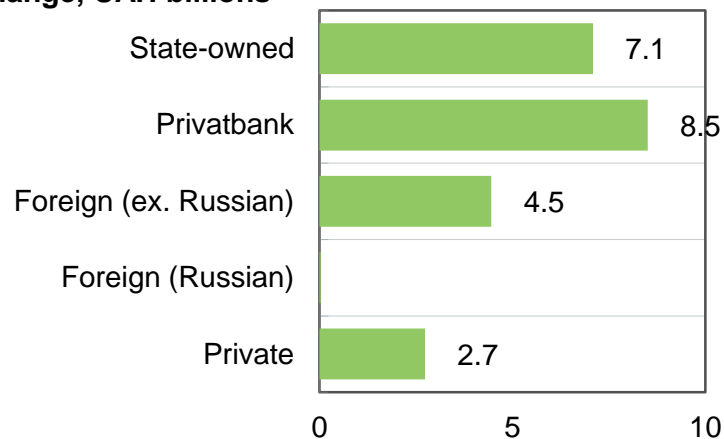
*Time FX retail deposits (USD eq.) in Russian-owned banks declined since the beginning on the year by 43%.

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

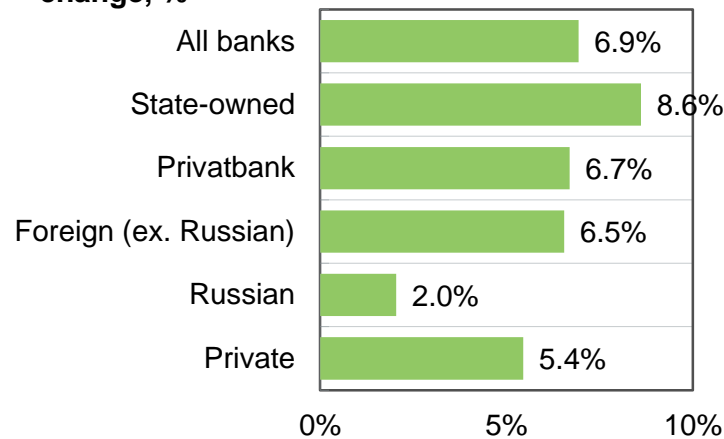
Change in hryvnia retail deposits (31 March – 30 April 2020)

Deposits in hryvnia

change, UAH billions

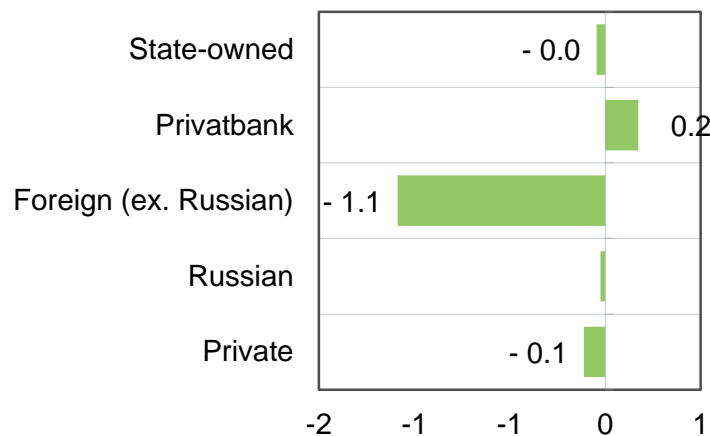


change, %

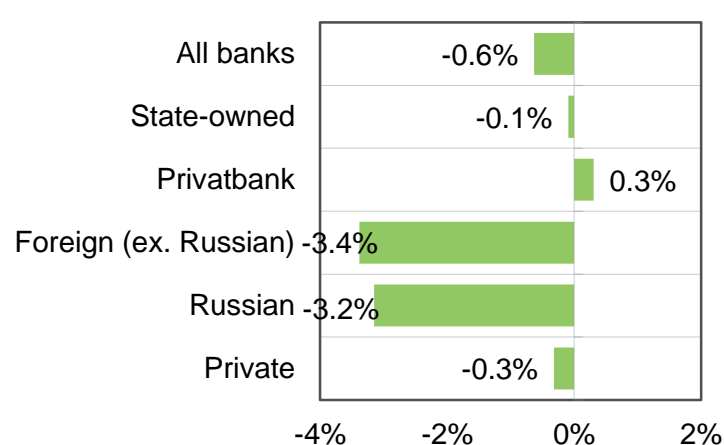


Time deposits in hryvnia

change, UAH billions

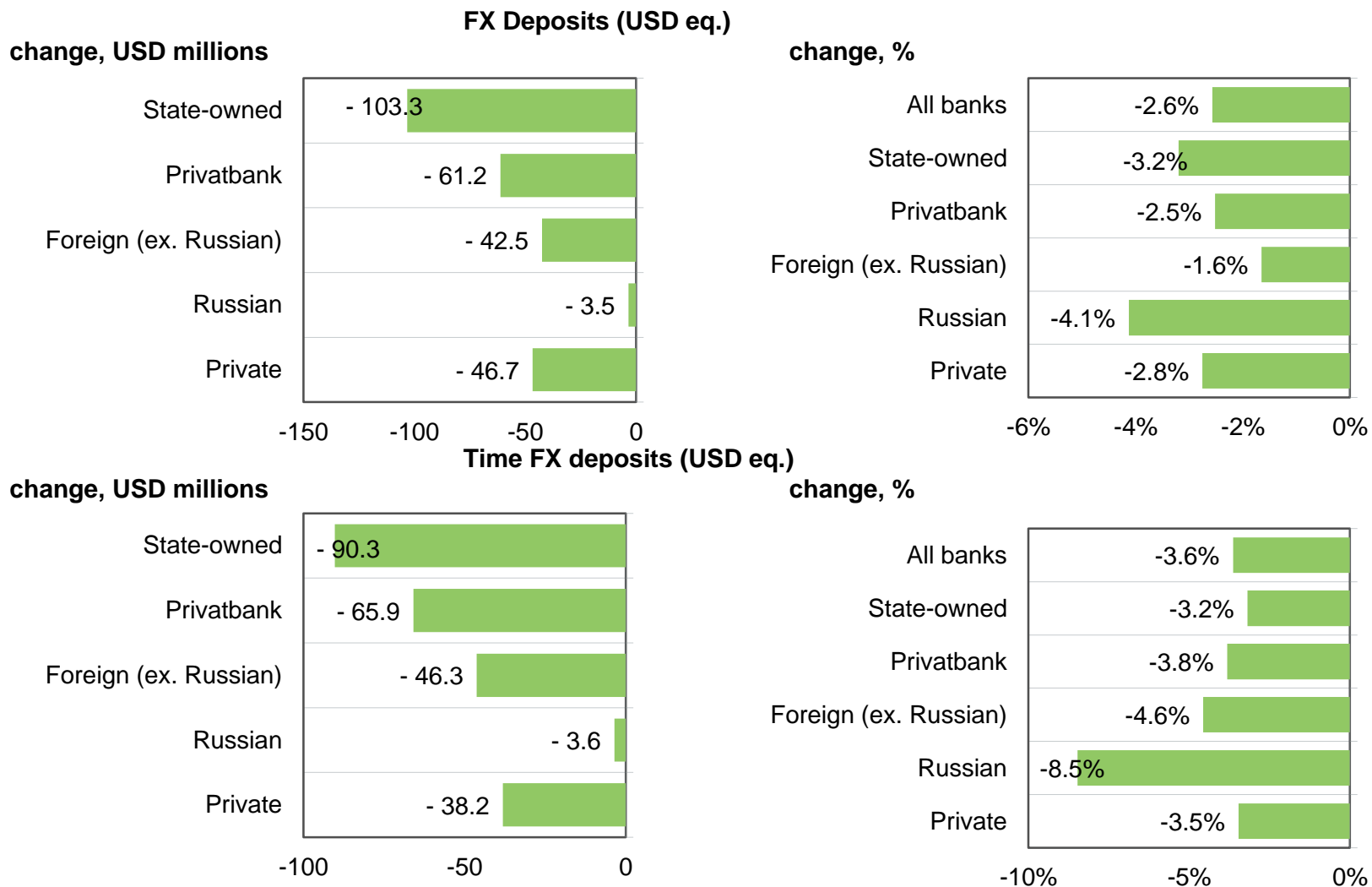


change, %



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

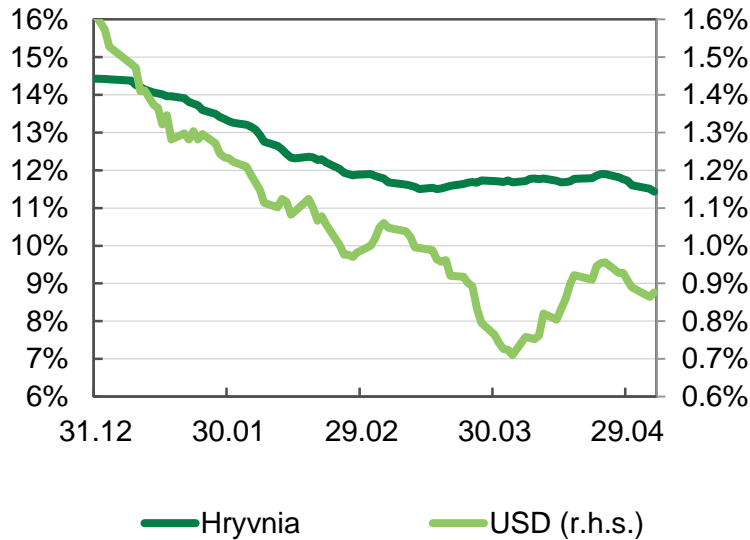
Change in FX retail deposits (31 March – 30 April 2020)



Source: NBU, daily data, including deposit certificates.

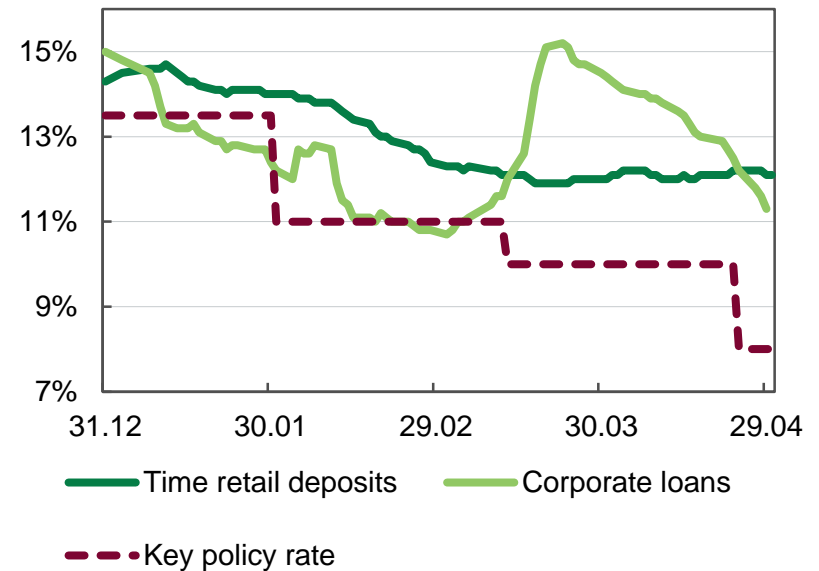
Cost of hryvnia loans returned to rates seen in early March

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

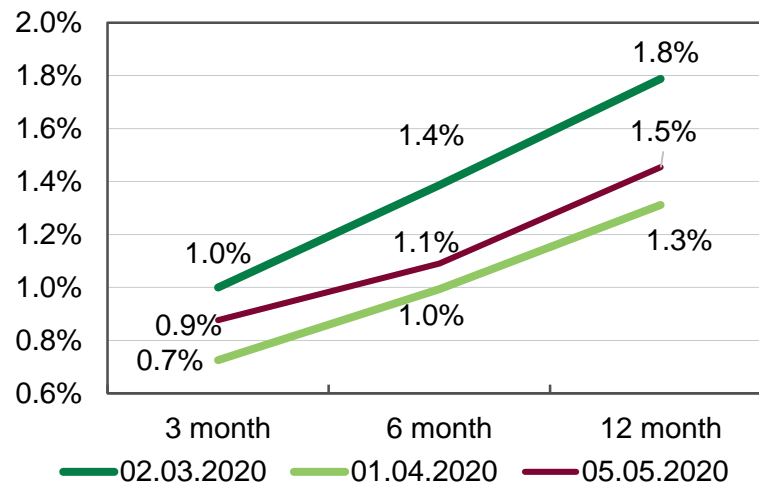
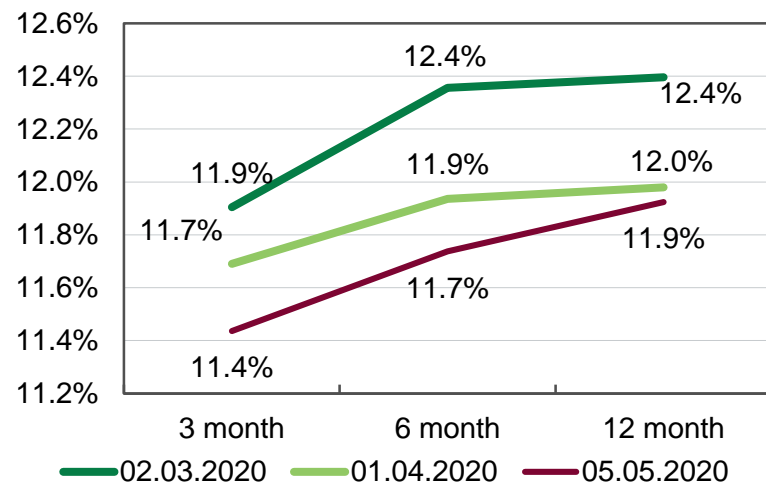


Source: NBU, daily data.

- Cost of loans and deposits responded to the key rate cut by the National bank.

Cost of new hryvnia retail deposits declined in April

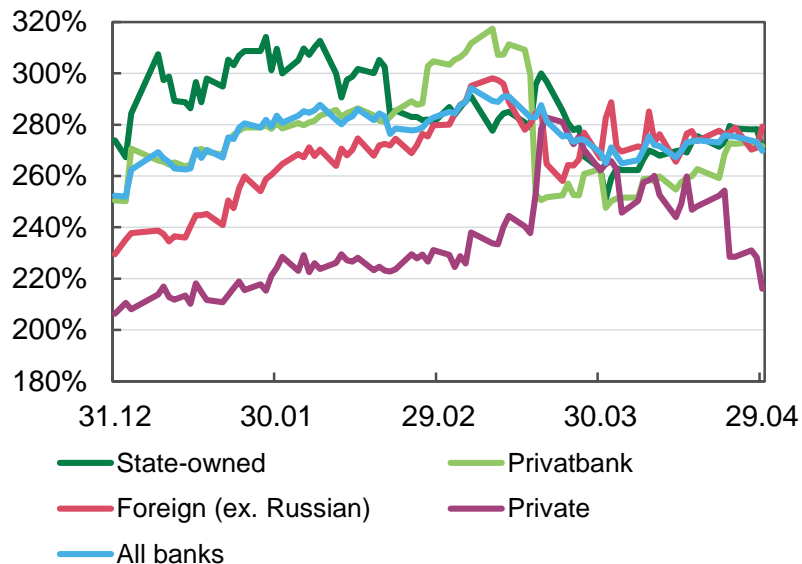
Ukrainian Index of Retail Deposit rates, % per annum
Hryvnia USD



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

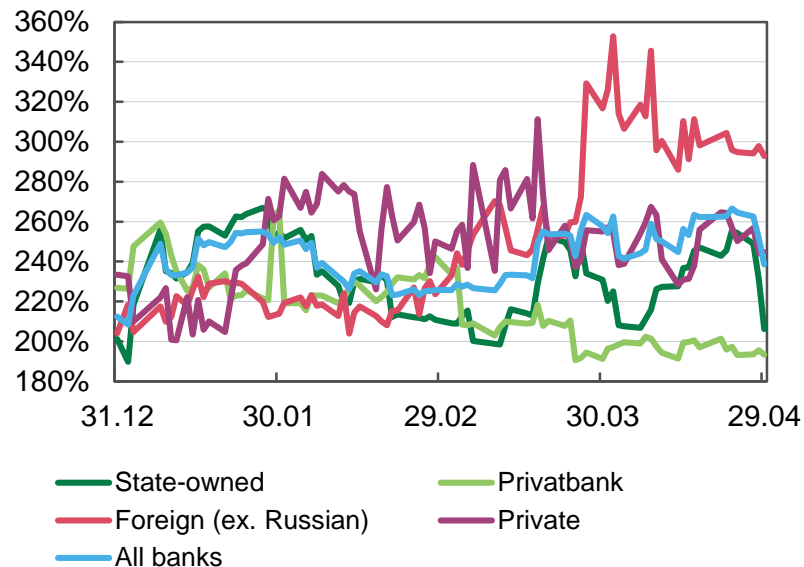
LCR stays well above the required ratio

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)

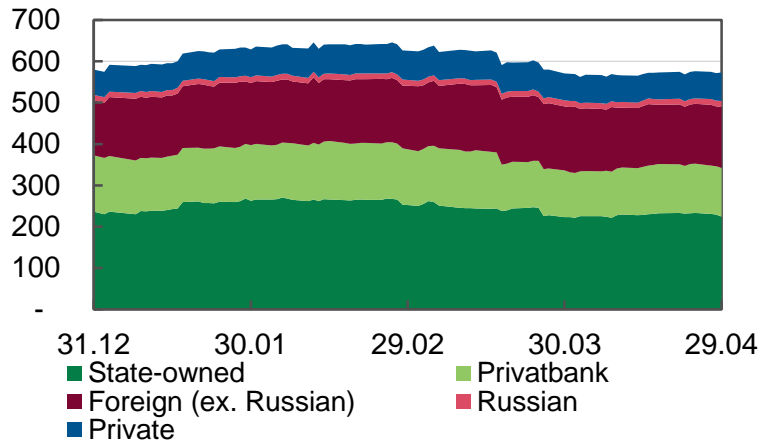


- Over the reporting week, the LCR in FX decreased because of the reduction in High Quality Liquid Assets (HQLA) at state-owned banks.
- Almost all banks comply with LCR requirement with a safe margin.

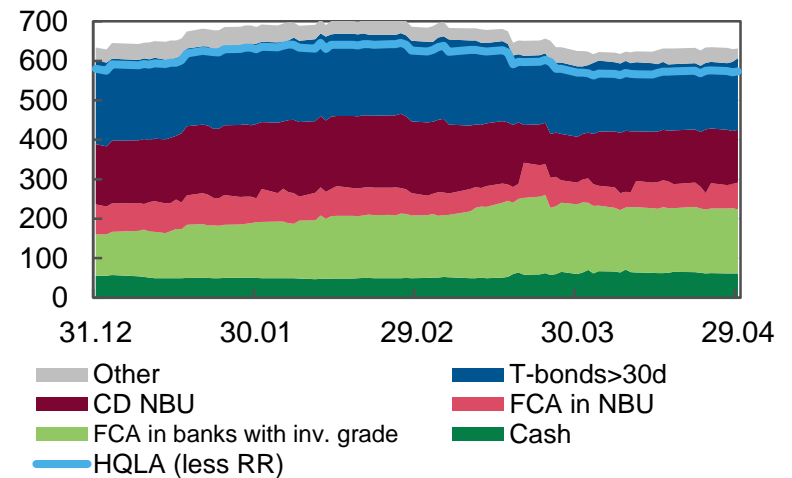
HQLA in all currencies diminished at state-owned banks

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

by groups of banks

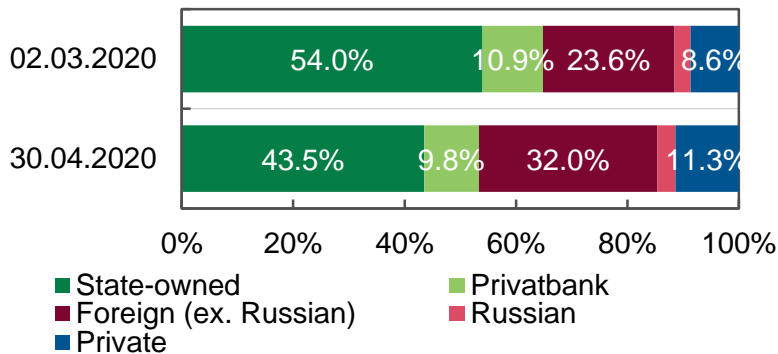


by components

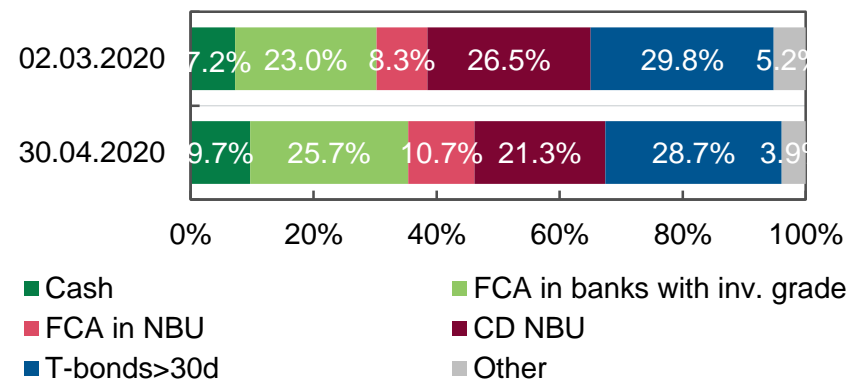


Structure of HQLA in all currencies

by groups of banks



by components



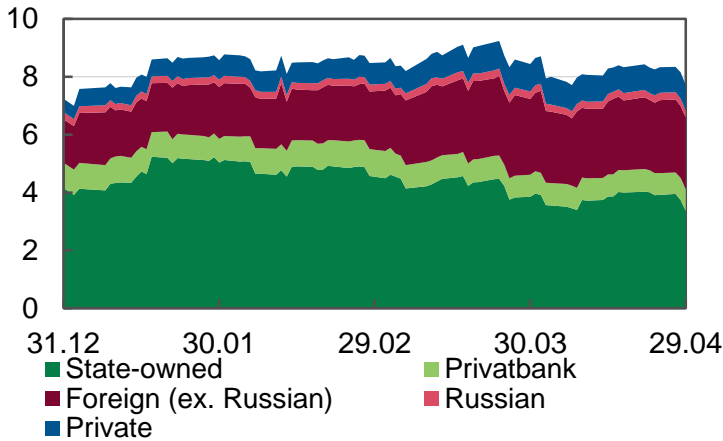
RR – Required Reserves, FCA - Foreign Currency Accounts, CD – Certificate of Deposit.

Source: NBU.

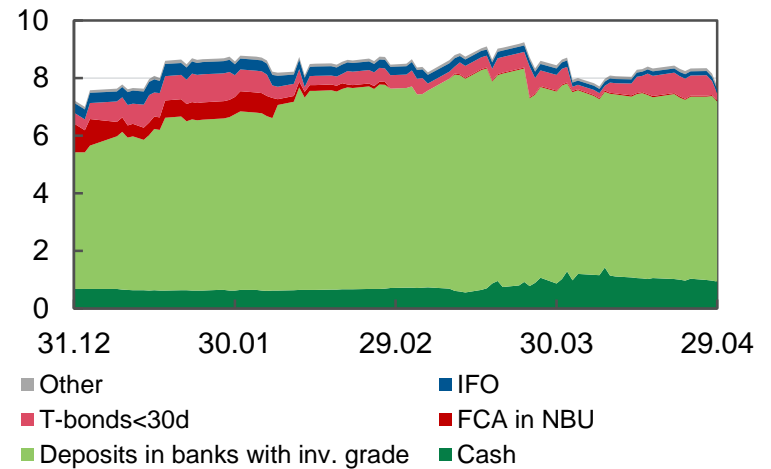
Share of investment-grade bank deposits is rising

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

by groups of banks

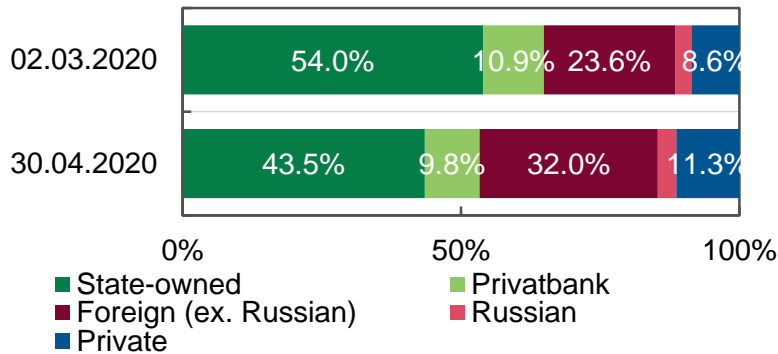


by components

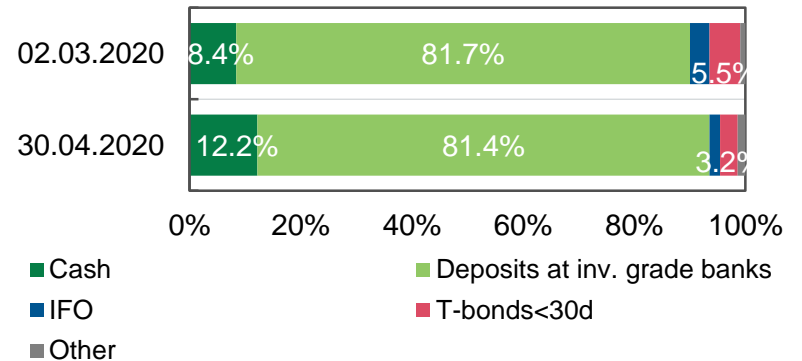


Structure of HQLA in FX

by groups of banks



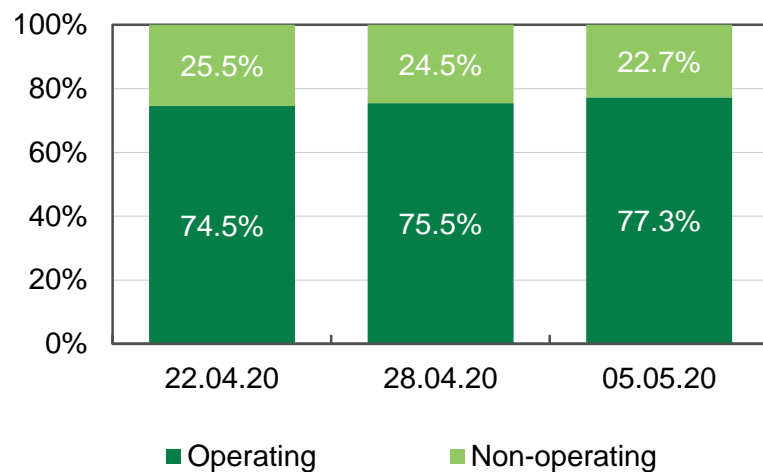
by components



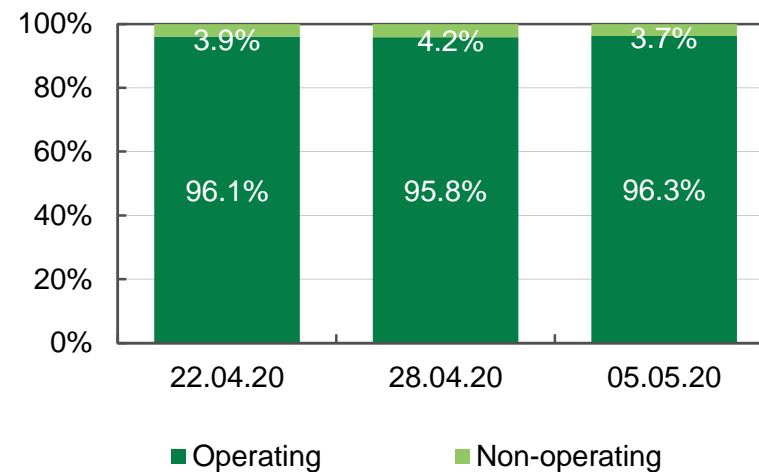
FCA - foreign currency accounts, IFO – international financial organizations.
Source: NBU.

Banking infrastructure works on

**Share of non-operating units of banking infrastructure
Branches**



ATMs*

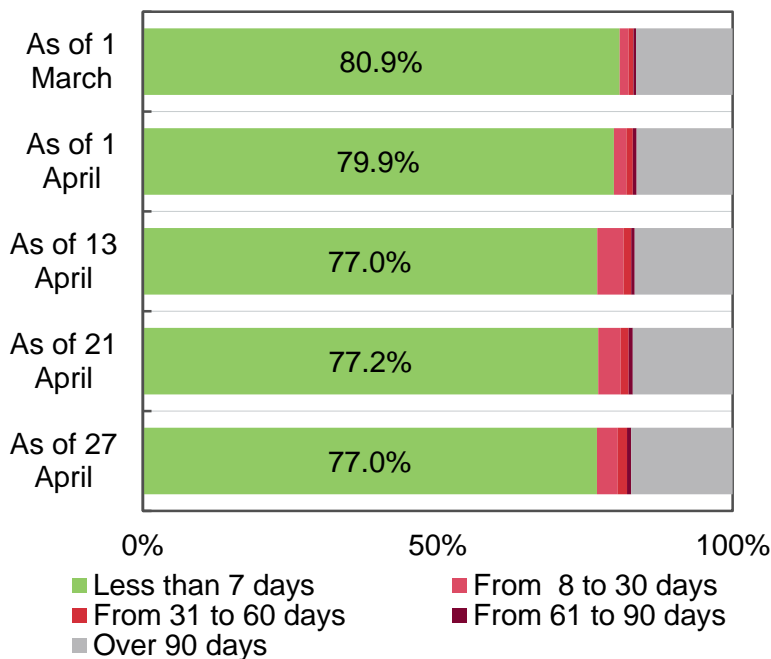


* Banking self-service devices (ATMs, deposit machines, self-service kiosks).

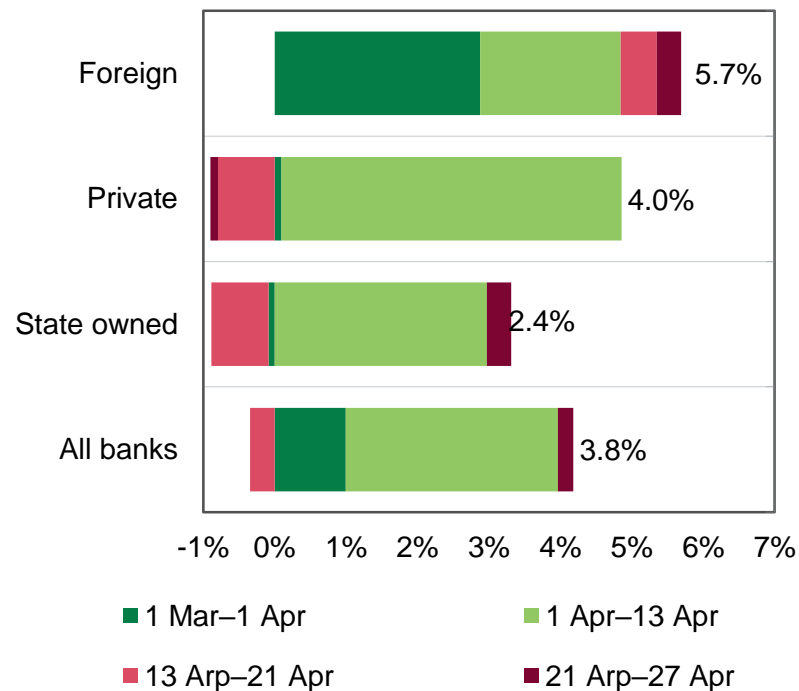
Source: data based on survey of 22 largest banks. The information is not an element of compulsory statistical reporting and reflects data from banks. The NBU does not guarantee accuracy of the data reported by the banks.

Deterioration of retail hryvnia loans slowed down

Retail hryvnia loans by days past due*



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

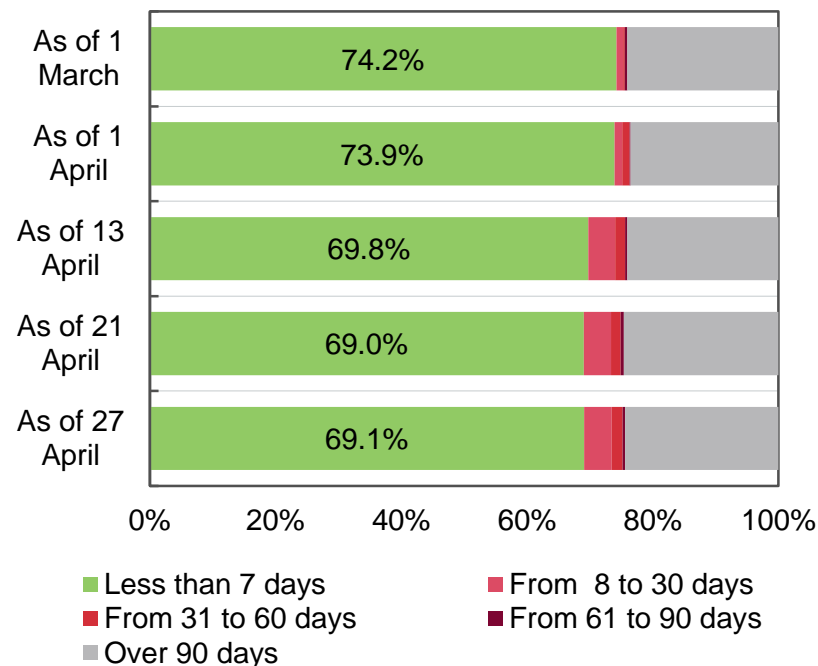


Source: bank survey data, calculations of NBU.

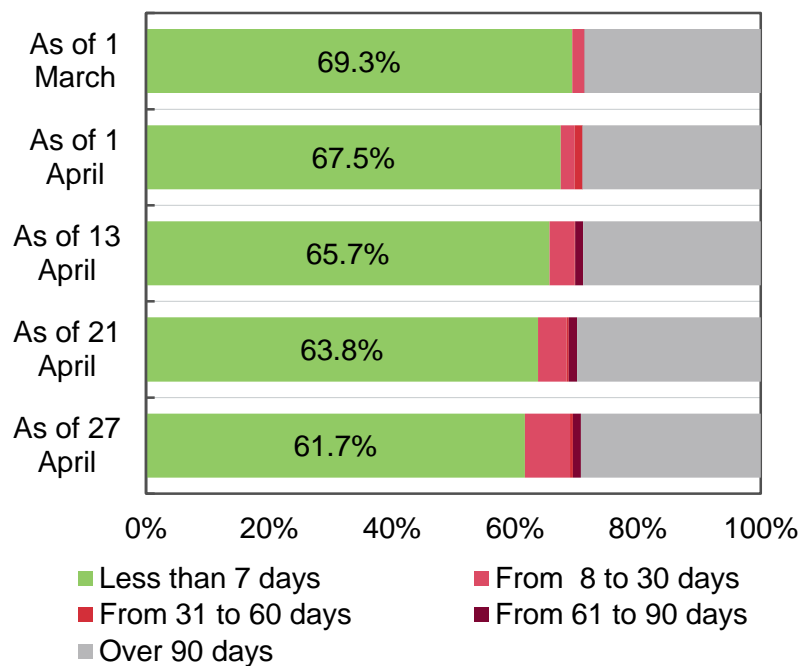
* Information from survey of 22 largest banks. It is not a part of required statistical reports and reflects the banks data. The NBU does not guarantee the accuracy of the data reported by the banks.

Loan servicing of FX SMEs deteriorates faster

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. 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 | <p>Banks arranged for flexible working hours of bank branches and regularly disinfect premises</p> <p>Banks held information campaigns for customers to promote on-line payments</p> <p>Banks reduced commissions for cashless transactions</p> <p>The NBU arranged cash quarantine</p> <p>The NBU temporarily suspended inspections of banks</p> <p>Deadlines for submitting reports and financial statements were extended</p> <p>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</p> <p>The NBU temporarily suspended requirements on assessment of property collateral</p> <p>The cap on transactions for qualifying for simplified FX supervision was raised from UAH 150 thousand to UAH 400 thousand (in equivalent)</p> <p>The NBU optimized procedures for transfer of pay from an employer to an employee, including to the employee's account at a bank of her/his choice</p> |
| Worsening funding conditions | <p>Suspension of requirements on building up capital buffers</p> <p>The NBU recommended banks to refrain from dividend distribution; that should help banks to maintain capital needed for lending recovery</p> <p>The NBU increased frequency of operations and extended terms of refinancing loans</p> <p>A long-term refinancing facility was introduced</p> |