



National Bank
of Ukraine

Banks: weekly review

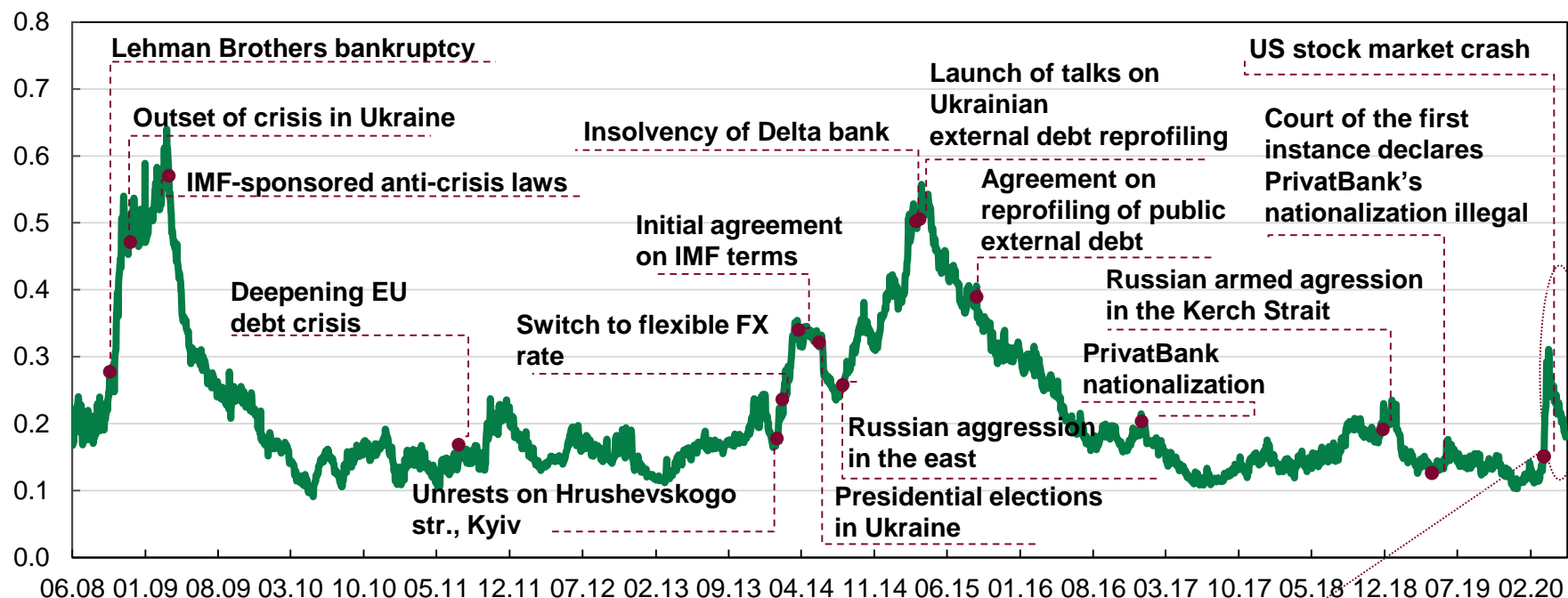
20 May 2020



Resume

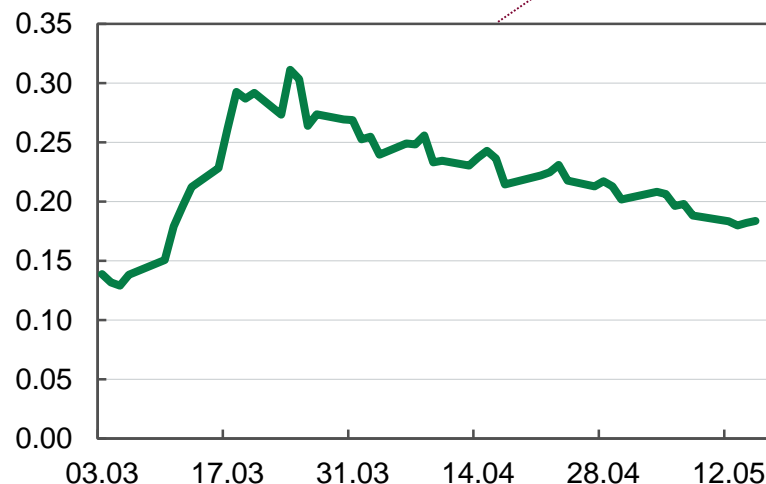
- The financial stress index is further receding.
- In the week that ended on 15 May, hryvnia retail deposits declined by 1.0% after growing by 3.3% during previous week. Throughout the reporting week, hryvnia time deposits decreased by 0.1% while FX deposits grew by 0.1% (in USD equivalent). The rate of decline of time FX deposits is decelerating.
- Time hryvnia deposits and FX retail deposits have been stable since the end of April. Retail deposits in UAH have been exceeding the level observed before the outflows for several weeks. The rate of outflow of FX deposits is slower in comparison with the crises of 2008 and 2014.
- Since the beginning of May, the cost of new time hryvnia deposits have been declining, most notably the cost of short-term deposits. Interest rates on FX deposits have not changed significantly since the beginning of the month.
- The liquidity coverage ratio (LCR) is well above the regulatory required level.
- More than 93% of ATMs and 84% banks' branches work as usual.

Financial stress index continues declines further



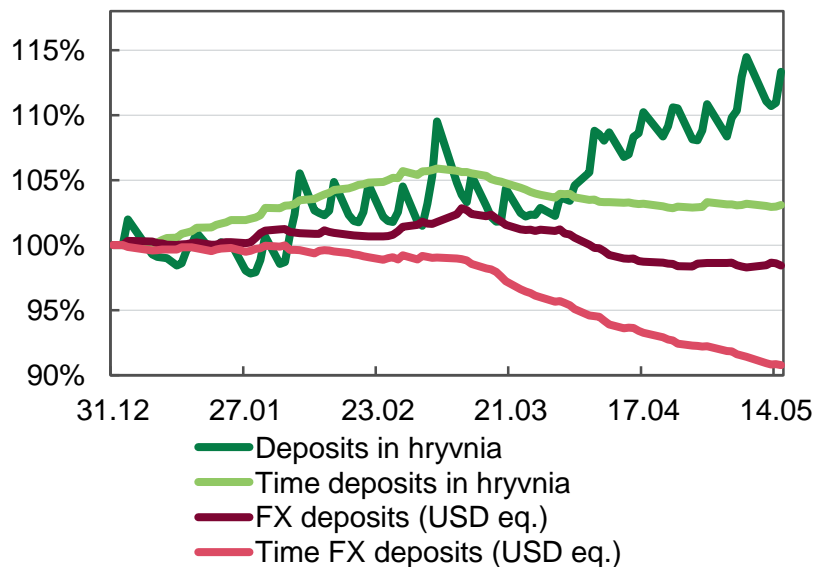
Source: NBU.

- All subindices decreased during last 2 weeks.
- The decline in government debt subindex is the most pronounced.

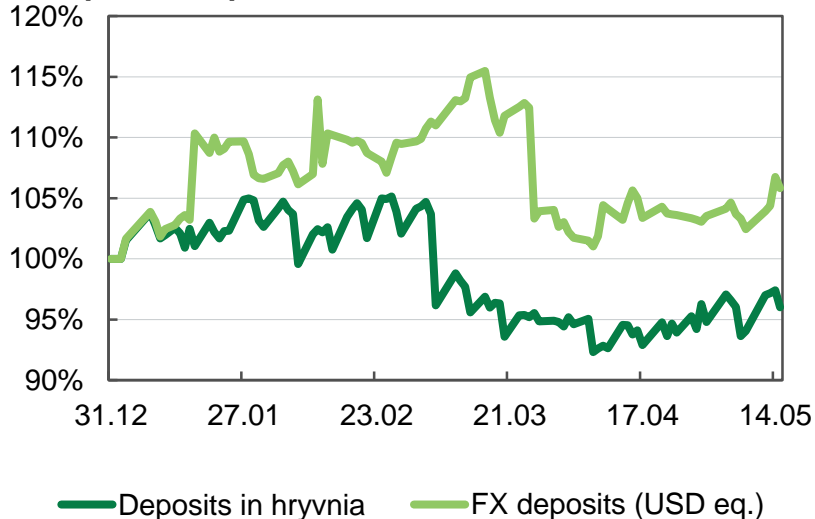


Corporate hryvnia deposits are growing

Retail deposits, 31 Dec 2019=100%



Corporate deposits, 31 Dec 2019=100%

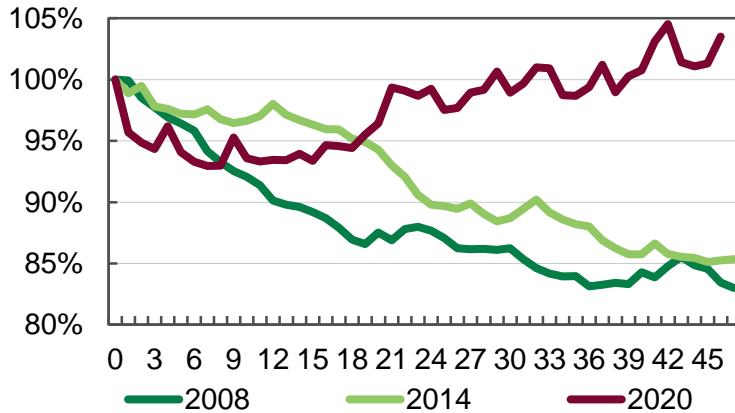


Source: NBU, daily data, including certificates of deposit.

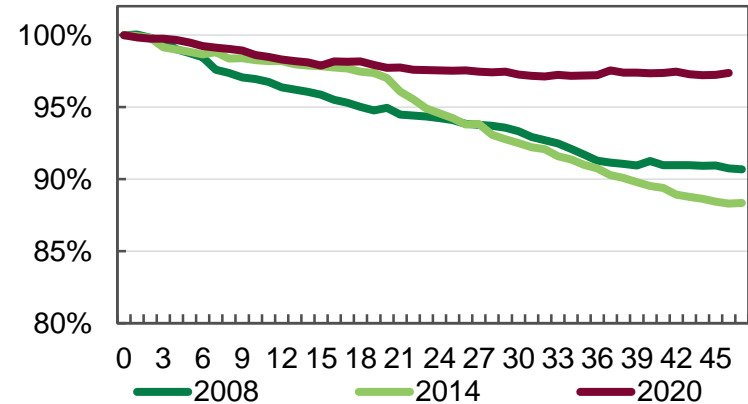
- During the reporting week retail deposits on demand reduced after significant growth in the previous week. FX retail deposits edged up.

The outflow of time retail deposits stopped

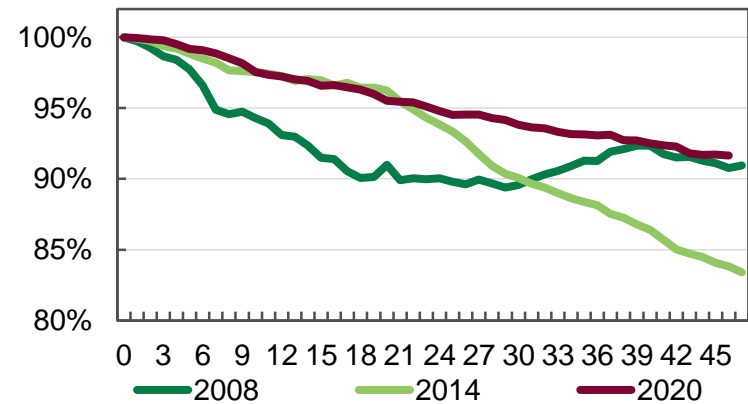
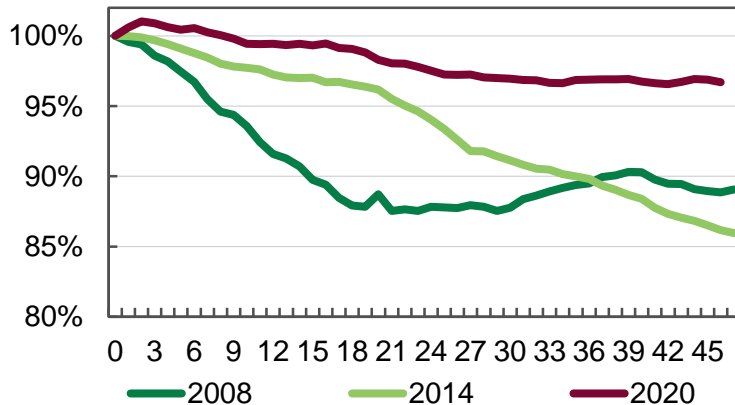
Retail deposits in hryvnia, the last day before the outflow*= 100% (at solvent banks as of 1 April 2020)
all deposits



time deposits



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

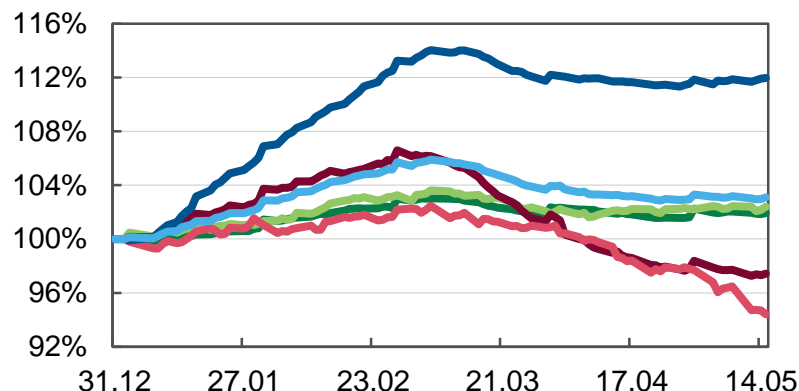


* The highest readings of hryvnia deposits recorded before the crises: in 2008 – 3 October 2008; in 2014 – 23 Jan 2014; in 2020 – 10 Mar 2020. X axis indicates number of working days.

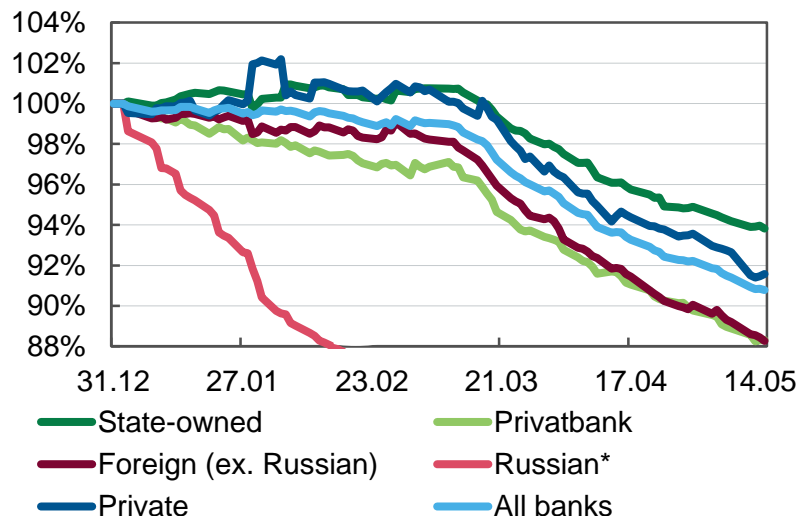
Source: NBU, daily data, including certificates of deposit.

During the week, hryvnia time deposits slightly declined

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 04.05 - 08.05		Change during the reporting week 12.05 - 14.05	
	UAH billions	%	UAH billions	%
Retail deposits in hryvnia	11.5	3.3%	-3.6	-1.0%
of which Term deposits	-0.2	-0.1%	-0.2	-0.1%
Corporate deposits in hryvnia	-2.4	-0.8%	6.4	2.1%
	USD millions	%	USD millions	%
FX Retail deposits (USD eq.)	-34.1	-0.3%	14.2	0.1%
of which Term deposits	-57.6	-0.9%	-43.9	-0.7%
FX Corporate deposits (USD eq.)	-85.8	-1.0%	271.3	3.3%

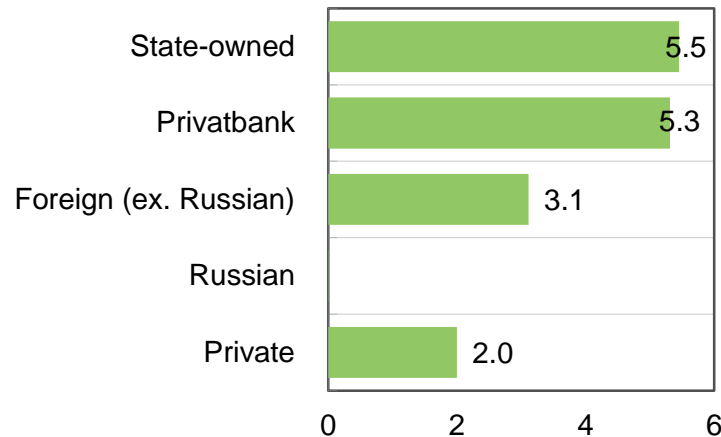
*Time FX retail deposits (USD eq.) in Russian-owned banks declined since the beginning on the year by 45%.

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

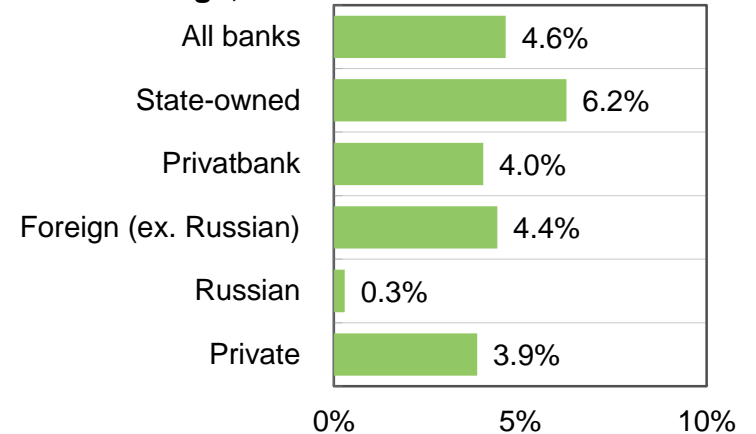
Change in hryvnia retail deposits (15 April – 15 May 2020)

Deposits in hryvnia

change, UAH billions



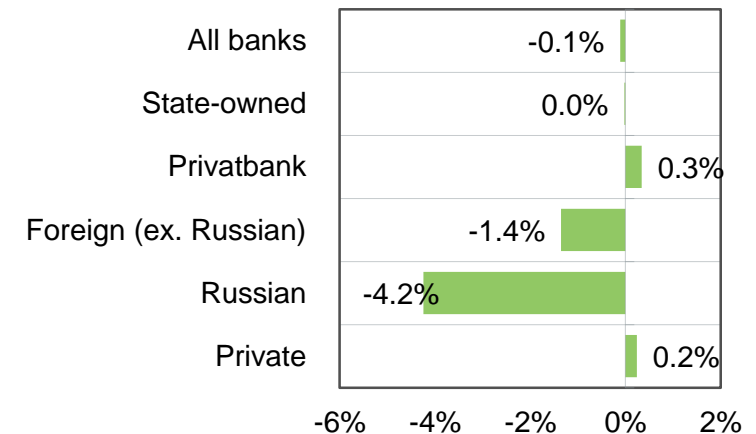
change, %



change, UAH billions

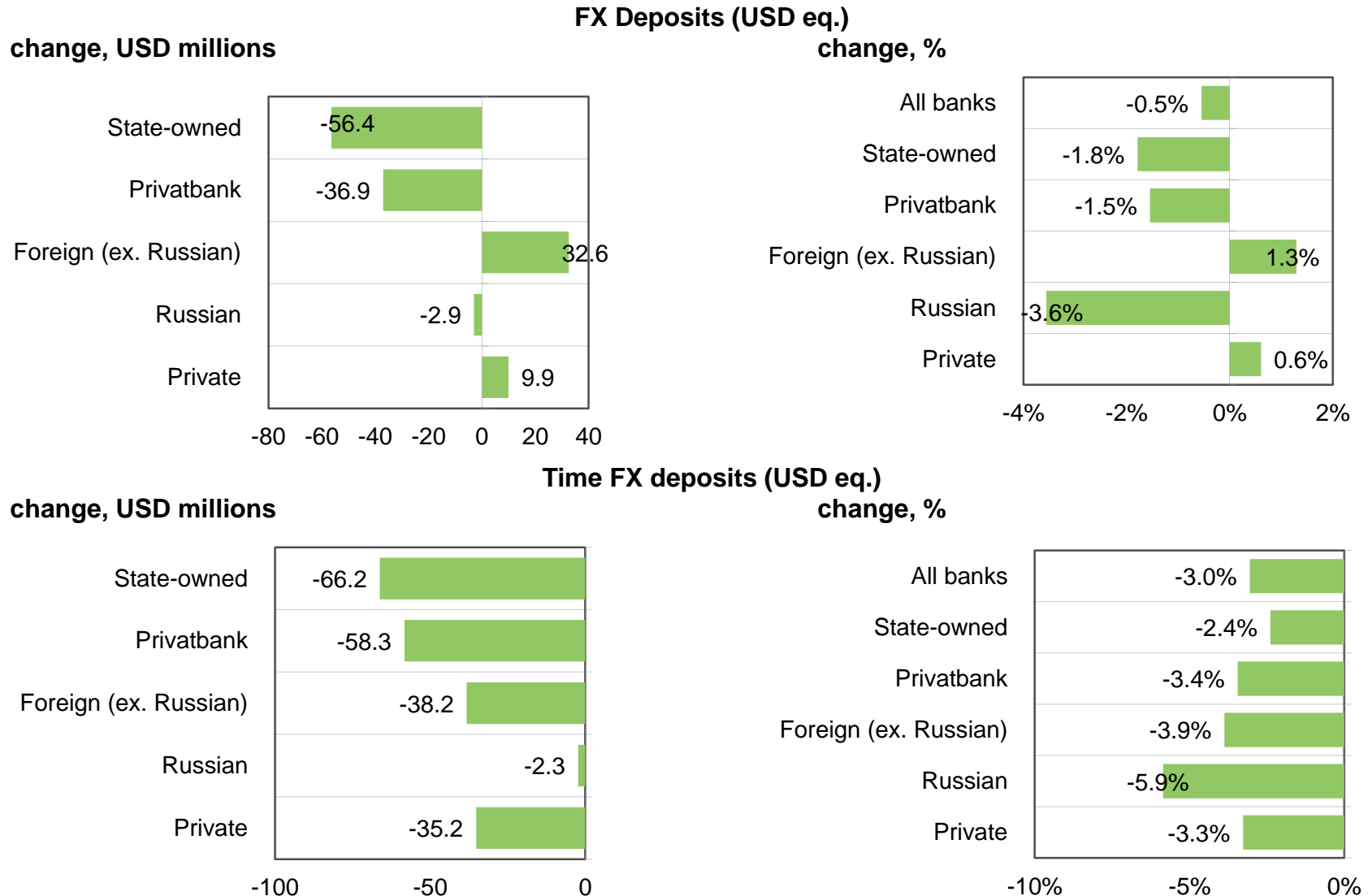


change, %



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

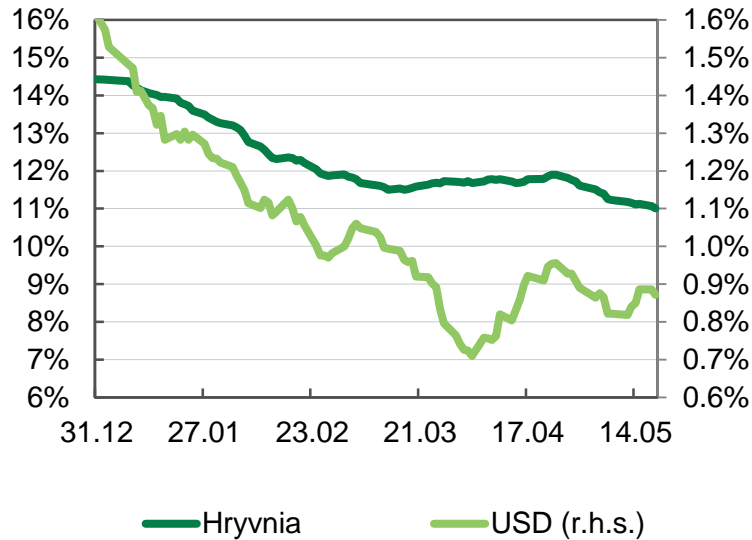
Change in FX retail deposits (15 April – 15 May 2020)



Джерело: НБУ, щоденні дані, кошти фізичних осіб включають ощадні сертифікати.

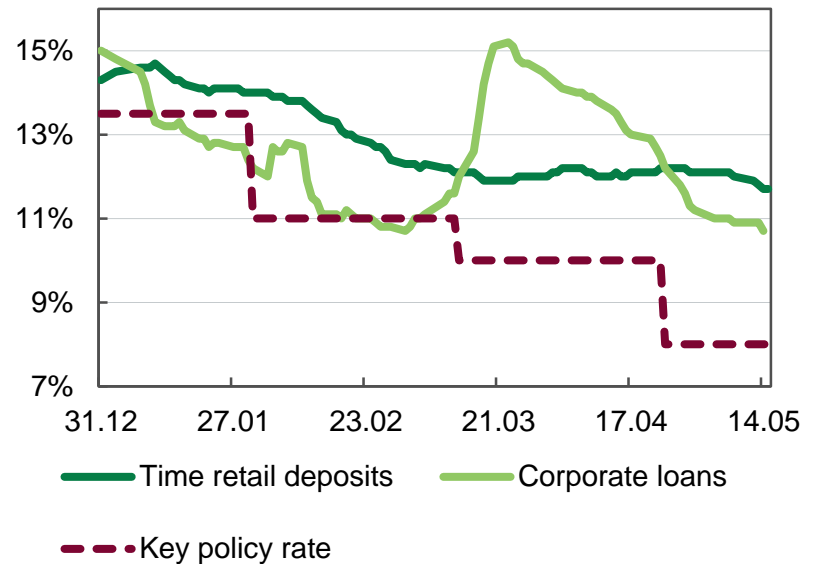
The cost of new hryvnia deposits decreased

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



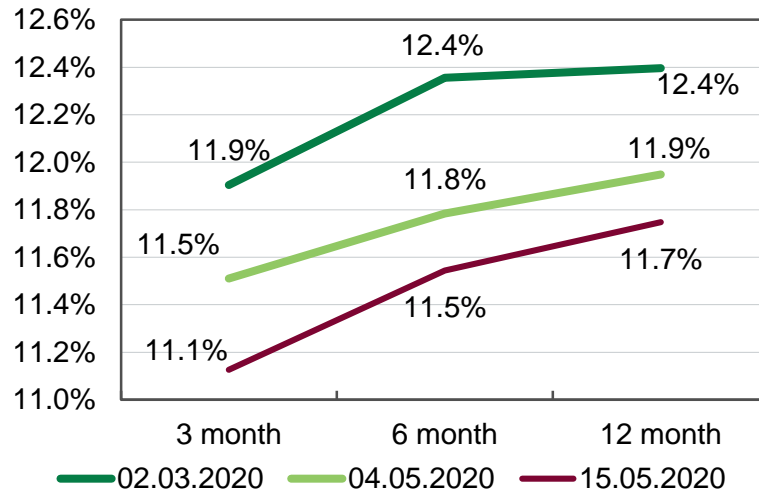
Source: NBU, daily data.

- The cost of hryvnia corporate loans fell to the lowest level in 2020.

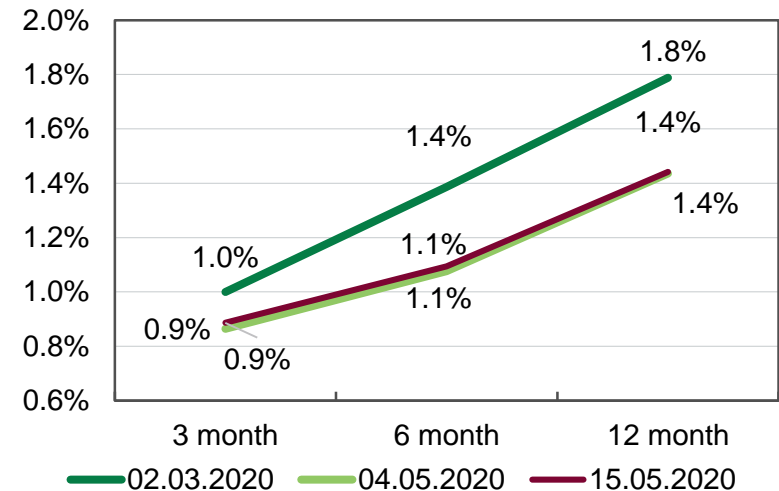
The cost of new hryvnia deposits keeps declining across all maturities

Ukrainian Index of Retail Deposit rates, % per annum

Hryvnia



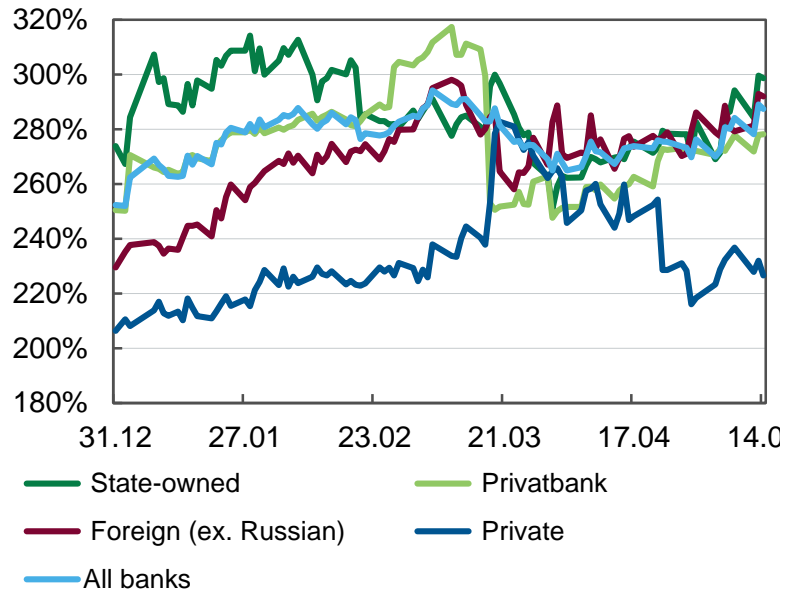
USD



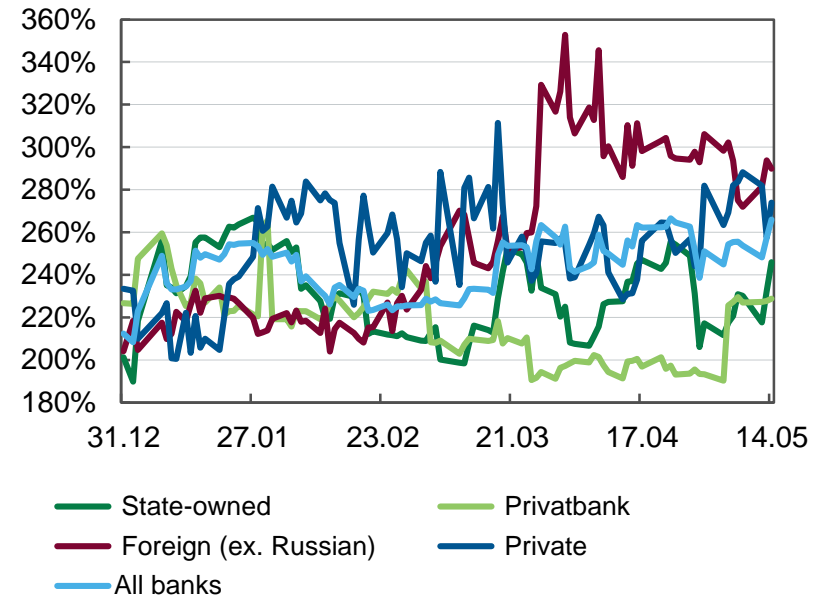
Source: "Thomson Reuters", 5-day moving average.

LCR stays well above the required ratio

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



LCR in FX (daily data)



* LCR is calculated as total HQLA of the group of banks (the sector) divided by total net expected outflow of funds from the group of banks (the sector). LCR of Russian-owned banks is not shown (>1000%)

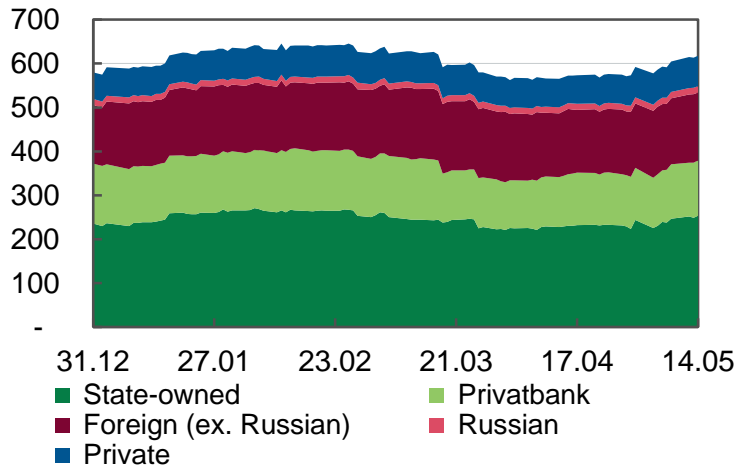
Source: NBU.

- During the reporting week, LCR increased in all currencies, in foreign currency in particular.

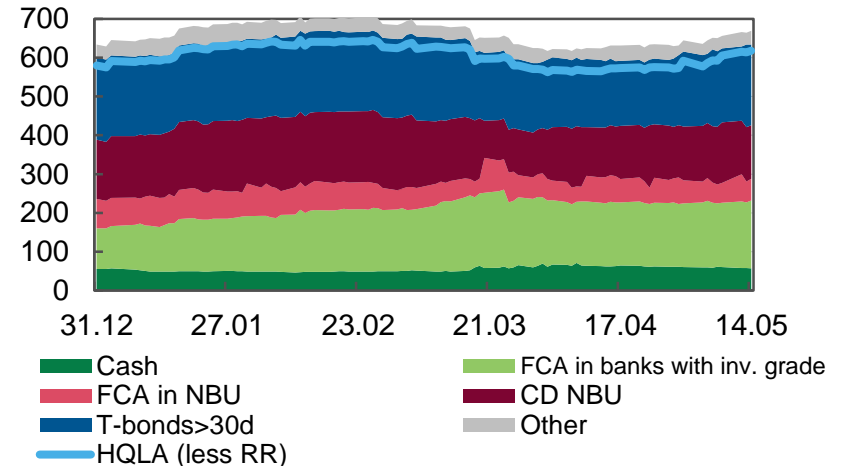
HQLA grew in all currencies

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

by groups of banks

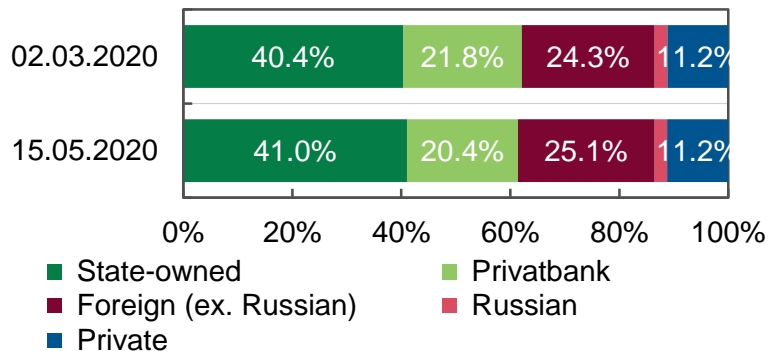


by components

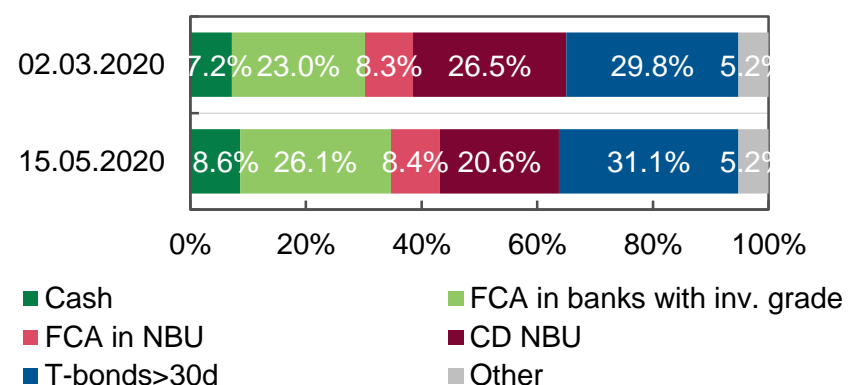


Structure of HQLA in all currencies

by groups of banks



by components



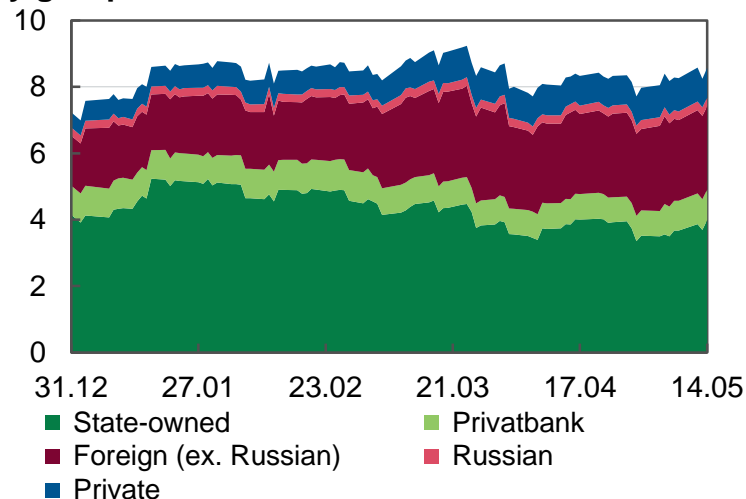
RR – Required Reserves, FCA - Foreign Currency Accounts, CD – Certificate of Deposit.

Source: NBU.

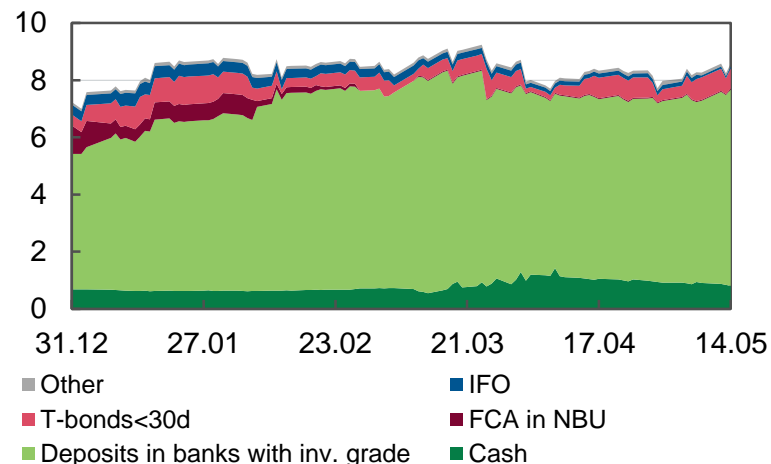
Share of investment-grade bank deposits rose

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

by groups of banks

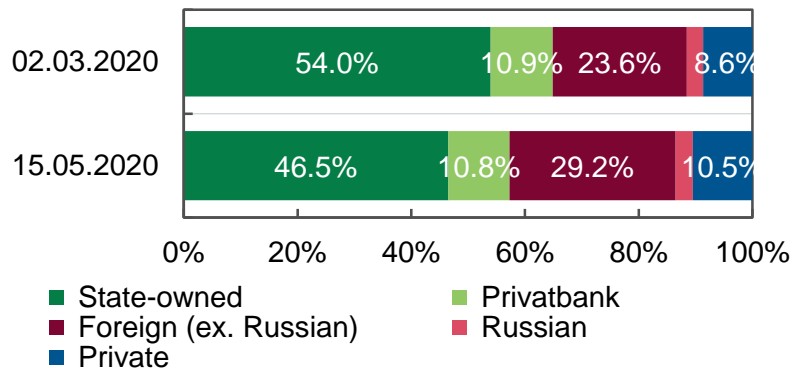


by components

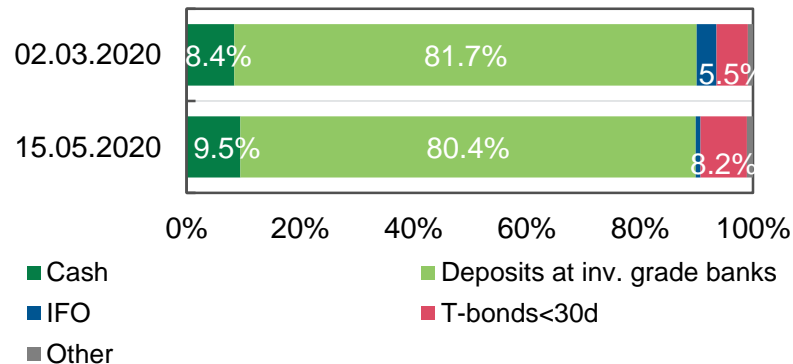


Structure of HQLA in FX

by groups of banks



by components

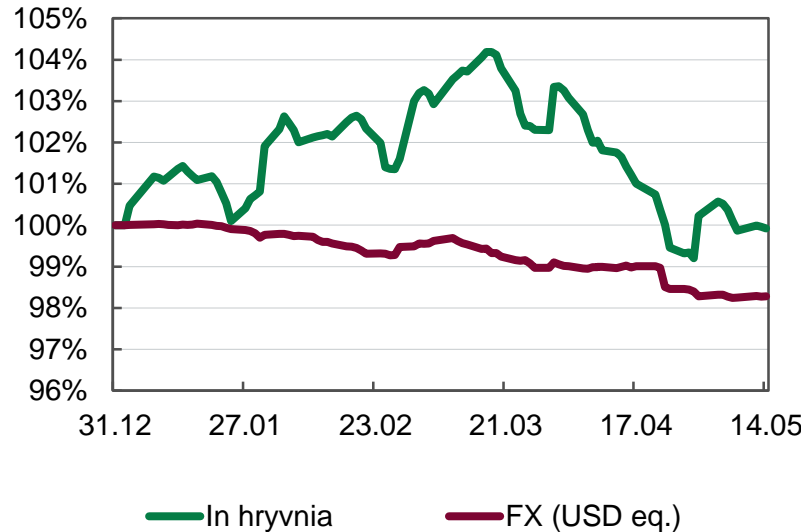


FCA - foreign currency accounts, IFO – international financial organizations.

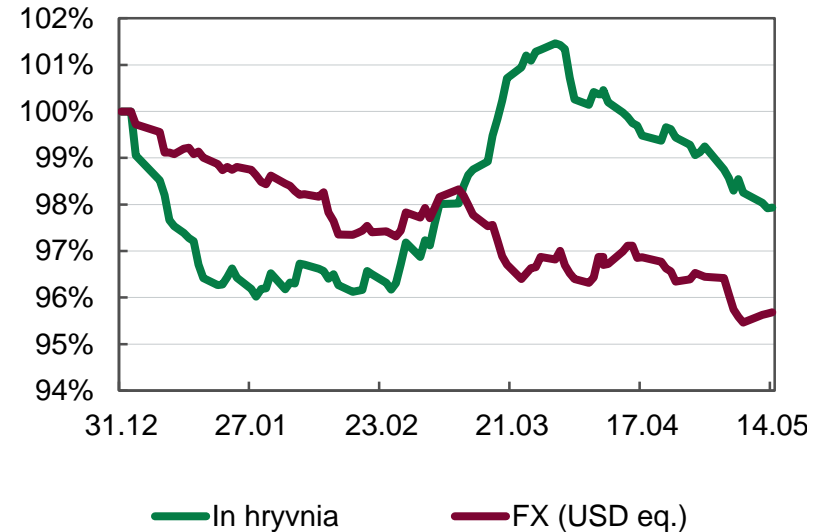
Source: NBU

Hryvnia loans have been declining since end-March

Retail loans (gross), 31.12.2019=100%



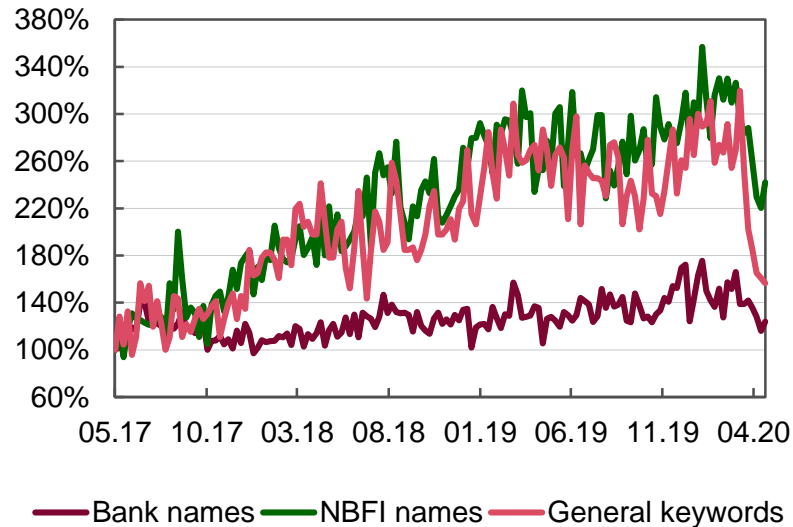
Corporate loans (gross), 31.12.2019=100%



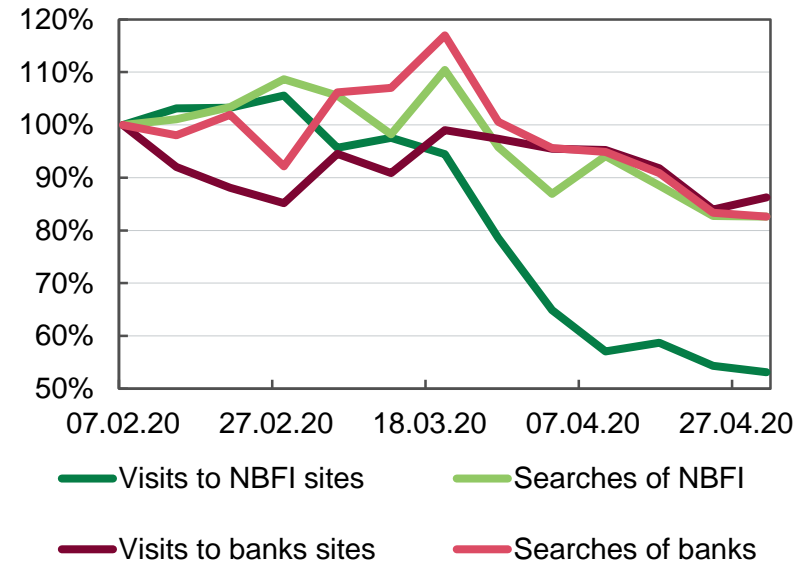
Source: NBU.

Demand for consumer loans significantly decreased

Change in Google searches, 1 May 2017 = 100%



Dynamics of visits to sites and Google searches for banks and NFCs, 1 February 2020 = 100%



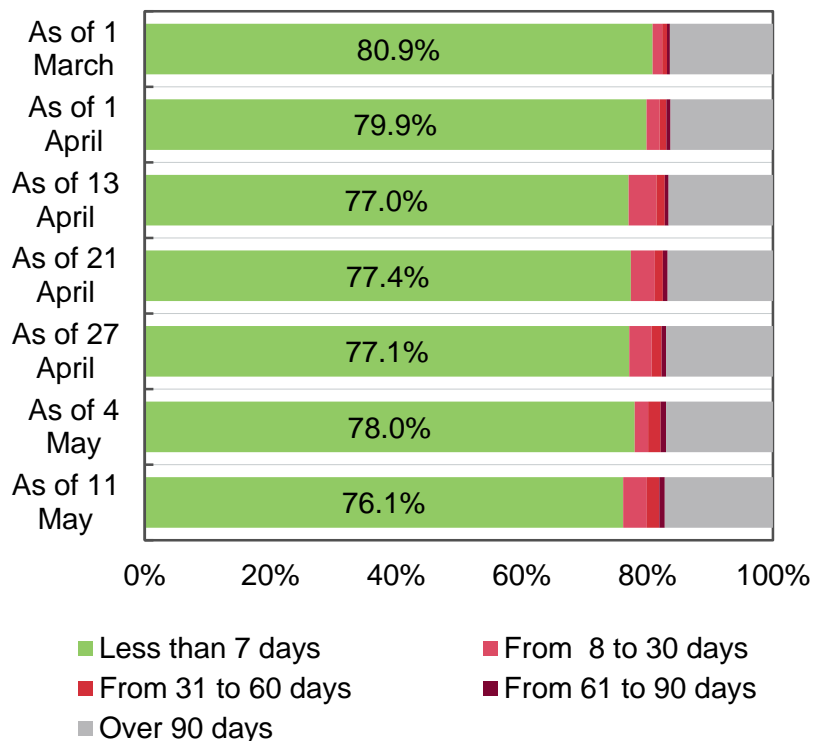
Analysis is based on pool of 11 banks with the largest portfolio of consumer lending (excluding Privatbank) and 12 nonbank financial institutions with the largest number of visits to sites.

Source: NBU, Google trends, SimilarWeb

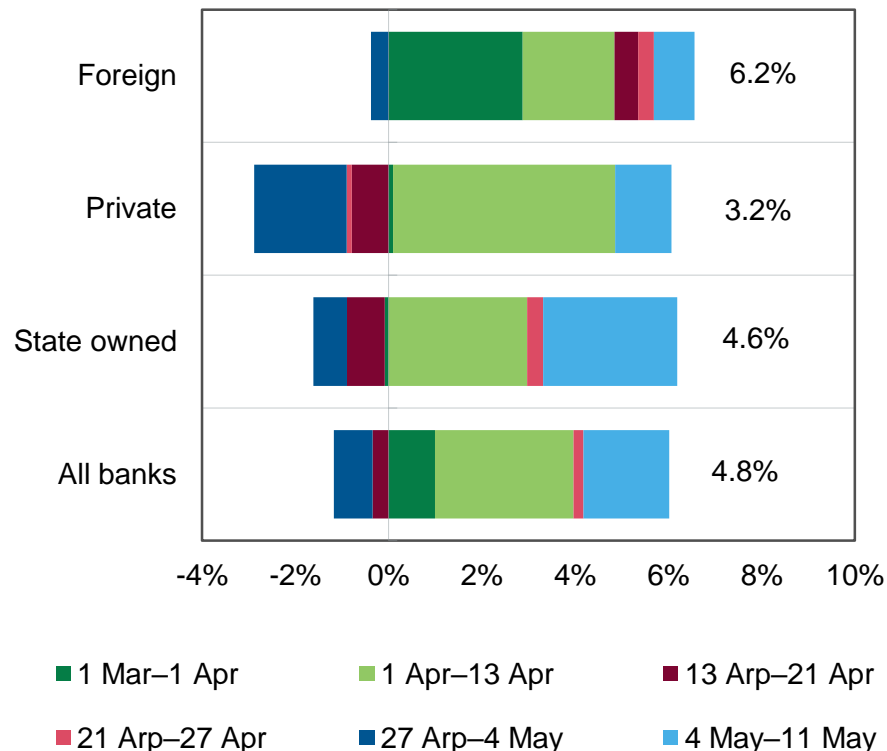
- Visits to banks' sites declined by 14% from early February while visits to nonbank financial institutions (NBFI) sites shrank by 47%.

Retail hryvnia loans deteriorate faster

Retail hryvnia loans past due*



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

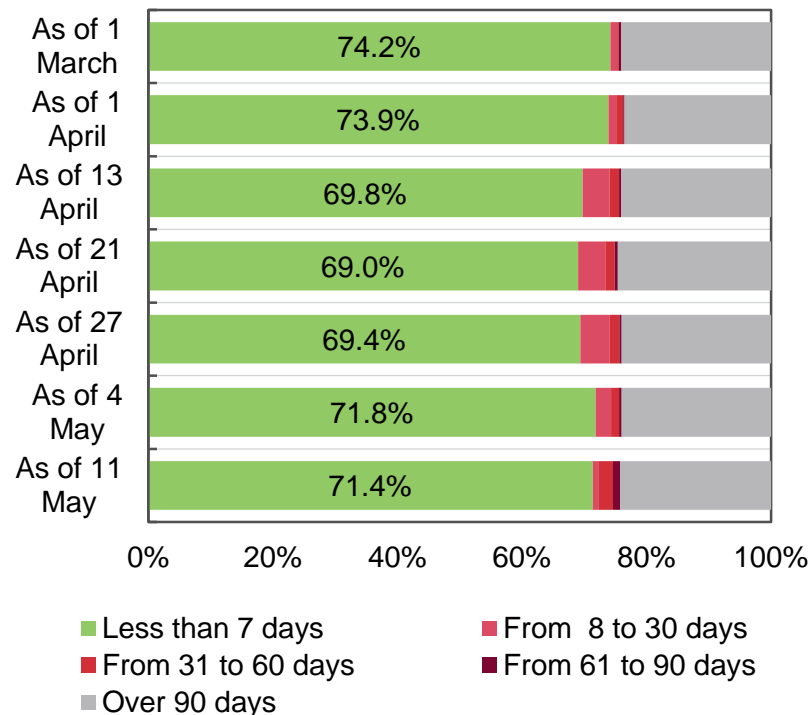


Source: bank survey data, calculations of NBU

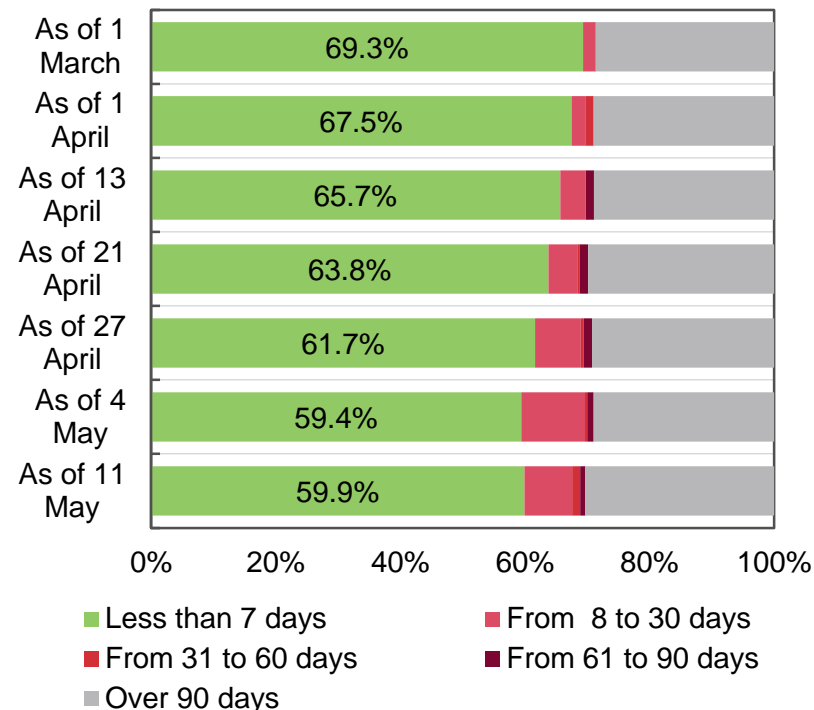
* Information from survey of 22 largest banks. It is not a part of required statistical reports and reflects the banks data. The NBU does not guarantee the accuracy of the data reported by the banks.

Deterioration of FX SMEs loans was more pronounced

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.

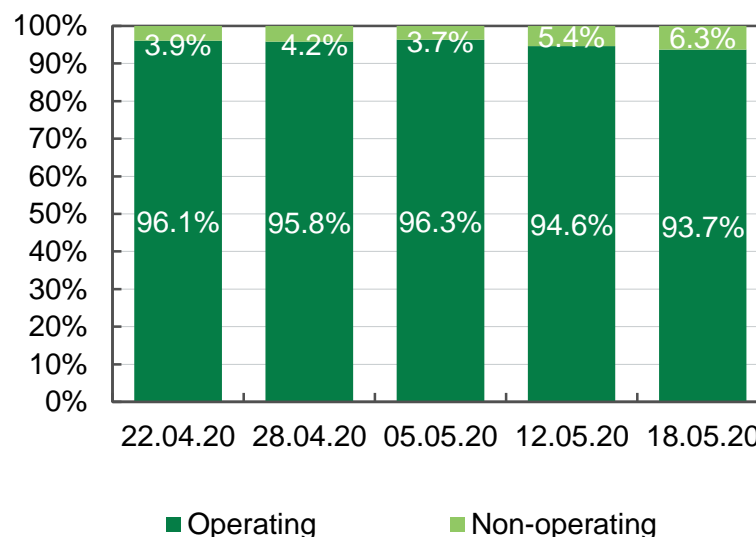
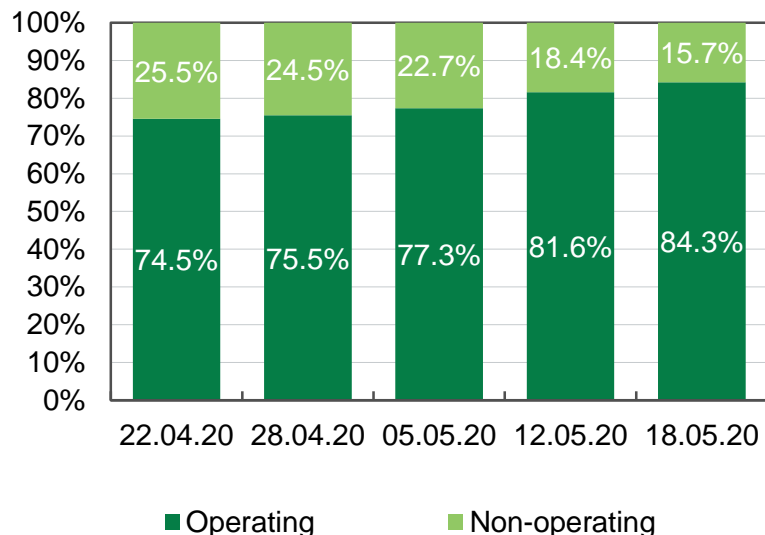
* Information from survey of 22 largest banks. It is not a part of required statistical reports and reflects the banks data. The NBU does not guarantee the accuracy of the data reported by the banks.

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.

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 commission for cashless transaction</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>