



National Bank  
of Ukraine

## **Banks: weekly review**

*27 May 2020*

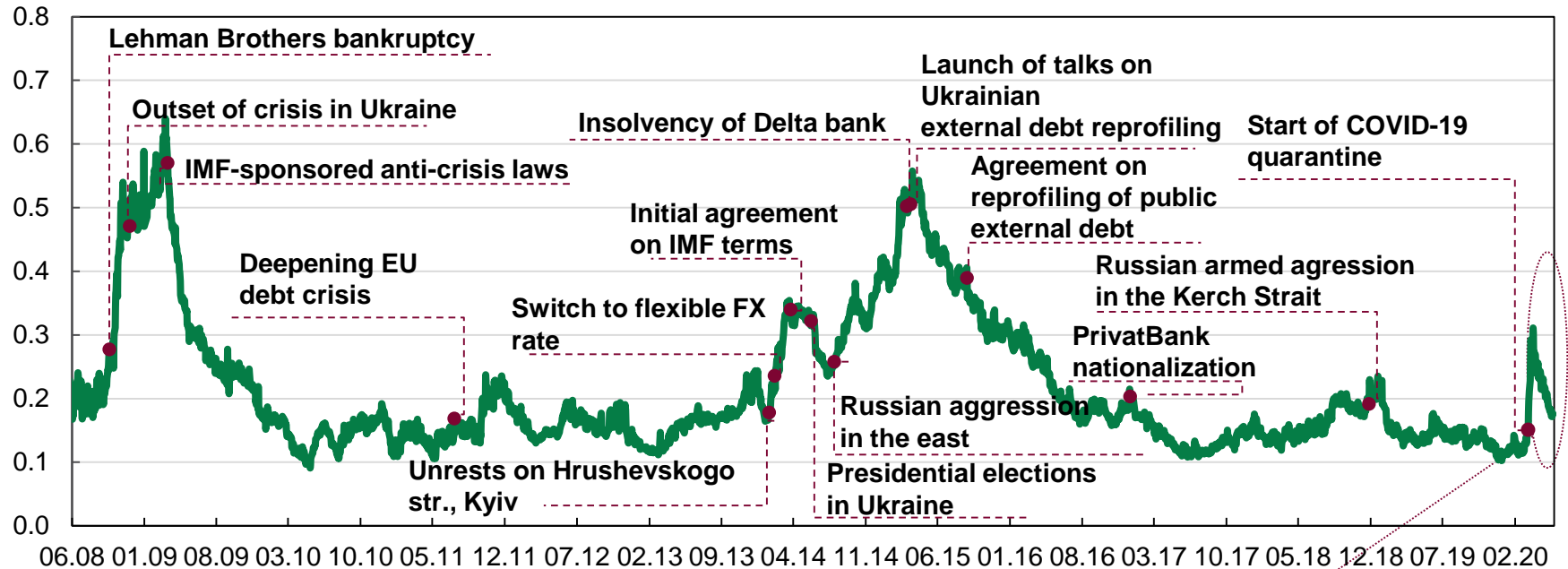


# Resume

---

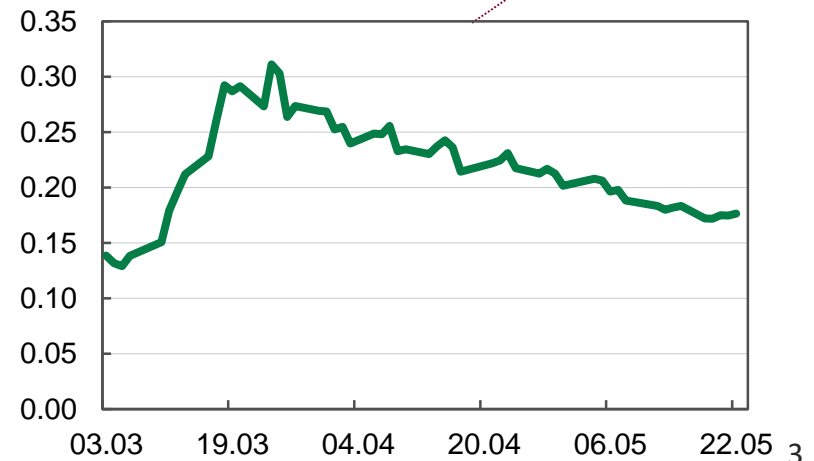
- The financial stress index is trending further down.
- In the week that ended on 22 May hryvnia retail deposits declined by 0.4%, time deposits in hryvnia grew by 0.2%. FX deposits decreased by 0.1% in USD terms. The amount of time FX deposits remained unchanged.
- Throughout May, time retail deposits in UAH and FX stayed virtually unchanged. In May, retail deposits in hryvnia exceeded the level observed before outflows. Over May, they increased by 1.8%. Outflow rates of FX deposits are more moderate than in crises of 2008 and 2014.
- In May, the cost of new time hryvnia deposits have been reducing, as earlier, most notably the cost of short-term deposits. Interest rates on FX deposits slightly increased.
- The liquidity coverage ratio (LCR) further stays well above the regulatory required level.
- Softening of quarantine restrictions allowed banks to increase the share of operating ATMs to 97%, and banks` branches to 87%

# Financial stress index approaches the pre-crisis level



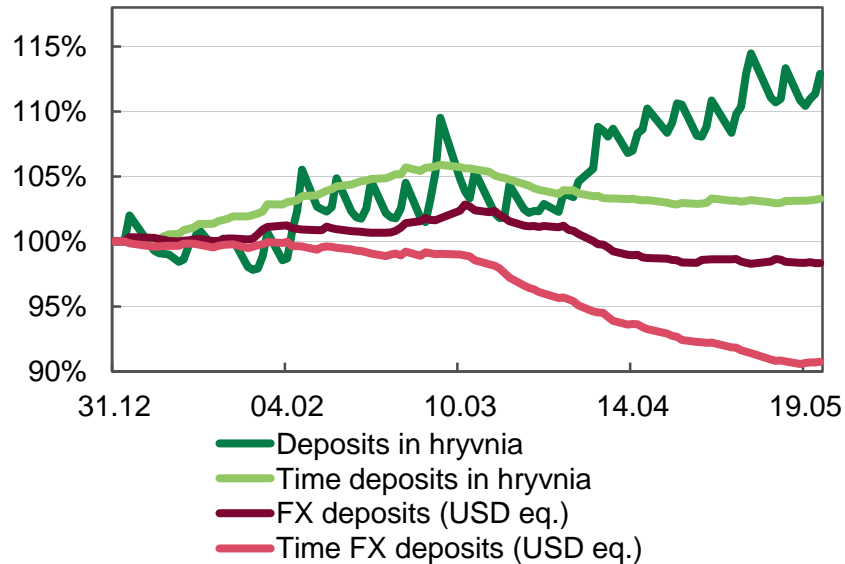
Source: NBU.

- Corporate and government securities subindices declined the most.

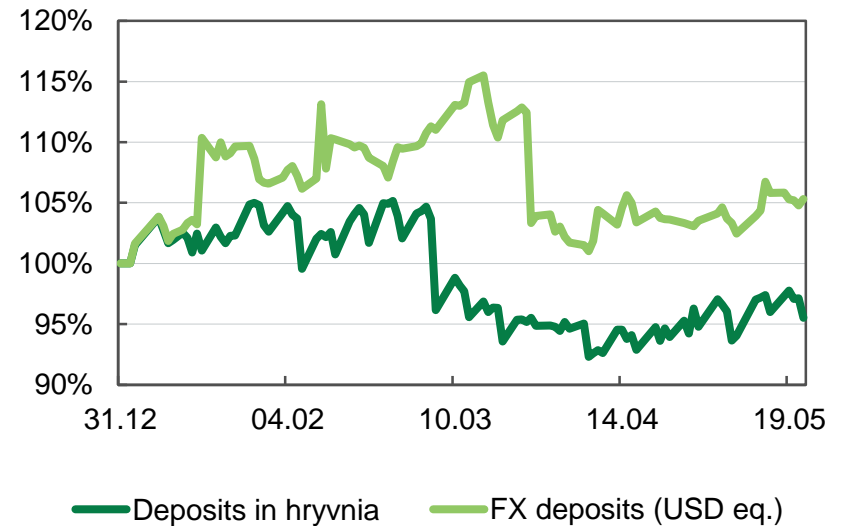


# In May, both corporate and retail deposits in hryvnia increased

Retail deposits, 31 Dec 2019=100%



Corporate deposits, 31 Dec 2019=100%



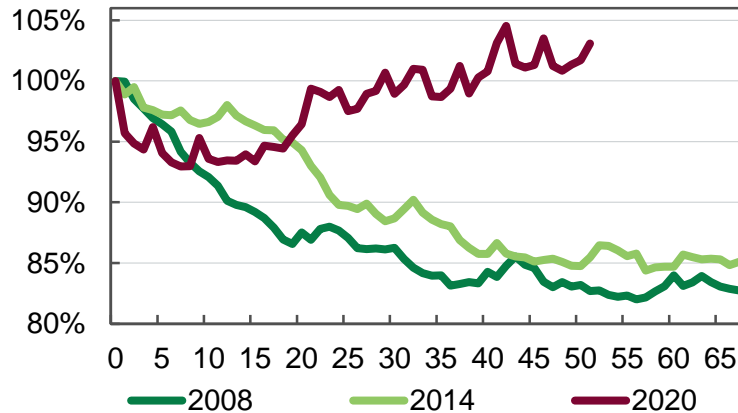
Source: NBU, daily data, including certificates of deposit.

- From the beginning of May, hryvnia retail deposits grew by 1.8%, while term deposits did not change.

# The amount of time retail deposits in hryvnia has not changed in May

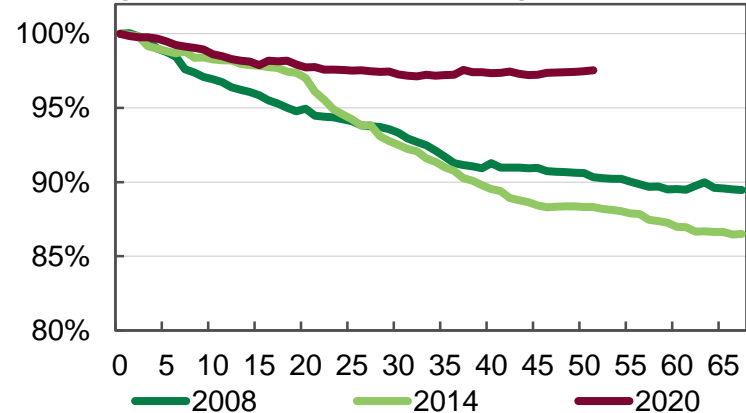
Retail deposits in hryvnia, the last day before the outflow\*= $100\%$  (at solvent banks as of 1 April 2020)

all deposits



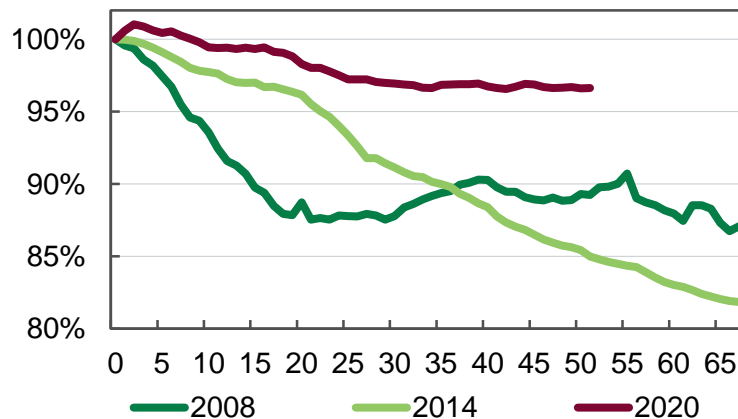
time deposits

Time deposits and certificates of deposits



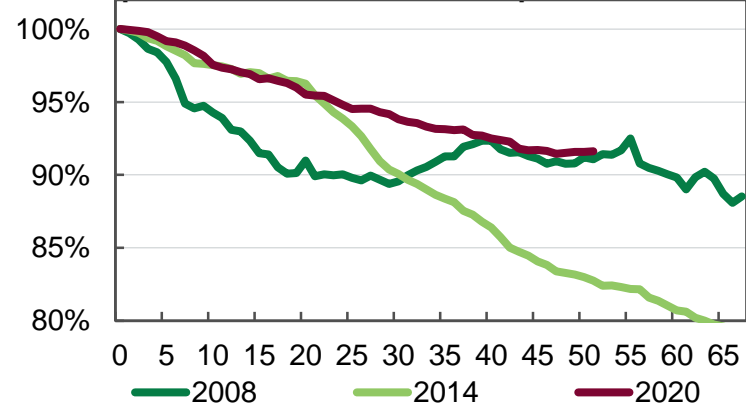
FX deposits (USD eq.), the last day before the outflow\*= $100\%$  (at solvent banks as of 1 April 2020)

deposits



time deposits

Time deposits and certificates of deposits

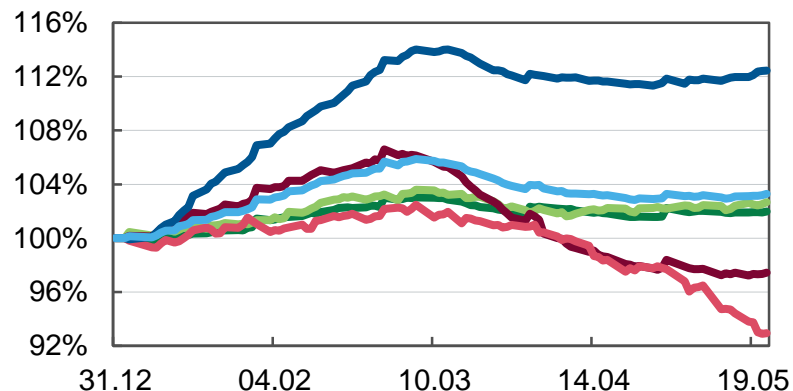


\* The highest readings of hryvnia deposits recorded before the crises: in 2008 – 3 October 2008; in 2014 – 23 Jan 2014; in 2020 – 10 Mar 2020. X axis indicates number of working days.

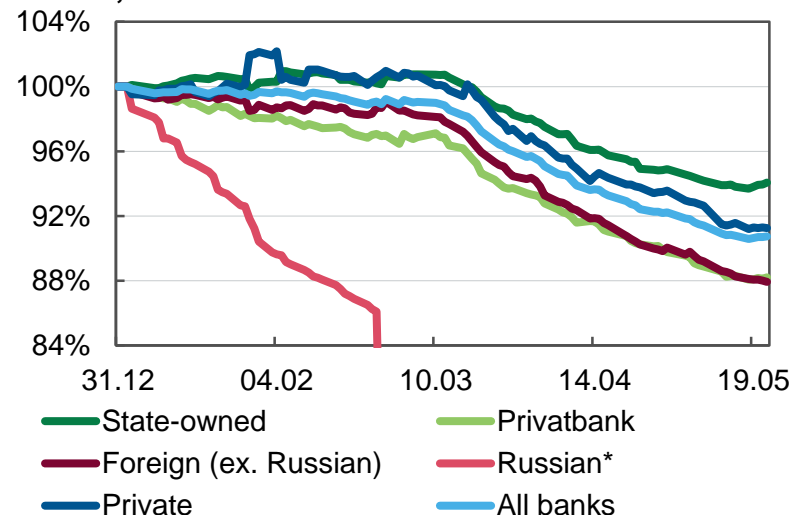
Source: NBU, daily data, including certificates of deposit.

# For the first time since March, there were no outflows of time FX deposits

**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%**



\*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.

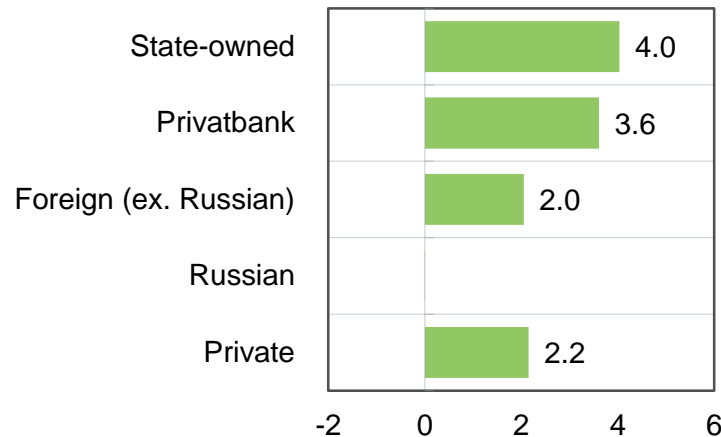
**Change in deposits**

	Change during the previous week 12.05 - 15.05		Change during the reporting week 18.05 - 22.05	
	UAH billions	%	UAH billions	%
Retail deposits in hryvnia	-3.6	-1.0%	-1.5	-0.4%
of which Term deposits	-0.2	-0.1%	0.3	0.2%
Corporate deposits in hryvnia	6.4	2.1%	-1.6	-0.5%
	USD millions	%	USD millions	%
FX Retail deposits (USD eq.)	14.2	0.1%	-8.0	-0.1%
of which Term deposits	-43.9	-0.7%	-2.3	0.0%
FX Corporate deposits (USD eq.)	271.3	3.3%	-41.4	-0.5%

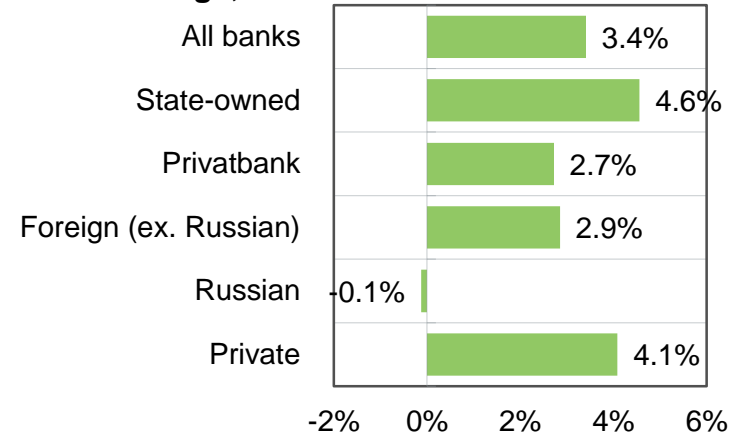
# Change in hryvnia retail deposits (22 April – 22 May 2020)

## Deposits in hryvnia

change, UAH billions

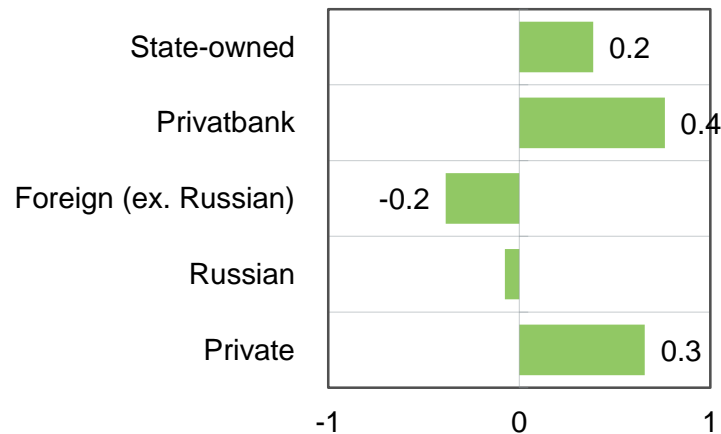


change, %

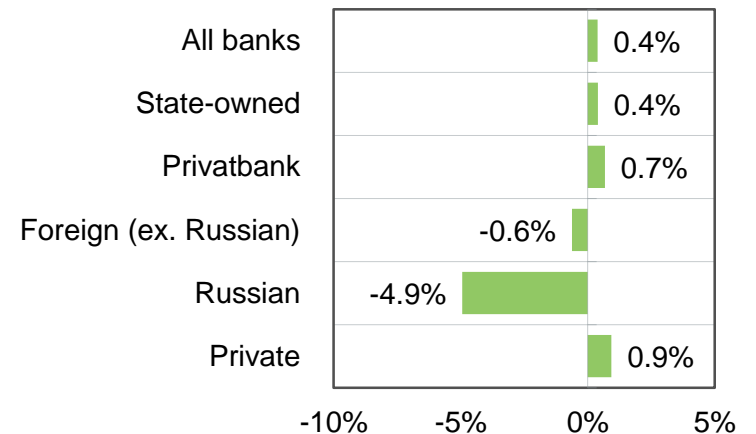


## Time deposits in hryvnia

change, UAH billions

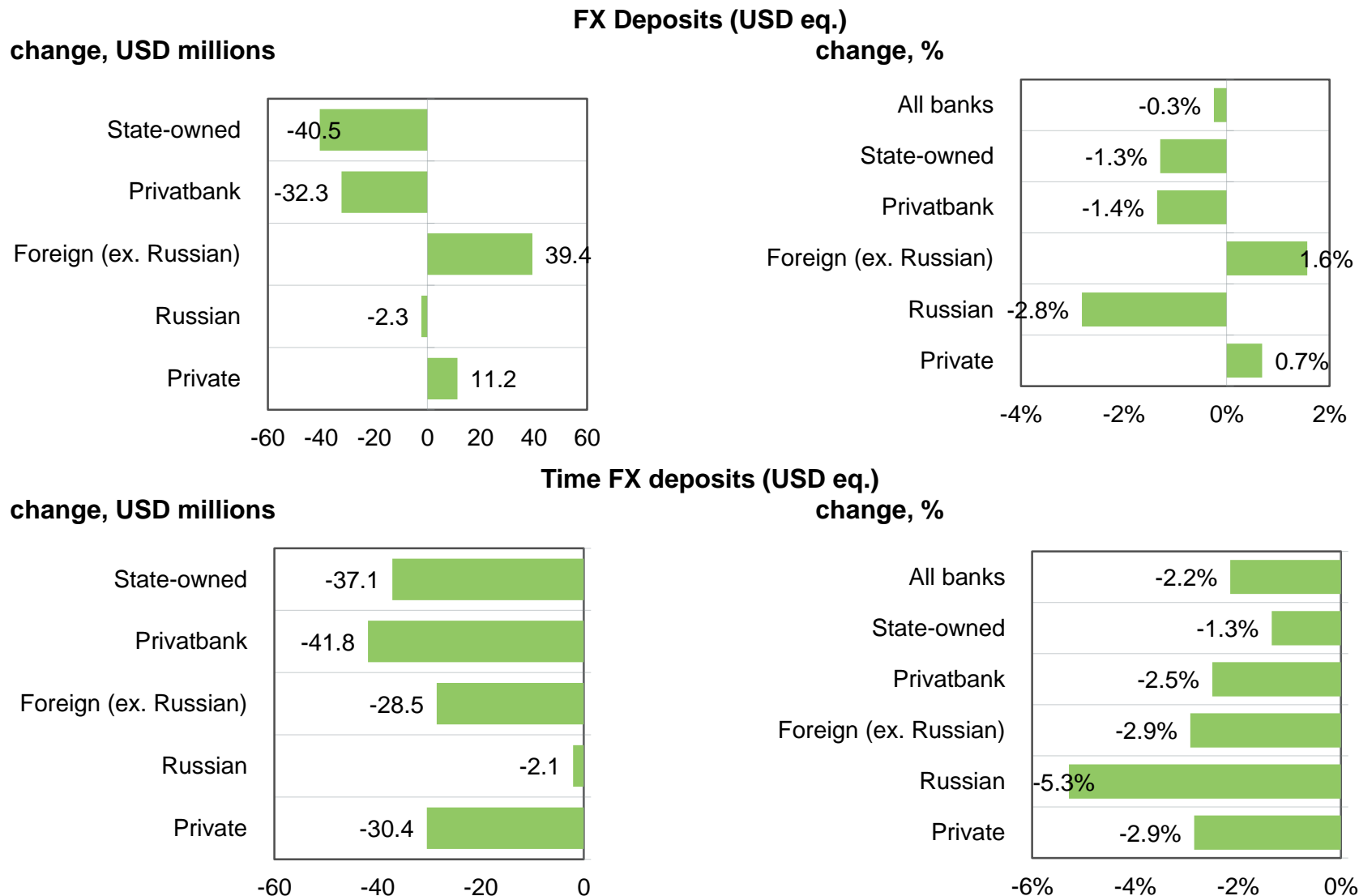


change, %



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

# Change in FX retail deposits (22 April – 22 May 2020)

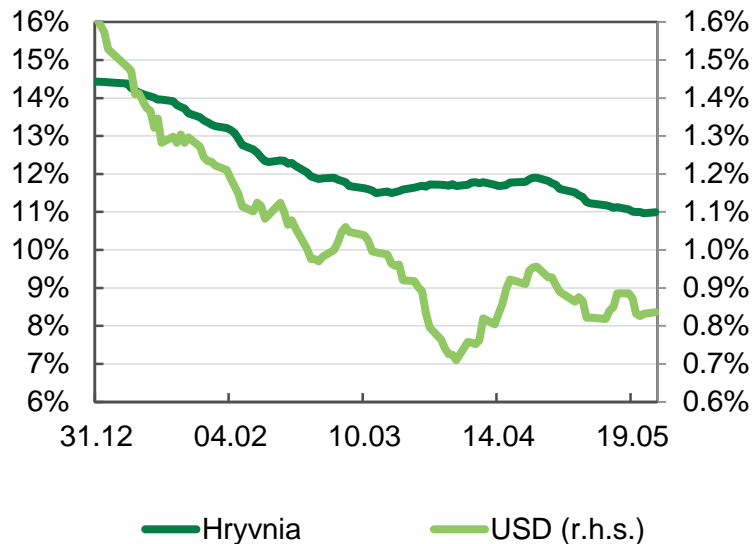


Source: NBU, daily data, including certificates of deposit.



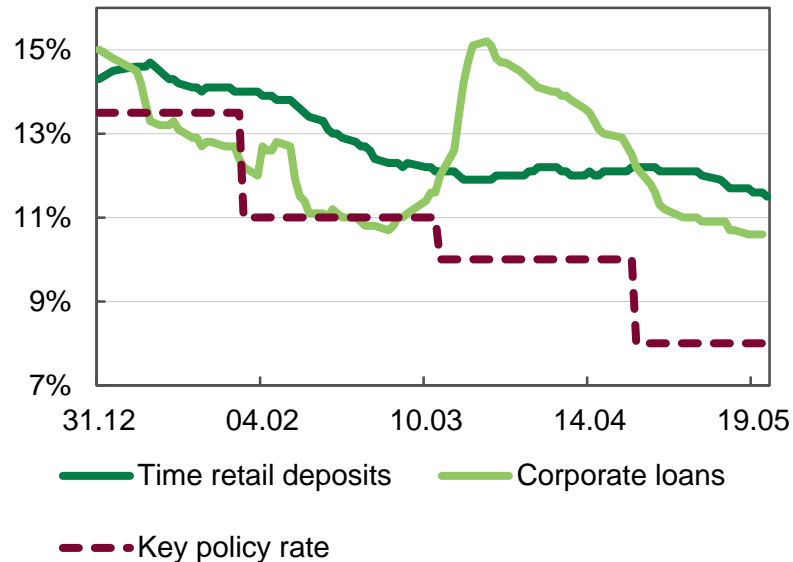
# The cost of new hryvnia deposits decreased

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



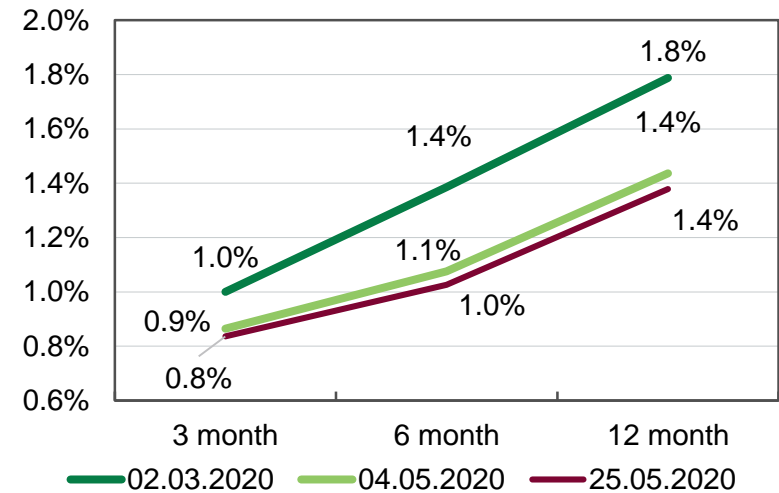
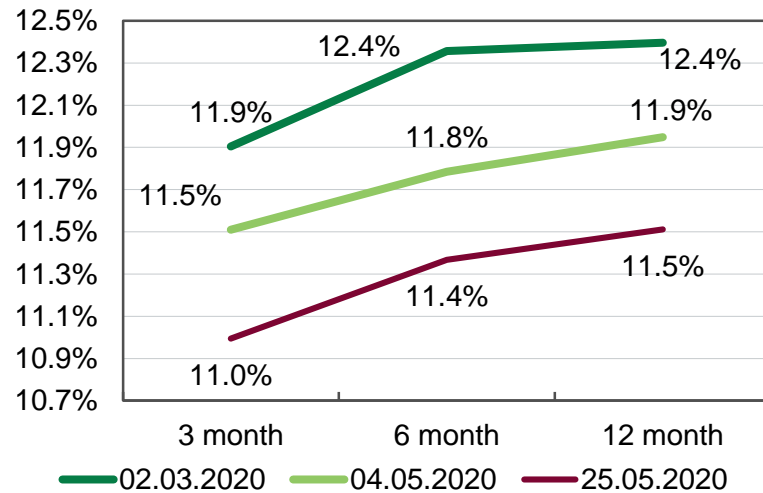
Source: NBU, daily data.

- The cost of hryvnia corporate loans and time retail deposits is at its lowest since the beginning of the year.

# The cost of new hryvnia deposits keeps declining

Ukrainian Index of Retail Deposit rates, % per annum  
USD

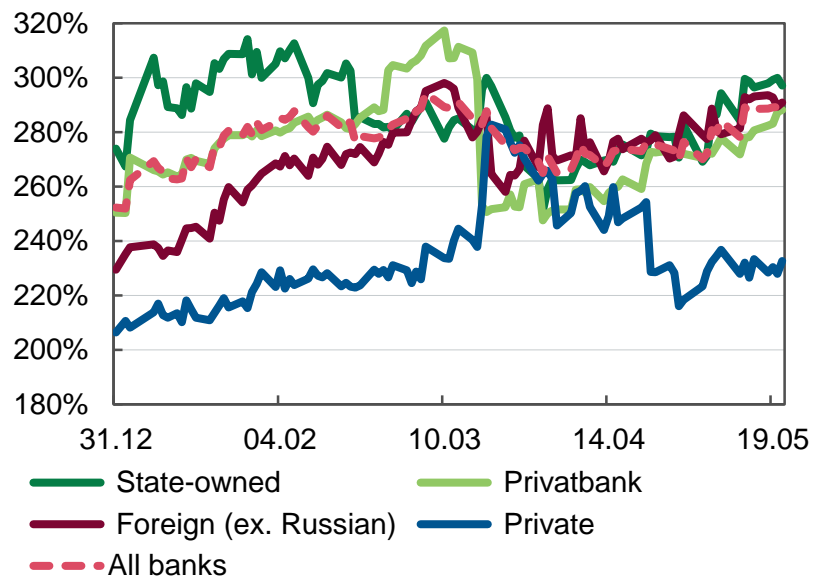
Hryvnia



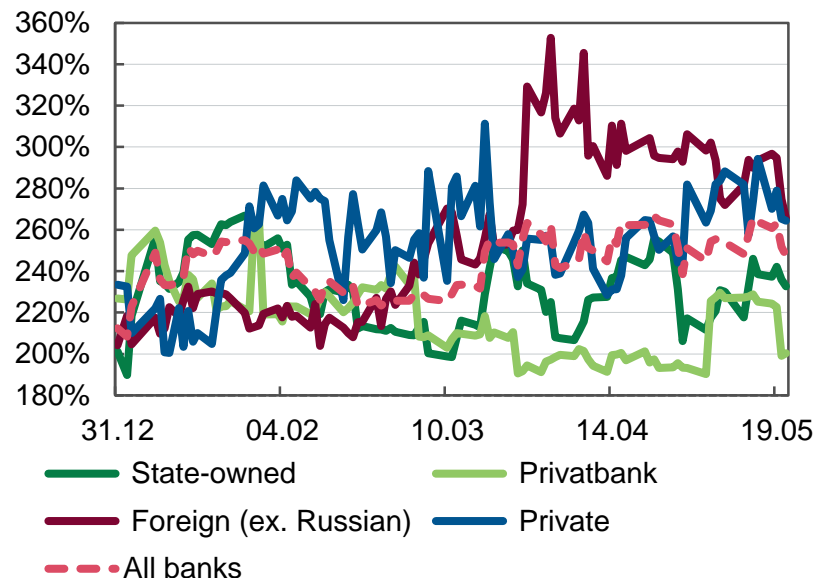
Source: "Thomson Reuters", 5-day moving average.

# LCR stays well above the required ratio

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



LCR in FX (daily data)



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

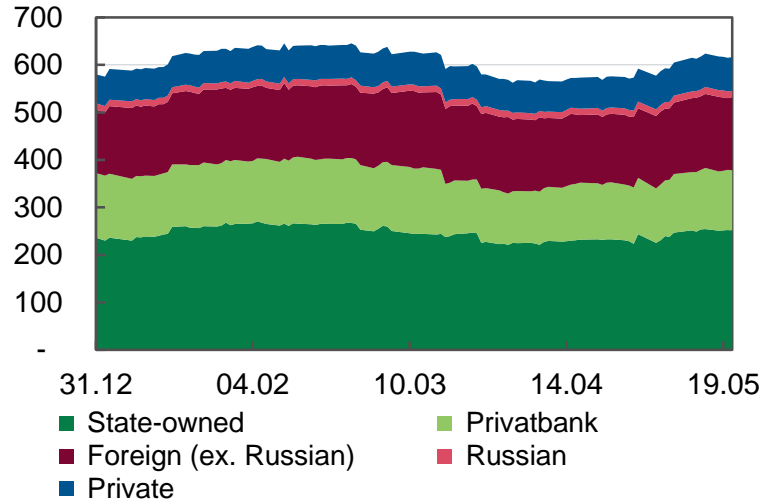
Source: NBU.

- During the reporting week LCR increased in all currencies, while in foreign currency it slightly decreased.

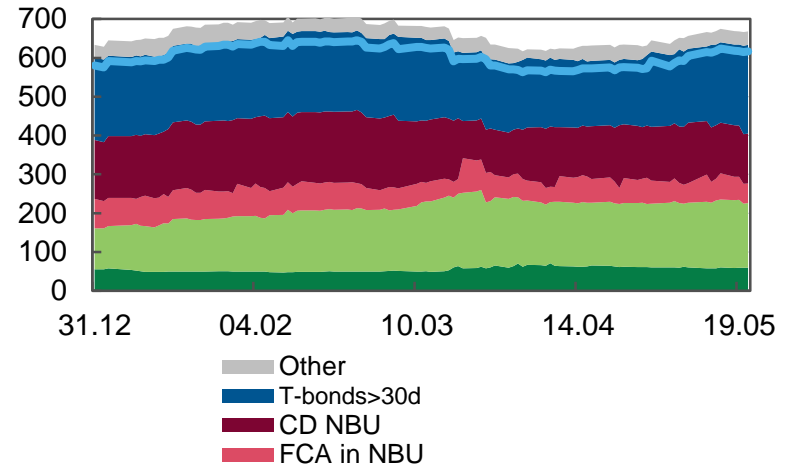
# HQLA in all currencies remained virtually unchanged

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

by groups of banks

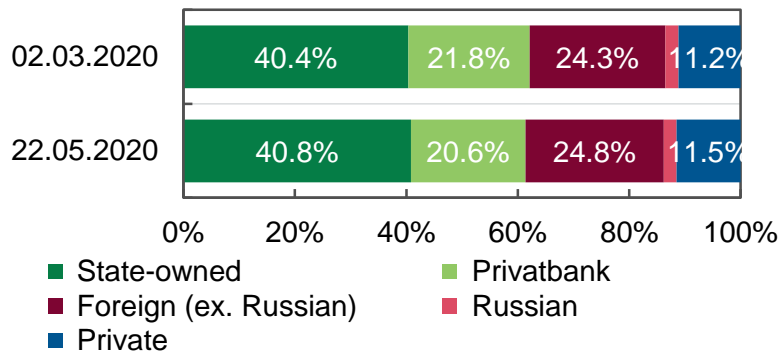


by components

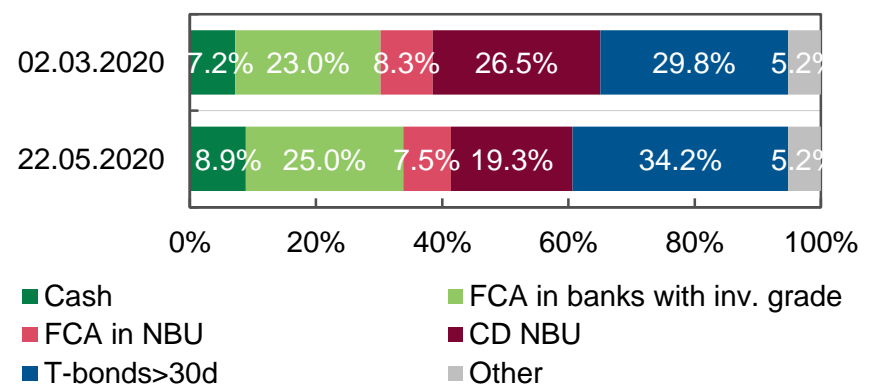


Structure of HQLA in all currencies

by groups of banks



by components



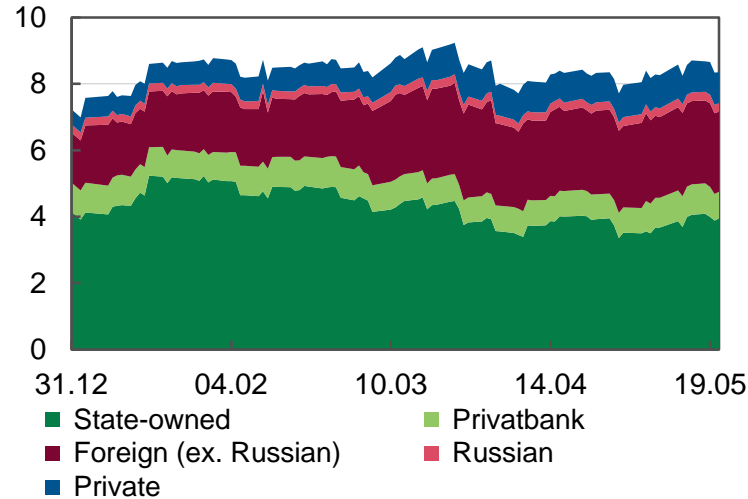
RR – Required Reserves, FCA - Foreign Currency Accounts, CD – Certificate of Deposit.

Source: NBU.

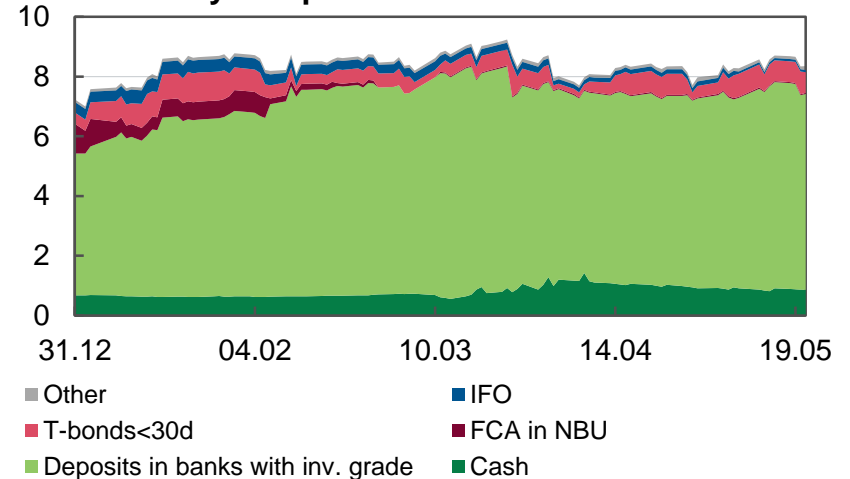
# The amount of HQLA in foreign currency decreased

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

by groups of banks

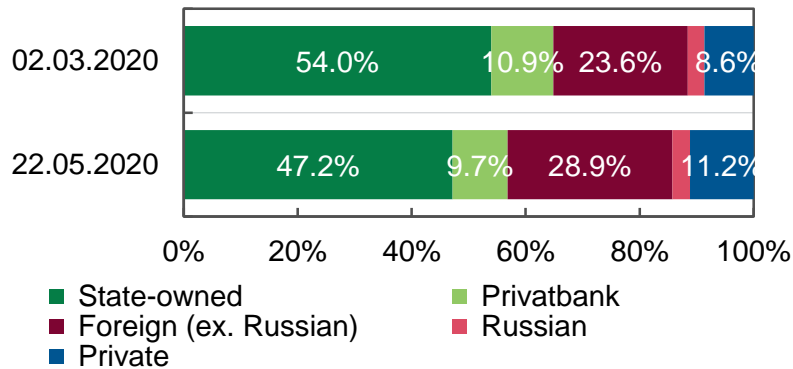


by components

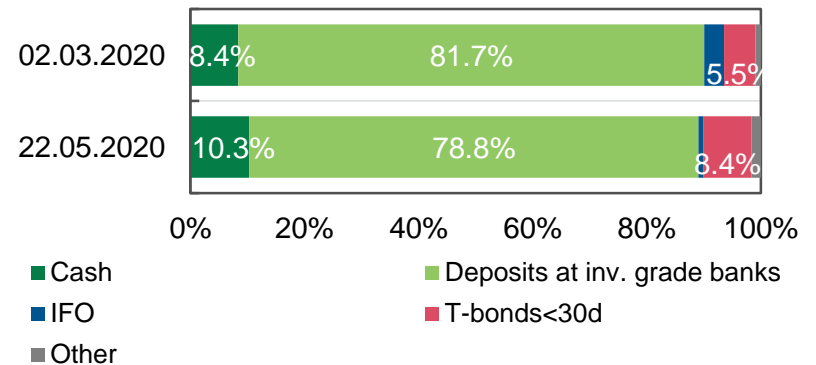


Structure of HQLA in FX

by groups of banks



by components

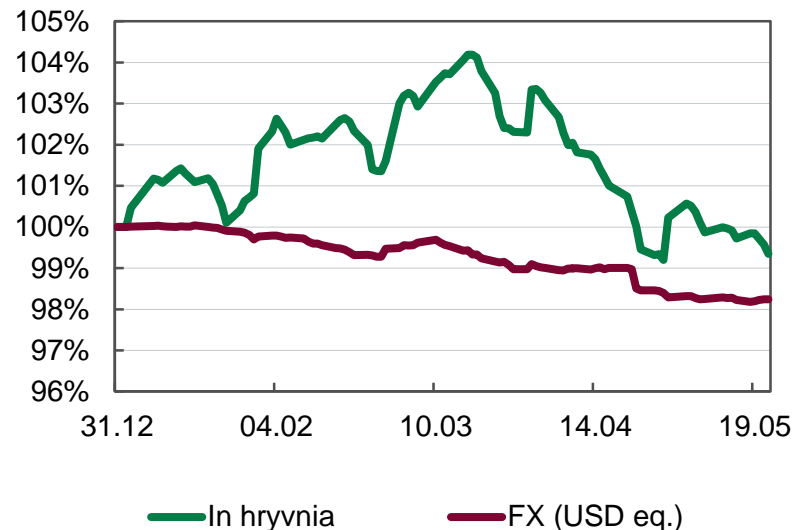


FCA - foreign currency accounts, IFO – international financial organizations.

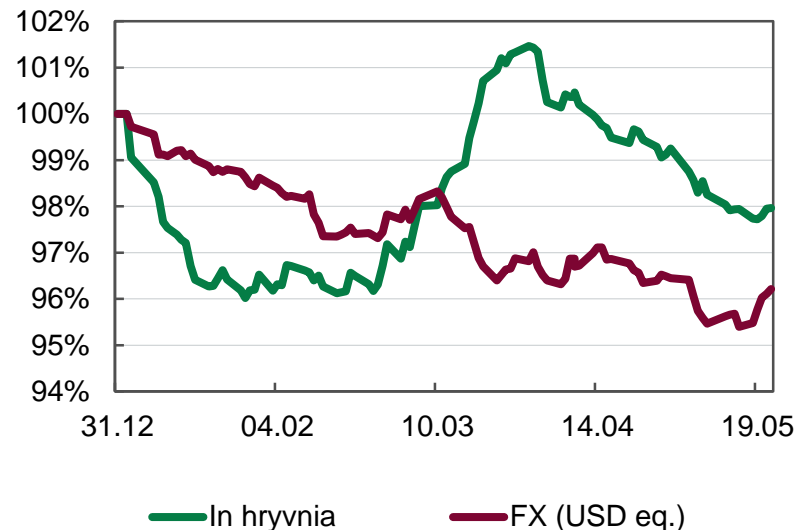
Source: NBU.

# During the week, the amount of FX corporate loans increased

**Retail Loans (Gross),  
31.12.2019=100%**



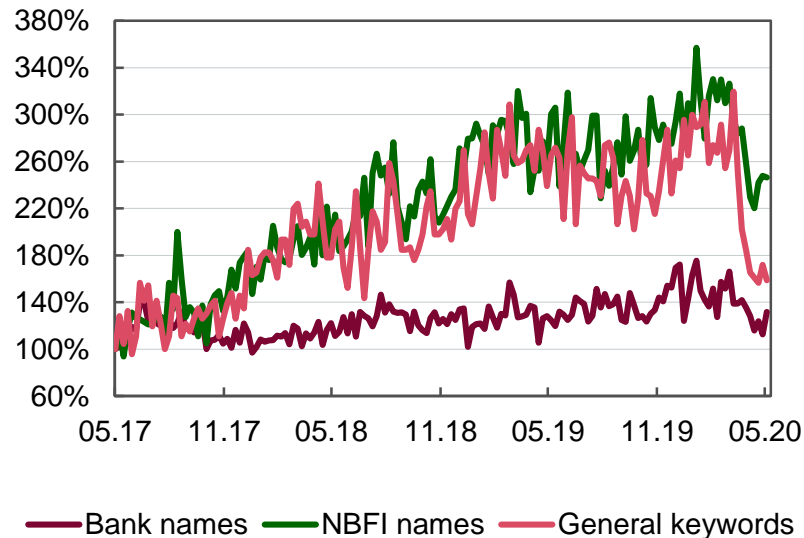
**Corporate Loans (Gross),  
31.12.2019=100%**



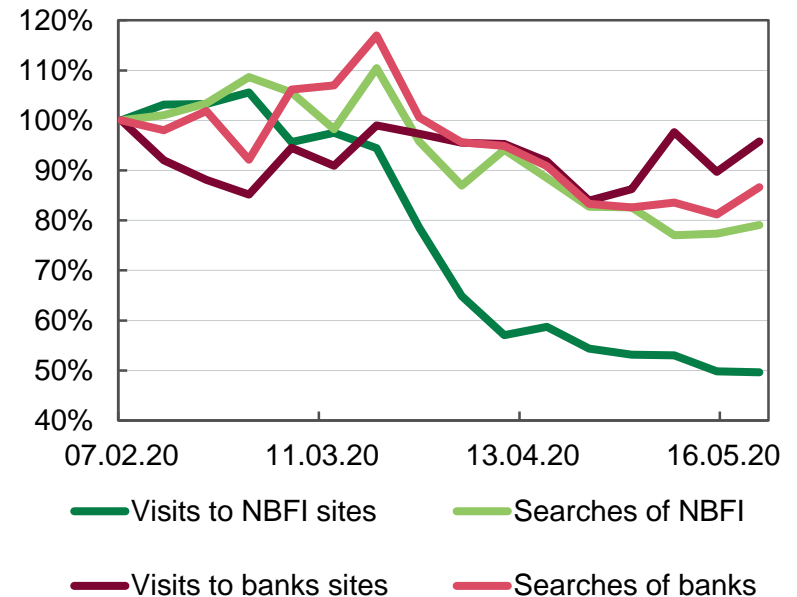
Source: NBU.

# Demand for consumer loans recovers gradually

Change in Google searches, 1 May 2017 = 100%



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



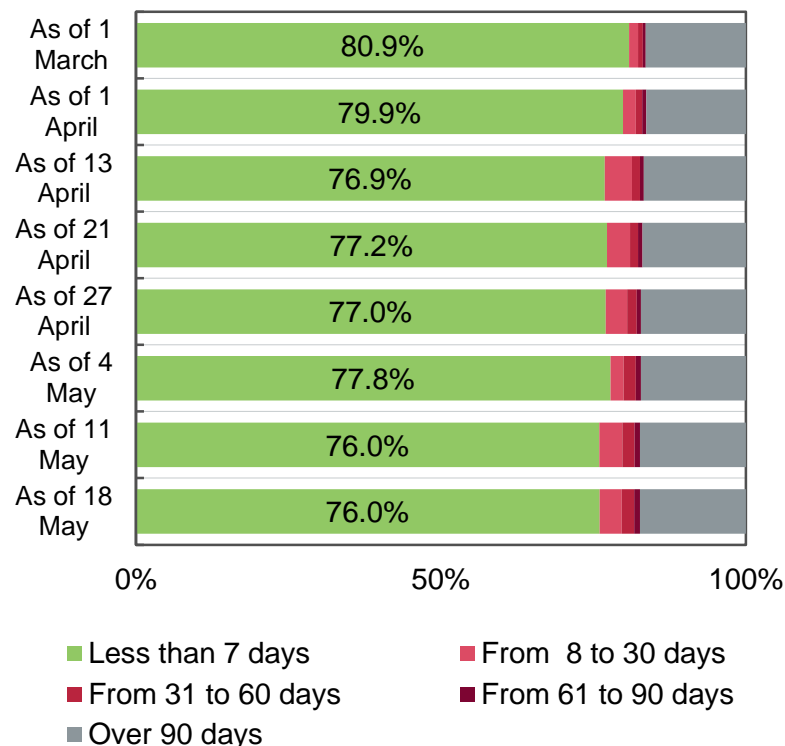
Analysis is based on pool of 11 banks with the largest portfolio of consumer lending (Privatbank data used only for “Searches of banks”) and 12 nonbank financial institutions with the largest number of visits to sites.

Source: NBU, Google trends, SimilarWeb

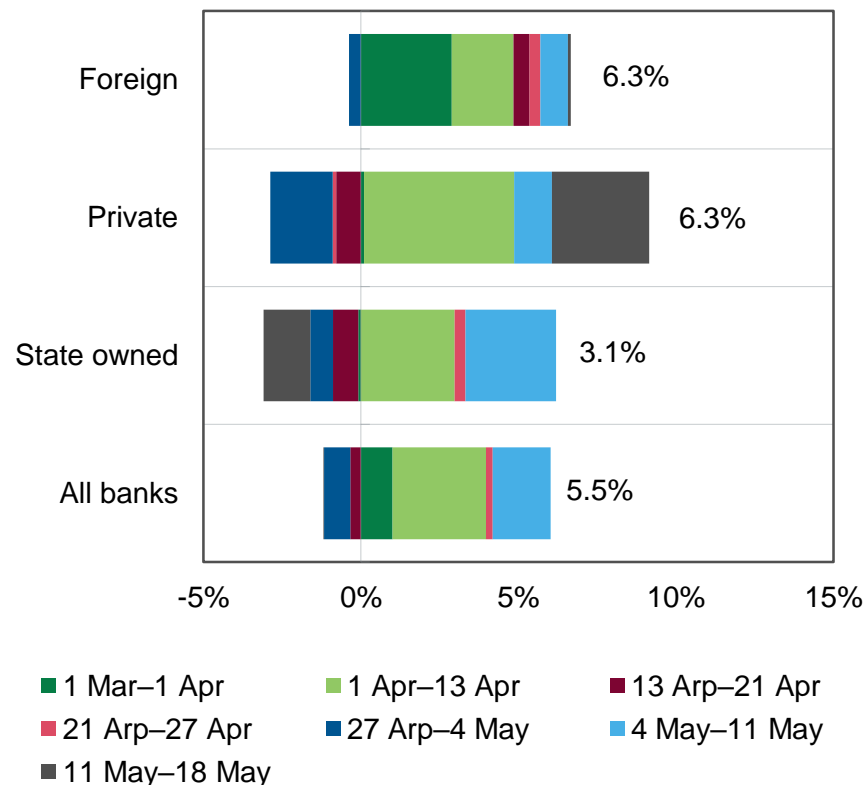
- Visits to banks’ sites recovers to pre-crisis level. Visits to nonbank financial institutions (NBFIs) shrank by 50% from early February and stuck at these level.

# The days past due on consumer loans increase at some banks

Retail hryvnia loans past due\*



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



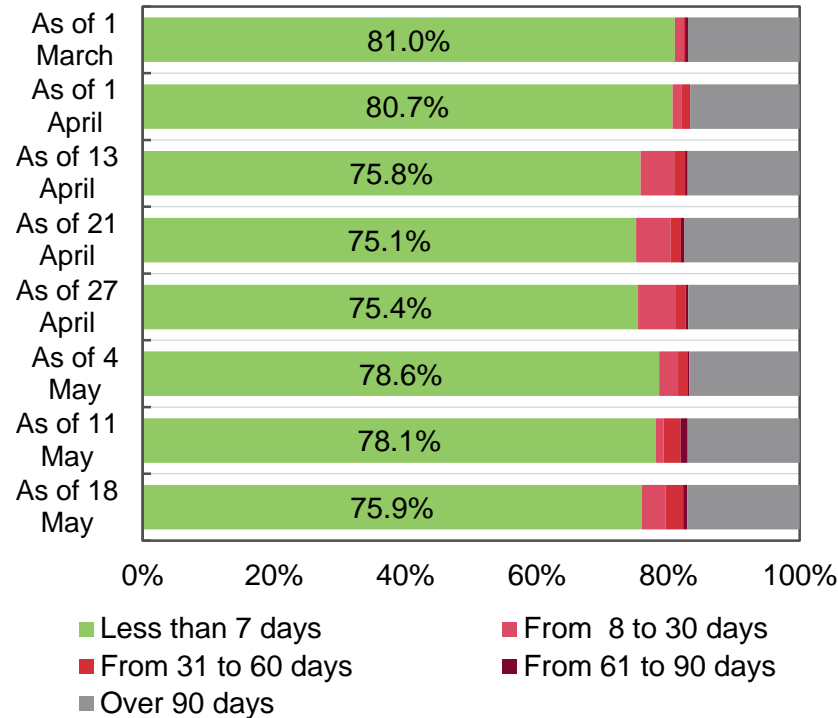
Source: bank survey data, calculations of NBU

\* 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.

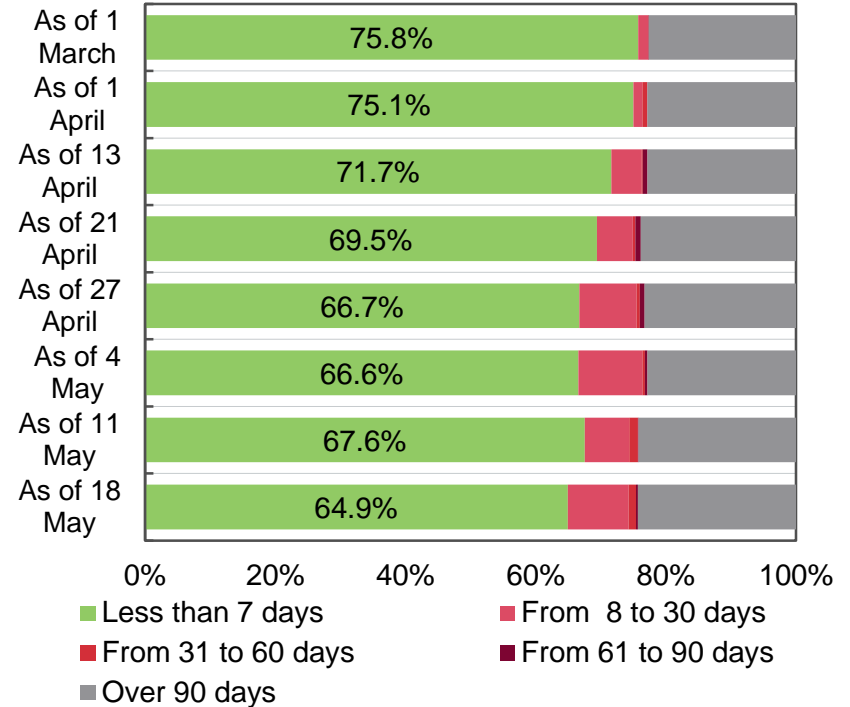


# Deterioration of FX SMEs loans was more notable

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



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



Source: bank survey data, calculations of NBU.

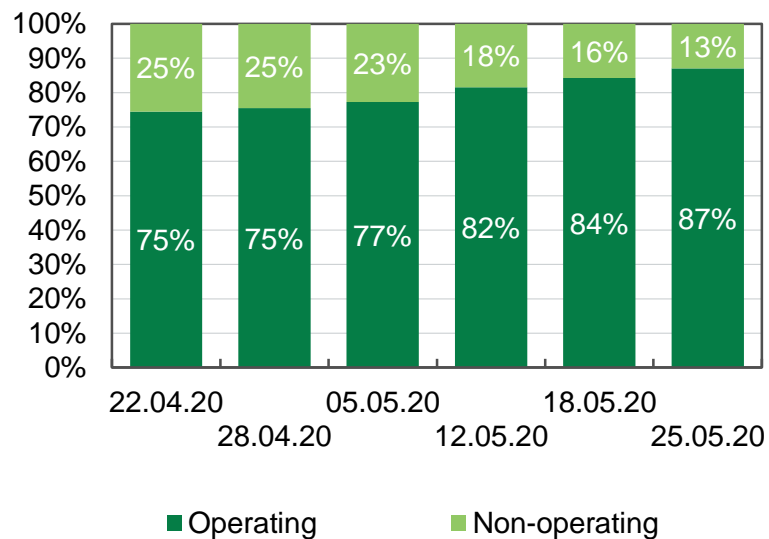
\* Information from survey of 20 largest banks. It is not a part of required statistical reports and reflects the banks data. The NBU does not guarantee the accuracy of the data reported by the banks.

**Data for Privatbank and Ukreximbank are excluded comparing to previous weekly review.**

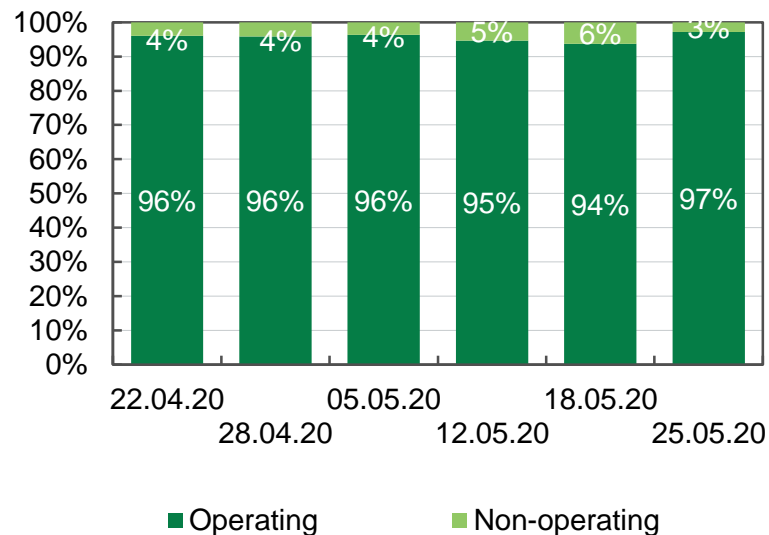
# Banking infrastructure is recovering

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 commissions 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>