



National Bank
of Ukraine

Banks: weekly review

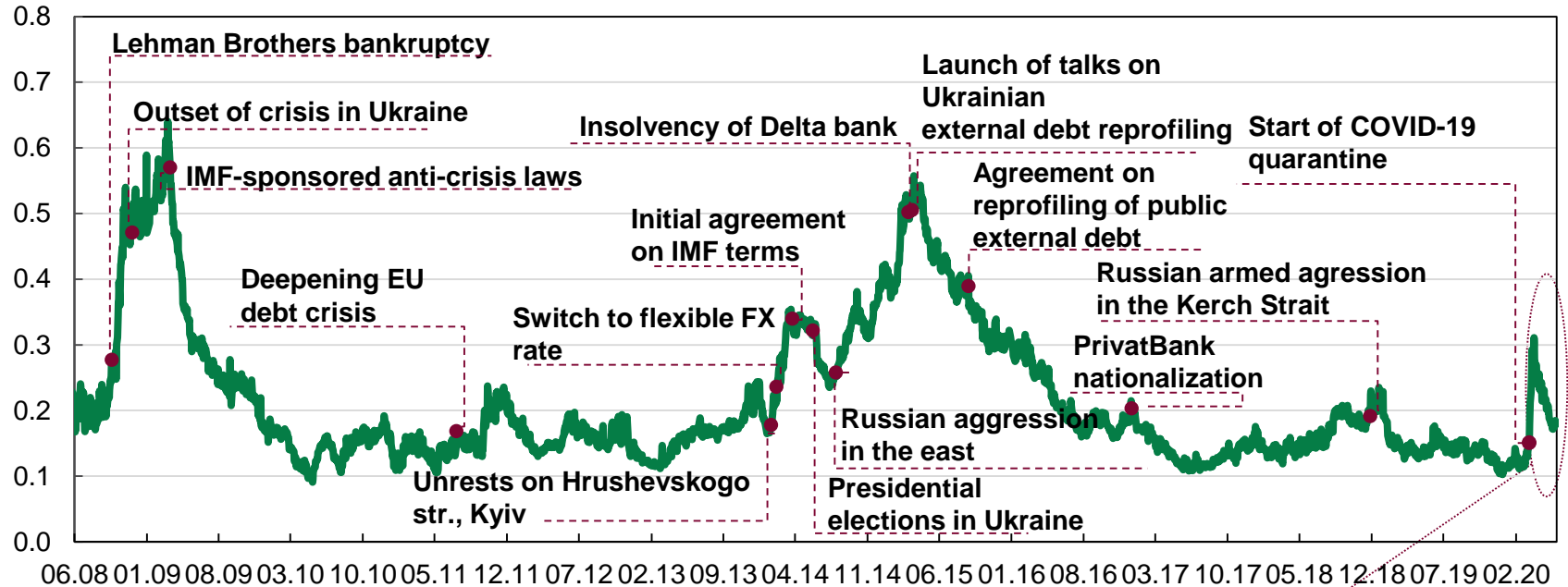
3 June 2020



Resume

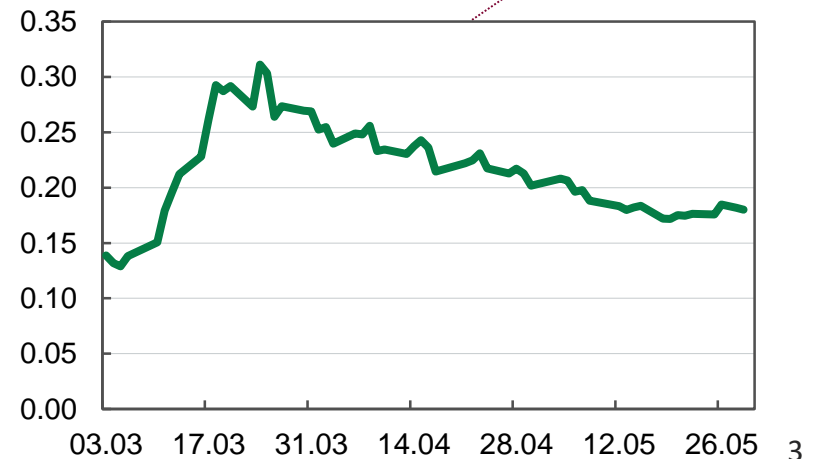
- The financial stress index was virtually flat.
- In the week that ended on 29 May, hryvnia retail deposits declined by 0.4%, time deposits in hryvnia grew by 0.4%. FX deposits increased by 0.4% in USD terms. The amount of time FX deposits decreased by 0.2%.
- Outflow rates of FX deposits are more moderate than in crises of 2008 and 2014.
- In May, the cost of new time hryvnia deposits reduced by 6 p.p., and the cost of UAH corporate loans decreased by 0.2 p.p.
- 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 banks' branches to 89%.

Financial stress index remained virtually unchanged



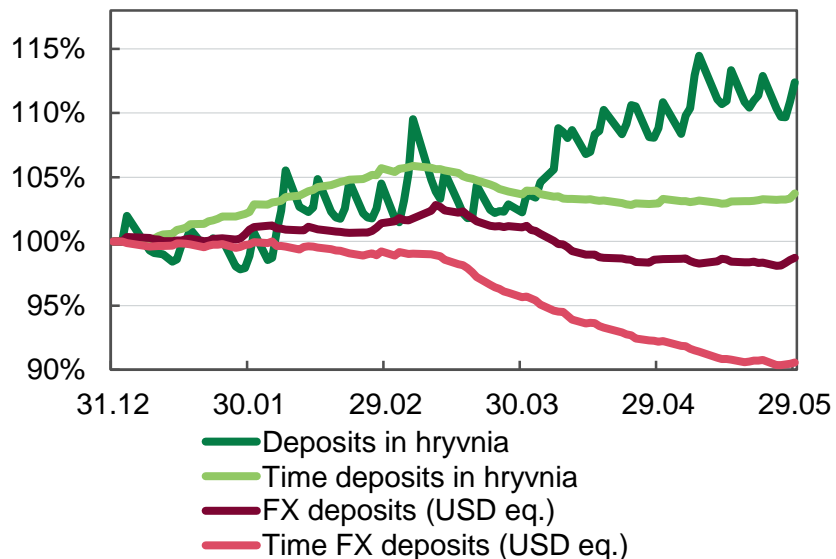
Source: NBU.

- Banking subindex marginally increased, while corporate subindex decreased.

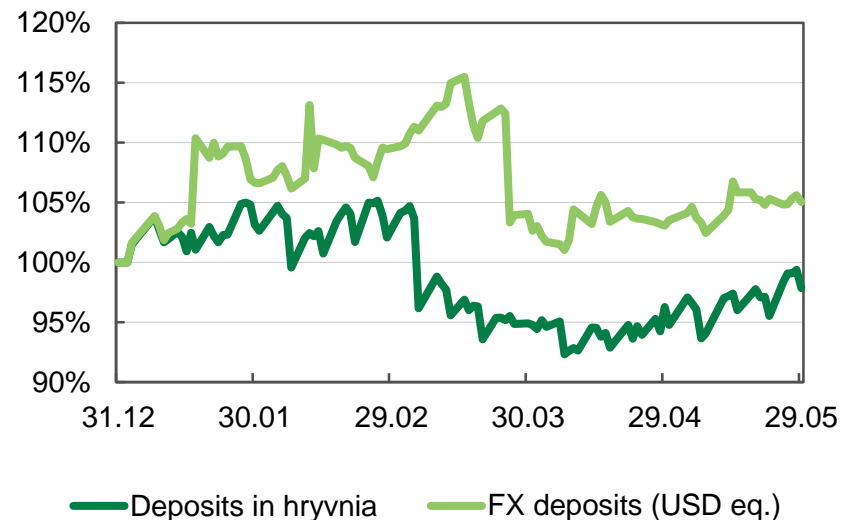


In May, both corporate and retail deposits in hryvnia increased

Retail deposits, 31 Dec 2019=100%



Corporate deposits, 31 Dec 2019=100%

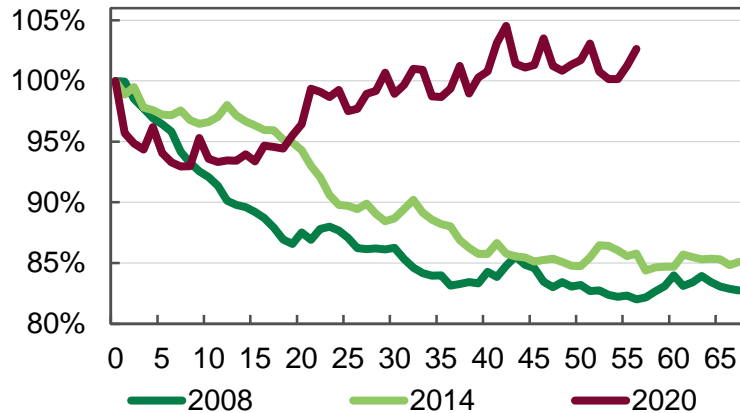


Source: NBU, daily data, including certificates of deposit.

- In the week that ended on 29 May, FX retail deposits increased by 0.4% in USD terms, deposits in hryvnia edged down by 0.4%.

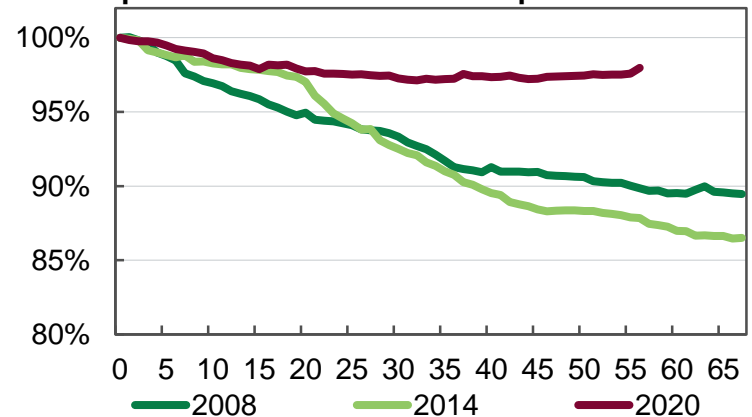
Both UAH and FX time retail deposits are recovering

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

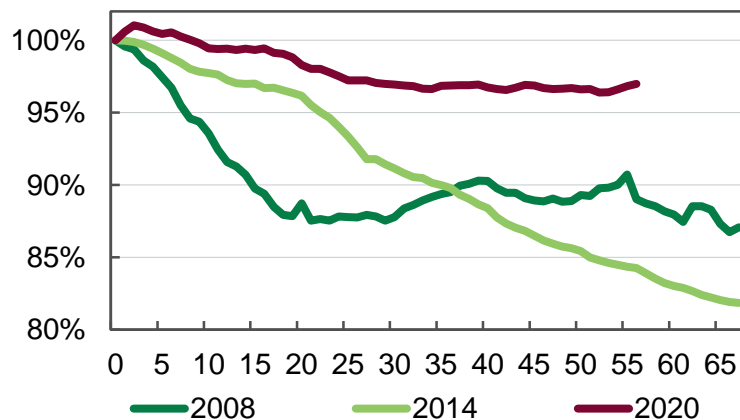


time deposits

Time deposits and certificates of deposits

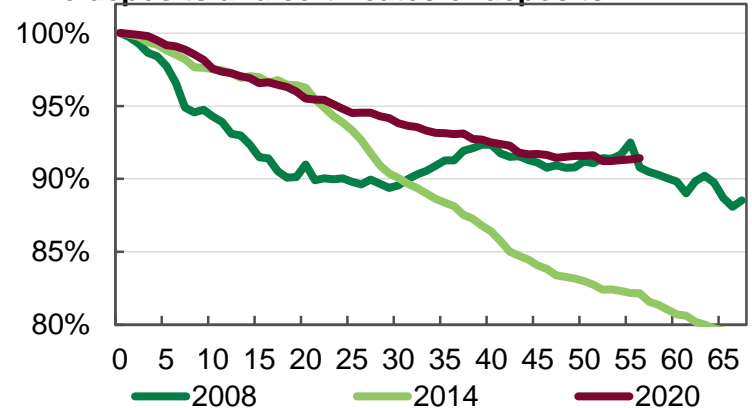


FX deposits (USD eq.), the last day before the outflow*= 100% (at solvent banks as of 1 April 2020)
 deposits



time deposits

Time deposits and certificates of deposits

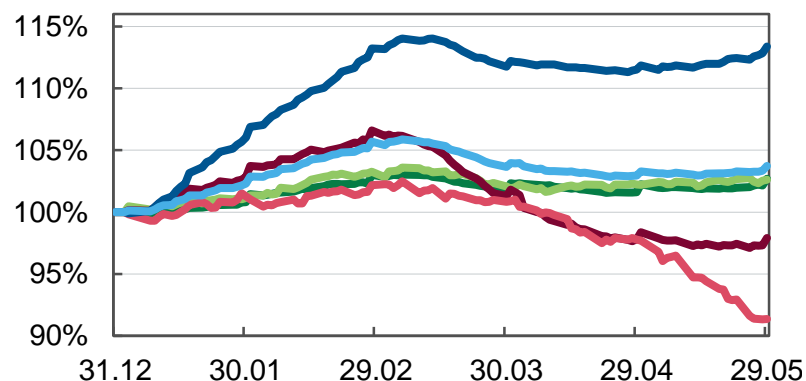


* The highest readings of hryvnia deposits recorded before the crises: in 2008 – 3 October 2008; in 2014 – 23 Jan 2014; in 2020 – 10 Mar 2020. X
 axis indicates number of working days.

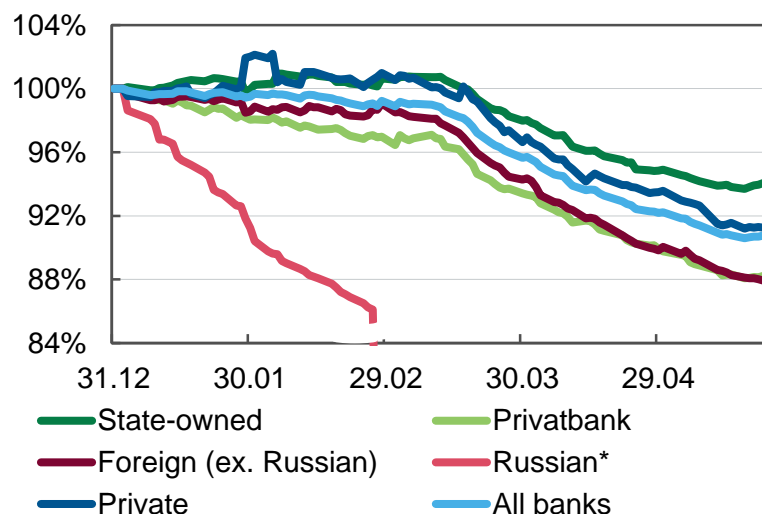
Source: NBU, daily data, including certificates of deposit.

Hryvnia time deposits grew at all groups of banks except Russian ones

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

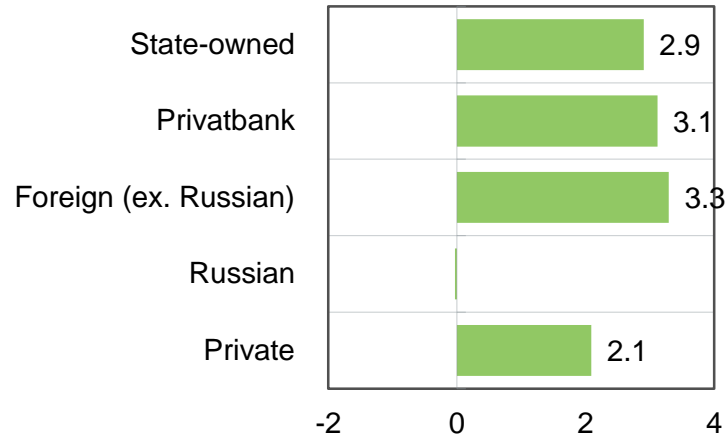
	Change during the previous week 18.05 - 22.05		Change during the reporting week 25.05 - 29.05	
	UAH billions	%	UAH billions	%
Retail deposits in hryvnia	-1.5	-0.4%	-1.5	-0.4%
of which Term deposits	0.3	0.2%	0.7	0.4%
Corporate deposits in hryvnia	-1.6	-0.5%	7.6	2.4%
	USD millions	%	USD millions	%
FX Retail deposits (USD eq.)	-8.0	-0.1%	37.3	0.4%
of which Term deposits	-2.3	0.0%	-14.0	-0.2%
FX Corporate deposits (USD eq.)	-41.4	-0.5%	-21.9	-0.3%

*Time FX retail deposits (USD eq.) in Russian-owned banks declined since the beginning on the year by 47%.
Source: NBU, daily data, including certificates of deposit.

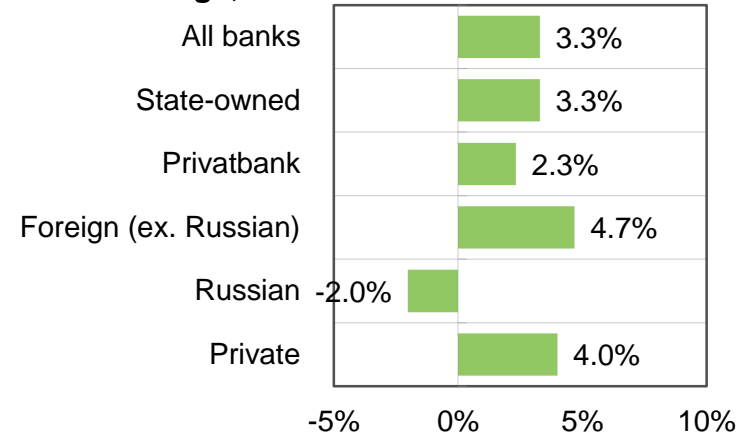
Change in hryvnia retail deposits (29 April – 29 May 2020)

Deposits in hryvnia

change, UAH billions

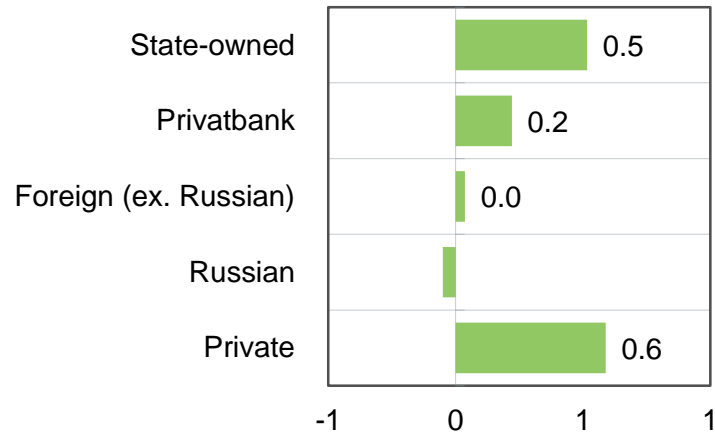


change, %

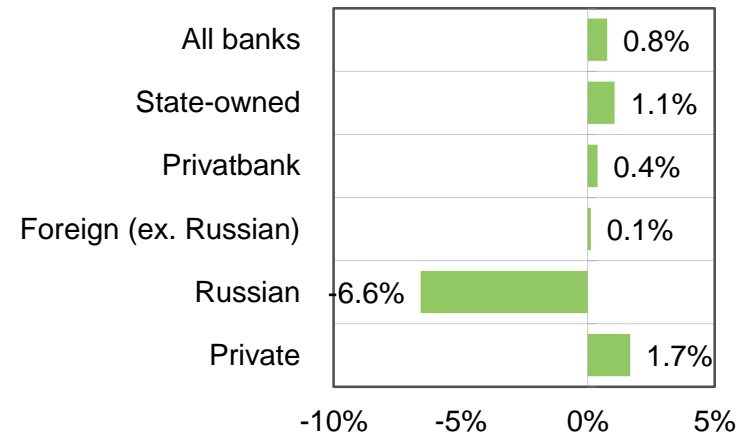


Time deposits in hryvnia

change, UAH billions



change, %

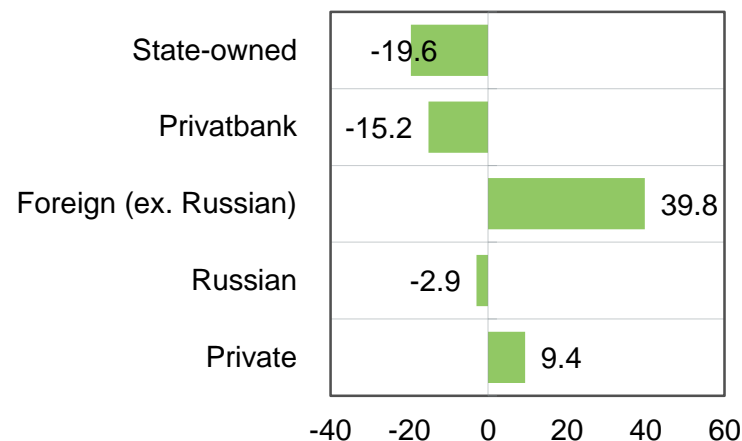


Source: NBU, daily data, including certificates of deposit.

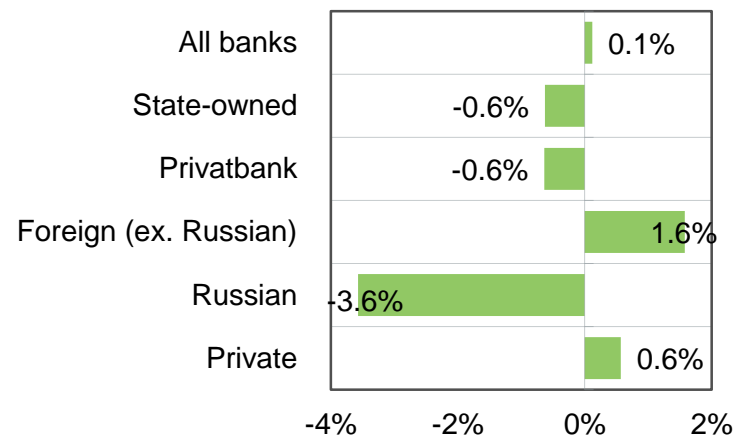
Change in FX retail deposits (29 April – 29 May 2020)

FX Deposits (USD eq.)

change, USD millions

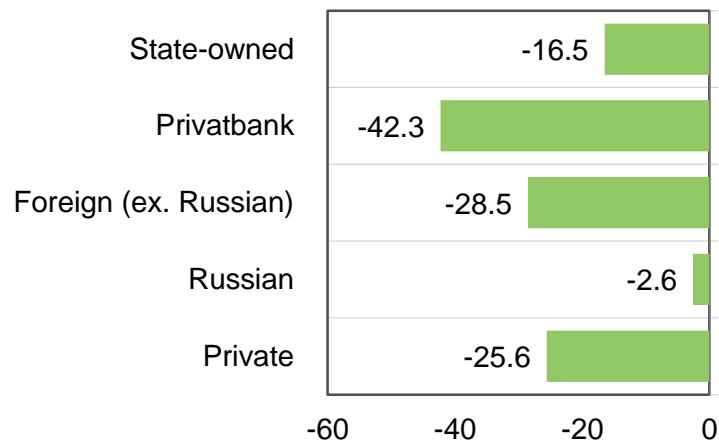


change, %

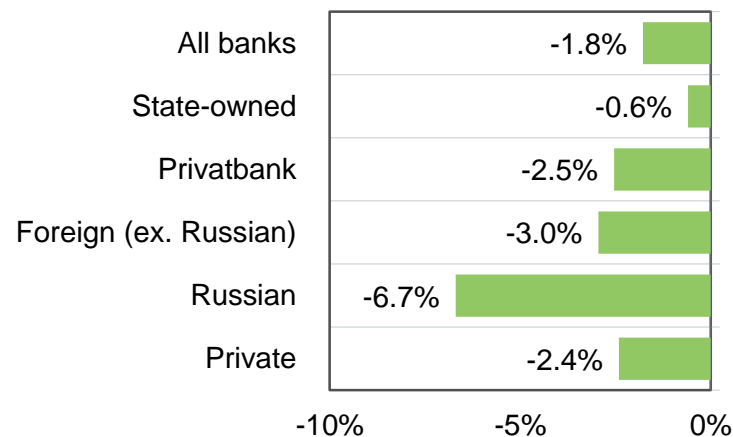


Time FX deposits (USD eq.)

change, USD millions



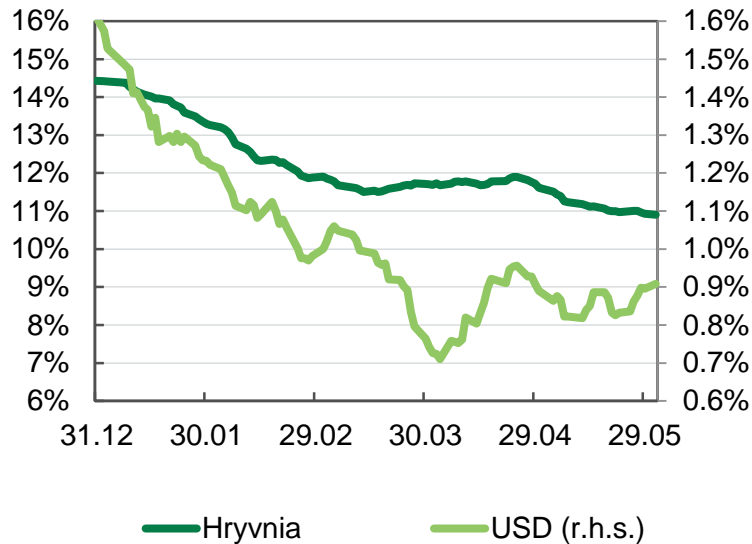
change, %



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

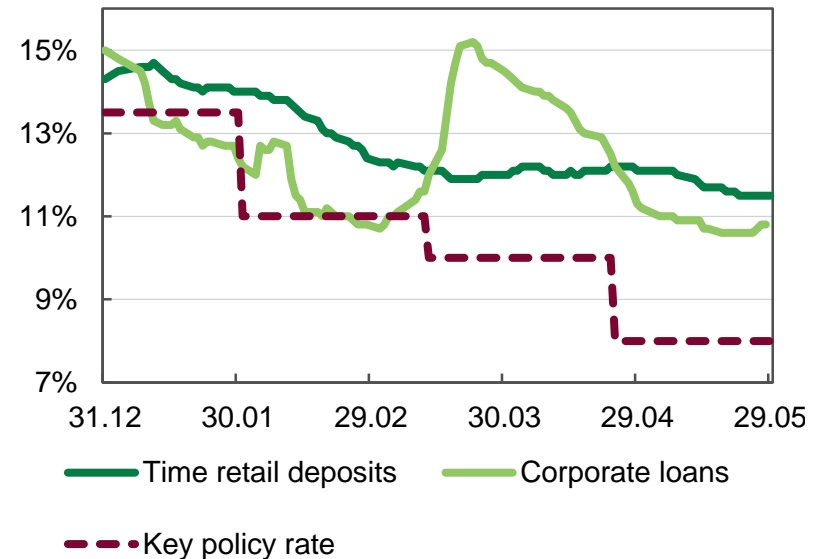
The cost of new hryvnia deposits decreased

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



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

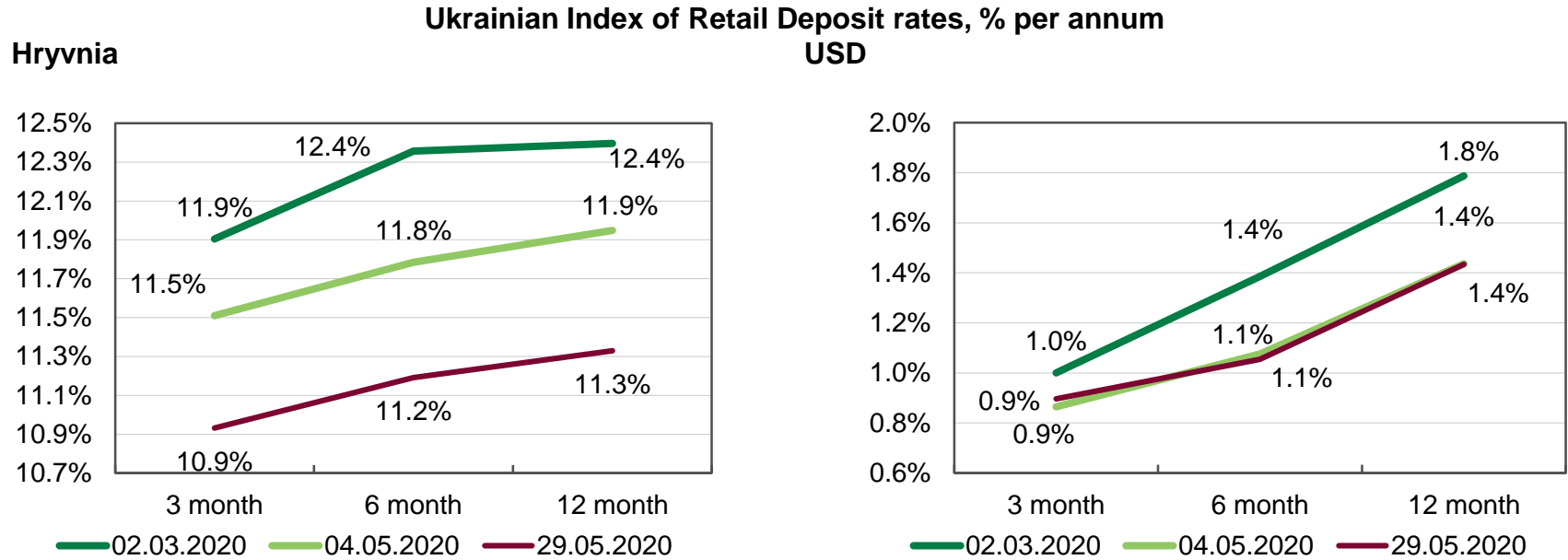
Interest rates on new hryvnia time deposits and loans, % per annum



Source: NBU, daily data, 5-day moving average.

- In May, the cost of new hryvnia retail deposits fell by 0.6 pp, and the cost of hryvnia corporate loans decreased by 0.2 pp.

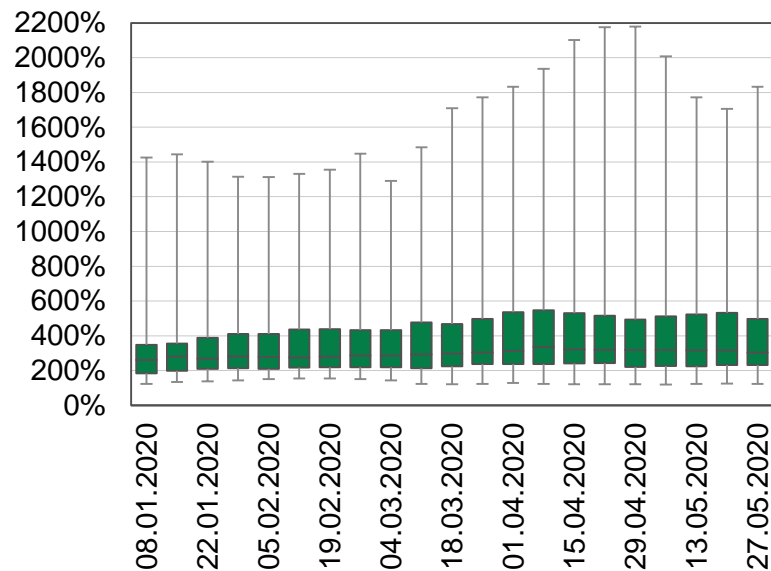
The cost of new hryvnia deposits keeps declining



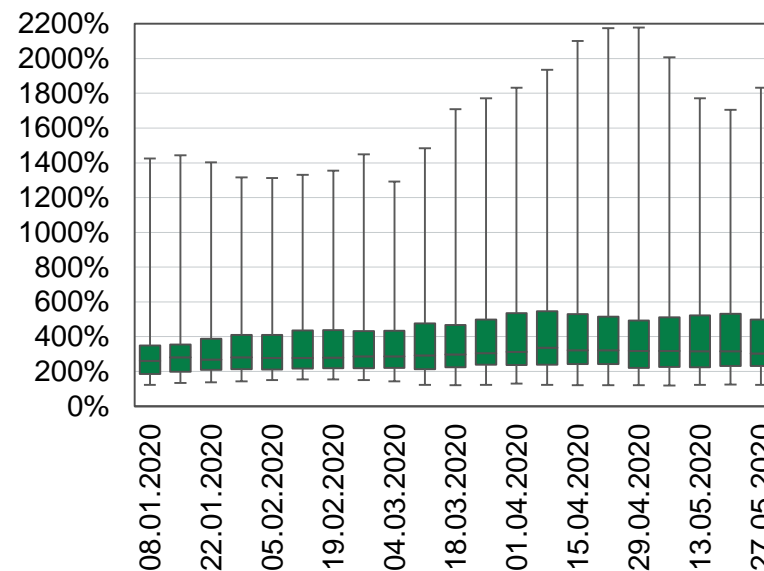
Source: "Thomson Reuters", 5-day moving average.

LCR is well above the regulatory required ratio

Liquidity coverage ratio (LCR) in all currencies* (arithmetic mean)



LCR in FX (arithmetic mean)



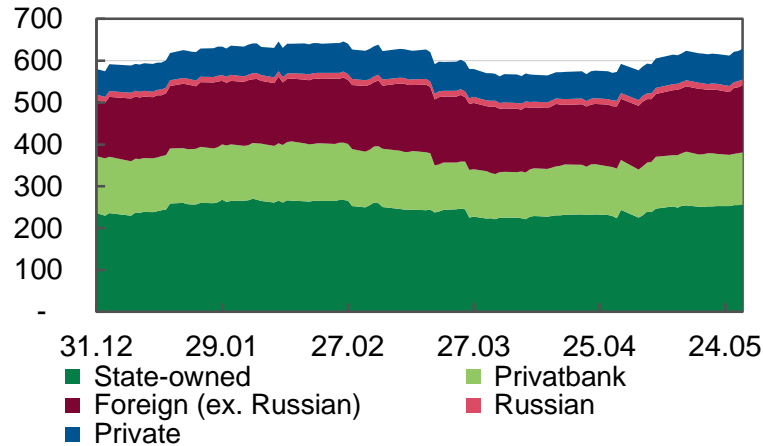
* Upper and lower edges of the green rectangles represent the first and the third quartiles of the indicator distribution across the banks for the date. The dashes inside the rectangle shows the mean. Upper and lower dashes outside the rectangle show 5th and 95th percentiles.
Source: NBU.

- Throughout the reporting week, LCR median value slightly decreased but still was three times higher than regulatory required ratio.

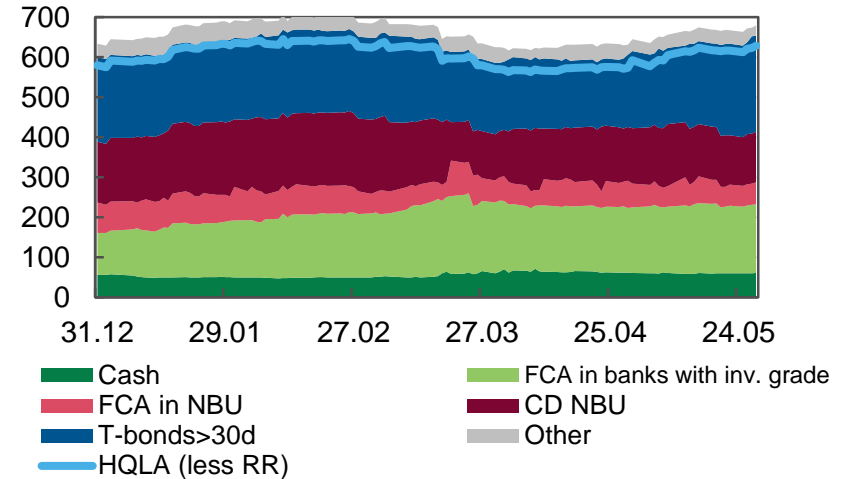
For the week HQLA in all currencies increased

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

by groups of banks

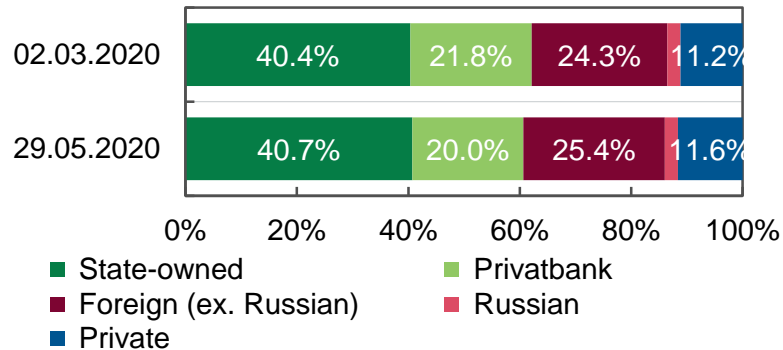


by components

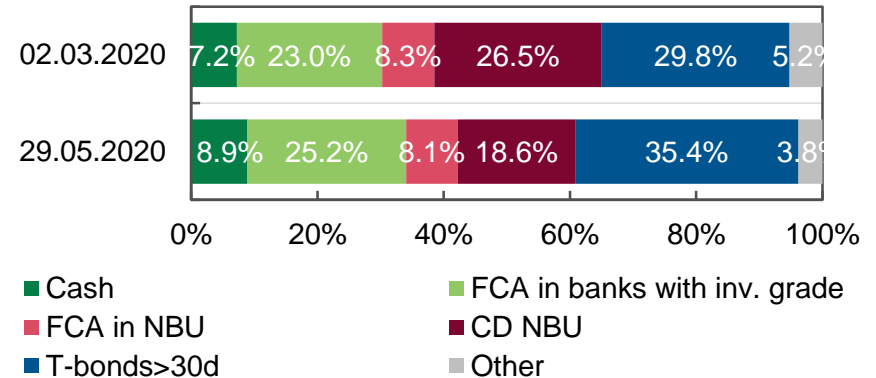


Structure of HQLA in all currencies

by groups of banks



by components



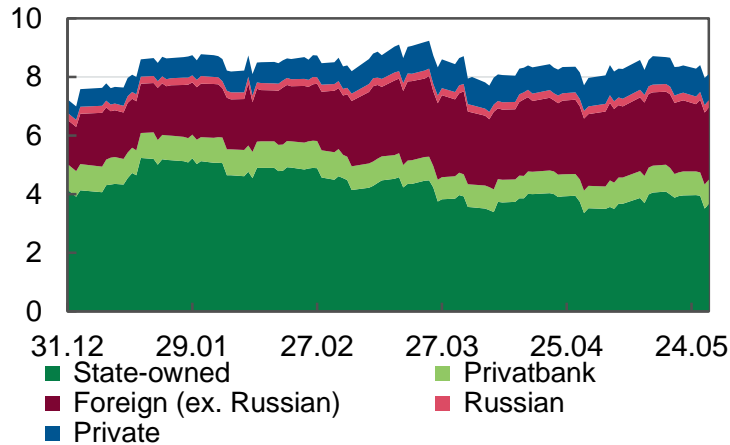
RR – Required Reserves, FCA - Foreign Currency Accounts, CD – Certificate of Deposit.

Source: NBU.

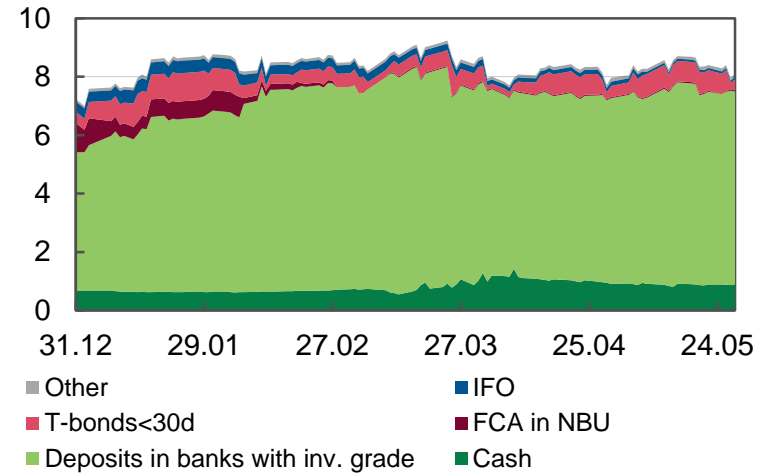
During the week the amount of HQLA in foreign currency decreased

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

by groups of banks

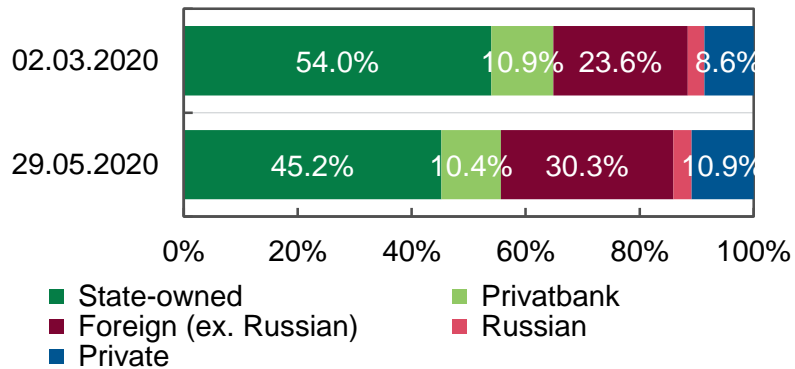


by components

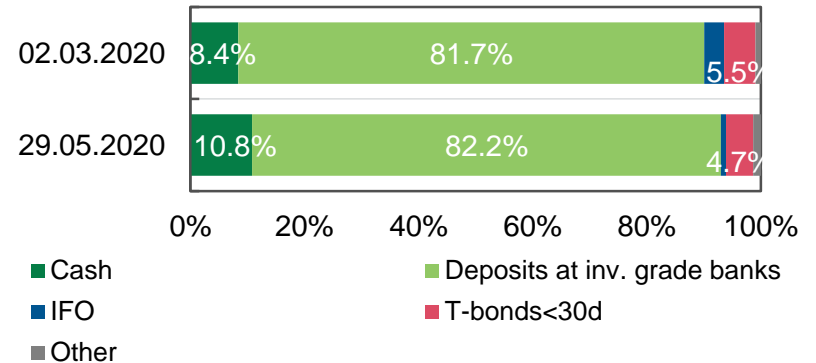


Structure of HQLA in FX

by groups of banks



by components

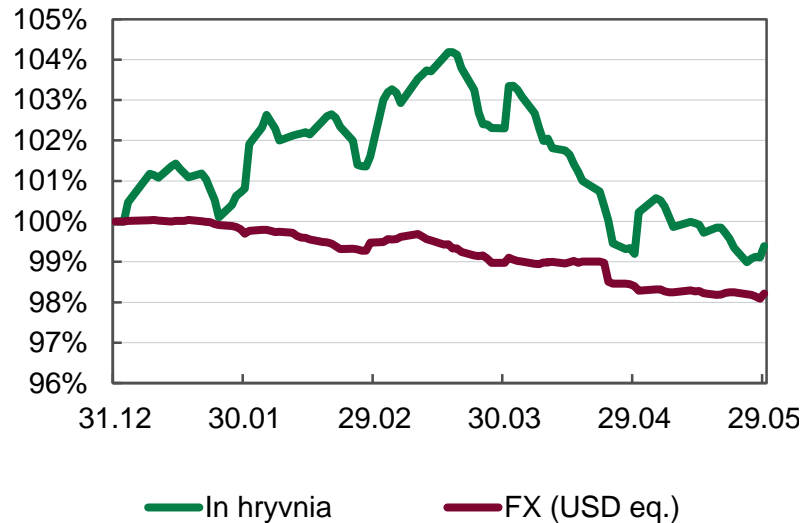


FCA - foreign currency accounts, IFO – international financial organizations.

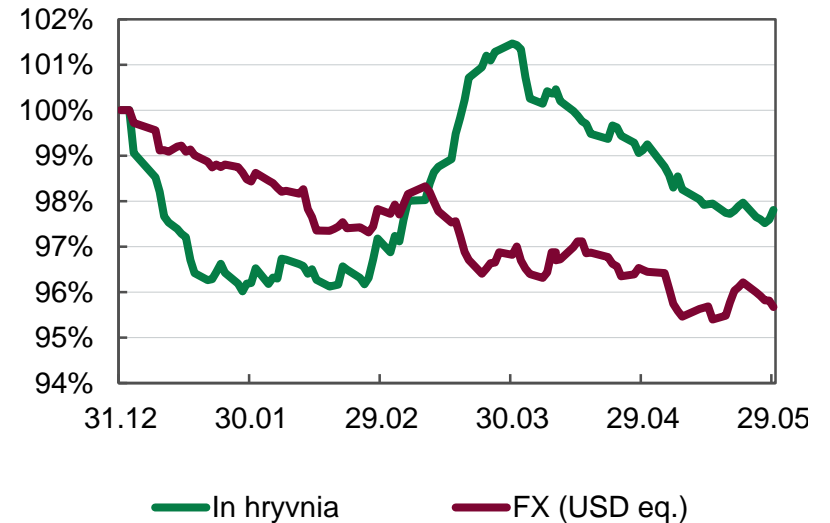
Source: NBU

During the week, the amount of UAH retail loans increased

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



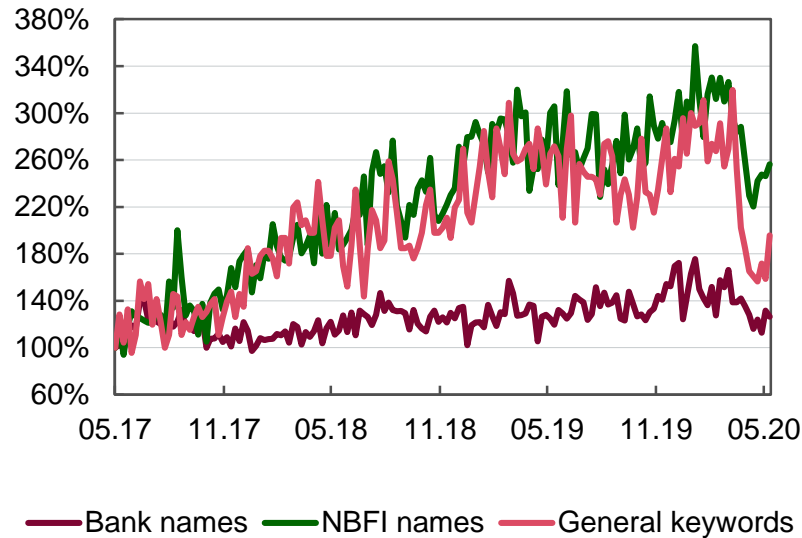
**Corporate Loans (Gross),
31.12.2019=100%**



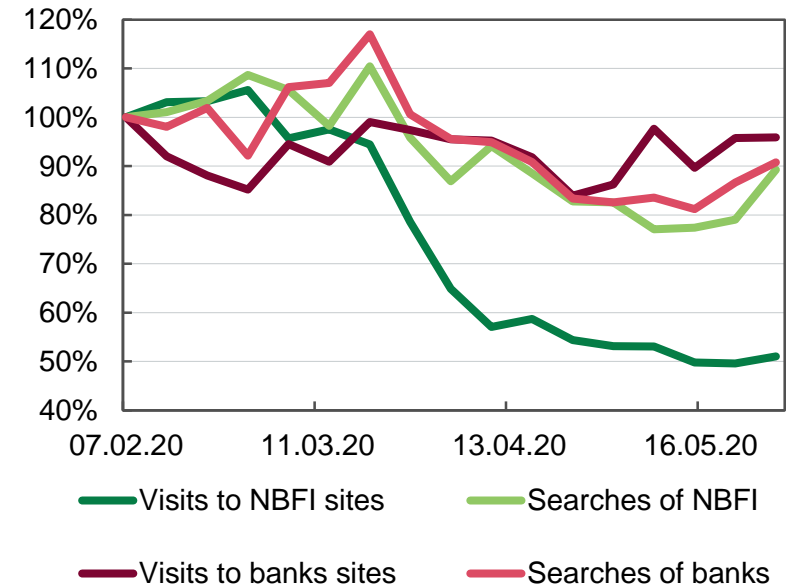
Source: NBU.

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 NBFIs, 1 February 2020 = 100%



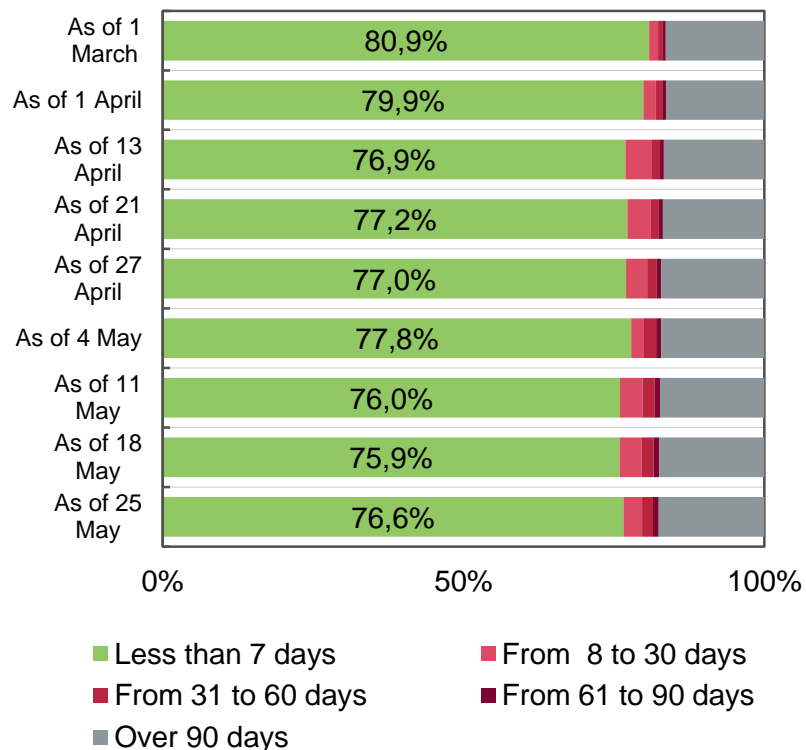
Analysis is based on pool of 11 banks with the largest portfolio of consumer lending (Privatbank data used only for “Searches of banks”) and 12 nonbank financial institutions with the largest number of visits to sites.

Source: NBU, Google trends, SimilarWeb

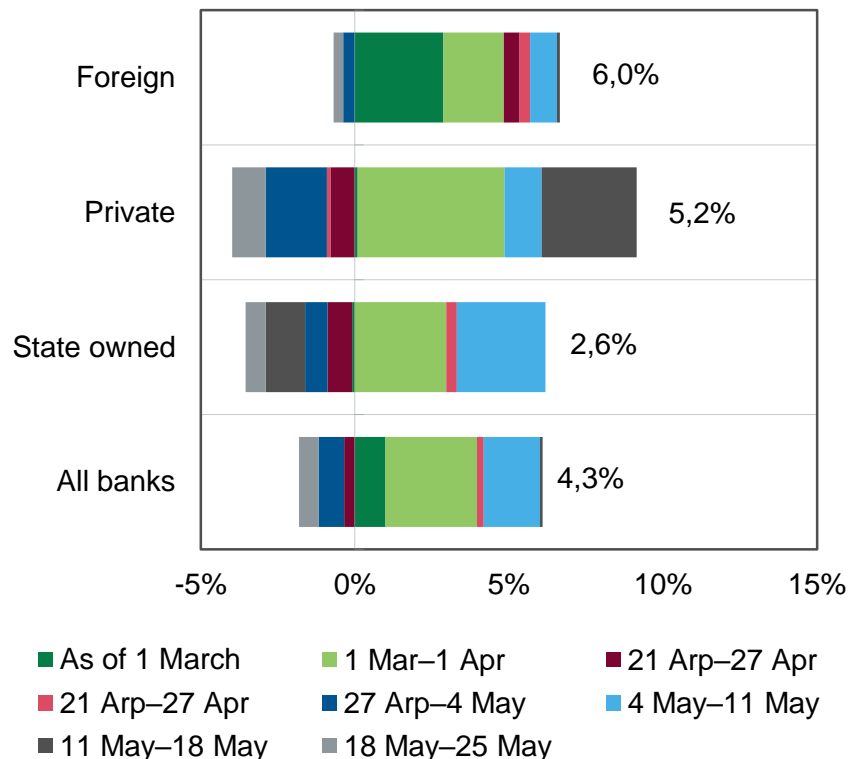
- Visits to sites of nonbank financial institutions (NBFIs) began to increase after a long fall.

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*

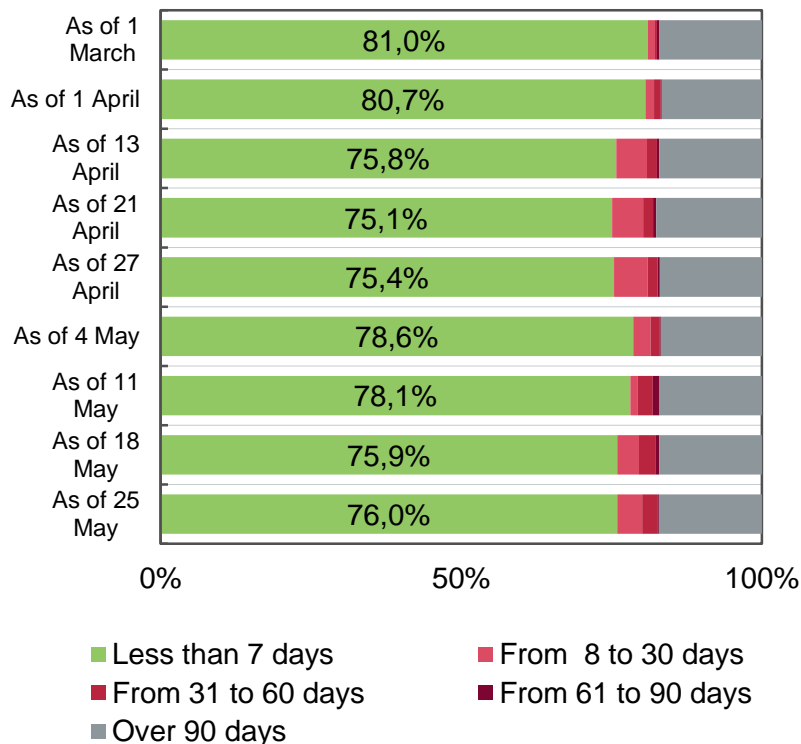


Source: bank survey data, calculations of NBU

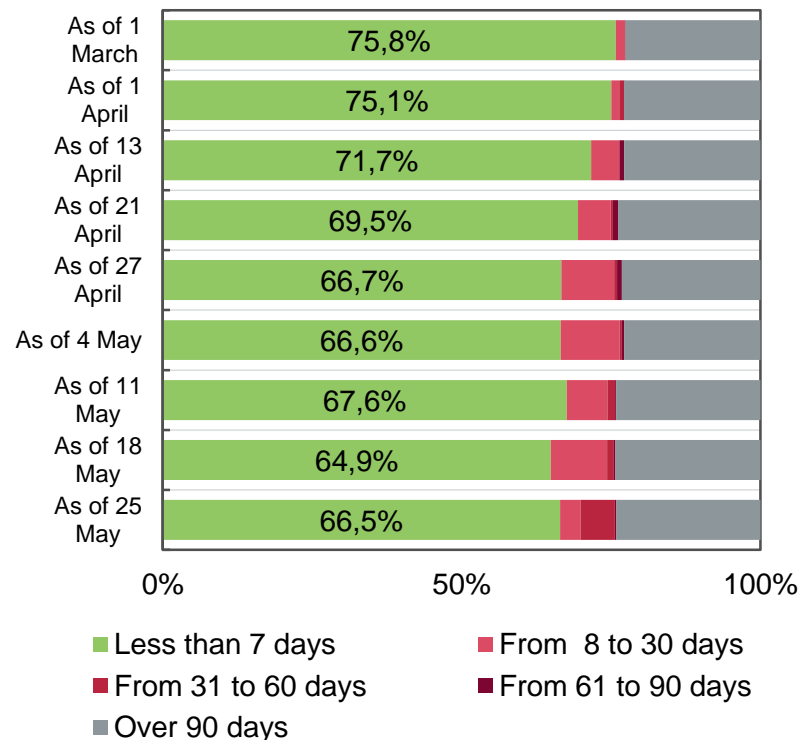
* Information from survey of 22 largest banks. It is not a part of required statistical reports and reflects the banks data. The NBU does not guarantee the accuracy of the data reported by the banks.

FX SMEs loans quality slightly improved

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.

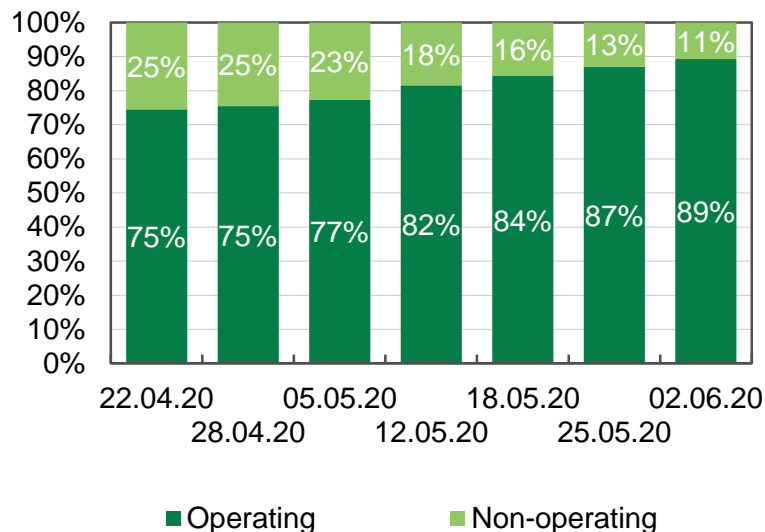
* Information from survey of 20 largest banks. It is not a part of required statistical reports and reflects the banks data. The NBU does not guarantee the accuracy of the data reported by the banks.

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

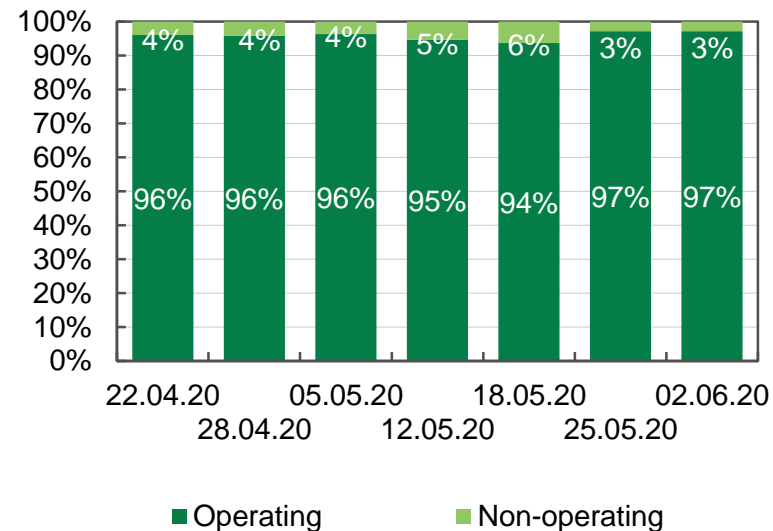
Banking infrastructure is recovering

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>