Bank Funding Survey

Q4 2024

In Q3 2024, the banks' liabilities as a whole grew in volume, while the average cost of funding decreased further, the survey showed. Deposits from all clients – households and businesses alike – rose in volume, as did wholesale funding. The share of banks that reported a decrease in the cost of funding was significant. Both retail and corporate deposits continued to get cheaper, the respondents estimated. The cost of wholesale funding declined for two straight quarters. In Q4, the financial institutions expect lower interest rates on deposits, mainly retail ones. Funding from households will rise. That from corporates will hold steady. In Q3, the share of FX liabilities rose, but it will shrink in Q4, the banks expect. The overall maturity of deposits did not change, but it will decrease in the next 12 months. The capital of most banks has risen over the past 12 months, with 64% of the respondents expecting it to grow going forward. The cost of capital decreased for four quarters running. The banks project it will extend its decline.

Liabilities

The volume of liabilities generally grew in Q3, the respondents said. Most financial institutions reported an increase in retail deposits. Growth in funding from corporates was reported by 54% of the respondents, down from 68% in Q2. Wholesale funding – bonds, loans from international financial institutions (IFIs) or parent banks, long-term refinancing, etc. – was on the rise for four straight quarters, primarily in some of the large financial institutions.

The banks reported that changes in regulatory requirements made them ramp up retail deposit volumes, but that the cost of funding and its supply from clients provided no incentives for such a buildup. As in the previous quarter, corporate deposits went up thanks to supply from clients themselves. A noticeably smaller number of banks noted that regulatory requirements affected deposit inflows.

In Q4, the financial institutions expect an overall insignificant increase in liability volumes. The banks estimate that only retail deposits will increase, while corporate ones are set to remain unchanged. The volume of wholesale funding will edge lower.

In Q3, one-third of banks expected to raise wholesale funding in the next 12 months. Some of the large financial institutions were hoping to receive wholesale funding in Q4 already. The banks were counting on funds for reconstruction projects to arrive from the EU and IFIs, among others. The respondents planned to raise wholesale funding, primarily to match the maturities of assets and liabilities. Regulatory requirements also prompted efforts to raise wholesale funding.

Overall, the average cost of funding decreased for five quarters in a row. But the percentages of the respondents that pointed to decreased interest rates on corporate and retail deposits were slightly below the record highs of Q2. The cost of wholesale funding declined for the second straight quarter, the banks estimated.

In Q4, the banks expect a decrease in rates on deposits from both households and corporates. However, the banks' assessments are more subdued than in Q1 and Q2 2024. The cost of wholesale funding will be little changed, the banks project.

In July–September, the share of FX funding grew in half of the banks. However, two-thirds of the respondents expect a decrease in the share of FX liabilities in Q4.

In Q3, the maturity of funding did not change, breaking the trend of the previous quarters. The maturity of funding will decline somewhat in the next 12 months, the banks assess.

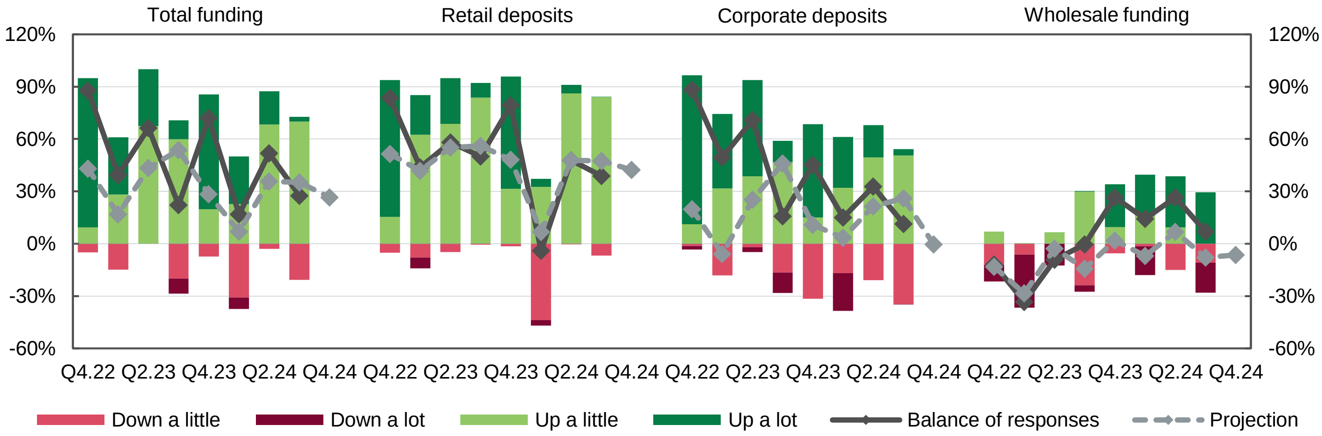
Capital

In Q3, about 95% of the respondents said that the total volume of bank capital had increased over the past 12 months. Two-thirds of the respondents anticipate this uptrend will persist in the next 12 months.

Since Q3 2022, the respondents have been calling profitability the key driver of capital growth in the near term. A reduction in capital is possible as a result of a change in the regulatory requirements, a worsening of macroeconomic forecasts, or a revision of the banks' risk appetite, some of the banks are saying. In Q3, only 14% of the financial institutions mentioned shareholder plans to build up capital in the next 12 months.

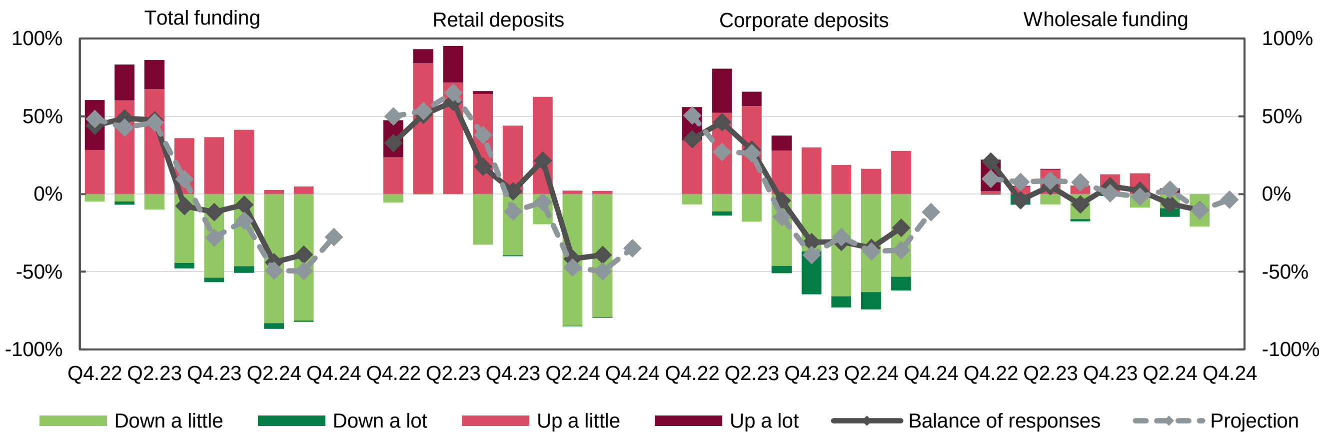
For four quarters running, the respondents pointed to a small decrease in the cost of capital over the past 12 months. The banks expect this downtrend will be sustained going forward.

Figure 1. **Changes in bank funding**



* A positive balance of responses indicates an increase in funding. The procedure for calculating the balance of responses is presented in the [Annex. Methodology and Survey Results.]

Figure 2. **Changes in the cost of bank funding**



* A positive balance of responses indicates an increase in the cost of funding.

Figure 3. **Impact of factors on changes in the volume of funds raised (balance of responses*)**

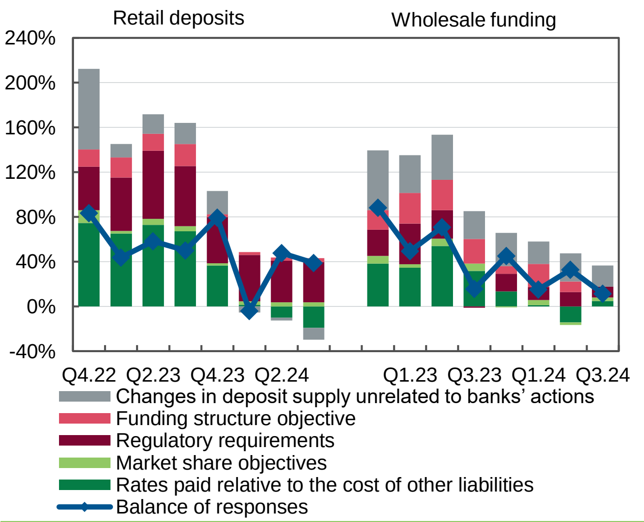
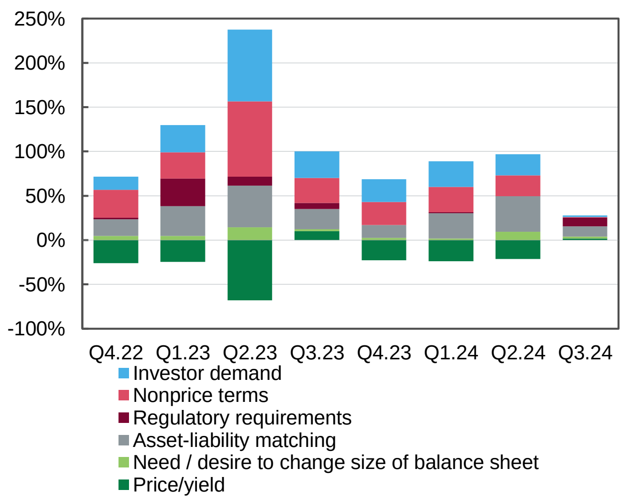


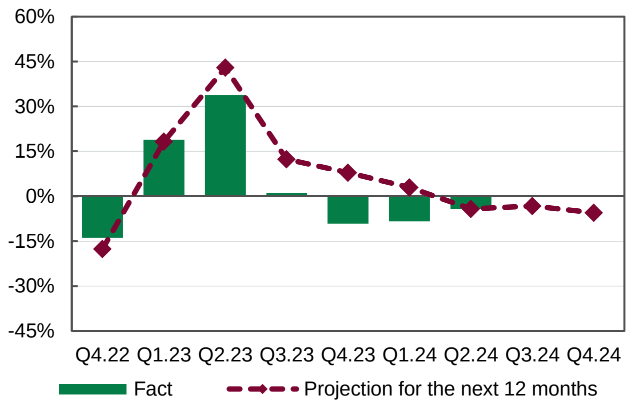
Figure 4. **Impact of factors on changes in the volume of future wholesale funding (balance of responses*)**



* A positive balance of responses indicates a positive impact of the factor on the funding growth.

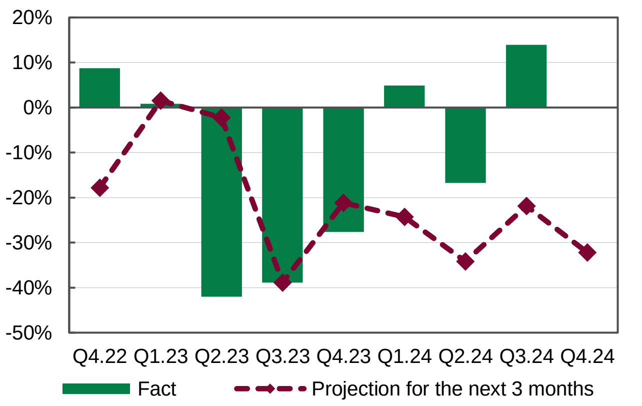
The line in the diagram is the balance of responses about the amount of funds raised. The bars denote the effects of factors on the change in the indicator (the total value of the indicator may not always equal the sum of the contributions of individual factors).

Figure 5. Change in the maturity of funds raised by banks (balance of responses*)



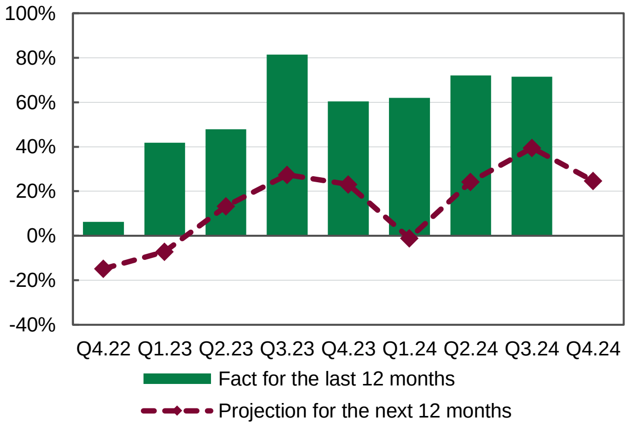
* A positive balance of responses indicates an increase in maturity of funding.

Figure 6. Change in the share of FX funding (balance of responses*)



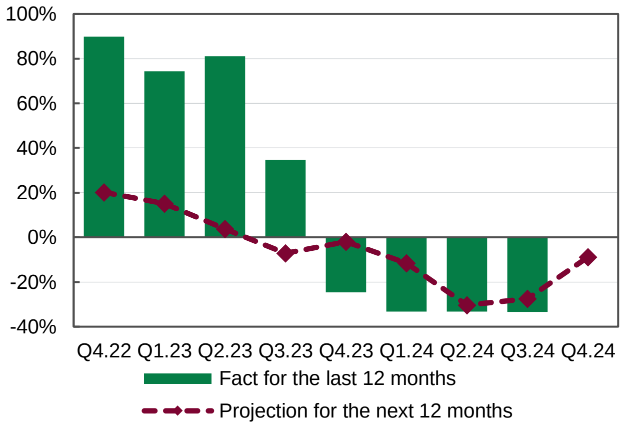
* A positive balance of responses indicates an increase in the share of FX funding.

Figure 7. Change in banks' total capital (balance of responses*)



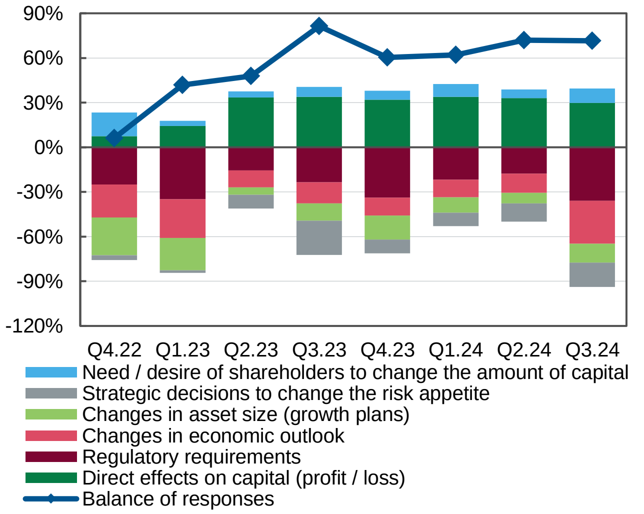
* A positive balance of responses indicates an increase in total capital.

Figure 8. Change in banks' cost of capital (balance of responses*)



* A positive balance of responses indicates an increase in cost of capital.

Figure 9. Impact of factors on changes in banks' capital (balance of responses*)



* A positive balance of responses indicates a positive impact on changes in banks' capital.

The line in the diagram is the balance of responses about changes in capital. The bars denote the effects of factors on the change in the indicator (the total value of the indicator may not always equal the sum of the contributions of individual factors).

Annex. Methodology and Survey Results

Each responding bank was represented by a liabilities manager who filled out an electronic questionnaire.

For questions where responses were on an ordinal scale (e.g., from “significantly increased” to “significantly decreased”), a balance of responses indicator was calculated.

The questionnaire covers changes in the past three months and expected changes over the quarter that follows the reporting quarter. The questions from the “Capital” section concern changes during the 12 months before the survey and the 12 months after.

To calculate aggregated results for all banks, each response is assigned a score based on the respondent’s answers and their weight in the total sample. The scores are presented on a range from -1 to 1, depending on the direction of change of the indicator. Responses indicating a significant change of the indicator are assigned a higher score than responses reflecting an insignificant change. The response “grew a lot” will have a score of 1, and the response “grew a little” a score of 0.5. Every estimate was assigned the respective respondent’s weight in the sample, which depended on their share in the liabilities or retail/corporate deposits in the sample. The total score for all banks is the balance of responses, which can be interpreted as the difference between the weighted share of respondents reporting an “increase” in a certain index, and the weighted share of respondents reporting a “decrease” in the index. The balance of responses can range between -100% and +100%. A positive balance indicates that respondents generally assess/expect a change in the indicator (the volume and cost of funding/capital, the maturity of borrowings, etc.) towards an increase/strengthening compared with the previous quarter. More information on how to interpret the balance of answers to each question is presented in the notes to the diagrams.

Table. Survey findings

Balance of responses	2021	2022				2023				2024		
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
1	2	3	4	5	6	7	8	9	10	11	12	13
I. Liabilities												
1. How did funding change during the quarter that ended?												
Net change	53%	12%	32%	46%	88%	39%	66%	22%	72%	17%	52%	27%
Retail deposits	62%	58%	14%	54%	84%	44%	58%	50%	79%	-4%	48%	39%
Corporate deposits	33%	-27%	40%	34%	88%	50%	71%	16%	45%	15%	33%	11%
Wholesale funding	0%	-3%	-26%	-11%	-12%	-33%	-9%	0%	27%	14%	27%	7%
2. How will funding change in the next quarter?												
Net change	8%	-21%	2%	43%	17%	43%	54%	28%	7%	36%	35%	27%
Retail deposits	0%	-8%	11%	51%	42%	55%	56%	48%	7%	48%	47%	42%
Corporate deposits	18%	-43%	5%	20%	-6%	25%	46%	11%	4%	21%	26%	0%
Wholesale funding	-2%	39%	-10%	-13%	-28%	-3%	-14%	2%	-7%	7%	-8%	-6%
3. How did the average cost of funding change over the quarter that has just ended?												
Net change	7%	15%	31%	39%	44%	49%	48%	-8%	-12%	-7%	-44%	-39%
Retail deposits	-15%	-19%	0%	9%	33%	51%	59%	18%	2%	21%	-42%	-39%
Corporate deposits	26%	7%	40%	62%	35%	46%	29%	-4%	-31%	-31%	-35%	-22%
Wholesale funding	12%	30%	47%	16%	21%	-4%	5%	-7%	5%	2%	-6%	-10%
4. How will the cost of funding change in the next quarter?												
Net change	16%	11%	70%	48%	43%	46%	10%	-28%	-17%	-49%	-49%	-28%
Retail deposits	3%	-17%	62%	50%	53%	65%	38%	-11%	-5%	-47%	-50%	-35%
Corporate deposits	16%	9%	64%	51%	27%	26%	-15%	-39%	-28%	-37%	-36%	-12%
Wholesale funding	10%	22%	27%	10%	8%	9%	8%	0%	-2%	3%	-11%	-4%
5. How did these factors affect the amount of funding from households during the quarter that has just ended?												
Banks’ demand factors												
Rates paid relative to the cost of other liabilities	-30%	2%	-6%	29%	74%	65%	73%	67%	37%	1%	-10%	-19%
Market share objectives	7%	3%	3%	10%	12%	2%	5%	5%	2%	3%	4%	4%
Regulatory requirements	4%	44%	37%	47%	39%	48%	61%	54%	41%	41%	37%	36%
Funding structure objective	-6%	7%	4%	18%	16%	18%	15%	20%	3%	3%	3%	3%
Depositors’ supply factors												
Changing supply of deposits, unrelated to bank action	14%	29%	12%	-25%	72%	12%	17%	19%	21%	-5%	-3%	-10%

1	2	3	4	5	6	7	8	9	10	11	12	13
6. How did these factors affect the amount of corporate deposits during the quarter that has just ended?												
Banks' demand factors												
Rates paid relative to the cost of other liabilities	2%	15%	8%	43%	38%	34%	54%	32%	13%	1%	-14%	5%
Market share objectives	4%	0%	3%	4%	7%	3%	7%	7%	-1%	4%	-2%	3%
Regulatory requirements	6%	29%	15%	20%	24%	36%	25%	-1%	16%	12%	13%	10%
Funding structure objective	-10%	0%	5%	23%	17%	27%	27%	22%	7%	21%	9%	0%
Depositors' supply factors												
Changing supply of deposits, unrelated to bank action	12%	-19%	18%	19%	53%	34%	40%	25%	30%	20%	25%	19%
7. How has the share of FX funding changed in the quarter that has just ended?												
Net change	-29%	-29%	-15%	20%	9%	1%	-42%	-39%	-28%	5%	-17%	14%
8. How will the share of FX funding change in the next quarter?												
Net change	-32%	-39%	-33%	-18%	2%	-2%	-39%	-21%	-24%	-34%	-22%	-32%
9. How did the maturity of the funds raised in the quarter that has just ended change from the previous quarter?												
Net change	1%	-42%	-58%	-13%	-14%	19%	34%	1%	-9%	-8%	-4%	0%
10. How will the maturity of funding change over the next 12 months?												
Net change	-5%	-31%	-35%	-18%	18%	43%	12%	8%	3%	-4%	-3%	-6%
11. What factors have influenced plans to raise wholesale funding going forward?												
Banks' demand factors												
Need / desire to change size of balance sheet	51%	40%	1%	3%	5%	5%	14%	2%	3%	2%	9%	2%
Asset-liability matching	63%	51%	-7%	4%	19%	34%	47%	22%	15%	28%	40%	12%
Price/yield	0%	-11%	-19%	-1%	-26%	-25%	-68%	10%	-23%	-24%	-21%	2%
Nonprice terms	21%	21%	-3%	2%	31%	30%	85%	28%	26%	28%	23%	1%
Regulatory requirements	42%	22%	22%	2%	2%	31%	10%	7%	0%	1%	0%	9%
Depositors' supply factors												
Investor demand	42%	15%	-11%	2%	15%	31%	81%	30%	25%	29%	24%	2%
II. Capital												
12. How has total capital changed over the past 12 months?												
Net change	72%	11%	29%	-4%	6%	42%	48%	81%	60%	62%	72%	71%
13. How will total capital change in the next 12 months?												
Net change	63%	-56%	-32%	-15%	-7%	13%	27%	23%	-1%	24%	39%	25%
14. How has the cost of capital changed over the past 12 months?												
Net change	33%	32%	27%	60%	90%	74%	81%	35%	-25%	-33%	-33%	-33%
15. How will the cost of capital change in the next 12 months?												
Net change	23%	56%	60%	20%	15%	4%	-7%	-2%	-12%	-30%	-27%	-9%
16. What factors will affect the change in capital over the next 12 month?												
Direct effects on capital (profit/loss)	73%	-77%	-51%	14%	7%	14%	33%	34%	32%	34%	33%	30%
Regulatory requirements	-32%	-31%	4%	-17%	-25%	-35%	-15%	-23%	-34%	-22%	-18%	-36%
Factors affecting capital demand from banks												
Changes in economic outlook	-1%	-70%	-80%	-49%	-22%	-26%	-11%	-14%	-12%	-12%	-13%	-29%
Strategic decisions to change risk appetite	10%	-18%	-13%	-10%	-3%	-2%	-9%	-23%	-9%	-9%	-12%	-16%
Changes in asset size (growth plans)	38%	7%	-25%	-29%	-26%	-22%	-5%	-12%	-16%	-10%	-7%	-13%
Factors affecting capital supply from investors												
Need / desire of shareholders to change the amount of capital	7%	5%	11%	13%	16%	3%	4%	7%	6%	9%	6%	10%

About the survey

The NBU highly appreciates the banks' participation in the survey under conditions of martial law.
In July 2021, the NBU introduced a quarterly bank funding survey. The survey primarily aims to deepen our understanding of the dynamics of the volumes, structure, and costs of banks' liabilities and capital. The report compiles aggregate assessments and expectations of respondents regarding the volumes, costs, and maturities of various types of bank liabilities and capital, as well as the drivers of these indicators.

The report covers assessments of bank funding conditions in Q3 2024 and expectations for Q4 2024. The survey contains generalized estimates of changes in the banks' capital ratios over the past 12 months, and expectations for the next 12 months (Q4 2024–Q3 2025). The survey was carried out from 16 September June through 7 October 2024 among bank liability managers. The answers were provided by 26 financial institutions that jointly hold 96% of the banking system's total assets. The survey's results reflect the views of respondents and are not to be interpreted as assessments or forecasts made by the NBU.

A bank funding survey with the banks' expectations for Q1 2025 will be published in January 2025.