National Bank of Ukraine

Banking Sector Review

November 2024

In Q3 2024, net hryvnia loans to businesses and households continued to grow, for over a year now. This was driven by a further decline in interest rates on corporate loans, which, however, had almost stabilized. The banks invested increasingly more into domestic government debt securities, while the role of NBU certificates of deposit (CDs) waned again. Hryvnia retail deposit inflows resumed in September. By contrast, the growth in corporate deposits halted. High operational efficiency and low provisioning drove the sector's consistently high profitability. Coupled with a high capital cushion, this enabled banks to successfully switch to the three-tier capital structure and new capital adequacy ratios. A resilience assessment of the banks in 2025 will also determine their capital adequacy ratios under an adverse scenario.

Sector Structure

Ukraine's 62 banks continued to operate in Q3 2024. In September, small Motor-Bank (0.02% of sector assets) was reclassified from private to state-owned after a court ruled to transfer to the state the assets held by a sanctioned former owner of the bank. Although this brought the number of state-owned banks to seven, their share of net assets remained at 53.3%. In retail deposits, it even edged lower (by 0.7 pp), to 63.4%, primarily because private and foreign banks activated their efforts to raise deposits.

Assets

The volume of solvent banks' net assets rose by 1.8% qoq in Q3, with 0.5 pp of that gain driven by an exchange rate revaluation. First of all, bank investments in domestic government debt securities were up 8.9% qoq (+39% yoy). In contrast, the volumes of NBU CDs have been shrinking for three straight quarters, down 8.4% in Q3 alone. The banks' funds in their accounts with the NBU and other banks decreased 5.9% qoq. Meanwhile, the net portfolio of loans to clients is growing steadily, both in terms of volume – by 6.8% qoq and 22.4% yoy – and as a share of the sector's net assets breakdown – by 1.2 pp qoq and 0.5 pp yoy, respectively.

The portfolio of net hryvnia loans to businesses is extending its rise: up 6.9% qoq (+22.9% yoy) in Q3. The volumes of net hryvnia loans to SMEs increased 7.9% qoq and 28.0% yoy, outpacing the growth in loans to large businesses, as usual. Accordingly, the share of loans to SMEs in the net hryvnia corporate loan portfolio also expanded, by another 0.5 pp qoq (2.4 pp yoy), to 60%. The banks in all groups ramped up their volumes of net hryvnia corporate loans. Private banks did it at the fastest pace: +9.2% qoq and +36.1% yoy. During Q3, loans to clients in wholesale trade and agriculture increased the most, both by volume and by rate of growth.

The net FX corporate loan portfolio added 2.3% qoq in dollar terms in Q3, primarily at foreign banks (-4.6% yoy).

Further improvement in lending conditions, specifically the stabilization of interest rates, is fueling a pickup in lending and an increase in the percentage of non-subsidized loans. The loans made under the Affordable Loans 5–7–9% program shrank by 2 pp qoq to about 34% as a share of the gross portfolio of hryvnia performing loans.

The net hryvnia retail loan portfolio was growing throughout Q3. Its volume exceeded pre-full-scale-war levels. It rose 9.7% qoq and 40.7% yoy. Unsecured loans continue to dominate the portfolio. Competition in unsecured lending slightly picked up due to a small decrease in the share of two banks that always lead the way by volume of loans. The increase in mortgages came out a bit slower in Q3 compared to previous periods, up 10.8% qoq or about 85% yoy. Almost all of mortgage lending was further provided under *eOselia*, a state program that saw its gross portfolio rise by UAH 3.5 billion, to UAH 21.3 billion, in Q3. The share of real estate loans rose to 13.4% of the net hryvnia retail loan portfolio.

Loan portfolio quality has been improving for over 12 months. The non-performing loans (NPL) ratio shrank to 32.3% in Q3, by 2.2 pp qoq and 5.5 pp yoy. The NPL ratio has been declining all across the banking system, most actively at state-owned banks. For institutions with state and foreign capital, this downtrend continues to be driven by the rise in the volume of new loans and NPL write-offs. For private banks, the contraction of the NPL ratio was exclusively due to new lending. The NPL ratio of loans to businesses shrank by 1.6 pp qoq, to 40.7%. For households, it fell even more notably by 2.0 pp qoq, to 17.6%. Only about 5% of corporate borrowers defaulted on hryvnia loans in the 12 months to October. That is comparable to rates of default seen in times of macroeconomic stability.

Funding

Bank liabilities continued to grow in Q3: up 0.6% qoq due to increases in household deposits, tax arrears, and accounts payable. The share of client deposits in the funding structure shrank slightly, to 92.2%, primarily due to a reduction of corporate deposits. NBU refinancing loans, held in the portfolios of four small banks, are almost unchanged at UAH 1.6 billion. In Q2, the sector's external debt gained 0.2% qoq, but remained at about USD 1.6 billion.

The banks' hryvnia retail deposits rose 1.2% qoq (+15.4% yoy) due to a September increase. Overall, the growth in deposits decelerated from the previous quarter. Hryvnia retail term deposits edged higher by 0.4% qoq. They rose the most in private banks, up 1.6% qoq. The decrease in term deposits in July and August was offset by their 0.7% increase in September. Thanks to the faster growth in current-account balances, the share of hryvnia term deposits extended its decline, shedding 0.3 pp, to 34.3%. Households' FX deposits rose 2.3% (+6.0% yoy), driven primarily by an increase in current-account balances. FX term deposits also returned to growth, adding 0.6% qoq (-5.1% yoy). The dollarization rate of client deposits was up 0.5 pp, to 33.1%, mostly due to a weaker hryvnia.

Hryvnia corporate deposits edged lower for the first time since Q1 2022, by 1.4% qoq, but extended their increase in annual terms, gaining 20.2% yoy. The decrease occurred in all groups of banks, except for private ones, due to taxes and increases in corporates' other costs. FX corporate deposits also declined in volume, by 1.5% qoq (+9.6% yoy), mainly because of dividend payouts. The volume of FX corporate deposits decreased in foreign and private banks and came in a bit higher at state-owned ones.

Interest Rates

In Q3, the NBU's key policy rate remained at 13.0% per annum, as did the rate on overnight CDs. The rate on three-month NBU CDs decreased to 15.5% per annum. In September, the NBU tightened its reserve requirements for current accounts. In general, the decrease in rates on retail deposits decelerated slightly. The rate on new hryvnia deposits (including demand ones) decreased by 0.6 pp qoq, to 9.6% per annum. For one-year retail deposits, the Ukrainian Index of Retail Deposit Rates (UIRD) showed a 0.3 pp qoq decline in the rate, to 12.9% per annum. The spread between rates on 12-month and 3-month deposits has remained negligible for more than a year now. Interest rates on corporate deposits went slightly down during July–August and returned to 8.5% per annum in September.

Market rates on hryvnia loans stabilized: for businesses at about 15% per annum; for households at just below 28% per annum. Rates on new loans to large enterprises remained below those on loans to SMEs.

Financial Results and Capital

In Q3, the sector maintained its high operational efficiency and low provisioning volumes. This enabled the banks to make profits of UAH 38.6 billion for the quarter. Which is actually a 1.2% qoq decrease from a quarter earlier (-8.6% yoy). PrivatBank generated nearly half of the sector's profit. Fifteen small banks were loss-making (up from eight in Q2), taking losses of UAH 0.3 billion in total.

Net interest income remained the core source of profit, although the yield on bank assets declined. First of all, the return on NBU CDs continued to decline, in part due to the rate on three-month instruments being lower. As a result, the share of this yield in interest income shrank by 2.5 pp, to 19.1%. The yield on domestic government debt securities and on retail loans increased somewhat, while that on loans to businesses held steady. At the same time, the banks' cost of liabilities decreased faster than the return on assets. This nudged the interest margin up, to 7.6%.

Net commission income surged by 3.7% qoq and 25.6% yoy. However, its month-by-month developments were unstable, and its volume still smaller than before the full-scale war. Profit from transactions to buy/sell foreign exchange was slightly down in quarterly terms, making up 5.5% of operating income. Another 9.1% of operating income came in the form of gains from the revaluation of domestic government debt securities.

All of the main components of operating expenses surged during the quarter, by a combined 7.4% qoq and 31.7% yoy. The cost-to-income ratio (CIR) was 37.9%, up from 37.1% a quarter before and from 33.0% in Q3 2023. Ten banks generated operating losses over the quarter.

Profitability and a sufficient transition period enabled the banks to smoothly transition to new capital adequacy ratios. At the end of Q3, none of the banks were in breach of the minimum requirements. The sector's Tier 1 capital adequacy was 15.7%, while regulatory capital adequacy was 16.2%.

Prospects and Risks

The banks may face a challenge from legislative changes that, if they take effect, will bring about a repeat 50% hike in the income tax on 2024 profits. This will require a number of banks to adjust their business plans. Some of the banks would have to update their capitalization programs drawn up after the resilience assessment in 2023. However, profitability will ensure that these financial institutions can accumulate sufficient capital cushions going forward.

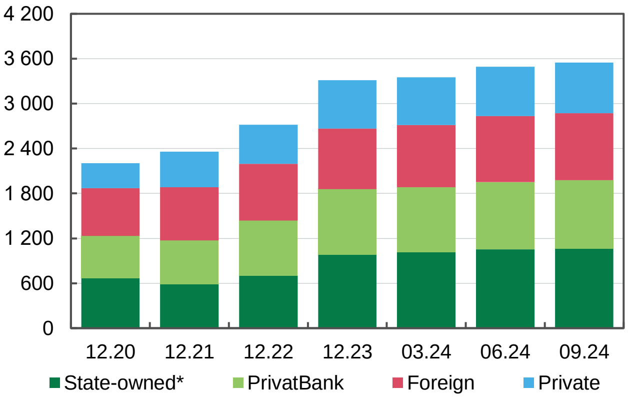
Lending conditions will be further improved by the step-by-step implementation of the Lending Development Strategy, which has already made energy loans more accessible. One of the next priorities will be to reduce the sector's NPL ratio.

Next year, the NBU will resume its usual resilience assessments of the banking system, including stress testing under adverse scenarios. The banks will be required to ensure an adequate level of capital by the end of 2025. Approaches to an asset quality review that will be carried out by external auditors will be approved in the near term.

Sector Structure

In Q3, the banks' total assets increased by 1.6%, including by 0.4 pp due to exchange rate revaluation. The number of operating banks remained unchanged over the quarter, but Motor-Bank, which holds 0.02% of total sector assets, was reclassified from private banks to the group of state-owned banks. The reclassification had no significant impact on the sector.

Figure 1. Banks' total assets, UAH billions



As of the end of the quarter, including adjusting entries. Solvent banks were divided into groups according to the classification in the respective reporting period.

* Hereinafter, Motor-Bank was reclassified as a state-owned bank in September 2024.

Table 1. Number of banks

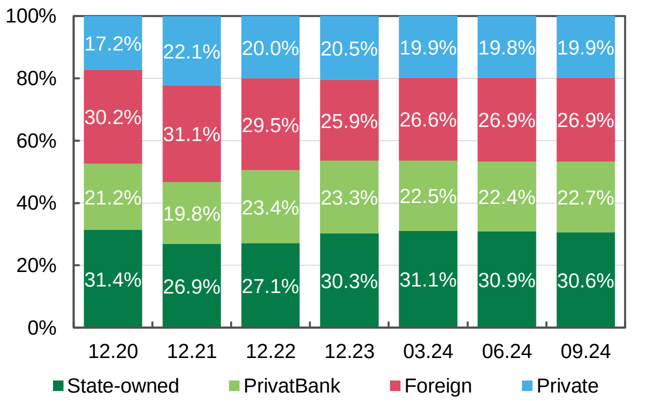
	2020	2021	2022	2023	Q1 24	Q2 24	Q3 24
Solvent	73	71	67	63	63	62	62
Change	-2	-2	-4	-4	0	-1	0
State-owned, incl. PrivatBank	5	4	4	5	6	6	7
Change	0	-1	0	+1	+1	0	+1*
Foreign-owned	20	20	16	14	14	14	14
Change	0	0	-4	-2	0	0	0
Private	48	47	47	44	43	42	41
Change	-2	-1	0	-3	-1	-1	-1*

The number is as of the end of the respective period.

* Motor-Bank was reclassified as a state-owned bank in September 2024.

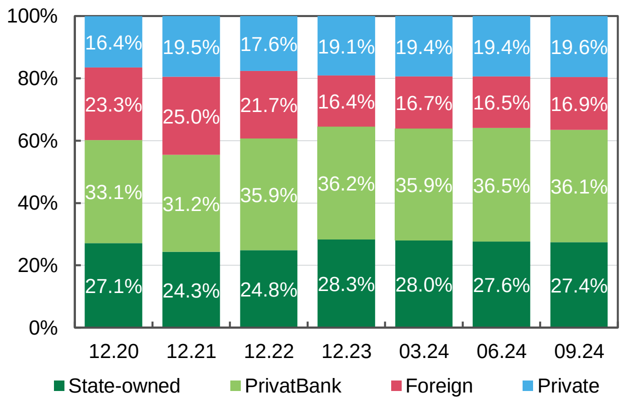
In Q3, the share of state-owned banks in the sector's net assets remained at 53.3%. At the same time, their share in retail deposits decreased by 0.7 pp, to 63.4%, primarily due to more active deposit taking by banks with private and foreign capital.

Figure 2. Distribution of net assets by groups of banks



As of the end of the quarter, including adjusting entries.

Figure 3. Distribution of retail deposits by groups of banks



In Q3, the share of net assets of the 20 largest banks increased slightly (by 0.3 pp). At the same time, the sector's concentration in terms of retail deposits decreased by 1.7% qoq.

Figure 4. Largest banks' share of sector net assets

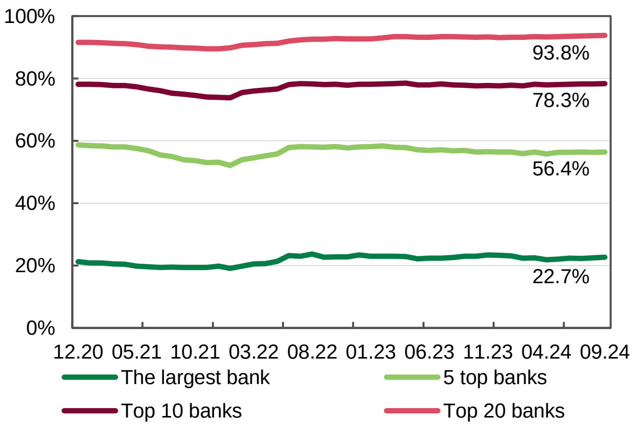
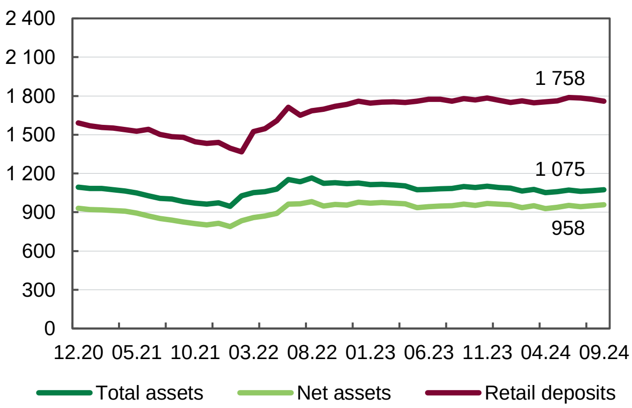


Figure 5. Concentration as measured by the HHI indicator*

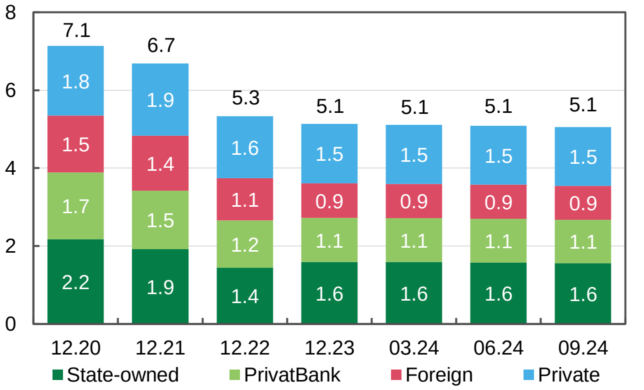


* The Herfindahl–Hirschman Index (HHI) is an indicator of banking sector concentration. It is calculated by summing the squared market shares of individual banks. The index ranges from 0 to 10,000, with values below 1,000 indicating low market concentration. Retail deposits include certificates of deposit.

Banking Infrastructure and Payment Transactions

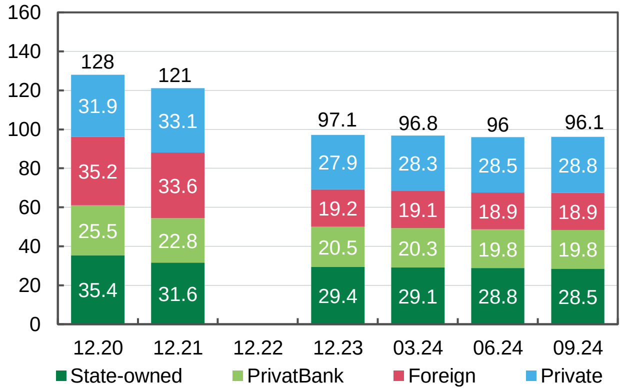
The network of bank structural units decreased slightly in Q3. State-owned banks and PrivatBank closed the most branches. The largest decrease in the network was observed in Donetsk oblast and Kyiv city. Over the quarter, the number of full-time employees generally remained unchanged: it declined at state-owned banks but rose at private ones.

Figure 6. Number of banking units*, thousands



* Standalone bank structural units and head offices.

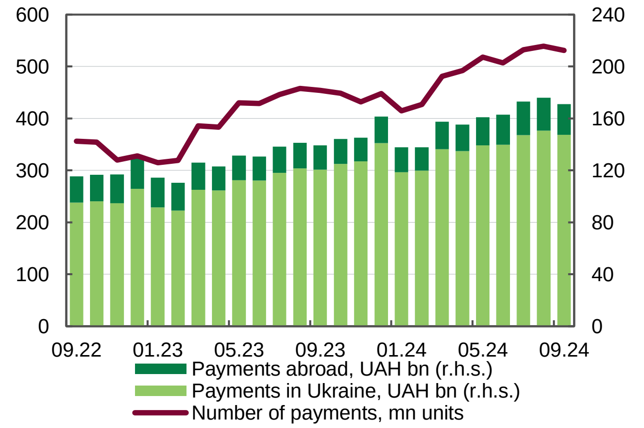
Figure 7. Bank staff headcount*, thousands of employees



* From Q1 2022 through Q3 2023, the statistics were not collected.

The volume of card payments in stores continues to grow at a rate of more than 20% per year both inside Ukraine and abroad.

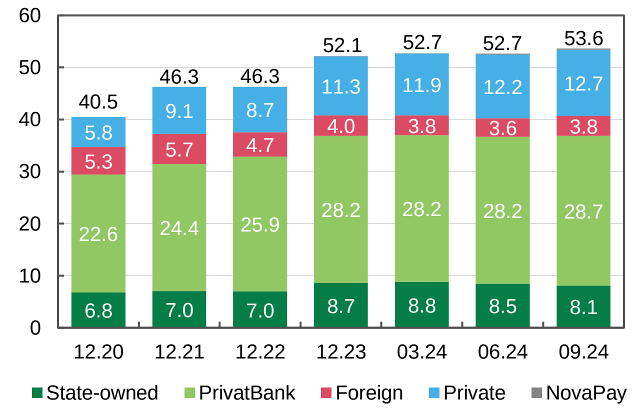
Figure 8. Card-based payments* in retail networks



* Electronic means of payment issued by Ukrainian financial institutions.

The number of active payment cards in Q3 increased at all banks except state-owned ones. The largest growth was recorded at PrivatBank and private banks. The number of active cards issued by NovaPay, the only non-bank card issuer, continued to grow.

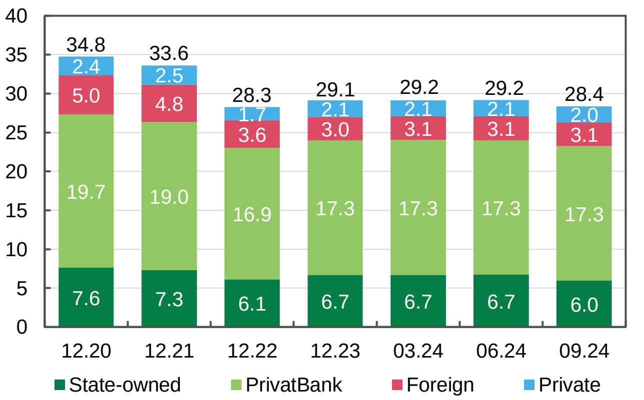
Figure 9. Number of active payment cards by groups of financial institutions*, millions of pieces



* As of 1 October 2024, NovaPay issued 212,200 active payment cards.

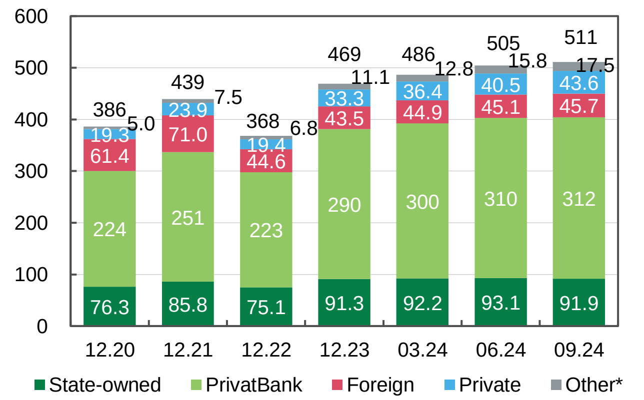
The network of POS terminals continued to grow. However, in July–September, the increase in the number of terminals was small compared to the previous quarters. State-owned banks even slightly reduced their network for the first time since Q1 2023. The highest growth was registered at private banks and PrivatBank (+3,100 and +2,500, respectively). NovaPay increased its network of POS terminals by 1,900. State-owned banks reduced their ATM network.

Figure 10. Number of banks' ATMs*, thousands of units



* Number of self-service bank machines (ATMs, cash-in ATMs, and self-service kiosks).

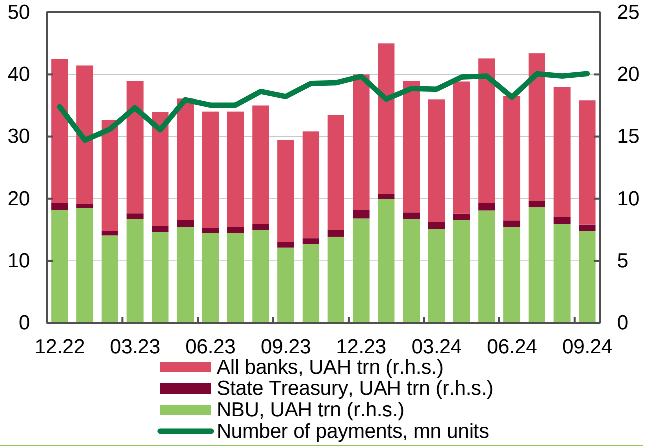
Figure 11. Number of POS terminals, thousands of units



* The data of Ukrposhta is shown up to 1 October 2023; afterwards the data covers Ukrposhta and NovaPay.

The number of transactions in SEP increased by 10% yoy. Government payments accounted for around 44%.

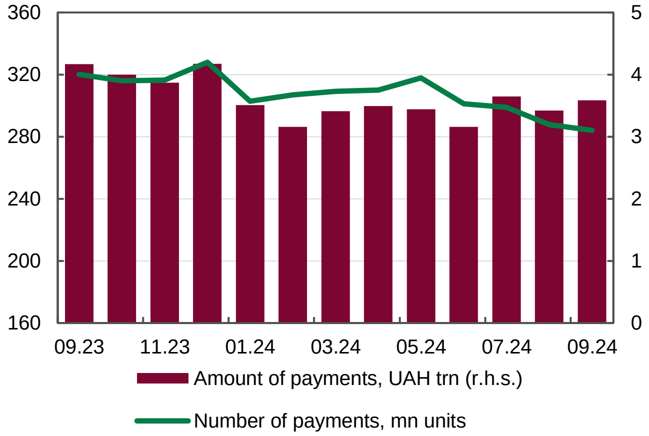
Figure 12. Payment volumes within the System of Electronic Payments (SEP)



As from 1 April 2023, new-generation SEP-4 (24/7) was launched in operation based on ISO20022 international standard.

The number of credit transfers by the banks* within the country declined slightly.

Figure 13. Payment transactions within Ukraine initiated using credit* transfer (by all clients)

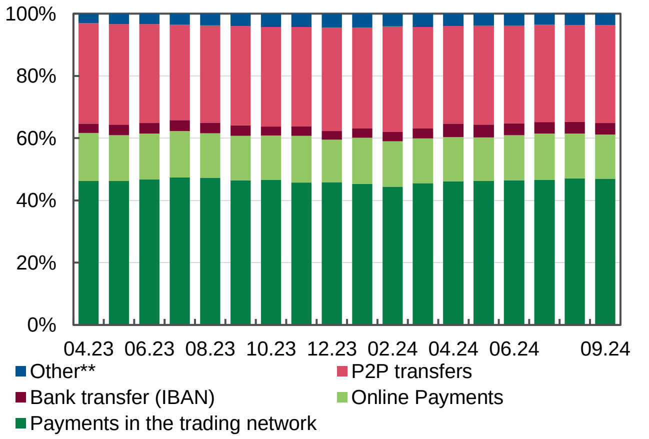


Statistical data collection started in mid-2023.

* Includes all transfers to a bank account with IBAN details, except for mandatory direct debits, card-to-card transfers, transfers initiated in cash, and transfers made in payment systems other than the NBU's SEP.

The ratio between types of card transactions has not changed significantly over the past year and a half. Transfers to other cards account for around a third of transactions.

Figure 14. Structure of cashless transactions with payment cards*

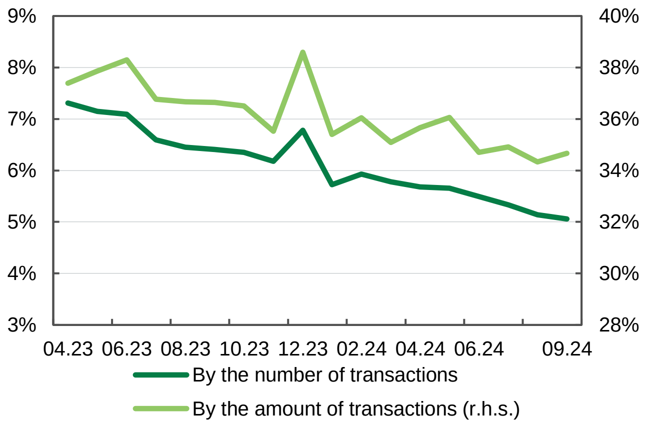


In April 2023, some payment service providers revised their monthly reporting indicators, which significantly changed the distribution of payment transaction data.

* For acquiring of electronic payment instruments issued in Ukraine.
** Transfers in ATMs/self-service kiosks, quasi-cash.

Cash withdrawals from payment cards are becoming less and less popular. In terms of quantity, this is only one in twenty transactions.

Figure 15. Share of cash withdrawals in card* transactions



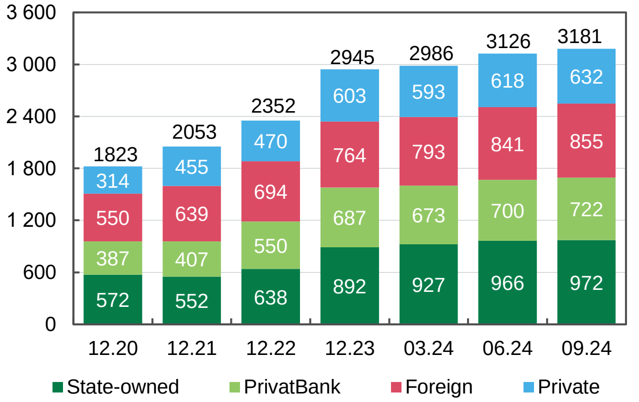
In April 2023, some payment service providers revised their monthly reporting indicators, which significantly changed the distribution of payment transaction data.

* For electronic payment instruments issued in Ukraine.

Assets

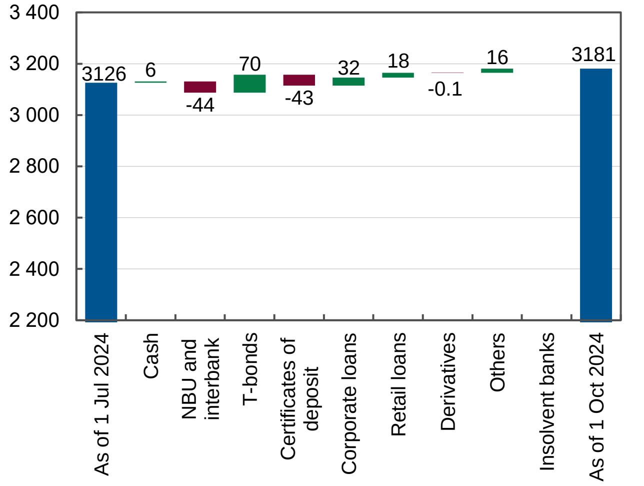
Net assets of the banks grew by 1.8% in Q3, including 0.5 pp due to exchange rate revaluation. The growth was mainly due to an increase in the banks' investments in domestic government debt securities by 8.9% qoq (39% yoy). At the same time, the volume of NBU CDs has been declining for the third quarter in a row, primarily at large banks. The portfolio of client loans grew by 6.8% qoq and by 22.4% yoy.

Figure 16. Net assets by groups of banks, UAH billions



As of the end of the quarter, including adjusting entries.

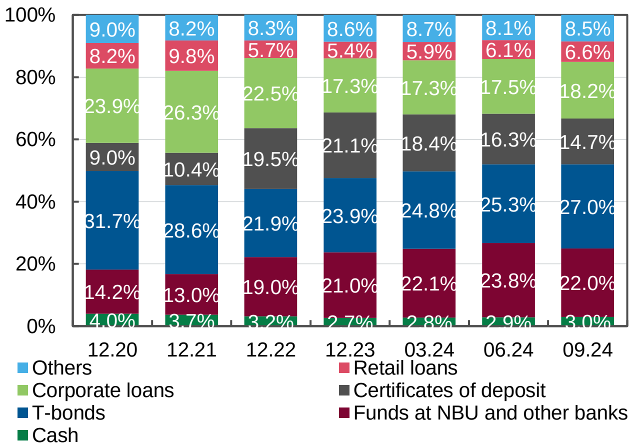
Figure 17. Change in net assets by component in Q3 2024, UAH billions



As of the end of the quarter, including adjusting entries.

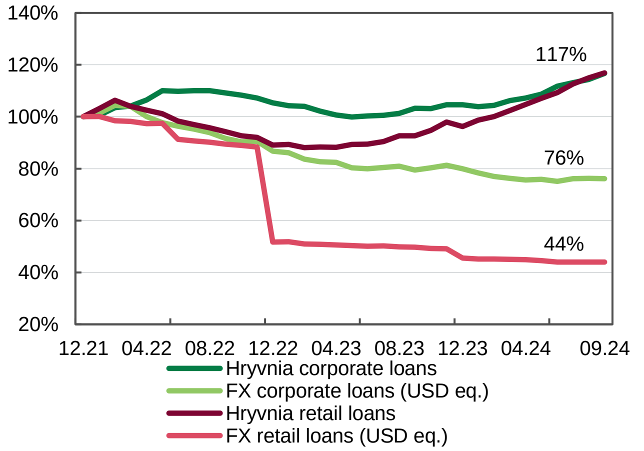
The volume of gross hryvnia loans has been increasing for a year and a half in a row. In Q3, retail loans grew by 6.9%, same as in the previous quarter. In the meantime, the growth in corporate loans slowed to 4.4% qoq.

Figure 18. Sector net assets by components



Adjusted for loan loss provisions of banks. As of the end of the quarter, including adjusting entries.

Figure 19. Gross corporate and retail loans, 2021 = 100%



At banks solvent as of 1 October 2024.

The dollarization of net corporate loans decreased by 0.6 pp in Q3.

Loans to private corporations and SMEs continued to grow in Q3, by 9.1% and 8.1%, respectively. At the same time, the volume of loans to foreign corporations decreased by 3.5% over the quarter.

Figure 20. Share of FX corporate loans

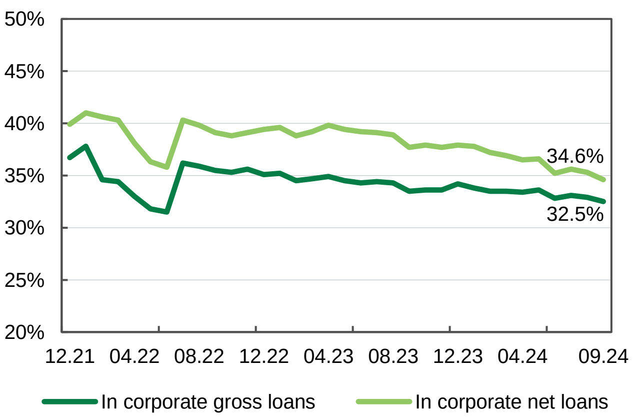
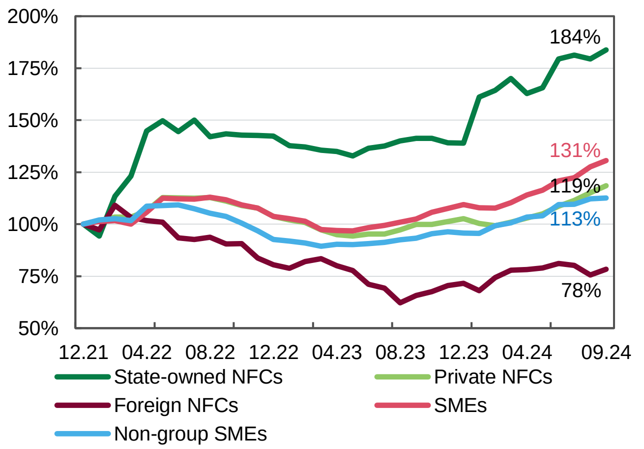


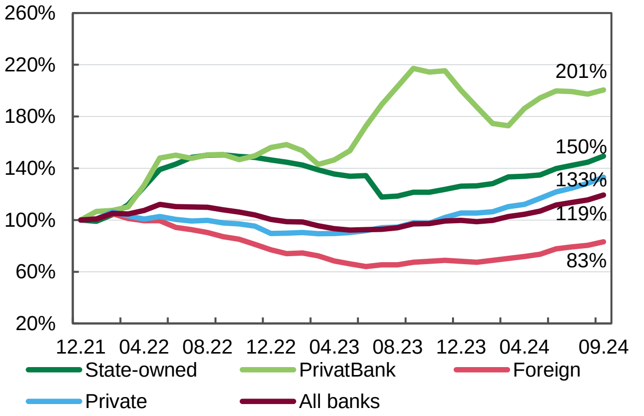
Figure 21. Net hryvnia loans to non-financial corporations (NFCs), 2021 = 100%



At banks solvent as of 1 October 2024. As of the end of the quarter, including adjusting entries.

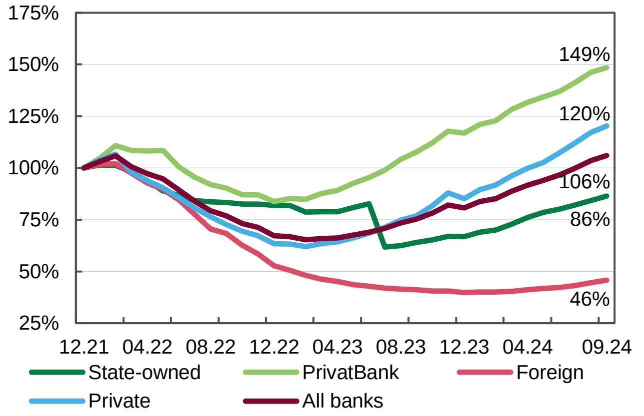
In Q3, net hryvnia corporate loans grew by 6.9% qoq (22.9% yoy). The trend of growth in such loans continued for all groups of banks, with the largest increases at banks with private capital – 9.2% qoq and 36.1% yoy. The growth rate of net hryvnia retail loans accelerated further, increasing by 9.7% qoq and 40.7% yoy, mainly on account of banks with private capital and PrivatBank.

Figure 22. Net hryvnia corporate loans, 2021 = 100%



At banks solvent as of 1 October 2024.

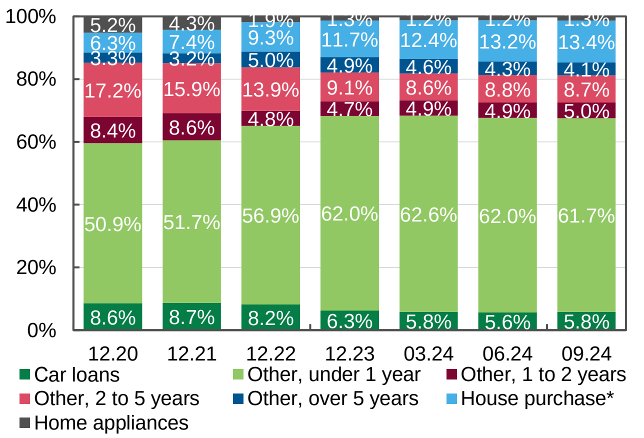
Figure 23. Net hryvnia retail loans, 2021 = 100%*



At banks solvent as of 1 October 2024.

In Q3, the share of real estate and car loans in the structure of retail loans grew marginally. At the same time, the share of non-targeted loans, other than medium-term loans, declined slightly.

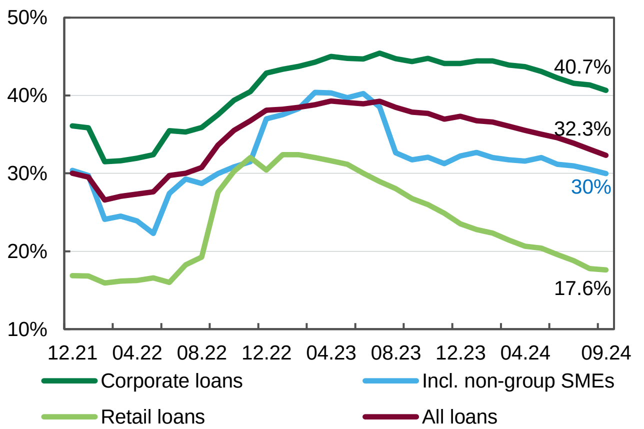
Figure 24. Net hryvnia retail loans by purpose



* For the purchase, construction, and renovation of real estate.

In Q3, the ratio of non-performing loans (NPLs) decreased by 2.2 pp (-5.5 pp yoy), to 32.3%. The NPL ratio continued to decline at a similar pace as in the previous quarter: by 1.6 pp qoq for businesses and by 2.0 pp for households, respectively.

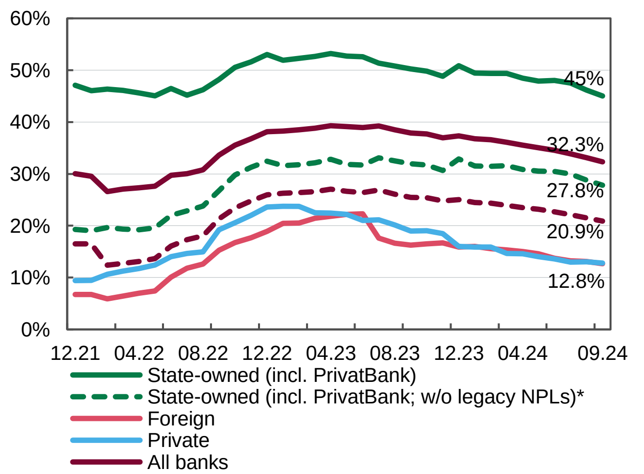
Figure 25. Ratios of NPLs in bank portfolios



* At all banks, including insolvent ones; excluding off-balance sheet liabilities. Individuals, including sole proprietors.

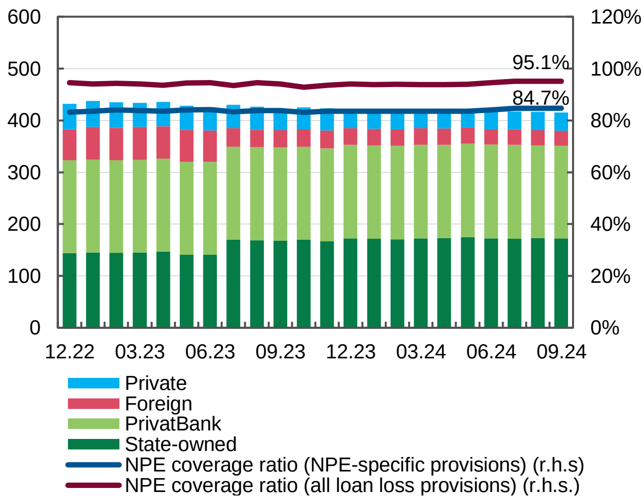
The NPL ratio decreased across all groups of banks in Q3, most notably at PrivatBank and other state-owned banks: by 3.6 pp and 2.5 pp, respectively. The banks actively increasing new lending and writing off NPLs (except for private banks) remained the main driver of the decline in NPLs for two consecutive quarters.

Figure 26. NPL ratio across groups of banks



Including interbank loans; excluding off-balance liabilities. At all banks, including insolvent ones.
* Excluding debts of the ex-owners of PrivatBank and legacy debts that arose before the crisis of 2014–2016.

Figure 27. Non-performing exposures (NPE, UAH billions) and provision coverage ratio



Including interbank loans; excluding off-balance liabilities. At all banks, including insolvent ones.

Funding

Liabilities of solvent banks increased by 0.6% in Q3 (+19.3% yoy) due to growth in retail deposits and accounts payable. Liabilities grew across all groups of banks, except for state-owned ones. Liabilities rose the most over the quarter at private banks, by 1.7%.

Figure 28. Liabilities by groups of banks, UAH billions

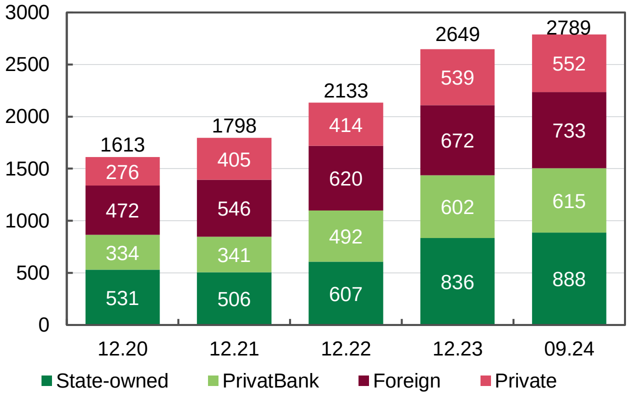
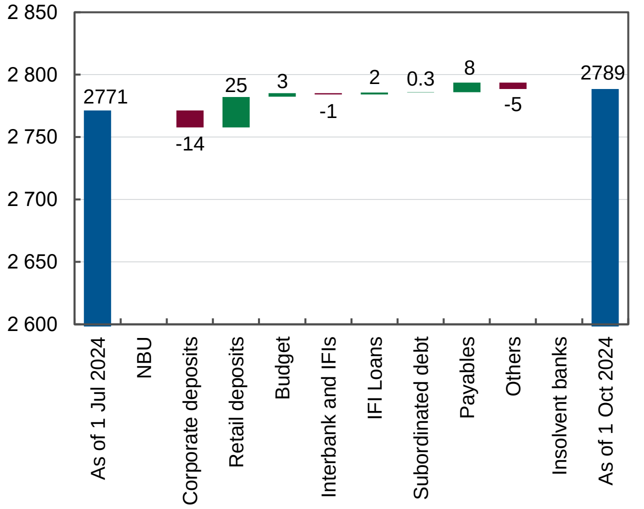


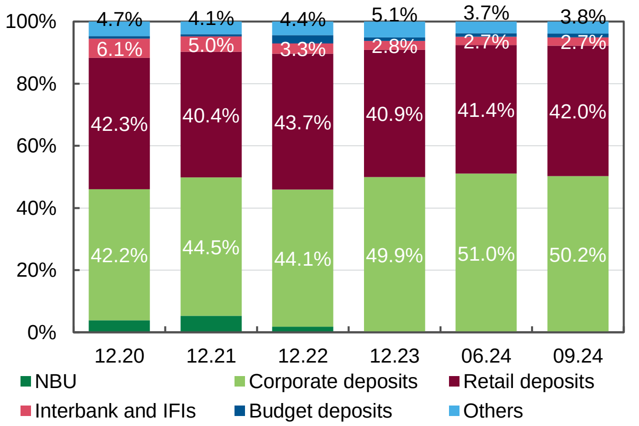
Figure 29. Changes in liabilities in Q3 2024 by items, UAH billions



At banks that were solvent at each reporting date.

The share of client deposits in the structure of liabilities slightly decreased over the quarter – by 0.2 pp, to 92.2% – primarily due to an increase in accounts payable and a decrease in corporate deposits.

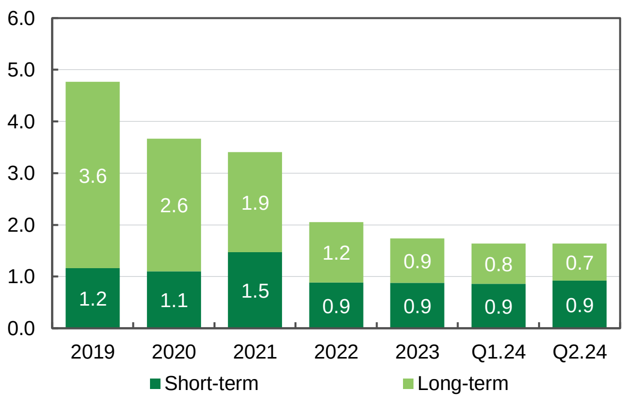
Figure 30. Structure of bank liabilities*



* Including certificates of deposit.

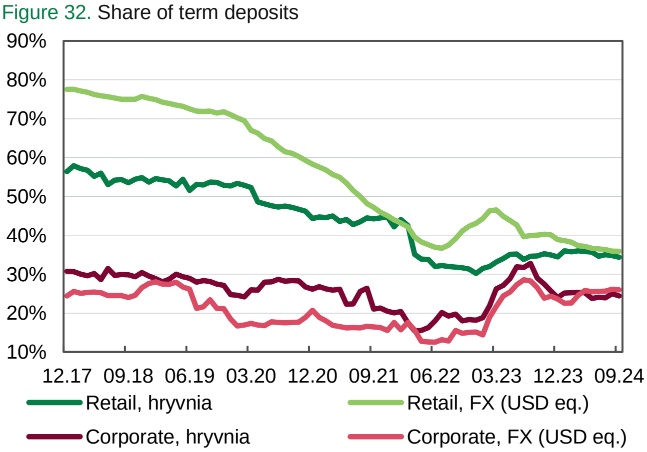
In Q2 2024, gross external debt grew by 0.2% qoq on the back of a slight increase in short-term borrowings, remaining overall at around USD 1.6 billion.

Figure 31. Banks' gross external debt, USD billions



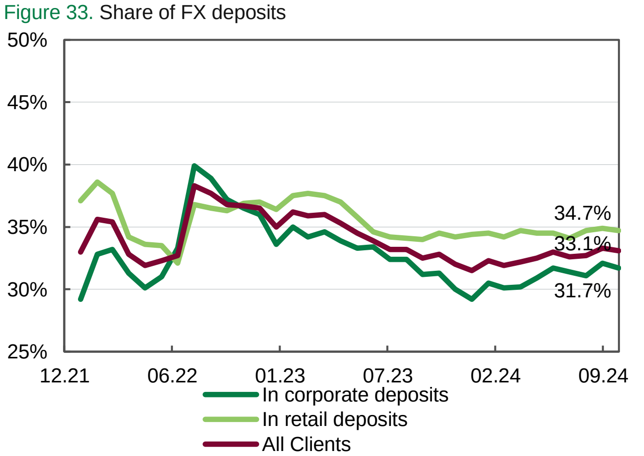
Over the quarter, the share of households' hryvnia term deposits decreased by 0.3 pp, to 34.3%. The share of hryvnia corporate deposits increased by 0.3 pp, to 24.3%.

Figure 32. Share of term deposits



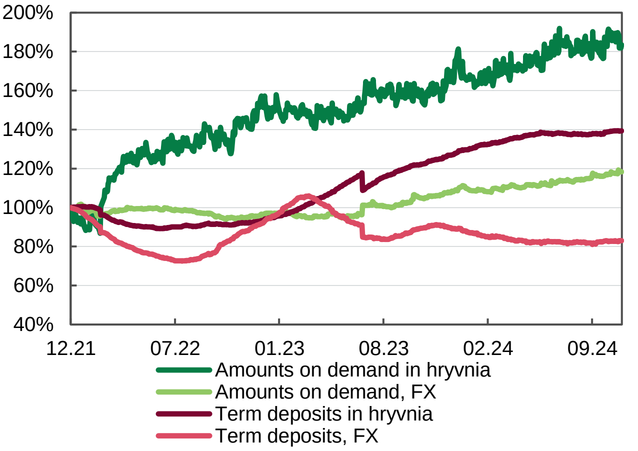
The dollarization rate of client deposits increased by 0.5 pp over the quarter, to 33.1%, primarily due to the hryvnia depreciation. The share of FX corporate deposits grew by 0.3 pp, to 31.7%.

Figure 33. Share of FX deposits



In Q3, hryvnia retail deposits grew by 1.2% and FX ones by 2.3%. Demand deposits in the hryvnia increased faster than term deposits: by 1.6% compared to 0.4%.

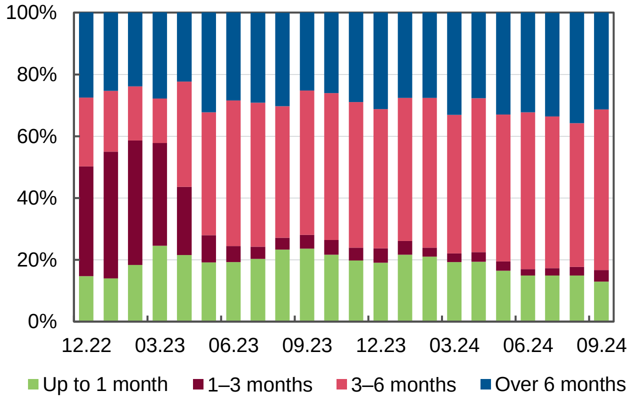
Figure 34. Retail deposits, 2021 = 100%*



* Daily data of banks solvent as of 1 October 2024.

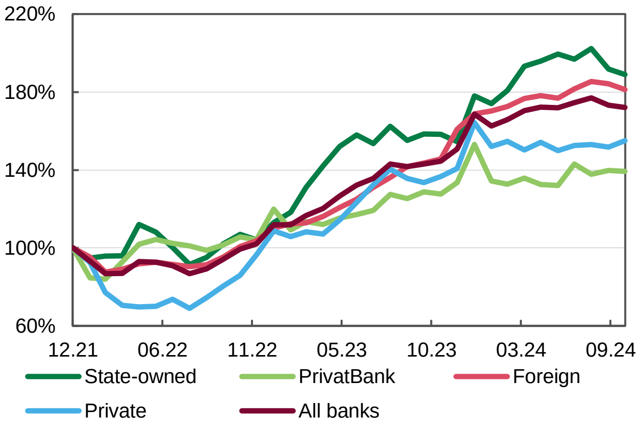
The share of deposits placed for three to six months increased by 1.3 pp, to 52.0%, over the quarter. The share of deposits with maturities of more than six months dropped by 1.0 pp and accounted for 31.3% of all new deposits. Overall, the share of new deposits with a maturity of more than three months was 83.3%.

Figure 35. New retail term deposits by maturity



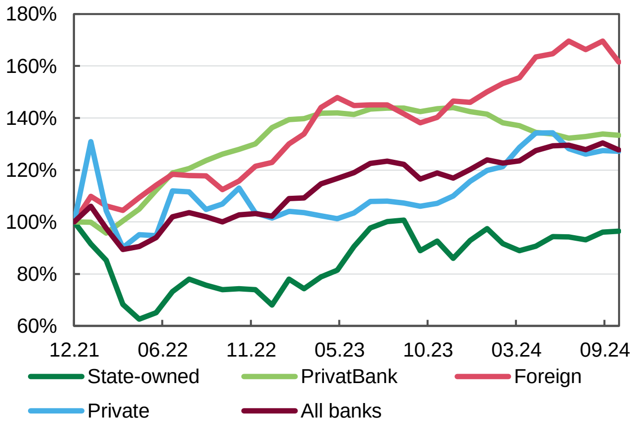
Hryvnia corporate deposits declined by 1.4% qoq. The decline was observed across all groups of banks except for private ones, which recorded an increase of 1.6%. State-owned banks and PrivatBank saw the largest decreases in corporate deposits, which dropped by 4.0% and 2.6%, respectively. FX deposits declined by 1.5%, including due to dividend payments by corporations. The decline was primarily seen at foreign banks, where FX deposits fell by 4.8% qoq. Meanwhile, FX deposits at state-owned banks and PrivatBank rose by 2.3% and 0.8%, respectively.

Figure 36. Hryvnia corporate deposits by groups of banks, 2021 = 100%*



At banks solvent as of 1 October 2024.

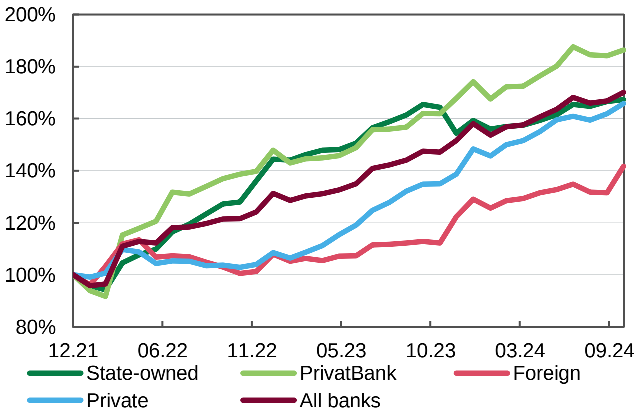
Figure 37. FX corporate deposits (in the U.S. dollar equivalent) by groups of banks, 2021 = 100%*



At banks solvent as of 1 October 2024.

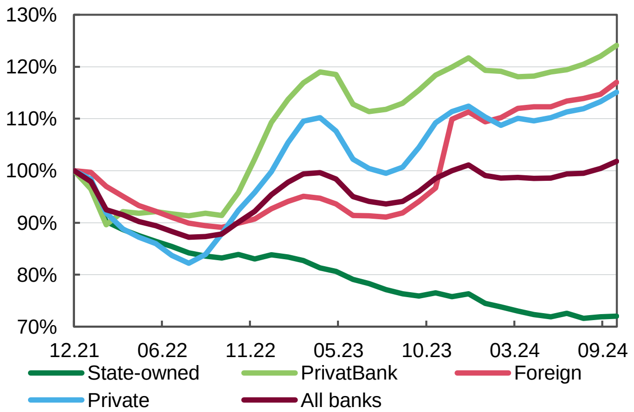
Inflows of hryvnia retail deposits in August and September fully offset the outflows at the start of the quarter. Over the quarter, retail deposits grew across all groups of banks, except for PrivatBank. Deposits with foreign and private banks grew the most – by 5.3% and 3.0% qoq, respectively. The growth was observed primarily in current account balances. FX deposits increased by 2.3% (+6.0% yoy) also due to the growth in current accounts by 3.4% qoq.

Figure 38. Hryvnia retail deposits by groups of banks, 2021 = 100%



At banks solvent as of 1 October 2024.

Figure 39. FX retail deposits (in U.S. dollar equivalent) by groups of banks, 2021 = 100%

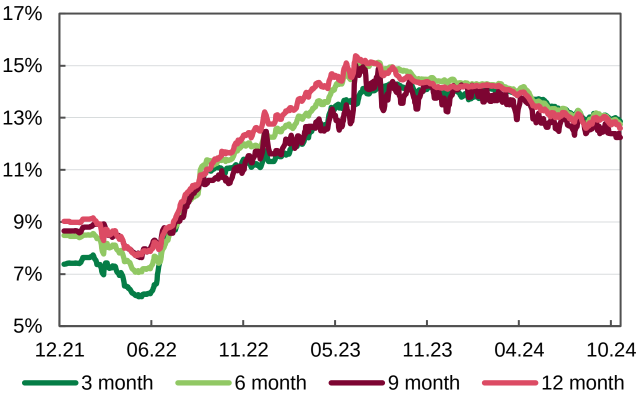


At banks solvent as of 1 October 2024.

Interest Rates

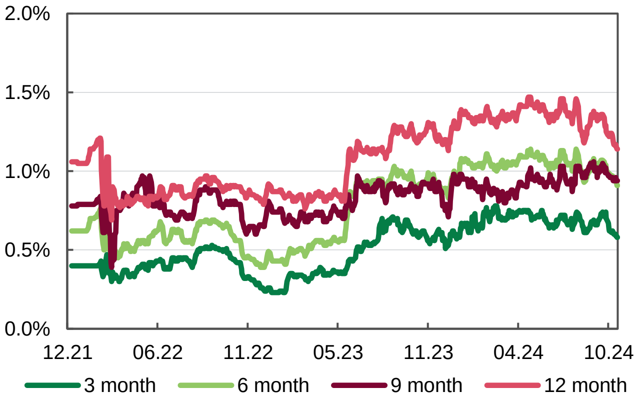
The cost of 12-month hryvnia deposits decreased by 0.3 pp in Q3, to 12.9% per annum. The spread between 3-month and 12-month deposits remained tiny for more than a year.

Figure 40. Ukrainian Index of Retail Deposit Rates for hryvnia deposits, % per annum



Thomson Reuters data, 5-day moving average.

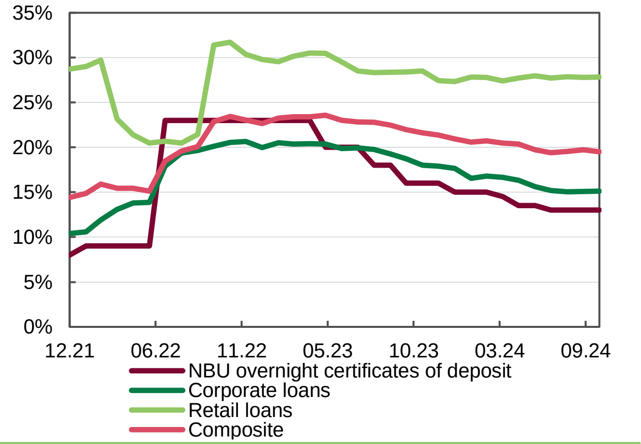
Figure 41. Ukrainian Index of Retail Deposit Rates for U.S. dollar deposits, % per annum



Thomson Reuters data, 5-day moving average.

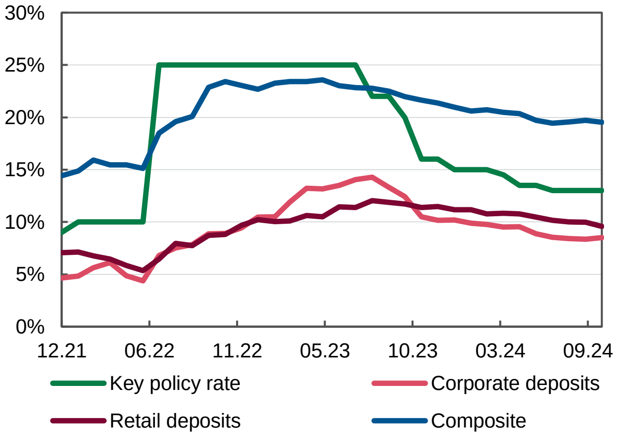
Rates on new hryvnia loans have stabilized: for businesses, they decreased by 0.1 pp, to 15.1% per annum, and for households, they increased by 0.1 pp, to 27.8% per annum. Rates on new retail deposits decreased by 0.6 pp, to 9.6% per annum, while rates on corporate deposits remained at 8.5% per annum.

Figure 42. Interest rates on new hryvnia loans* and NBU certificates of deposit, % per annum



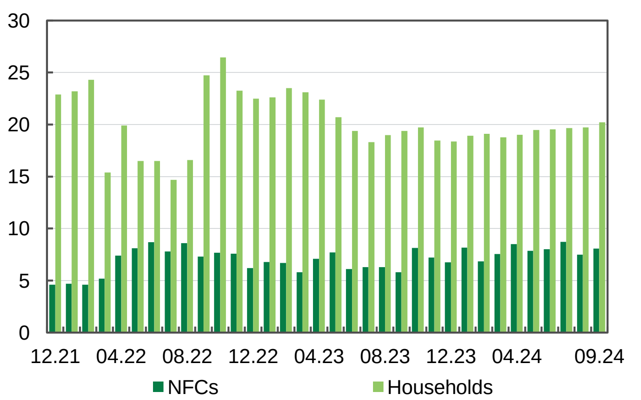
* No loan rescheduling or any other amendments to lending terms.

Figure 43. NBU key policy rate and interest rates on new hryvnia loans and deposits, % per annum



The spread between interest rates on new corporate loans and deposits remained unchanged on average over the quarter, while in the retail segment it increased to almost 20 pp. The cost of liabilities declined somewhat faster than return on assets. Therefore, the interest margin increased to 7.6% in September.

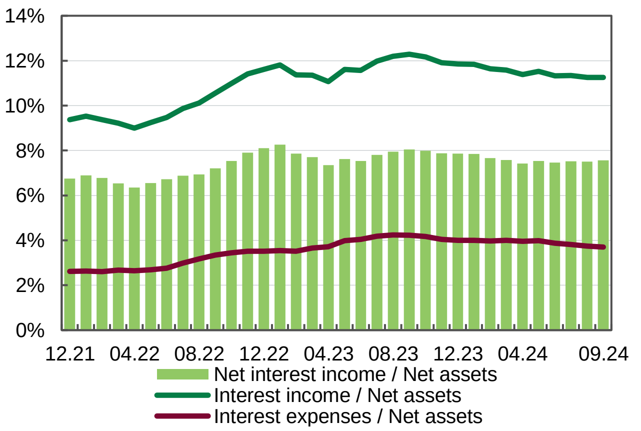
Figure 44. Spread between rates on new* loans and deposits, pp



Including insolvent banks.

* New loans and deposits are loans and deposits issued or obtained under primary agreements that were entered into in the reporting period, as well as those under additional agreements with changes in the amount or interest rate.

Figure 45. Banks' net interest margin*

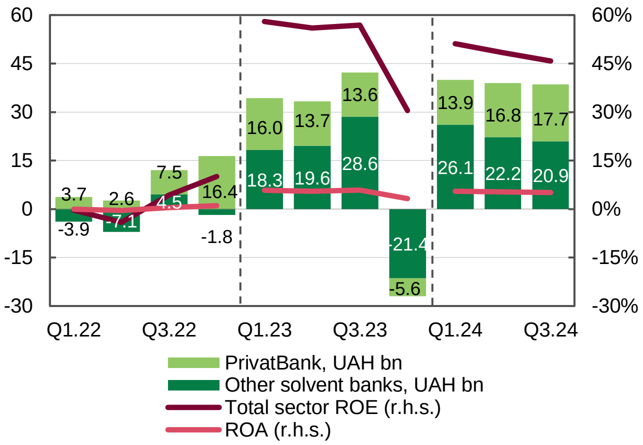


* Net interest income to trailing average of net assets for the reporting month and previous two months. Including insolvent banks.

Financial Performance

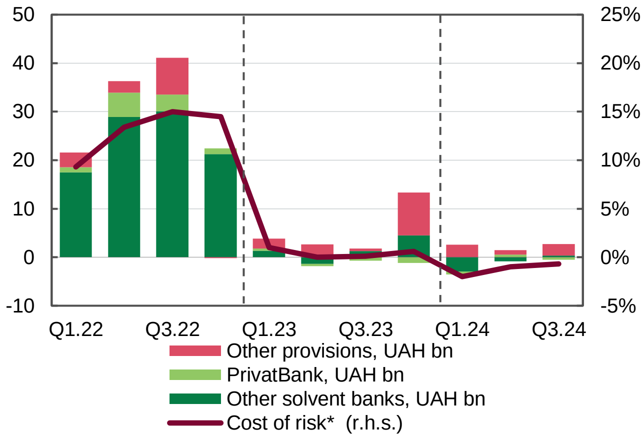
In Q3, the sector generated UAH 38.6 billion in profit, which was 8.6% less than in the same quarter of 2023. PrivatBank accounted for more than 45% of the profit.

Figure 46.Banks' profit or loss, return on equity, and return on assets



Over the quarter, the banks released UAH 0.5 billion of loan loss provisions (-0.1% of the loan portfolio), but made UAH 1.3 billion of provisions for government debt securities and for other risks.

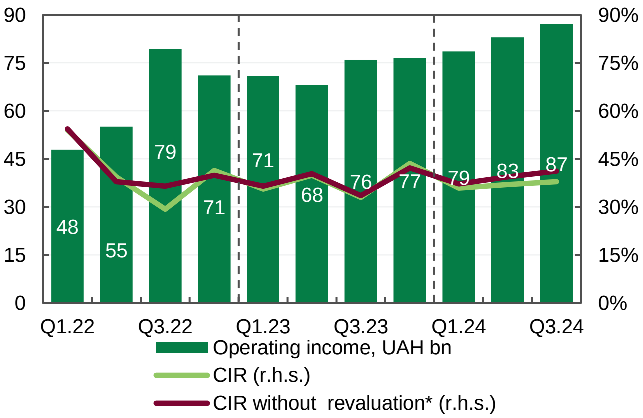
Figure 47.Loss provisions (LLP), quarterly



* Ratio of annualized loan loss provisions since the start of the year to the net loan portfolio.

The sector's operational efficiency has been high for the third year in a row. The CIR in Q3 was 37.9%, compared to 37.1% in the previous quarter.

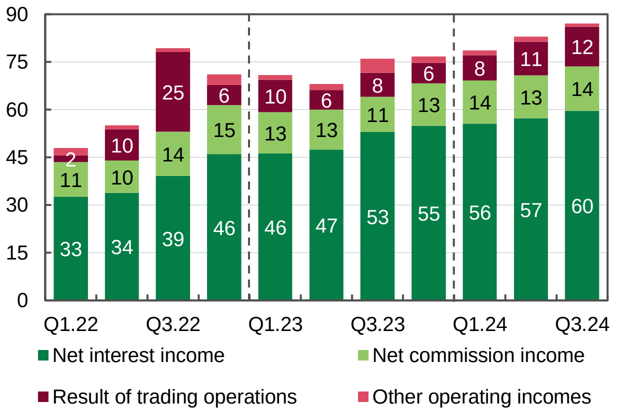
Figure 48. Operating income and operational efficiency of banks



* The CIR (cost-to-income ratio) measures the ratio of operating expenses to operating income.

Net interest income for the quarter increased by 12.7% yoy, and net fee and commission income rose by 25.6% yoy.

Figure 49. Operating income components for the period, UAH billions



Yields on the NBU's certificates of deposit continued to decline due to the rate cut on three-month instruments. Yields on domestic government debt securities and retail loans rose slightly. The cost of liabilities slowly declined in both the corporate and retail segments.

Figure 50. Ratio of interest income components to net assets

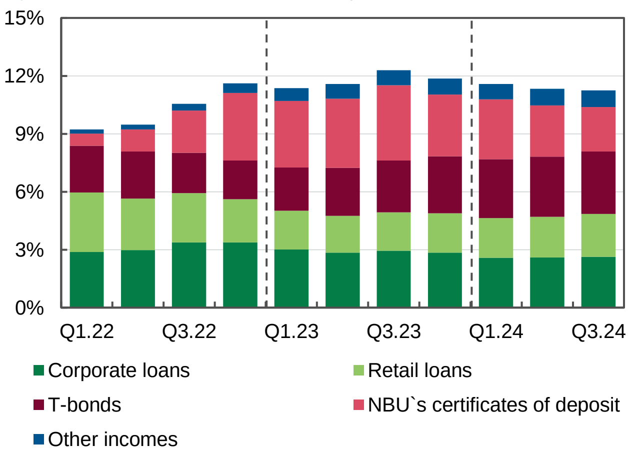
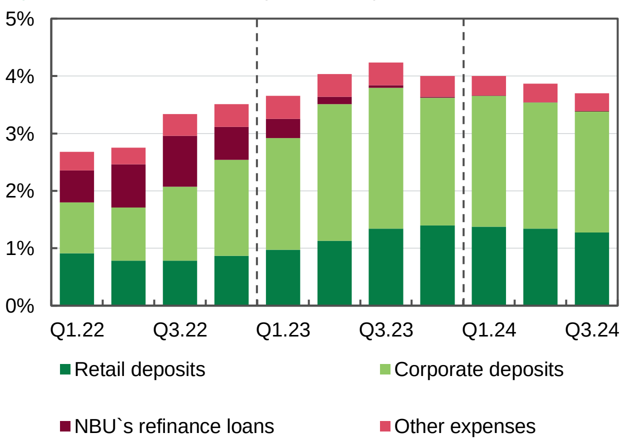


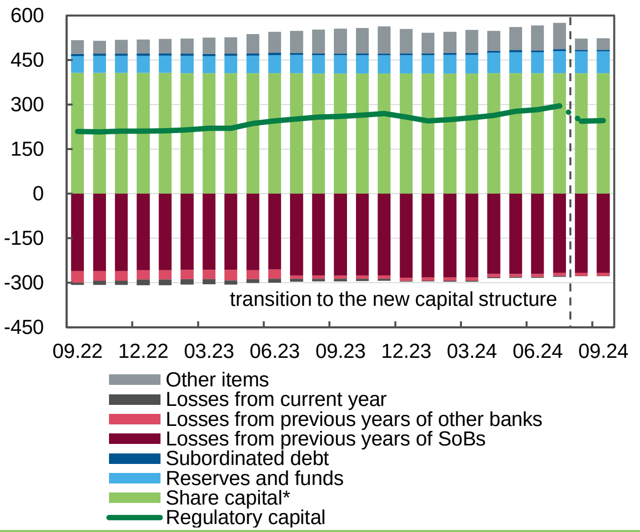
Figure 51. Ratio of interest expenses components to net assets



Capital

In Q3, the banks switched to calculating regulatory capital according to European standards. Over the quarter, regulatory capital decreased by 12.9%, and the average regulatory capital adequacy in the sector declined to 16.2%. That said, the possibility to include profits in Tier 1 capital increased its amount. Tier 1 capital adequacy ratio was 15.7% as of the end of the quarter.

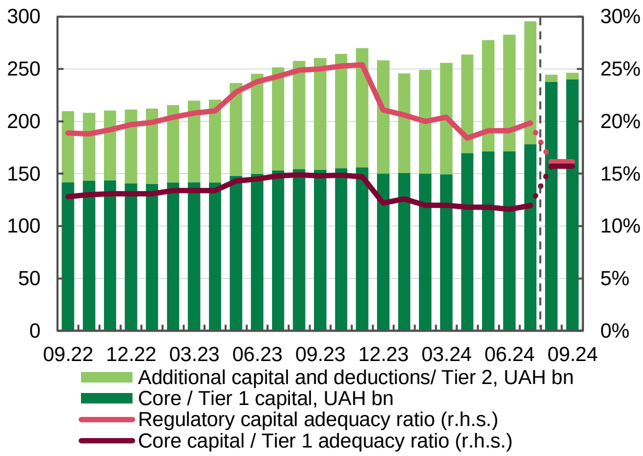
Figure 52. Composition of regulatory capital, UAH billions



Starting from 5 August 2024, the banks switched to a new capital structure and ratios.

* Registered and unregistered authorized capital.

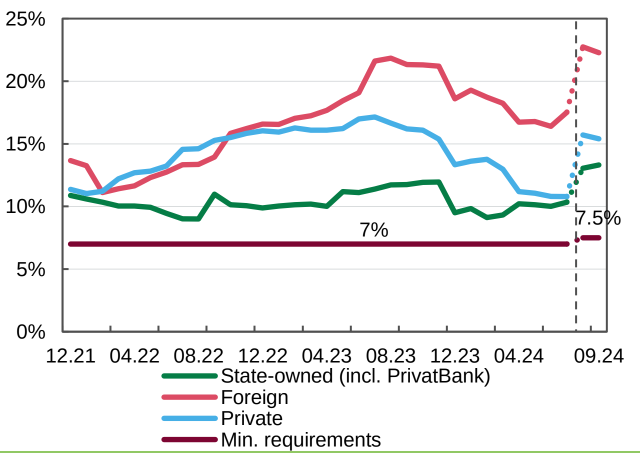
Figure 53. Regulatory capital and regulatory capital adequacy ratio



Starting from 1 January 2024, 100% of the amount of operational risk is taken into account for the calculation of the capital adequacy ratio. Starting from 5 August 2024, the banks switched to a new capital structure and ratios.

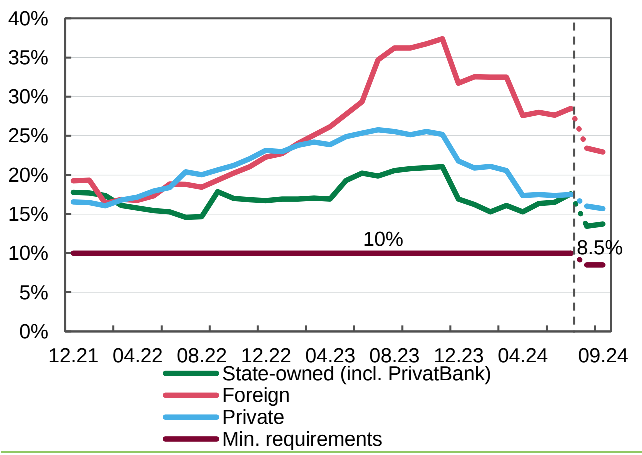
The adequacy of Tier 1 capital and regulatory capital remained the lowest for state-owned banks, and the highest for foreign banks. The average ratios across all groups were above the minimum requirements.

Figure 54. Core capital adequacy ratio / Tier 1 capital by groups of banks



Starting from 1 January 2024, 100% of the amount of operational risk is taken into account for the calculation of the capital adequacy ratio. From 1 May 2024, the calculation was updated based on the latest reporting data. Starting from 5 August 2024, the banks switched to a new capital structure and ratios.

Figure 55. Regulatory capital adequacy ratio by groups of banks



Starting from 5 August 2024, the banks switched to a new capital structure and ratios.

Table 2. **Key banking sector indicators**[1]

	2017	2018	2019	2020	2021	2022	2023	Q1 24	Q2 24	Q3 24
Number of operating banks	82	77	75	73	71	67	63	63	62	62
General balance sheet indicators (UAH billions)[2]										
Total assets	1,840	1,911	1,982	2,206	2,358	2,717	3,311	3,351	3,491	3,547
of which in foreign currencies:	755	779	718	746	679	820	923	946	991	1,023
Net assets	1,334	1,360	1,493	1,823	2,053	2,352	2,945	2,986	3,126	3,181
of which in foreign currencies:	507	495	492	585	583	731	830	853	896	927
Gross corporate loans[3]	864	919	822	749	796	801	784	788	820	852
of which in foreign currencies:	423	460	381	332	292	281	268	264	269	277
Net corporate loans[3]	451	472	415	432	540	529	511	516	547	579
Gross SME loans	443	445	432	451	468	455	483	483	501	521
of which in foreign currencies:	184	180	159	162	127	100	114	110	111	115
Net SME loans	335	339	205	232	263	246	268	267	286	306
of which in foreign currencies:	110	102	89	101	87	70	80	76	75	79
Net loans to SMEs that do not belong to groups[7]	-	-	62	63	71	61	63	67	73	74
of which in foreign currencies:	-	-	22	24	18	15	13	14	14	13
Gross retail loans	171	197	207	200	243	210	223	236	252	268
of which in foreign currencies:	68	61	38	31	21	13	12	12	12	13
Net retail loans	92	114	143	149	200	134	160	175	190	209
Corporate deposits[3]	427	430	525	681	800	943	1,322	1,356	1,413	1,400
of which in foreign currencies:	163	150	191	233	233	317	386	409	444	444
Retail deposits[4]	478	508	552	682	727	933	1,084	1,085	1,147	1,172
of which in foreign currencies:	244	241	238	285	270	340	373	376	392	407
Change (yoy, %)										
Total assets	5.9%	3.8%	3.7%	11.3%	6.9%	15.2%	21.9%	19.9%	19.4%	18.0%
Net assets	6.2%	1.9%	9.8%	22.1%	12.6%	14.5%	25.2%	23.0%	22.0%	20.1%
Gross corporate loans[3]	2.0%	6.3%	-10.6%	-8.8%	6.2%	0.7%	-2.2%	1.9%	8.8%	11.3%
Gross retail loans	8.5%	15.3%	5.0%	-3.5%	21.6%	-13.5%	6.0%	14.6%	20.7%	24.5%
Corporate deposits[3]	3.4%	0.8%	22.1%	29.7%	17.4%	17.9%	40.2%	32.3%	24.4%	21.2%
Retail deposits[4]	9.4%	6.3%	8.6%	23.5%	6.6%	28.4%	16.1%	14.8%	18.4%	16.7%
Penetration[5] (%)										
Gross corporate loans[3]/GDP	29.0%	25.8%	20.7%	17.7%	14.6%	15.3%	12.0%	11.6%	11.7%	11.6%
Net corporate loans[3]/GDP	15.1%	13.3%	10.4%	10.2%	9.9%	10.1%	7.8%	7.6%	7.8%	7.9%
Gross retail loans/GDP	5.7%	5.5%	5.2%	4.7%	4.5%	4.0%	3.4%	3.5%	3.6%	3.7%
Net retail loans/GDP	3.1%	3.2%	3.6%	3.5%	3.7%	2.6%	2.4%	2.6%	2.7%	2.8%
Corporate deposits[3]/GDP	14.3%	12.1%	13.2%	16.1%	14.7%	18.0%	20.2%	20.0%	20.1%	19.1%
Retail deposits/GDP	16.0%	14.3%	13.9%	16.2%	13.3%	17.8%	16.6%	16.0%	16.3%	16.0%
Profit or Loss[6] (UAH billions)										
Net interest income	53.0	73.0	78.9	84.8	117.6	151.7	201.4	55.6	57.3	59.7
Net fee and commission income	27.5	37.8	44.0	46.5	58.0	50.2	50.0	13.6	13.5	14.0
Provisions	49.2	23.8	10.7	31.0	3.4	121.2	17.8	-1.0	0.6	2.2
Net profit/loss	-26.5	22.3	58.4	39.7	77.4	21.9	82.8	40.0	39.0	38.6
Memo items:										
UAH/USD (period average)	26.60	27.20	25.85	26.96	27.29	32.34	36.57	38.17	39.85	41.14
UAH/USD (end-of-period)	28.07	27.69	23.69	28.27	27.28	36.57	37.98	39.22	40.54	41.17
UAH/EUR (period average)	30.00	32.14	28.95	30.79	32.31	33.98	39.56	41.46	42.91	45.18
UAH/EUR (end-of-period)	33.50	31.71	26.42	34.74	30.92	38.95	42.21	42.37	43.35	45.95

[1] Data for solvent banks for each reporting date.

[2] Including accrued income/expenses.

[3] Including non-bank financial institutions.

[4] Including certificates of deposit.

[5] GDP in 2014–2023 is presented excluding the temporarily occupied territory of the Autonomous Republic of Crimea, the city of Sevastopol, occupied territories in Donetsk and Luhansk oblasts, and other occupied territories; data for 2024 are based on GDP estimates from the October 2024 Inflation Report.

[6] Including adjusting entries.

[7] By belonging to groups of legal entities under common control or groups of related counterparties (in accordance with NBU Board Resolution No. 351 dated 30 June 2016, as amended, and NBU Board Resolution No. 368 dated 28 August 2001, as amended).

Notes

The source for the data is the National Bank of Ukraine, unless otherwise noted. Data for 2022, 2023, and Q1–Q3 2024 take into account adjusting entries (except for data of one or two small banks that have not submitted their balance-sheet data with adjusting entries, depending on the date).

Unless otherwise indicated, Sense Bank JSC is considered as part of the group of state-owned banks from Q3 2023, First Investment Bank JSC (PINbank) from March 2024, and Motor-Bank JSC from September 2024.

The sample consists of the banks that were solvent at each reporting date, unless otherwise stated.

The sample of banks that were solvent as of the last reporting date includes banks that merged with other banks using a simplified procedure.

Banks are classified into groups on the basis of the decision of the Committee on Banking Supervision and Regulation and Oversight of Payment Infrastructure.

State-owned banks are Ukrainian banks with public capital excluding PrivatBank, unless otherwise specified.

Foreign banks are banks in which foreign banks or financial and banking groups have controlling interest.

Private banks are banks whose qualifying holders are exclusively residents of Ukraine.

The data include accrued interest as of the end of the period (month, quarter, year), unless otherwise specified.

Gross loans are loans not adjusted for provisions against asset-side banking transactions.

Data on corporate loans and deposits include data on non-bank financial institutions.

Retail deposits include certificates of deposit, unless otherwise specified.

The sum of individual components and the total may differ due to rounding.

Terms and Abbreviations:

ATM	Automated teller machine / cash dispenser
FX	Foreign currency
CIR	Cost-to-Income Ratio
GDP	Gross domestic product
IFI	International financial institution
CD	Certificates of deposit
NBU	National Bank of Ukraine
NFC	Non-financial corporation
NPL / NPE	Non-performing loans / exposures
T-bonds	Domestic government debt securities and debt securities refinanced by the NBU, which are carried at (1) fair value through profit or loss, (2) fair value through other comprehensive income, and (3) amortized cost.
POS	Point of sale
ROE	Return on equity
SMEs	Small and medium-sized enterprises (depending on their staff number and annual income from any activity, taking into account the requirements of Article 55 of the Commercial Code of Ukraine).
UIRD	Ukrainian Index of Retail Deposit Rates
pp	Percentage point
UAH	Ukrainian hryvnia
USD	United States dollar
Q	Quarter
M	Month
mn	Million
bn	Billion
trn	Trillion
r.h.s.	Right-hand scale
yoy	Year-on-year
qoq	Quarter-on-quarter
mom	Month-on-month