



National Bank
of Ukraine

Banks: weekly review

17 June 2020

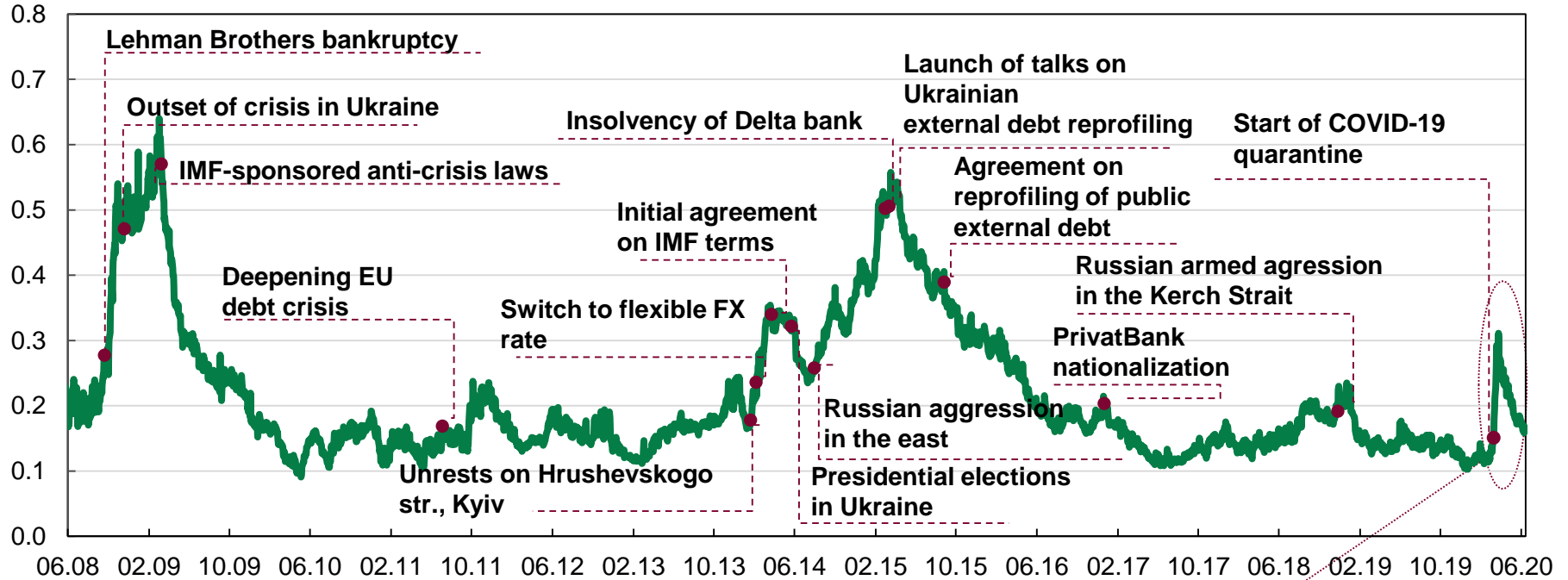


Resume

- The financial stress index remained virtually flat.
- In the week that ended on 12 June, hryvnia retail deposits decreased by 2.3%, time deposits in hryvnia grew by 0.3%. FX deposits remained stable. The amount of time FX deposits declined by 0.3%.
- Outflow rates of FX deposits and time deposits in hryvnia are more moderate than in crises of 2008 and 2014 in all components.
- The cost of new time hryvnia deposits declined by 0.3 pp, and the cost of hryvnia corporate loans decreased by 0.6 pp. (5-days moving average).
- The liquidity coverage ratio (LCR) further stays well above the regulatory required level.
- The recovery in demand for consumer loans is uneven.
- In the week the share of operating banks` branches increased by 0.4 p.p. to 92%.

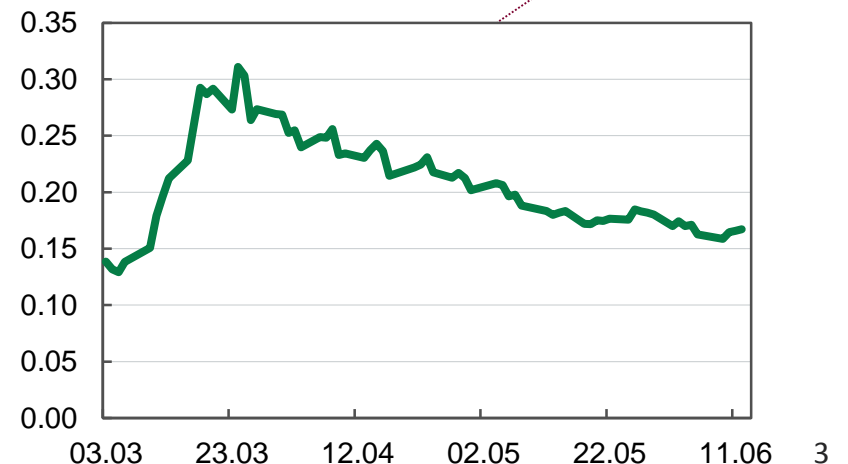
The “Banks: Weekly Review” was a temporary weekly report by the NBU. The first issue was published on 22 April 2020. The report was designed to provide current information on the state of the banking sector during the volatile period since the outbreak of the economic crisis. This issue is the last one, the NBU stops to release the report.

Financial stress index remained virtually unchanged



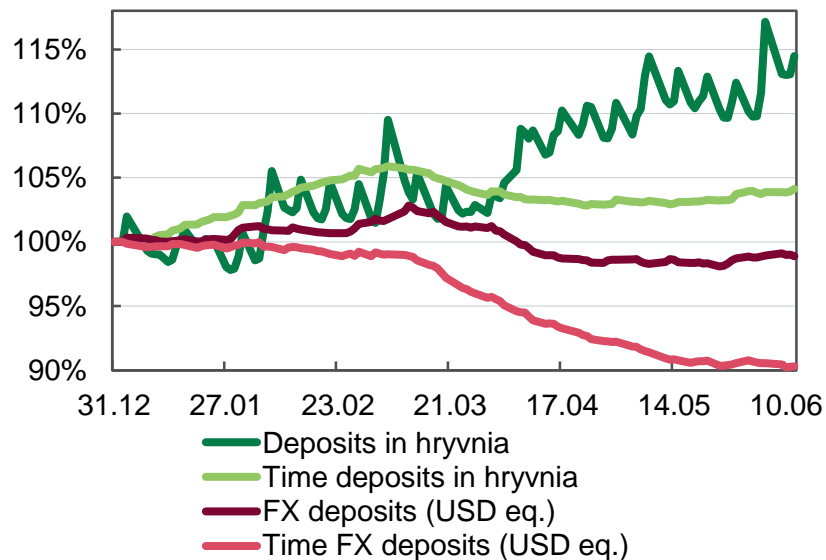
Source: NBU.

- Corporate subindex is decreasing due to rising value of the Ukrainian companies on stock market.

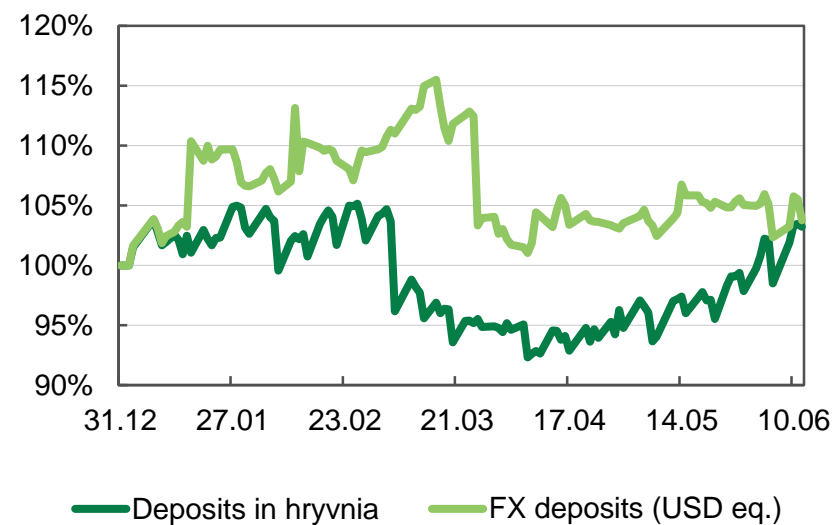


Both FX and UAH retail deposits have increased since early June

Retail deposits, 31 Dec 2019=100%



Corporate deposits, 31 Dec 2019=100%



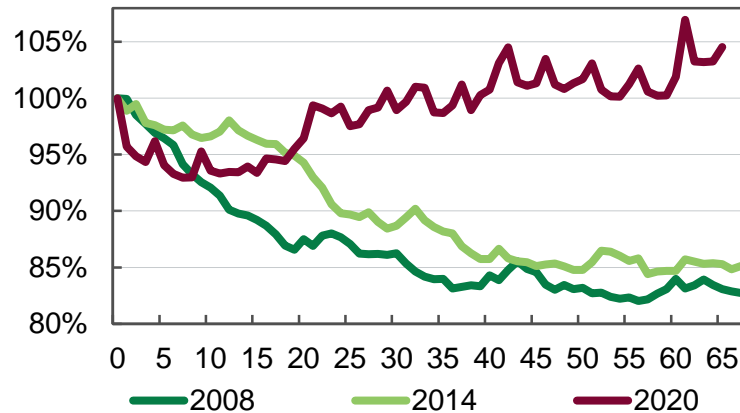
Source: NBU, daily data, including certificates of deposit.

- Between the 1st and 12th June, hryvnia retail deposits increased by 1.8%, and FX deposits increased by 0.2% in USD terms.

Time hryvnia deposits are further recovering

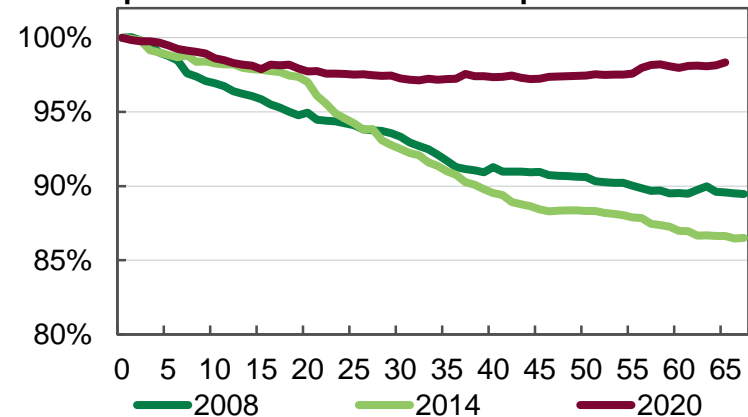
Retail deposits in hryvnia, the last day before the outflow*= 100% (at solvent banks as of 1 June 2020)

all deposits



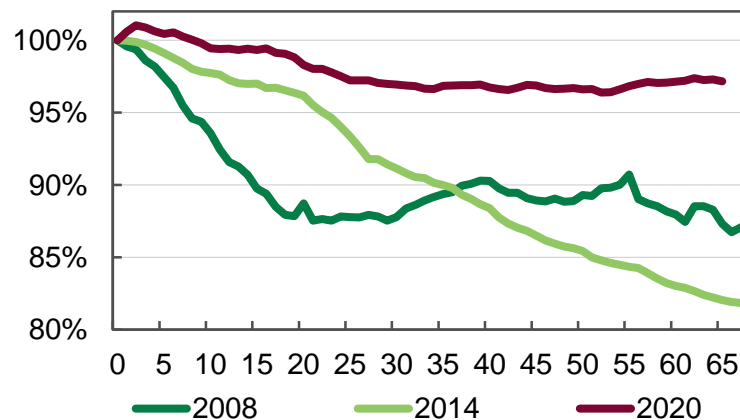
time deposits

Time deposits and certificates of deposits



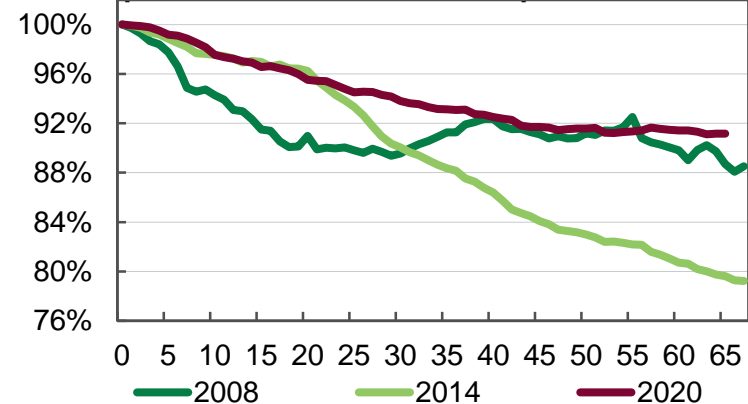
FX deposits (USD eq.), the last day before the outflow*= 100% (at solvent banks as of 1 June 2020)

deposits



time deposits

Time deposits and certificates of deposits

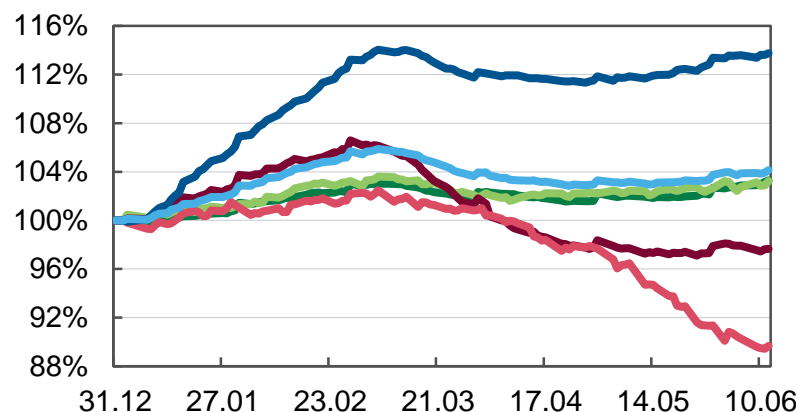


* The highest readings of hryvnia deposits recorded before the crises: in 2008 – 3 October 2008; in 2014 – 23 Jan 2014; in 2020 – 10 Mar 2020. X
axis indicates number of working days.

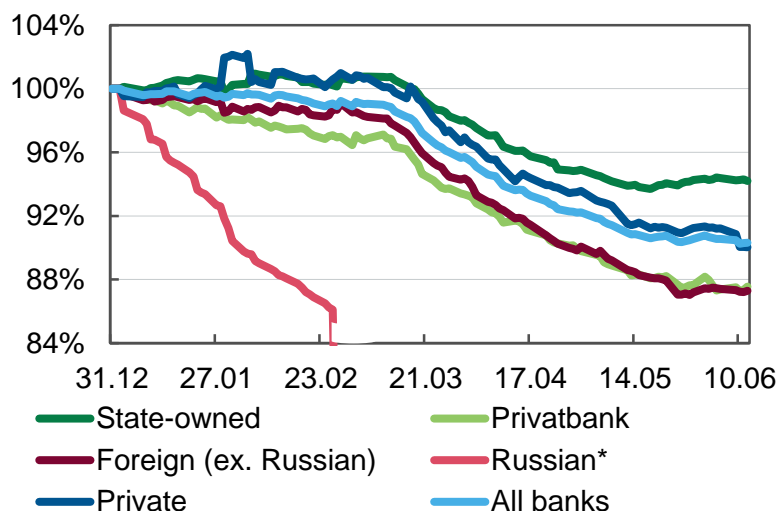
Source: NBU, daily data, including certificates of deposit.

Time FX deposits decreased

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 01.06 - 05.06		Change during the reporting week 09.06 - 12.06	
	UAH billions	%	UAH billions	%
Retail deposits in hryvnia	15.1	4.2%	-8.5	-2.3%
of which Term deposits	0.2	0.1%	0.4	0.3%
Corporate deposits in hryvnia	2.1	0.7%	15.6	4.8%
	USD millions	%	USD millions	%
FX Retail deposits (USD eq.)	20.7	0.2%	-3.9	0.0%
of which Term deposits	-0.3	0.0%	-16.7	-0.3%
FX Corporate deposits (USD eq.)	-218.2	-2.6%	113.9	1.4%

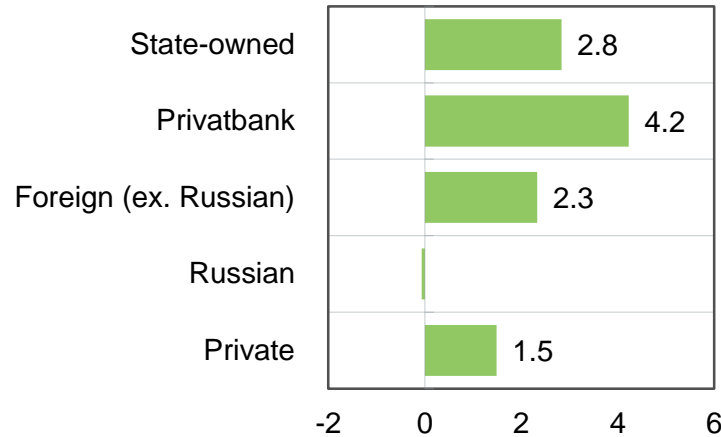
*Time FX retail deposits (USD eq.) in Russian-owned banks declined since the beginning on the year by 48%.

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

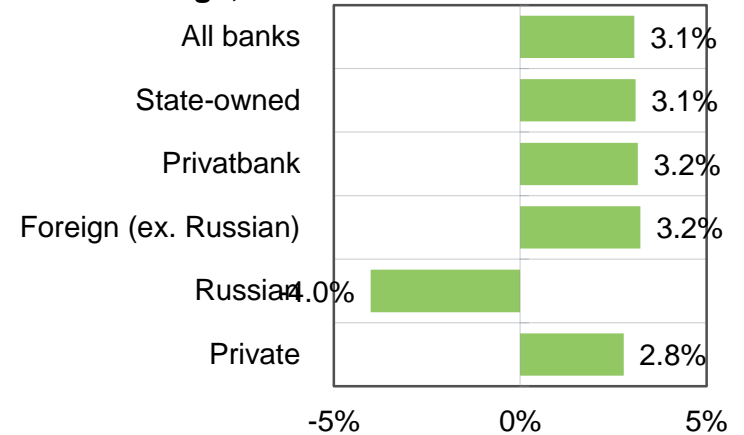
Change in hryvnia retail deposits (12 May – 12 June 2020)

Deposits in hryvnia

change, UAH billions

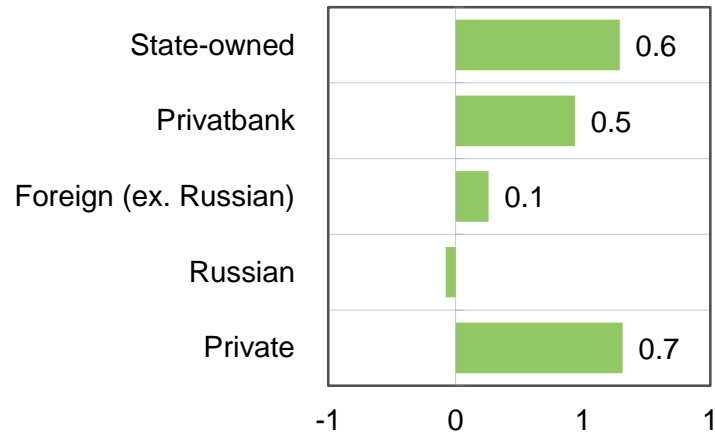


change, %

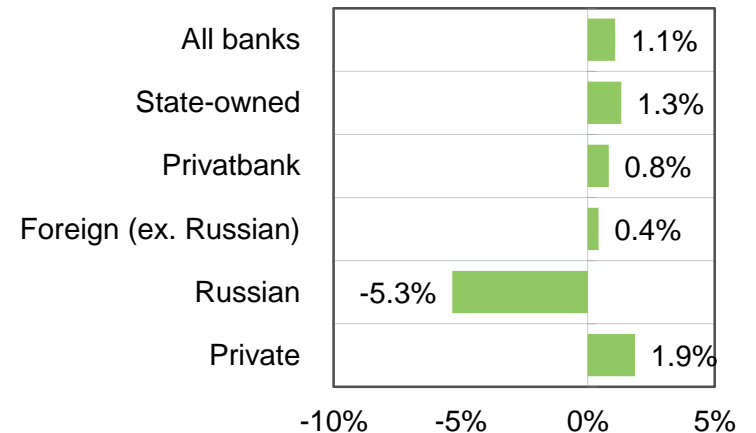


Time deposits in hryvnia

change, UAH billions

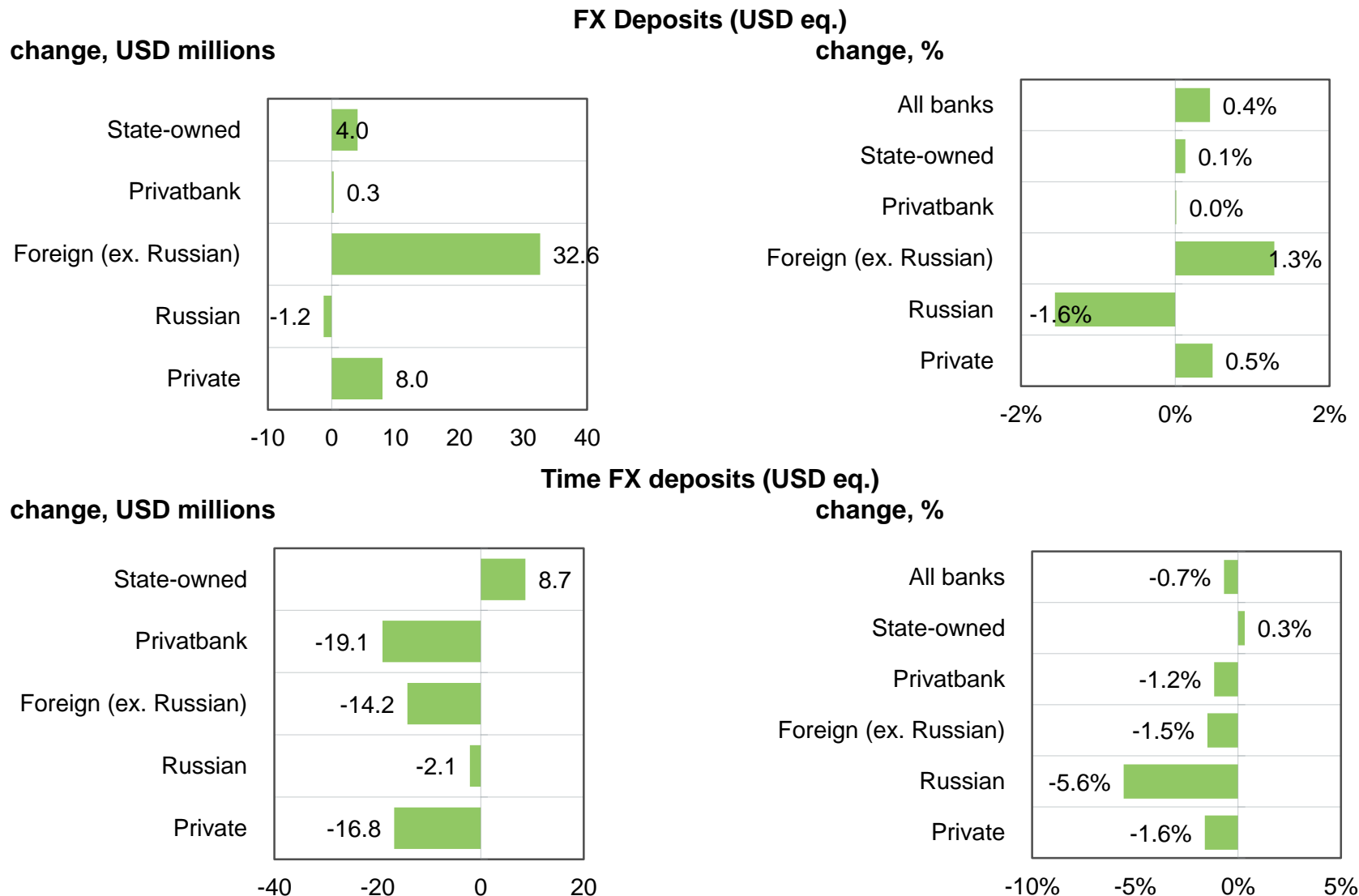


change, %



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

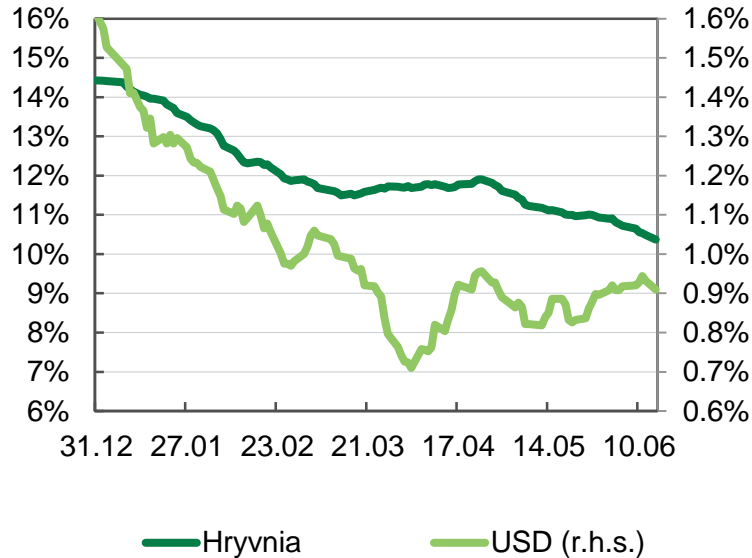
Change in FX retail deposits (12 May – 12 June 2020)



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

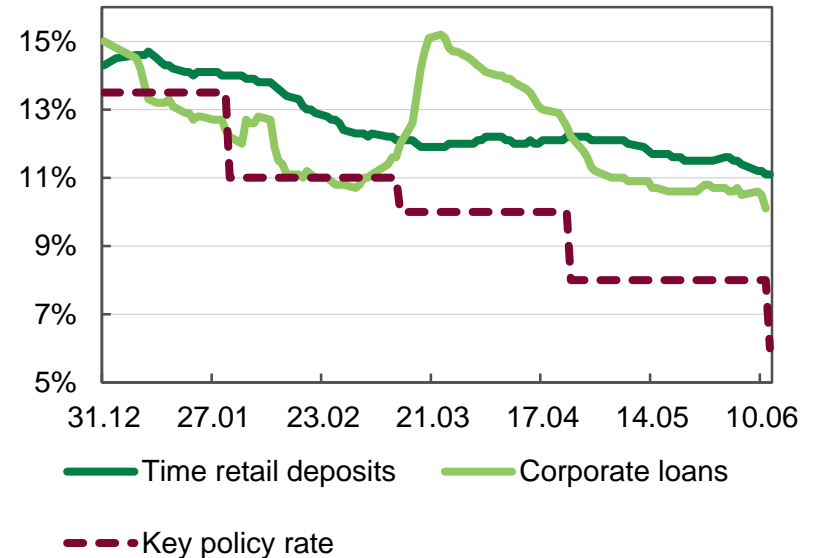
The cost of new hryvnia corporate loans decreased

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



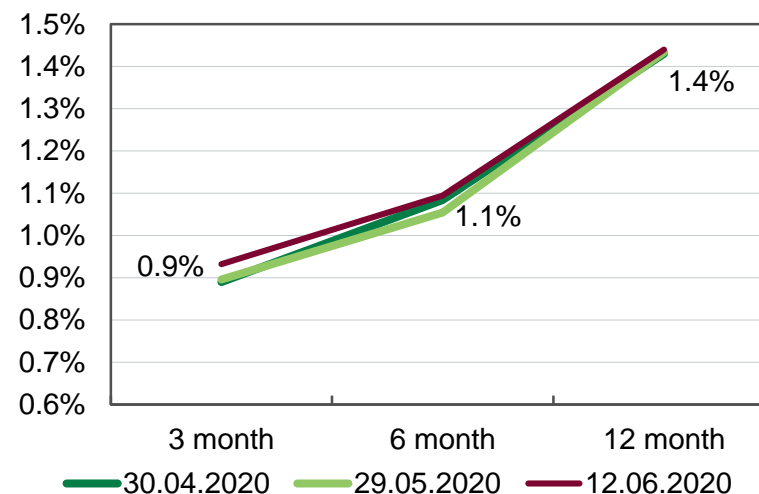
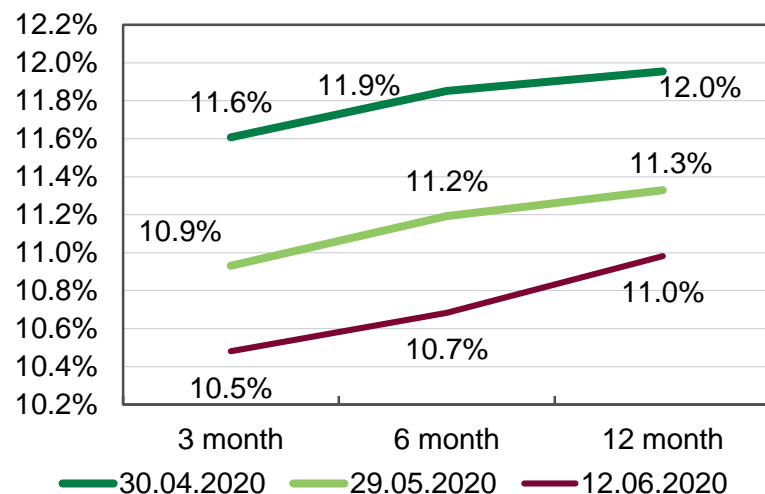
Source: NBU, daily data, 5-day moving average.

- Reduction of the cost of loans and deposits was facilitated by several cuts of the NBU's key policy rate.

The cost of new hryvnia deposits is further declining

Ukrainian Index of Retail Deposit rates, % per annum
USD

Hryvnia

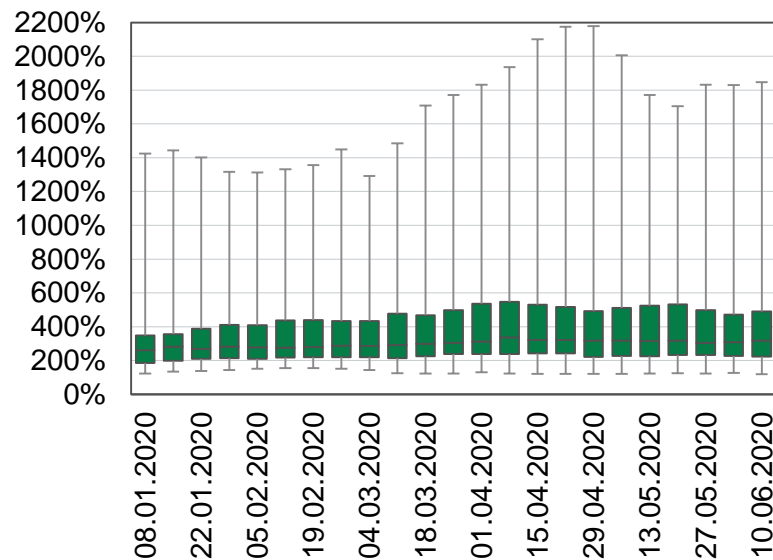


Source: "Thomson Reuters", 5-day moving average.

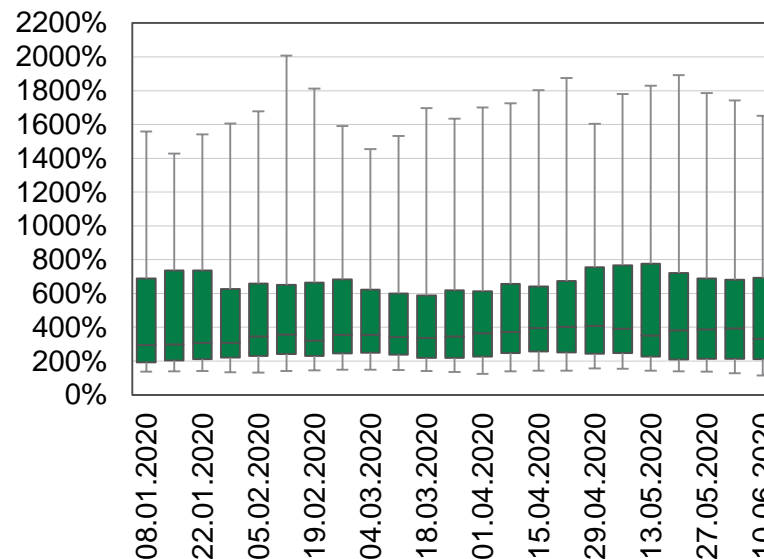
- The cost of new FX deposits remains unchanged at historically low levels.

LCR is well above the regulatory required ratio

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



LCR in FX (arithmetic mean)



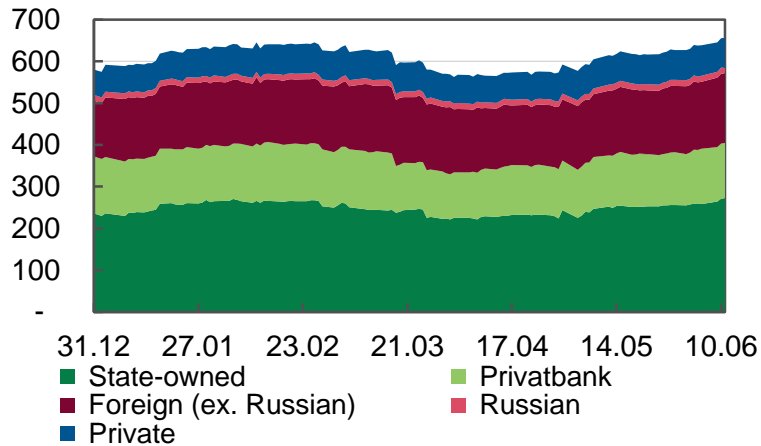
* Upper and lower edges of the green rectangles represent the first and the third quartiles of the indicator distribution across the banks for the date. The dashes inside the rectangle shows the mean. Upper and lower dashes outside the rectangle show 5th and 95th percentiles.
Source: NBU.

- Over the reporting week, median LCR value in FX slightly decreased, however it exceeded the regulatory required value threefold.

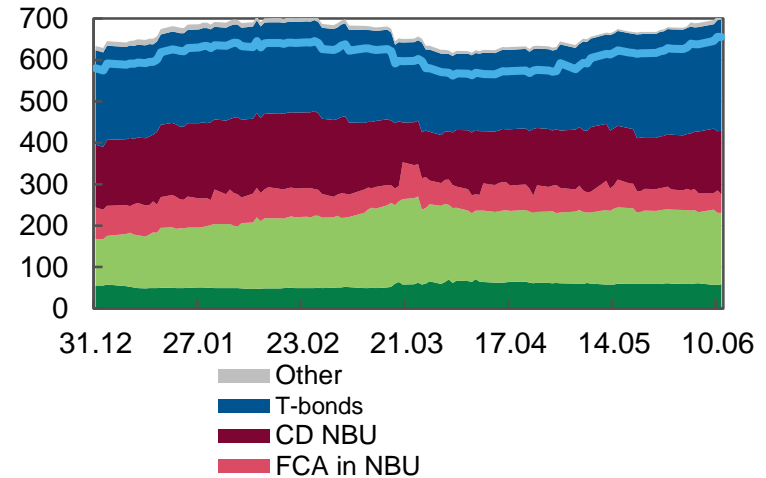
HQLA in all currencies increased over the week

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

by groups of banks

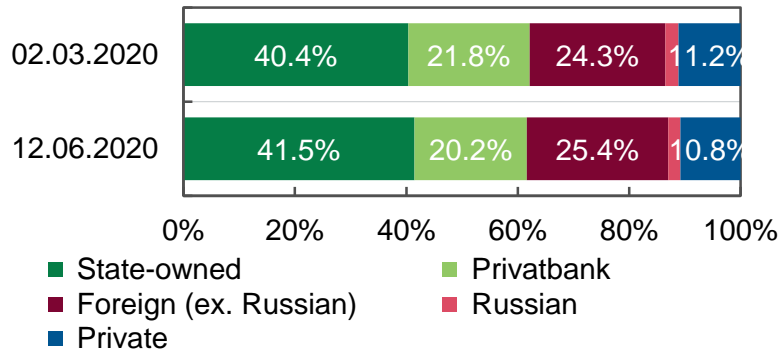


by components

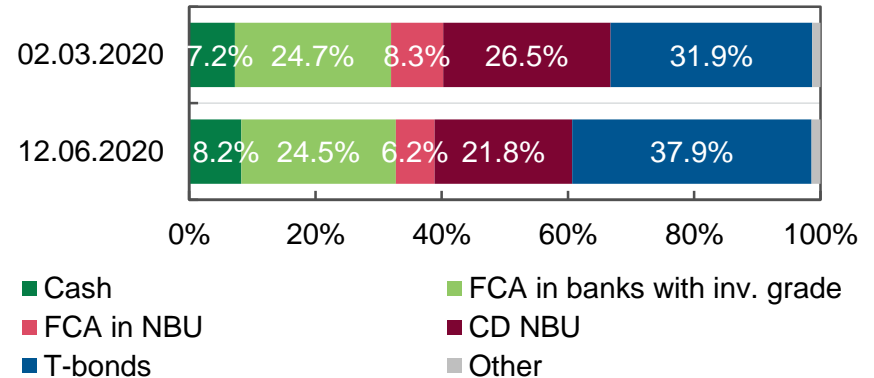


Structure of HQLA in all currencies

by groups of banks



by components



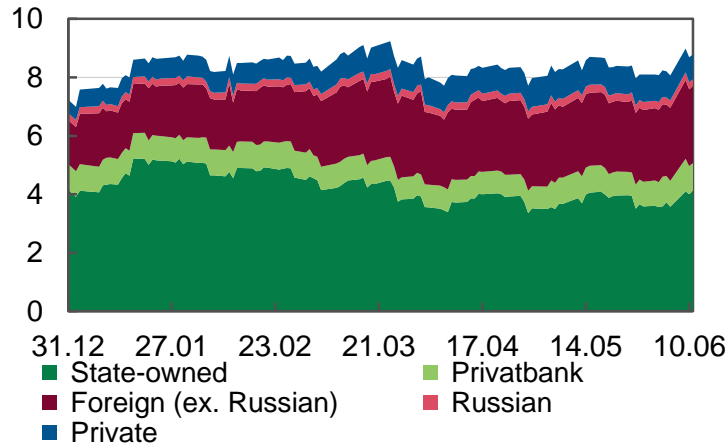
RR – Required Reserves, FCA - Foreign Currency Accounts, CD – Certificate of Deposit.

Source: NBU.

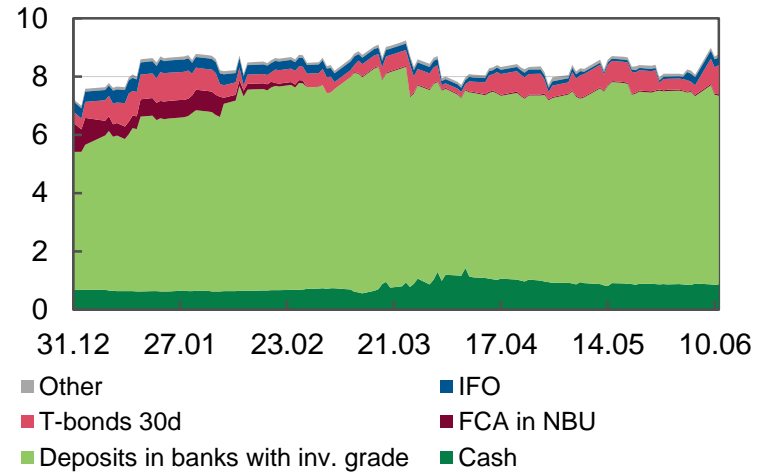
During the week, the amount of HQLA in FX increased

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

by groups of banks

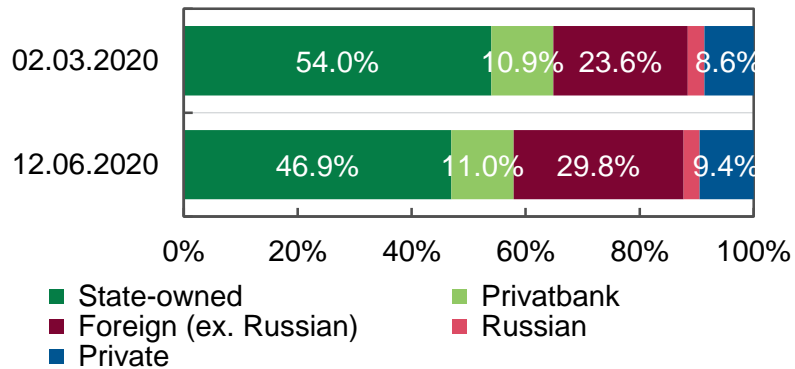


by components

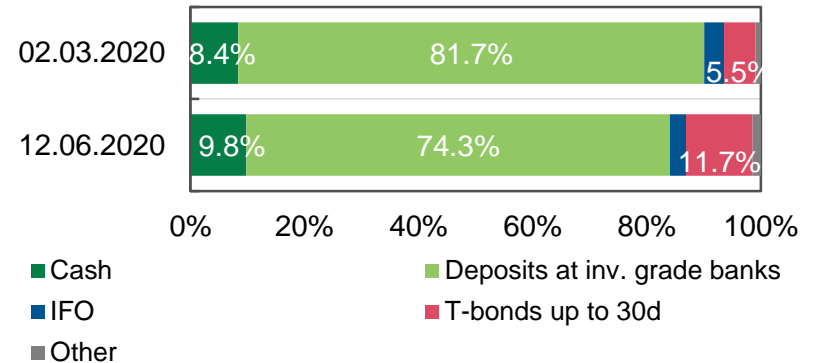


Structure of HQLA in FX

by groups of banks



by components

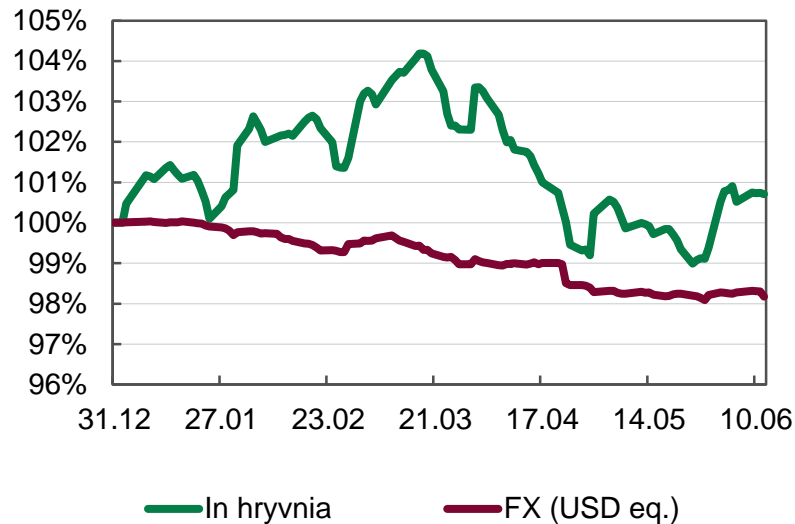


FCA - foreign currency accounts, IFO – international financial organizations.

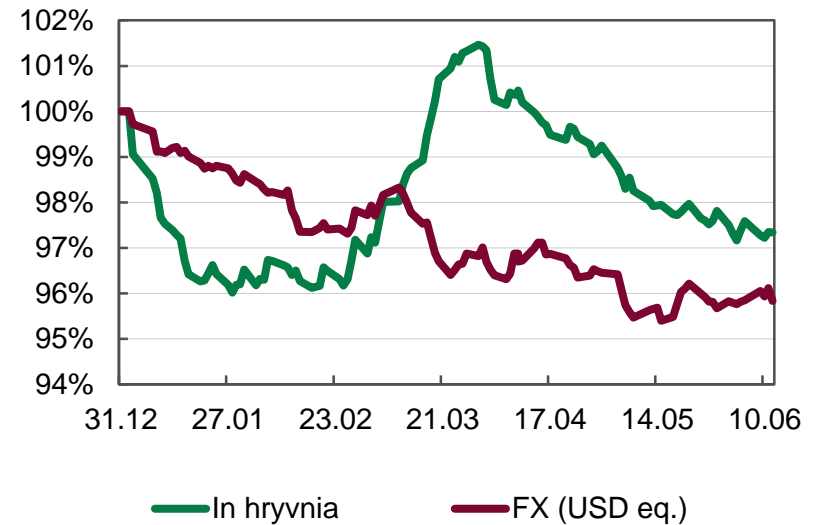
Source: NBU

Hryvnia retail loans grew from the beginning of June

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



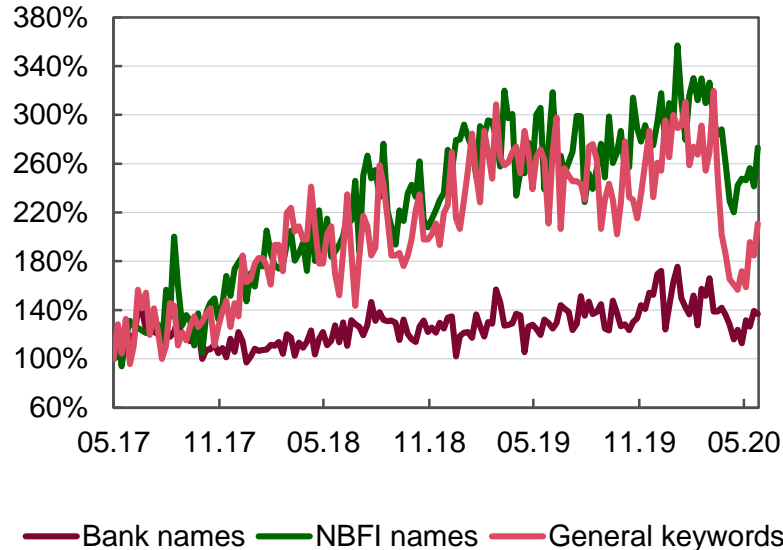
**Corporate Loans (Gross),
31.12.2019=100%**



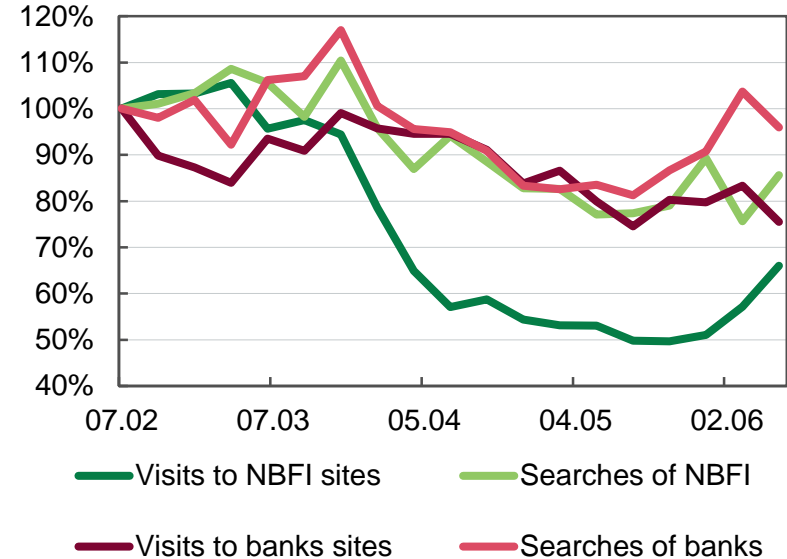
Source: NBU.

Demand for consumer loans recovers unevenly

Change in Google searches, 1 May 2017 = 100%



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



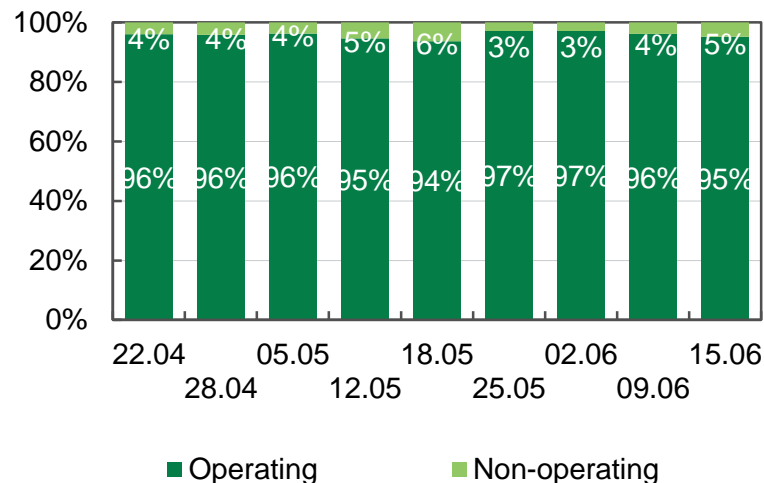
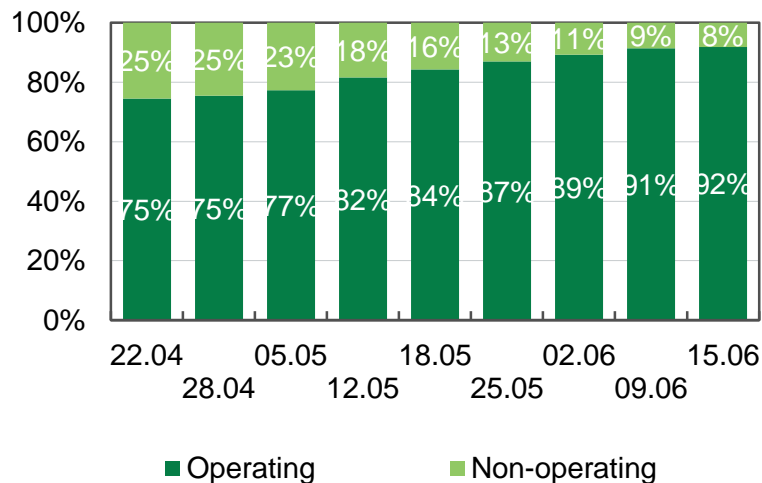
Analysis is based on pool of 11 banks with the largest portfolio of consumer lending (Privatbank data used only for “Searches of banks”, Ukrsibbank data is not used for “Visits to banks sites”) and 12 nonbanking financial companies with the largest number of visits to sites.

Source: NBU, Google trends, SimilarWeb

- Visits to sites and searches of nonbank financial institutions (NBFIs) are increasing. However, searches of banks slightly decreased over the last week.

The share of operating banks` units is growing

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>