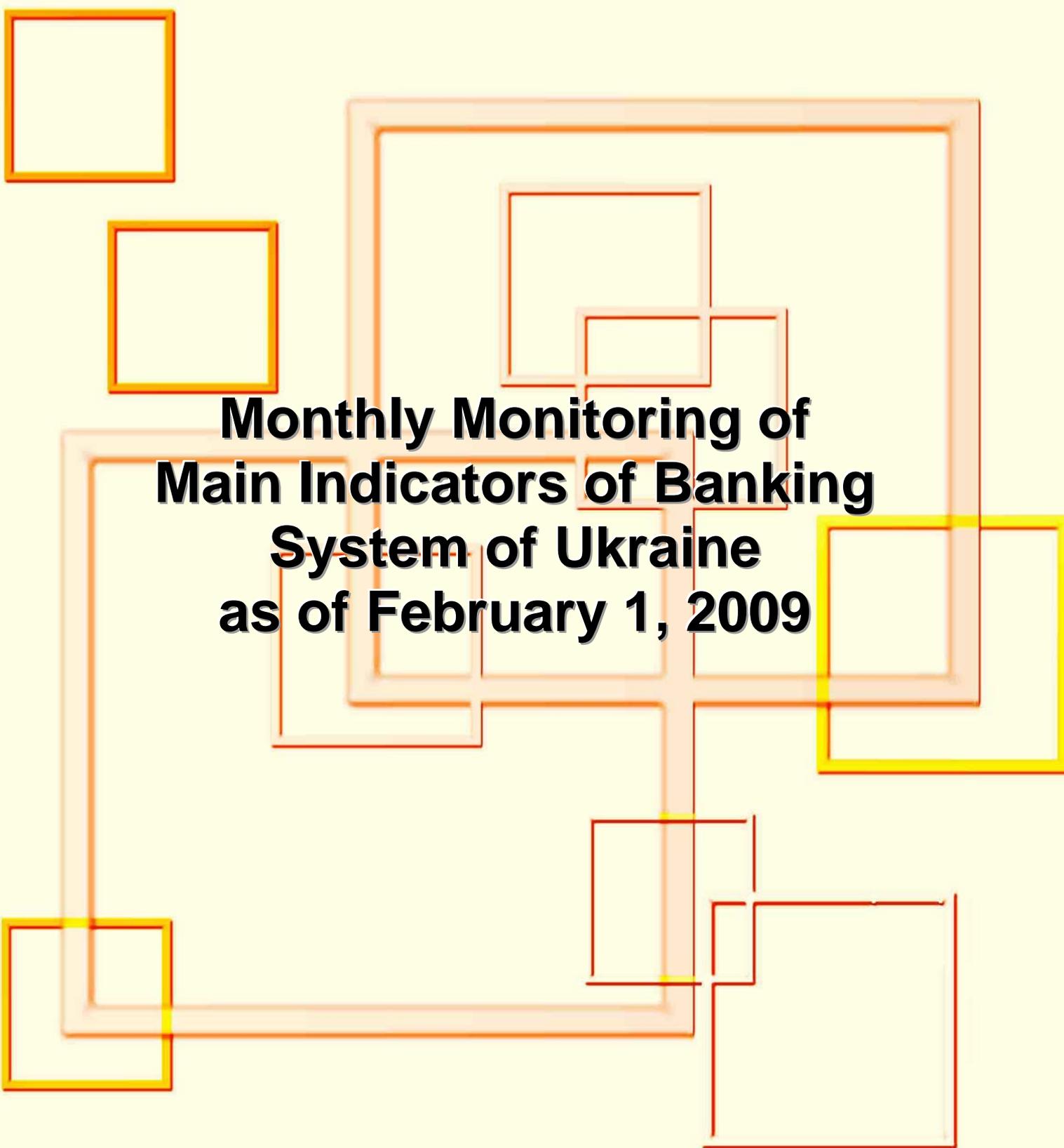




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**Monthly Monitoring of
Main Indicators of Banking
System of Ukraine
as of February 1, 2009**

This booklet is a monthly publication prepared based on the official statistics data. It contains a brief summary, a selection of diagrams and graphs illustrating major changes in the banking system of Ukraine.

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Tendencies of the Banking System Development

In January 2009, the Ukrainian banking system was characterized by:

- stability of the national currency cash exchange rate against U.S. Dollar (the official Dollar exchange rate remained unchanged at Hr 7.70 to \$1 in January 2009);
- a reduced volume of aggregate banking system assets, curtailing of interbank transactions, and increasing prices under interbank agreements;
- a dramatic growth in the share of overdue loans in bank portfolios and an abrupt decline in the number of solvent clients;
- significant deductions to reserves for active transactions.

To overcome substantial depletions of banks' resource base, the National Bank of Ukraine took urgent steps to fight the current liquidity crisis and imposed a number of restrictions. The key measures included restrictions on foreign-currency lending to clients with no foreign-currency income and early termination of clients' deposit agreements.

A significant reduction in the checking and time accounts was observed as of early October 2008 through January 2009, with the national currency reduction of -Hr 46.9bn (or -19.9%) and foreign-currency reduction of -\$2.22bn (or -10.0%). With the reduction of clients' checking and time resources, there was also a significant shortage of both the Hryvnya and foreign-currency resources at interbank currency markets. The overnight rate oscillated between 50% and 32%.

An outflow of resources from the banking system, alongside with the National Bank's selling of foreign currency on the interbank market, has had a corresponding effect on the banking system liquidity. It should also be taken into account that the requirements for banks' accumulation of obligatory reserves were tightened as of 5 January. The introduction of such measure was not so much intended for limiting banks' free liquidity, as deepening the differentiation of standards for obligatory reserves, depending on the currency of the mobilized funds to stimulate execution of deposit and credit agreements, primarily, in the national currency. Therefore, the standards for obligatory reservation for foreign-currency time deposits were raised from 3% to 4% as of 5 January, and those for foreign-currency call deposits from 5% to 7%. The standards for accumulating obligatory reserves for national currency funds were left at the zero level. The obligatory reserves accumulated by banks in January 2009 totaled Hr 16.5bn.

The volume of bank refinancing transactions totaled Hr 4.7bn in January, including: Hr 2.2bn in overnight credits, and Hr 2.5bn in other short-term credits. An average weighted interest rate on refinancing transactions amounted to 17.0% per year in January, including 16.8% for overnight credits and 17.1% for other short credits.

The development of the Ukrainian banking system slowed down in the first month of 2009, in particular, this applies to the aggregate assets (see Chart 1). Thus, the aggregate assets of Ukraine's banking system decreased by almost 2.0% to Hr 954.1bn. The amount of lending decreased by 1.5% in January (compared to 9.2% increase in December) to Hr 722.6bn. Lending to legal entities decreased by 1.4% to Hr 453.7bn in January. Lending to private individuals decreased by 1.8% to Hr 268.9bn in January.

As seen from Charts 2 through 7, the January 2009 performance shows that the lending volume has a negative value. This decline has been effected by a ban on lending to clients with no foreign currency receipts, as well as the holiday season in the first ten days of the month.

The monetary and credit market demonstrated a trend toward outflow of funds from the banking system (see Charts 8 through 13). Unfavorable developments both in the global economy and in Ukraine have reflected poorly on the trust in the banking system. **Personal foreign-currency deposits decreased** by \$0.63bn in the U.S. Dollar equivalent, and those denominated in the national currency decreased by Hr 2.54bn in January. Therefore, the total **deposits of private individuals** decreased by 3.6% and amounted to Hr 207.7bn as of 1 February 2009. **Deposits of legal entities** were down to Hr 131.8bn or by 7.3%. There was only a slight growth in foreign-currency funds of **legal entities** (+\$0.19bn or +2.8%).

Despite the outflow of funds from banks, the volume of cash outside the banking system also decreased by 3.0%, down to Hr 150.2bn in January. This reflects a higher demand for foreign cash. At the same time, the share of cash in the money supply structure increased to 30.5% throughout January compared to 30.0% at the beginning of the month, since the money supply was declining faster than the cash outside the banking system. The money supply was down 4.6% to Hr 491.8bn. The money supply growth rate decreased to 25.7% vs. 30.2% at the year outset year-on-year (against the respective month last year). The monetary base decreased by 3.6% to Hr 180bn. However, the monetary base increased to 32.1% compared to 31.6% at the year outset, year-on-year.

The banking system liquidity status is reflected in the interest rate dynamics in January 2009. Thus, for personal loans in the national currency the rate of return increased to 25.13% (+8.75% against December), that for foreign-currency loans increased to 18.25%.

In order to preserve the clients' resource base and retain the interest margin at a sufficient level, the majority of banks are raising their interest rates on time deposits. Thus, the average rate for clients' resources in the national currency is 22%-23% for private individuals and 16% for legal entities. Similar rates for foreign currencies amount to 13%-14% and 10%-11%, respectively.

According to the National Bank of Ukraine, the equity of banks totaled Hr 126.7bn or 14% of total liabilities as of 1 February 2009. The authorized capital accounts for 69% in the equity structure, issue difference 4.8%, general provisions, reserve funds, and other bank funds 8.0%, revaluation of fixed assets, intangibles, and securities 8.8%.

The aggregate revenues of Ukraine's banking system totaled Hr 12.5bn in January 2009, with the aggregate costs of Hr 10.0bn. The profits of Ukrainian banks totaled Hr 2.5bn as of 1 February 2009, which is Hr 1.2bn more than in January 2008. Comparing these performance indicators in the U.S. Dollar equivalent, it should be noted that the banks earned \$0.32bn in January 2009, which is \$0.06bn more year-on-year.

Chart 1

Assets Dynamics of the Ukrainian Banking System in 2006-2009

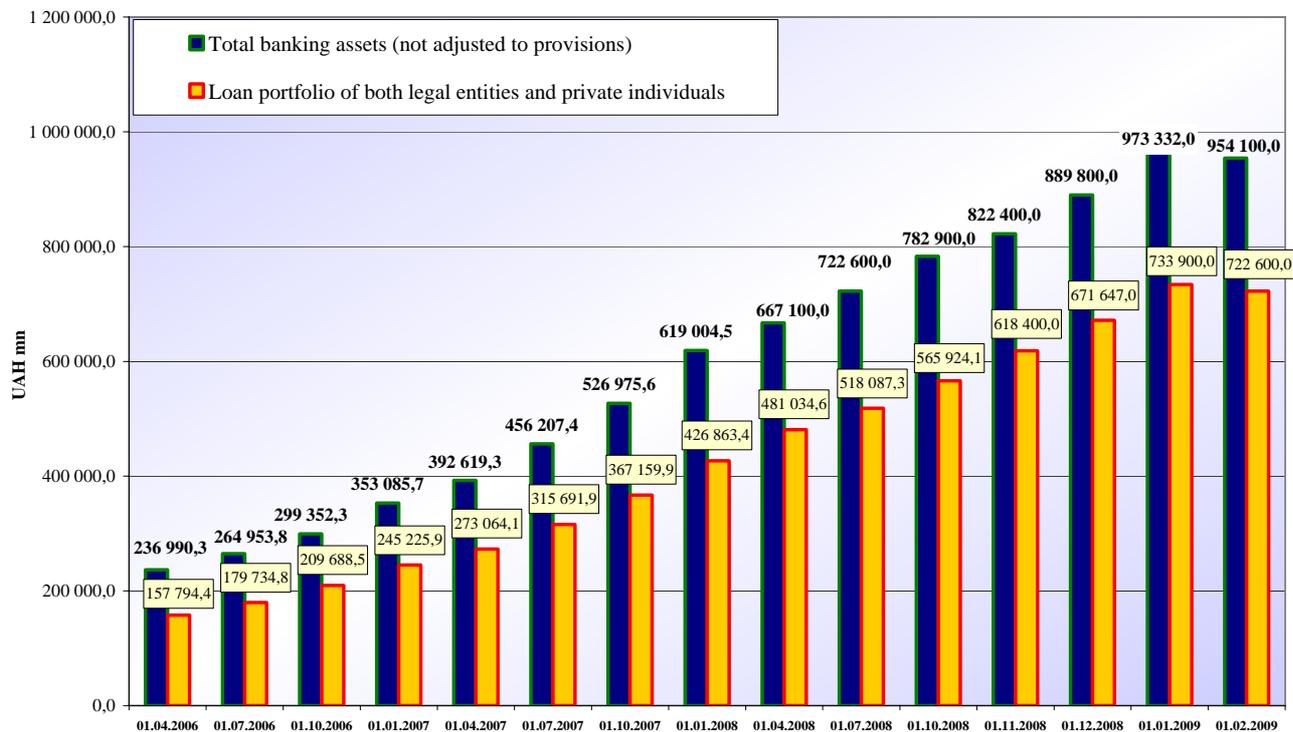


Chart 2

Legal Entities Loan Portfolio

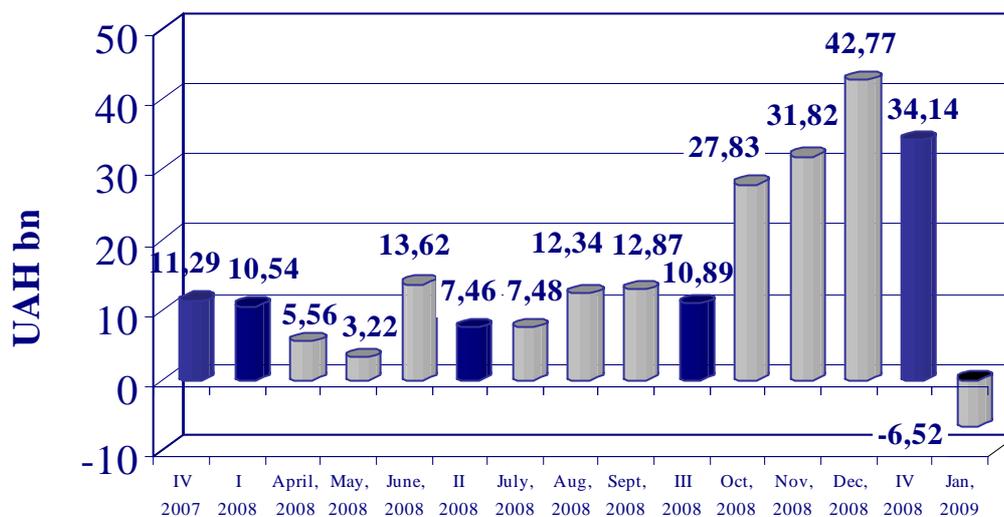


Chart 3

Legal Entities Loan Portfolio in UAH

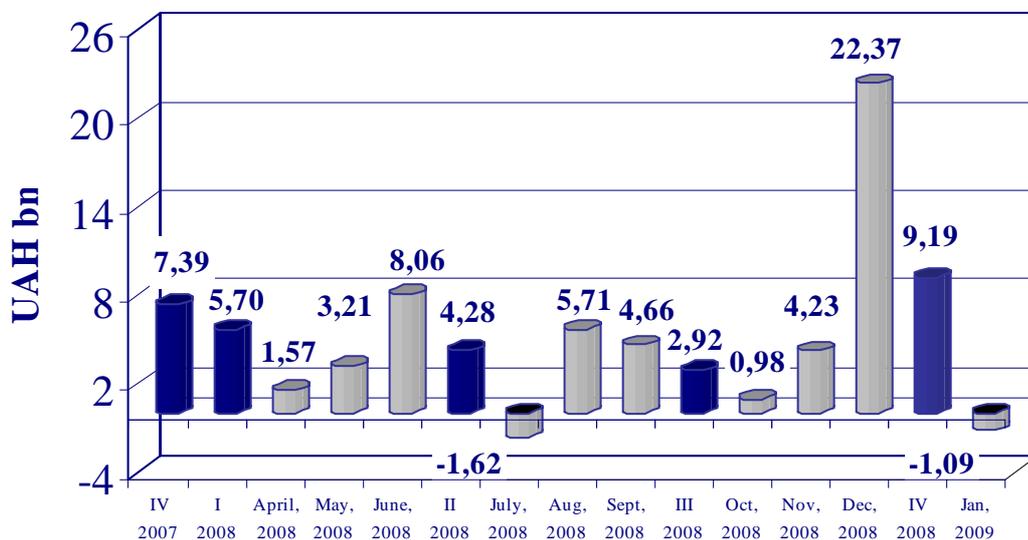


Chart 4

Legal Entities Loan Portfolio in FX

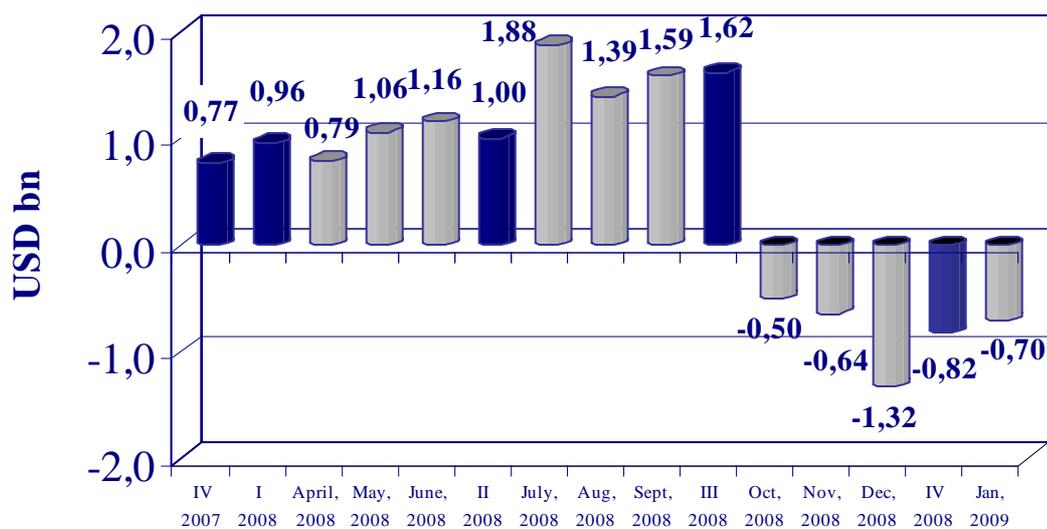


Chart 5

Individuals Loan Portfolio

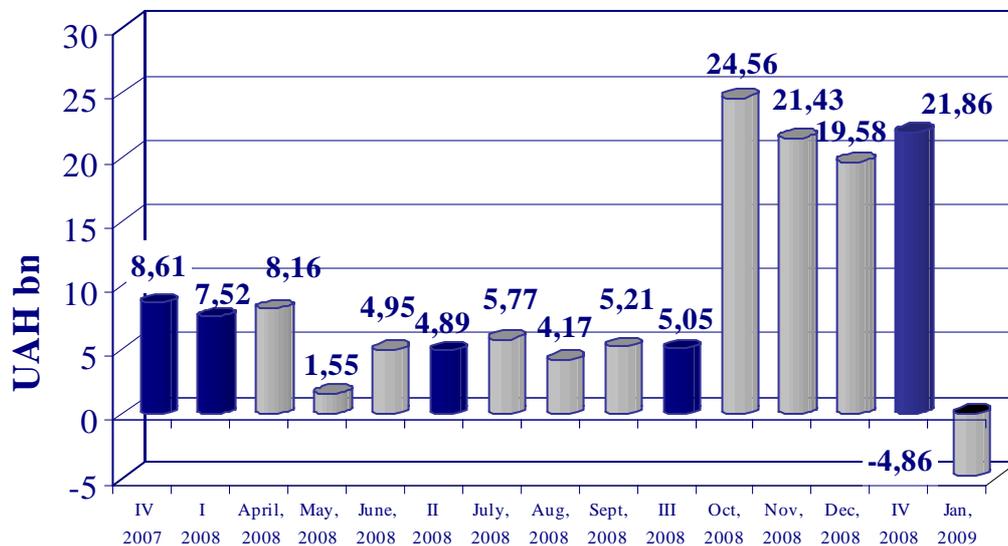


Chart 6

Individuals Loan Portfolio in UAH

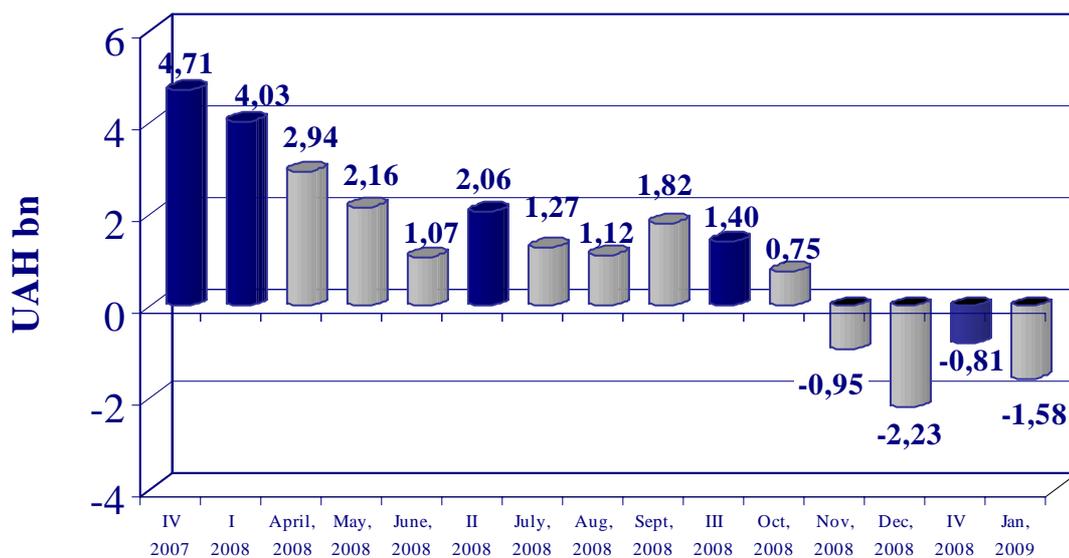


Chart 7

Individuals Loan Portfolio in FX

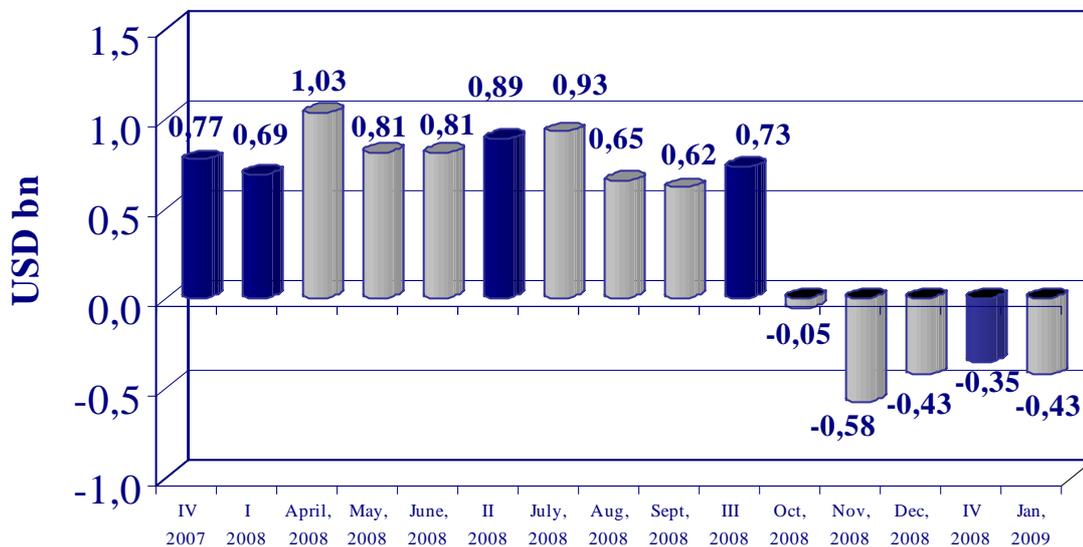


Chart 8

Legal Entities Deposits

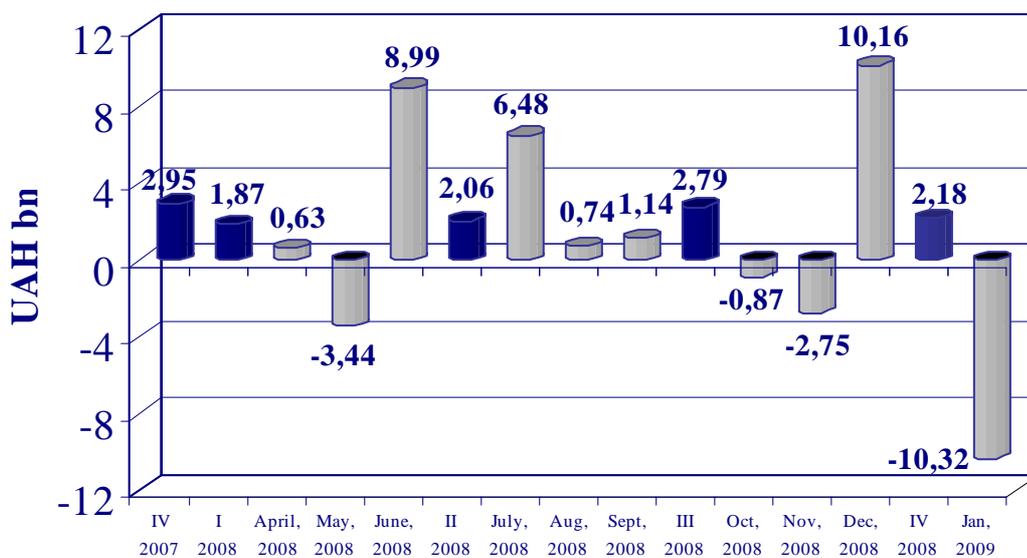


Chart 9

Legal Entities Deposits in UAH

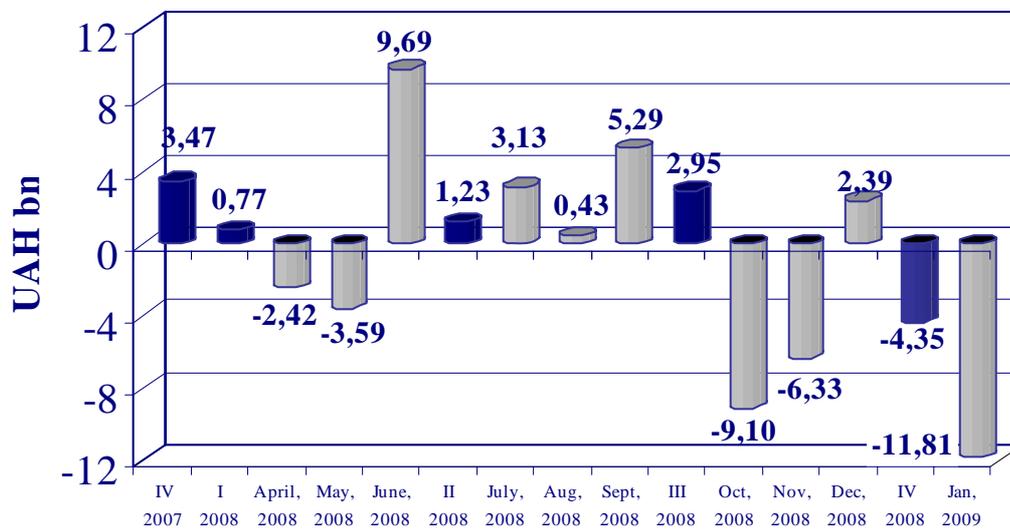


Chart 10

Legal Entities Deposits in FX

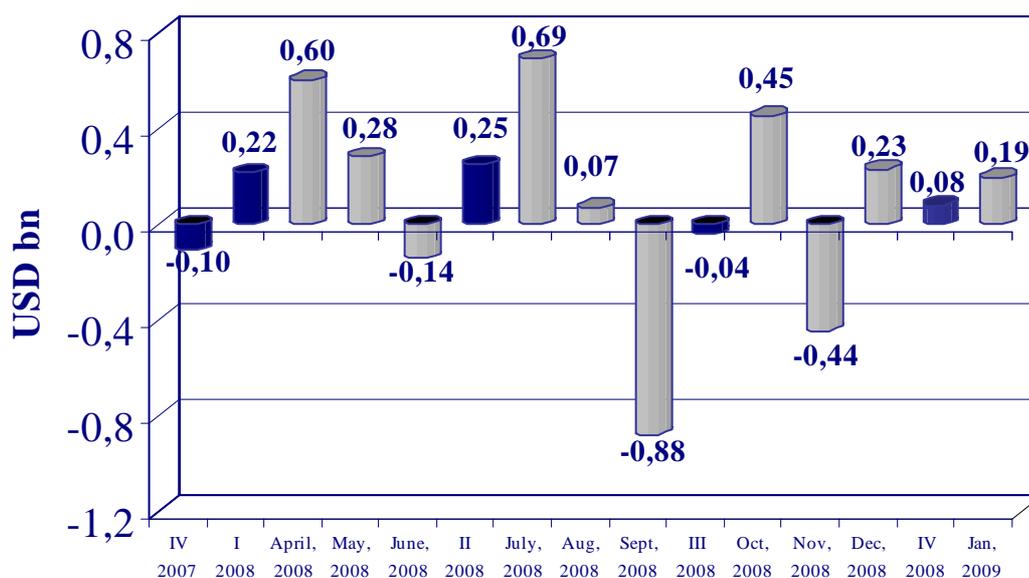


Chart 11

Individuals Deposits

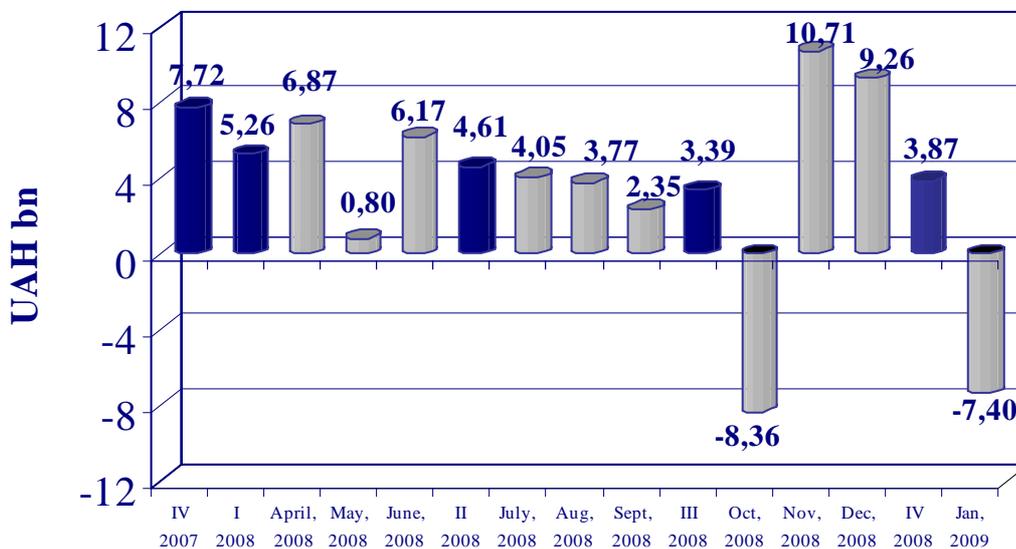
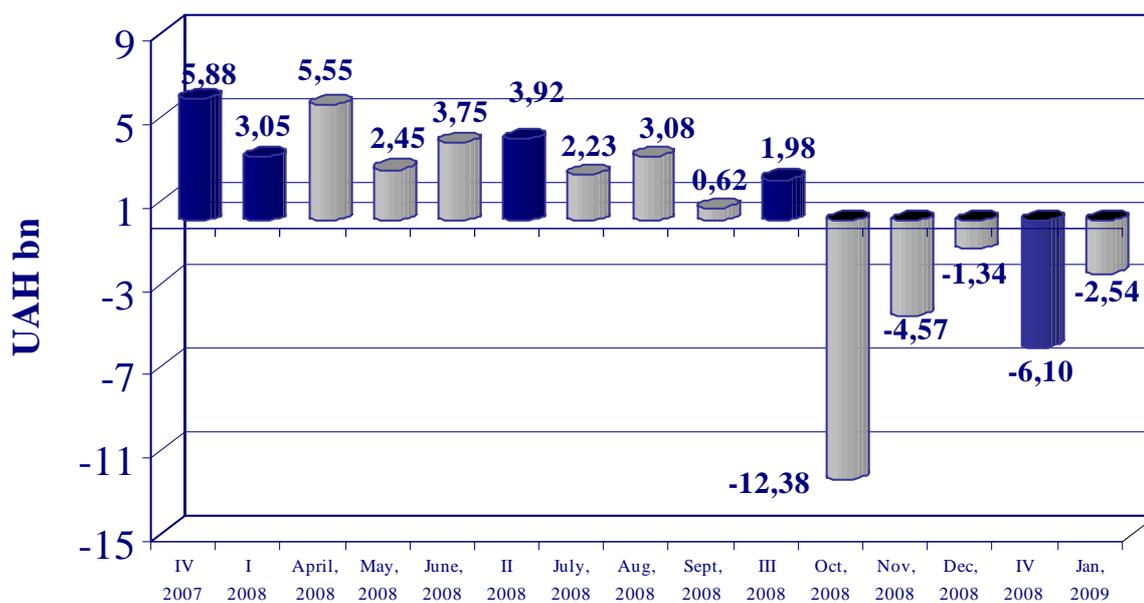


Chart 12

Individuals Deposits in UAH



Individuals Deposits in FX

