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The background features a complex, abstract geometric pattern of overlapping squares and rectangles in various shades of orange, yellow, and red, creating a maze-like effect.

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

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

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Tendencies of the Banking System Development

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

- **an improved** situation on the financial market and **lowering** tensions in the finance and banking sector;
- **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 since the beginning of 2009);
- **a slowing-down in the rate of depletion** of the aggregate assets of the banking system, which is mostly linked to a negative growth of the clients' loan portfolio;
- **stopping** of client funds outflow and growing volume of lending to companies in the real sector of the economy.

As of 1 May 2009, 185 banks had the National Bank licenses for conducting the banking business. Ten banks are in the process of liquidation, including seven banks liquidated by NBU decision, and three banks liquidated due to decisions of commercial/arbitration courts. 15 banks have been placed into temporary administration

In order to support the liquidity of banks, the National Bank carried out bank refinancing transactions totaling Hr 9.6bn in April (Hr 44.0bn year-to-date). Credits obtained under financial stabilization programs (totaling Hr 9.2bn) and overnight credits (totaling Hr 0.3bn) were used as the main refinancing tools.

An average weighted interest rate on refinancing transactions amounted to 16.9% annual in April, including 20.0% for overnight credits.

The statutory reserves accumulated by banks totaled Hr 11.9bn in April 2009.

There was a slowdown in the rate of development of the Ukrainian banking system in April 2009, in particular, in terms of its aggregate assets (see Chart 1). Hence, the aggregate assets of the Ukrainian banking system decreased by 0.4% against February, down to Hr 935.2bn.

The loan portfolio was down 0.3% in April (-0.17% in March) to Hr 714.2bn (see Chart 2 through Chart 7). The amount of credits to legal entities was up 0.3% in April against March and totaled Hr 457.9bn. Lending to private individuals decreased by 1.4% to Hr 256.3bn in April.

As of 1 May 2009, personal deposits amounted to Hr 192.5bn or 25.2% of total liabilities, and corporate deposits amounted to Hr 119.3bn or 15.8%.

Deposits of legal entities decreased by 2.4% in April (by 15.9% year-to-date) (see Chart 8 through Chart 10). This mainly occurred due to depletion of national currency deposits by 3.7% (by 19.5% year-to-date) down to Hr 74.2bn, influenced by payment of quarterly tax obligations in April. At the same time, foreign-currency deposits (in Dollar equivalent) decreased only by 0.1% (by 9.3% year-to-date) down to \$5.9bn.

The amount of personal deposits was up 0.6% in April (see Chart 11 through Chart 13). Increase in personal deposits is noted for both the national and foreign currencies. The personal deposits in the national currency increased by 1.1% (decreased by 8.8% year-to-date) to Hr 98.5bn, and those in foreign currencies (in Dollar equivalent) by 0.1% (decreased by 12.6% year-to-date) to \$12.2bn. A faster growth of hryvnya deposits points to a gradual restoration of trust both in the banking system and the Ukrainian currency.

This growth in personal deposits has had a positive impact on the overall deposit dynamics, with deposits reduction rate slowing down to 0.6% in April against March (this indicator amounted to 2.0% in March, 5.6% in February, and 5.1% in January) and their volume totaled Hr 312.1bn as of 1 May 2009.

The money supply was up 0.2% in April (down 9.9% year-to-date) and amounted to Hr 464.8bn.

The monetary base increased by 3.1% in April (down 3.5% year-to-date) to Hr 180.2bn. The volume of banks' correspondent accounts increased by 4.2% to Hr 17.5bn in this period (down 6.1% year-to-date).

A slowdown in the outflow of clients' deposits, alongside with the National Bank's proactive support of banks' liquidity in April, as well as support of the national currency via currency auctions for selling foreign currencies have contributed to improving the banking system liquidity. In the environment of sufficient liquidity and in view of alleviation of inflationary pressures, banks were cutting their interest rates on lending transactions. In particular, an average weighted cost of credits in the national currency decreased from 26.7% to 20.4% in April, while it increased slightly from 11.0% to 11.6% for foreign-currency credits. An average weighted rate under contracts at the interbank credit market decreased from 30.8% to 6.9% in April, including from 30.9% to 5.0% for overnight credits.

In order to mobilize clients' resources and retain the interest margin at a sufficient level, the majority of banks are raising their interest rates on deposit products. Thus, the average rate for clients' resources in the national currency placed for up to three months is 24%-25% for private individuals and 16%-17% for legal entities. These rates for foreign currencies amount to 13%-14% and 10%-11%, respectively.

As of 1 May 2009, the equity of banks totaled Hr 119.8bn or 13.7% of bank liabilities. The banks' equity has the following structure. The paid registered authorized capital accounts for 74.5% in the equity structure; dividend used for increasing the authorized capital 1.5%; issue difference 5.0%; general provisions, reserve funds, and other bank funds 11.4%; results of previous years 1.0%; results of the reporting year to be approved 1.4%; results of the current year (-4.1%); results of revaluation of fixed assets, intangibles, and securities in bank portfolio for sale and investing in associated companies 9.3%.

The income of banks totaled Hr 49.6bn, including interest income of Hr 42.4bn (or 85.4% of total income), commission income of Hr 5.3bn (10.6%). Bank costs totaled Hr 54.5bn, including interest costs of Hr 23.4bn (or 42.9% of total costs), deductions into reserves of Hr 18.6bn (34.1%), and commission costs of Hr 0.9bn (1.6%).

Chart 1

Assets Dynamics of the Ukrainian Banking System in 2006-2009

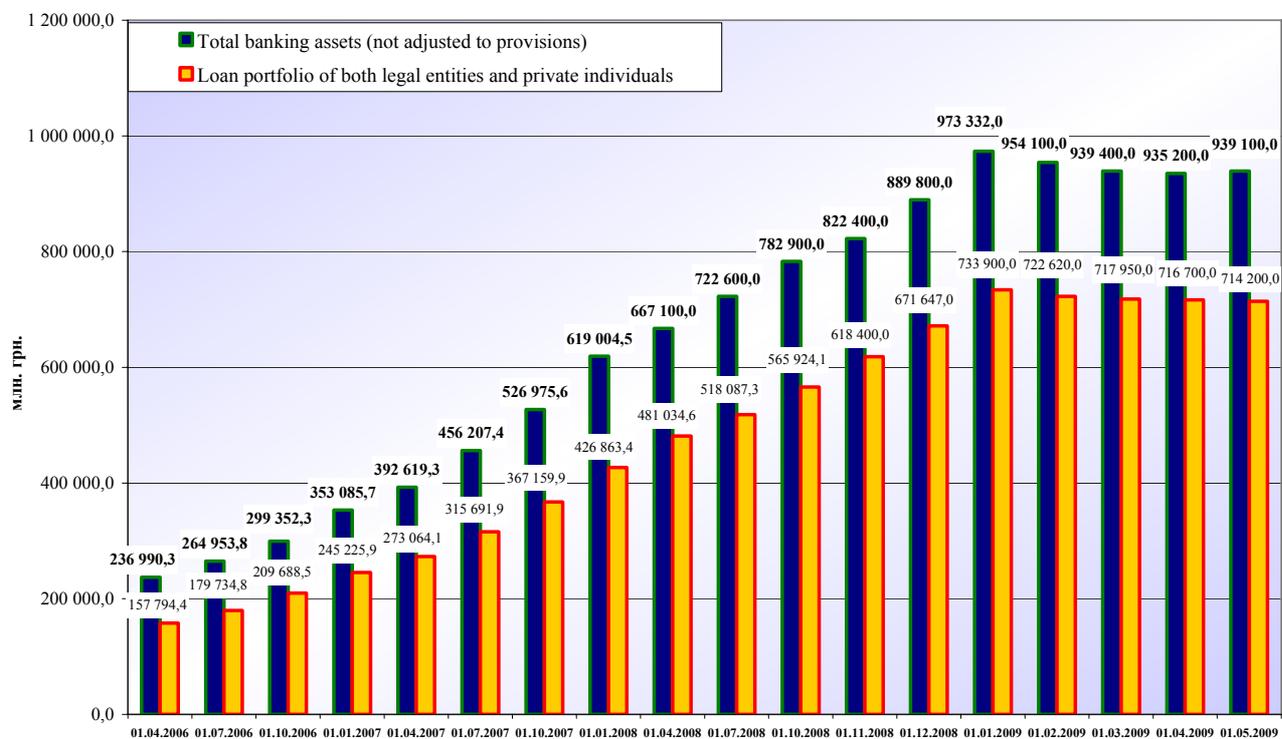


Chart 2

Legal Entities Loan Portfolio

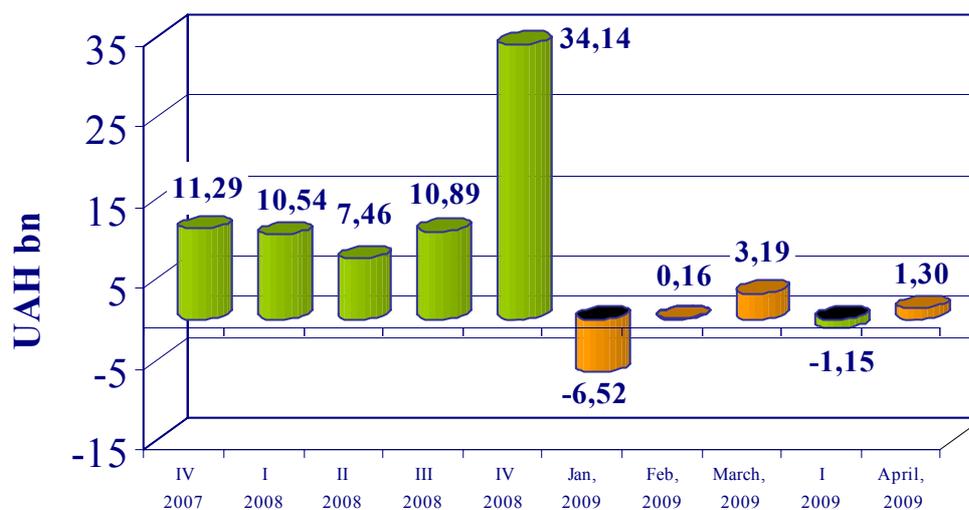


Chart 3

Legal Entities Loan Portfolio in UAH

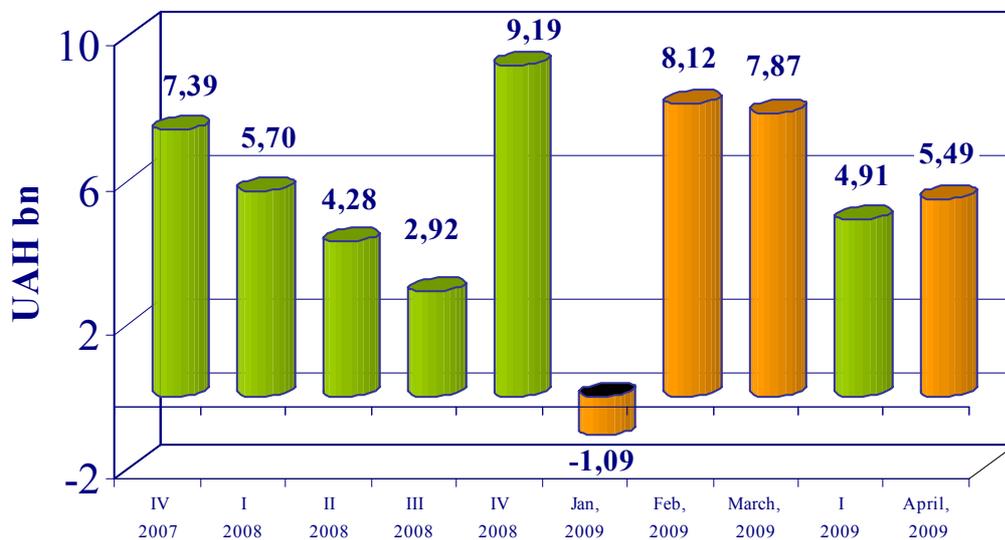


Chart 4

Legal Entities Loan Portfolio in FX

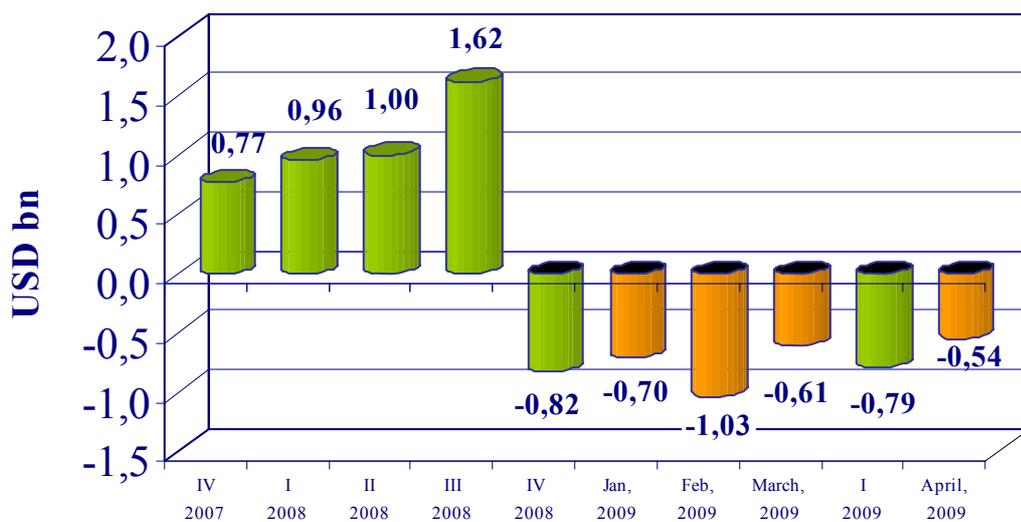


Chart 5

Individuals Loan Portfolio

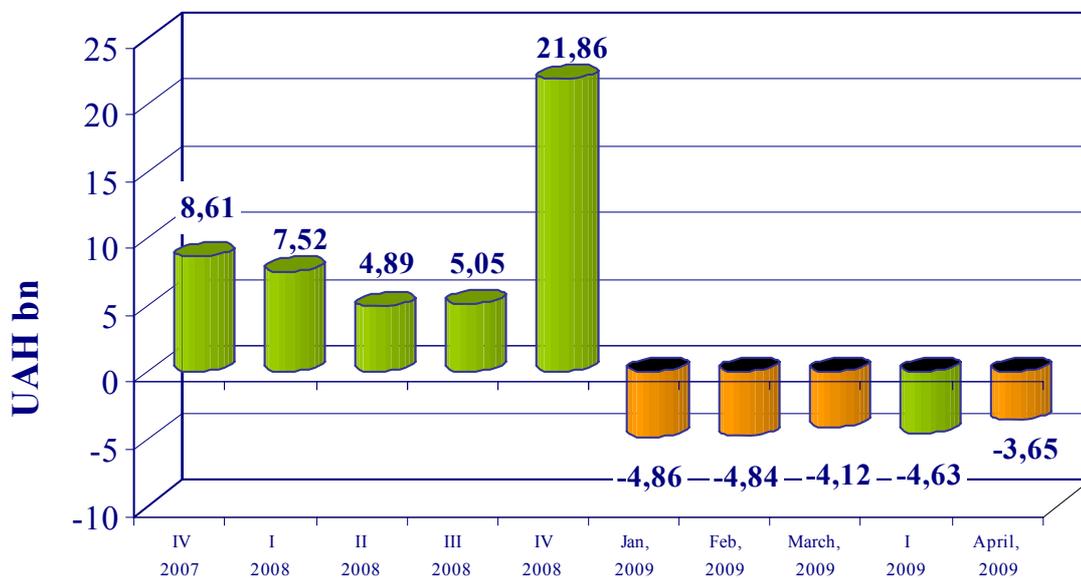


Chart 6

Individuals Loan Portfolio in UAH

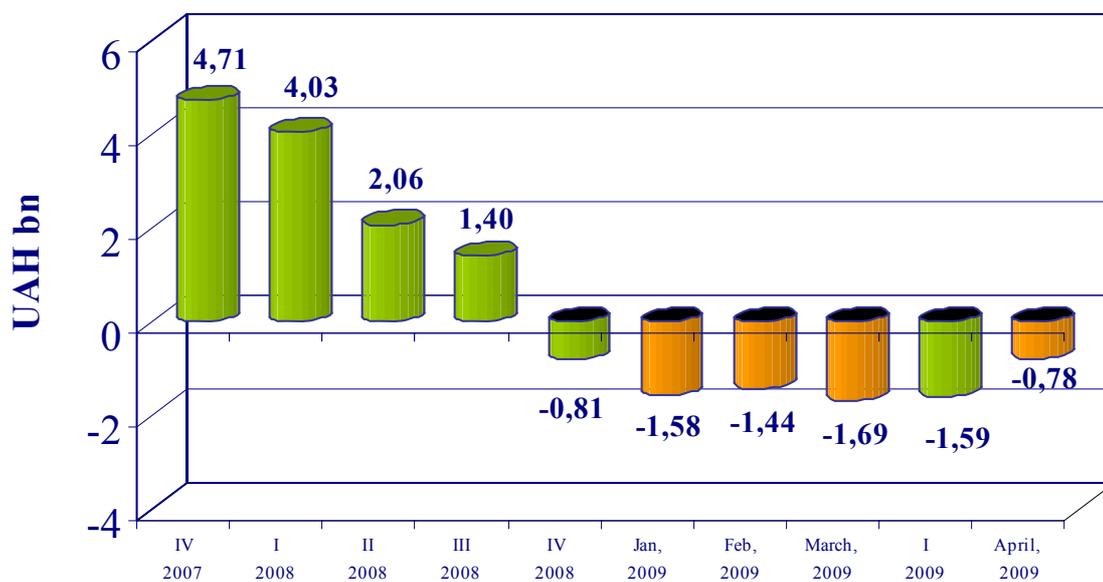


Chart 7

Individuals Loan Portfolio in FX

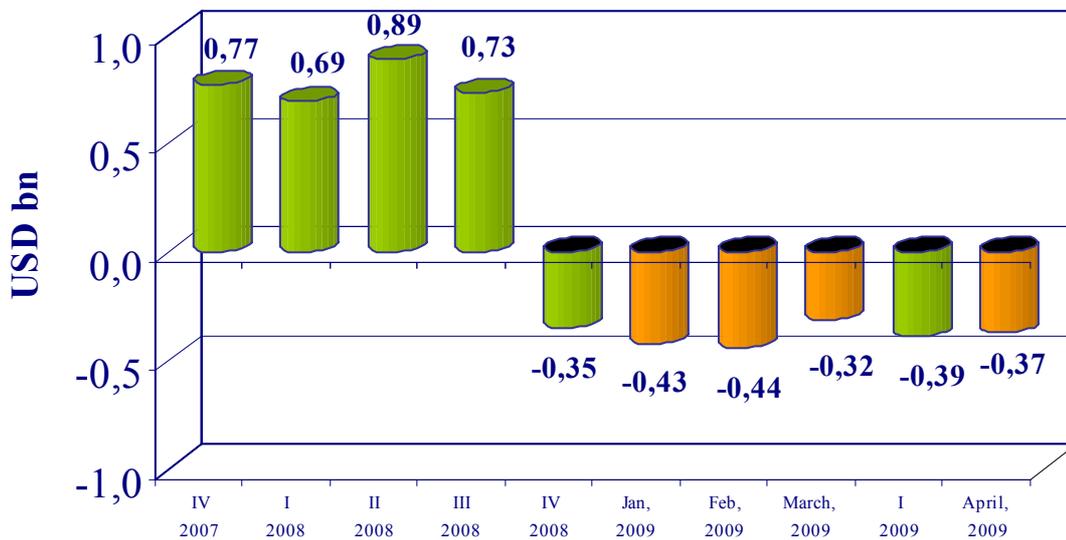


Chart 8

Legal Entities Deposits

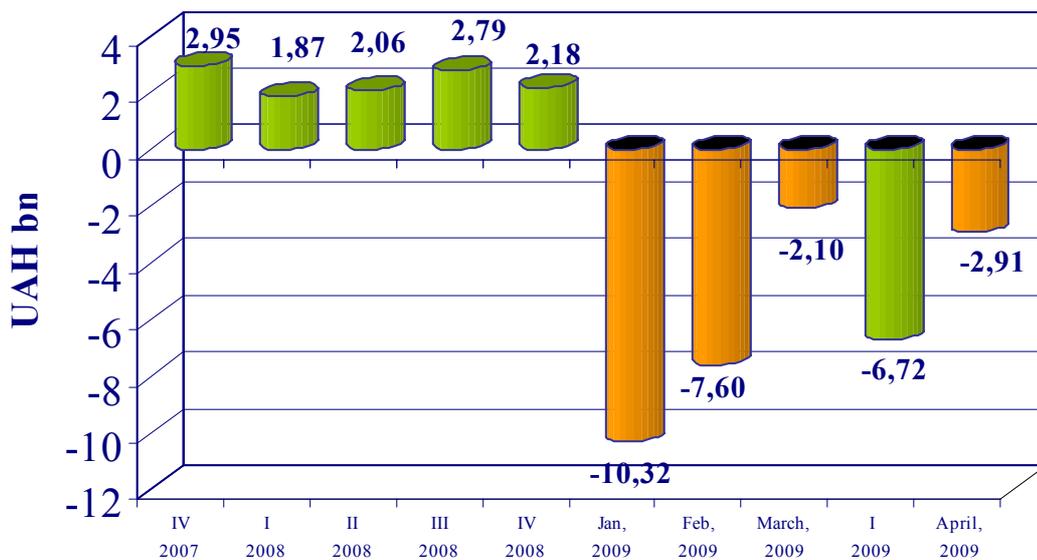


Chart 9

Legal Entities Deposits in UAH

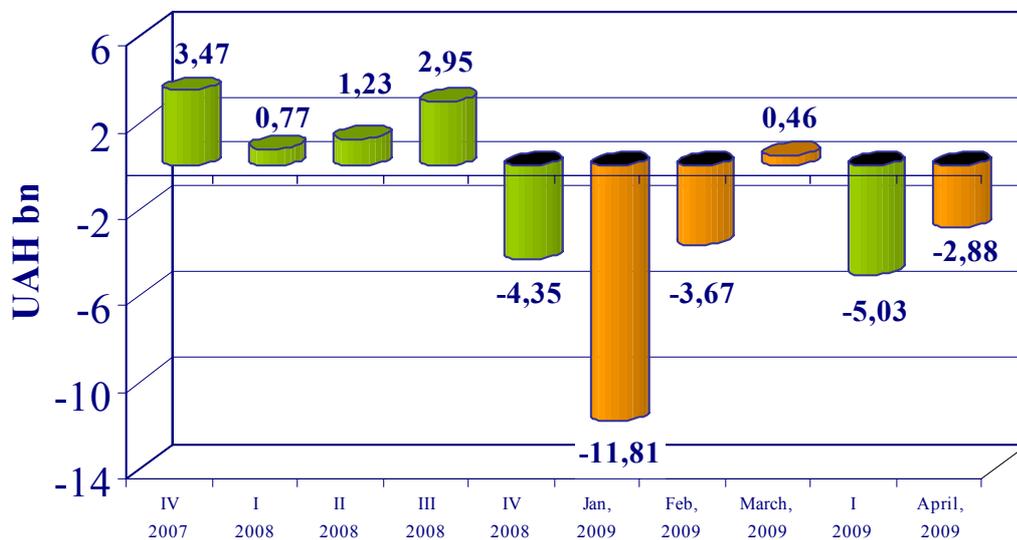


Chart 10

Legal Entities Deposits in FX

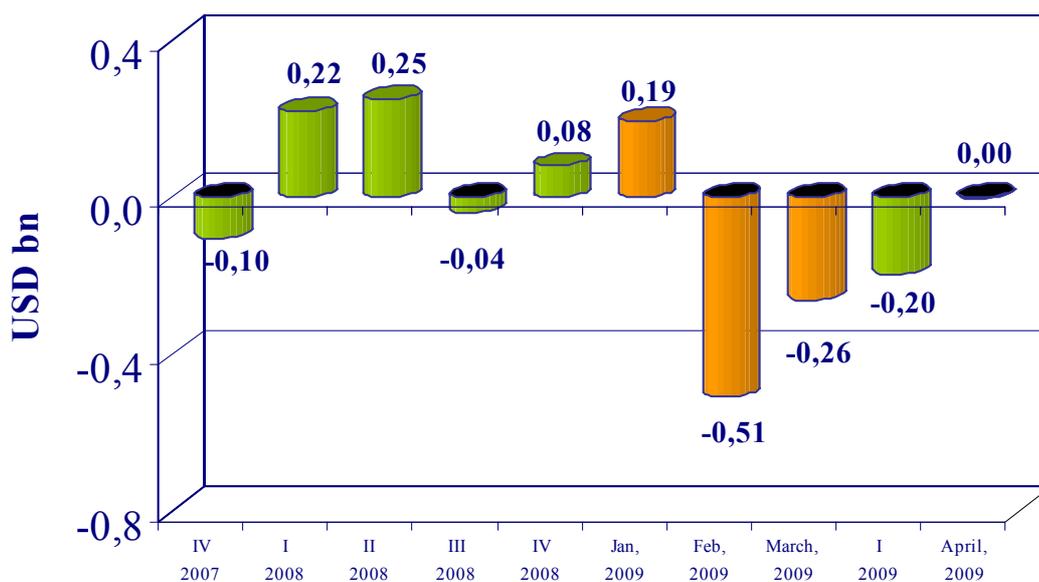


Chart 11

Individuals Deposits

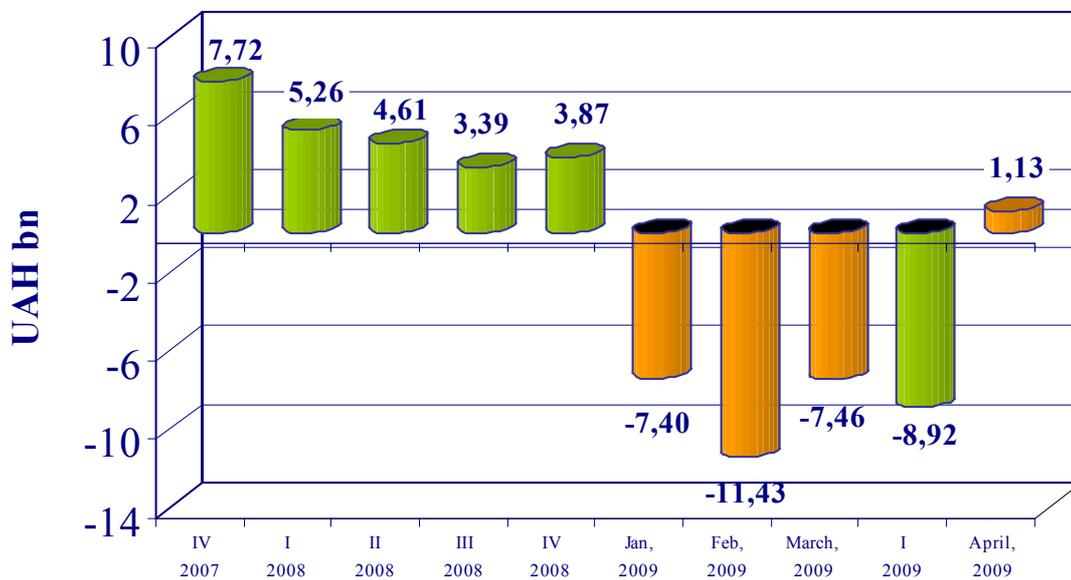
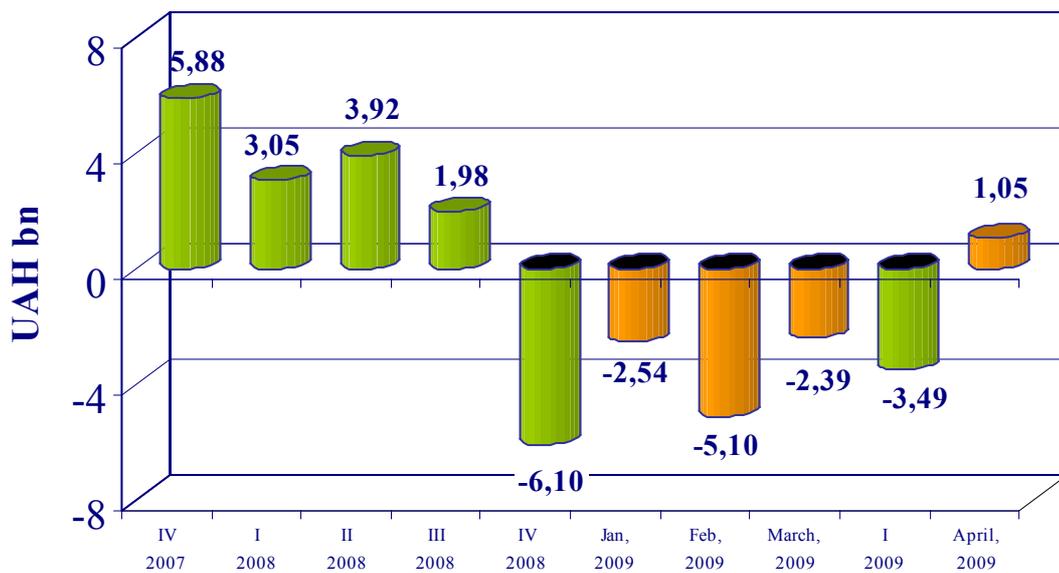


Chart 12

Individuals Deposits in UAH



Individuals Deposits in FX

