National Bank of Ukraine

Banking Sector Review

February 2025

In Q4, bank funding and lending continued to grow. Net hryvnia loans to businesses and households have been growing steadily since mid-2023. The share of non-subsidized business loans is expanding, driven by a further decline in interest rates on loans to businesses. Meanwhile, the banks ramped up their investments in government bonds. Despite the retroactive imposition of increased income tax, the banks maintained high profitability. This was facilitated by stable interest income and growth in net fee and commission income amid moderate provisioning. The sector's capital is sufficient to meet regulatory requirements and provide further lending.

Sector Structure

In Q4, the number of operating banks in Ukraine was down by one, to 61. In December, Kominvestbank (0.04% of the sector's net assets) was removed from the market after violating laws and the regulator's requirements. Earlier in 2024, Alpari Bank also ceased banking operations, of its own will. This made the number of banks two small institutions shorter in 2024.

State-owned banks – a group that added two financial institutions during the year – saw their share in net assets remain at 53.3% in Q4, down 0.3 pp yoy. In retail deposits, their share shrank to 63.3%, down 0.1 pp qoq and 1.2 pp yoy.

Assets

The volume of the banks' net assets rose 7.6% qoq and 16.2% yoy in Q4 (or up 7.0% qoq and 13.1% yoy with the exchange rate held fixed at start-of-period level). First of all, bank investments in domestic government debt securities were up 11.2% qoq and more than one-third year-on-year. The banks expanded the share of government bonds in their assets to maintain portfolio profitability in the face of declining interest rates. From October, the banks' demand for benchmark domestic government debt securities has also been driven by an increase in the required reserve ratio and the proportion of bonds that can be used to meet this ratio. Significant government spending at the end of the year contributed to deposit inflows into the banks and a 17.5% rise in their volume of NBU certificates of deposit in Q4. In year-on-year terms, however, it fell by 11.6%.

Net hryvnia loans to businesses have been growing for six straight quarters. Despite a seasonal slowdown in Q4 (to 0.7% qoq), these loans were up 20.6% yoy. Net hryvnia loans to SMEs grew slightly faster, by 1.2% in Q4 and 22.1% over the year. Their share in the portfolio of net hryvnia loans to businesses expanded to 60.2%, up 0.3 pp qoq and 0.7 pp yoy.

The loan portfolio of foreign banks shrank 5.7% qoq in Q4 (rose 15.2% yoy). In contrast, the loan portfolio in other groups of banks grew – most notably in state-owned banks – by 5.3% qoq and 24.8% yoy. The volume of loans to businesses in food production and machine building increased significantly over the quarter, while agricultural producers were expectedly repaying their loans. Year-on-year, loans in the retail and food sectors grew most.

Favorable lending conditions, including interest rates matching the pre-Covid-19 year 2019 levels, are encouraging lending and cooling demand for subsidized loans. Loans made under the Affordable Loans 5–7–9% program stood at 33.7% as a share of the net hryvnia corporate portfolio at end-2024.

A Bank Lending Survey showed the banks highlighting a rise in loan demand from businesses for capital investment purposes. Accordingly, loans with over three years' maturity rose to 25.2% as a share of portfolio, by 6 pp yoy. Net hryvnia loans with such maturities were up 21.6% qoq and more than 58% yoy in Q4.

Net hryvnia loans to households are surging: up 6.7% qoq and 39.9% yoy in Q4. Unsecured loans continue to dominate this portfolio. Meanwhile, the share of two leading banks in the segment has crept down for the second straight quarter (to 54.5%) due to competition. Mortgage growth decelerated to 7% qoq (60.7% yoy) in Q4. Mortgages continued to make up 13.4% (+1.7 pp yoy) of the net hryvnia retail loans portfolio.

Almost all of mortgage lending was further provided under *eOselia*, a state program whose gross portfolio rose to UAH 24.1 billion in Q4. Mortgage lending development requires more active participation of engagement from the banks with market products. For this to happen, laws and regulations governing the real estate sector need to be tightened, and the design of state support for mortgages must be improved.

Loan portfolio quality is getting better. During Q4, the non-performing loans (NPL) ratio shrank 2.0 pp qoq (7.1 pp over the year) to 30.3%. Excluding the debts of PrivatBank's former owners and legacy debts that date back to before the 2014–2016 crisis, the NPL ratio is 18.6%, down 6.4 pp over the year. The retail NPL ratio is falling faster than the corporate one. As before, the drop in NPL ratios is primarily driven by loan write-offs and increases in the volume of new loans. During 2024, the NPL ratio fell in all groups of banks. The share of corporate borrowers that defaulted on hryvnia loans in 2024 contracted to about 4%.

Funding

In Q4, bank funding from businesses and households continued to grow, by 9.0%. Outstanding NBU refinancing loans rose UAH 0.3 billion, to UAH 1.9 billion. The number of banks using this instrument went up from four to five. In Q3, the sector's external debt declined 3.0% qoq, but remained slightly below USD 1.6 billion, about 2% of liabilities.

The volume of hryvnia retail deposits rose 3.7% qoq (+11.5% yoy). Overall, the growth in deposits picked up from a quarter ago, boosted by significant end-of-year disbursements of salaries and bonuses. Hryvnia retail term deposits have been rising steadily since September, by 1.4% qoq and 8.8% yoy. However, thanks to the rapid growth in current-account balances, the share of term deposits edged lower by 0.8 pp qoq, to 33.6%. Households' FX deposits rose 2.0% (+2.7% yoy), also primarily due to inflows into current accounts. FX term deposits grew throughout the quarter, up 0.9% qoq (-6.2% yoy). The dollarization rate of client deposits was down 1.7 pp qoq, to 31.4%.

Hryvnia corporate deposits increased 16.6% qoq (+19.0% yoy) after a drop a quarter earlier. The increase occurred in all groups of banks. FX corporate deposits declined in volume quarter-on-quarter because of smaller balances of accounts at foreign banks, but rose year-over-year (+5.5% yoy).

Interest Rates

In December, the NBU raised its key policy rate from 13.0% to 13.5%, and in January 2025, hiked it to 14.5%, ending a cycle of key policy rate cuts that started in mid-2023. As a result, the decrease in interest rates on retail deposits came to a halt. The rate on new hryvnia retail deposits was 9.6% per annum in December. In Q4, the yield curve of the Ukrainian Index of Retail Deposit Rates (UIRD) became inverted: the rate on three-month deposits went slightly above the one-year-deposit rates. This may indicate that a decline in inflationary pressures and interest rates is expected. Interest rates on corporate deposits edged lower during Q4, to 8.3% per annum in December.

Rates on hryvnia loans to businesses continued to decline in Q4, to 14.7% per annum. Foreign banks offered the lowest rates: 11.4% per annum for foreign companies, and 14.3% per annum for Ukrainian private enterprises. Interest rates on loans to households hovered around 28% per annum.

Financial Results and Capital

According pre-audit preliminary data, the banks made UAH 103.7 billion in profit in 2024, 39% of it Privatbank's. Nine small banks came out in the red, with UAH 0.4 billion in total losses. The UAH 13.5 billion loss in Q4 was caused by the retroactive accrual of income tax at a hiked rate of 50% for the whole year. A number of banks, including four systemically important ones, have yet to fully reflect the income tax and will do it soon.

Net interest income remained the main source of high profits. The return on assets fell significantly, primarily due to a decrease in the yield on NBU certificates of deposit. By contrast, the yield on government bonds and loans remained stable. The cost of liabilities declined in sync with the return on assets. The interest margin was therefore unchanged during the quarter, averaging 7.6% for the year.

Net commission income grew significantly, by 3.3% qoq and 5.2% yoy. In December, its monthly volume hit the pre-war level for the first time since the full-scale war started. Profit from FX purchase and sale transactions was up slightly at the end of the year. Meanwhile, the gain from the revaluation of government bonds decreased from a quarter ago.

Operating costs rose 14.8% qoq, including a 23.6% yoy increase in personnel costs. Net operating profit before provisioning was only 3.9% higher than in the same quarter last year. The cost-to-income ratio (CIR) was 46.4%, up from 37.6% in Q3. The annual average was 39.2%. Eight banks were operationally loss-making for the year.

Provisioning reached its 2024 peak in Q4. Annualized CoR was 0.9% in Q4, although overall during the year there was a release of loan loss provisions and additional provisioning against domestic government debt securities.

Capital adequacy remained high, at about 17% for each tier of capital as of 1 January. All banks met capital adequacy ratios as of end-2024. However, further full reflection of the 2024 income tax in the books may still put some of the banks in violation of the ratios.The banks will still be able to restore capital by maintaining high efficiency and implementing capitalization programs.

Prospects and Risks

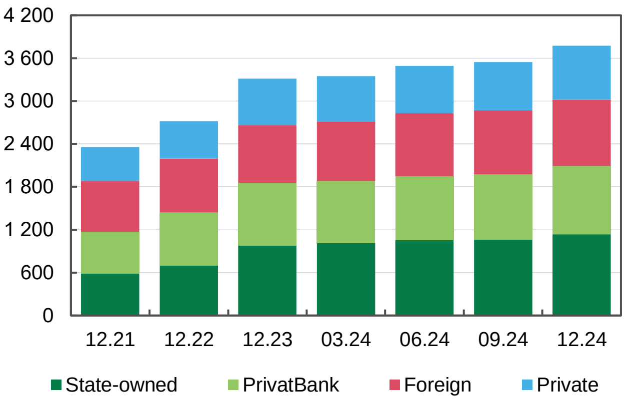
External auditors have been conducting an asset quality review of the banks since the beginning of the year as part of the banking sector's resilience assessment. The baseline and adverse scenarios for the stress testing of the largest institutions will be published in May. The banks that will face higher required capital adequacy ratios set for them will have to draw up capitalization or restructuring programs and implement them by the end of the year. Based on the resilience assessment, a schedule will be developed for the introduction of new regulatory capital requirements.

The banks must also calculate their NPLs according to updated requirements in line with EU standards, effective 1 January. By early estimates, this will not have a strong impact on NPL volumes, but will contribute to the comparability of relevant statistics and the efficiency of the resolution process.

Sector Structure

In Q4, total assets of the banks increased by 6.4% qoq and 14% yoy, and by 5.8% and 10.9%, respectively, at the exchange rate fixed as of the start of the period. Significant asset growth was recorded across all groups of banks. The number of operating banks decreased by one during the quarter, as small Cominvestbank (0.04% of sector assets) was withdrawn from the market due to violations of Ukrainian law and the regulator' requirements.

Figure 1. Banks' total assets, UAH billions



As of the end of the quarter, including adjusting entries, except for Q4. Solvent banks were divided into groups according to the classification in the respective reporting period.

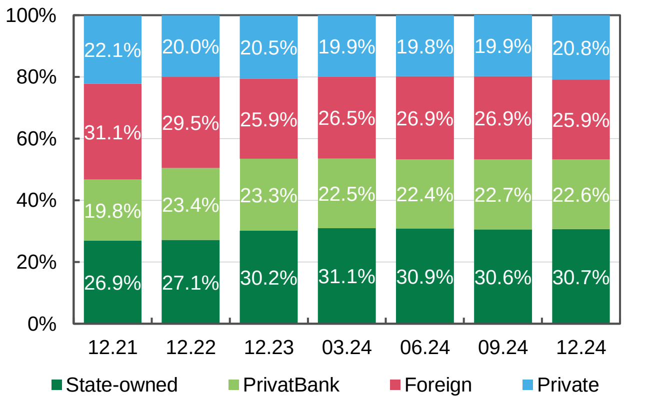
Table 1. Number of banks

	2021	2022	2023	Q1 24	Q2 24	Q3 24	Q4 24
Solvent	71	67	63	63	62	62	61
Change	-2	-4	-4	0	-1	0	-1
State-owned, incl. PrivatBank	4	4	5	6	6	7	7
Change	-1	0	+1	+1	0	+1	0
Foreign-owned	20	16	14	14	14	14	14
Change	0	-4	-2	0	0	0	0
Private	47	47	44	43	42	41	40
Change	-1	0	-3	-1	-1	-1	-1

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

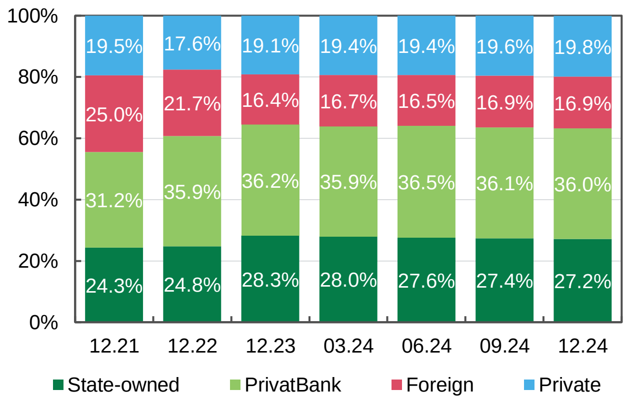
In Q4, the share of state-owned banks in the sector's net assets remained at 53.3%. That said, their share in retail deposits declined slightly – by 0.1 pp, to 63.3%. Over the year, their shares in the sector's net assets and retail deposits decreased by 0.3 pp and 1.2 pp, respectively.

Figure 2. Distribution of net assets by groups of banks



As of the end of the quarter, including adjusting entries, except for Q4 2024.

Figure 3. Distribution of retail deposits by groups of banks



In Q4, the share of net assets of the 20 largest banks decreased by 0.3 pp, while over the year it increased by 0.4 pp. The sector's concentration continued to decline, most significantly in terms of total assets: by 2.0 pp over the quarter and by 3.5 pp over the year.

Figure 4. Largest banks' share of sector net assets

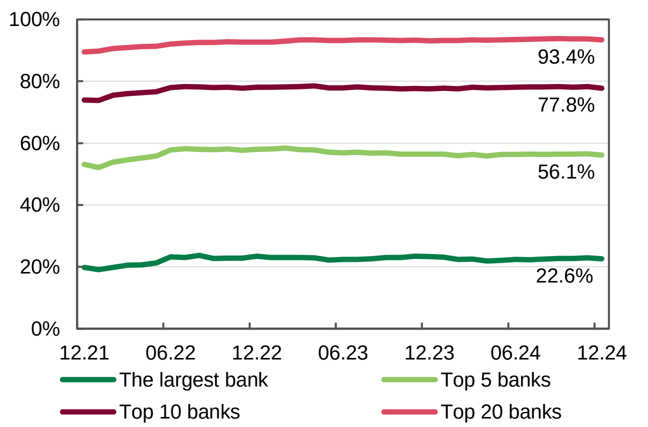
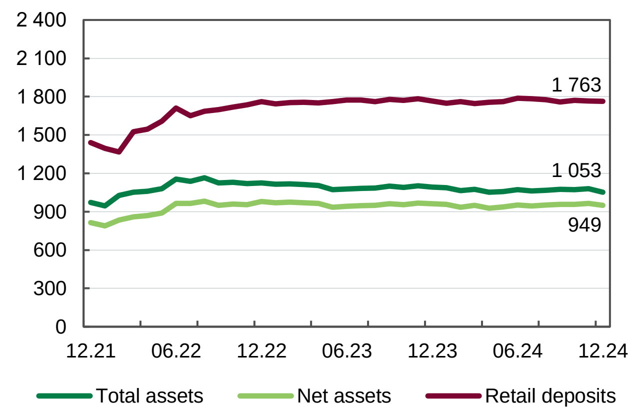


Figure 5. Concentration as measured by the HHI indicator*

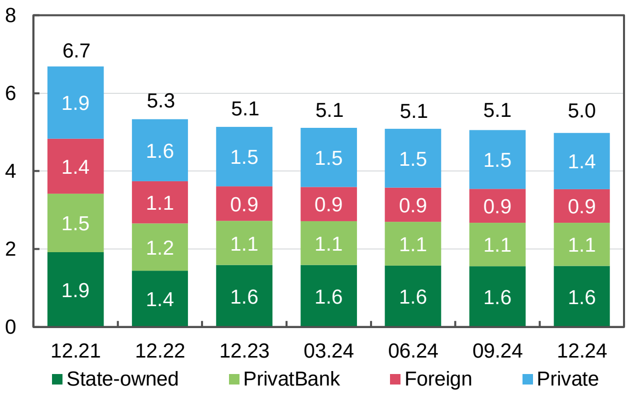


The Herfindahl-Hirschman Index (HHI) is an indicator of banking sector concentration. It is calculated by summing the squared market shares of individual banks. The index ranges from 0 to 10,000, with values below 1,000 indicating low market concentration. Retail deposits include certificates of deposit.

Banking Infrastructure and Payment Transactions

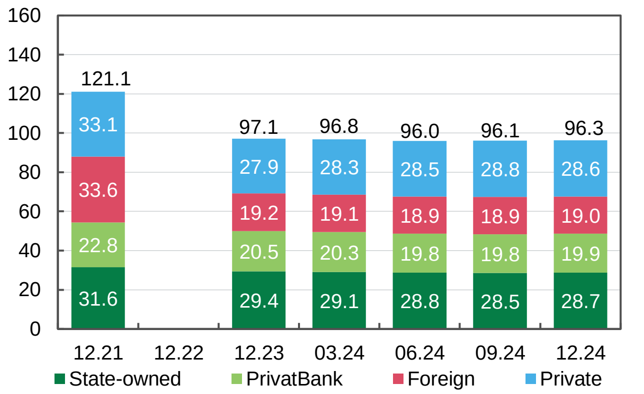
In Q4, the network of branches of solvent banks shrank mainly due to the classification of regional Cominvestbank (38 branches) as insolvent. The network decreased most noticeably in Zakarpattia and Donetsk oblasts. In total, 156 branches were closed in 2024, including 80 in private banks. Staff numbers grew overall, with only private banks experiencing a decline.

Figure 6. Number of banking units*, thousands



* Standalone bank structural units and head offices.

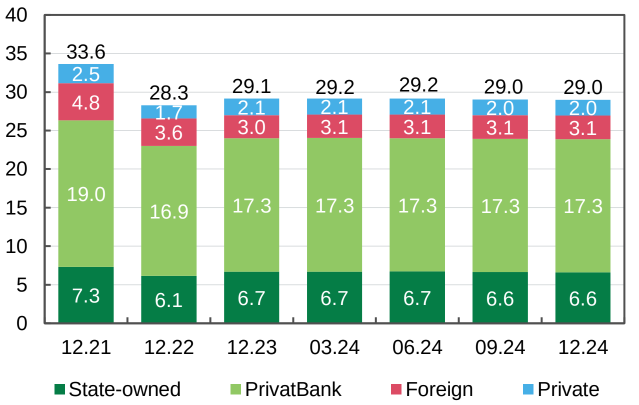
Figure 7. Bank staff headcount*, thousands of employees



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

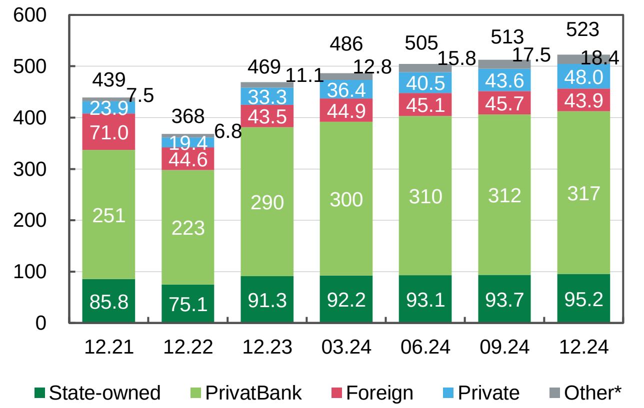
The network of POS terminals continued to grow. In Q4, the highest growth was registered at PrivatBank and private banks (+4,900 and +4,500, respectively). The network of foreign banks shrank for the first time since mid-2023. Ukrposhta and NovaPay also slightly expanded their POS terminal network. In total, market participants increased their networks by a total of 53,600 terminals in 2024. The ATM network shrank in Q4 and throughout the year, with private and state-owned banks experiencing the largest declines.

Figure 8. Number of banks' ATMs*, thousands of units



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

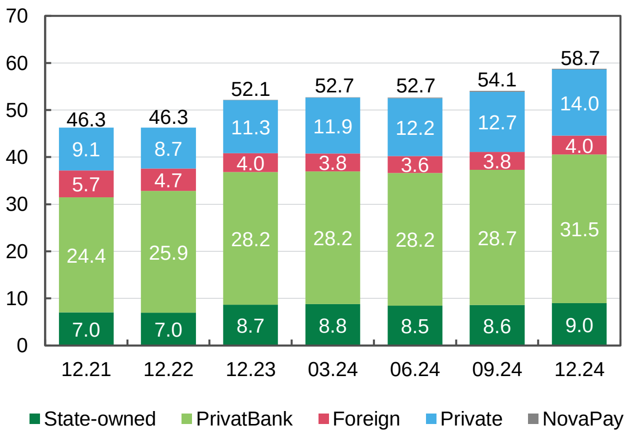
Figure 9. Number of POS terminals, thousands of units



* Until 1 October 2023, Ukrposhta data is shown; afterwards, the data covers Ukrposhta and NovaPay.

In Q4, the number of active payment cards grew markedly across all groups of banks. The largest growth was recorded at PrivatBank and private banks. The number of active cards issued by NovaPay, the only non-bank card issuer, decreased slightly.

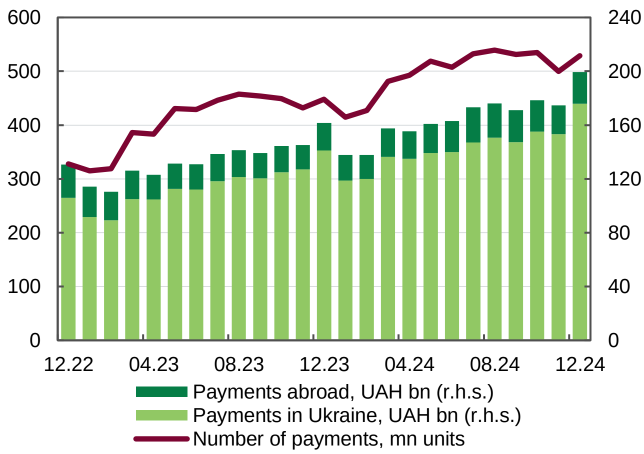
Figure 10. Number of active payment cards by groups of financial institutions*, million units



* As of 1 January 2025, NovaPay issued 147,500 active payment cards.

The number of card payments in stores increased by 18% yoy. In terms of volumes, such payments continue to grow in Ukraine, while abroad their growth is decelerating.

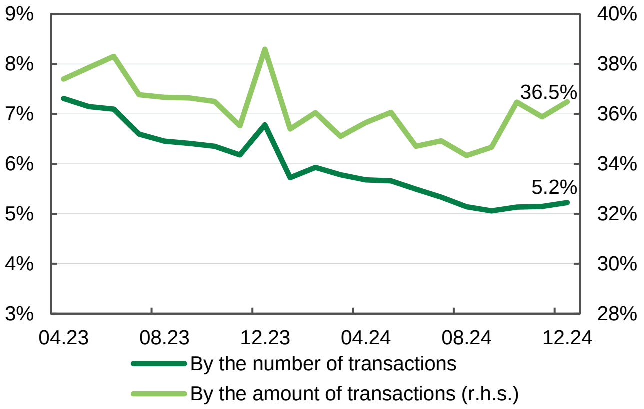
Figure 11. Card-based payments* in the retail network



* Electronic means of payment issued by Ukrainian financial institutions.

In Q4 2024, the share of cash transactions with payment cards stopped declining.

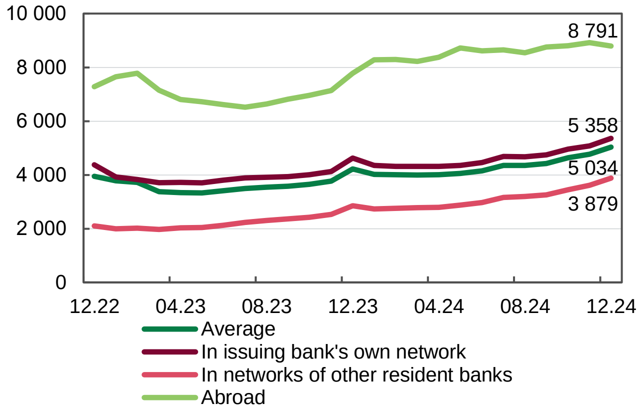
Figure 12. Share of cash withdrawals in card-based transactions*



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.

In 2024, the average amount of a cash withdrawal increased by 19%. Abroad, the amount of one withdrawal is twice as high as in Ukraine.

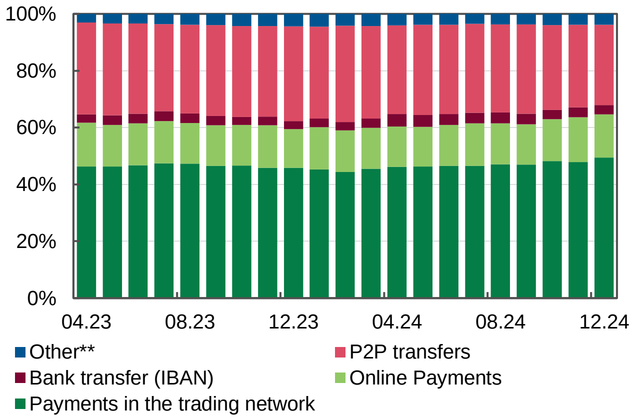
Figure 13. Average amount of one cash withdrawal from ATMs, UAH*



* For electronic payment instruments issued in Ukraine.

Every second cashless card transaction is made through a POS terminal.

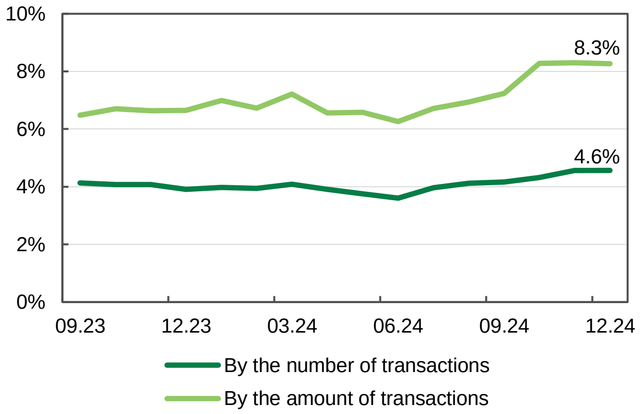
Figure 14. Structure of cashless transactions with payment cards*



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

As the number of active payment cards increased, the share of transfers between own cards grew to 8.3% of all P2P transfers.

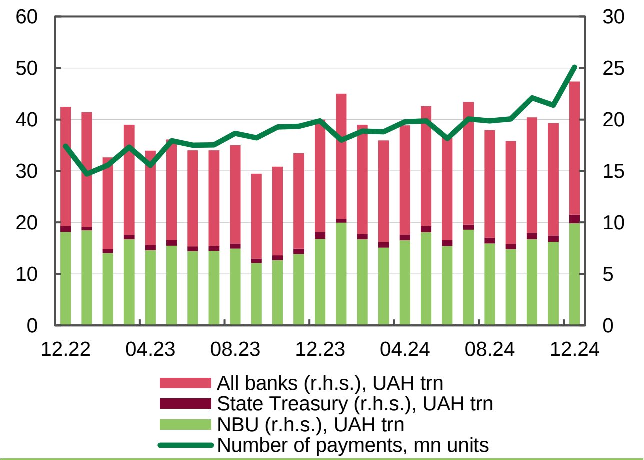
Figure 15. The share of transfers between own cards in one financial institution in the total value of P2P*



Statistical data collection started in mid-2023.
* Reer-to-peer is a technology for online card-to-card money transfers.

Both the number and volume of SEP transactions grew by almost 15% yoy in 2024. Government payments accounted for about 45%.

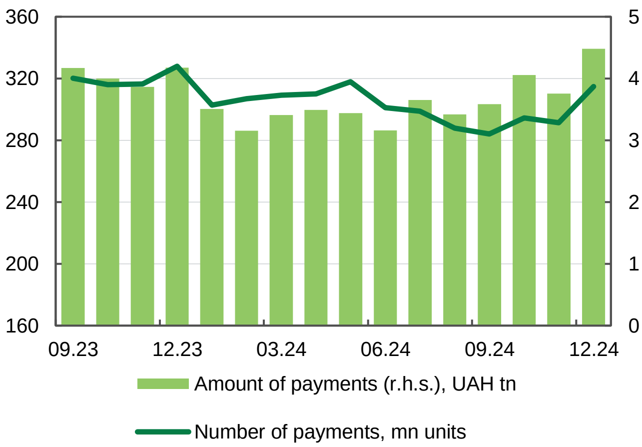
Figure 16. Payment volumes in the System of Electronic Payments of the NBU



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

In December 2024, the volume of credit transfers by the banks* reached a new peak, exceeding the last year's level by 7%. The average annual amount of one "payment to IBAN" is UAH 11,900.

Figure 17. Payment transactions within Ukraine initiated using credit transfer

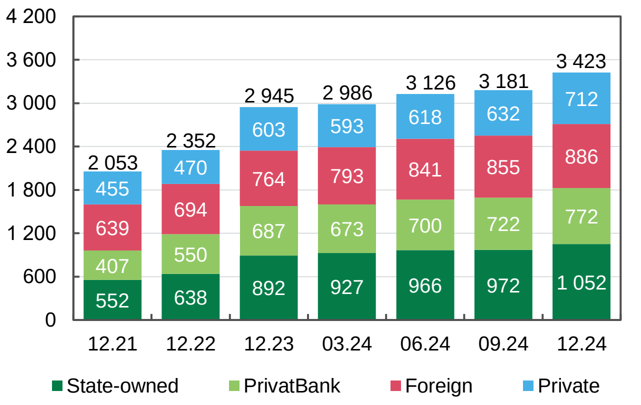


Statistical data collection started in mid-2023.
* Includes all transfers to a bank account with IBAN details..

Assets

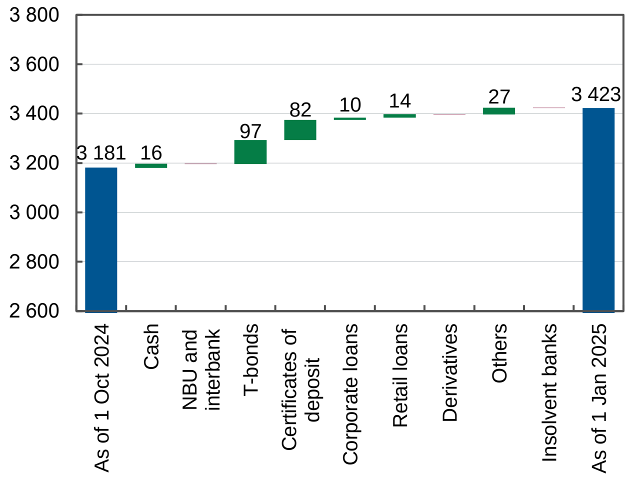
The volume of the banks' net assets rose 7.6% qoq and 16.2% yoy in Q4 (or up 7.0% qoq and 13.1% yoy with the exchange rate fixed at start-of-period level). In Q4, growth was seen across most of the components, mainly driven by the banks' increasing their holdings of domestic government debt securities: +11.2% qoq and +35.6% yoy. Due to the seasonal factor, the NBU's certificates of deposit grew for the first time in three quarters, by 17.5% qoq (down 11.6% yoy). Growth in the portfolio of loans to clients slowed to 3% qoq and 21.2% yoy.

Figure 18. Net assets by groups of banks, UAH billions



As of the end of the quarter, including adjusting entries, except for Q4 2024.

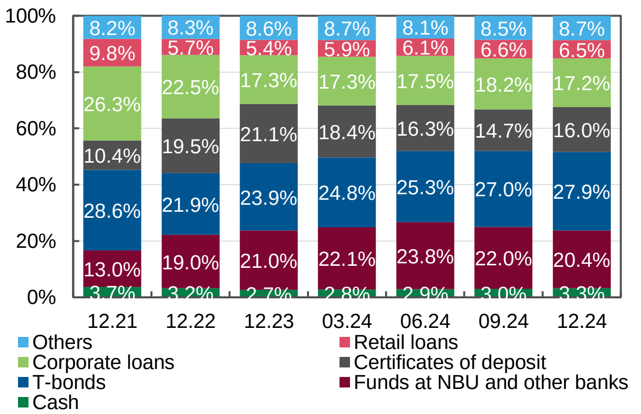
Figure 19. Change in net assets by component in Q4 2024, UAH billions



As of the end of the quarter, including adjusting entries, except for Q4 2024.

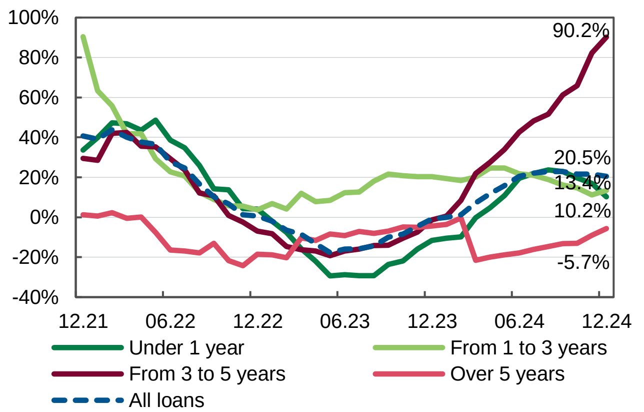
The volume of net loans with longer maturities is growing faster than loans with shorter maturities. Loans with a maturity of three to five years increased by 26.4% qoq and by 90.2% yoy. At the same time, loans with a maturity of up to one year decreased by 8.6%, while loans with a maturity of one to three years were little changed over the quarter. For the year as a whole, the growth was 10.2% and 13.4%, respectively.

Figure 20. Sector net assets by component



Adjusted for loan loss provisions of the banks. As of the end of the quarter, including adjusting entries, except for Q4 2024.

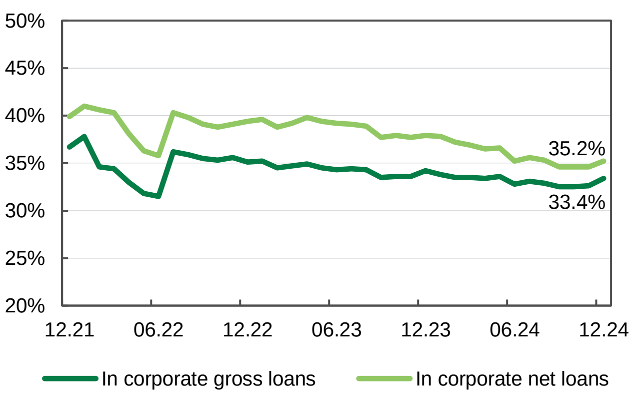
Figure 21. Net hryvnia corporate loans, yoy



At banks solvent as of 1 January 2025.

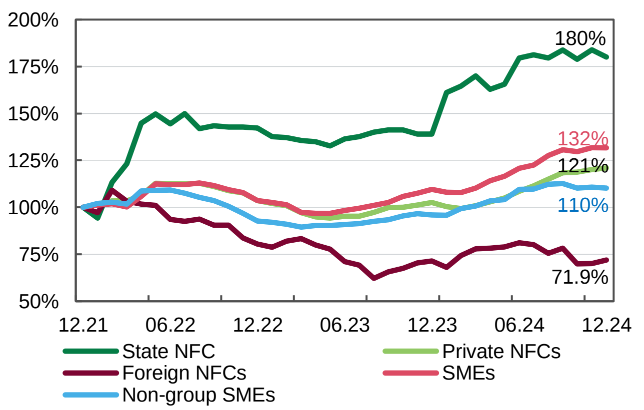
In Q4, the dollarization rate of net loans to businesses rose by 0.6 pp due to the exchange rate factor and slower growth in net hryvnia corporate loans. That said, dollarization decreased by 2.7 pp in annual terms.

Figure 22. Share of FX corporate loans



In Q4, loan growth slowed to 2.1% (to 18% yoy) for private corporations and 0.8% (to 20.1% yoy) for SMEs. At the same time, the volume of loans to foreign corporations fell by another 8.1% qoq, but increased slightly over the year (by 0.5%).

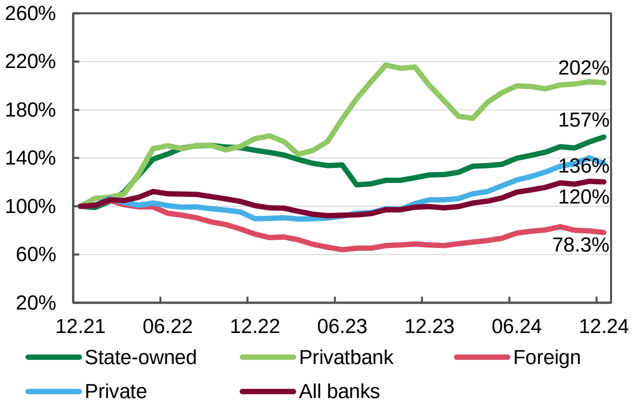
Figure 23. Net hryvnia loans to non-financial corporations (NFCs), 2021 = 100%



At banks solvent as of 1 January 2025. As of the end of the quarter, including adjusting entries, except for Q4 2024.

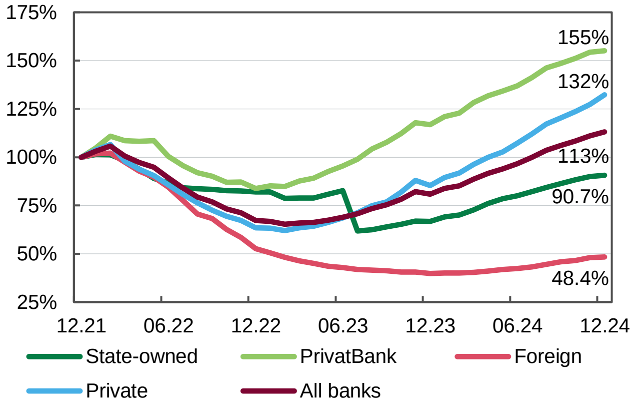
Net hryvnia corporate loans grew by only 0.7% in Q4 and by 20.6% in 2024 as a whole. The slower growth was primarily due to a 5.7% qoq decline in the loan portfolio of foreign banks. Meanwhile, other groups of banks increased their portfolios, albeit at a slower pace. In terms of volumes, the increase was the largest at state-owned banks: +5.3% qoq and +24.8% yoy. Net hryvnia retail loans grew steadily, by 6.7% qoq and 39.9% yoy, mainly at the expense of private banks and PrivatBank.

Figure 24. Net hryvnia corporate loans, 2021 = 100%



At banks solvent as of 1 January 2025.

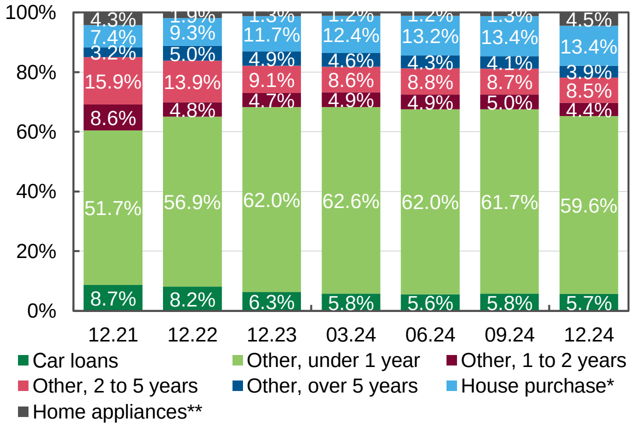
Figure 25. Net hryvnia retail loans, 2021 = 100%



At banks solvent as of 1 January 2025.

The share of real estate loans in the structure of retail loans slightly increased in Q4. However, the share of non-targeted medium-term loans declined.

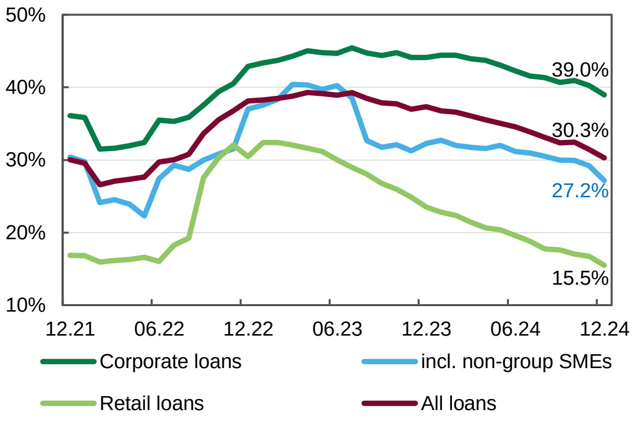
Figure 26. Net hryvnia retail loans by purpose



* For the purchase, construction, and renovation of real estate. ** Starting from November 2024, some of the non-targeted loans were reclassified by the banks to the home appliances category.

The non-performing loans (NPL) ratio shrank by 2.0 pp in Q4 (7.1 pp over the year), to 30.3%. The NPL ratio decreased by 1.7 pp (5.2 pp over the year) for businesses, and by 2.1 pp (8.0 pp over the year) for households. Over the year as a whole, NPL ratios declined evenly.

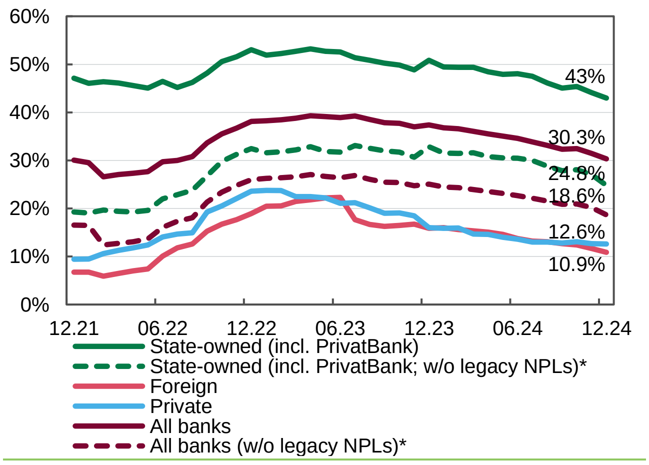
Figure 27. Ratios of NPLs in bank portfolios



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

In Q4, the share of NPLs continued to decline across all groups of banks, most notably at state-owned banks (including PrivatBank) and foreign banks: 2.1 pp and 1.8 pp, respectively. For three quarters in a row, the main driver of the decline in the NPL ratio was the growth of new loans and NPL write-offs (except at banks with private capital).

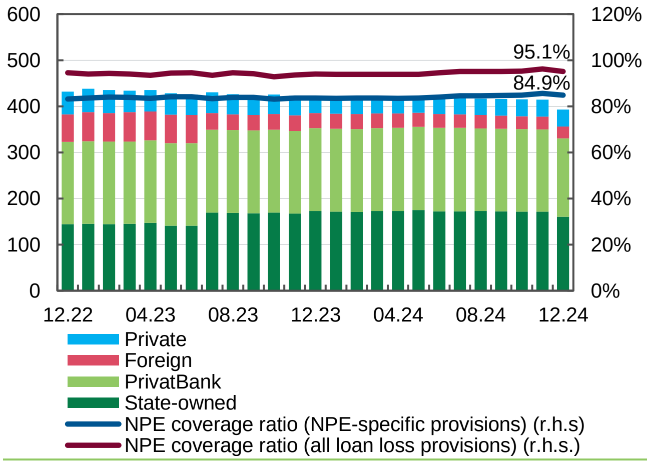
Figure 28. NPL ratio of loan portfolios across groups of banks



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

* Excluding debts of the former owners of PrivatBank and legacy debts that arose before the crisis of 2014–2016.

Figure 29. Non-performing exposures (NPE, UAH billions) and provision coverage ratio



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

Funding

Liabilities of solvent banks increased by 9.0% in Q4 (+14.8% yoy) due to growth in corporate and retail deposits and income tax payables. The latter grew due to the additional charge of the increased income tax for 2024 in December. Liabilities grew across all groups of banks. Private banks and PrivatBank increased their liabilities the most over the quarter – by 14.9% and 9.4%, respectively.

Figure 30. Liabilities by groups of banks, UAH billions

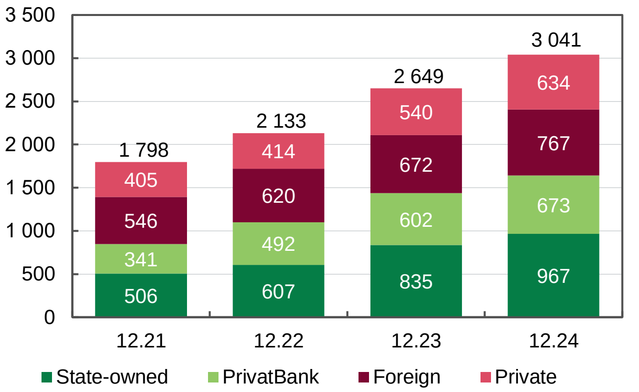
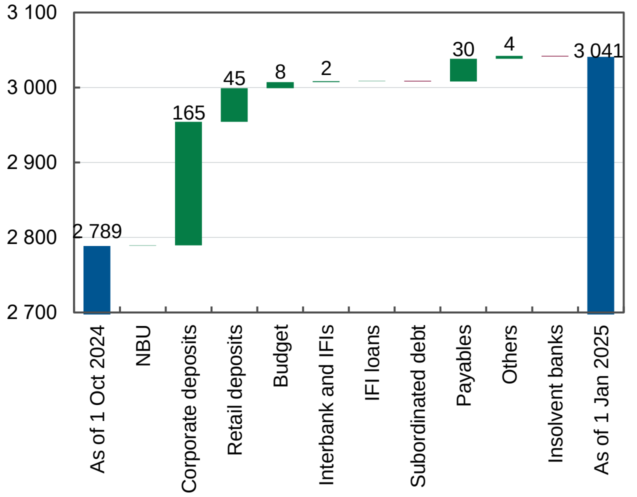


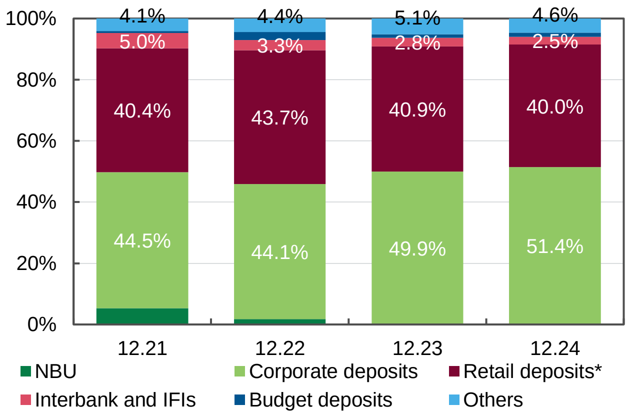
Figure 31. Changes in liabilities in Q4 2024 by component, UAH billions



At banks that were solvent at each reporting date.

The share of client deposits in the structure of liabilities decreased over the quarter – by 0.8 pp, to 91.4% – primarily due to an increase in the share of income tax payables. This change is traditional and temporary, and the structure of liabilities will be restored after the banks pay income tax.

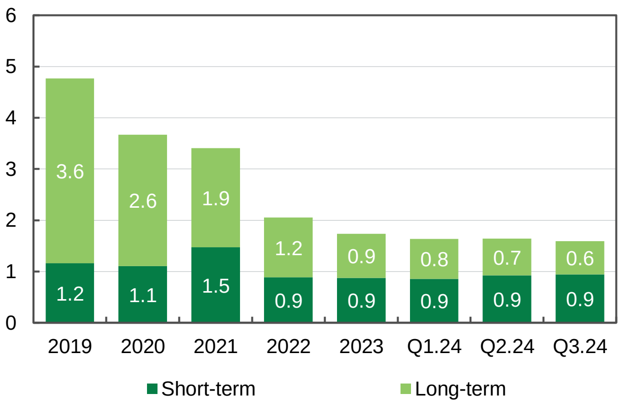
Figure 32. Structure of banks' liabilities



* Including certificates of deposit.

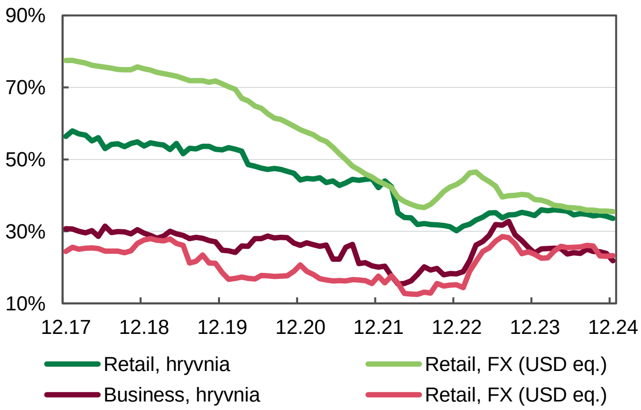
In Q3 2024, gross external debt declined by 3% qoq on the back of a slight decrease in long-term borrowings, remaining at around USD 1.6 billion.

Figure 33. Gross external debt of banks, USD billions



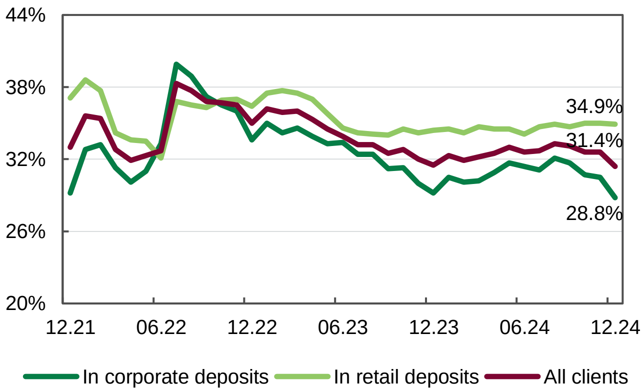
The share of hryvnia retail term deposits decreased by 0.8 pp over the quarter, to 33.6% (-0.8 pp in 2024) due to significant inflows to households' current accounts at the end of the year. The share of hryvnia corporate deposits dropped by 2.6 pp, to 21.8% (-2.2 pp over ther year).

Figure 34. Share of term deposits



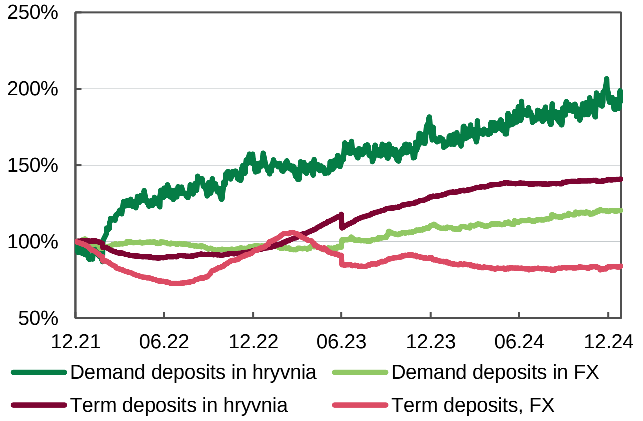
The dollarization rate of client deposits declined by 1.7 pp in Q4 (-0.1 pp over the year), to 31.4%, primarily due to large hryvnia inflows to businesses' accounts at the end of the year. The share of FX retail deposits increased slightly, by 0.2 pp ein Q4 (0.5 pp over the year), to 34.9%.

Figure 35. Percentage of FX deposits



In Q4, hryvnia retail deposits grew by 3.7% qoq (11.5% yoy) and FX ones by 2.0% qoq (2.7% yoy). Over the quarter, growth rates were higher for demand deposits than for term deposits: 4.9% versus 1.4%, respectively.

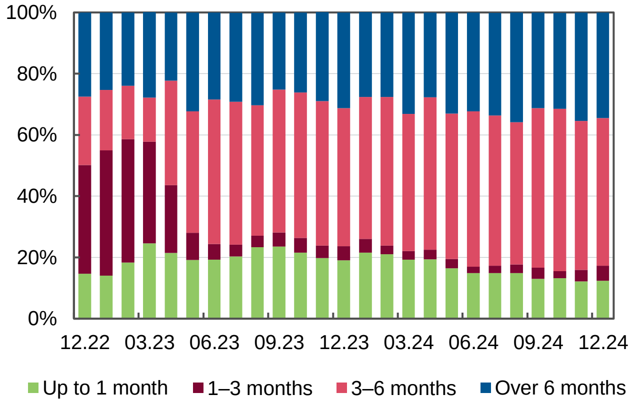
Figure 36. Retail deposits, 2021 = 100%*



* Daily data of banks solvent as of 1 January 2025.

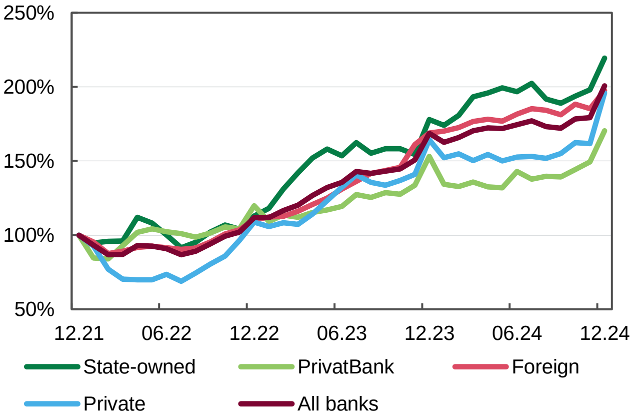
The share of deposits placed for over six months rose by 3.2 pp over the quarter (3.3 pp over the year), to 34.5%. The share of deposits placed for three to six months decreased by 3.8 pp in Q4 (+3.1 pp over the year), to 48.2% of all new deposits. Overall, the share of new deposits with a maturity of over three months was 82.7%.

Figure 37. New retail term deposits by maturity



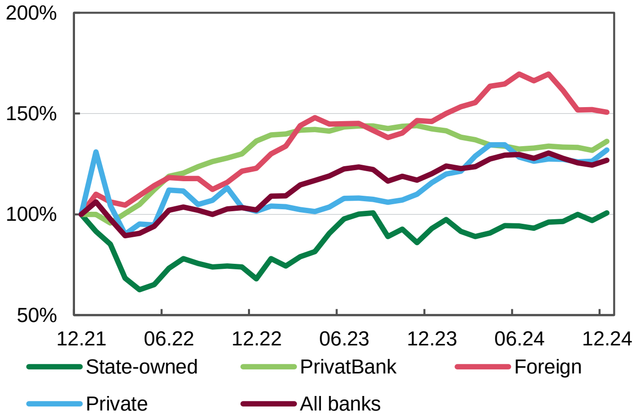
Hryvnia corporate deposits grew by 16.6% over the quarter (+16.0% yoy). The growth was recorded across all groups of banks, with the largest increases at private banks and PrivatBank – 26.3% and 22.4%, respectively. FX deposits declined by 0.7% over the quarter, continuing the trend of the previous quarter. The decline was primarily seen at foreign banks, where FX deposits fell by 6.7% qoq. At the same time, FX deposits at state-owned and private banks grew by 4.5% and 3.6% over the quarter, respectively.

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



At banks solvent as of 1 January 2025.

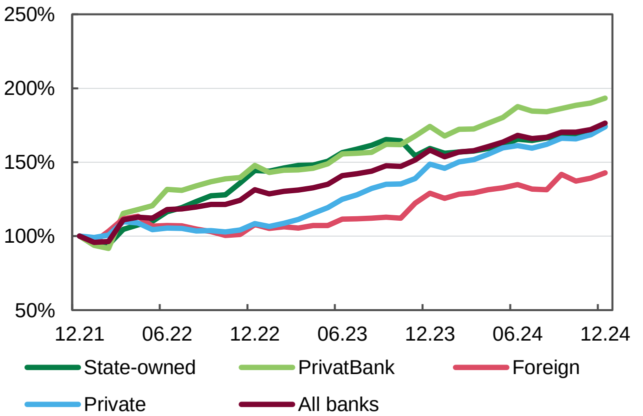
Figure 39. FX corporate deposits (in the U.S. dollar equivalent) by groups of banks, 2021 = 100%



At banks solvent as of 1 January 2025.

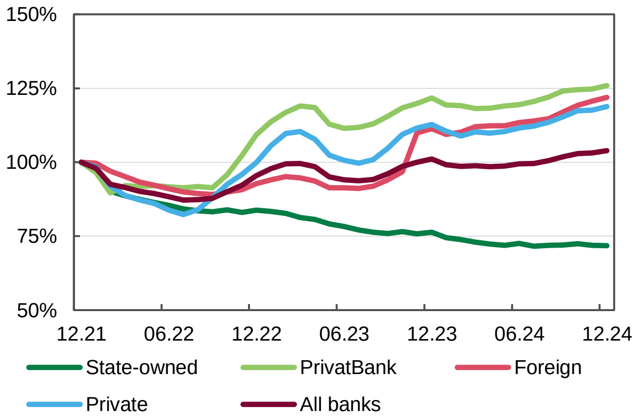
Hryvnia retail deposits continued to grow in Q4 – by 3.7% qoq (10.3% from the start of the year). Over the quarter, retail deposits grew across all groups of banks. Deposits with private and state-owned banks grew the most – by 4.7% and 4.1% qoq, respectively. The growth was observed primarily in current account balances. FX deposits increased by 2.0% (+2.7% yoy), also due to the growth in current accounts by 2.6% qoq.

Figure 40. Hryvnia retail deposits by groups of banks, 2021 = 100%



At banks solvent as of 1 January 2025.

Figure 41. FX retail deposits (in U.S. dollar equivalent) by groups of banks, 2021 = 100%

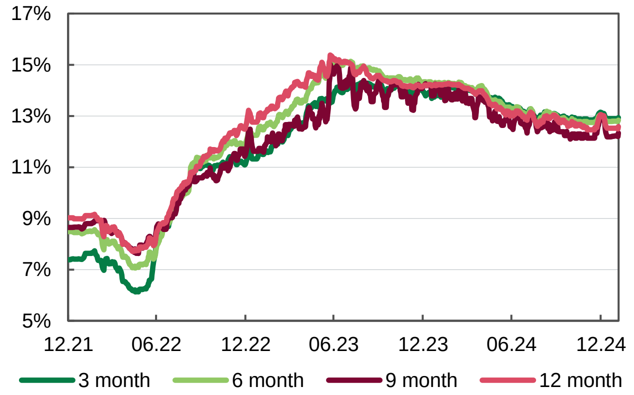


At banks solvent as of 1 January 2025.

Interest Rates

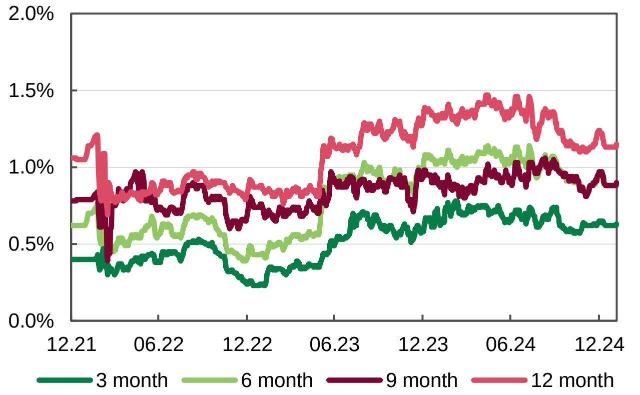
The cost of 12-month hryvnia deposits increased by 0.1 pp, to 13% per annum in Q4. The spread between 3-month and 12-month deposits has been insignificant since October 2023. Rates on three-month deposits are currently slightly higher than on 12-month deposits.

Figure 42. Ukrainian Index of Retail Deposit Rates for hryvnia deposits, % per annum*



* According to Thomson Reuters, 5-day moving average.

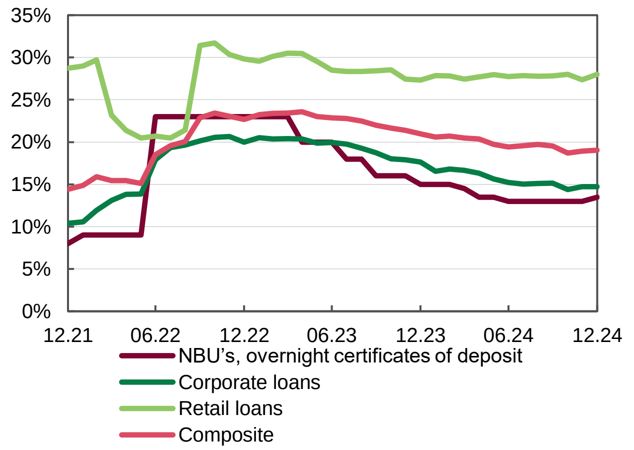
Figure 43. Ukrainian Index of Retail Deposit Rates for U.S. dollar deposits, % per annum*



* According to Thomson Reuters, 5-day moving average.

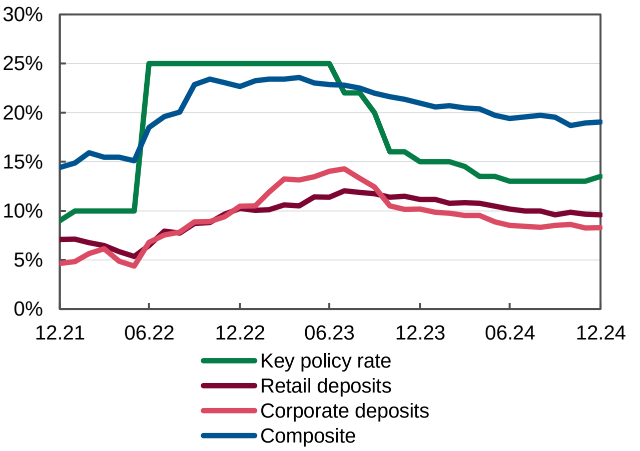
Rates on new hryvnia loans decreased for businesses – by 0.4 pp, to 14.7% per annum, and increased for households – by 0.2 pp, to 28% per annum. Rates on new retail deposits rose in October and then returned to 9.6% per annum. Rates on new corporate deposits dropped by 0.2 pp, to 8.3% per annum.

Figure 44. Interest rates on new hryvnia loans* and NBU certificates of deposit, % per annum



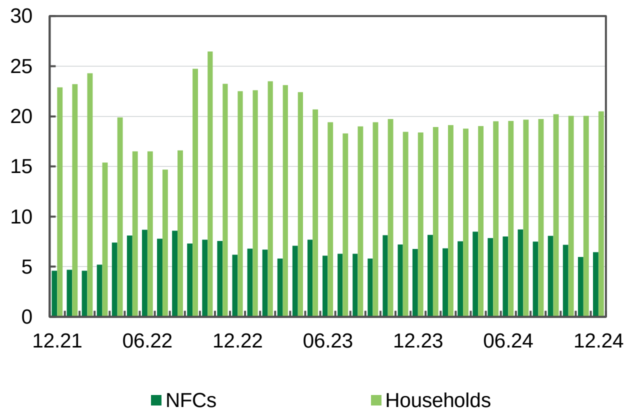
* No loan rescheduling or any other amendments to lending terms.

Figure 45. NBU key policy rate and interest rates on new hryvnia loans and deposits, % per annum



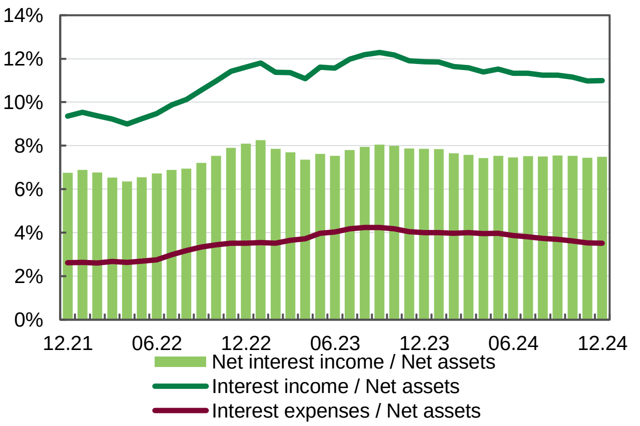
The spread between interest rates on new corporate loans and deposits narrowed over the quarter, while in the retail segment it widened to more than 20 pp. The cost of liabilities and the return on assets declined simultaneously. Therefore, interest margin remained unchanged over the quarter. It was 7.6% on average over the year.

Figure 46. 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 47. Banks' interest margin*

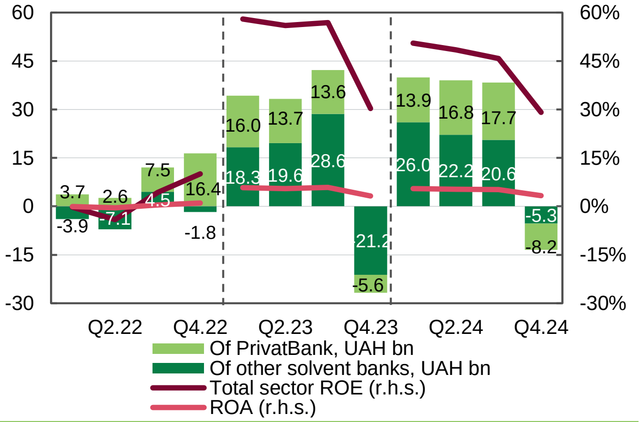


* The ratio of net interest income to trailing average of net assets for the reporting month and previous two months. Including insolvent banks.

Financial Performance

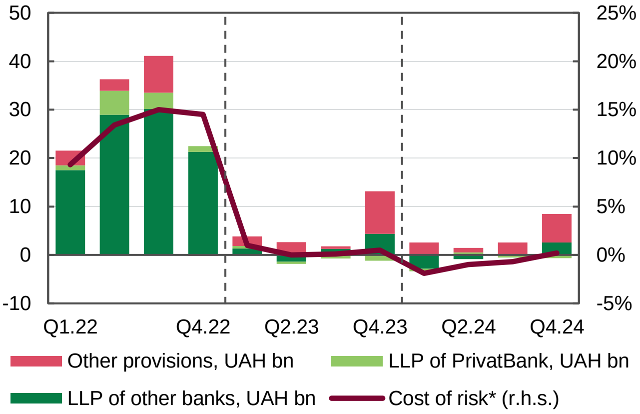
In 2024, the sector earned UAH 103.7 billion in profit, of which 39% was generated by PrivatBank. The loss of UAH 13.5 billion in Q4 was due to the retroactive imposition of the increased tax.

Figure 48. Banks' profit or loss, return on equity, and return on assets



In Q4, provisioning was the highest for loans (UAH 1.9 billion) and domestic government debt securities (UAH 5.1 billion). The CoR was 0.9%.

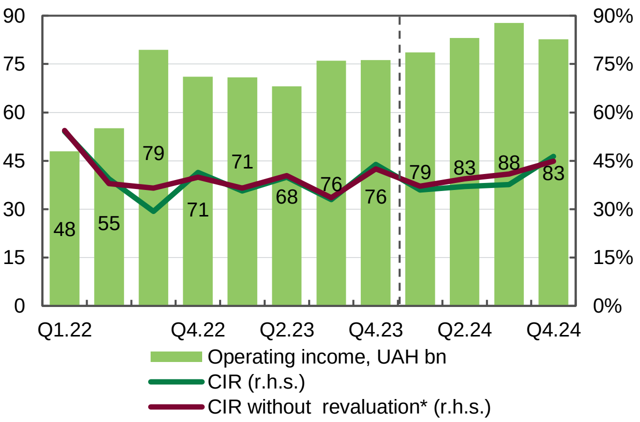
Figure 49. Loan loss provisions (LLP), quarterly



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

The sector's operational efficiency remains high, although in Q4 the CIR deteriorated to 46.4% compared to 37.6% in the previous quarter and 43.9% in 2023.

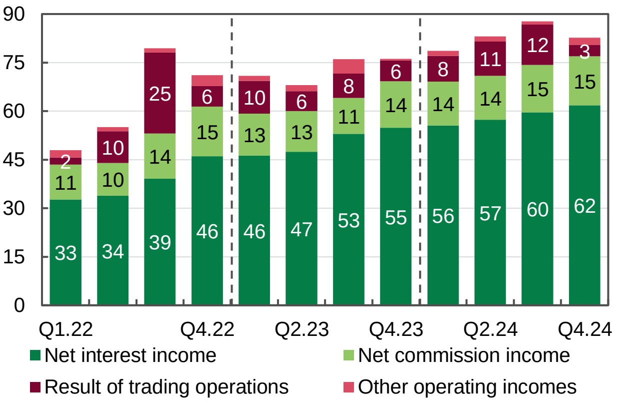
Figure 50. Operating income and operational efficiency of banks



* 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 5.2% yoy.

Figure 51. Operating income components for the period, UAH billions



Yields on NBU certificates of deposit continued to decline, while yields on loans and domestic government debt securities remained unchanged compared to Q3. The cost of liabilities continued to decrease slowly in both the corporate and retail segments.

Figure 52. Ratio of interest income components to net assets

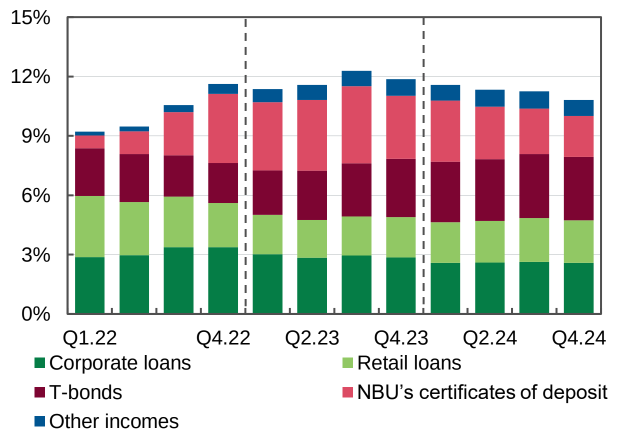
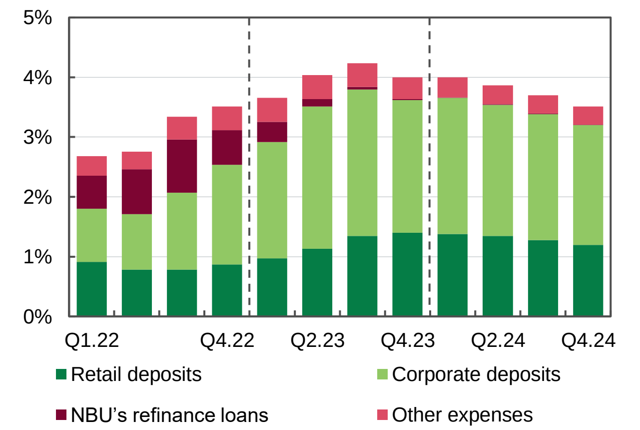


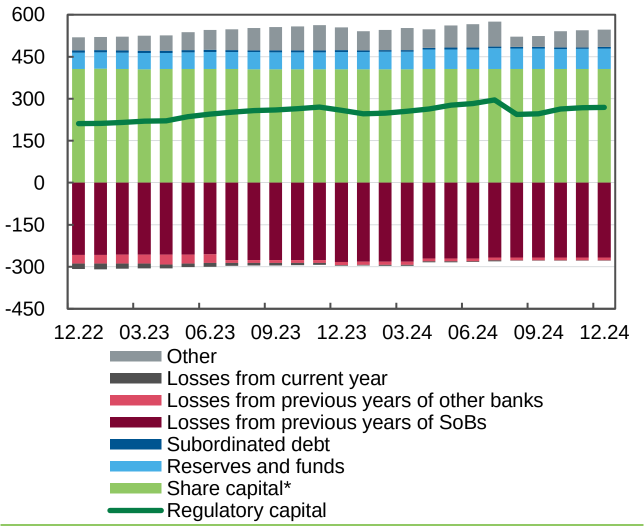
Figure 53. Ratio of interest expenses components to net assets



Capital

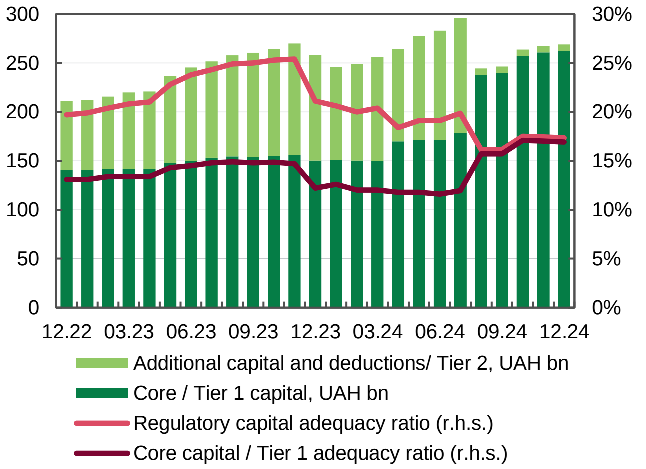
Regulatory capital grew by 4.1% over the year, including by 9.1% in Q4. At the end of the year, the banks' regulatory capital adequacy was 17.4%, and Tier 1 capital and Common Equity Tier 1 adequacy was 16.9%. Following the recognition of the increased income tax by most banks, capital adequacy decreased by about 0.4%.

Figure 54. Composition of regulatory capital, UAH billions



* Registered and unregistered authorized capital.

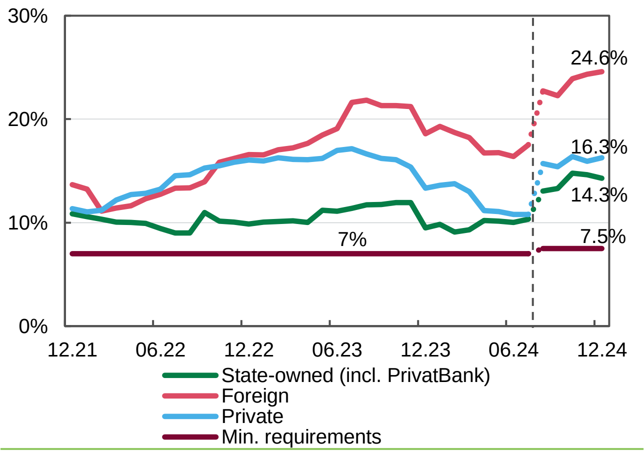
Figure 55. Regulatory capital and the regulatory capital adequacy ratio



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.
C1 – Tier 1 capital, C2 – Tier 2 capital, RCR – regulatory capital ratio, RC1 – ratio of Tier 1 capital.

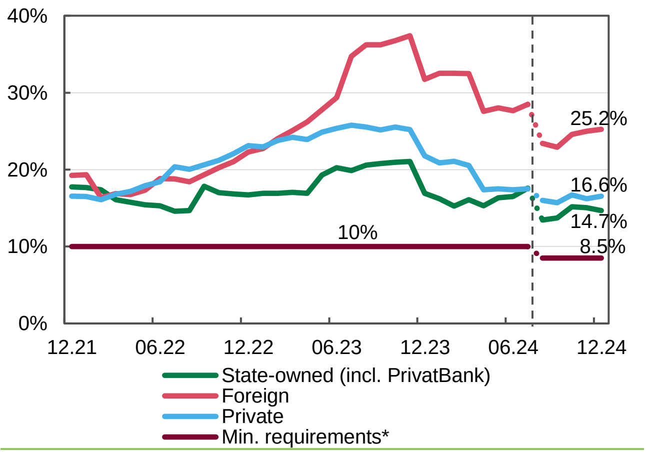
The adequacy of Tier 1 capital and regulatory capital remained the lowest for state-owned banks (14.3%), and the highest for foreign banks, at which it rose to 24.6% over the quarter. The average ratios across all groups were above the minimum requirements.

Figure 56. Core / Tier 1 capital adequacy ratios by groups of banks



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

Figure 57. Regulatory capital adequacy ratio by groups of banks



* Minimum requirements in 2025 are scheduled to increase to 9.25% from 1 January and 10% from 1 July.

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

	2017	2018	2019	2020	2021	2022	2023	2024
Number of operating banks	82	77	75	73	71	67	63	61
General balance sheet indicators (UAH billions)[2]								
Total assets	1,840	1,911	1,982	2,206	2,358	2,717	3,311	3,775
of which in foreign currencies:	755	779	718	746	679	820	923	1,055
Net assets	1,334	1,360	1,493	1,823	2,053	2,352	2,945	3,423
of which in foreign currencies:	507	495	492	585	583	731	830	960
Gross corporate loans[3]	864	919	822	749	796	801	784	851
of which in foreign currencies:	423	460	381	332	292	281	268	284
Net corporate loans[3]	451	472	415	432	540	529	511	589
Gross SME loans	443	445	432	451	468	455	483	509
of which in foreign currencies:	184	180	159	162	127	100	114	111
Net SME loans	335	339	205	232	263	246	268	306
of which in foreign currencies:	110	102	89	101	87	70	80	77
Net loans to SMEs that do not belong to groups[7]	-	-	62	63	71	61	63	74
of which in foreign currencies:	-	-	22	24	18	15	13	13
Gross retail loans	171	197	207	200	243	210	223	274
of which in foreign currencies:	68	61	38	31	21	13	12	11
Net retail loans	92	114	143	149	200	134	160	222
Corporate deposits[3]	427	430	525	681	800	943	1,322	1,564
of which in foreign currencies:	163	150	191	233	233	317	386	450
Retail deposits[4]	478	508	552	682	727	933	1,084	1,216
of which in foreign currencies:	244	241	238	285	270	340	373	424
Change (yoy, %)								
Total assets	5.9%	3.8%	3.7%	11.3%	6.9%	15.2%	21.9%	14.0%
Net assets	6.2%	1.9%	9.8%	22.1%	12.6%	14.5%	25.2%	16.2%
Gross corporate loans[3]	2.0%	6.3%	-10.6%	-8.8%	6.2%	0.7%	-2.2%	8.5%
Net corporate loans[3]	-5.5%	4.7%	-12.1%	4.2%	24.8%	-1.9%	-3.6%	15.3%
Gross retail loans	8.5%	15.3%	5.0%	-3.5%	21.6%	-13.5%	6.0%	23.2%
Net retail loans	20.3%	24.6%	24.6%	4.2%	34.7%	-32.9%	18.8%	39.3%
Corporate deposits[3]	3.4%	0.8%	22.1%	29.7%	17.4%	17.9%	40.2%	18.3%
Retail deposits[4]	9.4%	6.3%	8.6%	23.5%	6.6%	28.4%	16.1%	12.2%
Penetration[5] (%)								
Gross corporate loans[3]/GDP	29.0%	25.8%	20.7%	17.7%	14.6%	15.3%	11.8%	11.0%
Net corporate loans[3]/GDP	15.1%	13.3%	10.4%	10.2%	9.9%	10.1%	7.7%	7.6%
Gross retail loans/GDP	5.7%	5.5%	5.2%	4.7%	4.5%	4.0%	3.4%	3.6%
Net retail loans/GDP	3.1%	3.2%	3.6%	3.5%	3.7%	2.6%	2.4%	2.9%
Corporate deposits[3]/GDP	14.3%	12.1%	13.2%	16.1%	14.7%	18.0%	19.9%	20.3%
Retail deposits/GDP	16.0%	14.3%	13.9%	16.2%	13.3%	17.8%	16.4%	15.8%
Profit or Loss[6] (UAH billions)								
Net interest income	53.0	73.0	78.9	84.8	117.6	151.7	201.4	234.3
Net fee and commission income	27.5	37.8	44.0	46.5	58.0	50.2	51.1	56.9
Provisions	49.2	23.8	10.7	31.0	3.4	121.2	17.7	9.6
Net profit/loss	-26.5	22.3	58.4	39.7	77.4	21.9	83.0	103.7
Memo items:								
UAH/USD (period average)	26.60	27.20	25.85	26.96	27.29	32.34	36.57	40.15
UAH/USD (end-of-period)	28.07	27.69	23.69	28.27	27.28	36.57	37.98	42.04
UAH/EUR (period average)	30.00	32.14	28.95	30.79	32.31	33.98	39.56	43.45
UAH/EUR (end-of-period)	33.50	31.71	26.42	34.74	30.92	38.95	42.21	43.93

[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 January 2025 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 resolutions No. 351 dated 30 June 2016, as amended, and 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
ROA	Return on assets
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