National Bank of Ukraine

# Bank Funding Survey

## Q2 2023

The Q1 2023 survey of banks has shown a continued growth in the volume and cost of liabilities. The number of the financial institutions that raised their retail deposits rates was record high. The cost of corporate funding was also at the rise. Funding from companies and households increased in volume at the majority of the banks. Volumes of wholesale funding declined, while demand for and cost of such funds remained unchanged. The banks expect retail and corporate deposits to grow in Q2. No change is expected in volumes of wholesale funding. For the first time since the launch of the survey, the banks have reported growth in overall deposit maturity, which they expect to continue in the next 12 months. The share of foreign currency liabilities was unchanged. Capital has risen over the past 12 months, and the banks project it will increase further. The cost of capital kept growing, but respondents do not expect this trend to continue.

**Liabilities**

Total funding generally increased in Q1 2023, the banks said. Estimates of growth in liabilities were more reserved compared to the record high of Q4 2022. More than three quarters of surveyed financial institutions reported growth in both retail and corporate deposits. Wholesale funding, which includes issuing bonds, taking loans from international financial institutions (IFIs) or parent banks, and long-term refinancing, continued to decrease.

The banks saw deposit interest rates and regulatory requirements as the main factors behind the growth in client deposits. The increase in corporate funding was additionally driven by intentions to change the structure of funding and by supply from corporations themselves.

Overall, the banks expect funding to grow in Q2. Respondents forecast an increase in funding from both households and corporations. Volumes of wholesale funding should remain unchanged.

For two quarters straight, the share of the banks planning to raise wholesale funding in future has been at around 40%. Almost all of these banks were intending to do so within one year, but not in Q2. The banks mostly count on long-term refinancing from the NBU and loans from international financial institutions. None of the financial institutions were planning an early repayment of outstanding debts. Intentions to align maturities of assets and liabilities, regulatory requirements, and nonprice factors were the stimuli for the banks to raise wholesale funding. On the other hand, the cost of this type of funding restrained demand.

The average cost of funding rose in Q1, the banks said. From the launch of the survey in 2021, the financial institutions have been reporting constant growth in retail deposit rates. In the latest survey, as many as 93% of the banks reported an increase in the cost of retail funding, which is a record-high percentage. The cost of corporate funding rose less than the cost of retail funding. Interest rates on wholesale funding mostly remained unchanged.

In Q2, respondents expect the cost of client deposits to continue rising, especially the cost of retail deposits. The price of wholesale funding will also rise somewhat.

In Q1, the banks reported the share of their FX liabilities had not changed, whereas it grew in previous periods. Respondents expected the same for the next quarter.

According to the banks, the maturity of funding has increased for the first time since the launch of the survey in 2021. The financial institutions expect the new trend will hold in the next 12 months.

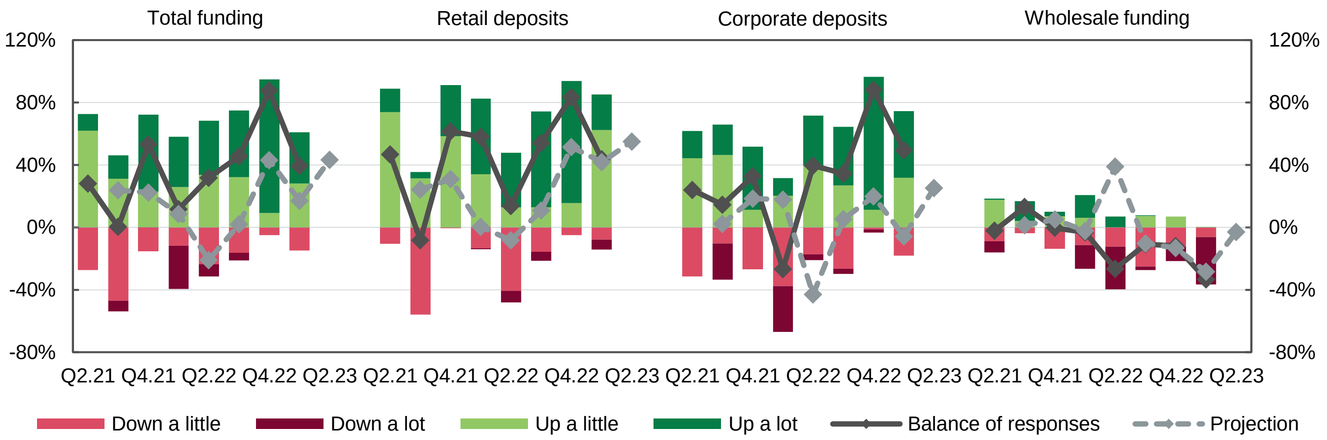
**Capital**

Total capital has risen over the past 12 months, most banks reported. In the next 12 months, the financial institutions expect this trend to continue. For the first time in the last five quarters, the banks' expectations of changes in capital have reached a positive value: the balance of responses was 13%.

Respondents once again named profitability as the sole capital growth factor in the next 12 months. Changes in regulatory requirements, worsening state of the economy, and a decrease in assets will continue to push down capital volumes. In the latest survey, the majority of financial institutions did not state any intentions to increase their capital in the next 12 months.

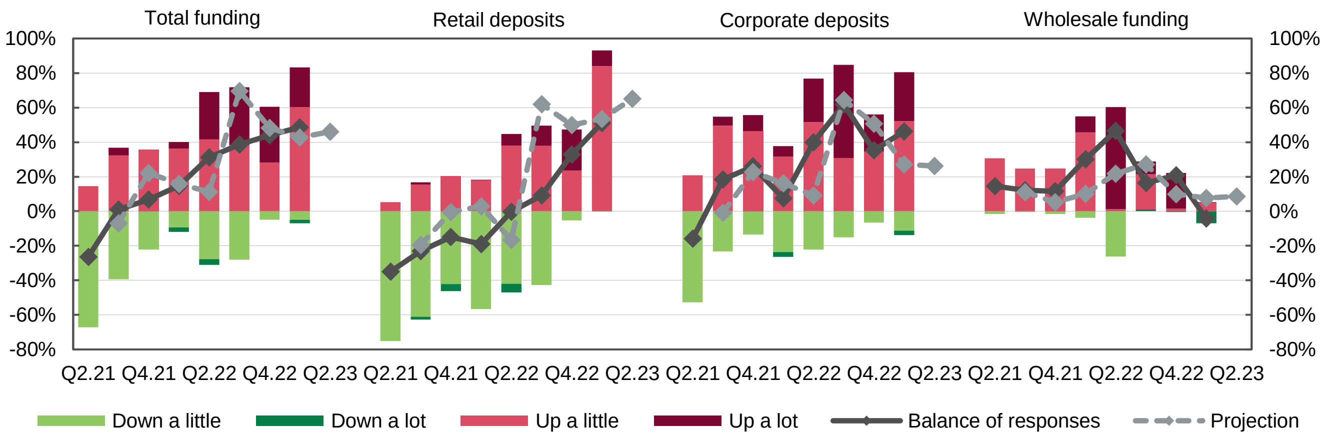
Around 80% of respondents noted an increase in the cost of capital in the previous 12 months. At the same time, the banks did not expect it to increase further on.

**Figure 1.** **Changes in bank funding**




* A positive balance of responses indicates an increase in funding. The procedure for calculating the balance of responses is presented in the [Annex. Methodology and Survey Results.]

**Figure 2.** **Changes in the cost of bank funding**




* A positive balance of responses indicates an increase in the cost of funding.

**Figure 3.** **Impact of factors on changes in the volume of funds raised (balance of responses*)**

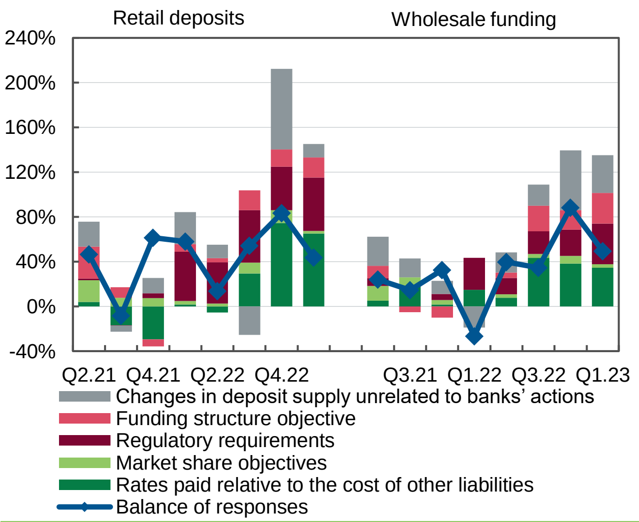
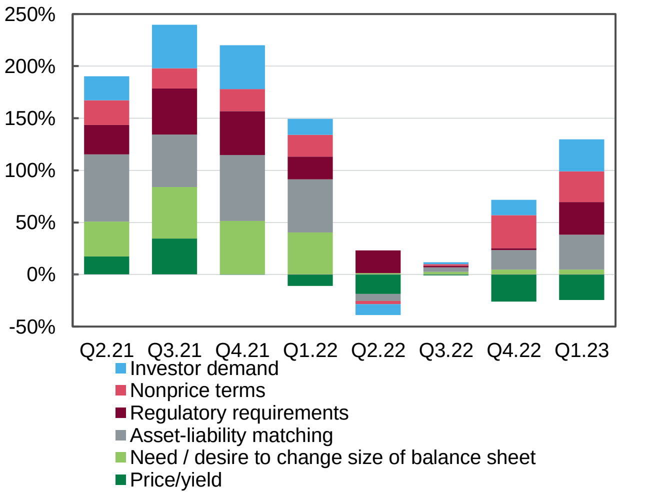


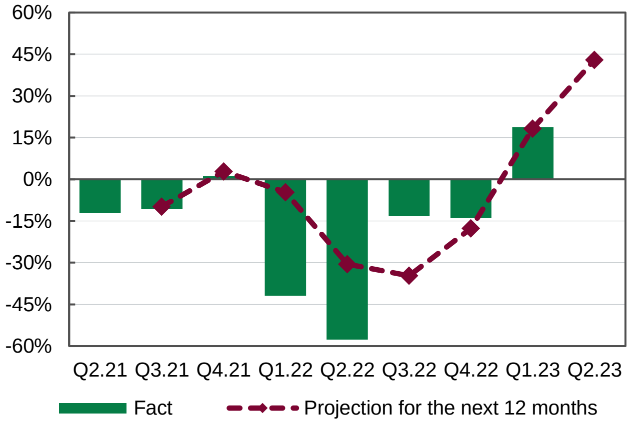

**Figure 4.** **Impact of factors on changes in the volume of future wholesale funding (balance of responses*)**




* A positive balance of responses indicates a positive impact of the factor on the funding growth.

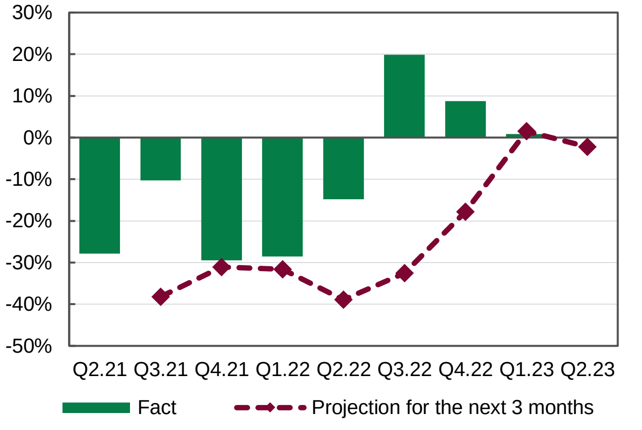
The line in the diagram is the balance of responses about the amount of funds raised. The bars denote the effects of factors on the change in the indicator (the total value of the indicator may not always equal the sum of the contributions of individual factors).

**Figure 5.** **Change in the maturity of funds raised by banks (balance of responses*)**



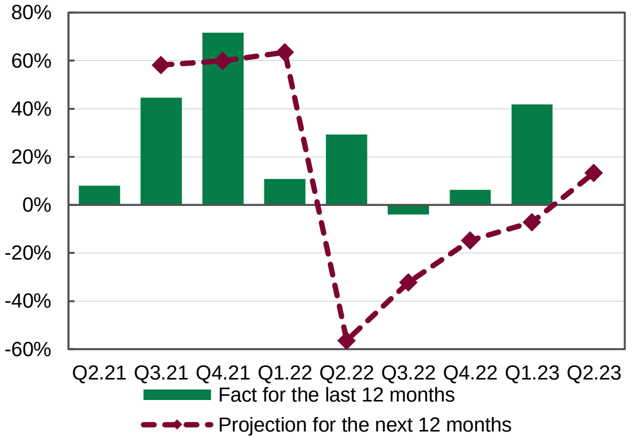

* A positive balance of responses indicates an increase in maturity of funding.

**Figure 6.** **Change in the share of FX funding (balance of responses*)**



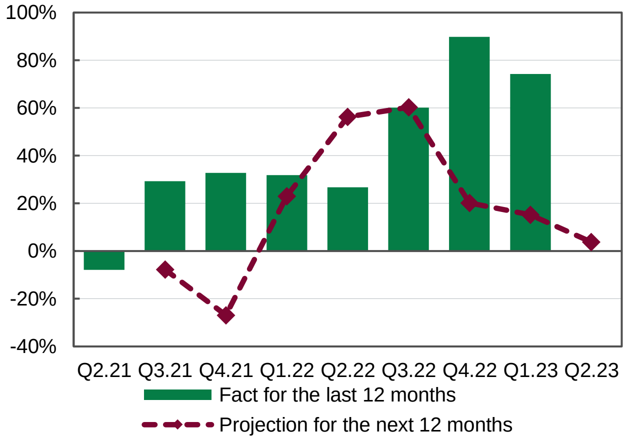

* A positive balance of responses indicates an increase in the share of FX funding.

**Figure 7.** **Change in banks' total capital (balance of responses*)**



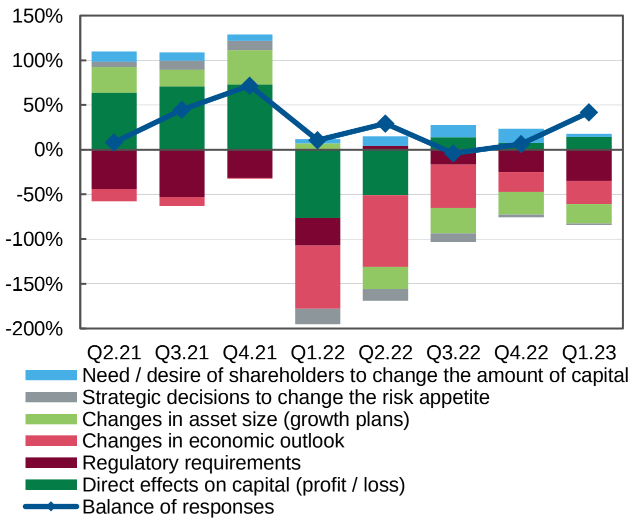

* A positive balance of responses indicates an increase in total capital.

**Figure 8.** **Change in banks' cost of capital (balance of responses*)**




* A positive balance of responses indicates an increase in cost of capital.

**Figure 9.** **Impact of factors on changes in banks' capital (balance of responses*)**




* A positive balance of responses indicates a positive impact on changes in banks' capital.

The line in the diagram is the balance of responses about changes in capital. The bars denote the effects of factors on the change in the indicator (the total value of the indicator may not always equal the sum of the contributions of individual factors).

## Annex. Methodology and Survey Results

Each responding bank was represented by a liabilities manager who filled out an electronic questionnaire.

For questions where responses were on an ordinal scale (e.g., from "significantly increased" to "significantly decreased"), a balance of responses indicator was calculated.

The questionnaire covers changes in the past three months and expected changes over the quarter that follows the reporting quarter. The questions from the "Capital" section concern changes during the 12 months before the survey and the 12 months after.

To calculate aggregated results for all banks, each response is assigned a score based on the respondent's answers and their weight in the total sample. The scores are presented on a range from -1 to 1, depending on the direction of change of the indicator. Responses indicating a significant change of the indicator are assigned a higher score than responses reflecting an insignificant change. The response "grew a lot" will have a score of 1, and the response "grew a little" a score of 0.5. Every estimate was assigned the respective respondent's weight in the sample, which depended on their share in the liabilities or retail/corporate deposits in the sample. The total score for all banks is the balance of responses, which can be interpreted as the difference between the weighted share of respondents reporting an "increase" in a certain index, and the weighted share of respondents reporting a "decrease" in the index. The balance of responses can range between -100% and +100%. A positive balance indicates that respondents generally assess/expect a change in the indicator (the volume and cost of funding/capital, the maturity of borrowings, etc.) towards an increase/strengthening compared with the previous quarter. More information on how to interpret the balance of answers to each question is presented in the notes to the diagrams.

**Table. Survey findings**

| | Balance of responses | | | | | | | | Weighted share of responses, Q1 2023 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Q2 21 | Q3 21 | Q4 21 | Q1 22 | Q2 22 | Q3 22 | Q4 22 | Q1 23 | | | | | |
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | | 8 | | | | |
| **I. Liabilities** | | | | | | | | | | | | | |
| **1. How did funding change during the quarter that ended?** | | | | | | | | | | | | | |
| | | | | | | | | | Down a lot | Down a little | Same | Up a little | Up a lot |
| Net change | 28% | 0% | 53% | 12% | 32% | 46% | 88% | 39% | 0% | 15% | 24% | 28% | 33% |
| Retail deposits | 47% | -8% | 62% | 58% | 14% | 54% | 84% | 44% | 6% | 8% | 1% | 62% | 23% |
| Corporate deposits | 24% | 14% | 33% | -27% | 40% | 34% | 88% | 50% | 0% | 18% | 7% | 32% | 43% |
| Wholesale funding | -2% | 13% | 0% | -3% | -26% | -11% | -12% | -33% | 30% | 6% | 63% | 0% | 0% |
| **2. How will funding change in the next quarter?** | | | | | | | | | | | | | |
| | | | | | | | | | Down a lot | Down a little | Same | Up a little | Up a lot |
| Net change | 24% | 22% | 8% | -21% | 2% | 43% | 17% | 43% | 0% | 2% | 22% | 63% | 12% |
| Retail deposits | 24% | 31% | 0% | -8% | 11% | 51% | 42% | 55% | 0% | 5% | 1% | 72% | 22% |
| Corporate deposits | 2% | 18% | 18% | -43% | 5% | 20% | -6% | 25% | 0% | 22% | 14% | 56% | 8% |
| Wholesale funding | 1% | 5% | -2% | 39% | -10% | -13% | -28% | -3% | 1% | 3% | 95% | 0% | 0% |
| **3. How did the average cost of funding change over the quarter that has just ended?** | | | | | | | | | | | | | |
| | | | | | | | | | Down a lot | Down a little | Same | Up a little | Up a lot |
| Net change | -26% | 1% | 7% | 15% | 31% | 39% | 44% | 49% | 2% | 5% | 10% | 60% | 23% |
| Retail deposits | -35% | -23% | -15% | -19% | 0% | 9% | 33% | 51% | 0% | 0% | 7% | 84% | 9% |
| Corporate deposits | -16% | 18% | 26% | 7% | 40% | 62% | 35% | 46% | 3% | 11% | 6% | 52% | 28% |
| Wholesale funding | 14% | 12% | 12% | 30% | 47% | 16% | 21% | -4% | 7% | 0% | 88% | 5% | 0% |
| **4. How will the cost of funding change in the next quarter?** | | | | | | | | | | | | | |
| | | | | | | | | | Down a lot | Down a little | Same | Up a little | Up a lot |
| Net change | -7% | 22% | 16% | 11% | 70% | 48% | 43% | 46% | 0% | 10% | 6% | 65% | 18% |
| Retail deposits | -20% | -1% | 3% | -17% | 62% | 50% | 53% | 65% | 0% | 0% | 3% | 63% | 34% |

| 1 | 2 | 3 | 4 | 5 | 6 | 7 | | | | 8 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Corporate deposits | | | | | | | | | | | | |
| -1% | 23% | 16% | 9% | 64% | 51% | 27% | 26% | 0% | 19% | 24% | 41% | 15% |
| Wholesale funding | | | | | | | | | | | | |
| 11% | 5% | 10% | 22% | 27% | 10% | 8% | 9% | 0% | 0% | 83% | 16% | 0% |
| **5. How did these factors affect the amount of funding from households during the quarter that has just ended?** | | | | | | | | | | | | |
| | | | | | | | | Had a significant negative impact | Had a slight negative impact | No impact | Had a slight positive impact | Had a significant positive impact |
| **Banks' demand factors** | | | | | | | | | | | | |
| Rates paid relative to the cost of other liabilities | | | | | | | | | | | | |
| 4% | -17% | -30% | 2% | -6% | 29% | 74% | 65% | 0% | 1% | 17% | 34% | 48% |
| Market share objectives | | | | | | | | | | | | |
| 19% | 8% | 7% | 3% | 3% | 10% | 12% | 2% | 0% | 0% | 95% | 5% | 0% |
| Regulatory requirements | | | | | | | | | | | | |
| 2% | 0% | 4% | 44% | 37% | 47% | 39% | 48% | 5% | 2% | 27% | 25% | 41% |
| Funding structure objective | | | | | | | | | | | | |
| 29% | 9% | -6% | 7% | 4% | 18% | 16% | 18% | 0% | 0% | 71% | 22% | 7% |
| **Depositors' supply factors** | | | | | | | | | | | | |
| Changing supply of deposits, unrelated to bank action | | | | | | | | | | | | |
| 22% | -5% | 14% | 29% | 12% | -25% | 72% | 12% | 6% | 4% | 52% | 32% | 4% |
| **6. How did these factors affect the amount of corporate deposits during the quarter that has just ended?** | | | | | | | | | | | | |
| | | | | | | | | Had a significant negative impact | Had a slight negative impact | No impact | Had a slight positive impact | Had a significant positive impact |
| **Banks' demand factors** | | | | | | | | | | | | |
| Rates paid relative to the cost of other liabilities | | | | | | | | | | | | |
| 5% | 18% | 2% | 15% | 8% | 43% | 38% | 34% | 0% | 7% | 38% | 35% | 20% |
| Market share objectives | | | | | | | | | | | | |
| 13% | 8% | 4% | 0% | 3% | 4% | 7% | 3% | 0% | 0% | 93% | 7% | 0% |
| Regulatory requirements | | | | | | | | | | | | |
| 7% | 0% | 6% | 29% | 15% | 20% | 24% | 36% | 0% | 5% | 44% | 26% | 26% |
| Funding structure objective | | | | | | | | | | | | |
| 11% | -5% | -10% | 0% | 5% | 23% | 17% | 27% | 0% | 0% | 66% | 14% | 20% |
| **Depositors' supply factors** | | | | | | | | | | | | |
| Changing supply of deposits, unrelated to bank action | | | | | | | | | | | | |
| 26% | 17% | 12% | -19% | 18% | 19% | 53% | 34% | 0% | 2% | 41% | 44% | 13% |
| **7. How has the share of FX funding changed in the quarter that has just ended?** | | | | | | | | | | | | |
| | | | | | | | | Down a lot | Down a little | Same | Up a little | Up a lot |
| -28% | -10% | -29% | -29% | -15% | 20% | 9% | 1% | 24% | 8% | 14% | 49% | 5% |
| **8. How will the share of FX funding change in the next quarter?** | | | | | | | | | | | | |
| | | | | | | | | Down a lot | Down a little | Same | Up a little | Up a lot |
| -38% | -31% | -32% | -39% | -33% | -18% | 2% | -2% | 1% | 30% | 42% | 27% | 0% |
| **9. How did the maturity of the funds raised in the quarter that has just ended change from the previous quarter?** | | | | | | | | | | | | |
| | | | | | | | | Down a lot | Down a little | Same | Up a little | Up a lot |
| -12% | -11% | 1% | -42% | -58% | -13% | -14% | 19% | 2% | 13% | 30% | 55% | 0% |
| **10. How will the maturity of funding change over the next 12 months?** | | | | | | | | | | | | |
| | | | | | | | | Down a lot | Down a little | Same | Up a little | Up a lot |
| -10% | 3% | -5% | -31% | -35% | -18% | 18% | 43% | 0% | 0% | 17% | 79% | 3% |
| **11. What factors have influenced plans to raise wholesale funding going forward?** | | | | | | | | | | | | |
| | | | | | | | | Had a significant negative impact | Had a slight negative impact | No impact | Had a slight positive impact | Had a significant positive impact |
| **Banks' demand factors** | | | | | | | | | | | | |
| Need / desire to change size of balance sheet | | | | | | | | | | | | |
| 34% | 49% | 51% | 40% | 1% | 3% | 5% | 5% | 0% | 0% | 91% | 9% | 0% |
| Asset-liability matching | | | | | | | | | | | | |
| 64% | 50% | 63% | 51% | -7% | 4% | 19% | 34% | 0% | 0% | 63% | 6% | 31% |
| Price/yield | | | | | | | | | | | | |
| 17% | 35% | 0% | -11% | -19% | -1% | -26% | -25% | 28% | 1% | 63% | 6% | 1% |
| Nonprice terms | | | | | | | | | | | | |
| 24% | 19% | 21% | 21% | -3% | 2% | 31% | 30% | 0% | 0% | 69% | 2% | 28% |
| Regulatory requirements | | | | | | | | | | | | |
| 28% | 44% | 42% | 22% | 22% | 2% | 2% | 31% | 0% | 0% | 68% | 1% | 31% |
| **Depositors' supply factors** | | | | | | | | | | | | |
| Investor demand | | | | | | | | | | | | |
| 23% | 42% | 42% | 15% | -11% | 2% | 15% | 31% | 0% | 1% | 64% | 6% | 28% |

| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **II. Capital** | | | | | | | | | | | | |
| **12. How has total capital changed over the past 12 months?** | | | | | | | | | | | | |
| | | | | | | | | Down a lot | Down a little | Same | Up a little | Up a lot |
| 8% | 45% | 72% | 11% | 29% | -4% | 6% | 42% | 17% | 2% | 1% | 40% | 40% |
| **13. How will total capital change in the next 12 months?** | | | | | | | | | | | | |
| | | | | | | | | Down a lot | Down a little | Same | Up a little | Up a lot |
| 58% | 60% | 63% | -56% | -32% | -15% | -7% | 13% | 26% | 1% | 8% | 50% | 14% |
| **14. How has the cost of capital changed over the past 12 months?** | | | | | | | | | | | | |
| | | | | | | | | Down a lot | Down a little | Same | Up a little | Up a lot |
| -8% | 29% | 33% | 32% | 27% | 60% | 90% | 74% | 0% | 0% | 18% | 16% | 66% |
| **15. How will the cost of capital change in the next 12 months?** | | | | | | | | | | | | |
| | | | | | | | | Down a lot | Down a little | Same | Up a little | Up a lot |
| -8% | -27% | 23% | 56% | 60% | 20% | 15% | 4% | 0% | 3% | 86% | 11% | 0% |
| **16. What factors will affect the change in capital over the next 12 month?** | | | | | | | | | | | | |
| | | | | | | | | Significant negative impact | Slightly negative impact | No impact | Slightly positive impact | Significant positive impact |
| Direct effects on capital (profit/loss) | | | | | | | | | | | | |
| 64% | 71% | 73% | -77% | -51% | 14% | 7% | 14% | 27% | 1% | 8% | 45% | 19% |
| Regulatory requirements | | | | | | | | | | | | |
| -44% | -53% | -32% | -31% | 4% | -17% | -25% | -35% | 0% | 71% | 29% | 1% | 0% |
| **Factors affecting capital demand from banks** | | | | | | | | | | | | |
| Changes in economic outlook | | | | | | | | | | | | |
| -14% | -10% | -1% | -70% | -80% | -49% | -22% | -26% | 4% | 58% | 25% | 13% | 0% |
| Strategic decisions to change risk appetite | | | | | | | | | | | | |
| 6% | 10% | 10% | -18% | -13% | -10% | -3% | -2% | 0% | 26% | 51% | 23% | 0% |
| Changes in asset size (growth plans) | | | | | | | | | | | | |
| 29% | 19% | 38% | 7% | -25% | -29% | -26% | -22% | 0% | 56% | 32% | 12% | 0% |
| **Factors affecting capital supply from investors** | | | | | | | | | | | | |
| Need / desire of shareholders to change the amount of capital | | | | | | | | | | | | |
| 12% | 9% | 7% | 5% | 11% | 13% | 16% | 3% | 0% | 1% | 92% | 7% | 0% |

# About the Survey

**The NBU highly appreciates the banks' participation in the survey under conditions of martial law.**
In July 2021, the NBU introduced a quarterly bank funding survey. The survey primarily aims to deepen our understanding of the dynamics of the volumes, structure, and costs of banks' liabilities and capital. The survey features the aggregate assessments and expectations of respondents concerning the volumes, cost, and maturities of various types of banks' liabilities and capital, and the drivers that affect these indicators.

This survey offers a review of bank lending market conditions in Q1 2023 and expectations for Q2 2023. The survey contains generalized estimates of changes in the banks' capital ratios over the past 12 months, and expectations for the next 12 months. The survey was carried out from 17 March 2023 through 7 April 2023 among bank managers in charge of liability management. The answers were provided by 26 respondents, which jointly accounted for 96% of the banking system's total assets. The results of the survey reflect the opinions of the respondents, and are not estimates or forecasts of the NBU.

A bank funding survey with banks' expectations for Q3 will be published in July 2023.