National Bank of Ukraine

Non-bank Financial Sector Review

September 2024

In H1, developments in the non-bank financial sector were diverging: assets of finance companies and pawnshops grew, while those of other sectors declined slightly. In Q2, gross non-life insurance premiums resumed growth after a slight decline in Q1, and claims paid increased for the sixth consecutive quarter. At the same time, in life insurance, premiums continued to decrease in Q2 and claims paid returned to growth. After updating the calculation using detailed data, the performance ratios of non-life insurers deteriorated. Nevertheless, non-life insurers remained profitable in H1.The volume of credit unions' assets declined as some institutions left the market. The volume of new loans continued to drop. The segment earned a small profit due to the release of provisions, but credit unions made operating losses. Finance companies increased their assets and main types of financial services, except for corporate lending. Most finance companies remained profitable, with the largest profit generated by Ukrfinzhytlo, the state-owned operator of the *eOselia* program. Pawnshop business picked up in Q2: assets and new loans increased, and the segment was generally profitable.

Sector Structure and Penetration

Both in H1 and in Q2, the number of non-bank financial services providers declined. In April–June, 46 finance companies, 8 insurers, 7 credit unions, and 7 pawnshops were removed from the Register. The vast majority of the financial institutions left the market upon the regulator's decision, in particular because they failed to comply with license terms. One finance company was registered in June. In accordance with the new legal requirements, in January–June, all existing legal-entity lessors obtained the status of finance companies. As of 1 July 2024, 64 former legal-entity lessors were operating as finance companies.

In April–June, the NBU approved license restrictions for 41 finance companies and 1 insurer.

Total assets of non-bank financial services providers decreased in Q2, but grew by 6% yoy. Assets of finance companies shrank by 12.3% in Q2 (+9% yoy). Under the new requirements, insurers do not provide data on total assets in their financial statements, but only the amounts estimated in line with regulatory requirements for certain elements[1]. Accordingly, the dynamics and structure of assets are presented under this approach. The volume of insurers' assets calculated this way rose by 1% in Q2. The assets of credit unions slightly decreased, while the assets of pawnshops increased. Given the decline in assets of most market segments, the share of NBU-supervised non-bank financial institutions (NBFIs) in financial sector assets declined in Q2.

Insurers

The assets of life insurers continued to grow from the start of 2024, in particular by 4% qoq in Q2. At the same time, the assets of non-life insurers have slightly decreased over the past three months – by 1% qoq as a number of companies were removed from the register.

The structure of life insurers' assets remained almost unchanged in Q2, with more than 90% of assets comprised of highly liquid components: funds on current accounts with banks, bonds, and deposits. The assets of non-life insurers were more diversified: in addition to said highly liquid components, the share of which in assets increased by 4 pp over the quarter, to 60%, another quarter of assets were balances of funds with the Motor (Transport) Insurance Bureau of Ukraine (MTIBU) and reinsurance claims, which the new reporting reflects as technical provisions under outward reinsurance agreements.

After a 9% decline in the first three months of the year, gross premiums of non-life insurers resumed growth in Q2, rising by 10% qoq and 12% yoy. The volume of insurance premiums increased in both retail and corporate segments in the previous quarter. Claims paid grew for six quarters in a row and in Q2 increased by 7% qoq and 34% yoy. The cumulative claims paid ratio for the last four quarters was 40%, and 44% in Q2.

After a surge in H2 2023, life insurance premiums declined for two consecutive quarters: by 16% in Q1 and 3% in Q2. However, in April–June, their volumes were 15% higher than in the same period a year ago. Instead, after a noticeable decline of 11% in Q1, the volume of claims paid resumed growth, rising by 3% in April–June. As a result, the claims paid ratio gradually increased in annual terms.

Starting from 1 January 2024, an updated classification of insurance into 23 classes was introduced, with the classes reflecting homogeneous insurance risks. For regulatory purposes, companies now provide information by 25 lines of

[1] In accordance with regulatory requirements, the estimates are made for technical provisions and for technical provisions under outward reinsurance agreements.

business covering non-life and life insurance products. In Q2, insurance premiums grew in the business lines[2] covering transport insurance (C&C, Compulsory Motor Third Party Liability Insurance, and Green Card), while premiums on personal insurance (life and health) declined slightly. These insurance products remained the key ones in the market: in Q2, they accounted for 84% of premiums earned and 93% of total claims paid. In other lines of business, premiums mostly declined in Q2, with only cargo and luggage (+11% qoq), liability (+1% qoq), and assistance (+28% qoq) premiums increasing. Claims paid grew for all insurance products in Q2, except for financial risks insurance, cargo and luggage insurance, and assistance.

Between January and June, the retention ratio grew, reaching a record high of 95%. The role of domestic reinsurance continued to decline.

Due to the implementation of IFRS 17 *Insurance Contracts*, insurers have been calculating technical provisions in their financial statements using new approaches starting from 2023. At the same time, for prudential purposes, technical provisions are calculated in accordance with the regulator's requirements, which were updated effective 1 January 2024. The update of regulatory requirements significantly affected the revaluation of premium reserves by insurers and moderately affected the volume of loss reserves. In July, total loss reserves of non-life insurers decreased by 1% compared to the level of end-2023 estimated under the old approaches. However, in Q2, this figure grew by 3% qoq. That said, given the faster growth in premiums and claims paid from the start of the year, the ratios of their coverage by loss reserves continued to decline toward pre-war levels.

In the updated reports, insurers detailed the components of their expenses, which made it possible to refine the calculations of performance ratios. As a result, in Q1, the net loss ratio of non-life insurance increased (deteriorated) by 15 pp yoy, to 62%, primarily due to a significant one-time reduction in the outward reinsurance loss reserves of one insurer due to the introduction of new approaches to calculating technical provisions. However, the figure for H1 was already 53%.

Over January–June, the net combined ratio decreased by 2 pp, to 111%. This indicator is relatively stable due to a decrease in operating insurance expenses in Q1, which offset the impact of a sharp increase in the net loss ratio.

The dynamics of the net efficiency ratio as of the end of H1 were 102% and was almost entirely explained by the change in the combined ratio.

Life insurers and non-life insurers were profitable in H1. Profits in both segments increased compared to H1 2023, although return on equity improved only in the non-life segment. The number of loss-making companies continued to decline, and their share was less than 20% in January–June. Only one life insurer made losses.

As of the end of H1, 34 companies violated at least one of the requirements: solvency capital ratio (SCR) and minimum capital ratio (MCR). Two-thirds of the violators of the requirements have submitted to the NBU their recovery plans and/or funding plans, almost all of which have already been validated by the NBU. Going forward, insurers must adhere to the respective plans to improve their financial position. However, around a third of the violating companies have already left/are in the process of leaving the market voluntarily (in accordance with exit plans approved by the NBU), or are being withdrawn from the market due to their inability to meet the new requirements.

Credit Unions

From the start of the year, credit unions continued to leave the market and the decline in their assets resumed. In Q2, the assets of both deposit-taking credit unions and those operating on additional share contributions decreased at the same rate (by 1% qoq). As of the end of Q2, total assets of credit unions amounted to only 59% of the end-2021 level, and the number of institutions has more than halved since then.

Credit unions have been providing increasingly smaller amounts of new loans. In Q2, issued loans decreased by 8% yoy (compared to (-2%) yoy in Q1) on account of consumer loans. However, the total loan portfolio remained almost unchanged in Q2, while declining by 5% over the year. The declared quality of the loan portfolio remained unchanged: almost a third of the loans were past due by more than 90 days.

Operating income gradually grew throughout the quarter. Net interest income rose by 2% over the quarter. However, its volume continued to decline year-on-year – by 14% yoy in Q2 and for H1 as a whole. The main reason behind this trend was a decrease in the loan portfolio year-on-year and in interest rates on all types of loans. This resulted in operational inefficiency of credit unions due to almost unchanged high administrative expenses. Nevertheless, the segment as a whole made a small profit due to the release of provisions and assistance from USAID.

The segment's retained earnings grew by 19% over the quarter. At the same time, other sources of funding continued to decline, albeit more slowly than in Q1. In particular, the volume of deposits in Q2 decreased by 1%, and additional share contributions by 13%.

At the start of July – same as at the start of 2024 – eight credit unions were in breach of the capital adequacy ratio.

Finance Companies and Pawnshops

Despite the active exit of finance companies from the market, in H1, the segment's total assets grew by 3.4%. Although assets declined by 12.3% in Q2, it was during this period that the volume of all types of financial services increased.

Finance companies have been gradually increasing lending to households: this trend has been going on for four quarters

[2] The classification is based on the following approach: life insurance – medical insurance and other life insurance; property and fire risk insurance – insurance of property and agricultural products; insurance of cargo and baggage – property transported by air/naval vessel; liability insurance – liability insurance, other motor liability, air/naval carrier liability, liability of customs regime entity, and liability of nuclear facility operator; life insurance – classic endowment insurance, classic risk life insurance, pension insurance, other endowment insurance, and other risk life insurance; other non-life insurance products belong to lines of business with respective names, if not stated otherwise.

in a row. In particular, the volume of new retail loans rose by 7.7% in Q1 and by 5.3% in April–June. However, it is still bellow the pre-war levels. At the same time, the volume of new corporate loans continued to decline: by 6.9% in Q1 and by 2.2% in Q2.

In April–June, the volume of leasing transactions increased by almost a third. Factoring transactions also noticeably grew, by 22.7% in Q2. More than half of these transactions were classical factoring transactions, which is the financing of receivables. The volume of guarantee transactions rose significantly for the first time since the onset of the full-scale invasion, albeit from a low base. Over the first six months of 2024, finance companies generated UAH 5.8 billion in profit. Around 80% of finance companies were profitable, while almost half of the segment's total profit was earned by Ukrfinzhytlo, the state-owned operator of the *eOselia* program. Its main income comes from interest payments on domestic government debt securities in its capital.

Pawnshop business picked up somewhat in Q2. Assets and new loans increased. Revenues from financial services increased, resulting in a profit for the segment even despite higher administrative expenses. Profitability ratios remained unchanged from the start of the year. Equity decreased in January–June.

Prospects and Risks

In July, the deadline expired for insurers to bring their operations in line with the new regulatory requirements. Most market participants met the requirements, but some institutions needed to validate solvency recovery plans or funding plans with the NBU. Insurers that fail to submit a proper plan in a timely manner are facing the risk of being withdrawn from the market. Insurers that have validated their plans with the regulator must strictly implement them to improve their performance. Institutions at risk are mostly small ones that do not have a significant impact on the insurance market as a whole. The exit of insufficiently solvent companies from the market will help strengthen the resilience of insurers in the future.

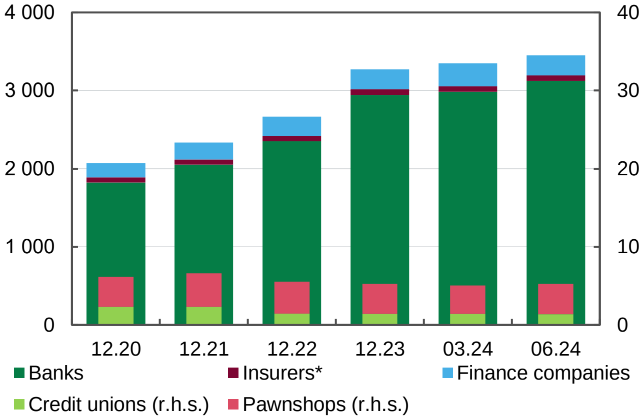
A new law on compulsory motor third party liability insurance was adopted in June. Its main innovations are raising the maximum amount of insurance payments to the level of EU member states, determining a "fair price" for each policyholder, and introducing direct settlement. The law will take effect on 1 January 2025.

The NBU continues to update approaches to the preparation and submission of reports by participants of the non-bank financial services market: they have been reporting under new rules since the start of the year. The frequency of reporting certain information has been changed for finance companies and pawnshops. Starting with reports for January 2025, the institutions will provide data on regulatory balance sheets and off-balance sheet liabilities on a monthly basis, while currently they report quarterly.

Sector Structure and Penetration

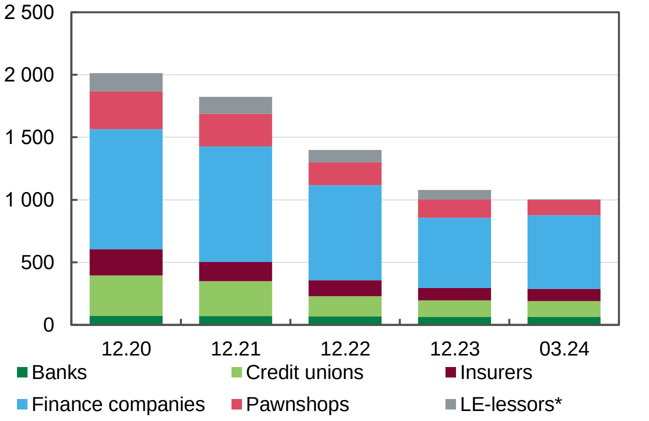
Assets of non-bank financial services providers decreased in Q2, most notably at finance companies. The number of institutions in the Register fell by 67 institutions, with mainly finance companies leaving the market. One finance company was registered over the quarter.

Figure 1. Financial sector asset structure, UAH billions



* Regulatory reporting data reflect the amount of assets and liabilities of an insurer, including the amount of certain components according to prudential requirements, primarily reserves.

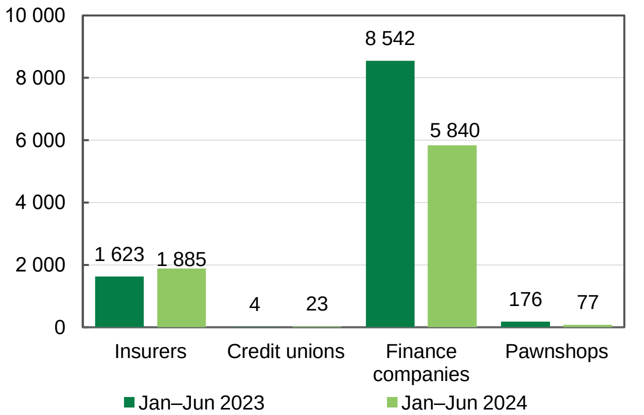
Figure 2. Number of financial services providers



* From 1 January 2024, legal-entity lessors took the status of finance companies.

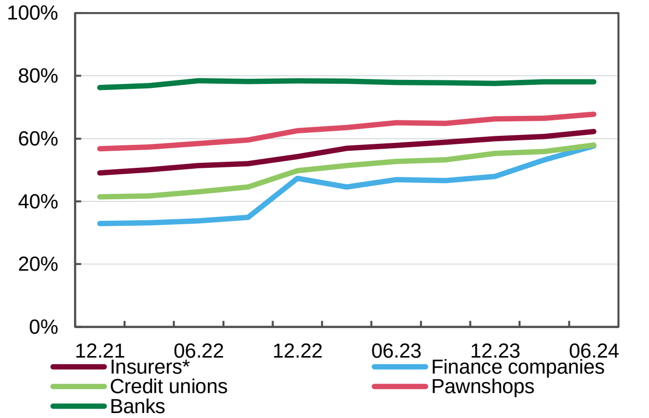
As of the end of H1 2024, all sectors of non-bank financial services providers were profitable.

Figure 3. Net profit or loss of non-bank financial services providers, UAH millions



The concentration rate rose across all segments of non-bank financial services providers.

Figure 4. Share of assets of the TOP 10 institutions in the segments



* Regulatory reporting data reflect the amount of assets and liabilities of an insurer, including the amount of certain components according to prudential requirements, primarily reserves.

In Q2, the banks' assets grew in volume, whereas assets of non-bank financial services providers declined. From the start of the year, the total share of NBFIs in the financial sector's assets shrank by 0.5 pp, to 9.6% as of 30 June 2024.

Table. Financial institutions regulated and supervised by the NBU

		2020	2021	2022	2023	03.2024	06.2024	Change vs 1 Jan 2024
Insurers*	Assets, UAH millions	64,903	64,737	70,298	74,412	67,179*	67,581*	-9.2%
	Number	210	155	128	101	98	90	-11
Credit unions	Assets, UAH millions	2,317	2,330	1,449	1,422	1,399	1,387	-2.4%
	Number	322	278	162	133	127	120	-13
Finance companies	Assets, UAH millions	186,572	216,406	243,997	250,454	295,345	258,917	3.4%
	Number	960	922	760	559	589	548	-11
Pawnshops	Assets, UAH millions	3,854	4,289	4,101	3,839	3,640	3,856	0.5%
	Number	302	261	183	146	123	116	-30
Banks	Assets, UAH millions	1,822,841	2,053,232	2,351,678	2,944,684	2,985,602	3,125,617	6.1%
	Number	73	71	67	63	63	62	-1

* Regulatory reporting data reflect the amount of assets and liabilities of an insurer, including the amount of certain components according to prudential requirements, primarily reserves.

Insurers

Insurers' assets adjusted for individual components measured in accordance with prudential requirements were lower than insurers' total assets by around 3% for life insurers and 16% for non-life insurers. In Q2, life insurers' assets adjusted this way grew, while non-life insurers' assets declined slightly as a number of companies left the market.

Figure 5. Number of life insurers and their assets, UAH billions

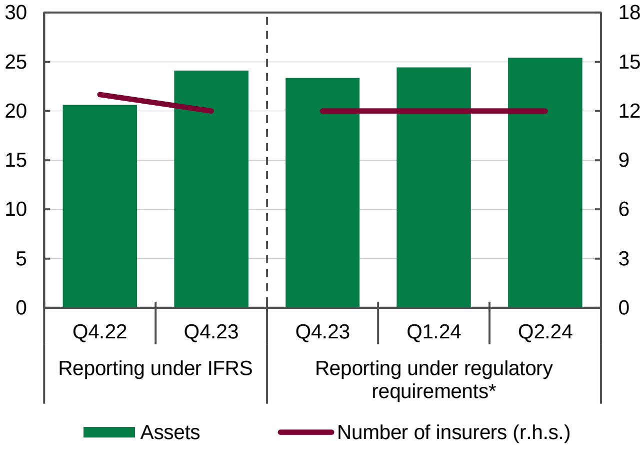
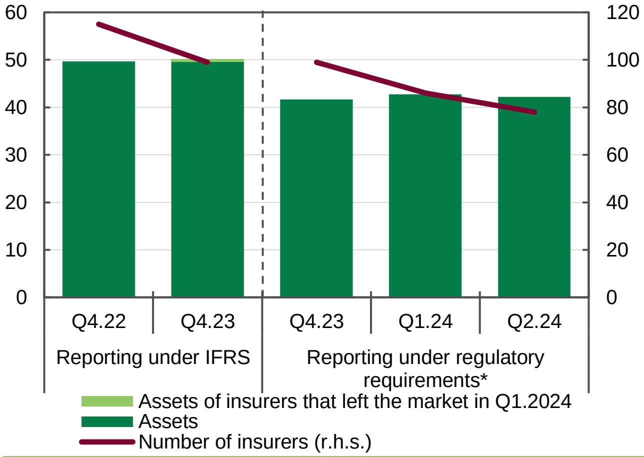


Figure 6. Number of non-life insurers and their assets, UAH billions



* Regulatory reporting data reflect the amount of assets and liabilities of an insurer, including the amount of certain components according to prudential requirements, primarily reserves.

The structure of life insurers' assets remained almost unchanged in Q2, being dominated by deposits and government domestic government debt securities. Non-life insurers increased their investments in highly liquid assets: current accounts, deposits, and domestic government debt securities.

Figure 7. Assets and liabilities* of life insurers

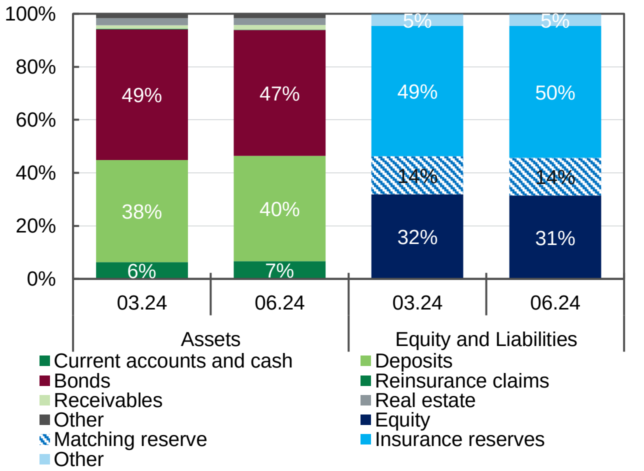
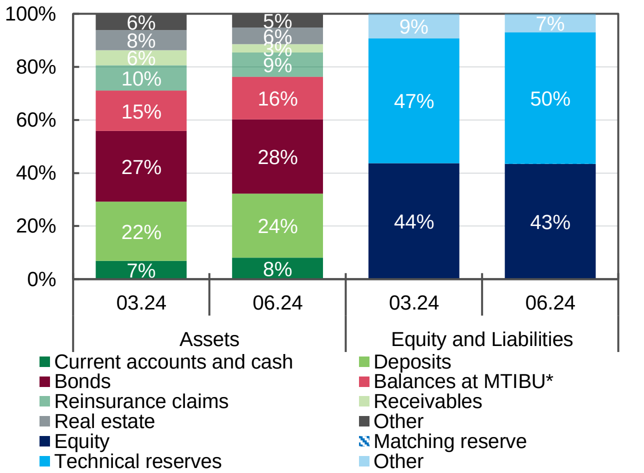


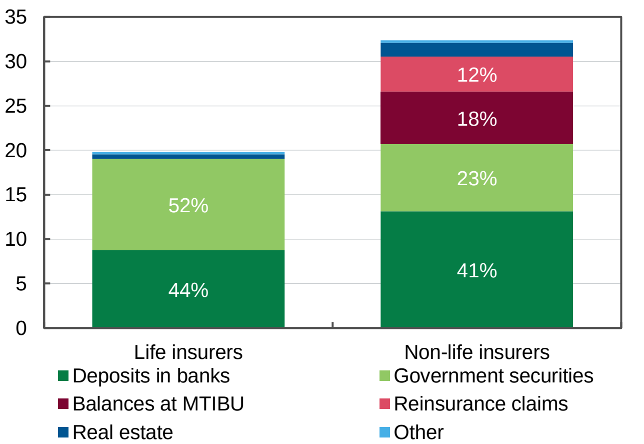
Figure 8. Assets and liabilities* of non-life insurers



* Regulatory reporting data reflect the amount of assets and liabilities of an insurer, including the amount of certain components according to prudential requirements, primarily reserves.

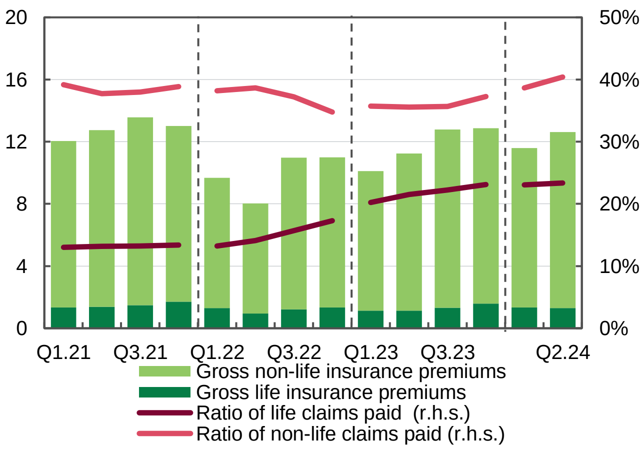
As before, the structure of eligible assets in both segments of the insurance market was dominated by highly liquid assets: current accounts, deposits, and domestic government debt securities.

Figure 9. Structure of assets eligible to cover insurers' technical provisions as of 1 July 2024, UAH billions



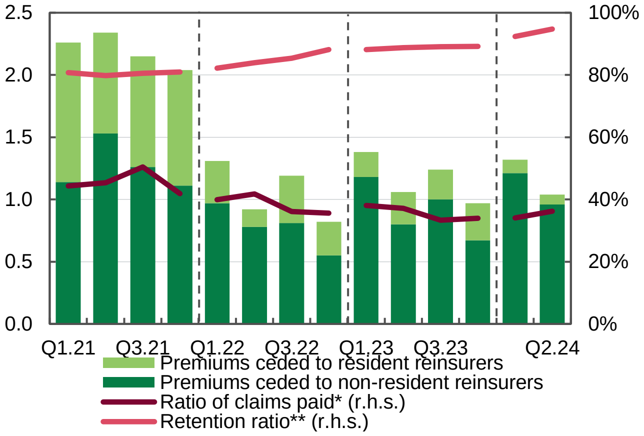
Gross premiums grew by 10% qoq for non-life insurance, while decreasing by 3% for life insurance. The ratio of claims paid rose slightly in both segments.

Figure 10. Premiums and ratios of claims paid by type of insurance, UAH billions



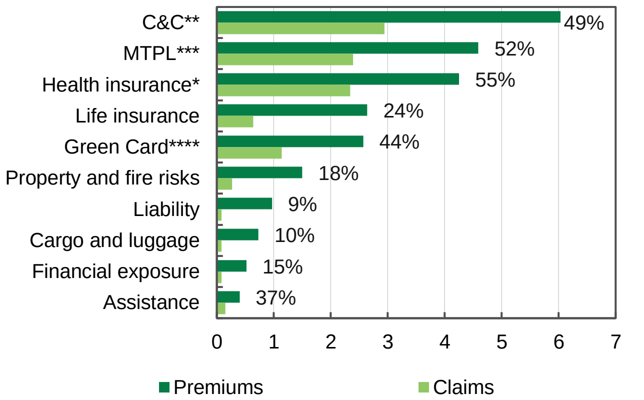
As in previous years, in Q2 the volume of premiums ceded to reinsurance decreased compared to the previous period. The share of non-residents in reinsurance reached a record high of 92%. Car insurance and personal insurance remained the leaders in terms of premiums and claims paid.

Figure 11. Premiums due to reinsurers, ratio of claims paid, and retention ratio, UAH billions



* Annualized ratios of claims paid.
** The ratio of net premiums to gross premiums.

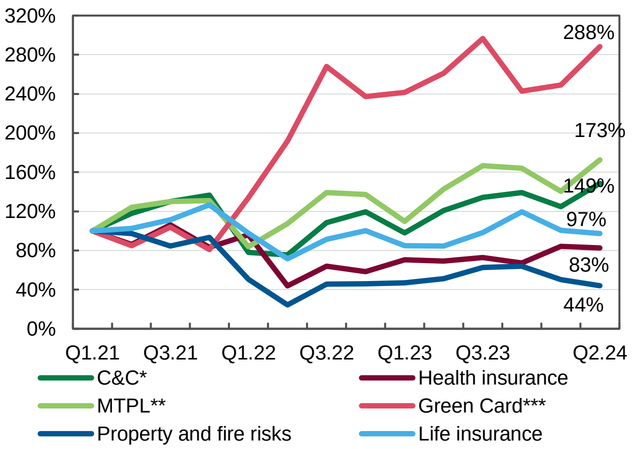
Figure 12. Insurance premiums and claims paid by most common business lines in H1 2024, UAH billions



Percentage values indicate the claims paid ratio for the respective type of insurance. * From 1 January 2024, the class of accident insurance is included in health insurance. **C&C – comprehensive and collision car insurance *** Compulsory motor third party liability insurance **** International Motor Insurance Card System.

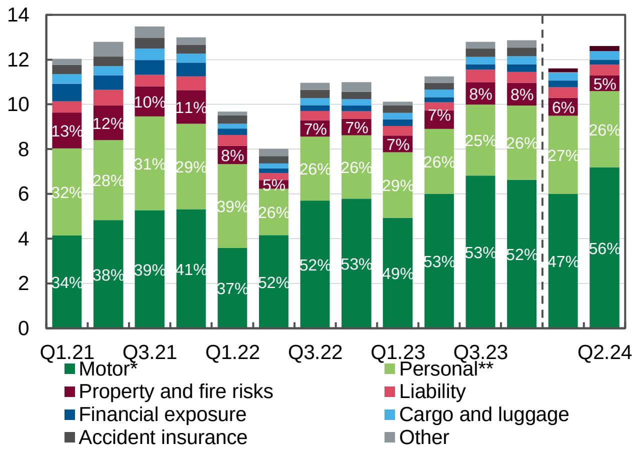
The volume of premiums in car insurance grew in Q2, while declining slightly in all other main lines of insurance business.

Figure 13. Insurance premiums by insurers' largest business lines, Q1 2021 = 100%



* C&C – comprehensive and collision car insurance; C&C includes insurance of railway rolling stock that constitute 1% of gross premiums. ** Compulsory motor third party liability insurance. *** International Motor Insurance Card System.

Figure 14. Structure of insurance premiums by main lines of insurance business, UAH billions



* C&C, MTPL, Green Card.
** Life, health.
*** Air and watercraft insurance was retroactively added to cargo and luggage insurance. The insurance of railway rolling stock, which accounts for around 1% of premiums, was retroactively added to C&C insurance.

In Q2, premiums resumed growth in both the retail and corporate segments of non-life insurance.

Figure 15. Gross insurance premiums by type of insurance (excluding inward reinsurance), Q1 2021 = 100%

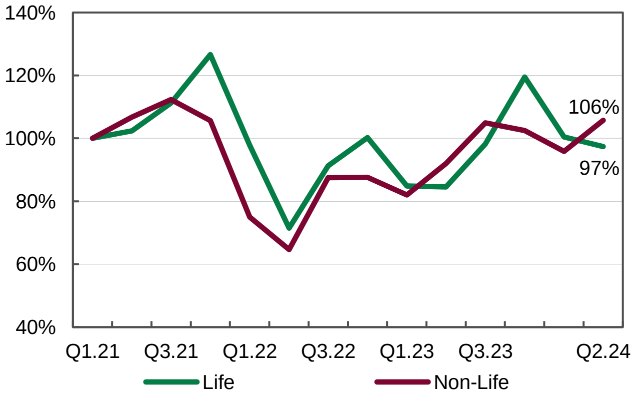
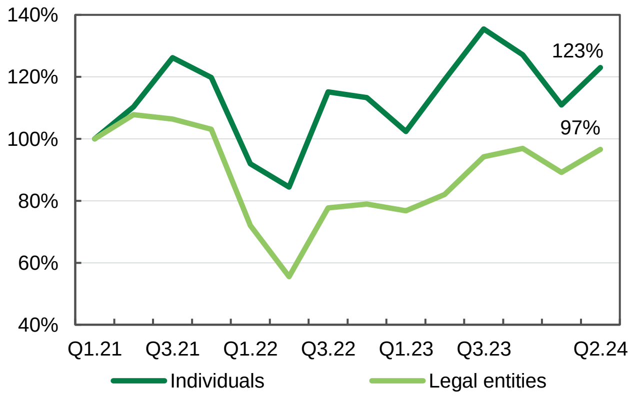
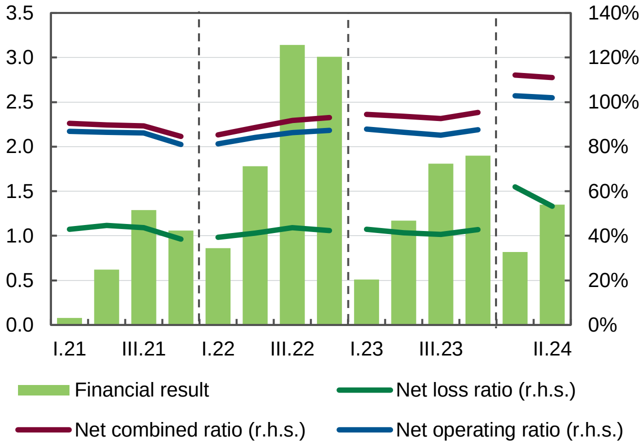


Figure 16. Non-life insurance premiums by type of policyholder, Q1 2021 = 100%



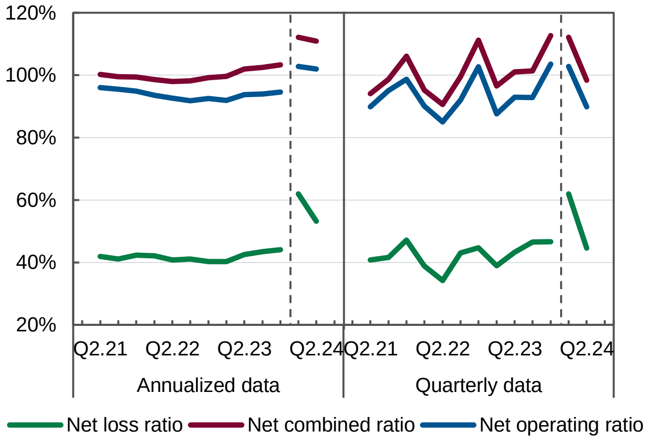
In H1, performance indicators of non-life insurers increased (deteriorated). The main reason for this was the decrease in loss reserves under outward reinsurance agreements of one insurer due to the introduction of new approaches to the calculation of insurance reserves.

Figure 17. Cumulative profit or loss and performance indicators of non-life insurers on a net basis, UAH billions



Operating performance indicators for the period up to 2023 were annualized; for 2024 they were calculated on a cumulative basis from the start of the year due to a change in the calculation approach.

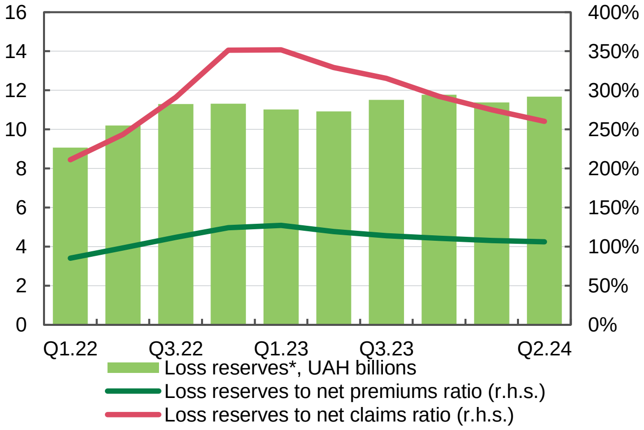
Figure 18. Performance indicators of non-life insurers on a net basis



Operating performance indicators for 2024 were annualized on a cumulative basis from the start of the year due to a change in the calculation approach.

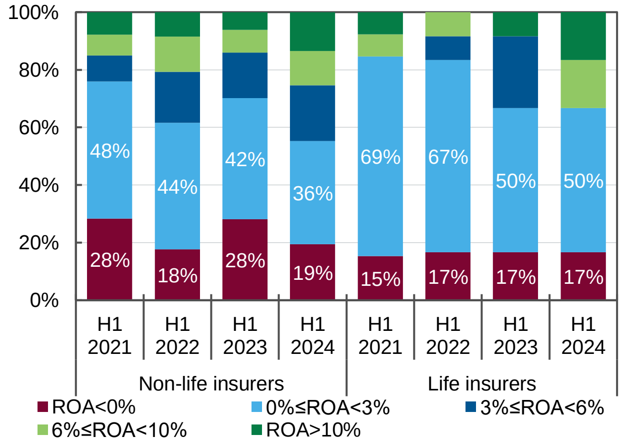
Non-life insurance loss reserve ratios continued to decline (improve), but still remained far from the prewar level. The share of loss-making companies in the non-life segment decreased compared to the same period last year.

Figure 19. Loss reserve ratios of non-life insurance



* Starting from 2024, the loss reserve is the sum of the best estimate and the risk margin assessed in accordance with prudential requirements. Annualized loss reserve ratios.

Figure 20. Insurers by return on assets



Net profit of life insurers grew by 18% yoy and exceeded UAH 0.5 billion, but the return on equity decreased by 8 pp, to 8%. Profits and return ratios of non-life insurers grew moderately in H1.

Figure 21. Financial performance of life insurers on a cumulative basis, UAH billions

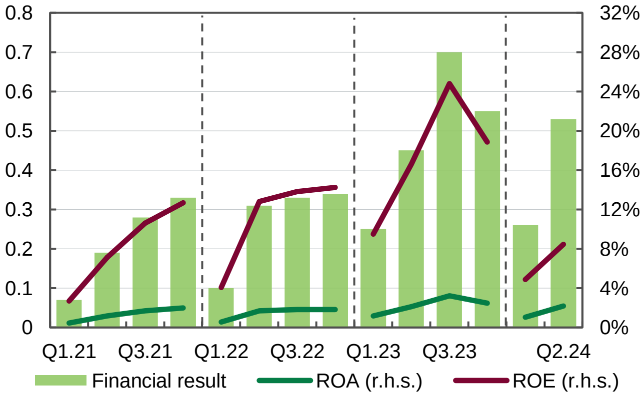
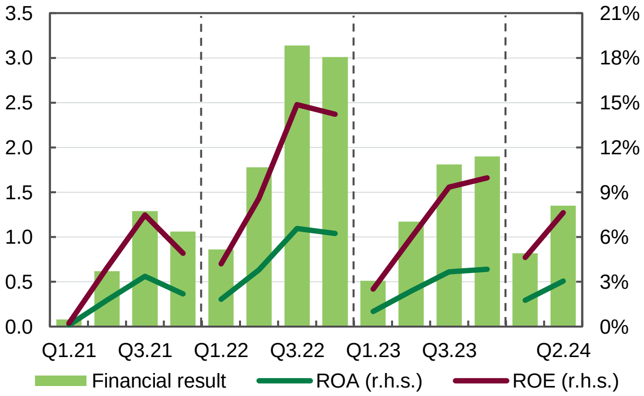
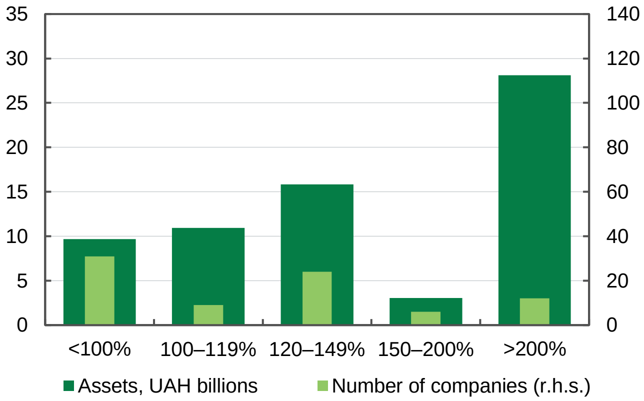


Figure 22. Financial performance of non-life insurers on a cumulative basis, UAH billions



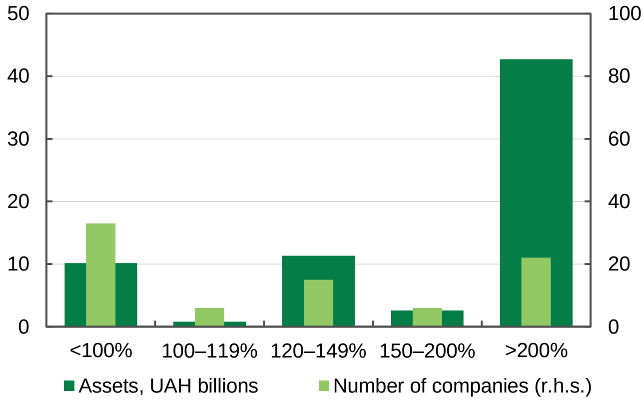
More than 30 insurers were violating solvency capital requirements (SCR) and minimum capital requirements (MCR).

Figure 23. Distribution of number of insurers and their assets size* by proportion of capital eligible to meet the SCR, and the SCR as of 1 July 2024



* This figure is based on data from 82 companies.

Figure 24. Distribution of number of insurers and their assets size* by proportion of capital eligible to meet the MCR, and the MCR as of 1 July 2024

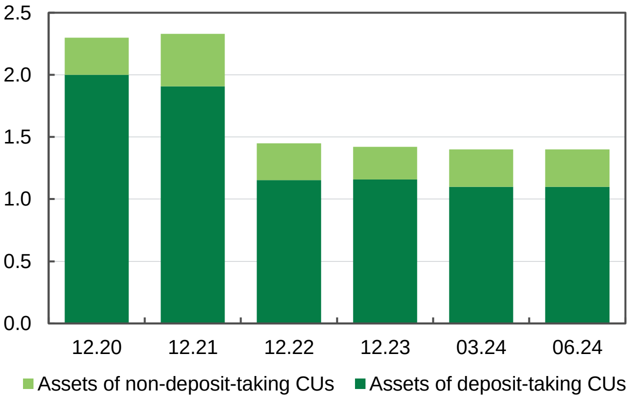


* This figure is based on data from 82 companies.

Credit Unions

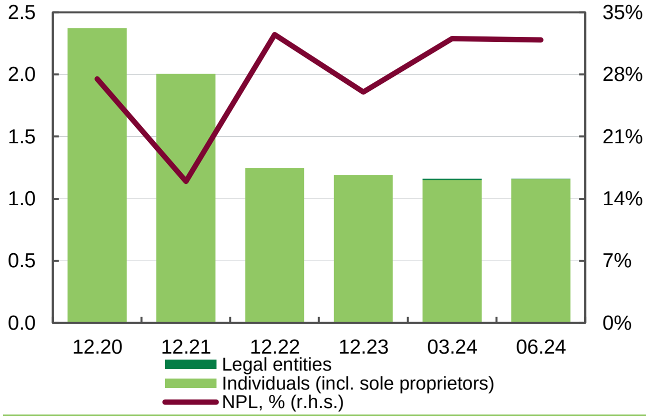
Assets of credit unions (CUs) decreased by just 1% in Q2. The share of deposit-taking credit unions remained almost unchanged (82%).

Figure 25. Total assets of credit unions, UAH billions



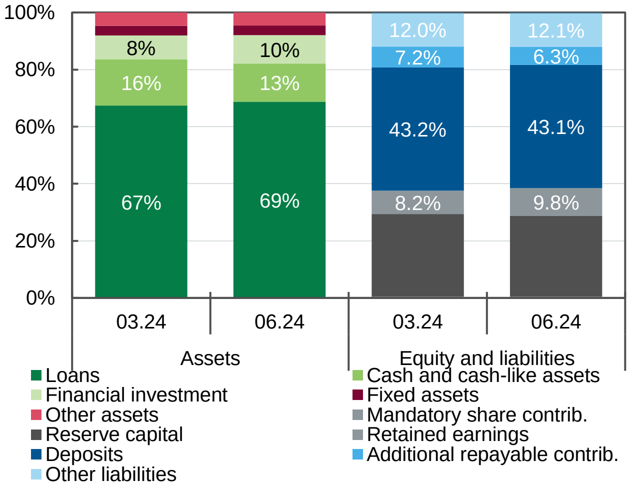
In Q2, despite an increase in the volume of issued loans, the loan portfolio remained unchanged. The reported share of loans with principal payments past due by more than 90 days was unchanged, at 32%.

Figure 26. Breakdown of outstanding loans principal due from credit union members, UAH billions



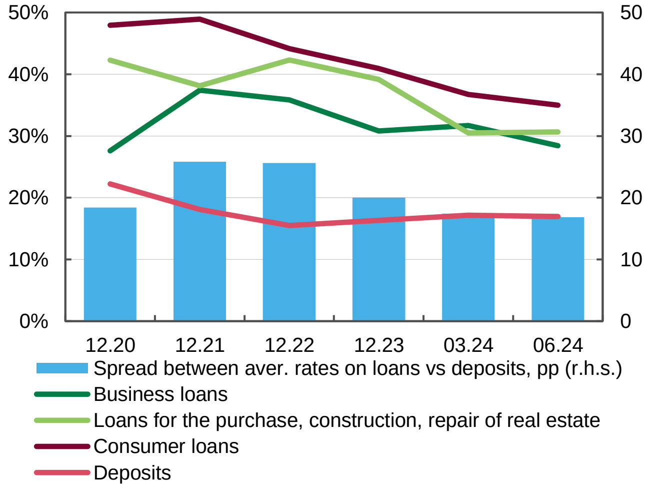
The structure of assets is overwhelmingly dominated by loans. At the same time, the volume and share of financial investments increased over the last quarter. Deposits remain the main source of funding.

Figure 27. Assets and liabilities of credit unions



Credit unions decreased their loan rates while the cost of deposits remained almost unchanged. The spread between the average interest rate on loans and deposits thus continued to narrow in Q2.

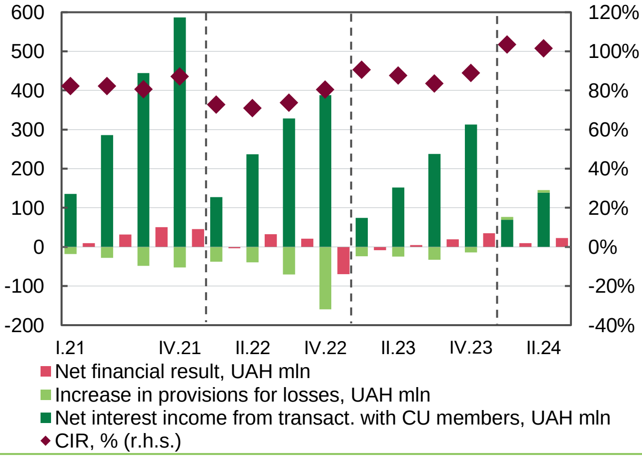
Figure 28. Average interest rates on outstanding loans and deposits of credit union members



* Taking into account the corrected technical error of Finansova Pidtrymka Credit Union in the report as of 1 April 2024.

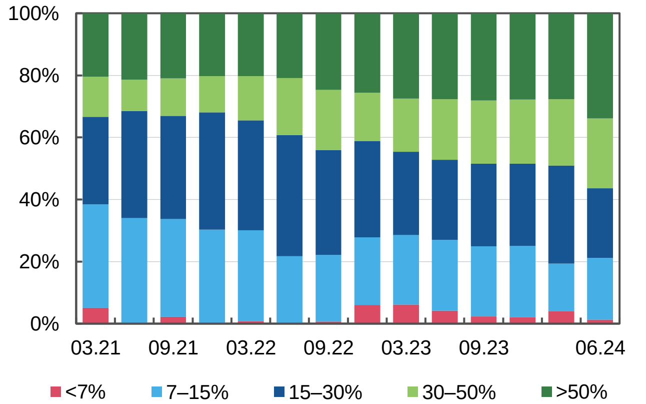
From the start of 2024, credit unions have been operationally inefficient, as their small profits came from the release of provisions and assistance from USAID.

Figure 29. Operational efficiency of credit unions (on a cumulative basis), UAH millions



As of 1 July 2024, eight credit unions were in breach of minimum solvency requirements. These were mostly deposit-taking credit unions.

Figure 30. Distribution of core capital adequacy ratios by share of credit unions' assets



Finance Companies

In Q2, volumes of finance companies' assets shrank by 12.3% (+9.0% yoy). The main reason for the decline in the sector's assets was the exit of a significant number of institutions from the market, mainly upon the regulator's decision. The assets and liabilities structure of finance companies remained almost unchanged.

Figure 31. Finance companies' asset structure, UAH billions

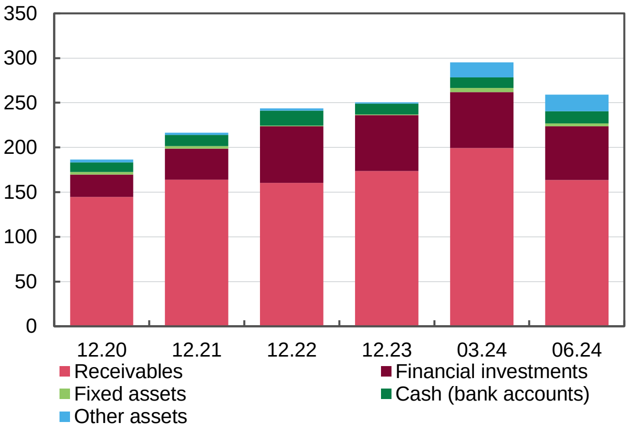
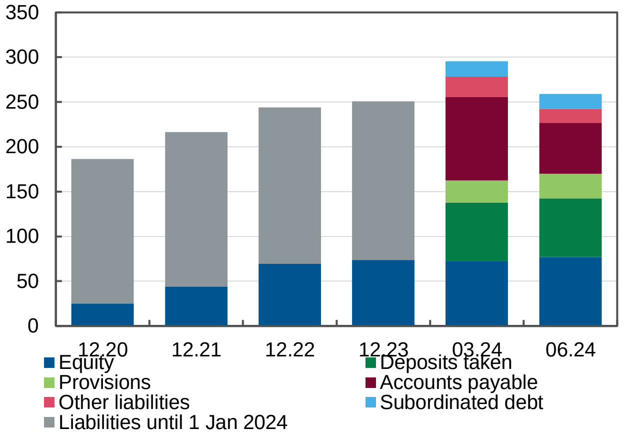


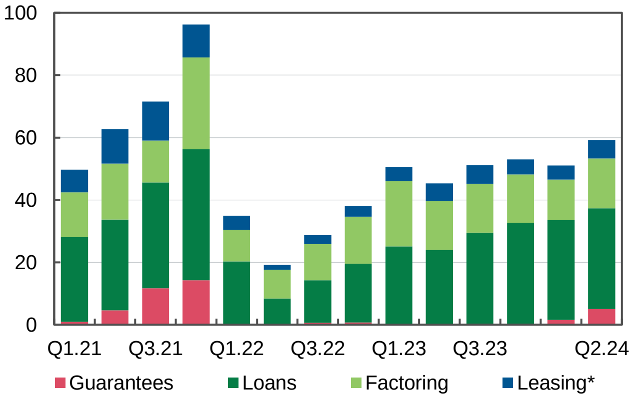
Figure 32. Composition of finance companies' equity and liabilities, UAH billions



For the period of up to 1 January 2024, the gray column shows the aggregated liabilities of institutions.

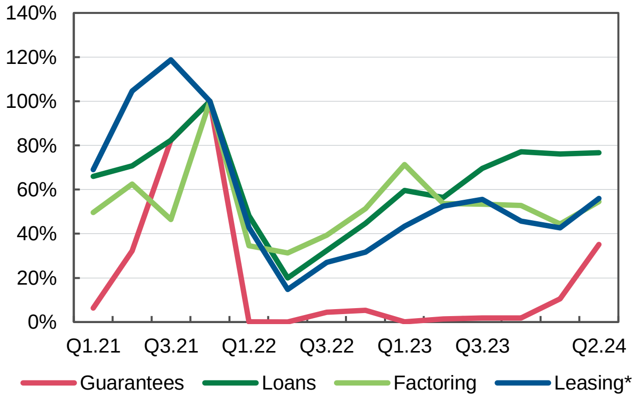
In Q2, volumes of main types of financial services, except for lending, increased noticeably. New loans grew by only 1% over the quarter. Lending, as before, accounted for more than half of the services provided by finance companies. The volume of provided guarantees increased significantly due to the low comparison base. The volume of financial leasing transactions rose by almost a third over the quarter, and that of factoring transactions grew by 22.7%.

Figure 33. Financial services provided by finance companies, by type of service (quarterly data), UAH billions



* From 1 January 2024, legal-entity lessors received the status of finance companies.

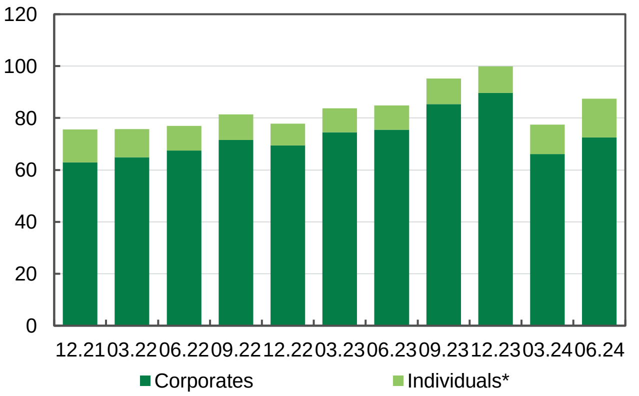
Figure 34. Financial services provided by finance companies, by type of service, Q4 2021 = 100%



* From 1 January 2024, legal-entity lessors received the status of finance companies.

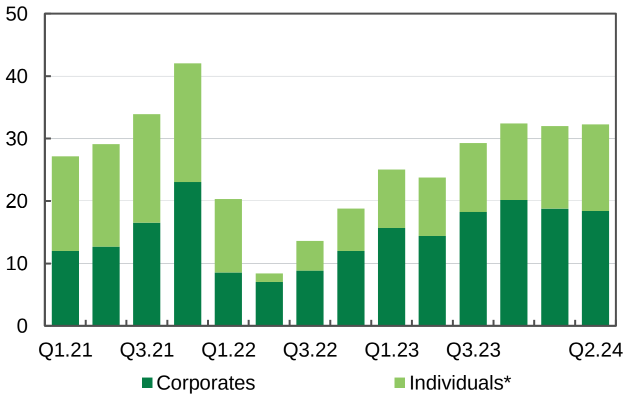
The volume of financial companies' loan portfolio decreased in Q1 due to a decline in corporate loans, but increased by 13% in Q2. In Q2, the retail loan portfolio grew by almost a third, and the corporate loan portfolio by 10%. At the same time, the growth in new retail loans was slow (+7.7% in Q1 and +5.3% in Q2), and their volumes were still lower than before the war.

Figure 35. Amount of outstanding loans, end of the period, UAH billions



* Including sole proprietors.

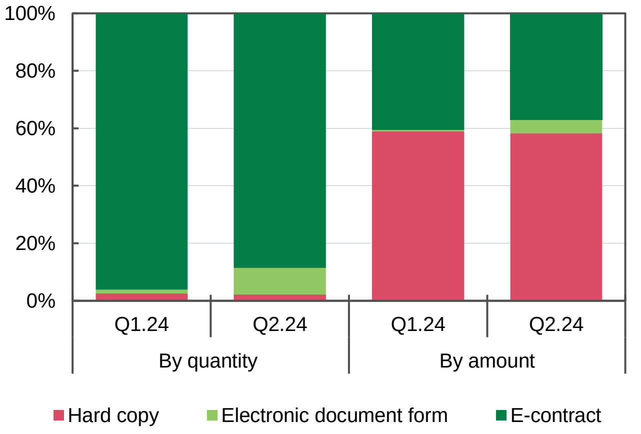
Figure 36. Loans issued during quarter by finance companies, by borrower category, UAH billions



* Including sole proprietors.

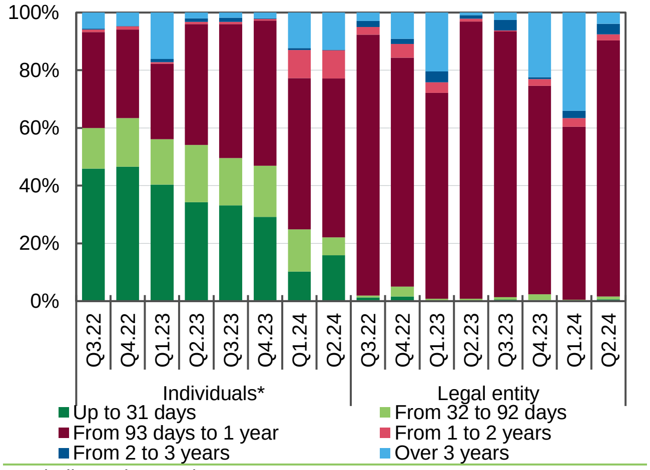
In Q2, the share of loan agreements concluded in paper form in total volume of the agreements decreased compared to Q1.

Figure 37. Shares of finance companies' loan agreements concluded during the quarter, by way of conclusion



In Q2, the maturity of new corporate loans shortened. However, the maturity of retail loans increased from the start of the year: the share of agreements with a maturity of over a year grew noticeably.

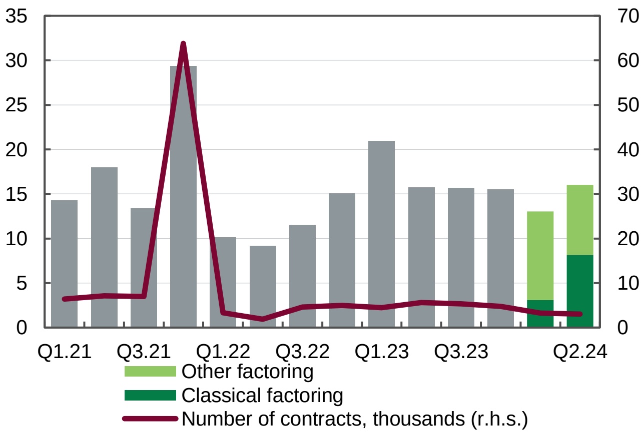
Figure 38. Breakdown of loans issued during quarter, by financial companies by maturity and client's type



* Including sole proprietors.

The volumes of factoring transactions increased somewhat in Q2. Classical factoring grew markedly.

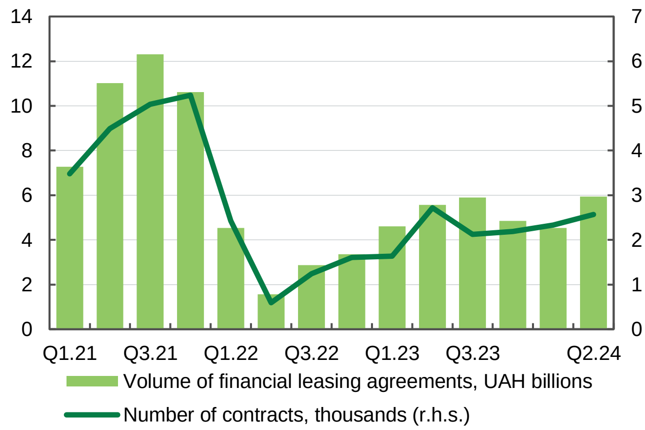
Figure 39. Volume and number of factoring agreements*



* Until 2024, factoring transactions were not broken down by type in the statistics. From 2024 onward, classical factoring refers to financing a company's accounts receivable, and other factoring refers to the assignment of claims (cession), which is usually the purchase of bad debts on loans.

In Q2, financial leasing transactions increased by one third (+6.7% yoy).

Figure 40. Volume and number of financial leasing agreements*



* Starting from 1 January 2024, financial leasing transactions are carried out exclusively by finance companies.

In January–June, almost half of finance companies' total profits was generated by the state-owned institution Ukrfinzhytlo. At the same time, around 80% of the companies were profitable. Return ratios increased from the start of the year.

Figure 41. Financial performance of finance companies on cumulative basis, UAH billions

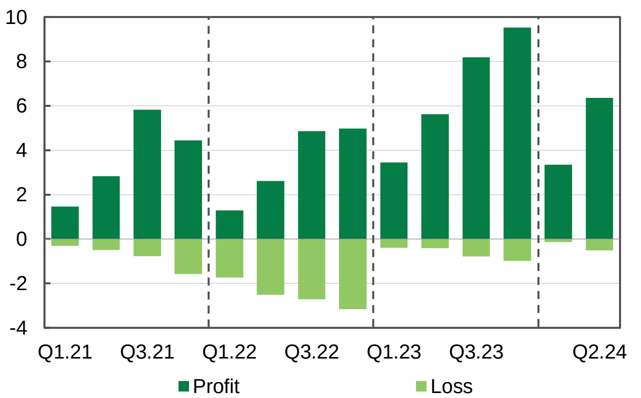
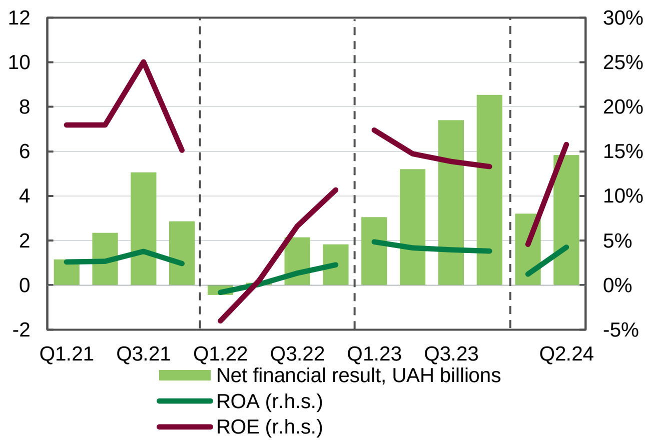


Figure 42. Financial performance of finance companies (on cumulative basis) and their return ratios



Pawnshops

In Q2, pawnshops' assets grew by 5.9% (-15.2% yoy). Loan volumes increased by 5.7% qoq (-21.3% yoy), and fixed assets grew from the start of the year. Pawnshops' equity decreased by 11% in January–June.

Figure 43. Assets of pawnshops, UAH billions

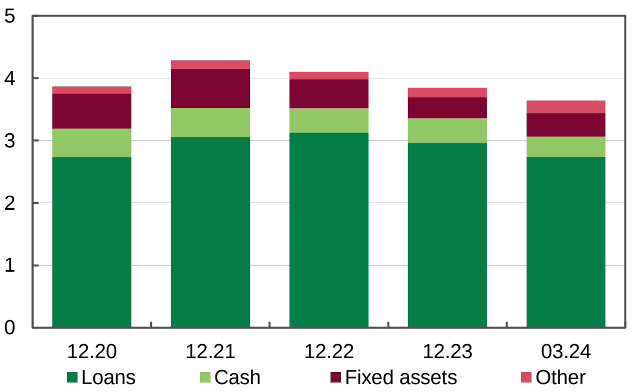
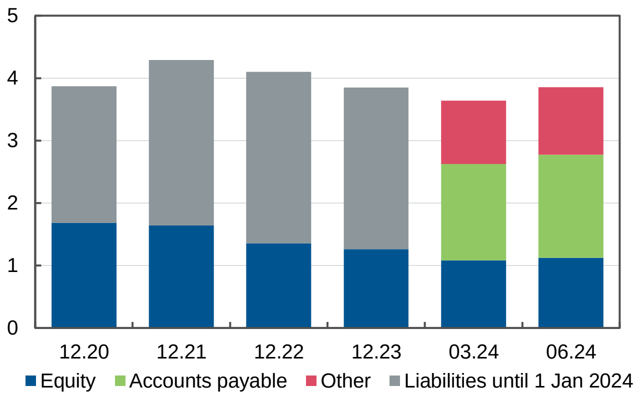


Figure 44. Pawnshops' liabilities and equity, UAH billions



For the period of up to 1 January 2024, the gray column shows the aggregated liabilities of institutions.

In Q2, volumes of new loans increased by 7.2%. The collateral coverage ratio dropped to 71%. The loan portfolio structure by type of collateral was unchanged, dominated by products made of precious metals and gems.

Figure 45. Amount of loans issued by pawnshops during the quarter and collateral coverage ratio

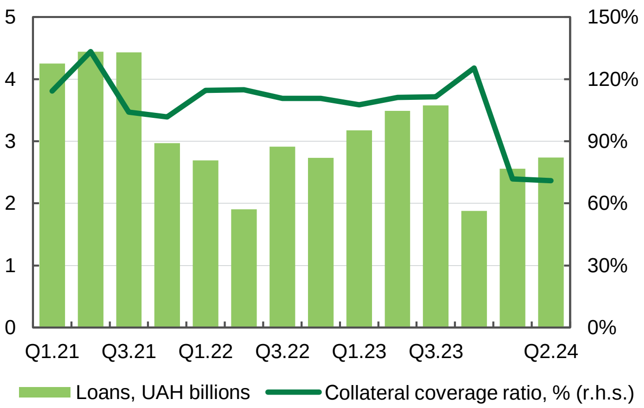
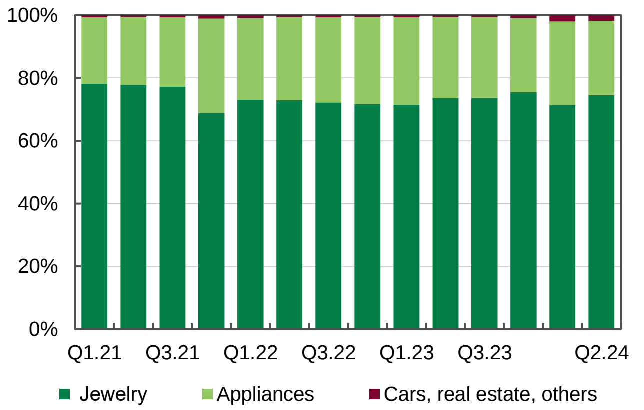


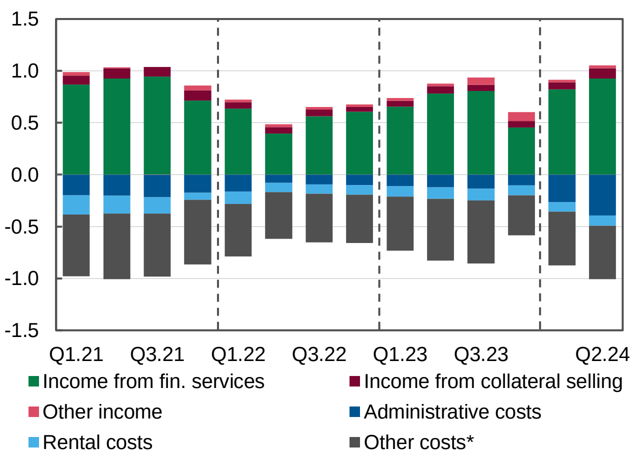
Figure 46. Pawnshop's loan portfolio structure by type of collateral



The share of loans secured with cars, real estate, and other assets was 1.75%.

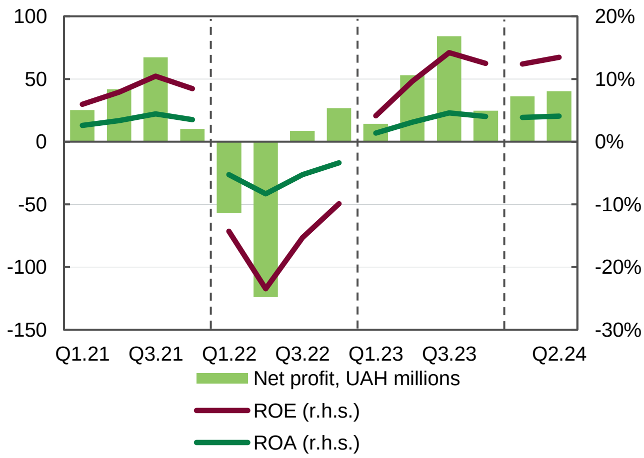
In Q2, income from financial services increased by 13%. At the same time, pawnshops' administrative expenses rose by almost a half. However, this did not prevent the sector from generating a profit as of the end of the quarter. Return on assets and return on equity remained almost unchanged compared to the start of the year.

Figure 47. Structure of pawnshops' income and expenses, UAH billions



* Including expenses related to selling and maintaining pledged property.

Figure 48. Financial performance of pawnshops



Notes

The source for the data is the National Bank of Ukraine, unless otherwise noted.

This review covers non-bank financial institutions that are regulated by the NBU, unless stated otherwise.

Unless noted otherwise, the sample consists of institutions that were solvent at each reporting date and submitted their reports.

The calculation of changes in insurers' performance indicators for the period take into account data of insurers that were removed from the Register before the period in which such removal took place.

In accordance with the *Rules for the Compilation and Filing of Reports with the National Bank of Ukraine by Nonbank Financial Services Market Participants*, approved by NBU Board Resolution No. 123 dated 25 November 2021 (as amended), institutions reported using the updated reporting forms for both Q1 and Q2 2024. Any changes in the indicator calculation methodology are reflected in the respective notes to the figures. The reclassification of reporting components by market participants as a result of the transition to the new reporting forms might also have affected the dynamics of the indicators. Due to discrepancies in the reporting forms, indicators for previous periods were revised selectively, which is stated in the notes.

The sum of individual components and the total may differ due to rounding.

Terms and Abbreviations:

C&C	Comprehensive and collision insurance – insurance of land transport (including railway transport)
Retention ratio	The ratio of net premiums to gross premiums
CU	Credit union
MTIBU	Motor (Transport) Insurance Bureau of Ukraine
NBU	National Bank of Ukraine
NBFIs	Non-bank financial institutions
Net-based	Including the impact of reinsurance
NPL	Non-performing loan
MTPL	Compulsory Motor Third Party Liability Insurance
Register	State Register of Financial Institutions
Non-life insurers	Insurers engaged in types of insurance other than life insurance
Ratio of claims paid	The ratio of claim payments to premiums for four quarters preceding the estimate date
Life insurers	Insurers engaged in life insurance
CIR	Cost-to-income ratio. The ratio of operating expenses to operating income
MCR	The minimum capital requirement for an insurer
Net combined ratio	The net loss ratio increased by the ratio of the sum of commissions, acquisition expenses, income tax, commission income received from other insurers and reinsurers, taxes on reinsurance transactions with non-resident reinsurers, and changes in the amount of funds with the MTIBU to net premiums earned
Net investment ratio	The ratio of the sum of investment income and income from placement of funds in the centralized insurance reserve funds of the MTIBU, net of investment management expenses, to net premiums earned
Net loss ratio	The ratio of the sum of claims paid, loss adjustment expenses, and changes in loss reserves, net of income from recourse and subrogations, income from reinsurance claims, and changes in claims against a reinsurer to net premiums earned
Net operating ratio	The difference between the net combined ratio and the net investment ratio
ROA	Return on assets
ROE	Return on equity
SCR	Solvency capital requirement for an insurer
pp	Percentage point
UAH	Ukrainian hryvnia
qoq	Quarter-on-quarter
mln	Million
bn	Billion
r.h.s.	Right-hand scale
yoy	Year-on-year
H	Half of a year
Q	Quarter