



ДВНЗ  
«Українська академія банківської справи  
Національного Банку України»

Препринт серії № UABS IM/2012/001 Eng

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The State Programs  
Of Stabilising The Banking System  
Of Ukraine During The Crisis  
( Назва матеріалу)

### **The State Programs Of Stabilising The Banking System Of Ukraine During The Crisis**

The aim of the paper is to find out how the state programs of stabilizing the banking system of Ukraine have influenced on this banking system.

We analysed the resolutions of the National Bank of Ukraine towards stabilizing the banking system, the refinancing mechanism of the National bank of Ukraine, the creation of the Provisional Commission of the Verkhovna Rada of Ukraine, the recapitalization of banks and their impact on the banking sector and came to the conclusion that the risks of the Ukrainian banking sector were connected with the following factors: rapid increase in individuals' borrowings, including long-term mortgage loans; a big portion of foreign currency loans; the decrease in the provision of deposits by banks' sources; dependence on foreign loans.

In 2008 Resolution 389 of 11.10.2008, Resolution №405 of 01.12.2008 and the resolution №413 of 04.12.2008 were adopted. They were aimed to slow down the withdrawal of banks' capital, but that didn't improve the situation in the banking sector. So, the measures taken by the NBU in 2008 were not efficient and did not help stabilizing the banking system. By the end of 2008 the problems of liquidity of banks had appeared. The National Bank of Ukraine increased the volume of bank's liquidity support with the help of refinancing mechanism (229.7 million UAH in October 2009). In 2009 the biggest refinance loans were given to state banks and banks Nadra and Privatbank. The actions of the National bank of Ukraine to support the liquidity of banks, on the one hand, helped neutralizing the influence of external financial crisis and implementing stability of the banking system, but, on the other hand, had some negative influence on the currency market, and the mechanism of refinancing was also opaque.

That is why at the end of 2008 the Verkhovna Rada of Ukraine created the Provisional Commission of the Verkhovna Rada of Ukraine to check the accomplishment of the main function of the NBU – to guarantee the stability of the national currency and banking system. The establishment of the Provisional Commission of the Verkhovna Rada of Ukraine had a positive impact on banks' activity.

In February 2009 the Government adopted the resolution of absolute nationalization with the total loss of owners' control over their banks, and only three banks agreed to be recapitalized with the help of the state. They were: Rodovidbank, Kyiv and Ukrgasbank. The share of the state in recapitalizing these banks was: Rodovidbank – 99.97%, Kyiv – 99.94% and Ukrgasbank – 81.58%. But the nationalization of banks isn't efficient, because the conditions of recapitalization contradict the owners' interests and that is why only insolvent banks will agree to be nationalized.

In general, because of the constant attention of the Verkhovna Rada of Ukraine, the Cabinet of Ministers and the National Bank of Ukraine, there were

positive changes in banking system's functioning, stabilization of exchange rate and gradual restoration of people's trust to banks.

From March 2010 to December 2010 the volume of deposits in national currency rose. The average amount of term deposits of residents in national currency in 2010 rose by 19.2%. So, as you can see, people now prefer deposits in UAH. But as to the interest rates on deposits, the situation was quite opposite. There was a dramatic fall of interest rates from 20.8% in January 2010 to 15.5% in August 2010, which was due to a rise in banks' liquidity, that caused the decrease in deposit rates.

To sum up, the situation in the banking sector of Ukraine is improving, but still there are some problems in banking system's functioning. To improve the situation it is important to eliminate "weak banks", to develop the shadow banking system, continue efforts to clean bad assets from banks' balance sheets and ensure that banks are adequately capitalized.