

**MINISTRY OF EDUCATION AND SCIENCE OF UKRAINE
V.N. KARAZIN KHARKIV NATIONAL UNIVERSITY**

Name of the faculty **EDUCATION AND RESEARCH INSTITUTE
"KARAZIN BANKING INSTITUTE"**

Name of the department **Management, Business and Professional
Communications**

Specialty: **073 Management**

Educational program: **Management of Organizations and Administration**

Group: **AM-25M (full-time mode of study)**

QUALIFYING MASTER'S THESIS

on the topic:
Credit Agricole

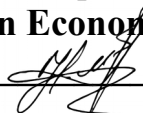
**MANAGEMENT OF ECONOMIC SECURITY IN THE
FIELD OF FINANCIAL AND CREDIT RELATIONS**

student of higher education **Bian Xueming**

The work is accepted for defence in the EC


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Kharkiv 2024

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Educational program Management of Organizations and Administration

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25 September 2024

TASK
FOR A QUALIFYING MASTER'S THESIS
Bian Xueming

1. Topic of work: "MANAGEMENT OF ECONOMIC SECURITY IN THE FIELD OF FINANCIAL AND CREDIT RELATIONS".

Scientific adviser Nadiia Morozova, PhD in Economics, Associate Professor
(full name, academic degree, academic title)

Approved by order of the university dated September 17, 2024 № 4601-5/1025.

2. The deadline for student submission of work November 18, 2024.

3. List of topics to be developed:

- In Chapter 1: to reveal the essence and role of economic security in the financial and credit sphere; to study the features of the system of financial and economic security of the banking sector and approaches to assessing its effectiveness; to generalize the strategic aspects of ensuring the economic security of subjects of financial and credit relation
- In Chapter 2: to analyze the level of economic security of the banking system of Ukraine; to provide the organizational and economic characteristics of Credit Agricole Bank JSC; to assess the level of economic security of Credit Agricole Bank JSC.

• In Chapter 3: to generalize promising directions for strengthening the economic security of the banking system of Ukraine; to justify directions for improving the subsystems of ensuring the economic security of the banking sector of the Ukrainian economy; to determine the peculiarities of credit risk management of banking institutions in the conditions of martial law.

4. Plan of qualifying master's thesis

No	Names of work sections
1	THEORETICAL BASICS OF PROVIDING ECONOMIC SECURITY IN THE FINANCIAL AND CREDIT SPHERE
2	ASSESSMENT OF THE ECONOMIC SECURITY OF BANKS AS SUBJECTS OF FINANCIAL AND CREDIT RELATIONS
3	WAYS OF ENSURING ECONOMIC SECURITY IN THE FINANCIAL AND CREDIT SPHERE OF UKRAINE

5. Date of issue of the task September 25, 2024.

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ABSTRACT

The qualifying master's thesis contains 78 pages, 10 figures, 11 tables, 1 formula, and a list of 40 references.

The object of research is a process of ensuring economic security in the field of financial and credit relations.

The subject of research covers the scientific and methodological principles and practical aspects of ensuring the economic security of the banking system as an important component of the financial and credit sphere of the economy.

The purpose of the master's thesis is a theoretical justification and development of practical proposals for strengthening the economic security of the banking system and participants in financial and credit relations in conditions of economic instability.

Tasks of a qualifying master's thesis include:

- to reveal the essence and role of economic security in the financial and credit sphere;
- to study the peculiarities of the system of financial and economic security of the banking sector and approaches to assessing its effectiveness;
- summarize the strategic aspects of ensuring the economic security of subjects of financial and credit relations;
- to analyze the level of economic security of the banking system of Ukraine;
- provide the organizational and economic characteristics of Credit Agricole Bank JSC;
- to assess the level of economic security of Credit Agricole Bank JSC;
- to generalize promising directions for strengthening the economic security of the banking system of Ukraine;
- justify directions for improving the subsystems of ensuring the economic security of the banking sector of the Ukrainian economy;
- to determine the peculiarities of credit risk management of banking institutions in the conditions of martial law.

Based on the results of the research, theoretical and practical provisions have been formulated, which the author has developed into concrete proposals for ensuring economic security in the field of financial and credit relations.

Year of completion of the qualifying master's thesis: 2024.

Year of defense of the qualifying master's thesis: 2024.

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INTRODUCTION

In today's conditions of an unstable economic situation, growing risks and challenges for the financial system, the issue of managing economic security in the field of financial and credit relations is becoming especially relevant. Ensuring economic security is an important task for banks, financial institutions and government bodies, as it contributes to the protection of financial interests, market stability and the efficient functioning of the economy in general.

Management of economic security in the financial and credit sphere includes a set of measures aimed at protecting assets, minimizing risks, maintaining the trust of clients and partners, as well as compliance of the financial control system with regulatory requirements. The formation of an effective security system is strategically important for ensuring long-term financial stability and economic development.

The study and improvement of economic security management methods in the field of financial and credit relations is a necessary element for the development of adaptive mechanisms for responding to modern threats, as well as for creating a reliable basis for the development of the national banking system and the financial sector as a whole.

The purpose of the qualifying master's thesis is the theoretical justification and development of practical proposals for strengthening the economic security of the banking system and participants in financial and credit relations in conditions of economic instability.

The tasks of the qualifying master's thesis are:

- to reveal the essence and role of economic security in the financial and credit sphere;
- to study the peculiarities of the system of financial and economic security of the banking sector and approaches to assessing its effectiveness;
- summarize the strategic aspects of ensuring the economic security of subjects of financial and credit relations;
- to analyze the level of economic security of the banking system of Ukraine;

- provide the organizational and economic characteristics of Credit Agricole Bank JSC;
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- to generalize promising directions for strengthening the economic security of the banking system of Ukraine;
- justify directions for improving the subsystems of ensuring the economic security of the banking sector of the Ukrainian economy;
- to determine the peculiarities of credit risk management of banking institutions in the conditions of martial law.

The object of the study is the process of ensuring economic security in the field of financial and credit relations.

The subject of the study covers the scientific and methodological principles and practical aspects of ensuring the economic security of the banking system as an important component of the financial and credit sphere of the economy.

To solve the tasks set in the work, general scientific methods were used, including a systematic approach, generalization and systematization, scientific abstraction, methods of analysis and synthesis, induction and deduction, analogies, grouping, comparison, empirical and graphic methods. They are used to characterize and organize the provision of economic security, as well as to analyze approaches to determining its level and assessing its state.

The information base of the study is made up of statistical data of the National Bank of Ukraine; financial statements of banks; Internet resources, scientific articles, etc.

According to the results of the research, theoretical and practical provisions were formulated, which the author brought to specific proposals on ways to ensure economic security in the field of financial and credit relations.

The qualifying master's thesis consists of an introduction, three sections, conclusions, and a list of used sources.

CHAPTER 1

THEORETICAL BASICS OF PROVIDING ECONOMIC SECURITY IN THE FINANCIAL AND CREDIT SPHERE

1.1. The essence and significance of economic security in the financial and credit sphere

Ensuring economic security is a guarantee of the autonomy and independence of the state, a condition for the stability and effective functioning of society. Economic security is a specific component of national security and at the same time belongs to the system of categories of economic theory. This definition entered scientific circulation in Ukraine a little more than ten years ago, which is a rather short period for its comprehensive theoretical and methodological analysis.

This is evidenced by scientific contradictions due to the lack of a unified approach in understanding the essence of economic security, in developing effective methods and means of preventing threats and mastering them, and ensuring the stable development of the country's economic system. Because of this, the development of fundamental and scientific and applied problems of economic security expresses not only the demand of economic theory, but also the need of economic practice [1].

In the conditions of globalization of the world economy, ensuring the economic security of Ukraine is becoming an increasingly urgent problem, since economic security is an integral part of the national security system, its foundation.

In order to determine the essence and meaning of economic security in the financial and credit sphere, it is first necessary to determine in general what the economic security of the state is. In this case, it is worth noting that in scientific sources there are many approaches to the interpretation of the concept of economic security of the state using the following characteristics:

- stability and stability, countering internal and external threats, by which we understand the strength and reliability of connections between all elements of the economic system, the stability of the economic development of the state, resistance to

containment and neutralization of destabilizing threats;

- economic independence, which primarily characterizes the ability for any subject of economic security to independently make and implement strategic economic and political decisions for development, the ability to use national competitive advantages to ensure stability and development;

- self-reproduction and self-development. This characteristic provides for the creation of the necessary conditions for effective economic policy and expanded self-reproduction, ensuring the competitiveness of the national economy on the world stage;

- national interests. This characteristic determines the ability of the national economy to protect national economic interests.

Therefore, the economic security of the state is the state of the state's economy, to ensure which sustainable and scientifically based methods of neutralizing the negative impact of internal and external threats are created, the necessary conditions for stable socio-economic development of the state, protection of national economic interests and improvement of citizens' well-being are created.

In modern conditions of economic instability, special attention is paid to ensuring economic security in the financial and credit sphere. However, in this case, it is necessary to pay attention to the fact that the financial and credit sphere is very broad in terms of the links included in it.

Thus, scientists, studying the internal structure of the financial system and the set of financial relations arising within its framework, identify the following components:

- level of microeconomics - finances of business entities (enterprises, banks, non-banking financial institutions, insurance companies, etc.);
- macroeconomic level - state finances (the sphere of state and local budgets, relations in the sphere of state debt);
- the level of the world economy - international finance;
- generalizing level - the financial market [1-2].

Considering the breadth of the field of financial and credit relations, it is worth noting that in the framework of this work, taking into account the impossibility of

researching economic security in all the above-mentioned areas, the main attention will be paid to the study of theoretical and practical aspects of ensuring economic security in such a component of the financial and credit sphere as the banking system.

The place and role of economic security of the banking system in the structure of national security and in the field of financial and credit relations is presented in fig. 1.1.

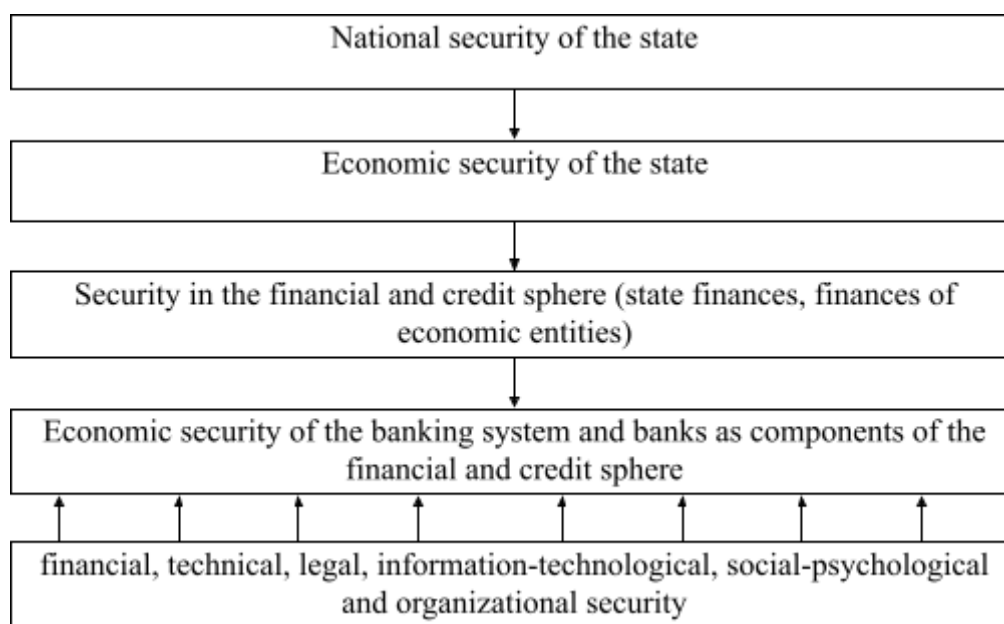


Fig. 1.1. The place and role of economic security of the banking system in the structure of national security of the state [1-3]

The basis for ensuring the economic security of the modern banking system is its financial stability, which is the result of the system of institutional-management, organizational-technical and informational measures aimed at ensuring the reproductive and sustainable mode of operation of each individual bank, the protection of its rights and interests, the growth of authorized capital, increasing the liquidity of assets, preserving financial and material values, as well as ensuring the return of loans [3].

Scientists studying the issue of economic security argue that it has two aspects. On the one hand, it is necessary to work on ensuring the security of the banking system as a whole (macro level), and on the other hand, the problem of ensuring the economic

security of individual banking institutions (micro level) should be investigated.

The difficulty of ensuring banking economic security is explained by the close connection between the financial security of a separate bank and the entire banking system. After all, the "domino effect" is known, when the problems of one bank, especially a large one, can cause crisis phenomena in the banking system as a whole, and, conversely, a systemic crisis in the banking sector cannot but affect the financial and economic security of a particular bank.

For a better understanding of the essence of the bank's financial and economic security, let's consider the approaches of scientists and researchers to the definition of these concepts. Thus, the concept of economic security of the banking system is usually defined as a state in which the financial stability and reputation of banking institutions cannot be lost due to the purposeful actions of a certain group of individuals or organizations both inside and outside the state, as well as due to negative macroeconomic and political factors [2-4].

The financial security of the banking system is considered in two aspects:

- regarding the financial consequences of banks' activities for the country as a whole and individual clients and counterparties;
 - regarding the prevention and prevention of obvious and potential threats to the financial condition of the entire banking system of the country, the National Bank of Ukraine and individual banking institutions.
- E. Zubok and L.V. Nikolaev defines the following types of bank security:
- personal safety – ensuring rhythmic work, free movement and rest of each bank employee;
 - collective security – ensuring the planned and effective work of the bank's divisions;
 - economic security – provision of conditions for the bank's efficient operations and execution of agreements, rational use of the bank's credit and financial resources, reliable storage and transportation of cash and valuables;
 - information security – the formation of the bank's information resources and the organization of their guaranteed protection [3].

Gerasimov emphasizes only the economic security of the bank, without considering its financial security separately. In his opinion, the economic security of the bank is not only a state of protection of the interests of the bank itself and its shareholders, material, financial, information and other resources from existing and potential threats, but also ensuring the progressive development of the bank and the absolute fulfillment by counterparties of their obligations to the bank.

According to O.I. Khytrin, the financial security of a bank can be defined as a dynamic state in which it:

- is legally and technically able to perform and actually performs its inherent functions;
- ensures stable protection of vital socio-economic interests of citizens, business entities, society and the state against the negative impact of internal and external threats;
- has the potential for both quantitative and qualitative growth and has at its disposal mechanisms for realizing this potential [3].

Khytrin also points out that the main goal of the bank's financial security is to eliminate the possibility of harming the bank or missing out on benefits, ensuring its stable and maximally effective functioning at the present time and accumulating sufficient potential for development and growth in the future, high-quality implementation of transactions and agreements [3].

Table 1.1 summarizes the approaches of scientists to the definition of such concepts as "financial security of the bank" and "economic security of the bank" [1-6].

Table 1.1

Approaches to defining the concepts of "financial security of the bank" and "economic security of the bank" as a subject of financial and credit relations

Author	Definition
"economic security of the bank"	
E. Zubok and L.V. Nikolaev	ensuring the conditions for the efficient conduct of operations and execution of agreements by the bank, rational use of credit and financial resources of the bank, reliable storage and transportation of cash and valuables
P.A. Gerasimov	the economic security of the bank is not only the state of protection of the interests of the bank itself and its shareholders, material, financial, information and other resources from existing and potential threats, but also ensuring the progressive development of the bank and the absolute fulfillment by counterparties of their obligations to the bank
"financial security of the bank"	
O.I. Khytrin	financial security of a bank is a dynamic state in which it: 1) is legally and technically capable of performing and actually performs its inherent functions; 2) ensures sustainable protection of vital socio-economic interests of citizens, business entities, society and the state against the negative impact of internal and external threats; 3) has the potential for both quantitative and qualitative growth and has at its disposal the mechanisms for realizing this potential
D. A. Artemenko	the state of ensuring organizational and managerial, regime, technical and preventive measures that guarantee high-quality protection of the bank's rights and interests, growth of authorized capital, increase in asset liquidity, ensuring returnability of loans, preservation of financial and material values
T. Bolgar	the state of banking institutions, which is characterized by balance and resistance to the influence of external and internal threats, its ability to achieve set goals and generate a sufficient amount of financial resources to ensure sustainable development
N.M. Natocheeva	dynamic characteristics of the system of elements, the interaction of which allows to form positive financial flows of the development of a commercial bank
O. I. Baranovsky	<p>a set of conditions under which actions or circumstances that are potentially dangerous for the financial condition of a banking institution are eliminated or reduced to such a level that they cannot cause losses in the operation of the bank, the preservation and reproduction of its property, infrastructure, as well as prevent the bank from achieving its statutory goals</p> <p>the state of protection of the commercial bank's financial interests, its financial stability, as well as the environment in which it operates</p>

Thus, after researching and analyzing the views of various domestic and foreign scientists on the problem of the definitions of "economic security of the bank" and "financial security of the bank", we come to the conclusion that in modern scientific opinion there is no unity regarding the understanding of either their essence or even that category, which should be the basis of this definition. Clarifying and deepening the existing definitions of economic and financial security of banking institutions, the following comprehensive vision of this concept is offered: financial and economic security of a bank is a complex concept that characterizes the ability of a banking institution to identify, warn and counteract external and internal threats by creating and

ensuring the effective functioning of the management system financial and economic security.

1.2. The system of financial and economic security of the banking system and approaches to assessing its effectiveness

The security system of banking activity can be defined as an organized set of special bodies, funds, methods and measures that ensure the protection of activity against the influence of internal and external threats.

The security of the bank is a state of sustainable life, which ensures the realization of the main interests and priority goals of the bank, protection from external and internal destabilizing factors, regardless of the conditions of operation. The main goal of the bank's security is to exclude the possibility of causing it losses or loss of profit and to ensure its efficient operation and quality implementation of all transactions and agreements. The main criterion for the efficiency and quality of the bank's security is the stability of its financial and economic development in accordance with plans and tasks, regardless of changes in the situation

The concept of banking security is a scientifically based system of views on determining the main directions, conditions and order of practical solutions to the tasks of protecting banking against illegal actions and unfair competition. The main elements of the concept of banking security are presented in fig. 1.2.

It is advisable to consider the economic security of banks on two levels, since the banking system has a two-level structure.

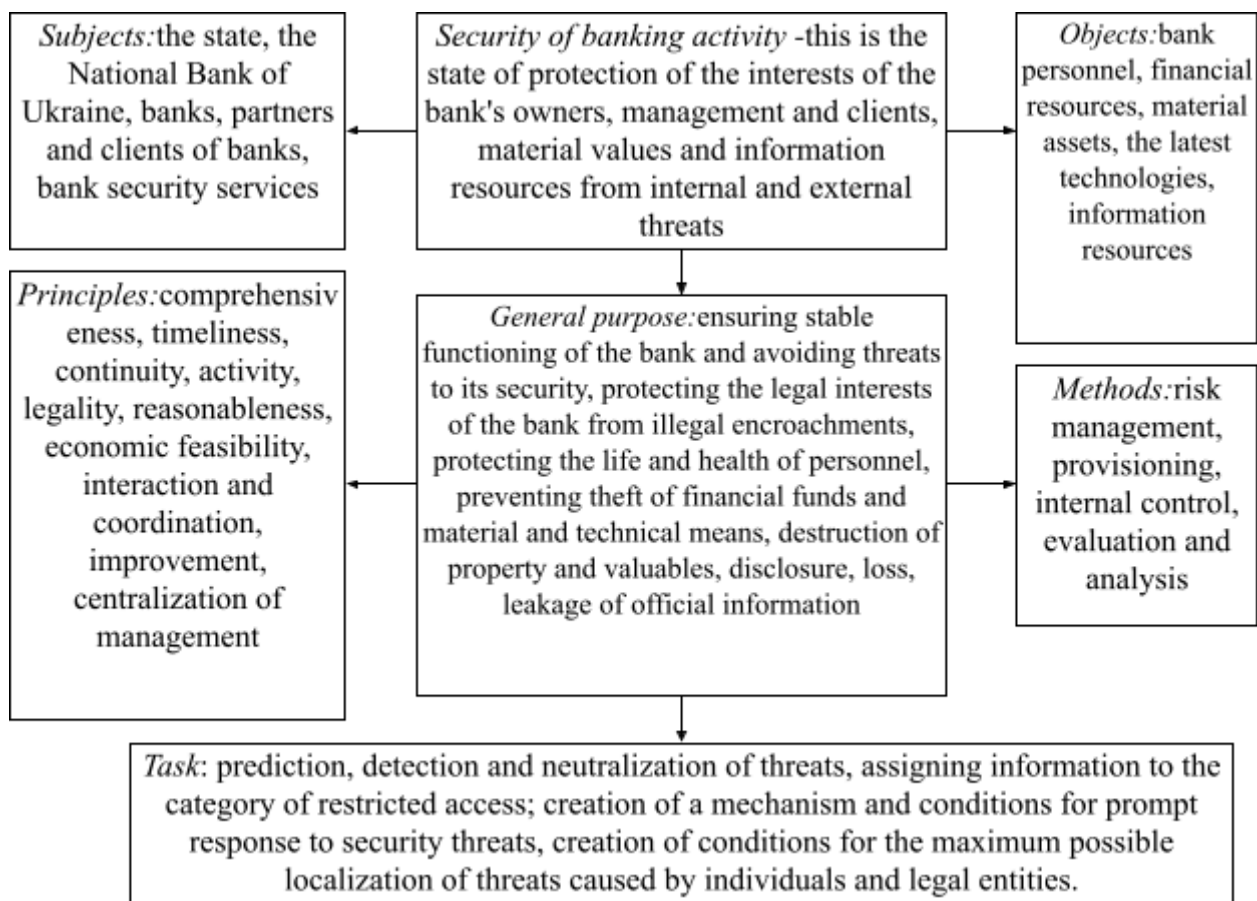


Fig. 1.2. Conceptual foundations of the formation of the banking security system [4]

When assessing the compliance of the banking system with the criteria and strategy of economic security, according to experts, it is advisable to distinguish three interrelated aspects:

- overall assessment of the viability of the system;
- assessment of the role of the central bank in the banking system, its legislative functions and the reliability of the practical mechanism of their implementation;
- assessment of the ability of the banking system to interact both between its individual subjects and with state and public centers regarding the development of strategic and short-term goals for the development of the economy [4].

In accordance with the defined criteria and strategies, it is advisable to consider the main threats that hinder the system of strategic management of the financial stability of the banking system and its main element - economic security.

Next, let's summarize the threats to the economic security of the banking system

and banks, based on the macro- and microenvironment of banks' functioning (Table 1.2).

Table 1.2

Threats to the economic security of the banking system as a component of the financial and credit sphere

External threats (macro level)	Internal threats (micro level)
Global banking crises. Reasons: financial globalization; reduction of production volumes, deterioration of the solvency of borrower enterprises; excessive credit expansion during a prolonged economic boom; the impact of inflation on the banking sector; sharp fluctuations in commodity prices, prices of financial assets, interest rates; influence of foreign economic factors	Imperfect organization of the financial management system in the bank: unqualified management; errors in strategic planning and forecasting of banking activity; unreliable assessment of the profitability of the bank's activities and the bank's capital and determination of sources of replenishment of own capital; the occurrence of a conflict of interests between shareholders; significant investment in fixed assets; unreasonably high dividend payments or the bank's return of funds raised on the terms of subordinated debt
The mechanism of using monetary instruments: the level of mandatory reserves, the amount of refinancing of the NBU, interest rate policy, exchange rate policy, gold and foreign exchange reserve management system	Imperfect organization of basic banking operations: – credit process: the share of overdue interest and extended loans in the credit portfolio; inaccurate information about borrowers; imperfect assessment of credit risk; – securities: imprudent policy related to insufficiently calculated subscription to securities; investing in ineffective projects; the use of false promissory notes, securities and letters of guarantee
Imperfection of banking supervision and regulation: the presence of economic regulations regulating banking activity, their validity and unconditional compliance; application of capital requirements of banks; a system of preliminary response measures to bank problems and the application of prudential influence measures	Non-compliance with the banking institution's liquidity: irrational structure of units engaged in conducting active operations, failure to take into account internal provisions and procedures in determining the quality of assets of all features inherent in conducting operations; irrational structure of assets; an imbalance between the attraction and placement of funds
Failure to ensure the financial stability of banks due to distrust in the banking system and monetary system and the purchasing power of the national currency	Lack of highly qualified and honest staff: embezzlement of funds by bank employees; illegal appropriation of income; cost manipulation; misuse of real assets of the bank or client; actions that go beyond the powers of the bank's management staff; falsification of documents.

Competition in the banking environment: methods used in competition, the problem of the presence of foreign banking capital	Weakness of the bank's marketing policy: lack of thorough analysis of the situation on the financial market; inability to choose partners; ineffective advertising policy of promoting banking products to the market of banking services
System of prevention and countermeasures against money laundering and terrorist financing	Inefficient system of financial monitoring in the bank: lack of a responsible employee, internal rules and programs for financial monitoring, unreasonable "Know your client" policy
The instability of tax, credit and insurance policies	Availability of information leakage channels from the bank: insufficient or inappropriate information systems of the bank; lack of a reliable inter-branch information network
Unfavorable macroeconomic conditions: general economic situation in the country and regions	Problems related to market risks: unexpected threat of currency, interest and other risks; shallow understanding by bank employees of the nature of systemic risks

It is clear that each of these threats can be detailed according to the level of economic security under investigation. Therefore, the operation of the economic security service in the bank involves the development of certain provisions regarding the establishment of threats for each object subject to inspection and control.

It should be noted that the system of economic security must have a certain assessment of its effectiveness in order to have a positive effect on the financial stability of the banking system. For this purpose, it is advisable to choose a system of evaluation indicators and to determine a generalizing (integral) indicator of the efficiency of the current system of economic security of the bank. Since the properties of economic security are characterized by a set of features, when arranging the units of the set there is a need to aggregate all the features of the set into one integral estimate.

The formula for calculating the integral index of the efficiency of economic security has the following form:

$$I_{fb} = \sum_{j=1}^n a_{ij} * z_{ij} \quad (1.1)$$

where a_{ij} – weighting factors that determine the degree of contribution of the j th indicator to the integral index of the i th sphere of the economy;

z_{ij} – normalized values of input indicators x_{ij} .

This index is equal to 1 when all x_{ij} acquire the “best”, or optimal, values, and 0 when all indicators are “worst”.

The following indicators can be chosen as indicators: the ratio of banking system assets to GDP; the share of assets of inactive banks in the total amount of assets of commercial banks; the size of the NBU's net assets (money supply and size of issues); the size of the NBU's net external reserves (the difference between external loans and placement of the NBU's currency values outside of Ukraine); the share of foreign capital in its total capital; specific weight of problem loans in the amount of net assets of the bank; ratio of highly liquid assets and current liabilities of the bank; the ratio of the bank's own and borrowed funds, the amount of the deposit insurance fund, the interest coverage ratio, the amount of assets per one bank employee, and so on.

In general, it should be noted that the choice of indicators for assessing the economic security of the banking system and the bank in particular depends on the goals set for the strategic management of the financial stability of the banking system.

In general, it can be concluded that there is a close relationship between economic security and financial stability of the banking system, which is manifested through the definition of the goals of profitable and stable banking activity; ensuring the protection of depositors' interests; creation of a system of protection against threats facing the banking system.

The economic security of the banking system involves the development of a set of countermeasures against the negative impact of potential threats on the process of ensuring financial stability and stable functioning of the banking system and each individual bank. In this context, the problem of measuring the financial security of banks becomes relevant, since the completeness, effectiveness and timeliness of management decisions regarding the neutralization of negative factors on the financial stability of the banking system depend on an adequate assessment of the existing level of financial security.

1.3. Strategic aspects of ensuring the economic security of subjects of financial and credit relations

One of the important tasks facing the banking system is to ensure its stability and reliability. At the same time, the main attention is required for the security of the bank in general and financial and economic issues in particular.

A modern commercial bank is the main financial intermediary that provides loans for business activities and social needs of the population. The bank, operating in the field of exchange, actively influences all stages of social reproduction, the state of providing economic entities with the necessary credit resources. The level of profit received, the level of satisfaction of clients' interests and the economic development of the country will depend on how effective and safe the bank's activities will be. Since banks are institutions that work at the expense of borrowed and borrowed funds, the economic security of other market subjects depends on their security [4, 7].

Each commercial bank does not function separately, but in the corresponding system of the same institutions, in a common space, therefore its actions must be coordinated with the interests of clients, investors, competitors, and the state. Therefore, the issue of bank security is relevant not only directly for banks, but also for the rest of the market subjects.

Given that the banking system of Ukraine has a two-level structure, the strategic aspects of the bank's financial and economic security should be considered at two levels. The first is from the point of view of the financial consequences of the activity for the country as a whole and individual clients and counterparties. The second is from the point of view of preventing and averting clear and potential threats to the financial condition of the entire banking system of the country, the National Bank of Ukraine and domestic banks [7].

When assessing the compliance of the banking system with the criteria and strategy of the state's financial security, according to experts, three interrelated aspects should be distinguished:

- overall assessment of system viability. Each stage of the bank's life cycle corresponds to a certain state of its security. The stabilization stage corresponds to the state of security; stage of depression - a state of bank danger. At the stage of growth, as well as at the stage of decline of the banking institution's life cycle, it is possible to observe different intensity of manifestation of negative factors of influence, and therefore, depending on the growth or decline of negative factors, the appropriate strategy of the bank should be selected;
- assessment of the role of the central bank in the banking system, its legislative functions and the reliability of the practical mechanism of their implementation;
- assessment of the ability of the banking system to interact both between its individual subjects and with state and public centers regarding the development of long-term strategic and short-term goals of the economy [4].

The financial and economic security of the bank is conditioned by two groups of factors affecting the stability of the bank. These are, respectively, internal and external factors [7] (Table 1.3).

All the mentioned factors are the basis of the formation of the strategy for ensuring the financial and economic security of the bank, which is a prerequisite for its stability or decline, taking into account the quality of their influence.

Table 1.3

External factors of financial and economic security of the bank

Groups of factors	Components of groups
External factors	
Economical	- stability of the national currency; - inflation rate in the country; - investment climate of the country; - the presence of foreign capital in the country
Normative and legal	- legislative framework; - level of tax accounting; - direction of state policy; - the level of banking supervision
Social	- public trust in banks
Internal factors	
Commercial	- the bank's position on the market; - quality of cooperation with creditors, debtors, clients; - concentration of the share of assets and private deposits at the disposal of one bank; - competitive environment.

Organizational	- organizational structure of the bank; - assortment of banking services; - the bank's level of specialization
Personnel	- level of management qualification; - level of education of employees; - quality of personnel management; - management decision-making methods
Technological and informational	- modern level of technologies; - level of computerization of banking activity; - provision of IT technologies; - modern provision of information; - quality and speed of information circulation; - degree of information security
Financial	- financial strategy of the bank; - level of profitability and profitability; - security of own capital; - ability to fulfill own obligations; - structure of assets and their liquidity; - the bank's profitability level; - compliance with established bank liquidity indicators; - rates of profit on own capital

The financial and economic security of the bank is the basis of its financial stability. The stability of commercial banks, and thus their financial security, depends on its reliability, which is related to trust in the banking and monetary system.

In order to assess the level of financial and economic security of the bank, it is advisable to choose a system of indicators. The most important indicators of assessing the bank's financial and economic security at the micro level include:

- capital adequacy ratio;
- coefficient of maneuvering funds;
- equity concentration ratio;
- the share of problem loans in the bank's assets;
- the amount of assets per one bank employee [7-8].

At the macro level, such indicators can be:

- the ratio of banking system assets to GDP;
- the share of assets of inactive banks in the total amount of assets of commercial banks;
- the size of the net assets of the National Bank of Ukraine (money supply and issue size);
- the size of the NBU's net external reserves (the difference between external loans and placement of the NBU's currency values outside of Ukraine);
- the share of foreign capital in its total capital;
- the volume of the deposit insurance fund [10].

When considering the issue of financial and economic security of the bank, one cannot ignore the tools that can be used to achieve its appropriate level. There are no clear positions of scientists regarding the tools for ensuring the financial and economic security of the bank in the economic literature.

Given the fact that we are inclined to the positions of a number of scientists regarding the division of factors that affect the financial and economic security of the bank into internal and external, accordingly, the security instruments should be considered from two positions, that is, the instruments of external security and internal security of the bank.

External instruments for ensuring the financial and economic security of the bank are aimed at:

- creation of legislative and other conditions that allow, on the one hand, banks to realize their economic interests, and on the other hand, guarantee conditions for preventing a critical level of riskiness of their activities;
- ensuring effective monetary regulation;
- formation of an effective system of banking supervision [10].

In other words, the external instruments for ensuring the financial and economic security of the bank include three components; banking regulation, banking supervision and control.

As for internal tools, the most successful position of scientists seems to be that they should be based on the functions of financial management and contain: financial planning; financial analysis; financial regulation; financial control [7].

The functional model of financial management in the bank can be presented in the form of a scheme presented in fig. 1.3.

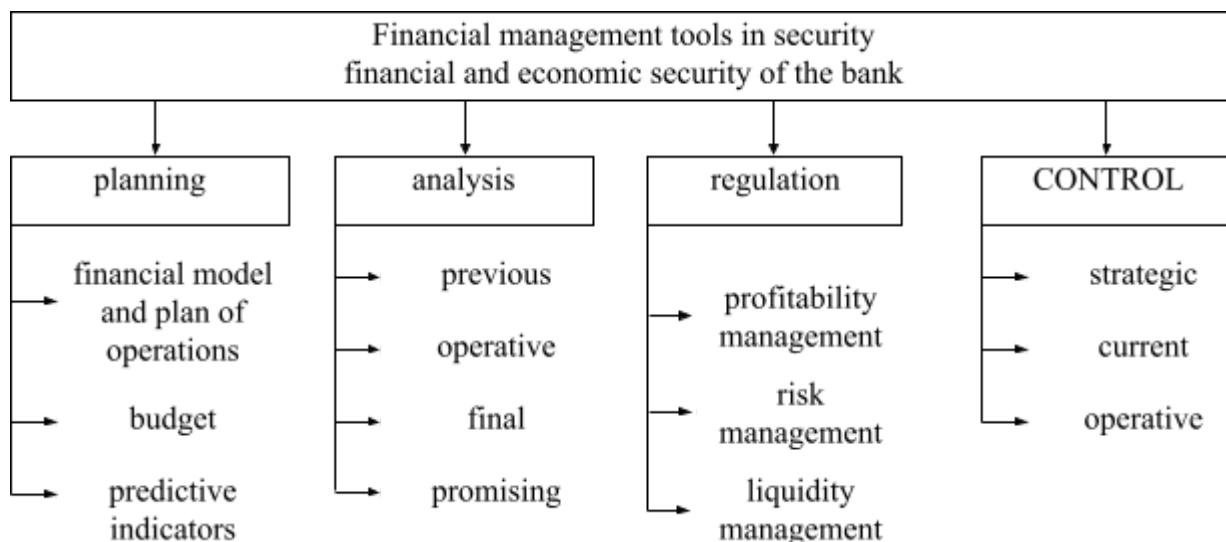


Fig. 1.3. Financial management tools in the bank [11-13]

Let's consider the essence of each tool in more detail.

The planning process is a systematic setting of goals and determination of the composition of the structure and sequence of measures aimed at achieving the necessary level of financial and economic security of the bank. This process makes it possible to determine the tasks that ensure the efficient functioning of the bank in the long term and quick adaptation to the changing conditions of the external environment. The main trends in the formation and use of the bank's financial resources are determined, and financial relations with counterparties are formed [29].

Financial analysis is one of the main functions of financial management. Financial analysis is a process of researching the financial condition and main results of the bank's financial activity with the aim of identifying reserves for increasing its market value and ensuring the required level of financial and economic security of the bank. Also, its importance is explained by the fact that the analysis data is used as a basis for other financial management tools of the bank.

The next tool is regulation. This is an objective process, the basis of which is the definition of boundaries, which is carried out using various methods and their corresponding tools to achieve a defined goal, which involves influencing the object of management to eliminate deviations from the specified parameters (schedules, plans,

established norms and standards). The specificity of banking activity requires the allocation of the following functions as part of financial regulation: operative management of bank profitability; operational management of the bank's financial risks; operative management of funds in order to maintain the necessary level of financial and economic security of the bank.

A control system that ensures the concentration of control actions on the most priority areas of the bank's activity, timely detection of deviations of actual results from the budgets and the adoption of operational management decisions to ensure the maintenance of the required level of financial and economic security of the banking institution is financial control. Its action is limited to checking the compliance of the results of the banking institution's activities, monitoring compliance with liquidity standards, limits and indicators established by the NBU, taking into account various financial risks; control of execution of planned tasks reflecting the necessary volumes and efficiency of the bank's operations.

The information base of financial management is internal accounting information, intrabank, legal and regulatory bases of legislative and regulatory bodies, external economic information [12].

In the process of taking into account the strategic aspects of ensuring the financial and economic security of the bank, an important stage is the study of threats that can reduce the desired level of financial and economic security of the banking institution.

To date, there are no uniform approaches to the assessment of threats to the security of commercial banks. However, the most common in domestic and foreign practice is their classification by source of occurrence into external (on the part of customers, partners, competitors, criminals, the state in the form of various state institutions, citizens) and internal (on the part of owners, administration, department managers, specialists , informal groups) [4].

Threats from the sources listed above can be aimed at the following computer software, communication and telecommunications equipment, bank personnel and premises, money storage facilities and buildings in which they are located.

In modern conditions, the biggest threat to the banking sector is such negative

phenomena as: low quality of bank capital; risky credit policy; imperfect deposit insurance system; insufficient liquidity of bank assets; low level of creditworthiness of enterprises of the real sector of the economy; non-compliance of banking institutions with international standards.

Specialists also highlight threats to the financial resources of commercial banks, which are manifested in the form of: non-repayment of loans; fraud with accounts and deposits; forgery of payment documents and plastic cards; theft of funds from cash registers and collection machines; a sharp change in the economic situation in the country (economic crisis); bankruptcy of the bank's business partners (Table 1.4) [11-14].

Problems related to liquidity may arise for the following reasons: the inability of the bank to plan liquidity and predict in advance a possible imbalance between the terms and amounts of repayment of placed assets and the terms and amounts of obligations (this reason may be due to the absence or poor analysis of gaps between assets and liabilities, improper study of clients' cash flows, specifics of their business activity, etc.); significant dependence on current liabilities when investing in long-term assets; substantial dependence on subordinated debt in the presence of a significant risk of its non-recovery after the due date of repayment; low reputation on the interbank market; lack of an action plan of the bank's divisions in case of a liquidity crisis.

Table 1.4

Classification of threats to the bank's financial and economic security

External threats	Internal threats
<ol style="list-style-type: none"> 1. Unfavorable macroeconomic conditions: general economic situation in the country and regions. 2. Instability of the legal framework and governmental crises. 3. High inflation and inflationary expectations. 4. Instability of tax, credit and insurance policy. 5. Lack of investment funds in the regions, fluctuations in the dollar exchange rate. 6. Unfavorable criminogenic situation, growth of criminal and financial crimes in the credit and financial sphere. 7. Variability of mandatory standards of the 	<ol style="list-style-type: none"> 1. Unqualified management, errors in strategic planning and forecasting of banking activity, analysis of equity and profit, determination of sources of capital growth when making tactical decisions. 2. Insufficiency of liquid assets as a result of non-compliance with the economic standards of the central bank. 3. Lack of sufficient qualifications of the bank's employees, insufficient personnel potential to solve the primary tasks of ensuring the security of banking activities. 4. Non-return of credit resources to the bank and

<p>central bank.</p> <p>8. Unfair competition in the market of banking services, negative influence of competitors on banking activity.</p> <p>9. Unfavorable lending conditions of the real sector of the economy and low level of investment activity.</p>	<p>lack of profit as a result of high-risk credit policy.</p> <p>5. Weak marketing development of the market of banking services and, as a result, insufficient diversification of operations offered by the bank, lack of effective banking advertising.</p> <p>6. The presence of channels of leakage of banking information and errors in the organization of the safekeeping of the bank's financial and material values.</p>
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According to experts, in the event of problems related to the loss of capital, first of all, the following should be avoided: inadequate increase of capital in comparison with the growth of assets (during the accelerated increase of assets, banks sometimes do not pay due attention to the corresponding increase in equity, which negatively affects on normative indicators); conflict of interests between bank shareholders; a decrease in the amount of capital due to the payment of excessively large dividends or the return by the bank of funds raised on the terms of subordinated debt; a significant volume of investments in fixed assets; losses associated with the need to create the necessary reserves for active operations due to the deterioration of their quality.

Among the reasons for which problems related to market risks may arise, NBU specialists single out: insufficient or inadequate management information systems; unexpected threat of currency, interest and other risks; shallow understanding by bank employees of the nature of complex risks.

In addition, practitioners identify several signs that are a signal of the possible emergence of serious problems in the bank and to which the management of the banking institution must immediately react, namely: an insufficient level of income (intended both for the operation of the bank and for the creation of necessary reserves); the size of the capital, inadequate to the volume of operations conducted by the bank and the risk it assumes while carrying them out; the emergence of a tendency to increase the amount of problem assets, primarily loans; the emergence of a tendency to decrease the amount of funds that traditionally constitute the bank's resource base; downgrading (this mainly applies to banks that use the services of such agencies as Standard&Poors, Moody's, etc.) [14].

The financial and economic security of the bank may also be threatened due to illegal or erroneous actions of its branches, which use the patron's name to conclude transactions. Crisis situations in the market of interbank loans also pose a danger to the banking system as a whole.

Thus, the systematization of existing views on the types of threats to the bank's financial security allowed us to build a classification that allows us to find out the individual features of each threat and give a complete description of the possible connections between the threat and the elements of the bank's structure that are subject to protection. It is proposed to supplement the classification of threats in the system of structural subdivisions of the bank and its branches.

Therefore, the classification of threats to the bank's financial security allows the latter to take timely measures to prevent or minimize them. As practice shows, the more detailed the classification of the problem, the easier it is to solve it. Further research will be aimed at building a mechanism for detecting each type of threat to the bank's financial security and neutralizing it, as well as developing a methodology for assessing the level of the bank's financial security, taking into account new threats that arise in connection with the current situation in Ukraine.

Awareness of internal and external threats will make it possible to form an effective strategy and a reliable system for ensuring the bank's financial and economic security aimed at implementation. At the same time, the bank's financial and economic security system must be in constant development and constantly adapt to changes in the external and internal environment in order to increase the competitiveness of the domestic banking sector, the stability and stability of which work determine the financial balance in the country and ensure the transition to an innovative model of the growth of the national economy.

Considering the potential cyclic nature of negative cause-and-effect relationships in ensuring the financial security of enterprises, its existence is possible due to the flexibility of the mechanism and the sequence of long-term implementation of the system of measures aimed at ensuring the ability to resist adverse external influences. Therefore, ensuring the financial and economic security of the bank should be of a

strategic nature.

In general, any strategy is an element of the bank's mechanism, the strategy of ensuring the bank's financial and economic security is a component of its financial mechanism. The strategy for ensuring the financial and economic security of the bank is built on the basis of the concept of its development, which should contain the priority goals and tasks of ensuring security, ways and methods of their achievement. Being strategic in ensuring the financial and economic security of the bank means identifying the possibilities of ensuring the stability of the system in the long term, forecasting the invariance of its development in an invariant environment, searching for alternative ways of making decisions that will lead to the single, most optimal state of the enterprise in the given conditions. The strategy for ensuring the financial and economic security of the bank should be focused on the development and consistent implementation of measures to consolidate and develop positive processes and overcome negative factors in the field of its financial relations.

In summary, the general process of forming and implementing a strategy for ensuring the financial and economic security of the bank includes the following stages (Fig. 1.4).

From fig. 1.4 shows that in order to start a comprehensive assessment of the state of financial and economic security of the bank, it is necessary to determine the internal and external factors influencing the state of the bank's security, its strengths and weaknesses in ensuring security.

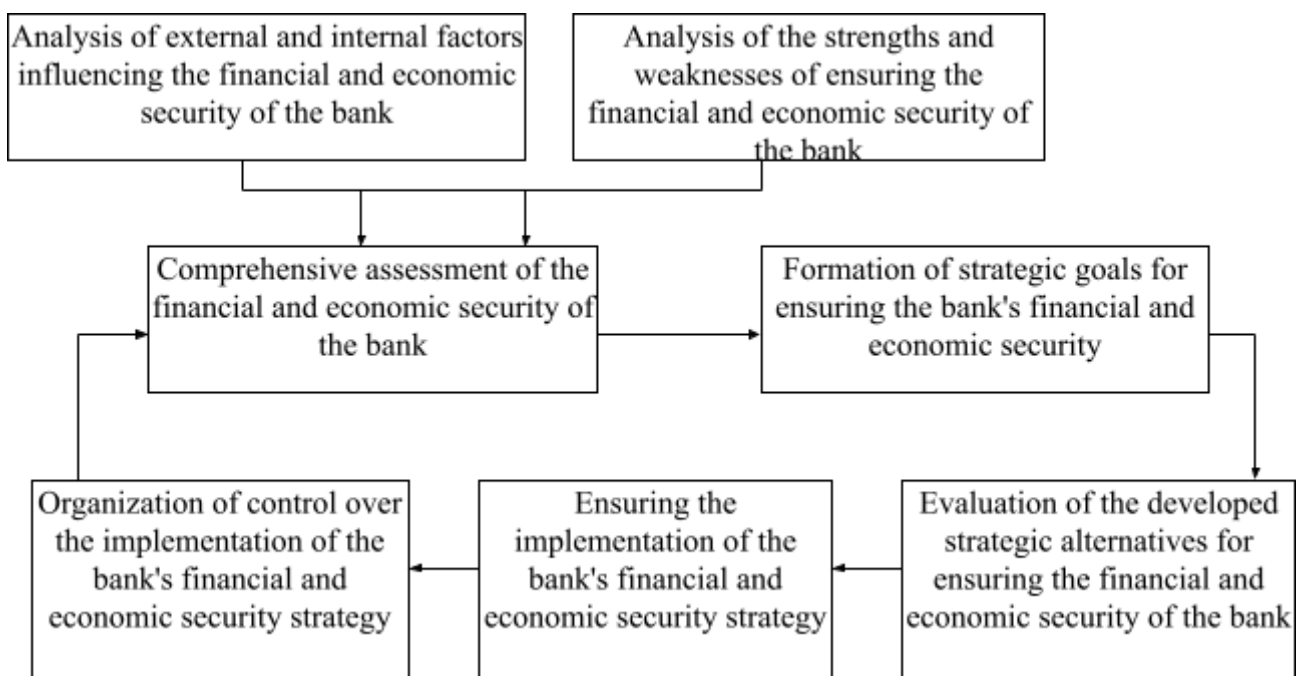


Fig. 1.4. Stages of the process of formation and implementation of the strategy for ensuring the financial and economic security of the bank

The next stage of forming a strategy for ensuring the bank's financial security is the definition of strategic goals. The goals, tasks and important strategic decisions of ensuring financial security should be aimed at the formation and maintenance of financial balance in the process of strategic development. According to Blank O. AND. [14] balance is achieved due to ensuring constant solvency, ensuring sufficient financial stability, neutralizing possible negative consequences of financial risks, implementing the necessary measures of financial rehabilitation in conditions of crisis development.

Instead, S. M. Poberezhny [15-16] gives the following key characteristics of the financial security of banks: ensures a balanced and stable financial condition of the bank; contributes to the efficient operation of the bank; allows identifying problem areas in the bank's activities at an early stage; neutralizes crises and prevents bankruptcies.

Control over the implementation of the bank's security strategy. The control system should be based on the principle of preventing the dangers of the system's functioning, rather than eliminating the consequences. The formation of the control system involves:

- determination of directions by which the activity will be controlled;
- formation of criteria for evaluating the functioning of the system according to each direction;
- formation of a security monitoring system in order to prevent negative impact factors in case of deviation of the bank's security indicators in accordance with the selected functional criteria;
- improvement (formation) of the structure of institutions that will carry out the control process in the bank;
- formation of a mechanism for taking responsibility for the non-compliance of the economic activity of the objects with the conditions and criteria of the bank's security;
- reforming the legal system of guaranteeing the safety of banking, improving the

system of banking supervision for compliance with the law.

Therefore, the formation of a strategy for ensuring the financial and economic security of the bank in the conditions of an aggressive economic environment is an important condition for ensuring its existence. The main goal of such a strategy should be to ensure the sustainability of the bank's long-term upward development, and the principles of construction should be the principles of systematicity, legality, complexity, objectivity, consistency, dynamism, optimality, and constructiveness. In the conditions of an aggressive economic environment, the achievement of this goal is made difficult by the exponential growth of dangers and threats, which increases the requirements for the quality of the substantiation of the formed strategy.

In these conditions, it is expedient to strengthen the internal consistency of the elements of the strategy, which relate to various aspects of the bank's activities, and to detail the strategic regulations according to the time structure of the strategy. The temporal structuring of the strategy should be based not so much on the usual periodization of financial planning in the bank, but rather take into account the predicted moments of deep structural changes in the economy. This will make the potential strategy of ensuring the financial and economic security of the bank more flexible and effective.

CHAPTER 2

ASSESSMENT OF THE ECONOMIC SECURITY OF BANKS AS SUBJECTS OF FINANCIAL AND CREDIT RELATIONS

2.1. Analysis of the economic security of the banking system of Ukraine

The economic security of the banking system is closely related to the National Bank's priority task of maintaining price stability. The financial system plays a key role in transmitting monetary impulses to the real sector of the economy, thereby making a significant contribution to ensuring sustainable economic growth. In the last few years, the banking system of Ukraine has faced significant risks that pose significant threats to its security. The analysis of analytical materials and reports of the National Bank of Ukraine and other state institutions makes it possible to come to the conclusion that the systemic source of periodic financial and economic crises in Ukraine is deep structural disparities that have formed in the country over the past ten years as a result of destructive processes that, in turn, tongues reinforce each other and form a closed circle (Fig. 2.1).

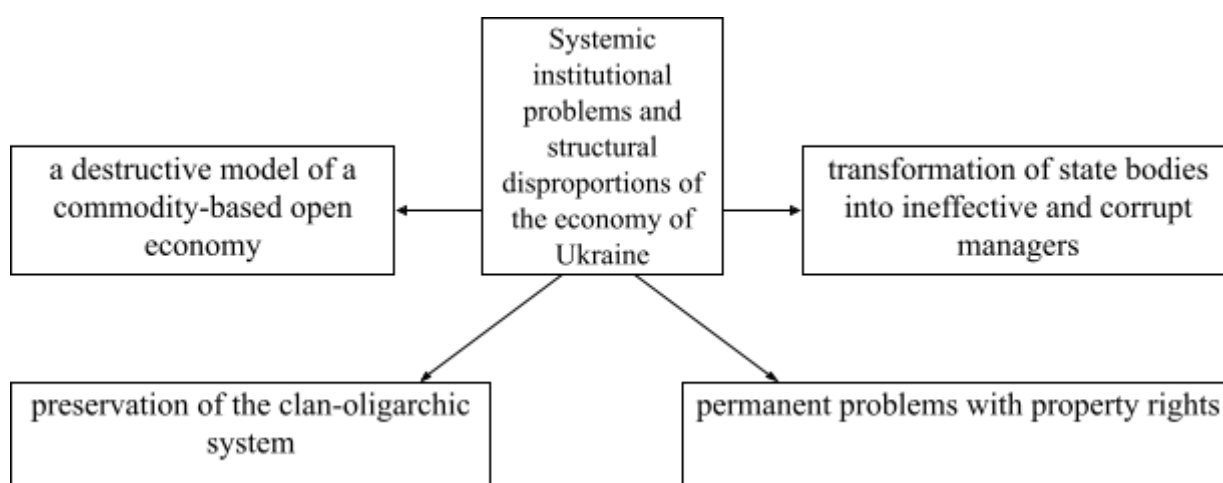


Fig. 2.1. Systemic institutional problems and structural disproportions of the economy as threats to the security of the banking system of Ukraine [16, 17]

The destructive model of the open raw economy of Ukraine creates a concentration of economic activity on the export of raw materials and goods with low

added value, which in turn leads to a decrease in returns from the scale of production and conservation of the state of the economy. Another manifestation of these factors is the primitivization of the economy and the import of consumer goods with a high added value, the cheapening of labor and the reduction of the need for the development of science, the outflow of intellectual capital and technologies, periodic crises of the balance of payments associated with global commodity price cycles.

The second systemic threat to the country's economy and the banking system, in particular, is the preservation of the clan-oligarchic system, which manifests itself in the monopolization or oligopolization of markets and assets, the receipt of monopoly rents, and the concentration of national income among several owners. This factor is manifested in the negative influence of oligarchs on politics and lobbying for laws destructive to the development of the economy, the reduction of the middle class, the social basis of civilized democratic processes and the judiciary. A separate manifestation of this factor is systemic corruption at the level of state management.

The third threat manifests itself in the fact that state bodies turn into an inefficient and corrupt manager. This threat is manifested in the absence of effective strategies for the development of infrastructure, industry, science, innovation, monetary and financial system; ineffective response of macroeconomic regulation to external shocks and exacerbation of financial and economic crises - accumulation of debts - impoverishment of the population - narrowing of demand in the domestic market - further degradation of domestic production - deindustrialization - consolidation of the raw model of the economy [9].

A separate manifestation of this threat is the permanent work of domestic business through offshore and withdrawal of capital, inhibition of the development of industry and high technologies, consolidation of the raw material model, high dependence on external prices for raw materials, vulnerability of an open economy to external shocks, which ultimately leads to periodic outstanding and financial and economic crises.

In periods of unfavorable economic conditions of foreign economic prices or capital outflow, these problems become more acute. If the economic and monetary

authorities do not have effective strategies to respond to these challenges and make mistakes, then the actions of the regulators become additional shocks to the banking system, as happened during the last two years, and the country develops financial and economic, currency and banking crises.

The systemic long-term problems of the Ukrainian banking sector include the problems shown in fig. 2.2.

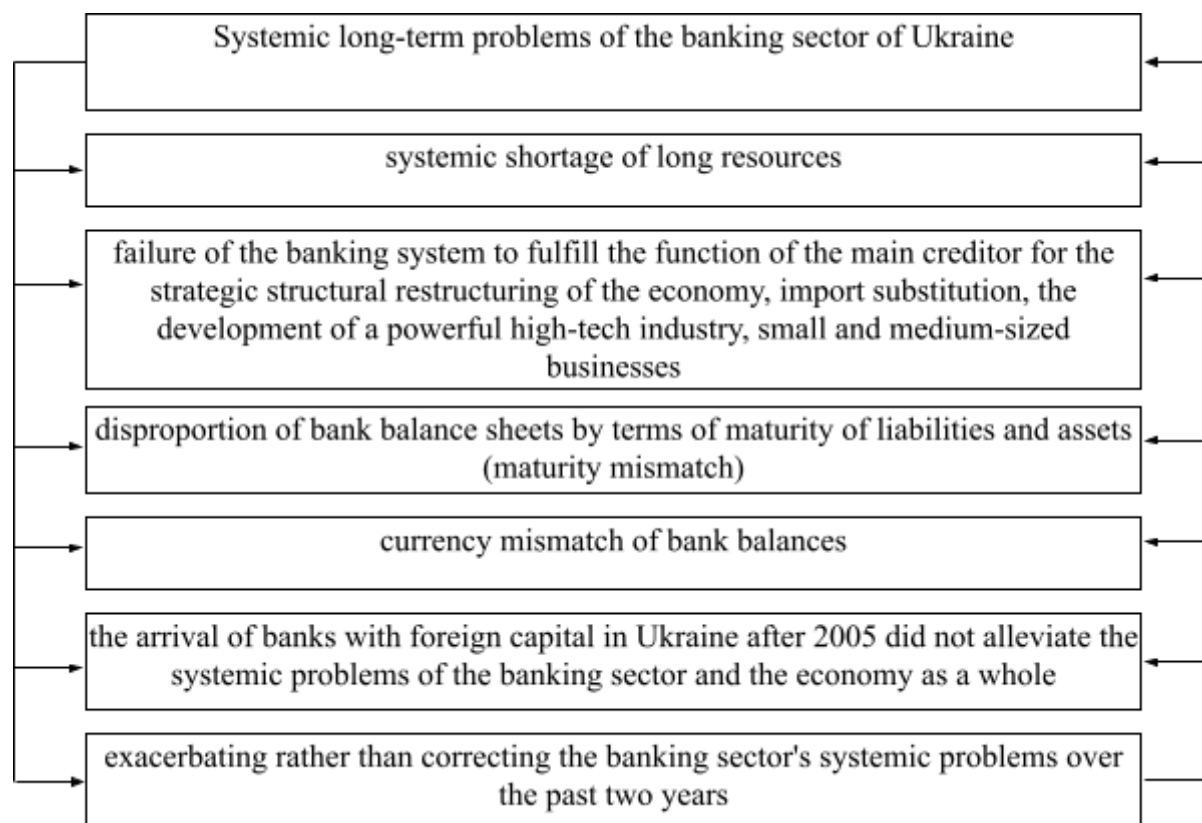


Fig. 2.2. Systemic long-term problems of the Ukrainian banking sector [14, 17]

In the period from 2019 until 2023 there is a reduction in the number of banks by 10 institutions – by 12.8%. As of 01.01.2023 there were 67 functioning banking institutions, of which 30 were banks with foreign capital. As of September 1, 2024 the number of operating banks in Ukraine is 62, of which 26 are banks with foreign capital [18].

As of October 1, the number of bank branches in Ukraine continues to decrease. Thus, according to the data of the National Bank of Ukraine, 85 branches were closed throughout the country in nine months of 2024. As reported, the state-owned

Oschadbank, which has the most branches, reduced their number by 20, to 1,163. Also, a significant reduction occurred in the state-owned Privatbank, which closed 18 branches, reducing their number to 1,113. Among other banks that closed their branch, as well as "TAScombank" (closed 25 branches) and "Credi Agricole Bank" (closed 8 branches).

Instead, "A-Bank" opened 12 new branches, increasing its presence to 159 branches.

In June 2024 the banking license of JSC "Alpari" bank was revoked on its own initiative without termination of the legal entity. The bank's exit did not affect the sector given its small share in net assets (less than 0.01%).

In 2023, the banking sector remained stable, operationally efficient and well capitalized, as confirmed by the National Bank's sustainability assessment. Banks received UAH 83.2 billion in net profit and accrued UAH 76.6 billion in income tax at an increased rate of 50%. The inflow of business and household funds, including time funds, continues, and banks' liquidity remains high. Retail and corporate lending is growing, in particular outside the boundaries of state support programs, which is facilitated by lower rates [19].

Given the satisfactory state of the banking system, in order to strengthen it further, the National Bank is gradually returning to the "pre-war" and introducing new regulatory requirements for banks, in particular for the successful implementation of EU standards. At the initiative of the NBU, active work began on the Credit Development Strategy, the solution to the problem of "military" NPLs, and the introduction of a fully functional system of military risk insurance. Their implementation will stimulate further credit growth.

In the conditions of full-scale war and systematic attacks of the aggressor on critical infrastructure, the financial system of Ukraine maintains stability and stability, works in continuous mode.

The foundation of such stability was provided by the successful implementation of the POWER BANKING project, the purpose of which is to ensure uninterrupted operation of banks even in critical situations (in case of blackouts, cyber attacks, or if

there is no connection). These are more than 2,370 branches in all regions of Ukraine, equipped with alternative energy sources and backup communication channels, ready to work and provide financial services to citizens under any conditions.

Another important achievement in 2023 was the transition to a new generation of the National Bank's electronic payment system (SEP). From April 1, 2023, the system began to function based on the ISO 20022 international standard and is available for interbank payments 24 hours a day. Given the future integration of the Ukrainian financial market with the European one, this, in particular, is the basis for our country joining the Single Euro Payments Area (SEPA) [19].

The volume of net assets of solvent banks increased by 4.7% during the II quarter of 2024. The amount of funds that banks keep in accounts with the National Bank of Ukraine (the increase in liabilities requires an increase in the amount of required reserves) and accounts in other banks, as well as investments in OVDP, grew the fastest. Banks' investments in NBU certificates of deposit decreased for the second quarter in a row - in the II quarter by 7.1% q/q. [20]

At the same time, the volume of net loans to clients increased by a total of 6.8% for the quarter, as well as their share in assets. The net hryvnia corporate credit portfolio has been growing for more than a year in a row, its volumes exceeding the indicators before the full-scale invasion. During the II quarter, business lending continued to accelerate - the net hryvnia credit portfolio increased by 8.8% q/q and by 20.5% y/y. Net hryvnia loans to SMEs grew at an even faster pace: in the II quarter – by 10.1%, in annual terms by more than a quarter. The share of SMEs in the net hryvnia portfolio of business loans is already almost 60%, having increased by 0.7% p. for the II quarter (by 2.6 percentage points per year). The growth of net hryvnia loans occurred in all groups of banks, in terms of volume - the largest in foreign banks. Net business loans in foreign currency, on the other hand, decreased in dollar terms by 1.8% q/q and by 7.9% y/y – mostly due to repayment of debt. The growth of the loan portfolio is facilitated by the improvement of lending conditions, in particular, the reduction of loan rates. Therefore, the weight of unsubsidized loans will continue to increase. The share of loans granted under the program "Affordable loans 5-7-9%" in the hryvnia working gross portfolio

decreased by 2% p. to about 36%. During the II quarter, the volume of loans increased the most in the agricultural sector and trade. Loans in the engineering and financial sectors were granted mainly to state-owned companies. At the same time, the slow growth of the economy restrains credit demand in a number of industries. The growth rate of net retail hryvnia loans in the II quarter slowed down slightly to 8.9% q/q and 40.1% y/y. Unsecured loans form the basis of the portfolio in the future, card crediting by two leading banks remains the driver of its growth. Mortgage loans continue to grow at a fast pace, 16.3% in the II quarter, while the mortgage loan portfolio almost doubled (+98.2%) over the year. In mortgages, the state program "eOsel" will continue to dominate, the gross portfolio of which increased by UAH 4.5 billion in the II quarter, to UAH 17.8 billion. The share of real estate loans increased by 0.8 percent p., up to 13.2% of the net hryvnia retail credit portfolio [20].

The quality of the loan portfolio improved again. The share of non-performing loans (NPL) decreased to 34.6% - by 1.5% p. for the II quarter and for 4.4 c. p. per year. The share reduction occurred in all groups of banks. In private and foreign banks, NPL shares are close to 13-15%. The decrease in the share of NPLs is explained by the active growth of new loans and the write-off of older NPLs. The share of non-performing retail loans decreased to 19.6%, decreasing by 1.8% p. and 10.4 c. p. for the quarter and the year, respectively. The share of NPL business is decreasing more slowly: by 1.7% p. and 2.5 in. p. for the quarter and the year, respectively, up to 42.2%. Only 4.9% of corporate borrowers defaulted on hryvnia loans in the last 12 months to July - by 0.2% p. less than a quarter ago.

In the II quarter, banks' liabilities resumed growth, increasing by 4.7% for the quarter due to the increase in customer funds. Their share in the structure has already reached 92.4%. Banks hardly attracted funding from other sources. Only four banks have UAH 1.6 billion in debt for NBU refinancing loans. In the 1st quarter, the trend of reducing external debt of banks by 5.8% q/q, to 1.6 billion dollars, resumed. The amount of hryvnia funds of individuals increased by 6.7% (+19.3% y/y) during the quarter, continuing the trend of recent years. The rate of growth of time deposits of individuals in hryvnia slowed down: by 2.5% for the quarter, the largest in private banks

- 7.1% q/q. In June, for the first time since July last year, their decrease by 0.3% m/m was recorded. Retail customers continued to prefer new deposits with a term of three to six months. Due to the faster growth of balances on current accounts, by 9.0% for the quarter, the share of term funds in hryvnia decreased by 1.4% p., up to 34.6%. Household funds in foreign currency increased by 0.7% (+5.7% y/y) due to the growth of current account balances. At the same time, term deposits in foreign currency continued to decrease by 1.4% for the quarter (-9.4% y/y). The level of dollarization of deposits increased by 0.4% p., up to 32.6% as a result of the weakening of the hryvnia exchange rate. The rate of growth of business funds in the national currency remains lower than last year's average, but accelerated compared to the 1st quarter - 2.4% for the quarter (+28.6% y/y). Privatbank and banks with foreign capital attracted such funding the fastest: +5.2% and +2.7%, respectively. The volume of foreign currency business funds increased faster than hryvnia - by 4.9% for the quarter (+5.8% y/y). The increase occurred only in foreign and state banks – by 9.1% and 5.8%, respectively [20].

Thanks to high operational efficiency and low deductions to reserves, the sector received UAH 39 billion in profit for the II quarter at 25% income tax rates. This is 2% lower than in the 1st quarter of this year, but 17% higher than in the 2nd quarter of last year. Privatbank generated 43% of the sector's profit. Eight small banks were unprofitable for the quarter with a total loss of UAH 0.1 billion. The decrease in market rates led to a gradual decrease in the return on assets, most notably on deposit certificates of the NBU. The sector's income from them decreased for the first time since the 1st quarter of 2021 - by 9.5% y/y. On the other hand, the profitability of loans granted to individuals increased slightly. The yield on business loans and OVDP was almost unchanged compared to the previous quarter. The decrease in the value of liabilities was insignificant. The net interest margin narrowed, returning to last year's levels of 7.5%. The growth of net commission income was slow - 6.8% y/y. The fall in profit from currency purchase and sale operations stopped, and the positive result of the revaluation of OVDP supported the growth of operating income. The main components of operating expenses for the quarter grew, in particular personnel expenses, by 6.8% q/q and 19.1% y/y. However, operating income grew faster than expenses. Therefore,

the growth of net operating profit before deductions to reserves accelerated to 28.6% y/y. The ratio of operating expenses to operating income (CIR) was 37.1% compared to 40.1% in the II quarter of 2023. Five small banks were operationally unprofitable for the quarter. A significant profit contributed to an increase in regulatory capital, which increased by 10.6% over the quarter. Banks met capital adequacy requirements with a margin, only Ukreximbank violated the minimum requirements.

Therefore, as of October 1, 2024, Ukraine's banking system shows positive signs of resilience and stability, despite the continued armed conflict and the challenges it faces. Although the number of bank branches is shrinking due to a variety of factors, including cost optimization and changing consumer preferences, overall the sector remains well capitalized and profitable. During the first nine months of 2024, banks posted significant net profits and liquidity remained strong. This testifies to the healthy financial position of banks, which continue to attract business and population funds, in particular in the form of time deposits. The National Bank of Ukraine is actively implementing new regulatory requirements to strengthen the banking system, including a strategy for credit development and solving the problem of non-performing loans. The introduction of the war risk insurance system also increases the level of economic security of banks. The fundamental stability of the banking system is supported by the successful implementation of the POWER BANKING project, which ensures uninterrupted operation of financial institutions in critical situations. Changes in the system of electronic payments, which meet international standards, improve the integration of the Ukrainian financial market into the European system. Although the banking sector faces certain challenges, such as the reduction in the number of branches and changing lending conditions, in general, it shows the ability to adapt and grow. Positive trends in lending, the growth of the net loan portfolio and the improvement of the quality of assets indicate that the banking system of Ukraine has enough strength to support economic security and further development in the conditions of modern challenges.

2.2. Organizational and economic characteristics of Credit Agricole Bank JSC

Credit Agricole Bank JSC is the oldest foreign bank in Ukraine that provides a full range of banking services, is a strategic partner for agribusiness and corporate clients, and one of the leaders in the car lending market. The bank is part of the international group Credit Agricole (France), which is in the TOP-10 largest banks in the world by assets according to The Banker 2023 rating and is a leader in bancassurance and asset management in the European market.

In 1993, the Credit Lyonnais group founded Credit Lyonnais Bank Ukraine in Kyiv. In 2004, Credit Lyonnais became part of the Crédit Agricole group. From the beginning of its activities in Ukraine, the Crédit Agricole group highly appreciated the potential of Ukrainian agricultural companies and became a strategic partner for them [21].

The bank's clients were, first of all, international companies that were served by the Group's banks around the world. In 2006, the Credit Agricole group acquired Index-Bank. Thus, Credit Agricole Bank became a universal bank for every day for both individuals and businesses.

The bank has its head office in Kyiv, and as of June 30, 2024, the bank's regional network includes 139 branches, serving 400,000 customers, Credit Agricole Bank's own ATM network - 289 ATMs, 2123 employees. Its total assets are \$2.8 billion as of December 2023 [21].

Even during the war, Credit Agricole demonstrates stable work, providing uninterrupted services to clients and supporting the Ukrainian economy. In 2023, Credit Agricole entered the list of systemically important banks, which indicates its importance for the Ukrainian economy. The bank was recognized as the best in cash management in Ukraine according to the Euromoney rating. Standard-Rating confirmed the highest ratings of the bank.

Credit Agricole is a reliable partner for Ukrainian agribusiness. Since the beginning of the war, the bank has issued loans in the amount of 2.7 billion hryvnias to

companies in the agrarian sector within the framework of the state program "Affordable loans 5-7-9%". The bank also participates in the Program of State Government Guarantees, under which it issued 1.3 billion hryvnias. In 2023, Credit Agricole concluded important agreements with the EBRD and IFC on risk sharing in the amount of 50 and 40 million euros, respectively, to support critical business sectors of Ukraine, in particular agriculture.

Credit Agricole Bank JSC is one of the market leaders in auto lending, and the only bank in Ukraine that has the ISO 9001 international certificate in this field, guaranteeing transparent terms of car lending and high quality customer service. During the war, the bank provided financing in the amount of 3 billion hryvnias for the purchase of cars.

In 2024, the bank launched a large-scale image project for IT clients, Code of Trust. The bank is developing remote service channels, such as the CA+ mobile application, the Internet bank for legal entities CORPEX and for individual entrepreneurs CA+ Pro, and at the same time modernizing its network of branches [22-23].

Since 2016, the bank has been implementing a large-scale program of corporate social responsibility "We Care!", which includes four main areas: philanthropy, environmental initiatives, volunteering and caring for employees.

Since the beginning of the war, Credit Agricole has allocated 123 million hryvnias for charity, mostly for the purchase of medical equipment for hospitals in Ukraine and assistance to the victims.

The registered and paid-up authorized capital of the bank as of June 30, 2024 was 1,222,929 thousand UAH. The owner of a significant share of the bank is the leading financial institution CREDIT AGRICOLE S.A. (France), which owns a share of 100% of the authorized capital of the bank. CREDIT AGRICOLE S.A. has the written permission of the National Bank of Ukraine dated August 8, 2006 No. 305 for substantial participation [23].

The corporate segment of the bank's clients (legal and natural persons-entrepreneurs) with a total annual revenue of a group of related companies of more than 2 mln. euros and agribusiness companies of any size. The internal

segmentation of the cooperative block includes customers of small and medium-sized businesses (annual revenue of a group of related companies EUR 2-10 million), medium corporate business (annual revenue of a group of related companies EUR 10-200 million), large corporate business (local companies with an annual revenue of more 200 million euros), international companies (Table 2.1) [22]

Table 2.1.

Segments of Credit Agricole Bank JSC

Segment	Number of customers	Passives, eq. million UAH	Assets (loans and documentary transactions) equiv. million UAH
International companies (MNC) and large corporate business	1126 67 new clients in 2023, including 55 MNC clients	53893 +59% in 2023 compared to 2022	12490 -7% in 2023 compared to 2022
Medium corporate business	1517 77 new customers in 2023	7622 +14% in 2023 compared to 2022	11501 -21% in 2023 compared to 2022
Small and medium business	5678 175 new customers in 2023	6493 +18% in 2023 compared to 2022	4563 -16% in 2023 compared to 2022
Agribusiness	2300 customers	-	1346.1
Proximity business			
Natural persons	203.1 thousand wasps (89%)	5.2 billion UAH	2.52 billion UAH -27% in 2023 compared to 2022
Premium customers	10.9 thousand wasps (5%)	12.1 billion UAH	1.037 billion UAH
Business entities	13.6 thousand SGD (6%)	4.6 billion UAH	60 million UAH -39% in 2023 compared to 2022

In 2023, the bank confirmed its reputation as a reliable partner for wealthy clients, contributing to the preservation and growth of their capital.

Therefore, JSC "Credi Agricole Bank" occupies a stable position on the Ukrainian market thanks to its reputation as a reliable foreign bank that has been operating in Ukraine for over 30 years. The support of the Cr dit Agricole international group allows the bank to offer a wide range of financial services for both individuals and corporate clients, particularly in the agricultural sector, where the bank has a strong position.

Credit Agricole actively invests in digital technologies, developing mobile banking and online services, which allows it to meet modern customer requirements. In addition, the bank has high indicators of reliability and liquidity, which is important for ensuring stability in the conditions of an unstable economic situation in the country.

In general, the bank's position in the market is characterized by stable growth, reliable support from the international financial group and an emphasis on innovation and customer orientation.

2.3. Assessment of the level of economic security of Credit Agricole Bank JSC

In the bank's activity, an important moment is not only the formation of resources, but also their effective placement. Therefore, one of the main areas of analysis of banking activity is the analysis of its active operations. It should contribute to increasing the efficiency of the bank's asset management.

The total amount of assets is the sum of all categories of assets minus the sum of all contractual accounts of the type of reserves for possible losses from credit activity and discount on purchased securities.

In the table 2.2 shows the dynamics of assets of Credit Agricole Bank JSC [22].

Table 2.2

Dynamics of assets of Credit Agricole Bank JSC for 2022-2023, thousand UAH

Indicator	Years		Deviation
	2022	2023	
Assets, thousand UAH	72,567,726	103 546 209	+30 978 483
Cash and cash equivalents, thousand UAH	15592133	31075505	+15 483 372
Investments and securities, thousand UAH	52785031	1558254	+6 279 751
Loans to customers, thousand UAH	27458170	20722239	-6,735,931
Loans to banks	22709896	38868185	+16 158 289
Fixed assets, thousand UAH	750129	713408	-36,721

The total assets of Credit Agricole Bank JSC increased by 30,978,483 thousand. UAH (43%), which indicates a significant expansion of the bank's active base and its growth in market conditions. Cash and cash equivalents increased by 15,483,372 thousand. UAH (99%), which indicates a significant increase in the bank's liquid assets. This may be part of a strategy to increase reserves to maintain stability and ensure prompt fulfillment of obligations. Investments and securities increased by 6,283,751 thousand. UAH (54%), which may indicate a decrease in activity on the securities market or a shift in priorities in the investment strategy. Loans to customers decreased by 6,735,931 thousand. UAH (25%), indicating a reduction in lending to customers, which may be the result of an adjustment in the bank's credit policy or a consequence of economic conditions that reduced the demand for loans during the war. Loans to banks increased sharply by 16,158,289 thousand. UAH (71%), which reflects the intensification of the bank's activity on the interbank market or the expansion of credit operations with other banks. Fixed assets decreased slightly by 36,721 thousand. UAH (5%), indicating the stability of this asset, without significant investment or losses in tangible assets.

In general, the bank shows a significant increase in its assets, which is mainly due to an increase in liquid funds, such as cash and cash equivalents. This indicates increased attention to ensuring liquidity in conditions of uncertainty, in particular during war, when risks can increase significantly. At the same time, the bank actively expanded cooperation with other financial institutions, significantly increasing the volume of bank lending. This may indicate a strategy of risk diversification and strengthening of positions on the interbank market.

However, it is worth noting that against the background of these positive trends, the amount of credit to customers has significantly decreased. This may be the result of the bank's more cautious approach to risk in an unstable economy, or the result of reduced demand for loans from businesses and individuals due to uncertainty and increased risks during wartime. Thus, the growth of assets in 2023 is mainly provided due to increased liquidity and interbank operations, which indicates the bank's adaptation to new market conditions and a cautious approach in lending to the real sector of the economy.

Estimating provisions for expected credit losses requires the use of significant judgments. The Bank regularly reviews its assets for impairment. The Bank evaluates reserves for expected credit losses in order to maintain the amount of reserves at a level that, in the opinion of the management, will be sufficient to cover the losses incurred on the Bank's assets. The calculation of provisions to cover losses from impaired financial assets is based on the assessment of future cash flows from such assets. These estimates are made using individual analysis of future cash flows for all significant impaired assets and statistical techniques that take into account historical experience for the remaining assets. In some cases, for non-impaired material assets, future cash flows are also estimated on an individual basis.

In connection with the full-scale invasion of Russia, starting from 2022, the Bank takes into account additional factors in the assessment of reserves for expected credit losses from active operations [22]:

- the indebtedness of debtors in the occupied territories was transferred to stage 3 and the reserve level was increased to 100%;
- approaches and calculation of forecast coefficients were updated (additional adjustments of local forward looking models);
- the reservation level was increased to 100% for corporate clients who were already in default as of February 24, 2022;
- an individual review of the level of risk in a transaction with a bank located in the aggressor country was carried out.

As a result of the review, this asset was transferred to the 2nd stage, the rating was lowered and the reservation level was increased. In 2023, in order to estimate the expected credit losses as accurately as possible, the Bank began to apply various predictive adjustment factors depending on the specific potential negative consequences of a full-scale Russian invasion inherent in different territories of Ukraine. On a regular basis, a regular individual review of corporate and SME clients is carried out and, in case of problems, their rating is lowered and the reservation level is increased.

The risks caused by the war led to the following changes in the indicators of expected credit losses during 2022-2023 and 6 months of 2024: - the loan portfolio

reserve level increased from 4.3% to 20.2%; - the share of stage 2 in the loan portfolio increased from 6.9% to 18.2%; - the share of stage 3 in the loan portfolio increased from 1.0% to 12.3%.

The obligations of the bank should be understood as requirements for the assets of the banking institution, obliging it to pay a fixed amount of funds at a specified time in the future. In accounting, liabilities include funds on current customer accounts; accounts payable, accrued interest and deferred income receivables, but excludes income, profit and inter-bank settlements.

The analysis of the dynamics of the liabilities of Credit Agricole Bank JSC for 2022-2023 is given in the table. 2.3 [22].

Table 2.3

Dynamics of liabilities of Credit Agricole Bank JSC for 2022-2023, thousand UAH

Indicator	Years		Deviation	
	2022	2023	thousand UAH	%
Liabilities, thousand UAH	66485267	94564931	28,079,664	+42.2%
Funds of banks, thousand UAH	4743	5197	454	+9.6%
Client funds, thousand UAH	64003382	90274389	26 271 007	+41.0%
Reserves for credit obligations, thousand UAH	86205	198011	111,806	+129.7%
Subordinated debt, thousand UAH	1049167	745657	303 510	-28.9%

General obligations increased by 28,079,664 thousand UAH (+42.2%), which indicates a significant increase in the bank's financial obligations to counterparties and clients. Client funds increased by 26,271,007 thousand. UAH (+41.0%), this growth can be caused by an increase in the deposit base of customers, which indicates increased trust in the bank even in conditions of instability. Reserves for credit obligations increased by 111,806 thousand. UAH (+129.7%), which indicates the bank's caution in assessing credit risks and the possible increase in losses due to the inability of clients to

service loans. Subordinated debt decreased by 303,510 thousand. UAH (-28.9%), which may indicate the repayment or restructuring of a part of long-term debt obligations.

An important indicator of the financial condition of Credit Agricole Bank JSC is the amount of its own capital, which ensures its economic independence and financial stability, and is also used to carry out banking operations and provide services for the purpose of obtaining profit.

Equity is the bank's own funds belonging to the founders or shareholders. The bank's capital is a collection of own funds contributed by the owners (shareholders or participants), which grow in the course of the bank's activities as a result of effective banking activity in the process of profit capitalization, as well as due to additional income from participants.

However, the main resource for JSC "Credit Agricole Bank" to perform its active operations is not capital, but borrowed and borrowed funds. Capital here acts as an indicator and regulator for determining the size of the possible attraction and investment of funds.

In comparison with other spheres of business activity, banks' own capital occupies an insignificant specific weight in the total bank capital. This is explained by the specificity of the activity of commercial banks as financial intermediaries that mobilize temporarily free funds on the money market with their further placement among legal entities and individuals. Equity is important for effective banking.

We will conduct an analysis of the dynamics and structure of equity capital of Credit Agricole Bank JSC for 2022-2023. (Table 2.4) [22]

Table 2.4

Analysis of the dynamics of equity capital of Credit Agricole Bank JSC for 2022-2023

Indicator	Years		Deviation
	2022	2023	
Authorized capital, thousand UAH	1222929	1222929	-
Retained earnings (uncovered loss), thousand UAH	31220	2793034	2761814
Reserve and other funds of the bank, thousand UAH	4834869	4866089	31220
Other reserves, thousand UAH	(6559)	99226	105785
Own capital	6,082,459	8,981,278	2898819

The authorized capital remained unchanged, which indicates the stability of the capital base, but does not indicate additional investments during this period. Retained earnings increased significantly, from 31,220,000 UAH in 2022 to 2,793,034 thousand UAH in 2023. This testifies to the success of the bank in obtaining profit, which allows to strengthen own capital. Reserve and other funds also show a slight increase (from UAH 4,834,869 thousand to UAH 4,866,089 thousand), which indicates the availability of resources to cover risks and support financial stability. Other reserves showed a significant increase from a negative value of -6,559 thousand. UAH up to 99,226,000 hryvnias, which may indicate improved reserve management and reduced risks. Equity increased from 6,082,459 thousand UAH up to 8,981,278 thousand UAH, which is a significant increase. This is an increase of 2,898,819 thousand. UAH indicates an increase in the bank's financial stability and ability to finance its obligations.

Therefore, the dynamics of the equity capital of Credit Agricole Bank JSC indicates positive trends in its financial position, profit growth and strengthening of financial reserves. This is a good indicator for investors and bank customers, as it indicates the stability and reliability of the financial institution.

Next, we will analyze the key performance indicators of Credit Agricole Bank JSC for 2022-2023. (Table 2.5) [22]

Table 2.5

Key performance indicators of Credit Agricole Bank JSC for 2022-2023

Indicators	2022	2023	Deviation	
			million UAH	%
Net banking income, mln. UAH	6441	8815	2374	37
Cost-to-income ratio (CIR), %	30%	27%	-3%	
Cost of risk, million hryvnias.	-4444	-999	3444	-78%
Risk-weighted assets, mln. UAH	35287	34922	-365	-1%
Operating expenses, mln. UAH	-1959	-2398	-439	22%
Return on net capital, %	1%	28%	27%	
Net result, million UAH	31	2793	2762	-

Net banking income increased from UAH 6,441 million in 2022 to UAH 8,815 million in 2023, which reflects an increase of UAH 2,374 million (37%). This indicates the success of the bank's activities in attracting income. The growth was mainly due to net interest income. The cost-to-income ratio (CIR) improved from 30% to 27%, indicating a reduction in costs relative to revenues. This is a positive sign for the efficiency of the bank's resource management.

Cost of risks significantly improved: from UAH -4,444 million in 2022 to UAH -999 million in 2023, which indicates a decrease in risky assets and an improvement in the quality of the loan portfolio. Risk-weighted assets decreased by UAH 365 million (-1%), which may indicate a more conservative approach to risk management. Operating expenses increased from UAH -1,959 million to UAH -2,398 million, which is 22% more. Although costs have increased, the decrease in CIR indicates a more efficient use of resources. Return on equity increased from 1% to 28%, a significant improvement. This indicates that the bank has become significantly more efficient in using its own capital to generate profit. The net result increased from UAH 31 million to UAH 2,793 million, which indicates a significant improvement in the bank's financial condition.

In general, the results of the analysis indicate a significant improvement in the financial indicators of Credit Agricole Bank JSC for 2022-2023. The growth of net banking income, reduction of costs, improvement of asset quality and significant increase in return on capital testify to the efficient management of the bank and its ability to adapt to market conditions. These factors can positively affect the trust of investors and customers in the bank in the future.

We will analyze the prudential standards of Credit Agricole Bank JSC as of October 1, 2024 (Fig. 2.3) [24]

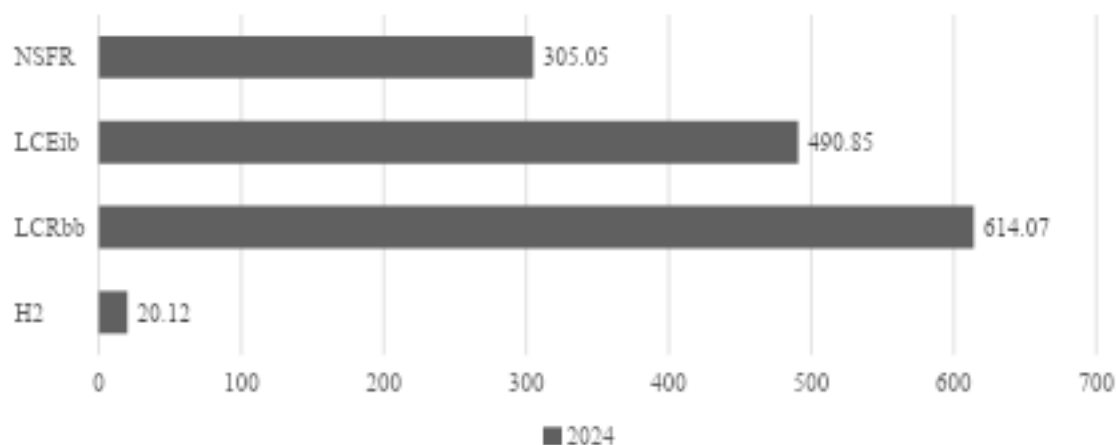


Fig. 2.3. Prudential standards of Credit Agricole Bank JSC as of October 1, 2024, %

As of October 1, 2024, the regulatory capital adequacy ratio (H2) is 20.12%, which indicates sufficient capital to cover the bank's risks. This indicator significantly exceeds the minimum permissible requirements of the regulator, which emphasizes the financial stability of the institution and its ability to withstand negative economic conditions. The LCRbb indicator (Liquidity Coverage Ratio) at the level of 614.07% indicates a significant reserve of liquidity that the bank has to cover short-term obligations. This indicates effective management of liquid assets, which ensures the readiness of the bank for possible stressful situations. LCEib (Liquidity Coverage Ratio for internal banking) is 490.85%, which also indicates a high level of liquidity and availability of resources to maintain stability and cover internal liabilities, which increases the overall reliability of the institution.

The NSFR (Net Stable Funding Ratio) indicator at the level of 305.05% exceeds the minimum permissible level of 100%, which confirms the availability of sufficient stable funding to cover long-term liabilities. This indicates well-structured financing and the bank's ability to withstand prolonged financial difficulties.

Thus, the indicators of liquidity and capital adequacy of Credit Agricole Bank JSC for 2024 confirm the stable financial position of the bank. A high level of regulatory capital, liquidity and stable financing testifies to the reliability of the bank and its ability to effectively manage risks. JSC "Credit Agricole Bank" has strong foundations to ensure its economic security, which makes it attractive to investors and

customers. The bank demonstrates the ability to effectively manage risks, maintaining financial stability and readiness for future market challenges. This creates favorable conditions for further development and strengthening of positions on the financial market.

CHAPTER 3

WAYS OF ENSURING ECONOMIC SECURITY IN THE FINANCIAL AND CREDIT SPHERE OF UKRAINE

3.1. Prospective directions for ensuring economic security of the banking system of Ukraine

In the conditions of the growing openness of the economies of the states and their consistent integration into the world economy, ensuring the economic security of the banking system (EBBS) is an urgent task. This is due to the influence of the external environment, which today is characterized by elements of the deepening of the financial crisis, and the internal environment, in particular, the strengthening of competition and consolidation of the banking business. The influence of the internal environment leads to the emergence of threats that hinder the process of implementing the strategic directions of the development of banks from the point of view of profitability and risk minimization. Therefore, the problem of changing the philosophy and strategy of bank security is quite urgent and should be considered as a system-forming element of neutralizing the structural imbalances of the Ukrainian economy.

As noted by V.V. Kovalenko [14], in the modern conditions of the development of the banking business, there is a need to develop a new philosophy and strategy for the security of banks and the banking system, based on the fact that it has a direct impact on overcoming the structural imbalances of the Ukrainian economy, namely:

1. Factors causing structural imbalances in the economy:
 - ensuring the independence, efficiency and competitiveness of the financial and credit sector of the state, which is reflected in the system of criteria and indicators of its state, which characterize such aspects as the balance of finances, sufficient liquidity of assets, the balance of internal and external debt, the budget deficit and the availability of the necessary monetary and gold and currency reserves;
 - the level of protection of financial interests at the macro and micro levels, levels of financial relations;

- the state of the customs-tariff, financial, currency, budgetary, tax, monetary, settlement, investment, banking and fund systems, which is characterized by the ability to resist internal and external negative influences, the ability to prevent external unfriendly financial expansion, guarantee financial stability, as well as effective functioning of the national economy and economic growth in conditions of expanded reproduction;
- the state of financial flows in the economy, which can be characterized
- balance and the presence of proven and effective regulation and self-regulation mechanisms.

2. Factors affecting the level of security of the banking system:

- structural imbalances between the supply and demand for banks' credit resources;
- shortage of attracting funds to form the resource base of banks;
- assessment of the real quality of assets on the balance sheet of Ukrainian banks, which is the most urgent need to stabilize the growth of the development of the banking system;
- solving the issue of capitalization of banks to the level of international and national standards;
- the issue of improving the business climate to overcome structural problems for the long-term development of the domestic banking system;
- problems of reforming the legislation on bankruptcy of debtors with the aim of accelerating the bankruptcy process and bringing it closer to the best practices of the European Union;
- problems of reforming the system of forced collection of debt, alienation and realization of pledged property with the aim of a simplified procedure of alienation of objects of pledge in favor of creditors.

Provision of EBBS of Ukraine, according to R.S. Vovchenko, should take place, first of all, taking into account the development of the Strategy for the Development of the Banking Sector of Ukraine and the Strategy for Ensuring the EBBS of the Ukrainian Economy, since they should be interconnected and mutually conditioned from the standpoint of validity and a systemic approach [17].

First of all, in order to increase the level of its economic security, the Strategy for the development of the banking sector should reflect:

- the need to apply the model of intensive development of the banking sector;
- development directions of the banking sector in view of ensuring the priorities of socio-economic and innovative development of Ukraine and its regions, the development of branches of the economic complex of the national economy and the corresponding target guidelines. For this, first of all, state and large private commercial banks with domestic capital should be involved, and finally, the real functioning of the economic development bank should be ensured;
- the expediency of developing and implementing strategies for the development of banking sectors in the regions of Ukraine in the conditions of the decentralization of power announced in the state;
- clear mechanisms for the implementation of legal, organizational and other measures and the stages of their implementation, as well as those responsible for their implementation; ratio of asset development and investment credit potential of the banking sector and financial markets;
- recovery of the country after the war.

The following step-by-step approach (algorithm) should be followed for the development of the Strategy for ensuring the EBBS of the Ukrainian economy:

Stage 1. Determination of the elements of the strategy for ensuring the EBBS of the domestic economy and the relationship between them. The strategy for ensuring the EBBS of the Ukrainian economy should consist of the following elements (Fig. 3.1).

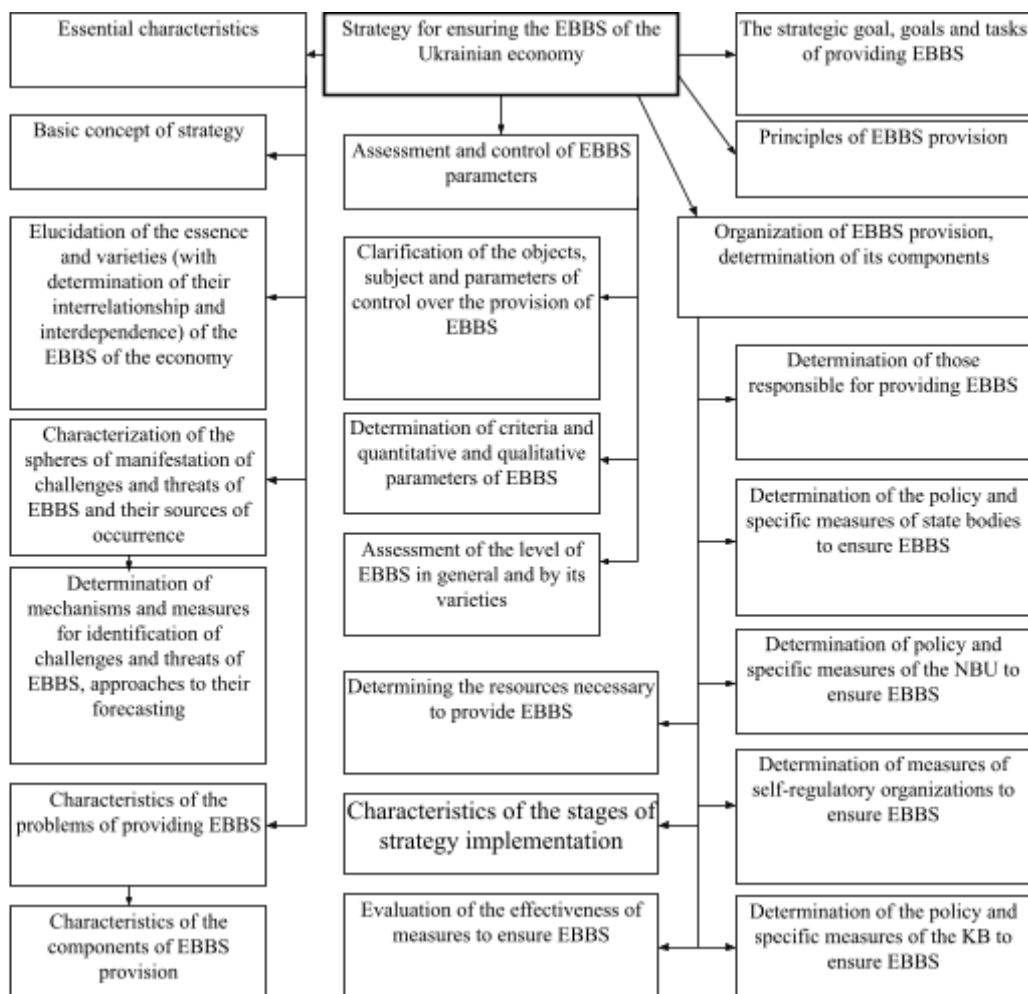


Fig. 3.1. Component strategies for ensuring the economic security of the banking component of the financial and credit sphere of Ukraine

At the same time, in order to solve the existing and potentially possible problems in the field of providing EBBS, the method of analyzing hierarchies should be used, which will enable, thanks to a comprehensive assessment of the mutual influence and interdependence of all elements that make up the "tree of goals", the objective selection of components that guarantee their achievement and performing the necessary tasks.

Stage 2. Elucidation of the basic concepts of the formation of the strategy for ensuring the EBBS of the domestic economy. Depending on the specific conditions prevailing in the country and the world, the stage of the economic cycle and other factors, the strategy of ensuring the EBBS of the Ukrainian economy should be based on various concepts that involve the use of various tools to achieve the set goals (Fig. 3.2).

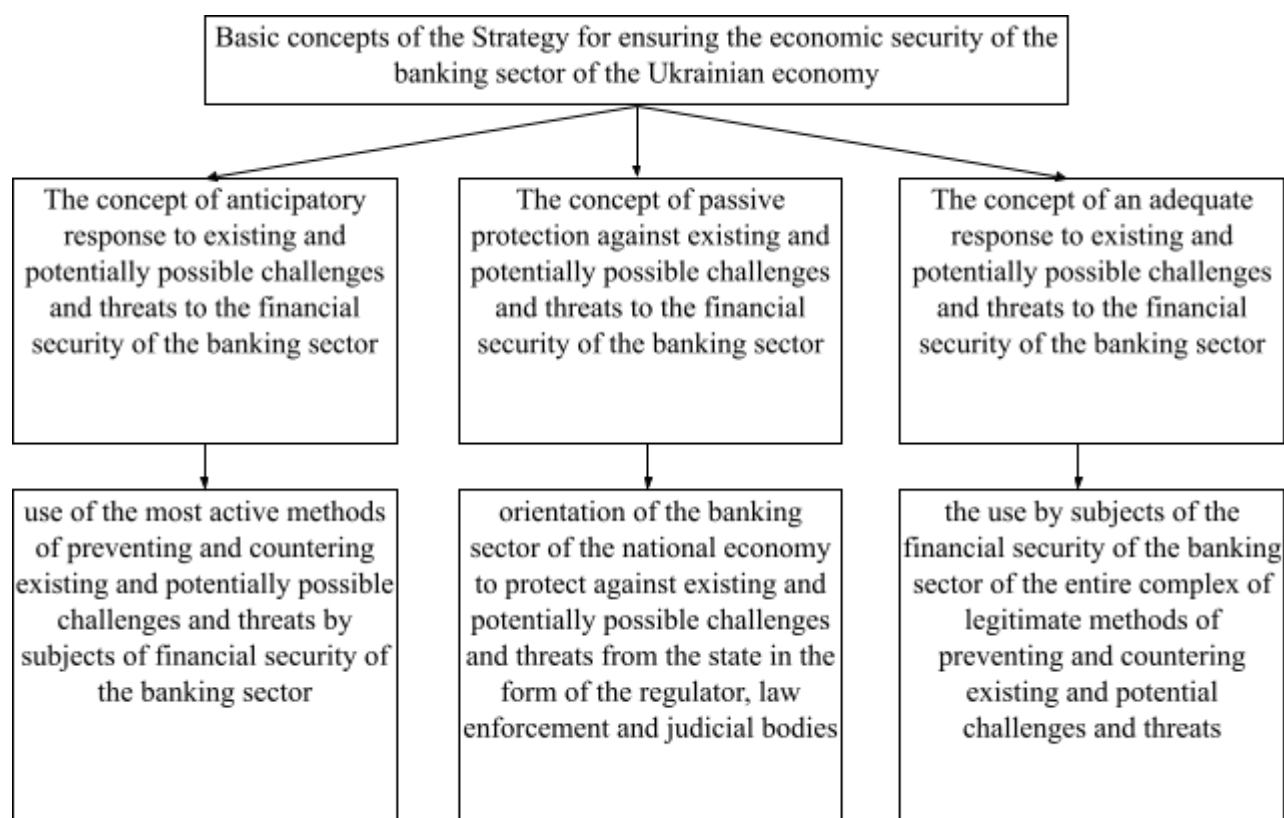


Fig. 3.2. Basic concepts of the strategy of ensuring the economic security of the banking component of the financial and credit sphere of Ukraine

At the same time, their choice should be conditioned by the Strategy for the development of the banking sector of the economy of Ukraine, its competitiveness, the existing criminogenic nature of the banking sector, regulatory and internal organizational, financial, personnel and technological capabilities of the banking sector to ensure its economic security, the impossibility of concentrating efforts to minimize and eliminate certain challenges and threats in contrast to others, the proportionality of the costs of providing EBBS to the real level of challenges and threats.

In contrast to the strategy for ensuring the economic security of the banking system, the strategy for the economic security of banks is formed in accordance with the economic regulations of the central bank and must be consistent with the general economic strategy of the EBBS and be developed on the basis of the current regulatory and legislative framework (Fig. 3.3) [25].

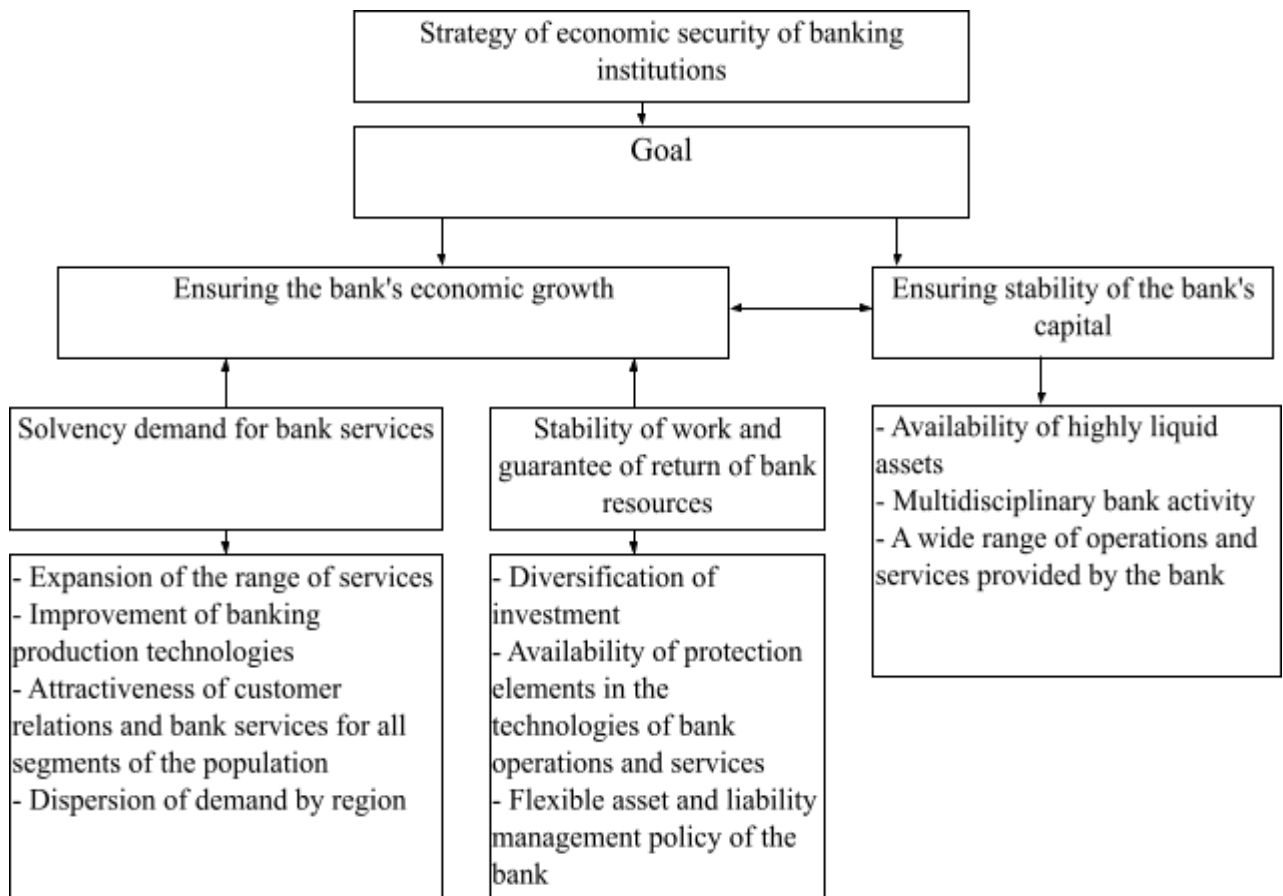


Fig. 3.3. Strategic provision of economic security of banks as subjects of financial and credit relations

The main strategic measures aimed at limiting the negative impact of threats on the state of the bank are as follows:

- carrying out a balanced price policy, the bank's participation in regional economic projects;
- increasing the efficiency and reducing the cost of banking services;
- analysis of partners, in particular, avoiding funding sources whose behavior is unpredictable, placement of accounts in reputable, reliable financial institutions;
- introduction of bank representatives into the management collegial bodies of large enterprise borrowers;
- paying great attention to increasing trust in the bank, its advertising, strengthening the transparency of the bank's financial condition;
- avoiding dependence on "political" capital, strict compliance with the

requirements of legislation in the field of banking;

- carrying out a balanced personnel policy, in particular in the field of remuneration and social protection of employees.

Today, banks need to create a complex system for ensuring the bank's economic security, which, in turn, will enable the bank not to lose liquidity and solvency, as well as to resist various threats and independently eliminate the consequences of their implementation. At the same time, the objects of protection of such a system are primarily finances, material values and bank information. According to the conducted studies, it was established that 80% of the funds of banks are working capital, with the help of which banking operations are carried out, and the rest is used to ensure other needs of the bank. Under such conditions, it can be argued that the main attention in ensuring economic security should be paid to the protection of material values, banking operations and information.

Based on all the above, it can be noted that the formation of a strategic system for ensuring the economic security of the banking system in general and banks in particular, primarily from the point of view of its complex nature, should most effectively ensure the protection of their main resources and create favorable conditions for stable and promising development banking sector.

3.2. Improvement of the subsystems of the system of ensuring the economic security of the subjects of financial and credit relations

Improvement of the supporting subsystems of EBBS of the economy of Ukraine should, first of all, include: expansion of scientific research and improvement of the current regulatory and legal framework, which regulates the formation and maintenance of an appropriate level of EBBS; development of the EBBS model of the economy of Ukraine; improvement of personnel, technological and financial support of EBBS; formation of an information and analytical base for monitoring EBBS indicators; normalization of threshold values of EBBS indicators of the national economy; restructuring of the banking sector; improving the assessment of the EBBS of the

domestic economy.

Increasing the level of scientific support for the formation of the EBBS system of the economy of Ukraine should be carried out by all components of the scientific, scientific and technical and innovative potential of the banking sector due to the acquisition of new knowledge, methodological recommendations, the development of tools, technologies and methods of their application in a specific field of banking activity thanks to the coordination of research activities divisions of the NBU and commercial banks, research institutions and higher educational institutions, non-governmental expert and international financial organizations.

In the Institute of Economics and Forecasting of the National Academy of Sciences of Ukraine, the National Institute of Strategic Studies under the President of Ukraine, leading specialized higher educational institutions (including the University of Banking of the Ministry of Education and Science of Ukraine) should be organized not only episodic and narrow-profile, but also systematic complex fundamental and applied scientific research on the problems of EBBS of the national economy.

In particular, the subject of fundamental research should be:

- problems of balancing the structure of the banking sector and the occurrence of its deformations;
- limits of self-regulation in the banking sector and directions of its development;
- regularities and peculiarities of the development trajectories and trends of the banking and real sectors of the domestic economy;
- assessment of the impact of a set of mega-, meta-, macro-, meso- and micro-factors on the functioning of the banking sector and the transformations of the latter caused by their action;
- prerequisites and determinants of the occurrence of bank panic, tools for preventing panic moods of bank clients;
- development of methodological approaches to the management of financial stability and financial stability of the banking sector;
- approaches to the evaluation of the EBBS of the national economy, determination of evaluation criteria and a list of indicators, their threshold values,

methodological problems of forecasting their level;

- possibilities of bankruptcy of banking institutions, ensuring competitive balance in the banking sector.

At the same time, the Independent Association of Banks of Ukraine, the largest self-regulatory organization, with the efforts of the banking community, scientists and experts, as well as state structures and mass media, should create a single Information and Coordination Center for the study of the problems of crime in the banking sector in general and financial fraud in particular, which would be engaged in permanent collection and analysis of relevant information, its generalization and preparation of recommendations necessary for commercial banks to prevent these negative phenomena.

In order to improve the regulatory and legal provision of EBBS of the Ukrainian economy, it is necessary to develop a well-founded concept of banking law in Ukraine and legislate:

- definition of a commercial bank and the banking sector of the economy of Ukraine, the content and tasks of ensuring their economic security and the state and business structures involved in this process, the procedure for coordinating their activities in the specified area (amendments to the Law of Ukraine "On Banks and Banking Activities");
- protection of competition in the market of banking services with definition of its content, types and list of bodies and measures for its enforcement (adopting the Law of Ukraine "On protection of competition in the market of financial services"); restructuring processes of commercial banks with determination of its varieties and features of implementation, implementation tools (adopting the Law of Ukraine "On Restructuring of Commercial Banks");
- the activities of the security services of commercial banks, designed to detect and prevent crimes in the banking sphere, to promote the safe functioning of banking institutions and the banking sector of the Ukrainian economy in general (amendments to the Law of Ukraine "On Banks and Banking Activity").

The purpose of the activity of commercial banks should be determined by law,

first of all, as providing individuals and legal entities with sufficient, affordable and high-quality banking services that contribute to the development of the economy of Ukraine, which allows for profit. In this way (at least at the legislative level), the financial interests of the state, regions of the country and the banking sector of the Ukrainian economy, as well as clients and counterparties of commercial banks will be coordinated, which will contribute to increasing the level of economic security of the mentioned actors.

The increase in the level of EBBS of the Ukrainian economy will be facilitated by the legislative (like that contained in the US legislation) consolidation of the division of bank capital by categories, which provides for the separation of such types of commercial banks by capitalization as: 1) well capitalized; 2) sufficiently capitalized; 3) insufficiently capitalized; 4) significantly undercapitalized; 5) critically undercapitalized, which will increase the effectiveness of capitalization regulation of individual banking institutions and the domestic banking sector in general. The development of the EBBS provision system will be facilitated by institutional consolidation of the content of EBBS provision, the limits of responsibility, functions and tasks of its participants. In this regard, it is necessary [25-27]:

- regulatory establishment of the procedure according to which the examination of normative legal acts of an economic and social nature should take place on the subject of their possible impact on the existing level of the EBBS of the economy of Ukraine;
- normalization of the content, components, evaluation of the effectiveness and quality of work on providing EBBS;
- development by commercial banks of their own concepts of ensuring their economic security and determining those responsible for their implementation;
- inclusion of the threshold values of the EBBS indicators of Ukraine's economy in the normative and methodological materials for the development of annual forecasts of the economic and social development of Ukraine and the Basic Principles of Monetary Policy;
- highlighting in the Fundamental principles of monetary policy, as an appendix,

the NBU's measures to improve the functioning of the banking sector and banking supervision for the planned period and ensure their strict implementation.

In particular, such measures should include the introduction, if necessary, of countercyclical regulatory requirements for:

- the minimum size of banks' capital, which will increase in periods of sharp rise and decrease in periods of decline, as well as reserves for possible current and expected future losses on loan and investment portfolios. At the same time, the list of factors that affect the capital adequacy ratio due to macroeconomic risks should be expanded, which will determine the dependence of banks' equity capital on the growth of aggregate credit supply and investment activity, financial leverage in the banking sector in general;
- formation of reserves for actual losses during the crisis period, not at the expense of current income, but from reserves previously accumulated by banks;
- limitation of artificial increase of bank assets during periods of growth of credit and stock markets in Ukraine; determination of the list and content of special regulatory measures for systemically important banks.

In the National Security Strategy of Ukraine, it is imperative to emphasize the need to observe economic security, define its essence, factors, challenges and threats that exist in this area, for which the appropriate changes should be urgently made to the document. And in the current Concept of ensuring national security in the financial sphere, the block should be strengthened, which states the desired measures to ensure security in the domestic banking sphere, which would prevent the development of crisis phenomena in it, which would focus more attention on the need to ensure the EBBS of the Ukrainian economy.

The Cabinet of Ministers of Ukraine and the National Bank of Ukraine should develop and implement the State Program for the Support of Regional Commercial Banks, which would include tasks for state, regional and local authorities, the business environment to create favorable opportunities at the regional level for the creation and maintenance of banking infrastructure, and to stimulate commercial banks that open branches and branches in the regions.

To increase the level of EBBS of the economy of Ukraine, the following should be implemented:

- formation of the EBBS model of the economy of Ukraine as a set of officially accepted views, institutions (institutions, organizations, relations and relevant actions) through the adoption at the state level of the concept, strategy of the EBBS of the economy of Ukraine and a specific program for its support with the aim of creating a methodological and organizational and legal basis for the sub-entities responsible for the development and implementation of financial, monetary, currency, debt, investment and banking policies;
- the development and use of differentiated, that is, strategic (intended for the long-term period - financial stability) and tactical (intended for the medium-term period - financial stability), as well as current (short-term - those whose observance indicates the solution of urgent problems in the banking sector) EBBS indicators of the economy of Ukraine; normalization of their threshold values;
- restructuring of the banking sector of the Ukrainian economy thanks to the implementation of an active policy of increasing the capitalization of existing banking institutions, mergers and acquisitions with the aim of increasing solvency, financial stability and stability of functioning, competitiveness of banks and the banking sector in general;
- transformation of the institution of internal control of banks from exclusively checking the fulfillment of the requirements of regulatory documents into an important information system, defining a set of procedures for minimizing risks as one of the key elements of ensuring the economic security of banking institutions, and therefore, the EBBS of the Ukrainian economy;
- activation of the banks' own sources of development through the introduction by the Government and the NBU of appropriate incentives (stimulation of demand (for example, the purchase of new cars); creation of classical financial and industrial groups; subsidization of lending to certain branches of the domestic economic complex; support of lending programs for small and medium-sized businesses or mortgages, assistance to borrowers , who found themselves in a

- difficult life situation; the introduction of preferential taxation;
- implementation of individual or group (for a certain type of banks) economic standards and liberalization of bank provisioning);
 - assessment of the level of sufficiency of providing the EBBS of the economy of Ukraine with the above-mentioned measures and resources and the effectiveness of their application.

In order to increase the economic security of consumers of banking services, it is expedient to create a coordinating council under the State Inspectorate of Ukraine for the Protection of Consumer Rights to consider appeals from individuals and legal entities - clients of commercial banks. The staff of such a foundation should be formed on the basis of quotas by the NBU, authorized state bodies, the banking community and consumer protection associations from specialists who have extensive experience in resolving financial and legal disputes and their pre-trial review.

This would contribute to the improvement of the quality of pre-trial settlement of such disputes, and therefore would save money on court proceedings and increase the trust of clients in banking institutions.

Simultaneous optimization of the functioning of the most profitable banking businesses and revision of existing projects for the development of the branch network, introduction of innovative products, development of IT systems, which are not consistent with the strategic goals of the domestic banking sector and are implemented by inertia, will contribute to the increase of the level of EBBS of the Ukrainian economy.

Thus, the improvement of the supply subsystems of the EBBS of the Ukrainian economy requires the adoption of a number of multifaceted effective measures, the main ones of which are: the development of scientific research on the issues of the EBBS of the national economy; improvement of the legal framework that regulates it; formation of a full-fledged system of substantiated indicators of EBBS; restructuring of the banking sector and transformation of the institute of internal control of commercial banks; quality improvement of informational and analytical, personnel and financial support for the provision of EBBS of the domestic economy and the necessary increase

in the level of its components, such as deposit, credit, investment and debt security of the banking sector.

3.3. Management of credit risks of banking institutions in the conditions of martial law

Military actions on the territory of Ukraine caused significant and unpredictable changes, both in the economy and in the financial sphere, which significantly affected the credit portfolio and the overall financial stability of the banking sector. The growth of inflation, devaluation of the currency, reduction of production, unstable conditions and other negative consequences that affected the financial stability of individuals and legal entities led to an increase in the risk of non-repayment of loans by bank clients. That is why credit risk occupies a dominant position in the risk management system of a banking institution. Thus, the issue of bank credit risk management in wartime remains an extremely relevant and critically important task, the solution of which makes it possible to ensure the stability of the banking sector, which is a primary task for the economy of any country.

The practice and methodology of credit risk management is the most important issue for banking institutions in wartime. Successful credit risk management is the key to maintaining the appropriate level of competitiveness and ensuring the financial stability of a financial institution. The principles of banking risk management occupy an important place among the recommendations of the Basel Committee on Banking Supervision and the National Bank of Ukraine [30]. Effective credit risk management of a banking institution requires a deep understanding of the structure and quality of the credit portfolio. To achieve this goal, it is important to consider the credit portfolio as a set of individual elements, indicators and relationships. The loan portfolio consists of various bank assets in the form of loans, promissory notes, factoring debt, guarantees and can be classified based on certain criteria.

Thus, the overall risk of a banking institution's credit portfolio depends on the level of risk of its individual segments, which have their own specifics, as well as on the

level of diversification or concentration of these segments in the structure of the bank's portfolio. Credit risk is the existing or potential risk to income and capital arising from the inability of the obligor to fulfill the terms of any financial agreement with the bank or otherwise fulfill the obligations assumed [31] .

Credit risk brings its own peculiarities to the process of managing its level in the bank's activities. It is important to emphasize that effective management of individual credit risk is a key condition for ensuring the high quality of the bank loan portfolio. At the same time, a high-quality credit policy can prevent the increase in the level of credit risk of a banking institution in general.

The analysis of the amount of non-performing loans (NPL) is an important aspect of assessing the bank's credit risks, as this indicator indicates the stability of the financial condition and the efficiency of the credit portfolio of the banking institution.

Note that 2022 will be the year of the biggest tests for the banking system of Ukraine. The destruction of assets and collateral, a decrease in their value, a drop in income, and a deterioration in borrowers' solvency reduce the quality of banks' credit portfolios, which, in turn, leads to an increase in deductions to banks' reserves, which is undoubtedly a restraining factor of economic growth.

The share of NPLs in the loan portfolio of Ukrainian banks increased by 10.8% in 2022 (from 27.3% to 38.1%). Despite this, the financial sector successfully adapted to work in difficult conditions, maintained operational efficiency, profitability, payments were made on time, and bank clients had unhindered access to their own funds.

In 2023, the volume of non-performing loans (NPL) in the banking system of Ukraine as a whole decreased by 0.7% or by UAH 9,745 million and as of January 1, 2024 was equal to UAH 422,360 million. The share of non-performing loans (NPL) in the total loan portfolio of Ukrainian banks for 2023 decreased from 38.1% to 37.4%. During the first quarter of 2024, the share of non-performing loans of Ukrainian banks decreased, compared to the beginning of the year, by 0.8% or UAH 2,687 million and amounted to UAH 419,683 million or 36.6% as of March 1, 2024.

In connection with the opening of the land market for legal entities in Ukraine and the beginning of the activity of the Fund for Partial Guarantee of Credits in

Agriculture, the National Bank of Ukraine introduced changes to the Regulation on determination by banks of Ukraine of the amount of credit risk for active banking operations. The specified changes were approved by the resolution of the Board of the National Bank of Ukraine "On Amendments to Certain Regulatory Acts of the National Bank of Ukraine" No. 39, dated 04/06/2024 [20], which will enter into force on May 24, 2024. These changes create positive prerequisites for the widespread use of land as liquid collateral for bank loans and increased credit support for agricultural producers. In addition, the National Bank expanded the list of acceptable security, the value of which is taken into account when calculating credit risk, adding to it the guarantees of the Fund for the partial guarantee of loans in agriculture. Liquidity ratios were also increased for certain types of security, in particular for agricultural land. Taking into account the update of legislation in the field of insurance, the NBU extended until March 31, 2025 the right of banking institutions to take into account the value of acceptable collateral when calculating credit risk without an insurance contract for the collateral. Changes were also made to the "Regulations on the organization of the process of managing problem assets in banks of Ukraine", which strengthened the control of the bank's supervisory board in the case of delegation of powers to subordinate the non-performing asset division to the chief risk manager. The process of risk management in credit risk management of a banking institution should cover all stages, starting from the analysis of the internal and external environment. Identification of weaknesses and potential threats is actually an assessment of risks in the process of strategic management. This process forms a risk profile in the banking institution's credit activity.

The process of credit risk management must necessarily include: the availability of credit activity information systems, the use of limiting methods when forming the structure of the credit portfolio, adjusting the interest rate under the credit agreement according to the level of risk, periodic monitoring of the risk of the credit portfolio, creating a system for the preliminary identification and liquidation of problematic debt .

Credit risk management consists in determining and managing the level of uncertainty, making and implementing management decisions in order to avoid or

reduce the negative impact of factors on the process and results of credit activities, in order to ensure the profitability of the banking institution. In the course of credit risk management, the management subject (employees of the bank engaged in crediting of borrowers; credit risk managers) exerts an organized influence on the object of management (credit risk) in order to reduce or ensure credit risk indicators at an acceptable level.

Determining the borrower's creditworthiness before issuing a loan and periodic monitoring throughout the duration of the agreement become key stages of the bank's credit risk management in wartime conditions.

The assessment of the borrower's creditworthiness is carried out on the basis of methods that are most often used in a complex manner. They include:

- coefficient analysis, based on the results of which the degree of creditworthiness of the recipient of the loan, his financial situation is assessed. During the analysis, only quantitative indicators calculated on the basis of financial reporting data are taken into account;

- expert rating assessment, which determines the aggregated (integral) indicator of the level of creditworthiness, taking into account qualitative indicators for evaluating certain characteristics of the recipient of the loan. A variant of this method for assessing the creditworthiness of individuals is credit scoring [31];

- models based on the construction of the credit risk probability distribution function, determination of default probability indicators, losses in case of default, threat in case of default (exposure values).

Banking institutions must also monitor the borrower's compliance with the terms of the agreement, the intended use of the loan, the state of the loan agreement's security, namely the property security under the loan agreement, in conditions of military operations, is under a constant risk of destruction. The employees of the banking institution must monitor the credit risk in terms of individual borrowers on an ongoing basis, taking into account internal documents and procedures for the formation of reserves to compensate for possible losses in credit operations. Effective assessment and monitoring of the borrower's creditworthiness, as well as the collateral property,

depends on the effectiveness of the bank's credit operations. Effective monitoring of credit risk requires a comprehensive approach, covering both general indicators of the credit portfolio and individual aspects of each borrower. By carrying out a systematic analysis of factors affecting credit risk, banks can make informed decisions about risk management and maintain the stability of their financial activities.

The most widespread methods of credit risk management are [31-32]: limiting loans; formation of reserves; credit diversification; securitization of assets, etc. In order for financial institutions to make a profit, it is necessary not to avoid credit risk, but to manage it qualitatively, because the efficiency of the banking institution depends on it.

On the basis of the conducted research, it is worth noting that in war conditions, the question of assessing credit risk, finding the most effective means of minimizing it, both at the level of a separate banking institution and the banking system in general, is quite acute. Therefore, it is extremely important for every bank to create an effective credit risk management system.

The main directions for improving the bank's credit risk management in war conditions are suggested in Table 3.1

Table 3.1

The main directions of improving the bank's credit risk management in wartime conditions

Directions	Characteristic
Analysis of the bank's loan portfolio	- analysis of the bank's loan portfolio, which involves a detailed analysis and assessment of the institution's loan portfolio, with the identification of those sectors and branches of the economy that are particularly vulnerable in war conditions. It is necessary to assess the degree of credit risk for each client, which involves: developing a system of quantitative and qualitative indicators based on significant risk factors; determination of optimal and critical values for each credit risk factor; development of bank standards regarding credit quality and compliance with requirements established by regulatory bodies; classification of granted loans by degree of risk;
Stress testing of the credit portfolio	– stress testing of the loan portfolio, which will help the bank assess the impact of various war scenarios on its loan portfolio and take the necessary measures to reduce the risk;
Risk management policy	risk management policy, which provides a set of measures and tools for overcoming negative situations aimed at minimizing those consequences that cannot be fully prevented. The credit committee of the banking institution plays an important role in this. He should consider only those credit applications that correspond to the credit risk management policy that was formed in a specific banking institution;
Recommendations regulating the procedure for concluding a credit agreement	recommendations regulating the procedure for concluding a credit agreement, which should determine the composition of the documentation accompanying the credit application; provide for a comprehensive analysis of borrowers'

	creditworthiness; assess the reliability of the borrower, based on credit history, the state of bank accounts and liabilities, financial stability and solvency of the borrower, etc.;
Establishment of internal banking limits, which will ensure the diversification of the credit portfolio by various factors	- establishment of internal banking limits, which will ensure the diversification of the loan portfolio by various factors (terms, spheres of economic activity, lending entities, types of loans, territories) and reduce the overall risk of the bank's loan portfolio. A banking institution may consider providing loans to borrowers from various sectors of the economy or specific geographic regions;
Credit risk monitoring system	a system for monitoring credit risk and quick response to any changes, which will help to timely identify negative factors that may affect the bank's credit portfolio.

So, the credit risk management system of banks includes a number of measures, such as: forming a risk management policy to determine the strategy and approaches to credit risk management; strengthening requirements for the bank's ownership structure and procedures for concluding credit agreements to ensure transparency and compliance with regulations; increased control over the bank's lending operations for risky industries and regions; development of a system of bank limits for effective distribution of credit risk; definition of a system of indicators for credit risk assessment and development of its monitoring system. These measures are aimed at ensuring effective management of credit risks and reducing the possibility of losses for the banking institution in the conditions of military operations on the territory of Ukraine.

CONCLUSIONS

The research carried out in the work allows us to draw the following conclusions.

Having researched and analyzed the views of various domestic and foreign scientists on the problem of the definitions of "economic security of the bank" and "financial security of the bank", we come to the conclusion that in modern scientific opinion there is no unity regarding the understanding of either their essence or even the category that should be is the basis of this definition. Clarifying and deepening the existing definitions of economic and financial security of banking institutions, the following comprehensive vision of this concept is offered: financial and economic security of a bank is a complex concept that characterizes the ability of a banking institution to identify, warn and counteract external and internal threats by creating and ensuring the effective functioning of the management system financial and economic security.

It was established that there is a close relationship between economic security and financial stability of the banking system, which is manifested through the definition of the goals of profitable and stable banking activity; ensuring the protection of depositors' interests; creation of a system of protection against threats facing the banking system. The economic security of the banking system involves the development of a set of countermeasures against the negative impact of potential threats on the process of ensuring financial stability and stable functioning of the banking system and each individual bank. In this context, the problem of measuring the financial security of banks becomes relevant, since the completeness, effectiveness and timeliness of management decisions regarding the neutralization of negative factors on the financial stability of the banking system depend on an adequate assessment of the existing level of financial security.

Ensuring the financial and economic security of a banking institution is a complex, continuous and multifaceted process. Bank managers should consider security as one of the most important areas of their management activities. In order to build an effective management system for the bank's financial and economic security, it is

necessary to involve various specialists: not only economists, but also mathematicians, programmers, psychologists, and analysts. It is necessary to continuously modernize management tools and keep up with the development of modern information technologies. Bank owners should understand that it is better to prevent crisis situations, and not save money to ensure financial and economic security, than to increase costs later, eliminating the consequences of a crisis situation.

As of October 1, 2024, Ukraine's banking system shows positive signs of resilience and stability, despite the continued armed conflict and the challenges it faces. Although the number of bank branches is shrinking due to a variety of factors, including cost optimization and changing consumer preferences, overall the sector remains well capitalized and profitable. During the first nine months of 2024, banks posted significant net profits and liquidity remained strong. This testifies to the healthy financial position of banks, which continue to attract business and population funds, in particular in the form of time deposits. The National Bank of Ukraine is actively implementing new regulatory requirements to strengthen the banking system, including a strategy for credit development and solving the problem of non-performing loans. The introduction of the war risk insurance system also increases the level of economic security of banks. The fundamental stability of the banking system is supported by the successful implementation of the POWER BANKING project, which ensures uninterrupted operation of financial institutions in critical situations. Changes in the system of electronic payments, which meet international standards, improve the integration of the Ukrainian financial market into the European system. Although the banking sector faces certain challenges, such as the reduction in the number of branches and changing lending conditions, in general, it shows the ability to adapt and grow. Positive trends in lending, the growth of the net loan portfolio and the improvement of the quality of assets indicate that the banking system of Ukraine has enough strength to support economic security and further development in the conditions of modern challenges.

It has been proven that the indicators of the financial condition of Credit Agricole Bank JSC for 2024 confirm the stable financial position of the bank. A high level of

regulatory capital, liquidity and stable financing testifies to the reliability of the bank and its ability to effectively manage risks. JSC "Credit Agricole Bank" has strong foundations to ensure its economic security, which makes it attractive to investors and customers. The bank demonstrates the ability to effectively manage risks, maintaining financial stability and readiness for future market challenges. This creates favorable conditions for further development and strengthening of positions on the financial market.

The analysis of the mentioned issues emphasized the need to improve the financial security of the banking system of Ukraine. The main directions are the improvement of the banking sector development strategy and the strategy of ensuring economic security, which should take into account the intensive development of banks, focused on the socio-economic and innovative priorities of the state. Ensuring the economic security of the banking system (EBBS) requires the availability of a scientific, regulatory, personnel and financial base. The main measures to increase the level of EBBS include: assessing the ability of the banking sector to withstand crises, stimulating the development of regional banks, improving management in state-owned banks, introducing state insurance schemes for bank assets, access to refinancing for small banks, scenario stress testing, as well as creating channels for liquidity overflow between banks of different scales and specializations.

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