

**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:

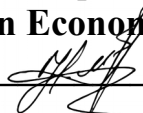
**MANAGEMENT OF THE BANK'S REPUTATIONAL
RISK**

student of higher education **Chen Xing**

The work is accepted for defence in the EC

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Kharkiv 2024

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25 September 2024

TASK
FOR A QUALIFYING MASTER'S THESIS
Chen Xing

1. Topic of work: "MANAGEMENT OF THE BANK'S REPUTATIONAL RISK".

Scientific adviser Iryna Denchyk

(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 learn theoretical foundations and components of the business reputation of banking institutions; to reveal the nature and features of the bank's reputational risk; to explore the cityethical approaches to assessing the bank's business reputation and reputational risks.

• In Chapter 2: to provide with general characteristics of JSC "OTP Bank" activity; to analyze financial results and achievements of OTP Bank JSC; to conduct an analysis of the current state of the reputation of JSC "OTP Bank" using qualitative and quantitative research methods.


• In Chapter 3: to base the reputational risk management strategy in banking institutions taking into account modern challenges and trends; to investigate the specifics of ESG

risk management in the banking sector and determine their impact on the reputation of financial institutions; to develop recommendations for improving the reputational risk management policy at JSC "OTP Bank" based on the analysis of existing approaches and best practices.

4. Plan of qualifying master's thesis

No	Names of work sections
1	THEORETICAL ASPECTS OF BUSINESS REPUTATION MANAGEMENT AND REPUTATION RISK OF BANKS
2	ASSESSMENT OF THE BUSINESS REPUTATION OF JSC "OTP BANK"
3	IMPROVEMENT OF THE BANK'S REPUTATION RISK MANAGEMENT SYSTEM

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

Student  Chen Xing
signature, full name

Scientific Adviser  Iryna Denchyk
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ABSTRACT

The qualifying master's thesis contains 61 pages, 5 figures, 5 tables, and a list of 44 references.

The object of research is processes of organization and implementation of reputational risk management in the banking sector under modern conditions.

The subject of research includes theoretical foundations and methodological approaches to the evaluation and management of reputational risks in banking institutions.

The purpose of the master's thesis is development and scientific justification of organizational and economic approaches to managing the reputational risks of banking institutions.

Tasks of a qualifying master's thesis include:

- to examine the theoretical foundations and components of the business reputation of banking institutions;
- to reveal the nature and features of reputational risks in the banking sector;
- to explore methodological approaches to assessing a bank's business reputation and reputational risks;
- to provide a general description of the activities of JSC "OTP Bank";
- to analyze the financial results and achievements of JSC "OTP Bank";
- to evaluate the current state of the reputation of JSC "OTP Bank" using qualitative and quantitative research methods;
- to substantiate a reputational risk management strategy for banking institutions, taking into account modern challenges and trends;
- to investigate the features of ESG (Environmental, Social, and Governance) risk management in the banking sector and determine their impact on the reputation of financial institutions;
- to develop recommendations for improving the reputational risk management policy at JSC "OTP Bank," based on an analysis of existing approaches and best practices.

Practical value: The theoretical propositions, conclusions, and recommendations derived from the study are presented in the form of methodological developments that can be practically applied to improve the reputational risk management system in banking institutions.

This research provides a comprehensive framework for evaluating and managing reputational risks in the banking sector. By addressing theoretical, methodological, and practical aspects, it offers actionable solutions for banks like JSC "OTP Bank" to enhance their risk management systems, strengthen their reputation, and maintain competitive advantages in a dynamic and challenging market environment.

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 dynamic development of financial markets and high competition, a bank's reputation is one of the key intangible assets that determines its competitiveness and sustainability. Reputational risk, which reflects the probability of loss of trust on the part of customers, partners, regulators and other stakeholders, can have a significant impact on the financial stability and efficiency of banking institutions.

Reputational risk management is especially relevant in the context of the war in Ukraine, which creates numerous challenges for the banking sector. War intensifies social tension, changes customer behavior, exacerbates financial risks, and requires banks to adapt to new realities. In these circumstances, a loss of trust can have catastrophic consequences for a banking institution, including customer churn, reduced investment and financial losses.

In addition, the importance of the integration of ESG principles (environmental, social and governance factors) is growing, which are becoming a critical element of banks' strategy in crisis conditions. Ensuring customer support, participation in socially significant initiatives, transparency and adherence to ethical standards are important factors in building a sustainable reputation even in extremely difficult circumstances.

The relevance of the research topic is due to the need to improve the reputational risk management system of banks in the conditions of a military conflict. This requires the development of strategies, methods and tools that take into account the unique challenges caused by war and ensure the resilience of the banking institution while maintaining the trust of customers and partners. Effective management of reputational risk in such conditions will contribute to increasing the viability of the banking system and its ability to support the country's economy.

The purpose of the master's thesis is the development and scientific substantiation of organizational and economic approaches to managing the reputational risk of a banking institution.

The tasks of the qualifying master's thesis are:

- learn theoretical foundations and components of the business reputation of banking institutions;

- reveal the nature and features of the bank's reputational risk;

- explore the cityethical approaches to assessing the bank's business reputation and reputational risks;

- provide withgeneral characteristics of JSC "OTP Bank" activity;

- analyzefinancial results and achievements of OTP Bank JSC;

- analyze the current state of the reputation of JSC "OTP Bank" using qualitative and quantitative research methods;

- oto base the reputational risk management strategy in banking institutions taking into account modern challenges and trends;

- investigate the features of ESG risk management in the banking sector and determine their impact on the reputation of financial institutions;

- develop recommendations for improving the reputational risk management policy at JSC "OTP Bank" based on the analysis of existing approaches and best practices.

The object of research is the processes of organization and implementation of reputational risk management in the banking sector in modern conditions.

The subject of the research is the theoretical foundations and methodological approaches to the evaluation and management of reputational risks of banking institutions.

The following methods were used to achieve the set goal and perform the tasks: theoretical generalization to systematize approaches to the analysis of the concepts of "reputational risk" and "business reputation" of the bank; statistical, sociological methods, the method of expert evaluations, observation and systematic analysis to assess the business reputation of JSC "OTP Bank". The used methodological base ensured the reliability and validity of the conclusions and practical recommendations.

CHAPTER 1

THEORETICAL ASPECTS OF BUSINESS REPUTATION MANAGEMENT AND REPUTATION RISK OF BANKS

1.1. Theoretical foundations and components of the business reputation of banking institutions

Business reputation is one of the most valuable intangible assets of a banking institution, which plays an important role in ensuring its stable development and competitiveness. In today's conditions of globalization, digitization of banking services and increased competition in financial markets, the bank's reputation is becoming a key factor of trust on the part of clients, partners and regulators.

The theoretical basis of the study of business reputation involves the analysis of its essence as a multifaceted phenomenon that combines financial, social, ethical and managerial aspects. The basis of forming a positive reputation is high-quality customer service, compliance with regulatory requirements, effective risk management, transparency of activities and social responsibility of the bank.

Since the nineteenth century, business reputation has occupied an important place in economic theory, being considered as one of the key assets that needs special attention. Subsequently, such concepts as "brand", "image", "business reputation" and "reputational capital" were distinguished (Fig. 1.1).[1-4].

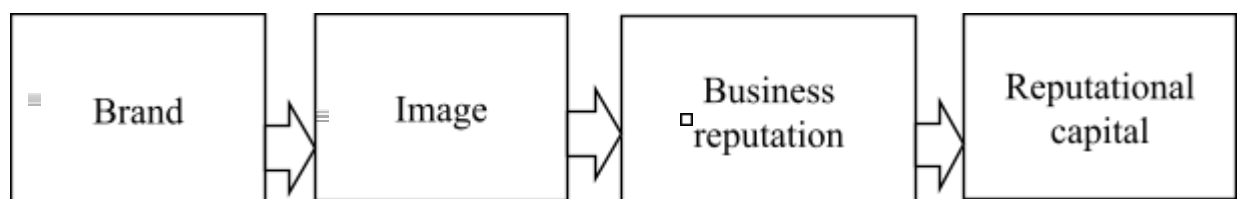


Fig. 1.1. The relationship between the concepts of "brand", "image", "business reputation", "reputational capital".

So, in the process of development of economic theory and business practices, the concepts of "brand", "image", "business reputation" and "reputational capital" were clearly distinguished, which made it possible to better understand their relationship and significance for the successful operation of organizations, in particular banking institutions

A brand is a set of characteristics that reflect the identity of an organization, its products or services, forming recognition and uniqueness among consumers. The main components of a brand are the name, logo, design, emotional connection with customers and associations that arise in the process of interaction with it. The brand is often the basis of the formation of the company's image and reputation [1-2].

Image is the perception of an organization or brand by external stakeholders (clients, partners, society). It is formed on the basis of communications, advertising campaigns, public statements and actions of the company. Image reflects how an organization is perceived by others and may change depending on circumstances or marketing efforts.

Business reputation is a deeper and more stable concept compared to image. This is a set of long-term assessments formed on the basis of the experience of interaction with the organization, its reliability, ethics, professionalism and financial stability. For banking institutions, business reputation plays a key role in strengthening the trust of customers and partners, which directly affects their competitiveness.

Reputational capital is a strategic resource of the company, which is formed on the basis of its business reputation and brings economic benefits. It reflects the level of trust in the organization on the part of key stakeholders and allows strengthening competitive positions, attracting investments and gaining advantages in the market [3].

The brand creates the basis for the formation of a positive image, which, in turn, affects the development of a sustainable business reputation. Business reputation is the basis for the formation of reputational capital, which acts as an intangible asset and provides the organization with long-term benefits.

The above concepts form a hierarchical structure, where each subsequent level deepens the meaning of the previous one, creating a comprehensive approach to managing the organization's reputation.

In modern conditions of economic development, the business reputation of an organization, especially a banking institution, is a key factor in its success. Its importance is determined by the ability to influence the trust of customers, investors, partners and regulators, ensuring the stability and competitiveness of the company in the market. To understand the essence of business reputation and its role in the organization's activities, various approaches have been formed, each of which reveals this phenomenon from different perspectives: legal, accounting, and marketing [4-7]. These approaches allow for a deeper understanding of the relationship between reputation and other intangible assets, such as brand and image, and to determine its impact on the achievement of the company's strategic goals.

The legal approach considers business reputation as an intangible asset of the organization, which has common features with concepts such as brand and image. According to this approach, reputation is subject to legal regulation as an object of non-property rights of the company, which can be protected by legal mechanisms. It is an integral part of the organization's intellectual property and reflects its right to protect its reputation from the illegal actions of third parties.

In the framework of the accounting approach, business reputation is equated with goodwill - a comprehensive indicator of an organization's intangible assets. Goodwill includes such components as brand, image, customer base, loyalty of customers and partners, as well as corporate culture. This approach emphasizes reputation as an economic asset that affects a company's financial valuation during mergers, acquisitions, or investment deals.

The marketing approach interprets business reputation as an effective tool for achieving competitive advantages. In this context, reputation is considered as a strategic resource that provides the company with an advantageous position in the market. This approach emphasizes the structural division of the concept into components - image and

brand, which are the main elements affecting the perception of the organization by external stakeholders.

Each of the approaches to defining business reputation complements the other, revealing its multifacetedness and significance for the organization. The legal approach provides legal protection of reputation, the accounting approach emphasizes its economic value, and the marketing approach defines it as a key element in the formation of competitive advantages. Such a comprehensive approach allows for a better understanding of the role of business reputation in ensuring the stable development of the organization.

The business reputation of a bank is a multifaceted concept that is formed under the influence of a number of factors and reflects trust in a banking institution on the part of customers, partners, regulators and society. Its components can be divided into several key elements (Table 1.1) [3, 5, 7,]

Table 1.1

Components of the bank's business reputation

Constituents	Characteristic
Financial stability and reliability	High level of capitalization. Stable profit and quality management of assets and liabilities. Compliance with liquidity and solvency standards. A financially stable bank is perceived by clients and partners as reliable.
Quality of customer service	Speed and convenience of service. High culture of communication between employees and customers. Transparency of information regarding the conditions of products and services.
Corporate social responsibility (CSR)	Participation in charity programs. Environmental initiatives. Implementation of gender equality and ethical behavior policies.
Image and brand	Visual identity (logo, branch design, advertising campaigns). Market position and brand associations.
Innovativeness	Digitization of products and services (mobile banking, online platforms). Investments in modern IT solutions to ensure customer security.
Compliance with ethical norms and transparency of activity	Banks that adhere to the principles of ethical behavior, demonstrate transparency of financial activities and ensure compliance with regulatory requirements, build trust on the part of customers and regulators.
Professionalism of the staff	The qualifications of employees and their professional approach to work are an important element of the bank's reputation. Continuous training and professional development of staff ensure high quality of service and expertise in solving clients' problems.

Stakeholder relations	Business reputation is also formed through the bank's interaction with: partners, investors, regulatory bodies.
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The components of the bank's business reputation are interrelated and form a complex image of the institution. Effective management of these elements allows the bank to strengthen its position on the market, increase customer confidence and ensure stable development in a competitive environment.

Therefore, the bank's business reputation is a key intangible asset that determines its competitiveness, stability and trust from customers, partners and regulators. Its essence lies in the ability of a banking institution to create a lasting positive impression through a combination of financial reliability, quality service, innovation and compliance with ethical standards. The components of a bank's business reputation cover a wide range of elements, such as financial stability, quality of customer service, corporate social responsibility, image and brand, innovativeness, staff professionalism and transparency of operations. These elements form a single system that provides the bank with customer trust and loyalty, attracting investors and strengthening market positions. Business reputation management requires a systematic approach aimed at maintaining high standards of quality, transparency and social responsibility.

1.2. The nature and features of the bank's reputational risk

Reputational risk is one of the most significant and at the same time difficult to measure risks in the activity of a banking institution. In today's conditions of high competition, rapid digitization of the financial sector and growing requirements for business transparency, the bank's reputation is a key asset that determines the trust of clients, partners and investors.

Various scientific approaches to the definition of the concept of "reputational risk" proposed by scientists and practitioners reveal its nature from different

perspectives. For example, E. Griffin defines reputational risk as an actual or potential threat to a business's reputation that, if not adequately controlled, could lead to a crisis that would adversely affect the reputation. In this approach, the need for constant monitoring and risk management to avoid its negative consequences is key [9].

I. Zaman interprets reputational risk as the result of a comparison made by interested parties between the expectations of the company's functioning and its actual actions. This approach emphasizes the possibility of both negative and positive effects of reputational risk, which depends on the level of compliance with society's expectations [8-9].

Summarizing these definitions, we can conclude that reputational risk is a multifaceted category that reflects a change in the company's evaluations by key groups of stakeholders, which emphasizes its complex nature.

Ukrainian researchers such as Kovtun V., Buryak A. and Rymara A., consider reputational risk as an economic category. Kovtun V. defines it as a socio-economic category that can serve as an indicator of the level of public trust in the bank. This risk is associated with possible threats to income and capital and includes an analysis of the reasons for its occurrence [8-9].

Buryak A. and Rymara A. describe reputational risk as an economic category arising during business or other activities. It covers both real and potential threats to business reputation, as well as the possibility of positive changes in the company's strategic reputational assets [9].

Therefore, the proposed approaches reflect the complexity and multifacetedness of reputational risk, defining it as a dynamic category that affects various aspects of the organization's activities.

In our opinion, the most complete interpretation of reputational risk is as follows: "A bank's reputational risk is a consequence of the influence of both internal (endogenous) and external (exogenous) factors, as well as negative manifestations of other financial and non-financial risks. It arises due to the unsuccessful use of the brand, low quality of banking products and services, non-fulfillment of legal requirements and regulatory standards, which leads to a decrease in the bank's planned revenues and

threatens its financial stability. In the long term, this can lead to a loss of trust from customers, staff, shareholders, regulators, partners and other stakeholders."

Reputational risk differs from other types of risks in that its main problem is the loss of trust and loyalty to the bank on the part of various stakeholders. This negatively affects the image of the bank, its brand and general reputation, which can even lead to the liquidation of the bank. Reputational risk encompasses all aspects of a bank's operations, including its financial stability and sales, and has the potential to transform itself into other types of risk, such as the risk of loss of liquidity if, for example, the spread of inaccurate information causes panic among customers.

According to international standards, the Basel Committee on Banking Supervision distinguishes various types of banking risks, including: credit risk, country risk and transfer risk, market risk, interest rate risk, liquidity risk, operational risk, legal risk and reputational risk. A bank's reputational risk, as defined by the Basel Committee, arises from a negative perception by customers, counterparties, shareholders, investors and regulators, which may affect the bank's ability to maintain existing or establish new business relationships and provide access to financing [12].

In its consultation documents, the Basel Committee highlights several important aspects of reputational risk [12]:

- it arises due to negative perception from various stakeholders and may affect the bank's ability to maintain or create new business relationships and obtain financing;
- reputational risk can lead to an increase in other risks, such as credit, market, legal and liquidity risks, which in turn can negatively affect the bank's profit, liquidity or capital;
- for effective reputational risk management, the bank's management should develop internal policies and procedures to identify the sources of this risk, especially when entering new markets or introducing new products, and also ensure the inclusion of reputational risk in stress testing procedures.

The Basel II guidelines also emphasize the importance of managing reputational risk as part of an overall risk management strategy. Although reputational and strategic risks are difficult to accurately measure, banks must continue to improve their

assessment and management methods. According to Basel III, reputational risk is not mentioned separately, which indicates a shift in emphasis to the risks of interaction with counterparties, as well as to the procedural analysis of credit and compliance risks, which is an important part of the reputational risk management strategy.

Thus, reputational risk arises from negative public opinion about the bank and can seriously affect its ability to establish new business relationships, provide new services or maintain existing relationships with key stakeholders.

The formation of a banking institution's reputational risk depends on various factors, which can be conditionally divided into macro-level and micro-level. Each of these levels has its own specific factors affecting the bank's reputation, but they are interconnected and can mutually reinforce each other (Table 1.2) [9-11].

Table 1.2

Factors affecting the formation of bank reputation risk

Factors	Characteristic
Factors at the macro level	
Economic situation in the country	Macroeconomic factors, such as inflation, unemployment, the currency of the national economy, affect the general condition of financial institutions. Economic crises, recessions or a decline in confidence in the national currency can lead to a decline in the bank's reputation, as customers begin to doubt the stability of their financial institutions.
Political stability	Political decisions and changes in government policy can affect the financial sector. Protests, corruption scandals, changes in banking legislation or other political factors can create a negative image not only for individual banks, but also for the entire sector.
Changes in legislative and regulatory policy	Changes in legislation and government requirements for banking institutions can cause certain reputational risks. For example, the introduction of new taxes or fines for violating financial standards or lack of clear regulations can reduce trust in banks.
Social and cultural factors	Social trends, in particular, the growing demand for ethical business conduct, environmental responsibility, as well as the influence of public opinion may impose new requirements on reputational risk for banks. Violation of these requirements may result in a negative evaluation.
Factors at the micro level	
Quality of customer service	A bank's reputation largely depends on the level of customer service. Poor service quality, non-fulfillment of obligations to customers, delays in payment or unfriendly staff can negatively affect the reputation of the institution.
Corporate social responsibility (CSR).	Depending on the extent to which a bank adheres to the principles of social responsibility, its reputation can both improve and deteriorate. Initiatives to support environmental projects, philanthropy and support local communities can improve image, while ignoring such practices can lead to a decrease in trust.

Financial stability and transparency	Reliability of the bank in matters of financial stability is one of the main factors of reputational risk. Liquidity problems, financial scandals or unforeseen financial losses can lead to a loss of trust from customers and partners
Corporate management	Reputational risk also depends on how management is organized in the bank. If the management of the bank is ineffective or irresponsible, if there are cases of corruption or conflicts of interest, this will definitely affect the reputation of the institution.
Innovations and technologies	The introduction of new banking technologies, such as mobile applications, online banking and other innovative solutions, can both enhance the bank's reputation and create risks if these technologies do not work properly or have data security problems.

Macro- and micro-level factors interact and can reinforce each other. For example, an economic crisis at the macro level can lead to an increase in operational and credit risks at the micro level, which in turn can negatively affect the bank's reputation. Other factors, such as changes in legislation or political instability, can also cause internal problems in the organization, which will affect trust in the bank.

Thus, the essence of reputational risk is the possible loss of trust due to the negative perception of the bank by its key stakeholders, which may arise as a result of financial scandals, management errors, non-compliance with ethical standards or problems with the quality of service. This risk has an integral nature, because it depends on the level of management of other types of risks: financial, operational, legal. The peculiarity of reputational risk is its ability to quickly scale: one negative event can cause a chain reaction, damaging not only the financial indicators, but also the image of the bank. At the same time, effective management of this risk can become a tool for strengthening the bank's position on the market and increasing its competitiveness. For effective management of reputational risk, it is necessary to take into account both macroeconomic and internal factors of the bank, implementing a comprehensive approach to its analysis and minimization. End of form

1.3. Methodical approaches to assessing the bank's business reputation and reputational risks

Assessment of the bank's business reputation and reputational risks is an important component of management practice, as reputation directly affects the institution's ability to attract customers, investors, partners and maintain the trust of key stakeholders. For this, a variety of methodological approaches are used, which allow assessing not only the current state of reputation, but also the risks that may arise in the future, namely [14-15]:

1. Quantitative methods of assessing a bank's reputation are aimed at using numerical values to determine the level of reputational risk. This allows you to organize an assessment based on objective data and use it to compare different banks or track changes over time.

- Method of reputation indices. With the help of reputation indices, it is possible to evaluate the comprehensive perception of the bank among customers and other interested parties. The index may include data on the level of trust, quality of service, financial stability, degree of transparency and other factors that determine reputation. Negative aspects such as scandals or lawsuits are also taken into account.

- The method of questionnaires and surveys. One of the most common methods of gathering information about reputation is to survey customers, shareholders, partners and other stakeholders. During the survey, rating scales are used to determine the level of satisfaction, trust in the bank and to assess reputational aspects. This makes it possible to draw a picture of reputational risk from external groups.

- Financial indicators and goodwill. The assessment of reputational risk is also based on the analysis of the bank's financial indicators, such as income, profit, capitalization, stability of liquidity and others. Having strong financial goodwill (an intangible asset that includes a bank's reputation) can be an indicator of a bank's reliability and stability. The absence or decline of goodwill may indicate a risk of reputational loss.

2. Qualitative methods of assessing the bank's reputational risk are based on expert opinions, assessments and analysis of non-measurable factors that also significantly affect reputation.

- SWOT analysis. They are used to determine the bank's strengths and weaknesses, as well as opportunities and threats that may affect its reputation. A SWOT analysis can identify potential risk factors, such as weak management, poor communication with customers, or unfavorable socio-political conditions.

- Public image analysis. The evaluation of the bank's reputation is often carried out through the analysis of public speeches, reviews in the mass media, social networks and other information sources. Studying customer feedback and media analysis help determine how the bank is perceived by the public and whether there are negative trends that could lead to reputational risks.

- Method of expert evaluations (rating). This method surveys banking, finance and reputation management professionals. Experts assess the bank's reputation, taking into account risk factors, and provide recommendations for reducing them. This may include an assessment of the bank's actions in crisis situations, the bank's ability to respond to external challenges, crisis management strategies.

3. Combination of quantitative and qualitative methods. For a more accurate and comprehensive analysis of reputational risks, banks often use combined methods, combining quantitative and qualitative approaches:

- Reputational risk index is a combined indicator that includes both financial and non-financial factors, such as brand perception, service quality, customer trust, legal integrity, etc.

- Scenario analysis and stress testing. As part of reputational risk management, banks can conduct stress tests to assess how certain events (for example, economic crises, scandals, changes in legislation) affect their reputation. This approach makes it possible to predict possible negative consequences for reputation and take measures to minimize them.

4. Reputation monitoring methods. To assess business reputation, banks also use monitoring systems that allow for ongoing assessment of reputational risks. Monitoring systems may include:

- Monitoring of mass media and social networks. This allows you to track negative or positive mentions of the bank in real time and adjust your reputation management strategy accordingly.
- Monitoring of customer reviews. A system for collecting and analyzing customer feedback helps identify potential problems with service or other aspects of banking that may affect reputation.

Therefore, the assessment of business reputation and reputational risks is a complex and multifaceted process that includes the use of both quantitative and qualitative methods. The application of combined approaches allows banks to better understand how various factors can affect their reputation and respond in time to potential threats, reducing risks to stability and trust in the institution.

The rating method of assessing business reputation is one of the most widely used approaches to determine the quality of the reputation of a bank or other organization. It is based on assigning a certain rating (estimate) of the bank's reputation, taking into account several important factors that characterize its activities, relations with clients, partners and other interested parties. This method allows for a comprehensive assessment of reputation using standardized scales and indices.

1. The essence of the rating method.

The rating method of assessing business reputation involves assigning a bank or organization a certain balance indicator that reflects the level of its reputation. This method is based on the use of numerical or scale indices for each aspect of the organization's activity that is related to its reputation. Usually, such indexes consist of several components that cover different areas: financial stability, quality of service, customer trust, absence of scandals and legal problems, effectiveness of management decisions, and others.

2. Evaluation process according to the rating method

The process of reputation evaluation using the rating method usually includes the following stages:

- Determination of evaluation criteria: Various criteria related to financial, managerial, marketing and social aspects are used to evaluate reputation. These can be such indicators as: the level of customer trust, the bank's reputation among partners and counterparties, financial stability, the absence of scandals and legal problems, transparency of operations, the quality of services and products provided.
- Data collection: To evaluate the reputation, it is important to collect enough data for each of the criteria. It can be both internal bank data and external data, for example, customer feedback, media publications, reports from independent agencies, survey results, and social networks.
- Assigning points or ratings: Based on the collected data, each criterion is assigned a certain number of points or a rating on a scale, usually from 1 to 5 or from 1 to 10. Each point reflects the level of reputation in a particular area.
- Aggregation of grades. Scores for all criteria are summed up to obtain an overall score of the bank's reputation. If weighting factors are used for each criterion, the overall score can be calculated as a weighted average value.
- Publication of results. A bank's reputation score is usually published in rating reports that can be used to compare with other banks or organizations in the industry.

3. Key tools of the rating method.

Various tools are used to implement the rating method of reputation assessment, in particular:

- Reputation indices. These are combined indicators that take into account various reputation factors, such as the customer trust index, the bank's image, social responsibility, service level, and others.
- Assessment using expert assessments. Rating agencies often engage experts to assess reputation, on the basis of which a numerical reputation value is assigned. Expert assessment may include analysis of media information, customer reviews, audits of financial activities and other methods.

Methodology of customer and partner surveys. Used to gather opinions about the bank's reputation through surveys or focus groups. This makes it possible to assess how the organization is perceived by its stakeholders.

The ranking method of reputation assessment has several advantages and disadvantages. Among its advantages, objectivity and transparency can be singled out, as this method provides a clear numerical representation of reputation, which makes the assessment more reliable. In addition, it allows you to easily compare the reputations of different banks on a single scale, which makes it possible to assess the institution's position on the market. Regular assessment also makes it possible to track changes in the bank's reputation and respond to negative trends in a timely manner. However, this method also has certain disadvantages, in particular, dependence on subjective assessments, if expert opinions or questionnaires are used in the assessment process, which can affect the accuracy of the results. In addition, it does not always take into account the individual characteristics of organizations, which can limit the accuracy of the assessment. And, ultimately, there is a risk of data manipulation for the purpose of improving reputation, which can lead to a distortion of the real situation.

In the banking sector, the rating method is an effective tool for obtaining indicative data on the level of a bank's reputation, which is of great importance for assessing its financial stability and reliability for investors and customers. The reputation score plays an important role in attracting new customers and partners, as a high rating can help attract additional resources. In addition, a good reputation rating lowers the cost of capital, as investors and lenders are more willing to work with banks that have a high reputation. Also, this method helps identify potential reputational risks and allows timely response to negative changes, which allows you to preserve the image of the institution.

Among the global and Ukrainian methods of assessing the business reputation of a bank, several main approaches can be distinguished, which are used for rating assessment (Table 1.3) [14-15]

Table 1.3

Global and Ukrainian methods of assessing the bank's business reputation

World methods	Ukrainian methods
1. Rating agencies (Standard & Poor's, Moody's, Fitch Ratings) evaluate the reputation of banks through financial indicators, liquidity and credit risks.	1. National ratings (from Credit-Rating, IBI-Rating, Ministry of Finance portal) are based on financial indicators and the perception of the bank in the market.
2. The Reputation Institute (RI) uses surveys to create a reputation index that considers trust, ethics and social responsibility.	2. The rating of trust in banks is determined through surveys of consumers and experts.
3. The Economist Intelligence Unit (EIU) evaluates the reputation of banks according to financial and non-financial criteria, such as stability and innovation.	3. The assessment of reputational risks takes into account the social responsibility and ethical norms of banks.

The rating method for assessing business reputation is a powerful tool that allows banks and other organizations to determine the level of trust in them from customers, partners and other stakeholders. This method helps to objectively evaluate the reputation, compare it with others

Therefore, methods of assessing the reputation of banks are an important tool for determining their financial stability, reliability and competitiveness. Both at the global and Ukrainian levels, the main approaches are the use of rating agencies, specialized institutes, as well as the results of customer and expert surveys. Global methodologies, such as ratings from Standard & Poor's, Moody's, Fitch, the Reputation Institute and the Economist Intelligence Unit, focus on financial performance, consumer confidence and social responsibility. In Ukraine, more attention is paid to national ratings and evaluation through surveys. All of the above methods are aimed not only at determining the bank's reputational status, but also at ensuring the ability to timely identify risks, respond to changes in the market, and build long-term relationships with clients and partners.

CHAPTER 2

ASSESSMENT OF THE BUSINESS REPUTATION OF JSC "OTP BANK"

2.1. General characteristics of JSC "OTP Bank" activity

JSC "OTP Bank" is one of the largest Ukrainian banks with foreign capital, a recognized leader of the country's banking sector. It has been operating on the market since 1998 and has a solid reputation as a socially responsible, reliable and sustainable financial institution.

OTP Bank offers clients the best service and services, including credit and deposit products, insurance, asset management, leasing and factoring, corporate and investment banking. In 2023, OTP Bank continued to support the Ukrainian economy, servicing the retail and corporate segments. The bank is also implementing a strategy of investing in the IT sphere and digitizing client services for private and corporate clients. In Ukraine, in addition to the bank, the group includes OTP Factoring, OTP Leasing, and OTP Capital. The team in Ukraine has 2,590 employees, of which 2,390 work at OTP Bank [16].

OTP Group operates in 12 countries, where more than 41,000 employees serve 17 million customers every day. Is one of the most reliable financial institutions in the markets of the CEE region, which focuses on service and satisfies all the needs of private and corporate clients in financial services thanks to a universal business model. Founded in 1949 as a state savings bank, today OTP Group unites large subsidiary structures in the field of insurance, real estate, factoring, leasing, asset management, investment and pension funds. Through its subsidiary structures, the Group operates in the markets of 12 countries — Hungary, Ukraine, Albania, Bulgaria, Moldova, Romania, Croatia, Montenegro, Slovenia, and some others — and is strengthening its leadership position year after year. Thus, in 2023, OTP Bank entered the Central Asian region by acquiring Ipoteka Bank in Uzbekistan, the country's fifth largest financial

institution. Entering the Uzbek banking market opens a new page in the history of OTP Group, as Uzbekistan is the first country in the Central Asian region where the Group is expanding its presence. In 2023, OTP Group member banks were recognized as Banks of the Year in Albania, Croatia, Montenegro and Slovenia by The Bankers 2023 Bank of the Year Awards. Also, member banks of the OTP Group were recognized by the Euromoney Awards for Excellence 2023 in the following categories: Best Corporate Bank in Hungary, Best Digital Solutions Bank in Hungary, Best Digital Solutions Bank in Croatia, Best ESG Bank in Croatia, Best CSR Bank in Romania , The best digital solutions bank in Montenegro (CKB Bank). Along with this, Global Finance published the 24th annual ranking of the World's Best Foreign Exchange Banks. OTP Group member banks have received awards in Bulgaria, Hungary and Serbia: DSK Bank, Bulgaria, OTP Bank, Hungary and OTP banka, Serbia.

JSC "OTP BANK" is one of the leaders of the domestic banking sector, which is among the top ten banks of the country in terms of main financial indicators. This is a universal bank that is focused on [17]:

- 1) establishment of long-term mutually beneficial relations with clients;
- 2) provision of a full range of financial services of the highest quality to corporate and private clients, representatives of small and medium-sized businesses;
- 3) demonstration of the level of professionalism and innovativeness of one's activity;
- 4) encouraging employees to be creative and proactive, creating conditions for maximum disclosure of their potential.

JSC "OTP Bank" is a universal bank with a wide range of financial services offered to corporate and private clients, including credit and deposit products, asset management services, insurance, leasing and factoring, corporate and investment banking.

Along with the provision of standard financial services, JSC "OTP Bank" also has the right to carry out other activities related to: issuing its own securities; issuance, distribution and holding of lotteries; provision of services for storing clients' valuables, provision of individual bank safes for rent (property lease); investments; collection of

funds, transportation of currency values; provision of consulting and informational services on banking and other financial services.

In accordance with the legislation of Ukraine and on the basis of the licenses of the National Commission for Securities and the Stock Market, OTP Bank can carry out the depository activities of the custodian of securities, as well as professional activities related to the trading of securities on the stock market: brokerage activities, dealer activities, underwriting.

JSC "OTP Bank" in its activities is governed by the Laws of Ukraine "On Banks and Banking", "On Joint Stock Companies", "On Securities and the Stock Market", "On Accounting and Financial Reporting in Ukraine", the Civil Code of Ukraine, the Economic Code of Ukraine, other legislation of Ukraine, as well as regulations of the National Bank of Ukraine and other executive authorities.

JSC "OTP Bank" carries out its activities through a regional network of its structural units, which includes 85 off-balance sheet operational branches (on the basis of 4 of them regional directorates registered by the NBU) and the regional directorate of the Kyiv region, created in the organizational structure of the head office the bank

The professional distribution of functions, powers and responsibilities between the management bodies of JSC "OTP Bank" ensures an effective system of management and implementation of the bank's internal control [17].

The bank's management bodies are:

- 1) General meetings of bank shareholders,
- 2) Supervisory board of the bank,
- 3) Bank management.

The bank's control body is: internal audit. The general meeting of shareholders of the bank is the highest management body of the bank, which makes decisions on any issues of the bank's activities within the limits of the legislation of Ukraine. The bank's supervisory board is a collegial body that ensures the protection of the rights of depositors, other creditors and shareholders of the bank, monitors and regulates the activities of the bank's board within the limits of competence defined by legislation and the Charter.

The bank's board is the bank's executive body, which carries out day-to-day management. The functions of the Chairman of the Bank Board include: - management of the work of the Bank Board, management of the bank's property, performance of other actions necessary to achieve the bank's goals; - submission of work plans and programs, as well as reports on their implementation, to the Bank's Management Board; – hiring and firing of bank employees, making decisions regarding work organization and defined tasks and duties of bank employees.

The assessment of the bank's activities is carried out by the permanent internal audit unit established by the Bank, which is a component of the Bank's internal control system. The assessment is carried out by involving individuals and legal entities on a contractual basis (outsourcing). Based on the results of the inspections, the internal audit unit prepares and submits reports and proposals to the bank's board to eliminate the identified violations [16].

The organizational structure of JSC "OTP BANK" is designed in such a way as to ensure the maximum performance of the functions of the bank's divisions. Each block of the structure unites the bank's structural subdivisions according to their areas of responsibility, which reports to one of the board members.

Therefore, JSC "OTP Bank" is one of the leading banks in Ukraine, which is part of the international financial group OTP. The bank provides a wide range of financial services for individuals and legal entities, including lending, deposits, card products, as well as business cash flow management solutions.

2.2. Financial results and achievements of OTP Bank JSC

In 2023 assets of OTP Bank continued to grow significantly and reached the level of UAH 102.0 billion, which is 12.1% more than at the beginning of the year. Return on assets increased to the level of 3.85% in annual terms. The quality of the loan portfolio declined due to the large-scale escalation of the military conflict. The bank significantly

reduced risk appetite, but resumed granting new loans to both legal entities and individuals (Fig. 2.1) [17]

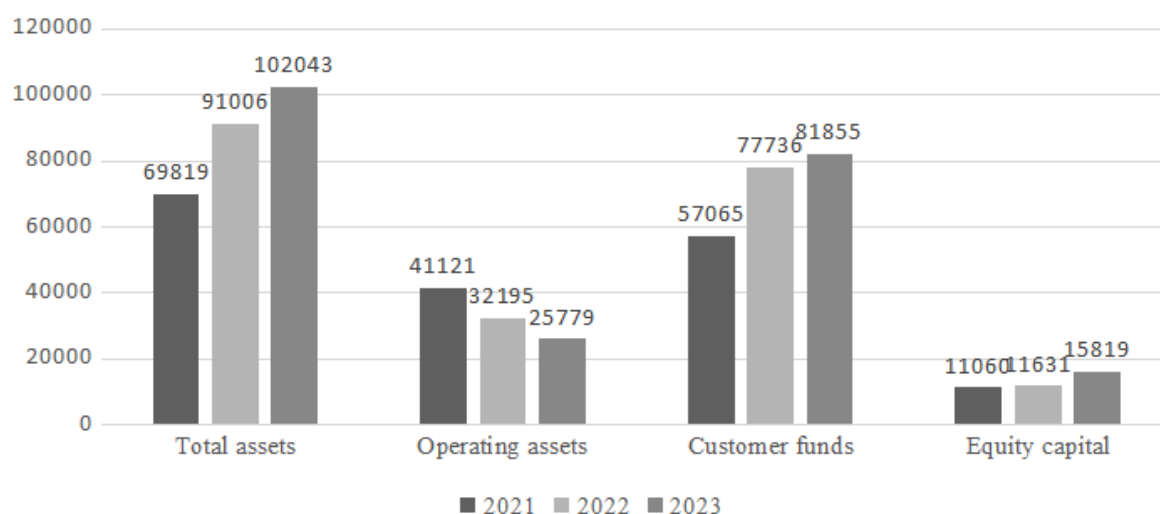


Fig. 2.1. Dynamics of key indicators of JSC "OTP Bank", mln. UAH

During 2023 the working loan portfolio decreased by 19.9% to UAH 25.8 billion. Such a significant decrease is caused both by the repayment of loans, a decrease in the volume of new loans, and as a result of the deterioration of the quality of the portfolio.

Thanks to the increase in trust in OTP Bank, the attractiveness of deposit products and loyalty programs in 2023. funds of legal entities and individuals increased by 5.3% and reached a record level of UAH 81.9 billion. In 2023 The bank focused on supporting clients who got into a difficult situation as a result of the escalation of the military conflict, namely, carrying out loan restructurings on terms convenient for clients.

The Bank's strategic goal remains the constant improvement of the client's experience of using its products and services. According to the results of the year, the Bank entered the TOP-10 largest banks of Ukraine in terms of net assets and net profit and took 11th and 8th place, respectively, according to these indicators.

Let's analyze the commission income of the bank, as well as the main indicator that reflects the efficiency of the bank's economic activity, net profit (Fig. 2.2) [17]

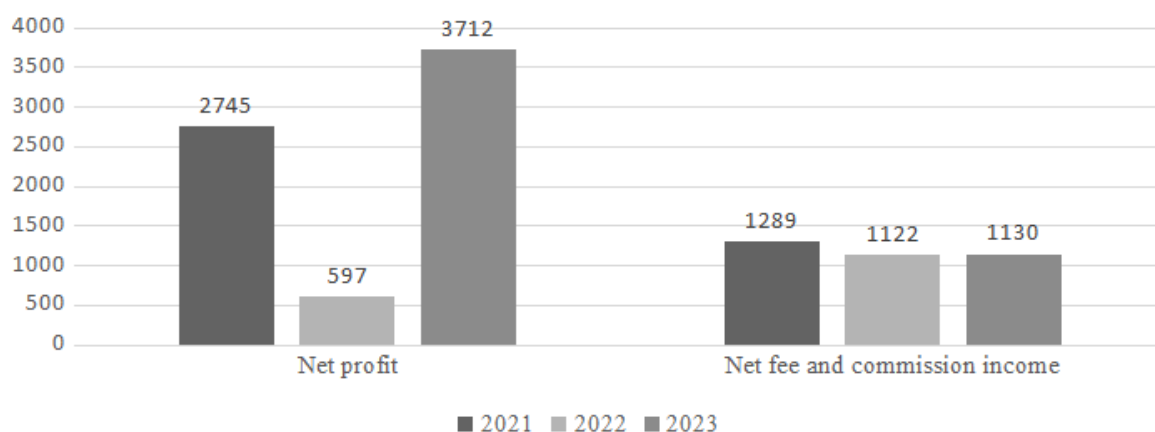


Fig. 2.2. Dynamics of profitability indicators of JSC "OTP Bank", mln. UAH

In 2022, the bank recorded a significant decrease in net profit (597 million) compared to 2021 (2745 million), which is understandable during the war in the country. However, in 2023, the bank showed a significant recovery of the indicator, reaching 3,712 million, which indicates the improvement of financial results and the effectiveness of measures to stabilize and increase profitability. Commission income remained stable in 2022 and 2023, with a slight decrease in 2022 (1,122 million) compared to 2021 (1,289 million). However, at the level of 1,130 million in 2023, the indicator returned to the value of 2021, which indicates the maintenance of stable sources of income for the bank, even with changes in other financial categories. During the analyzed period, JSC "OTP Bank" experienced significant fluctuations in net profit, but was mostly able to restore its financial stability by 2023. The stability of commission income indicates the ability of the bank to maintain an effective strategy in the field of banking services, which is an important factor for the growth of profitability in the future.

In 2023 the Bank's capital continued to grow as a result of the capitalization of profits. Accumulated capital allows the Bank to be ready for any stressful situations. The regulatory capital of OTP Bank is 14 billion 189 million UAH. The norm of its sufficiency is 36.61% at the required level of the indicator of 10%. A decrease in the business activity of clients as a result of military aggression and restrictions on the

foreign exchange market did not significantly improve the results of the Bank's commission income in 2023.

Thus, the financial condition of JSC "OTP Bank" at the moment can be assessed as stable with an upward trend, which allows the bank to work effectively on the market and adapt to changing economic conditions. Although 2022 saw a significant decrease in net profit compared to the previous year, the bank showed a recovery and increased profitability in 2023, which indicates effective financial management and successful strategies for adapting to new challenges. Maintaining a stable level of commission income at the level of more than UAH 1 billion indicates the efficiency of the bank in managing its main income, which also ensures financial stability. This confirms the existence of a stable client base and high quality of service, which is an important factor for ensuring banking competitiveness.

2.3. Analysis of the current status of the reputation of JSC CB "PrivatBank" using qualitative and quantitative research methods

According to the results of 2023, JSC "OTP" entered the TOP-10 largest banks of Ukraine in terms of net assets and net profit and took 10th and 6th place, respectively, among 62 banks of Ukraine. At the same time, both the assets and the financial result exceeded the planned indicators, respectively.

Next, we will analyze the ratings and awards received by JSC "OTP Bank" and consider their impact on the bank's reputation. Ratings and awards, as important indicators in the financial services market, can significantly influence the perception of the bank by customers, investors and other interested parties.

Yes, according to the results of 2022-2023. JSC "OTP" received the following awards [17]:

1. Award from Visa in the nomination "Visionary leader: social advocacy and excellence in customer service";

2. Award from COMMERZBANK for the quality of processing international transfers: "STP AWARD 2022. Excellent Quality in the delivery of commercial payments and financial institution transfer";

3. OTP Bank - the winner in the "Savings Bank for the Population" nomination among large non-state banks in the rating of the Financial Club;

4. Oleg Klymenko, a member of the board of OTP Bank for the development of retail business, became one of the three best retail bankers of Ukraine in 2022, according to the Finawards rating from the leading financial portals Minfin.com.ua and Finance.ua;

5. Slick OTPay was included in the TOP-3 best internet banking in Ukraine and in the TOP-6 best internet banking in the countries of Eastern Europe, the Caucasus and Central Asia - according to the SME Banking Agency;

6. OTP Bank won in the nomination "Employee support in times of war" in the ranking of the company FranklinCovey Ukraine - a global leader in evaluation, implementation and training on efficiency, trust, productivity, sales and strategies;

7. Award in the nomination "Strengthening corporate culture in times of war" - an award from FranklinCovey Ukraine;

8. BF "Blagomai" honored OTP Bank with a charity Oscar for the largest number of charitable initiatives in 2023.

According to the results of 2023, JSC "OTP Bank" was included in Mind's bank viability rating, receiving a high 4 stars and taking 5th place among such banks as Ukrsibbank, Kredobank, Kredy Agricol Bank and City Bank [18].

On November 25, 2024, the independent rating agency Credit Rating confirmed the long-term credit rating of JSC "OTP BANK" at the level of uaAAA, with a stable forecast. This rating indicates the highest creditworthiness of the bank among other Ukrainian borrowers. A stable forecast means the absence of prerequisites for a change in the rating during the year [16].

The credit rating was updated on the basis of the bank's financial statements for 2022-2023 and the I-III quarters of 2024, as well as internal information provided by the bank during the rating process.

Next, we will analyze the stability rating of banks from the Ministry of Finance portal based on the results of the 2nd quarter of 2024. Banking institutions receive a score from 1 (minimum score) to 5 (maximum score) depending on indicators characterizing their stress resistance and loyalty of depositors (Fig. 2.3) [19].

Considering the comparison of the main indicators, JSC "OTP Bank" occupies a stable position among competitors with a total score of 4.12, taking the 5th place among 32 surveyed banks, including Ukrsibbank, Credit Agricole Bank, Raiffeisen Bank and Kredobank. Compared to other banks, OTP Bank has fairly high stress resistance indicators (4.39), which indicates its ability to withstand economic difficulties. However, its investor loyalty index is lower (3.7), which may indicate the need to improve interaction with clients and strengthen their trust. Overall, OTP Bank has a competitive analytics score (4.26), which is on par with some major competitors such as Raiffeisen Bank and Credobank. However, in order to improve its position among competitors, the bank should pay attention to improving the level of loyalty among customers.

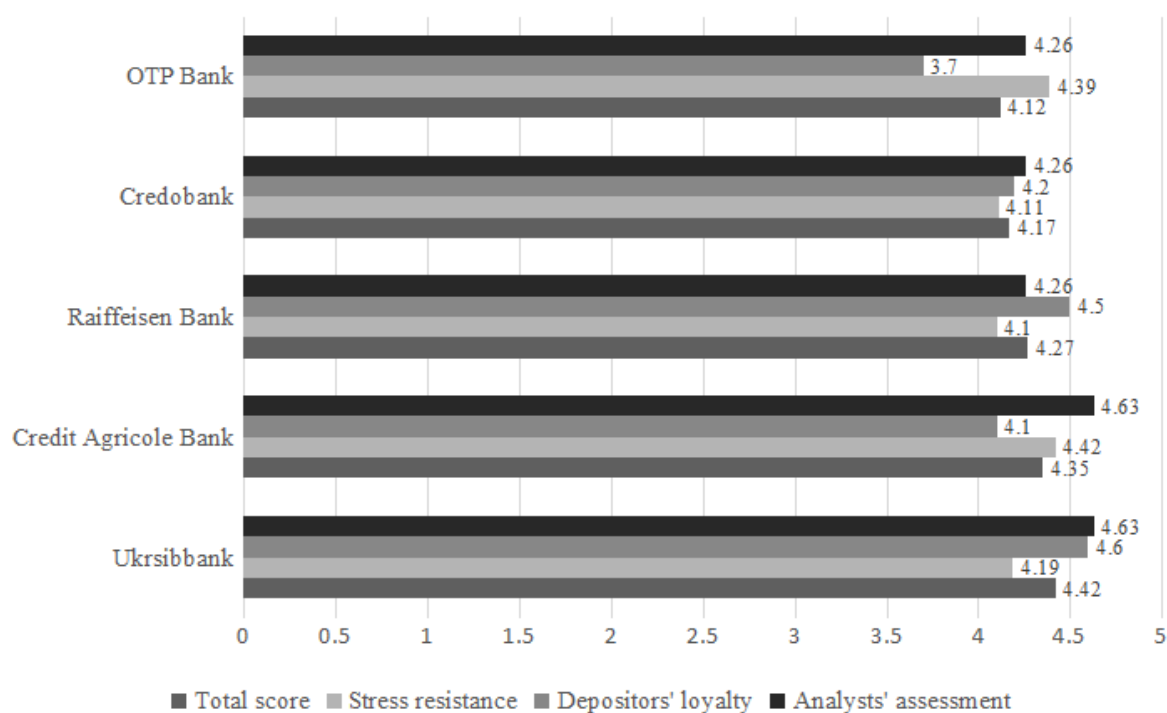


Fig. 2.3. Stability rating of banking institutions from the Ministry of Finance portal based on the results of the 2nd quarter. 2024

According to the results of the rating of reliable banks of Ukraine, compiled by Forinsurer in November 2024 on the basis of official statistics of the National Bank of Ukraine and with the participation of banking market experts, JSC "OTP Bank" entered the TOP-15 most reliable banks of the country, taking 15th place [20].

We will conduct an assessment of the social image of JSC CB "PrivatBank" based on the main open information presented on the bank's website

Most of the Bank's activities within the scope of corporate social responsibility in 2023. were related to assistance to the country during a full-scale war: internally displaced persons, children, health care facilities, Ukrainians affected by the consequences of the war.

The following directions should be singled out among the most significant.

In 2023 continued the work of the OTP Bank Helps Ukraine charity project, created in 2022, which aims to raise funds for the urgent needs of the country during martial law. The following initiatives were implemented within the project [21]:

- special electric beds were transferred to the Sumy Regional Clinical Hospital and the University Clinic of the National Medical University named after O.O. Bogomolets in Kyiv;
- assistance was provided to orphans and children deprived of parental care from Toretsk (Donetsk region), who temporarily found shelter in the Khmelnytskyi regional social hostel;
- a project was implemented with the help of the Center for Social Support of Children and Families in Vorzel (Kyiv region);
- shoes were handed over to the Kremenchug regional specialized children's home (Poltava region);
- computers were provided for the technical service of the Main Directorate of the State Emergency Service in the Zaporizhzhia region;
- aid was sent to the Nizhyn orphanage-boarding home (Chernihiv region);
- an office of maxillofacial surgery in Kropyvnytskyi is equipped;
- an ultrasound device was purchased for the Ternopil Regional Center for Rehabilitation and Child Development;

- equipped modular house in the village Gorenka (Kyiv region) for a family that lost their home;
- assistance was provided for residents of Kherson Oblast who were affected by the blow-up of the HPP;
- ceiling lifts were purchased for children with special needs in the Nizhyn Children's Boarding Home (Chernihiv Region);
- a hearing screening device was purchased for the neonatal center of the Mykolaiv Regional Children's Clinical Hospital;
- funds were collected and transferred for the repair and new equipment of the Consultative and Diagnostic Polyclinic of the National Health Service "Okhmatdit" of the Ministry of Health of Ukraine (Kyiv);
- purchased technical equipment for a specialized children's home in Bila Tserkva (Kyiv region);
- collected and handed over Ukrainian books for orphans abroad.

OTP Bank concluded an agreement on a charitable donation for 2023–2024. with the Superhumans Center - a non-profit project engaged in prosthetics, complex reconstructive surgery, rehabilitation and psychological support of Ukrainians who suffered injuries due to the war. As part of cooperation, OTP Bank held two charity auctions, timed for Independence Day and Christmas, all funds collected from the sale of lots were transferred to the Superhumans Center. In addition, the Bank made monthly transfers aimed at fitting Ukrainians with prostheses and creating a center for training prosthetists. The total amount of assistance as of December 31, 2023. amounted to more than UAH 22 million.

In May, OTP Bank joined the educational marathon "Financial defense. Banker profession" is an all-Ukrainian project initiated by the National Bank of Ukraine. 92 events were held in kindergartens, schools, universities, centers for forced migrants, boarding houses [21].

In June, OTP Bank employees held a series of festive events in Kharkiv, Dnipro, Rivne, Khmelnytskyi, and Kyiv in conjunction with financial literacy lessons for nearly 100 children whose parents died while defending Ukraine.

In November, OTP Bank joined the "Savings Week" project of the National Bank of Ukraine to improve financial literacy and awareness of Ukrainian children. As part of the project, OTP Bank employees conducted 43 educational events for schoolchildren in different cities of Ukraine.

In 2023 OTP Bank continued the implementation of the green project of collecting used batteries in 20 branches of its network. The project is implemented together with the public organization "Batteryki, surrender", which sends batteries collected all over Ukraine to a plant for processing power cells. In general, in 2023 92 kg of batteries were collected for recycling [21].

In addition, OTP Bank participated in the first large-scale Stop The Bleed Day – an all-Ukrainian online training, in which about 100 international and Ukrainian companies took part. The event was timed to Stop Bleeding Day on May 25. 115 employees in Kyiv and 16 employees in Dnipro have mastered the "Basic course in medical care". The trainings were conducted by the certified company FAST First aid and special training.

In September, the OTP Run team (34 employees) took part in the Kyiv Marathon of Invincibility. The organizers of the event gave 50% of the profit from offline registrations in Kyiv to UNITED24, a state fundraising platform launched by the President of Ukraine, Volodymyr Zelenskyi.

OTP Bank always supports its employees as much as possible and provides various options to improve working conditions, including: compensation for the cost of English language training (up to 80%); discounts from partners (Sport Life, WOG, dentistry, etc.); 4 additional vacation days; corporate mobile communication; external and internal training. Additionally in 2023 the pilot project "Medical patronage: autumn vitaminization" was launched (September 1, 2023 - December 31, 2023) - covering half of the expenses of Bank employees in pharmacies (up to UAH 1,000/month after tax). In general, each employee of OTP Bank receives a job in a stable European company, which is one of the leaders in its field, as well as official employment, timely payment of wages, payment of vacation and sick leave, the opportunity to use a discount on health insurance, etc.

OTP BANK is in the top three of the rating of the best employers of Ukraine 2024 in the financial sphere by the publication "Focus". Among the advantages of OTP BANK as an employer in the rating are competitive wages, which are reviewed annually, career growth, educational programs, reading club, English language courses, flexible work schedule and the possibility to work remotely or in a hybrid format. It is noted that the company recruits students twice a year for practice or internships, after which many interns stay to work at the Bank. The number of full-time employees of OTP BANK on November 1, 2024 is 2,412 [22].

Therefore, the position of JSC "OTP Bank" in ratings and charitable social projects testifies to the bank's stable and positive position on the market. OTP Bank has established itself as a stable and reliable player in the banking market thanks to high indicators in reliability ratings, such as being in the TOP-15 most reliable banks of Ukraine and stable ratings in the main financial categories. In addition, the bank's active participation in charity and social projects increases its reputation among the public and strengthens relations with clients. This shows the bank's responsible attitude to its social role and willingness to participate in solving important social issues, which also positively affects its image. In general, OTP Bank demonstrates a balanced approach to reputation development, combining financial stability and social responsibility.

CHAPTER 3

IMPROVEMENT OF THE BANK'S REPUTATION RISK MANAGEMENT SYSTEM

3.1. Reputational risk management strategy in banks

The peculiarities of the economic conditions in which banks operate today require the search for modern methods of risk management, including reputational risk management. Reputational risks are growing especially quickly due to the rapid development of information technologies and globalization. In order to achieve effective results in the management of reputational risk, the bank's management should ensure the adequacy of the process of interaction between risk management participants, establish interaction between the personnel of different divisions.

A positive business reputation is vital for banks, especially in times of crisis. Thanks to it, the growth of the client base is possible, it ensures competitiveness and availability of qualified personnel, access to investment and credit resources. It should be noted that in the course of banking activity it is impossible to insure against reputational risks. Their management is reduced to reducing the probability of a negative event and leaving the risk zone.

It can be said that a positive result can be achieved only under the condition of reputational risk management at all levels of management and in all areas of its activity, while the reputational risk management mechanism must be integrated into the bank's general management system and its risk management system. It should function as part of the bank's overall development strategy, risk management strategy, and corporate culture adopted by the bank. It is clear that the functions of reputational risk management should be shared between top managers, the risk management unit, the marketing department, the PR department or the press service.

Minimizing the risk of the banking institution's business reputation is carried out by:

- fulfillment of the requirements established by the National Bank of Ukraine and other state bodies;
- timely fulfillment of obligations to clients and counterparty banks;
- compliance with financial indicators, which, according to international standards, indicate the stability of a financial institution;
- promptly informing its clients and the public in general about activities;
- implementation of the media image monitoring system of the bank, its managers and shareholders;
- constant improvement of personnel qualifications and their stimulation;
- increasing the level of corporate social responsibility [7].

So, let's consider domestic and foreign approaches to reputational risk management that are used in practice.

For example, the Reputation Institute, which offers its clients around the world its own reputation evaluation and management system, distinguishes the following stages of reputation risk management [25-26]:

- a) study and primary measurement of risk;
- b) adjustment of study and management parameters;
- c) integration into business planning systems;
- d) cross-functional implementation and reporting;
- e) full integration with long-term strategy and business planning.

J. Reiner points to four framework steps that enable effective risk management: risk identification, assessment, planning and response, post-crisis monitoring and reporting. Such a model, provided the need is understood and the management of the organization is adjusted accordingly, will allow the risk management process to "work for you, not against you" [10].

One of the methods of identifying and assessing risks is conducting an audit of reputational risks and creating a system for responding to potential crises based on it. An audit should aim to identify every significant area of activity where a wrong move

could cause significant reputational damage, and a response system should respond to these challenges and mitigate the overall damage. Also, the task of the audit is to assess the chances of reputation losses and the amount of these losses.

In table 3.1. the stages of reputational risk management and the characteristics of these stages are presented [26-27].

Table 3.1

Stages and content of reputational risk management

Stages	Characteristic
I stage	Specification of general lists of all possible risk-generating factors, a change in the state and size of which means the occurrence of an unfavorable situation for the bank. It is very important to determine the correct list of these parameters, which include changes in the level and structure of the bank's customer base, controversial actions of persons connected with the bank, the frequency of the bank's chairman's speech in the media, the level of customer loyalty to the bank, etc.
II stage	It is characterized by the establishment of limit values for each factor of the system, exceeding or reducing which means an increase in the influence of reputational risk on the normal functioning of the bank and the approach of its activity to critical levels.
III stage	The main tasks of the system for monitoring the business reputation of the bank, its shareholders, affiliated persons, subsidiaries and dependent organizations are immediate response to information published in the mass media that can affect the bank's reputational risk.
IV stage	This stage is characterized by the following measures: monitoring the state and size of reputational risk, monitoring the implementation of a set of measures for crisis situations, preventing the bank from being under the simultaneous short-term influence of several risks, general monitoring of the functioning of the banking risk management system.

The main goal of reputational risk management is to reduce possible losses, preserve and maintain the company's business reputation in front of counterparties and other market participants.

The reputational risk management process begins with the bank's top management, as the board itself is responsible for managing the bank's risks. Board members are charged with the responsibility of constantly analyzing information about the level of reputational risk and deciding the degree of its acceptability.

After the organization determines the risks, G. Hani [10] suggests dividing them into groups by the level of influence, which determines the potential amount of

reputational losses. Below is a corresponding table reflecting the relationship between the level of risk and reputational losses (Table 3.2):

Table 3.2

The relationship between the impact of risk on reputation

Impact of risk	Reputational losses
Very low	Rebuilding trust with little effort or finance; the risk is internal, there is no need to involve senior management, to keep abreast of events.
Low	The restoration of trust takes place at the expense of moderate expenses with the involvement of resources from the main budget; the risk manifests itself at the unit level, management must be informed.
Average	Restoring trust requires attracting resources from additional sources; the risk arises at the level of several divisions, higher-level managers are involved.
High	The restoration of trust takes place with the use of significant resources and with the careful control of managers; risk requires immediate attention.
Very tall	Trust has been seriously undermined, and its complete restoration is a controversial and costly issue; the risk requires the attention of the anti-crisis team and priority actions.

When assessing risks, it is worth starting from stakeholder groups and their points of view on seven main drivers of reputation: financial indicators, provision of services and goods, vision and leadership, corporate social responsibility, working conditions, knowledge and skills, emotional appeal. Changes that may occur in one of the listed drivers can potentially represent a reputational risk for the organization.

There is no doubt that planned reputation management gives a predictable and significant effect, because it allows you to optimize the risks of business reputation while simultaneously solving larger tasks. The algorithm for effective management of reputational risks of banks can become the basis for making strategic decisions in the field of forming a reputational risk management strategy, which involves the creation of a comprehensive and effective risk management system taking into account the specifics of the bank's activities, the nature and scope of its operations, risk profile and strategic goals.

In order to manage reputational risk in banking institutions, the following measures should be implemented:

- 1) creation of a system for assessing the perception of the bank's image among clients, state bodies, and mass media;
- 2) assessment of the awareness of clients, state bodies, mass media about the bank's activities on the financial market of Ukraine;
- 3) implementation of the process of monitoring the reputation of the bank's clients in order to avoid relations with clients with an unsatisfactory reputation;
- 4) monitoring customer feedback about the bank and its activities, media reports about the bank and its customers;
- 5) placing information about its activities on the bank's website.

The main measures to minimize the risk of loss of business reputation (reputational risk) in the bank are:

- 1) implementation of an appropriate information policy, which would provide for the publication of information about the bank on the official website on the bank's website and in mass media aimed at maintaining the positive reputation of the bank and its image;
- 2) participation in thematic conferences, organization of working meetings and ongoing interaction with financial market participants,
- 3) settlement of disputed issues by clients and partners of the bank in the working order.

Therefore, the business reputation of a banking institution is formed over a certain period, and each of them is characterized by one or another reputational risk, which can influence the bank's activities to a greater or lesser extent. In conditions of instability, the bank's business reputation will be the main source of ensuring its stability and obtaining competitive advantages, which will contribute to its further development.

3.2. Management of ESG risks in the banking sector

Together with the concept of sustainable development, new types of risks came to the financial sector, which are called ESG-risks (risks associated with the implementation of environmental and social factors and corporate governance factors). In their light, primary attention is paid to the potential impact that interested parties (customers, external suppliers, employees or the environment) can have on the organization and, conversely, the impact that the organization itself can have on stakeholders and the environment in the course of its activities. The resulting ESG risks may adversely affect the bank's assets, finances, profits and reputation.

ESG risks cover environmental, social and corporate governance risks. They affect the profit and loss, and even the liquidity of banks. The peculiarity of the banking sector as a whole is that ESG risks can directly affect banks (for example, damage to a bank building due to a natural disaster) and customers (changes in market conditions, production interruptions, etc.). In particular, it can lead, for example, to a greater number of unpaid debts on loans. Due to current political debates, and perhaps the question of the significance of such risks, the focus is currently on environmental risks, particularly climate change.

In turn, environmental risks are divided into physical and transitory risks [23]:

- physical risks arise if economic activity is threatened by climate change, and it is impossible to achieve the goals set in this area (for example, the direct impact of climate change on the water supply of industrial companies). They can manifest themselves as emergency risks (i.e. single, irregular physical risk events) or systematic risks (i.e. persistent failure to achieve ESG goals with a long-term negative impact on the organization's economic activity).

- transitional risks arise if the business model on which economic activity is based is constantly under threat of systematic changes and its own negative ESG impact (for example, the results of political measures to combat climate change and their impact on ICE producers).

In order to ensure compliance with EU regulatory requirements, as well as proper and timely response to possible ESG risks of our clients, in June 2021 at the level of the OTP Group international group, an ESG Risk Management Framework. OTP Bank, based on this document, developed its ESG risk management procedure in lending to corporate clients and clients of small and medium-sized businesses (SMEs), which establishes general requirements for ESG risk management in the processes of granting loans and credit monitoring, as well as in the processes of leasing operations to ensure uniform principles and approaches to management.

Also, the bank implements its own credit policy in accordance with the requirements of the "Guidelines for granting loans and their monitoring" EBA/GL/2020/06 dated May 29, 2020 of the European Banking Authority (EBA).

The main task of ESG risk management in the lending process is to identify risks arising from environmental and social factors related to the financing of the Bank's clients, as well as to minimize their impact. Currently, the bank manages ESG risk within the framework of credit risk management of corporate and SME clients with an emphasis on environmental risk.

During the identification and categorization of ESG risks, we use the sectoral ESG Risk Heat Map, which contains information on the levels of ESG risks for each type of economic activity according to the list of KVED-2010 codes (classification of types of economic activity). Sectoral ESG risk categories are assigned based on the environmental and social impact of a given industry. In addition, industry-specific physical and transition risks are taken into account.

The bank applies four categories of ESG risks: low, medium, medium-high and high.

The definition of the category of ESG risks depends on the category of ESG risks of the client (field of activity) and the remaining duration of the transaction (Fig. 3.1).

<i>Term of the loan</i>	Long-term	Average	Medium-high	High	High
	Medium term	Low	Average	Medium-high	High
	Short-term	Low	Average	Average	Medium-high
		Low	Average	Medium-high	High

ESG category of client risks (areas of activity)

Fig. 3.1. Categorization of ESG risks for clients of the corporate and SME segments of OTP Bank JSC.

If the client's transaction amount exceeds the threshold set at the level of the OTP Group international group, and the client's ESG risk category is high or medium-high, an ESG Due Diligence questionnaire is additionally applied. This approach makes it possible to better understand the origin of possible ESG risks of the client and, if necessary, to plan the implementation of preventive corrective measures.

The management of ESG risks is integrated into the broader framework of credit risk management, reflecting the critical role these factors play in the financial decision-making process. By embedding ESG considerations into credit evaluations and lending practices, banks can assess the broader impact of their financing activities on environmental sustainability, social well-being, and governance standards. This approach ensures that credit decisions not only address financial viability but also align with the principles of sustainable development.

OTP Group exemplifies this commitment by aspiring to lead the region in financing a fair and gradual transition to a low-carbon economy. Through the development and provision of tailored financial products and services, the Group actively supports initiatives that promote environmental sustainability and social equity. This strategic focus is underpinned by the recognition that addressing climate change and fostering a sustainable future are not only global imperatives but also opportunities to drive innovation and growth in the financial sector.

By prioritizing ESG risk management within its credit processes, OTP Group enhances its ability to identify and mitigate potential risks associated with environmental and social issues. At the same time, it positions itself as a forward-thinking institution dedicated to creating long-term value for stakeholders while contributing to a sustainable economic framework. This proactive approach reflects the evolving expectations of investors, regulators, and customers, reinforcing OTP Group's leadership in responsible financing and sustainable development.

Managing risks related to ESG factors is key to achieving this goal. The ESG Exclusion List is a central guidance document that lists activities that the Group does not support. New clients of the Group must not engage in activities specified in the list of exclusions, namely:

1) operations aimed at violating the legal norms of the host country or international law (for example, illegal arms trade, prohibited gambling, illegal drug trade);

2) production of products or trade in products containing PCBs (polychlorinated biphenyls – a group of highly toxic chemicals);

3) production or trade of pharmaceuticals, pesticides/herbicides and other dangerous substances prohibited by international legal acts, which are subject to withdrawal from use;

4) production or trade of ozone-depleting substances subject to decommissioning;

5) trade in wild animals and plants or production of products from wild animals and plants, or trade in such products included in the list of the CITIES Convention;

6) transboundary movement of waste prohibited under international law;

7) production or trade of prohibited types of weapons (anti-personnel land mines, biological, chemical and nuclear weapons, etc.);

8) trade in goods without the necessary export or import licenses or other transit permits from the respective countries of export, import and, if necessary, transit;

9) activities prohibited by the legislation of host countries or international conventions related to the protection of biodiversity resources or cultural heritage;

10) catching fish in the marine environment using nets exceeding 2.5 km in length;

11) shipment of oil or other dangerous substances to vessels that do not meet IMO requirements;

12) production, exploration and modernization of shale gas in Europe;

13) coal mining using the technique of removing mountain tops;

14) keeping animals with the main purpose of fur production or any activities related to fur production;

15) production, use or trade of unbound asbestos fibers, as well as products and mixtures containing asbestos;

16) export of mercury and mercury compounds, as well as production, export and import of a large range of products that add mercury.

Management of ESG risks (environmental, social and managerial) in the banking sector is an important component of the strategy of sustainable development of financial institutions. Considering ESG factors helps banks not only to reduce potential risks, but also to create long-term value for shareholders, customers and society as a whole.

The main areas of ESG risk management in the banking sector include:

1) Environmental risks. Banks must assess the impact of their investments and loan portfolios on the environment, in particular with regard to greenhouse gas emissions, use of natural resources and pollution. This helps reduce the financial and reputational risks associated with environmental disasters and climate change.

2) Social risks. It is important to consider factors related to social responsibility, including working conditions, equal opportunities, protection of human rights and interaction with local communities. Banks that integrate these aspects into their operations can reduce the risks associated with labor conflicts, social injustice or reputational losses.

3) Management risks - this includes the effectiveness of corporate governance, transparency, business ethics and the fight against corruption. Clear corporate governance reduces the risks associated with wrongdoing, lawsuits and regulatory sanctions.

A well-thought-out structure of corporate governance is a key element of effective risk management. ESG risks can affect all divisions and departments of a bank and various elements of the three lines of defense model, including profit and cost centers. Although the key to solving the problem may be the formation of a central coordination group for ESG risks, it is also worth strengthening the role and responsibility of existing units. Profit centers that are the first to be exposed to ESG risks include credit and trading divisions. These divisions, when developing products, as well as in the process of pricing and selling goods, must take into account ESG risk factors. Special attention should be paid to the impact of ESG risk factors on financial and reputational risks. ESG risk management should become an integral part of all relevant processes.

For example, clear decision-making criteria and control mechanisms should be established in the procedure for granting loans. ESG risks must be checked and assessed when granting credit, as well as consideration of reputational risks in the customer due diligence process. This means that it is necessary to assess risks not only at the stage of granting loans, but regularly, and it is worth checking all corporate clients.

Cost centers in the first line of defense usually take into account a wide range of non-financial risks in a specialized form. However, they will have to change their risk management process. This involves improving methods and tools for (qualitative) risk assessment by including aspects and issues related to ESG risks. It is necessary to establish a connection with non-financial risks (operational and especially reputational risks).

The second line of defense covers, among others, the departments responsible for risk control, compliance and business continuity management. The risk control department must develop methods, processes and tools for regulating ESG risks (starting with the improvement of the risk accounting process) and contribute the results to risk reporting. The compliance department, in turn, must monitor that the company's activities comply with all mandatory (according to legislation) and voluntarily assumed ESG principles. Finally, the business continuity management department must consider ESG risks as a potential cause of disruptions in operations and ensure business

continuity. The internal audit department, which plays the role of the third line of defense, must make sure that all relevant processes in the company are built taking into account all aspects of ESG risks. Risk Management Strategy In order to achieve sustainable development, financial institutions need to create and implement a sound business strategy. The starting point for studying the predicted challenges and necessary actions for the development and implementation of such a business strategy can be the reasons for which companies implement aspects of sustainable development in their activities. The specified reasons can be purely economic and/or regulatory, as well as social and/or environmental. Depending on the relevant incentive goals, external projects in the field of sustainable development can be supported both exclusively financially and through participation in them. As business strategies become more mature, the reasons for introducing ESG aspects into activities, the degree of integration of risks into the business model change: from the use of symbolic measures within the framework of corporate social responsibility (CSR) to the comprehensive introduction of the ESG concept into a key part of business - models. The closer ESG aspects are to this key part, the more carefully the activities must be coordinated, and the more experienced managers must be responsible for implementing the ESG agenda. The ESG risk management strategy should correspond to the business strategy as much as possible and be constantly updated. A key point that must be taken into account is concentration risk. It arises, on the one hand, because ESG risks are in complex cause-and-effect relationships with other risks characteristic of the bank. And on the other hand, especially due to the transition risk, companies from the same or related industries suffer at the same time, and therefore the banking sector that works with them. A risk management strategy should anticipate such developments.

Therefore, integrating ESG (Environmental, Social, and Governance) risks into a bank's strategy serves not only to mitigate potential threats but also to enhance the institution's reputation across key stakeholder groups, including investors, customers, and the broader society. By aligning its operations with ESG principles, a bank demonstrates a proactive and responsible approach to addressing critical global challenges, such as climate change, social equity, and ethical governance. This

sensitivity to pressing issues fosters deeper trust among stakeholders, positioning the bank as a forward-thinking and socially conscious entity.

Adopting an ESG-focused strategy enables banks to respond effectively to evolving societal expectations and regulatory requirements. It also allows financial institutions to anticipate and adapt to emerging risks, such as those arising from environmental degradation or shifts in consumer and investor preferences toward sustainable practices. By addressing these concerns head-on, banks not only safeguard their operational integrity but also create new opportunities for growth and innovation, particularly in the development of green finance products and services.

Moreover, effective ESG risk management is a cornerstone of long-term stability and resilience. Banks that prioritize ESG considerations are better equipped to navigate market volatility, maintain stakeholder confidence, and achieve sustainable profitability. This approach also enhances the bank's appeal in competitive markets by differentiating it as a leader in responsible finance, thus attracting socially conscious investors and customers.

Incorporating ESG risks into strategic planning strengthens the institution's market position and reinforces its public image as a responsible corporate citizen. This not only helps maintain the bank's competitiveness but also solidifies its role in fostering a sustainable and inclusive economy, ensuring its relevance and success in an increasingly ESG-driven world.

3.3. Improvement of reputational risk management policy of OTP Bank JSC

Risk management, which is based on the best international practices and the experience of successful activity in Ukraine, is a mandatory element of the bank's development strategy and a guarantee of development stability.

The primary goal of risk management at OTP Bank JSC is determined to be a balanced assessment and acceptance of risk, which makes it possible to achieve the

planned profit, ensuring a sufficient level of capital in the medium and long term, taking into account changes in business cycles and the onset of possible adverse market conditions. The Bank develops a Risk Appetite Declaration in order to determine the risks that the Bank accepts and those that the Bank avoids, as well as the aggregate amount of risk appetite and the amount of risk appetite for each of the risks.

The main advantage of applying the risk appetite mechanism is that risks are identified and quantitatively defined in a structured manner, which links them to the Bank's business goals and strategy.

A system of limits is used to distribute risk appetite between business units, products and subtypes of risks and further control the amount of risks. Control of the amount of risk in relation to the established risk appetite and risk limits takes place on a regular basis through the determination of the risk profile in an aggregated form and across all types of risk.

The risk management strategy defines the principles of managing all significant types of risk identified by the Bank, namely: credit risk, including country risk and environmental and social risks, sovereign risk and counterparty risk; liquidity risk; market risks in the banking and trading portfolio, including interest rate risk in the banking portfolio; operational risk, including legal risk, risk of information and communication technologies, information security, risk of inappropriate behavior, model risk and outsourcing risk; strategic and reputational risks.

Annually, the Bank updates policies and regulations on the management of each type of risk, which set limits and normative values, to avoid excessive volatility and concentration of risks that are outside the optimal ratio of risk and profitability, as well as procedures on the management of each type of risk.

The Bank has created and operates a comprehensive risk management system, which provides constant analysis, management and control of the risks to which the Bank is exposed in its operational activities, and makes it possible to make balanced decisions regarding the size of the Bank's risk appetite, its compliance with market and business conditions -strategies of the Bank.

For risk management, the Bank has created a permanent unit for risk management, subordinated and accountable to the Bank's Supervisory Board. The key function in the organizational structure of risk management belongs to the Supervisory Board, which determines and approves the risk management strategy, the requirements for the functioning of the internal control system in the Bank, policies and procedures for managing all types of risk, the Bank's procedures in the event of a crisis or events requiring the restoration of operations, as well as the organizational structure of risk management, ensures the sufficiency of resources for risk management, exercises control by obtaining regular information on the Bank's risk profile.

By decision of the Supervisory Board, the Risk Management Committee of the Supervisory Board was established, which performs such functions as monitoring compliance by the Bank with the established overall level of risk-appetite and the level of risk-appetite for each type of risk; monitoring the implementation of risk management strategy and policy; control over the state of implementation of measures to promptly eliminate deficiencies in the functioning of the risk management system; control over the fact that the pricing/setting of tariffs for banking products takes into account the bank's business model and risk management strategy and other functions delegated to it by the Supervisory Board.

The Bank's Management Board, as the highest executive body of the Bank, is called upon to ensure the implementation of the Supervisory Board's decisions regarding the risk management system and the implementation of the Bank's business strategy and plans in compliance with the requirements and limits of the Bank's risk appetite. According to the decision of the Supervisory Board, a Credit Committee and an Assets and Liabilities Management Committee were established in the Bank to manage credit risk and liquidity risks, interest rate risk in the banking book and market risks, the activities of which are determined by relevant procedures and regulations.

Among the key committees created by the Management Board for the implementation of the risk management system, it is worth noting the Committee for Working with Problem Debts, the Committee for Risk Management of Corporate

Segment Customers, the Credit Committee for the Retail Business and the Reserve Committee, as well as the Operational Risk Management Committee.

Regular checks and evaluations of the effectiveness of the risk management system in the Bank are carried out by the Bank's internal audit department. A mandatory element of comprehensive risk management in the Bank and the management of each type of risk is stress testing, which is regularly conducted by the risk management unit to determine the readiness of the Bank, the sufficiency of its capital and liquid financial assets to conduct operational activities without violating the standards established by the NBU. under conditions of sudden onset of unfavorable macroeconomic situation.

Ensuring the availability of the Bank for clients, regulatory bodies and shareholders in the event of extraordinary events is an integral element of the Bank's risk management system. In order to properly respond to extraordinary events and overcome their consequences, the Bank has developed and implemented appropriate plans for ensuring continuity and restoring operations, including a plan for financing in crisis situations. The specified plans are updated on a permanent basis and should be carried out through comprehensive testing. The Bank's risk management system is a component of the risk management system of the international banking group OTP Group, which provides opportunities for the exchange of experience and best global practices, as well as the constant development and improvement of this system. In addition, the parent bank's risk management units perform the function of independent control and confirmation of the quality of statistical risk assessment models, rules and procedures for risk assessment and management.

Reputational risk is the probability of losses or additional losses or failure to receive planned revenues as a result of an unfavorable perception of the bank's image by customers, counterparties, shareholders, supervisory and control bodies.

In order to effectively manage the bank's reputational risk, it is recommended to use a comprehensive approach that includes monitoring both external and internal factors.

Primary reputational risk should be managed through continuous monitoring of reputation indicators (RI) in external sources, such as media, social networks and other

communication channels, with a focus on key stakeholders: the public, customers, regulators and employees. This approach allows timely detection and response to external reputational threats that may arise due to negative media coverage or misunderstandings with key audiences.

Managing secondary reputational risk requires integrating reputational risk considerations into the core of internal business processes. This involves continuous observation and analysis of key risk indicators that could potentially impact the bank's reputation. For instance, an increase in operational risks, such as system failures or compliance breaches, or a rise in credit risks, like higher default rates, can signal reputational challenges. Monitoring these indicators ensures the bank remains vigilant and prepared to address potential threats before they escalate.

Reputational risk management should permeate all stages of banking operations, from the development and launch of new products to onboarding new customers and managing outsourcing arrangements. By embedding risk identification into these activities, the bank can proactively address potential issues, reducing the likelihood of adverse reputational impacts.

When key risk indicators surpass established thresholds or critical events unfold, prompt and decisive action becomes imperative. Effective mitigation requires implementing a well-orchestrated crisis communication strategy to manage public perception and maintain stakeholder confidence. Simultaneously, addressing underlying issues through internal process refinements ensures the root causes are resolved, preventing recurrence. Organizational adjustments, such as enhancing oversight mechanisms or redistributing responsibilities, further strengthen the bank's ability to manage and control risks. These measures collectively serve to not only contain immediate challenges but also reinforce the institution's overall resilience and capacity to withstand future crises.

Reducing reputational risk demands the creation of a robust, comprehensive monitoring and management system. Such a system provides real-time detection of potential threats, empowering the organization to act swiftly and effectively. By embedding clear protocols for risk assessment and response, this system facilitates

informed decision-making and ensures a consistent approach to managing reputational issues. Moreover, fostering a culture of accountability and awareness across all levels of the organization enhances the bank's ability to anticipate and address risks proactively.

By integrating these practices into its operational framework, the bank can safeguard its reputation and build enduring trust with its stakeholders. This not only fortifies the bank's resilience against reputational threats but also elevates its standing in an increasingly competitive financial landscape. A strong reputation, supported by comprehensive risk management, becomes a key differentiator that drives long-term success, customer loyalty, and investor confidence.

CONCLUSIONS

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

1. The study of the scientific views of foreign and domestic scientists and practitioners made it possible to generalize the main approaches to the interpretation of the concept of "business reputation" from the standpoint of legal, accounting, and marketing approaches, to systematize the components of business reputation, to find out the common and distinctive characteristics of the "image" and "brand" categories ” and “goodwill”. It has been proven that the process of forming a bank's business reputation takes quite a long time, but it can be accelerated if you choose adequate tools and manage them effectively, which in the future will certainly lead to strengthening the trust of clients in banking institutions of Ukraine. Reputational risk is associated with the loss of business reputation, trust and loyalty to the bank on the part of clients and partners, that is, it concerns the management of relations with interested parties. Reputational risk may arise as a result of the action of other types of banking risks, or the appearance of such factors as information asymmetry (publication of negative information about the bank, employees and shareholders in the mass media and social networks).

It has been proven that most of the authors of the considered methodical approaches to the assessment of reputation and risk in the bank do not distinguish between the concepts of "business reputation" and "reputational risk". To manage reputation, it is necessary to be able to assess the level of reputation. For this purpose, bank reputation ratings are compiled, which are based on a certain set of quantitative and qualitative reputation parameters: innovation, management quality, social investments, personnel, corporate culture, product quality, financial results, etc. In addition, the acquisition of a high level of reputation always takes a long time, and the decline in the level of a bank's reputation occurs quite quickly.

It was established that the position of JSC "OTP Bank" in ratings and charitable social projects testifies to the bank's stable and positive position on the market. OTP

Bank has established itself as a stable and reliable player in the banking market thanks to high indicators in reliability ratings, such as being in the TOP-15 most reliable banks of Ukraine and stable ratings in the main financial categories. In addition, the bank's active participation in charity and social projects increases its reputation among the public and strengthens relations with clients. This shows the bank's responsible attitude to its social role and willingness to participate in solving important social issues, which also positively affects its image.

It has been proven that the integration of ESG risks into the bank's strategy not only reduces potential threats, but also significantly improves the reputation of the financial institution among investors, customers and society. This approach allows banks to be more sensitive to global challenges, including climate change and social responsibility, which helps build trust and ensures long-term stability. Accordingly, the effective management of ESG risks is an important factor for maintaining the bank's competitiveness and strengthening its image on the market.

Effective management of a bank's reputational risk requires a strategic and multi-dimensional approach that comprehensively addresses both external and internal risk factors. Primary reputational risk, originating from external sources, must be meticulously controlled through the continuous monitoring of reputation indicators in public spaces such as media channels, social networks, and other communication platforms. This vigilance is essential to understanding how the bank is perceived by key stakeholders, including customers, employees, regulators, and the general public. By analyzing trends and sentiments in real-time, banks can detect early warning signs of reputational threats and implement swift measures to counteract potential damage. This proactive engagement fosters transparency and trust, which are critical to maintaining a positive public image in today's highly interconnected digital world.

Secondary reputational risk, rooted in internal operational dynamics, necessitates a robust integration of reputation management into the bank's core business processes. The consistent monitoring of key risk indicators, coupled with thorough risk identification during activities such as product launches, organizational changes, or shifts in operational focus, ensures that potential vulnerabilities are addressed before

they escalate. For instance, heightened operational or credit risks, if left unchecked, can cascade into reputational issues, underscoring the need for a seamless alignment of risk management practices across departments.

A critical aspect of managing both primary and secondary reputational risks is the ability to respond decisively and effectively to critical events. Timely interventions, such as deploying strategic crisis communication frameworks, enable the bank to mitigate the fallout of adverse situations by directly addressing stakeholder concerns and reinforcing confidence. Simultaneously, enhancing internal processes and systems not only resolves the immediate issue but also builds resilience against future occurrences. This dual focus on external and internal responses strengthens the bank's position in a competitive environment while safeguarding its reputation.

Moreover, the establishment of an integrated risk management system is pivotal for achieving long-term stability and fostering trust among stakeholders. Such a system should incorporate advanced analytical tools, real-time monitoring capabilities, and clearly defined protocols for risk assessment and response. It should also promote a culture of accountability, where every employee understands their role in upholding the bank's reputation. By creating a seamless synergy between technology, processes, and human expertise, the bank can navigate the complexities of reputational risk in an increasingly volatile and interconnected financial landscape.

In the broader context, reputational risk management serves as a cornerstone of sustainable business practices. A strong reputation not only enhances customer loyalty and employee engagement but also strengthens relationships with regulators and investors. As financial markets evolve, the ability to adapt and respond to reputational challenges will become an increasingly important determinant of success. By adopting a comprehensive approach that integrates monitoring, proactive risk identification, and timely mitigation, banks can position themselves as trustworthy and reliable institutions, capable of weathering challenges while delivering value to all stakeholders.

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