

MINISTRY OF EDUCATION AND SCIENCE OF UKRAINE

V.N. KARAZIN KHARKIV NATIONAL UNIVERSITY

Karazin Banking Institute

Department: **Banking Business and Financial Technologies**

Specialty: **072 Finance, banking, insurance and stock market**

Educational program: **Financial technologies and banking management**

Group: AF-23M **full-time mode of study**

QUALIFYING MASTER'S THESIS

on the topic

"Strategic development of the bank under the condition of effective corporate governance"

submitted by the applicant of higher education

Zhang Runqi

The qualifying master's thesis was accepted for defense by the decision of the Department of Banking Business and Financial Technologies

Minutes No dated «___» _____ 2024

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Kharkiv 2024

MINISTRY OF EDUCATION AND SCIENCE OF UKRAINE

V.N. KARAZIN KHARKIV NATIONAL UNIVERSITY

Faculty	EDUCATION AND RESEARCH INSTITUTE “KARAZIN BANKING INSTITUTE”
Department	Banking Business and Financial Technologies
Level of higher education	second (master’s) level
Specialty	072 Finance, banking, insurance and stock market
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APPROVED

Head of department of
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«25» September 2024.

ASSIGNMENT

FOR A QUALIFYING MASTER’S THESIS

assigned to

Zhang Runqi,

1. The topic of the thesis: "Strategic development of the bank under the condition of effective corporate governance "

Scientific advisor – PhD of Economics, Assoc. Prof. Valeriia Kochorba

(last name, first name, patronymic, academic degree, academic title)

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2. Deadline for submission of thesis by the student "18" of November 2024.

3. List of questions to be researched:

In chapter 1: Highlights national and international bank development strategies, examines the basis of bank corporate governance, and presents the bank's development strategy as an element of control.

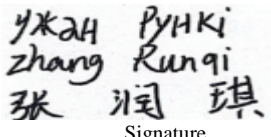
In section 2: Dedicated to the activities of domestic banks and their competitiveness in the context of the strategic development of banks. This section presents the technical and economic characteristics of JSC "Oschadbank" and the strategic importance of corporate social responsibility in banking management.

In chapter 3: Highlights ways to improve strategic banking management in the overall management system. It provides recommendations for the formation of a client-oriented corporate culture of banks and the formation of a modern corporate code of the banker. Recommendations are presented for improving the strategic development of JSC "Oschadbank" and the mechanism of competitiveness of banking security in the context of strategic growth.

4. Plan of qualifying master's thesis

№	Name of work stages
1	Selection of the topic
2	Approval of the plan and tasks of thesis
3	Implementation of thesis
4	Submission of thesis to the department to check for the presence of borrowings from other documents
5	Completion of the admission procedure for the protection of thesis
6	Defence of thesis

5. Date of assignment issuance 25.09.2024

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ABSTRACT
ON QUALIFICATION MASTER'S WORK
"STRATEGIC DEVELOPMENT OF THE BANK UNDER THE CONDITION OF
EFFECTIVE CORPORATE GOVERNANCE"

Zhang Runqi

Qualifying work: 95 pp., 11 fig., 11 tab., 60 references.

The object of the research is the activity of banks in modern conditions.

The subject of research is a set of theoretical, methodical and applied aspects of financial strategy optimization in the bank management system.

The purpose of the qualification work is the development of theoretical, methodological and organizational provisions and the outline of practical recommendations for improving approaches to financial strategy in the management system of JSC «Oschadbank».

The theoretical and methodological basis of the research is the work of domestic and foreign experts in the field of management theory, enterprise strategy and financial activity. The work uses the following methods: logical generalization - for generalizing scientific experience from the researched issues and teaching the sequence of provisions of the master's thesis; critical analysis and generalization of theoretical studies – for theoretical generalization of the obtained results and formulation of conclusions; system and activity approaches to obtain an adequate understanding of the studied subject; situational analysis – when considering the bank's financial activity and outlining the strategic activity of the Savings Bank in modern conditions.

Obtained results: improved scientific ideas about strategy in enterprise management and provided appropriate definitions of concepts in which generic features are related to the concept of «vision»; improved understanding of strategic activities; the term «praxiologization of an idea» was proposed; the idea of the bank management system and management decisions in difficult external conditions on the basis of the activity of Oschadbank was further developed.

The scientific novelty of the obtained results is determined by the following basic provisions: scientific ideas about strategy in enterprise management were improved and appropriate definitions of concepts were provided, in which generic features are related to the concept of «vision»; the understanding of strategic activity, which appears as a series of concretization of ideas about the desired future from the initial idea to a concrete plan, has been improved, for which the term «praxiologisation of an idea» is proposed; the idea of the bank management system and management decisions in difficult external conditions on the basis of the activity of Oschadbank was further developed.

The importance of the results of the master's qualification work is that the obtained definitions of concepts related to strategy, strategic management and financial activity can be applied in the study of relevant academic disciplines. Of practical importance is the generalization of the experience of Oschadbank in its management system, which is carried out in difficult external conditions.

BANKING ACTIVITIES, FINANCIAL STRATEGY, FINANCIAL PLANNING, BANK MANAGEMENT SYSTEM, JSC OSHCHADBANK

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INTRODUCTION

Scientific analysis of a bank's development strategy has become more complicated in recent times. The Ukrainian economy currently lives thanks to foreign aid, so in such conditions all business entities are in a situation where the usual rules have been violated, and there are no proven recipes for overcoming crisis challenges. And most importantly, with an uncertain future, planning it and even more so adhering to the chosen strategy is also not easy.

Banks, as the most financially oriented entities, should experience difficulties in calculating future activities, because the factors that need to be taken into account are practically not predictable with sufficient probability - in particular, what will be the situation in the energy sector (fuel and electricity prices, which affect more general pricing in the markets); the inflation index and, accordingly, the purchasing power of enterprises and citizens; the volume and timeliness of macro-financial assistance from Ukraine's allied states, etc.

In these conditions, the bank's development strategy should be subject to increased attention of management, so bank management should take into account these factors and their possible impact on the bank's activities.

Of course, there are ideas about the rules and principles of building the strategic development of banks, which have developed as scientific generalizations of previous times.

The theoretical foundations of strategic management are highlighted in the works of such leading foreign scientists as: I. Ansoff, G. Assel, P. Doyle, B. Karloff, W. King, D. Cleland, F. Kotler, M. MacDonald, G. Mintzberg and others. The issue of forming banking strategies is set out in the works of domestic and foreign scientists such as: M. Porter, A.A. Thompson and J. Strickland, I.O. Blank, E. Brigham, N.M. Davydenko, V.M. Kochetkov, V.Y. Kochorba, L.N. Pavlova, I.V. Salo, O.S. Stoyanova, Z.E. Shershneva L.V. Balabanova, A.V. Voichak, V.G. Gerasimchuk, V.Ya. Zaruba, V.Ya. Kardash, I.A. Reshetnikova.

Therefore, management, which is characterized by a conscious look into the future, taking into account expectations and risks, and the desire to apply tools to improve performance, is appropriate to consider strategic. So if such a conscious look into the future concerns the financial activities of the bank, then it is necessary to talk about the readjustment of strategic management in the field of the financial aspect, and the search and appropriate analysis of principles and directions in this regard appears as a research question.

It can be assumed that the strategic approach to bank management in the current conditions should take into account unstable factors, primarily macroeconomic ones, and become a tool for readjusting the management system in this regard, making adequate management decisions on the conclusion and implementation of a financial strategy.

Joint-Stock Company "Oschadbank" is one of the largest financial institutions of the Ukrainian state. This State Bank today is a symbol of stability and reliability. According to the main indicators of its activity, it is among the three leaders of the domestic banking market. This is the only bank in Ukraine that has a state guarantee of full safety of citizens' funds entrusted to the bank, enshrined in the Law of Ukraine "On Banks and Banking Activities". But it must also be affected by unstable banking conditions. Therefore, the question of strategy in the management system of JSC "Oschadbank" is quite relevant.

The purpose of the master's qualification work is to develop theoretical, methodological and organizational provisions and outline practical recommendations for improving approaches to the strategic development of a bank under the conditions of effective corporate governance using the example of the activities of JSC "Oschadbank".

Based on this goal, the following main research tasks were established:

- to determine national and international strategies for the functioning of banks;
- to highlight the theoretical basis of corporate governance in banks;
- to investigate banking strategy as an element of controlling and in building competitive advantages of banking institutions;

- to present the technical and economic characteristics of the activities of JSC "Oschadbank";
- to analyze the competitiveness of banking institutions in the context of the strategic development of banks;
- the importance of social corporate responsibility of banks in the management of bank management;
- to take into account the proposed recommendations on client-oriented corporate social responsibility of banks and the development of a code of ethics for banking institutions;
- ways to improve the strategic development of JSC "Oschadbank" in the general strategy of the bank until 2028;
- mechanisms of competitiveness and development of financial security of banks and their impact on the strategic development of banks

The subject of the study is a set of theoretical, methodological and applied aspects of optimizing the strategic development of banks in the bank management system.

The theoretical and methodological basis of the study is the work of domestic and foreign specialists in the field of management theory, strategic development of banks. The work uses the following methods: logical generalization - to generalize scientific experience on the research topic and to explain the sequence of provisions of the master's thesis; critical analysis and generalization of theoretical research - to theoretically generalize the results obtained and formulate conclusions; systemic and activity approaches to obtain an adequate understanding of the subject under study; situational analysis - when considering the financial activities of the bank and outlining the strategic activities of Oschadbank in modern conditions.

The information base of the study is legislative and regulatory legal acts, professional literature, materials of scientific conferences and periodicals, the consolidated Report on the management of Oschadbank for the year ended December 31, 2023.

The scientific novelty of the obtained results is determined by the following main provisions:

- improved scientific ideas about the strategy in bank management under the conditions of effective corporate governance;
- improved understanding of strategic activity, which appears as a series of concretizations of ideas about the desired future from the initial idea to a specific plan;
- further developed the idea of the bank management system and management decisions in difficult external conditions based on the activities of Oschadbank.

The significance of the results of the master's qualification work lies in the fact that the obtained definitions of concepts related to strategy, strategic management and financial activities can be applied when studying the relevant academic disciplines of the "Master" degree.

Of practical importance is the generalization of Oschadbank's experience in its management system, which is carried out in difficult external conditions.

CHAPTER 1

STRATEGIC DEVELOPMENT OF BANKS UNDER CONDITIONS OF EFFECTIVE CORPORATE POLICY

1.1. National and international strategies for the functioning of banks

The complexity of the concept of "strategy" and its spread to all aspects of the business entity's activities led to the process of detailing a comprehensive vision of the future of a financial institution through a set of component strategies, the classification of which can be carried out according to various criteria: by hierarchy, by implementation terms, etc. The hierarchy of the organizational structure of a financial institution determines the hierarchy of strategic goals and the hierarchy of its strategy, which should be focused on achieving the outlined goals.

This is an essential feature of building a strategy for a financial institution and defines it as a multi-level structure. Naturally, at the level of any business entity, a general strategy should be developed - a strategy of the upper (first) level and strategies of other levels that are built on its basis. For a lower level of the structure, a higher-level strategy is a goal, while for a higher level it is a means. In general, the hierarchical structure of strategies consists of levels, the number of which depends on the type of business entity. A diversified financial institution builds a four-level strategy, and a narrow-profile one builds a three-level strategy.

A system of strategies of various types, which is formed and developed by a financial institution taking into account the specifics of its functioning and development, is called the "strategic set" of a financial institution.

The hierarchy of strategies consists of the object for which they are developed:

- corporate strategy is developed for the entire financial institution;
- competitive strategies are developed for individual business areas or areas of activity;

- functional strategies – for each of the functional subsystems (branches, divisions, services) of a financial institution;
- operational strategies are developed to determine the principles of managing individual processes.

Corporate strategy reflects the general management plan of a diversified financial institution, describing actions to achieve certain positions in different areas and approaches to managing individual types of activities.

Corporate (portfolio) strategy includes: allocation of resources between divisions based on portfolio analysis, decisions on diversification of services in order to reduce the level of risk and obtain a synergy effect, changes in the financial structure, decisions on mergers, acquisitions, joining a financial and industrial group or other integration structures, a single strategic orientation of the institution's divisions.

The most common corporate business development strategies are called basic, or reference. Today, there are three types of corporate strategies that reflect different approaches to the growth of a financial institution and are associated with changes in the state of one or more elements such as: product market, technology, position of the business entity in the industry (Fig. 1.1).

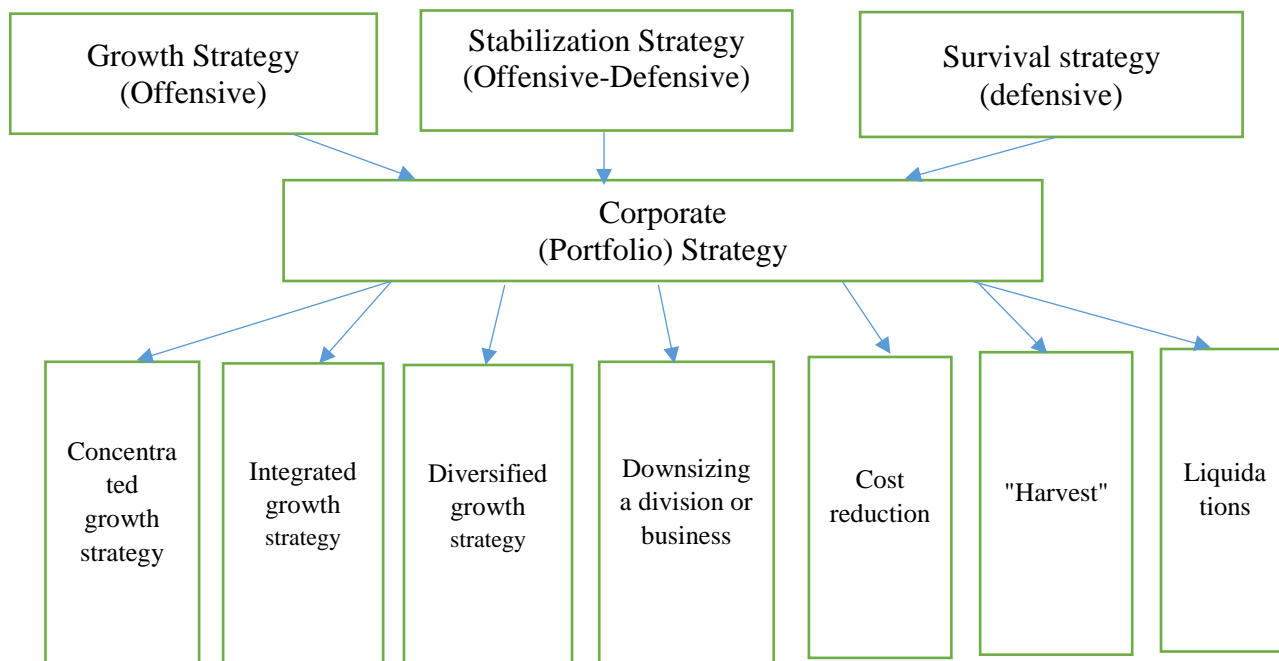


Fig.1. 1 Corporate strategies that reflect different approaches to the growth of a bank

The growth strategy aims to increase sales, expand the range of services and capacities. It can be followed by managers who strive for diversification in order to leave stagnant markets and quickly occupy developing ones.

There are three types of growth strategies:

- concentrated growth strategy;
- integrated growth strategies;
- diversified growth strategy.

Concentrated growth strategies are associated with a change in services and (or) the market and do not affect the other three elements. When following these strategies, the financial institution tries to improve its product portfolio. In terms of the market, the entity is looking for opportunities to improve its position in the existing market or is considering the possibility of moving into a new market.

Integrated growth strategies are associated with the expansion of a financial institution by adding new structures (branches).

A financial institution may resort to implementing such strategies if it is in a strong business, cannot implement a concentrated growth strategy, and at the same time integrated growth does not contradict its long-term goals. An entity can implement integrated growth both by acquiring property and by expanding from within. In both cases, the position of the financial institution within the industry changes.

Diversified growth strategies are implemented when a financial institution cannot further develop in a given market with a given set of services within a given industry.

A stabilization strategy is an intermediate option between a growth and survival strategy.

Downsizing strategies are implemented when a financial institution needs to regroup after a long period of growth or due to the need to increase efficiency, when there are recessions and dramatic changes in the economy. In these cases, business entities resort to using strategies of targeted and planned production reduction.

There are four types of targeted business reduction strategies:

- the “harvest” strategy involves abandoning a long-term view of the business in favor of maximizing income in the short term. This strategy is used in relation to an

unpromising business that cannot be profitably sold, but can bring income during the “harvest”. This strategy involves reducing costs and maximizing income from the sale of an existing product. The “harvest” strategy is designed to achieve maximum total income during the reduction period by gradually reducing this business to zero;

- the reduction strategy consists in the fact that a financial institution closes or sells one of its divisions in order to implement a long-term change in the boundaries of business operations. This strategy is implemented when it is necessary to obtain funds for the development of more promising or starting new “businesses” that meet the long-term goals of the business entity;

- the cost reduction strategy is quite close to the reduction strategy, since its main idea is to find opportunities to reduce costs and take appropriate measures to reduce them. However, this strategy has certain features, which are that it is more focused on eliminating fairly small sources of costs, as well as in the fact that its implementation is of the nature of temporary or short-term measures. The implementation of this strategy is associated with reducing costs, increasing productivity, reducing hiring and even laying off staff. It can be considered that the cost reduction strategy turns into a reduction strategy when branches begin to close;

- the liquidation strategy is a limiting case of the reduction strategy and is carried out when the financial institution cannot conduct further business.

In real practice, banks can simultaneously implement several strategies.

The stabilization strategy is an intermediate option between the growth and survival strategies.

The business (competitive) strategy (business strategy) reflects how a financial institution plans to compete in a certain market, to whom and at what prices it will sell services, how it will advertise them, etc. Therefore, such a strategy is also called a competition strategy. According to the vision of one of the leading theorists and practitioners of marketing M. Porter, there are three main approaches to forming a strategy for the behavior of a financial institution in the market (Fig. 1.2).

The first approach is associated with leadership in minimizing operating costs. Financial institutions that implement this type of strategy must have a well-established

organization of activities and use modern technologies. Marketing with this strategy does not necessarily have to be highly developed.

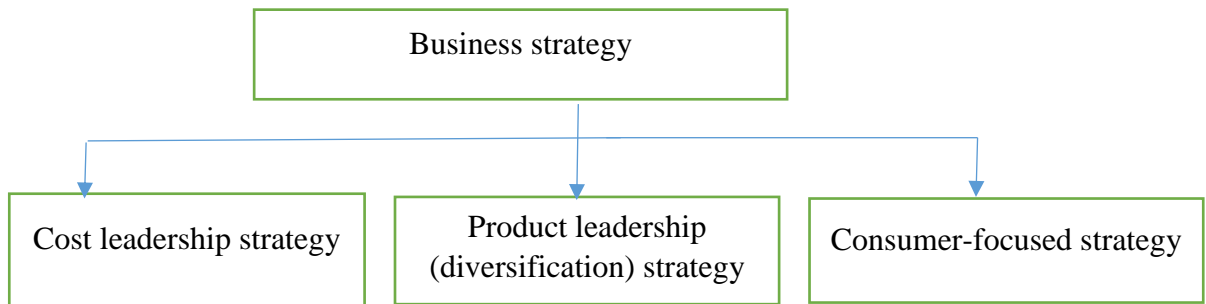


Fig. 1.2 Classification of business strategies of a financial institution

The second approach to the formation of competitive advantages is associated with specialization in the provision of services. In this case, the business entity must carry out highly specialized activities and high-quality marketing in order to become a leader in its field. This leads to the fact that consumers choose the services of this institution, even at a high price.

The third approach refers to the fixation of a certain market segment and the concentration of efforts on the selected market segment. In this case, the financial institution finds out the needs of a certain market segment in a certain set of services. It is mandatory for implementing a strategy of this type to build activities based on an analysis of the needs of customers of a certain market segment, and not the needs of the market in general.

Functional strategy is a type of strategy provision in a strategic set that determines the strategic orientation of a certain functional subsystem of enterprise management, which ensures its achievement of goals, as well as (in the presence of interconnected substantiated functional strategies) the manageability of the processes of implementation of the general strategies and mission of the financial institution. Functional strategies are a choice of decision-making rules in each functional area.

Marketing strategy is the most important functional strategy, as it provides a justification for market orientation. This strategy has two main guidelines - the market and the product. The correlation of these components allows business entities to fill the

"strategic gap" with both "old" services that will be sold in new markets and new ones planned for implementation in "old", i.e., developed, markets.

Research and development (R&D) strategy is a strategy for creating and using innovations of various types, which ultimately provides the business entity with strategic development. The R&D strategy is based on scientific and technical forecasts and is formed taking into account possible inventions and technological breakthroughs in one or another industry during the period for which the strategy is being developed. Therefore, when creating a new product, it is necessary to determine the relationship between the "life cycles" of the product, demand and technology, since they significantly affect the duration of the life cycle of the entire institution.

The definition of production strategies is related to the speed and scale of changes that need to be implemented. The most important parameters that need to be taken into account when defining production strategies are:

- production capacity and potential;
- gaps between the existing and required characteristics of production processes to ensure the appropriate quality of service provision;
- the scale of production potential, the level of its flexibility;
- the speed of adaptation of necessary innovations to the real conditions of the business entity's activities;
- achieving certain levels of activity costs to create a certain amount of added value.

The financial strategy determines the best direction of financial activity, aims to save all types of costs, to mobilize capital to support production, research, marketing and other strategies, to maximize the value of the enterprise (Fig. 1.3).

The development of a sound financial strategy is the basis for ensuring the viability of a business entity in the long term. Its most important part is making a decision on the capital structure appropriate for the entity.

And another important component of the financial strategy is the debt strategy. The volume and form of debts are one of the indicators of the sustainability of any institution.

The financial strategy as a functional one also involves determining relations with financial, insurance, credit organizations, shareholders, the financial market in general, as well as with individual divisions and officials within the financial institution - all this is manifested in the specifics of the organization of the financial management subsystem.

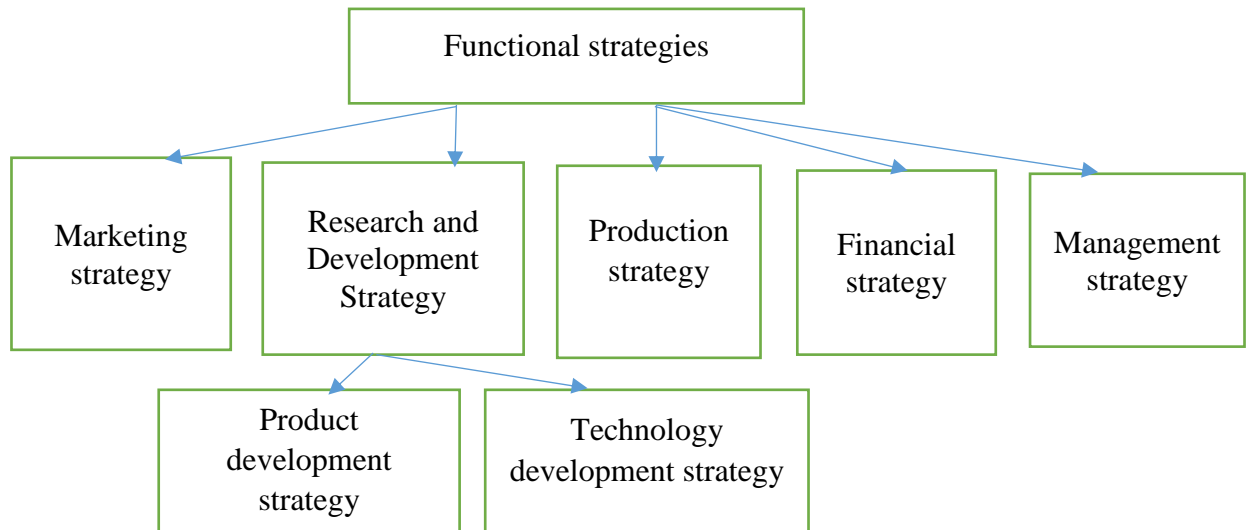


Fig. 1.3 Classification of functional strategies of a financial institution

Human resources management strategies. Human resources or, as it is now commonly defined, personnel require the creation of an appropriate management system, that is, the definition of a system of planning, organization, management, and control.

The role of a functional strategy is to support the overall business strategy and competitiveness of a financial institution. In addition, the significance of a functional strategy is to create management guidelines for achieving the intended functional goals.

An operational strategy is a strategy that defines the principles of managing individual links in the organizational structure and the processes of creating added value for the product. In essence, these are standards for implementing the business processes of a financial institution.

Operational strategies, despite their smaller scale compared to higher-level strategies, complement and complete the overall business plan of a financial institution.

Responsibility for developing operational strategies lies with middle managers, whose proposals are considered and approved by senior management.

Thus, a system of strategies of various types, which is formed and developed by a financial institution taking into account the specifics of its functioning and development, is called a “strategic set”. The hierarchy of strategies consists of the object for which they are developed: corporate strategy is developed for all links of a financial institution; competitive – for individual business areas or areas of activity; functional – for each of the functional subsystems; operational strategies are developed to determine the principles of management of individual processes. In practice, as a rule, financial institutions develop and apply a certain combination of strategies from a large set of possible ones.

The concept of bank strategy is found in many scientific publications and is multifaceted. In our opinion, bank strategy is a definition of the main trends in the development of the bank and its place in the banking sector of the country. That is, the main directions of the bank's activity are determined, which are the most effective for achieving optimal results in the future. If we look at it from the other side, then strategy is understood as the search for completely new areas of activity and the bank's entry to a new level, that is, a certain plan aimed at strengthening the bank's positions, meeting customer needs and developing new services, taking into account the financial institution's own interests.

To develop a bank strategy, certain observations are made, and on their basis a further action plan is formulated. Observation includes an assessment of the general directions of the bank's functioning, taking into account value orientations and an assessment of the influence of external factors (political, economic and competitors).

Before considering the main strategic directions, it is necessary to determine the basis for competitiveness and ensure the operation of the strategy in the future. Such observations make it possible to adjust the strategy, which would work effectively in the future.

Creating an effective functioning strategy in conditions of developed market relations should be aimed at activities in such a way as to provide a wider range of diverse services and create competitive product, for corporate and ordinary bank clients.

An effective strategy not only ensures the development of the bank in the long term, but also forms and uses competitive advantages to fulfill other strategic goals. Strategy development is one of the main components of the successful development of the bank.

Bank strategies can be divided into two levels:

- national strategies;
- international strategies.

National strategies are aimed at strengthening the banking sector, developing new technologies, expanding the client base, improving the bank's operational work, complying with regulatory acts when carrying out banking activities of the bank, etc. Also, national strategies include risk management, i.e. implementing a policy to minimize risks. Optimization of reserves, creation and use of various reserves in order to maximize the bank's profit; ensuring liquidity - maintaining the stability of the bank's liquidity level; interest - price consists in maintaining a rational interest rate on loans and deposits.

International development strategies may intersect with national strategies that operate within the bank's internal environment and aim for the same result. Therefore, international strategies can be called:

- integration strategy - a method of financial and organizational interaction with other banks, management bodies;
- use of banking technologies - the development of the bank in the field of technological changes, meaning the development of new and improvement of existing banking technologies, which are the result of the influence of the scientific and technological process;
- social strategy - determining the structure of bank employees, achieving appropriate qualifications through exchange with other institutions;

- organizational strategy - reorganization of the bank under the influence of external factors and conditions.

International strategies can also include the expansion of the bank's network, which will help increase profits and increase the number of clients, not only domestic but also foreign. Creating a new line of business will help to cover different areas of activity and new areas. In the future, this will help to accumulate your own experience in developing new activities. Bank merger or acquisition strategy, the advantages of such a strategy are that with an effective choice of purchase or merger of banks, rapid penetration into the banking services market is possible; another factor is overcoming entry barriers.

Strategy is the main component in the development of the bank's activities. Without a development strategy, it is impossible to determine the main goals that will guide the banking institution. Approval of the strategy will allow us to clearly determine which areas of activity need to be directed the most efforts for effective development.

1.2. Theoretical basis of corporate governance in Ukrainian Banks

The problem of corporate governance in Ukraine has existed at every stage of the development of the banking system of Ukraine, but it has been constantly postponed and has not been the main one on the agenda. Bank owners in general have not been interested in this topic for a long time, since an effective corporate governance system would not allow them to fully use their position for their own benefit. In addition, the 1990s were particularly characterized by the existence of "pocket" banks, which to a greater extent satisfied the interests of the industrial group to which they belonged.

The topic of corporate governance in Ukraine was discussed during the period of economic growth and the development of lending. Ukrainian banks, wanting to get additional funds to increase lending volumes, were forced to enter the foreign market in order to attract the necessary resources in debt, but foreign investors did not want to

invest money anywhere, so the issue of information disclosure and transparency of the work of banks in Ukraine arose, which banking regulations gradually began to cope with.

But, as the 2008 crisis showed, information disclosure was not the only important factor in the corporate governance system. Banks, eager to get more profit, took on excessive credit risk, actively lent in foreign currency, without thinking about the currency risk. And the owners of banks continued to use them for their own purposes.

The state nevertheless took active steps to regulate the corporate governance system in banks. Amendments were made to the Law of Ukraine “On Banks and Banking Activities” in the context of corporate governance. The Methodological Recommendations on Corporate Governance of the National Bank of Ukraine were amended.

And then came 2014, which was marked by a political crisis that turned into an economic and banking crisis. There was a sharp jump in the exchange rate. The number of problem banks increased. The National Bank actively began to clean up the banking system, as a result of which more than half of the banks were withdrawn.

It was at this moment that the issue of corporate governance effectiveness arose sharply, because most of the banks that withdrew and continued to operate had problems here.

The issue of transparency of activities, the work of banks with related parties, the effective existence of such an element of corporate governance as the supervisory board arose. Which, instead of becoming the bank's support in this matter, not allowing the banking institution to take excessive risks, and ensuring control over activities within the bank, to a greater extent carried out what the bank owner or senior management wanted.

On this basis, the National Bank of Ukraine decided to seriously address the issue of corporate governance in the banking system. Methodological recommendations on the organization of corporate governance in banks of Ukraine were issued on 3.12. 2018. No. 814. The Resolution of the National Bank of Ukraine No. 64 “On Approval of the Regulation on the Organization of the Risk Management System in Ukrainian

Banks and Banking Groups” of June 11, 2018 came into effect. The reform of corporate governance has actually been launched in the banking system.

The role of supervisory boards has increased with the mandatory condition of more than two independent directors on the board. Banks are forced to comply with the requirements of Resolution 64, which defines the role of internal corporate governance entities in organizing the risk management system. Banking institutions have begun to actively post on their websites the necessary information that discloses the activities of this bank (charter, ownership structure, regulations on the supervisory board and shareholders' meetings, etc.). However, not all banks with one owner are ready to fully accept these requirements, because increasing the role of the supervisory board may not allow the interests of interested parties to be satisfied.

That is, today, resolving the issue of corporate governance in Ukrainian banking institutions is key.

The work of foreign and domestic scientists is devoted to the issue of creating high-quality and effective corporate governance, among which it is necessary to highlight: A. Burley, B. Black, A. V. Vernikov, R. Vishny, A. Demba, O. B. Denis, V. M. Dobrova, L. V. Kuznetsova, T. G. Dolgopyatova, R. M. Entov, V. A. Yevtushevsky, I. V. Ivashkovska, M. Jensen, R. I. Kapelyushnikov, J. Caprio, V. V. Kovalenko, O. M. Kostyuk, R. Coase.

The main features of corporate governance of banking institutions, among which the following stand out:

- enhanced state regulation. State regulatory authorities are interested in the stability of the banking sector, because improper regulation of banks can lead to significant consequences not only within the banking institution itself, but also for the economy as a whole;

- the connection between corporate governance and risk management. Banking activities are carried out at the expense of depositors' funds. At the same time, banks are prone to increasing risks. Thus, the assets of banking institutions can be risky and illiquid, as a result of which bank depositors can suffer significant losses;

- greater information opacity of banks compared to non-financial companies. This situation is primarily related to the technology of banking operations. Bank reporting is complicated to assess the quality of assets and risks and is deliberately opaque to investors;

- regulatory authorities as the main participants in corporate governance. The main goal of state regulation of banking activities is to focus on the stability of the banking system, protecting the interests of depositors and creditors;

- reconciliation of conflicts of interest. To ensure an effective corporate governance system of a bank, its managers must avoid conflicts of interest, subordinate their own interests to the interests of the bank and prevent abuse in banking.

The Ukrainian model of corporate governance is a combined version of the Anglo-American and German models and is characterized by a two-tier system of management bodies.

The legislative framework was formed primarily under the influence of the OECD Principles and the standards of the Basel Committee. It is worth paying attention to the Methodological Recommendations on the Organization of Corporate Governance in Banks of Ukraine dated 3.12. 2018 No. 814. This regulatory document is designed to summarize the requirements and become the main source for banks in implementing corporate governance standards.

The main subject of the internal corporate governance system has become the supervisory board, which is actually responsible for ensuring corporate governance standards within the bank.

In general, the history of corporate governance in Ukraine has several stages:

The first stage - 1991-1998. Banks were created at the expense of the owners of industrial groups, to which the former state property also passed, and who transferred their management principles, which were largely opaque and aimed at meeting the needs of the group, to newly created banks. There are no reasons for implementing corporate governance standards.

The second stage - 1999-2004. The main stakeholders continue to be the owners of industrial groups, who did not see any incentives to implement corporate governance

principles. However, regulatory requirements appeared, which forced banks to still comply with certain corporate governance standards.

The third stage - 2005 - September 2008. The processes of active entry of foreign investors into the banking system of Ukraine, which demanded a more transparent market and brought their own corporate culture, which became the first 92

significant impetus for the implementation of corporate governance standards and its development in general.

The fourth stage - October 2008 - 2014. The crisis in the banking sector sharply raised the issue of the functioning of the corporate governance system in Ukrainian banks. Banks strengthened control over the risks that they especially faced during the crisis. Requirements from state authorities have increased significantly.

The fifth stage: 2014 - present. The unfolding of the political crisis, which ultimately led to the banking crisis. An important direction in the work of the National Bank of Ukraine recently is the reform of corporate governance in the banking system. First of all, this is laid down in the Methodological Recommendations on the Organization of Corporate Governance in Ukrainian Banks dated 3.12. 2018. No. 814 and implementation of NBU Resolution No. 64 "On Approval of the Regulations on the Organization of the Risk Management System in Ukrainian Banks and Banking Groups" dated June 11, 2018.

The internal corporate governance system, namely the choice of principles, areas of activity, corporate values, has a significant impact on the formation of a business model. Research on identifying business models in the banking system of Ukraine was conducted using cluster analysis, as a result of which 4 main models of banks were identified: traditional, investment, retail and corporate. Most representatives belong to the traditional model.

An important element in the structure of corporate governance is the bank's work with risks. The main regulatory document in this case is the NBU Resolution 64 "On Approval of the Regulations on the Organization of the Risk Management System in Ukrainian Banks and Banking Groups". Banking institutions have really actively begun activities to minimize risks. And not only within the framework of Resolution No. 64.

For example, banks themselves set stricter limits than the regulator requires. That is, the implementation of corporate governance standards had a positive effect on minimizing potential and existing risks of banks.

An important element of corporate governance is corporate social responsibility, which is the responsibility of an organization for the impact of its decisions and activities (products, services, processes) on society, its own employees and the environment, which is implemented through transparent and ethical behavior.

In the banking sector, social responsibility has gained the most popularity in its implementation through charity and sponsorship. Social responsibility can represent the position and strength of a bank at the moment. A bank with the best performance indicators will not mind directing part of its funds to the implementation of various social projects or providing its employees with additional bonuses. At the same time, a bank that is not doing well or is not a market leader will most likely implement social responsibility through charity.

Evaluating corporate culture and the main document of the bank in this framework - the code of ethics, we can conclude that banking institutions are trying to create their own culture as much as possible, which would ensure the attraction of new customers and would be attractive to society.

Thus, we can conclude that corporate governance in the banking system of Ukraine has reached a new level. Banks are taking on less and less significant risks, trying to meet the requirements of the regulator, and actively pursuing social policy. But along with that, there is a question whether these changes are not artificial and are being implemented only because there are legal requirements? This question will probably be answered by time, when the situation in the country stabilizes, the National Bank of Ukraine reduces its pressure, and banks will not be threatened with forced liquidation for any deviation from the norm. If banks continue to comply with corporate governance standards, minimize risks, and the supervisory board continues its role as the main body of the bank, and not one controlled by the board, then we can confidently say that the reform of corporate governance in the banking system of Ukraine has been successful. At the moment, it remains to wait and monitor the actions of banks and their

adoption of certain decisions and the corresponding reaction of the National Bank of Ukraine.

1.3 Bank strategy as an element of controlling the bank's activities and ensuring competitive advantages

The modern economic environment is subject to changes from the external and internal environment, competition is increasing not only among large enterprises, but also among banks, including. Therefore, the creation of a certain system that would allow controlling and solving problems has greatly facilitated the process of making management decisions regarding the areas of financial activity of the institution. The controlling system was introduced to achieve strategic and operational goals, which is aimed at analyzing the results of the institution's economic activity and ensuring its further development.

The concept of controlling is very common in the literature. Therefore, its interpretation in the sources is described differently. Each author gives his own definition of the concept of controlling. The main founder of the concept of controlling is D. Khan. In his monograph, he describes this concept as follows: "To maximize profit and cost of capital while maintaining liquidity and solvency, it is necessary to optimize financial results." To achieve the set goals, the person who makes such decisions plays a major role.

In our opinion, controlling is the process of monitoring and controlling the activities of a banking institution aimed at achieving the set tasks and goals. At the same time, the use of financial instruments will help implement the bank's financial strategy. This process is focused on minimizing financial risks and maximizing profits in the long term.

The implementation of controlling in a bank is an important element of its management, which helps to analyze, plan and process the information received for making management decisions.

So, based on this, we can name the main tasks of controlling in a bank:

- assessment of the activities of the bank and individual divisions;
- internal control of the bank (preservation of assets and minimizing its use);
- macroeconomic and market research;
- preparation of reports on the planned indicators of the bank's activities for managers.

So, the introduction of controlling in banks will help to correctly choose a financial strategy using indicators, inform about changes in the external environment and respond to it in a timely manner, have effective information support for decision-making, etc.

Depending on the functions performed, controlling can be divided into operational and strategic:

- operational controlling - aimed at determining profitability indicators and risks in the short term;
- strategic controlling - aimed at achieving long-term goals using financial indicators.

The division of controlling into operational and strategic is a necessary step for the bank. The bank's goals are divided into strategic (long-term) and operational (short-term), so it is controlling that will help control the situation for the achievement of both strategic and operational goals.

Each type of controlling has its own specifics, that is, the use of different tools, assessment and planning. Operational controlling means control over the implementation of financial decisions to achieve both medium and short-term goals of the bank, planning and assessment of risks associated with changes in the institution's activities.

The components of such controlling are a system of annual budgets and control, which compiles all information about the main financial activities according to

indicators. Such control is able to identify the causes and identify the weaknesses of the bank. The main task of operational controlling is constant control of the bank over the achievement of the set goal. The main values for operational are profit, liquidity, profitability and productivity. For operational controlling, internal documents and reports are used that will allow for a full analysis.

The tasks of operational controlling are:

- analysis of the efficiency of the bank's various divisions, as well as bank products and their services;
- comparison of indicators (actual and planned) of the bank, and their deviation;
- support of the process of operational planning and budgeting.

With constant changes, it is necessary to assess the bank's goal, whether it is outdated, whether there is a possible negative impact on the bank's main activities and development in the future, the adequacy of the goal to market changes. Such analysis is inherent in strategic controlling. Strategic controlling is aimed at maximizing capital, volumes of activity, etc. The values used for the analysis of strategic controlling are the possibilities of market position, market share, cost of capital, and others.

The tasks of strategic controlling are:

- assessment of the internal and external environment of the bank;
- development of alternative strategies for the bank's development for future activities;
- organization and support of the strategic planning process;
- assessment of the level of achievement of the bank's goals;
- analysis of the development of investment projects.

A banking institution has its own information system, in which information is stored and collected for analysis or data formalization. Such a system is called a "data warehouse". It also contains various tools used in data analysis. Such tools can be CASE - automated system design or OLAP - real-time data analysis. The author of such a warehouse is B. Inmon, created for more managers and analysts to support management goals and operational analysis or strategic decision-making.

Various methods and tools are used for the application of financial controlling. Such methods include:

- SWOT – analysis – analysis of strengths and weaknesses, a method for strategic controlling, which is used to eliminate weaknesses, avoid risks, use strengths;
- an early warning and response system to notify managers about risks and opportunities affecting a banking institution from the external and internal environment;
- benchmarking – the process of comparing services and goods, instruments and parameters of an institution with other institutions or other divisions;
- portfolio analysis of the use of strategic controlling tools to optimize securities from investors.

Therefore, a financial controlling system should be present in every bank when managing its activities. Creating such a system will help increase the bank's liquidity, profitability, and financial stability, and avoid crisis situations that arise in the management process.

The competitiveness of any institution, which is an important part of a market economy, characterizes effective adaptation to the conditions of the external environment. This can be called the ability of a bank to stay in a competitive market in comparison with other institutions with similar products and services. Researching the issue of competitiveness means studying the basics of the functioning of market relations, principles and approaches, methods and understanding the competitive situation that has developed in the banking services market. For a system to ensure the competitiveness of a bank, it is necessary to consider in detail the methods of assessing competitiveness and their development.

Banking competition is the rivalry of banks or other financial institutions to occupy leading positions in the banking sector. Typically, the manifestation of such competition appears in the banking services market and can cover various markets such as real estate, information products, labor or consumer goods.

The construction of a competitiveness system is divided into two levels: methodological and practical. Ensuring competitiveness means an action plan developed by the leaders of an institution that influences the system to achieve

competitiveness in the market. The strategy plays an important role in providing the institution with financial resources for stable efficiency, profitability and competitiveness. Financial provision is a set of actions aimed at achieving the goals of the tasks and the use of financial resources aimed at promising development and increasing competitive advantages. The purpose of such provision is to create profitability, stability, financial sustainability and solvency.

The main purpose of financial support for competitiveness requires the use of own and attracted financial resources for strategic competitive advantage. In market conditions, the role of effective management of financial resources increases, because there is an opportunity to transform into other types of resources, so their role is also crucial for strategic development.

Usually, strategies for financial support for competitiveness are developed for the long term. For them, the most important tasks are to assess the volumes, methods and sources of attracting financial resources for activities. Financial support for competitiveness creates a new effective way, identifies the most promising types of activities of the institution, demand for products and to occupy a profitable competitive offer. In order to choose the right financial support for a competitive strategy, the institution carries out various calculations, forecasts, from qualified managers. Also, the strategy is mainly influenced by the market environment, which can change each time.

The formation of the financial support of the strategy is also influenced by a number of factors, such factors can be caused by both external and internal factors. These same factors should be included in the development of an international competitive strategy. Such factors are:

- the quality and cost of technologies in determining competitive advantages;
- the ownership structure has an impact and determines the priority areas of the institution's activities, as well as their use in ensuring competitive strategies;
- regulatory and control bodies that have the authority can influence the market situation and dynamics of market development.

An international competitive strategy and its formation is a rather difficult process, most of the efforts are directed to its implementation and the costs associated

with the implementation process. The creation and provision of such a strategy are influenced by a number of negative factors that can slow down this process. Such factors as insufficient information, reluctance to introduce a new product and, as a result, low demand for it, a small number of qualified specialists, and others. Therefore, all this can give a negative result in the further activities of the institution.

When forming financial support, certain principles are formed that will help provide the institution with an effective competitive policy for future development. Such principles may include:

- purposefulness;
- justification;
- relevance;
- novelty;
- relevance.

The methods used for financial provision can be diverse. Each of the methods has its own approach and result on which the main strategy is based. So, such methods are:

- financial planning method;
- financial forecasting method;
- financial analysis method;
- SWOT analysis.

The competitiveness strategy of a banking institution is developed mainly for the long term, therefore the tasks in its development are to assess the volumes and methods of attracting financial resources used in the implementation of bank activities. But it is also possible to create a strategy for the medium term, while using the analysis of such financial indicators of the bank as: profitability, liquidity, costs, profit margin. After all, such parameters are quite problematic to determine for 5-10 years.

In order for financial support to have an effective impact on the competitive strategy and effectively cooperate with other strategies, it is necessary to:

- analyze and develop a system of target indicators to focus on achieving the main tasks set in the development strategy;
- have all the necessary resources in accordance with the strategy;

- make changes in the organizational structure of the banking institution. The system of strategic development goals of a banking institution in the context of strategy development is reflected through indicators: growth rates of financial resources formed from its own sources; minimum cost of equity; return on equity.

So, we can do some conclusions. All elements, principles and methods of a competitive strategy must be consistent with the stages of development of the bank and the market of its main services. Research and new developments of the strategy must be supplemented with innovative methods and adapted to the conditions of a market economy.

CHAPTER 2

ANALYSIS OF THE ACTIVITIES OF DOMESTIC BANKS AND THEIR COMPETITIVENESS IN BUILDING A DEVELOPMENT STRATEGY

2.1. Technical and economic characteristics of JSC "Oschadbank"

The assessment of the financial and economic activities of any enterprise or institution involves the consistent and comprehensive implementation of analytical work. The analysis should begin with the general characteristics of the enterprise: its foundation, areas of activity, the range of services provided, the main indicators of activity, organizational structure, etc.

JSC "Oschadbank" is a Ukrainian commercial bank, 100% of the shares of which belong to the state. It is the oldest Ukrainian bank, whose history dates back to savings banks that began their activities in Ukraine in the 19th century. Oschadbank of Independent Ukraine, created on the basis of the Ukrainian institutions of the Oschadbank of the USSR, was registered by the National Bank on December 31, 1991. Oschadbank is the second largest financial institution in the Ukrainian market in terms of assets and the largest number of branches. It serves about 7 million clients.

The branch network of Oschadbank consists of 1,748 establishments. Among them are 675 modern branches of a new format, 25 inclusive branches, which are equipped for the most comfortable service for people with disabilities, 1 premium center and 67 premium zones. In the immediate vicinity of the demarcation line in eastern Ukraine, 5 mobile units operate, including two based on KrAZ armored vehicles.

Oschadbank also has 523 self-service zones, 3,269 information and payment terminals and 3,334 ATMs to serve its clients. Oschad 24/7 Internet and mobile banking is used by 5.3 million clients; this service is the second most popular among Ukrainian mobile banking applications.

According to the main indicators of its activity, the size of regulatory capital and assets, it is among the leaders of the domestic banking market. Oschadbank belongs to Group 1 and is among the TOP-3 largest banks in Ukraine.

This is the only bank in Ukraine that has a state guarantee of full safety of citizens' funds entrusted to the bank, enshrined in the Law of Ukraine "On Banks and Banking Activities".

Oschadbank is a universal banking institution that focuses its efforts on creating favorable and profitable conditions for servicing clients, expanding the list of banking products and services, and increasing its presence in the market.

Over the years of its existence, Oschadbank has gained a reputation as an impeccable business partner, capable of fulfilling its obligations regardless of the influence of external or internal factors.

The bank is not a member of the Deposit Guarantee Fund of individuals, since all deposits of individuals in Sberbank are guaranteed by the state.

As of 2023, Oschadbank is the second largest financial institution in terms of assets with the largest number of branches in Ukraine. It serves over 7 million clients.

In 2020, Oschadbank introduced a classic three-level corporate governance system and a fully formed supervisory board. Thanks to the distribution of powers and functions of collegial bodies – the supervisory board, its committees, the bank's management board – Oschadbank has built a system of checks and balances in accordance with the best global practices: risk management, compliance control, financial monitoring, etc.

A fundamental change in the principles and mechanisms of corporate governance of state-owned banks took place on November 10, 2018, in connection with the entry into force of the Law of Ukraine No. 2491-VIII "On Amendments to Certain Legislative Acts of Ukraine Regarding Improving the Functioning of the Financial Sector in Ukraine." The purpose of the Law is to create a management system insulated from political influence, to bring the corporate governance system into line with the recommendations of the OECD, the European Commission, and the Basel Committee

on Banking Supervision, to increase the competitiveness and efficiency of state-owned banks, and to create the prerequisites for the potential attraction of foreign investors.

In particular, the law terminated the special organization and management structure of state-owned banks by amending Article 7 of the Law of Ukraine “On Banks and Banking Activity”, i.e. introduced a generally accepted (standard) corporate structure.

The organizational structure of Oschadbank meets the requirements of current legislation and regulatory legal acts of the National Bank of Ukraine in terms of effective delegation of authority and internal control. The Charter of Oschadbank defines the following management bodies:

- the supreme body is the Cabinet of Ministers of Ukraine, which manages the corporate rights of the state in the bank and performs the functions of the supreme management body;

- the supervisory board is a collegial management body that, within its competence, manages the bank and controls and regulates the activities of the management board with the aim of implementing the development strategy. The supervisory board does not participate in the current management of the bank;

- the management board is an executive body that manages the current activities of the bank.

In order to ensure effective management, the Supervisory Board and the Management Board establish committees to which they delegate part of their powers and monitor the implementation of delegated powers within the framework of accountability mechanisms.

The system of divisions and the network of separate institutions of Oschadbank are built according to territorial and functional logic, based on the scale and structure of operational activities, in compliance with the principle of reasonable and effective centralization of some functions.

The Bank's Charter approves the following management and control bodies: management – Supervisory Board and Management Board, control – Audit Committee and Internal Audit Department.

The highest management body of the Bank is the Supervisory Board. The permanent executive body of the Bank is the Management Board, which manages the current activities and is responsible for the efficiency of the Bank's work.

Additionally, in 2015, the Management Board was delegated certain powers of the Supervisory Board in the following areas:

- definition and approval of risk management policy;
- ensuring the functioning of the internal control system;
- approval of the budget and business plan;
- definition of credit policy;
- participation in non-profit unions or associations;
- definition of the organizational structure;
- decision-making on the creation of separate divisions.

The Bank's Management Board regularly, once a year, provides the Supervisory Board with information on decisions made and a detailed report on the implementation of delegated powers. To ensure prompt and effective decision-making, part of the Management Board's powers has been delegated to permanent collegial bodies (15 committees). In addition, to ensure transparent and constant communication with the regions, an advisory body has been formed - the Coordination Council of Regions.

The organizational structure of Oschadbank is built on the principle of centralization with vertical subordination and includes: 34 separate structural divisions of the central office; 24 branches allocated to separate balance sheets; 3,027 territorially separate off-balance sheet branches (including 2,606 operating ones).

In 2018, the process of optimizing the Bank's organizational structure continued, aimed at improving the business model by optimizing management processes, support functions, and implementing an operational efficiency program. For this purpose, the functions of IT, information protection, currency supervision, back office, risk management, work with collateral, personnel selection and training were centralized (23 reorganizations of structural subdivisions of the central office of the Bank).

In order to implement the tasks of operational transformation and deepen cooperation with international financial institutions, an independent structural subdivision was created in the Bank - the Department of Financial Institutions.

To protect the interests of employees, clients and Other partners of the Bank manage compliance risks in Oschadbank. Proper management of compliance risks allows the bank to achieve its goals, minimize the likelihood of legal sanctions, financial losses or reputational damage due to non-compliance with legislative acts, as well as standards and internal documents, and ensure that the Bank's activities comply with established requirements. Compliance risk management is carried out on three lines of defense and ensures minimization of the likelihood of events that may negatively affect the bank's results and hinder the involvement of its employees in illegal activities.

Also, Oschadbank has defined a set of rules, standards and procedures for detecting, combating and preventing potential corruption. In order to preserve the Bank's reputation and avoid any abuses, all Oschadbank employees adhere to the requirements, principles and restrictions set by the Anti-Corruption Program of JSC "Oschadbank".

Oschadbank is one of the leaders of the "Affordable Loans 5-7-9%" program and the largest business lender under state guarantees on a portfolio basis.

In June 2021, Sberbank took 1st place in the rating of "50 Leading Banks of Ukraine 2021" within the Financial Club Awards.

Oschadbank is a member of the following organizations:

- Association "Ukrainian Union of Payment Market Participants" (SUPR);
- World Institute of Savings Banks (WISB);
- CJSC "Ukrainian Stock Exchange";
- International payment system MasterCard Worldwide;
- International payment system VISA Intl.;
- Independent Association of Banks of Ukraine (NABU);
- PJSC "All-Ukrainian Depository of Securities" (VDSP);
- PJSC "PFTS Stock Exchange";

- Association of Ukrainian Stock Traders;
- OJSC “Ukrainian Stock Exchange”;
- OJSC “UkrCard”;
- Ukrainian Interbank Currency Exchange (UMVB);
- Ukrainian Credit and Banking Union (UKBS);
- “Ukrainian Payment Space” (NPS “Ukrainian Payment Space”) SWIFT;
- Professional Association of Registrars and Depositories (PARD);
- Ukrainian Interbank Association of Payment System Members “EMA”.

Oschadbank is a universal bank that provides services to all client groups: individuals, micro, small and medium-sized businesses and large businesses.

Oschadbank is a universal bank that provides a full range of financial services to legal entities and individuals. For individuals, Oschadbank offers: favorable terms for deposits; credit programs; package services (maps); current accounts; money transfers; Internet banking; safes; banking metals; monetization of subsidies; other services.

Oschadbank offers legal entities: settlement and cash services; deposit programs; depository services; acquiring; collection; documentary operations; operations with securities; salary projects and salary cards and other services.

Internet banking is a service for remote access to banking products, which allows you to use banking services 24/7 without visiting a bank branch.

Functions available in Internet banking services:

- control of the movement of funds on accounts, deposit and credit accounts;
- making money transfers;
- repaying loans;
- paying utility bills;
- setting up payment document templates;
- transferring funds from a card account to a deposit account with the right to replenish;
- reissuing cards;
- issuing virtual cards;
- submitting applications for reissuing payment cards;

- viewing statements of fund movements on accounts;
- generating a certificate for filling out declarations;
- making transfers between Sberbank cards by phone number, operations with cards of other banks through the “ Oschadbank 24/7” system, etc.

A fundamental change in the principles and mechanisms of corporate governance of state-owned banks took place on November 10, 2018.

The Supervisory Board delegated a number of its powers to the Management Board, in particular, regarding the definition and approval of risk management policies, ensuring the functioning of the internal control system, approval of the budget and business plan, as well as determining the organizational structure.

Within the framework of the powers granted to the Board, in particular, the organizational structure was optimized, primarily in the direction of separating front/back office functions, centralizing IT and back office functions, and also implementing a large-scale network reform program. First of all, the program standardized the distribution of powers and introduced a typical structure of regional departments, at the level of which the functions of general management, back office, service and support were centralized.

Despite the significant differences in the Bank's corporate governance model, the Board's position is aimed at the consistent implementation of best practices for building an effective risk management and internal control system. Thus, the Head of the Credit Risk and Asset Valuation Department is granted the right to impose a ban (veto) on decisions of committees and other collegial bodies established by the Bank's Board, if the implementation of such decisions will lead to a violation of the approved risk limits, as well as in other cases established by the Bank's policies.

According to the Charter, the founder of the Bank is the state, represented by the Cabinet of Ministers of Ukraine. 100% of the Bank's shares belong to the state. The Bank's relations with the shareholder are built on the principle of "Bank of the State for the State", based on the following - the shareholder: determines the main (strategic) directions of activity and the Bank's management strategy within the framework of the general strategy of management of state banks, ensures impartiality and transparency of

management, does not interfere in current operational activities, builds interaction on a mutually beneficial commercial basis, carries out regular monitoring and assessment of activities.

The Cabinet of Ministers of Ukraine approved the new Strategic Development Program of Oschadbank until 2028, the main key points of which are: efficiency, further modernization and sustainability.

Over the past few years, the Bank has been able to participate in the following state programs on a general basis, as well as through participation in open tenders: servicing budget organizations; programs for state support of representatives of the agricultural sector; carrying out operations with cash reserves of the National Bank of Ukraine under the latter's permits.

Realizing the need to provide financial services to socially vulnerable segments of the population (the poor, displaced persons, residents of regressive regions, etc.), the Bank builds its business taking into account its social mission.

Increasing the Bank's commercialization and customer orientation requires the construction of modern sales channels. Since 2016, the branch network has been modernized - 676 highly efficient branches of a new format have been opened (Fig. 2.1), which exceeds the networks of most of the country's Top 5 banks and is unprecedented in the history of the development of the banking system. At the same time, 1906 inefficient loss-making branches of the Bank were closed. The Bank has created 40 branches of a new format, including 1 inclusive one. At the same time, the Bank is actively closing inefficient branches and relocating/changing the format of branches to more attractive locations. As a result of such actions, the branch network has been reduced to 576 branches. With the help of 19 remote service units, customer support continues in remote settlements, where the Bank is the only point of access to financial services.

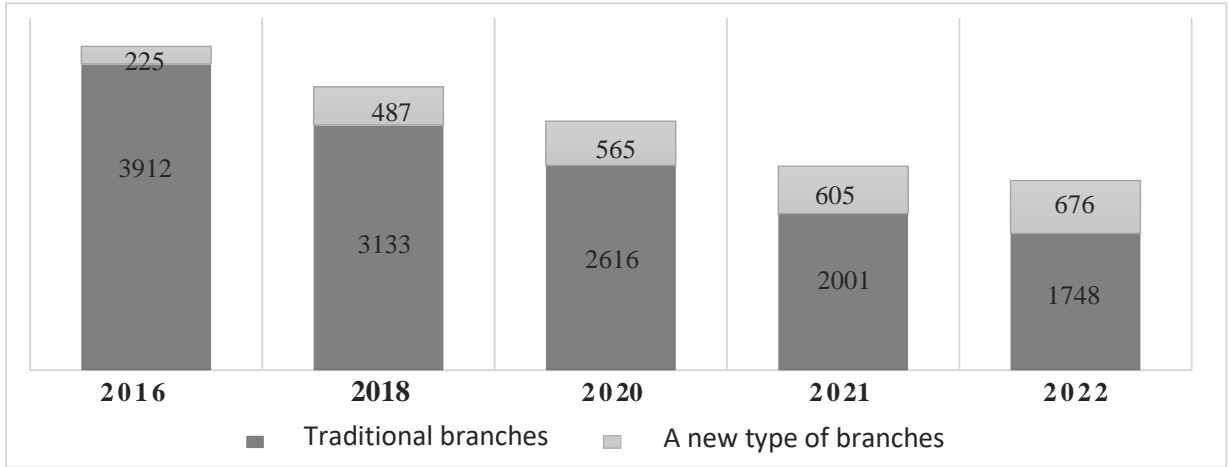


Fig. 2.1. Dynamics of branch networks in the period from 2016 to 2022

An alternative development of sales channels is the construction of modern digital channels. The dynamics of digital channel penetration are shown in Figure 2.2. Improving remote customer service channels has become of great importance for the Bank. “Oschad 24/7” has become the second mobile banking in the country: the number of system users has grown from 460 thousand in 2018 to 3.3 million by the end of 2022.

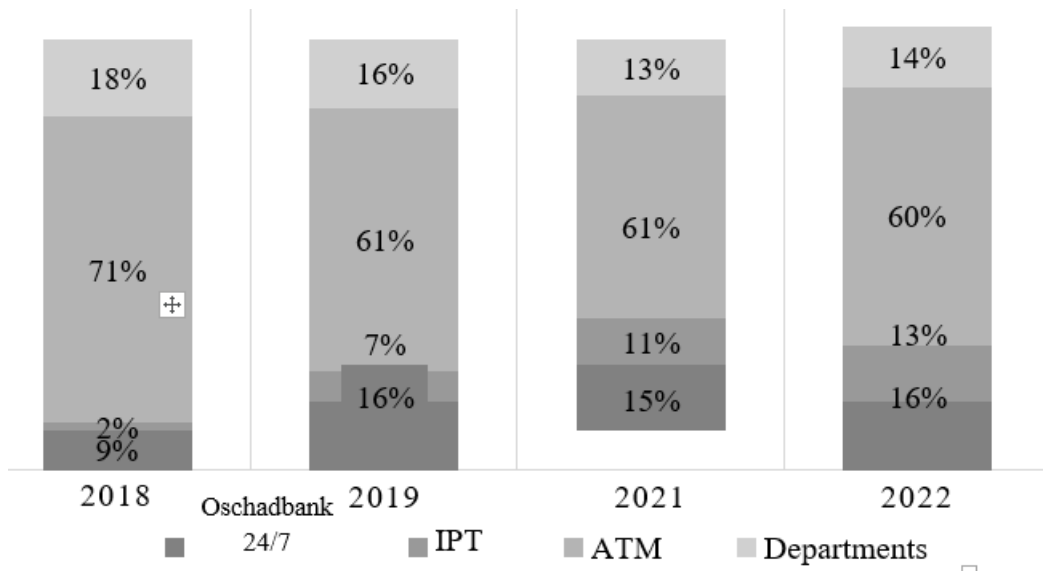


Fig 2.2. Dynamics of penetration of digital channels in the period from 2018 to 2022

The volume of Oschadbank's assets according to the financial statement at the end of 2023 is UAH 346.5 billion (28.7% more than this figure at the end of 2022, when it was UAH 269.3 billion). According to the final results of 2023, Oschad received UAH 9.25 billion in profit before tax. This is the bank's best result in history. Net profit after tax is UAH 5.98 billion. The dynamics of Oschadbank's main financial indicators indicate an improvement in the efficiency of its business model and the success of the implementation of the military strategy. Oschad ranks second in terms of assets and profitability among Ukrainian commercial banks, and also maintains leadership in the number of branches (Fig. 3.3.)

Oschadbank's net interest income increased by 26% to UAH 19 billion, net commission income increased by 12% to UAH 6.6 billion. Thanks to effective management of operating expenses in the context of the devaluation of the national currency, it was possible to maintain their volume at the last year's level.

Operating profit (adjusted for the impact of revaluations and the cost of risk) is almost UAH 12 billion, which is one and a half times higher than the result of the previous year. The final financial result was also affected by the revaluation of financial instruments in the securities portfolio and the increase in income tax.

According to the decision of the Cabinet of Ministers of Ukraine, the net profit of Oschadbank for 2023 is distributed as follows:

- 30% of net profit in the amount of UAH 1.8 billion - for the payment of dividends to the state budget;
- 5% of net profit in the amount of UAH 299 million - to the reserve fund;
- 65% of net profit in the amount of UAH 3.9 billion - to cover accumulated losses of previous years.

As a result of the shareholder's decision on profit distribution, Oschadbank has a regulatory capital adequacy ratio (N2) of 15.3% (with the minimum NBU standard of 10%), the absolute regulatory capital ratio is UAH 25.9 billion. The core capital adequacy ratio (N3) is 11.7% (with the minimum NBU standard of 7%).

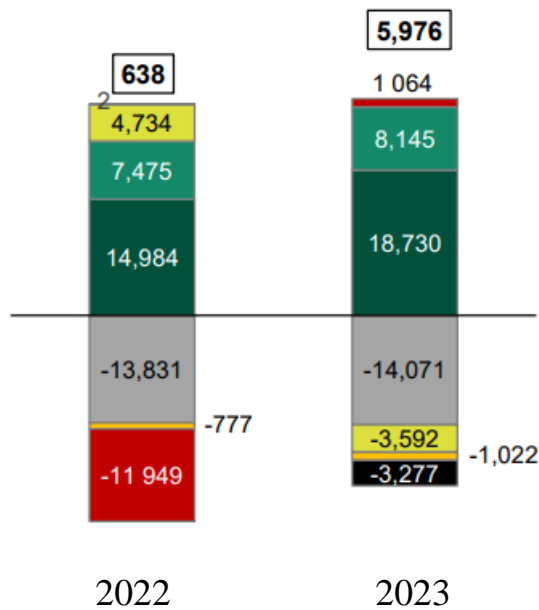


Fig. 2.3. Structure of financial result in 2022-2023

The high values of profitability, capital adequacy, liquidity, stable asset quality, which are reflected in Oschadbank's annual financial report for 2023, indicate its stability and high reliability for clients and partners.

2.2. Competitiveness of Ukrainian banks in the context of strategic banking development

In the conditions of the current stage of reform and development of market institutions in the state, Ukraine's strategic orientation towards integration into the political and economic space of the European Union has a significant impact on the strategy and tactics of creating effective operating mechanisms throughout the country's economy, in particular in the banking sector. As a central link that connects the financial, credit, and investment markets into a single whole, the banking sector ensures the regulation of the money supply through the accumulation and release of funds

necessary for conducting business and the functioning of the national economy, and therefore the influence of the European experience of conducting banking activities on it will lead to significant changes in the financial system of Ukraine as a whole. The banking system of a country is a set of various types of national banks, banking institutions and credit institutions that operate on the basis of the general monetary and credit mechanism of the country in a certain period within the framework of uniform legislation.

The internal situation within the banking system is characterized primarily by capital ratios that were developed within the IMF and adopted by countries around the world within the framework of the Basel Accords. The most indicative of these are capital ratios - the ratio of regulatory capital to risk-weighted assets (regulatory capital adequacy ratio) and the regulatory capital adequacy ratio. Other indicators of the efficiency of the banking system are profitability ratios - return on bank assets, return on equity, as well as the capitalization ratio of the banking system as the ratio of total capital of the banking system to total assets (Table 2.1).

The ratio of profit to equity is an indicator of stability. Analysis of this coefficient makes it possible to predict how much the level of bank profitability will change. Analyzing this coefficient, it is necessary to compare the growth of profit and equity (Table 2.2).

Table 2.1

Ukrainian banking system's overall compliance with prudential ratios in 2024

No.		As of										
		01.01	01.02	01.03	01.04	01.05	01.06	01.07	01.08	01.09	01.10	01.11
1	Regulatory capital (UAH million)	258 340,6	245 683,7	249 053,6	255 832,0	263 935,5	277 526,9	282 888,1	295 767,1	244 459,3	246 443,8	263 779,9
2	Regulatory capital adequacy (sufficiency) ratio (no less than 10 percent)	21,07	20,57	19,98	20,44	18,38	19,07	19,07	19,85	...	...	...
3	Core capital adequacy ratio (no less than 7 percent)	12,24	12,62	12,05	11,95	11,82	11,76	11,56	11,96	...	...	...
4	Regulatory capital adequacy (no less than 8,5 percent)	...	...	...	...	...	...	...	...	16,15	16,15	17,52
5	Tier 1 (no less than 7,5 percent)	...	...	...	...	...	...	...	...	15,72	15,72	17,09
6	Common equity Tier 1 (no less than 5,625 percent)	...	...	...	...	...	...	...	...	15,71	15,71	17,08
7	Maximum credit risk exposure per single counterparty / Regulatory capital (no more than 25 percent)	15,53	16,15	16,22	17,28	17,38	16,68	16,08	15,73	17,81	18,16	16,90
8	Total large credit risk exposure / Regulatory capital (no more than 800% of Regulatory capital)	63,13	69,42	67,89	66,09	67,78	65,67	58,73	54,64	80,52	86,29	71,75
9	Maximum credit exposure to related parties (no more than 25 percent)	1,08	0,88	1,47	1,03	0,94	1,67	1,49	1,01	1,09	1,98	1,15
10	Investment in securities issued by single entity (no more than 15 percent)	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000
11	Total investment in securities (no more than 60 percent)	0,01	0,02	0,01	0,01	0,01	0,01	0,01	0,01	0,12	0,11	0,10

Table 2.2

Key performance indicators of banks

Indicators	01.02.2024	01.03.2024	01.04.2024 (A4)	01.05.2024	01.06.2024	01.07.2024 (A4)	01.08.2024	01.09.2024	01.10.2024 (A4)	01.11.2024
including with 100% foreign capital										
ASSETS										
Assets	2 902 123	2 918 498	2 985 602	3 016 226	3 068 725	3 125 617	3 142 431	3 160 787	3 180 663	3 224 871
Assets in foreign currency	832 906	830 169	832 736	872 177	893 136	896 233	911 376	928 023	926 884	937 211
Total assets (not adjusted for assets provisions)	3 264 847	3 282 379	3 350 502	3 379 196	3 433 067	3 491 360	3 509 694	3 527 563	3 546 854	3 593 398
of which: nonresidents	529 682	537 832	563 639	582 711	612 460	608 841	611 422	629 196	617 804	626 787
Total assets (not adjusted for assets provisions) in foreign currency	922 663	921 970	946 277	963 187	987 336	991 243	1 007 147	1 024 344	1 023 133	1 034 161
Cash	95 072	86 492	83 402	87 835	86 667	90 517	93 971	93 771	96 047	99 421
Banking metals	140	183	133	158	166	207	195	223	217	249
Amounts due from the National Bank of Ukraine	226 806	223 729	227 738	282 812	227 240	279 149	262 467	242 395	253 395	261 974
Correspondent accounts with other banks	332 096	336 473	359 361	364 083	384 733	391 417	384 630	386 203	345 084	356 270
Term deposits with other banks and loans granted to other banks	74 586	75 657	75 113	82 139	83 257	73 942	77 659	91 626	101 932	97 980
Loans granted to customers	1 020 090	1 022 565	1 041 062	1 051 758	1 070 542	1 087 350	1 107 402	1 120 745	1 134 872	1 134 373
loans granted to general government	17 708	17 225	16 998	16 436	16 182	15 701	15 226	14 779	14 171	13 660
corporate loans	774 360	774 395	787 554	793 456	807 300	819 999	833 212	841 543	852 320	848 302
retail loans	227 997	230 912	236 439	241 813	246 986	251 562	258 884	264 288	268 309	272 346
loans granted to non-bank financial institutions	25	33	71	53	73	87	80	134	73	65
Investments in securities ad long-term investments	1 409 261	1 411 513	1 428 156	1 399 266	1 467 512	1 449 218	1 472 394	1 479 521	1 497 788	1 529 897
Provisions against asset-side operations (including provisions against operations recorded on off-balance accounts)	367 334	368 575	369 582	367 750	369 296	370 895	372 898	372 566	371 798	374 026
LIABILITIES										
Liabilities	2 902 123	2 918 498	2 985 602	3 016 226	3 068 725	3 125 617	3 142 431	3 160 787	3 180 663	3 224 871
Equity	313 659	320 284	338 854	319 601	341 776	354 294	368 217	382 014	392 022	401 538
of which: authorized capital	404 731	404 731	404 731	403 378	406 676	406 633	403 860	403 860	403 860	403 860
Banks' liabilities	2 588 463	2 598 215	2 646 749	2 696 625	2 726 949	2 771 324	2 774 214	2 778 773	2 788 641	2 823 333
Banks' liabilities in foreign currency	363 387	367 269	393 314	414 732	438 897	441 787	449 277	463 814	460 097	463 796
Term deposits of other banks and loans received from other banks	7 045	6 087	5 429	6 658	5 645	5 513	4 985	4 902	4 911	5 231
Amounts due to corporates	1 243 306	1 259 628	1 296 561	1 328 148	1 339 992	1 350 550	1 366 924	1 357 214	1 342 130	1 366 734
Amounts due to individuals (including saving (deposit) certificates)	1 055 331	1 071 374	1 084 720	1 101 471	1 123 635	1 147 295	1 142 875	1 151 637	1 171 799	1 177 639
Amounts due to non-bank financial institutions	55 907	57 091	59 316	55 912	56 883	62 605	58 800	58 501	57 442	60 737
For reference:										
Return on assets, %	6,88	5,33	5,46	5,30	5,50	5,29	5,33	5,26	5,15	4,93
Return on equity, %	66,02	49,99	50,47	48,80	50,62	48,41	48,41	47,23	45,79	43,30

According to Tables 2.1, 2.2, we can see that the first places are occupied by the most familiar banks to the average citizen, they have the largest amount of equity and are constantly increasing it. The dynamic growth of lending to individual segments requires banks to properly assess risks. The creation of a capital reserve to cover portfolio risks is becoming more important. For this purpose, the National Bank of Ukraine will introduce requirements for covering operational risk with capital.

The dynamic growth of lending to certain segments requires banks to properly assess risks. The creation of a capital reserve to cover portfolio risks is becoming more important. To this end, the National Bank of Ukraine will introduce requirements for the coverage of operational risk with capital.

The current high profitability and the available capital reserve will allow banks to easily meet such regulatory requirements. State-owned banks will continue to implement a strategy to reduce non-performing loans. This will have a positive impact on their investment attractiveness and bring them closer to the strategic goal of privatization. In 2021-2023, the high rate of inflow of hryvnia funds from the population into the banking system remained. State-owned banks continued to increase

the volume of deposits in foreign currency, although the share of foreign currency deposits in the system as a whole is decreasing.

Table 2.3

Income and expenditures of Ukrainian banks in 2024

1 Income and expenditures of Ukrainian banks											
2 (in millions of hryvnias)											
3	Indicators	January 2024	January-February 2024	January-March 2024(A4)	January-April 2024	January-May 2024	January-June 2024 (A4)	January-July 2024	January-August 2024	January-September 2024 (A4)	January-October 2024
4	INCOME	42 148	78 565	120 680	159 999	204 534	247 752	293 749	337 703	380 516	420 653
5	Interest income	28 993	56 134	84 944	113 619	143 195	171 920	201 805	231 595	260 797	290 746
6	Fee and commission income	8 269	16 538	25 311	34 271	43 294	52 077	61 575	71 027	80 472	90 282
7	Revaluations and purchase/sale operations income	3 794	3 900	7 915	8 464	13 494	18 518	23 981	28 128	30 950	30 036
8	Other operating income	820	1 419	1 570	2 142	2 745	3 153	3 626	3 914	4 195	5 237
9	Other income	125	239	482	890	1 032	1 136	1 675	1 802	2 719	2 794
10	Written off assets recovery	147	334	458	613	773	947	1 088	1 237	1 383	1 559
11											
12	EXPENSES	25 385	52 667	80 677	107 933	136 566	168 711	200 134	231 622	262 887	295 099
13	Interest expense	9 940	19 358	29 365	39 370	49 442	59 038	69 042	78 855	88 265	97 906
14	Fee and commission expense	3 545	7 783	11 750	16 225	20 715	25 032	29 951	34 920	39 439	44 025
15	Other operating expenses	1 265	2 624	3 816	5 505	6 786	8 206	10 322	11 851	13 745	15 325
16	General administrative expenses	7 560	15 679	24 403	33 270	41 847	50 756	59 815	68 683	78 227	87 819
17	Other expenses	630	1 295	1 964	2 588	3 327	4 099	4 798	5 456	6 246	6 952
18	Allocations to provisions	-1 253	-121	-958	-1 972	-2 054	-371	377	1 153	1 813	5 605
19	Income tax expense	3 698	6 051	10 336	12 947	16 502	21 952	25 828	30 705	35 153	37 466
20	Net PROFIT (LOSS)	16 762	25 897	40 003	52 067	67 968	79 041	93 616	106 081	117 629	125 554
21											
22	Structure of income and expenses of the Ukrainian banks, %										
23											
24	Indicators	01.02.2024	01.03.2024	01.04.2024	01.05.2024	01.06.2024	01.07.2024	01.08.2024	01.09.2024	01.10.2024	01.11.2024
25	INCOME	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0
26	Interest income	68,8	71,4	70,4	71,0	70,0	69,4	68,7	68,6	68,5	69,1
27	Fee and commission income	19,6	21,1	21,0	21,4	21,2	21,0	21,0	21,0	21,1	21,5
28	Revaluations and purchase/sale operations income	9,0	5,0	6,6	5,3	6,6	7,5	8,2	8,3	8,1	7,1
29	Other operating income	1,9	1,8	1,3	1,3	1,3	1,3	1,2	1,2	1,1	1,2
30	Other income	0,3	0,3	0,4	0,6	0,5	0,5	0,6	0,5	0,7	0,7
31	Written off assets recovery	0,3	0,4	0,4	0,4	0,4	0,4	0,4	0,4	0,4	0,4
32											
33	EXPENSES	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0
34	Interest expense	39,2	36,8	36,4	36,5	36,2	35,0	34,5	34,0	33,6	33,2
35	Fee and commission expense	14,0	14,8	14,6	15,0	15,2	14,8	15,0	15,1	15,0	14,9
36	Other operating expenses	5,0	5,0	4,7	5,1	5,0	4,9	5,2	5,1	5,2	5,2
37	General administrative expenses	29,8	29,8	30,2	30,8	30,6	30,1	29,9	29,7	29,8	29,8
38	Other expenses	2,5	2,5	2,4	2,4	2,4	2,4	2,4	2,4	2,4	2,4
39	Allocations to provisions	-4,9	-0,2	-1,2	-1,8	-1,5	-0,2	0,2	0,5	0,7	1,9
40	Income tax expense	14,6	11,5	12,8	12,0	12,1	13,0	12,9	13,3	13,4	12,7
41	Net PROFIT (LOSS)	x	x	x	x	x	x	x	x	x	x
42											

Average rates for hryvnia deposits fell by 0.25 - 1.11 pp. (To 3.88 - 7.3% per annum). Foreign currency deposits lost 0.03 - 0.42 pp. (To 0.12 - 1.24% per annum). Despite the decrease in deposit rates, depositors continue to place money in hryvnia deposits. The deposit portfolio in hryvnia in general for the banking system grew by 2.56% to UAH 407.313 billion. The foreign currency portfolio decreased by 0.2% to \$9.797 billion.

Hryvnia-denominated savings in hryvnia decreased their yield by 0.25 pp to 3.88% per annum. The average rate for deposits for a period of less than a month fell by

1.11 pp to 5.06% per annum. Term deposits from one month to three years fell by 0.55 pp and offer 5.47% per annum. Deposits for periods from three months to six months decreased by 0.36 pp to 6.92% per annum. The yield on deposits from six months to a year increased by 0.42 percentage points to 7.3% per annum. Term savings over a year increased by 0.57 percentage points to 7.21% per annum.

In 2023, the NBU conducted a resilience assessment of Ukraine's largest banks after a one-year break caused by the fullscale invasion. Approaches to the resilience assessment and its general findings are described in the June and December Financial Stability Reports, respectively¹. This report presents bank-specific results of the resilience assessment and the required (target) capital adequacy ratios set by the NBU based on the assessment. The banks that face higher target capital adequacy ratios will have to draw up recapitalization or asset restructuring programs.

Last year, 20 banks with more than 90% of the banking system's assets underwent the resilience assessment. The resilience assessment was carried out by the NBU and included an asset quality review (AQR), a verification of the value of the largest collaterals, an extrapolation of AQR results (where necessary), and a calculation of the banks' performance indicators for the next three years. The calculation of performance indicators essentially replaced conventional stress testing. The latter was done only under the baseline macroeconomic scenario informed by the NBU's macro forecast. This scenario was made moderately conservative to identify the possible impact of the main risks on the banks' operation in their current condition (Fig. 2.4).

The results of the resilience assessment, in particular the estimated performance indicators over a three-year horizon, should be interpreted exclusively in the context of the model's key assumptions:

- that the banks' balance sheets remain static, i.e. affected only by changes in asset quality and exchange rate;
- that current profit is capitalized throughout the entire forecast period.

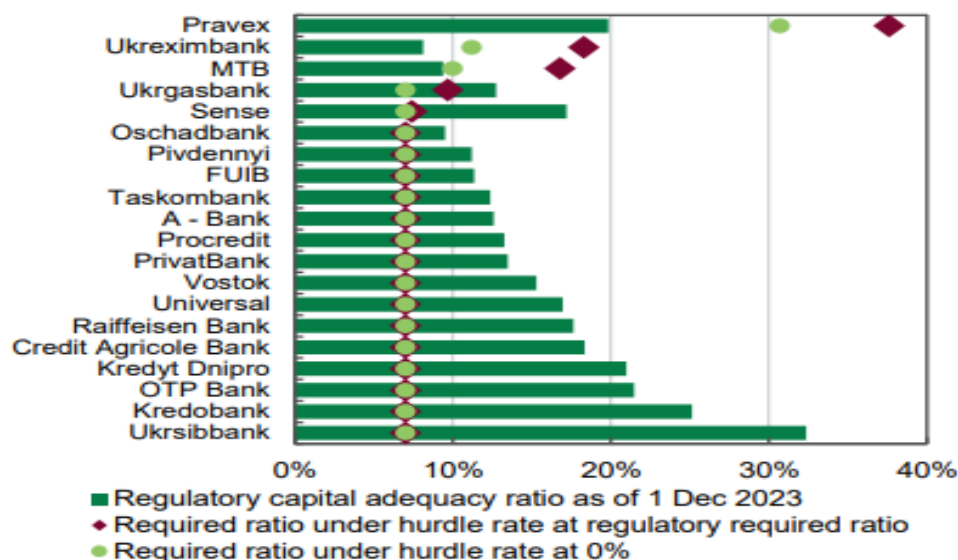


Fig. 2.4. Required banks' core capital adequacy ratios based on the resilience assessment results

The main reason why the five banks need capital was that their operating efficiency was far below the sector average. Almost all of these banks had low interest margins and high cost-to-income ratios in the reporting period, which spanned the last three quarters of 2022 and Q1 2023. Estimated losses from the credit risk had a material adverse impact on the capital of a few banks.

Two of the five banks that face higher required ratios have already achieved capital adequacy ratios above the required level as of early December. These banks must at least maintain their capital at the target level set for them. The calculated equivalent of capital needs for the rest of the banks in December 2023 was about UAH 10 billion. This is how much these banks need to achieve the target capital adequacy ratios that guarantee their compliance with regulatory ratios over the forecast horizon.

The banks facing higher required capital adequacy ratios must submit their restructuring or recapitalization programs to the NBU in the near future. The banks' programs will contain measures to gradually attain the required ratios. By the end of September 2024, the banks must meet a required capital adequacy ratio under the hurdle rate of 0%. The required capital adequacy ratio set under the regulatory required ratios (7% and 10% for core and regulatory capital, respectively) must be achieved by the end

of March 2026. The key measures the banks include in their programs are expected to cover balance sheet restructurings and operational efficiency improvements. These measures will reduce the banks' vulnerability, i.e. improve their risk profile. At the same time, the banks need to gradually bring their current capital adequacy ratios to the required levels by ramping up earnings and capital (Table 2.4).

So, we can conclude that the banking sector has withstood the test of war with dignity. According to the NBU, most banks have sufficient capital reserves to meet regulatory requirements in the future. Bankruptcies are not threatening key players. At the same time, banks' earnings are mostly formed due to passive income from certificates of deposit and bonds. This, let's say, is not exactly a market situation, because banks almost do not perform their main function - lending to the economy. However, the NBU is persistently pushing the market to increase active operations (issuance of loans). In particular, this is happening due to the easing of monetary policy, which should contribute to reducing interest rates. Therefore, there is a chance that in 2024 loans will become even cheaper, and new loans will increase. At the same time, the profitability of deposits will also decrease, as a result - the growth of individual funds in banks will also slow down. But maybe it's for the better, because banks literally have nowhere to put their money.

Therefore, predicting the strategies for further development of Ukrainian state and private sector banks, we can expect an emphasis on optimizing business models, adapting to crisis conditions through stress testing and changes in lending strategies. State banks can continue to demonstrate impressive financial development, and banks with foreign capital can use their stability to invest in the Ukrainian market. At the same time, constant monitoring of reforms and stimulation of lending to support economic recovery is important.

Table 2.4

Required capital adequacy ratio based on the resilience assessment, %

Bank	Required (target) ratio			
	for hurdle rate of 0%, to be reached by October 2024		for hurdle rate at regulatory requirements, to be reached by April 2026	
	core capital adequacy ratio	regulatory capital adequacy ratio	core capital adequacy ratio	regulatory capital adequacy ratio
PrivatBank	10.0	7.0	10.0	7.0
Oschadbank	10.0	7.0	10.0	7.0
Raiffeisen Bank	10.0	7.0	10.0	7.0
Sense	10.0	7.0	10.4	7.4
Universal	10.0	7.0	10.0	7.0
FUIB	10.0	7.0	10.0	7.0
Ukreximbank	14.2	11.2	21.3	18.3
Ukrgasbank	10.0	7.0	12.7	9.7
OTP Bank	10.0	7.0	10.0	7.0
Ukrsibbank	10.0	7.0	10.0	7.0
Credit Agricole Bank	10.0	7.0	10.0	7.0
Kredobank	10.0	7.0	10.0	7.0
A - Bank	10.0	7.0	10.0	7.0
Taskombank	10.0	7.0	10.0	7.0
Procredit	10.0	7.0	10.0	7.0
Pivdennyi	10.0	7.0	10.0	7.0
Kredyt Dnipro	10.0	7.0	10.0	7.0
Vostok	10.0	7.0	10.0	7.0
MTB	13.0	10.0	19.8	16.8
Pravex	33.7	30.7	40.6	37.6

Source: NBU.

2.3. Strategic significance of Corporate Social Responsibility in the management of Banking Institutions

In recent years, financial market participants have taken a big step towards realizing their responsibility for solving socio-economic problems, preserving the environment, respecting human rights, combating corruption and a large number of other issues important for the whole society. In today's globalization environment, when banks strive to meet the expectations of clients, partners and regulators from different countries, adhere to strict environmental and social standards, and build a strong reputation in the international market, corporate social responsibility is becoming a new

philosophy of banking business. In this situation, corporate social responsibility becomes one of the key factors of success. Corporate social responsibility is not just a fashionable trend, but a strategic tool that allows banks to: increase their competitiveness by improving their image, customer and partner loyalty, as well as attracting and retaining talented employees; reduce risks through better management of social and environmental aspects of their activities; promote sustainable development of society and solve current social problems.

Despite the significant potential of social responsibility of banking institutions, its practical implementation in Ukraine is still at the initial stage of development. This is due to a number of factors, such as: insufficient understanding by bank management of the essence and advantages of responsible business conduct; insufficient regulatory framework and effective mechanisms for stimulating the implementation of corporate social responsibility; underdevelopment of civil society institutions and low level of stakeholder involvement in corporate social responsibility processes.

Recent scientific works in the field of management of organizations indicate a growing interest among scientists in the impact of corporate social responsibility on their activities. However, very few studies have focused on corporate social responsibility in specific sectors of the economy, in particular in the banking sector. Studies related to CSR issues have been reviewed by such scientists as V. Antoshchenkova, O. Oliynyk, O. Bodnar, K. Komarova, N. Kovalchuk and others. After reviewing the works of scientists, it is worth paying attention to international standards and recommendations in the field of CSR. In this context, it is important to take into account the principles of the UN Global Compact, which cover key aspects of social responsibility.

According to the International Recommendations "ISO 26000:2010. Guidance on Social Responsibility", social responsibility is defined as the responsibility of an organization for the impact of its decisions and activities on the environment through transparent and ethical behavior that contributes to sustainable development, including the health and well-being of society; takes into account the expectations of stakeholders; complies with applicable legislation and is consistent with international norms of

conduct; is implemented throughout the company. Standards of corporate social responsibility of the banking business are declared in the first global agreement "UN Principles for Responsible Banking", according to which signatory banks undertake to align their business strategies and practices with the goals of sustainable development. In the "Policy of the National Bank of Ukraine on the Development of Sustainable Finance for the Period Until 2025", corporate social responsibility is a plane for the implementation of environmental, social and governance (ESG) factors in the activities of financial institutions as a key basis for the development of sustainable finance in Ukraine (Fig. 2.5).

ISO 26000: Social Responsibility Guidelines is not just a standard, but a guide to implementing social responsibility principles in the activities of any banking institution. This voluntary document does not require certification, but offers a clear framework for conscious and ethical business conduct [6]. It covers a wide range of social responsibility, including the protection of human rights, environmental protection, occupational safety, consumer protection and the development of local communities, as well as business ethics and organizational management. Thus, it includes all the principles defined in the UN Global Compact (Table 2.5).

Compliance with the ISO 26000 standard requires companies and banks to publish the results of their activities in non-financial reporting. The basis of non-financial reporting is the "triple bottom line" principle. It focuses on three aspects:

- economic prosperity: analyzes how the company's activities affect the economy, for example, job creation, taxes and investment;
- environmental quality: assesses the impact on the environment, for example, emissions, pollution and resource use;
- growth of social capital: studies how the company's activities affect society, for example, education, health and well-being of people.

The strategic importance of corporate social responsibility for banking institutions is that it helps maintain and enhance the bank's reputation, ensures sustainable business development and reduces risks.

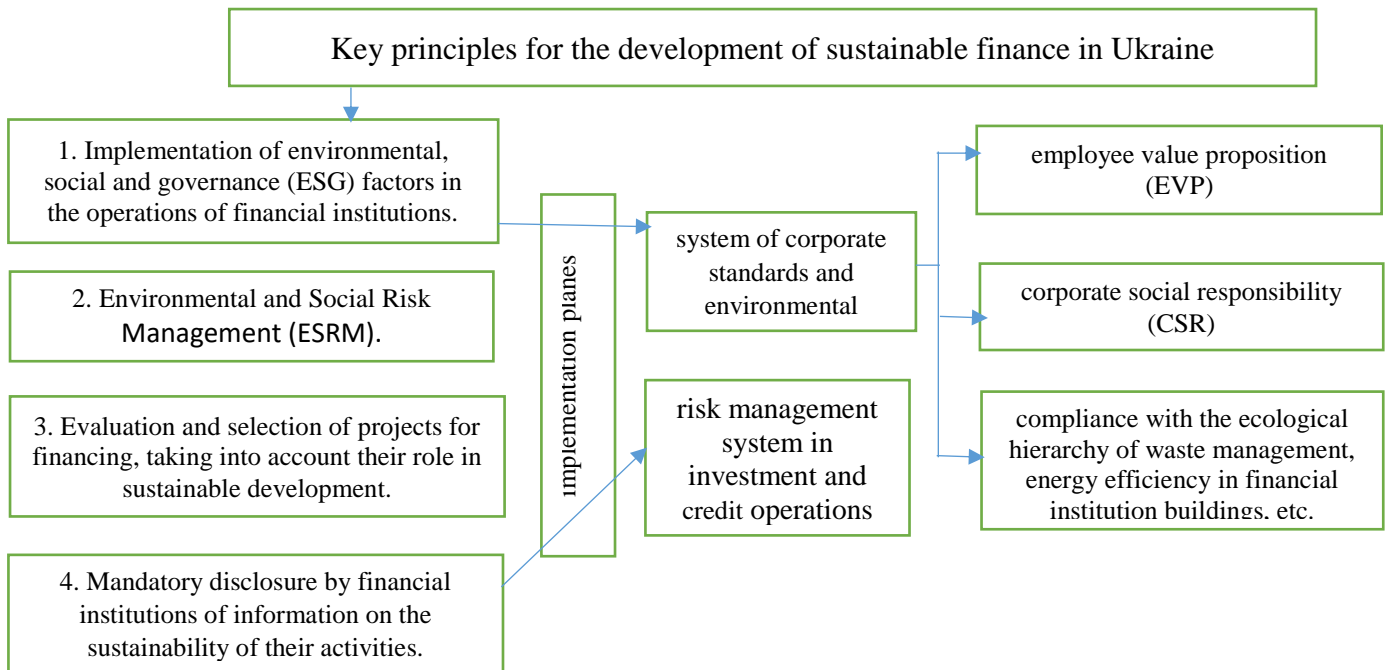


Fig. 2.5. The place of corporate social responsibility in the development of sustainable finance in Ukraine

Firstly, fulfilling social and environmental obligations allows the bank to have a positive impact on the community in which it operates, which contributes to increasing the trust of customers, investors and regulators. This can lead to increased customer loyalty and maintenance of long-term relationships with partners.

Secondly, CSR allows banks to avoid financial, reputational and legal risks associated with the possible negative impacts of their activities on society and the environment. This includes avoiding lawsuits, fines for violating legislation, as well as losing customers and investors due to insufficient attention to social and environmental issues.

Therefore, CSR becomes a strategic tool for banks, helping to maintain and enhance their competitiveness, while maintaining stability and sustainability in the long term.

Table 2.5

Principles of corporate social responsibility

Accountability	The organization should be accountable for: the impact of its decisions and activities on society, the environment and the economy, especially for significant negative consequences; the measures taken to prevent the recurrence of unintended and unforeseen negative impacts.
Transparency	Organizations should clearly, accurately and fully disclose their policies, decisions and activities for which they are responsible. This information should be accessible, impartial and understandable to people who may be affected by the organization's activities.
Ethical behavior	Organizations should be guided by values such as honesty, fairness, and integrity in all aspects of their operations.
Stakeholder interests	When interacting with stakeholders, it is necessary to respect their rights and adhere to ethical standards.
Rule of law	The organization's activities must clearly comply with the norms of current legislation, and business conduct must be based on the principles of non-corruption.
Adherence to international norms of behavior	The organization's policies, decisions, and actions must not contradict international norms and rules.
Human rights	The organization must strictly adhere to the principles of respect for human rights, even in difficult and crisis situations.

Corporate social responsibility implementation areas are specific areas or aspects of a bank's activities to which it directs its efforts and resources to ensure a positive impact on society and the environment. Consideration of CSR implementation areas is key to ensuring the successful integration of these principles into corporate culture and business processes (Table 2.6).

Domestic banks can emphasize anti-money laundering, financial crime management, and anti-corruption policies to ensure transparency and accountability to customers. The creation of appropriate departments or positions will help implement these policies. This helps to gain support from stakeholders, as this CSR vector is currently almost absent in Ukrainian banks. Informing customers about the risks of financial transactions offered to them is a key aspect of responsible marketing. This allows customers to be aware of the advantages and disadvantages of the chosen banking product. As a result, this policy helps to increase loyalty and frequency of appeals to a bank that acts as a responsible and transparent one.

Table 2.6

Directions for implementing business social responsibility

Social programs for employees	Development and implementation of training programs, ensuring health and safety in the workplace, and maintaining work-life balance.
Promoting sustainable development	Reducing negative environmental impact by implementing energy-efficient technologies, restoring natural resources, and participating in environmental protection projects.
Supporting local communities	Implementing charitable and social initiatives to improve the lives of local communities, such as building schools, hospitals, or assisting in infrastructure development.
Ethical business conduct	Adhering to ethical principles and establishing honest and transparent relationships with partners, customers and suppliers.
Developing community activities	Promoting the development of civil society through support for projects in the fields of education, culture, sports, etc.
Creating an effective CSR management system	Development of internal standards, control and reporting mechanisms, as well as involvement of stakeholders in the process of planning and implementing the CSR strategy.

Despite the difficult economic situation in Ukraine, the further development of domestic banking directly depends on the introduction of the principles of corporate social responsibility as one of the basic elements of the concept of social responsibility. After all, in conditions of uncertainty and destruction, banks have to reconsider their priorities, look for new ways of development and at the same time be responsible to their clients, employees, society and the country, and in these conditions, it is the model of corporate social responsibility (CSR) that can become a guideline for Ukrainian banks.

In recent years, several features have emerged in Ukraine that distinguish CSR in our country from others. This transformation is taking place in two directions – external and internal. In the external direction, business is making strong efforts to assist in providing the Armed Forces, assisting internally displaced persons, and Ukrainians who find themselves in difficult life circumstances (in particular, those who have suffered damage caused by hostilities, hostile terrorist acts, and temporary occupation). Internal CSR is no less important for business than external CSR and is related to the company's reputation. If previously CSR was mainly associated with the need to attract highly qualified personnel and create conditions for a fuller disclosure of their potential, then with the deployment of a full-scale war, CSR has become a generally accepted value

and policy of companies that applies to all employees (financial, psychological, and legal support).

According to the methodology of the “Reputational Activists” rating (Table 2.7), which reflects the reputation of banking institutions according to social orientation and positions, the corporate reputation management rating in 2024 is headed by “Monobank”, “Sense bank” and “Privatbank” (Table 2.8) (in 2023, the leading positions were occupied by “Privatbank”, “Oschadbank” and “Sense bank”).

Table 2.7

Indicators of the national rating of corporate reputation management quality

Indicator	Characteristics
Reputational stability	Publicity of an active PR service; systematic nature of work; objective basis for forming a positive reputation (quality product/service, quality management, bright and competent speakers, etc.); positive reaction of target audiences to PR activity; other positive effect of the company's efforts in reputation management.
Media activity	Openness to communication with the media of all types; quality of messages disseminated, recognition and citation of speakers; positive effect of the media efforts made.
Innovative approach	Publicity of own non-standard PR solutions; systematic work with new-media and in the digital segment; positive reaction of target audiences to creative and non-standard solutions; positive effect of innovations implemented.
CSR image capital	Systematic work to inform target audiences about the CSR project; the real benefit of CSR projects for society; the degree of the company's social responsibility towards personnel, consumers, business partners; positive perception of the work of the enterprise in the field of CSR.
Anti-crisis resilience	Disclosure of the company's anti-crisis response strategy; adequacy of the tools used, their successful application; support for the company by target audiences; positive effect of the efforts made.

Overall, there has been a significant increase in the overall score of the rating participants. This demonstrates that communication teams in the banking sector are constantly developing more effective models of communications and reputation management in the face of constant information and infrastructure stress.

Table 2.8

Rating of banking institutions for 2024

№	Bank name	Reputational stability	Image capital CSR	Media activity	Innovative approach	Anti-crisis of the year	Final assessment
1.	Monobank	46,76	45,14	46,00	46,05	45,76	229,71
2.	Sense Bank	41,00	41,67	42,67	41,67	44,00	211,01
3.	Privatbank	40,31	38,51	38,08	36,28	37,62	190,80
4.	First Ukrainian International Bank	36,33	36,67	39,60	35,00	40,67	188,27
5.	Oschadbank	36,50	36,00	37,00	35,50	35,50	180,50

If we generalize the manifestations of corporate social responsibility of banks, we can formulate a modern five-component CSR model. This model for the first time captures the experience of companies in Ukraine after conflicts and natural disasters. It consists of the main priorities in which Ukrainian companies invested or had to invest during the war, namely:

- business continuity: ensuring uninterrupted operation of branches, supporting customer solvency, protecting data and information systems;

- customer and employee safety: caring for the physical and psychological safety of employees, ensuring the safety of customers in bank branches, supporting the families of deceased and injured employees;

- assistance to the state and army: transferring funds for the needs of the Armed Forces of Ukraine, supporting infrastructure restoration programs, cooperating with volunteer and humanitarian organizations;

- partner support for the economy: providing loans to small and medium-sized businesses, financing programs to support the unemployed, investing in the country's development and financing innovative projects, partnering with national and local authorities;

- financing social and humanitarian projects: providing food, providing medicines, helping with housing, providing people with psychological assistance and helping children.

The war in Ukraine with its devastating consequences in various spheres (economic, social, environmental) poses new challenges for banks and especially requires responsible approaches in decision-making. Moreover, during the period of restoration of bank financing, numerous infrastructure projects, reconstruction of cities and industry will require. In these conditions, it is especially important to align our activities with sustainable development goals, expand CSR activities, and use future financial resources as transparently and responsibly as possible.

To ensure successful CSR, it is important to monitor and evaluate the implemented initiatives. Measuring effectiveness, including collecting environmental indicators and surveying stakeholders, helps to identify achievements and identify ways for further development. Factors that complicate the successful implementation of corporate social responsibility in the banking sector of Ukraine include several key aspects. Firstly, there is a lack of sufficient financial resources to implement CSR programs and projects. Many banks may face limited budgets, which makes it difficult to allocate funds for social initiatives. Secondly, many banks do not have sufficient experience in the field of CSR and do not fully understand its importance and potential. This may be due to a lack of awareness of the benefits of socially responsible practices or insufficient training of staff in this direction. In addition, another obstacle there may be a lack of information on CSR and its impact on business. Many banks may not have adequate information on how to implement CSR in their operations, or which social initiatives may be most effective. Finally, a lack of support from senior management may also complicate the implementation of CSR in banking institutions. Without active support from the bank's management, it may be difficult to implement the necessary changes and implement new socially responsible practices.

To overcome these obstacles, banks can take a number of measures. For example, developing strategies for attracting social investments and improving staff qualifications in the field of CSR can help improve the understanding and effectiveness of the implementation of socially responsible practices. Active support from bank management and the creation of partner networks for cooperation and exchange of experience in the field of CSR are also important. Conducting a dialogue with

stakeholders and supporting the development of CSR at the state level can also help remove barriers to the successful implementation of corporate social responsibility in the banking sector of Ukraine.

Based on the analysis of the presented materials, it becomes obvious that the strategic importance of corporate social responsibility for the management of banking institutions in Ukraine cannot be underestimated. It is a key factor in their competitiveness and contributes to preserving and improving their reputation, in particular in the eyes of clients and investors. Fulfilling social and environmental obligations allows you to avoid financial, reputational and legal risks that may arise due to a negligent attitude to social issues and environmental impact. This, in turn, reduces the negative impact of the bank's activities on society, which contributes to ensuring sustainable development.

An effective CSR strategy involves the development of social programs for employees and support for local communities, which forms a positive image of the bank. ISO 26000 standards serve as an important tool for implementing CSR principles and ensuring ethical business conduct. The integration of CSR principles into corporate culture and business processes is essential for the successful functioning of banking institutions.

The socio-economic effect of strengthening CSR in banking business in modern conditions is manifested in improving the reputation of the institution; strengthening national cohesion; supporting the economy, employment of the population; increasing trust in the banking system among consumers and increasing their circle; ensuring social stability. It can be considered that CSR is a certain form of investment, thanks to which a positive image of the bank is formed in accordance with the new values of society. The success of Ukraine in ensuring sustainable development largely depends on the completeness of the implementation and further development of the proposed directions of the five-component CSR model.

CHAPTER 3

RECOMMENDATIONS FOR IMPROVING STRATEGIC MANAGEMENT IN BANKS IN THE OVERALL BANK MANAGEMENT SYSTEM

3.1. Recommendations on the formation of a customer-oriented corporate culture of a banking institution and the development of the bank's Corporate Code

The corporate culture of banks requires a certain systematization, standardization, and a set of measures that contribute to a qualitatively new approach to the implementation of corporate standards in practice, which will create the prerequisites for effective human resources management.

The activities of a commercial bank are aimed at meeting the needs of the client. This is the main postulate from which all the features of corporate culture and human resources (personnel) management should arise. The attitude towards the client should be the main principle of the bank's corporate culture. A bank employee, wherever he is, is always a representative of the bank, and therefore, even outside the walls of his institution, he must contribute to the formation of its positive image and attract clients.

When the strategy and goal of the bank are defined, there is a decision-making procedure, the personnel and management system that would successfully implement the bank's strategic plan become important. The optimal ratio of the number and quality of managers and employees is important for creating a high-quality and efficient team. At the same time, the ratio of the business qualities of the manager and the qualified executor is extremely important.

Due to its functional specificity, corporate culture acts as a tool for managing the company's human resources. In addition to the direct impact on the behavior and relationships of employees through a system of values, norms, symbols, culture affects the staff by influencing other elements of personnel management. Corporate culture is an internal social and labor environment in which employees interact and human

resources management measures are taken. Therefore, when forming a human resources management model, it is necessary to take into account the peculiarities of the type of corporate culture.

The main features of the corporate culture of an effective bank are healthy conservatism in behavior combined with maximum encouragement for business initiative aimed at the end result. Particular attention should be paid to compliance with professional banking ethics. One should strive for maximum certainty and transparency in relations with clients, which allows them to have detailed information about the basic principles of the bank's activities. Employees should be motivated by the end result and understand how it is formed.

Every employee at any level should be professionally trained, know the technology, and understand what consequences his actions can lead to. Employees should be motivated not only by salary. There is material motivation, there is also non-material. This is an important, and perhaps the most important, part of the entire internal corporate culture of the bank. Each employee does not simply mechanically fulfill the duties assigned to him, but acts, aiming at the final result, which is expressed for him personally not only in receiving a certain additional material reward, but also in participation in the process of growth of the bank, in which all members of the team are involved without exception.

Important attention should be paid to issues of banking ethics and the corporate standard of appearance of a bank employee.

Today, when banks are involved in the process of the most fierce competition, when all of them offer almost the same set of services, a difference of 0.5% or 1% of the deposit rate can hardly be decisive when making a decision on choosing a bank. The struggle for the client is carried out in much more sophisticated ways - at the level of consciousness and subconsciousness, using modern techniques of influence.

It is about influencing the client by using such communicative means as the ability to listen, the ability to ask the right question, the ability to place oneself in one's place and establish contact, the ability to professionally resolve a conflict situation. For

an employee who works directly with the client, these are key competencies (the mandatory knowledge of banking products and procedures is not discussed).

Each bank must form its own corporate style. It consists, of course, of generally accepted principles, moral human principles, and is regulated by the norms of the law. But there are components of the corporate style of a particular bank that are related to the style of its management, to the tasks actually set, not declared, to the expectations of business owners, to traditions, and values. Banks are invited to form and develop a corporate culture focused on the client based on the following fundamental principles:

- creating an atmosphere of mutual trust and respect between all participants in corporate relations;
- strict adherence to generally accepted standards of business ethics in daily activities, including respectful treatment of competitors, preventing illegal forms of struggle, using only correct methods that comply with corporate ethics;
- ensuring equal treatment of all shareholders;
- timely and reliable disclosure of information about the bank's activities to participants in corporate relations; creation of a comprehensive and effective system of control over the conclusion of the most significant bank transactions;
- constant improvement of standards of corporate behavior.

Working for the client, in the name of the client and for the client is an idea that should be the driving force behind every action of a bank employee, every expressed opinion, view, and behavior in the workplace.

The activities of any bank are primarily aimed at satisfying the needs of its clients, and therefore the rules of corporate culture should regulate not only the internal state of the organization, but also its external manifestations, especially in terms of relations with the client audience. Unfortunately, in modern practice, not all banks adhere to the principle of customer orientation.

The following principles should be laid down as the basis for the formation of an effective, customer-oriented culture of a banking institution:

- creating an atmosphere of mutual trust and respect between all participants in corporate relations;
- strict adherence to generally accepted standards of business ethics in carrying out daily activities, including respectful treatment of competitors, prevention of illegal forms of struggle, use of only correct methods that comply with corporate ethics;
- ensuring equal treatment of all shareholders;
- timely and reliable disclosure of information about the bank's activities to participants in corporate relations;
- creation of a comprehensive and effective system of control over the implementation of the bank's most significant transactions;
- continuous improvement of standards of corporate conduct.

The main characteristics of the bank's corporate culture, oriented towards the client, are:

- definition of the client as one of the bank's values, enshrining this in the Corporate Code;
- studying the problems and needs of the client, his business;
- careful selection of bank personnel with the competence of customer orientation;
- providing the client with real benefits (and not just a service) that favorably distinguishes the bank from competitors;
- implementation of a system of communication with the client, regular communication with him;
- inclusion of the client in the process of forming the bank's values and his involvement in the development of new solutions;
- development of a system of attracting new clients while maintaining relationships with old clients.

The main criteria of a client-oriented corporate culture can be identified:

- personal responsibility of the employee for the results of his/her activities to the internal and/or external client;

- change of the manager's functions towards mentoring;
- the main and fundamental criterion for evaluating an employee is the satisfaction of the client (both internal and external) with the results of his/her work.

The scheme for forming a client-oriented model of corporate culture is shown in Fig. 3.1. The figure shows that the development of such a model is an objective requirement of modern times and is dictated by the fierce competition of banking institutions in the field of attracting and retaining clients. A weighty argument in favor of its formation is that as a result of its thoughtful development and high-quality implementation through ensuring client satisfaction with the services provided by the financial institution, it becomes possible to achieve both corporate and individual goals.

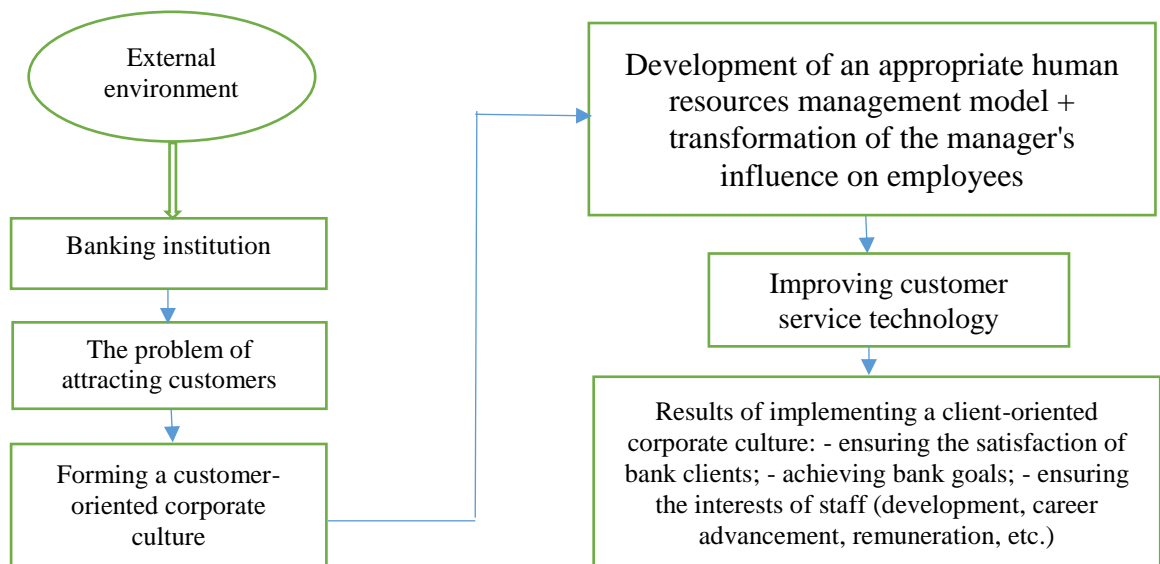


Figure 3.1 - Customer-oriented corporate culture as a factor in the development of a banking institution

When forming an effective, client-oriented corporate culture, it is necessary to transform the usual function of the manager in relation to the subordinate from the position of the boss to the position of the boss-mentor when moving to a client-oriented system. The boss supports the subordinate, guides him in work related to the client. Fig. 3.2 graphically shows a diagram of such a transformation.

Of course, to adopt a more progressive concept of customer-oriented management, managers must first change themselves. And then lead their subordinates to change. The manager himself must be a role model for other managers and subordinates. He must clearly choose the employee who can be put as a mentor for the young ones so that the new employees perceive the corresponding values of the company. Skills and behavioral patterns must be confirmed by daily practical examples. And if not, then the efforts spent on careful selection of personnel and their training will be wasted.

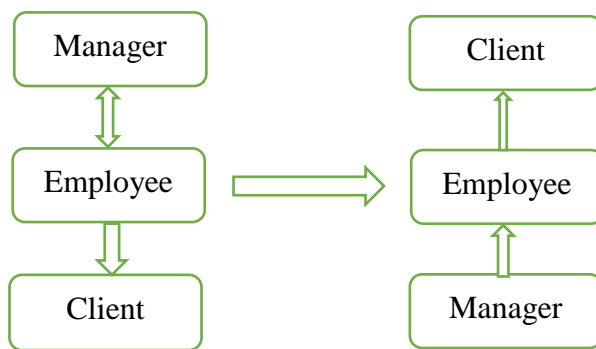


Fig. 3.2 Transformation of the influence of the manager on the subordinate when implementing a customer-oriented corporate culture in the bank

When implementing a human resources management model in a customer-oriented corporate culture system, it is impossible to avoid changing the role of the manager from traditional to progressive. A comparison of the two management concepts is given in Table 3.1.

Table 3.1.

Comparison of the role of the leader in two management concepts

<i>The Traditional Role of a Manager</i>	<i>The Role of a Customer-Focused Manager</i>
An organization is a combination of target communities. The leader conveys to subordinates his ideas about the state of affairs	The organization is a thinking community. The leader is a leader, he conveys his vision and values to subordinates
Manages personnel	Motivates personnel with his behavior
Strives for static stability	Forms mobile creative teams and working groups, whose activities are aimed not only at satisfying the needs of clients, but also at

	anticipating them. The client is the main arbiter. The boss acts as a mentor (coach)
Strictly focuses activities on achieving short-term and medium-term goals of his/her unit only	The main emphasis is on long-term goals and a vision for business development
Delegates, manages, controls. There is a certain degree of distrust in the staff.	Mentors, promotes professional growth of subordinates. Trusts them.
Concentration on internal functions	Focus on customer needs
Trying to avoid mistakes	Considers mistakes as an "indicator", a "prohibition sign" on the way to improvement. Seeks new ways, opportunities
External incentives (salary, career, etc.) play a primary role	High level of intrinsic motivation
Manages according to clearly established rules	Flexible. Changes management rules according to the changes taking place

When restructuring the corporate culture based on new principles and norms, it is important to form new models of behavior in all employees. It is their behavior that is an external manifestation of the bank's customer orientation for clients.

When recruiting personnel, if possible, it is advisable to give preference to a closed competition for vacancies, that is, first of all, to look for the necessary candidate among your employees. After all, the bank's employees are already familiar with the corporate culture, its values, and have progressive attitudes towards working with clients. Only in the absence of the necessary candidacy in the bank's team is it advisable to hold an open competition.

The bank's philosophy is a client-oriented one, and should primarily include the presence of loyal and competent employees, a high-quality management system, and effective external and internal communications.

The Code of Corporate Ethics is the embodiment of the bank's philosophy, its strategy and tactics of behavior in the business environment. The Corporate Code is the embodiment of the company's philosophy, its strategy and tactics. It enshrines voluntary obligations to employees and the outside world that the company assumes over and above those proposed by law.

The Code declares a high level of business culture, assumes adherence to high ideological principles and norms, and promotes a clear positioning of the company in relation to its clients and employees. The purpose of developing and adopting the Corporate Code is not to impose ready-made rules on employees, but to encourage them

to develop their own standards of interaction. The Code should define rules of conduct and create motivation for improving corporate governance.

The Corporate Code, on the one hand, regulates the actions of employees in various situations, on the other hand, guarantees compliance with the rules by all parties and sets transparent, understandable criteria for evaluating activities and behavior. Employees must realize that the Code is a standard that must be strictly adhered to. The standard itself is a fairly firm standard, but if the company allows several options for behavior in a particular situation, then this should be discussed and prescribed separately. The generalized meaning of the Corporate Code for various entities can be presented as follows (Table 3.2).

Table 3.2

The significance of the Bank's Corporate Code for individual entities

Subject	Meaning
Employees	Explains what and how to do the work to get management approval and achieve personal goals
Top managers	Determine the desired and acceptable ways to achieve the specified goals, the principles of human resources management adequate to the mission and strategy of the bank, and regulate the ethics of the relationship between top managers and owners
Customers	Explains what the bank does to meet their needs and interests, what they value
Partners	Clarifies its place in the bank's value creation system, determines how honestly and fairly the bank treats its partners, and whether it is interested in long-term cooperation
Shareholders	Discloses the bank's activities in terms of increasing its well-being and ensuring the efficiency of the assets invested in it
Society	Reports about the social benefit that the bank brings, about the social responsibility that it assumes

The development and implementation of the Corporate Code in the bank will allow solving the following tasks:

- to determine business priorities and work standards;
- to consolidate corporate culture, fix uniform corporate standards and general principles of activity;
- to coordinate actions, rights, obligations and expectations of each party;
- to explain models of behavior in different situations;

- to supplement the image of the bank (to increase its attractiveness for the target audience, potential employees, investors, etc.), to distinguish it from the total number of financial and credit institutions;

- to ensure the cohesion of bank employees during the work on the Corporate Code, discussing its provisions;

- to identify proactive, creative, imaginative employees when involving staff in the development of this document;

- to facilitate (shorten) the adaptation stage of new bank employees.

The creation and implementation of the Corporate Code is a large collective effort that can last a whole year. The work continues from the moment of the decision on the need to develop the Code until its publication, and even more - it includes training and PR support for the project. Let's consider the content of the stages given in the algorithm.

Traditionally, the development of any project or document begins with the creation of a working group (the first stage). Given that the Corporate Code is a document that reflects issues from all areas of the bank's activities, the composition of the working group should be diverse. The degree of "formalization" of the group can vary, depending on the type of corporate culture. You can issue an order approving the working group, determine the rights, responsibilities, terms and forms of work, or create an informal "think tank."

In any case, the working group for the development of the Corporate Code should include:

- top managers headed by the head, since it is their ideas about the business that should be at the heart of it;

- HR – the department that determines the technologies for working with personnel, understands their needs and expectations;

- it must familiarize employees with the provisions of the Code;

- heads of departments and the most significant line managers who can reveal the specifics of the principles of operation of various divisions of the bank;

- marketing and advertising departments – for conducting internal and external PR campaigns;

- planning and economic and financial departments – plan and finance the process of developing and implementing the code.

To coordinate and ensure the process of developing the Corporate Code is planned in the second stage, a schedule is drawn up with the assignment of specific tasks and control dates.

At the third stage, in order to inform the bank's staff about the beginning of the development of the Corporate Code, to form a common understanding and vision of the tasks and the process of developing the code among the members of the working group, it is necessary to hold an introductory presentation. During its holding, it is determined what corporate culture is and its main elements are revealed.

Direct work on the draft Corporate Code involves determining its structure and formulating the main provisions (fourth stage). The structure of this document may be completely different, but its main purpose is to unite all the bank's resources in order to achieve the set goals. We can recommend the following typical structure of the bank's Corporate Code:

- general provisions (the concept of corporate culture, its functions);
- mission of the bank;
- strategy of the bank, prospects and vision;
- values of the bank;
- basic principles (in the field of bank management, in the field of relations with shareholders, in the field of relations with clients, in the field of relations with society and the state);
- standards and regulations of activity;
- commercial secret;
- symbolism and corporate style of the bank;
- rules of communication, appearance;

- social responsibility.

After the list of areas, topics, and individual points that need to be covered in the Corporate Code has been determined, specific work begins on each of the points.

At the fifth stage, in order for employees to feel involved, a draft corporate code should be put forward for general discussion, and a competition with prizes can even be organized for those employees who have particularly distinguished themselves in formulating the provisions of the code. All received proposals should be considered and analyzed by the working group.

The corporate code, which is an official document, must be approved at the highest level. When the document is prepared and agreed upon, the working group presents it for approval to the Chairman of the Bank's Board (stage six).

The appearance of the bank's Corporate Code (seventh stage) is of great importance. The code must be beautifully printed, because it is a corporate standard that is created for many years (it will be adjusted over time, but its main ideas and principles will remain unchanged) and directly shapes the image of the bank.

The completion of work on the Code can be timed to one of the corporate holidays (Company Day, professional holiday, corporate New Year's holiday, etc.). This will be a good and convenient occasion to hold an internal PR campaign (eighth stage). During the presentation of the adopted Corporate Code, it is very important to emphasize that it is the result of collective work, introduce the participants of the working group, and highlight the most active ones.

The Code should have the status of a document that is mandatory for execution, its articles should not be subject to discussion. Therefore, at the final ninth stage, it is necessary to ensure control over the implementation of the provisions of the document so that its development does not turn out to be in vain. This must be controlled by managers at all levels. Success is largely determined by how seriously the management itself takes the prescribed norms and standards, how demanding the managers are of themselves regarding the implementation of the articles of the Code.

Failure by an employee to comply with the requirements set forth in the articles of the Corporate Code may result in the use of both disciplinary and economic measures.

In conclusion, we would like to note that a Corporate Code developed taking into account all of the above recommendations and meeting the above characteristics will be of great importance not only for consolidating the corporate culture and enhancing the bank's image, but also for increasing the efficiency of human resources management in a banking institution.

3.2. Outline of ways to improve the banking development strategies in the management system of JSC Oschadbank

Organizational support of the banking strategy consists in creating (improving) the existing and ensuring the effective functioning of individual elements of the organizational system (subsystems, levels, links, connections, etc.), as well as the organizational mechanism for managing the business entity or their totality as a whole in accordance with the selected strategies in such a way that these organizational elements of the system act as components of strategic financial development.

The object of influence of organizational support is individual, organizationally designed elements and management factors - existing and newly created in accordance with the selected strategies. The subject of organizational support is the link or a complex of interconnected divisions of a business entity (organizational structure), which, through various forms of organizational influence, ensure the development and implementation of a financial strategy.

Organizational support affects the most inertial component of the management system - the organizational structure. However, it is this structure that should be the focus of attention of enterprise managers, since it can serve as a tool for promoting or inhibiting strategic development, management processes.

The bank's management system in the field of financial strategy should identify entities and their powers and instruments; institutions (subdivisions), connections between them, etc. for the successful implementation of strategic activities.

Thus, the Cabinet of Ministers of Ukraine (which is a 100% shareholder of Oschadbank) approved the Development Strategy of JSC "State Savings Bank of Ukraine" until 2028 (Order of the Cabinet of Ministers of Ukraine "On Approval of the Development Strategy of Joint-Stock Company "State Savings Bank of Ukraine") [77]. The draft Strategy was developed by the Board and approved by the Supervisory Board of Oschadbank. This Development Strategy of Oschadbank until 2028 provides for its continued operation as the leading universal bank of Ukraine, first of all, it outlines the following main components:

- business model: a universal bank, strengthening its positions in retail lending and commission products, maintaining leading positions in the corporate business and micro, small and medium-sized business segments, with a decrease in the share of state-owned enterprises;

- operating model: a developed line of digital products, including industry products, which will be provided through digital channels and automated processes;

The digitalization of Oschadbank in 2024 includes completing the process of digitalizing services for clients and internal processes, as well as ensuring a competitive speed of launching new products. In addition, it is planned to join Oschadbank to the Deposit Guarantee Fund for Individuals, which will further ensure the entry of international financial organizations into Oschadbank's capital.

In difficult conditions of external factors of the bank's activity, work with risks becomes of increased importance. It is allocated a significant part in the specified document; after all, such measures in strategic activity are inherent in those stages of its activity in which the strategy should be adjusted in changing conditions. The Bank's general risk management strategy is determined by the Bank's Supervisory Board.

Thus, the Consolidated Report notes that "risk management plays an important role in the banking activity and operations of the Group. The main risks inherent in the

Bank's operations include: market risk, credit risk, concentration risk, liquidity risk, interest rate and exchange rate risk."

The said Report describes the principles and measures for managing these risks: "The Group creates a comprehensive and effective risk management system taking into account the Bank's Development Strategy, the Bank's Risk Appetite Declaration and other internal regulatory documents of the Bank, which determine the nature and volume of the Bank's operations, the risk profile and the systemic importance of the Bank."

The Bank's Management Board ensures the implementation of tasks and decisions of the Bank's Supervisory Board regarding the implementation of the risk management system, including In order to bring the organizational structure of the risk management system into line with the requirements of the Resolution of the Board of the National Bank of Ukraine dated June 11, 2018 No. 64 "On Approval of the Regulations on the Organization of the Risk Management System in Ukrainian Banks and Banking Groups", on September 17, 2019, the General Risk Management Department and the Compliance Department were established.

The Director of the General Risk Management Department is responsible for:

- the Credit Risk and Asset Valuation Department - to ensure effective activities in terms of credit risk management;
- the Strategic Risk and Forecasting Department - to ensure effective activities in terms of liquidity risk management, interest rate risk and currency risk management.

From a functional point of view of risk management, the establishment of business processes and a clear division of responsibilities between the Bank's divisions is carried out using the principle of three lines of defense:

- the first line - at the level of the Bank's business divisions and divisions supporting the Bank's activities. In the context of the Oschadbank management system, these divisions accept risks and are responsible for them and provide reports on the current management of such risks, in accordance with the functions defined by the regulations on such a division;

- the second line - at the level of the risk management division and the compliance division;

- the third line - at the level of the internal audit division to verify and assess the effectiveness of the risk management system.

The organizational structure of risk management provides for a clear division of functions, responsibilities and authorities for risk management between all entities of the risk management system and the Bank's employees, as well as their responsibilities in accordance with such division. Risk management functions are divided between the following entities of the risk management system: the Supervisory Board of the Bank; Committee of the Supervisory Board of JSC "Oschadbank" on Risk Issues; Bank's Management Board; Committees established by the Bank's Management Board; Risk Management Unit; Compliance Unit; Bank's Internal Audit Unit; Business Units and Support Units, including Non-Performing Assets Units.

To ensure control over compliance with risk management policies, the Supervisory Board decided to establish standing committees of the Bank's Supervisory Board, namely: the Audit Committee, the Appointments and Remuneration Committee for Officials, the Risk Committee, and the Strategy Committee. The Supervisory Board also approved the Regulations on the Risk Committee of the Supervisory Board of JSC Oschadbank, which define the functions and responsibilities of the committee members. In particular, the functions of the Committee include monitoring the consideration of the business model of JSC Oschadbank and the risk management strategy when pricing/setting tariffs for banking products, as well as, if prices/tariffs do not cover the risks of JSC Oschadbank, developing measures and submitting them for consideration and approval (decision-making) to the Supervisory Board of JSC Oschadbank; monitoring the implementation and compliance with the risk appetite declaration, risk management strategy, and other internal bank documents; monitoring the status of implementation of measures to promptly eliminate deficiencies in the functioning of the risk management system, implementation of recommendations and comments of the internal audit unit, external auditors, the National Bank of Ukraine and other regulatory authorities; monitoring and supervision of capital and liquidity management strategies,

as well as all risks of JSC "Oschadbank" identified in the risk appetite declaration, in particular, credit, market, operational, reputational and other significant risks of JSC "Oschadbank", identified as such in accordance with the internal regulatory documents of JSC "Oschadbank"; reviewing reports and providing proposals (including on measures to promptly eliminate deficiencies).

The bank's management system operates in difficult conditions also taking into account the previously adopted strategy: "The management staff focuses on maintaining the Group's stable operations in the current circumstances. In connection with the military aggression of the Russian Federation and the introduction of martial law in Ukraine, the issue of ensuring business continuity is given the greatest attention in the process of managing the Bank. JSC Oschadbank, as an object of critical infrastructure, is included in the list of authorized banks involved in work in special periods. The Supervisory Board, Management Board and specialized committees of the Bank continue to perform their functions. The Bank has taken measures to relocate personnel and organize safe work using remote access to the bank's IT resources."

The following is outlined in terms of ways to improve the institution's activities: "Under martial law, work has been intensified to ensure a sufficient amount of liquidity in order to provide timely service to legal entities and individuals - clients of the Bank. Damage/losses to the Bank's property as a result of military aggression are monitored on an ongoing basis, as well as an assessment and forecast of losses (losses) due to the deterioration of the financial condition/termination of the Bank's counterparties."

Continuity in adhering to the institution's strategy is indicated in such a way that its existing provisions are supplemented by elements of planning in new circumstances, taking into account their specifics: "Currently, the Bank operates within the existing business model and developed plans to ensure continuous operation, which provide, in particular:

- work of bank personnel under martial law;
- determination of a list of areas to which military actions may spread;
- measures to protect the Bank's institutions and ensure the safety of valuables;
- measures to minimize risks when collecting and transporting valuables;

- organization and maintenance of accounting during emergency operation;
- execution by the Bank of settlement documents/client transactions in the event of inability to work in normal mode.

The martial law situation provides for the introduction of strategic guidelines at the operational level, which are outlined as follows: "To ensure the continuous operation of bank processes and a client-oriented approach during an emergency, the bank's collegial bodies (the board and its committees) make operational decisions aimed at temporarily simplifying/optimizing bank processes with the introduction of procedures for enhanced control of such decisions."

The following are some examples of such optimization:

- simplification of the procurement process for critical goods/services/works;
- simplification of the work of the Authorized Collegiate Bodies of the Bank with the organization of an absentee form of holding and voting;
- organization of servicing the bank's clients without being tied to the "native" branch and with a reduction in the use of paper document flow;
- active work of the bank with the implementation of a new process - remote identification/verification of the client + remote opening of card accounts using modern identification methods (liveness detection method).

Finally, the Consolidated Report notes that the Supervisory Board of the Bank operates in accordance with the Resolution of the Cabinet of Ministers of Ukraine dated July 10, 2019 No. 643 and bears full responsibility for creating a comprehensive and effective system for managing the risks that the Bank is exposed to in its activities.

Having analyzed the conceptual foundations of financial strategy development, we came to the conclusion that this is a rather complex activity, which is sometimes designated by the special term "strategic activity". It defines significant attributes that relate, first of all, to its purpose, and consist in the presence of two large blocks - the initial creation of the strategy and the subsequent process of implementation, support and correction in accordance with the changing conditions of the enterprise.

When analyzing strategic activity in Oschadbank, it was found that it fully corresponds to theoretical ideas about it - the financial strategy was developed when the

bank was created as a modern financial institution; its subjects function, which are currently operating in difficult wartime conditions; their recommendations for the bank's management system are given, in particular - regarding the creation of relevant management units and the delineation of their powers.

Fragments of the financial strategy for the near future are also provided, which assume positive consequences of the Bank's activities due to thoughtful management decisions in line with general strategic directions.

3.3. Mechanism for ensuring the competitiveness and financial security of the modern banking system in the context of its strategic development

The experience of countries with developed economies shows that as the banking market and the country's economy develop, the profitability of banks' capital decreases. This is primarily due to price competition, as a result of which the cost of retail banking services for individuals decreases in order to maintain or increase sales volumes and increase the share of retail banks in a given market.

The main problem in increasing the competitiveness of retail banks lies in internal factors, namely in most cases in the strategic positioning of credit organizations, as well as in low operational efficiency, the consequences of which are:

- limited opportunities in price competition;
- insufficiently effective risk policy;
- low sales volume through modern channels of interaction with consumers of retail banking services.

Thus, taking into account the peculiarities of the banking services market regarding changes in the procedure for calculating provisions for losses on consumer loans and future changes in the settlement of payments by cards of international

payment systems, in our opinion, the following processes will take place in this market that will affect the methods of increasing the competitiveness of credit organizations:

- maintaining the growth rates of the consumer loans market mainly
- due to their penetration into the regions;
- increasing the growth rates of the credit and debit cards market and retail payments;
- increased competition in all segments of this market, primarily in the consumer credit and credit card segments;
- increased role of developed infrastructure of sales channels (primarily the Internet) and service channels (ATMs, transaction and payment terminals, POS terminals, etc.);
- expansion of the range and improvement of the quality of retail payment services, which are primarily provided through Internet banking and mobile banking;
- gradual decrease in the profitability of retail banks' capital under the influence of price competition.

To solve the above problems, we propose a methodology for increasing the competitiveness of banks in the retail banking segment, which contains an algorithm of actions that will form the strategic positioning and operating model of credit organizations.

The proposed algorithm for forming the strategic positioning and operating model for increasing the competitiveness of retail banks consists of four main stages.

At the first stage, the segment of retail banking consumers in which the retail bank will specialize is determined. As shown above, the influence of the characteristics of the banking market makes it impossible to apply the methods of segmenting banking consumers used in developed countries.

As a rule, when segmenting consumers, geographic, demographic, socio-economic, psychographic and behavioral criteria are used.

The impact of the pronounced differentiation of the country's population by standard of living, regional distribution, financial literacy, and possession of modern communication technologies determines the need to use multidimensional segmentation

of consumers of banking services. As a basis for multidimensional segmentation of consumers in the country's retail banking market, it is advisable to take those values that are important for individuals when choosing certain banking services. In mass markets, to which the banking market belongs, it is the consumer values of goods and services that form target segments, that is, clusters.

There is currently no general definition of a cluster. It should be noted that in each specific case the parameters of cluster formation are individual. Therefore, despite the large number of cluster analysis methods, the choice of a particular method depends on the specifics of the tasks of a retail bank in each specific case.

For retail banks in Ukraine, consumer segmentation based on cluster analysis is of fundamental importance for the development of strategic positioning of banks, the definition of target segments of the banking market and, accordingly, the technologies used.

Thus, due to the influence of the characteristics of the country's retail banking market, as shown above, the search and creation of consumer values is a key task in increasing the competitiveness of retail banks, the basis for segmenting individuals using cluster analysis.

At the second stage, the bank selects a market segment by type of retail banking services depending on their demand by the relevant consumer cluster. Both core and additional retail banking services are selected, which will determine the appropriate sales channels, risk policy and operating model of the retail bank. Based on the above analysis, it should be noted that when determining the specialization of credit organizations in individual retail banking services, it is necessary to consider the currently formed segments of this market, their status and development trends, which are presented below (Fig. 3.3).

Retail banks need to build certain technical and technological processes in order to increase operational efficiency in accordance with the chosen strategic positioning in each segment of the country's retail banking market, depending on the requirements of individuals for the services of credit organizations and the level of service.

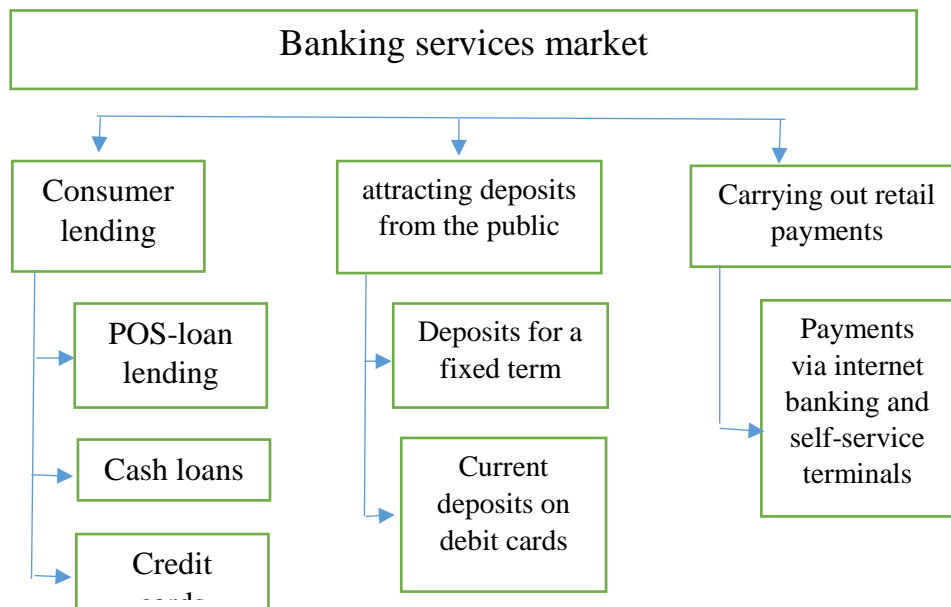


Fig. 3.3 Banking market segments

At the third stage, the strategic positioning of the retail bank is formed: what retail banking services and values, in what capacity and to what cluster of consumers the bank provides. The choice of strategic positioning determines all further practical actions regarding the construction of the operating model of the retail bank and the indicators of its assessment.

At the fourth stage, in accordance with the strategic positioning, it is necessary to determine measures that will allow effectively organizing the activities of the retail bank to achieve the set goals. The choice of operational processes of the retail bank consists of three main areas, which are presented below in Table 3.3.

Table 3.3.

Description of banks' actions according to the definition of operational processes

Directions for determining operational processes	Bank actions
Sales and Service Channels	Sales and customer service channels are defined according to selected retail banking services and certain consumer values. This direction is both a source of investment and an opportunity to optimize communication processes
Marketing policy	A marketing policy is being developed, methods of communication with individuals with the aim of increasing market share and increasing customer loyalty. Separate areas are Internet marketing and the image of the bank, the level of

	customer service, the quality of retail banking services and others.
Risk management and operational management	Based on the target audience profile and analytical data, a risk policy is developed, as well as all operational processes are described. All stages of interaction with clients and internal processes are taken into account and optimized, the organizational structure and personnel policy are determined, as well as the credit organization's activity management system.

The consumer segment and types of retail banking services, in accordance with the strategic positioning of the retail bank, determine the channels of interaction with individuals, marketing, client and risk policies, as well as the organization of operational activities.

In terms of organizing operational activities in the modern retail banking market, special attention should be paid to the automation of both internal and external processes. ERP and CRM systems play a major role in this regard.

ERP-system (Enterprise Resource Planning) is an integrated set of business applications that allow collecting and processing information and modeling various processes. It is used in automation and to support administrative and operational processes in various areas of retail banks: in asset management, operational and economic activities, customer relations, in personnel management, etc.

ERP-systems play an important role in modern retail banking business in the following areas:

- reducing operating costs;
- increasing the efficiency of business processes;
- standardizing technological processes;
- development and implementation of technological innovations.

Retail banks should choose a specific software solution and ERP system supplier taking into account their individual needs, focusing on their own business development prospects.

Automation of customer relations, their analysis and planning are implemented in the form of CRM systems (Customer Relationship Management). The main purpose of

this system is to support marketing activities and sales of retail banking services and customer service, as well as to analyze the results of these activities. The system also stores and processes all the necessary information about customers and the history of interaction with them.

Banks should pay special attention to the capabilities of CRM systems for conducting cluster analysis and segmentation of consumers, including the existing customer base, which is essential in the process of strategic positioning and increasing the competitiveness of credit organizations.

Ukrainian banks are already using such systems to operate in the retail banking market. In our opinion, the capabilities of these systems are currently not being fully utilized. First of all, this applies to the segmentation of consumers of retail banking services, conducting marketing activities and assessing their effectiveness, as well as the process of developing relationships with customers. “Building personal relationships with customers is very important for retail banks, as these relationships can be further developed to enhance the image of the organization and stimulate cross-selling. A detailed understanding of customers allows for targeted advertising, the creation of in-demand services and the expansion of customer relationships through cross-selling”.

Increasing the operational efficiency of retail banks can be achieved both through the introduction of modern technologies and through cooperation with other credit organizations. Ukraine has a large network of automated self-service mechanisms. This means that the most effective way to develop cash handling channels is not to invest in creating your own network of such devices, but to use the infrastructure of other participants in the retail banking market, taking into account cooperation.

The above actions to increase the competitiveness of retail banks are cyclical in nature and involve regular analysis of internal and external processes, assessment of possible consequences for the bank and, if necessary, development of measures to adjust strategic positioning and operational activities in order to increase competitiveness. One of the effective methods that contribute to improving strategic positioning and increasing operational efficiency is benchmarking. Using benchmarking, retail banks can find and analyze the reasons for the successful activities

of other credit organizations according to various indicators in order to adapt their experience to their own tasks in the conditions of development of retail banking services, which are developing at a high pace in the market, to obtain new, more effective experience, to maintain and increase their competitiveness.

The methodology we propose for increasing the competitiveness of retail banks in the retail banking services market allows us to solve a number of problems caused by the influence of internal factors on the competitiveness of credit organizations:

- using the experience of retail banks in developed countries and companies producing consumer goods and retail trade in cluster analysis technologies, to determine your target segments among the population, differentiated by geographical location, level of well-being and financial literacy, and the main retail banking services, while reducing consumer lending risks;

- in accordance with strategic positioning, increase operational efficiency through the use of modern technologies for managing the necessary sales and retail service channels, marketing and customer policy, as well as personnel and operational processes.

To solve the problem of increasing the capital of banks in Ukraine, it is necessary to work in the following areas:

- further improvement of the legislation regulating banking activities;
- expansion of the functions of banking associations in the monetary and credit market;

- activation of the regulatory policy of the National Bank of Ukraine using stress diagnostics of economic indicators of banks;

- use of effective risk management systems in banking institutions;

- optimization of the structure of the deposit and loan portfolio of banks;

- ensuring transparency in NBU refinancing operations, etc.

It is also important for bank management to understand that sufficient capitalization of a banking institution is a necessary element in the system of measures to ensure its competitiveness in the financial market.

Ukraine's European integration intentions have brought changes to the development of its economy and in particular to the financial sphere. These changes have significantly affected the development of the banking system, which is a system-forming link in the financial and credit market. The essence of these changes is manifested in the increase in the presence of foreign banks, the need to implement the norms of EU banking legislation and European methods of conducting banking business in domestic practice.

To ensure the effective functioning of the banking system of Ukraine in the context of strengthening European integration processes, it is necessary to study the features of the current stage of its development, to study the influence of foreign capital on its work. All this makes the development of the issue of effective development of the banking system of Ukraine in the context of European integration relevant.

Important for the development of the banking system and the economy of Ukraine is the attraction and investment of long-term funds. However, potential investors, including population, still continue to hold funds outside the real economy, while in a healthy economy such funds are invested in long-term assets. In order to attract cash deposits from the population on a long-term basis, it would be worth introducing dollar hedging of long-term hryvnia deposits (the principal amount of the debt and accrued interest), which would create opportunities for a broader development of long-term lending.

In EU countries, lending to businesses in rural areas is carried out mainly on the basis of cooperative forms of lending. For Ukraine, this could be of decisive importance. The Law of Ukraine "On Banks and Banking Activities" provides for the creation of cooperative banks. These banks could focus on lending to the agricultural sector, farms, and private households. Due to the low profitability of such operations, large banks are not interested in providing such loans. At the same time, it is necessary to improve the procedure for creating cooperative banks by granting credit unions the status of cooperative banks.

It is important for the banking system of Ukraine to implement in practice the legislation on the organization of the formation and circulation of credit histories, which

could increase the volume of lending to small and medium-sized businesses, expand the demand for consumer and mortgage loans.

It is necessary to adopt the Law on Credit, amend the Law on the National Bank of Ukraine, and adopt laws for individual groups of banks (mortgage banks, investment banks, savings banks, agricultural banks, and others).

An important feature of the development of banks should be individual relations with individuals, firms at various stages, starting from maintaining accounts, paying debts, deposits, pension contributions, paying utility bills, and other services. The adoption of these measures will allow providing the economy with the necessary resources, reducing credit rates, and extending credit terms. In the future, the financial services market of Ukraine will develop more and more intensively. In order to keep up with it, not to lose clients who can go to branches of foreign banks that have new technologies for working with the population, domestic banks must change the psychology of their attitude towards individuals. For this, it is necessary to work on increasing the level of servicing individuals. After all, in developed capitalist countries, almost 80% of profit is generated by servicing individuals.

Another resource for increasing lending volumes is the wider attraction of funds from the population and funds circulating in the shadow economy, reducing credit risks, and further developing mortgages and leasing. The National Bank of Ukraine must increase the transparency of banks' work in terms of improving the published regular reporting of banks and their disclosure of information about real owners. Disclosure of information about the real state of a bank contributes to strengthening banking supervision and increasing trust in the bank. The transition to International Auditing Standards will increase the transparency of banks' financial reporting.

Strengthening the banking system will be facilitated by an effective system of banking supervision, early detection and prevention of risks, supervision on a consolidated basis, improvement of the risk management system, and corporate governance of banks.

The following strategic goals of banking supervision can be distinguished:

- improvement of supervision based on risk assessment;

- transparent coverage of information about the activities of banks for ordinary citizens;
- further implementation in the legislation of determining the real owners of banks and sources of funds;
- increasing the level of corporate governance in banks (establishing stricter requirements for the appointment of members of the bank's supervisory board);
- implementation of supervision procedures on a consolidated basis (amendments to the legislation regarding the possibility of obtaining information from parent groups, holding companies);
- ensuring the proper level of counteraction to the legalization (laundering) of proceeds from crime;
- scaling up the implementation of Basel-3 requirements in practice;
- international cooperation in the field of banking supervision;
- improving the qualification level of banking supervision employees.

For the effective implementation of these goals, it is necessary to separate the banking supervision service from the National Bank of Ukraine into a separate structure, which will contribute to ensuring the stability of the banking system, identifying problems in the activities of banks at an early stage, timely response to prevent crisis phenomena in the economy, ensuring the consistency of supervisory functions, taking into account international standards, experience and practice. The National Bank of Ukraine should focus on monetary and credit, exchange rate policy, ensuring the stability of the banking system, refinancing banks, participating in banking supervision. In view of the potential strengthening of banking competition, the banking system of Ukraine needs to increase the level of capitalization, develop banking technologies, expand the range of services, provide high-quality customer service, prioritize investment operations, consolidate the activities of universal banks along with the preservation of specialized banks, the niche of small banks, and develop competition. At the same time, the development of the banking system, its efficiency, depends on the level of development of the economy of the country in which it operates.

To ensure the further development of the banking system and the economy as a whole, it is necessary for the activities of banks to contribute to an increase in the volume of lending to small and medium-sized businesses, individuals, long-term innovative loans, mortgage lending, and a decrease in interest rates in the credit market.

Thus, to optimize the structure of the banking system of Ukraine, it is advisable to implement the following measures:

- separation of the banking supervision service from the National Bank of Ukraine into a separate structure in order to ensure effective supervision of banking institutions, increase confidence in the banking system;

- improvement of the work of bank associations that would represent the interests of commercial banks, provide consultations, work on improving the qualifications of bank employees, generalize and disseminate banking experience, and cooperate with the banking supervision service. Creation of the institution of the banking ombudsman, in order to increase the authority of the banking system;

- creating conditions for the effective functioning and development of specialized banks specializing in business areas, cooperative, municipal banks, which would contribute to the development of regions, small and medium-sized businesses, and local communities.

To implement these areas, it is necessary to improve the legislative and regulatory framework for banking activities in Ukraine so that banking institutions operate within a clearly defined legal framework.

CONCLUSIONS

The master's qualification work considered the issues of strategic development of banks under the conditions of effective corporate governance. Given this formulation, the subject should be presented as a systemic combination of financial-strategic and managerial contexts. For its consideration, a theoretical study of the relevant issues was carried out, for which the appropriate methodological tools were used; finally, the issues in the strategic management of banks in general and in the field of finance in particular were analyzed; the relevant areas of functioning of the financial institution JSC "Oschadbank", the current situation in the bank in the context of strategic activity and relevant managerial decisions were investigated.

Based on the indicated goal, the relevant main tasks of the study were set and fully fulfilled:

- the essence of strategy was considered in general theoretical and applied aspects; a review of scientific ideas regarding the key concept of "strategy", for the definitions of which researchers resort to the use of a wide variety of generic features, the most frequent of which is "plan". Regarding the clarification of the understanding of the key concept, it was concluded that the essence of strategy is a conscious vision of the future by the subject of reflection about it, which is specified in the sequence of actions that the subject must take to achieve the set goal;

- the essence of financial strategy in general and in banking activities in particular is considered; it is found out that the strategic development of banks should be considered as a type of strategy in general, but applied to financial activities, the definition of which is proposed as follows: the activity of an enterprise in the field of finance, which is specified in a complex of financial transactions;

- a definition is also formulated, which arises from the developed views of researchers and relevant interpretations: the financial strategy of a bank is a conceptualization of the vision of the desired future in the financial activities of the bank for further specification in the form of a financial plan. Its substantive

specification is associated with the relevant specifics, and its components and development are tasks for the relevant subjects - specialists in strategic activities;

- significant aspects of the activities of JSC Oschadbank, in particular in the field of finance, are analyzed; factual information from the Consolidated Report on the Management of Oschadbank is provided;

- technical and economic characteristics of JSC Oschadbank are provided. The conclusion is that this is a large financial institution in our country with a large number of areas of work that can be considered "businesses" in its structure, and in relation to society they look like a complex of financial services, and then service users appear as clients. Oschadbank is one of the systemically important banks of our country, ranks second among Ukrainian banks in terms of assets, loans and deposits. Oschadbank as of the end of 2023 is the largest bank in Ukraine by the number of branches and the second by the number of ATMs and payment terminals;

- the main approaches to optimizing the strategic development of the bank in the bank management system are studied and systematized for the purpose of their practical use. It defines significant attributes that relate, first of all, to its purpose, and consist in the presence of two large blocks - the initial creation of the strategy and the subsequent process of implementation, support and correction in accordance with the changing conditions of the enterprise. The issue of the conditions for creating a bank strategy, which appear as a system of external and internal conditions of the enterprise's activity and the corresponding strategic activity, is considered. It is stated that recently external conditions have developed as unfavorable for successful action; they are associated with the introduction of quarantine restrictions first, and then martial law in connection with the full-scale invasion of the Russian Federation;

- the importance of the bank's corporate governance in the context of the bank's further development was investigated;

- ways of improving a specific area of activity of the studied banking institution "Oschadbank JSC", namely - strategic activity in the field of finance, are outlined. It is stated that external factors appear as peculiar challenges for it, so this required appropriate internal management decisions. Therefore, when analyzing strategic activity

in Oschadbank, it was revealed that the strategy was developed when the bank was created as a modern financial institution; its entities are functioning, which are currently operating in difficult wartime conditions; their recommendations for the bank's management system are given, in particular - regarding the creation of relevant management units and the delineation of their powers.

It is also stated that fragments of the banking strategy for the nearest future (given from the materials of the Consolidated Report and its additional documents) contain assumptions about the positive consequences of the Bank's activities due to well-thought-out management decisions in line with general strategic directions. In particular, additional group entities of strategic activity have been created in the bank's management system and their functionality and powers have been designated.

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Онлайн сервіс створення та перевірки кваліфікованого та удосконаленого електронного підпису

ПРОТОКОЛ
створення та перевірки кваліфікованого та удосконаленого електронного підпису

Дата та час: 12:02:55 11.12.2024

Назва файлу з підписом: Джан Рункі_КМР_Кочорба.pdf.asice
Розмір файлу з підписом: 1.2 МБ

Перевірені файли:

Назва файлу без підпису: Джан Рункі_КМР_Кочорба.pdf
Розмір файлу без підпису: 1.3 МБ

Результат перевірки підпису: Підпис створено та перевірено успішно. Цілісність даних підтверджено

Підписувач: КОЧОРБА ВАЛЕРІЯ ЮРІЇВНА

П.І.Б.: КОЧОРБА ВАЛЕРІЯ ЮРІЇВНА

Країна: Україна

РНОКПП: 3046115826

Організація (установа): ФІЗИЧНА ОСОБА

Час підпису (підтверджено кваліфікованою позначкою часу для підпису від Надавача): 12:02:54 11.12.2024

Сертифікат виданий: КНЕДП АЦСК АТ КБ "ПРИВАТБАНК"

Серійний номер: 5E984D526F82F38F04000000EE5032011CB4F204

Алгоритм підпису: ДСТУ 4145

Тип підпису: Удосконалений

Тип контейнера: Підпис та дані в архіві (розширений) (ASiC-E)

Формат підпису: З повними даними для перевірки (XAdES-B-LT)

Сертифікат: Кваліфікований

Версія від: 2024.10.24 15:00

Онлайн сервіс створення та перевірки кваліфікованого та удосконаленого електронного підпису

ПРОТОКОЛ
створення та перевірки кваліфікованого та удосконаленого електронного підпису

Дата та час: 23:07:19 18.05.2025

Назва файлу з підписом: Джан_Рункі_КМР_Кочорба.pdf[1]_(2).p7s[1].p7s
Розмір файлу з підписом: 1.4 МБ

Назва файлу без підпису: Джан_Рункі_КМР_Кочорба.pdf[1]_(2).p7s[1]
Розмір файлу без підпису: 1.3 МБ

Результат перевірки підпису: Підпис створено та перевірено успішно. Цілісність даних підтверджено

Підписувач - 1: АЗАРЕНКОВА ГАЛИНА МИХАЙЛІВНА

П.І.Б.: АЗАРЕНКОВА ГАЛИНА МИХАЙЛІВНА

Країна: Україна

РНОКПП: 2571514226

Організація (установа): ФІЗИЧНА ОСОБА

Час підпису (підтверджено кваліфікованою позначкою часу для підпису від Надавача): 21:16:18
11.12.2024

Сертифікат виданий: КНЕДП АЦСК АТ КБ "ПРИВАТБАНК"

Серійний номер: 5E984D526F82F38F04000000E4DA710112DF3D05

Тип носія особистого ключа: Незахищений

Алгоритм підпису: ДСТУ 4145

Тип підпису: Удосконалений

Тип контейнера: Підпис та дані в одному файлі (CAAdES enveloped)

Формат підпису: З повними даними ЦСК для перевірки (CAAdES-X Long)

Сертифікат: Кваліфікований

Підписувач - 2: Омеляненко Денис Олегович

П.І.Б.: Омеляненко Денис Олегович

Країна: Україна

РНОКПП: 3634714115

Час підпису (підтверджено кваліфікованою позначкою часу для підпису від Надавача): 13:23:48
03.01.2025

Сертифікат виданий: "Дія". Кваліфікований надавач електронних довірчих послуг

Серійний номер: 382367105294AF9704000000EF5A070007064B03

Тип носія особистого ключа: ЗНКІ криптомодуль ІІТ Гряда-301

Серійний номер носія особистого ключа: Не визначено

Алгоритм підпису: ДСТУ 4145

Тип підпису: Кваліфікований

Тип контейнера: Підпис та дані в одному файлі (CAAdES enveloped)

Формат підпису: З повними даними ЦСК для перевірки (CAAdES-X Long)

Сертифікат: Кваліфікований

Версія від: 2025.01.15 13:00