

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

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

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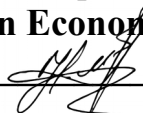
**MANAGEMENT OF THE COMPANY'S PROFIT IN THE
CURRENT BUSINESS ENVIRONMENT**

student of higher education **Li Wang**

The work is accepted for defence in the EC

Head of Department

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TASK
FOR A QUALIFYING MASTER'S THESIS
Li Wang

1. Topic of work: "MANAGEMENT OF THE COMPANY'S PROFIT IN THE CURRENT BUSINESS ENVIRONMENT".

Scientific adviser Iryna Denchyk
(full name, academic degree, academic title)

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

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

3. List of topics to be developed:

• In Chapter 1: to reveal the economic essence and classification of the company's profit; to systematize the types and sources of bank profit formation; to investigate the main components of the bank's profit management process.

• In Chapter 2: to provide a general description of JSC "Pivdenny"; to conduct an analysis of the financial and economic activity of JSC Pivdenny; to analyze the formation and distribution of profit of JSC Pivdenny.

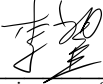
• In Chapter 3: to justify the mechanism of settlement of non-performing loans of banks in the conditions of war; to reveal the concept of risk management as the main tool for

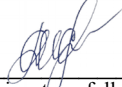
ensuring the growth of profitability of AB "Pivdenny"; to provide recommendations on improving the profitability of JSC Pivdenny.

4. Plan of qualifying master's thesis

No	Names of work sections
1	THEORETICAL FUNDAMENTALS OF ENTERPRISE PROFIT MANAGEMENT
2	ANALYSIS OF THE FORMATION, DISTRIBUTION AND PROFIT MANAGEMENT OF "PIVDENNYI" JSC
3	DIRECTIONS FOR IMPROVING THE BANK'S PROFIT MANAGEMENT

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

Student  Li Wang
signature, full name

Scientific Adviser  Iryna Denchyk
signature, full name

ABSTRACT

The qualifying master's thesis contains 77 pages, 3 figures, 12 tables, and a list of 40 references.

The object of research is the profit management processes in modern business conditions.

The subject of research includes a set of theoretical and methodological principles of profit management in modern business conditions.

The purpose of the master's thesis is to study the theoretical and practical aspects of profit formation and to develop recommendations for improving the profit management process during financial and economic crises.

Tasks of a qualifying master's thesis include:

- to reveal the economic essence and classification of a company's profit;
- to systematize the types and sources of profit formation in banking institutions;
- to investigate the main components of the bank's profit management process;
- to provide a general description of JSC "Pivdenny";
- to conduct an analysis of the financial and economic activities of JSC "Pivdenny";
- to analyze the formation and distribution of profit at JSC "Pivdenny";
- to substantiate a mechanism for resolving non-performing loans (NPLs) under wartime conditions;
- to reveal the concept of risk management as a primary tool for ensuring profitability growth at JSC "Pivdenny";
- to provide recommendations for improving profitability at JSC "Pivdenny".

Practical value: The results obtained have significant practical value, as the theoretical provisions, conclusions, and recommendations of the study are formulated into methodological developments. These can be applied in practice to improve profit management strategies in banking activities under modern business conditions.

This study provides a comprehensive framework for understanding and improving profit management processes in banking institutions under modern business conditions. By addressing both theoretical and practical aspects, it offers tools and strategies for enhancing profitability, ensuring financial stability, and achieving long-term growth, even in challenging economic environments.

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

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

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INTRODUCTION

Profit management is one of the key components of the effective functioning of any company, as profit is the main indicator of its financial stability and ability to develop. In the conditions of the modern economy, characterized by a high level of competition, rapid changes in the market environment, as well as the influence of global economic factors, effective profit management becomes extremely important to ensure sustainable growth of the enterprise.

The urgency of the company's profit management is due to the need to adapt to new business conditions, in particular, in conditions of economic crises, inflationary processes, changes in legislation and technological innovations. The ability to correctly assess and optimize sources of income, as well as effectively control costs, becomes an important factor that determines the competitiveness of an enterprise in the market.

Profit management involves a comprehensive approach to planning, analyzing and controlling the company's financial results, which includes both strategic and tactical management. This makes it possible to ensure efficient use of resources, reduce financial risks and ensure stable development of the enterprise for the long term.

The purpose of the master's thesis is to study the theoretical and practical aspects of the formation of the company's profit and to develop recommendations for improving the process of profit management in the conditions of the financial and economic crisis.

The tasks of the qualifying master's thesis are:

- reveal the economic essence and classification of the company's profit;
- to systematize the types and sources of the bank's profit formation;
- investigate the main components of the bank's profit management process;
- provide a general description of JSC "Pivdennyern";
- conduct an analysis of the financial and economic activity of JSC "Pivdennyern";
- to analyze the formation and distribution of profit of JSC "Pivdenny";
- to substantiate the mechanism of settlement of non-performing loans of banks in the conditions of war;

- to reveal the concept of risk management as the main tool for ensuring the growth of profitability of AB "Pivdenny";

- provide recommendations on improving the profitability of JSC Pivdenny.

The object of the study is the processes of profit management in modern economic conditions.

The subject of the study is a set of theoretical and methodological principles of profit management in modern economic conditions.

Research methods were used in the research process: scientific generalization (when the essence of the processes and the systematization of its components are determined); comparison (when comparing indicators in dynamics); grouping (when classifying); graphic (when studying the dynamics and structure of profit); synthesis (to study individual aspects of the object, identify certain concepts); induction and deduction.

The practical value of the obtained results lies in the fact that the theoretical provisions, conclusions and recommendations of the study are formulated in the form of methodological developments that can be applied in practice to improve profit management measures in banking activities in modern economic conditions.

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

CHAPTER 1

THEORETICAL FUNDAMENTALS OF ENTERPRISE PROFIT MANAGEMENT

1.1. The economic essence of the bank's profit

Profit is the most important financial category of commodity production, which characterizes the positive financial result of the enterprise's economic activity, and also characterizes the relations that arise in the process of social production. Profit, as an economic indicator, makes it possible to satisfy the interests of owners, employees, the enterprise itself, and the state. The object of the economic interests of the state is that part of the profit that is paid in the form of taxes. The state uses this part of the profit for the development of the economy. The solution to these problems is related to the proportions of the distribution and use of profits.

Profit is an evaluation indicator that characterizes the efficiency of the company's activities, the successful conduct of business activities and shows the economic growth indicator of the organization. The ratio of profit to other indicators, such as expenses, sales volumes, revenue from the sale of products and services, and others, allows you to assess the efficiency of using the company's resources. Profit includes all aspects of the enterprise. And as a quantitative indicator, profit means the excess of income over expenses. Profit at the current stage is the ultimate goal and the driving force behind the development of any enterprise. The role of profit for the enterprise is:

1. Profit is a source of financial resources.
2. Profit is the source of formation of enterprise funds.
3. Profit performs a stimulating role for the labor team.
4. Profit is a fund-forming indicator, the greater the profit, the greater the company's funds.

In modern economic conditions, enterprises are forced to form such a structure of financial resources that would ensure the growth of the efficiency of their economic activities. Profit is the category that most fully depicts the financial capabilities of the enterprise and its ability to expand the enterprise's production activities. It is clear that the greater the profit, the more opportunities appear in the enterprise for economic development and improvement and expansion of its activities. Profit is a source of increasing the level of welfare of the population, it determines the level of financial stability in the state.

Modern banking institutions implement various operations and provide a wide range of services. The main purpose of the bank's operation, similarly to any enterprise, is based on obtaining the maximum possible profit. Profit is the main internal source of the formation of financial resources of the bank, which allows solving a number of strategically important tasks, such as: growth of equity capital, replenishment of reserve funds, image support, financing of capital investments, ensuring solvency and partial financing of the development of financial and economic activities of the banking institution. It is important to note that the profit of a banking institution plays a significant role in meeting its socio-economic needs, but its main function is to ensure a sufficient level of profitability that protects the bank from the risk of bankruptcy. It should be noted that profit in the traditional sense is the difference between the price of the product and the cost of its production, in other words, the cost price.

In scientific and economic literature, there are various interpretations of the category "bank profit", which are presented in Table 1.1 [1-4].

Table 1.1.

Interpretation of the essence of the definition of "bank profit"

Author	Definition
Hladchuk O. M, Tkachuk I. I	"profit is the final financial result, which creates the necessary conditions for maintaining the economic viability and further development of the bank"
Ushakova O. I.	"profit is the financial result of the bank's activity, which is calculated as the difference between its income and expenses"
Kryklyi O. A., Maslak N. G	"profit - expressed in monetary terms, the owner's income for invested capital, wages for work, for the risk of conducting business activities, which is the difference between the total income and the total costs in the process of carrying out this activity"
Skull A. V. , Rourka H. I.	"profit is an indicator of the bank's activity, which is formed as a result of settlement, credit, and monetary operations and other types of bank activity and characterizes their efficiency"

The concrete implementation of this calculation approach to the interpretation of the essence of this definition in our country is the functioning of tax, financial and management accounting systems in banking institutions. For example, in financial accounting, profit is determined for the purpose of providing information to external interested users. In tax accounting, bank profit is considered as the basis for calculating tax liabilities and making fiscal payments. On the other hand, management accounting in a bank focuses on insider information that relates to factors affecting profits at the level of a specific bank, individual market segments, centers of financial responsibility and other aspects of financial management [39].

Therefore, bank profit is a complex concept that opens up wide possibilities for interpretations of its essence. The main theories concerning bank profit are often limited to a one-sided consideration of its nature. In this regard, it is necessary to use a complex approach to defining the essence of this concept.

In our opinion, bank profit can be considered as the final financial result of banking activity, which represents compensation for risk acceptance and serves as a criterion for effective bank management during a certain period of time.

It is also important to separate the concept of "bank profit" from the concept of "bank profitability". "Profitability is an indicator that characterizes the effectiveness of the bank's activity from the point of view of its ability to generate profit and ensure effective reproduction of used resources" [5].

The profitability of a banking institution is characterized by two indicators - profit and profitability. Profit determines the absolute effect, not taking into account the resources used, while profitability is a key indicator of production efficiency, which indicates the level of return on assets and the efficient use of capital. This indicator is directly related to income and reflects the efficiency of the bank's activities of various forms of ownership, revealing the intensity of their activity.

Thus, the study of profitability is an important factor for the further effective functioning and development of the bank. As for the profitability of a banking institution, it is a multifaceted economic category that simultaneously characterizes both the obtained results of the bank's activity and its ability to obtain a positive financial result as the main source of extended reproduction in the future.

Thus, it can be argued that the concept of "bank profitability" is broader than the concept of "bank profit". The latter acts only as a starting point for determining profitability, which, in turn, reflects the level of return on costs and effective use of funds of the banking institution.

1.2. Types and sources of bank profit formation

In the scientific literature, there are many types of classification of the bank's profit according to various characteristics. For example, the first sign is based on the types of activities that resulted in the bank's profit.

In particular, profit from operating, investment and financial activities is allocated. Profit from the operational activity of a banking institution arises in the course of the main activity of the bank and other types of activity that cannot be identified as investment or financial.

The profit of a banking institution from financial activities is considered to be an indirect effect of attracting both own and borrowed capital on more attractive terms than the average in the financial market, or the direct profit of the bank on invested capital, which arises due to the effect of the effect of financial leverage [6].

The profit of a banking institution from investment activities is formed as a result of the sale or purchase of long-term assets and other investments that do not have the form of cash. profit from trading activities and asset and liability management; profit from commercial activity.

Net interest income and commission income, as well as the bank's dividend income, are determined based on the results of the banking institution's financial activities.

Net interest income, or interest income, represents the excess of the amount of interest income received by the bank from lending, operations with securities and derivatives over the expenses that the bank bears for paying interest on deposits and loans from its customers.

Net commission income, or commission profit, is determined by calculating the difference between commissions and fees received by the bank and the amount that the bank spends on paying commissions and fees for services provided by third-party organizations.

The income of a banking institution in the form of dividends represents the income that is generated due to the use of securities with a non-fixed profit. According to the results of trading activities of a banking institution, net trading income is formed as the difference between the banking institution's income and expenses, which arises as a result of the purchase and sale of trading securities, operations on the disposal of investment securities, as well as the bank's operations in foreign currencies.

In the field of regulatory regulation of bank accounting and taxation, the following types of profit are distinguished: accounting profit or profit from operations, profit before taxation, profit after taxation, net profit [7]. According to the "results of the bank's assets and liabilities management activities", the following types of profit are received: profit from equity participation or profit from investments in subsidiaries and associated companies.

According to the regulatory documents of the National Bank of Ukraine, "accounting profit is the excess of income over expenses." The profit of a banking institution before taxation is determined by reducing accounting profit by the amount of net costs for the formation of bank reserves and profit (loss) obtained from long-term assets that are intended for sale to customers.

The profit of the bank after taxation is determined by reducing the profit before taxation by the amount of expenses related to the payment of tax on the bank's profit.

The net profit of a banking institution is the profit after taxation, which increases or decreases due to unforeseen income or expenses of the bank [8].

Marginal, gross, and operating profit are distinguished according to the "composition of elements that form the profit of a banking institution." The bank's gross profit is defined as the excess of the income received by the banking institution over the expenses related to operations carried out in the course of financial, operational and investment activities. The bank's profit from operations is calculated as the difference between the amount of gross profit and the amount of the bank's operating costs, including the costs of ensuring its own activities, such as administrative costs and personnel costs [4].

The bank's marginal profit reflects the amount of income from the sale of banking products, which is reduced by the amount of variable costs. On the other hand, it includes the bank's own profit and fixed costs [5]. Depending on the sign of "accounting for implicit costs", such types of bank profit as economic and accounting are distinguished.

The accounting profit of a banking institution is defined as the excess of gross income over the amount of accounting explicit expenses, ignoring implicit expenses.

These implicit costs include the opportunity costs of using the resources that the bank owns.

Economic profit, for its part, reflects the difference between the amount of the bank's gross income and the amount of economic costs, which include the explicit and implicit costs of the banking institution. A positive economic profit occurs when the bank's activity brings the greatest benefit among all existing alternative options for activity [7].

Depending on the degree of inflationary influence, the bank's nominal (actually received) and real profit are distinguished. Real profit reflects the amount of nominal profit adjusted for inflation in a specific period. This allows for a comparative analysis of these indicators in dynamics [7].

Taking into account the size, bank profit can be classified into minimum, maximum and target. The minimum profit is defined as such that its amount after taxation ensures the achievement of the minimum level of profitability for the capital invested by the owners of the banking institution. The target profit is defined as a specific result of the implementation of the bank's strategy or planned activities during a specified period.

Management can set a target profit in the form of a normal profit, which corresponds to the market rate of return on capital, or in the form of a required profit, which satisfies the specific needs of the banking institution in the field of extended reproduction during its activity. The maximum profit for the bank can be achieved at those volumes of activity when marginal (marginal) revenues are equal to marginal (marginal) costs. In other words, marginal costs (income) grow in proportion to the increase in the volume of bank activity [8].

Depending on the regularity of income, extraordinary income and income from ordinary activities are distinguished. Ordinary, or regular, profit reflects the financial results from all types of activities and economic operations traditional for a banking institution.

Profit from extraordinary activity indicates an unexpected source of profit generation for a banking institution. In the structure of net profit, the profit that is

capitalized for the growth of the bank's assets and the profit that is consumed for material incentives of the staff, payment of dividends, etc. are distinguished.

Distributed and undistributed profit of the bank is distinguished by the degree of use. Retained earnings are part of the net profit that remains at the disposal of the bank after replenishment of reserve capital and other reserve funds, payment to shareholders and, usually, is directed to reinvestment in the development of the bank.

Taking into account all the above-mentioned classifications of the bank's profit, we propose to add to the existing ones a new feature of the classification of the bank's profit, namely "compliance with the planned indicators of the bank's activity". According to this feature, the bank's profit is divided into: planned, over-planned and insufficient. Planned profit is profit that has achieved predetermined plans and goals set by the bank. An unplanned profit is a profit that exceeds not only the planned indicators, but also the predicted possibilities and expectations. Unplanned profits can be the result of successful strategic decisions and successful investments. Insufficient returns are returns that do not reach planned or expected levels. The use of the bank's profit classification on the basis of "compliance with the planned indicators of the bank's activity" is of practical importance, as it provides the means for an objective assessment of financial activity and strategic management. Considering these types of profit, the bank can evaluate the effectiveness of its strategy, as well as adjust and develop possible measures to improve the financial results of the bank's activities and manage risks to achieve financial stability and success in the market.

The classification of the bank's profit according to various characteristics plays a key role in the management of the bank's profit and the financial activity of the banking institution in general. The use of the bank's profit classification according to these characteristics is of practical importance, namely:

- for the analysis of the efficiency of activity: the classification of the bank's profit allows to carefully analyze the efficiency of individual directions and operations of the bank. With the help of this classification, it is possible to determine which activities bring the most profit;

- to determine the sources of income: the bank receives income from various sources, such as interest on loans, commissions, investments, etc. Income classification helps identify and understand the contribution of each source to total income;

- for risk assessment: definition of income classes allows the bank to assess the level of risk associated with specific types of activities. This contributes to effective risk management and prevention of possible financial difficulties;

- for the formation of profit management strategies: profit classification serves as the basis for the development of profit management strategies. Based on this classification, the bank can determine priority areas of development and optimize its strategy to achieve maximum profit;

- to monitor financial performance: profit classification allows the bank to systematically monitor financial performance and detect any inconsistencies with plans in a timely manner. This facilitates operational management and correction of strategies.

- for the preparation of financial statements: the classification of profit determines the structure of the bank's financial statements. This is important for informing stakeholders such as investors, shareholders, regulators and the public about various aspects of financial performance.

Thus, the proposed classification of the bank's profit allows more effective strategic management of the banking institution's activities in general and its financial results in particular. This classification becomes a necessary component and contributes to achieving optimal financial results and increasing profitability. Managing a bank's earnings is a complex and multifaceted process, and the advanced classification helps a banking institution understand what financial results it has, how to best use them and how to manage their risks.

1.3. The main components of the bank's profit management process

For the implementation of tactical and strategic goals in the activity of a banking institution, effective management of its profit is critically important. This process

determines not only the financial success of the bank, but also its competitiveness, sustainability and ability to develop. Effective profit management allows the bank to optimize internal processes, ensure a stable financial position, as well as generate resources for development and response to changes in the economic environment. In addition, it is a key factor in making strategic and tactical decisions aimed at increasing competitiveness and meeting customer needs.

Thus, effective profit management becomes the basis for sustainable development and success of a banking institution.

Profit management in most cases is identified with the process of making and implementing management decisions regarding the formation, use and distribution of profit, or the mechanism that ensures this process.

Scientists pay special attention to the organizational aspect of profit management. This is due to the need to adapt to the influence of factors of both the internal and external environment, which is characteristic of the conditions of market economy.

The bank's management must make sure that the bank's profit management process meets the requirements, compliance with which ensures the effectiveness of its use:

- the complex nature of the formation of management decisions in a banking institution. The validity of this requirement is explained by the close relationship between all decisions on bank profit management. Each of these decisions, directly or indirectly, affects the final results of management activities;

- the need for organic integration with the general management system of the banking institution. The use of such a parameter is due to the fact that every management decision in the bank affects its profit to a greater or lesser extent;

- high dynamism of the bank's profit management. The need for such an approach stems from fluctuations in the market, which do not allow automatic application of management decisions from past periods in the future. In addition, the bank's resource potential, its financial condition and other internal parameters of activity are not constant over time, which determines the need for high dynamics of management;

- focus on the strategic goals of the banking institution. According to this requirement, all decisions in the field of bank profitability management for any period must correspond to the mission and strategy of the banking institution;

- pluralism of approaches to the development of individual management decisions in the bank. The essence of this requirement is the need to create alternative options for actions when making any management decision regarding the formation, use or distribution of the bank's profit [4].

The main goal of profit management is to ensure the maximization of the well-being of the founders and participants of the banking institution in the current and prospective periods of its activity [8]. To achieve the set goal, it is necessary to perform a number of tasks of the bank's profit management system, which are presented in Figure 1.1.

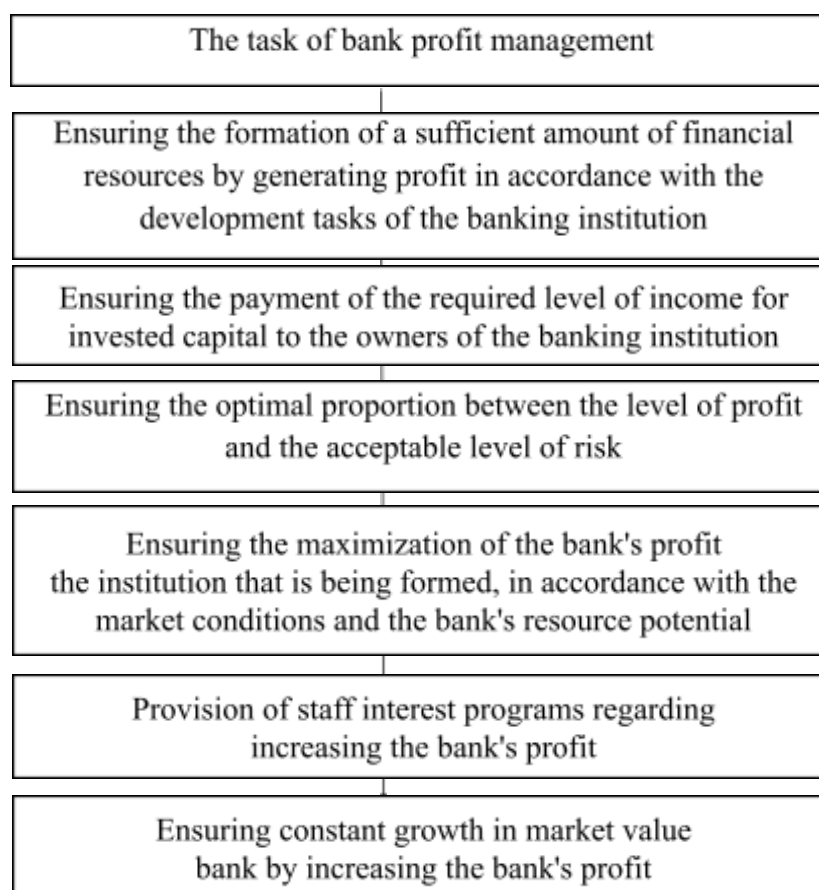


Fig. 1.1. The task of profit management of a banking institution

The tasks of ensuring the high quality of the bank's profit provide that in the process of its formation, reserves should be used for the growth of profit, thanks to the operational activities of the banking institution.

The next task of managing the bank's profit is justified by the fact that the positive financial result of the bank's activity is one of the main internal sources of the bank's financial resources. That is why the amount of bank profit determines the potential for the formation of general funds and reserves of a banking institution [10].

The task of ensuring a permanent increase in the market value of a banking institution is aimed at ensuring the maximization of the welfare of the bank's founders and participants in the future. It should be noted that the level of capitalization of the profit received by the bank in the reporting period affects the rate of growth of its market value. The proportions of the distribution of net profit between capitalized and consumed are determined by each banking institution individually, in accordance with the chosen bank's profit management policy.

In accordance with the sixth task, employee profit sharing programs should consolidate the interests of the owners and staff of the banking institution. Such programs should encourage staff to increase their own contribution to improving the bank's performance indicators and, at the same time, improve the social security of employees.

The above-mentioned tasks of bank profit management are interrelated, but some of them are multidirectional in nature. In particular, maximizing the amount of bank profit while minimizing the level of risk, simultaneously satisfying the interests of the owners and employees of the institution, directing a significant amount of profit to consumption and accumulation, etc. It is because of this that mutual optimization of certain profit management tasks of a banking institution is necessary [12].

Some scientists adhere to the opinion that the main task of bank profit management is to achieve its maximum value. However, in our opinion, such statements are controversial. This is explained by the fact that within a certain stage of the bank's operation, maximizing its profit does not automatically guarantee an increase in the market value of the institution. A significant part of the bank's profit can be directed to

consumer purposes. This leads to a decrease in the main source of equity capital formation to ensure the further development of the bank. At the same time, the lack of investment in development can lead to the loss of competitiveness of the banking institution, which, in turn, can lead to a decrease in its market value.

It should also be taken into account that a significant part of the bank's profit can be obtained at a high level of risk, and the realization of this risk can become a potential threat to the financial stability of the bank in the future and even lead to its bankruptcy.

Management of the profit of a banking institution is most often considered by scientists according to system and process approaches. The essence of the process approach to the bank's profit management is considered everywhere through the prism of four interconnected main management functions, namely analysis, planning, regulation and control, which are implemented in the process of making management decisions by the bank's structural units to achieve the planned goals and fulfill the tasks set before the bank's management. The application of a process approach will increase the effectiveness of measures to manage the profit of a banking institution [12-13]. Along with this, "the systemic approach of bank profit management consists in the integration of a set of managerial influences into a multi-level interdependent system of all organizational elements of a banking institution: organizational structure, production, personnel, finance and marketing, aimed at achieving various goals in the conditions of the changing external environment of the bank's functioning". A systemic approach is common in bank management, as it analyzes profit management as an open system that is influenced by internal and external factors. Also, a process approach should be used to build a profit management mechanism in a bank with an extensive network of branches.

So, regardless of the approach to bank profit management, it is obvious that the final result of the bank's activity depends on the quality of interaction of all elements of this system. Namely - from the subject, object of management, tools and provision of management. The effective interaction of these elements determines the effectiveness of the bank's work, which is shown in Figure 1.2 [14].

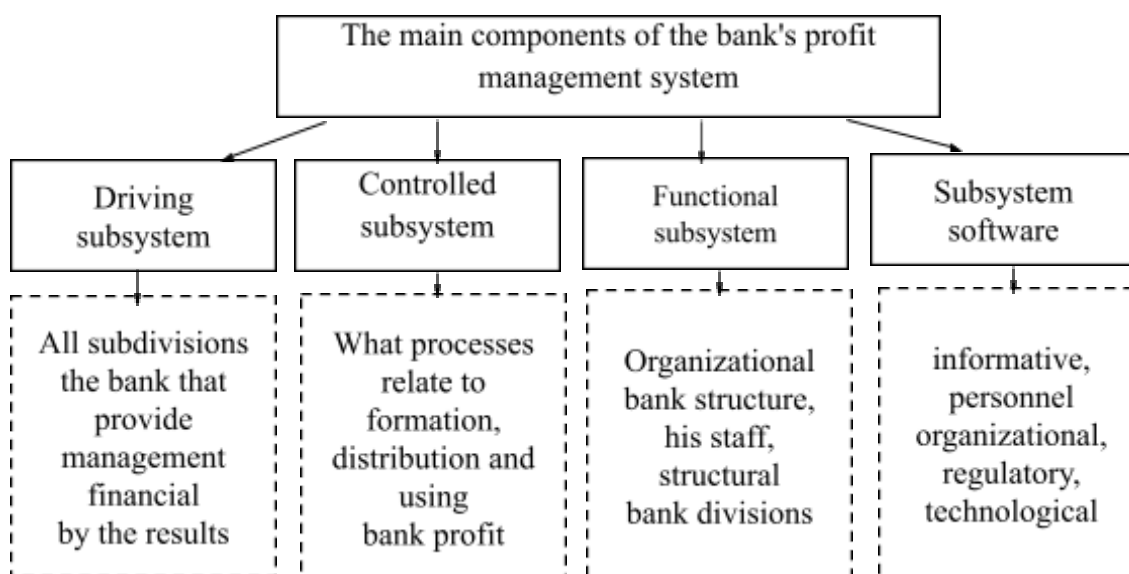


Fig. 1.2. The main components of the bank's profit management system.

Thus, profit is not a direct object of bank profit management. After all, its size is a resulting indicator that depends on the fluctuation of the bank's income and expenses in the course of its activities. That is, profit is the result of effective management of income and expenses.

The process of bank profit management includes successive stages aimed at ensuring the stability, efficiency and growth of the bank's financial results. It can be conditionally divided into several main stages (Table 1.2)

Table 1.2

The process of bank profit management

Stages	Characteristic
Analysis of profit formation	Assessment of sources of bank income (interest, commission, trade and other operations). Analysis of expenses (operational, administrative, deductions to reserves). Examining factors affecting profitability, such as market conditions, regulatory constraints, asset quality, etc. Using financial ratios to evaluate performance (eg ROA, ROE).
Profit planning	Establishing target indicators of income and expenses. Development of the budget taking into account the strategic goals of the bank. Profit forecasting taking into account changes in the market and macroeconomic environment.
Optimization of income	Expansion of the portfolio of highly profitable products and services.

	<p>Increasing the volume of lending, deposits and other operations with favorable conditions.</p> <p>Developing new revenue streams, such as digital platforms or asset management services.</p>
Cost control	<p>Reducing unnecessary costs by optimizing operational processes.</p> <p>Increasing the efficiency of personnel and infrastructure management.</p> <p>Application of modern technologies for automation of banking operations.</p>
Risk management	<p>Creation of reserves to cover possible losses (loan portfolio risks, currency risks, operational risks).</p> <p>Development of income diversification mechanisms to avoid dependence on one source.</p> <p>Using hedging to manage market risks.</p>
Assessment of management effectiveness	<p>Comparison of achieved results with planned indicators.</p> <p>Analysis of deviations and their causes.</p> <p>Making adjustments to the profit management strategy.</p>
Distribution and use of profits	<p>Directing part of the profit to pay dividends to shareholders.</p> <p>Investing in the development of the bank (new technologies, products, markets).</p> <p>Formation of reserves to ensure financial stability.</p>

Therefore, effective profit management allows the bank not only to maintain financial stability, but also to remain competitive in the market, ensuring the trust of customers and shareholders.

CHAPTER 2
ANALYSIS OF THE FORMATION, DISTRIBUTION AND PROFIT
MANAGEMENT OF "PIVDENNYI" JSC

2.1. General characteristics of AB "Pivdenny"

AB "Pivdenny" was founded in 1993. The bank is registered in Ukraine and has banking license No. 65 dated October 7, 2011, issued by the National Bank of Ukraine, according to which it has the right to carry out banking and foreign currency transactions. The bank is a public joint-stock company with the liability of shareholders, a limited share of the shares owned by them, and was formed in accordance with the legislation of Ukraine.

The history of the formation of AB "Pivdenny" is given in table 2.1 [16].

Table 2.1

The history of the formation of AB "Pivdenny"

Stages of formation	Description
1993–2000 Creation	Establishing a bank, obtaining a banking license Membership in the Ukrainian Interbank Currency Exchange, the Professional Association of Registrars and Depositories and SWIFT Associate Membership of Europay International and Thomas Cook Dealership The first issue of bonds for bank clients among Ukrainian banks
2001–2005 Expansion of services and partner network	Associate membership Visa International and MasterCard First underwriting agreements for clients Represented the banking system of Ukraine during the inspection by the commission FATF, as a result of which Ukraine was excluded from the "black list" of the FATF Obtaining a license for transactions with banking metals First leasing and factoring operations for clients
2006–2014	Attracting the first international syndicated loan in the amount of USD 25 million

<p>Network development and creation of an international group</p>	<p>The first issue of 3-year Eurobonds in the amount of USD 100 million Acquisition of the Regional Investment Bank (RIB) in Latvia and creation of a banking group More than 50 new branches were opened throughout Ukraine</p>
<p>2015-2023 Digitalization and new business strategy</p>	<p>Creation of the "Pivdennyi MyBank" mobile application, the BankID system, online deposit processing Contactless payment solutions — Google Pay, Apple Pay, and Garmin Pay Rebranding of the bank, updating and opening of branches in a new format The NBU is included in the category of systemically important banks of Ukraine Increasing the bank's creditworthiness rating (MOODY`S) to b3 level UAH 300 million of NBU refinancing was involved for credit support of the economy More than 3.5 million hryvnias have been allocated to the fight against the coronavirus The authorized capital was increased by UAH 222 million The bank was recognized as the best corporate bank with Ukrainian capital The bank entered the top five leading banks with the best credit terms according to Delo.ua and Top-100 magazine. Ratings of the largest" "Pivdenny" became the authorized bank of the Fund for guaranteeing deposits of individuals in the purchase and sale of securities "Pivdenny" joined EKA partner banks under the exporter support program The "Pivdennyi West bridge" program was created in partnership with the Latvian bank Regionala investiciju banka (RIB), which helps Ukrainian businesses to get financing for development in Europe The process of verification/identification of customers in branches using e-passports has been implemented (Action) A store has been created on the bank's website where you can buy foreign coins online The new Pivdenny Online mobile application has been launched</p>

As of March 31, 2023, the main shareholders of the Bank, each of whom owns more than 5% of the shares, are one Ukrainian company that owns more than 14% of

the shares, and three individuals who together own more than 73% of the shares (as of December 31 2022 – one Ukrainian company that owned more than 14% of the shares, and three individuals that together owned more than 70% shares).

As of March 31, 2023 and December 31, 2022, the main shareholder and person exercising actual control of the Bank is a citizen of Ukraine, Mr. Rodin Yu.O. [16].

The main activity of the Bank is the provision of banking services to legal entities and individuals on the territory of Ukraine. The Bank is a member of the Deposit Guarantee Fund of Individuals (Certificate of Member of the Deposit Guarantee Fund of Individuals No. 015 dated October 16, 2012), which operates in accordance with Law No. 4452-VI "On the System of Guaranteeing Deposits of Individuals" dated February 23, 2012 (with changes).

During the period of martial law in Ukraine and three months from the date of termination or cancellation of martial law in Ukraine, the Individual Deposit Guarantee Fund reimburses each depositor of the bank in the full amount of the deposit, including interest accrued as of the end of the day preceding the day of the start of the procedure for withdrawing the bank from the market , except for the cases provided for in the fourth part of Article 26 of the Law of Ukraine "On the System of Guaranteeing Deposits of Individuals". After the expiration of three months from the date of termination or abolition of martial law in Ukraine, the maximum amount of reimbursement of funds for deposits cannot be less than 600,000 hryvnias and may be increased by decision of the Fund's administrative board. Its regional network includes 52 branches in 18 regions of Ukraine, more than 100 ATMs and self-service terminals.

The National Bank of Ukraine supervises the activities of the Bank in accordance with the provisions of the Constitution of Ukraine, the Law of Ukraine "On Banks and Banking Activities", the Law of Ukraine "On the National Bank of Ukraine", other legislative acts of Ukraine and normative legal acts of the National Bank of Ukraine.

Since June 2019, "Pivdenny" has been included in the category of systemically important banks as defined by the NBU.

IN 2023, "Pivdenny" entered the list of the best employers according to Forbes magazine and the international company EY (Ernst & Young).

In December 2023, "Pivdenny" celebrated 30 years. For the anniversary, the bank created a joint project "Bank of Dreams", within which it provided 30 grants in the amount of over 3 million hryvnias for education to children who lost their parents due to the war [16].

As of April 1, 2023, "Pivdenny" bank ranks 14th in terms of assets and is the third among Ukrainian non-state (private) banks by this indicator.

Therefore, joint-stock bank "Pivdenny" is one of the leading private banks of Ukraine, focused on providing complex financial services to corporate clients, small and medium-sized businesses, as well as private individuals. The bank demonstrates stability and growth thanks to its long-term presence in the market, professional management and adaptation to economic changes.

2.2. Analysis of the financial and economic activity of JSC Pivdenny

Analysis of the financial and economic activity of banks is a key stage in determining their efficiency, stability and competitiveness in the market. JSC "Pivdenny", one of the leading private banks of Ukraine, is distinguished by long-term stability and active participation in the financial and economic life of the country. Thanks to its specialization in serving corporate business, small and medium-sized enterprises, as well as individuals, the bank has a significant impact on the development of the national economy.

The study of the financial and economic indicators of JSC "Pivdenny" allows to assess its profitability, liquidity, solvency and efficiency of asset and liability management. It also makes it possible to identify the main trends, challenges and prospects of the bank's activity in the changing market environment. The analysis is the basis for making informed management decisions that contribute to the further development of the bank and strengthening its position on the market.

Thus, as of October 1, 2024, JSC "Pivdenny" ranks 15th in terms of assets and is the third among Ukrainian non-state (private) banks by this indicator among 62 banks of Ukraine.

Table 2.2 presents the main indicators of JSC "Pivdenny" for 2022-2023 [17].

Table 2.2

Dynamics of the main indicators of AB "Pivdenny" for 2022-2023, thousand UAH., %

Indicators	2022	2023	Deviation 2023-2022
<i>Total assets</i>	45817221	46685352	
Money	9055905	14617172	
Loans to banks	1848619	2527656	
Loans to customers	14736890	13445293	
Investments in securities	18906830	13799083	
<i>General obligations</i>	41627723	42097874	
Bank funds	1998698	1647506	
Client funds	35860699	36220346	
<i>Own capital</i>	4189498	4587478	
Authorized capital	2047960	2047960	
Retained earnings	1590837	1920094	

The analysis of the dynamics of the main financial indicators of JSC Pivdenny for 2022-2023 shows a positive trend in the main aspects of the bank's activity. Total assets increased by 868,131 thousand. UAH (+1.89%), reaching 46,685,352 thousand hryvnias, which indicates an increase in financial potential. A significant increase in the amount of cash by 5,554,267 thousand. UAH (+61.39%) indicates an increase in the bank's liquidity, while loans to clients decreased by UAH 1,291,597 thousand. UAH (-8.75%), which may be the result of restrained credit policy or a decrease in demand. Investments in securities decreased by 5,507,747 thousand. UAH (-26.99%), which indicates a reorientation of assets into more liquid or other income instruments. The bank's total liabilities increased by 470,151 thousand. UAH (+1.13%), in particular, customer funds increased by UAH 3,596,647 thousand. UAH (+1%), which confirms the trust of depositors. Equity increased by 398,980 thousand. UAH (+9.49%) and amounted to 4,587,478 thousand hryvnias, thanks to which the bank's financial stability improved. Growth of retained earnings by 329,257 thousand. UAH (+20.7%) to 1,920,094 thousand hryvnia became a key factor in capitalization strengthening.

Therefore, the financial indicators of JSC "Pivdennyirn" for the analyzed period testify to the general stability of the bank, the growth of its liquidity and capitalization, which ensures a competitive position in the conditions of the war in the country.

The concentration of the client credit portfolio by economic sector is shown in Table 2.3 [17].

Table 2.3

Concentration of the client's credit portfolio by economic sector

Segments	2022	Specific gravity, %	2023	Specific gravity, %
Trade and commercial activity	8474140	46	6647744	38
Agriculture, fishing and food industry	3813771	21	3046917	18
Production	2084474	11	1864651	11
Construction and real estate	1042961	6	1854684	11
Transport and communication	620424	3	955305	5
Natural persons	201886	1	193076	1
Financial and investment sector	183780	1	85303	1
Tourist, hotel services, restaurant business and activities in the field of culture and recreation	61316	0	61667	0
Other	2666954	15	2025857	11
Total loans and advances to customers	18508609	100	17376301	100

Therefore, the concentration of the client loan portfolio of JSC Pivdenny by economic sectors in 2022-2023 indicates a shift in emphasis in the lending structure. The volume of loans in the "Trade and commercial activity" segment decreased by 1,826,396 thousand. UAH, and its specific weight decreased from 46% to 38%, which indicates portfolio diversification. A similar trend is observed in agriculture, fishing and food industry, where the volume of loans decreased by 766,854 thousand. UAH, and the specific weight decreased from 21% to 18%.

Instead, credit activity increased in construction and real estate (+ UAH 811,723,000, from 6% to 11%) and transport and communication (+ UAH 334,881,000, from 3% to 5%), which indicates the bank's expansion financing of promising industries. Lending to individuals, the financial and investment sector, and the tourism

business remained almost unchanged, with an insignificant share in the portfolio (1% or less). The volume of loans in the "Other" category decreased by 641,097 thousand UAH, and the share decreased from 15% to 11%.

In general, the loan portfolio decreased by 1,132,308 thousand hryvnias, which reflects the bank's restrained credit policy during the war in the country. The change in the structure of the portfolio indicates the desire to reduce risks by diversifying and supporting stable and promising sectors of the economy.

Next, we will analyze the bank's client base (Table 2.4) [16-17].

Table 2.4

Dynamics and structure of clients' funds JSC "Pivdennyi" for 2022-2023

Indicators	2022	Specific gravity, %	2023	Specific gravity, %	Deviation 2023-2022
Legal entities					
Current accounts of legal entities, (thousand UAH)	18692814	52	12008351	33	-6684463
Deposits of legal entities, (thousand UAH)	5739497	16	12141195	34	6401698
Natural persons					
Current accounts of individuals, (thousand UAH)	8055101	22	7888438	22	-166663
Deposits of individuals, (thousand UAH)	3373287	10	4182362	11	809075
<i>Total customer funds</i>	<i>35860699</i>	<i>100</i>	<i>36220346</i>	<i>100</i>	<i>359647</i>

The dynamics and structure of funds of clients of JSC "Pivdennyi" for 2022-2023 indicate changes in the composition of funds raised and a significant increase in deposits of legal entities. Current accounts of legal entities decreased by 6,587,463 thousand UAH, which led to a decrease in their specific weight from 52% to 33%, and deposits of legal entities increased by UAH 6,467,698 thousand UAH, increasing its share from 16% to 34%. This may indicate the redirection of funds to more stable and profitable storage conditions, as well as an increase in trust in the bank on the part of businesses.

As for individuals, current accounts remained almost unchanged, decreasing by 165,663 thousand. hryvnias, maintaining its specific weight at the level of 22%. Instead, deposits of individuals increased by 808,075 thousand. UAH, which increased their share from 10% to 11%. This indicates the growth of the public's trust in the bank and the preservation of stability in attracting the funds of individuals.

In general, the funds of the bank's clients increased by 3,596,647 thousand. UAH (1%) due to an increase in deposits, especially among legal entities, which reflects stability and positive changes in the structure of funds raised.

The National Bank of Ukraine approved the results of the assessment of the stability of banks for 2023. Even taking into account the stress scenario, Pivdenny JSC has a sufficient level of capital, which exceeds the required regulatory value by a margin. The sustainability assessment in 2023 was carried out on a three-year horizon according to the base scenario, in which the rate of UAH 42.3 per dollar is set. USA. Based on the results of the three assessment stages, the regulatory (H2) and core (H3) capital of the bank was recognized as meeting the standards established by the National Bank of Ukraine. Maintaining capital adequacy is one of the key priorities of Pivdenny. The bank consistently increases capitalization thanks to effective work on improving the quality of assets, significant growth in profitability, optimization of capital management processes and reliable risk control. As of January 1, 2024, the size of the bank's regulatory capital reached UAH 5,078 million, which is 11% higher than at the beginning of the year, and the H2 ratio reached 22.4% (at the required level of 10%).

Thus, the analysis of the financial indicators of JSC Pivdenny for 2022-2023 demonstrates general stability and positive dynamics in the main aspects of the bank's activities. The increase in total assets by 1.89% and the increase in equity by 9.49% indicate effective management and strengthening of financial stability. The bank was able to increase liquidity, in particular due to a significant increase in cash by 61.39%. As for credit activities, there is a decrease in loans to customers by 8.75%, in particular in the trade and agriculture segment. However, the increase in lending to industries such as construction, real estate and transport is positive, which may be a sign of the bank's reorientation to promising sectors of the economy. As for the structure of customers'

funds, the changes indicate a redistribution between current accounts and deposits, especially among legal entities, where the share of deposits has increased significantly (from 16% to 34%). Deposits of individuals also increased, which indicates the growth of trust in the bank. AB "Pivdenny" demonstrates stability, efficiency in attracting funds and adaptation to economic changes. The bank maintains a strong position in the market, in particular thanks to the growth of capitalization, liquidity and diversification of the loan portfolio.

2.3. Analysis of the formation and distribution of profit of Pivdenny JSC

The analysis of the formation and distribution of profit is an important component of the bank's financial analysis, as it allows to assess the efficiency of the financial institution's activities and its ability to generate income. For JSC Pivdenny, profit is an important indicator not only of financial stability, but also of the bank's ability to maintain competitiveness in the market. In the process of profit formation, income from credit activities, transactions with securities, commission income, as well as costs for servicing obligations and administrative costs are taken into account.

Next, an analysis of the bank's interest and commission income and expenses, as well as the main indicator of the efficiency of its activity — net profit (Table 2.5) [17] will be carried out.

Table 2.5

Indicators of yield and profitability JSC "Pivdennyi" for 2022-2023, thousand

UAH

Indicators	2022	2023	Deviation
Interest income	925413	1380824	455411
Interest expenses	420515	751546	331031
Net interest income	504898	629278	124380
Deduction to the reserve for credit losses	639	184968	184329

Commission income	467205	317030	-150175
Commission costs	203065	92918	-110147
Net income from debt financial instruments	124	736	612
Net profit from operations with foreign currency	51797	68466	16669
Other income	4963	8456	3493
Other expenses	48775	68104	19329
Expenses for employee benefits	334735	283305	51430
Depreciation expenses	55004	42557	-12447
Other administrative and operational expenses	36894	30536	-6358
Profit before taxation	233551	362847	129296
Income tax expenses	20000	34750	14750
Net profit	213551	328097	114546

Therefore, the analysis of profitability and profitability indicators of AB "Pivdenny" for 2022-2023 shows positive dynamics. The bank's interest income increased by 454,411 thousand. UAH, which is an increase of 49.2%, while interest expenses increased by UAH 331,031,000. UAH, which reflects an increase in costs for attracting resources. Net interest income increased by 124,380 thousand. UAH, or 24.6%, which indicates the effectiveness of the bank's credit and deposit policy.

Commission income decreased by 150,175 thousand. UAH, or 32.1%, but commission expenses also decreased by UAH 110,147,000. UAH (-54.2%), which partially compensated for the decrease in income. The net profit from debt financial instruments and operations with foreign currency increased, which indicates the efficiency of the management of the portfolio of financial assets.

Increase in net profit by 114,546 thousand. UAH (53.6%) reached 328,097 thousand. UAH, which indicates an improvement in the bank's financial results. The main factors are an increase in net interest income and profit from operations with foreign currency, as well as a decrease in expenses for administrative and operational needs. In general, AB "Pivdenny" demonstrated a significant improvement in the results of its activities in 2023.

Next, we will analyze in more detail the structure of interest income and expenses of AB "Pivdenny" for 2022-2023. in table 2.6 [17].

Table 2.6

The structure of interest income and expenses of AB "Pivdenny" for 2022-2023.

Indicators	2022	2023
Deposit certificates of the NBU	223975	703941
Loans and advances to legal entities	540780	537852
Loans and advances to banks	4509	85029
Government bonds of Ukraine	143356	46976
Loans and advances to individuals	12793	7026
Total interest income	925413	1380824
Current/current accounts	190747	339261
Term deposits of legal entities	20296	255511
Term deposits of individuals	62394	78483
Other funds raised	33855	41445
Indebtedness to the National Bank of Ukraine	107611	31088
Subordinated debt	1527	1933
Placement of funds of other banks	1846	1474
Total interest expense	420515	751546
Net interest income	504898	629278

Analysis of the structure of interest income and expenses of JSC Pivdenny for 2022-2023 indicates significant changes in the distribution of resources. Interest income increased by 454,411 thousand. UAH, which was mainly caused by a significant increase in income from NBU deposit certificates (by UAH 479,966 thousand) and loans to banks (by UAH 80,520 thousand). In particular, the income from NBU certificates of deposit increased almost three times, which indicates an increase in liquidity and the active use of NBU financial instruments. At the same time, income from loans and advances to legal entities decreased slightly by 2,928,000. UAH, which may indicate the stability of this segment.

On the expenses side, the main growth factor was the increase in expenses for time deposits of legal entities (+ UAH 235,215 thousand) and current accounts (+ UAH 148,514 thousand), which indicates an increase in the funds raised. Increase in interest expenses by 331,031 thousand. UAH (78.7%) occurred due to the increase in the cost of the resources involved, in particular, due to the increase in deposit rates and the increase in the volume of funds involved.

Net interest income increased by 124,380 thousand. hryvnias (24.6%), which indicates the effectiveness of the bank's asset and liability management strategy.

The structure of commission expenses and income of AB "Pivdenny" is shown in table 2.7 [17].

Table 2.7

The structure of commission expenses and income of JSC "Pivdenny" for 2022-2023, thousand UAH

Indicators	2022	2023
Total commission income	467205	317030
- Billing and cash service for customers	336326	213487
- Buying and selling foreign currency	55410	64265
Guarantees, guarantees and letters of credit are provided	37394	17297
Settlement and cash service of other banks	26091	15891
Operations with securities	98	74
Other	11886	6016
Total commission costs	203065	92918
Settlement and cash service for clients and other banks	200146	92062
Other	2919	856
Net commission income	264140	224112

Analysis of the structure of commission expenses and income of AB "Pivdenny" for 2022-2023 shows a significant reduction in commission income by 150,175 thousand. UAH (32.1%), in particular due to a significant decrease in income from settlement and cash services for customers, which decreased by UAH 122,839,000. UAH This indicates a decrease in the volume of transactions with clients, probably due to economic factors or changes in the bank's strategy. However, income from the purchase and sale of foreign currency increased by 8,855 thousand. hryvnias, and settlement and cash services of other banks decreased by UAH 10,200,000. UAH As for expenses, the largest share is occupied by expenses for settlement and cash services of clients and other banks, which decreased by 108,084 thousand. UAH (53.9%), which indicates the optimization of costs in this area. "Other" expenses also decreased significantly, which made it possible to reduce the total level of expenses by 110,147 thousand. UAH As a result, net commission income decreased by 40,028 thousand.

UAH (15.1%), which reflects a decrease in income from the bank's main commission services. However, the reduction of costs made it possible to maintain a relatively stable level of net commission income. Analysis of the bank's income and expenditure indicators by segments for 2022-2023. are given in Table 2.8 [17].

Table 2.8

Analysis of the bank's income and expenditure indicators by segments for
2022-2023, thousand UAH

Indicators	Retail banking	Corporate banking	Treasury banking operations	Investment banking
External interest income	7027	537852	85029	750916
External interest costs	(90989)	(586462)	(74030)	(12)
Revenues/(expenditures) by internal financing	274685	169095	(265974)	(177807)
Net interest income/(expenses)	190723	120485	(254975)	573097
Commission income	75266	225197	15891	676
Commission costs	(71956)	(9916)	(8609)	(62)
Income from trading operations	2229	44872	43513	19858
Other income	5077	1315	1	1
Operating income/(expenses) before deduction of impairment and general and administrative expenses	201339	381953	(204179)	593570
Administrative and other operating expenses	(165348)	(198468)	(3602)	(1811)
Depreciation expenses	(17023)	(23406)	(426)	(213)
Reserve for impairment	(2121)	(121977)	(9561)	(49539)
Segment result before tax	16847	38102	(217768)	542007
Segment assets	523018	16769053	15423687	13803362
Segment liabilities	12356982	25814926	3748858	1408

Therefore, the analysis of revenues and expenses of JSC "Pivdenny" by activity segments in 2022-2023 demonstrates different efficiency of work of individual directions. Treasury and investment activities provided the largest contribution to revenues. The investment banking segment showed the highest pre-tax result — 542,007 thousand. UAH, which was the result of significant net interest income (UAH 573,097 thousand) and income from trading operations (UAH 19,858 thousand). Corporate banking provided 38,102 thousand. UAH of profit before taxation, thanks to commission income (225,197 thousand UAH) and the result of trading operations.

However, significant reserves for impairment (UAH 121,977 thousand) restrained the financial result. The retail banking segment provided 16,847 thousand UAH of profit before taxation. The main sources of income were internal financing (274,685 thousand UAH) and commission income (75,266 thousand UAH). At the same time, administrative expenses (165,348,000 hryvnias) had a significant impact on the decrease in the result. The treasury segment showed a loss of 217,768 thousand UAH, mainly due to large expenses for internal financing (UAH 265,974,000) and impairment reserves (UAH 9,561,000). Overall, investment and corporate banking remain the most profitable, while the treasury segment needs optimization to improve efficiency.

Thus, the analysis of income and profit of JSC "Pivdenny" for 2022-2023 indicates an increase in the financial stability of the bank, which is confirmed by an increase in net profit by 53.6% to 328,097 thousand UAH. The main sources of income remain interest income from NBU deposit certificates (703,941 thousand UAH) and lending to corporate clients (537,852 thousand UAH). At the same time, commission income decreased by 32.1% due to the reduction of settlement and cash operations, and interest expenses increased significantly by 78.7%, which creates a need for cost optimization. The results by segments demonstrate the strong position of investment banking (542,007 thousand UAH), while treasury activities generate losses (-217,768 thousand UAH).

CHAPTER 3

DIRECTIONS FOR IMPROVING THE BANK'S PROFIT MANAGEMENT

3.1. Mechanism for settlement of non-performing bank loans in wartime conditions

In wartime, the banking sector faces significant challenges in managing bad loans. Economic instability, the destruction of businesses, the loss of borrowers' solvency and the risks of non-repayment of debts significantly complicate the work of banking institutions. In such conditions, an effective mechanism for the settlement of problem loans (non-performing loans - NPL) becomes critically important for ensuring the stability of the banking system, maintaining customer trust and supporting the economy in general

Thus, in the II half of 2023, the volume of non-performing loans (NPL) in the banking system of Ukraine as a whole decreased by 0.7%, or by UAH 2.8 billion, and as of January 1, 2024, was equal to UAH 422.4 billion. The share of NPLs in the total loan portfolio of Ukrainian banks decreased from 38.9% to 37.4% during the reporting period. Moreover, as of January 1, 2024, more than 83% (352.6 billion UAH) of the total volume of non-performing loans was concentrated in public sector banks [19].

According to the results of 2023, the share of non-performing loans in AB "Pivdenny" amounted to 15.5% [18]. This creates a significant impact on the level of profitability of the bank, as non-performing loans reduce its profitability and require the creation of reserves to cover possible losses. In this regard, the relevance of the study of this issue lies in the need to develop effective tools and strategies for managing problem assets that will help reduce financial losses, stabilize the loan portfolio, and preserve the bank's profitability in the face of economic challenges.

Choosing the optimal strategy for working with problematic debt is one of the priorities in the activities of any bank that sets itself ambitious tasks. The choice of one

or another method of the bank's work with problem loans depends on the chosen strategy for the pool of debtors, the specifics of internal business processes, and the set goals. It is obvious that without a well-thought-out mechanism, the level of recovery will not be considered satisfactory. For every bank, the need to improve the mechanism for preventing the growth of problem debt of clients and the need to regulate problem bank assets in the early stages of their occurrence is ripe. As the authorities consider further structural reforms in the banking sector, it is time to consider the international experience of solving the NC problem, as well as to analyze the macroeconomic and financial dynamics that make it difficult to reduce NC in the conditions of war. Despite the large number of methods of working with overdue debt, the issue of improving the mechanism of work of banks with overdue debt is debatable and extremely urgent, requiring constant attention from the management of banks and banking supervision and regulatory bodies.

The fact that there is no comprehensive and sufficiently elaborated methods of combating problem debt at the legislative level in wartime indicates that the need to increase the effectiveness of the formation of the mechanism for the settlement of problem bank loans is more urgent than ever. In view of the above, some best European practices for solving the problem can be highlighted. First, the key element of any mechanism for solving the NC problem is the separation of problematic assets from the healthy part of the bank's balance sheet. There are options for asset separation that boil down to operational aspects, but ultimately only a full separation of the impaired assets into legally separate balance sheets will serve the dual purpose of restoring confidence and preventing further capital and profit flight from the bank's key assets. Since the direct sale of NCs to independent investors in emerging markets (including Ukraine) is generally difficult, the government may establish an asset management company (AMC). If problems with indebtedness and NC are systemic, it is advisable to create a centralized AMC that will work with all banks experiencing difficulties. Secondly, measures to solve the NC problem should be supplemented by strengthening the legal mechanism of financial restructuring and insolvency. For this, it is necessary that banks and borrowers have a clear idea of the expected terms and possible results of

restructuring and potential bankruptcy. In addition, where restructuring leads to the injection of new capital and improved governance, it can underpin a broader recovery in the corporate sector. It is important that the legislative reform is accompanied by a strengthening of the powers of courts and insolvency professionals.

Under normal conditions, banks manage insignificant problem loans in accordance with usual practice. Banks are best placed to manage primary non-performing loans and non-material NPLs, particularly in the case of large corporate positions. They know their customers and their ability to repay, and therefore banks are optimally prepared to carry out the restructuring, collection and sale of problem loans in accordance with the regulatory requirements governing the timely recognition and settlement of such assets. However, with a change in the credit cycle and a significant increase in the volume of problem loans in wartime conditions, different situations may arise. While banks bear the primary responsibility for managing the growing volume of non-performing loans, there is growing recognition that regulatory requirements can play a key role in ensuring banks use operational response measures. In the conditions of consistently high volumes of non-performing loans during the post-war recovery period, the NBU may require banks that have difficulties with asset quality to formulate strategies for reducing non-performing loans in accordance with the detailed regulatory manual on recognition, provisioning, reporting and settlement [28-31] . In these strategies, banks present comprehensive action plans and agree with the supervisory authority on quantitative targets for the reduction of problem loans. These strategies must be integrated into the risk and capital management strategies of banks to prevent marginalization, reviewed at least once a year and approved by the bank's management body. Given that the volume of problem loans is increasing significantly in all directions, banks should formulate strategies for reducing problem loans and agree with the supervisory authorities on the target reduction indicators. Operationalizing bank NPL reduction strategies has important organizational and resource implications. While bank strategies are a road map, banks need to review their business model as part of a broader shift in emphasis from selling new loans to repaying previously issued loans. In this context, they need to make detailed decisions about the internal organizational

structure, the allocation of internal resources (staffing, information systems and funding) and the development of appropriate control mechanisms (policies and procedures) to monitor interim performance and corrective actions to ensure the achievement of the common goals of reducing problematic loans in the conditions of post-war recovery. The implementation of the strategy to reduce problem loans requires the creation of specialized settlement departments that are responsible for working with problem loans. Resolution departments are operational departments responsible for working with troubled bank assets. Settlement departments should function separately from credit processing departments in order to so that problem loans are not dealt with by loan processing specialists and to avoid distortions of confirmation after the initial granting of the loan. Once it becomes clear that non-performing loans cannot be resolved within a reasonable period of time, they should be referred to the resolution department for more careful monitoring and resolution. In order to avoid unreasonably long finding of problematic loans in the management of the department for processing loans and postponing their settlement, banks can establish internal triggers for their mandatory transfer to the settlement department (although in practice, the transfer may take place even before the trigger point is reached). The most commonly used trigger is the 90 dpd indicator, possibly supplemented by indicators of financial problems other than late payments. A ratio of 90+dpd means loans more than 90 days past due and impaired (impaired loans are loans that are not considered fully collectable and for which an allowance for impairment has been recognized on a) individual basis; b) for which there are losses incurred upon their initial recognition; c) for customers in the process of debt collection) divided into gross loans to customers (gross loans are reflected before fair value adjustments at initial recognition for loans received from Laiki Bank (calculated as the difference between the outstanding contractual amount and the fair value of purchased loans)) [32] .

Resolution departments have an important role in choosing the appropriate course of action for non-performing loans; at the same time, separate groups are responsible for managing a) primary debt (a rule to the management, which defines the recommended terms and other aspects related to the settlement of problem loans. This includes the

classification of problem loans and the formation of reserves, management of overdue debts, restructuring policy, policy of forced collection, debt write-off and forgiveness policy, bad debt policy to several banks, valuation policy collateral and outsourcing/servicing policies. Portfolio segmentation is the first step in the development of an economical and efficient approach to the resolution of non-performing loans in the post-war recovery period. adjustment to the needs of each group. It is better to segment the portfolio at an early stage, after the loan has been transferred to the settlement department. Segmentation of the portfolio consists of two stages, the first of which is focused on filtering positions for which further analysis is impractical. This category can include loans that are already under litigation (which can be automatically transferred to the resolution department specialists who deal with legal foreclosure issues), as well as microloans with small outstanding loan amounts (which can be quickly written off with the formation of reserves in full and (or) sold in parts to a third party).

At the first stage, the settlement department must confirm that the borrower is ready to cooperate. The settlement department will have to identify borrowers who do not want to cooperate and document their non-compliance with the terms of the loan. In this context, special attention should be paid to willful defaulters, borrowers who constantly do not respond to the bank's requests for a meeting, financial information and access to their premises, reporting and documentation, as well as borrowers who do not interact with the lender on a constructive basis (for example, those , which do not cooperate at all, constantly do not keep promises and/or immediately reject proposals for restructuring the loan). Rather than leaving the definition of willful defaulters to the discretion of the banks, the regulator can establish an appropriate definition. The advantage of having the definition set by the regulator is that it promotes greater consistency of industry practices and allows banking supervisors to respond when banking practices are materially inconsistent with the regulator's requirements.

The events defined as signs of intentional non-fulfillment of obligations are as follows:

a) the entity does not fulfill its obligations to make payments/repay the loan to the creditor, even if it can fulfill the specified obligations;

b) the entity does not fulfill its obligations to make payments/repay the loan to the creditor and does not use the creditor's funds for the specific purposes for which the financing was provided, but directs these funds to other purposes;

c) the subject does not fulfill his obligations to make payments/repay the loan to the creditor and withdrew financial funds in such a way that they were not used for the specific purpose for which the financing was provided, and this subject does not have funds in the form of other assets;

d) the subject does not fulfill his obligations to make payments/repay the loan to the creditor, and also alienates or withdraws movable or immovable property transferred by him as security for a term loan without the knowledge of the bank/creditor.

The second stage involves assessing the borrower's viability. Bank resolution departments develop their own policies and methodologies. Although it is difficult to establish a common framework for assessing viability, an approach built solely on the discretion of banks can lead to significant variation in the methods used across the sector. Banks may also have no incentive to thoroughly assess a borrower's viability and instead prefer a superficial analysis to avoid recognizing credit losses. Seeking to overcome these problems (while avoiding the other extreme - the imposition of a single template), the regulator introduced requirements for banks to develop an internal methodology for assessing the viability of borrowers, which can be built into the bank's mechanism for reducing problem loans based on high-level regulatory instructions for the development such a methodology. This approach also allows for shallow monitoring of banking activities through oversight at the operational level.

Assessing viability is a difficult task in the case of corporate borrowers, especially in martial law. The evaluation includes an analysis of the borrower's financials, such as debt-to-earnings before interest, taxes, depreciation, and amortization (EBITDA), interest coverage ratio (ie, EBIT/interest expense) and operating profit. Revenues and operating profit are difficult to predict in normal times, and in times of war, the uncertainty of the economic outlook greatly increases the challenges. It is necessary to

establish threshold values for the detection of non-viable corporate borrowers. While the appropriate indicators depend heavily on country-specific circumstances and industry characteristics (e.g., the capital intensity of the sector), as a general rule of thumb, a debt-to-EBITDA ratio of greater than five and an interest rate coverage of less than one over a period of time (e.g., two years) and persistently negative operating profit can be seen as signs of a difficult financial situation. For loans to SMEs and small companies, which are most often secured by real estate, an LTV ratio of more than 80 percent can also be considered a useful indicator. The LTV ratio (loan-to-value ratio) is calculated by dividing the loan amount by the estimated value of its collateral. In addition, a better assessment of the borrower's business model and economic environment is required. In post-war conditions, the agricultural sector, which was seriously affected by the war, deserves special attention. After weeding out borrowers who are clearly unviable, it is advisable to conduct further analysis of the remaining group of borrowers. Inevitably, there will be borrowers for whom the initial assessment of viability does not give an unequivocal result. Such "marginally viable borrowers" will require further evaluation and analysis before a final decision can be made, which will also require significant qualitative assessments. Assessment of the viability of retail borrowers is based on the analysis of financial indicators and behavior of the borrower.

The following financial indicators can be considered to analyze the viability of retail borrowers:

- a) loan-to-income ratio;
- b) ratio of debt to income;
- c) the ratio of debt service costs to income;
- d) loan-to-value ratio (LTV).

As a rule of thumb, the ratio of debt service costs (interest + principal) to income should be less than 30%, and the LTV ratio for mortgage loans should be less than 80%. Behavioral indicators (such as the use of credit card lines of credit and debt service schemes) play an important role in assessing the creditworthiness of retail borrowers. Since small and medium-sized enterprises, especially micro-companies, do not prepare detailed financial statements, this segment can be considered as retail positions. An

acceptable measure can be chosen after assessing the borrower's viability and willingness to cooperate. The option of restructuring should be considered, but not automatically applied only to borrowers whom the bank considers viable and ready to cooperate. For all other borrowers, the options include legal action, write-off or sale.

Banks' decisions regarding the choice of method of settlement of problem loans should be based on a comparison of the amount of expected compensation using NPV calculations. NPV is the sum of the discounted value (PV) of a stream of payments over a period of time. It is based on the concept of the time value of money, which assumes that money received in the future is less valuable than money received now. To determine the NPV, the net cash flow received annually is calculated (cash payments at the expense of the principal amount, interest and commissions after deducting the bank's own expenses for the services of lawyers and consultants). Each of these amounts or future values (FVs) is then discounted to the present time using an appropriate market discount rate. The sum of PV equals NPV. Comparing NPVs for different settlement options allows banks to determine the commercially best option by highlighting the time value of money and fully considering costs, including delivered costs. NPV calculations and comparisons can also help the bank justify measures in the event of further audits, as is the case with state-owned banks. It should be noted that sometimes the specialists of state-owned banks refrain from partially forgiving the debt of companies that are not fully viable as part of long-term restructuring measures due to the fear that the prosecutor's office will accuse them of misusing state property. NPV calculations should be based on conservative estimates of recovery amounts, discount rates, and current costs. It is important to start with realistic expectations regarding recovery amounts. Thus, poorly functioning insolvency systems directly cause lower recovery levels, which will need to be properly reflected. Low foreclosure rates make foreclosure a relatively unattractive option, which may have the unintended side effect of encouraging banks to resort to restructuring bad loans, particularly when the borrower's viability is in doubt. In practice, banks' decisions to file lawsuits are often based on optimistic, unrealistic assumptions about possible temporary costs. Likewise, discount rates are high enough to reflect the trend of rapidly declining value of distressed assets over time.

Discount rates can be determined by first establishing a standard base rate with specific allowances depending on loan characteristics such as past payment arrears and documentation deficiencies [34]. After all, there is often a tendency for banks to underestimate the costs of managing problem loans. Banks need to realistically consider all costs, including attributed costs (eg taxes, fees, loan administration costs, legal costs) and costs related to the foreclosure process. If the settlement department of the bank makes a decision in favor of long-term restructuring of the loan, it needs to agree with the borrower on a revised, realistic repayment schedule that the borrower can adhere to. In the best case, the bank and the borrower come to an agreed solution that suits both parties and leads to a successful long-term restructuring of the loan. The bank must have a complete picture of the borrower's financial situation in order to adjust the offer, including the ease of payments for the borrower, the ability to generate funds and the available collateral. Assessing ease of payment is a key factor in developing a viable long-term restructuring plan. The starting point for assessing ease of payments is a comprehensive analysis of the borrower's obligations. The bank needs to take into account all the borrower's debts (including debt obligations to other creditors) in order to understand the total amount of debt and aggregate debt service obligations. Banks may contact credit bureaus, registries or other external sources to collect this information. Banks need to make a conservative estimate of the borrower's regular income, adjusted for expenses and taxes. Analysis of financial statements and cash flows can be the basis for assessing the ease of payments for corporate clients. For retail borrowers, parameters such as employment prospects, age group and debt service schemes can be used. The concept of reasonable living expenses can be introduced to restructure retail loans. Based on this information, the bank can determine the level of debt that ensures the ease of payments for the borrower, and can decide on the amount of debt relief in the NPV plan that must be provided (table 3.1) Based on this information, the bank can determine the level of debt that ensures the ease of payments for the borrower, and can decide on the amount of debt relief in the NPV plan that must be provided (table 3.1) Based on this information, the bank can determine the level of

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Table 3.1

Assessment of ease of payments for corporate borrowers

actions	Sources of information	Result
Assessment of the borrower's total liabilities - analysis of the borrower's "leverage" ("debt/EBITDA" ratio)	Internal information of the bank, information from credit bureaus, other registers, financial statements of the borrower	Conclusion on viability or non-viability of the borrower
Future cash flows adjusted for expenses and taxes - analysis of the borrower's ability to service debt (the ratio "EBIT / interest payments on debt")	Financial reporting borrower, reliable GDP growth forecasts and sector	A steady level of ability service debt for providing opportunities for company growth

The obligation to repay the restructured loan must correspond to the borrower's expected cash flows/income. To optimize the likelihood that a borrower will continue to make payments on a revised loan, banks must consider the borrower's future income streams. The new repayment schedule should be adjusted to reflect this analysis. Yes, it is worth paying attention to the expected age of retirement in the case of retail borrowers or the expiration of the patent or license in the case of a corporate client. Banks must also value any collateral. Banks must ensure that the collateral available is properly registered in the relevant registers and can be easily recovered in the event of default. Banks may opt for additional collateral if applicable. In practice, it is worth bearing in mind that in many cases additional collateral is required, which can be voided under insolvency law if bankruptcy proceedings are commenced shortly thereafter. It is necessary to carefully monitor the restructured loans regarding their effectiveness under the new loan conditions. Loans can be transferred back to the category of working loans only after the borrower restores his reputation for servicing restructured debt. This is done in order to stop the practice of constant extension of loans, which was previously used by banks. Although banks have the primary responsibility for NPL management,

circumstances may arise that require targeted public policy measures that complement banks' efforts to reduce NPLs.

Targeted measures of state policy may be necessary when a) banks' risks in connection with problem loans endanger their ability to finance the real sector of the economy or threaten the stability of the financial system; b) banks are unable to recognize their losses due to insufficient capital or lack of necessary skills to settle large volumes of problem loans; and/or c) the legal framework governing the issue of debt collection and financial insolvency is weak or lacks the capacity to handle a large number of cases. Under these circumstances, state policy measures can play a useful role in overcoming barriers and significantly accelerate the pace of reducing the volume of problem loans. Reducing the significant volume of problem loans requires the active participation of a wide range of interested parties in order to harmonize policy measures in various sectors.

It should be noted that the reduction of problem loans, if left to the discretion of the banks, usually occurs at a slow pace. Accelerating the settlement of problem loans to the desired pace during the post-war recovery period requires an active approach that ensures the participation of a wide range of parties. Key stakeholders include banks and other private sector representatives (such as institutional investors and third-party service providers), national authorities, including the National Bank of Ukraine and banking supervisors, ministries of finance and justice, and representatives of civil society, including human rights organizations consumers

A successful mechanism must be based on strong coordination and interaction between these actors to ensure proper coherence of the actions and activities they undertake. Government-initiated coordination mechanisms can play a useful role in situations where NPL rates are rising and entrenched structural problems prevent NPL reduction. Coordination can be carried out by creating high-level working groups, which include representatives of the management of the participating entities. These groups may receive useful support from one or more thematic groups responsible for the technical aspects of supporting the decisions of the high-level working group. The mandate of the high-level working group should be to carry out a full-fledged diagnosis

of obstacles to the settlement of problem loans, determine the priorities of reforms and ensure a clear understanding by all interested parties of their role in implementation. A coordinated mechanism of public communications, as well as a special project management department will help ensure effective implementation. To reduce and settle problem loans in some countries, Asset Management Agencies are created (in Ukraine, the National Agency of Ukraine for Identification, Search and Management of Assets Obtained from Corruption and Other Crimes) [35].

The Asset Management Agency (AMA) manages troubled assets removed from the financial system in order to maximize the recovery value of these assets. AUAs are created to settle the significant volume of problem loans in the financial system and are part of a wider package of measures aimed at restoring financial stability and the inflow of loans into the economy, although private asset management agencies also operate in some countries. State asset management agencies can be created either as an organization whose task is to resolve the problems of insolvent financial institutions and liquidate their assets, or as an organization that acquires assets from functioning banks.

Examples of the former are Resolution Trust Corporation (RTC) in the US, Securum in Sweden and Savings Deposit Insurance Fund (SDIF) in Turkey, while Korea Asset Management Corporation (KAMCO), Danaharta in Malaysia are examples of AUAs buying assets from existing banks [33]. The activities of some state asset management agencies are complemented by state-sponsored bank recapitalization schemes to avoid capital shortages that hamper efforts to improve transparency and clean up bank balance sheets.

Examples can be Malaysia and Spain. Banks weakened by the burden of problem loans are given a one-time opportunity to recapitalize with state support in order not to violate prudential banking rules. Instead, the banks that benefited from the scheme underwent significant restructuring to ensure viability on a long-term basis. There is no unequivocal agreement on the need for oversight of government asset management agencies. In cases where banks hold AUA bonds (received in exchange for transferred NPLs), supervision may be warranted to ensure that the AUA remains financially sound to avoid losses on the bank's AUA bond portfolios.

However, supervisory authorities may not have the necessary skills to understand the essence of AUAs and supervise their activities. Financial oversight of the AUA can make it clear that it is a permanent instrument, even if it is intended to be emergency and temporary. Public AUAs can have important potential benefits in reducing high levels of NPLs.

First, by forcing banks to recognize losses, state AUAs contribute to increasing the transparency of banks' risks due to problem assets. This could be an important step on the way to restoring public trust in the banking sector, especially in Ukraine, where there is widespread mistrust of the reliability and integrity of self-reported asset quality indicators. State AUAs, whose activities are accompanied by bank recapitalization schemes that allow banks to realize the true extent of their asset quality problems, can be particularly powerful tools in restructuring weak but viable banks, as well as in ensuring transparency.

Second, public AUAs can provide economies of scale in managing distressed assets and higher cost-effectiveness due to their size and specialization, especially if public AUAs can focus on a relatively homogeneous package of large and complex loans, such as real estate loans.

Third, by combining a large volume of homogeneous problem assets, the state AUA can combine them into packages for sale to external specialized investors, while benefiting from increased negotiating positions with both buyers and borrowers.

Fourth, the transfer to the state AUA provides time to realize the value of these assets, thus avoiding unnecessary losses associated with urgent sales.

Fifth, by identifying larger and more complex risks, government agencies take some of the burden off bank resolution departments and help banks refocus on new loans. Finally, by consolidating a troubled borrower's loans as a single party, state asset management agencies effectively eliminate the complexities of involving multiple lenders, which involve significant costs and delays. At the same time, state AUAs with a poorly designed structure and inefficient management can cause more harm than good. If a public AUA does not have a well-thought-out structure and quality management, it

can cause significant losses to taxpayers, undermine credit discipline and create moral hazard.

Among the problems observed in practice, we highlight: a) intervention at the policy level with pressure on state AUAs to support borrowers with good connections or from strategic sectors in the absence of a clear focus on ensuring financial stability; b) loosening credit discipline, where willful defaulters can buy back their original debt at a price that is only a fraction of the original value, or by incentivizing banks to continue issuing bad loans (which is of particular concern when a government agency acquires assets at an above-market premium) prices; c) non-transparent accumulation of contingent liabilities for the state financed by the state asset management agency; d) untimely realization of acquired assets. Ukraine is experiencing difficulties with the formation of the correct institutional structure.

Common weaknesses include governance problems, including a lack of protection against unwarranted political interference, and even recruitment that favors political connections over experience. In addition, state AUAs often face incentive problems related to inflated purchase prices for distressed assets. In some state-owned AUAs in countries with emerging economies, banks can dispose of distressed assets at book value. This is not only a powerful deterrent for reliable underwriting practices in the provision of loans - the purchase of problematic loans at inflated prices makes the profitability and financial stability of the state AUA impossible. The risk of accumulating contingent liabilities for taxpayers is becoming too great.

Thus, the effectiveness of state AUAs in providing the stated benefits depends on a thorough list of preconditions. Public asset management agencies are most likely to be effective if they have a well-defined, narrow mandate (e.g., NPL resolution), with measurable objectives, an expiration clause, a commercial focus, and strong governance, transparency, and disclosure mechanisms information

Similarly, the acquisition of loans should be conditioned by terms (so that banks have the proper incentive to sell quickly and promote reliable underwriting methods for new lending) and should be carried out at realistic prices (to reduce the risk of inadvertent formation of contingent liabilities by state agencies for the state). Ideally at

market prices, subject to availability. In addition, when financing the state AUA, the time needed to realize the base value of assets should be taken into account, while preventing the constant "accumulation" of bad loans.

Finally, government agencies are more likely to be effective if they are embedded in a broader comprehensive NPL resolution mechanism with the political will to admit losses and implement comprehensive reforms, backed by detailed, reliable and up-to-date information about banks' exposure to NPL risks, as well as reliable framework mechanisms for bank settlement, debt collection and ensuring the rights of creditors.

Thus, the state AUA is not a universal way of settling problem loans. The creation and operation of state AUAs requires costs, and the final effect of their activities largely depends on the small details of their structure. They take a long time to achieve operational efficiency, and in the meantime, recovery prospects and costs may continue to decline rapidly. Before recommending the creation of a state AUA, all associated costs and benefits should be comprehensively evaluated, as well as other options should be considered. Alternative measures should be considered if a sound institutional framework cannot be guaranteed in a situation where there is no political will to admit losses, where there is no clarity about the degree of exposure of banks to problem assets or there are serious gaps in the formation of an enabling environment. Some of the features of the structure are defined in the EU regulations on the establishment of asset management agencies.

According to these regulations, asset management agencies can be established either a) without attracting public funds (i.e. private asset management agencies), or b) with state support in accordance with the provisions of the EU Treaty (Article 107). According to state aid rules, the transfer price of AUA's assets can be higher than the market price, as long as it does not exceed the real economic value (REV). REV is defined as the underlying long-term economic value of assets, taking into account cash flows and a broader time horizon. Transfer of assets at book value is not allowed. If the transfer price exceeds the applicable market value of the assets, state aid (to the bank selling the distressed assets) is assumed [36].

In accordance with the EU Banking Recovery and Resolution Directive (BRRD), such state support stimulates the involvement of subordinated bank creditors and owners of hybrid instruments in the process of financial recovery and requires the implementation of a restructuring plan to restore viability on a long-term basis [37]. In exceptional circumstances, it is possible to be exempted from compliance with the requirements for restructuring and financial rehabilitation, for example, on the grounds that state support is aimed at eliminating market failures or overcoming serious crisis phenomena in the economy or threats to financial stability. The European Commission has published guidance on the formation and establishment of state asset management agencies. In March 2018 The European Commission has published a model provision on AUA as a guide for EU member states. The regulation requires that AUAs must fully comply with EU regulations, including state aid rules, the BRRD and the Single Resolution Mechanism Regulation [38].

In addition, it examines in detail the following aspects: a) suitability of assets for transfer to the agency; b) valuation of assets and transfer price; c) the need for detailed, timely and reliable data on loans and collateral; d) financing issue; e) protective mechanisms and proper supervision.

The standard provision for AUA describes the scenarios in which problem loans can be transferred from a bank to a state AUA. The European Commission envisages four scenarios: a) no state aid: AUA, which is financed by the state, buys troubled loans from the bank at the market price (that is, AUA acts as a market participant); b) settlement: in the context of settling the liabilities of a troubled bank, the use of the asset division tool may require the creation of an AUA to accept and settle the assets of an insolvent bank; c) proceedings in the case of financial insolvency of a troubled bank in accordance with national legislation: separation of the "good" part of the bank in difficulty for sale from the "impaired" part managed by the AUA, within the framework of ordinary proceedings in the case of financial insolvency; d) preventive recapitalization: emergency state aid when the bank is not insolvent or not prone to the possibility of financial failure, but may find itself in a difficult position in the event of a

sharp deterioration of the economic situation. The transfer of problem loans to AUA may be connected with the state recapitalization of the bank under certain conditions.

So, it is justified that banks can take an active part in the restructuring or recovery of borrowers' property in cases where the latter are clearly not viable. It is important that the legal reform is accompanied by a strengthening of the powers of courts and insolvency professionals. Ukraine in the period of post-war recovery can contribute to the out-of-court restructuring of companies with excessive debt, in particular by defining methodical recommendations for coordinating the actions of numerous creditors. Ukraine is an economy with a significant share of state ownership in the financial sector, as well as significant volumes of concessional lending. Solving the NC problem is part of a broader program of structural reforms to overcome the problem of soft budget constraints for enterprises. Financial restructuring of borrowers who do not fulfill their obligations must be carried out in combination with the reduction of subsidies hidden in preferential taxation, preferential lending and the accumulated debt of enterprises from employee benefits. Financial discipline should be strengthened through effective insolvency legislation and the ability of creditors to recover collateral, even if the debtor is state-owned. Ultimately, this will require a gradual change in the general model of the country's economic policy towards a European orientation and increased efficiency. Research has established that issues related to the rapid growth of problematic bank loans require immediate, active and comprehensive response measures. In order to ensure the operational readiness of banks for the settlement of large volumes of non-performing loans, it is proposed to create specialized departments that will function separately from the units for processing loans, will have adequate personnel and financial resources, and will be supported by reliable information systems and policy measures of specific banks regarding the management and settlement of non-performing loans. Banks will need to make the necessary personnel and financial investments to ensure these departments are fully operational. Banks' own efforts can be supplemented by regulatory requirements obliging banks with a high level of non-performing loans to develop strategies for reducing non-performing loans (with inclusion in the risk and capital management strategy and approval by bank

management bodies) and to agree with the bank supervisory authority on quantitative goals for reducing non-performing loans . The expediency of coordinating policy measures as an important element of any mechanism for countering a high level of problem loans is motivated. Nationwide NPL reduction strategies developed and implemented with the active participation of stakeholders from the private and public sectors can help accelerate the pace of NPL reduction. Key participants include banks and other private sector representatives (institutional investors and service providers), as well as national authorities, including the NBU and banking supervision bodies, the ministries of finance and justice, as well as representatives of civil society, including organizations for the protection of consumer rights. A successful mechanism must be based on strong coordination and interaction between these actors to ensure timeliness and consistency of action. Government-initiated coordination mechanisms, including high-level working groups of heads of participating agencies, can play a significant role in assessing barriers to NPL resolution, prioritizing reforms, and ensuring stakeholders have a clear understanding of their roles in implementation. It is substantiated that it is expedient for commercial banks to organize their activities in such a way that the lending process brings income, and the collection process is as efficient as possible and does not violate the legal rights and interests of borrowers. Such a mechanism will consist of three main components: a) the NBU and national regulatory bodies should strengthen banking supervision. Prompt recognition of loan losses is critical to restoring bank balance sheets. It is expedient to offer banks to develop comprehensive plans for non-performing loans and to meet the target indicators of loan restructuring in a reasonable time frame. They should also be required to set aside more capital for non-performing loans that have been sitting on their books for too long, and adopt a more conservative valuation of provisions and provisions to facilitate speedy resolution; b) reforms are needed to make bankruptcy regimes effective and facilitate debt collection. Currently, there are major differences in the legal framework. Short court procedures, strong institutional framework and large-scale use of out-of-court mechanisms will increase the cost of collateral collection and, therefore, make it easier for banks to get rid of bad loans. The broad participation of public creditors in the

resolution of these loans is important; c) it is necessary to develop active markets for problem assets. A liquid market can connect banks (sellers) with specialized investors (buyers) who have experience in managing depreciated assets. Often a government-backed asset management company can play an important role in launching such a market. This is a complex reform program, but the potential payoff is high, while delaying the resolution of bad loans increases the risk of stagnation. determination of priority areas of reforms and ensuring a clear understanding by interested parties of their role in implementation. It is substantiated that it is expedient for commercial banks to organize their activities in such a way that the lending process brings income, and the collection process is as efficient as possible and does not violate the legal rights and interests of borrowers. Such a mechanism will consist of three main components: a) the NBU and national regulatory bodies should strengthen banking supervision. Prompt recognition of loan losses is critical to restoring bank balance sheets. It is expedient to offer banks to develop comprehensive plans for non-performing loans and to meet the target indicators of loan restructuring in a reasonable time frame. They should also be required to set aside more capital for non-performing loans that have been sitting on their books for too long, and adopt a more conservative valuation of provisions and provisions to facilitate speedy resolution; b) reforms are needed to make bankruptcy regimes effective and facilitate debt collection. Currently, there are major differences in the legal framework. Short court procedures, strong institutional framework and large-scale use of out-of-court mechanisms will increase the cost of collateral collection and, therefore, make it easier for banks to get rid of bad loans. The broad participation of public creditors in the resolution of these loans is important; c) it is necessary to develop active markets for problem assets. A liquid market can connect banks (sellers) with specialized investors (buyers) who have experience in managing depreciated assets. Often a government-backed asset management company can play an important role in launching such a market. This is a complex reform program, but the potential payoff is high, while delaying the resolution of bad loans increases the risk of stagnation. determination of priority areas of reforms and ensuring a clear understanding by interested parties of their role in implementation. It is substantiated that it is

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The practical significance of the obtained conclusions and substantiated recommendations lies in the possibility of using them to improve the efficiency of working with problem loans in banking structures.

3.2. The concept of risk management as the main tool for ensuring the growth of profitability of "Pivdenny" JSC

In the banking sector, risk is defined as "the probability of losses, additional costs, failure to receive profits or non-fulfillment of contractual obligations due to the negative impact of internal or external factors." At the same time, risk in the banking system should also be considered as "the possibility of making rational or irrational management decisions, for which a probable quantitative or qualitative assessment of the influence of factors can be carried out." The banking system is affected by various risks, which are classified according to the relevant characteristics. In particular, according to the classification established by the National Bank of Ukraine, nine main risk categories are distinguished: credit risk, liquidity risk, interest rate risk, market risk, currency risk, operational and technological risk, reputation risk, legal risk and strategic risk. The existence of a large number of varieties of banking risks requires their effective management.

Bank risk management is a set of measures aimed at reducing the likelihood of risks and minimizing their impact on the bank's activities. In modern conditions, there is a need to provide solutions to problems that arise during decision-making and determining the expediency of concluding agreements or conducting operations, which may lead to an increase in risk. Each type of banking risk has its own set of methods that allow you to manage it and reduce its negative effect.

The concept of risk management is part of the general system of risk management in the Bank, which aims to comply with the principle of break-even operations by ensuring the optimal relationship between the performance of the Bank's main tasks, the profitability of the Bank's main activities and the level of risks assumed [16-17].

The Bank's risk management system is based on the following basic principles:

1. Responsibility of the Bank's management. The Bank's Supervisory Board determines the risk management policies, as well as the levels of the established levels of the Bank's risk appetite for risks, which must be reported to the relevant structural divisions of the Bank for implementation.

Acceptance of risks must take place in accordance with the expectations of the Bank's highest management body - the Bank's Supervisory Board, the Bank's Management Board, the Bank's strategic development plan and the Bank's strategic risk management plan, other internal normative documents of the Bank and the requirements of the NBU, as well as provide for the spread of a unified understanding and culture throughout the Bank's system regarding the organization of risk management.

Setting the levels of the Bank's risk appetite for risks and limits is important for the formulation and successful implementation of the Bank's adopted development strategy. For the effectiveness of the adopted strategy, it must be compatible with the accepted levels of the Bank's risk appetite for risks, which is expected by the Bank's top management body and which is accepted by the Bank's board. In order to ensure compliance with the accepted levels of the Bank's risk appetite for risks, they should be communicated to the relevant departments and be part of the Bank's corporate culture.

The levels of the Bank's risk appetite for risks, which are subject to quantitative and qualitative measurement, are communicated to the units that accept risks on behalf

of the Bank. In addition, established and approved levels of limits, indicators and other indicators that limit/establish the level of risks accepted by the Bank are brought to the divisions. Established limits to risks that have only qualitative characteristics are established in the form of rules, standards of behavior, etc.

Bringing the levels of the Bank's risk appetite to risks to the Bank's structural divisions is not enough to ensure that risks are maintained within acceptable limits. It is also important to inform the Bank's management about significant deviations from the adopted risk management policies and established restrictions. In addition, it is necessary that in case of non-compliance with policies and/or limits are exceeded, appropriate management measures are taken.

In order to maintain the risk management policies and levels of the Bank's risk appetite for risks, the established limits must be reviewed regularly (or as necessary).

2. Adequacy and effectiveness of the risk management system

The Bank implements an effective, comprehensive and balanced risk management system. Management must provide adequate funding and support the chosen system.

The management system of all significant risks must be adjusted in accordance with the expectations of the Bank's management and contribute to timely information, coordination and taking of corrective measures.

The risk management system defines the range of risks to be managed, the procedure for such management, as well as the distribution of functions and responsibilities between persons involved in the risk management process. The system should be strong enough to cover all significant risks, and also flexible enough to adapt to changes in the Bank's activities.

Effective risk management requires that those responsible have adequate qualifications, experience, resources and authority. Managers and personnel of units involved in the risk management process should be provided with sufficient informational support, training and resources to carry out risk management functions. Persons responsible for risk management must have access to all relevant departments, as well as to the processes of informing the Bank's management about risks and providing feedback to the process of making management decisions. To establish

control over all significant risks in the Bank's system, clear and consistent (although not necessarily identical) definitions of risks must be used.

SRM policies and procedures for identifying/identifying, measuring/assessing, monitoring, controlling, mitigating and reporting on material risks need to be clearly defined. Decision-making authority should also be clearly defined.

Risk assessment methods and procedures should be brought to the level of units of the first line of defense and should allow management to quickly identify areas of increased risk, take appropriate management measures to mitigate/reduce these risks. It also makes it possible to assess the quality of the current SRM and test its effectiveness on the part of units performing control functions.

3. Comprehensive risk management.

To ensure proper risk management in their interaction with each other, they should not be considered separately from each other. The analysis necessary for the generalization and allocation of risks throughout the organization should be carried out at a level that allows covering the Bank as a whole.

Risk management throughout the Bank's system must be coordinated and take into account the interrelationships between various risks when making strategic and tactical decisions.

Risks must be assessed separately in terms of their impact on the Bank's capital and in their interaction with each other. Different risks interact with each other and can complement each other (for example, the influence of operations on credit risks, the influence of operations on compliance risks, AML/CFT risks or the relationship between market and credit risks, etc.). Some activities require a comprehensive approach from the very beginning, others are very specific and can be managed almost in isolation. Interactions between risks in all areas of activity should be identified during the operation of the SRM. This requires the presence of an appropriate risk management unit in the Bank, which would ensure consideration of risks in their interaction throughout the Bank's system.

4. Responsibility of units of the first line of defense, including units of the front office.

Units that are part of the first line of defense, including the front office, must be responsible for managing the risks associated with their activities, in accordance with the established levels of the Bank's risk appetite for risks and established limits for risks, as well as for the results (both positive and negative) from taking these risks. Such responsibility should exist regardless of the presence of the second and third line of defense units performed by the Bank's risk management and compliance services and internal audit.

Persons making management decisions must have a good understanding of the risks they are taking in connection with these decisions. The implementation of this principle should ensure the achievement of an acceptable rate of profit taking into account risk, as well as responsibility for profits and losses associated with management decisions. Employees of the Bank, who carry out banking operations, are best able to identify the risks associated with this business, provided that there is an adequate risk supervision and control function, as well as an incentive system that promotes the identification of risks and the adoption of appropriate management measures at the level units of the first line of defense.

The presence of units of the second line of defense in the Bank is not a reason for releasing the units of the first line of defense (including the front office) from responsibility for the management of risks generated by them. Since the personnel of the first line of defense (including the front office) are better than anyone else able to understand and assess the risks associated with their activities, the elimination of such responsibility may lead to the emergence of problems in the Bank.

To understand the relationship between risk and profitability, it is necessary to distribute profits and losses between the relevant areas of activity and evaluate them from the point of view of accepted risks. A careful study of profits and losses is very important, as unusually large profits can signal problems. To ensure objectivity, the analysis of profits and losses, as well as other performance indicators, should be carried out independently of the units of the first line of defense (including the front office). To ensure compatibility of the Bank's profitability objectives with the accepted levels of the Bank's risk appetite, risk analysis must be included in the budgeting process.

In order to effectively balance the relationship between risk and profitability, the functions of the SRM should include the analysis of the impact of risks on performance indicators of the Bank as a whole, units of the first line of defense (including the front office) and individual employees. A system for early identification, notification and elimination of deficiencies in the SRM by each functional manager should be created.

Risk assessment involves periodic qualitative and quantitative analysis of all risks. Risk assessment should take into account the impact of the most significant events. The Bank's management should have a good understanding of the essence and magnitude of risks, as well as make informed decisions regarding risk management. To ensure adequate risk management, risk assessment/measurement should be comprehensive and take into account the impact of negative factors on both the Bank's income and capital. Qualitative assessment criteria (qualitative indicators) are developed by the Bank to assess risks that cannot be quantified.

To ensure the ability of the Bank's management to understand the existing risks, the Bank creates a developed risk assessment methodology (quantitative and qualitative). This requires the allocation of resources sufficient to gather information and develop methodologies necessary for monitoring and assessing risks, as well as for taking appropriate measures in a timely manner. Personnel who prepare and use the information and methodology of the SRM must have a sufficient understanding of their significance, potential impact on the Bank's business, as well as the procedures for informing the Bank's management on SRM issues.

In order for the decisions of the Bank's management to properly take risks into account, the Bank develops and implements a reporting system for risk management activities. Such a reporting system is built on the principles of timeliness, periodicity, and materiality. In order to effectively use this information, the Bank's management needs a basic understanding of the sources of risk, the procedure for risk assessment (measurement). The bank determines the application procedure, advantages and disadvantages of any specific approach to risk assessment. In addition, additional analysis to address potential weaknesses (eg, stress testing) is identified and implemented on a regular basis.

The risk management system of AB "Pivdenny" consists of (Table 3.2):

Table 3.2

Risk management system of JSC Pivdenny

Component systems	Characteristic
<p>1. Subsystem of support and management decision-making (including risk monitoring and control), which regulates:</p>	<p>clearly defined and approved risk management policies, availability of documentation on risk identification, management system and implementation of risk operations; independence of risk supervision, management actions, the system of writing procedures and the actual control over risks; clear definition of the organizational structure and main responsibilities of participants in the risk management process; consistency in the adoption of risk management policies, as well as in the actual risk management system; adequate personnel qualification and professional education system; understanding of the main risks by all participants in the management process; establishment of risk appetite for significant risks; setting restrictions (limits); risk hedging; risk insurance; establishing a system of daily, periodic management reporting (with the exception of reporting in crisis situations); clear division of duties and responsibilities.</p>
<p>Subsystem of detection (identification) and assessment (measurement) of risks, which provides:</p>	<p>detection (identification) of significant risks; development of assessment (measurement) procedures; implementation of the coordination procedure, information submission system and information reliability control system; establishment of a system for evaluating the acceptability of information; establishment of a countermeasure system for the main risks; structural analysis; coefficient analysis; comparative analysis; statistical analysis; assessment of concentrations; simulation of scenarios; VAR; STOP-OUT; STOP-LOSS; Stress-testing; Back-testing; adoption of basic risk assessment models and systems.</p>
<p>Support (supervision and control) subsystems of the above subsystems, which regulates:</p>	<p>ensuring consistency with the Bank's development strategy; ensuring consistency with the Bank's risk management strategy; providing analysis of risk assessment procedures and quality of source information; independent review of risk management methodology, models and systems; providing risk reviews for new activities and products;</p>

	providing IT support for the above subsystems; allocation of responsibilities, ensuring the integrity of policies and overseeing the organization of risk management.
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The Bank organizes a risk management system (RMS), which is based on the division of responsibilities between the Bank's divisions using the model of three lines of protection:

➤the first line - at the level of the Bank's business divisions and the Bank's business support divisions. These units accept risks and are responsible for them and report on the ongoing management of such risks;

➤the second line - at the level of the Risk Management Service and the Compliance Service;

➤the third line - at the level of the Bank's internal audit service regarding the verification and assessment of the effectiveness of the risk management system in the Bank.

When managing AML/CFT risks (inherent activities of the Bank (compliance risk of financial monitoring) and inherent activities of clients (risks of business relations)), the second line of defense in the area of AML/CFT is the Financial Monitoring Service.

At the same time, the Bank's Risk Management Service and the Compliance Service, in accordance with their powers as independent participants of the 2nd line of defense of the Bank's risk management system and internal control system, ensure the confidence of the Bank's managers (on the basis of their expert opinion), implemented by the Bank's Responsible Employee/Financial Monitoring Service and the first line of defense are measures to control and manage VC/FT risks (compliance-risk of financial monitoring) of the Bank, measures to ensure compliance by the Bank with legal norms, internal bank documents and relevant standards were developed and function in accordance with the Bank's internal risk management procedures and within the limits of legislation.

The Bank has defined mechanisms and responsible persons who are responsible for ensuring the proper exchange of information between individual structural divisions of the Bank for effective interaction at all organizational levels. When

determining/changing the organizational structure of the risk management system, the Bank takes into account the need to ensure the exchange of employees. In its activities, the Bank ensures the management of risks to which it is exposed, adhering to the implemented model of three lines of protection.

Thus, an effective concept of risk management is a key factor in ensuring the stability and growth of profitability of JSC Pivdenny. It allows to identify, evaluate and minimize the risks arising in the process of banking activities, in particular credit, market, operational and reputational risks. Thanks to the implementation of modern risk management tools, the bank can reduce losses from non-performing assets, increase the efficiency of the use of resources and strengthen its financial stability. This will contribute not only to increasing profitability, but also to strengthening the trust of customers and partners, which in the conditions of high competition and economic challenges is an important factor in its development.

3.3. Recommendations for improving the profitability of Pivdenny JSC

Analysis of the financial indicators of JSC Pivdenny for 2022-2023 shows the stability of the bank in the face of economic challenges, but demonstrates the need for further optimization to ensure long-term profitability.

In 2023, the bank's net profit increased by 53.6%, reaching 328,097 thousand hryvnias, which indicates the efficiency of income and expenditure management.

1. The main part of interest income is formed by NBU deposit certificates (703,941 thousand UAH) and loans to corporate clients (537,852 thousand UAH). However, the decrease in income from lending to individuals and government bonds requires diversification of income sources.

2. In 2023, a decrease in commission income by 32.1% is observed, which is associated with a decrease in income from settlement and cash services for customers. This indicates the need to improve the product portfolio to increase competitiveness.

3. The bank's expenses are increasing, in particular, interest expenses increased by 78.7%. Along with this, there was a reduction in personnel costs and depreciation, which positively affects the overall profitability.

4. The highest result was recorded in investment banking (542,007 thousand hryvnias before taxation), while treasury activities showed significant losses (-217,768 thousand hryvnias), which requires an increase in the efficiency of asset management.

To increase profitability, the bank should focus on optimizing costs, expanding revenue segments (in particular, investment and retail banking) and improving risk management.

The main indicators of the bank's profitable activity, which are used in global practice, are indicators of ROA (return on assets) and ROE (return on capital) (Fig. 3.1)

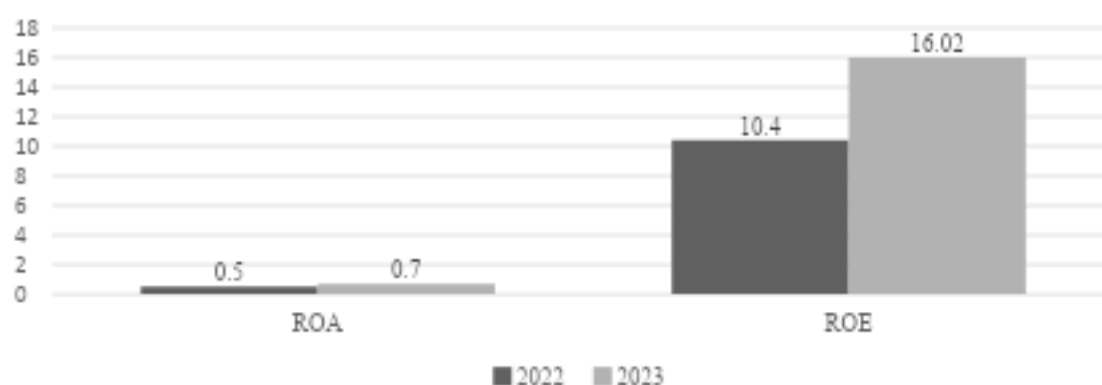


Fig. 3.1. Profitability indicators of AB "Pivdenny" for 2022-2023, %

The increase in ROA (Return on Assets) and ROE (Return on Equity) indicators in JSC "Pivdenny" from 2022 to 2023 indicates an improvement in the efficiency of using the bank's assets and capital. Return on assets (ROA) increased from 0.5% to 0.7%, indicating an improvement in the bank's ability to generate income from each unit of assets. This may indicate a more efficient management of assets and a reduction in the costs of their maintenance. Return on equity (ROE) increased from 10.4% to 16.02%, which is a significant improvement and indicates a high level of return for shareholders. It also reflects the efficiency of using equity capital to generate income. In

general, the growth of both indicators indicates an improvement in the financial stability of the bank and an increase in its attractiveness for investors.

Bank "Pivdenny" shows a stable increase in profitability, which indicates the positive dynamics of its financial indicators, and also has reliable support from its shareholders. To ensure the sustainable future development of the bank, it is advisable to allocate UAH 500 million. profit of previous years to increase the fixed capital. This will not only strengthen the financial stability of the bank, but also increase its ability to attract additional resources, expand credit opportunities and diversify the product portfolio, which, in turn, will have a positive effect on its competitiveness and investment attractiveness.

Recommendations for improving the profitability of Pivdenny JSC based on the analysis of revenues and profits may include several key areas aimed at optimizing costs, increasing revenues and reducing risks:

1. Diversification of income.

- Expansion of the product portfolio for individuals: Given the decrease in income from lending to individuals, it is possible to consider the creation of new credit products, in particular in the segment of mortgages, car loans and loans for small businesses. This will increase income from interest income.
- Development of investment services for clients: As income from operations with securities and investment instruments can bring high profitability, it is advisable to expand offers for clients in the field of investment and asset management.
- Improvement of income from foreign exchange transactions: Updating of currency exchange services and conducting transactions for legal entities and individuals can increase commission income, especially in conditions of exchange rate fluctuations.

2. Cost optimization.

- Reduction of interest costs. To reduce the cost of raising resources, it is worth focusing on attracting cheaper sources of financing, such as funds on the current accounts of legal entities. This will reduce overall interest costs, which have increased significantly in 2023.

- Control of operating costs. There is a certain increase in administrative costs, so it is important to focus on efficient use of resources, automation and digitization of business processes to reduce the cost of administrative functions.
- Investments in digital channels. The introduction of new technological solutions will reduce the costs of traditional service and improve the customer experience. The development of mobile banking, online products and contactless payment services will attract new customers and reduce service costs.

3. Expansion of commission income

- Improvement of products for SMEs (small and medium-sized businesses). The development of new products for the business segment (for example, for small and medium-sized businesses) will allow to attract additional funds and increase income from commission services.
- Increase in income from RKO and operations with foreign currency. The expansion of foreign currency services, the expansion of the network of partner banks and the development of services for international companies can contribute to the growth of commission income. It is also important to focus on increasing the volume of settlement and cash service for customers.

4. Reduction of reserves for impairment of assets

- Improving the quality of the loan portfolio. Implementation of more effective models of credit scoring and risk analysis will reduce the number of problem loans and reduce the need to create large reserves for asset impairment.
- Investing in the segment of risky assets. Given that a significant portion of income is generated by treasury activities and government bond transactions, further investment in government securities or short-term highly liquid assets can reduce risks and provide stable income.

5. Increasing the efficiency of asset management

- Optimizing the asset structure. Studying and adjusting the bank's asset structure will allow more funds to be directed into highly liquid and profitable instruments. This includes reducing concentration in low-yielding assets and investing in more profitable segments.

- Increasing the share of highly liquid instruments. In connection with high interest costs for attracting resources, it makes sense to increase the share of short-term instruments and ensure their high income.

6. Diversification of the client base.

- Active attraction of new customers in the retail segment. Increasing the client base, in particular through the offer of new credit products, deposits and investment services for individuals, will ensure stable income from this category of clients.

- Improvement of service to existing customers. It is important to maintain the loyalty of current customers by expanding the range of services, improving the quality of service and introducing personalized products.

Therefore, the given recommendations will allow AB "Pivdenny" to optimize revenues, reduce costs and reduce risks, which will ultimately lead to improved profitability and stability of the bank in a competitive environment. Digitization of services and diversification of income sources will contribute to increasing the competitiveness and financial stability of Pivdenny JSC. These steps will allow the bank to maintain and improve its position in the market even in conditions of economic instability.

CONCLUSIONS

The results of the conducted research made it possible to draw a number of theoretical and practical conclusions, the main ones of which can be summarized as follows:

The functioning of the banking system in the conditions of the corona crisis, military aggression by Russia and the transformation of the domestic economy into the global financial space is determined, first of all, by the stable profitable activity of banking institutions. It is precisely because of this that the issue of profit management of any bank acquires an important theoretical and practical significance in the process of the banking institution's activity. Having studied the conceptual approaches to the interpretation of the concept of "bank profit" considered by domestic and foreign scientists, we come to the conclusion that today there is no single definition of its essence. In view of the above analysis, we believe that it is most scientifically justified to consider the concept of bank profit as the final positive financial result of banking activity, which represents compensation for risk acceptance and serves as a criterion for effective bank management during a certain period of time. Based on the research of different opinions of scientists, we improved the classification of the bank's profit according to the most significant features. Taking into account all the above-mentioned classifications of the bank's profit, we propose to add to the existing ones a new feature of the classification of the bank's profit, namely "compliance with the planned indicators of the bank's activity". According to this feature, the bank's profit is divided into: planned, over-planned and insufficient. Considering these types of profit, the bank can evaluate the effectiveness of its strategy, as well as adjust and develop possible measures to improve the financial results of the bank's activities and manage risks to achieve financial stability and success in the market. Therefore, the general classification of profit is a necessary tool for balanced and strategic management of the bank's financial activities, contributing to the achievement of stability and competitiveness of the banking institution. Profit management is a key aspect to ensure

the successful functioning and development of a banking institution. We propose to define bank profit management as a system of measures aimed at maximizing the bank's profit by optimizing its income and expenses. It is implemented with the help of a multi-level and interdependent system of organizational elements of a banking institution to ensure an increase in profit in the current and future periods.

Analysis of the financial indicators of JSC Pivdenny for 2022-2023 demonstrates general stability and positive dynamics in the main aspects of the bank's activities. The increase in total assets by 1.89% and the increase in equity by 9.49% indicate effective management and strengthening of financial stability. The bank was able to increase liquidity, in particular due to a significant increase in cash by 61.39%. As for credit activities, there is a decrease in loans to customers by 8.75%, in particular in the trade and agriculture segment. However, the increase in lending to industries such as construction, real estate and transport is positive, which may be a sign of the bank's reorientation to promising sectors of the economy. As for the structure of customers' funds, the changes indicate a redistribution between current accounts and deposits, especially among legal entities, where the share of deposits has increased significantly (from 16% to 34%). Deposits of individuals also increased, which indicates the growth of trust in the bank. AB "Pivdenny" demonstrates stability, efficiency in attracting funds and adaptation to economic changes. The bank maintains a strong position in the market, in particular thanks to the growth of capitalization, liquidity and diversification of the loan portfolio.

Analysis of revenues and profits of JSC "Pivdenny" for 2022-2023 indicates an increase in the financial stability of the bank, which is confirmed by an increase in net profit by 53.6% to 328,097 thousand UAH. The main sources of income remain interest income from NBU deposit certificates (703,941 thousand UAH) and lending to corporate clients (537,852 thousand UAH). At the same time, commission income decreased by 32.1% due to the reduction of settlement and cash operations, and interest expenses increased significantly by 78.7%, which creates a need for cost optimization. The results by segments demonstrate the strong position of investment banking

(542,007 thousand UAH), while treasury activities generate losses (-217,768 thousand UAH).

Effective management of problem loans is a key task for ensuring the financial stability of the banking system of Ukraine in the conditions of post-war recovery. The need to quickly respond to the challenges associated with a high level of non-performing loans requires the implementation of comprehensive approaches, such as the creation of specialized departments, strengthening of banking supervision, the development of effective bankruptcy procedures and the formation of active distressed asset markets. Coordinated actions of banks, government bodies and interested parties will contribute to reducing financial risks, increasing the efficiency of credit management and overall competitiveness of the banking system.

An effective concept of risk management is a key factor in ensuring the stability and growth of profitability of Pivdenny JSC. It allows to identify, evaluate and minimize the risks arising in the process of banking activities, in particular credit, market, operational and reputational risks. Thanks to the implementation of modern risk management tools, the bank can reduce losses from non-performing assets, increase the efficiency of the use of resources and strengthen its financial stability. This will contribute not only to increasing profitability, but also to strengthening the trust of customers and partners, which in the conditions of high competition and economic challenges is an important factor in its development.

Bank "Pivdenny" demonstrates stable growth in profitability and reliable support of shareholders. To ensure the sustainable development of the bank, it is advisable to direct the profit of previous years to increase the fixed capital, which will strengthen financial stability and allow attracting additional resources. Recommendations to improve profitability include revenue diversification, cost optimization, expansion of commission income, reduction of asset impairment provisions, improvement of asset management efficiency and diversification of client base. This will contribute to increasing the bank's competitiveness and investment attractiveness.

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