

CHAPTER 2. ANALYSIS AND EVALUATION OF REVENUE AND COST MANAGEMENT OF JSC CB "PRIVATBANK"

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2.1. Evaluation of the effectiveness of the banking system of Ukraine

On February 24, 2022, due to the full-scale invasion of the aggressor country, martial law was introduced by the Decree of the President of Ukraine. On the same day, the National Bank of Ukraine (NBU) adopted Resolution No. 18 "On the operation of the banking system during the introduction of martial law." This normative-legal document determined a radically new procedure for the banking system of Ukraine for the near future. Many trials have befallen the financial sector of Ukraine in recent years. However, all subjects of the Ukrainian economy, without exception, faced unforeseen challenges caused by the full-scale invasion of Ukraine by the Russian Federation. It is worth noting that the financial sector turned out to be ready for such events, because thanks to the fruitful work of financial market participants and, in particular, the systematic work of the National Bank of Ukraine during the previous years, including in the conditions of existence during the quarantine restrictions that were introduced due to the COVID-19. With the help of prudent steps of the regulator (NBU), the banking sector of Ukraine not only survived, but also continues to develop. So, the banking system is aptly called the lifeblood of the economy. Undoubtedly, banks provide payments to the population and business representatives. Uninterrupted, coordinated and efficient work of domestic banks in wartime is very important, even compared to peacetime. The effectiveness of commercial bank activity is difficult and difficult to study, which is influenced by certain external and internal factors. Domestic and foreign scientists pay special attention to the efficiency of the banking system and study it from various aspects [33].

In the conditions of interbank competition, in order to choose a reliable bank, clients need objective financial information. One of the components of the study of banking activity is the analysis of income and expenses, financial resources (equity and liabilities) and the characteristics of their formation, since profits (losses) are the main elements of assessment [36]. It is also important to analyze indicators of liquidity, profitability and capital adequacy of the bank, which can be used to determine the competitiveness of the bank [36].

The Ukrainian economy as a whole and the banking system as an important component of it in 2022 suffered the most devastating blow in the history of the development of an independent state, but relative stability has been maintained.

For a detailed study of the effectiveness of the banking system, we suggest first of all to analyze the dynamics of the number of banking institutions in Ukraine.

Over the past few years, the banking system of Ukraine has been in a state of systemic crisis, which is caused by a permanent shortage of long-term banking resources, disproportions in bank balances and ineffective actions of the monetary regulator, which ultimately led to a threefold devaluation of the hryvnia, vulnerability of banks and their clients to currency shocks. It is important to note that in recent years the number of banks in Ukraine has significantly decreased, the number of operating banks has decreased in recent years, and the number of banks with foreign capital has also decreased, but it is worth noting that the number of banks with 100% foreign capital during the period under study first increased to 23, and in 2022 it decreased to 22, which can be considered a positive phenomenon, taking into account the impact of negative macroeconomic factors during 2020–2022.

However, a few words should be detailed about 2022, because the number of active banks has practically not changed during the martial law. In the first quarter of 2022, the number of banks decreased by 2, in the second and third quarters, 1 more bank went bankrupt, and in the 4th quarter of 2022, the number of operating banks did not change. Thus, during the year, the number of banks decreased by 4 relatively small financial institutions, half of which were with Russian capital. In general, in 2022, the share of state-owned banks increased by 3.9 percentage points. In addition, in the review of the banking

system for February 2023, the NBU classified Forward bank as insolvent, due to its failure to bring its activities into compliance with the requirements of the law. However, this bank also belonged to the small category, as it accounted for only 0.1% of the sector’s net assets. As for the network of bank branches, it continues to systematically shrink. As a result, every fifth branch was closed in 2022. The total number decreased from 6,685 to 5,336. The main reduction occurred due to the closure of branches in the occupied territories of Kharkiv, Donetsk, and Kherson regions, as well as in the territory of Kyiv region. According to the NBU’s assessment, there is no access to banking services in some settlements. In order to solve the situation, it is planned to provide inclusion in these settlements with the help of mobile offices.

Let’s begin the analysis of income and expenses of the domestic banking system. Consider the income structure of the banking system of Ukraine over the past 5 years (Figure 2.1).

According to table 2.1, it can be argued that in the structure of incomes of the domestic banking system, the largest share is occupied by interest incomes. The largest share was observed in 2018 – 68.8% of all revenues of the banking system of Ukraine. The growth of net interest income during the 2nd quarter of 2022 slightly accelerated to 20.4% p.p. As a result, income from investments in NBU certificates of deposit increased.

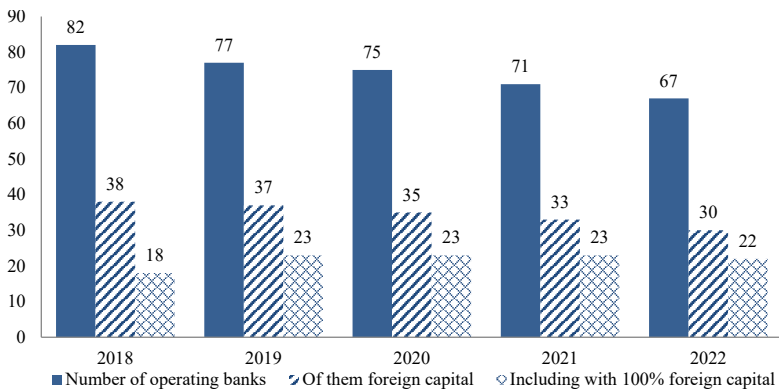


Figure 2.1. Dynamics of changes in the number of banking institutions in Ukraine

Source: compiled by the author based on [37]

Table 2.1

Analysis of revenues of commercial banks of Ukraine in 2018–2022

Indexes	2018		2019		2020		2021		2022	
	million hryvnias	%	million hryvnias	%	million hryvnias	%	million hryvnias	%	million hryvnias	%
interest income	140803	68.8	152,954	62.9	147,743	59.1	168,746	61.6	130,846	57.5
commission income	50,969	24.9	62,057	25.5	70,640	28.2	93 162	34.0	51 164	22.5
the result of revaluation and of purchase and sale operations	1 853	0.9	16,225	6,7	21,507	8.6	-77	-0.03	39,617	17.4
Other operating income	8,589	4.2	8 147	3,4	6,813	2.7	7 488	2.7	4,374	1.9
other income	1 809	0.9	2,809	1,2	2,705	1.1	3 175	1,2	1 013	0.4
return of written off assets	532	0.3	909	0.4	763	0.3	1 370	0.5	463	0.2
All income	204,554	100	243 102	100	250 171	100	273,863	100	227 477	100

Source: compiled by the author based on [37]

The dynamics of the components of interest income is negative, which is characterized by depressed demand for loans, lower rates for retail loans and credit holidays. Net commission income increased compared to the beginning of 2022, but remains lower, in line with previous periods. The vast majority of commercial banks were able to maintain positive net interest and commission income. It is worth noting that the profit of the banking sector from operations on the purchase and sale of foreign currency increased almost sixfold, this trend partially supported the increase in operating income.

Next, we will consider the structure of expenses of the domestic banking system for 2018–2022 (Table 2.2).

Table 2.2

Analysis of expenses of commercial banks of Ukraine in 2018–2022

Indexes	2018		2019		2020		2021		2022	
	million hryvnias	%	million hryvnias	%	million hryvnias	%	million hryvnias	%	million hryvnias	%
interest expenses	67,760	37.2	74,062	40.1	62,895	29.9	51,097	26.0	39,058	17.8
commission costs	13 159	7.2	18,096	9.8	24 132	11.5	35 186	17.9	21,930	10.0
Other operating expenses	16,800	9.2	11,790	6.4	16,405	7.8	18,244	9.3	10,412	4.8
general administrative expenses	53,670	29.5	62,936	34.1	69,437	33.0	78,293	39.8	51,964	23.7
Other expenses	2011	1.1	2 379	1.3	2,728	1.3	3,855	2.0	2 405	1.1
deduction to reserves	23,758	13.0	10,714	5.8	31,037	14.7	3 448	1.8	89,429	40.8
All expenses	182,215	100	184,746	100	210,445	100	196,488	100	219,043	100

Source: compiled by the author based on [37]

According to the data in Table 2.2, we observe a similar situation with income of the domestic banking system, the largest share of expenses of commercial banks falls on interest expenses. The year 2019 shows the largest share of them - 40.09%, but during the analyzed period they still tended to decrease.

The main source of income for banks is interest on loans. We will analyze the dynamics of changes in the volume of business lending for 2020–2022.

It is worth noting that during 2022, the banking system of Ukraine received 4.5 billion hryvnias in losses, this happened due to deductions to reserves for expected credit losses. In general, the volume of net loans in hryvnia to business entities in the 4th quarter of 2022 decreased by 6.7%, but as a result, it increased by 0.5% over the year. According to the final calculations, the amount of funds saved by the population in banks increased by almost a third. However, the specified growth occurred mainly

due to the concentration on the current accounts of clients of temporarily unused payments of military servicemen, employees of the budget sector and payments to displaced persons. As for foreign currency, the gradual recovery of foreign currency deposits took place in the 2nd quarter of 2022 at the expense of "conversion deposits" concluded for a three-month period.

24 banking institutions turned out to be unprofitable, so their total loss was about UAH 10.5 billion. Three state-owned commercial banks were among unprofitable commercial banks, in contrast to the competition, the studied JSC CB "PrivatBank" generated almost half of the profit of profitable commercial banks.

In the near future, the NBU recommends that banks focus on restoring credit and maintaining their business models, taking into account the possibility of a long war. At the same time, credit risk will continue to be one of the key risks of the banking system. In 2023, the NBU plans to conduct an assessment of the stability of banks, based on the results of which the terms for the restoration of capital by banks will be determined. In addition, it is planned to develop a schedule for the cancellation of temporary regulatory relaxations. According to preliminary estimates, most financial institutions will be able to restore capital at the expense of future profits, but a number of banks will most likely need additional help from shareholders. Banks are also recommended to focus on liquidity management, compliance with the interest rate policy, which, in turn, should serve as a basis for stimulating time deposits of the population.

In addition, it is worth showing on the graph the net profit (loss) of the banking system of Ukraine (Figure 2.2).

It is worth noting that the increase in income and cost savings enabled the vast majority of banking institutions to maintain operating profitability during 2022, but in Figure 2.2 we see a significant rate of reduction in the net profit of commercial banks in 2022 compared to 2021, which is 89%. The continuation of the war exacerbates the vast majority of risks, which causes such a negative situation.

The total volume of net assets of plateau-capable banks in the first quarter of 2022 decreased sharply in all banks, but starting from the second quarter, state banks and Privatbank show a gradual increase in the volume of assets. Starting from the 3rd quarter of 2022, the assets of all banks in

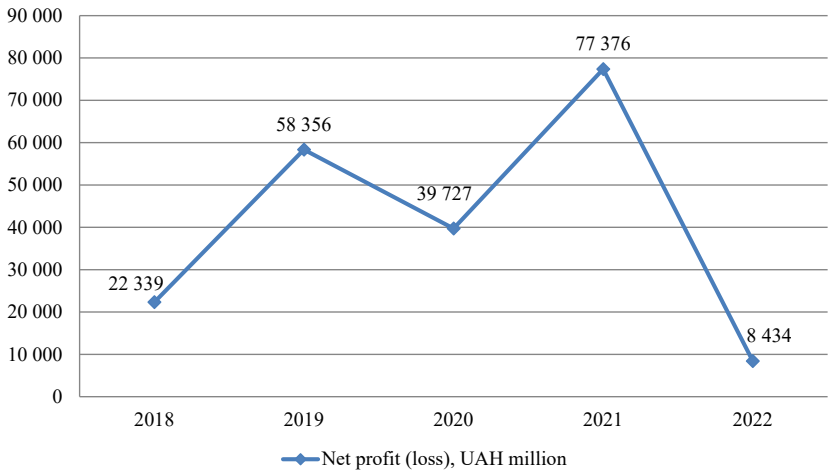


Figure 2.2. Net profit (loss) of the banking system of Ukraine for the years 2018–2022

Source: compiled by the author based on [37]

Ukraine began to grow steadily. This trend continued at the end of the year. In general, bank assets increased by 17.9% over the year. The main source of asset growth is the increase in the use of NBU certificates of deposit and funds in accounts with other banks.

Taking into account the fact that the main growth was still due to the additional emission of hryvnia, which was actively carried out in the first months of the war to cover key defense and social costs, we can only consider the only positive point in the growth of assets to be the fact that surplus funds mostly remained within the boundaries of the domestic banking system, and not beyond it, which would turn them into hyperinflation.

Consider the dynamics of the assets of the banking system of Ukraine over the past 5 years (Table 2.3).

According to Table 2.3, total assets (not adjusted for reserves from active operations) tended to both increase and decrease. Over 5 years, the total growth was 28.21%. Over the entire period, total assets (not adjusted for reserves for active operations) in foreign currency also showed a downward trend. There was also a significant drop in reserves for active operations of

financial institutions (taking into account reserves for operations recorded on off-balance sheet accounts).

Table 2.3

**Dynamics of assets of the banking system of Ukraine
for the years 2018–2022**

Indexes	Growth rate, %				
	2018	2019	2020	2021	2022
Total assets (not adjusted for reserves for active operations)	3.84	3.72	11.32	6.94	6.33
of them: non-residents	1.46	26.96	8.66	-2.55	32.60
Assets in foreign currency	-2.42	-0.50	18.96	-0.30	14.60
Total assets (not adjusted for reserves for active operations) in foreign currency	3.12	-7.84	3.91	-8.90	13,17
Cash funds	6.44	19.95	29.96	3.26	-13.81
Bank metals	-	7.27	55.01	-32.87	-164.83
Funds in the National Bank of Ukraine	-4.84	114.14	-50.59	-7.02	47.54
Correspondent accounts opened in other banks	-9.90	36.30	48,89	-1.80	36,26
Term deposits in other banks and loans granted to other banks	18.87	3.85	43.95	19,29	-37.16
Loans provided to clients, including:	7.92	-7.64	-7.05	10.90	4.05
loans granted to state authorities	88,86	64.89	146.42	131.71	4.50
loans granted to business entities	6.32	-10.57	-8.83	6.16	6.17
loans granted to individuals	15,27	5.02	-3.47	21.58	-3.60
loans granted to non-bank financial institutions	57,14	-50.00	81,82	280.00	-174.70
Investing in securities and long-term investments	12.87	12,24	46.70	4.87	-2.89
Reserves for active operations of banks (taking into account reserves for operations recorded on off-balance sheet accounts)	8.88	-11.54	-21.08	-28.23	-127.55

Source: compiled by the author based on [37]

Regarding the special situation in 2022, it is worth noting that in general, the net assets of solvent commercial banks increased by more than 3.3% during the quarter, mainly the volume of monetary resources in accounts with other banking institutions and NBU certificates of deposit increased.

Dynamic imbalances in the corporate loan portfolio: net hryvnia loans to economic entities increased by 5.3% during the quarter, while foreign currency loans in US dollars decreased by 7.2%.

The growth of hryvnia credit occurred only at the expense of state-owned banks – about +30% for the quarter, in another banking group a net reduction of the portfolio was observed. Every year, the company's net loan portfolio increased by 27.6% in hryvnias and by 1.8% in foreign currency (US dollars).

Private companies most actively attracted initial loans. The net retail loan portfolio declined by 11.1% in the second quarter across all banking groups due to lower loan volumes and higher provisions. During martial law, loans were only for the current needs of customers, but there were almost no loans for mortgages and car purchases. The scale of non-performing loans increased for the first time in a long time of the war.

Consider the dynamics of liabilities of the banking system of Ukraine over the past 5 years (Figure 2.3).

Analyzing the liabilities of the banking system of Ukraine, it is worth noting that they had a gradual tendency to increase in the studied period from 2018 to 2022 – from 15% to 24%.

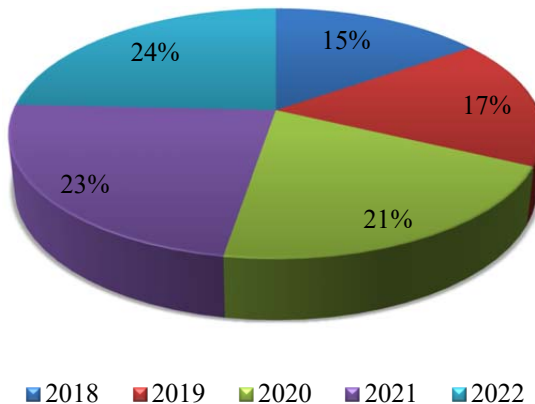


Figure 2.3. The structure of liabilities of the banking system of Ukraine in 2018 and 2022

Source: compiled by the author based on [37]

Also, it is worth analyzing the profitability of assets and capital of the domestic banking system for the years 2018–2022 (Figure 2.4).

Based on Figure 2.4, the return on assets was quite low in 2018, and its highest indicator was in 2019 and was 4.26%, but 2022, despite the generally negative indicators during some months of the war, still managed to turn positive result, although the lowest in the last 5 years. As for the return on capital, its highest indicator was in 2021 and was 35.08%. We also observe a critically low level in 2022 – 2.21%.

The National Bank of Ukraine does everything necessary to ensure the smooth and efficient functioning of the domestic banking system. Already after the end of the war, banking institutions will have time and opportunities to bring their activities to the pre-war mode and to re-form the capital stock.

Hence, the economic situation in the country during the 2022 year is characterized by the unfolding of the consequences of martial law, which is primarily manifested in the growth of inflationary processes, the fall in GDP, and pressure on the currency market.

The war led to the disruption of supply chains, a reduction in the supply of certain goods, an increase in business costs, the physical destruction of production facilities and infrastructure, as well as the temporary occupation of certain territories. The persistence of high energy prices and record

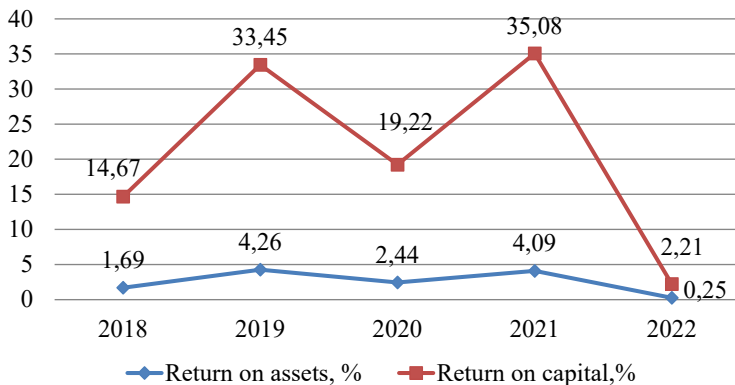


Figure 2.4. Return on assets and capital of the banking system for 2018–2022, %

Source: compiled by the author based on [37]

levels of inflation in partner countries also significantly increased price pressure in Ukraine. At the beginning of the war, a third of the enterprises stopped their activities. The reasons for this are the physical destruction and temporary occupation of several territories in several regions, a high level of uncertainty and risks, the disruption of logistical and production ties, and the forced mass migration of the population.

From the second half of the year, economic activity began to pick up, business and the population slowly adapted to the new operating conditions. This was also facilitated by the liberation of the northern regions and a decrease in the number of regions with active hostilities.

In the 4th quarter of 2022, among the main problems of Ukraine's economy, interruptions in the supply of electricity, water or heat, caused by Russian missile attacks on the country's critical infrastructure, which began in October, took first place. The shortage of electricity led to additional restrictions on economic activity in the country. The vast majority of enterprises reduced production and trade, although some were able to stabilize their work thanks to means of autonomous energy supply, changing working hours or obtaining electricity for production needs.

Currently, the recovery of Ukraine's economy is held back by the destruction of capacities and hostilities, the reduction of demand and the decrease in the purchasing power of households, logistical difficulties, primarily for metallurgists, and problems with electricity. Agriculture is also expected to have a significant negative contribution to the change in real GDP in 2022 – both due to lower yields this year and significantly smaller planted areas.

The fall in GDP in 2022 amounted to -30.4%, which is a better indicator than predicted by previous macro forecasts. In the conditions of high security risks, lower harvests, problems in the energy infrastructure in 2023, it is predicted that the real GDP will grow by only 0.3%.

At the beginning of the large-scale war, the NBU fixed the official exchange rate of the hryvnia to keep the expectations of business and the population under control, and kept the discount rate unchanged at 10%. The fixed exchange rate and currency interventions of the NBU have become key tools for ensuring macro-financial stability. However, as the economy adapted to the war and citizens and businesses returned to the

economic logic of decision-making, in June the NBU returned to active monetary policy and raised the discount rate by 15 percentage points. up to 25%. The purpose of such a step was to protect citizens' hryvnia incomes and savings, increase the attractiveness of hryvnia assets, reduce pressure on the foreign exchange market, and as a result strengthen the NBU's ability to ensure exchange rate stability and curb inflationary processes during the war.

In July 2022, the NBU carried out a one-time correction of the official exchange rate of the hryvnia to the US dollar and fixed it at the level of UAH 36.5686/dollar. USA. According to the National Bank's estimates, the correction of the exchange rate increased the inflow and, accordingly, the sale of foreign exchange earnings by exporters, minimized the speculative component of the behavior of market participants and made it possible to stabilize exchange rate expectations. The correction of the official exchange rate of the hryvnia had only a limited effect on the acceleration of price growth, caused primarily by the consequences of the war for the supply of goods and services and the cost of logistics, as well as the dynamics of prices on global commodity markets. Instead, fixing the official exchange rate at a new, more stable level enabled the NBU to maintain control over price dynamics in Ukraine.

During 2022, the inflationary expectations of businesses and households also increased significantly. The main factors of the growth of inflation are the disruption of supply chains, the destruction of production, the reduction of the supply of goods and services, and the increase of business costs. Another pro-inflationary factor was the effect of transferring the adjustment of the official exchange rate of the hryvnia to the US dollar on prices. Further growth of inflation in the world also affected prices in Ukraine. At the same time, the fixation of tariffs for housing and communal services and the saturation of the domestic market with fuel, together with the preservation of its preferential taxation, inhibited the growth of prices. As a result, inflation grew at a high rate during the year and reached 26.6% year-on-year at the end of the year.

In these conditions, the banking system maintains stability.

The volume of clients' funds in banks increased, which ensured a consistently high level of liquidity despite war risks. A small outflow of household funds in the first two months of the year due to informational

pressure was compensated by an increase in deposits in March. At the same time, the share of funds on demand updated the maximum.

After the start of a full-scale war, the population reduced the demand for loans. Instead, the moderate demand for credit resources from corporations remained. The state facilitated business lending by improving the conditions for participation in government programs, in particular those aimed at supporting the agricultural sector and businesses that are critically important for Ukraine. Banks also actively supported their customers, introducing at the beginning of the war various credit holiday programs, preferential rates and tariffs on products, and upon exiting the credit holidays – restructuring programs for both the mass segment and corporate customers. At the same time, the financial condition of most clients and their ability to service their obligations, in turn, determine the increased credit risks of the banking system and the need to form reserves for them. Provisions for credit losses will continue to grow.

The cost of hryvnia resources has been gradually increasing since the second half of 2022, responding to the maintenance of a high discount rate since June. However, the action of the transmission mechanism significantly slows down the significant liquidity surplus of the banking system.

Management monitors the state of development of the current situation in the external environment and takes measures, if necessary, to minimize any negative consequences as much as possible. Further negative development of events and macroeconomic conditions may adversely affect the Bank's financial condition and results of operations in a way that cannot be determined at this time.

Moody's notes that the downgrade is due to the consequences of the war with Russia, which are likely to create long-term problems for the economy and public finances of Ukraine.

So, the situation in Ukraine in 2022 remains quite complex and tense but controlled. Continuation of hostilities on the territory of Ukraine, further destruction of production facilities, infrastructure, and residential buildings, as well as uncertainty regarding the duration of such a situation restrains further development and postpones active reconstruction.

Finally, it should be noted that in accordance with the considered actions and the adopted Resolution, the banks were obliged to ensure the operation of all branches in an uninterrupted mode, but under conditions, if there is

no immediate threat to the life and health of employees and customers. Banks were obliged to create conditions for free access of their owners to their Sejm boxes. At the same time, no restrictions were imposed on non-cash payments. By the resolution, the NBU undertook to provide support to banks for the constant reinforcement of ATMs with cash. In addition, in order to maintain liquidity, the central bank introduced the mechanism of blank refinancing of banks, namely, the restrictions on the terms and amount of refinancing were canceled and the possibility of extending it for another calendar year was added. With the aim of leveling the negative impact of the panic-stricken mood of the population, regarding the withdrawal of funds from the accounts, in the first days of the full-scale war, the National Bank introduced a restriction on the withdrawal of cash in the amount of no more than UAH 100,000.

In addition, on the first day of the full-scale invasion, the foreign exchange market was completely shut down, except for exchange transactions. The official exchange rate on the same day was officially fixed. A ban was introduced on the issuance of foreign currency from accounts, except for those business entities that were tasked with the implementation of mobilization plans. A moratorium on cross-border currency payments was introduced. Even though non-cash settlements were carried out in an uninterrupted mode, the issue, circulation of electronic money and replenishment of electronic wallets was temporarily blocked.

All decisions made by the National Bank were based on the following principles: – protection of the interests of bank clients, ensuring the provision of services to them at the appropriate level, but considering security factors; – support of banking institutions and their liquidity. Thus, the NBU assumed that the negative impact of military actions on the activities of banks should not cause them to be recognized as insolvent. For this, problematic financial institutions will be given time to restore financial stability after the end of martial law, if necessary; – ensuring the transparency of banks' financial statements, which reflect their real financial condition. This is due to the fact that in the absence of reliable and transparent reporting, it will be extremely difficult for the regulator to implement effective measures to improve the functioning of the domestic banking system after the end of the war. Based on these principles, the NBU determines the list and content of measures aimed at supporting the banking system. However, the expediency of using

certain levers of regulation in practice depends on the implementation of various scenarios of the development of events. An additional tool for supporting the stability of the banking system during the period of martial law was the introduction of blank refinancing at the beginning of the war. According to official data published on the website of the National Bank, during the first month of the war, about 30 banks used this tool. At the same time, the total amount of indebtedness for this type of refinancing amounted to UAH 20.2 billion, which is less than 3% of all deposits. Further support for the liquidity of the banking system was carried out through the suspension of tenders for the placement of certificates of deposit, with a term of 14 days, changing the procedure for announcing refinancing tenders, considering the current situation in the country, canceling the requirement to increase mandatory reserve standards [4]. In addition, in April 2022, the NBU allowed the conduct of (peer to peer) P2P and "quasi cash" transfers to foreign accounts. P2P transfers are transfers of funds from the bank account of one individual to the bank account of another. On the other hand, quasi-cash operations include replenishment of electronic wallets, brokerage or forex accounts, payment of traveler's checks, purchase of virtual assets, etc. The limit for transferring funds for these types of transfers was UAH 100,000. month. Later, due to the use of P2P and "quasi cash" to profit from the difference in exchange rates, in July 2022 the limit for transfers was reduced to UAH 30,000. From October 5, 2022, by the decision of the NBU P2R, transfers to foreign accounts are completely prohibited due to the negative impact on the stability of the banking system [5]. To fully cover the features of the banking system and the foreign exchange market in wartime, we suggest conducting research in the following areas: the structure of the banking sector and the main changes that have taken place in it, the banking infrastructure, trends in the banking and currency markets. According to the results of the review of the banking sector of the sector, published by the NBU in February 2023, it was established that the banking system withstood and quickly adapted to functioning in the conditions of a full-scale invasion. At the time of publication of the review, the banking system is characterized as operationally stable, liquid, and profitable. This was achieved due to the introduction of reforms in the pre-war period, the efforts of the banks themselves, timely preventive measures, and the support of the NBU.

Therefore, thanks to the coordinated actions of the regulator represented by the NBU, the national banking system works stably and ensures the continuous operation of financial institutions in wartime conditions. According to the official data of the National Bank, the losses of the financial sector over the last year are estimated as moderate. Despite the military risks, a sufficient level of liquidity of the banking system is maintained for continuous non-cash payments and fulfillment of other obligations. On the other hand, the foreign exchange market experienced significant fluctuations, and in the first days of the war it stopped working altogether. During 2022, it was gradually restored, by canceling restrictions on the purchase of cash through convertible deposits, stopping the issue of cash hryvnia and banning P2P transfers abroad. The general stability of the foreign exchange market is maintained due to the efforts of the NBU to fix the exchange rate, as well as due to international aid that is systematically received. In the future, the key factor affecting the financial condition of the banking sector will be credit risk, the realization of which can significantly reduce the level of bank capital. However, the NBU does not plan to impose sanctions on banks due to non-compliance with the requirements for the availability of capital and the necessary level of liquidity during the legal regime of martial law and for some time after its end, which will provide the banking system with the necessary time to restore financial stability.

2.2. Management of income and expenses JSC CB "PrivatBank"

The main condition for the restoration of the national economy, which is in an unstable state, is the recovery of the financial sector of Ukraine, and in particular the banking system.

Today, the role of banks as the main regulators of money flows within the national economy has significantly increased. Therefore, in the conditions of a systemic crisis in the banking sector of Ukraine, which is accompanied by a drop in profitability and liquidity indicators of banking institutions, a reduction in the number of banks, an increase in the risks of banking activity, a decrease in the level of trust in the banking system and the outflow of foreign capital, the issue of creating an effective system in the management of financial stability of the bank.

In the conditions of globalization of the world economy, there is an increase in competition in financial markets, accordingly, the problem of developing a system for managing the financial stability of the banking system becomes a priority, considering the crisis state of the domestic banking sector under the influence of modern challenges.

JSC CB "PrivatBank" has existed since 1992 and is a leading bank in the banking market of Ukraine. According to the results of the CBR Ukraine 2020 study, 64.7% of Ukrainians over the age of 16 work at PrivatBank. JSC CB "PrivatBank" is one of the most innovative banks in the world. An example of this is the fact that more than 10 years ago, PrivatBank was one of the first in the world to start using one-time SMS passwords in its operations. Recent innovations that have gained worldwide recognition include such inventions as mini-payment terminals, the use of QR codes to access online banking, online cash transfers and dozens of other diverse mobile applications. The bank's mission: "To contribute to economic development, business growth, and the realization of the dreams of private clients by providing financial services of the highest quality". The bank's slogan: "PrivatBank – we take and do".

The sole shareholder of PrivatBank, which owns 100% of the bank's shares, is the state represented by the Cabinet of Ministers of Ukraine (address: 01008, Kyiv, Hrushevsky St., building 12/2). The main office of PrivatBank is located in the city of Dnipro (formerly Dnipropetrovsk). As of December 31, 2021, the bank under study has 20 branches and 1,475 operating branches in Ukraine and 1 branch in Cyprus. JSC CB "PrivatBank" makes up a fourth part of the entire banking system of Ukraine, is a systemically important and the largest specialized savings bank that serves the deposits of a third of the population [50, p. 90]. On December 18, 2016, the Cabinet of Ministers of Ukraine approved the National Bank of Ukraine's proposal for its nationalization.

The key factor influencing the amount of all types of profit of the bank under study is the amount of the bank's income, which is obtained in the process of functioning. Income is the basis for the development of commercial bank activities. The main share of the banking institution's income is the source of covering expenses related to its operation.

It is important for the investigated bank to remain a reliable partner and financial advisor to its clients, in fact, it hopes to provide high-quality, efficient services in 2022 and beyond.

In 2022, despite the state of war, the bank's organizational structure continued to be improved in accordance with the approved Bank Development Strategy:

- changes took place in the regional network (the transfer of balances and customers of branches to the balance of the Bank's Head Office continued);

- there were changes in the structure of the Head Office (new positions of the Bank's Management Board members were created, a number of new divisions were created, internal structures and subordination of individual divisions were changed).

As of January 1, 2023, PrivatBank had 1,210 branches. According to this indicator, it is the leader among banks. During 2022, the number of branches was reduced by 287 institutions, and in 5 years – by 1,033 branches. The reason for this was that most small banks were unable to recapitalize.

An analysis of indicators of financial results of the studied commercial bank was carried out (Table 2.4).

Based on these financial results, it is worth paying attention to the fact that over the past 5 years commission expenses have increased significantly, more than four times. However, the volume of interest expenses decreased by UAH 11,837 million compared to 2017, but still the main part of the expenses of JSC CB "PrivatBank" is interest expenses.

In 2022, JSC CB "PrivatBank" is purposefully developing its services and products, offering customers innovative services, financial technologies, improving the work of its branches and payment infrastructure, developing lending quite rapidly, despite macroeconomic and political problems, expanding the product line for various segments clients and responsibly approaches risk assessment.

In 2021, the sources of profit of the bank under study did not change significantly, however, they were under the influence of macroeconomic negative trends. On the one hand, the bank's income in 2021 was significantly affected by restrictions on fluctuations in commission income, credit growth, and therefore, on the other hand, the tendency to lower interest rates on the market contributed to a decrease in the cost of resources. In addition, last year there was an increase in the volatility of macro factors, which caused a significant result precisely from financial assets and position revaluations.

Table 2.4

**Dynamics of indicators of financial results of JSC CB "PrivatBank"
in 2017–2022, UAH million**

Indexes	Years						The ratio of 2022 to 2017	
	2017	2018	2019	2020	2021	2022	million hryvnias	%
Interest income	24485	30754	33841	33563	35854	43686	19201	178,4
Net interest income	6111	16752	19667	21961	29317	39918	33807	653,2
Commission income	13211	19590	24575	27649	35057	32945	19734	249,4
Net commission income	10194	15188	18189	18761	23217	20440	10246	200,5
Interest expenses	18374	14002	14095	11961	6537	3768	-14606	20,5
Commission costs	3017	4402	6386	8888	11840	12505	9488	414,5
Administrative and other operating expenses	12194	13988	6576	6315	2348	10473	-1721	85,8
Income tax	19	-9	-2073	-4403	-3318	5030	5011	-
Net profit (loss)	-23914	12870	32609	24302	35050	30198	6284	-

Source: compiled by the author based on [56]

Analysis of income and expenses of commercial banks makes it possible to find out the reasons for changes in these incomes and expenses and to monitor the trend of such changes, which will contribute to effective management of income and expenses of banks. Own management of income and expenses is a rather complex process, therefore its main goal is to increase the level of income and minimize bank expenses, which will make it possible to increase the level of profit of the banking institution, make it possible to make a qualitative forecast and determine the factors affecting the amount of income and expenses of the domestic the bank. At the same time, the analysis of the bank's income and expenses structure

serves as a fundamental prerequisite for ensuring the safety of cooperation with a commercial bank on the part of customers, depositors, shareholders and other banking institutions.

The bank provides universal service for a wide range of clients and is the leader of the Ukrainian market in the retail segment, actively promoting services for small and medium-sized businesses and selectively working in the corporate sector. The basis of the bank's resource base is the funds of individuals in the national currency with a significant share of current accounts. The Bank's strategic goal is to build a high-quality credit portfolio of retail loans and loans to small and medium-sized businesses (SMEs). The bank has a powerful Privat24 transaction platform, which allows you to effectively serve account management operations for clients of all segments and ensures a high level of commission income. Along with online services, the Bank has an extensive network of branches, ATMs and self-service terminals that allow providing services throughout the country (with the exception of temporarily occupied territories).

Let's analyze in more detail the bank's income and expenses, among which the following are the most significant: interest income and expenses (Figure 2.5).

In 2022, a significant improvement in the bank's financial results was due to the growth of its revenues and a decrease in costs. Net interest income in 2022 amounted to UAH 43.7 billion, it increased by almost 21,8% compared to 2021.

In addition, JSC CB "PrivatBank" was forced to create additional reserves in order to reduce the usefulness of credit operations, as a result of the impact of the COVID 2019 pandemic on the economic activity of borrowers. The size of this reserve was UAH 1.25 billion. If you calculate the impairment reserve, it turns out that the net interest income of PrivatBank is practically stable.

The increase in the total income of the bank under study was caused by the growth of net interest income and net commission income (Figure 2.6).

The net commission income of PrivatBank is gradually increasing, in 2020 it has already reached the level of UAH 27.6 billion, compared to 2019 – UAH 24.6 billion. Trends in commission income are caused by the revision of commercial bank tariffs and an increase in the amount of bank

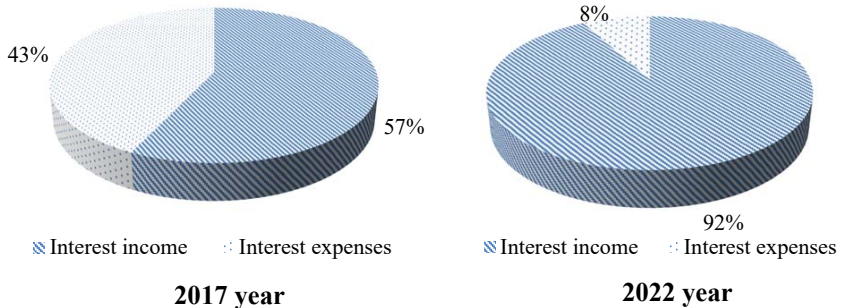


Figure 2.5. Dynamics and structure of interest income of JSC KB "PrivatBank" for 2017 and 2022

Source: compiled by the author based on [56]

client payments. The trading result was formed mainly due to currency purchase and sale operations, so in 2020 it amounted to UAH 3.1 billion. Also, a certain share of PrivatBank's profit is the result of the influence of macroeconomic factors.

The global and domestic economy has undergone some changes, and this led to an increase in the fair value of domestic state loan bonds, which were received as a contribution to the charter capital of a commercial bank upon nationalization. As a result of this revaluation, PrivatBank received UAH 16 billion in profit in 2020. In addition, such a revaluation to some extent reduces the negative impact on the commercial bank's consequences of exchange rate fluctuations, which during 2020 caused up to UAH 7.5 billion losses.

In 2022 JSC KB "PrivatBank" continued to hold on the dominant and leading position of the domestic banking sector in terms of the number of clients who are convinced that PrivatBank is their main bank based on financial indicators. However, profit at any cost is not the bank's key priority. Its main goal is to implement a long-term sustainable business model of the company. The confirmation of such stability and continuous and dynamic development of the bank is the increase in the number of active clients [55].

It is worth noting that another cost item of PrivatBank is the funds it allocates to the development of offline business, to the effectiveness and convenience of branch operations. In December 2020, the bank under

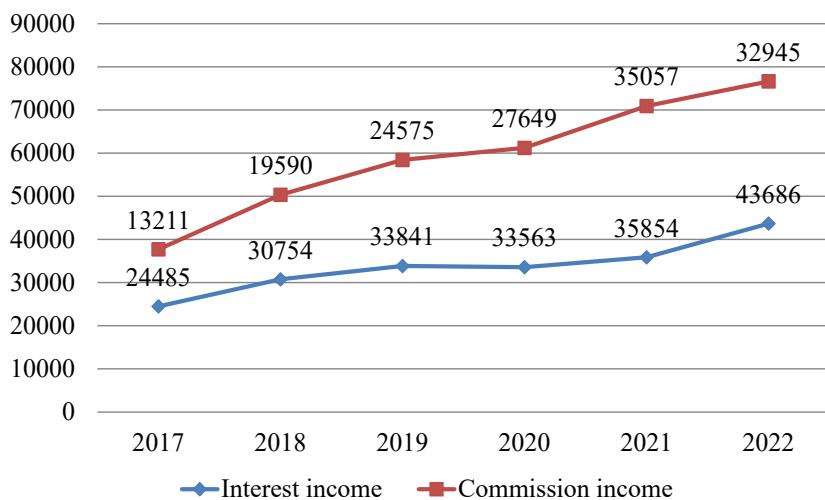


Figure 2.6. The dynamics of interest and commission income of JSC CB "PrivatBank" for the years 2017–2022, UAH million

Source: compiled by the author based on [56]

study opened a branch with an innovative format – Concept Store. This branch reflects a harmonious combination of modern design, state-of-the-art technologies and high-quality banking service. In such a branch, clients of PrivatBank can not only receive financial services, but also hold events, meetings or simply work in comfortable conditions.

In Ukraine, starting from the end of 2013, the economic and political situation was characterized by instability, the result of which was the deterioration of state finances and a rather sharp devaluation of the national currency, the hryvnia, relative to the base foreign currencies. Already at the end of 2016, JSC CB "PrivatBank", which was the largest credit and financial institution, went bankrupt and was nationalized.

Clients' trust in the state-owned PrivatBank grows every year. This is evidenced by the amount of clients' funds in PrivatBank at the end of 2020, in contrast to last year's indicators, i.e. it increased by 29% to UAH 309.5 billion. According to the results of 2020, the number of clients – individuals of JSC CB "PrivatBank" increased fundamentally

by 1.2 million, and the number of clients – legal entities (entrepreneurs) increased by a record 122 thousand.

Part of the bank's income is the source of its net profit. The greater the range of financial services offered by the bank to clients, the greater the profit expected for investors in the bank's capital. Therefore, any commercial bank aims to increase the volume of services, that is, to increase its assets and liabilities, which under normal conditions will contribute to increasing its profit.

The net profit of the banking institution for 2021 amounted to UAH 35.05 billion, this indicator remains the maximum financial result of the entire national banking sector (Figure 2.7).

It is worth noting that over the past 5 years, the net profit of the bank under study has grown more than 8 times. The trend line shows that the size of the net profit of JSC CB "PrivatBank" has positive dynamics.

Based on the obtained figure, it is confirmed that PrivatBank has always been one of the largest, that is, its bankruptcy would have a very negative impact on the general economy of the country and would cause quite large losses among the clients of this bank. This would be the cause of the final loss of customer confidence in the domestic banking system and the state as a whole. It is because of this that the state had to save PrivatBank by nationalizing it and paying off all its debts. More than UAH 155 billion from the state budget was spent on these actions. However, the purpose of the nationalization of this bank was its financial recovery by 2022 with subsequent sale for the return of funds.

In general, the years 2020–2021 are the period of spread of the coronavirus pandemic (COVID-19), as a result of which there was a recession of the world economy and not excluding the domestic economy, and a significant slowdown of economic activity in Ukraine occurred due to the invasion of the Russian Federation.

Speaking specifically about the investigated period, even in quarantine conditions, PrivatBank promptly responded to changes and was able to ensure uninterrupted operation of branches, online support for its customers and protection of its own personnel. In fact, since the beginning of the coronavirus pandemic and the introduction of the lockdown, the bank has developed and offered support to its customers through "credit holidays", numerous restructuring programs, and reduced tariffs for various banking operations.

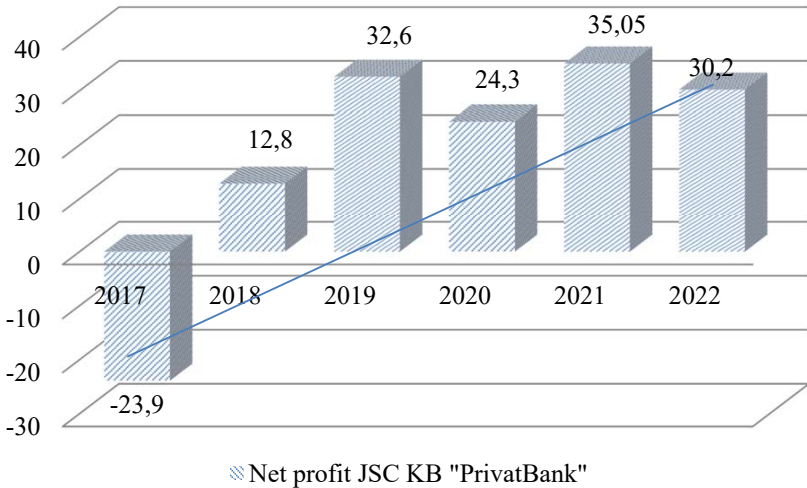


Figure 2.7. Net profit (loss) of JSC KB "PrivatBank" for 2017–2022, UAH billion

Source: compiled by the author based on [56]

Within the commercial bank, the process of optimizing activities, products and service delivery channels was actively being reviewed. Moreover, the primary task was to ensure a smooth, effective and high-quality customer service process, taking into account the organization of the work of departments and offices in the conditions of strict quarantine restrictions and increased requirements for the protection of employees.

Actually, it was the experience gained during the pandemic and several years of active work under quarantine restrictions that helped JSC CB "PrivatBank" to withstand the full-scale invasion of the Russian Federation and show quite good results.

The priority areas of the Bank's activity are improving the quality of customer service processes with mandatory compliance with the requirements of the law, developing lending while maintaining the high quality of the loan portfolio, improving and developing banking products/services, and optimizing the infrastructure.

However, during the period of martial law and the post-war recovery of the economy, the target priorities of the Bank, as the state bank of Ukraine, are primarily active participation in ensuring the financial stability of Ukraine, support and stability of the functioning of the banking sector, ensuring financing of priority sectors of the economy and smooth functioning of enterprises (objects) of critical infrastructure, including those owned by the state.

As defined in the Main (strategic) areas of activity of state sector banks for the period of martial law and post-war economic recovery (approved by the order of the Cabinet of Ministers of Ukraine on May 7, 2022), during the period of martial law and post-war economic recovery, state banks must ensure the achievement of the following strategic goals:

- provision of financial support for priority sectors of the economy and enterprises (objects) of critical infrastructure;
- the availability of banking services to ensure the protection of consumer rights, in particular within the framework of social protection of the population, provided there is no physical threat to bank employees;
- creation of conditions for the rapid restoration of the provision of banking services in full and ensuring the functionality and continuity of the work of public sector banks;
- creating, setting up and maintaining the functioning of an effective system of physical security (the central office and separate divisions of such a bank, including the security of bank employees), security of operating systems, in particular with the use of cloud solutions, and cyber security;
- implementation of measures aimed at reducing risks, including implementation of possible threats, implementation of bank security measures, in particular control over security risks (including physical, financial, cyber security and security of operating systems), elimination and/or minimization of the consequences of realized threats and crisis situations;
- smooth and effective work of the bank’s managers to ensure the adoption of the necessary management decisions;
- preservation of the bank’s financial stability, identification of possible threats to such stability, as well as prompt response to threats to financial stability and/or their avoidance.

2.3. Analysis of the profitability of JSC CB "PrivatBank"

Recognition of the financial results of commercial bank activity is confirmed in various nominations of well-known international agencies. Only in 2020 JSC CB "Privatbank" entered the top 10 banks of Central and Eastern Europe, the investigated bank received the nomination "CEE's best bank transformation" according to Euromoney. JSC CB "Privatbank" became one of the first domestic commercial banks to which was included in the ranking of the best banks in the region for the entire history of this competition "Euromoney's Awards for Excellence".

JSC CB "PrivatBank" is actively developing financial innovative technologies. Actually, during 2020–2022 the bank developed and implemented new innovative products such as: the first in the national banking space biometric payment POS terminals with FacePay24 technology, in addition, introduced the possibility of payments in chatbots of the very popular social messenger Viber, along with SM POS and UKey became a leading innovator in the implementation of software POS for business (in one device is a comprehensive solution that combines a state-of-the-art mobile POS terminal with all payment systems functions, product accounting system and cash register), using comfortable online acquiring LiqPay. In 2021, introduced the technology of biometric recognition of the client's voice for additional protection of financial transactions.

The banking institution studied in this paper is the first in banking market of Ukraine opened the issue of payment cards of the international UnionPay International system and introduced the first co-bagging card on the domestic market, which combines two payment systems at the same time, and at the end of 2020 launched an online service for subscription and management of utilities providers.

In addition, it is worth noting the significant results of the bank under study in 2021 JSC KB "Privatbank" replenished the state budget of Ukraine by more than 13 billion hryvnias in taxes and fees. This is the result nationalization of this commercial bank, because before him transition to state ownership, PrivatBank was reluctant to pay taxes and meeting.

The profitability of a banking institution is a multifaceted economic category, which undoubtedly combines the results obtained from the activity

of a business entity, and, in fact, its ability to earn a profit as a key source of expanded reproduction in the future.

To further calculate the profitability ratios, it is necessary to consider the indicators regarding the financial condition of JSC CB "PrivatBank", which are necessary for substitution into the formulas for calculating these ratios. Table 2.5 shows the key results of JSC CB "PrivatBank" activity for the period 2017–2022.

Table 2.5

**The main indicators of JSC CB "PrivatBank" activity
for the calculation of efficiency ratios for 2017–2022, UAH million**

Indexes	Years						Absolute deviation 2022/2017
	2017	2018	2019	2020	2021	2022	
Net profit (loss)	-22966	11688	32609	25306	35050	30198	53164
Assets	259061	525248	552058	568244	582851	96380	-162681
Passives	233454	250575	259577	333112	334681	491895	258441
Interest income	24485	30754	33841	33563	35854	43686	19201
Interest expenses	18374	14002	14095	11961	6537	3768	-14606
Credit portfolio	38118	52020	61033	56805	70193	71416	33298
Liquid funds	19697	22345	27030	27030	28118	40567	20864
Bank funds	234	195	201	2	3	3	-231
Equity	25608	31462	54529	53828	66615	57843	32235
Share capital	206060	206060	206060	206060	206060	206060	0

Source: compiled by the author based on data [56]

JSC CB "PrivatBank" is currently positioned as one of the systemically important banks of Ukraine, which is confidently developing on the domestic financial market. In confirmation of this, we observe the growth of the bank's assets for the period 2017–2022: 259061UAH million in 2017 to 96380UAH million in 2022. We also see an increase in profits, despite the rather difficult operating conditions caused by the Covid-19 pandemic: UAH 22,97 million to UAH 30,2 million. However, in 2022, net income fell to 4,852 million.

The Bank's equity increased by 0.94%: from UAH 52,828 million in 2020 to UAH 66,615 million in 2021. The size of the bank's share capital

in the analyzed period did not change and as of the end of 2021 amounted to UAH 206,060 million.

The commercial bank's effective policy of increasing its own capital made it possible to stop using subordinated debt in 2019. Actually, the growth of equity capital during the analyzed period occurred primarily due to the growth of authorized capital and retained earnings, the highest growth rates of which were observed in the distant 2017. During this period, other funds were actively attracted, and tax liabilities increased.

In 2021, the loan portfolio of JSC KB PrivatBank grew by 19.03% to UAH 70,193 million, and its share in the banking institution's assets increased from 14.38% to 17.62%, or by 3.24 percentage points.

The amount of profit of a commercial bank reflects the relative effect of conducting activities, and profitability outlines the measure of this efficiency, that is, the relative level of profitability of the institution, the products produced or the services provided. Profitability makes it possible to imagine whether the profit is at a sufficient level in comparison with other specific indicators that have an impact on the implementation of the financial and economic activities of the enterprise. In the course of calculating the profitability indicator, the profit itself is compared with the factors that are the most influential.

Therefore, JSC KB "PrivatBank" generated a significant amount of profit and increased net interest and net commission income compared to 2020, and even more so to previous years.

Moreover, despite the multiple growth of individual indicators, in general, the growth rate of assets and liabilities items is decreasing.

The use of profit as an indicator of the assessment of financial results of activity is complicated by differences in the scale of activity both between different commercial banks and within one, but at different time intervals. To compare the profitability of different banking institutions and analyze profitability, it is necessary to analyze relative indicators of profitability (profitability).

The ROA indicator makes it possible to make an assessment of the management's effectiveness in ensuring the profitable activity of a banking institution. This indicator is calculated as the ratio of the net profit indicator to the bank's assets indicator (the normative value of this should be at least 1%). In 2017, this indicator had a negative, negative value. But already in 2018–2019, this indicator has a satisfactory value. Starting from 2019,

the indicator began to deteriorate, which, in our opinion, was caused by the influence of crisis political, economic and social factors.

In 2016, the profitability indicator had a rather low value (-55.8%), it is worth noting that the decrease in the profitability indicator began in 2014, then the indicator halved (from 1% in 2013 to 0.4% in 2014). After the nationalization of the bank, there is a tendency to improve the bank's profitability and, accordingly, to improve its solvency.

The ROE indicator reflects the strategic relationship between profitability and risk, this indicator is sensitive to the sources of formation of the banking institution's resources and depends on which sources are used more in turnover – own or borrowed. This indicator is calculated as the ratio of the bank's net profit to capital (normative value should be at least 15%). This indicator had an extremely low value in 2017 and was equal to -120%.

It should be noted that in 2018 and 2019 this indicator is above the norm and as of the end of the II quarter of 2019 is 69.9%. Note that in 2016

the bank was in a rather critical state, the profitability indicator was six times less than the norm. Taking into account that the equity ratio of JSC KB "PrivatBank" also decreased sharply in 2016, we can conclude that in 2016 the bank was on the verge of bankruptcy and threatened with liquidation. Since 2018, the equity ratio has increased, profitability during 2019–2022 fluctuates within 50%.

The calculation of the main profitability ratios of JSC KB "PrivatBank" is shown in Table 2.6.

Analyzing the key profitability indicators of JSC KB PrivatBank, it is worth noting that in the period 2017–2022, all indicators corresponded to the recommended values, however, in 2017, the indicators of profitability of assets, net interest margin and profitability of capital did not meet the norm.

Based on the value of the return on assets indicator, it can be concluded that in 2017–2022 JSC CB "PrivatBank" used its available resources effectively, but in 2017 it was quite inefficient, because in these years the value of this indicator was lower than 1%.

In 2017, a significant deviation from the norm was also observed in relation to the capital profitability indicator, since the recommended value of this indicator should be at least 15%, in the studied 2018–2021, the capital profitability indicator is consistent with the normative value. This ratio shows how much net profit per 1 (one) hryvnia of equity.

Table 2.6

**Calculation of key profitability indicators
of JSC CB "PrivatBank" for 2017–2022, %**

Indicator	2017	2018	2019	2020	2021	2022	Relation 2022 from 2017 (+, -)
Profitability return on assets (ROA)	-8.87	2.23	5.90	4.45	5	4,7	-0.68
Profitability return on equity (ROE)	-89.68	37.15	59.80	47.01	50	45	-0.59
Clean spread (Emergency)	3.99	5.63	6.96	6.25	6.51		1.63
Pure interest margin (CPM)	1.95	6.20	7.63	6.61	8.9		4.11
Current indicator profitability	-0.09	0.05	0.11	0.06	0.14		-1.56
Average indicator the amount of profit	-1.01	0.41	0.59	0.46	0.63		-63
Profitability indicator income	0.96	1.18	0.94	1.07	0.99		1.03

Source: compiled by the author based on data [56]

The net spread shows the level of consistency of the banking institution's interest policy on credit and deposit operations. This indicator for all the studied years is within the normal range (the recommended value is at least 1.25%).

In general, the analysis of the coefficients of financial stability, liquidity, profitability and the analysis of the dynamics of the main indicators allow us to conclude that JSC KB "PrivatBank" despite the crisis in the banking sector and a number of external factors that negatively affect it, has a satisfactory level of financial stability. However, the modern market environment is quite unstable and the bank must systematically take measures to maintain the level of financial stability and ensure its competitive capabilities.

Net interest margin is an indicator that evaluates the bank's ability to generate net interest income using total assets. That is, this indicator reflects the structure of commercial bank assets. In 2017, this indicator was also below the normative value and this became a signal of the threat of bankruptcy. The main factors of the decrease in the interest margin include a decrease in interest rates on loans, a decrease in the specific weight of

income assets in the total volume, an increase in resource prices, and an incorrect interest rate policy. The recommended value of this indicator is within 4.5%, in the studied 2018–2021, the indicator is even higher than optimal. The net interest margin shows how much net interest income comes from 1 hryvnia of working assets.

Bank profitability plays an important role in the activity of commercial banks. A comprehensive and reliable assessment of the bank's profitability makes it possible to obtain the maximum amount of information necessary for the analysis of the bank's financial stability. The basis for a specific assessment is the need to obtain clearer, objective and logical conclusions regarding the development prospects and financial condition of the bank for the bank's customers, creditors, depositors and the NBU, which constantly monitors the activities of the bank's organization. If you manage the profitability of the bank effectively, with reliable estimates and objective analysis, which will lead to the achievement of the tactical and strategic financial goals of the bank [55].

The study of known options for bank profitability analysis made it clear that the most objective assessment of profitability can be obtained by determining the profitability ratings of commercial banks of Ukraine and using a system of relative indicators, namely: ROE – return on equity and ROA – return on assets.

The key indicator of banks' profitability is the profitability of assets. This indicator determines whether a commercial bank functions effectively, that is, what is the average amount of profit obtained by 1 (one) unit of assets. Information on the profit on shareholders' funds also includes an indicator of the return on equity capital. This indicator characterizes the amount of net profit after full deduction of taxes obtained for 1 (one) monetary unit of the share capital of a commercial bank.

By using the system of the listed indicators, it is possible to assess the profitability and efficiency of the bank under study both to its customers and to the administration in real conditions. We note that the indicator (ROA) contains a valuable informative base for the bank's clients, as well as for banking supervision authorities. Whereas the rate of return on equity (ROE) is more significant for bank owners.

The profitability of a banking institution plays an important role in their functioning. A comprehensive and qualitative assessment of the

profitability of a commercial bank makes it possible to obtain the largest possible amount of important data for analyzing the financial stability of financial institutions. This is necessary in order to obtain clearer and more significant conclusions regarding the development of the bank and its financial condition for the near future both for its depositors, creditors and customers, and for the National Bank of Ukraine, the purpose of which is continuous and high-quality supervision of the work of domestic banking institutions [58, p. 30].

So, in 2021 JSC CB "PrivatBank" fundamentally increased the loan portfolio (by 19.03%) and, on the contrary, decreased the portfolio of investment securities (by 10.31%), and bank debt (by 30.31%). As of the end of 2021, JSC CB "PrivatBank" was very well provided with capital (core and regulatory) and liquidity, which, accordingly, positively affects the credit rating of the bank under study. According to the results of 2021 compared to 2020, PrivatBank significantly increased net interest income (+32.52%) and net commission income (+28.60%). The profit of the investigated bank for 2021 amounted to UAH 35,050 million, which, according to the regulator, is about 41.26% of the total profit of the domestic banking system. Also, it is worth emphasizing that PrivatBank is a strategic interest of Ukraine, that is, it provides it with a high level of external support.