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bribery in the Russian Federation, the Republic of Kazakhstan, the Republic of Armenia and the Republic of Kyrgyzstan.

It should be emphasized that attempts to pass a legislative act that would regulate the activities of lobbyists were made in the Russian Federation: in 1995, 1997, 2003; the National Anti-Corruption Plan for 2012-2013 provided for a discussion on the regulation of lobbyists, and in the plan for 2014-2015 the development of the regulatory framework was discussed. Currently, promotion services are not regulated by the relevant legislation in Russia.

It is necessary to intensify the process of improving anti-corruption legislation in terms of lobbying interests in order to differentiate lobbying and corruption, stimulate the authorities to prevent the facts of lobbying (to counter various pressure groups) in the EAEU countries. In this regard, it is advisable to take into account the experience of the United States:

- providing systematic reporting on the economic activities of lobbying persons;
- passing the obligatory registration of a lobbyist;
- introduction of a period during which employees of the state apparatus cannot engage in lobbying services;
- listing of permitted methods and technologies of lobbying.

Currently, a dialogue between the authorities and representatives of society is needed in order to achieve sustainable socio-economic development of society, to combat shadow relations, which are increasingly manifested in the EAEU countries. The development of a law on the regulation of lobbying will help prevent the development of bribery and increase mutual understanding between the government and society, which will lead to effective economic solutions.

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## FORMATION OF THE LOAN PORTFOLIO IN THE CONTEXT OF ENSURING THE BANK'S FINANCIAL STABILITY

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### Abstract

In conditions of economic instability, lending to individuals gradually became an unattractive product for most banks. The main reasons for this were high inflation and, as a rule, long-term lending, while banks preferred short-term loans for trade operations. The article presents measures to improve the credit policy of a commercial bank, improve the quality of the loan portfolio, security of loan repayment, the implementation of the mortgage right and the formation of a reserve for possible losses. Since loans, which are the most significant and always the most problematic part of assets in banks, they must be carefully assessed and standardized. Based on this, the bank's credit policy is one of the most important tools for risk prevention, and its main purpose is to establish the key principles that must be followed by managers and executives of the bank when planning lending and lending.

**Keywords:** bank, credit, loan portfolio, credit policy, stabilization of the banking system.

The unstable economic situation, along with the insufficient level of development of the securities market and other alternative objects of investment in the realities of Ukraine's economy, puts forward new requirements for methods and tools of loan portfolio management as a crucial component of banking institutions' profits. The strategic goals of loan portfolio management in such market conditions are classification, measurement and monitoring of risk, study of sources of portfolio risk and development of effective methods of building a loan portfolio with minimal risk, maximum return and sufficient liquidity, the balance between which is determined by the chosen credit policy.

Loan portfolio - a set of all bank loans, structured according to certain parameters in accordance with the objectives of the credit policy defined by the bank. The volume of the loan portfolio is estimated at the book value of all bank loans, including overdue, prolonged and doubtful. In the structure of the bank's balance sheet, the loan portfolio is considered as a single whole and an integral part of the bank's assets, which has its own level of return and the corresponding level of risk.

The volume and structure of the bank's loan portfolio are determined by the following factors:

size of the bank (capital); rules for regulating banking activities;

official credit policy of the bank; experience and qualification of managers;

level of profitability of different areas of funds.

The structure of the loan portfolio. the bank depends on lending entities (legal entities and individuals); debt service status (high, good, satisfactory, weak, unsatisfactory); class of the debtor (class of the debtor - legal entity (from 1 to 9) is determined depending on the value of the integrated indicator of the financial condition of the debtor, taking into account the size of the enterprise); credit quality categories (from 1 to 5, taking into account the state of debt service and the class of the debtor - a legal entity); credit risk indicator, which depends on the actual values of the integrated indicator of the financial condition of the debtor-legal entity, the debt coverage ratio, the quality of management of the debtor - legal entity, markets, business plans, ratings of the debtor - legal entity and other events and circumstances may affect the timeliness and completeness of debt repayment; types of economic activity; lending currency; credit terms, etc.

The competitiveness of the bank's loan portfolio is influenced by the following factors: risk, liquidity,

profitability, recovery rate and the degree of renewal of the loan portfolio [1].

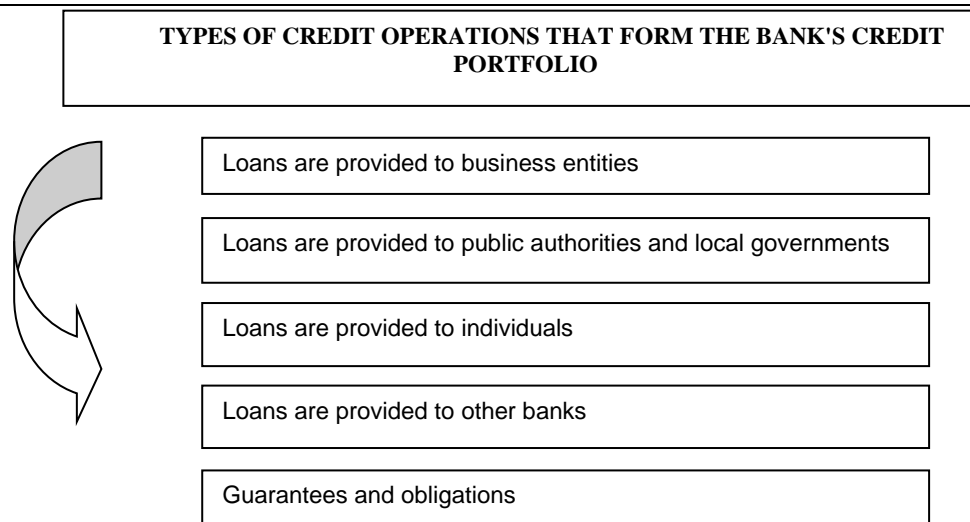
A loan portfolio is a set of loans granted by a bank on a certain date in order to generate interest income. Debts on credit operations that make up the bank's loan portfolio include (Fig. 1):

- time deposits placed with other banks and doubtful debts on them;
- loans to other banks and doubtful debts on them;
- claims acquired in the framework of factoring transactions with business entities and doubtful debts on them;
- loans granted for transactions with business entities;
- loans granted by credited promissory notes to business entities and doubtful debts on them;
- loans to business entities in current and investment activities and doubtful debts on them;
- loans granted to public authorities and local governments, and doubtful debts on them;
- loans for current needs and investment activities provided to individuals and doubtful debts on them;
- loans granted on promissory notes to individuals and doubtful debts on them;
- overdraft loans granted to business entities and individuals;
- guarantees, sureties, confirmed letters of credit, acceptances and endorsements provided to banks;
- doubtful debts on paid guarantees issued to banks, individuals and business entities;
- guarantees and endorsements provided to individuals and business entities;
- doubtful guarantees provided to banks, individuals and business entities;
- lending commitments provided to banks, individuals and businesses.

The total amount of the loan portfolio is determined by the book value of all bank loans, including overdue, prolonged and doubtful, and the value of off-balance sheet liabilities of the bank for lending.

The size and structure of the loan portfolio are affected by the following parameters:

- credit policy of the bank;
- experience and qualifications of credit department employees;
- size and cost of credit resources;
- requirements and restrictions of the National Bank;
- level of credit risk.



*Fig. 1. Types of credit operations that form the bank's loan portfolio.*

In order to calculate the amount of the provision for credit risks, banks must classify the loan portfolio - assess the level of credit risk for each loan transaction according to the following parameters:

- creditworthiness of the borrower;
- the state of the borrower's service of debt and interest / commissions on the loan;
- level and quality of credit transaction collateral.

The procedure for classifying the bank's loan portfolio is determined by the NBU Regulation "On the Procedure for Forming and Using the Reserve for Compensation of Possible Losses on Banks' Credit Operations".

The main principles of the bank's loan portfolio management include:

- use of a systematic approach to loan portfolio management, which involves considering the totality of loans provided by the bank in their relationship and interdependence as a single system that is influenced by certain internal and external factors;
- regularity of loan portfolio management, which provides for a clear strategy of the bank to organize credit operations both at the level of relationships with each individual borrower and at the level of the entire portfolio of bank loans, which provides a clearly defined system of measures to form its structure;
- comprehensive management, which includes coverage of all structural units of the bank, the activities of which may to some extent affect the final amount of liabilities of customers on loans;
- objectivity of management, which determines the availability of reliable and accurate information for making adequate decisions on the volume and structure of the loan portfolio, as well as its current adjustment in accordance with the strategic objectives of banking credit policy;
- efficiency of management, which provides a rapid response of the bank's management to changes in market conditions and the action of certain factors influencing lending activities in order to adequately assess the situation and make the necessary decisions to change the structure of the loan portfolio;
- management efficiency is a key principle that de-

termines the content of bank management in the formation of the loan portfolio in a way that provides maximum opportunities for the strategic goals of the bank in terms of ensuring the profitability of its lending activities with minimal risk.

Thus, compliance with these principles can be an important factor in ensuring the effectiveness of the entire organizational and economic mechanism for the formation of the loan portfolio of a commercial bank.

At the present economic stage of Ukraine there is a tendency to increase the role of banks in financial support for the development of the real sector of the economic system. Effective lending is currently one of the most important tasks of the banking system of Ukraine. The main source of income for banks is to make a profit from lending operations. In this regard, the main problem facing the management of banks today is the effective formation of the bank's loan portfolio. Its inefficient formation leads to increased risks of credit operations, which, in turn, leads to losses and loss of invested resources.

Proper organization of bank lending, development of an effective and flexible system of credit operations management, proper provision of its operational and reliable accounting information is the basis of financial stability and market stability of banks. Given the negative impact of the global financial crisis, the formation of the optimal loan portfolio of the bank becomes especially important in order to increase the efficiency of its activities through the implementation of appropriate credit policy [2].

Qualitative assessment of the loan portfolio is primarily aimed at minimizing the risk of default on loans, which leads to significant losses for banks and can lead to bankruptcy. The following indicators are used to assess its level:

- loan security ratio;
- loss guarantee ratio;
- loan loss protection ratio;
- loss coverage ratio;
- equity coverage ratio [3].

These indicators need to be analyzed in dynamics to determine the tendency to change and the reasons for their change. The calculation of these ratios allows to

determine the trends of the financial condition and ways to increase the economic efficiency of credit operations. The essence of the loan portfolio is also taken into account in its functions, including:

- distributive and redistributive;
- replacement of money by credit operations;
- consolidation of loans;
- minimization of credit risk;
- expansion and diversification of the bank's income base.

Banks' loan portfolios shrank and profits declined due to COVID-19 and quarantine. In April-June, the banking market felt the effects of the pandemic and the introduction of quarantine measures due to the reduction of the loan portfolio and lower profitability. At the same time, in contrast to previous crises, retail and business deposits grew. The National Bank continues to facilitate the comfortable passage of banks and borrowers in the current crisis, but requires a proper assessment of risks by market participants and next year will analyze the quality of the restructuring.

Against the background of the COVID-19 pandemic, despite the further cheapening of loans, the demand of both businesses and individuals for loans decreased, which led to a reduction in the loan portfolio of banks.

Thus, the portfolio of net business loans (ie the portfolio excluding reserves) decreased over the quarter by 6.3% in hryvnia and by 3.6% in foreign currency in dollar terms. The portfolio of net loans to households decreased by 5% for the quarter (-4.4% for April) for the first time since the beginning of 2017. The key factor in this reduction was the formation of reserves by banks while reducing the demand for loans due to deteriorating consumer sentiment. In particular, loans for household appliances and car loans decreased in the second quarter.

In the second quarter, the share of non-performing loans, in particular in state-owned banks, decreased due to write-offs. The level of coverage of non-performing loans by reserves increased by 1.2 in the quarter. n. to 96.8%, updating the historical maximum. At the same time, it is too early to draw conclusions about the overall impact of the pandemic and quarantine measures on the quality of the loan portfolio, as there is still uncertainty about the pace of recovery of individual sectors of the economy and the length of credit vacations.

In the second quarter, the growth of retail and business deposits in banks continued. In particular, hryvnia funds of business on bank accounts grew by 9% for the quarter (+ 24.6% yoy). Hryvnia deposits of the population grew by 10.9% (+ 24.1% yoy) in the second quarter, mainly due to demand deposits. This increase contrasts positively with the crises of previous years, when depositors actively withdrew funds from banks.

Due to the reduction of the discount rate and the stability of the deposit base, interest rates on hryvnia deposits of households continue to decline (9.6% per

annum at the end of June and less than 9% at the end of July), which contributes to lower national currency loans. The cost of foreign currency deposits and loans continues to be low.

Due to the strengthening of the hryvnia, the level of dollarization of deposits in the second quarter decreased by 3.8 percentage points. up to 40.7%.

The profit of banks in April-June decreased to UAH 7.7 billion, and in the first half of 2020 it was 23.4% lower than the result for the same period last year, and amounted to UAH 23.8 billion. The decrease in profit is due to deductions to reserves, as well as a decrease in demand for banking services, which led to a decrease in commission income.

The main challenge for the profitable activities of banks in the future will be losses from the deterioration of the loan portfolio, which will lead to an increase in allocations to reserves in the next two quarters. At the same time, interest and commission income will continue to grow, so the sector will remain profitable until the end of the year.

To facilitate effective restructuring for debtors affected by quarantine measures, the NBU extended the simplified credit risk assessment rules until the end of November. Thus, the National Bank seeks to create favorable conditions that will allow both banks and borrowers to comfortably survive the crisis.

The leaders of the credit market of Ukraine today are banking institutions, which have a crucial role in the redistribution of financial resources of the economy. At the beginning of 2020, the banking sector of Ukraine is represented by 75 banks that meet the requirements of the NBU in terms of capitalization, stability, transparency and efficiency. At the same time, there is a deterioration in the structure of the banking system: if in 2015 banks with foreign capital accounted for 31% of the total number of institutions, then at the beginning of 2020 their share increased to 46.6% [4]. The main indicators of banks' activity since 2018 look optimistic, which indicate a significant increase in the profitability of the banking business.

Lending activities of banking institutions are a complex multi-component process that includes a variety of operations and practical actions aimed at the formation of credit services, which differ in terms, requirements, mechanism of provision and repayment.

Optimization and consistency of all stages of the credit process is the basis of effective lending activities of banks, as high-quality credit services provide adequate profitability of the bank; attractiveness and best satisfaction of the needs of borrowers who attract funds for production for consumer purposes.

Modern banks offer a wide range of credit services for both legal entities and individuals. Moreover, each bank introduces different lending conditions based on its own benchmarks. Let's analyze the general indicators of credit activity of domestic banks for the last five years, presented in table 1.

Table 1.

| Indexes  | On 1.01 |         |         |         |         |         | Growth rate of<br>2020until 2015,% |
|--|---------|---------|---------|---------|---------|---------|------------------------------------|
|  | 2015    | 2016    | 2017    | 2018    | 2019    | 2020    |                                    |
| Number of banking institutions,<br>of them with foreign<br>capital | 163     | 117     | 96      | 82      | 77      | 75      | 46,0                               |
| of them with foreign<br>capital                                    | 51      | 41      | 38      | 38      | 37      | 35      | 68,6                               |
| Total assets, UAH million  | 1316852 | 1254385 | 1256299 | 1336358 | 1360764 | 1494460 | 113,5                              |
| Loans provided<br>total, million UAH                               | 1006358 | 1009768 | 1005923 | 1042798 | 1118618 | 1033539 | 102,7                              |
| including<br>-to business entities                                 | 802582  | 830632  | 847092  | 870302  | 919054  | 822020  | 102,4                              |
| - individuals  | 179040  | 175711  | 157385  | 170938  | 196634  | 206761  | 115,5                              |
| Share in the total amount of loans<br>granted, %:                  |         |         |         |         |         |         |                                    |
| - loans to business entities                                       | 79,8    | 82,2    | 84,2    | 83,5    | 82,2    | 79,5    | -0,3                               |
| - loans to individuals   | 17,7    | 17,4    | 15,6    | 16,4    | 17,6    | 20,0    | +2,3                               |
| Coefficient<br>credit activity of banks                            | 0,76    | 0,80    | 0,80    | 0,78    | 0,82    | 0,69    | 90,7                               |

As we can see from the above data, there is a steady downward trend in the number of banking institutions in the financial market of Ukraine: their number has decreased more than twice. At the same time, the total assets of operating banks increased and, accordingly, the processes of lending to businesses and individuals accelerated - by 2.4 and 15.5%. The total loan portfolio of domestic banks increased by 2.4% compared to 2015, but decreased significantly compared to the previous year - by UAH 85,259 million.

The lowest value of lending was recorded in 2017, and this was due to a decrease in the amount of loans granted to individuals. In general, we note that for the recovery and development of Ukraine's economy, the scale of bank lending remains extremely insufficient.

The share of lending to economic entities in the loan portfolio of banking institutions at the beginning of 2020 has not changed compared to 2015, while the share of loans to households increased by 2.4%.

The credit activity ratio, which reflects the share of credit operations in the total assets of banks, gained the greatest value in 2019 and the lowest in 2020. It characterizes the credit strategy of banks: the value of the ratio is higher than 75% - this is an aggressive strategy aimed at making a profit, expanding the scale of lending activities, occupying most of the market. But such a strategy is also associated with increasing the overall riskiness of lending.

The vector of the strategy in 2020 has changed - it has become more measured, conservative (credit activity ratio 0.69 - the lowest value for the period under study), which may affect the profitability of the banking system.

Recently, the credit market has seen an increase in the interest of banking institutions in retail lending. This is due to many factors, primarily with low incomes

(the inability of most citizens to make significant purchases), which leads to high demand for consumer loans. On the other hand, the low level of income in Ukraine is a deterrent to the spread of consumer lending [5].

For banks themselves, credit services to households remain the most profitable segment - such loans have a high interest margin, and their short-term nature allows to accelerate the turnover of the loan portfolio. In addition, consumer loans are widely available and are characterized by a simplified procedure, have a relatively low risk for lenders. Based on the analytical data of the NBU, the end of 2019, the growth of assets of the banking system is due to the acceleration of retail lending under various programs.

The increase in loans to individuals exceeds 30%, corporate loans increased in the second quarter by 3, 1%, but partly due to the seasonal factor and lending to state-owned enterprises [6]. In some commercial banks (for example, JSC "Idea-Bank") loans to individuals account for 98% of the loan portfolio. However, the revival of lending to micro-enterprises and the population does not allow us to count on the systemic impact of economic growth.

About 80% of all consumer loans are unsecured loans (cash loans, credit cards, loans for the purchase of consumer goods). That is, this type of lending is aimed at serving the payment needs of economic entities.

An important factor influencing the activity of banks' lending activities and the demand for credit services from potential borrowers is the size of the interest rate. But the relationship between the scale of lending and the price of loans is not easy. First of all, the correlation can be traced between the discount rate of the central bank and the commercial rates of banking institutions.

Table 2.

**Average value of loans of banking institutions (in national currency),%**

| The size of the interest rate | 2015  | 2016  | 2017  | 2018  | 2019  |
|-------------------------------|-------|-------|-------|-------|-------|
| Total including               | 20,65 | 17,15 | 17,35 | 20,65 | 24,45 |
| short-term                    | 19,95 | 17,5  | 17,15 | 20,75 | 20,2  |
| long - term                   | 22,2  | 20,4  | 20,65 | 23,5  | 25,1  |
| Individuals, including        | 26,5  | 31,5  | 29,0  | 32,8  | 28,65 |
| short-term                    | 27,65 | 34,7  | 30,5  | 33,45 | 29,45 |
| long - term                   | 32,15 | 32,05 | 29,65 | 28,5  | 30,2  |
| Business entities, including  | 20,35 | 17,2  | 14,9  | 18,2  | 17,3  |
| short-term                    | 20,75 | 17,55 | 15,5  | 18,1  | 17,45 |
| long - term                   | 19,9  | 18,4  | 19,05 | 19,8  | 23,45 |

Note. Developed by the author based on the source [6]

The discount rate of the NBU (which serves as a benchmark for the value of money) fluctuated significantly over a five-year period: from 19.5% in 2015 to 11% in February 2020 [7]. This is a definite signal for banking structures to reduce the value of money and, accordingly, interest rates on loans. It is traditionally believed that such a situation will ensure the direction of funds in lending to the economy, increasing the supply of financial resources. But in practice it does not work and the funds do not reach the real sector. As we can see, the average price of loans remains high, which deters businesses from attracting them. In addition, the size of the market interest rate does not fully reflect the real value of credit funds for borrowers, as significant components of the cost of credit are the size of periodic fees and fees for related services.

It is especially difficult to meet the demand for long-term loans, as first of all the banking system lacks long cheap money. This significantly narrows the ability of banking institutions to provide investment lending.

The strengthening of the positive impact on the development of bank lending is closely related to the creation of conditions for the active involvement of potential consumers of credit services. Components of such conditions are the availability of sufficient information and the necessary knowledge about the features and possibilities of bank lending. The systemic policy of the state requires the implementation of measures to increase financial literacy and awareness of the general population, adequate protection of the rights of consumers of financial services. This will help strengthen confidence in the banking system, improve the quality of credit services. The lending activities of banks will become more perfect and civilized.

In the legal aspect, it is important to adopt the Law of Ukraine "On Amendments to Certain Legislative Acts of Ukraine Concerning the Protection of the Rights of Consumers of Financial Services". The National Bank has created a specialized unit that will respond to consumer complaints, and in 2019 the majority of appeals (33%) relate to the relationship between borrowers and banks under loan agreements. The dominant claims are: different interest rates in the contract and during the actual settlement of loans, increase in the credit limit for repayment of previous debt, unauthorized write-off by the bank of salary or other accruals to repay the debt [8].

The main task today is to intensify lending to the

real sector of the economy, which, thanks to affordable loans, will ensure the production of goods. The imbalance, due to the orientation of the banking business to quickly make a profit in the short term, justifies the importance of close cooperation between banking institutions and the state. It is at the state level that it is necessary to create conditions for the growth of the economy with a favorable investment climate in the country, programs to support priority areas of economic activity, increase the welfare of the population and ensure political stability.

The financial crisis in the banking sector has significantly affected the deterioration of financial performance of banks, reducing the volume of deposits and lending, reducing the financial stability and liquidity of banking institutions. This, in turn, leads to the inability of banks to meet their obligations to depositors and creditors and hinders the resumption of lending to the real sector of Ukraine's economy. Therefore, there is a need to develop measures to reduce the negative effects of the financial crisis in the domestic banking system, to restore the effective operation of banks through improved management of problem assets.

The financial crisis in the banking sector has led to a slowdown in total banking assets and loans, an increase in provisions for active operations due to an increase in the share of distressed assets and demand deposits, and thus a decrease in profits, liquidity and financial stability of banking institutions [10].

In 2019, the volume of non-performing loans (NPLs) in state-owned Ukrainian banks fell below 50% for the first time in recent years and as of January 1, 2020 amounted to 49.3% (-5.7 percentage points in 2019). The quality of loan portfolios has improved in banks of all groups, except for banks with Russian capital. The main factors improving the quality of loan portfolios are: • growth of new retail lending (by about 30% yoy). This improved the quality of the retail portfolio - in 2019 the share of non-performing loans in this segment decreased by 11.9 percentage points. up to 34.1%; • significant restructuring of the loan portfolio by two state-owned banks in the amount of over UAH 30 billion due to the mechanism of voluntary financial restructuring. Taking into account these measures, state-owned banks (except PrivatBank) reduced the share of non-performing loans from 55% to 49%; • large-scale portfolio clearing work carried out by foreign banks through the sale of NPLs and write-offs from reserves. The share of problem loans in banks of



foreign banking groups (except Russian) decreased from 23.1% to 16%;

- strengthening of the national currency, which led to a corresponding reduction of the hryvnia equivalent of NPLs in foreign currency; "Today, the share of non-performing loans is still high, but does not pose significant risks to the financial sector, as the level of their coverage by reserves exceeds 95%. Despite little progress, banks must continue to get rid of non-performing assets. We hope that after the formation of supervisory boards in two state-owned banks, financial institutions will intensify their work in this direction and will move in line with strategies for managing non-performing assets. the level of NPL in banks up to 10%, as provided by the Financial Sector Development Strategy until 2025 ", - said Acting Chairman of the NBU Kateryna Rozhkova [9].

In modern conditions, domestic banks apply the practice of transferring problem loans to collection companies with a significant discount rate (sometimes up to 90%). However, only a few agreements on repurchase of bad debts by such companies have been registered on the market. In particular, the Credex collection group bought a portfolio of bad debts from Index-Bank, which is controlled by the French company Credit Agricole. Credit Collection Group bought a portfolio of bad debts from Prominvestbank. Collectors note that banks transfer to them for service about 11% of problem loans, which is 6-7 billion UAH. Collectors are the least interested in purchasing mortgage loan portfolios, as the terms of repayment of debts on these loans sometimes reach 30 years. Therefore, to repurchase mortgages, it is necessary to create a special fund, the term of which should be tens of years. It should be noted that Ukrainian collectors currently do not have sufficient financial capacity to repurchase a significant amount of bad debts, and banks sell problem assets through litigation with a high percentage of bad debts (usually about 25% of the value of loans subject to real estate collateral). In the event of a threat of bankruptcy of one or more banks, the central bank and public authorities must decide on the implementation of measures to minimize the negative consequences of such a situation.

An effective way to improve the organization of management of troubled banking assets, which is used by developed countries to prevent the bankruptcy of banking institutions, is the creation of "temporary" or "troubled" banks. A "temporary bank" ("transitional" bank) is created for a certain period of time in order to acquire the assets and commitments of a bankrupt bank and operates until a final resolution on bankruptcy (reorganization or liquidation) is approved. The liquidation commission decides which assets and liabilities will be transferred to the "temporary" bank. The first "temporary" bank appeared in the United States in 1987 under the Banking Competitiveness Act, which required the Federal Deposit Insurance Corporation (FCSD) to establish such banks. To solve the problem of insolvent banks in the United States, the procedure of "managing the solvency of a" temporary "bank" is used, which includes the sale of assets and the distribution of proceeds among creditors after deducting expenses. Thus, the quality of assets remaining in the bank is maintained and, if possible, the amount of overdue loans is reduced.

Today, a "temporary" bank is a bank organized by the FCSU to make commitments and provide services to the clients of a bankrupt bank. After the creation of a "temporary" bank, the FCSD directly provides loans to the institution and guarantees the insured depositors the security of their savings. The establishment of a transitional institution makes it possible to carefully investigate the state of the bank and finally determine alternative forms of resolution on its further operation, and in the event of a liquidity crisis - to manage the solvency of the institution to preserve the bank's value in bankruptcy. "Temporary" banks also operate successfully in Japan, Taiwan and Korea. The first "temporary" bank in Korea was established in 2007 as a quasi-subsidiary of the Korean Deposit Guarantee Company for up to three years with the possibility of extension for one year. The purpose of creating such a bank was to make a decision on two mutual savings banks. In Japan, a "temporary" bank was established in 2007 given the potential bankruptcy of banks in the future [11].

Table 2.

**Comparative characteristics of "temporary" and "problem" banks**

| Feature                      | "Temporary" bank   | "Problem" bank  |
|------------------------------|--|---|
| Definition of the concept    | Transitional institution that reorganizes or liquidates banks by finding buyers or selling a portfolio of its assets | A financial institution created exclusively for the acquisition and management of distressed assets |
| The purpose of creation      | Approval of a decision on reorganization or liquidation of a bank  | Solving the problems of banks due to the emergence of troubled assets on their balance sheets       |
| Prerequisites for creation   | Mass bankruptcies of the bank  | Mass emergence of problem assets on banks' balance sheets   |
| Appointment                  | Management of banks in order to preserve their value in case of bankruptcy   | Clearing banks' balance sheets from distressed assets   |
| Basic functions (operations) | Search for partners to reorganize or liquidate the bank  | Redemption of distressed assets (restructuring, sale)   |
| Term of functioning          | Short-term (three years with possible extension per year)  | Medium - or long-term   |
| Ownership                    | State  | Public, private or mixed  |

Note: generated by the author based on [13]

A "problem" bank is a financial institution that is created solely for the purpose of transferring troubled assets to it. The main task of such banks is to restructure negatively classified assets in a special institution that has the appropriate financial capacity, can safely "wait" for the end of the crisis and after the recovery of debtors' solvency to return such assets to market at an affordable market price, instead of liquidating these assets. in a certain order at a low cost. It should be noted that the main purpose of creating a "temporary" bank is to implement measures to reorganize or liquidate the bankrupt bank. The main function of the "problem" bank is to address the issue of reducing the size of negatively classified assets in the loan portfolio of banks.

The activity of a "problem" bank has the following features: • the transfer of assets from the bank to the "problem" is carried out at the estimated market price. If the market price is understated, the company has less incentive to improve the quality of assets and sell them at the optimal market price. Conversely, if the value of assets is inflated (in order to hide the real losses of the bank), the "problem" bank can not restore the high value of these assets; in the case of the sale of assets, "troubled" banks provide a balance between the speed of placement of assets and their prices. Thus, assets for which a slow rise in prices is expected are sold first. Assets for which a much better price is expected in the future are sold in the future [12].

Sweden has used a comprehensive restructuring strategy to overcome the severe banking crisis that began amid the recession and over-lending to the real estate sector. To this end, the Bank Support Office was established, which had broad powers in the area of debt settlement and pricing of distressed assets. Most Swedish banks have set up their own special units to deal with troubled assets, which have begun to actively collect debts. Government support amounted to about 5.9% of GDP. However, over time, this figure has decreased significantly due to the repayment of loans and reimbursement of state-funded funds.

The problem loan facility has been used to support the private sector in the United States, South Korea, Indonesia, and other countries where problems have arisen in the banking sector. The actual recovery of debts from insolvent debtors was carried out by a specially created asset management company or the central bank. In some cases, this function was performed by the bank from which the assets were withdrawn. In South Korea, the purchase of problem loans from insolvent banks was combined with the merger of the latter. Private banks were provided with direct financial assistance from the government in the form of loans and contributions to share capital. Such assistance was used to compensate for lost reserves or to purchase problem loans at above-market prices. Given significant state aid, the government or government agency usually received partial or complete control over troubled banks [11].

The problem loan facility has been used to support the private sector in the United States, South Korea, Indonesia, and other countries where problems have arisen. In the US, a bank with troubled assets should be divided into two structures, to one of which to transfer

quality assets of the bank, and to the other - illiquid. The latter is formed as a separate company, which must later be sold [14]. In Ireland, the government has approved a plan to set up a special institution, the National Asset Management Company, to buy out troubled assets from government bonds. It is assumed that this company will first buy mortgages worth 80-90 billion euros.

On May 31, 2009, the government approved a decision to establish a "problem" bank, the mechanism of which is to sell problem assets by credit institutions in exchange for bonds, the price of which will not exceed 90% of the value of these assets. The latter are transferred to the bank for up to 20 years. In addition, Germany's financial sector support program provides that the central bank assumes responsibility for repurchasing banks' troubled assets in exchange for their guarantee to compensate for losses in the long run. Banks also have to pay interest to the German budget each year, the amount of which depends on the amount of problem debt transferred to the central bank [14]. In Russia, the issue of organizing the work of the "problem" bank is also given a lot of attention. Thus, in May 2009, it was proposed to create such a bank together with a deposit insurance agency. Moreover, Russian banks can sell the extended debt to the "problem" institution, and in 2-3 years to repurchase it.

Modern foreign experience in stabilizing the banking system in the financial and economic crisis can be used in Ukraine. In particular, it is advisable to create a "problem" bank based on the following alternatives:

- • creation of a state "problem" bank by repurchasing problem assets at the expense of the state budget with reimbursement of long-term expenses by banks; •
- • creation of a non-state "problem" bank by a private company or a group of banks with the purchase of problem assets at the expense of the founders;
- • redemption at the expense of the state budget of not all problem assets, but only some of their types (for example, mortgages);
- • a combination of the second and third options - the state repurchases only mortgage loans with the creation of a mortgage restructuring agency at the State Mortgage Institution [14].

At the same time, this is only possible through the combined efforts of the NBU, the state and banks. Due to the fact that the function of banking supervision in our country is entrusted to the NBU, the further direction of the development of banks' credit risk management system and the effectiveness of their credit policy will depend on the effectiveness of its implementation [15].

The use of the model of financial stabilization of the banking system will reduce the cost of budget funds aimed at recapitalizing banking institutions. According to the NBU, the value of problem assets in the overall structure of banks' loan portfolio is about 10% or UAH 72.3 million. In exchange for troubled assets, the state will issue securities with a face value of 70% of their value (according to the "Swedish" model) and, accordingly, will transfer securities worth UAH 50.61 million to the troubled bank. (UAH 72.3 million \* 0.7). The

state can restructure debt on troubled assets until the financial situation of borrowers stabilizes. This period can be 6-8 years. During this period, borrowers will pay the state only interest on the amount owed (about 18%). The commission costs of the state for servicing bad debts can be 1% of its amount.

**Conclusions.** The bank's loan portfolio analysis system is a system with a certain set of elements, namely: purpose, object, subject and mechanism. The basic tools of the analysis are the study of the dynamics and structure of the loan portfolio, the coefficient analysis of risk and return of the loan portfolio, assessment of the actual and forecast levels of credit risk of the bank and its forecasting. The composition of the subjects of the bank's loan portfolio analysis is determined by the general approach to the organization of its lending activities. Information support is formed from information of internal bank information, data received from the borrower and information obtained from external sources. An important component of information support is regulatory support, which includes a system of laws and regulations, as well as internal bank documents.

To increase the effectiveness of the analysis of the quality of the bank's loan portfolio and identify changes in the level of individual credit risk, to prevent its growth, it is proposed to use the main mandatory and selective indicators, the implementation of which is monitored. When the mandatory criteria are identified, the level of individual credit risk is determined to be in a catastrophic zone, and the debt is considered problematic. When identifying the fulfillment of sampling criteria, the bank on the basis of the analysis of information based on the monitoring results assesses whether the received negative information is sufficiently significant to recognize the debt as problematic.

In our opinion, the most expedient for Ukraine is a combination of efforts of the state and banks to create a "problem" bank. In addition, given the limited state budget funds, an acceptable option would be to create a non-state "problem" bank and repurchase at the expense of the state certain types of problem assets of commercial banks. In favor of this approach, we note the following:

- the burden on the state budget will be significantly less than in the case of the creation of a state "temporary" bank. At the same time, the risk of insufficient resources to repurchase all troubled assets will be much lower. As a result, it is possible to cover all commercial banks or to ensure the objectivity of their selection;

- the state can restructure mortgage loans, and in this case, the availability of quality collateral will provide an opportunity to make some profit in the future.

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**FORMATION OF THE ENTERPRISE COST MANAGEMENT MECHANISM IN TODAY'S CONDITIONS****L. Shevtsiv,**candidate of Economic Sciences  
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79000, м. Львів, вул. Коперника, 3**Abstract**

The article investigates the mechanism of cost management at an enterprise in today's conditions. The focus is on the feasibility of such a mechanism that will ensure effectiveness of cost optimization and improvement of competitiveness. The essence of the concept of "costs" was outlined, and a generalized classification of enterprise costs in accordance with management objectives was presented. Approaches of scientists to the determination of the interpretation of the concept of "cost management" were systematized. The purpose, objectives, and tools of an enterprise's cost management system were determined. It was found that the following key aspects should be taken into account when forming a cost management mechanism at an enterprise: organizational, motivational, and functional. A scheme of the mechanism of cost management at an enterprise was developed. The relationship between the elements of the cost management system at all levels – strategic, tactical, and operational – was demonstrated. Sequence of the process of cost management at an enterprise according to long-term goals was outlined. The main methods of the cost management mechanism were determined, and their detailed characteristics were presented. It was noted that introduction of a symbiosis of methods will help achieve the main goal of an enterprise, namely profit maximization by optimizing consumption of resources. It was found that the most important element of the cost management mechanism is its information support, namely the accounting and information system of an enterprise. The main stages of formation of accounting and information support were described. Shortcomings of existing cost management systems were outlined, and measures to reduce costs were suggested.

**Анотація**

У статті досліджено механізму управління витратами підприємства в умовах сьогодення. Зосереджено увагу на доцільності формування такого механізму, який дозволить забезпечити ефективність оптимізації витрат та підвищення конкурентоспроможності. Висвітлено сутність поняття «витрати» та подано узагальнену класифікацію витрат підприємства відповідно до цілей управління. Систематизовано підходи науковців щодо визначення трактування поняття «управління витратами». Визначено мету, завдання та елементи системи управління витратами на підприємстві. Досліджено, що при формуванні механізму управління витратами на підприємстві слід враховувати такі ключові аспекти: організаційний, мотиваційний, функціональний. Розроблено схему механізму управління витратами підприємства. Показано взаємозв'язок між елементами системи управління витратами на всіх рівнях: стратегічному, тактичному, оперативному. Окреслено послідовність здійснення процесу управління витратами на підприємстві відповідно довгострокових цілей. Визначено основні методи механізму управління витратами та подано їх детальну характеристику. Зазначено, що впровадження симбіозу методів, сприятиме досягненню основної цілі підприємства – максимізації прибутку шляхом оптимізації витрачання ресурсів. Встановлено, що найголовнішим елементом механізму управління витратами є його інформаційне забезпечення, а саме обліково-інформаційна система. Охарактеризовано основні етапи формування обліково-інформаційного забезпечення. Висвітлено недоліки діючих систем управління витратами та запропоновано заходи щодо зменшення витрат.

**Keywords:** costs, management, cost management mechanism, cost management tools, cost classification, accounting and information support.

**Ключові слова:** витрати, управління, механізм управління витратами, інструменти управління витратами, класифікація витрат, обліково-інформаційне забезпечення.

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