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ACTIVITIES OF BANKS WHICH BELONG TO THE FOREIGN BANKING GROUPS IN THE UKRAINIAN FINANCIAL MARKET

It is clear that foreign capital participation is an important source of economic financing, which plays a significant role in the development of any country, especially in its banking system. Significant amounts of foreign capital are signs of macroeconomic stability and high-level investors' trust to both legislative and executive authorities. The main globalization processes of the world economy are the interrelationship between individual economies through the mechanism of foreign investment and the creation of general transnational corporations, since any country can't reach economic stability being isolated from the world economic system.

Under mentioned above circumstances, it becomes especially important to study the issues of foreign capital flows to the Ukrainian banking system, in this field a great deal was being written and said by domestic economists and practitioners, in particular:

Andreikov T. Ya. and Chui I. R. [1], Balanutsa A., Baryshevskaya I. V. and Kamashev A.V. [2], Vovchak A. D. and Myskiv G. V. [3], Girchenko T. D. and Storozhenko A. A. [4], Dzyublyuk A. [5], Ignatenko M., Kovalenko V. V. [6], Mishchenko V., Moiseev S. and others. Considering the significant scientists achievements, the more detailed study requires the analysis of activities of banks which belong to the foreign banking groups in the domestic market (on the example of OTP Bank) and determining the impact of such banks` activities on the banking system and the country's economy, which forms the purpose of working.

It is important to emphasize that banks of foreign banking groups are taking a high popularity among the clients of Ukrainian market. One of the representatives of this group is an OTP Bank, which has a safe and stable reputation and offers European-quality services to its customers.

Analysis of banks' financial integrity and protection the depositors' interests is carried out in accordance with economic standards approved by the National Bank of Ukraine (NBU). In particular, the standards (table 1) are the regulatory minimum capital ratio (H1); regulatory capital adequacy ratio (H2); core capital adequacy ratio (H3); instant liquidity ratio (H4); short-term liquidity ratio (H6); maximum size of credit risk per one counterparty (H7); large credit risks (H8); maximum size of credit risk for transactions with bank-related individuals (H9).

The analysis shows that OTP Bank adheres to the established standards, as evidenced by the amount of regulatory capital, which exceeds the normative one and tends to increase during the years of 2018-2020.

Table 1. OTP Bank Financial Ratios

Indicators	Normative value	Actual value of the indicator as of 01.01.			Changes	
		2020	2019	2018	2020 – 2019	2020 – 2018
Bank's capital ratios						
H1	500 million thousand UAH (from 29.05.2020 200 million thousand UAH)	6 819 765	4 963 448	3 642 415	37.40	87.23
H2	> 10%	23.54	19.64	16.85	3.9	6.69
H3	> 7%	17.12	10.97	9.57	6.15	7.55
Liquidity ratios						
H4	> 20 %	57.93	53.78	48.41	4.15	9.52
H6	> 60 %	104.54	92.85	91.65	11.69	12.89
Risk standards						
H7	< 25 %	17.13	15.18	23.31	1.95	-6.18
H8	< 800 %	29.28	15.18	60.04	14.1	-30.76
H9	< 25 %	17.39	15.22	22.78	2.17	-5.39

Source: calculated by the authors based on data [7, 8].

According to the calculation it is defined that regulatory capital adequacy ratio is 23.54% as of 01.01.2020, which is 3.9% higher than in the previous period and demonstrates its sufficiency. Taking into account the dynamics of H3, it can be argued that there is a certain reserve of regulatory capital. The bank adheres to all liquidity

standards, since the actual ratios extensively exceeded the regulatory ones. Speaking about the credit risks that are shown, the values for all indicators were reduced, which means that the bank had a conscientious work and a balanced policy.

The additional indicators that characterize the bank's performance are the return on assets (ROA), return on equity (ROE), and net interest margin (NIM) (table 2).

Table 2. OTP Bank profitability ratios

Indicators	Actual value of the indicator as of 31.12.			Changes	
	2019	2018	2017	2019 – 2018	2018 – 2017
ROA, %	5.67	6.03	3.42	-0.36	2.61
ROE, %	41.06	31.92	16.51	9.14	15.41
NIM, %	7.75	8.87	6.53	-1.12	2.34

Source: calculated by the authors based on data [7, 8].

On the basis of the given analysis it is evident, that the dynamics of OTP Bank profitability ratios during the analyzed period is positive, which indicates to a stable financial and economic condition, profitability and playability of its operations and moreover to the efficiency of asset use. According to these very facts, it may be concluded that OTP Bank has a high level of capital provision, and therefore a high reliability.

The activities of banks whose controlling block of shares are owned by foreign financial and banking groups have inconclusive results for the domestic banking system, including especially due to the fact that positive aspects as well as some certain shortcomings are concerned with risks of changing the structure of the banking system. The positive thing is that the increase in the share of foreign capital at the market creates a new financial and economic environment and implants international banking experience, which in its turn accelerates the attraction of foreign investment and makes available new banking technologies and innovations and as a result provokes the growth of competition between banking services. Uncontrolled consequences of the foreign capital availability in the Ukrainian banking system is a capture of the banking market and strengthening of foreign banking groups' control in the market, plus increased competition between banks with national and foreign capital, financial and economic risks are associated with possible loss of sovereignty in the sphere of monetary policy, speculative changes in supply and demand in the financial market and decreasing loan facilities to small and medium-sized businesses.

Paying attention to the positive and negative consequences of the activities of banks which belong to the foreign banking groups on the Ukrainian banking system, the central question arises: how might the impact of these banks' operation affect on financial stability, which will be reflected in the following works.

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