

Malte Pehl, LL.M.,

Lecturer, FOM University of applied Sciences,
Germany, Wetter

Trofimchuk Rehina

higher education applicant,
National Aviation University (Kyiv)

MANAGEMENT OF THE BANK'S INVESTMENT PORTFOLIO

Abstract. *The article examines the investment activity of banks as an alternative to lending, which will help the banking system to recover further. The reasons that motivate banks to carry out investment activities are identified, namely: expansion of the income and client base; high risk of credit operations and the desire to optimize the taxation of banking income. Despite the impact of COVID-19 on the country's economy, the banking sector gradually continued to stabilize. Investments create conditions for expanded reproduction, structural transformations in the country, increasing the competitiveness of domestic products, solving socio-economic problems. Ways to improve the efficiency and quality of management of the bank's investment activities through the optimal combination of centralization and decentralization regarding the management of investment activities are proposed; efforts to create new goals and objectives for improving the organization of analytical support for the investment activity management process; constant support information support of the investment activity management process; professional development of managers related to the management of investment activities.*

Keywords: *investment portfolio, investment activity, banking sector, banking system, investments, quality of investment portfolio.*

Theses materials. In recent years, the banking sector in the country's economy has experienced significant upheavals, including political and military instability, inflation, general economic destabilization, as a result of which there was a decrease in both consumer loans to the population and depositors, as well as a decrease in the total number of banks, however, this sector tried to stabilize this situation.

There remains a list of issues that have not been investigated, in particular, insufficient attention has been paid to the peculiarities of assessing the quality of the bank's investment portfolio.

The main trend in the development of the world economy today is the rapid development of global financial markets and the emergence of the latest financial instruments, which, in turn, affect the dynamic development of banking. The main

feature of the development of banking activity is the growth of its directions, among which the investment activity of commercial banks occupies a special place.

Investments create conditions for expanded reproduction, structural transformations in the country, increasing the competitiveness of domestic products, and solving social and economic problems. Formation and management of the investment portfolio is one of the main directions in the bank's activities. A high-quality investment portfolio ensures the liquidity and reliability of a banking institution. This, in turn, is important for shareholders, enterprises, and the population who are the bank's clients. The modern investment portfolio acts as a certain criterion, which makes it possible to judge the quality of the bank's policy and the bank's competitiveness, the ability to withstand the influence of external and internal factors. Therefore, the study of theoretical and practical aspects of investment portfolio management is an extremely urgent task of increasing the efficiency of the entire banking system of the country.

The investment activity of banks is of significant importance both for the country's economy as a whole and for the banking institutions themselves. For the economy of the country, the importance of the investment activity of banks is that they, accumulating financial resources of individuals and legal entities, direct money to the most attractive types of economic activity, stimulate the development of the real sector and the social sphere, ensure the formation of financial opportunities to increase welfare in the country in as a whole. From the standpoint of a separate bank, investment activities are carried out with the aim of obtaining profits from transactions with securities and to ensure participation in the authorized capital of other enterprises and strategic control over their property and activities. In addition, through investment activities in the real sector, banks are trying to create financial and industrial groups, corporations, holdings, in which the main subject is banking institutions that provide financial resources to enterprises of the real sector of the economy, which are constantly lacking in the Ukrainian economy.

The basis of the bank's effective investment activity is the existence of a balanced investment policy, which enables the formation of a portfolio of securities with sufficient profitability and a minimal level of risk, therefore we consider it appropriate to conduct an analysis of the effectiveness of the formed securities portfolio.

The following reasons motivate banks to carry out investment activities:

- expansion of the income and client base - banking investment helps to maximize profitability, liquidity and solvency;
- high riskiness of credit operations and the desire to optimize the taxation of banking income [3].

The National Bank of Ukraine sets investment standards: the standard for investing in securities separately for each institution (H11) and the standard for the total amount of investment (H12). The norm of investing in securities separately for

each institution (H11) is established to limit the risk associated with operations of investing bank funds into the authorized capital of institutions, which may lead to the loss of the bank's capital. The norm of the total amount of investment (H12) is established to limit the risk associated with operations of investing (direct or indirect) bank funds into the authorized capital of any legal entities, which may lead to the loss of the bank's capital [1].

Investments in associates and subsidiaries are equity securities of issuers that meet the definition of an associate or subsidiary of a bank. Associated companies are a group of economic entities (legal entities) connected to each other by economic and/or organizational dependence in the form of participation in the statutory fund and/or management [2].

The NBU uses this term for companies that in which the investor bank owns 20% or more of the capital. A subsidiary is an enterprise whose majority stake is owned by another (controlling) enterprise [2].

As intermediaries in the redistribution of financial resources through the transformation of temporarily free funds into investments, banks significantly increase the overall efficiency of production, contribute to the mobilization of a sufficient amount of financial resources, the receipt of income. The banking system of any country consists of banks, institutions, complex relations between them, supplemented by relations with the global financial market and the world economy. [4].

B.L. Lutsiv considers two aspects of investment activity of banks: the first is the actual investment activity of the bank, aimed at increasing the bank's income, and the second is investment activity from the standpoint of economic development, aimed at ensuring the continuity of the process of reproduction of fixed assets and, therefore, social reproduction in general. Between these two aspects of banks' investment activity, there are appropriate channels of interrelationships, which gives reason to consider these aspects as a single entity [2].

References:

1. National Bank of Ukraine. Available at:<http://www.bank.gov.ua/control/uk/index>.
2. Nikonova I. (2006) Securities for business: How to increase the value of the company with the help of IPOs, bonds and investment operations. Moscow: Alpina Business Books.
3. Basic indicators of activity of banks of Ukraine [Electronic resource]. Available at: <http://www.bank.gov.ua> (accessed 02 April 2021).
4. Vladyka J. P., Bezuhla L.S. and Turova L.L. Zdobutky ta novi vyklyky u dijitalnosti systemno vazhlyvyh bankiv v Ukraini. Elektronnyj naukovo-praktychnyj zhurnal «Infrastruktura rynku» (in Ukrainian)