

ANALYTICAL AND PRACTICAL ASPECTS OF BANKS EXPENSES' FORMING

KHRUSHCH Nila¹, GORDEEVA Tetyana²¹Khmelnytskyi National University
<https://orcid.org/0000-0002-9930-7023>
khrushchN@khmnu.edu.ua²Khmelnytskyi National University
<https://orcid.org/0000-0003-3546-4238>
hordieievat@khmnu.edu.ua

The article substantiates theoretical and methodological approaches and applied aspects of forming bank expenses in martial law conditions and banking system transformation. It has been proven that bank expenses cannot be considered an isolated financial indicator but a complex and strategically important element of banking institution management. It is emphasised that the structure and efficiency of cost formation determine the stability of the banking system, its level of financial stability and its ability to adapt. Based on an analysis of the macroeconomic indicators of the banking system of Ukraine and the activities of PJSC AB "Pivdenny", trends in the volume and structure of costs are outlined, and reserves for their optimisation are identified. Directions for improving cost formation processes are proposed, particularly the introduction of adaptive budgeting, digitisation of operations, differentiation of costs according to their strategic value, and centralisation of non-core functions. It is argued that cost optimisation should be viewed not only as a cost-saving tool, but also as a strategic factor in improving the competitiveness and sustainability of banks in the current environment.

Keywords: bank costs, financial stability, optimisation, banking system of Ukraine.

<https://doi.org/10.31891/mdes/2025-17-26>

Стаття надійшла до редакції / Received 13.07.2025

Прийнята до друку / Accepted 18.08.2025

STATEMENT OF THE PROBLEM IN GENERAL AND ITS CONNECTION WITH IMPORTANT SCIENTIFIC OR PRACTICAL TASKS

Faced with both global and domestic economic challenges amid rising costs, modern Ukrainian banks are forced to improve the efficiency of their financial and economic activities. The State's economic stability largely depends on the reliability of the banking sector, which is why the issue of strengthening the stability of banks is of particular importance. One of the key factors determining the stability of a commercial banking institution is its ability to optimise its costs effectively. In the context of the challenges and threats posed by martial law, the task of minimising non-banking costs and effectively optimising costs directly related to banking operations is becoming increasingly important. Therefore, a detailed analysis of banks' costs is critically important and requires comprehensive research.

ANALYSIS OF THE LATEST RESEARCH AND PUBLICATIONS

Both domestic and foreign scientists have paid attention to the development of theoretical and practical foundations of management, i.e., the formation and direction of bank costs. The works of such foreign scholars as Barltrop C. J. and McNaughton D. [1], Burger A. and Moormann J. [2], Rose P. S. [3], Sinkey J. F. [4], Higgins M. [5] are now considered classics. Cost management is a continuous process of banking aimed at bringing more benefits. Understanding productivity is essential for banks when considering the fierce international competition, so the focus of scientific research is on the debate about the difficulties in measuring productivity in banks and criticising the inadequate usage of unjustified indicators. According to Athanasopoulou A. and Dopson S. [6], to effectively manage costs, bank managers must possess a solid understanding of legal, accounting, and marketing issues in addition to production and service methods and commercial bank services.

The analysis of banking activities has been the subject of scientific research by many Ukrainian scholars, in particular, Ukrainian economists such as Golovkova L. S. [7], Zarutskya O. P. [8], Kaminska M. B. [9], Kostyuk V. A. [10], Makarenko Yu. P. [11], Mochernyi S. V. [12], Sysonenko I. A. [13] and others. Issues such as the essential definition of bank costs and the development of a classification system that would help maximise the efficiency of working with them and achieve higher financial results at a similar level of costs by optimising activities and increasing the effectiveness of socio-economic interaction with customers and counterparties remain relevant.

A review of the scientific literature shows that, despite certain developments, the topic of Ukrainian banks' expenses has not yet been studied in sufficient depth and comprehensively. This necessitates a

comprehensive analysis of the volumes, structural characteristics, and efficiency of expenses, as well as identifying the main factors that influence their formation.

PURPOSE AND MAIN TASKS OF THE PAPER

The article aims to substantiate theoretical and methodological foundations and develop practical recommendations for shaping bank expenses to ensure financial stability and sustainable development.

RESULTS AND DISCUSSIONS

The bank's economic activity consists of concluding banking agreements with clients for the provision of various banking services and the execution of banking operations. Since the bank's equity capital traditionally accounts for about one-tenth of its resources, the mechanisms for attracting funds to its intermediary activities are the basis of its functioning. Customers entrust banks to manage their savings or make investments on their behalf temporarily, or banks encourage legal entities and individuals to become their customers for settlement and cash services, providing them with modern payment instruments and digital means of making payments – and all this requires the bank to incur and implement significant expenses, which in the future will generate income and net profit as a result of its activities. Expenses mean the actual or potential expenditure of financial resources. In the literal sense of the word, they represent “a set of financial transfers and relate to assets if they are capable of generating income in the future, or to liabilities if this does not happen and profit for the reporting period decreases. Opportunity costs are the income losses when choosing one way to carry out activities. Costs represent the financial expenses incurred to generate income during a specified period.” [14].

The Ukrainian legislative framework for accounting provides the following definition: “expenses are a decrease in economic benefits in the reporting period in the form of disposal or use of assets or an increase in liabilities, resulting in a decrease in equity, except for the distribution of capital among participants (shareholders) or its withdrawal” [27]. Contemporary views of scholars on the category of expenses vary; therefore, a summary of existing approaches to defining this concept is grouped in Table 1.

Table 1

Definition of the concept of ‘bank expenses’ by various authors

Authors	Interpretation of the concept of “bank expenses”
Legislative and regulatory framework	
International Financial Reporting Standards (IFRS) [15]	Expenses are decreases in economic benefits during the reporting period that occur in the form of an outflow or decrease in assets, or an increase in liabilities, which lead to a decrease in capital not related to its distribution among shareholders
Tax Code of Ukraine [16]	Expenses – the sum of any costs incurred by a taxpayer in monetary, material, or intangible forms for the purpose of conducting the taxpayer's economic activities, resulting in a decrease in economic benefits in the form of disposal of assets or an increase in liabilities, thereby reducing equity (except for changes in capital due to its withdrawal)
Rules for accounting for income and expenses of Ukrainian banks [17]	Expenses – a decrease in economic benefits during the accounting period in the form of disposal or depreciation of assets or in the form of liabilities, resulting in a reduction of equity, except for decreases related to payments to participants
Foreign scientific literature	
Beau E., Hill J., Hussain T., Nixon D. [18]	Banking expenses are funds spent on various banking operations and ensuring the bank's functioning.
Hansen D.R., Mowen M.M. [19]	Bank expenses are used to generate income, and it can be said that they are expensed in each period; expenses are deducted from income to determine the profit for the period. A loss is a cost expensed without generating any benefit or income
McLeay M., Radia A., Thomas R. [20]	The cost of funding for a bank is the price it must pay to meet its obligations
Domestic scientific literature	
Kaminska M. B. [9]	Bank expenses are the total amount of funds spent by the bank during its activities related to attracting funds and other types of activities
Kostyuk V. A., Dyatlenko V. E. [10]	From an accounting perspective, expenses incurred by the bank while banking operations, for the purpose of reflecting them in the financial statements, should be considered as expenses incurred because of the bank's operating, investment and financial activities.
Mochernyi S. V. [12]	Bank expenses are an economic category that reflects the monetary and material resources used in forming, implementing, and selling the bank's products and services, as well as all other additional resources for their maintenance and support.

Source: compiled from materials [9, 10, 11, 15, 16, 17, 18, 19, 20]

It should be noted that the term “cost” acquires a more precise meaning when accompanied by an adjectival modifier: consumer costs, production costs, funding costs, etc. For example, the latter will be

most relevant for a bank, i.e., the bank's cost of funds – the expenses that banks incur to attract funds for conducting their active operations. Therefore, considering all the specifics of banking intermediary and investment activities, we can characterise bank expenses as the total amount of funds the bank spends during its activities to attract funds and place them in assets.

An analysis of the current process of cost formation in the Ukrainian banking system is a necessary element of research into its functioning to assess the scale of active operations, main directions, and areas of activity, as well as the participation of banks in the formation of tax revenues for the State Budget. Since bank costs play a key role in the formation of financial results – profits – their impact on the activities of the banking system should not be underestimated.

Table 2 shows the dynamics of income, expenses, and financial results – net profit – of the Ukrainian banking system during 2022-2024. Thus, during the period under review, which was entirely spent under martial law, i.e., in challenging geopolitical and economic conditions, the banking system remained stable and increased its net profit. This occurred because the system's revenues showed a growth trend, while expenses, on the contrary, tended to decrease.

Table 2

Dynamics of the Ukrainian banking system's expenses in 2022-2024

Indicators	Years, UAH million			Increase, %		
	2022	2023	2024	2023/2022	2024/2023	2024/2022
Total expenses	227465	137190	148814	-39.7	+8.5	-34.6
Total income	256742	297237	336234	+15.8	+13.1	+31.0
Profit/(loss) before taxation	29277	160047	187420	+446.7	+17.1	+540.2
Income tax	7356	77009	83718	+946.9	+8.7	+1038.1
Net profit	21921	83039	103703	+278.8	+24.9	+373.1

Source: compiled from materials [21]

Although expenses increased slightly in 2024, the growth rate of revenues exceeded the growth rate of expenditures that year: 13.1% for revenues versus 8.5% for costs. Overall, the banking system's revenues increased by 31%, while expenses decreased by 34.6%. We should also note the significant growth in income tax paid by the banking system, especially in 2023, when the increase was 946.9%, while in 2024 the increase was only 8.7%. Overall, the increase for the period was 1038.1%, i.e., the amount of income tax increased more than 10 times.

This jump is due to both the growth of the tax base itself – the profits of the banking system – and changes in tax legislation, namely the tax rate in 2023 and 2024 “for taxation of banks' profits ... is 50%” [16].

Bank expenses include cash expenditures that decrease economic benefits due to financial and economic activities and operations aimed at supporting the bank's operations (Table 3).

Table 3

Dynamics of the components of the Ukrainian banking system's expenses in 2022-2024

Indicators	Years, UAH million			Growth / Decline, %		
	2022	2023	2024	2023/2022	2024/2023	2024/2022
Interest expenses	65358	103043	117265	+57.7	+13.8	+79.4
expenses from transactions with legal entities	46688	70642	75971	+51.3	+7.5	+62.7
expenses from transactions with individuals	17714	31530	40377	+78.0	+28.1	+127.9
other interest expenses	956	872	917	-8.8	+5.1	-4.1
Commission expenses	35449	46457	53803	+31.1	+15.8	+51.8
Provision for ECL:	121204	17657	9600	-85.4	-45.6	-92.1
net (increase) decrease in provisions for impairment of loans and funds in other banks	1247	111	-182	-91.1	-263.8	-114.6
net (increase) decrease in provisions for loans to customers	107383	3498	-1998	-96.7	-157.1	-101.9
net (increase) decrease in provisions for impairment of the bank's receivables	1248	419	280	-66.5	-33.1	-77.6

Indicators	Years, UAH million			Growth / Decline, %		
	2022	2023	2024	2023/2022	2024/2023	2024/2022
net (increase) decrease in provisions for bank reserves to cover risks and losses	3869	-398	1774	-110.3	-546.0	-54.2
net (increase) decrease in provisions for impairment of securities	7456	14027	9726	+88.1	-30.7	+30.4
Administrative and other operating expenses	106260	119533	139214	+12.5	+16.5	+31.0
staff salaries	38107	42006	49998	+10.2	+19.0	+31.2
accruals to the salary fund	7696	8038	9765	+4.4	+21.5	+26.9
other personnel expenses	3864	3240	4268	-16.1	+31.7	+10.5
expenses for the maintenance of fixed assets	16651	20653	25575	+24.0	+23.8	+53.6
operating and administrative expenses	4199	4516	5100	+7.5	+12.9	+21.4
advertising and marketing expenses	556	956	1809	+72.0	+89.2	+225.5
rental expenses	753	856	1045	+13.8	+22.1	+38.9
other administrative and operating expenses	34435	39269	41654	+14.0	+6.1	+21.0
Total expenses	227465	137190	148814	-39.7	+8.5	-34.6

Source: compiled from materials [21]

As we can see from the data in Table 3, both interest and commission expenses of the banking system showed growth dynamics. Overall, interest expenses increased by UAH 51,907 million, or 79.4%, while commission expenses increased by UAH 18,353 million, or 51.8%. Administrative and other operating costs incurred by banks for ongoing maintenance and ensuring their functioning increased by a total of UAH 32,953 million, or 31%, over the period. At the same time, the reduction in provisions amounted to UAH 111,605 million, or 92.1%.

As shown in Figure 1, the largest share of banking system expenses in 2022 was accounted for by provisions, due to increased risks under martial law, while in 2023-2024, administrative and other operating expenses will take the lead, only slightly lower than interest and commission fees, i.e., expenses related purely to banking activities.

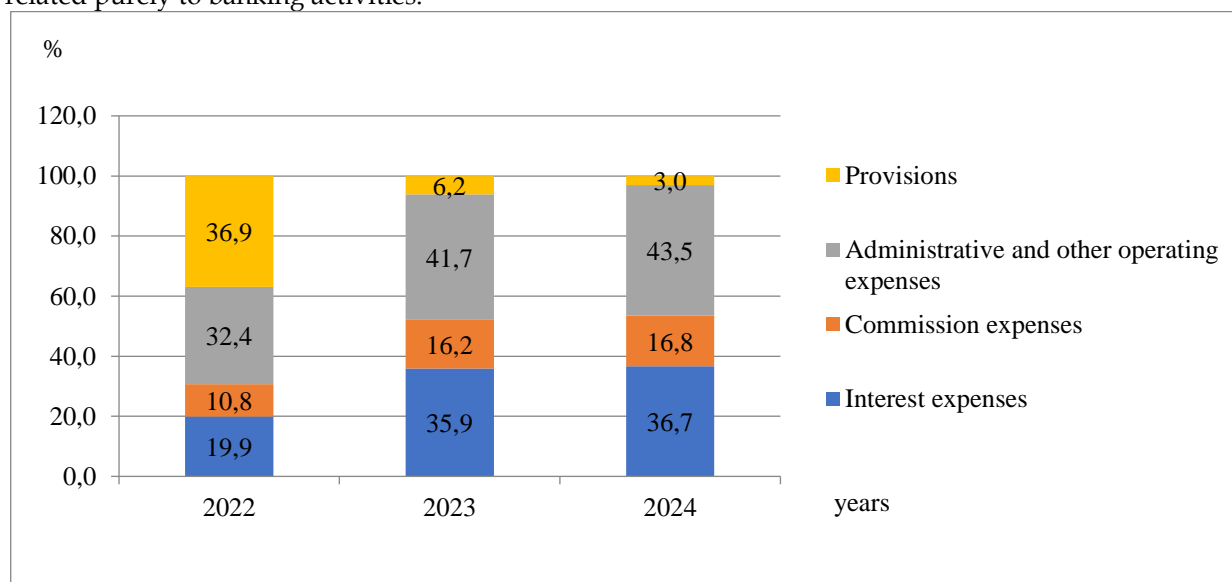


Fig. 1. Dynamics of the expenses' structure of the Ukrainian banking system in 2022-2024

Therefore, quantitative indicators show that it is essential to highlight the analysis of two categories of expenses: first, expenses aimed at ensuring the bank's operational activities administrative and economic expenses; second, expenses arising in connection with the growth of risks in the banking sector, such as the formation of mandatory and other insurance reserves. Accordingly, there is room for review and optimisation across the system.

Next, we will consider the formation and optimisation of costs using a specific bank as an example.

Public Company Joint-stock Bank “Pivdenny”, i.e., Pivdenny Bank, has been a leading player in the Ukrainian financial market for three decades, consistently acting as a reliable partner for corporate, medium-sized businesses and individuals. The bank is one of the largest privately owned banks and ranks third in assets. For the sixth consecutive year, the National Bank of Ukraine has included Pivdenny Bank in the country’s list of systemically important banks. The bank’s main specialisation is servicing large and medium-sized corporate clients, focusing on credit products, support for foreign economic activity, and innovative solutions for managing the finances of companies and their owners. In 2024, Pivdenny Bank was among the top five banks with the most favourable lending terms. Today, the bank has 47 branches in 18 regions of Ukraine, providing wide regional access to its services. The head office of Pivdenny Bank is in Odesa.

The financial results of a banking institution directly depend on the ratio of income and expenses in all areas of activity and sources of revenue. The number one task for the bank is to increase income while minimising – or optimising – expenses, which is when profit is generated as the main result of its operations.

Table 4 shows the dynamics of income, expenses, and financial results of Pivdenny Bank in 2022-2024.

Table 4

Dynamics of income, expenses, and financial results of Pivdenny Bank in 2022-2024

Indicators	Years, UAH million			Absolute deviation, UAH million		Relative deviation, %	
	2022	2023	2024	2023/2022	2024/2023	2023/2022	2024/2023
Net interest income	2 292	2 812	3 372	+520	+560	+22.7	+19.9
Net commission income	1 219	849	940	-371	+91	-30.4	+10.8
Trading result	503	689	498	+186	-191	+37.0	-27.7
Other operating income	382	433	548	+51	+115	+13.4	+26.5
Other income	9	36	44	+27	+7	+291.4	+19.9
Total income	4 405	4 818	5 401	+413	+582	+9.4	+12.1
Provisions for ECL	2 065	153	-914	-1 912	-1 067	-92.6	-698.4
Administrative and other operating expenses	1 867	2 799	2 912	+932	+113	+49.9	+4.0
Total expenses	3 932	2 952	1 998	-980	-954	-24.9	-32.3
Profit/(loss) before tax	473	1 866	3 402	+1 393	+1 536	+294.5	+82.3
Income tax expense	83	942	1 393	+858	+451	+1028.7	+47.9
Net profit	390	924	2 010	+535	+1 085	+137.2	+117.4

Source: compiled from materials [21]

We note the positive dynamics of the bank’s income growth for the period by UAH 996 million, or 22.6%. On the other hand, the bank’s expenses showed a steady decline: in 2023, they decreased by UAH 980 million, or 24.9%, and in 2024, they again decreased by UAH 954 million, or 32.3%. Accordingly, this enabled the bank to increase its positive financial results, i.e., profit. Net profit showed a positive growth trend: 137.2% in 2023 and 117.4% in 2024.

The bank’s net interest income increased: in 2023 by UAH 520 million or 22.7%, in 2024 by UAH 560 million or 19.9%, and overall, its volume increased by UAH 1,080 million or 47.1%. Net commission income decreased overall for the period, falling by UAH 279 million or 22.9%; this type of income fell the most in 2023 by UAH 371 million or 30.4%, but in 2024 it grew by UAH 91 million or 10.8%.

On the other hand, the bank’s trading result was positive throughout the period and increased by UAH 186 million, or 37.0%, in 2023, but decreased by UAH 191 million, or 27.7%, in 2024. Other operating income showed a clear upward trend, growing by 13.4% in 2023 and 26.5% in 2024, with an overall growth of UAH 166 million, or +43.4%.

Regarding expenses, we note a significant reduction in provisions in 2023: by UAH 1,912 million, or 92.6%, and in 2024, they became negative, i.e., some of the previously created provisions were dissolved. Administrative and other operating expenses grew steadily during the period: in 2023, they increased by UAH 932 million, or 49.9%, and in 2024, the increase was only UAH 113 million, or 4%.

Let us take a closer look at the composition and dynamics of individual expense groups of Pivdenny Bank in 2022-2024 (Table 5).

Table 5

Dynamics of Pivdenny Bank's expenses components in 2022-2024

Indicators	2022		2023		2024		Changes in structure, %	
	UAH million	%	UAH million	%	UAH million	%	2023/2022	2024/2023
Interest expenses	1 655	27.3	3 248	48.5	2 552	49.4	+21.2	+0.9
Commission expenses	484	8.0	495	7.4	618	12.0	-0.6	+4.6
Provisions for ECL	2 065	34.0	153	2.3	(914)	(17.7)	-31.7	+15.4
Administrative and other operating expenses	1 867	30.8	2 799	41.8	2 912	56.3	+11	+14.5
Total expenses	6 071	100	6 695	100	5 168	100	0	0

Source: compiled from materials [21]

Interest expenses usually constitute the most significant portion of banking expenses, but as we have seen, this rule did not always apply to Pivdenny Bank from 2022 to 2024. In 2022 and 2024, operating expenses accounted for a larger share than interest expenses.

Let us look at the structure of interest expenses (Table 6).

Table 6

Dynamics of Pivdenny Bank's interest expenses in 2022-2024

Indicators	2022		2023		2024		Growth / Decline, %		Changes in structure, %	
	UAH million	%	UAH million	%	UAH million	%	2023/2022	2024/2023	2023/2022	2024/2023
Interest expenses	1 655	100	3 248	100	2 552	100	+96.3	-21.4	0	0
expenses from transactions with legal entities	1 414	85.4	2 801	86.2	1 929	75.6	+98.1	-31.1	+0.8	-10.6
expenses from transactions with individuals	234	14.1	439	13.5	619	24.3	+87.6	+41.0	-0.6	+10.7
other interest expenses	7	0.4	8	0.2	3	0.1	+14.3	-62.5	-0.2	-0.1

Source: compiled from materials [21]

Interest expenses increased by a total of UAH 897 million, or 54.2%, with a 96.3% increase in 2023 and a 21.4% decrease in 2024. The Bank's interest expenses of Pivdenny Bank are dominated by expenses on transactions with legal entities, as funds from legal entities account for twice as much of the liabilities. However, we note a downward trend in the share of interest expenses on transactions with legal entities, while the share of interest expenses on transactions with individuals is upward.

Let us consider the dynamics of commission expenses (Table 7).

Table 7

Dynamics of commission expenses of Pivdenny Bank in 2022-2024

Indicators	2022		2023		2024		Growth / Decline, %		Changes in structure, %	
	UAH million	%	UAH million	%	UAH million	%	2023/2022	2024/2023	2023/2022	2024/2023
Commission expenses	484	100	495	100	618	100	+2.3	+24.8	0	0
Cash settlement services for customers	379	78.3	383	77.4	498	80.6	+1.1	+30.0	-0.9	+3.2
Cash settlement services for other banks	94	19.4	98	19.8	111	18.0	+4.3	+13.3	+0.4	-1.8
Other commission expenses	11	2.3	14	2.8	9	1.5	+27.3	-35.7	+0.6	-1.4

Source: compiled from materials [21]

Commission expenses increased by a total of 134 UAH million, or 27.7%, with an increase of only 2.3% in 2023 and 24.8% in 2024. The bank's commission expenses of Pivdenny Bank are dominated by expenses for settlement and cash services to customers, which increased by only 1.1% in 2023, but by 30.0% in 2024.

Allocations to reserves, i.e., provisions for expected credit losses, (Table 8) decreased by a total of UAH 1,151 million, or 55.7%, and in 2024, they were essentially eliminated. In 2022, the structure is dominated by expenses for forming reserves for debt on customer loans.

Table 8

Dynamics of Pivdenny Bank's provisions for ECL in 2022-2024

Indicators	2022		2023		2024		Growth / Decline, %		Changes in structure, %	
	UAH million	%	UAH million	%	UAH million	%	2023/2022	2024/2023	2023/2022	2024/2023
Provisions for ECL	2 065	100	153	100	(914)	100	-92.6	+497.4	0	0
Net (increase) decrease in provisions for impairment of loans and funds in other banks	(2)	(0.1)	(17)	(11.1)	1	0.1	+750.0	-94.1	+11.0	-11.0
Net (increase) decrease in provisions for loans to customers	2 068	100.1	(33)	(21.6)	(927)	(101.3)	-98.4	+2709.1	-78.5	+79.7
net (increase) decrease in provisions for impairment of the bank's receivables	6	0.3	(1)	(0.7)	2	0.2	-83.3	+100.0	+0.4	-0.5
net (increase) decrease in provisions for bank reserves to cover risks and losses	(12)	(0.6)	7	4.6	6	0.7	-41.7	-14.3	+4.0	-3.9
net (increase) decrease in provisions for impairment of securities	6	0.3	197	128.8	3	0.3	+3183.3	-98.5	+128.5	-128.5

Source: compiled from materials [21]

In 2023, expenses for provisions for impairment of securities dominated. However, in 2024, part of the provisions for loans to customers were released, and the funds were returned to the bank's accounts, significantly increasing the bank's profit for that year. A decrease in the cost of creating reserves may indicate either a reduction in the volume of the active loan portfolio, which is an alarming sign, or an improvement in its quality, which, on the contrary, is a positive trend. In this case, there was an increase in the loan portfolio in hryvnia terms, although in 2023 there was a reduction in its share, but in 2024 it grew to the level of 2022.

Operating expenses increased by a total of UAH 1,045 million, or 56.0%, with a 49.9% increase in 2023 and only a 4.0% increase in 2024. Pivdenny Bank's operating expenses are dominated by personnel salary expenses, which increased by only 1.1% in 2023, but by 30.0% in 2024. Other operating expenses rank second, and costs for the maintenance of fixed assets rank third, which is logical given that banking activities are increasingly digitised.

It should be noted that, according to the principle of profitability, a bank must ensure that its income exceeds its expenses, so the relevant ratios are necessarily analysed during the overall assessment of cost dynamics (Table 10).

Table 9

Dynamics of Pivdenny Bank's operating expenses in 2022-2024

Indicators	2022		2023		2024		Growth / Decline, %		Changes in structure, %	
	UAH million	%	UAH million	%	UAH million	%	2023/2022	2024/2023	2023/2022	2024/2023
Administrative and other operating expenses	1 867	100	2 799	100	2 912	100	+49.9	+4.0	0	0
staff salaries	758	40.6	1 057	37.8	1 105	37.9	+39.4	+4.5	-2.8	+0.2
payroll charges	159	8.5	175	6.3	204	7.0	+10.1	+16.6	-2.3	+0.8
other staff expenses	87	4.7	95	3.4	96	3.3	+9.2	+1.1	-1.3	-0.1
fixed asset maintenance expenses	313	16.8	465	16.6	528	18.1	+48.6	+13.5	-0.2	+1.5
operating expenses	62	3.3	67	2.4	81	2.8	+8.1	+20.9	-0.9	+0.4
advertisement and marketing expenses	4	0.2	6	0.2	6	0.2	+50.0	0	0	0
rental expenses	4	0.2	3	0.1	4	0.1	-25.0	+33.3	-0.1	0
other administrative and operating expenses	480	25.7	931	33.3	890	30.6	+94.0	-4.4	+7.6	-2.7

Source: compiled from materials [21]

Table 10

Dynamics of the overall assessment of Pivdenny Bank 's cost level in 2022-2024

Indicators	Years			Absolute deviation		Growth / Decline, %	
	2022	2023	2024	2023/2022	2024/2023	2023/2022	2024/2023
Expenses, million UAH	6 071	6 695	5 168	+624	-1 527	+10.3	-22.8
Expense growth rate, %	28.60	10.28	-22.81	-18	-33	-64.1	-321.9
Revenues, million UAH	6 544	8 561	8 571	+2 018	+9	+30.8	+0.1
Revenue growth rate, %	17.77	30.83	0.11	+13	-31	+73.5	-99.6
Operating efficiency ratio	0.93	0.78	0.60	-0.15	-0.18	-15.7	-22.9
Cost-saving ratio	1.61	0.33	-206.69	-1.28	-207.02	-79.3	-62102.0

Source: calculated by the authors

The data in Table 10 show that the bank complied with the solvency ratio (standard not exceeding 1) during 2022-2024, as it was significantly less than one, i.e., the bank demonstrated profitability during this period. Over three years, the ratio decreased from 0.93 in 2022 to 0.6 in 2024, which is characterised as a tendency to economise. As for the savings ratio, which should be less than 1, the analysis shows fluctuations: from 1.61, which does not meet the norm, i.e., the growth rate of expenses significantly outpaced the growth rate of the bank's income in 2022, but in 2023-2024, the bank cut all possible costs and increased revenue, which is a pretty positive trend.

In practical banking activities, reducing and rationally managing costs is not an end but an essential tool for achieving financial stability and ensuring banking institutions' profitability. The harmonisation of the resource base structure, i.e., increasing the share of customer settlement and deposit accounts and reducing the share of expensive funding instruments (interbank loans), will contribute to the optimisation of bank expenses towards their minimisation. In economic literature, the concept of "optimisation" is used broadly, with scholars linking it to various financial processes and categories, such as the optimal securities portfolio, optimal credit policy, etc. Most often, the optimum corresponds to achieving the best result with a given expenditure of resources or achieving a given result with minimal resource expenditure. Therefore, cost optimisation can be viewed as selecting solutions that ensure the most efficient formation of bank costs per specified guidelines. The choice of specific methods for improving the cost formation process depends on the bank's financial condition and growth prospects. For example, the first approach focuses on cost optimisation, which involves spending funds exclusively on economically justified needs and providing an appropriate return on investment. The second approach is a cost minimisation strategy, which focuses on reducing cost items as much as possible by first dividing costs into three categories: those that are necessary, those that can be rationalised, and those that are financed on a residual basis.

CONCLUSIONS FROM THIS RESEARCH AND PROSPECTS FOR FURTHER EXPLORATION IN THIS DIRECTION

A systematic approach to cost optimisation allows banks to reduce unjustified expenses and strategically reallocate resources to areas with the highest added value. This contributes to long-term profitability and financial stability. Table 11 presents proposals for improving the cost formation process of Ukrainian banks in modern banking, considering both internal challenges and the external environment (in particular, the impact of war, digitalisation, and changes in customer behaviour).

Table 11

Proposals for improving the process of forming the costs of Ukrainian banks in the context of modern banking

Direction	Contents	Result
1. Introduction of adaptive budgeting.	Instead of traditional static planning, dynamic (flexible) budgeting should be introduced, allowing for a rapid response to market conditions, currency fluctuations, regulatory requirements, etc.	Reduced risk of overspending and better control over the targeted use of resources.
2. Digitisation of operations and automation of reporting.	Active implementation of fintech solutions, CRM systems, and RPA (robotic process automation) to reduce costs for manual data processing, document flow, and back-office functions.	Reduction of administrative expenses, acceleration of transaction processing, and minimisation of the human factor.
3. Differentiation of costs according to their strategic value.	Dividing costs into three levels: 1) strategically necessary (investments in security, compliance, reputation), 2) operational, which can be optimised (e.g., branch maintenance), and 3) secondary, which can be financed on a residual basis.	Concentration of resources on priority areas of the bank's development.
4. Centralisation of non-core functions	Creation of unified service centres for IT, HR, accounting, procurement, etc., at the level of banking groups or associations.	Economies of scale, improved quality control.
5. Reorientation towards online service channels,	Maximising mobile and internet banking investments to reduce physical infrastructure costs.	Reducing branch network and personnel maintenance costs, increasing operational efficiency.
6. Analysis of cost efficiency at the product and customer level.	Introduction of an ABC (activity-based costing) system for accurate measurement of the profitability of individual services, customer segments, and sales channels.	Ability to optimise the product portfolio and discontinue unprofitable products.
7. Focus on socially responsible spending.	Consider spending related to defence capabilities, energy efficiency, environmental protection, and socially significant projects as a long-term investment in reputation.	Increase trust among customers and partners and build a positive image in society.

Source: proposed by the authors

Implementing a cost management system based on strategic criteria (e.g., profit at a given cost level) helps to set clear goals and evaluate cost efficiency in the context of the overall banking strategy. Fostering a culture of social responsibility in cost policy not only supports the bank's image, but also contributes to increased trust by customers, investors, and society – especially in martial law conditions and post-war recovery. In general, improving the cost formation process is not just about saving money, but is a tool for the bank's strategic development, ensuring stability, flexibility, and the ability to grow even under challenging conditions. Successful implementation of the proposed measures will increase the competitiveness of Ukrainian banks in domestic and international markets.

REFERENCES:

1. Barltrop C. J., McNaughton D. Banking institutions in developing markets. Interpreting Financial Statements. *The World Bank*. 1997. P. 4-20.
2. Burger A., Moormann J. Productivity in banks: myths & truths of the cost income ratio. *Banks and Bank Systems*. 2008. Volume 3, Issue 4. P. 85-94.
3. Rose P.S. Bank Management & Financial Services. "McGraw-Hill", 2013. 740 p.
4. Sinkey J. F. Commercial Bank Financial Management : 6th edition. USA: "Prentice Hall", 2002. 696 p.
5. Higgins M., Klitgaard T. Reserve Accumulation: Implications for Global Capital Flows and Financial Markets. *Federal reserve bank of New York. Economics and Finance*. 2004. Volume 10, number 10. P.1-8
6. Athanasopoulou A., Dopson S. Developing Leaders by Executive Coaching: Practice and Evidence. "Oxford University Press", 2015, 288 p.
7. Golovkova L. S., Krisanova N. O., Dobrik L. O. Improving the efficiency of a bank through cost management. *Review of transport economics and management*. 2021. №21. P. 69-77.
8. Zarutskya O. P., Novikova L. F., Grygel A. V. Features of business models of Ukrainian banks. *Scientific perspective: economics and management*. 2023. № 4. P. 101-110/

9. Kaminska M.B. Features of organizing income and expense accounting in banks. *Herald of Zhytomyr National Agroecological University*. 2015. № 2 (2). P. 147–153.
10. Kostyuk V. A., Dyatlenko V. E. Management of bank income and expenses. *Market infrastructure*. 2017. № 12. P. 150–154.
11. Makarenko Yu. P., Morokhovets K. S. Income and expenses in ensuring the profitability of commercial banks in Ukraine. *Investments: Practice and Experience*. 2016. №. 10. P. 15–19.
12. Economic Encyclopedia: in three volumes /ed. by S. V. Mochernyi. – Kyiv: “Publishing Centre Academy”, 2014. Vol. 1. 864 p.
13. Sysonenko I. A., Karliuka D.O. Analysis of interest and commission expenses of a banking institution. *ECONOMIC SCOPE*. 2022. №179. P.116–120.
14. Zakharchenko L.A., Zhadanova Yu.O., Yatskevich I.V. Cost Management: Textbook. “Odessa National Academy of Communications”, 2009. 216 p.
15. International Financial Reporting Standards. URL: https://zakon.rada.gov.ua/laws/show/929_010#Text
16. Tax Code of Ukraine . URL: <https://zakon.rada.gov.ua/laws/show/2755-17#Text>
17. Rules for accounting for income and expenses of Ukrainian banks. URL : <https://zakon.rada.gov.ua/laws/show/v0017500-18#Text>
18. Beau E., Hill J., Hussain T., Nixon D. Bank Funding Costs: What are They, What Determines Them and Why Do They Matter? *Bank of England Quarterly Bulletin*. 2014. №4 (Q4). P.124–127.
19. Hansen D.R., Mowen M.M. Cost Management, Accounting and Control. “Thomson South-Western, Ohio”, 2006. 504 p.
20. McLeay M., Radia A., Thomas R. Money Creation in the Modern Economy. *Bank of England Quarterly Bulletin*. 2014. №1. (Q1). P.14–27.
21. Supervisory statistics of the NBU. URL: <https://bank.gov.ua/ua/statistic/supervision-statist/>

АНАЛІТИЧНІ ТА ПРАКТИЧНІ АСПЕКТИ ФОРМУВАННЯ ВИТРАТ БАНКІВ

ХРУЩ Ніла, ГОРДЄЄВА Тетяна
Хмельницький національний університет

У статті обґрунтовано теоретико-методичні підходи та прикладні аспекти формування витрат банку в умовах воєнного стану та глибокої трансформації банківської системи України. Доведено, що витрати банку не можуть розглядатися як ізольований фінансовий показник, адже вони формують основу економічної безпеки установи та є комплексним і стратегічно важливим елементом управління банком. Підкреслено, що саме структура, якість та ефективність формування витрат визначають стабільність функціонування банківської системи загалом, рівень її фінансової стійкості та здатність адаптуватися до турбулентного зовнішнього середовища.

На основі аналізу макроекономічних показників банківського сектору та практики діяльності ПАТ АБ «Південний» окреслено ключові тенденції зміни обсягів і структури витрат банківських установ, виявлено основні ризики та резерви для їх оптимізації. Зокрема, виокремлено проблеми зростання адміністративних витрат, витрат на забезпечення безперервності діяльності та кібербезпеки, що стають критично важливими в умовах воєнних викликів.

Запропоновано напрями вдосконалення процесів формування витрат: упровадження адаптивного бюджетування, використання цифрових технологій для автоматизації операцій, диференціацію витрат залежно від їх стратегічної цінності, централізацію та аутсорсинг непрофільних функцій. Наголошено, що оптимізація витрат має розглядатися не лише як інструмент скорочення витратної частини бюджету, а як комплексний стратегічний фактор, що забезпечує підвищення конкурентоспроможності банків, їхню стійкість до кризових явищ та здатність до відновлення.

Зроблено висновок, що розробка сучасних моделей управління витратами повинна ґрунтуватися на принципах гнучкості, інноваційності та системності, що сприятиме формуванню стійкої та ефективної банківської системи України в умовах воєнного та післявоєнного відновлення.

Ключові слова: витрати банку, фінансова стабільність, оптимізація, банківська система України.