Because of writing the scientific work, it was established that the protracted war, terrorist attacks on the energy infrastructure and the subsequent suppression of the economy provoked by this are the main sources of risks for the financial stability of commercial banks. The state of investment activity of commercial banks was studied and it was determined that in order to increase it and reduce the risk of loss of liquidity in war conditions, commercial banks should apply methods of passive investment portfolio management. It has been proven that the combination of financial assets with different investment terms in the investment portfolio will allow taking into account the fluctuations of interest rates and the level of interest risk, which is under the influence of investment owners. It was determined that with the beginning of the war, the share of non-performing loans expectedly increased, most noticeably in the retail segment. Despite significant write-downs, the banking sector posted a quarterly profit after a loss-making first half, driven by operational efficiency. The net assets of banks for the third quarter of 2022 were analyzed, which increased by 7.5% and exceeded the pre-war level, this happened due to the increase in the volume of deposit certificates of the NBU. It was established that the TOP-10 banks of the country included banks that were able to continue working despite the introduction of martial law and hostilities and maintain their credit and investment portfolio at the proper level: Privatbank, Ukreximbank, FUIB, Ukrgasbank, Raiffeisen Bank, Oschadbank, Sens Bank, OTP Bank, Universal Bank and Credit Agricole Bank. It was established that in order to develop the investment activity of commercial banks in the conditions of military aggression, the following basic requirements must be observed: continuity of the investment process; availability of a diversified portfolio, where capital investment will be focused on 4–5 classes; one must allow the portfolio to grow with the market during upswings, but at the same time protect it during periods of general decline.

**Keywords:** investment activity; commercial banks; military aggression; bank liquidity; risk; credit and investment portfolio; financial assets; interest rates; non-performing loans; operational efficiency.
Addition to building their own portfolios of securities, it is advisable for domestic commercial banks to apply methods of passive management of the investment portfolio. In fact, this approach is focused on strategies of profit maximization and risk forecasting, which occupy key positions. In order to increase the profitability of banks and their investment activities, however, in the current conditions of war, most banks still maintain operational efficiency despite significant credit losses, having adapted to crisis conditions as early as the 3rd quarter of 2022 [6; 12; 13].

Studies of the investment activity of commercial banks in the securities market in war conditions suggest that among the measures of anti-crisis management of bank management, the strategy of profit maximization and risk forecasting occupy key positions. In order to increase investment activity and reduce the risk of loss of liquidity in the current conditions of war, commercial banks should first apply methods of passive management of the investment portfolio. In addition to building their own portfolios of securities, it is advisable for domestic commercial banks to expand the provision of investment services, which at this stage are carried out at a weak level, in a limited number. Another important measure is the formation of high-quality portfolios of securities, taking into account individual work with issuers and investors. The combination of financial assets with different investment terms in the investment portfolio will allow taking into account the fluctuations of interest rates and the level of interest risk, under the influence of which investment owners are exposed [11].


The purpose of the study is research the current state and possible prospects for the development of investment activities of commercial banks in the conditions of a full-scale war.

The main results and their justification. For the first time since the beginning of the full-scale war, commercial banks began to increase time deposits in hryvnias, and time deposits in.
foreign currency resumed growth for the first time since the corona crisis. The net loan portfolio generally decreased, and only in state-owned banks, the volume of corporate loans increased with the support of state programs. A protracted war, terrorist attacks on the energy infrastructure and the resulting economic depression are the main sources of risks to financial stability. This year's GDP will fall by about a third, and next year will grow more slowly than predicted before the massive missile attacks. This will slow the recovery of demand for financial services and cause additional credit losses for banks. International support for Ukraine is growing and creates a reliable support for financing the needs of the state, the balance of payments and international reserves, thanks to which the National Bank maintains its active presence in the foreign exchange market [6; 8; 12; 13].

Banks continue to operate without interruption, despite the energy terror and the enemy’s destruction of civilian infrastructure. Banks are implementing measures that strengthen their resilience to operational risks and will enable them to maintain business continuity even in conditions of prolonged blackouts. Continuity of payments and maintaining the operation of the banking network is one of the foundations of maintaining trust and financial stability, but credit risk remains the biggest threat to the banking sector. Together, the actual and potential losses of the loan portfolio are currently comparable to the June estimates of the NBU at the level of about 20%. However, the destruction of the energy infrastructure and slower economic recovery increase the credit risk – losses due to the war can increase to 30% of the portfolio [22; 23].

In 2023, the NBU expects the stabilization of the economic situation and gradual economic recovery and plans to conduct an analysis of the quality of assets to confirm the correctness of the display of the quality of the loan portfolio, the adequacy of the formation of reserves and the assessment of the real size of the regulatory capital. Based on the results of the assessment, a transitional period will be determined for the restoration of capital to the minimum regulatory values. Most banks will be able to recapitalize through future earnings, but a number of banks will likely need shareholder support. As noted, with the beginning of the war, the share of non-performing loans expectedly increased, most noticeably in the retail segment. Despite significant write-downs, the banking sector posted a quarterly profit after a loss-making first half, driven by operational efficiency. The number of operating commercial banks in Ukraine as of January 1, 2023, shown in fig. 1 [22; 23].

January 1, 2023

![Bar chart](image_url)

**Fig. 1. The number of commercial banks in Ukraine as of January 1, 2023**

Bank assets exceeded the pre-war level, while the loan portfolio decreased (Fig. 2, Fig. 3). The net assets of banks for the third quarter of 2022 increased by 7.5% and exceeded the pre-war
level, which occurred due to the increase in the volume of deposit certificates of the NBU. At the same time, there was a reduction in the net loan portfolio, net hryvnia corporate loans for the quarter decreased by 2.2%, foreign currency loans by 10.0% in the dollar equivalent. Only state banks increased hryvnia lending to businesses by 4.3% per quarter [22].

The implementation of investment activities by banking institutions should be connected with the adoption of specific decisions in the field of increasing the volume of bank investment resources [7; 19]. The extent to which banks will pay attention to the formation of these resources depends on their ability to carry out active investment operations. Therefore, the bank's investment potential can be divided into its own and borrowed. The banks own investment potential is formed by its authorized capital, reserve capital, bank profit, etc., and the invested investment potential is money placed in deposits, bank bills, etc. [1; 21].

![Graph of Total assets of Ukrainian commercial banks as of January 1, 2023, mln UAH](image)

Source: systematized by the authors based on [22].

**Fig. 2. Total assets of Ukrainian commercial banks as of January 1, 2023, mln UAH**

![Graph of Profitability indicators for the banking system of Ukraine as a whole as of January 1, 2023](image)

Source: systematized by the authors based on [22].

**Fig. 3. Profitability indicators for the banking system of Ukraine as a whole as of January 1, 2023**

Despite the wide variety of operations of banks on the investment market, over the past year, the banking sector of the national economy has shown a tendency to reduce the volume of the investment portfolio in favor of the credit portfolio. This situation is caused by a number of factors,
in particular: the beginning of a full-scale invasion of the territory of Ukraine by the Russian Federation; lack of an efficient functioning stock market; higher profitability of credit operations compared to investments; a wider range of risks that arise during the implementation of investment operations, and the complexity of their forecasting and assessment during military operations; lack of money from banks to make long-term investments; availability of domestic commercial banks’ subsidiary structures, etc. [12; 13; 22].

Acting as an investment intermediary, banks accumulate significant sums of temporarily free funds of households and cash savings of the population using checking accounts, current accounts, deposits, deposit and savings certificates, bank bills and their acceptance, with the involvement of other various monetary and financial instruments of attraction funds. All this proves that Ukraine has a great investment potential of the banking system [2–5]. Thus, only those that were able to continue working and maintain the credit and investment portfolio at the proper level despite the introduction of martial law and military actions (table 1) [22; 23]. Taking into account the fact that the investment activities of commercial banks are currently countered by the military aggression of the Russian Federation, it is necessary to apply a whole set of strategic measures to ensure normal conditions for their functioning.

Table 1

| №  | Bank            | Credit and investment portfolio, mln UAH | including: |  |  |  |
|----|-----------------|------------------------------------------|------------|  |  |  |
|    |                 |                                          | Interbank loans, mln UAH | Commercial loans, mln UAH | Securities, mln UAH |
| 1. | Privatbank      | 194983,73                                | 25922,82   | 73433,69 | 95627,22      |
| 2. | Ukreximbank     | 86097,85                                 | 31382,92   | 42217,84 | 12497,09      |
| 3. | FUIB            | 75635,98                                 | 14898,76   | 44557,76 | 16179,46      |
| 4. | Ukrgasbank      | 73551,56                                 | 13437,89   | 30328,80 | 29784,88      |
| 5. | Raiffeisen Bank | 71229,85                                 | 13137,11   | 51135,71 | 6957,03       |
| 6. | Oschadbank      | 64285,08                                 | 7558,39    | 53876,17 | 2850,52       |
| 7. | Sens Bank       | 56233,38                                 | 9916,07    | 37627,60 | 8689,71       |
| 8. | OTP Bank        | 46414,23                                 | 9059,82    | 32282,55 | 5071,86       |
| 9. | Universal Bank  | 43248,43                                 | 10107,39   | 25794,00 | 7347,03       |
| 10.| Credit Agricole Bank | 38530,09                                | 7609,66    | 27685,37 | 3235,06       |

Source: systematized by the authors based on [22; 23].

The main prospective areas of investment activity development of commercial banks include:

1. To support the development of the banking services market, including investment services that bring together the financial and real sectors of the economy, contribute to the entry of free financial resources to entrepreneurs, and for banks, expand their sources of income.

2. To study the practice of investment services based on the experience of individual banks and non-banking financial companies in Ukraine.

3. Promote the development of investment management services (trust management of assets of professional financial market participants and assets of private individuals), which is a powerful tool for attracting resources. The possibilities of this tool cannot only be equal to the profitability of brokerage operations, but also can revive the demand for other financial services.

4. Activate and stimulate state support for the creation of investment banks and investment banking institutes in Ukraine.
5. Uniting Ukrainian investment banks into consortia with the participation of foreign banks recognized as professionals in the field of investment banking business on the international financial market for more successful functioning [14–20].

An important component of banking investment management is the mechanism of investment interaction between banks and their business partners – investment, consulting, leasing, insurance, auditing, and marketing and other companies, as well as methods of promoting investment attraction, organizational support of joint investment activities for the purpose of obtaining profit. Such factors as the formation of the structure of the process of promoting investment attraction, the creation of an effective mechanism of interaction between banks and investors, the activation of the activities of bank managers in the development and implementation of investment projects, require further development taking into account the peculiarities of the national economy during military operations in Ukraine [14–16].

Therefore, in order to maintain investment activity, commercial banks need to use strict diversification, when investing is not just in different assets, but also first in various classes of instruments: shares, bonds, commodities and gold (in shares and bonds of different sectors, regions and strategies). Also regarding ways to overcome the causes of low efficiency of investment activity of banking institutions: it is necessary to develop and implement urgent measures to intensify the participation of banks in financing investment projects; at the state level, a target structural model of the banking system of Ukraine should be formed, which would provide for the allocation of the segment of investment banks; it is expedient to consider the possibility of introducing work-based measures to increase the efficiency of banking institutions in the investment market, as well as to determine directions for solving the considered problems, which restrain the activation of banks’ activities in the direction of accumulating long-term financial resources and their effective redistribution to enterprises of the real sector of the economy [11; 15–18].

Conclusions. As a result of the study of the state of investment activity of commercial banks, the state of their assets and profitability, observed over the last year in wartime conditions, it can be argued that the first quarter of 2023 will not be favorable for the banking sector and investment in particular. The trends that dominated in 2022 will be inherent in 2023 as well. However, in the second half of 2023, commercial banks will see a recovery in the financial market, which will be triggered by a sharp drop in inflation in the USA and the end of the Fed’s interest rate hikes. Therefore, with the aim of prospective development of investment activities of commercial banks in conditions of military aggression, the following rules must be observed: continuity of the investment process (under the condition that the market rises/falls, it is necessary to «be invested»); the presence of a diversified portfolio, where capital investment will be focused not on one class of assets, but on 4–5 classes; one must allow the portfolio to grow with the market during upswings, but at the same time protect it during periods of general decline. Failure to comply with this condition leads to a violation of the ratio of acceptable risk to profitability. The risks become too high and when an investor’s portfolio sinks a lot, it may take several years to recover to previous indicators. Particular attention must be paid to the investment horizon and flexibility to ensure liquidity at the right time.

References


5. Дмитренко М. Г., Шльончак В. В. Комплексний підхід щодо оцінки ефективності стратегій кредитно-інвестиційної діяльності банків. Фінансовий простір. 2015. № 3. С. 11–21.


7. Заяць В. В., Пузирьова П. В. Інструменти залучення іноземних інвестицій та фінансування інвестиційних проєктів в


16. Петровська С. В., Костюк І. В. Проблеми розвитку інвестиційної діяльності комерційних банків. Проблеми системного підходу в економіці. 2015. Вип. 53. С. 59–63.


19. Пузирьова П. В., Ковальська Ю. Г. Теоретичні аспекти фінансових інвестицій, їх особливості, форми та стратегічні напрями. Формування ринкових відносин в Україні. 2012. № 6 (133). С. 83–86.


21. Русіна Ю. О., Башченко Н. О. Формування та реалізація інвестиційної політики комерційного банку.
of the investment policy of a commercial bank].

Formuvannia rynkovykh vidnosyn v Ukraini = Formation of market relations in Ukraine, No. 3, P. 37–46 [in Ukrainian].

