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## ENHANCING THE COMPETITIVENESS OF UKRAINIAN BANKS IN THE CONTEXT OF INTEGRATION INTO THE EUROPEAN UNION FINANCIAL SPACE

### ПІДВИЩЕННЯ КОНКУРЕНТОСПРОМОЖНОСТІ БАНКІВ УКРАЇНИ В УМОВАХ ІНТЕГРАЦІЇ ДО ФІНАНСОВОГО ПРОСТОРУ ЄВРОПЕЙСЬКОГО СОЮЗУ

The article analyzes key determinants and strategic directions for strengthening the competitiveness of Ukrainian banks in the context of integration into the EU financial space. The study highlights the necessity of adapting the national banking sector to European regulatory standards, improving financial stability, and increasing operational efficiency under growing competition. The research identifies institutional, regulatory, and technological factors influencing competitive positions, including harmonization with EU banking requirements, digital transformation, advanced risk management, and sustainable finance practices. The findings confirm that the implementation of European regulatory approaches enhances transparency, resilience, and long-term development prospects of Ukrainian banks.

**Keywords:** banking sector; competitiveness; European integration; financial regulation; EU financial space.

В статті досліджено ключові детермінанти та стратегічні напрями підвищення конкурентоспроможності банків України в умовах поглиблення інтеграційних процесів до фінансового простору Європейського Союзу. Актуальність дослідження зумовлена необхідністю адаптації національного банківського сектору до регуляторних та інституційних вимог ЄС, забезпечення фінансової стійкості банківських установ, підвищення ефективності функціонування фінансового ринку, а також формування сучасних підходів до управління банківською діяльністю в умовах посилення глобальної конкуренції та структурних трансформацій економіки України. Метою дослідження є визначення, систематизація та наукове обґрунтування пріоритетних напрямів підвищення конкурентоспроможності банків України з урахуванням викликів і можливостей, що виникають у процесі європейської інтеграції. Для досягнення поставленої мети використано системно – структурний підхід до аналізу функціонування банківського сектору, методи порівняльного аналізу нормативно – правового забезпечення банківської діяльності в Україні та країнах Європейського Союзу, а також загальнонаукові методи аналізу, синтезу, узагальнення та логічного моделювання. У процесі дослідження визначено основні інституційні, регуляторні та технологічні чинники, що формують конкурентні позиції банків на фінансовому ринку. Особливу увагу приділено питанням гармонізації національного банківського регулювання з європейськими стандартами, впровадженню сучасних цифрових технологій у банківську діяльність, удосконаленню систем управління ризиками, а також розвитку інструментів сталого фінансування відповідно до принципів екологічної та соціальної відповідальності. Доведено, що імплементація європейських регуляторних підходів сприяє підвищенню прозорості діяльності банків, зміцненню їх фінансової стійкості, покращенню якості банківських послуг та зростанню довіри з боку клієнтів і інвесторів. Отримані результати можуть бути використані під час формування стратегій розвитку банківського сектору України, удосконалення державної регуляторної політики, а також прийняття управлінських рішень, спрямованих на підвищення ефективності функціонування банківських установ та зміцнення їх конкурентних позицій у процесі інтеграції до європейського фінансового простору.

**Ключові слова:** банківський сектор; конкурентоспроможність; європейська інтеграція; фінансове регулювання; фінансовий простір ЄС.

**Statement of the problem.** The current stage of development of the global economy is characterized by the deepening of globalization and integration processes, which significantly intensify competition in financial markets and generate new challenges for national banking systems. Under these conditions, the ability of banks to effectively adapt to transformations in the global financial environment, ensure financial stability, and comply with international regulatory requirements becomes a key factor in the stability and development of the national economy.

Ukraine's choice of a European integration development vector and the acquisition of candidate status for accession to the European Union bring to the forefront the issue of transforming the domestic banking sector in line with EU standards and requirements. This entails the harmonization of national banking regulation with European norms, in particular the recommendations of the European Banking

Authority (EBA) and the European Central Bank (ECB), as well as the adaptation of supervisory practices and risk assessment in accordance with best international practices. At the same time, the National Bank of Ukraine (NBU) is implementing a range of initiatives aimed at strengthening financial resilience, increasing capitalization, and improving the risk management system within Ukraine's banking sector.

European integration opens up new opportunities for Ukrainian banks to access European financial markets, capital, and innovative financial instruments; however, it also requires enhanced adaptability to standards of transparency, corporate governance, and digitalization. In particular, the implementation of EU requirements for risk management, stress testing, and minimum capital adequacy ratios creates preconditions for the formation of competitive advantages, while simultaneously intensifying competition within the domestic financial market.

Under these conditions, the insufficient competitiveness of certain domestic banks becomes evident, as they do not yet fully comply with EU requirements regarding efficiency, transparency, and a risk-oriented approach. This determines the need for a scholarly examination of strategic pathways to enhance the competitiveness of Ukrainian banks, taking into account the requirements of the National Bank of Ukraine, the recommendations of the European Banking Authority, and the practices of the European Central Bank, as well as current trends in the development of financial markets [1, p. 65].

**Analysis of recent research and publications.** The issue of competitiveness of the banking sector is the subject of active research by both foreign and domestic scholars in the context of economic integration and the transformation of financial markets. In the international literature, bank competitiveness is interpreted as a complex characteristic shaped by financial performance indicators, innovative activity, the effectiveness of risk management, and the regulatory environment. In particular, the study by L. Weill [1] demonstrates that integration processes within the EU intensify competitive pressure on credit institutions and affect the efficiency of the banking sector. Systematic literature reviews based on the Scopus and Web of Science databases, in particular the research of E. Begimkulov [2], indicate a growing number of empirical studies focused on measuring the level of competition, identifying its determinants, and analyzing the impact of external factors on the development of banking systems. A separate strand of research is associated with the influence of digitalization and financial innovations on the competitive positions of banks.

Scholarly works indexed in Scopus, including studies by I. Aleksieienko and D. Herich [3], as well as X. Liu and Q. Zhao [4], confirm that the development of digital banking services and cooperation with FinTech companies contribute to improving the efficiency of business models and enhancing the innovative activity of banks. International analytical reports prepared by J. Mejino – López and N. Véron [5] emphasize the role of European integration in strengthening bank competitiveness through the harmonization of regulatory and supervisory practices within the EU banking sector. Both domestic and international studies, in particular the research of N. Gadalia [6] and V. Kovalenko and Ya. Verbytska [7], indicate that financial stability, market positioning, and innovation are key determinants of bank competitiveness. At the same time, the issues of enhancing the competitiveness of Ukrainian banks in the context of integration into the EU

financial space, taking into account the requirements of the EU Banking Union, the European Banking Authority (EBA), and the European Central Bank (ECB), remain insufficiently explored, which underscores the relevance of further scholarly research.

**Formulation of the research task.** The aim of this article is to substantiate the priority directions for enhancing the competitiveness of Ukrainian banks in the context of integration into the European Union financial space, taking into account contemporary regulatory, institutional, and technological challenges. To achieve this aim, the article synthesizes theoretical approaches to defining the essence and key determinants of bank competitiveness, analyzes the impact of European integration processes on the functioning and development of the Ukrainian banking sector, and examines the specifics of adapting the national regulatory and supervisory framework to the requirements of the EU Banking Union, the European Banking Authority (EBA), and the European Central Bank (ECB). Particular attention is given to evaluating the role of digitalization, financial innovations, and modern risk management practices in shaping the competitive advantages of banking institutions. Based on the results obtained, practical directions for enhancing the competitiveness of Ukrainian banks in the context of integration into the European Union financial space are substantiated.

**Summary of the main research material.** Ukraine's integration into the EU financial space requires a comprehensive enhancement of the banking sector's competitiveness through adaptation to European regulatory standards, strengthening financial resilience, and the implementation of technological innovations. Banks' competitive positions are determined by a combination of financial, regulatory, and technological factors, among which profitability, the quality of the loan portfolio, liquidity, and capital efficiency play a key role. One of the fundamental indicators of bank performance is the profitability of assets (ROA) and equity (ROE), which are calculated using the following formulas:

$$ROA = \frac{\text{Net Profit}}{\text{Average Assets}} \times 100\%, \quad (1)$$

$$ROE = \frac{\text{Net Profit}}{\text{Equity}} \times 100\%, \quad (2)$$

According to data from the National Bank of Ukraine (Table 1), the profit of the banking sector increased from UAH 24,7 billion in 2022 to UAH 103,69 billion in 2024, corresponding to a simultaneous increase in both ROA

Table 1

### Key Performance Indicators of Ukrainian Banks for 2022–2025

Indicator	Years			
	2022	2023	2024	2025 (for 4 months)
Net Profit After Tax, UAH billion	24,7	86,545	103,69	52,9
Non-Performing Loans (NPL), %	38,1	37,35	32,3	30,3
Loans, UAH trillion	1,134	1,20	1,25	1,432
ROA, %	0,41	1,44	1,65	0,81
ROE, %	10,9	15,73	17,88	8,82
Number of Banks	66	63	61	60

Source: Compiled by the authors based on data from the [9]

and ROE. This indicates more efficient use of resources and capital. The share of non-performing loans (NPLs) decreased from 38,1% in 2022 to 30,3% at the beginning of 2025, reflecting an improvement in the financial resilience of banks and increased confidence among clients and investors.

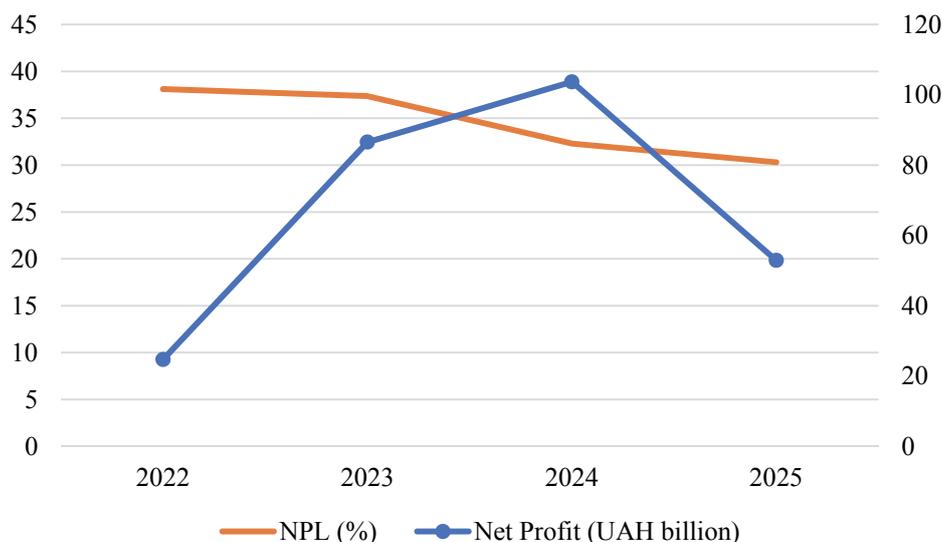
Thus, Ukrainian banks are undergoing a period of adaptation to the conditions of wartime and post-war periods, while simultaneously improving their efficiency in the context of European integration.

Let us consider the dynamics of net profit and non-performing loans (NPLs) of Ukrainian banks for 2022–2025 (Fig. 1).

This line chart illustrates the dynamics of net profit and NPLs for 2022–2025: the increase in profit is accompanied by a decrease in non-performing loans, indicating an improvement in the financial stability of banks.

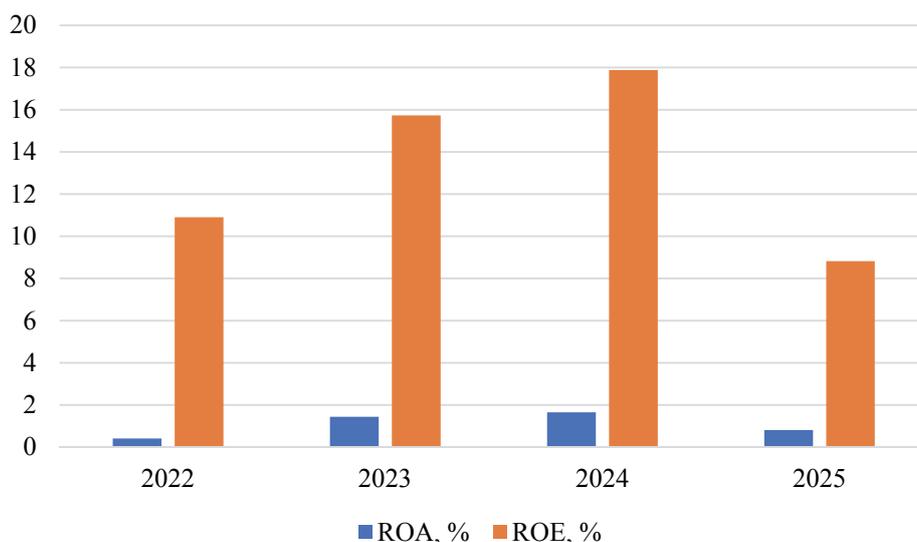
Let us consider the dynamics of ROA and ROE of Ukrainian banks for 2022–2025 (Fig. 2).

This bar chart (Fig. 2) illustrates the dynamics of ROA and ROE for 2022–2025, confirming improved efficiency in the use of assets and equity. Positive trends in profitability, ROA/ROE indicators, and the decline in NPLs create favorable conditions for investment in digital technologies, the implementation of remote banking services, and the modernization of business



**Figure 1. Dynamics of Net Profit and Non-Performing Loans (NPLs) of Ukrainian Banks for 2022–2025**

Source: [8, 9]



**Figure 2. Dynamics of ROA and ROE of Ukrainian Banks for 2022–2025**

Source: [8, 9]

models, thereby strengthening the competitive positions of Ukrainian banks. Compliance with the standards of the EU Banking Union, the European Banking Authority (EBA), and the European Central Bank (ECB) provides the prerequisites for the integration of Ukrainian banks into the EU financial space.

An analysis of NBU data for 2022–2025 shows that Ukrainian banks are undergoing a period of adaptation to wartime and post-war conditions, while simultaneously improving their efficiency in the context of European integration.

The profitability of the banking sector increased from UAH 24,7 billion in 2022 to UAH 103,69 billion in 2024, demonstrating a recovery in operations following the sharp decline in profits in 2022. The ROE indicator rose from 10,9% in 2022 to 17,9% in 2024, while ROA increased from 0,41% to 1,65%, respectively.

The quality of the loan portfolio has been gradually improving: the NPL ratio declined from 38,1% in 2022 to 30,3% at the beginning of 2025, indicating effective risk management and stabilization of the credit sector.

The volume of the loan portfolio is recovering: the decline to UAH 1,134 trillion in 2022 reflected banks' conservative policies, while the gradual increase to UAH 1,432 trillion in 2025 signals a return to active lending and financial support for the economy.

The comprehensive combination of profit growth, improvements in ROA/ROE, a decline in NPLs, and a stable loan portfolio creates the prerequisites for: enhancing banks' technological readiness; implementing digital services and FinTech solutions; adapting to the standards of the EU Banking Union, the European Banking Authority (EBA), and the European Central Bank (ECB); strengthening the positions of Ukrainian banks in the European financial market.

Thus, the positive dynamics of financial indicators since 2022 indicate a gradual increase in the competitiveness of Ukraine's banking system, which is critically important in the context of integration into the EU financial space.

Conclusions. The analysis of financial indicators of Ukrainian banks for 2022–2025 demonstrates that the banking sector is undergoing a period of adaptation to wartime and post-war conditions while simultaneously enhancing efficiency and competitiveness in the context of European integration. The growth in profitability, along with rising ROA and ROE indicators, reflects more efficient utilization of assets and capital and indicates a gradual strengthening of banks' financial resilience.

The gradual improvement of the loan portfolio, evidenced by a decline in the share of non-performing loans and the recovery of lending volumes, demonstrates effective risk management and supports the stabilization of the banking sector. These trends strengthen the capacity of banks to provide financial support to the economy and maintain operational efficiency.

The combined positive dynamics of key financial indicators create favorable conditions for implementing priority strategic directions for enhancing the competitiveness of Ukrainian banks. These include harmonization with EU banking standards (EU Banking Union, EBA, ECB), digital transformation, adoption of FinTech solutions, and the improvement of regulatory and supervisory practices. The implementation of these approaches contributes to greater transparency, resilience, and operational efficiency, thereby reinforcing the competitive positions of Ukrainian banks in the EU financial space.

Overall, the realization of these strategic directions will ensure sustainable growth in the competitiveness of Ukraine's banking system and facilitate its successful integration into the European Union financial space.

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