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## **BANK CRISIS RESISTANCE VERSUS FINANCIAL PERFORMANCE IN EUROPEAN BANKS**

It is obvious that the current conditions of banking are not stable yet. The global financial crisis of 2008-2010 has deepened the problems that banks had. Thus, it is early to talk about the stabilization of banking sector, but about the financial distress. The evidence of this thesis is the problems that banks are still facing.

So due to globalization and interrelation of financial world one can say that the modern financial conditions are changing too quickly, bringing the distress in operational banking activity. In the thick of global crisis two acknowledged professors, guru of marketing and international economics Philip Kotler and John Caslione have made a research named 'Chaotics' where they declare the new age as the age of turbulence. That is why banks as the most vulnerable institutions to economic and financial distresses should account it in the post-crisis period. These risks could be lowered if the bank has good corporate governance. It increases the confidence of shareholders in the bank. Good disclosure practices lead to increase of the credibility of the bank which, in turn, leads to growth of client base and so on. That is why providing good corporate governance is essential for banks. After the crisis it became clear that some governance mechanisms turned up ineffective. That is why the important task is to identify the interrelation between CG measurements and crisis resistance of the bank. So the aim of the further researches is to define an impact of individual characteristics of corporate governance system on crisis resistance of the biggest European banks. The Financial Stability Oversight Council - a United States federal government

organization – has defined 30 biggest European banks by total assets. This list was formed to define the banks with the biggest systemic risk.

Due to their systemic importance and great experience it becomes an important task to investigate the influence of corporate and risk governance variables on banks' financial performance. Among the indicators of corporate governance the statistical data concerning risk governance variables has been accounted.

To achieve the research purposes and find relationship between crisis resistance and certain characteristics of the corporate governance of banks we offer to calculate synthetic resistance index. This approach is justified because aggregated indicator consists of sub-indices (assets' quality, liquidity, capital, profitability sub-indexes), which are resulting values formed under the influence of disparate factors. Using of synthetic index enables making a comprehensive comparative evaluation of the resistance of banks.

As a result of the conducted research positive correlation between synthetic index and such corporate governance factors as % of independent directors in risk committee has been found, absence or presence of the CRO in the board, % of independent and non-executive directors in the board. Meanwhile, weak correlation between synthetic index and CEO remuneration, number of directors in the board and risk committee, number of meetings of the board was found, which may be a prerequisite for further studies of the relationship of these factors with bank's crisis resistance.