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## **PROBLEM CREDITS OF BANKS: NATURE, FORMATION FACTORS AND MINIMIZATION METHODS**

Commercial banks in the credit activity are constantly exposed to credit risk, the generation of which increases with increasing the productive use of bank assets when making the credit process. The risks of credit activity lead to the formation of problem loans in the credit portfolio of banks and require skilled management to localization.

The purpose of the article is to determine the nature of the concept of "NPL" research set of factors that encourage the emergence of bad debts in banks, analyzing the dynamics of NPLs of banks of Ukraine in recent years and determine how to minimize them.

Based on the approaches to the scientific definition of "NPL" formulate our own definition of this category.

So, the problem credit - it's a loan for which not promptly spent one or more payments due to the significant deterioration in the financial condition of the borrower or credit, the market value of collateral in which significantly decreased.

The author proposes to use the concept of "natural rate of problem loans", which shall mean the share of problem loans in the credit portfolio of banks, below which the debt problem cannot fall, because of the constant presence of factors which would impede borrowers to timely and properly pay for loan commitments.

In fact, problem credit is the reverse side of the credit risk. Risk - is the probability of a negative event, but the presence troubled debt - this is a risk that has occurred. Therefore, the volume of problem loans reflects the risk of bank credit activity in a given period of national economic development.

Troubled loans arise through a combination of factors which give rise to credit risk. We identified three groups of factors that give rise to troubled debt:

- external (macro);
- internal (bank and borrower).
- intersystem (bank).

This article explores the dynamics of the credit portfolio and NPLs of commercial banks in Ukraine during 2005-2015. Gross of NPL in the structure of credit portfolio of commercial banks is divided into two periods: before the crisis of 2008 and since early 2009. Although in 2009 the volume of problem loans increased from year to year, their growth rate was not any higher than the growth rate of bank credit portfolios, and share in the credit portfolio ranged from 3.55% in 2005 to 1.49% in 2008 p. The situation on the bank credit market has developed rapidly and forth.

From the ratio of reserves on credit transactions to troubled debt, we concluded that the banks every year completely cover problem credit, calculated by the method of the NBU. The total volume of ensuring banks troubled debt each year nearly 2-fold or higher than the volume of bank's problem credits.

In view of the constant generation of credit risk in the credit activity of banks, which is expressed in bad debts on loans used to practice a number of preventive measures (to risk) and a number of measures to minimize troubled debt (after risk). Also scientists continually develop and offer new (innovative) measures to prevent and overcome troubled debt for Ukraine bank lenders.

It should be noted that most of the preventive measures and measures to mitigate the consequences of troubled debt; commercial banks are used in \_ credit activity. However, their effectiveness is different in different banks that depend on subjective factors. Not all banks implemented scoring and derivatives - these measures require additional capital investment and specialists, the appropriate level of qualification.

At the state level all the measures to prevent and combat the credit risk can be regarded as instruments of state regulation of credit risk. At present, the state uses as preventive measures setting standards of credit risk and bank recapitalization. Other measures can be regarded as promising that it would be necessary to introduce simplifying lending activities in the market.

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