

CREDIT RISK OF COMMERCIAL BANKS AND METHODS OF HIS MINIMIZATION

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The article is devoted to actual problems of credit risk management of commercial banks. The purpose of this article is to substantiate the essence of credit risk, study the causes of its occurrence and outline ways to minimize credit risks. The theoretical aspects of the essence of credit risk are investigated. The views of leading scholars on the definition of "credit risk" are highlighted. It has been established that there are a variety of approaches to defining the concept of "credit risk": some researchers treat the category "credit risk" as a threat of non-payment by the borrower of the principal and interest, while others attribute the risk to the profits the bank receives.

The analysis of literary sources showed that the evolution of methods and tools for managing credit risks from the assessment of credit risk at nominal value of the loan was developed prior to the development and application of a rating assessment of the borrower's creditworthiness. The credit

risk assessment process has also changed. In particular, there was a shift from using simple approaches to assessing credit risk to more complex ones. The reasons for the emergence of credit risk are outlined. The methods and measures of protection against credit risk are grounded, which allow minimizing possible losses of commercial banks. It has been established that in order to reduce credit risks commercial banks use various methods and measures of protection against credit risk, namely: diversification, limitation, insurance, risk allocation, application of guarantees, guarantees, creation of reserves for compensation of possible losses on credit operations of commercial banks and other.

It was stressed that it is necessary to continue work on minimizing credit risk both at the level of commercial banks and at the legislative level. It is suggested to learn the experience of foreign banks in managing credit risks.