

**THE MODERN MECHANISM OF THE CREDIT POLICY MANAGEMENT
OF COMMERCIAL BANKS IN CONDITIONS OF MACROECONOMIC INSTABILITY**

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The article presented the main approaches to the credit policy management and the basic mechanisms for building the loan portfolio. It defined the author's management algorithm of credit portfolio and credit monitoring mechanism of credit risk and developed the credit monitoring mechanism of credit risk.

The priority direction of development of the banking activity is lending to customers. The objects of management credit activity are not only individual credit operation, but also the set of all granted loans based on their issue, redemption, accrual and payment of interest, which in fact determines the Bank's loan portfolio.

Under the control of the credit policy means the organization of activities of the Bank under the lending, aimed at the prevention or the complete absence of credit risk.

Thus, first and foremost, I would like to draw attention to possible ways and methods of credit risk management, as it is one of the most significant of banking risks, in addition, it causes bad debts and losses associated with borrower defaults.

Separately I would like to highlight a management system like the rating system CAMELS, which in a certain way was developed in the USA. There are certain elements that are the indicators used for the ranking, evaluation of the creditworthiness of the borrowers. The most significant it is possible to allocate capital adequacy, quality of management, earnings and sensitivity to risk.

Experts consider capital as the main means of protection of depositors' funds. Bank with a strong capital withstand significant losses without risking the deposits of their clients. For the assessment of capital adequacy supervisors use mainly ratio analysis.

One of the main directions of banking supervision – determination of the quality of assets involves identifying those of them that may not be recovered or the actual cost of which is lower than indicated in the Bank statements. The third component of the CAMELS rating system is management. As a rule, the office estimated in the least, because it generalizes other important components of the analysis.

Thus, it is important to note that in every system of methods and ways to control the credit policy of a certain country has its own peculiarities and characteristics. Consequently, the development and use of any strategies can draw on foreign experience. However foreign countries in their strategy make use of our domestic management aspects of the commercial Bank credit policy.

For proper credit risk management it is necessary to develop an effective strategy for the credit policy management of commercial Bank. First and foremost, you can define a number of methods used for the management of credit policy to minimize credit risks.

A study of special economic literature has allowed us to study the complex nature of risks in the credit portfolio and to identify the most significant credit risks affecting the quality of the loan portfolio and factors, determining them. The slide prompted a reflection of the relationship between them.

The purpose of any commercial Bank in the first place is to minimize credit risks. Thus, considering the foreign experience, considering specifically the rating system of the US and comparing the credit risk factors of their formation, it is possible to allocate certain risks, the most typical for commercial banks, and to provide the intended system of indicators to measure creditworthiness. Each risk is supported, as already mentioned, a certain factor and a particular variable that characterizes the degree of this risk. Each indicator reflects the nature and level of credit risk.

The novelty of an improved method of assessing the quality of credit portfolio of commercial banks lies in the fact that such technique for the first time:

- takes into account all of the evaluation criteria of quality of credit portfolio (credit risk, profitability, liquidity);
- easy to use, in particular, it includes only six indicators covering the main risks associated with the loan portfolio of the Bank;
- with the values of indicators used in comparable-MUI point system, this technique is convenient and versatile checked to compare the quality of loan portfolios of several commercial banks and can be used when building the ratings of Belarusian banks.

We present in more detail the algorithm of the credit portfolio optimization (fig. 1).

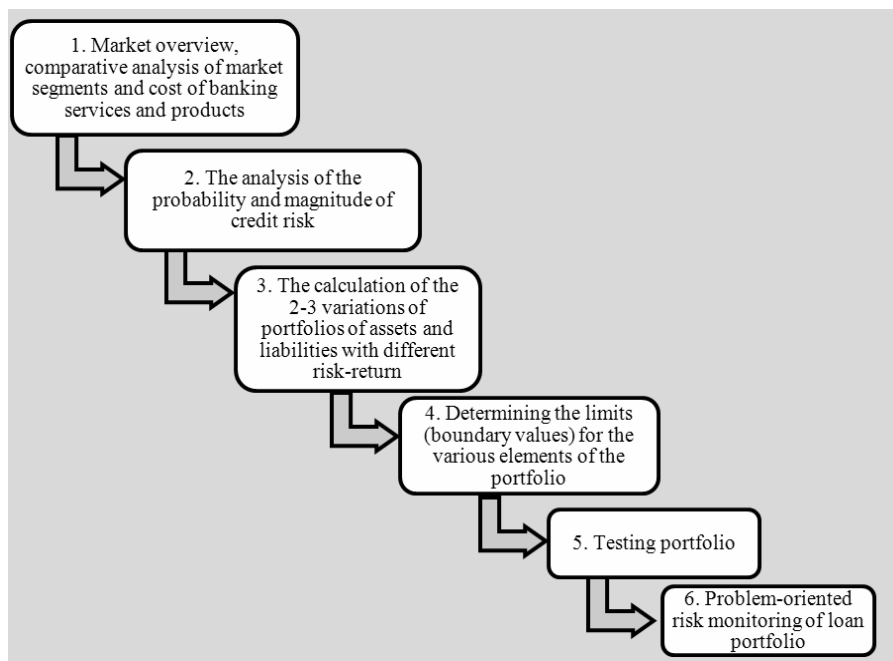


Fig. 1. Algorithm for the optimization of credit portfolio

Source: own elaboration.

Credit monitoring is manifested in constant control, as the passage of individual loans and quality of loan portfolio as a whole. Monitoring organized by the credit portfolio will help greatly not only to reduce credit risks but also to predict them in the near future.

Problem-oriented monitoring based on a selection of indicators that worsen the condition of the credit portfolio in the reporting period and in dynamics. An example of the contents of problem-oriented monitoring can serve as indicators:

- Coefficients marked with the word "No" mean location values for the particular credit risks in the area of acceptable risk.
- Coefficients marked with the word "Observation" may in the future prove to be problematic because to determine the tendency of areas of critical risk in the area of catastrophic risk. Hence, these credit risks and the factors which determined should be subject to careful monitoring by the Bank.
- Coefficients marked with the word "Yes" mean that corresponding to credit risk amounted to the values area of catastrophic risk, which is a worrying signal about the threat of a loss in the amount equal to all property as a commercial Bank. This situation requires the development of measures to optimize the loan portfolio of the Bank.

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