

**CREDIT RISK AS THE MAIN CONSTITUENT PART OF THE CREDIT RISKS SYSTEM AND THE ROLE OF THE PROBLEM CREDITS IN ITS FORMATION**

Credit operations have been the privileged way of acting of contemporary Ukrainian banking establishment for a long time. They are those who bring the biggest part of banking revenues but at the same time they are the most risky in the banking activity and can lead to the significant financial loss. Note the fact that with the onset of the financial crisis the opportunity to pay by credit got shorter, i.e. the likelihood of problem loans increasing, and hence the credit risk.

Having analyzed the definitions of the term “credit risk”, which are given by the leading scholars and are presented in NBU regulations, we offer the author’s vision of the category. Under the credit risk term we propose to understand the probability of default on borrowers`, contracting parties` or an issuers` obligations to the lender (a bank) as a result of internal and external factors on the bank.

The most important qualifying features of the credit risk, in our view, are financial

implications of this type of risk realization, as the banking institution is interested in a positive financial result. Consequently, the financial consequences of the realized credit risk may be the financial damage, loss of profits and the income. The least attractive outcome for the bank is receiving financial losses.

It is important to note that the main generator of the credit risk and a financial loss is a problem loan. The concept of “credit risk” and “problem loans” is closely related and stay in cause-effect relationships, as it is shown in scientific articles.