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ASSESSMENT AND REGULATION OF CORPORATE CREDIT RISKS IN THE ACTIVITIES OF COMMERCIAL BANKS

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FINAL QUALIFICATION WORK

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Introduction

Essence of the topic. It has been for more than twenty years, a two-tier banking system that is compatible with the market economy has been created, and this system is developing and improving. We know that the modern economic environment requires the creation of a harmonious banking system in the international banking practice, in order to avoid the existing problems of commercial banks and to increase the effectiveness of banking operations in our country. A great deal of attention is paid to adapting the banking system to the general principles adopted in the world practice in the Republic of Uzbekistan. Therefore, the availability of sufficient resources in commercial banks in order to operate in a market economy requires high return on existing resources at the lowest risk level. For high earnings, in turn, it raises the risk of bank operations, as banks mainly work with attracted resources: they are accountable to their shareholders and, on the other hand, rely on their own funds. That is why commercial banks operate at higher risk than other types of economic entities.In order to repay these funds in full and on a timely basis, commercial banks should ensure that the loans themselves are repaid in due time. This issue is one of the most urgent issues facing the banking system of our republic today.

To date, the volume of credit investments in the real sector of the economy has increased by 25.1% in 2016 and amounted to 53.4 trillion. soum. 80% of these loans were long-term loans, focused on investment purposes. It should be noted that 86.8% of commercial banks' loans are financed from domestic sources. This testifies to the fact that the commercial banks and the banking system of the country, as a whole, have a sufficiently formed resource base and are protected against the negative effects of any external factors.

For the purposes of modernization, technical and technological re-equipment of enterprises in 2016, commercial banks issued 12.2 trillion sums or 1.2 times

more investment loans than in 2015[1].The crisis of the banking system started from the point of 11% of the assets of the banking system based on international banking practice, which means that urgent measures should be taken to address this problem.

In his book, President of the Republic of Uzbekistan Sh.Mirziyoyev noted that it is necessary to pay special attention to issues of introduction of significant investments into the regions of the country, therefore, as an experimental project, the proposal on implementation and implementation of investment programs on the example of the National Bank[2].

Obviously, commercial banks play a most significant role in modern financial system. And corporate loans are the most important component of credit assets in domestic commercial banks. So improving the risk management of commercial banks' corporate loans is not only beneficial of the safety of our country's financial system but also of the improvement of banks' benefits. With the increasing of credit risk management level in the past few years, commercial banks in our country have been taking more concerns of all course's credit risk management. In the circumstances that our country's banking industry have opened to the outside world and the world financial crisis are extending speedily, it's more meaningful and urgent to strengthen corporate loans' risk management especially in the course of corporate loans review in domestic commercial banks. The thesis will select corporate loans' review system and review course as the object of research. And through analyzing the current situation of the course of corporate loans' review about the risk management in domestic commercial banks and raising some practical and reasonable proposals, it is intended to improve corporate loans risk management in our country's commercial banks and push stable and steady running of commercial banks. Firstly, the thesis will present and

[1]Монетарсиёсатнинг 2017 йилгамўлжалланганасосийўналишлари (www.cbu.uz)
[v]Mirziyoyev. Sh.M. Tanqidiy tahlil,qat’iy tartib-intizom va shaxsiy javobgarlik-har bir rahbar faoiliyatining kundalik qoidasi bo’lishi kerak.-Toshkent: : “O’zbekiston” NMIU,2017. 24 б.

analyze the current situation of the course of corporate loans' review about the risk management in civil commercial banks. Secondly, some faults and problems in the course of corporate loans' review and some relevantreasons will be sorted out. In the same time, the thesis will introduce the good experience in the respect of corporate loans' review in foreign commercial banks. Lastly, some active proposals will be presented in order to raise the level of corporate loans' review in domestic commercial banks and guarantee the safety of corporate

As today the commercial banks have the largest share of revenues from credit operations, considering credit risks and their valuation methods, identifying ways to reduce risk and achieving high liquidity in line with world standards of market economy are majority problem. The above issues are today's topical issues. This is why this topic is important.

The degree of study of the topic. Peter Rouz, George Snyder, economist from foreign countries, Russian economists Jukov E.F, Korobova GG, Lavrushin O.I. have published their scientific views on the risks of their commercial banks in textbooks and manuals.

Our economists Abdullayeva Sh. Z., Bobokulov T.I., Berdiyarov B.D, Dodiev F.U, Iminov O.K, NomozovO.Sh, Norqobilov S.A, Kholmakhmadov Z.A., Qoriyev T.M, the authors of their scientific articles on their liquidity. However, research has not been carried out on the risks of commercial banks and the methods of their assessment. This encouraged us to carry out a research on the risks of commercial banks and their valuation methods.

The aim of the final qualification workis to analyze the practical situation of corporate credit risk assessment methods of commercial banks and to develop scientific recommendations and practical recommendations for their improvement.

Functions of the final qualification work. Based on the objectives of the course, the following tasks have been identified:

- explaining the essence of banking risks and their classification;

- studying methods of credit risk assessment in working with corporate clients in commercial banks and identifying their achievements and shortcomings;

- Studying the experience of foreign banks on the methods of credit risk assessment of commercial banks and give recommendations to commercial banks in Uzbekistan

- Developing scientific advice and recommendations based on practical analysis of corporate credit risk assessment methods;

- Developing scientific recommendations and practical advice on how to identify and minimize risks through commercial banks' credit risk assessment methods.

Subject of the final qualification work. The problems of corporate credit risk management and valuation in the activities of commercial banks of our country.

Object of the final qualification work. Commercial banks of the Republic of Uzbekistan, in particular their credit risk assessment.

Theoretical and methodological foundations of the final qualification workare used as the main source of the findings of the President of the Republic of Uzbekistan SH.M.Mirziyoyev about his findings on the issues of deepening economic reforms, development of the country's international economic reforms. This study was based on the Laws of the Republic of Uzbekistan, normative acts of the Central Bank of the Republic of Uzbekistan, and data from the State Committee on Statistics of the Republic of Uzbekistan.

The final qualification workconsists of 82 pages and it includes introduction, three chapter, seven plan, 4 conclusions, 13 tables, 1 picture and used literature.

CHAPTER 1.THEORETICAL BASIS OF CORPORATE CLIENTS AND CORPORATE CREDIT RISK MANAGEMENT IN THE ACTIVITIES OF COMMERCIAL BANKS

1.1. Corporate clients and the order of extent credit to them

The Bank's credit activity is one of the main criteria that distinguish it from other non-banking institutions. In world practice, the majority of the bank's profits are dependent on lending. At the same time, non-repayment of loans, primarily by large loans, can also cause the bank to break.One of the issues on the proper organization of banks' activities and minimizing the existing risks is the identification and analysis of credit risks, their quality and level.

Before describing corporate clients, we need to know the meaning of the corporate word. A corporation is a legal entity that is separate and distinct from its owners. Corporations enjoy most of the rights and responsibilities that an individual possesses; that is, a corporation has the right to enter into contracts, loan and borrow money, sue and be sued, hire employees, own assets and pay taxes. It is often referred to as a "legal person."Corporations are used throughout the world to operate all kinds of businesses. While its exact legal status varies somewhat from jurisdiction to jurisdiction, the most important aspect of a corporation is limited liability. This means that shareholders have the right to participate in the profits, through dividends and/or the appreciation of stock, but are not held personally liable for the company's debts.So, the corporate clients of the bank mean that we understand the legal clients of the bank, not individuals.Thus, non-repayment of loans to major corporate clients may have a significant impact on the Bank. therefore, identifying and evaluating corporate risks is one of the Bank's most important tasks.Credit risk means that the borrower fails to fulfill the terms of the loan agreement, non-repayment of the loan sum (partly or wholly) and interest on the terms specified in the contract. Therefore, credit risk identification and management are an integral part of the methods of struggle used to achieve the

development and development of any commercial bank. The current problem of credit risk for banks is that the creditor (bank) at the presence of a credit risk can not be sure that the borrower will be able to fulfill the terms of the loan agreement in due time. As you know, the profit in the banking practice is mainly due to interest on loans. Due to the fact that interest rates on loans received by the borrower or non-payment or incomplete repayment of the principal amount of the loan, the decrease in the bank's profit results in a decrease in the size of the Bank's future funds. That is why creditors try to minimize the risks associated with their return.As mentioned above, non-return of large loans to corporate clients can lead to bankruptcy of the bank. so it is important to minimize credit risk to corporate customers.

Procedures for establishing a credit facility consist of the following stages:

1. Reception of a loan application and its examination;

2. Analyzing the loan, getting credit information with the business process, other banks and suppliers;

3. preparation of loan agreement and credit documentation;

4. crediting;

5. credit control;

6. Loan repayment and closure of the loan.

The risk management policy includes: Risk strategy (management, type, size); policy circles (internal documents) and evaluation points. The following are the risks: risk of failures, high risk, high risk of non-perceived risks. Risk management guidelines include:

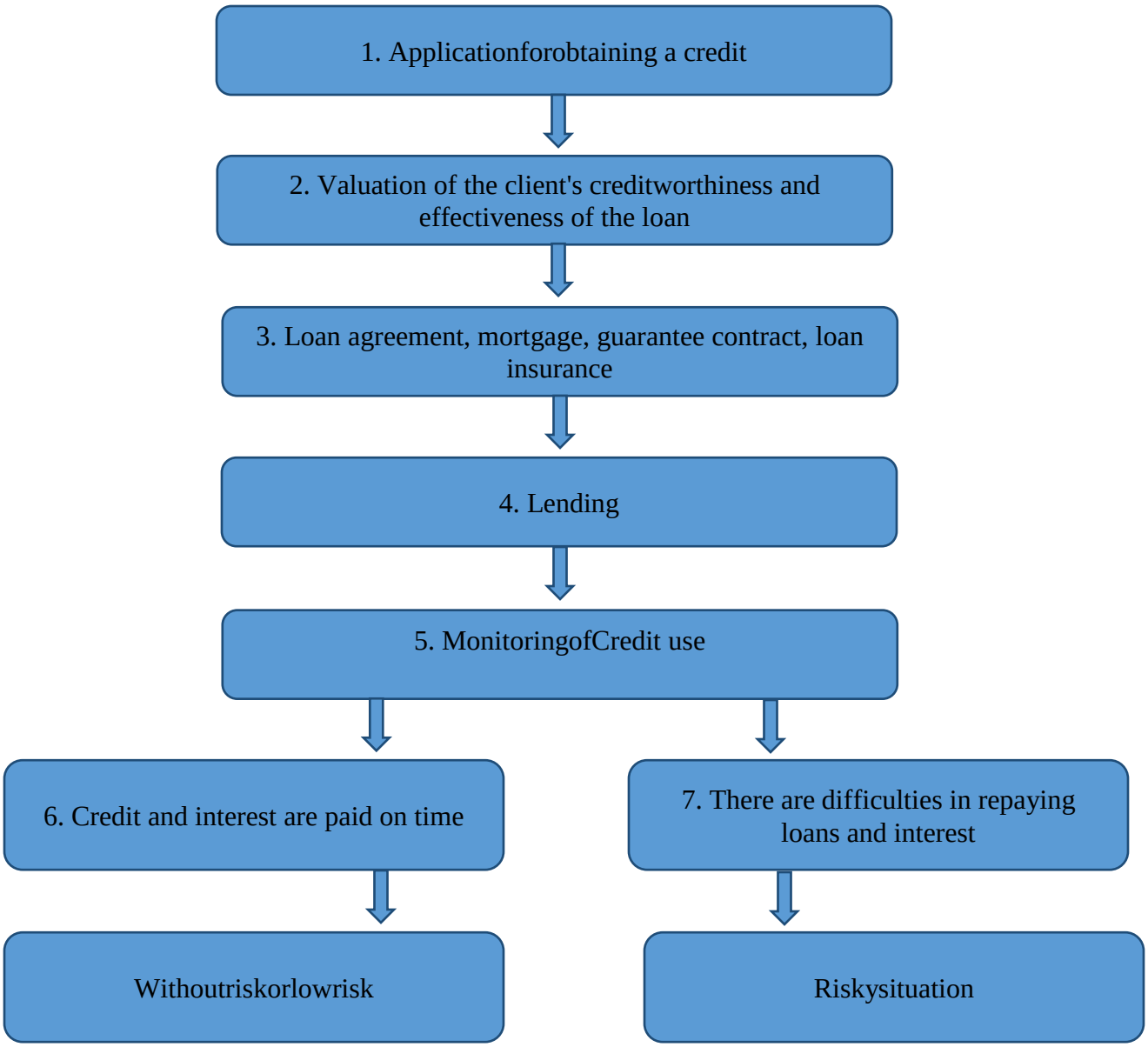
1. Identification and assessment of risk boundaries (identification of sources or hazards that can be damaged, override of risk, forecasting of possible risks in the future);

2. Risk control (coordination of risk control on all banking services and risk management, economic incentives for risk reduction, increasing the effectiveness of monitoring and risk management procedures);

3. Risk financing (availability of available resources, maintenance of the "emergency" strategy, allocation of funds for the costs of financing the risks of the bank's services);

4. Management of risk regulation.

Commercial bank lending process is illustrated in Picture 1, and can be used to calculate the credit risk at the stage of determining the client's creditworthiness.



Picture 1. The Commercial Bank's lending process[3]

[3]AbdullayevaSh. Bank risklarivakreditlash// Toshkent – "Moliya" – 2002. P.65

Banks and bankers should be more vulnerable to or threaten than other creditors. The reason for this is that the bank is working with other lenders, rather than at its own expense, with the funds attracted by individuals and legal entities temporarily staying with the bank. The ability of the bank to lend itself depends on the resources it attracts.The Bank must, in turn, have the opportunity to repatriate this attracted funds upon request. This option requires timely identification of risks in the bank's activities and the development of measures to prevent them.

At step 2, 3, 5 of the lending process you can identify credit risk and level of credit. The risk that the client's creditworthiness is not at the forefront of lending, or at least, the emergence of unexpected financial difficulties during his business can be a source of credit risk.

The risk management should be divided into five stages: forecasting; analysis, editing, monitoring and control.

Credit management in the field of credit risk:

1. Sufficient coverage and risk allocation;
2. Determination of tasks;
3. The precise system of competent distribution;
4. Quality credit documentation;
5. Risk sensitivity;
6. Full information and control systems of management;
7. Ensures the efficiency of the service dealing with non-repayment of loans.

Currently, the process of shaping a socially-oriented market economy in Uzbekistan involves the creation of a stable operating system of commercial banks. Because commercial banks are one of the key components of the market structure. Operating under a market economy requires enterprises to change the above principles of their business. Now every business in the market has its norms within the law. In the face of changing, rapidly changing market relations, banks should take into account the different outcomes of their clients, competitors, and changes in legislation and their

impact on banking. This is because such variables can lead to unusual risks during the banking activity. The modern banking system can not be imagined without risk. The bank has no risk-free operation, all of its operations are risk-free and may vary depending on the type of operation. Therefore, it is necessary to know in advance that it is impossible to eliminate the risks in the banking practice. With regard to developed countries' banks, the functioning of the CIS countries, including the banks of the country, is at greater risk. The main reason for this is that reorganization of the banking system during the planned economy in response to the requirements of today's time and lack of experience in implementing new types of banking operations can lead to a higher level of risk in their activities.

O.I.Lavrushin, a prominent economist, explains, "The bank risk is the measure of the probable phenomenon that leads to losses."[4]Risk may not always result in loss. Every business entity or individual intends to have a high profit whenever it intends to carry out a risky business.That's why we can not even imagine that it would only lead to losses. Another economist from Russia, G.Panova, describes "Risk is the risk or possibility of loss in case of risk occurrence"[5]. G. Panova wants to justify two main directions in his definition. Secondly, it is unlikelythat risk is an unexpectedphenomenon when it comes to relationships with O. Lavrushin's risk profile and says that this risk represents these losses.

Some foreign economists are familiar with their work in this area, and they can be seen by the diversity and classification of bank risks. Foreign scientists prefer to view their separate types rather than risk classifications. For example, according to K. D. Valrave, banks in Western countries are exposed to liquidity risk, credit, portfolio, industry, country, currency, interest rate risk. The author of "Bank Management", PS Rouz gives a broader understanding of the risks that

[4]O. I. Lavrushin. Банковскоедело - M. страховотоваришество. ROSTO, 1992, 342 b.
[5]G. S. Panova. Кредитнаяполитикакоммерческогобанка.- M. IKS “DIS”, 1997, 186 b

thebank risks consists of six main types of risk: credit risk, profitability risk, liquidity risk, market risk, interest rate risk, non-repayment risk says that the bank's operations are crucial, crucial risks. For the Bank's second-level risks, P. Ruze risks political risk, abuse, currency risk.

Of course, there are some of the risks listed above, but the above definitions given by foreign economists do not fully describe the economic nature of the bank's risk. Their definition describes mainly the types of banking risks. The occurrence of credit risk is dependent on the two main parameters: creditors and borrowers. Analyzing the loan portfolio prepared by the borrower and preparing a loan project, will enable the creditor to identify the risk and its types. At this stage, the lenders are:

1. The economic, financial state of the Borrower, its business mentality, production capacity, marketing, financial management and so on;

2. The degree of correctness of the loan demand and the basis of the actual economic situation of the enterprise;

3. The purpose of the loan should be complete and accurate, as well as the questions that are appropriate for the bank's interests.

For example, it is crucial to answer the first question in modern stages of the market economy when new businesses, firms are formed, and there is no clear information about them. The second question is the replenishment of the credit recipient, the financial condition, the status of the accounts, the audit reports and conclusions, the business balance, the cash flow statement, the financial results report, the information required for the bank and the availability of these documents may indicate that the enterprise is successfully managing its financial resources. In the third question, the bank should determine whether the loan it provides meets its credit portfolio. If this loan brings more diversification of the bank's loan portfolio, it will reduce the bank's credit portfolio risk. If the credit enhances the aggregate loan replenishment of a single sector, the maturity of the loan may simultaneously

increase the credit portfolio risk. At the same time, the bank's staff has enough knowledge in the field of crediting, credit evaluation, they know the techniques of the banking business, taking into account market changes, and not taking the final decision on lending.

Damage to the bank arises as a result of the inability to avoid the risks inherent in banking. Risks in the Bank's activities are not due to the in-depth analysis of future transactions, poor knowledge of the situation, the lack of effective capital, and the improper evaluation of market opportunities, because of the inability to anticipate other situations that may have negative consequences for the bank. High risk of losses can lead to losses in banks.

1.2. Ways to manage corporate credit risks

It is clear that banks in Uzbekistan have problems with returning credits to corporate clients. An accurate assessment of the ability of borrowers to repay loans is one of the main problems in the bank. There are a number of ways to determine the trustworthiness of businesses that apply for a loan. The simplest of them is to determine the status of the debtor on its credit history, the most coherent - full-fledged financial analysis of the venture's business, its future prospects. The methods of valuation of credit recipients are widely used in Uzbekistan by theCentral Bank of the Republic of Uzbekistan, "Konsalditinform" agency and "Rating-Finance".

Interbank Information-Rating Company was established by the Association of Banks of Uzbekistan in September 1996. It is a single system for evaluating the financial stability of commercial banks and has been set up as a regular rating agency. Information-Rating Company has been conducting a quarterly rating of commercial banks of Uzbekistan since 1997.The credit rating serves as a decision for crediting and setting interest rates on it.Credit Rating Opportunity Rating

allows evaluating enterprise performance and transparently addressing existing problems.

Opportunities for Loan Repayment Evaluation of the financial position of the subject in question is the basis for timely repayment of debts and obligations.

Many financial indicators reflecting the activities of enterprises reflecting their credit repayment are summarized as the most important indicators on the methodology of interbank rating agency "Information-Rating ":

F1 - Extent of production activity. It is based on the final coefficient. This includes: source of special funds, spare and expenditure, profit before taxation, tanning value of sold goods.

F2 - overall financial performance (profitability) assesses the productivity, profitability and utilization of its own assets. It is based on 18 financial factors: profitability coefficient of total assets, sources of private equity, total equity, long-term assets, coefficients describing assets (turnover period); profitability ratio of economic activity (profit margin, profitability, asset income, vehicle balance cost coefficient and cost per unit of product); cash flow hedge effectiveness coefficient (net margin, net income of the asset, net income of the equity, expected yield, depreciation); total coating of the company, coefficient of return on capital

F3 - solvency - the ability of an enterprise to meet its obligations. It is based on seven financial criteria: absolute and short-term liquidity ratio, total coefficient of coverage, time of receivables and payables.

F4 - Determine the level of risk associated with the formation of a cash-generating system that is funded or economically stable. It is based on its own loan portfolio, loan portfolio, and long-term loans, share of debtors in liabilities, debt ratio and sales volume.Each of these four indices represents the most appropriate form of tens of large amounts of information about financial coefficients. It should be noted that the large and relative coefficients are included

in the final formula of complex indicators. Afterwards, the following four comprehensive set of currencies are summarized and the final rating is given in the final credit rating. The number of financial clarifications describing the status of the entity and the number of currencies they are based on may vary.It is important to note that the amount of coefficient ratios may vary. They are based on the state of the companies being analyzed in the period when the sectors were studied. It should be borne in mind that the high or low coefficient of each coefficient depends on the type of network. The coefficients limit may change over time.The sum of the F1, F2, F3, F4 and F rating is summarized using the "percentage rate" method.Corporate financial cost is calculated as 100 maximum, 0 - minimal score.In addition to the "points", the "classes" that express the figures in numbers are used for a more accurate picture of the financial position of some enterprises and their changes:The complex cursors are overwhelmed by the "+" or "-" the digit that represents the "class": "+" the complex cursor in the analysis period; "-" means the reduction. Unless the index is specified, the cursor class will not be affected.Classification of the following categories of enterprises' credit rating will be introduced:Category 1 (81-100 points). Such enterprises are highly capable of paying their debts.Category 2 (61-80 points). Such businesses are able to pay their financial obligations.Category 3 (42-60). Such companies are able to pay their obligations and they remain far from risk in the short run, but may not be able to maintain stability whenadverse changes in business, finance, economics and other situations are present. There is a risk of non-payment of a long-term loan.Category 4 (21-40). Repayment of such loans is at risk, and their financial obligations are largely dependent on successful commercial, financial, economic and other conditions. Failure to repay the loan is always a threat to them.

Category 5 (0-20). Such companies are unable to repay their debts. Taking into account the quality index of the enterprise, its credit rating can be

determined. It depends on the level and skill of the analysts' professional qualifications. They should not use previously designed forms. Index quality is evaluated at prices from -5 to + 5. If the company's financial performance has been analyzed for a number of years, the final estimate (dynamics) and forecast are taken into account. The prediction indicates the period in which the change will occur. The following variants are possible: "Rating scores", "Rating scores", "Unlike current scores".

Table 1.

The methodology of interbank rating agency "Information-Rating "[6]

Enterprise number	Rating score					Debt repayment category
	F	F1	F2	F3	F4	
1	3-	10	1-	2-	5+	4
2	8+	9	6+	7+	9+	1
3	2	10+	4+	1	1-	5
4	8	8	8-	7-	7-	2
5	8	7	7	7	8	1
6	6	8+	6	6+	6	2
7	1-	5-	0	1-	6-	5
8	1-	6	3	2-	0	5
9	1-	1	0	6	5-	5
10	5+	7	4	5+	6+	3
11	6-	3	4-	6-	7	3
12	6-	4-	5-	7+	4-	3
13	9+	8+	4-	10+	2-	1
14	3+	9	4	2+	2-	4

The priority of this method of economic analysis is a clear demonstration of the state of the enterprise. The simplicity and accuracy in the figures expressed in the classification of the classification system ensures high intelligibility and objectivity. It also provides estimates of several important variables at the same time. The rating of some enterprises, which are analyzed by the company, is based on this methodology (names of enterprises are dropped):

[6]www.cbu.uz - official information of the Central Bank of the Republic of Uzbekistan

For example, the 14th enterprise has 3+, 9, 4, 2, 2 ratings and 4 categories of credit repayment capacity. The initial number (3+) represents the F class of the final rating, and the results achieved during the 3 analyzes. It turns out that the "F1 scale of production activity" and the "F2 gross financial specification" (numbers 9 and 4) remained unchanged during this period. The "F3 credit repayment options" of the company during the analyzed period (2+), the level of "F4" availability reduced (2). Complete and accurate financial reporting materials are required for companies that have been analyzed for a few months (months, quarters, years) to obtain reliable ratings of their ability to repay their debts and to estimate their financial position. In addition, they need to create a database of businesses across Uzbekistan and regions. It should have a rating of companies of each sector, average network indicators. This database is supposed to be updated and updated regularly. Then it can be a system of continuous monitoring of enterprises. Each company, whose data is included in this database, may regularly receive its credit rating. This is crucial for making timely optimal decision-making on internal management, as well as making decisions on external investment, lending, and business contacts. The credit rating allows the enterprise to select intermediaries and partners, and objective assessment of potential borrowings for banks. Regular rating of the financial condition of the enterprise creates an opportunity for the management to know about the crisis, to identify their causes and to control them, to take timely anti-crisis measures.

However, the credit rating of the borrower is insufficient to determine the credit rating of the entity. There is also a need for a thorough analysis of market developments, the information about the economic situation and the management of the surrounding enterprises. It is not customary for us to compare such an analysis with competitive evaluations. However, the credit rating of the borrower is insufficient to determine the credit rating of the entity. There is also a need for a thorough analysis of market developments, the information about the economic

situation and the management of the surrounding enterprises. It is not customary for us to compare such an analysis with competitive evaluations. However, this comparison is an integral part of the credit rating process. It also highlights qualitative research that takes into account the peculiarities of market processes in the economy of our country on various methods.

The credit system is based on banking resources. At the same time, the risk of damages should not be considered as a result of non-payment of the loans. Unwillingness or unwillingness of the borrower to pay the loan or interest may cause bank losses.

Careful selection of potential borrowers will help reduce the risk of non-payment of debt. There are many ways to analyze the quality and quantity of customer reliability in terms of customer satisfaction and timely repayment. For example, based on the borrower's financial statements, a method of calculating liquidity, profitability, independence, efficiency, etc. is used. The name of this method is made up of initials that specify criteria for client selection: C - Character; A- ability; M - means (funds); P- (purpose); A - amount; R-repayment; I-insurance (supply).

Not only did the borrower use these methods, but also the bank's costs and benefits, how much credit can be made, how much revenue can be earned, what expenses are covered by the borrower's account and services, and the risks associated with a particular borrower The amount of intermediary brokerage is also assessed. Campari is just a tool for analyzing it. He is a logical structure that will help analysts to investigate the matter. However, he does not give a ready answer.

What does each criterion mean to choose a client?

Credit history. The "character" of the borrower is its reputation, degree of responsibility, willingness and willingness to break the debt. The Bank first of all tries to find out how the borrower deals with his obligations in the past, how late

the debts he has received, and his status in the business world. The Bank tries to understand the borrower's psychological appearance. For this purpose, he personally speaks to himself, uses his own archive card, consultation with other banks and companies, and so on.

Ability. Disruptions in technology and management are out. The potential borrower's decision-making, plans development. In general, it is necessary to consider the borrower's financial ability.

Funds. The Bank must make sure that the bank has funds to repay the loan in due time and that it has enough property for a long time to make a successful business, and so on.The borrower's capabilities, in particular the ability to repay the loan, are determined by thorough analysis of its income and expense, as well as their potential for future change and resource availability.

Goals of credit. The client should clearly define his / her intention to make a loan request. If a banker does not know what the borrower will use for the loan, he should not give it. If there is any suspicion that a banker may be using a loan, companies should decide whether or not to respond immediately to the receiver, regardless of the circumstances.

Credit ratio. The corporate client must clearly specify how much the client would like to borrow. It can be as obvious as it is. But there are four important things to keep in mind:

1. The banker must not offer a creditable amount;

2. The banker should check that the client is asking for too much money, that is, corporate clients are paying more than it is needed for certain purposes;

3. Thebanker should check that he has spent less than necessary. Otherwise, the banker will have to issue additional credit for saving his loan for the first time;

4. The client's own financial contribution to the investment must be sufficient in comparison with the sum that the bank issues as a credit.

Time of loan.Believing that debt repayment is an essential requirement of the loan. If the borrower is the source of the loan, the bank will not borrow such a borrower if the borrower does not have the right to repay the debt and interest paid on it.

The most important factors describing the credit rating are:

1. Purpose of the Loan;

2. Amount of loan and total amount of probable losses associated with the borrower;

3. The network where the borrower is working;

4. Pre-loan and financial status of the Borrower.

Risk Distribution. The Bank's loan portfolio should be diversified so that any customer, client group or customer in a particular network will not be in danger of bankruptcy.

By clients: Debt settlement obligations per customer are limited in line with Central Bank's 1st version. According to him, one debtor could lose only 25% of the bank's investment. This is a very high figure, but it is expected to further reduce these figures in the future.

By client groups- The aforementioned principle is incompatible with the fact that banks may have many clients. The probability of multiple clients being bankrupt in the bargain is much higher and in the above-mentioned circumstances, bankruptcy of the fourth-largest customer loses the bank's full cost. Therefore, it is envisaged to apply restrictive rules for a group of interrelated clients. At the same time, the maximum size of credit risk exposure is determined.

Business Sector- The difficulties that may arise in one or another sector of the business are definitely a problem for businesses in the sector. The bank or credit finance institution involved in the same sector will face these difficulties. For example, the regional nature of some commercial banks imposes them to high concentrations of risks in a sector with a leading position in the region.

Geographical zones- Economic or political difficulties in a particular region, country, or continent will not affect the solvency of banks operating in the region. The inability of these countries to pay their debts can complicate some banks, including large banks. Because banks have to spend some of their funds on resources creation.

Coverage of risks- Each bank must have sufficient funds to resist the risks associated with its bankruptcy. This makes it possible for them to cover the damages that they suffer and to retain their ability to pay. If a mandatory deposit insurance law is not available, commercial banks will take steps to create sufficient realistic reserves to cover credit exposures. They also form corporate funds to cover contracts.

Detecting the quality of the risks- Determining the quality risk criteria is critical to limiting the possible losses due to the bankruptcy of customers. It is advantageous to introduce the risk assessment in terms of rating, as well as to introduce an external or internal rating system. Foreign banks have been practicing this for a long time. In this system, each customer is given a credit rating (value), taking into account its financial position, structure of shareholders, management and so on. This system is all-inclusive. Of course, the decision to make a relationship with the client is mainly related to his rating. It should not be overlooked that the rating is a crucial indicator. If the information is true, then information about rebuttals per client will allow you to classify current loans according to their quotes. This is important information (especially if it is flooded for different periods). Thisinformation enables the bank to evaluate the quality of its loan portfolio and to identify its goals and objectives for improving its banking activity. The main disadvantage of the system of financial position assessment of clients in different banks is that in most cases, the codification of the financial indices is critical. It can only be determined by knowing the status of all enterprises in the network.

In addition to these criteria, which determine the financial position of the borrower, it is necessary to set limits for each segment of the market, each sector of its activity, each geographical area, and for each individual country. These measures limit the risks that may arise in difficulties in one or another category, and allow for risk sharing. The creditworthiness of the aggregate entities is characterized by a number of factors. The number of lenders is not limited and independently defines these indicators, depending on the activity of each customer bank.This methodology is based on the key indicators of creditworthiness: coefficient of repayment, liquidity and equity (autonomy coefficient), as well as dynamics of private circulation, non-discrimination, profitability and circulation of funds.

Risk Ratio - Indicates that the activity is damaged due to its intended purpose and that the results of the business entity's business can result in a certain loss or higher profit. There are several ways to determine the risk of an existing risk and its associated losses.

The main indicators of creditworthiness are:

1. Coefficient of coverage-CC
2. Liquidity coefficient-LC.
3. Private Equity Financing (Autonomy Coefficient-AC).

Evaluation of creditworthiness is carried out on the basis of analysis of balance sheet and balance sheet of private entities. In addition, the bank's statistic and analytical materials and other information are used to assess creditworthiness at any time. Taking into account the above, the creditworthiness rates are as follows:

1. Coefficient of coverage. The balance coefficient is calculated by calculating the ratio of short-term liquidity and short-term liabilities. It is determined as follows:

$$CC = \frac{SA}{SL} \quad (1)$$

There are:

CC- coverage coefficient

SA- short- term liquid assets

SL- short-term liabilities

If the liquid assets double-term short-term liabilities, the financial position of such a document is considered to be insecure. This is the upper limit. If the volume of liquid assets owned by business entities is equal to short-term liabilities, this is the lower limit.

2. Liquidity coefficient. The liquidity ratios of economic entities that determine the nature of the demand for short-term liabilities and their relation to money are calculated to minimize the impact of various factors, only real assets are taken into account without the inventory of goods.

$$LC = \frac{C + LA}{SL} \quad (2)$$

There are:

LC- liquidity coefficient

C-cash

LA- liquid assets

SL-short term liabilities

The coefficient of liquidity shows how many of the current liabilities can be repaid not only in cash, but also on anticipated fulfillment of anticipated performance.

3. Coefficient of autonomy. The private sources of economic entities are assessed by calculating the share of all private sources of liabilities on the liabilities of enterprises' balances.

The private equity supply coefficient (autonomous coefficient) is determined by the following formula:

$$AC = \frac{OE}{BP} \quad (3)$$

There are:

AC-Autonomy coefficient

OE- own equity

BP- balance passive

The enterprise's Private Sources should not be less than 30%. When the turnover rate is high and depends on the nature of the business, this indicator may be slightly lower. If this coefficient is greater than 0.6, more than 60%, the risk of business is considered to be minimal.

Table 2.

Requirements of key credit rating criteria for classes[7]

	Type	I class	II class	III class
1	Coveragecoefficient	CC≥2,0	2,0> CC ≥1,0	1,0> CC >0,5
2	Liquidity coefficient	LC≥1,5	1,5> LC≥1,o	1,0>LC>0,5
3	autonomy coefficient	AC≥60%	60%>AC≥30%	30%>AC>15%

Based on the analysis and coefficients, the creditworthiness is divided into three classes. Entities of the first class are credit under general conditions. They may be privileged according to the bank's internal policies and policies.Entities of the 2nd class are also credit under general conditions. If there is a good addition to the aggregate, then it is possible to make a difference. If they have bad marks, they are considered unsafe.Enterprises of the III class are considered to be insolvent and are sometimes loaned on a high-liquidity basis, taking into account the anticipated interest rate. Creditworthiness rates are lower than those for less than III class.Creditworthiness of two corporate clients of Infinbank“ Sitora “ and “Umid” farm was analyzed 1. Private company "Sitora"."Sitora" private company

[7]Abdullaeva Sh. Z. Bank ishi: O’quvqo’llanma. - Toshkent:Moliya, 2010. P.67

owns 10,000 soums, liquid assets - 12780,000, Liquid reserves – 2822,000 soums, short-term liabilities – 10314,000 soums.

Table 3.

The annual report of "Sitora" private firm determines its creditworthiness[8]

№	Balance	Sum(thousand sum)
1	cash (170+180+190)	10000
2	Liquid assets (200+220+230+240+250+260+270+280+290)	12780
3	Liquid reserves (120+140+150)	2822
4	Short-term liabilities (410+420+430+440+450+460+470+480+500+510+530+400)	10314
5	$CoverageC = \frac{1+2+3\,rows}{4-row}$	2,5
6	$LC = \frac{1+2\ rows}{4-row}$	2,2
7	$AC = \frac{390}{550} * 100$	73,5
8	Revenue from sale	12240
9	The average amount of assets turnover 300 row	36742
10	$\text{Circulation C} = \frac{8-row}{9-row}$	0.3
11	$\text{Daily circulation C} = \frac{8+9\,rows}{8}$	4.0
12	Cash turnover of private funds	16428
13	Financial reserves and expenses	36742
14	The farm belongs to the following types: Coverage Liquidity Autonomy	 1 1 1

The analysis revealed that:The creditworthiness of a private company "Sitora" belongs to Class 1, which is financially robust, guaranteed by mortgaging, good

[8] www.infinbank.uz -official website of "Infinbank" JSB

creditworthiness, strong cash flow, and private sector "Sitora" is a creditworthy credit can be given.

Table 4.

2. Credit for "Umidjon" Farm for 1st Quarter 2017[9]

№	Balance	Sum(thousand sum)
1	cash (170+180+190)	52
2	Liquid assets (200+220+230+240+250+260+270+280+290)	20521
3	Liquid reserves (120+140+150)	16730
4	Short-term liabilities (410+420+430+440+450+460+ 470+480+500+510+530+400)	82696
5	$CoverageC = \frac{1+2+3\,rows}{4-row}$	0.45
6	$LC = \frac{1+2\ rows}{4-row}$	0.25
7	$AC = \frac{390}{550} * 100$	23.4
8	Revenue from sale	10500
9	The average amount of assets turnover 300 row	7349
10	$\text{Circulation C} = \frac{8-row}{9-row}$	1.4
11	$\text{Daily circulation C} = \frac{8+9\,rows}{8}$	1.7
12	Cash turnover of private funds	15802
13	Financial reserves and expenses	7349
15	The farm belongs to the following types: Coverage Liquidity Autonomy	 4 4 3

2. "Umidjon" farming enterprise. Funds of the "Umidjon" farm are 52,000 sums, liquid assets - 20,521 thousand sums, liquid reserves - 16,730 sums, short-term

[9] www.infinbank.uz -official website of "Infinbank" JSB

liabilities - 82696 thousand sums.Based on the annual report, balance of the “Umidjon” farm, the coefficient of coefficients, liquidity coefficient, autonomy coefficient, and others were calculated. Based on this, “Umidjon” farming enterprise is credited with the following:

As for the calculations, the coefficient of coverage belongs to the 4th grade, the liquidity coefficient to the 4th grade and the autonomy coefficient is3rd class. Therefore, the "Umidjon" farming enterprise is vulnerable, it is financially weak, not guaranteed, cash flow is poor. High risk do notallow to give a credit to the enterprise.

Expert Evaluation Method (subjective method). This method is based on the qualification level of the risk analyst (expert). When subjectivity is subjective, each individual can differentiate the value of one event and make different decisions about it. This method should analyze the existing statistical data on all operations performed by the bank. This includes the analysis of operations that can cause as much loss as possible.When determining a bank risk, it is important for the Bank to identify and dispose of its losses and the timing of its occurrence. Detecting this aperture also helps reduce risk. The loss range can be determined by the following equation.

$$Y = \frac{YX}{S} \quad (4)$$

Y- interval of losses

YX-the number of circumstances leading to loss

S-total number of statistical analyzes

Here, however, the loss of S-Bank involves not only the number of operations that can cause loss, but also all operations, including profitable operations.

If this policy is ignored, the degree of interval, loss of the bank and the associated risk may be very high, the Y - loss interval is 0 <Y <1, the "Y" is close to "0", the

lower the risk level. If "Y" is close to the number "1", the higher the level of risk. It may be noted that this method represents a mathematical high accuracy based on statistical information that the probability of loss or risk is likely to occur. In order to clarify the degree of risk accurately, the possible outcome of all operations and its consequences should be predefined.Probability is always a specific result. If we use the theory of probability theory to solve economic problems, it will determine whether there will be any results and whether it will yield the highest possible outcome in mathematical expectations.

In other words, the mathematical expectation of an event (operation) is determined by the multiplication of the absolute sum of this phenomenon to the probability of its occurrence.

An example of this is the following case study. For example, if a commercial bank places credit resources on small businesses; Let's assume that the probability of earning 100 thousand sums of money will be 0.7, if the amount of money will be invested in the sphere of private entrepreneurship and the probability of earning 120 thousand sums will be 0.4. In this case, the expected return on earnings from capital (or math expectations) is as follows.

For small businesses - 70,000 sums (100 * 0,7)

Private entrepreneurship - 48 thousand sums (120 * 0,4)

The risk of earnings can also be attributed to mathematical calculations.

If capital investments are used in small businesses, from 60 to 100,000 sums (with a probability of 0.4), from 45 to 90,000 sums (probability - 0.3) and 45,000 in 110,000 sums (if probability is 0.3), the average expected income is 100,000 sums:

$$(100 * 0,4 + 90 * 0,3 + 110 * 0,3)$$

In the same way, if we determine the average profit for the capital invested into private entrepreneurship, it will cost 120,000 sums.

$$(120 * 0,4 + 140 * 0,3 + 100 * 0,3)$$

The statistical-expert estimate of bank risk assessment is based on the assessment of the probability of losses that can be considered by two criteria:

1. The expected average value.
2. Variability of the probability of the result.

The expected average fair value is the average value of all available results, which is related to the uncertainty of the situation, and the probability of each result is used as a quick repetition or value of the corresponding value. This figure measures the average we expect.

1.3. Foreign experience of corporate credit risk management in commercial banks

The globalization of the economic process, the improvement of information technologies have a significant impact on the banking business. Worldwide computerization, expansion of the Internet-based technology has enabled customers to create effective accounting services, accelerate settlement and payments, and control over cash flows and to promote new banking products. At the same time, these changes have resulted in the diversification of credit risks in the banking sector. In such circumstances, it also implies new approaches to the assessment and analysis of the financial position of the banking institutions. Significant changes have taken place in various countries to assess the financial viability of regulatory bodies. They contain the following features:

1. Currently, the main focus of supervisory authorities is on the credit risks of banking. Assessing the quality of management and internal control in the control approaches and systems is standardized. At the same time, evaluation of such factors by remote (distance) control may not be sufficient. For this reason, many countries are focused on field studies. They also practice the practice of holding meetings with commercial banks managers.

2. The control authorities have developed and are using statistical models of "fast moving systems". The main purpose of these models is to provide effective control over the identification and prevention of potential problems in commercial banks activities.In the US and in some European countries, a quick-acting motion system based on compiling the current status of the commercial banks and drawing up predictive models is being used in comparative transactions. This structure of the control system is always a matter of being aware of the organization's activities. At the same time, it provides an opportunity to get the most effective control over the problematic areas of the bank.

3. The supervisory system includes the process of determining the period for which commercial banks operate, and from the development of the program to determine the effectiveness of its implementation and the ongoing process of the bank's assessment.The regulatory bodies of different countries have significant similarities in the evaluation of commercial banks activity. These are mainly expressed in the following:

possibility of conducting inspections at places, their frequent transfer and coverage; remote control systems; Types and types of reports to be submitted under control; availability of other sources of information; high level of equipment. Risk assessment and operational mobility systems have been introduced in various countries since 1980.

As can be seen from the table, bank risk assessment procedures developed by developed countries can be classified as follows:

- rating system of commercial banks;
- remote monitoring (calculation of financial ratios and analysis of bank groups);
- statistical systems of risk banking systems; statistical models of fast moving systems.

Table 5.

Risk assessment and rapid response in different countries[10]

Country and Supervisory Authority	**Systems and year of introduction**	**Type of system**
French Bank Commission	ORAP (Building and Strengthening Risk Mitigation), 1997 SAABAA (Statistical Method for Aggregated Analysis), 1997	Distance rating system. Expected damage to fast moving system.
Germany: Federal Agency for the Supervision of Banks	BAKIS (Information System), 1997	Analytical System of Financial Coefficients and Groups of Banks
Bank of Italy	PATROL, 1993	Distance rating system.
Netherlands: The Netherlands Bank	RAST (Tools for Risk Assessment), 1999	Complex Risk Assessment System The analytical system of financial coefficients and individual banking groups
UK: Financial Policy Office	RATE (Risk Assessment and Regulatory System), 1998 Monitoring model of some banks, 1980	Analysis of Financial Risks in Complex Risk Assessment System
US: Federal Reserve System	SEER Rating, 1993 SEER Risk Rank,	Predict Action Plan System Ratings

Camel is the most widely recognized worldwide rating system in the world (1979). Its main components are capital adequacy (C), asset quality (A), management quality (M), return on equity (E), and liquidity (L). Since 1997, the market risk sensitivity (C) has been taken into account in determining the rating of banks. As a result Camels system has been created. Each component of the rating system assumes the evaluation of the bank's performance during the

[10] www.FDCPA.com- Official site of federal law The Fair Debt Collection Practice Act

analysis of several factors affecting the component. Some of the factors are found in the classification of several elements in the system. This means that there is an interconnection with the components that serve as a benchmark for the Bank's risk assessment. It is also used to estimate the quality of assets (A), from the level of problem solvency to the level of capital adequacy (C). The quantitative rating of the final rating and each component of the rating is based on a 5-point scale. 1 - rating is a high indicator and indicates a strong position of the commercial bank on the market. This can be very rarely observed by the banking supervisory authorities. The lowest rated 5 - rating is the need for a bank to assess the crisis situation, poor quality of management, and immediate intervention and corrective action by the supervisory authorities.

The emergence of an unbalanced liquidity risk is based on the adequacy of the management and staff of the bank, the organization of banking and supervision, the reliability of the methods used to regulate the risks, the formation of the risk margins for separate banking operations or their groups. The bank's risk may range from several types to influence the bank's performance. According to the most common symptoms, they are classified as moderate and complete risk. The level of bank risk is characterized by the likelihood of events leading to bank failure. They are expressed in percentages or in certain coefficients. Foreign banks, including British banks[11], divide risks into 5 categories. These are:

1. Type -small or zero risk
2. Type - basic risk
3. Type - increased risk
4. Type - large or high risk
5. Type - unacceptable risk.

In 1997, the German Federal Bureau of Banking Supervision and the Bundesbank introduced a BAKIS information system in Germany. It is a standard

[11]Official website of scientific research: www.sciencedirect.com

system that evaluates banks. The objective of this innovation is to quickly analyze the financial condition of the bank, identify trends in credit, market and liquidity risks, as well as explore the major trends in the development of banking groups and the entire banking system. In the BAKIS information system, 47 indicators are calculated and analyzed according to the specific program on a monthly, quarterly, semi-annual and annual basis. These indicators include 16 indicators for credit risk, two liquidity risk indicators and 10 earnings per share. The specialist compares certain bank indicators with the indicators of the banks included in the group. The complex risk assessment systems of the Bank are based on the ongoing situation in the banking system, from continuing to familiarizing themselves with the situation in the bank, continuing to determine the effectiveness of control measures. The approach is based on weighting coefficients for each of the banks and the banking groups, as well as by assessing each type of risk as per risk and risk control categories. The values of each unit are added to the higher levels of the group, and then the situation in the bank or group of banks is assessed. This approach is now being used in the UK and the Netherlands.

In the Netherlands, the allocation of major units in the Risk Analysis System (RAST) is based on the expert's expertise. At the same time, each unit comprises more than 10 percent of the relevant amount (revenue, profit, capital). An analysis of the additional aspects of the activity may be less relevant to the bank. But they should be important for the bank from the point of view of supervisors. The same is true if they have a steady growth dynamics or they cause a serious risk.

Determining the weight of each organizational unit and type of functional activity depends on the extent to which the contribution to the development of the bank depends on the amount of indicators or the risk of risk, and is classified as low, medium, or high. The Bank of the Netherlands has 10 types of risk (credit, pricing, interest rates, exchange rates, liquidity loss, transactions, information,

strategy, law enforcement, risk of repression) and risks that the commercial bank may face control over the interest rate category (internal control, organizational factor and management). Risks are assessed on a 4-point scale (1-point risk).

The use of "statistical methods" for banking operations is widely used in foreign countries for the last 5-7 years. Currently, statistical models are divided into three groups[12]: modeling for renting and evaluating the likelihood of rating changes (SEER and SCOR systems in the United States). Models predicting bankruptcy of financial institutions (SEER Risk Rank Bank Calculator, Italy), estimated loss models (SAABA in France).

Conclusion forthe first chapter

In modern society, banks have become a large and diverse financial service provider. These include operations on lending to sectors of the economy, purchase and sale of securities, property management operations and other financial transactions. Nevertheless, credit operations continue to be a primary operation for commercial banks. In conclusion, we can say that the main operation of the banking system and the most profitable service are credit operations. It is important to manage accurately and rationally the risk of loans to corporate customers, which constitute the largest part of the loan portfolio**.**As we mentioned above, the lending arrangements for corporate customers include several steps. The bank has the opportunity to reduce credit risk at every stage. Because not only the client's financial condition but also his charactercan lead tothe repayment of the loan. The banker must distinguish his client from the original look. And in subsequent steps it is necessary to analyze the creditworthiness and financial status of corporate clients. Furthermore, the bank may require better insurance or risk insurance to minimize risks. The bank must also verify the client's status and carry out credit monitoring after lending.

[12]www.scopus.com -Official website of database

CHAPTER 2.THE CURRENT STATE AND ANALYSIS OF CORPORATE CREDIT RISKS AND CORPORATE CLIENTS OF COMMERCIAL BANKS

2.1. The stateand the role of corporate clients in credit portfolio of commercial banks

Renewal of the economy has led to the change of the banking system and banking activity in line with market relations, new concepts and operations related to the banking and banking system. One of such concepts is the concept of a commercial bank loan portfolio. It is well-known that in the developed countries of the market, the credit policy of commercial banks, their credit portfolio and its quality, and the level of its use are of great importance. The fact that the credit portfolio is organized properly indicates that the banks are operating effectively. Lack of credit operations can lead to a decrease in banks' earnings and, in some cases, break them. Therefore, control over the credit portfolio and quality of banks and its rational management can serve as a basis for reducing credit risk.

Before commenting on the credit portfolio of banks and their status, we first have to grasp the economic essence of the credit portfolio. The credit portfolio of the banks is a fanciful concept recently introduced into our economic concepts. Timely repayment of the loans to the banks is based on the timing of the lending process, the lending and repayment terms, the mortgage, especially the overdue or delayed loan transactions, the amount of repayments, the bank loans and the centralized loans as well as the law of operation and the quality of analytical operations carried out in banks on all types of loans and other factors.

All the lending operations performed by banks can be found in their credit portfolio, the basis for each bank's credit portfolio quality and timely repayment of loans. It is also inconsistent to look at the loan portfolio as banks' active operations. Because active operations of banks are a comprehensive process,

which involves all operations related to the placement of banks' own capital and borrowed funds for the purpose of earning income.

It is also important to determine the quality of the loan portfolio by determining and maintaining the timing of the loan issued by the bank. Repayment of the loan in due time:

1. The degree to which each bank lends the crediting process;

2. The level of repayment and repayment of loans;

3. Loans and, in particular, reflection of the process of prolonged and expired mortgages registration;

4. Classification of clauses;

5. Depending on the amount of damage inflicted on the livestock, the number of poisons and other sutures.

The following factors should be considered when disclosing the essence of a loan portfolio. These are:

1. The level of credit risk;

2. Objects of crediting;

3. Loan expiration date;

4. Loan and maintenance of the loan;

5. The mood of the client and others.

Taking this into account, the loan portfolio can be set as follows: "The loan portfolio of banks is a set of bank requirements based on a variety of criteria, based on specific benchmarks. This definition helps to understand and analyze the essence of the loan portfolio. Because it says:

1. Criteria describing the level of risks for loans;

2. The need to take into consideration the Bank's claims on all granted loans;

3. Classification of main credit risk and others.

The loan portfolio covers not only normal loans, but also overdue loans. Taking into consideration these factors is of great importance in the formation of the credit portfolio of commercial banks, the formation of their activities. The

level of credit risk is the main criterion for the status of the bank's credit portfolio in the practice of cricket banks and our banks. It is precisely the decline of this aggression, the quality of the loan portfolio is determined.

Evaluation and analysis of banks' credit portfolio enable bank managers to effectively manage lending operations.

Table 6.

The main macroeconomic indicators of the banking system of the Republic of Uzbekistan[13], in billion sum

Indicators	2011	2012	2013	2014	2015	2016	2017
Total assets	20739,5	27500	35700	43868	56223,0	65176	80362,0
Loans to commercial banks	11593	15651,5	20392	26530	34809	42685,0	53378,5
Capital of commercial banks	4100	5334	6200	6500	6500	7784	9353
Deposits of commercial banks	13236,3	17352,3	21800	26100	27800	35600	44600
Small Business Loans	2734,0	4100,0	5300,0	6982	9158	12112	15870
Investment Loans	3211,9	4400,0	5700,0	7214	8547	10200	12200

This table shows that all macroeconomic indicators in the banking system have a tendency to grow.

Total assets of the bank in 2017 increased almost 4 times compared to 2011 and amounted to 80362 billion sums. Total credit investments increased by 4.6 times and amounted to more than 66 percent in assets. It can be assessed that the share of total loans in assets increased from 55.9% to 66%.The bank's capital increased by 2.3 times in the reporting period, while bank deposits rose 3.4 times. The growth rates of bank loans and deposits are almost identical.

The main objective of the bank loan portfolio is to develop a strategy of the bank in the field of credit policy, to analyze and improve loan quality. To do this, it is necessary to check the bank's compliance with the set limits of the

[13]www.cbu.uz - official information of the Central Bank of the Republic of Uzbekistan

loans, to check the credit conditions, such as credit risk reduction and loan quality improvement. In order to ensure the stability and quality of the credit portfolio of commercial banks, it is necessary to maintain the timeliness, timely repayment and exposure of the credit. Regular monitoring of the loan portfolio is the key to enhancing the efficiency of commercial banks activities. Rational management of their credit portfolio is one of the key factors in reducing credit risk. It should be noted that the financial statements and other details of the banks should reflect the real state of the quality of their assets, as well as the impact of the credit portfolio on the bank's income. Deficiency of such information can be caused by the bank's actions or the Central Bank and other stakeholders, as well as in the bank's risk management process. The problem is that the problem loans are affected by the impact on the minimum level of banks. Lack of objective credit portfolio quality also contributes to bank managers to make necessary changes to the bank's credit policy.

Analysis of banks' credit portfolio:

1. Selection criteria for loan quality taking into account credit risk;

2. On the basis of them, working out the methods of credit quality assessment, determination of main groups of loans on the basis of their interest rates;

3. Classification of loans;

4. Determining the percentage of risk per credit group;

5. Determine the absolute amount of credit risk for each loan and bank;

6. Determination of sufficient amount of reserve for covering losses on loans under relevant data;

7. Evaluation of credit portfolio on coefficients;

8. It is necessary to study the range of measures to improve the loan portfolio.

Thus, commercial banks' loan portfolio is based on a variety of credit risk, which is a set of credit-based, bank-specific requirements, and is a key factor in reducing credit risk management and overall banking risks.

As you know, the main objectives of the commercial bank loan portfolio management are:

1. Identification and assessment of factors affecting credit risk;

2. Classification of mortars for risk groups;

3. Optimizing the loan portfolio by credit risk, customer structure and loan systems;

4. Determination of the borrower's creditworthiness and the financial position of the borrower for the purposes of forecasting credit risk;

5. Determination of problem loans;

6. Evaluation of adequate resources and their timely completion;

7. Diversification of credit products, ensuring their liquidity and profitability;

8. Developing a credit policy of the Bank and adjusting it based on the quality analysis of its credit portfolio.

The main goals of the credit policy:

1. Types of credits as well as identification of whom and on what terms the bank loan is provided;

2. Loans, deposits, other liabilities and maintenance of the best bankruptcy among the bank's own capital.

Development of credit policy is crucial for banks to adapt to complex and changing economic conditions. Usually, credit policy is formulated as a guidebook for managers of the bank. Credit Policy Guide:

- types of loans issued by the bank and definite terminological concepts thereof;

- Bank's credit risk strategy, limits and management principles;

- principles of crediting;

- systems and liabilities of economists or credit officers responsible for credit operations;

- Includes credit documentation.

As a result of consistent reforms in the financial and banking system, modernization and increasing the stability of the country, there is a steady trend towards the growth of commercial banks' assets, including loans.

Credit policy will help to prevent credit risks and diversify loan portfolio.The Bank's credit policy is a document that defines the measures and methods adopted by the management of the bank in managing the risks arising in the lending process and provides guidelines for effective management of the bank's portfolio of managers and employees. Credit policy should clearly identify and define the objectives of the bank's credit activity.

Structure of credit policy

I. General Provisions

1.2. Purpose and strategy of credit policy

II. Degree levels

III. General principles of lending

3.1. Types of loan services

3.2. Basic principles of lending

3.3. Limitations on credit granting

IV. Credit concentration and diversification

V. Credit repayment

VI. Requirements to the borrower's financial statements and other documents

VII. Types of credit and general requirements to them

VIII. Credit Monitoring Requirements

IX. Calculate credit interest rates and interest rates

X. Operations with related parties

XI. Unexpected items (off-balance items)

XII. Credit portfolio audit

XIII. Reports submitted to the Board and the Board of the Bank

The credit policy of commercial banks is approved by the Board of the Bank. Each bank should develop its own credit policy and implement it.

Responsibility for the development and implementation of credit policy is entrusted to members of the Board and the Board of the bank and other officers of the bank. The development of credit policy will allow the bank to diversify its loan portfolio and reduce credit risk. Correct organization of credit portfolio testifies to the efficient operation of banks. Lack of credit operations can lead to a decrease in banks' incomes, and in some cases can lead to their collapse. Therefore, controlling the credit portfolio and quality of banks and their rational management can be the basis for reducing credit risk.

Before commenting on the bank's loan portfolio and its status, we first have to grasp the economic substance of the loan portfolio. The credit portfolio of banks is a concept that has recently come to our understanding of our economic concepts. Timely repayment of loans to banks depends on the extent to which the lending process is maintained, the timing of lending and repayment, the accrual of loans, in particular, overdue or delayed credit transactions, the amount of reserve cover, the legitimacy of transactions on interbank credit and centralized loans, and the quality of analytical operations conducted in the banks on the proper classification of loans and other factors.All credit transactions performed by banks can be reflected in their loanportfolio, which can be the basis for each bank's loan portfolio quality and timely repayment of loans.At present the credit portfolio of the commercial banks of the Republic of Uzbekistan is as follows. As can be seen from the table, loans to corporate clients are quite large in the loan portfolio. So it is important to identify and manage the risks to corporate customers.

The Central Bank, in analyzing the assets of the commercial bank, makes it mandatory for commercial banks to classify the quality of certain assets and to set up redundant reserves and (or) additional reserves and transfer their amount equal to their amount of mandatory reserve deposits in the Central Bank possible.In case of non-fulfillment by the commercial banks of the requirements, the Central Bank shall issue proceeds from correspondent accounts of the commercial banks in the Central Bank.

Table 7.

Information on commercial bank loans by economic sectors[14]

Indicatorname	May 1, 2017		May 1, 2018		Growthi n %
	billion UZS	% oftotal	billion UZS	% oftotal	
Totalloans	**62 784**	**100%**	**127 233**	**100%**	**102,7%**
Industry	21 248	33,8%	49 127	38,6%	131,2%
Agriculture	4 800	7,6%	9 280	7,3%	93,3%
Construction	2 337	3,7%	4 185	3,3%	79,1%
Tradeandpubliccatering	4 604	7,3%	5 965	4,7%	29,6%
Transportandcommunication	7 832	12,5%	16 514	13,0%	110,8%
Logisticssupplyandsales	579	0,9%	466	0,4%	-19,5%
Housingandcommunityservices	533	0,8%	987	0,8%	85,0%
Individuals	11 573	18,4%	15 389	12,1%	33,0%
Othersectors	9 276	14,8%	25 319	19,9%	172,9%

From the table we can conclude that in 2017 the volume of loans issued to the industry made 21 248 million soums, and by 2018 this figure increased by 131.2% to 49.12 billion soums. This is 38.6% of the total loan portfolio. And in the next place, the volume of loans extended to individuals made up 18.4% of the total loan portfolio in 2017 to 11.573 million soums, and in 2018 - 12.1% to 15,389 million soums. Agriculture and construction loans, respectively, accounted for 7.3% and 3.3% of the total loan portfolio in 2018. Commercial and transport loans make up 4.7% and 13% of the total loan portfolio in 2018.

All of these above and many other reasons cause some or all of a breach of the lending process and, at the same time, undermine the stability of the lender-bank as well as the debtor. It is clear that the results will not be instantaneous. They can be expressed through the specific features of the debtor-client, reflecting the financial condition of the borrower, his business activities and the process of crediting.

[14]Official site of the Central Bank of the Republic of Uzbekistan: cbu.uz

Table8.

Information on major indicators of banking sector[15]

Indicator name	May 1, 2017			May 1, 2018			Nominalgrowth, in (%)	Real growth (without considering devaluation) in (%)
	Total	of which in foreign currency	sharein % oftotal	Total	of which in foreign currency	sharein % oftotal		
Totalbankassets	92 890	41 499	44,7%	179 670	105 479	58,7%	93,4%	32,0%
Total loanportfolio	62 784	26 437	42,1%	127 233	75 027	59,0%	102,7%	38,0%
Totaldeposits	38 174	11 763	30,8%	61 732	27 317	44,3%	61,7%	23,0%
Totalcapital	9 900	2 620	26,5%	23 359	2 311	9,9%	136,0%	123,3%

According to the data, the total assets in 2017 amounted to 92,890 million soums, by 2018 it reached 179,670 million soums. The total bank portfolio is 62,784 million soums compared to May 2017, of which foreign currency loans amounted to 26,437 million soums, which accounted for 42.1% of the total loan portfolio. By May 2018 the total loan portfolio reached 127.283 million soums, of which 75.027 million soums were loans in foreign currency, ie 59%. The total loan portfolio grew by 102.7% and the growth was 32% without devaluation.

As it is seen from table data, the amount of loans in national and foreign currency in the loan portfolio is almost equal in 2018. This reduces credit risk.Credit policy will help to prevent credit risks and diversify loan portfolio.The Bank's credit policy is a document that defines the measures and methods adopted by the management of the bank in managing the risks arising in the lending process and provides guidelines for effective management of the

[15]www.cbu.uz - Official site of the Central Bank of the Republic of Uzbekistan

bank's portfolio of managers and employees. Credit policy should clearly identify and define the objectives of the bank's credit activity.

If we look at the state of commercial banks in the country, most of them are loans to corporate clients.That is why I have learned about Infinbank's loan portfolio and the areas in which loans are allocated.The corporate credit risk management plays an important role in the amount and diversification of loans allocated to legal entities. so I have analyzed the Infinbank credit portfolio of joint-stock commercial bank.

Table 9.

Credit portfolio of ”Infinbank” JSB[16] (thousandsoum)

Types of fields	**01.01.2018**	**%**	**01.01.2017**	**%**
Manufacturing	229017167	33	231205523	41
Individuals	107054421	15	51342485	9
Service	96014977	14	48528569	9
Financial servis	88412454	13	43684477	8
Sales	92392208	13	84054084	15
Agriculture	37483580	6	16548270	3
Transport and communication	29547706	4	18737973	3
Construction	18251162	2	32647057	6
Other loans	2803680		30921806	6
Total	700977355	100	557670244	100

As can be seen from the table above, we can see that Infinbank's loan portfolio is focused on production of 41% of loans by 2017. However, the share of loans to production in 2018 is about 33% of all loans, which indicates that more attention is being paid to other sectors to reduce credit risk. In 2017, the smallest share of agro-industrial and transport communications is 3% each. In

[1616] www.infinbank.uz- official site of Invest Finance bank

2018, loans for construction were at least 2%. According to thenorms set by the Central Bank of the Republic of Uzbekistan, the amount of loans allocated to one branch should not exceed 25% of the total loan portfolio.

Analysis of banks' credit portfolio:

1. Selection criteria for loan quality taking into account credit risk;
2. On the basis of them, working out the methods of credit quality assessment, determination of main groups of loans on the basis of their interest rates;
3. Loans for loans;
4. Determine the percentage of risk per credit group;
5. Determine the absolute amount of credit risk on each loan and bank;
6. Determination of sufficient amount of reserve for covering losses on loans on the basis of relevant information;
7. Evaluation of loan portfolio by coefficient;
8. It is necessary to study the ways to improve loan portfolio composition.

Thus, the commercial banks' loan portfolio is based on various credit risk, which is a set of loan repayment and bank requirements, depending on the specific criteria, and its effective management is a keyfactor in reducing credit risk and, in general, bank risks.

As you know, the main objectives of the commercial bank loan portfolio management are:

1. Identification and assessment of factors affecting credit risk;
2. Loans for risk groups;
3. Optimizing the loan portfolio by credit risk, customer structure and loan systems;
4. Determine the borrower's creditworthiness and financial position for the purpose of forecasting credit risk;
5. Determination of problem loans;
6. Evaluating the adequacy of created resources and timely replenishment;
7. diversification of credit investments, ensuring their liquidity and profitability;

8. Development of the credit policy of the bank and its elimination based on the quality analysis of its credit portfolio.

The main goals of the credit policy:

1. Types of credits as well as identification of whom and on what terms the bank loan is provided;
2. Maintaining the optimal balance between loans, deposits, other liabilities and the bank's own capital.

2.2. The analysis of corporate credit risks

It is crucial to answer the first question in modern stages of the market economy when new businesses, firms are formed, and there is no clear information about them. The second question is the replenishment of the credit recipient, the financial condition, the status of the accounts, the audit reports and conclusions, the business balance, the cash flow statement, the financial results report, the information required for the bank and the availability of these documents may indicate that the enterprise is successfully managing its financial resources. In the third question, the bank should determine whether the loan it provides meets its credit portfolio. If this loan brings more diversification of the bank's loan portfolio, it will reduce the bank's credit portfolio risk. If the credit enhances the aggregate loan replenishment of a single sector, the maturity of the loan may simultaneously increase the credit portfolio risk. At the same time, the bank's staff has enough knowledge in the field of crediting, credit evaluation, they know the techniques of the banking business, taking into account market changes, and not taking the final decision on lending.The high credit risk encourages the bank to be cautious about applying to the monetary market and using its funds. Credit risk analysis can provide an opportunity to study the borrower's financial condition and to collect necessary information to improve the internal performance of the bank. Credit risk orientation, minimizing risk, and protecting the bank's interests can be the basis for reducing credit risk. The main reasons for the occurrence of credit risk may be due to the fact that the

allocation of loans to a single branch is a failure to comply with the risk inherent to a debtor. Depending on the level of credit risk, it may indicate that the amount of credit investments can be in the risk or risk exposure.

The risk exposure risk can be used to estimate credit risk.

Table 10.

Procedure of risk coefficient identification[17]

Indicators	1-version	2-version
Ownfunds, UZS mln	10000	60000
Possible lossesmaximum amount, mln UZS	6000	24000
Risk coefficient	0.6	0.4

As the table data shows, the risk of capital over the second option is 1.5 times less than the first option (0.6: 0.4 = 1.5). Risk zones can be identified depending on the risk of loss.

There are no losses in the risk zone, ie its size is equal to "0", in which case profits are higher. The potential risk is a risk that is uncertain and uncertain, and the size of the risk is lower than that of a permanent asset. The Critical Risk Zone represents the risk of loss, indicating that part of the proceeds is oriented to a process and that there is a risk of returning these funds.

Table 11.

Risk zones[18]

Achievements		**Losses**		
No negative losses	Potential risky zone	Criticalriskzone	Deadlyriskzone	Maximumrisk
No risky zone profit	Incomeisavailable	There is a risk of loss	Therearedefiniteloss es	risk of loss of property

A major risk is the fact that net losses are unavoidable and that the bank's profit or loss is a property loss. Banks need to have accurate information and carry out regular calculations in order to get a clear idea of the direction in which loans

[17]Abdullayeva Sh. Bank risklarivakreditlash // Toshkent - "Moliya" - 2002
[18]Abdullayeva Sh. Bank risklarivakreditlash // Toshkent - "Moliya" - 2002

are issued by banks and the availability of unpaid debts. Classification of loans at risk level allows avoiding the risk of falling into a risky zone, reducing the risk of credit risk. Credit risk will depend on external factors (market condition of the economic environment) and internal factors (bank error). External factors may be limited, but with timely action, the bank can mitigate the effects of these factors and eliminate major losses.

The existence of a credit risk in the Bank is the first of a thoroughly elaborated credit policy and the availability of general guidelines for transactions with customers; secondly, to the level of knowledge and actions of bank staff implementing these instructions, the risk management capability of bank managers, and the level of qualification of the Bank's staff, who develop loan terms and conditions, and select credit projects. Credit risk management of commercial banks can be divided into several general steps. These are:

- development of goals and objectives of the bank's credit policy;
- organizing the administrative system and management structure of credit risk management;
- analysis of the debtor's financial condition;
- Defining the history of the debtor's lending and its relationships;
- development and signing of credit agreement;
- The risk of non-repayment of loans;
- Establishing and redeeming the debtor's credit monitoring on all loans portfolio;

Repayment of doubtful and doubtful loans and sale of mortgages making arrangements, etc. In order to manage credit risk, a bank officer should constantly monitor the quality structure and structure of the loan portfolio. Under the "benefit-risk" debate, the bank employee is forced to limit his profit by retaining excessive risks. It should not impose a risk-sharing policy, nor should it lend credit to more than one major borrower. Otherwise one of the debtor's failure to repay the loan can make the bank's financial situation worse. Credit risk may result in liquidity risk and bank insolvency risk, as well as the

risks associated with non-repayment of the Bank's administrative and economic costs, even though the interest rate risk is self-reliant, it is exposed to credit risk and it can deepen the chain of other risks.One of the urgent problems of commercial banks is credit risk management, based on balance sheet and loan portfolio analysis. Credit risk classification, classification, minimizing risk and protecting the bank's interests minimize credit risk. Compliance with the maximum exposure to a borrower, by reducing the risk of credit accumulation in enterprises and industries where production is declining, as well as the transfer of the words "all eggs should not be dropped into a basket", can alleviate credit risk will give. Reserve funds to cover loan losses serve as a credit risk-specific shock absorber. Investing in credit risks, we would like to draw our bank's attention to this issue. Today, the main focus of our lending activity is the availability of loans. Loans and secondary risks are considered. In some cases, the bank's employees may consider the risk to be spontaneous if the credit is available, or the risk is "O". But this is not the case at all: first, did the value of the property received from the loan be properly valued? Secondly, what is the degree of profitability of this property, the demand in the market or, in general, the liquidity level of the property taken for providing? Taking into account these key aspects of property taken for securing itself, it is primarily necessary to calculate credit risk. Therefore, commercial banks should identify their credit policies in other areas of credit risk management and management.Part of the resources used by the Bank for lending, although other legal entities, individuals and joint-venture capital, will take the bank's decision on how to use them. When it comes to earning income, the bank should always consider the risks to which it is, and be sure that the credit must be secured only after the creditworthiness of the client and its operations, its creditworthiness, and the exposure to credit risk. Property acquired for loan repayment is the last source of credit repayment. We wanted to analyze the lending process in international banking practice and in local banking, and we would suggest that some indicators be used to identify the risks of commercial banks' lending, and would

suggest that they prevent credit risk . At the present time, creditworthiness based on the 3 to 4 coefficient used in the operations of our commercial banks does not fully reflect our credit risk level. In this context, we would like to highlight some of the indicators that determine the level of credit risk in this business. Implementation of these indicators in practice can have a positive effect on reducing risk.

Conclusion forthe second chapter

So, in conclusion, we can say that the loans are not related to each other, that is, the likelihood of non-repayment of any loan should not depend on the possibility of not paying for another loan.Diversification can be achieved by reducing the overall risk of credit portfolio. In some cases, the actual earnings may differ from expected earnings without changing the risk on a separate loan. Diversification can be triggered by the fact that the customer can reduce the risk premium or, in general, ignore the risk premium (if the bank manager takes it into account).Diversification of the loan portfolio for banks is very easy. As we have already mentioned, it is necessary to reach the credit at a low cost for different sectors (industry, agriculture, transport, business, foreign customers), including cities, regions, countries.The specialization of commercial banks in certain industries, the provision of traditional loans on these sectors may not fully comply with the diversification approach. That is why, in our practice, specialized banks have to choose the alternative boundary between specialization and diversification and, if necessary, respond to one of them.The world banking practice shows that in the 1980s, many foreign banks focused their lending on lending to the oil industry. As a result of the decline in oil prices during these years, many oil companies have brought banks to bankruptcy without paying their debts. Banks, which have diversified the loan portfolio, have compensated for the loss of oil loan from other sources.In this case, the lack of diversification policy led to the emergence of "troubled loans" as "troubled banks."

CHAPTER 3. THE WAYS OF MINIMIZING CORPORATE CREDIT RISKS IN ACTIVITIES OF COMMERCIAL BANKS

3.1. Problem credits with corporate clients in commercial banks

The role and place of credit relations, which arise from the current stage of the market relations in Uzbekistan and the redistribution of temporarily free funds on terms of maturity, repayment and payment, have changed dramatically. The process of establishing credit relations rather than the place and role of the credit in the economy has changed considerably.

Loan agreements signed between the corporate client and the bank are binding on both parties and require full timely execution. However, at the moment, banks are faced with the problem of credit repayment. This, in turn, will result in further problems and increase of banks' bank accounts in "troubled loans" or "court proceedings", as well as the removal of bank-generating assets.

The classification of commercial banks' assets is classified under "standard", "substandard", "unsatisfactory", "doubtful" and "hopeless" categories. The quality of assets that do not have a doubt about the timely repayment of debts is classified as "standard". The borrower is financially stable, with a sufficient amount of capital, high levels of profitability and adequate cash flows to meet all existing liabilities, including the current strategic plan, competitive ability in the market, good product development, and has a marketing plan for its product. The supply meets the requirements of "well-off" loan. Notarized confirmation of the type of supply (if not enacted by the legislation) should be registered in the prescribed manner, if necessary, for the registration of the respective property transaction, including the pledge registry of the rights of the commercial bank on the pledged property. Is Bank has the right to repay the loan without any restrictions and without any restrictions. All documents submitted for the supply shall be subject to formal registration in accordance with the legislation.

There are no problems with the return of assets classified as "standard". At that no part of the principal debt and interest shall be expired or the terms

shall not be revised. The quality of the assets that have been overdue and the terms of the principal debt can not be classified as "standard". For the assets classified as "standard", the Bank has to create a reserve of up to one per cent of its outstanding principal (residual) value in the reserve capital. Reserves created for standard assets are established by commercial banks on the basis of the net profit remaining after the payment of taxes and other mandatory payments on the day following the effective date of this Regulation, and on the basis of the balance sheet date, which was classified as 'standard'.

The financial condition of the debtor is stable, but some negative circumstances or trends exist, and the quality of assets that may have doubts about the ability of the debtor to make a timely payment of the asset, if not eliminated, is classified as "substandard". At the same time, the quality of the assets classified as "standard", which has some doubts about the financial position or control of the supply, which have insufficient information in the loan documentation or that have no procurement documentation, should also be classified as "substandard".

For the assets classified as "substandards", the quality of the business bank should generate a special reserve of ten per cent of the outstanding principal (residual) amount.

The quality of the assets is classified as "unsatisfactory" if at least one of the following factors are present:

- If the main source of payment is insufficient to repay the debt, it is required to find additional sources of payment, taking into account the sale of the property and the borrower's other fixed assets and the repayments to be paid;

- the current financial position of the borrower or the projected cash flow is insufficient to meet the obligations;

- the borrower's capital is insufficient;

- Tendencies and prospects in this area are unstable;

- the amount of the supply exceeds the principal amount, at least equal to the unpaid sum of the principal debt;

- there is a overdue debt on principal and interest, if its term does not exceed 90 days.

For the assets classified as "unsatisfactory", the quality of the business bank should form a special reserve of twenty five per cent of the outstanding principal (residual) amount.

Quality is inherent in assets classified as "unsatisfactory" and, in current circumstances, the quality of assets that is questionable or doubtful may be classified as "doubtful". At the same time, some of the positive factors that are likely to be lost will not be classified as "hopeless" until the quality of the assets available.

The quality of the assets is classified as "doubtful" if at least one of the following factors are present:

- At least one of the "unsatisfactory" assets, as well as some other negative characteristics (lack of easy-to-sell supplies on the market or availability of unsecured assets or declaration of the borrower's bankruptcy);

- the possibility of partial repayment of the asset in the near future;

- if there are overdue debts over 90 days but not more than 180 days on principal and interest.

For the assets classified as "doubtful", the quality of the business bank should form a special reserve of up to fifty percent of their outstanding principal (residual) amount. The quality of the assets that are deemed to be inappropriate in the balance sheet because of factors that may or may not be reflected in the contractual term are either "undesirable" or not. This classification does not mean that there is no absolute value in assets. However, it is not expedient that commercial banks continue to keep track of such assets on their balance. Commercial bank shall take measures to eliminate or repay such debt by selling the property acquired.

The quality of the assets is classified as "desperate" if at least one of the following factors are present:

- recovery of assets is in court;

- non-sale of the debtor and lessee from the borrower for a period not exceeding three months from the date of its receipt by the commercial bank through the use of the rights to the pledged property and not used for two years from the premises acquired for expansion of the banking activity, and has not been sold for a year;

- the maturity of assets has been prolonged;

- Debt securities with principal and interest bearing overdue more than 180 days.

For the assets classified as "hopeless", the quality of the business bank should form a special reserve of up to one hundred percent of their outstanding principal (residual) amount. If there are several assets transferred to a single debtor in a commercial bank, the quality of all assets returned by the debtor to a commercial bank should be classified as qualifying in the lowest category. If the debtor has a debt to several commercial banks, and one of them should be classified in the lowest category, other commercial banks must classify the quality of the assets given to that debtor in that category. In this case, commercial banks should use the credit information database to determine the classification of the assets provided by other commercial banks to the debtor.

Maintenance is a secondary source of credit repayment. It should not be considered as the main source of credit repayment by commercial banks. When analyzing supplies, commercial banks need to take account of their liquidity. At the same time, the commercial bank is obliged to evaluate the return of the principal debt and interest amounts on sales.

High-liquidity supply of assets:

- Government of the Republic of Uzbekistan;

- National and foreign currency deposit in accounts opened in commercial banks;

- pledge in the form of government securities;

- pledge in the form of Central Bank securities;

- pledge in the form of gold and silver bullions in the form of precious metals.

High-liquidity supply of assets:

- the right to immovable property, including land parcels;
- movable property;
- The right to share in an economic society;
- pledge in the form of other securities;
- legal and physical guarantees and warranties.

If at least one of the assets listed below has been changed, the terms are considered reversed assets:

- reduction of the interest rate, with the exception of the reduction of the interest rate due to the decline in the refinancing rate of the Central Bank;
- Reduction or a partial refusal of the principal debt;
- Refusal in part or all of the interest and (or) principal payments;
- the delay or extension of the principal and (or) interest rate of the asset;
- Changes in the borrower's and / or type of supply, with the exception of cases of repayment in connection with repayment of some part of the loan.

The following factors should be considered in the classification of the quality of the revised asset:

- grounds or reasons for revising terms;
- how many times a loan repayment period is extended to a borrower;
- Specific alterations in terms of the original agreement under the terms of the new agreement. In this case, the interest rate should be lower than the market rate, in addition to the change in the supply of the asset or prolongation of the loan repayment period, it should be taken into account in the classification and analysis of the asset quality of the revised asset.

The terms of the revised asset are classified using criteria such as "substandard", "unsatisfactory", "doubtful" and "desperate" categories. If a replacement or an additional debtor is a part of a debtor or an associated debt, the original qualification of the asset should not be changed. Except for cases

where the debt service provider requires a change in the negative classification. The classification of the quality of troubled assets may be revised appropriately if the new debtors cover all outstanding claims and interest. In the event that a transferee or an additional debtor has nothing to do with the original debtor, the criteria for the classification of asset quality are used or exchanged for the additional debtors. This process should be carried out in accordance with the ability of the exchange or additional debtors to pay assets under normal business conditions. The quality of assets can not be classified in a higher or better class than those classified before their terms are reconsidered. In no event can it be possible to immediately "standard" the asset after its terms are revised. When reviewing two or more active terms, the asset quality should be lower than the one in the previous classification of the category classification requirements.

Reserves need to be periodically reviewed at least once a month and, if necessary, additional reserves should be created. At the same time, commercial banks should implement programs of reserve formation and accounting for them. When determining the factors and circumstances that may indicate an increase in the probable loss of the asset against the inventory established in accordance with the defined standards, large reserves should be deductible against potential losses in the reserve. The asset should be classified as off-balance sheet within three working days, with the classification of asset quality "desperate" and the appropriate special reserves should be reduced. Losses should be written off in the period they are recognized. An asset's write-off does not deny its partial or complete retirement. If the asset quality is not classified as "standard", the commercial bank may not provide funds in the form of additional credit, additional credit, or new loans without detailed analysis of the risks associated with possible losses to the debtor.

The presence of at least one of the following factors is the basis for a more negative classification of the quality of certain assets by the Central Bank:

- deterioration of the general condition of the commercial bank loan portfolio;

- The presence or absence of adequate analysis and audits of a commercial bank loan;

- The fact that the commercial bank actually suffered losses on the given branch and industry loans;

- accumulation of large assets;

- unacceptable economic trends and conditions, in particular, the accumulation of large amounts of debtors in one or more industries or administrative-territorial units;

- The analysis of the report submitted by the commercial bank or other circumstances related to the financial status of the debtor or commercial bank as a result of inspections carried out by the Central Bank.

At the same time, the Central Bank may demand redundancy of reserves and (or) additional reserves in the amount specified by the Central Bank. Reserves are deducted from the "Valuation of Hearing Impairments" account and crediting the respective "Inventory of assets and leasehold lien" account. In case of insufficient reserves, commercial bank reserves should be supplemented in the period when the inventory deficit is detected. If after analysis of a portfolio of assets of a commercial bank, its reserves are more than required, then the commercial bank should debit an appropriate "Assets and leasehold lien" account and credit "Affordable Damage" account.

Commercial banks are obliged to provide the sum of money equal to the amount of the special reserves, which must be formed to cover possible losses on the assets of the commercial bank on mandatory reserve deposits, opened by the Central Bank. The amount of funds required to transfer to mandatory reserve deposits is calculated based on the results of each month based on the amount of reserves. Commercial banks are obliged to transfer the missing amount to the mandatory reserve deposit within 3 working days from the amount of special reserves.Based on the results of the 10th and 20th month of each month, the Central Bank will extend excessive amounts to commercial banks based on their grounded appeals.

The Central Bank, in analyzing the assets of the commercial bank, makes it mandatory for commercial banks to classify the quality of certain assets and to set up redundant reserves and (or) additional reserves and transfer their amount equal to their amount of mandatory reserve deposits in the Central Bank possible. In case of non-fulfillment by the commercial banks of the requirements, the Central Bank shall issue proceeds from correspondent accounts of the commercial banks in the Central Bank.

Bank is responsible for the Board of Directors and the Board of Directors of the Bank to ensure that the reserves are sufficient.

The decision on repayment of funds from "non-desirable" assets has been approved by the Board of the commercial bank, which will be communicated to the Board of the Commercial Bank within 3 working days. The account of the "desperate" assets covered by the relevant "Assets and lease expense" account is included in the "Unexpected Circumstances" account. At the same time the following accounting transactions are carried out:

Debit: the "Account of Reserve for Property and Lease Liabilities"

Credit: related asset account;

Debit: 95413 - Account "Loans and lease payments";

Credit: 96397 - counter-account for "Other Unspecified Accounts".

In case of a loss of reserve capital, additional deductions must be made to a counter-active counterparty account "Inventory of assets and leasehold financial loss" from the Assess Validation Loss. Accounts Payable on Current Assets The personal account must also be offset by the "Interest Income" account on this asset, and by lending the "Accrued Interest on Assets" account.

Transferring "Hopeless" Assets and Accrued Interest Accounts to "Unexpected Events" Account does not mean that the debts on this asset and the interest can not be deducted. Therefore, this debt, as well as interest on it, shall be reflected in off-balance sheet items within not less than five years from the date of their transfer to these accounts. In line with the law, is bank must take all measures to recover the principal debt and interest on the asset. In order to

accurately reflect the full amount of the debtor (emitter) commitment, the interest rate on the asset will continue to be deducted from off-balance sheet items, with the exception of cases when the obligations of the debtor and the borrower are void. At the same time, the commercial bank regularly reports to the debtor at least once a month the claim letter for repayment of debt and repayment of interest on the loan, indicating the existence of overdue debt on the principal debt and interest accrued to the remainder on the balance, off-balance sheet items the debtor or his legal successor (in the case of liquidation - to the liquidation commission). Not having these allegations will not relieve the debtor from the obligation to repay the debt. The allegation and the remedial action will be the basis for the commercial bank to apply to the judicial authorities for deducting the principal debt and accrued interest. The Internal Audit Service and the Board of the Commercial Bank shall inform the Board of Directors of the Commercial Bank in writing on the measures taken to recover the "hopeless" assets transferred to off-balance sheet items on a quarterly basis. The Board of the Business Bank will include the issue on the measures taken to recover the "hopeless" assets of the bank on the agenda of the annual general shareholders meeting following the results of the fiscal year.

Decision of the Government, adopted by the Board of the Business Bank, on transferring off-balance sheet assets from off-balance sheet assets to off-balance sheet items, resulting from the centralized resources or other funds, does not result in the Government or the Central Bank's debt repayment and can be repaid by a commercial bank to the Government or the Central Bank repayments must be made. If the debt on the asset accounted by the debtor on non-balance-bearing assets is not paid within five years after the commercial bank's reimbursement of these debts, then the asset (both principal and interest) may be annulled by decision of the general meeting of shareholders.

If the debtor has made a payment to an Asset after the transfer to an "Unexpected Situation" then the commercial bank shall debit the debtor's account or cash account and shall charge the relevant "Assets and Liabilities

Registry Loss" account, lease compensation "account shall be deemed to be accounted for, and the relevant" Recognized Exposure Compensation "Account shall be deemed to be or "Repayment of withdrawn funds" account (if the reserve was created in previous years), at the same time, the account 96397 - "Account of other account defaults" is debited and 95413 - "Unbundled loans and leasing "account.

The key role in managing the loan portfolio is to develop and evaluate criteria for assessing the quality of loan ceilings.

The development of credit relations in foreign countries under the conditions of the market economy has led to the expansion of the quality of loans. There are over 10 different trends in the quality of loans provided by banks in the world practice. Evaluation of the loan quality is based on the purpose of the loan, the method of payment, the level of creditability of the client, the nature of the bank, the nature of the client relationship with the bank, the bank's full knowledge of the client and its sufficiency, .

In Russia, the quality of credit quality is limited, and according to the guidelines of the Central Bank of Russia today, two criteria are applied in this area. These are the real conditions of repayment of loan repayment and repayment of previously granted loans.

Determining the quality of the Bank's assets can be achieved by designing their credit portfolio on the basis of established norms. According to the Central Bank's statement issued in Uzbekistan, reserves are being made to describe and dispose of assets of commercial banks. In accordance with the laws of the Republic of Uzbekistan "On the Central Bank of the Republic of Uzbekistan" and "On Banks and Banking Activity", classification of assets, arranging stock on problematic or non-performing loans. Based on these normative documents, loans are classified into groups, taking into account the quality of loans, customer creditworthiness, financial condition, credit risk, future credit repayment, credit availability, and loan repayment dates. The main

purpose of the classification of loans is to assess the borrower's ability to pay and the cash flow condition for timely repayment of the debt.

At present, centralized loans can be issued in national or foreign currency for the development of priority sectors based on government decisions.

The level of accessibility of the classified loans is determined by the availability of highly liquid assets and high liquidity.

Based on the Regulation "On the Order of Formation and Usage of Funds for Classification of Assets and Classifying Assets in Asset Banks", approved by the Board of the Central Bank of the Republic of Uzbekistan on July 14, 2015 No. 2596, loans issued by commercial banks "standard "" Substandard "," unsatisfactory "," doubtful "," hopeless "or unreliable.

Assets are classified according to their quality, and reserves are generated against each potential loss during each reporting period. These resources are formed on the basis of the bank's undistributed profits at the time of the loan repayment.

Due to the fact that many state banks are facing a problem of debt repayment, the problem of restructuring banks' problem loans is becoming increasingly urgent. In many countries around the world, he bought troubled assets from state-owned banks to address the problem of unencrypted assets and overcome the crisis in the banking sector. In a number of countries, governments have set up private corporations for targeted business with "bad" assets of banks. Such organizations are established in the banking system and countries with a different level of economic development. According to the resolution of the Board of the Business Bank, the credit of the fifth class, which was found to be unreliable on the basis of the Credit Committee's conclusion and agreement with the Board of the bank, will be deducted from the balance of 31,203 in the case of "undistributed profits" at the expense of reserves formed as a result of possible losses on loans. Analysis of loan assets can provide information on the quality of the loan portfolio of the bank. Depending on the general features and features of

bank loans, the loan portfolio is classified and the amount of reserve required to cover potential losses is determined.

Table 12.

The standard of reserves that needs to be formed on the quality of loans[19]

Classification by credit quality	Limitations of reserves for extraction losses
Standard	1%
Substandard	10%
Dissatisfied	25%
Suspicious	50%
Not sure	100%

In order to compensate for possible losses to ensure the uniformity of the amount of reserves to cover the loss, all the banks should calculate the ratio of the reserve to the charter and reserve capital of the bank. Based on this ratio, it is possible to estimate the quality of the portfolio of assets of the commercial bank from "extremely strong" to "unsatisfactory" and to be rated as the strongest rating of the credit portfolio quality.

In order to achieve the single approach to assessing the quality of loan portfolio, it is possible to use the credit rating system for credit portfolio reliability assessment in addition to the rating. First of all, it is necessary to calculate the risk of non-repayment. This indicator (Kk) can be determined by dividing the loan amount (RS) to the loan portfolio (Kr) that needs to be settled to compensate for possible losses:

$$Kk = RS / Kr * 100\% \quad (5)$$

On the basis of the risk of non-repayment, we can estimate the quality of the loan portfolio of the commercial bank as follow:

[19]O'zbekistonRespublikasiMarkaziybankining 2696-sonli qaroribilanro'yxatgaolingan"Tijoratbanklaridaaktivlarsifatinitasniflashvaaktivlarbo`yichaehtimoliyyo`qotishlarni qoplashuchunzaxiralarshakllantirish hamdaulardanfoydalanishtartibito`g`risida"giNizomi 14.07.2015

Table 13.

Evaluation criteria for credit portfolio quality[20]

Risk of non-repayment	0-4,0	4,1-8,0	8,1-12,0	12,1-16,0	16,1-20,1
Rating score	1	2	3	4	5
Level of credit portfolio quality	very strong	strong	average	dangerous	satisfactory

The bank's loan portfolio, which is rated as "4.1" or higher, indicates that there is a risk of credit risk exposure in the bank. This is the reason for the risk that the risk level will be adversely affected if there is no timely response. Such banks may take steps to control the activities of the Central Bank of the Republic of Uzbekistan and increase the requirements for mandatory reserves.

The quality level of the credit portfolio of the commercial bank is also dependent on the availability of a bank loan. The availability of this security determines whether the credit risk is high or low. If the given loan has a troubled supply and the value of this loan is less than the amount of the returned loan, then the loan is described as "suspicious" or "unreliable".

If the problematic credit, classified as "doubtful" or "unreliable", is likely to be partly offset in the near future based on certain factors, then such a loan is suspected in the amount of unpaid debt that is likely to be recovered and the remainder of the debt is " ". The credit portfolio quality can be analyzed in the following stages.

Possession rate; by actual payment status; on each credit risk level; on types of loans; general risk of credit portfolio; Establishment of reserve funds for credit portfolio quality; Development of the Bank's future credit policy according to the loan portfolio status.

Data on the poor quality of the loan portfolio of commercial banks testify that there are problems with obtaining a significant portion of the loans. The bank's activities have a negative impact on unsecured loans. They lead to a decline in bank profits and worsen the bank's financial standing.

[20]Sh.Abdullayeva, Z, Safarova.TijoratbanklarimoliyaviyresurslarniboshqarishT .: Moliya2008. P78

Some banks have long-term loans on credit facilities, lack of guaranteed lending for loans, and high risk for loans. In addition, most of the investment objects are newly constructed facilities, which are building organizations, and can not act as legal guarantors for their funds.

This could have a negative impact on the financial standing of financial institutions, which is insignificantly affected by the financial condition of commercial banks, a reduction in their income, a decline in liquidity and solvency, a bank resource base, and timely settlements with customers

One of the key indicators characterizing the quality of credit portfolio of commercial banks is the share of overdue loans in the volume of loans. In the international banking practice, the maximum limit for this indicator is 5%. If the current level of this indicator exceeds 5%, the commercial bank demonstrates a significant decline in the quality of loan portfolio. That is why, in the largest commercial banks of Germany and France, the share of overdue loans in the amount of gross loans will increase by 5%, 2.5-3% of which will be deducted from the bank's balance.

As it is known, credit investments, which are hazardous to the activities of commercial banks, are the disbursements in the form of troubled loans. Unsatisfactory and less classified loans fall into the category of troubled loans.

As you know, the quality of bank loans is one of the key indicators characterizing the banking system and the state of the whole economy. According to international experts, over 10-15% of the share of troubled loans in the total loan portfolio indicates a systemic crisis in the banking sector[21]. Many countries have been forced to take a number of measures to address the problem of poor quality of their loan portfolio.

There is also a view that the economic literature is a problematic loan, which means that a loan that is suspected by the bank in relation to an object, subject, and supply. In their opinion, loans that are substandard, doubtful and unreliable, including short-term borrowings on principal and interest rates, as

[21]Kazartsev A. Solving problem "bad" loans: international experience // Banking. - 2007. - №3. - from 63.

well as at least one-time re-issued loans without changing the terms of the loan agreement are also problematic. The last sentence of this definition is controversial and the terms of the contract are subject to change based on the loan repayment. Changing these terms contradicts the content and purpose of the loan repayment.[22]

The economic and legal reforms in Uzbekistan lead to a qualitatively new level of relationships between banks and their customers, who use their loans. However, along with the successes, there are some difficulties in the transition period. The problem of non-performing loans is especially important here.

Taking into account the opinions of the bank experts working with problem loans, we have tried to investigate the reasons for the emergence of such loans in the loan portfolio of our republic.

The main reasons of emergence of problem loans in the Republic of Uzbekistan can be divided as follows:

- Low level analysis of financial indicators of the borrower, business plans for the use of credit resources, feasibility study of investment projects;

- poor quality monitoring of the borrower's credit means, such as poor financial performance of the debtor, non-timely takeover of measures, including re-structuring of the loan in the case of negative cash flows and changing the credit status;

- Interference of various state bodies in the activity of banks and business entities;

- devaluation of the domestic currency, ie, the excessive exchange rate on exchange rates during the investment in foreign currency loans.

[22]Management of the commercial bank (bank management) / Ed. Dr. econ.Sciences, prof. Lavrushina O.I. - Moscow, 2002. P110.

3.2. Improvement of corporate credit risk management

As we have already noted, it is impossible to imagine a bank's activity without risk. Of course, the risk is in every business. However, the risk for the banking business is, in principle, a risk-free process, when it comes to functioning. That's why it is about doing business in banking, not about escape from risk, but on predictability and minimization. Risk management is often aimed at ending the process with a positive outcome, even though the risk of losing a portion of the bank's own funds may result in extra costs as a result of non-earning or financial transactions 'he did.

The Bank's risk management system includes a set of measures and methods to prevent risks, reduce or minimize risk due to risk. The Bank's risk management system consists of two major sub-systems and controls. In the risk management system, the subject of the risk is the risk that the bank's risk may be risk-arising between the bank and the customer, or between the borrower and the borrower, the economic relationships involved with the involvement and placement of the bank's assets, the risk management system is a risk group, an entrepreneur, risk managers. Bank risk management is a matter of knowing the banks' operations and determining the effectiveness of their operations, achieving optimal decisions on the Bank's credit, investment and foreign exchange policies and other activities, the economic activity and financial status of its customers.

The Bank's principal task in managing the bank's risk is to find the optimal option between the profit and loss of the Bank's operations and the risks involved.

Establishing a risk management strategy in commercial banks, taking into account the size of the average network risk to assess the unused reserves in enterprises and identify the main direction of the banking service. At the present time, the commercial banks do not take into account the risks of networking in the process of lending.

Network risk affects credit risk directly. Based on this, it should take into account not only the availability of information about customers, but also industries, in assessing network risk. These are:

- the net and net industries activities;

- their stability relative to the national economy;

- The presence of significant discrepancies in the results of various firms' work in one or other areas, etc. One of the benchmarking risk indicators is the change in the outcome of any sectorial activity that results from economic activity.

In international practice, information for network risk is derived from organizations with this information. However, if there is no analytical approach, then alternatively:

- the life cycle of the industry;

- Special factors such as the internal competition environment in the field. If you take a look at the industry, the cycle of loyalty is a few steps divided into two. It is important to identify the risks inherent in the future and the current plan.

The internal environment of the competition is an additional source of information about the sustainability of a single network. In the competitive environment, the assessment of the business environment assesses the level of competition and the degree of competitiveness, the availability or complexity of access to the network, the lack or availability of competitors, the market power of the buyer, the political and social environment.

As small and medium-sized businesses usually have large capital, competition, changes in various political and economic characteristics (for-major situations) can lead to bankruptcy of these businesses. Large businesses, on the contrary, are less risky. There is also a relationship between the degree of bank risk and the type of property of the clients. Accordingly, the risks may be higher or lower. In all cases, the bank should ensure that there is an optimal balance between its asset and liability. To achieve

this goal, it is necessary to analyze all types of risks, identify the outcomes that will be achieved within each particular timeframe, and develop ways to manage them. The Bank's customers may determine the risk of bank risk and its level of computation. The activity of a small debtor depends on the large borrower's unexpected market economy. At the same time, large loans to a customer or to a group of debtors often lead to bankruptcy. It is important to take into account that the overall level of risk management at the level of the Bank's risk management depends on the fact that the bank uses guaranteed, insured and other regulatory procedures. In the market economy, risk allocation is an important factor. The main operations of the Bank are past and present risks, and others will face future risks. Current risk assurance operations, cashback bills, documentary letters of credit operations, sale of assets by regression, and more. However, the possibility of paying a guarantee after a certain period of time, paying a bill, and the possibility of making a letter of credit at the expense of a bank loan, are the next risk. The focus of the banking risk management process is the division of risk into balancing operations and risks of off-balance sheet operations, based on the risk of credit risk. In most cases, the credit risk associated with offsetting balances also extends beyond the off balance. It is important to take into consideration the potential losses that may occur at the same time as an off balance sheet and off-balance sheet number. It also depends on subjective factors, such as the use of communication means and the use of electronic computing technology. When designing a bank risk management strategy, attention should be given to the following types of risks:

1. Risk of deposit formation.
2. Risk of new type of activity (factoring operations).
3. The risk of leasing agreement.
4. Credit risk associated with the debtor's non-performance of its financial obligations.
5. Interest rate risk associated with market probability fluctuations.
6. Market risk associated with the probability of securities depreciation.

7. Currency Risks Related to Currency Exchange Rates. The Bank is exposed to the risk of currency transactions, foreign exchange transactions, foreign currency buying and selling.

The Bank's risk management strategy determines the full range of opportunities available to the bank, determines the bank's prospects for development, and promotes the effectiveness of banks' activities by preventing bank risks. The objectives and objectives of the risk management strategy are largely dependent on the external economic environment of the bank. In recent years, the presence of inflation in the external environment affecting the banking activities, the quality of banks and their affiliates, the coordination of banks' activities with the Central Bank, the elimination of new banking services, and due to the growing demand for credit resources of the bank as a result of the growth of demand for circulating capitals in the process of convergence of small credit lines by large banks, change of business entities' it is possible to achieve the positive effectiveness of the banking activity by timely detection and control of risks. The Bank should assume that it is capable of identifying, accepting, approving and managing existing risks in its operations. For this purpose, the bank's management should have full knowledge of its operations, processes of banking. Adhering to certain principles in managing bank risks may be of great importance. In our opinion, the following principles should be taken as a basis for the bank risk management:

- risk of overpayment of own capital;
- focus on the consequences of risk, forecasting sources of losses, and qualitative measurement;
- risk financing, encouraging them to reduce them;
- Striving for a low risk of getting income;
- Risk control at all banks of the bank.

Based on these principles, the bank should risk its existing resources, and risk it to risk its impact and measure its outcomes. The main focus of risk management risk management and other risk management activities is to

determine the nature and extent of any risk, identify the risk situations and take immediate action measures, prevent potential losses. The main risk management methods are:

- use of risk measurement;
- external risks accounting (network, regional, and industry);
- Regular monitoring of the financial condition of the bank's client, solvency, rating, etc.;
- use of risk distribution, loan refinancing;
- diversification policy;
- granting large loans only on a consortium basis (risk based on interbank transactions);
- crediting on floating (interest rate) interest rates;
- introduction or entry of deposit certificates;
- expansion of bank account operations;
- Loans and deposits insurance;
-expansion of mortgage lending;
- Applying credit on the basis of real personal guarantees

If it is not possible to avoid a risk, then the last source is risk management the risk is the cover.

Risks include:

- Establishment of general and special reserve funds by banks;
- damage to certain accumulated losses;
- suspension of loan interest rates and others.

Finding the optimal ratio between risk management and earnings, minimizing existing risk.Risk management in these stages is a process that requires some theoretical and practical knowledge. However, denial of risk can lead to very negative consequences. Risk management can be very effective in protecting the borrower from risk of credit default risk diversification.

In order to reduce the credit risk, the most commonly used in the practice of banks, the following measures should be taken:

1. Evaluation of the debtor's creditworthiness. This method involves finding a client's rating. The criteria for evaluating the debtor must be strictly individualized for each bank, from the point of view of its practice and should be revised from time to time.

2. Reduction of the size of a loan to one debtor. This method is applied to the creditworthiness of the client, if not completely reliable.

3. Credit insurance. Credit insurance assumes full risk of non-return of the insurance company. All expenses related to insurance are paid by creditors.

4. Reduce the need for adequate supply. This method guarantees returns and interest rates from the bank. The main focus of credit risk protection is not to attract adequate collateral coverage, but rather to analyze the borrower's creditworthiness to avoid these losses.

5. Settlement of discounted loans. Discretionary loans will help to minimize credit risk. In such a way, crediting ensures minimum payment for the loan. Unless other methods of credit risk protection are applied, returns may be caused by problems.

In the structure of banking risks, we can see interest rate risk. Interest rate risk in banks can be reduced by:

1. Insurance by transferring interest rate risk to the relevant insurance organization in lower level.

2. Issuance of loans at interest rate. This allows the interest rate of loans to the bank to make appropriate adjustments taking into account fluctuations in the market interest rates and creates conditions for the avoidance of losses that may arise as a result of the market rate of bank lending.

3. Time contracts. The client and the bank will sign a special forward transaction on the agreed amount and interest rate, on a certain date agreed upon with the loan. In dealing with such an agreement, the bank will protect itself from the risk of falling market interest rates at pledges. At the same time, the client who receives a loan at a lower rate will win. This method of spending

allows you to distribute the risks associated with the fluctuation of the interest rates.

4. Interest rate futures contracts. Interest rate futures are used to cover speculators and interest rate risk in market interest rates fluctuations.

5. Percentage options. Interest Rate Option - An agreement of the option holder to grant a right to sell or buy a short-term deposit or loan at a fixed price fixed or fixed on a future date.

6. Interest swaps. Interest rate swaps, which are the sum of interest payments (not the principal debt) between banks for a single sum, but under different conditions, are referred to as credit swaps. For example, the interest rate ratios, fixed or different lending capitals may be adjusted to market rates.

Due to the limited number of normative documents on elimination of problem loans, the bank determines the way to deal with problematic loans.

It is desirable to classify it into the following groups depending on the issue of problem loans in banks. These are:

- loans issued by the bank;
- Government loans;
- Loans provided by the Ministry of Finance;
- other loans and other warranties.

The Ministry of Finance should create agency issuers operating under government guarantees, but dealing with troubled loans. Banks with a troubled loan may be able to cover the share of troubled loans by buying these bonds. In case of long-term borrowings, banks should be able to receive dividends on them. Creating a troubled loan market requires the sale of troubled loans and bonded bank bonds.

Although the problem may be different from one another, the following may be helpful in avoiding them: In this case:

- Debt restructuring program development;
- getting additional documents and warranties;
- suppression of additional funds or additional injection;

- sale of mortgages;
- sale of other assets;
- warranty fee claim;
- change of management;
- management activities;
- consideration of legal cases and others.

We know that the reliability and sustainability of commercial banks are coordinated by the Central Bank. Therefore, the task of ensuring the effective and stable functioning of the banking system is one of the main tasks of the Central Bank of the country. In each country, supervision in this area puts the question of the Central Bank to arrange for stockpiling and constant sustainability to cover possible losses on their assets in commercial banks.

The low quality of loans issued by commercial banks and the large number of problems with which they are repaid have a negative impact on the bank's activities and indicate a number of shortcomings and deficiencies in the lending policy of the bank. One of the reasons for the low quality of loans granted by some banks was the following: Firstly, the client's creditworthiness indicators were not well analyzed due to poor financial condition, and, secondly, due to the fact that the loan was provided properly and thirdly, due to lack of proper credit monitoring it can be concluded.

The activity of commercial banks, particularly the crediting process, is risky. Therefore, the sound management of the loan portfolio plays an important role in ensuring the stability of the banks' operations. problem loans can be described as a result of explicitly demonstrating credit risk, which is a problem of lending to objective substandard, subjective and subjective reasons as a result of breaches of the terms of the loan agreement, substandard, doubtful and desperate loans .

In order to conduct systematic work on problem loans, it is advisable to classify troubled loans, such as: duration, quality, supply, source and decision making.

In most of the world, the state has bought troubled assets from the state to solve the problem of non-performing assets and overcome the crisis in the banking sector. In some countries, governments have set up private corporations to target businesses with "bad" assets. In international practice, there are two approaches to managing problem assets: centralized and decentralized. The first approach involves the establishment by the state of a special corporation for purchasing and managing problem assets of the entire banking system. The essence of the non-centered approach is to establish an appropriate asset management structure that does not operate within the Bank.

To evaluate the current level of reserve deductions for damages, we find it appropriate to pay special attention to the following:

- Proper credit rating of bank loans; Reserve allocations are organized in accordance with categories of loans based on classification;

- accrued and overdue interest on loans with no interest rates, were withdrawn from the balance of the commercial bank in a timely and complete manner.

Crediting is the core of the banking business and, depending on its quality, can be summarized as to the bank's activities. This is mainly due to the fact that the credit management process is essential because its quality depends on the efficiency of the banking business. Investigating the causes of bankruptcy of world banks by economists indicates that the reason for the breakdown of banks is the quality of bank assets (primarily loans). Credit quality depends on the management of the lending process and consists of the following elements:

- availability of a perfect credit policy in the commercial bank;

- Optimal management of loan portfolio; regular credit control; the level of training of employees working in the banking system. Change in the share of overdue loans in the total volume of loans issued by commercial banks.

One of the main indicators characterizing the effectiveness of credit policy is the change in the share of overdue loans, issued by commercial banks.It is normal for foreign countries not to exceed the share of overdue loans

in the total amount of credit investments in banking practice, particularly in Western European countries. The permissible limit for this indicator is 5%.

Changes in the amount of interest-bearing loans and interest rates.

In sum, we can say that in developed countries a great deal of attention is paid to the human factor in lending. On the contrary, the overall financial position and maintenance of the enterprise occupy a primary place in our country.

On the basis of a notarized pledge agreement, commercial banks have to enter property directly on their own, without resorting to a court order. This is due to the consent of the proprietor and his family members during the signing of the mortgage agreement. Where the client is dissatisfied with the transfer of the property to the bank, all the costs may be settled by the client at the own expense and filed with the Economic Court in the manner prescribed by law. This situation ensures immediate return of troubled loans and increases the responsibility of managers of enterprises. It is therefore advisable to adopt necessary legislation

Banks sell real estate through auction for the purpose of replacing past due loans. The owner of the auction will also have the right to participate. If the property sold at a reduced price is sufficient to cover the principal amount of the loan and the interest on the loan, otherwise it is required to apply to the Economic Court for a non-refundable loan repayment.

Today, there are a number of difficulties in selling real estate loans through troubled loans.

Evaluation of the mortgaged property by commercial banks is based on banks' lending policy or property valuation rules, but the bank can not always evaluate property at market value. This, in turn, will result in real appreciation of the property being pledged as collateral.

Efficiency of use of mortgage facilities in credit activity of banks. One of the priorities of the credit policy of commercial banks in the Republic is the provision of mortgage loans. Therefore, it is important to analyze the problem of

exploitation of mortgage objects. The main focus is on repayment of the principal amount of the loan and the interest accrued on the sale of the mortgage facilities.

Conclusion forthe third chapter

The results of the analysis of the graduation qualification work show that the number of commercial banks in our country is increasing year by year.

On the basis of practical analysis of the third part of the graduation qualification work we can conclude the following:

- The indicators of the commercial banks 'clients' creditworthiness are subdivided into basic and additional indicators.
- lending and monitoring of business entities are carried out on the basis of the generally accepted rules and procedures of the Central Bank, which is reflected in the lending policy of the commercial banks and internal crediting;
- development of the risk management system has generated concepts such as average life cycle assets, diversification and aggregation of assets in the banking sector, and key financial instruments;
- The commercial banks of the republic have to use a wide range of models, which are used in the practice of international banking, lead to the improvement of the system of interest rate risk management. This, in turn, will make a worthy contribution to the country's efficiency and stability in the banking system.

Conclusion

In modern society, banks have become a large and diverse financial service provider. These include operations on lending to sectors of the economy, purchase and sale of securities, property management operations and other financial transactions. Nevertheless, credit operations continue to be a primary operation for commercial banks. Currently , commercial banks play a most significant role in modern financial system. And corporate loans are the most important component of credit assets in domestic commercial banks. So improving the risk management of commercial banks' corporate loans is not only beneficial of the safety of our country's financial system but also of the improvement of banks' benefits. With the increasing of credit risk management level in the past few years, commercial banks in our country have been taking more concerns of all course's credit risk management. The role and place of credit relations, which arise from the current stage of the market relations in Uzbekistan and the redistribution of temporarily free funds on terms of maturity, repayment and payment, have changed dramatically.

The function of lending to legal and natural entities is now the main purpose of commercial banks, which acts as the role of specific business entities, which are related to their profit. The main source of crediting is the fact that the banks are not used at their own expense, but because of the fact that they are used for a certain period of time, with the involvement of businesses, population and government temporarily free funds, which should be reimbursed by certain interest payments.

In order to repay these funds in full and on a timely basis, commercial banks should ensure that the loans themselves are repaid in due time. This issue is one of the most urgent issues facing the banking system of our republic today.In conclusion, it should be noted,

First of all, the regulatory framework of lending operations of commercial banks has been created and is being improved;

Secondly, commercial banks independently develops and implements the credit policy, but the requirements for their development are determined by the Central Bank;

Thirdly, in the process of lending to business entities there is a risk, and in order to prevent them, loans in commercial banks are constantly classified;

Fourthly, when the financial position of the customers deteriorates, the policy of non-interest payments is applied to them.

We know that commercial banks mainly deal with bank lending. In the process of lending, credit risk is present at a certain level and the increase in the risk can lead to a decrease in bank income and even bankruptcy of the banks. At present, the state-owned banks are provided with loans, without a comprehensive study of the customer's business plan, without paying due attention to the financial condition of the client, the quality of the mortgage, and the adequacy of the cost. The loan is used for other purposes and the loan or the amount of the loan does not pay off at the expense of time, which leads to an increase in the number of troubled loans.

Due to the irresponsibility of the management of the bank, the quality of the loan portfolio of the bank deteriorated. Credit risk rises and credit risk management is becoming an urgent problem.

To avoid credit exposure and to manage credit risk, commercial banks need to:

1. The client should have set up a business plan and credit officers of the bank should carefully study it;

2. The client's financial position must be respected, his / her dependability, the quality and value of the pledged property;

3. After issuing a loan, the bank lending agents must verify that the client is working for the loan;

5. The Bank lenders should regularly check customer service. The Bank has the right to terminate or early repay the Client's credit if the financial situation of the Client breaches or violates the terms of the loan agreement;

6. Creation, rational management and control of a loan portfolio lead to improvement of banks activity and reduction of credit risk.

Using credit resources can improve credit quality by improving credit quality and reducing credit risk.

In order to improve the quality of the loan portfolio of commercial banks,

- Increasing the importance of selective lending methods in the commercial banks system;
- deep financial analysis of the credit industry;
- tight control over the mortgages;
- control over the effectiveness of lending;
- solve economic problems such as paying special attention to benefits.

Only when these conditions are fully met, banks will spend a portion of their funds on reserves, without going into a complicated situation. This, in turn, serves to further stabilize the economies of transition economies.

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