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## CONCENTRATION OF CREDIT PORTFOLIO IN UKRAINIAN BANKS

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*Summary. This article provides an analytical research of dynamics and distribution of banks loan portfolios in Ukraine for 2009–2014 years. The*

*role of individual banks and groups of banks in the formation of the general loan portfolio is defined. The evaluation of the concentration of loans in Ukraine is done.*

**Key words:** *loan portfolio, the share of loans, banks grouping, Herfindahl-Hirschman Index, concentration risk.*

Identification of potential threats from the concentration of loan portfolios in the banking system of Ukraine has great scientific importance to define a strategy of formation of banks' loan portfolios.

The aim of the article is an analytical investigation of trends and patterns in the distribution of loan portfolios among banks of Ukraine and the assessment of their concentration.

Credit activities of banks is a fundamental area of its work, but its riskiness in view of the position of banks in the economy can lead to instability of the whole economic sphere. Significant negative impact on the situation in the banking system provides the concentration of loans in some banks and non-diversified structure of their loan portfolios.

Within this article we mean concentration as a accumulation of risk, its irregular distribution between objects. In respect of loan portfolios such values can be parts of the loan portfolios of individual banks (bank groups) in the banking system, and concentration of certain categories of loans in the credit portfolio of banks.

The determination of the dynamics of the concentration ratio, which shows how the banking assets are concentrated in the credit market, defined that the share of loans in total assets ranges from 64 % to 81 %, but over the past five years we can see its reduction, the credit policy of banks become more reasonable.

Share of customer loan portfolio assets of the banking system of Ukraine is from 62 to 76%, and we can see significant reduction for last 5 years. The trend to decrease the share of the loan portfolio is also present in the group of banks. The biggest share of lending is related to banks of 1 group, they occupy

from 64 % to 72 % of the total loans granted to customers by all banks in Ukraine.

Investigation of concentration of loan portfolios according to portfolio characteristic showed that during 2009–2014 years we can see the prevalence of loans to economic entities, which part is for 64 % to 80 %.

To assess the level of concentration of loan portfolios of banks in Ukraine, we used the Herfindahl-Hirschman index, the calculations showed low concentrations of loans in the banking system of Ukraine during 2009–2014 years. The banks which are leaders of lending remain constant and belong to the first group of banks. The main player of the credit market remains PryvatBank and its share is growing. However, the share of loan portfolio in assets leading banks is much lower than in medium and small banks.

Most of banks conduct passive credit policies, but realization of conservative credit policy (optimal in terms of «risk-return») is related only to banks of 1 group, significant quantity of banks of 4 group conduct aggressive politics, have a share of the loan portfolio in total assets, exceeding 90 %.

After analyzing of trends in the concentration of credit portfolios in Ukrainian banks we can draw the following conclusions:

1) there are low rates of growth in loan portfolios in banks of Ukraine during the last five years;

2) according to official statistics, the total concentration of loan portfolios in the banking system is not observed, and monetary policy is quite reasonable, but the credit concentration takes place in some banks, the biggest share of which belongs to banks of IV group;

3) in order to minimize concentration of risks

regulator authorities should set limits not only in the form of credit risk ratios for individual customers, but also for the maximum share of the loan portfolio

in total assets, especially for banks with low capitalization.

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