

# Loans Management in Corporate Enterprises

## - summary -

Our thesis entitled “**Loans Management in Corporate Enterprises**” is the end result of research undertaken during doctoral studies, in which I proposed principles of assessment and deepening theoretical, methodological and applied on the management of corporate lending businesses.

In my opinion, **the timeliness of the research topic and its importance** result from the fact that we discuss an issue of great interest to all participants in economic life, whether it be banks or corporations, especially in the current conditions in which corporate firms have the largest share in the volume of loans granted by banks. Thus, through my approach I tried to emphasize the comparison with the valuation of customer creditworthiness, but also how the hierarchy of banking institutions is based on profitability and other indicators. I chose this topic because of the impact of banking activity induces the economy but also because nowadays no economic system can function without profitable and well consolidated banks.

**The main purpose of our work** is to identify and understand the mechanisms involved in bank lending activity, and the effects that this activity has on profitability and risk management of the bank. We believe that all this creates the conditions for achieving a rigorous analysis, a foundation of knowledge and effective action, which led us to realize this construction. To achieve the goal we focused on the following **objectives**: describing the main theoretical and methodological aspects on credit and interest; identification and analysis of the principles, elements and stages of lending; describe methods for substantiating credit decision; comparison of different methods for assessing the creditworthiness of clients used by major commercial banks in the Romanian banking system; identification and analysis of quantitative and qualitative developments in the credit market and profitability of Romanian banking system and of the activity of BCR Erste Bank, its optimizing investments in loans and securities, its profitability compared to the major banks in the system; identifying strategies of lending used by BCR Erste Bank and risk management arrangements. We have used as methods of research: scientific abstraction, the unit of analysis and synthesis, historical method, logical method, quantitative and qualitative analysis unit, but also economic and mathematical statistics.

Scientific originality of the thesis lies in the development of theoretical concepts of information on credit and interest on the one hand, profit, profitability and performance on the other hand, combining theoretical approaches with the delineation and comparison of analytical methods for substantiating the decision lending and corporate businesses creditworthiness used by major banks in the system; placement optimization BCR Erste Bank in loans and securities, risk management strategies analysis, argumentation use certain indicators to compare the activities of banks and their hierarchy; assessing the nature and influences relations between performance indicators of banks and a number of other indicators related to banking. These issues could be presented after consulting jobs in Romania and abroad, the statistics provided by the National Bank of Romania, BCR Erste Bank, BRD Societe Generale and Raiffeisen Bank, the National Statistics Institute, plus the complexity research conducted by various institutions, scientific publications and periodic reports, etc.

**The theoretical importance of the research topic** is highlighted in the first two chapters of the thesis, the rigorous evaluation of the concepts of credit, interest rate, lending mechanism, the contents of these concepts, their characteristics and functions, specific theories on credit and interest in view various economists (from the classical to the neoclassical and contemporary economists).

**The practical value of the work** results from the third chapter where we conducted a study on optimizing investments made by BCR Erste Bank in loans and securities, a comparative study on

the analytical models used trader creditworthiness of major commercial banks, and in chapter four, which identifies the best strategies on credit used by BCR Erste Bank, and in chapter five we analyze the performance of the Romanian banking system and a comparative study on the performance of the BCR Erste Bank, BRD Societe Generale and Raiffeisen Bank. Going into the depth of the issues involved in lending to corporate clients, this paper is devoted to the role that banks, financial factories true role in the functioning of the economic organism, they have, especially in the current economic crisis resulted in renewed growth by funding particularly in industries with high potential customers for development and external demand.

**The complexity of our work** led to a structure organized in five chapters, with an introduction to argument and, finally, conclusions and proposals. The thesis addresses a broad range of issues, from theoretical aspects of credit and interest credit mechanism, continuing with quantitative, qualitative methods grounding on the credit decision, the credit market developments and trends in Romania, to identifying strategies for lending, risk management and maximize performance used by BCR Erste Bank, ending with a comparative study on the performance of BCR Erste Bank, BRD Societe Generale and Raiffesisen Bank.

Our study was built **on three levels**, namely:

- ✓ **first one is dedicated to theoretical aspects** of loans, interests, risks and performance;
- ✓ **the second includes methods for substantiating credit decision**, which implies various analyzes, comparisons between three banks considered representative of Romanian banking system and the reliance based on these comparisons on a specific pattern;
- ✓ **the third is, in fact, a case study** on the evolution of lending in Romania, of the evolution of lending in BCR Erse Bank, in order to optimize its investments in loans and securities and to identify strategies for credit risk management and maximizing the performance of this bank and a comparative study between three banks on their performance and to identify factors influencing bank performance.

In the first chapter of our work, titled “*Loan and Interest in Contemporary Economic Doctrines*”, we pointed out that the concept of credit has evolved over times, depending on socio-economic conditions in which it emerged and developed. The evolution and complexity of credit relations determined as economic thinking in this area to be diversified. Diversification process credit mechanisms have corresponded to a number of schools doctrinal level, and current theories about the essence and the economic role of the loan and interest, which occurred early in the development of commodity production and developed in closely related to monetary theory. Different conceptions of the loan occurred over time are grouped into two broad categories: classical and modern theories, which we then presented in detail.

Presentation of *necessity, content, functions and features of credit in the contemporary economy* allowed us to highlight that expresses credit distribution relationships which mobilize and redistribute liquid assets in the economy, create new means of payment, ensure control of these sides in order to meet capital needs and goals of monetary policy achieve specific objectives.

The need to develop and implement strategies that bank lending to correlate character with character placement resources, to design and to ensure running a bank liquidity, considered normal, to reduce, to the maximum risk lending, to design and implement an adequate information system which would allow the entire system of credit management involves classification of bank loans that we achieved in the subchapter *Typology Bank Loans Market Economy*.

We noticed that the *interest* is a complex phenomenon whose evolution intertwine many interests: the depositors, loan applicants, banks and financial institutions, and the national economy as a whole it. From here derives many controversies regarding the genesis and nature of the interest which led us to realize both a chronological approach and evolutionary one. Most experts tend to believe that under accumulations made by economic theory requires a *dual approach* of interest definitions, be it of deciphering on the part of the classical doctrine, and on the other side of the neoclassical doctrine, modern, or pure concepts or real capital and monetary concepts. Another observation of interest was that the interest level is strongly influenced by the state of the economy,

monetary and credit policies, but also should note that the interest rate has a major influence on the economy affecting development and *economic growth, spending consumption and investment*.

Based on the correlations that exist between the interest rate, GDP and inflation interest rates can be neither too high nor too low, either extreme can have negative effects as serious. It is necessary that the interest to be placed in that point of balance, moderate to stimulate saving and protection of savings against inflation, but at the same time stimulate production through loans with affordable interest. Between interest rate and GDP, at current prices, there is an inverse relationship, namely an increased interest has led a low GDP (2009) and as it fell, GDP has increased dimensions (2010-2013), and between inflation and interest rates are directly proportional relationship, ie higher rates of inflation in the period under review, determine interest rates higher, thereby stimulating the process of saving and protecting against erosion of their savings as a result of inflation.

In the second chapter, "*Architecture of lending to the corporate enterprise*" we considered that the analysis of lending to commercial banks is a fertile ground for investigating dynamic and exciting, a potential supplier of solutions to the problems currently facing the economy. Committing myself to study this issue we have tried to deal with the key issues of the lending process, which presents numerous complex and delicate at the same time. We split thus lending some considerations on the mechanism typology bank loans market economy, lending stages of making decisions and documenting credit, as they have a crucial role in the lending decision. Lending activity involves taking risks related to bank loans and credit analysis must give assurances that such risks may be accepted in certain conditions and warranties risk or risks are too high and affecting the financial situation of the bank and not recommended taking them.

In the third chapter, "**Methods for substantiating corporate enterprises lending decision**" I focused on "credit decision" which is based on elements of anticipation of the debtor's activity, which involves risk assessment and acceptance of knowingly. Since risk can not be avoided, but only prevented and diminished, in addition to prudential norms and limiting credit risk, issued by the central bank every banking company governing and managing this risk according to their own rules and procedures management. Banks must ensure the creditworthiness of the customer, which is defined as a state of confidence and express good work undertaken by him in a previous period, currently especially in perspective, that its ability to repay the loan at maturity and interest. I believe, to describe the performance of a company, is representative of an analysis of a period of several years, the financial results highlighting not only their amount and surprised by the trend in the results. This type of analysis serves no purpose when developed integrative, from identifying the causes, effects calculation and concluded with suggesting ways of action to maintain the health of the company. The knowledge gained through the study of financial ratios analysis are key elements in making decisions by banks. From the multitude of indicators for assessing the creditworthiness of each customer through its internal bank can work to define and use indicators they consider relevant in credit analysis. *Non-financial analysis*, although it seems insignificant, complete analysis helps assess the financial performance of the real credit risk and requires consideration in the analysis of two categories of non-financial factors or internal factors that are within the range of customer analyzed and external factors concerning the external environment in which it operates. Nonfinancial aspects sometimes treated his formal credit analyst can bring big surprises, as they are the ones that give landmark customer profile analysis. From the way it manages its affairs, the moral and psychosocial, managerial skills and integration requires changes that market, it is very important.

Development of models able to provide an assessment as fair and objective as a credit applicant's financial situation is a major concern both theoretical and practical. In banking practice, there is a unitary financial creditworthiness assessment companies. Therefore, we were interested in chapter three of the thesis exemplify *methods of analysis of the main commercial banks operating in Romania*, namely, the method Romanian Commercial Bank Erste Bank, Raiffeisen Bank and method method BRD - Groupe Societe Generale.

To supplement the instruments of credit risk management in the BCR Erste Bank has developed a two-dimensional credit rating, which corroborates the results of the characterization

customer credit. To ensure the greatest possible relevance of this title, the credit is based on both statistical data and on analyzes and forecasts. *Raiffeisen Bank* uses a multi-criteria evaluation system on which falls customers - companies into five groups of financial performance. The rating involves examining two qualitative criteria and five quantitative criteria. After evaluating all the criteria to determine customer rating based on which it is placed in one of the categories of performance. *Romanian Development Bank Groupe Societe Generale* used to determine the creditworthiness of customers five types of indicators that allow a mapping of clients in companies with good financial reliability and very good, satisfactory and poor, and companies exposed to financial difficulties and ultimately bankruptcy risk .

In pursuit of the *case study comparative analysis on the model of the loan applicant's creditworthiness* used by major commercial banks and own model we analyzed the case of a trader, SC Sigma SA production profile, which is a company with a good reputation both at national and international, whose object is the implementation, upgrading, reconditioning of mechanical equipment for power packs and manufacture of equipment for metallurgy. Taking into account quantitative and qualitative indicators used in the analysis of BCR Erste Bank, Sigma SA society was classified as *B performance (in observation)* within the analysis from 2010 to 2012, this category includes loans to customers with good financial performance or very good, but can not maintain this level in a longer perspective. Bank can finance company under a relatively higher risk premium, which is why some customer imposed tighter lending conditions, which will be included in the credit agreement, which may include: maintaining predetermined levels of the main bank indicators, such as: turnover, indebtedness, financial debt coverage and interest, restriction of hiring credits from other banks without the prior consent of BCR Erste Bank, and personal guarantees endorsement, consisting of promissory notes the manager of the company and shareholders of the company.

According to the model for determining credit ratings used by Raiffeisen Bank, the company has maintained performance *category A (Standard) in 2010 and 2011*, which indicates that the client is a very good financial performance but the deterioration in the credit rating 2012 resulted in *categorizing performance B*, firms with good economic activity now but in the future may appear negative aspects. Granting credits that company must however request guarantees a safe and careful monitoring the use of borrowed capital.

The pattern for determining the credit rating of BRD-GSG, SC Sigma SA falls in the period under review in *categories B performance* in 2011, when the company recorded a slight revival, but in 2010 and 2012, the financial position of its deteriorated progressively slid *performance category C*, with negative outlook, which can highlight serious difficulties in loan repayments and current interest.

Based on the results obtained in the analysis of the creditworthiness of the three banks have widened the investigation conducted by proposing a *model for analyzing the client* which can be used by banks to assess the financial standing of customers seeking loans. By applying this model for society Sigma SA final score for the values of the indicators of financial and nonfinancial performance determines *categorizing B (in observation)* in the years 2010, 2011 and *C (Substandard)* in 2012.

*Information technologies* have demonstrated their usefulness in making lending decisions, as this new orientation of banking institutions minimize specific risks, which led me to analyze in chapter three optimization strategies lending decision using these technologies. We concluded, therefore, that expert systems technology can help improve lending, providing grounded decisions in a short time.

In developing the fourth chapter entitled “**Strategies promoted by Erste Bank lending**” we realized primarily an analysis of the evolution of lending practiced by commercial banks which allowed me to capture the most important trends manifested in the field during the post-accession the European Union, namely 2007-2013, and then ranged evolution BCR Erste Bank activity in the broader context of the domain. We remark modest level of growth in bank assets during the period under review, particularly with the onset of the international financial crisis. Financial

intermediation degree decrease amid reduced activity of granting new loans, accelerating the growth of the government sector exposures, reflected in rising stock of government securities held by banks, supported by stronger demand dynamics of loans of central government and the lower quality of the loan portfolio, which proved to be more pronounced in 2009 and continues to date, mainly due to the economic recession.

We have highlighted a *number of quantitative and qualitative mutations regarding credit in general and especially bank credit*, the most important being:

- significantly increased the share of bank credit in financing activities of companies, to the detriment of trade credit;
- there is a much closer intertwining of bank credit to the commercial, a phenomenon stimulated the development of specific products suitable as internal and external factoring with or without recourse, forfeiting, bills discounting and promissory notes, lending the documents sent for collection that allow easy switching from one type of loan to another;
- more pronounced increase in the contribution of bank credit in co-investment projects of companies, local government with European funds accessed by them;
- central bank and commercial banks frequently resorts to handling interest rates to encourage or, where applicable, to restrict access to bank credit, especially when conditions in the economic environment changes, creating additional risks;
- provides a more pronounced shift of trade credit to banking sphere phenomenon driven by the search for safer investments and more efficient, especially in the context of globalization.

We chose to realize applicative research on lending to corporate deorece BCR Erste Bank, as market leader, it plays a vital role in case of companies offering customized products, specialized programs and consultancy for micro, small and medium and for large corporations. In this chapter we analyzed the *evolution of the bank activity*, reaching the following **observations**:

- a tendency to reduce total assets of BCR Erste Bank since 2012 and at the same time the share of its assets in total banking sector assets, but nevertheless maintained its leading position in the banking market in Romania this criterion;
- in absolute terms in 2013 was a reduction in lending, not only BCR Erste Bank, but also on the entire banking system, but if you look in relative terms, we find that this reduction is more pronounced in the case of BCR Erste Bank, as can see permanent loans to customers decreased by this credit as a share of total government;
- loans to private clients still hold the largest share, but it has decreased over time due to higher public sector lending and retail lending revival;
- BCR Erste Bank strategy envisages focusing on coverage of bank lending in the real economy justified requests or requests for funding the production materials and services in all sectors and in industry;
- loans' structure: BCR Erste Bank currency is very different in 2013 than in 2007. Thus, while in 2007 the highest share in total loans was represented loans in lei (50.6%), since 2008 the situation has reversed and the share of loans in euros increased continuously and reached in 2013 to 57.6%;
- most of the loans granted by BCR Erste Bank customers, is the medium and long term loans (over 50%), reflecting the Bank's risk mitigation strategy;
- BCR Erste Bank uses more than 70% resources within its customers to ensure the stability and resources to hedge induced placements and the environment in which it operates;
- developments since 2012 deposits by BCR Erste Bank was contrary to developments in total deposits in the banking system, so if by 2012 the share of BCR Erste Bank in total banking system has not dropped below 30% in that year the share halved;
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- most of the deposits are in national currency (60% of deposits throughout the period analyzed), followed by deposits in euro which were generally located halfway from those in lei, then the US dollar that varied between 4-5% of total deposits;

- BCR Erste Bank aimed important capital management by maintaining an appropriate solvency level, as shown in the evolution of the solvency ratio compared to that for the entire banking system.

We considered it appropriate to realize an analysis of how to optimize investments by BCR Erste Bank. For this I started with the idea that a bank can invest resources into two types of assets: loans (L) and titles (S) - bonds, treasury bills, bonds and shares of big companies and / or public, etc. and wants to maximize the return on these investments under conditions imposed by prudential regulations on capital adequacy. We started from a model used to optimize asset based bank liquidity requirements and capital adequacy used in the literature that I have adapted to the specific activity of BCR Erste Bank and I tested it using data from the financial statements BCR Erste bank in 2013 and to the banking system in Romania. We could thus identify optimal placements that they could achieve BCR Erste Bank in 2013, and an analysis of how the liquidity deficit affects the optimum, so that the higher the share of overall liquidity gap report loans or deposits is higher, the more it will increase the amount to be invested in securities.

Since bank credit is the main product of the BCR Erste Bank, lending to customers is placed in the bank's strategy in the areas of greatest interest. We analyzed this strategy BCR Erste Bank lending because the bank will know how to adjust the supply of credit to the needs of its customers (especially those strategic) depends largely maintaining and strengthening its position in the national and international banking. Corporate enterprises lending activity is placed in BCR Erste Bank strategy on the main area of interest, so the bank pursues business development meets these entities and their products to a diversified funding (domestic and foreign currency loans, alternative financing products - leasing, bank guarantees and foreign currency) in the best conditions of quality and costs. BCR Erste Bank Strategy gives due weight to the supply structure in an appropriate balance between standard products and offers tailored to the specific requirements of individual corporate enterprises credit. Loan types that BCR Erste Bank grants and private institutions and public enterprises, financial or non-financial are great variety and has a variety of features, both in terms of contractual provisions and the associated costs. BCR Erste Bank generally grants loans to meet temporary business needs, replacing temporary failure of traders liquid capital that occurs during the operating cycle and to support investment activities of business customers.

Lending activity of BCR Erste Bank requires both technical knowledge and implementation of banking prudential requirements generally accepted (according to Basel II and Basel III) and a very careful evaluation of the financial statements and pertinent analysis of non-financial aspects. Financial analysis, particularly important, should be based on the financial statements approved by the persons entitled to accounting standards and legislation. Understanding the meaning of business development is very important for the client, but also for credit analyst. Must be evaluated position trader in market profile and be able to correctly estimate the prospects.

The last chapter of our work, "**Risk management and bank performance**" is dedicated to risk analysis and bank performance because we felt that the analysis of risks to which banks are exposed, and their performance, is a fertile ground for investigating dynamic and exciting, a potential solution provider for problems currently faced by banks. Dynamic range of banking risks causes rapid changes in procedures, techniques, and models commonly used to manage them effectively, while stressing that they can not eliminate risk, but can predict and mitigate.

From the beginning we consider that it is necessary to draw a line between management methods and tools to monitor bank risk, whereas the monitoring bank risk means the identification, evaluation and control of risk management policies and practices of banks, enabling detection of problems faced by a bank and bank risk management is the overall bank risk management methods to limit, division and their financing and reduce risk exposure of each bank.

Chapter mentioned before allowed me besides theoretical analysis on risks and achieve a practical analysis of the example BCR Erste Bank risk management strategies of each part during 2010-2013 and identify measures to be taken in future.

Of particular importance we consider to have the performance tuning strategies and banking, as banks, as companies, have the fundamental objective optimization of profits, bank performance indicates its stability and depositor confidence, so that should be encouraged to obtain as high performance for an efficient and dynamic financial system. Given that the primary objective of any banking company is to maximize profits, a goal that is pursued in different ways depending on the means of achieving the goal, in this paper we present the theoretical point of view the main indicators of the performance evaluation of a bank. Because bank charge attract resources to a certain level of passive interest and made investments in return for lending, the profit level will be influenced by: the volume of funds raised and investments made, the profit margin, the various categories of income and expenses. Also, capital requirements necessary to maintain confidence in the banking system and monetary policy measures may cause changes in the structure and stability of bank profit.

Banking practice has shown that the risk is well controlled in a centralized system, as opposed to profit, whose size and dimension control better in a decentralized system, for example through an increase of the competences profit centers, the therefore we present in this paper a number of *models for calculating the profitability of banks*. In determining profitability may exist multiple dimensions of profitability: organization, product, distribution channel, line of business, account and client.

One of the major concerns of commercial bank management must be that accurate quantification of the contribution of each component of the link. The difficulty of the specific activity of a bank specifically requires a particular way of organizing work. Because it is a method of internal management, I believe that the model of a commercial bank profitability is up to each bank to be to establish and adjust it (perfect) time, depending on the bank's strategy. Establish internal model of a commercial bank profitability is influenced by: the specific activity and organizational structure of the bank.

Starting from the fact recognized that any attempt of a bank to profit risky, a bank becomes inevitable objective to maximize profit while maintaining risk at an acceptable level. In this thesis we analyzed the effect that increasing the level of key performance indicators they produce on the bank rate risk, and the impact that each rate increase occurs on the level of risk a financial performance indicator, thus obtaining a clearer picture of income correlation / profit - risk. This allows banks to assess the types of risk that must be exposed and how much to meet the proposed objective and that its profit income.

In the last years before the onset of the crisis, credit was the most aggressive segment, while the banks were aimed primarily increase market share by expanding operations and expanding territorial networks. Since 2009 banks were faced with difficult access to financing amid the global crisis, involving more reluctant and selective bank credit market, and with reduced solvent demand for loans, which led to a significant slowdown of lending.

In these circumstances objectives credit institutions in Romania have moved from the predominantly quantitative (increase market share, lending or aggressive campaigns to maximize short-term profits) to approach that relies mainly on qualitative analysis and risk associated with lending.

Following the analysis of key performance indicators that highlight the Romanian banking system for 2007-2013, we concluded that:

- recorded a comfortable level of the solvency ratio at the end of 2013, 15.5% respectively at the aggregate level;
- adequate quality sources of own banks in Romania is reflected by the high level of Tier 1 (91.1 percent in December 2013) which is an advantage;
- leverage, was 8 percent in 2013 reflecting comfortable capitalization of banks;

- economic and financial crisis on the banking system were felt in terms of financial results, decreasing their trajectory is still mitigated by measures to resize territorial networks and adjustment of staffing. The loss was not a general feature, located mainly in the medium banks and small ones. Twenty credit institutions - mostly large banks and medium category - reported profit in 2010 amid operational efficiency and restructuring costs loan portfolio. After three years of negative values, aggregate net result returned in the range of positive values (48.6 million) while the aggregate profit level of 23 banks (1 993.4 million lei) offset the loss of other 17 banks (1 944.8 million lei);

- due to increased currency volatility and deterioration of macroeconomic conditions and the worsening financial situation of the population began to notice the signs of progressive deterioration of the indicators measuring the quality of the loan portfolio, manifested mainly from the second half of 2008. Damage further quality loan portfolio was due to financial difficulties encountered by individuals and businesses later, during the years 2009, 2010 NPL ratio reached 21.9 percent at December 31, 2013, noting that the methodology used does not account for risk mitigation elements represented provisions and guarantees, substantially higher than in the case of Romania in the comparison group in the EU;

- banks are forced to take measures for effective management of resources, reducing vulnerability to volatile funds to improve the degree of diversification of funding sources, trend and stability of deposits. At the same time, diversify their funding base, both in terms of sources and maturity structure, can help maintain an adequate level of liquidity. Comfortable liquidity position in 2013 was highlighted in particular by expressing the immediate liquidity indicator value of 41.5 percent;

- difficult access to credit institutions external financing imposed their stronger orientation towards traditional financing or taking deposits from customers. This strategy, combined with the sluggishness of lending, was recovered in maintaining unchanged the ratio between loans and deposits.

The last chapter of the thesis, we considered it appropriate to highlight the performance of BCR bank through a comparative study between the major commercial banks in the banking system in Romania: BCR Erste Bank, BRD Societe Generale and Raiffeisen Bank in terms of performance in 2008-2013. By examining the relationship between the size of capital, assets, deposits and profitability expressed as ROE, ROA, net interest margin we achieved a ranking of banks based on performance in terms of profitability and growth potential. We thus obtained a comparison of banks according to their profitability, and an identification of the factors impacting the profitability development banks selected period.

Thus, the study shows that the performance of banks are heavily influenced negatively by the NPL, net interest margin is closely linked to the value of time deposits, capital adequacy is influenced by the degree of indebtedness, and the net profit and the rate of return equity.

In connection with the performance of each of the three banks have concluded that BCR Erste Bank, although it has the best level of capital adequacy, the largest margin and best interest rates on term deposits and these resources do not generate high profits, but rather profitability rates are the weakest of the three banks analyzed in bulk, as it emerged from the analysis of correlations, determined by high NPL. Lower financial results of BCR Erste Bank were determined by the increase in provisions as a result of NBR approach to reduce the NPL ratio of the domestic banking system and expectations for a weaker recovery of debts of the bank, based on expectations that prices and offered for large packages of bad loans. If BRD-GSG, it has the lowest net interest margin and less favorable rates of demand deposits and term but nevertheless rates are the lowest profitability and due to the ratio of bad loans and loans / deposits. Regarding Raiffeisenbank, although it has the lowest level of capitalization of the three banks, and has the highest net interest margin, however, has the best rate of return, the lowest rate of non-performing loans and the best loan / deposit.



Since bank credit remains the main product promoted by credit institutions, it is also the way of highlighting the strategies, professionalism and willingness to participate in the development banks and the real economy balance. Own regulatory system of BCR Erste Bank in lending reflects the risk for addressing localized to the two levels, one external imbalances targeting specific market at a time and one internal organizational structure represented by their failures.

**In conclusion**, based on the idea that the strategic objectives of management process corporate lending businesses have anchored economic realities of Romania and internationally, I believe that if BCR Erste Bank lending policy should focus **the following directions**:

- BCR Erste Bank should develop in lending standards so as to ensure a balance between the desire for innovation in the field of banking credit type and their beneficiaries' capacity to respond in terms of eligibility under the conditions imposed by legislation and the National Bank of Romania;

- it should be given more importance in client selection analysis nonfinancial borrowers, on the one hand by taking into account a larger number of qualitative indicators, and on the other hand by increasing the total risk weighted qualitative criteria the client. The importance attached by credit institutions quantitative and qualitative criteria for assessing the creditworthiness of potential borrowers is different. Some focus more on quantitative factors, calculating in this respect a greater number of economic - financial indicators for assessing the performance of the client, even taking into account their evolution trend of the previous period. Others, attaches great importance to qualitative factors, which although previously tend to provide a more subjective assessment essentially provide more detail practical knowledge of client characteristics that can not be quantified value or percentage;

- it is necessary to increase rigor required in terms of content files in particular the quality of credit information, the reality that financial statements must be approved by authorized personnel, compliance with accounting standards and legislation in practice by meeting financial statements different "to the IRS and to the bank." Here fits and business legality to be funded, including regarding the existence of authorizations, permits, legal status of the land on which they stand construction, etc;

- bank must have a professional approach, not emotional issue credit, it must not despair enthusiasm never finance customers. Often customers make mistakes, in the euphoria of business miraculous, considering only positive aspects that accompany businesses are interested in high returns in short periods of time, which may be a signal that the management of those organizations have lost control of actual of events. Bank has a social function preponderant not help customers in difficulty, but business has partnerships with them;

- because I appreciate that there are weaknesses in credit risk management of internal order, such as improper selection of files and improper internal monitoring of the evolution (devolution) believe that the quality of the debtor credit institutions should be more careful when approving a loan, analyzing the maximum amount that can be paid to the customer's purpose for which it will grant the requested credit guarantees they offer and its repayment, because the decision to grant a loan practically coincides with the moment generating credit risk. In this regard, the company applying for credit asset structure plays an important role in deciding the loan, they must be targeted at a rate as high as the activity profile and not interchangeable lower areas of the firm. Repayment capacity should also be examined closely in line with customer specific corporate core business;

- an important role is corporate and business activity monitoring progress, understanding the meaning of business development, ongoing assessment of the economic position in the market profile and estimate prospects. Sudden increases in profitability, for example, can be signals for monitoring deepening credit analyst to identify the conditions which led to this increase, as can often generate future costs exceed revenues;

- adaptation / improvement of lending and financing products according to specific customer needs, even to the revision of the bank's internal procedures when necessary;

- a better structuring, filtering and evaluation of complex financing transactions for clients manage the corporate network;

- we need to create innovative banking products to meet present and future needs of corporate enterprises;

- harnessing the potential market niches, such as products for accessing European funds. Bank should create special products which must include both the product itself credit for accessing EU funds and advisory services, for both those seeking co-financing of approved projects and those in the process of drafting and submitting projects;

- as for BCR Erste Bank is essential operational efficiency and obtain additional income that they need to act by increasing the productivity of the sales force, introducing innovative pricing models, partnership development and launch of new banking products.

**Finally** our approach tries to give an original perspective on our research topic as we can conclude that bank credit will remain the main source of funding for the Romanian economy, banks became consultants for business, helping clients to overcome resistance to change. In our opinion, the complexity of approaches that are generated, the credit will be a factor stimulating both the real economy and of perfecting the banking specialists.