ANALYSIS OF THE ROMANIAN BANKS' PERFORMANCE THROUGH ROA, ROE AND NON-PERFORMING LOANS MODELS

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Abstract:

General assumption of this study is that the banks performance represents their ability to generate sustainable profitability and that banks' profitability is one important issue of contemporary banking field, grace to its role in emphasizing of the financial soundness of banks, abreast to others indicators regarding to the capital adequacy or assets quality. The paper examines how is affected banking profitability (expressed through traditional measures of performance ROA - Return on Assets and ROE - Return on Equity) by the CRR Credit risk ratio in Romanian banking system during March 2008 - June 2013. We developed two regression models in order to study the dependence between mentioned variables. We found that ROA and ROE vary each of them depending on the CRR Credit risk ratio, which is expressed as the ratio of gross value of exposure to loans and related interest under "doubtful" and "loss" to total classified loans and related interest pertaining to non-bank loans, off-balance sheet items excluded.

Keywords: *ROA Return on Assets, ROE - Return on Equity, Credit risk ratio, Regression model*

JEL codes:: *D12, C58, G21*