



Il problema degli NPL in prospettiva europea

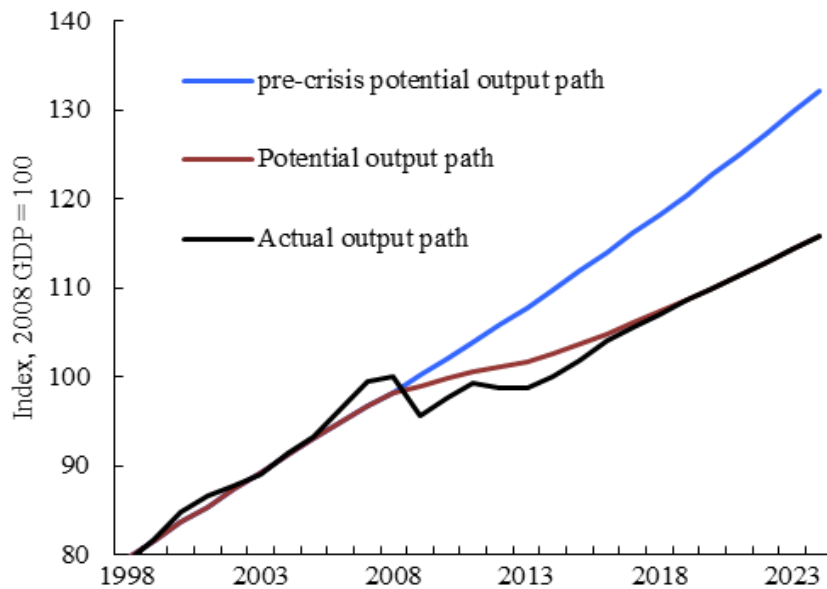
Milano – Università Cattolica

14 Ottobre 2016

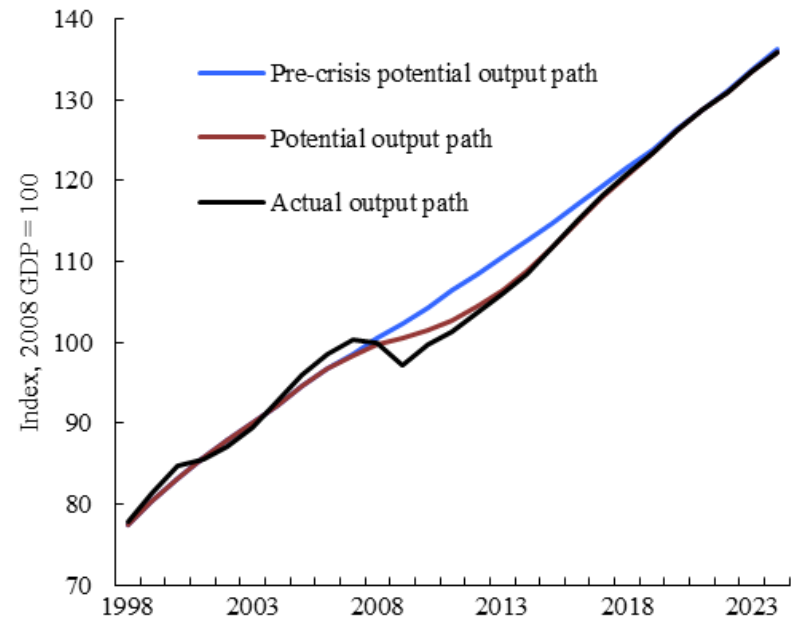
M. Marchesi

The GDP gap:

Actual and potential GDP in the EU and in the US



Commission estimates (spring 2015)



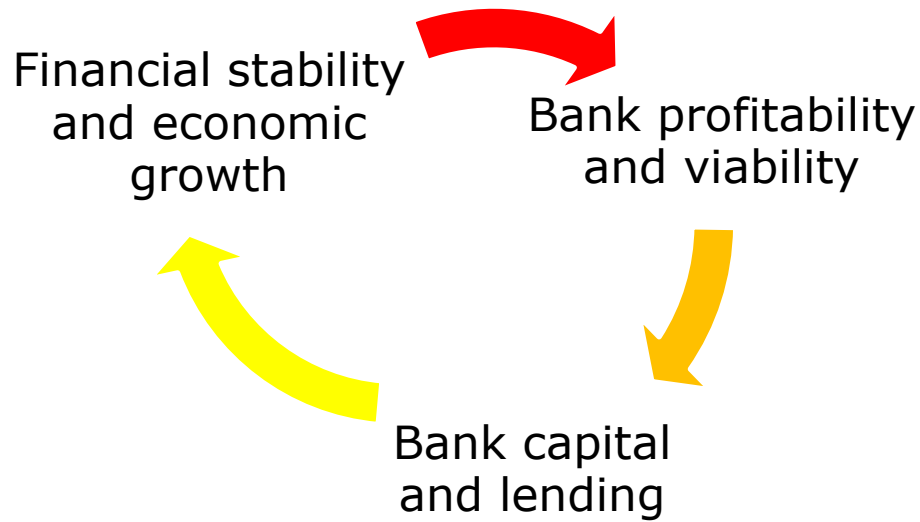
Commission estimates (spring 2015)

EA - Change in credit flows and GDP

Variations in credit flows versus GDP growth in the euro area

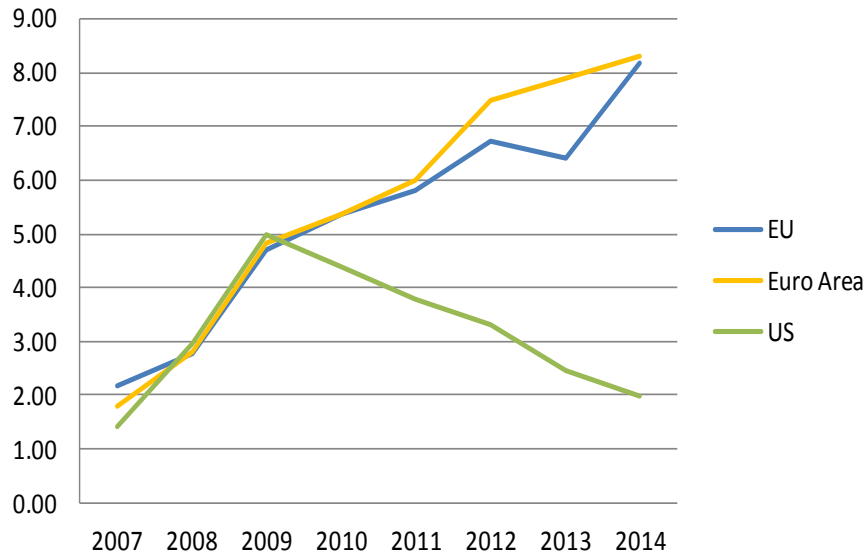


NPL Impact on Banks: the vicious circle



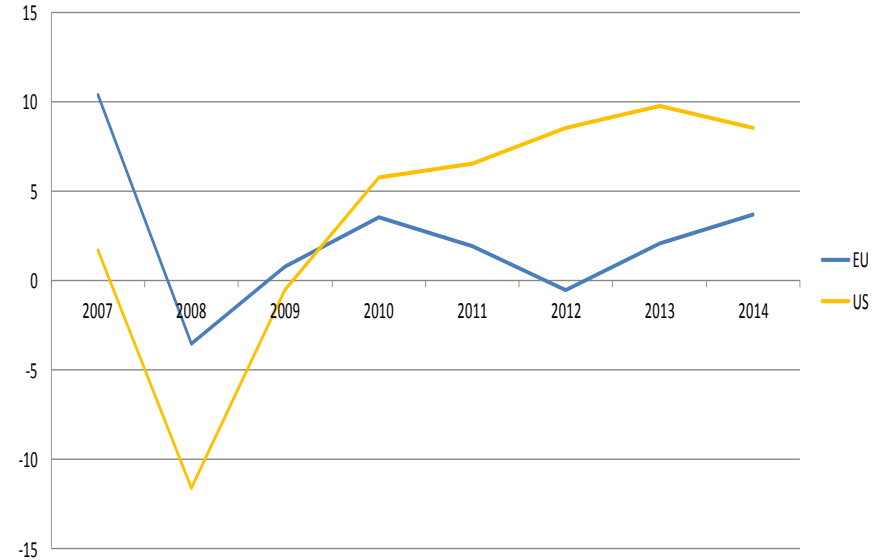
NPL: EU vs US

NPLs (share of total loans)



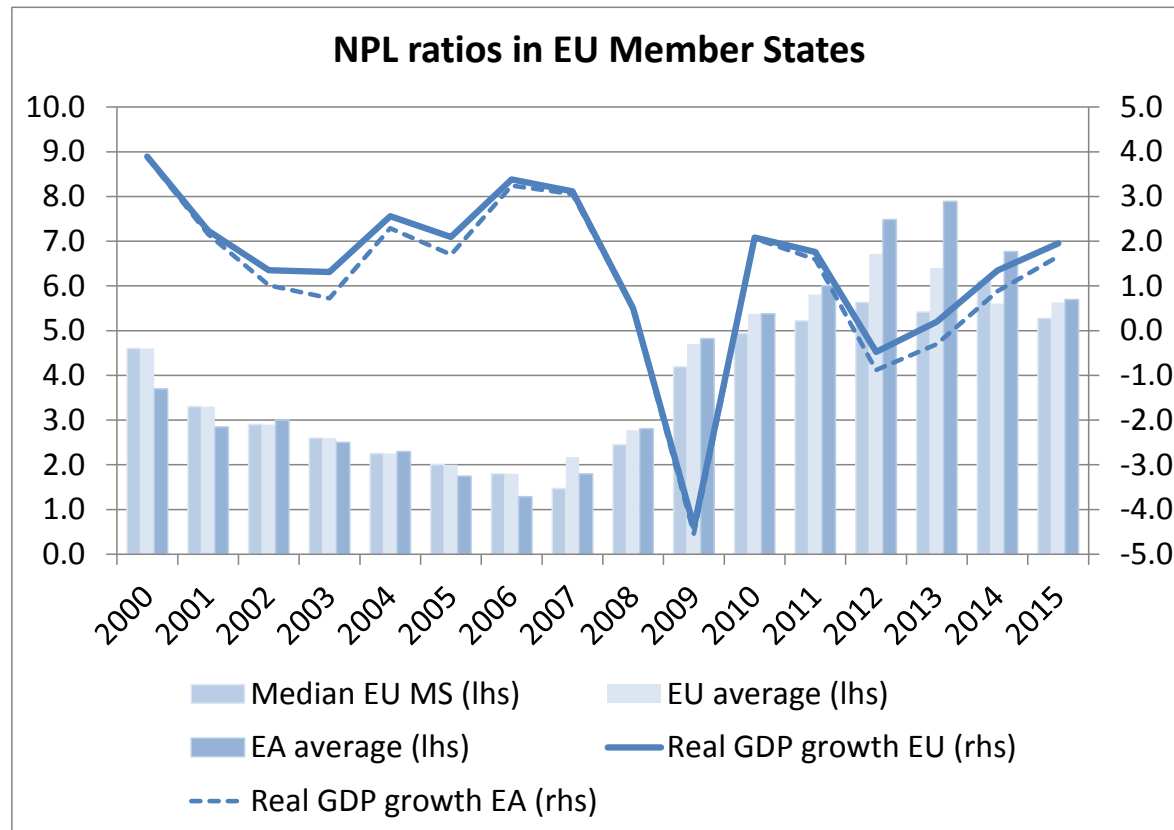
Source: World Bank, ECB Consolidated Banking Data and FISMA calculations

Return on equity (RoE)

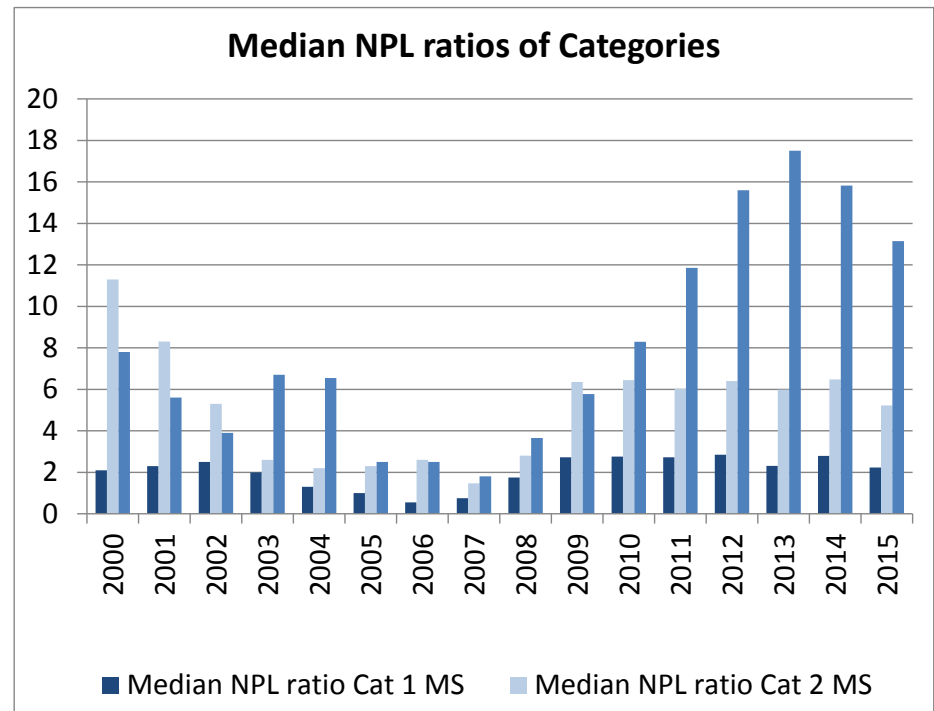
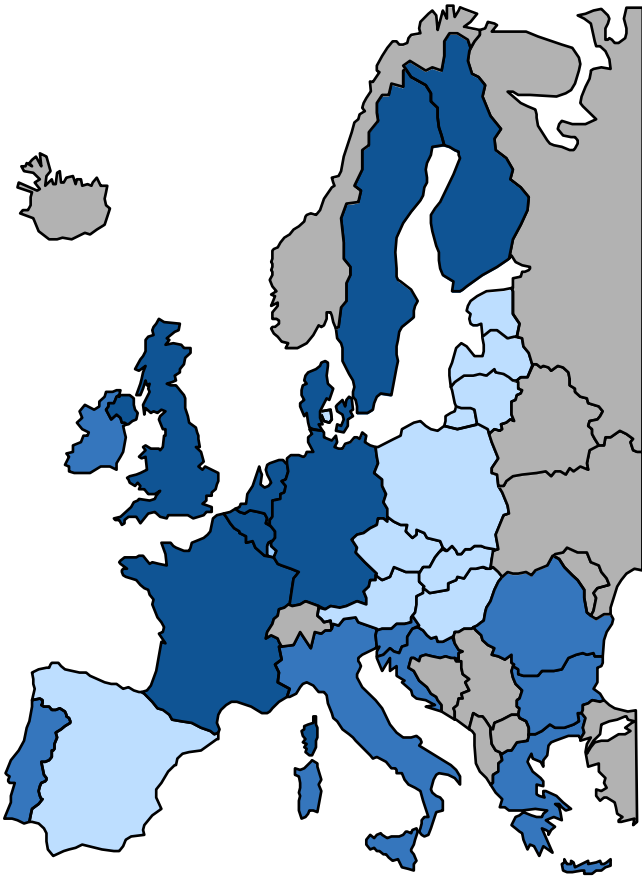


Source: ECB Consolidated Banking Data, FDIC and FISMA calculation

High NPL and low GDP: what comes first?

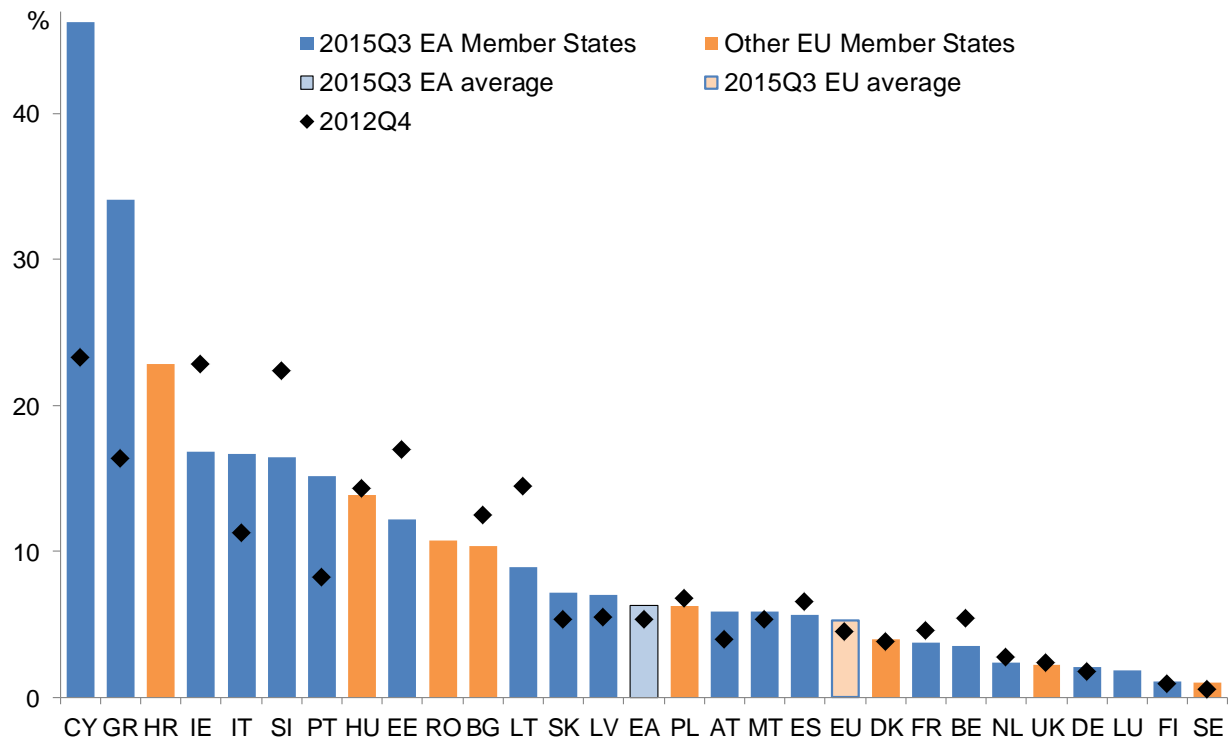


NPLs : how many? at what time?



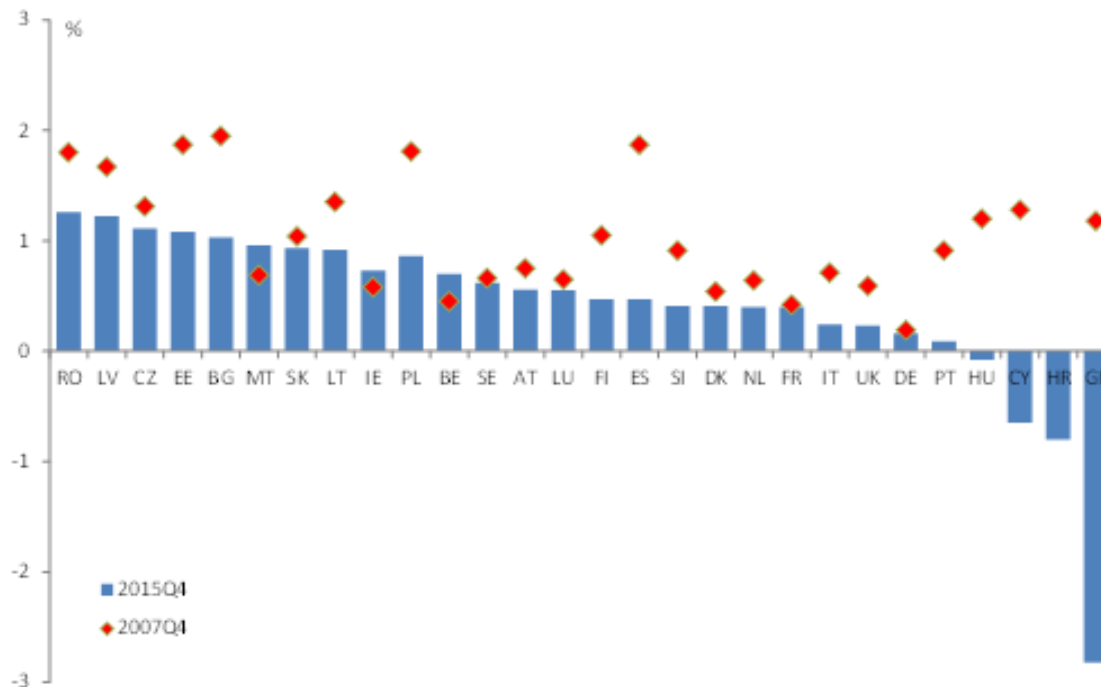
High NPLs : for all MS?

Figure 1: Gross NPLs (% of total loans)



Source: ECB Consolidated banking data

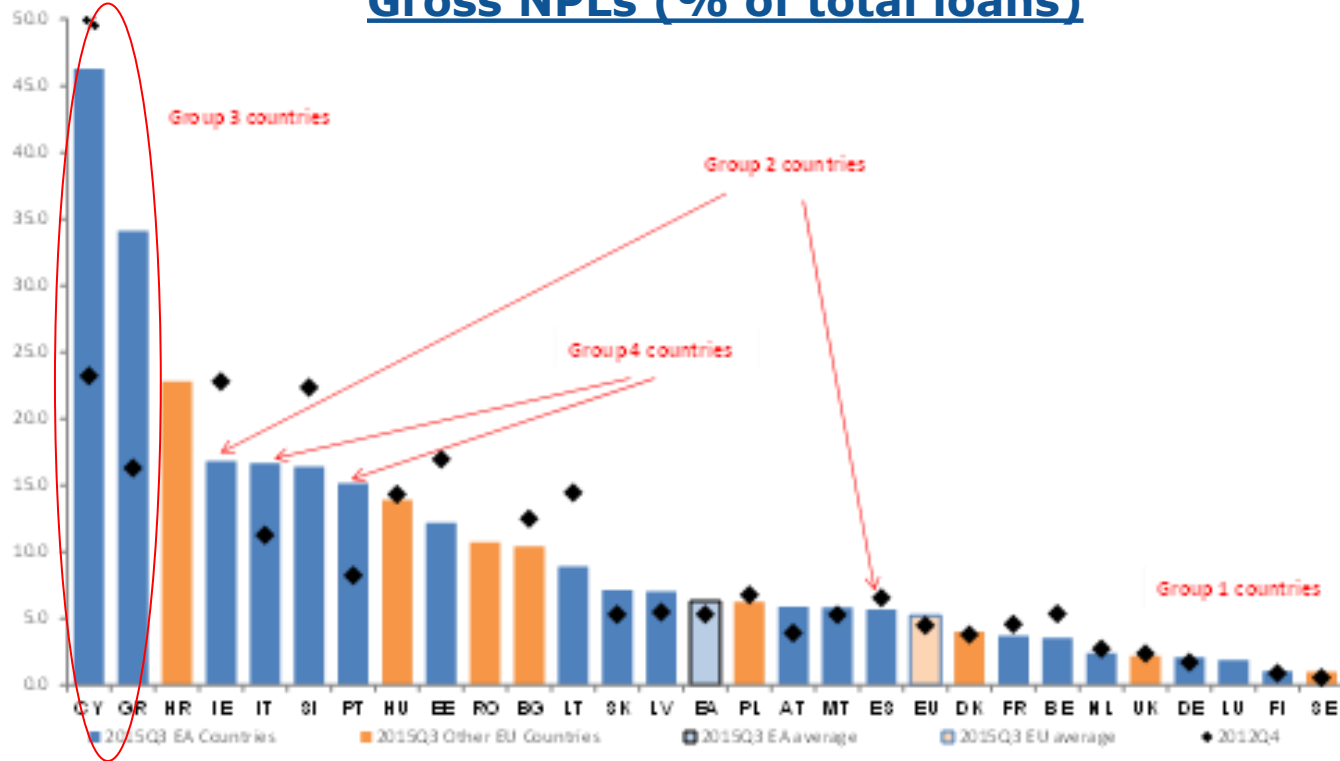
Low(er) Profitability (RoA): for all MS?



Source: ECB Analysis of the National Banking Systems (May 2016)

High NPLs and Profitability

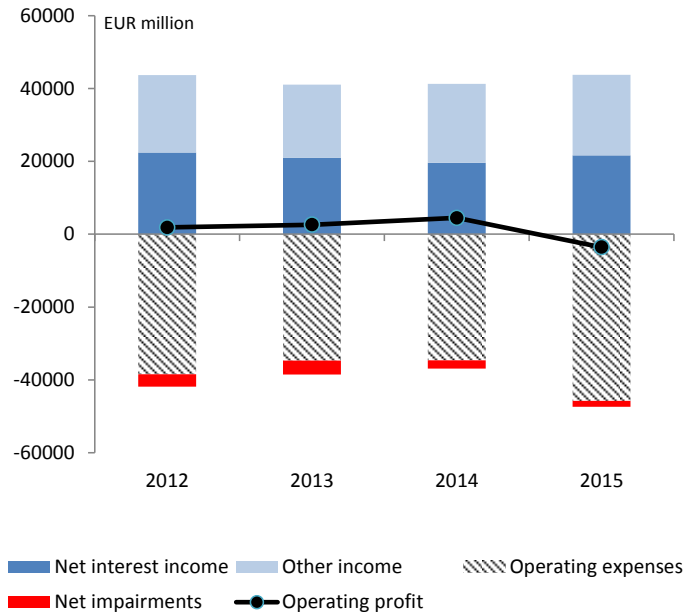
Gross NPLs (% of total loans)



Source: ECB Consolidated banking data

NPL and profitability: no impact

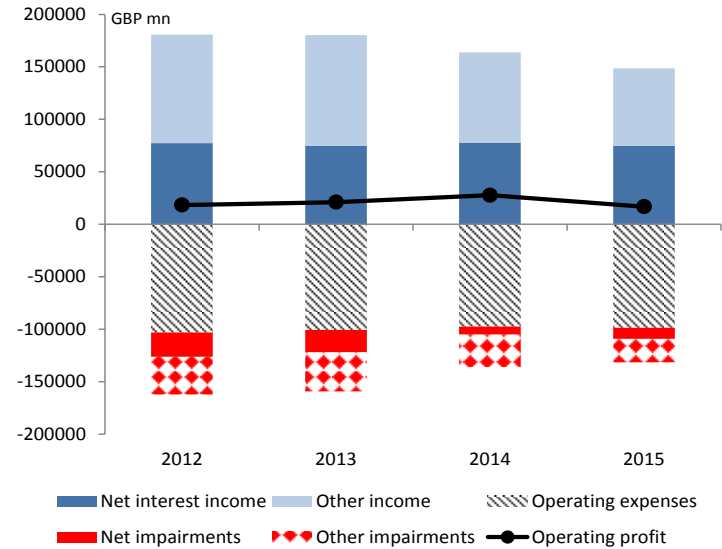
Figure 5: Components of bank profitability - Germany



Sources: SNL Financial, Commission calculations

Notes: Other income includes net fee & commission income, income from trading activities, gains/losses on repurchase of own debt & asset disposals, insurance premium income, etc. Operating expenses include staff costs, premises & equipment, other administrative expenses, depreciation & amortisation, write down of goodwill, restructuring costs, etc. The sample of banks comprises those in the scope of the EBA 2016 stress test exercise for which public data of P&L components was available.

Figure 7: Components of bank profitability – the UK

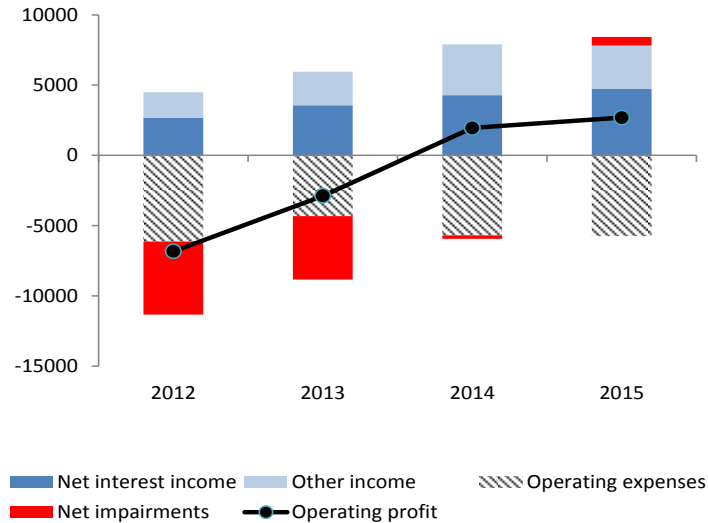


Sources: SNL Financial, Commission calculations

Notes: Other expenses include those for mis-selling of PPI, hedging products and other UK customer redress provisions, litigation, insurance claims, etc. The sample of banks comprises those in the scope of the EBA 2016 stress test exercise for which public data of P&L components was available.

NPL and profitability : positive impact (recently)

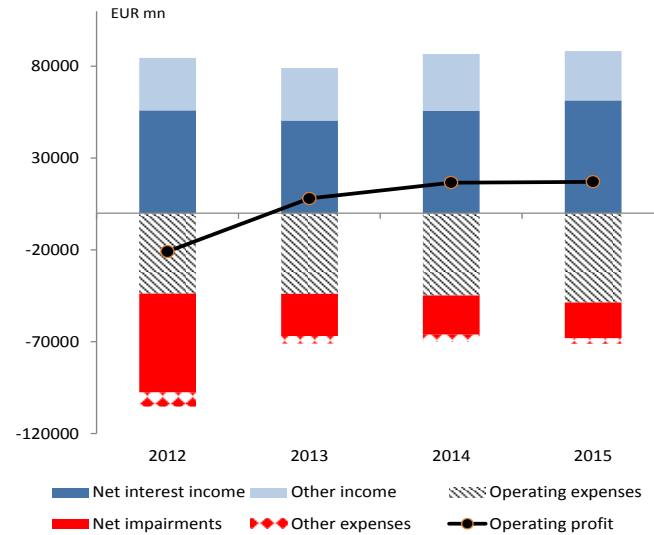
Figure 8: Components of bank profitability – Ireland



Sources: SNL Financial, Commission calculations

Notes: The sample of banks comprises those in the scope of the EBA 2016 stress test exercise for which public data of P&L components was available.

Figure 9: Components of bank profitability - Spain

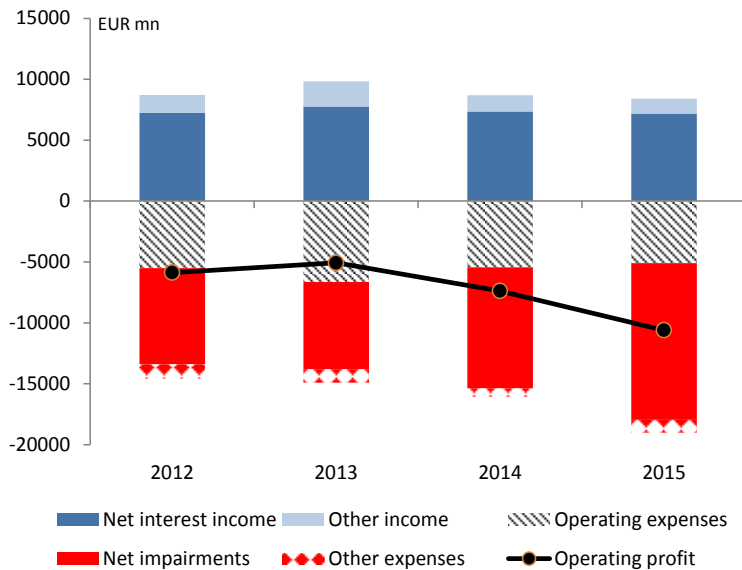


Sources: SNL Financial, Commission calculations

Notes: Other expenses include restructuring costs and impairments on financial investments. The sample of banks comprises those in the scope of the EBA 2016 stress test exercise for which public data of P&L components was available

NPL and profitability : high and continuous negative impact

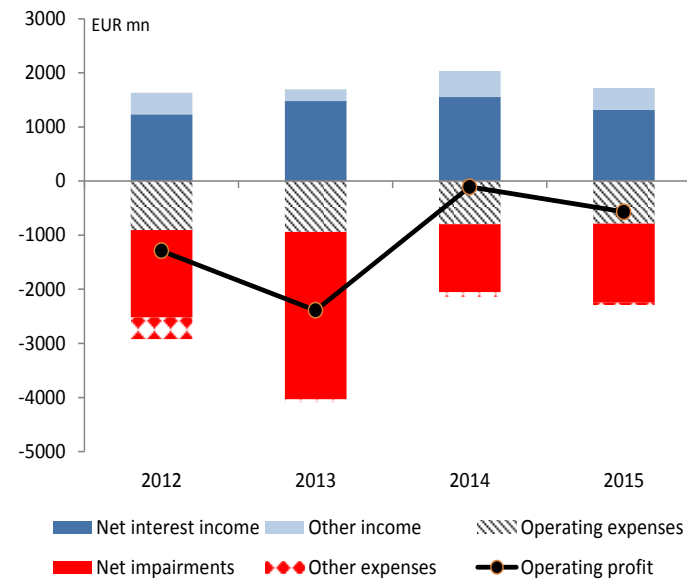
Figure 10: Components of bank profitability – Greece



Sources: SNL Financial, Commission calculations

Notes: Other expenses include restructuring costs and impairments on financial investments. The sample of banks comprises those in the scope of the EBA 2016 stress test exercise for which public data of P&L components was available.

Figure 11: Components of bank profitability - Cyprus



Sources: SNL Financial, Commission calculations

Notes: Other expenses include restructuring costs and impairments on financial investments. The sample of banks comprises those in the scope of the EBA 2016 stress test exercise for which public data of P&L components was available.

Italy : NPLs vs impairments

NPLs Italy

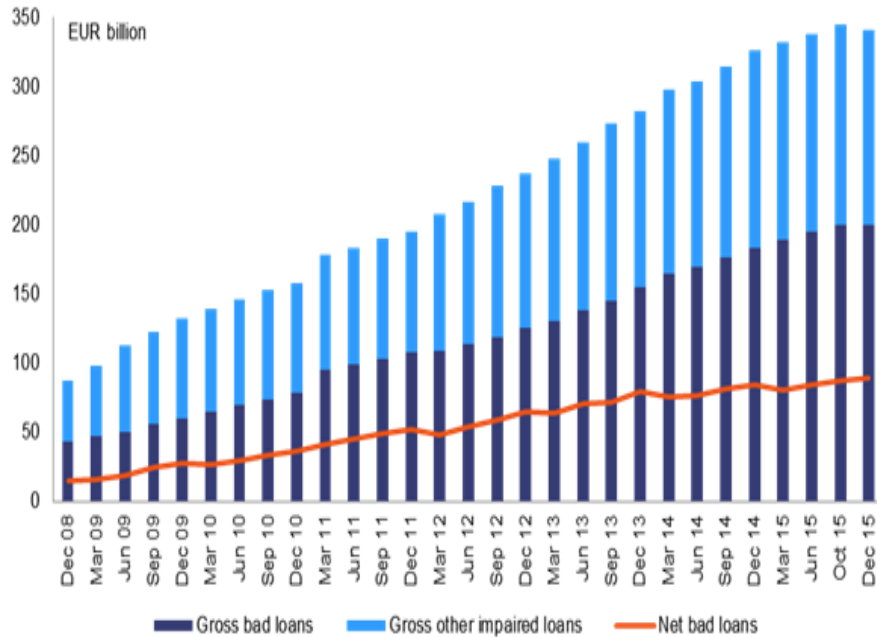
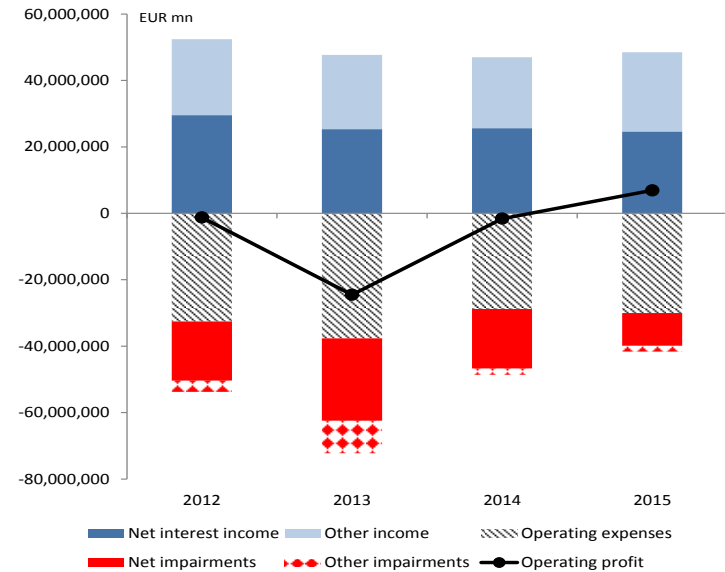


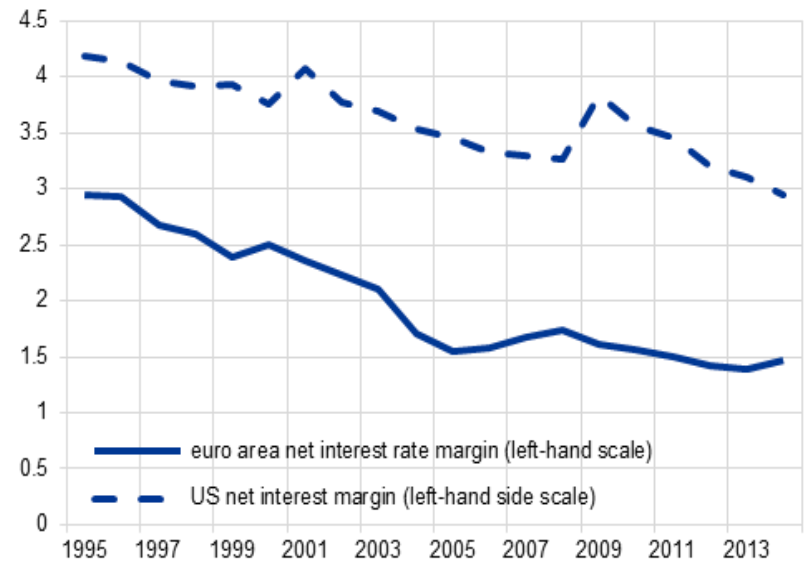
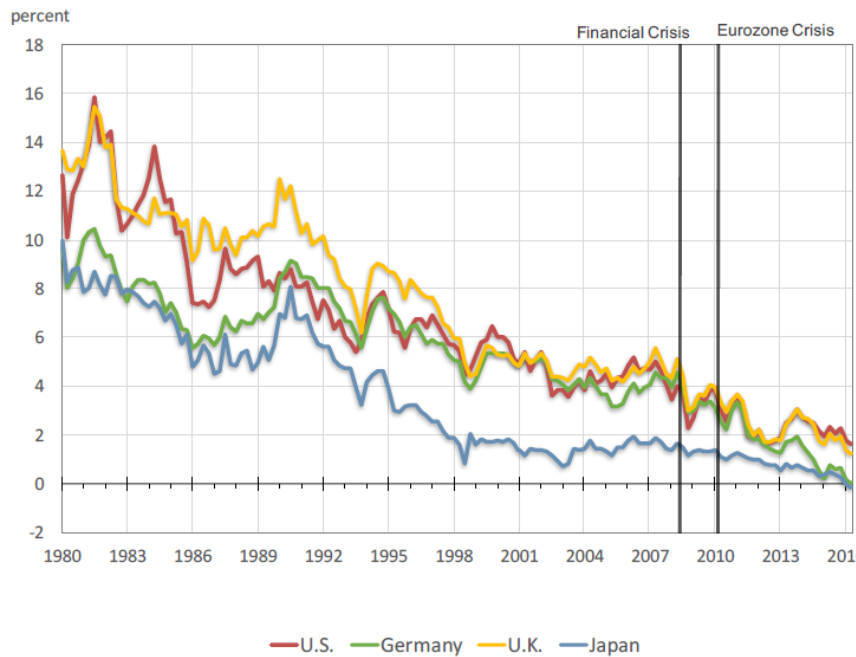
Figure 12: Components of bank profitability – Italy



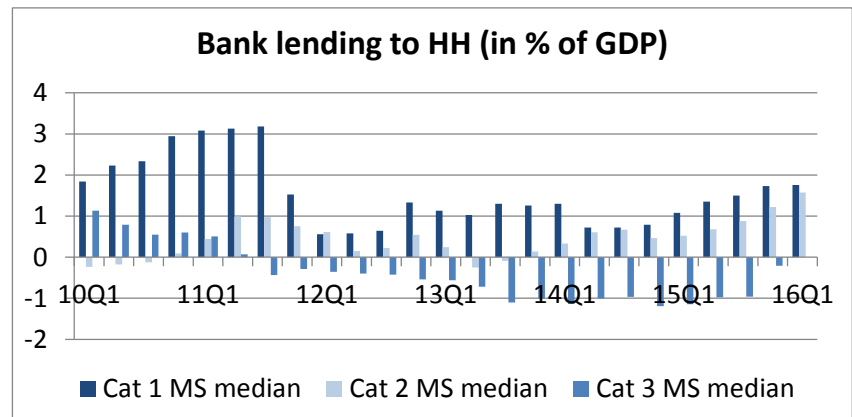
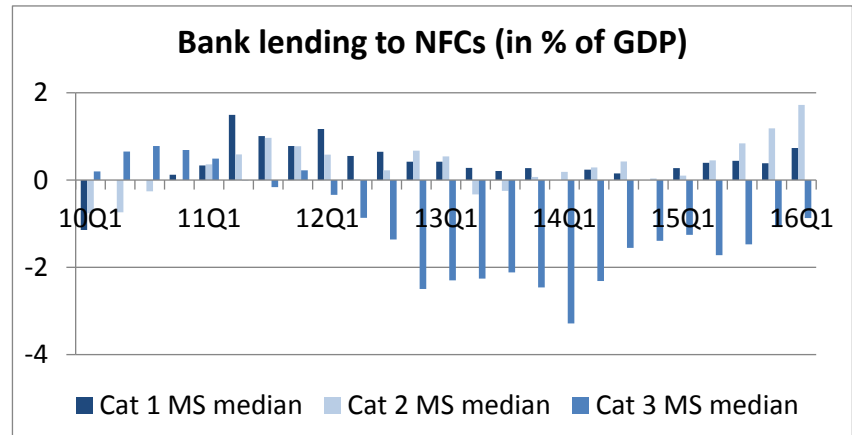
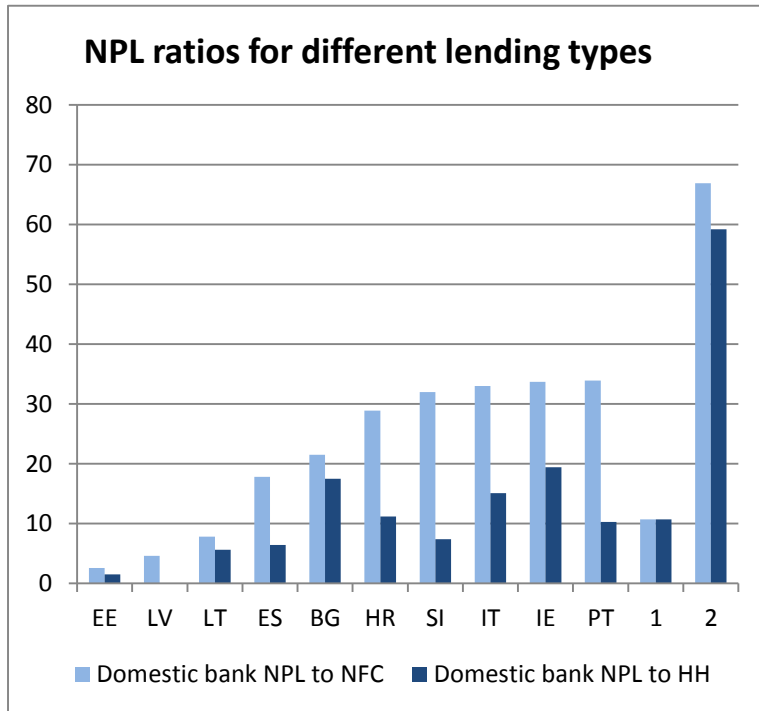
Sources: SNL Financial, Commission calculations

Notes: Other expenses include restructuring costs and impairments on financial investments. The sample of banks comprises those in the scope of the EBA 2016 stress test exercise for which public data of P&L components was available.

Low interest rate environment

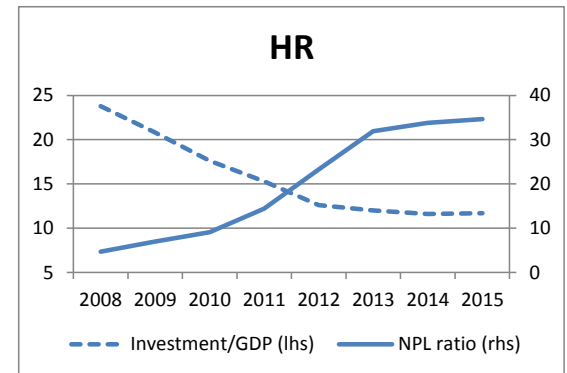
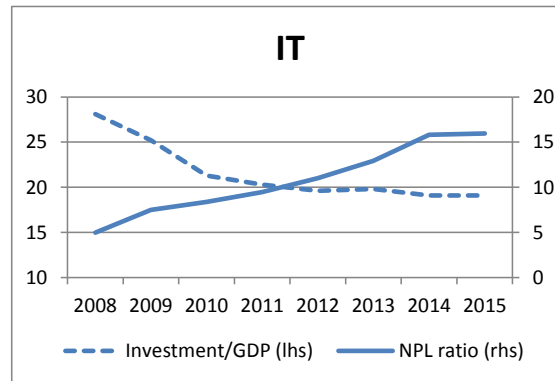


NPL: NFC or HH?

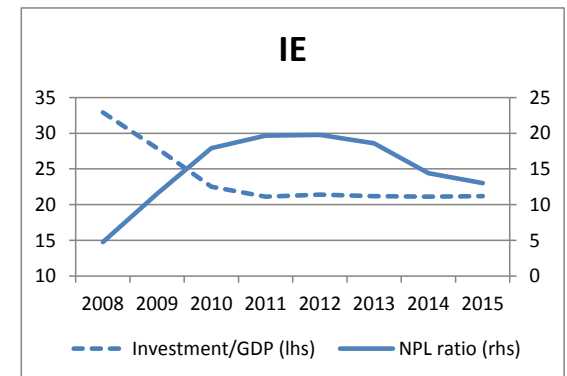
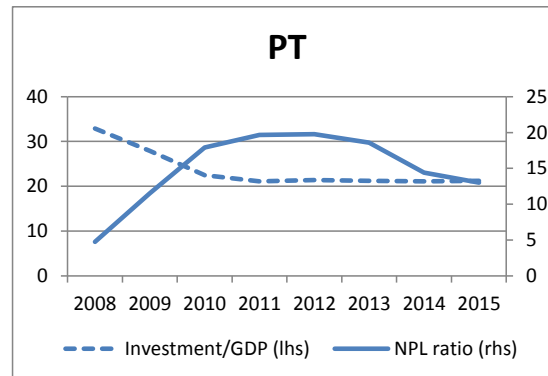


NFC NPLs and Investment

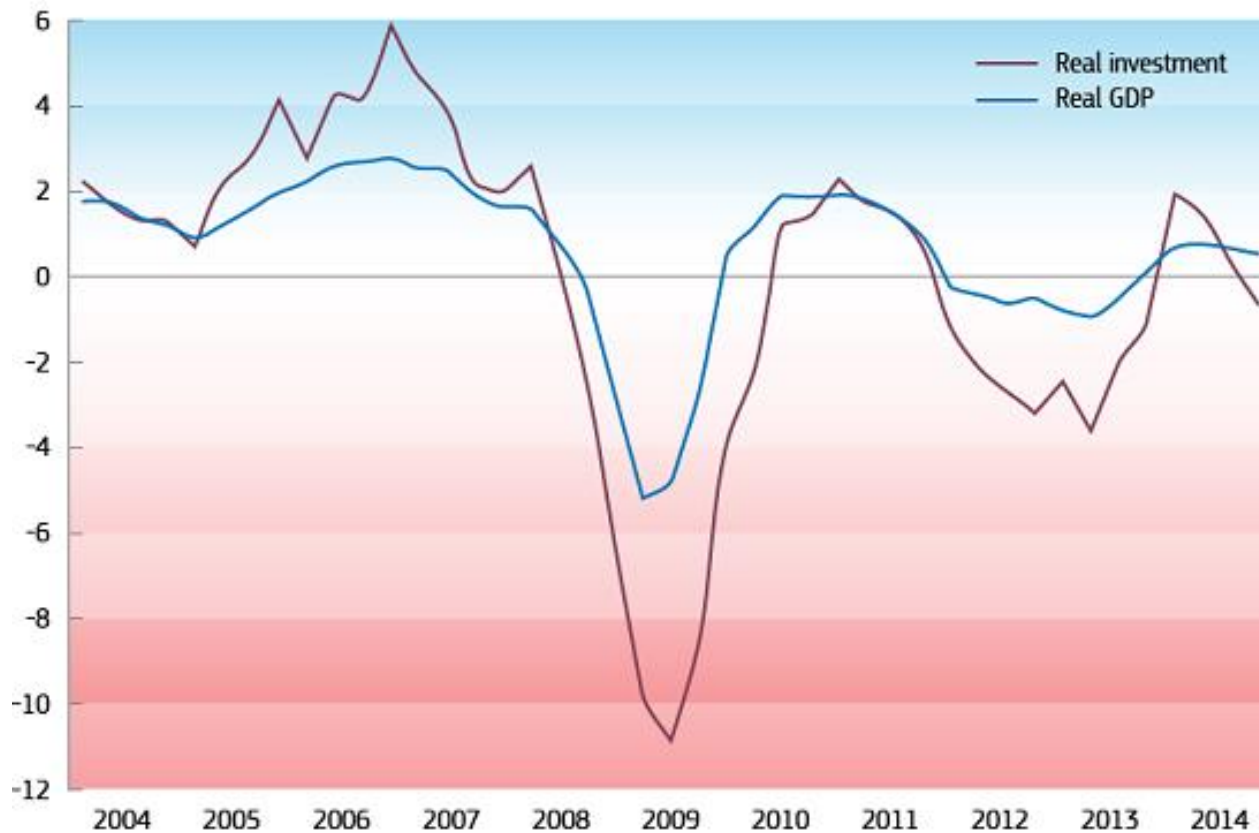
NPL build-up



NPL work-out



EU - Change in GDP and investments



Financial sector surveillance 2009-2015

	2009	2010	2011	2012	2013	2014	2015
BE			CSR	CSR			
BG							CSR
DK			CSR	CSR			
DE			CSR	CSR	CSR	CSR	
IE		P	P	P	P	CSR	CSR
EL		P	P	P	P	P	P
ES			CSR	P + CSR	P + CSR	CSR	CSR
HR						CSR	CSR
IT			CSR	CSR	CSR	CSR	CSR
CY			CSR	CSR	P	P	P
LV	P	P	P	CSR	CSR		
HU	P	P	CSR	CSR	CSR	CSR	CSR
MT				CSR	CSR	CSR	CSR
NL				CSR	CSR	CSR	CSR
AT				CSR	CSR	CSR	CSR
PT			P	P	P	CSR	CSR
RO	P	P	P	P	P	P	P + CSR
SI			CSR	CSR	CSR	CSR	CSR
SE			CSR	CSR	CSR	CSR	CSR
UK			CSR	CSR	CSR	CSR	
MS with programme	3	5	5	5	6	3	3
MS with CSR			10	14	12	13	13

Financial sector CSRs

➤ Address three main areas:

- 1. Asset quality and access to finance**
- 2. Governance, supervision and regulation**
- 3. Private indebtedness and housing market**

CSR : moving the target

	Bank restructuring	Indebtedness	Asset quality	Access to finance
BE	●			
BG	●		●	
DE	○●			
IE	○●		○●	○
ES	○		○	○
HR	●		○●	
IT	○●		○●	○
CY	●		●	●
LT				●
HU	○		○	○
MT				○
NL	●	○●		
AT	○			
PT	○	○	○●	○●
RO	●			
SI	○●		○●	●
SE		○●		
UK		○		○
Legend:		○ -2014		● -2016