



NPL & ECB COMPREHENSIVE ASSESSMENT 2014

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Overview

Contraction of industrial activity has come to a halt, but the outlook remains uncertain. Exports register moderate growth. The number of real-estate transactions is now stable, but house prices are still declining, although at a slower pace.

Despite a reduction in disposable income, indebted households' financial conditions are still in good condition. Low interest rates and favourable measure to help borrowers keep the burden of debt under control. The amount of financially weak households has not increased and should remain unchanged in 2014.

Lending continues to shrink due to weak demand and banks' strict credit conditions. Given the cyclical upturn the credit decline is expected to stabilise in the course of 2014. The Italian banking system does not need substantial recapitalization according to the survey carried out by the Bank of Italy and the IMF even considering a stress condition.

The AQR (asset quality review) of the main euro-area banks has begun. This process, which involves 15 large and medium-sized banks in Italy will make banks' balance sheets more transparent and comparable to other countries'.

Italian banks' main issue is the spiralling increase of non-performing loans a result of the extended recession. The new bad debt ratio stopped rising in the third quarter of 2013. It is still high but is expected to fall gradually.

The ECB and the participating national competent authorities (NCAs) responsible for conducting banking supervision are conducting a comprehensive assessment in line with the provisions of the Regulation on the single supervisory mechanism (SSM Regulation).

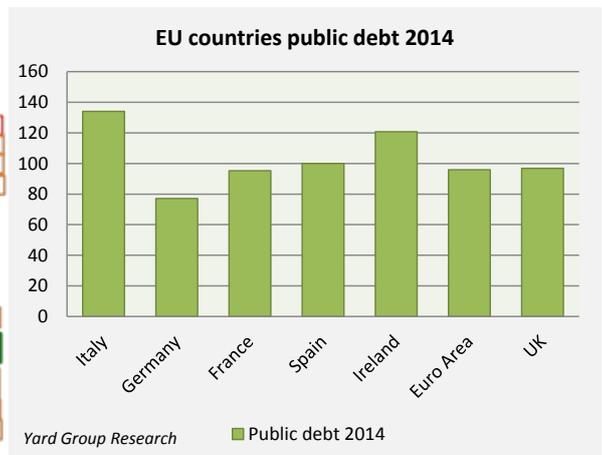
The following members of the European Union use the euro:

- Austria
- Belgium
- Cyprus
- Estonia
- Finland
- France
- Germany
- Greece
- Ireland
- Italy
- Latvia
- Luxembourg
- Malta
- The Netherlands
- Portugal
- Slovenia
- Slovakia
- Spain



The following members of the European Union do not use the euro: Bulgaria, Czech Republic, Denmark, Croatia, Lithuania, Hungary, Poland, Romania, Sweden and the United Kingdom.

	Financial sustainability indicators (per cent of GDP, unless otherwise specified)											
	Budget deficit (1)			Primary surplus (1)			Public debt (1)			GDP (annual growth rate) (2)		
	2012	2013	2014	2012	2013	2014	2012	2013	2014	2012	2013	2014
Italy	3.0	3.0	2.7	2.5	2.3	2.8	127.0	133.0	134.0	-2.5	-1.8	0.7
Germany	-0.1	0.0	-0.1	2.5	2.3	2.2	81.0	79.6	77.1	0.7	0.5	1.7
France	4.8	4.1	3.8	-2.3	-1.8	-1.4	90.2	93.5	95.3	0.0	0.2	0.9
Spain	10.6	6.8	5.9	-7.6	-3.3	-2.4	86.0	94.8	99.9	-1.6	-1.3	0.5
Netherlands	4.1	3.3	3.3	-2.2	-1.4	-1.5	71.3	74.8	76.4	-1.2	-1.0	0.2
Belgium	4.0	2.8	2.6	-0.6	0.3	0.5	99.8	100.4	101.3	-0.1	0.1	1.1
Austria	2.5	2.5	1.9	0.1	0.2	0.7	74.0	74.8	74.5	0.9	0.4	1.6
Finland	1.8	2.2	2.3	-0.7	-1.2	-1.3	53.6	58.4	61.0	-0.8	-0.6	0.6
Greece	9.0	13.5	2.0	-4.0	-9.4	2.8	156.9	176.2	175.9	-6.4	-4.0	0.6
Portugal	6.4	5.9	4.0	-2.1	-1.6	0.3	124.1	127.8	126.7	-3.2	-1.8	0.8
Ireland	8.2	7.4	5.0	-4.5	-2.8	-0.2	117.4	124.4	120.8	0.2	0.3	1.7
Euro area	3.7	3.1	2.5	-0.6	-0.1	0.5	92.6	95.5	95.9	-0.7	-0.4	1.1
United Kingdom	6.1	6.4	5.3	-3.1	-3.4	-2.4	88.7	94.3	96.9	0.1	1.3	2.2
United States	8.3	5.8	4.6	-6.1	-3.6	-2.6	102.7	106.0	107.3	2.8	1.6	2.6
Japan	10.1	9.5	6.8	-9.3	-8.8	-6.1	238.0	243.5	242.3	2.0	2.0	1.2
Canada	3.4	3.4	2.9	-2.8	-2.8	-2.4	85.3	87.1	85.6	1.7	1.6	2.2



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The European Central Bank (ECB) is preparing to take on new banking supervision tasks as part of a Single Supervisory Mechanism (SSM) which will create a new system of financial supervision comprising the ECB and the national competent authorities of participating EU countries.

Among these EU countries are those whose currency is the euro and those whose currency is not the euro but who have decided to enter into close cooperation with the Single Supervisory Mechanism.

The ECB will assume its new banking supervision responsibilities in November 2014, 12 months after the SSM Regulation creating the supervisor enters into force.

In order to carry out the AQR the European Central Bank (ECB) has published its guidelines for the national competent authorities (NCAs). The assessment is taking place now and is due for completion in October.

Material exposures, collateral and provisioning needs are being assessed. With reference to physical assets valuations (e.g. real estate, aircraft, ships, artwork) their value is being updated at market value by a third party expert

In November 2014 the ECB will assume its new banking supervision responsibilities.

Under the new system of supervision, the ECB will directly supervise significant credit institutions. It will work closely with the national competent authorities to supervise all other credit institutions under the overall oversight of the ECB. It is expected that the ECB will directly supervise around 130 credit institutions, representing almost 85% of total banking assets in the euro area. All other credit institutions in the participating countries will continue to be supervised by the national competent authorities.

Loans to consumer households (1)
(millions of euros and percentage composition)

	December 2012		June 2013	
House purchase loans				
Total	343,550	100.0	341,970	100.0
Performing	325,003	94.6	322,079	94.2
Non-performing	18,547	5.4	19,891	5.8
<i>Past-due (2)</i>	2,632	0.8	3,149	0.9
<i>Substandard</i>	6,049	1.8	6,109	1.8
<i>Bad debts</i>	9,866	2.9	10,633	3.1
Consumer credit				
Total	117,380	100.0	116,510	100.0
Performing	105,243	89.7	103,554	88.9
Non-performing	12,137	10.3	12,956	11.1
<i>Past-due (2)</i>	1,795	1.5	1,876	1.6
<i>Substandard</i>	3,055	2.6	3,233	2.8
<i>Bad debts</i>	7,287	6.2	7,847	6.7

(1) Loans include repos but not securitised loans cancelled from the balance sheets.

(2) Past-due loans include restructured loans.

Source: Supervisory reports.

Voluntary winding-up and bankruptcy proceedings 2008-2013 (no. of firms)



House purchase loans Dec 2012 - June 2013

