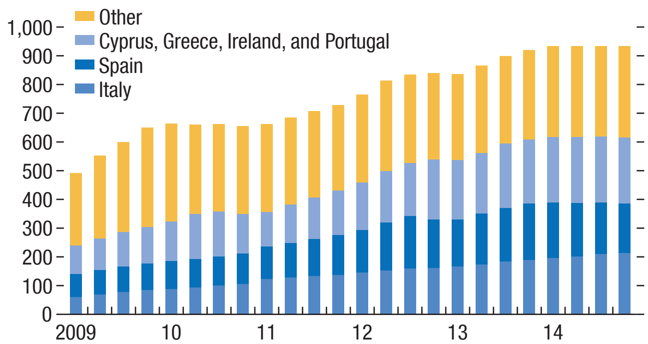
Figure 1.12. Bank Nonperforming Loans and Lending Conditions

Nonperforming loans remain at high levels...

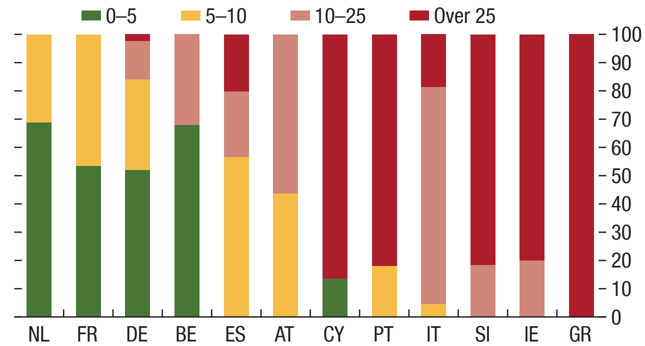
1. Nonperforming Loan Stock
(Billions of euros)



Sources: National central banks; IMF Financial Soundness Indicators; and IMF staff estimates.
Note: National definitions have been adjusted according to Barisitz (2013). Other comprises Austria, Belgium, France, Germany, and the Netherlands.

...concentrated in a few economies.

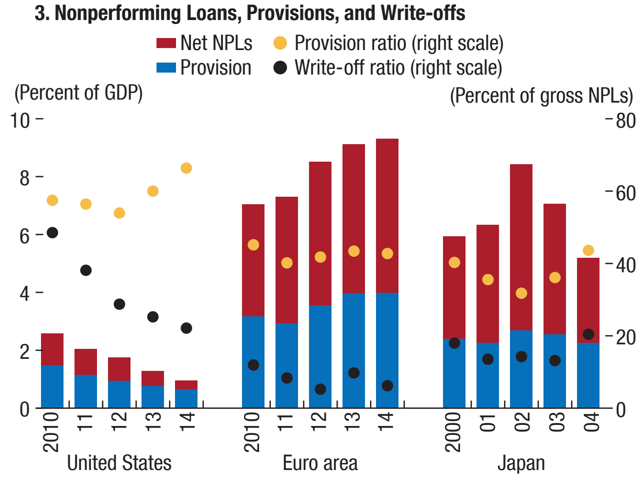
2. Nonperforming Assets: Distribution by Country
(Percent of sample assets)



Sources: European Central Bank; and IMF staff calculations.
Note: Based on a sample of 106 banks from 12 of the countries that took part in the European Central Bank's Asset Quality Review (AQR). Banks are sorted by their nonperforming exposure (NPE) ratio. NPE ratio = AQR-adjusted NPE level as a percentage of total credit exposure. Data labels use International Organization for Standardization (ISO) codes.

As provisioning and write-offs have lagged...

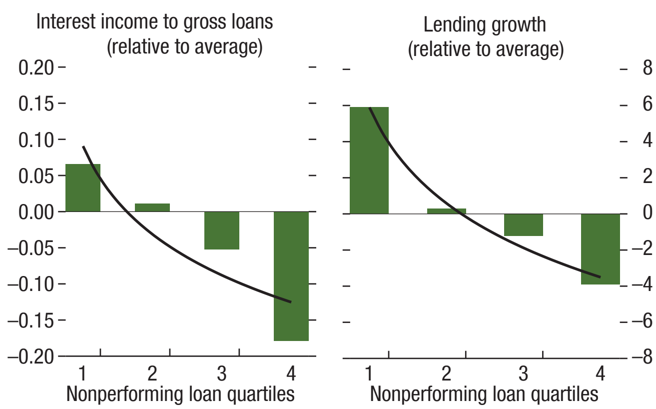
3. Nonperforming Loans, Provisions, and Write-offs



Sources: European Central Bank; Financial Services Agency; and IMF staff calculations.
Note: NPL = nonperforming loan; net NPL = gross NPL plus provisions; provision ratio = provisions as a percentage of gross NPL; write-off ratio = write-offs as a percentage of gross NPL.

...and so bank income and lending have been reduced.

4. Interest Income, Lending Growth, and Nonperforming Loans
(Percentage points)



Sources: European Banking Authority; SNL Financial; and IMF staff calculations.
Note: Left chart shows annual interest income to gross loans, for over 100 euro area banks, relative to the yearly average for banks with the same nationality, calculated over the period 2009–13. The right chart shows annualized lending growth relative to average lending growth in the same economy, and uses European Banking Authority data for a sample of more than 60 banks over the period 2010–13. Outliers have been excluded, based on extreme values for lending growth, nonperforming loans and interest margins.