S&P Global
Ratings

RatingsDirect®

Several Eurozone Peripheral Banks Are Racing To Resolve Problem Loans

February 13, 2019

Key Takeaways

- In our opinion, several banks in the periphery need to make further progress in tackling asset quality issues to reduce the risk of meeting the next economic downturn with unresolved problems.
- We consequently expect banks in Southern Europe and Ireland to continue to reduce their nonperforming exposures (NPEs) in 2019 and 2020, primarily through disposals, as the market for those assets remains buoyant.
- The actions of banking authorities and improved underwriting standards could reduce future NPE accumulation, in our view.
- Our current assessment of the banking sectors in the periphery factor in the different stages of their economic and credit cycles and how the existing and projected stock of NPEs weigh on domestic banks' creditworthiness.

PRIMARY CREDIT ANALYST

Mirko Sanna
Milan
(39) 02-72111-275
mirko.sanna
@spglobal.com

SECONDARY CONTACTS

Elena Iparraguirre
Madrid
(34) 91-389-6963
elena.iparraguirre
@spglobal.com

Nigel Greenwood
London
(44) 20-7176-1066
nigel.greenwood
@spglobal.com

Francesca Sacchi
Milan
(39) 02-72111-272
francesca.sacchi
@spglobal.com

Lucia Gonzalez
Madrid
+ 34 91 788 7219
lucia.gonzalez
@spglobal.com

Giuseppina Martelli
Milan
(39) 02-72111-274
giuseppina.martelli
@spglobal.com

See complete contact list at end of article.

Several banks in the eurozone remain on multiyear journeys to reduce nonperforming exposures (NPEs) to normal levels and thereby shore up investor confidence. According to the European Banking Authority (EBA), around one-quarter of EU banks still had gross NPEs above 8% as of September 2018--more than twice the average and well above the 5% gross threshold (2.5% net of provisions) that the EU summit set last December as a benchmark for measuring in 2020 whether banks had made sufficient progress in risk reduction.

S&P Global Ratings acknowledges that most banks, particularly in periphery countries, have managed to reduce NPEs faster than we expected in the past two years, thanks to larger disposals and the regulators' more proactive stance. We also believe that more NPEs still on banks' balance sheets are closer to market value than before, potentially supporting further sales over the next couple of years without a massive hit to capital.

That said, several banks are still far from announcing mission accomplished. And, as we are potentially approaching a more negative stage of the economic cycle, we consider that the clock is ticking for those banks as legacy issues could leave them more vulnerable to the next downturn if they are not tackled in time.

We also consider that further progress in risk reduction is critical to the wider project of creating an effective banking union that, aided by enhanced risk-sharing, would offer greater stability in the next downturn.

Banks' Stock Of NPEs Remains High Despite Recent Progress

According to the EBA, EU banks' gross NPEs amounted to €718 billion as of September 2018. This corresponds to 3.4% of loans (1.8% net of provisions), material progress compared with 4.2% reported a year earlier (see table 1).

Table 1

Domestic NPEs As A Percentage Of Domestic Loans

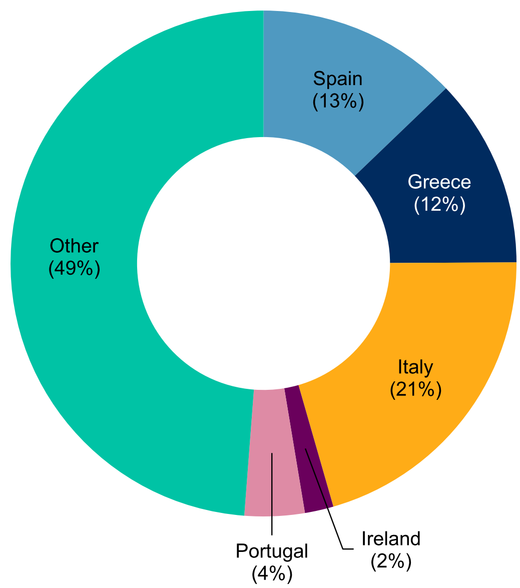
Country	2016a	2017e	2018f	2019f	2020f
Austria	3.5	3.2	2.7	2.5	2.3
Belgium	2.6	2.4	2.3	2.2	2.1
Bulgaria	19.3	15.7	11.9	10.3	9.5
Croatia	13.8	11.4	10.5	6.8	6.4
Cyprus	55.0	50.8	34.1	29.8	25.4
Czech Republic	4.6	3.7	2.9	2.8	2.8
Denmark	2.6	2.0	2.1	2.0	2.0
Finland	1.9	1.7	1.7	1.7	1.6
France	3.0	2.9	3.0	3.0	3.0
Germany	1.7	1.7	1.6	1.6	1.6
Greece	52.9	51.5	48.3	44.9	37.5
Hungary	8.7	5.1	4.6	3.7	3.6
Iceland	5.7	3.6	3.6	3.1	3.0
Ireland	27.2	21.8	10.2	8.8	7.4
Italy	19.0	16.4	11.9	10.8	9.9
Malta	8.2	6.5	6.2	6.0	5.7
Netherlands	3.1	2.8	2.6	2.4	2.2
Poland	7.0	6.8	6.8	6.7	6.5
Portugal	20.7	17.2	14.8	13.7	12.5
Romania	9.6	6.4	5.3	5.6	6.2
Slovenia	8.5	6.0	4.1	3.4	3.4
Spain	15.2	12.9	7.0	5.4	4.2
Sweden	0.4	0.4	0.4	0.4	0.4

Source: S&P Global Ratings. a--Actual. e--Estimate. f--Forecast. NPE--Nonperforming exposure.

Still, the worst quarter of EBA sample banks--mostly operating in Greece, Portugal, Italy, Ireland, and to a lesser extent Spain--have NPE ratios above 8%. This report primarily focuses on those countries, as they are where the most significant outstanding asset quality issues are concentrated.

Chart 1

NPEs In EBA Sample By Country



Source: S&P Global Ratings calculations on EBA data. EBA--European Banking Authority.
NPE--Nonperforming exposures.

That said, we note that almost all the banks in Southern Europe and in Ireland have reported a remarkable reduction in the past 12-18 months. They will continue to shed NPEs in the coming quarters, in our view.

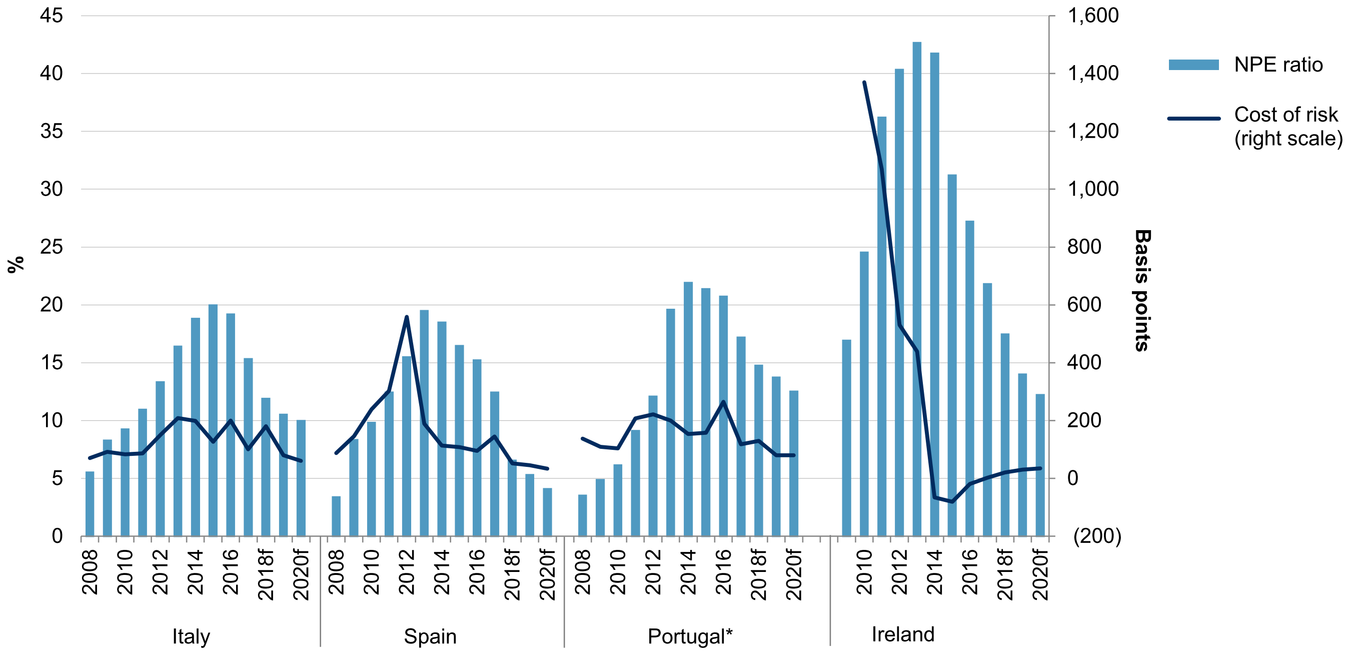
The EBA's guidance for management of NPEs sets a gross threshold of 5%. Above this level, banks generally need to develop NPE strategies and apply associated governance and operational arrangements. The Euro Summit meeting of Dec. 14, 2018, endorsed the same 5% gross NPE and 2.5% net NPE benchmarks for measuring in 2020 whether banks had made sufficient progress in risk reduction. Under the proposal, the benchmarks would generally be used to decide about an early adoption of a common backstop to Europe's Single Resolution Fund, an element of risk-sharing within the banking union.

Spanish And Irish Banks Will Continue To Benefit From Stronger Economic Growth

The pace of banks' return to normal continues to vary widely. We continue to see Spanish and Irish banks better positioned than their peers in periphery countries to bring their gross NPE ratios down to the 5% threshold (see chart 2).

Chart 2

NPEs And Cost Of Risk Trend For Banks In Italy, Spain, Portugal, And Ireland



Source: S&P Global Ratings. *NPE data until 2012 do not include restructured loans. f--Forecast. NPE--Nonperforming exposure.

We believe that stronger economic recovery (see table 2) and earlier actions, including large provisions, will likely continue to spur Spanish and Irish banks to reduce their stock of NPEs more rapidly without incurring large additional losses.

Table 2

Real GDP Increase

% change year on year	Italy	Spain	Ireland	Portugal	Greece	Eurozone
2017	1.6	3.0	7.2	2.8	1.5	2.5
2018f	1.0	2.7	6.0	2.3	2.1	1.9
2019f	0.7	2.3	3.8	2.0	2.4	1.6
2020f	0.9	2.1	3.0	1.8	2.4	1.6

Source: S&P Global Ratings economic forecast. f--Forecast.

The rebound in the property market in Spain and Ireland will also help (see table 3), taking into account that a bursting real estate bubble was the primary cause of the past accumulation of NPEs in both countries.

Table 3

European Housing Market Forecasts

% change year on year	2016	2017	2018f	2019f	2020f	2021f
Belgium	2.5	3.6	3.4	2.8	2.3	2.0
France	1.6	3.3	2.7	2.0	2.0	2.0
Germany	6.8	4.5	4.0	3.5	3.0	3.0
Ireland	8.6	11.9	9.5	8.0	7.0	6.0
Italy	(0.3)	(0.3)	0.2	1.3	1.8	2.0
Netherlands	6.7	8.5	8.3	7.0	5.3	4.0
Portugal	7.7	10.5	9.5	7.0	6.0	5.0
Spain	4.5	7.3	5.6	4.3	3.5	3.0
Switzerland	0.4	4.0	1.8	1.8	2.1	2.0
U.K.	5.3	4.7	0.0	2.5	3.5	4.5

Sources: S&P Global Ratings, OECD, Hypoport, Wüest Partner. Data as of Aug. 24, 2018. f--Forecast.

As such, we expect the stock of NPEs in Spain to fall below 4% (€50 billion) by 2020. This compares to the €150 billion of NPEs that Spanish banks had in 2017 and the peak of over €300 billion in 2012.

The reduction has been assisted by the sale of €65 billion of gross NPEs (primarily real estate assets) by Banco Santander S.A. (Santander), Banco Bilbao Vizcaya Argentaria S.A. (BBVA), CaixaBank S.A., and Banco de Sabadell S.A. in 2017 and 2018. This amount is three times what we expected the system to work out organically in a year. Other midsize players have followed suit, selling specific portfolios to institutional investors.

In our view, the process will need to continue in order for the banking system overall to return to normal, without big discrepancies in performance and financial strength among players.

Irish banks have made remarkable progress as well. The NPE ratio fell below 10% in 2018 from 14% in 2017 and around 40% in 2014 (although data are not fully comparable between years). The European Central Bank (ECB) is strongly encouraging Irish banks to reduce their NPE ratios further, preferably to around 5% by year-end 2019. We therefore assume that the banks will need to make some further NPE portfolio sales in order to meet this target, although such transactions are not part of our base-case forecast.

Italian Banks Have Performed Better Than We Thought, But Economic Risks Remain

Since 2015, Italian banks' stock of NPEs has fallen by 40%, while coverage through provisions has improved to 54% from 47% (see table 4). As of September, we estimate Italian banks' net NPE ratios at 5.5% of customer loans, material progress compared to the peak of 11%, but still well above the European average of 1.7% and the benchmark of 2.5% envisaged by the Euro Summit.

Table 4

Gross Stock Of NPEs -- Italian Banks

Bil. €	2015	2016	2017	Q1 2018	Q2 2018	Q3 2018
Nonperforming exposures	**340,866**	**324,334**	**261,476**	**258,246**	**221,477**	**209,025**
Sofferenze (bad loans)	200,094	199,775	164,386	162,139	129,920	120,337
Unlikely to pay	126,836	117,090	92,209	90,895	86,294	83,369
90 days past due	13,936	7,469	4,881	5,212	5,263	5,136

Source: Bank of Italy. NPE--Nonperforming exposure.

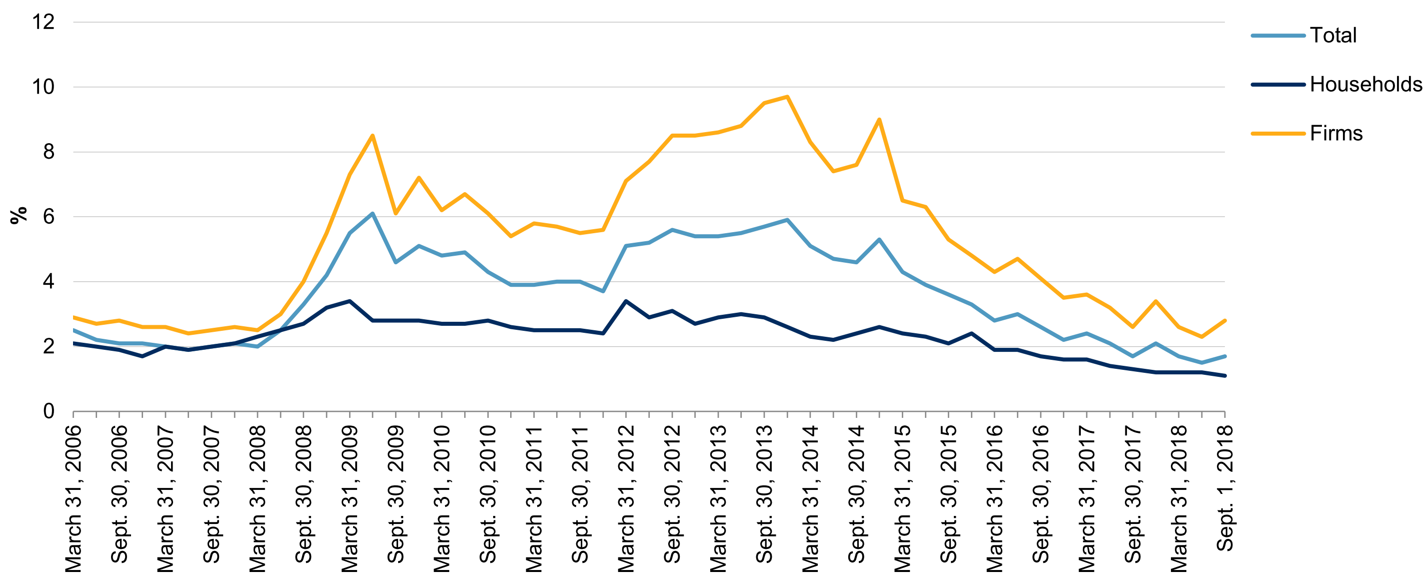
If the economy progresses as we forecast, with growth of around 0.7%-0.8% per year in 2019-2020, we anticipate the stock of NPEs falling below 10% to €160 billion-€170 billion over the next 12-18 months, with the net NPE ratio falling below 5%. Our forecast assumes that this improvement will come primarily from disposals and write-offs.

We note that around €43 billion of existing NPEs are forborne exposures that could no longer be classified as NPEs after their probation period. As a rule, if a customer previously had a concession event and their loan was classified as nonperforming, then there is a nonperforming probation period of one year from the date of the concession event. After this period, the loan is no longer nonperforming if it meets the exit criteria.

The expiration of these probationary periods, paired with the relatively low level of new inflows of NPEs (see chart 3), could support a stronger reduction than in our forecast. For most banks, new NPE inflows are now significantly below their curing or recovery rates.

Chart 3

Quarterly Inflow Of Gross NPEs



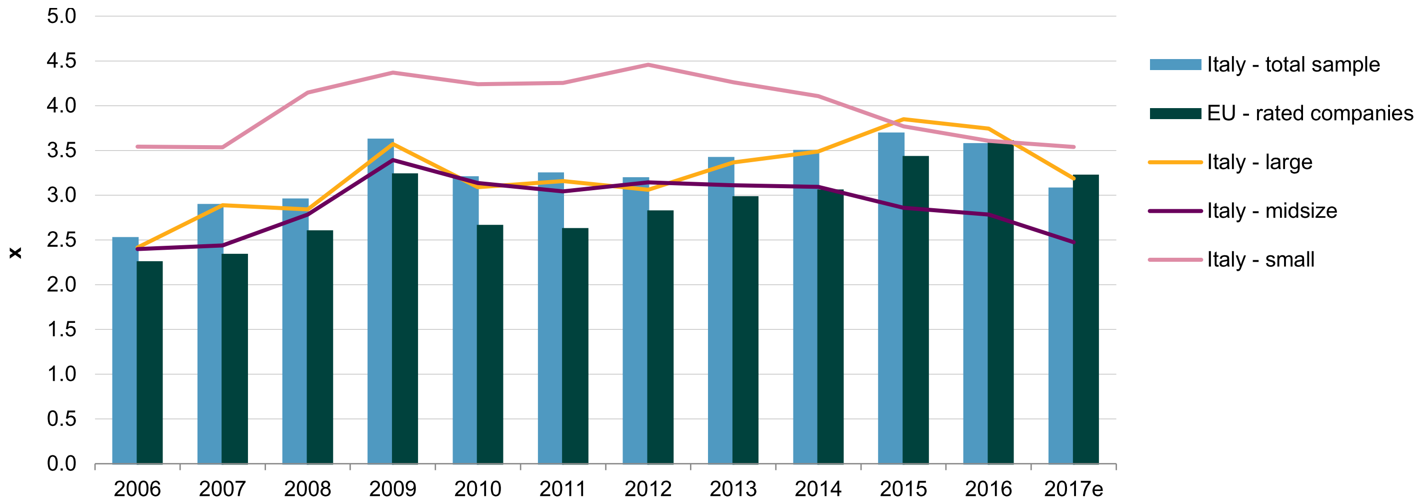
Source: Bank of Italy Financial Stability Report. NPE--Nonperforming exposure.

Against this positive backdrop, we believe that Italian banks remain among the most exposed to a potential economic slowdown. Italian GDP contracted by 0.1% and 0.2%, respectively, in the last two quarters of 2018. Therefore, compared to their Spanish or Irish peers, economic conditions appear definitely less supportive. Furthermore, while a real estate collapse was the primary cause of NPE formation in Ireland and Spain, Italian banks are more exposed to the creditworthiness of the domestic corporate sector (which represents 55% of customers loans and roughly 77% of existing NPEs), which is more sensitive to the economic cycle.

Some factors might ameliorate Italian banks' sensitivity to economic deterioration. First, banks have tightened their underwriting standards in recent years and are less likely to be caught off-guard in the event of a recession, as occurred in the most recent downturn. Second, most of the weaker financial institutions have been resolved or liquidated. And third, the corporate sector has made progress in recent years in reducing leverage (see chart 4) and improving profitability.

Chart 4

Italian Companies And Rated European Companies: Debt To EBITDA (2006-2017e)



Source: S&P Global Market Intelligence, S&P Global Ratings calculations. e--Estimate.

Still, performance among banks varies materially and, despite the progress in recent years, some of the weaker banks might be approaching a new negative phase of the credit cycle with a level of NPEs well above that at the beginning of the 2009 downturn. Hence, tail risk remains material, in our opinion.

Portuguese Banks Are Making More Gradual Progress

The more benign macroeconomic environment and property market in Portugal will likely help banks to keep reducing their large stock of NPEs. We have seen this already, specifically at the largest banks, mostly those with asset quality issues that have been implementing NPE workout strategies to reach the NPE targets agreed with the ECB. We therefore now project that the NPE ratio will further diminish to about 12.5% by end-2020 from about 16% as of mid-2018 and 20% as of end-2016.

Organic NPE reduction will be constrained by the highly leveraged private sector, which has yet to recover from the last downturn, and by the slow pace of recovery overall. Furthermore, compared to Ireland, Spain, and Italy, there have been materially less significant NPE transactions in Portugal and we expect this to remain the case. We think this primarily reflects the structure of the banking sector. Most banks do not have comparable capital flexibility to absorb the likely significant losses if they were to complete sizable transactions--comparable to those conducted by UniCredit SpA or Banca Monte dei Paschi di Siena SpA (Monte dei Paschi) in Italy or Santander in Spain, for example. As such, we expect banks in Portugal to only conclude selective sales of NPEs to gradually reduce the stock while preserving solvency. They are consequently exposed to any downturn of the economic cycle.

There Is Still A Long Journey Ahead For Greek Banks

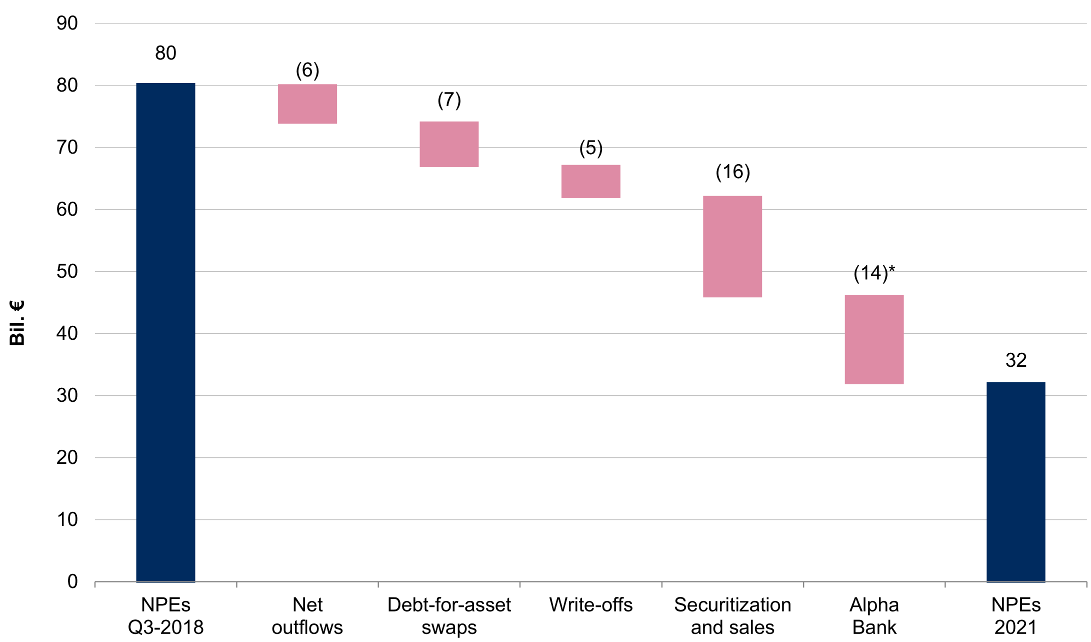
The NPE stock in Greece is likely to remain an overwhelming burden for banks in the years to come, in our opinion, although the four largest banks (representing 95% of the system) have complied so far with the NPE reduction target agreed with the European authorities. Aggregate domestic NPEs for Greek banks dropped to €84.7 billion as of the third quarter of 2018 (46.7% of total exposures) from €94.4 billion at end-2017 and €104.8 billion at end-2016. In total, NPE sales (€5.2 billion) and write-offs (€4.4 billion) accounted for the bulk of the €9.7 billion reduction.

However, the benefit from collection has been modest, in our view. The amount of new NPEs marginally exceeded the collection rate for the system during the first nine months of last year, despite some benefits from the initiatives taken to facilitate and speed up the still quite lengthy recovery process. NPE accumulation was mainly due to re-defaults, suggesting that the financial flexibility of both households and businesses remains weak and banks are still struggling to put in place viable long-term restructuring solutions.

Going forward, the four largest banks agreed with the ECB's Single Supervisory Mechanism on a new ambitious target for 2021. The aggregated target is to reach €32 billion of NPEs by 2021, likely to correspond to roughly 15%-25% of customer loans (see chart 5).

Chart 5

Cumulative NPE Reduction Plan



Source: S&P Global Ratings. *Alpha Bank's announced NPE reduction.
NPE--Nonperforming exposure. Q3--Third quarter.

To achieve these targets, banks will have to materially accelerate NPE reduction and, in our view, they need the economic recovery to continue, as well as a reduction of the barriers presented by the slow and inefficient judicial system. Yet to complete 75% of their reduction plans, Greek banks are materially more exposed than other banking sectors to a potential economic slowdown. And, if they achieve their ambitious targets by 2021, their asset quality metrics would still be materially worse than all the other banking sectors in Europe.

Based on the experience of peers like Spain, Ireland, Slovenia, Cyprus, and to a lesser extent Italy, we believe that a faster decline in NPEs may not be possible without a more resolute approach and involvement of additional government intervention.

We understand that the authorities are considering actions to accelerate the process. These include the possible introduction of an asset-protection scheme similar to the one introduced in Italy, where the government provides a guarantee to senior tranches of NPE securitizations. In addition, the bank of Greece presented its plan to set up an asset management company for NPEs. Under this plan, banks will transfer half (about €8.1 billion out of €16.2 billion) of their deferred tax credits (DTCs) into a jointly-owned special-purpose vehicle. This entity will in turn issue bonds (backed by these DTCs), using the proceeds to buy €42 billion of NPEs from Greek banks at book value. According to the central bank, this structure would comply with European State Aid regulation. Therefore, the proposed scheme is equivalent to a "bad bank", where the key question of funding is side-stepped by attempting to monetize and leverage-off DTCs. We believe that both projects are still preliminary and likely require additional details. Furthermore, the investor appetite for these assets are yet to be tested ahead of upcoming elections in 2019, and we may not see much more progress until electoral considerations are resolved.

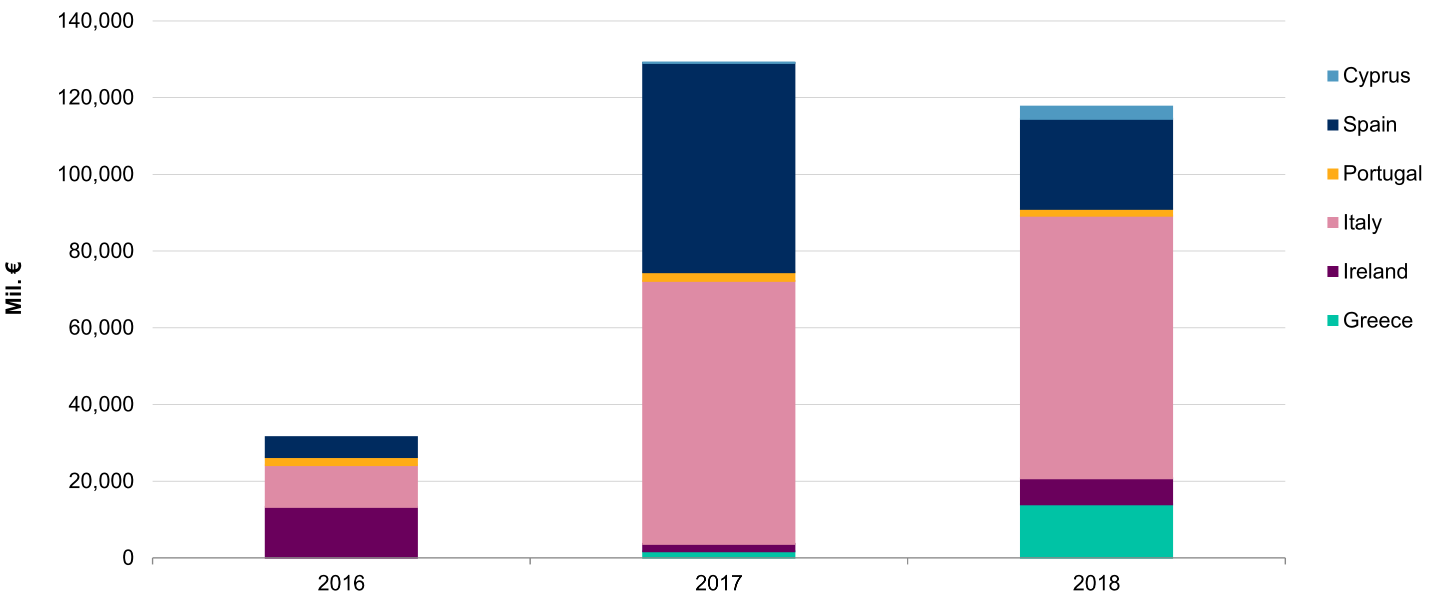
Disposals Will Remain A Key Driver Of Further NPE Contraction

One of key main objectives of the European Commission's (EC's) action plan on NPE reduction launched in 2017 was to enhance the secondary market for those assets. This project--to achieve a well-functioning common transaction platform within the member states where investors can see books of assets up for sale--is still under way, but the market for distressed assets has rapidly developed since.

We estimate that NPE disposals have likely exceeded €110 billion in 2018, effectively mirroring the trend we saw in 2017. We expect this positive trend to continue in the coming quarters, as banks in Southern Europe and Ireland continue to have NPEs well in excess of the average of eurozone countries and internal recoveries are unlikely to be sufficient to rapidly narrow this gap.

Chart 6

Estimated Volume Of NPE Sales



Source: S&P Global Ratings estimate. NPE--Nonperforming exposure.

A few factors will continue to support this positive momentum, in our opinion:

- The secondary market of NPEs is functioning better because of improved flows of data and information on historical performance. We have observed significant availability to investors and funds in the past, but the lack of transparency and updated information often made deals less appealing for both sides.
- Several banks have aligned the valuations of a large portion of their NPEs to the market price in order to sell them. As such, management have accepted frontloading more losses than expected to get rid of those bad assets.
- Related to this, the first-time adoption of IFRS 9 allowed banks to frontload losses of NPEs they intended to sell, with the possibility of spreading the effects on their regulatory capital ratios over five years, without necessarily forcing banks to raise capital. This was particularly important for banks in Italy, Greece, and Portugal.
- Finally, the ECB took an active role in working with the banks to tackle this issue more effectively. Most banks were required to present a credible plan and stick to it. They were not forced to sell at any price but neither to wait years to sort this issue out.

We anticipate that the nominal value of NPEs to be disposed of in 2019 will likely be lower than in the previous two years, however. This is primarily because the 2017-2018 figures were inflated, in our view, by the large deals completed by some of big financial institutions (UniCredit, Santander, and BBVA), or distressed banks bailed out by the government (for instance, Monte dei Paschi in Italy). In addition, the liquidation of a few banks led to the transfer of a large portion of their NPEs to bad banks both financed through government funds (as in the case of Veneto Banca SpA and Banca Popolare di Vicenza ScpA) and managed by a government-related entity (as in the case of SGA). Irish banks also completed meaningful deals at the end of year.

In addition, some supportive factors, such as the Italian government guarantee of senior tranches of NPE securitizations, have become less attractive for banks in recent months as the market's concerns regarding Italian sovereign creditworthiness caused costs to rise. This is because their cost depends on the average credit default spread of the group of domestic issuers.

We expect securitizations of NPEs to continue to represent the main way that banks transfer NPEs out their balance sheet and sell them. Several reasons explain the choice of the securitization tool. One is the well-established, regulated, and tested securitization framework, as all countries in Southern Europe have securitization laws implemented several years ago. Furthermore, securitizations appeal a wider group of investors thanks to the ability to issue various tranches of notes, each of them bearing a different level of risk and consequently paying a different yield. In some cases, investors also have the chance to select the servicer that takes care of the work-out process of the loans, and therefore can better control the implementation of the business plan. The servicer's past experience could help speed up the whole portfolio's due diligence process, which, in turn, will help to achieve the pool's purchase price for the purpose of the securitization. Similarly, sellers could prefer to use a securitization transaction because they can act as servicer to maintain the relationship with their customers.

We also believe the recent development of the secondary markets of NPEs reduces the need for the creation of a Europe-wide asset management company (or bad bank) specialized in NPEs to drive a more rapid solution for banks. A well-functioning market is sufficient, providing there is transparency in data flows, investor appetite exists, and banks are willing to sell at a price that does not materially reduce capital. In some specific cases, as we have mentioned for Greece, a domestic solution would speed the process up when there is not enough market capacity to absorb a large portion of the stock in an acceptable time frame.

European Authorities Could Take A Stricter Stance On Residual NPEs

Despite the progress in tackling the stock of NPEs, we do not believe these results were sufficient to make all EU member states feel that the risk reduction process is complete and is no longer an obstacle for a deepening of the banking union by further mutualizing risks. We observe that a large number of banks whose asset quality metrics compare poorly with most banks in the EU distributed dividends to shareholders in 2018 or plan to do so in 2019. Risk reduction metrics primarily refer to regulatory capital ratios, leverage, funding, and liquidity, and building up loss-absorbing buffers such as minimum requirements for own funds and eligible liabilities and total loss-absorbing capacity. There is not yet a specific requirement for asset quality metrics within the risk reduction framework, although there is a clear ambition for European banks to gradually reduce gross NPEs below 5% (2.5% net of provisions) where relevant. The authorities decided to assess the asset quality, and consequently the banks' capital requirements, as part of the supervisory review and evaluation process.

We consider that European authorities have taken some effective measures--in particular the so-called calendar provisioning--that will increasingly reduce banks' regulatory capital incentives to keep long-dated NPEs on their balance sheets, ensuring adequate coverage while taking a more conservative approach to capital management. Since 2018, calendar provisioning requires banks to set aside a minimum amount of provisions of new NPEs (see table 5).

Table 5

Minimum Coverage Level For New NPEs –– EC Rule Versus ECB Guidance

(%)

After year	1	2	3	4	5	6	7	8	9	10
Secured part										
ECB	0	0	40	55	70	85	100			
EC	0	0	26	42	69	80	80	85	100	
Unsecured part										
ECB	0	100								
EC	0	35	100							

Sources: EC, ECB. EC--European Commission. ECB--European Central Bank. NPE--Nonperforming exposure.

The main difference between the approach of the EC and the ECB is that the EC sets a minimum standard that banks are obliged to meet, while the ECB's more ambitious guidance is still part of the normal discussion between banks and the regulator. Although the true effect of these measures will become more apparent over time, they will increase transparency for market participants and push banks to take a more proactive stance in getting rid of NPEs in the coming years.

We understand, however, that the ECB is pushing banks to take a more proactive stance on existing NPEs as well. Several recent press reports indicated that the ECB sent a request to all 107 supervised financial institutions in Europe requiring them to progressively increase the coverage of existing NPEs up to 100% within a specific time frame after they become nonperforming. As part of the regular discussions between institutions, we anticipate that the requests, which a few banks have confirmed they have received, might vary significantly. We understand that the ECB's requests likely refer to five-to-eight further years for credits that are already largely provisioned. We see those measures as part of what we view as a pragmatic stance by the ECB with the aim of pushing banks to shed their NPEs without necessarily forcing large capital injections. Capital markets are likely to remain challenging for banks in most periphery countries and banks might struggle to find capital under these conditions too.

More Rapid Progress In Asset Quality Could Support Banks' Creditworthiness

Our current assessment of the banking sectors in Southern Europe and Ireland factor in the different stages of their economic and credit cycles and how the existing and projected stock of NPEs weigh on domestic banks' creditworthiness. In particular, the rapid progress we have seen in Spain and Ireland have supported upgrades of banks in these countries over the past couple of years. Their experiences showed that a rapid intervention in addressing NPEs and capitalization could have positive repercussions for the economic recovery. In Ireland, in 2009 five financial institutions transferred loans totaling €74 billion to the National Asset Management Agency (NAMA) at an average discount to book value of 57%. Three years later, Spain set up its Sociedad de gestion de Activos Procedentes dela Reestructuracion Bancaria (SAREB). This centralized vehicle's purpose was to manage the real estate exposures of nine banks that received government support and transferred about €106 billion assets (about €50 billion net value) at an average discount to book value of 52%. The amount of assets transferred to NAMA and SAREB, also including some loans still performing at that time, was material compared to the stock of NPAs Irish and Spanish banks had accumulated: we estimate about 50% in Ireland and 25% in Spain. As such, subsequent asset quality deterioration did not harm the banks that transferred the risky portfolio out of their balance sheets.

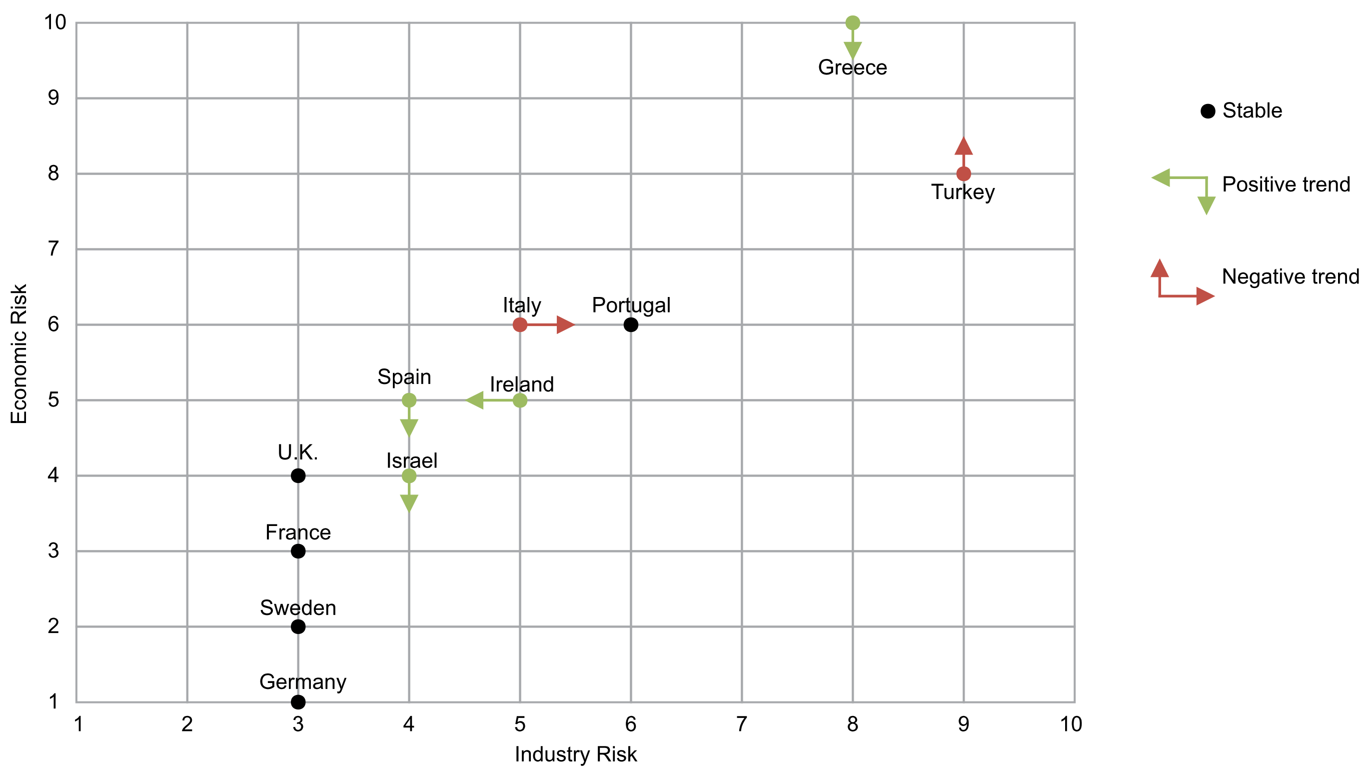
For Italy and Portugal, we consider that the banking sector is still absorbing the effect of the last recession on the banks' asset quality, despite the remarkable progress they have made. Credit losses still remain the main drag on the banks' profitability compared to most of their other European peers.

We therefore continue to believe that further progress in tackling asset quality issues is key to improving the banks' creditworthiness. We also observe that banks still holding sizable NPE stocks are more exposed to sudden changes in investor confidence, consequently affecting their ability to access capital markets.

Even if we see good progress on NPE reduction, our ratings will continue to reflect other important drivers of bank creditworthiness as well. Changes in the macroeconomic backdrop, our view of business model strength, and the adequacy of core profitability and sovereign creditworthiness could all have a bearing on our ratings on these banks in 2019.

Chart 8

Selected Economic And Industry Risk Trends



Source: S&P Global Ratings.

Related Research

- Banking Industry Country Risk Assessment: Spain, Feb. 6, 2019
- The Government's Intervention In Carige Is One Step Closer To Ending The Long-Running Story Of Italy's Troubled Banks, Jan. 9, 2019
- Banking Risk Indicators: December 2018 Update, Jan. 3, 2019
- Banking Industry Country Risk Assessment: Italy, Dec. 6, 2018
- Banking Industry Country Risk Assessment: Ireland, Dec. 17, 2018
- Rating Considerations For Italian Securitizations Of Nonperforming Loans, Nov. 13, 2018
- Italian Banks Need Economic Stability To Recover, But Still Face Market Turbulence, June 11, 2018

This report does not constitute a rating action.

Contact List

PRIMARY CREDIT ANALYST

Mirko Sanna
Milan
(39) 02-72111-275
mirko.sanna@spglobal.com

SECONDARY CONTACT

Elena Iparraguirre
Madrid
(34) 91-389-6963
elena.iparraguirre@spglobal.com

SECONDARY CONTACT

Nigel Greenwood
London
(44) 20-7176-1066
nigel.greenwood@spglobal.com

SECONDARY CONTACT

Francesca Sacchi
Milan
(39) 02-72111-272
francesca.sacchi@spglobal.com

SECONDARY CONTACT

Lucia Gonzalez
Madrid
+ 34 91 788 7219
lucia.gonzalez@spglobal.com

SECONDARY CONTACT

Giuseppina Martelli
Milan
(39) 02-72111-274
giuseppina.martelli@spglobal.com

SECONDARY CONTACT

Alessandro Ulliana
Milan
(39) 02-72111-228
alessandro.ulliana@spglobal.com

SECONDARY CONTACT

Pierre Hollegien
Paris
(33) 1-4075-2513
Pierre.Hollegien@spglobal.com

STRUCTURED FINANCE CONTACT

Fabio Alderotti
Madrid
(34) 91-788-7214
fabio.alderotti@spglobal.com