

Letters

A fairer view of the Italian banking system

Sir, I think that criticism can be a stimulus to better address problems only when based on objective data and evidence. Otherwise, they can be quite deleterious. In the case of Wolfgang Münchau's column "Athens and Rome expose Europe's greatest faultlines" (February 1), in which he criticised the Italian banking system, the misrepresentation of facts has potentially harmful effects on the markets.

First, the cited €200bn of non-performing loans and €150bn of troubled debts are gross values and could be easily misleading. More telling figures are the net value of NPLs, which stands at around €88bn, with a 59 per cent coverage ratio (above the European mean), and the net value of troubled debts, which stands at €115bn with a 26 per cent coverage ratio. Thus, the correct amount of NPLs where actions are needed is only €88bn, 5.3 per cent of total gross loans to customers.

Furthermore, Mr Münchau improperly compares the credit default swaps used in the guarantee scheme for Italian NPL securitisations with the ones issued in the pre-2007 credit bubble. Those products were mainly a

derivatives guaranteed by mortgages issued during a period of strong credit standard reduction in the US banking system as well as housing bubble. On the contrary, the CDSs used in the new scheme are on senior bonds issued by rated Italian issuers. Same products, but completely different underlying credit assets. Market operators traditionally use CDS prices as a proxy of risk and for this reason the Italian government selected this product to determine the guarantees price.

It would be fair to add that the amount of Italian NPLs is a direct consequence of the double-dip recession suffered by the country's economy since 2008, where Italy lost around 9 per cent of gross domestic product and 25 per cent of industrial production. As Italian banks have traditional business models, based on loans to the real economy, the rise of NPLs is far from being unexpected and actually is in line with the magnitude of the macroeconomic shock.

It is therefore a historical crisis that the Italian banking system has been fighting without state aids, unlike other European countries.

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Un'opinione più imparziale del sistema bancario italiano

