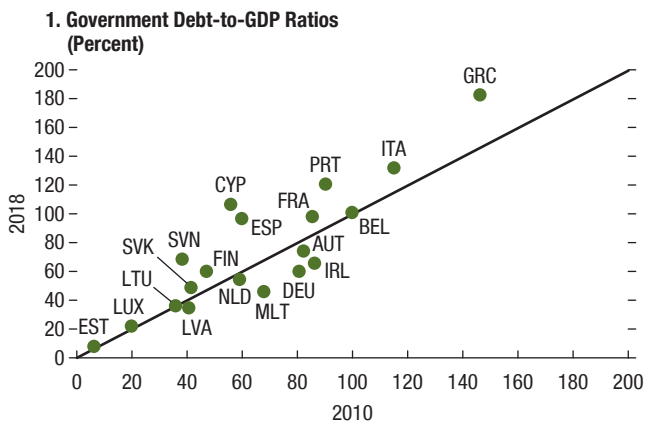
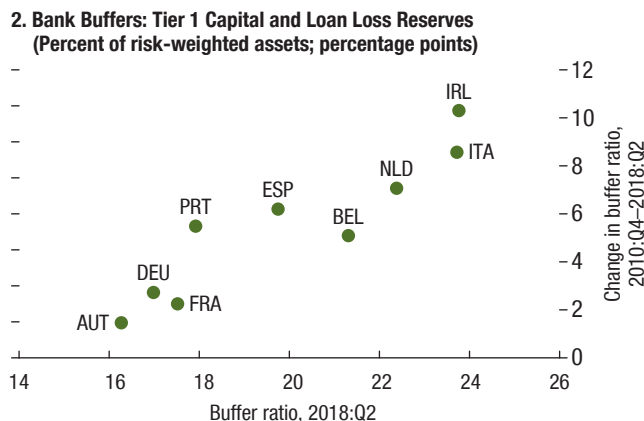


Figure 1.15. The Euro Area Sovereign–Financial Sector Nexus

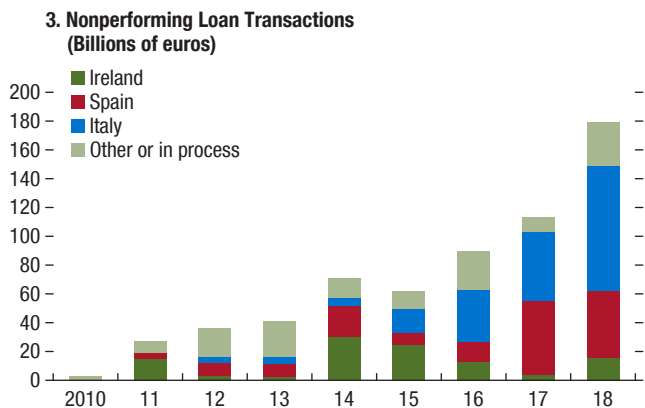
Government indebtedness has risen in several countries.



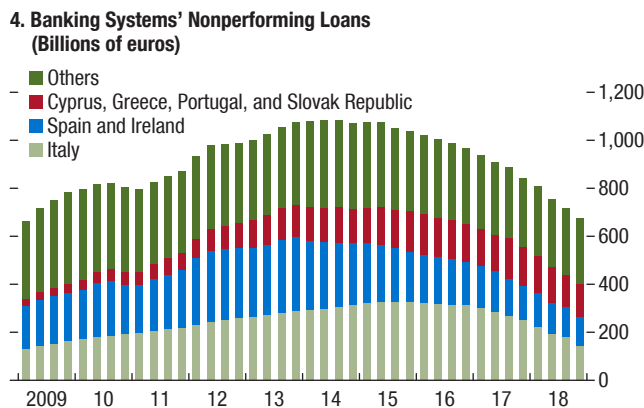
Regulators required banks to increase their buffers ...



... and efforts have been made to dispose of nonperforming loans ...



... but banks need to continue reducing the stock of nonperforming loans on their balance sheets.



Sources: Deloitte; European Banking Authority; Haver Analytics; PricewaterhouseCoopers; IMF, Financial Soundness Indicators database; IMF, World Economic Outlook database; and IMF staff analysis.

Note: Panel 2 is based on the sample of banks in the European Banking Authority's transparency exercise (EBA banks). In panel 4, the data on nonperforming loans are for banking systems in aggregate (from the IMF Financial Soundness Indicators database). Data labels in the figure use International Organization for Standardization (ISO) country codes.