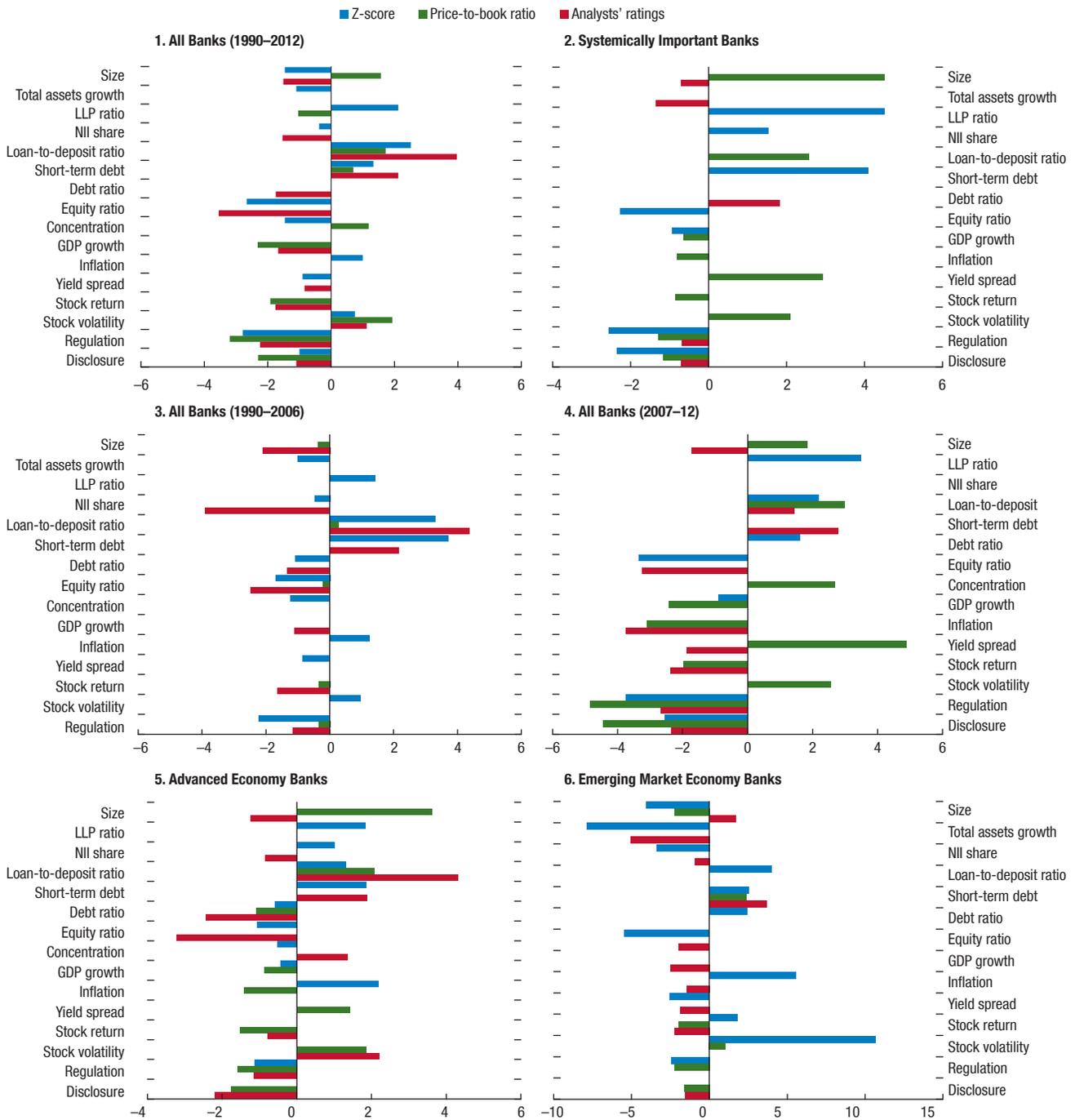


Figure 3.18. Contribution of Specific Variables to Bank Distress in Probit Models
(Relative size; percentage points)



Sources: Bloomberg, L.P.; and IMF staff estimates.

Note: LLP = loan loss provisions; NII share = net interest income in percent of operating income. Regulation and disclosure are the first and second principal component scores, derived from the four World Bank indicators of regulatory and institutional quality. See Table 3.3 for details on factors and their definitions. Figure shows the economic significance of bank and country characteristics, evaluated at the variable's mean plus 1 standard deviation on the probability of distress specified under alternative distress models and samples. Bank distress is a dummy variable, defined either as a z-score below 3, price-to-book ratio below 0.5, or average analyst ratings of 2.5 or lower. Different probit estimations are performed for the full 1990–2012 sample (all banks), the 2007–12 period, advanced economy banks, and emerging market economy banks. The emerging market economy sample contains banks from developing Asia and central and eastern Europe.