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Financing Policy
General Financial Markets: Government Policy and Regulation
Goodwill
Industries: Financial Services
Loans
Micro Finance Institutions
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Nota di contenuto	Contents; I. Introduction; II. The Merton Framework Using Book Value Data; Figures; 1. Distribution of Asset Value; III. Background: A Few Stylized Facts About the Mexican Banking System; IV. Estimating Credit Risk Indicators for the Mexican Banking Sector; A. Data and Methodological Assumptions; B. Credit Risk Indicators; C. Book-Value Credit Risk Indicators and Other Measures of Banking Risk; 2. Correlation Between EDF and NPL; Tables; 1. Granger Tests for the Aggregated Banking System; 3a. Distribution of EDF (LCU); 3b. Distribution of NPL (in % of TA); V. Assessing Macrofinancial Linkages 2. Stepwise Regression for the Aggregated Banking SystemPanel A: Using estimated EDF as the dependent variable and NPL as one of the possible covariates.; Panel B: When NPL is not one of the possible covariates; 3. Determinants of Individual Banks' EDFs: Results of Stepwise Regressions; VI. Summary and Conclusion; 4. Panel Regression Results; 4. Banking Risk Indicators, December 1998-June 2008; 5. Large Banks: Banking Risk Indicators, December 1998-June 2008; 6. Small- and Medium-Size Banks: Banking Risk Indicators, December 2002-June 2008 7. Small Subsidies of Foreign Banks: Banking Risk Indicators, December 1998-June 20088. BACC: Banking Risk Indicators, December 1998-June 2008; 9. Bank 1: Banking Risk Indicators, December 1998-June 2008; 10. Bank 2: Banking Risk Indicators, December 1998-June 2008; 11. Bank 3: Banking Risk Indicators, December 1998-June 2008; 12. Bank 4: Banking Risk Indicators, December 1998-June 2008; 13. Bank 5: Banking Risk Indicators, December 1998-June 2008; References; Appendix
Sommario/riassunto	The credit risk measures we develop in this paper are used to investigate macrofinancial linkages in the Mexican banking system. Domestic and external macro-financial variables are found to be closely associated with banking soundness. At the aggregate level, high external volatility and domestic interest rates are associated with higher expected default probability. Though results vary substantially across individual banks, domestic activity and U.S. growth, and higher

asset prices, are generally associated with lower credit risks, while increased volatility worsens credit risks. The expected default probability is also found to be a leading indicator of traditional financial stability indicators.