

## INTERNATIONAL SAVINGS BANKS

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# The Savings Banks Organisation in Italy

The Italian banking system was shaped by the interventionist banking legislation of the 1930s until the mid-1980s. The late liberalisation of the industry began with the transformation of banks and savings banks into public companies. The share ownership was transferred to foundations. This so-called "formal" privatisation was implemented in 1990 with the Amato law.

In 1993 the Italian government reached an agreement with the EU Commission on the material privatisation of the banking sector, including the public savings banks (Andreatta-Van Miert agreement). The initially public foundations were therefore converted into private foundations and in 1998 they were forced to sell their majority stakes in the bank stock companies with few exceptions.

The sale of the shares also favoured the consolidation of the Italian banking sector. Since then, a large number of savings banks have been merged into the two large units, Unicredit and Intesa Sanpaolo, among whose shareholders there are still a few foundations.

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## The Italian banking market

In macroeconomic terms, the importance of the banking sector in Italy is below average compared with other European countries. In 2019, the balance sheet total of all banks was approximately 1.6 times the country's overall economic output. By comparison, the European average was 2.4 times the GDP. The bank branch network in Italy is strongly above average, with 2,479 inhabitants per branch. By comparison, the European average is 3,145 inhabitants per branch (see charts 1 and 2).

In 2019, the portfolio of loans at risk of default at Italian banks stood at 6.7%, well above the average of 2.7% in other European countries. The cost-income ratio of Italian banks in 2019 was 65%, slightly higher than in other European countries. Profitability, measured by return on equity, was slightly below that of other European banks in 2019 (see charts 3 and 4).

Italian banks are still suffering from the consequences of the European debt crisis, especially from the still very high levels of non-performing loans (NPLs). However, between 2015 and 2019, these have fallen sharply from 18.0% to 6.7%, mainly due to portfolio sales. The largest share of NPLs continues to come from the corporate lending sector and amounted to 71% in the first half of 2019.

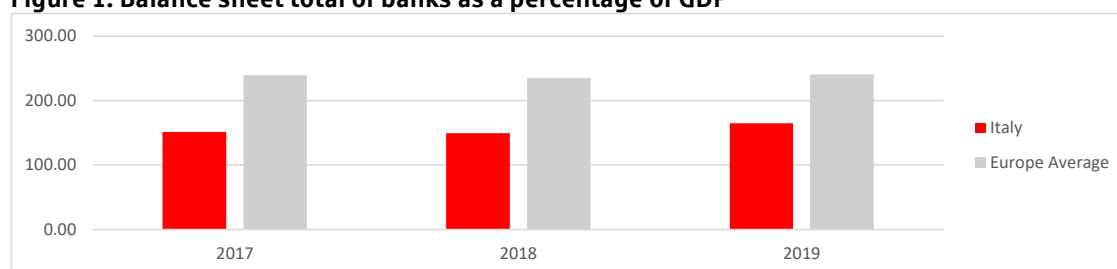
Italy has the second highest level of government debt in the EU after Greece, at around 134.8% of GDP. This makes the country vulnerable to a general rise in interest rates or a widening of credit spreads on Italian government bonds. In contrast, private households and companies have reduced their debt levels slightly in recent years against the backdrop of rising wages, low interest rates and higher growth rates.

**Table 1: Italian banks by balance sheet total**

Group	2019	2018	2017	2016
Unicredit SpA	856	832	827	860
Intesa Sanpaolo	816	788	794	725
Cassa Depositi e Prestiti	449	425	420	411
Banco BPM	167	160	161	168
Banca dei Paschi	132	130	139	153

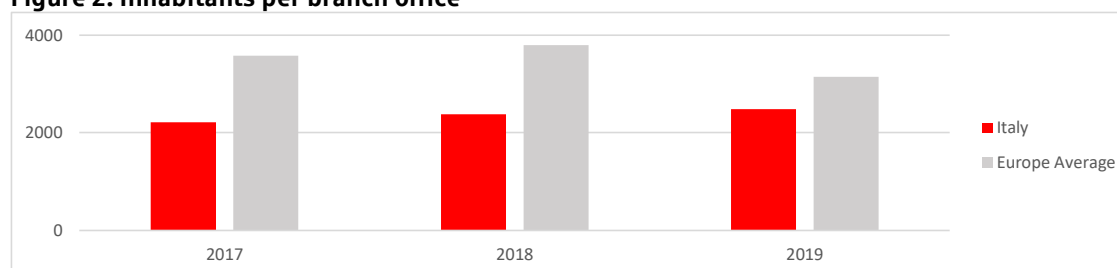
Source: Financial reports of the respective institute, 2019, in billion euros

**Figure 1: Balance sheet total of banks as a percentage of GDP**



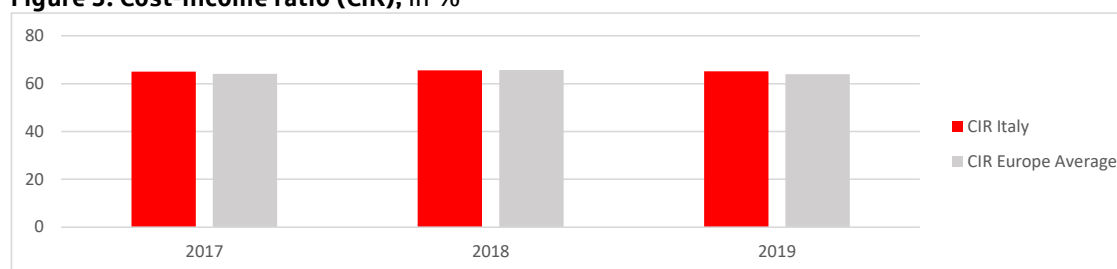
Source: European Central Bank, 2020, own calculations

**Figure 2: Inhabitants per branch office**



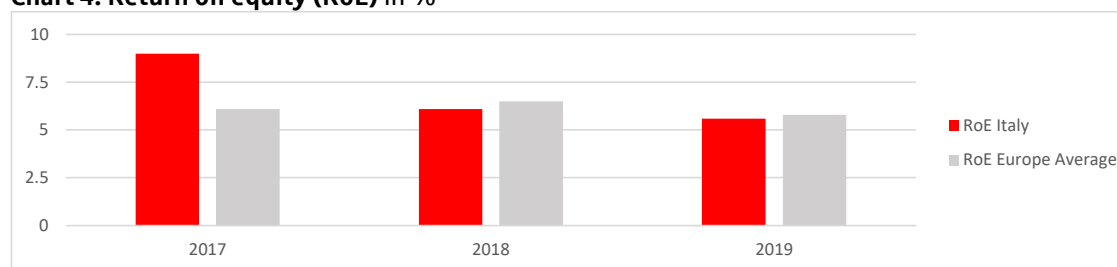
Source: European Central Bank, Eurostat 2020, own calculations

**Figure 3: Cost-income ratio (CIR), in %**



Source: European Central Bank, 2020

**Chart 4: Return on equity (RoE) in %**



Source: EBA Dashboard, 2019

## The Italian savings banks

The first savings banks (Casse di Risparmio) in Italy were founded in the early 19th century as institutions with a dual mission. On the one hand, they were to provide banking services to the population and, on the other, they were to pursue charitable purposes.

Starting in the 1990s, the savings banks, which were originally set up under public law, were converted into operational joint stock companies with private sponsoring foundations. The philanthropic role of the savings banks was assigned to the sponsoring foundations. The following table provides an overview of the individual statutory regulations for savings banks:

**Table 2: Statutory regulations for savings banks**

Year	Law
1990	Amato Law Formal Privatisation Obligation to retain majority shares through the foundations
1998	Ciampi Law: Material Privatisation Obligation to sell the majority stake
2005	End of tax exemption for sales of savings bank shares Preliminary completion of privatisation

Source: Italian Savings Banks Association ACRI, 2016

Legally speaking, savings banks in Italy are no longer a separate banking group and are not covered separately by the Banca d'Italia. The savings banks association ACRI defines savings banks as those banking corporations that have emerged from savings banks.

The background to the privatisation of the Italian savings banks was the political will to make the banking sector more efficient and to reduce the gross debt of the state before the introduction of the euro (Maastricht criterion). At the same time as the savings banks, the majority of the banks, some of which had already been nationalised in 1933, were privatised.

As part of the privatisation of the savings banks, the majority of the sponsoring foundations were forced to sell their majority shares in the savings banks. This favoured a consolidation of the Italian savings banks. A large number of savings banks have therefore been merged into the two large conglomerates Unicredit and Intesa Sanpaolo, among whose shareholders are still a number of foundations.

There are currently 88 foundations. Those include:

- 6 (smaller) foundations more than 50%,
- 44 foundations a minority shareholding of less than 50% and
- 38 Foundations no direct participation in the capital of their savings bank.

The 5 largest foundations, which together account for 47.5% of the total foundation capital, are

- C.R. Provincie Lombarde Foundation
- Compagnia di San Paolo
- Fondazione C.R. Torino
- C.R. Padua and Rovigo Foundation
- Fondazione C.R. Verona Vicenza B.A.

**Figure 5:** Geographical distribution of Savings Banks Foundations



Source: Italian Association of Savings Banks ACRI, [www.acri.it](http://www.acri.it) 2020

At EUR 39.6 billion, investments in savings banks accounted for 87% of the foundations' total assets at the end of 2018. The overall result in 2018 was EUR 1.1 billion, a significant negative deviation of -48% compared to the previous year. All income components contributed to this negative development. In 2018, the foundations spent Euro 1,024.6 million (previous year: Euro 984.6 million) to promote the common good in 20,153 (previous year: 19,860) different projects.

**Table 4: Important structural characteristics of Italian Savings Banks**

<b>Legal form</b>	Banking business in public limited companies (made possible by the Amato Act 1990, conversion completed in 1993), private law foundations
<b>Business activities</b>	No restriction of business activities.
<b>Regional principle</b>	Since 1962, it has been possible to establish branches nationwide with the approval of the central bank. The regional principle was abolished in 1990.
<b>Foundations</b>	The sponsoring institutions, which were initially set up as public-law foundations, have now been completely transformed into private-law foundations (required by the Ciampi Act). By the end of 2005, the foundations also had to reduce their shareholding in the public limited company to below 50%. This does not apply to foundations with a capital of up to EUR 200 million.
<b>Public welfare orientation</b>	Perceived by supporting foundations.

**Table 5: Key figures for Italian savings banks**

	2018
Total assets	74.4
Deposits	56.3
Equity	5.3
Offices	1,683
Employees	11,951

Source: Website of the association ACRI, 2020, in billion euros

**Table 6: Key figures of the five largest savings banks**

	Total Assets	Equity	Offices
Banca Carige Spa- B.M. di Lucca Spa	22.1	1.8	589
Banca di Sardegna Spa	12.7	0.9	336
Banca C.R. Asti Spa	11.9	0.8	241
C.R. di Bolzano Spa	9.1	0.7	105
La Cassa Ravenna Spa	7.6	0.4	133

Source: Website of the ACRI association, 2020, in billions of euros

## The umbrella association: Associazione fra le Casse di Risparmio Italiane (ACRI)

The National Association of Italian Savings Banks was founded in 1912. It currently has 108 members.

**Table 7: ACRI structural characteristics**

<b>Members</b>	13 savings banks, 83 foundations, 8 regional foundations, 2 foreign foundations, 2 other companies.
<b>Legal form</b>	Association
<b>Purpose</b>	<ul style="list-style-type: none"> <li>• Representation of the interests of savings banks and savings bank foundations.</li> <li>• Coordination of the activities of the members, implementation of joint projects.</li> <li>• Promotion of cooperation between the members as well as domestic and foreign companies and organisations.</li> <li>• Negotiation of the bases of agreements and arrangements, which are submitted to the members for approval.</li> </ul>

# Imprint

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