

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 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 to other European countries. In 2020, the balance sheet total of all banks was approximately 1.8 times the country's overall economic output. In comparison, the European average was 2.5 times the GDP. The bank branch network in Italy is well developed with 2,536 inhabitants per branch. In comparison, the European average is 3,125 inhabitants per branch (see charts 1 and 2).

In 2020, the portfolio of loans at risk of default at Italian banks stood at 4.1%, well above the average of 2.7% in other European countries. The cost-income ratio of Italian banks in 2020 was 73%, which is above the level of other European countries. Profitability, measured by return on equity, plummeted in 2020 and was far below that of other banks in Europe (see charts 3 and 4).

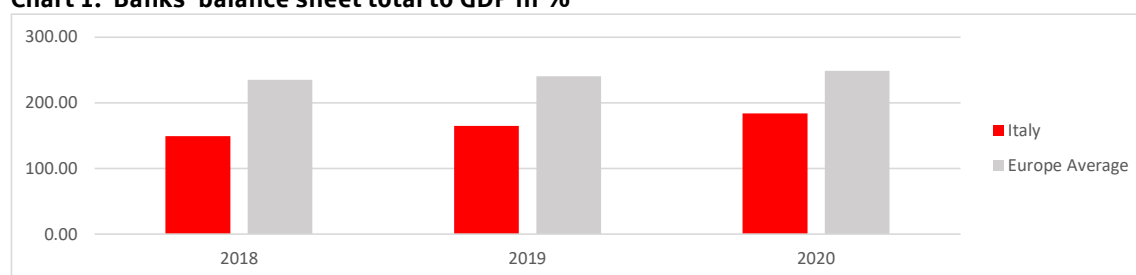
Italian banks continue to suffer from a difficult business environment, characterised by weak economic growth, poor credit quality, strong competition and low interest margins. Nevertheless, the large institutions are well on their way in the reduction of bad loans. Despite the extensive government aid programmes for private individuals and companies due to the Corona crisis, a significant increase in NPL ratios is to be expected. Capital measures and mergers are therefore likely to become more of an issue again for smaller banks. Regardless of their size, most banks are burdened by their high exposure to domestic government bonds - this threatens to lead to a sharp increase in government debt in the wake of the pandemic. Italy has the second-highest level of government debt in the EU after Greece, at around 154% of GDP. All in all, Italian banks are therefore still subject to considerable risks.

Table 1: Italian banks by balance sheet total

Group	2020	2019	2018	2017	2016
Intesa Sanpaolo	1,003	816	788	794	725
Unicredit SpA	931	856	832	827	860
Cassa Depositi e Prestiti	512	449	425	420	411
Banco BPM	183	167	160	161	168
Banca dei Paschi	150	132	130	139	153

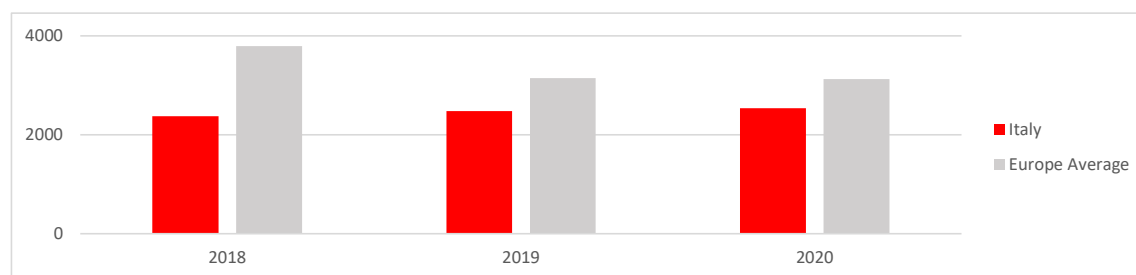
Source: Financial reports of the respective institute, 2020, in billions of euros

Chart 1: Banks' balance sheet total to GDP in %



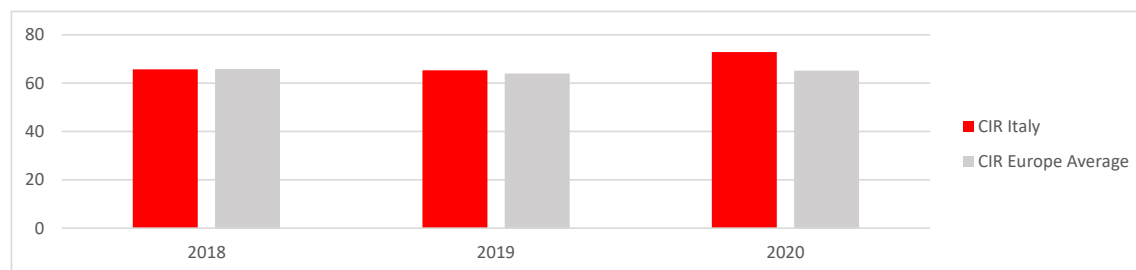
Source: European Central Bank, 2021, own calculations

Chart 2: Inhabitants per branch office (EpG)



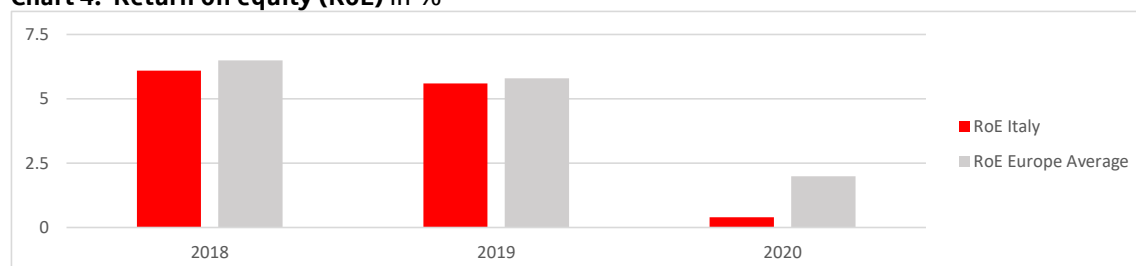
Source: European Central Bank, Eurostat 2021, own calculations

Chart 3: Cost-income ratio (CIR) in %



Source: European Central Bank, 2021

Chart 4: Return on equity (RoE) in %



Source: EBA Dashboard, 2020

The Italian savings banks

The first savings banks in Italy (Casse di Risparmio) 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, to pursue charitable purposes.

Starting in the 1990s, the originally public savings banks were converted into operational joint-stock companies with private sponsoring foundations. In this process, the philanthropic role of the savings banks was assigned to the sponsoring foundations. The following table provides an overview of the individual legal regulations for savings banks:

Table 2: Statutory requirements 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, the savings banks in Italy are no longer a separate group of credit institutions and are not covered separately by the Banca d'Italia. The savings banks association ACRI defines savings banks as those joint-stock banking companies that have emerged from savings banks.

The background for 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). The majority of banks, some of which had already been nationalised in 1933, were privatised at the same time as the savings banks.

As part of the privatisation of the savings banks, most of the sponsoring foundations were forced to sell their majority shares in the savings banks. This promoted 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 there are still a number of foundations.

There are currently 86 foundations. These include :

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

The 5 largest foundations, which together account for 47.7% of the total foundation capital, are:

- Fondazione C.R. Provincie Lombarde
- Compagnia di San Paolo
- Fondazione C.R. Torino
- Fondazione C.R. Padova e Rovigo
- Fondazione C.R. Verona Vicenza B.A.

Chart 5: Geographical distribution of savings bank foundations



Source: Italian Savings Banks Association ACRI, www.acri.it 2021

At 40.3 billion euros, investments in savings banks accounted for 86% of the foundations' total assets at the end of 2019. The total result in 2019 was 2.6 billion euros, a clearly positive change of 140% compared with the previous year. Dividend income and the result of asset management have contributed substantially to the positive development. In 2019, the foundations spent 910.6 million euros (previous year 1,024.6 million euros) to promote the common good in 19,378 different projects (previous year 20,081 projects).

Table 4: Important structural features of Italian savings banks

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

Table 5: Key figures of Italian savings banks

	2019
Total assets	76.3
Deposits	58.2
Equity	5.0
Offices	1,530
Employees	12,134

Source: ACRI association website, 20 21, in billions of euros or number

Table 6: Key figures of the five largest savings banks

	Total Assets	Equity	Offices
Banca Carige Spa- B.M. di Lucca Spa	24.1	1.6	488
Banca di Sardegna Spa	13.4	0.9	343
Banca C.R. Asti Spa	13.0	0.8	236
C.R. di Bolzano Spa	9.6	0.7	105
La Cassa Ravenna Spa	7.4	0.5	133

Source: ACRI association website, 2021, in billion euros or number

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

The National Association of Italian Savings Banks was founded in 1912. It currently has 106 members.

Table 7: ACRI structural characteristics

Members	11 savings banks , 83 foundations, 8 regional foundations, 2 foreign foundations, 2 other companies
Legal form	Association
Purpose	<ul style="list-style-type: none">• Representation of the interests of the savings banks and savings bank foundations• Coordination of the activities of the members, implementation of joint projects• Promotion of cooperation between members as well as domestic and foreign companies and organisations• Negotiation of the bases of agreements and arrangements which are submitted to the members for approval.

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