

INTERNATIONAL SAVINGS BANKS

1 August 2023

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 2022, the balance sheet total of all banks was approximately 1.8 times the country's overall economic output. In comparison, the European average was 2.4 times the GDP. The bank branch network in Italy is well developed with 2,722 inhabitants per branch. In comparison, the European average is 3,228 inhabitants per branch (see figures 1 and 2).

In 2022, the portfolio of loans at risk of default at Italian banks stood at 2.4%, above the average of 1.8% in other European countries. The cost-income ratio of Italian banks in 2022 was 63%, which is above the level of other European countries. Profitability, measured by return on equity, was above the average of other banks in Europe in 2022 (see figures 3 and 4).

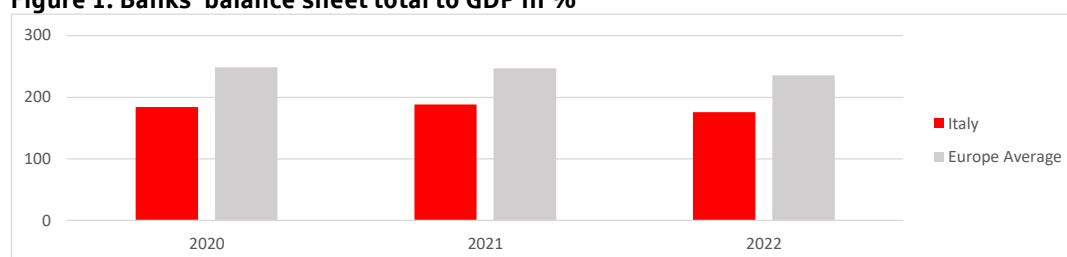
The Italian economy has long struggled with growth difficulties, causing banks to accumulate large amounts of non-performing loans and Italian government bonds. However, the banks are now benefiting from past restructuring measures. Bad loans have been reduced and costs have been cut. Risky transactions in investment banking have been avoided and instead the focus has been on classic banking transactions. Italy's largest banks have the lowest non-performing loan ratios in more than a decade. Capital adequacy is above the European average and operating profitability is higher and more diversified than before the pandemic. Customer deposits are considered stable. As most Italian banks are universal banks, they benefit from rising interest rates in the lending business. Most experts believe that the current slowdown in economic growth and the associated probable increase in defaults or delinquencies on loans are manageable.

Table 1: Italian banks by balance sheet total

Group	2022	2021	2020	2019	2018
Intesa Sanpaolo	976	1,069	1,003	816	788
Unicredit SpA	858	917	931	856	832
Cassa Depositi e Prestiti	478	517	512	449	425
Banco BPM	190	200	184	167	160
Banca dei Paschi	120	138	150	132	130

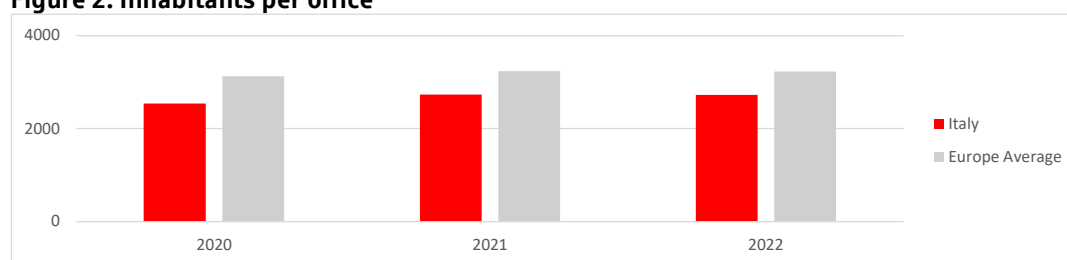
Source: Financial reports of the respective institution, 2022, in EUR billion

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



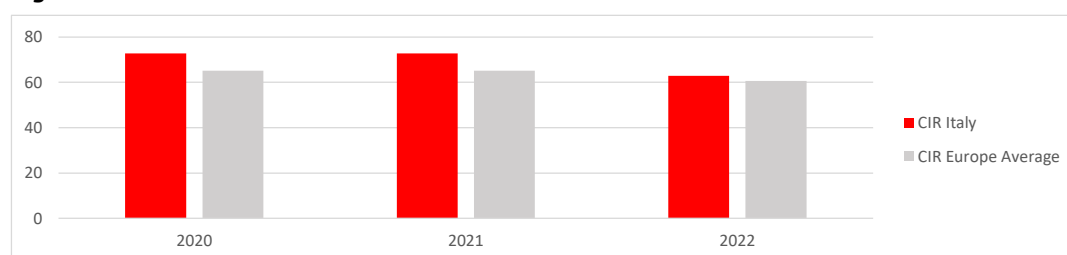
Source: European Central Bank, 2023, own calculations

Figure 2: Inhabitants per office



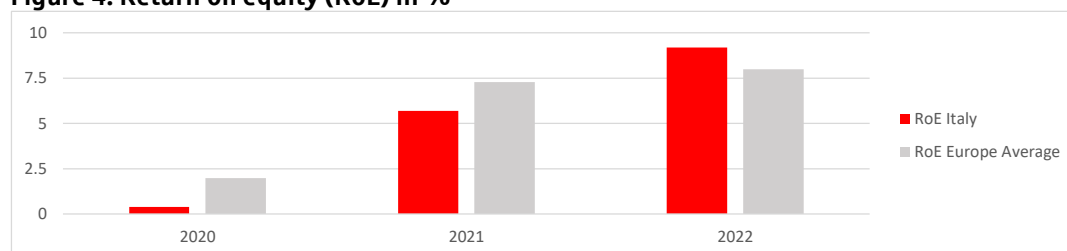
Source: European Central Bank, Eurostat 2023, own calculations

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



Source: EBA Dashboard, 2022

Figure 4: Return on equity (RoE) in %



Source: EBA Dashboard, 2022

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, 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: Legal 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 some foundations.

There are currently 86 foundations. Of these:

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

The 5 largest foundations, which together account for 48.4% of the total foundation capital, are:

- Fondazione Cariplo
- Compagnia di San Paolo
- Fondazione C.R. Torino
- Fondazione C.R. Padova e Rovigo
- Fondazione C.R. Firenze

Figure 5: Geographically, the savings bank foundations are distributed as follows:



Source: Italian Savings Banks Association ACRI, www.acri.it 2022

At 40.3 billion euros, investment in savings banks accounted for 85% of the foundations' total assets at the end of 2021. The total result in 2021 was 2.3 billion euros. In 2021, the foundations spent 914 million euros (previous year: 949.9 million euros) to promote the common good in 18,861 different projects (previous year 19,528 projects).

Table 3: Important structural features of Italian savings banks

Legal form	Banking business in joint-stock companies (made possible by Amato Act 1990, conversion completed in 1993), sponsoring foundations under private law.
Business activity	No restriction of business activity.
Regional principle	As early as 1962, it was 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 shareholdings 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	Performed by sponsoring foundations.

Table 4: Key figures of the Italian savings banks

	2021
Total assets	85.0
Deposits	60.8
Equity	5.0
Offices	1,384
Employees	10,880

Source: ACRI Association website, 2023, in billion euros or number

Table 5: Key figures of the five largest savings banks

	Total Assets	Equity	Offices
Banca Carige Spa- B.M. di Lucca Spa	22.3	1.3	382
Banca di Sardegna Spa	16.8	0.9	328
Banca C.R. Asti Spa	14.2	1.0	213
C.R. di Bolzano Spa	11.3	0.8	108
La Cassa Ravenna Spa	8.7	0.5	135

Source: ACRI association website, 2023, in billions of euros or number

The umbrella organisation: Associazione di Fondazioni e di Casse di Risparmio Spa (ACRI)



The National Association of Italian Savings Banks was founded in 1912. It currently has 107 members.

Table 6: ACRI structural features

Members	11 savings banks , 83 foundations, 8 regional foundations, 3 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 and domestic and foreign companies and organisations• Negotiation of the basis of agreements and arrangements which are submitted to the members for approval.

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