

***“The Italian Financial System on the Move:
Progress Made and Challenges Ahead”***

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Italian Banking, Insurance and Finance Federation

London, 28th May 2013



1. Relationship between Industrial Model and Financial Model

2. Prudential Allocation of Household Savings

3. A Solid Banking System

4. Impact of the Crisis

5. Structural Changes in the Italian Model

6. Institutional Adjustment in the Italian Financial System

7. Conclusions

1. Relationship between Industrial Model and Financial Model

- High wealth of households
- Low indebtedness of households and corporate sector
- Export-oriented and innovative SMEs (industrial clusters)
- Reliance on bank loans for corporate financing
- High level of firm birth rate and death rate, and constraints on firm expansion

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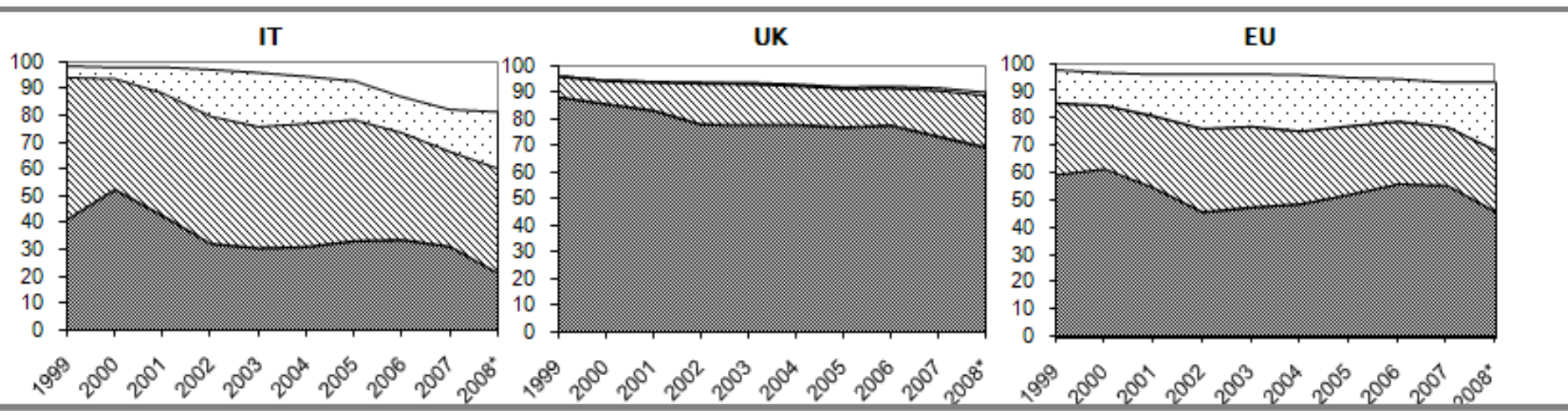
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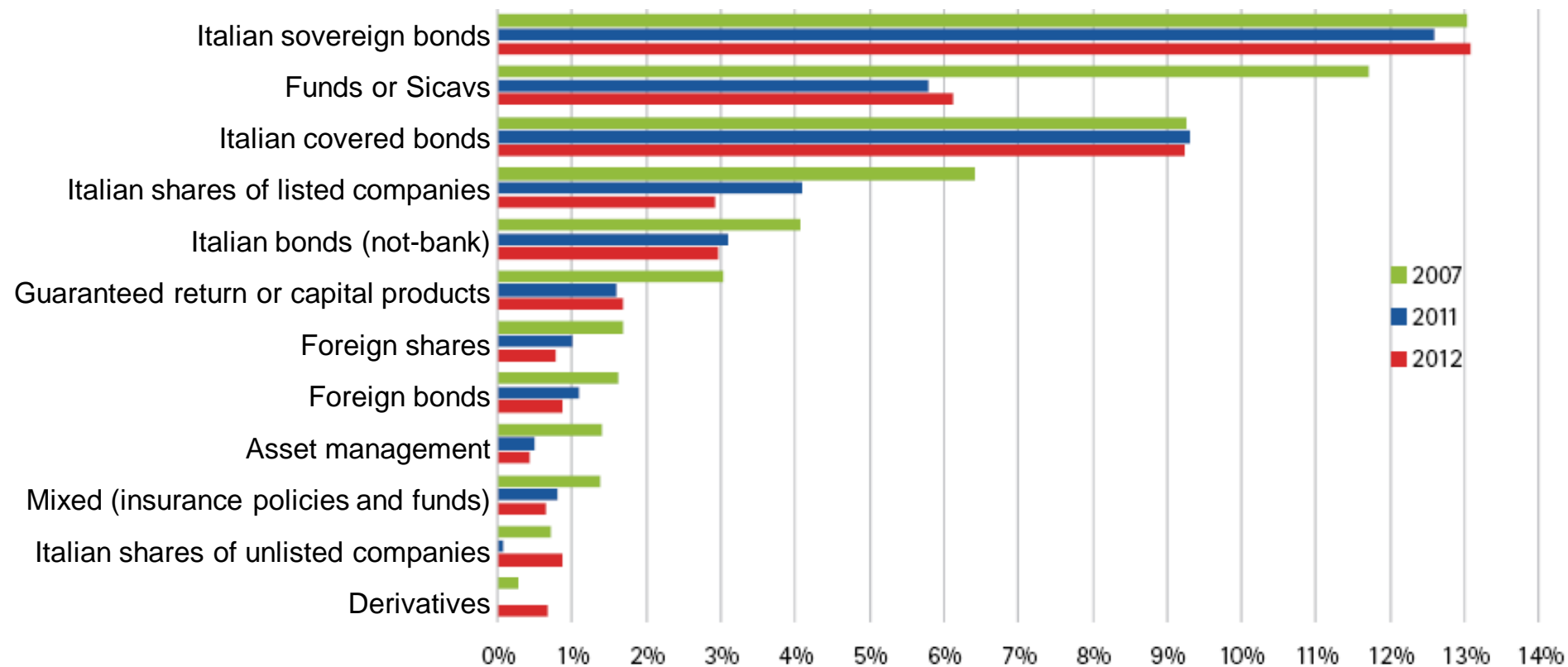
7. Conclusions

2a. Portfolio Allocation of Household Wealth: IT, UK, EU



EFAMA and ASSOGESTIONI, 2010

2b. Portfolio Allocation of Household Savings (IT: 2007-2012)



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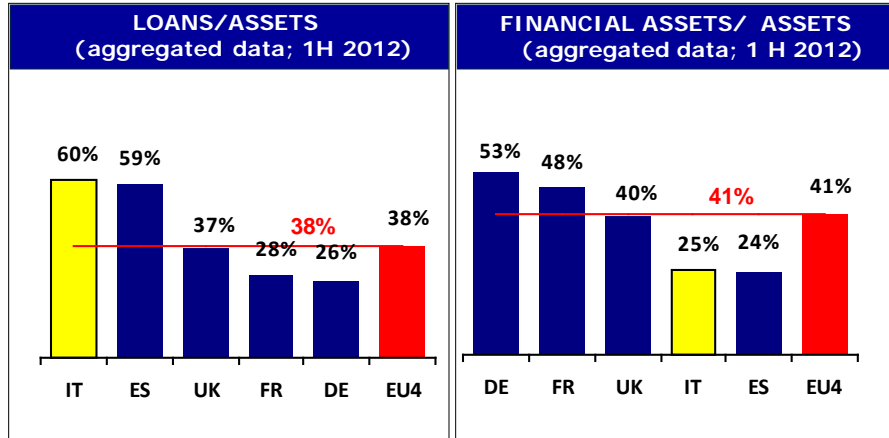
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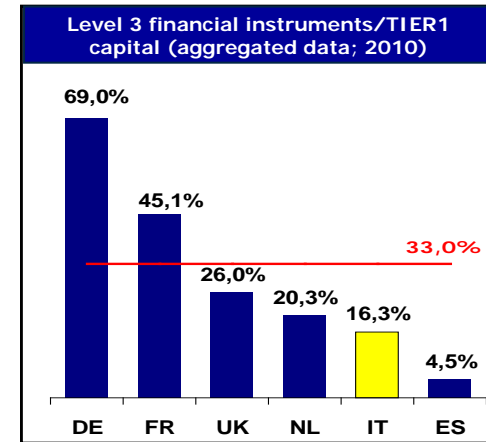
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3a. A Solid Banking System

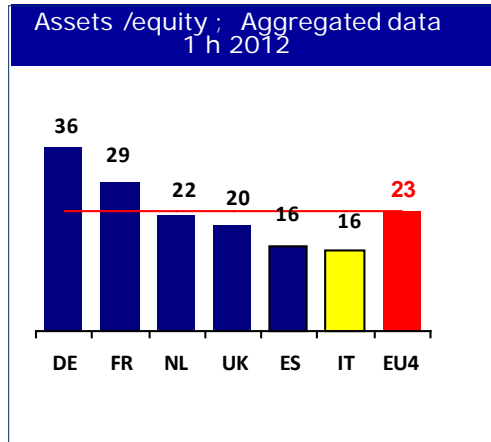
1. Business mix: loans to private customers



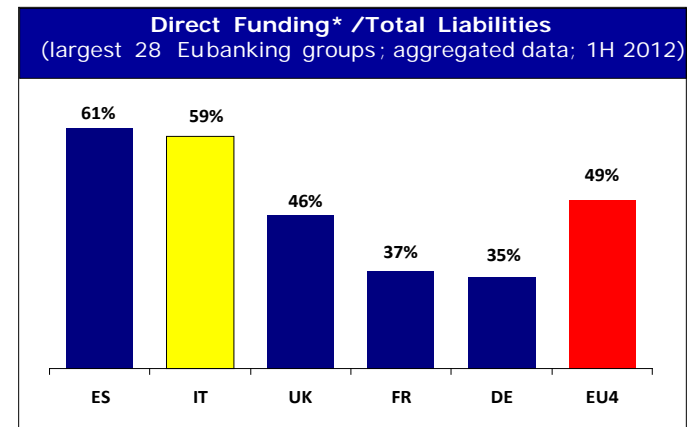
2. Low level of financial/illiquid assets



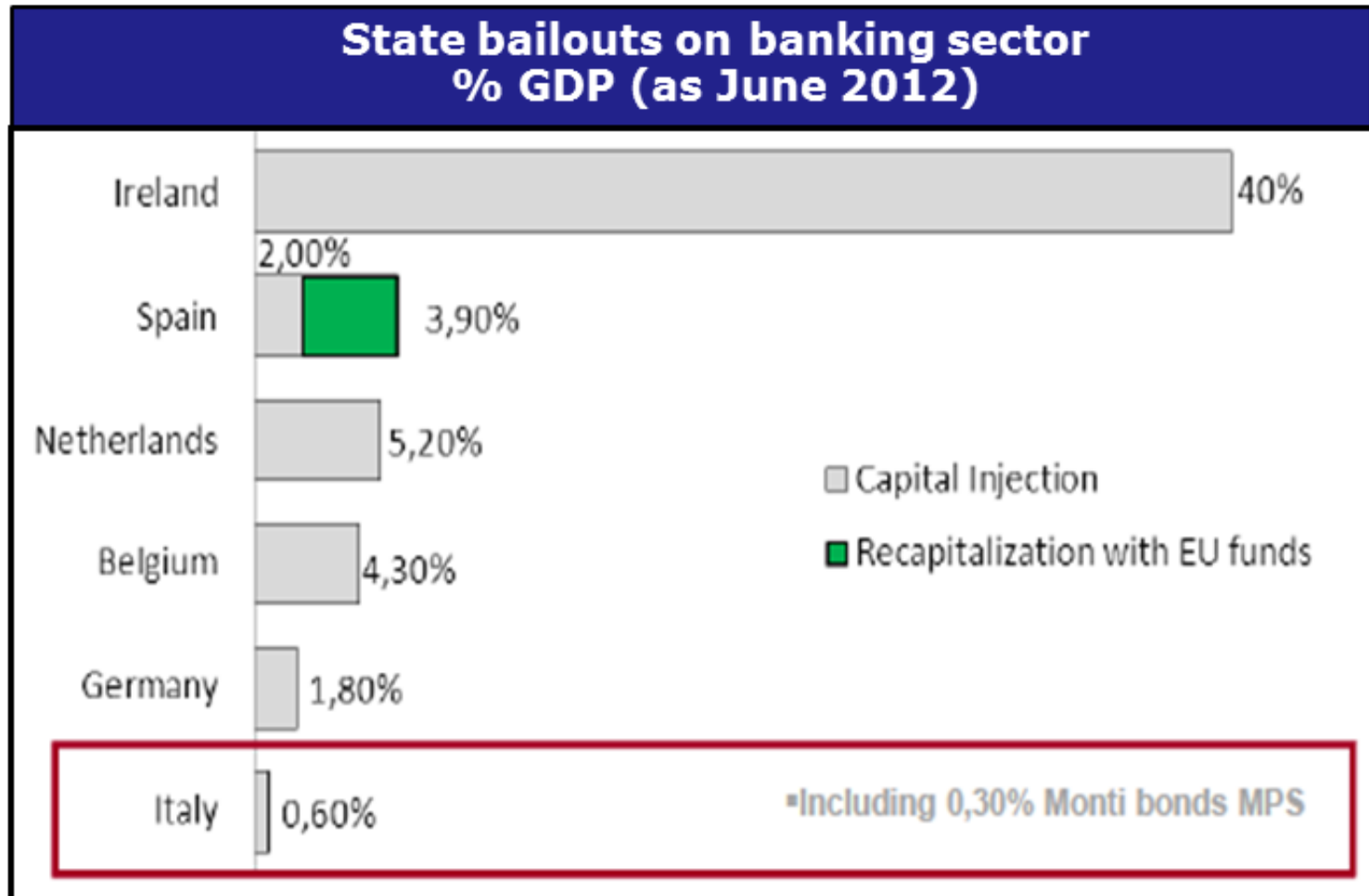
3. Low level of financial leverage



4. High percentage of retail funding



3b. Government Subsidies



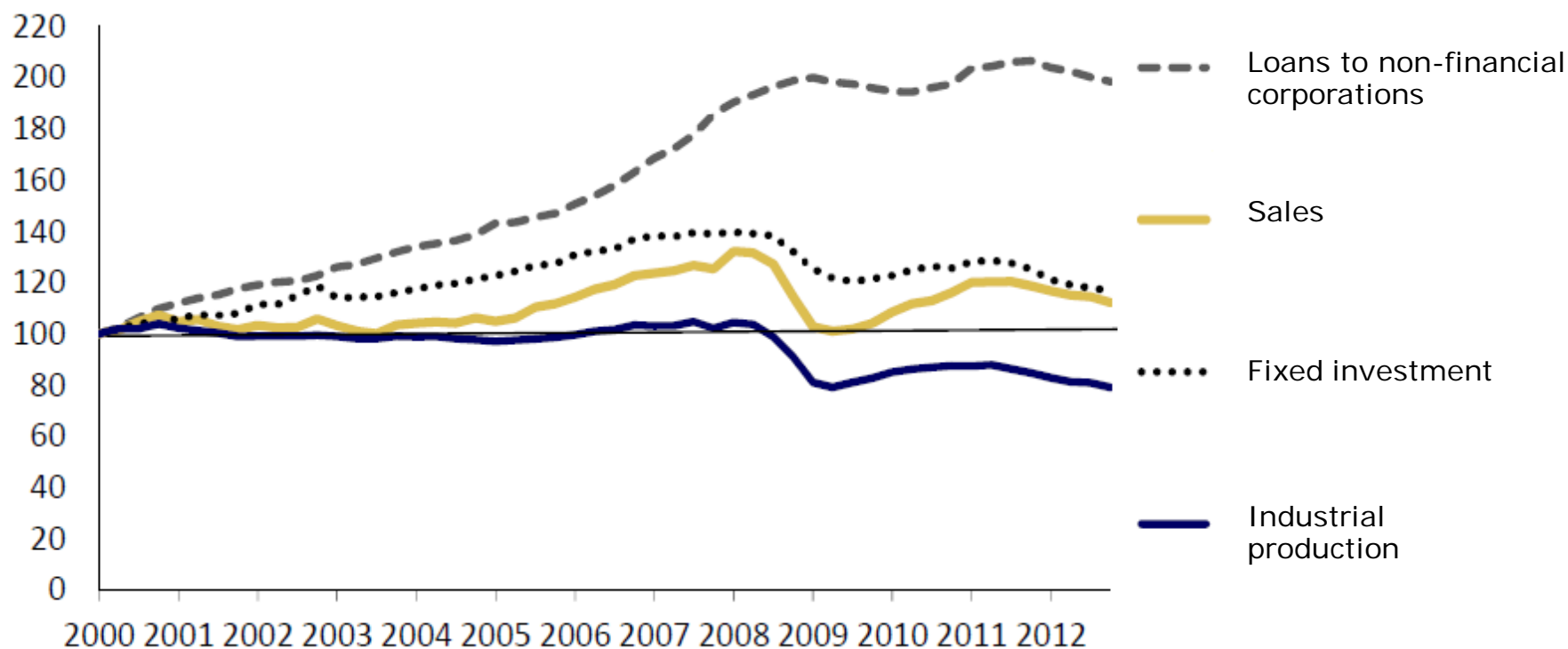
Source: Ignazio Visco Speech (Bank of Italy Governor) – Assiom Forex 2013

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4. Impact of the Crisis

- Resilience of Italian financial system (prudential)
- Exposure to sovereign debt crisis
- Decline of savings rate in parallel with economic growth and disposable income
- Constraints on Corporate financing, particularly SMEs (credit crunch)

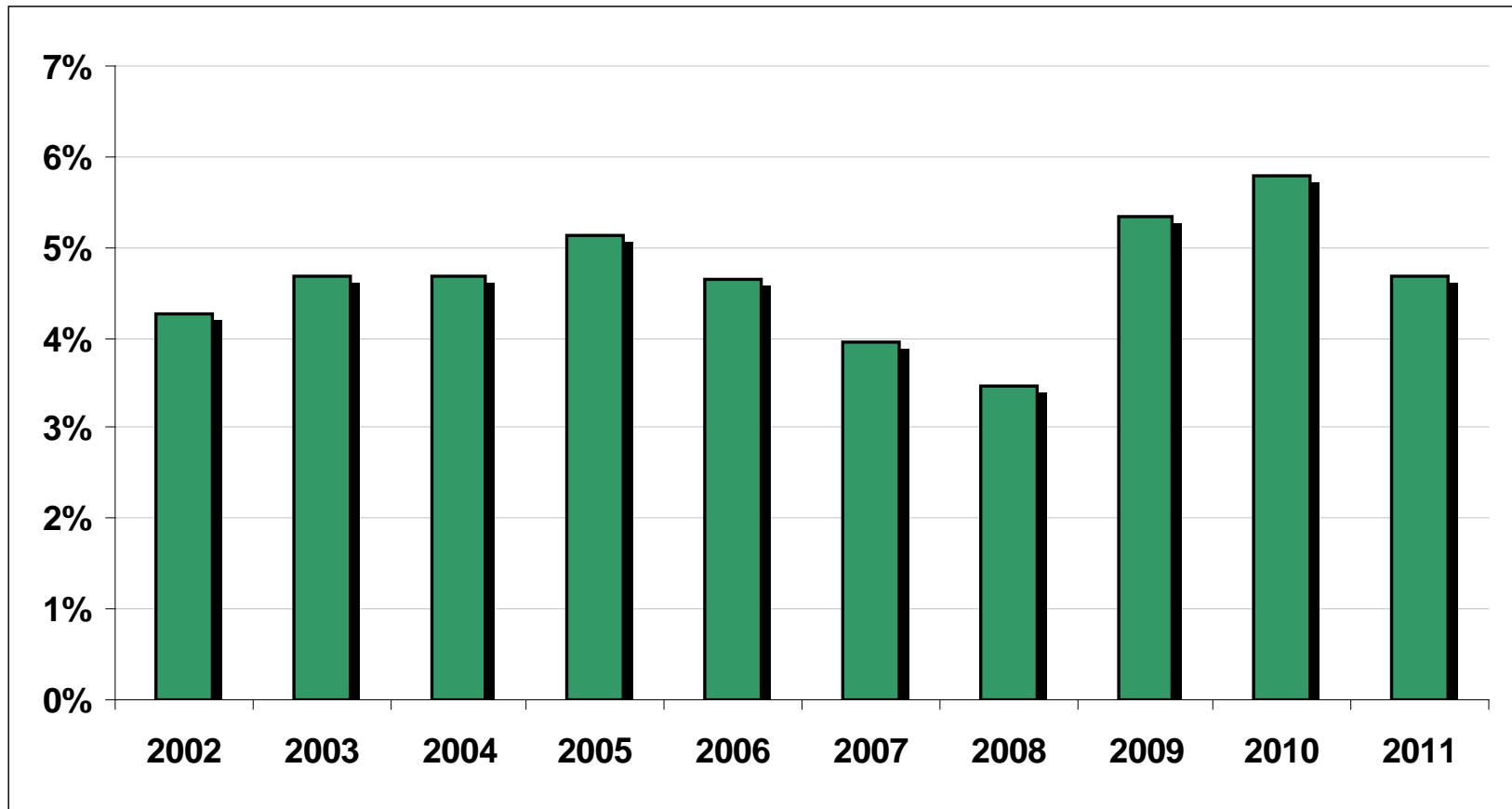
4a. Loans to Non-Financial Corporations and Main Drivers of Credit Demand (March 2000=100)



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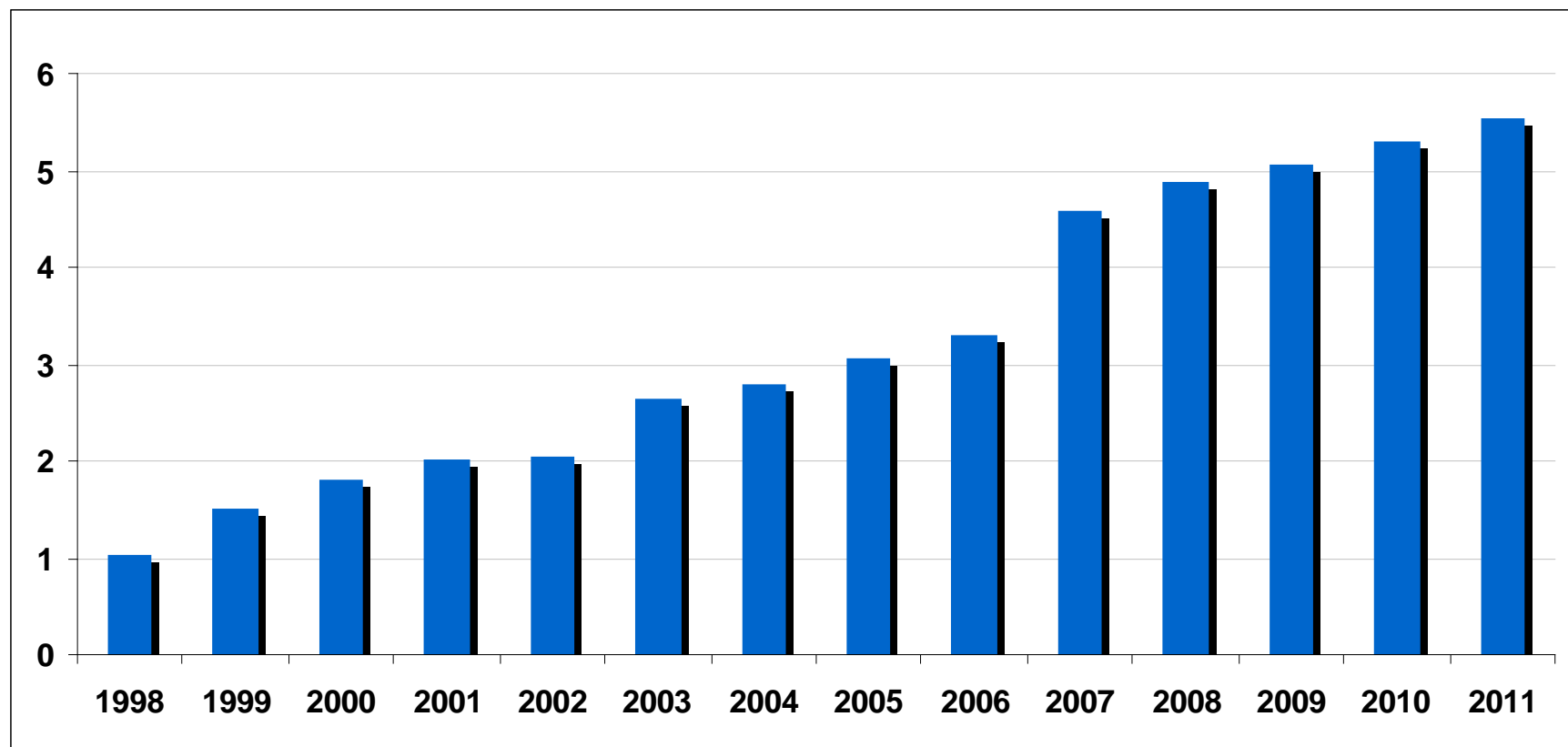
5a. Insurance Penetration Rate

(Ratio of life premiums to GDP; 2002–2011)



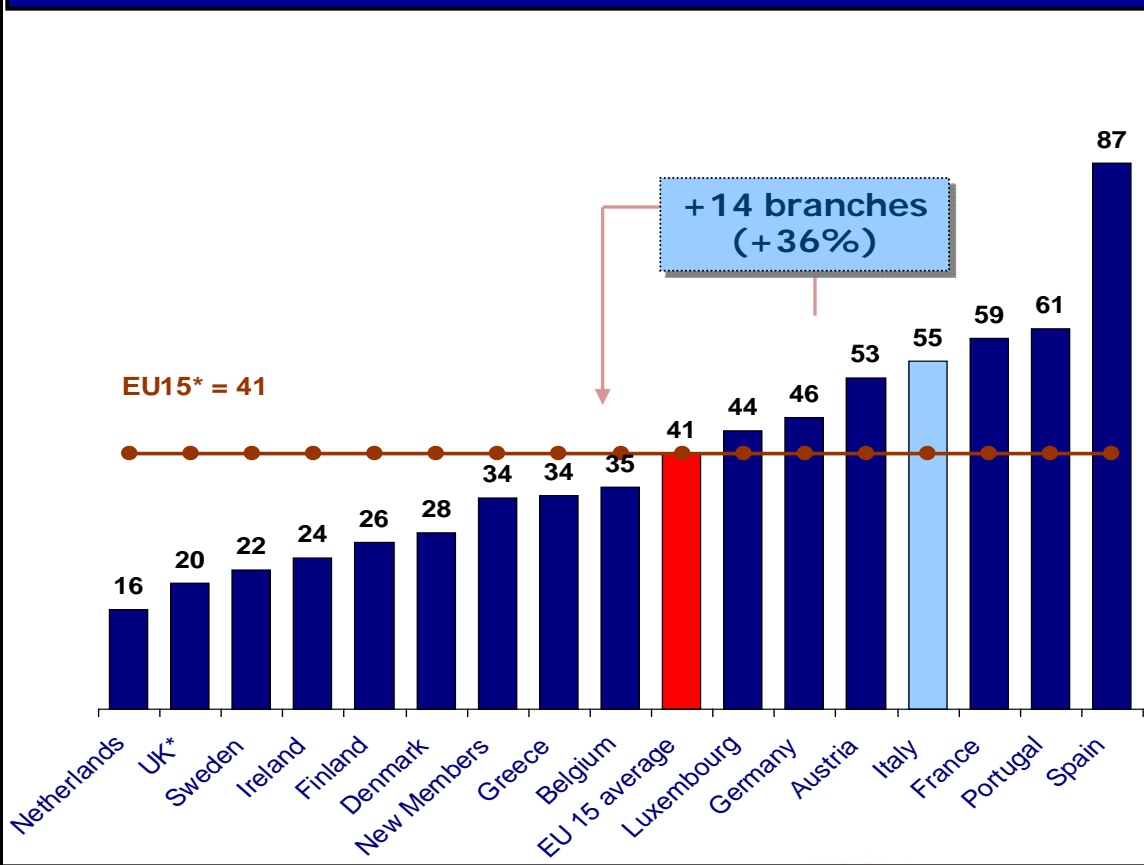
5b. Complementary Pensions

Total subscribers (mln; 1998-2011)

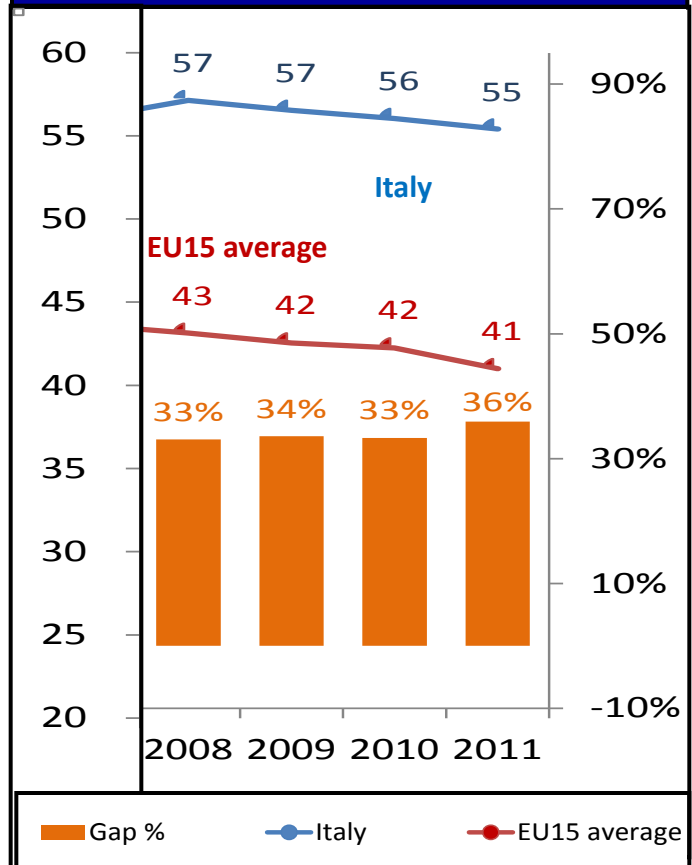


5c. Territorial Dissemination ("Relationship finance")

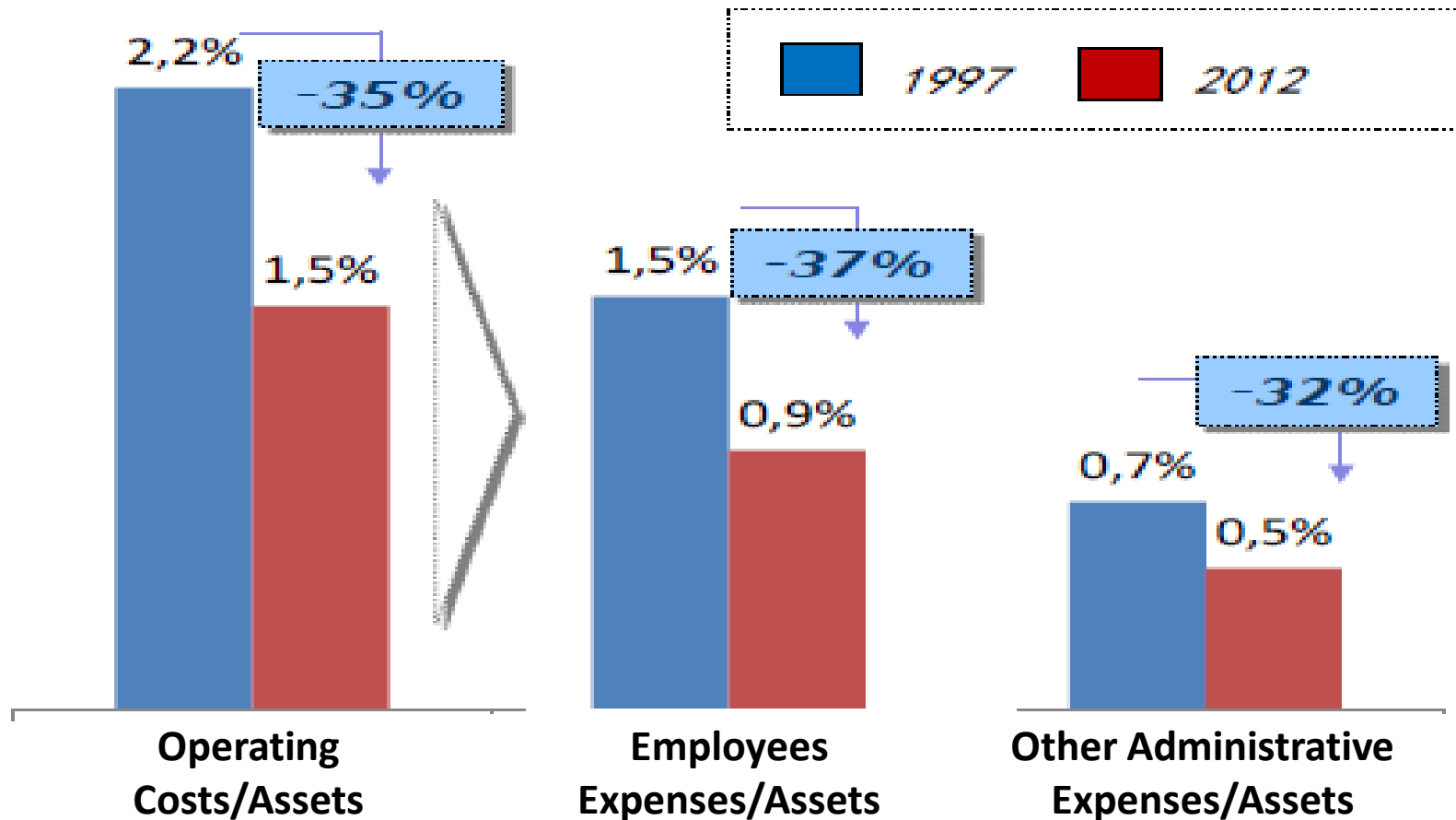
Bank branches per 100,000 inhabitants
(December 2011)



Bank branches per 100,000 inhabitants (Trend, 1999 - 2011)



5d. Change in Variable Costs for Banking Groups (as % of assets; 1997-2012)



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6. Institutional adjustment in the Italian financial system

- 1) Banking Reforms:** Amato and Draghi Reforms (1990's)
- 2) Corporate Governance:** ban on interlocking directorates, self-regulation code, gender balance
- 3) Quality of Regulation/Supervision:** *“The strong financial sector oversight in Italy is a critical pillar of financial stability. Compliance with international standards for banking and securities supervision is high - indeed approaching global “best practice” in several areas”.* (IMF, 26th March 2013); Supervision: from ISVAP to IVASS (Monti 2012)
- 4) Pension Reforms:** (Fornero 2011)
- 5) New Welfare:** health, long-term care, “social insurance”
- 6) European Integration:** single rulebook, new financial architecture, Banking Union
- 7) Monti Reforms:** labour market, liberalization/competition, consolidation of public finance, digital agenda.

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