Associazione Italiana Banche Estere

FOREIGN BANKS AND FINANCIAL INTERMEDIARIES IN ITALY

SUPPORT TO THE ITALIAN ECONOMY IN 2020

July 2021

In collaboration with

CONSILIA Business Management

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AIBE
Associazione Italiana Banche Estere

Highlights

29.8%	Domestic public debt owned by non-residents (end-2020)
82	Number of foreign banks operating in Italy (end-2020)
96%	Equity capital markets (market share held by foreign bookrunners, 2020)
90%	Debt capital markets (market share held by foreign bookrunners, 2020)
798	Assets under management by foreign banks and intermediaries (€ billion, end-2020)
63%	Syndicated loans (market share held by foreign bookrunners, 2020)
100%	Securitization (ABS and MBS, market share held by foreign bookrunners, 2020)

39%	Financial guarantees to support exports and internationalization of Italian companies (market share held by foreign intermediaries, 2020)
15.1%	Foreign banks' market share for credit
15%	Share of foreign players in MTA trading (2020)
54%	Share of foreign banks and intermediaries in Italian consumer credit market (cumulative flows, 2020)
29%	Share of foreign banks and intermediaries in Italian leasing market (value of contracts, 2020)
16%	Share of foreign banks and intermediaries in Italian factoring market (annual turnover, 2020)

Contents

Introduction

It gives me great pleasure to hereby present the 11th AIBE Annual Report on the operating modes and the activities of foreign banks in Italy to our foreign bank members and to the financial community.

A tough year is behind us. The instability caused by the COVID-19 pandemic and its severe effects on the economy are also summarized in our data, which show – in a number of business lines – a decrease in the market share held by foreign players. The most recent months show a positive trend: net investments in public securities were positive, as well as the comeback of cross-border big deals in M&A Italian market.

Even if the public debt has reached a new peak, mainly as a consequence of the measures in place to face the pandemic, we expect that the effectiveness of European policies may mitigate the risk and favour the attractiveness of the Italian economy towards foreign investors. In April the Government Draghi submitted the "Recovery and Resilience Plan" (RRP) within the European extraordinary plan "Next Generation EU", which contains strategies and missions to favour the economic recovery and to implement the necessary long overdue reforms.

The RRP represents a unique and a not to miss opportunity: the burdens of the bureaucracy, the justice, the tax system are the major obstacles to relaunch the international competitiveness of Italy, as summarized also in our AIBE Super-Index, in which Italy ranked 9th out of 18 G-20 countries, with a total score of 54.5 points out of 100.

We strongly believe that the international finance and financial markets are crucial players to support the economic growth: even in a very difficult year, foreign banks operating in Italy continue to play a very relevant role. The market shares held in syndicated loans, debt and equity capital markets, and asset management witness a stable and close relationship with Italian customers, both retail and corporate. The market share held in loans to customers, Bank of Italy says, remained stable, with an improvement in the credit quality.

Guido Rosa
AIBE President

Chapter 1

The internationalization of Italy’s economic and productive system

Following a troublesome 2020, due primarily to the Coronavirus pandemic, the global macroeconomic situation improved in the early months of this year: China, US and other advanced economies are recording significant recoveries, thanks mainly to the rollout of vaccination campaigns and new large-scale interventions decided by political and economic authorities.

According to several analyses, global prospects remain highly uncertain (IMF, World Economic Outlook, April 2021). At the same time, the speed of the recovery is not constant across countries, depending on the state of the health emergency, virus mutations and the effectiveness of macroeconomic policies. The risks to financial stability remain high. Nevertheless, according to IMF’s latest estimation, global growth is expected to reach 6% in 2021 and 4.4% in 2022, while the global outlook is subject to significant downside risks, including the possibility of additional COVID-19 waves (World Bank).

Prospects for the Euro area remain positive (ISTAT Monthly Report, April 2021): in April the Economic Sentiment Indicator (ESI) continued its strong recovery, rising above its long-term average and pre-pandemic level for the first time since the outbreak of COVID-19.

In Italy in Q1-2021 Gross Domestic Product (GDP) fell by 0.4% from the previous quarter and by 1.8% vis-à-vis the same quarter of the previous year. The domestic component made a positive contribution.

Macrofinancial and economic conditions are quite unstable: according to the Bank of Italy, the risks to financial stability are mitigated by economic support measures, but there is still a high degree of uncertainty about longer-term dynamics. Support measures, such as moratoria (on loan payments) and public guarantee schemes, are nearing their end and now, over the medium term, attention is being paid to risks that stem from vulnerabilities due to the higher indebtedness of firms in sectors hardest hit by the pandemic and to the possible impact on the quality of banks’ assets.

Conditions in financial markets continue to be relaxed (Bank of Italy, Economic Bulletin, 2/2021). Growth, while not being risk-free, will also depend on the effectiveness of measures being introduced under the National Recovery and Resilience Plan, and on progress made with the vaccination campaign and a general improvement in the COVID-19 situation.

Italy’s high level of public debt continues to be a source of vulnerability for the future (Bank of Italy, Financial Stability Report, 2/2020), as it might increase exposure in the event of tensions in financial markets or new economic shocks. In April the Italian Government approved the 2021 Economic and Financial Document, with a public debt target for 2021 of 159.8% of GDP, up 4 percentage points compared with 2020. Even if in the medium term (over the next three years) the ratio might gradually fall (Bank of Italy, Financial Stability Report, 1/2021), this variable is always a very important "alarm call" in terms of the soundness and stability of the Italian economy and the attractiveness of our country to foreign investors.

The A.T. Kearney 2021 FDI Confidence Index shows Italy occupying 8th spot in the ranking (9th in 2020). Nevertheless, the net score (the difference between the more optimistic 3Y economic outlook compared with a year ago and the more pessimistic outlook) was only 17 percentage points, one of the lowest among the 25 countries included in the survey. As stated by analysts, the worldwide effects of the pandemic on direct investment flows are expected to be long-lasting. So, it is no surprise that investors are extremely cautious.

In recent years the Italian government has encouraged foreigners to move to Italy, through several legislative measures and specific strategic initiatives to promote businesses in Italy. According to the ITA Italian Trade Agency, operating under the Ministry of Economic Development, Italy has introduced reforms and numerous financial incentives with the aim of increasing the attractiveness of our country, paying special attention to R&D deals, support to industrial crisis-hit areas and the creation of innovative enterprises.

Analysts have also highlighted the strengths and weaknesses of the Italian economy (see for example Santander Trade Markets and Conface's websites): on the one hand, the strength of the industrial sector, infrastructures, banks' asset quality; on the other, high procedural costs and slow administrative processes for business start-ups, high labor costs, low public investments in R&D and the well-known burden of public debt.

According to the World Investment Report 2020 released by UNCTAD, FDI flows towards Italy stood at $26.5 billion in 2019, down from $32.8 billion one year earlier. The amount of stock was about $445 billion at end-2019, placing Italy 15th among the top 20 host economies. Following some preliminary UNCTAD estimates for 2020, global FDI collapsed by 42% on an annual basis, to an estimated $859 billion. The decline was concentrated in developed countries (–69%, $229 billion). Italy was one of the countries where the decline was more severe.

According to ISTAT (Italian National Institute of Statistics), at the end of 2018 15,519 foreign affiliates were based in Italy (Tab. 1). Compared with the previous year, the number of multinational enterprises (MNEs) operating in Italy rose by 3.5%, especially in the Services sector (11,118).

Also in 2018 the expansion of foreign multinationals in Italy continued, generating a positive contribution to the growth of Italy's industrial system. They employ more than 1.4 million people, of whom about 1 million in Services, with a 6% increase *YoY*. Data regarding economic profitability also showed a positive trend: total turnover grew to $594 billion (+4%), while value added increased from $119 to $124.7 billion. As reported by ISTAT, MNEs make a relevant contribution to the main national economic aggregates of industry and services. Even though they make up only 0.3% of all firms operating in Italy, foreign affiliates account for 8.3% of all employees, 18.6% of turnover, 15.3% of value added and 23.6% of R&D investments. The percentages referring to MNEs operating in Services are slightly higher than those for industrial sectors.

The average size of multinational companies (93.2 employees) is higher than that of local firms (3.6 employees): the difference is relevant for both industry and services.

The "top ten" countries of origin of foreign MNEs make up about 87% of all employees for these companies and more than 80% of both turnover and value added. Germany has the largest number of foreign MNEs (in terms of country of origin of the ultimate parent entity), France is in top position in terms of number of employees, while the United States has the largest share for both turnover and value added (20% of all foreign MNEs). 80% of foreign affiliates have a European ultimate parent entity, with a market share close to 60% for both turnover and value added.

Among “top ten” countries of origin, US and Japan are the only non-European countries.

If we focus on recent trends, compared with the beginning of the decade (end-2010 data), we can see that the presence of foreign affiliates has increased, in terms of the number of both MNEs (+13%) and employees (+22%, especially in Services). Profitability indicators also suggest a more relevant contribution to national economic aggregates. Economic flows of turnover and value added rose by about 27% and 33% respectively, and productivity also increased. Turnover and value added per capita increased by about 3% and 8% respectively.

Fig. 2 shows that foreign MNE profitability levels were higher than those of domestically-owned companies, both in value added per capita and in the ratio between unit value added and unit labor costs. Trends are similar to those observed in recent years.

	2010		2015		2018	
	Value	%	Value	%	Value	%
Number of foreign-controlled firms	**13,741**	**100**	**14,007**	**100**	**15,519**	**100**
Industry	3,716	27.0	4,032	28.8	4,401	28.4
Services	10,025	73.0	9,975	71.2	11,118	71.6
of which: financial and insurance activities	*541*	*3.9*	*562*	*4.0*	*846*	*5.5*
Number of employees	**1,184,539**	**100**	**1,257,209**	**100**	**1,446,811**	**100**
Industry	448,733	37.9	450,023	35.8	487,208	33.7
Services	735,806	62.1	807,186	64.2	959,603	66.3
of which: financial and insurance activities	*65,490*	*5.5*	*64,145*	*5.1*	*65,965*	*4.6*
Turnover	**468,046**	**100**	**529,574**	**100**	**594,168**	**100**
Industry	193,688	41.4	223,325	42.2	234,905	39.5
Services	274,358	58.6	306,249	57.8	359,263	60.5
Value added	**93,482**	**100**	**104,093**	**100**	**124,678**	**100**
Industry	40,465	43.3	43,596	41.9	49,095	39.4
Services	53,017	56.7	60,497	58.1	75,583	60.6

Tab. 1 Main data relating to foreign-controlled enterprises operating in Italy (end-year data) – Source: elaboration of ISTAT data

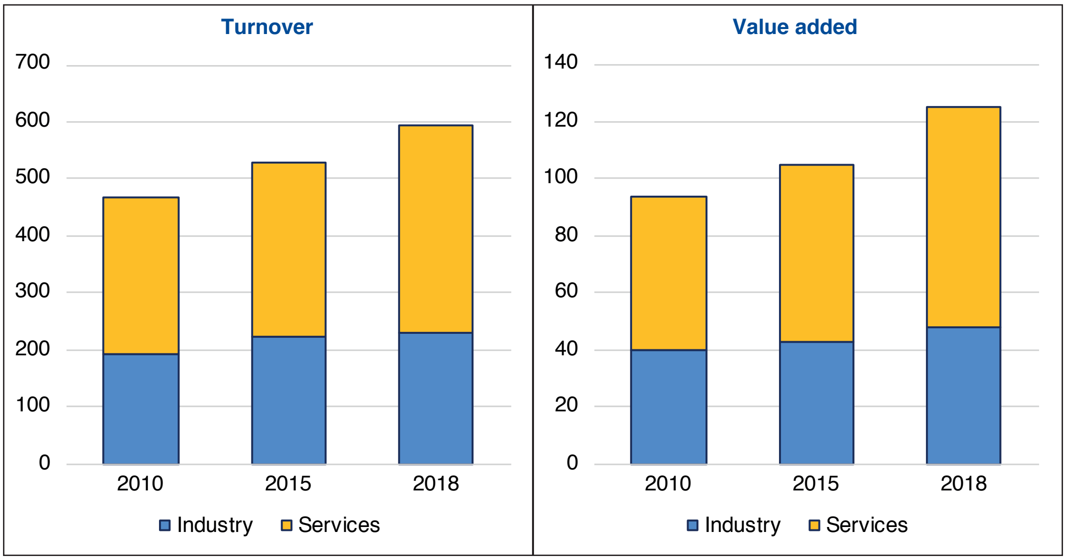


Fig. 1 Turnover and Value added of MNEs in Italy (€ billion) – Source: elaboration of Istat data

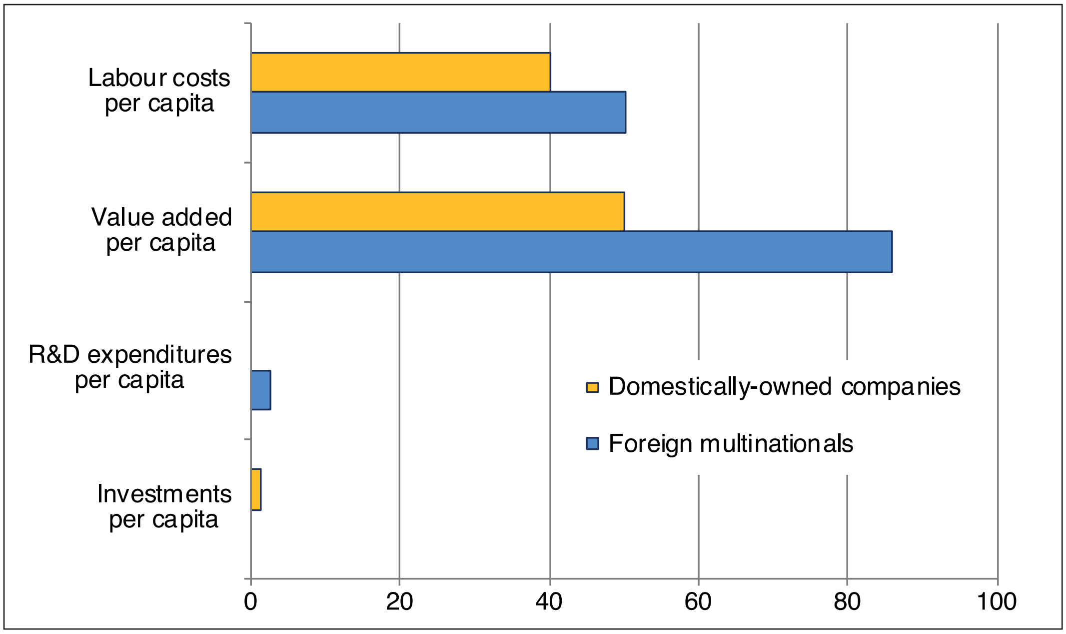


Fig. 2 *Domestically-owned firms and foreign multinational firms in Italy: comparison of performance data (amounts in € thousands, 2018) – Source: elaboration of ISTAT data*

Chapter 2

Italian public debt and external debt

At the end of 2020, according to the Bank of Italy's Statistical Database (BDS), Italy's gross public debt stood at € 2,573 billion, 6.8% higher than at the end of 2019, followed by a further increase in the first quarter of the current year (+8.9%).

If we compare data for the end of 2019 and end of 2020, we can observe that, while the portion of public debt represented by securities grew by about € 143 billion, reaching a new peak of € 2,153 billion (+7.2% *YoY*), components held by non-resident investors remained stable or even decreased.

The portion of debt represented by Italian Government securities made up about 84% of gross debt, stable in the *YoY* comparison. The amount of gross debt held by non-resident investors was about € 768 billion (–€ 1.7 billion), making up 29.8% of total gross debt: the annual change shows a decrease of about 2.1 percentage points. The value of public securities held by foreign investors went down from € 720 to € 699 billion (–3%). Therefore, the portion of public debt held by foreign investors went down from 35.8% to 32.4%.

As Fig. 3 shows, relative trends have varied considerably since the outbreak of the COVID-19 pandemic. According to BDS data, in the first half of 2020 the stock invested in Italian public securities held by non-resident investors fell to € 697 billion, with net divestments of € 22.5 billion, mainly concentrated in February and March. In the second part of the year, after an upturn in investments in the third quarter, the comparison of stocks between September and December shows two different profiles. On the one hand, the amount of public debt held by foreign investors remained stable (+0.1%), on the other, the portion of Italian public securities held by non-residents fell again (–€ 17.2 billion, –2.4%), while the number of infections rose greatly and financial markets showed higher volatility and turbulence.

According to the Bank of Italy Annual Report, during the whole 2020 foreign investors – in particular insurance companies and investment funds in the Euro Area – made net sales of Italian portfolio securities of about € 17.3 billion. Sales were concentrated in the months of March and April. Starting from June, in less tense financial markets, the demand from foreign investors recovered (€41.1 billion until December). These investments were concentrated mainly on public securities and corporate bonds.

The most recent data, updated to March 2021, show a very important increase in stocks. Gross public debt went up to € 2,651 billion (+3% compared end-December 2020) and a similar trend was observed for the stock of public securities (€2,219 billion): the portion of gross debt held by non-residents went up to € 802.5 billion (30.3%

of the total), and public securities held by foreign investors reached a new recent peak of € 723.6 billion (32.6%).

According to financial analysts, the COVID-19 pandemic caused severe negative effects on growth. The strong fiscal response to it will imply a much higher level of public indebtedness for all impacted countries (see IMF and UniCredit Research, Economic Thinking, No. 91, July 2020). And as we know, Italy already starts from a high level.

Major analyses show that the sustainability of Italy's public debt appears to be certain over the medium/long term, even if some concerns remain in place, i.e. the increase in interest expenditure, attractiveness towards market investors, strategies in place to reduce the primary deficit, and the effectiveness of European fiscal policies.

The Bank for International Settlements (BIS) collects statistics on international banking, based on a sample of 24 reporting countries. As expected, as a result of the public response to the pandemic, in 2020 Italian external debt rose by 19%, from $683 to $783 billion, mainly due to a positive change in the official sector's debt positions (from $231 to $313 billion). The highest portion of this external debt was reported by European banks, about $670 billion, making up 86% of the total, with an increase of about $78 billion and about 19 percentage points over the last year. The non-banking private sector increased as well, from $371 to $391 billion.

Analyzing the country of origin of claimants, it was seen that France, Spain, Japan, United States and Germany are the main holders of Italian external public debt (Tab. 2). According to BIS data, the "top 3" countries held about $212 billion of debt, or two-thirds of the total, quite stable over recent years.

With reference to external private debt, BIS data are broken down into the banking and non-banking sectors. The banking sector's debt positions, amounting to about $68 billion, have remained stable over the last two years. Debt exposure at the end of 2020 is 22% less than at the end of 2015. 81% of this external banking debt is held by European banks, mainly located in France, Spain and Germany. If we move on to analyze the non-banking private sector, we can confirm an upward trend over the period end-2015/end-2020: at the end of last year the stock of debt amounted to $339 billion, +$20 billion *YoY.* European banks are the leading holders: their market share is about 87% of the total, mainly from France, Germany and Spain.

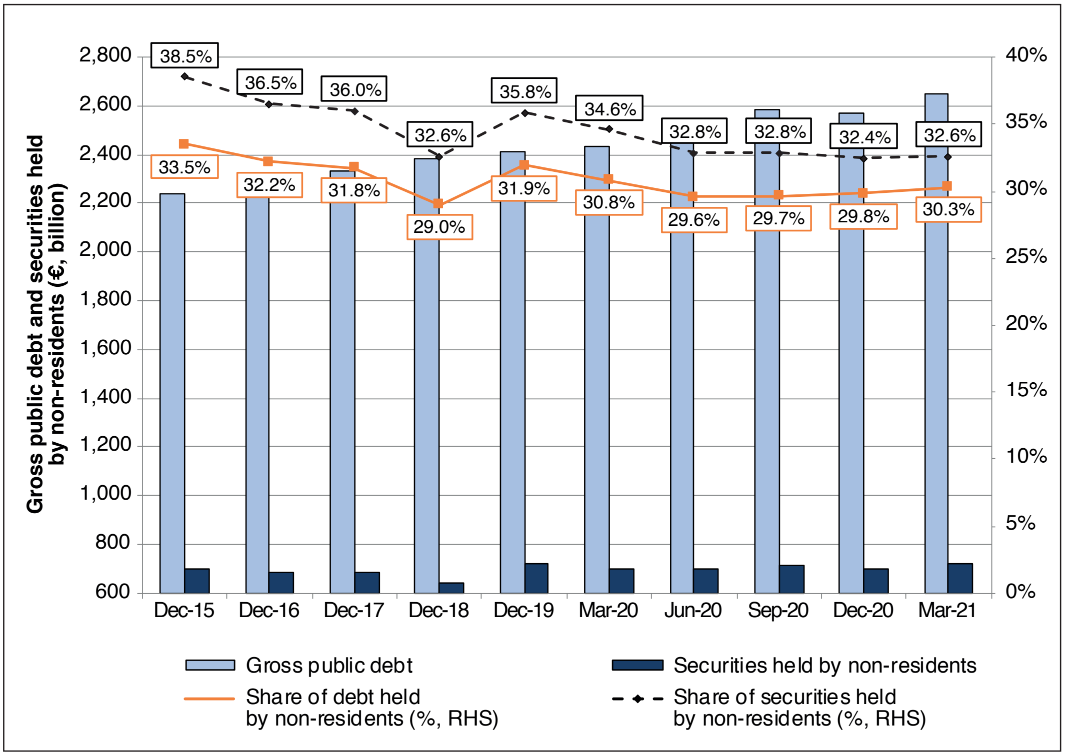
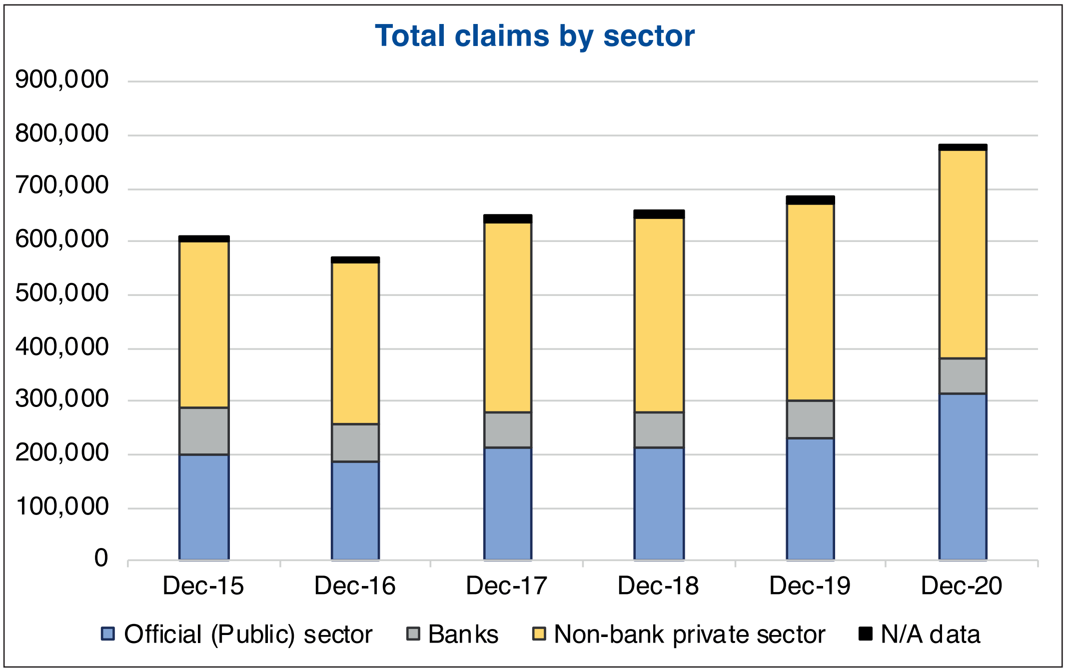


Fig. 3 *Recent Italian public debt trends and shares held by non-residents (amounts in € billion, % on the right-hand scale, RHS) – Source: elaboration of Bank of Italy data, Statistical Database (BDS)*



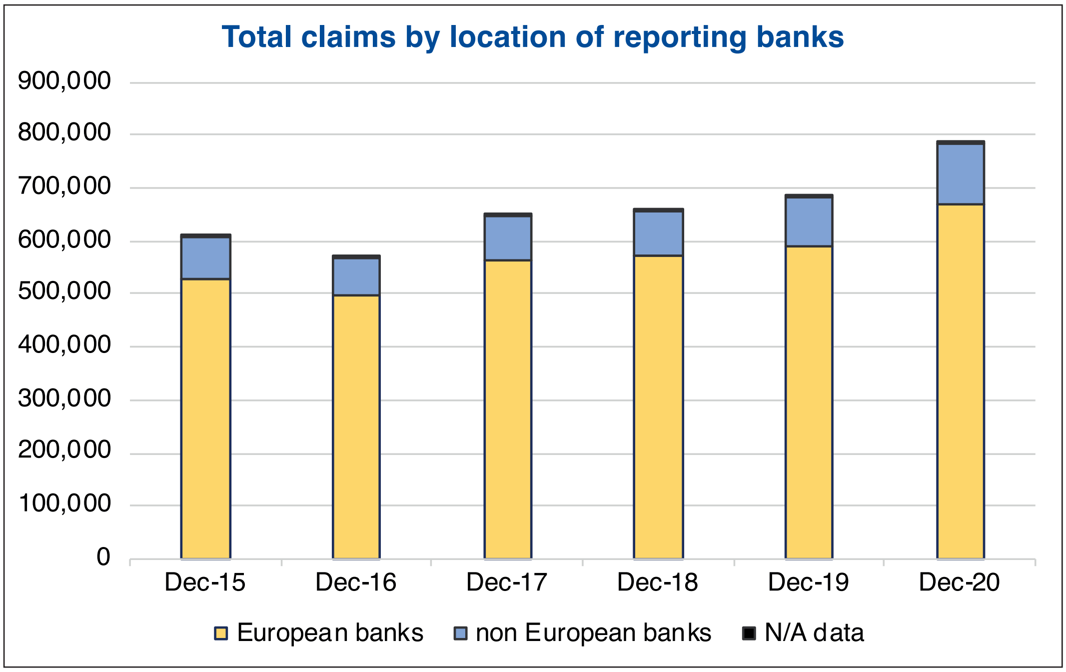


Fig. 4 *Public and private debt held by foreign countries ($ million) – Source: elaboration of BIS, Consolidated Banking Statistics*

Countries	Dec-15		Dec-18		Dec-19		Dec-20	
	Value	%	Value	%	Value	%	Value	%
France	57,665	28.7	63,119	29.5	65,590	28.4	101,037	32.3
Spain	31,340	15.6	45,886	21.5	51,179	22.1	68,756	22.0
Japan	22,089	11.0	21,523	10.1	26,447	11.4	42,032	13.4
Germany	36,555	18.2	37,545	17.6	36,349	15.7	37,075	11.8
United States	16,239	8.1	17,538	8.2	21,749	9.4	27,337	8.7
Greece	109	0.1	2,153	1.0	2,849	1.2	6,995	2.2
Switzerland	7,244	3.6	5,358	2.5	4,117	1.8	5,182	1.7
United Kingdom	4,225	2.1	5,198	2.4	4,247	1.8	3,636	1.2
Belgium	7,094	3.5	3,380	1.6	5,138	2.2	2,908	0.9
Austria	2,354	1.2	1,567	0.7	1,384	0.6	1,901	0.6
Other countries	15,753	7.9	10,485	4.9	12,255	5.3	16,126	5.2
Total	**200,667**	**100**	**213,752**	**100**	**231,304**	**100**	**312,985**	**100**

Tab. 2 Total amount of external public debt by holder ($ million, outstanding debt, year-end data) – Source: elaboration of BIS, Consolidated Banking Statistics

External private debt	Dec-15	Dec-18	Dec-19	Dec-20
European banks	68,787	50,516	57,928	55,202
Non-European banks	15,559	13,667	11,081	11,826
N/A data	3,262	2,873	1,975	1,185
Total banking sector	**87,608**	**67,055**	**70,984**	**68,213**
European banks	265,385	311,411	319,002	339,276
Non-European banks	25,632	27,961	29,573	30,654
N/A data	20,154	25,466	22,161	21,388
Total non-bank private sector	**311,170**	**364,837**	**370,736**	**391,318**

Tab. 3 Composition of external private debt (banking sector and non-bank private sector outstanding debt, $ million) – Source: elaboration of BIS data, Consolidated Banking Statistics

Chapter 3

Structural data on foreign banks in Italy

3.1 Trends for foreign banks and branches

According to the Bank of Italy's Statistical Database, at the end of 2020 there were 474 banks operating in Italy, 82 of which from abroad.

As can be seen in Tab. 4, the total number of banks operating in Italy and the total number of branches have decreased significantly in the last decade, partly due to the digital transition and fintech phenomenon, and also due to several M&A deals and the consolidation process involving both large/medium banks and mutual banks.

According to the new Sustainable Finance Report released by the Foundation for Subsidiarity, almost 10,000 branches have disappeared over ten years in Italy, from 34,036 at the beginning of 2010 to 24,312 at the end of 2020, a drop of about 30%. Over the same time frame, the number of foreign banks operating in Italy dropped from 296 to 135, mainly as a result of a "switch" in the type of presence of foreign intermediaries, in a number of cases substituting "physical" branches with remote and digital platforms.

Despite this decline, Italy is still in fourth position in the European ranking of the number of branches per 100,000 inhabitants. In Italy there are 39 branches for every 100k inhabitants, compared to 56 at the beginning of the decade and a European average of 22. As highlighted in the above-mentioned report, digitalization, competition and the challenge of sustainability are revolutionizing banks and customer relations.

In Europe, the bank branches index per 100,000 inhabitants sees Finland (5), Holland (9), Germany (11) and Austria (12) stand out in terms of efficiency. At the bottom are Portugal (38), Italy (39), Spain (50) and Bulgaria (60). Luxembourg is a special case (65), due to its historical financial vocation.

Another phenomenon examined by the Foundation for Subsidiarity is the spread of home banking. In ten years, from 2010 to 2020, the number of Italian customers who use the Internet to undertake transactions on their banking accounts doubled, from 18% to 35%. Nevertheless, Italy still remains very far from the European average (58%). Home banking is used much more in major economies such as UK (77%), France (66%), Germany (65%) and Spain (62%).

As already mentioned, the consolidation process in the banking sector is continuing. At the end of 2019 the top five credit institutions in Italy accounted for 47% of total assets. A similar scenario is found in France (49%), while in Germany it is lower (31%). The Spanish market is more concentrated (67%).

Year	Banks and branch networks in Italy					
	Banks operating in Italy		Foreign banks			
	Number of banks	Number of branches	Number of banks	Number of branches	% on number of banks	% on number of branches
2010	760	33,663	75	296	9.9	0.9
2011	740	33,607	78	318	10.5	0.9
2012	706	32,881	78	325	11.0	1.0
2013	684	31,761	80	260	11.7	0.8
2014	664	30,740	80	252	12.0	0.8
2015	643	30,258	81	254	12.6	0.8
2016	604	29,027	83	171	13.7	0.6
2017	538	27,374	79	165	14.7	0.6
2018	505	25,404	79	159	15.6	0.6
2019	485	24,311	78	134	16.1	0.6
2020	474	23,481	82	135	17.3	0.6

Tab. 4 *The branch networks of domestic and foreign banks in Italy (2010/20, end-of-year data) – Source: elaboration of Bank of Italy data, Statistical Database (BDS)*

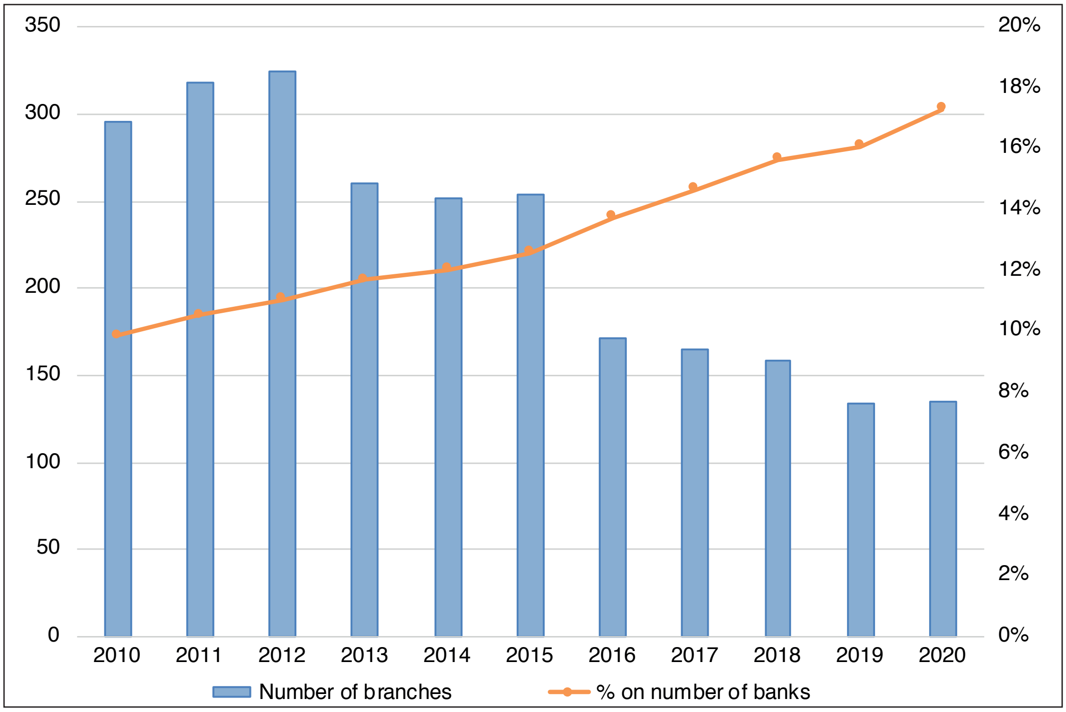


Fig. 5 *Number of foreign bank branches in Italy (2010/20, end-of-year data) – Source: elaboration of Bank of Italy data, Statistical Database (BDS)*

3.2 Recent M&A deals within the Italian banking market

2020 was a "record-breaking year" in terms of the number of merger and acquisition deals made in the banking sector worldwide and especially in Italy.

Some recent operations are worthy of mention.

Intesa Sanpaolo's public tender offer for UBI Banca shares, launched on February 17, 2020, ended on 30 July, with acceptance by 90.2% of UBI's shareholders. Following a five-month process, Intesa Sanpaolo successfully exceeded the two-thirds acceptance threshold by UBI Banca shareholders needed to ensure the merger of UBI into Intesa Sanpaolo. In a statement following the announcement of provisional results, Intesa Sanpaolo CEO Carlo Messina said that a new European banking leader had come into being. Messina also underlined that Intesa Sanpaolo was the first bank in Europe to launch a new consolidation phase that will strengthen the European banking sector. The new banking group will employ more than 100,000 professionals, and have a loan book of over €450 billion. Customers' financial assets will exceed €1.1 trillion, and operating income will be €21 billion.

Last February BPER Banca announced that final contracts had been signed for the purchase from Intesa Sanpaolo Group of a series of banking assets, consisting of 455 bank branches and 132 operational units of UBI Banca, 31 bank branches and 2 operational units of Intesa Sanpaolo Group and a business unit of UBISS (a consortium company controlled by UBI Banca), which essentially provides services to the branches involved in the acquisition.

The total amount paid to Intesa Sanpaolo Group for these banking assets, including the three acquired business units, was approximately €644 million.

On April 23rd, 2021, Crédit Agricole Italia, a subsidiary of the French Crédit Agricole SA, successfully completed its voluntary public tender offer for all shares of Credito Valtellinese (CreVal). Based on provisional results, approximately 90.94% of CreVal Shares subject to the offer and representing approximately 88.71% of the share capital of CreVal were tendered in acceptance of the offer during the Acceptance Period. As a result, and taking into account the 2.45% stake in CreVal already owned, Crédit Agricole Italia will come to hold a total of approximately 91.17% of the share capital of CreVal, which is above the 90% threshold targeted.

According to Bloomberg analysts, European M&A operations in the banking sector is expected to continue in 2021. Italy will occupy a "top place" in this scenario. Analysts expect Unicredit to take a primary role. Its new chief executive, Andrea Orcel, has picked his team that will address extraordinary operations in view of the new business plan, to be presented in the autumn.

According to Kepler Cheuvreux analysts, the wave of M&A operations that began with the Intesa Sanpaolo takeover bid for Ubi and continued with the Crédit Agricole takeover of CreVal, will continue until 2022, considering the more favorable approach adopted by the ECB, the new tax regime and better quality of credit, capital, sovereign risk and governance. Specialists expect another wave of M&A transactions that should involve about 11% of the Italian market, valued at over €6 billion. According to analysts, forthcoming deals are likely to involve Banco BPM, BPER, Unicredit, MPS, Banca Popolare di Sondrio and Banca Carige.

3.3 Structural data on foreign banks in Italy in 2020[1]

At the end of 2020, the Italian branches of foreign banks numbered 82, of which 75 branches of EU banks and 7 branches of third-country banks. At the same date, Italian subsidiaries of foreign significant banks were 13[2]. Foreign banks are mainly based in Northern Italy (89% of branches and 77% of subsidiaries), in particular in Milan. The parent companies of foreign EU branches are largely established in France (31%), Germany (21%), Luxembourg (13%) and The Netherlands (7%). The parent companies of

[1] The paragraph has been written by Michela Valsecchi and Enrica Accomando, Division of Banking Supervision, Foreign Banks, Bank of Italy, Milan offices. The views expressed are those of the Authors and do not necessarily reflect those of Bank of Italy.

[2] All the data in this report refer only to Italian subsidiaries of foreign banks qualified as significant banks by the Single Supervisory Mechanism of the ECB.

third-country branches are mainly located in the USA (2) and in Japan (2), while the majority of the subsidiaries belongs to French banking groups (77%).

At the end of 2020, the relocation process of Italian branches of British banks was completed. After Brexit, British banks operate in EU through subsidiaries – new or existing, mainly based in Germany, France and Ireland – with branches in other EU countries. Two Italian branches of British banks were turned into investment firms' branches.

The networks of branches and subsidiaries remained quite stable. About 80% of the branches have headquarters only and about 70% of agencies belong to the two biggest subsidiaries.

At the end of 2020, the share of total assets held by foreign banks represented 13.4% of the Italian banking system, slightly higher than the end of 2019 (13.1%), due to the rise of the subsidiaries' share (from 6.7% to 7.2%) which more than offset the decline of the branches' share (from 6.4% to 6.2%). Both branches and subsidiaries show a significant dispersion in terms of total assets (from €0.7 million to €50 billion for branches and from €50 million to €100 billion for subsidiaries), and in terms of number of employees (from 3 to 863 for branches and from 3 to 10,632 for subsidiaries).

At the end of 2020, foreign banks' market share for the loans to customers remained stable compared to the previous year (15.1% vs. 15.2%, Fig. 6), with an upward trend recorded by the subsidiaries (from 9.7% to 10.1%), which grant most of the loans (66.8% of total foreign banks' loans). Sector composition did not show any significant variation: households (43.9% of total loans) and non-financial corporations (26.8%) remained the predominant clients of the foreign banks.

The credit quality of foreign banks improved, also thanks to the debt moratorium on performing loans introduced in response to the emergency brought by the Covid-19 epidemic. The gross percentage share of bad loans[3] decreased from 3.6% at the end of 2019 to 3.2% at the end of 2020 (from 2.3% to 1.8% for branches and from 5% to 4.5% for subsidiaries), even if it was higher than the gross percentage share of the entire banking system equal to 2.7% (3.9% at the end of 2019).

At the end of 2020, the share of securities held by foreign banks compared to the total held by the entire Italian banking system remained stable at approximately 3%, as well as the portfolio composition, characterized by the prevalence of Italian government bonds (75% of the foreign banks portfolio, Fig. 7).

The customer deposits' market share slightly decreased on yearly basis (from 10.8% to 10.5%), driven by the component held by branches (from 3.9% to 3.6%, Fig. 8). Despite the decrease in interbank deposits recorded both by the entire banking system and by the foreign banks, foreign banks' market share increased from 27.0% to 31.2%; the growth was again driven by the component held by branches (from 17.7% to 20.8%, Fig. 9). The market share of the securities issued by foreign banks increased (from 3.8% to 5.3%, Fig. 10), thanks to the subsidiaries' issuing activity that stood up, against the overall decrease observed in the Italian banking system (–9.3%).

[3] The rate refers only to loans to customers.

	Dec. 31, 2019		
	Branches	Subsidiaries (b)	Total
Loans to customers (a)	97,840	170,977	268,817
Gross bad loans	2,285	8,966	11,251
Deposits from customers	65,568	116,787	182,355
Total assets	239,540	252,458	491,998

	Dec. 31, 2020		
	Branches	Subsidiaries (b)	Total
Loans to customers (a)	91,486	179,274	270,760
Gross bad loans	1,724	8,365	10,089
Deposits from customers	67,689	129,847	197,537
Total assets	243,278	278,828	522,105

	Annual change (2019/20, %)		
	Branches	Subsidiaries (b)	Total
Loans to customers (a)	-6.5%	4.9%	0.7%
Gross bad loans	-24.6%	-6.7%	-10.3%
Deposits from customers	3.2%	11.2%	8.3%
Total assets	1.6%	10.4%	6.1%

Tab. 5 Main aggregates for foreign banks operating in Italy (€ million) – Source: Bank of Italy, Supervisory Statistics

Note: (a) The amount is net of bad loans; (b) Subsidiaries of significant banks.

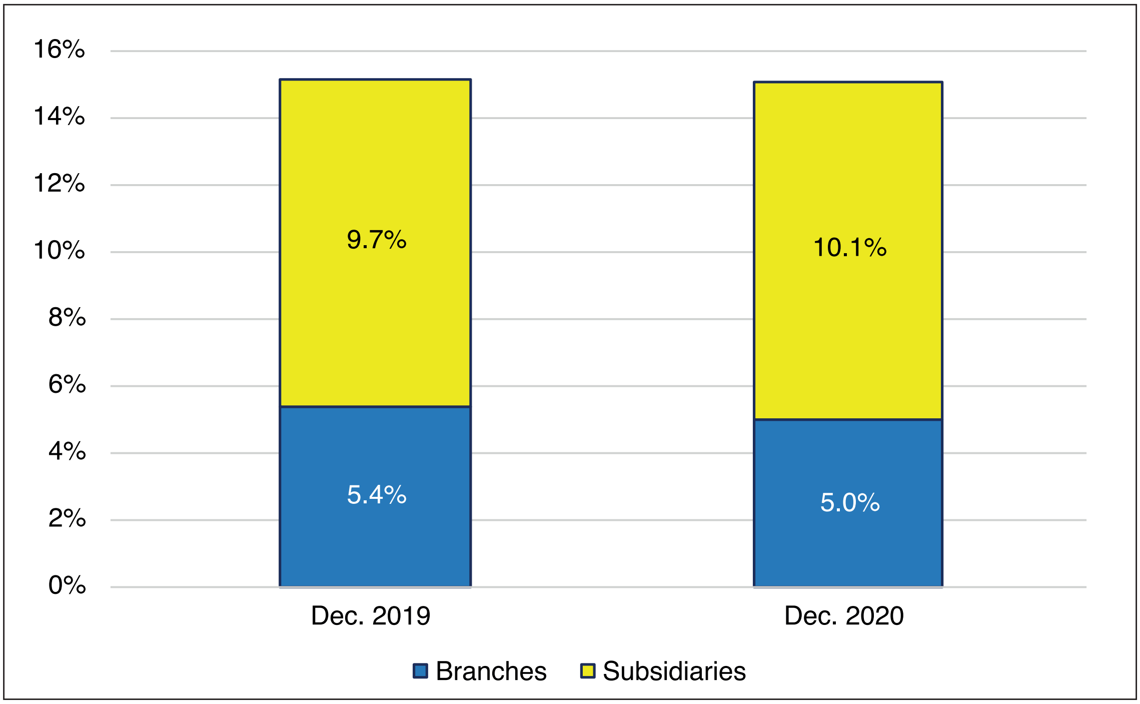


Fig. 6 *Foreign banks' market share for loans to customers (%) – Source: Bank of Italy, Supervisory Statistics*

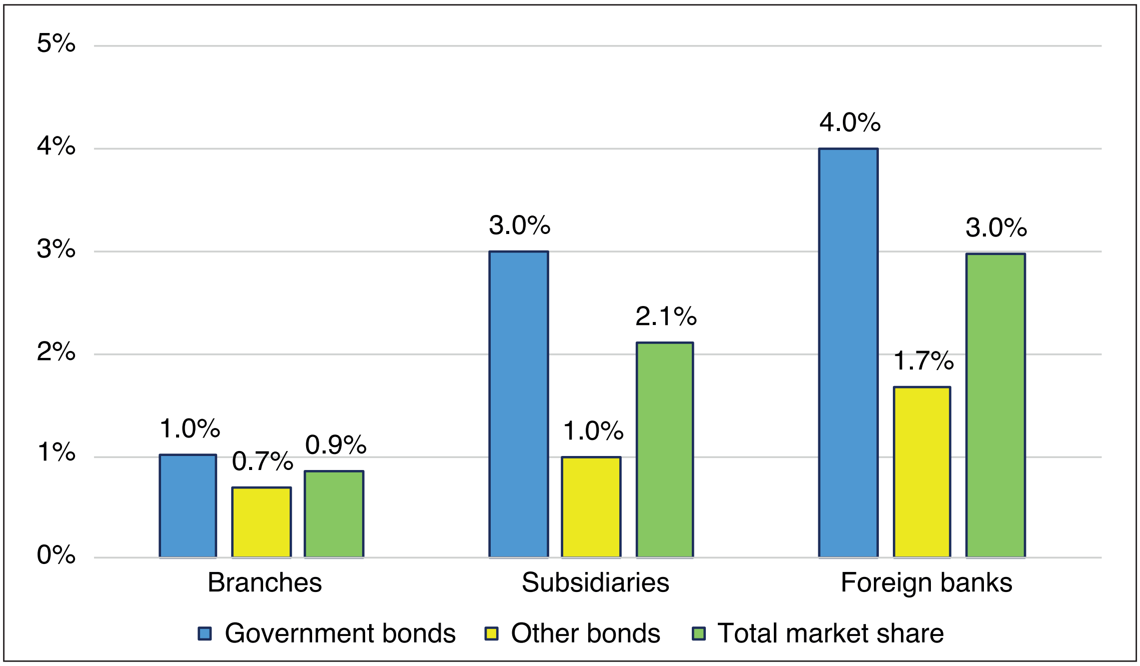


Fig. 7 *Foreign banks' market share for securities held at the end of 2020 (%) – Source: Bank of Italy, Supervisory Statistics*

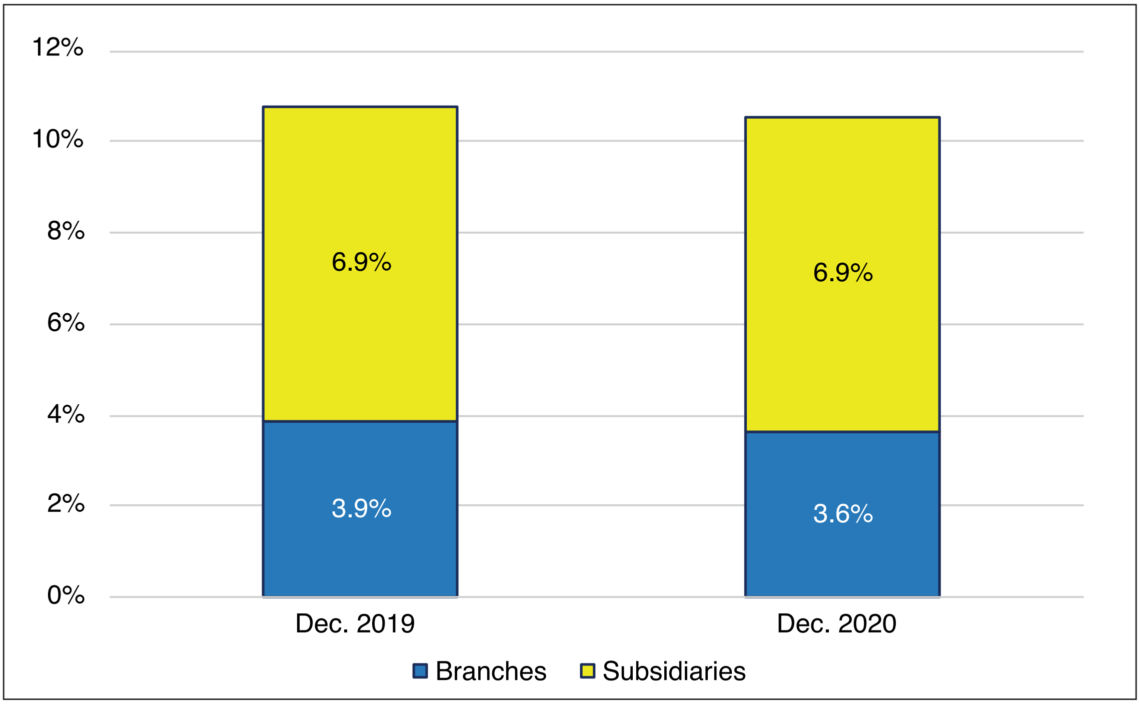


Fig. 8 *Foreign banks' market share for deposits from customers (%) – Source: Bank of Italy, Supervisory Statistics*

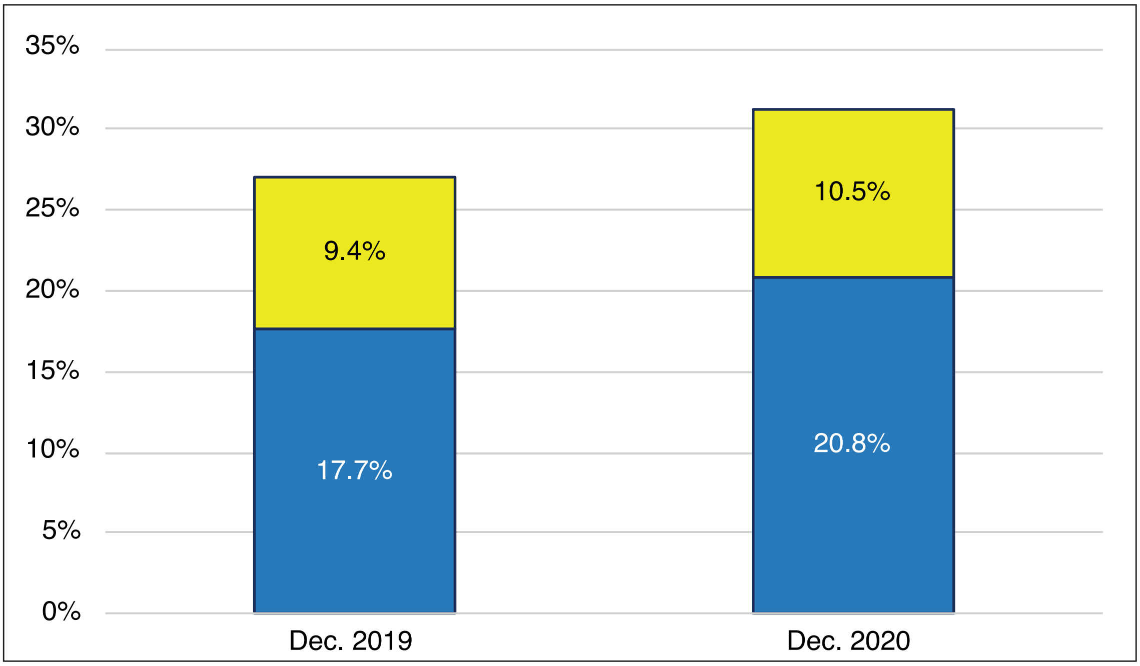


Fig. 9 *Foreign banks' market share for deposits from banks (%) – Source: Bank of Italy, Supervisory Statistics*

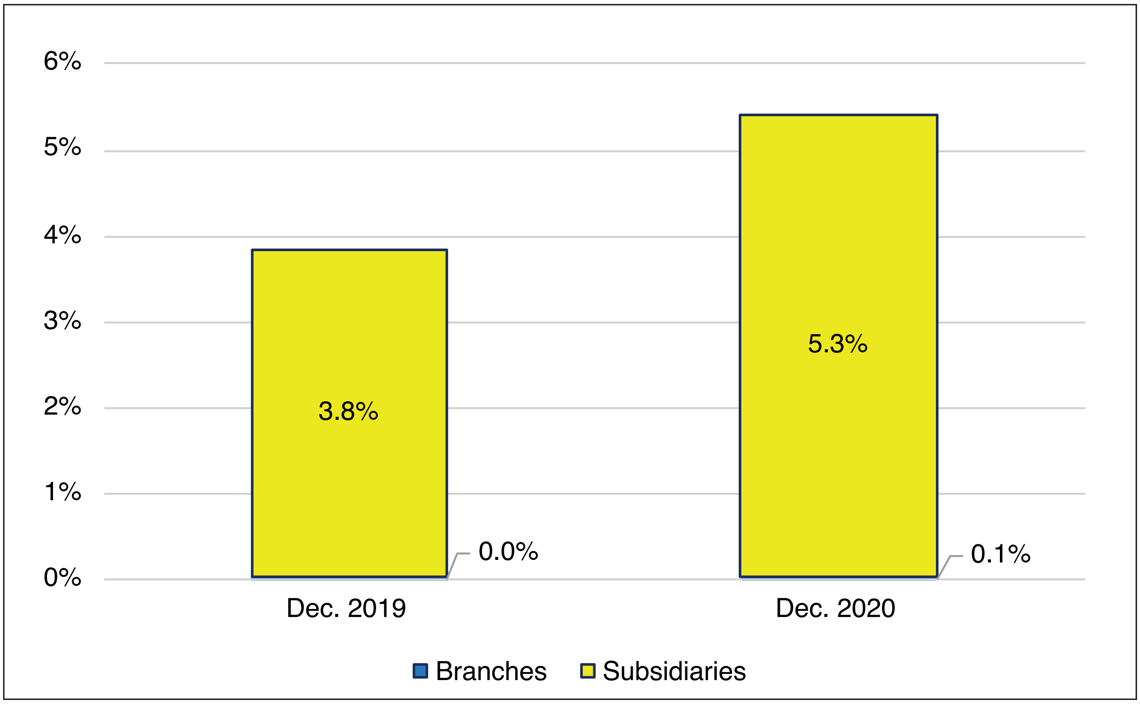


Fig. 10 *Foreign banks' market share for securities in issue (%) – Source: Bank of Italy, Supervisory Statistics*

3.4 Financial and economic accounts of foreign banks operating in Italy: a sample analysis

The following is a review of aggregate balance sheet data for a sample of 37 foreign bank branches operating in Italy. Data are published in the AIBI Yearbook, over the period 2013/19.

The total assets of this sample, updated at the end of 2019, amount to about €230 billion.

Fig. 11 shows the percentage composition of assets of foreign bank branches.

As highlighted in the Fig. 11, the proportion of loans to customers as a percentage of total assets of foreign bank branches has been increasing over time, rising from 40% in 2013 to 47% in 2019. Similarly, but at a much lower percentage, the weight of net exposure to banks for foreign bank branches increased from a net debit position to a credit position, with a weight equal to 11% of total assets, between 2003 and 2019. In contrast, the contribution from financial assets held for trading decreased over the same period, with financial assets held for trading as a percentage of total assets of foreign bank branches falling from 25% in 2003 to 11% in 2019.

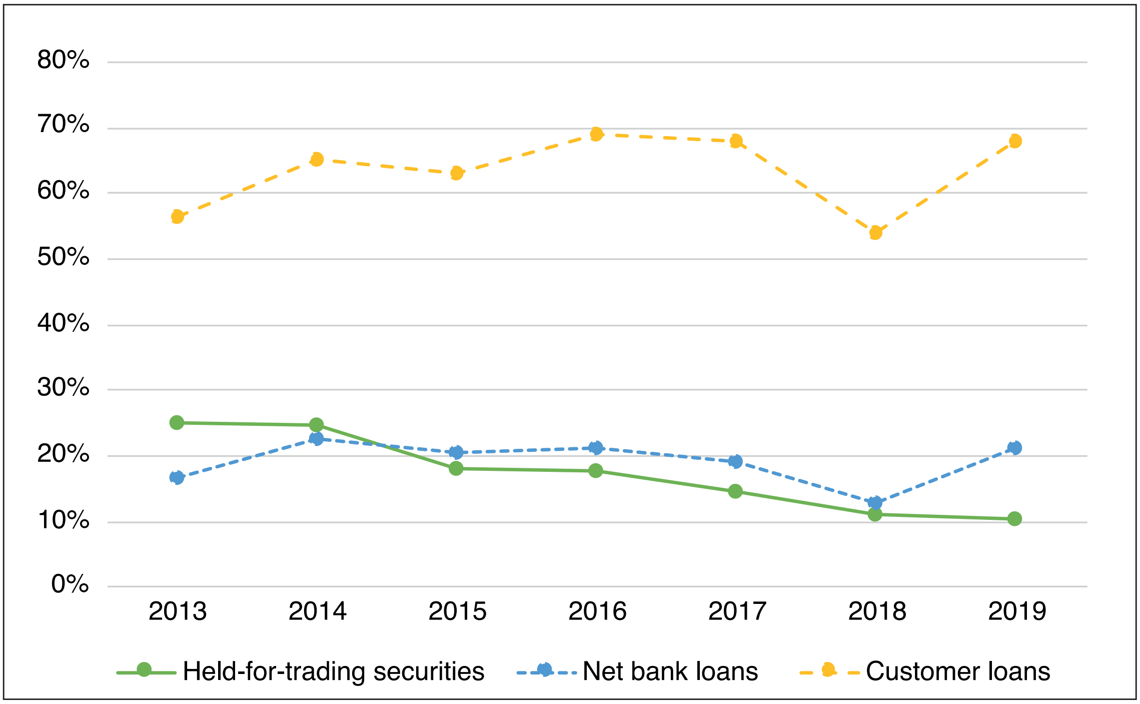


Fig. 11 *% composition of assets of foreign bank branches in Italy (2003/19, main items) – Source: ABI Yearbook*

Tab. 6 below provides an analysis of the percentage composition of assets, breakdown by homogeneous clusters of foreign banks. In 2019 the largest contribution to retail banks' assets comes from loans and to customers (67% of total retail banks' assets, up from the previous year's figure equal to 50%). With regards the banks specialized in corporate and investment banking activities (CIB banks), the percentage of loans to customers is lower, while the largest contribution to assets is represented by net loans and advances to banks (32%).

	2018			2019		
	Financial assets held for trading	**Net banking loans**	**Customer loans**	**Financial assets held for trading**	**Net banking loans**	**Customer loans**
Retail banks, of which specialized in	1.2%	-18.6%	49.8%	0.6%	-16.2%	67.2%
- Retail loans	1.3%	-17.0%	45.0%	0.7%	-14.4%	64.2%
- Automotives captive banks	-	-35.7%	100.8%	-	-33.6%	96.4%
CIB banks, of which specialized in	20.1%	19.9%	33.4%	18.6%	32.4%	30.1%
- Securities services	-	76.9%	1.3%	-	94.0%	0.5%
- Trading services	96.8%	-6.0%	2.3%	97.3%	-5.2%	2.1%
- Large corporate loans	0.3%	-8.2%	69.3%	0.4%	-7.9%	70.3%

Tab. 6 *Composition of assets of branches of foreign banks in Italy by type of foreign bank (2018/19, main items, %) – Source: ABI Yearbook*

As showed in Fig. 12, at the end of 2019, net interest income represented 58% of the net interest and other banking income of foreign bank branches: the credit intermediation has a relevant role with regards the contribution to the overall operating profitability of the analyzed sample of banks.

In the same year, operating costs as a percentage of net interest and other banking income amounted to 60%, a slight increase compared to the previous year. Net profit, on the other hand, represented around 16% of aggregate net interest and other banking income.

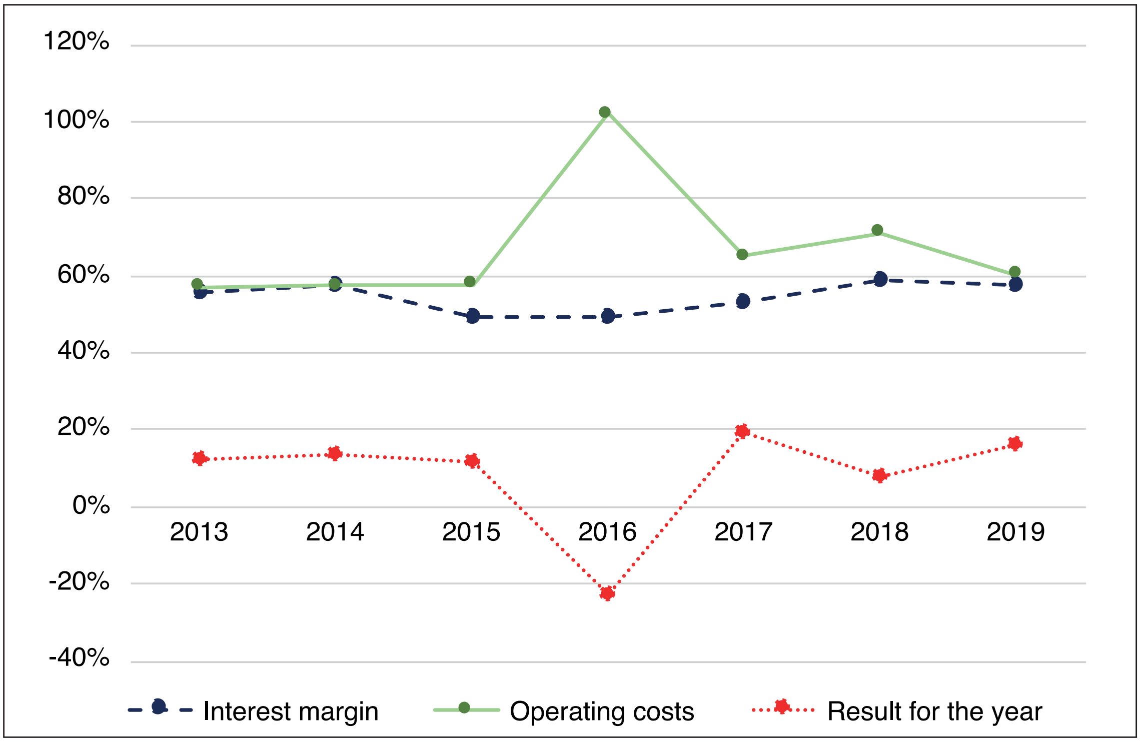


Fig. 12 Contribution of the main profit and loss items of foreign bank branches in Italy to net interest and other banking income (2013/19, %) – Source: ABI Yearbook

Tab. 7 here below summarizes the analysis of the percentage contribution of the main income statement items of foreign bank branches in Italy to net interest and other banking income, by type of foreign bank. As a result, in 2019 about 77% of retail banks' net interest and other banking income is attributable to net interest income; the percentage decreases with regards banks operating in corporate and investments banking activities. Actually, for this cluster net interest and other banking income accounts for 42% of net interest and other banking income. In 2019, with regards to both retail banks and CIBs, operating expenses as a percentage of net banking income were approximately 60%. In the same year, the ratio of operating profit to net interest and other banking income was higher in the group of CIBs banks (22%) than in the cluster of retail banks (9%).

	2018			2019		
	Interest margin	Operating costs	Result for the year	Interest margin	Operating costs	Result for the year
Retail banks, of which specialized in	74.9%	73.7%	17.5%	76.8%	62.8%	9.1%
- Retail loans	73.6%	80.8%	16.7%	61.3%	72.2%	6.5%
- Automotives captive banks	81.2%	40.5%	21.2%	156.8%	14.2%	22.4%
CIB banks, of which specialized in	45.2%	69.2%	-0.3%	42.1%	58.1%	22.3%
- Securities services	7.8%	42.8%	36.9%	8.1%	38.3%	37.6%
- Trading services	176.9%	69.2%	-3.8%	15.8%	-69.7%	112.6%
- Large corporate loans	54.5%	76.5%	-10.4%	52.1%	69.7%	13.7%

Tab. 7 Contribution of the main profit and loss items of foreign bank branches in Italy to net interest and other banking income by type of foreign bank (2018/19, %) – Source: ABI Yearbook

Chapter 4

Corporate and Investment Banking

This chapter summarizes the main data regarding the role played by foreign banks in supporting Italian companies in making decisions about the composition of firms' capital structure, funding decisions and advisory services in Merger and Acquisition deals.

The majority of AIBE member banks operate in this sector, with portfolios of different activities and financial services available for corporations.

4.1 Structured finance

4.1.1 Syndicated loans

In 2020 the Italian syndicated loans market increased by about €15.8 billion, from €40.1 to €55.9 billion (Fig. 13), still showing quite high volatility in terms of market size looking at recent years' trends. Foreign bookrunners held a market share of about 63%, confirming a very relevant position, even if slightly lower than the 10Y average, acting alone as bookrunners (21.1%) or in international pools of lenders with Italian banks (41.7%). Last year's issuances were split into 335 tranches (–15 *YoY*). The average tranche size was about €167 million, higher than 2019. Where issuances are assisted exclusively by foreign bookrunners, the average size was about 4 times higher than the average tranche size.

An international pool of bookrunners assisted 24.2% (in terms of number) and 41.7% (in terms of value) of tranches.

Foreign bookrunners mainly supported Italian firms operating in the Utility & Energy, Auto&Truck and Finance sectors (Fig. 14). €19.1 billion of last year's issuances were concentrated in these three sectors, making up 55% of the total deal value linked to foreign bookrunners, and almost 34% of the entire market size. These market shares remained stable compared with the previous year.

Syndicated loans are mainly medium/long term issuances. In 2019 Italian issuances had an average original maturity of about 5.8 years, with a further decrease (of about 8 months) compared to the previous year. It is worth noting that maturities are quite diversified, moving from short term (3 to 12 months) to long term (11 tranches have original maturity equal to or higher than 15 years). Almost 40% of all tranches (in terms of value) had an original maturity from 3 to 5 years, making up only 33% of the number of issuances.

In terms of credit standing, 2020 issuances are balanced between deals with high credit standing ("Investment Grade", 54% of the total, about 11 percentage points lower than the previous year) and tranches with low credit standing ("Leveraged Grade, 46%). Compared to the previous year, foreign bookrunners changed their allocation, replacing a portion of riskier tranches with deals having a high credit standing: their market share for "Investment Grade" issuances increased from 63% to 66%, with these deals making up 57% of their business.

Italy's syndicated loans market does not seem to be affected by the pandemic: proceeds were used to support the closure of some M&A deals, leveraged buy-out operations. In several cases funding was used to refinance existing facilities previously signed and for general corporate purposes as well. Sometimes, the purpose was declared as lending support for COVID-19 ends.

Data referring to the first half of 2021, updated to the end of May, show a further market growth: Dealogic recorded 71 tranches of syndicated loans issued by Italian companies, amounting to about €27.2 billion as total deal value. The market share held by non-domestic players grew to 88%, mainly the effect of the large portion of issuances assisted by international pools of lenders.

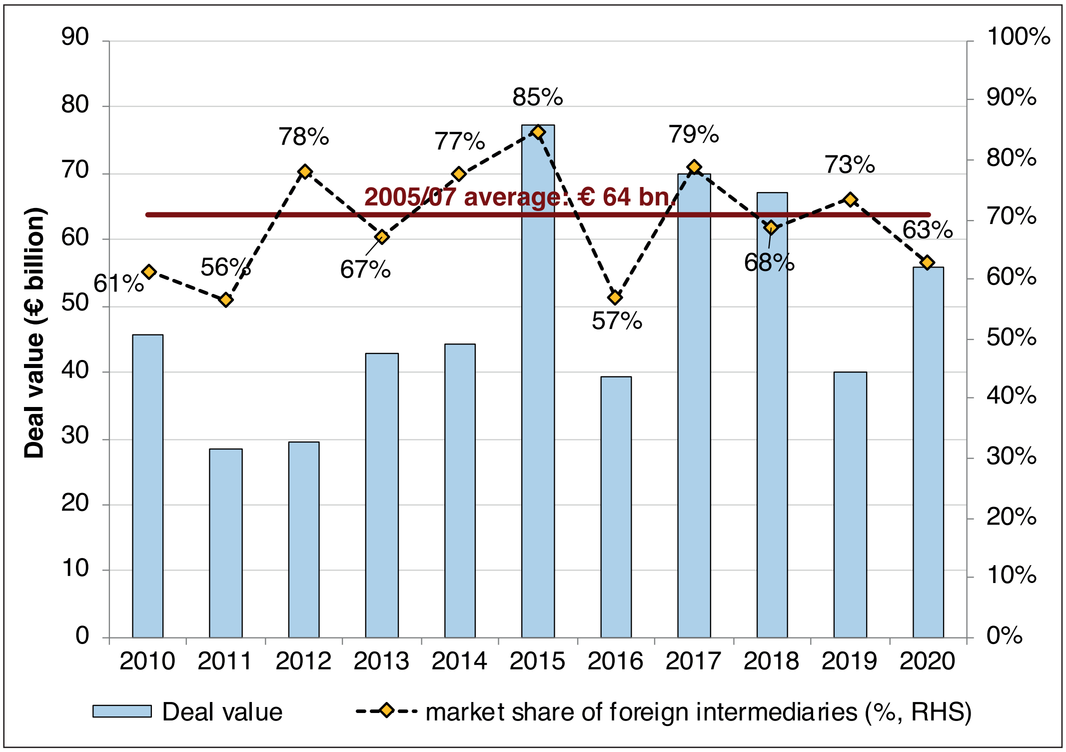


Fig. 13 Annual deal value of syndicated loans and share of foreign intermediaries (2010/20, billion and %) –
Source: elaboration of data from Dealogic database

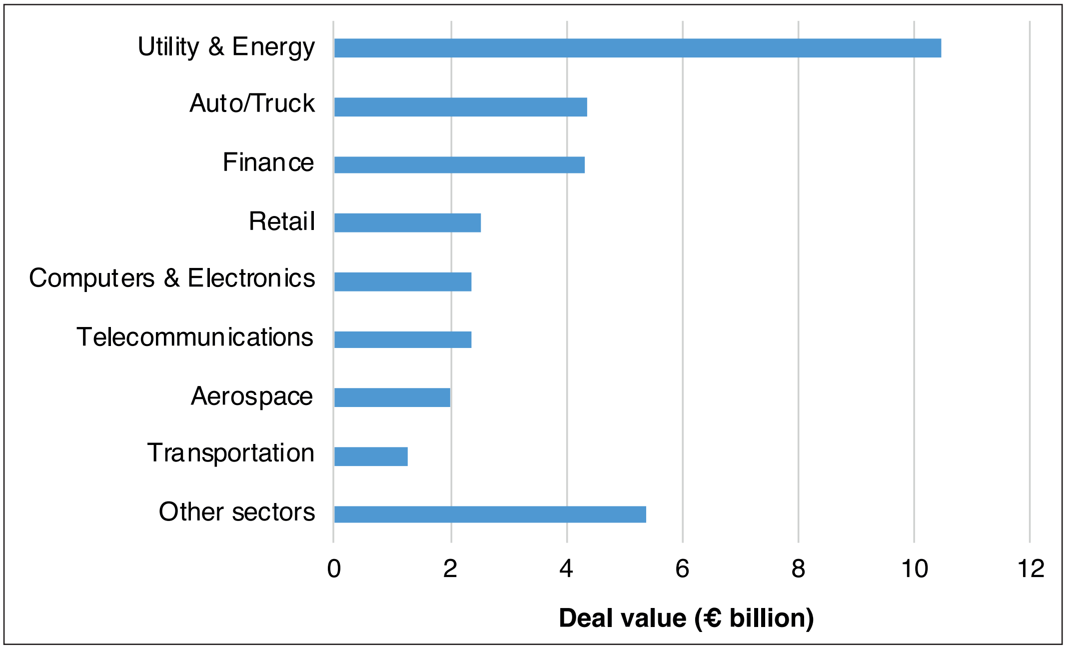


Fig. 14 Deal value of syndicated loans and market share of foreign bookrunners by industrial sector (2020, first 8 sectors, data in € billion and %) –
Source: elaboration of data from Dealogic database

4.1.2 Securitization

This section summarizes the main data regarding the Italian securitization market, i.e., transactions involving Italian issuers in Asset-Backed Securities (ABS) and Mortgage-Backed Securities (MBS) deals.

Last year's data confirm two main results that are consistent with recent trends. On the one hand, the market was extremely volatile in terms of both numbers and deal values. Over the past decade the severe slump after the financial crisis of 2007/08 was followed by a partial expansion (in the 3Y period 2014/16 and in 2018/19, tempered by a new and severe downsize in 2017). Market size has always remained well below pre-financial crisis levels.

On the other hand, the role of foreign bookrunners has been crucial: almost all the recent deals were assisted by at least one foreign intermediary.

2020 was no exception. The volatility and uncertainty characterizing recent months stopped some deals. Dealogic databases recorded 1 ABS deal (split into 3 tranches) and 1 MBS deal (3 tranches). The total amount of securitization was about €537 million. Both operations were assisted by foreign players, in one case with the assistance of an Italian bank.

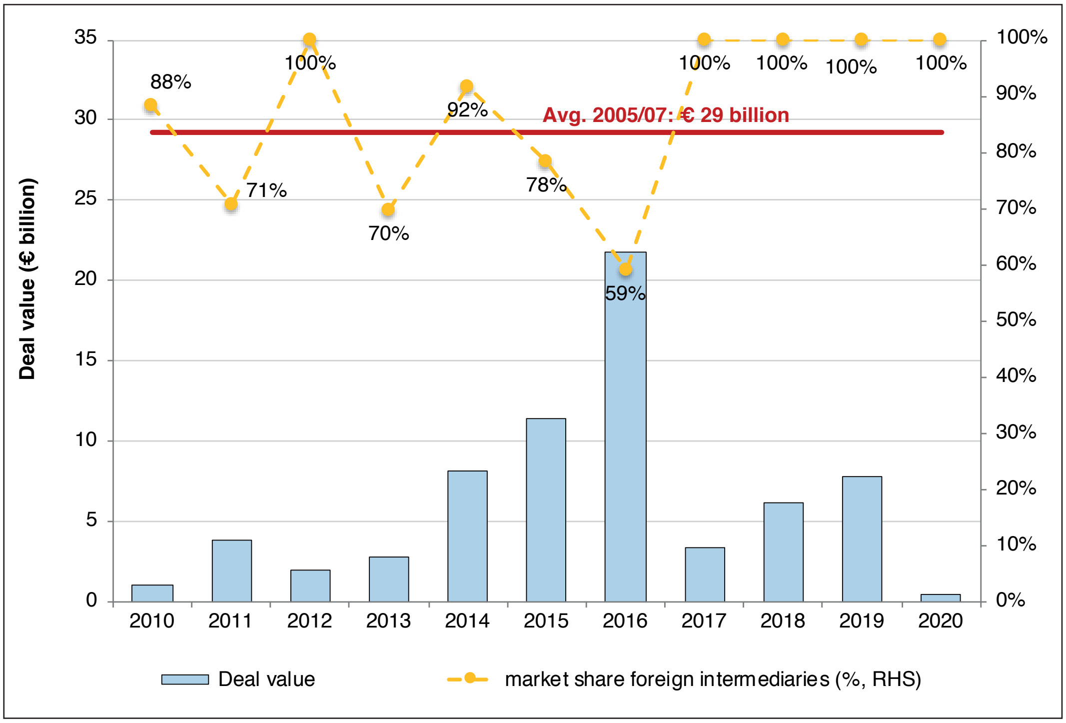


Fig. 15 Annual value of ABS and MBS deals and share of foreign intermediaries (billion and %, 2010/20)
– Source: elaboration of data from Dealogic database

4.2 Export Finance: financial guarantees to support the growth of Italian companies abroad

This section summarizes the role of foreign players (banking groups, financial institutions and Export Credit Agencies) in supporting Italian companies interested in competing and expanding internationally. Data in the report were provided by SACE, an institution 100%-owned by Cassa Depositi e Prestiti (CDP), which offers export credit, credit insurance, protection of foreign investments, financial guarantees, bonding and factoring services.

As shown in Tab. 8, the financial resources deployed in 2020 to support the exports and internationalization of Italian companies insured through banks, finance companies and ECAs increased slightly, from €10.98 billion to €11.18 billion (+1.8% *YoY*).

In 2020 SACE's activities in support of exports – here we refer to guarantees on loans extended to foreign buyers of Italian goods and services, as well as insurance protecting against default or performance risk – accounted for 72% of total resources, or €8.0 billion in value. These values are slightly down on those of 2019.

Support for internationalization, in which SACE plays an active role, accounted for the remaining 28% of the total (€3.1 billion in value), slightly higher than in 2019.

Fig. 16 shows that although volumes remained stable, the role of foreign players fell compared with the previous year. If we analyze the whole market, foreign players hold a 39% market share, about 17 percentage points lower than in 2019.

The main foreign operators come from France (46% of total financial guarantees assisting loans), United Kingdom (35%), Spain (6%), Germany (5%) and Denmark (4%).

Fig. 17 shows that financial guarantees for export credit granted by foreign players made up about 49% of the total guaranteed for export credit (€3.9 out of €8 billion) and about 49% of total resources set aside by SACE.

With reference to support for internationalization, guarantees granted to foreign operators made up about 14% of the total guaranteed for internationalization, and an equivalent percentage of total resources set aside by SACE.

During 2020 SACE strengthened its commitment to support Italian companies, with the main purpose being that of limiting the negative effects on the Italian economy caused by Covid-19. In particular, the Italian Government's "Liquidity", "Relaunch", "August" and "Simplifications" decrees led to an expansion of SACE's operations also on the domestic market. These regulatory interventions made it possible to mobilize resources amounting to €21 billion, through the "Garanzia Italia" instrument, to support the liquidity of Italian companies, with €300 million set aside to support green projects for the transition of Italy's energy sector.

Through the "Garanzia Italia" instrument, SACE supports companies in finding liquidity, by issuing guarantees, counter-guaranteed by the Italian Government, on loans.

With the Italian Green New Deal, SACE issues guarantees, backed by the Italian Government, to finance projects that aim to facilitate the transition to an economy that has a lower environmental impact.

According to SACE data, in 2020 the market share of foreign operators in these areas of operations was still limited. As shown in Tab. 9, in 2020 the guarantees issued by SACE to support the funding of companies amounted to €20.7 billion, of which €17.8 billion assisted through Italian financial institutions, or 86% of the total. In the same year, the "green" guarantees issued by SACE amounted to about €300 million (Tab. 10), of which about €260 million through Italian financial institutions, approximately 87% of the total.

	2017		2018		2019		2020	
	Value	%	Value	%	Value	%	Value	%
Italian players	10,137	70.8	6,710	49.9	2,925	36.0	4,086	50.8
Foreign players	4,174	29.2	6,725	50.1	5,210	64.0	3,962	49.2
Total Export (a)	**14,311**	**100**	**13,435**	**100**	**8,135**	**100**	**8,048**	**100**
Italian players	1,133	45.9	3,100	58.2	1,869	65.7	2,697	86.2
Foreign players	1,338	54.1	2,230	41.8	974	34.3	430	13.8
Total Internationalization (b)	**2,471**	**100**	**5,330**	**100**	**2,843**	**100**	**3,127**	**100**

Total value (a+b)	2017		2018		2019		2020	
	Value	%	Value	%	Value	%	Value	%
Italian players	11,270	67.2	9,810	52.3	4,794	43.7	6,783	60.7
Foreign players	5,512	32.8	8,955	47.7	6,184	56.3	4,392	39.3
Total (a+b)	**16,782**	**100**	**18,765**	**100**	**10,978**	**100**	**11,175**	**100**

Tab. 8 *Financial guarantees to support the growth of Italian companies abroad: annual deal value of guarantees by type of instrument and market share held by Italian and foreign players (2017/20, € billion and %) – Source: elaboration of SACE data*

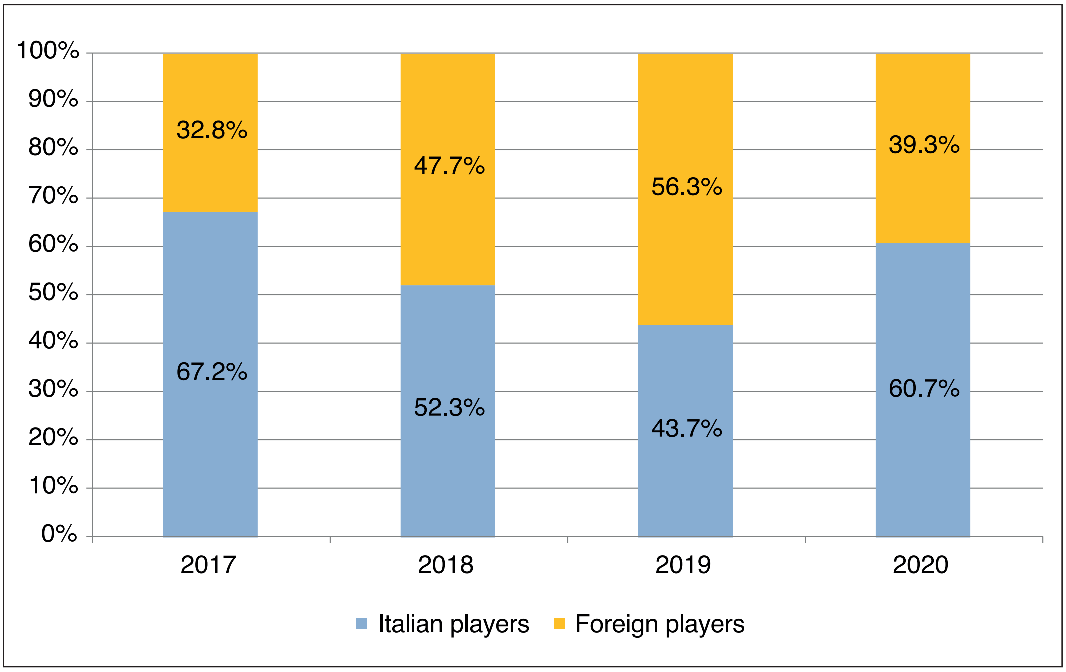


Fig. 16 *The composition of financial guarantees supporting the growth of Italian companies abroad: market share held by Italian and foreign players (2017/20, %) – Source: elaboration of SACE data*

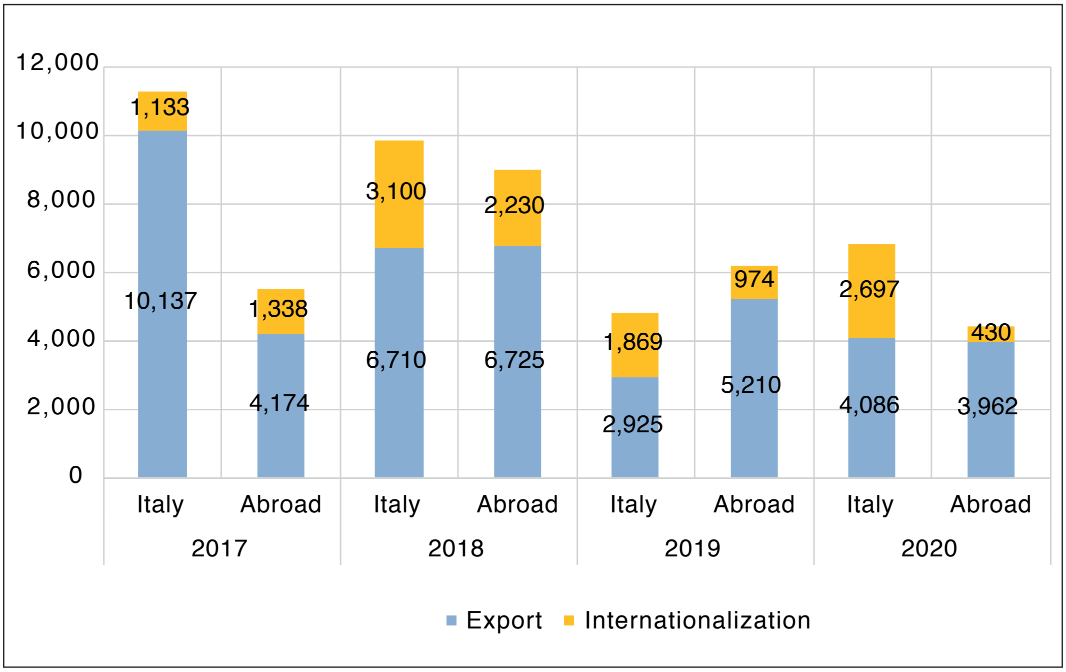


Fig. 17 *The value of financial guarantees to support the growth of Italian companies abroad: geographic origin of secured loans (2017/20, € billion) – Source: elaboration of SACE data*

	2020		1Q-2021	
	Value	**%**	**Value**	**%**
Italy	17,769	85.7	1,596	90.8
Abroad	2,966	14.3	162	9.2
"Garanzia Italia" instrument	**20,735**	**100**	**1,758**	**100**

Tab. 9 *Financial guarantees to support the funding of Italian companies: deal value of guarantees and market share held by Italian and foreign players (2020/1Q-2021, € billion and %) – Source: elaboration of SACE data*

	2020		1Q-2021	
	Value	**%**	**Value**	**%**
Italy	0.263	86.8	0.203	65.5
Abroad	0.040	13.2	0.107	34.5
Green New Deal	**0.303**	**100**	**0.310**	**100**

Tab. 10 *Financial guarantees to support the transition of Italian companies towards a green economy: deal value of guarantees and market share held by Italian and foreign players (2020/ 1Q-2021, € billion and %) – Source: elaboration of SACE data*

4.3 Private equity and venture capital

This section highlights the principal data regarding recent trends in the Italian private equity and venture capital market.

According to AIFI (Italian Private Equity and Venture Capital Association) in 2020 total funds raised on the private equity and venture capital market amounted to €2,612 million, 79% of which by way of independent funding (Tab. 11). A total of 27 operators carried out fundraising activities on the market in 2020. Funds raised by the parent company grew to €540 million (€25 million in 2019), but they continue to represent a very small portion of total funding sources. Pan-European funds based in Italy are playing a growing role. Their fundraising activity has almost doubled on an annual basis, reaching a value of €3,116 million.

With reference to the geographic origin of fundraising, the independent fundraising from abroad fell from 27% to 10% (Tab. 12).

The analysis of funding by type of source (Fig. 18) shows that individual investors and family offices represented the first source of capital (28%), thanks in part to the closure of some retail funds, followed by insurance companies (27%), mainly active in the largest fundraising areas, institutional funds of funds (16%) and pension funds (12%).

In 2020 471 transactions were recorded on the Italian private equity and venture capital market, distributed among 341 companies, for a total value of €6,597 million. Compared to the previous year (€7,223 million invested in 370 transactions), there was a 9% decrease in amounts invested, while the number of investments grew by 27%, driven by venture capital activity, which saw the start of operations of an institution, focusing on investments in business start-ups.

Sources of funds	2015		2016		2017	
	Value	%	Value	%	Value	%
Independent funding	2,487	72.0	1,313	37.6	6,230	84.9
Funds raised by parent company	346	10.0	401	11.5	33	0.4
Capital gain	-	-	-	-	-	-
Total raised funds (a)	**2,833**	**82.0**	**1,714**	**49.1**	**6,263**	**85.4**
Pan-European funds based in Italy (b)	621	18.0	1,774	50.9	1,075	14.6
Total (a+b)	**3,454**	**100**	**3,488**	**100**	**7,338**	**100**

Sources of funds	2018		2019		2020	
	Value	%	Value	%	Value	%
Independent funding	3,415	46.2	1,566	45.6	2,072	36.2
Funds raised by parent company	215	2.9	25	0.7	540	9.4
Capital gain	-	-	-	-	-	-
Total raised funds (a)	**3,630**	**49.1**	**1,591**	**46.4**	**2,612**	**45.6**
Pan-European funds based in Italy (b)	3,763	50.9	1,840	53.6	3,116	54.4
Total (a+b)	**7,393**	**100**	**3,431**	**100**	**5,728**	**100**

Tab. 11 Italian private equity and venture capital markets: fundraising trends (2015/20, € million and %) – Source: elaboration of AIFI data

Independent raising	2015		2016		2017	
	Value	%	Value	%	Value	%
From abroad	1,194	48.0	482	36.7	201	27.6
From Italy	1,293	52.0	831	63.3	527	72.4
Total	**2,487**	**100**	**1,313**	**100**	**728**	**100**

Independent raising	2018		2019		2020 (*)	
	Value	%	Value	%	Value	%
From abroad	702	36.0	298	26.7	193	10.2
From Italy	1,249	64.0	818	73.3	1,708	89.8
Total	**1,951**	**100**	**1,116**	**100**	**1,901**	**100**

Tab. 12 Italian private equity and venture capital markets: geographic origin of raised funds (independent funds, 2015/20, € million and %) – Source: elaboration of AIFI data

Note: (*) For 2020 data are based on 92% (71% in 2019) of the private sector market, for which data are available.

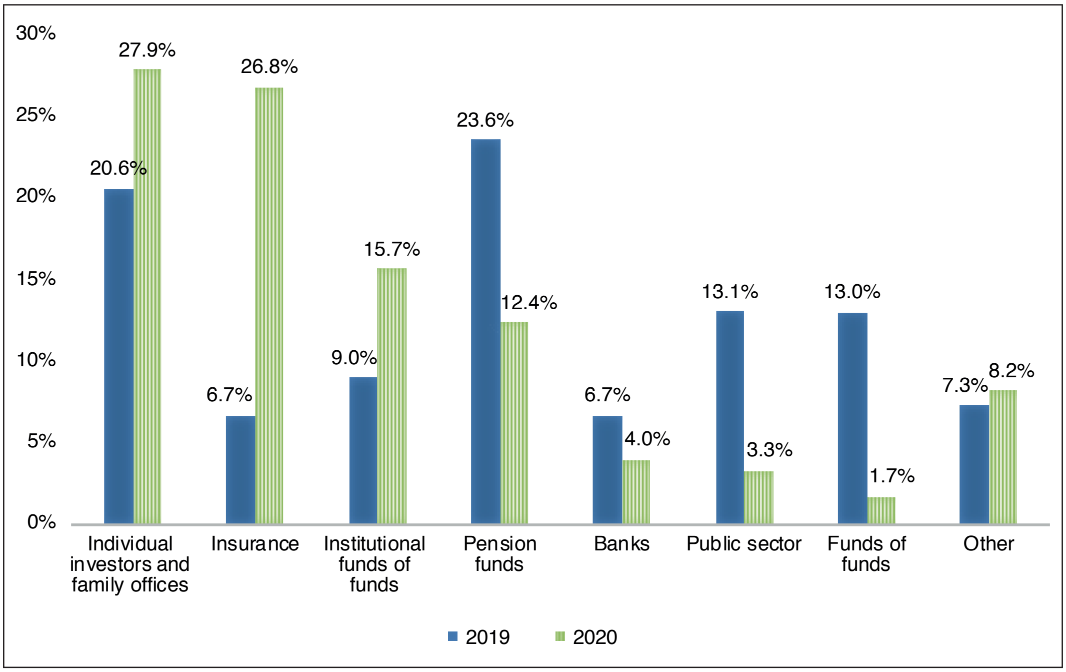


Fig. 18 Italian private equity and venture capital market: composition of new funds raised on the market (2019/20, %) – Source: elaboration of AIFI data

Sources of new funds raised on the market	2005/08				2009/20				
	Italy	Abroad	Total	%	Italy	Abroad	N/A	Total	%
Banks	1,115	317	1,432	22.3	2,927	274	105	3,306	16.3
Funds of funds	60	1,510	1,570	24.4	1,089	1,850		2,939	14.5
Pension funds	224	259	483	7.5	2,755	706		3,461	17.1
Insurance companies	268	173	441	6.9	1,776	398		2,174	10.8
Private equity companies				-	194	83		277	1.4
Asset Manager				-	244	926	20	1,190	5.9
Other sources			2,508	39.0	3,770	1,200	1,902	6,872	34.0
Total			**6,434**	**100**				**20,219**	**100**

Tab. 13 Italian private equity and venture capital market: composition and geographic origin of new funds raised on the market (2005/20, € million) – Source: elaboration of AIFI data

4.4 Mergers and Acquisitions

According to data released by KPMG Corporate Finance, in line with global business trends, the Italian M&A market underwent a downsizing in terms of values, from around €52 billion in 2019 to €44 billion in 2020. Completed transactions went down by about 19%, from 1,085 to 880 deals. The average deal value rose slightly to €50 million.

The trend of the domestic M&A market in 2020 was quite different compared to global results: against all expectations, even though the pandemic impacted the global financial markets and economies worldwide, the M&A market was not severely affected. The number of M&A deals amounted to 37,230 (+1% *YoY*), while the total value of deals fell by about 3% ($3,007 billion).

The COVID-19 pandemic had a more negative effect on cross-border deals worldwide: international deals fell by 15% in value and 8% in volume. Italy was no exception. "Cross-border-in" deals numbered 218 (317 in 2019) and accounted for only €5.7 billion in value, with a 68% decline *YoY*. Therefore, their market share over the total M&A Italian market fell from 34% to 13% *YoY*. The average size of incoming deals (€26 million) was about half the average deal.

The "top ten" deals completed in 2019 totaled €23.3 billion, quite stable compared to 2019, making up about 53% of the whole Italian M&A market of last year. Among these operations, only 2 deals were incoming cross-border transactions, with a total value of €3.4 billion, making up 15% of the "top ten" deals and 8% of the total deal value. The "top ten" incoming deals amounted to about €4.5 billion (10% of the total), well below the value reached in 2019 (€11.7 billion), due mainly to the limited number of "mega deals" and to the decrease in the average value.

KPMG also compared deals completed in the first decade of this century (2001-10) with those completed in the second decade (2011-20). Even if annual data point to a high degree of volatility, it should be noted with regard to international deals that Italy appears to be of interest to foreign investors. In the decade 2011-20 the number of incoming deals (2,071) was more than double that of operations completed over the period 2001-10 (846). However, the growth in values was more limited, from €156 to €183 billion (+17%). In the decade 2011-20 the United States was leading country as acquiror both for number of deals (487) and values (€45.4 billion). France, China, United Kingdom and Germany complete the "top 5" countries of origin of acquirors.

Using the Dealogic database we were also able to analyze the role of foreign intermediaries as advisors in supporting M&A deals. According to Dealogic, in 2020 the Italian M&A market recorded 1,044 deals worth about €48.2 billion, very close to KMPG figures. The value of operations announced in 2017, 2018 and 2019 and completed in 2020 (57 deals) was about €20.2 billion.

As Tab. 14 shows, there was a remarkable presence of foreign advisors: at least one foreign advisor was involved in about 83% of deals (in terms of value). This percentage takes into account both the role of all-foreign advisors and that of pools of Italian and foreign advisors. If we exclude the role of Italian intermediaries, we estimate that foreign advisors were involved in 21% of deals (in terms of market value).

TLC, Finance and Transportation are the leading sectors in terms of the presence of foreign target advisors (€19.5 billion, 54% of the total deal value relating to foreign target advisors). The results are similar if we look at the activity of foreign purchaser advisors.

A special focus on "top ten" deals – based on Dealogic data – highlights that foreign advisors were involved in all "top ten" deals, in 7 cases jointly with Italian advisors.

Short-term expectations are quite positive, according to KPMG analysts. In the first quarter of 2021, 232 deals were closed in the first quarter of the current year: while the number remained stable vis-à-vis Q1-2020, the value of deals more than doubled, from €10.1 to €26.4 billion, mainly because of several big deals. 94% of the market value was concentrated in "top ten" deals.

Incoming deals remained scarce (€400 million), waiting for more relaxed and stable macroeconomic conditions.

In the first semester of 2021 foreign acquirors closed 146 deals, for a total deal value of about €8 billion, more than three times the amount recorded in the same period of 2020. The trend of Italian M&A market shows a significant reprise: 522 deals were closed (+25% compared H1-2020) for a total deal value of about €42 billion (+88%). KPMG analysts especially highlight the comeback of big deals, following the effects of the vaccination campaign and the return of confidence and stability within the Italian financial markets.

Geographical origin of target advisor parent	Geographical origin of acquiror advisor parent								Total	
	abroad		Italy and abroad		Italy		N/A data			
	Value	%	Value	%	Value	%	Value	%	Value	%
abroad	10.1	20.9	11.1	22.9	1.8	3.7	2.4	5.0	25.3	52.5
Italy and abroad	1.7	3.5	5.4	11.2	0.6	1.3	3.0	6.3	10.7	22.2
Italy	0.2	0.4	0.8	1.6	0.2	0.4	1.2	2.5	2.3	4.9
N/A data	2.5	5.1	0.4	0.9	1.1	2.2	5.8	12.1	9.8	20.4
Total	**14.4**	**29.9**	**17.7**	**36.6**	**3.7**	**7.6**	**12.5**	**25.9**	**48.2**	**100**

Tab. 14 Value of M&A deals by geographic origin of advisors (2020, € billion) – Source: elaboration of Dealogic database

Chapter 5

Advisory and operations on capital markets

This chapter analyses the positioning of foreign intermediaries in providing financial services to support Italian firms in accessing international financial markets. In particular, the topics covered refer to their advisory role as bookrunners in debt and equity securities issuances and retail trading.

5.1 Debt capital market

According to Dealogic data, in 2020 the market size of debt issuances by Italian firms amounted to about €178.9 billion (€140.9 billion in 2019), distributed over 208 tranches (279 in 2019). In the last three years, the market has almost doubled, despite the pandemic. The most recent data has confirmed a size well-above the pre-financial crisis, reaching an absolute peak over the last decade.

The role of foreign bookrunners was confirmed: in 2020 the issuances that were assisted by at least one foreign intermediary amounted to 90% of the total market in terms of deal value (Fig. 19). The highest market share referred to international pools of bookrunners, involving both Italian banks and foreign players (€151.4 billion); solely foreign bookrunners assisted issuances for about €9.6 billion, while 10% of the market (€17.9 billion) referred to the activity of domestic intermediaries.

The average tranche value was about €860 million, higher than in 2019. As expected, the largest operations involved international bookrunners, for which the average size stood at €1.4 billion.

There were 36 “mega deals” – i.e., tranches having a value of at least €1 billion – (34 in 2019), with a total value of €128 billion, making up about 72% of the whole market. The presence of international pools of bookrunners was confirmed (€111 billion and 29 out of 36 “mega deals”). Within this sub-sample, the “top ten” tranches reached a combined total value of about €93.6 billion (52% of the whole market). All of these issuances were Government bonds, issued by Italian Central Government. 8 out of 10 issuances were assisted by international bookrunners, both domestic and foreign players.

Looking at issuers by industrial sector, Government and Finance were by far the leading sectors: issuers from these 2 sectors raised €142 billion, 80% of the total market value. If we analyze the role of non-resident bookrunners, the distribution for leading sectors is similar. Foreign intermediaries mainly assisted Government (€101 billion) and Italian companies operating in the Financial (€36 billion) and Transportation sectors (€7 billion). These 3 main sectors accounted for about 83% of issuances assisted by foreign bookrunners.

It is also interesting to observe that in several sectors (including Auto/Truck, Insurance, Machinery, and Leisure & Recreation) all issuances were assisted by international pools of bookrunners, in which the involvement (and number) of foreign players was much more significant than their Italian counterparts.

The geographic origin of bookrunners by tranche value (Tab. 15) highlights a significant presence of foreign bookrunners in almost all tranche value classes. The analysis in terms of deal type (Tab. 16) confirms the positioning of foreign bookrunners in all types of issuances: they held a relevant market share for both public and private issuances.

Despite the negative trends in financial markets due to the COVID-19 pandemic, market reaction was positive: the higher volumes issued supported public finance and corporate goals (general corporate purpose, recapitalization, debt repayment), with a "switch" towards financial needs to deal with liquidity shortfalls and economic imbalances relating to the recession.

Data referring to 1H 2021 suggest that the market has continued to grow from January to May. 80 tranches were issued for a total value of about €87.7billion.

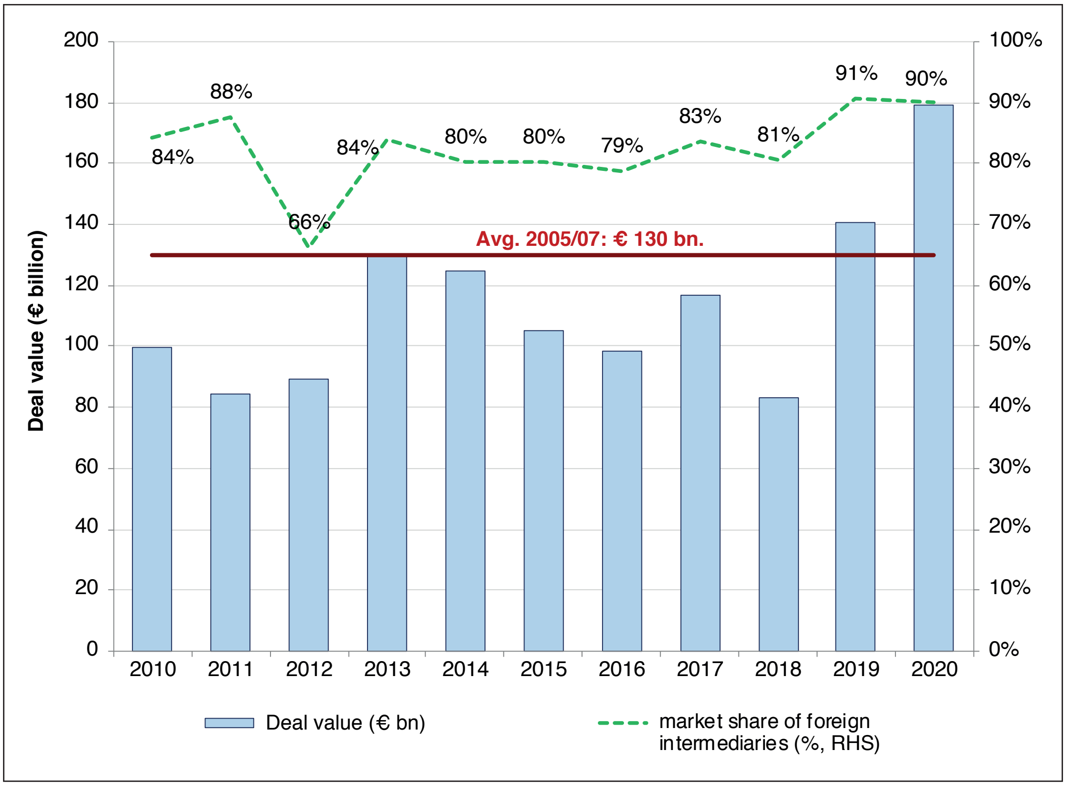


Fig. 19 Debt capital market (DCM) issuances by Italian borrowers: total annual deal value (2010/20, € billion) and market share of foreign bookrunners (%, RHS) – Source: elaboration of Dealogic data

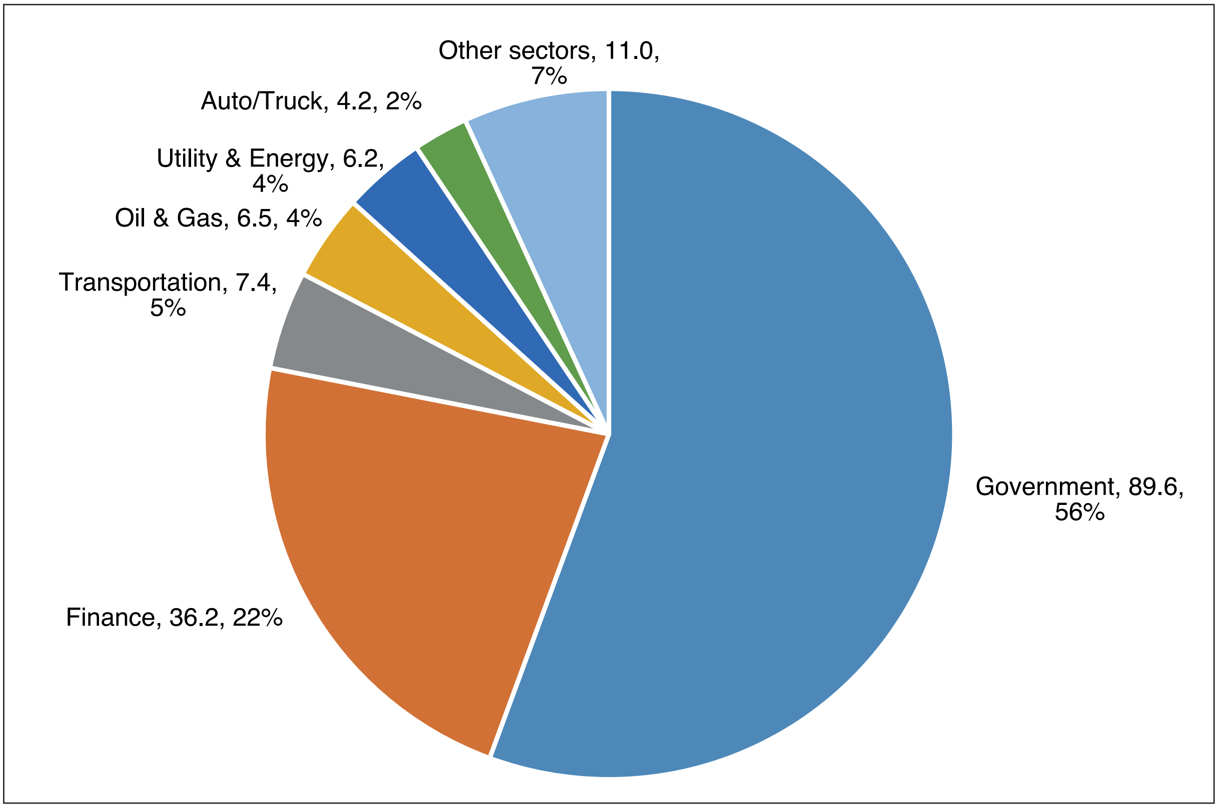


Fig. 20 *DCM issuances by Italian borrowers' industrial sector assisted by foreign bookrunners (2020, € billion and %) –*
Source: elaboration of Dealogic data

Class of tranche value	Foreign bookrunners		
	Number of tranches	Deal value	Market share (%)
Up to € 10 million	2	12.2	7.9%
€ 10-100 million	12	605.8	28.7%
€ 100-500 million	59	22,496.6	94.1%
€ 500 million-1 billion	41	31,005.1	94.8%
€ 1-5 billion	15	20,624.3	61.2%
More than € 5 billion	8	86,297.6	100%
N/A data	1	-	-
Total	**138**	**161,041.7**	**90.0%**

Tab. 15 DCM issuances by Italian borrowers assisted by foreign bookrunners: distribution of tranche value by size (2020, € million) – Source: elaboration of Dealogic database

Note market share (%) is by class of tranche value.

Deal type	Foreign bookrunners		
	Number of tranches	Deal value	Market share (%)
Sovereign, Local Authority	10	89,555.0	88.3%
Corporate Bond-Investment-Grade	61	40,772.1	94.5%
Corporate Bond-High Yield	32	17,204.2	100%
Non-US Agency	9	5,750.0	91.6%
Covered Bond	8	5,025.0	80.4%
Medium-Term Note	12	2,198.6	54.1%
Asset-Backed Security	3	333.8	100%
Mortgage-Backed Security	3	203.0	100%
Total	**138**	**161,041.7**	**90.0%**

Tab. 16 DCM issuances by Italian borrowers assisted by foreign bookrunners: distribution of tranche value by deal type (2020, € million) – Source: elaboration of Dealogic database

Note market share (%) is by deal type.

5.2 Equity capital market

This section summarizes the role of foreign bookrunners in supporting Italian companies in equity issuances (e.g., IPOs, rights offers, accelerated bookbuild and convertible bond issuances).

According to Dealogic data, in 2020 the size of the Italian equity capital market was about €7 billion, stable compared to 2019 (Fig. 21). As the graph shows, despite the positive trend in the last 2 years, volumes remain well below the peak reached in 2017, and the average size in the 3Y period just before the financial crisis of 2007-08. Moreover, the volatility and uncertainty caused by the COVID-19 pandemic have pushed back the closing of some deals.

The number of operations fell from 55 to 48, suggesting that the average size of deal values increased slightly to €153 million.

Over the whole of the past decade, the market share held by foreign bookrunners in supporting Italian issuers was remarkable: in 2020 it stood at 96%, above the 10Y period average (92%). The number of deals assisted by foreign bookrunners was 31, of which 19 assisted exclusively by a sole foreign bookrunner or by a group made up of all foreign intermediaries (€0.9 billion). A total of 12 deals were assisted by international pools of bookrunners (€6.1 billion).

Larger operations normally have a transnational pool of bookrunners, on average 4-5 players.

All the "top ten" had the participation of at least one foreign player.

In 2020 no large deals were recorded in the Italian equity market: just one deal was a "mega deal", worth higher than €1 billion; moreover, the market was very concentrated: "top ten" deals (42% of the total in number) accounted for about €6.3 billion, corresponding to 87% of the total market value.

If we move on to analyze the distribution of foreign bookrunners by issuers' economic and industrial sectors, we can observe that Computer & Electronics was the leading sector: with regard to this sector, total issuances assisted by foreign bookrunners amounted to €3.3 billion, making up almost 47% of total deals. Finance and Telecommunication were also relevant (€1.9 billion of deals, making up 27% of all operations of non-domestic intermediaries). In all sectors the market share held by foreign bookrunners was very significant, and in some sectors close to or even 100% (e.g., Telecommunication, Auto/Truck, Food & Beverage, Leisure & Recreation, Retail, and Utility & Energy).

Regarding deal type, 23 IPOs were recorded in the Dealogic database (worth €712 million), of which 9 were assisted by at least one foreign bookrunner (€611 million). The other relevant deal type was "follow-on" (second) offering: non-resident bookrunners assisted 18 out of 21 such operations concluded in 2020, holding a market share of about 96% (€4.9 billion out of €5.1 issued).

Also worthy of note is that in the period January/May 2021, despite the negative effects caused by the COVID-19 pandemic, the Dealogic database recorded 23 operations on Italian ECMs, for a total deal value of about €3.9 billion, just a bit lower than the first half of 2020. Compared to 2020, the average size of operations decreased (€173 million), while non-domestic bookrunners remained very much present, being involved in 19 out of 23 operations, with a market share of about 99%. A significant portion of their operations was performed through a transnational pool of bookrunners, including domestic banks.

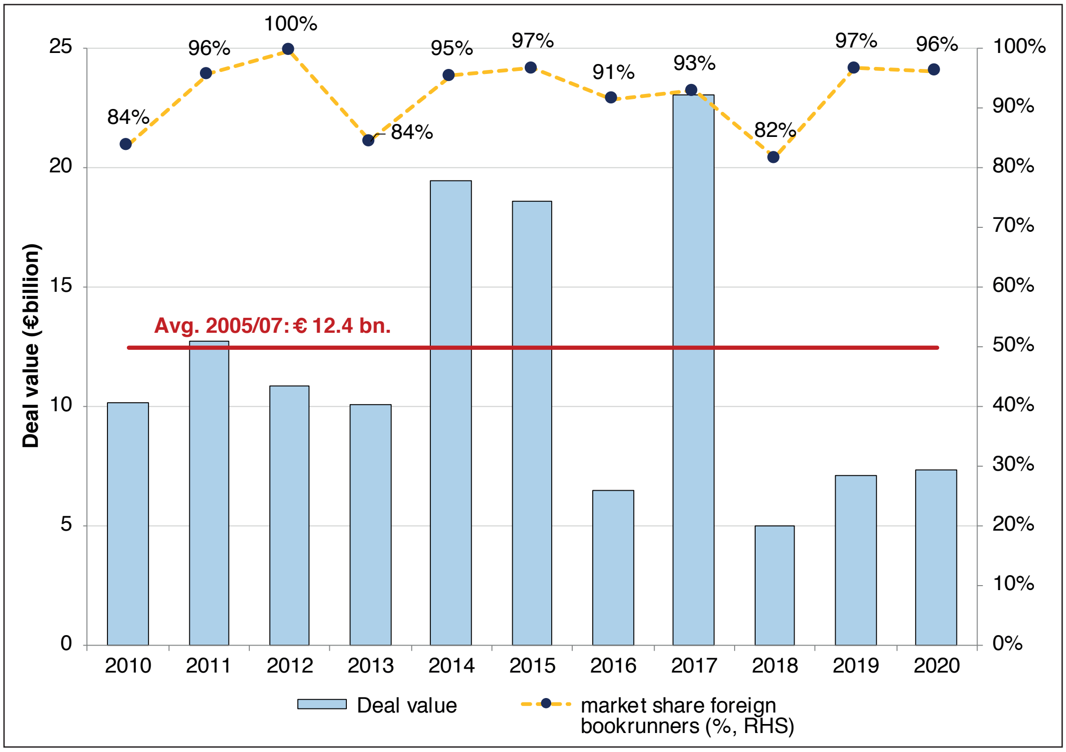


Fig. 21 *Equity capital market: distribution of deal value (Italian issuers, 2010/20, € billion) and market share of foreign bookrunners (%, RHS) –*
Source: elaboration of Dealogic data

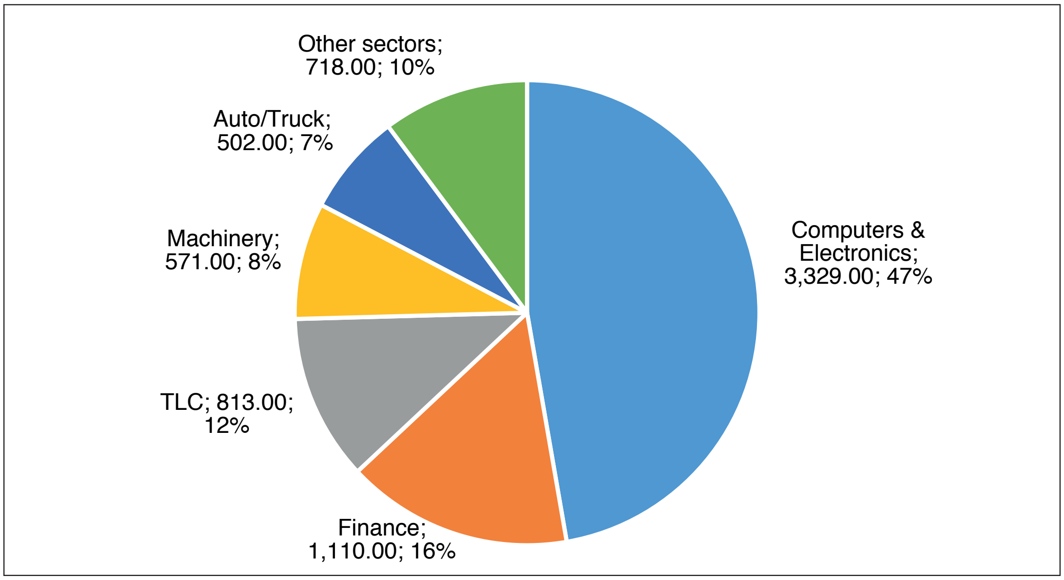


Fig. 22 *Equity capital market: issuances by Italian issuers' industrial sector assisted by foreign bookrunners (2020, top 5 sectors, € billion and %) –*
Source: elaboration of Dealogic data

5.3 Trading on Cash Markets (MTA)

According to ASSOSIM, the Italian Association of Financial Intermediaries representing the majority of players operating in Italian financial markets, foreign intermediaries' market share is quite significant, at least in certain segments. Within MTA, the main Italian Stock Exchange market for equity securities, ASSOSIM's members in 2020 accounted for 41% of total market volumes. Foreign members accounted for about 15% of total volumes (Fig. 23) and about 36% of values referring to ASSOSIM's members.

In 2020, within MTA, 4 out of 26 players were based abroad. Furthermore, 4 out of the 10 "most active" players were foreign intermediaries, as well as the 2 most active intermediaries overall. The latter two have a total market share of 11%, or about 27% of value referring to ASSOSIM's members. Total activity by foreign players makes up 73% of the total.

In other market segments of the Italian Stock Exchange (e.g., DomesticMOT, EuroMOT, ETFplus and ExtraMOT) market shares and the number of foreign players is lower. In 2020, within the DomesticMOT market, the share of foreign intermediaries (4 out of 26 players) was about 3% of total volumes (4% in the previous year). In 2020 in the EuroMOT market, the share of foreign players (2 out of 26) was about 2.5% (less than 1% in 2019).

In the ETFplus market the share of foreign players (4 out of 26 players) was close to 8%, and 4 of them are among the "top 10 most active" intermediaries.

Within the SeDEX segment, the market share of foreign players (2 out of 26) in 2020 was close to 6% of total volumes (7% in 2019). The main foreign financial intermediary was the sixth most active one.

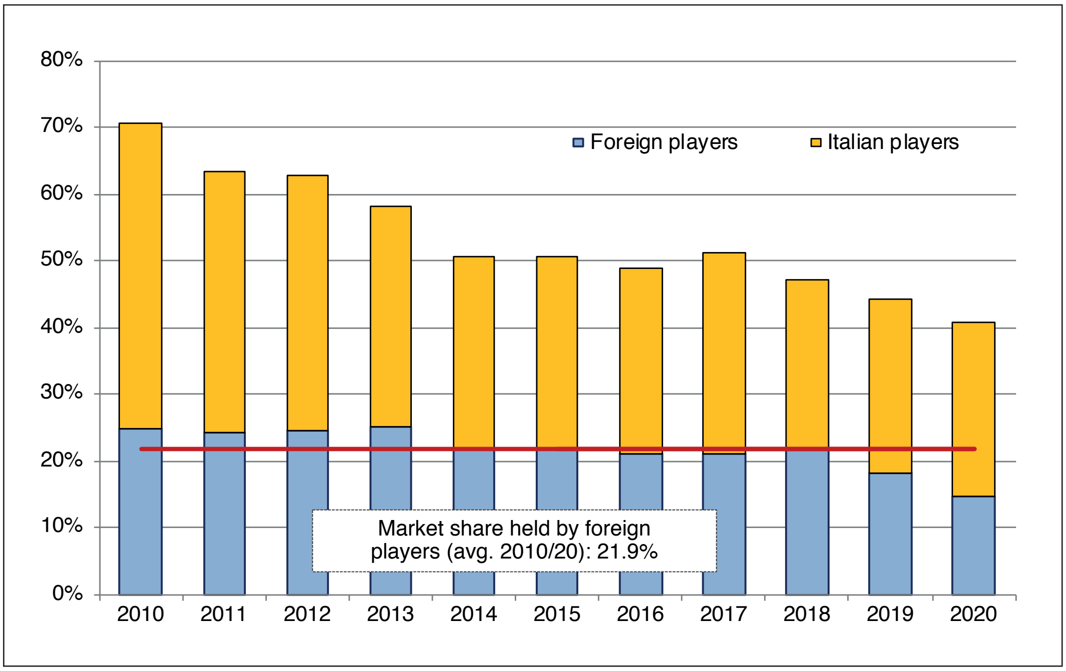


Fig. 23 Recent trends in market share held by ASSOSIM's members (2010/20, % of volumes traded on MTA segment) – Source: elaboration of ASSOSIM statistics.

Chapter 6

Asset management

In this chapter, the role of foreign players within the Italian Asset Management industry will be analyzed. In particular, we will refer both to collective and portfolio management and pension funds. Information and data released by Assogestioni and available on the Italian Fund Hub (IFH) website are representative of the entire Italian Asset Management Industry.

According to Assogestioni, at the end of 2020 the market value of Assets Under Management (AUM) increased from €2,307 billion to €2,422 billion (+5% *YoY*).

At the end of 2020 the AUM stock relative to foreign groups was about €798.4 billion, corresponding to 33% of the market and stable compared to end of 2019 (Tab. 17).

Regarding collective management (Fig. 24), recent growth is mainly due to the increase in open-end funds (from €419 billion at the end of 2011 to €1,133 billion at the end of 2020); closed-end funds, on the other hand, remained substantially stable, going from €43 billion in 2010 to €68 billion in 2020. Over the same period, AUM held by foreign companies significantly increased (+353%), rising from about €123 billion to €558 billion in 2020.

Market shares held by foreign companies increased from 26.7% at the end of 2011 to 46.5% at the end of 2020.

With reference to portfolio management, it is worth pointing out that AUM increased by about €744 billion from 2011 to 2020; the market share held by foreign players rose slightly (19.7%, against 19.0%).

As shown in Fig. 25, looking at individual segments, over the last six years growth has been highest in the pension plan asset management segment (+29%), followed by insurance products (+26%) and retail asset management (11%); other investment products have increased by about 87% overall.

Based on 2020 data, foreign intermediaries accounted for about 24.0% of all assets managed by the "top 10" players. This percentage goes up to 29.2% if we consider the "top 15" intermediaries and to 32.1% if we consider the "top 20" (Fig. 26).

Within the pension funds industry, the market share of foreign intermediaries fell slightly, from 57.7% in 2019 to 56.2% in 2020 (Fig. 27). The stake held by foreign operators was however significantly up compared with the figure at the end of 2011.

The big increase observed in recent years is due to two factors: the growth of foreign contractual pension funds, and the weak growth of Italian open pension funds and Italian contractual pension funds.

	Dec-2014		Dec-2015		Dec-2016		Dec-2017	
	AUM	%	AUM	%	AUM	%	AUM	%
Collective management	**731.158**	**100**	**898.807**	**100**	**949.545**	**100**	**1,062.323**	**100**
Foreign groups	220.127	30.1	310.510	34.5	326.849	34.4	476.480	44.9
Italian groups	511.031	69.9	588.297	65.5	622.696	65.6	585.843	55.1
Portfolio management	**857.290**	**100**	**935.299**	**100**	**993.431**	**100**	**1,026.827**	**100**
Foreign groups	119.572	13.9	137.208	14.7	139.957	14.1	217.827	21.2
Italian groups	737.719	86.1	798.091	85.3	853.474	85.9	809.000	78.8
Total	**1,588.448**	**100**	**1,834.105**	**100**	**1,942.976**	**100**	**2,089.150**	**100**
Foreign groups	339.698	21.4	447.717	24.4	466.806	24.0	694.307	33.2
Italian groups	1,248.750	78.6	1,386.388	75.6	1,476.170	76.0	1,394.843	66.8

	Dec-2018		Dec-2019		Dec-2020		Δ 2020	
	AUM	%	AUM	%	AUM	%	AUM	Δ %
Collective management	**1,013.510**	**100**	**1,135.790**	**100**	**1,201.636**	**100**	**65.846**	**6%**
Foreign groups	449.928	44.4	514.497	45.3	558.265	46.5	43.768	9%
Italian groups	563.582	55.6	621.293	54.7	643.371	53.5	22.078	4%
Portfolio management	**1,003.563**	**100**	**1,170.987**	**100**	**1,220.035**	**100**	**49.048**	**4%**
Foreign groups	213.521	21.3	228.544	19.5	240.129	19.7	11.585	5%
Italian groups	790.042	78.7	942.443	80.5	979.906	80.3	37.463	4%
Total	**2,017.072**	**100**	**2,306.777**	**100**	**2,421.671**	**100**	**114.894**	**5%**
Foreign groups	663.449	32.9	743.041	32.2	798.394	33.0	55.353	7%
Italian groups	1,353.623	67.1	1,563.736	67.8	1,623.277	67.0	59.541	4%

Tab. 17 Collective and portfolio asset management: AUM trends and market shares held by Italian and foreign asset management companies (2014/20, € million and %) – Source: elaboration of data from Assogestioni-IFH database

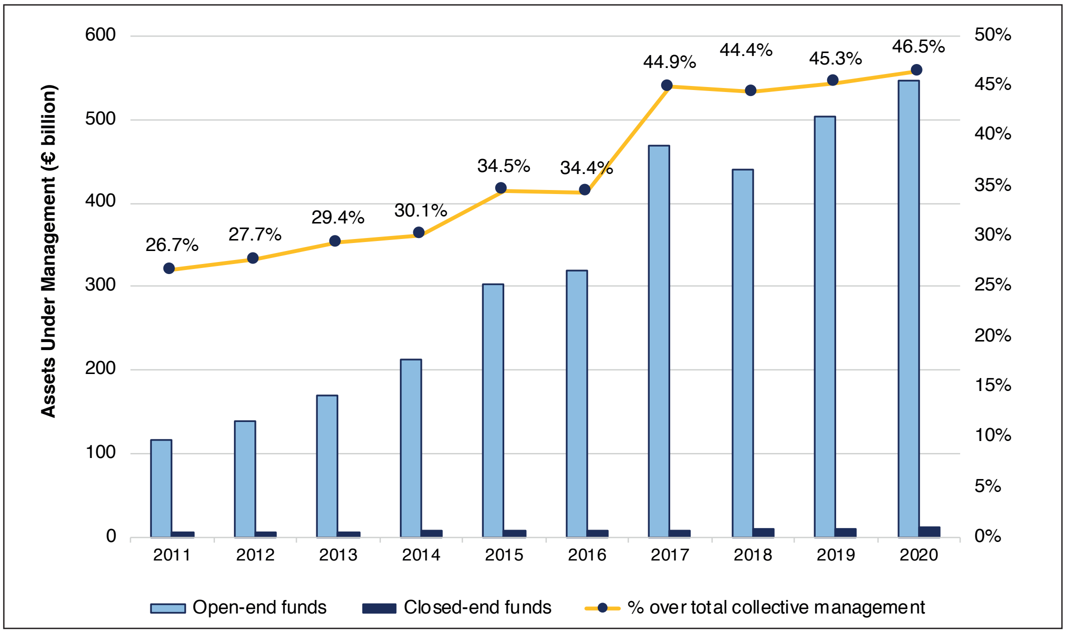


Fig. 24 *Collective management: AUM stock and market shares held by foreign asset management companies (2011/20, € billion and %) –*
Source: elaboration of Assogestioni-IFH database

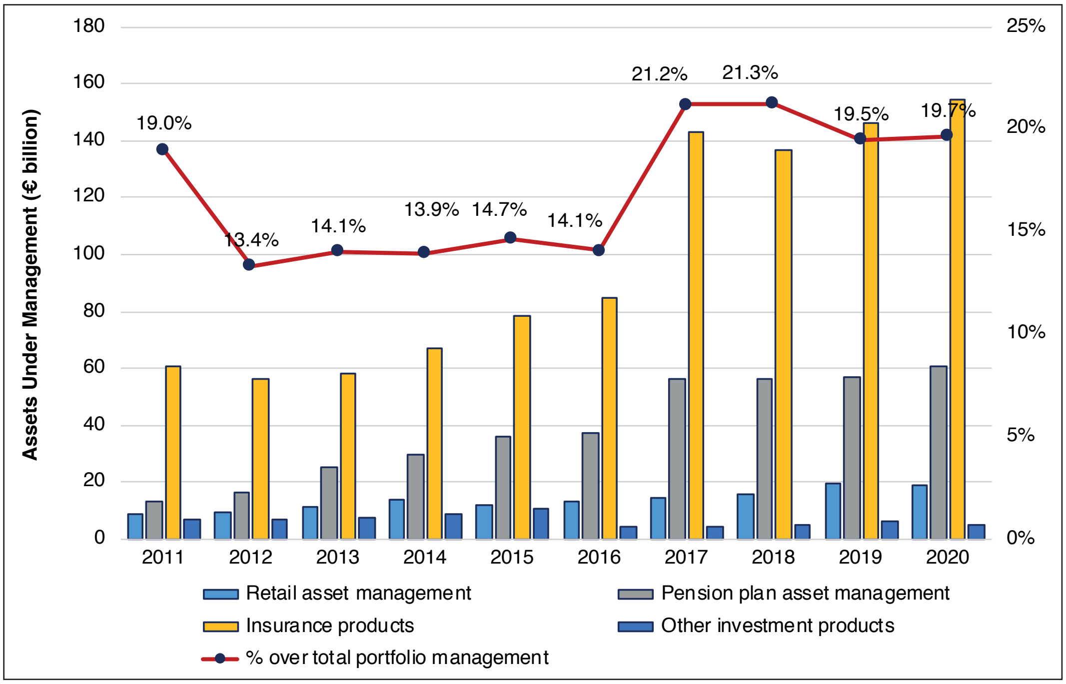


Fig. 25 *Portfolio management: AUM stock and market shares held by foreign asset management companies (2011/20, € billion and %) –*
Source: elaboration of Assogestioni-IFH database

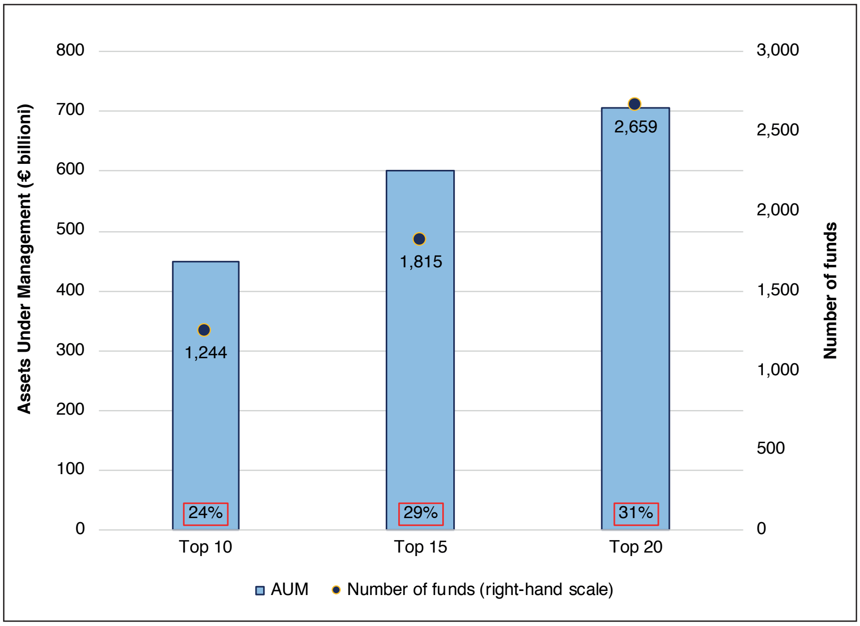


Fig. 26 *AUM stock and market shares held by foreign asset management companies in the "top 10", "top 15" and "top 20" rankings (2020, € million and %) – Source: elaboration of Assogestioni-IFH database*

Note *red bordered labels indicate the market share held by foreign intermediaries in terms of AUM, out of the total of Top 10, Top 15 and Top 20 groups respectively.*

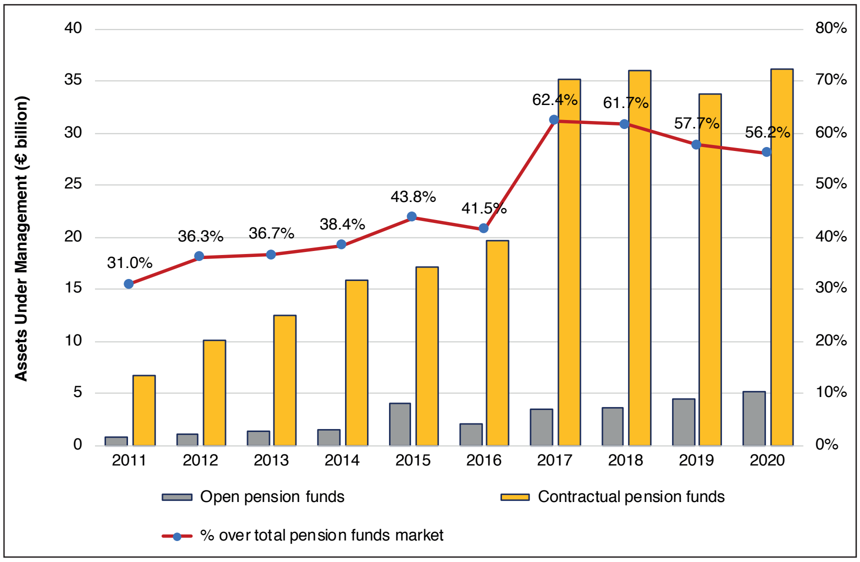


Fig. 27 *Pension funds market: AUM stock and market shares held by foreign asset management companies (2011/20, € million and %) – Source: elaboration of Assogestioni-IFH database*

Chapter 7

Specialized credit

In 2020, according to Assilea data, the Italian leasing market fell by 18% compared with the previous year. The total value of deals fell from €27.9 billion to €22.9 billion (Tab. 18).

Based on league tables released by Assilea for 2020, 4 foreign players were in the "top ten most active" players. They accounted for leasing contracts worth about €5.5 billion (53% of the "top ten" amount and 24% of the total market value).

Outstanding credit fell from €80.2 billion to €76.5 billion, 23.0% of which was due to foreign leasing companies. Most of these intermediaries belong to banking groups.

The Italian factoring market, started by Assifact, recorded a fall compared to the previous year: total annual turnover fell from €255.5 to €227.8 billion (-11% *YoY*). This result follows the turnover trends of companies during the year, and moved towards normalization in the fourth quarter.

In a general context characterized by a market downturn, annual turnover for foreign players fell slightly, from €41.6 billion to €35.6 billion; the market share held by foreign intermediaries fell to 15.6% (Fig. 28).

The Italian consumer credit market decreased over the two years (2019 and 2020). According to the Assofin, Crif and Prometeia Retail Credit Database, financial flows decreased by about €13 billion on an annual basis, reaching a value of €48.2 billion in 2020.

The market share held by foreign players has increased last year, reaching 54% (Fig. 29). Despite the market share has increased, the value of consumer credit granted by foreign players has decreased to about €26 billion, with a fall of about €6 billion *YoY*.

	2013		2014		2015		2016	
	Value	**%**	**Value**	**%**	**Value**	**%**	**Value**	**%**
Italian intermediaries	10	60.6	8.5	54.9	8.3	48.7	9.8	47.3
Foreign intermediaries	6.5	39.4	7.0	45.1	7.9	46.4	7.3	35.3
of which: foreign banks	*5.1*	*30.8*	*5.5*	*35.7*	*6.2*	*36*	*6.7*	*32.3*
N/A data	-	-	-	-	0.8	4.9	3.6	17.4
Total	**16.5**	**100**	**15.5**	**100**	**17.1**	**100**	**20.7**	**100**

	2017		2018		2019		2020	
	Value	**%**	**Value**	**%**	**Value**	**%**	**Value**	**%**
Italian intermediaries	10.7	40.2	10.8	36.2	10.4	37.3	7.6	33.3
Foreign intermediaries	6.6	24.7	7.6	25.5	7.6	27.2	6.7	29.4
of which: foreign banks	*6.1*	*22.8*	*6.9*	*23.2*	*6.9*	*24.7*	*6.1*	*26.8*
N/A data	9.3	35.1	11.4	38.3	9.9	35.5	8.5	37.3
Total	**26.6**	**100**	**29.8**	**100**	**27.9**	**100**	**22.9**	**100**

Tab. 18 Italian leasing market: distribution of the value of leasing contracts by geographic origin of intermediaries (2013/20, € billion and %) –
Source: elaboration of Assilea data

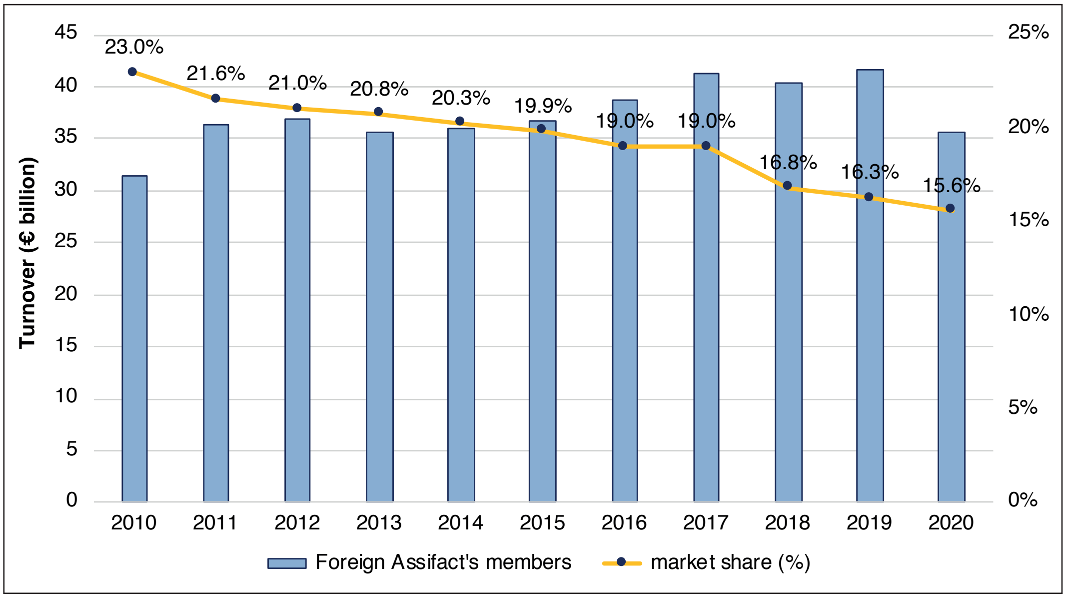


Fig. 28 Italian factoring market: distribution of the turnover and market share of foreign players (2010/20, € billion and %) –
Source: elaboration of Assifact data

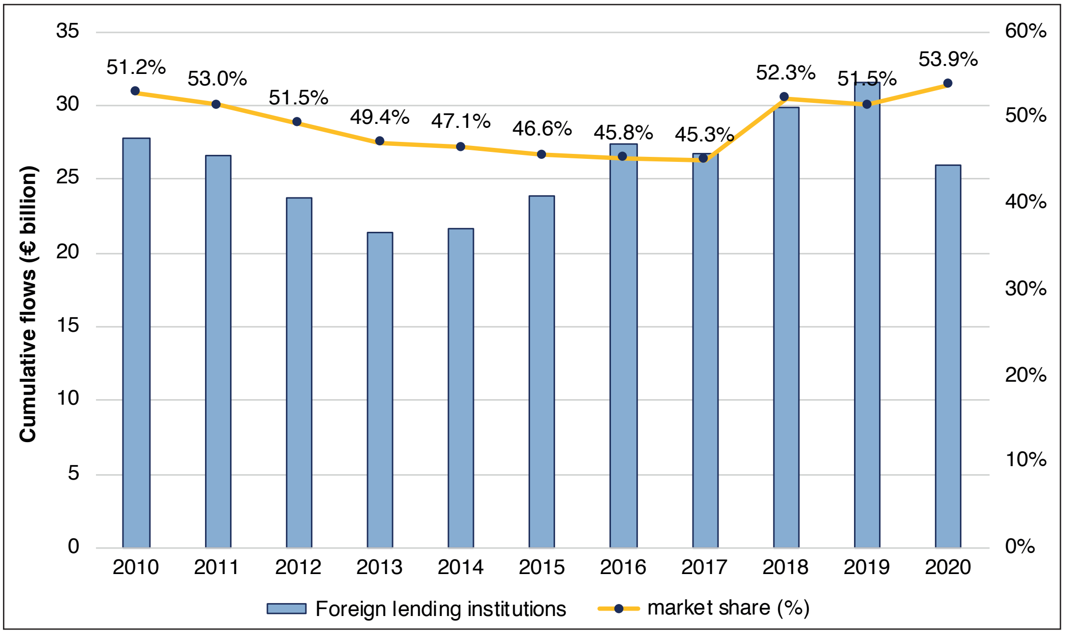


Fig. 29 *Italian consumer credit market: distribution of cumulative flows and market share of foreign players (2010/20, € billion and %) –*
Source: elaboration of Assofin-Crif-Prometeia's survey

Note: *Foreign lending institutions are players having prevalent foreign ownership. In the case of mixed-ownership companies, cumulative flows are attributed "pro rata" according to the shares of ownership.*

Chapter 8

Foreign banks in Europe: a sample analysis

This chapter contains a brief overview of the role played by foreign banks in a sample of European countries (France, Germany, Spain and United Kingdom), and gives a comparison between Italy and European competitors in terms of the presence of and market shares held by non-resident operators in the main business lines.

Based on the latest two AIBE Reports, we have compared Italy to the above-mentioned European countries, with a focus on two main sections.

Firstly, we analyzed the share of non-resident public debt investors (paragraph 8.1); secondly, we summarized relevant data about the role of foreign-based bookrunners in supporting firms' financing needs, on the basis of issuances reported within Dealogic databases referring to the syndicated loans markets and debt and equity capital markets (paragraph 8.2).

8.1 The role of non-resident investors in public debt

Figures were elaborated from International Monetary Fund data, summarized in its periodic report *"Fiscal Monitor"*, which contains several relevant statistics comparing economic and financial indicators referring to public finance.

The latest publication, released in April 2021, focuses on the fact that the COVID-19 pandemic is not completely under control, and recovery is not guaranteed. As access to vaccines and the effectiveness of other measures to curb the contagion differ widely from country to country, the paths to economic recovery are diverging. Because of these difficulties, it is crucial that Governments continue to ensure flexible fiscal support, so as to be able to manage the legacies of the crisis, including debt vulnerabilities and new financial and non-financial risks. As reported by IFM, many governments are implementing multiyear fiscal actions to support healthcare systems, households and firms.

Global public debt climbed to 97.3 percent of world GDP in 2020, 13 percentage points higher than the level projected just before the pandemic.

Italy and Spain in particular are expected to have larger primary deficits compared with pre-COVID-19 levels.

With regard to the recent trends in the share of general Government debt held by non-resident investors, Fig. 30 shows small changes compared to the previous year. Italy recorded the smallest change (–0.7%), while Spain posted the biggest one, with a fall of about 3.3 percentage points. All countries are below the peaks reached in recent years, over the 5Y period analyzed.

The sample is clearly divided into two clusters: France, Germany and Spain show a higher percentage of debt held by non-resident investors (5Y average equal to 57%), while United Kingdom and Italy are about 20 percentage points below these levels.

Among all these countries, Italy had the highest negative trend over the last 5 years: the percentage of public debt held by foreign investors fell by about 6 percentage points, from 40% (end of 2015) to 33.9% (3Q 2020).

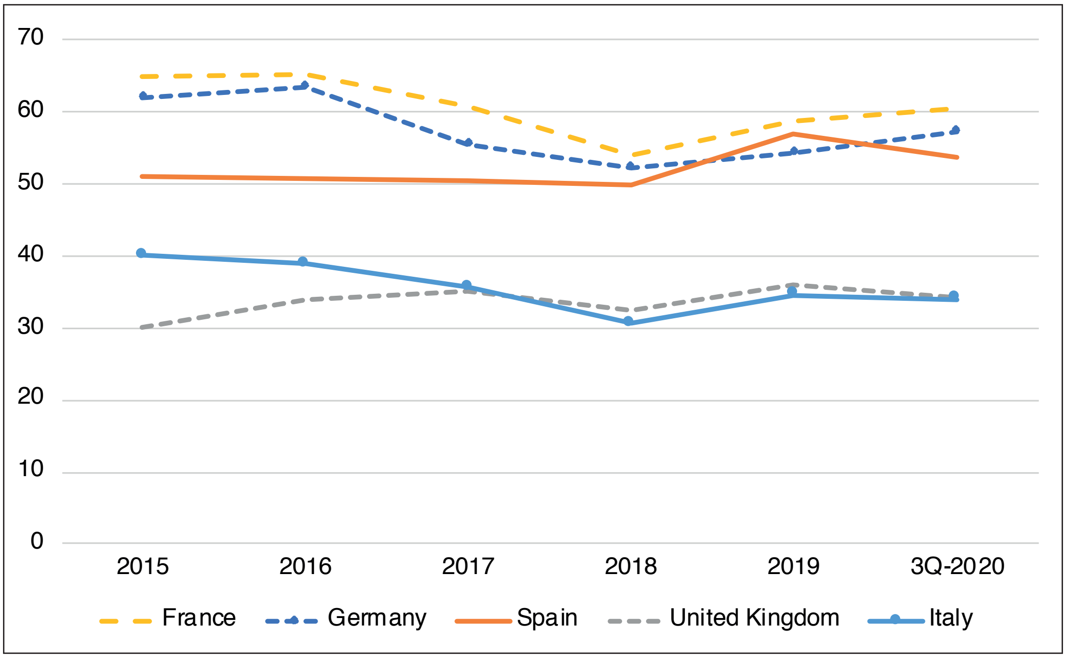


Fig. 30 Non-resident holdings of general government debt (2015/19 end-of-year, 3rd quarter 2020, % of total) – Source: elaboration of IFM Fiscal Monitor

8.2 The role of foreign banks in debt and capital markets

To estimate the market share of foreign bookrunners in the four selected countries (other than Italy, already analyzed in Chapters 4 and 5), we focused on the issuances of syndicated loans, as well as on debt and capital markets.

Fig. 31 contains a summary of our main results.

With regard to syndicated loans, market sizes vary quite significantly among the sample. The whole market size (like the sum of the 5 domestic markets) increased by about 9% (from €569 to €620 billion), but different local trends can be highlighted. Italy and France posted the highest annual growth rate, the Spanish market declined, and United Kingdom was confirmed as the biggest market among the sample.

The market share held by foreign players (solely bookrunners, plus international pools of bookrunners) remained significant in all countries and was an average 69%. Only Spain showed a substantial "switch" to deals assisted by local banks.

Italy and Spain are characterized by a relevant size of small deals: the average size was €167 and €128 million respectively, about one third of the average tranche size of deals completed in the UK market.

The growth of debt capital markets (DCM) was significant in all the countries included in the sample (+19%), especially in Italy, Spain, and France. German and French markets are the biggest ones, respectively €401 and €335 billion, that means about 54% of the total size of these five markets (€1,353.6 billion).

The presence of foreign players was quite similar and relevant in all countries: if we consider jointly the market share held by solely foreign bookrunners and that held by international pools of bookrunners we reach a value of 89% in terms of total deal value, with an overall "switch" between the percentage held by foreign bookrunners (from 23.7% to 13.7% *YoY*) and that held by international consortia (from 64.6% to 75.6% *YoY*).

In 2020 the equity capital markets (ECM) analyzed showed a huge upward trend despite the turmoil caused by the COVID-19 pandemic: the total deal value of operations closed in the last year within these 5 countries was €101 billion (€67 billion in 2019). The size of German ECMs more than doubled, from €13 to €27.5 billion, while the UK market confirmed its leadership, reaching a peak of about €42 billion (+56% *YoY*). The Italian ECM remained stable, as already mentioned in Chapter 5.

The average size of operations was larger in Spain (€585 million) and Germany (€275 million). The United Kingdom, despite its leading position in terms both of values and volumes, posted the smallest average size of deals.

The relevant presence of foreign intermediaries was confirmed in 2020: the market share held by all-foreign bookrunners was 37% on average (Italy 12.4%), while the portion held by international pools of bookrunners was higher, with an average 56% (Italy 83.6%).

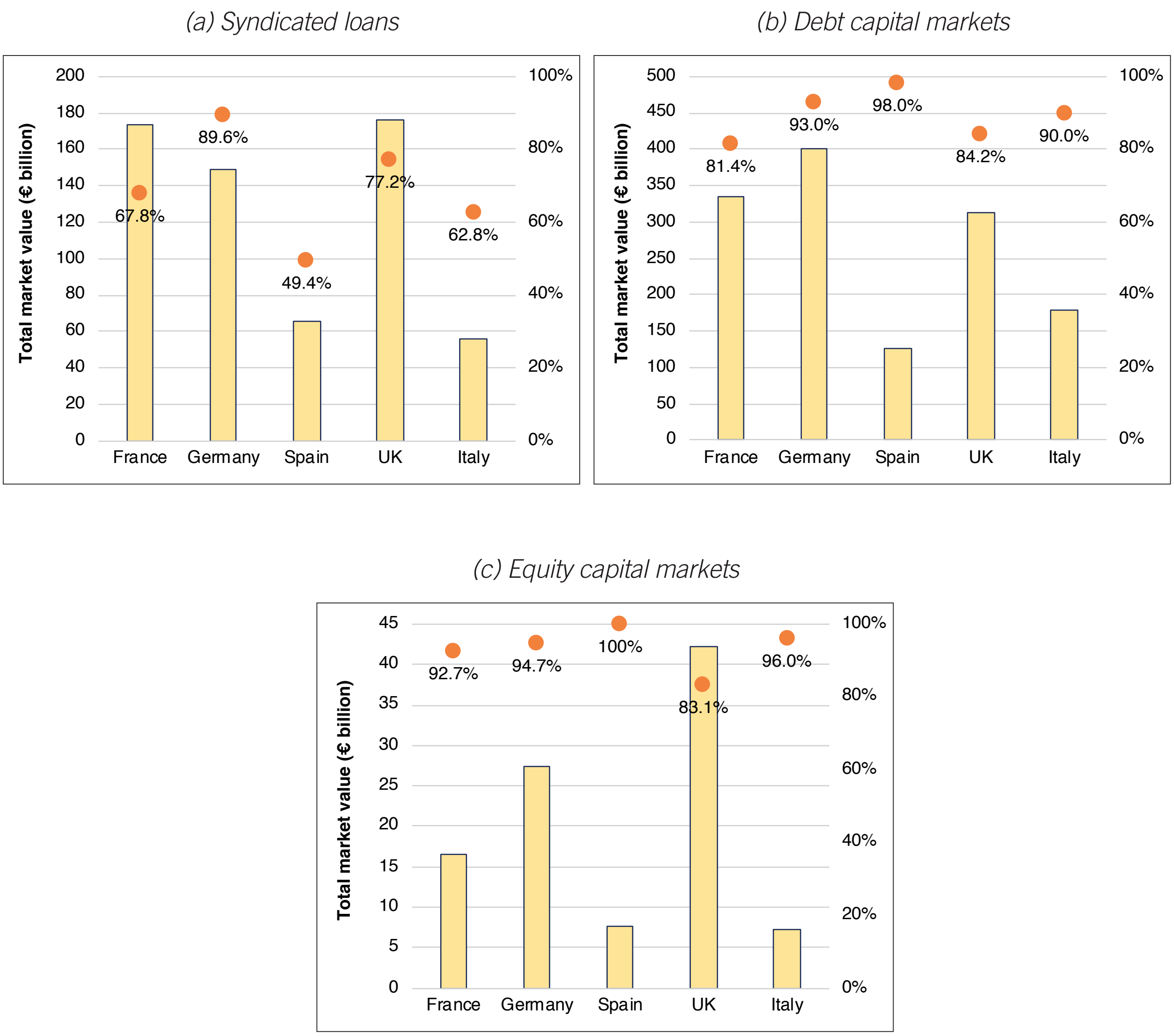


Fig. 31 *Annual deal value and market share of foreign intermediaries (2020, € billion and %) – Source: elaboration of Dealogic database*

The Authors

Enrica Accomando
Division of Banking Supervision, Foreign Banks, Bank of Italy, Milan offices

Carlo Arlotta
Partner, Consilia Business Management Srl, Milan
Lecturer in *“Compliance and Risk Management”*
Department of Economics, University of Insubria, Varese/Como

Alessandra Piro
Senior Manager, Consilia Business Management Srl, Milan

Andrea Uselli
Associate Professor in Financial Markets
and Institutions Department of Economics, University of Insubria, Varese/Como

Michela Valsecchi
Division of Banking Supervision, Foreign Banks, Bank of Italy, Milan offices

The report was edited by Carlo Arlotta and Alessandra Piro (Consilia Business Management Srl) and Andrea Uselli (University of Insubria).

Paragraph 3.3 was drafted by Enrica Accomando and Manuela Valsecchi, Division of Banking Supervision, Foreign Banks, Bank of Italy, Milan offices.

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