



FOREIGN BANKS AND FINANCIAL INTERMEDIARIES IN ITALY

SUPPORT TO THE ITALIAN ECONOMY IN 2022

July 2023
In collaboration with

CONSILIA
business management

Highlights

79 Number of foreign banks operating in Italy (end-2022)

26.8% Domestic public debt owned by non-residents (end-2022)

77% Syndicated loans (market share held by foreign bookrunners, 2022)

74% Debt capital markets (market share held by foreign bookrunners, 2022)

77% Equity capital markets (market share held by foreign bookrunners, 2022)

16% Foreign banks' market share for firms' lending (2022)

46% Financial guarantees to support exports and internationalization of Italian companies (market share held by foreign intermediaries, 2022)

34% Assets under management by foreign banks and intermediaries (% , end-2022)

45% Independent raising in private equity and venture capital Italian market (market share held by foreign intermediaries, 2022)

38% Incoming cross-border deals in Italian M&A market (% total deal value, 2022)

17% Share of foreign banks and intermediaries in Italian factoring market (% annual turnover, 2022)

32% Share of foreign banks and intermediaries in Italian leasing market (% value of leasing contracts, 2022)

51% Share of foreign banks and intermediaries in Italian consumer credit market (% cumulative flows, 2022)

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Introduction

It gives me great pleasure to present the 13th AIBE Annual Report on the operating modes and activities of foreign banks in Italy to our foreign bank members and to the financial community.

Just as world economies rebounded from the recession related to COVID pandemic, governments faced the war between Russia and Ukraine, the raising in prices of food and energy, recent instability in the financial sector, and some financial defaults as well. Financing conditions have deteriorated over the whole 2022 and monetary Authorities decided to lift interest rates for the first time over a decade. According to IMF, the outlook is uncertain, and the world growth is expected to reduce, especially in advanced economies (+1.3% in 2023), while global headline inflation should be around 7%, so that the return to Authorities' targets is not expected before 2025.

According to Bank of Italy, the latest macroeconomic projections for the Italian economy highlight that GDP's growth is expected at +1.3% in 2023, +1% in 2024 and +1.1% in 2025. Moreover, investments are expected to slow down, where private sector will be affected by the rise in interest rates and funding costs, that result in tighter credit market's conditions; at the opposite, public investments may benefit of NRRP.

Within this complex scenario, our annual analysis highlights that in 2022 foreign banks and intermediaries continued to support Italian economy, in all the different business lines. They participated as bookrunners in the majority of issuances of Italian borrowers in debt and capital markets, and syndicated loans as well. The market share of foreign banks in loans to firms increased to 17%. Despite the downsizing of the market, the market share of incoming cross-border deals in Italian M&A market increased significantly.

According to European Commission, some recent improvements slowly reduced Italy's economic and financial vulnerabilities. Some concerns remain, mainly related to the high level of public debt, the weak productivity growth, the energy transition, the fiscal sustainability, as well as the risks of delays in reaching NRRP targets. Within this scenario, we ask for urgent and more effective reforms, that are necessary in several fields, i.e. fiscal policy, justice, and bureaucracy as well, to face these challenges and to regain international competitiveness and attractiveness to foreign investors' eyes.

Guido Rosa
AIBE President

CHAPTER I

The internationalization of Italy's economic and productive system

The global economy remained weak in 2022 and in the first quarter of this year, even if some signs of improvement are emerging. Growth estimates for 2023 point to a clear slowdown, albeit less pronounced than that reported in last autumn's forecasts. The economic recovery seems to be affected by strong inflation and the related hike in interest rates, geopolitical tensions and recent turmoil in the financial sector. Banking sector vulnerabilities have come into focus and contagion risks have increased, including both financial and nonbank financial institutions. Although food and energy prices have fallen somewhat, underlying price pressures remain high (IMF, World Economic Outlook, April 2023).

According to IMF estimates, worldwide growth is expected to fall from 3.4% in 2022 to 2.8% in 2023, while in a 5y horizon growth is expected to be around 3.0%. Advanced economies will face a more severe growth slowdown, from 2.7% in 2022 to 1.3% in 2023, due to higher downside risks related to macro- and geoeconomic uncertainties and fragmentations, inflationary pressures and the recent deterioration in financial conditions.

According to the Bank of Italy's analysis, "the risks to financial stability remain significant in Italy too" (Bank of Italy, "Financial Stability Report", no. 1/2023, April), although the impact of recent tensions in international banking and financial markets has been limited due to the lack of exposure

of Italian banks towards failing banks.

Some positive signs are emerging. The state of public finances has improved over the past year, and despite the worsening cyclical situation the impact on households has been moderate. The Italian banking system remains sound in terms of profitability, liquidity and asset quality. On the other hand, some negative factors are growing in importance. These include a slowdown in the real estate market, and the increasing financial vulnerability of businesses due to worsening macroeconomic projections and higher interest rates.

Prospects for the Italian economy remained favorable (Istat, Monthly Report, April 2023): consumer confidence as well as business confidence has improved in recent months, although variability among the various index components is high.

According to the most recent estimates released by the European Commission in May, Italy's real GDP growth is forecast to fall from 3.7% in 2022 to 1.2% in 2023 and 1.1% in 2024. The inflation rate is expected to fall from 8.7% (2022) to 6.1% this year, with a larger fall expected only next year (2.9%). With regard to public debt, the Government is seeking a 4 per cent reduction from 2022 (144.4% over GDP) to 2024 (140.3%). A similar objective can be seen for the deficit/GDP ratio, from 4.5% in 2023 to 3.7% in 2024. A positive contribution will come from the complete phasing out of energy support measures

(European Commission, Economic Forecast for Italy, May 15th, 2023). On the other hand, interest spending is expected to rise to 4.1% of GDP, due to monetary policies and higher public bond yields.

The European Commission also pointed out that Italy has to face several difficult challenges (European Commission, 2023 Italy Country Report, May, 2023). Some topics are well known and long-term issues, but in recent years they have cropped up again because of the more complex and volatile macroeconomic scenario. Major challenges concern pension expenditure, the taxation and fiscal framework, demographic trends and “double transition” issues (i.e. digitalization and energy-related problems). Some new and specific challenges relate to the National Recovery and Resilience Plan (NRRP). The national plan is underway, with the progressive implementation of 190 measures of investments and reforms amounting to spending of about €191.6 billion over the 2022/26 period, or 10.7% of domestic GDP. The most recent updates point to increasing risks of delays, while European Authorities and the international community expect Italy to boost its administrative capacity, improve the business environment and continue the reform of its civil justice system. Moreover, actions under the NRRP are aimed at supporting Italy’s digital transition, especially with regard to the public administration. This year, for the first time, some specific concerns related to the Plan’s implementation and delay risks have been pointed out in the AIBE Super Index 2023 (AIBE, AIBE Index-Observatory on the attractiveness of Italy to foreign investors, Spring Report 2023, May 2023). According to this survey, Italy ranks 9th among G20 countries, the same spot occupied in 2022, even though the final score rose from 38.8 to 55.2 out of 100 points, higher than the G20 average (51.2). This score suggests a clear improvement in Italy’s attractiveness to foreign investors: positive performances have been reported in exports, human capital, logistics and environmental sustainability. On the other hand, the

AIBE Index shows some weaknesses related to the way of “doing business” and tax compliance.

As already mentioned, inefficiencies and delays in the implementation of the NRRP are the most crucial factors that might affect growth in the short term, according to the AIBE Panel, followed by the risk of excess public debt due to efforts to overcome the energy crisis and stimulate the economic recovery in recent months.

The Kearney 2023 Foreign Direct Confidence Index, covering 25 countries, shows that Italy fell from 7th to 11th place over the past year, and reported one of the lowest scores in terms of the “optimism ranking” (net score measured by the difference between more optimistic and more pessimistic).

The IMD World Competitiveness Yearbook 2022 compared 63 countries in the world: Italy confirmed its 2021 position, ranked 41st in terms of overall performance. The whole set of indicators to measure the competitiveness landscape – split into 4 sections: Economic performance, Government efficiency, Business efficiency and Infrastructure – show that Italy is well placed in terms of the domestic economy (13th), scientific infrastructure (20th) and health and environment (20th), while the poorest scores were posted for employment (57th), public finance (61st) and tax policy (61st). In broad terms, these strengths and weaknesses are similar to those reported by major international reports and surveys. The IMD’s report gives a ranking of key attractiveness indicators, based on the Executive Opinion Survey. Top indicators are the presence of a skilled workforce, a high educational level, and overall positive attitudes for the domestic economy, while policy stability, government competence, an effective legal environment and a competitive tax regime came at the “bottom” of the ranking.

To be consistent with previous AIBE reports, we also analyzed inflows of Foreign Direct Investments (FDIs) towards Italy. Evidence is mixed. A recent study conducted by the London School of Economics shows that Italy’s appeal towards international

investors rose, with benefits related to opportunities generated by recovery policies in European countries. In 2021 the interest of foreign investors in acquisitions of Italian companies exceeded pre-COVID levels. According to the LSE study, the annual capital invested in inward greenfield FDI projects in Italy was 33% higher than the annual average over the 2013/19 period. Data show a higher rebound in sectors more deeply affected by restrictions during the pandemic, i.e. hotels, tourism and passenger air transportation, and retail. The NRRP is expected to make a contribution, especially in terms of its major “missions” and connected key sectors (energy, automotive, pharmaceutical). Nevertheless, the future appears uncertain, since the success of next developments depends on overcoming some “turning points”, namely the effectiveness of systemic reforms, the consolidation of stability and the regulatory framework and the ability to attain the goals and priorities of the NRRP (Crescenzi R. and Comotti S., “Is Italy back in the map of global investors?”, LSE Business Review, September 20th, 2022).

Global data on FDI released by UNCTAD (UNCTAD, World Investment Report 2022) show that in 2021 inward FDI flows stood at \$ 8.5 billion (in 2020 the figure was approx. \$ 23.6 billion). On a worldwide basis inward flows increased to \$ 1.6 trillion (\$ 963 billion in 2020, +64% YoY), rising above the annual average in 2017/19 (pre-COVID levels), of \$ 1.5 trillion. The European Union (27 countries) posted a negative change on an annual basis (-34%), from \$ 210 to \$ 138 billion. In 2021 Italy attracted about 6% of FDI flows towards the EU27 and 0.5% of the world total.

The EY Europe Attractiveness Survey 2023, released in May, stresses that FDI are a major concern for Europe, being closely related to the ability to overcome geopolitical shocks. These events slowed down investments in 2022 (with a global 24% drop in FDI flows, according to the OECD), however Europe remains a priority for investors: 67% of businesses have plans to expand

investments in Europe over the next year, 14 percentage points more than 2021. The FDI picture is variable across Europe: in terms of the number of projects, France, UK and Germany are leading the way, with a total market share of about 51%. Italy is ranked 7th, with 243 projects (+1% YoY), making up 4% of the total.

According to ISTAT (Italian National Statistics Institute), at the end of 2020 15,631 foreign affiliates were based in Italy (Tab. 1). Compared with the previous year, the number of multinational enterprises (MNEs) – from 107 countries – operating in Italy fell by 148 (-0.9%), with a slowdown for both Industry and Services. This was the first negative change after several years of growth.

About 29% of MNEs operate in Industry sectors, the remainder in Services.

Structural and economic data confirm the significance of the contribution of MNEs to major economic data. In 2020 foreign multinationals posted a total turnover of about €548 billion, of which 211 billion (39%) in Industry and 337 billion (61%) in Services (Fig. 1): compared to 2019, there was a fall in excess of €76 billion (-12%), mainly due to the pandemic and economic lockdowns. Value added was €122 billion, of which 40% (€49 billion) referring to MNEs operating in Industry and about 60% (73 billion) from Services. On an annual basis, the negative change in value added was around €12 billion (-9.3%).

In 2020 MNEs, making up 0.4% of all firms operating in Italy, employed 8.8% of employees (1.5 million), and generated 19.1% of turnover and 16.5% of value added. The contribution to R&D expenditure is even more significant (27%). The average size of MNEs is 96.1 employees, compared with 3.6 employees for domestic firms.

As highlighted in Fig. 2, profitability indicators were better for MNEs compared to domestic companies in 2020. As in previous years and despite the pandemic crises, MNEs continued to show a large competitive advantage in terms of value added per capita (€81 thousand *versus*

€47.4 thousand). Even though the unit labor cost is higher, the efficiency ratio (unit labor cost divided by value added per capita) is largely better for MNEs (160% *versus* 125%, 2020 data showed a worsening situation for both MNEs and domestic firms). R&D expenditures per capita for MNEs was about 4 times higher than those recorded by domestic companies.

The top ten countries of origin of foreign multinationals by number of subsidiaries in Italy accounted for 86.9% of employees and more than

80% of turnover and value added. Percentages were stable compared previous year. The United States was the leading country, with the highest number of controlled MNEs (2,307, 14.8% of the total) and the highest number of workers (about 315,000, 21% of the total). The “Top 5” countries, in terms of both number of firms and numbers of employees, are United States, Germany, UK, France, and Switzerland, making up, respectively, 63.5% of firms and 70% of employees.

	2010		2015		2020	
	Value	%	Value	%	Value	%
Number of foreign-controlled firms	13,741	100	14,007	100	15,631	100
Industry	3,716	27	4,032	28.8	4,517	28.9
Services	10,025	73	9,975	71.2	11,114	71.1
<i>of which: financial and insurance activities</i>	<i>541</i>	<i>3.9</i>	<i>562</i>	<i>4</i>	<i>876</i>	<i>5.6</i>
Number of employees	1,184,539	100	1,257,209	100	1,502,183	100
Industry	448,733	37.9	450,023	35.8	524,123	34.9
Services	735,806	62.1	807,186	64.2	978,060	65.1
<i>of which: financial and insurance activities</i>	<i>65,490</i>	<i>5.5</i>	<i>64,145</i>	<i>5.1</i>	<i>66,939</i>	<i>4.5</i>
Turnover	468,046	100	529,574	100	547,903	100
Industry	193,688	41.4	223,325	42.2	211,368	38.6
Services	274,358	58.6	306,249	57.8	336,535	61.4
Value added	93,482	100	104,093	100	121,704	100
Industry	40,465	43.3	43,596	41.9	48,819	39.5
Services	53,017	56.7	60,497	58.1	72,885	60.5

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

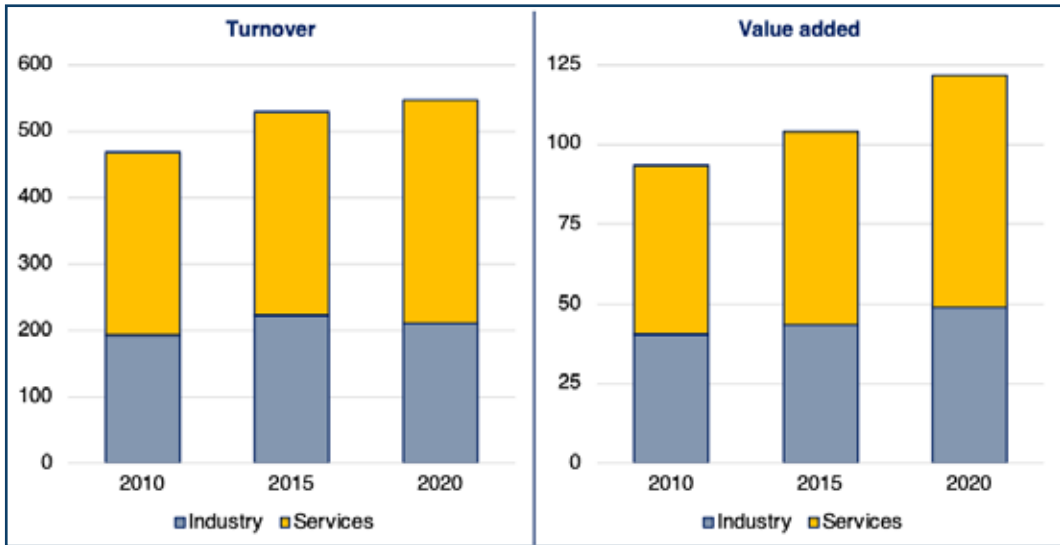


Fig. 1 Turnover and Value added of MNEs in Italy (€ billion) –
Source: elaboration of ISTAT data

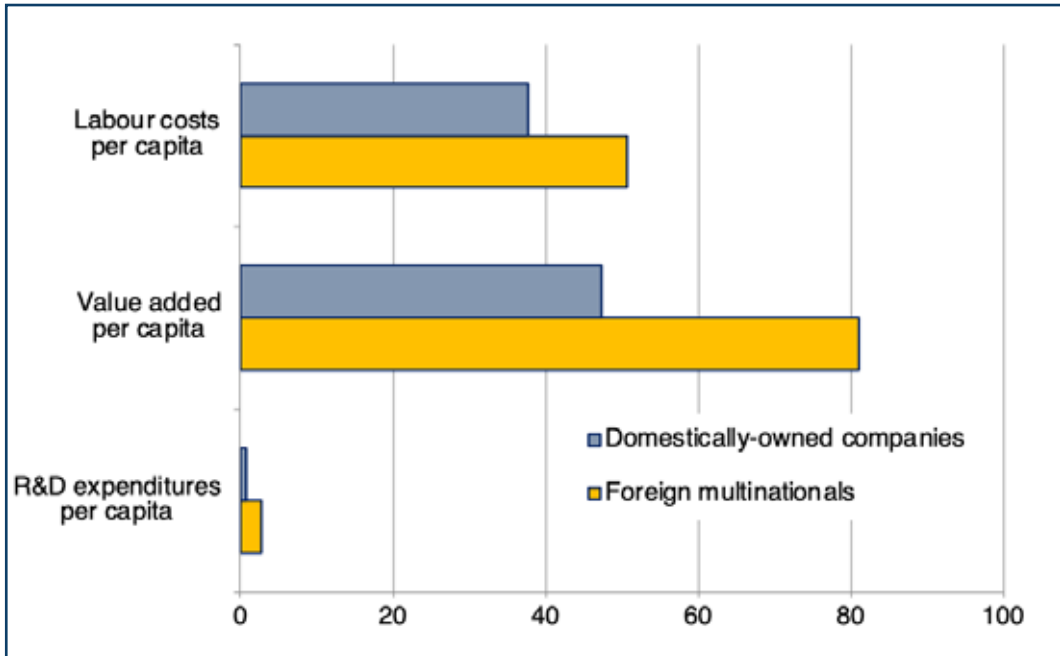


Fig. 2 Domestically-owned firms and foreign multinational firms in Italy: comparison of performance data (amounts in € thousands, 2020) –
Source: elaboration of ISTAT data

CHAPTER 2

Italian public debt and external debt

According to the Bank of Italy's Statistical Database (BDS), Italy's gross public debt stood at €2,756.97 billion at the end of 2022, 3% higher than at the end of 2021. Increases were concentrated in the first half of the year (+€93 billion). At the end of March 2023, a further quarterly increase was observed (approx. €32.8 billion, +1.2% compared with end-December 2022).

84% of the gross public debt outstanding at the end of 2021 was in the form of public securities (83% at the end of 2021). This percentage has remained stable in recent years. In 2022 the public securities' stock grew by about 2%, or €45.5 billion.

As Fig. 3 shows, over the period 2015/22 the share of public debt and share of Government securities held by non-residents was very volatile, and a downward trend can be seen. Over the past year the share of public debt held by foreign investors has fallen by about 2.3 percentage points (from 29.1% to 26.8%), with a negative change of €41.8 billion (-5.4%). The share of Government securities held by non-residents fell in stock by about €63 billion, from 684.7 billion to €621.6 billion (-9.2%). There were falls all year round, with an acceleration in the second half of the year (-€36.5 billion).

Foreign investors sold about €88 billion of Italian securities over the last year, mostly public sector securities, with Treasury issuances at a low point. Italy received substantial funding from the

European Commission, based on the "Recovery and Resilience Facility" program (Bank of Italy, "Annual Report for 2022", May 2023).

The most recent updates regarding the stock of securities held by non-residents highlight a further fall (-€2.8 billion), showing the low appeal of domestic public securities for foreign investors.

Shifting financial market conditions, volatility and macroeconomic risks have changed the pool of investors underwriting Italian Treasury issuances, according to Scope Ratings (Scope Ratings, Italy: domestic investors vital for supporting government funding as market conditions shift, February 8th, 2023). As highlighted in the Scope Ratings' analysis, non-resident investors reduced government security holdings from 33% (summer 2021) to 28% of the total, a decline of almost €110 billion, to €635 billion in October 2022, the lowest level since 2015, when foreign investors held 40% of all of Italy's securities. The Bank of Italy, banks and other resident investors, compensated for these falls. Compensation may also be required in the future if foreign investors do not return to Italy's debt market despite more attractive yields.

The Bank for International Settlements (BIS) collects regular statistics on international banking, based on a sample of 25 reporting countries, on a quarterly basis.

After the huge growth in 2020, BIS data show that in 2022 Italy's external debt fell by about €7.9

billion, from €744 to €736 billion (−1.1%, Fig. 4): changes varied by section: public sector exposure remained stable, while the biggest fall (−€4.3 billion) came in the non-bank private sector.

The highest portion of this external debt was reported by European banks: about €633 billion (−0.5% YoY), or 86% of the total. The share was stable compared with recent years.

As highlighted in Tab. 2, France, Spain and Germany were top of the ranking of holders of Italian external public debt. The ranking shows minor changes over time: “Top 3” countries held about €198 billion of debt (+€8.5 billion YoY),

making up 71% of total external public debt, about 3 percentage points up on the previous year.

On the other hand, external private debt reached a stock of about €450 billion at the end of 2022 (−€ 7 billion YoY, Tab. 3), of which €72.3 billion banking debt and €377.4 billion non-bank private sector debt. Components of these two aggregates showed minor changes over the past year. Most of the private debt is held by European banks, with a market share of about 85%. France, Spain and Germany reporting banks were in the “Top 3” of the ranking, while US banks were leaders among non-European banks and 4th in the ranking.

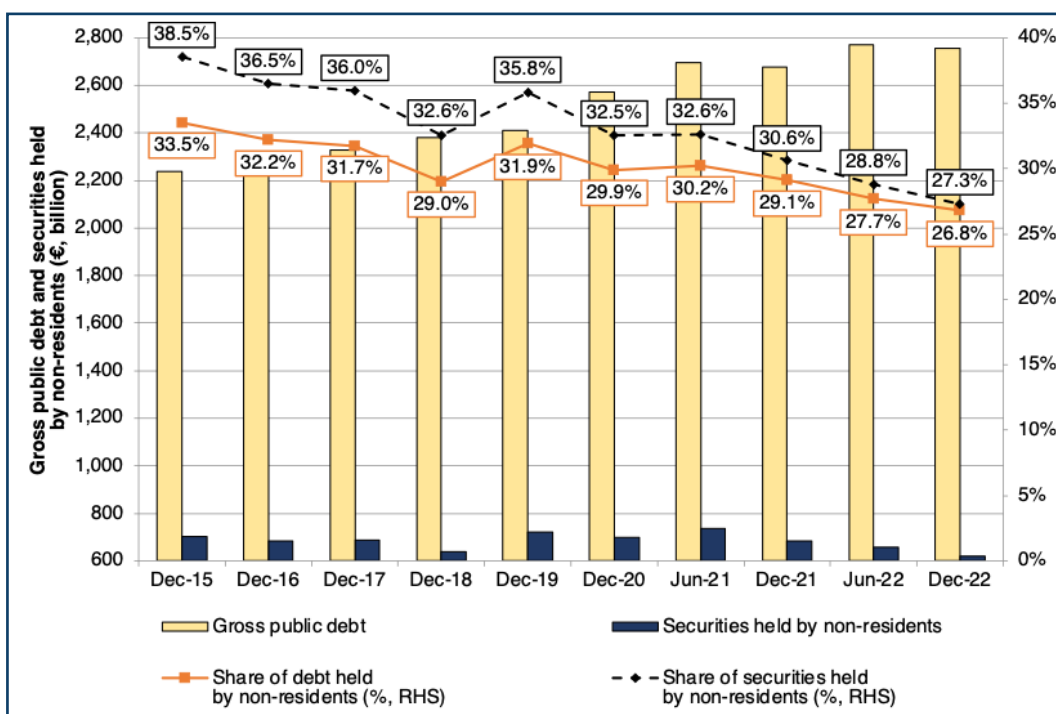


Fig. 3 Recent Italian public debt trends and shares held by non-residents (amounts in € billion, % on right-hand scale, RHS) –

Source: elaboration of Bank of Italy data, Statistical Database (BDS)

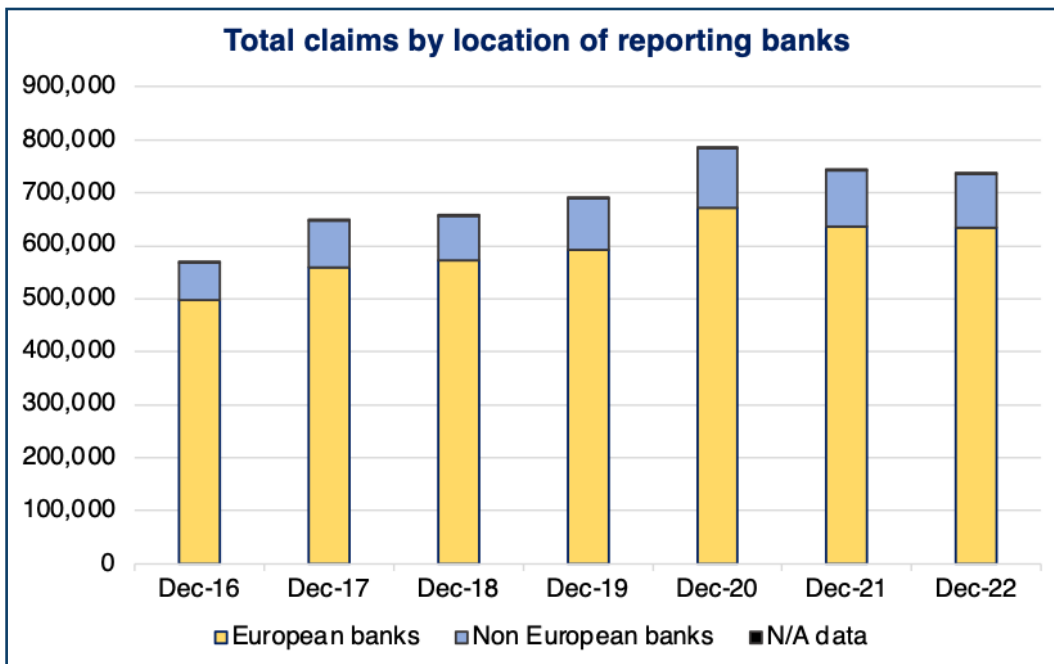
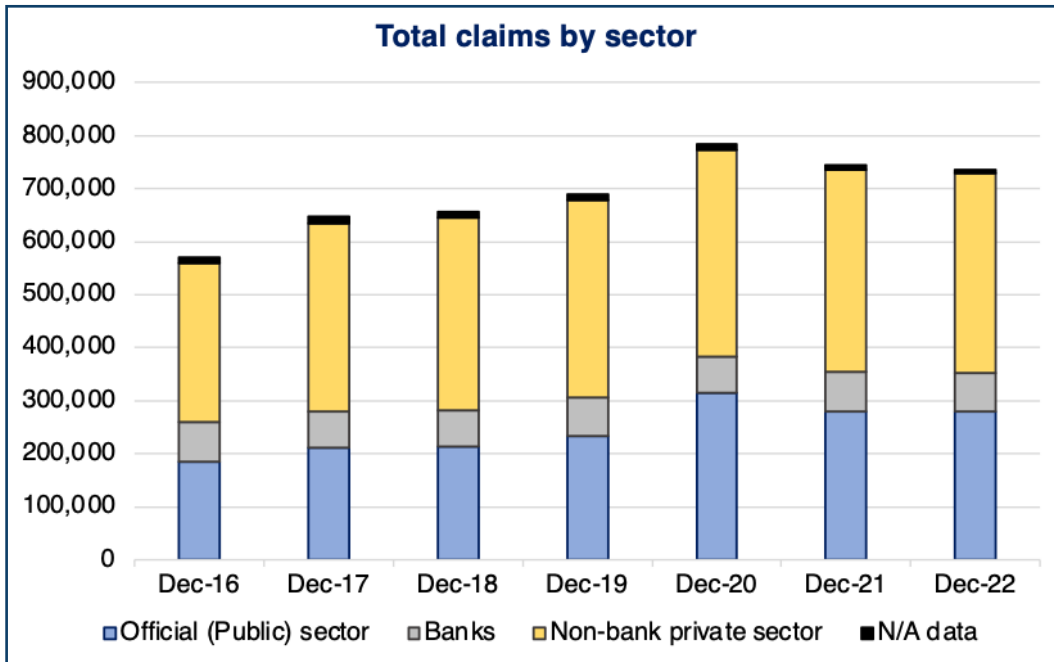


Fig. 4 Public and private debt held by foreign countries (\$ million) –
Source: elaboration of BIS Consolidated Banking Statistics

Countries	Dec-15		Dec-19		Dec-20		Dec-21		Dec-22	
	Value	%	Value	%	Value	%	Value	%	Value	%
France	57,665	28.7	65,590	28.1	101,037	32.1	90,973	32.6	89,947	32.2
Spain	31,340	15.6	51,179	21.9	70,106	22.3	61,472	22.0	65,052	23.3
Germany	36,555	18.2	36,349	15.6	37,075	11.8	36,617	13.1	42,634	15.3
Japan	22,089	11.0	26,447	11.3	42,032	13.4	40,594	14.5	33,684	12.1
United States	16,239	8.1	24,065	10.3	27,337	8.7	18,431	6.6	22,269	8.0
Greece	109	0.1	2,849	1.2	6,995	2.2	7,261	2.6	6,980	2.5
Switzerland	7,244	3.6	4,117	1.8	5,182	1.6	8,068	2.9	4,818	1.7
Belgium	7,094	3.5	5,138	2.2	2,908	0.9	2,185	0.8	2,121	0.8
Austria	2,354	1.2	1,384	0.6	1,901	0.6	1,194	0.4	1,695	0.6
United Kingdom	4,225	-	4,247	1.8	3,636	1.2	-853	-	1,320	0.5
Other countries	15,753	7.9	12,255	5.2	16,132	5.1	13,279	4.8	9,155	3.3
Total	200,667	98	233,620	100	314,341	100	279,221	100	279,221	100

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

External private debt	Dec-15	Dec-18	Dec-19	Dec-20	Dec-21	Dec-22
European banks	68,787	50,516	57,928	55,326	59,800	56,865
Non European banks	15,559	13,666	12,222	11,826	13,656	13,322
N/A data	3,262	2,873	1,975	1,185	1,536	2,149
Total banking sector	87,608	67,055	72,125	68,337	74,992	72,336
European banks	265,384	311,412	319,003	339,342	327,855	325,294
Non European banks	25,632	27,960	32,264	30,654	33,504	32,478
N/A data	20,154	25,465	22,120	21,388	20,352	19,635
Total non-bank private sector	311,170	364,837	373,387	391,384	381,711	377,407
Total external private debt	398,778	431,892	445,512	459,721	456,703	449,743

Tab. 3 Composition of external private debt (banking sector and non-banking 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 2022 438 banks were operating in Italy (-18 YoY), 79 of which foreign controlled (-2 YoY).

Tab. 4 shows the fall over the last decade in both the number of banks and number of branches. These changes were driven by M&A operations and the consolidation process, especially for large/medium banks and cooperative banks; at the same time, there was a drop in the number of "physical" branches due to digitalization and the evolution of remote financial services. These trends applied to both Italian and foreign banks and branches.

In greater detail, the number of non-resident banks remained constant, with limited inflows and outflows (10y average: 80), while the number of

branches over the same period fell by about 200 (-62%). Nevertheless, at the end of 2022, foreign banks – while making up only 0.6% of the number of branches – accounted for 18% of the total number of banks. This trend is rising, as the consolidation process has mainly involved Italian banks (Fig. 5).

According to the Bank of Italy's Statistical Database (BDS), at the end of 2022 65 out of 79 foreign banks were in Lombardy, all of them in the Metropolitan City of Milan, making up 74 out of 124 branches (60% of the total). Other branches are located in the north-west of Italy (Piedmont and Emilia-Romagna, 17), north-east (Veneto and Trentino Alto-Adige, 11), centre (Lazio and Tuscany, 20). In the south of Italy (Campania) the 2 remaining branches of foreign banks are located.

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 (RHS)	% on number of branches
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
2021	456	21,650	81	126	17.8	0.6
2022	438	20,985	79	124	18.0	0.6

Tab. 4 The branch networks of domestic and foreign banks in Italy (2012/22, end-year data) – Source: elaboration of Bank of Italy data, Statistical Database (BDS)

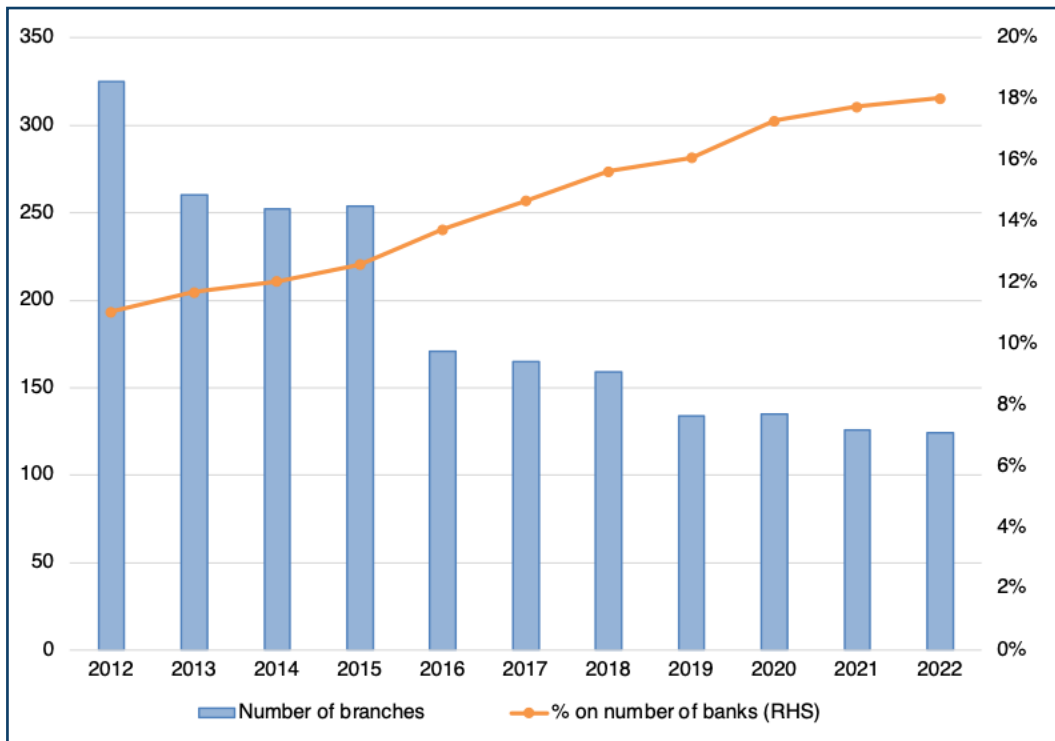


Fig. 5 Number of foreign bank branches in Italy (2012/22, end-year data) – Source: Own elaboration of Bank of Italy, Statistical Database (BDS)

3.2 An overview of the industry*

Foreign banks are present in Italy either via a branch or under the Free Provision of Services (FPS) regime, with a highly heterogeneous distribution.

At the end of 2022, there were 674 foreign banks operating in Italy under FPS (of which 57 from non-EU countries)¹, while those operating through branches numbered 79 (81 at the end of 2021). In 2022, two German investment firms, already operating in Italy with their own branches and reclassified by the ECB as significant credit institutions, joined the group.² The majority of foreign banks with a branch in Italy are from EU countries (71 at the end of 2022, 73 in 2021), mainly based in France (22), Germany (18), Luxembourg (10), and the Netherlands (6). Over half (52 per cent) of these banks are significant institutions, with their branches holding approximately 6 per cent of the total assets of the banking system (5.3 per cent at the end of 2021). The share of branches of non-significant banks is extremely low, accounting for around 0.4 per cent of total assets.

At the end of 2022, there were eight third-country branches (TCBs) in Italy, belonging to banks based in the US (2), Japan (2), China (1), Switzerland (1), Iran (1) and the UK (1). Although their presence is limited, it makes Italy the fifth EU Member State in terms of the number of branches of third-country groups, following Germany, France, Cyprus, and Luxembourg (which have 25, 22, 13, and 12 TCBs, respectively).³ These branches, all with assets below three billion euros, mainly cater to corporate or institutional clients. Their total assets amount to only €11 billion, although they have increased compared with €9 billion at the end of 2021.

Looking at the overall presence of foreign bank branches in our country, there is high variability in terms of both assets held (ranging from less than one million to over €80 billion) and the number of

employees (ranging from 6 to 881). At the end of 2022, there was a significant increase in the total assets of branches (+11.8 per cent), while the growth in total resources was more limited (+1.2 per cent).

At the end of 2022, the market share of foreign bank branches increased in terms of both Italian residents' deposits⁴ and loans to firms.⁵ Lending provided by branches to households remained stable (at 4.7 per cent of the total for the banking system), while credits granted by subsidiaries rose (mainly reflecting the expansion in mortgages, which account for more than half of these loans; the share of subsidiaries in the system is 17.3 per cent compared with 16.2 per cent in 2021).

Regarding the business lines, we have not observed significant overall changes over the past year. Corporate and investment banking remains the core business of foreign bank branches (approximately 44 per cent). A considerable number of branches operate mainly in retail banking (19 per cent) or specialized lending (16 per cent), while a smaller number focus on private wealth management (11 per cent) or custodian services (4 per cent). Business models are generally specialized, with 24 per cent of branches combining their predominant activity with a secondary activity.⁶ Subsidiaries of significant banks are mainly large traditional banks or banks specializing in credit or securities services.

Consumer credit deserves special attention, as foreign bank branches⁷ and subsidiaries of significant banks account for just under half (48 per cent) of this kind of funding in Italy.⁸

Custodian services for investment funds and pension funds are another specialist business that is essentially dominated by these foreign players, which account for over 80 per cent of the total Net Asset Value of investment funds.

* This section has written by Alessandra Perrazzelli, Member of the Governing Board and Deputy Governor of the Bank of Italy. The paragraph summarizes her speech "*Le banche estere in Italia: regolamentazione e innovazione*" (only available in Italian: "Foreign banks in Italy: regulation and innovation"), given before the General Council of the AIBE on 3 April 2023.

¹ Banks operating in Italy simultaneously with branches and under the FPS regime are excluded.

² The reclassification was conducted according to Article 4(1)(1)(b) of the CRR.

³ See "List of third country groups with IPUs and third country branches", published by the EBA.

⁴ The market share increased to 1.9 per cent from 1.5 per cent at the end of 2021; the share of significant foreign bank subsidiaries remained stable at 7.8 per cent.

⁵ The market share increased from 4.4 per cent in 2021 to 5.5 per cent; the share of subsidiaries increased from 9.1 per cent to 10.5 per cent.

⁶ Most branches operating in investment banking also provide wholesale banking, private banking, or custodian services.

⁷ Accounting for 9.9 per cent of the banking system and 7.2 per cent when including financial institutions.

⁸ Accounting for 38.1 per cent of the banking system and 27.6 per cent when including financial institutions.

Organizational structures

The organizational challenge for foreign banks operating through branches, with generally stable business models and often relatively small operations, is to effectively balance the need for flexible structures, commensurate with the requirement for adequate and efficient control structures to govern the risks associated with their local activities. This involves understanding the specificities of the jurisdiction and the economic and social framework in which they operate.⁹

In general, for both EU branches and third-country branches operating under equivalence regimes, we see an ongoing trend towards the centralization of corporate functions into group structures. This is often linked to digital banking projects, corporate reorganization, or cost rationalization efforts, which affect primarily IT systems management and data processing, administrative and back-office functions, and certain stages of anti-money laundering (AML) processes. This trend is helping to create lean and typically small-sized organizational structures. The flexibility of organizational structures is even more pronounced in the case of fintech operators.

The most recently established branches have innovative business models, which sometimes come with higher risk profiles, potentially leading to gaps in AML measures. Even branches of banks with more traditional business models are developing technology innovation projects, mostly managed centrally by the parent company.

The fragmentation and interconnection of activities within international group entities also extend to their governance, processes and risk control structures. This complexity calls for greater integration between the global and local dimensions for both intermediaries and supervisors. Banks need to ensure comprehensive risk management while complying with non-harmonized regulations, and supervisors must coordinate their supervisory

activities, prevent regulatory evasion that could impact financial stability, and ensure global oversight.

The comparison with foreign banks (including those from the European Union) cannot overlook compliance with Italian regulations as regards AML, combating the financing of terrorism (CFT), and customer protection. These matters are subject to national rules, which can sometimes be substantially different and sometimes more stringent and detailed compared with EU regulations. In terms of banking transparency, they also cover non-harmonized products and/or products targeting customers other than consumers.

Ensuring effective and timely risk management on an ongoing basis is even more complex for operators without an establishment. More specifically, for non-EU banks, the licensing process for entering the Italian market requires the assessment of various kinds of information, including the business scope and a good-standing certificate from the home supervisory authority, as well as specific considerations such as evaluating the adequacy of regulations and reciprocity, which can be extremely delicate. A survey we conducted last year confirmed the difficulty of monitoring operations after a bank has entered the Italian market. Only 34 banks were found to have actual operations in our country (mostly Swiss banks). Consequently, we have initiated proceedings to revoke and/or invalidate the licences of the remaining banks (which are still pending), with the aim of streamlining the sector and concentrating activities where they are genuinely needed. The remaining operational banks will then be subject to permanent monitoring through the administration of a standardized questionnaire that will include more detailed information about the scope of their operations in Italy and the control measures in place, in order to verify the consistency between their licences and their actual operations.

⁹ See Angelini P., Deputy Governor of the Bank of Italy, “*Le filiali italiane di banche straniere: sviluppi regolamentari e questioni di vigilanza*” (only available in Italian; Italian branches of foreign banks: regulatory developments and supervisory issues), speech given before the General Council of the AIBE on 8 April 2022.

Business models: innovation and proximity networks

Banking intermediaries, both Italian and foreign, are currently facing significant challenges, including geopolitical and macroeconomic uncertainties, and the green and digital transition. Innovation is reshaping their strategies and business models, amplifying interconnections within the financial system, increasing mutual dependencies, and transcending national borders, with the ensuing risks.

The revision of business models has led to the reshaping of the products and services provided and the adoption of alternative distribution channels. Among the innovative business models, banking as a service stands out, as it has the potential to create new entrepreneurial models by integrating financial services into the commercial offerings of entities operating in different sectors. Another notable model is 'buy now pay later', which, for authorized entities, can contribute to further growth in consumer credit, an area where foreign operators play a significant role in Italy, as I mentioned earlier.

In the fintech sector, among other trends, we see a certain interest from major European companies that want to expand their presence in Italy. In the past two years, some banks (including those already operating under the FPS regime) with highly innovative business models have notified their intention to establish branches in Italy.¹⁰ The primary reasons behind these choices are their plans to accelerate the expansion of their customer base in Italy (by acquiring an Italian IBAN).

This is a development we follow closely, especially in light of cases where the Bank of Italy has observed an insufficient consideration of national specificities (even when explicitly required by regulations), e.g. in AML matters, which has affected the ability of bank branches to adequately identify the risks of the environment in which they operate.

Regarding the distribution channels of EU banks, we observe a growing interest in proximity networks, i.e. affiliated commercial establishments offering basic payment services (such as withdrawals, deposits, bill and fine payments, and so on). These networks are a physical channel that is less costly than traditional branches and is often utilized by fintech operators.

The development of proximity networks has been driven by the expansion of the range of services and affiliated providers. In addition to tobacconists and bars, supermarkets, pharmacies, petrol stations, and other providers have become part of these networks. This trend has coincided with a gradual reduction in the number of bank branches.

The Bank of Italy pays special attention to the organizational solutions and internal control systems of the intermediaries that use proximity networks. We aim to verify that the operational and reputational risks associated with both relationships with affiliated networks and compliance with asset reserve requirements and AML regulations are adequately addressed and managed.

¹⁰ In most cases, the service models proposed are positioned in growing market segments (e.g. buy now pay later, digital light banks primarily targeting retail customers and SMEs, and banking as a service).

In this context, the operations of EU banks are similar to those of certain Italian and EU payment service providers (PSPs) operating in Italy. When utilizing proximity networks established locally, they must ensure full oversight of the affiliated providers. It should be noted that the Italian AML regulation requires a central contact point in Italy to ensure compliance with anti-money laundering requirements for services provided through the network and to facilitate supervision by the competent authorities.¹¹

The same compliance requirements are also imposed on EU banks operating under the FPS

regime when they provide payment services through distribution networks established in Italy. The use of proximity networks constitutes, according to AML regulations, a form of establishment ‘other than a branch’, for which, however, there is no correspondence in the EU Capital Requirements Directive (CRD). On the contrary, the European Directive on Payment Services (PSD2) recognizes cross-border operations through agent and distributor networks as one of the possible forms of passporting for Payment Institutions (PIs) and Electronic Money Institutions (EMIs).

3.3 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 39 foreign bank branches operating in Italy. Data are published in the ABI Yearbook and refer to the period 2013/21. The amount of total assets of this sample, updated at the end of 2021, was about €153 billion.

Fig. 6 shows the percentage composition of assets of foreign bank branches. As shown in the chart, the proportion of loans to customers as a percentage of total assets of foreign bank branches has been increasing over time (49% end-2021). The contribution to total assets expressed by held-for-trading securities has fallen over time, despite a small recovery in 2020 and 2021. It is also worth observing that accounting criteria have changed after the adoption of IFRS 9, so the less recent data are not fully comparable with the latest reports.

Tab. 5 below summarizes the percentage composition of assets of foreign banks, with a breakdown by homogeneous clusters. Even if

data and time series are not complete, we can observe that the largest contribution to retail banks’ assets came from loans to customers (54% of total retail banks’ assets). With regard to banks specializing in corporate and investment banking activities (CIB banks), the percentage of loans to customers increased in 2021 compared to the annual average over the period 2017/20, mainly due the entry of four new CIB banks in the sample.

As shown in Fig. 7, at the end of 2021 net interest income made up 56% of net interest and other banking income of foreign bank branches. In 2021 a decrease in the weight of operating costs and an increase in the weight of result for the year were observed. Over the period 2017/21, higher efficiency and the increase in net profits were true for both retail and CIB banks.

The clusters represented in Tab. 6 highlight some specific patterns, but the relevance of the data has to be balanced with the low number of observations and missing data within the time series.

¹¹ See Article 43, paragraph 3, of Legislative Decree 231/07.

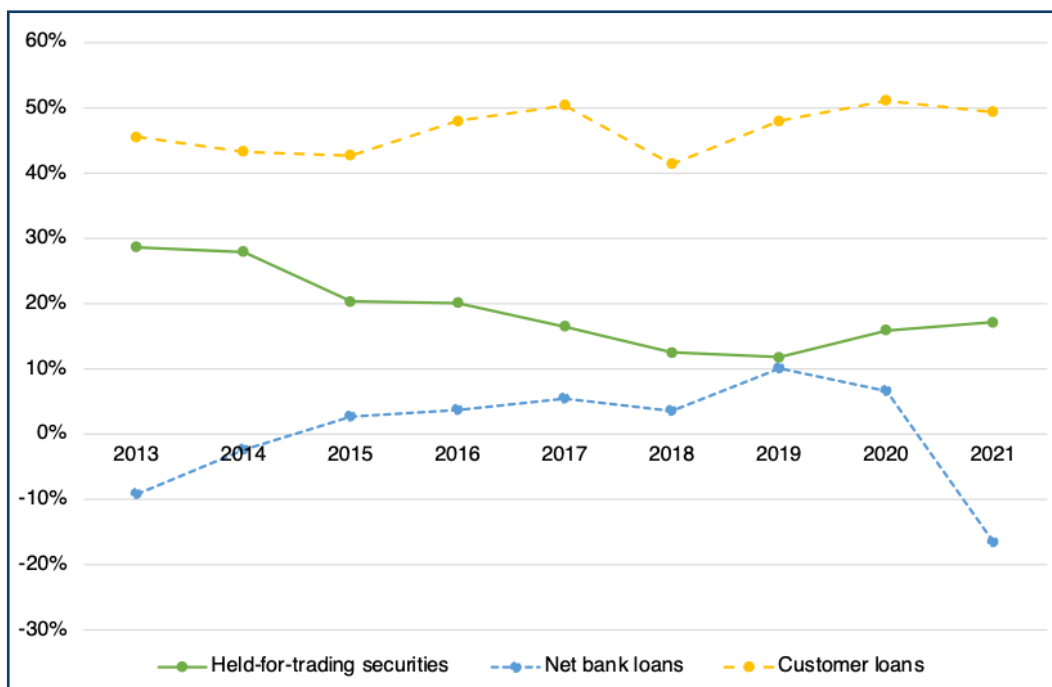


Fig. 6 % composition of assets of foreign bank branches in Italy (2013/21, main items) – Source: ABI Yearbook

	2017/20 (average)			2021		
	Held-for-trading securities	Net banking loans	Customer loans	Held-for-trading securities	Net banking loans	Customer loans
Retail banks, of which specialized in	1.1%	-13.0%	53.3%	0.8%	-17.5%	54.3%
- Retail loans	1.2%	-11.6%	49.0%	0.9%	-14.9%	46.5%
- Automotives captive banks	-	-26.2%	97.1%	-	-30.5%	94.7%
CIB banks, of which specialized in	22.8%	22.0%	32.9%	35.9%	-18.7%	53.0%
- Securities services	-	85.7%	0.9%	-	88.9%	0.9%
- Trading services	96.9%	-3.7%	2.2%	96.5%	-3.3%	2.6%
- Large corporate loans	0.3%	-12.2%	70.7%	0.4%	-67.2%	110.4%

Tab. 5 Composition of assets of foreign bank branches in Italy by type of foreign bank (2017/21, main items, %) – Source: ABI Yearbook

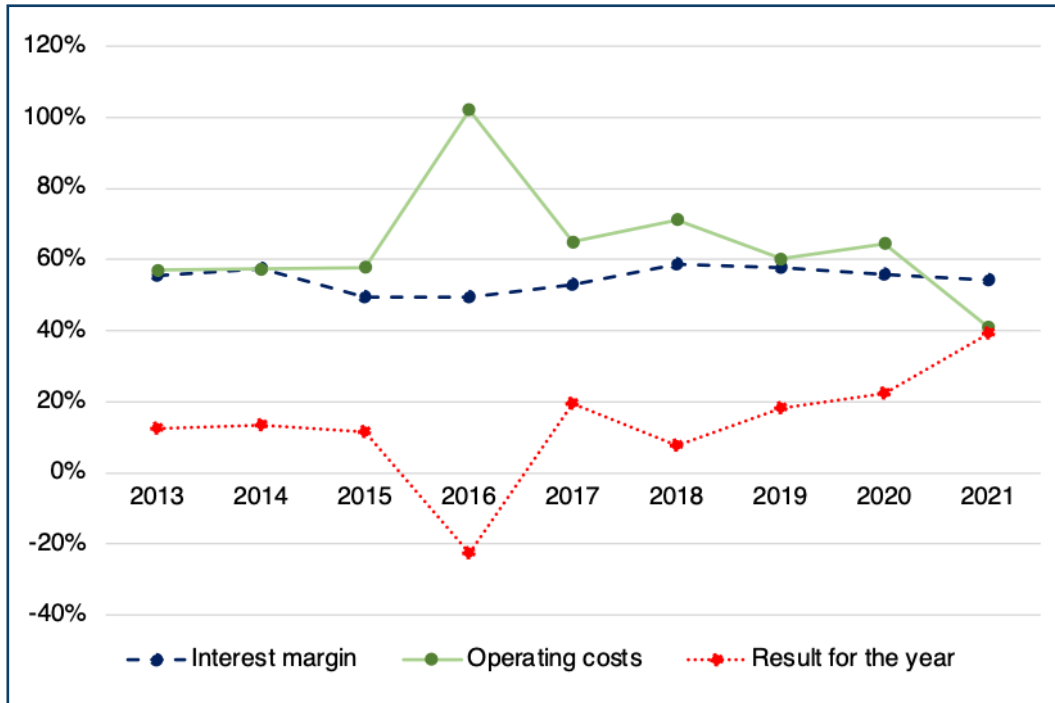


Fig. 7 Contribution to net interest and other banking income of the main profit and loss items of foreign bank branches in Italy (2013/21, %) –
Source: ABI Yearbook

	2017/20 (average)			2021		
	Interest margin	Operating costs	Result for the year	Interest margin	Operating costs	Result for the year
Retail banks, of which specialized in	72.5%	69.0%	13.9%	82.8%	43.0%	33.7%
- Retail loans	63.4%	74.3%	9.6%	55.0%	54.4%	23.2%
- Automotives captive banks	123.1%	41.9%	38.8%	162.2%	10.2%	63.9%
CIB banks, of which specialized in	42.9%	62.2%	19.5%	33.4%	39.5%	43.3%
- Securities services	5.5%	43.4%	59.3%	-6.1%	54.8%	33.3%
- Trading services	44.9%	16.8%	46.7%	-26.0%	44.2%	33.5%
- Large corporate loans	56.0%	72.4%	5.9%	48.4%	36.9%	46.2%

Tab. 6 Contribution to net interest and other banking income of the main profit and loss items of foreign bank branches in Italy by type of foreign bank (2017/21, %) – Source: ABI Yearbook

CHAPTER 4

Corporate and Investment Banking

This chapter summarizes some data and information regarding the role played by foreign banks and intermediaries in supporting Italian companies when 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, providing corporations with a broad portfolio of advanced financial services.

4.1 Structured finance

4.1.1 Syndicated loans

In 2022 the Italian syndicated loans market increased by about €24.2 billion, from 69.5 billion to €93.7 billion (+35% YoY, Fig. 8): compared to previous years, the market size in 2022 was almost doubled than that recorded in 2020, and was significantly higher than that for the period 2015/19 (pre-COVID annual average, €58.6 billion). In 2022 the Italian syndicated loans market reached a 10y peak. As highlighted in Fig. 8, annual changes in size are quite relevant, but the market share held by foreign bookrunners remained very significant, from a minimum of 57% (2016 and 2020) to a maximum

of about 85% (2015). In 2022 foreign players acting alone as bookrunners held 6.9% of the market in terms of tranche values (€6.5 billion of issuances), while the role of international pools of lenders with Italian banks was more relevant (69.8% of the total, with a value of about €65.3 billion). In the past year, issuances assisted by international pools of bookrunners went up by about €16.5 billion on an annual basis.¹²

Moving on to the analysis of single tranches making up deals, the 455 tranches marked an increase on the 367 recorded in 2021, with foreign bookrunners having a market share of 51%. In the last year, the average size of tranches rose from 189 million to €205.8 million. The average size of issuances assisted by international pools of bookrunners was largest, amounting to about €342 million. The more complex the deal, and the higher its value and tranche size, the higher the probability that at least one foreign bookrunner was involved in the issuance.

We recorded 39 issuances assisted exclusively by foreign bookrunners (€6.5 billion): in 26 out of 39 issuances there was a single foreign bookrunner, involving a French bank (23 occurrences), a Spanish

¹² Information about the bookrunners is not available for 152 out of 455 tranches. Sometimes the deal has no bookrunner (mainly public issuances) or data are not recorded in the database. The total deal value referred to these issuances is about € 13.8 billion, making up 15% in value and about one third in terms of number of tranches.

bank (2 tranches) or a Dutch one (1 tranche). The distribution of bookrunners' origin in the other 13 tranches is more diversified: the average number of bookrunners involved was 2.7 units, with French intermediaries still in the lead, being involved exclusively in 7 issuances; the 6 remaining tranches involved international banks coming mainly from China, Spain and United States.

Foreign bookrunners mainly supported Italian firms operating in the Utility & Energy, Transportation and TLC sectors (Fig. 9). These top 3 sectors accounted for about €40.3 billion, or 43% of the whole market (40% in 2021), and 56% of the total tranche values linked to foreign bookrunners (52% in 2020).

Syndicated loans are mainly medium/long term issuances. In 2022 Italian issuances had an average original maturity of about 6 years (6.3 in 2021). If we analyze the distribution of tranches by maturity, medium-term issuances (from 3 to 5 years) account for about 40% of the whole market size, 19 percentage points less than the previous year, where the market share held by foreign bookrunners was close to 85% (81% in 2021). Issuances with a longer maturity (above 5 years) have a total value of about €27.5 billion, making up 29% of the market size in 2022, with an increase of about 7 percentage points. Within this cluster, the market share held by foreign players was 59% (66% in 2021), for a value of about €16.4 billion. The market share held by non-resident bookrunners was even higher for short-term issuances (up to 2.5 years in terms of original maturity), assisting deals worth about €21 billion out of a subtotal of €24 billion (88%).

In terms of credit standing, 2022 issuances have seen an increase in "Investment Grade" deals, probably due to worsening general macroeconomic and financial conditions: "high quality" issuances accounted for about 65% of the total (€60.7 billion),

10 percentage points higher than 2021, while "Leveraged Grade" issuances made up 35% of the total market. The distribution is similar if we look at foreign bookrunners' operations: "Investment Grade" tranches assisted by foreign bookrunners amounted to about €45.8 billion, making up 64% of all operations of non-resident players. "Leveraged Grade" deals were worth €26 billion (36%).

We complete the analysis of this market with a focus on the role of foreign players as Mandated Lead Arrangers (MLAs), facilitating and leading the group of investors, which usually also underwrite a portion of the issuance directly.

With regard to 2022 deals, it is worth pointing out that foreign players acted as MLAs (solely foreign MLAs or international pools of MLAs) in 189 tranches out of 455 (€51.2 billion, 41.6% of the total in value and 54.7% in volume).¹³

In the top 10% of tranches by deal value (45 tranches, €64 billion, 68% of the total), foreign bookrunners were involved in 38 issuances (€54.5 billion, 85% of the deal value of the subsample "top ten tranches"). With regard to the role of MLAs, and if we exclude 16 deals without MLAs, foreign intermediaries were involved in 26 out of 29 tranches (€41.5 billion).

Data referring to the first half of 2023, updated to the end of April, highlights a downturn in the Italian syndicated loans market. Dealogic database recorded 37 tranches of syndicated loans issued by Italian companies (in the same time frame, one year previously they numbered 75), worth about €6.5 billion in total deal value (€17.4 billion over the period January/April 2022). The market share held by non-domestic players was about 27% in value (10 out of 37 tranches) and 62% in volume (€4 billion), a large negative change compared with the first four months of 2022.

¹³ Information about Mandated Lead Arrangers is not available for 193 out of 455 tranches, accounting for about 42% in number and 33% in volume (€31 billion).

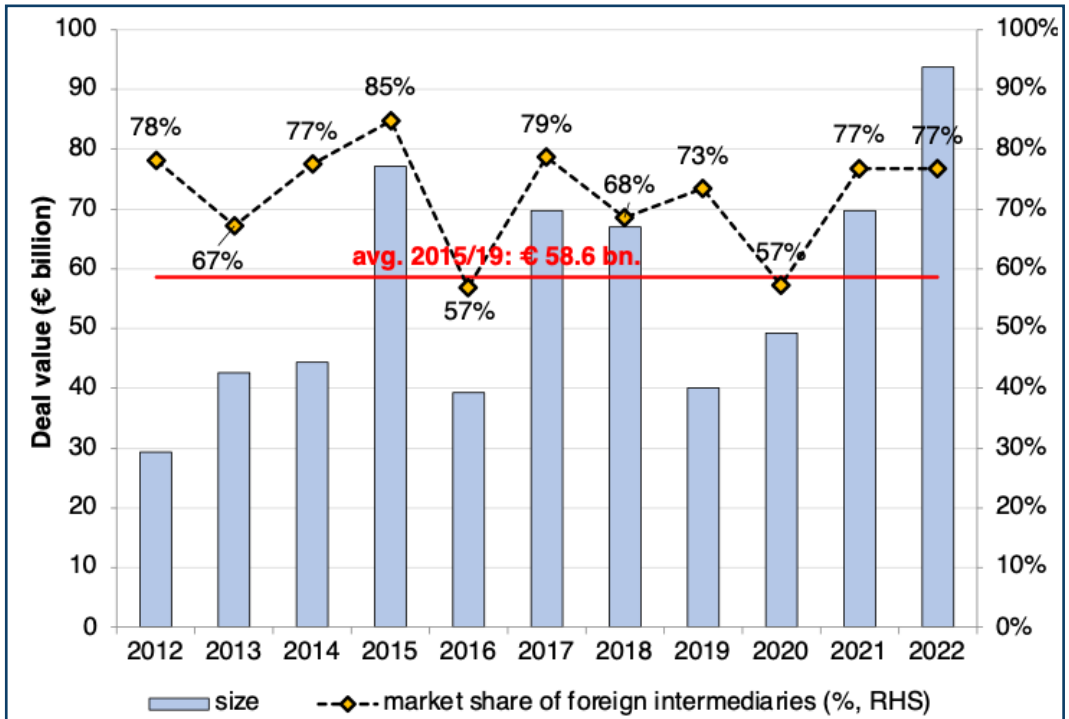


Fig. 8 Annual deal value of syndicated loans and share of foreign intermediaries (2012/22, € billion and %) –

Source: elaboration of data from Dealogic database

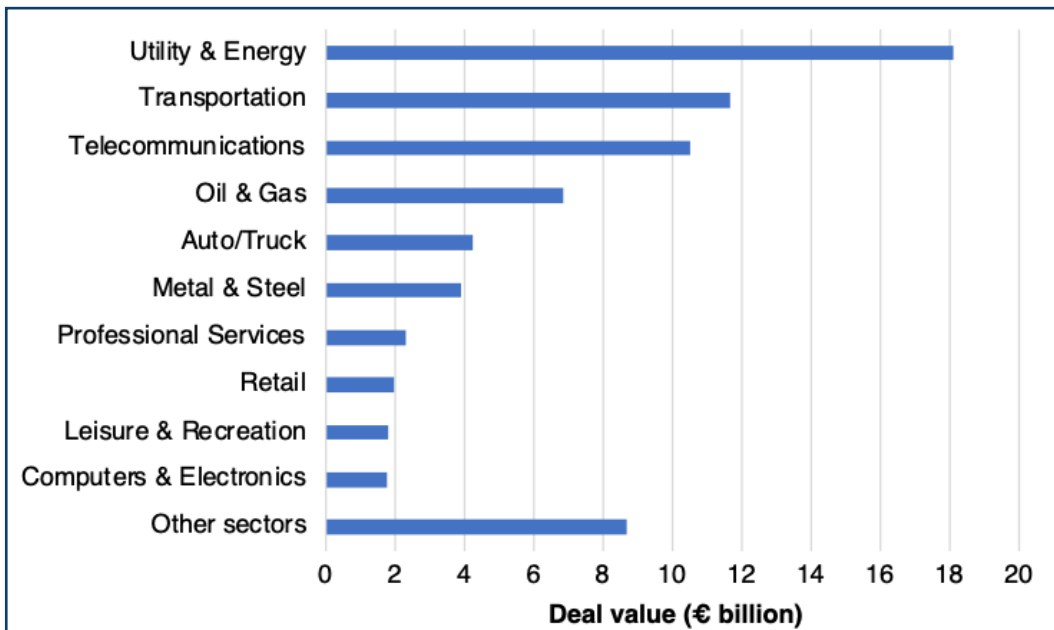


Fig. 9 Deal value of syndicated loans and market share of foreign bookrunners by industrial sector (2022, first 10 sectors, data in € billion) –

Source: elaboration of data from Dealogic database

4.1.2 Securitization

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

The market size fell in 2022, going close to the lowest values recorded for the last decade. Total market value was largely below pre-COVID levels: in the 2015/19 period the annual average market size was about €10 billion (Fig. 10), while in the period immediately preceding the subprime crisis

(2005/07) it was about 3 times higher (€29 billion). In 2022 there were 12 ABS tranches, for a total value of about €1.5 billion. The market share of foreign bookrunners was 67% (8 tranches) in volume and 50% in value.

Despite the limited size of this market, the positioning of foreign bookrunners was still relevant, especially for largest issuances: they were involved in 3 of the top 4 operations ranked by tranche value.

No MBS deals were recorded in the Dealogic database for the whole of 2022.

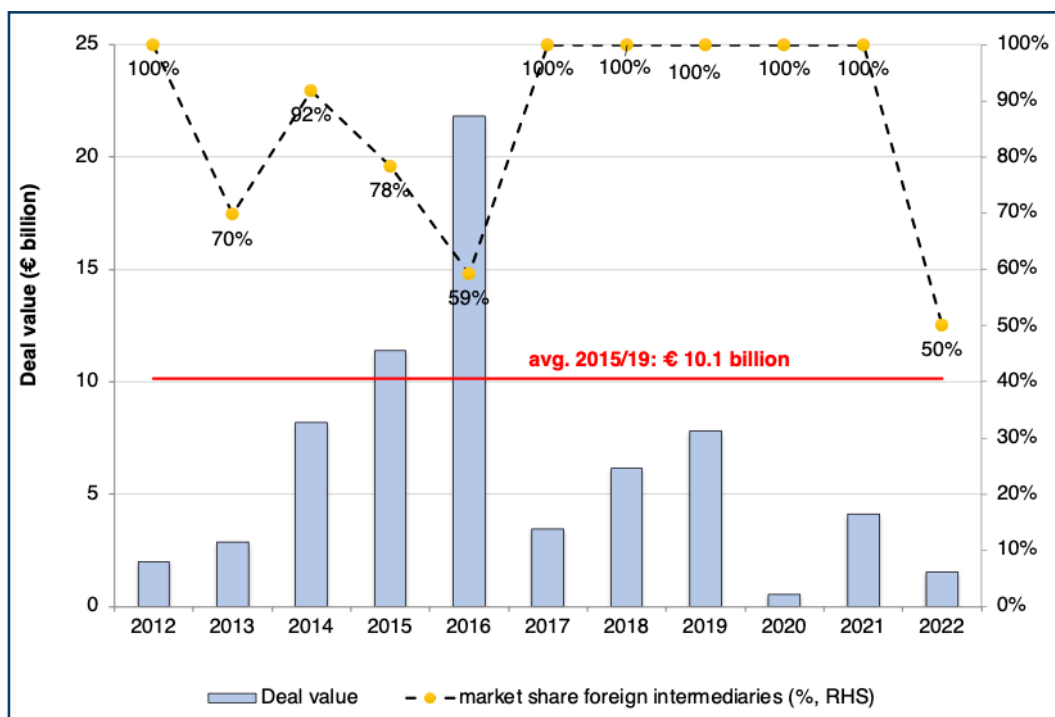


Fig. 10 Annual value of ABS and MBS deals and share of foreign intermediaries (€ billion and %, 2012/22) –

Source: elaboration of data from Dealogic database

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

This section provides data and information about the role of foreign players (banking groups, financial institutions, and Export Credit Agencies) in supporting Italian companies with export and internationalization strategies. The data below have been collected and provided by SACE, an Italian institution 100%-owned by Cassa Depositi e Prestiti (CDP), which offers export credit, credit insurance, foreign investment protection, financial guarantees, bonding and factoring services.

In 2022 the total value of these facilities was approx. €43.1 billion (+62 YoY), broken down into 4 areas: Export, Internationalization, Economic Recovery (the most relevant, for which the collateral provided by SACE made up 67% of the total) and Green.

Tab. 7 shows the total value of financial resources to support exports and the internationalization of Italian companies. As shown in the table, the support offered by banks, finance companies and ECAs fell over the year, from 11.9 billion to €11.3 billion; the “internationalization” line regained market share, with an increase in value from 3.3 billion to €5.2 billion (+4 percentage points YoY): the amount referring to foreign players more than doubled, from 1.16 billion to €2.47 billion.

Fig. 11 confirmed the recent trend of a growing presence and role played by foreign players. If we analyze the whole market of financial guarantees supporting the growth of Italian companies abroad, foreign players have a market share of 46% (€5.2 billion), about 7 percentage points higher than in 2020, strongly influenced by the pandemic and economic lockdowns, and slightly higher than pre-COVID levels (annual average over 2017/19:

45.6%). The most active foreign operators come from France (17% of all financial guarantees and 37% of foreign players’ support), United Kingdom (6%) and Switzerland (4.8%).

Fig. 12 shows the financial guarantees for export credit granted by foreign players, making up about 45% of the total (stable over the past year) and about 24% of total resources set aside by SACE for the “export” and “internationalization” lines.

With reference to financial support for internationalization, guarantees granted to foreign operators made up about 48% (+13 percentage points YoY) of all guarantees for internationalization, and 22% of total resources set aside by SACE (+11 percentage points YoY).

The analysis is completed with operations in two additional areas, namely “Economic Recovery” and “Green”.

Tab. 8 summarizes the guarantees issued by SACE through the “Economic Recovery” instrument, amounting in 2022 to about €28.9 billion, more than double the value recorded in 2021. Despite the leading role played by domestic banks and institutions, the value referring to foreign players went up by about €1.2 billion, to €3.2 billion, making up 11% of the total amount of financial guarantees within this area. Twelve foreign players are involved, coming mainly from France (53%) and Luxembourg (27%).

In 2022 “Green” guarantees posted a slight increase YoY, from 2.7 billion to €2.9 billion. At the same time, the participation of foreign institutions dwindled, with a market share of 9% (15.3% in 2021). French banks, once again, were leaders (81% of the total referring to foreign players).

	2019		2020		2021		2022	
	Value	%	Value	%	Value	%	Value	%
Italian players	2,925	36.0	4,086	50.8	4,755	55.2	3,375	54.9
Foreign players	5,210	64.0	3,962	49.2	3,865	44.8	2,770	45.1
Total Export (a)	8,135	100	8,048	100	8,619	100	6,144	100
Italian players	1,869	65.7	2,697	86.2	2,163	65.0	2,705	52.3
Foreign players	974	34.3	430	13.8	1,163	35.0	2,471	47.7
Total Internationalization (b)	2,843	100	3,127	100	3,326	100	5,176	100

Total value (a+b)	2019		2020		2021		2022	
	Value	%	Value	%	Value	%	Value	%
Italian players	4,794	43.7	6,783	60.7	6,918	57.9	6,080	53.7
Foreign players	6,184	56.3	4,392	39.3	5,027	42.1	5,241	46.3
Total (a+b)	10,978	100	11,175	100	11,945	100	11,320	100

Tab. 7 Financial guarantees to support the foreign growth of Italian companies: annual deal value of guarantees by type of instrument and market share held by Italian and foreign players (2019/22, € billion and %) –
Source: elaboration of SACE data

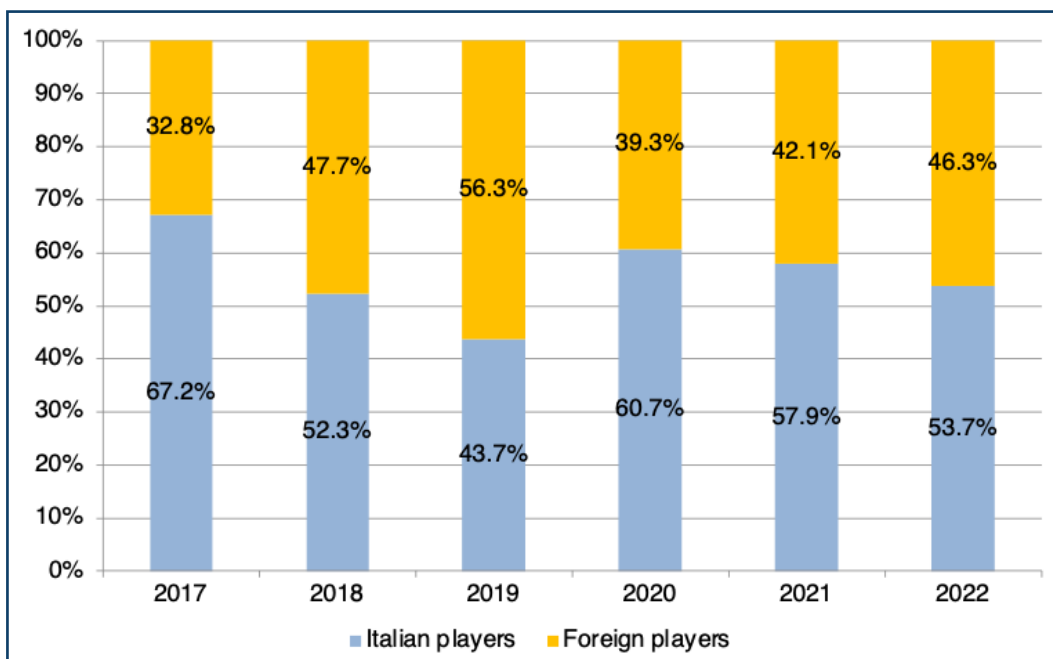


Fig. 11 The composition of financial guarantees supporting the growth of Italian companies abroad: market share held by Italian and foreign players (2017/22, %) –
Source: elaboration of SACE data

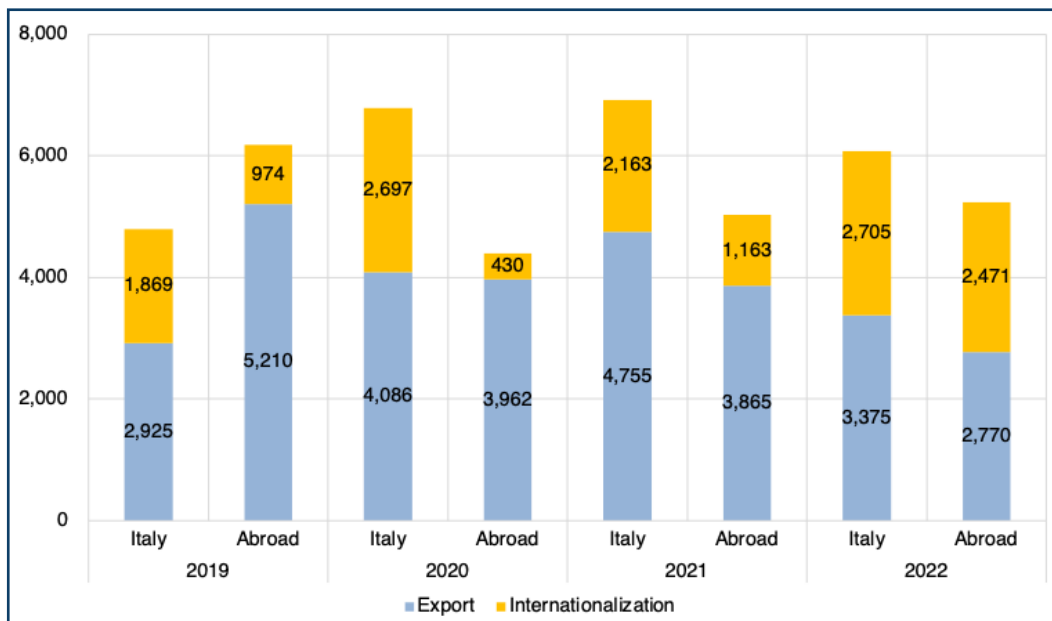


Fig. 12 The value of financial guarantees to support the growth of Italian companies abroad: geographic origin of secured loans (2019/22, € billion) – Source: elaboration of SACE data

	2020		2021		2022	
	Value	%	Value	%	Value	%
Italian players	17,769	85.7	9,882	83.0	25,724	88.9
Foreign players	2,966	14.3	2,021	17.0	3,214	11.1
"Economic Recovery"	20,735	100	11,903	100	28,938	100

	2020		2021		2022	
	Value	%	Value	%	Value	%
Italian players	0.263	86.8	2,330	84.7	2,628	91.0
Foreign players	0.040	13.2	419	15.3	259	9.0
"Green"	0.303	100	2,749	100	2,887	100

Tab. 8 Financial guarantees to support the "Economic Recovery" and the "Green Transition": deal value of guarantees and market share held by Italian and foreign players (2020/22, € billion and %) – Source: elaboration of SACE data

4.3 Private equity and venture capital

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

According to the AIFI - Italian Private Equity and Venture Capital Association - in 2022 total funds raised on the private equity and venture capital markets amounted to €5.9 billion, 86% of which from independent funding (Tab. 9). A total of 49 operators carried out fundraising activities on the Italian market in 2022 (44 in 2021), making up total funding of approx. €12.6 billion (+13% YoY). Funds raised by the parent company (captive funding) more than doubled in the past year, from €366 to €836 million, even though this trend has been highly volatile recently. In 2022 the role of pan-European entities was confirmed: raised funds amounted to about €6.7 billion, making it the leading source of funding in the past year (53% of the total), with an annual change of about +23%.

With reference to the geographic origin of fundraising, the weight of independent funding from abroad increased in terms of both value (from 408 million to €1.7 billion) and market share (from 11% to 45%, the highest level reached since the record in 2014, 68%) up slightly from the previous year (Tab. 10): values remained well below the 2016/19 period (on average the market share was 32%).

A long-term comparison (Tab. 11) highlights a decrease in new funds raised by foreign banks (22% of total funds raised by banks over the period 2005/08, compared with only 8% in the period 2009/22). Funds of funds from abroad made up almost 53% of this source (96% in 2005/08). Nevertheless, they are still the most relevant source for attracting funds from abroad, accounting for about 33% of total new funds raised from abroad in the period 2009/22. Funding from abroad referred to pension funds, and insurance

companies are also relevant, with market shares of about 12% and 11% respectively overall for the period 2009/22.

In 2022 buy-out investments attracted the highest number of players (88, of which 39 from abroad, stable compared to 2021).

International players invested €15.4 billion during 2022 (65% of total investments), of which €8.7 billion referring to non-resident players that have no offices or branches in Italy, while domestic entities reached about €8.2 billion (35%). The value of investments from abroad went up by about €4.3 billion in the past year, even though their market share went down by about 11 percentage points (76% in 2021). With regard to the volume of investments, 191 out of 848 deals (23%) were conducted by non-resident players, while the largest market share (77%) was held by domestic investors; in 2021 these market shares were, respectively, 25% and 75%. The average size of investments realized by foreign players was about 6 times larger than “domestic” investments (81 million versus €12.5 million).

According to AIFI data, the role of international players was also very relevant in the Italian private debt market: over the period 2014/22, they invested about €8 billion, 75% of the total (€10.7 billion), while in volume terms the market share held by domestic players was 58% (790 out of 1,366 deals). Foreign players had a market share of 42% (576 deals). The increase in weight of amounts invested by non-resident players has been remarkable since 2018: in that year this amount was 713 million out of €1,016 billion, 70% of the total. Over the period 2018/22 investments numbered 1,067, of which 501 by foreign players (47%); if we observe the value of deals, investments totaled €7.2 billion, 79% of the total (€9.1 billion).

Sources of funds	2017		2018		2019	
	Value	%	Value	%	Value	%
Independent funding	6,230	84.9	3,415	46.2	1,566	45.6
Funds raised by parent company	33	0.4	215	2.9	25	0.7
Total raised funds (a)	6,263	85.4	3,630	49.1	1,591	46.4
Pan-European funds based in Italy (b)	1,075	14.6	3,763	50.9	1,840	53.6
Total (a+b)	7,338	100	7,393	100	3,431	100

Sources of funds	2020		2021		2022	
	Value	%	Value	%	Value	%
Independent funding	2,072	36.2	5,359	47.8	5,084	40.2
Funds raised by parent company	540	9.4	366	3.3	836	6.6
Total raised funds (a)	2,612	45.6	5,725	51.1	5,920	46.9
Pan-European funds based in Italy (b)	3,116	54.4	5,477	48.9	6,716	53.1
Total (a+b)	5,728	100	11,202	100	12,636	100

Tab. 9 Italian private equity and venture capital markets: fundraising trends (2017/22, € million and %) –
Source: elaboration of AIFI data

Independent raising	2017		2018		2019	
	Value	%	Value	%	Value	%
From abroad	201	27.6	702	36.0	298	26.7
From Italy	527	72.4	1,249	64.0	818	73.3
Total	728	100	1,951	100	1,116	100

Independent raising	2020		2021 (*)		2022 (*)	
	Value	%	Value	%	Value	%
From abroad	193	10.2	408	11.2	1,724	44.8
From Italy	1,708	89.8	3,237	88.8	2,128	55.2
Total	1,901	100	3,645	100	3,852	100

Tab. 10 Italian private equity and venture capital markets: geographic origin of raised funds (independent funds, 2017/22, € million and %) –
Source: elaboration of AIFI data

Note: (*) Data for 2022 are based on 76% (68% in 2021) of the private sector market, for which data are available.

Sources of new funds raised on the market	2005/08				2009/22				
	Italy	Abroad	Total	%	Italy	Abroad	N/A	Total	%
Banks	1,115	317	1,432	22.3	4,178	368	105	4,651	15.2
Funds of funds	60	1,510	1,570	24.4	1,089	1,850	545	3,484	11.4
Pension funds	224	259	483	7.5	5,312	706		6,018	19.6
Insurance companies	268	173	441	6.9	1,776	398	1,313	3,487	11.4
Other sources			2,508	39.0	6,198	2,435	4,388	13,022	42.5
Total			6,434	100				30,662	100

Tab. 11 *Italian private equity and venture capital market: composition and geographic origin of new funds raised on the market (2005/22, € million and %) – Source: elaboration of AIFI data*

4.4 Mergers and Acquisitions

According to data released by KPMG Corporate Finance and Refinitiv, the global M&A market showed a sharp decline compared with 2021, that had been an exceptional year for M&A deals, with an impressive recovery after the pandemic. In 2022 M&A deals amounted to about €3.55 trillion (–20% YoY), with a downturn in volume from 49,000 to about 43,200 deals (–12% YoY). Despite these decreases, volumes and values remained at the top of trends for the past decade. The decline also continued in the first quarter of 2023, when volumes went down by about 19% compared with Q1-2022 to about 10,200 deals, and values fell by 19% (€594 billion). The decline, the largest since 2001, can mainly be explained by macroeconomic uncertainty, inflation, the rise in interest rates and volatility in financial markets; this had a negative effect on mega deals in particular.

The Italian M&A market showed two opposing trends in 2022: on the one hand, the number of deals rose by about 4.2%, to 1,265 (vis-à-vis 1,200 in 2021); on the other hand, values fell from €100 to €84 billion (–16%). The number of deals represented a new record for the past decade, while the market size in terms of value was ranked 3rd, after the peak reached in 2021 and the value recorded in 2018 (€94 billion). Despite this recent slowdown,

the market size in 2022 was almost the double that recorded in 2020, which had been affected by the global pandemic and lockdowns (€44 billion). Initial estimates for Q1-2023 seem to confirm the negative trend – compared to Q1-2022 – with a fall in the number of deals from 327 to 258 (–21%) and in values, from 17 billion to €7 billion (–59%), in the wake of global weaknesses and macroeconomic uncertainties.

In the last decade (2013/22), foreign companies have invested in Italy (cross border-in) €207 billion (about 34% of all M&A deals over the decade) through 2,678 deals, slightly lower than the value of cross-border out deals (€224 billion, through over 1,540 deals).

Despite the high volatility in volumes and values in the decade 2013/22, incoming deals (cross border-in) settled in 2022 numbered 441, the largest over the period; on the other hand, in terms of values, the market size in 2022 (€32 billion, +€15 billion YoY) matched the previous peak reached in 2015, and was about 5 times higher than the value recorded in 2020 (around €6 billion).

Among foreign players, the distribution of incoming deals in 2021 and 2022 involved foreign acquirers mainly from France (130 deals for about €14.4 billion), United States (€11.2 billion distributed over 183 deals) and United Kingdom

(€4.6 billion for 118 deals). Looking at the last decade as a whole (2013/22), American investors were the market leaders (€54.9 billion), followed by the French (€36.2 billion).

A focus on “big deals” (value of at least €1 billion) shows that Italian M&A in 2022 recorded 17 big deals (20 in 2021 and only 6 in 2020), of which 10 incoming cross-border deals, for a total value of about €20 billion, almost a quarter of the total market size.

“Top 10” deals recorded a total value of about €48 billion, representing 57% of the total market size: 4 out of 10 deals are incoming cross-border operations (€14.1 billion, about 30% of “Top 10” deals).

According to EY estimates (EY M&A Barometer. “Review 2022 e Preview 2023” [it], January 2023), in the near future Italy’s M&A market will demonstrate its strength, and is expected to be dynamic and attractive to international investors. EY recognizes a number of drivers that will be able to feed M&A deals in Italy: the growing internationalization of Italian firms, energy transition and the growing focus on environmental sustainability, in terms of energy cost savings, and digital transformation, as it will require large amounts of money to feed the investments. The pipeline of “forthcoming” operations is diversified, and is expected to cover all economic sectors. Large institutional funds will play a leading role, with a special focus on Tech, Healthcare, Pharma, and Infrastructure sectors. Moreover, the interest of domestic and non-resident buyers towards “traditional” Made in Italy sectors has been confirmed.

For consistency with past AIBE Reports, the Dealogic database was used to extract data on Italian M&A deals in 2022, with the aim of analyzing the presence and role of foreign intermediaries as advisors in supporting M&A deals.

According to Dealogic, in 2022 the Italian M&A market saw 1,439 completed deals, worth about €144.4 billion, larger than KPMG figures, due to different proxies and hypotheses used to collect data, for example the “lag” between announcement date and completion date. The value of operations announced in the previous two years and completed in 2022 (85 deals) was about €51.7 billion: the largest was the Autostrade/CDP-Blackstone-Macquarie deal, announced in 2021 and completed in May 2022, followed by the SIA-Nexi M&A, announced in October 2020 and a “completed deal” at the beginning of 2022.

As in the past, information about the role and origin of the target and/or acquiror advisor(s) is available for about 30% of the database, and we can confirm the significance of their presence.

Foreign target advisors were involved in 253 deals, accounting for about 18% in volume and 89% in value. These percentages go up, respectively, to 65% and 98% if we exclude deals that lack information about target advisors. If we focus on the presence of acquiror advisors, we can draw a quite similar picture: missing data apart, foreign acquiror advisors were called in for 78% of deals in terms of volume and 98% in terms of value.

The presence of both foreign target and acquiror advisors is summarized in Tab. 12. As reported below, at least one foreign advisor was called in for about 92% of deals, where this market share is measured in terms of deal value. This percentage refers both deals involving exclusively foreign advisors (€21.4 billion, 15% of the total), and deals involving pools with domestic and foreign advisors (€90.2 billion, 62% of the total).¹⁴

Transportation, Utility & Energy, and Computers & Electronics are the leading sectors in terms of the presence of foreign target advisors (€82 billion, concentration index C3 is 64% of total deal value

¹⁴ Remaining percentages refer, respectively, to deals involving exclusively Italian intermediaries both as target advisors and acquiror advisors (€0.8 billion, 1%), and to missing data, i.e. M&A operations for which at least one “side” of the deal has no information about the involved advisors), quantified at about €32.1 billion (22% of the total).

relating to foreign target advisors). With regard to bidder advisors, 3 leading sectors are Finance, Utility & Energy, Computers & Electronics. The concentration index C3 is about 85%, with these sectors making up about €97 billion of deal values.

A special focus on “Top 10” deals and largest deals (value equal to or higher than €1 billion) was based on Dealogic data.

The 10 largest deals recorded a total deal value of about €89.3 billion, 62% of the total market value: all of these deals have been assisted by at least one foreign target advisor. The presence of foreign acquirer advisors was highlighted in 8 out of 10 deals, in the two other deals information about the acquirer advisor was not available.

In 2022 there were 24 “mega deals”, valued at

least €1 billion, with a cumulative value of €108.2 billion (75% of the total market). The presence of foreign advisors was remarkable: they were involved in all deals on the target side; on the bidder’s side, their presence was highlighted in 20 out of 24 deals (the 4 remaining deals do not give information about acquirer advisors).

According to Statista, and based on sources from Acuris Global and Deloitte, leading M&A financial advisors in Italy in 2022 come mainly from abroad: in the “Top 10” ranking the “Top 5” players are foreign intermediaries and come from United States; the other 5 slots are occupied by 2 French intermediaries, 1 from Spain and 2 by domestic banks. The average value of deals they assisted is around €57 billion.

Geographical origin of target advisor parent	Geographical origin of acquirer advisor parent								Total	
	abroad		Italy and abroad		Italy		N/A data			
	Value	%	Value	%	Value	%	Value	%	Value	%
abroad	21.4	14.8	11.6	8.0	0.4	0.3	13.1	9.0	46.5	32.2
Italy and abroad	9.8	6.8	66.8	46.3		-	4.9	3.4	81.5	56.4
Italy	1.1	0.8	0.4	0.3	0.8	0.5	0.7	0.5	3.0	2.1
N/A data	2.7	1.9	0.4	0.3	1.5	1.0	8.9	6.2	13.5	9.3
Total	35.0	24.2	79.2	54.8	2.7	1.8	27.6	19.1	144.4	100

Tab. 12 Value of M&A deals by geographic origin of advisors (2022, € billion and %) – 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' access to international financial markets. The topics covered refer to their advisory role as bookrunners for issuances of debt and equity securities and in retail trading.

5.1 Debt capital market

According to Dealogic data, in 2022 the market size of debt issuances by Italian firms amounted to about €110.7 billion (€156 billion in 2021, -29%), distributed over 155 tranches (189 in 2021). As reported in Fig. 13, the market size in 2022 was very similar to the pre-COVID period (annual average 2015/19: €109 billion).

The role of foreign bookrunners remains extremely relevant, albeit down on the previous year: in 2022 113 issuances were assisted by at least one foreign intermediary (73% of the total volume), making up 74% of the total in value (€81.5 billion). As in the previous year, the majority of issuances were assisted by international pools of bookrunners, with the participation of both domestic and foreign players. In greater detail, international consortia held a market share of about 50% in volume (77 tranches) and 64% in value (€71 billion). These deals are, on average, larger than other operations: the average size is about €921 million, higher than deals assisted by Italian players (€707 million) and larger than the global average

(€714 million).

There were 27 “mega deals”, i.e. tranches having a value of at least €1 billion (40 in 2021 and 36 in 2020), having a total value of €68.6 billion, making up about 62% of the whole market. The market share fell by about 5 percentage points YoY. Within this cluster, the role of foreign and international pools of bookrunners was very significant: they assisted 22 out of 27 “mega deals”, making up a total value of about €45.9 billion or two-thirds of the total value of “mega deals”.

Looking at issuers by industrial sector, Government, Finance, and Utility & Energy were by far the leading sectors, just as in 2022. Issuers from these three sectors raised €98 billion, 89% of the total market value, showing a more concentrated market: the C3 concentration index by sector was 81% in 2021. If we analyze the role of foreign bookrunners, the distribution by leading sectors is very similar. As can be seen in Fig. 14, foreign intermediaries mainly assisted public issuances (worth €28 billion, less than the half the value of 2021), Italian companies operating in the financial sector (€23.9 billion) and Utility & Energy companies (€17.7 billion). These three main sectors accounted for about €70 billion in value, or 63% of the whole market size, and 85% of all operations undertaken by foreign and international pools of bookrunners. In the “Top 10” sectors alone, these percentages grew to 73% and 99% respectively.

Tab. 13 shows the relevance of foreign bookrunners in deals by tranche value. We can observe a quite significance presence of non-resident players in almost all tranche value classes, with a peak for mid-sized tranches. Similar results are seen if we look at the distribution of bookrunners by “deal type” (Tab. 14), with foreign intermediaries holding a relevant market share. Corporate bonds (high yield and investment grade) make up about 50% of all operations of non-resident intermediaries (€41.6 billion), followed by public and sovereign issuances (€28 billion). These two major deal types account for about 85% of all deals assisted by

foreign players.

The most recent data for the period January/ April 2023 show a strong recovery for Italian DCM issuances: the Dealogic database recorded 63 issuances (52 in 2021) worth €65.6 billion (€38.8 billion over the same period in 2022). Foreign intermediaries participated in 52 out of 63 deals, with deal values of €52.4 billion and market shares of 83% and 81% respectively. A leading role was played by international consortia in this cluster of issuances too, being involved in 45 out of 63 deals, for a value of €52.3 billion, and in 8 of the “Top 10” issuances by tranche value.

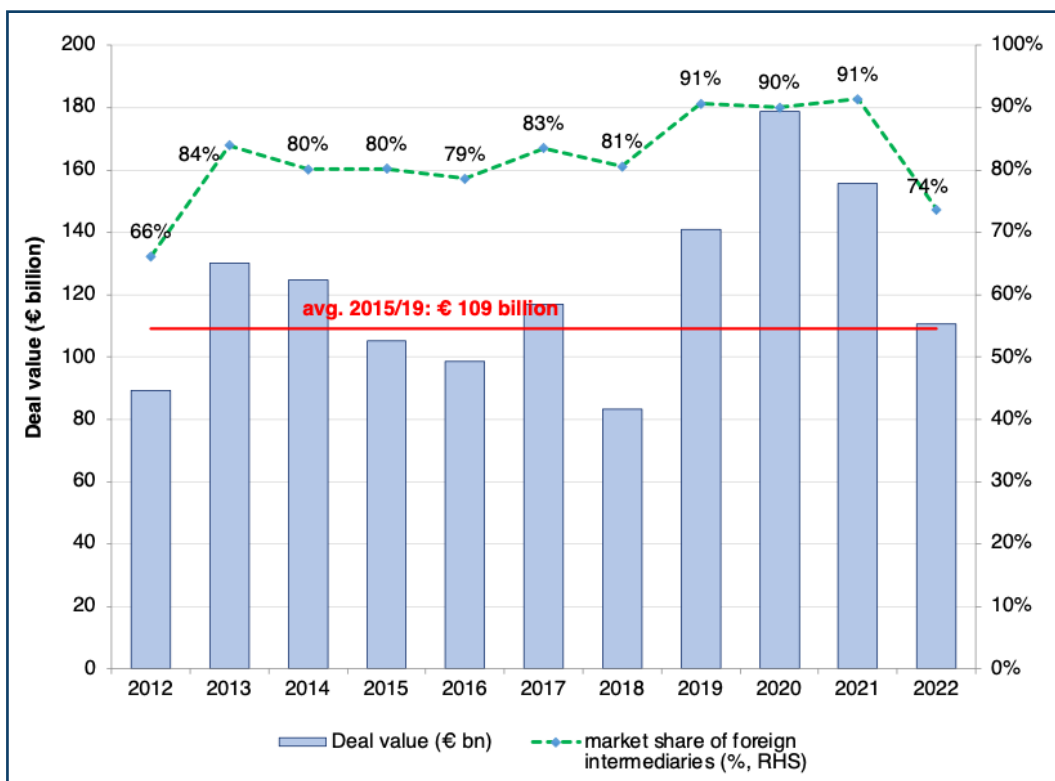


Fig. 13 Debt capital market (DCM) issuances by Italian borrowers: total annual deal value (2012/22, € billion) and market share of foreign bookrunners (% , RHS) – Source: elaboration of Dealogic data

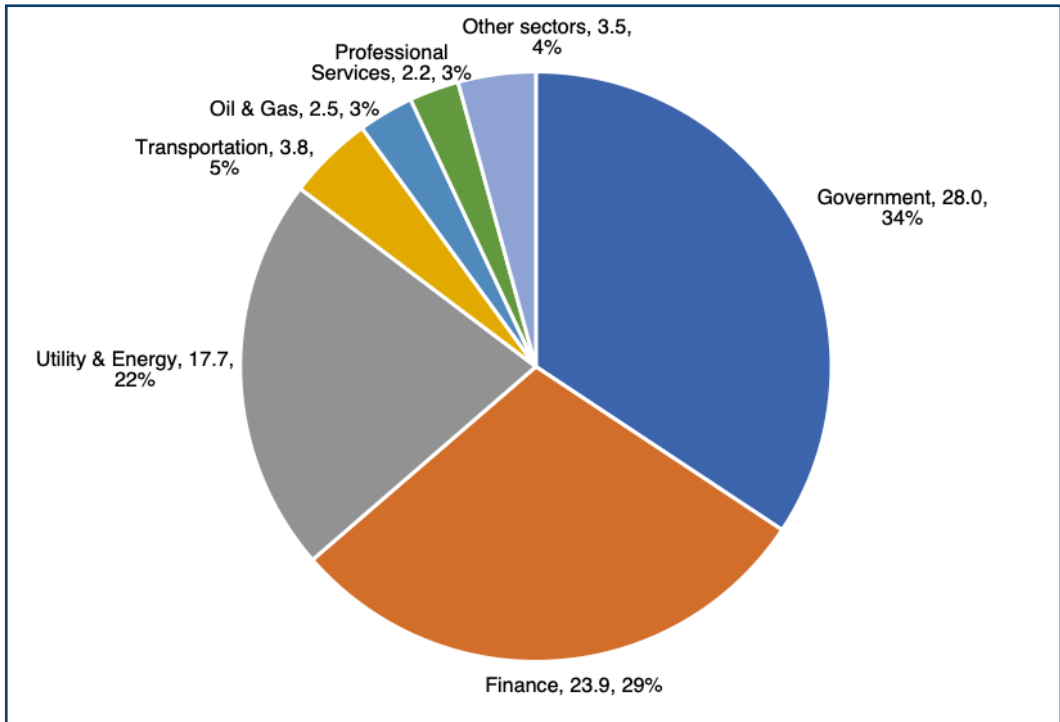


Fig. 14 DCM issuances by industrial sector of Italian borrowers assisted by foreign bookrunners (2022, € billion and %) –
 Source: elaboration of Dealogic data

Class of tranche value	Foreign bookrunners		
	Number of tranches	Deal value	Market share (%)
Up to € 10 million	4	10.5	41.9%
€ 10-100 million	17	907.0	49.0%
€ 100-500 million	48	18,795.6	84.4%
€ 500 million-1 billion	30	23,951.2	92.2%
€ 1-5 billion	12	24,888.1	70.0%
More than € 5 billion	2	13,000.0	52.0%
Total	113	81,552.4	73.7%

Tab. 13 DCM issuances by Italian borrowers assisted by foreign bookrunners: distribution of tranche value by size (2022, € 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 (%)
Asset-Backed Security	8	762.8	50.1%
Corporate Bond-High Yield	28	10,493.9	97.1%
Corporate Bond-Investment Grade	43	31,105.8	92.7%
Covered Bond	13	7,750.0	99.0%
Medium-Term Note	9	376.3	8.8%
Non-US Agency	7	3,063.6	93.3%
Sovereign, Local Authority	5	28,000.0	56.6%
Total	113	81,552.4	73.7%

Tab. 14 DCM issuances by Italian borrowers assisted by foreign bookrunners: distribution of tranche value by deal type (2022, € million) –

Source: elaboration of Dealogic database

Note: market share (%) is by deal type.

5.2 Equity capital market

This section highlights the main data about the role of foreign bookrunners in supporting Italian companies with equity issuances (e.g. IPOs, rights offers, accelerated bookbuilds and convertible bonds issuances).

According to Dealogic data, in 2022 the size of the Italian equity capital market fell from 7.4 billion to €4.5 billion, down by about 40% and at its lowest value of the past decade, far below the pre-COVID average (2015/19: €12.1 billion). The negative macroeconomic scenario and uncertainty made a negative contribution to firms' decisions about equity issuances and going public.

The Dealogic database recorded a total of 43 deals in ECM, of which 13 (30%) were assisted by foreign bookrunners; their market share was much more relevant in value, as they were involved in equity deals for about 77% of the total market value (€3.5 billion, Fig. 15).

Although most transactions involved Italian intermediaries (30 deals), the average size of these operations (€35 million) was lower than deals assisted exclusively by foreign players (€52 million) and than deals assisted by international pools of bookrunners (€515 million). The latter involved 6 bookrunners on average, while the number of Italian

intermediaries involved was 1 (25 out of 30 deals) or 2 (5 out of 30 deals).

The concentration index C3 ("Top 3" deals by size) was 60% (€2.7 billion), rising to 94% for the "Top 10" operations (€4.2 billion). Foreign bookrunners were involved in 7 out of the "Top 10" deals (€3.4 billion).

Fig. 16 summarizes the distribution of deals assisted by foreign bookrunners by issuers' industrial sectors. Oil & Gas, Finance, and Computers & Electronics are the leading sectors, in terms of total values and foreign players' intermediation. For the latter, the concentration index C3 was about 78% (€2.7 billion). In almost all sectors the market share held by foreign bookrunners was very significant, and in some sectors close to or even 100% (Oil & Gas, Transportation, Finance and Machinery are the leading sectors for this variable).

Looking at deal type, 30 IPOs were recorded in the Dealogic database (47 in 2021), worth €1.7 billion, of which 7 were assisted by at least one foreign bookrunner (€0.8 billion). The other relevant deal type was "follow-on" (second) offerings (13 deals), where non-resident bookrunners had a market share of 46% in volume (6 deals out of 13) and 95% in value (€2.7 billion).

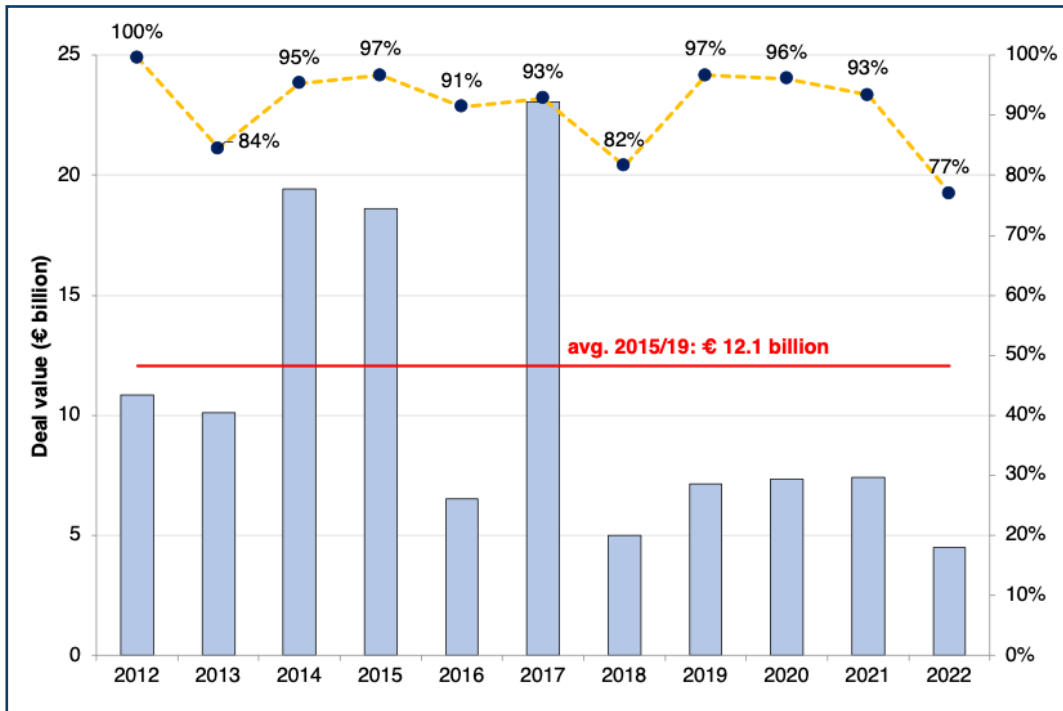


Fig. 15 Equity capital market: distribution of deal value (Italian issuers, 2012/22, € billion) and market share of foreign bookrunners (% , RHS) –
Source: elaboration of Dealogic data

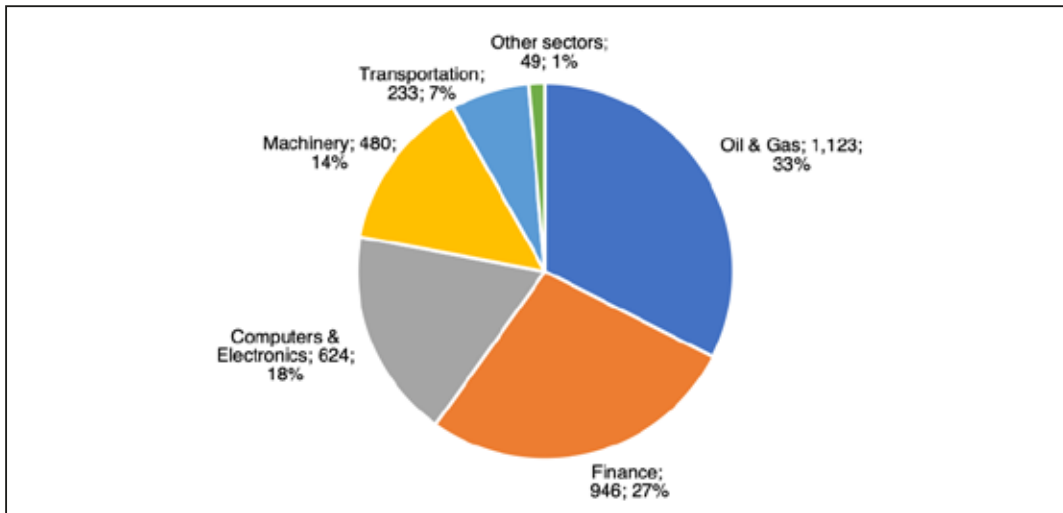


Fig. 16 Equity capital market: issuances by industrial sector of Italian issuers assisted by foreign bookrunners (2022, € billion and %) –
Source: elaboration of Dealogic data

5.3 Trading on Cash Markets

According to ASSOSIM, the Italian Association of Financial Intermediaries, representing the majority of players operating on the Italian financial market, the market share of foreign intermediaries is quite significant, at least in certain segments.

In Euronext Milan Domestic, the main Italian Stock Exchange for equity securities, ASSOSIM's members in 2022 accounted for 39% of total market volume, 2 percentage points less than in 2021, and 82% of total market volume in DomesticMOT.

As can be seen in Fig. 17, foreign members had a market share of about 13.5% in the Euronext Milan Domestic, or 35% of value referring to ASSOSIM members. The market share held in DomesticMOT is lower, but over the last year grew from 3.5% to 5.2%.

In 2022, in the Euronext Milan Domestic

market, 4 out of 22 players were based abroad, and they were all included in the cluster of the 10 “most active” players.

In other market segments of the Italian Stock Exchange, despite the number and market shares of foreign players being lower, some exceptions are evident. For example, in the “Index Futures” market a US bank is the most active player by volume as regards third party trading, just as for the “Stock Futures” market. Moreover, a France-based bank is placed 1st in the ranking by values as regards own account trading in Euronext Milan Domestic, SeDeX segment and ETFPlus.

In the ETFPlus market 4 foreign players are included in the ASSOSIM rankings out of 20 players overall, handling about 8% of the market in terms of total value, or about 20% considering ASSOSIM members.

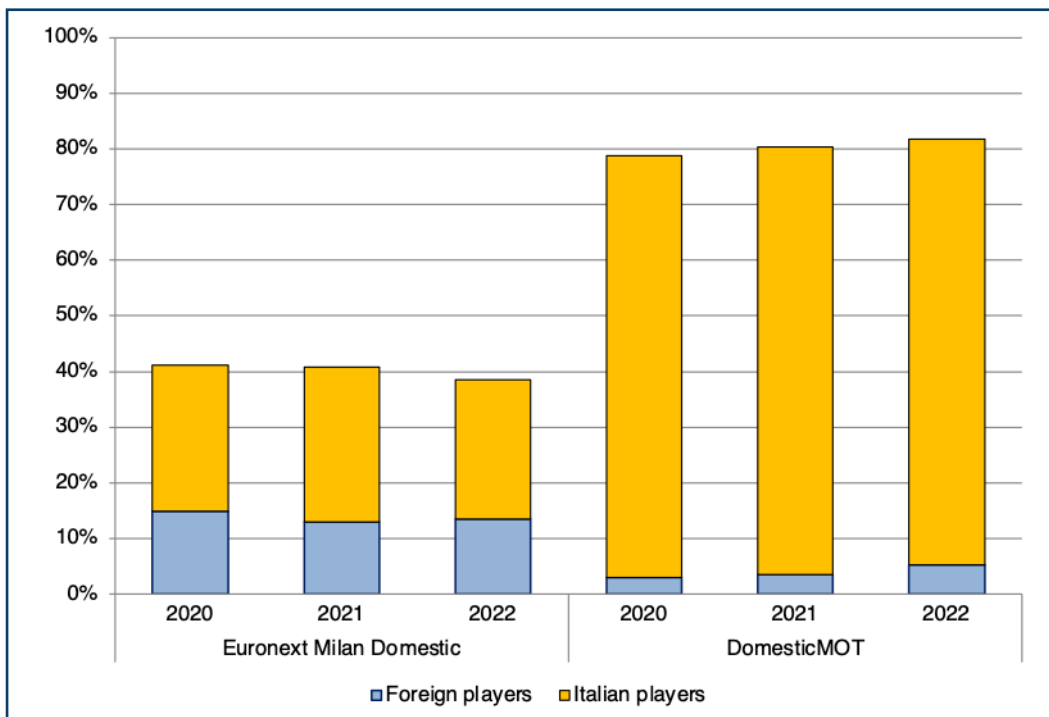


Fig. 17 Recent trends in market shares held by ASSOSIM members by origin (2020/22, % of values) –

Source: elaboration of ASSOSIM statistics

CHAPTER 6

Asset Management

This chapter summarizes the role of foreign players in the Italian Asset Management industry. We will refer to both collective and portfolio management and pension funds. Information has been obtained from the Italian Fund Hub (IFH) website and the online database “Cubo”, containing data, information and documents related to UCITS distributed in Italy. IFH is managed by Assogestioni, the Italian Asset Management Association.

During the last year, net funding realized by domestic and foreign players in collective management and portfolio management was about €5.5 billion down on the previous year (€23.2 billion in 2021), showing two very opposing trends: funding realized by Italian asset managers amounted to €10.8 billion, while that for foreign groups was negative, amounting to –€5.3 billion, the result of –€3 billion for collective management and –€2.3 billion for portfolio management.

At the end of 2022 the market value for Assets Under Management (AUM) was down on the end-2021 figure by about €384 billion, from €2,594 to €2,210 billion (–14.8%, Tab. 15). Only one other negative change has been recorded in the last decade (2013/22), in 2018 (–3%), while annual average growth over the same time horizon was 7%. The downsizing of the market concerned both Italian and foreign groups to a similar extent: as regards foreign asset management groups, the AUM went from 889 billion to around €760 billion (–€129

billion, –17%). From end-2013 to end-2012 AUM referring to foreign groups increased by 2.2 times (Italian groups: +51%).

Moving on to collective management (Fig. 18), despite the decrease in AUM the market share held by foreign groups at the end of 2022 remained stable (47.3%), confirming an upward trend since 2017. At the end of 2022, the value of AUM was about €549 billion, the largest part of which invested in open-end funds (€535 billion, a 2.8 times increase over the last decade), in which foreign groups held a market share of about 50%.

As shown in Fig. 19, with reference to portfolio management, the market was stable for foreign groups, as the value of AUM referring to them was about €210 billion (20% of the market). Insurance products (€134 billion) and pension plan asset management (€54 billion) are leading products, having a market share of about 20% and 54% respectively. The 2022 decline only partially hit medium-term growth: since end-2012 AUM referring to foreign groups went up by about 1.4 times.

Fig. 20 summarizes the role of foreign asset managers within the Italian Industry as regards their positioning in the “Top 10”, “Top 15” and “Top 20” most active players, measured in terms of AUM stock end-2022. As the figure shows, their role is very significant, accounting for about 26% of total AUM managed by “Top 10” players; 5 foreign

players are included in this cluster, managing about 1,700 funds at end-2022. Market shares increase if we look at the “Top 15” players, where foreign groups accounted for about 31% of assets (9 groups and about 2,200 funds) and the “Top 20” groups, where we can see 13 foreign groups, with a market share of about 34% and about 3,100 funds under management.

In the pension funds industry, in the last year the market share of foreign intermediaries fell by about 3 percentage points, from 55.9% to 52.8%, the

lowest value since 2017 (Fig. 21). AUM referring to foreign groups was about €39.4 billion, of which €33.2 billion referring to contractual pension funds and €6.2 billion to open pension funds. The market shares in these two segments were 65% and 27% respectively. Over the last decade the assets managed by foreign groups increased by 2.5 times, a significantly higher growth than that of Italian groups (+78%). In 2022 net funding referring to foreign groups in the pension funds industry was about –€2 billion.

	Dec-2016		Dec-2017		Dec-2018		Dec-2019	
	AUM	%	AUM	%	AUM	%	AUM	%
Collective management	949.55	100	1,062.32	100	1,013.51	100	1,135.79	100
Foreign groups	326.85	34.4	476.48	44.9	449.93	44.4	514.50	45.3
Italian groups	622.70	65.6	585.84	55.1	563.58	55.6	621.29	54.7
Portfolio management	993.43	100	1,026.83	100	1,003.56	100	1,170.99	100
Foreign groups	139.96	14.1	217.83	21.2	213.52	21.3	228.54	19.5
Italian groups	853.47	85.9	809.00	78.8	790.04	78.7	942.44	80.5
Total	1,942.98	100	2,089.15	100	2,017.07	100	2,306.78	100
Foreign groups	466.81	24.0	694.31	33.2	663.45	32.9	743.04	32.2
Italian groups	1,476.17	76.0	1,394.84	66.8	1,353.62	67.1	1,563.74	67.8

	Dec-2020		Dec-2021		Dec-2022		Δ2022	
	AUM	%	AUM	%	AUM	%	AUM	Δ%
Collective management	1,201.64	100	1,351.26	100	1,160.15	100	-191.11	-14.1%
Foreign groups	558.27	46.5	640.70	47.4	549.31	47.3	-91.40	-14.3%
Italian groups	643.37	53.5	710.55	52.6	610.84	52.7	-99.71	-14.0%
Portfolio management	1,220.04	100	1,242.99	100	1,049.61	100	-193.38	-15.6%
Foreign groups	240.13	19.7	248.35	20.0	210.27	20.0	-38.07	-15.3%
Italian groups	979.91	80.3	994.64	80.0	839.34	80.0	-155.31	-15.6%
Total	2,421.67	100	2,594.24	100	2,209.75	100	-384.49	-14.8%
Foreign groups	798.39	33.0	889.05	34.3	759.58	34.4	-129.47	-14.6%
Italian groups	1,623.28	67.0	1,705.20	65.7	1,450.18	65.6	-255.02	-15.0%

Tab. 15 *Collective and portfolio asset management: AUM trends and market shares held by Italian and foreign asset management companies (2016/22, € billion and %) – Source: elaboration of data from Assogestioni-Cubo database*

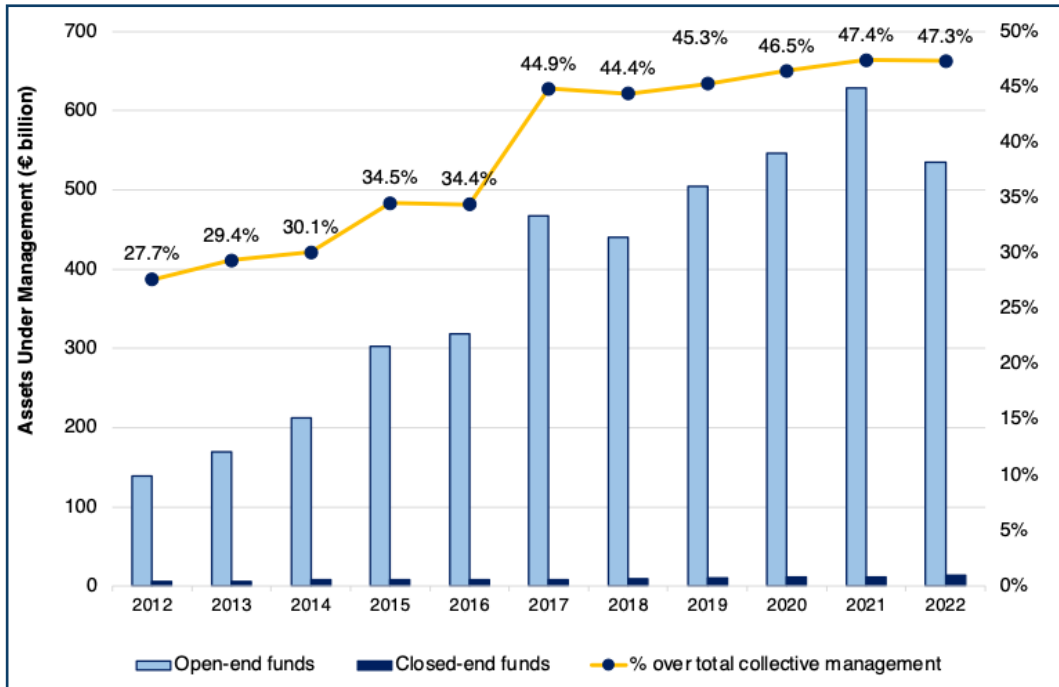


Fig. 18 Collective management: AUM stock and market shares held by foreign asset management companies (2012/22, € billion and %) – Source: elaboration of Assogestioni-Cubo database

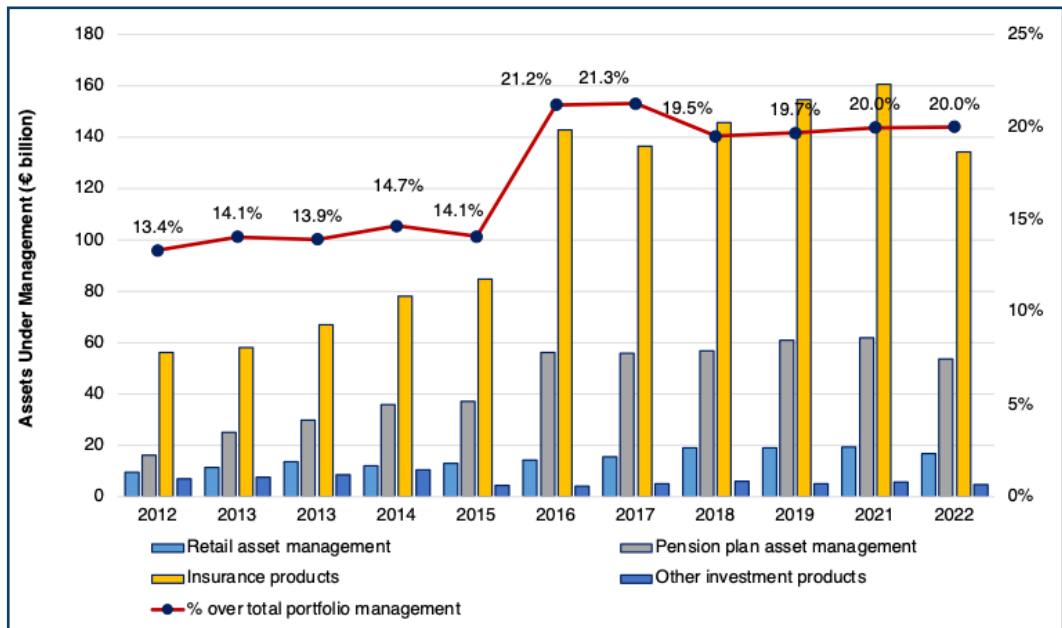


Fig. 19 Portfolio management: AUM stock and market shares held by foreign asset management companies (2012/22, € billion and %) – Source: elaboration of Assogestioni-Cubo database

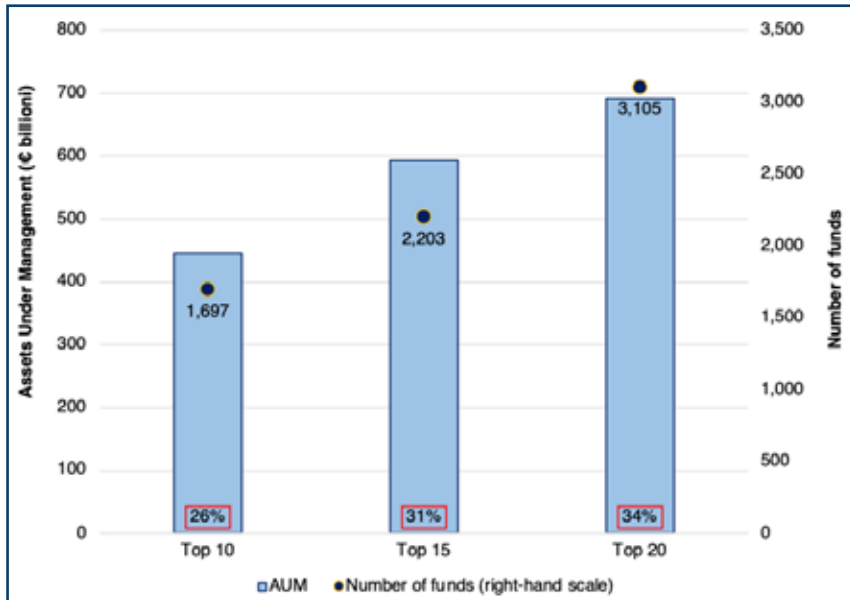


Fig. 20 AUM stock and market shares held by foreign asset management companies in the “Top 10”, “Top 15” and “Top 20” rankings (2021, € billion and %) – Source: elaboration of Assogestioni-Cubo database

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

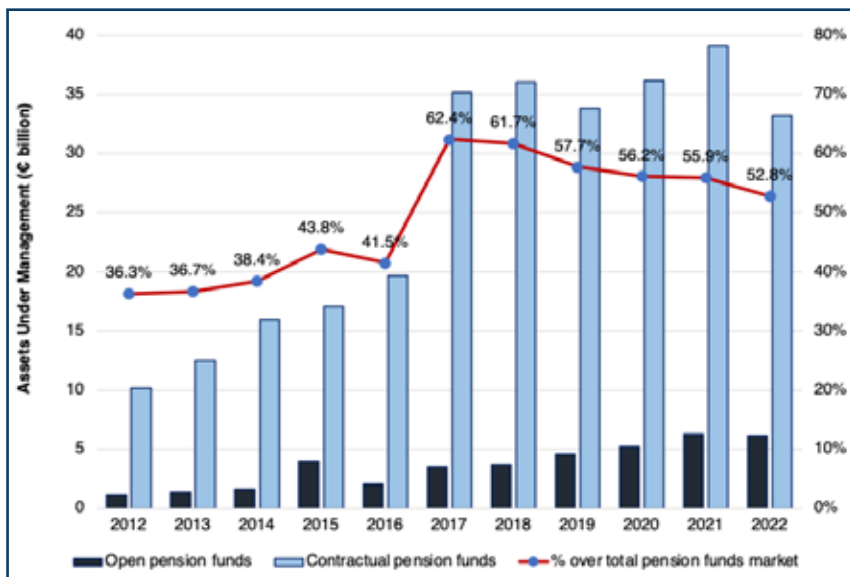


Fig. 21 Pension funds market: AUM stock and market shares held by foreign asset management companies (2012/22, € billion and %) – Source: elaboration of Assogestioni-Cubo database

CHAPTER 7

Specialized credit

Assifact stated that in 2022 the Italian factoring market recorded an annual growth of about 14%, as measured by the increase in annual turnover, from 251 to €287 billion. Growth during the year was remarkable despite the worsening macroeconomic scenario starting from Q4-2021. At the end of 2022, the total value of outstanding was close to €69.5 billion, of which 78% for “pro soluto” solutions, an annual increase of 6%.

Annual turnover referring to foreign players – included in Assifact statistics (4 financial intermediaries out of 29 members are from abroad) – grew from 39.3 to €48 billion (+22.1% YoY), at a quicker pace than the rest of the Italian market, reached its peak value for the last decade. Because of this remarkable growth, the market share held by foreign players was close to 17% (Fig. 22), 1 percentage point higher than in 2021 and 2 percentage points higher than the minimum value reached in 2020, due to the pandemic and economic lockdowns. Two foreign intermediaries are included in the “Top 10” most active players, based on turnover flows.

In 2022, according to Assilea data, the Italian leasing market grew by about 10% YoY, as the value of leasing contracts went up from 28.8 to €31.5 billion, the highest value of the last 15 years. The stock of credit outstanding was about €71.2 billion (+1.6% YoY), while 1 million contracts were in place at end-2022 (+1.1% YoY). Based

on league tables released by Assilea for 2022, the market share held by foreign players was about 32% (€10.1 billion for value of contracts, Fig. 23), confirming a 5y upward trend since the minimum recorded in 2017 (24.8%), referring to 17 players. Foreign players accounted for about 27% of the number of new contracts and 29% of the stock of credit outstanding, and 3 foreign players were included in the cluster of “Top 5” most active intermediaries. The top 4 foreign players accounted for about 83% of total turnover referring to non-domestic players, the remaining 13 players collecting only 17%; 3 out of the 4 top foreign players belong to banking groups.

The Italian consumer credit market grew in 2022. According to the Assofin, Crif and Prometeia Consumer Credit survey, cash flows rose by about €6.8 billion on an annual basis, reaching a value of €62.9 billion in 2022. The market share held by foreign players remained significant, slightly higher than half of the whole market. The value of cumulative flows referring to foreign players rose from 30.5 billion to €31.8 billion (+4.2% YoY), while the market share – despite a small negative change in 2022 – stood at 50.5% (Fig. 24). The number of foreign intermediaries covered in Assofin’s surveys has remained stable over time. Of the 17 recorded in 2022, 7 were foreign banks, representing 44% of the total number of operators included in the latest survey.

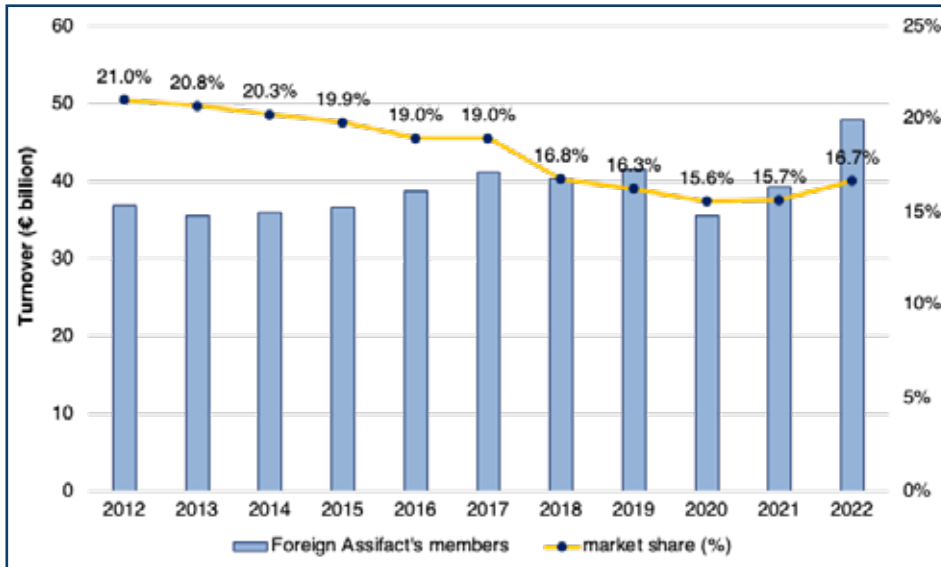


Fig. 22 Italian factoring market: distribution of turnover and market share of foreign players (2012/22, € billion and %) –
 Source: elaboration of Assifact data

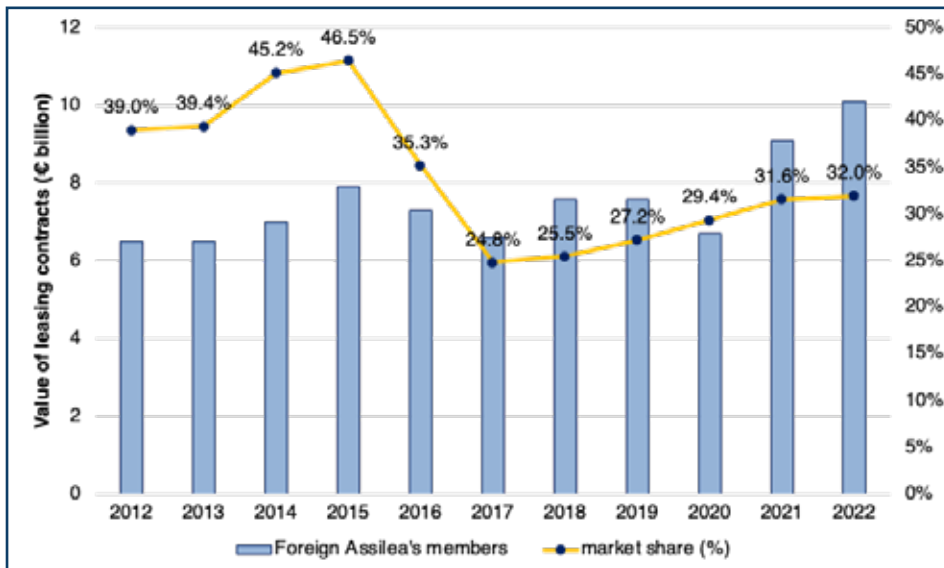


Fig. 23 Italian leasing market: distribution of the value of leasing contracts and market shares of foreign players (2012/22, € billion and %) –
 Source: elaboration of Assilea data

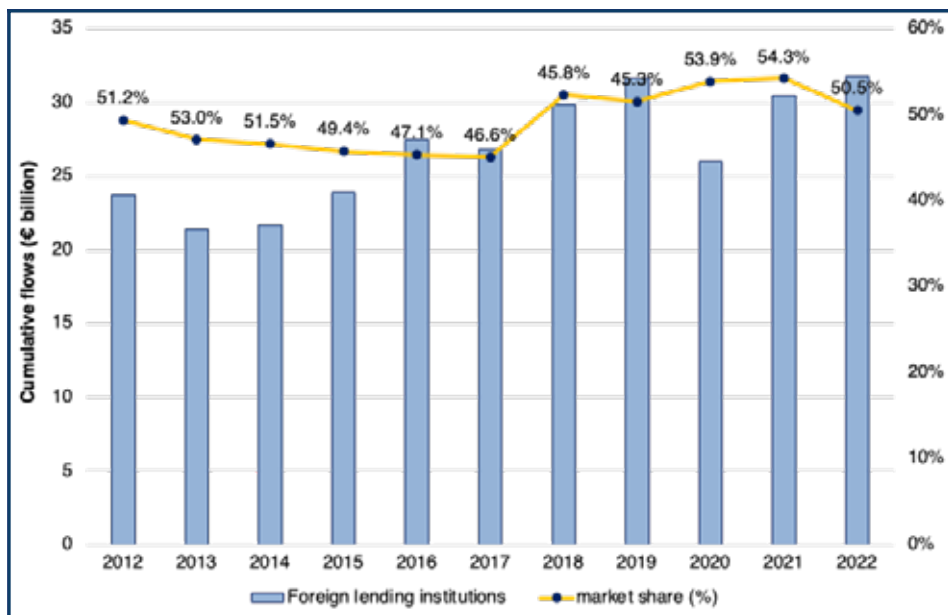


Fig. 24 Italian consumer credit market: distribution of cumulative flows and market share of foreign players (2012/22, € billion and %) –

Source: elaboration of Assofin-Crif-Prometeia's survey, last update June 2023

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

CHAPTER 8

Foreign banks in Europe: a sample analysis

This chapter gives a brief overview of the role played by foreign banks in a sample of European countries (France, Germany, Spain and United Kingdom), with the aim of comparing Italy and European competitors in terms of the presence of and market shares held by non-resident intermediaries in selected business lines.

Based on previous AIBE Reports, we compared Italy to the above-mentioned European countries, with a focus on two main segments. Firstly, we analyzed the share of non-resident public debt investors (paragraph 8.1); secondly, we analyzed relevant data about the role of foreign-based bookrunners in supporting firms' financing needs, on the basis of issuances reported in Dealogic databases referring to syndicated loans markets and debt and equity capital markets (paragraph 8.2).

8.1 The role of non-resident investors in public debt

The figures given here are International Monetary Fund (IMF) data, summarized in its periodic "Fiscal Monitor" report, which contains several relevant statistics comparing economic and financial indicators in the area of public finance.

The latest publication, released in April 2023, focuses on the path to economic and fiscal policy normalization. After the extraordinary support

provided by Governments in 2020 and 2021, due to the pandemic, fiscal policy makers are seeking to return to normal. Nevertheless, some legacies of the pandemic remain, for example the rise in public debt-to-GDP ratios after the falls of 2020 and 2021, and rapidly rising food and energy prices. As highlighted by the IMF, fiscal policy can support monetary policy in pursuing inflation targets and rebalancing public finances to limit risks and strength financial stability.

With regard to recent trends for general Government debt held by non-resident investors, Fig. 25 shows a relevant downward trend for almost all countries included in the cluster. The negative change accelerated in the last year, especially for United Kingdom, France, and Germany. The average market share of public debt held by foreign investors was about 33% at the end of Q1-2023 (compared with the annual average of 48% in the 5y scenario pre-COVID, from 2015 to 2019); the range remained quite large, however, going from a minimum of 24.1% (Italy) to a maximum of 43.4% (France). On the basis of IMF data, since end-2015 non-resident investors have reduced their exposure to Italian public securities by reducing the market share from 40% to 24.1%. A similar negative change can be recorded for France (from 64.8% to 49.6%), and the fall was even more significant for German public issuances.

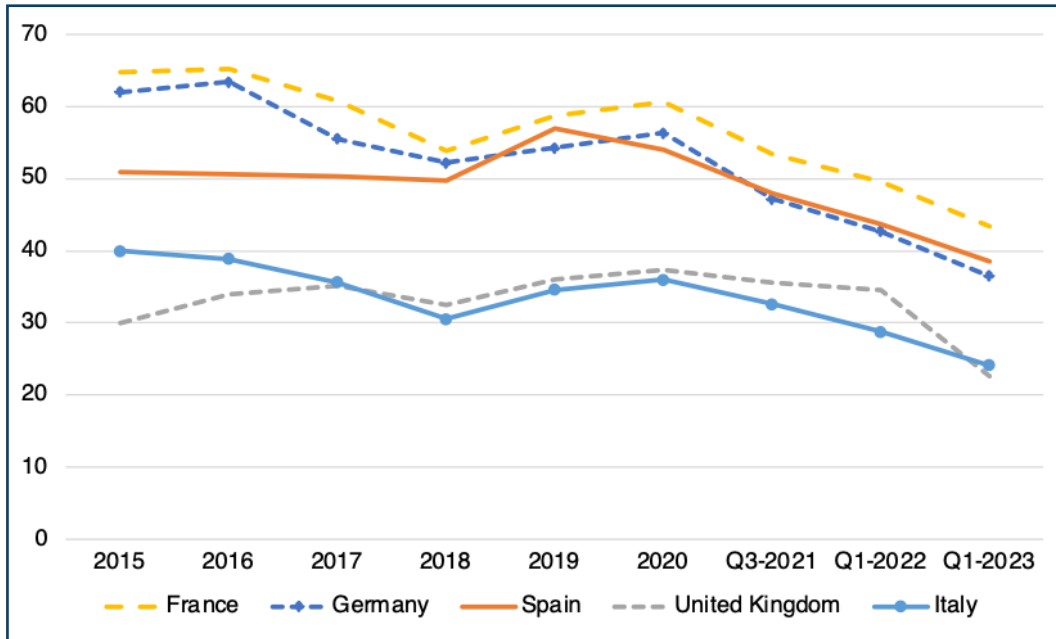


Fig. 25 Non-resident holdings of general government debt (2015/23, % of total) –
 Source: elaboration of IFM Fiscal Monitor

8.2 The role of foreign banks in debt and capital markets

This paragraph focuses on the positioning of foreign bookrunners in the four above-mentioned countries and on a comparison with Italy, with regard to syndicated loans, debt and equity capital markets' issuances.

Fig. 26 provides a summary of the main results.

As regards syndicated loans, the total value of issuances in 2022 referring to this cluster (5 countries) was about €608 billion, a fall of about 4% on an annual basis, while local trends differ significantly: Italy recorded the highest growth over the past year (+34%), while France and Germany showed a significant negative change, in terms of both value (–€22 and –€27 billion respectively) and percentage (–14% and –16% respectively). Spain and the United Kingdom remained stable. The UK has the largest market, making up 29% of the total (175 billion respectively, almost double that of Italy).

The relevance of foreign bookrunners is remarkable everywhere. If we consider both the role of foreign players and that of international consortia, the average market share is about 69% (73% in 2021, 69% in 2020), from a low of 57% (France) to a high of 77% (Germany). In all the sampled countries, a predominant role is played by international pools of bookrunners, with an average market share of 60%. Normally, their presence grows as the deal size and complexity of the operation rises.

In 2022 DCMs fell almost everywhere: on aggregate, the total market value of issuances was about €1,066 billion, 14% less than in 2021. The most significant negative change can be seen in the UK (–€80 billion, –23%) and Italy (–€45 billion, –29%). France and Germany were the largest markets, making up on aggregate 57% of the total. Italy had a 10% share circa, representing the smallest market, alongside Spain, in terms of

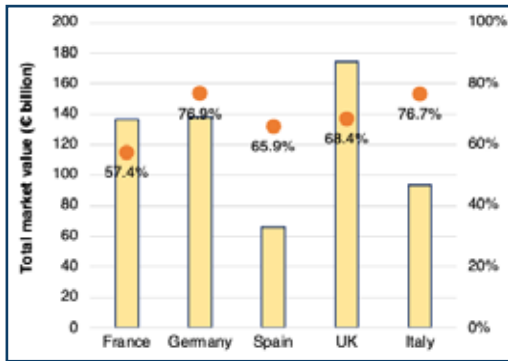
both number of tranches (155) and value (€110.7 billion).

The positioning of foreign players was very significant for DCMs too. Foreign bookrunners alone held an average market share of about 15% (minimum France 8%, maximum Germany 26%). If we add the role of international consortia, we can estimate that the market share referring to non-domestic players was about 69% on average (90% in 2021), from a low of about 74% (Italy) to a high of 99% (Spain). Compared to end-2021 data, Italy posted the largest negative change in the market share held by foreign players, down by about 17 percentage points.

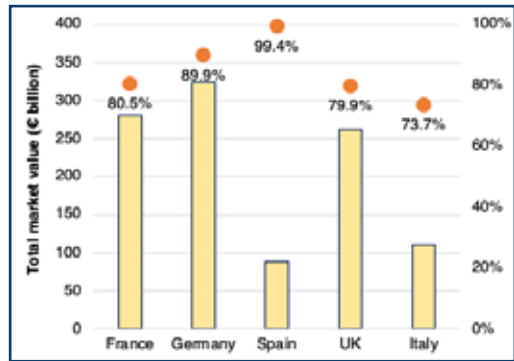
The weakening macroeconomic scenario and financial uncertainty strongly hindered the development of ECMs all over the world, and in the sampled countries too: after the huge upturn in the post-pandemic period, in 2022 all the analyzed markets showed a significant downturn in the size of each domestic equity market. The total market size was about €42 billion, 73% down on 2021 (€153 billion). Germany and the UK were the largest, collecting about 64% of total issuances (€26.8 billion), while Spain and Italy were the smallest, having a 7% and 11% share respectively.

Despite the severe downturn in 2022, the role of foreign bookrunners continued to be very relevant. Foreign bookrunners alone posted an average market share of about 29%, while the total presence of non-domestic players can be estimated by adding the role of international consortia (55%), making for a total market share of about 84% (91% in 2021). Differences among countries are a bit larger than other markets: the minimum value was recorded for the United Kingdom (64%), while the highest was for Spain (97%).

(a) Syndicated loans



(b) Debt capital markets



(c) Equity capital markets

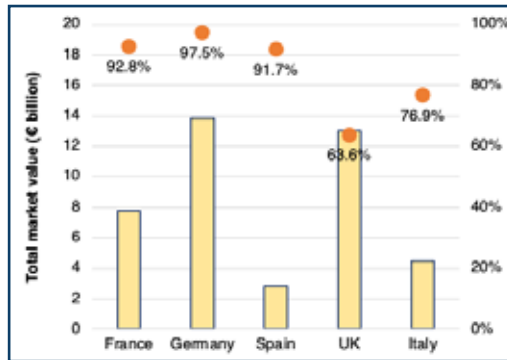


Fig. 26 Annual deal value and market share of foreign intermediaries (2022, € billion and %) – Source: elaboration of Dealogic database

List of AIBE Member Banks

The list is updated through January 1st, 2023.

Aareal Bank Ag
Arab Banking Corporation SA
Banco Bilbao Vizcaya Argentaria SA
Banco Santander SA
Bank of America Europe DAC
Bank of China Ltd. Milan Branch
Bank of Communications (Luxembourg) SA
Barclays Bank Ireland Plc.
Bayerische Landesbank
Bhw Bausparkasse AG
BNP – Paribas
Caixabank
China Construction Bank (Europe) SA
Citibank N.A.
Commerzbank AG
Cooperatieve Rabobank U.A.
Crédit Agricole Corporate and Investment Bank
Credit Suisse AG
Deutsche Bank

Euroclear Bank
HSBC Continental Europe
Industrial and Commercial Bank of China (Europe) S.A.
ING Bank N.V.
J.P. Morgan Chase Bank
KBC Bank N.V.
Mizuho Bank Limited
MUFG Bank, Ltd.
Natixis S.A.
Nomura Financial Products Europe GMBH
Pictet & Cie
SMBC Bank EU AG
Société Générale
State Street Bank GMBH
The Bank of New York Mellon SA/N.V.
UBS Europe SE
Western Union International Bank GMBH

Representative Offices

Banque Misr
Crédit Industriel et Commercial

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Paragraph 3.2 was written by Alessandra Perrazzelli, Member of the Governing Board and Deputy Governor of the Bank of Italy.

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