



Associazione
fra le Banche Estere
in Italia

FOREIGN BANKS AND FINANCIAL INTERMEDIARIES IN ITALY

THE SUPPORT TO ITALIAN ECONOMY IN 2015

June 2016
In collaboration with

CONSILIA
business management

Highlights

38 %

Domestic public debt owned by non-residents, end-2015

14 %

Market share held by foreign banks in loans to customers (2015)

85 %

Syndicated loans (market share held by foreign bookrunners, 2015)

69 %

Securitization (ABS and MBS, market share held by foreign bookrunners, 2015)

38 %

Italian project finance market (market share held by foreign intermediaries, 2015)

55 %

Share of incoming cross-border over total turnover of Italian M&A market (2015)

80 %

Debt capital markets (market share held by foreign bookrunners, 2015)

96 % Equity capital markets (market share held by foreign bookrunners, 2015)

74 % Share of foreign institutional investors over total number of institutional investors in Italian Stock Exchange, Star Segment (2015)

447.7 Asset management (Assets under management by foreign banks and intermediaries, € billion, end-2015)

62 % Trading activities on MTS (Cash Market and Repo Market) in 2015

22 % Share of foreign players in MTA trading (2015)

46 % Share of foreign banks and intermediaries in Italian leasing market (2015)

20 % Share of foreign banks and intermediaries in Italian factoring market (annual turnover, 2015)

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Foreword

The Association of Foreign Banks in Italy (Associazione fra le Banche Estere in Italia, AIBE) releases its Seventh Annual Report on presence mode and activities of foreign banks in Italy.

The Report contains an end-2015's update of data related to market share held by foreign banks and financial intermediaries operating in our country. Report analyzes data and information with regards to their main business lines.

In Chapter 1, the Report summarizes main important data about Italy's macro-economic condition and foreign investments' attractiveness.

Chapter 2 is devoted to role of foreign investors on Italian Government debt and Italy's external debt.

In chapters from 3 to 7 main financial markets' sectors and business lines in which foreign banks and intermediaries operate are analyzed. Moreover, Chapter 7 is completed with a very remarkable contribution of leading members of the Bank of Italy, Milan offices, which points out the composition of assets and deposits of foreign banks operating in Italy. I'm thankful to them for analysis and useful information provided.

Guido Rosa
AIBE President

The internationalization of Italian economic and productive system

According to last Istat's Monthly Report on the Italian economy, released in May 2016, Italian economy continues to grow, even if at a moderate pace (+0.3% of GDP QoQ in Q1-2016). This trend is also due to the consolidation of the positive contribution of domestic demand to GDP.

In an international comparison, leading indicators for business cycle gave mixed results for growth prospects.

A positive contribution to growth was due by resident households, as well as by a modest increase in investments. Differences are still evident among industrial sectors.

Positive results recorded in Q1-2016 were accompanied by some signs of weakness, especially in business expectations and orders in Manufacturing. Leading indicator index, even if well above minimum point reached in 2012 and 2013, seems to suggest a partial slowdown in the pace of growth in the economic activities in the short term.

In 2014, the percentage of inward FDI stock over GDP remained stable at around 17%, well below other European countries "comparable" as France, Germany and Spain (Figure 1). The percentage is about less the half of data referred to EU28. The amount of annual inflow decreased from \$ 25 to 11.4 billion, and remained well below the pre-crisis average (\$ 36.6 billion, Figure 2).

A number of initiatives have been taken to increase international competitiveness and attractiveness of our country. According to the Global Competitiveness Index released by the World Economic Forum, the Italy's world ranking moved from 49 (out of 144 countries, GCI 2014-15) to 43 (out of 140 countries, GCI 2015-16), with a synthetic average score equal to 4.5 out of 7 (Figure 3). Best results were recorded in market size (12th world position) and infrastructure (26th), while the ranking is weaker in financial market development (117th) and labour market efficiency (126th).

In 2013 the number of foreign multinational enterprises (MNEs) operating in Italy decreased of 163 units compared to 2012 end-year data, mainly in Services (Table 1). The number of employees decreased of about 180,000 units, to around 1,172,000 million. The negative change is evident both in Industry and in Services macro-sectors.

Profitability and performance of MNEs remained quite stable in 2013 (Figure 4). Annual turnover decreased of about 2% at €493 billion, while value added was about €92 billion (-1%, YoY).

Profitability ratios were confirmed higher for MNEs compared to domestically-owned companies (Figure 5). Value added and investments per capita were almost double, as well profitability (EBITDA/Value added).

Fig. 1: Inward FDI stock (% of GDP, year-end data)
 – Source: Own elaboration on OECD data

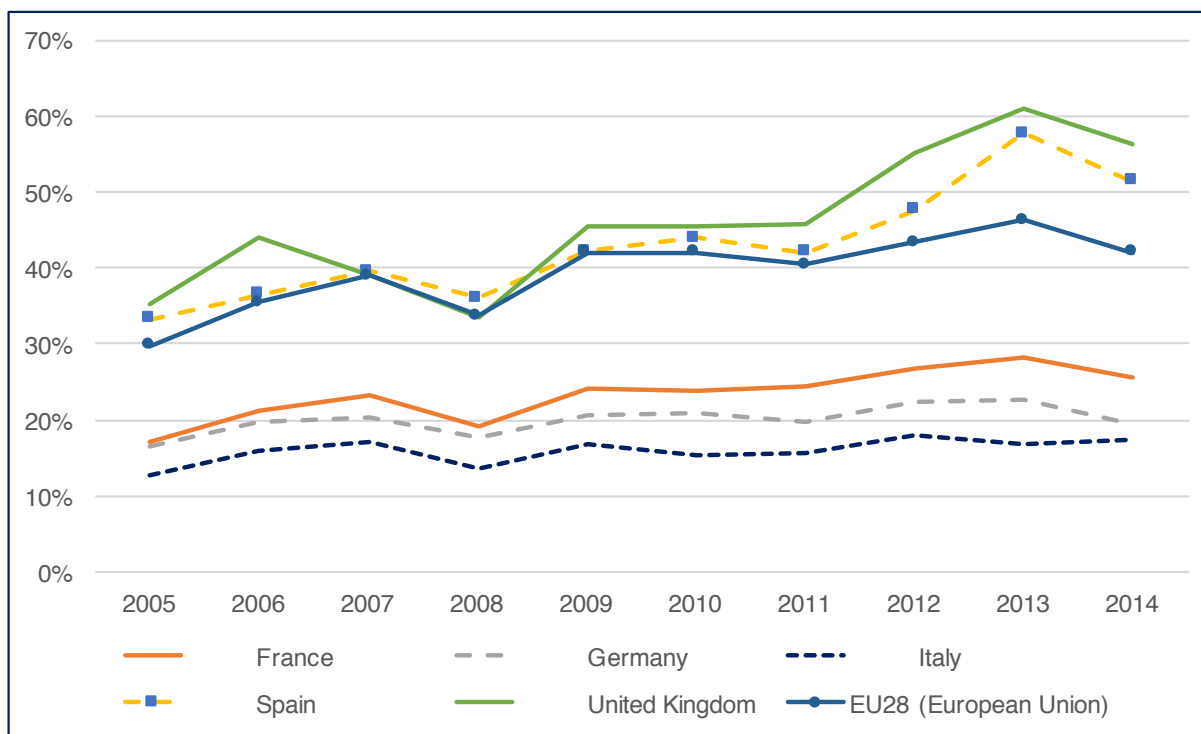


Fig. 2: Italy's annual FDI inflow (\$ billion) – Source:
Own elaboration on OECD data

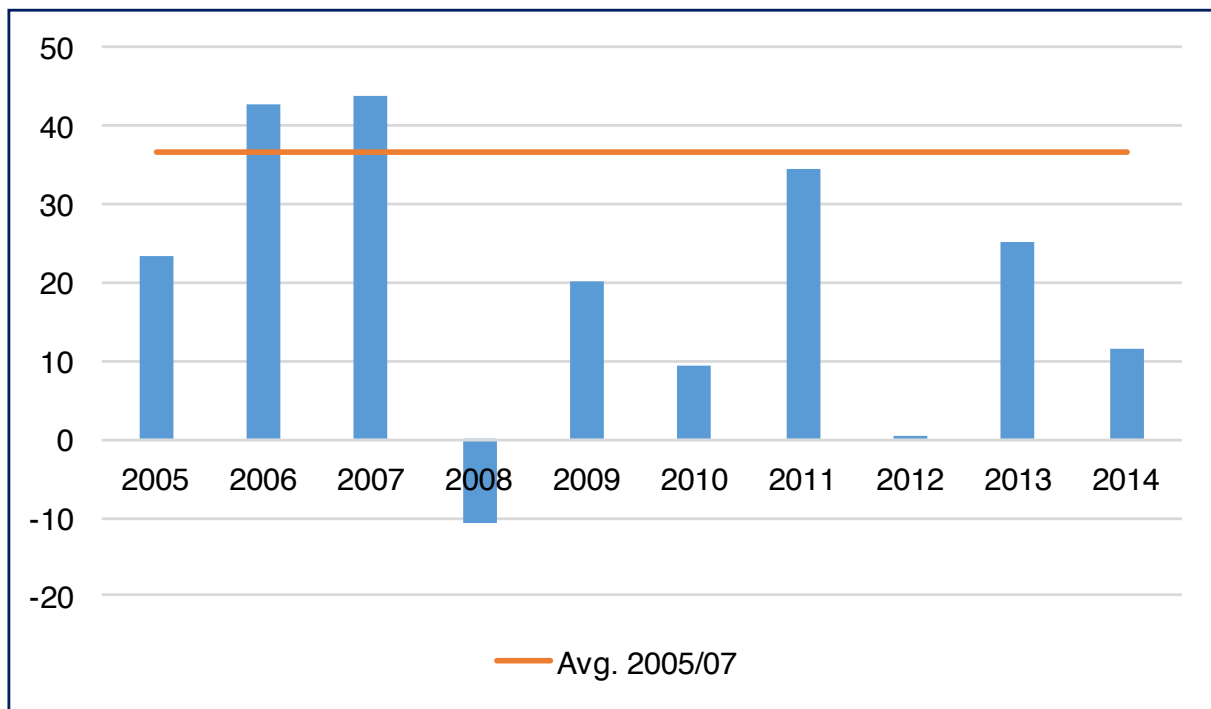
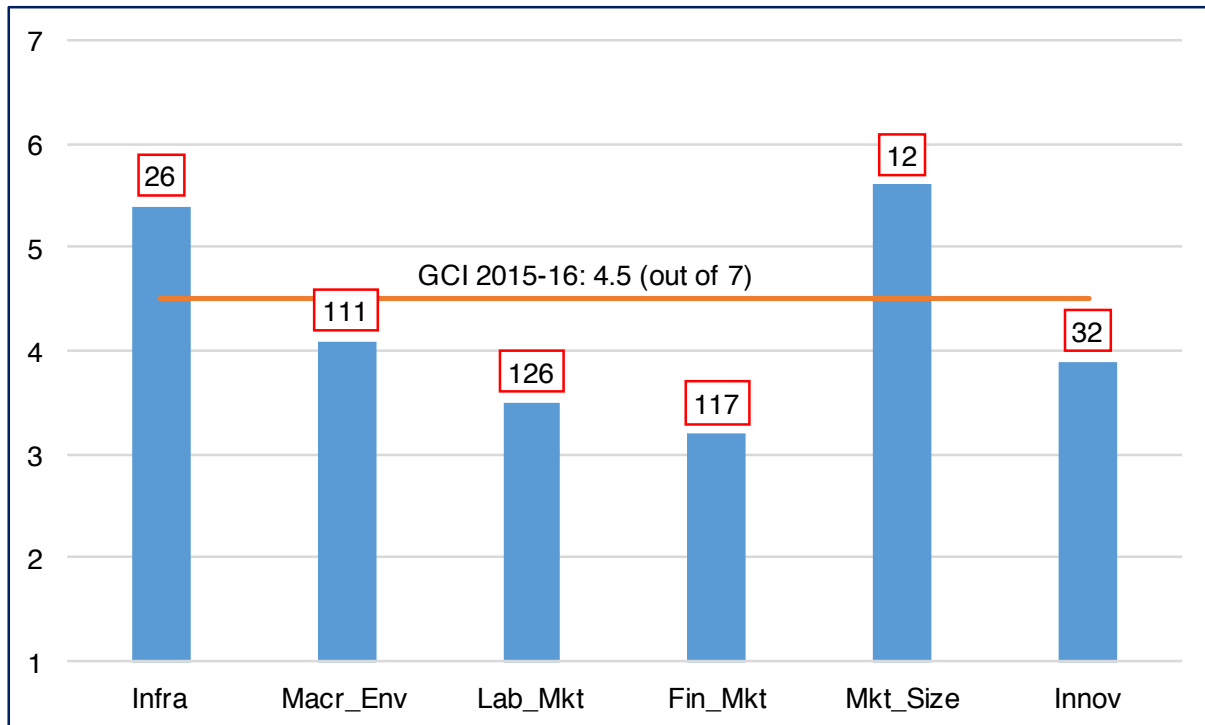


Fig. 3: Italy's Global Competitiveness Index (main individual scores, 1=min to 7=max) – Source: Own elaboration on World Economic Forum, Global Competitiveness Report 2015-16



Note: *Infra* = Infrastructure; *Macr_Env* = Macroeconomic Environment; *Lab_Mkt* = Labour Market Efficiency; *Fin_Mkt* = Financial market development; *Mkt_Size* = Market size; *Innov* = Innovation. In labels with red border: per each item, the Italy's position in the world ranking (out of 140 countries).

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

	2005		2012		2013	
	Number	%	Number	%	Number	%
Number of foreign-controlled firms	14,012	100	13,328	100	13,165	100
Industry	4,108	29.3	3,731	28.0	3,758	28.5
Services	9,904	70.7	9,597	72.0	9,407	71.5
<i>of which: financial and insurance activities</i>	<i>562</i>	<i>4.0</i>	<i>534</i>	<i>4.0</i>	<i>536</i>	<i>4.1</i>
Number of employees	1,175,235	100	1,190,459	100	1,172,424	100
Industry	497,940	42.4	447,740	37.6	436,455	37.2
Services	677,295	57.6	742,719	62.4	735,969	62.8
<i>of which: financial and insurance activities</i>	<i>34,538</i>	<i>2.9</i>	<i>67,376</i>	<i>5.7</i>	<i>66,367</i>	<i>5.7</i>

Fig. 4: Turnover and Value added of MNEs in Italy
– Source: Own elaboration on Istat data

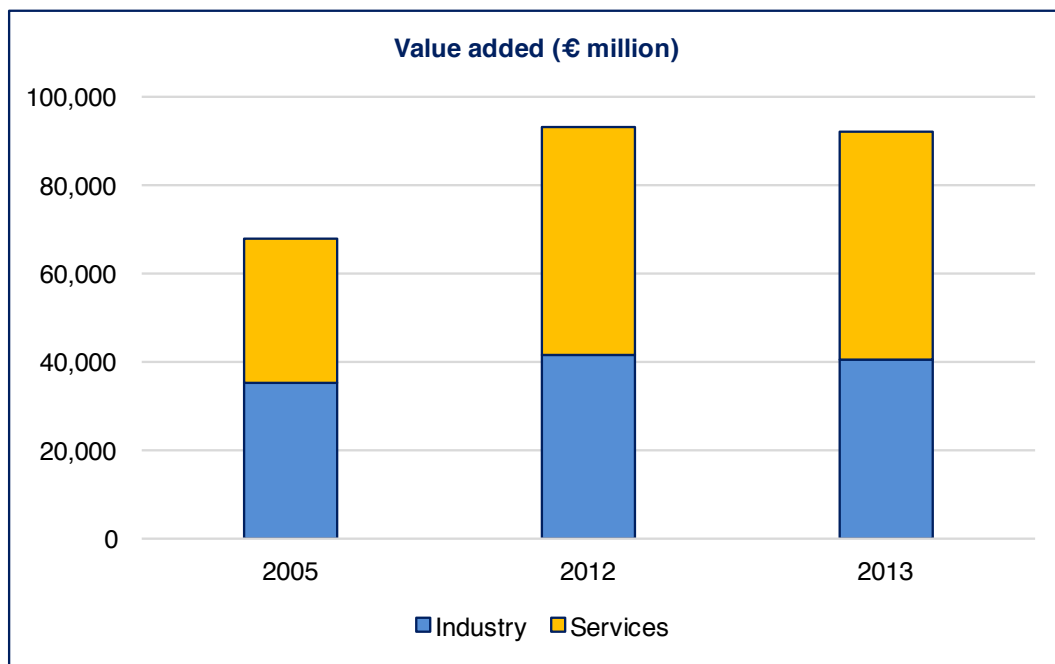
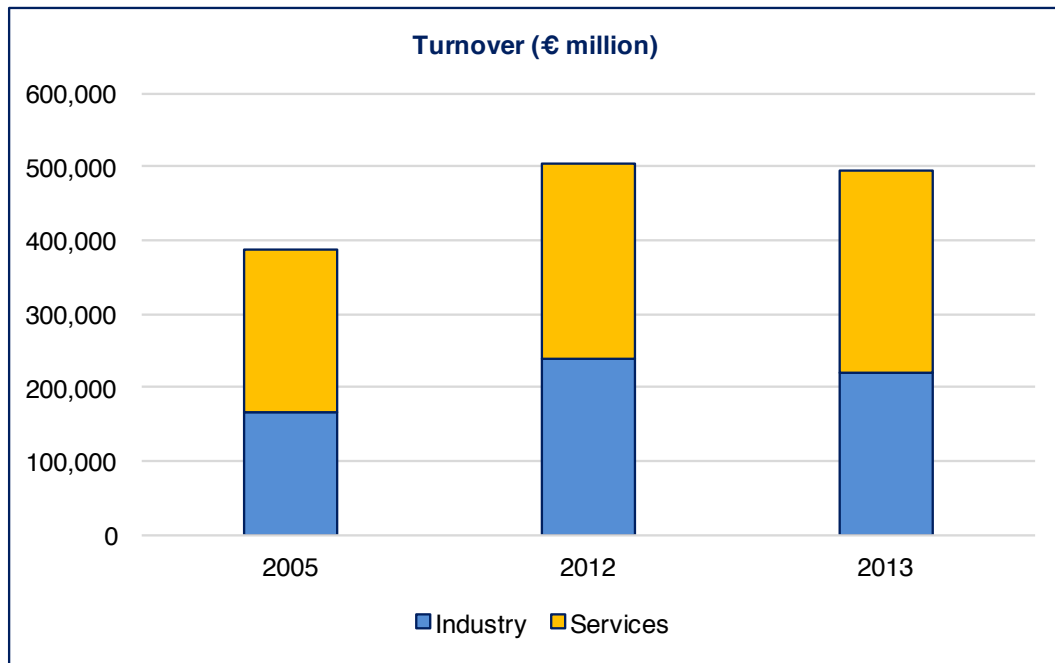
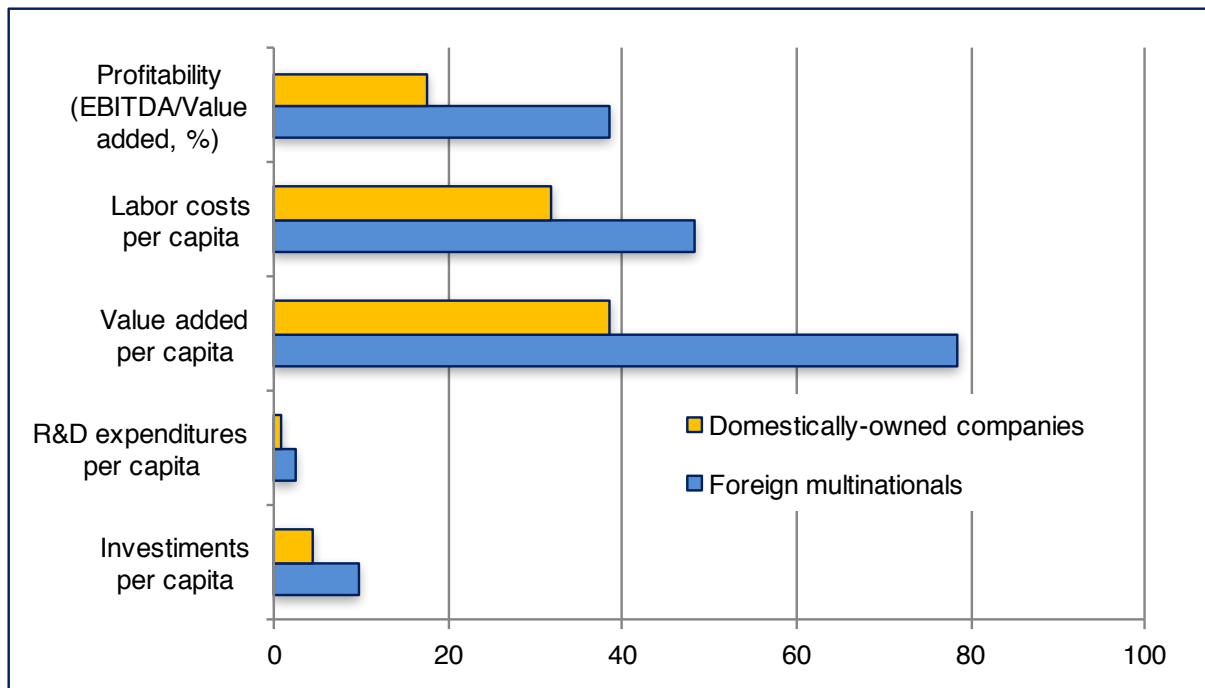


Fig. 5: Domestically-owned firms and foreign multinationals firms in Italy: a comparison in performance data (amounts in € thousands and %, 2013) – Source: Own elaboration on ISTAT data



Italian public debt and sovereign risk

At the end of 2015, the Italian gross public debt reached the amount of € 2,171.67 billion, with a growth equal to 1.7% compared to 2014, the lowest annual growth rate in last 8 years.

The amount of debt held by non-residents increased of about € 24 billion (+3.3% YoY), to € 740 billion.

The portion of public securities in non-residents' financial portfolios increased of about € 22.2 billion, with an annual growth rate equal to 3.3% (Figure 6).

According to Bank of Italy, the non-residents' demand for Italian public debt securities was concentrated in medium-long term maturities.

At the end of 2015, foreign investors held about 38% of Italian public debt securities. The 61% of these securities was held by Area euro foreign investors, in particular coming from France, Luxembourg, Germany and Spain. Other relevant countries are United States, United Kingdom, China and Japan.

Data based on Italian external debt, released by Bank for International Settlements (BIS), show that at the end of 2015 total claims decreased to \$ 610 billion (–11% YoY). The main share is due towards European reporting banks (Figure 7).

Fig. 6: Recent trend of Italian public debt and shares held by non-residents (amounts in € billion, % on the right-hand scale, RHS) – Source: Own elaboration on Bank of Italy, Statistical Database (BDS)

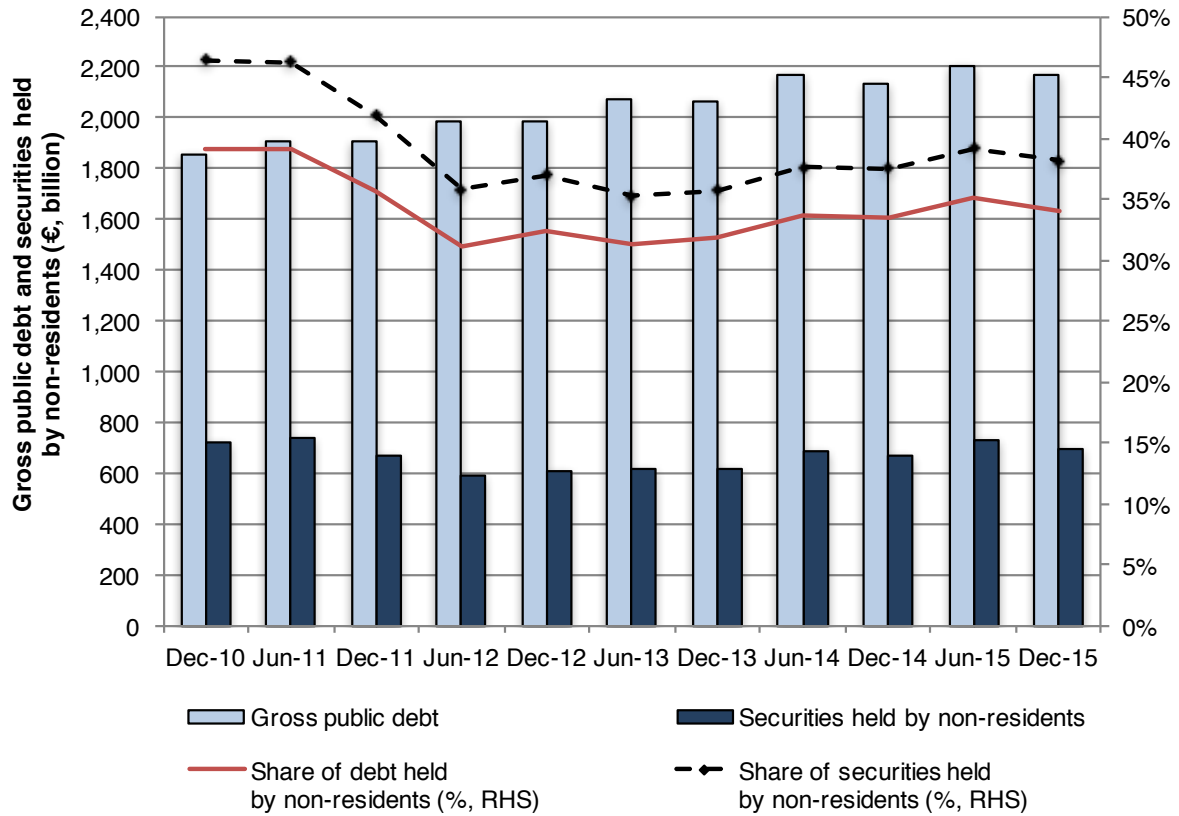
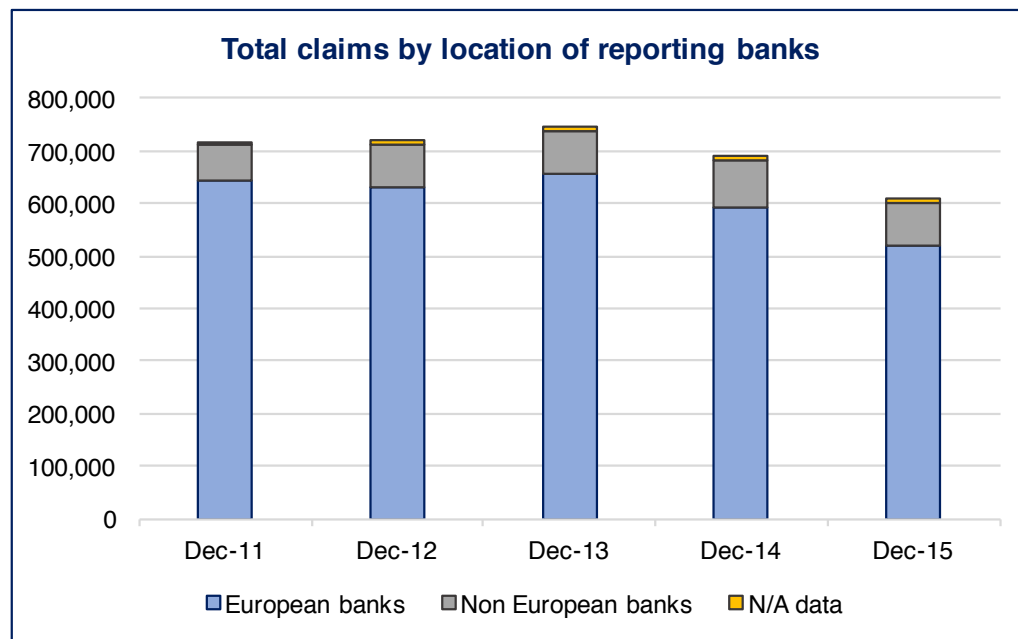
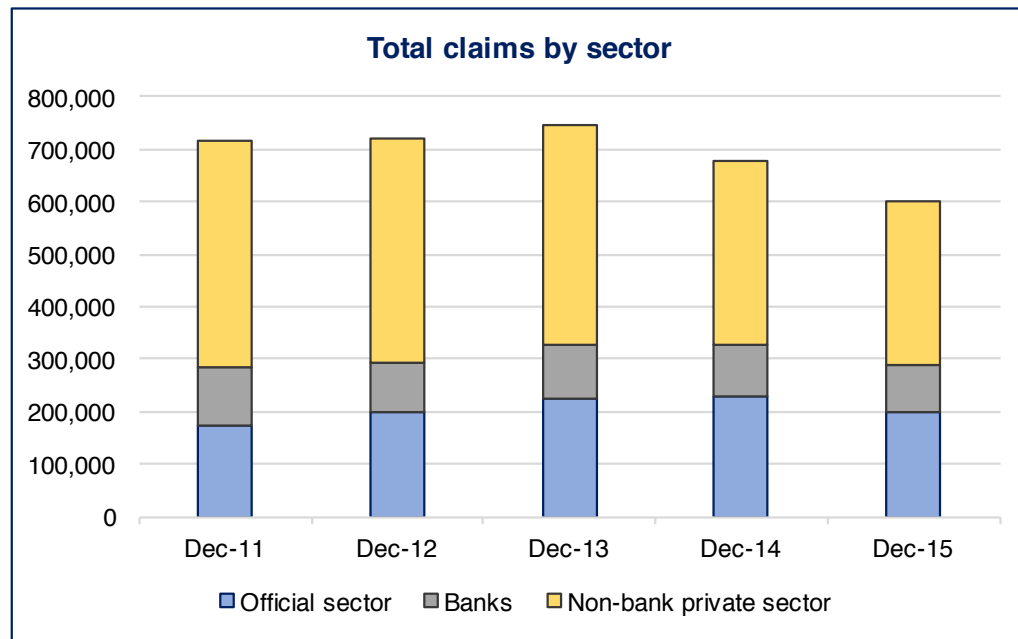


Fig. 7: Public and private debt towards foreign countries (\$ million, end-year data) – Source: Own elaboration on BIS, Consolidated Banking Statistics



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

Countries	Dec-12		Dec-13		Dec-14		Dec-15	
	Value	%	Value	%	Value	%	Value	%
France	74,038	37.2	87,905	39.0	69,128	30.1	57,665	28.7
Germany	N/A	N/A	49,801	22.1	47,321	20.6	36,555	18.2
Spain	8,422	4.2	11,644	5.2	30,056	13.1	31,340	15.6
Japan	25,495	12.8	23,767	10.6	22,997	10.0	22,089	11.0
United States	17,128	8.6	15,602	6.9	19,243	8.4	16,239	8.1
Switzerland	4,227	2.1	10,315	4.6	10,737	4.7	7,244	3.6
Belgium	6,517	3.3	6,698	3.0	8,185	3.6	7,094	3.5
United Kingdom	6,797	3.4	4,053	1.8	2,674	1.2	4,225	2.1
Other countries	N/A	N/A	15,364	N/A	19,557	8.5	18,141	9.0
Total	198,915	100	225,149	93	229,898	100	200,593	100

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

External private debt	Dec-12	Dec-13	Dec-14	Dec-15	△%, 2015, YoY
European banks	50,717	85,794	76,010	68,048	-10.5%
Non-European banks	10,364	12,158	16,089	15,560	-3.3%
N/A data	34,528	2,980	3,266	3,988	22.1%
Total banking sector	95,609	100,933	95,366	87,595	-8.1%
European banks	301,453	362,884	296,246	265,127	-10.5%
Non-European banks	27,165	27,969	31,602	25,632	-18.9%
N/A data	97,088	27,483	22,387	20,239	-9.6%
Total non-bank private sector	425,706	418,335	350,234	310,998	-11.2%

Some structural data on foreign banks in Italy

According to Bank of Italy's Annual Report, at the end of 2015 there were 81 branches of foreign banks operating in Italy, one of them included in national groups. The change compared previous year is equal to +1.

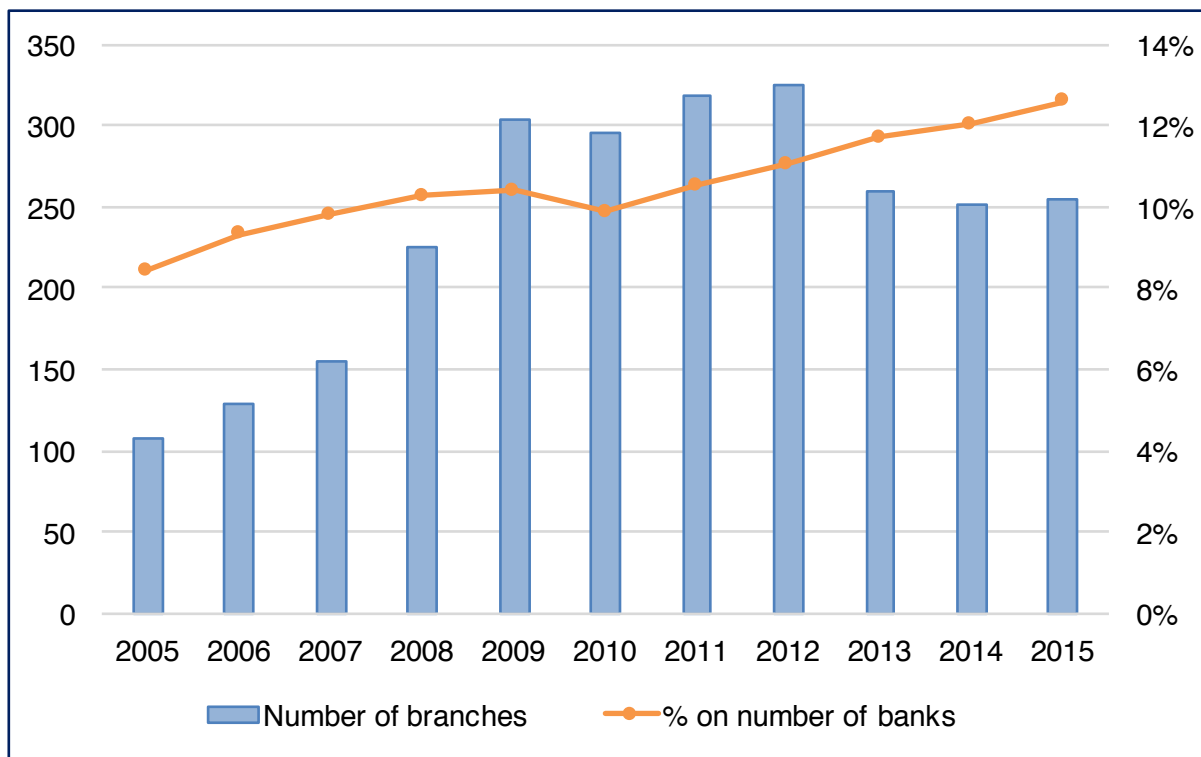
At the end of 2013, last update available, the subsidiaries of foreign companies operating in Italy were 23.

As shown in Table 4, recent trend in number of foreign banks has been quite different of Italian banks' one.

Tab. 4: The branch networks of domestic and foreign banks in Italy – Source: Own elaboration on Bank of Italy, Statistical Database (BDS)

Year	Banks and branch networks in Italy					
	Banks operating in Italy		Foreign banks			
	Number of banks	Number of branches	Number of banks	Number of branches	% on number of banks	% on number of branches
2005	783	31,504	66	108	8.4	0.3
2006	793	32,337	74	128	9.3	0.4
2007	806	33,225	79	155	9.8	0.5
2008	799	34,139	82	225	10.3	0.7
2009	788	34,036	82	303	10.4	0.9
2010	760	33,663	75	296	9.9	0.9
2011	740	33,607	78	318	10.5	0.9
2012	706	32,881	78	325	11.0	1.0
2013	684	31,761	80	260	11.7	0.8
2014	664	30,740	80	252	12.0	0.8
2015	643	30,258	81	254	12.6	0.8

Fig. 8 Recent trend in number of foreign banks' branches in Italy – Source: Own elaboration on Bank of Italy, Statistical Database (BDS)



Corporate and Investment Banking

4.1 Structured finance

4.1.1 *Syndicated loans*

According to AIBE Yearbook 2014/2015, updated in November 2014 and based on information collected by a significant sample of AIBE member banks (about 95% of the total number of AIBE member banks), 31 out of 35 foreign banks participating to the survey offer financial products/services included in Corporate and Investment Banking (CIB) sector.

Furthermore, 18 banks out of 31 state that CIB is the only macro-sector in which they operate in Italy.

As known, structured finance is a portfolio of debt financial instruments offered, mainly from investment banks, to large financial institutions or companies that have complex financing needs. This business line normally is included within CIB business.

Among financial instruments that traditionally are included within structured finance, syndicated loans market is very important and significant.

In 2015 the market size of syndicated loans issued by Italian companies grew from € 44 to 77 billion. So the size returned close to pre-crisis' one (Figure 9).

The market share held by foreign intermediaries remained very important, as in past years. In 2015 their market share was about 85%: 8.5% is the market share related to solely foreign bookrunners, while 76.3% is the market share of international pool of lenders, where Italian and foreign bookrunners jointly participated.

The number of tranches grew up to 302, almost one third more than last year.

Foreign bookrunners mainly supported Italian firms operating in Utility & Energy, Auto/Truck and Telecommunications sectors (Figure 10): within these sectors they assisted about € 38.5 billion of loans, almost a half of the whole market.

The majority of 2015 issuances was concentrated on medium term maturity: 75% of them had an initial maturity less or equal to 5 years. Foreign bookrunners held a market share equal to 97% for 1 to 3 years issuances and to 78% for 3 to 5 years issuances.

Fig. 9: Annual deal value of syndicated loans and share of foreign intermediaries (2005/15, € billion and %) – Source: Own elaboration on Dealogic database

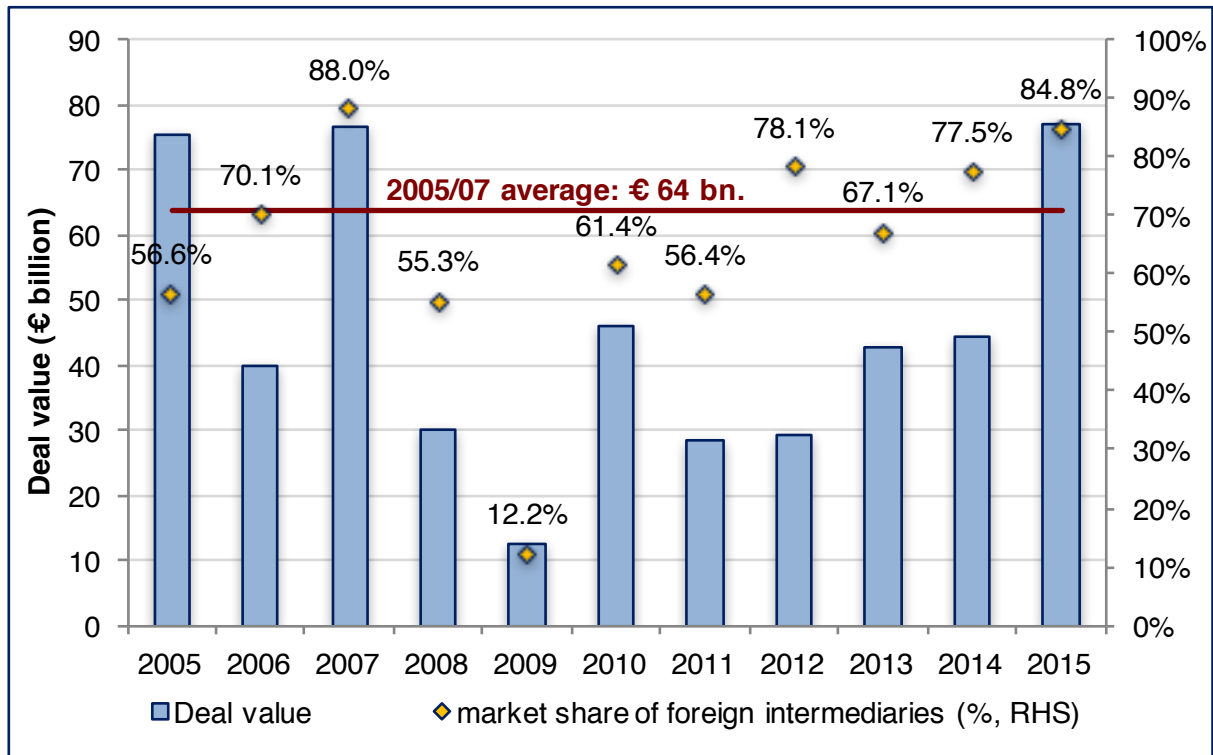


Fig. 10: Deal value of syndicated loans and market share of foreign bookrunners by industrial sectors (2015, first 8 sectors, data in € billion and %) – Source: Own elaboration on Dealogic database

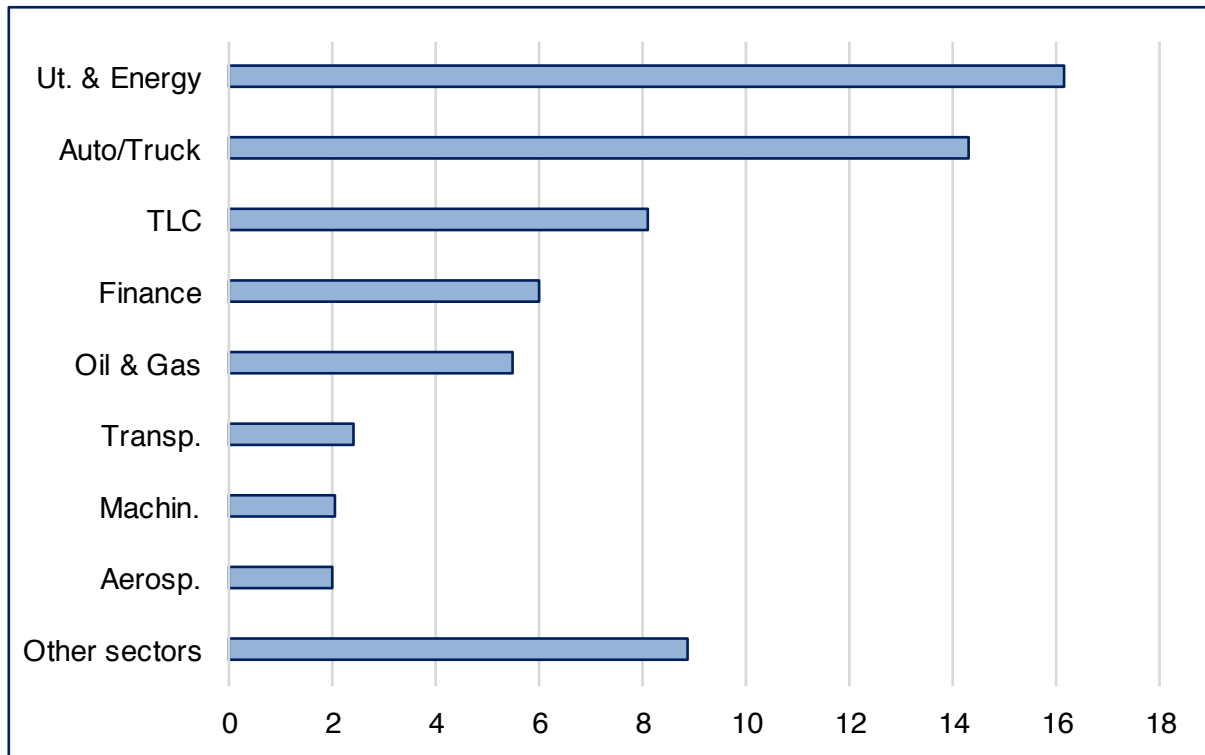
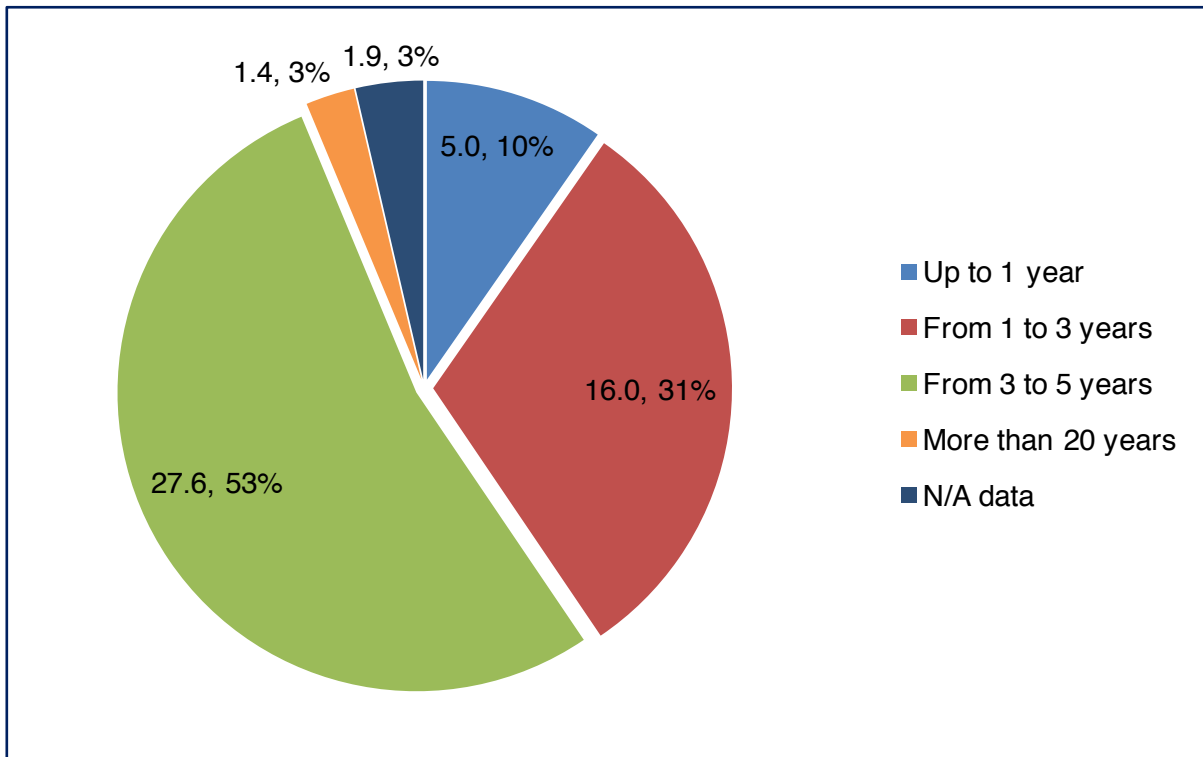


Fig. 11: Deal value of syndicated loans and market share of foreign bookrunners by original loan maturity (2015, data in € billion and %) – Source: Own elaboration on Dealogic database



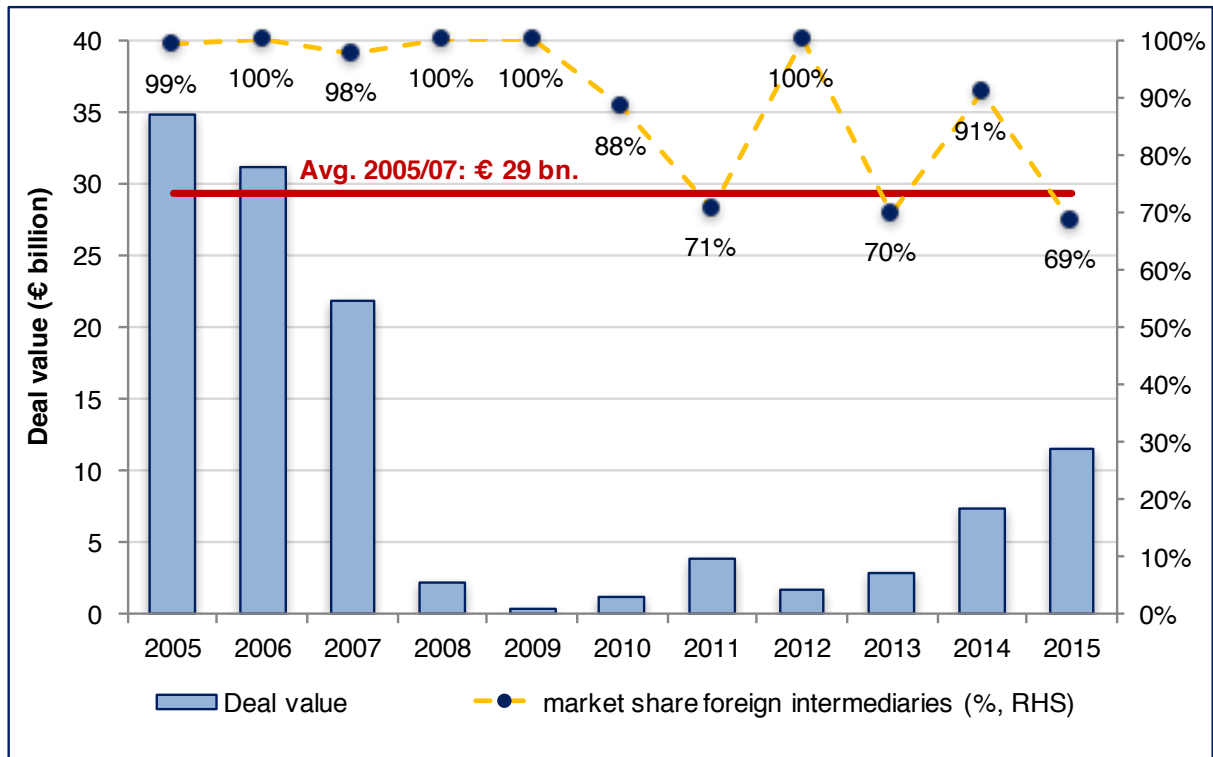
4.1.2 Securitization

This section deals with Italian securitization market. Asset-Backed Securities (ABS) and Mortgage-Backed Securities (MBS) are analyzed.

Also in 2015 the market size was confirmed much smaller than pre-crisis period.

However, last year the growth rate was quite important: ABS and MBS issuances by Italian issuers amounted to about € 11.4 billion (+€ 4.1 billion compared 2014's data, Figure 12). The positioning of foreign bookrunners remained important: in 2015 they participated to about 69% of deal value.

Fig. 12: Annual deal value of ABS and MBS deals and share of foreign intermediaries (€ billion and %, 2005/15) – Source: Own elaboration on Dealogic database



4.1.3 Project finance

This section deals the Italian market of project finance and the role played by foreign intermediaries.

In 2015 29 deals on Italian market have been completed, and divided into 60 tranches (the number is almost stable to previous year). However, the deal value decreased from €2.4 to €1.9 billion (Figure 13), continuing previous 2 years' trend.

The market share of foreign intermediaries remained significant. In 2015 they assisted one third of tranches, for about €716 million in terms of deal value (38%).

In the league table by deal value, first 5 foreign players are included in "top 10" and they concentrate about 77% of the whole activity of foreign players (€548 out of €716 million).

The Italian market of project finance is quite low-sized compared to other European countries, with a limited industrial sector diversification. Main sectors in which foreign players operate (Figure 14) are Energy (44% of deal value referred to foreign intermediaries) and Transportation (37%).

Fig. 13: Project finance in Italy: market share held by Italian and foreign intermediaries (by deal value, € million, 2005/15) – Source: Own elaboration on Thomson Reuters-PFI data

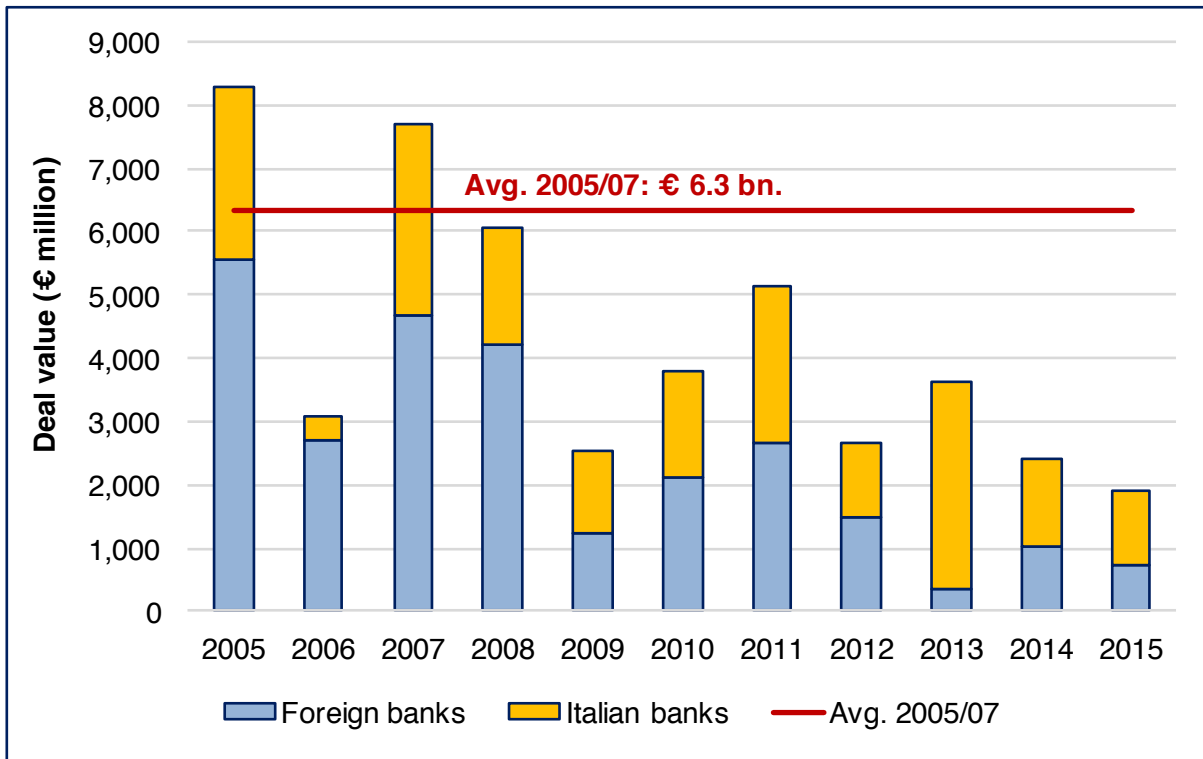
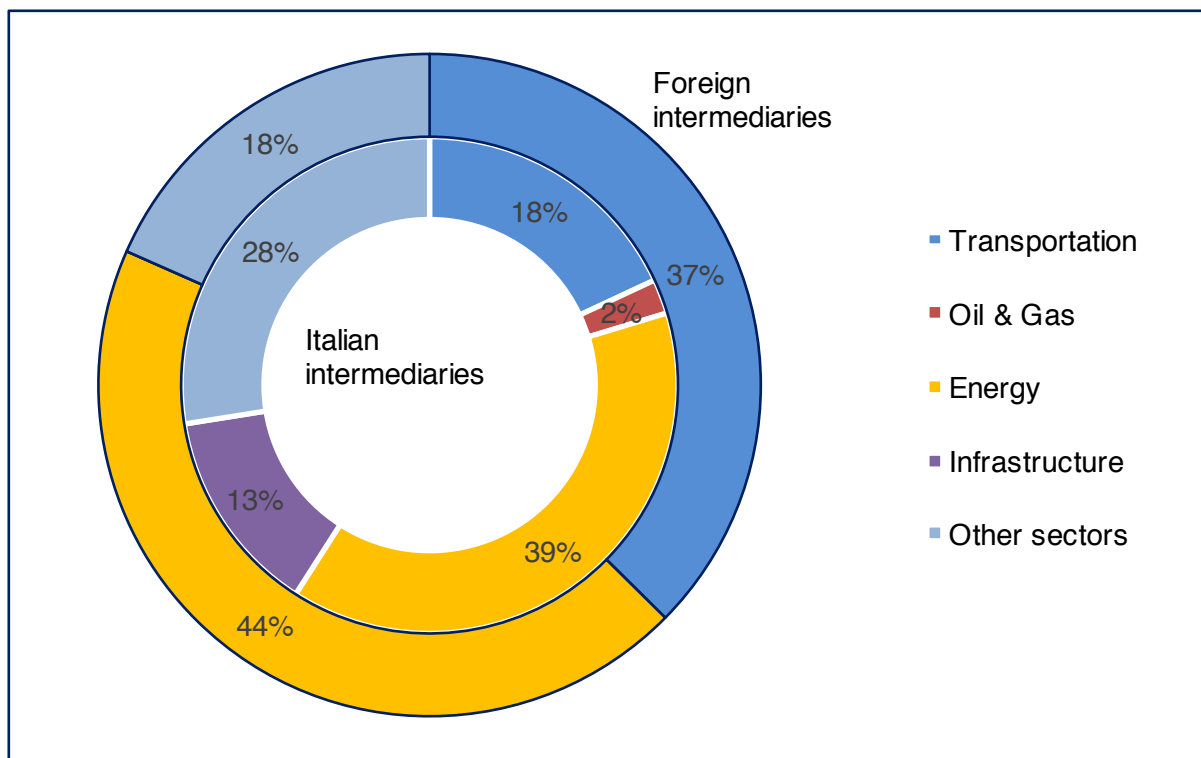


Fig. 14: Project finance in Italy: loans breakdown by borrower's sector and by financial intermediaries' geographical origin (2015 tranches issuances, %) – Source: Own elaboration on Thomson Reuters-PFI data



4.2 Private equity and venture capital

This section highlights main data about recent trends in Italian market of private equity and venture capital.

According to AIFI-Italian Private Equity and Venture Capital Association, in 2015 investments have seen a relevant growth, reaching the second highest amount ever. The role of many international operators has been very significant.

Funding almost doubled compared previous year: some of main domestic funds have realized a closing and also divestments increased for the fourth consecutive year, both in number and in amount.

Total raised funds in 2015 amounted to €2,833 million, with independent funding equal to about €2.5 billion (Table 5).

According to AIFI data, we observed an increased attention expressed by international funds investing in Italy. The number of “expansion deals”, favoring the internationalization process of the companies, increased. Moreover, the market sizes of “early stage deals”, focused on R&D investments, also increased.

The independent fund raising increased from €1.4 to €2.5 billion, as a consequence of the major contribution from domestic market players (Table 6). The weight of independent raising from abroad decreased from 68% to 48%, even if increased by volume (+30%).

Over the period 2005/15 independent funds raised by banks has been the most important component (€3.2 billion, 21.2% of the total).

The share of funds of funds is close (19.8%). The contribution of foreign banks is sharply decreased after financial crisis (Table 7).

Foreign funds of funds and pension funds have a market share of 11% of the total amount of new funds raised on the market between 2009 and 2015.

Tab. 5: Italian market of private equity and venture capital: fund raising trend (2010/15, € million and %) – Source: Own elaboration on AIFI data

	2010		2011		2012	
	Value	%	Value	%	Value	%
Independent funding	1,903	62.7	695	32.4	947	48.9
Funds raised by parent company	284	9.4	354	16.5	407	21.0
Capital gain	-		-		1	0.1
Total raised funds (a)	2,187	72.0	1,049	48.9	1,355	70.0
Pan-European funds based in Italy (b)	849	28.0	1,098	51.1	582	30.0
Total (a+b)	3,036	100	2,147	100	1,937	100

	2013		2014		2015	
	Value	%	Value	%	Value	%
Independent funding	623	13.1	1,348	64.9	2,487	72.0
Funds raised by parent company	3,423	72.2	129	6.2	346	10.0
Capital gain	1	0.0	-	-	-	-
Total raised funds (a)	4,047	85.4	1,477	71.1	2,833	82.0
Pan-European funds based in Italy (b)	693	14.6	600	28.9	621	18.0
Total (a+b)	4,740	100	2,077	100	3,454	100

Tab. 6: Italian market of private equity and venture capital: the geographical origin of raised funds (independent funds, 2010/15, € million and %) – Source: Own elaboration on AIFI data

Independent raising	2010		2011		2012	
	Value	%	Value	%	Value	%
From abroad	38	2.0	146	21.0	104	11.0
From Italy	1,865	98.0	549	79.0	843	89.0
Total	1,903	100	695	100	947	100

Independent raising	2013		2014		2015	
	Value	%	Value	%	Value	%
From abroad	162	26.0	917	68.0	1,194	48.0
From Italy	461	74.0	431	32.0	1,293	52.0
Total	623	100	1,348	100	2,487	100

Tab. 7: Italian market of private equity and venture capital: the composition and the geographical origin of new funds raised on the market (2015/15, € million) – Source: Own elaboration on AIFI data

Sources of new funds raised on the market	2005/08			2009/15		
	Italy	Abroad	Total	Italy	Abroad	Total
Banks	1,115	317	1,432	1,703	88	1,792
Funds of funds	60	1,510	1,570	727	720	1,446
Pension funds	224	259	483	922	273	1,195
Insurance companies	268	173	441	708	148	856
Private equity companies	N/A	N/A	N/A	194	83	277
Other sources			2,508			3,223
Total			6,434			8,788

4.3 Merger and Acquisitions

According to KPMG data, in 2015 foreign investors have made 179 deals in Italian M&A market, for about €28 billion of turnover.

The market size is comparable to previous year (about € 50 billion). The market share of foreign investors is about 55% by volume and 35% by number (179 transactions out of the total number of closed deals, equal to 506).

Among the “top ten” deals, 5 of them are “inbound cross-border”: foreign acquirors closed M&A transactions with Italian “big players” and domestic “excellences”. In particular following deals have to be mentioned: China National Chemical Corporation closed the public offer for the purchase of Pirelli for more than € 7 billion; the increase of the participation of Vivendi in Telecom Italia through the acquisition of 20% of the shares (€3 billion); the merger of Sorin in Cyberonics (US corporation) for a value of €1.4 billion.

According to Dealogic database about M&A involving Italian companies, foreign advisors have been involved in deals that expressed about 47% of total M&A turnover in 2015 (Table 8).

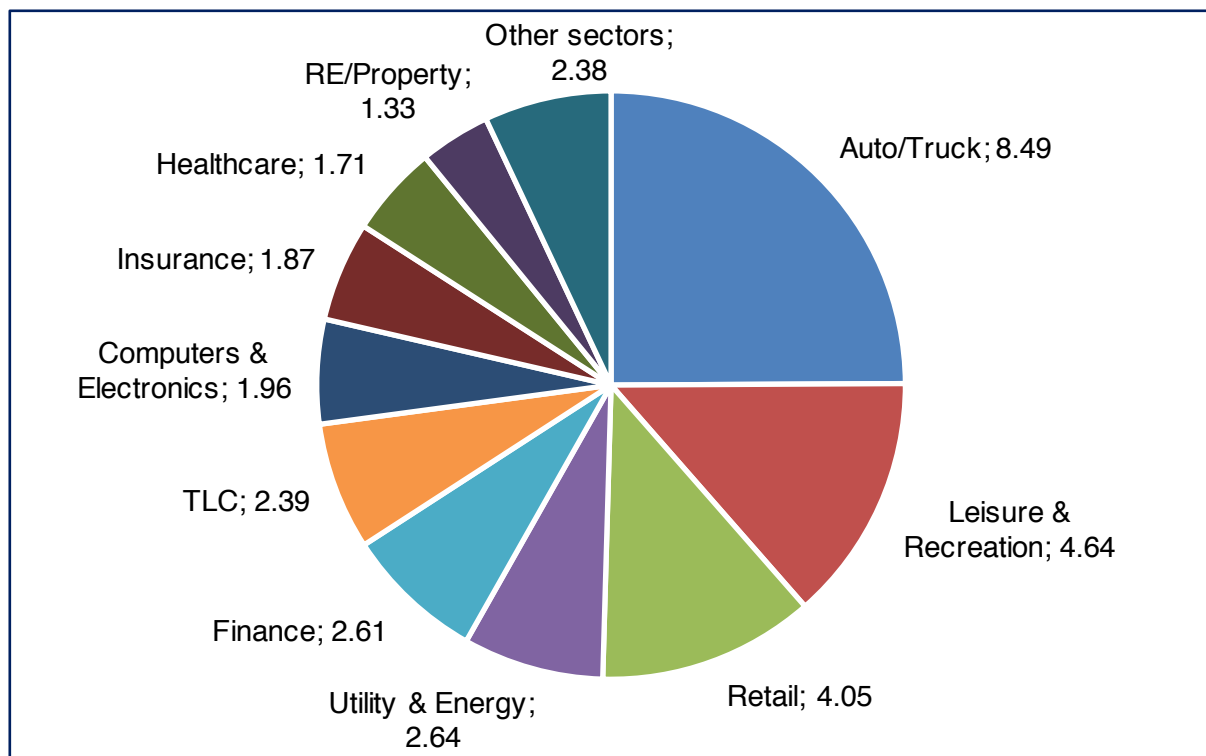
Auto/Truck, Leisure and Retail represented the main sectors in which foreign target advisors operated (Figure 15).

With reference to “top ten” deals (Table 9), they counted for about 51% of the whole market. Foreign advisors, with a financial role or a different one, have been involved in almost all these deals (86% of turnover as target advisors, and 85% as acquiror advisors).

Tab. 8: Value of M&A deals by geographical origin of advisors (2015, € billion) – Source: Own elaboration on Dealogic database

Geographical origin of target advisor parent	Geographical origin of acquiror advisor parent								Total	
	abroad		Italy and abroad		Italy		N/A data			
	Value	%	Value	%	Value	%	Value	%	Value	%
abroad	8.4	15.9	3.0	5.6	1.5	2.9	3.2	6.1	16.2	30.5
Italy and abroad	6.1	11.6	11.6	21.9	0.1	0.1	0.1	0.2	17.9	33.8
Italy	1.7	3.1		-		-	1.7	3.2	3.4	6.3
N/A data	0.7	1.3		-	0.9	1.7	14.0	26.4	15.6	29.4
Total	16.9	32.0	14.5	27.4	2.5	4.7	19.0	35.9	53.0	100

Fig. 15: Distribution of M&A deals with foreign target advisor by industrial sector (2015, € billion) – Source: Own elaboration on Dealogic data



Tab. 9: The distribution of “top ten” M&A deals based on advisors’ role and geographical origin (2015, € billion) – Source: Own elaboration on Dealogic database

Role and geographical origin of advisors	Target advisor		Acquiror advisor	
	Value	%	Value	%
Foreign financial advisor	15.3	56.4	19.2	71.0
Foreign and Italian financial advisor	4.4	16.5	2.9	10.9
Foreign advisor, different role	3.4	12.8	0.7	2.6
Italian advisor, different role	0.9	3.3	-	-
N/A data	3.0	11.1	4.2	15.5
Total	27.0	100	27.0	100

Advisory and operations on capital markets

5.1 Debt Capital Markets

This section highlights main data about the role and market share held by foreign intermediaries in advisory activities and the support offered to Italian firms in all operations on international financial markets, e.g., the issuance of debt and equity securities, and wholesale and retail trading.

According to Dealogic data, in 2015 the market size of debt issuances by Italian firms was about € 105 billion, with a decrease compared previous year of around 16%.

The positioning of foreign bookrunners remained very significant. Over last decade, their market share was about 76%, and equal to 80% in 2015 (Figure 16). They assisted debt issuances of Italian borrowers both as solely bookrunners (market share equal to 17%), and in international pools with Italian intermediaries (market share equal to 63%).

Focusing on issuers' industrial sector, foreign bookrunners mainly operated assisting companies in financial and Government sectors (Figure 17). In these two leading sectors, foreign bookrunners assisted operations for a total deal value of about € 59.5 billion, or 71% of foreign bookrunners' activity and 57% of the whole market.

The role of foreign bookrunners in other borrowers' industrial sectors is almost everywhere relevant, even if the sector size is much smaller than leading sectors.

Foreign bookrunners have mainly assisted mid-sized issuances (from € 500 million to € 1 billion): the deal value was about € 34.6 billion (Table 10),

or the 89% of the total amount of issuances in this class, also equal to 41% of the whole activity of foreign bookrunners.

According the distribution by deal type (Table 11), foreign bookrunners mainly assisted issuances' deal type as corporate bonds investment grade and Sovereign/Local Authorities bonds. These two leading deal types represented almost 49% of the whole activity of foreign bookrunners and the 39% of the total market size.

Fig. 16: DCM issuances by Italian borrowers: total annual deal value (2005/15, € billion) and market share of foreign bookrunners (% , RHS) – Source: Own elaboration on Dealogic data

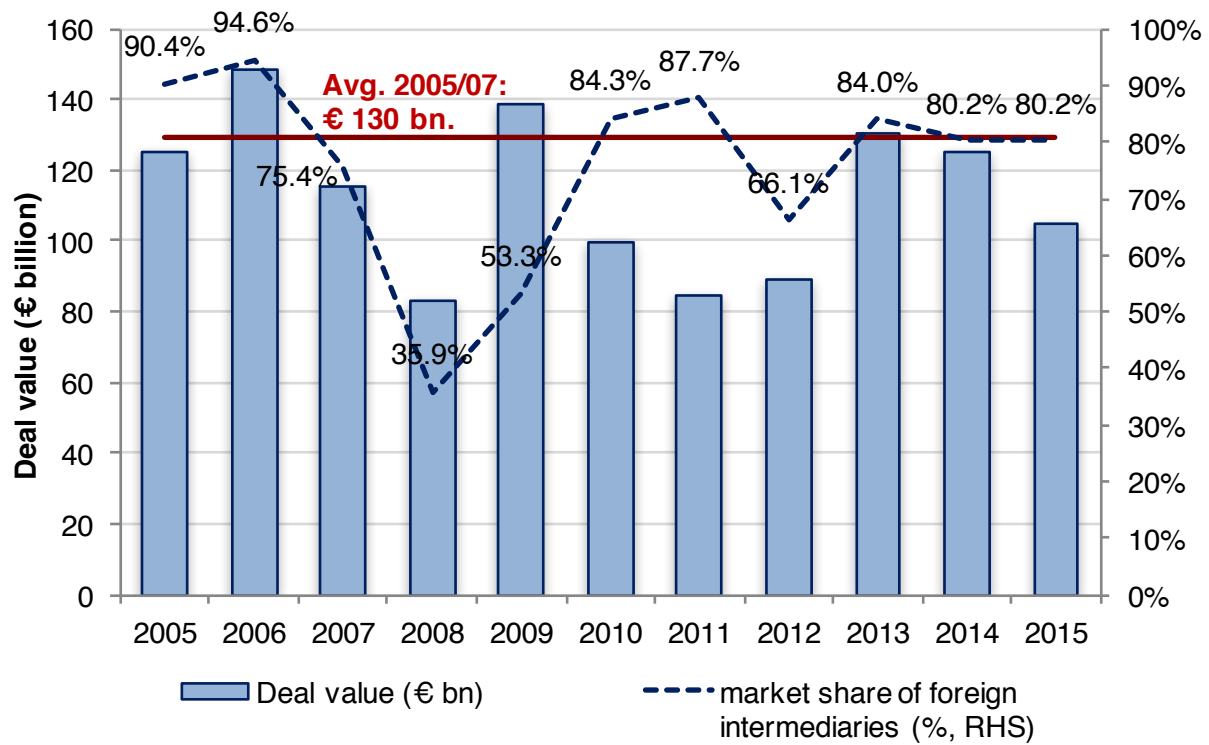
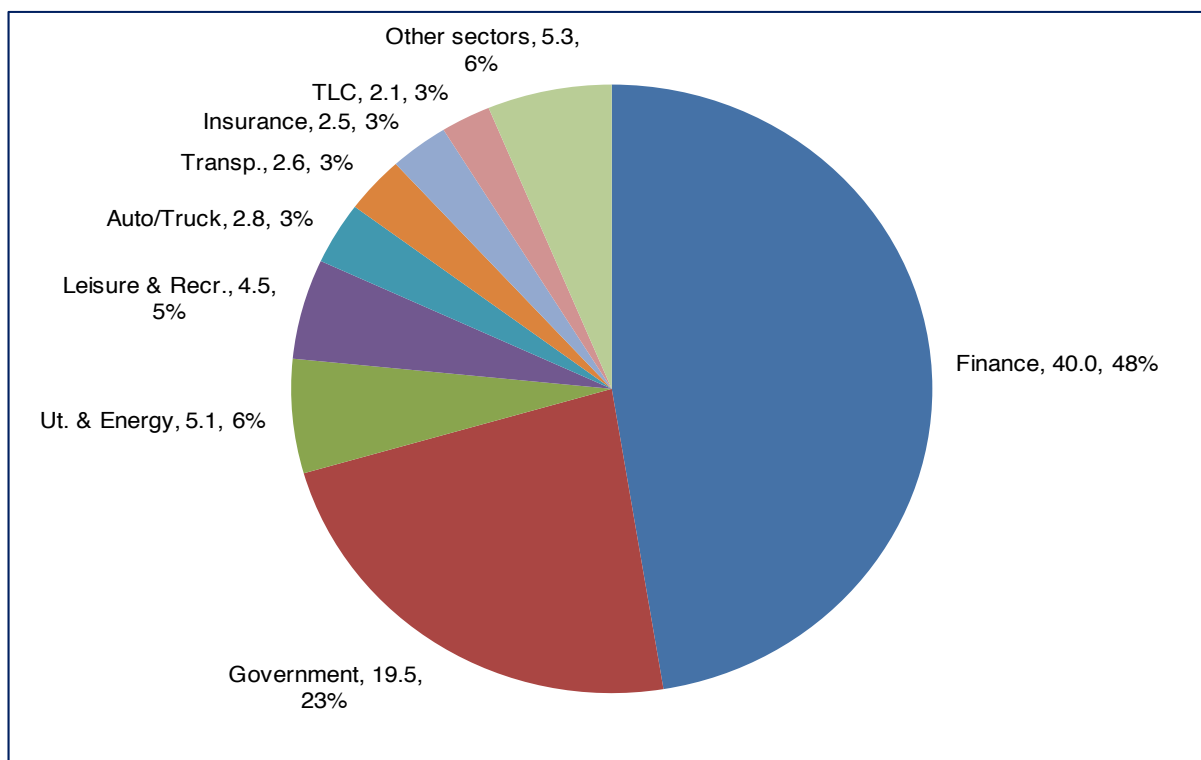


Fig. 17: DCM issuances by Italian borrowers' industrial sectors assisted by foreign bookrunners (2015, € billion and %) – Source: Own elaboration on Dealogic data



Tab. 10: DCM issuances by Italian borrowers assisted by foreign bookrunners: distribution of deal value (tranche value) by size (2015, € million) – Source: Own elaboration on Dealogic database

Class of Tranche value	Foreign bookrunners	
	Deal value	Market share by class of tranche value
Up to € 10 million	33.7	16.5%
€ 10-100 million	2,075.5	55.5%
€ 100-500 million	17,399.2	76.0%
€ 500 million-1 billion	34,610.0	89.4%
€ 1-5 billion	15,780.8	100%
More than € 5 billion	14,500.0	60.7%
Total	84,399.3	80.2%

Tab. 11: DCM issuances by Italian borrowers assisted by foreign bookrunners: distribution of deal value (tranche value) by deal type (2015, € million) – Source: Own elaboration on Dealogic database

Deal type	Foreign bookrunners	
	Deal value	Market share by deal type
Corporate Bond-Investment-Grade	22,037.8	90.8%
Sovereign, Local Authority	19,500.0	64.1%
Corporate Bond-High Yield	16,358.6	97.3%
Covered Bond	14,750.0	95.3%
ABS and MBS	7,820.7	68.6%
Other deal types	3,932.1	57.6%
Total	84,399.3	80.2%

5.2 Equity Capital Markets

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

The market size in 2015 was about €18.6 billion, with a decrease of around 4% compared to previous year. Foreign bookrunners have a very significant market share: in 2015 they assisted issuances for about €18 billion (96.6% of the total, Figure 18), both as solely bookrunners (€3.1 billion, 16.7%), and within international pools jointly with Italian intermediaries (€14.9 billion, 79.9%).

Focusing on foreign bookrunners' advisory and issuers' industrial sector, Finance, Transportation, TLC and Utility & Energy are leading sectors. These four main sectors concentrate about €14.5 billion, 81% of the total value assisted by foreign bookrunners (Figure 19).

In 2015 the majority of deals were in the form of secondary offerings (SEOs or FO), covering about 52% of the whole market. Foreign intermediaries have a market share equal to 97% with reference to these issuances (€9.4 billion, Table 12).

IPOs were also important. In 2015 Dealogic database recorded deals for about €6.5 billion, of which €6.2 billion with at least a foreign bookrunner.

Consob, the Authority for financial markets in Italy, in its Annual Report for 2015 highlights that in 2015 the 66% of communications referred to relevant positions (over 2%) in the equity capital of Italian listed companies comes from foreign investors. In 2014 this share was about 61% and in 2013 much more lower (44%).

Moreover, the Authority points out that in recent years the participation of foreign institutional investors to Annual Meetings of Italian listed companies grew up from 13% (2012) to 21% (2015).

According to IR Top annual survey on Italian companies listed in Star Segment of Italian Stock Exchange, foreign institutional investors are 43 out of 58 (74% of the total), for a total investment equal to €2.2 billion (+5% YoY). For the majority they are from United Kingdom and United States.

The recent trend confirmed the interest showed by foreign investors into Italian firms, as well small cap. Data referred to inflows/outflows observed in 2015 point out the entry of 5 new institutional investors from abroad.

Fig. 18: Equity Capital Markets: distribution of deal value (Italian issuers, 2005/15, € billion) and market share of foreign bookrunners (% , RHS) – Source: Own elaboration on Dealogic data

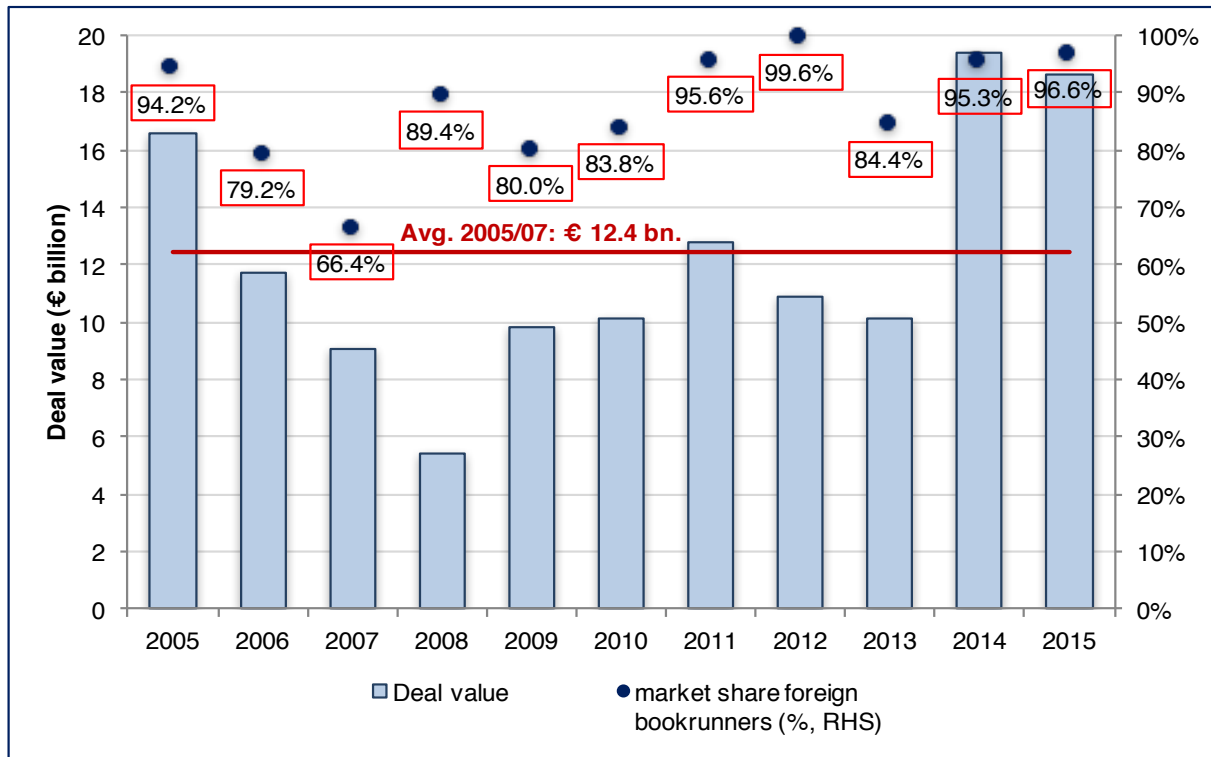
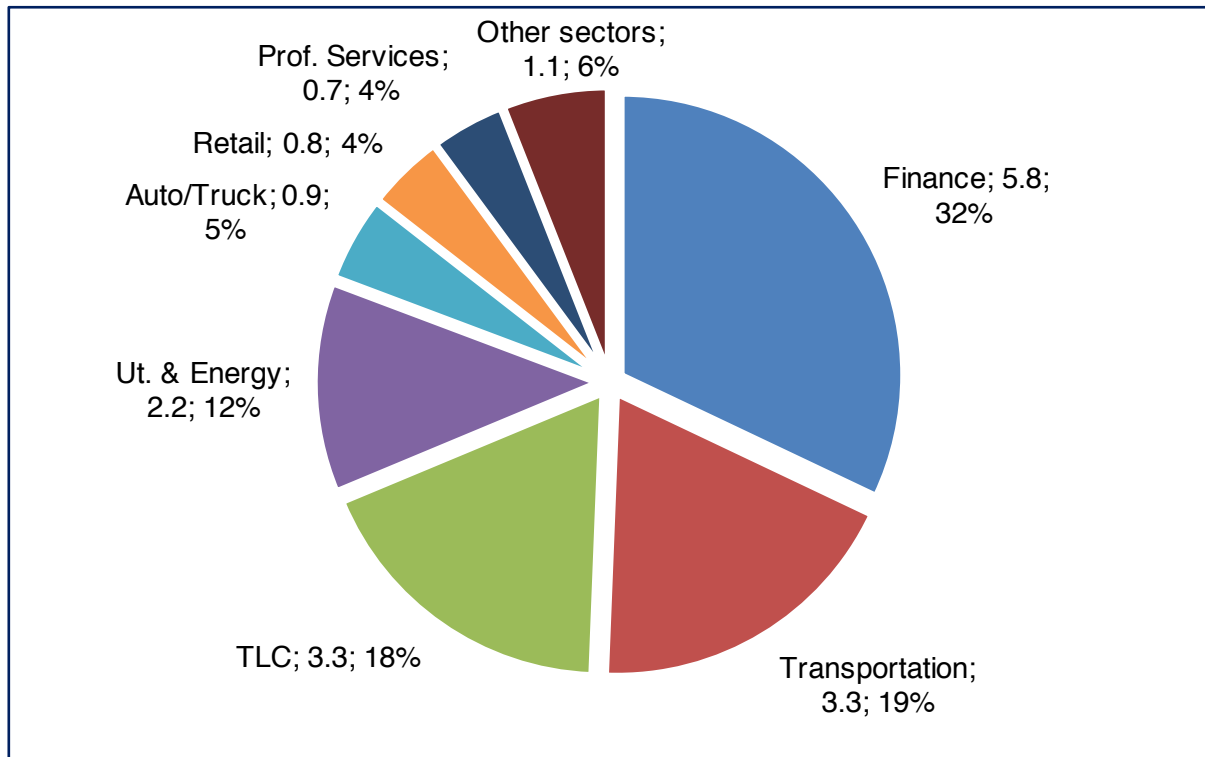


Fig. 19: ECM issuances by Italian issuers' industrial sectors assisted by foreign bookrunners (2015, € billion and %) – Source: Own elaboration on Dealogic data



Tab. 12: ECM issuances by Italian borrowers assisted by foreign bookrunners: distribution of deal value (tranche value) by deal type (2015, € billion) – Source: Own elaboration on Dealogic database

Deal type	Foreign bookrunners	
	Deal value	Market share by deal type
IPO	6.2	95.1%
Secondary equity offerings (SEOs, FO)	9.4	97.0%
Convertible bond	2.4	99.4%
Total	18.0	96.6%

5.3 Trading on MTS Italy

In 2015 active participants to MTS Italy, the wholesale market for Italian Government bonds, were 114 (+3 compared to 2014), of which 47 (+2) coming from abroad.

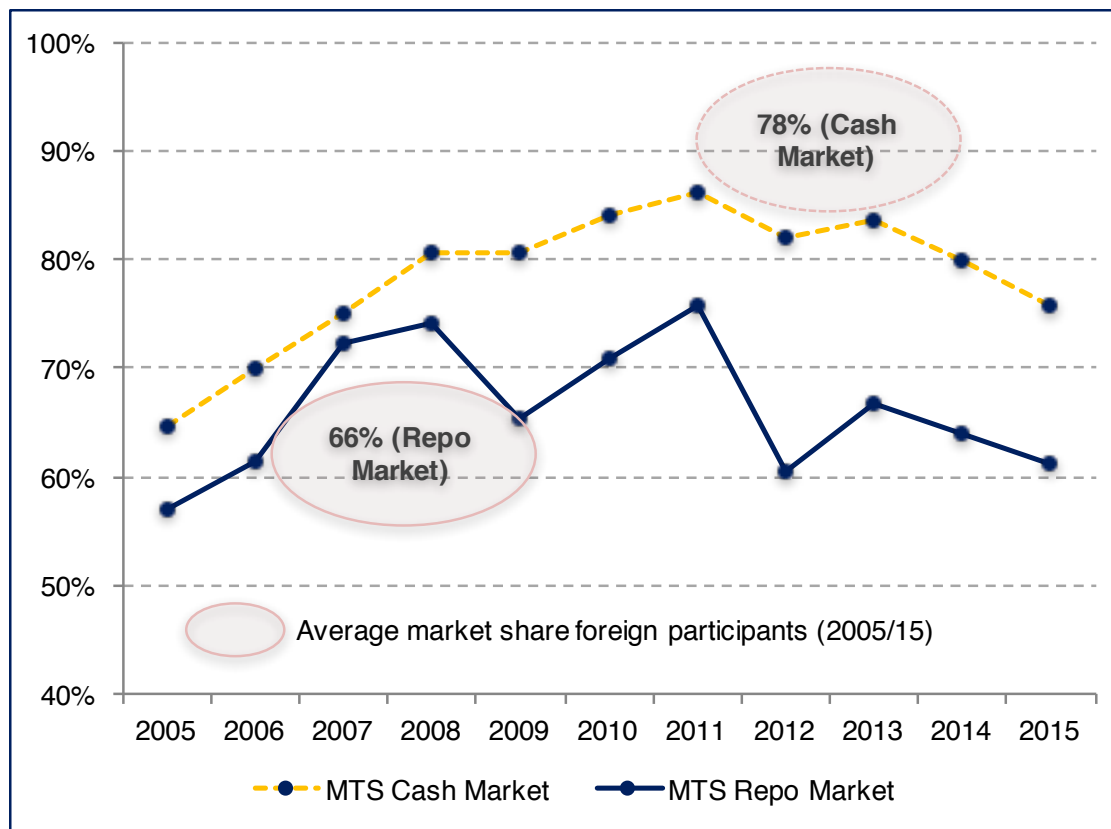
In 2015 participation of foreign operators remained very significant, as in last decade.

As a percentage of volumes, in 2015 the market share of non-residents participants was 76% on Cash Market and 61% on Repo segment. Both of percentages are close to last 10 years average (Figure 20).

Foreign players are also among the most active ones. "Top 15" intermediaries on Cash Market have a market share equal to 80%; the market share of foreign players among "top 15" is about 79%.

Similar percentages are recorded for Repo segment: the market share of foreign participants among "top 15" players is equal to 78%.

Fig. 20: MTS Italy: market share held by non-resident participants (Cash and Repo segments, 2005/15, % on volumes) – Source: MTS Italy



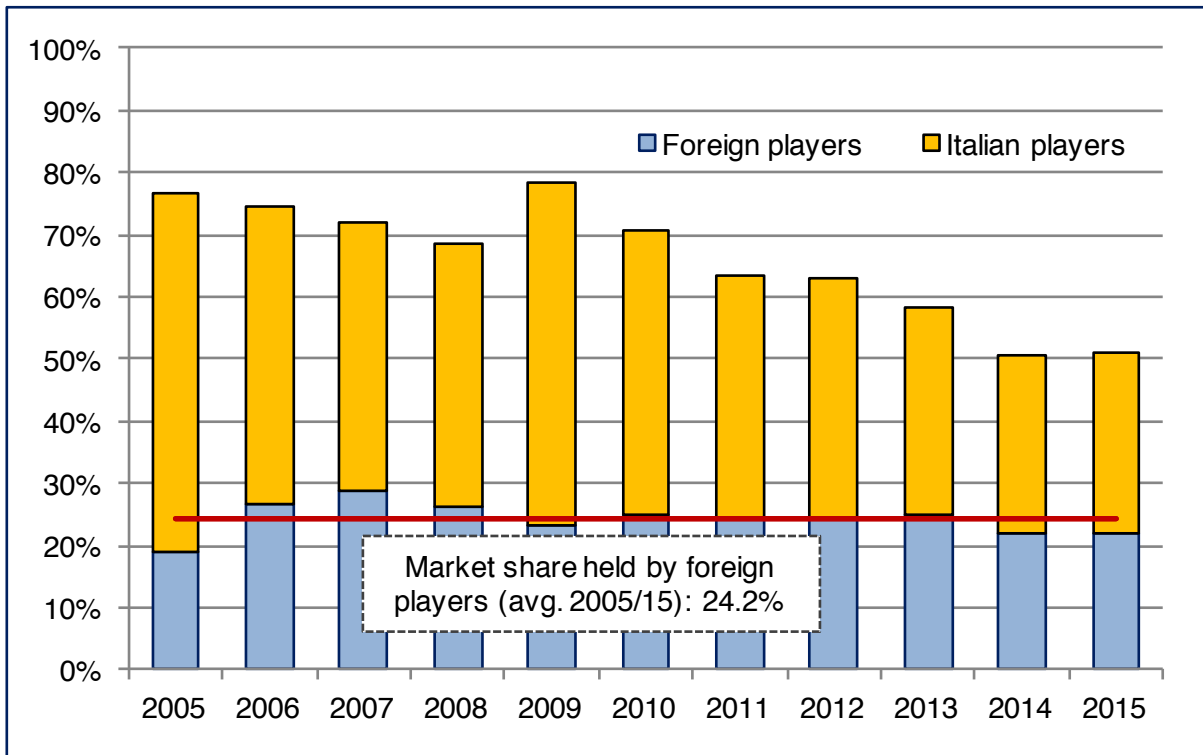
5.4 Trading on Cash Markets (MTA)

According to ASSOSIM, the Italian Association of Financial intermediaries, representing the majority of players operating on Italian financial market, foreign intermediaries' market share is quite relevant.

Within MTA, the main Italian Stock Exchange market for equity securities, ASSOSIM's members in 2015 expressed about 51% of the total volumes of the market. Foreign members counted for about 22% of the total volumes (Figure 21), representing about 43% of values referred to ASSOSIM's members.

In other market segments of Italian Stock Exchange (e.g., DomesticMOT, EuroMOT and ExtraMOT) market share of foreign players are lower. An important exception is SEDEX, where market share of foreign players in 2015 was equal to 15% of total volumes. The main foreign financial intermediary is the second most active one.

Fig. 21: Recent trend in market share held by ASSOSIM's members (2005/15, % of volumes traded on MTA segment) – Source: Own elaboration on ASSOSIM statistics



At the end of 2015 the Italian market of asset management reached a new record: the amount of Assets Under Management (AUM) referred to both collective and portfolio management was around € 1,834 billion, with an annual growth of 15%.

The whole amount of AUM referred to foreign groups is about €447.7 billion, with an increase of €108 billion (+31.8%) in last year (Table 13).

Focusing on recent years' trend, the market share held by foreign players is almost constantly increased in collective management (from 20.3% end-2009 to 34.5% end-2015, Figure 22). AUM in volume increased by 3 times. With reference to portfolio management, the market share held by foreign players has been lower and more stable (on average equal to 15.8% from 2009 to 2015, Figure 23).

On the basis of 2015 data, foreign intermediaries expressed about 12% of assets managed by "top 10" players. This percentage goes up to 21% if we consider "top 20" intermediaries (Figure 24).

Among first 10 and first 20 players, foreign intermediaries are, respectively, 3 and 10 in number and they manage, respectively, 426 and 1,508 funds.

Within pension funds industry, the market share of foreign intermediaries is close to 44% (Figure 25). The relevant growth observed in last year is due both to open pension funds (+ €2.4 billion) and to contractual ones (+ €1.1 billion).

Tab. 13: – Collective and portfolio asset management: AUM trend and market shares held by Italian and foreign asset management companies (2009/15, € million and %) – Source: Own elaboration on Assogestioni-IFH database

	Dec-2009		Dec-2010		Dec-2011		Dec-2012	
	AUM	%	AUM	%	AUM	%	AUM	%
Collective management	476,539	100	501,344	100	461,475	100	524,905	100
Foreign groups	96,825	20.3	121,859	24.3	123,183	26.7	145,235	27.7
Italian groups	379,714	79.7	379,485	75.7	338,292	73.3	379,670	72.3
Portfolio management	473,155	100.0	505,454	100.0	476,113	100.0	669,610	100.0
Foreign groups	80,564	17.0	92,912	18.4	90,519	19.0	89,401	13.4
Italian groups	392,592	83.0	412,543	81.6	385,594	81.0	580,209	86.6
Total	949,694	100	1,006,798	100	937,588	100	1,194,514	100
Foreign groups	177,389	18.7	214,771	21.3	213,702	22.8	234,636	19.6
Italian groups	772,306	81.3	792,027	78.7	723,886	77.2	959,878	80.4

	Dec-2013		Dec-2014		Dec-2015		△2015	
	AUM	%	AUM	%	AUM	%	AUM	△%
Collective management	599,110	100	731,158	100	898,808	100	167,650	22.9
Foreign groups	175,975	29.4	220,127	30.1	310,510	34.5	90,383	41.1
Italian groups	423,135	70.6	511,031	69.9	588,297	65.5	77,266	15.1
Portfolio management	730,943	100.0	857,290	100.0	935,298	100.0	78,008	9.1
Foreign groups	102,788	14.1	119,572	13.9	137,208	14.7	17,636	14.7
Italian groups	628,155	85.9	737,719	86.1	798,091	85.3	60,372	8.2
Total	1,330,052	100	1,588,447	100	1,834,106	100	245,659	15.5
Foreign groups	278,763	21.0	339,698	21.4	447,717	24.4	108,019	31.8
Italian groups	1,051,290	79.0	1,248,750	78.6	1,386,388	75.6	137,639	11.0

Fig. 22: Collective management: AUM stock and market shares held by foreign asset management companies (2009/15, € million and %) – Source: Own elaboration on Assogestioni-IFH database

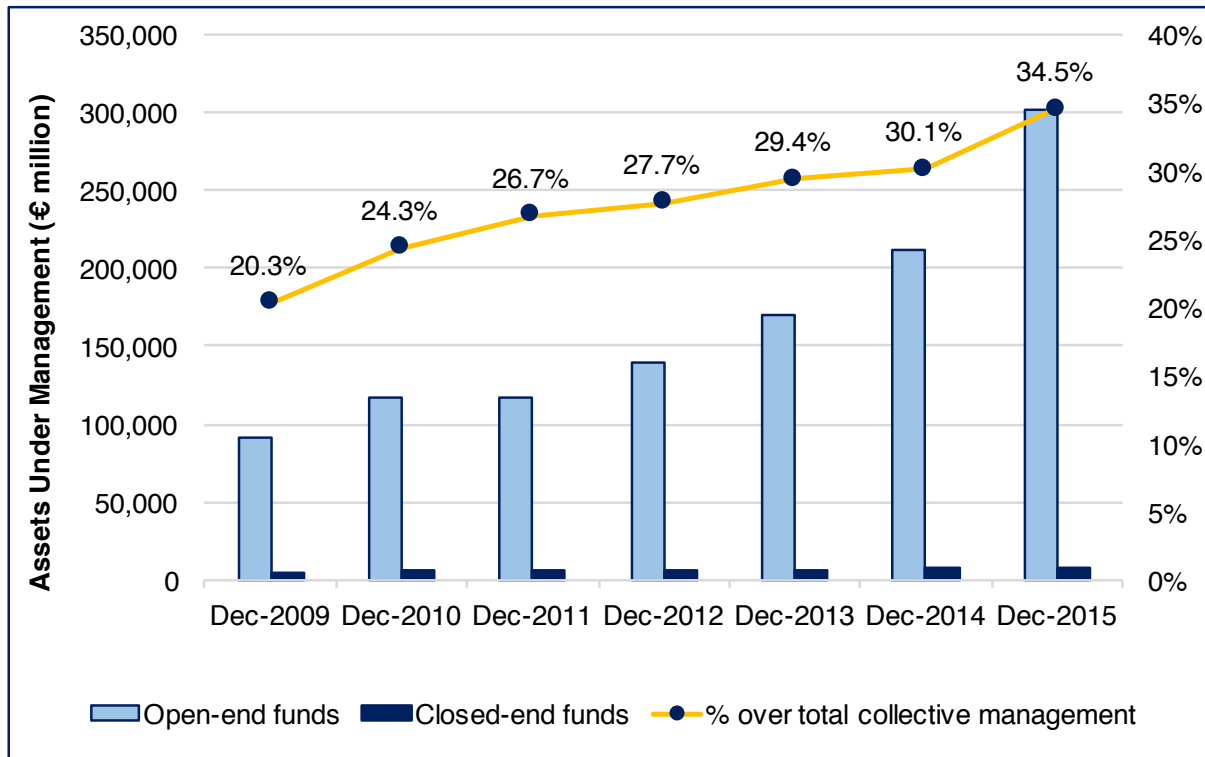


Fig. 23: Portfolio management: AUM stock and market shares held by foreign asset management companies (2009/15, € million and %) – Source: Own elaboration on Assogestioni-IFH database

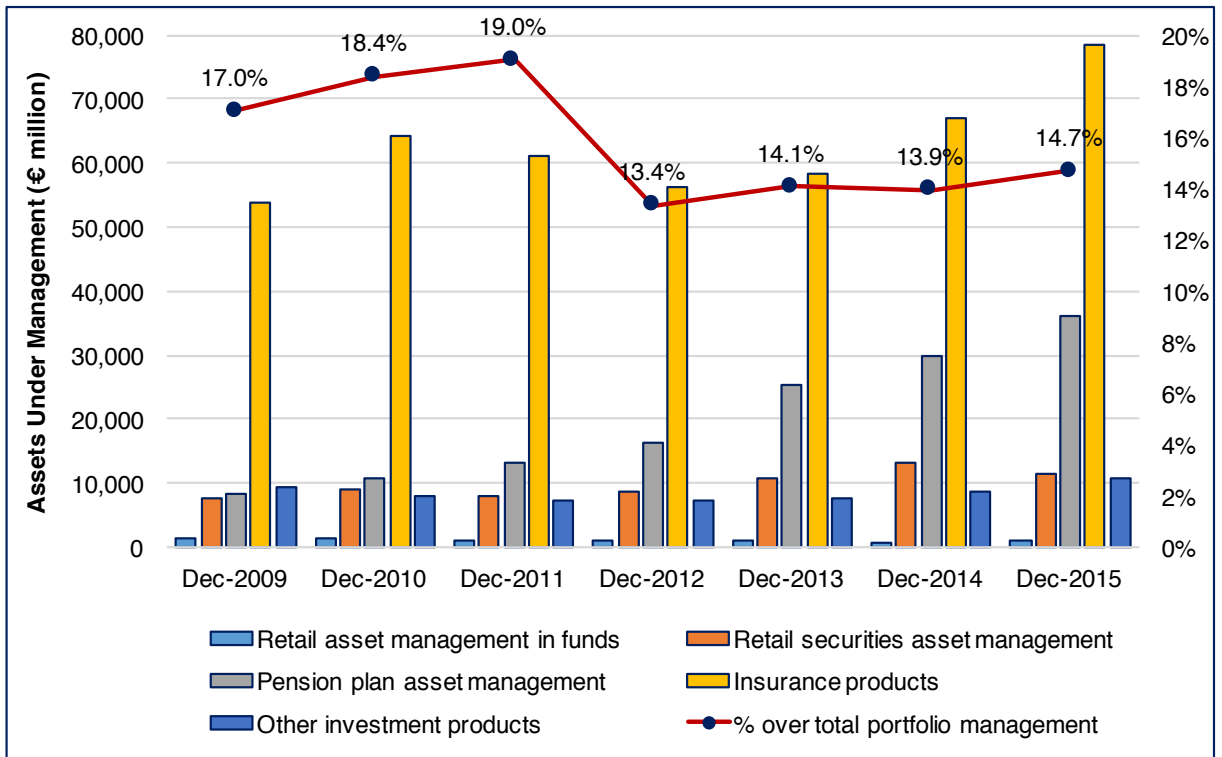
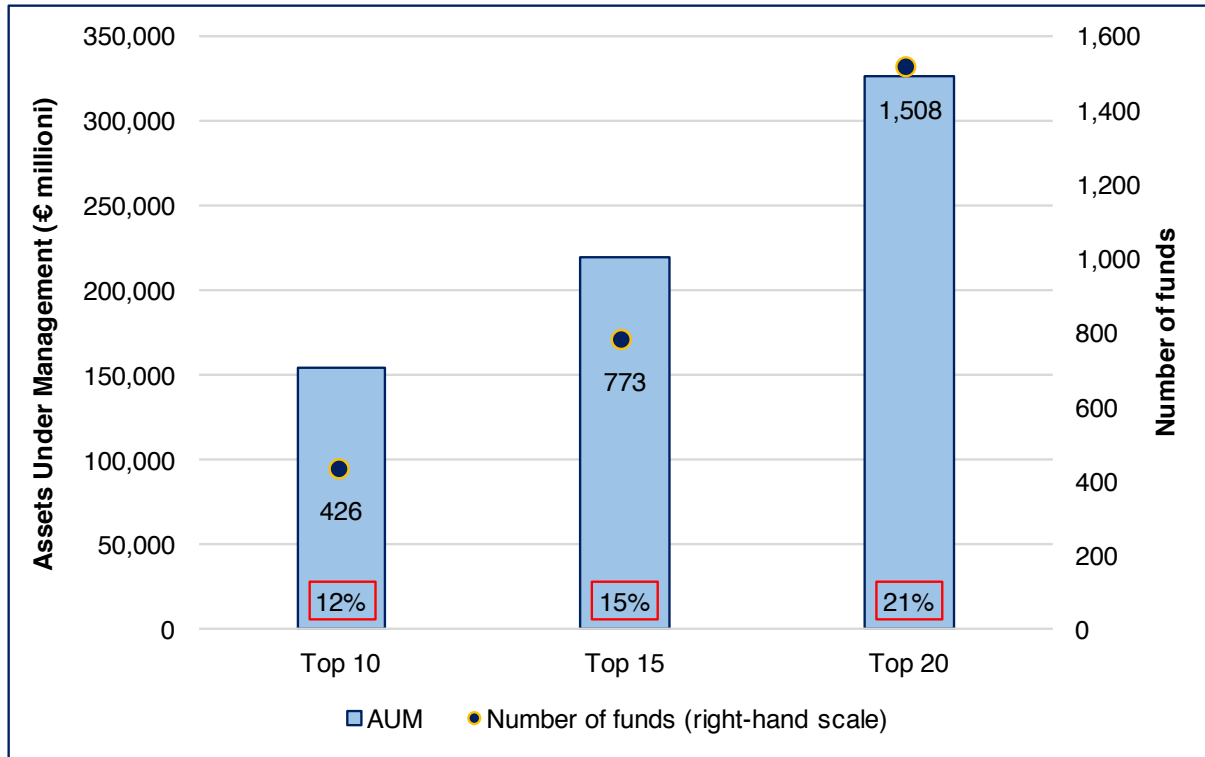
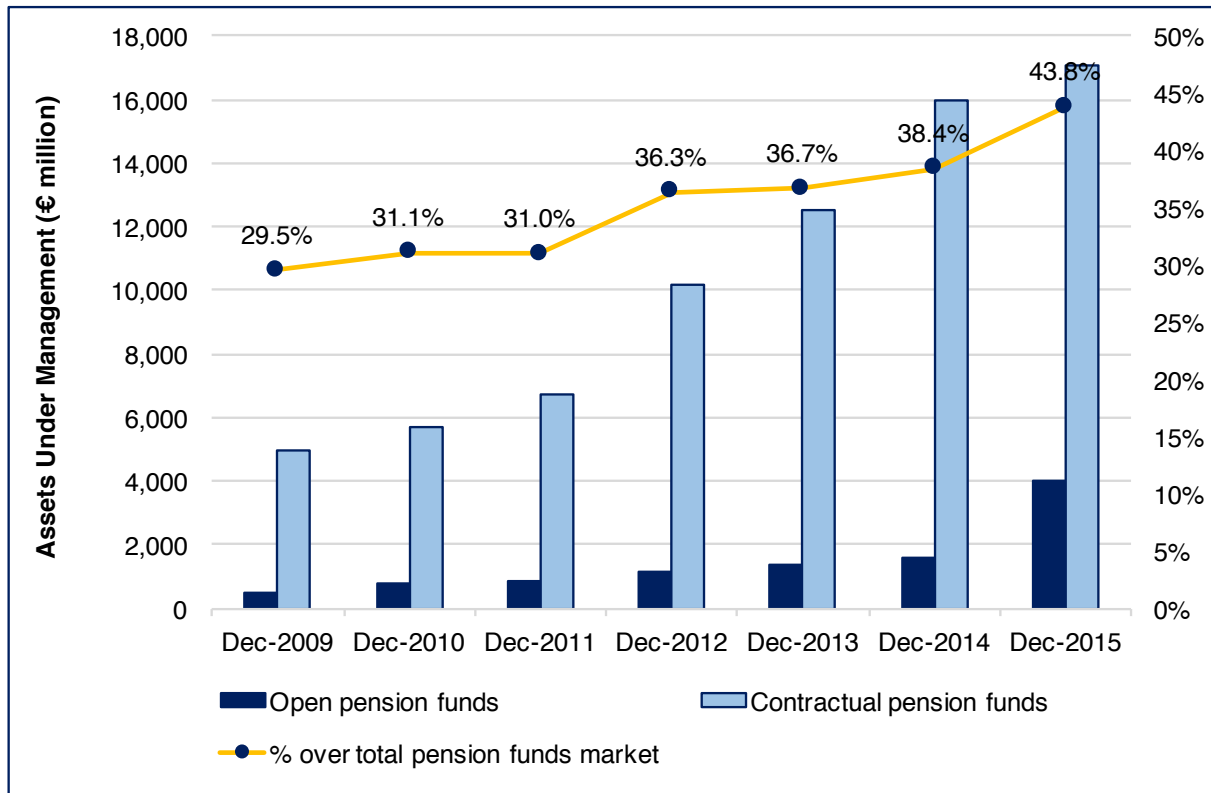


Fig. 24: AUM stock and market shares held by foreign asset management companies within “top 10”, “top 15” and “top 20” rankings (2015, € million and %) – Source: Own elaboration on Assogestioni-IFH database



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

Fig. 25: Pension funds market: AUM stock and market shares held by foreign asset management companies (2009/15, € million and %) – Source: Own elaboration on Assogestioni-IFH database



Assets and liabilities of foreign banks in Italy

7.1 The trend of the main items in foreign banks' financial statements in 2015

This chapter highlights main data about assets and liabilities of foreign banks operating in Italy.

In the first section (par. 7.1) data about foreign banks' financial statements are summarized*. In the second one (par. 7.2) some data about specialized credit and the positioning of foreign banks and financial intermediaries within this industry are discussed.

In line with the trend showed by the Italian banks, after a slight decrease (-2%) registered in 2014, loans granted by foreign banks in Italy stabilized in 2015: in fact, the increase registered by the branches (+ 1%) was compensated by the decline of the subsidiaries (-1%). In terms of composition, the subsidiaries continue to represent the majority of the total credit granted by foreign banks in Italy (about 60%).

The substantial invariance of volumes is also reflected in the market share of foreign banks, remained equal to the levels of 2014 (approx. 14%)¹.

At an aggregate level, a significant presence of the foreign banks is shown in the following segments

** This paragraph was written by Emanuela Atripaldi, Gabriella Guccione and Michela Valsecchi, Division of Banking Supervision, Bank of Italy, Milan offices. The views expressed are those of the Authors and do not necessarily reflect those of Bank of Italy.*

1 It's worthy to notice that, as in previous years, data reported from foreign banks may underestimate the volume of their activities, as some foreign intermediaries account some assets on parent company's books or other group entities' books.

(Figure 26): households (slightly over 20%), firms (about 12%) and producer households (12%).

At the end of 2015, the share of securities held by foreign branches did not change significantly compared to 2014. In terms of institutional sector of the issuer, the main components were still represented by Italian government bonds and bonds issued by Italian banks.

In particular, the share of the Italian Government bonds was slightly more than 5% of the total amount held by the Italian banking system (equal to the 18.7% of the total amount of the Italian public debt). Also the share of bonds issued by Italian banks held by foreign banks in Italy were largely unchanged compared to 2014 (approximately 7%, Figure 27).

At the end of 2015, the foreign banks' market share for deposits from customers slightly increased compared to the previous year (10.7% vs. 9.9%, Figure 28) and it was mainly held by foreign subsidiaries (6.7%). In absolute term, the amount of deposits recorded a positive trend (+12.2%), even if differently for branches (+22.5%) and subsidiaries (+6.7%).

In 2015, foreign banks continued decreasing their market share for interbank deposits (30.1% from 30.4% of 2014 and 32.4% of 2013, Figure 29), although the amount of deposits from banks increased in absolute term (+2.8%).

At the end of 2015, the foreign banks' market share for securities in issue slightly decreased compared to the previous year (5.2% from 5.6%, Figure 30) and was still mainly held by foreign subsidiaries (4.4%). As in the previous two years, in absolute term, the amount of securities issued decreased (-17%) more than the whole market (-11.2%).

As a consequence of the aforementioned trends, the funding gap of the foreign banks² decreased significantly in the last 3 years (from 50% to 40%), due to the decline of both branches and subsidiaries indicators (Figure 31).

In particular, from 2013, the indicators have been declining mainly thanks to the increase in the retail funding, especially the customer deposit component. In fact, for the subsidiaries, the drop of bonds issued to households was more than compensated by the rise of customer deposits (about 10%); for the foreign branches, which do not issue significant amount of own bonds to the households, deposits have also been significantly increasing lately.

2 Calculated as the ratio of the following terms: the numerator is the difference between loans and the sum of deposits and bonds issued to the households and the denominator is the total amount of loans.

Fig. 26: Market share held by foreign banks in loans to customers by counterparty's sector (2015, %) –
Source: Bank of Italy, Supervisory Statistics

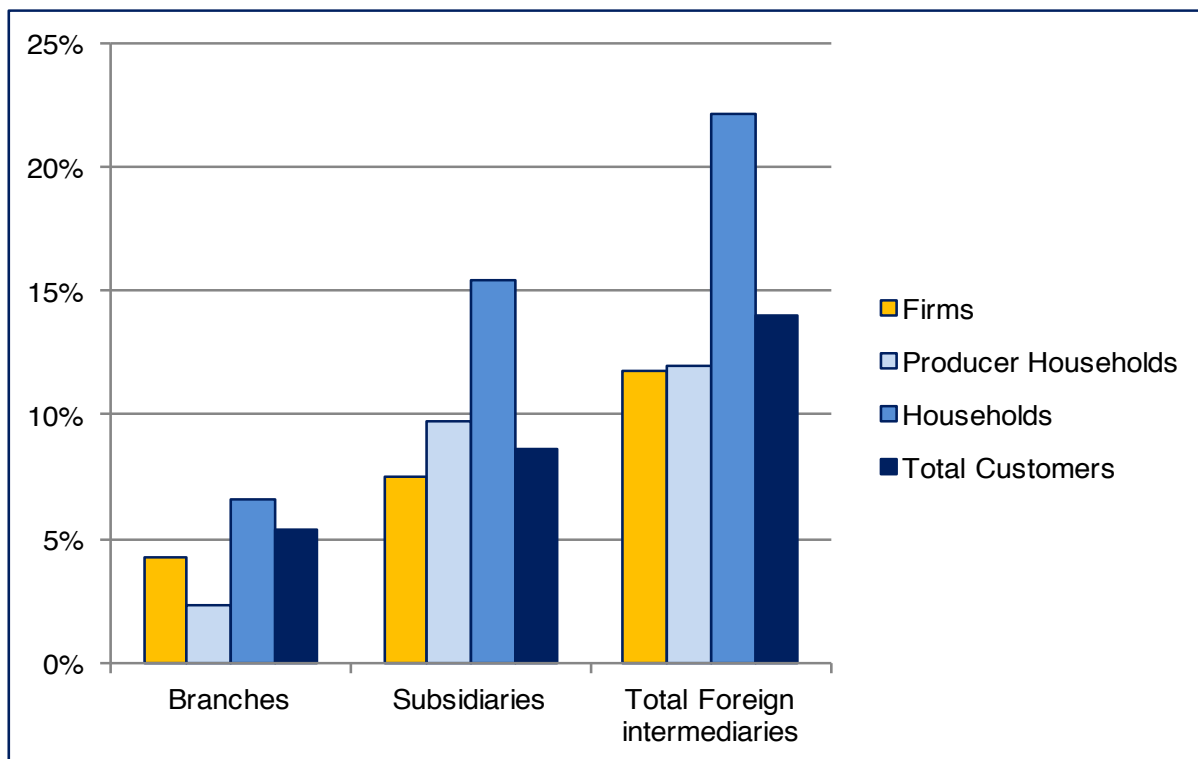


Fig. 27: Securities – Market share held by foreign banks by counterparty's sector (2015, %) –Source: Bank of Italy, Supervisory Statistics

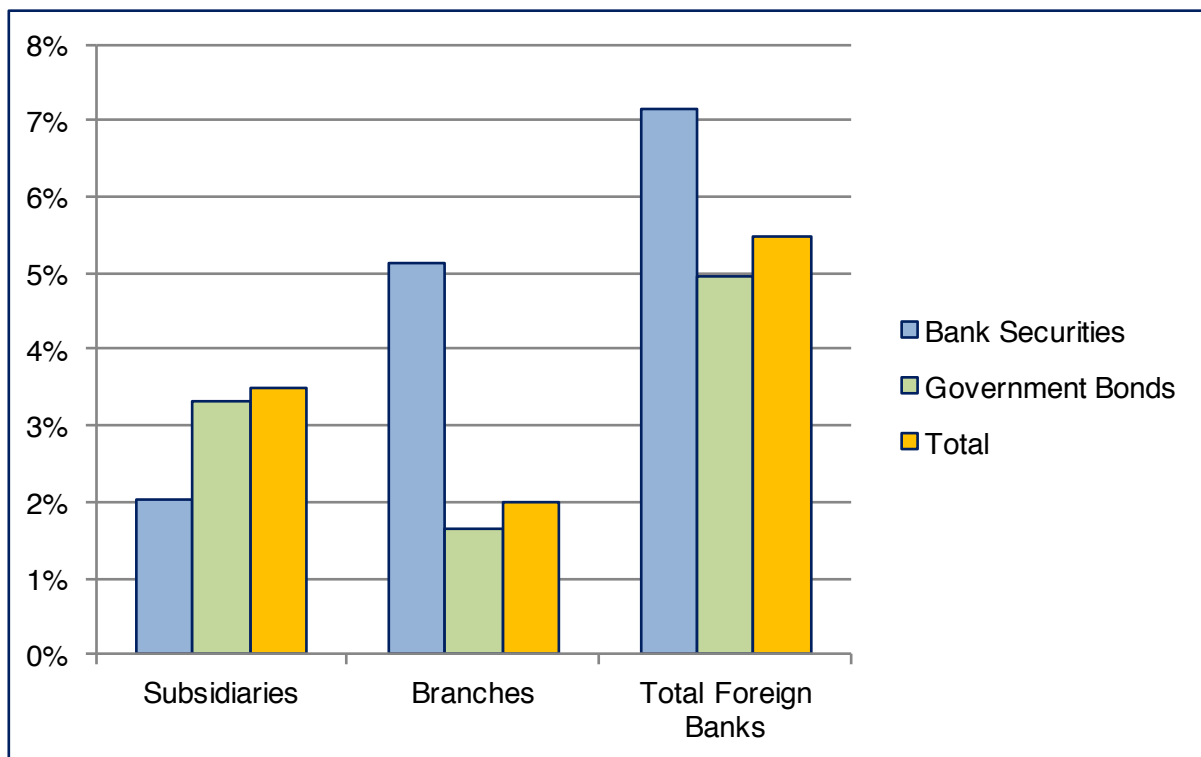


Fig. 28: Foreign banks' market share for deposits from customers (2015, %) – Source: Bank of Italy, Supervisory Statistics

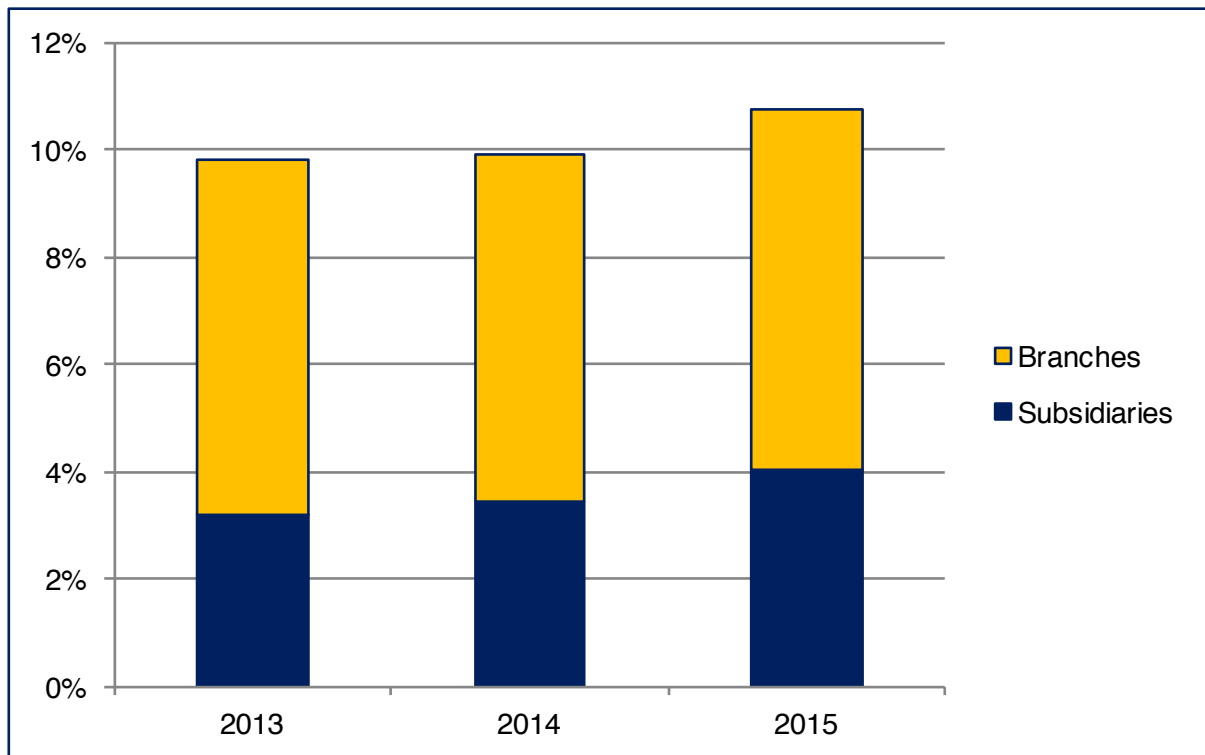


Fig. 29: Foreign banks' market share for deposits from banks (2015, %) – Source: Bank of Italy, Supervisory Statistics

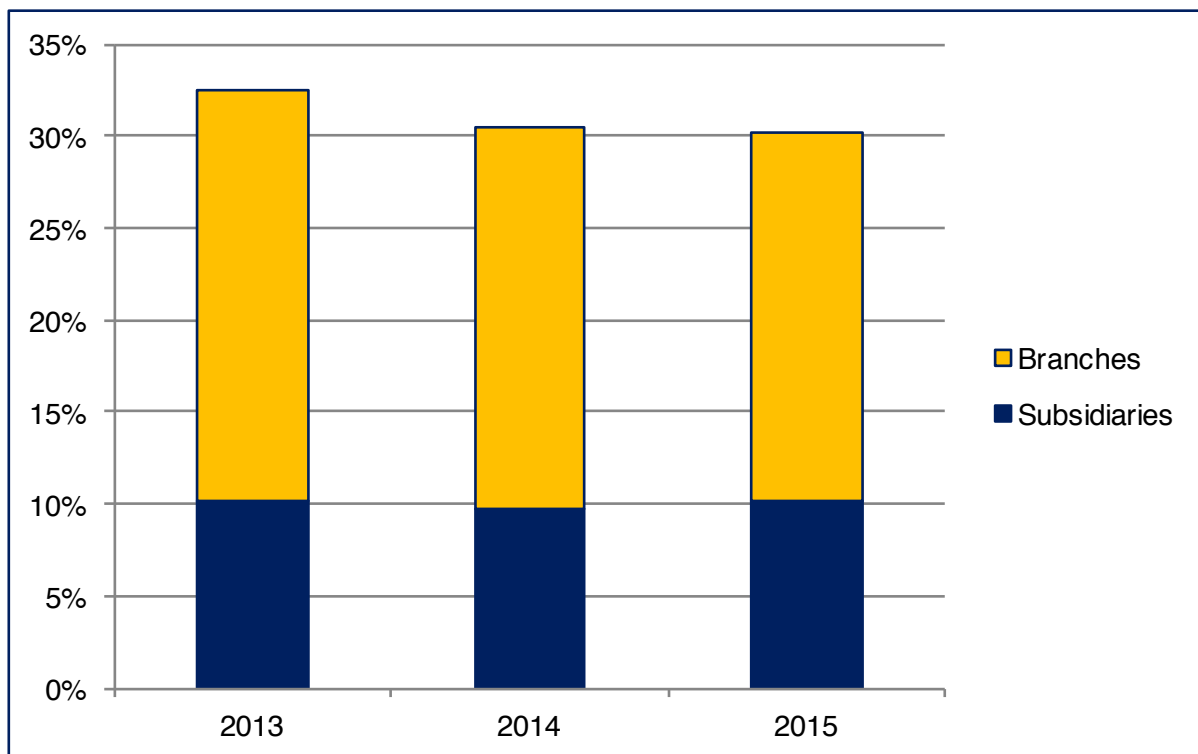


Fig. 30: Foreign banks' market share for securities in issue (2015, %) – Source: Bank of Italy, Supervisory Statistics

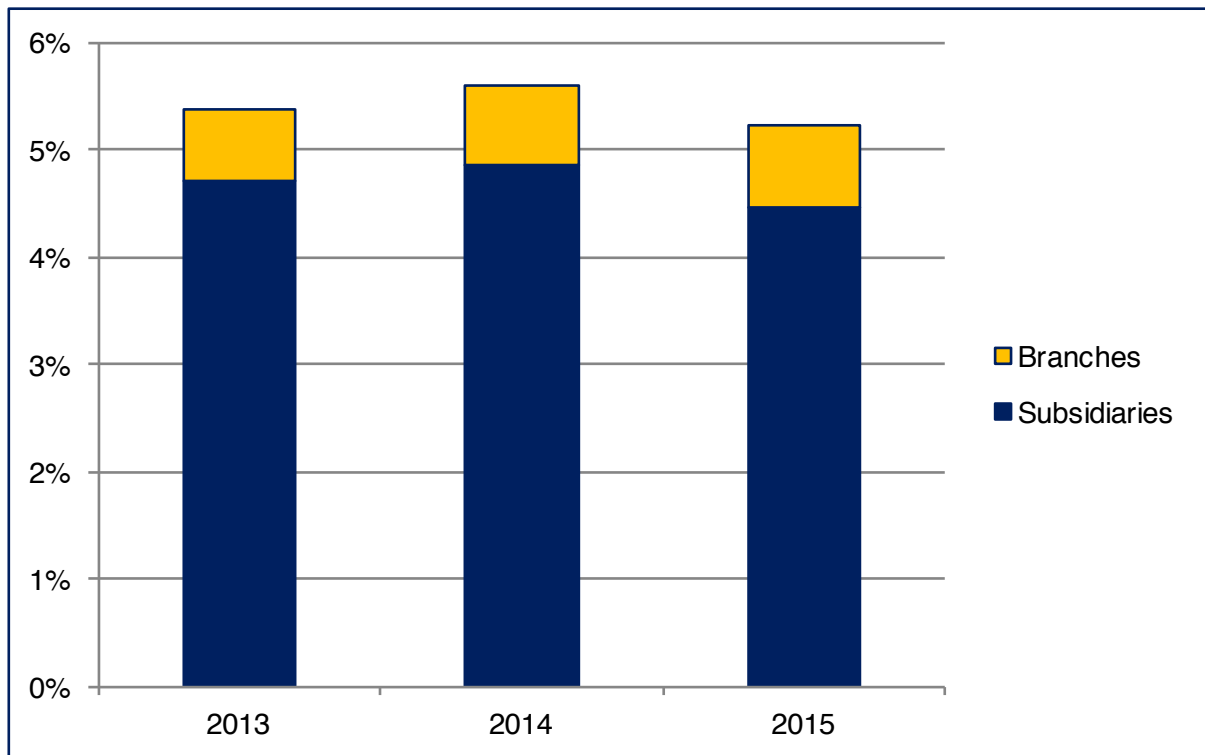
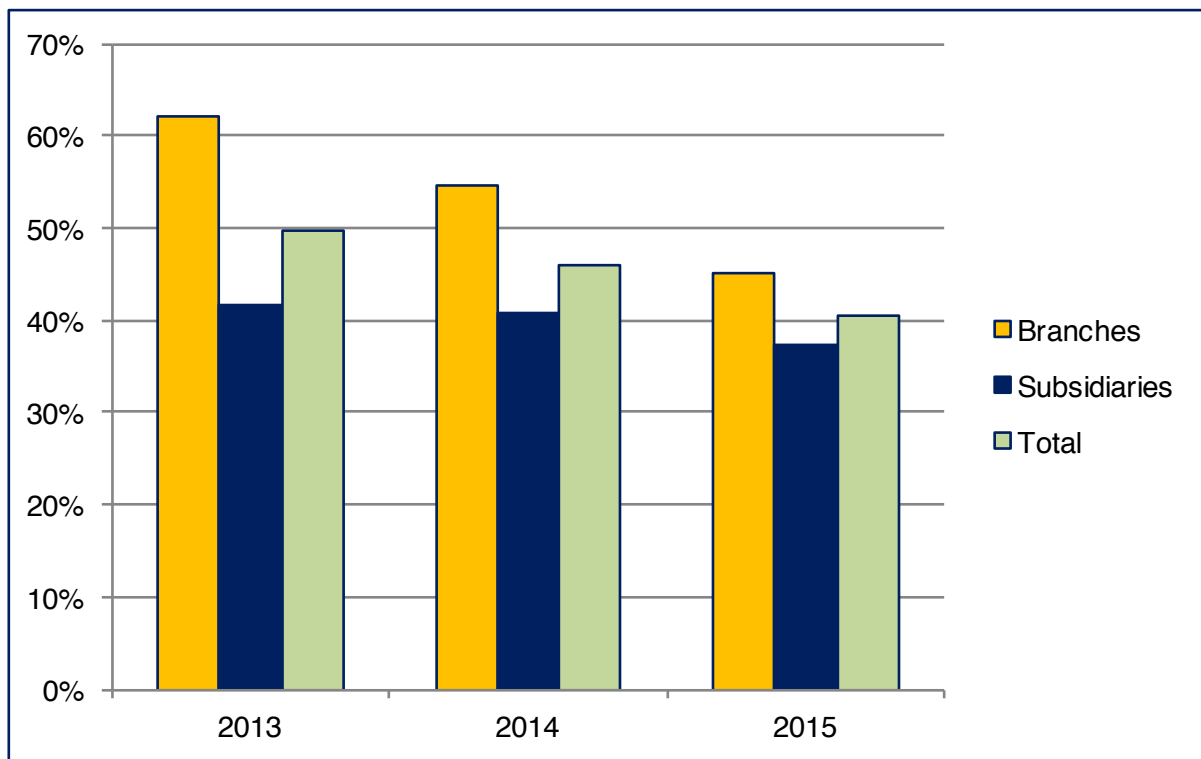


Fig. 31: Foreign banks' Funding gap (2015, %) –
Source: Bank of Italy, Supervisory Statistics



7.2 Specialized credit: leasing, factoring and consumer credit

In 2015, according to Assilea data, the Italian leasing market has known a growth of about 10%: the deal value increased from € 15.5 to € 17.1 billion. The market share of foreign players increased of 1.3 percentage points (46.4% at end-2015, Table 14).

In particular the market share owned by foreign banks is very significant and in last 2 years this share increased of about 5 percentage points. At the end of 2015 it is around 36%.

With regards to factoring, according to Assifact, it is worthy to observe that the total annual turnover increased of about 4.1% YoY (from € 177.5 to € 184.8 billion). Foreign players recorded a slight increase, from € 36 to € 36.7 billion (+2%), while their market share remained almost stable, at 20% of the annual turnover (Figure 32).

In last two years (2014 and 2015), the Italian consumer credit market has increased. According to Assofin data, the increase in financial flows has been equal to 6 billion on annual basis, reaching € 52.3 billion in 2015.

The market share held by foreign players, slightly decline in last year, reaching 46% (Fig. 33). However, the decrease was lower than 1 percentage point. Despite the reduction in market share, the value of consumer credit granted by foreign players, grew up to about € 24 billion (+ € 2.2 billion YoY). Foreign banks have a market share equal to 8% of the whole market, slightly below the average for the 2008-15 period.

Tab. 14: Italian leasing market: distribution of the value of leasing contracts by geographical origin of intermediaries (2008/15, € billion and %) – Source: Own elaboration on Assilea data

	2008		2009		2010		2011	
	Value	%	Value	%	Value	%	Value	%
Italian intermediaries	28.1	72.8	19.0	73.2	20.3	74.8	17.1	69.3
Foreign intermediaries	10.5	27.2	6.9	26.8	6.9	25.2	7.6	30.7
<i>of which: foreign banks</i>	8.2	21.1	5.8	22.2	5.6	20.7	6.1	24.7
Total	38.7	100	25.9	100	27.2	100	24.6	100

	2012		2013		2014		2015	
	Value	%	Value	%	Value	%	Value	%
Italian intermediaries	10.2	61.0	10.0	60.6	8.5	54.9	8.3	48.7
Foreign intermediaries	6.5	39.0	6.5	39.4	7.0	45.1	7.9	46.4
<i>of which: foreign banks</i>	5.2	31.2	5.1	30.8	5.5	35.7	6.2	36.0
N/A data							0.8	4.9
Total	16.7	100	16.5	100	15.5	100	17.1	100

Fig. 32: Italian factoring market: distribution of the turnover and market share of foreign players (2008/15, € billion and %) – Source: Own elaboration on Assifact data

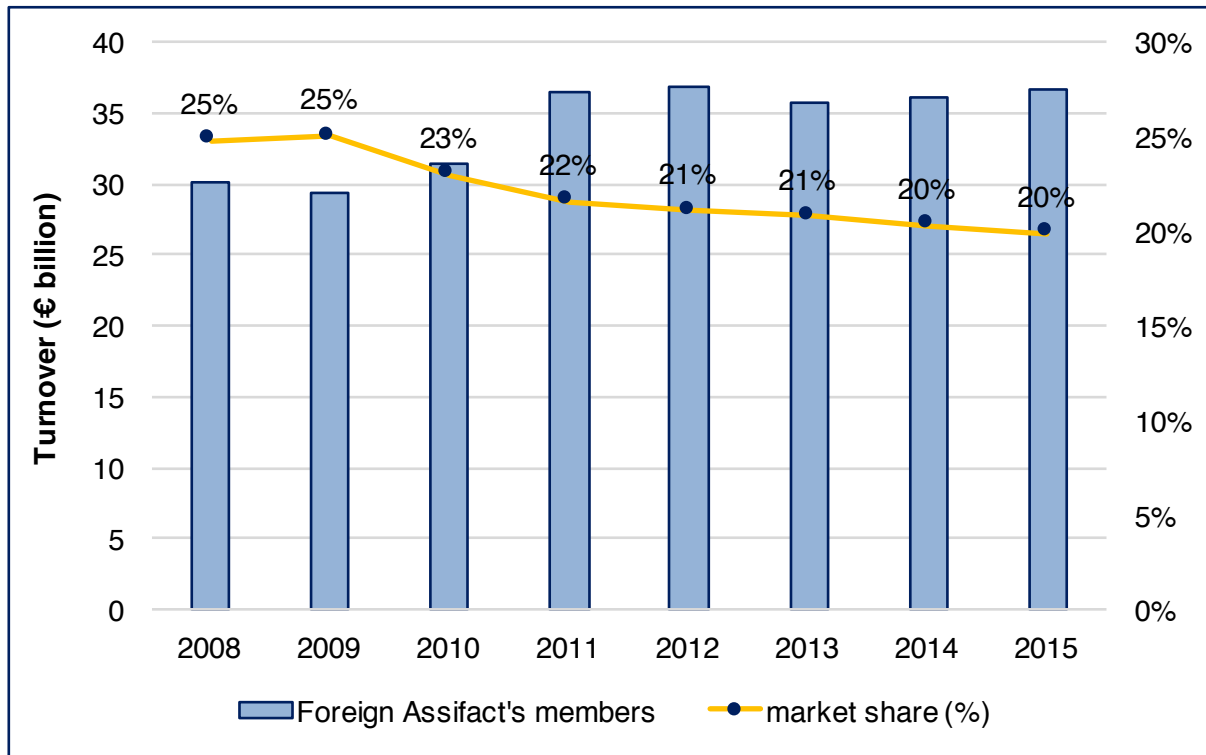
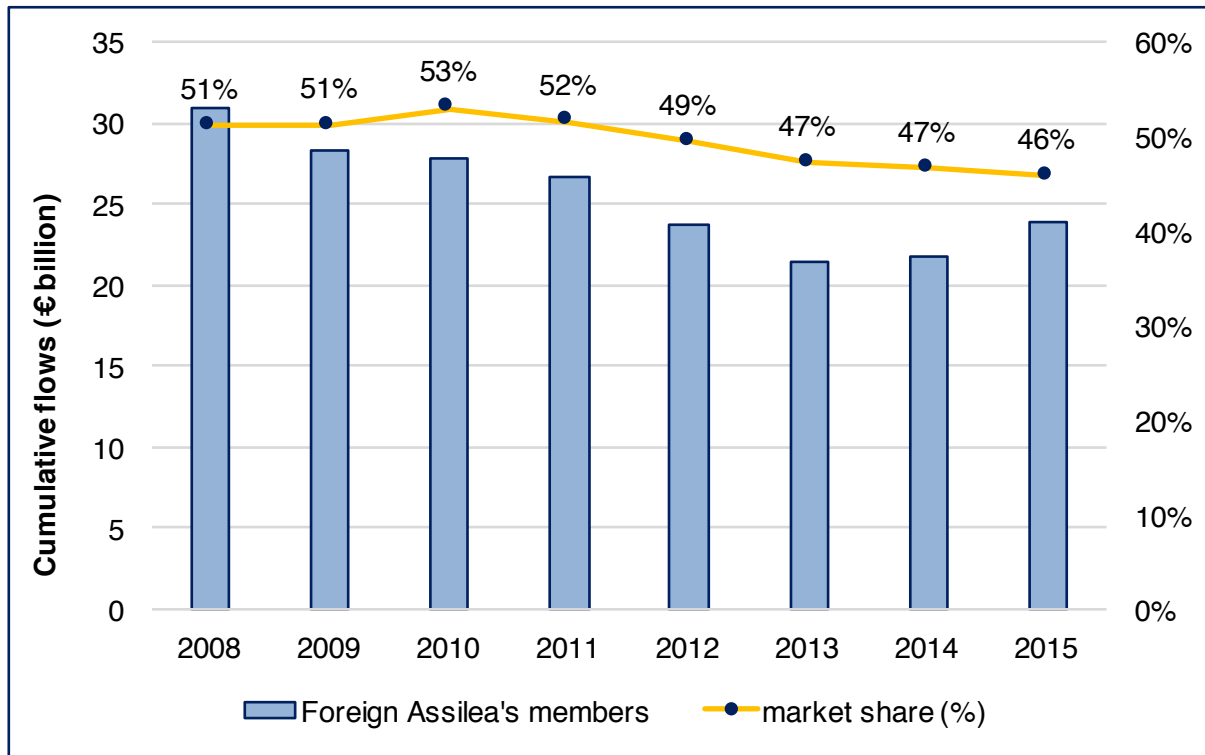


Fig. 33: Italian consumer credit market: distribution of cumulative flows and market share of foreign players (2008/15, € billion and %) – Source: Own elaboration on Assilea data



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