

# Italian banking, Past, Present, Future

Marcello de Cecco

Scuola Normale Superiore di Pisa

Scientific Advisory Board,  
Unicredit

Italian banking has known three phases since Italy was unified in 1861.

1. 1861-1936: Parallel development of large banks organised as limited companies and savings and people's banks, organised as public agencies or mutual societies. Large universal banks grew to reach world players' size. Very large savings banks developed in places like Milan and Turin.

After a remarkable post-war boom in the 1920s, when the Banca Commerciale Italiana became bigger than Deutsche Bank, in 1931 the world financial crisis and serious internal problems ravaged the Italian banking system. The largest

banks, which had a very large portfolio of shares of companies in heavy industry sectors, became insolvent when the firms they owned became insolvent. Between 1934 and 1936, the state intervened and rescued banks and firms. They carried on as limited companies but ownership went to the state, which reorganised the whole thing as a giant holding,

IRI

2. 1936-1990. The banking system was reorganised under a new Banking Law. It divided banks into three categories:

Public Law Banks

National Interest Banks

Ordinary credit banks

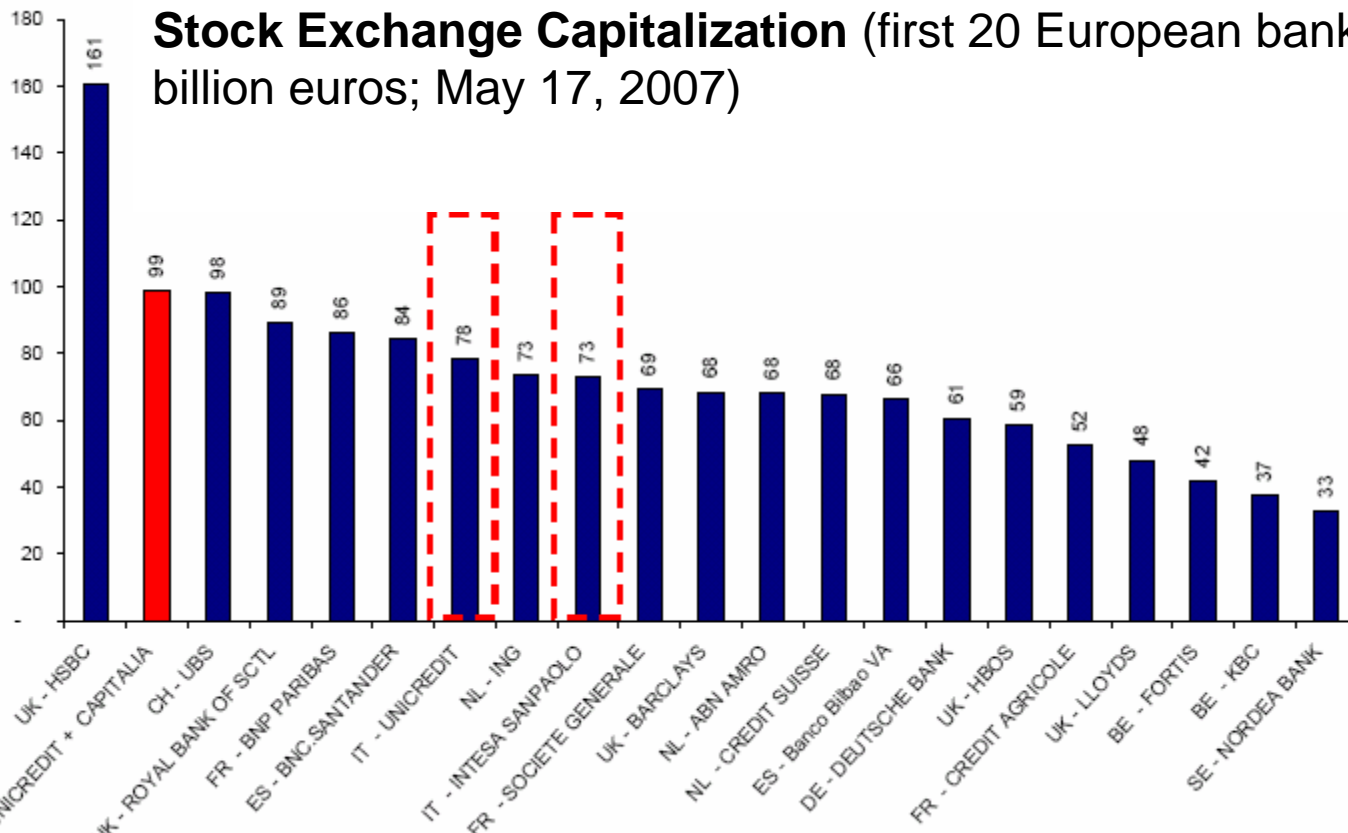
Banks could either operate as short term credit institutes or as entities specialising in long term lending.

Banking supervision was first given to the Treasury . Later, after the Second World War, it was shifted to the Central Bank, the Bank of Italy. Very extensive exchange controls were imposed in the 1930s and lasted until the late 1980s. They were made increasingly heavier as Italy experienced serious payments imbalances after the First Oil Crisis.

### 3. 1990 to the Present.

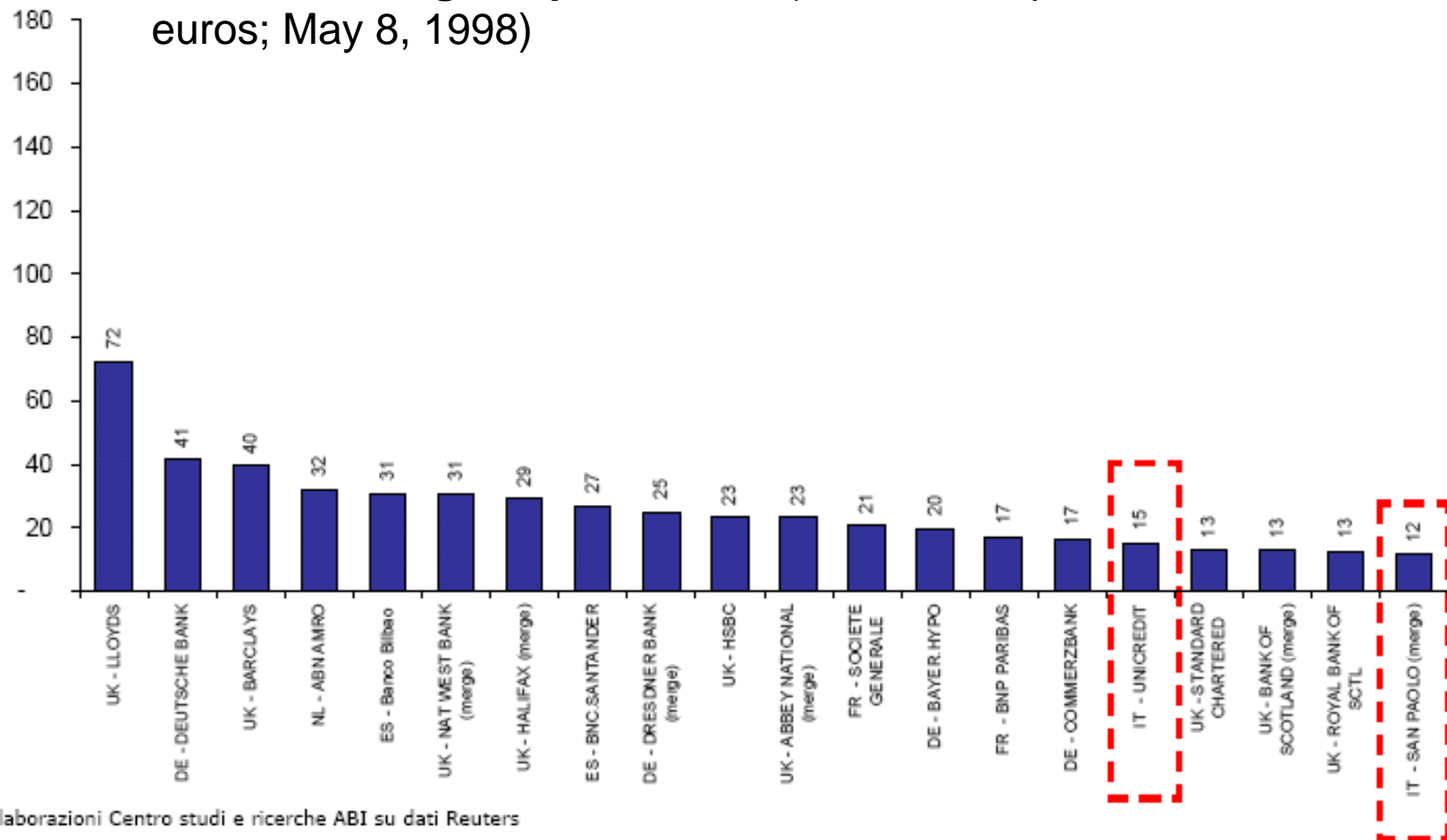
Italian banking underwent deep structural and institutional change. From a peak of 80% public ownership it was completely privatised, yielding to pressure coming from the European Commission, which passed the First and Second Banking Directives while in Italy most of them were considered public bodies subjected to Public Law. The new law changed Italian banks into profit seeking normal private companies, . Public banks were all transformed into limited companies, and the National Interest Banks' shares were sold to the public. The Public Law Banks' shares were given to newly established Foundations and another Law, in 1994, mandated that the Foundations sell their banking shares to the public and use their resources for public welfare purposes Savings banks were also included in the new law and People's Banks were also transformed into limited companies and several of them went public, although they kept their special one man one vote feature, a rather strange juridical artifact.

## Stock Exchange Capitalization (first 20 European banks; billion euros; May 17, 2007)



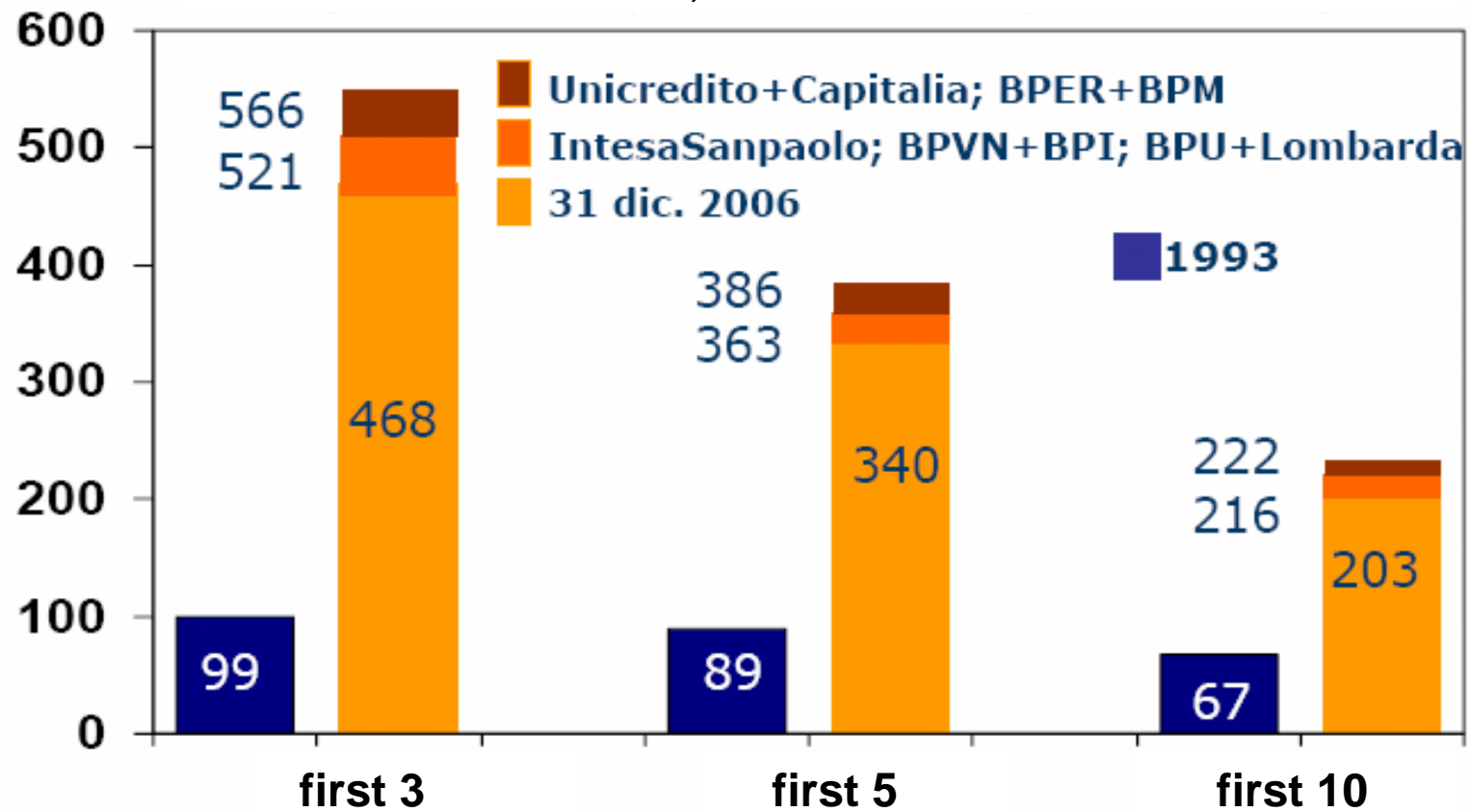
Fonte: elaborazioni Centro studi e ricerche ABI su dati Reuters

## Stock Exchange Capitalization (first 20 European banks; billion euros; May 8, 1998)



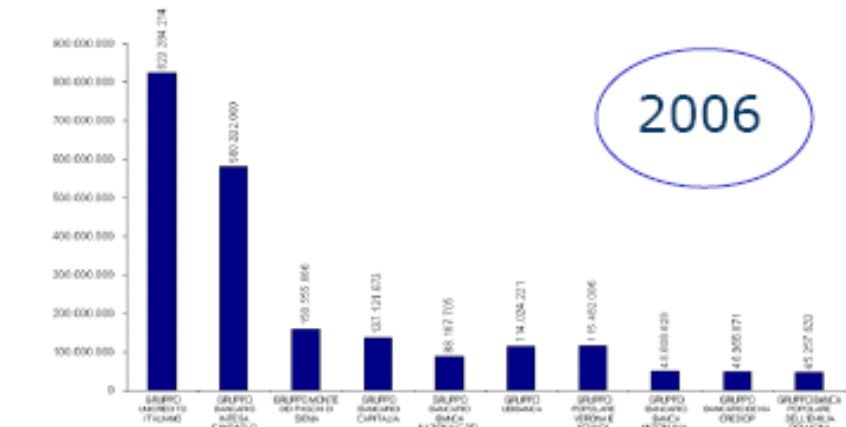
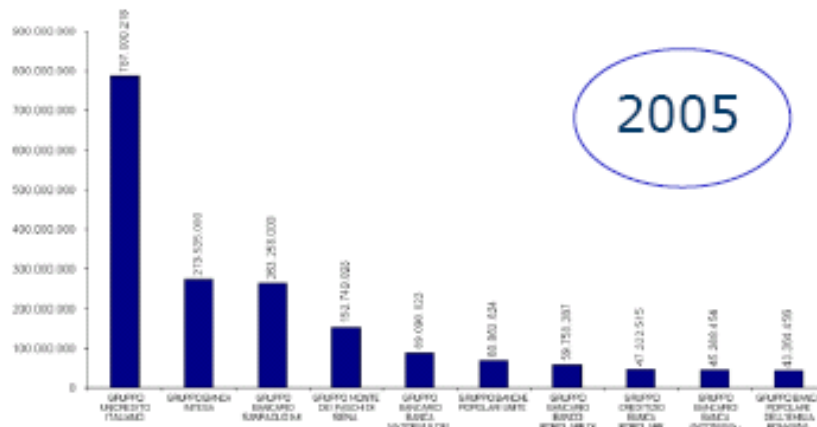
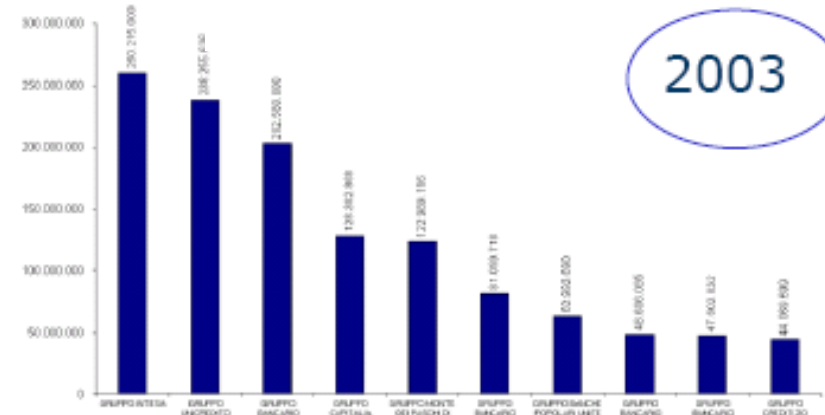
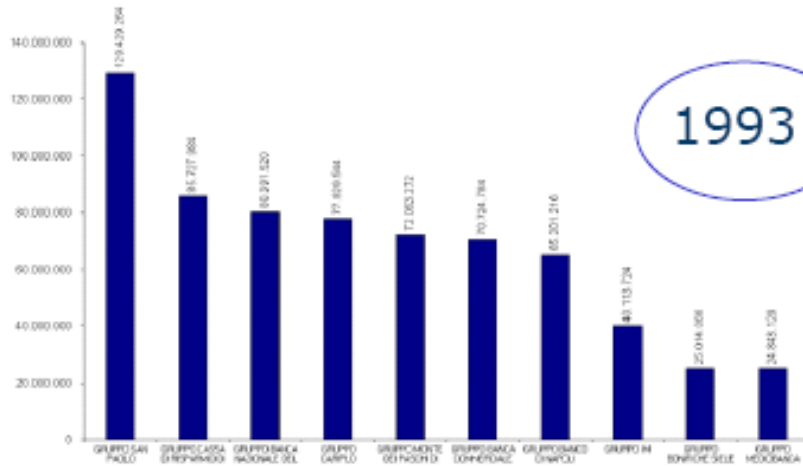
Fonte: elaborazioni Centro studi e ricerche ABI su dati Reuters

**Average size of Italian banking groups (total assets; billion euros; 1993-2006)**



Fonte: elaborazioni Centro studi e ricerche ABI su ABI Banking DATA

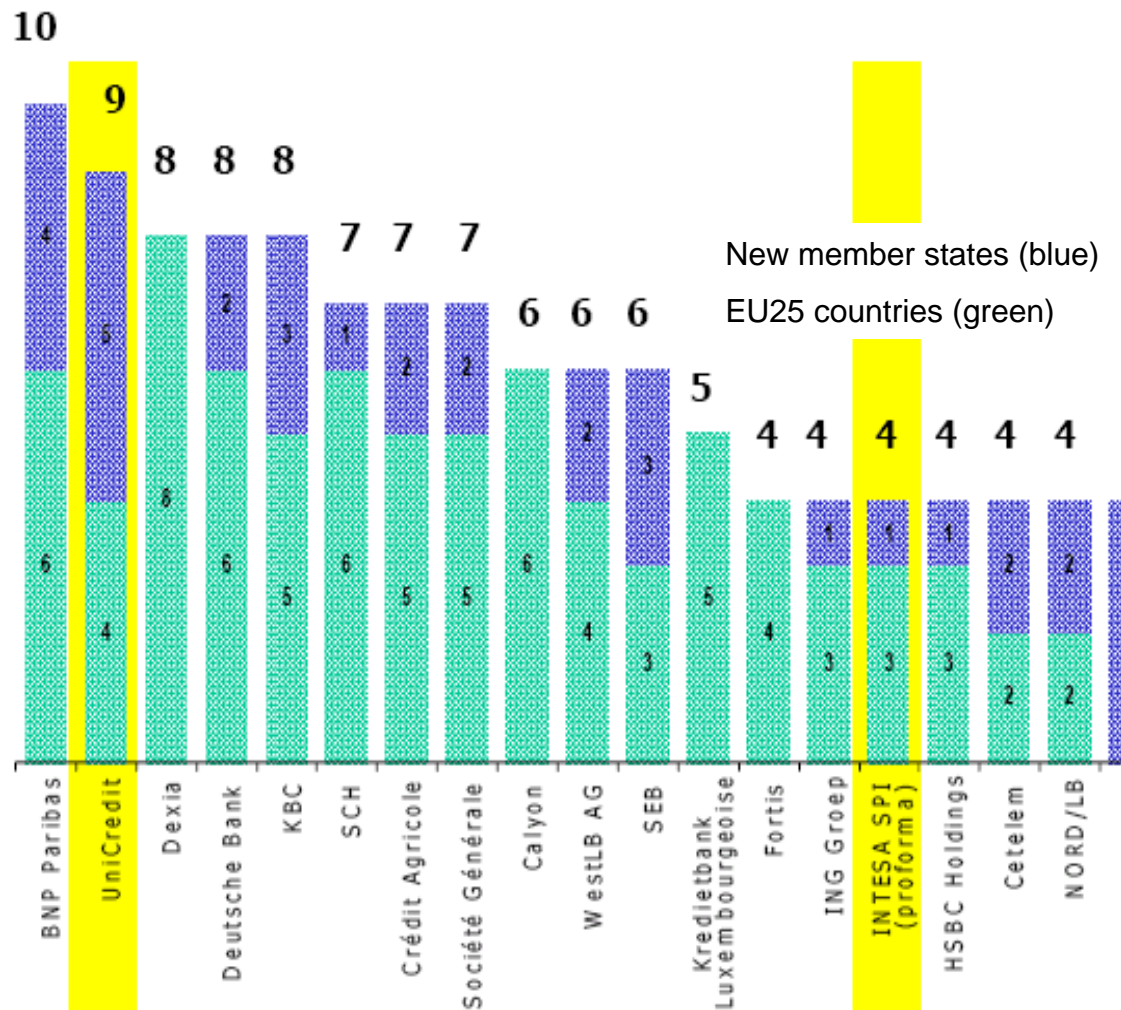
## First 10 Italian banking group (1993-2006)



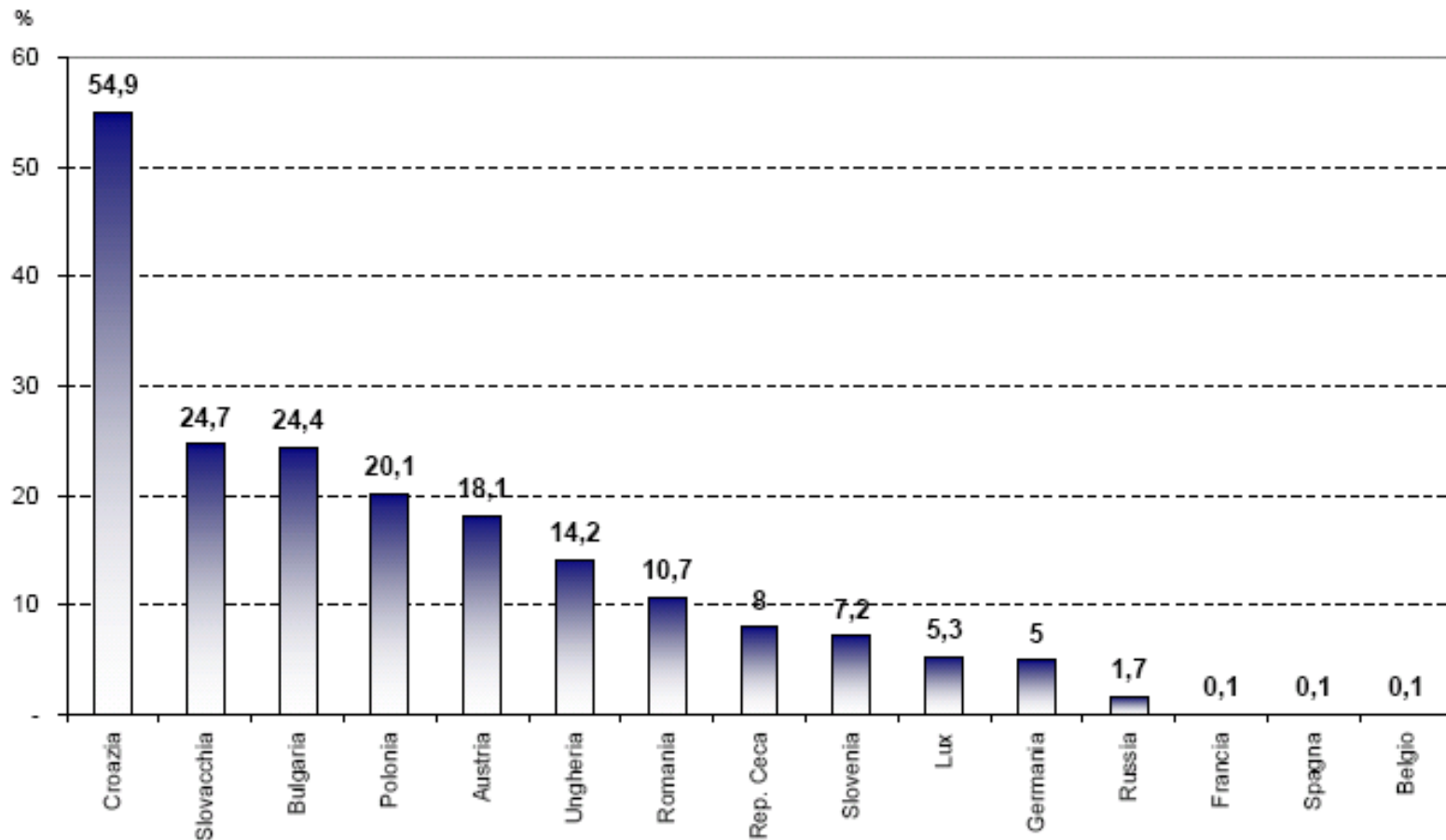
Fonte: elaborazioni Centro studi e ricerche ABI su ABI Banking DATA



## European banking groups: Branch and subsidiaries in countries other than the country of origin

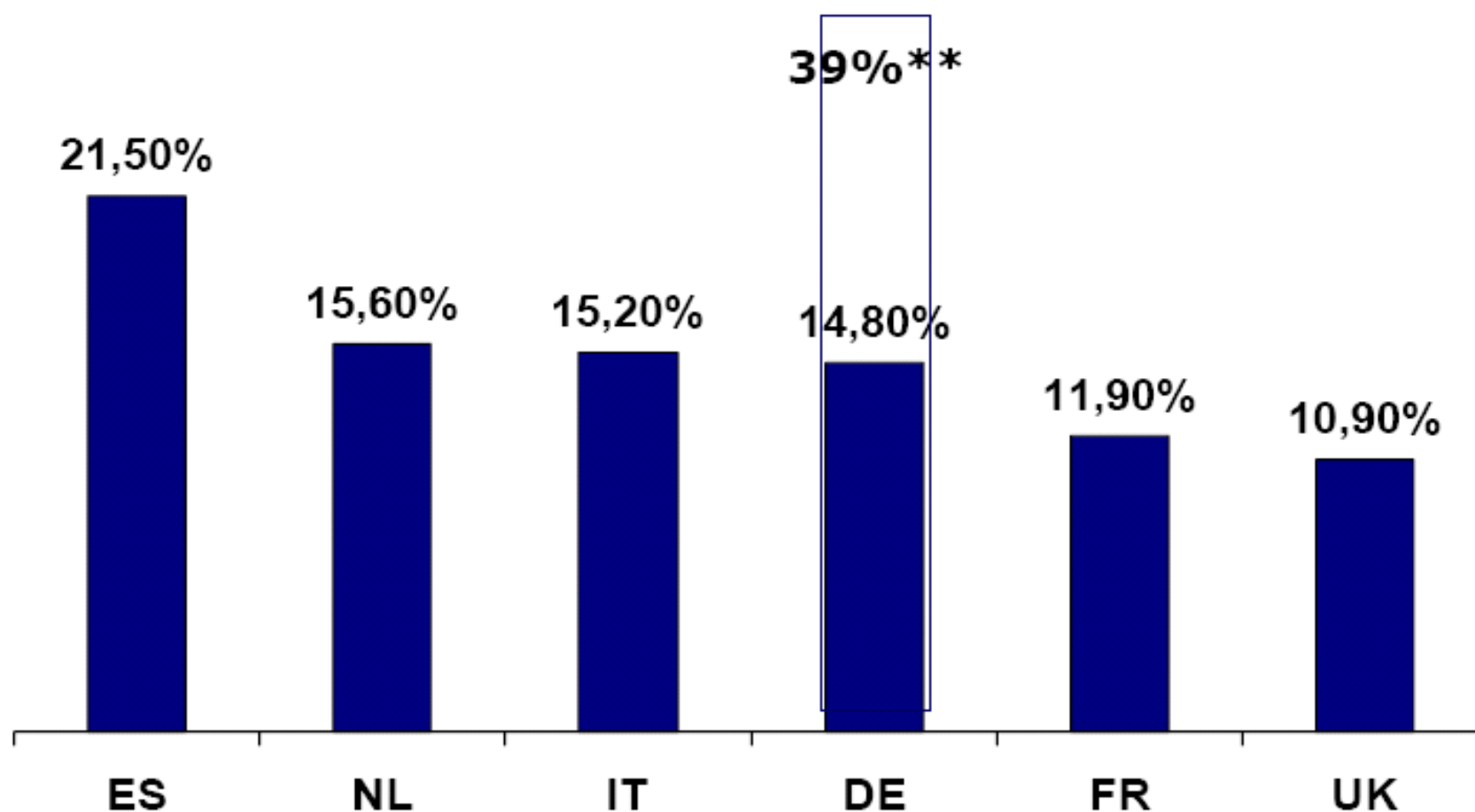


## Local banks owned by Italian banks. % of each country's total bank assets



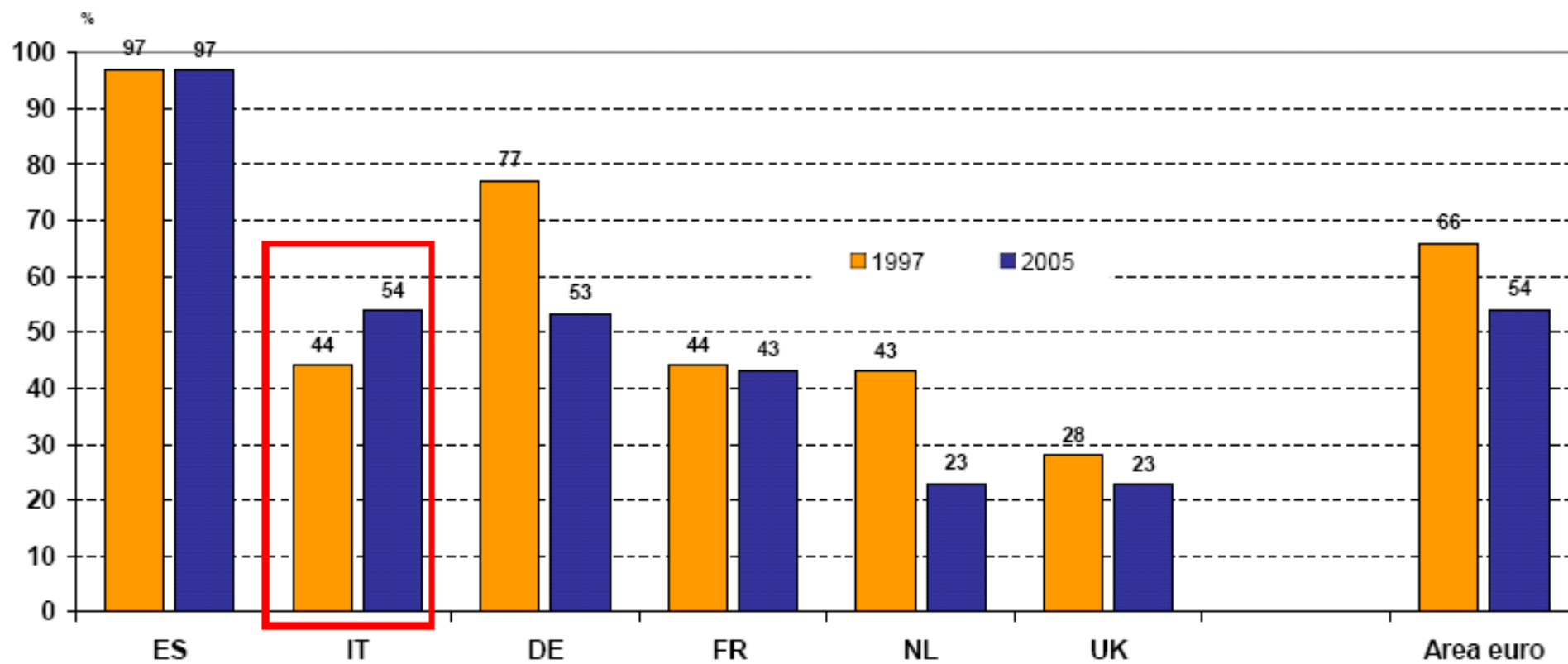
Fonte. Elaborazioni Centro Studi e Ricerche su dati Banca d'Italia.

Azionariato estero nei primi 4 gruppi bancari dei principali mercati europei  
(% di capitale detenuto da soggetti esteri: dati aggregati; maggio 2006)\*



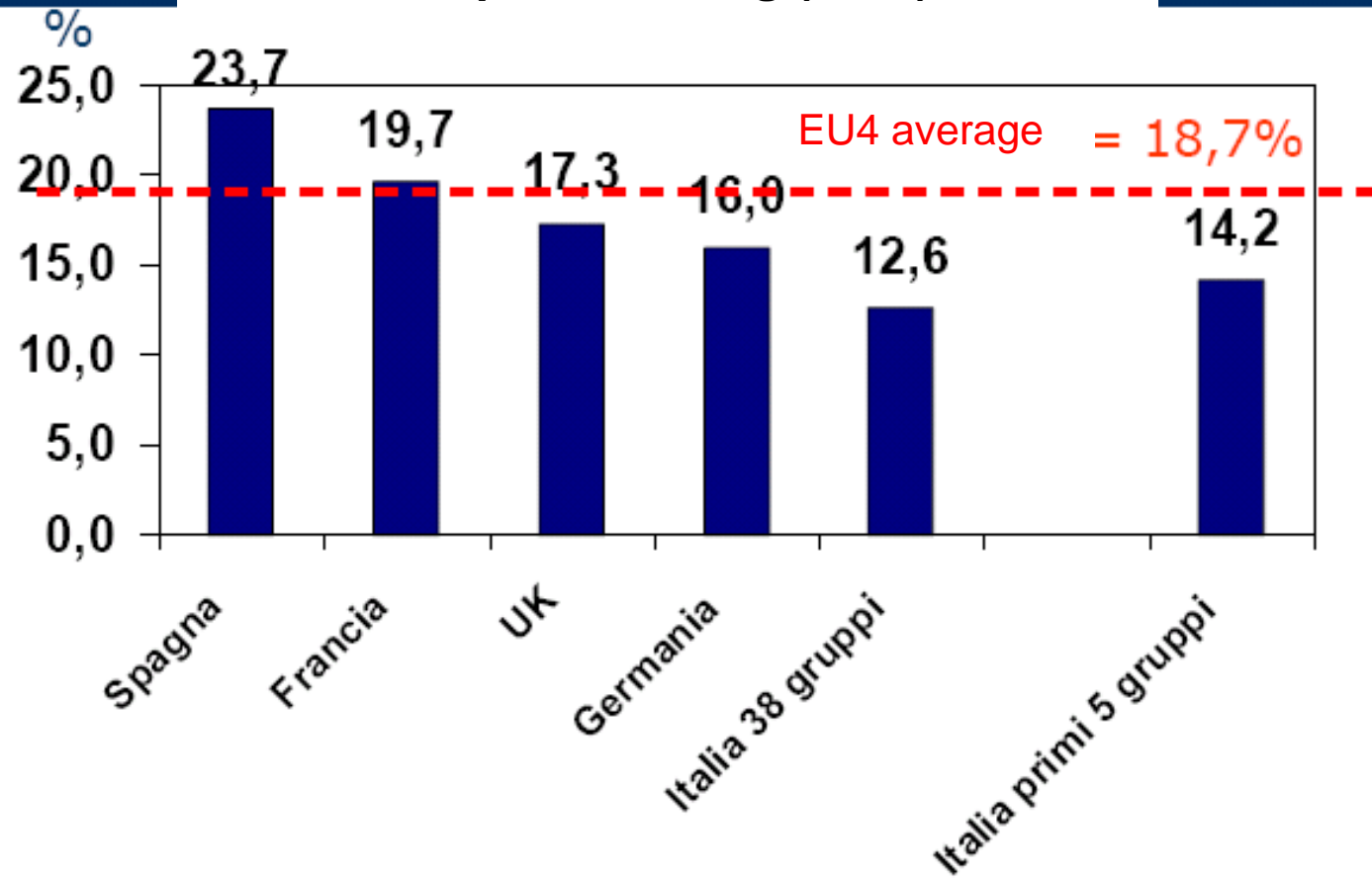
(\* ) dato relativo al capitale al 31/12/2006 (\*\* ) considerando HVB come tedesca

## Bank branches per 100.000 inhabitants



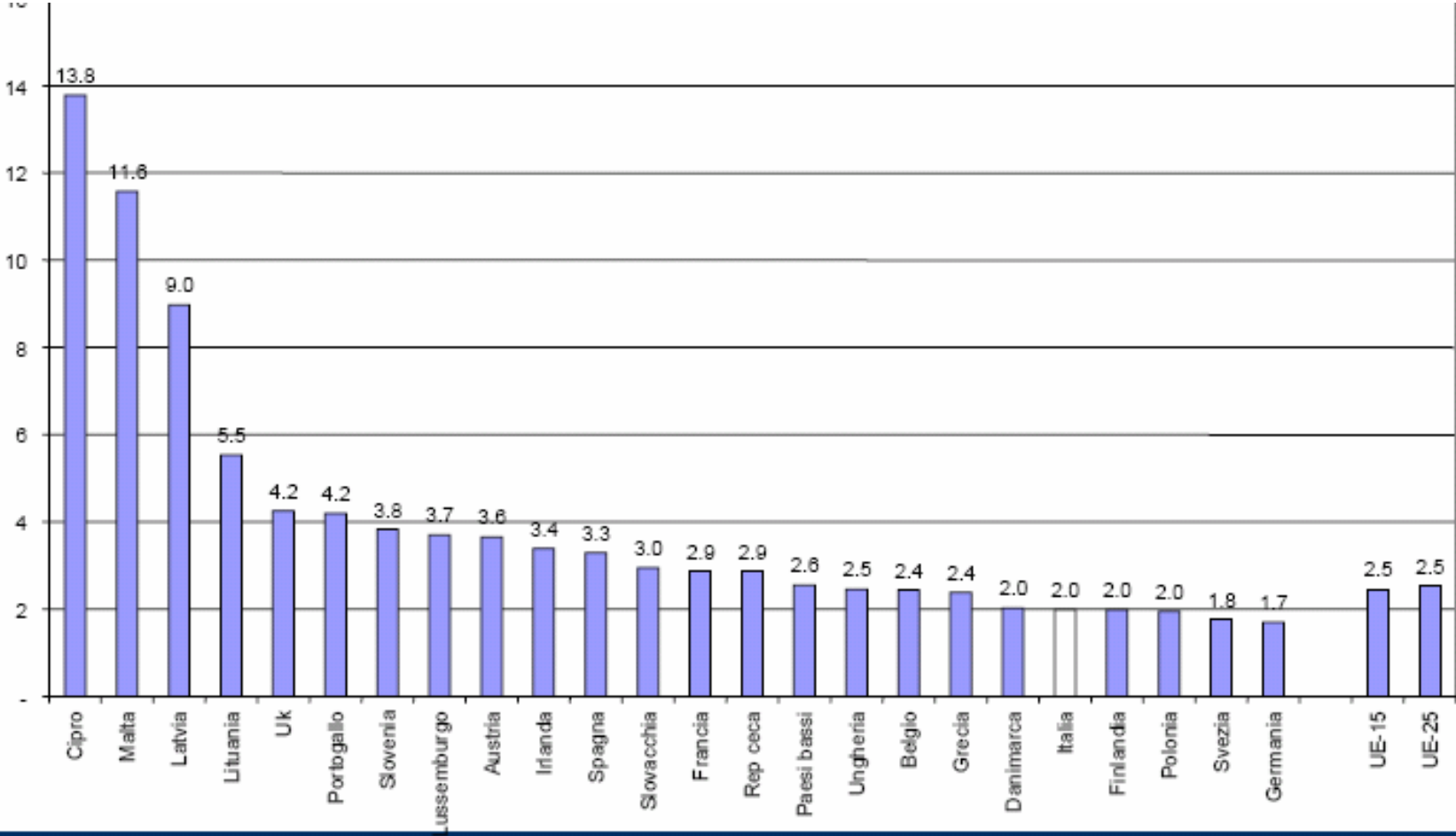
Fonte: elaborazioni Centro studi e ricerche ABI su dati BCE.

## ROE in European banking (2006)

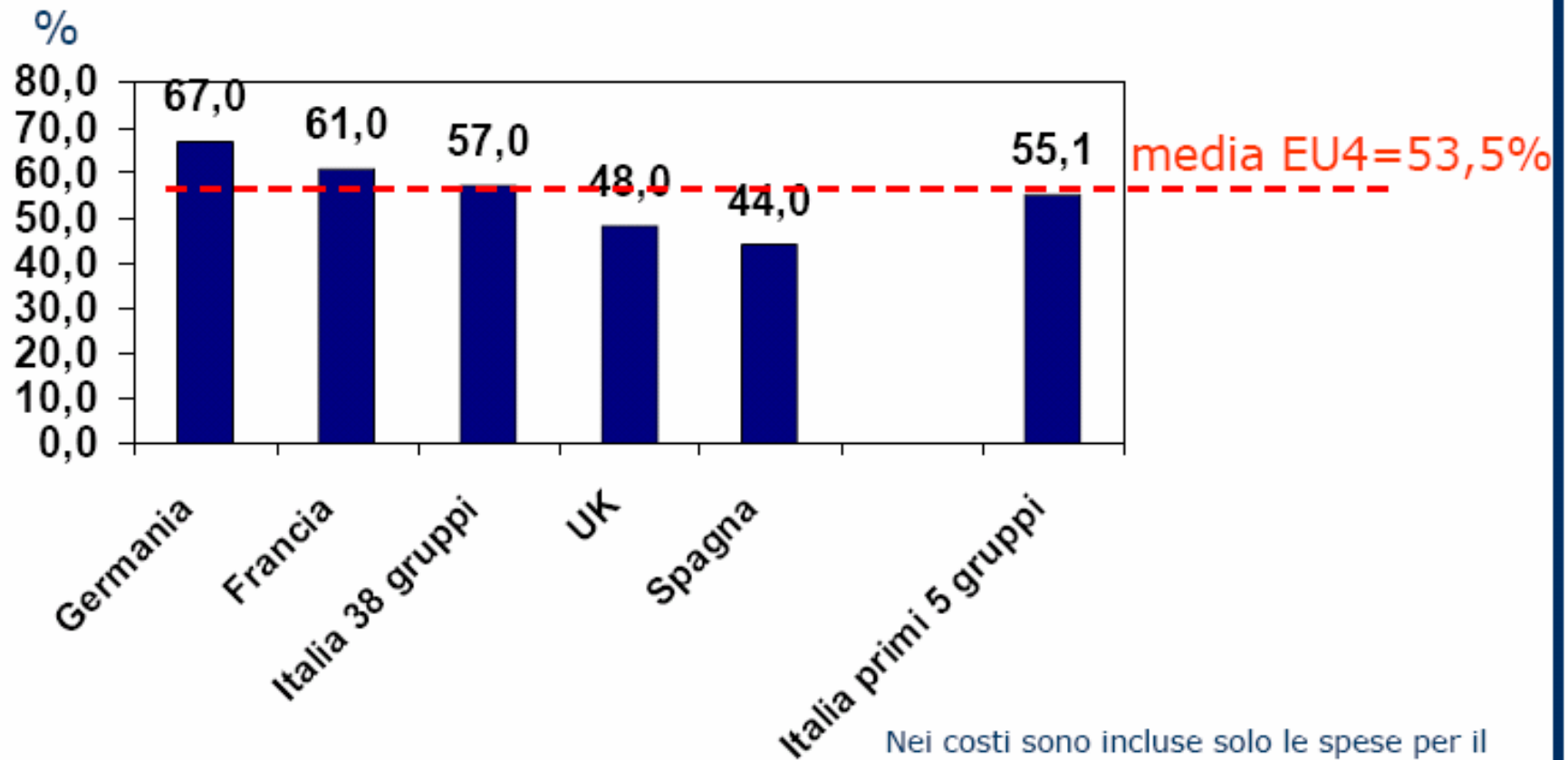


Fonte: elaborazioni Centro studi e ricerche ABI e EBR su dati su ABI Banking DATA e Fitch Rating

# Retail banking income as % of GDP in EU25 contries (2004)



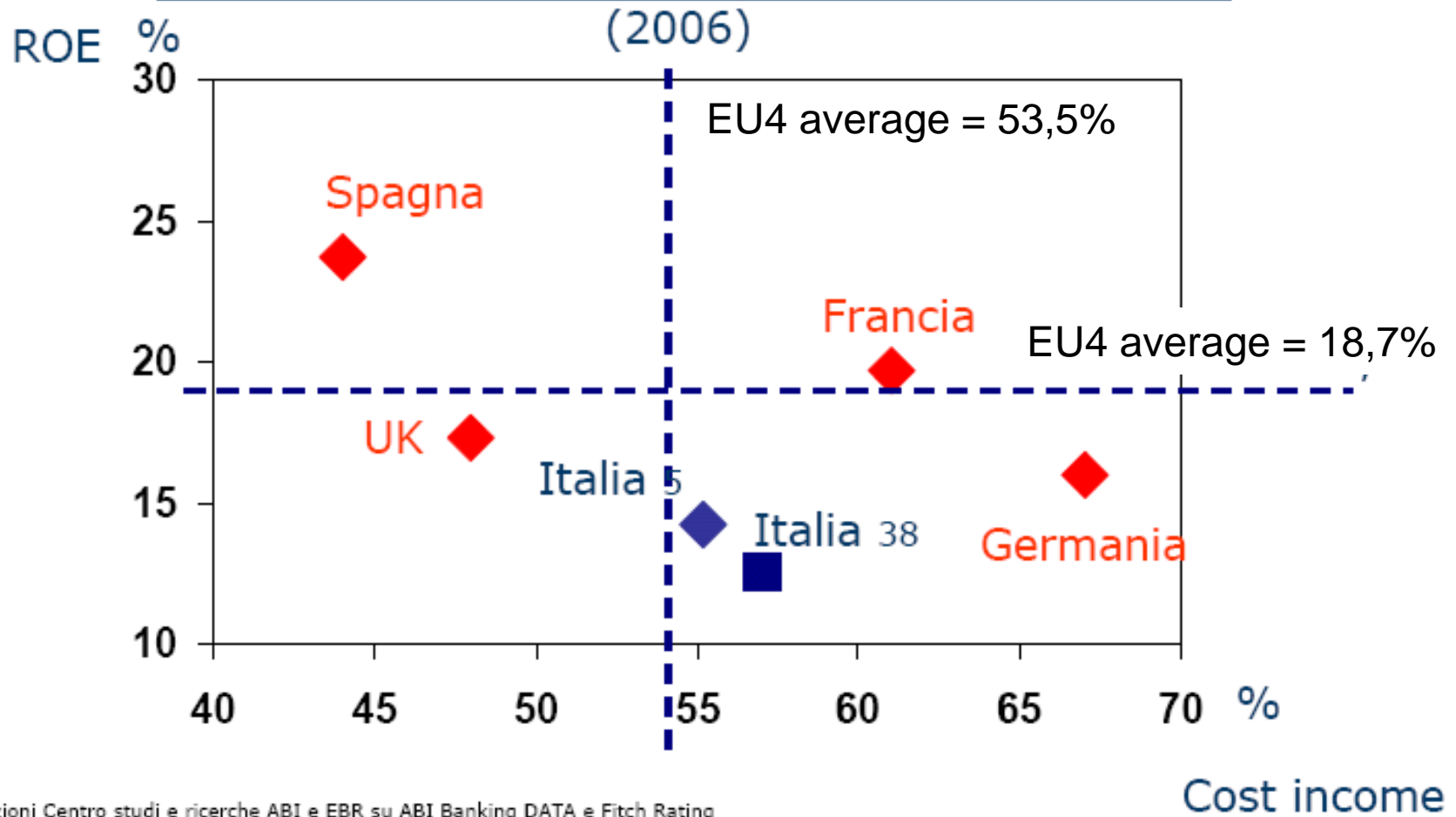
## European banks: Cost-income ratio



Fonte: elaborazioni Centro studi e ricerche ABI su ABI Banking DATA e EBR

Nei costi sono incluse solo le spese per il Personale e le altre spese amministrative

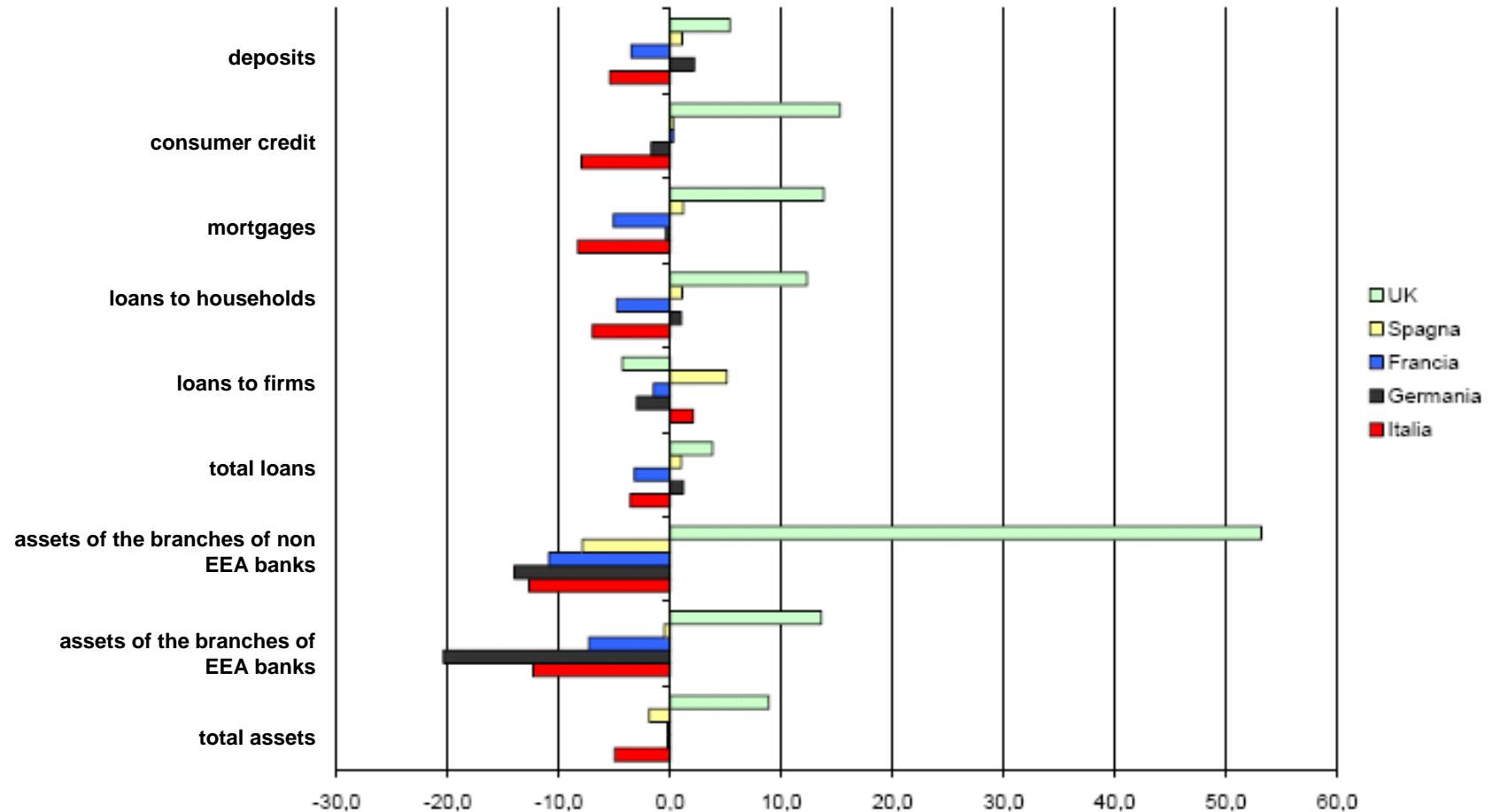
## European banks: ROE and cost-income ratio



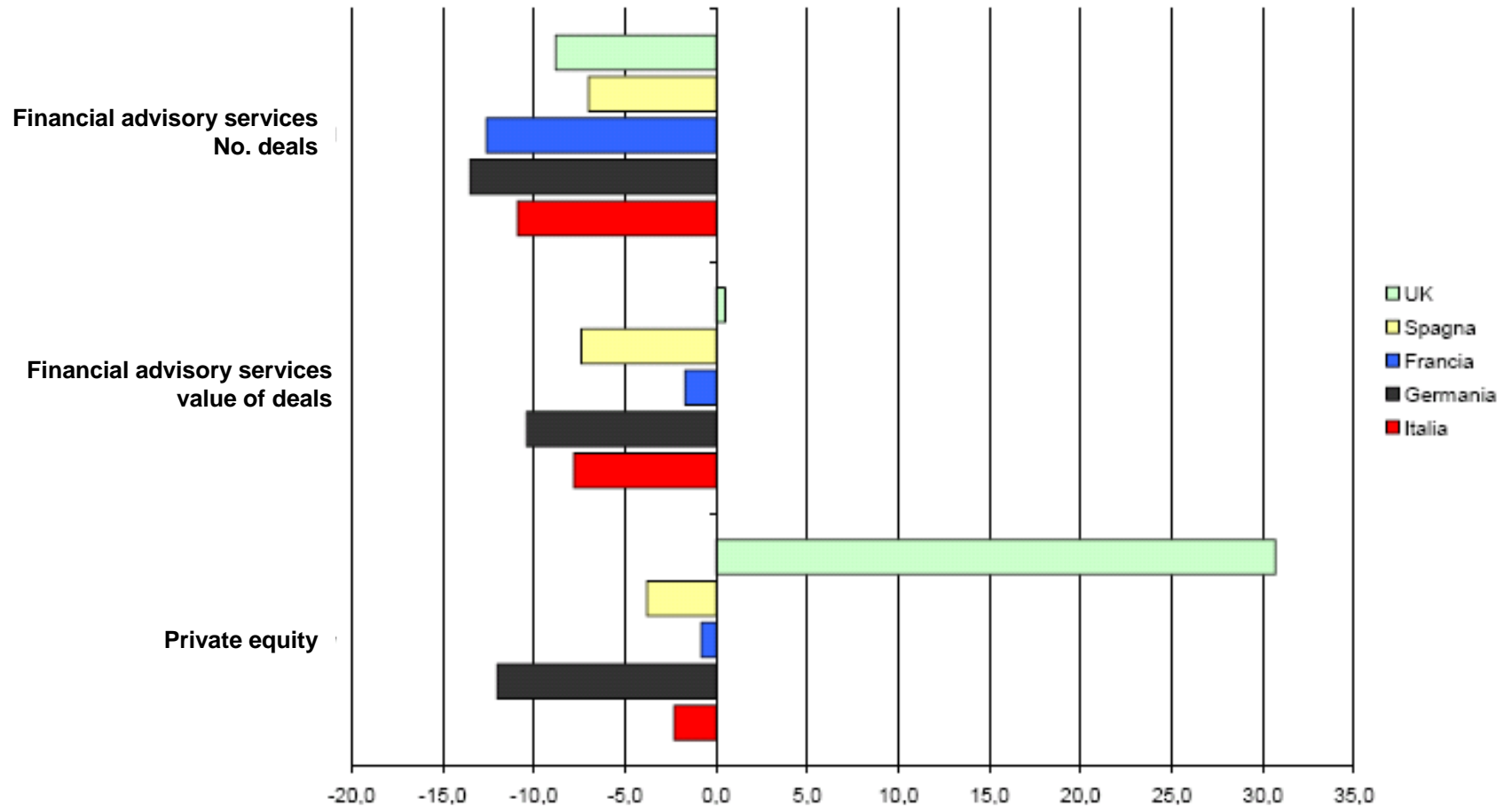
Fonte: elaborazioni Centro studi e ricerche ABI e EBR su ABI Banking DATA e Fitch Rating



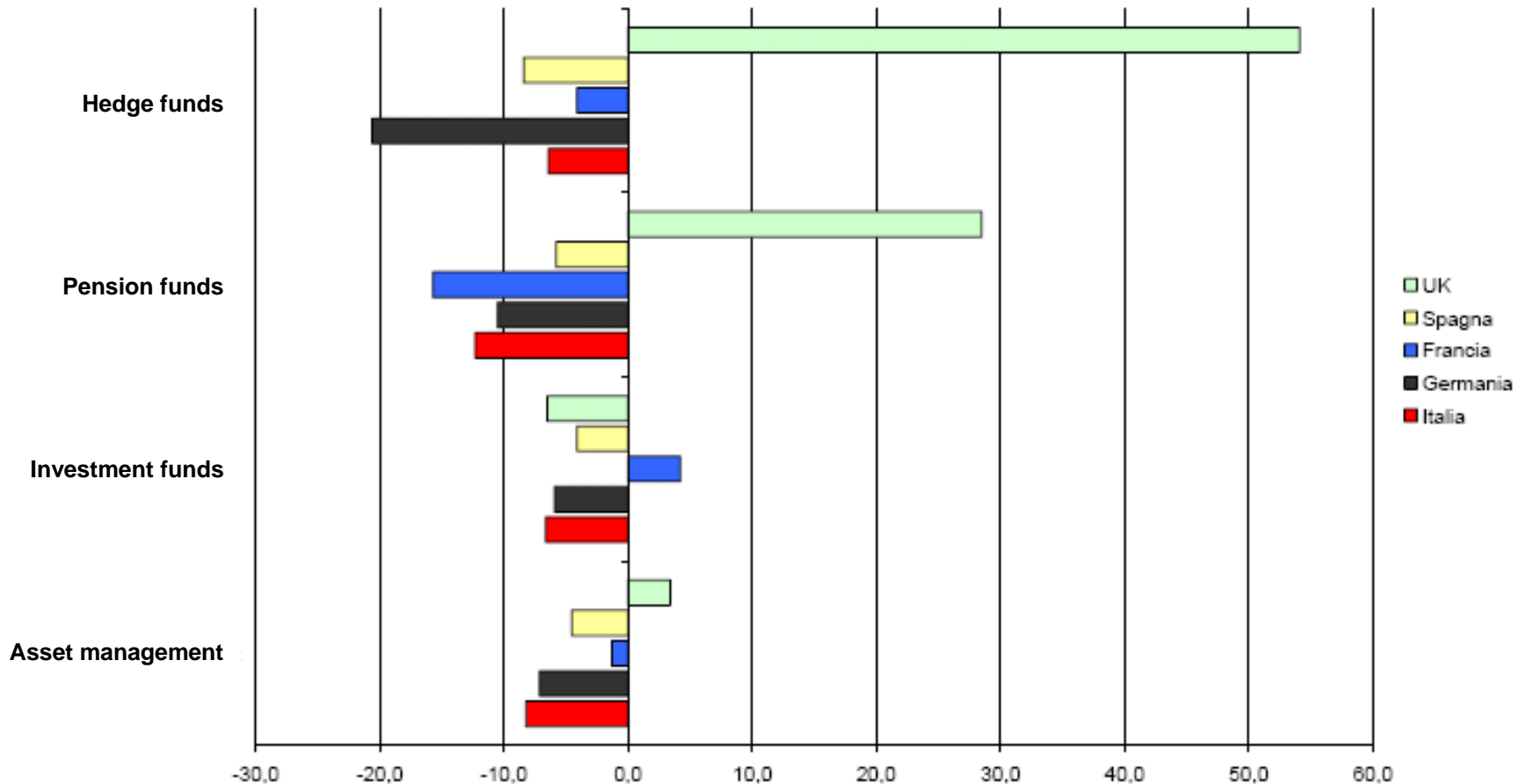
## Commercial banking (individual countries' share of European commercial banking market with respect to its share of European GDP)



## Investment banking (individual countries' share of European commercial banking market with respect to its share of European GDP)



## Portfolio management (individual countries' share of European commercial banking market with respect to its share of European GDP)



## Bank assurance (individual countries' share of European commercial banking market with respect to its share of European GDP)

