

Trends in the Italian banking sector

Interest rates. In March too, the average rate on bank deposits remained unchanged at the level of the two previous months. The same happened to the rate on overnight deposits. According to ABI's estimates, the decline should have resumed in April. However, also thanks to the drop in the average rate on outstanding bonds, in March the overall cost of funding stock decreased slightly, to a new record low in the historical series. As regards the conditions on new loans to non-financial businesses, the average rate essentially stabilised on the level of February and of the last two months of 2015. Conversely, the decline in the rates on new household loans for house purchase continued sharply, and was confirmed in April according to ABI estimates. Due to a drop in the rate on stocks of loans that is more marked than the decline in the cost of funding, bank spreads narrowed again both in March and in April according to ABI estimates.

Loans. The recovery of loans to non-financial businesses remains uncertain, with another fall of -0.3% yoy in March. Household loans continued a gradual acceleration at +1.1% yoy. As a consequence, overall, the change in loans to the resident private sector was still slightly positive, equal to +0.3% yoy. Based on ABI estimates, April confirmed a modest improvement.

Box – Agents' expectations on the real estate market continued to improve

Box – The views of enterprises on credit, liquidity and investment conditions

Bank funding. Bank funding in March 2016 showed a decrease of 1.4% yoy, a more limited decline compared to the first two months of the year. This relative improvement was attributable to the faster growth in overnight deposits (+8.6% yoy) and the slow-down in the decline in deposits with agreed maturity (-13.3% yoy), which led bank deposits to increase by 3.9% yoy. Conversely, bank bonds continued to fall (-16.5% yoy). According to ABI estimates, the performance of deposits strengthened further in April, thus bringing the total funding to decrease only marginally by 0.5% yoy.

Assets under management. In March 2016 the Italian assets under management market showed signs of recovery, both compared to previous months and to the second half of 2015. More lively flows were registered, in particular, by open-end mutual funds, driven by money market funds. Bond funds recovered thanks to the inflows of March, ending the quarter with positive results. However, the flows to flexible and balanced funds were weaker, while those to equity increased slightly. As regards portfolio management, net inflows to institutional portfolios remained significant, thanks to the good performance of the insurance component. The new life insurance businesses recorded over 10 billion of monthly net inflows, although the subscriptions of policies with a higher financial component are losing ground, as well as those of more traditional class V products.

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Monthly report

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Trends in the Italian banking sector

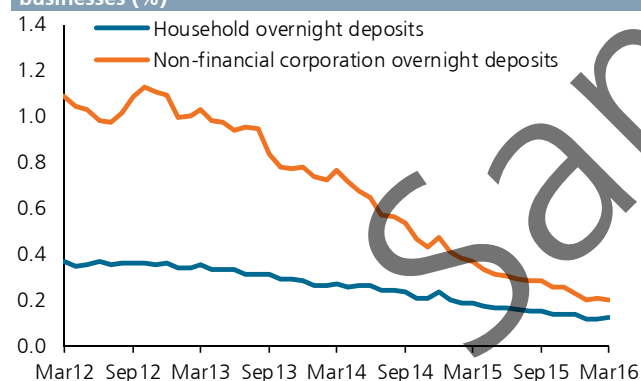
Significant drop in the rates on new household loans for house purchase

In March too, the average rate on bank deposits remained unchanged at the level of the two previous months. The same happened to the rate on overnight deposits. According to ABI's estimates, the decline should have resumed in April. However, also thanks to the drop in the average rate on outstanding bonds, in March the overall cost of funding stock decreased slightly, to a new record low in the historical series. As regards the conditions on new loans to non-financial businesses, the average rate essentially stabilised on the level of February and of the last two months of 2015. Conversely, the decline in the rates on new household loans for house purchase continued sharply, and was confirmed in April according to ABI estimates. Due to a drop in the rate on stocks of loans that is more marked than the decline in the cost of funding, bank spreads narrowed again both in March and in April according to ABI estimates.

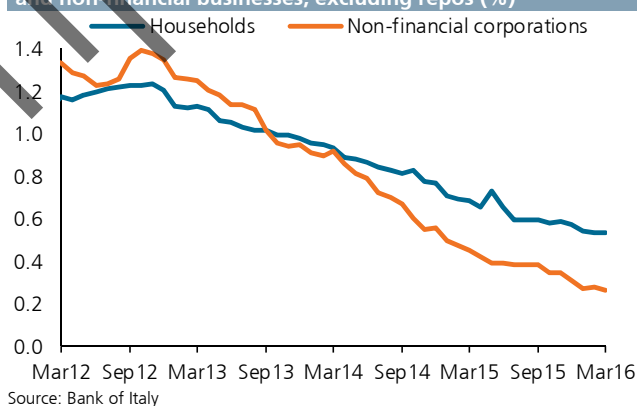
Elisa Coletti

1Q2016 ended with an unchanged average rate on the stock of deposits at 0.49%, equal to level in the two previous months. The same occurred to the average rate on overnight deposits, unchanged at the record low of 0.14%. The halt in the drop of rates on overnight deposits concerned both the one offered to households, unchanged at 0.12%, and the one to non-financial companies, which, during the quarter, fluctuated marginally at around 0.20%. ABI's estimates for April indicate that the drop will resume, with the deposit rate at 0.47% overall, and at 0.13% in the case of overnight deposits.

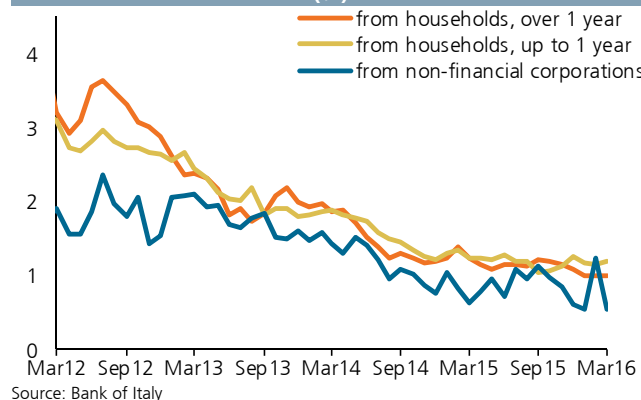
Rates on overnight deposits of households and non-financial businesses (%)



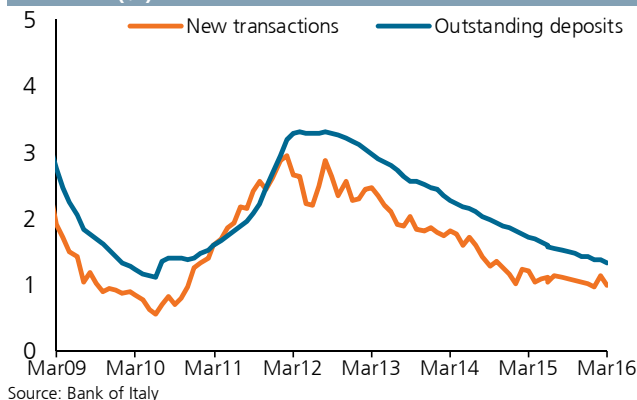
Average rates on overall outstanding deposits of households and non-financial businesses, excluding repos (%)



Rates on new deposits with agreed maturity of households and non-financial businesses (%)



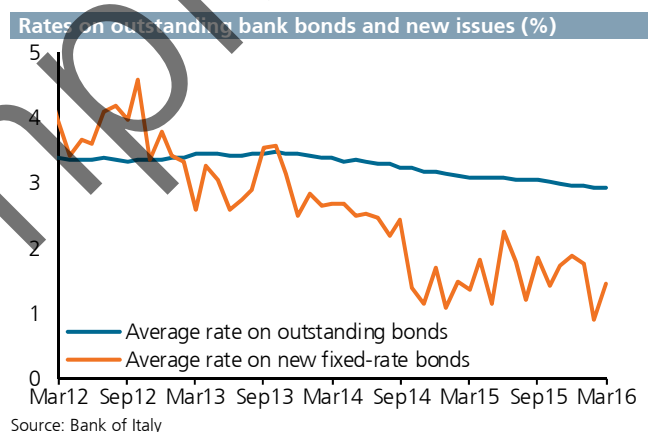
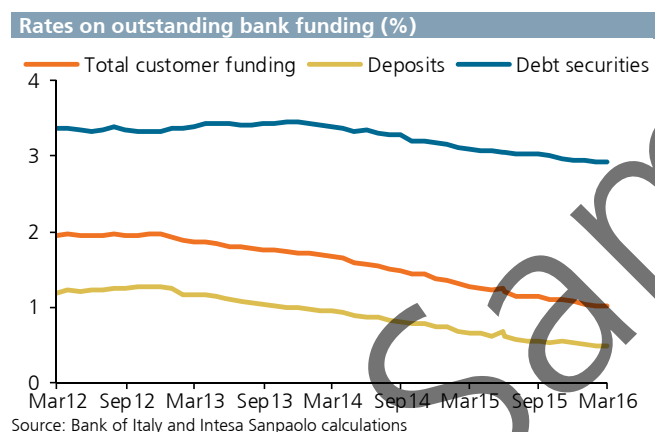
Average rates on deposits with agreed maturity: new lending and stock (%)



With regard to deposits, **the average rate on outstanding deposits with agreed maturity kept on falling**, posting a result in March equal to 1.33%, -4bps mom. The cost of new transactions was back at 1%, thus reabsorbing the small rebound in February. Once again, the trend was driven by the volatility of the rate on new deposits with agreed maturity of non-financial companies, which has more than halved in March at 0.55% (-69bps mom) back at the level seen at the beginning of the year. Conversely, the average rate on new household time deposits remained essentially in line with that of the two previous months, at 1.14%, recording a marginal increase of 2bps mom.

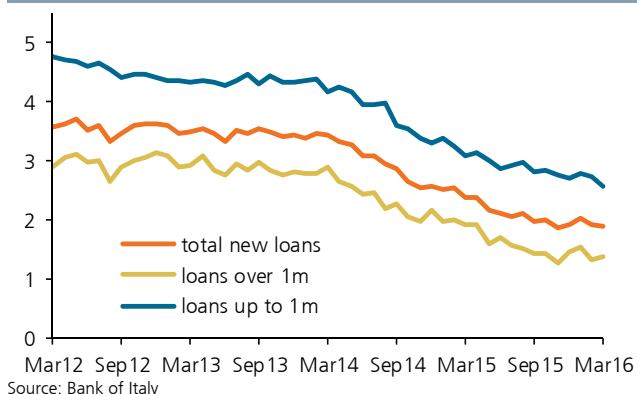
Even **the average rate on the stock of bonds during the 1st quarter recorded a slow-down in the decline** from 2.93% of the first two months to 2.91% in March, after recording in 4Q2015 a sharper decline than in the past. According to ABI estimates, in April it dropped by 1 bp mom. In March new fixed-rate issues rebounded to 1.44% from the record low of 0.90% in the previous month.

In consideration thereof, **the overall cost of funding stock further decreased by 2bps mom, both in March and in April**, according to ABI's estimates, **reaching a new record low** in the historical series since the beginning of 2003. In particular, with the decline in March, the average cost of customer funding fell below 1%, to 0.99%.

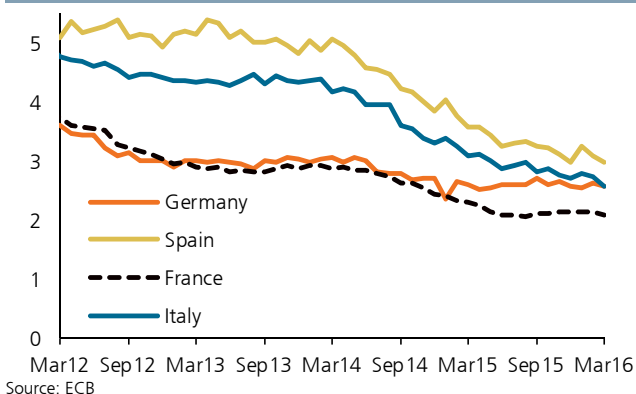


As regards new loans to non-financial businesses, in March the rate essentially stabilised on the level of February and of the last two months of 2015, having reabsorbed the rebound seen at the beginning of 2016. In detail the average rate was equal to 1.90%, a marginal decline of 1bp on February, this latter revised upwards by approximately 20bps, as the last two months of 2015. In April, according to estimates by ABI, the rate dropped by 5bps to 1.85%. In terms of components of the average rate, in March we registered a decline in the rate on transactions of up to 1M of -16bps mom to 2.57%, which was partly offset by an increase by 5bps mom to 1.39% of the rate on new loans above 1M. With regard to February 2016 and the final months of 2015, the level of this rate was revised considerably upwards (by over 20bps in November and February), so much so that the rebound at the beginning of 2016 appears to have eased down.

Rates on new loans to non-financial businesses in Italy (%)

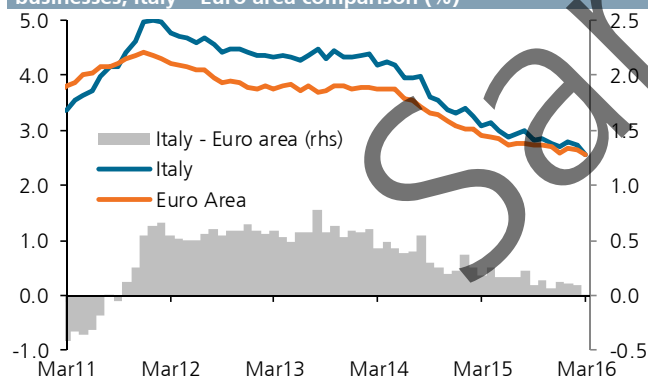


Rates on new loans of up to EUR 1M to non-financial businesses (%)

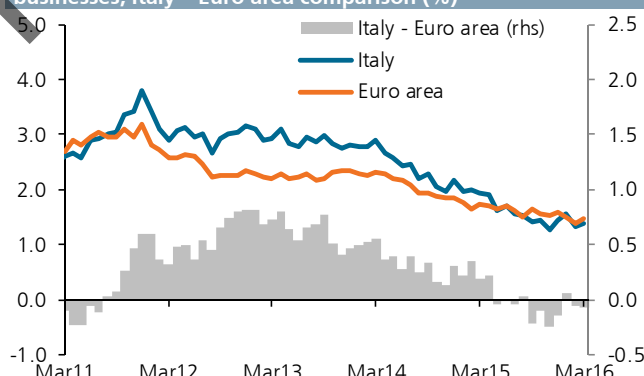


A comparison between European countries shows that the spread between the Italian rate on new loans to non-financial companies and that in the Euro area was almost wiped out for loans of up to 1M, equal only to 1bp in March, from an average of 10bps over the six previous months. In relation to the German rate, the spread is even marginally negative, for the first time since July 2011, at -1bp from +10bps recorded in February. For the Italian rate on new loans exceeding 1M, the upward revision made following the latest release of statistics, has reduced the negative spread with European rates, equal to -7bps in March, compared to the Eurozone average, not unlike the figure of -6bps in February. Also regarding the German rate the differential was slightly negative, at -3bps.

Average rate on new loans of up to EUR 1M to non-financial businesses, Italy – Euro area comparison (%)



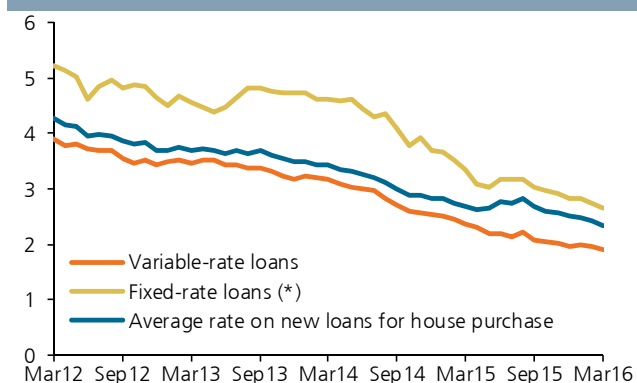
Average rate on new loans of over EUR 1M to non-financial businesses, Italy – Euro area comparison (%)



The decline in interest rates on new household loans for house purchase continued, and was particularly evident in March, as already seen in February, with a drop of 8bps mom in both cases, to a level of 2.33%. According to ABI's estimates, in April the drop continued at a more moderate pace, to 2.30%. In detail, in March the fixed rate dropped by another 9bps mom to 2.66%, a new record low. As with previous months, the decline in the floating rate was more moderate, losing another 4bps mom at 1.92%. Therefore, the spread between the fixed and floating rates fell further, to 74bps.

Also as regards the rates on the stocks of loans, the reduction was significant in March. The overall rate on loans to households and businesses further declined by 5bps mom settling at 3.16%, a new record low. According to ABI estimates, a further drop by 4bps mom to 3.12% is reported in April.

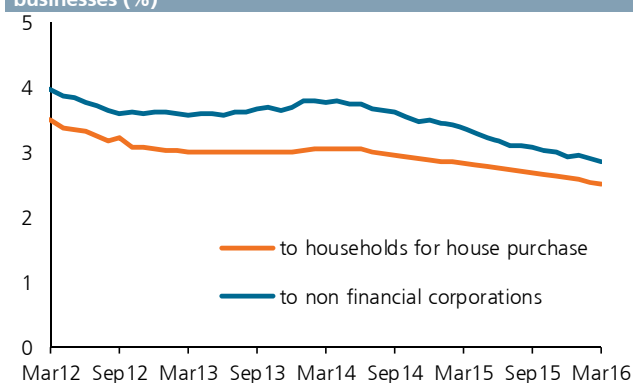
Rates on new household loans for house purchase (%)



Note: (*) Initial rate fixation period over 10 years

Source: Bank of Italy

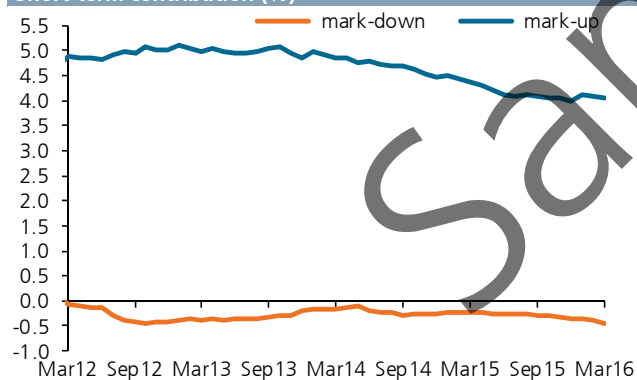
Rates on outstanding loans to households and non-financial businesses (%)



Source: Bank of Italy

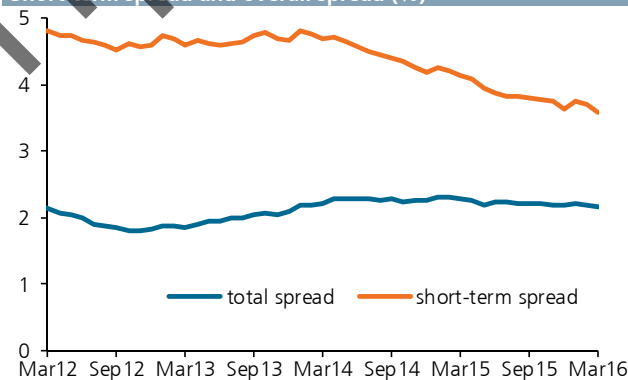
As a consequence, due to the significant drop in the rates on loans, **the spread between the lending and borrowing rates narrowed again by 3bps mom to 2.15%, which was the lowest value since the end of 2013.** The spread reduced also in April, based on ABI estimates. As for the contribution of demand deposits, there was a further deterioration of the mark-down¹, to -0.45% in March, a level never previously recorded, once again due to ever more negative Euribor rates. Finally, the mark-up² on 1-month Euribor remained over 4%, though reducing slightly from 4.09% to 4.05%, a level that brings it back in line with the average of the last quarter of 2015 after the rebound at the beginning of 2016.

Short-term contribution (%)



Source: Bank of Italy, ECB and Intesa Sanpaolo calculations

Short-term spread and overall spread (%)



Source: Bank of Italy and Intesa Sanpaolo calculations

¹ Spread between the 1-month Euribor and the rate on overnight deposits of households and businesses.

² Spread between the rate on loans to households and businesses of up to one year and the 1-month Euribor.

Recovery of loans to households gains momentum

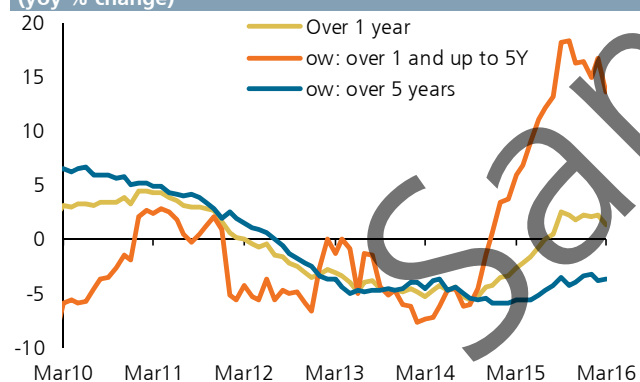
The recovery of loans to non-financial businesses remains uncertain, with another fall of -0.3% yoy in March. Household loans continued a gradual acceleration at +1.1% yoy. As a consequence, overall, the change in loans to the resident private sector was still slightly positive, equal to +0.3% yoy. Based on ABI estimates, April confirmed a modest improvement.

Elisa Coletti

According to the changes calculated by the Bank of Italy, **the recovery of loans to non-financial companies remains uncertain**. The yoy change of overall loans adjusted for securitisations was indeed once again negative, albeit marginally, equal to -0.3% yoy after the +0.3% in February (data referring to resident customers of Italian banks, adjusted to take into account securitisations and other changes unrelated to transactions).

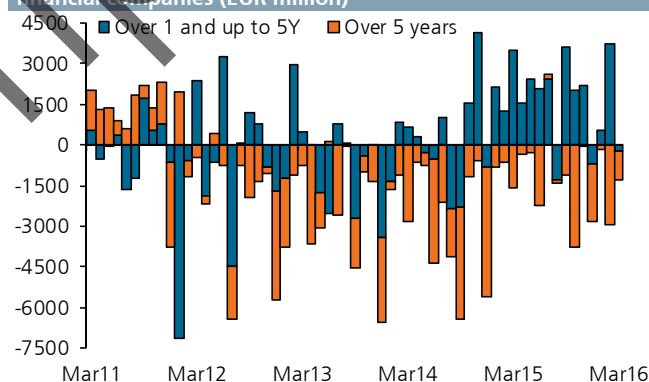
By taking a look at the breakdown by duration of loans to non-financial companies, the trends already seen before were confirmed. **The fall in short-term loans continued**, equal to -5.7% yoy in March from -5.0% in February and an average -6.7% of the two previous months (data referring to customers residing in the Euro area, adjusted for the changes unrelated to transactions, but not for securitisations). At the same time, **medium/long-term loans continued to grow**, with a rise of +1.4% yoy in March, once again thanks to the performance of medium-term lending. Indeed, **medium-term loans** (with an original maturity from 1 to 5 years) **confirmed their double-digit growth rate**, despite the slowdown at +13.6% yoy from +16.8% in February. Conversely, loans over 5 years continued to decline, in line with the previous month (-3.7% yoy in March).

Medium-/long-term loans to non-financial businesses (yoy % change)



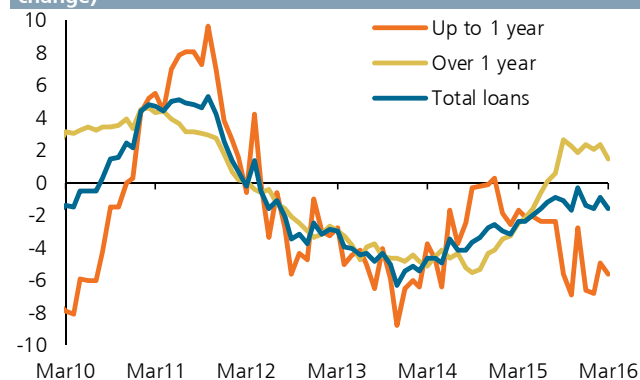
Source: ECB and Intesa Sanpaolo calculations

Net monthly flows of medium-/long-term loans to non-financial companies (EUR million)



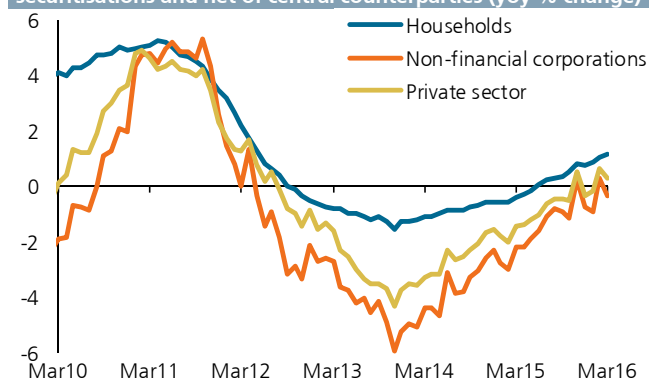
Source: ECB

Loans to non-financial companies by duration (*) (yoy % change)



Note: (*) data referring to Italian bank customers residing in the Eurozone
Source: ECB and Intesa Sanpaolo calculations

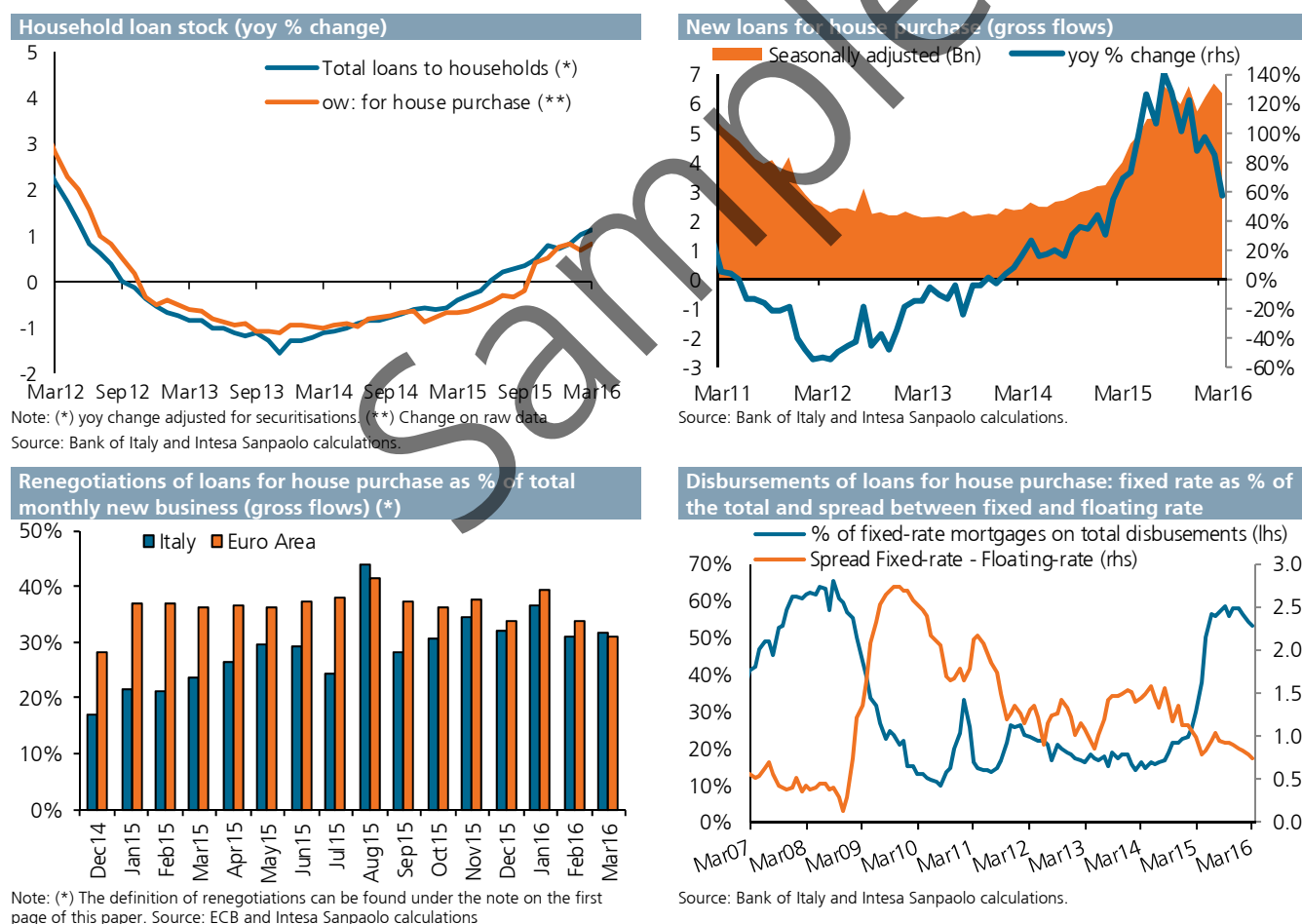
Loans to the private sector resident in Italy, figures adjusted for securitisations and net of central counterparties (yoy % change)



Source: Bank of Italy

Loans to households confirmed their strengthening recovery, marking a stock increase of 1.1% yoy, the highest since May 2012. Within that category, the **strong performance of loans for house purchase** continued. With regard to the characteristics of new loans, **the renegotiations of existing loans and fixed-rate loans continue to be significant**, as a result of the extremely low interest rates and of the high level of competition on the household lending market. **The impact of renegotiations³ remained higher than 30% in March**, equal to 31.6% of new loans for household purchase (it was 23.5% a year earlier). Recently, the relevance of the phenomenon appears to be declining, on average, in the euro area, where the renegotiations accounted for 31% of new mortgage loans, a lower percentage compared to the first two months of 2016 and of the average of 2015 (37%). **Fixed-rate loans also continued to confirm their importance, equal to 53% of the total new residential mortgage loans in March**, albeit slightly more moderate compared to the previous two months and 57% on average of the 2H15. Concerning the key elements of the success of fixed rate loans, an additional decline was seen in the spread between fixed rate and floating rate, dropping in March to 74bps.

Overall, in March **the change in loans to the resident private sector remained slightly positive, equal to +0.3% yoy** from +0.7% in February (-0.2% yoy at the beginning of 2016 and -0.9% yoy average in 2015, figures net of central counterparty transactions and adjusted for securitisations). Based on ABI estimates, April confirmed a small positive change.



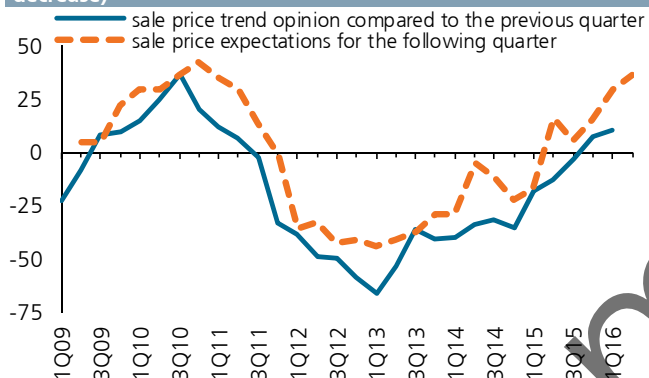
³ Renegotiations refer to the active involvement of the household (or of the non-financial business) in adapting the terms and conditions of an existing loan agreement, including the rate of interest. Any automatic extensions and other adjustments of the terms and conditions are not regarded as renegotiations. Source: (EU) Regulation no. 1072/2013 dated 24/09/2013 (ECB / 2013/34).

Box – Agents' expectations on the real estate market continued to improve

According to real estate agents replying to the survey conducted by the Bank of Italy, Tecnoborsa and Agenzia del Territorio⁴, **house prices remained almost unchanged in 1Q16 compared to the previous quarter and this trend is confirmed also by the expectations for the following three months of the year.** In detail, the percentage of agents according to whom the sale prices in 1Q16 were lower than in the previous three months declined further to 44.8%, while that of those who deemed them higher rose to 2.8% (the second highest after 3.6% in 3Q10). 31.8% of the agents expected a further decrease in the following three months; this percentage has declined steadily for the past six quarters and reached its lowest level since September 2010, while 3.5% of respondents expected an increase.

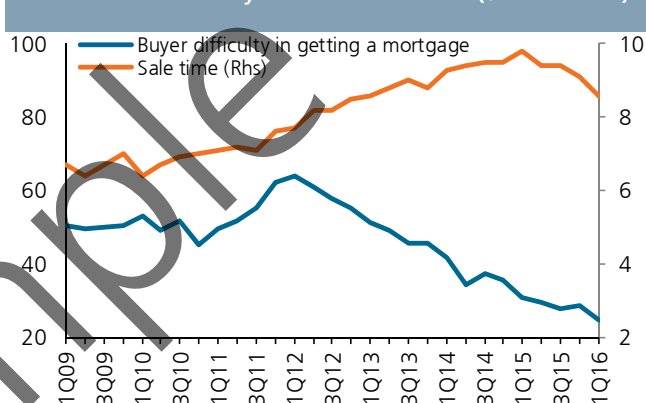
Clarissa Simone

Opinions on sale price trend compared to the previous quarter (balance of answers: difference between increase/stability and decrease)



Source: Bank of Italy, Tecnoborsa and Agenzia del Territorio

Sale time (months) and buyer difficulty in getting a mortgage as a reason for the early-end of the mandates (% of answers)



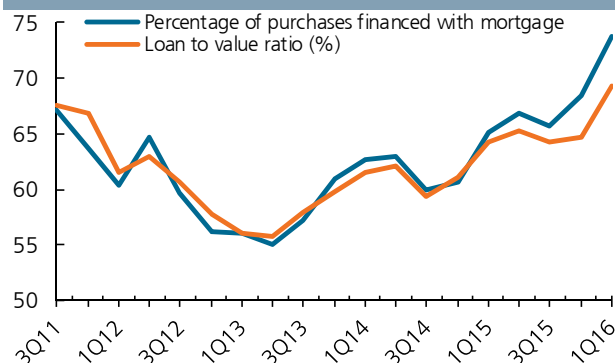
Source: Bank of Italy, Tecnoborsa and Agenzia del Territorio

Agents also recorded a further reduction in sales times: on average it takes around 8 and a half months between the beginning of the mandate and the conclusion of the transaction, a timing not observed since 1Q13. **The mismatch between demand and supply remained the main cause for the early-end of sale mandates:** the early-end is mainly due to the fact that the seller considered the purchase proposals received too low. Indeed, the impact of this factor grew further at the beginning of 2016, while that of people that considered the requested prices too high decreased. **The percentage of agents who believe that their clients ended the mandate due to the difficulty in getting a mortgage also decreased by 4% compared to December 2015 (reaching 24.6%),** as well as the incidence of the buyers' intention to postpone the purchase since they expected more favourable prices in the future, that fell by 4.7% to 23.1%.

In confirmation of the favourable conditions of access to credit and the lower difficulty encountered in getting the mortgage, **the percentage of purchases financed with mortgage increased to over 70%, reaching the highest level since the survey was launched in March 2009 (73.8%).** The average loan-to-value ratio also increased considerably to 69.3% (4.7% higher than the average of 2015).

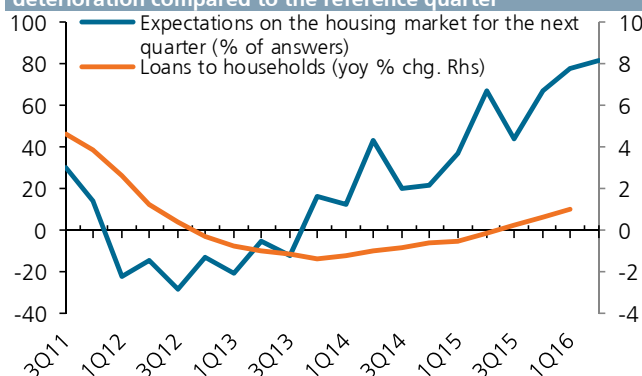
⁴ The survey relating to 1Q16 was conducted between 31 March and 05 May 2016 and involved a sample of 1,004 real estate intermediation agencies, accounting for 3% of the total in Italy.

Purchases financed with mortgage and loan-to-value ratio (%)



Source: Bank of Italy, Tecnoborsa and Agenzia del Territorio

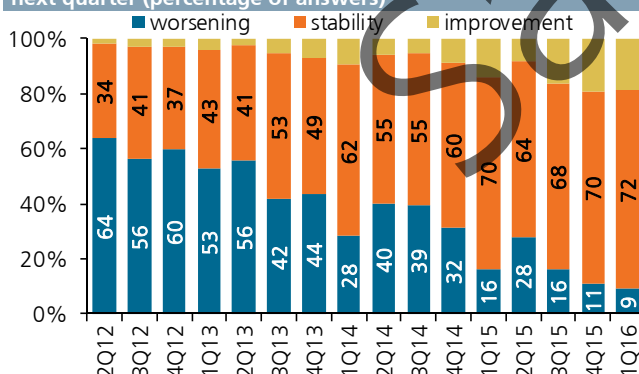
Household loan performance and expectations regarding the situation of the real estate market, stability/improvement – deterioration compared to the reference quarter



Source: Bank of Italy, Tecnoborsa and Agenzia del Territorio

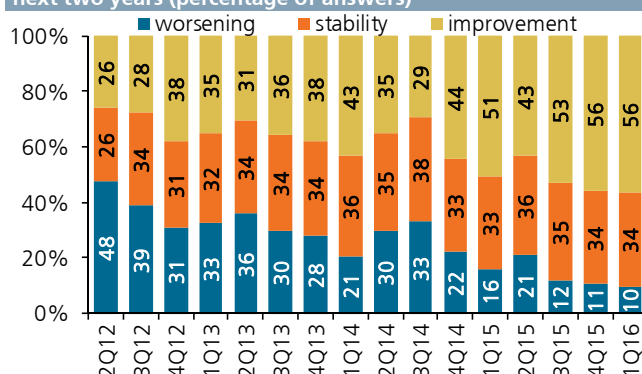
Lastly, **expectations for property market performance continued to improve**: particularly in the medium term, the number of agents expecting the market conditions to improve or remain stable increased to 90.2%. With regard to both expectations over the short term and medium term, **the number of agents expecting the real estate market to worsen reached a new low, dropping for the first time below 10% in both cases** (9.2% and 9.8% respectively) **since the survey was published the first time**. Regarding short-term expectations, the balance of responses is positive for the second quarter in a row (9.2%, reflecting the difference between the percentage of respondents expecting an improvement or stability in market performance and those who expect a deterioration). Likewise, with regard to medium-term expectations, the number of agents for whom there will be an improvement in the real estate market grew marginally to 56.2% (from 55.9% at end of 2015).

Expectations on the situation of the real estate market for the next quarter (percentage of answers)



Source: Bank of Italy, Tecnoborsa and Agenzia del Territorio

Expectations on the situation of the real estate market for the next two years (percentage of answers)



Source: Bank of Italy, Tecnoborsa and Agenzia del Territorio

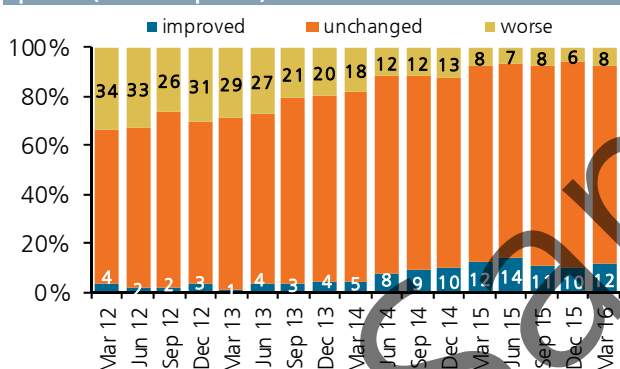
Box – The views of enterprises on credit, liquidity and investment conditions

The March data from the quarterly survey on "Inflation and Growth Expectations" of the Bank of Italy - Il Sole 24 Ore confirm that **credit access conditions stabilised in 1Q16**, after the record values reached in June 2015. The percentage of businesses that reported easier credit access conditions is 3.7% higher than those indicating increased difficulty in 1Q16, a stable value compared to the +3.6% net balance (improvement - deterioration) recorded in December 2015, but still lower than the record highs in 2Q15 (+7.8%). The businesses located in the north-west were the most confident (net balance: +9.1%), while those in the south and islands remained the most cautious (net balance: +1.5%).

Marco Lamieri

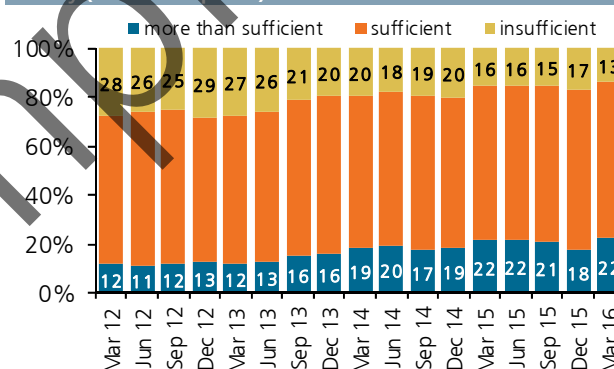
Expectations on the liquidity position in the short term further improved reaching a new record high: the percentage of companies that think the position will be more than sufficient in the next three months increased to 22.3% in 1Q2016 from 17.6% in the previous quarter, and this figure was slightly higher than that of 1Q2015 (21.6%). At the same time, the net balance (improvement - deterioration) reached +9%, the highest survey value recorded. The opinions are more favourable for larger companies (with over 200 employees) and for those in northern Italy.

View on credit access conditions compared to the previous quarter (% of companies)



Source: Bank of Italy - Il Sole 24 Ore

Overall liquidity position in the three months following the survey (% of enterprises)



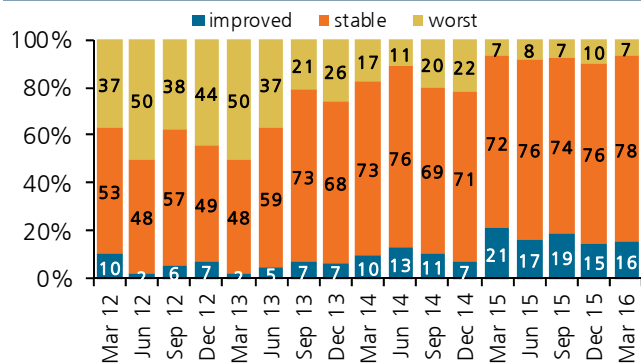
Source: Bank of Italy - Il Sole 24 Ore

The companies interviewed also **expressed moderately positive views about the general economic conditions** in which they operate: 43.5% stated that they had overcome the most difficult phase of the economic cycle during 2Q15, and 46.6% expected a solid improvement in production rates over the coming months.

Investment conditions improved during 1Q15 according to 15.5% of the interviewed firms, a percentage higher than previous quarter (14.8%), but lower than that recorded during the same period of the previous year (21.4%). Companies in the north-west were the most optimistic, 18.4% considered the investment conditions improved compared to the previous quarter. In terms of size, large companies (those with over 999 employees) were more likely to consider investment conditions improved (23%).

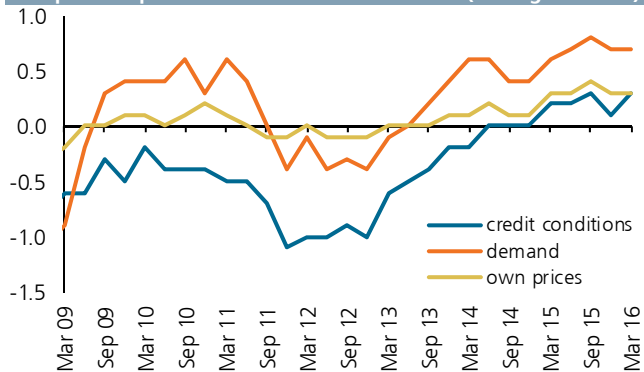
Among the factors that will affect the economic conditions, the positive opinion on demand and prices consolidate. Interviewed firms continued to indicate a positive influence of credit access conditions on the economic scenario for the 3 months following the survey.

Views on investment conditions compared to the previous quarter (% of enterprises)



Source: Bank of Italy - Il Sole 24 Ore

Factors that will influence economic conditions under which companies operate in the next three months (average scores*)



Note: * Companies' opinions were scored on a scale from -3 to 3

Source: Bank of Italy - Il Sole 24 Ore

Growth in deposits was confirmed

Bank funding in March 2016 showed a decrease of 1.4% yoy, a more limited decline compared to the first two months of the year. This relative improvement was attributable to the faster growth in overnight deposits (+8.6% yoy) and the slow-down in the decline in deposits with agreed maturity (-13.3% yoy), which led bank deposits to increase by 3.9% yoy. Conversely, bank bonds continued to fall (-16.5% yoy). According to ABI estimates, the performance of deposits strengthened further in April, thus bringing the total funding to decrease only marginally by 0.5% yoy.

Clarissa Simone

In March 2016 bank deposits confirmed their upward trend, recording an increase of 3.9% yoy, a slight improvement compared to the first two months of the year (3.4% yoy the average of January and February changes) and closer to the 2015 average (3.8% yoy). According to ABI estimates, the trend in April strengthened further (+4.7% yoy compared to 3.7% in March on a consistent basis).

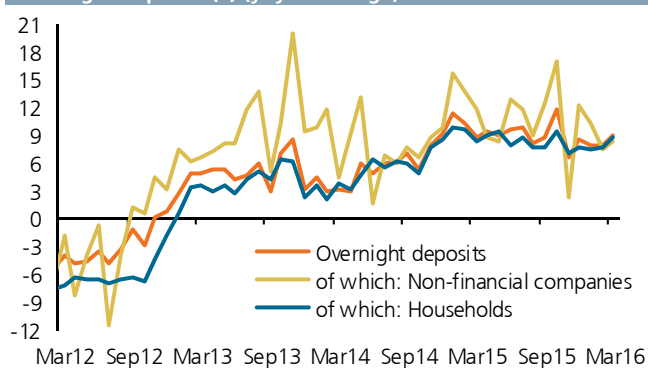
The acceleration of deposits was mainly linked to the dynamic of overnight deposits, up 8.6% yoy from 8.2% of the previous month. Overall, the stock of overnight deposits increased by 68.5 billion compared to March 2015.

Also the slowdown in the decline of deposits with agreed maturity contributed to the improvement of deposit growth, recording a drop of -13.3% yoy, which was lower than in the previous month and compared to the 2015 average (-15.1% and -14% yoy respectively), although it was still a double digit figure. The change in absolute terms compared to the previous month fell to -61 million, compared to -2.4 billion in February and -1.5 billion on average in 2015.

Finally, the decline in bonds kept intensifying, reaching -16.5% yoy (data adjusted for the issues held by Italian MFIs in their portfolios), stronger than the -14.2% yoy average in 2015. ABI estimates for April show a decline of the same magnitude of March (-15.9% yoy).

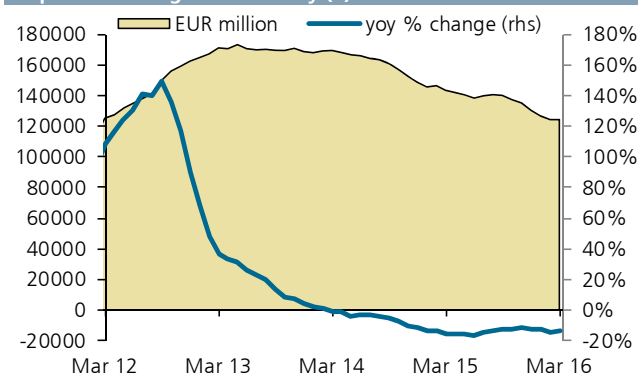
Despite the strongly negative change recorded by bonds, the combined effects of the strengthening of growth in overnight deposits and of the marginal slowdown in the decline in deposits with agreed maturity led the bank funding to decline at a slightly more moderate rate than in the previous two months (-1.4% yoy in March 2016 compared to -1.7% in February), bringing the change to levels that are closer to those recorded on average in 2015 (-1.2% yoy). The ABI preliminary data for April 2016 showed only a slightly negative change (-0.5% yoy).

Overnight deposits (*) (yoy % change)



Note: (*) data referred to the liabilities of Italian MFIs towards Euro zone residents.
Source: ECB

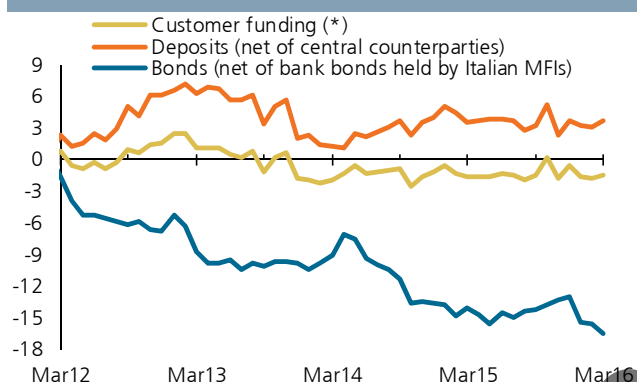
Deposits with agreed maturity (*)



Note: (*) excluding liabilities related to loans sold and not cancelled.
Source: Bank of Italy and Intesa Sanpaolo calculations.

As regards bank assets under administration, **securities held in custody on behalf of households and businesses continued to fall**, more sharply compared to the previous month, albeit more contained than in 2015. For securities held in custody for consumer households, the annual change stood at -15.8%, while the monthly fall in absolute terms increased further, reaching -10Bn mom. The decline in debt securities held in custody on behalf of non-financial businesses intensified once again, down by 3.9% yoy and by 1.9 billion in absolute terms, compared to the previous month. Together, the two changes have led securities held in custody to decline by 5.4% compared to March 2015, a sharper contraction than the 2015 average, also due to the slowdown in the growth of debt securities held in custody on behalf of insurance companies and financial institutions, which in March was equal to + 2% yoy against 8.9% on average in 2015 and +3.4% in February.

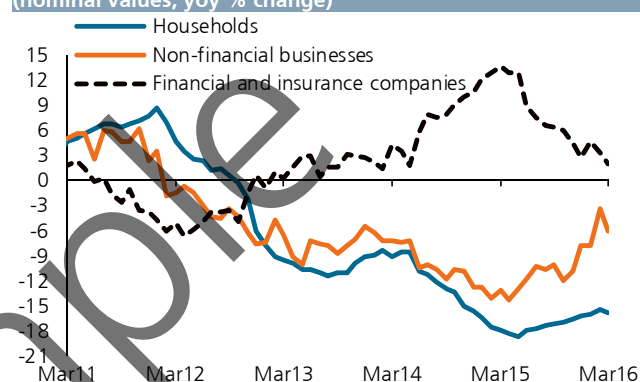
Customer funding at Italian banks (yoy % change) (*)



Note: (*) excluding deposits with central counterparties and bonds purchased by Italian MFIs. Deposits and total funding exclude liabilities related to loans sold and not cancelled.

Source: Bank of Italy and Intesa Sanpaolo calculations.

Debt securities held in custody at banks for some holder sectors (nominal values; yoy % change)



Source: Bank of Italy and Intesa Sanpaolo calculations.

Assets under management: a “slower” beginning of the year compared to 2015, but the market is recovering

Clarissa Simone

In March 2016 the Italian assets under management market showed signs of recovery, both compared to previous months and to the second half of 2015. More lively flows were registered, in particular, by open-end mutual funds, driven by money market funds. Bond funds recovered thanks to the inflows of March, ending the quarter with positive results. However, the flows to flexible and balanced funds were weaker, while those to equity increased slightly. As regards portfolio management, net inflows to institutional portfolios remained significant, thanks to the good performance of the insurance component. The new life insurance businesses recorded over 10 billion of monthly net inflows, although the subscriptions of policies with a higher financial component are losing ground, as well as those of more traditional class V products.

In 1Q16, the net inflows of open-end mutual funds stood at 13.4 Bn euro, catching up compared to the last quarter of 2015, although being equal to only one third of the inflows recorded in the first three months of 2015⁵. The recovery was also confirmed by the figure of March, when inflows reached 7.1Bn euro, compared with 4.5 in February and 1.2 in January 2016, as reported in the Assogestioni's Monthly Map⁶ of Assets under management, and more in line with the monthly average of 2015 (7.5 Bn euro).

Final figures from the last Assogestioni's Quarterly Asset Management Map confirmed the **strong recovery of money market funds, already recorded during the first two months of the year, which accounted for more than half of the inflows of the whole quarter** (7.7 Bn euro). Instead, net inflows to flexible funds were weaker, being more than halved compared to the last quarter of 2015, with cumulative flows down from 6.8 to 3.2Bn euro, a slowdown which seems even more evident compared to the quarterly inflows at the beginning of 2015, equal to 15.4Bn euro.

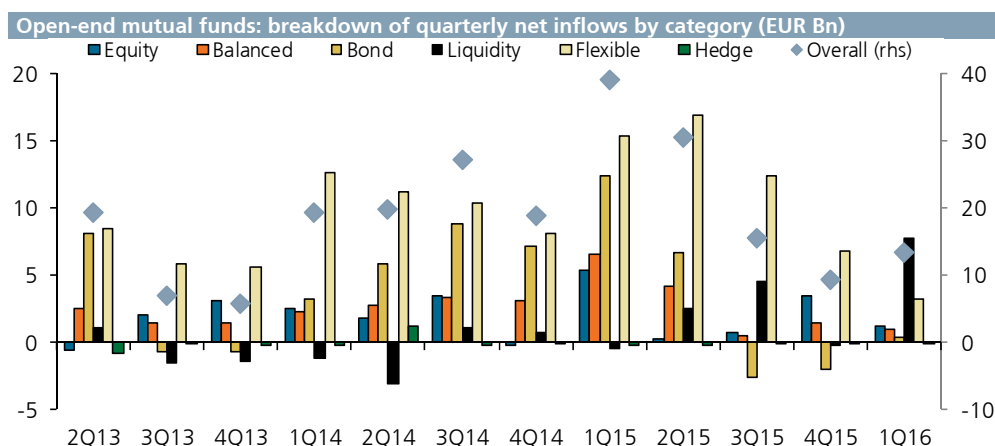
After two quarters of negative flows, **figures of bond funds were once again marginally positive**, recording 360.4M euro during the quarter, thanks to the positive result of March (equal to 2.2Bn). Finally, **the "overtaking" recorded by equity funds on balanced funds in the second half of 2015 was also confirmed at the beginning of 2016**, when the first reached 1.2Bn net inflows while the second stopped at 957.4 million. The figure for hedge funds continued to be marginally negative (-92.6 billion). **The fund market results seem to perfectly mirror the financial market situation in recent months:** customers tend to prefer “safer” products, such as money market funds, to equity products, given the high volatility recorded in the stock market. Moreover, also flexible and balanced funds lost their attractiveness, having no more the power to lever the returns offered by bonds, closed to zero.

Overall, the assets managed by the open-end mutual fund industry totalled 847.6 Bn euro at the end of March, slightly down compared to the end of 2015. In any case the stock remains up compared to the previous twelve months, by 80.2Bn euro (heavily influenced by the inclusion of a new operator in the sample, which alone manages assets of 57.6Bn), corresponding to an adjusted annual change⁷ of 2.9%.

⁵ Please see the tables in the appendix for the breakdown of funding by quarter.

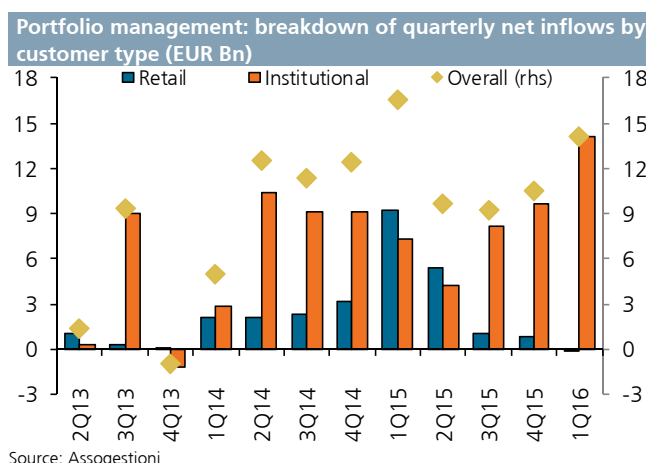
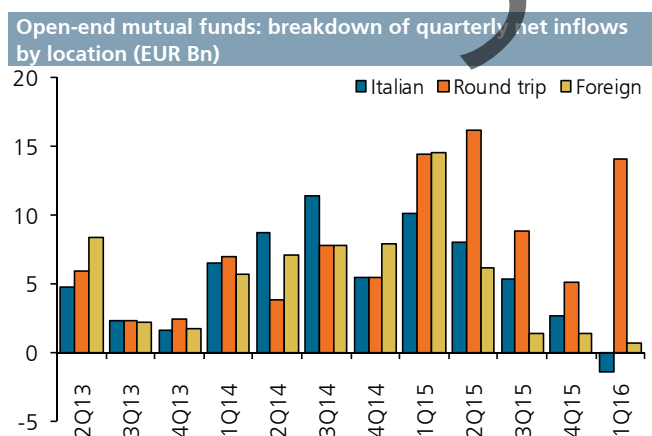
⁶ This document provides a picture of the sector and is issued in the 4th/5th week of the month following that to which data refer. The data in the Monthly Map are preliminary and anticipate more complete figures published in the corresponding quarterly Map.

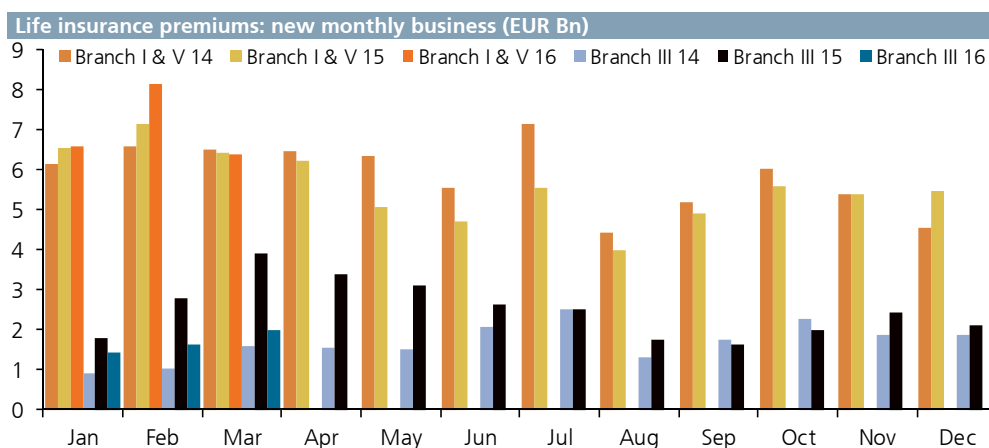
⁷ The change in assets under management compared to March 2015 was adjusted for statistical discontinuity due to the inclusion in the sample of an additional company starting from October 2015.



Specifically, when looking at the location of funds, net inflows of the first 3 months of 2016 was driven by roundtrip funds (foreign open-end funds promoted by Italian brokers), which, alone, gathered 14.1Bn of net inflows, covering the negative figure of Italian funds (-1.4 Bn) and marginally supported by foreign funds (689.7 million).

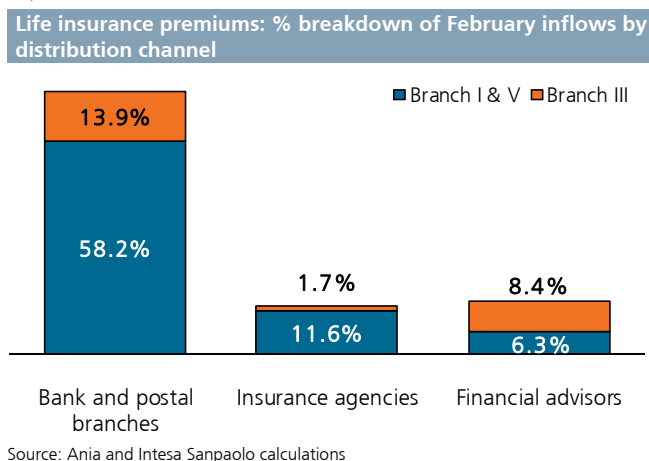
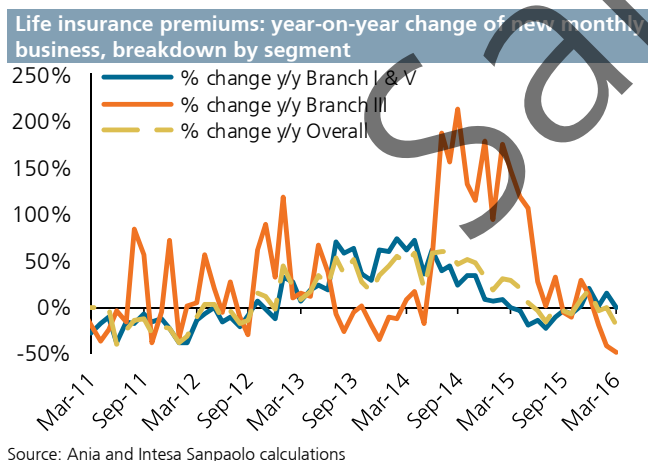
Focusing on portfolio management, Assogestioni statistics reveal a strong recovery of the management mandates at the beginning of 2016 compared to the three previous months. Total inflows were still lower than that of early 2015 (-15.2%), but showed an improvement, if compared to the significant decline suffered by mutual funds (-65.8% compared to the first quarter of 2015). The particularly positive flows were entirely attributable to institutional portfolios (14.1 Bn euro), up by 91.8% compared to the same quarter of 2015, probably thanks to the endurance of new insurance businesses, which continued to experience a very strong performance. The retail portfolio management inflows, on the other hand, reduced considerably, closing the quarter with a marginally negative figure (-15 million), in contrast with the first half of 2015, when most of net inflows recorded by management mandates was attributable to this category.





Finally, concerning life insurance, ANIA statistics recorded new premium businesses for the month of March 2016 equal to 8.4Bn, down 19.2% yoy compared to the same month of 2015. If, in addition to Italian and non-EU companies, we also include EU companies operating in Italy, net inflows reach 10.6 billion and the yoy decline using homogeneous data drops to -14.1%. The fall in total production was again attributable almost exclusively to the decline in subscription of premiums with a higher financial component, which in March fell by 49.2% yoy, not offset, as in previous months, by an increase in more traditional policies, which remained almost unchanged compared to March 2015, with a change of -0.9% yoy, due to the particularly negative figure of class V (-64.8% yoy).

For the insurance industry, banks and Post Office branches brokered most of new Life businesses, both for more traditional products and those with a higher financial component.



Statistical appendix

Interest rate to households (new business)				
Type				
Maturity	March 2016	-1 month	-3 months	-12 months
House purchase				
floating rate and up to 1 year	1.92	1.95	1.97	2.35
over 5 and up to 10 years	2.48	2.57	2.72	2.95
over 10 years	2.65	2.75	2.84	3.35
APRC ^(*)	2.68	2.76	2.81	2.95
Consumer credit				
over 1 and up to 5 years	6.84	6.90	6.55	7.21
APRC ^(*)	8.37	8.52	7.92	8.46
Other loans				
over 1 and up to 5 years	3.79	3.81	4.00	4.75

(*) annual percentage rate of change

Source: Bank of Italy, Intesa Sanpaolo calculations

Interest rates to non-financial corporations (new business)				
Total				
Maturity	March 2016	-1 month	-3 months	-12 months
Loans up to EUR 1 million	2.57	2.73	2.72	3.09
floating rate and up to 3 months	2.52	2.67	2.64	2.97
over 3 months and up to 1 year	2.57	2.75	2.79	3.23
over 1 and up to 5 years	3.00	3.43	3.22	4.11
over 5 years	3.67	3.88	3.66	4.55
Loans over EUR 1 million	1.39	1.34	1.45	1.93
floating rate and up to 3 months	1.27	1.27	1.23	1.84
over 3 months and up to 1 year	1.63	1.43	1.88	2.13
over 1 and up to 5 years	1.61	1.78	1.98	2.67
over 5 years	2.70	2.57	3.08	3.01

Source: Bank of Italy, Intesa Sanpaolo calculations

Main balance sheet items of the Italian banking sector: Loans to customers

	Private sector		Non-financial corporations		Households	
	EUR M	yoy % change (adjusted) (^) (*)	EUR M	yoy % change (adjusted) (*)	EUR M	yoy % change (adjusted) (*)
Mar-14	1,583,113	-3.3	831,835	-4.4	599,437	-1.1
Apr-14	1,574,347	-3.2	828,990	-4.4	598,790	-1.1
May-14	1,567,140	-3.2	821,970	-4.7	598,089	-1.0
Jun-14	1,575,258	-2.3	827,473	-3.1	598,662	-0.9
Jul-14	1,564,914	-2.6	831,003	-3.9	598,825	-0.8
Aug-14	1,550,347	-2.6	819,489	-3.8	596,418	-0.8
Sep-14	1,556,628	-2.3	823,689	-3.3	597,164	-0.8
Oct-14	1,551,108	-2.1	819,485	-3.1	596,788	-0.7
Nov-14	1,550,727	-1.7	817,549	-2.6	596,266	-0.6
Dec-14	1,557,930	-1.6	807,641	-2.3	596,552	-0.6
Jan-15	1,554,488	-1.8	810,417	-2.8	598,531	-0.6
Feb-15	1,546,587	-2.0	805,841	-3.0	597,663	-0.6
Mar-15	1,556,912	-1.4	809,769	-2.2	598,945	-0.4
Apr-15	1,548,580	-1.4	806,672	-2.2	599,132	-0.3
May-15	1,545,619	-1.2	802,822	-1.9	599,301	-0.2
Jun-15	1,562,006	-1.0	810,418	-1.6	608,583	0.0
Jul-15	1,559,496	-0.6	810,372	-1.1	609,532	0.2
Aug-15	1,547,058	-0.5	801,359	-0.8	607,509	0.3
Sep-15	1,551,696	-0.5	803,238	-0.9	608,892	0.4
Oct-15	1,546,068	-0.5	794,297	-1.2	618,594	0.5
Nov-15	1,562,923	0.5	804,364	0.2	620,326	0.8
Dec-15	1,553,079	-0.4	793,495	-0.7	619,932	0.7
Jan-16	1,547,381	-0.2	791,900	-0.9	618,819	0.8
Feb-16	1,544,752	0.7	791,503	0.3	617,786	1.0
Mar-16	1,547,017	0.3	788,354	-0.3	619,193	1.1

Note: Adjusted changes are calculated by the Bank of Italy to take account of changes not related to transactions.

(^) Excluding central counterparties.

(*) Adjusted for securitisations and net of changes not related to transactions (exchange rate variations, other changes in value or reclassifications).

Source: Bank of Italy.

Main balance sheet items of the Italian banking sector: Funding from customers

	Deposits from the private sector				Bank bonds			Total customer funding	
	EUR M (\$)	yoy % change (adjusted) (\$)	Of which: Overnight deposits	yoy % change (adjusted)	EUR M (*)	yoy % change (*)	yoy % change of overall bonds (adjusted)	EUR M (#)	yoy % change (#)
Mar-14	1,224,193	1.6	747,099	3.0	499,322	-9.1	-10.6	1,723,515	-2.0
Apr-14	1,225,667	1.4	751,816	2.9	495,840	-7.0	-9.6	1,721,507	-1.3
May-14	1,235,919	2.7	764,857	5.7	490,856	-7.5	-10.9	1,726,775	-0.6
Jun-14	1,229,515	2.4	759,849	4.8	479,750	-9.3	-12.2	1,709,265	-1.4
Jul-14	1,229,613	2.9	761,969	5.9	470,374	-10.0	-13.5	1,699,987	-1.2
Aug-14	1,242,298	3.1	774,545	6.4	465,393	-10.4	-14.2	1,707,691	-1.0
Sep-14	1,244,744	3.6	778,934	7.3	458,625	-11.3	-14.3	1,703,370	-0.9
Oct-14	1,239,804	2.3	778,447	5.2	450,102	-13.6	-17.5	1,689,906	-2.5
Nov-14	1,259,116	3.5	800,360	7.8	447,580	-13.5	-17.4	1,706,696	-1.6
Dec-14	1,263,964	4.0	808,995	9.1	443,682	-13.6	-17.4	1,707,646	-1.2
Jan-15	1,267,100	5.0	812,675	11.0	441,873	-13.8	-17.8	1,708,974	-0.6
Feb-15	1,263,941	4.3	808,628	10.0	432,000	-14.7	-19.2	1,695,941	-1.2
Mar-15	1,267,290	3.3	815,068	8.9	429,320	-14.0	-17.6	1,696,610	-1.6
Apr-15	1,270,937	3.6	821,506	9.1	423,274	-14.6	-18.2	1,694,211	-1.6
May-15	1,283,791	3.7	836,219	9.2	414,376	-15.6	-18.1	1,698,166	-1.7
Jun-15	1,277,529	3.8	832,994	9.7	409,950	-14.5	-18.4	1,687,478	-1.3
Jul-15	1,274,602	3.8	830,446	9.3	399,837	-15.0	-17.8	1,674,439	-1.5
Aug-15	1,276,285	2.8	831,032	7.6	398,632	-14.3	-17.5	1,674,917	-1.9
Sep-15	1,285,258	3.4	842,116	8.4	393,606	-14.2	-17.9	1,678,865	-1.4
Oct-15	1,304,807	5.3	864,943	11.4	388,116	-13.8	-16.3	1,692,923	0.2
Nov-15	1,289,248	2.3	851,001	6.5	388,275	-13.3	-15.9	1,677,523	-1.7
Dec-15	1,311,434	3.9	877,005	8.5	385,790	-13.0	-15.1	1,697,224	-0.6
Jan-16	1,308,792	3.6	874,441	7.7	373,726	-15.4	-16.5	1,682,518	-1.5
Feb-16	1,302,306	3.3	869,917	8.2	365,002	-15.5	-15.3	1,667,308	-1.7
Mar-16	1,314,481	3.9	883,585	8.6	358,567	-16.5	-15.2	1,673,048	-1.4

Note: yoy % changes are adjusted for statistical discontinuity. Adjusted changes are calculated by the Bank of Italy to take account of changes not related to transactions..

(\$) Excluding deposits with central counterparties and liabilities related to loans sold and not cancelled.

(*) Excluding bonds purchased by Italian MFIs.

(#) Excluding deposits with central counterparties, bonds purchased by Italian MFIs, and liabilities related to loans sold and not cancelled.

Source: Bank of Italy and Intesa Sanpaolo calculations.

Assets under management: mutual funds and portfolio management (EUR M)

	Mutual Funds					Portfolio Management				
	Quarterly Net Inflows			Assets Managed		Quarterly Net Inflows			Assets	
	Italian funds	Roundtrip funds	Foreign funds	EUR M	yoy % change(*)	Retail	Institutional	Total	EUR M	yoy % change(*)
Dec-09	-1,790	4,703	3,503	438,180	10.0	1,368	12,927	14,295	473,155	16.1
Mar-10	-3,988	5,243	5,848	452,891	18.9	4,317	11,474	15,791	501,032	23.6
Jun-10	-6,196	2,097	3,905	448,982	12.6	1,658	1,557	3,215	505,042	21.7
Sep-10	-4,965	2,001	4,204	454,354	7.4	-771	2,383	1,611	516,188	13.5
Dec-10	-9,513	2,619	4,515	460,454	5.1	-1,842	-194	-2,036	505,455	6.8
Mar-11	-8,662	2,003	3,499	454,300	0.3	-1,553	5,636	4,083	510,781	1.9
Jun-11	-6,087	340	3,045	459,479	2.3	-2,434	-2,562	-4,996	505,240	0.0
Sep-11	-7,002	-1,869	-396	429,481	-5.5	-2,204	80	-2,124	486,898	-5.7
Dec-11	-12,741	-4,443	-1,032	418,968	-9.0	-3,815	-3,043	-6,858	476,113	-5.8
Mar-12	-5,408	1,629	2,349	434,736	-4.3	-2,207	368	-1,839	495,224	-3.0
Jun-12	-5,609	323	3,844	428,098	-6.8	-2,438	-1,784	-4,221	479,093	-5.2
Sep-12	-1,995	2,601	1,912	445,994	3.8	-934	-960	-1,894	496,594	2.0
Dec-12	-778	63	2,413	481,898	15.0	-1,225	-5,296	-6,522	669,610	40.6
Mar-13	1,832	4,859	7,173	506,725	16.6	319	5,955	6,274	680,244	37.4
Jun-13	4,841	5,971	8,434	517,123	20.8	1,027	348	1,375	683,551	42.7
Sep-13	2,377	2,352	2,272	532,898	19.5	282	9,012	9,294	715,641	44.1
Dec-13	1,671	2,427	1,759	556,831	15.5	134	-1,152	-1,018	730,943	9.2
Mar-14	6,596	7,033	5,776	588,941	16.2	2,129	2,905	5,034	760,962	11.9
Jun-14	8,709	3,916	7,088	622,169	20.3	2,137	10,428	12,565	796,129	16.5
Sep-14	11,458	7,833	7,770	657,306	23.3	2,280	9,099	11,380	825,749	15.4
Dec-14	5,466	5,529	7,897	683,291	22.7	3,205	9,165	12,370	857,290	17.3
Mar-15	10,121	14,465	14,554	767,456	30.3	9,250	7,345	16,595	917,147	20.5
Jun-15	8,064	16,192	6,177	833,639	25.4	5,459	4,214	9,673	897,431	11.6
Sep-15	5,333	8,839	1,424	818,455	16.4	1,052	8,142	9,194	911,702	9.3
Dec-15	2,737	5,169	1,375	849,975	15.8	828	9,677	10,505	935,298	8.1
Mar-16	-1,385	14,090	690	847,611	2.9	-15	14,084	14,069	959,899	3.7
Var. %16/15	-113.7	-2.6	-95.3			-100.2	91.8	-15.2		

(*) yoy % changes adjusted for statistical discontinuities due to the inclusion in the sample of additional companies
Source: Assogestioni and Intesa Sanpaolo calculations

Assets under management: life insurance premiums, new monthly business (EUR M)

	Branch I e V ("traditional" premiums)			Branch III (unit and index linked)			Total (Italian, EU and non-EU firms)			
	New business	yoy % change	YTD Premiums	New business	yoy % change	YTD Premiums	New business	yoy % change	YTD Premiums	yoy % change
Mar-14	6,513	61.7	19,276	1,582	8.7	3,515	9,671	45.1	25,954	43.5
Apr-14	6,485	72.1	25,762	1,547	17.2	5,062	9,057	34.3	35,012	41.0
May-14	6,344	35.9	32,106	1,502	-18.7	6,564	9,678	22.4	44,690	36.5
Jun-14	5,551	60.7	37,657	2,062	51.7	8,626	9,061	66.8	53,751	40.8
Jul-14	7,148	38.1	44,805	2,505	187.2	11,131	11,252	53.5	65,003	42.9
Aug-14	4,442	44.0	49,247	1,307	155.5	12,438	6,643	62.5	71,646	44.5
Sep-14	5,177	23.5	54,424	1,740	212.3	14,178	8,120	55.0	79,766	45.5
Oct-14	6,032	34.3	60,457	2,259	132.2	16,437	9,833	46.8	89,599	45.6
Nov-14	5,389	33.0	65,846	1,881	115.6	18,318	8,522	57.1	98,121	46.6
Dec-14	4,539	8.0	70,385	1,853	178.7	20,171	7,694	30.2	105,814	45.2
Jan-15	6,538	6.0	6,538	1,784	94.1	1,784	9,332	18.0	9,332	18.0
Feb-15	7,145	8.3	13,682	2,787	174.8	4,571	11,517	37.6	20,849	28.0
Mar-15	6,437	-1.2	20,119	3,925	148.2	8,495	12,351	27.7	33,200	27.9
Apr-15	6,219	-4.1	26,338	3,380	118.5	11,876	11,248	24.2	44,449	27.0
May-15	5,091	-19.8	31,428	3,106	106.7	14,982	10,023	3.6	54,471	21.9
Jun-15	4,709	-15.2	36,137	2,618	27.0	17,599	8,450	-6.7	62,921	17.1
Jul-15	5,544	-22.4	41,682	2,522	0.6	20,121	9,424	-16.2	72,345	11.3
Aug-15	3,977	-10.5	45,658	1,737	32.9	21,858	6,602	-0.6	78,947	10.2
Sep-15	4,920	-5.0	50,579	1,647	-5.4	23,504	7,764	-4.4	86,712	8.7
Oct-15	5,597	-7.2	56,176	2,003	-11.3	25,507	8,457	-14.0	95,168	6.2
Nov-15	5,399	0.2	61,575	2,426	29.0	27,933	8,823	3.5	103,991	6.0
Dec-15	5,457	20.2	67,032	2,099	13.3	30,033	9,020	17.2	113,012	6.8
Jan-16	6,612	1.1	6,612	1,429	-19.9	1,429	8,858	-5.1	8,858	-5.1
Feb-16	8,148	14.1	14,760	1,627	-41.6	3,056	10,852	-5.8	19,710	-5.5
Mar-16	6,377	-0.9	21,137	1,993	-49.2	5,049	10,612	-14.1	30,321	-8.7

Source: ANIA and Intesa Sanpaolo calculations

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