

Banking Monitor

Trends in the Italian Banking Sector

Interest Rates

According to April figures and preliminary figures for May from ABI (the Italian Banking Association), the average rate on the stock of overnight deposits fell to 0.03%, from the 0.04% rate of the previous six months. In addition, rates on new deposits with agreed maturity of households have fallen, after four months of significant increases on maturities of up to 1 year, pointing to an end to the attractive offer policies implemented by some intermediaries. For now, the rate on the total stock of customer deposits has remained unchanged at 0.36%. As regards rates on new loans, there were slight increases in April, presumably due to increases in Euribor rates. However, as estimated by ABI, the trend started declining again in May.

Loans

The impact of COVID-19 on bank lending which emerged in March continues with renewed growth in loans to businesses and a marked slowdown in loans to households. Net monthly flows of loans to non-financial companies were significant again in April at EUR 5.9Bn, although lower than the EUR 16.1Bn reported in March. The rate of change accelerated to 1.7% yoy, from 1.5% in March. Gross monthly flows confirmed that the increase was driven by transactions above EUR 1M. Loans to households, on the other hand, slowed even further to +1.1% yoy from +1.7% in March. Overall, growth in lending to the private sector held steady at the 1.4% growth rate recorded in March. Based on ABI estimates, the trend in May remained unchanged, while the narrower aggregate of loans to households and businesses looked set to record +1.5% yoy compared to +1.4% in April.

Box - Sharp drop in the residential property market

Bank Funding

Overnight deposits continue to post solid growth with a monthly inflow of an additional EUR 17Bn, bringing the increase since the beginning of the year to EUR 36.5Bn. The rate of change rose to +8.5% yoy. As already seen in March, the monthly increase was driven by the significant inflow into household deposits, although the overnight deposits of non-financial companies also continued to rise sharply. This supports customer deposits, which have accelerated to +6.8% and are estimated to strengthen to +7.6% in May, according to ABI preliminary figures. By contrast, bonds continued their downward trend. Thanks to the strong performance of deposits, total customer funding continues to grow at an increasingly robust rate, coming in at 5.2% yoy in April, which is expected to rise to +6.0% according to ABI estimates.

Asset Management

Open-end mutual fund flows returned to positive territory in May and April, rebounding sharply after the outflows recorded in March caused by the crisis triggered by the pandemic. As regards life insurance, the sharp drop in new business continued for both traditional policies and unit-linked policies in the wake of a trend in March marked by the partial closure of distribution channels to contain the pandemic.

June 2020

Monthly report

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Contents

High levels of liquidity in overnight deposits are driving down the related interest rates	2
Continued growth in loans to businesses while loans to households are slowing down	6
Box - Sharp drop in the residential property market	10
Household overnight deposits accelerating, while those of businesses continue to grow	11
Asset management: recovery in mutual fund inflows	13
Statistical appendix	16

Trends in the banking sector

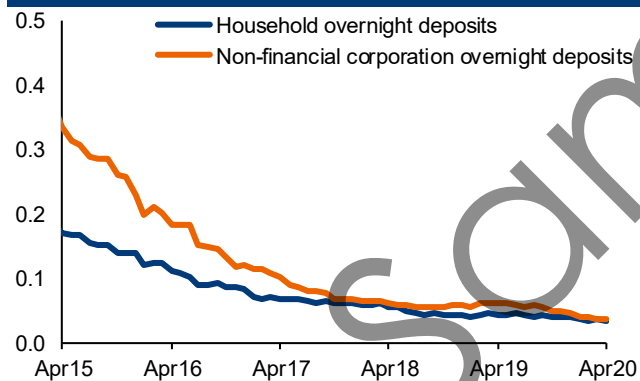
High levels of liquidity in overnight deposits are driving down the related interest rates

According to April figures and preliminary figures for May from ABI (the Italian Banking Association), the average rate on the stock of overnight deposits fell to 0.03%, from the 0.04% rate of the previous six months. In addition, rates on new deposits with agreed maturity of households have fallen, after four months of significant increases on maturities of up to 1 year, pointing to an end to the attractive offer policies implemented by some intermediaries. For now, the rate on the total stock of customer deposits has remained unchanged at 0.36%. As regards rates on new loans, there were slight increases in April, presumably due to increases in Euribor rates. However, as estimated by ABI, the trend started declining again in May.

Elisa Coletti

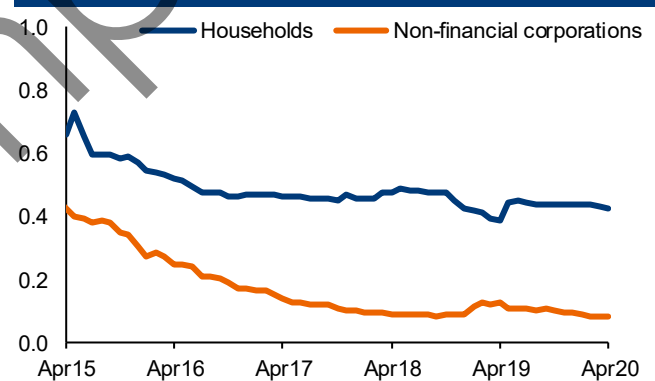
The abundance of liquidity flowing into overnight deposits is causing the related interest rates to fall, albeit only marginally considering their already very low level. According to April figures and estimates for May from ABI (the Italian Banking Association), **the average rate on the stock of overnight deposits fell to 0.03%**, from the 0.04% rate of the previous six months. Among the other deposit components, the rate on the stock of deposits with agreed maturity of households remained unchanged at 1.09% after the increase recorded in the previous two months on the shorter maturities, following the marketing policies for new funding implemented by some intermediaries. The average rate on the stock of deposits held steady at 0.36% and remained at that level in May according to ABI estimates.

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



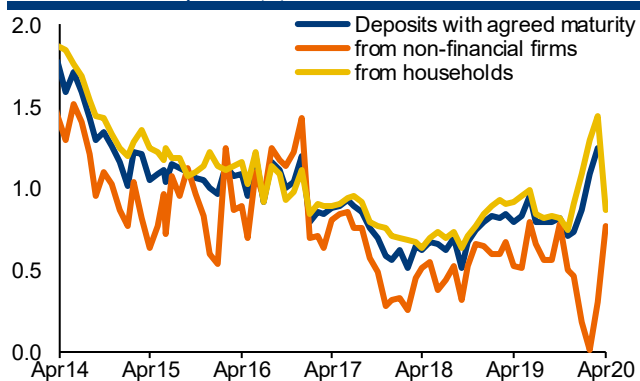
Source: Bank of Italy

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



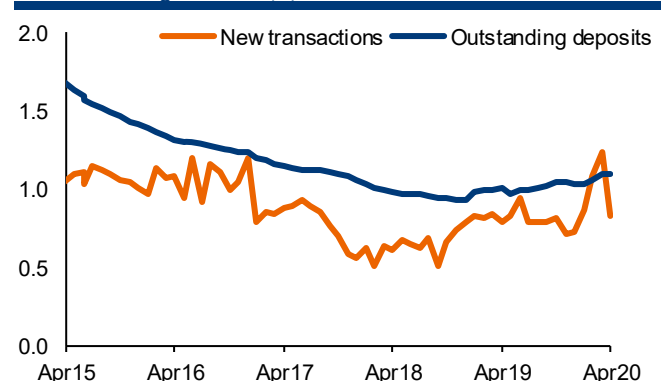
Source: Bank of Italy

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



Source: Bank of Italy

Average rates on deposits with agreed maturity: new transactions and outstanding amounts (%)

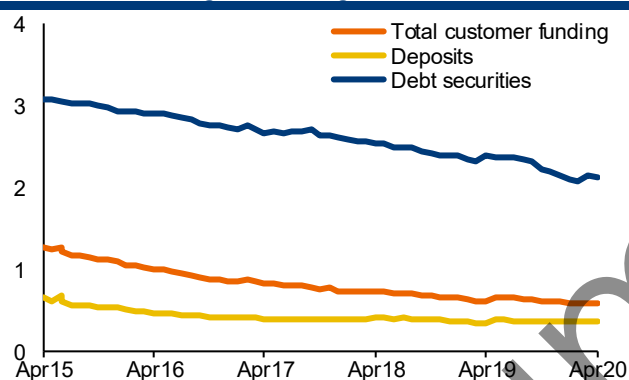


Source: Bank of Italy

As regards rates on new deposits with agreed maturity, the April data indicate that offer policies aimed at households at attractive rates have been discontinued. More specifically, **in April the average rate on new time deposits of households fell to 0.86%, reverting to the level at the end of 2019**, from 1.44% reached in March after four months of increases. **The reduction was driven by the short maturities**, which had also caused the previous increase. In April, the rate on new deposits with agreed maturity of households of up to 1 year fell by a full 64bps mom, falling back below 1% (to 0.91%). The rates on longer maturities also fell, but by only 8bps mom to 0.78%. By contrast, **the rate on time deposits of non-financial companies saw a second rebound to 0.77%**, from the almost zero value reached in February (0.01%). The result of these contrasting movements was a decrease of 41bps mom in the overall rate on new deposits with agreed maturity of households and businesses, which also dropped below 1% to 0.83%.

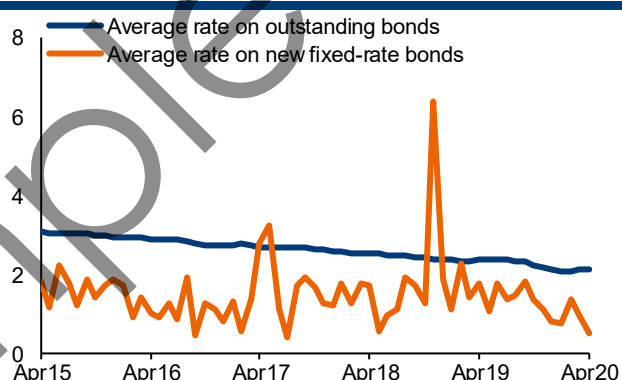
The rate on the stock of bonds was unchanged at 2.13%, following the sudden increase in March to 2.14%, and **should fall again in May to an all-time low** of 2.02%, according to ABI estimates. As a result of the above, **the overall cost of customer funding stocks dropped slightly** to 0.58%. According to ABI estimates, this downward trend should continue in May (-1bps mom).

Rates on bank funding - outstanding amounts (%)



Source: Bank of Italy and Intesa Sanpaolo calculations

Rates on outstanding bank bonds and new issues (%)



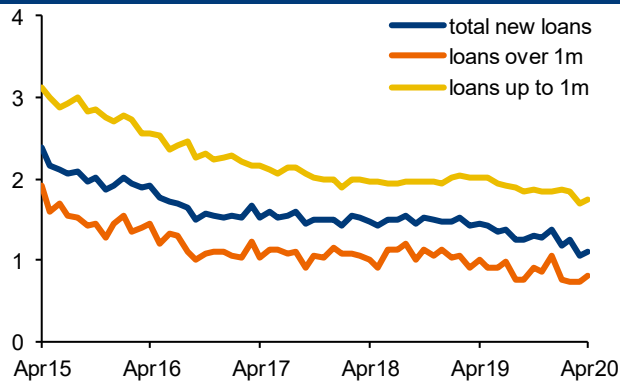
Source: Bank of Italy

As regards rates on new loans, there were slight increases in April, presumably due to increases in Euribor rates. However, as estimated by ABI, **the trend started declining again in May**.

With regard to **new loans to non-financial companies, there was a modest increase in the rate on smaller loans following the significant drop in March**. More specifically, the rate on loans up to 1 million increased by 8bps mom to 1.75%, though remaining at record lows following the 1.67% rate recorded in March. The rate on new larger loans also saw an increase, by 9bps mom to 0.82%. As a result, the average rate on disbursements increased by 5bps mom to 1.1% as it was also affected by a composition effect brought on by the significant increase in loans above 1 million, only to drop back to 1.07% in May according to ABI estimates.

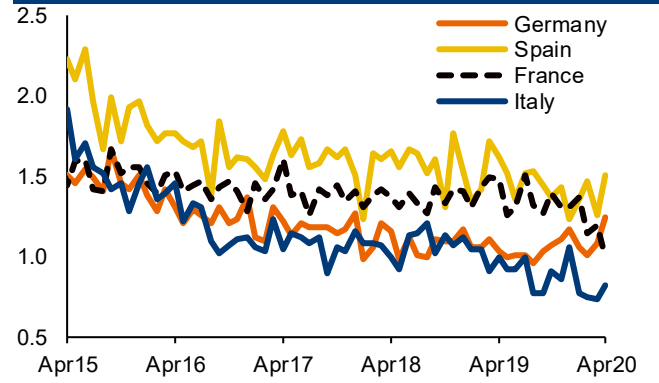
When compared to Europe, the significant decrease in the average euro area rate in April (driven by the French rate) drove **the spread with the Italian rate on loan flows up to 1 million back into positive territory** (spread of +18bps between Italy and the euro area). Conversely, **for the rate on new loans over 1 million, the negative spread with the euro area remained very wide at -42bps**, in line with the previous three months.

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



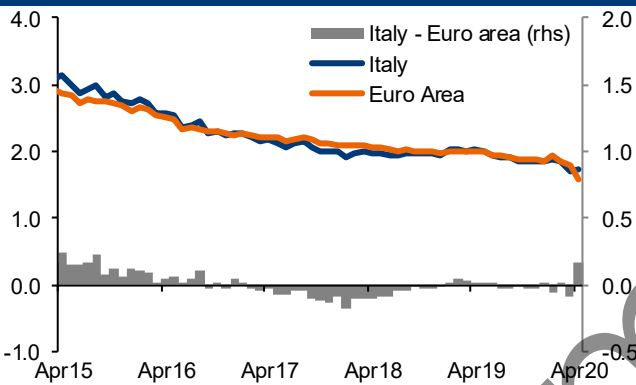
Source: Bank of Italy

Rates on new loans of over 1M to non-financial companies (%)



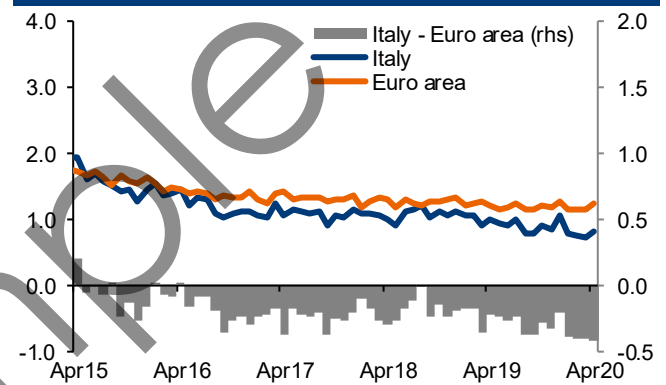
Source: ECB

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



Source: Bank of Italy, ECB and Intesa Sanpaolo calculations

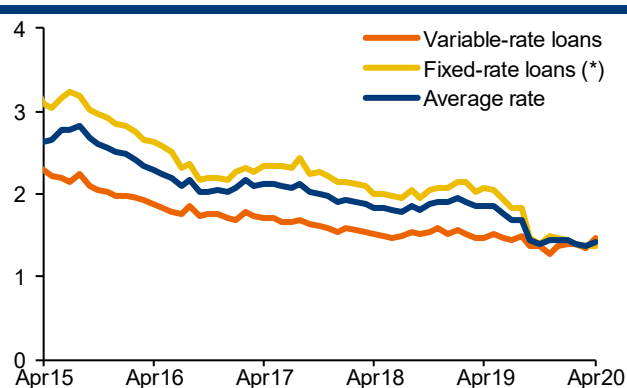
Average rate on new loans of over 1M to non-financial companies, Italy – Euro zone comparison (%)



Source: Bank of Italy, ECB and Intesa Sanpaolo calculations

Rates on loans to households for house purchase also took a break from the downward trend, but were once again on the decline in May. More specifically, the average rate rose by 4bps mom in April to 1.41% due to the increase of 12bps mom in the floating rate to 1.47%. By contrast, the fixed rate held steady at 1.37% with the result that, for the first time since banking statistics began to be documented, the fixed rate was lower than the floating rate by 10bps. According to ABI estimates, the average rate hit a new all-time low of 1.33% in May.

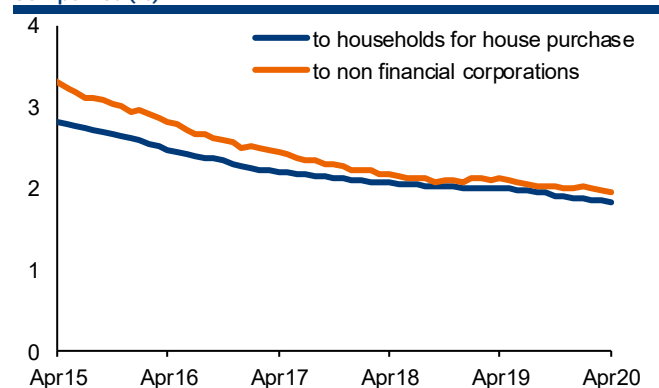
Rates on new loans to households for house purchase (%)



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

Source: Bank of Italy

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

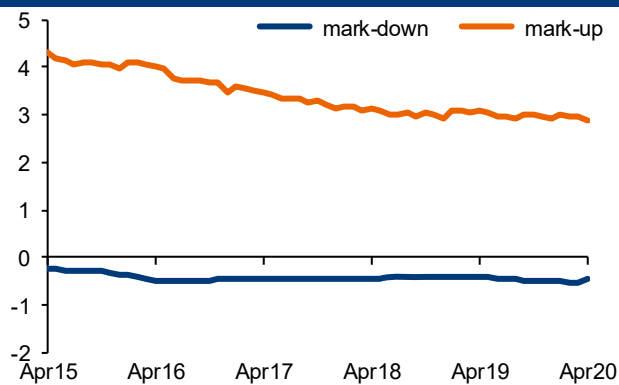


Source: Bank of Italy

With regard to the average rate on the stock of loans, the downward trend continued with a 3bps mom cut that brought the average rate down to 2.43% - a new all-time low. According to ABI estimates, this was followed by a similar cut in May bringing it down to 2.40%.

Therefore, in April the spread between lending and funding rates narrowed further down to 1.85% (-2bps mom), remaining below the levels recorded in 2019. The contribution of demand deposits saw a temporary recovery of 6bps to -0.46% that was largely due to the increase in the 1-month Euribor and which is due to disappear the following month. The same effect was observed on the mark-up on short-term lending rates, which fell by 6bps to 2.88%.

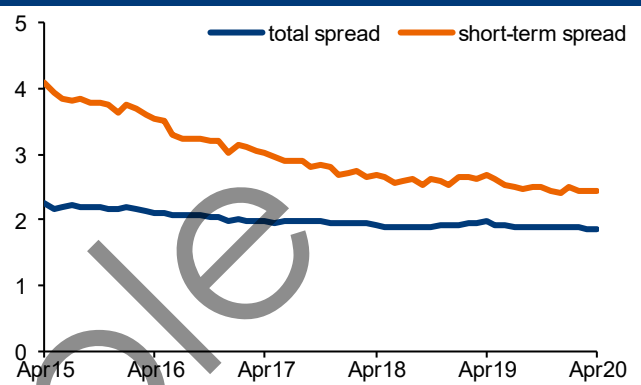
Short-term contribution (%) (*)



Note (*): mark-down = 1-month Euribor – average rate on overnight deposits of households and businesses; mark-up = rate on short-term loans – 1-month Euribor.

Source: Bank of Italy, ECB and Intesa Sanpaolo calculations

Short-term spread and total spread (%)



Source: Bank of Italy and Intesa Sanpaolo calculations

Continued growth in loans to businesses while loans to households are slowing down

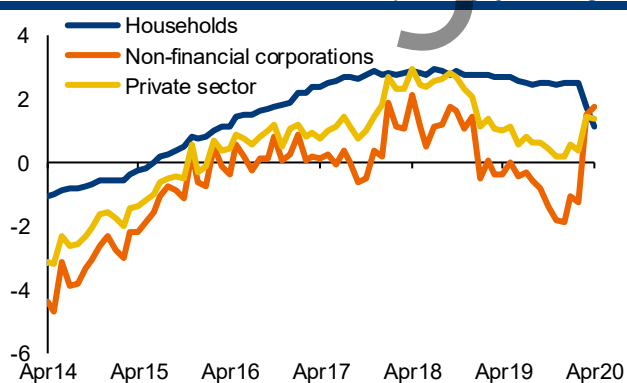
The impact of COVID-19 on bank lending which emerged in March continues with renewed growth in loans to businesses and a marked slowdown in loans to households. Net monthly flows of loans to non-financial companies were significant again in April at EUR 5.9Bn, although lower than the EUR 16.1Bn reported in March. The rate of change accelerated to 1.7% yoy, from 1.5% in March. Gross monthly flows confirmed that the increase was driven by transactions above EUR 1M. Loans to households, on the other hand, slowed even further to +1.1% yoy from +1.7% in March. Overall, growth in lending to the private sector held steady at the 1.4% growth rate recorded in March. Based on ABI estimates, the trend in May remained unchanged, while the narrower aggregate of loans to households and businesses looked set to record +1.5% yoy compared to +1.4% in April.

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After the step in the rate of change in March, **loans to non-financial companies continued to grow at a rate of 1.7% yoy in April, from the 1.5% recorded in March** (figures adjusted for securitisations). Net monthly flows were significant again in April at EUR 5.9Bn, although lower than the EUR 16.1Bn reported in March. When the positive January figure (EUR 8.1Bn) is considered, the net increase in the total stock of loans to non-financial companies in the first four months of the year amounted to EUR 27Bn. By comparison, there was a net decrease of EUR 6Bn in the same four-month period of 2019; a prelude to the EUR 36Bn decrease for the whole of 2019. The renewed growth in loans to businesses starting in March reflected the use of credit lines and demand for new loans to meet liquidity needs during the lockdown. The increase until April was only slightly influenced by public guarantees on loans. Their importance in terms of disbursements gradually became more evident in the months that followed. In March, the monthly increase in loans largely involved also short-term loans, amounting to EUR 8.9Bn or approximately half of the total, while in April the flows mainly consisted of medium- to long-term loans.

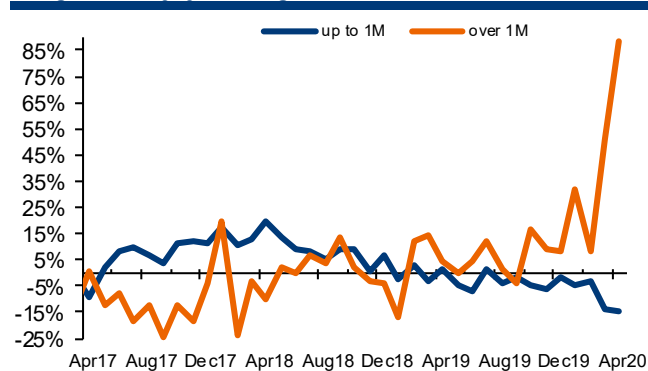
Monthly gross flows continue to show that **the growth in loans to non-financial companies was driven by transactions above EUR 1M**. For the seventh consecutive month, **total gross disbursements continued to be positive** and in April this trend intensified to +38.6% yoy from +20% recorded in March. **Loans over 1 million accelerated to +88.1% yoy from 51.3% in March**, with a gross amount of around 25Bn from around 24Bn in March. By contrast, **disbursements totalling up to 1 million continued to decline**, in line with March and therefore more than in the previous months, by -14.7% yoy in April.

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



Source: Bank of Italy

Disbursements to non-financial companies - flows net of renegotiations (yoy % change)

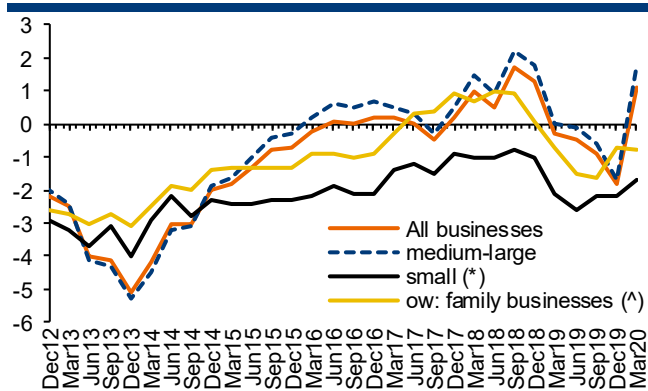


Source: Bank of Italy and Intesa Sanpaolo calculations

This surge in loans over EUR 1M is reflected in the performance of loans by company size. Once again, **loans to medium-large businesses in the Centre-North are mainly driving the recent trend of the overall aggregate**, with a change of +2.3% yoy in March (+1.8% for Italy as a whole), from -1.9% at the end of 2019. By contrast, **loans to small businesses (with less than 20 employees)**

continued to fall, dropping by -1.7% yoy nationally. Moreover, in the Centre-North, the gap in lending to medium-large businesses compared to loans to small businesses has widened (-2.0% yoy). Conversely, in the South, loans to small businesses decreased at a slower rate than those to medium-large businesses (-0.6% yoy in March for the former compared to -1.3% for the latter and -1.1% for all businesses in the area).

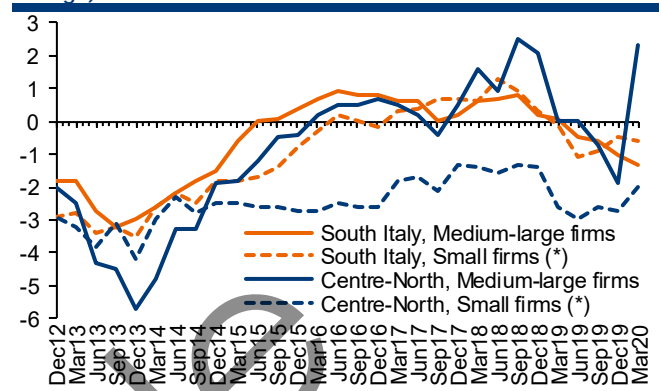
Loans to businesses by borrower size (\$ (yoy % change)



Notes: (\$) percentage change calculated net of reclassifications, value adjustments and other non-transaction-related changes. (*) Limited and unlimited partnerships with fewer than 20 employees. Simple partnerships, de facto partnerships and sole proprietorships with fewer than 20 employees. (^) Simple partnerships, de facto partnerships and sole proprietorships with up to 5 employees.

Source: Bank of Italy

Loans by business size and by geographical area (\$ (yoy % change)

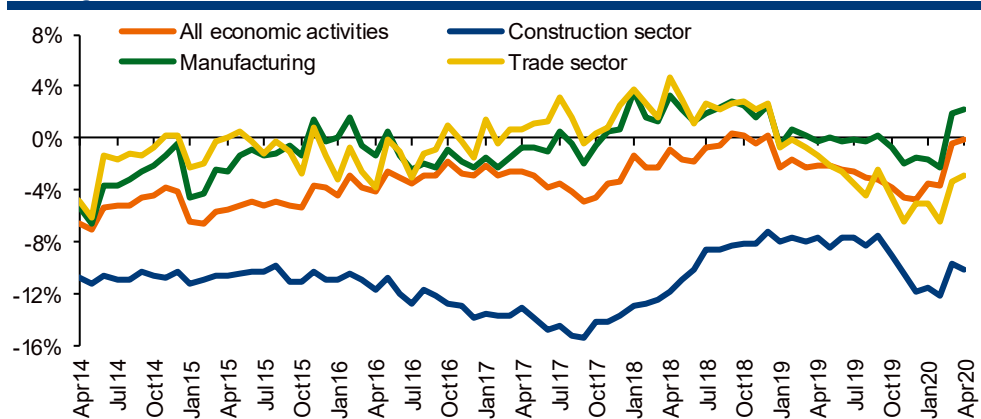


Notes: (\$) percentage change calculated net of reclassifications, value adjustments and other non-transaction-related changes. (*) Limited and unlimited partnerships with fewer than 20 employees. Simple partnerships, de facto partnerships and sole proprietorships with fewer than 20 employees.

Source: Bank of Italy

The rebound in the rate of change of loans to businesses is generalised among the main business sectors. The figures net of bad loans (performing loans) confirm that the annual change for all businesses was almost zero both in March and in April, when it was -0.1% yoy, from the significant fall in the first two months of the year and in 2019 (-3.7% yoy in February and -4.6% in the last quarter of 2019; figures include family businesses). When considering the individual components, **loans to the manufacturing sector were on the rise again**, increasing by 2.2% in April after returning to positive territory in March with a +1.9 yoy increase (-2.2% yoy in February 2020). **Loans to the commerce sector dropped by about half compared to February**, to -2.9% yoy in April (-6.4% yoy in February). **The decline in loans to the construction sector of -10.1% yoy in April (-12.1% yoy in February and -11.8% at the end of 2019) is only slightly lower but is still very significant.**

Performing loans in the main economic sectors, non-financial companies and family businesses (yoy % change)



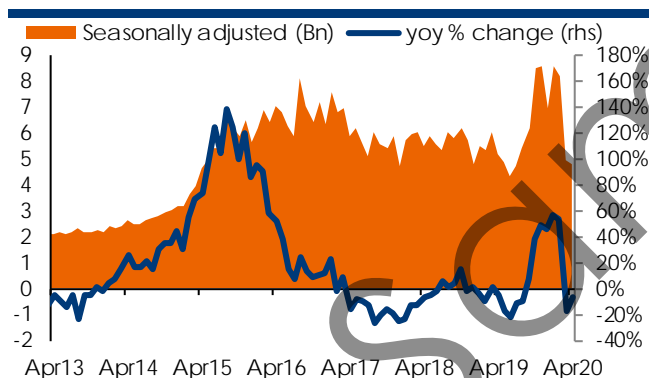
Source: Bank of Italy and Intesa Sanpaolo calculations

Compared to loans to businesses, **loans to households have slowed sharply, to +1.1% yoy in April, from +1.7% in March**, after more than three years of robust growth of around 2.5%. At the component level, **the slowdown was particularly evident in consumer credit**. In April, consumer credit disbursed by banks recorded a 75% decrease in monthly gross flows compared to a year earlier (from -47% yoy in March and +2.3% in February), with a volume of only EUR 906M (EUR 3.6Bn per month on average in 2019). Furthermore, the stock of consumer credit slowed down sharply to +2.4% yoy from +5.3% in March and 7.9% in February.

Even the gross monthly flows of loans for house purchases continued the decline that emerged in March, albeit at a more moderate pace, although this has stopped the strong recovery that characterised the last quarter of 2019 and the first two months of 2020. In April, the annual change was equal to -7.1% yoy, following the -17% in March, that interrupted the significant trend seen in the previous five months (+52.8% yoy in February and +56.1% in January).

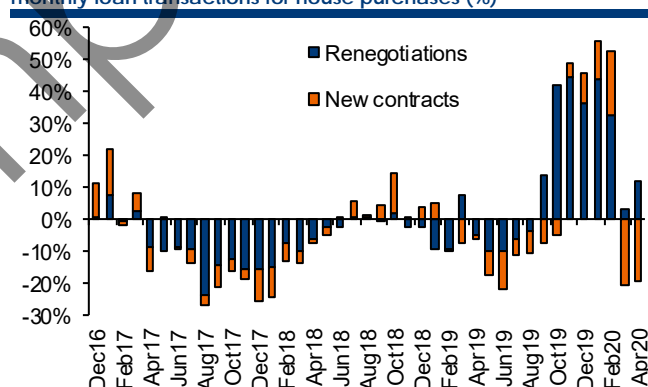
Like in March, the decrease in April was driven by new contracts, which fell by -24.7% yoy following the -30.9% drop in March which put an end to a short period of growth from November 2019 to February 2020. **By contrast, renegotiations, despite having slowed considerably, continued to increase**, rising by +57.7% yoy from +10.5% recorded in March, compared to a growth rate of 161% in February. Renegotiations accounted for 36% of total disbursements, down from 44% in March, which is in line with the rates between 35% and 46% recorded since October 2019.

Loans to households for house purchase, gross monthly flows



Source: Bank of Italy, Intesa Sanpaolo Research Department calculations

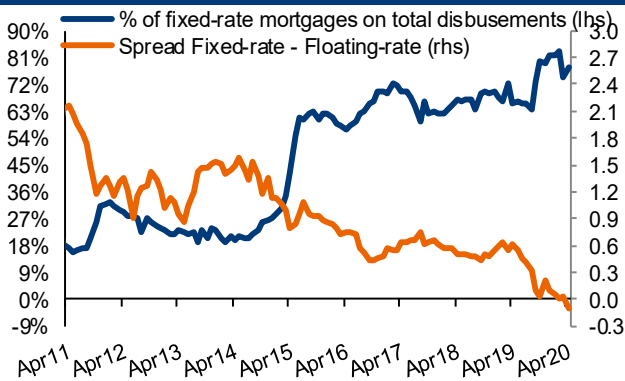
Contribution of renegotiations and new contracts to the growth of monthly loan transactions for house purchases (%)



Source: ECB and Intesa Sanpaolo calculations

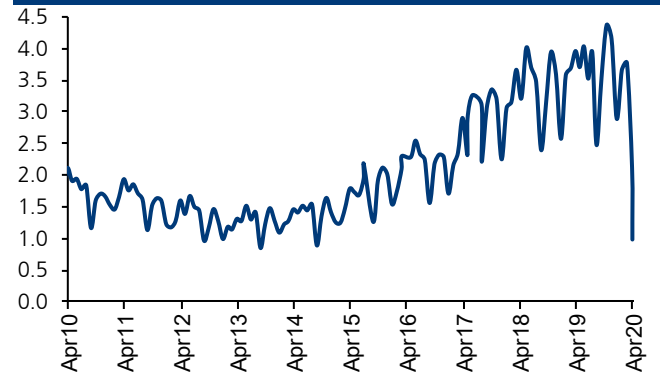
As regards the type of rate, **fixed-rate disbursements rose again in April, after declining for just one month, while floating-rate disbursements continued to fall**. Indeed, fixed-rate disbursements grew by 9.4% yoy (-14.7% yoy in March). Floating-rate disbursements, on the other hand, posted a sharper decline (-38.8% yoy from -23% in March).

Disbursements of loans for house purchase: fixed-rate as % of the total and spread between fixed and floating rate



Source: Bank of Italy and Intesa Sanpaolo calculations

Disbursements to households for consumer credit (EUR Bn)



Source: Bank of Italy

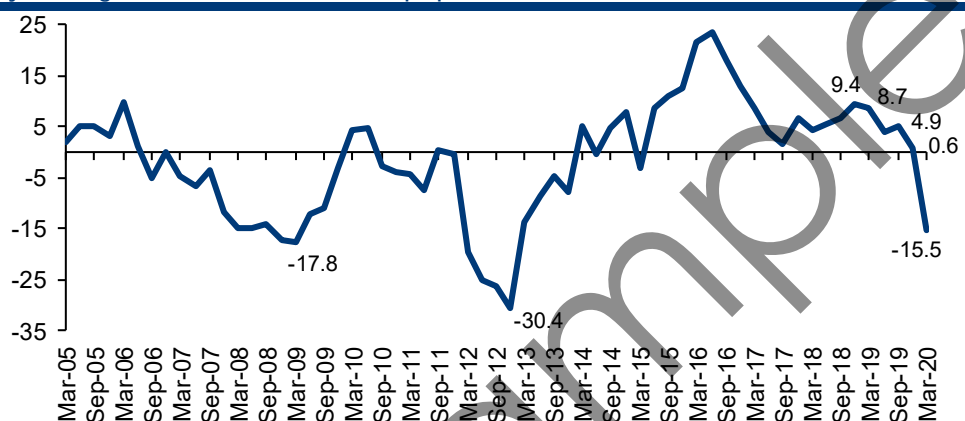
Finally, in April, **loans to the private sector confirmed an increase of 1.4% yoy**, unchanged from March (figures net of central counterparties and adjusted for securitisations) since the improved growth in loans to non-financial companies was offset by a further slowdown in loans to households. Based on ABI estimates, the trend in May remained unchanged, while the narrower aggregate of loans to households and businesses looked set to record +1.5% yoy compared to +1.4% in April, consolidating the recovery compared to +0.5% in February and posting a monthly increase of approximately EUR 3.8Bn.

Box - Sharp drop in the residential property market

Residential property transactions fell sharply in 1Q20, by 15.5% yoy, putting an abrupt end to the positive performance that began in 2014. The figure reflects an ongoing slowdown in home sales growth, which decelerated over the course of 2019 to close out the fourth quarter of the year virtually unchanged at +0.6% yoy. The first two months of 2020 were consistent with this trend, with January coming in at +0.6% yoy and February at +3.4% yoy. The decrease in 1Q20 mainly reflects the first effects of the Covid-19 health crisis, which led to a drastic -45.4% yoy drop in closings in March following the introduction of the lockdown measures. The shock, both of supply and demand nature, was symmetric between provincial capitals and other municipalities. Geographically, the decline was slightly more pronounced in the North-West and South. When compared with more recent economic crises, -15.5% is a smaller decline than the low recorded in March 2009¹ (-17.8% yoy) during the recession that followed the 2007-08 financial crisis and about half the -30.4% yoy recorded in December 2012 in the wake of the sovereign debt crisis. Looking ahead, we expect to see even more negative data for the second quarter as a result of the lockdown that affected most of the period.

Federico Desperati

Yoy % change in transactions of residential properties



Source: OMI and Intesa Sanpaolo Research Department calculations

1Q20 yoy % change in transactions of residential properties

	January-20	February-20	March-20	1Q20
North West	2.9	5.0	-50.3	-16.5
North East	-0.5	2.1	-39.1	-14.0
Central Italy	-1.4	5.7	-42.6	-14.4
Southern Italy	1.1	0.7	-47.0	-16.3
Italy	0.6	3.4	-45.4	-15.5

Source: OMI

¹Pre-2011 figures are not fully comparable with the subsequent period.

Household overnight deposits accelerating, while those of businesses continue to grow

Overnight deposits continue to post solid growth with a monthly inflow of an additional EUR 17Bn, bringing the increase since the beginning of the year to EUR 36.5Bn. The rate of change rose to +8.5% yoy. As already seen in March, the monthly increase was driven by the significant inflow into household deposits, although the overnight deposits of non-financial companies also continued to rise sharply. This supports customer deposits, which have accelerated to +6.8% and are estimated to strengthen to +7.6% in May, according to ABI preliminary figures. By contrast, bonds continued their downward trend. Thanks to the strong performance of deposits, total customer funding continues to grow at an increasingly robust rate, coming in at 5.2% yoy in April, which is expected to rise to +6.0% according to ABI estimates.

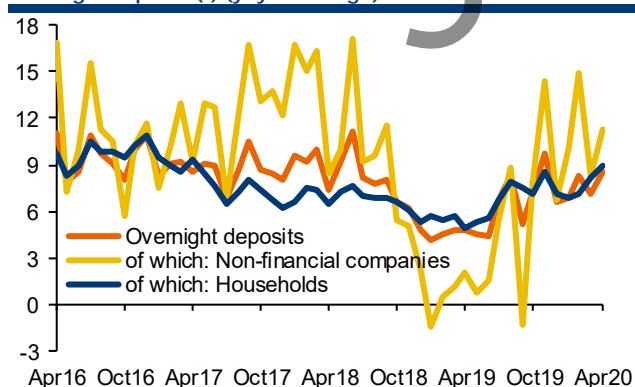
Elisa Coletti

The strong performance of overnight deposits continued in April with inflows for the month of an additional EUR 17Bn following the 14.3Bn in March and 19.5Bn in February. Growth returned to +8.5% yoy from 7.1% in March and 8.3% in February. Since the beginning of the year, in just four months, no less than EUR 36.5Bn has flowed into bank accounts, compared to EUR 14.2Bn in the same four-month period of 2019. As already observed in the previous month, the increase was driven by the significant inflow to household deposits of EUR 7.7Bn, which is in line with the amount recorded in February and approximately half of the exceptional March figure. The annual growth rate rose to +9% yoy from +8.2% in March and +7% on average in the first two months of the year. The overnight deposits of non-financial companies also continued their sharp increase, although the inflow of liquidity in April, like in March, was relatively modest, amounting to EUR 3.6Bn versus EUR 13.4Bn reported in February. The growth rate has, however, returned to double digits coming in at +11.3% yoy.

As for deposits with agreed maturity, the trend was down slightly, like in March, after just four months of growth from October 2019 to January 2020. Overall, the growth in deposits from resident customers continues to improve, climbing to +6.8% yoy in April from +5.7% in March. According to ABI estimates, growth accelerated to +7.6% yoy in May with a monthly increase in the stock of more than EUR 20Bn.

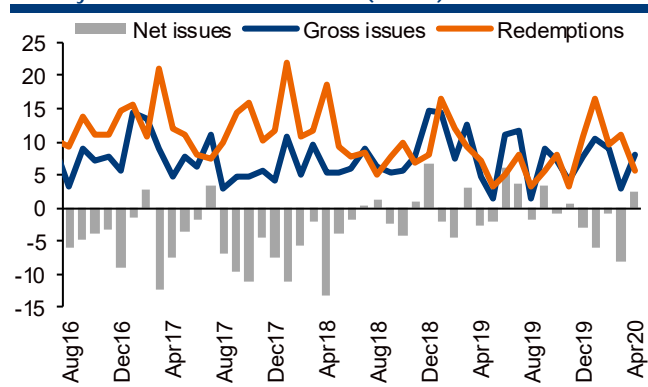
Bonds also continued their downward trend already seen in March with a drop of -4.3% yoy in stock, which is in line with the previous month (-4.1% yoy) and with ABI estimates for May (-4.2% yoy). After four negative months, net bond issues in April turned slightly positive, coming in at EUR 2.4Bn.

Overnight deposits (*) (yoy % change)



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

Monthly issues of Italian bank bonds (EUR Bn)

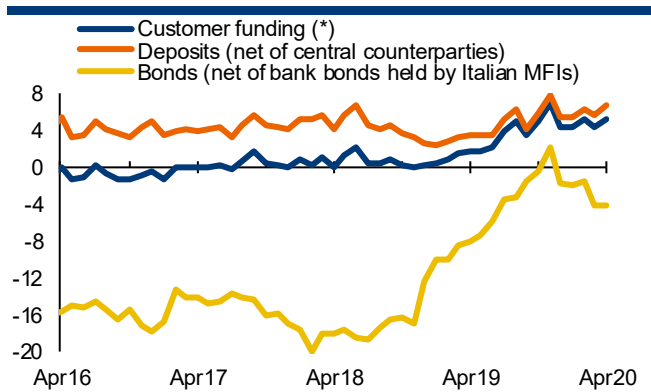


Source: Bank of Italy

The considerable growth in deposits continues to drive overall growth in customer funding, which returned to the pace recorded in February of 5.2% yoy and is expected to accelerate to +6.0% in May according to ABI estimates. The total funding aggregate, which includes ECB refinancing

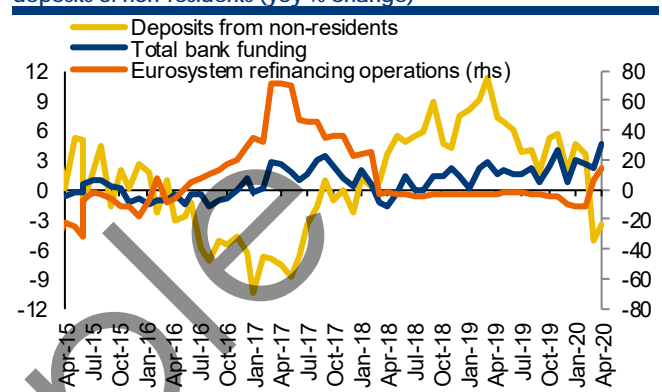
and deposits from abroad, doubled its growth rate to +4.6% yoy from 2.3% in March and 3.0% at the beginning of the year. The **increase in ECB refinancing** contributed to the surge which saw an additional EUR 18.9Bn during the month from longer-term operations, following +45Bn in March, thus bringing the total stock to EUR 279Bn and 7% of total assets at the end of April. This percentage exceeded the all-time high of 6.7% recorded in mid-2012. On the other hand, **deposits of non-residents - including interbank deposits - continued the decline that emerged in March**, down 3.5% yoy (-5.2% in the previous month), indicating that foreign counterparties are being cautious in a phase of risk aversion. It is worth noting that a negative change has not been recorded since the end of 2017.

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



Note: (*) excluding deposits with central counterparties and bonds purchased by Italian MFIs. Total deposits and funding exclude liabilities related to loans sold and not cancelled. Source: Bank of Italy and Intesa Sanpaolo calculations

Rate of change in total funding, of which ECB refinancing and deposits of non-residents (yoy % change)



Source: Bank of Italy

Asset management: recovery in mutual fund inflows

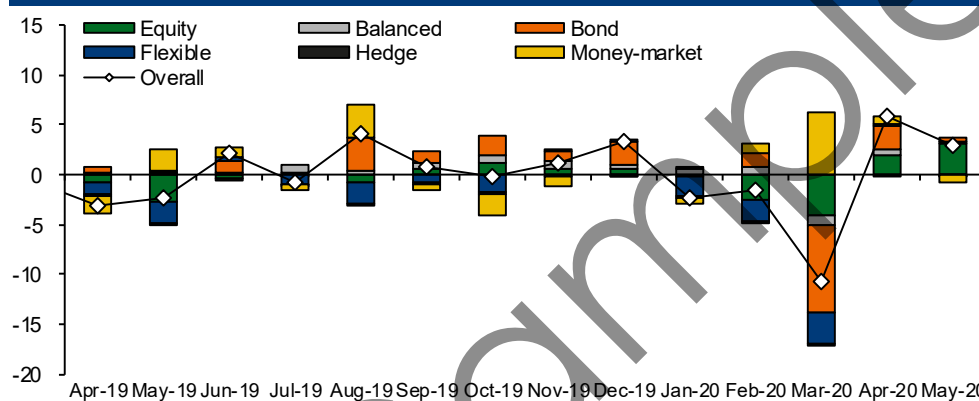
Open-end mutual fund flows returned to positive territory in May and April, rebounding sharply after the outflows recorded in March caused by the crisis triggered by the pandemic. As regards life insurance, the sharp drop in new business continued for both traditional policies and unit-linked policies in the wake of a trend in March marked by the partial closure of distribution channels to contain the pandemic.

Viviana Raimondo

According to the data in Assogestioni's Monthly Map of Assets under Management², **open-end mutual funds in May and April returned to positive territory with total net inflows of EUR 8.7Bn of which approximately EUR 2.9Bn in May and EUR 5.7Bn in April**. This comes after the significant outflows recorded in the first quarter of the year (-12.1Bn) following the collapse of financial markets caused by the outbreak of the pandemic. April's inflows were the highest since January 2018.

Mutual fund inflows in May and April were driven by the equity (EUR +5.1Bn for the two months) and bond (EUR +2.6Bn) segments. Balanced funds (EUR +739M), monetary funds (EUR +193M) and flexible funds (EUR +184M) recorded positive, albeit modest, flows. Hedge funds reported modest outflows of EUR 143M.

Open-end mutual funds: breakdown of quarterly net inflows by category (EUR Bn)



Source: Assogestioni

Assets under management in the mutual fund industry also turned slightly positive again in May (+0.4% yoy) at EUR 1,008.2Bn. Compared to December 2019, total assets were down 7.2%, mainly due to a negative performance effect of -5.9%.

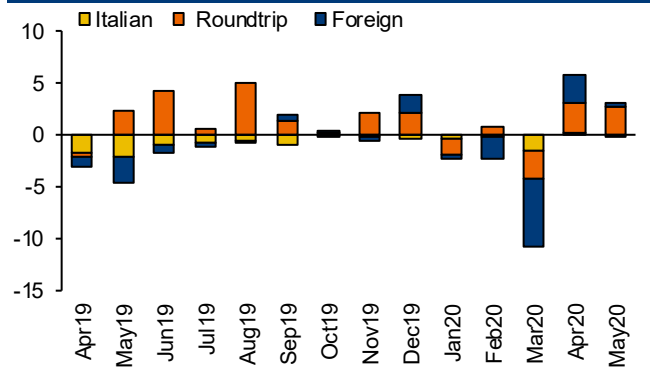
With regard to fund location, net inflows in May and April were robust overall for both roundtrip funds³ with around EUR 5.5Bn and foreign funds with EUR 3.2Bn. Italian funds, on the other hand, recorded outflows, albeit modest, of EUR 13M.

When considering the breakdown of inflows by type of fund manager, it is clear that they were more robust for insurance operators and promoters' networks with EUR 5.2Bn while banking intermediaries recorded inflows of EUR 3.5Bn.

² This document is issued in the 4th/5th week of the month after the month reported. The data in the Monthly Map are preliminary and anticipate more complete figures published in the corresponding quarterly Map.

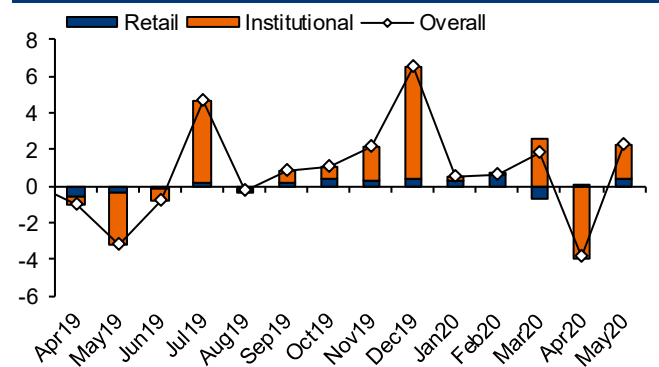
³ The inflow value relating to roundtrip funds is an estimate because this is not available on a monthly basis, and consequently it is subject to revisions following the publication of the Assogestioni Quarterly Map.

Open-end mutual funds: breakdown of monthly net inflows by location (EUR Bn)



Source: Intesa Sanpaolo Research Department calculations based on Assogestioni data

Portfolio management: breakdown of monthly net inflows by customer type (EUR Bn)

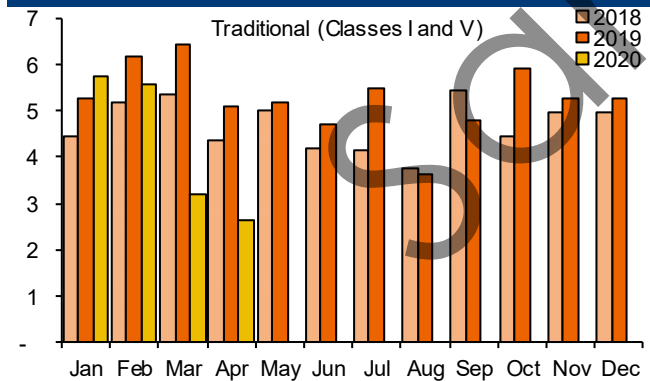


Source: Intesa Sanpaolo Research Department calculations based on Assogestioni data

Portfolio management was characterised by **net inflows of EUR 2.2Bn in May** and **significant outflows of EUR 3.9Bn in April**. The latter are almost exclusively attributable to institutional mandates. Retail mandates, on the other hand, showed positive flows both in May and April for a total of EUR 453M.

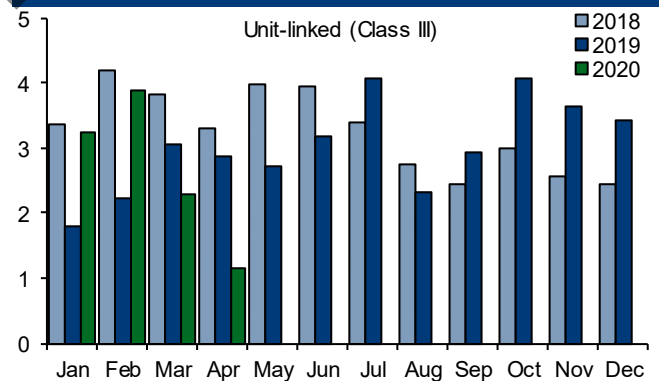
New life insurance business decreased significantly in April (-52.6% yoy) for the second consecutive month. Of the EUR 3.8Bn in total inflows, EUR 2.6Bn were premiums from traditional policies (-48.4% yoy) and EUR 1.2Bn from unit-linked policies (-60.0% yoy). The sharp drop in new life insurance business in April is also the result of the negative consequences of the lockdown measures imposed to limit the spread of the COVID-19 pandemic.

Life insurance premiums: new monthly business, class I and V (Italian, EU and non-EU companies) (EUR Bn)



Source: Intesa Sanpaolo Research Department calculations based on ANIA figures

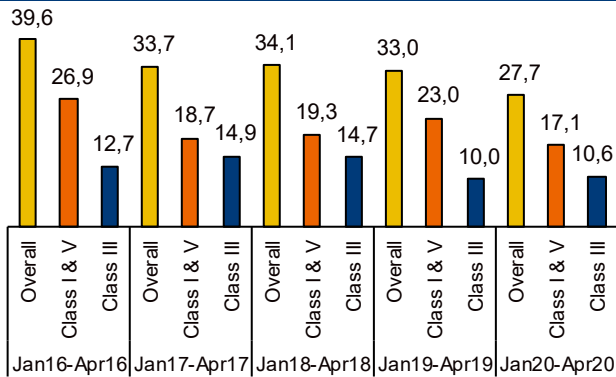
Life insurance premiums: new monthly business, class III (Italian, EU and non-EU companies) (EUR Bn)



Source: Intesa Sanpaolo Research Department calculations based on ANIA figures

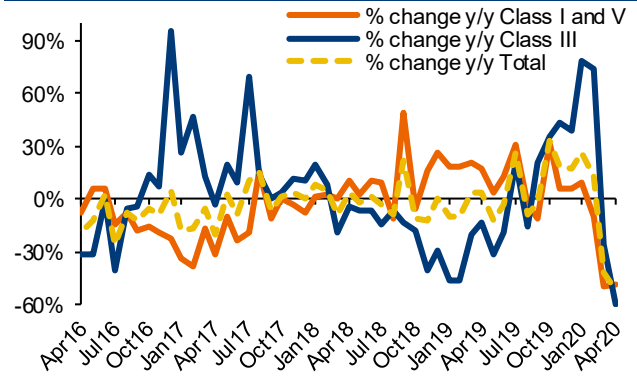
The continued decline in new life insurance business in April brought the cumulative figure from the beginning of the year to EUR 27.7Bn, a significant drop compared to the inflows recorded in the same period in previous years (see the chart below on the left). Compared to the first four months of last year, traditional policies suffered the most, while unit-linked policies held up well thanks to solid growth in the first two months of the year.

Life insurance premiums: new cumulative business, class I and V and class III (Italian, EU and non-EU companies) (EUR Bn)



Source: Intesa Sanpaolo Research Department calculations based on ANIA figures

Life insurance premiums: annual change, new monthly business (Italian, EU and non-EU companies)

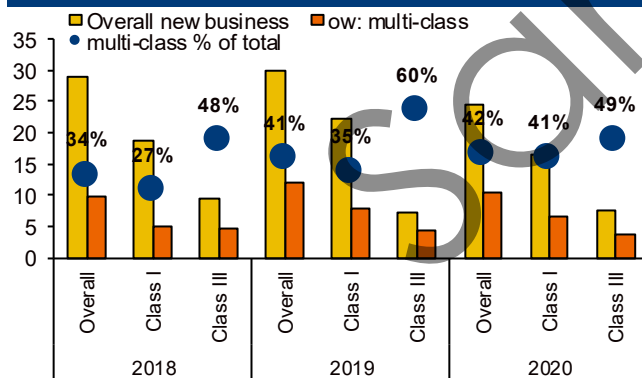


Source: Intesa Sanpaolo Research Department calculations based on ANIA figures

With reference to Italian and non-EU companies only, for the second consecutive month, growth in multi-class policies was also negative (-58.7% yoy), with total business of EUR 1.2Bn, of which EUR 832M in class I (-55.4% yoy) and EUR 410M in class III (-64.2% yoy). Since the beginning of the year, the taking-out of these policies totalled EUR 10.5Bn, a decrease of -14.2% on the cumulative amount in the previous year.

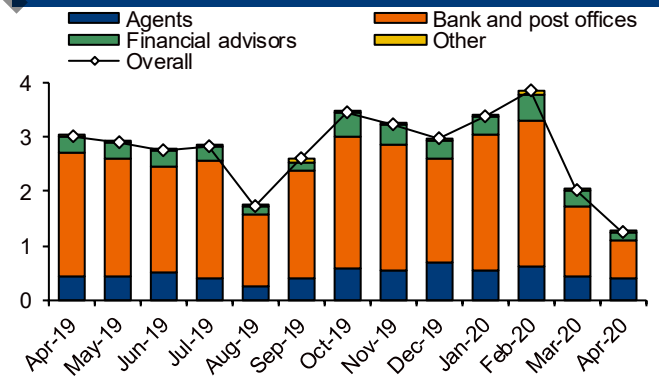
As regards new business by distribution channel, financial advisors (-49.2% yoy) and bank and post office branches (-69.6% yoy) were most affected. New business from agents, on the other hand, suffered a more modest decline (-9.3% yoy).

Life insurance premiums (Italian and non-EU companies): multi-class component and total policies purchased by class (EUR Bn)



Note: these refer to the cumulative number of policies purchased since the beginning of the year (January - April 2020)
Source: Intesa Sanpaolo Research Department calculations based on ANIA figures

Life insurance premiums (Italian and non-EU companies): monthly share of new multi-class business, breakdown by distribution channel (EUR Bn)



Source: Intesa Sanpaolo Research Department calculations based on ANIA figures

Statistical appendix

Interest rates on loans to households (new business)

Maturity	April'20	- 1 month	- 3 months	-12 months
House purchase				
floating rate and up to 1 year	1.35	1.39	1.37	1.47
over 5 and up to 10 years	1.50	1.28	1.30	1.79
over 10 years	1.37	1.40	1.46	2.02
APRC(*)	1.73	1.74	1.78	2.17
Consumer credit				
over 1 and up to 5 years	6.60	6.34	6.02	6.59
APRC(*)	7.69	7.95	7.60	8.19
Other loans				
over 1 and up to 5 years	2.50	2.60	2.39	3.15

(*) annual percentage rate of change

Source: Bank of Italy, Intesa Sanpaolo calculations

Interest rates on loans to non-financial corporations (new business)

Maturity	April'20	- 1 month	- 3 months	-12 months
Loans up to EUR 1million				
floating rate and up to 1 year	1.67	1.86	1.85	2.02
over 1 and up to 5 years	1.67	1.82	1.82	1.97
over 5 years	1.48	2.02	2.02	2.31
over 5 years	2.39	2.49	2.44	3.02
Loans over EUR 1million				
floating rate and up to 1 year	0.73	0.75	1.06	0.91
over 1 and up to 5 years	0.75	0.72	1.03	0.83
over 5 years	0.39	0.90	1.07	1.36
over 5 years	1.47	1.71	1.77	2.45

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) (*)
Apr-18	1,506,887	2.9	734,771	2.1	632,896	2.9
May-18	1,504,298	2.4	732,349	1.1	633,683	2.8
Jun-18	1,481,582	2.4	703,605	0.5	629,099	2.8
Jul-18	1,478,268	2.5	705,438	1.1	629,698	2.9
Aug-18	1,465,444	2.6	696,357	1.2	627,861	2.8
Sep-18	1,467,969	2.8	694,964	1.7	628,069	2.8
Oct-18	1,463,978	2.7	693,459	1.6	630,304	2.9
Nov-18	1,467,206	2.3	696,720	1.0	631,129	2.7
Dec-18	1,455,118	2.1	678,483	1.4	626,210	2.8
Jan-19	1,448,588	1.1	679,156	-0.5	626,655	2.7
Feb-19	1,445,766	1.4	676,909	0.1	627,242	2.8
Mar-19	1,436,505	1.0	665,144	-0.4	627,052	2.7
Apr-19	1,436,197	1.0	668,464	-0.4	628,025	2.7
May-19	1,435,805	1.1	666,628	0.0	629,597	2.7
Jun-19	1,436,094	0.6	658,806	-0.5	630,808	2.5
Jul-19	1,437,961	0.8	661,335	-0.3	633,014	2.5
Aug-19	1,421,991	0.6	650,122	-0.6	630,926	2.4
Sep-19	1,426,034	0.6	647,975	-0.8	632,116	2.5
Oct-19	1,419,983	0.4	643,520	-1.4	633,994	2.5
Nov-19	1,417,146	0.2	642,698	-1.8	632,068	2.4
Dec-19	1,410,702	0.2	631,239	-1.9	630,446	2.5
Jan-20	1,412,197	0.6	638,726	-1.1	630,970	2.5
Feb-20	1,405,619	0.4	635,098	-1.2	631,380	2.5
Mar-20	1,422,495	1.4	650,455	1.5	629,074	1.7
Apr-20	1,422,097	1.4	656,259	1.7	626,021	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 EUR M	yoy % change (°)	EUR M (°)	yoy % change (°)	EUR M (#)	yoy % change (#)
Apr-18	1,461,782	4.3	1,073,576	7.3	262,480	-17.8	1,724,262	-0.1
May-18	1,469,908	5.7	1,083,938	9.3	259,044	-17.7	1,728,952	1.2
Jun-18	1,485,614	6.8	1,101,351	10.7	254,298	-19.1	1,739,912	2.0
Jul-18	1,461,046	4.7	1,077,309	7.8	252,211	-19.3	1,713,257	0.3
Aug-18	1,463,054	4.3	1,079,979	7.4	250,717	-18.2	1,713,771	0.3
Sep-18	1,488,157	4.6	1,106,157	7.7	246,177	-17.4	1,734,334	0.8
Oct-18	1,474,142	3.7	1,093,802	6.4	241,998	-17.3	1,716,140	0.2
Nov-18	1,463,512	3.3	1,083,815	6.0	236,489	-17.2	1,700,001	-0.1
Dec-18	1,488,893	2.6	1,109,802	4.7	242,975	-12.5	1,731,868	0.2
Jan-19	1,484,406	2.3	1,092,558	4.1	242,709	-10.4	1,727,115	0.4
Feb-19	1,491,366	2.8	1,097,618	4.5	239,838	-10.3	1,731,204	0.8
Mar-19	1,516,343	3.2	1,122,396	4.7	242,623	-8.9	1,758,965	1.5
Apr-19	1,518,325	3.4	1,124,246	4.6	241,229	-7.9	1,759,554	1.6
May-19	1,526,160	3.5	1,130,932	4.4	239,466	-7.1	1,765,626	1.7
Jun-19	1,543,037	3.4	1,149,706	4.5	239,431	-5.1	1,782,468	2.0
Jul-19	1,542,115	5.0	1,147,671	6.6	243,359	-2.8	1,785,473	3.8
Aug-19	1,562,619	6.3	1,167,969	8.2	242,129	-2.6	1,804,748	4.9
Sep-19	1,556,404	4.0	1,163,639	5.2	242,325	-0.8	1,798,729	3.3
Oct-19	1,565,537	5.6	1,171,934	7.2	241,020	0.9	1,806,557	4.9
Nov-19	1,583,126	7.5	1,189,858	9.8	241,354	2.1	1,824,480	6.9
Dec-19	1,574,842	5.2	1,182,435	6.6	238,458	-1.7	1,813,300	4.3
Jan-20	1,563,167	5.3	1,166,757	6.8	237,648	-2.1	1,800,816	4.3
Feb-20	1,584,270	6.2	1,187,514	8.2	236,205	-1.6	1,820,475	5.2
Mar-20	1,602,039	5.7	1,204,102	7.4	232,685	-4.9	1,834,724	4.3
Apr-20	1,620,452	6.8	1,220,255	8.6	230,966	-5.0	1,851,418	5.2

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 Research Department calculations.

Asset management: mutual funds and portfolio management (EUR M)

	Mutual Funds						Portfolio Management				
	Net inflows				Assets under management		Net inflows			Assets	
	Italian funds	Roundtrip funds	Foreign funds	Total	EUR M	yoy % change (*)	Retail	Institutional	Total	EUR M	yoy % change (*)
Apr-18	573	661	1,465	2,699	1,011,862	8.2	-199	448	249	1,022,688	3.3
May-18	-1,322	771	-1,809	-2,360	1,009,342	5.9	-872	-3,471	-4,343	1,001,940	1.6
Jun-18	-513	2,429	-927	989	1,004,934	4.9	-259	-1,299	-1,558	1,001,617	1.9
Jul-18	-492	-1,119	538	-1,073	1,003,597	4.0	-59	657	598	1,004,355	1.5
Aug-18	-271	1,411	-497	643	997,529	3.0	-24	1,416	1,392	996,838	-0.1
Sep-18	-1,476	530	-352	-1,298	1,001,052	1.5	-616	1,856	1,240	1,009,026	0.1
Oct-18	-1,883	860	-3,364	-4,387	971,052	-3.8	-1,110	4,888	3,778	995,237	-1.8
Nov-18	-1,051	275	-2,605	-3,381	969,127	-4.4	-914	157	-757	996,830	-2.0
Dec-18	-587	490	-1,466	-1,563	955,114	-5.5	-523	-182	-705	1,003,570	-1.0
Jan-19	-1,144	3,385	-1,641	600	978,645	-3.9	2,082	-460	1,622	1,069,650	0.6
Feb-19	-1,132	-181	-355	-1,668	998,765	-1.0	-789	1,656	867	1,065,940	0.5
Mar-19	-629	432	-423	-620	1,013,235	0.1	-649	760	111	1,088,662	1.9
Apr-19	-1,890	-385	-935	-3,210	1,022,529	-0.1	-637	-403	-1,040	1,089,435	2.2
May-19	-2,138	2,298	-2,458	-2,298	1,003,866	-1.9	-392	-2,852	-3,244	1,086,995	3.4
Jun-19	-947	4,081	-933	2,201	1,027,298	0.8	-119	-640	-759	1,120,487	6.3
Jul-19	-887	452	-268	-703	1,035,362	1.9	217	4,407	4,624	1,139,829	8.0
Aug-19	-628	4,915	-258	4,029	1,036,344	2.8	-226	-78	-304	1,161,574	11.1
Sep-19	-974	1,205	577	808	1,045,232	3.7	164	709	873	1,176,953	11.2
Oct-19	-341	49	67	-225	1,046,997	7.3	356	735	1,091	1,166,450	11.6
Nov-19	-360	1,984	-374	1,250	1,054,755	8.5	307	1,782	2,089	1,163,491	11.0
Dec-19	-519	2,014	1,731	3,226	1,071,299	12.5	447	6,007	6,454	1,170,987	11.0
Jan-20	-470	-1,574	-269	-2,313	1,072,823	7.1	267	230	497	1,186,345	10.0
Feb-20	-361	768	-1,930	-1,523	1,051,881	2.9	650	9	659	1,177,112	9.8
Mar-20	-1,527	-2,721	-6,546	-10,794	966,297	-7.1	-742	2,585	1,843	1,114,513	1.7
Apr-20	87	2,990	2,661	5,738	992,502	-4.0	105	-3,989	-3,884	1,122,136	2.7
May-20	-100	2,533	506	2,939	1,008,227	1.1	348	1,893	2,241	1,137,707	5.0
YTD 2019	-6,933	5,549	-5,812	-7,196			-385	-1,299	-1,684		
YTD 2020	-2,371	1,996	-5,578	-5,953			628	728	-885		

(*) yoy % changes adjusted for statistical discontinuities due to the inclusion in the sample of additional companies

Note: data are brought from the preliminary indications of the Monthly Maps of Assogestioni, for this reason these values could be subjected to some quarterly reviews

Source: Assogestioni and Intesa Sanpaolo calculations

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

	Traditional premiums				Unit and Index linked		Total new business (\$)			
	Class I		Class V		Class III		New business	yoy % change (*)	YTD new business	YTD % change (*)
	New business	yoy % change (*)	New business	yoy % change (*)	New business	yoy % change (*)				
Apr-18	4,249	11.3	93	-22.0	3,312	-4.3	7,664	2.9	34,084	0.8
May-18	4,823	1.3	173	65.1	3,971	-6.6	8,977	-2.2	43,062	0.2
Jun-18	4,075	10.7	92	-10.9	3,952	-6.9	8,130	0.6	51,191	0.2
Jul-18	4,077	9.4	84	-11.5	3,397	-14.7	7,570	-3.8	58,761	-0.3
Aug-18	3,715	-10.7	35	-44.0	2,756	-6.3	6,516	-9.6	65,276	-1.3
Sep-18	5,375	50.9	47	-22.2	2,434	-13.9	7,865	20.7	73,141	0.6
Oct-18	4,389	-4.2	56	-53.9	3,006	-18.0	7,466	-11.8	80,607	-0.7
Nov-18	4,830	15.8	126	51.5	2,553	-40.8	7,524	-12.3	88,132	-1.8
Dec-18	4,870	32.8	86	-66.8	2,459	-29.3	7,447	0.0	95,579	-1.6
Jan-19	5,209	19.4	56	-44.8	1,812	-46.2	7,089	-9.6	7,089	-9.6
Feb-19	5,962	18.6	199	21.7	2,237	-46.6	8,408	-10.5	15,497	-10.1
Mar-19	6,354	23.3	83	-55.2	3,072	-19.9	9,520	3.6	25,018	-5.3
Apr-19	4,971	17.0	126	36.2	2,871	-13.3	7,980	4.1	32,998	-3.2
May-19	5,024	4.2	141	-18.8	2,707	-31.8	7,884	-12.2	40,881	-5.1
Jun-19	4,588	12.6	95	3.0	3,193	-19.2	7,886	-3.0	48,768	-4.7
Jul-19	5,341	31.0	129	53.6	4,084	20.2	9,566	26.4	58,333	-0.7
Aug-19	3,562	-4.1	50	43.3	2,329	-15.5	5,950	-8.7	64,283	-1.5
Sep-19	4,725	-12.1	70	48.6	2,927	20.3	7,733	-1.7	72,016	-1.5
Oct-19	5,784	31.8	104	84.9	4,066	35.2	9,969	33.5	81,985	1.7
Nov-19	5,167	7.0	92	-27.1	3,649	42.9	8,930	17.5	90,915	3.2
Dec-19	5,065	4.0	183	111.8	3,426	39.3	8,717	17.0	99,631	4.2
Jan-20	5,483	5.3	245	340.1	3,239	78.7	8,981	26.7	8,981	26.7
Feb-20	5,488	-8.0	65	-67.3	3,885	73.7	9,452	12.4	18,433	18.9
Mar-20	3,127	-50.8	66	-20.0	2,280	-25.8	5,481	-42.4	23,914	-4.4
Apr-20	2,565	-48.4	63	-49.8	1,149	-60.0	3,437	-52.6	27,351	-17.1

(\$) The overall figure includes Branches IV and VI premiums too.

(*) Changes on consistent bases, adjusted after the sample of EU companies was extended in 2016 and 2017.

Source: ANIA and Intesa Sanpaolo Research Department calculations

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