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 (ABI) present the outlook on non-
 performing business loans, with
 breakdowns by company size

Testo del comunicato

Vedi allegato.

PRESS RELEASE

**NEW NPLS TO DROP IN 2016
AMONGST BIG AND SMALL BUSINESS BORROWERS**

**ITALIAN BANKING ASSOCIATION (ABI) AND CERVED PRESENT THE OUTLOOK ON
NON PERFORMING BUSINESS LOANS, WITH BREAKDOWNS BY COMPANY SIZE**

Rome, April 2nd, 2015 - In 2016, the new NPL rate amongst non-financial companies will fall from the current peak of 3.7% to 3%. Improvements are expected in all size categories, but, in 2016, it is expected that new NPL rates amongst small and large companies will begin to converge gradually, with a stronger reduction of the risk for smaller businesses.

These are, in short, the results of the first Outlook by the Italian Banking Association (ABI) and Cerved on non-performing business loans amongst non-financial companies, with breakdowns by company size. The joint project - on which a report will be printed every six months - is meant to estimate and forecast default rates by business size category, in order to help broaden the range of information available within the national economic context.

In terms of sectors, in 2016, the new NPL rate is expected to be 2.5% in the **industrial sector** (i.e. about one percentage point below the estimated 2014 figure). By size category, the reductions forecast are one point amongst micro and small businesses, 0.9 points amongst mid-sized companies and 0.7 points amongst large companies; the latter category will come closest to its pre-crisis level. The new NPL rate was expected to fall by 0.9 points between 2014 and 2016, but that would still leave this rate at a very high level on a historical basis, nearly triple the level observed in 2007. It is also projected that the new NPL rate in the **service sector** will decrease to 2.8% in 2016, from the 3.4% estimated in 2014.

From a **geographical point of view**, the models point to a widespread improvement throughout the country, but the gap between central and southern companies and northern companies will still be significant in two years' time. The 2016 new NPL rates are forecast at 4.4% in the south and island regions, 3.4% in central Italy, 2.4% in the north-west and 2.2% in the north-east. Breaking down the figures even further by business size, it is forecast that in 2016 the risk level amongst large companies in the south (3.4%) will remain higher than that of micro-businesses in the north.

Details on the size of the companies entering into default represent, indeed, a key aspect that, thanks to the collaboration between ABI and Cerved, will be monitored continuously from now on. For the purpose of this research project, Cerved and ABI have classified non-financial companies into four size categories, using the same criteria specified by the European Commission: **Micro-business** (defined as businesses with fewer than 10 employees and under €2 million in annual revenue), **Small business** (less than 50 employees and under €10 million in annual revenue), **Mid-sized business** (fewer than 250 employees and under €50 million in annual revenue) and **Large business** (those with over 250 employees and over €50 million in annual revenue).

Based on individual risk scores, that Cerved produces for Italian businesses, the analysis retraces new non-performing loan rates, dating back to 1990, **for each macro-sector of the economy, each broad geographical area of the country, and each business size category**, thus filling the information gap left by official statistics. The default rates obtained are fed into a risk assessment model for business loans.

In general, having reconstructed the historical series, broken down by business size category, the perceived notion that higher risk is associated with smaller businesses has been substantiated, but there are some notable exceptions. Overall, micro-businesses show new NPL rates that are double those of larger companies. This does not hold true in the construction sector, where NPLs have soared even higher amongst large businesses, in that NPLs make up a higher percentage of the total loaned to these businesses than to SMEs and micro-businesses under construction. Furthermore, the Outlook suggests that higher average credit risk amongst small businesses does not correspond to higher risk in terms of portfolio risk. This is because the correlation between the events of default is lower for smaller companies (in other words, the positive effect of portfolio diversification is more evident).

Gianandrea De Bernardis, Chief Executive Officer at Cerved commented: *“Thanks to our forecasts we are able to see the default rate of companies recovering. The results of the Cerved joint project with the Italian Banking Association show an improvement for the coming year that involves also small businesses. This trend should be fostered by both economic recovery and the Italian economic system’s restructuring process, where the most fragile companies - including many small ones in particular - have gone out of business.”*

Giovanni Sabatini, General Manager of the Italian Banking Association, said: *“Thanks to the joint project ABI-Cerved we now have a wide range of information addressing the issue of risk in terms of company size for the first time; this helps to manage risk models and to assess risk with a forward looking prospective. As to our firms’ default rates projections, we appreciate a promising improvement over the next two years; it needs to be monitored and crucially depends on the reinforcement of the real economy outlook and further structural changes in the financial structure of our SMEs.”*

The Cerved Group is the largest information provider in Italy and one of the major credit rating agencies in Europe. It offers the most comprehensive range of products and services used by more than 34 thousand companies and financial institutions to assess the solvency and creditworthiness of its stakeholders, to manage credit risk in all its phases, and to accurately define marketing strategies. Furthermore, through Cerved Credit Management, Finservice and Recus, it offers solutions for the evaluation and management of NPLs.

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