

## Interview. Corrado Passera

# Veteran banker returns to the fray in Italy

**'I am sure we could apply this model to other countries like Greece, Spain or Portugal'**  
Former minister to launch digital specialist focusing on small and midsized companies

RACHEL SANDERSON — MILAN

The veteran Italian banker and former government minister Corrado Passera is plunging back into Italy's fragile banking sector with the launch of a digital lender focused on small and mid-sized companies.

The move by Mr Passera, 63, formerly boss for a decade of Intesa Sanpaolo, comes as Italian banks struggle with competing pressures.

In Italy, banks are struggling with the legacy of a triple-dip recession, regulatory pressure to reduce soured loans and widening spreads on sovereign debt as investors remain jittery about a new anti-establishment government.

They also face the disruption of new technology, new rules, new entrants and monetary policy reshaping the banking industry globally.

Amid these convulsions, Mr Passera sees an opportunity for a bank that will leapfrog the problems hobbling traditional lenders by creating a digital lender specialising in the soured loans thrown off by small and midsized family companies, the backbone of the Italian economy. "We will be a zero legacy bank," said the businessman in an interview in his offices in Milan.

Its main specialism will be the market for so-called unlikely-to-pay (UTP) loans and loans to low-rated companies, which is worth about €350bn, according to the Bank of Italy. It will also look at the worst kind of soured debt, non-performing loans. The bank will also engage in some limited direct banking to corporate and retail clients.

Mr Passera argued that the pressure from the European Central Bank's regulatory arm for banks to reduce their exposure to soured loans made it "very difficult for traditional banks to support SMEs" and specifically find the profit in turning around underperforming companies. "I want to bring UTPs back to a performing basis. I want to save companies," he said.

Loans to households and businesses were up 2.6 per cent year on year at the end of June but still well below pre-crisis highs, according to data from Italy's banking association. Net bad loans, excluding writedowns and provisions already made by banks, were unchanged at €49.3bn. About €135bn of gross corporate non-performing loans transactions are estimated will occur between 2018 and 2023, according to the loan group Cerved.

Lending to SMEs was hit in the past two years after a crisis in which the world's oldest bank, Monte dei Paschi di Siena, was taken over by the state and two banks in the Veneto region declared failing. All three banks were significant lenders to small business.

Against this backdrop, investment bankers expect Italy's midsized banks will be forced into another round of consolidation in order to survive.

Banco BPM, Italy's third-largest bank led by Giuseppe Castagna, one of Mr Passera's former management team at Intesa, is widely expected to be a consolidator. Meanwhile, shares have tumbled at Monte dei Paschi, Italy's fourth largest bank, over concerns about its long-term ability to make profits. Shares are also down at another struggling midsized bank, Carige, where managers and a top shareholder are in a stand-off over its turnaround.

Mr Passera's new venture, which requires approval from the ECB, and a name, targets €7bn of total assets by 2023 and a net profit of about €300m. It expects a cost-income ratio of about 30 per cent and common equity tier one capital of above 15 per cent.

In total, the new bank would employ 700 staff, he said. These would include former finance directors from SMEs who would be able to provide managerial guidance to clients to get the businesses on a surer footing to repay debts. Its management team is drawn from Italy's top banks.

The venture listed as a special purpose vehicle on Milan's stock exchange in February. In April, it acquired Banca Interprovinciale, a small bank in the wealthy area around Modena in northern Italy, gaining a banking licence and a roster of SME owners. Mr Passera plans to reach 200,000 retail customers.

A shareholder meeting to approve the business combination is scheduled for August 8. Investors include Bob Diamond, the former Barclays chief, and Davide Serra, owner of London-based

fund Algebris, and San Francisco-based Tensile Capital.

Mr Passera considers Italy his target market, although he does not rule out the possibility of expanding to other southern European economies where banks are struggling to digest bad debt.

"I am sure we could apply this model to other countries like Greece, Spain or Portugal. But at the moment Italy is enough," he said.

Mr Passera closed his fundraising in the month before the election in March that swept Italy's anti-establishment Five Star Movement and the League party to power partly on a platform of denouncing "fat cat" bankers.

Yet he maintains "if you have a good project international markets will support you, despite the uncertainties about Italy".



Intervista a Corrado Passera - In Italia, il banchiere di lunga esperienza ritorna nella mischia



**Corrado Passera  
says he is  
planning a 'zero  
legacy bank'  
specialising in  
the market for  
so-called  
unlikely-to-pay  
loans and loans  
to low-rated  
companies**

Alessia Pierdomenico/  
Bloomberg