

PRESS RELEASE

**Banks: even at times of crisis banks continue to invest in technology.
In 2008, IT costs increased by 19%.**

In 2008, banks' administrative expenses increased to 17.6 billion euros, +4.4% on an annual basis. The results of a survey conducted by ABI's Task Force on Italian banks' operating costs reveal that, despite the recent financial crisis, the banking system continues to invest in technology: IT costs increased the most (by 390 million, +19%). In general, costs rose by 1,122 million and were partially offset by savings of 380 million euros.

On the other side of the coin you can see the efforts made by the banking system to render bank management more modern and efficient. If, on the one hand, Italian banks' administrative costs only rose by a few percentage points in 2008, on the other hand, the item that, in absolute terms, contributed the most to this increase was "IT costs", which increased by nearly 20%. In other words, despite the recent financial crisis, Italian banks continue to invest in technology. In general, banks' administrative expenses slightly increased in 2008 (+4.4% on an annual basis), while they decreased in 2007 (by 2.9%). These are the main results of the 2009 survey conducted by ABI's Task Force on Italian banks' operating costs, which, as usual, were presented at the «Costs & Business» Conference. This year the Conference, which was organized together with the XBRL Italia association, was held in Rome at Palazzo Altieri on 29-30 October. The issues that were addressed during the second day of the Conference, which were put forward by the European Commission, were the following: how to cut administrative costs, speed up data transmission, ensure data transparency, enhance search engines, improve data comparability, enhance data dissemination and sharing and cut down on errors made when data is re-entered. Moreover, specific proposals implemented at the international level were illustrated at the Conference. A debate dedicated to the "innovate to simplify" slogan was held and the importance of adopting, developing and promoting communications standards, such as the new XBRL language, was also discussed.

ABI's survey provides a comprehensive overview of cost trends in 2008, in which Italian banking groups incurred administrative costs of **17.6 billion euros**, equal to approximately one fourth of the intermediation margin. A **4.4%** increase in administrative costs was registered with respect to the previous year, i.e. **742 million** more. This was due to an increase in ten different cost items (**1,122 million** overall), which was only partially offset by **380 million** savings produced by reducing seven cost components.

As regards the major increases in costs incurred by the banking system in 2008, the items that increased the most in absolute terms were: "fees payable for data processing by third parties" (**390 million**, +19.1%); "other expenses" (**333 million**, +11%); "hardware and software maintenance and rental" costs (**105 million**, +7.9%); and "energy, heating and water" charges (**103 million**, +17.1%). The fact that banks cut their "phone, postal and data transmission" charges, instead, significantly contributed to produce savings (**-125 million**, i.e. an 8.1% decrease in costs). This item alone practically represents one third of overall cost cuts.

ABI's annual survey analyzes the financial statements of 50 banking groups, representing 80% of the Italian banking system in terms of total assets. In 2008, the administrative expenses incurred by the banks included in the sample were **0.66%** of total assets, **24.5%** of the intermediation margin and **34.6%** of total operating costs. As regards the intermediation margin, the 'weight' of expenses increased with respect to 2007 (in which it was **21.6%**), while the expenses/operating costs ratio decreased with respect to the previous year (in which it was **35.5%**). In detail, in 2008 Italian banking groups mainly spent on IT (IT costs were 31% of total costs) as well as on: general expenses (27%), maintenance costs and rents payable (14%), professional fees (13%), transport charges (9%) and advertising costs (6%). To produce 100 euros of intermediation margin, banks incurred 24.5 euros of administrative costs; if we divide this figure into cost items, we see that banks have spent: 7.5 euros on IT costs, 6.6 euros on general expenses, 3.5 euros on maintenance costs and rents payable, 3.1 euros on professional fees, 2.2 euros on transport charges and 1.6 euros on advertising costs.

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