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a survey among the main Italian banks

by Luisa Carpinelli, Giuseppe Cascarino, Silvia Giacomelli and Valerio Vacca

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THE MANAGEMENT OF NON-PERFORMING LOANS: A SURVEY AMONG THE MAIN ITALIAN BANKS

by Luisa Carpinelli*, Giuseppe Cascarino*, Silvia Giacomelli* and Valerio Vacca*

Abstract

This study presents the results of a survey carried out by the Bank of Italy in 2015 on the efficiency of credit recovery procedures undertaken by the main Italian banking groups. The recovery rate for liquidations in the years 2011-2014 was slightly above 40 per cent, and the largest share of the recovery was obtained within the first five years from the start of the procedure. Four years after the debt restructurings began, almost two thirds are still underway. The average age of liquidations at the end of 2014 was twice that of debt restructurings and eight percentage points more of loans being restructured are collateralized than those being liquidated. In 2014 the management of non-performing loans absorbed 2.8 per cent of banks' operating costs, a larger share than in previous years. The study found not only differences in the systems adopted by the banks for managing non-performing loans but also differences in the amount of information available on the topics covered by the survey.

JEL classification: G21, G33, K22.

Keywords: Credit recovery, banks, corporate financing.

Contents

1. Introduction	5
2. Recourse to the various procedures and their characteristics	7
3. Credit recovery rates and their timeframe	14
4. How positions changed during restructuring.....	17
5. Critical issues affecting recovery procedures	19
6. Organizational issues	20
7. Conclusions	22
8. Bibliography	23
Appendix A. Structure of the survey and sample.....	24
Appendix B. Statistical tables	26
Appendix C. Comparison with previous Bank of Italy surveys.....	30

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1. Introduction¹

This paper presents the main results of a survey carried out by the Bank of Italy in 2015 on the efficiency of credit recovery procedures employed by 25 large banking groups.

The survey was prompted by the sharp increase in non-performing loans on Italian banks' balance sheets, which amounted to just over €340 billion at the end of the third quarter of 2015 (latest available data), or 18.7 per cent of total loans. Slightly less than €273 billion of non-performing loans are to businesses, of which 58 per cent consist in bad loans.

Although the rate at which non-performing loans accumulate slowed substantially in 2015, the ability of banks to repair their balance sheets within a reasonable timeframe depends greatly on the efficiency of credit recovery procedures. These procedures are generally considered to be long and inefficient, while there is a dearth of systematic statistical data for making a detailed assessment of the various approaches, phases and outcomes of credit recovery. This paper helps to fill this information gap.

The survey gathered information on €128 billion in loans to businesses, €95 billion of which are in liquidation and €33 billion of which are being restructured. The data collected deal with the number of positions and volumes of credit either being liquidated or restructured at the end of 2014, divided according to whether they are being processed in or out of court, whether or not they are backed by guarantees and to the year in which the procedure was started. To assess the effectiveness of the liquidations concluded in 2014, we calculated the percentages of the loan's value recovered in the years since the procedures were opened. To examine the result of the restructurings, we tracked their evolution over the first four years after they were begun. Finally, the banks were asked to evaluate the effectiveness of the credit recovery legal instruments and for information on how they handle insolvencies.²

The main results of the survey may be summarized as follows.

The liquidation recovery rate for the period 2011-14 averaged just over 40 per cent, based on non-discounted amounts and with marked dispersion of values among the various banking groups. The corresponding rate of loss is broadly in line with the average impact of the value adjustments applied by banks to the gross value of bad

¹ The opinions expressed herein are those of the authors and do not necessarily reflect those of the Bank of Italy. Giacomo Rodano and Gennaro Sansone took part in the study. We would like to thank Giorgio Gobbi, Piergiuseppe d'Innocenzo and Paolo Sestito for their useful suggestions. Any remaining errors are the sole responsibility of the authors.

² Details on the survey structure, the sample and the response rate for the various sections are given in Appendix A.

debts (for the Italian banking system the average coverage ratio for bad debts was 58.7 per cent in December 2014).³ The prolonged crisis probably made it more difficult to obtain value for companies' assets on the market, and therefore from 2011 to 2014 the percentages recovered decreased for all the procedures. The recoveries were almost all achieved within five years after starting the liquidation process, regardless of the duration or type of legal procedure (bankruptcies, arrangements with creditors or foreclosures). This result seems particularly important as it indicates a gap between the formal duration of the proceedings and their useful life in terms of economic results.

Restructuring procedures require a relatively long period of time before achieving recovery or resulting in the definitive liquidation of a company: four years after they began, 62 per cent of restructurings were still ongoing (in terms of the loan amounts). Another 23 per cent of business loans were to companies subsequently placed in liquidation and the remaining 15 per cent had either returned to financial equilibrium or the company in question had been taken over by or merged with other companies.

Liquidations and restructurings differ in duration and in the average share of loans backed by guarantees: as regards the procedures under way as of 31 December 2014, liquidations had been ongoing on average for about 3.5 years, and restructurings for 1.8 years; the average age was probably lowered by the marked growth in the number of procedures begun in recent years as a result of the crisis. On average, about 50 per cent of the restructured loans were backed by collateral security, eight percentage points more compared with liquidations: the willingness of debtors to reach agreements to maintain a company as a going concern seems therefore greater when there are guarantees for significant amounts.

In 2014 the management of non-performing loans accounted for 2.8 per cent of banks' operating costs. Non-performing loans were mainly managed through transfers to third parties or by special internal units. Banks' organizational structures for managing non-performing loans appear to be diversified. Some groups have created specialized organizational units, with separate ones for managing liquidations and restructurings, while others have more fragmented set-ups. The bank mergers that took place in the years before the crisis are sometimes responsible for the current structures and for the availability or lack of an integrated information system. This is also reflected in the different levels of detail in banks' answers to the survey questions, which in some cases was well above the average.

The significant impact of managing non-performing loans on banks' costs is also affected by the lack of efficiency of legal procedures. Banks pointed out that the main obstacles to efficient credit recovery are the backlogs in the courts and the complexity of procedures. Restructurings are mainly hindered by difficulties in extending new

³ This ratio refers to the whole portfolio of loans, not only to loans extended to firms.

credit (post-commencement financing), professional fees and difficulties in coordinating with non-financial creditors. In summer 2015 a number of important measures were adopted by the Parliament, aimed at improving the institutional context for the management of non-performing loans, which deal with some of these aspects.⁴

The rest of the paper is organized as follows. Section 2 shows how often liquidation and restructuring instruments are used and illustrates some of their features. Section 3 analyses the efficiency of liquidation procedures in terms of the overall amounts recovered and the distribution of recovery over time. Section 4 deals with the evolution of restructuring procedures in the years since they were begun. Section 5 describes the point of view of banks regarding the factors that have a negative impact on the functioning of liquidations procedures and restructuring instruments. Section 6 reports the qualitative results relating to the organizational structures for managing credit recovery. Section 7 concludes the paper.

2. Recourse to the various procedures and their characteristics

2.1. Frequency and average amounts of procedures

The banks in the sample provided information on about 240,000 positions for companies involved in liquidation procedures at the end of 2014,⁵ amounting to an exposure of €95 billion (Table 1), equal to 78 per cent of their bad loans to businesses.

Approximately 90 per cent of the loans reported related to liquidations involving legal proceedings; the remaining 10 per cent referred to out-of-court liquidation agreements. However, this ought not to be interpreted as being indicative of the use of out-of-court instruments compared with judicial instruments. As a matter of fact, since the data referred to the positions open at the end of 2014, they did not include the agreements liquidated that year and therefore underestimated recourse to out-of-court instruments, which are typically faster.⁶ As far as legal proceedings are concerned, bankruptcies (*fallimenti*) accounted for roughly half the total value of the amounts reported, while the share of arrangements with creditors (*concordati preventivi*) was

⁴ Law 132/2015.

⁵ The number of positions reported by the banks for the various procedures refer to the non-performing loans of the individual banks taking part in the survey. The number of businesses involved in the procedures is therefore lower than the number of positions, due to the presence of companies financed by more than one bank.

⁶ An indication of the relative weight of out-of-court agreements in credit recovery may be obtained by considering the number of positions closed in a given year. Based on the data used to quantify the recovery rates for positions closed in the period 2011-14 (Section 3) it can be estimated that out-of-court agreements accounted for 40 per cent of the total, in terms of the outstanding amount of loans.

slightly higher than that of foreclosures (*esecuzioni immobiliari*).⁷ The average amounts in insolvency procedures (bankruptcies and arrangements with creditors) are higher than those for liquidations based on individual actions (foreclosures; Table 2). This is presumably attributable to the fact that the law reserves insolvency procedures to companies that exceed certain size thresholds.⁸ Arrangements with creditors are used to liquidate positions that are bigger than in bankruptcies: the average amount is almost €1 million for the former and roughly €450,000 for the latter. Finally, out-of-court agreements are used to recover smaller loans compared to those involving legal proceedings.

The banks in the sample reported debt restructurings for 21,000 positions, for a total of €33 billion (Table 1). Within the survey's reference period, the Italian Bankruptcy Law envisaged three legal instruments for restructuring: recovery plans (*piani di risanamento*), restructuring agreements (*accordi di ristrutturazione*) and arrangements with creditors (*concordati preventivi*). These instruments differ mainly as to the extent of the courts' involvement, which also means greater procedural complexity, and as to the applicability of the contents of the agreements to creditors who do not participate.⁹ The involvement of the courts increases from recovery plans to arrangements with creditors; only in arrangements with creditors is it possible to extend the content of the agreement to non-participating creditors (which may involve the partial repayment of

⁷ It should be pointed out that the values considered refer to a debtor's overall position; this means that if credit recovery occurs mainly by means of foreclosures, the overall amount of the position may not coincide with the amount recoverable through the foreclosures (for example, because only a portion of the position is guaranteed by property assets). In this paper, foreclosures refer to positions of debtors not involved by collective insolvency procedures.

⁸ The Italian Bankruptcy Law is applied to businesses that meet at least one of the following conditions: a) having had, for the three years preceding the date on which the company filed for bankruptcy, total assets of an overall annual amount greater than €300,000; b) having realized, for the three years prior to filing for bankruptcy or from when the activity began (if this is a shorter period of time), gross revenues of an overall annual amount of over €200,000; c) having a total indebtedness, including debts which are not overdue, of over €500,000.

⁹ Recovery plans are regulated by Article 67 of the Italian Bankruptcy Law, which provides that, in a temporary crisis, entrepreneurs can submit a plan for debt recovery and for rebalancing the financial situation, which must be certified as reasonable by a qualified professional, without it being subject to court approval. Once the plan is approved, it exempts from voidable preference clawback the actions taken by entrepreneurs for its implementation. Restructuring agreements are governed by Article 182-*bis* of the Bankruptcy Law which provides that entrepreneurs may file with the courts a restructuring agreement with creditors accounting for at least 60 per cent of their debt exposure, accompanied by a report by a professional certifying its reliability. If approved by a court, the agreement is valid for participating creditors: full payment of claims must be guaranteed for non-participating creditors. Arrangements with creditors (Article 160 *et seq.* of the Bankruptcy Law) allow debtors to propose a restructuring plan, certified by a professional, which is submitted to creditors for approval (by classes of creditors) and must be approved by a court. The plan may provide for the partial satisfaction of creditors and its effects may also be extended to dissenting creditors (cramdown). The arrangement procedure is supervised by a court and by an administrator appointed by the court.

loans).¹⁰ Despite only involving less than one fifth of debtor companies, these three restructuring procedures accounted for 57 per cent of the volume of loans restructured; the most commonly used procedure was the recovery plan.

The average amounts involved in legal proceedings (about €5 million) were much higher than for out-of-court procedures (about €900,000; Table 2). This probably reflects the fact that legal proceedings ensure greater legal protection for those involved, but also mean higher fixed costs (for example for the certifications required by law from professionals) and are therefore used for significant loan amounts.

Table 1

Procedures used by banks for managing non-performing loans (1)				
<i>(number of positions; millions of euros; per cent)</i>				
	(a)		(b)	
	liquidations		restructurings	
	Number of positions	Amounts (millions of euros)	Number of positions	Amounts (millions of euros)
Total:	239,649	94,766	21,106	33,364
of which:				
out-of court agreements (2)	56,557	7,960	17,434	14,413
legal proceedings	183,092	86,806	3,672	18,951
<i>Of which (% of legal proceedings):</i>				
- bankruptcies	55.9%	54.1%	-	-
- arrangements with creditors (3)	11.8%	24.6%	21.3%	7.6%
- foreclosures (4)	32.2%	21.3%	-	-
- restructuring agreements	-	-	18.4%	26.4%
- recovery plans	-	-	60.3%	66.0%

(1) Only some of the participating banks provided information that allowed us to divide the total procedures among the various categories; as a result, the values for individual procedures are calculated on a smaller sample compared with the total. – (2) Out-of-court restructuring agreements are agreements between banks and companies aimed at rebalancing companies' financial structures and at restoring regular repayment; they typically involve extending the amortization schedule for loans and financing. – (3) Arrangements with creditors are included in sections (a) and (b) according to their purpose, respectively liquidation or restructuring. – (4) Foreclosures in the absence of insolvency procedures: the amounts refer to the debtor's overall position and may not coincide with the credit recoverable through enforcement proceedings.

More generally speaking it can be seen that the average amounts involved in restructurings are much larger than in liquidations (€1.6 million against just under €400,000). For a given degree of credit deterioration, the incentives for creditors and debtors to find solutions that keep companies as going concerns are greater for bigger companies, typically associated with larger credit lines.

¹⁰ In summer 2015 a new model for restructuring agreements was introduced for companies with exposures mainly to banks and financial intermediaries. Only banking and financial creditors take part in the agreement and, where they account for 75 per cent of the overall credits, the effects are extended to intermediaries not taking part.

Finally, arrangements with creditors continue to be used mainly for liquidation purposes, despite the 2005 reform and the subsequent interventions to favour their use as restructuring instruments for businesses in crisis.¹¹ Considering the loans subject to arrangements with creditors, those being liquidated made up 93.7 per cent of the total in terms of amount.¹²

Table 2

Average amount of non-performing loans per procedure (1)		
<i>(euros)</i>		
	(a) liquidations	(b) restructurings
Total:	395,435	1,580,764
of which:		
out-of-court agreements (2)	118,249	913,433
legal proceedings	397,792	5,168,628
- <i>bankruptcies</i>	450,073	-
- <i>arrangements with creditors (3)</i>	964,403	2,043,368
- <i>foreclosures (4)</i>	308,021	-
- <i>restructuring agreements</i>	-	8,224,091
- <i>recovery plans</i>	-	6,214,017

(1) The average amounts of positions subject to individual procedures may not correspond to the data on how frequently they are used. To calculate frequency rates, only data from banks that had answered with reference to all the procedures were used (see Table 1). – (2) Out-of-court restructuring agreements are agreements between banks and companies aimed at rebalancing companies' financial structures and at restoring regular repayment; they typically involve extending the amortization schedule for loans and financing. – (3) Arrangements with creditors are included in sections (a) and (b) according to their purpose, respectively liquidation or restructuring. – (4) Foreclosures in the absence of insolvency procedures: the amounts refer to the debtor's overall position and may not coincide with the credit recoverable through enforcement proceedings.

¹¹ In 2005, the rules on arrangements with creditors were completely overhauled with a view to introducing a restructuring instrument in Italy along the lines of America's Chapter 11 (see footnote 9); previously, arrangements with creditors were only for liquidation purposes. The rules were then further extended to make recourse to the instrument easier and to increase its efficiency. In particular, in 2010 the priority of claims for financing provided during the arrangements was introduced, and in 2012 it became possible to apply for creditor arrangements and to obtain an automatic stay without submitting a restructuring plan; the plan must be submitted within 120 days (this may be extended to 180) of the application being made.

¹² According to a survey carried out by the Italian Business Crisis Observatory (*l'Osservatorio sulle Crisi d'Impresa*) based on an examination of the arrangements with creditors submitted to 45 courts in the period from October 2011-January 2013, the percentage of arrangements with creditors for liquidation purposes was 84 per cent of the total (see Paletta, 2013).

2.2. The age of the procedures

Tables 3a and 3b show the distribution by year of the procedures ongoing at the end of 2014. The average age was probably lowered by the marked growth in the number of procedures begun in recent years as a result of the economic crisis.¹³

Table 3a

The age of loan liquidation proceedings at the end of 2014 (1)				
<i>(per cent)</i>				
Total of judicial liquidation proceedings	<i>of which:</i>			
	<i>bankruptcy proceedings</i>	<i>arrangements with creditors</i>	<i>foreclosures</i>	
(a.1) Distribution based on the number of positions				
< 1 year	13.9	11.4	18.8	15.8
1-3 years	33.9	30.2	41.1	38.0
3-5 years	22.2	24.0	19.1	20.4
5-8 years	16.7	17.1	13.3	17.6
8-10 years	4.9	6.2	2.7	3.4
> 10 years	8.3	11.1	5.0	4.7
(a.2) Distribution based on the amounts				
< 1 year	16.0	13.2	20.7	17.6
1-3 years	40.5	38.3	45.5	40.9
3-5 years	22.5	24.5	18.6	22.1
5-8 years	14.0	14.8	12.0	14.5
8-10 years	2.2	2.8	1.2	1.8
> 10 years	4.6	6.4	2.0	3.1

(1) Information was not requested for out-of-court liquidation proceedings.

Almost 80 per cent of the loans under liquidation are part of proceedings that started less than five years ago; almost 60 per cent started less than three years ago. Using simplified hypotheses, it can be estimated that the average age of ongoing liquidations, weighted by amount, was roughly 3.5 years at the end of 2014,¹⁴ the estimated age was 3.8 years for bankruptcies, 2.9 years for arrangements with creditors and 3.3 years for enforcement proceedings. The average age weighted by amount is lower than that based

¹³ In the case of arrangements with creditors, both for liquidating and for restructuring, the underestimation also stems from the fact that the 2012 reform that greatly encouraged their use led to a significant increase in the number of such arrangements compared with the past (Castelli et al., 2016).

¹⁴ It has been hypothesized that the age of the procedures reported for each time period are equal to the average of the time period, e.g. 2 years for the 1-3 year period. For the period “more than 10 years”, a duration of 12 years was used.

on the number of positions (above all for bankruptcies); this suggests that liquidations begun more recently involved bigger companies.

Restructuring operations had an average age of 1.8 years, half that of liquidations. Nearly 90 per cent of the credit volumes were part of operations under way for less than three years and nearly 40 per cent for less than a year.

Table 3b

The age of loan restructurings at the end of 2014						
<i>(per cent)</i>						
	Total	Out-of-court agreements	Legal proceedings	<i>arrangements with creditors</i>	<i>restructuring agreements</i>	<i>recovery plans</i>
(a.1) Distribution based on the number of positions						
< 1 year	34.6	34.0	37.8	48.4	40.4	32.1
1-3 years	53.7	56.2	41.0	28.9	41.2	46.4
3-5 years	8.2	7.0	14.8	15.9	9.7	16.2
5-8 years	2.0	1.3	5.5	4.4	7.9	5.2
8-10 years	0.4	0.5	0.2	0.5	0.3	0.1
> 10 years	1.0	1.1	0.6	1.9	0.4	0.0
(a.2) Distribution based on the amounts						
< 1 year	36.9	39.6	34.5	44.6	33.5	33.5
1-3 years	50.1	53.1	47.6	47.0	48.0	47.5
3-5 years	8.9	5.1	12.1	7.1	9.9	14.1
5-8 years	3.8	1.7	5.7	1.2	8.6	4.9
8-10 years	0.1	0.2	0.0	0.0	0.0	0.0
> 10 years	0.1	0.2	0.0	0.0	0.0	0.0

2.3. Guarantees

At the end of 2014, some 42 per cent of loans under liquidation were backed by collateral security. The rest of the financings are equally distributed between loans backed by personal guarantees and unsecured loans (Table 4a).¹⁵

¹⁵ For the distribution of debtor positions according to the type of guarantee, banks considered the individual credit lines provided to each debtor company. For this reason, each debtor may correspond to a number of different positions either in liquidation or being restructured, some of which are backed by guarantees and others are unsecured.

Table 4a

The use of guarantees in loan liquidation proceedings at the end of 2014						
<i>(per cent)</i>						
	Total	Out-of-court agreements	Legal proceedings	<i>of which:</i>		
				<i>bankruptcy proceedings</i>	<i>arrangements with creditors</i>	<i>foreclosures</i>
(a.1) Distribution based on the number of positions						
Unsecured	36.6	36.2	36.6	36.5	47.3	33.7
Personal guarantees	49.3	53.5	49.1	52.2	40.0	47.3
Collateral security	14.2	10.3	14.3	11.3	12.7	19.0
(a.2) Distribution based on the amounts						
Unsecured	28.9	24.2	29.1	30.0	40.7	13.5
Personal guarantees	29.1	34.2	29.0	34.0	27.4	18.1
Collateral security	41.9	41.7	41.9	36.0	31.8	68.4

Table 4b

The use of guarantees in loan restructurings at the end of 2014						
<i>(per cent)</i>						
	Total	Out-of-court agreements	Legal proceedings	<i>of which:</i>		
				<i>arrangements with creditors</i>	<i>restructuring agreements</i>	<i>recovery plans</i>
(a.1) Distribution based on the number of positions						
Unsecured	37.3	26.7	61.4	81.0	56.2	49.2
Personal guarantees	22.9	26.5	14.9	8.9	13.5	20.0
Collateral security	39.7	46.8	23.7	10.1	30.4	30.8
(a.2) Distribution based on the amounts						
Unsecured	40.6	36.2	43.8	55.7	41.3	43.6
Personal guarantees	9.3	9.4	9.2	10.3	7.8	10.0
Collateral security	50.1	54.4	46.9	34.1	51.0	46.5

While the share of loans backed by collateral security in out-of-court agreements was in line with the average, the situation differed among legal proceedings: in foreclosures almost 70 per cent of the amounts involved were loans backed by collateral

security, while in insolvency procedures loans backed by collateral security accounted for roughly 50 per cent of the amounts.¹⁶

Half of the loans being restructured were backed by collateral security. Out-of-court agreements involved a higher share of these loans (54 per cent) than legal proceedings (47 per cent). This difference is mainly attributable to the lower degree of coverage, within the survey, for loans subject to arrangements with creditors compared with other instruments.

The higher share of collateral security in restructurings as compared with liquidations suggests that debtors are more willing to reach agreements that maintain companies as going concerns when bank loans are backed by collateral security of significant value.

3. Credit recovery rates and their timeframe

Figure 1 shows the overall recovery rates for procedures closed in the period 2011-14.¹⁷

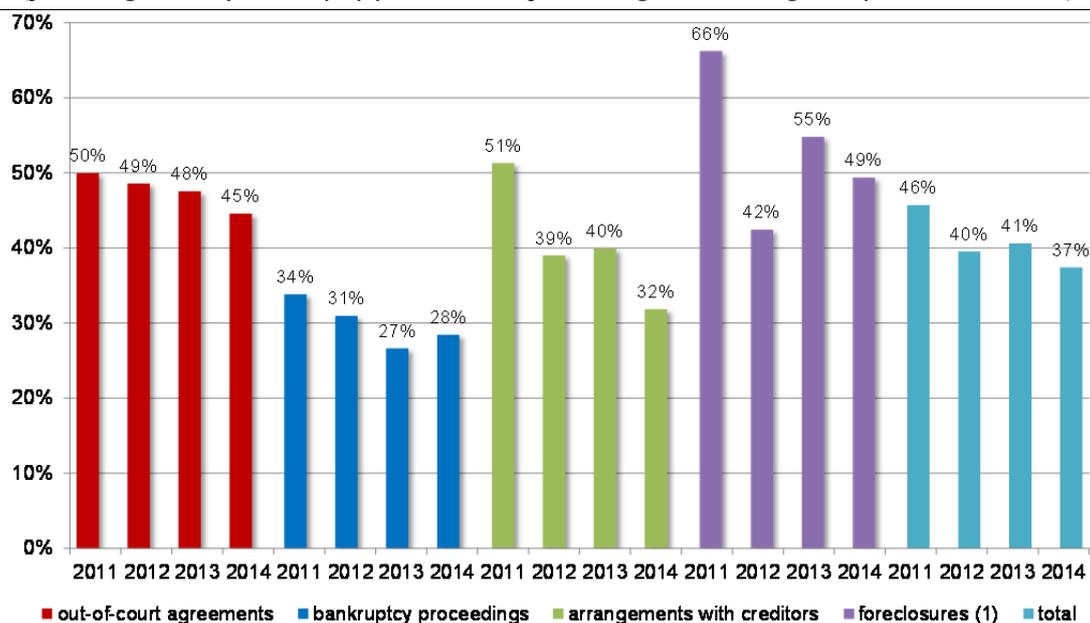
The average recovery rate for this period was 41 per cent. Although this average value was calculated on non-discounted values, the corresponding loss rate (59 per cent) is broadly comparable to the average share of the value adjustments made by banks to the gross value of bad debts (for the Italian banking system the average coverage ratio for bad debts was 58.7 per cent in December 2014).¹⁸ The average recovery rates vary markedly among banks, something that is not correlated with the size of the banking group, although the recovery rate for the five leading groups is slightly higher than the sample average (Table a1 in the appendix).

Foreclosures score the highest recovery rates while out-of-court initiatives report significantly higher average values than insolvency procedures. For the latter, arrangements with creditors have higher recovery rates than bankruptcies.

¹⁶ For insolvency procedures, the portion backed by collateral, calculated based on the loan amounts, is lower for arrangements with creditors than for bankruptcies. This result is consistent with that shown in Castelli et al. (2016): the authors find that the probability of using arrangements with creditors as an alternative to bankruptcy is negatively correlated with the portion covered by collateral security.

¹⁷ The lack of information available on this point – sometimes only referring to a few operations – means that there is a high level of variability in the values reported. The overall recovery rate includes all the amounts collected for a debt position, even those not collected through the primary procedure: for example, if a debtor is in bankruptcy proceedings, the recovery rate also includes the amounts collected from third-party guarantors not subject to the same procedure. Furthermore, the data sent by the banks refer to non-discounted cash flows and therefore, especially for long procedures, the recovery rates might be overestimated in terms of net present value (and therefore any corresponding loss given default would be underestimated). Table a1 in the appendix shows the recovery rates, with the top five groups reported as a separate category.

¹⁸ This average refers to the whole portfolio of loans, not only loans to firms.

Figure 1**Overall recovery rate for loans under liquidation***(percentage rates of recovery by year in which proceedings closed, weighted by the loan amounts)*

(1) Individual proceedings, mainly consisting in foreclosures, in the absence of insolvency procedures. For this reason the recovery rates for “foreclosures” are relative to a debtor’s overall position and therefore also include possible components not guaranteed by real estate.

These results cannot be viewed as indicative of their effectiveness as they also reflect creditors’ decisions on the procedures to be used (given the legal constraints), which in turn are influenced by the characteristics of the positions to be liquidated (i.e. to what extent loans are non-performing and how many are backed by collateral). For example, the higher recovery rate recorded for foreclosures is probably due to the fact that the loans for which these procedures are activated are usually backed by collateral security.

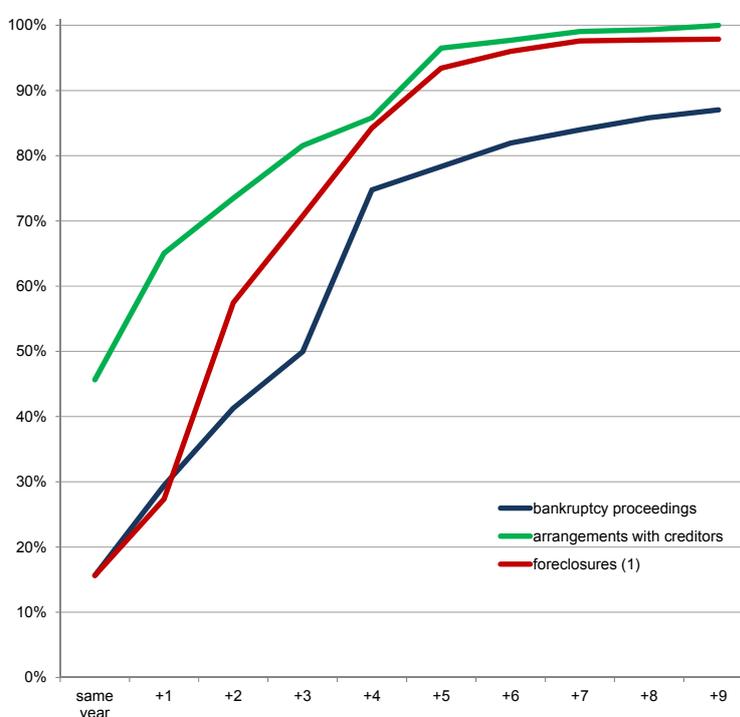
As a result of the prolonged economic downturn, the amounts recovered decreased. From 2011 to 2014, the ability to recover the amount of extended loans declined by over eight percentage points, to 37 per cent. The decrease was particularly evident for arrangements with creditors and foreclosures. Comparing these results with those of previous surveys, recovery rates seem to have fallen above all for out-of-court agreements and enforcement proceedings, while no clear pattern emerges for insolvency proceedings (see Appendix C). An upturn in the economic cycle and the knock-on effects of the recent reforms to improve the effectiveness and speed of procedures might lead to an increase in recovery rates in the near future.

The survey data allow to plot a recovery rate timeframe for procedures concluded in 2014.¹⁹ The curves in Figure 2 show what portion of the overall recovery occurred n years after the start of the liquidation procedure, irrespective of its total duration.²⁰ The share of the overall recovery rate achieved four years after the start was roughly 85 per cent for enforcement proceedings and arrangements with creditors and 75 per cent for bankruptcies.²¹ By the fifth year recovery had mostly been concluded for enforcement proceedings and arrangements with creditors and stood at over 80 per cent for bankruptcies.

Figure 2

Timeframe for the recovery of loans under liquidation

(proceedings closed in 2014; cumulated share of the overall recovery, weighted by the loan amounts)



(1) Individual proceedings, mainly consisting in foreclosures, in the absence of insolvency procedures.

¹⁹ Since the time distribution for recoveries is taken from a subsample of banks, the final recovery rates do not necessarily match those shown in Figure 1. The timeframe was calculated by taking constant the recovery rate after the year of closure for proceedings concluded before the tenth year.

²⁰ Credit recovery is possible before the end of a procedure as the law provides for partial payments to be made to creditors from the liquidation proceeds.

²¹ Generale and Gobbi found a similar result (1996).

The recovery rate timeframe highlights that the relationship between the age (and therefore, approximately, the duration) of procedures and their efficiency is not linear. This may be partially due to selection problems: positions subject to longer procedures might be those initially in a more serious credit situation or with more complex profiles, for example from a legal point of view. The data collected, which do not include information on individual positions, do not allow to quantify the relative importance of the selection bias or of the varying effectiveness of recovery procedures.

The results refer to nominal non-discounted recoveries. The overall recovery rates, if calculated by discounting the flows using an appropriate discount rate, would be lower and the curve for recovery rates over time would be lower and flatter. Accordingly, a very slow increase in nominal recovery rates over time, as suggested by Figure 2 for procedures lasting longer than five years, yields a very limited additional recovery for creditors in real terms.

4. How positions changed during restructuring

Table 5 sets out the restructurings initiated in 2009-10, broken down based on reported status in the four years following the start of the procedure.

As a general rule, for almost two thirds of the loans, restructuring procedures had not yet been completed four years later (62.2 per cent were still being restructured through the same or an alternative procedure). For 22.5 per cent of the loans by amount, the restructuring was unsuccessful (the company was placed in liquidation or went bankrupt). Finally, for 15 per cent of the loans, the company was restored to financial equilibrium or was dissolved through a merger. This percentage represents therefore a rough estimate of the “cure rate”.

These observations also broadly apply to individual restructuring procedures. The failure of restructurings to provide a solution is most apparent for loans subject to recovery plans, three quarters of which were still ongoing after four years or had switched to another form of restructuring. Further deterioration of loans (due to the bankruptcy or liquidation of the company) was instead more frequent where there were arrangements with creditors or restructuring agreements (40.7 per cent of the amounts after three years for arrangements with creditors – the most recent figure available for this procedure – and 40.9 per cent after four years for restructuring agreements). Finally, out-of-court agreements more often led to the company’s financial rebalancing or to its merger (19 per cent of the loans after four years).

Restructurings governed by the Italian Bankruptcy Law might therefore involve particularly complex financial reorganizations, which require lengthy periods of time for completion. Alternatively, these results could indicate an attempt by those involved (debtors or creditors) to “buy time” to delay default. Conca et al. (2015) found similar

results, and in particular a comparable percentage of favourable outcomes, in a sample of restructuring agreements.²²

Table 5

Restructuring outcomes (1)					
<i>(per cent)</i>					
Procedure	Debtor status	After 1 year	After 2 years	After 3 years	After 4 years
(a) Arrangements with creditors (2)	financial equilibrium	1.1	1.0	3.7	n.a.
	same procedure	83.5	76.6	55.1	n.a.
	other restructuring procedure	0.7	1.0	0.4	n.a.
	liquidation/bankruptcy	14.7	21.4	40.7	n.a.
	dissolution/merger	0.0	0.0	0.0	n.a.
	Total	100	100	100	n.a.
(b) Restructuring agreements	financial equilibrium	4.1	3.6	5.7	5.4
	same procedure	85.5	80.9	62.5	49.0
	other restructuring procedure	6.2	6.1	16.1	2.8
	liquidation/bankruptcy	4.2	8.6	15.0	40.9
	dissolution/merger	0.0	0.7	0.8	1.8
	Total	100	100	100	100
(c) Recovery plans	financial equilibrium	5.8	7.2	7.0	10.6
	same procedure	79.1	67.0	59.5	39.1
	other restructuring procedure	14.0	17.4	22.6	35.5
	liquidation/bankruptcy	0.2	6.6	7.5	10.0
	dissolution/merger	1.0	1.8	3.4	4.8
	Total	100	100	100	100
(d) Out-of-court agreements	financial equilibrium	7.2	7.9	8.6	12.6
	same procedure	82.9	72.4	56.9	10.1
	other restructuring procedure	1.3	4.0	11.2	40.2
	liquidation/bankruptcy	6.1	12.9	20.2	30.7
	dissolution/merger	2.4	2.8	3.1	6.4
	Total	100	100	100	100
Total	financial equilibrium	5.8	6.7	7.2	10.4
	same procedure	81.4	71.2	58.9	29.7
	other restructuring procedure	8.2	10.8	17.2	32.5
	liquidation/bankruptcy	3.2	9.4	13.8	22.5
	dissolution/merger	1.3	1.9	2.8	4.9
	Total	100	100	100	100

(1) The percentages refer to the amounts of the loans in the procedures. — (2) For the arrangements with creditors the column “after 4 years” does not contain a sufficient number of responses to provide meaningful results.

²² The definition of “favourable outcome” used by Conca et al. (2015) is essentially analogous to that used here.

5. Critical issues affecting recovery procedures

Our study solicited banks' opinions on the factors that undermine the proper functioning of liquidation procedures and restructuring tools. Their responses are reported in Table a2 in the appendix.

5.1. Liquidation procedures

With regard to bankruptcies, banks identified court backlogs as the single biggest source of lengthy recovery times, scoring 7.7 on a scale of 1 to 10. The second most important factor is the lack of expertise on the part of professionals, followed by the complexity of the procedures. For foreclosures as well, court backlogs are judged to be the most important factor in determining duration, followed by the prevalence of practices favouring debtors in the procedures. For arrangements with creditors ending in liquidation, the most important aspects influencing recovery times are the complexity of the procedures and court backlogs.

For all procedures the phase that most affects the overall duration is the final one (distribution), while foreclosures are also affected by the initial phase (starting from the time that an enforceable title is obtained to the first auction).

The importance attributed to court backlogs may also be the result of the marked increase in the number of procedures initiated during the protracted economic crisis: from 2009 to 2013 the annual number of bankruptcies rose by about two thirds, the number of foreclosures increased by 20 per cent and arrangements with creditors quadrupled.²³ The significant weight attributed to the liquidation phase as part of the total procedure time presumably reflects the difficulties encountered in selling assets during the recession.

5.2. Restructuring instruments

Banks indicated that the main obstacles to using restructuring instruments are high professional fees, the lack of interim financing and difficulties in coordinating with non-financial creditors (employees and suppliers). Less emphasis was placed on problems relative to the coordination between banks and to public sector involvement.

With regard to the 2012-13 reforms designed to encourage the use of arrangements with creditors and make them more effective, banks judged these arrangements to be of limited usefulness overall, giving them a score of 1.4 on a scale of 1 (ineffective) to 3

²³ Based on Ministry of Justice data.

(highly effective). Among the changes introduced, banks viewed the measures on interim financing most favourably.

To measure the rate of restructurings carried out through the sale of the company or a business unit, banks were asked to indicate the percentage of arrangements with creditors that employed this solution. According to their responses, this option was used in almost 60 per cent of cases; in about 16 per cent of these, the restructurings had favourable outcomes. This figure is in partial contrast to the low rate of financial rebalancing reported three years after arrangements with creditors were initiated (see Section 4).

5.3. Collateral security and auctions

Banks were asked to provide the average rate of realization of collateral security and the average number of auctions held to sell the assets pledged as collateral.

The realizable value indicated was equal to about 55 per cent, with slight differences between sales carried out via enforcement proceedings and those through bankruptcy proceedings. The average number of auctions per procedure was four, with no significant differences between bankruptcy and enforcement proceedings. This figure is high and presumably reflects both the difficulties encountered in selling the assets in a recession and the ineffectiveness of the rules regulating the sales.²⁴

6. Organizational issues

The banks interviewed dated current organizational structures for managing non-performing loans very differently. For some groups with a more stable corporate history, the current structure emerged at the end of the 1970s; in other cases, subsequent corporate reorganizations resulted in their current structures being defined only recently (after 2010, for one fifth of the responses).

The banks' organizational structures accordingly appear diverse. Some groups have specialized organizational units, sometimes at the group level, which are responsible for liquidations or restructurings, and have recently adopted integrated software to manage the various procedures, which also serve as homogeneous repositories of historical data. Other groups have more fragmented structures that in many cases are the result of extraordinary operations carried out in recent years (acquisitions, mergers, reorganizations); these operations have led to a high degree of organizational

²⁴ The reform undertaken in the summer of 2015 (Decree Law 83/2015, converted as amended by Law 132/2015) addressed this issue, modifying the adjudication phase, with the goal of limiting the number of unsuccessful attempts at sale and thereby reducing credit recovery times.

complexity, with overlapping structures and parallel procedures for managing non-performing loans.

The credit recovery function absorbs a fair amount of the banking groups' total operating costs, including staff and administrative expenses, provisions, adjustments and write-backs of amounts other than write-downs of loans. On average in 2014, this rate was 2.8 per cent, up by four tenths of a point over 2008. In this case too, responses varied widely and some leading groups were not able to provide the requested information. The average percentage is higher than that estimated based on previous studies conducted in 2000 and in 1993-94 (2.3 per cent in both cases; see Banca d'Italia, 2001, and Generale and Gobbi, 1996).

Table 6 shows the responses of the banking groups interviewed in 2014 on their use of the various channels for managing non-performing loans. In terms of amount, the most common methods were loan transfers and the use of special internal loan management units. The importance of loan transfers reflected the intensive use of this method by a small number of banks. Comparing the distribution by amount and number of loans, we see that the specialized units generally deal with loans of higher amounts, while banks tended to employ credit collection agencies for the recovery of smaller amounts.²⁵

Table 6

Channels for managing non-performing loans		
	% of the number	% of the amounts
Specialized units	17.8%	28.7%
Internal legal department only (for legal proceedings)	2.4%	6.4%
Internal legal department only (for out-of-court actions)	8.0%	7.6%
External legal counsel only	2.9%	3.1%
Internal and external legal counsel	8.1%	9.8%
Credit collection agencies	26.7%	12.5%
Loan transfers	34.2%	31.9%
Other (specify)	0.0%	0.0%
Total	100%	100%

²⁵ The sample size does not allow us to establish a statistically reliable connection between the predominant channels for managing non-performing loans and the overall impact of the costs of the function on groups' operating costs.

7. Conclusions

The survey of leading banking groups conducted by the Bank of Italy in the second half of 2015 provided information on the effectiveness of the management of non-performing loans and elements useful for outlining possible reforms.

In view of the lengthiness of the procedures, especially for bankruptcies, the data gathered on the credit recovery timeframe demonstrates that almost all recovery occurs within the first five years after inception. There is therefore no clear evidence that prolonging the procedures beyond a certain amount of time improves their effectiveness. These results suggest, on the one hand, the need for measures to shorten the procedures and, on the other, the desirability of regulatory changes that will make it possible to close procedures, also formally, once their substantive economic effect has been achieved. The measures of the summer of 2015 are a step in this direction and could be pursued further.

With regard to individual recovery instruments, we can make some interesting observations on arrangements with creditors. Despite the reforms undertaken after 2005 to promote them as a restructuring tool, they continue to be used mainly in liquidations. They play a significant role in liquidation procedures and the recovery rates reported by banks using arrangements with creditors were higher on average than those for bankruptcy. Moreover, many legal systems envisage the use of negotiation tools, together with court supervision, in liquidating distressed companies. As a restructuring instrument, by contrast, arrangements with creditors are used less often than the other options allowed under Italian law and are less effective.

More generally, the survey revealed that restructuring operations are rarely decisive: in most cases they are still in progress beyond the four-year mark from the start of the process. This suggests that attempts to help companies in temporary difficulty to remain going concerns take a long time, but it could also mean that debt restructuring instruments are being used as a delaying tactic.

Finally, the study confirmed that it is important to have access to adequate information on this subject. The quality of the banks' responses sometimes reflected their lack of an integrated information system for managing non-performing loans. This situation appears to be improving, since some groups have recently installed IT systems that make it possible to manage information on the various procedures in an integrated and uniform way. Looking forward, the systematic storage and availability within a reasonable timeframe of data on the stock of non-performing loans appears crucial both for their "active" management and for negotiating their sale.

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Appendix A. Structure of the survey and sample

In the summer of 2015 the Bank of Italy began to conduct a survey of a sample of banks using a specially prepared questionnaire to gather data on the effectiveness of procedures for managing non-performing business loans through liquidation or debt restructuring.²⁶

The questionnaire has a number of sections that ask for quantitative responses and one that requests qualitative responses.²⁷ The quantitative questions were designed to: a) describe some of the characteristics of the various credit recovery and restructuring procedures (amounts involving in-court and out-of-court procedures, average age of the procedures at the end of 2014, whether there is collateral security or a personal guarantee); b) assess the effectiveness of the liquidation procedures in terms of recovery rates (participants were asked for the final recovery rate for liquidations performed in 2011-14 and the percentage of initial credit recovered in each year after the procedure was started); c) describe how the debtor company's position has changed in the four years following the start of the restructuring procedure.

The qualitative section of the questionnaire seeks banks' opinions on factors that negatively affect the functioning of the legal institutions and on possible reforms. Furthermore, they were asked for information on their internal organization and on credit recovery costs.

The survey, taken on a voluntary basis, was given to 25 of Italy's largest banking groups ranked by volume of lending to firms and households. At the end of June 2015, these groups accounted for 71 per cent of loans to businesses extended by banks and financial companies; they also accounted for 78 per cent of total non-performing loans. The groups responded to the survey between the end of September and the end of November 2015. The response rates for the individual sections of the questionnaire varied greatly. The large banks were often more able to respond than the smaller banks (although there were exceptions). The banks found it easier to answer questions about the amounts of loans managed using the various procedures than to describe the outcomes of the procedures themselves (recovery rates for liquidations and changes in a company's status owing to restructurings). In addition, data on liquidations were more readily available than on restructurings.

²⁶ This is not the first time that the Bank of Italy has collected such data; it conducted surveys in 1994 and 1999 covering a large portion of the banking system (Generale and Gobbi, 1996; Banca d'Italia, 2001). Appendix C compares some of this survey's results with those of previous surveys.

²⁷ The level of detail and the number of questions were greatly reduced after an initial version of the questionnaire was submitted for comments to a limited group of banks, ranging in size from very large to medium-large.

The liquidation procedures reported by the banks in the answers to the questionnaire were fairly representative of the extent of the phenomenon. Bearing in mind that, to find a reference aggregate, liquidations usually involve loans classified as bad debts (although not all bad debts are worked out through liquidations), those ongoing at the end of 2014 and reported in the questionnaire regarded 78 per cent of the bad business debts held by the participating groups on that date, and 60 per cent of the corresponding amount for the Italian banking system.²⁸ As to measures aimed at restructuring debtor positions, it is more difficult to find out a representative indicator of the responses received; although non-performing loans are not necessarily the object of the restructurings, at the end of 2014 the amounts of restructurings reported in the responses equal 14 per cent of the total non-performing loans (net of bad debts) reported by the groups that took part in the survey and 11 per cent of those of the Italian banking and financial system.

The response rate fell for the sections of the questionnaire designed to probe recovery and restructuring operation results. Almost all the banks provided data on liquidations, albeit limited to a subset of operations completed in the sample years. For example, in regard to debtors facing bankruptcy, it is estimated that the responses on the recovery rates for positions closed in 2014 referred to just over one fifth of the total loan amount of the groups participating in the survey.²⁹ Only a subset of banks (seven), including the largest domestic groups, provided answers on the time required for repayment of loans by creditors for the years in which the recovery actions were undertaken. Information on the evolution of the debtors' positions in the years following the start of the restructuring process was only reported by a subset of banks, and for a limited number of positions only.

²⁸ The comparison with the classification of positions for the Supervisory Reports or those of the Central Credit Register must not be viewed rigidly. The banks were instructed not to limit their answers to positions reported for various categories of irregularity, but to consider the economic substance of their customers' situations and the procedures subsequently initiated.

²⁹ The estimate is based on the procedures initiated annually, given that the data on closed procedures are not available and on the assumption that inflows and outflows are of equivalent value. With regard to bankruptcy proceedings concluded in 2014, the data refer to around 3,300 positions for a total loan amount of €924 million.

Appendix B. Statistical tables

Table a1

Recovery rates (1)					
<i>(per cent)</i>					
Year in which procedures concluded	Out-of-court agreements	Bankruptcies	Arrangements with creditors	Foreclosures	Total
(a) Sample averages					
2011	50.0 (17.9)	33.9 (11.2)	51.3 (17.6)	66.2 (20.2)	45.7 (18.9)
2012	48.6 (15.9)	31.0 (15.8)	39.0 (18.9)	42.4 (25.4)	39.5 (19.2)
2013	47.5 (13.9)	26.6 (11.6)	39.9 (20.2)	54.8 (20.9)	40.6 (18.5)
2014	44.6 (13.2)	28.5 (8.5)	31.8 (12.9)	49.4 (16.2)	37.4 (14.7)
Total	47.7 (15.5)	30.1 (12.4)	40.7 (18.9)	52.6 (22.3)	40.8 (18.1)
(b) of which: 5 largest groups					
2011	49.0 (17.3)	35.3 (8.7)	54.5 (15.6)	70.1 (11.7)	46.7 (17.4)
2012	47.3 (15.3)	28.4 (5.1)	42.0 (4.6)	44.1 (22.3)	39.0 (15.6)
2013	47.5 (12.6)	27.0 (8.7)	41.5 (8.2)	58.2 (12.6)	41.5 (15.4)
2014	48.2 (7.8)	27.9 (5.9)	31.5 (6.7)	52.4 (9.6)	38.2 (12.6)
Total	48.0 (13.9)	29.8 (7.9)	43.0 (14.1)	55.6 (17.8)	41.5 (15.7)
(c) of which: other groups					
2011	55.7 (20.3)	28.4 (16.5)	38.0 (19.1)	52.4 (33.5)	41.2 (24.1)
2012	57.3 (17.0)	37.9 (28.3)	34.0 (29.6)	36.1 (33.8)	41.4 (28.4)
2013	47.8 (19.2)	25.6 (16.9)	36.9 (32.5)	48.4 (29.9)	37.8 (25.4)
2014	34.8 (18.7)	31.0 (15.1)	32.6 (20.7)	43.9 (22.9)	35.0 (19.4)
Total	46.1 (21.1)	31.3 (21.3)	35.1 (26.2)	45.2 (29.5)	38.5 (24.4)

(1) Average recovery rates (per cent) compared with the nominal outstanding loan amount at the start of the procedure. Estimate of the standard deviation in parentheses. The averages are weighted by the reported amount of loans.

Table a2a

Responses to qualitative questions:
(A) Problems of legal liquidation procedures

In regard to bankruptcy procedures, indicate:

*the importance of the following aspects in determining the length of recovery times
[scale from 1 to 10; 1=minimum importance, 10=maximum importance]*

lack of expertise on the part of judges	3.2
court backlogs	7.9
complexity of procedures	4.8
lack of expertise on the part of professionals (specifically insolvency administrators)	6.1
inadequate incentives for professionals (specifically insolvency administrators)	3.4
other (specify)	8.2

*the importance of the following procedural phases in determining the length of recovery times
[scale from 1 to 10; 1=minimum importance, 10=maximum importance]*

admission of claims in the statement of liabilities	5.3
rulings on challenges raised by creditors	6.0
active liquidation	8.6
other (specify)	8.0

In regard to foreclosures, indicate:

*the importance of the following aspects in determining the length of recovery times
[scale from 1 to 10; 1=minimum importance, 10=maximum importance]*

court backlogs	8.0
complexity of procedures	4.4
judicial practices that favour the debtor	6.3
judicial practices that favour creditors other than banks	2.4
other (specify)	8.2

*the importance of the following procedural phases in determining the length of recovery times
[scale from 1 to 10; 1=minimum importance, 10=maximum importance]*

opening (1)	6.6
number of auctions	5.3
frequency of auctions	5.8
assignment	5.1
distribution	7.4

In regard to the procedures for arrangements with creditors with the aim of liquidation, indicate:

*the importance of the following aspects in determining the length of recovery times
[scale from 1 to 10; 1=minimum importance, 10=maximum importance]*

lack of expertise on the part of judges	3.2
court backlogs	5.9
complexity of procedures	6.0
other (specify)	8.3

*the importance of the following phases in determining the length of recovery times
[scale from 1 to 10; 1=minimum importance, 10=maximum importance]*

submission of documentation	5.8
approval of plan by creditors	4.5
court approval	5.6
distribution	8.5

Table a2b

Responses to qualitative questions:
(B) Obstacles to restructurings

Indicate the importance of the following factors in hindering recovery/restructuring procedures
[scale from 1 to 10; 1=minimum importance, 10=maximum importance]

inadequacy of legal institutions	3.9
difficulty in coordinating among banks	5.8
difficulty in coordinating with other creditors (employees, suppliers)	6.6
Unwillingness of the public sector to take part in agreements (National Social Security Institute; Revenue Agency)	6.0
unavailability of interim financing	6.8
legal risks (e.g. criminal penalties)	5.6
lack of adequate expertise on the part of banks	2.9
high fees (consultants, professionals)	7.0
other (specify)	5.0

Table a2c

Responses to qualitative questions:
(C) Arrangements with creditors on a going-concern basis

Indicate the effectiveness of the 2012-13 reform in encouraging the use of arrangements with creditors on a going-concern basis [1=inadequate, 2=average, 3=high]

	1.5
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Indicate the contribution of the individual measures introduced to promote the company remaining a going concern [1=inadequate, 2=average, 3=high]

legal priority of interim financing	2.5
petition for automatic stay pending submission of bankruptcy plan	1.7
Introduction of the legal definition of arrangements with creditors on a going-concern basis (“concordato in continuità”, art. 185- <i>bis</i> of the Italian Bankruptcy Law)	2.0
other (specify)	3.0

Indicate the percentage of arrangements with creditors on a going-concern basis that envisaged transfers of businesses (or business units)

	59%
--	-----

Indicate the percentage of arrangements with creditors on a going-concern basis that envisaged transfers of businesses (or business units) that were successful

	16%
--	-----

Indicate the percentage of requests for arrangements with creditors for which the plan was not presented or was not approved for the requests presented:

in the year prior to the introduction of the petition for automatic stay pending submission of bankruptcy plan (Decree Law 83/2012)	47%
between the introduction of the petition for automatic stay pending submission of bankruptcy plan (Decree Law 83/2012) and the “corrective” action (Decree Law 69/2013)	53%
up to one year from the introduction of the “corrective” action (Decree Law 69/2013)	48%

Table a2d**Responses to qualitative questions:****(D) Collateral security and auctions****In regard to foreclosures concluded in 2014, indicate:**

average realized value of the collateral compared with the value at the start of the procedure	54%
average number of auctions per proceeding	3.9
percentage of auctions abandoned	72%

In regard to bankruptcy proceedings concluded in 2014, indicate:

average realized value of the collateral compared with the value at the start of the procedure	56%
average number of auctions per proceeding	4.1

Table a2e**Responses to qualitative questions:****(E) Costs and organization****For structures within the bank specialized in managing non-performing loans, indicate:**

when formed (year)	2004
their share of costs (as a % of total operating costs) in 2014	2.8%
their share of costs (as a % of total operating costs) in 2008	2.5%

Appendix C. Comparison with previous Bank of Italy surveys

In 1993-94 and again in 2000 the Bank of Italy conducted surveys on credit recovery that involved most Italian banks (which extended over 90 per cent of the total loans, in both cases). The questionnaire requested information on organizational and operational aspects of the sector, the timeframe and average recovery rates by type of procedure used and analytical data on the amounts recovered for individual bad debt positions closed during the previous years with a breakdown of customers' characteristics.³⁰

We can compare some of the information presented with that obtained from previously circulated questionnaires.

The impact of recovery activities on operating costs rose slightly over time, while in the two previous studies it amounted to 2.3 per cent, and in 2008 and in 2014 to 2.5 per cent and 2.8 per cent, respectively.

The utilization rates of the various procedures (weighted average per number of procedures) were not similar, in part because the definitions of the categories of out-of-court agreements and private agreements were not exactly comparable and as a result of the classifications used in the two surveys, which include additional factors not reported here:

Year of the survey	Private/out-of-court agreements	Bankruptcies	Arrangements with creditors	Foreclosures
1993-94 (2)	39.4%	20.2%	7.6%	32.7%
2000 (2)	53.2%	27.3%	6.5%	13.0%
2014	16.2%	44.2%	9.0%	29.9%

(1) The agreements reported were defined as "between private parties" in the 1993-94 and 2000 surveys and as "out-of-court" in the 2015 survey. – (2) The percentages reported for the 1993-94 and 2000 surveys were re-distributed to add up to 100 per cent, since in those surveys some of the responses referred to situations not covered in the survey for 2014.

The average recovery rates for the various procedures are comparable. Out-of-court and private agreement recovery rates were lower in the 2015 survey.

Year of the survey	Private/out-of-court agreements (1)	Bankruptcies	Arrangements with creditors	Foreclosures
(1993-94)	around 61%	around 33%	around 44%	around 59%
2000	68.0%	27.0%	36.0%	57.0%
Average 2011-14	47.7%	30.1%	40.7%	52.6%

(1) The agreements reported were defined as "between private parties" in the 1993-94 and 2000 surveys and as "out-of-court" in the 2015 survey.

³⁰ Generale and Gobbi (1996). Banca d'Italia (2001).

The average size of the positions reported in 2000 was generally smaller, although the ranking remained the same: out-of-court/private agreements related to significantly smaller positions than those submitted to the courts.

Year of survey (data in 2014 euro values)	Private/out-of-court agreements (1)	Bankruptcies	Arrangements with creditors	Foreclosures
(1993-94)	n.a.	n.a.	n.a.	n.a.
2000 (2)	65,776	267,174	289,552	96,969
2014	118,249	450,073	964,403	308,021

(1) The agreements reported were defined as “between private parties” in the 1993-94 and 2000 surveys and as “out-of-court” in the 2015 survey. – (2) The amounts reported for the survey conducted in 2000 were revalued against the Istat currency revaluation index from 2000 to 2014.