

# WOLPERTINGER CONFERENCE

MODENA: AUGUST, 29TH - SEPTEMBER, 1ST 2018

## **Credit Risk Disclosure Practices in the Annual Financial Reporting of Large Italian Banks: An Empirical Study**

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### **Abstract**

Risk disclosure has strategic importance for the efficiency of financial markets and overall financial stability. It plays a pivotal role in strengthening market discipline and building trust to improve relationships with stakeholders in banking.

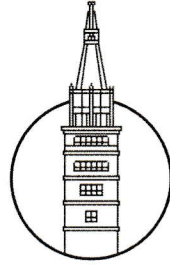
The purpose of this paper is to evaluate the qualitative and quantitative profiles of the disclosure of credit risk in banking institutions. The authors employ content analysis to conduct an empirical study on a sample of large Italian banks. The sample represents approximately 60% of the Italian banking industry in terms of total assets.

The paper provides evidences that banks differ in their credit risk reporting, even though they are subject to similar regulatory requirements and accounting standards. Hence, this paper investigates the quality of credit risk disclosure in banks' annual financial statements, with reference to the Pillar 3 disclosure requirements of the New Basel Capital Accord, the IAS/IFRS (International Accounting Standards/International Financial Reporting Standards), and the Bank of Italy's regulatory framework for banks' annual financial statements.

**Keywords:** Credit risk, Risk reporting, Risk disclosure, Banking, Financial regulation, Risk management.



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# CERTIFICATE OF ATTENDANCE

It is hereby certified that

**ENZO SCANNELLA**  
**UNIVERSITÀ DI PALERMO**

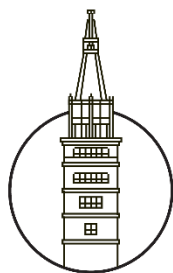
took part as *presenter*

in the Wolpertinger Modena Conference 2018,

University of Modena and Reggio Emilia, Marco Biagi Foundation

August, 29<sup>th</sup>-September 1<sup>st</sup>

Modena, September 1<sup>st</sup> 2018



# WOLPERTINGER CONFERENCE

MODENA AUGUST, 29TH - SEPTEMBER, 1ST

## Academic Program

### Thursday, 30<sup>th</sup> August 2018

- 8.15 am – 9.00 am **Registration**
- 9.00 am – 9.15 am **Welcome Greetings:**  
**Elisabetta Gualandri** – Professor of Banking and Finance, University of Modena and Reggio Emilia - Conference Chair  
**Riccardo Ferretti** - Pro-rector, University of Modena and Reggio Emilia  
**Cesare Bioni** - Professor Emeritus of Banking and Finance, University of Modena and Reggio Emilia - Founding Father, Wolpertinger Club  
**Pietro Ferrari** - Chairman, Bper Banca  
**Jonathan Williams** - Professor of Banking and Finance, Bangor University - Chairman of the Management Committee, Wolpertinger Club
- 9.15 am – 10.45 am **Plenary Session – “Banking Union: experience so far and future prospects”**  
**Salvatore Rossi**, Senior Deputy Governor of Bank of Italy  
**Mauro Grande**, Board Member of the Single Resolution Board
- 10.45 am – 11.00 am **Coffee Break**
- 11.00 am – 1.00 pm **Parallel Sessions 1A/1B**

#### Session 1A “Financial Intermediation”

Session Chair: <b>Claudia Girardone</b> – Essex Business School, University of Essex
“The real effects of bank taxation” Dimitris K. Chronopoulos, Anna L. Sobiech, <b>John O.S. Wilson</b> Discussant: Riccardo Ferretti
“The strategic use of market power” <b>Saverio Stentella Lopes</b> , Marco Pelliccia Discussant: John O.S. Wilson
“Determinants of net interest margin: the effect of capital and deposit requirements” <b>Paula Cruz-Garcia</b> , Juan Fernández de Guevara Discussant: Doriana Cucinelli
“The determinants of the Bank Business Models’ migrations” Rym Ayadi, Paola Bongini, Barbara Casu, <b>Doriana Cucinelli</b> Discussant: Mais Sha’ban
“What explains differences in financial inclusion? A cross-country analysis” <b>Mais Sha’ban</b> , Claudia Girardone, Anna Sarkisyan Discussant: Simona Nistor Mutu

#### Session 1B “Corporate governance in banking”

Session Chair: <b>Jonathan Williams</b> – Bangor Business School, Bangor University
“Realized Bank Risk and Financial Misconduct: Evidence from US Banks” <b>Yener Altunbaş</b> , John Thornton, Yurtsev Uymaz Discussant: Timothy King
“Board diversity reforms: do they matter for EU bank performance?” <b>Francesca Arnaboldi</b> , Barbara Casu, Eleni Kalotychou, Anna Sarkisyan Discussant: Fatima Cardias Williams
“The impact of banks’ net regulatory burden on financial supply-chains” Viktor Elliot, <b>Magnus Willeson</b> Discussant: Elisa Cavezzali
“Board Diversity, Management entrenchment and risk taking of the European banks” <b>Elisa Cavezzali</b> , N. Hussain, G. Gardenal, Ugo Rigoni Discussant: Magnus Willeson
“Pay for Performance in banking: truth or fiction?” <b>Fatima Cardias Williams</b> , Jonathan Williams Discussant: Francesca Arnaboldi

1.00 pm – 2.30 pm **Lunch (Palazzo dei Musei)**

2.30 pm – 4.00 pm **Parallel Sessions 2A/2B**

**Session 2A “Firm’s financing”**

Session Chair: <b>Barbara Casu</b> – Cass Business School, City, University of London
“Duration of supplier-customer trade relationship” <b>Parviz Alizada</b> Discussant: Federica Salvadè
“Bank’s asset quality review using Debt service coverage ratio: a firm perspective” <b>Federico Beltrame</b> , Maurizio Polato Discussant: Elisabetta Gualandri
“Financial Fragmentation and SMEs access to finance” Raffaella Calabrese, Claudia Girardone, <b>Alex Sclip</b> Discussant: Parviz Alizada
“External credit ratings and bank lending” Christophe Cahn, Mattia Girotti, <b>Federica Salvadè</b> Discussant: Stefano Filomeni

**Session 2B “Innovation and SMEs financing”**

Session Chair: <b>Daniele Angelo Previati</b> – University of Rome III
“To be or not to be social? The role of online social media in bank profitability” <b>Elisa Giaretta</b> and Giusy Chiesini Discussant: Bruno Séjourné
“The forgotten ones? The role of platform in equity crowdfunding campaign success” Stefano Cosma, Alessandro Giovanni Grasso, Francesco Pagliacci, <b>Alessia Pedrazzoli</b> Discussant: Catherine Deffains-Crapsky
“Risk Aversion, Loss Aversion, Ambiguity Aversion ...What about equity crowdfunders?” <b>Bruno Séjourné</b> Discussant: Caterina Lucarelli
“Framing, Overconfidence and Regret in Italian mortgage banking litigations” Francesco James Mazzocchini, <b>Caterina Lucarelli</b> Discussant: Paola Vezzani

4.00 pm – 4.15 pm **Coffee Break**

4.15 pm – 6.00 pm **Parallel Sessions 3A/3B**

**Session 3A “Bank risks and politics”**

Session Chair: <b>Javier Quesada</b> – Universitat de València e Ivie
“Politicians and the sovereign credit ratings” <b>Patrycja Klusak</b> , Yurtsev Uymaz, Rasha Alsakka Discussant: Alex Sclip
“Political ideology of the board of directors and corporate decision making. An application to the Spanish saving banks” Pablo de Andrés, <b>Inigo Garcia-Rodriguez</b> , M. Elena Romero-Merino, Marcos Santamaria-Mariscal Discussant: Jonathan Williams
“Politics, Elections, and Bank Behaviour” Rhys ap Gwilym, Shanti Ottemoesoe, <b>Jonathan Williams</b> Discussant: Patrycja Klusak
“The Role of Distance and Securitization Decisions of the Swedish Savings Banks” <b>Natalia Kostitcyna</b> and Viktor Elliot Discussant: Josanco Floreani

**Session 3B “Stock Market and Emerging Markets”**

Session Chair: <b>John O.S. Wilson</b> – University of St Andrews
“Bank recapitalization in Europe: is a rights issue an offer that shareholders can’t refuse?” Carlo Chiarella, Elena Cubillas, <b>Nuria Suárez</b> Discussant: Paola Brighi
“Dynamics between Bank CEOs’ Pay and Experience: Evidence from Market Shocks” <b>Timothy King</b> , Abhishek Srivastav, Jonathan Williams Discussant: Yener Altunbas
“Interactions and IPO pricing: a stochastic frontier approach” Marco Cucculelli, Manuela Geranio, Camilla Mazzoli, <b>Sabrina Severini</b> Discussant: Antonio Focacci
“Cross-correlation analysis of financialization within international agricultural commodities markets” <b>Antonio Focacci</b> and Maurizio Mussoni Discussant: Sabrina Severini

## Friday 31st August

- 8.45 am – 10.45 am **Jack Revell Session – Round Table**  
**“The asset management industry: developments, challenges and strategic issues”**  
**Marco Onado** - Chairman, Department of Finance, Bocconi University  
**Christian Edelmann** - Partner Oliver Wyman and the Head of Oliver Wyman’s Corporate & Institutional Banking (CIB) and Wealth & Asset Management (WAM) practices  
**Giuseppe Lusignani** - University of Bologna, Chairman of Arca Sgr,  
**Grazia Orlandini** - Wealth and Investment Management Department, BPER  
**Cinzia Tagliabue** - CEO Amundi Italia
- 10.45 am – 11.00 am **Coffee Break**
- 11.00 am – 1.00 pm **Session 4: “Pitch Session – ACRI Young Researchers”**  
 Session Chair: **Andrea Landi** - University of Modena and Reggio Emilia  
 Guest Speaker: **Enrico Sangiorgi** - University of Bologna and ACRI
- 1.00 pm – 2.30 pm **Lunch (Palazzo dei Musei)**
- 2.30 pm – 4.00 pm **Parallel Sessions 5A/5B**

### Session 5A “Financial information, regulation and other issues”

Session Chair: <b>Yener Altunbaş</b> – Bangor Business School, Bangor University
“Central banks; commitment towards stakeholders: CSR in the Eurosystem, 2007-2017” Vincenzo Farina, Giuseppe Galloppo, <b>Daniele A. Previati</b> Discussant: Enzo Scannella
“Credit Risk Disclosure Practices in the Annual Financial Reporting of Large Italian Banks: Empirical Evidences” <b>Enzo Scannella</b> , Salvatore Polizzi Discussant: Viktor Elliot
“The impact of recent regulatory reforms on cross-border banking and international supply chains” <b>Viktor Elliot</b> , Ted Lindblom, Magnus Willeson Discussant: René W.H. van der Linden
“The effectiveness of ‘One Belt, One Road’ initiative in tackling China’s economic slowdown and its financial implications in a policy trilemma context” <b>René W.H. van der Linden</b> and Piotr Łasak Discussant: Demeh Ahmad Daradkah

### Session 5B: “Fintech and Alternative Financing”

Session Chair: <b>Paola Agnese Bongini</b> – University of Milan, Bicocca
“Herding behavior: Automatic versus Human Investors on Renrendai” <b>Mustafa Caglayan</b> , Oleksandr Talavera, Wei Zhang Discussant: Alessia Pedrazzoli
“Birds of a feather flock together and get money from the crowd” Valeria Venturelli, <b>Alessia Pedrazzoli</b> , Elisabetta Gualandri Discussant: Mustafa Caglayan
“SMEs Financing through the Mini-bonds market in Italy” Alessandro Giovanni Grasso, <b>Francesco Pattarin</b> Discussant: Alessandra Tanda
“New directions in startup financing: the case of French banks” Catherine <b>Deffains-Crapsky</b> Discussant: Valeria Venturelli

- 4.00 pm – 4.15 pm **Coffee Break**

4.15 pm – 5.45 pm **Parallel Sessions 6A/6B**

**Session 6A “Institutional Investors and other issues”**

Session Chair: Chair: <b>Stefano Miani</b> – University of Udine
“The Determinants of asset management in the banking industry” <b>Paola Brighi</b> , Andrea Landi, Valeria Venturelli Discussant: Alex Sclip
“Leverage patterns in the Italian micro firms” <b>Alessandra Tanda</b> , Andrea Uselli Discussant: Federico Beltrame
“Bank as a Venture Capitalist” <b>Kumar Rishabh</b> Discussant: Viktor Elliot

**Session 6B “New topics in banking and finance”**

Session Chair: <b>Anabela Sergio</b> – Universidade Lusòfona
“Interest rate risk management in Jordanian commercial banks” <b>Demeh Ahmad Daradkah</b> , Haitham Rafie Shinaq Discussant: Paula Cruz-Garcia
“CSR Performance Ratings and The Choice of Payment Method in Takeovers” <b>Mussa Hussaini</b> , Ugo Rigoni, Paola Perego Discussant: Elisa Giaretta
“Nobel prize in economic sciences: the role of financial studies” Gianfranco Vento and <b>Paola Vezzani</b> Discussant: Mussa Hussaini