

Italy Banks

Loan loss outlook in focus into 1Q20

LLP outlook to overshadow pre-provision profit developments

1Q20 data points suggest a mixed operating environment for Italian banks. That said, we believe that, on the back of UCG's new guidance on LLPs on April 22, pre-provision profit developments will be overshadowed by asset quality developments. We cut our 2020-24 EPS estimates by 8% in aggregate for our five domestic banks under coverage, to reflect higher LLPs in 2020E and 2021E and a slower return to normalization thereafter.

- **Loan growth picks up:** System-wide loan growth increased in March at 1.4% yoy, as liquidity needs created by the health crisis spurred loan demand.
- **Margin compression slows:** Blended margins stayed broadly flat this quarter, after a long phase of contraction. We expect competitive pressure on loan pricing to subside as pressure on asset quality increases. A slightly higher margin than anticipated therefore supports the slightly higher NII in our forecasts.
- **AUM hit by market drawdown and outflows:** 1Q20 data showed AUM down by over €140 bn (6.3%) qoq at the industry level. This compares with outflows in 2H 2019 and in 1Q2020. We forecast fees to contract in 1Q2020 and for the full year, on lower sales of savings products.
- **Higher LLP forecasts:** On the back of the UCG announcement of April 22, we increase slightly our LLP forecasts for the system (including UCG) to c.120bps in 2020, c.90bps in 2021, and factor in a slower return to normalised level with c.65bps in 2022.

UCG our top pick in Italy

We continue to see an attractive risk/reward for UCG (Buy, on CL): on c.0.28x 2020 GSe TBV, and with enough capital to absorb 2x its newly revised higher LLP, we view the shares as already pricing in a significant downturn. Similarly, we also rate BBPM Buy, which trades on just 0.17x 2020 GSe TBV and entered this crisis with a 13% CET1 ratio. We acknowledge that the risks around these two ratings, in particular BBPM, are significant and that our views are based on the assumption of a strong macro recovery next year.

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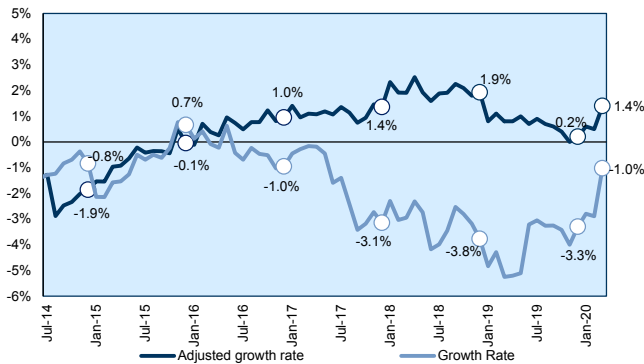
I. NII: Loan growth picks up and competitive pressure should subside

Loans: Growth picks up on corporate drawdowns

- Credit growth picks up in March:** The ABI reported a 1.4% yoy increase in system-wide loans to non-financial corporations and households in March 2020, a level last seen in 2017. Loans retained on the banks' balance sheets only shrank by 1.0% yoy, and grew 1.4% year-to-date, with most of the growth taking place in March.
- Loan rates under further pressure:** Front book rates for mortgages fell c.4bps qoq and c.15bps for corporates over the course of the quarter. Whilst further monetary easing was announced in response to the COVID-19 outbreak (TLTROs), We believe that further compression from here is less likely, as banks typically apply higher commercial margins, where possible, in times of stress, in order to shield the capital from higher LLPs.

Exhibit 1: Loan growth picked up in March

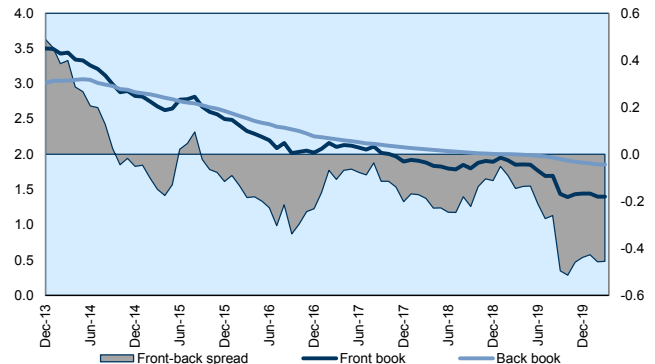
YoY loan growth to NFCs and households



Source: ABI

Exhibit 2: Front and backbook spread is c.-50bps for mortgages...

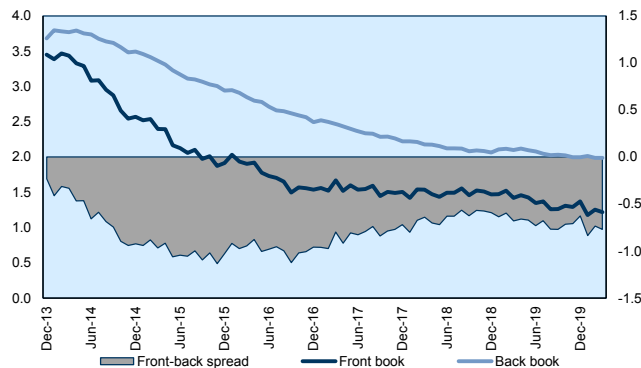
Rates (%), front and backbook rates (LHS), front-backbook spread (RHS)



Source: Bank of Italy, ABI

Exhibit 3: ...and around c.-80bps for corporate loans...

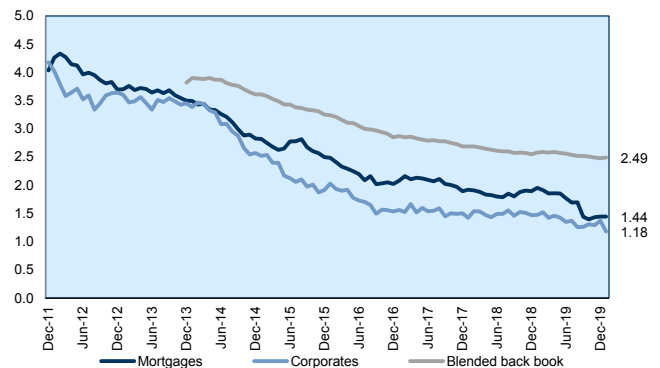
Rates (%), front and backbook rates (LHS), front-backbook spread (RHS)



Source: Bank of Italy, ABI

Exhibit 4: ...meaning they are well below the backbook rate

Backbook rates (%) on outstanding loans; front rates (%)

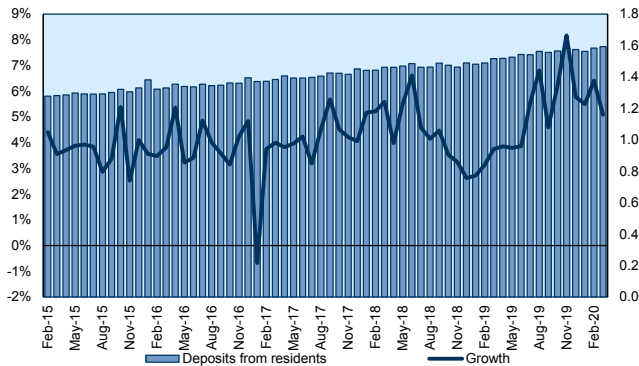


Source: Bank of Italy, ABI

Deposits growing yoy, funding costs broadly stable

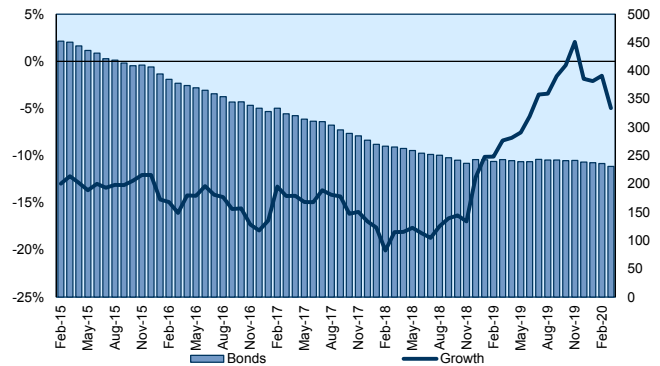
- Deposits momentum continuing:** The ABI reported an increase in deposits from residents over the quarter, by €19 bn (+1.2%), marking a continued progression despite mounting risks on bank assets. This leaves deposits up 5.1% yoy. This also means an improvement in the funding mix, given deposits continue outgrowing loans.
- Fall in issued debt resumes:** Bonds issued by banks had stabilised, but that fall has resumed in Q1-2020 as maturities have not been met with enough new issuance, most likely due to tougher conditions in March, following the COVID-related lockdown measures.
- Funding costs remain stable:** So far, despite a small uptick in bond funding costs, blended funding costs have not moved much for Italian banks, despite the rise in sovereign spreads this year.
- Customer margins broadly stable:** All in, customer spreads have marginally contracted over the quarter (-1bp), as blended backbook lending rates have fallen c.2bp qoq, at 2.46%. In the meantime, funding costs have fallen by only 1 basis point, implying a 1.89% spread, compared to 1.90% in December.

Exhibit 5: Deposit growth accelerates...
Deposits from residents (RHS), € tn, % yoy growth



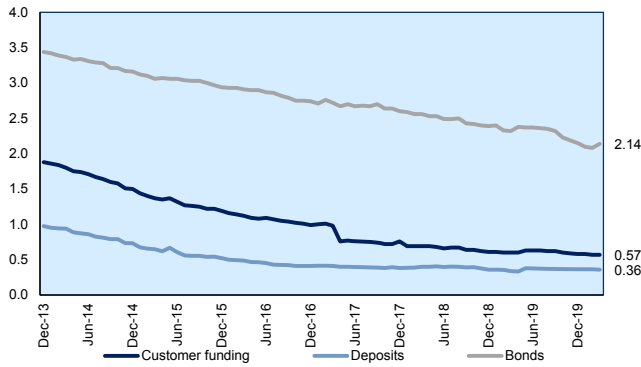
Source: ABI

Exhibit 6: ...while issued debt levels are now stable
Bonds issued (RHS), € bn, % yoy growth



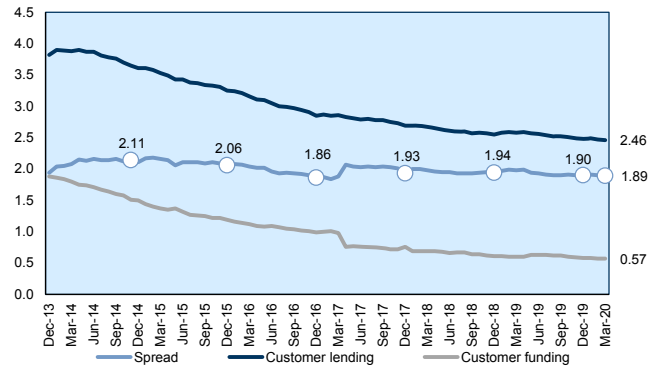
Source: ABI

Exhibit 7: Overall funding costs are broadly stable...
% of outstandings



Source: Bank of Italy, ABI

Exhibit 8: ...and customer lending spreads are down slightly
% of outstandings



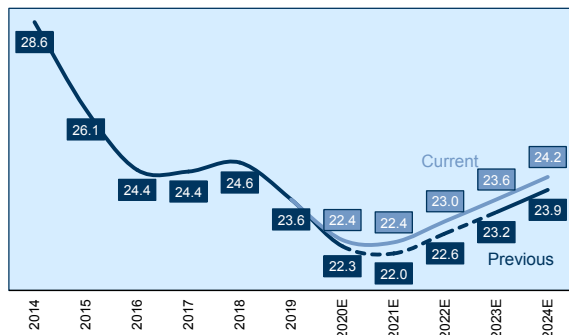
Source: Bank of Italy, ABI

Nudging NII forecast higher, but still forecast negative growth

We make the following changes to our earnings forecasts for the six Italian banks under coverage

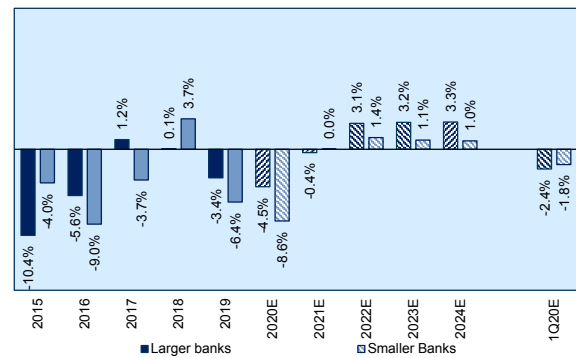
- We increase loans to reflect the additional demand created by the lockdown measures, and supported in part by the corporate state-backed loan guarantees. Our aggregate loan forecast moves up by 1.4% across our forecast period, which in turn supports a slightly higher NII forecast.
- We still forecast negative growth in both 1Q20 and 2020, at -2.2% and -5.6% respectively.

Exhibit 9: We increase our aggregate NII forecasts by 1.4%...
Net Interest Income (€ bn). Not adjusted for IFRS9 accounting change.



Source: Company data, Goldman Sachs Global Investment Research

Exhibit 10: ...but still forecast negative NII growth in 1Q20/2020E
Sequential NII growth; yoy for full years, qoq for 1Q20E. Not IFRS9 adj.



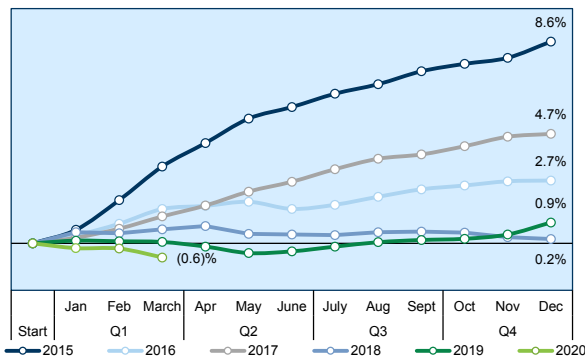
Source: Company data, Goldman Sachs Global Investment Research

II. Fees: Lower AUMs to drive fee contraction

1Q20 Assogestioni data shows assets under management have decreased by €144 bn (a 6-7% decline) qoq at the industry level. We highlight:

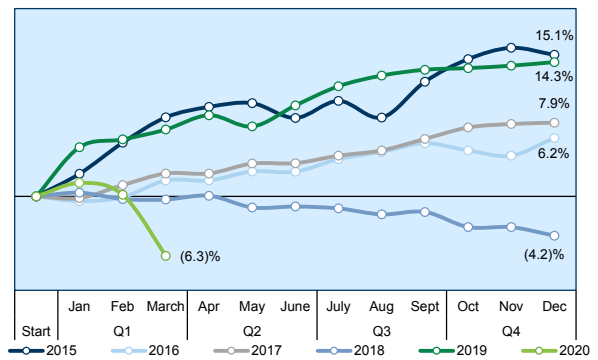
- Market performance was unsurprisingly the main contributor to the fall:** 1Q saw a reversal of the 2019 trends, with a negative €131 bn (-5.7%) contribution, with weak performance in equities as well as bonds as all risk assets saw drawdowns. This is a sharp contrast with 2019, which had seen continued market performance drive a return of inflows.
- Net new money turns negative:** 1Q outflows of €8.7 bn (-0.6%) compare to inflows which had returned from August 2019, and grown from then, supported by markets. The outflows this year mark a deterioration from last year.
- We forecast a contraction of fees in 2020:** We estimate a 0.2% yoy decrease in fee & commission revenues for Italian banks under our coverage this quarter (-1.5% excluding BPER which has a significant change in scope with Arca's acquisition). We also estimate a 2% contraction for the full year: we believe that flow of funds into the rest of year will prove challenging in view of the current health crisis and the related lack of visibility for savers.

Exhibit 11: 2020 started with net AuM outflows
Cumulative net new money, % of previous year-end AUM



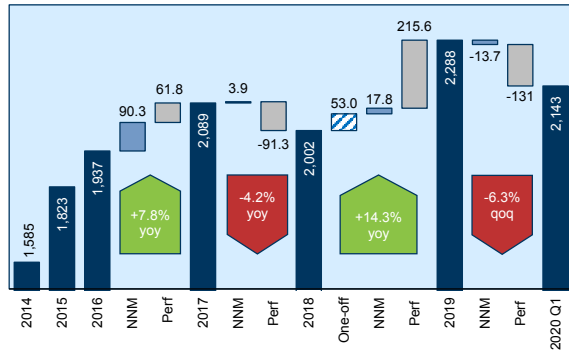
Source: Assogestioni

Exhibit 12: Market drawdown subtracted 6% of AuM...
Cumulative AUM change, % of previous year-end AUM



Source: Assogestioni

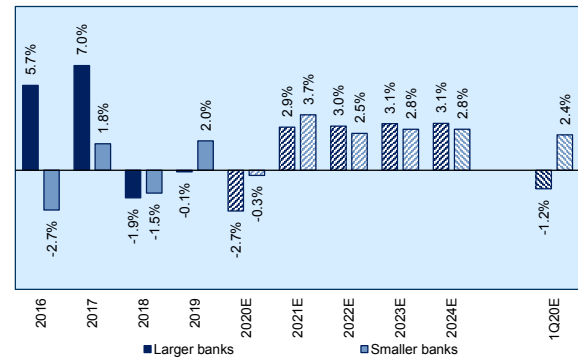
Exhibit 13: ...Leading AuM sharply lower
€ bn



Source: Assogestioni

Exhibit 14: We forecast fees to contract 0.2% in 10Q20, lead by larger banks

YoY change in fee income, %



Source: Assogestioni, Company data, Goldman Sachs Global Investment Research

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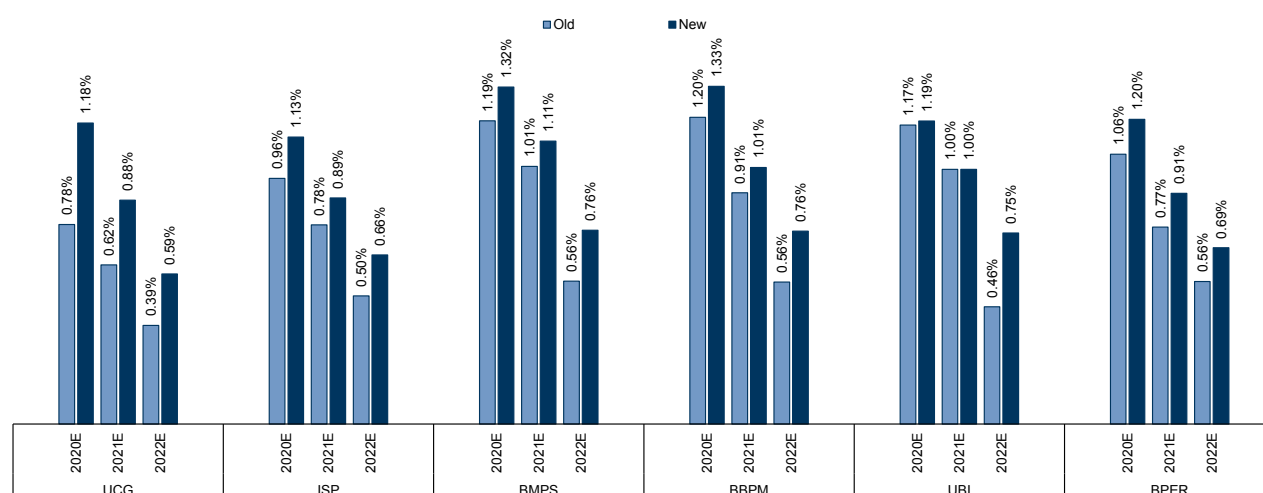
Valuation, risks and forecasts

Following the UCG announcement of April 22, we increase our LLP (see Valuation section) forecasts as follows:

- For 2020E, we nudge it higher for the five domestic banks, from 106bps to 119bps.
- For 2021E, we increase it by 10bps to 95bps.
- For 2022E, we increase it by 18bps to 70bps to account for a lower recovery than previously anticipated.
- From 2023E, we make no changes.

Exhibit 15: We have increased cost of risk for all Italian banks under our coverage, mainly in 2020-22E

Cost of risk, % of average net loans. UCG "old" as of 31/03/2020.



Source: Company data, Goldman Sachs Global Investment Research

In aggregate, for all domestic banks (ISP, BMPS, BBPM, UBI, BPER), we adjust our earnings estimates, to predominantly reflect higher loan losses and lower fee income. We roll valuation forward by 3 months for UCG, BMPS and BBPM (others are Not Rated).

- **UniCredit (Buy, on CL):** We previously downgraded our earnings estimates in our [UniCredit report](#), mainly on higher loan loss provisions. This time, we leave our EPS forecasts unchanged. As a result of our valuation roll, our ROTE/COE-based 12-month price target increases to €11.2 (from €10.7). Key downside risks to our investment view, forecasts and price target are worse-than-expected NIM, loan growth, credit quality, M&A or cost control. Unforeseen negative changes to the sovereign, macroeconomic, asset quality and regulatory environment are also risks.
- **Intesa Sanpaolo (Not Rated):** As a result of the changes described above, we lower our EPS forecasts by 19%/10%/11% for 2020/2021/2022E respectively, and 6% for 2020-24E, in aggregate. Changes in 2020E look optically high due to a somewhat low profitability base for that year.
- **Banco BPM (Buy):** As a result of the changes described above, we lower our EPS

forecasts by c.61%/68%/35% for 2020/2021/2022E respectively, and 21% for 2020-24E in aggregate, from a low profitability base. Changes in 2020-22E look optically high due to a very low profitability base for these years. Our 2020E ROTE/COE-based 12-month price target decreases to €1.60 (from €1.85). Our price target incorporates a stand-alone ROTE/COE-based fundamental value of €1.45/share weighted at 85%, and an M&A value of €2.34/share, weighted at 15% to reflect our M&A rank of 2 (moderate probability of M&A). Our M&A valuation is our standalone valuation plus the present value of the cost synergies in a deal scenario (at an assumed 20% cost take-out, and shared at 50% with a hypothetical merger partner - [see here for more](#)). Key downside risks to our investment view, forecasts and price target are worse-than-expected NIM, loan growth, credit quality, or cost control. Unforeseen negative changes to the sovereign, macroeconomic, asset quality and regulatory environment are also risks.

- **UBI Banca (Not Rated):** As a result of the changes described above, we lower our EPS forecasts by c.250%/7%/26% for 2020/2021/2022E respectively, and 7% for 2020-24E in aggregate. Changes in 2020E look optically high due to a very low profitability base for that year.
- **BPER Banca (Not Rated):** As a result of the changes described above, we lower our EPS forecasts by c.240%/26%/15% for 2020/2021/2022E respectively, and 11% for 2020-24E in aggregate. Changes in 2020E look optically high due to a very low profitability base for that year.
- **BMPS (Neutral):** As a result of the changes described above, we lower our EPS forecasts by c.26%/49%/58% for 2020/2021/2022E respectively, and 28% for 2021-24E in aggregate. Changes in 2020-22E look optically high due to a very low profitability base for these years. Our 2020E ROTE/COE-based 12-month price target decreases to €0.95 (from €1.05). Our price target incorporates a stand-alone ROTE/COE-based fundamental value of €0.82/share weighted at 85%, and an M&A value of €1.80/share, weighted at 15% to reflect our M&A rank of 2 (moderate probability of M&A). Our M&A valuation is our standalone valuation plus the present value of the cost synergies in a deal scenario (at an assumed 20% cost take-out, and shared at 50% with a hypothetical merger partner - [see here for more](#)). Key risks to our investment view, forecasts and price target include better or worse asset quality trends, macroeconomic and political risks, worsening or improving NIM, and better or worse cost control.

Exhibit 16: We cut our 2020-24E EPS by 8% in aggregate for the five domestic banks

Overview of our estimates and price target changes

Banks	Share price	Rating	Price targets			Upside	EPS (Old)					EPS (New)					EPS (Change)				
	Last close		Old	New	%		2020E	2021E	2022E	2023E	2024E	2020E	2021E	2022E	2023E	2024E	2020E	2021E	2022E	2023E	2024E
UniCredit	€7.2	Buy*	€10.7	€11.2	4.7%	55%	0.28	0.68	1.35	1.86	1.98	0.28	0.68	1.35	1.86	1.98	-	-	-	-	-
Intesa	€1.4	Not Rated			--	--	0.13	0.16	0.22	0.24	0.26	0.10	0.15	0.20	0.25	0.27	(19%)	(10%)	(11%)	1%	1%
Banco BPM	€1.1	Buy	€1.85	€1.60	(13.5%)	42%	(0.09)	0.07	0.26	0.27	0.29	(0.15)	0.02	0.17	0.29	0.30	61%	(68%)	(35%)	5%	5%
BMPS	€1.1	Neutral	€1.05	€0.95	(9.5%)	(15%)	(0.28)	(0.11)	0.18	0.20	0.22	(0.35)	(0.17)	0.07	0.21	0.23	26%	49%	(58%)	7%	6%
UBI Banca	€2.6	Not Rated			--	--	0.01	0.18	0.46	0.45	0.46	(0.01)	0.17	0.35	0.47	0.49	NM	(7%)	(26%)	5%	5%
BPER Banca	€2.3	Not Rated			--	--	(0.04)	0.35	0.56	0.60	0.65	(0.14)	0.26	0.48	0.63	0.67	NM	(26%)	(15%)	4%	4%

*Denotes Conviction List membership; share prices are based on the close of April 28, 2020

Source: Goldman Sachs Global Investment Research

Exhibit 17: Italy banks aggregate forecasts and estimate changes

€ mn, unless otherwise specified

€ mn	Annual Review														
	Forecasts			Growth (yoy)			Previous Estimates			Previous Growth			New vs. Old		
	2020E	2021E	2022E	2020E	2021E	2022E	2020E	2021E	2022E	2020E	2021E	2022E	2020E	2021E	2022E
NII	22,430	22,364	22,962	(5)%	(0)%	+3%	22,251	22,048	22,616	(6)%	(1)%	+3%	+1%	+1%	+2%
Fees (net)	19,693	20,312	20,884	(2)%	+3%	+3%	19,713	20,363	20,944	(2)%	+3%	+3%	(0)%	(0)%	(0)%
Core revenues	42,123	42,676	43,846	(4)%	+1%	+3%	41,964	42,410	43,560	(4)%	+1%	+3%	+0%	+1%	+1%
Trading & other	5,343	5,363	5,488	(20)%	+0%	+2%	5,343	5,363	5,488	(20)%	+0%	+2%	+0%	(0)%	(0)%
Total Income	47,467	48,038	49,334	(6)%	+1%	+3%	47,308	47,773	49,047	(6)%	+1%	+3%	+0%	+1%	+1%
Operating Costs	(27,869)	(27,735)	(27,785)	(0)%	(0)%	+0%	(27,869)	(27,735)	(27,785)	(0)%	(0)%	+0%	+0%	+0%	+0%
Pre-Provision Profit	19,598	20,303	21,549	(12)%	+4%	+6%	19,439	20,038	21,263	(13)%	+3%	+6%	+1%	+1%	+1%
Provisions	(14,540)	(11,421)	(8,308)	+81%	(21)%	(27)%	(13,438)	(10,516)	(6,773)	+67%	(22)%	(36)%	+8%	+9%	+23%
Operating Result	5,057	8,882	13,241	(65)%	+76%	+49%	6,001	9,522	14,490	(58)%	+59%	+52%	(16)%	(7)%	(9)%
Other	(5,052)	(1,999)	(1,964)	+65%	(60)%	(2)%	(5,024)	(1,964)	(1,964)	+64%	(61)%	+0%	+1%	+2%	+0%
Result Before Tax	5	6,883	11,277	--	--	+64%	977	7,558	12,526	--	--	+66%	--	(9)%	(10)%
Net Attributable Result	(323)	4,824	8,034	--	--	+67%	341	5,288	8,885	--	--	+68%	--	(9)%	(10)%
GS Net Income	1,705	4,245	7,471	(80)%	--	+76%	2,369	4,709	8,322	(72)%	--	+77%	(28)%	(10)%	(10)%
NIM ⁽¹⁾	1.8%	1.8%	1.8%	(11)bp	(4)bp	+1bp	1.8%	1.8%	1.8%	(10)bp	(5)bp	+2bp	(2)bp	(1)bp	(1)bp
Cost / Income	59%	58%	56%	+3pp	(1)pp	(1)pp	59%	58%	57%	+3pp	(1)pp	(1)pp	(0)pp	(0)pp	(0)pp
Cost of risk ⁽¹⁾	118 bp	91 bp	65 bp	+52bp	(27)bp	(26)bp	111 bp	86 bp	54 bp	+45bp	(26)bp	(31)bp	+7bp	+6bp	+11bp
ROTE (Stated NI)	-0.3%	3.7%	6.0%	(6.6)pp	+4.0pp	+2.3pp	0.3%	4.0%	6.5%	(6.0)pp	+3.7pp	+2.5pp	(0.5)pp	(0.3)pp	(0.5)pp
ROTA	-1 bp	22 bp	36 bp	(38)bp	+23bp	+14bp	2 bp	24 bp	41 bp	(35)bp	+23bp	+16bp	(3)bp	(2)bp	(4)bp
Net loans	1.2 tn	1.3 tn	1.3 tn	+1%	+2%	+2%	1.2 tn	1.2 tn	1.2 tn	(1)%	+2%	+2%	+2%	+2%	+2%
Deposits	1.1 tn	1.1 tn	1.2 tn	+2%	+2%	+2%	1.1 tn	1.1 tn	1.2 tn	+2%	+2%	+2%	+0%	+0%	+0%
Loans/deposits	109%	109%	109%	(1)pp	(0)pp	(0)pp	107%	107%	107%	(3)pp	(0)pp	(0)pp	+2pp	+2pp	+2pp
Total assets	2.2 tn	2.2 tn	2.2 tn	+1%	+1%	+1%	2.2 tn	2.2 tn	2.2 tn	(0)%	+1%	+1%	+1%	+1%	+1%
CET1% (pro forma)*	13.8%	13.5%	13.3%	+50bp	(37)bp	(12)bp	14.0%	13.7%	13.6%	+66bp	(32)bp	(6)bp	(16)bp	(21)bp	(28)bp
CET1	123 bn	124 bn	127 bn	+4%	+1%	+2%	123 bn	125 bn	128 bn	+4%	+1%	+3%	(0)%	(0)%	(1)%
RWAs	890 bn	923 bn	952 bn	+0%	+4%	+3%	880 bn	912 bn	939 bn	(1)%	+4%	+3%	+1%	+1%	+1%
Tangible Equity	126 bn	130 bn	134 bn	+0%	+3%	+3%	127 bn	132 bn	137 bn	+1%	+4%	+4%	(1)%	(1)%	(2)%
Tangible Equity / Assets	5.8%	5.9%	6.1%	(3)bp	+13bp	+13bp	5.9%	6.1%	6.2%	+9bp	+16bp	+16bp	(12)bp	(15)bp	(18)bp

(1) NIM and LLPs are calculated as a percentage of net customer loans. *As per company disclosures.

Source: Company data, Goldman Sachs Global Investment Research

1Q20 Previews

Exhibit 18: UniCredit 1Q20 Preview

€ mn, unless otherwise specified.

Income Statement € mn	Actual				1Q20E		Preview		
	1Q19	2Q19	3Q19	4Q19	GS	Cons	q / q	y/y	GS/csus
Net Interest Income	2,578	2,554	2,555	2,515	2,442	2,472	(3%)	(5%)	(1%)
Fees and commissions	1,541	1,565	1,569	1,629	1,503	1,496	(8%)	(2%)	+0%
Other	648	399	578	705	592	511	(16%)	(9%)	+16%
Operating Income	4,767	4,518	4,702	4,849	4,536	4,479	(6%)	(5%)	+1%
Operating costs	(2,509)	(2,447)	(2,447)	(2,524)	(2,557)	(2,498)	+1%	+2%	+2%
Gross operating profit	2,258	2,071	2,255	2,325	1,979	1,981	(15%)	(12%)	(0%)
Total provisions	(681)	(943)	(750)	(1,961)	(2,129)	(1,302)	+9%	--	+64%
Net operating profit	1,577	1,128	1,505	364	(150)	679	--	--	--
Profit before tax	1,664	815	1,544	(958)	(2,974)	(1,724)	--	--	+72%
Net Profit Attributable to the Group	1,175	1,854	1,179	(835)	(2,708)	(1,530)	--	--	+77%

Source: Company data, Goldman Sachs Global Investment Research, Company-compiled consensus

Exhibit 19: Intesa Sanpaolo 1Q20 Preview

€ mn, unless otherwise specified.

Income Statement € mn	Actual				1Q20E		Preview		
	1Q19	2Q19	3Q19	4Q19	GS	Cons	q / q	y/y	GS/csus
Net Interest Income	1,756	1,761	1,741	1,747	1,719	1,693	(2%)	(2%)	+2%
Fees and commissions	1,865	1,965	1,966	2,166	1,861	1,841	(14%)	(0%)	+1%
Other	748	928	786	654	747	653	+14%	(0%)	+14%
Operating Income	4,369	4,654	4,493	4,567	4,327	4,187	(5%)	(1%)	+3%
Operating costs	(2,203)	(2,266)	(2,287)	(2,534)	(2,168)	(2,196)	(14%)	(2%)	(1%)
Gross operating profit	2,166	2,388	2,206	2,033	2,159	1,992	+6%	(0%)	+8%
Total provisions	(399)	(591)	(492)	(861)	(706)	(644)	(18%)	+77%	+10%
Net operating profit	1,767	1,797	1,714	1,172	1,453	1,347	+24%	(18%)	+8%
Profit before tax	1,773	1,798	1,712	1,222	1,453	1,353	+19%	(18%)	+7%
Net Profit Attributable to the Group	1,050	1,216	1,044	872	878	804	+1%	(16%)	+9%

Source: Company data, Goldman Sachs Global Investment Research, Visible Alpha Consensus Data

Exhibit 20: Banco BPM 1Q20 Preview

€ mn, unless otherwise specified.

Income Statement € mn	Actual				1Q20E		Preview		
	1Q19	2Q19	3Q19	4Q19	GS	Cons	q / q	y/y	GS/csus
Net Interest Income	499	512	496	474	461	463	(3%)	(8%)	(1%)
Fees and commissions	435	454	444	462	421	430	(9%)	(3%)	(2%)
Other	133	61	87	257	88	112	(66%)	(34%)	(22%)
Operating Income	1,067	1,027	1,027	1,194	970	1,005	(19%)	(9%)	(4%)
Operating costs	(668)	(672)	(648)	(656)	(654)	(654)	(0%)	(2%)	(0%)
Gross operating profit	399	355	379	537	316	351	(41%)	(21%)	(10%)
Total provisions	(152)	(204)	(207)	(282)	(212)	--	(25%)	+40%	--
Net operating profit	248	151	172	256	104	--	(59%)	(58%)	--
Profit before tax	248	488	172	121	104	106	(14%)	(58%)	(2%)
Net Profit Attributable to the Group	150	443	93	96	33	37	(66%)	(78%)	(12%)

1Q19-3Q19 is not restated for Banco BPM's restatement linked to the change in accounting standard for the group's property and works of art.

Source: Company data, Goldman Sachs Global Investment Research, Visible Alpha Consensus Data

Exhibit 21: BMPS 1Q20 Preview

€ mn, unless otherwise specified.

Income Statement € mn	Actual				1Q20E		Preview		
	1Q19	2Q19	3Q19	4Q19	GS	Cons	q / q	y/y	GS/csus
Net Interest Income	409	404	355	333	333	334	(0%)	(19%)	(0%)
Fees and commissions	359	364	356	371	355	359	(4%)	(1%)	(1%)
Other	35	(21)	101	158	50	46	(68%)	+44%	+9%
Operating Income	802	747	811	863	738	739	(14%)	(8%)	(0%)
Operating costs	(569)	(577)	(549)	(594)	(542)	(545)	(9%)	(5%)	(1%)
Gross operating profit	233	170	262	269	196	193	(27%)	(16%)	+2%
Total provisions	(260)	(137)	(176)	(303)	(250)	--	(18%)	(4%)	--
Net operating profit	(27)	32	86	(35)	(54)	--	+56%	+98%	--
Profit before tax	(23)	35	82	(40)	(54)	(115)	+36%	--	(53%)
Net Profit Attributable to the Group	28	65	94	(1,220)	(33)	(96)	(97%)	--	(66%)

Source: Company data, Goldman Sachs Global Investment Research, Visible Alpha Consensus Data

Exhibit 22: UBI Banca 1Q20 Preview

€ mn, unless otherwise specified.

Income Statement € mn	Actual				1Q20E		Preview		
	1Q19	2Q19	3Q19	4Q19	GS	Cons	q / q	y/y	GS/csus
Net Interest Income	446	441	427	412	407	410	(1%)	(9%)	(1%)
Fees and commissions	401	412	403	446	389	390	(13%)	(3%)	(0%)
Other	74	56	31	90	59	56	(35%)	(21%)	+4%
Operating Income	921	908	860	949	855	856	(10%)	(7%)	(0%)
Operating costs	(605)	(587)	(597)	(579)	(593)	(593)	+2%	(2%)	(0%)
Gross operating profit	316	321	263	369	262	266	(29%)	(17%)	(2%)
Total provisions	(134)	(260)	(162)	(214)	(150)	(155)	(30%)	+12%	(3%)
Net operating profit	182	61	102	156	111	113	(28%)	(39%)	(2%)
Profit before tax	182	65	102	157	111	113	(29%)	(39%)	(2%)
Net Profit Attributable to the Group	82	49	60	60	67	71	+11%	(19%)	(6%)

Source: Company data, Goldman Sachs Global Investment Research, Visible Alpha Consensus Data

Exhibit 23: BPER Banca 1Q20 Preview

€ mn, unless otherwise specified.

Income Statement € mn	Actual				1Q20E		Preview		
	1Q19	2Q19	3Q19	4Q19	GS	Cons	q / q	y/y	GS/csus
Net Interest Income	274	272	316	302	293	313	(3%)	+7%	(6%)
Fees and commissions	193	195	268	276	254	223	(8%)	+32%	+14%
Other	29	24	73	54	37	33	(31%)	+28%	+12%
Operating Income	495	492	657	632	584	570	(8%)	+18%	+3%
Operating costs	(338)	(345)	(389)	(615)	(399)	(369)	(35%)	+18%	+8%
Gross operating profit	158	147	268	17	185	201	--	+17%	(8%)
Total provisions	(98)	(94)	(184)	(145)	(126)	--	(14%)	+28%	--
Net operating profit	60	53	83	(128)	60	--	--	(0%)	--
Profit before tax	63	57	437	(141)	60	77	--	(6%)	(23%)
Net Profit Attributable to the Group	48	53	422	(143)	49	49	--	+2%	+1%

Source: Company data, Goldman Sachs Global Investment Research, Visible Alpha Consensus Data

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Reg AC

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