

## Italy Banks

## Local Picture: 3Q20: lacklustre profitability priced in; capital build key for distribution. Buy UCG (on CL), ISP and BPER

In 3Q20, Italian banks' ROTE stood at 3.3% ex ISP's badwill recognition on UBI (9.2% in 3Q19), falling on lower core revenues and higher LLPs.

**P&L: Pressure on core revenues, but less than in 2Q**

Compared to last year, 3Q20 indicated relief on NIM pressure, thanks to TLTRO benefit, moderate loan growth, lower fees, continued strong cost control and higher LLPs. However, these trends were less marked than in 2Q, owing to the exit from national Covid-19 lockdown restrictions. On a like for like basis, aggregate NII was down 2.4% yoy, with ISP, BBPM and BPER up, and BMPS and UCG contracting, amplified by accounting differences in P&L TLTRO benefit recognition. Fees were down 5% yoy, with all banks down. Operating expenses continued to decrease yoy at -4% in aggregate, accelerating from 2Q. Core PPP therefore fell 4% yoy, with the same dispersion among banks as for NII.

**Balance sheet: Capital ratio up, waiting for NPLs to rise**

As in the previous two quarters, and despite the lockdown measures put in place in March, gross NPEs continued to fall (c.€2bn qoq, down 7% year-to-date) for the banks we

cover, leading to a gross NPE ratio of 6.7%. The cost of risk for the system stood at c.70bps of loans, up c.40% yoy, and c.90bps year-to-date. Overall, the guidance by bank for 2020 has not changed, at c.100bps +/- 10bps, but large banks' management guided for CoR more towards the bottom of their range for 2021. CET1 ratios increased c.30bps qoq on positive MtM and lower RWAs, and are up 90 bps year-to-date.

**Key views and stock calls**

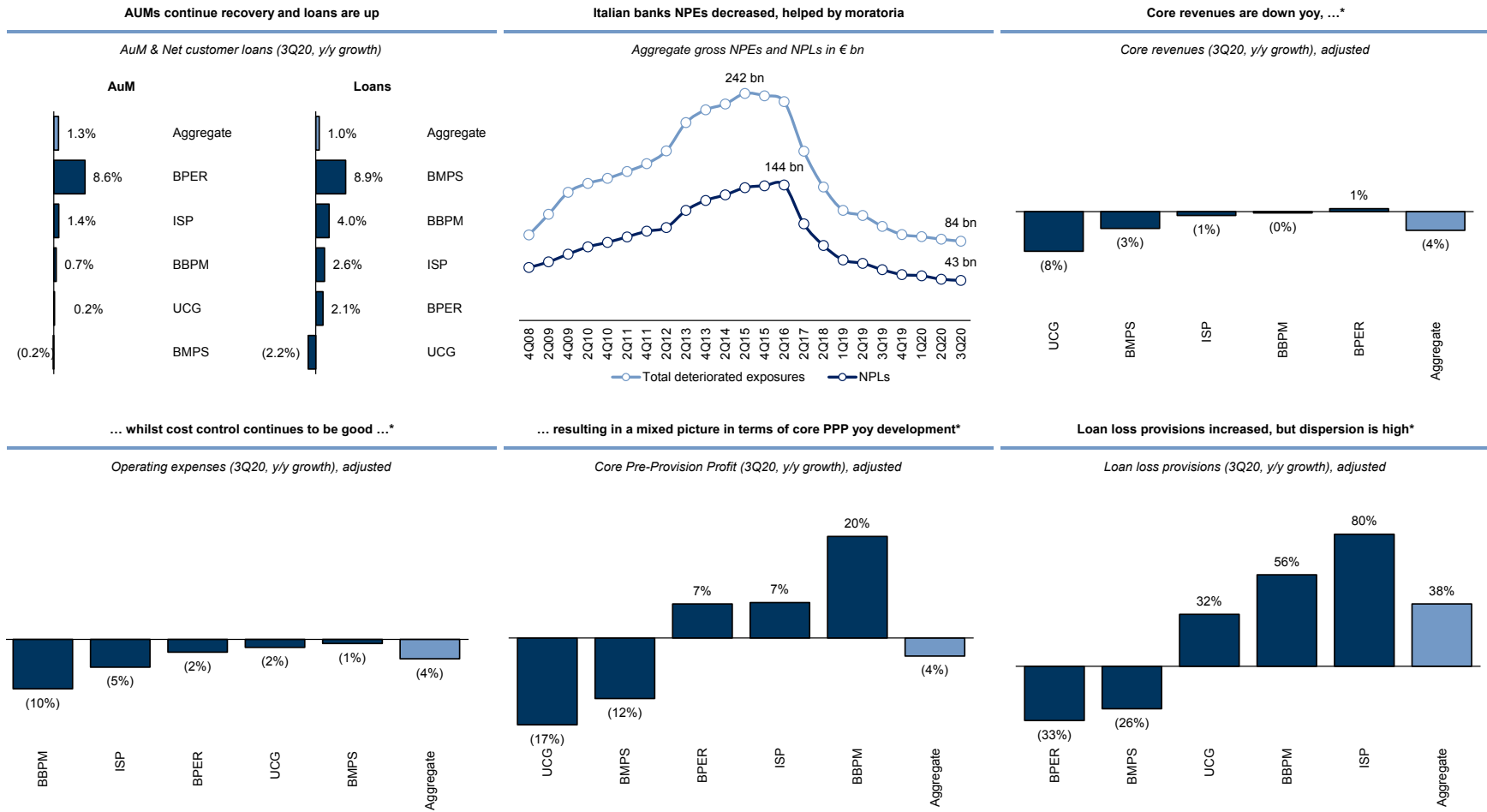
We make small changes to our revenue estimates, whilst lowering cost and LLP forecasts, with the largest impact in 2021E, leading to generally large EPS upgrades, given low earnings bases in 2020-21E. We see the advent of a Covid-19 vaccine as a key trigger for resumption of capital return, and align our ratings accordingly: We retain a Buy on UCG (on CL): on just 0.3x 2020 GSe TBV, UCG continues to trade on dilution risk, in our view, whilst we see it as being in a position start share buy-backs in 2021 ([see our note here](#)). We upgrade ISP to Buy on attractive capital return prospects ([note here](#)). We also rate BPER Buy, on low valuation.

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# Key trends dashboard

**Exhibit 1: Cost control helped cushion revenue pressure; high dispersion in the development of loan loss provisions**  
 Quarterly and yearly trends (Loans, AuM, Core Revenues, Operating Expenses, Core PPP, Loan Loss Provisions and NPE formation)



\*ISP's year-on-year progression is shown ex acquisition of UBI Banca, which closed in July 2020, in order to analyse organic trends.

Source: Company data, Goldman Sachs Global Investment Research

# Italy Banks 3Q20: The Local Picture

## Exhibit 2: Italian banks - 3Q20 earnings snapshot

Aggregate P&L and balance sheet; € mn, unless otherwise indicated; sample comprises GS coverage

€ mn	Quarterly Review									Annual Review								
	Reported					GSe	Overview			Forecasts			Growth (yoy)			New vs. Old		
	3Q19	4Q19	1Q20	2Q20	3Q20		3Q20E	q/q	y/y	vs. GS	2020E	2021E	2022E	2020E	2021E	2022E	2020E	2021E
NII	5,427	5,365	5,350	5,253	5,579	5,592	+6%	+3%	(0)%	21,704	22,539	23,157	(0)%	+4%	+3%	(0)%	(0)%	(0)%
Fees (net)	4,603	4,904	4,542	4,070	4,637	4,969	+14%	+1%	(7)%	18,520	20,205	20,774	+0%	+9%	+3%	(2)%	(1)%	(0)%
Core revenues	10,031	10,269	9,892	9,322	10,216	10,561	+10%	+2%	(3)%	40,224	42,744	43,930	+0%	+6%	+3%	(1)%	(1)%	(0)%
Trading & other	1,728	1,859	1,705	1,332	1,330	1,248	(0)%	(23)%	+7%	5,644	5,299	5,459	(16)%	(6)%	+3%	+2%	+4%	+4%
Total Income	11,759	12,128	11,597	10,655	11,546	11,809	+8%	(2)%	(2)%	45,868	48,044	49,389	(2)%	+5%	+3%	(1)%	(0)%	+0%
Operating Costs	(6,348)	(6,765)	(6,262)	(6,236)	(6,471)	(6,896)	+4%	+2%	(6)%	(26,170)	(27,024)	(26,811)	+2%	+3%	(1)%	(2)%	(1)%	(1)%
Pre-Provision Profit	5,410	5,363	5,336	4,419	5,075	4,913	+15%	(6)%	+3%	19,699	21,019	22,579	(7)%	+7%	+7%	+1%	+1%	+2%
Provisions	(1,541)	(2,891)	(2,637)	(2,969)	(2,214)	(4,597)	(25)%	+44%	(52)%	(14,995)	(9,686)	(7,798)	--	(35)%	(19)%	(4)%	(5)%	(2)%
Operating Result	3,870	2,472	2,699	1,450	2,861	316	--	(26)%	--	4,704	11,333	14,781	(66)%	--	+30%	+23%	+8%	+4%
Other	(8)	(2,283)	(3,582)	(561)	(1,275)	(354)	--	--	--	(5,615)	(2,033)	(1,999)	+87%	(64)%	(2)%	+19%	+4%	+4%
Result Before Tax	3,862	189	(883)	890	1,586	(39)	+78%	(59)%	--	(912)	9,300	12,782	--	--	+37%	+1%	+9%	+4%
Net Attributable Result	2,837	(1,229)	(1,643)	1,041	4,293	1,967	--	+51%	--	(53)	7,835	9,060	--	--	+16%	--	+30%	+4%
GS Net Income	2,282	1,203	954	480	920	1,136	--	(60)%	(19)%	1,561	5,936	8,377	(81)%	--	+41%	(3)%	+11%	+4%
NIM <sup>(1)</sup>	1.9%	1.9%	1.9%	1.8%	1.8%	1.8%	(1)bp	(10)bp	+0bp	1.8%	1.8%	1.8%	(11)bp	(1)bp	+1bp	+4bp	+0bp	(0)bp
Cost / Income	54%	56%	54%	59%	56%	58%	(2)pp	+2pp	(2)pp	57%	56%	54%	+2pp	(1)pp	(2)pp	(1)pp	(1)pp	(1)pp
Cost of risk <sup>(1)</sup>	55 bp	103 bp	92 bp	104 bp	73 bp	151 bp	(32)bp	+18bp	+78bp	126 bp	78 bp	62 bp	+61bp	(48)bp	(17)bp	(2)bp	(4)bp	(1)bp
ROTE (Stated NI)	9.2%	-4.9%	-6.1%	2.7%	13.5%	5.9%	+10.7pp	+4.2pp	+7.5pp	-0.6%	5.8%	6.6%	(6.7)pp	+6.4pp	+0.8pp	(0.7)pp	+1.6pp	+0.5pp
ROTA	54 bp	-24 bp	-31 bp	19 bp	74 bp	35 bp	+55bp	+20bp	+39bp	0 bp	34 bp	38 bp	(38)bp	+34bp	+5bp	(4)bp	+7bp	+0bp
Net loans	1.1 tn	1.1 tn	1.1 tn	1.1 tn	1.2 tn	1.2 tn	+7%	+8%	(0)%	1.2 tn	1.2 tn	1.3 tn	+6%	+4%	+2%	(3)%	(0)%	(0)%
Deposits	1.0 tn	1.0 tn	1.0 tn	1.1 tn	1.2 tn	1.1 tn	+11%	+16%	+11%	1.2 tn	1.2 tn	1.2 tn	+15%	+4%	+2%	+8%	+10%	+10%
Loans/deposits	111%	110%	112%	108%	104%	115%	(4)pp	(7)pp	(11)pp	101%	101%	101%	(9)pp	+0pp	+0pp	(11)pp	(10)pp	(10)pp
Total assets	2.1 tn	2.1 tn	2.1 tn	2.2 tn	2.3 tn	2.2 tn	+8%	+11%	+4%	2.3 tn	2.3 tn	2.4 tn	+12%	+2%	+1%	+2%	+4%	+4%
CET1% (pro forma)*	12.7%	13.0%	13.2%	13.6%	13.9%	13.6%	+37bp	+122bp	+38bp	13.6%	12.9%	12.6%	+62bp	(69)bp	(29)bp	+26bp	+11bp	(5)bp
CET1	108 bn	109 bn	108 bn	109 bn	116 bn	116 bn	+6%	+8%	+1%	113 bn	115 bn	116 bn	+3%	+2%	+1%	(2)%	(2)%	(2)%
RWAs	848 bn	838 bn	818 bn	805 bn	834 bn	852 bn	+4%	(2)%	(2)%	828 bn	886 bn	918 bn	(1)%	+7%	+4%	(4)%	(2)%	(2)%
Tangible Equity	118 bn	118 bn	115 bn	117 bn	123 bn	123 bn	+5%	+4%	(0)%	120 bn	123 bn	126 bn	+1%	+3%	+3%	(3)%	(2)%	(2)%
Tangible Equity / Assets	5.7%	5.8%	5.5%	5.5%	5.3%	5.5%	(14)bp	(33)bp	(19)bp	5.3%	5.3%	5.4%	(56)bp	+2bp	+8bp	(27)bp	(30)bp	(34)bp

(1) NIM and LLPs calculated as percentage of same period net loans.

Source: Company data, Goldman Sachs Global Investment Research

## Valuation, methodology and risks

### Exhibit 3: Summary of EPS and 12m price target changes

GS estimates (€)

Banks	Share price	Rating		Price targets			Upside	EPS (Old)					EPS (New)					EPS (Change)				
	Last close	Old	New	Old	New	%		2020E	2021E	2022E	2023E	2024E	2020E	2021E	2022E	2023E	2024E	2020E	2021E	2022E	2023E	2024E
UniCredit	€8.3	Buy*	Buy*	€12.3	€12.7	3.3%	53%	0.13	0.91	1.37	1.94	2.13	0.13	0.95	1.36	2.01	2.30	2%	5%	(1%)	3%	8%
Intesa	€1.8	Neutral	Buy	€2.15	€2.40	11.6%	30%	0.10	0.16	0.22	0.27	0.29	0.11	0.18	0.24	0.29	0.31	1%	13%	9%	5%	5%
Banco BPM	€1.8	Neutral	Neutral	€1.85	€1.95	5.4%	7%	(0.10)	0.05	0.17	0.29	0.30	0.03	0.09	0.19	0.30	0.32	127%	76%	10%	6%	5%
BMPS	€1.2	Neutral	Neutral	€1.50	€1.35	(10.0%)	13%	(0.44)	(0.08)	0.17	0.32	0.34	(0.79)	(0.07)	0.16	0.29	0.31	(82%)	10%	(4%)	(8%)	(8%)
BPER Banca	€1.3	Buy	Buy	€2.20	€2.25	2.3%	71%	(0.08)	0.11	0.22	0.29	0.31	(0.02)	0.13	0.23	0.31	0.32	78%	13%	6%	5%	5%

\*denotes Conviction List membership. Prices as of the close of 16/11/2020.

Source: Company data, Goldman Sachs Global Investment Research

- UCG (Buy, on CL):** We lower our core revenue forecasts for both fees and NII, and lower loan loss provisions, notably in 2021, as UCG is recording more LLPs in Italy than peers this year. Our 2020-24 EPS forecasts improve by 4% on average on lower net income, more than offset by higher share buybacks, thanks to higher capital forecast. On our estimate changes, our ROTE/COE-based 12-month price target increases to €12.7 (from €12.3). Our price target incorporates a fundamental ROTE/COE-based value of €12.19/share, weighted at 85%, and an M&A value of €15.59/share, weighted at 15%. Our M&A valuation is our fundamental valuation plus the present value of the cost synergies in a deal scenario (at an assumed 30% cost take-out, and shared at 50% with a hypothetical merger partner - see [here](#) for more). Key downside risks to our investment view and price target are worse-than-expected NIM, loan growth, credit quality, value-dilutive M&A or worse cost control. Unforeseen negative changes to the sovereign, macroeconomic, asset quality and regulatory environment are also risks.
- ISP (Buy):** We raise our 2020-24 EPS forecasts by 7% on average, incorporating lower costs and provisions. We also raise our dividend forecasts with a payout ratio of 75% throughout our forecast period to reflect higher reported capital ratios. As a result, we raise our 12-month ROE/COE price target to €2.40, from €2.15. We raise our rating from Neutral to Buy. Key downside risks to our investment view and price target are worse-than-expected NIM, loan growth, credit quality, value-dilutive M&A or worse cost control. Unforeseen negative changes to the sovereign, macroeconomic, asset quality and regulatory environment are also risks.
- BPER Banca (Buy):** We increase our 2021-24E EPS forecasts by 7% on average, to reflect lower LLPs. Our 2020E EPS improves materially, from a low profitability base. As a result, our ROTE/COE-based 12-month price target increases to €2.25 (from €2.20). Our price target incorporates a fundamental ROTE/COE-based value of €1.95/share weighted at 70%, and an M&A value of €3.0/share, weighted at 30%. Our M&A valuation is our fundamental valuation plus the present

value of the cost synergies in a deal scenario (at an assumed 35% cost take-out, and shared at 50% with a hypothetical merger partner - see [here](#) for more). Key downside risks to our investment view and price target are worse-than-expected NIM, loan growth, credit quality, value-dilutive M&A or worse cost control. Unforeseen negative changes to the sovereign, macroeconomic, asset quality and regulatory environment are also risks.

- **Banco BPM (Neutral):** We increase 2020 and 2021 EPS forecasts by a high percentage (127% and 76%, respectively) due to a low base effect (ROTE still sub 1.5% in 2021). We also raise our 2022-24E by 5-10%, on slightly higher top line. As a result, our 12-month price target increases to €1.95 (from €1.85). Our price target incorporates a fundamental ROTE/COE-based value of €1.66/share weighted at 70%, and an M&A value of €2.62/share, weighted at 30%. Our M&A valuation is our fundamental valuation plus the present value of the cost synergies in a deal scenario (at an assumed 30% 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. Unforeseen changes to the sovereign, macroeconomic, asset quality and regulatory environment are also risks.
- **BMPS (Neutral):** We decrease our revenues and increase our cost estimates, whilst also reducing our LLP estimates. As a result, our 2022-24 EPS forecasts decrease by 4-8%. Our 2020 and 2021 EPS estimates change by higher percentages, owing to a low base effect. Our 12-month price target decreases to €1.35 (from €1.50), reflecting the slightly lower CET1 ratio than we previously estimated, due to the negative impact of the legal risk provisions booked in 3Q20. Our price target incorporates a fundamental ROTE/COE-based value of €0.72/share weighted at 70%, and an M&A value of €2.73/share, weighted at 30%. Our M&A valuation is our fundamental valuation plus the present value of the cost synergies in a deal scenario (at an assumed 40% 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.

# UniCredit (CRDI.MI - Buy, on Conviction List)

## Exhibit 4: UniCredit 3Q20 earnings snapshot & new forecasts

€ mn, unless otherwise indicated

€ mn	Quarterly Review									Annual Review								
	Reported					GSe	Overview			Forecasts			Growth (yoy)			New vs. Old		
	3Q19	4Q19	1Q20	2Q20	3Q20	3Q20E	q/q	y/y	vs. GS	2020E	2021E	2022E	2020E	2021E	2022E	2020E	2021E	2022E
NII	2,520	2,508	2,494	2,393	2,303	2,338	(4)%	(9)%	(1)%	9,459	9,347	9,636	(6)%	(1)%	+3%	(1)%	(2)%	(1)%
Fees (net)	1,569	1,629	1,620	1,380	1,469	1,597	+6%	(6)%	(8)%	6,076	6,366	6,513	(4)%	+5%	+2%	(2)%	(2)%	(2)%
Core revenues	4,089	4,137	4,114	3,773	3,772	3,935	(0)%	(8)%	(4)%	15,535	15,713	16,149	(5)%	+1%	+3%	(2)%	(2)%	(2)%
Trading & other	613	713	264	397	582	526	+47%	(5)%	+11%	1,725	1,806	1,827	(30)%	+5%	+1%	+6%	+3%	+3%
Total Income	4,702	4,850	4,378	4,170	4,354	4,461	+4%	(7)%	(2)%	17,260	17,519	17,976	(8)%	+2%	+3%	(1)%	(1)%	(1)%
Operating Costs	(2,447)	(2,524)	(2,494)	(2,445)	(2,409)	(2,467)	(1)%	(2)%	(2)%	(9,879)	(9,826)	(9,783)	(0)%	(1)%	(0)%	(1)%	(1)%	(1)%
Pre-Provision Profit	2,255	2,326	1,884	1,725	1,945	1,994	+13%	(14)%	(2)%	7,381	7,693	8,193	(17)%	+4%	+6%	(1)%	(2)%	(1)%
Provisions	(563)	(1,645)	(1,261)	(937)	(741)	(987)	(21)%	+32%	(25)%	(5,046)	(3,471)	(2,908)	+49%	(31)%	(16)%	(6)%	(7)%	(2)%
Operating Result	1,692	681	623	788	1,204	1,007	+53%	(29)%	+20%	2,335	4,222	5,286	(58)%	+81%	+25%	+10%	+2%	(1)%
Other	(148)	(1,638)	(3,136)	(291)	(422)	(102)	+45%	--	--	(3,972)	(1,097)	(1,097)	+61%	(72)%	+0%	+8%	+8%	+8%
Result Before Tax	1,544	(957)	(2,513)	497	782	905	+57%	(49)%	(14)%	(1,637)	3,125	4,189	--	--	+34%	+5%	+1%	(3)%
Net Attributable Result	1,179	(834)	(2,708)	419	680	729	+62%	(42)%	(7)%	(1,941)	2,534	3,320	--	--	+31%	+1%	+4%	(2)%
GS Net Income	1,046	215	(68)	265	629	662	--	(40)%	(5)%	288	2,117	2,903	--	--	+37%	+2%	+5%	(3)%
NIM <sup>(1)</sup>	2.1%	2.1%	2.0%	2.0%	2.0%	1.9%	(2)bp	(12)bp	+3bp	2.0%	1.9%	2.0%	(7)bp	(7)bp	+1bp	+3bp	+1bp	+0bp
Cost / Income	52%	52%	57%	59%	55%	55%	(3)pp	+3pp	+0pp	57%	56%	54%	+5pp	(1)pp	(2)pp	+0pp	+0pp	(0)pp
Cost of risk <sup>(1)</sup>	47 bp	136 bp	103 bp	78 bp	63 bp	82 bp	(15)bp	+17bp	+19bp	108 bp	72 bp	59 bp	+38bp	(35)bp	(13)bp	(4)bp	(4)bp	(0)bp
ROTE	8.6%	-7.4%	-21.6%	2.0%	4.9%	5.1%	+2.9pp	(3.7)pp	(0.2)pp	-4.7%	4.1%	5.5%	(10.3)pp	+8.8pp	+1.4pp	(0.1)pp	(0.5)pp	(0.8)pp
ROTA	55 bp	-39 bp	-125 bp	19 bp	30 bp	33 bp	+11bp	(25)bp	(3)bp	-22 bp	28 bp	36 bp	(61)bp	+49bp	+8bp	+0bp	+1bp	(2)bp
Net loans	481 bn	483 bn	490 bn	479 bn	467 bn	480 bn	(3)%	(3)%	(3)%	469 bn	479 bn	492 bn	(3)%	+2%	+3%	(2)%	(2)%	(1)%
Deposits	455 bn	471 bn	455 bn	468 bn	475 bn	472 bn	+1%	+4%	+1%	478 bn	493 bn	507 bn	+2%	+3%	+3%	+1%	+1%	+1%
Loans/deposits	106%	103%	108%	102%	98%	102%	(4)pp	(7)pp	(3)pp	98%	97%	97%	(5)pp	(1)pp	(0)pp	(3)pp	(3)pp	(2)pp
Total assets	864 bn	856 bn	873 bn	893 bn	903 bn	893 bn	+1%	+5%	+1%	906 bn	916 bn	929 bn	+6%	+1%	+1%	+1%	+2%	+2%
CET1%	12.6%	13.2%	13.4%	13.9%	14.4%	14.1%	+56bp	+180bp	+33bp	14.1%	13.3%	12.7%	+92bp	(83)bp	(56)bp	+45bp	+34bp	+20bp
CET1	49 bn	50 bn	49 bn	49 bn	48 bn	49 bn	(0)%	(1)%	(1)%	49 bn	49 bn	48 bn	(3)%	+0%	(0)%	(1)%	(2)%	(3)%
RWAs	388 bn	379 bn	361 bn	351 bn	336 bn	349 bn	(4)%	(13)%	(4)%	343 bn	365 bn	381 bn	(9)%	+6%	+4%	(5)%	(5)%	(5)%
Tangible Equity	52 bn	53 bn	51 bn	51 bn	51 bn	52 bn	(0)%	(2)%	(2)%	50 bn	52 bn	53 bn	(5)%	+3%	+2%	(2)%	(2)%	(3)%
Tangible Equity / Assets	6.0%	6.2%	5.9%	5.7%	5.7%	5.8%	(8)bp	(39)bp	(19)bp	5.6%	5.7%	5.7%	(63)bp	+10bp	+4bp	(0)bp	(0)bp	(0)bp

(1) NIM and LLPs calculated as percentage of same period net loans

Source: Company data, Goldman Sachs Global Investment Research

# Intesa Sanpaolo (ISP.MI - Buy)

## Exhibit 5: Intesa Sanpaolo 3Q20 earnings snapshot & new forecasts

€ mn, unless otherwise indicated

€ mn	Quarterly Review									Annual Review								
	Reported					GSe	Overview			Forecasts			Growth (yoy)			New vs. Old		
	3Q19	4Q19	1Q20	2Q20	3Q20	3Q20E	q/q	y/y	vs. GS	2020E	2021E	2022E	2020E	2021E	2022E	2020E	2021E	2022E
NII	1,741	1,747	1,747	1,750	2,099	2,115	+20%	+21%	(1)%	7,656	8,077	8,312	+9%	+5%	+3%	(0)%	+1%	+0%
Fees (net)	1,966	2,166	1,844	1,744	2,133	2,290	+22%	+8%	(7)%	8,293	9,313	9,636	+4%	+12%	+3%	(1)%	+1%	+2%
Core revenues	3,707	3,913	3,591	3,494	4,232	4,406	+21%	+14%	(4)%	15,950	17,390	17,948	+7%	+9%	+3%	(1)%	+1%	+1%
Trading & other	806	666	1,348	642	426	571	(34)%	(47)%	(25)%	3,046	2,831	2,954	(5)%	(7)%	+4%	(3)%	+5%	+4%
Total Income	4,513	4,579	4,939	4,136	4,658	4,977	+13%	+3%	(6)%	18,995	20,221	20,903	+5%	+6%	+3%	(1)%	+1%	+2%
Operating Costs	(2,320)	(2,556)	(2,173)	(2,230)	(2,556)	(2,872)	+15%	+10%	(11)%	(9,995)	(10,497)	(10,283)	+6%	+5%	(2)%	(3)%	(2)%	(2)%
Pre-Provision Profit	2,193	2,023	2,766	1,906	2,102	2,104	+10%	(4)%	(0)%	9,000	9,724	10,620	+3%	+8%	+9%	+1%	+5%	+5%
Provisions	(473)	(693)	(703)	(1,398)	(938)	(2,890)	(33)%	--	(68)%	(6,721)	(3,558)	(2,835)	--	(47)%	(20)%	(1)%	(4)%	(3)%
Operating Result	1,720	1,330	2,063	508	1,164	(786)	--	(32)%	--	2,279	6,166	7,784	(66)%	--	+26%	+9%	+11%	+8%
Other	(117)	(140)	(307)	155	(241)	(96)	--	--	--	(387)	(580)	(545)	(31)%	+50%	(6)%	+60%	+0%	+0%
Result Before Tax	1,603	1,190	1,756	663	923	(882)	+39%	(42)%	--	1,892	5,586	7,239	(69)%	--	+30%	+3%	+12%	+9%
Net Attributable Result	1,044	872	1,151	1,415	3,810	1,294	--	--	--	4,492	3,797	4,929	+7%	(15)%	+30%	+11%	+12%	+9%
GS Net Income	1,033	784	1,115	270	471	500	+75%	(54)%	(6)%	2,053	3,564	4,697	(49)%	+74%	+32%	+1%	+13%	+9%
NIM <sup>(1)</sup>	1.8%	1.8%	1.7%	1.7%	1.7%	1.7%	(2)bp	(5)bp	(3)bp	1.7%	1.7%	1.7%	(12)bp	+6bp	+2bp	(1)bp	+0bp	(0)bp
Cost / Income	51%	56%	44%	54%	55%	58%	+1pp	+3pp	(3)pp	53%	52%	49%	+1pp	(1)pp	(3)pp	(1)pp	(2)pp	(2)pp
Cost of risk <sup>(1)</sup>	48 bp	70 bp	69 bp	139 bp	77 bp	239 bp	(62)bp	+29bp	+162bp	145 bp	75 bp	59 bp	+92bp	(70)bp	(16)bp	(3)bp	(4)bp	(2)bp
ROTE	9.5%	7.7%	10.4%	12.1%	29.6%	10.0%	+17.4pp	+20.1pp	+19.6pp	8.7%	7.3%	9.3%	(0.6)pp	(1.4)pp	+2.0pp	+1.0pp	+1.0pp	+1.1pp
ROTA	50 bp	43 bp	55 bp	67 bp	155 bp	56 bp	+88bp	+105bp	+99bp	47 bp	39 bp	50 bp	(5)bp	(8)bp	+11bp	+2bp	+2bp	+2bp
Net loans	395 bn	395 bn	405 bn	403 bn	489 bn	484 bn	+21%	+24%	+1%	463 bn	471 bn	480 bn	+17%	+2%	+2%	+1%	+0%	+0%
Deposits	329 bn	330 bn	340 bn	348 bn	457 bn	349 bn	+31%	+39%	+31%	458 bn	463 bn	468 bn	+39%	+1%	+1%	+31%	+31%	+31%
Loans/deposits	120%	120%	119%	116%	107%	139%	(9)pp	(13)pp	(32)pp	101%	102%	103%	(19)pp	+1pp	+1pp	(30)pp	(31)pp	(31)pp
Total assets	849 bn	817 bn	848 bn	859 bn	997 bn	940 bn	+16%	+17%	+6%	971 bn	979 bn	988 bn	+19%	+1%	+1%	+6%	+6%	+6%
CET1% (pro forma)*	13.1%	13.0%	13.5%	13.8%	14.0%	13.6%	+20bp	+96bp	+42bp	13.9%	13.2%	13.1%	+94bp	(67)bp	(10)bp	(25)bp	(34)bp	(43)bp
CET1	39 bn	39 bn	40 bn	41 bn	48 bn	47 bn	+17%	+23%	+3%	46 bn	46 bn	47 bn	+18%	+1%	+1%	(1)%	(2)%	(3)%
RWAs	300 bn	301 bn	299 bn	298 bn	344 bn	345 bn	+16%	+14%	(0)%	330 bn	349 bn	356 bn	+10%	+6%	+2%	+1%	+1%	+1%
Tangible Equity	42 bn	43 bn	42 bn	45 bn	50 bn	49 bn	+13%	+20%	+2%	49 bn	49 bn	50 bn	+14%	+0%	+3%	(2)%	(3)%	(3)%
Tangible Equity / Assets	5.0%	5.3%	5.0%	5.3%	5.1%	5.3%	(13)bp	+11bp	(19)bp	5.1%	5.0%	5.1%	(23)bp	(3)bp	+11bp	(0)bp	(0)bp	(0)bp

(1) NIM and LLPs calculated as percentage of same period net loans. \* As per company disclosures

Source: Company data, Goldman Sachs Global Investment Research

# Banco BPM (BAMI.MI - Neutral)

## Exhibit 6: Banco BPM 3Q20 earnings snapshot & new forecasts

€ mn, unless otherwise indicated

€ mn	Quarterly Review									Annual Review								
	Reported					GSe	Overview			Forecasts			Growth (yoy)			New vs. Old		
	3Q19	4Q19	1Q20	2Q20	3Q20	3Q20E	q/q	y/y	vs. GS	2020E	2021E	2022E	2020E	2021E	2022E	2020E	2021E	2022E
NII	496	474	474	480	520	475	+8%	+5%	+9%	2,005	2,007	1,987	+1%	+0%	(1)%	+5%	+4%	+1%
Fees (net)	444	462	441	376	418	453	+11%	(6)%	(8)%	1,688	1,772	1,790	(6)%	+5%	+1%	(2)%	(2)%	(2)%
Core revenues	940	936	915	856	938	928	+10%	(0)%	+1%	3,693	3,779	3,776	(2)%	+2%	(0)%	+2%	+1%	(0)%
Trading & other	107	273	40	146	206	68	+41%	--	--	467	301	301	(19)%	(36)%	+0%	+26%	+2%	+2%
Total Income	1,047	1,209	954	1,001	1,143	996	+14%	+9%	+15%	4,159	4,080	4,077	(4)%	(2)%	(0)%	+4%	+1%	(0)%
Operating Costs	(643)	(656)	(635)	(614)	(582)	(634)	(5)%	(10)%	(8)%	(2,477)	(2,518)	(2,552)	(5)%	+2%	+1%	(2)%	(1)%	(1)%
Pre-Provision Profit	404	553	319	388	562	362	+45%	+39%	+55%	1,682	1,562	1,525	(4)%	(7)%	(2)%	+15%	+5%	+1%
Provisions	(204)	(219)	(218)	(267)	(324)	(328)	+22%	+59%	(1)%	(1,492)	(1,117)	(861)	--	(25)%	(23)%	(0)%	(0)%	(0)%
Operating Result	200	334	102	121	238	34	--	+19%	--	191	445	664	(80)%	--	+49%	--	+21%	+3%
Other	(3)	(197)	2	(15)	2	(5)	--	--	--	(31)	(27)	(27)	--	(14)%	(0)%	(18)%	(18)%	(18)%
Result Before Tax	196	137	104	106	239	29	--	+22%	--	160	419	637	(86)%	--	+52%	--	+24%	+5%
Net Attributable Result	98	96	152	(46)	157	(10)	--	+60%	--	64	176	322	--	--	+83%	--	+53%	+9%
GS Net Income	98	186	150	(40)	138	(19)	--	+41%	--	41	142	288	--	--	--	--	+76%	+10%
NIM <sup>(1)</sup>	1.9%	1.8%	1.8%	1.8%	1.9%	1.7%	+14bp	+4bp	+16bp	1.8%	1.8%	1.7%	(3)bp	(5)bp	(6)bp	+9bp	+7bp	+3bp
Cost / Income	61%	54%	67%	61%	51%	64%	(10)pp	(11)pp	(13)pp	60%	62%	63%	(0)pp	+2pp	+1pp	(4)pp	(1)pp	(1)pp
Cost of risk <sup>(1)</sup>	77 bp	83 bp	81 bp	98 bp	119 bp	121 bp	+21bp	+42bp	+1bp	137 bp	100 bp	75 bp	+64bp	(37)bp	(25)bp	(0)bp	(0)bp	(0)bp
ROTE	3.8%	3.6%	5.6%	-2.1%	5.7%	-0.7%	+7.8pp	+1.9pp	+6.4pp	0.3%	1.4%	2.7%	(7.9)pp	+1.1pp	+1.3pp	+2.0pp	+0.6pp	+0.1pp
ROTA	23 bp	23 bp	36 bp	-10 bp	34 bp	-2 bp	+44bp	+11bp	+36bp	3 bp	9 bp	17 bp	(48)bp	+6bp	+8bp	+11bp	+3bp	+1bp
Net loans	106 bn	106 bn	108 bn	108 bn	109 bn	109 bn	+0%	+3%	+0%	109 bn	112 bn	115 bn	+3%	+3%	+2%	(0)%	(0)%	(0)%
Deposits	97 bn	93 bn	95 bn	99 bn	99 bn	99 bn	+1%	+3%	+0%	100 bn	100 bn	101 bn	+7%	+1%	+0%	+0%	+0%	+0%
Loans/deposits	109%	113%	114%	110%	109%	110%	(0)pp	+0pp	(0)pp	109%	112%	114%	(4)pp	+2pp	+2pp	(0)pp	(1)pp	(0)pp
Total assets	170 bn	167 bn	169 bn	179 bn	187 bn	180 bn	+4%	+10%	+4%	187 bn	190 bn	193 bn	+12%	+2%	+1%	+4%	+4%	+4%
CET1%	12.1%	12.8%	12.9%	13.3%	14.1%	13.2%	+79bp	+205bp	+86bp	13.2%	13.2%	12.8%	+38bp	(5)bp	(34)bp	+68bp	+96bp	+56bp
CET1	8 bn	8 bn	8 bn	9 bn	9 bn	9 bn	+4%	+11%	+4%	9 bn	9 bn	9 bn	+4%	+2%	+3%	+4%	+5%	+5%
RWAs	67 bn	66 bn	65 bn	65 bn	64 bn	65 bn	(2)%	(5)%	(2)%	67 bn	68 bn	72 bn	+1%	+2%	+5%	(1)%	(3)%	+1%
Tangible Equity	10 bn	10 bn	10 bn	10 bn	10 bn	10 bn	+2%	+5%	+3%	10 bn	10 bn	11 bn	(0)%	+1%	+3%	+3%	+4%	+4%
Tangible Equity / Assets	5.9%	6.2%	6.0%	5.8%	5.7%	5.7%	(10)bp	(23)bp	(7)bp	5.5%	5.5%	5.6%	(68)bp	(1)bp	+7bp	(0)bp	(0)bp	(0)bp

(1) NIM and LLPs calculated as percentage of same period net loans

Source: Company data, Goldman Sachs Global Investment Research



# BMPS (BMPS.MI - Neutral)

## Exhibit 7: BMPS 3Q20 earnings snapshot & new forecasts

€ mn, unless otherwise indicated

€ mn	Quarterly Review										Annual Review								
	Reported					GSe	Overview			Forecasts			Growth (yoy)			New vs. Old			
	3Q19	4Q19	1Q20	2Q20	3Q20	3Q20E	q/q	y/y	vs. GS	2020E	2021E	2022E	2020E	2021E	2022E	2020E	2021E	2022E	
NII	355	333	327	320	332	350	+4%	(6)%	(5)%	1,318	1,346	1,363	(12)%	+2%	+1%	(2)%	(1)%	(1)%	
Fees (net)	356	371	370	324	355	363	+10%	(0)%	(2)%	1,421	1,492	1,522	(2)%	+5%	+2%	(1)%	(1)%	(1)%	
Core revenues	711	705	697	644	687	713	+7%	(3)%	(4)%	2,738	2,838	2,885	(7)%	+4%	+2%	(1)%	(1)%	(1)%	
Trading & other	130	153	32	79	61	55	(23)%	(53)%	+10%	227	227	232	(32)%	+0%	+2%	+2%	+0%	(1)%	
Total Income	840	857	729	723	748	768	+3%	(11)%	(3)%	2,965	3,065	3,117	(10)%	+3%	+2%	(1)%	(1)%	(1)%	
Operating Costs	(549)	(594)	(549)	(537)	(545)	(537)	+2%	(1)%	+2%	(2,210)	(2,159)	(2,117)	(3)%	(2)%	(2)%	+1%	+1%	+1%	
Pre-Provision Profit	291	263	181	186	203	232	+9%	(30)%	(13)%	755	906	1,000	(24)%	+20%	+10%	(5)%	(4)%	(4)%	
Provisions	(139)	(194)	(316)	(209)	(103)	(260)	(51)%	(26)%	(61)%	(990)	(843)	(602)	+68%	(15)%	(29)%	(13)%	(5)%	(3)%	
Operating Result	152	69	(135)	(23)	100	(29)	--	(34)%	--	(235)	63	398	--	--	--	(30)%	+9%	(5)%	
Other	(70)	(109)	(112)	(384)	(570)	(135)	+48%	--	--	(1,105)	(215)	(215)	--	(81)%	+0%	+65%	(3)%	(3)%	
Result Before Tax	82	(40)	(246)	(407)	(470)	(164)	+15%	--	--	(1,340)	(152)	183	--	(89)%	--	+33%	(8)%	(6)%	
Net Attributable Result	93	(1,220)	(244)	(845)	(451)	(103)	(47)%	--	--	(2,766)	(80)	154	--	--	--	+15%	(10)%	(5)%	
GS Net Income	58	(14)	(246)	(30)	(382)	(48)	--	--	--	(797)	(70)	164	--	--	--	+79%	(11)%	(5)%	
NIM(1)	1.7%	1.7%	1.6%	1.6%	1.5%	1.7%	(3)bp	(21)bp	(14)bp	1.6%	1.6%	1.6%	(29)bp	(0)bp	(1)bp	(10)bp	(8)bp	(8)bp	
Cost / Income	65%	69%	75%	74%	73%	70%	(1)pp	+8pp	+3pp	75%	70%	68%	+5pp	(4)pp	(3)pp	+1pp	+1pp	+1pp	
Cost of risk <sup>(1)</sup>	68 bp	97 bp	154 bp	101 bp	47 bp	124 bp	(54)bp	(21)bp	+77bp	119 bp	99 bp	69 bp	+45bp	(20)bp	(30)bp	(23)bp	(10)bp	(5)bp	
ROTE	4.0%	-60.2%	-12.6%	-48.5%	-27.4%	-6.0%	+21.1pp	(31.4)pp	(21.4)pp	-51.6%	-1.5%	2.8%	(38.9)pp	+50.1pp	+4.4pp	(9.2)pp	+0.1pp	(0.0)pp	
ROTA	28 bp	-370 bp	-73 bp	-239 bp	-123 bp	-29 bp	+116bp	(151)bp	(95)bp	-194 bp	-6 bp	11 bp	(115)bp	+189bp	+16bp	(17)bp	+1bp	(1)bp	
Net loans	82 bn	80 bn	82 bn	83 bn	87 bn	84 bn	+6%	+7%	+4%	83 bn	85 bn	87 bn	+4%	+2%	+2%	+4%	+4%	+4%	
Deposits	79 bn	80 bn	84 bn	86 bn	87 bn	86 bn	+1%	+10%	+1%	87 bn	88 bn	89 bn	+9%	+1%	+1%	+1%	+1%	+1%	
Loans/deposits	103%	100%	98%	96%	100%	97%	+5pp	(3)pp	+3pp	96%	97%	98%	(4)pp	+1pp	+1pp	+4pp	+3pp	+3pp	
Total assets	134 bn	132 bn	134 bn	142 bn	146 bn	143 bn	+3%	+9%	+2%	142 bn	144 bn	146 bn	+9%	+1%	+1%	+5%	+5%	+5%	
CET1%	12.6%	12.7%	11.8%	11.4%	10.9%	11.0%	(46)bp	(173)bp	(12)bp	8.8%	8.3%	8.6%	(387)bp	(53)bp	+31bp	(17)bp	(27)bp	(26)bp	
CET1	7 bn	7 bn	7 bn	7 bn	6 bn	6 bn	(7)%	(16)%	(5)%	5 bn	5 bn	5 bn	(34)%	(2)%	+5%	(7)%	(7)%	(7)%	
RWAs	58 bn	59 bn	59 bn	58 bn	56 bn	59 bn	(3)%	(3)%	(4)%	56 bn	58 bn	59 bn	(5)%	+5%	+1%	(5)%	(4)%	(4)%	
Tangible Equity	9 bn	8 bn	8 bn	7 bn	7 bn	7 bn	(6)%	(30)%	(4)%	5 bn	5 bn	5 bn	(34)%	(1)%	+3%	(5)%	(5)%	(5)%	
Tangible Equity / Assets	7.0%	6.1%	5.8%	4.9%	4.5%	4.8%	(42)bp	(253)bp	(30)bp	3.8%	3.7%	3.7%	(243)bp	(10)bp	+6bp	(0)bp	(0)bp	(0)bp	

(1) NIM and LLPs calculated as percentage of same period net loans

Source: Company data, Goldman Sachs Global Investment Research

# BPER Banca (EMII.MI - Buy)

## Exhibit 8: BPER Banca 3Q20 earnings snapshot & new forecasts

€ mn, unless otherwise indicated

€ mn	Quarterly Review									Annual Review								
	Reported					GSe	Overview			Forecasts			Growth (yoy)			New vs. Old		
	3Q19	4Q19	1Q20	2Q20	3Q20	3Q20E	q/q	y/y	vs. GS	2020E	2021E	2022E	2020E	2021E	2022E	2020E	2021E	2022E
NII	316	302	308	310	325	313	+5%	+3%	+4%	1,266	1,761	1,858	+9%	+39%	+5%	(2)%	(4)%	+1%
Fees (net)	268	276	268	245	262	266	+7%	(2)%	(1)%	1,042	1,263	1,313	+12%	+21%	+4%	(0)%	(3)%	(1)%
Core revenues	584	578	576	555	588	579	+6%	+1%	+2%	2,309	3,024	3,172	+10%	+31%	+5%	(1)%	(4)%	+0%
Trading & other	73	54	21	69	55	28	(19)%	(24)%	--	180	135	145	+0%	(25)%	+7%	+18%	(4)%	+4%
Total Income	657	632	597	624	643	607	+3%	(2)%	+6%	2,489	3,159	3,317	+9%	+27%	+5%	(0)%	(4)%	+0%
Operating Costs	(389)	(435)	(411)	(410)	(380)	(386)	(7)%	(2)%	(2)%	(1,608)	(2,025)	(2,076)	+7%	+26%	+2%	(3)%	(3)%	(1)%
Pre-Provision Profit	268	197	186	214	263	221	+23%	(2)%	+19%	880	1,134	1,241	+14%	+29%	+9%	+5%	(5)%	+2%
Provisions	(161)	(140)	(140)	(158)	(108)	(132)	(32)%	(33)%	(19)%	(747)	(698)	(592)	+66%	(7)%	(15)%	(14)%	(13)%	(2)%
Operating Result	107	58	46	56	155	88	--	+46%	+76%	134	436	649	(58)%	--	+49%	--	+10%	+7%
Other	331	(199)	(29)	(26)	(44)	(16)	+70%	--	--	(121)	(114)	(115)	--	(6)%	+1%	+31%	+9%	+10%
Result Before Tax	437	(141)	17	30	111	72	--	(75)%	+53%	13	322	534	--	--	+66%	--	+11%	+6%
Net Attributable Result	422	(143)	6	99	96	58	(3)%	(77)%	+67%	98	1,407	334	(74)%	--	(76)%	--	--	+6%
GS Net Income	47	33	4	15	63	40	--	+34%	+56%	(24)	183	325	--	--	+77%	(78)%	+13%	+7%
NIM <sup>(1)</sup>	2.1%	2.0%	2.1%	2.0%	2.0%	2.0%	+7bp	(6)bp	+6bp	2.0%	2.0%	2.0%	+7bp	(3)bp	+7bp	+57bp	(6)bp	+4bp
Cost / Income	59%	69%	69%	66%	59%	64%	(7)pp	(0)pp	(5)pp	65%	64%	63%	(2)pp	(1)pp	(2)pp	(2)pp	+1pp	(1)pp
Cost of risk <sup>(1)</sup>	106 bp	92 bp	93 bp	99 bp	67 bp	83 bp	(32)bp	(39)bp	+16bp	117 bp	78 bp	65 bp	+43bp	(39)bp	(13)bp	+23bp	(11)bp	(1)bp
ROTE	37.4%	-13.4%	0.4%	8.7%	8.3%	5.0%	(0.4)pp	(29.1)pp	+3.4pp	1.7%	21.1%	4.7%	(6.9)pp	+19.4pp	(16.4)pp	(17.3)pp	+18.4pp	+0.2pp
ROTA	211 bp	-73 bp	3 bp	46 bp	44 bp	27 bp	(3)bp	(167)bp	+17bp	11 bp	123 bp	29 bp	(37)bp	+111bp	(94)bp	(96)bp	+106bp	+1bp
Net loans	61 bn	61 bn	60 bn	64 bn	64 bn	64 bn	+1%	+6%	+1%	64 bn	90 bn	91 bn	+5%	+41%	+2%	(30)%	(1)%	(1)%
Deposits	52 bn	52 bn	52 bn	54 bn	55 bn	55 bn	+1%	+7%	+1%	56 bn	83 bn	85 bn	+7%	+49%	+2%	(34)%	(4)%	(4)%
Loans/deposits	117%	116%	116%	117%	117%	116%	+0pp	(0)pp	+0pp	114%	108%	107%	(2)pp	(7)pp	(0)pp	+7pp	+3pp	+3pp
Total assets	81 bn	79 bn	80 bn	86 bn	89 bn	86 bn	+3%	+10%	+3%	88 bn	115 bn	117 bn	+11%	+31%	+1%	(23)%	+2%	+2%
CET1% (pro forma)*	12.4%	12.0%	12.1%	12.6%	13.0%	12.7%	+46bp	+66bp	+34bp	14.6%	13.4%	13.0%	+261bp	(124)bp	(41)bp	+243bp	+59bp	(25)bp
CET1	4 bn	4 bn	4 bn	4 bn	4 bn	4 bn	+3%	+2%	+2%	5 bn	6 bn	7 bn	+15%	+30%	+5%	(18)%	+2%	+2%
RWAs	35 bn	35 bn	34 bn	34 bn	34 bn	34 bn	(0)%	(3)%	(1)%	33 bn	46 bn	50 bn	(6)%	+42%	+8%	(32)%	(3)%	+4%
Tangible Equity	4 bn	4 bn	4 bn	4 bn	5 bn	4 bn	+2%	+0%	+1%	5 bn	7 bn	7 bn	+20%	+27%	+5%	(18)%	+2%	+2%
Tangible Equity / Assets	5.6%	5.5%	5.3%	5.2%	5.1%	5.2%	(5)bp	(49)bp	(11)bp	6.0%	5.8%	6.0%	+43bp	(20)bp	+20bp	+0bp	(0)bp	+0bp

(1) NIM and LLPs calculated as percentage of same period net loans.\* As per company disclosures

Source: Company data, Goldman Sachs Global Investment Research

# Disclosure Appendix

## Reg AC

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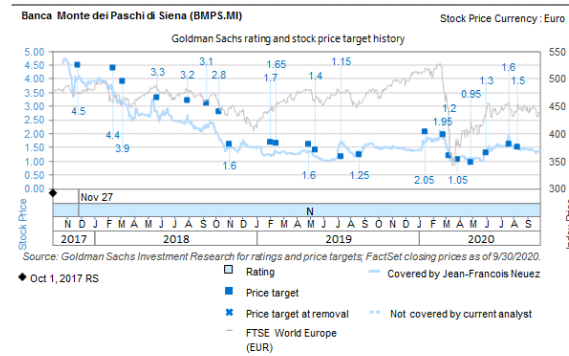
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Goldman Sachs Investment Research global Equity coverage universe

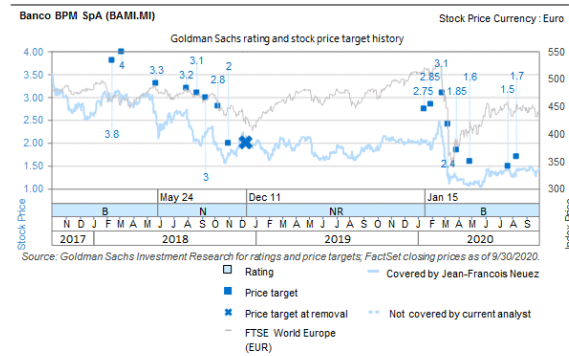
	Rating Distribution			Investment Banking Relationships		
	Buy	Hold	Sell	Buy	Hold	Sell
Global	49%	35%	16%	64%	57%	54%

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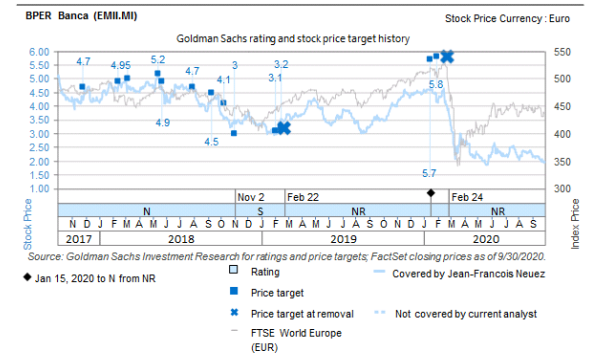
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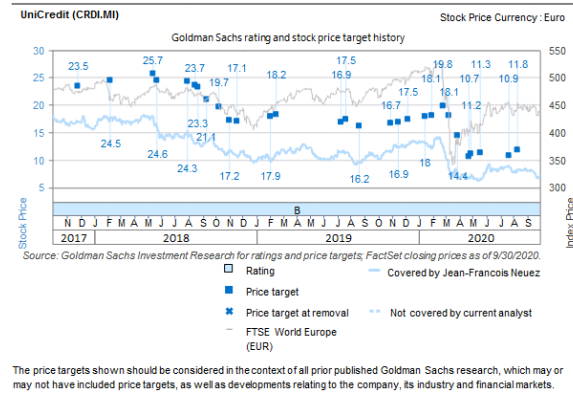


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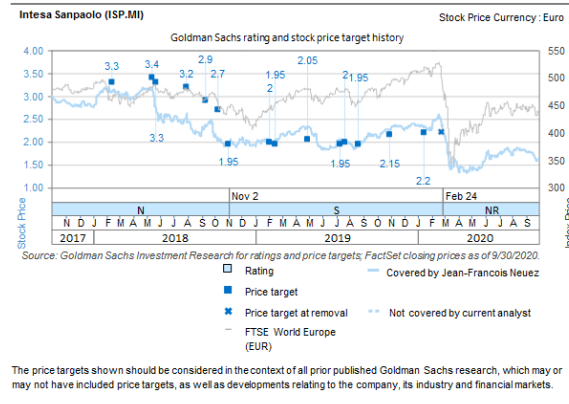


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