



Italian Banks

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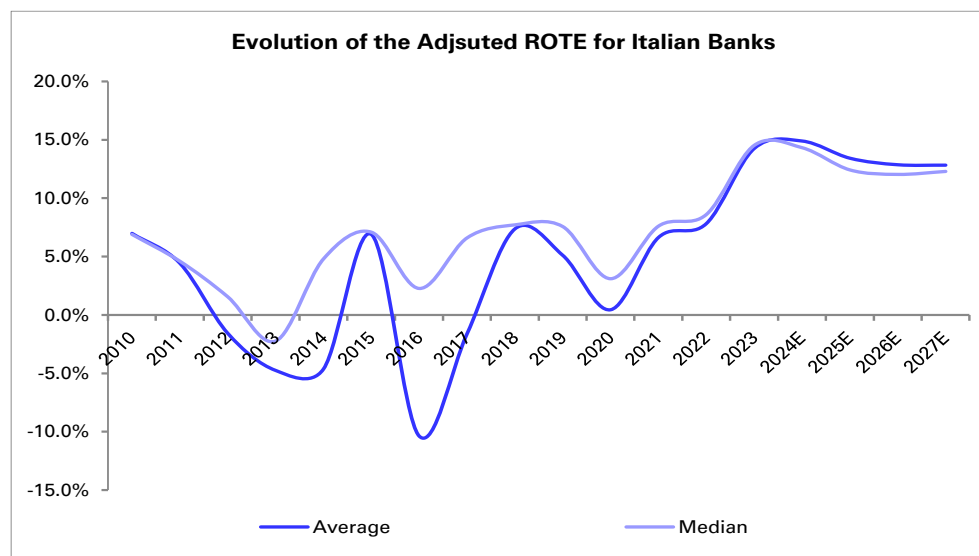
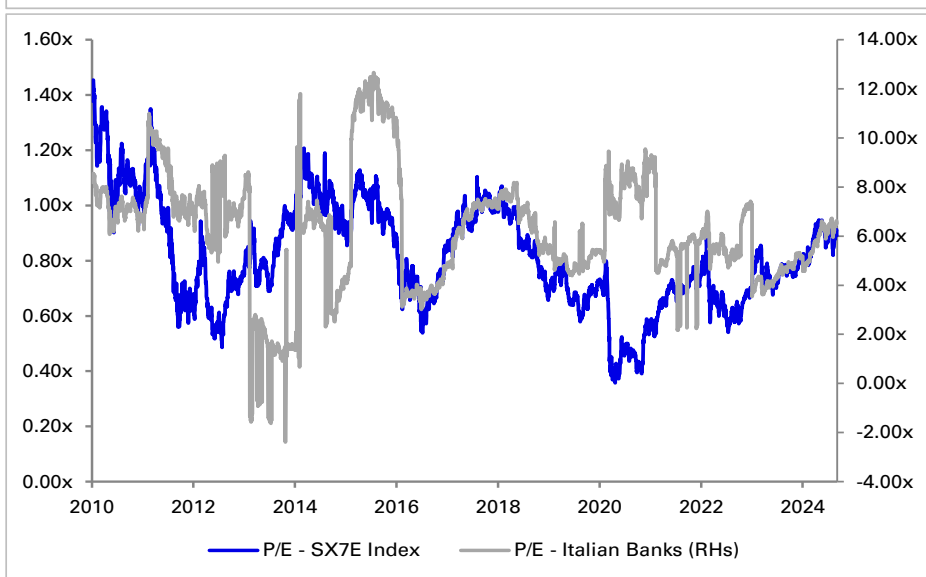
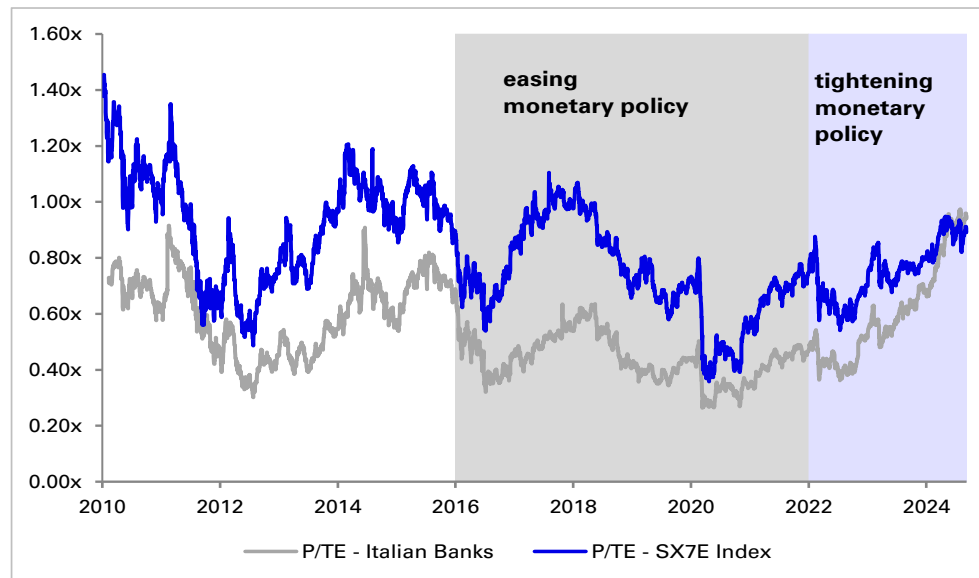
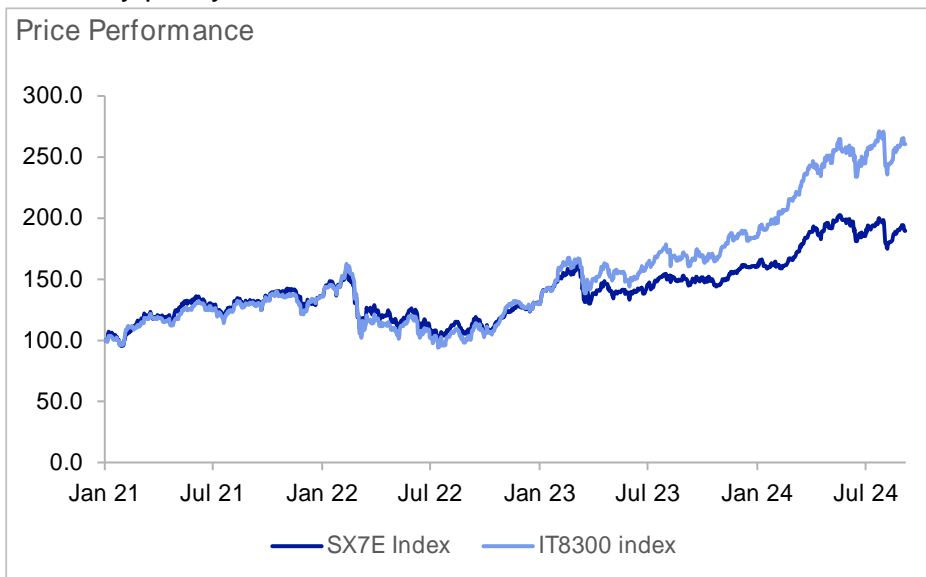


- Market Performance
- NII
- Capital Returns vs IT investments
- Asset Quality

Market performance and relative valuations vs EU



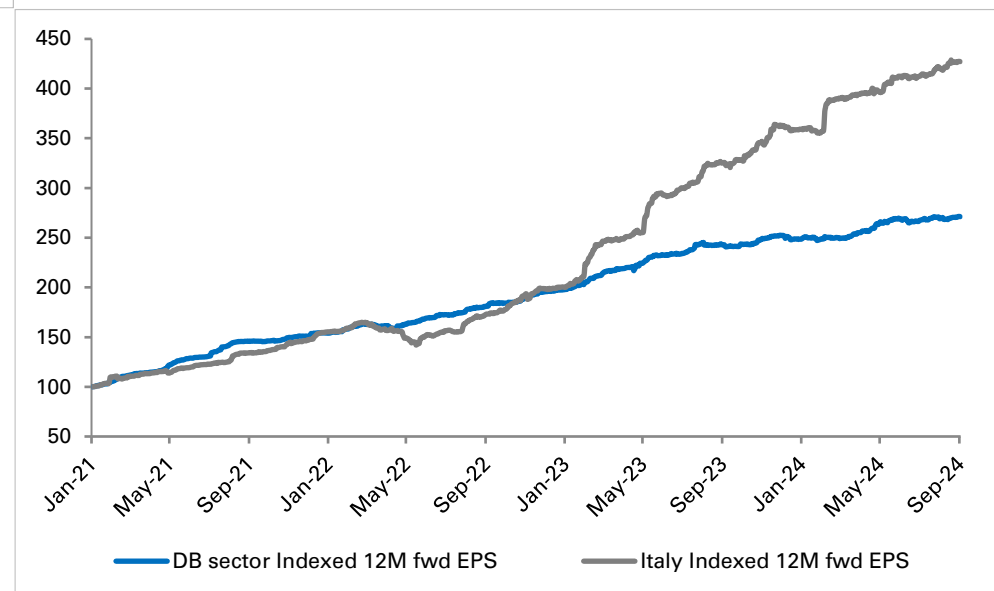
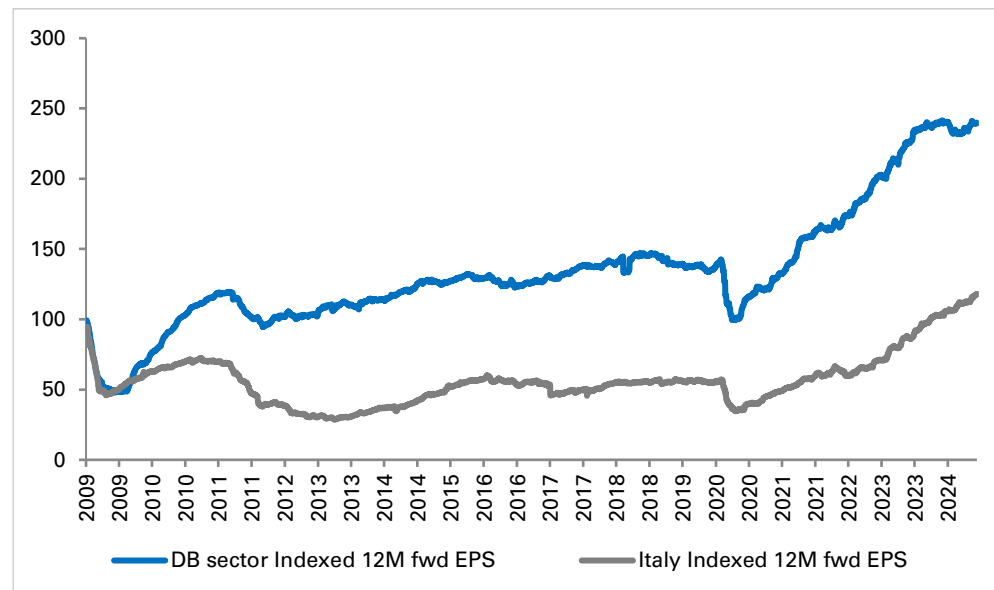
Significant outperformance over the last 3 years and re-rating of multiples – now in line with EU average – from the tightening of the monetary policy



EPS Momentum acceleration largely related to NII



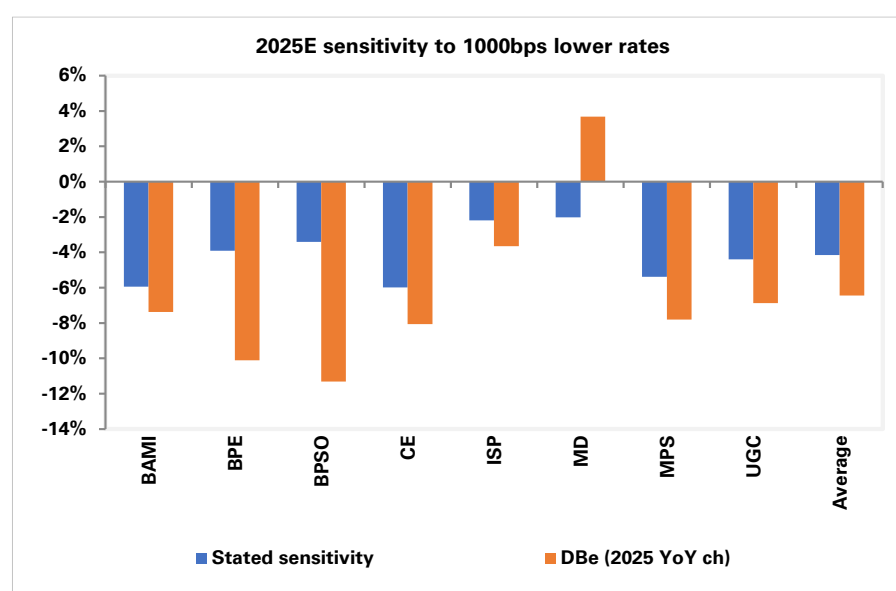
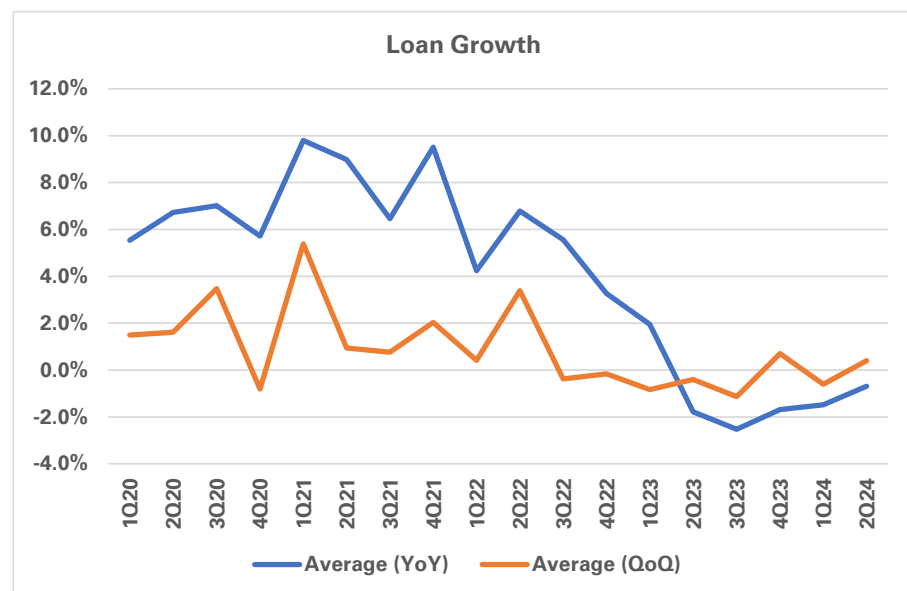
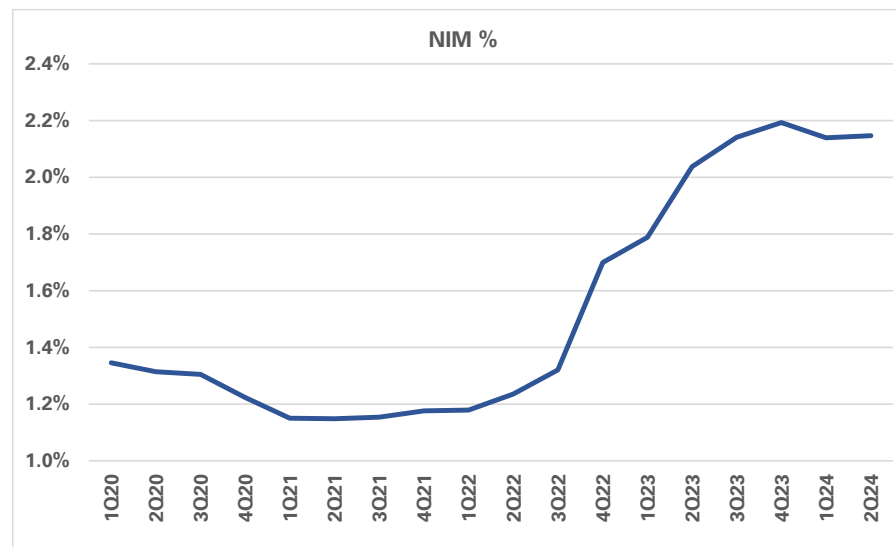
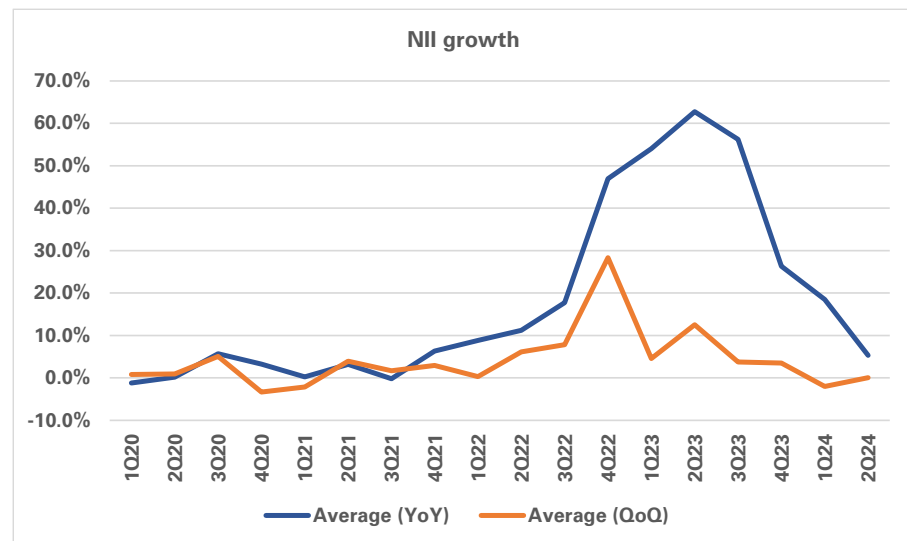
The rise in rates resulted into a significant improvement in the earnings momentum relative to the EU average – also on a very long term horizon



NII loses momentum on a both absolute.....



NII growth fading. Most of the acceleration driven by expansion of margin, limited contribution from volumes.
Estimates already capture / more than capture the decrease in rates.

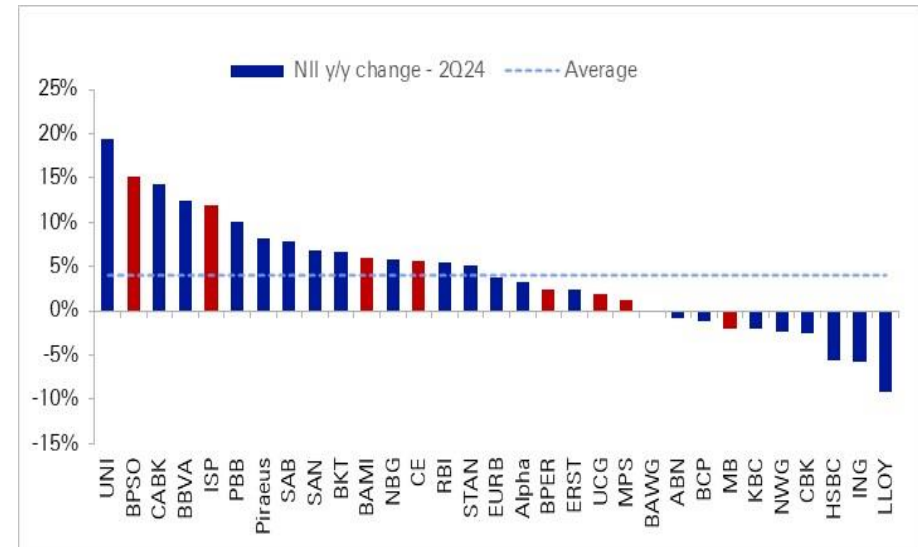
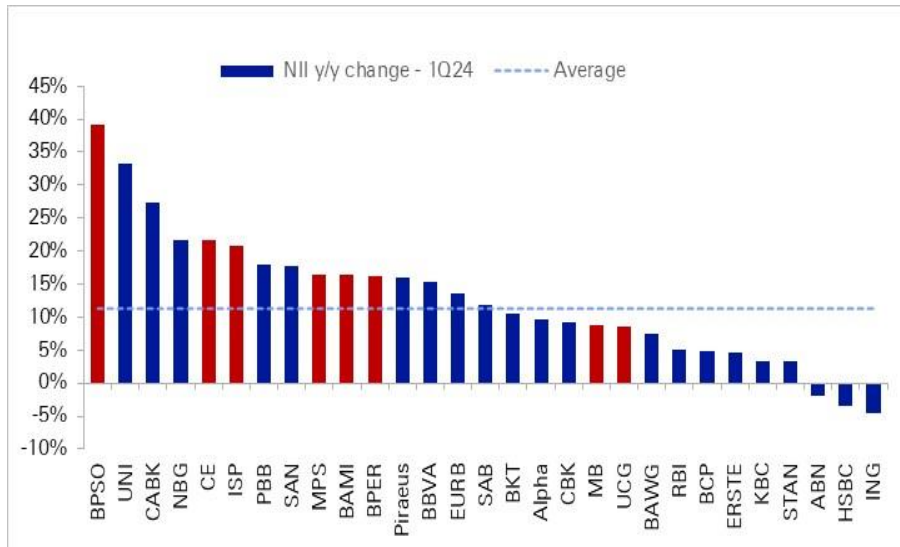
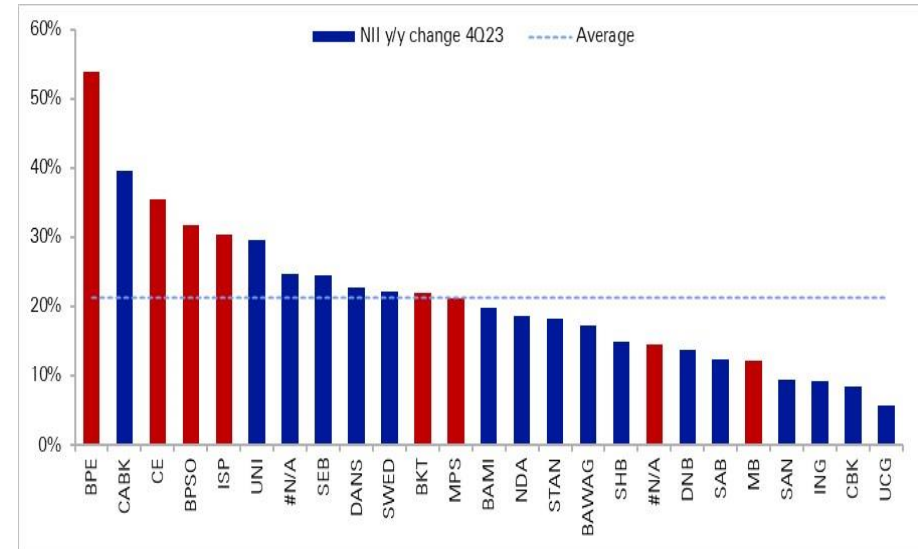
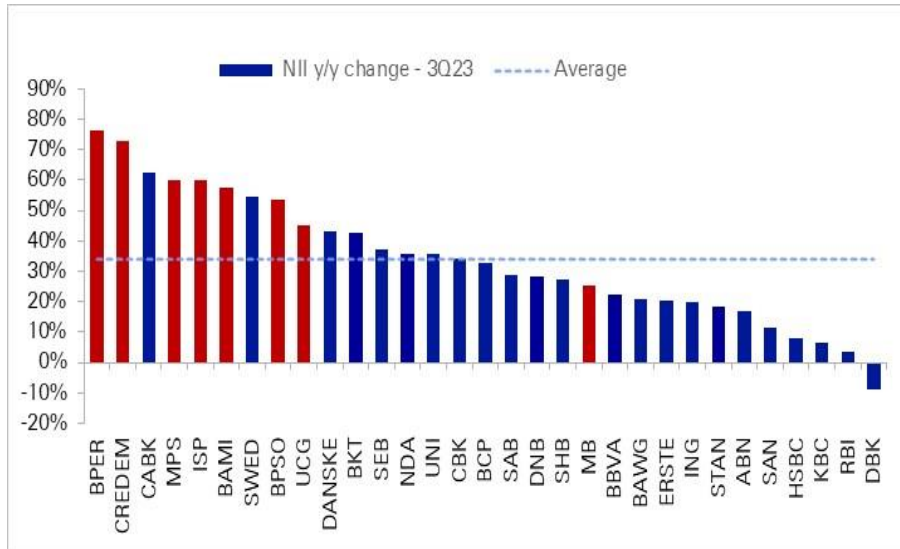


Source: Deutsche Bank estimates; Bloomberg Finance LP;



...but also relative to Europe

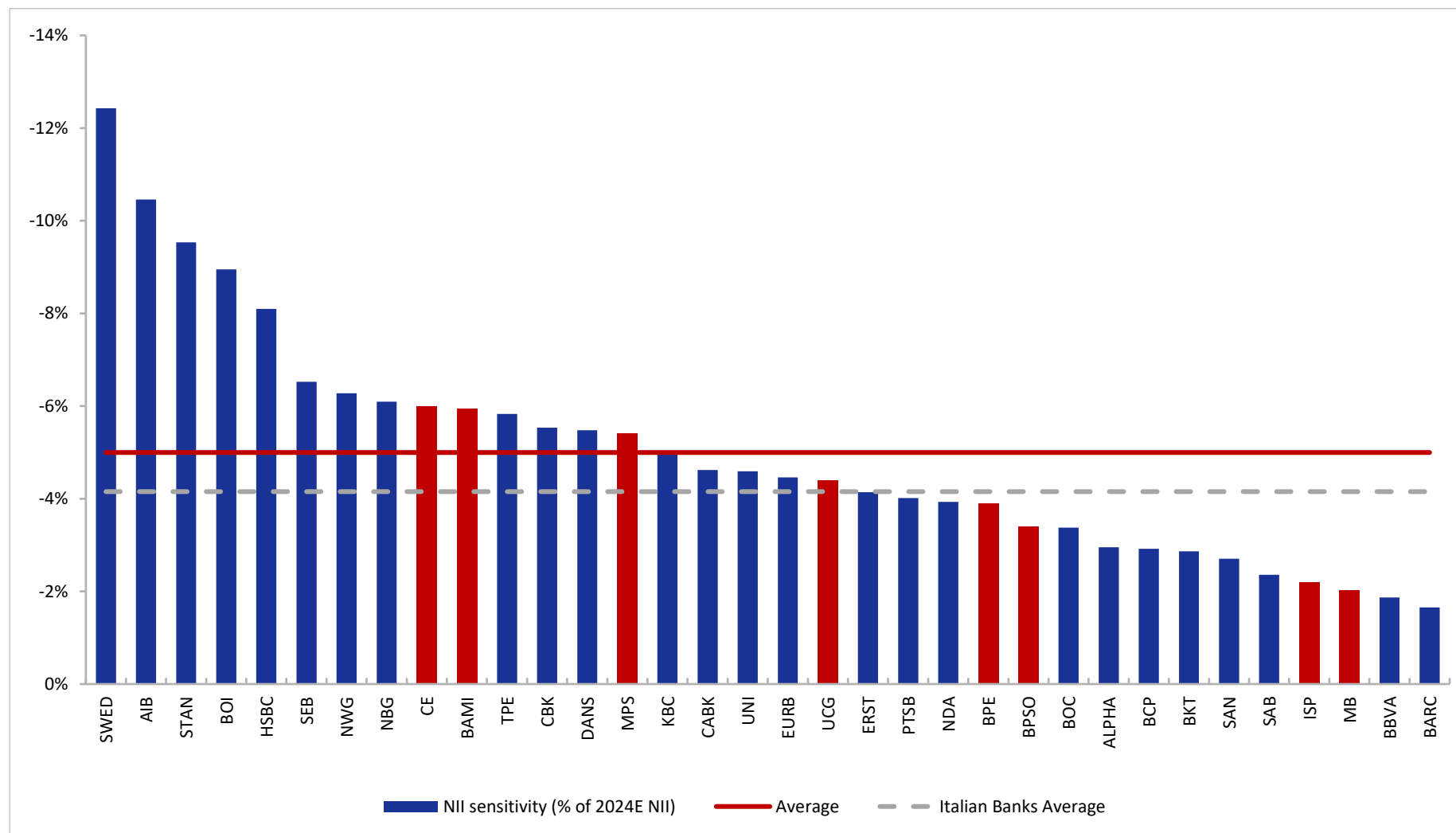
NII growth decelerating also on an EU perspective, with rates starting to decrease and the base effect more challenging



NII sensitivity to a 100bps decrease in Eur

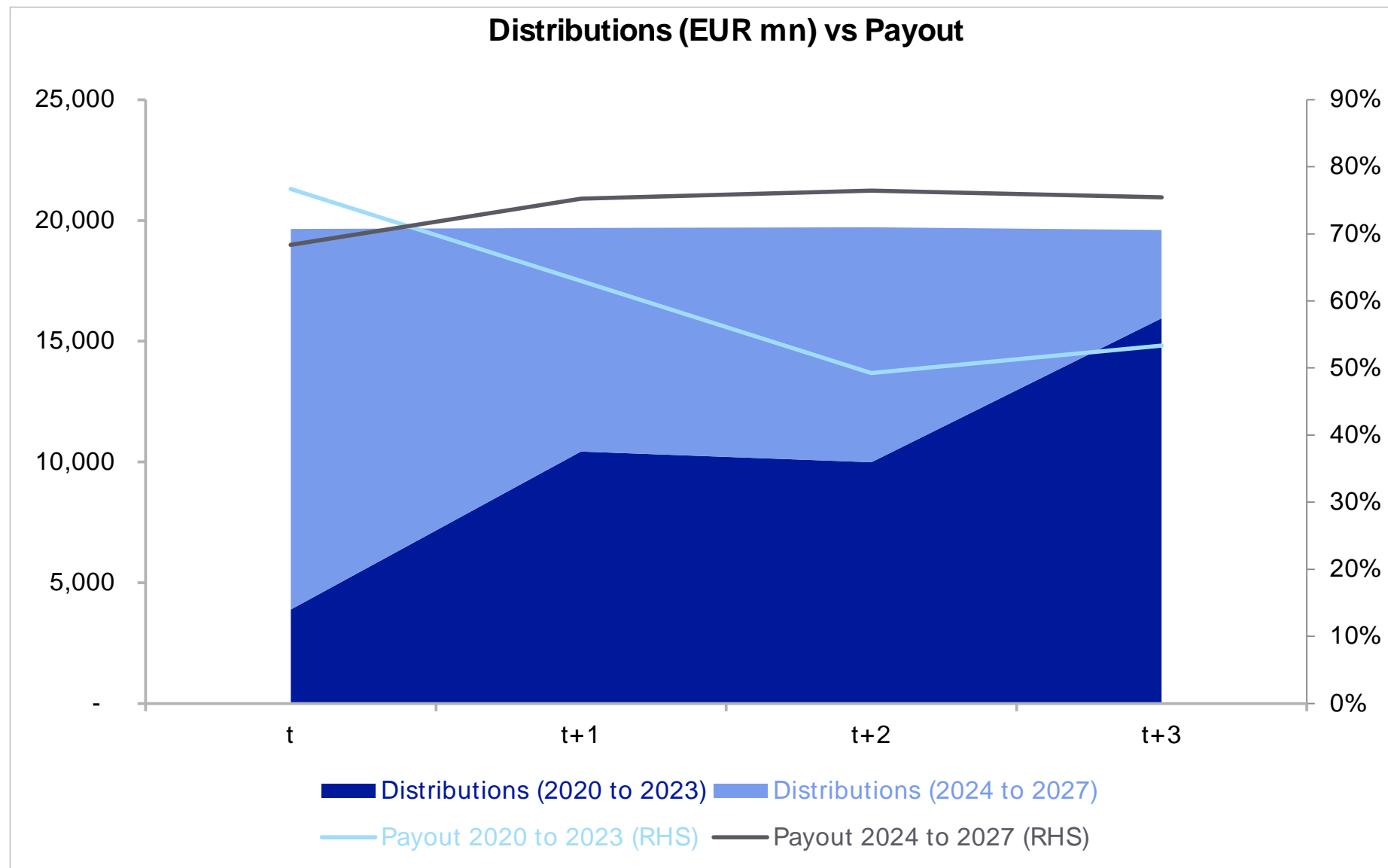


On an EU perspective, Italian Banks sensitivity to rates is broadly in line with the average





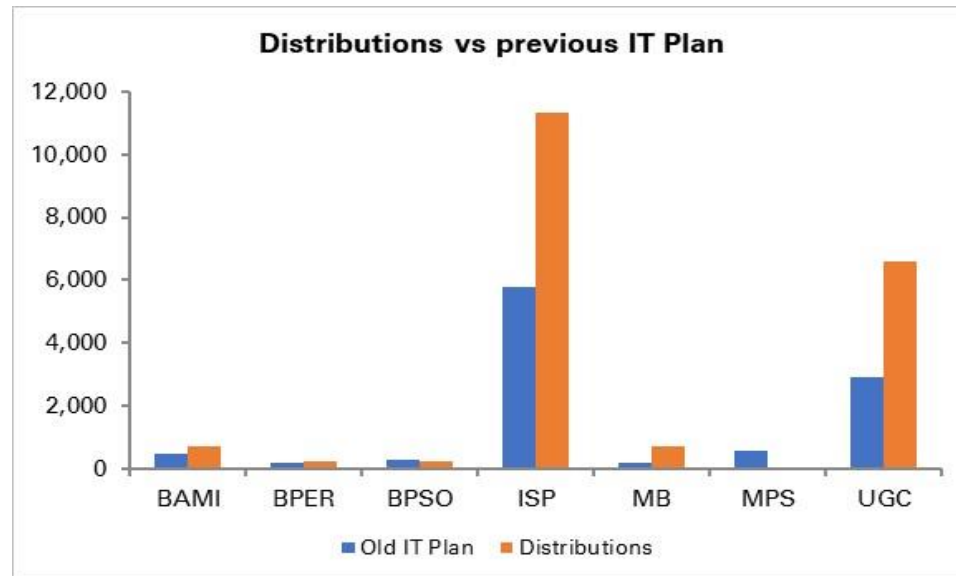
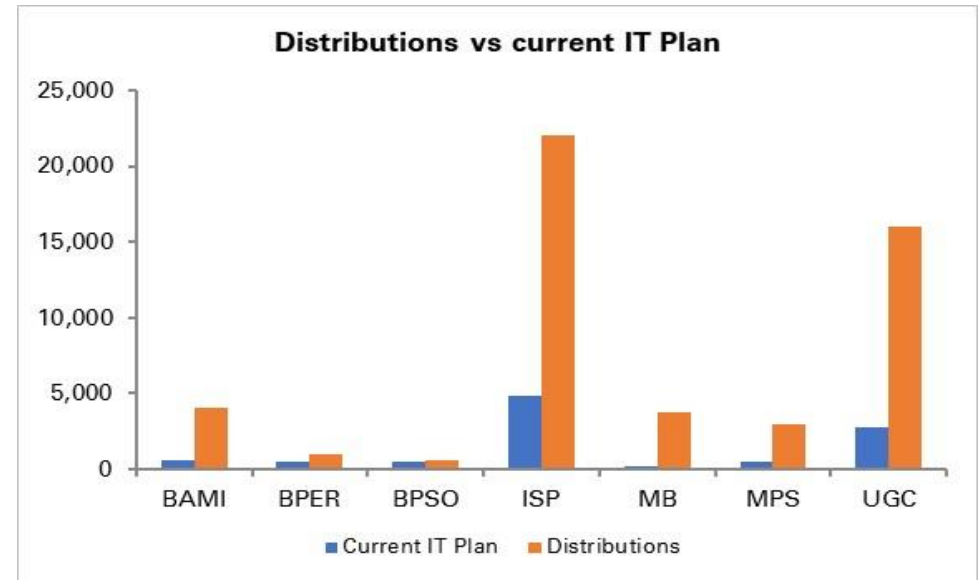
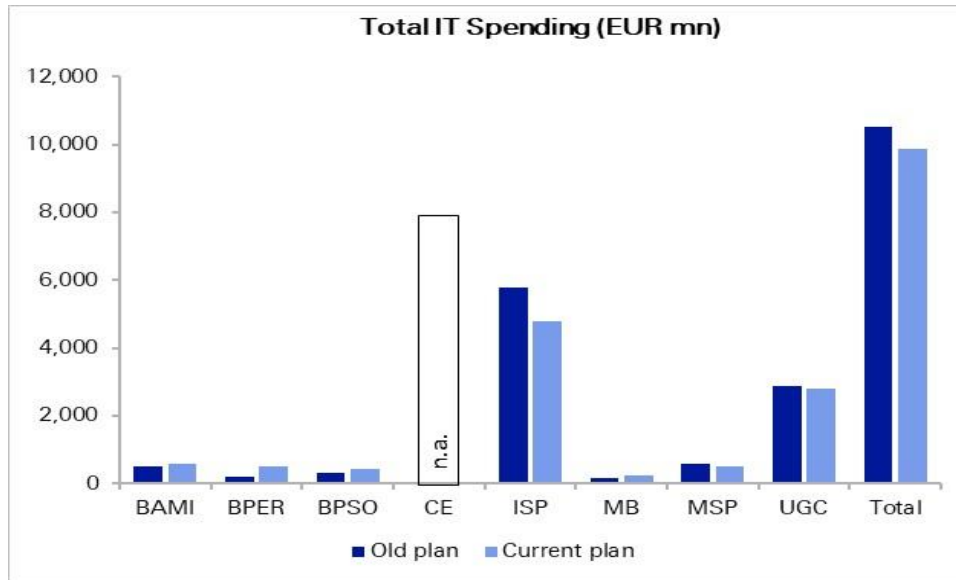
New normal for distributions now at 75% payout ratio, limited room to offset a reduction in profit generation to confirm the current level of remunerations





Overdistributing and underinvesting?

Few banks increased IT investments in the current plans, distributions now 5x of IT spending vs 2x in the previous plans



Asset quality: too good to be true?



One of the longest credit cycles with benign levels of defaults, cost of risk can hardly improve further

