



Italian Banks

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1. YTD Performance and Earnings Revisions
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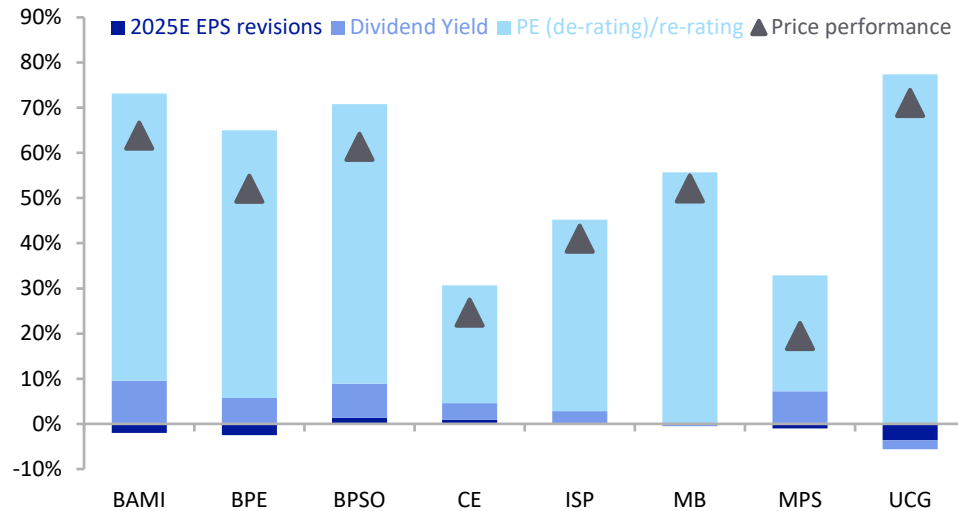


YTD Performance, Earnings Revisions and Price Action

YTD total return largely related to re-rating of market multiples

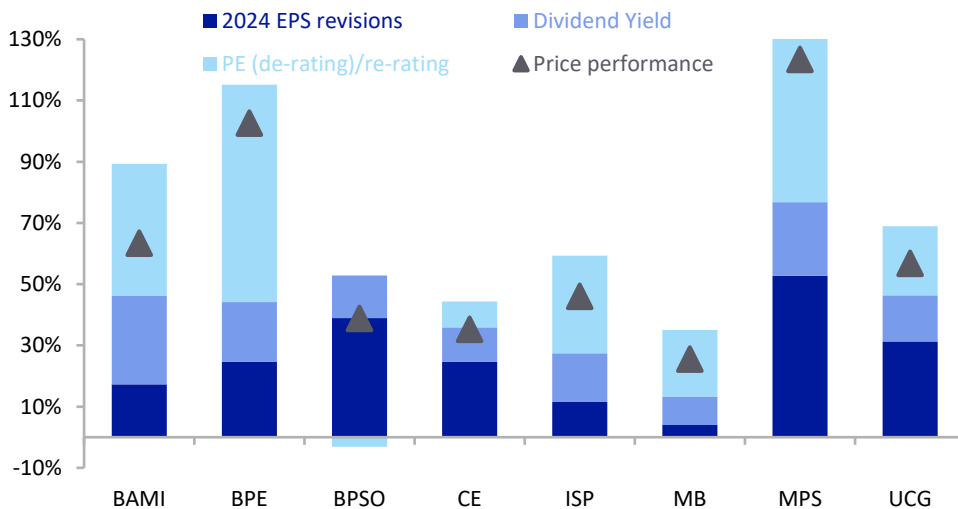


Total return breakdown YTD



- All the banks reported a quite significant total return YTD, averaging 55%
- P/E upgrade represented by far the most significant contributor to the performance

Total return breakdown in 2024



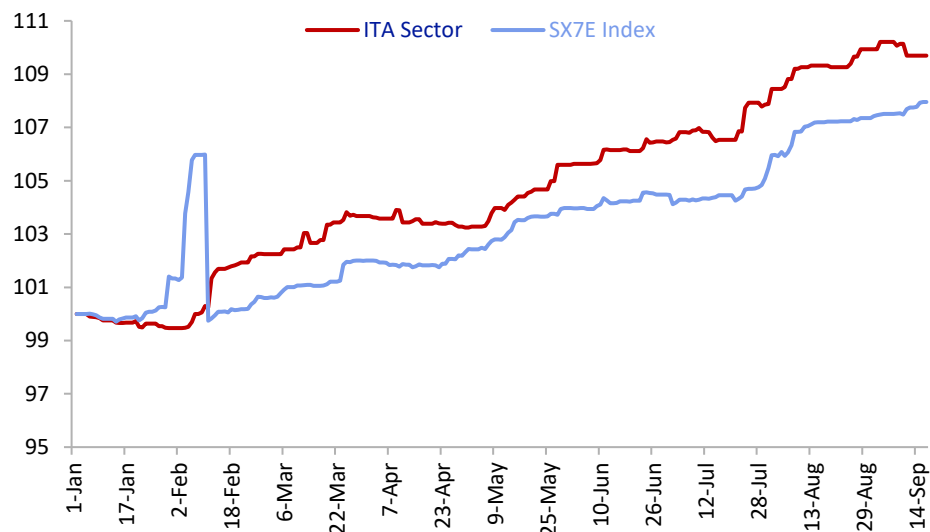
- In 2024, EPS revisions contributed more significantly (26% on average) to the total return (75%)

Source: Bloomberg Finance LP;

EPS Revisions ITA Banks vs Index: positive momentum confirmed

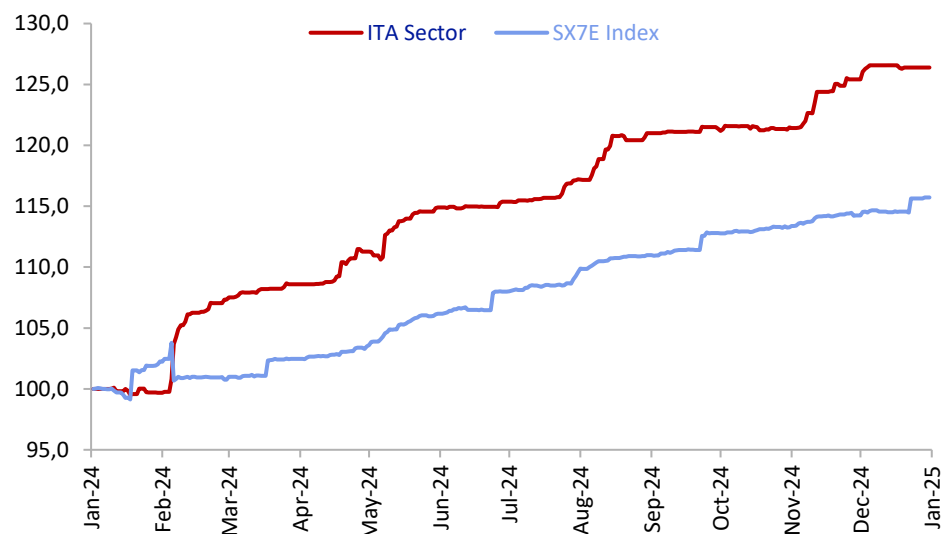


EPS revisions YTD (Base 100)



- 2025 continues to record upwards revision of estimates (5% on average) – outpacing the European sector

EPS revisions 2024 (Base 100)

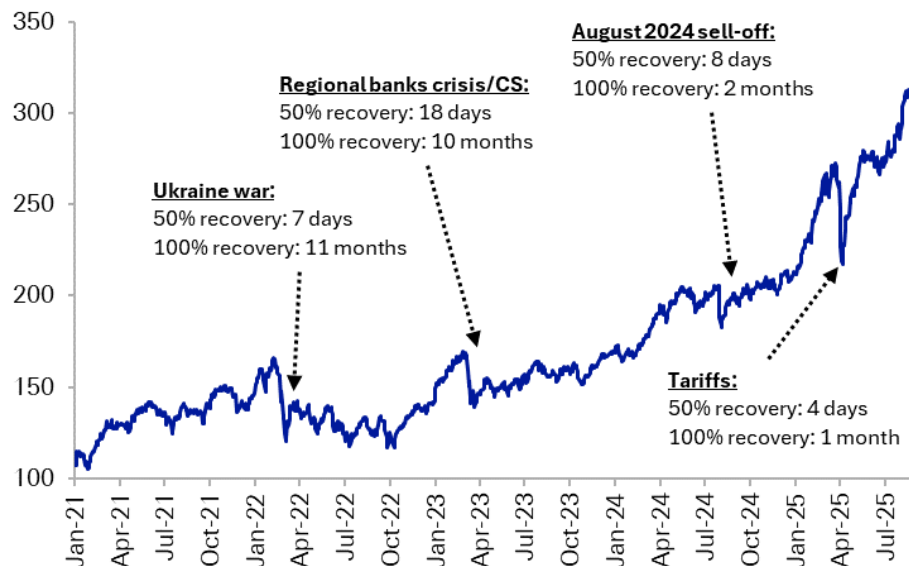


- Also in 2024, market expectations reported a more significant upgrade, in both absolute (15% on average) and relative to the EU index

Recent selloffs as a buying opportunity

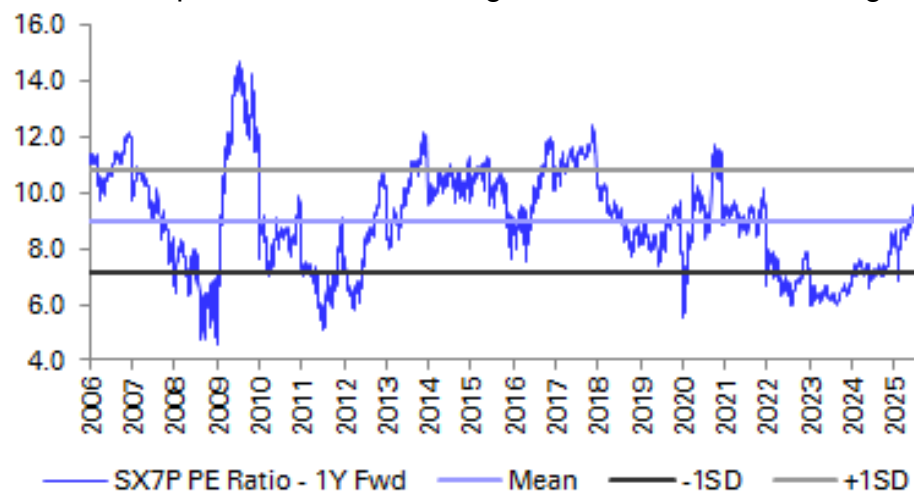


EU Bank sector performance since 2021



- The EU banking sector has demonstrated a strong resilience and appeal also after recent shocks
- Recent selloffs represented a buying opportunity for the EU banks

European banks are trading at c.9x consensus earnings



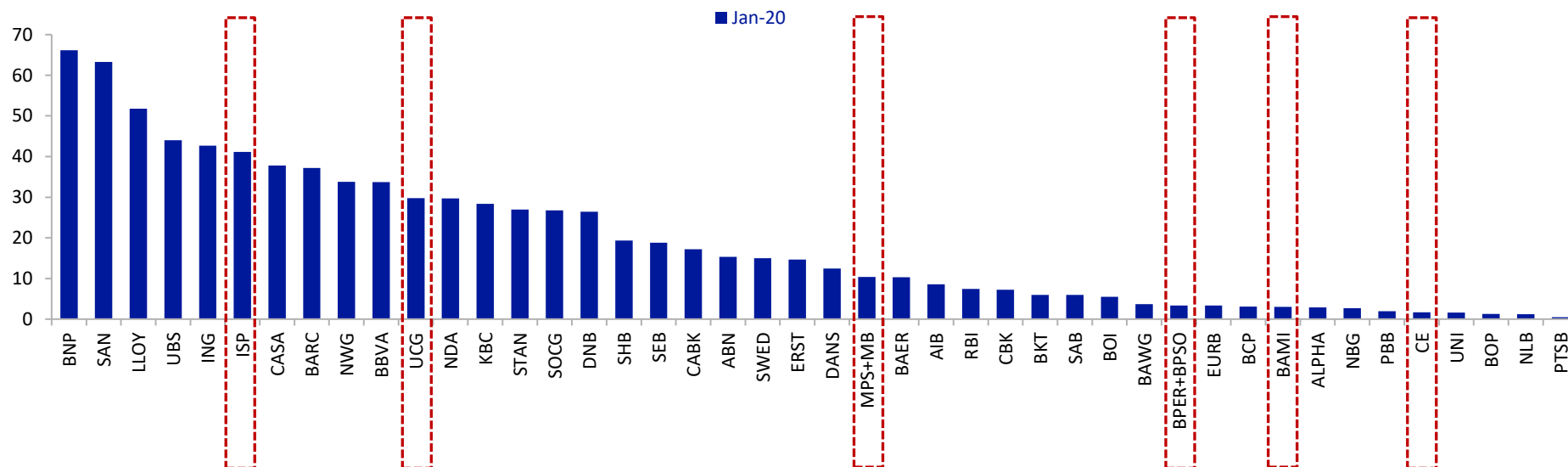
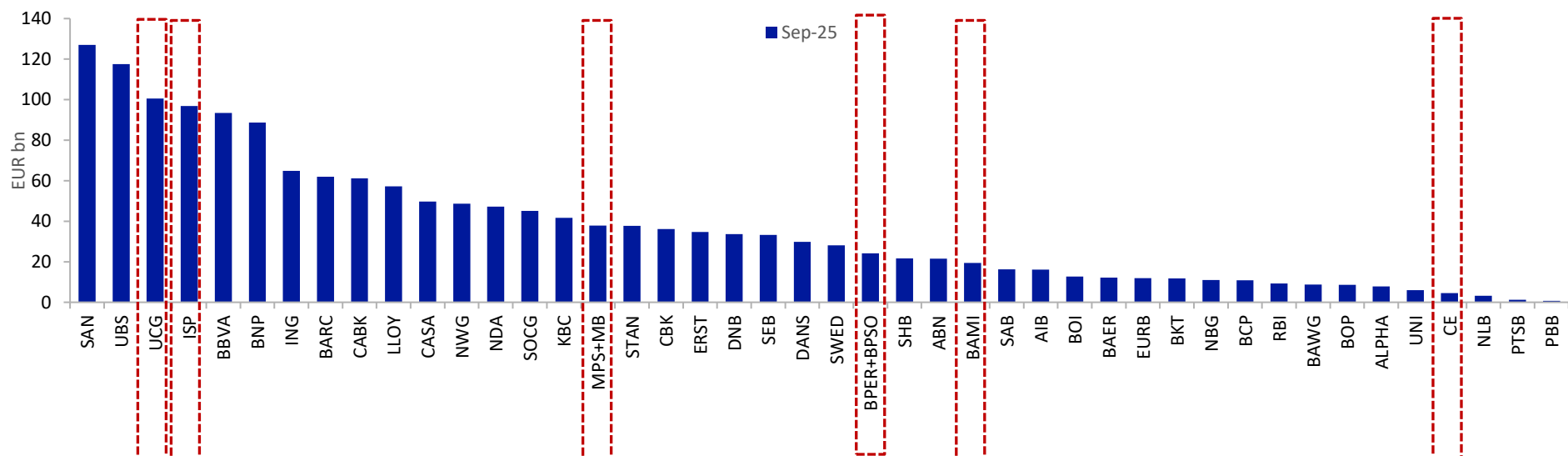
- Despite the recent performance, EU Banks valuation remain in line with the historical average (9x 1 yr forward P/E)

Source: Bloomberg Finance LP;

In terms of capitalization, Italian banks improved their ranks since 2020



EU Banks Market capitalisation (in EUR bn)

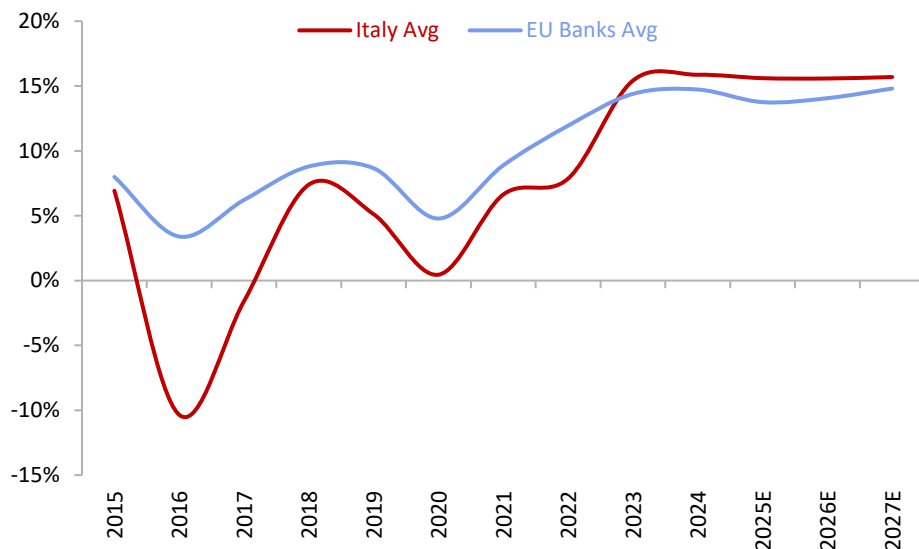


Source: Bloomberg Finance LP;

Italian banks ROTE is now above the EU average



ROTE Evolution EU Banks vs ITA Banks



- Since the end of 2021, the profitability of Italian banks start exceeding the EU average
- The normalization in policy rates coupled with the derisking activity of the last 10 years and the FTE reduction plans generated a positive operating leverage

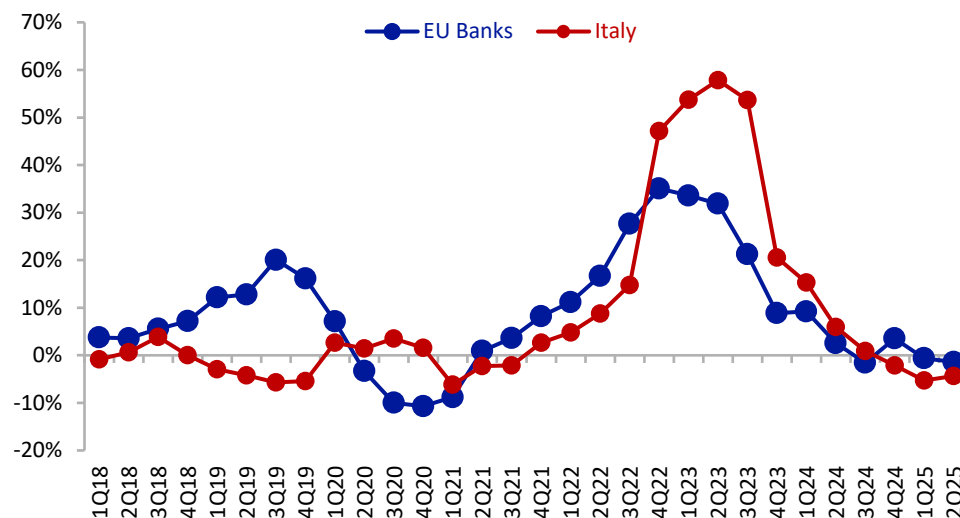


Net Interest Income

NII: resilient and better-than-expected performance

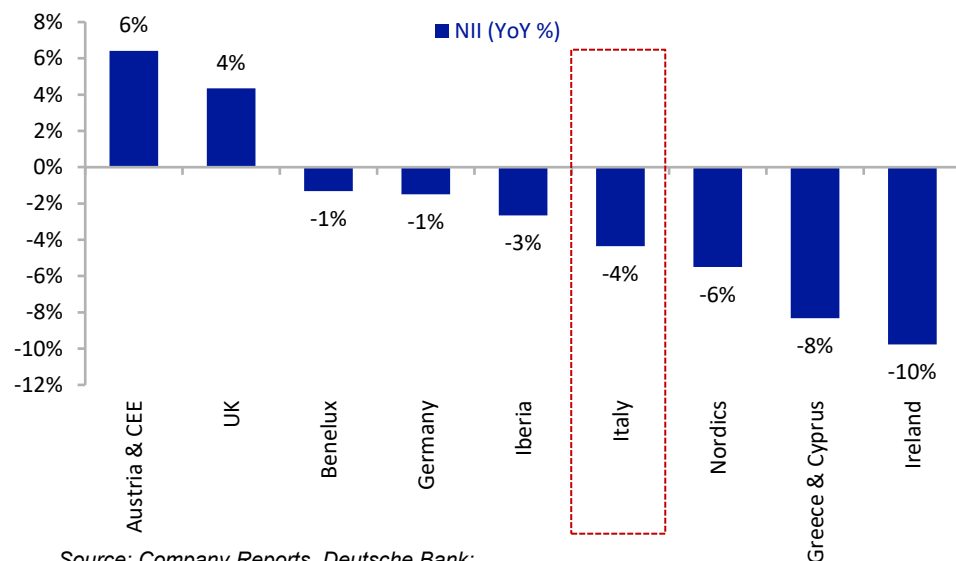


NII growth YoY %



- After the significant surge in 2021-2022, the trend of NII stabilized
- The evolution of NII has stabilized but not collapsed, despite the significant decrease in s/t rates
- The resilience of the NII when compared to expectations represents one of the most positive elements for the banks

NII growth by region YoY % (2Q25)



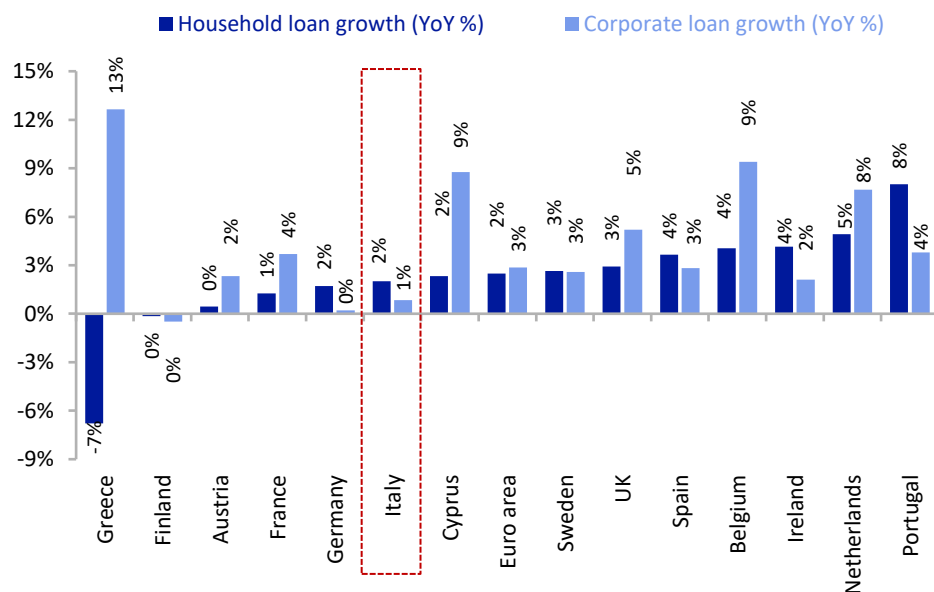
- The performance of Italian banks NII was in line with EU average, despite a perceived higher sensitivity to s/t rates

Source: Company Reports, Deutsche Bank;

NII: little or no support in Italy from lending growth



Loan growth by region (July'25)



- The trend of NII remains largely related to the evolution of margins
- Italian banks continue to report a very low single-digit growth of the loans, both in corporate and retail segment
- Loans growth in Italy remains below the level of other EU countries

Source: Deutsche Bank, ECB;

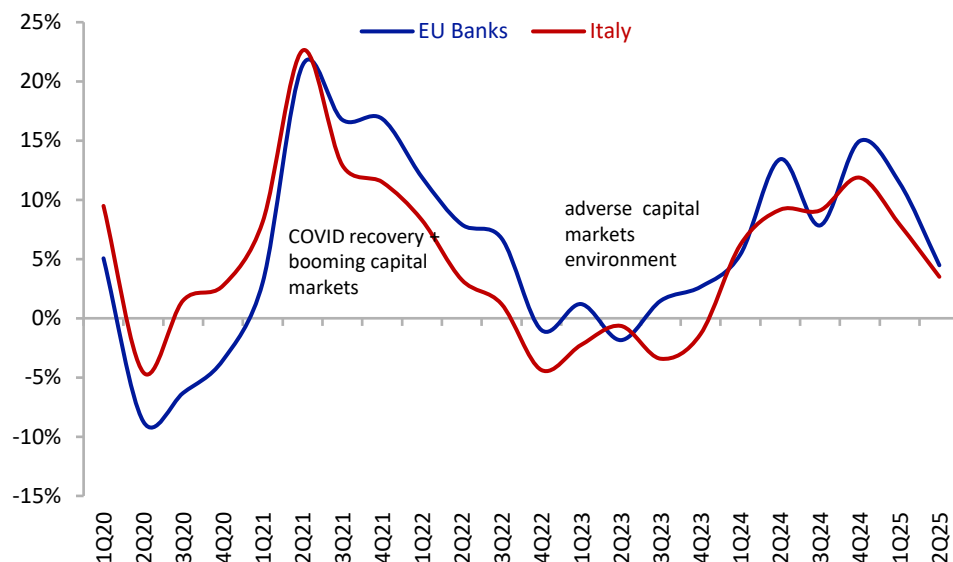


Fees

The trend in fees proved resilient, driven by AM contribution

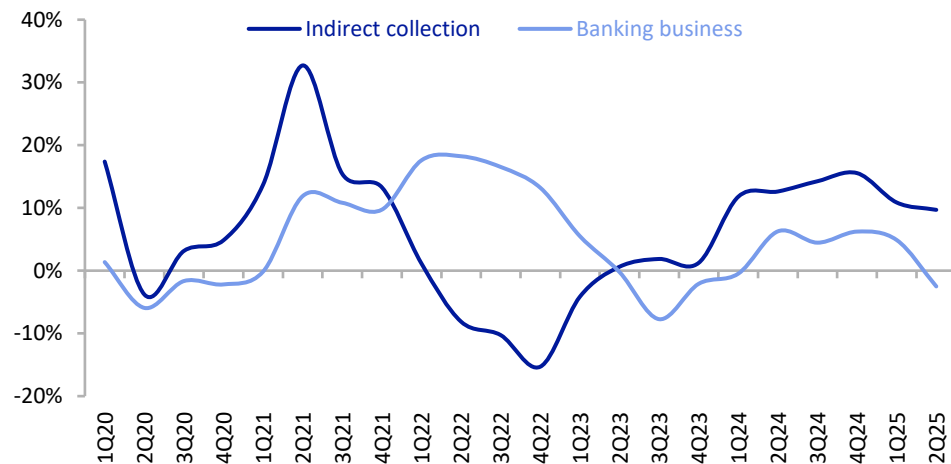


Fee income growth YoY %



- EU banks also posted a quite remarkable performance in terms of fee – income growth

ITA banks fee income growth YoY by business



- Only external shocks had a temporary negative impact on business generation
- Specifically for Italian banks, fees on indirect collection were the main contributor to growth

Source: Company Reports, Deutsche Bank;

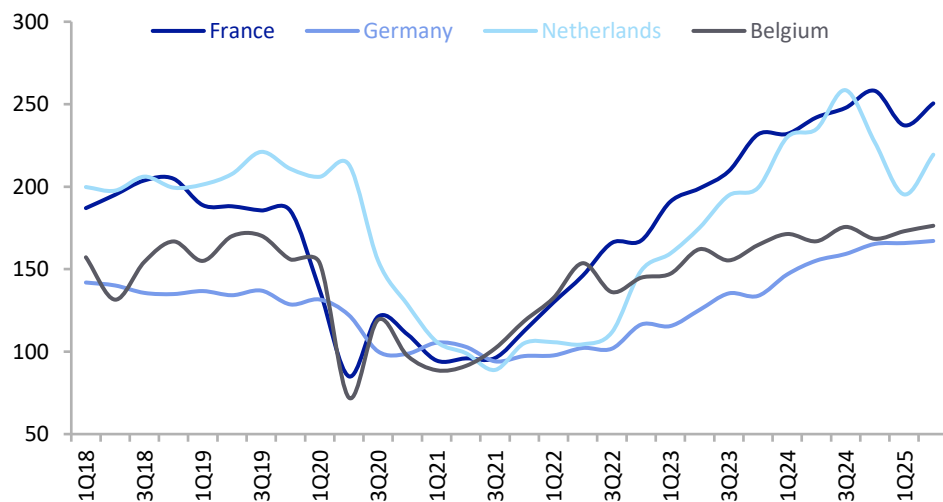


Assets Quality

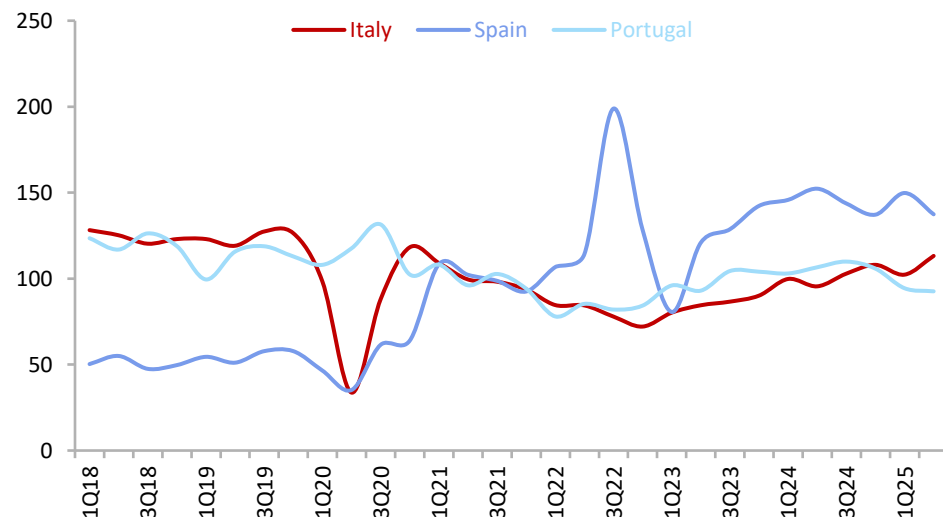
Asset quality: the outlook remains very benign in Southern Europe (cont)



Corporate insolvencies across Europe



- Corporate insolvencies in Italy remain stable, while some, while a less favorable trend was reported in North and central Europe

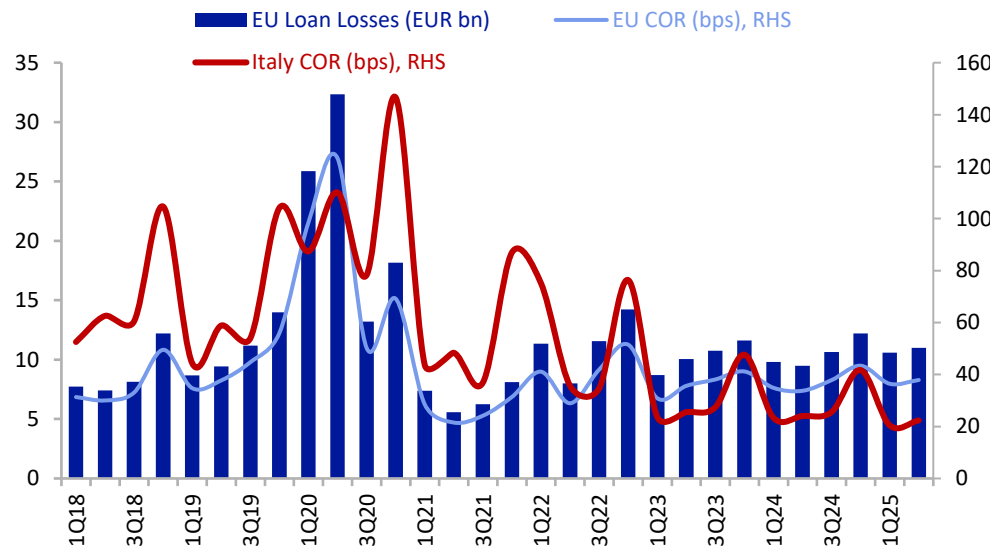


Source: Company Reports, Deutsche Bank, Eurostat;

Asset quality: the outlook remains very benign in Southern Europe

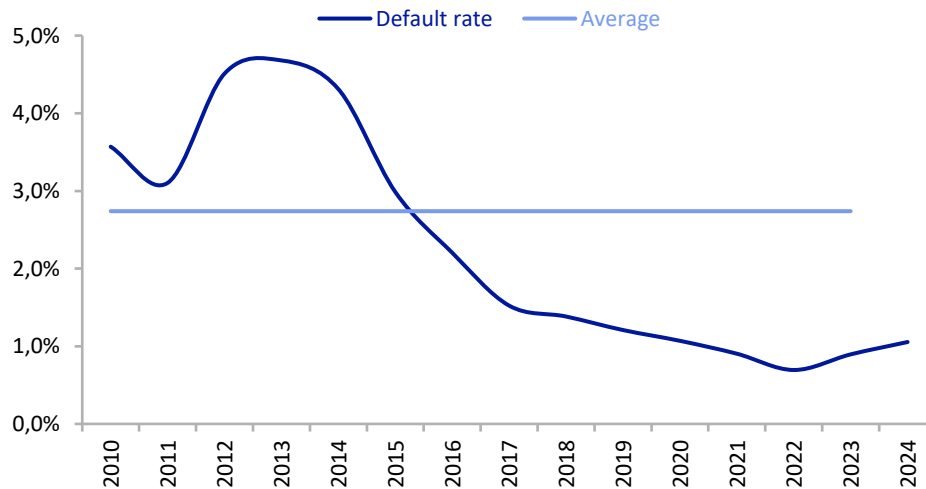


Loan loss provisions quarterly evolution & COR



- Loan loss provisions stabilized at around 30-40 bps in Europe, a level which is now also a standard for Italian Banks,
- Normalization of the cost of risk of Italian Banks to EU standard started in 2022, contributing decisively to the improvement of profitability

Evolution of default rate



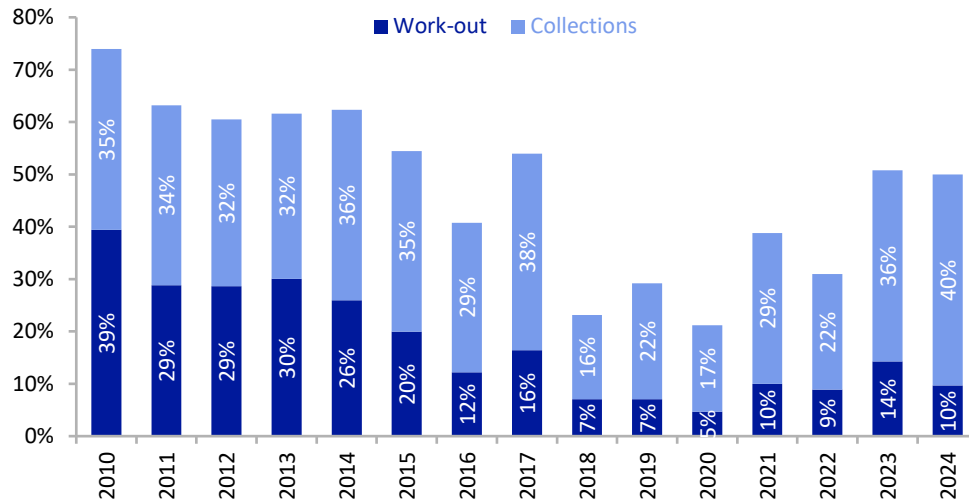
- The more benign cost of risk of Italian banks reflect low defaults and the clean-up implemented in the last few years
- Default rate for Italian banks remains at around historical lows (1%)

Source: Company Reports, Deutsche Bank, Eurostat;

Internal work-out increased the contribution to asset quality stabilization

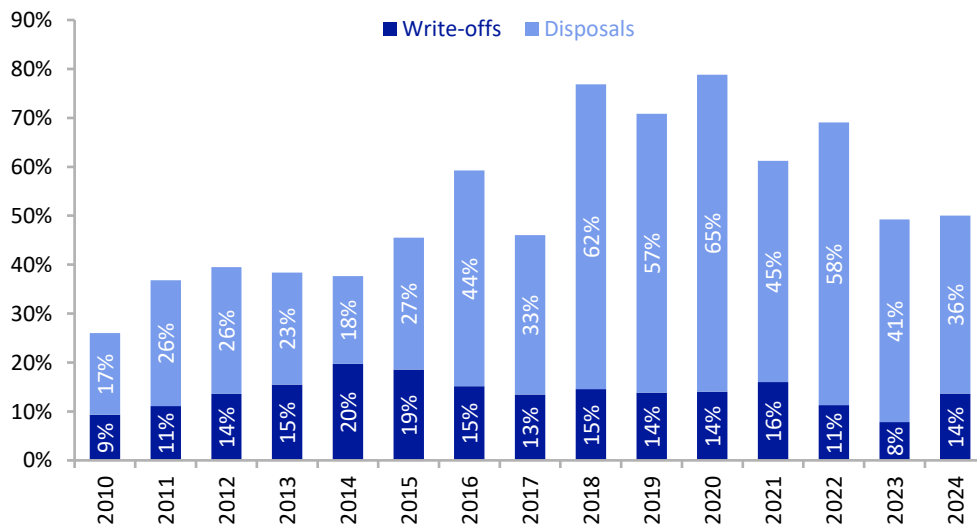


Contribution to NPLs reduction from organic activity



- Internal work out activity has materially increased the contribution to stabilization of asset quality in recent years

Contribution to NPLs reduction from derecognition



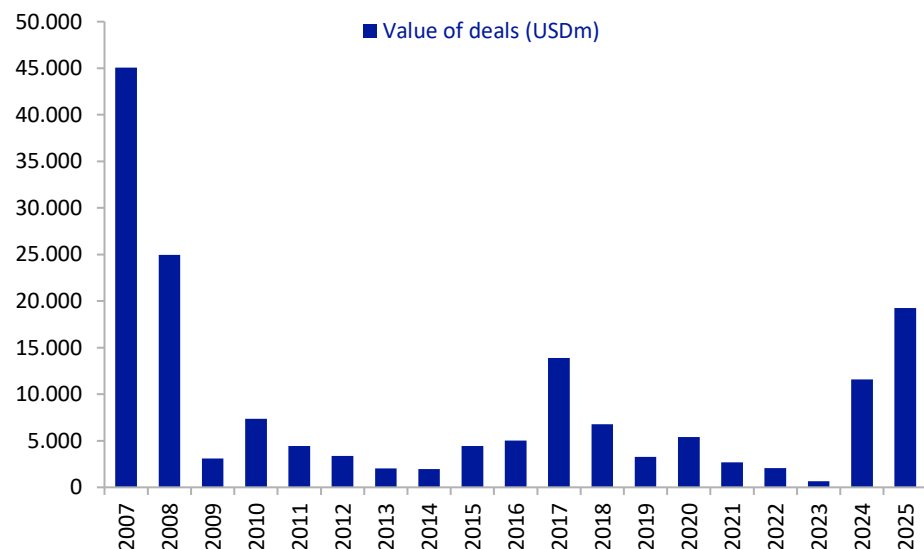
- Contribution of disposals and derecognition have reduced the impact on asset quality stabilization

Source: Company Reports, Deutsche Bank;

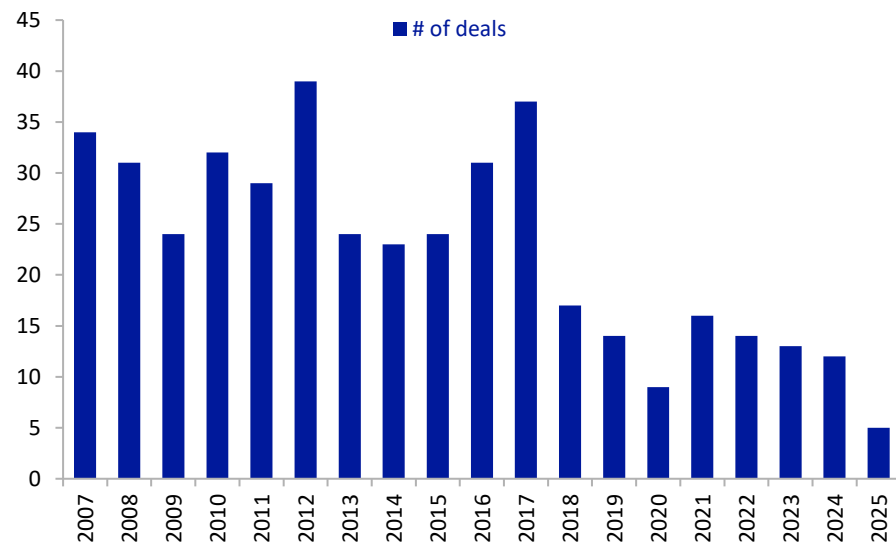


M&A

Intensifying M&A activity in Italy



- 2025 saw a rebound in the M&A activity in Italy among banks
- Total size of deal announced in 2H24-1H25 was the second highest in the last 20 years of history

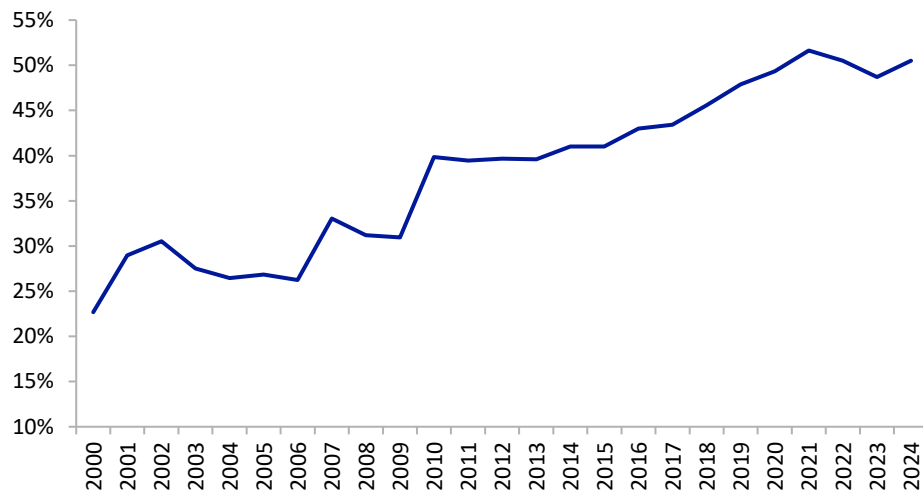


Source: Dealogic, Deutsche Bank;

Sector concentration increased, are other EU countries a benchmark?



Market share evolution on total assets of five largest banks in Italy



- Concentration of the sector in Italy has increased significantly in the last 20 years



- Italy remains a relatively fragmented market relative to other EU countries
- There is still scope to increase the level of concentration in the medium term
- Most concentrated markets (excluding Spain) are those where economic systems are smaller

Source: ECB, BOI, Deutsche Bank;