

BANCA MPS

Sector: Banks

OUTPERFORM

Price: Eu7.86 - Target: Eu8.90

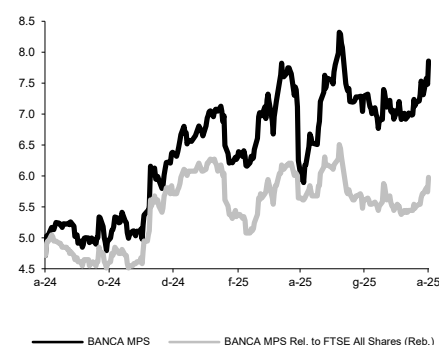
On Track to Close the Valuation Gap: Positive Outlook Ahead

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Stock Rating

Rating:	Unchanged		
Target Price (Eu):	from 7.20 to 8.90		
	2025E	2026E	2027E
Chg in Adj EPS	13.0%	8.5%	17.7%

BANCA MPS - 12M Performance



Stock Data

Reuters code:	BMPS.MI		
Bloomberg code:	BMPS IM		
Performance	1M	3M	12M
Absolute	13.6%	4.0%	66.7%
Relative	10.0%	-2.4%	35.4%
12M (H/L)	8.32/4.79		
3M Average Volume (th):	16,114.36		

Shareholder Data

No. of Ord shares (mn):	1,260
Total no. of shares (mn):	1,260
Mkt Cap Ord (Eu mn):	9,899
Total Mkt Cap (Eu mn):	9,899
Mkt Float - Ord (Eu mn):	7,005
Mkt Float (in %):	70.8%
Main Shareholder:	
MEF (ministero dell'economia e dell'	11.7%

Balance Sheet Data

Tangible Equity (Eu mn):	11,381
TEPS (Eu):	9.03
CET1 Ratio Fully Loaded:	20.0%
Gross NPE Ratio:	4.2%

2Q25 results beat our estimates and consensus due to strong operating trends. Among the Italian banks we cover, BMPS remains the stock with one of the most attractive fundamental valuations, as it is the only one trading below TE, despite the solid results expected and the massive shareholder remuneration.

It looks increasingly possible that M&A will be finalised, which should unlock potential further upside.

Our estimates and valuation are still based on a standalone scenario and following 2Q25 results and upgraded guidance, we are lifting our target price to €8.90, remaining positive on the stock.

■ **2Q25 results:** BMPS reported 2Q25 results that beat estimates on the back of stronger-than-forecast operating momentum: NII grew QoQ on higher volumes, lower CoF and gains from the replicating portfolio, while fees and trading income were similarly buoyant. Operating costs came in lower than expected—even after the labour contract renewal—pulling the cost/income ratio down to 45% and lifting operating profit to €576mn (+19.8% vs. estimates). A softer CoR pushed pre-tax profit to €460mn (+29.2%), and the CET1 ratio remained robust at 19.6% despite RWA growth and dividend accrual.

■ **Feedback from the call:** the 2Q25 conference call gave strong positive messages. Management was confident on profitability: NII is expected to decrease slightly in 2H, despite the forecast growth in lending, but the negative impact should be offset by strong fee income, driven by commercial trends, and solid trading income. Management raised FY25 pre-tax profit guidance to >€1.5bn, and hinted at the possibility of introducing an interim dividend in 2026.

■ **Change in estimates:** we are updating our model after stronger-than-expected results and the new FY25 pre-tax profit guidance of >€1.5bn. We now assume mildly softer NII—reflecting interest rate cuts despite positive volume and CoF trends—offset by stronger fee income on brisk commercial momentum in AM and bancassurance placements, along with higher, less volatile trading gains. Operating expenses are set to inch down as management keeps the efficiency drive on track, pushing the cost/income ratio below 50% for the 2025-27 period. Beneath the operating line, we are trimming 2025 CoR and extraordinary charges across the period. Overall impact: pre-tax profit up +18.3%/+11.7%/+21.6% in 2025/26/27; adj. EPS up 13.0%/+8.5%/+17.7%; CET1 ratio remaining rock-solid at over 20%.

■ **Valuation:** we value BMPS using a GGM implied P/TE model. Following the change in our estimates, and the reduction in Intermonte Research's ERP assumption (by 50bp), we reach a fundamental FV of €8.90 per share. Given the strong trends we expect from the bank in the coming years, we maintain our OUTPERFORM recommendation. The stock is now trading at 0.87/0.85/0.83 its FY25/26/27 TE, at target 0.99/0.96/0.94x.

Key Figures & Ratios	2023A	2024A	2025E	2026E	2027E
Total income (Eu mn)	3,797	4,034	4,010	4,000	4,092
Net Operating Profit (Eu mn)	1,954	2,165	2,057	2,026	2,095
Net Profit Adj (Eu mn)	1,348	1,218	1,196	1,179	1,239
EPS New Adj (Eu)	1.070	0.967	0.949	0.936	0.984
EPS Old Adj (Eu)	1.034	0.930	0.840	0.863	0.798
DPS (Eu)	0.250	0.860	0.937	0.923	0.972
P/E Adj	7.3	8.1	8.3	8.4	8.0
Div. Yield	3.2%	10.9%	11.9%	11.7%	12.4%
P/TE	1.01	0.86	0.87	0.85	0.83
ROTE	13.8%	10.6%	10.5%	10.1%	10.4%

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The main methods used to evaluate financial instruments and set a target price for 12 months after the investment recommendation are as follows:

- Discounted cash flow (DCF) model or similar methods such as a dividend discount model (DDM)
- Comparison with market peers, using the most appropriate methods for the individual company analysed: among the main ratios used for industrial sectors are price/ earnings (P/E), EV/EBITDA, EV/EBIT, price /sales
- Return on capital and multiples of adjusted net book value are the main methods used for banking sector stocks, while for insurance sector stocks return on allocated capital and multiples on net book value and embedded portfolio value are used
- For the utilities sector comparisons are made between expected returns and the return on the regulatory asset base (RAB)

Some of the parameters used in evaluations, such as the risk-free rate and risk premium, are the same for all companies covered, and are updated to reflect market conditions. Currently a risk-free rate of 4.0% and a risk premium between 5.5% - 6.0% are being used.

Frequency of research: quarterly.

Reports on all companies listed on the FTSEIMIB40 Index, most of those on the MIBEX Index and the main small caps (regular coverage) are published at least once per quarter to comment on results and important newsflow.

A draft copy of each report may be sent to the subject company for its information (without target price and/or recommendations), but unless expressly stated in the text of the report, no changes are made before it is published.

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BUY: stock expected to outperform the market by over 25% over a 12 month period;

OUTPERFORM: stock expected to outperform the market by between 10% and 25% over a 12 month period;

NEUTRAL: stock performance expected at between +10% and - 10% compared to the market over a 12 month period;

UNDERPERFORM: stock expected to underperform the market by between -10% and -25% over a 12 month period;

SELL: stock expected to underperform the market by over 25% over a 12 month period.

Prices: The prices reported in the research refer to the price at the close of the previous day of trading

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BUY:	31.34%
OUTPERFORM:	37.31%
NEUTRAL:	31.35%
UNDERPERFORM:	00.00%
SELL:	00.00%

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BUY:	51.90%
OUTPERFORM:	29.11%
NEUTRAL:	18.99%
UNDERPERFORM:	00.00%
SELL:	00.00%

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