

BANCA MPS

Sector: Banks

BUY

Price: Eu9.47 - Target: Eu11.00

Solid Results & Outlook lead to Consensus Upgrade

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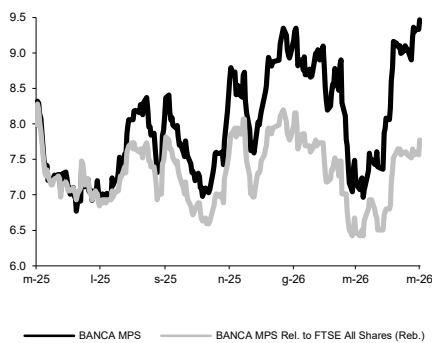
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Stock Rating

Rating:	Unchanged		
Target Price (Eu):	from 10.60 to 11.00		
	2026E	2027E	2028E
Chg in Adj EPS	-0.2%	0.7%	0.8%

BANCA MPS - 12M Performance



Stock Data

Reuters code:	BMPS.MI		
Bloomberg code:	BMPS IM		
Performance	1M	3M	12M
Absolute	17.2%	13.4%	18.6%
Relative	14.2%	8.2%	-3.2%
12M (H/L)	9.47/6.77		
3M Average Volume (th):	34,887.30		

Shareholder Data

No. of Ord shares (mn):	3,038
Total no. of shares (mn):	3,310
Mkt Cap Ord (Eu mn):	28,765
Total Mkt Cap (Eu mn):	28,765
Mkt Float - Ord (Eu mn):	18,295
Mkt Float (in %):	63.6%
Main Shareholder:	
Delfin	17.5%

Balance Sheet Data

Tangible Equity (Eu mn):	24,063
TEPS (Eu):	7.27
CET1 Ratio Fully Loaded:	16.2%
Gross NPE Ratio:	2.8%

BMPS has published its 1Q26 results, which showed strong operating trends and support from the solid contribution from MB (especially the CF and CIB business areas). Management confirmed the €700mn synergies and guided for 2026 pre-tax profit >€3.5bn, after booking €300mn in integration costs. In addition, DC treatment may be applied at Group level as BMPS is finalizing the request to the EBA; this could lead to a positive impact of ~50bps.

We reiterate our BUY recommendation on the stock, while raising our TP to €11.

- **1Q26 results** showed robust operating momentum, characterised by pre-tax profit of €911mn (+16.2% QoQ, +9.0% A/E). While net profit reached €521mn (+0.1% A/E), the bottom line was partially constrained by a higher-than-projected impact from PPA. Total revenues amounted to €1.96bn (+3.8% A/E), supported by NII of €1,036mn and net fees of €618mn. NII benefited from an expansion of the commercial spread to 3.51% and higher lending volumes, while fee income was propelled by a 7.6% quarterly acceleration by WM and advisory services, which offset seasonal declines in commercial banking. Operating efficiency improved as OpEx declined 3.8% QoQ to €859mn, resulting in a cost-to-income ratio of approximately 44% and operating profit of €1.1bn. Below the operating line, the cost of risk was 43bps, and the group recognized €23mn in integration and staff-related expenses linked to the Solidarity Fund and the ongoing Mediobanca integration process. The bank maintained a solid capital position with a CET1 ratio of 15.9%, and management anticipates a further 30bp uplift in the second quarter stemming from expected dividend payments from Generali.
- **Change in estimates.** We have updated our estimates to reflect expected higher support from NII in 2027/28, driven by higher volumes and the Compass contribution, and the updated target in terms of integration costs, with ~€300mn expected to be booked in 2026.
- During the **conference call**, management expressed a positive outlook on 2026 trends, guiding for pre-tax profit >€3.5bn, which includes ~€300mn in integration charges. NII is expected to remain above the 1Q26 level, supported by growth of the volume of Compass consumer lending and reduced sensitivity to interest rates (+€50mn for +100bps). Fees are expected to keep to this growth path, while AQ remains benign, with management noting no signs of deterioration. Regarding PPA, the bank expects a €100mn average annual charge that will be front-loaded over two years, noting that the 1Q impact was influenced by seasonality. Capital dynamics will be shaped by a 30bp benefit from Generali dividends and a potential 50bp uplift from the Danish Compromise (EBA validation pending). The private banking division has fully normalized following earlier banker departures, generating approximately €1bn in net new money since mid-April.
- **Valuation.** We value BMPS through the average of a GGM implicit P/TE model and a SoP, averaging FY27-28 FVs. Given the change in estimates, we raise our TP to €11, and confirm our BUY recommendation. The stock is trading at 1.30/1.28/1.28x FY 26/27/28 TE; at target it would trade at 1.51/1.49/1.48x.

Key Figures & Ratios	2024A	2025A	2026E	2027E	2028E
Total income (Eu mn)	4,034	4,957	8,091	8,641	8,930
Net Operating Profit (Eu mn)	2,165	2,653	4,615	5,183	5,501
Net Profit Adj (Eu mn)	1,218	1,721	2,791	3,292	3,519
EPS New Adj (Eu)	0.967	0.566	0.843	1.007	1.076
EPS Old Adj (Eu)	0.967	0.566	0.845	1.000	1.068
DPS (Eu)	0.860	0.860	0.800	0.932	1.046
P/E Adj	9.8	16.7	11.2	9.4	8.8
Div. Yield	9.1%	9.1%	8.5%	9.8%	11.0%
P/TE	1.04	1.17	1.30	1.28	1.28
ROTE	10.6%	7.0%	11.6%	13.6%	14.5%

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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 FTSEMIB40 Index, most of those on the MIDEX 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:	32.35%
OUTPERFORM:	39.71%
NEUTRAL:	27.94%
UNDERPERFORM:	00.00%
SELL:	00.00%

The distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (80 in total) is as follows:

BUY:	53.75%
OUTPERFORM:	30.00%
NEUTRAL:	15.00%
UNDERPERFORM:	01.25%
SELL:	00.00%

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