

# INTESA S.PAOLO

Sector: Banks

## OUTPERFORM

Price: Eu2.38 - Target: Eu3.20

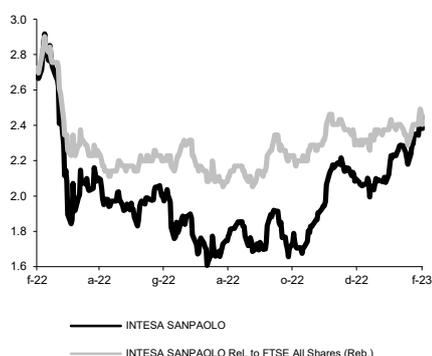
### NII Boost to Earnings, Green Light on Solid Dividends/Buyback

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#### Stock Rating

Rating:	Unchanged		
Target Price (Eu):	from 3.00 to 3.20		
	2023E	2024E	2025E
Chg in Adj EPS	8.0%	0.2%	

#### INTESA S.PAOLO - 12M Performance



#### Stock Data

Reuters code:	ISP.MI
Bloomberg code:	ISP IM

Performance	1M	3M	12M
Absolute	9.7%	21.0%	-12.6%
Relative	-0.6%	2.3%	-11.7%
12M (H/L)	2.92/1.61		
3M Average Volume (th):	97,825.92		

#### Shareholder Data

No. of Ord shares (mn):	18,989
Total no. of shares (mn):	18,275
Mkt Cap Ord (Eu mn):	45,250
Total Mkt Cap (Eu mn):	45,250
Mkt Float - Ord (Eu mn):	38,030
Mkt Float (in %):	84.0%
Main Shareholder:	
Compagnia San Paolo	6.1%

#### Balance Sheet Data

Tangible Equity (Eu mn):	53,667
TEPS (Eu):	2.94
CET1 Ratio Fully Loaded:	13.2%
Gross NPE Ratio:	2.3%

- Much better revenues drove the beat in the quarter.** ISP posted a 13.1% YoY increase in revenues, beating expectations by +7.9% thanks to much better NII (+16.7% vs est, or +57% YoY) driven by a far better customer spread. Fees were broadly in line with estimates (-12.2% YoY) and suffered from AM business weakness. Trading was slightly negative, partly due to some deleveraging actions undertaken by management. Costs were up (+3.4% YoY) and cost of risk was higher than expected (103bps vs exp 84bps) as management sought to increase overlays and coverage ratios on NPE (underlying cost of risk FY22 at 30bps). Profits were higher than expected, due in part to a Eu 320mn DTA writeup (ex UBI), which more than compensated a higher negative PPA effect. CET1 ratio FL increased from 12.4% to 13.5% (+110bps QoQ) thanks to RWA optimization. In addition to the interim dividend per share already paid last November (Eu 0.0738), the bank announced the remaining dividend per share at Eu 0.0868.
- Solid capital: Eu 1.7buyback to start immediately, dividend payout ratio at 70% confirmed.** A greater impact in 2023 from the internal models update after the ECB inspection (from estimated -45bps to -70bps expected) together with the impact of IFRS17 (-20bps) prompted management to strongly rationalise RWA (ca. Eu -29bn QoQ) with an expected limited impact on P&L but a strong effect on capital ratios (CET1 ratio FL boosted by +110bps QoQ to 13.5%). This move will enable the bank to offset regulatory headwinds in 2023 (-90bps), guarantee a 70% dividend payout for the next 3 years, and start executing the Eu 1.7bn buyback immediately (to be concluded by 22<sup>nd</sup> May). CET1 ratio FL guided at 13% by YE23, above 13.0% by YE24 and above 13.5% by YE25 with the CET1 ratio FL target kept unchanged at >12%.
- New 2023 guidance.** The CEO gave guidance for profits in 2023 to “well above 2022 level ex Russia impact”, equivalent to “well above Eu 5.5bn”. Main drivers: NII +Eu 2.5bn YoY; fees flat/slightly up; trading down; costs flat/slightly up; cost of risk 30/40bps depending on GDP final outcome (slightly up/mild recession).
- Change in estimates.** We have raised our EPS estimates for ‘23/’24 by +8.0% and +0.2% driven by higher NII (we remain slightly below ISP guidance) and lower CoR (45bps for 2023 and 40bps for 2024), while for reasons of prudence we have raised our cost projections by +3.8% on average for ‘23/’24, mainly due to personnel and depreciation (i.e. technological investments). According to our new estimates, ISP should be able to deliver profits above Eu 6bn in 2023 (vs >Eu 5.5bn in guidance), also supported by some buffers (i.e. Eu 0.9bn overlays; forward rates which could provide some upside on NII).
- Outperform confirmed, T.P. raised from Eu 3.0 to Eu 3.20.** The high sensitivity to rates and the low gross NPE ratio together with a solid capital and remuneration policy should ensure a high return to shareholders. The Eu 1.7bn buyback to start soon should be a positive catalyst for the stock, and the absence of M&A (see the CEO’s statement on no interest in BMPS) should give some visibility on the use of excess capital. Our valuation is based on ROTe ‘23: at target, the stock would trade at just a touch above 1x TE vis-a-vis an expected ROTe ‘23 at 12%.

Key Figures & Ratios	2020A	2021A	2022A	2023E	2024E
Total income (Eu mn)	20,400	20,793	21,470	23,647	24,117
Net Operating Profit (Eu mn)	9,361	9,813	10,536	12,486	12,888
Net Profit Adj (Eu mn)	3,091	4,020	4,565	6,340	7,008
EPS New Adj (Eu)	0.159	0.207	0.240	0.347	0.383
EPS Old Adj (Eu)	0.159	0.207	0.225	0.321	0.383
DPS (Eu)	0.135	0.151	0.161	0.235	0.264
P/E Adj	15.0	11.5	9.9	6.9	6.2
Div. Yield	5.7%	6.3%	6.7%	9.9%	11.1%
P/TE	0.81	0.85	0.87	0.81	0.78
ROTE	5.4%	7.4%	8.8%	11.8%	12.6%

INTESA S.PAOLO – Key Figures						
Profit & Loss (Eu mn)	2019A	2020A	2021A	2022A	2023E	2024E
Interest Income	7,005	8,278	7,905	9,500	11,904	12,142
Commissions Income	7,962	8,725	9,527	8,919	8,969	9,170
Trading and Other Income	3,116	3,397	3,361	3,051	2,774	2,805
Total Income	18,083	20,400	20,793	21,470	23,647	24,117
Costs & Depreciation	-9,290	-11,039	-10,980	-10,934	-11,161	-11,229
Net Operating Profit	8,793	9,361	9,813	10,536	12,486	12,888
Provisions	-2,089	-4,493	-2,766	-3,113	-2,031	-1,832
Write-downs & Others	-111	1,320	-461	-79	-236	-246
Pre-tax Profit	6,593	6,188	6,586	7,344	10,219	10,809
Taxes	-1,838	-1,510	-1,605	-2,059	-3,270	-3,459
Tax rate	27.9%	24.4%	24.4%	28.0%	32.0%	32.0%
Minorities & Discontinued Activities	10	-387	194	-4	-4	-4
Net Profit	4,182	3,277	4,185	4,354	6,140	6,888
Total Extraordinary Items	54	-186	-165	211	200	120
Net Profit Adj	4,236	3,091	4,020	4,565	6,340	7,008
Dividend Payout	0	2,629	2,932	3,048	4,298	4,822
Per Share Data (Eu)	2019A	2020A	2021A	2022A	2023E	2024E
Total Shares Year End	17,509	19,430	19,430	18,989	18,275	18,275
EPS Stated	0.239	0.169	0.215	0.229	0.336	0.377
EPS adj	0.242	0.159	0.207	0.240	0.347	0.383
BVPS	3.196	3.391	3.282	3.247	3.475	3.588
TEPS	2.724	2.931	2.801	2.729	2.937	3.050
Dividend per share (ord)	0.000	0.135	0.151	0.161	0.235	0.264
Dividend Pay Out Ratio	0.0%	80.2%	70.1%	70.0%	70.0%	70.0%
Balance Sheet (Eu mn)	2019A	2020A	2021A	2022A	2023E	2024E
Loans to Banks	47,170	108,310	162,139	31,273	31,273	31,273
Loans to Customers	395,229	462,802	465,871	446,854	451,323	458,092
Net Securities	314,772	367,303	368,821	319,969	322,969	325,969
Due to Banks	103,316	115,944	165,262	137,476	137,476	137,476
Due to Customers	414,578	514,229	545,101	528,795	531,590	535,220
Group equity	56,215	67,066	64,154	61,821	63,838	66,605
Minorities	247	1,172	379	166	341	1,041
Net Equity	55,968	65,894	63,775	61,655	63,497	65,563
Tangible Equity	47,692	56,945	54,433	51,825	53,667	55,733
Total Assets/Liabilities	816,102	1,034,002	1,069,003	975,683	983,526	993,594
Off Balance Sheet (Eu mn)	2019A	2020A	2021A	2022A	2023E	2024E
Total F.U.M.	357,998	439,335	474,405	430,165	441,002	452,123
Total A.U.M.	534,349	659,529	719,231	674,705	690,433	706,542
Total Customer Funds	948,927	1,173,758	1,264,332	1,203,500	1,222,023	1,241,762
Branches	5,280	6,314	4,719	4,565	4,265	3,965
Employees	89,102	105,615	97,698	95,574	95,074	94,574
Asset Quality (Eu mn)	2019A	2020A	2021A	2022A	2023E	2024E
Gross NPE	31,299	20,899	15,249	10,642	10,770	10,986
Net NPE	14,222	10,743	7,077	5,496	5,598	5,710
NPE Coverage Ratio	54.6%	48.6%	53.6%	48.4%	48.0%	48.0%
Gross NPE Ratio	7.6%	4.4%	3.2%	2.3%	2.3%	2.3%
Capital Ratios (%)	2019A	2020A	2021A	2022A	2023E	2024E
RWA (Eu mn)	298,524	347,072	326,903	295,400	316,078	325,560
CET1 Ratio	13.9%	14.7%	14.5%	13.8%	13.5%	13.7%
CET1 Ratio Fully Loaded	13.0%	14.0%	14.0%	13.5%	13.2%	13.4%
Tier1 Ratio	15.3%	16.9%	16.4%	16.2%	15.8%	15.9%
Total Capital Ratio	17.7%	19.6%	19.1%	19.1%	18.6%	18.8%
Leverage Ratio	6.7%	7.2%	6.6%	6.5%	6.7%	6.9%
Profitability Ratios (%)	2019A	2020A	2021A	2022A	2023E	2024E
Cost/Income (incl. Depreciation)	51.4%	54.1%	52.8%	50.9%	47.2%	46.6%
Total Income per Employee ('000)	203	193	213	225	249	255
Total Income per Branch ('000)	3,425	3,231	4,406	4,703	5,544	6,083
Cost per Employee ('000)	92.4	92.6	99.7	101.0	102.9	103.8
Loans Provisions (b.p.)	53	97	59	70	45	40
Loans/deposits (x)	0.95	0.90	0.85	0.85	0.85	0.86
Growth Rates (%)	2019A	2020A	2021A	2022A	2023E	2024E
Total Income	1.2%	12.8%	1.9%	3.3%	10.1%	2.0%
Net Operating Profit	4.6%	6.5%	4.8%	7.4%	18.5%	3.2%
Net Profit	3.3%	-21.6%	27.7%	4.0%	41.0%	12.2%
EPS Adj	6.0%	-34.2%	30.1%	16.2%	44.3%	10.5%
Customer Loans	0.4%	17.1%	0.7%	-4.1%	1.0%	1.5%

Source: Intermonte SIM estimates

**Much better revenues drove the beat in the quarter.** ISP closed 4Q with Eu 1070mn in net profit vs Eu 880mn expected thanks to better revenues and lower tax rate, which more than compensated higher costs and higher CoR

**IntesaSanpaolo – 4Q22 Results**

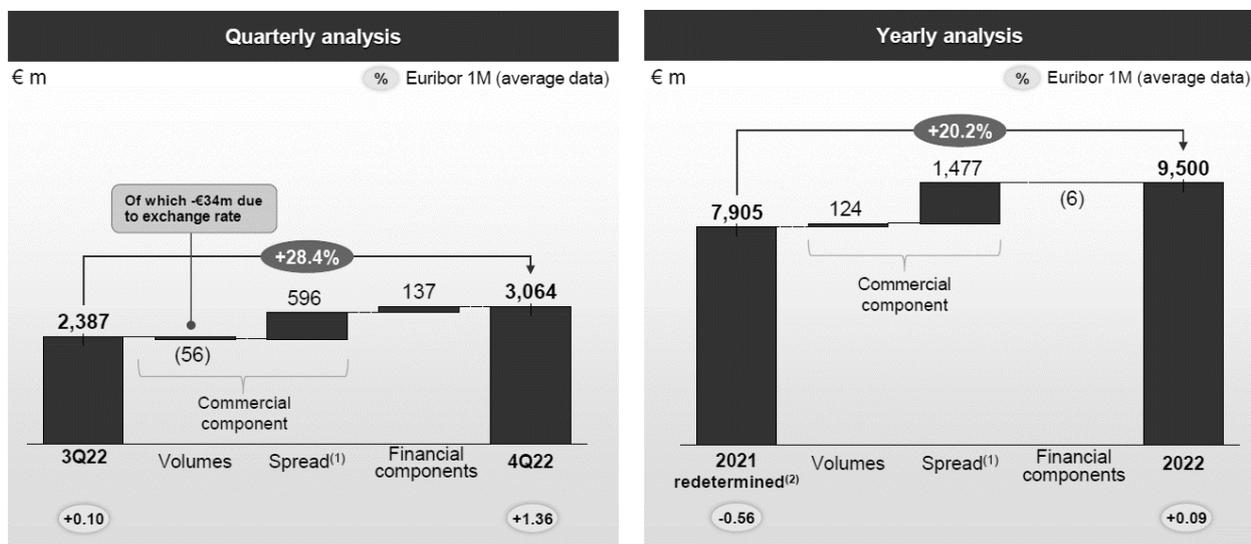
(Eu mn)	4Q21	1Q22	2Q22	3Q22	4Q22A	4Q22E	YoY	QoQ	A vs E
Net Interest Income	1,954	1,957	2,092	2,387	3,064	2,625	56.8%	28.4%	16.7%
Net Fee Income	2,532	2,289	2,255	2,153	2,222	2,189	-12.2%	3.2%	1.5%
Trading Income	108	769	560	51	(2)	15	<i>n.m</i>	<i>n.m</i>	<i>n.m</i>
Insurance	410	402	465	436	402	362	-2.0%	-7.8%	11.1%
Other Income	16	4	(12)	(12)	(12)	66	<i>n.m</i>	0.0%	<i>n.m</i>
<b>Total Income</b>	<b>5,020</b>	<b>5,421</b>	<b>5,360</b>	<b>5,015</b>	<b>5,674</b>	<b>5,257</b>	<b>13.0%</b>	<b>13.1%</b>	<b>7.9%</b>
Labour costs	(1,844)	(1,576)	(1,613)	(1,632)	(1,921)	(1,866)	4.2%	17.7%	2.9%
Other operating Expenses	(845)	(634)	(718)	(695)	(865)	(858)	2.4%	24.5%	0.8%
Depreciation	(338)	(314)	(309)	(313)	(344)	(329)	1.8%	9.9%	4.4%
<b>Total costs</b>	<b>(3,027)</b>	<b>(2,524)</b>	<b>(2,640)</b>	<b>(2,640)</b>	<b>(3,130)</b>	<b>(3,054)</b>	<b>3.4%</b>	<b>18.6%</b>	<b>2.5%</b>
<i>Cost Income (%)</i>	60.3%	46.6%	49.3%	52.6%	55.2%	58.1%			
<b>Operating Profit</b>	<b>1,993</b>	<b>2,897</b>	<b>2,720</b>	<b>2,375</b>	<b>2,544</b>	<b>2,202</b>	<b>27.6%</b>	<b>7.1%</b>	<b>15.5%</b>
Loan Loss Provisions	(1,222)	(702)	(730)	(496)	(1,185)	(988)	-3.0%	138.9%	19.9%
Risk Provisions	(415)	(60)	(63)	(45)	(113)	(87)	-72.8%	151.1%	30.5%
<i>Cost of Risk (bps)</i>	105bps	60bps	62bps	42bps	103bps	84bps	-2bps	61bps	19bps
<i>Total Cost of Risk (bps)</i>	141bps	65bps	67bps	46bps	113bps	92bps	-28bps	67bps	21bps
Extraordinary Items/Ot. Items	78	(4)	147	4	55	13	-29.5%	1275.0%	323.1%
<b>Profit Before Tax</b>	<b>434</b>	<b>2,131</b>	<b>2,074</b>	<b>1,838</b>	<b>1,301</b>	<b>1,140</b>	<b>199.8%</b>	<b>-29.2%</b>	<b>14.1%</b>
Income tax for the period	(82)	(777)	(670)	(562)	(50)	(218)	-39.0%	-91.1%	-77.0%
Disc Act./PPA/GW Imp./Levies	(267)	(336)	(82)	(340)	(169)	(34)	-36.7%	-50.3%	392.4%
Minorities	94	6	8	(6)	(12)	(8)	<i>n.m</i>	100.0%	50.0%
<b>Net Profit</b>	<b>179</b>	<b>1,024</b>	<b>1,330</b>	<b>930</b>	<b>1,070</b>	<b>880</b>	<b>497.8%</b>	<b>15.1%</b>	<b>21.6%</b>
Book Value (BV)	63,775	64,724	64,017	62,705	61,655	62,969	-3.3%	-1.7%	-2.1%
<b>Tangible Equity (TE)</b>	<b>54,433</b>	<b>55,529</b>	<b>54,707</b>	<b>53,395</b>	<b>52,345</b>	<b>53,659</b>	<b>-3.8%</b>	<b>-2.0%</b>	<b>-2.4%</b>
BV ps (Eu)	3.28	3.33	3.29	3.23	3.17	3.24	-3.3%	-1.7%	-2.1%
<b>TE ps (Eu)</b>	<b>2.80</b>	<b>2.86</b>	<b>2.82</b>	<b>2.75</b>	<b>2.69</b>	<b>2.76</b>	<b>-3.8%</b>	<b>-2.0%</b>	<b>-2.4%</b>
Restated ROE (Annualized) (%)	1.1%	6.3%	8.3%	5.9%	6.9%	5.6%	582bps	101bps	135bps
<b>Restated ROTE (Annualized) (%)</b>	<b>1.3%</b>	<b>7.4%</b>	<b>9.7%</b>	<b>7.0%</b>	<b>8.2%</b>	<b>6.6%</b>	<b>686bps</b>	<b>121bps</b>	<b>161bps</b>
Loans	465,254	468,995	471,649	473,746	446,854	462,928	-4.0%	-5.7%	-3.5%
Deposits	543,418	539,278	536,958	536,726	528,795	534,023	-2.7%	-1.5%	-1.0%
<b>CET1 ratio Fully Phased (%)</b>	<b>14.0%</b>	<b>13.6%</b>	<b>12.5%</b>	<b>12.4%</b>	<b>13.5%</b>	<b>13.2%</b>	<b>-46bps</b>	<b>109bps</b>	<b>34bps</b>

Source: Intermonte SIM

In details ISP posted a 13.1% YoY increase in revenues beating expectations by +7.9% thanks to much better NII (+16.7% vs est or +57% YoY) driven by higher customer spread.

#### IntesaSanpaolo – NII trend

### Net interest income: significant yearly growth, with strong acceleration in Q4, thanks to the commercial component



Note: figures may not add up exactly due to rounding. 2021, 1Q22 and 2Q22 data restated to reflect the consolidation of Compagnie de Banque Privée Quilvest (Fideuram Group) since July 2022 and the sale of Intesa Sanpaolo Formazione at end-June 2022.

(1) Including hedging on core deposits

(2) Considering, on the basis of management accounts, the reallocation of the contribution of branches sold in 1H21 to Income (Loss) from discontinued operations, the full line-by-line consolidation of Assicurazioni Vita (former Aviva Vita), Lombarda Vita and Cargeas Assicurazioni (not considering, on the basis of management accounts, the contribution of branches sold in 1H21), and the effects of the acquisition of the REVL Group

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INTESA SANPAOLO

Source: Intermonte SIM

Fees were broadly in line with estimates (-12.2% YoY) and suffered due to AM business weakness YoY only partially compensated by banking fees and in particular by collection and payment fees.

#### IntesaSanpaolo – Fees Evolution

Eu mn	3Q 21	4Q 21	1Q22	2Q22	3Q22	4Q22
Guarantees given / received	61	52	47	54	86	59
Collection and payment services	138	138	139	164	156	164
Current accounts	352	364	346	348	348	344
Credit and debit cards	108	89	83	108	114	109
<b>Commercial banking activities</b>	<b>659</b>	<b>643</b>	<b>615</b>	<b>674</b>	<b>704</b>	<b>676</b>
Dealing and placement of securities	211	227	228	153	134	167
Currency dealing	3	4	2	3	4	0
Portfolio management	764	896	704	676	660	670
Distribution of insurance products	401	417	403	421	357	406
Other	54	109	75	56	59	52
<b>Management, dealing and consultancy activities</b>	<b>1,433</b>	<b>1,653</b>	<b>1,412</b>	<b>1,309</b>	<b>1,214</b>	<b>1,295</b>
Other net fee and commission income	233	236	262	272	235	251
<b>Net fee and commission income</b>	<b>2,325</b>	<b>2,532</b>	<b>2,289</b>	<b>2,255</b>	<b>2,153</b>	<b>2,222</b>

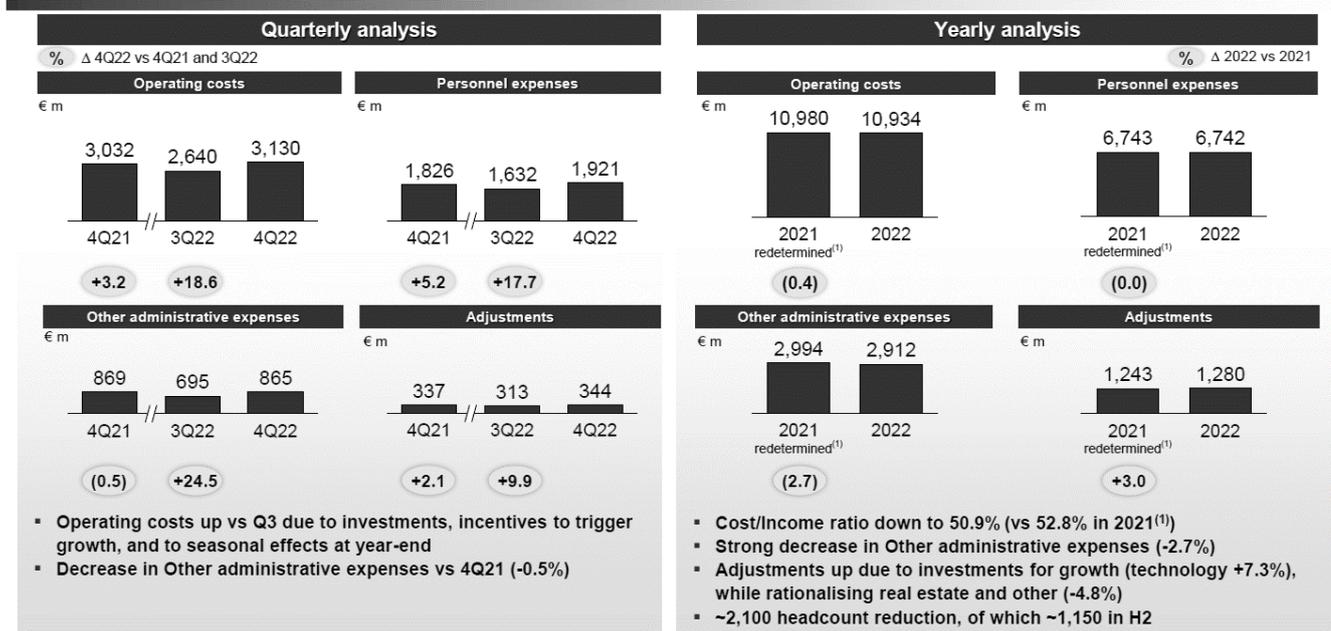
Source: Intermonte SIM and Company data

Trading was slightly negative also for some deleverage actions undertaken by management.

Costs were up (+3.4% YoY) mainly due to higher personnel costs (+5.2% YoY).

IntesaSanpaolo: Operating costs evolution

Operating costs: yearly reduction and improvement in Cost/Income ratio despite inflation, while investing in technology and growth



Note: figures may not add up exactly due to rounding. 2021, 1Q22 and 2Q22 data restated to reflect the consolidation of Compagnie de Banque Privée Quilvest (Fideuram Group) since July 2022 and the sale of Intesa Sanpaolo Formazione at end-June 2022  
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Source: Company data

Asset quality further improved, CoR above estimates to create some buffers for 2023. Cost of risk was higher than expected in the quarter (103bps vs exp 84bps) as management sought to increase overlays (Eu 0.9bn) and the NPE coverage ratio (increased in 1 quarter from 46.9% to 48.4%) to facilitate further NPE disposals in 2023 in order to keep the gross NPE ratio at the current excellent level (gross NPE ratio at 2.3%, net NPE ratio at 1.2%). Underlying cost of risk stood at 30bps in 2022.

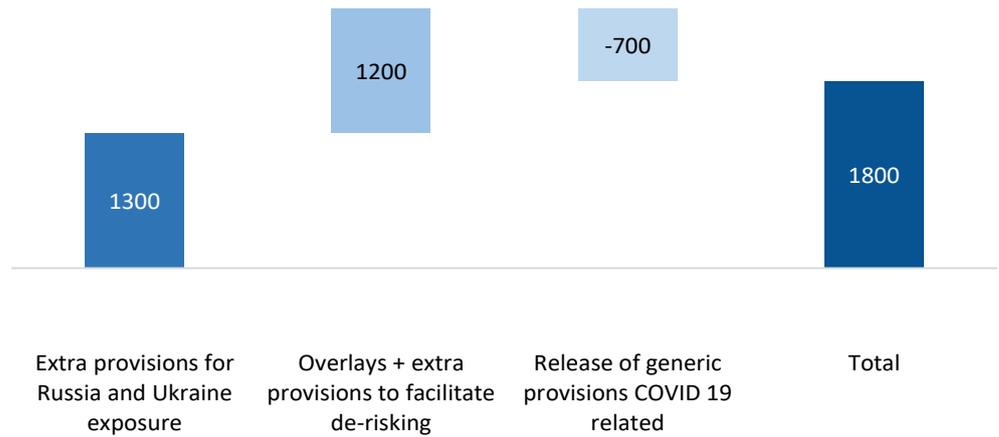
IntesaSanpaolo: Underlying cost of risk



(1) Data redetermined considering, on the basis of management accounts, the reallocation of the contribution of branches sold in 1H21 to Income (Loss) from discontinued operations, the full line-by-line consolidation of Assicurazioni Vita (former Aviva Vita), Lombardia Vita and Cargeas Assicurazioni (not considering, on the basis of management accounts, the contribution of branches sold in 1H21), and the effects of the acquisition of the REYL Group

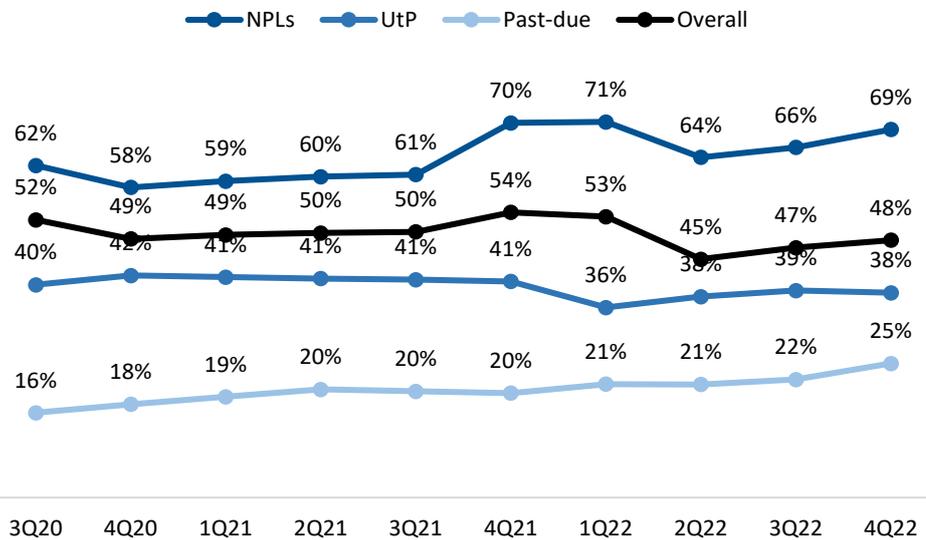
Source: Intermonte SIM

**IntesaSanpaolo: Extra provisions booked in 2022 (Eu mn)**



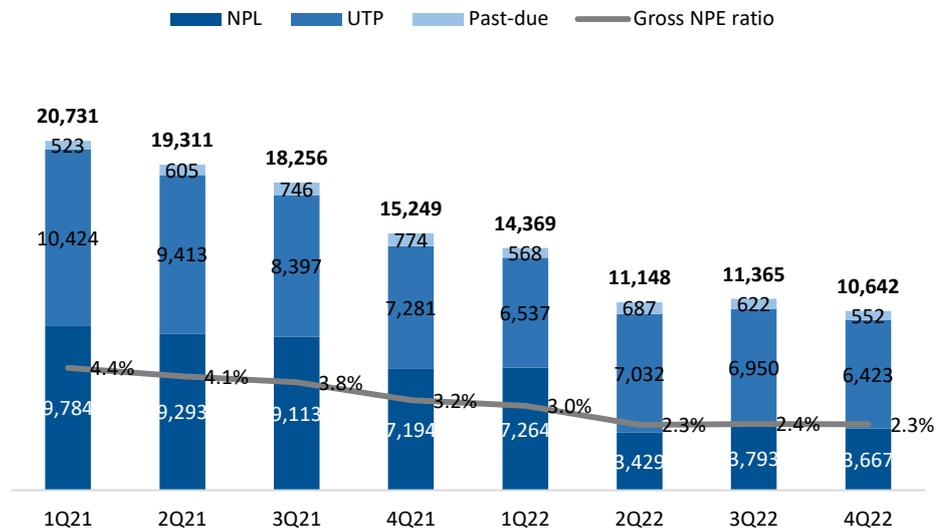
Source: Intermonte SIM and Company data

**IntesaSanpaolo: NPE coverage ratio evolution (%)**



Source: Intermonte SIM and Company data

**IntesaSanpaolo: Gross NPE ratio evolution (Eu mn)**

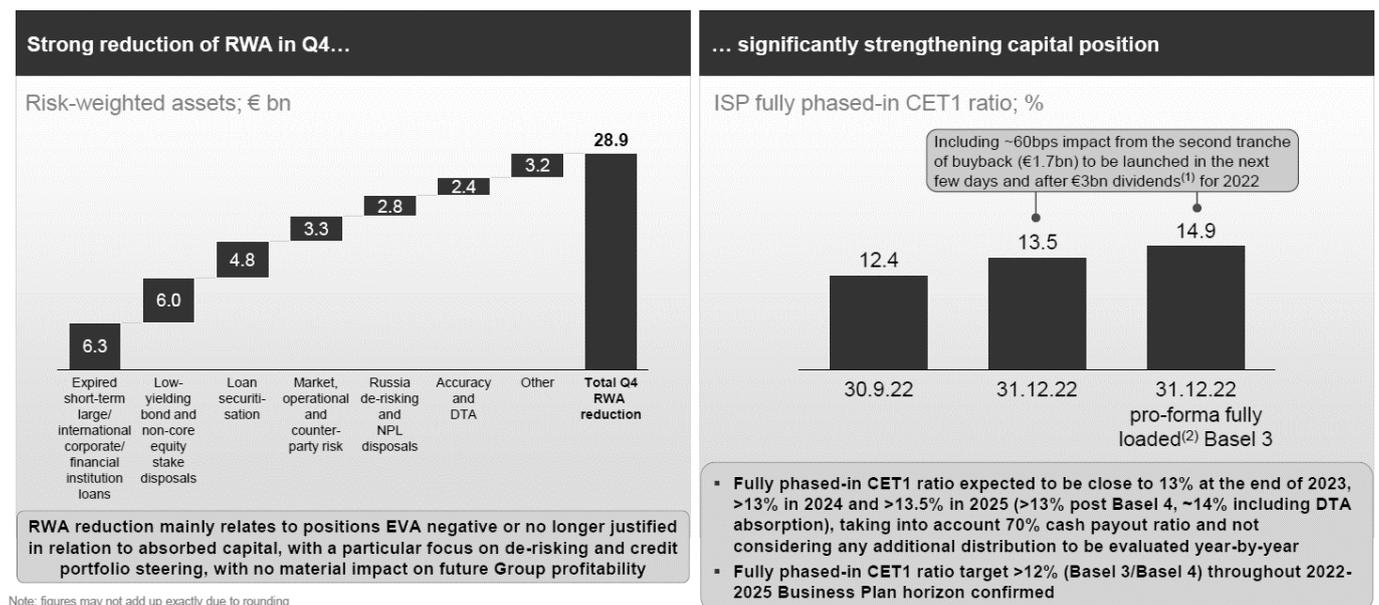


Source: Intermonte SIM

Profits were higher than expected, due in part to the Eu 320mn DTA writeup (ex UBI), which more than compensated the higher negative PPA effect.

**Solid capital: Eu 1.7buyback to start immediately, dividend payout ratio at 70% confirmed.** A greater impact in 2023 from the internal models update after the ECB inspection (from estimated -45bps to -70bps expected) together with the impact of IFRS17 (-20bps) prompted management to strongly rationalise RWA (ca. Eu -29bn QoQ) with an expected limited impact on P&L but a strong effect on capital ratios (CET1 ratio FL boosted by +110bps QoQ to 13.5%). This move will enable the bank to offset regulatory headwinds in 2023 (-90bps), guarantee a 70% dividend payout for the next 3 years, and start executing the Eu 1.7bn buyback immediately (to be concluded by 22nd May). CET1 ratio FL guided at 13% by YE23, above 13.0% by YE24 and above 13.5% by YE25 with the CET1 ratio FL target kept unchanged at >12%.

**IntesaSanpaolo: Strong RWA reduction in 4Q to boost CET1 ratio**



Note: figures may not add up exactly due to rounding  
 (1) Including €1.4bn paid as an interim dividend on 23.11.22  
 (2) 31.12.22 financial statements considering the total absorption of DTA related to IFRS9 FTA, DTA convertible in tax credit related to goodwill realignment and adjustments to loans, DTA related to non-taxable public cash contribution of €1,285m covering the integration and rationalisation charges relating to the acquisition of operations of the two former Venetian banks, as well as the expected absorption of DTA related to the combination with UBI Banca and to the new agreement with Labour Unions signed on 16.11.21 and DTA on losses carried forward, and the expected distribution on FY22 Net income of insurance companies

**Change in estimates.** We have raised our EPS estimates for '23/'24 by +8.0% and +0.2% driven by higher NII (we remain slightly below ISP guidance) and lower CoR (we remain above Co. guidance assuming 45bps for 2023 and 40bps for 2024 vs Co. guidance for 2023 at 30bps+10bps for further NPE disposal), while for reasons of prudence we have raised our cost projections by +3.8% on average for '23/'24, mainly due to personnel and depreciation (i.e. technological investments). According to our new estimates, ISP should be able to deliver profits above Eu 6bn (vs >Eu 5.5bn in guidance), also supported by some buffers (i.e. Eu 0.9bn overlays; forward rates which could provide some upside on NII).

**ISP – Change in estimates**

(Eu mn)	New			Old			% Change		
	2022E	2023E	2024E	2022E	2023E	2024E	2022E	2023E	2024E
Net Interest Income	9,500	11,904	12,142	9,061	11,055	11,276	4.8%	7.7%	7.7%
Net Fee Income	8,919	8,969	9,170	8,886	9,032	9,206	0.4%	-0.7%	-0.4%
Trading Income	1,378	1,102	1,097	1,395	1,346	1,339	-1.2%	-18.1%	-18.1%
Insurance	1,705	1,705	1,743	1,665	1,701	1,739	2.4%	0.2%	0.2%
Other Income	(32)	(33)	(34)	46	47	49	n.m.	n.m.	n.m.
<b>Total Income</b>	<b>21,470</b>	<b>23,647</b>	<b>24,117</b>	<b>21,053</b>	<b>23,182</b>	<b>23,609</b>	<b>2.0%</b>	<b>2.0%</b>	<b>2.2%</b>
Labour costs	(6,742)	(6,926)	(7,028)	(6,687)	(6,722)	(6,735)	0.8%	3.0%	4.3%
Other operating Expenses	(2,912)	(2,853)	(2,792)	(2,905)	(2,796)	(2,729)	0.2%	2.0%	2.3%
Depreciation	(1,280)	(1,382)	(1,410)	(1,265)	(1,278)	(1,304)	1.1%	8.2%	8.2%
<b>Total costs</b>	<b>(10,934)</b>	<b>(11,161)</b>	<b>(11,229)</b>	<b>(10,858)</b>	<b>(10,796)</b>	<b>(10,768)</b>	<b>0.7%</b>	<b>3.4%</b>	<b>4.3%</b>
Cost Income (%)	50.9%	47.2%	46.6%	51.6%	46.6%	45.6%			
<b>Operating Profit</b>	<b>10,536</b>	<b>12,486</b>	<b>12,888</b>	<b>10,194</b>	<b>12,386</b>	<b>12,841</b>	<b>3.4%</b>	<b>0.8%</b>	<b>0.4%</b>
Loan Loss Provisions	(3,113)	(2,031)	(1,832)	(2,916)	(2,712)	(1,898)	6.7%	-25.1%	-3.5%
Risk Provisions	(281)	(316)	(326)	(255)	(327)	(338)	10.4%	-3.5%	-3.5%
Cost of Risk (bps)	68bp	45bp	40bp	63bp	58bp	40bp	5bp	-13bp	0bp
Total Cost of Risk (bps)	74bp	52bp	47bp	68bp	65bp	47bp	6bp	-13bp	0bp
Extraordinary Items/Other Items	-	-	-	-	-	-	n.m.	n.m.	n.m.
<b>Profit Before Tax</b>	<b>7,344</b>	<b>10,219</b>	<b>10,809</b>	<b>7,183</b>	<b>9,467</b>	<b>10,725</b>	<b>2.2%</b>	<b>7.9%</b>	<b>0.8%</b>
Income tax for the period	(2,059)	(3,270)	(3,459)	(2,227)	(3,029)	(3,432)	-7.5%	7.9%	0.8%
Disc Act./PPA/GW Impair./Levies	(927)	(804)	(458)	(792)	(689)	(423)	17.0%	16.7%	8.3%
Minorities	(4)	(4)	(4)	-	-	-	n.m.	n.m.	n.m.
<b>Net Profit</b>	<b>4,354</b>	<b>6,140</b>	<b>6,888</b>	<b>4,164</b>	<b>5,748</b>	<b>6,870</b>	<b>4.6%</b>	<b>6.8%</b>	<b>0.3%</b>
Tax Rate (%)	28.0%	32.0%	32.0%	31.0%	32.0%	32.0%			
<b>Restated Net Profit</b>	<b>4,565</b>	<b>6,340</b>	<b>7,008</b>	<b>4,264</b>	<b>5,848</b>	<b>6,970</b>	<b>7.1%</b>	<b>8.4%</b>	<b>0.5%</b>
Stated Eps (Eu)	0.229	0.336	0.377	0.219	0.316	0.377	4.6%	6.4%	-0.1%
<b>Restated Eps (Eu)</b>	<b>0.240</b>	<b>0.347</b>	<b>0.383</b>	<b>0.225</b>	<b>0.321</b>	<b>0.383</b>	<b>7.1%</b>	<b>8.0%</b>	<b>0.2%</b>
Dps ord. (Eu)	0.161	0.235	0.264	0.154	0.221	0.264	4.6%	6.4%	-0.1%
BV ps (Eu)	3.25	3.47	3.59	3.33	3.57	3.69	-2.6%	-2.7%	-2.7%
<b>TE ps (Eu)</b>	<b>2.73</b>	<b>2.94</b>	<b>3.05</b>	<b>2.84</b>	<b>3.06</b>	<b>3.17</b>	<b>-4.0%</b>	<b>-4.0%</b>	<b>-3.9%</b>
Recurrent ROE (%)	7.4%	10.0%	10.7%	6.7%	9.0%	10.4%	67bp	100bp	30bp
<b>Recurrent ROTE (%)</b>	<b>8.8%</b>	<b>11.8%</b>	<b>12.6%</b>	<b>7.9%</b>	<b>10.5%</b>	<b>12.1%</b>	<b>91bp</b>	<b>132bp</b>	<b>51bp</b>
Loans	446,854	451,323	458,092	462,928	467,557	474,570	-3.5%	-3.5%	-3.5%
Due to Customers	463,957	473,236	482,701	477,734	487,289	497,035	-2.9%	-2.9%	-2.9%
<b>CET1 ratio Phased-in (%)</b>	<b>13.8%</b>	<b>13.5%</b>	<b>13.7%</b>	<b>13.4%</b>	<b>13.2%</b>	<b>13.4%</b>	<b>42bp</b>	<b>33bp</b>	<b>35bp</b>
RWA	295,400	316,078	325,560	310,558	329,191	339,067	-4.9%	-4.0%	-4.0%

Source: Intermonte SIM

**Outperform confirmed, T.P. raised from Eu 3.0 to Eu 3.20.** The high sensitivity to rates and the low gross NPE ratio together with a solid capital and remuneration policy should ensure a high return to shareholders. The Eu 1.7bn buyback to start soon should be a positive catalyst for the stock, and the absence of M&A (see the CEO's statement on no interest in BMPS) should give some visibility on the use of excess capital. Our valuation is based on ROTE '23: at target, the stock would trade at just a touch above 1x TE vis-a-vis an expected ROTE '23 at 12%.

#### European Banks' Multiples

Price at: 06/02/2023	Price (Eu)	Mkt Cap (mn Eu)	P/E Restated			P/TE			ROTE Restated			DIVIDEND YIELD		
Italian Banks			22	23	24	22	23	24	22	23	24	22	23	24
UNICREDIT	18.02	40,110	6.2	5.9	4.8	0.57	0.52	0.46	9.2%	8.8%	9.5%	5.5%	5.6%	6.5%
INTESA SANPAOLO	2.38	46,303	9.9	6.9	6.2	0.87	0.81	0.78	8.8%	11.8%	12.6%	6.7%	9.9%	11.1%
Banco BPM	4.10	6,217	9.1	6.8	5.3	0.54	0.52	0.50	5.9%	7.7%	9.3%	5.5%	7.6%	9.5%
MEDIOBANCA	10.04	8,679	9.4	9.2	8.8	0.82	0.79	0.77	8.7%	8.6%	8.8%	7.5%	7.6%	8.0%
BPER	2.54	3,590	9.1	7.1	5.9	0.46	0.44	0.42	5.0%	6.2%	7.2%	3.5%	4.7%	7.1%
CREDEM	7.90	2,696	9.1	8.9	7.9	0.95	0.88	0.82	10.4%	9.9%	10.4%	3.8%	3.8%	3.8%
BANCA IFIS	15.72	846	7.7	7.0	6.0	0.53	0.51	0.49	6.9%	7.3%	8.1%	7.1%	7.6%	8.5%
BANCA SISTEMA	1.78	143	5.9	5.1	4.5	0.60	0.56	0.51	10.1%	10.8%	11.3%	4.2%	4.9%	5.5%
MPS**	2.49	3,136	32.3	20.1	15.5	0.41	0.38	0.36	2.5%	3.8%	4.6%	0.0%	0.0%	0.0%
Popolare di Sondrio**	4.51	2,047	18.8	15.8	14.8	0.62	0.59	0.57	6.5%	7.5%	7.7%	5.2%	6.3%	6.8%
BFF BANK	8.78	1,622	11.1	9.0	8.2	2.75	2.63	2.58	24.8%	29.3%	31.5%	9.0%	11.1%	12.2%
<b>Italian Banks' Average</b>		<b>12,245</b>	<b>8.6</b>	<b>7.3</b>	<b>6.4</b>	<b>0.90</b>	<b>0.85</b>	<b>0.81</b>	<b>10.0%</b>	<b>11.2%</b>	<b>12.1%</b>	<b>5.9%</b>	<b>7.0%</b>	<b>8.0%</b>
<b>Italian Banks' Weighted Average</b>			<b>8.4</b>	<b>6.8</b>	<b>5.9</b>	<b>0.75</b>	<b>0.70</b>	<b>0.66</b>	<b>8.9%</b>	<b>10.2%</b>	<b>11.0%</b>	<b>6.1%</b>	<b>7.7%</b>	<b>8.8%</b>
<b>CEE Banks</b>														
Erste Group Bank AG	35.31	15,176	7.5	7.2	6.9	0.97	0.90	0.85	12.9%	12.4%	12.3%	5.4%	5.7%	5.9%
Raiffeisen Bank International AG	15.31	5,036	1.8	5.4	4.5	0.31	0.34	0.31	16.7%	6.3%	7.0%	0.0%	3.5%	5.1%
BANK POLSKA KASA OPIEKI SA	19.79	5,194	10.5	6.4	6.5	1.22	1.08	1.00	11.6%	16.7%	15.4%	4.6%	7.2%	8.8%
PKO Bank Polski S.A.	6.93	8,665	11.2	6.5	6.1	1.35	1.14	1.05	12.1%	17.6%	17.2%	4.5%	5.5%	7.8%
Alior Bank SA	8.52	1,112	5.0	5.8	6.3	0.96	0.82	0.73	19.3%	14.1%	11.5%	0.0%	0.0%	0.0%
Komerční banka, a.s.	31.28	5,944	8.2	9.2	9.2	1.31	1.27	1.23	15.9%	13.7%	13.3%	12.9%	7.1%	7.2%
<b>CEE Banks' Weighted Avg</b>		<b>6,854</b>	<b>8.0</b>	<b>7.0</b>	<b>6.7</b>	<b>1.05</b>	<b>0.96</b>	<b>0.90</b>	<b>13.6%</b>	<b>13.6%</b>	<b>13.2%</b>	<b>5.4%</b>	<b>5.6%</b>	<b>6.6%</b>
<b>French Banks</b>														
Credit Agricole SA	11.26	34,259	7.5	8.2	7.0	0.84	0.80	0.76	11.2%	9.8%	10.9%	8.4%	6.0%	7.1%
Societe Generale S.A. Class A	27.84	23,657	5.0	6.2	4.7	0.45	0.42	0.39	8.9%	6.8%	8.4%	6.4%	5.7%	6.8%
BNP Paribas S.A. Class A	61.72	76,183	7.6	8.4	6.7	0.76	0.69	0.64	10.0%	8.2%	9.6%	6.5%	6.1%	7.3%
<b>French Banks' Weighted Avg</b>		<b>44,700</b>	<b>7.1</b>	<b>7.9</b>	<b>6.4</b>	<b>0.73</b>	<b>0.67</b>	<b>0.63</b>	<b>10.1%</b>	<b>8.4%</b>	<b>9.7%</b>	<b>7.0%</b>	<b>6.0%</b>	<b>7.2%</b>
<b>German Banks</b>														
Commerzbank AG	10.11	12,661	8.7	7.5	6.4	0.49	0.47	0.44	5.7%	6.2%	6.8%	2.5%	4.1%	5.9%
<b>German Banks' Weighted Avg</b>		<b>12,661</b>	<b>8.7</b>	<b>7.5</b>	<b>6.4</b>	<b>0.49</b>	<b>0.47</b>	<b>0.44</b>	<b>5.7%</b>	<b>6.2%</b>	<b>6.8%</b>	<b>2.5%</b>	<b>4.1%</b>	<b>5.9%</b>
<b>Spanish banks</b>														
Banco de Sabadell SA	1.14	6,395	8.0	7.6	7.1	0.60	0.57	0.54	7.5%	7.5%	7.6%	3.5%	6.2%	6.2%
Bankinter SA	6.48	5,825	10.6	9.1	8.7	1.26	1.18	1.11	11.8%	13.0%	12.8%	4.8%	5.6%	5.7%
Banco Bilbao Vizcaya Argentaria, S.A.	6.91	41,650	6.8	7.1	6.9	0.93	0.90	0.85	13.6%	12.6%	12.3%	6.7%	7.1%	7.2%
CaixaBank SA	3.87	29,041	10.2	9.2	8.4	1.00	0.96	0.92	9.8%	10.4%	11.0%	5.9%	6.0%	7.0%
Banco Santander, S.A.	3.50	58,755	6.6	6.7	6.2	0.80	0.75	0.70	12.1%	11.1%	11.2%	3.1%	4.0%	5.8%
<b>Spanish Banks' Weighted Avg</b>		<b>28,333</b>	<b>7.6</b>	<b>7.5</b>	<b>7.0</b>	<b>0.89</b>	<b>0.84</b>	<b>0.80</b>	<b>11.9%</b>	<b>11.3%</b>	<b>11.4%</b>	<b>4.9%</b>	<b>5.5%</b>	<b>6.5%</b>
<b>Turkish banks</b>														
Yapi ve Kredi Bankasi A.S.	0.44	3,749	1.5	2.3	1.8	0.60	0.47	0.37	40.5%	20.7%	20.3%	7.0%	5.5%	8.3%
Türkiye Garanti Bankasi Anonim Sirketi	1.16	4,873	1.8	2.8	2.3	0.71	0.58	0.50	38.5%	20.3%	21.5%	7.6%	5.1%	7.2%
<b>Turkish Banks' Weighted Avg</b>		<b>4,311</b>	<b>1.7</b>	<b>2.6</b>	<b>2.1</b>	<b>0.66</b>	<b>0.53</b>	<b>0.44</b>	<b>39.3%</b>	<b>20.5%</b>	<b>21.0%</b>	<b>7.3%</b>	<b>5.3%</b>	<b>7.6%</b>
<b>Eu Investment Banks</b>														
Deutsche Bank AG	11.53	23,830	6.1	6.3	5.3	0.43	0.41	0.37	7.0%	6.5%	7.1%	2.6%	3.9%	5.9%
Credit Suisse Group AG	3.32	13,285	(10.1)	123.8	9.8	0.31	0.33	0.33	-3.1%	0.3%	3.4%	1.5%	2.2%	3.0%
UBS Group AG	20.16	71,062	10.8	9.8	8.3	1.37	1.26	1.14	12.7%	12.9%	13.6%	2.5%	2.7%	2.8%
<b>Eu Investment Banks' Weighted Avg</b>		<b>18,558</b>	<b>7.2</b>	<b>23.0</b>	<b>7.8</b>	<b>1.04</b>	<b>0.95</b>	<b>0.87</b>	<b>9.5%</b>	<b>9.9%</b>	<b>10.9%</b>	<b>2.4%</b>	<b>2.9%</b>	<b>3.5%</b>
<b>Eu Commercial Banks' Weighted Avg</b>		<b>17,481</b>	<b>7.5</b>	<b>10.3</b>	<b>6.7</b>	<b>0.85</b>	<b>0.78</b>	<b>0.73</b>	<b>10.8%</b>	<b>10.3%</b>	<b>11.0%</b>	<b>5.1%</b>	<b>5.5%</b>	<b>6.5%</b>

Source: Intermonte SIM estimates, FactSet and company data

Note: \*\* MPS and BPSO figures are based on consensus data.

DETAILS ON STOCKS RECOMMENDATION			
Stock NAME	INTESA S.PAOLO		
Current Recomm:	OUTPERFORM	Previous Recomm:	OUTPERFORM
Current Target (Eu):	3.20	Previous Target (Eu):	3.00
Current Price (Eu):	2.38	Previous Price (Eu):	2.18
Date of report:	06/02/2023	Date of last report:	23/01/2023

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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 of 5.5% are being used.

Frequency of research: quarterly.

Reports on all companies listed on the S&P500 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.

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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

**CURRENT INVESTMENT RESEARCH RATING DISTRIBUTIONS**

Intermonte SIM is authorised by CONSOB to provide investment services and is listed at n° 246 in the register of brokerage firms.

As at 31 December 2022 Intermonte's Research Department covered 121 companies. Intermonte's distribution of stock ratings is as follows:

BUY:	20.66 %
OUTPERFORM:	48.76 %
NEUTRAL:	28.10 %
UNDERPERFORM:	02.48 %
SELL:	00.00 %

The distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (51 in total) is as follows:

BUY:	39.22 %
OUTPERFORM:	49.02 %
NEUTRAL:	11.76 %
UNDERPERFORM:	00.00 %
SELL:	00.00 %

**CONFLICT OF INTEREST**

In order to disclose its possible conflicts of interest Intermonte SIM states that:

**Intermonte SIM SpA is acting as ECM Advisor in GPI's capital increase with an agreement with the company for the publication of an equity research regarding the company and the transaction. Intermonte will receive fees from the company for its activity as ECM Advisor.**

**Intermonte SIM is acting as Global Coordinator in the proposed Unidata's capital increase with an agreement with the company for the publication of an equity research regarding the company and the transaction. Intermonte is also acting as Listing Agent in the proposed Unidata's Translisting. Intermonte will receive fees from the company for its activity as Global Coordinator and Listing Agent.**

Within the last year, Intermonte SIM managed or co-managed/is managing or is co-managing an Institutional Offering and/or managed or co-managed/is managing or is co-managing an offering with firm commitment underwriting of the securities of the following Companies: Civitanavi Systems.

**Intermonte SIM** has provided in the last 12 months / provides / may provide investment banking services to the following companies: Aedes, Amalfi Holding (on La Doria shares), ASGM-AIM, Be, Cellularline, Cy4Gate, Esprinet, GPI, Greenthesis (formerly Ambientthesis), Growens, Gruppo Calligione (in connection with roadshow activities ahead of 2022 Generali AGM), Illimity Bank, Link Mobility Group (on AMM shares), Maire Tecnimont, OVS, Tinexta, Unidata and WIIT.

**Intermonte SIM is acting as counterparty to WIIT Fin S.r.l. in connection with call and put options having WIIT S.p.A. shares and dividends as reference underlying.**

**Intermonte SIM** is Specialist and/or Corporate Broker and/or Sponsor and/or Broker in charge of the share buy back activity of the following Companies: Abitare In, Aedes, Alkemy, Anima Holding, Aquafil, Avio, Azimut Holding, Banca Ifis, Banca Sistema, Cellularline, Civitanavi Systems, Cyberoo, Cy4gate, DeA Capital, Datrix, El.En, Eles, Elica, Emak, Esprinet, Expert AI, Fimit - Fondo Alpha, Fine Foods, Gefran, Go Internet, GPI, Greenthesis (formerly Ambientthesis), Gruppo Fos, GVS, IEG, Iervolino & Lady Bacardi Entertainment, IndelB, Luve, Matica Fintec, Notorious Pictures, Next Re SIIQ, Omer, Pharmanutra, Reevo, Relatech, Reply, Sababa Security, Saes Getters, Salcef, Sciuker Frames, Seco, Servizi Italia, Sesa, Seri Industrial, Somec, Tamburi, Tinexta, Tesmec, The Italian Sea Group, TXT, Unidata, Webuild and WIIT.

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**Intermonte SIM** performs as a market maker for the following companies: A2A, Anima, Atlantia, Autogrill, Azimut Holding, BAMI, Banca Generali, Banca Mediolanum, Brembo, Buzzi, CNHI, Enel, ENI, Exor, Fineco, FCA, FTMIB, Generali, Italgas, Iren, Intesa Sanpaolo, Leonardo, Mediobanca, Moncler, Mediaset, Pirelli&C, Prysmian, Poste, Ferrari, Saipem, Snam, STM, Tenaris, Telecom Italia, Telecom Italia sav, Terna, UBI, Unicredit, Unipol, UnipolSai.

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Intermonte SIM SpA holds net long or short positions in excess of 0.5% of the overall share capital in the following issuers:

Emittente	%	Long/Short

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