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Messina: that's our priority. Moving forwards with €10 billion in cash. Half-year income at €1,738 billion

Intesa Sanpaolo confirms coupons

No more acquisitions after the Veneto banks

Intesa Sanpaolo has closed the first six months of the year with net income of €1,738 billion, up from the €1,707 billion of 12 months earlier. And this achievement is without taking into account the public cash contribution of €3.5 billion relating to the acquisition of Banca Popolare di Vicenza and Veneto Banca assets. Stated net income rose to €5,238 billion, while net operating income amounted to €8,557 billion (-1%) and net interest to €3.62 billion (-1.8%). Net commission increased by 5.8% to €3.751 billion. Net provisions and net impairment losses on other assets fell to €60 million, from €240 million in the first half of 2016.

Loans to customers amounted to €394 billion euro. Non-performing loans, net of impairment losses, totalled €27,802 billion (-6.6% from end-December 2016). Direct deposits amounted to €412 billion, of which €30 billion from the acquisition of the Veneto banks. Assets under management increased by 8.2% to €326 billion on an annual basis. Capital ratios were: 12.5% for CET (12.7% at end-2016), 14.3% for Tier 1 (13.9%) and 17.1% for the total capital ratio. In the second quarter net income fell from the €901 million euro of the previous three months to €837 million.

Ca' de Sass, as Intesa's HQ is known, confirmed its commitment to distribute €10 billion in total cash dividends for 2014-17. The CEO, Carlo Messina, explained that the data "confirm the success of the business model we've adopted, that of a wealth management company: over 50% of earnings before tax is generated by this area of business. The growth in fees in the second quarter, with respect to the first, is the highest among European banks. What I can say", underscored Messina, "is that the dividend and shareholders' remuneration are a priority for me and for of Intesa Sanpaolo as a whole, now and into the future". The CEO expressed satisfaction with this "solid" half-year: "we're one of Europe's strongest banks and we are firmly and rapidly reducing the stock of NPLs. The upside margin is strong".

Turning to the purchase of the Veneto banks' assets, the CEO pointed out that "Intesa's operation has safeguarded over 50 billion euros of savings entrusted to the two banks and protected 2 million customers, 200,000 of them businesses. In addition, our commitment envisages that all of the 4,000 job losses will be managed on a voluntary basis and without compulsory dismissals. We will also be contributing €60 million to reimburse households holding junior bonds. Our intervention meant that the entire banking system did not have to bear the extremely high costs that would have been necessary to guarantee customers' deposits, which were estimated at over €12 billion. Without our intervention, the consequences of the two banks' failing would have affected not just the economic fabric of a very strong region, but also the economy of the entire country". After this operation, however, no other acquisitions are planned.

In Piazza Affari [Milan's stock exchange] Intesa Sanpaolo closed up +0.14%, at €2.916, after falling below par following publication of the half-year results. There was a degree of natural profit taking in this, given that since 20 June the stock had gained 15%.

Angelo Meda, head of equity at Banor SIM, said that net income was higher than expected. Jefferies, who recommend holding, with a target price of €3.15, notes that the core operational trends look sound and the capital ratio and coverage are also favourable.