

**The Future of Italy**

# REVENGE OF THE BANKS

Experts say that credit institutions will benefit from higher rates, M&A and the return of dividends. Among Italian banks, Intesa Sanpaolo is in the spotlight. But there are also opportunities outside Italy.

**Sofia Fraschini**

Banks are under the microscope among financial stocks. The rise in interest rates, the excess cash that the market expects will be funnelled into stocks or M&A and the end to the halt on dividends imposed by Europe make the banking and finance market an interesting investment opportunity.

“Many people want to know which stocks the market will target, especially the financial consultant networks”, commented Nicola Ronchetti, CEO of Finer. He explained that, “Inflation and rising interest rates are the two variables which cannot be ignored when making predictions”.

On the finance front, “We are overweighted in the sector, focusing on two main themes — high-dividend securities exposed to rising rates and companies which could become targets of industry consolidation”, stated Gianmarco Rania, Head of Equities at Banor Capital. He explained that, “ING, BNP, AXA and Intesa Sanpaolo are in the first category. The Dutch company ING and our own Intesa have similar investment profiles. In fact, both have a huge opportunity to leverage rising interest rates, excellent credit quality and a higher potential in terms of dividends (7-8%). We are slightly biased towards Intesa because we expect a marked recovery in lending in Italy, which will benefit more than anything else from the Recover Fund resources. Beyond Italy, France’s BNP is our favourite in the investment bank category. In fact, along with the positive dynamics in classic banking, it is benefiting from the favourable trends in the part more linked to the financial markets. As with the others, BNP is also priced very attractively and has a dividend yield over 5%”. Still regarding the removal of the ban on dividends, Equità SIM is also looking at among Italian banks at Intesa Sanpaolo, with a potential yield over 6%, as well as Unicredit (6.2% yield) and BFF Bank (12.2%). Banca Mediolanum (9.1%) and Banca Generali (7.8%).

Mediobanca’s outlook is also positive, for which the return of dividends “should continue to attract macro funds in the sector and see the return of income funds after the drought of the last 18 months”.

After the Intesta-Ubi deal, which ignited risk. Banor is also focusing on France’s SocGen, Germany’s Commerzbank and some mid-sized Italian banks like Banco Popolare and Banca Popolare Sondrio. “SocGen and Commerzbank could be targets of consolidation at nationally (by Deutsche Bank in Germany and BNP or Crédit Agricole in France) as well as internationally, also given the ECB’s recent support in favour of cross-border mergers”, Rania pointed out.

In the insurance sector, Banor prefers France’s AXA, which “underwent a drastic change in its risk profile, effectively entering the reinsurance market with the acquisition of the American company XL Group”.

CHART	The finance companies chosen by Equità SIM
Intesa Sanpaolo	6% EXPECTED YIELD
Unicredit	6.2% EXPECTED YIELD
BFF Bank	12.2% EXPECTED YIELD
Banca Mediolanum	9.1% EXPECTED YIELD
Banca Generali	7.8% EXPECTED YIELD



**Gianmarco Rania**  
Head of Equities at Banor Capital



**Nicola Ronchetti**  
CEO of Finer