

BANCO BPM

Sector: Banks

BUY

Price: Eu4.75 - Target: Eu6.20

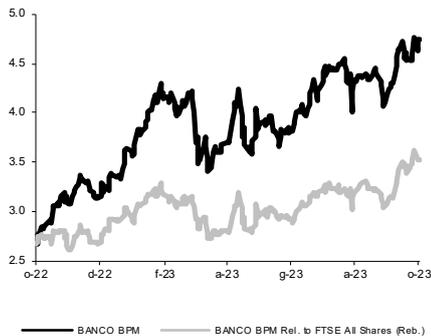
3Q23 Bottom Line To Go Up 3x YoY

Fabrizio Bernardi +39-02-77115.387
 fabrizio.bernardi@intermonte.it

Stock Rating			
Rating:	Unchanged		
Target Price (Eu):	Unchanged		
	2023E	2024E	2025E
Chg in Adj EPS	0.0%	0.0%	0.0%

Next Event

Results Out 7 Nov.

BANCO BPM - 12M Performance


Stock Data			
Reuters code:	BAMI.MI		
Bloomberg code:	BAMI IM		
Performance	1M	3M	12M
Absolute	13.6%	10.0%	77.3%
Relative	14.4%	9.5%	43.1%
12M (H/L)	4.76/2.68		
3M Average Volume (th):	12,787.05		

Shareholder Data	
No. of Ord shares (mn):	1,515
Total no. of shares (mn):	1,515
Mkt Cap Ord (Eu mn):	7,194
Total Mkt Cap (Eu mn):	7,194
Mkt Float - Ord (Eu mn):	5,939
Mkt Float (in %):	82.6%
Main Shareholder:	
Credit Agricole	9.2%

Balance Sheet Data	
Tangible Equity (Eu mn):	11,960
TEPS (Eu):	7.89
CET1 Ratio Fully Loaded:	14.9%
Gross NPE Ratio:	4.2%

■ **3Q23 net profit up to €286m:** BancoBPM's 3Q23 results are due out after close on 7 November (conf. call usually at 6 PM CET – TBC). We expect the bank to report a strong quarter (c.€680m of gross operating profit +33% YoY) with NII +5% QoQ (+54% YoY) offsetting 1) weakening net fees hit by seasonality and clients' ongoing focus on AuC products and 2) trading losses, mainly linked to certificates. OpEx should have risen slightly (+5% YoY) on the back of some seasonality. CoR forecast at 50bp (from 70bp 1 year previously), even with BancoBPM's typically conservative provisioning policy. We also expect €70m of post-tax items, including the DGS.

■ **New business plan by year-end:** BancoBPM is expected to present a new business plan by the end of December 2023. This is seen as a major event, as the new "high-for-longer" interest rate scenario will be plugged into Group figures, with key "fresh" indications on NII (deposit Beta and CoR) and net fees & commissions trends. In our opinion the latter will be an important topic: we may assume the Group will start to get the most from its bancassurance business, recovering the under-penetration posted so far. By the end of the year BancoBPM will gain control of the product factory in the Life segment through the buyback of minorities; furthermore, it is expected to become very active in P&C right after the JV signed with CredAgr. As a reminder, BancoBPM revised its guidance up following 2Q23 results and, pending the new business plan presentation, we would not expect any major updates following 3Q23 results.

■ **New payout policy?** Another cornerstone of the business plan is expected to be the payout policy. Management has so far been fully focused on organic capital generation, which drove the 1H23 capital position up to 14.8% (incl. the Danish compromise); having said that, rhus far BancoBPM's payout guidance has been 50% in cash dividends, whereas other banks top 70-80% and, in particular, use buybacks to enhance EPS by cancelling shares. This new banking "mantra" is becoming crucial in driving banks' re-ratings, especially for those peers that are trading well below t-NAV. We may assume that with management now fully aware of the group's enhanced solidity, the commitment to shareholder remuneration may actually be stepped up.

■ **BUY confirmed:** according to our 3Q23 estimates, BancoBPM should post net profit of over €0.9bn in 9M23, enhancing visibility on FY guidance of >€1.2bn (€0.8 EPS). BancoBPM is now close to the end of its turnaround, and we argue it is set to get the most from the structure implemented after 6 years of de-risking and restructuring. This may allow for more shareholder-friendly capital distribution, with the possibility of a share buyback (not in our estimates) that would create value for shareholders given the P/TE valuation remains low. We believe that the stock is still undervalued (P/TE around 0.6x, 2023/25 ROTE above 10%) and boasts a double-digit dividend yield.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Total income (Eu mn)	4,511	4,706	5,359	5,444	5,484
Net Operating Profit (Eu mn)	1,995	2,166	2,732	2,803	2,823
Net Profit Adj (Eu mn)	501	700	1,204	1,333	1,390
EPS New Adj (Eu)	0.331	0.462	0.795	0.880	0.918
EPS Old Adj (Eu)	0.331	0.462	0.795	0.880	0.918
DPS (Eu)	0.190	0.230	0.480	0.620	0.650
P/E Adj	14.4	10.3	6.0	5.4	5.2
Div. Yield	4.0%	4.8%	10.1%	13.1%	13.7%
P/TE	0.61	0.63	0.60	0.58	0.56
ROTE	4.2%	6.1%	10.1%	10.8%	10.9%