

# BANCO BPM

Sector: Banks

**BUY**

Price: Eu4.86 - Target: Eu6.30

## 3Q beat; new business plan with upgraded payout ambitions

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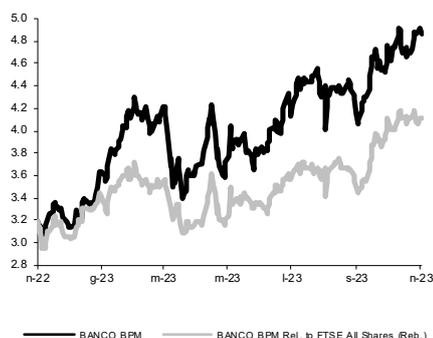
### Stock Rating

<b>Rating:</b>	Unchanged		
<b>Target Price (Eu):</b>	from 6.20 to 6.30		
	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>
<b>Chg in Adj EPS</b>	0.9%	2.2%	2.6%

### Next Event

 Business plan presentation on 12<sup>th</sup> Dec.

### BANCO BPM - 12M Performance



### Stock Data

Reuters code:	BAMI.MI		
Bloomberg code:	BAMI IM		
<b>Performance</b>	<b>1M</b>	<b>3M</b>	<b>12M</b>
Absolute	2.2%	10.5%	52.6%
Relative	0.1%	11.5%	33.6%
12M (H/L)	4.91/3.08		
3M Average Volume (th):	12,468.29		

### Shareholder Data

No. of Ord shares (mn):	1,515
Total no. of shares (mn):	1,515
Mkt Cap Ord (Eu mn):	7,370
Total Mkt Cap (Eu mn):	7,370
Mkt Float - Ord (Eu mn):	6,084
Mkt Float (in %):	82.6%
Main Shareholder:	
Credit Agricole	9.2%

### Balance Sheet Data

Tangible Equity (Eu mn):	11,970
TEPS (Eu):	7.90
CET1 Ratio Fully Loaded:	14.1%
Gross NPE Ratio:	4.2%

■ **3Q23 beat:** BancoBPM posted a broadly based beat in 3Q23 with a bottom line of €319m, 12% A/E and +3x Y/Y. 3Q results benefitted from a strong hike in NII that exceeded our aggressive expectations: commercial spread +30bp Q/Q to 4.32% (asset spread at 2.79%, +29bp; liability spread at 1.53%, +1bp Q/Q). Nevertheless, the A/E beat is visible on all the other P&L lines (fees €460m, +0.9% A/E; Op.Ex €635m, -4%A/E with C/Ir of 47% vs our 49%, LLPs -46bp vs our 50bp) and drives the bottom line to an outstanding performance with NOP of €607m +11% A/E. Balance sheet wise, trends look very solid too (see next bullet) with both the capital we projected (CET1r at 14.3% stated) and asset quality positions (Gross/Net NPEs ratios of 3.5/1.8%) improving some 10bp Q/Q. As a reminder, BancoBPM got the greenlight to use the Danish compromise, which implies an extra CET1r benefit worth 60bp (from 14.3% stated to 14.9% adjusted). As for the Windfall tax, in line with all other banks, BancoBPM will set up a dedicated non-distributable reserve (€378m), fully included in CET1 capital. As for guidance (and *shareholders' remuneration ambitions...*), pending the new business plan (12 Dec. 2023), it remained flattish Q/Q with 2023E EPS of >€0.8/s and 2024E of circa €0.9/s.

■ **Balance sheet improving again:** In terms of Asset Quality, the bank is continuing de-risking, landing to a Gross NPE ratio of 3.5%, down 120bps from the figure posted in 3Q22 and 30 bps from 1H23 (Gross NPE Ratio was at 3.82%), with a Gross NPE stock of ca. €3.9bn. The figures are way lower than the 2024 targets both in terms of Gross NPE ratio 4.8% (Net 2.5%) and stock of Gross NPE (€6bn). In the quarter there was a minor NPL disposal of some €200mn (NPL Ratio is down 20bps QoQ), and a smaller one in the UtP segment (ca. €110mn). Default rate (loans from bonis to NPE) remains stable (0.88% from 0.94% in FY22) and has been <1% since 9M21, while CoR was flat QoQ at 46bps, down 24bps YoY, testifying how the bank is improving credit quality control models and sees no deterioration in the economic health of borrowers. CET1r is, again, on its way "up": 14.3%, +10bp Q/Q (+60bp organic performance, -34bp SUB/AT1 coupons, -9bp FVOCI reserves, -9bp Others). Adjusting for the Danish Compromise (authorized by ECB on 3 Nov), the ratio goes to 14.9%. MDA buffer, Pro Forma for the Danish Compr. goes to 620bp.

■ **New plan, new payout?** : BancoBPM has left its guidance unchanged for 2023-2024 and now has growing ambitions in terms of payout, which we read as a possibly increasing cash dividend schedule vs potential buyback opportunities. As depicted above, the capital position is now closer to 15% (incl. the Danish Compr.) and more may come from the agreement in the digital payment business. This will be the core of the new business plan (12 Dec.), in our view.

■ **BUY confirmed; TP €6.3/s from €6.2/s:** We have fine-tuned our 2023 estimates, bearing in mind that the street is now focused on 2024 (...& onwards); the 2023 target looks within easy reach and therefore the end of the year may be used for a fresher start in 2024. BancoBPM is trading at 0.59x P/T-NAV (2024) and at 5.41 P/E (2024), with a ROTE restated of 11%.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Total income (Eu mn)	4,511	4,706	5,337	5,441	5,477
Net Operating Profit (Eu mn)	1,995	2,166	2,717	2,816	2,833
Net Profit Adj (Eu mn)	501	700	1,215	1,362	1,426
EPS New Adj (Eu)	0.331	0.462	0.802	0.899	0.941
EPS Old Adj (Eu)	0.331	0.462	0.795	0.880	0.918
DPS (Eu)	0.190	0.230	0.481	0.620	0.659
P/E Adj	14.7	10.5	6.1	5.4	5.2
Div. Yield	3.9%	4.7%	9.9%	12.7%	13.5%
P/TE	0.62	0.64	0.62	0.59	0.57
ROTE	4.2%	6.1%	10.2%	11.0%	11.1%