

BANCO BPM

BUY

Sector: Banks

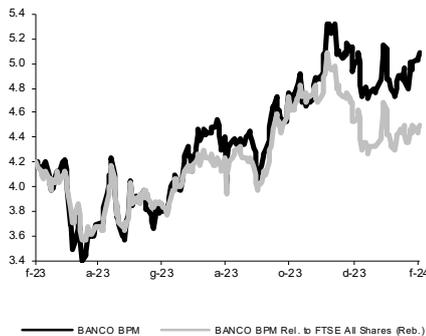
Price: Eu5.09 – Target: Eu6.30

4Q23 beat, DPS top up, strong capital position

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Stock Rating			
Rating:	Unchanged		
Target Price (Eu):	Unchanged		
	2024E	2025E	2026E
Chg in Adj EPS	1.6%	0.9%	

BANCO BPM - 12M Performance



Stock Data			
Reuters code:	BAMI.MI		
Bloomberg code:	BAMI IM		
Performance	1M	3M	12M
Absolute	-0.7%	3.2%	20.8%
Relative	-2.3%	-6.2%	7.9%
12M (H/L)	5.32/3.40		
3M Average Volume (th):	15,419.19		

Shareholder Data	
No. of Ord shares (mn):	1,515
Total no. of shares (mn):	1,515
Mkt Cap Ord (Eu mn):	7,706
Total Mkt Cap (Eu mn):	7,706
Mkt Float - Ord (Eu mn):	6,361
Mkt Float (in %):	82.6%
Main Shareholder:	
Credit Agricole	9.2%

Balance Sheet Data	
Tangible Equity (Eu mn):	12,327
TEPS (Eu):	8.14
CET1 Ratio Fully Loaded:	14.6%
Gross NPE Ratio:	4.1%

- **BancoBPM presented a better-than-expected set of 4Q23 numbers with a dividend top-up and a very solid capital base that discounts conservative assumptions on regulatory headwinds and includes the front loading of provisions for the disposal of bad loans in 2024. In 2024, the Group should also post a large capital gain related to the agreement in the digital payment business that may improve the capital buffer even further. Guidance on 2024 has been reiterated. We confirm our rating and valuation on the stock.**
- **FY23 above budget:** Positive operating trends in 4Q23 enabled BancoBPM to outperform its own budget for 2023 of Eu1.2bn (Eu1264mn reported) in terms of both revenues (Eu5339mn vs Eu5250mn) and OpEx (Eu2571mn vs Eu2600mn). This implies that 2023 is very close to the 2026 budget of Eu5.45bn revenues and Eu2.7bn OpEx. CoR was 53bp vs 62bp in 2022 but it also includes the frontloading of LLPs for the disposal of Eu700m of NPEs to be done in 2024. In 4Q23 (see overleaf for details) BancoBPM posted a PPP of €736m +11% A/E thanks to a strong performance of NII and Net fees with OpEx bang in line at €661m. CoR was a little higher on the frontloading of LLPs for a €700m NPEs disposal to be done in 2024.
- **Outlook:** More importantly, BancoBPM gave strong message on the outlook confirming the 2024 budget of €90c (ex one off) on the back of 1) strong NII trend with key mitigating actions to offset a scenario of accelerating interest rates reduction, 2) positive net fees growth trend on the development of the bancassurance business. In 2024 therefore BancoBPM expects an increase in PPP driven by core revenues, with both NII and Commissions up Y/Y and with inflation driven headwinds on expenses, partially mitigated by cost discipline.
- **Payout.** Good news also on dividends with a top-up of Eu100m and a new, all-in payout of Eu1.4bn, which implies a yield of 19% for calendar year 2024, thus taking the 2023 payout to 67% (50% in 2022), with an Eu850m DPS distribution on 2023 and Eu550m interim on 2024.
- **Asset quality.** Despite only 53bp of LLPs in FY23, asset quality improved with a gross/net NPE ratio of 3.5%/1.8% from 4.2%/2.2% one year before.
- **Capital ratios** benefitting from the Danish compromise (as expected): CET1r at 14.2% from 12.8% in FY22 on also lower FVoCI reserves. The FY23 numbers embed 141bp of conservative expected regulatory headwinds; the guidance is for at least 14% CET1r. As at FY23 the MDA buffer of 542bp (413 in 2022).
- **BUY confirmed TP Eu6.3/s.** Despite stronger-than-expected results in FY23, BancoBPM has confirmed its FY24 guidance with an EPS of Eu90c (Eu1.1 including run-off items), which we believe is within easy reach. TP €6.3/s. We keep our forecast largely unchanged and confirm the rating and target price. BancoBPM is trading at 0.6x P/T-NAV (2024) and at 5.6 P/E (2024), with a restated ROTE of 11%.

Key Figures & Ratios	2021A	2022A	2023A	2024E	2025E
Total income (Eu mn)	4,511	4,706	5,298	5,441	5,477
Net Operating Profit (Eu mn)	1,995	2,166	2,696	2,817	2,833
Net Profit Adj (Eu mn)	501	700	1,260	1,383	1,439
EPS New Adj (Eu)	0.331	0.462	0.831	0.913	0.950
EPS Old Adj (Eu)	0.331	0.462	0.802	0.899	0.941
DPS (Eu)	0.190	0.230	0.560	0.625	0.660
P/E Adj	15.4	11.0	6.1	5.6	5.4
Div. Yield	3.7%	4.5%	11.0%	12.3%	13.0%
P/TE	0.65	0.67	0.65	0.63	0.60
ROTE	4.2%	6.1%	10.6%	11.2%	11.3%