

# BANCO BPM

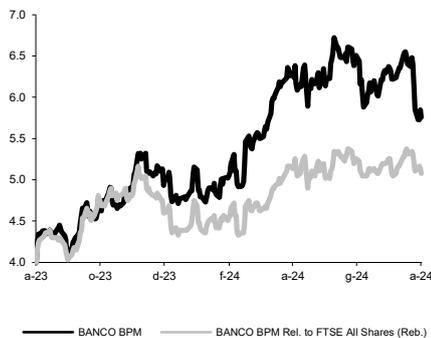
Sector: Banks

## Another Top Up

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Stock Rating			
Rating:	Unchanged		
Target Price (Eu):	Unchanged		
	2024E	2025E	2026E
Chg in Adj EPS	5.5%	-1.0%	-1.3%

### BANCO BPM - 12M Performance



Stock Data			
Reuters code:	BAMI.MI		
Bloomberg code:	BAMI IM		
Performance	1M	3M	12M
Absolute	-9.6%	-7.5%	43.9%
Relative	-2.9%	-0.5%	30.9%
12M (H/L)	6.72/4.06		
3M Average Volume (th):	8,511.61		

Shareholder Data	
No. of Ord shares (mn):	1,515
Total no. of shares (mn):	1,515
Mkt Cap Ord (Eu mn):	8,724
Total Mkt Cap (Eu mn):	8,724
Mkt Float - Ord (Eu mn):	7,202
Mkt Float (in %):	82.6%
Main Shareholder:	
Credit Agricole	9.2%

Balance Sheet Data	
Tangible Equity (Eu mn):	13,373
TEPS (Eu):	8.83
CET1 Ratio Fully Loaded:	15.6%
Gross NPE Ratio:	3.5%

# OUTPERFORM

Price: Eu5.76 - Target: Eu7.60

BancoBPM presented a sound set of 2Q24 results, bang in line with our expectations. The capital position was also better than expected, triggering a further improvement in the dividend policy, with the 2024 interim cash payout moving to Eu600m from Eu550m. The equity story remains intact, with the group on track to restore profitability and the payout to shareholders. We do not foresee M&A, at least in the short term. We are sticking to our OUTPERFORM rating and Eu7.60 target price.

■ **2Q24 Results:** Quarterly numbers were in line with estimates. The top line was Eu1,361mn (+1.2% A/E), deriving from: NII that remained high, driven by a commercial spread that is still at 4.12% (from 4.29% in 1Q24); Fee Income, benefited from high commercial banking fees, increasing commissions from specialist activities (i.e. CIB, Structured Finance and Trade Finance) and higher fees from investment products, mostly driven by higher placement operations; higher-than-expected insurance income. OpEx was exactly in line with estimates, with slightly higher HR costs YoY due to the renewal of the national collective labour contract (CCNL). The cost/income ratio was 49.2% in the quarter (48% in 1H). Operating profit came to Eu580mn (+5.7% A/E), with a CoR of 43bp, implying Eu112mn in LLPs (+12% A/E), with no signs of AQ deterioration (gross/net NPEs at Eu3.39/1.65bn, gross/net NPE ratio 3.25/1.62%, all lower than in 1Q24) despite slight increases in the annualised default rate (0.99%). Net profit was in line with estimates at Eu380mn. The CET1r grew 43bp QoQ, of which c.12/13bp of organic capital generation, and the remainder from the regulatory impact. This solid capital position implies a 609bp buffer in terms of the maximum distributable amount (MDA), up from 567bp in 1Q24.

■ **Guidance:** Guidance was raised with the release, targeting higher NII and Fee Income than in FY23, a broadly flat C/I, a lower CoR and an improved CET1r. in terms of profitability, the EPS indication, excluding one-off items, was raised to Eu0.95 (from Eu0.90), up from Eu0.83 in FY23, while the interim dividend was raised to Eu600mn (from Eu550mn previously).

■ **Change in estimates:** we are updating our estimates slightly, reflecting higher-than-expected NII in FY24, due to a commercial spread that remains strong, a possible one-off cost in 4Q to boost the bank's efficiency and the potential for higher risk provisions in FY25-26, which could help to cover any deterioration in the macro situation. We are also reflecting a higher payout, as confirmed in the 2Q release. Adj. EPS FY24/25/26 +5.5%/-1%/-1.3%.

■ **Outperform (Unch.), TP Eu7.60 (Unch.):** due to results that were in line and minor changes to estimates; we do not see any catalyst for a TP/recommendation update, as we evaluate the bank on FY25/26 numbers. Banco BPM is trading at 0.65/0.63/0.61X P/TE on FY24/25/26 estimates.

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Total income (Eu mn)	4,674	5,341	5,512	5,400	5,431
Net Operating Profit (Eu mn)	2,144	2,770	2,887	2,759	2,776
Net Profit Adj (Eu mn)	684	1,278	1,445	1,452	1,451
EPS New Adj (Eu)	0.451	0.843	0.954	0.958	0.958
EPS Old Adj (Eu)	0.462	0.826	0.904	0.968	0.970
DPS (Eu)	0.230	0.560	0.792	0.666	0.670
P/E Adj	12.8	6.8	6.0	6.0	6.0
Div. Yield	4.0%	9.7%	13.8%	11.6%	11.6%
P/TE	0.74	0.68	0.65	0.63	0.61
ROTE	5.8%	10.0%	10.8%	10.5%	10.2%

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The main methods used to evaluate financial instruments and set a target price for 12 months after the investment recommendation are as follows:

- Discounted cash flow (DCF) model or similar methods such as a dividend discount model (DDM)
- Comparison with market peers, using the most appropriate methods for the individual company analysed: among the main ratios used for industrial sectors are price/ earnings (P/E), EV/EBITDA, EV/EBIT, price /sales.
- Return on capital and multiples of adjusted net book value are the main methods used for banking sector stocks, while for insurance sector stocks return on allocated capital and multiples on net book value and embedded portfolio value are used
- For the utilities sector comparisons are made between expected returns and the return on the regulatory asset base (RAB)

Some of the parameters used in evaluations, such as the risk-free rate and risk premium, are the same for all companies covered, and are updated to reflect market conditions. Currently a risk-free rate of 4.0% and a risk premium of 5.5% are being used.

Frequency of research: quarterly.

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BUY: stock expected to outperform the market by over 25% over a 12 month period;

OUTPERFORM: stock expected to outperform the market by between 10% and 25% over a 12 month period;

NEUTRAL: stock performance expected at between +10% and -10% compared to the market over a 12 month period;

UNDERPERFORM: stock expected to underperform the market by between -10% and -25% over a 12 month period;

SELL: stock expected to underperform the market by over 25% over a 12 month period.

Prices: The prices reported in the research refer to the price at the close of the previous day of trading

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BUY:	23.97 %
OUTPERFORM:	49.59 %
NEUTRAL:	25.61 %
UNDERPERFORM	00.83 %
SELL:	00.00 %

The distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (49 in total) is as follows:

BUY:	38.78 %
OUTPERFORM:	51.02 %
NEUTRAL:	10.20 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short

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