

BANCA SISTEMA

Sector: Banks

OUTPERFORM

Price: Eu1.24 - Target: Eu1.75

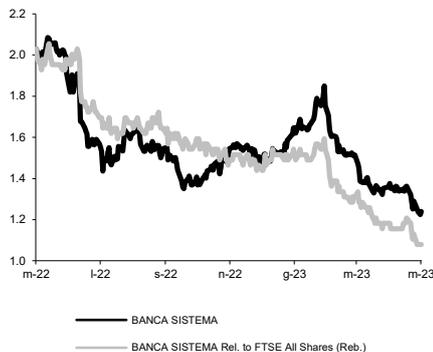
Results in Line, Focus on Loan Repricing and Cost of Funding

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Stock Rating

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

BANCA SISTEMA - 12M Performance



Stock Data

Reuters code:	BSTA.MI		
Bloomberg code:	BST IM		
Performance	1M	3M	12M
Absolute	-9.9%	-29.3%	-38.9%
Relative	-8.8%	-29.3%	-53.6%
12M (H/L)	2.09/1.22		
3M Average Volume (th):	226.23		

Shareholder Data

No. of Ord shares (mn):	80
Total no. of shares (mn):	80
Mkt Cap Ord (Eu mn):	100
Total Mkt Cap (Eu mn):	100
Mkt Float - Ord (Eu mn):	54
Mkt Float (in %):	54.0%
Main Shareholder:	
SGBS	23.1%

Balance Sheet Data

Tangible Equity (Eu mn):	223
TEPS (Eu):	2.78
CET1 Ratio Fully Loaded:	12.4%
Gross NPE Ratio:	9.9%

■ **1Q23 results in line.** NII was stable YoY as higher interest income (+70% YoY) was offset by higher interest expenses, which went from Eu 2.9mn (1Q22) to Eu 19.4mn (1Q23). All business lines/products contributed to the increase in interest income, albeit with income-backed loans to a lesser extent as the loan book is fixed rate. The overall contribution to P&L from LPI under legal action came to Eu 11.1mn (Eu 4.1mn in 1Q22) thanks also to the ECB policy rate increase, which took the overall LPI rate to 10.5% (from 8%) and which is expected to be further increased by July 2023 (updated twice a year according to the ECB rate). Factoring turnover grew by 9% YoY, the income-backed loan book was slightly down YoY, while pawn loans grew by +19% YoY. The financial portfolio was pretty stable YoY, cost of funding grew to 2% in 1Q23 (from 0.4% in 4Q22), and retail deposits went down QoQ (Eu 1906mn vs Eu 2071mn) as the bank decided to reduce the component linked to corporate clients, which is more expensive. The fully-loaded CET1 ratio stood at 12% in the quarter and includes 1Q23 net profit of Eu 3.7mn (vs Eu 4.4mn registered in 1Q22).

■ **Feedback from the conference call.** Management sees a further increase in cost of funding in the coming quarters albeit at a slower pace, which should take the total cost of funding from the current 2% to 2.5% by YE. Management will focus on retail deposits vs corporate deposits, as the former are less expensive; residual maturity of retail deposits equates to 12M. The contribution of income-backed loans will remain subdued for a few quarters while higher LPI should support NII. Any change in split payment rules should be neutral for the bank; the process for the IPO of subsidiary Kruso Kapital is ongoing and no capital gain is expected as the IPO will involve a capital increase.

■ **No change in estimates.** We are keeping our estimates unchanged as we want to see the impact of higher rates on both assets and liabilities. Cost of risk seems to be under control and even lower than our expectations.

■ **Outperform confirmed, T.P. 1.75.** We think earnings downgrades due to higher cost of funding should be over and new production should sustain the top line in the coming quarters. Asset quality remains solid and capital is sufficient to finance future growth. Stock trading at 0.5x TE with ROE at 10% and a dividend yield at 5% on average.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Total income (Eu mn)	108	106	102	107	109
Net Operating Profit (Eu mn)	47	46	40	44	47
Net Profit Adj (Eu mn)	23	22	19	21	22
EPS New Adj (Eu)	0.289	0.274	0.236	0.257	0.273
EPS Old Adj (Eu)	0.289	0.274	0.236	0.257	
DPS (Eu)	0.072	0.065	0.059	0.064	0.068
P/E Adj	4.3	4.5	5.3	4.8	4.5
Div. Yield	5.8%	5.2%	4.8%	5.2%	5.5%
P/TE	0.45	0.47	0.45	0.42	0.40
ROTE	10.4%	10.4%	8.5%	8.7%	8.8%