

BANCO BPM

Sector: Banks

OUTPERFORM

Price: Eu4.02 - Target: Eu4.80

Solid Revenues and Better Capital to Drive the Quarter

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Stock Rating

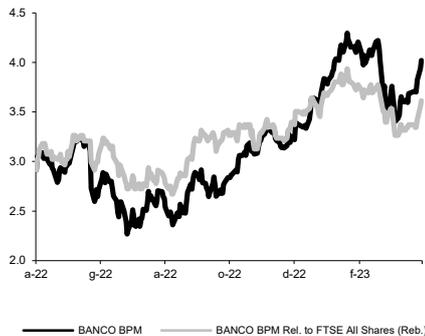
 Rating: Unchanged
 Target Price (Eu): Unchanged

	2023E	2024E
Chg in Adj EPS	0.0%	0.0%

Next Event

 Results Out: May 8th

BANCO BPM - 12M Performance



Stock Data

 Reuters code: BAMI.MI
 Bloomberg code: BAMI IM

Performance	1M	3M	12M
Absolute	13.8%	5.1%	31.4%
Relative	4.8%	-1.5%	20.5%
12M (H/L)			4.29/2.27
3M Average Volume (th):			14,814.82

Shareholder Data

No. of Ord shares (mn):	1,515
Total no. of shares (mn):	1,515
Mkt Cap Ord (Eu mn):	6,093
Total Mkt Cap (Eu mn):	6,093
Mkt Float - Ord (Eu mn):	5,029
Mkt Float (in %):	82.6%
Main Shareholder:	
Credit Agricole	9.2%

Balance Sheet Data

Tangible Equity (Eu mn):	11,857
TEPS (Eu):	7.83
CET1 Ratio Fully Loaded:	13.6%
Gross NPE Ratio:	4.2%

- 1Q23 preview (results out on May 8th).** We expect BAMI to show a strong increase in NII (+41% YoY and flat QoQ despite no positive contribution from TLTRO) thanks to the commercial component (rates). Fees should also show a positive trend QoQ (slightly down YoY) while trading is expected to be weak as we believe management could have carried out some hedging activity on the bond portfolio (positive on capital but negative on P&L in this quarter). Costs are expected to show a +2.5% increase YoY, driven mainly by administrative costs. Cost of risk should not show any specific deterioration (58bps vs 55bps in 1Q22) due to stable asset quality. The quarter should close with Eu 213mn net profit despite the ca. Eu 70mn systemic charges. The CET1 ratio FL should again be among the positive items of the quarter (expected +30bps QoQ) taking the ratio to 13.1%.
- Some upside on NII making 2023 guidance more visible.** We are currently slightly more cautious than Co. guidance on NII (Eu2.7bn vs >Eu2.7bn) as we believe cost of funding will start to increase more rapidly from 2Q23 onwards. The focus is therefore on outlook to gauge whether our estimates might be raised, making EPS guidance for 2023 (>Eu 0.60) more visible; we see upside risk on our estimates. As for capital, the acquisition of the Vera stake, the disposal of the P&C business to ACA and a positive effect from the Danish compromise should have a positive effect overall on capital. The decision to go ahead with a project for a partnership on payment business could further increase capital base.
- OUTPERFORM, T.P. Eu 4.80.** We believe that in 2023 BAMI will consolidate the sound results registered in 2022 thanks to its strong franchise, better rates and the resolution of legacy asset quality problems. Stronger capital generation could be a positive trigger as it would enhance the current dividend policy and leave room for additional options (i.e. buyback). The stock still trades at undemanding multiples (P/TE 0.5x): we expect further re-rating on a standalone basis and rumours on BAMI as a potential M&A target could further boost the appeal of the stock. Focus in the quarter on deposit beta evolution, fees, and guidance on profits and capital distribution.

Key Figures & Ratios	2020A	2021A	2022A	2023E	2024E
Total income (Eu mn)	4,152	4,511	4,706	5,024	5,179
Net Operating Profit (Eu mn)	1,722	1,995	2,166	2,397	2,538
Net Profit Adj (Eu mn)	100	501	700	904	1,102
EPS New Adj (Eu)	0.066	0.331	0.462	0.597	0.728
EPS Old Adj (Eu)	0.066	0.331	0.462	0.597	0.726
DPS (Eu)	0.060	0.190	0.230	0.350	0.470
P/E Adj	60.9	12.2	8.7	6.7	5.5
Div. Yield	1.5%	4.7%	5.7%	8.7%	11.7%
P/TE	0.55	0.51	0.53	0.51	0.50
ROTE	0.9%	4.2%	6.1%	7.6%	9.0%