

# BPER

Sector: Banks

# NEUTRAL

Price: Eu3.00 - Target: Eu4.10

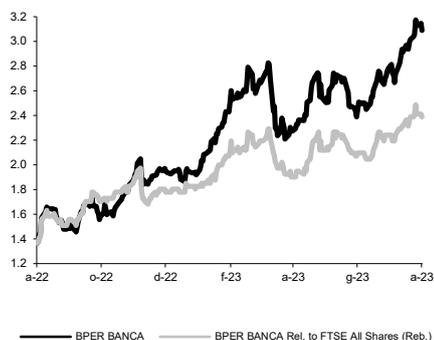
## Much Stronger NII Drives Earnings Upgrade, Payout Still Soft

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### Stock Rating

Rating:	Unchanged		
Target Price (Eu):	from 3.80 to 4.10		
	2023E	2024E	2025E
Chg in Adj EPS	17.0%	8.9%	13.0%

### BPER - 12M Performance



### Stock Data

Reuters code:	EMII.MI		
Bloomberg code:	BPE IM		
<b>Performance</b>	<b>1M</b>	<b>3M</b>	<b>12M</b>
Absolute	11.0%	21.3%	126.3%
Relative	7.4%	14.1%	98.6%
12M (H/L)	3.17/1.39		
3M Average Volume (th):	12,372.00		

### Shareholder Data

No. of Ord shares (mn):	1,416
Total no. of shares (mn):	1,416
Mkt Cap Ord (Eu mn):	4,372
Total Mkt Cap (Eu mn):	4,372
Mkt Float - Ord (Eu mn):	3,005
Mkt Float (in %):	68.7%
Main Shareholder:	
Unipol	19.7%

### Balance Sheet Data

Tangible Equity (Eu mn):	8,084
TEPS (Eu):	5.71
CET1 Ratio Fully Loaded:	14.0%
Gross NPE Ratio:	3.3%

- Results beat expectations.** NII was higher than expected (+12.8% QoQ or +5% vs. est.) driven by a better customer spread (+20bp QoQ or +5bp net of the Ecobonus contribution). Fees were bang in line, while trading was slightly weaker. Positive cost control (+1.2% QoQ but -1.7% vs. est.) and a better cost of risk (57bp vs. 66bp exp.) drove the bottom line to beat estimates (Eu414mn vs. exp Eu328mn). The CET1 ratio improved further to 14% (from 13.3% previously and 13.7% expected), while the gross NPE ratio improved to 2.7% (from 3.3%), overlays are equal to Eu310mn and stage 2 loans were stable.
- 2023 guidance revised upwards.** Management raised its 2023 net profit guidance from Eu800mn to Eu1.1bn on the back of NII (Eu2.8bn), fees (Eu2bn), operating costs (Eu2.7bn), and the cost of risk (60bp). The CET1 ratio is expected at c.14%, with the 2023 payout ratio set at 35-40%.
- Conference call feedback.** NII is expected to have peaked in 2Q and to be weaker in 2H23 due to a higher cost of funding. Some campaigns have started to attract more deposits (even if the L/D ratio is very low at c.78%). The target CET1 ratio is 14% for the time being, not because the SSM asked the bank for higher capital buffers but because management thinks this is the appropriate level of capital to run the bank. No M&A in sight, but focus is on integration of the UBI branches and Carige. Stress test results were ok in terms of impact, the low level of CET1 ratio in the adverse scenario was due to the EBA's decision not to take the positive impact of DTA on capital into account, which the SSM authorised as of 1 January this year. 2023 dividend payout ratio set at 35-40%.
- Change in estimates.** We are raising our 2023 EPS estimate by 17% due to much better NII. As for 2024/25 EPS estimates, we are lifting them by +8.9%/ +13%, again due to higher NII.
- NEUTRAL confirmed; target from Eu3.8 to Eu4.1.** We think management is delivering positive results, as demonstrated by the high NPE coverage ratios, strong de-risking and better top line (driven by higher interest rates but also by improving fees). We think the more cautious approach on shareholder remuneration is something that casts BPER in a dim light vs. peers, and it will be crucial to understand whether this approach is with the intention of becoming a zero NPL bank or of starting a new M&A campaign in 2024. The stock is trading at P/TE 0.55x with an expected 2023/24 ROTE at 13.4%/10.5%.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Total income (Eu mn)	3,388	3,958	5,038	4,879	4,947
Net Operating Profit (Eu mn)	901	1,171	2,266	2,064	2,090
Net Profit Adj (Eu mn)	187	436	1,087	905	952
EPS New Adj (Eu)	0.132	0.308	0.768	0.639	0.672
EPS Old Adj (Eu)	0.132	0.308	0.656	0.587	0.595
DPS (Eu)	0.060	0.120	0.270	0.280	0.300
P/E Adj	23.3	10.0	4.0	4.8	4.6
Div. Yield	1.9%	3.9%	8.7%	9.1%	9.7%
P/TE	0.70	0.59	0.54	0.51	0.48
ROTE	3.0%	5.9%	13.4%	10.5%	10.4%