

CREDEM

Sector: Banks

NEUTRAL

Price: Eu12.08 - Target: Eu12.80

Taking a Breather: Downgrade to NEUTRAL

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Stock Rating

Rating: from OUTPERFORM to NEUTRAL

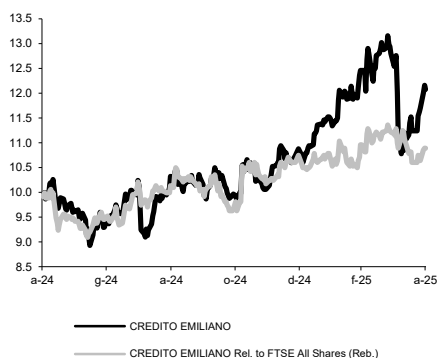
Target Price (Eu): Unchanged

	2025E	2026E	2027E
Chg in Adj EPS	0.7%	7.6%	

Next Event

Results Out: May-08

CREDEM - 12M Performance



Stock Data

Reuters code: EMBI.MI

Bloomberg code: CE IM

Performance	1M	3M	12M
Absolute	-3.7%	6.5%	21.8%
Relative	-2.8%	3.5%	10.7%
12M (H/L)		13.16/8.93	
3M Average Volume (th):		202.75	

Shareholder Data

No. of Ord shares (mn):	341
Total no. of shares (mn):	341
Mkt Cap Ord (Eu mn):	4,123
Total Mkt Cap (Eu mn):	4,123
Mkt Float - Ord (Eu mn):	882
Mkt Float (in %):	21.4%
Main Shareholder:	
Credemholding	78.6%

Balance Sheet Data

Tangible Equity (Eu mn):	4,124
TEPS (Eu):	12.08
CET1 Ratio Fully Loaded:	15.7%
Gross NPE Ratio:	1.9%

Despite not being involved in sector consolidation and a traditionally conservative payout policy, the quality of Credem's DNA has come to the fore in recent months, with the stock performing relatively well despite its low liquidity. The Group is sticking to its mantra of focusing on organic growth, a stance we truly appreciate. While profitability peaked in 2024, as highlighted by our expectations for 1Q25 results (Results out on May 8, see the preview on page 6), good news may emerge in 2026 from the different treatment of its CET1 base (Holding vs. Group) which implies an additional c.120bp of CET1r. Nevertheless, the potential upside at our target price (€12.80, unchanged) has been narrowing over time, and has now basically been eliminated, explaining our downgrade from OUTPERFORM to NEUTRAL.

■ **Capital and payout:** on the regulatory side, the CET1r should benefit from the usual organic capital generation, despite the regulatory impact of Basel4 (~60bp in FY25, partially offset by capital generation). We expect future distributions to be at least in line with the proposed FY24 DPS of €0.75, given the company's track record on delivering growing/stable dividends. This would clearly drive an upward revision in the payout ratio. We point out that the company has started preliminary talks with regulators to assess the impact of implementation of CRD IV, which could change the prudential scope from holding to group level, but this is unlikely before 2026.

■ **Outlook:** we forecast a lower interest rate environment in the coming years, related to reductions already implemented and further rate cuts expected in the future. In our view the impact would be double-edged: lower NII, partially offset by a boost to lending volumes, especially in 2026, and a gradual switch of liquidity and AuC into WM products, which should drive fees. On OpEx, we see a rising trend related to ongoing investment in the business, in contrast to most of the sector with the exception of BPSO. We then see a slight deterioration in the macro scenario, with default rates increasing by some bps, although that would not be a problem for Credem, as it is one of the strongest players in the banking arena in terms of AQ.

■ **Change in estimates:** we are adjusting estimates on revenues, OpEx and provisions. For NII, we embed the slowdown in our FY25 forecast, offset by the expected volumes effect in FY26. On fees, we see upside in all three years, related to the growing interest in managed assets, but the biggest impact will be in 2026-27. We then see some inflation in personnel costs, mostly due to renewal of the collective labour contract (CCNL), and admin costs, as well as lower provisions on credit risks in 2025 and 2026. We also publish our 2027 estimates, which reflect a further increase in profitability due to fairly flat NII and a continuation of the growth trajectory for fees.

■ **Valuation:** we embed our change in estimates (2025/26 adj. EPS +0.7%/+7.6%) in our valuation, as well as the higher risk premium (+50bp). The mixed impact of these considerations allows us to leave our target price untouched (€12.80). However, given the limited upside, we are downgrading the stock to NEUTRAL. The stock is trading at 1.00/0.94/0.89x its FY25/26/27 TE, at target it would trade at 1.06/1.00/0.94x.

Key Figures & Ratios	2023A	2024A	2025E	2026E	2027E
Total income (Eu mn)	1,909	2,032	1,881	1,899	1,957
Net Operating Profit (Eu mn)	972	1,021	848	863	912
Net Profit Adj (Eu mn)	606	652	523	528	555
EPS New Adj (Eu)	1.777	1.910	1.533	1.547	1.626
EPS Old Adj (Eu)	1.777	1.778	1.521	1.438	
DPS (Eu)	0.650	0.750	0.800	0.804	0.800
P/E Adj	6.8	6.3	7.9	7.8	7.4
Div. Yield	5.4%	6.2%	6.6%	6.7%	6.6%
P/TE	1.22	1.09	1.00	0.94	0.89
ROTE	17.9%	17.2%	12.7%	12.1%	12.0%

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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.

Reports on all companies listed on the S&P500 Index, most of those on the MIBEX Index and the main small caps (regular coverage) are published at least once per quarter to comment on results and important newsflow.

A draft copy of each report may be sent to the subject company for its information (without target price and/or recommendations), but unless expressly stated in the text of the report, no changes are made before it is published.

Explanation of our ratings system:

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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As at 31 March 2025 Intermonte's Research Department covered 131 companies.

As of today Intermonte's distribution of stock ratings is as follows:

BUY:	32.59 %
OUTPERFORM:	37.78 %
NEUTRAL:	29.63 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

As at 31 March 2025 the distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (74 in total) is as follows:

BUY:	52.70 %
OUTPERFORM:	29.73 %
NEUTRAL:	17.57 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short
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