

# CREDEM

Sector: Banks

# OUTPERFORM

Price: Eu7.97 - Target: Eu10.50

## Blue Sky: Interest Rates to Boost NII, CoR to Remain Well Below Peers

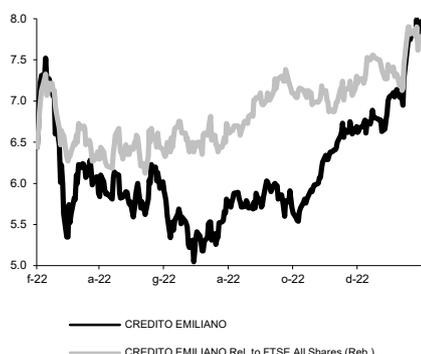
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### Stock Rating

|                    |                    |       |       |
|--------------------|--------------------|-------|-------|
| Rating:            | Unchanged          |       |       |
| Target Price (Eu): | from 9.10 to 10.50 |       |       |
|                    | 2023E              | 2024E | 2025E |
| Chg in Adj EPS     | 18.1%              | 14.2% |       |

### Next Event

### CREDEM - 12M Performance



### Stock Data

|                         |           |           |            |
|-------------------------|-----------|-----------|------------|
| Reuters code:           | EMBI.MI   |           |            |
| Bloomberg code:         | CE IM     |           |            |
| <b>Performance</b>      | <b>1M</b> | <b>3M</b> | <b>12M</b> |
| Absolute                | 13.0%     | 27.3%     | 26.5%      |
| Relative                | 5.6%      | 11.1%     | 25.5%      |
| 12M (H/L)               | 7.99/5.05 |           |            |
| 3M Average Volume (th): | 224.69    |           |            |

### Shareholder Data

|                           |       |
|---------------------------|-------|
| No. of Ord shares (mn):   | 341   |
| Total no. of shares (mn): | 341   |
| Mkt Cap Ord (Eu mn):      | 2,720 |
| Total Mkt Cap (Eu mn):    | 2,720 |
| Mkt Float - Ord (Eu mn):  | 582   |
| Mkt Float (in %):         | 21.4% |
| Main Shareholder:         |       |
| Credemholding             | 78.6% |

### Balance Sheet Data

|                          |       |
|--------------------------|-------|
| Tangible Equity (Eu mn): | 2,970 |
| TEPS (Eu):               | 8.70  |
| CET1 Ratio Fully Loaded: | 14.1% |
| Gross NPE Ratio:         | 2.2%  |

- Solid 4Q results driven by NII:** Credem closed 4Q22 with higher-than-expected net profit (Eu94mn vs. Eu84mn expected) thanks to greater NII driven by above-sector-average growth in loans (+4% vs.+1%) but above all a sharp widening in the customer spread (+66bp QoQ). Fees were also slightly better than forecast (+2.3% vs. estimates) thanks to some commercial campaigns in the quarter (fees -21% YoY overall due to the absence of performance fees in the quarter vs. Eu 49mn booked in 4Q21). Costs were up +2.8% YoY also due to a Eu5mn one-off investment in the private banking division project. The cost of risk was 39bp, bringing the FY22 figure to 15bp (from 10bp in 2021), including the macro scenario update. The CET1 ratio was stable at 13.72% (Credem holding), while the dividend per share increased by +10% YoY to Eu0.33. The gross NPE ratio closed at 2.1%, with the overall coverage ratio at 56%.
- Positive 2023 guidance.** During the conference call new General Manager Campani gave positive messages on NII and cost of risk trends. For NII, rates should support a further increase despite the elimination of the TLTRO benefit (Eu9mn per quarter) and the greater competition expected on deposits (deposit beta, currently at 5%, is expected at 25% in 2023). The overall increase in NII is expected to come to +21-22% YoY, with lending growth at +3% YoY and a sensitivity to a parallel shift of the yield curve by +100bps equal to additional Eu 90mn NII. Looking at Fees, guidance is for a flattish trend due in part to the elimination of fees on current accounts as a result of the negative interest rates applied until 2022 (Eu3mn per quarter). As for Costs, the company foresees +3.5% growth in 2023, of which 1.6% due to the impact of inflation. Cost of risk guidance points to a level below 25bp and includes an adverse scenario (GDP -4.6% YoY, weighted at 40%). As has been the case in the past, the dividend could increase based on future profits. Finally, according to the General Manager there are no M&A scenarios on the table, focus is on organic growth with a strong commitment to the creation of the private banking arm.
- Change in estimates:** we are revising our 2023 and 2024 EPS estimates upwards by +18.1% and +14.2% respectively on the back of improved NII, and in spite of higher cost assumptions and an increased cost of risk, nevertheless remaining well below the sector average. The CET1 ratio is expected to increase by 40bp per year for the next 2 years.
- OUTPERFORM confirmed; target raised from Eu9.10 to Eu10.50.** We think Credem can benefit from a goldilocks scenario in which rising interest rates support NII, while the absence of any legacy asset quality issues will allow the bank to keep the cost of risk low and increase profits rapidly, with the ROTE expected at c.12% in 2023. Excess capital could be used either to drive faster loans growth or for better shareholder remuneration; we see little chance of management getting involved in aggressive M&A.

| Key Figures & Ratios         | 2020A | 2021A | 2022A | 2023E | 2024E |
|------------------------------|-------|-------|-------|-------|-------|
| Total income (Eu mn)         | 1,202 | 1,337 | 1,473 | 1,621 | 1,668 |
| Net Operating Profit (Eu mn) | 410   | 461   | 573   | 691   | 718   |
| Net Profit Adj (Eu mn)       | 176   | 294   | 306   | 358   | 389   |
| EPS New Adj (Eu)             | 0.529 | 0.860 | 0.897 | 1.049 | 1.141 |
| EPS Old Adj (Eu)             | 0.529 | 0.860 | 0.865 | 0.888 | 1.000 |
| DPS (Eu)                     | 0.200 | 0.300 | 0.330 | 0.360 | 0.450 |
| P/E Adj                      | 15.1  | 9.3   | 8.9   | 7.6   | 7.0   |
| Div. Yield                   | 2.5%  | 3.8%  | 4.1%  | 4.5%  | 5.6%  |
| P/TE                         | 0.99  | 0.91  | 0.99  | 0.92  | 0.85  |
| ROTE                         | 6.5%  | 9.8%  | 11.2% | 12.1% | 12.1% |