

CREDEM

Sector: Banks

OUTPERFORM

Price: Eu7.22 - Target: Eu9.80

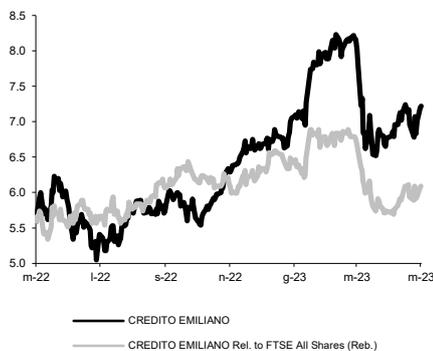
Strong Commercial Activity and Rates to Boost Earnings

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Stock Rating

| | | | |
|--------------------|-------------------|-------|-------|
| Rating: | Unchanged | | |
| Target Price (Eu): | from 9.00 to 9.80 | | |
| | 2023E | 2024E | 2025E |
| Chg in Adj EPS | 12.7% | 3.3% | |

CREDEM - 12M Performance



Stock Data

| | | | |
|-------------------------|-----------|-----------|------------|
| Reuters code: | EMBI.MI | | |
| Bloomberg code: | CE IM | | |
| Performance | 1M | 3M | 12M |
| Absolute | 6.6% | -9.2% | 29.2% |
| Relative | 6.2% | -8.4% | 10.6% |
| 12M (H/L) | 8.23/5.05 | | |
| 3M Average Volume (th): | 253.13 | | |

Shareholder Data

| | |
|---------------------------|-------|
| No. of Ord shares (mn): | 341 |
| Total no. of shares (mn): | 341 |
| Mkt Cap Ord (Eu mn): | 2,464 |
| Total Mkt Cap (Eu mn): | 2,464 |
| Mkt Float - Ord (Eu mn): | 527 |
| Mkt Float (in %): | 21.4% |
| Main Shareholder: | |
| Credemholding | 78.6% |

Balance Sheet Data

| | |
|--------------------------|-------|
| Tangible Equity (Eu mn): | 2,982 |
| TEPS (Eu): | 8.74 |
| CET1 Ratio Fully Loaded: | 13.8% |
| Gross NPE Ratio: | 2.1% |

■ **1Q23 results: higher revenues, low CoR to boost profitability.** Credem delivered +82% YoY growth of NII thanks to positive customer spread evolution (276bps or +37bps QoQ) and growth of loans (+3.2% YoY). Fees were also resilient (+5.1% YoY) thanks to insurance and asset management fees, together with some performance fees (ca. Eu 10mn). Trading was above estimates thanks to disposal of govies (ca. Eu 1.5bn). Costs were in line as it was CoR (4bps) that enabled the bank to book Eu 135mn net profit (vs exp Eu 109mn) after it had booked Eu 33mn in systemic charges. FL CET1 ratio stable at 14%.

■ **Some distinctive points vs peers.** Direct funding grew by +7.2% YoY (+Eu 481mn QoQ) thanks also to the corporate component. Loans grew by +3.2% YoY while the financial portfolio decreased (HTC from Eu 8.37bn to Eu 7.34bn and HTCS from Eu 6.2bn to Eu 5.47bn) enabling the bank to book some capital gains in the quarter with a potential slightly negative impact on NII for the future (we do not know if the portfolio has been rebuilt). On the other hand, we saw a similar trend to peers in terms of default rates and CoR but again with a difference in magnitude (CoR is the lowest among Italian banks at 4bps).

■ **Change in estimates.** We have revised up our '23/'24 EPS by +12.7% and +3.3% respectively on the back of higher NII (higher increase for 2023 than 2024) and slightly lower CoR, which has gone down to 20bps for 2023 and 23bps for 2024. As for the CET1 ratio, we now expect the bank to keep it at ca. 14% for 2023 and 2024 based on assumptions of a payout ratio amounting to ca. 36%.

■ **Outperform confirmed, T.P. raised to Eu 9.8 (from Eu 9.0).** In 1Q23, we think that Credem once again showed its ability to outpace peers thanks to a set of results driven not only by NII but also by fees and trading income. Strong asset quality remains a plus and provides visibility on capital distribution, which we do not assume will change dramatically, even if we see leeway for an increase in the payout ratio to at least 50%, in line with some peers. We expect management to give an update on 2023 guidance on release of the next set of results but for now we think our new estimates reflect some conservatism in the underlying assumptions. Stock trading at 0.8x TE with expected ROTe '23 at 12.9%.

| Key Figures & Ratios | 2021A | 2022A | 2023E | 2024E | 2025E |
|------------------------------|-------|-------|-------|-------|-------|
| Total income (Eu mn) | 1,337 | 1,473 | 1,663 | 1,673 | 1,681 |
| Net Operating Profit (Eu mn) | 461 | 573 | 726 | 721 | 719 |
| Net Profit Adj (Eu mn) | 294 | 306 | 384 | 385 | 398 |
| EPS New Adj (Eu) | 0.860 | 0.897 | 1.124 | 1.128 | 1.165 |
| EPS Old Adj (Eu) | 0.860 | 0.897 | 0.997 | 1.092 | |
| DPS (Eu) | 0.300 | 0.330 | 0.400 | 0.420 | 0.450 |
| P/E Adj | 8.4 | 8.1 | 6.4 | 6.4 | 6.2 |
| Div. Yield | 4.2% | 4.6% | 5.5% | 5.8% | 6.2% |
| P/TE | 0.82 | 0.90 | 0.83 | 0.76 | 0.71 |
| ROTE | 9.8% | 11.2% | 12.9% | 11.9% | 11.5% |