

CREDEM

Sector: Banks

OUTPERFORM

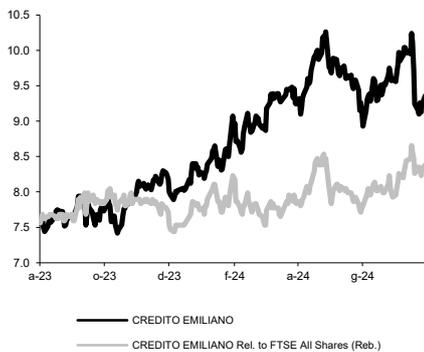
Price: Eu9.36 - Target: Eu12.80

A rock-solid regional bank

 Fabrizio Bernardi +39-02-77115.387
 fabrizio.bernardi@intermonte.it

Stock Rating			
Rating:	Unchanged		
Target Price (Eu):	from 12.15 to 12.80		
	2024E	2025E	2026E
Chg in Adj EPS	7.2%	5.9%	4.2%

CREDEM - 12M Performance



Stock Data			
Reuters code:	EMBI.MI		
Bloomberg code:	CE IM		
Performance	1M	3M	12M
Absolute	-2.4%	-8.8%	25.6%
Relative	5.2%	-1.1%	13.3%
12M (H/L)	10.26/7.42		
3M Average Volume (th):	159.88		

Shareholder Data	
No. of Ord shares (mn):	341
Total no. of shares (mn):	341
Mkt Cap Ord (Eu mn):	3,195
Total Mkt Cap (Eu mn):	3,195
Mkt Float - Ord (Eu mn):	684
Mkt Float (in %):	21.4%
Main Shareholder:	
Credemholding	78.6%

Balance Sheet Data	
Tangible Equity (Eu mn):	3,732
TEPS (Eu):	10.93
CET1 Ratio Fully Loaded:	15.4%
Gross NPE Ratio:	1.9%

Results beat expectations, investment case unchanged. A mid-cap bank, with a profitable P&L, a stellar balance sheet that is running contrary to market trends, rock-solid asset quality and a very comfortable capital position that could increase in the coming years, as could shareholder remuneration. In our view that's enough to confirm our OUTPERFORM recommendation, and to leave room for upgrades to our estimates and consequently the TP.

■ **2Q24 Results:** the top line was better than expected (+5.3% A/E) thanks mainly to higher trading, in line with the previous quarter, NII that was fairly flat QoQ, thanks to a positive volumes trend (even if the Customer spread is slightly down QoQ), and higher-than-expected Fee Income, driven by resilient Banking Fees and a positive path in AM/Brokerage fees. OpEx was in line with our estimates (+1.1% A/E), up slightly due to investments in IT, in order to further support the Group's growth, and the renewal of the national collective labour contract, bringing operating profit to Eu254mn (+9.8% A/E). The cost of risk, at just 6bp (Eu7mn of LLPs, vs. our estimate of Eu10mn), demonstrates that there has been no deterioration in asset quality, leading to pre-tax profit of Eu242mn and net profit of Eu163mn. Lending volumes were very positive (+~0.6bn in the quarter), growing in the face of an overall market decline.

■ **Capital ratios and AQ:** The CET1r increased to 15.7% at Credemholding level (+110bp QoQ), implying a buffer of 812bp to the SREP requirement (Eu1.7bn). This strong growth is mainly related to the positive results and some €170mn reduction in RWAs due to the high quality of the loan portfolio. During the conference call, it also emerged that the Basel 4 impact could reach a total of 60bp (excluding managerial actions that could reduce the negative impact), with a hit of c.50bp in 2025, due to the negative impact of higher operating risk being partially offset by a positive impact from the insurance business, and the remaining 10bp to come in 2026. The company has started informal talks with regulators to ensure the positive impact deriving from the implementation of CRD IV, which could change the prudential perimeter to that of the overall group (not before 2026). On Asset Quality, the bank remains one of the best in the Italian ecosystem, with an NPL stock that continues to fall QoQ (Eu266mn in 2Q24, from Eu298mn in FY23), a Net NPL ratio of 0.15% and a Gross NPE ratio at 1.9%. The bank doesn't see any AQ deterioration, also confirmed by the record low default rate at 0.49%.

■ **Change in Estimates:** we are slightly revising our top line estimates to reflect more resilient NII and higher-than-expected Fee growth, supported by AM inflows and a good trajectory in the Insurance business. We are also revising our CoR estimates downwards, now seen at around 17bp for FY24. These factors result in increases of +7.2%/+5.9%/+4.2% in adj. EPS for FY24/25/26.

■ **OUTPERFORM (Unch.), TP Eu12.80 (from Eu12.15):** given the better-than-expected set of results, which leave space for estimate revisions, we confirm our positive view on the stock, upgrading our TP, based on a GGM (average of FY25/26). The stock is now trading at 0.86/0.79/0.73 its TE on FY24/25/26 estimates.

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Total income (Eu mn)	1,473	1,909	1,934	1,851	1,839
Net Operating Profit (Eu mn)	573	972	956	862	835
Net Profit Adj (Eu mn)	306	606	607	519	491
EPS New Adj (Eu)	0.897	1.777	1.778	1.521	1.438
EPS Old Adj (Eu)	0.897	1.777	1.659	1.437	1.380
DPS (Eu)	0.330	0.650	0.660	0.554	0.522
P/E Adj	10.4	5.3	5.3	6.2	6.5
Div. Yield	3.5%	6.9%	7.1%	5.9%	5.6%
P/TE	1.17	0.95	0.86	0.79	0.73
ROTE	11.2%	17.9%	16.3%	12.8%	11.3%

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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 30 June 2024 Intermonte's Research Department covered 116 companies. Intermonte's distribution of stock ratings is as follows:

BUY:	23.97 %
OUTPERFORM:	49.59 %
NEUTRAL:	25.61 %
UNDERPERFORM	00.83 %
SELL:	00.00 %

The distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (49 in total) is as follows:

BUY:	38.78 %
OUTPERFORM:	51.02 %
NEUTRAL:	10.20 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short

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