

CREDEM

Sector: Banks

OUTPERFORM

Price: Eu7.61 - Target: Eu10.70

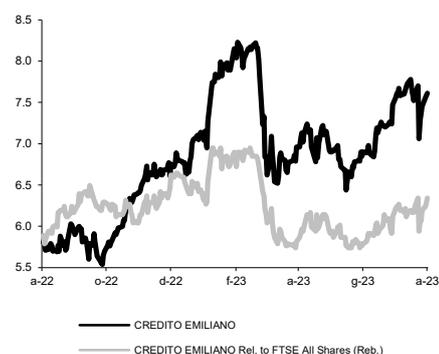
Strong Core Revenues, No Pick-Up in CoR, Solid Capital Base

Christian Carrese +39-02-77115.485
 christian.carrese@intermonte.it

Stock Rating

Rating:	Unchanged		
Target Price (Eu):	from 9.80 to 10.70		
	2023E	2024E	2025E
Chg in Adj EPS	17.5%	11.3%	8.8%

CREDEM - 12M Performance



Stock Data

Reuters code:	EMBI.MI		
Bloomberg code:	CE IM		
Performance	1M	3M	12M
Absolute	1.9%	10.3%	29.2%
Relative	3.6%	7.4%	9.2%
12M (H/L)	8.23/5.54		
3M Average Volume (th):	205.61		

Shareholder Data

No. of Ord shares (mn):	341
Total no. of shares (mn):	341
Mkt Cap Ord (Eu mn):	2,597
Total Mkt Cap (Eu mn):	2,597
Mkt Float - Ord (Eu mn):	556
Mkt Float (in %):	21.4%
Main Shareholder:	
Credemholding	78.6%

Balance Sheet Data

Tangible Equity (Eu mn):	3,049
TEPS (Eu):	8.93
CET1 Ratio Fully Loaded:	14.0%
Gross NPE Ratio:	2.1%

- **Strongest results ever.** Credem closed 2Q23 with record Eu 164mn net profit driven by NII (+85% YoY) but also by positive trends in fees (+6.8% YoY) and trading income (Eu 14mn vs Eu 1mn registered last year). Costs grew +7.8% YoY but the C/I ratio stayed below 50%. The absence of signs of a deterioration in asset quality led to the bank registering almost zero LLPs. As for capital ratios, the CET1 ratio went up to 14.4% (from 14%), increasing the capital buffer vs SREP 2023 to +680bps.
- **Feedback from the conference call.** Management is expecting NII to reach the peak by 3Q23 and guided for 2023 NII at ca. Eu 960mn. Fees are expected to be pretty flat YoY as lower banking fees should be compensated by better bancassurance and AM fees. As regards costs, 2H23 should register the same trend as seen in 1H23 (+6/6.5% YoY) while cost of risk is expected below 25bps in 2023. According to management, the NII seen in 2023 should also be sustainable for 2024.
- **Change in estimates.** We have revised our EPS estimates upwards for '23/'24/'25 by +12% on average, with more pronounced increases for 2023 and 2024 (+17% and +11% respectively) and slightly lower for 2025 (+8%) due to higher LLP expectations. The main driver of the increase in EPS was NII, which was only partially offset by higher costs. For the next 3 years, the C/I ratio is expected to stay in the 53%/55% range.
- **Outperform confirmed, T.P. raised from Eu 9.8 to Eu 10.7.** 1H23 results confirmed Credem's high sensitivity to interest rate rises but also the network's ability to distribute AuM products and keep fees high. The high profitability increased capital ratios well above minimum capital requirements and therefore provides visibility on future RWA growth or a higher dividend payment (we have not changed our payout ratio assumption for the time being, but we see leeway for management to propose such a move). Our valuation is based on 2023/24 ROTE and takes the increase in EPS estimates into account. We haven't considered in our estimates the introduction of the windfall tax as we expect important amendments to be introduced by October. The stock is trading at 0.85x TE with an expected ROTE '24/'25 of 12%-13% and a dividend yield of 5/5.5%.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Total income (Eu mn)	1,337	1,473	1,780	1,756	1,768
Net Operating Profit (Eu mn)	461	573	823	784	785
Net Profit Adj (Eu mn)	294	306	451	429	433
EPS New Adj (Eu)	0.860	0.897	1.321	1.256	1.267
EPS Old Adj (Eu)	0.860	0.897	1.124	1.128	1.165
DPS (Eu)	0.300	0.330	0.400	0.420	0.450
P/E Adj	8.8	8.5	5.8	6.1	6.0
Div. Yield	3.9%	4.3%	5.3%	5.5%	5.9%
P/TE	0.87	0.95	0.85	0.78	0.72
ROTE	9.8%	11.2%	14.8%	12.9%	12.0%