

# CREDEM

Sector: Banks

# OUTPERFORM

Price: Eu7.80 - Target: Eu10.70

## 3Q trends project to a FY Net Profit of ~Eu0.5bn

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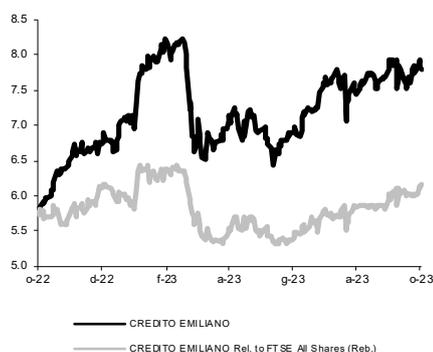
### Stock Rating

Rating:	Unchanged		
Target Price (Eu):	Unchanged		
	2023E	2024E	2025E
Chg in Adj EPS	0.0%	0.0%	0.0%

### Next Event

Results Out on November 8

### CREDEM - 12M Performance



### Stock Data

Reuters code:	EMBI.MI
Bloomberg code:	CE IM

Performance	1M	3M	12M
Absolute	-1.8%	2.8%	35.4%
Relative	1.9%	6.7%	8.8%
12M (H/L)	8.23/5.80		
3M Average Volume (th):	169.67		

### Shareholder Data

No. of Ord shares (mn):	341
Total no. of shares (mn):	341
Mkt Cap Ord (Eu mn):	2,662
Total Mkt Cap (Eu mn):	2,662
Mkt Float - Ord (Eu mn):	570
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%

- A profitable quarter...** 3Q23 results are due out 8 November. We expect a strong quarter driven by a progressive rise in NII (+3.9% QoQ) pushed by customer spread widening further (290bps as of 1H23). We should see some weakness on income from fees (-11.5% QoQ) due to the negative trend in AuM in favor of AuC, while the insurance business remains flat QoQ, but up almost 50% YoY. Seasonality should have adversely affected trading, which historically has been always very strong in 1Q.
- ...with some surprises on costs:** On the cost front, again due to 3Q seasonality, we should see a decrease of ca. 5% QoQ as far as OpEx is concerned (higher YoY due to organic growth), while D&A is expected to have fallen more sharply. While we are not expecting a worsening of default rates, LLPs are seen increasing to around €13mn (12bps), and the DGS fee (ca. €30mn) will also have been booked, impacting the bottom line. Against this we expect net profit of €138mn after taxes of ca. €57mn.
- A rock-solid balance sheet:** Regarding asset quality, the bank is definitely one of the best-in-class in the industry, with an average gross NPE ratio for the past 12 quarters of 2.5% (2.3% in 1H23), and its NPE stock falling from €979mn in 3Q20 to €720mn in 1H23. The largest de-risking was seen in the NPL segment, where the NPL ratio halved from 0.55% to 0.23%. On the capital front, we see the CET1 ratio increasing by approx. 40bps due to organic capital generation, although usually the bank only books the profit accrual at the end of the year. With a buffer vs. the SREP of ca. 680bps, we see high visibility on the payout, on which there may be upward surprises.
- Outperform confirmed, T.P. unchanged at €10.70:** A best-in-class commercial bank that highlights the efforts by management to de-risk the balance sheet and return value to shareholders. We are keeping the TP unchanged due to some expected macro effects on NII in 4Q, but visibility on the FY net profit estimate remains high. We have not taken the windfall tax into account because we assume that instead of paying the tax the bank will set aside a figure amounting to 2.5x the potential tax liability to the non-distributable reserve. Stock currently trading at 0.74 P/T-NAV(FY24) and 6.15x times the earnings (FY24).

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	1.321	1.256	1.267
DPS (Eu)	0.300	0.330	0.400	0.420	0.450
P/E Adj	9.1	8.7	5.9	6.2	6.2
Div. Yield	3.8%	4.2%	5.1%	5.4%	5.8%
P/TE	0.89	0.97	0.87	0.80	0.74
ROTE	9.8%	11.2%	14.8%	12.9%	12.0%