

Banco BPM

Issuer View • 11 September 2023

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Ratings

Banco BPM

	Rating	Ausblick
Fitch	BBB-	Stable
Moody's	Ba1	Positive
S&P	-	-

Homepage

www.bancobpm.it

Banca Popolare di Milano Scarl (BPM) and Banco Popolare Societa Cooperativa (BP), both formerly organised along cooperative lines, merged with effect from 1 January 2017 and now operate under the name Banco BPM Group. The shares in BPM are listed on the Italian stock exchange. As at 06 September 2023, Credit Agricole is the largest shareholder with a stake of just under 9.2%, followed by Capital Research and Management Company with almost 5.0%. As measured by total assets (H1 2023: EUR 198bn), BPM is the third largest bank in Italy and is considered a domestic systemically important bank (D-SIB). With an average of around 20,000 employees, BPM serves approximately 3.8 million customers in around 1,360 branches nationwide (H1 2023). The geographic business focus of the bank is on the regions of northern Italy. As a universal bank, BPM offers a wide range of financial services, also through its various subsidiaries. As measured by pre-tax profit, the most important business segments are Retail (FY 2022: 23.5%), Corporate (24.0%) and Strategic Partnerships (11.1%). Furthermore, BPM reports in the segments Institutional, Private, Investment Banking, Insurance and Corporate Centre. BPM has been issuing ESG bonds on the basis of its Green, Social and Sustainability Framework since 2021. Funding (H1 2023) to the tune of EUR 101.3bn is sourced from (retail & SME) customer deposits. In terms of BPM's outstanding bonds (EUR 23.0bn), 39.7% are covered bonds. In 2022, BPM took over Bipiemme Vita in full (bancassurance; today known as BPM Vita) and consequently exercised a purchase option for the remaining shares in the insurance companies VERA Vita and VERA Assicurazioni (closing expected in Q4 2023).

Balance Sheet

(EURm)	2021Y	2022Y	2023H1
Net Loans to Customers	127,995	134,194	133,004
Total Securities	16,629	22,319	23,192
Total Deposits	114,941	109,375	114,414
Tier 1 Common Capital	9,387	8,618	8,386
Total Assets	200,489	189,808	198,490
Total Risk-weighted Assets	63,931	60,200	58,859

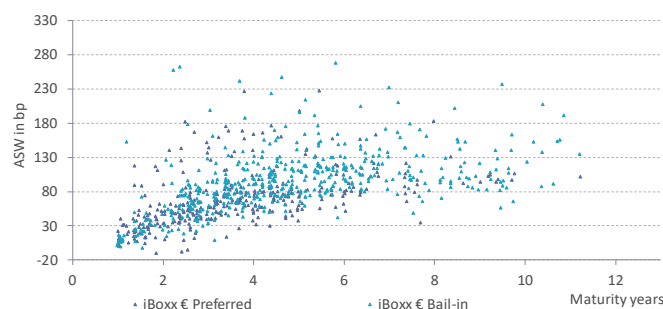
Income Statement

(EURm)	2021Y	2022Y	2023H1
Net Interest Income	2,016	2,345	1,591
Net Fee & Commission Inc.	1,901	1,849	908
Net Trading Income	-43	-96	-44
Operating Expense	3,071	NA	1,512
Credit Commit. Impairment	635	NA	234
Pre-tax Profit	654	1,023	905

Redemption Profile



Senior Unsecured Bonds (EUR BMK)



Company Ratios

	2021Y	2022Y	2023H1	2021Y	2022Y	2023H1	
Net Interest Margin	1.10	-	1.78	Liquidity Coverage Ratio	206.01	196.04	179.00
ROAE	4.44	5.32	9.40	IFRS Tier 1 Leverage Ratio	4.76	4.63	4.30
Cost-to-Income	67.50	-	57.03	NPL/Loans at Amortised Cost	4.99	3.57	3.19
Core Tier 1 Ratio	14.68	14.32	14.25	Reserves/Loans at Amort. Cost	2.72	2.07	1.89

As of: 11.09.2023; Source: Bloomberg, S&P Global Market Intelligence, NORD/LB Markets Strategy & Floor Research

Strengths / Opportunities

- Market position (franchise)
- Liquidity
- Capitalisation

Risks / Weaknesses

- Asset quality (positive trend)
- Profitability
- Cyclical nature of exposure to corporates and SMEs

Covered Bonds

Author: Melanie Kiene, CIIA

Cover assets total EUR 7,769 million as of June 30, 2023

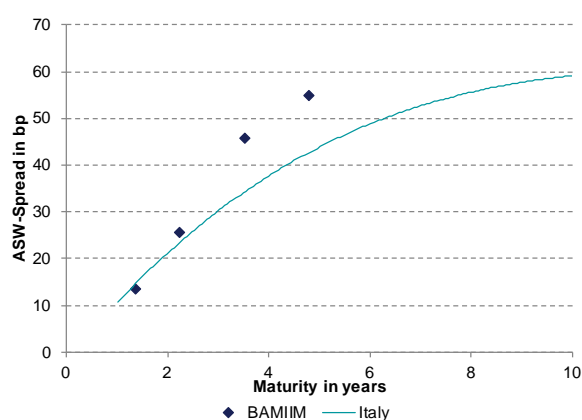
The issuer Banco BPM is represented in the current composition of the benchmark index iBoxx EUR Covered with four issues. These EUR benchmarks add up to a volume of EUR 3.0bn. The institute was last active on the primary market in June 2023 and placed a covered bond (EUR 750m) with a term of five years. As of the reporting date of June 30, 2023, the issuer reported a cover pool volume of EUR 7,769m. These cover assets were offset by EUR 4,100m of covered bonds, also as of June 30, 2023. The calculated overcollateralization rate was therefore 89.5%. Following that, the Voluntary overcollateralization was therefore stated at 82.0% (Committed OC: 7.5%; statutory: 5.0%).

Programme data

30 June 2023	Mortgage
Covered bonds outstanding	EUR 4,100m
Cover pool volume	EUR 7,769m
Current OC (voluntary / legal)	82.0% / 5.0%
Type primary cover	100% Residential
Main country	100.0% Italy
Number of loans	81,127
Average loan size	EUR 95,085
Share of 10 largest exposures	0.4%
NPL	0.5%
Fixed interest (Cover Pool / CBs)	80.3% / 100.0%
WAL (Cover Pool / CBs)	9.9y / 2.8y
CB Rating (Fitch / Moody's / S&P)	- / Aa3 / -

Source: issuer, rating agencies, Bloomberg, NORD/LB Markets Strategy & Floor Research

Spread overview (BMK) – Italy



Cover pool from Banco BPM with exclusively residential primary coverage

As of June 30, 2023, Banco BPM's mortgage cover pool consists of 99.3% primary cover assets. The primary cover assets are exclusively of Italian origin. The total of 81,127 mortgage financings all have a residential classification. The proportion of financed properties inhabited by the owners themselves is 100.0%. In addition, 87% of the financed properties can be assigned to the "Flat or Apartment" category. The remaining 13.0% falls under the "House, detached or semi-detached" category. The average loan volume as of June 30, 2023 is stated to be EUR 95,085. The low concentration risks are reflected in the low proportion of the ten largest exposures (0.4%). In terms of geographical distribution, the Lombardia region dominates (41.4%); followed by Lazio (13.2%) as well as Veneto (9.1%) and Toscana (8.4%). More than 77% of the loans have a current loan term of at least 36 months. The proportion of mortgage loans that were completed within the last two years is 2.3%. The NPL ratio is given as 0.5%. The LTV (not indexed) is given as 66.7%, while the indexed loan-to-value ratio is significantly lower at 53.5%.

Rating and regulatory

Banco BPM's covered bonds are rated Aa3 by the rating agency Moody's and also benefit from a preferred risk weight according to CRR of 10%. In our opinion, the respective EUR benchmarks can be used as Level 1 assets in the context of LCR management. The covered bonds are suitable as collateral within the ECB Collateral Framework.

Appendix

Contacts at NORD/LB

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