

BPER Banca

Issuer View • 20 November 2023

Author: Lukas Kühne

Ratings

BPER Banca S.p.A.

	Rating	Outlook
Fitch	BBB-	Stable
Moody's	Ba1	Negative
S&P	-	-

Homepage

www.bper.it

Listed on the stock exchange in Milan, BPER Banca S.p.A. is the fourth-largest banking group in Italy as measured by assets (Q3 2023: EUR 143bn in total assets). As at 27 June 2023, the largest shareholders in the bank were the Unipol Group (19.9%) and Fondazione di Sardegna (10.2%). In the wake of several acquisitions, the bank expanded its area of influence in Italy, where it now operates in 1,759 branches (H1 2022). The relevant acquisitions include the takeover of Banca Carige, Banco di Sardegna and Banca Cesare Ponti. Moreover, the group has specialist subsidiaries that supplement the product portfolio beyond banking services (e.g., products from the areas of asset management, credit management, leasing and factoring). BPER Banca reports across the segments of Retail, Private, Corporate, Large Corporate, Finance, Corporate Centre, and Other Assets. The Bank's loan portfolio consists primarily of loans to households (Q3/2023: 47.4%) and loans to customers in the manufacturing sector (14.9%). In terms of funding, the bank makes extensive use of deposits, resulting in a loan-to-deposit ratio of 72% (Q3 2023). Direct deposits (EUR 120.1bn) comprise Retail (70%) and Corporate (30%) deposits, while indirect deposits (EUR 162.7bn) are made up of AuM and Life Insurance (52%) in addition to Assets under Construction for Finance Leasing (48%). At the start of 2022, BPER Banca joined the Net-Zero Banking Alliance, which is targeting net zero CO₂ issuances by 2050. Moreover, the bank is striving to reduce its CO₂ emissions by at least 23% by the year 2025.

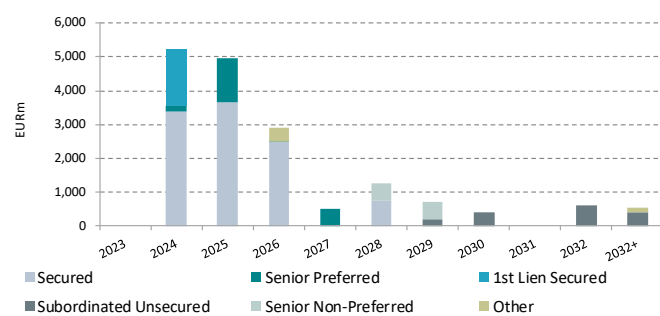
Balance Sheet

(EURm)	2021Y	2022Y	2023Q3
Net Loans to Customers	93,859	105,962	101,545
Total Securities	7,974	11,223	10,312
Total Deposits	96,461	107,415	107,694
Tier 1 Common Capital	6,576	6,613	-
Total Assets	136,348	152,303	143,457
Total Risk-weighted Assets	45,341	53,025	-

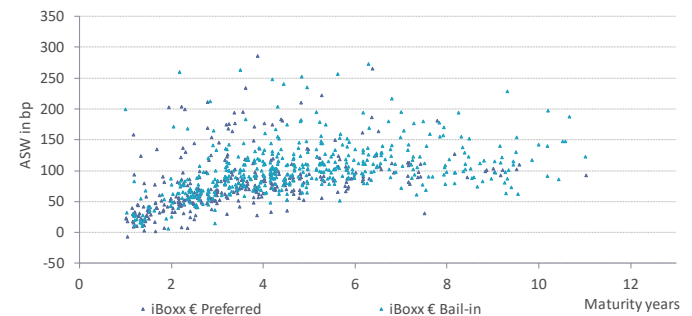
Income Statement

(EURm)	2021Y	2022Y	2023Q3
Net Interest Income	1,505	1,826	837
Net Fee & Commission Inc.	1,642	1,922	478
Net Trading Income	193	141	50
Operating Expense	2,437	3,137	835
Credit Commit. Impairment	855	588	94
Pre-tax Profit	693	1,388	536

Redemption Profile



Senior Unsecured Bonds (EUR BMK)



Company Ratios

	2021Y	2022Y	2023Q3	2021Y	2022Y	2023Q3	
Net Interest Margin	1.23	1.28	2.54	Liquidity Coverage Ratio	215.10	195.30	158.90
ROAE	8.20	19.35	17.61	IFRS Tier 1 Leverage Ratio	4.85	4.38	-
Cost-to-Income	68.70	74.97	56.96	NPL/ Loans at Amortised Cost	4.29	2.83	2.49
Core Tier 1 Ratio	14.50	12.47	-	Reserves/Loans at Amort. Cost	2.98	2.23	-

As of: 20.11.2023; Source: Bloomberg, S&P Global Market Intelligence, NORD/LB Markets Strategy & Floor Research

Strengths / Opportunities

- Capitalisation
- Liquidity
- Funding

Risks / Weaknesses

- Profitability
- Operating risks on the back of acquisition strategy
- Loan quality

Covered Bonds

Author: Lukas Kühne

Cover assets total EUR 5,4bn as of September 30, 2023

The issuer BPER Banca is represented in the current composition of the benchmark index iBoxx EUR Covered with two issues. These EUR benchmarks add up to a volume of EUR 1.35bn. The institute was last active on the primary market in October 2021 and placed a covered bond (EUR 750m) with a term of five years. As of the reporting date of September 30, 2023, the issuer reported a cover pool volume of EUR 5,400m. These cover assets were offset by EUR 3,750m of covered bonds, also as of September 30, 2023. The calculated overcollateralization rate was therefore 42,4%. The statutory minimum requirement for the overcollateralisation ratio in Italy is 5.0%. In addition, the issuer discloses a contractual OC of 19.0% and a voluntary overcollateralisation ratio of 20.0% in its reporting (as at 30 September 2023).

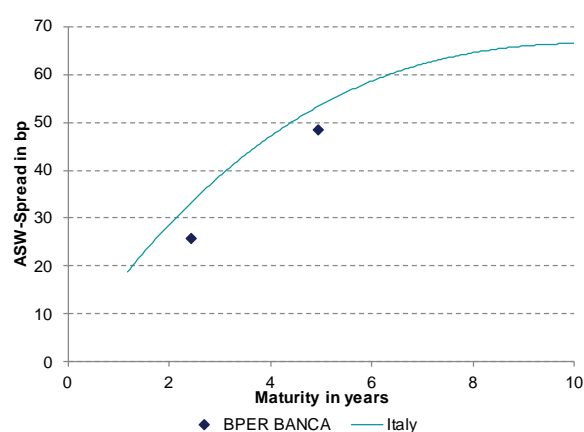
Programme data

30 September 2023

Covered bonds outstanding	EUR 3,750m
Cover pool volume	EUR 5,400m
OC (current / legal)	42.4% / 5.0%
Type primary cover	100% Residential
Main country	100.0% Italy
Number of loans	67,335
Average loan size	EUR 76,540
Share of 10 largest exposures	0.23%
NPL	0.16%
Fixed interest (Cover Pool / CBs)	60.6% / 69.3%
WAL (Cover Pool / CBs)	17.2y / -
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 BPER Banca with exclusively residential primary coverage

As of September 30, 2023, BPER Banca mortgage cover pool consists of 96.5% primary cover assets. The primary cover assets are exclusively of Italian origin. The total of 67,335 mortgage financings all have a residential classification and are spread across 66,932 different borrowers. The average loan volume as of September 30, 2023 is stated to be EUR 76.540. The low concentration risks are reflected in the low proportion of the ten largest exposures (0.23%). In terms of geographical distribution, the Emilia Romagna region dominates (36.5%), followed by Lombardy (9.3%), Abruzzo (8.5%) and Lazio (8.3%). More than 68% of the loans have a current loan term of more than ten years, which corresponds to 54.8% of the cover pool volume. The proportion of mortgage loans that were completed within the last two years is 10.5%. At 81.8%, loans with a residual term of more than ten years form the largest group within the cover pool. The NPL ratio is given as 0.16%. The LTV (not indexed) is given as 48.6% and is therefore only slightly higher than the indexed LTV (48.5%).

Rating and regulatory

BPER Banca covered bonds are rated Aa3 by the rating agency Moody's and also benefit from a preferred risk weight according to CRR of 10%. The Moody's collateral score is 5.0%. 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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Time of going to press: Monday, 20 November 2023 (10:42h)