

# BFF BANK

Sector: Banks

# OUTPERFORM

Price: Eu10.46 - Target: Eu12.00

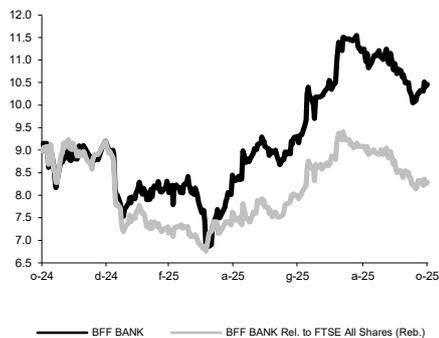
## Back on the Dividend Yield Podium

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| Stock Rating       |                     |        |        |
|--------------------|---------------------|--------|--------|
| Rating:            | Unchanged           |        |        |
| Target Price (Eu): | from 11.60 to 12.00 |        |        |
|                    | 2025E               | 2026E  | 2027E  |
| Chg in Adj EPS     | -13.7%              | -10.7% | -10.2% |

**Next Event**  
 Results Out on November 10

### BFF BANK - 12M Performance



| Stock Data              |            |       |       |
|-------------------------|------------|-------|-------|
| Reuters code:           | BFF.MI     |       |       |
| Bloomberg code:         | BFF IM     |       |       |
| Performance             | 1M         | 3M    | 12M   |
| Absolute                | -4.2%      | 0.3%  | 16.5% |
| Relative                | -5.3%      | -5.0% | -9.3% |
| 12M (H/L)               | 11.54/6.84 |       |       |
| 3M Average Volume (th): | 275.83     |       |       |

| Shareholder Data          |       |
|---------------------------|-------|
| No. of Ord shares (mn):   | 189   |
| Total no. of shares (mn): | 189   |
| Mkt Cap Ord (Eu mn):      | 1,973 |
| Total Mkt Cap (Eu mn):    | 1,973 |
| Mkt Float - Ord (Eu mn):  | 1,850 |
| Mkt Float (in %):         | 93.8% |
| Main Shareholder:         |       |
| Belingheri                | 5.6%  |

| Balance Sheet Data       |       |
|--------------------------|-------|
| Tangible Equity (Eu mn): | 796   |
| TEPS (Eu):               | 4.22  |
| CET1 Ratio Fully Loaded: | 13.2% |
| Gross NPE Ratio:         | 16.1% |

The Bank of Italy (BoI) has lifted all the restrictions imposed on BFF in April 2024, allowing the bank to distribute dividends, pay variable remuneration, and also expand the business abroad. Consequently, BFF has also increased its CET1 ratio target to 13% (from 12%) in order to maintain a high level of capital. The bank is also starting the regulatory process to obtain authorization for a share buyback (worth up to €12.5mn) which is a positive message for excess capital distribution, even if not really significant in terms of EPS/DPS accretion.

On top, BFF has mandated advisors to evaluate strategic capital management options for its credit portfolio in order to optimize its RWAs and generate capital.

We welcome this positive news as it enables BFF to resume dividend distribution, which is a key part of its equity story. Moreover, the removal of restrictions and the potential capital management actions planned for 2026 will enable BFF to continue growing organically, while keeping past-due levels under control.

Given the positive news, we have taken the chance to update our estimates on the organic business trends and distribution policy. Taking this into consideration, as well as the reduction of the risk-free rate by 50bps and the slightly lower NoSh, we raise our target price to €12 (from €11.60) and maintain a positive view on the stock.

■ **What has happened:** BFF has announced that it has received communication from the Bank of Italy regarding the removal of the restrictions imposed in April 2024, including the ban on dividend distribution, payment of variable remuneration, and expansion into new markets. In addition, the BoI confirmed the SREP requirements, with the minimum consolidated CET1 ratio remaining at 9%. In response, BFF has updated its dividend policy, raising the CET1 ratio target by 100bps to 13%, above which it plans to distribute dividends. At the same time, the bank has initiated the evaluation of strategic capital management actions on its loan portfolio and has started the process to obtain authorization for a SBB of up to €12.5mn, which would have an estimated CET1 ratio impact of 25bps on 1H25 numbers (now included in our 2026 figures).

■ **Change in estimates:** We are revising our estimates to reflect a weaker-than-expected outlook for 2025 profitability and the removal of BoI's restrictions. Our updated view incorporates softer assumptions on NII, particularly in 2H25 due to slower organic growth in the factoring business, and a more normalized trajectory for fee income from payments. We have also slightly increased our cost base to reflect expected organic expansion across business lines, while reducing other income projections tied to the €40-per-invoice mechanism. As a result, we have cut our adj. net profit estimates by 11–14% over the 2025/27 horizon. We continue to embed a 100% payout for adj. net profit, including the €12.5mn SBB planned for 2026. Our CET1 ratio forecast now stands close to 13%, with broadly stable RWAs.

■ **Valuation:** We value BFF using a GGM implied P/TE model. Considering the change in estimates, the reduction of the risk-free rate by 50bps, and the slightly lower NoSh, we raise our target price to €12 (from €11.60). The stock is now trading at 2.48/2.52/2.52x its FY25-27 TE; at target it would trade at 3.08/3.13/3.13x.

| Key Figures & Ratios         | 2023A | 2024A | 2025E | 2026E | 2027E |
|------------------------------|-------|-------|-------|-------|-------|
| Total income (Eu mn)         | 392   | 357   | 390   | 436   | 467   |
| Net Operating Profit (Eu mn) | 199   | 154   | 188   | 236   | 264   |
| Net Profit Adj (Eu mn)       | 183   | 139   | 159   | 198   | 221   |
| EPS New Adj (Eu)             | 0.981 | 0.746 | 0.843 | 1.059 | 1.178 |
| EPS Old Adj (Eu)             | 0.981 | 0.746 | 0.977 | 1.185 | 1.312 |
| DPS (Eu)                     | 0.981 | 0.000 | 0.843 | 1.059 | 1.178 |
| P/E Adj                      | 10.7  | 14.0  | 12.4  | 9.9   | 8.9   |
| Div. Yield                   | 9.4%  | 0.0%  | 8.1%  | 10.1% | 11.3% |
| P/TE                         | 2.86  | 2.44  | 2.48  | 2.50  | 2.50  |
| ROTE                         | 26.8% | 17.4% | 20.0% | 25.3% | 28.2% |

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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 between 5.5% - 6.0% are being used.

Frequency of research: quarterly.

Reports on all companies listed on the FTSEMIB40 Index, most of those on the MIDEX 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.

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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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|               |        |
|---------------|--------|
| BUY:          | 32.06% |
| OUTPERFORM:   | 38.93% |
| NEUTRAL:      | 28.25% |
| UNDERPERFORM: | 00.76% |
| SELL:         | 00.00% |

The distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (76 in total) is as follows:

|               |        |
|---------------|--------|
| BUY:          | 51.32% |
| OUTPERFORM:   | 30.26% |
| NEUTRAL:      | 17.10% |
| UNDERPERFORM: | 01.32% |
| SELL:         | 00.00% |

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