

## INITIATION OF COVERAGE

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### Market Statistics in EUR

Price	€ 12.21
52 week Range	€8.39 - €12.96
Daily Vol (3-mo. average)	360,060
Market Cap (M)	€ 2,279.9
Enterprise Value (M)	€ 2,022.7
Shares Outstanding: (M)	187.2
Float (M)	177.6
Public Ownership	47.0%
Institutional Ownership	48.0%

### Financial Summary in EUR

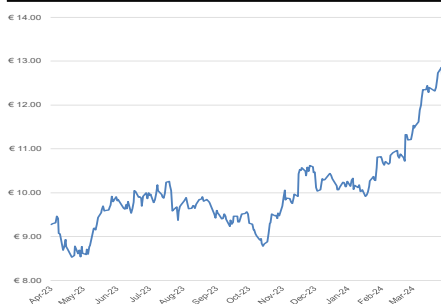
Cash (M)	€ 257.2
Cash/Share	€ 1.37
Debt (M)	€ -
Equity (M)	€ 758.8
Equity/Share	€ 4.05

FYE: Dec	2023	2024E	2025E
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(all figures in M, except per share information)

Net Banking Inc.	€ 392.2	€ 453.2	€ 504.0
Chng%	13%	15%	11%
EBT	€ 249.8	€ 287.6	€ 328.5
Net Income	€ 183.2	€ 209.9	€ 239.8
EPS	€ 0.98	€ 1.12	€ 1.28

P/E	10.5x	10.9x	9.6x
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## COMPANY DESCRIPTION

BFF Bank S.p.A. is a leading European B2B Specialty Finance. It operates as a leader in Europe in factoring and lending to Public Entities, with operations in 9 European countries. Following the DEPObank acquisition, BFF is also active in the Payments and Securities Services businesses. In the Payments business it is the only Italian independent intermediary bank for banking payments, while in Securities Services, BFF acts as the only Italian Bank providing the entire spectrum of customized securities and depositary bank services to domestic banks and asset managers. BFF was established in 1985 and is headquartered in Milan, Italy. BFF is listed on the Italian Stock Exchange under the ticker symbol "BFF".

## BFF BANK S.P.A (BIT: BFF)

### Company Summary

**Financial Results:** BFF reported Net Banking Profit, EBT, and Net Income of €119.7M, €83.9M, and €60.7M, respectively. This compares to consensus estimates of €135.5M, €87.5M, and €60.9M. For FY23 BFF reported Net Banking Profit, EBT, and Net Income of €387.3M, €249.8M, and €183.2M, respectively. Net income for the year was at a record high and grew 25% over FY22. These strong results drove FY23 dividends to €183.2M, of which €81.9M was paid as an interim dividend in September of 2023.

**Strong Balance Sheet:** BFF ended the quarter with a solid balance sheet that includes a cash balance of €257.2M, or €1.37 per share. On its own, this accounts for 11.3% of BFF's current stock value. The loan book was €5,617.0M at year end, an increase of €175.0M from year end 2022. This was impacted by liquidity injections from the Spanish and Portuguese governments.

**Asset Quality:** BFF only saw €2.5M of impairment losses in the quarter and €4.9M in the year. This is a full year improvement from the impairment losses of €5.9M that the Company recorded in FY22. Excluding Italian municipalities in conservatorship, net non-performing loans were €7.2M, or 0.1% of net loans. This included a coverage ratio of 75%, which is in-line with the FY22 coverage ratio of 74%. Cost of risk was 9.4bps at year end 2023.

**Ratios:** Common equity tier 1 ("CET1") ratio was 14.2% and total capital ratio ("TCR") was 19.1% at the end of the quarter. These were measured excluding the €101.2M of accrued dividends, expected to be paid in September of 2024. Recently the Company announced that its target capital ratio has moved from 15% TCR to 12% of CET1, which is more in-line with other banks' capital targets. This is in addition to the €68.0M of excess capital.

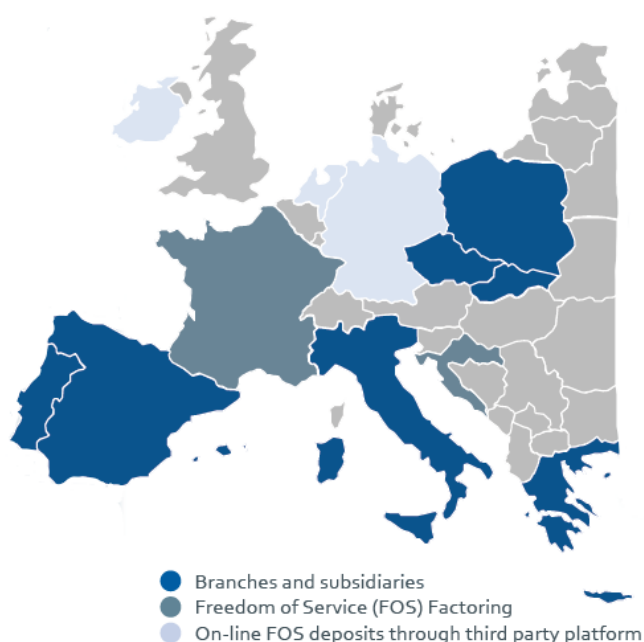
**Late Payments Directive Updates:** The Late Payments Directive that is still under revision would result in a favorable scenario for BFF as it is currently proposed. Of note the recovery costs would increase to at least €50.00 from €40.00 per invoice in the European Commission proposal or up to an average of €100.00 per invoice as per the European Parliament Draft Report. This is in addition to the payment terms being set at 30 days across all sectors.

**Valuation:** We use a Dividend Discount Model and a P/E comp analysis to guide our valuation. Our Dividend Discount Model assumes that both the TCR and CET1 Ratio remain above 15% for the foreseeable future. Additionally, we agree with the Company stated potential for medium term growth. This arrives at a valuation range of stated range of payout ratios on 2024E Net Income to arrive at a valuation range of €14.47 to €16.26 with a mid-point of €15.27. Our P/E comp analysis valuation results in a range of €14.04 to €16.60 with a mid-point of €15.32. Lastly, we note that BFF pays one of the highest dividend yields of the comp set.

## Business Overview

BFF Bank S.p.A. (“BFF”, “the Bank”, or “the Company”) is a leading European B2B Specialty Finance. It operates as a leader in Europe in factoring and lending to Public Entities, with operations in 9 European countries. Following the DEPObank acquisition, BFF is also active in the Payments and Securities Services businesses. In the Payments business it is the only Italian independent intermediary bank for banking payments, while in Securities Services, BFF acts as the only Italian Bank providing the entire spectrum of customized securities and depositary bank services to domestic banks and asset managers. BFF was established in 1985 and is headquartered in Milan, Italy. BFF is listed on the Italian Stock Exchange under the ticker symbol “BFF”.

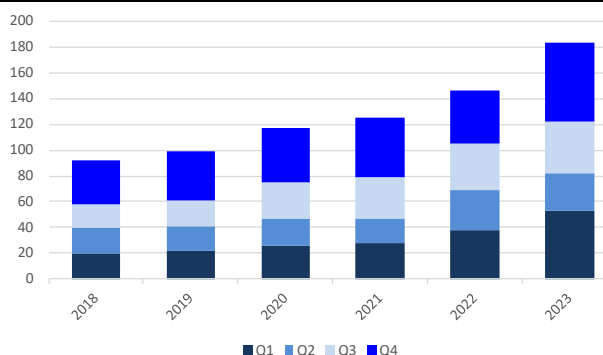
### Exhibit 1: Company Location



Source: Company Presentation

The Company IPO'd in 2017 at a market cap of €800.0M and has since returned ~€615.0M in cumulative dividends. Additionally, BFF has grown net profit by a CAGR of 14.8% since year end 2018. We note that this growth was acquired both organically as well as through M&A as the Company has made acquisitions of Magellan (now Polska Group, IOS Finance, DEPO bank, and MC3 in 2016, 2019, 2021, and 2022 respectively. Additionally, BFF's business model has proven to be profitable with growth seen in very different macroeconomic scenarios, such as over the last few years.

### Exhibit 2: Net Profit by Quarter Since 2018



Source: Company Financials

## Business Segments

BFF Bank operates among three business activities: Factoring and Lending, Payments Services, and Securities Services. The Company's revenues are primarily driven by the Factoring and Lending business, thanks to the Company's unassailable competitive position in a market with high entry barriers and to its unique revenue generation model with income coming from both clients and debtors. Furthermore, the Factoring and Lending business is underpinned by the European Directive on Late Payments, currently under revision. With ample room for growth and a loan book almost entirely comprised of PA loans (~95% as of FY22), we expect that BFF will remain on strong footing in its Factoring and Lending segment with its other two segments adding meaningful and noticeable diversification to its business.

### Exhibit 3: Business Segments Overview



Source: Company Presentation

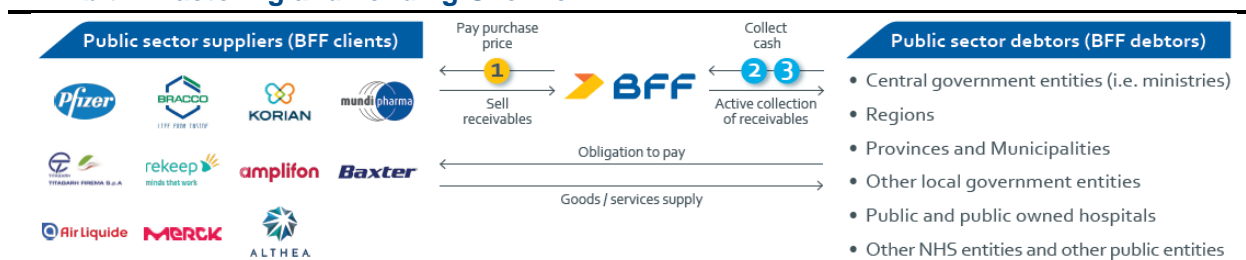
We note that the Company has embedded scale economies as seen by loans/employee growing ~35.7% from FY19 to FY22 in the Factoring and Lending segment and revenues/employee growing ~25% in the Payments and Securities Services segments over the same time frame. In terms of exposure to the credit cycle the Company has an average cost of risk since its IPO of 8.5bps and has only seen €6.2M in loan losses in the last 16 years.

## Factoring and Lending

Most of BFF's revenues are derived from its Factoring and Lending segment. BFF purchases invoices from the suppliers of the public sector, NHS and local authorities at a discount compared to the face value and manages the collection process. Since the public administration and NHS usually pay later than the 30-60 days, currently required by the European Late Payments Directive ("LPD"), BFF is entitled to charge interests on late payments ("LPI") at the ECB refinancing rate plus a spread of 8%, refixing twice a year, and Recovery cost rights currently set at EUR 40 per invoice.

BFF clients of its Factoring & Lending division are mostly large multinational suppliers of the public administration: this allows BFF to have no conflict of interest with the PA in the collection process (differently from other main banks through their captive Factoring businesses) and provides cross selling opportunities from cross border sales.

## Exhibit 4: Factoring and Lending Overview



Source: Company Presentation

The Company has a prudent accounting revenue model, as only 50% of the LPI and Recovery Costs Rights are immediately accrued on the P&L, while the remaining portion (over-recoveries) are cash accounted at actual collection. Therefore, a significant portion of LPI and Recovery Costs that have already matured are not recorded in the P&L before collection. This exemplifies the significant deferred profitability that the company has access to.

Growth in this sector is expected to be robust over the coming years. We note that the regulatory framework at the European union level underpinning this business model possible is going through a revising process that is expected to stabilize the environment for the next ten years. The ongoing proposed revision of Late Payments Directive outlines a favorable scenario for BFF. European Commission Proposal and European Parliament compromised text voted in IMCO (Committee on the Internal Market and Consumer Protection), if confirmed, would imply:

- the switch to a regulation from the current directive
- payment terms to 30 days across all sectors, including NHS, increasing outstanding, LPIs and overdue invoices
- Recovery Costs from €40 to at least €50 per invoice in the European Commission proposal, up to average €100 per invoice according to the compromised text voted in IMCO

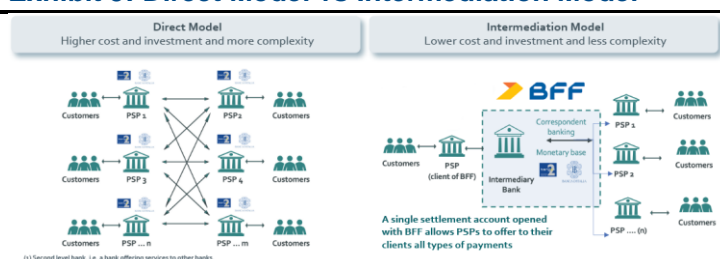
The final text of the European Parliament is expected to be submitted for approval in April of 2024. The above, if confirmed, would imply expected additional revenues for BFF, on the basis of Business Plan Volumes, in the first full year of c. €50m.

We note that the Company is uniquely positioned to profit from this business model with a strong moat and years of experience navigating this sector.

## Payments Services

The Company's Payments Services segment takes advantage of the structural shift to digital payments in Italy. In the Payments business, BFF operates as "Second Level Bank", i.e. a bank offering services to other banks and smaller players. BFF offers to Payment Services Providers ("PSP") the possibility to provide their clients with all payment types through a single settlement account opened with BFF.

## Exhibit 5: Direct Model vs Intermediation Model



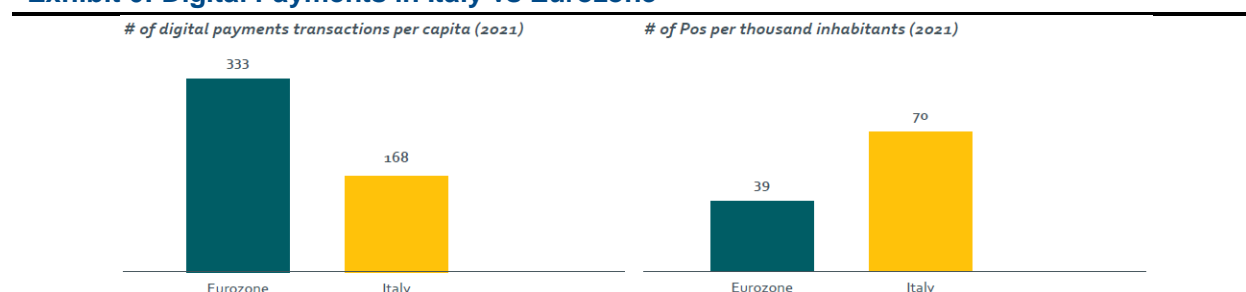
Source: Company Presentation

This model has the advantage to be more efficient and simpler for smaller PSPs rather than the direct model that would require multiple direct relations with other market participants to conclude payments on behalf of their clients and to have access to all the payment systems.

BFF offers a wide spectrum of services in the payment value chain, including: (i) Intermediation and settlements, (ii) Checks & receivables and (iii) Corporate payments.

We expect significant growth in BFF's market as the payment infrastructure is well-developed compared to the Eurozone. This infrastructure is expected to pull Italy's digital payment transactions per capita upwards, from being in a lower tier compared to the Eurozone.

### Exhibit 6: Digital Payments in Italy vs Eurozone



Source: Company Presentation

### Securities Services

BFF is the only Italian Bank providing the entire spectrum of customized securities and depositary bank services to domestic banks and asset managers. Services include depositary banking, fund accounting, transfer agent, global custody, and several other value-added services. This segment services pension funds, alternative investment funds ("AIFs"), and mutual funds, among others. BFF's strong anchoring in the Italian market gives BFF the ability to increase penetration among AIFs, expand value added services, and take advantage of the opening of new markets (i.e. Casse di Previdenza). Going forward we expect a double digit AuD CAGR for the Depositary Bank and low single digit AuC CAGR in Global Custody over the coming years due to positive tailwinds that include lower market volatility and an accommodative regulatory environment.

### Exhibit 7: Securities Services Overview

BFF Services	Client	Market	Competitive Advantage	Growth Outlook
Depositary Bank Fund Accounting Transfer Agent Global Custody	Pension Funds	• BFF provides services in a highly fragmented market, where local presence is a competitive advantage	• Local presence	Accumulation phase
	AIFs			Growth
	Domestic Mutual Funds	• BFF operates with small funds, better served by local players • Medium/large funds served by large Securities Services providers with long term relations originated by M&A deals	• Focus on tailored solutions • Customer-centric approach	Low growth
	Banks & Brokers	• BFF provides custody services to small/medium banks who need an independent and flexible operator		Low/steady growth

• Important source of stable and operational deposits

• Steady revenue inflow with mostly fixed cost base

Source: Company Presentation

## Growth Outlook

Taking into account the numerous tailwinds for the various business segments mentioned above, we are confident that the Company will reach its growth targets over the coming years. Currently we expect growth at both the top and bottom line, turning into growth in its return of total equity. Going forward we expect that BFF will maintain a stable balance sheet, reducing its cost to income ratio. Due to the Company's track record of solid performance through various economic environments we are comfortable with BFF's stated growth targets out to FY26.

### Exhibit 8: Growth Targets

	FY 2022	2026 Targets
Cost/Income (%)	44%	Below 40%
Adjusted Net Profit <sup>(1)</sup>	€146m	€255-265m
EPS (€ per share)	€0.79	€1.37-1.43 (€1.34-1.39 fully diluted <sup>(2)</sup> )
Cumulated dividends (FY23-26)	-	over €720m (c. 40% current market cap)
CET 1 Ratio (%)	17%	≥12% <sup>(3)</sup>
RoTE (%)	39%	>50%

Source: Company Presentation

## Risks

**Security of systems** – Any material breaches in the security of BFF Bank's systems could cause material losses for BFF. Protecting sensitive consumer data is essential as is maintenance and backup of key financial and customer information.

**Trading of common shares is limited** – Trading in BFF's common shares is not very active, which could cause concern for current and future shareholders, and the limited trading can cause exaggerated price volatility for shares of BFF.

**External shocks** – War, terrorism, other acts of violence or natural or manmade disasters such as a global pandemic may affect the markets in which the Company operates, the Company's customers, the Company's delivery of products and customer service, and could have a material adverse impact on our business, results of operations, or financial condition.



## VALUATION SUMMARY

We use a Dividend Discount Model and a P/E comp analysis to guide our valuation of BFF. We believe that due to the Company's history of dividend payments and stability of earnings both valuation methods are reasonable.

### Comparative Analysis

(all figures in M, except per share information)

Company / Symbol	Price <sup>(1)</sup>	Mrkt Cap	Div Yield	BV/Share	P/E <sup>(2, 3)</sup>		
					2023	2024E	2025E
Banca IFIS IF	\$ 20.79	\$ 1,090.6	10.7%	\$ 35.38	5.7x	6.4x	6.3x
doValue S.BIT: DOV	\$ 2.14	\$ 168.0	29.8%	\$ 0.84	-15.8x	5.8x	3.6x
illimity Ban ILTY	\$ 4.88	\$ 409.1	5.4%	\$ 12.53	4.8x	5.8x	4.3x
Paragon B LSE: PAG	\$ 8.48	\$ 1,767.5	5.5%	\$ 8.02	N/A	7.2x	6.9x
Burford Ca BUR	\$ 16.22	\$ 3,555.0	0.8%	\$ 10.46	5.5x	11.9x	9.6x
Banca Mor BMPS	\$ 4.24	\$ 5,337.0	6.3%	\$ 8.77	2.1x	5.7x	6.2x
Distributor DFCH	\$ 0.29	\$ 51.6	0.0%	\$ 0.75	15.9x	5.9x	4.3x
Intesa San ISP	\$ 3.50	\$ 63,892.2	9.2%	\$ 3.87	6.9x	7.3x	7.1x
<b>Average</b>				<b>8.5%</b>	<b>\$ 10.08</b>	<b>3.6x</b>	<b>7.0x</b>
<b>Median</b>				<b>5.9%</b>	<b>\$ 8.39</b>	<b>5.5x</b>	<b>6.2x</b>
BFF Bank / BFF	\$ 12.99	\$ 2,425.2	8.9%	\$ 4.50	10.5x	10.9x	9.6x

(1) Previous day's closing price

(2) Estimates are from Capital IQ

(3) Forward estimates as of calendar year

(4) All Values in USD at an exchange rate of \$0.94 EUR/USD

Source: Company reports, CapitalIQ, Stonegate Capital Partners

As of FY23 BFF traded at a P/E multiple of 10.5x compared to comps at a median of 5.5x. This was a premium of 89.5%. Based on our FY25 BFF is trading a P/E multiple of 9.6x compared to comps at a median of 6.2x. This is a premium of 53.4%. For our valuation we are using our FY25 expected earnings and a P/E range of 11.0x to 13.0x with a midpoint of 12.0x which moves BFF back in-line with its historical P/E premium to comps. This arrives at a valuation range of \$14.04 to \$16.60 with a mid-point of \$15.32.

	P/E		
<b>Multiple</b>	<b>11.00x</b>	<b>12.00x</b>	<b>13.00x</b>
Earnings	€ 1.28	€ 1.28	€ 1.28
<b>Price</b>	<b>€ 14.04</b>	<b>€ 15.32</b>	<b>€ 16.60</b>

Our Dividend Discount Model assumes that both the TCR and CET1 Ratio remain above 15% for the foreseeable future. Additionally, we agree with the Company stated potential for medium term growth and have applied this growth rate accordingly. Our analysis relies on a range of discount rates between 12.25% and 12.75% with a midpoint of 12.50%. This arrives at a valuation range of \$14.47 to \$16.26 with a mid-point of \$15.27.

### Sensitivity Analysis:

Discount rate	Terminal Growth Rates				
	0%	1%	2%	3%	4%
12.00%	\$14.98	\$15.44	\$16.00	\$16.68	\$17.53
12.25%	\$14.67	\$15.10	\$15.62	\$16.26	\$17.04
12.50%	\$14.37	\$14.78	\$15.27	\$15.85	\$16.58
12.75%	\$14.09	\$14.47	\$14.92	\$15.47	\$16.14
13.00%	\$13.81	\$14.17	\$14.60	\$15.11	\$15.73

## Dividend Discount Model

BFF Bank S.p.A.														
Dividend Discount Model														
(in \$M, except per share)														
Estimates:	2022	2023	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	Terminal Value
Net Banking Profit	342.6	387.3	446.4	496.4	546.0	589.7	625.1	653.2	676.1	699.8	720.8	742.4	760.9	
Less: Opearting Expenses	137.1	137.5	158.8	167.9	191.1	209.4	221.9	241.7	250.2	258.9	270.3	278.4	285.4	
Less: Taxes (benefit)	59.4	66.6	77.6	88.7	88.7	95.1	100.8	102.9	106.5	110.2	112.6	116.0	118.9	
Net Income	146.0	183.2	209.9	239.8	266.2	285.3	302.4	308.7	319.5	330.6	337.9	348.0	356.7	
TCR>15%	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	
CET1 Ratio >15%	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	
Dividends	146.0	183.2	209.9	239.8	266.2	285.3	302.4	308.7	319.5	330.6	337.9	348.0	356.7	3,465.0
Discount period - months			12	24	36	48	60	72	84	96	108	120	132	
Discount period - years			1.0	2.0	3.0	4.0	5.0	6.0	7.0	8.0	9.0	10.0	11.0	
Discount factor			0.89	0.79	0.70	0.62	0.55	0.49	0.44	0.39	0.35	0.31	0.27	
PV of FCF			186.6	189.5	187.0	178.1	167.8	152.3	140.1	128.9	117.0	107.2	97.6	948.5
Growth rate assumptions:														
Net Banking Profit		13.1%	15.3%	11.2%	10.0%	8.0%	6.0%	4.5%	3.5%	3.5%	3.0%	3.0%	2.5%	
EBT Income		21.6%	15.1%	14.2%	8.1%	7.2%	6.0%	2.1%	3.5%	3.5%	2.2%	3.0%	2.5%	
Dividends		25.4%	14.6%	14.2%	11.0%	7.2%	6.0%	2.1%	3.5%	3.5%	2.2%	3.0%	2.5%	
Margin assumptions:														
EBT Margin	60.0%	64.5%	64.4%	66.2%	65.0%	64.5%	64.5%	63.0%	63.0%	63.0%	62.5%	62.5%	62.5%	
Taxes	28.9%	26.7%	27.0%	27.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	
Valuation:														
Shares outstanding	187.2													
PV of FCF	1,652.0													
PV of Terminal Value	948.5													
Enterprise Value	2,600.4													
less: Net Debt	(257.2)													
Estimated Total Value:	2,857.6													
Est Equity Value/share:	€ 15.27													
Sensitivity Analysis:														
Discount rate		Terminal Growth Rates												
							0%	1%	2%	3%	4%			
		12.00%	\$14.98	\$15.44	\$16.00	\$16.68	\$17.53							
		12.25%	\$14.67	\$15.10	\$15.62	\$16.26	\$17.04							
		12.50%	\$14.37	\$14.78	\$15.27	\$15.85	\$16.58							
		12.75%	\$14.09	\$14.47	\$14.92	\$15.47	\$16.14							
		13.00%	\$13.81	\$14.17	\$14.60	\$15.11	\$15.73							
Price		€ 12.21												

Source: Company Reports; Stonegate Capital Markets



## Balance Sheet

BFF Bank S.p.A.

Consolidated Balance Sheets (€M)

Fiscal Year End: December

ASSETS	FY 2018	FY 2019	FY 2020	FY 2021	Q1 Mar-22	Q2 Jun-22	Q3 Sep-22	Q4 Dec-22	FY 2022	Q1 Mar-23	Q2 Jun-23	Q3 Sep-23	Q4 Dec-23	FY 2023
Cash and cash equivalents	99.5	78.3	189.6	554.5	937.4	387.2	248.8	634.9	634.9	150.4	197.4	420.7	257.2	257.2
Financial assets measured at fair value through P/L	-	-	-	36.6	38.3	38.8	31.5	90.5	90.5	129.1	130.6	150.8	166.0	166.0
Financial assets measured at fair value through OCI	160.8	82.9	0.2	83.5	128.6	128.5	127.3	128.1	128.1	129.4	130.7	130.7	137.5	137.5
Held-to-maturity financial assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Financial assets measured at amortized cost	4,593.8	5,250.7	5,764.3	10,069.5	10,451.1	11,262.9	11,998.3	11,895.9	11,895.9	10,650.8	10,828.5	10,933.7	10,805.8	10,805.8
Hedging instruments	-	-	-	0.0	0.0	8.8	5.3	-	-	-	-	-	-	-
Equity investments	0.2	0.1	0.1	13.5	13.6	13.6	13.6	13.7	13.7	13.7	13.1	13.2	13.2	13.2
Property, plant, and equipment	12.0	17.1	18.0	36.5	50.6	50.4	54.8	54.3	54.3	56.8	61.7	65.2	60.7	60.7
Intangible assets of which:	26.4	35.3	36.7	67.5	66.4	65.8	66.1	70.2	70.2	69.9	69.4	69.1	74.7	74.7
Tax assets	34.2	13.3	15.3	100.5	86.9	79.1	69.5	60.7	60.7	61.9	61.0	104.0	113.7	113.7
Other assets	14.7	11.6	27.2	214.6	343.6	411.8	425.0	394.2	394.2	377.9	516.1	571.3	663.4	663.4
<b>Total Assets</b>	<b>€ 4,941.5</b>	<b>€ 5,489.3</b>	<b>€ 6,051.3</b>	<b>€ 11,176.7</b>	<b>€ 12,116.6</b>	<b>€ 12,446.8</b>	<b>€ 13,040.3</b>	<b>€ 13,342.4</b>	<b>€ 13,342.4</b>	<b>€ 11,639.9</b>	<b>€ 12,008.5</b>	<b>€ 12,458.7</b>	<b>€ 12,292.3</b>	<b>€ 12,292.3</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>														
Financial liabilities measured at amortized cost	4,403.0	4,962.2	5,415.2	10,010.4	10,730.5	11,094.6	11,928.2	11,994.8	11,994.8	10,339.6	10,648.1	11,240.6	10,814.2	10,814.2
Financial Liabilities Held for Trading	-	-	-	2.7	8.2	2.0	2.1	1.0	1.0	2.8	1.0	0.5	1.2	1.2
Financial liabilities designated at fair value	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Hedging derivatives	-	-	-	4.8	19.0	0.0	1.0	14.3	14.3	-	0.1	0.0	-	-
Tax liabilities	88.3	77.3	83.7	100.7	100.2	100.8	101.4	136.0	136.0	154.4	156.1	124.2	123.8	123.8
Other liabilities	78.1	65.3	82.8	460.9	602.7	569.7	362.5	401.4	401.4	304.1	417.6	358.9	555.4	555.4
Employee severance indemnities	0.8	0.8	0.7	3.7	3.8	3.2	3.2	3.2	3.2	3.2	3.1	3.1	3.0	3.0
Provisions for risks and charges	5.0	6.4	6.4	22.0	23.3	22.5	22.8	33.0	33.0	35.5	31.6	32.2	35.9	35.9
<b>Total Liabilities</b>	<b>4,575.3</b>	<b>5,112.0</b>	<b>5,588.7</b>	<b>10,605.1</b>	<b>11,487.7</b>	<b>11,792.7</b>	<b>12,421.2</b>	<b>12,583.7</b>	<b>12,583.7</b>	<b>10,839.7</b>	<b>11,257.6</b>	<b>11,759.6</b>	<b>11,533.4</b>	<b>11,533.4</b>
Valuation reserves	0.8	6.6	1.5	5.3	6.5	6.0	4.7	6.9	6.9	6.4	6.6	5.7	8.0	8.0
Reserves	142.5	147.3	241.5	166.9	239.0	237.2	235.1	233.2	233.2	461.1	312.6	277.2	277.8	277.8
Additional Tier1	-	-	-	-	150.0	150.0	150.0	150.0	150.0	150.0	150.0	150.0	150.0	150.0
Interim dividends	-	-	-	-	-	-	(68.6)	(68.6)	(68.6)	(68.5)	-	(54.5)	(54.5)	(54.5)
Share premium	-	0.7	0.7	66.5	66.5	66.5	66.3	66.3	66.3	66.3	66.3	66.3	66.3	66.3
Share capital	131.0	131.3	131.4	142.7	142.7	142.9	142.9	142.9	142.9	142.9	143.6	143.8	143.9	143.9
Treasury shares	(0.2)	(1.8)	(3.5)	(7.1)	(7.0)	(5.0)	(4.4)	(3.9)	(3.9)	(6.3)	(4.4)	(4.5)	(4.4)	(4.4)
Minority interests	-	-	-	-	-	-	-	-	-	-	-	0.0	0.0	0.0
Profit for the year	92.2	93.2	91.1	197.4	31.3	56.7	93.0	232.0	232.0	48.4	76.1	115.0	171.7	171.7
<b>Total Parent Net Equity</b>	<b>366.2</b>	<b>377.3</b>	<b>462.6</b>	<b>571.6</b>	<b>628.9</b>	<b>654.1</b>	<b>619.1</b>	<b>758.8</b>	<b>758.8</b>	<b>800.2</b>	<b>750.9</b>	<b>699.1</b>	<b>758.8</b>	<b>758.8</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>€ 4,941.5</b>	<b>€ 5,489.3</b>	<b>€ 6,051.3</b>	<b>€ 11,176.7</b>	<b>€ 12,116.6</b>	<b>€ 12,446.8</b>	<b>€ 13,040.3</b>	<b>€ 13,342.4</b>	<b>€ 13,342.4</b>	<b>€ 11,639.9</b>	<b>€ 12,008.5</b>	<b>€ 12,458.7</b>	<b>€ 12,292.3</b>	<b>€ 12,292.3</b>
<b>Capital Adequacy Ratios</b>														
CET1 ratio	10.9%	10.9%	11.1%	17.6%	16.7%	15.1%	13.8%	16.9%	16.9%	17.0%	15.6%	15.5%	14.2%	14.2%
Tier I ratio	10.9%	10.9%	11.1%	17.6%	23.2%	21.2%	19.3%	22.3%	22.3%	22.6%	20.8%	20.8%	19.1%	19.1%
Total Capital ratio	15.2%	15.0%	15.0%	22.2%	23.2%	21.2%	19.3%	22.3%	22.3%	22.6%	20.8%	20.8%	19.1%	19.1%

Source: Company Reports, Stonegate Capital Partners

## Income Statement

BFF Bank S.p.A. Consolidated Statements of Income (in €M, except per share amounts) Fiscal Year End: December																				
	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	Q1 Mar-23	Q2 Jun-23	Q3 Sep-23	Q4 Dec-23	FY 2023	Q1 E Mar-24	Q2 E Jun-24	Q3 E Sep-24	Q4 E Dec-24	FY 2024E	Q1 E Mar-25	Q2 E Jun-25	Q3 E Sep-25	Q4 E Dec-25	FY 2025E
Interest and similar income	€ 231.6	€ 249.0	€ 296.5	€ 233.2	€ 325.5	€ 125.1	€ 146.2	€ 162.5	€ 195.6	€ 629.4	€ 138.9	€ 162.3	€ 180.4	€ 217.1	€ 698.6	€ 147.9	€ 172.8	€ 192.1	€ 231.2	€ 744.1
Interest and similar expenses	(42.9)	(48.4)	(63.1)	(38.5)	(93.0)	(62.8)	(82.9)	(93.6)	(106.0)	(345.3)	(63.8)	(84.1)	(95.0)	(107.6)	(350.4)	(64.1)	(84.5)	(95.5)	(108.1)	(352.2)
<b>Net Interest Income</b>	<b>188.7</b>	<b>200.5</b>	<b>233.4</b>	<b>194.6</b>	<b>232.5</b>	<b>62.3</b>	<b>63.3</b>	<b>68.9</b>	<b>89.6</b>	<b>284.2</b>	<b>75.2</b>	<b>78.1</b>	<b>85.4</b>	<b>109.5</b>	<b>348.2</b>	<b>83.9</b>	<b>88.3</b>	<b>96.6</b>	<b>123.1</b>	<b>391.9</b>
Fee and commission income	7.2	6.3	117.9	128.2	127.6	26.9	28.2	29.9	27.5	112.4	30.1	31.5	33.5	30.8	125.9	31.5	33.0	35.0	32.1	131.5
Fee and commission expenses	(1.5)	(1.8)	(31.8)	(33.9)	(36.9)	(9.2)	(9.7)	(9.9)	(8.5)	(37.2)	(9.1)	(9.6)	(9.8)	(8.4)	(36.8)	(9.2)	(9.7)	(9.9)	(8.5)	(37.2)
<b>Net Fees and Commissions</b>	<b>5.7</b>	<b>4.5</b>	<b>86.1</b>	<b>94.3</b>	<b>90.7</b>	<b>17.7</b>	<b>18.5</b>	<b>20.0</b>	<b>19.0</b>	<b>75.2</b>	<b>21.0</b>	<b>22.0</b>	<b>23.6</b>	<b>22.4</b>	<b>89.0</b>	<b>22.3</b>	<b>23.3</b>	<b>25.0</b>	<b>23.7</b>	<b>94.3</b>
Dividend income and similar revenue	0.0	-	0.1	3.7	9.8	6.7	(0.0)	0.6	1.7	8.9	6.8	0.6	0.4	1.6	9.4	7.5	0.7	0.5	1.5	10.2
Gains (Losses) on trading	(0.1)	(0.1)	6.0	7.9	10.2	(2.1)	(3.2)	(2.5)	8.1	0.3	1.2	1.2	1.2	4.8	1.4	1.4	1.4	1.4	5.4	5.4
Fair value adjustments in hedge accounting	0.1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gains (Losses) on disposals/repurchases of	0.4	0.4	0.4	0.0	0.2	19.8	(0.1)	-	2.2	21.9	-	-	-	-	-	-	-	-	-	-
Net income from other financial assets & liabilities at FV	-	-	-	2.7	5.2	(1.0)	0.6	0.4	1.8	1.8	0.5	0.5	0.5	0.5	1.8	0.6	0.6	0.6	0.6	2.2
<b>Net Banking Income</b>	<b>194.9</b>	<b>205.3</b>	<b>326.0</b>	<b>303.2</b>	<b>348.5</b>	<b>103.5</b>	<b>79.1</b>	<b>87.4</b>	<b>122.3</b>	<b>392.2</b>	<b>104.6</b>	<b>102.3</b>	<b>111.1</b>	<b>135.2</b>	<b>453.2</b>	<b>115.6</b>	<b>114.1</b>	<b>124.1</b>	<b>150.1</b>	<b>504.0</b>
Impairment losses/reversals	(4.8)	(2.4)	(1.3)	1.2	(5.9)	(0.6)	(1.3)	(0.5)	(2.5)	(4.9)	(1.6)	(1.5)	(1.7)	(2.0)	(6.8)	(1.7)	(1.7)	(1.9)	(2.3)	(7.6)
<b>Net Profit from Banking Activities</b>	<b>190.0</b>	<b>202.9</b>	<b>324.7</b>	<b>304.4</b>	<b>342.6</b>	<b>102.9</b>	<b>77.8</b>	<b>86.9</b>	<b>119.7</b>	<b>387.3</b>	<b>103.0</b>	<b>100.8</b>	<b>109.4</b>	<b>133.2</b>	<b>446.4</b>	<b>113.9</b>	<b>112.4</b>	<b>122.2</b>	<b>147.9</b>	<b>496.4</b>
Administrative expenses	(66.1)	(71.0)	(172.9)	(169.1)	(159.5)	(36.6)	(47.0)	(40.2)	(45.4)	(169.1)	(39.7)	(49.4)	(40.9)	(45.9)	(175.9)	(41.3)	(51.6)	(42.7)	(49.1)	(184.7)
Net provisions for risks and charges	(1.0)	(2.5)	0.1	2.7	(0.5)	0.1	0.3	(0.3)	(3.8)	(3.7)	0.1	0.4	(0.3)	(4.0)	(3.8)	0.1	0.4	(0.4)	(4.6)	(4.5)
Net adjustments to/writebacks on PP&E	(1.5)	(3.2)	(6.2)	(4.7)	(5.0)	(1.1)	(1.2)	(1.3)	(1.2)	(4.8)	(1.3)	(1.3)	(1.3)	(1.3)	(5.2)	(1.6)	(1.6)	(1.6)	(1.6)	(6.3)
Net adjustments to/writebacks on intangible assets	(1.7)	(1.9)	(5.3)	(3.8)	(3.1)	(1.2)	(0.8)	(1.2)	(1.2)	(4.4)	(1.1)	(1.1)	(1.1)	(1.1)	(4.4)	(1.3)	(1.3)	(1.3)	(1.3)	(5.0)
Other operating (expenses) income	3.9	7.2	19.7	28.2	30.7	8.4	10.9	9.9	15.6	44.8	7.7	7.7	7.7	7.7	30.8	8.2	8.2	8.2	8.2	32.8
Gains (Losses) on equity investments	-	-	-	0.2	0.3	0.1	(0.5)	0.1	0.1	(0.3)	(0.1)	(0.1)	(0.1)	(0.1)	(0.3)	(0.1)	(0.1)	(0.1)	(0.1)	(0.3)
<b>Profit Before Taxes</b>	<b>123.7</b>	<b>131.6</b>	<b>160.1</b>	<b>157.9</b>	<b>205.4</b>	<b>72.4</b>	<b>39.6</b>	<b>53.9</b>	<b>83.9</b>	<b>249.8</b>	<b>68.6</b>	<b>57.0</b>	<b>73.5</b>	<b>88.5</b>	<b>287.6</b>	<b>78.0</b>	<b>66.5</b>	<b>84.5</b>	<b>99.5</b>	<b>328.5</b>
Provision for Income Tax	(31.9)	(32.8)	(42.9)	(32.6)	(59.4)	(19.8)	(10.3)	(13.3)	(23.2)	(66.6)	(18.5)	(15.4)	(19.8)	(23.9)	(77.6)	(21.1)	(18.0)	(22.8)	(26.9)	(88.7)
<b>Net Income</b>	<b>91.8</b>	<b>98.8</b>	<b>117.1</b>	<b>125.3</b>	<b>146.0</b>	<b>52.7</b>	<b>29.3</b>	<b>40.5</b>	<b>60.7</b>	<b>183.2</b>	<b>50.1</b>	<b>41.6</b>	<b>53.6</b>	<b>64.6</b>	<b>209.9</b>	<b>56.9</b>	<b>48.6</b>	<b>61.7</b>	<b>72.6</b>	<b>239.8</b>
<b>Basic EPS</b>	<b>€ 0.54</b>	<b>€ 0.58</b>	<b>€ 0.69</b>	<b>€ 0.68</b>	<b>€ 0.79</b>	<b>€ 0.29</b>	<b>€ 0.16</b>	<b>€ 0.22</b>	<b>€ 0.33</b>	<b>€ 0.98</b>	<b>€ 0.27</b>	<b>€ 0.22</b>	<b>€ 0.29</b>	<b>€ 0.35</b>	<b>€ 1.12</b>	<b>€ 0.30</b>	<b>€ 0.26</b>	<b>€ 0.33</b>	<b>€ 0.39</b>	<b>€ 1.28</b>
<b>Diluted EPS</b>	<b>€ 0.54</b>	<b>€ 0.58</b>	<b>€ 0.69</b>	<b>€ 0.68</b>	<b>€ 0.79</b>	<b>€ 0.29</b>	<b>€ 0.16</b>	<b>€ 0.22</b>	<b>€ 0.33</b>	<b>€ 0.98</b>	<b>€ 0.27</b>	<b>€ 0.22</b>	<b>€ 0.29</b>	<b>€ 0.35</b>	<b>€ 1.12</b>	<b>€ 0.30</b>	<b>€ 0.26</b>	<b>€ 0.33</b>	<b>€ 0.39</b>	<b>€ 1.28</b>
WTD Shares Out - Basic	170.1	170.2	170.0	184.7	185.0	184.8	184.9	186.2	186.3	186.3	186.5	186.7	186.9	187.1	187.1	187.2	187.4	187.6	187.8	187.8
WTD Shares Out - Diluted	170.1	170.2	170.0	184.7	185.0	184.8	184.9	186.2	186.3	186.3	186.5	186.7	186.9	187.1	187.1	187.2	187.4	187.6	187.8	187.8

Margin Analysis																				
Interest Margin	81.5%	80.5%	78.7%	83.5%	71.4%	49.8%	43.3%	42.4%	45.8%	45.1%	54.1%	48.2%	47.3%	50.5%	49.8%	56.7%	51.1%	50.3%	53.2%	52.7%
Fee and Commission Margin	79.1%	71.4%	73.0%	73.6%	71.0%	66.0%	65.7%	66.8%	69.1%	66.9%	69.9%	69.7%	70.7%	72.7%	70.7%	70.9%	70.7%	71.7%	73.6%	71.7%
Operating Margin on Net Profit	65.1%	64.9%	49.3%	51.9%	60.0%	70.4%	50.8%	62.0%	70.1%	64.5%	66.6%	56.5%	67.1%	66.4%	64.4%	68.5%	59.2%	69.1%	67.3%	66.2%
Net Income Margin on Net Profit	48.3%	48.7%	36.1%	41.2%	42.6%	51.2%	37.6%	46.7%	50.7%	47.3%	48.6%	41.3%	49.0%	48.5%	47.0%	50.0%	43.2%	50.5%	49.1%	48.3%
Tax Rate	25.8%	25.0%	26.8%	20.7%	28.9%	27.3%	26.0%	24.8%	27.7%	26.7%	27.0%	27.0%	27.0%	27.0%	27.0%	27.0%	27.0%	27.0%	27.0%	27.0%

Growth Rate Y/Y																				
Interest Income	9.2%	6.2%	16.4%	-16.6%	19.4%	24.6%	8.7%	16.6%	37.7%	22.2%	20.6%	23.4%	23.9%	22.2%	22.5%	11.6%	13.0%	13.2%	12.4%	12.5%
Fees and Commissions	-11.8%	-21.0%	1814.4%	9.5%	-3.8%	-22.7%	-19.1%	-12.7%	-13.8%	-17.1%	18.7%	18.8%	18.5%	17.8%	18.4%	6.0%	6.0%	6.0%	5.8%	5.9%
Profit from Banking Activities	9.5%	6.8%	60.0%	-6.2%	12.5%	18.7%	-4.1%	2.1%	33.6%	13.1%	0.2%	29.5%	26.0%	11.2%	15.3%	10.5%	11.5%	11.7%	11.1%	11.2%
Profit Before Taxes	7.2%	6.4%	21.6%	-1.3%	30.1%	34.7%	-9.4%	2.1%	52.0%	21.6%	-5.2%	44.1%	36.4%	5.4%	15.1%	13.6%	16.7%	15.0%	12.4%	14.2%
Net Income	9.6%	7.7%	18.6%	7.0%	16.6%	38.1%	-3.8%	10.1%	49.2%	25.4%	-4.8%	42.1%	32.4%	6.4%	14.6%	13.6%	16.7%	15.0%	12.4%	14.2%

Source: Company Reports, Stonegate Capital Partners estimates

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