BPER

BUY

Sector: Banks

Price: Eu12.15 - **Target: Eu14.20**

Unleashing Excess Capital; 2026 Plan as Key Catalyst

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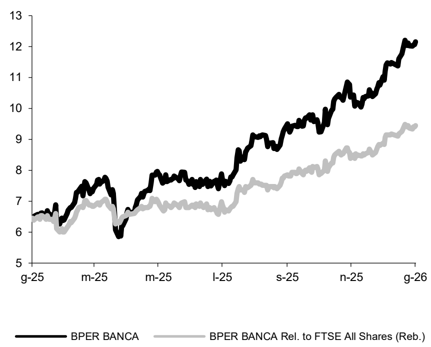
Stock Rating			
Rating:			Unchanged
Target Price (Eu):			from 12.50 to 14.20
	2025E	**2026E**	**2027E**
Chg in Adj EPS	-4.4%	-1.7%	1.1%

Next Event
Results Out on Feb. 6th

BPER - 12M Performance



Stock Data			
Reuters code:			EMII.MI
Bloomberg code:			BPE IM
Performance	**1M**	**3M**	**12M**
Absolute	10.3%	31.6%	88.2%
Relative	6.3%	22.2%	59.3%
12M (H/L)			12.20/5.86
3M Average Volume (th):			11,101.11

Shareholder Data	
No. of Ord shares (mn):	1,964
Total no. of shares (mn):	2,034
Mkt Cap Ord (Eu mn):	23,876
Total Mkt Cap (Eu mn):	23,876
Mkt Float - Ord (Eu mn):	16,193
Mkt Float (in %):	67.8%
Main Shareholder:	
Unipol	19.7%

Balance Sheet Data	
Tangible Equity (Eu mn):	15,200
TEPS (Eu):	7.47
CET1 Ratio Fully Loaded:	15.2%
Gross NPE Ratio:	2.7%

BPER remains a high-conviction BUY recommendation, underpinned by robust organic growth, a pivot towards fee-generating activities, and significant scope for enhanced capital distribution. The group is currently navigating a structural transformation, supported by the BPSO integration and disciplined cost management. We view the upcoming Strategic Business Plan (June/July 2026) as a key catalyst for a re-rating, even if something could be anticipated within the 4Q25 release. In our view, the market has yet to fully price in BPER's optimised positioning, BPSO-related synergies, and the substantial optionality presented by its excess capital. While management remains historically conservative, the fundamentals are now aligned for a significant step-up in profitability and shareholder returns.

- **4Q25 results preview:** the group's 4Q results are set to show resilient operating performance, characterised by a modest expansion in NII and stable fees. This top line momentum is expected to be offset by a seasonal 14% sequential increase in OpEx, which will probably compress quarterly operating profit. Regarding provisions, a prudential cost of risk (CoR) of 41bp has been modeled to facilitate a strategic clean-up rather than in response to deteriorating credit, while the bottom line will be further suppressed by the front-loading of €300mn in integration costs. Conversely, capital adequacy remains a highlight as the deconsolidation of Alba Leasing is set to optimise RWAs and provide a meaningful tailwind to the CET1 ratio.
- The **Business Plan** update, expected for June/July, is set to be a positive catalyst for the stock, as the bank will outline its strategic levers to enter the new cycle. In our view, on top of the focus on organic growth, OpEx efficiency and synergies extraction, management will disclose the new payout policy, embedding a higher payout ratio topped with a SBB programme, in order to deploy the large excess capital. Our forecasts target a 14% CET1 ratio in 2028.
- **Change in estimates:** the introduction of our 2028 estimates coincides with a recalibration of our 2025-2027 forecasts. We are upgrading our NII projections on the back of resilient volume growth, which helps mitigate NIM pressure. OpEx has been revised upwards to reflect a necessary acceleration in digital transformation, while our CoR assumptions now incorporate higher provisions to align with management's risk-averse approach. Additionally, our model now embeds the fiscal impact of the latest Italian Budget Law, resulting in an effective tax rate increase. These factors lead to adjusted EPS revisions of -4.4%/-1.7%/+1.1 for 2025/26/27. We also model an upgraded distribution framework. This includes a payout ratio reaching 80% from 2025 and a consistent €700mn annual share buyback programme, highlighting the bank's substantial capacity for capital deployment.
- **Valuation:** we value BPER through a GGM based on implicit P/TE, now rolled forward to 2027/28 values. After embedding the new shares that will be issued in the context of the merger with BPSO (expected in April), the SBB programme and the new forecasts, we are now raising our TP to €14.2 per share (from €12.5), while confirming our BUY recommendation. The stock is now trading at 1.63/1.60/1.57x its 2026/27/28 TE, at target it would trade at 1.90/1.87/1.84x.

Key Figures & Ratios	2024A	2025E	2026E	2027E	2028E
Total income (Eu mn)	5,609	6,475	7,500	7,663	7,893
Net Operating Profit (Eu mn)	2,575	3,418	4,148	4,396	4,693
Net Profit Adj (Eu mn)	1,403	1,927	2,354	2,535	2,724
EPS New Adj (Eu)	0.987	0.981	1.158	1.283	1.420
EPS Old Adj (Eu)	0.987	1.026	1.178	1.269	
DPS (Eu)	0.600	0.701	0.899	1.025	1.135
P/E Adj	12.3	12.4	10.5	9.5	8.6
Div. Yield	4.9%	5.8%	7.4%	8.4%	9.3%
P/TE	1.62	1.72	1.63	1.60	1.57
ROTE	13.2%	13.8%	15.5%	16.9%	18.4%

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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:	32.33%
OUTPERFORM:	39.10%
NEUTRAL:	27.82%
UNDERPERFORM:	00.75%
SELL:	00.00%

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BUY:	52.70%
OUTPERFORM:	31.08%
NEUTRAL:	14.87%
UNDERPERFORM:	01.35%
SELL:	00.00%

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