INTESA S.PAOLO

OUTPERFORM

Sector: Banks

Price: Eu5.98 - **Target: Eu7.20**

Defining the New Normal

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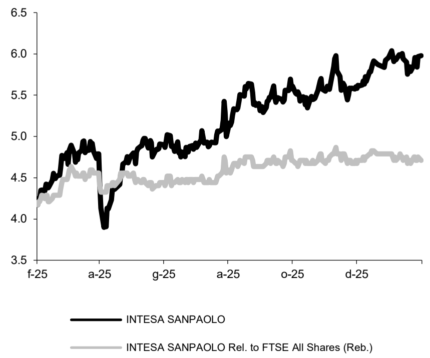
Stock Rating			
Rating:			Unchanged
Target Price (Eu):			from 7.10 to 7.20
	2026E	**2027E**	**2028E**
Chg in Adj EPS	-0.8%	1.1%	3.8%

INTESA S.PAOLO - 12M Performance



Stock Data			
Reuters code:			ISP.MI
Bloomberg code:			ISP IM
Performance	**1M**	**3M**	**12M**
Absolute	0.4%	7.2%	42.6%
Relative	-1.1%	0.6%	16.6%
12M (H/L)			6.04/3.90
3M Average Volume (th):			47,141.68

Shareholder Data	
No. of Ord shares (mn):	17,413
Total no. of shares (mn):	17,029
Mkt Cap Ord (Eu mn):	104,115
Total Mkt Cap (Eu mn):	104,115
Mkt Float - Ord (Eu mn):	87,502
Mkt Float (in %):	84.0%
Main Shareholder:	
Compagnia San Paolo	6.1%

Balance Sheet Data	
Tangible Equity (Eu mn):	55,788
TEPS (Eu):	3.28
CET1 Ratio Fully Loaded:	12.9%
Gross NPE Ratio:	2.3%

ISP BPlan targets came slightly ahead of expectations, and as expected was driven by a strong focus on Organic growth and efficiency. The company projects a FY29 Net Income higher than €11.5bn (€12.1bn in our estimates), combined with a 95% total payout ratio (75% cash DPS, 20% annual SBB) and a 13.2% CET1 ratio, with potential additional distribution from 2027 onwards. We continue to see ISP as a clear winner regarding organic growth, profitability and remuneration. Therefore we confirm our positive view on the stock, while raising our TP to €7.2.

- **ISP 2029 Business Plan** presents a resilient and conservative growth strategy centered on a Net Profit target exceeding €11.5bn. Revenue growth is anchored by a projected NII of €16.3bn, supported by steady loan volume expansion and a structural hedging contribution from deposits, all while utilizing cautious macroeconomic assumptions such as a 1.95% flat Euribor1m. Fee income is expected to scale to €11.6bn, a target viewed as particularly conservative given the strategic WM expansion and the eventual revenue upside from the isywealth platform, which is currently accounted for only on the cost side. Operational efficiency remains a primary differentiator, with the bank aiming for a Cost/Income ratio of 36.8% by 2029 as total expenses decline to €11.3bn through digitalization and a generational change program expected to yield €570mn in annual savings. Risk management remains disciplined with a CoR guided between 25 and 30bps, providing a stable foundation for a strengthened shareholder remuneration policy. The bank has increased its cash payout ratio to 75%, supplemented by a 20% share buyback, and raised its CET1 ratio target to over 12.5%, with the potential for additional excess capital distributions from 2027 onwards.
- We **raised our estimates** to reflect robust performance in core revenues and asset quality, even as higher OpEx act as a partial drag. The top-line growth is driven by higher NII, from volume growth, and a strategic shift in fee generation as AuA are set to migrate toward higher-margin AuM. While the bank is facing increased personnel costs, we maintain a more optimistic efficiency outlook than ISP's management. Furthermore, LLPs and generic Provisions have been dialed back following an aggressive de-risking phase in 4Q25.
- **ISP** 4Q25 results showed operational resilience, with performance slightly exceeding expectations due to robust trading income while OpEx remained in line with forecasts. The bank took significant steps to clean up its balance sheet ahead of the new Business Plan, executing approximately €0.9bn in de-risking actions. While these managerial actions initially pushed pre-tax profit 10% below estimates, the impact was entirely mitigated by a positive DTA write-up. In terms of shareholder returns, the bank proposed a €0.19 balance DPS alongside a €2.3bn share buyback program, a move that brought the CET1 ratio to 13.2%.
- **Valuation:** we are valuing ISP using a GGM based on implicit P/TE, and we are now rolling forward our valuation model to an average of 2027 and 2028 fair values. Given the brighter projections for 2028, we are raising our TP to €7.20, confirming our OUTPERFORM recommendation. The stock is trading at 1.83/1.79/1.75x its FY26/27/28 TE; at target it would trade at 2.20/2.13/2.07x.

Key Figures & Ratios	2024A	2025A	2026E	2027E	2028E
Total income (Eu mn)	27,107	27,270	27,936	28,773	29,673
Net Operating Profit (Eu mn)	15,537	15,770	16,519	17,476	18,456
Net Profit Adj (Eu mn)	9,351	9,787	10,279	10,909	11,508
EPS New Adj (Eu)	0.525	0.562	0.604	0.654	0.705
EPS Old Adj (Eu)	0.525	0.571	0.608	0.646	0.679
DPS (Eu)	0.341	0.375	0.448	0.485	0.523
P/E Adj	11.4	10.6	9.9	9.1	8.5
Div. Yield	5.7%	6.3%	7.5%	8.1%	8.8%
P/TE	1.92	1.88	1.83	1.77	1.72
ROTE	16.9%	17.7%	18.4%	19.4%	20.2%

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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:

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- 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)

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Frequency of research: quarterly.

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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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OUTPERFORM:	38.35%
NEUTRAL:	28.57%
UNDERPERFORM:	00.75%
SELL:	00.00%

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OUTPERFORM:	31.51%
NEUTRAL:	13.70%
UNDERPERFORM:	01.37%
SELL:	00.00%

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