

INTESA S.PAOLO

Sector: Banks

OUTPERFORM

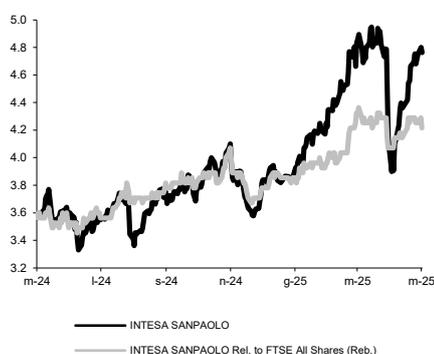
Price: Eu4.76 - Target: Eu5.30

1Q25 gives more visibility to FY Targets, out of consolidation for the time being

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Stock Rating			
Rating:	Unchanged		
Target Price (Eu):	Unchanged		
	2025E	2026E	2027E
Chg in Adj EPS	3.4%	3.0%	2.0%

INTESA S.PAOLO - 12M Performance



Stock Data			
Reuters code:	ISP.MI		
Bloomberg code:	ISP IM		
Performance	1M	3M	12M
Absolute	15.4%	9.5%	33.7%
Relative	3.9%	5.6%	20.6%
12M (H/L)	4.95/3.33		
3M Average Volume (th):	84,008.98		

Shareholder Data	
No. of Ord shares (mn):	17,384
Total no. of shares (mn):	17,384
Mkt Cap Ord (Eu mn):	82,808
Total Mkt Cap (Eu mn):	82,808
Mkt Float - Ord (Eu mn):	69,595
Mkt Float (in %):	84.0%
Main Shareholder:	
Compagnia San Paolo	6.1%

Balance Sheet Data	
Tangible Equity (Eu mn):	56,903
TEPS (Eu):	3.27
CET1 Ratio Fully Loaded:	12.9%
Gross NPE Ratio:	2.3%

Yesterday ISP released its 1Q25 results, which came in above estimates, with the beat driven mostly by higher trading income and lower CoR, signalling a positive outlook on 2025 and confirming its net profit guidance (well above €9bn), which we think is quite conservative.

The bank is one of our best picks in the Italian Banking sector given its solid fundamentals, highly remunerative payout policy, and diversified business model, strongly exposed to fee-driven businesses like AM, WM and Insurance. On top of this, it remains outside the current volatile consolidation scenario. We confirm our **OUTPERFORM** recommendation and our **€5.30 TP**.

■ **ISP 1Q25 results** exceeded expectations, reinforcing its FY25 guidance for net profit “well above €9bn.” Revenue came in 2% ahead of forecasts, chiefly because trading income outperformed by more than €100mn on gains from high-yield government bonds amid volatile markets. OpEx were 2.6% lower than projected, helped by around 3k staff exits, which pushed the cost-income ratio down to 38% and lifted operating profit to roughly €4.2bn—about 5% above estimates. A resilient credit portfolio kept the cost of risk at 21bps, 9bps below expectations, translating into nearly €100mn less in LLPs. Consequently, net profit reached €2.6bn, roughly 9% above our €2.4bn forecast (which was in line with consensus), while the CET1 ratio was 13.3 % after factoring in an accrued €1.8bn dividend and the Basel4 impact.

■ **What's coming:** the outlook for 2025 seems positive, with a resilient top-line, driven by mid/high single-digit growth of fees (boosted by WM/AM areas), double-digit growth in Insurance, NII seen higher than in 2023 (€14.8bn in our estimates) and growing trading income. The net profit guidance is therefore confirmed, also embedding an Asset Quality that is stronger than expected. During the conference call, the CEO reiterated that further distributions will be determined at YE25 (as stated, we forecast another €2bn SBB on the way).

■ **Change in estimates:** we have slightly revised our projections to reflect stronger trading income across the next three years, modestly higher fee revenue from shifting deposits into AuM, and unchanged NII, which remains supported by loan growth and a €160bn replicating-portfolio hedge. On the cost side, lower labour expenses—thanks to ISP’s head-count efficiency programme—translate into operating profit about 2% above the previous outlook. Beneath the operating line, a reduced CoR assumption reflects a macro backdrop that shows no sign of asset-quality deterioration. Overall, the adjustments lift projected adj. net profit by roughly 3.6% for FY 2025, 3.5% for FY 2026 and 2.7% for FY 2027, while changes in adj. EPS vary because of our €2bn yearly SBB, in addition to the one linked to FY 2024 results, starting in June 2025.

■ **Valuation:** ISP is currently rewarding shareholders with an 8.1%/8.5%/8.9% dividend yield, combined with a ~17% ROTE and one of the firmest balance sheets on the European Banking scene. The stock is trading at 1.45/1.39/1.33x its FY25/26/27 TE, at target it would trade at 1.62/1.55/1.48x.

Key Figures & Ratios	2023A	2024A	2025E	2026E	2027E
Total income (Eu mn)	25,138	27,107	26,892	27,317	27,682
Net Operating Profit (Eu mn)	13,809	15,537	15,604	16,067	16,451
Net Profit Adj (Eu mn)	8,370	9,351	9,632	9,916	10,119
EPS New Adj (Eu)	0.458	0.525	0.554	0.585	0.612
EPS Old Adj (Eu)	0.458	0.525	0.536	0.568	0.600
DPS (Eu)	0.296	0.341	0.384	0.405	0.424
P/E Adj	10.4	9.1	8.6	8.1	7.8
Div. Yield	6.2%	7.2%	8.1%	8.5%	8.9%
P/TE	1.59	1.53	1.46	1.40	1.34
ROTE	15.3%	16.8%	16.9%	17.1%	17.2%

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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 of 5.5% are being used.

Frequency of research: quarterly.

Reports on all companies listed on the S&P500 Index, most of those on the MIBEX 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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Intermonte SIM is authorised by CONSOB to provide investment services and is listed at n° 246 in the register of brokerage firms.

As at 31 March 2025 Intermonte's Research Department covered 131 companies.

As of today Intermonte's distribution of stock ratings is as follows:

BUY:	32.59 %
OUTPERFORM:	37.78 %
NEUTRAL:	29.63 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

As at 31 March 2025 the distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (74 in total) is as follows:

BUY:	52.70 %
OUTPERFORM:	29.73 %
NEUTRAL:	17.57 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short
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