

# INTESA S.PAOLO

Sector: Banks

# OUTPERFORM

Price: Eu5.81 - Target: Eu7.30

## Solid Delivery May Lead to a Guidance Upgrade

**Lorenzo Giacometti +39-02-77115.244**

lorenzo.giacometti@intermonte.it

**Alberto Villa: +39-02-77115.431**

alberto.villa@intermonte.it

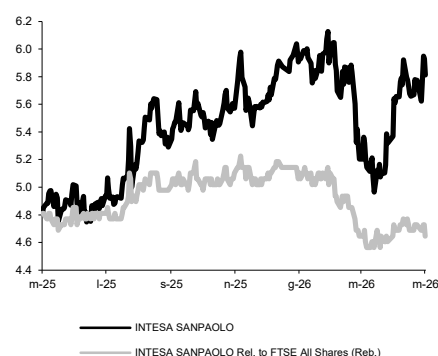
### Stock Rating

**Rating:** Unchanged

**Target Price (Eu):** from 7.20 to 7.30

|                       | 2026E | 2027E | 2028E |
|-----------------------|-------|-------|-------|
| <b>Chg in Adj EPS</b> | 3.3%  | 1.9%  | 2.3%  |

### INTESA S.PAOLO - 12M Performance



### Stock Data

**Reuters code:** ISP.MI

**Bloomberg code:** ISP IM

| Performance             | 1M    | 3M    | 12M       |
|-------------------------|-------|-------|-----------|
| Absolute                | 3.0%  | -2.6% | 20.8%     |
| Relative                | -1.7% | -9.1% | -4.7%     |
| 12M (H/L)               |       |       | 6.13/4.75 |
| 3M Average Volume (th): |       |       | 59,714.07 |

### Shareholder Data

**No. of Ord shares (mn):** 17,413

**Total no. of shares (mn):** 17,018

**Mkt Cap Ord (Eu mn):** 101,224

**Total Mkt Cap (Eu mn):** 101,224

**Mkt Float - Ord (Eu mn):** 85,073

**Mkt Float (in %):** 84.0%

**Main Shareholder:**  
 Compagnia San Paolo 6.1%

### Balance Sheet Data

**Tangible Equity (Eu mn):** 58,433

**TEPS (Eu):** 3.43

**CET1 Ratio Fully Loaded:** 13.1%

**Gross NPE Ratio:** 2.2%

ISP published its 1Q26 results on 8 May, which came in higher than estimates due to higher-than-expected trading, lower OpEx, and lower CoR. Overall, revenue trends were very supportive, also benefitting from strong volume growth and AM inflows. Management did not raise 2026 net profit guidance (~€10bn) for reasons of prudence but highlighted the possibility of revising it later in the year, as operating trends, NII especially, appear very supportive.

We continue to view ISP as a compelling mix of business model resilience, organic growth, and significant shareholder remuneration, which in our view justify the premium vs peers.

We confirm our OUTPERFORM recommendation while raising our TP to €7.30.

■ **1Q26 results** beat expectations, driven by a robust trading performance, disciplined cost management, and a low CoR. Total revenues (+5.3% YoY) were supported by resilient NII, net fees (+3.3% YoY, benefitting from strong advisory services) and AM inflows, while the insurance division achieved record results led by the non-motor P&C segment. Declining OpEx (-0.7% YoY) drove a record-low C/I ratio of 35.9%. AQ remains exceptionally high with a net NPL ratio of 0.8% and CoR of 16bps, supported by a stable €0.9bn in management overlays. Consequently, net profit reached ~€2.8bn (+5.6% YoY). The CET1 ratio stood at ~13.0%, notably excluding the net income generated in 1Q26.

■ We have **updated our estimates** to reflect a continued pick-up of growth of loans, mainly driven by IBD international clients, bringing a positive effect on NII and on corporate lending commissions. On top, we now embed a slightly higher and sustainable contribution from upfront fees driven by placements. We have revised our estimates for both insurance and trading upward. Overall, these changes result in upwards revisions to adj. EPS of +3.3%/+1.9%/+2.3%/+2.4% for FY26/27/28/29.

■ During the **conference call**, management reiterated the 2026 net income target of ~€10bn, opting not to upgrade guidance despite the strong 1Q results in order to maintain disciplined organizational execution. It was highlighted that NII could be the primary surprise of the year, with expectations of significantly outperforming 2025 results, supported by Euribor trends and a €170bn core deposit hedge. Fees are expected to resume a 4.0% growth trajectory following a full recovery of AM inflows in April and May, alongside a structural pick-up of corporate lending commissions and sustainable upfront fees from securities placement. On the cost side, management noted the potential to do better than the current stable guidance, while CoR is set at a prudent 25-30bps, leaving a deliberate buffer over the current 16-20bp run rate. Finally, the CET1 ratio has already reabsorbed the 15bp hit from 1Q26 market volatility, with capital further supported by a 20-30bp annual benefit from DTA absorption and a stable 60bp contribution from SRTs.

■ **Valuation:** we value ISP using a GGM based on implicit P/TE, averaging 2027 and 2028 fair values. Given the change in estimates, we raise our TP to €7.30, and confirm our OUTPERFORM recommendation. The stock is trading at 1.69/1.64/1.59x FY26/27/28 TE; at target, it would trade at 2.13/2.07/2.00x.

| Key Figures & Ratios         | 2024A  | 2025A  | 2026E  | 2027E  | 2028E  |
|------------------------------|--------|--------|--------|--------|--------|
| Total income (Eu mn)         | 27,107 | 27,270 | 28,493 | 29,122 | 30,032 |
| Net Operating Profit (Eu mn) | 15,537 | 15,770 | 17,075 | 17,825 | 18,815 |
| Net Profit Adj (Eu mn)       | 9,351  | 9,787  | 10,610 | 11,099 | 11,741 |
| EPS New Adj (Eu)             | 0.525  | 0.562  | 0.623  | 0.666  | 0.721  |
| EPS Old Adj (Eu)             | 0.525  | 0.562  | 0.604  | 0.654  | 0.705  |
| DPS (Eu)                     | 0.341  | 0.376  | 0.463  | 0.495  | 0.536  |
| P/E Adj                      | 11.1   | 10.3   | 9.3    | 8.7    | 8.1    |
| Div. Yield                   | 5.9%   | 6.5%   | 8.0%   | 8.5%   | 9.2%   |
| P/TE                         | 1.87   | 1.84   | 1.69   | 1.64   | 1.59   |
| ROTE                         | 16.9%  | 17.8%  | 18.2%  | 18.8%  | 19.7%  |

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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.

Explanation of our ratings system:

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:          | 32.35% |
| OUTPERFORM:   | 39.71% |
| NEUTRAL:      | 27.94% |
| UNDERPERFORM: | 00.00% |
| SELL:         | 00.00% |

The distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (80 in total) is as follows:

|               |        |
|---------------|--------|
| BUY:          | 53.75% |
| OUTPERFORM:   | 30.00% |
| NEUTRAL:      | 15.00% |
| UNDERPERFORM: | 01.25% |
| SELL:         | 00.00% |

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