

INTESA S.PAOLO

Sector: Banks

OUTPERFORM

Price: Eu2.40 - Target: Eu3.20

Results Expected Slightly above FY Guidance

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Stock Rating

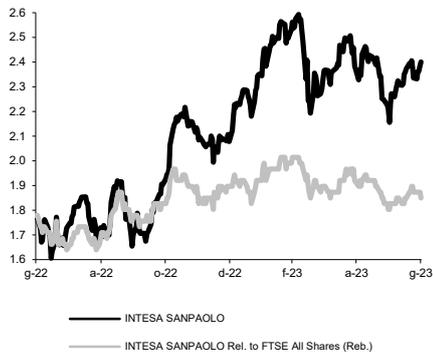
Rating: Unchanged
Target Price (Eu): Unchanged

	2023E	2024E	2025E
Chg in Adj EPS	0.0%	0.0%	0.0%

Next Event

Results Out: July 28th

INTESA S.PAOLO - 12M Performance



Stock Data

Reuters code: ISP.MI
Bloomberg code: ISP IM

Performance	1M	3M	12M
Absolute	11.3%	1.4%	34.8%
Relative	3.6%	-2.0%	4.8%
12M (H/L)	2.59/1.61		
3M Average Volume (th):	83,037.65		

Shareholder Data

No. of Ord shares (mn):	18,283
Total no. of shares (mn):	18,283
Mkt Cap Ord (Eu mn):	43,879
Total Mkt Cap (Eu mn):	43,879
Mkt Float - Ord (Eu mn):	36,877
Mkt Float (in %):	84.0%
Main Shareholder:	
Compagnia San Paolo	6.1%

Balance Sheet Data

Tangible Equity (Eu mn):	53,934
TEPS (Eu):	2.95
CET1 Ratio Fully Loaded:	13.8%
Gross NPE Ratio:	2.3%

■ **Results out July 28th.** We expect NII to confirm recent trends and to have risen +3% QoQ thanks to the effect of higher interest rates (+70bps avg Euribor QoQ), no major expectations of a change in deposit beta, and despite no growth of loans. Fees and insurance are expected pretty flat QoQ while we expect sluggish trading income. Costs should have risen slightly YoY (+3.4%) and we expect some pick-up of CoR on the back of management guidance for the FY (35/40bps), which is higher than the 1Q23 trend. Net profit in the quarter is expected at Eu 1.77bn, which would take 1H23 profits to Eu 3.73bn, slightly higher than FY23 guidance (ca. Eu 7bn) on an annualised basis. The fully-loaded CET1 ratio is expected slightly lower QoQ (13.6% vs 13.7%) as we still expect some headwinds from the updating of internal models to offset core capital generation.

■ **Key elements to be monitored.** We think the market will focus on the evolution of deposit beta, the funding trend (direct and indirect), loans and default rates. We do not expect the bank to show any major outflows but some difficulties (in line with the sector) on generating fees. No major rise in default rates is expected while the future evolution of costs needs to be watched, bearing in mind the Isybank project on the one hand and the renewal of the labour contract on the other. We think the bank has leeway to offset cost inflation (to some extent at least).

■ **Outperform, T.P. Eu 3.20.** We think the bank can deliver sustainable results and pay high dividends (dividend yield above 11% in the next 3 years) on the back of higher profitability and healthy capital buffers. We do not expect the bank to eye up other Italian commercial banks (i.e. BMPS) for anti-trust reasons, and also because we believe the current strategy is more focused on digital developments and capital light business such as wealth management.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Total income (Eu mn)	20,793	21,470	24,702	24,865	24,900
Net Operating Profit (Eu mn)	9,813	10,536	13,541	13,635	13,667
Net Profit Adj (Eu mn)	4,020	4,565	7,230	7,382	7,556
EPS New Adj (Eu)	0.207	0.240	0.395	0.404	0.413
EPS Old Adj (Eu)	0.207	0.240	0.395	0.404	0.413
DPS (Eu)	0.151	0.164	0.269	0.278	0.285
P/E Adj	11.6	10.0	6.1	5.9	5.8
Div. Yield	6.3%	6.8%	11.2%	11.6%	11.9%
P/TE	0.86	0.88	0.81	0.78	0.75
ROTE	7.4%	8.8%	13.4%	13.2%	12.9%