

# INTESA S.PAOLO

Sector: Banks

## OUTPERFORM

Price: Eu2.39 - Target: Eu2.80

## A Solid Start of the Year

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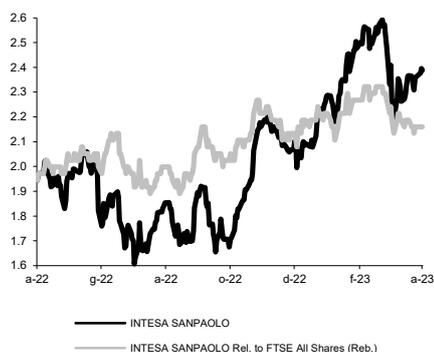
### Stock Rating

<b>Rating:</b>	Unchanged		
<b>Target Price (Eu):</b>	Unchanged		
	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>
<b>Chg in Adj EPS</b>	0.0%	0.0%	0.0%

### Next Event

 Results Out: May 5<sup>th</sup>

### INTESA S.PAOLO - 12M Performance



### Stock Data

 Reuters code: ISP.MI  
 Bloomberg code: ISP IM

Performance	1M	3M	12M
Absolute	2.5%	4.4%	22.8%
Relative	-2.9%	-2.5%	12.2%
12M (H/L)	2.59/1.61		
3M Average Volume (th):	132,810.84		

### Shareholder Data

No. of Ord shares (mn):	18,989
Total no. of shares (mn):	18,283
Mkt Cap Ord (Eu mn):	45,345
Total Mkt Cap (Eu mn):	45,345
Mkt Float - Ord (Eu mn):	38,110
Mkt Float (in %):	84.0%
Main Shareholder:	
Compagnia San Paolo	6.1%

### Balance Sheet Data

Tangible Equity (Eu mn):	53,594
TEPS (Eu):	2.93
CET1 Ratio Fully Loaded:	13.2%
Gross NPE Ratio:	2.3%

- Results out on May 5<sup>th</sup>.** ISP should report a solid NII thanks to higher rates QoQ which should more than offset lower contribution from TLTRO, fewer working days and flattish loans. We expect a different dynamic in terms of trading income vis a vis last year (weaker trend in 1H23 and stronger in 2H23) while fees should be slightly down QoQ due to negative MtM on AuM and expected weak trend in AM inflows. Costs are expected to grow by +6.4% YoY but the C/I ratio to stay below last year level (46.1% vs 46.6%) thanks to solid trend in revenues. We expect CoR to stay at 45bps (60bps in 1Q22) thanks to continuous derisking undertaken by management (gross NPE ratio YE22 at 2.3%) and no real signs of pick up in default rates. As for CET1 ratio we have embedded in our estimates the expected regulatory headwinds disclosed by management (-70bps) and some impact from IFRS 17 (-20bps) partially offset by further RWA optimization (CET1 ratio FL exp. at 12.9%).
- Eu 1.7bn buyback completed.** On April 4<sup>th</sup>, ISP concluded Eu 1.7bn buyback which began on February 13<sup>th</sup> (second tranche of Eu 3.4bn buyback program launched last year) with 706mn shares bought at an average price of Eu 2.4079 per share. We have finetuned our EPS estimates to include the precise number of shares bought back.
- Outperform, t.p. Eu 2.80.** We think the results should be supportive for the stock. We see upside risk on NII while some downside risk on fees subject to capital markets and rates trend. The current capital position (Co. guidance for CET1 ratio YE23 at 13% expected to be almost reached in 1Q23) should increase visibility to dividend payout policy (70%) and could leave room for further capital distribution being the CET1 ratio target throughout 2022-2025 business plan horizon confirmed at >12%. Valuation is undemanding (P/TE at 0.8x) given the high Rote (>11%) and the lower execution risk of the plan due to low gross NPE ratio.

Key Figures & Ratios	2020A	2021A	2022A	2023E	2024E
Total income (Eu mn)	20,400	20,793	21,470	23,476	23,943
Net Operating Profit (Eu mn)	9,361	9,813	10,536	12,315	12,714
Net Profit Adj (Eu mn)	3,091	4,020	4,565	6,097	6,758
EPS New Adj (Eu)	0.159	0.207	0.240	0.333	0.370
EPS Old Adj (Eu)	0.159	0.207	0.240	0.334	0.370
DPS (Eu)	0.135	0.151	0.164	0.226	0.254
P/E Adj	15.0	11.5	9.9	7.2	6.5
Div. Yield	5.7%	6.3%	6.9%	9.5%	10.6%
P/TE	0.81	0.85	0.87	0.81	0.79
ROTE	5.4%	7.4%	8.8%	11.4%	12.2%