



Monte dei Paschi di Siena (BMPS.MI)

BUY: € 9.72 (+10.45%)

Equity Research Division

20th February 2026

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Stock Information

Last Closing Price	€8.80
Target Price	€9.72
+/- Potential	+10.45%
Bloomberg Ticker	BMPS:MI
GICS Sector	Financials
GICS Sub-Industry	Banking Services

Market Cap	€25.07B
Basic Shares O/S	3.04B
52-Wk High	€9.45
52-Wk Low	€5.55
Fiscal Year End	31 Dec. 2026

€ million	FY22	FY23	FY24	FY25
Int. income	1,561	2,318	2,343	2,896
Net income	(178)	2051	1,972	3,037
BV per share	6.24	7.92	9.25	9.2
EPS	(0.14)	1.63	1.57	0.89

Key Executives

Luigi Lovaglio	Group CEO
Andrea Maffezzoni	Group CFO
Nicola Maione	Independent Chairman

Investment Thesis

Banca Monte dei Paschi di Siena is a leading player in the Italian banking industry. Following the recent acquisition of the investment bank and asset manager Mediobanca, the company is positioned to become the third strongest full-service financial institution in Italy. Notably, upon completion of the approved integration, Mediobanca will leave Piazza Affari after 70 years of listing, marking a historic shift in the Italian financial landscape. While BMPS is in a solid financial position, it could face challenges in terms of growth, as expectations for future profitability across the sector have softened due to lower ECB interest rates. Considering the industry's growth prospects, BMPS's strong financial standing, and the highly competitive nature of the banking sector, we view the company's current valuation as reflecting a balanced risk-return profile. Accordingly, we recommend a **BUY** rating on BMPS.

Valuation

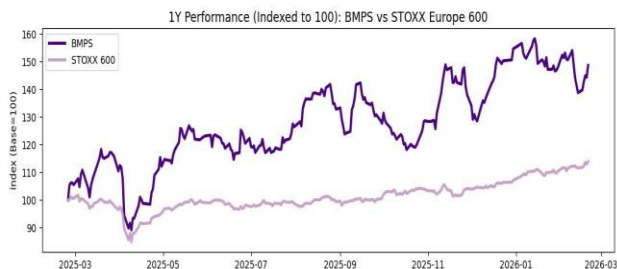
We are valuing Banca Monte dei Paschi di Siena using three methodologies to ensure consistency in supporting the investment recommendation and to reflect different analytical perspectives: a Dividend Discount Model (DDM) adjusted for excess capital, a Residual Income Model, and market multiples. These approaches yield a target price of €9.72, compared with a current market price of €8.80 (as of 20 February 2026).

Key Risks

Downside risks: While inflation is under control, the slow economic growth poses a risk of a recession. In this case ECB could lower rates past the 2% target, leading to greater losses in interest revenue, which is key for BMPS's profitability.

Upside risks: The recent acquisition of Mediobanca provides lucrative expansion opportunities in the fee-based business. The integration of the two firms will enhance BMPS's investment banking and wealth management capabilities.

Relative 1Y Performance BMPS vs STOXX 600



Company Overview

Foundation and Mission

Founded in 1472 in Siena, Banca Monte dei Paschi di Siena (MPS) is widely recognized as the oldest bank in continuous operation in the world. Established originally to support local communities and economic development, the bank has historically combined a strong regional identity with a national role in Italy's financial system. Today, MPS's mission centers on providing stable, responsible, and inclusive banking services, balancing its historic social role with modern commercial objectives.

Headquartered in Tuscany, MPS operates as a universal bank, offering retail, corporate, and investment banking services, alongside asset management and insurance products. Its long-standing presence and extensive branch network have made it a cornerstone of Italian household and SME banking.

Crisis and Restructuring Phase

During the 2010s, MPS faced severe financial distress, driven by a large non-performing loan (NPL) burden, weak governance, and adverse macroeconomic conditions. These challenges led to repeated recapitalizations and culminated in a state-led bailout in 2017, resulting in partial public ownership. This period marked a fundamental turning point, forcing the bank to undertake deep restructuring and balance-sheet cleanup.

Financial Recovery and Current Position

Under renewed management, MPS has focused on restoring profitability, capital strength, and operational efficiency. These efforts resulted in a strong financial turnaround, with the bank reporting a net income of approximately €2 billion in 2023 and a Common Equity Tier 1 (CET1) ratio among the highest in Italy. With total assets around €238 billion, MPS maintains a solid position in Italian retail and small-business banking.

The Italian Ministry of Economy and Finance remains the largest shareholder, although a gradual privatization process is underway. In parallel, MPS has accelerated digital transformation and cost-efficiency initiatives to rebuild investor confidence and improve competitiveness.

Governance and Strategic Realignment

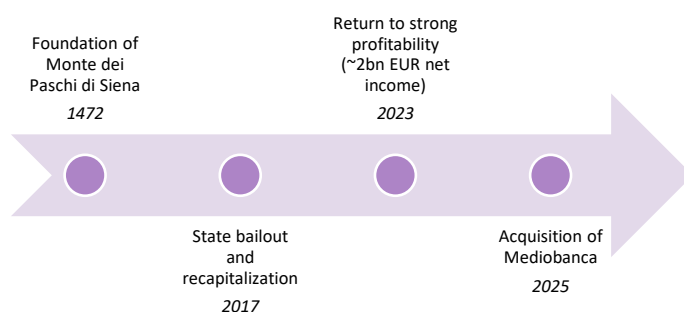
Following the restructuring period, MPS has placed increased emphasis on governance reforms and strategic discipline. Strengthened internal controls, clearer accountability structures, and closer alignment with ECB supervisory expectations have been central to restoring credibility with regulators and investors. Management has adopted a more selective approach to growth, prioritizing capital preservation, risk reduction, and sustainable profitability. This governance realignment has been instrumental in enabling MPS to transition from crisis management to long-term strategic planning, ultimately laying the groundwork for transformative moves such as the acquisition of Mediobanca.

Strategic Expansion and Outlook

In 2025, MPS entered a new strategic phase through the acquisition of Mediobanca S.p.A., a leading Italian investment and private banking group. This transaction marks a shift from stabilization toward growth and diversification, allowing MPS to expand into higher-margin segments such as wealth management and corporate advisory. It also aligns with the broader consolidation trend in the Italian banking sector.

Overall Assessment

Overall, MPS's evolution from a crisis-ridden institution to a consolidator reflects a renewed ambition to reclaim a central role in Italy's financial landscape, leveraging its historic brand, improved balance sheet, and growing strategic focus on integration and profitability.



Source: Minerva Investment Management Society

Industry Outlook

The macro backdrop in Italy is moderate growth with elevated public debt and pockets of financial-market volatility. Bank profitability and capitalization remain a point of resilience, although earnings expectations have eased. The Bank of Italy projects a gradual slowdown in net interest income as monetary policy eases, with a partial offset from fee income recovery.

Sector ROE improved further in 2024, reaching roughly 12.8% excluding extraordinary items. Forward profitability is expected to drift lower as asset yields reprice faster than deposit costs decline. Scope notes NII has held up well despite falling rates, while fees softened in Q2 on weaker wealth and brokerage activity.

The system NPL ratio was stable in H2-24 at about 1.5% net, and loan default rates for households are near historical lows. Bank of Italy expects firm default rates to average about 2.4% in 2025 with uncertainty skewed to the downside given the macro backdrop.

Banks increased holdings of Italian government securities and lengthened duration to roughly 4.8 years. A parallel move in the curve consistent with market forwards would reduce banking book economic value by about 50–60 bps of CET1 on average.

This interest-rate risk is partly hedged and manageable but remains a sensitivity.

Household lending has held up better than corporate, as we can see by the contraction in lending to firms of about 2.4% in the past year, with the decline steeper for smaller and riskier firms. Household credit quality remains strong, supported by the high share of fixed-rate mortgages. Italy is in an active consolidation phase; eight significant transactions or attempted deals have been conducted in the past year, including MPS acquiring Mediobanca, BPER completing its offer for Banca Popolare di Sondrio, UniCredit dropping its bid for Banco BPM, and Banco BPM completing the purchase of Anima. The Italian banking system enters 2025 with strong capital, liquidity, and still-solid earnings. The earnings mix will gradually pivot from rates to fees, asset quality should remain resilient with a modest softening on the corporate side, and consolidation is reshaping competitive positions. For MPS, the environment supports integration and revenue diversification, with execution on funding, fee capture and interest-rate risk management as the main levers.

PESTEL Analysis

Political

The Italian and European banking landscape is highly shaped by government influence and regulatory oversight. MPS remains partly state-owned through the Ministry of Economy and Finance, meaning political priorities (such as financial stability, employment, and domestic consolidation) affect strategic decisions. At the EU level, initiatives like the Banking Union and Capital Markets Union continue to harmonize supervision and strengthen cross-border competition. These political dynamics give MPS stability but can also limit its flexibility in corporate actions and capital management.

Economic

MPS's performance is closely tied to macroeconomic trends in Italy and the eurozone. With Italy's GDP expected to grow modestly (around 0.8–1% in 2025), the overall environment supports cautious optimism. Higher ECB interest rates since 2023 have improved net interest margins, helping the bank regain profitability. However, inflation persistence, potential rate cuts, and subdued credit demand may pressure margins. Moreover, Italy's high public debt and slow productivity growth continue to weigh on credit risk and investor sentiment.

Social

Customer expectations in Italy are shifting toward digital convenience, ethical finance, and sustainability. MPS's historical image as a traditional institution gives it brand strength but also the challenge of modernizing to appeal to younger, tech-savvy clients. At the same time, public support for socially responsible banking aligns with the bank's increasing commitment to ESG principles and its regional presence in supporting local economies.

Technological

The Italian banking sector faces intense technological transformation driven by fintech entrants, open banking, and AI-based financial tools. MPS has been accelerating digital innovation through new mobile banking platforms and cybersecurity upgrades. The integration with Mediobanca provides access to advanced data analytics and private banking technologies, reinforcing MPS's modernization strategy and operational efficiency.

Environmental

Environmental sustainability is now central to European banking strategy. MPS is expanding its green finance and sustainable lending frameworks, aligning with EU climate targets. The acquisition of Mediobanca strengthens its ESG product offering, particularly in green bonds and responsible investments. Climate risk management and environmental disclosure are also becoming key compliance factors for the bank's long-term risk governance.

Legal

MPS operates under strict ECB and EU regulatory frameworks, including Basel III, MiFID II, and GDPR. The cost of compliance remains high, but it ensures credibility and investor trust after past crises. Additionally, ongoing privatization requirements set by the European Commission limit state involvement and will shape the bank's governance and capital strategy in coming years.

Factor	Key Opportunities	Key Threats
Political	Government support, consolidation incentives	Political influence on strategic autonomy
Economic	Higher interest margins, stable GDP	Slow growth, inflation, public debt risk
Social	Strong heritage, ESG appeal	Aging clientele, digital adaptation gap
Technological	Digitalization, fintech collaboration	Competition from neobanks, high IT costs
Environmental	Green finance expansion	Climate risk exposure, compliance costs
Legal	EU regulatory credibility	Heavy compliance and governance constraints

Porter's 5 Forces

Threat of Entrants: Low

The threat of new entrants in the Italian banking sector is low due to high regulatory, capital, and compliance barriers. Banks must meet strict ECB supervision requirements, capital adequacy rules (Basel III), and licensing procedures, which significantly raise entry costs. Additionally, achieving scale and customer trust in a mature market like Italy is challenging. While fintechs and digital-only banks have entered niche segments such as payments or consumer lending, they do not yet pose a direct threat to MPS's core retail and corporate banking activities.

Bargaining Power of Suppliers: Moderate

Suppliers in banking mainly include capital providers, technology vendors, and skilled labour. Funding markets exert moderate power, as banks depend on wholesale funding and bond markets, particularly during periods of financial stress. Technology suppliers, especially for core banking systems, cloud services, and cybersecurity, have increasing influence due to sector-wide digitalization and limited high-quality providers. However, MPS's improved capital position and access to ECB liquidity mitigate excessive supplier dependence.

Bargaining Power of Buyers: High

Customers have high bargaining power due to low switching costs and increasing transparency. Italian retail and corporate clients can easily compare interest rates, fees, and services across banks using digital platforms. Competition for deposits, mortgages, and SME lending intensifies price sensitivity. While MPS benefits from a large and loyal customer base, particularly among households and SMEs, customer expectations for low fees and digital convenience continue to strengthen buyer power.

Rivalry among Existing Competitors: High

Competition in the Italian banking sector is intense, with major players such as Intesa Sanpaolo, UniCredit, Banco BPM, and regional banks competing aggressively for market share. Pressure on margins, overlapping branch networks, and digital competition fuel rivalry. The acquisition of Mediobanca represents a strategic attempt by MPS to differentiate itself by expanding into wealth management and investment banking, but competitive pressure remains strong.

Threat of Substitutes: Moderate

Substitutes include fintech platforms, non-bank lenders, asset managers, and insurance companies offering financial services outside traditional banking. While these alternatives are gaining traction, particularly in payments, consumer credit, and investments, they do not fully replace the broad service offering of a universal bank like MPS. However, continued fintech innovation could increase substitution pressure over time.

SWOT Analysis

Strengths

CET1 Ratio Strength: In Q2 of 2025, MPS had an outstanding CET1 ratio of 19.6%, which was considerably higher than that of industry peers and allowed for strategic flexibility. This was utilised by the additional cash consideration for MB, which sealed the deal. Even after the acquisition, it is estimated that the CET1 ratio of Mediobanca will remain in the 15-16% range as forecasted by management. Indeed, according to data as of Q4 2025, the value is at 16.9%. This still leaves BMPS with a capital buffer above its peers, underlying the strong liquidity of the bank.

Dividend Yield Growth: On the 21st of May 2025, Banca MPS paid a dividend of EUR 0.86 per share. The management team and the board of MPS have implemented a generous dividend payout policy with a dividend yield target of between 12-14%. This offers an attractive payout to stockholders. For reference, the dividend yield per share in 2024 was paid on the 19th of May and was EUR 0.25 per share or a 4.75% dividend yield. This further showcases the underlying financial strength of BMPS.

Diversified Revenue Mix: Following the acquisition of Mediobanca, the revenue mix of BMPS has become more balanced. Combining MPS's main operational model of retail and consumer banking with the lucrative fee-based business of asset management and corporate and investment banking provides an additional layer of stability to revenues. The new revenue streams have the potential to offset the falling net interest income and set the path for stable revenue growth in 2026.

Weaknesses

High Centralisation of Revenue Share in Italy: MPS generates 98.9% of its revenue from the Italian market. This implies that the financial institution is highly dependent on Italy for its ability to generate profits. Therefore, a disruption in the area will likely cause a significant decrease in the profitability of the bank. MPS's main competitors – UniCredit and Intesa Sanpaolo – generate respectively 44.9% and 75.5% of their revenues from this geography, for example, ensuring flexibility in periods of distress in the Italian market.

Post-merger integration risks: The integration between the teams of BMPS and Mediobanca poses challenges. The two businesses, albeit in similar industries, focus on different services. Integrating the work between the two different institutions requires significant management focus and resources. BMPS will probably have to spend on generous compensation packages to retain MB's key investment and private bankers. Any emerging conflicts could delay the utilisation of the synergies and disrupt the growth momentum. If the workflow integration is not done properly, the foreseen benefits may be lower, and not all synergies can be realised.

Higher gross non-performing loan ratio: First, it is needed to point out that the non-performing loan ratio of MPS has significantly come down in recent years. The ratio currently stands at 3.7%, and further forecasts by Bloomberg Intelligence are made, which project it to come down to 3.1% in 2026. However, the ratio is still the highest among MPS's Italian peer group. Intesa Sanpaolo and UniCredit have NPL ratios of 2.3% and 2.6-2.7%, respectively. In the case of further distress, this can cause a further increase and an adverse impact on profitability.

Regulation and Monetary Policy Dependency: When interest rates rise, usually the profitability of banks does so as well. This is partly because interest rates are a sign of a booming economy, but also because the bank can earn higher interest rates on deposits and widen the spread between the interest it pays out and the returns it gets. If interest rates get too low, the spread gets thinner. On the other hand, if the interest rates get too high, consumers might hesitate to borrow, which also hurts the profitability of the firm.

Opportunities

Mediobanca Acquisition Synergies: Following the acquisition of an 86% stake in Mediobanca, BMPS is projected to benefit from significant synergies. The transaction is expected to create around 700 million euros annually. This envisions approximately 300 million euros from cost savings, 300 million from revenue synergies, and around 100 million from funding. The results of the acquisition should be seen throughout 2026 and 2027.

Expansion into the Financial Services Industry: The acquisition of Mediobanca provides lucrative opportunities in the fee-based industry. The integration between the two firms will significantly enhance BMPS's capabilities in the fields of investment banking and wealth management. This could lead to increases in profits. BMPS's corporate client playbook and the MB's profound understanding of corporate finance could open sizeable opportunities.

Digital Transformation & Development: MPS group has envisioned heavy investments in technology from 2024 to 2028, accounting for 500 million euros. Investment will focus on the development of implementing digital contract signing, best-in-class AI chatbots, and optimisations of customer relationship management. Further, MPS aims to implement advanced analytics to support proactive and highly tailored customer offerings and more. This showcases the commitment of the group to fully utilise the emerging technologies and benefit from revenue increases and cost optimisations.

Threats

New Banking Tax: This new proposal will bring the average net income tax to around 30%. The effective tax rate MPS currently faces is 3% due to the utilisation of deferred tax assets. Their ETR will certainly increase in the future, which might change the firm's profitability ratios. In fact, the DTAs are an integral part of the benefits that are to be realised following the acquisition of

MB. If this changes, the planned distribution to shareholders and the bank's overall profitability might change. Expected DTAs' benefits from the transaction come down to 1.3 billion euros.

Recession & interest rate-related risks: While inflation is under control and close to the ECB's target, the risk of an economic slowdown or even a recession is still present. In this case ECB will likely continue to lower interest rates beyond 2%. Decreasing interest rates lead to lower revenues and operating margins for banks due to the lower interest they can earn on investments and the lower interest they charge debtors. A continuous decrease in interest rates can decrease MPS's profitability.

Credit & Default Risks: MPS faces the risk of customers defaulting on their loans, and thus negatively impacting revenues and profits. Non-performing loans pose a big risk for players in the banking industry. An economic disruption as a downturn in the property market, which is at historical highs, could decrease the value of collateral on loans and cause increased provisions and thus an impact on profitability.

Cyber Attacks & Other Technological Risks: With the increased number of cyberattacks happening recently, MPS faces an increased threat of facing security breaches. This will negatively impact the reputation of the banks and could furthermore lead to stolen assets, thus negatively impacting the corporation. Furthermore, the fast-paced innovation in the technological sector makes it hard for MPS to maintain sustainable returns and capital levels. The current environment might require heavy investments in digitalisation and innovation for MPS to continue to stay relevant in the industry.

S STRENGTHS	- Liquidity Strength - Significant Dividend Growth - Diversified Revenue Mix
W WEAKNESSES	- Dependence on Italian Market - Merger Integration Risk - High NPL Ratio Compared to Peers
O OPPORTUNITIES	- Synergies after Acquisition - Expansion into IB & WM - Optimization related to AI
T THREATS	- New Regulations & Taxes - Cyberattacks - Rates-related and Recession Risks

Financial Analysis

Profitability

MPS has moved from a loss-making profile in 2022 to a sustainably profitable bank with high-teens returns on equity in 2023-2024, while maintaining this profitability in a more challenging 2025 rate environment.

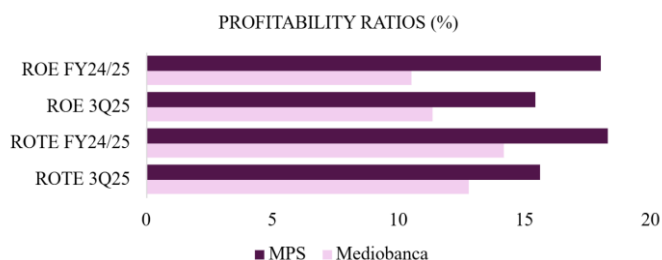
In 2022 the bank reported a net loss of €205 million, driven by €925 million of restructuring costs for the voluntary staff-exit plan. However, management already delivered net profit of roughly €720 million, supported by strong pre-provision profit and a positive tax contribution from DTA revaluation.

From this base, profitability stepped up markedly. In 2023 MPS generated net profit of around €2.1 billion, and in 2024 it repeated a very strong result with net profit of €1.95 billion, only slightly below the prior year due to the absence of the exceptional 2023 releases of litigation provisions. ROE increased from negative 2.9% in 2022 to 23.0% in 2023, before normalising to 18.0% in 2024, while ROA improved from negative 0.2% to 1.6% over the same period.

ROTE also shows a sharp turnaround as it was negative in 2022 and reached 18.3% at year-end 2024, before easing to 15.6% annualised at 30 June 2025, as the bank enters a lower-rate phase and absorbs a higher capital base.

For 1H25, MPS delivered net profit of €892 million versus the €1.16 billion of the first half of 2024, with the decline largely explained by the drop in NII from lower rates and the absence of the sizeable DTA revaluation booked in 2024, while core profitability and asset quality continue to improve.

Figure 1.1: MPS profitability ratios



Source: Minerva Investment Management Society

NII and fees

MPS' revenue story is one of NII-led recovery in 2022, followed by an increasing contribution from fee income as the rate cycle matures. Total revenues increased from €3.1 billion in 2022 to €3.80 billion in 2023 and €4.03 billion in 2024, which corresponds to an annual growth of about 6% in 2024.

Net interest income rose from €1.54 billion in 2022 to €2.29 billion in 2023 and €2.36 billion in 2024, driven initially by higher commercial spreads and later by a larger contribution from central bank operations, hedging and the securities portfolio.

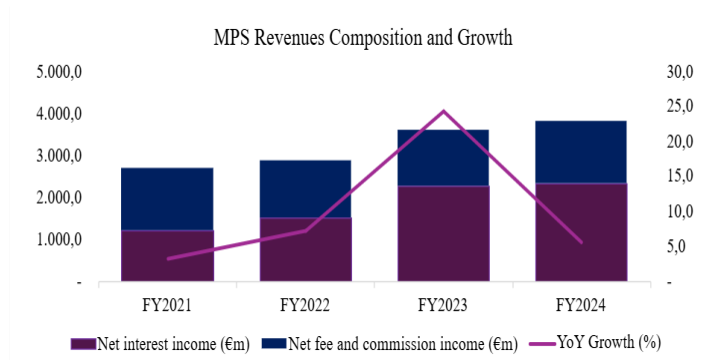
Net fee and commission income was temporarily pressured by market volatility in 2022 (1.36 billion euro) but recovered to €1.32 billion in 2023 and €1.47 billion in 2024, a 10.8% increase year on year, with a particularly strong contribution from wealth management and advisory fees.

In 2024 NII represents a bit less than two thirds of revenues and fees around one third, consistent with the figures in your KPIs table. The bank's commentary stresses:

Resilient commercial spread in 2024, since higher customer funding costs and bond issuance were offset by a swing in the ECB position from a net debit to a sizeable net credit, which generated a €143 million contribution from central bank transactions.

Strong growth in wealth management and advisory fees (roughly plus 19% year on year) and a solid trend in commercial banking fees, which help compensate the gradual normalisation of NII as rates fall.

Figure 1.2: MPS revenue composition



Source: Minerva Investment Management Society

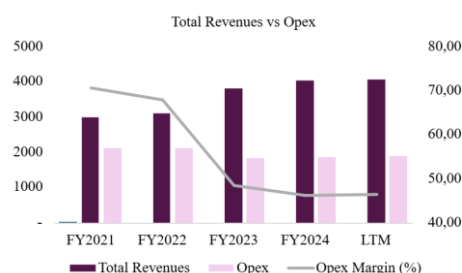
Operating efficiency and cost base

Cost control is a key part of the turnaround story and is clearly visible in the cost/income ratio trend. Following the large staff-exit programme in 2022, operating expenses fell from €2.10 billion in 2022 to €1.87 billion in 2024, despite wage inflation from the renewed national labour contract. At the same time, revenues grew strongly, which compressed the cost/income ratio from 68.0% in 2022 to 46.3% in 2024.

Personnel costs increased 4.2% in 2024 due to the national labour contract, but this was largely absorbed by earlier headcount reductions and by the decline in non-HR costs. Other administrative expenses decreased 3.8% year on year in 2024, helped by tight cost discipline and optimisation measures. Depreciation and amortisation also declined slightly.

Pre-provision operating profit therefore rose from €989 million in 2022 to €1.95 billion in 2023 and €2.16 billion in 2024, a 10.8% increase in 2024 alone. In 1H25, operating expenses increased only 2.0% year on year, while revenues were up 1.1%. Cost/income improves further to 45.9% at 30 June 2025.

Figure 1.3: MPS revenue and cost analysis



Source: Minerva Investment Management Society

Asset quality and cost of risk

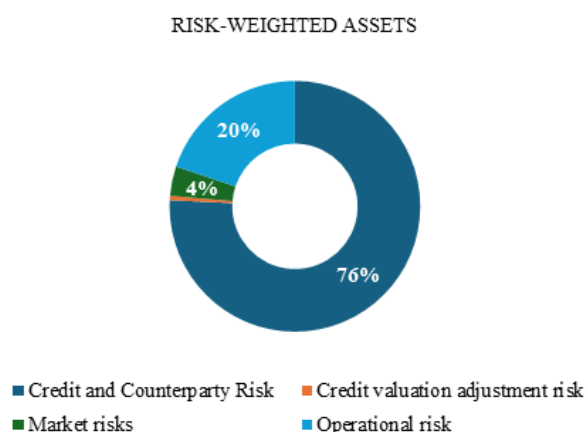
MPS's asset quality has stabilised at a sound level, with gradual improvement in coverage and a declining cost of risk. From 2022 to 2024 the gross NPL ratio increased from 3.6% in 2022 to 3.8% in 2024, with NPL stocks around €3.7 billion at year-end 2024 and more than 70% of the stock secured.

In the same period the net NPE ratio moved from 2.2% in 2022 to 2.3% in 2023 and 2.4% in 2024, a modest increase that reflects portfolio dynamics but remains low in absolute terms while coverage of NPEs stands around 48-49%, broadly stable over time.

The cost of risk (provisioning rate) was elevated in 2022 at 55 basis points, partly due to disposals and conservative macro overlays, and then declined to 57 bps in 2023 and 53 bps in 2024.

In 1H25, loan loss provisions fell from €204 million to €175 million year on year, and the annualised cost of risk improved to 43 bps, supported by lower inflows into non-performing status and better cure rates on performing portfolios. At the same time, gross and net NPL ratios fall to 3.2% and 2.0% respectively, and NPE coverage edges up to 49.3%.

Figure 1.4: RWA



Source: Minerva Investment Management Society

Capital, funding and liquidity

Capital strength is one of MPS' main differentiating factors.

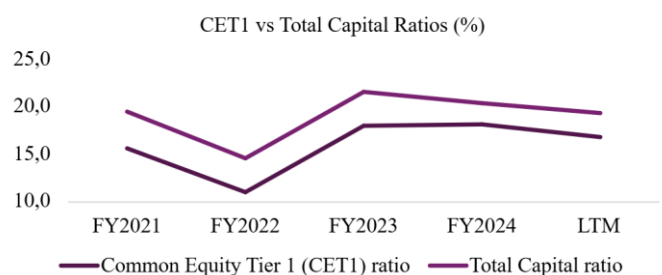
Following the €2.5 billion capital increase in 4Q22, the CET1 fully loaded ratio increased from 11.0% at end-2021 to 15.6% at end-2022, and then further to 18.1% in 2023 and 18.2% in 2024, despite the resumption of dividends.

As of 30 June 2025, the CET1 fully loaded ratio rises again to 19.6%, with the bank deducting accrued dividends based on a 75% payout of pre-tax profit in its capital calculations. The total capital ratio stands at 21.8%, leaving very comfortable buffers above SREP requirements and the MDA trigger.

Loan to deposit ratio improved from 93% in 2022 to 84.7% in 2023 and 82.3% in 2024, reflecting stable customer loans and increasing direct funding. It rises slightly to 85.2% at 30 June 2025 with loan growth. LCR and NSFR remain comfortably above regulatory minima, with LCR around 166-169% and NSFR about 131-134% over 2024-1H25.

The bank maintains a substantial level of unencumbered counterbalancing capacity of around €31-33 billion, giving ample room to weather market shocks and to support integration funding.

Figure 1.5: CET1 and total capital ratio



Source: Minerva Investment Management Society

Valuation: DDM excess capital

Cost of Equity: Assumptions

The cost of equity has been estimated using the standard Capital Asset Pricing Model (CAPM). The risk-free rate has been proxied by the 10-year Italian government bond (BTP), in line with the company's listing on the Milan Stock Exchange, and is equal to 3.5%. The equity risk premium (ERP) has been assumed at 5.5%, in accordance with the consensus estimates provided by financial analysts.

Beta

For the estimation of beta, a *dual approach* was adopted, with the aim of combining different methodologies in order to derive a beta that is as representative as possible of the company's actual risk profile.

The first approach is company-specific and is based on a regression analysis against the STOXX index, which was selected as it represents the broader European market. This choice allows beta to be interpreted as a measure of risk relative not only to the Italian market, but to the European market as a whole, thereby better capturing the company's expansion and influence beyond national borders, especially following the recent acquisition. Daily logarithmic returns were used in the regression, as they exhibited more stable residuals. This resulted in a regression-adjusted beta (according to the Blume Formula) of approximately 1.42, which is in line with the betas of comparable banks in terms of size and market positioning, such as UniCredit (1.4) and Intesa Sanpaolo (1.3).

The second methodology follows the traditional comparables-based approach. In this case, the most influential Italian banks were selected as peers. Their unlevered betas were computed starting from a three-year average levered beta, and subsequently relevered using a target debt-to-equity (D/E) structure. The target leverage reflects the median sector D/E ratio (1.30), which is assumed to represent the long-run equilibrium capital structure.

Figure 2.1: Beta Comparables and sector average

Bank	Beta Levered (3 year)	Equity (mkt value)	Debt (mkt value)	D/E	Beta unlevered (using 3 years)
Unicredit	1,4	109.876,00	213.565,00	1,944	0,579
Banco BPM SpA	1,21	19.606,00	31.518,00	1,608	0,501
Intesa SanPaolo SpA	1,3	103.097,00	102.013,00	0,989	0,538
BNP Paribas SpA	1,31	22.537,00	37.427,00	1,659	0,625
Credito	1,01	5.249,00	9.012,00	1,717	0,418
Fineco Bank SpA	1,17	13.561,00	2.318,00	0,171	0,484
Mediolanum	1,1	14.410,00	4.154,00	0,288	0,455
Banca Popolare di Sondrio	1,32	7.428,00	5.657,00	0,762	0,546
Harmonic Mean					
Mean	1,2525			1,14	0,518
Median	1,255			1,30	0,52

Source: Minerva Investment Management Society

By averaging the results obtained from the two methodologies, a final beta of 1.20 is derived, compared to a sector average of 1.25. Based on this beta, the resulting cost of equity is 10.12%.

Net income adjusted forecast

For the net income forecast, we considered the combined net income of Banca Monte dei Paschi di Siena (MPS) and Mediobanca following the transaction completed and officially announced on 30 September 2025. Starting from MPS on a stand-alone basis, net income was adjusted by removing a set of extraordinary and non-recurring items, in order to avoid carrying into perpetuity components that do not properly reflect the bank's core operating profitability. After these adjustments, the net income of Mediobanca was added pro rata, based on the ownership stake acquired, equal to 86.3%, in order to obtain the combined net income figure used for valuation purposes.

For the explicit forecast period (2026–2030), three scenarios were developed — base, worst, and best case — in order to estimate future adjusted net income. The scenario analysis is based on three key drivers: (i) the growth rate, (ii) the level of expected synergies, and (iii) the percentage of synergies realized over time.

Synergies were decomposed into revenue synergies and cost synergies. For revenue synergies, management estimates annual synergies of €700 million, which represent the base case assumption. The annual ramp-up of synergies was then modeled by estimating the percentage of synergies achievable each year. For instance, in 2026, 50% of total synergies are assumed to be realized in the base case, compared to 30% in the worst case and 60% in the best case. According to available reports, integration costs of €600 million are expected to be incurred only in the first two years following the transaction,

with €500 million in 2026 and €100 million in 2027 (in each scenario).

Taking these elements into account, and after applying the relevant tax effects on synergies, the adjusted net income for the explicit forecast period is derived.

Dividends and CET1 bridge

For the estimation of the payout ratio, a scenario-based approach was once again adopted, considering a base, worst, and best case.

The base case is grounded in management guidance and forecasts, according to which the payout ratio is expected to remain lower than historical levels during the first two years (around 30%), mainly due to the challenges, costs, and uncertainties associated with the transaction. Thereafter, the payout is expected to return to historically high levels progressively. Accordingly, in the base case, the payout ratio is assumed to increase gradually up to 65% by 2030. In the worst case, the payout is supposed to remain within a range of up to 50%, while in the best case it increases to 75%.

To test the feasibility and sustainability of these payout assumptions, a CET1 bridge was constructed over the entire explicit forecast period. In particular, consistency was assessed with a 2025 Maximum Distributable Amount (MDA) buffer of 7.78%, calculated as the difference between the reported CET1 ratio of 16.96% and the minimum CET1 requirement under SREP of 9.18%.

The Risk-Weighted Assets (RWA) were assumed to grow at an average rate of 2.5% in the base case, 3.5% in the worst case, and 1.5% in the best case.

The CET1 bridge demonstrates that, even under relatively high payout ratios, the bank can comply with regulatory constraints related to both MDA and CET1, with the latter remaining above 14%, which is the capital target management intends to maintain.

Excess capital

The rationale behind this adjusted Dividend Discount Model (DDM) is to account not only for expected dividends, but also for excess capital that could potentially be distributed, as it exceeds the minimum level required by regulatory authorities. If this excess capital were not taken into consideration, the bank's equity value could appear undervalued, particularly in light of the fact that MPS has historically maintained a very high CET1 ratio, consistently well above regulatory requirements. Under the base case, excess capital of €250 million is assumed, while in the worst case no excess capital distribution is considered, and in the best case excess capital amounts to €500 million. This excess capital is added to dividends and, after computing the total Net Present Value (NPV) over the entire

explicit forecast period, it is summed with the NPV of the terminal value (TV). The terminal value is calculated using a growing perpetuity approach, assuming a long-term growth rate (g) of 3%, applied to the adjusted net income of the final forecast year.

Implicit target price

The resulting total equity value amounts to €28,559 million. Assuming a total number of shares outstanding (including Mediobanca shares) of 3,038 million, this leads to a target price of €9.40 per share, implying an upside of 10.45% relative to the current market price.

The sensitivity analysis illustrates the impact of changes in the cost of equity (COE) and the terminal growth rate (g) on the valuation. The values highlighted in the table identify the price range observed over the last month, showing that the market has been pricing the stock within a consistent corridor with our assumptions. Moreover, the analysis confirms that the DDM valuation is particularly sensitive to variations in the terminal growth rate, while changes in the cost of equity have a more gradual impact.

Figure 2.2: Sensitivity Analysis

Sensitivity analysis: COE vs. TV g		2.0%	2.5%	3.0%	3.5%	4.0%
9.12%	9,72	10,31	10,99	11,79	12,75	
9.62%	9,06	9,56	10,13	10,80	11,59	
10.12%	8,48	8,91	9,40	9,96	10,62	
10.62%	7,96	8,34	8,76	9,24	9,79	
11.12%	7,51	7,83	8,20	8,61	9,09	
11.62%	7,10	7,38	7,70	8,06	8,47	

Source: Minerva Investment Management Society

Valuation: Residual Income Model

The Residual Income Model (RIM) provides a perspective that is fundamentally different from that of the DDM. Rather than focusing on distributions, it addresses the key question of whether the bank enjoys a sustainable competitive advantage that can be maintained over time and that justifies a market value above its steady-state value.

This competitive advantage is captured through economic profit, defined as the excess return earned by an investor from investing in the bank rather than in any other financial asset with the same risk profile. Economic profit is calculated as adjusted net income minus a capital charge, where the capital charge is equal to the cost of equity multiplied by the tangible book value. For this purpose, group equity value was considered and adjusted by subtracting goodwill and other intangible assets, in order to obtain the tangible book value. A period of 15 years was assumed over which the bank is able to generate a competitive advantage.

In the long run, the competitive advantage is assumed to fade to zero, implying convergence toward the long-run equilibrium of the banking sector.

By discounting and summing the residual income flows and dividing the resulting equity value by the number of shares outstanding (NOSH), a target price of €10.77 is obtained, compared to a worst-case scenario that implies a price falling below the current market level (€8.79) and a best-case scenario of €12.73.

Figure 2.3: RIM base case implicit target price

	Base Case
Sum of PV_RI	3.230
TV in 2030	11.876
PV of TV	7.334
Equity Value	32.738
Target Price	10,77
P/TBV	1,5x
Justified P/TBV	1,3x

Source: Minerva Investment Management Society

As a sanity check, the Return on Tangible Equity (RoTE) was computed over the entire explicit forecast period, yielding values in line with management guidance, ranging between 12% and 16%.

Valuation: Multiples

For the multiples-based valuation, the bank was assessed relative to its main competitors in the Italian banking landscape. Peer selection was based not only on geographic exposure, but also on business mix and the degree of internationalization, resulting in a sufficiently broad and representative peer sample.

Two primary valuation multiples were used: forward P/E (NTM) and current P/Tangible Book Value (P/TBV). The final valuation was obtained by taking the average of the target prices implied by the two multiples.

For the P/E multiple, the harmonic mean (i.e., the reciprocal of the arithmetic mean of reciprocals) was applied in order to mitigate the impact of outliers, such as Fineco and Banca Mediolanum, and to obtain a more stable estimate. For the P/TBV multiple, the median of the peer group was used.

Figure 2.4: Comparables

Bank	P/E NTM	1/(P/E)	P/TBV (current)
Unicredit	9,69	0,103199174	1,08
Banco BPM SpA	10,17	0,098328417	1
Intesa SanPaolo SpA	10,23	0,097751711	1,47
BPER SpA	10,48	0,095419847	0,91
Credem	10,62	0,094161959	0,98
Fineco Bank SpA	19,83	0,050428643	4,53
Mediolanum	13,8	0,072463768	2,06
Banca Popolare di Sondrio	11,48	0,087108014	0,89
Harmonic Mean		11,45	
Mean	12,0375		1,615
Median	10,55		1,04

Source: Minerva Investment Management Society

Based on a post-deal NTM EPS of €0.93, the target price implied by the P/E multiple amounts to €10.59. Using a P/TBV multiple of 1.04x applied to a tangible book value per share of €7.30, the implied price is €7.59. By averaging the two results, a final multiples-based target price of €9.09 is obtained.

Figure 2.5: Implicit target price

EPS MPS - NTM post deal	0,925097258
TBV per share	7,297876284
DPS	0,798721003
Target price (P/TBV * TBV)	7,589791336
Target price with P/E (NTM)	10,58976308
Target price 50-50	9,089777207
Dividend yield	8,79%

Source: Minerva Investment Management Society

As a sanity check, the implied Dividend per Share (DPS) of €0.79 was compared to a sector average of €0.86, while the resulting dividend yield of 8.79% is slightly higher than the sector average of 6.35%. This premium reflects investors' perception of higher risk, mainly related to the transaction and to uncertainties surrounding the effective realization of synergies with Mediobanca.

Final Valuation Methodology

The final target price of €9.72 is obtained by weighting the results of the three valuation methodologies, with a higher emphasis on the adjusted DDM (40%), given its ability to capture both dividends and excess capital distribution. The Residual Income Model (30%) supports the existence of a sustainable competitive advantage, while the multiples-based valuation (30%) provides an external market consistency check. Compared to the current market price of €8.80 (as of 20 February 2026), the valuation implies a meaningful upside, supporting a BUY recommendation, despite residual execution risk related to the transaction and the realization of synergies.

Method	Target price	Weight
DDM excess capital	9,40 €	40%
RIM	10,77 €	30%
Multiples	9,09 €	30%
Final price	9,72 €	

Source: Minerva Investment Management Society

Investment Risks

Downside Risk Factors

Execution and Integration Risk (Mediobanca Acquisition): The acquisition of Mediobanca represents a transformational step for MPS but introduces significant execution and integration risk. The two institutions have different business models, cultures, and client bases; MPS being primarily a retail and commercial bank, while Mediobanca focuses on investment banking and wealth management. Failure to integrate operations, retain key talent, or realize expected synergies could undermine profitability and shareholder value. Integration complexity may also divert management focus from core banking operations.

Capital and Regulatory Risk: Although MPS has rebuilt a strong capital position, the acquisition places renewed pressure on capital adequacy and regulatory approval. Banking regulators, particularly the ECB, will closely scrutinize capital buffers, risk-weighted assets, and governance following the transaction. Any adverse regulatory decision, higher-than-expected capital requirements, or delays in approvals could constrain dividend capacity and strategic flexibility.

Macroeconomic and Credit Risk: MPS remains highly exposed to the Italian macroeconomic environment, characterized by modest growth and high public debt. A slowdown in GDP growth, rising unemployment, or a deterioration in sovereign risk could negatively impact loan demand and asset quality. Higher default rates among households and SMEs would increase credit provisions and weigh on earnings.

Upside Risk Factors

Successful Strategic Diversification: If successfully executed, the Mediobanca acquisition could significantly enhance MPS's earnings profile by expanding into higher-margin activities such as wealth management, investment banking, and advisory services. This diversification would reduce reliance on traditional interest income and improve revenue stability.

Sustained Profitability and Capital Strength: MPS's recent return to strong profitability and high capital ratios provides a solid foundation for growth. Continued disciplined cost management and balance-sheet optimization could support higher returns on equity and renewed investor confidence.

Sector Consolidation Tailwinds: Ongoing consolidation in the Italian and European banking sector may create further opportunities for scale, efficiency gains, and improved competitive positioning, potentially benefiting MPS over the medium term.

Appendix

Exhibit 1: Group Net equity, MPS X MB

NET EQUITY	MPS Group	of which: Mediobanca Group*	Consolidated figure net of Mediobanca Group
Reserves	4.195,2	1.137,7	3.057,5
Share premium	3.147,5	3.147,5	0,0
Share capital	17.978,2	10.524,7	7.453,5
Net profit (loss) for the period	1.366,4	(6,9)	1.373,3

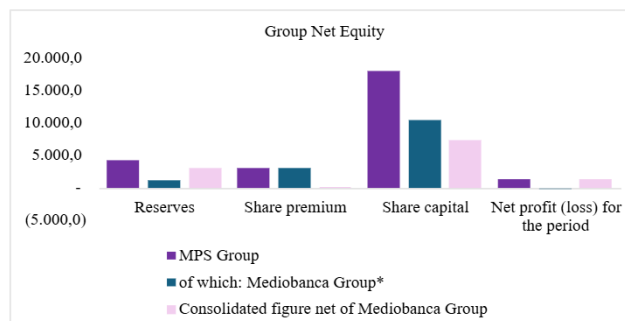


Exhibit 2: Monte dei Paschi group NII growth

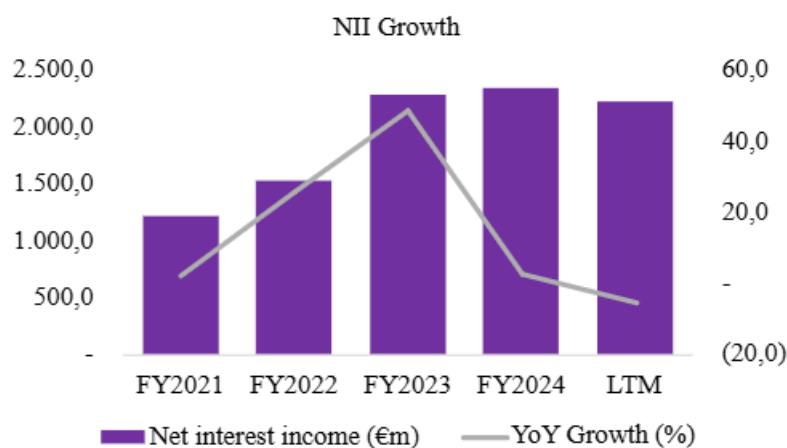


Exhibit 3: Loans to customers income vs costs

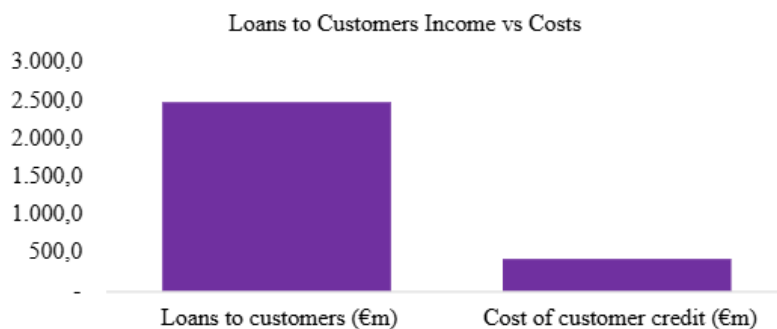


Exhibit 4: Beta calculation

Beta calculation	Average Beta unlevered	Tax rate	D/E (target for MPS)	Beta levered	Beta from regression (already adj)	Mean
Based on the Average of 5 Years	0,477280906	30%	1,30	0,91111453	1,417728116	1,164421323
Based on the Average of 3 Years	0,518131601	30%	1,30	0,989097247	1,417728116	1,203412681
Based on the Average of 2 Years	0,504687068	30%	1,30	0,963432049	1,417728116	1,190580082

Exhibit 5: MPS and Mediobanca net income adjusted (items not considered in grey)

Mediobanca	2025
Net interest income	1.965,0
Net treasury income	166,1
Net fee and commission income	1.077,9
Equity-accounted companies	517,2
Total income	3.726,2
Labour costs	(855,8)
Administrative expenses	(770,7)
Operating costs	(1.626,5)
Gains (losses) on disposal of equity	-
Loan loss provisions	(235,3)
Provisions for other financial assets	10,0
Other income (losses)	(41,4)
Profit before tax	1.833,9
Income tax for the period	(343,6)
Minority interest	(78,3)
Net profit before OPS costs	1.321,8
OPS costs net of taxes	(30,5)
Net profit after OPS costs	1.291,3
Adjusted Net Income	1321,8

MPS	2025
Net interest income	2.225,8
Net fee and commission income	1.558,5
Income from banking activities	3.784,2
Dividends, similar income and gains (losses) on investments	86,5
Net profit (loss) from trading the fair value measurement of assets/liabilities and Net gains (losses) on disposals/repurchases	179,6
Net profit (loss) from hedging	(0,8)
Other operating income (expenses)	0,6
Total Revenues	4.050,1
Administrative expenses:	(1.725,3)
a) personnel expenses	(1.271,5)
b) other administrative expenses	(453,9)
Net value adjustments to property, plant and equipment and intangible assets	(162,6)
Operating expenses	(1.888,0)
Pre-Provision Operating Profit	2.162,1
Cost of customer credit	(363,5)
Net impairment (losses)/reversals on securities and loans to banks	(0,6)
Net operating income	1.798,1
Other net provisions for risks and charges	(60,2)
Other gains (losses) on equity investments	2,8
Restructuring costs / One-off costs	(34,8)
Cost of extraordinary operations	(6,9)
Risks and charges associated to the SRF, DGS and similar schemes	(2,2)
DTA Fee	(58,4)
Net gains (losses) on property, plant and equipment and intangible assets measured at fair value	(11,2)
Gains (losses) on disposal of investments	8,9
Profit (Loss) for the period before tax	1.636,1
Income tax for the period	114,9
Effective tax rate %	7,02%
Profit (Loss) after tax	1.751,0
Profit (loss) after tax from groups of assets held for sale and discontinued operations	-
Net profit (loss) for the period	1.751,0
Net profit (loss) attributable to non-controlling interests	(0,3)
Parent company's net profit (loss) for the	1.751,3
Adjusted Net Income	1588,3

Exhibit 6: Combined net income

Combined Net Income	2025	2026	2027	2028	2029	2030
Adjusted Net Income Pre-Synergies	2.729,0	2.810,8	2.895,2	2.982,0	3.071,5	3.163,6
Adjusted NI with Synergies and Int. costs After-Tax **	2.729,0	2.705,8	3.217,2	3.423,0	3.561,5	3.653,6

Growth rate	
Base Case	3,0%
Worst Case	2,0%
Best Case	4,0%

Total Synergies	
Base Case	700
Worst Case	350
Best Case	840

Integration Costs	600
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Synergies Pre-Tax		50,0%	60,0%	90,0%	100,0%	100,0%
Base Case	350	560	630	700	700	700
Worst Case	105	210	280	280	350	350
Best Case	504	672	840	840	840	840
Integration costs	500	100	0	0	0	0

** For both valuation and beta estimation, it is better to use a normalised long-term tax rate of 30%, equal to the median for the Italian banking sector

Exhibit 7: Scenarios for RWA growth, Payout, and Excess Capital distribution

RWA growth	
Base Case	2,5%
Worst Case	3,5%
Best Case	1,5%

Payout Scenarios						
Base Case	30,0%	30,0%	50,0%	55,0%	60,0%	65,0%
Worst Case	30,0%	25,0%	30,0%	40,0%	45,0%	50,0%
Best Case	30,0%	45,0%	65,0%	70,0%	75,0%	75,0%

Excess Capital Distribution						
Base Case	–	250	250	250	250	250
Worst Case	–	–	0	0	0	0
Best Case	–	500	500	500	500	500

Exhibit 8: DDM excess capital

	2025	2026	2027	2028	2029	2030	TV
NI_t	2.728,96	2.705,83	3.217,16	3.423,01	3.561,47	3.653,62	
Div_t	818,69	811,75	1.608,58	1.882,66	2.136,88	2.374,85	2.446,10
RWA BoP	85.040	87.166	89.345	91.579	93.868	96.215	
RWA EoP	87.166	89.345	91.579	93.868	96.215	98.620	
Delta RWA	2.126	2.179	2.234	2.289	2.347	2.405	
Capital requirement (14%)	298	305	313	321	329	337	
Initial excess capital remuneration	0	250	250	250	250	250	
Discount factor		0,91	0,82	0,75	0,68	0,62	
NPV of freely distributable cash flows to shareholders		964,19	1.532,70	1.597,12	1.623,25	1.621,06	

NPV TV	21.221
NPV of distributed earnings	7.338
Equity value	28.559
Share Capital	17.978
NOSH	3.038
Target price	9,40
Current Price	8,8
change %	6,8%

Exhibit 9: RIM (base case)

Group Equity	26.742
Goodwill and Intangibles	4.568
TBV	22.174
NOSH	3.038
TBV/share	7,30
COE	10,1%
RI TV Horizon	15

	2025	2026	2027	2028	2029	2030	TV
NI (core)	2.729	2.706	3.217	3.423	3.561	3.654	3.763
TBV_t	22.174	23.266	24.348	24.348	24.006	23.293	23.992
Dividends_t	819	812	1.609	1.883	2.137	2.375	
Retained Earnings_t	1.910	1.894	1.609	1.540	1.425	1.279	
TBV_t+1	23.266	24.348	24.348	24.006	23.293	22.197	
Avg_TBV_t	22.720	23.807	24.348	24.177	23.649	22.745	
Capital charge_t	2.244	2.354	2.464	2.464	2.429	2.357	2.428
RI_t	485	352	753	959	1.132	1.297	1.336
Discount factor_t		0,91	0,82	0,75	0,68	0,62	
PV_RI_t		319	621	718	770	801	
RoTE	12,0%	11,4%	13,2%	14,2%	15,1%	16,1%	

Exhibit 10: RIM (best and worst case)

	Best Case
Sum of PV_RI	4.607
TV in 2030	19.244
PV of TV	11.885
Equity Value	38.665
Target Price	12,73
P/TBV	1,7x
Justified P/TBV	1,3x

	Worst Case
Sum of PV_RI	1.548
TV in 2030	4.844
PV of TV	2.991
Equity Value	26.713
Target Price	8,79
P/TBV	1,2x
Justified P/TBV	1,2x

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