WEALTH PRESERVATION

EQUITY RESEARCH REPORT

Intesa Sanpaolo S.p.A.

BIT: ISP | OTC: ISNPY

BUY

Current Price	Fair Value (Base)	Dividend Yield	WP Score
€5.97	**€7.15**	**6.0%**	**78 / 100**

Report Date: February 9, 2026

Analyst: Moschovakis Capital Research

Sector: European Banking | Market Cap: €104B

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EXECUTIVE SUMMARY

Recommendation: BUY at current price (€5.97)

Recommendation Overview

Recommendation	**BUY**
Current Price (BIT: ISP)	**€5.97**
Fair Value (Base Case)	**€7.15**
Margin of Safety	**19.7%**
Target Entry (if HOLD)	**N/A — BUY at current levels**

Return Profile

Dividend Yield (Trailing)	**6.0%**
Expected Dividend Growth (CAGR)	**5.0%**
Expected Price Appreciation (CAGR)	**5.8%**
Total Expected Return (Base Case)	**11.8% CAGR**
Bear Case Total Return	**3.2% CAGR**
Bull Case Total Return	**18.5% CAGR**
Probability-Weighted Expected Return	**11.3% CAGR**

Risk Assessment

Wealth Preservation Score	**78 / 100**
Downside Protection Score	**80 / 100**
Quality Score	**75 / 100**
Risk Level	**LOW-MODERATE**
Probability of >50% Permanent Loss	**<5%**
Recession Profile	**SENSITIVE (managed)**

One-Line Thesis:

Intesa Sanpaolo is Italy's dominant banking franchise with a fortress capital position (CET1 13.9%), best-in-class cost efficiency (42.2% C/I ratio), record profitability (€9.3B net income in FY2025), and a ~6% dividend yield that provides substantial downside protection, making it a compelling wealth preservation candidate trading at an attractive P/E of ~11x with significant upside from its 2026-2029 Business Plan targeting €11.5B+ net income and €50B in total shareholder returns.

INVESTMENT THESIS

Intesa Sanpaolo represents an exceptional wealth preservation opportunity in European banking. As Italy's largest bank by market capitalization (€104B), it commands dominant domestic market share across retail banking, wealth management, insurance, and corporate banking. The bank's competitive position is underpinned by a massive base of low-cost retail deposits comprising the bulk of its funding, creating a structural profitability advantage that translates into best-in-class cost efficiency (Cost/Income ratio of 42.2% in FY2025, the lowest ever and the best among European peers).

The bank comfortably exceeds our return hurdle of Inflation + 4% (currently ~7%). With a trailing dividend yield of approximately 6.0%, expected dividend growth of 5% CAGR, and moderate price appreciation potential, the base case total return of 11.8% CAGR substantially surpasses the 4% HYSA alternative. Crucially, even in the bear case scenario, capital is preserved with a positive total return of 3.2% CAGR — satisfying our non-negotiable downside protection constraint.

The downside is limited by multiple reinforcing factors: (1) a fortress balance sheet with CET1 ratio of 13.9% (well above the 9.9% regulatory requirement), providing 400+ basis points of capital buffer; (2) a near-zero NPL profile (0.8% net NPL ratio) confirming exceptional asset quality; (3) the substantial ~6% dividend yield providing an income floor even if share price stagnates; (4) diversified revenue streams with record commissions and insurance income reducing reliance on net interest income; and (5) management's proven track record of over-delivering on Business Plan targets under CEO Carlo Messina's decade-long leadership.

The recently announced 2026-2029 Business Plan targeting net income above €11.5B by 2029, ROE of 22%, ROTE of 27%, and approximately €50B in total shareholder returns over the period provides a credible upside catalyst. The plan requires no acquisition-related execution risk and relies on scaling the existing proven business model through technology, wealth management expansion, and operational efficiency.

1. BUSINESS QUALITY ASSESSMENT

Business Model: Intesa Sanpaolo operates as Italy's largest integrated banking group through six segments: Banca dei Territori (retail/commercial banking), IMI Corporate & Investment Banking, International Subsidiary Banks, Asset Management, Private Banking, and Insurance. The bank serves 11.1 million customers through approximately 3,762 branches (2,823 in Italy, 939 abroad) and employs 90,679 people. Customer financial assets under management total approximately €1.5 trillion.

Competitive Moat Analysis

Moat Type	Evidence	Durability (1-10)	Preservation Value
Low-Cost Deposit Franchise	Bulk of funding from retail deposits; Italy's #1 bank	9	Excellent
Scale & Cost Advantage	Best-in-class 42.2% C/I ratio in Europe	8	Excellent
Switching Costs	Deep retail/corporate relationships; integrated WM	7	Good
Regulated Domestic Champion	Dominant Italian market share; >12% in most regions	8	Excellent
Integrated Distribution	Fully-owned insurance & asset management factories	7	Good

Primary Moat	**Low-Cost Deposit Franchise — Durability: 9/10**
Secondary Moat	**Scale & Regulatory Position — Durability: 8/10**
Moat Erosion Risk	**LOW**
Moat Preservation Confidence	**HIGH**

Market Position

Industry Ranking	**#1 in Italy by market capitalization**
Market Share	**>12% in most Italian regions (dominant)**
Pricing Power	**STRONG — deposit pricing advantage; fee leadership**
Customer Financial Assets	**~€1.5 trillion (+€75B vs FY24)**
International Presence	**29 countries; 939 branches abroad**

2. FINANCIAL FORTRESS ANALYSIS

Note: For banks, traditional solvency metrics (Debt/Equity, Interest Coverage) are replaced by regulatory capital ratios which serve the same protective function under the Basel III framework. CET1 ratio is the primary measure of a bank's loss-absorbing capacity.

Balance Sheet Strength (Bank-Adapted Metrics)

Metric	Value	Threshold	Assessment
CET1 Ratio (Fully Phased-In)	13.9%	>12.0% (FORTRESS)	**PASS**
CET1 vs. Regulatory Requirement	+400 bps buffer	>200 bps buffer	**PASS**
Total Capital Ratio	~19.0%	>16.0%	**PASS**
Leverage Ratio	6.1%	>4.0%	**PASS**
Net NPL Ratio	0.8%	<3.0%	**PASS**
Cost of Risk	26 bps (adj.)	<50 bps	**PASS**
Liquidity Coverage Ratio	147%	>100%	**PASS**
Cost/Income Ratio	42.2%	<55%	**PASS**

Solvency Verdict: FORTRESS

Intesa Sanpaolo's CET1 ratio of 13.9% provides over 400 basis points of buffer above the 9.885% regulatory requirement. The bank achieved the best result in the EBA stress test among European peers, confirming its resilience in adverse scenarios. Bad loans have been reset to near zero, with a net NPL ratio of just 0.8% — at historical lows. The bank's leverage ratio of 6.1% is best-in-class among major European banking groups.

Profitability Metrics

Metric	FY2025	FY2024	FY2023	Trend
Net Income	€9.3B	€8.7B	€7.7B	↑ Record
Return on Equity (ROE)	18%	~16%	~14%	↑ Improving
Return on Tangible Equity (ROTE)	22%	~20%	~17%	↑ Improving
Cost/Income Ratio	42.2%	42.7%	~44%	↑ Best-ever
Commissions Growth (YoY)	+6%	+9%	+5%	↑ Record
Insurance Income Growth (YoY)	+5%	+4%	N/A	↑ Record
EPS (Approximate)	€0.53	€0.48	€0.43	↑ +23% 2Y

Earnings Quality Assessment

Earnings quality is HIGH. Intesa Sanpaolo's profitability is underpinned by structural factors rather than temporary effects. Record commissions (+6%) and insurance income (+5%) demonstrate revenue diversification away from rate-sensitive NII. Operating cash flow generation is robust, supporting the massive €6.5B dividend distribution and €2B+ buyback program. The bank allocated over €1B of pre-tax profit in FY2025 to strengthen future profitability buffers, demonstrating conservative accounting. Credit rating upgrades from Fitch (two-notch, above Italy's sovereign) and Morningstar DBRS confirm external validation.

Dilution Check

Shares Outstanding (Current)	**17.38 billion**
1-Year Change	**-0.45% (share buyback driven)**
Annual Dilution Rate	**NEGATIVE (accretive buybacks)**
FY2025 Buyback Completed	**€2.0B (October 2025)**
FY2026 Buyback Planned	**€2.3B (July 2026)**
Dilution Assessment	**EXCELLENT**

3. DIVIDEND ANALYSIS

Metric	Value	Assessment
Current Dividend Yield	~6.0%	Above 2-4% sweet spot — Excellent income
FY2025 Total Cash Dividends	€6.5 billion	Record payout
Cash Payout Ratio	~70%	Below 75% threshold — Sustainable
Dividend Growth (3Y CAGR)	~20%	Exceptional acceleration
2026-2029 Plan Payout Ratio	75% cash + ~20% buybacks = ~95%	Full distribution model
Total Shareholder Return (FY2025)	€8.5B+ (dividends + buyback)	~8% total yield
Dividend Coverage (by Net Income)	1.43x	Above 1.3x threshold
Maintained Through 2020 (COVID)?	Suspended per ECB mandate; resumed 2021	Regulatory-driven, not financial

Dividend Sustainability: ROCK SOLID

Intesa Sanpaolo's dividend program is among the most generous in European banking. The FY2025 cash dividend of €6.5B represents a ~70% payout ratio against €9.3B net income, well within sustainability thresholds. The 2026-2029 Business Plan targets approximately €50B in total shareholder returns, with a 75% cash dividend payout ratio and buybacks representing ~20% of total distributions. The bank's ability to maintain dividends is underpinned by its fortress capital position (CET1 remaining above 12.5% throughout the plan period) and guided net income growth to €11.5B+ by 2029.

Stress Test: If earnings dropped 40% (from €9.3B to €5.6B), the current annual dividend of ~€6.5B would need to be reduced. However, at a 75% payout ratio on stressed earnings, the bank could still distribute ~€4.2B in dividends, representing a yield of approximately 4.0% at current prices — still meeting our hurdle rate. This stress scenario is highly conservative given the bank's record profitability trajectory and diversified revenue base.

4. VALUATION ANALYSIS

Relative Valuation

Metric	Current	5Y Avg	vs. History	Assessment
P/E (TTM)	~11.2x	~8.5x	Above average	Fair — justified by improved profitability
P/E (Forward)	~10.3x	~7.5x	Above average	Reasonable given earnings growth
Price/Book	~1.8x	~0.7x	Significant re-rating	Justified by ROE expansion to 18%+
Price/Tangible Book	~2.2x	~0.9x	Re-rated materially	Reflects quality premium
Dividend Yield	~6.0%	~7.5% (5Y)	Below average yield	Price appreciation compressed yield
Total Yield (Div + Buyback)	~8.3%	N/A	N/A	Excellent total shareholder return

Fair Value Calculation

We derive fair value through multiple complementary approaches:

Method 1: Normalized Earnings Approach

Normalized EPS: €0.53 (FY2025 actual). Fair P/E Multiple: 13.5x (justified by 18%+ ROE, FORTRESS balance sheet, and European banking peer re-rating). Fair Value = €0.53 x 13.5 = **€7.16**.

Method 2: Dividend Discount (Gordon Growth)

Current DPS: €0.37. Growth rate: 5% (guided). Required return: 9%. Fair Value = €0.37 x 1.05 / (0.09 - 0.05) = **€9.71**. This upper bound reflects the high-quality dividend stream.

Method 3: Price/Tangible Book x ROE

Tangible Book Value per Share: ~€2.70. With ROTE of 22%, a P/TBV of 2.5x is justified for a sustainably profitable franchise. Fair Value = €2.70 x 2.5 = **€6.75**.

Blended Fair Value: €7.15 (weighted average)

Current Price: €5.97 | **Margin of Safety: 19.7%**

Valuation Verdict: ATTRACTIVE

5. SCENARIO ANALYSIS

10-Year Total Return Model

Scenario	Rev CAGR	EPS CAGR	Terminal P/E	10Y Price	Avg Div Yield	Total CAGR	Weight
Bear	0%	0%	8.0x	€4.50	7.5%	3.2%	25%
Base	3%	5%	11.0x	€9.50	5.5%	11.8%	50%
Bull	5%	8%	13.0x	€12.80	4.5%	18.5%	25%

Probability-Weighted Expected Total Return: 11.3% CAGR

Scenario Details

BEAR CASE (25% weight) — "Prolonged ECB rate cuts + Italian recession"

Assumptions: ECB cuts rates aggressively to 1.5%, Italian GDP contracts, NII declines 25% from peak, commissions stagnate, cost of risk rises to 60 bps, P/E contracts to 8x trough. Net income declines to ~€6.5B. Dividend cut to ~€0.30/share. 10-Year Price Target: €4.50. Total Return CAGR (including reduced dividends): **3.2%**. Capital is preserved and return remains positive even in stress.

BASE CASE (50% weight) — "Business Plan execution"

Assumptions: Guided 2026-2029 plan execution with net income growing from €9.3B toward €11.5B. Revenue CAGR of 3%, driven by wealth management, insurance, and commission growth offsetting gradual NII normalization. Cost discipline maintained. Dividend grows at 5% CAGR. P/E stable at 11x. 10-Year Price Target: €9.50. Total Return CAGR: **11.8%**.

BULL CASE (25% weight) — "Full re-rating + Business Plan beat"

Assumptions: European banking sector re-rating continues as institutional investors increase allocation. Intesa achieves €12B+ net income, wealth management assets grow materially, Isybank reaches scale. P/E re-rates to 13x (still below US bank averages). International expansion accelerates. 10-Year Price Target: €12.80. Total Return CAGR: **18.5%**.

Critical Downside Check

Bear Case Total Return	**3.2% CAGR — POSITIVE**
Is capital preserved in downside?	**YES ✓**
Max estimated drawdown (bear case)	**~25% from current levels**
Permanent loss probability (>50% decline)	**<5%**

6. RISK ASSESSMENT

Risk Category	Score (1-10)	Key Concern	Mitigation
Balance Sheet Risk	2	CET1 buffer may narrow	400+ bps buffer above requirement; Fitch upgrade above sovereign
Earnings Volatility	4	NII decline as ECB cuts rates	Diversified: commissions + insurance at record highs; 43% of gross income from WM&P;
Competitive Threat	3	UniCredit consolidation; fintech	Dominant domestic position; Isybank digital strategy; ~1M digital customers
Regulatory Risk	4	Banking tax proposals; Basel IV	Manageable per CEO Messina; strong capital buffers absorb regulatory changes
Management Risk	2	Key-man risk (Messina)	Deep bench; long-tenured cohesive team; clear succession planning
Valuation Risk	4	P/B re-rated materially from lows	Justified by ROE expansion; dividend yield provides floor
Country/Sovereign Risk	5	Italian sovereign debt; political risk	Fitch rates ISP above Italy; diversified international presence

Aggregate Risk Score	**3.4 / 10 (LOW-MODERATE)**

Recession Stress Test

Revenue decline in 2008-09 GFC	**Significant — Italian banking sector deeply impacted**
Revenue decline in 2020 COVID	**Moderate — resilient vs. European peers**
Dividend action (2020)	**Suspended per ECB mandate; resumed promptly in 2021**
EBA Stress Test 2025 Result	**Top performer among European banks**
Max historical drawdown (10Y)	**~55% (2020 COVID panic; recovered)**
Recovery time to prior peak	**~24 months from COVID lows**

Recession Profile: SENSITIVE (well-managed; ECB stress test top performer; dividend suspension was regulatory-imposed rather than financially necessary)

7. MANAGEMENT & GOVERNANCE

CEO: Carlo Messina

Tenure	**11+ years (CEO since January 2014)**
Track Record	**Transformed ISP into Europe's most profitable bank; named European Banker of the Year 2024**
Insider Ownership	**Meaningful — aligned with shareholders**
Communication	**Clear, consistent; over-delivered on every Business Plan cycle**

Capital Allocation (2022-2025 Business Plan)

Category	Assessment	Details
Dividend Growth	✓ Excellent	Shareholder distribution ~50% higher than Business Plan target
Share Buybacks	✓ Value-Accretive	€2B buyback completed Oct 2025; €2.3B planned Jul 2026; reducing share count
Technology Investment	✓ Strategic	€5B invested; 2,300+ IT specialists hired; 64% cloud migration
Acquisitions	✓ Disciplined	No value-destructive M&A; CEO explicitly states no bank acquisitions needed
Debt Management	✓ Prudent	CET1 ratio improved from 13.7% (2023) to 13.9% (2025)

Management Quality: EXCELLENT

Capital Allocation Track Record: STRONG

8. PEER COMPARISON

Metric	Intesa Sanpaolo	UniCredit	BNP Paribas	Banco Santander	Best for WP
P/E (TTM)	~11.2x	~7.5x	~8.0x	~7.0x	SAN (cheapest)
Dividend Yield	~6.0%	~5.8%	~6.5%	~4.5%	BNP (highest)
Total Yield (Div+Buyback)	~8.3%	~10%	~7.5%	~6.5%	UCG (highest)
CET1 Ratio	13.9%	16.5%	~12.5%	~12.3%	UCG (highest)
Cost/Income Ratio	42.2%	~38%	~62%	~42%	UCG (lowest)
ROE	18%	~18%	~10%	~14%	ISP / UCG (tied)
ROTE	22%	~21%	~12%	~16%	ISP (highest)
Net NPL Ratio	0.8%	2.6%	~2.0%	~3.0%	ISP (best quality)
Net Income (FY2025)	€9.3B	~€9.5B	~€11B	~€12B	SAN (largest)

Why Intesa Sanpaolo for Wealth Preservation: Among European banking peers, Intesa stands out for its combination of the lowest NPL ratio (0.8%), highest ROTE (22%), best cost efficiency trajectory, and most defensive business mix (43% of income from wealth management, protection & advisory). While UniCredit offers a higher CET1 ratio and more aggressive buybacks, its M&A-driven; strategy (Banco BPM, Commerzbank) introduces execution risk that conflicts with our wealth preservation mandate. BNP Paribas and Santander offer larger absolute earnings but with higher cost/income ratios and lower asset quality. Intesa's combination of defensive qualities, fortress capital, and generous shareholder returns makes it the preferred European bank for capital preservation investors.

9. KEY METRICS SUMMARY

Wealth Preservation Scoring

Input 1: Downside Protection Score — 80/100

Start at 50. +15 (bear case return positive). +10 (CET1 equivalent to D/E <0.5x fortress). -5 (2020 dividend suspended per ECB). +10 (max drawdown recovered within 24 months). +5 (current yield >3%). -5 (bank sector inherently sensitive to macro). = **80**.

Input 2: Return Adequacy Score — 85/100

Base Case Total Return of 11.8% CAGR falls in the 10-12% bracket = 85 points.

Input 3: Quality Score — 75/100

Balance Sheet Fortress: 35/40. Income Reliability: 22/30. Capital Efficiency: 12/15. Valuation: 6/15. = **75**.

Composite Wealth Preservation Score:

WP Score = (80 x 0.45) + (85 x 0.30) + (75 x 0.25) = 36.0 + 25.5 + 18.75 = **80.25** ≈ **78/100**

Interpretation: Excellent wealth preservation candidate; high conviction position (threshold: 75+).

Absolute Requirements Checklist

Requirement	Threshold	ISP Result	Status
Bear case total return	≥ 0%	+3.2% CAGR	**PASS**
Base case total return	≥ 7%	11.8% CAGR	**PASS**
Solvency assessment	FORTRESS or ADEQUATE	FORTRESS	**PASS**
Dividend sustainability	ROCK SOLID or SUSTAINABLE	ROCK SOLID	**PASS**
Probability of >50% permanent loss	<10%	<5%	**PASS**

All absolute requirements: PASSED

Summary Metrics

Wealth Preservation Score	**78 / 100**
Fair Value Range	**€6.75 — €9.71**
Current Price	**€5.97**
Margin of Safety (to Base Fair Value)	**19.7%**
Expected Total Return (Base)	**11.8% CAGR**
Bear Case Return	**3.2% CAGR**
Dividend Yield + Growth	**6.0% + 5.0%**
ROE vs. Cost of Equity	**18% vs. ~9%**
Probability of Permanent Loss	**<5%**

10. MONITORING CHECKLIST & EXIT TRIGGERS

Quarterly Review Checklist

- ■ Earnings vs. expectations (track NII, commissions, insurance income separately)
- ■ Dividend maintained/increased as guided
- ■ CET1 ratio remains above 12.5%
- ■ Net NPL ratio stable below 1.5%
- ■ Cost/Income ratio below 45%
- ■ Competitive position unchanged (market share, customer asset growth)
- ■ Management guidance reaffirmed or improved
- ■ Sovereign risk monitor (Italian BTP-Bund spread)

Exit Triggers

Condition	Action
Dividend cut (non-regulatory)	Reassess immediately; likely sell
CET1 ratio falls below 11%	Sell
ROE falls below 10% for 2+ quarters	Reduce / Reassess
Net NPL ratio rises above 3%	Sell
Cost/Income ratio exceeds 55%	Reduce position
Bear case return turns significantly negative	Reduce / Sell
CEO departure without clear succession	Reassess; monitor closely
Italian sovereign crisis (BTP-Bund >300 bps)	Reduce to minimum position
Better opportunity with 10+ point higher WP Score	Replace

FINAL RECOMMENDATION

RECOMMENDATION: BUY

Position Size Recommendation	**Full position (€100 equivalent) — WP Score 78+, Expected CAGR >10%**
Entry Strategy	**Market order at current levels (€5.97); scale in additional 25% on any pullback to €5.40**

Expected Outcome (10 Years)

Total Return (Base Case)	**11.8% CAGR**
Cumulative Return	**~205%**
€100 Invested Becomes	**~€305**

vs. Alternatives

Alternative	€100 Becomes (10Y)	CAGR	Outperformance
HYSA (4%)	€148	4.0%	Baseline
European Bond Index (~3.5%)	€141	3.5%	-
Intesa Sanpaolo (Base)	€305	11.8%	+€157 vs. HYSA
Intesa Sanpaolo (Bear)	€137	3.2%	-€11 vs. HYSA (acceptable)

Downside Protection Confirmation

Bear case preserves capital?	**YES ✓ (+3.2% CAGR)**
Dividend provides income floor?	**YES ✓ (~6% yield; stress yield ~4%)**
Balance sheet provides safety?	**YES ✓ (CET1 13.9%; 400+ bps buffer)**

ANALYST NOTES & DISCLAIMERS

Key Assumptions & Sensitivities

ECB Rate Path: Base case assumes gradual normalization to 2-2.5% terminal rate. Bear case models aggressive cuts to 1.5%. NII sensitivity: each 25 bps cut impacts NII by approximately €200-300M annually, partially offset by commission and insurance growth.

Italian Sovereign Risk: Base case assumes stable BTP-Bund spread of 120-150 bps. Bear case models widening to 250 bps, impacting mark-to-market on sovereign bond holdings. Mitigation: Fitch rates ISP above Italian sovereign.

Dividend Sustainability: Base case assumes 5% dividend growth CAGR, consistent with 2026-2029 Business Plan guidance. Bear case assumes 25% dividend cut. Even in bear case, yield remains approximately 4%.

Competitive Dynamics: Assumes no material market share loss from UniCredit's consolidation activities or fintech disruption. Isybank digital strategy provides defensive optionality.

Limitations

This analysis relies on publicly available financial data and company guidance as of February 2026. Bank financial statements are inherently complex, and traditional non-financial corporate metrics (Debt/Equity, Interest Coverage) have been adapted for banking sector applicability using regulatory capital ratios. Forward-looking projections assume execution of the 2026-2029 Business Plan, which may be affected by macroeconomic conditions, regulatory changes, or unforeseen events.

Confidence Level: HIGH — Strong conviction based on fortress capital position, record profitability, proven management execution, compelling valuation with margin of safety, and exceptional total yield. The primary risk factor (Italian sovereign/macro) is well-monitored and mitigated by ISP's above-sovereign credit rating and diversified business model.

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