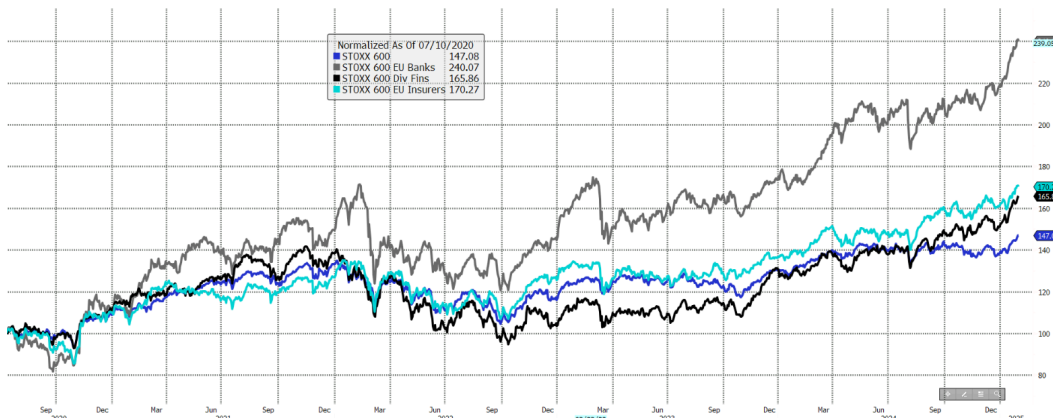


## A Big Results Week: Bank Snapshot 3/2/25



Spec sales: Jonathan Tyce

Jonathan Tyce

- **Banks are still not expensive**, which should continue to allow relatively muted reactions to uninspiring / weak results (e.g. Deutsche Bank 4Q)
- Early 4Q bank results confirm our view that **the benign outlook for the sector will continue into mid-year** with resilient NII a key feature
- We examine below appropriate positioning for key results this week including **BNP, UBS, BMPS, SocGen and Danske**
- **Cost control is becoming more important**, with absolute expense misses justified by above-consensus revenues at 4Q - this will end soon
- **Positive capital return surprises are likely now few and far between** but will be well rewarded versus the sector
- **Further SX7P outperformance may be determined by the outlook for other SXXP sectors more than by bank fundamentals**
- **The pace of rate cuts globally is complicated by US tariffs**, with currency moves and **STOXX 600 rotation now key** (see below)

### YTD European Sector Performance

Negative Total Return	Groups (20)	Return Positive Total Return
	STXE 600 (EUR) Pr	6.38%
	All Groups	
	1) STXE 600 CP&S EUR P	10.93%
	2) STXE 600 FinanServc EUR	9.67%
	3) STXE 600 Banks (EUR) Pr	9.56%
	4) STXE 600 Technology EUR	6.80%
	5) STXE 600 InduGd&Ser EUR	6.63%
	6) STXE 600 Energy EUR P	6.55%
	7) STXE 600 HealthCare EUR	6.26%
	8) STXE 600 Media (EUR) Pr	6.07%
	9) STXE 600 Insurance EUR	5.58%
	10) STXE 600 Telcomm EUR	5.16%
	11) STXE 600 Chemicals EUR	4.88%
	12) STXE 600 Auto&Parts EUR	4.54%
	13) STXE 600 Constr&Mtr EUR	4.31%
	14) STXE 600 BasicResou EUR	3.44%
	15) STXE 600 Retail (EUR) Pr	3.15%
	16) STXE 600 RealEstate EUR	3.06%
	17) STXE 600 Trav&Leisr EUR	2.82%
	18) STXE 600 Utilities EUR	2.26%
	19) STXE 600 FB&T EUR P	2.19%
	20) STXE 600 PCD&GS EUR P	1.93%

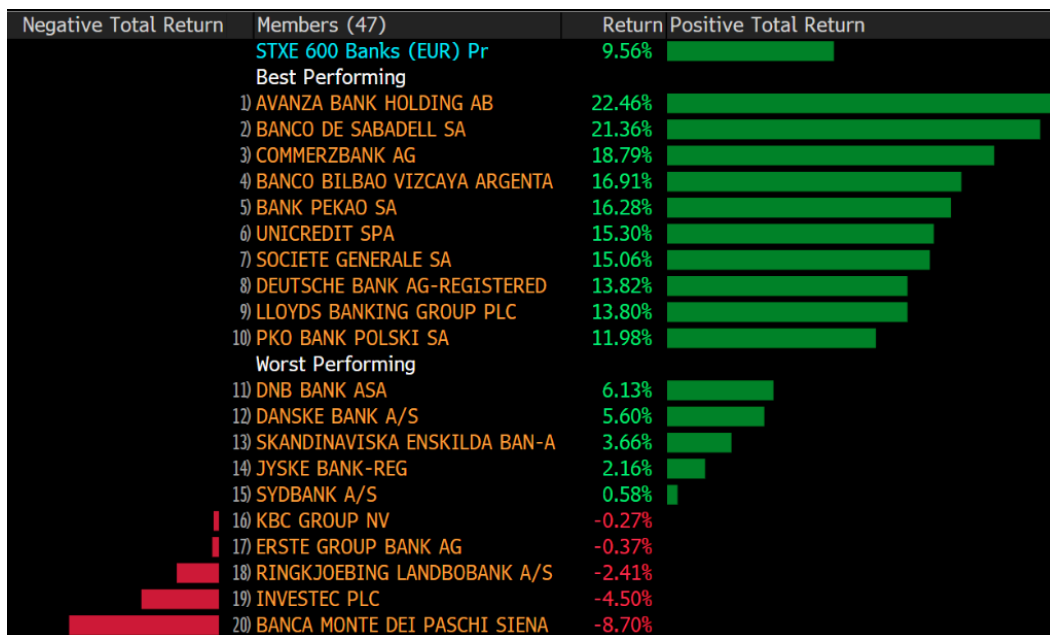
Source: Bloomberg

## 4Q Earnings Supportive

The European banking sector (SX7P) is now trading within a couple of percent of 15-year highs. This in part explains somewhat muted share price reactions to largely positive bank results to date, and is not a surprise.

We continue to expect limited negative surprises from FY24 earnings and, on current trajectory, we would expect, on average, low single digit EPS upgrades to 2025 consensus. Sell-side estimates will remain cautious on provision charges irrespective of across-the-board beats on this line item which will become more important for sector sentiment from the start of 2H25.

### Top SX7P Performers YTD



Source: Bloomberg

Year-to-date, the banks' 3% outperformance of the STOXX600 has been relatively evenly spread across countries. **KBC** (suffered from rotation into ING and ABN), **Monte Paschi** (bizarre unsolicited bid for Mediobanca) and **Danske** (Nordic revenue pressure fears offsets capital return prospects) are three notable underperformers where the desk has recently initiated positions across alpha capture exposure.

## 4Q Results so far...

- **Swedbank +4% on the day** - NII and Fees both better, lower provisions vs. consensus, cost miss justified by higher revenues, CET1 small miss but DPS better.
- **Bankinter -1% on the day** - Very mixed and low quality but unique business mix so limited readacross.
- **SEB -4% on the day** - Mixed with better NII and lower provisions the positives and small disappointment on special divi CET1 on higher RWAs. **Likely a good source of funds going forward.**
- **CaixaBank -1% on the day** - Solid but uninspiring with small NII beat, lower provisions and better cost-income ratio offset by small miss on DPS and new buyback only in line with consensus
- **Deutsche -2% on the day** - FICC and IB revenues a good beat, costs miss and small miss on provisions (less bad than last 2 quarters). **Intraday recovery from -5% confirms sanguine market view of European banks given lowly valuations. Also consensus is, rightly we believe, 3% below company 2025 revenue target of ~€32 billion**
- **Nordea +1% on the day** - No slip-ups, largely in line with very small DPS miss, lower provisions and CET1 beat
- **BBVA +1% on the day** - solid delivery at the PPOP level with better revenues and worse costs (typical EM-exposed bank story). CET1 capital return positives. **Tariffs / Sabadell deal yet to close, likely an interesting story for later in 2025**

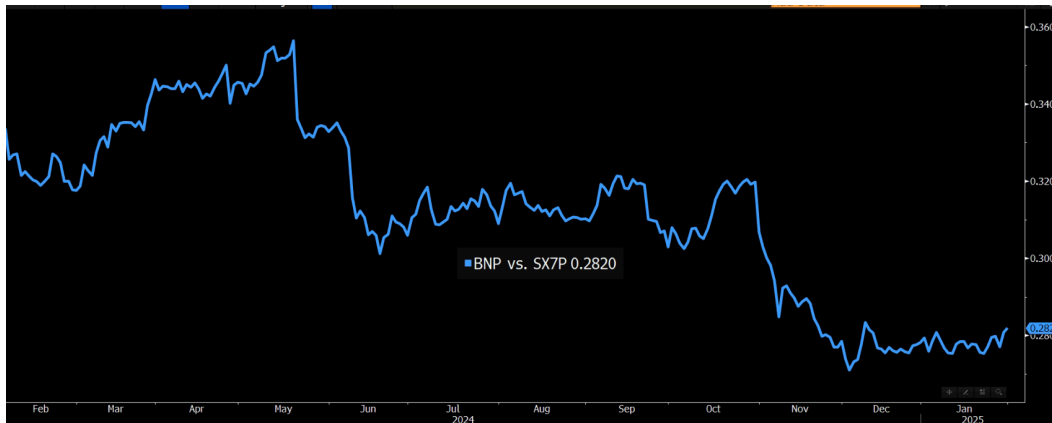
## The Week Ahead - Names to Watch

Exp Rep Dt	Name	%1M	52wk High Chg Pct	RSI 14D
	STXE 600 Banks (EUR) Pr	+9.93%	-.7%	78.410
02/04	BNP PARIBAS	+10.92%	-10.1%	77.221
02/04	INTESA SANPAOLO	+8.91%	-1.8%	63.841
02/04	RAIFFEISEN BANK INTERNATIONA	+14.91%	-1.1%	69.959
02/05	CREDIT AGRICOLE SA	+9.03%	-8.7%	77.610
02/05	BANCA MONTE DEI PASCHI SIENA	-7.39%	-13.6%	34.141
02/05	DNB BANK ASA	+4.92%	-2.1%	60.826
02/05	FINCOBANK SPA	+8.85%	-.6%	70.600
02/05	RINGKJOEBING LANDBOBANK A/S	-3.53%	-7.3%	45.120
02/05	BANCO SANTANDER SA	+12.74%	-1.5%	65.910
02/05	SVENSKA HANDELSBANKEN-A SHS	+5.77%	-1.7%	62.520
02/05	SANTANDER BANK POLSKA SA	+10.00%	-14.1%	68.643
02/06	BPER BANCA SPA	+10.71%	-2.3%	60.643
02/06	BANCA POPOLARE DI SONDRIO	+11.27%	-1.9%	72.716
02/06	SOCIETE GENERALE SA	+15.40%	-.5%	82.245
02/06	ING GROEP NV	+6.93%	-5.8%	64.674
02/07	DANSKE BANK A/S	+5.54%	-2.3%	58.771
02/07	BANCO DE SABADELL SA	+22.44%	-3.1%	78.635

Source: Bloomberg

With a number of large-cap banks reporting next week, consistent revenue beats and solid capital/capital return stories are likely and should provide several positive surprises for names that have lagged. BNP (where the desk has an AC position) and UBS are two major names that kick off a big week.

### BNP vs. SX7P - Reports 4th Feb



Source: Bloomberg

Trading near multi-year relative valuation lows with strategic optionality in Italy, the acquisition of AXA IM ongoing and low investor expectations, 4Q24 earnings may offer the chance to end the underwhelming period of disappointment with little currently baked into the price. S&T, French and Italian revenue outlook and capital allocation plans are key

**FICC** - Consensus implies 13% FICC growth which must, and should be exceeded. **Equities** - Consensus implies 16% Equities growth which is likely to be beaten

**Costs and comp** - €4.3 billion of compensation may be missed with a significant beat on FICC but any unfunded (eg excess revenues) expense miss will be punished despite recent underperformance)

### CPB&S - 4Q24 Consensus Expectations

Commercial, Personal Banki...	6,396.75	8	6,336.56		6,535.28
France	1,563.64	8	1,540.70		1,596.83
Belgium	872.69	7	839.18		898.48
Luxembourg	150.40	8	146.91		153.74
BNL Banca Commerciale	688.60	8	660.38		742.00
Europe Mediterranean	755.36	8	652.16		807.04
Specialised Business	2,383.21	7	2,316.41		2,548.78
Personal Finance	1,260.38	8	1,220.68		1,297.68
Arval & Leasing Solutions	845.60 ↓	8	794.53		988.75
New Digital Businesses &...	266.17	8	250.89		278.21
Investment & Protection Ser...	1,469.85	8	1,363.23		1,524.35

Source: Bloomberg MODL

## UBS vs. SX7P - Reports 4th Feb



Source: Bloomberg

UBS's resilient share performance in the face of fears about a material increase in the Swiss *Too Big To Fail* capital requirements led the desk to take profits in January after a strong run, and hold no AC position at time of publication. Unknowns about capital return capacity vs. an additional \$10 billion capital requirement (worst case) will continue to overshadow the story.

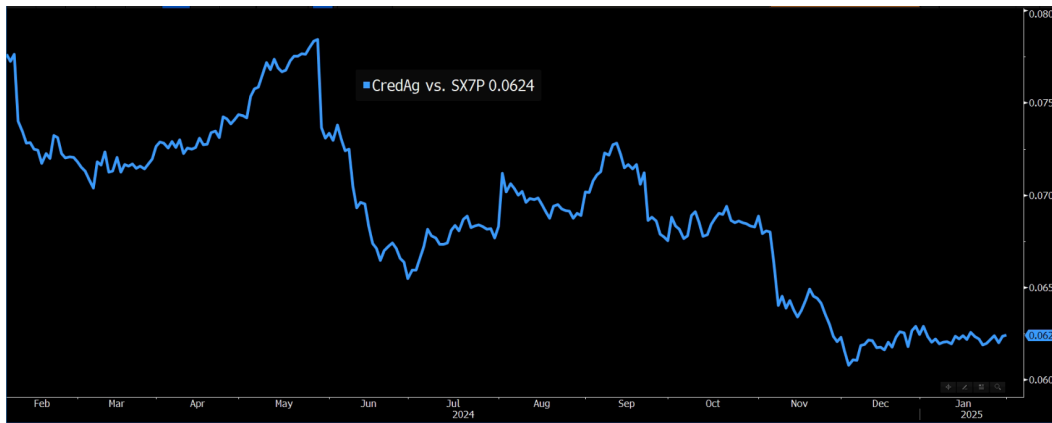
Billions of USD Months Ending	2024 Y Est 12/31/2024	2025 Y Est 12/31/2025
<b>Segment Revenue</b>		
▼ Global Wealth Management	24,399.47 8	24,948.58 8
Gross Margin (bps)	57.01 1	56.47 1
▼ Investment Bank	10,610.43 9	10,496.39 9
▼ Global Banking		
Advisory		
Capital Markets		
▼ Global Markets	7,244.49 6	7,428.15 6
Equities Sales & Trading	5,331.91 6	5,458.72 6
Foreign Exchange, Rates &...	1,891.03 6	1,952.40 6
Asset Management	3,195.53 9	3,185.91 9
Personal & Corporate Banking	9,284.05 8	8,737.57 8

Source: Bloomberg

Further, trading on 15x 2025 EPS and 1.2x tangible book for a 7-8% ROTE, UBS is comfortably at the expensive end of the sector range. Consensus forecasts for a 4Q equity trading increase of 19% look achievable, with a CET1 of 14.4% potentially light should TBTF requirements rise.

An update on synergies from Credit Suisse, with \$7.5 billion of cost savings delivered so far versus \$13 billion targeted by end-2026, will also likely focus on Swiss IT migration. In short, numbers will have to be very positive for further outperformance of the sector, the desk believes.

### CredAg vs. SX7P - Reports 5th Feb



Source: Bloomberg

Credit Agricole has performed in line with the sector YTD, having trailed by nearly 20% in 2H24. Inexpensive versus the sector, but less cheap than either Societe Generale or BNP, and with a lower CET1 ratio and capital return profile thanks to its ownership structure, we prefer BNP as the mean-reversion underperformer play, and SocGen as a medium-term M&A target and restructuring play.

Amundi (majority owned by CredAg) reports on 4th Feb and clarity on the febrile M&A scene in Italy and distribution agreements is key for improving sentiment on CredAg's Italian strategy. Much is now in the price for CredAg but absent positive catalysts we find better value elsewhere.

### Amundi Share Price vs. Consensus 2025 AuM



Source: Bloomberg



### Monte Paschi vs. SX7P - Reports 5th Feb

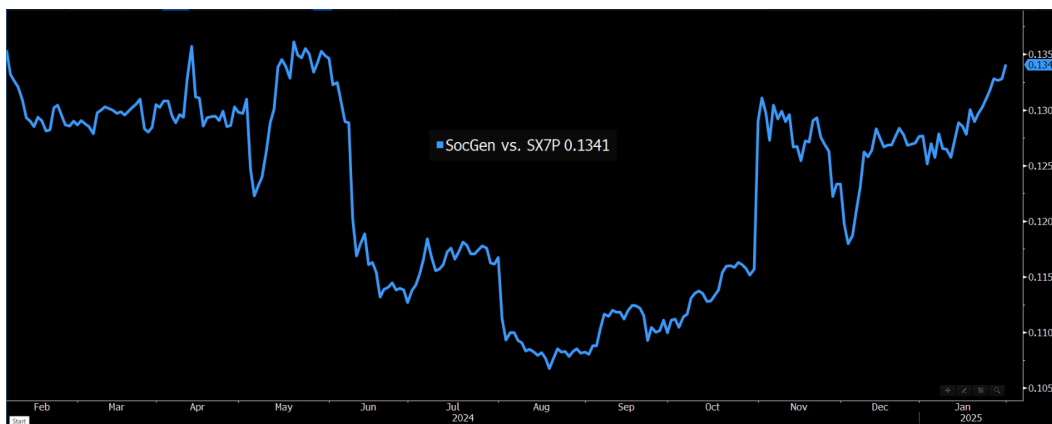


Source: Bloomberg

Monte Paschi’s long and volatile history entered a new phase of the story with its left-field and unsuccessful bid for Mediobanca in late January. A 13% underperformance versus the sector since has, ahead of 4Q earnings, provided an interesting opportunity to re-enter a name almost certain to be fulcral to the further consolidation of Italian banking.

Monte Paschi’s 18%-plus CET1 ratio, 90% payout ratio and 13% dividend yield gives us comfort that left-field bids notwithstanding (and utilisation of €2.9 billion of deferred tax assets), Monte Paschi as an investment case is sound and will ultimately emerge not as a predator, but rather as prey.

### SocGen vs. SX7P - Reports 6th Feb

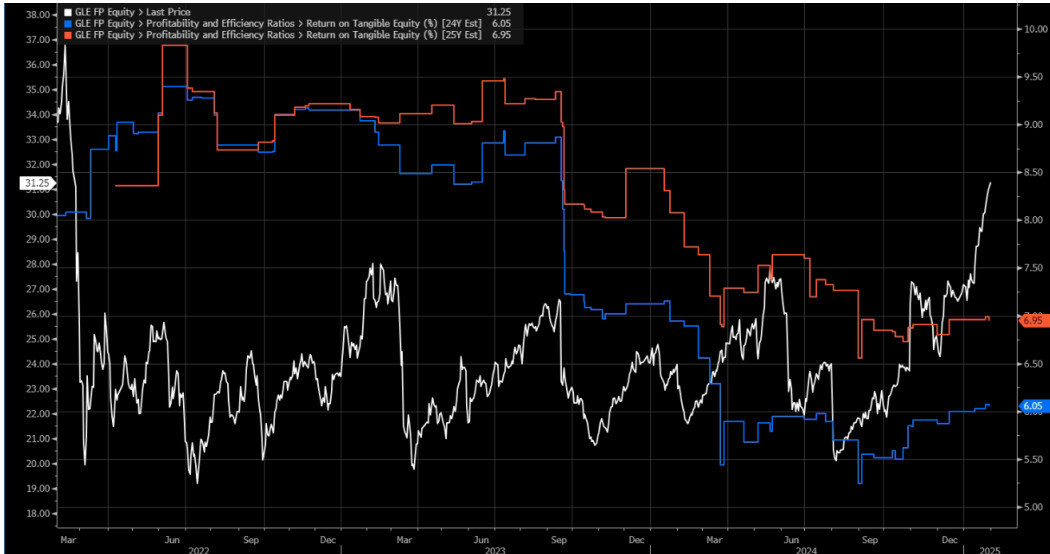


Source: Bloomberg

Societe Generale’s 52% 6-month total return is exactly double the sector, and reflects high expectations from recent management change. It also discounts a reversal of fears that the lender would be subject to a material RWA add-on (similar to KBC’s 3Q23 hit) and consensus now points to a

year-end CET1 ratio of about 13.2%. Capital, equities sales & trading and french retail will be critical areas of focus at the full year results.

### Consensus 2024, 2025 ROTE vs. Share Price

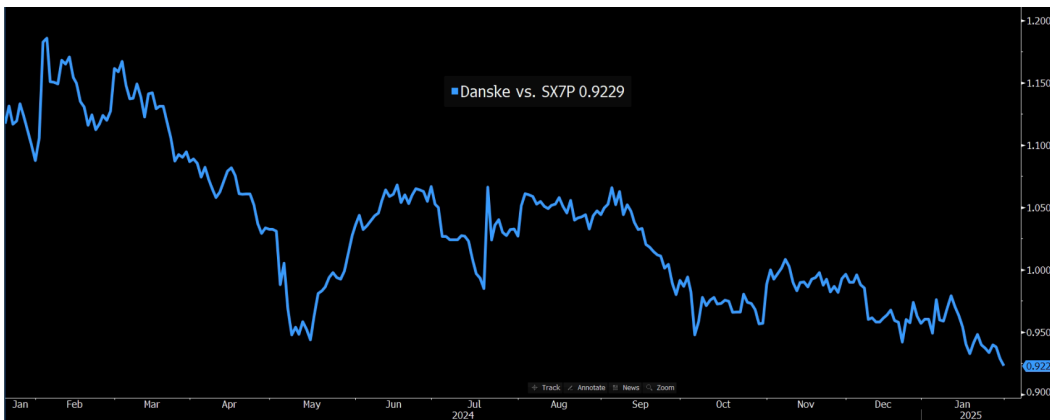


Source: Bloomberg

Trading at less than 0.5x TNAV for an ROTE just shy of 7%, capital return and a credible path to raising ROTE to above 8% by end-2026 are key to support the next leg of the share price recovery.

On a medium term view, SocGen remains one of the most compelling European bank investment stories but near term, given recent strength, we prefer to see delivery before advocating it as a top holding relative to peers.

### Danske vs. SX7P - Reports 7th Feb



Source: Bloomberg



Danske Bank reports on Feb 7, and much depends on its capital return commentary with consensus currently calling for -1% revenue contraction through 2026 on 2.5% annual RWA growth. We would expect consensus to be met or beaten on all lines but CET1 levels and credit outlook will determine DPS and buyback scope.

Expectations for the lender to return 25% of its market cap in 2025/2026 via dividends (11% divi yield) and buybacks are key to performance. Danske is the cheapest of the large cap Nordics on PE and implied cost of equity and would be our preferred play there. Similar to 3Q earnings, where the earnings surprise of 8% drove a 3% bounce on the day, we believe that expectations for Danske’s capital return capacity are now underappreciated leaving room for a positive reaction to solid delivery.

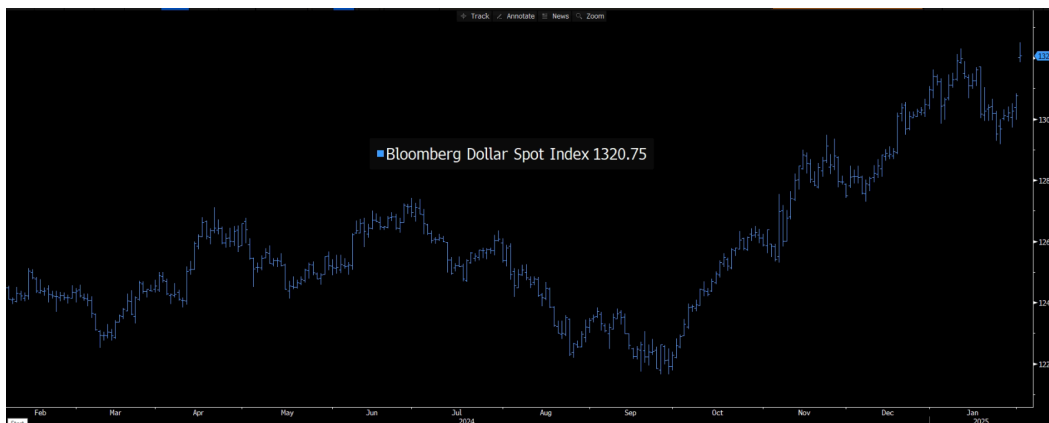
Trading at 8x 2025 PE, and 1x TNAV for a 12% ROTE and dividend yield of 8.5%, the risk-reward balance appears favourably balanced versus many other European banks.

## Trump, Tariffs, Inflation and Rates

Donald Trump’s imposition of tariffs on Mexico, Canada and China - effective 4th Feb - and promise that tariffs on the EU will “definitely happen” has roiled currency markets and pushed oil a little higher (albeit from the lower end of its recent trading range).

The more important consequence from the banks’ perspective is how this may impact the trajectory of interest rate cuts, credit quality as well as exports and trade.

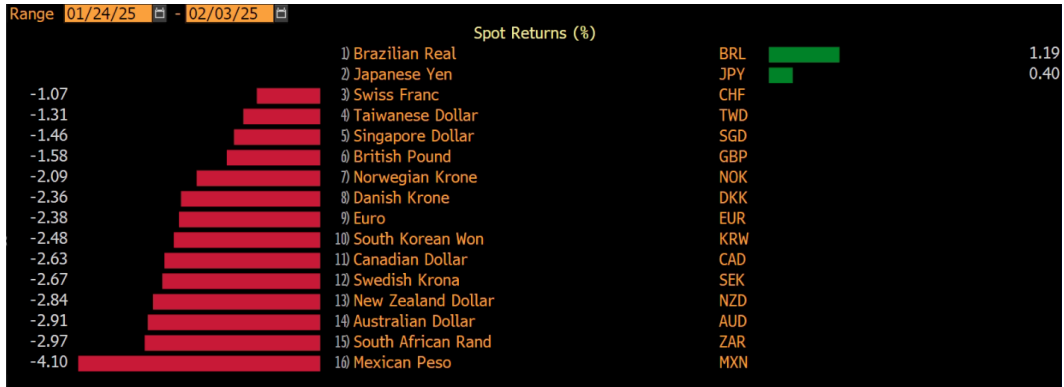
## Dollar Spot Index hits 2-year Highs



Source: Bloomberg

To that end, Germany (autos and industrials), Italy and France (luxury, agricultural) and Ireland (resident US multi-nationals) are considered most in the firing line.

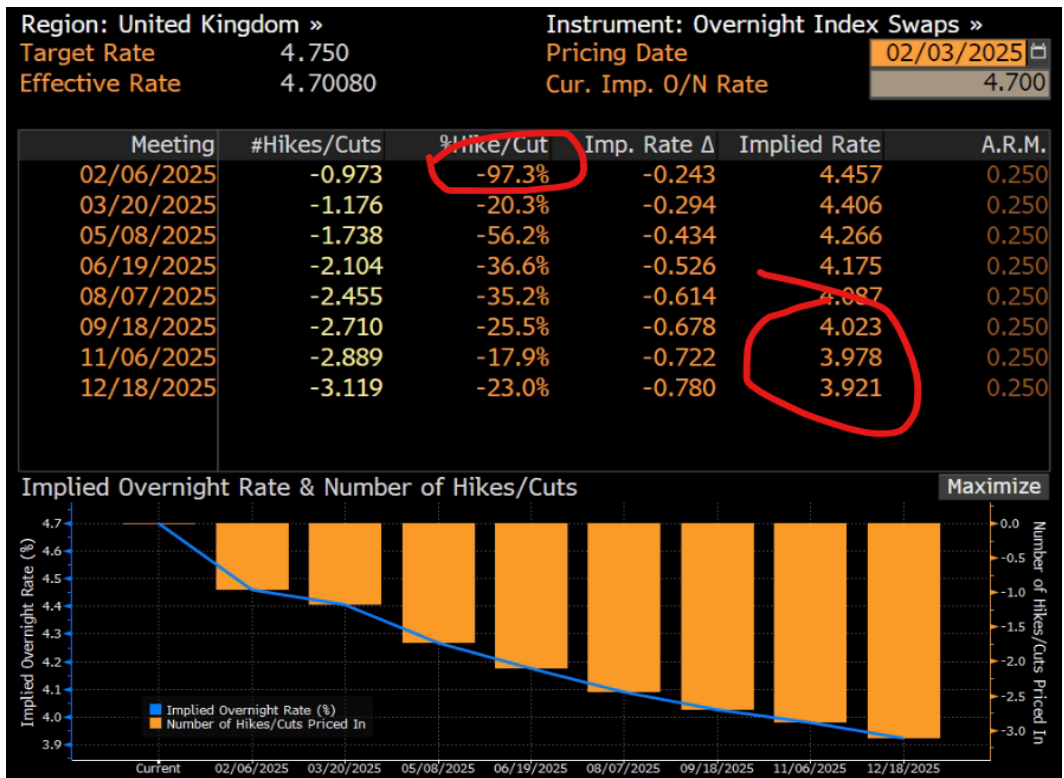
### Mexican Peso - think BBVA - Hit Hardest



Source: Bloomberg

The BOE looks set to cut a quarter point on Feb 6th with markets now pricing in one more cut by mid-year. Prior to the tariff announcements, the desk would have assumed that this would prove a little doveish.

### BoE Rate Path

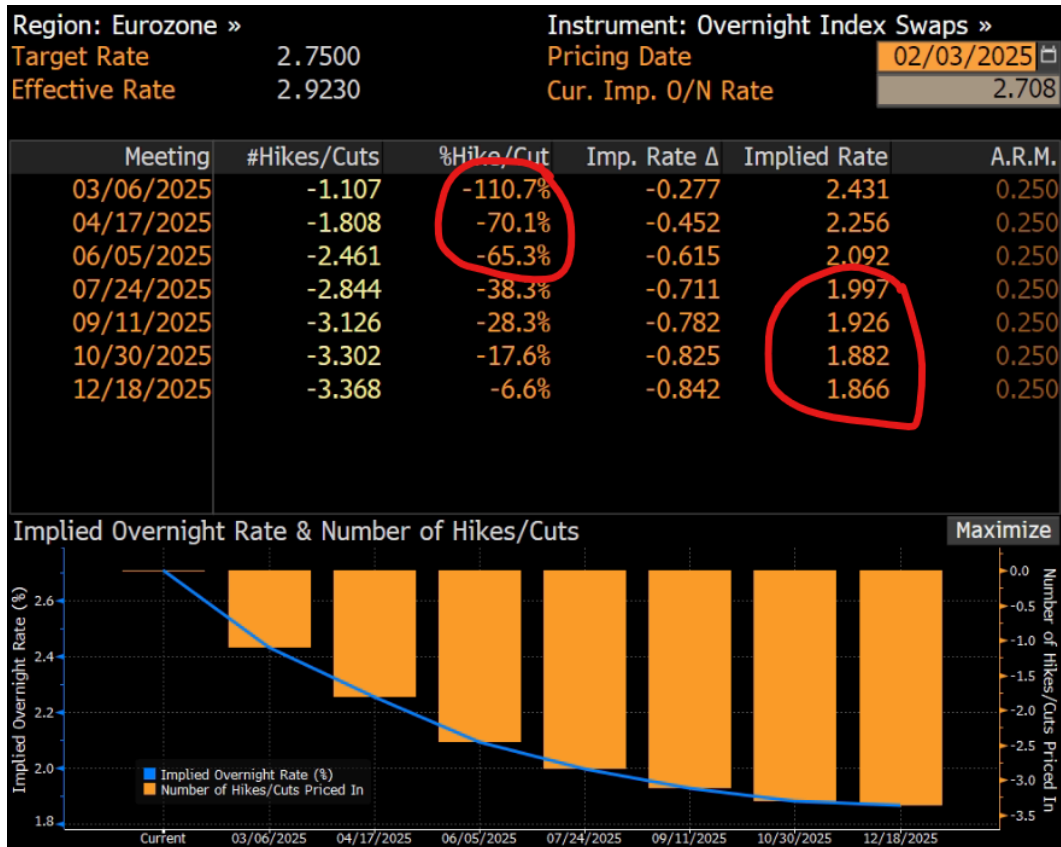


Source: Bloomberg

Markets will no doubt adopt something of a risk-off approach while assessing the threat and follow through from the Trump administration and 2-year yields will continue to tick higher..

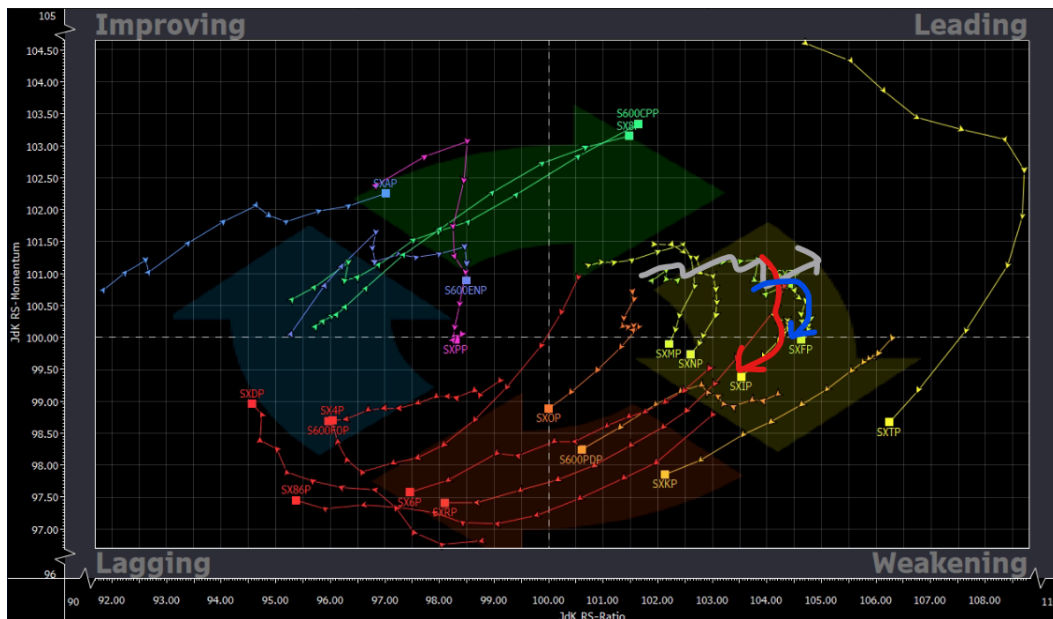
For the ECB, a further cut at the next meeting still seems most likely albeit cuts beyond this - both pace and timing - will now be dictated by tariff discussions.

### ECB Rate Path



Source: Bloomberg

## Sector Rotation - Finely Balanced



Source: Bloomberg

From a sector rotation perspective, the SX7P (grey line) still looks favourably positioned relative to the wider markets, with higher for longer rates now potentially offset by growing credit risk and slowing growth from a trade war.

## Tech YTD Gains vs. Deep Seek, Trade Wars

Negative Price Return	Members (31)	Return	Positive Price Return
	<b>STXE 600 Technology EUR</b>	<b>6.73%</b>	
	<b>Best Performing</b>		
	1) NEMETSCHEK SE	23.82%	
	2) HEXAGON AB-B SHS	22.73%	
	3) LOGITECH INTERNATIONAL-REG	21.91%	
	4) TEMENOS AG - REG	21.61%	
	5) LAGERCRANTZ GROUP AB-B SHS	13.68%	
	6) SAP SE	13.63%	
	7) ALTEN SA	12.90%	
	8) DASSAULT SYSTEMES SE	12.84%	
	9) MYCRONIC AB	12.77%	
	10) CAPGEMINI SE	11.26%	
	<b>Worst Performing</b>		
	11) REPLY SPA	4.04%	
	12) INFINEON TECHNOLOGIES AG	2.09%	
	13) ASM INTERNATIONAL NV	1.47%	

Source: Bloomberg

From a sector perspective, the Tech space (SX8P) and Consumer Products and Services (S600CPP) had both been trending most positively (see below).

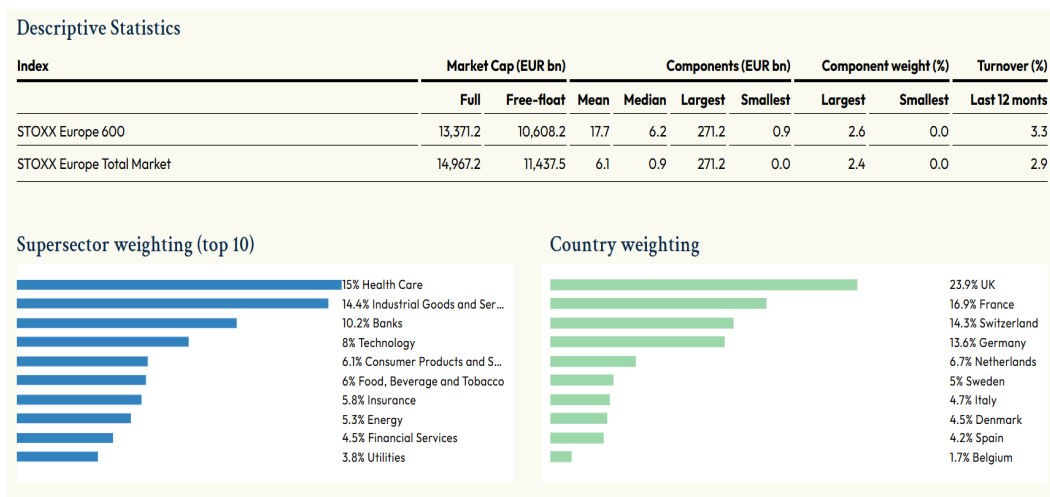
## Consumer Products YTD Strength Driven by Luxury



Source: Bloomberg

Banks command about 10% weighting currently in the SXXP with healthcare and industrials representing about 30%, both of which appear to be in the US administration's crosshairs. Further, should tariffs on China prove the start of an escalating trade war, luxury goods sales will suffer and a key headwind to further outperformance by the banks removed.

## STOXX 600 Latest Factsheet



Source: www.STOXX.com

## Top SXXP Constituents - 3-mth Perf, Mkt Cap (US\$)

Name	%3M	Curr Adj Mkt Cap*	BICS L1 Sect Nm
STXE 600 (EUR) Pr	+5.60%		
NOVO NORDISK A/S-B	-21.02%	363,392	Health Care
LVMH MOET HENNESSY LOUIS VUI	+15.14%	351,850	Consumer Discretionary
SAP SE	+23.88%	329,853	Technology
HERMES INTERNATIONAL	+30.90%	287,571	Consumer Discretionary
ASML HOLDING NV	+15.24%	284,621	Technology
ROCHE HOLDING AG-GENUSSCHEIN	+4.72%	248,621	Health Care
NOVARTIS AG-REG	+0.09%	223,057	Health Care
NESTLE SA-REG	-6.33%	216,326	Consumer Staples
ASTRAZENECA PLC	+2.92%	210,970	Health Care
SHELL PLC	+3.26%	195,586	Energy
L'OREAL	+3.46%	191,551	Consumer Staples
HSBC HOLDINGS PLC	+19.18%	181,111	Financials
SIEMENS AG-REG	+14.28%	165,960	Industrials
INDUSTRIA DE DISENO TEXTIL	+0.08%	164,310	Consumer Discretionary
DEUTSCHE TELEKOM AG-REG	+15.45%	161,312	Communications
SCHNEIDER ELECTRIC SE	+2.27%	141,231	Industrials
UNILEVER PLC	-2.55%	137,527	Consumer Staples

Source: Bloomberg

## STOXX 600 - Latest Weightings

Company	Country	Weight (%)
Novo Nordisk A/S	Denmark	3.76
LVMH	France	3.65
SAP SE	Germany	3.25
Hermès International	France	2.97
ASML Holding N.V.	Netherlands	2.96
Roche Holding AG	Switzerland	2.52
Nestlé S.A.	Switzerland	2.19
AstraZeneca PLC	United Kingdom	2.19
Novartis AG	Switzerland	2.08
Shell PLC	United Kingdom	2.04

Source: www.STOXX.com

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