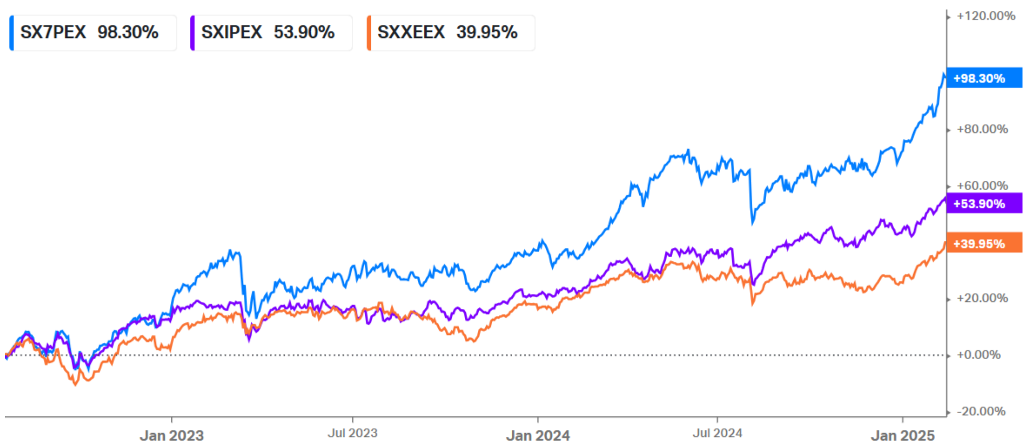
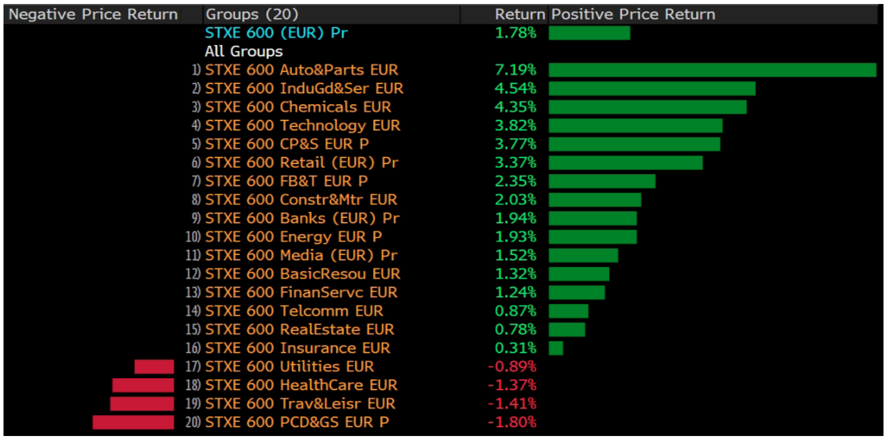
Banks vs. Markets: **Bank Snapshot 17/2/25**



Spec sales: Jonathan Tyce Jonathan Tyce

- Solid 4Q earnings confirm our view that the ***sector is in good health*** but ***EPS momentum no longer warrants material further outperformance***
- ***The sector is no longer cheap*** (8x 2025 PE, Implied COE of 12-13%, though 6.3% dividend yield is supportive) and ***pair trades*** and ***intra-sector stock rotation*** now look most appealing as upside is limited
- Average 4Q mid-single digit pre-provision profit beats should drive mean-consensus ***2025 EPS and revenues c. 5% higher***. Revenue beats (broad-based) drove cost misses, though cost-income ratios beat. ***CET1 misses*** were largely due to ***stronger capital return***
- Since 4Q reporting began, banks have outperformed the market by 4%, with a ***36% spread*** between top- and bottom- performing banks
- The pick of 4Q results positives include **SocGen** (+10% vs sector on day); **Danske** (8%), **Santander** (8%) and **BBVA** (3%) with UBS (-7%), SEB (-5%), ING (-4%) and Bankinter (-3%) bringing up the rear.

1-Week European Sector Ranking



Source: Bloomberg

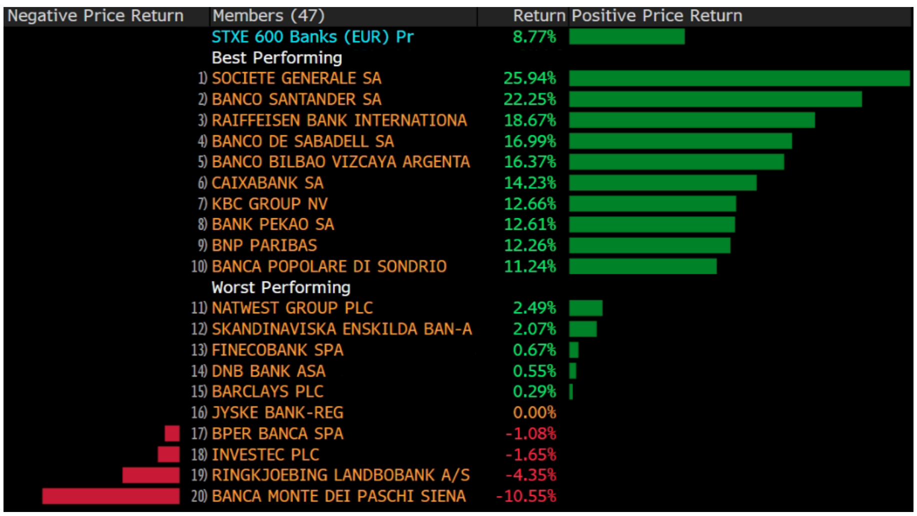
TriggerPoint Research Limited is an appointed representative of Messels Limited which is authorised and regulated by the Financial Conduct Authority.

What's Your Time Frame?

A favourite counter-question to parry **"what's your best idea?"** is **"what's your timeframe?"** For the longer term investor, the catalysts and self-help stories available render bank stock selection relatively straightforward versus those with a shorter time horizon where many of the easy wins have played out, for now.

As widely expected, the European banks have so far, by and large, delivered solid 4Q results with improving capital return promises and upbeat 2025 revenue outlooks. The sector's near-10% bounce and 5% outperformance of the wider market brings many names to, or near to fair value, we believe.

SX7P Performers Since 23/1/25 (Swedbank 4Q)



Negative Price Return	Members (47)	Return	Positive Price Return
	STXE 600 Banks (EUR) Pr	8.77%	
	Best Performing		
	1) SOCIETE GENERALE SA	25.94%	
	2) BANCO SANTANDER SA	22.25%	
	3) RAIFFEISEN BANK INTERNATIONA	18.67%	
	4) BANCO DE SABADELL SA	16.99%	
	5) BANCO BILBAO VIZCAYA ARGENTA	16.37%	
	6) CAIXABANK SA	14.23%	
	7) KBC GROUP NV	12.66%	
	8) BANK PEKAO SA	12.61%	
	9) BNP PARIBAS	12.26%	
	10) BANCA POPOLARE DI SONDRIO	11.24%	
	Worst Performing		
	11) NATWEST GROUP PLC	2.49%	
	12) SKANDINAVISKA ENSKILDA BAN-A	2.07%	
	13) FINECOBANK SPA	0.67%	
	14) DNB BANK ASA	0.55%	
	15) BARCLAYS PLC	0.29%	
	16) JYSKE BANK-REG	0.00%	
	17) BPER BANCA SPA	-1.08%	
	18) INVESTEC PLC	-1.65%	
	19) RINGKJOEBING LANDBOBANK A/S	-4.35%	
	20) BANCA MONTE DEI PASCHI SIENA	-10.55%	

Source: Bloomberg

More than twenty members of the 47-strong STOXX600 European banks index closed the week within 1% of 52-week highs. The greatest risk to further sector outperformance is rotation into other sectors, which we will explore in future *snapshots*. Only 3 of the banks in the index currently have a 14-day RSI of below 50.

Whether a pause for breath is appropriate, absent further material upgrade scope, before the credit cycle turns is debatable. Catalysts are now King for the sector, with new cost initiatives and efficiency drives, restructuring, enhanced capital return and M&A top of the pile.

Next week's snapshot will identify preferred ideas to run into the 1Q earnings and across forthcoming Capital Markets Days.

TriggerPoint Research Limited is an appointed representative of Messels Limited which is authorised and regulated by the Financial Conduct Authority.

4Q Winners & Losers - What We Were Looking For

In our Jan. 20th *snapshot* and Feb. 3rd 'All About the Relative' *snapshot*, we highlighted the key features we expected to see through earnings and all have, by and large, been delivered with increased payouts, new buybacks and revenue beats all widely delivered.

Key Areas / Names to Watch

- **Resilience of Nordic Banks' NII** - expect positive surprises
- **Barclays vs. Deutsche** - US credit card vs. German ECLs
- **Guidance from NII Sensitive Names** - most critical for OSB, AIB, Bofl, Handelsbanken, CaixaBank
- **Deposit Beta** and **Sensitivity Updates** - likely positive newsflow
- **Capital Return** - increased payouts and new buybacks likely
- **ECLs & Management Overlays** - plans for buffers important
- **Cost & Restructuring Capacity** - increased focus on cost-income and non-interest income as NII nears peak

Recent Laggards that May Surprise

KBC vs. SX7P

Source: Bloomberg

KBC, which reports Feb 13, has trailed both ING and ABN by nearly 10% since early January on its greater equity market exposure and premium valuation. This fails to reflect a CET1 (FL) of at least 15% and a far more resilient income mix to falling rates, leaving room for positive surprises we believe. As ever with KBC, however, an overly cautious management tone remains a key risk.

Source: TriggerPoint, 20th Jan 2025

In our Feb. 3rd 'All About the Relative *snapshot*', we also highlighted a few more names where we were long on alpha capture platforms (BNP, Danske, SocGen, CaixaBank) through numbers or where we had closed positions (UBS) on concerns that too much was now in the price.

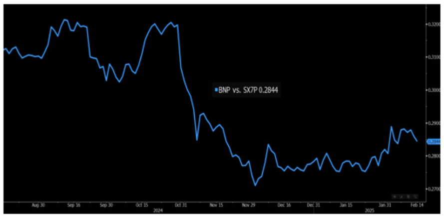
'Banks / Sector' vs. 'Banks / Market'

What is most interesting visually is to understand the stark difference between single stock performance intra-sector, and single stock performance versus the market. This is illustrated across 5 stock relatives below.

BNP's near-10% pre-provision beat and guidance for 2025 RoTE of 11.5% (at the bottom of the prior range but not cut) drove a 4% bounce on the day. Despite this, the stock trades within 5% of 5-year lows (see below) versus the SX7P and could not be labelled expensive, but it also trades within 10% of 5-year highs versus the wider market.

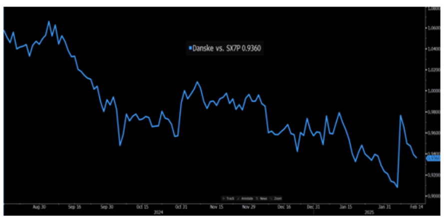
Barclays, **Deutsche Bank** and **Societe Generale** are all cheaper on a 2025 PE and implied cost of equity basis, and for choice, SocGen offers more optionality and M&A appeal which likely explains the limited outperformance since delivering a good set of numbers.

BNP vs. SX7P

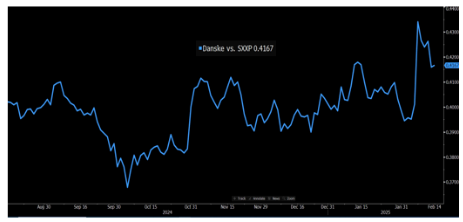


BNP vs. SXXP

Danske vs. SX7P



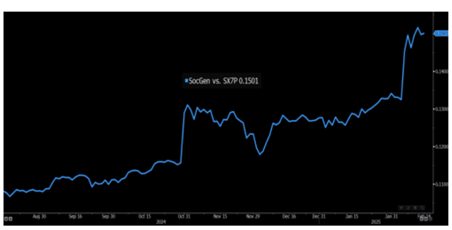
Danske vs. SXXP



Source: Bloomberg

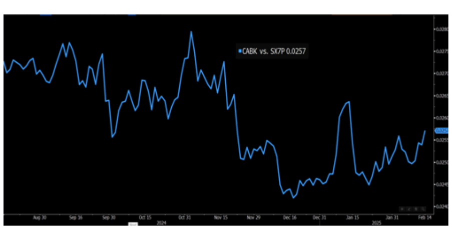
Danske Bank is another interesting case in point. Despite a 15% pre-tax beat at 4Q, with revenues nearly 10% ahead and capital return comfortably ahead of consensus, the stock has already given back about half of its 8% outperformance versus the sector on the day (see above).

SocGen vs. SX7P

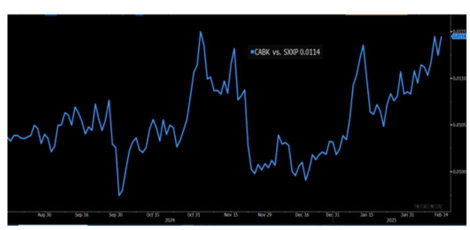


SocGen vs. SXXP

CaixaBank vs. SX7P



CaixaBank vs. SXXP



Source: Bloomberg

The charts for Societe Generale are perhaps the most extreme looking in the near-term but, despite this, SocGen remains one of the 3 most inexpensive banks in our universe of European banks (along with Raiffeisen and Deutsche Bank).

CaixaBank's positive reaction to strong 4Q has left the stock looking a little inexpensive versus the sector but - as a pivotal name in the upgrade cycle as rates rose - less appealing as a holding versus the wider market.

No Sellers of SocGen - and PTs will be Ramped up

Source: Koyfin

SocGen is one of the names that deserves a place in generalist and financials portfolios and we would expect - after a pause for breath - its outperformance to continue and likely some of the highest price target upgrades when sell-side figures are updated post numbers.

Price Targets About to Be Rolled Forward

Absent Greek banks and Monte Paschi (Mediobanca bid) and BPE (raising BPSO offer), the sector is trading on average less than 5% from average price targets. This looks fair, and with Nordics and special sit Raiffeisen trading above PTs, the sector valuation, relative share prices action and outlook feels *up with events.*

TriggerPoint Research Limited is an appointed representative of Messels Limited which is authorised and regulated by the Financial Conduct Authority.

Share Price Upside to Average PTs

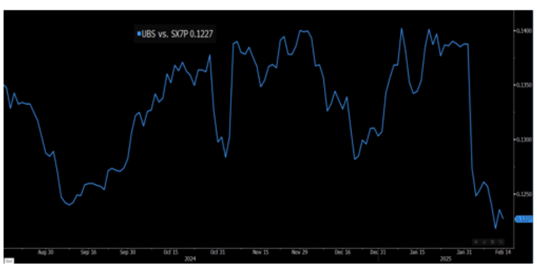
Ticker	Name	Target % (Avg)	Market Cap
Unclassified			
• OSB	OSB Group Plc	31.38%	$ 2.00B
• ALPHA	Alpha Services and Holdings S.A.	30.33%	$ 4.54B
• INVP	Investec Group	27.70%	$ 6.02B
• TPEIR	Piraeus Financial Holdings S.A.	21.99%	$ 6.11B
• BMPS	Banca Monte dei Paschi di Sien…	20.77%	$ 8.14B
• EUROB	Eurobank Ergasias Services an…	19.38%	$ 9.42B
• ETE	National Bank of Greece S.A.	18.01%	$ 8.05B
• BNP	BNP Paribas SA	17.07%	$ 82.91B
• BIRG	Bank of Ireland Group plc	13.61%	$ 10.36B
• BPE	BPER Banca SpA	13.39%	$ 9.52B
• NDAFI	Nordea Bank Abp	12.82%	$ 43.29B
• INGA	ING Groep N.V.	11.96%	$ 52.99B

Source: Koyfin

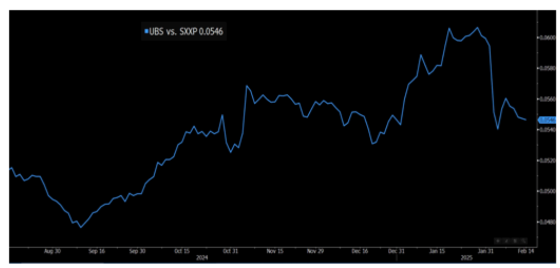
UBS a Case in Point

UBS is an interesting case in point for a number of reasons, not least the - in our view correct - strong reaction to 4Q earnings. Even though it is not a constituent of the SX7P, we consider this the appropriate benchmark and, trading on about 10x 2026 EPS, is back at interesting levels.

UBS vs. SX7P



UBS vs. SXXP



Source: Bloomberg

However when considered through the lens of the wider market - and bear in mind that most Swiss financials have blown through price targets on a perceived safe haven status - UBS would not be an obvious choice.

For those wishing to gain exposure to Private banking or asset management trends, self-help at Julius Baer or consolidation in the asset management names across Europe are a more direct play. Schroders with its upcoming capital markets day, for instance. And for those looking to investment banking trends, Barclays or Deutsche Bank are likely more compelling.

So versus the SX7P, UBS looks unlikely to lose much further ground but, as a financial holding in a generalist portfolio - and UBS is predator, not prey - it is unclear why this would make the grade other than the fact it is a bit cheap, versus history.

A Rising (Rate) Tide Has Floated All Boats

In short, after several years of rising rates reversing the massive underperformance of the banking sector, it is time to be more selective and - we would advocate - lower overall exposure to banks in a portfolio but increase the focus and concentration on the very best ideas.

The next couple of notes will be focused on catalysts and longer term thematics. Heading into 1Q numbers, TriggerPoint's financial team will publish ***Five Ideas**,* which similar to the stock relative commentary above will highlight our highest conviction ideas to trade through earnings. These will also be ideas reflected in TriggerPoint's positioning on Alpha Capture systems.

Structurally geared to a time frame of 2-8 weeks, Alpha capture ideas will not necessarily tally with the best names to hold over a 12-36 month period. These will also be explored in coming weeks as new information from earnings and 2025 outlooks is assimilated into estimates and Donald Trump's trade tariffs dominate economic trends.

Disclaimer:

Important Disclosure Statement from TriggerPoint Research Ltd.

This document is issued by TriggerPoint Research Ltd. Limited solely for its clients. It is for professional clients only. It may not be reproduced, redistributed or passed to any other person in whole or in part for any purpose without written consent of TriggerPoint Research Ltd.. This material is not directed at you if TriggerPoint Research Ltd. is prohibited or restricted by any legislation or regulation in any jurisdiction from making it available to you.

This document is provided for information purposes only and should not be regarded as an offer, solicitation, invitation, inducement or recommendation relating to the subscription, purchase or sale of any security or other financial instrument. This document does not constitute, and should not be interpreted as, investment advice. It is accordingly recommended that you should seek independent advice from a suitably qualified professional advisor before taking any decisions in relation to the investments detailed herein. All expressions of opinions and estimates constitute a judgement and, unless otherwise stated, are those of the author and the research department of riggerPoint Research Ltd. only, and are subject to change without notice. TriggerPoint Research Ltd. is under no obligation to update the information contained herein. Whilst TriggerPoint Research Ltd. has taken all reasonable care to ensure that the information contained in this document is not untrue or misleading at the time of publication, TriggerPoint Research Ltd. cannot guarantee its accuracy or completeness, and you should not act on it without first independently verifying its contents. This document is not guaranteed to be a complete statement or summary of any securities, markets, reports or developments referred to herein. No representation or warranty either expressed or implied is made, nor responsibility of any kind is accepted, by TriggerPoint Research Ltd. or any of its respective directors, officers, employees or analysts either as to the accuracy or completeness of any information contained in this document nor should it be relied on as such. No liability whatsoever is accepted by TriggerPoint Research Ltd. or any of its respective directors, officers, employees or analysts for any loss, whether direct or consequential, arising whether directly or indirectly as a result of the recipient acting on the content of this document, including, without limitation, lost profits arising from the use of this document or any of its contents.

This document is provided with the understanding that TriggerPoint Research Ltd. is not acting in a fiduciary capacity and it is not a personal recommendation to you. Investing in securities entails risks. Past performance is not necessarily a guide to future performance. The value of and the income produced by products may fluctuate, so that an investor may get back less than he invested. Investments in the entities and/or the securities or other financial instruments referred to are not suitable for all investors and this document should not be relied upon in substitution for the exercise of independent judgement in relation to any such investment. The stated price of any securities mentioned herein will generally be the closing price at the end of any of the three business days immediately prior to the publication date on this document. This stated price is not a representation that any transaction can be effected at this price.

TriggerPoint Research Ltd. and its respective analysts are remunerated for providing investment research to professional investors, corporations, other research institutions and consultancy houses. TriggerPoint Research Ltd., or its respective directors, officers, employees and clients may have or take positions in the securities or entities mentioned in this document. Any of these circumstances could create, or be perceived as creating, conflicts of interest. TriggerPoint Research Ltd. analysts are not censored in any way and are free to express their personal opinions. As a result, TriggerPoint Research Ltd. may have issued other documents that are inconsistent with and reach different conclusions from, the information contained in this document. Those documents reflect the different assumptions, views and analytical methods of their authors. No director, officer or employee of TriggerPoint Research Ltd. is on the board of directors of any company referenced herein and no one at any such referenced company is on the board of directors of TriggerPoint Research Ltd..

TriggerPoint Research Ltd. is an appointed representative of Messels Ltd which is authorised and regulated by the Financial Conduct Authority. Residents of the United Kingdom should seek specific professional financial and investment advice from a stockbroker, banker, solicitor, accountant or other independent professional adviser authorised pursuant to the Financial Services and Markets Act 2000.

The content of this report is covered by our Policy of Independence which may be viewed at www.TriggerPoint Research Ltd..com

The performance history of research recommendations over the last 12 months is available to clients on request.

Analysts’ Certification

The analysts involved in the production of this document hereby certify that the views expressed in this document accurately reflect their personal views about the securities mentioned herein. The analysts point out that they may buy, sell or already have taken positions in the securities, and related financial instruments, mentioned in this document.

===

POLICY OF INDEPENDENCE

All investment research issued by TriggerPoint Research Ltd. is independent, impartial and objective. TriggerPoint Research Ltd. does not conduct any investment business with or for its clients, other than the provision of investment research and advice. TriggerPoint Research Ltd. staff have no other responsibilities which could conflict with the interests of our clients. TriggerPoint Research Ltd. does not carry out any corporate finance business; and has no involvement in raising capital for corporate clients. TriggerPoint Research Ltd. has no other regulated or unregulated business activities which conflict with its provision of independent research.

===