



European Banks

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A golden age for bank investors

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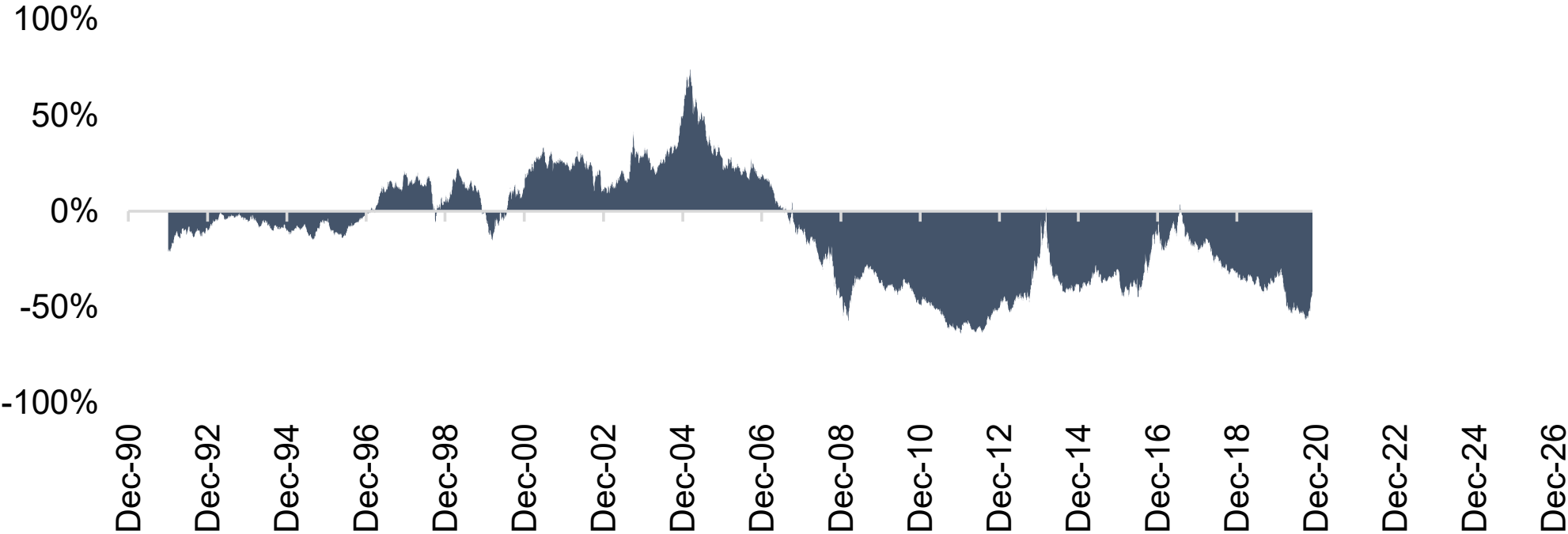
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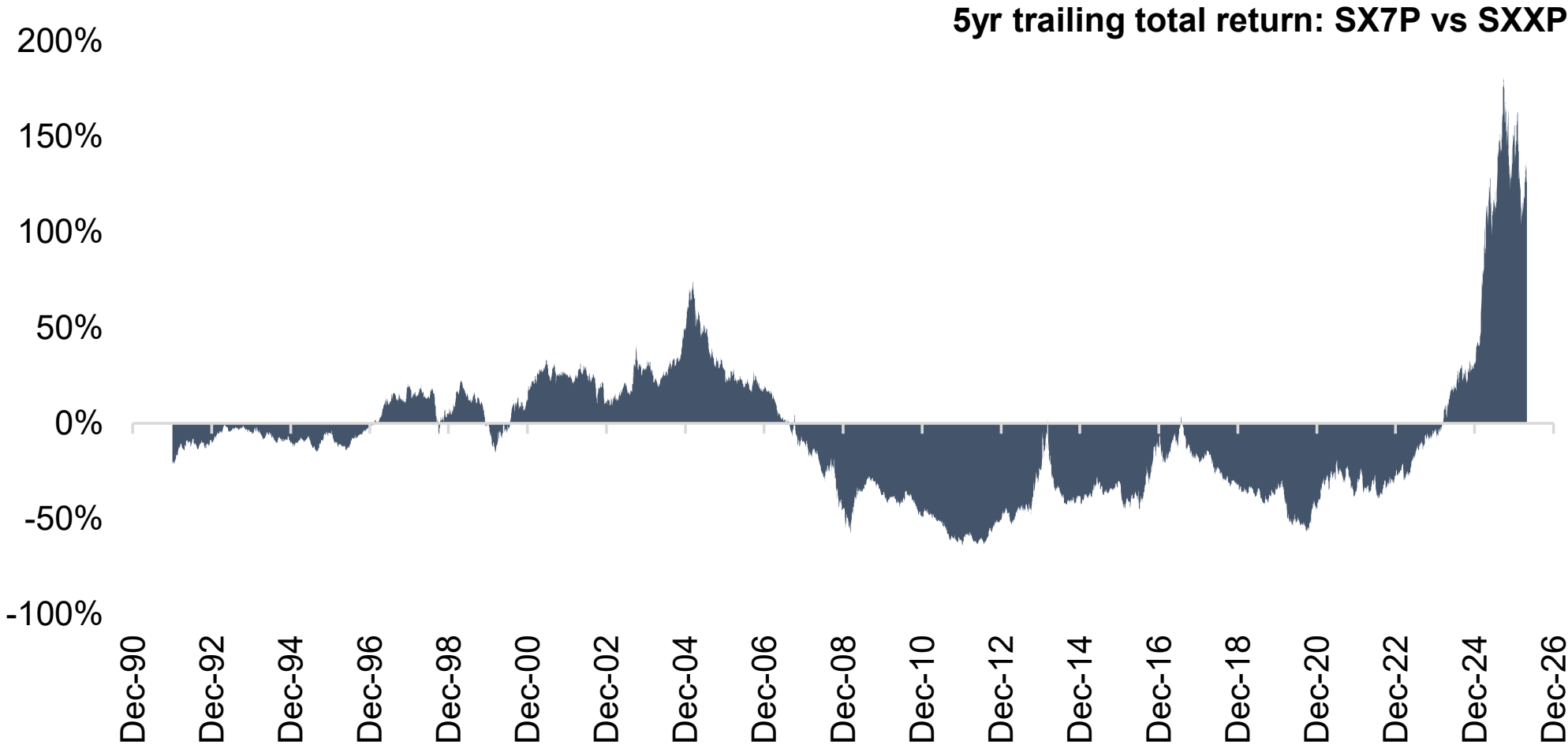
European banks share prices: 2007-2020 was miserable

5yr trailing total return: SX7P vs SXXP



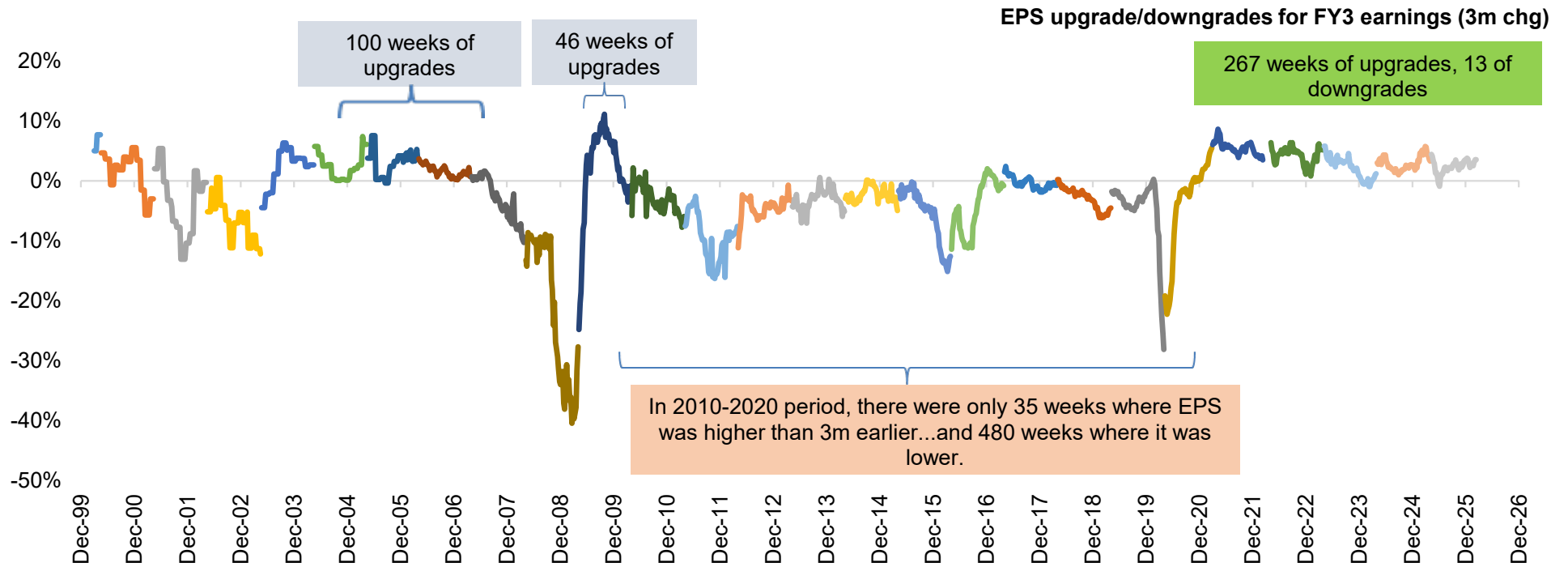
Source: KBW Research, Bloomberg.

Post-2020 – best performance in a generation



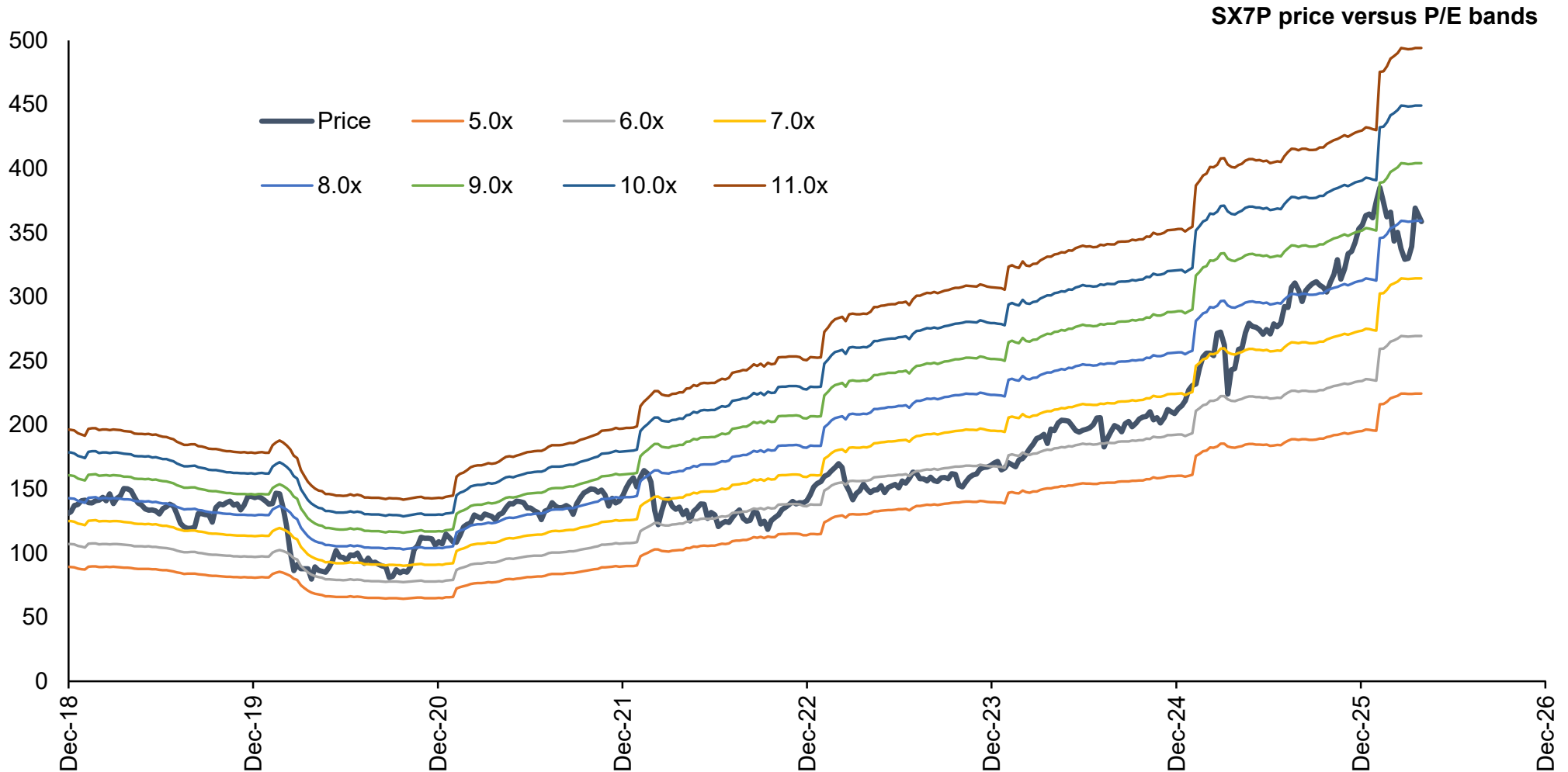
Source: KBW Research, Bloomberg.

EPS upgrade cycle now in sixth year



Source: Datastream, KBW Research.

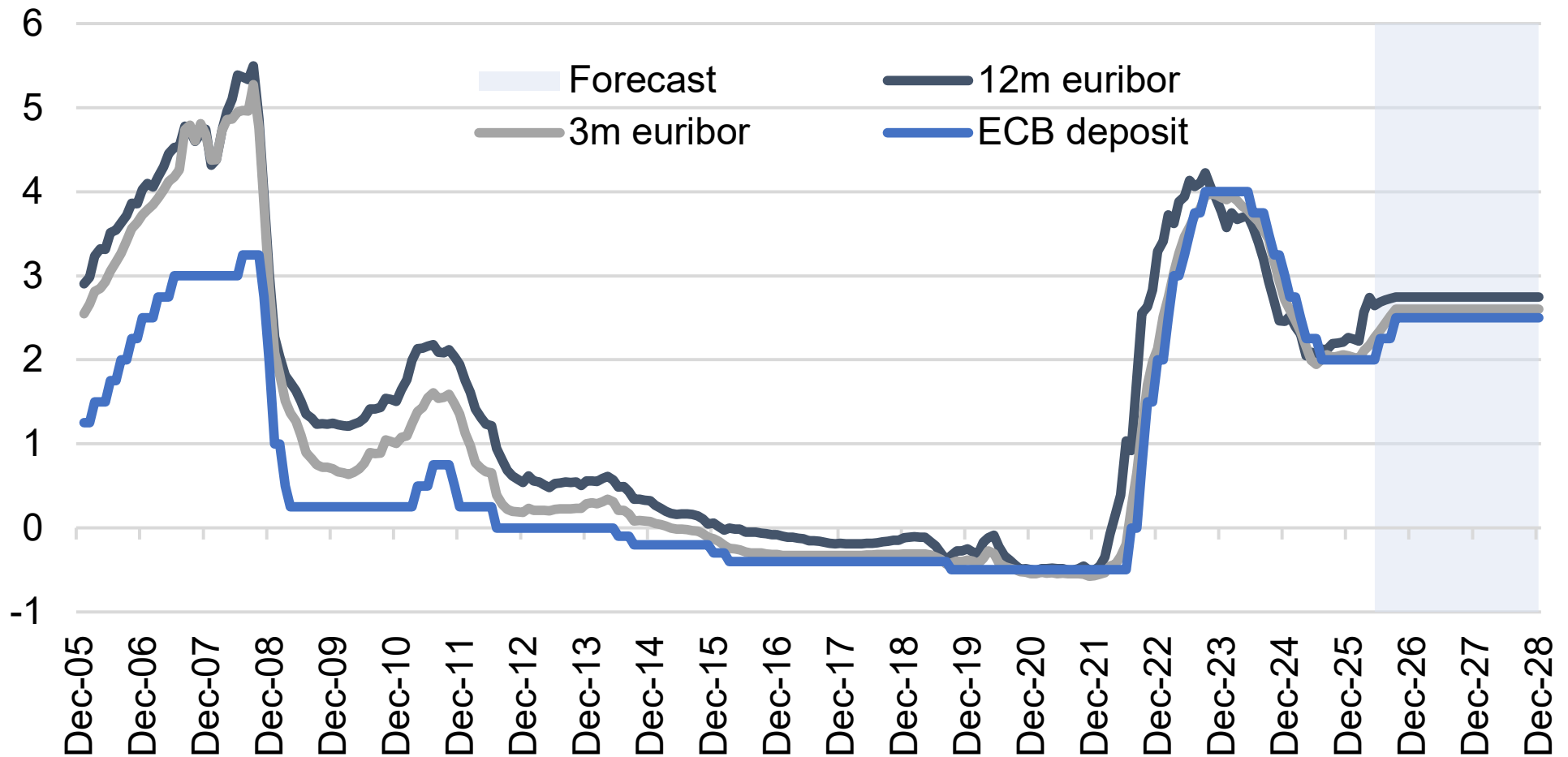
Upgrade cycle only starting to be reflected in price



Source: Bloomberg, Datastream, KBW Research.

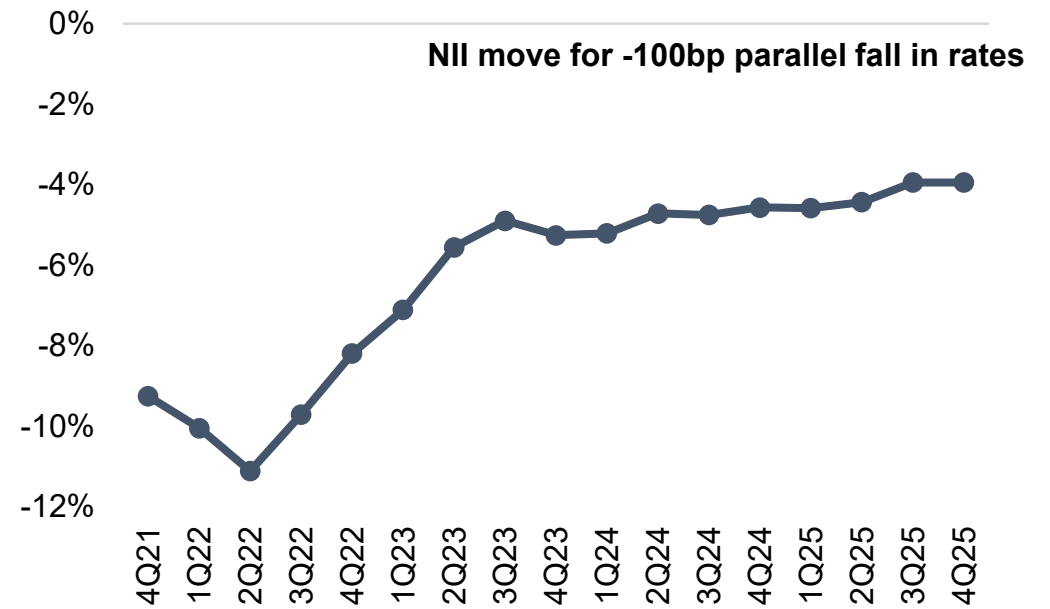
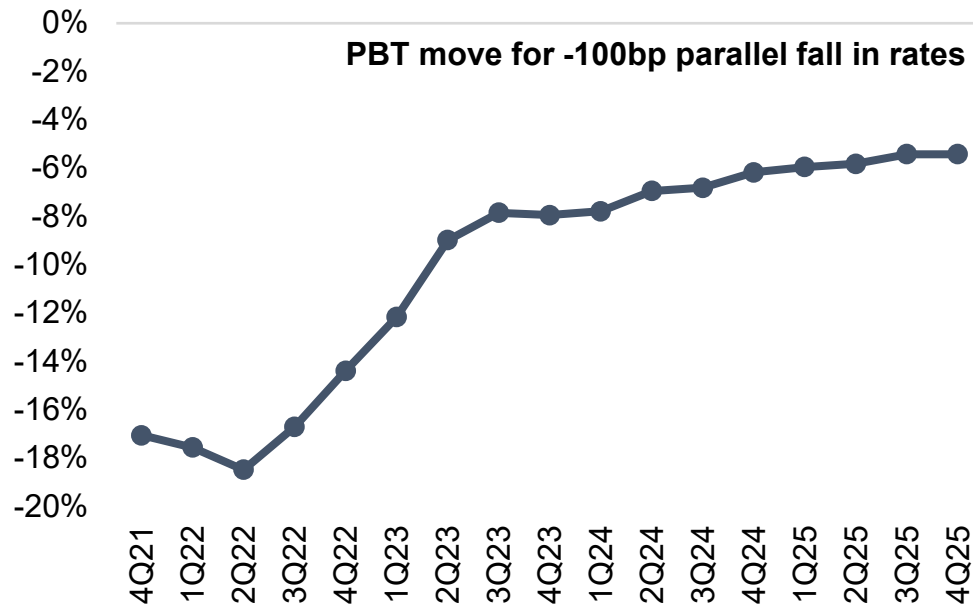
Rates: 2014-2021 was abnormal...today is not

KBW ECB rates outlook vs history



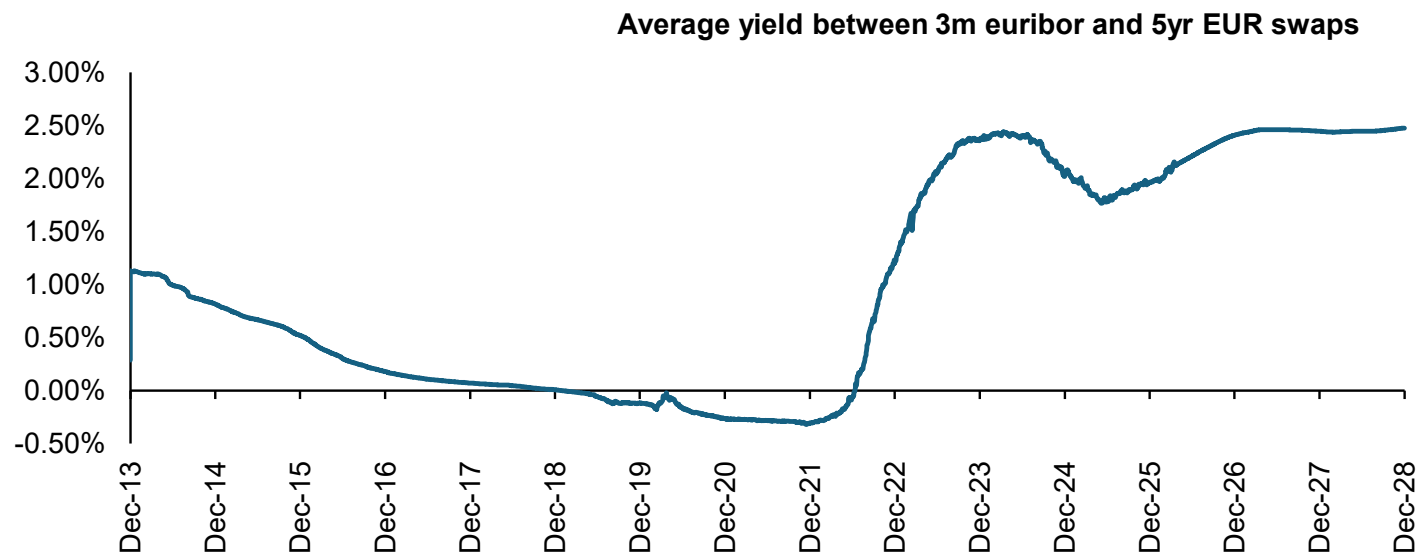
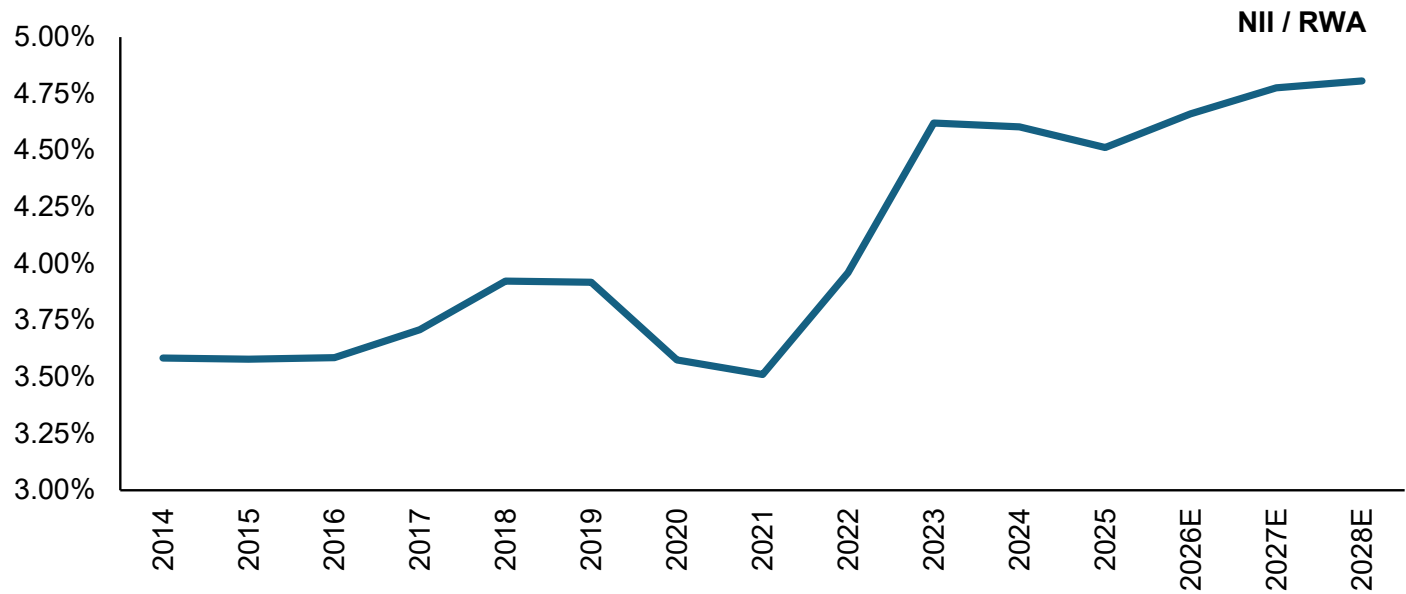
Source: ECB, Bloomberg, KBW Research.

Sector has reduced its sensitivity to rates



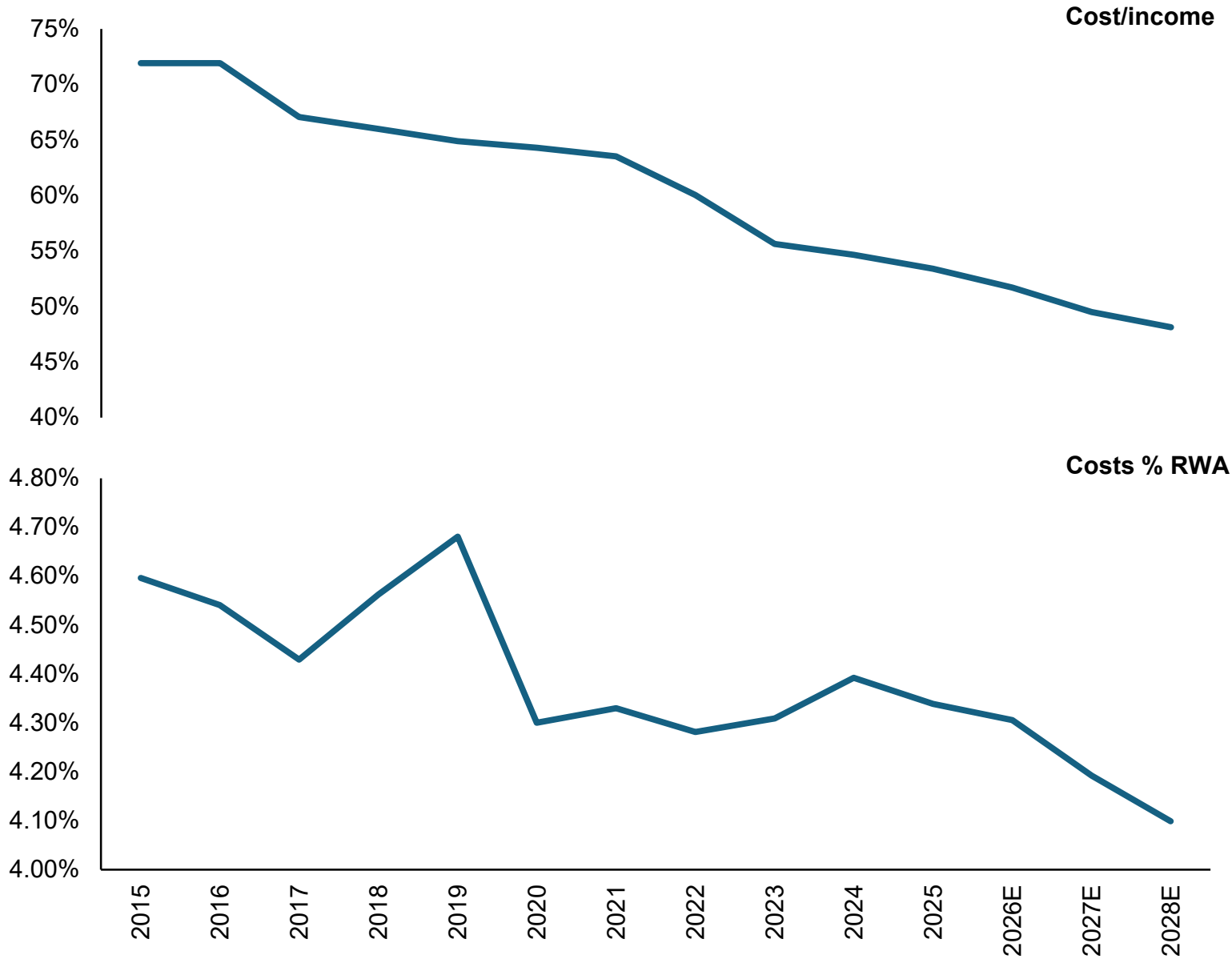
Source: company reports, KBW Research.

Net interest margins have moved higher



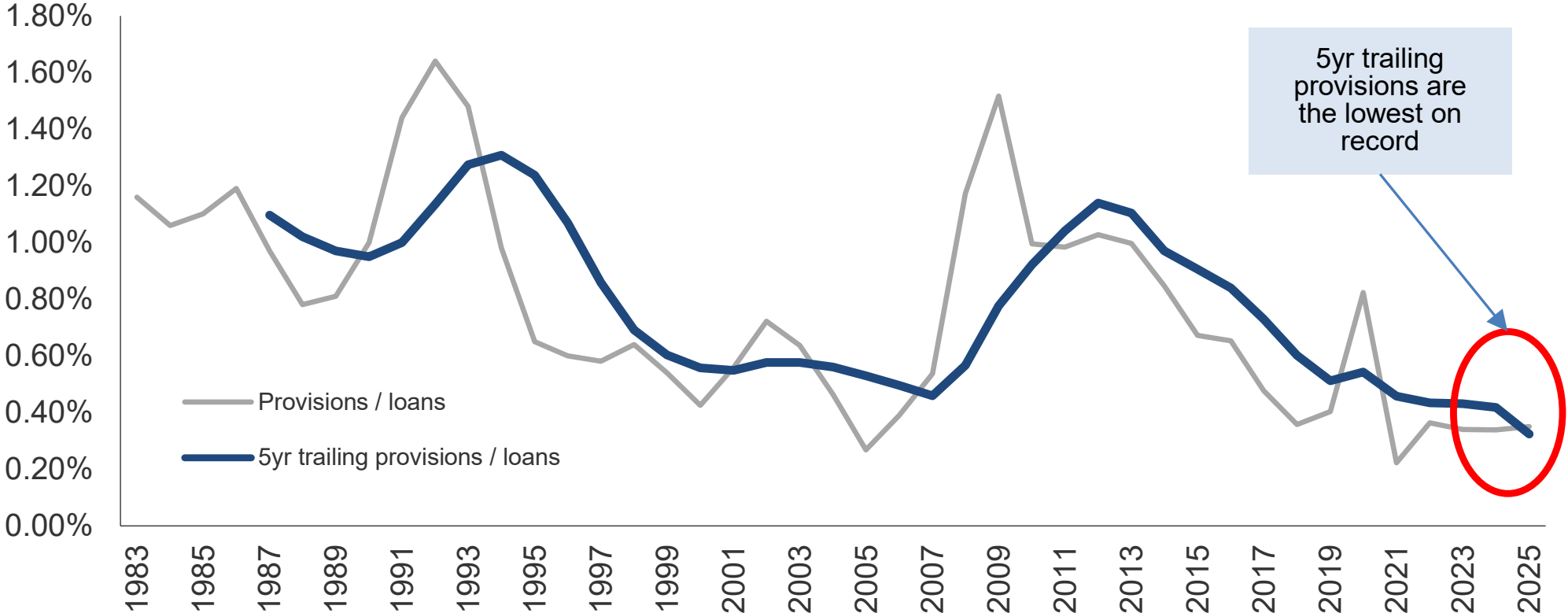
Source: company reports, Bloomberg, KBW Research. Lower chart assumes latest 5yr and 3M Euribor remain unchanged.

Costs: unsung progress



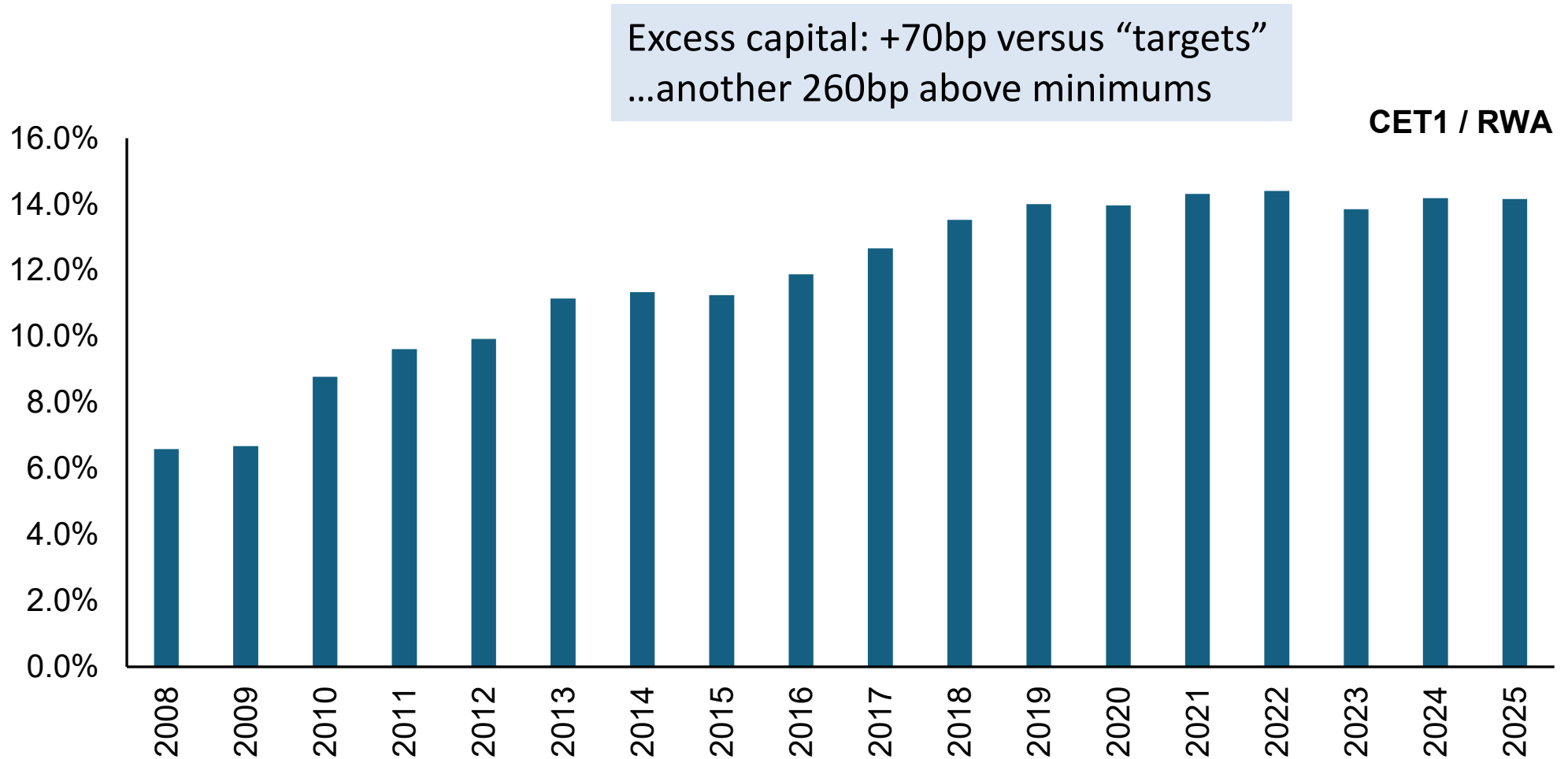
Source: company reports, KBW Research.

Asset quality: performing well...a result of low risk appetite



Source: KBW Research.

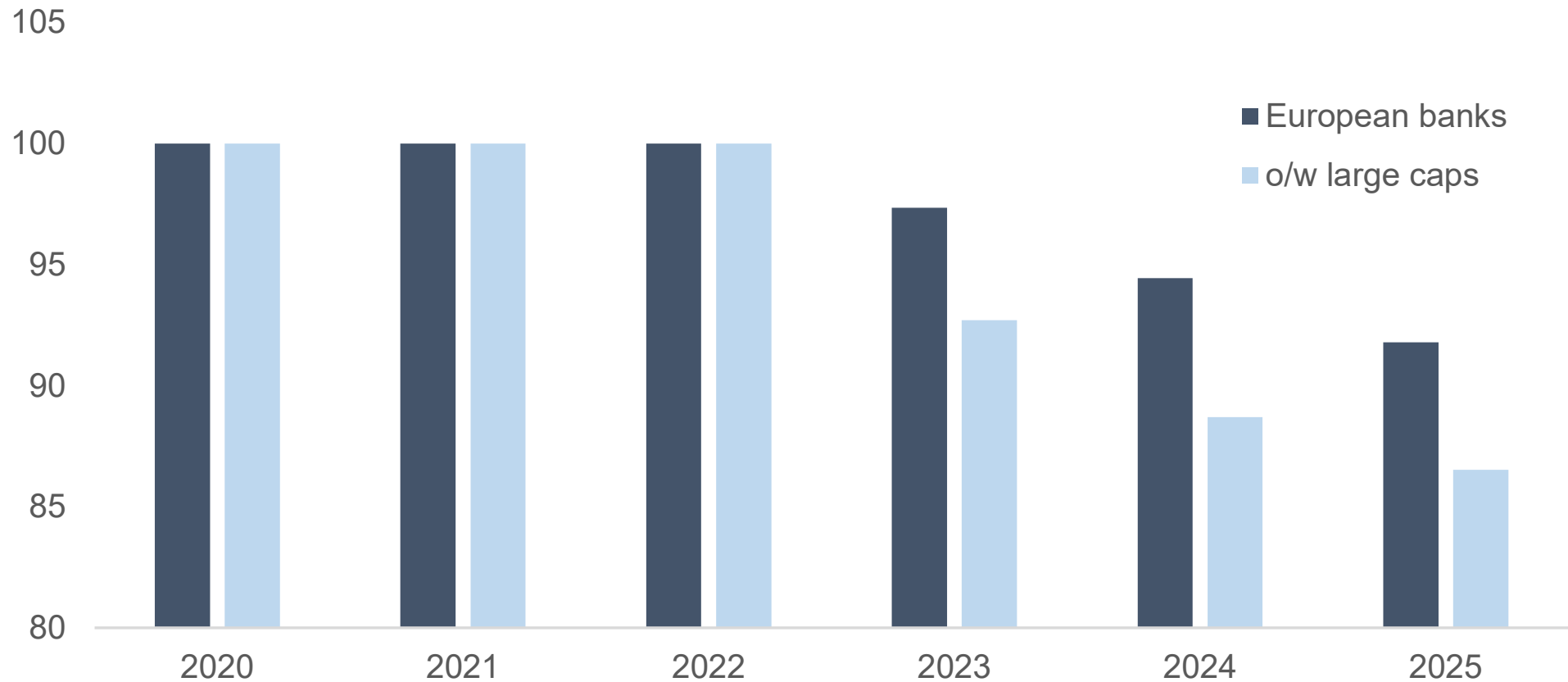
Regulatory capital is plentiful



Source: KBW Research. Note that definitions of regulatory capital and RWA have changed significantly over time. Earlier periods pre-2013 reference a Basel 2 or 2.5 “core tier 1” numerator which excludes non-common equity instruments.

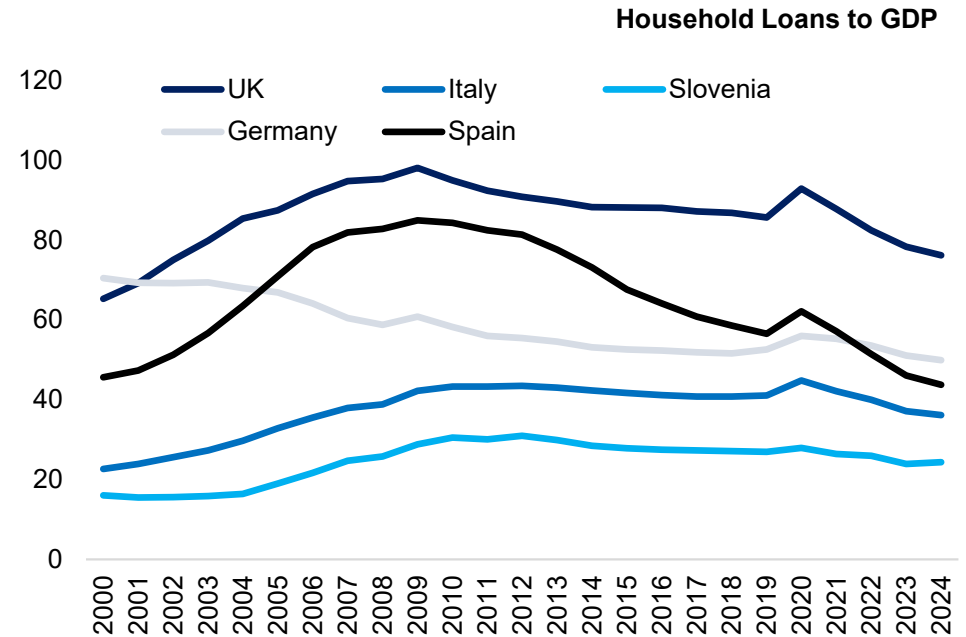
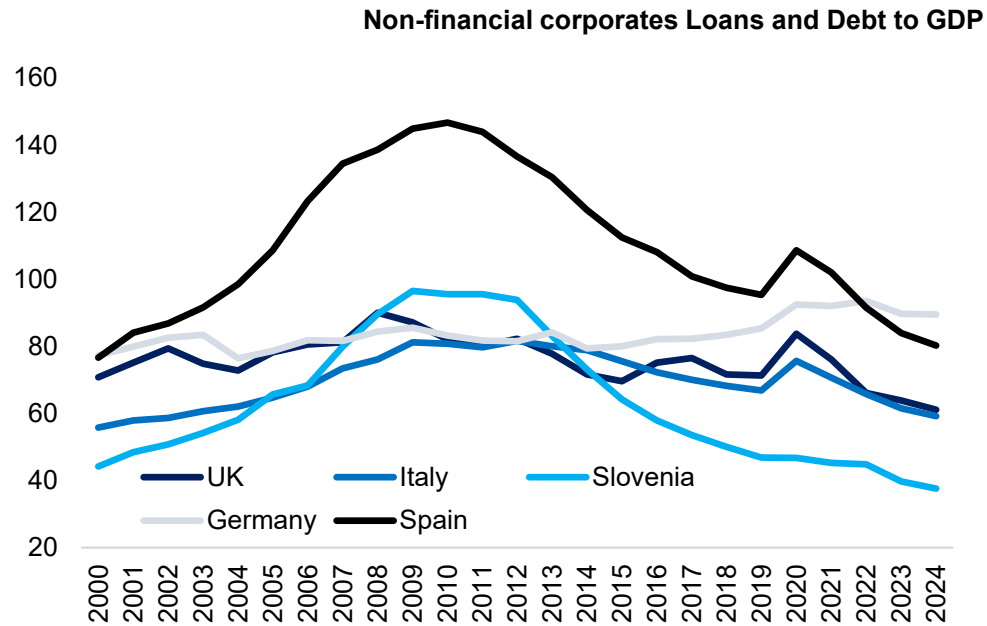
Cumulative effect of buybacks has cut share count

Median sharecounts [2020 = 100]



Source: KBW Research.

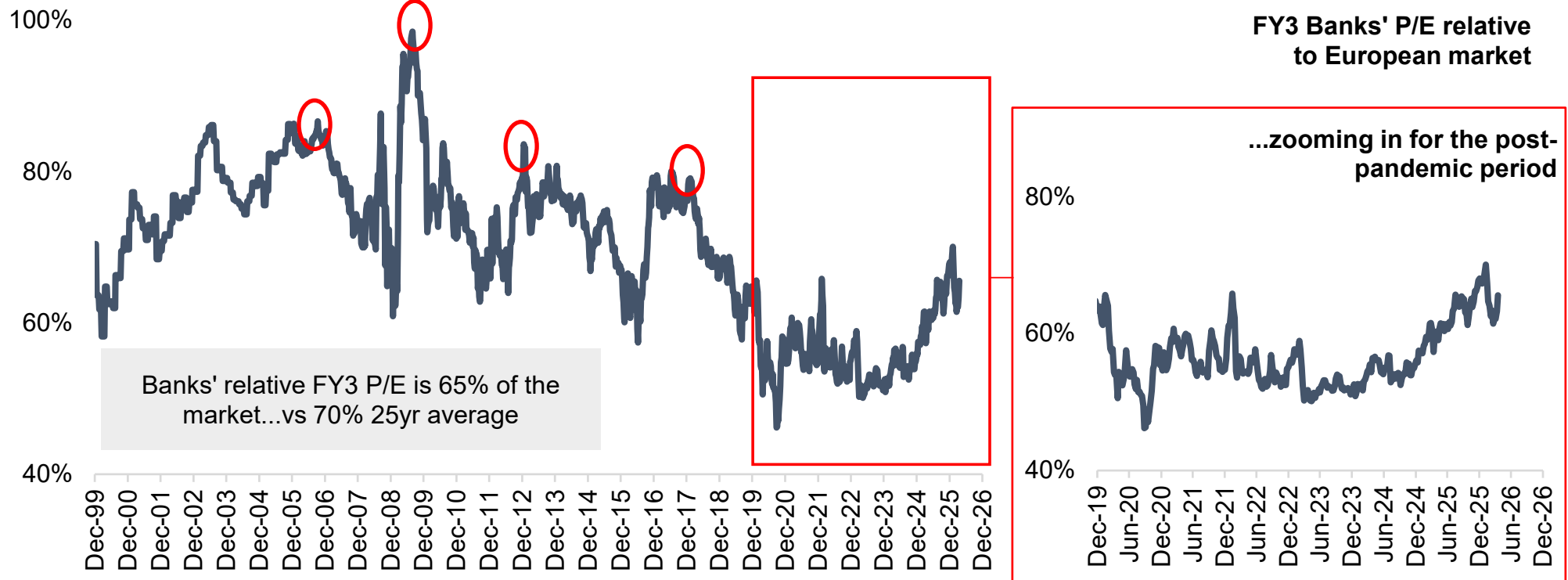
Deploying capital: organic growth (and acquisitions)



Source: IMF.

Relative P/E suggests good news will continue

Bank outperformance traditionally peaks when >80%



Source: Bloomberg, Datastream, KBW Research.

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