SCOPE | Ratings

European Bank Outlook 2025

Sound fundamentals in a less supportive rate environment and high geopolitical uncertainty

21 January 2025

Contents

Outlook | Overview

Main expectations

- **Resilient bank credit profiles:** despite the multitude of factors at play, European banks can count on solid financial fundamentals.
- **Normalisation of profitability:** margin decline offsets growth in volume and non-interest income.
- **Sound asset quality:** economic growth, lower borrowing costs and tight labour markets will support credit quality.
- **Capital ratios well above requirements:** most banks aim to reduce excess reserves through distributions and/or M&A.
- **Comfortable liquidity buffers**: banks managed TLTRO III repayments well.

Sector developments

- **Increased M&A activity**: falling rates drive a search for new value creation, fueling consolidation.
- **Basel III reforms:** EU has adopted reforms; UK and US to follow. A global regulatory race to the bottom appears unlikely.
- **Rising cyber risk:** successful attacks are increasing amid heightened geopolitical tensions. Severe events could impact banks' reputations and earnings.
- **Climate risks**: significant exposure, especially in Southern Europe, requires proactive management.

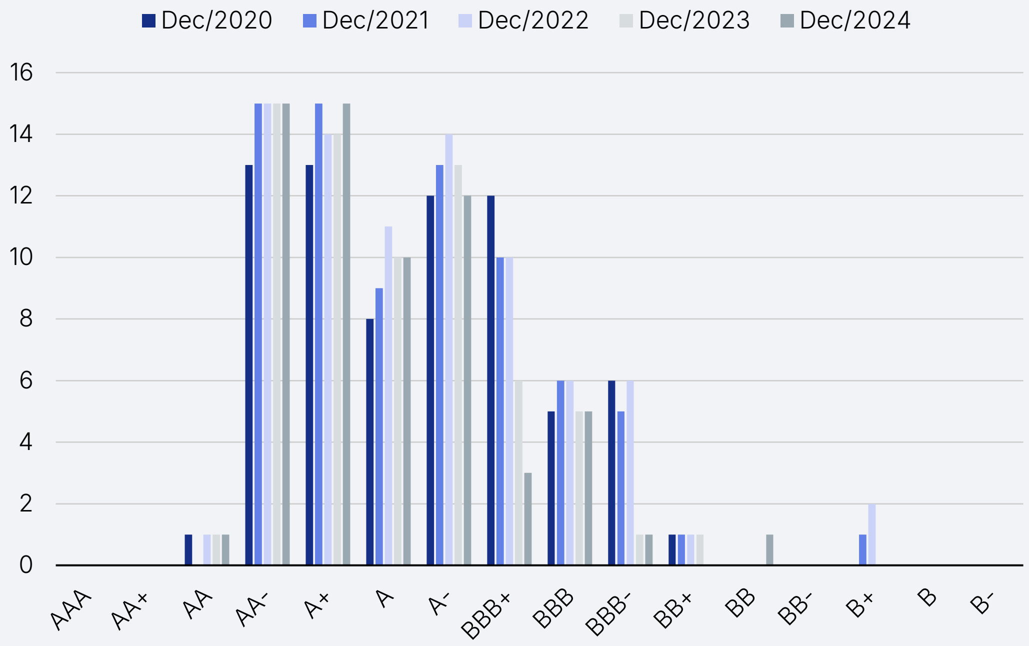
Downside risks

- **Lower rate trajectory:** more rate cuts than anticipated could erode banks' structural profitability.
- **Political instability**: heightened uncertainty may weigh on GDP growth and raise funding costs.
- **Slower growth or recession**: geopolitical spillovers could dampen economic performance.
- **Asset-price correction:** potential declines from elevated levels pose risks.
- **Deregulation:** a wave of deregulation may create an uneven competitive landscape.

Bank ratings and Outlooks | Overview

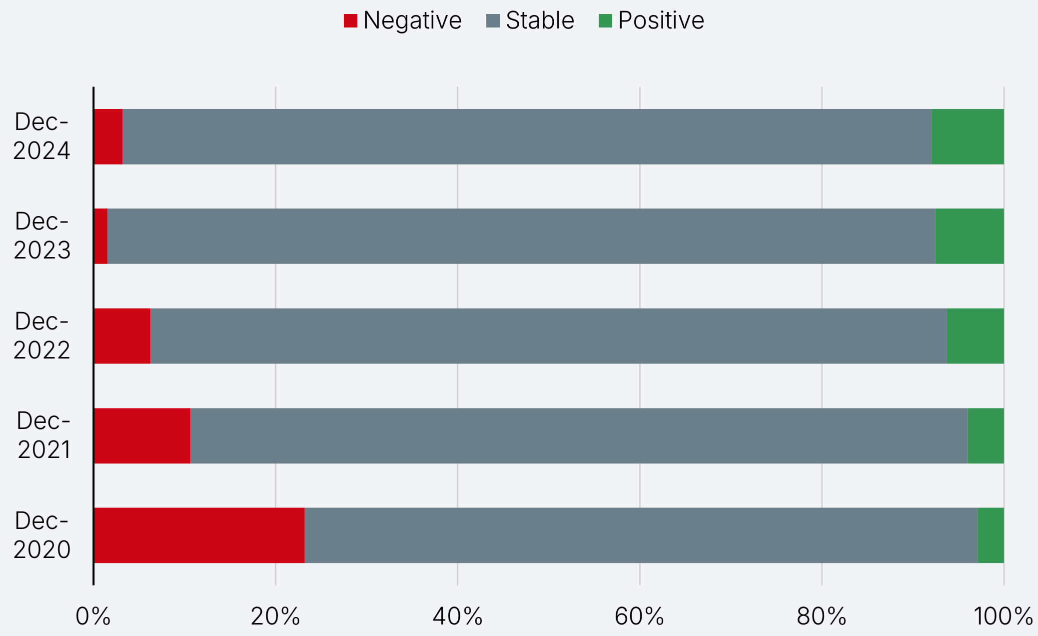
- Our outlooks are largely stable, reflecting our view that upside and downside risks are currently balanced. Banks are well positioned to weather a potential deterioration in the credit cycle and adapt to the normalisation of funding conditions.
- Despite recent profitability improvements, our through-the-cycle rating approach has not prompted widespread positive rating actions. Evidence of structural, not cyclical, improvements could lead to rating upgrades.

Scope's financial institutions ratings by level
Historical, number of issuer ratings



Note: Excludes non-European banks and government-related entities. The distribution reflects the skew of coverage towards large banking groups. Source: Scope Ratings

Scope's financial institutions ratings by Outlook
Historical, %



Note: Excludes non-European banks. Source: Scope Ratings

Bank ratings and Outlooks | 10 largest public credit ratings

- Scope has assigned public credit ratings to a broad range of European financial institutions, from large national leaders to regional banks.
- As of 21 January 2025, Scope publicly rates 48 financial institutions from 33 groups.
- In addition, Scope provides on a subscription basis rating coverage for investors of nearly all major systemic banks across Europe.

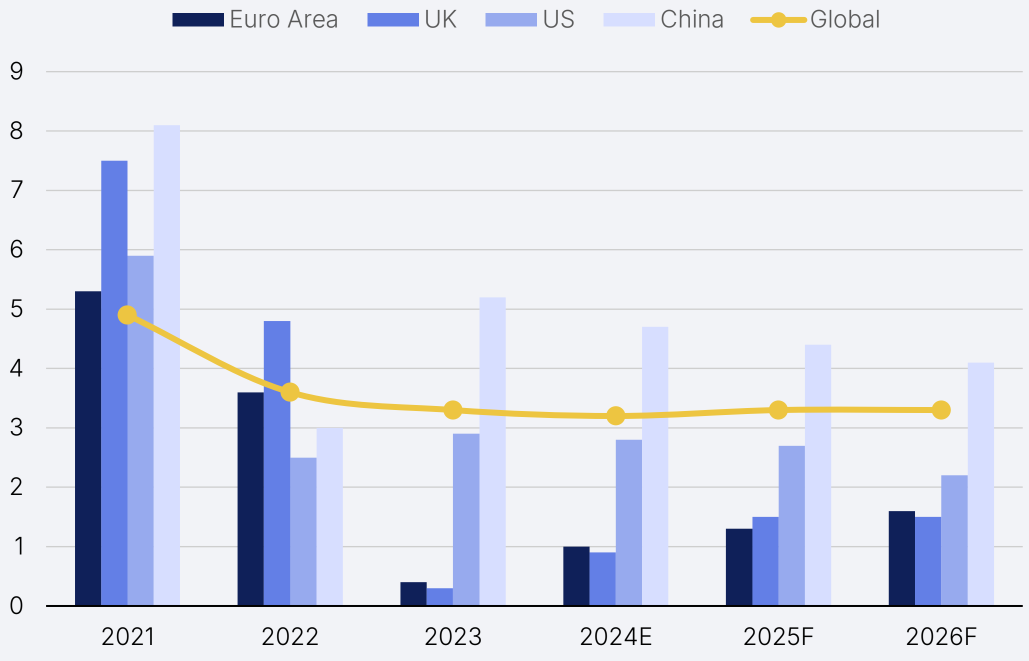
Bank	Rating/Outlook	Total assets
BNP PARIBAS	AA-/Stable	Total assets EUR 2.8 tr
CRÉDIT AGRICOLE	AA-/Stable	Total assets EUR 2.2 tr
Santander	AA-/Stable	Total assets EUR 1.8 tr
Deutsche Bank	A-/Positive	Total assets EUR 1.4 tr
INTESA SANPAOLO	A/Stable	Total assets EUR 0.9 tr
UniCredit	A/Stable	Total assets EUR 0.8 tr
BBVA	A+/Stable	Total assets EUR 0.8 tr
COMMERZBANK	A/Stable	Total assets EUR 0.6 tr
Danske Bank	A+/Stable	Total assets EUR 0.5 tr
otpbank	BBB+/Stable	Total assets EUR 0.1 tr

Note: here, we refer to the issuer rating. Total assets as of Q3 2024
Source: Scope Ratings

Macro background | Moderate economic growth

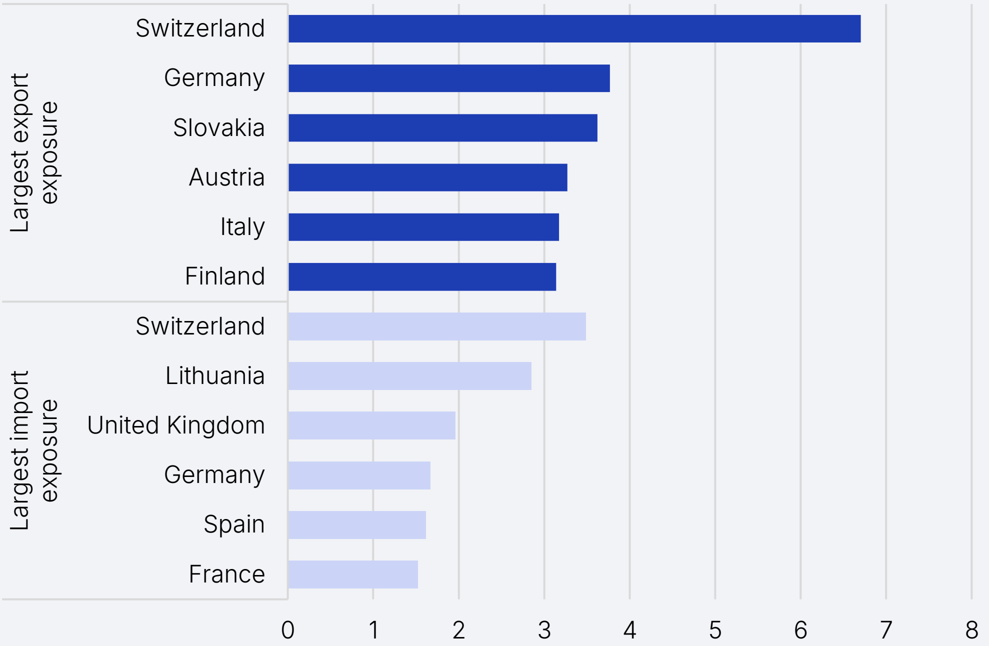
- ➢ Euro-area growth of 1.3% for 2025 with the periphery outperforming. Recovery expected across the region, except Germany, which faces stagnation. We project UK growth at a moderate 1.5% in 2025 and in 2026.
- ➢ Proposed tariffs from President Trump, with Germany most exposed. The impact on growth and inflation will depend on the scope, timing and scale of the measures.

Global growth, 2021-2026
%



Sources: Eurostat, national statistical agencies, Scope Ratings forecasts

Trade with the US
% of GDP

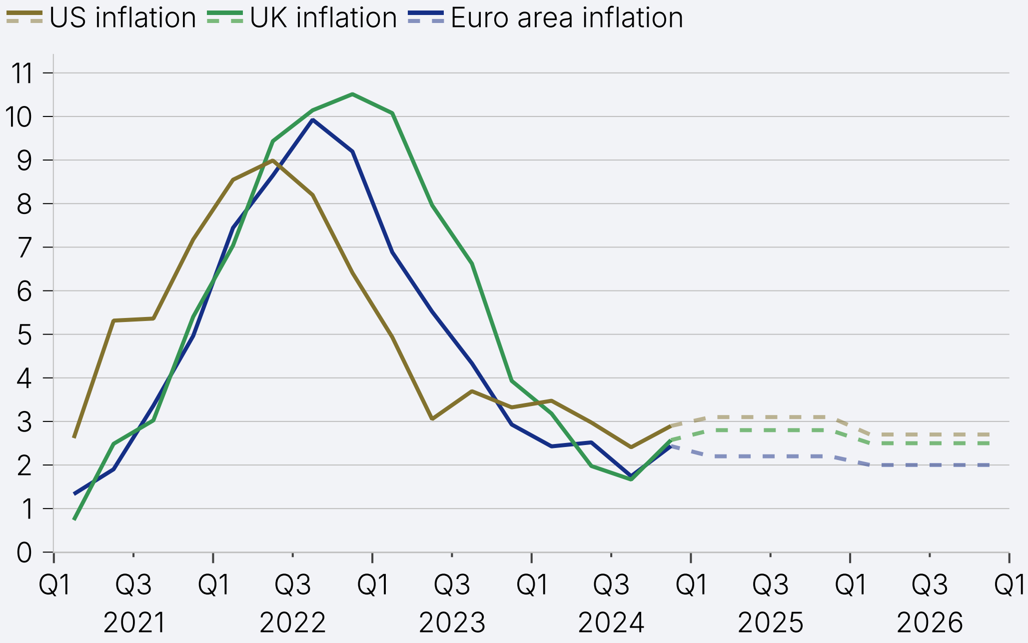


Notes: Rolling four-quarters to Q2 2024. Excludes Ireland, Belgium and the Netherlands due to distortions related to contract manufacturing flows and large port activities. Sources: IMF DOTS, Scope Ratings

Macro background | Higher neutral rates and central bank divergence

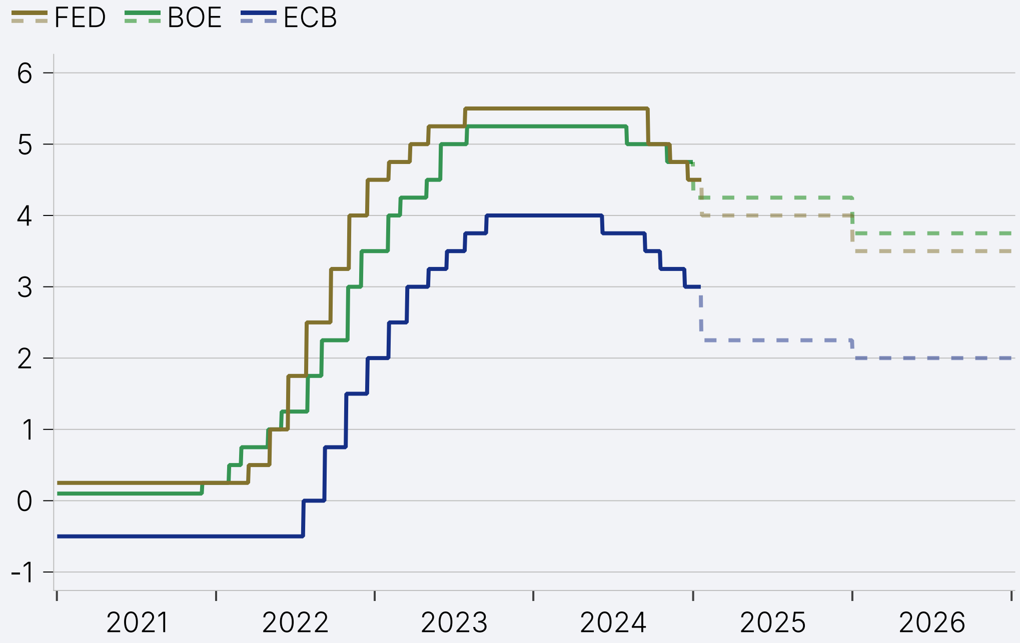
- Persistent inflationary pressures from tight labour markets, rising wages, persistent core inflation, resilient global demand, tariff risks, and potential energy price spikes from Europe's gas supply constraints this winter.
- Central banks are unlikely to return to pre-pandemic easing, meaning that higher steady-state rates are here to stay. However, policies may diverge with the ECB potentially cutting rates further if economic growth falters.

Inflation expectations
%, Scope's forecasts



Sources: Macrobond, Eurostat, national statistical agencies, Scope Ratings forecasts

Policy rate expectations
%, Scope's forecasts

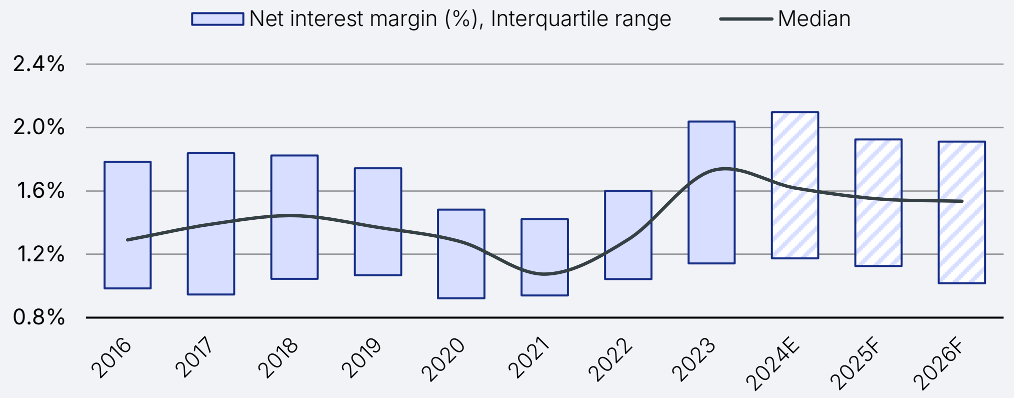


Notes: Scope's forecasts for YE 2025 and YE 2026. Sources: Macrobond, Scope Ratings forecasts

Profitability | Net interest margins will remain above pre-pandemic levels

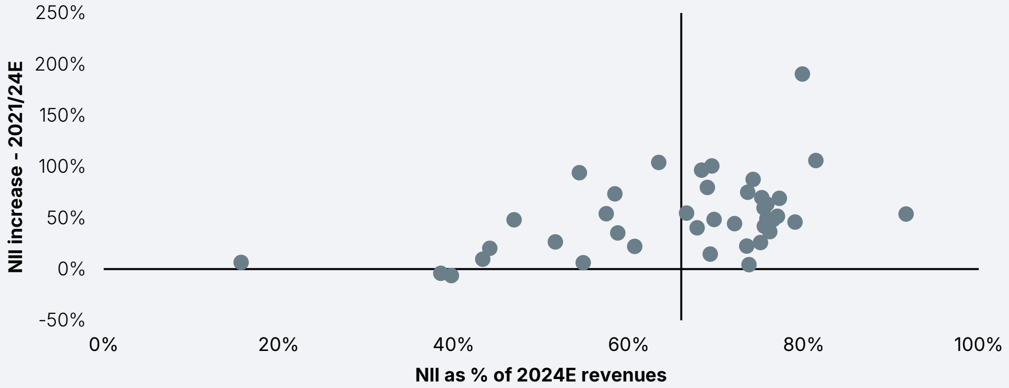
- **Past winners**: Over the past two years, top performers in net interest income growth (e.g., Intesa, CGD, OPFG, and AIB) have benefited from cheap, stable current-account funding.
- **Headwinds on margins**: Falling rates will gradually pressure spreads. But banks have built up structural hedges (mainly through swaps) that have halved revenue sensitivity to interest-rate cuts (from YE 22 to H1 24).

European banks - Net interest margins
Scope forecasts



Note: net interest margins calculated on total interest-earning assets. Sources: SNL, Scope Ratings

Worst performing banks in 2021-24 better placed now
Scope's top 40 European rated banks



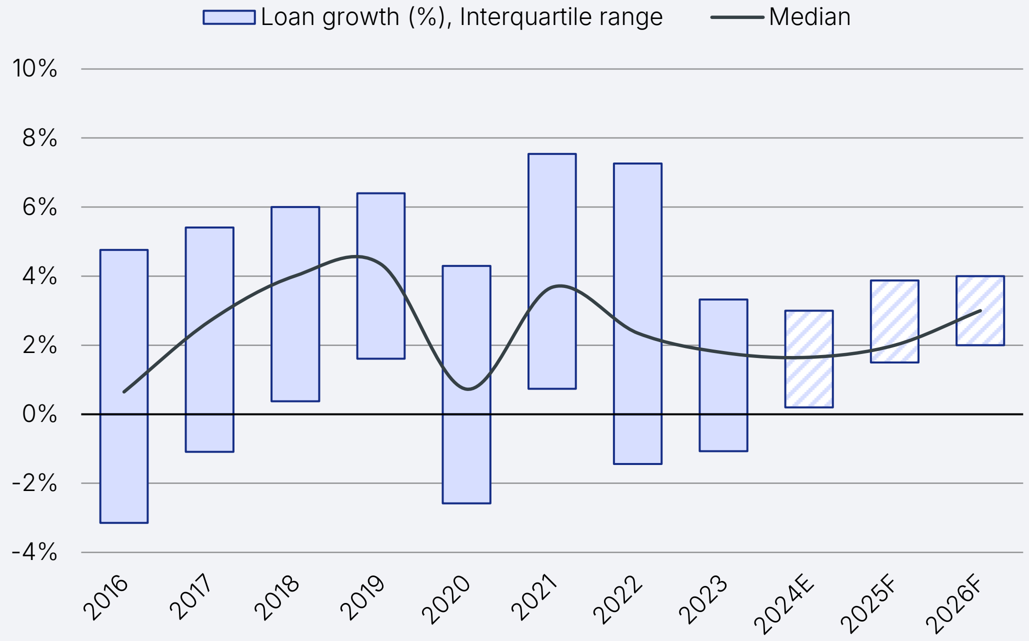
Sources: SNL, Scope Ratings

- **Key assumption:** Interest rates to stabilise at higher levels than in the past decade. But weaker economic growth or inflation may further trigger cuts, reducing banks' margins.
- **Trend reversal for French lenders:** French banks will see margins grow thanks to the full effect of asset repricing, which implies an upside to NII. A high proportion of fixed-rate customer loans further limits downside risks for French lenders.

Profitability | Loan growth is set to rebound

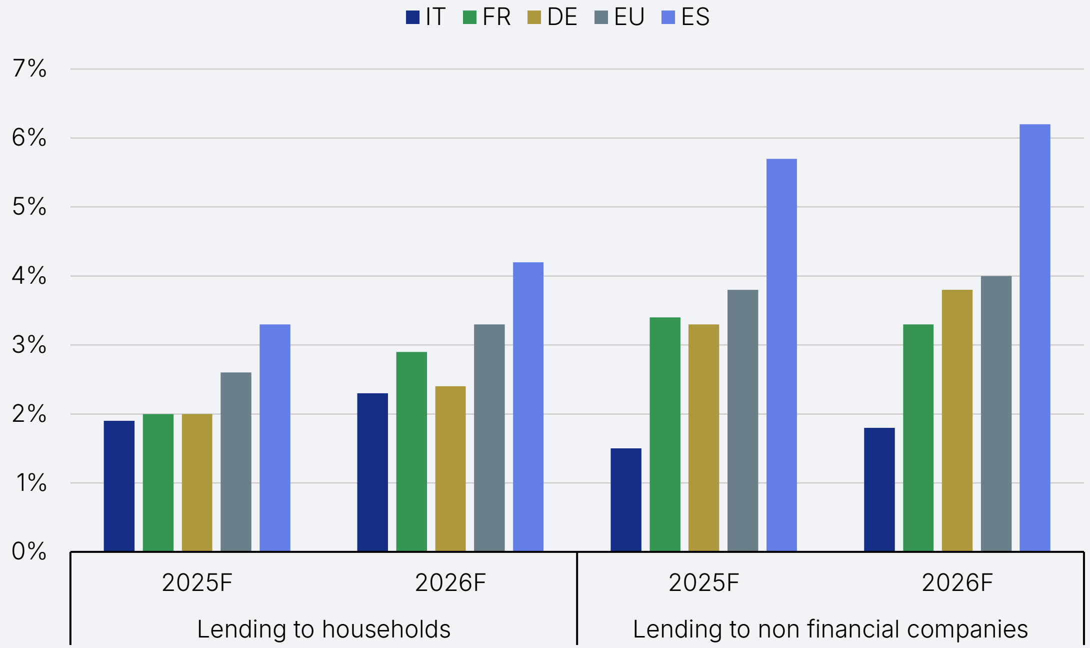
- Loan growth will accelerate in 2025-2026, driven by consumer credit and a rebound in mortgage lending as the housing market recovers, borrowing costs decline, and banks ease lending standards. Business lending will be supported by economic growth and Covid-era loan refinancing.
- Growth will be uneven across Europe with weaker expansion in Germany and Italy.

European banks – Loan growth rate
Scope forecasts



Notes: change in outstanding customer loans at year-end, including non-performing.
Sources: SNL, Scope Ratings

Loan growth – Banks' estimates
As of July 2024



Notes: Spain's high estimates reflect Santander and BBVA's operations in emerging markets
Sources: EBA Risk Assessment Report, Scope Ratings

Profitability | Revenue will stagnate

- **Positive volume effect:** But not enough to compensate for the impact of declining net interest income margins.

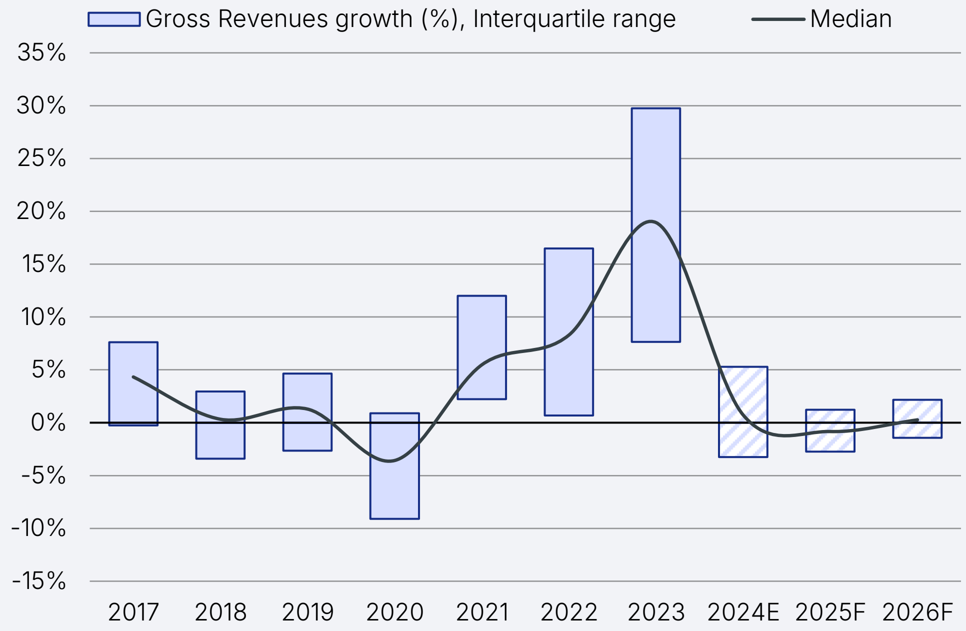
- **Diversification advantage**: banks with diversified models (including wealth management and insurance) will outperform. Lower rates will drive asset management sales as government bonds lose appeal, particularly in Portugal, Belgium, and Italy. Bancassurance turnover is expected to grow, particularly in markets where penetration is still low.

- **Diversified financial institutions** like Barclays, BPCE and UBS will be among those experiencing the highest revenue growth.

- **Base case forecast**: Revenue growth will turn marginally negative for 2025 (-0.8%) and remain substantially neutral in 2026 (+0.3%).

European banks – Revenue growth forecasts

%



Source: SNL, Scope Ratings

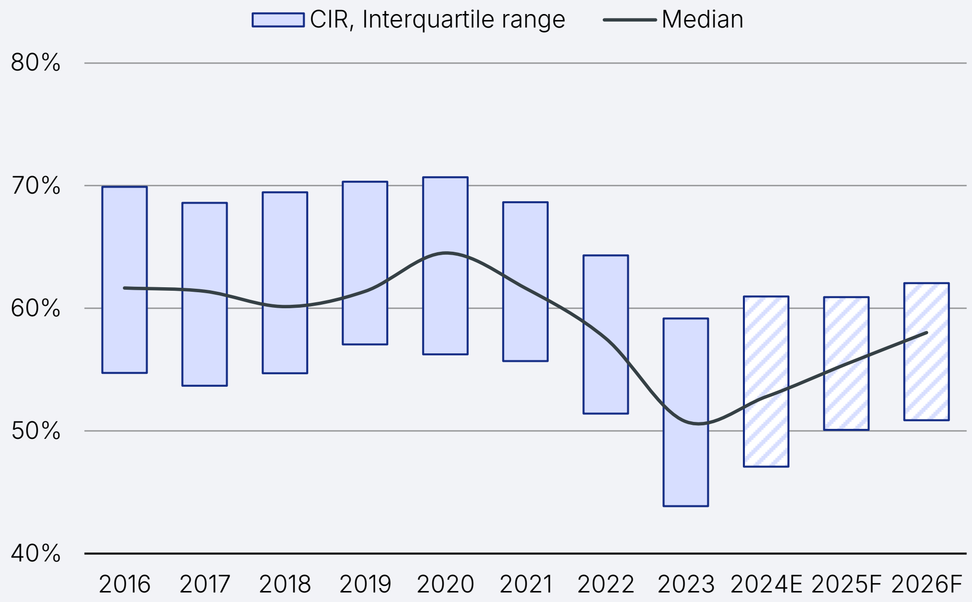
Profitability | Cost/income ratio will deteriorate from historical lows

- **Cost inflation:** wage pressures particularly for Nordic banks and emerging markets will keep cost inflation above levels of the past decade. Continuous investments in AI and cybersecurity will weigh on lenders, but also aim to enable medium to long-term cost savings.

- **Cost-cutting efforts**: banks continue to streamline operations, centralising functions and reducing the number of low-added-value positions (for instance in branches). From 2007 to 2023, the number of employees has reduced by 23% in Italy, 21% in Germany, and 8% in France. We expect this decline to continue.

- **Efficiency challenges:** Growth in costs is set to outpace growth in revenues in the next two years, driving a deterioration in efficiency ratios.

European banks – Cost/income ratio
Scope forecasts

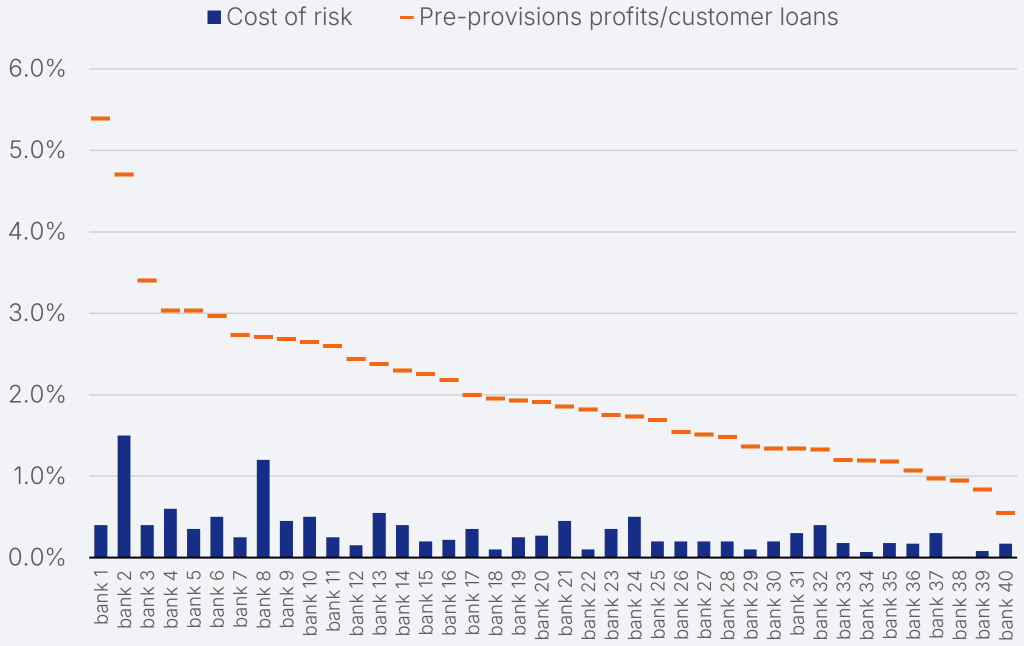


Notes: SNL, Scope Ratings

Profitability | Cost of risk under control thanks to strong asset quality

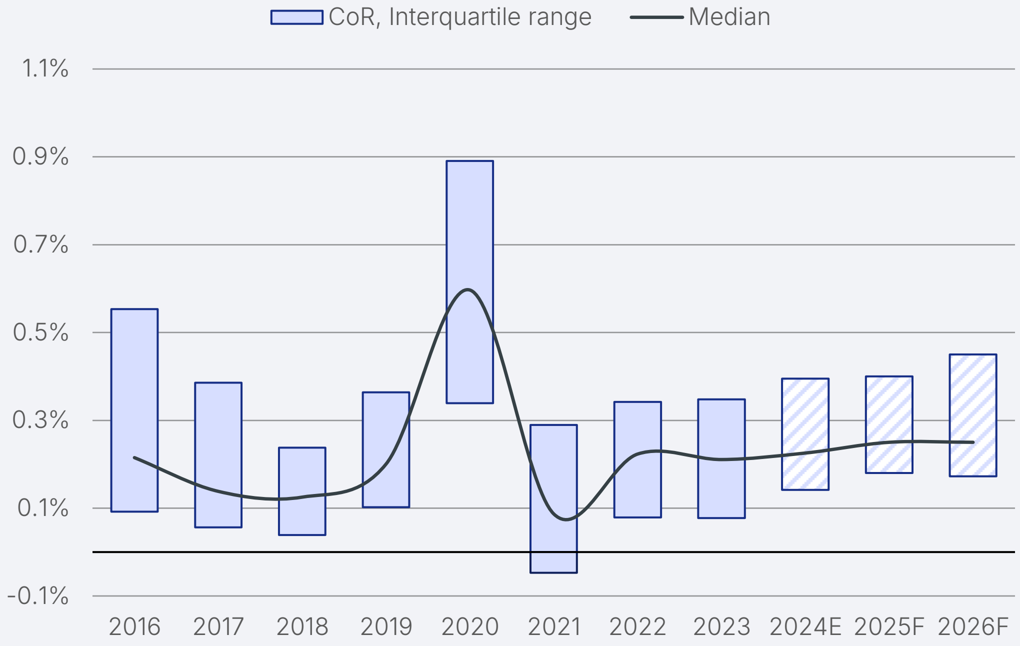
- We expect banks to set aside marginally higher loan-loss provisions, although well within their ability to absorb them through operating profitability.
- Many banks still have a cushion of unused general reserves accumulated in the past five years that can be deployed to absorb unexpected spikes in default rates.

2025F pre-provision profitability and cost of risk
Scope forecasts



Sources: SNL, Scope Ratings

European banks – Cost of risk
Scope forecasts

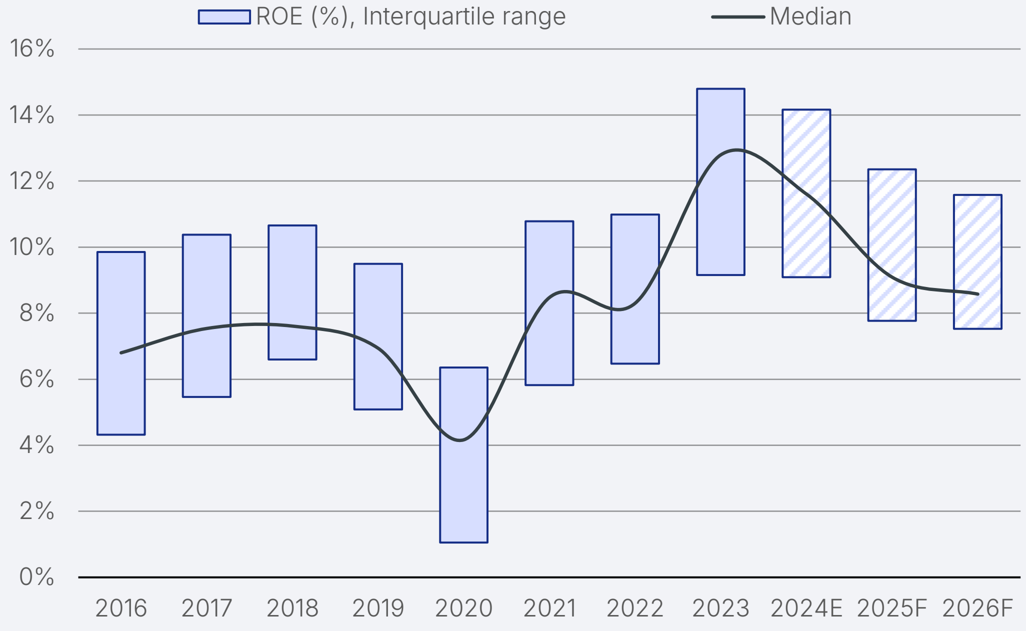


Sources: SNL, Scope Ratings

Profitability | Gradual normalisation in profitability

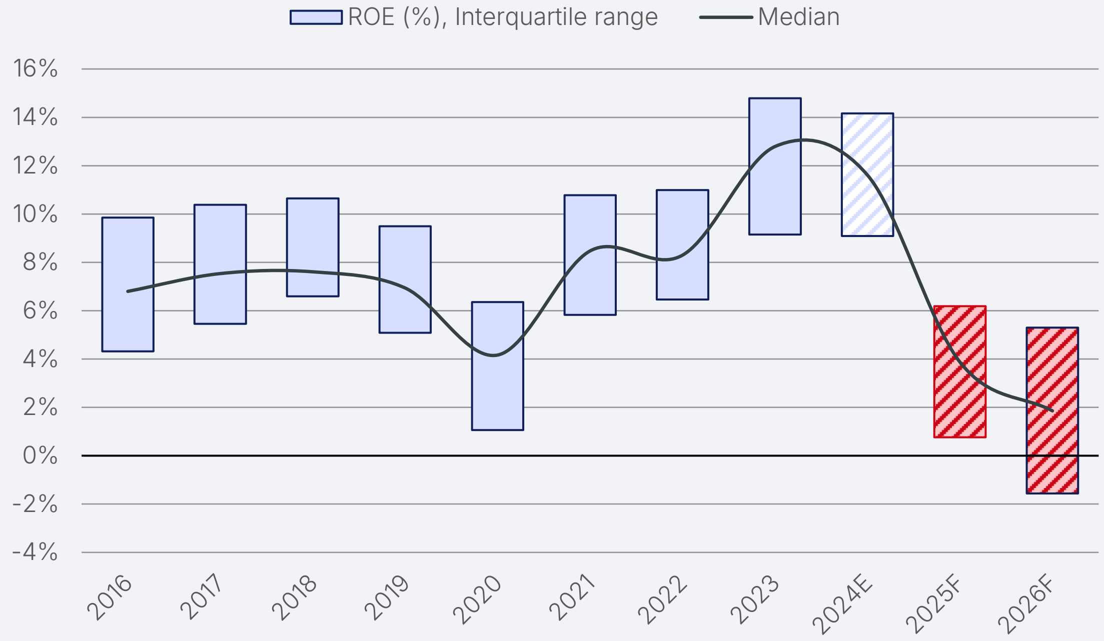
- In our base case, return on equity will continue to decline mainly due to a higher cost/income ratio.
- On average, banks should be resilient to worst-case scenarios possibly caused by a recession in which central banks cut interest rates more quickly than expected and asset quality deteriorates[1]. In our sample of 40 rated institutions, five would report losses in 2025 and 14 in 2026.

European banks – Return on average equity
Scope forecasts



Sources: SNL, Scope Ratings

Return on average equity: stressed scenario
Scope forecasts



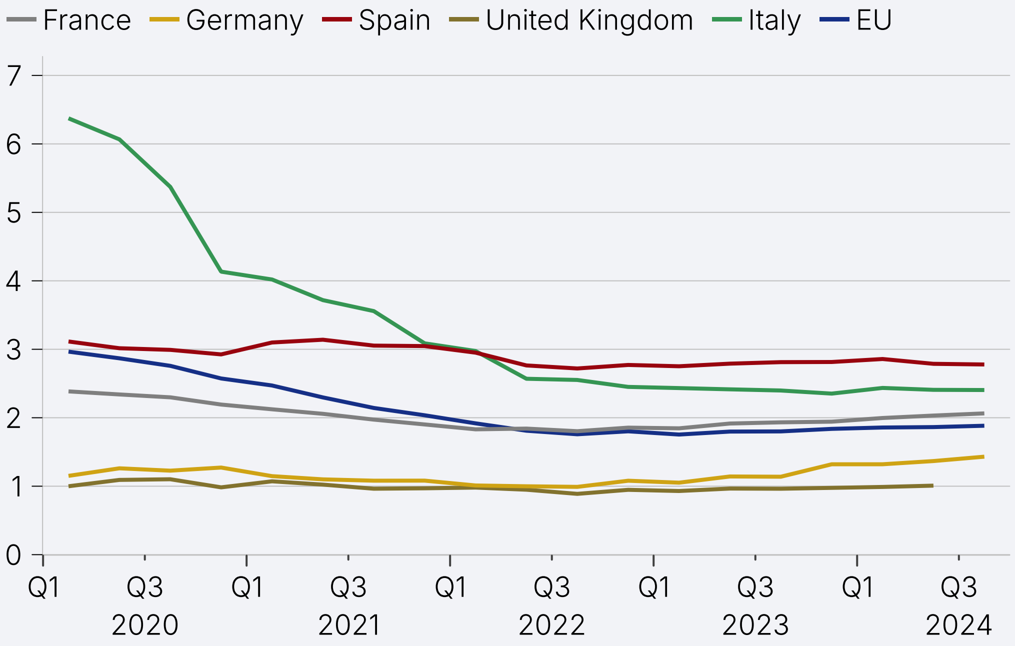
Sources: SNL, Scope Ratings

[1] Net margins lower than in the base case by 20 bps in 2025 and 40 bps in 2026. Cost of Risk 50 bps higher for all banks both in 2025 and in 2026.

Asset quality | Mild credit deterioration but asset quality will remain strong

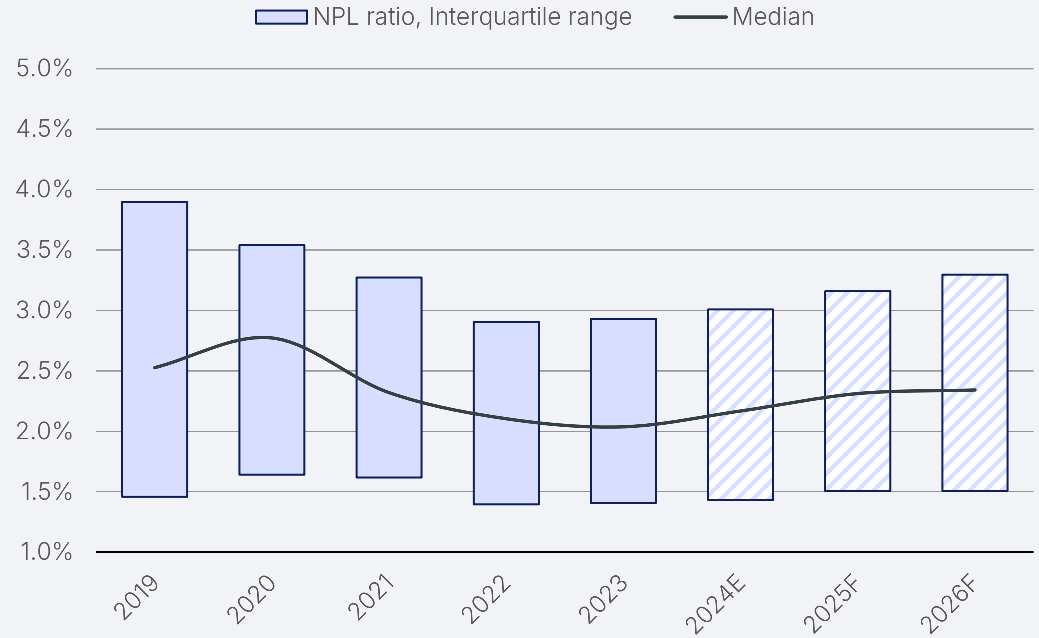
- Neither Covid nor the rise in the cost of borrowing have triggered an asset-quality cycle in recent years. In fact, banks in the EU periphery continued to clean up their balance sheets, particularly in Italy and Greece.
- We project a moderate worsening of asset-quality metrics as default rates pick up. We rule out widespread defaults amid economic recovery and tight labour markets.

Convergence in gross NPL ratios across Europe
%



Sources: EBA Risk Dashboard, IMF, Macrobond, Scope Ratings

European banks – Gross NPL ratio
Scope forecasts

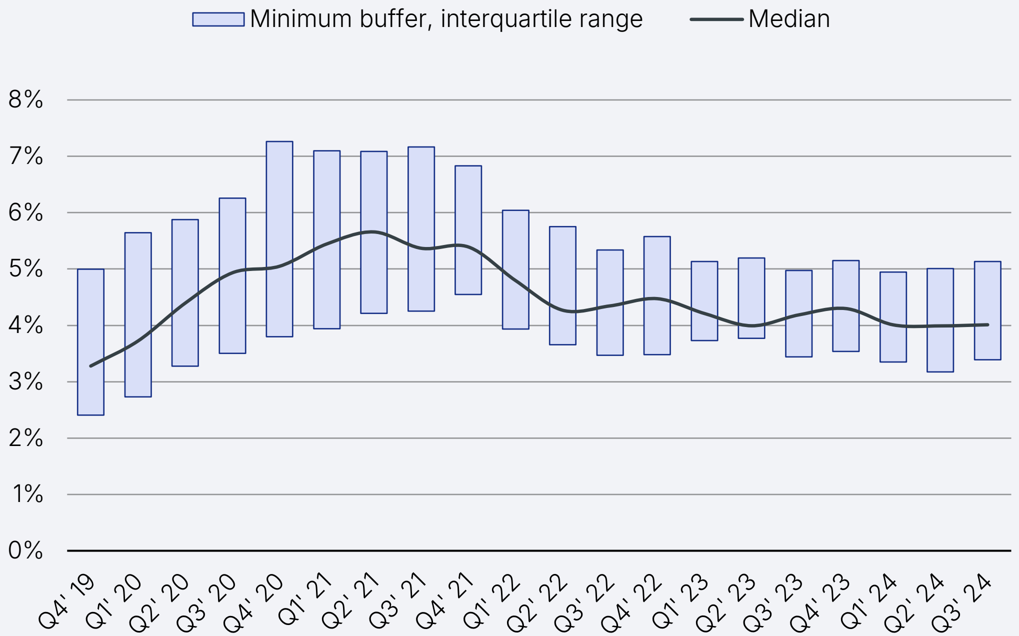


Sources: SNL, Scope Ratings

Capital | Minimum buffer over requirement of around 4% supports credit profiles

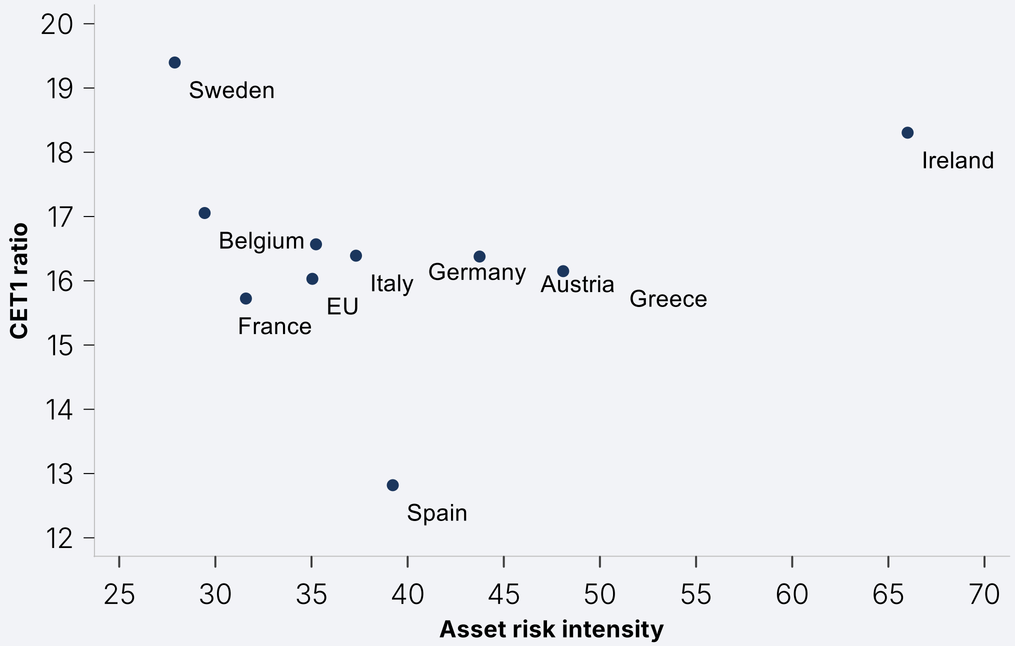
- Banks' capital buffers have settled around 4%, which we consider more than adequate. Strong profitability and RWA optimisation support capital creation and higher dividend distributions.
- We expect the pace of capital generation to decrease as profitability declines and revenue growth drivers shift from margins to volumes. Capital requirements will moderately increase as Basel IV is phased in.

Euro area banks – Maximum Distributable Amount (MDA)
Historical



Sources: SNL, Scope Ratings

European banks – CET1 ratio vs asset risk intensity
%, Q3 2024 data

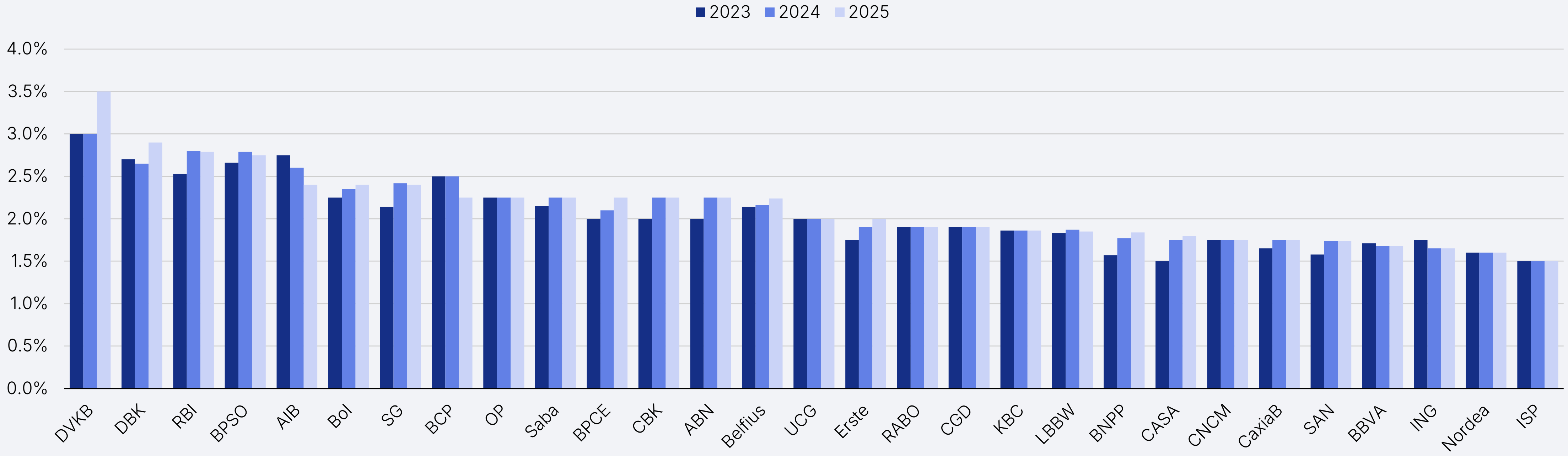


Sources: EBA Risk Dashboard, Macrobond, Scope Ratings

Capital | Stable Pillar 2 requirements following the 2024 SREP cycle

- The ECB's 2024 review set average P2Rs for 2025 at around 2.1% of risk-weighted assets, remaining stable. Only 11% of banks saw worsening SREP scores, mainly due to higher interest-rate risk in banking books, while increased profitability improved scores overall.
- Intesa has the lowest P2R among the largest players. Four Spanish and four Italian banks are among those with the lowest P2Rs

Rated Euro area banks – Pillar 2 requirements
Based on SREP exercise

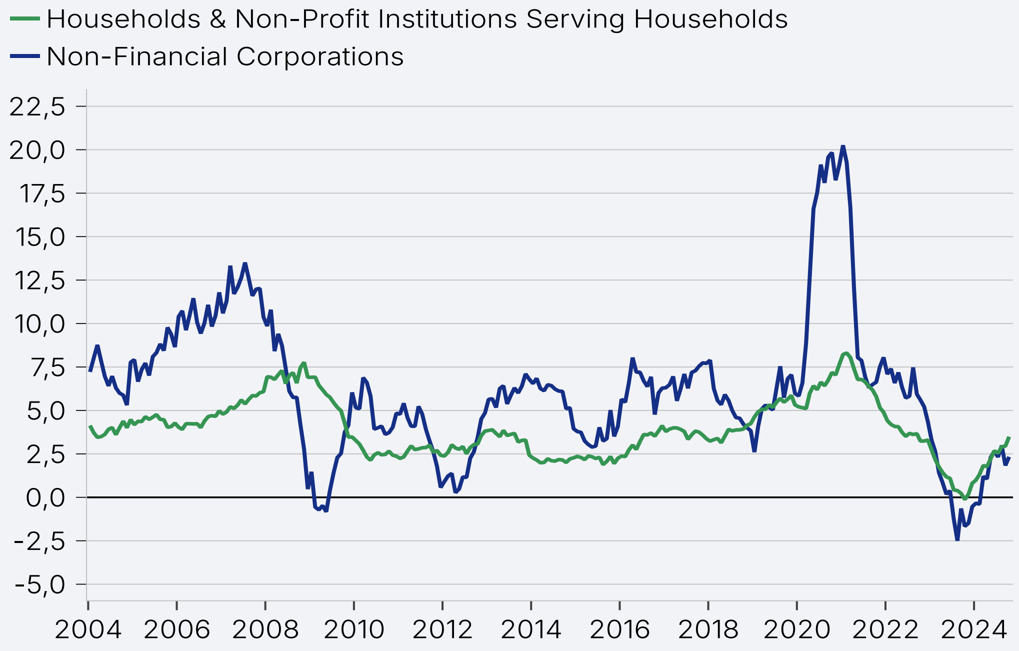


Sources: ECB, Scope Ratings

Funding & liquidity | Limited impact of monetary tightening on large European banks

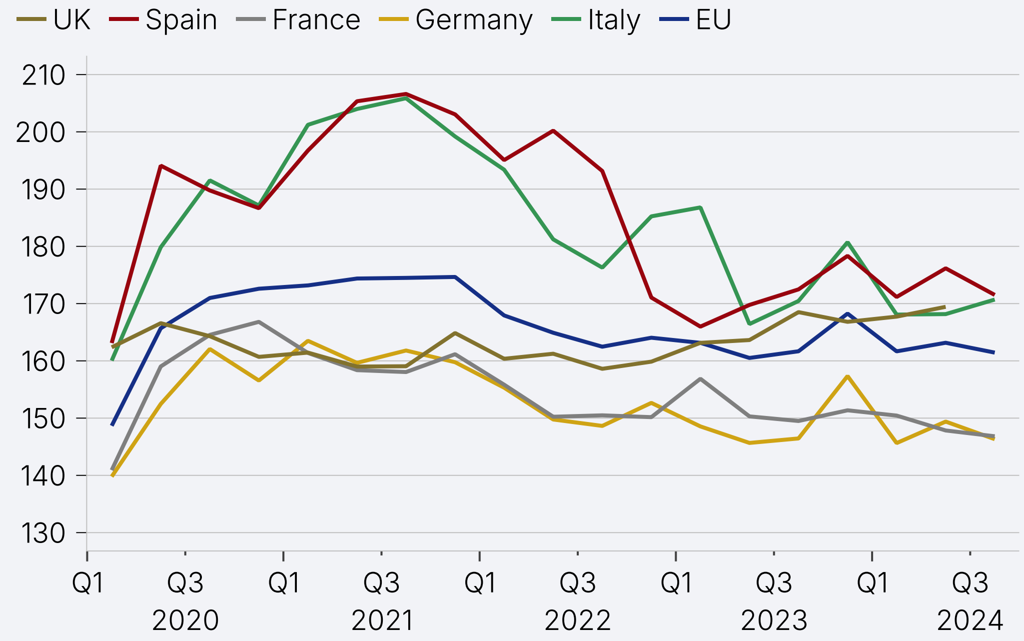
- After declining in 2023, euro-area deposits are growing again, easing funding pressures. Declining rates reduce competition for deposits. Debt issuance will moderately grow for both funding and MREL purposes.
- Liquidity remains solid despite TLTRO III repayments, supported by increased holdings of government bonds and covered bonds, which qualify as high-quality liquid assets.

Euro area banks – Deposit growth rate
%



Sources: ECB, Macrobond, Scope Ratings

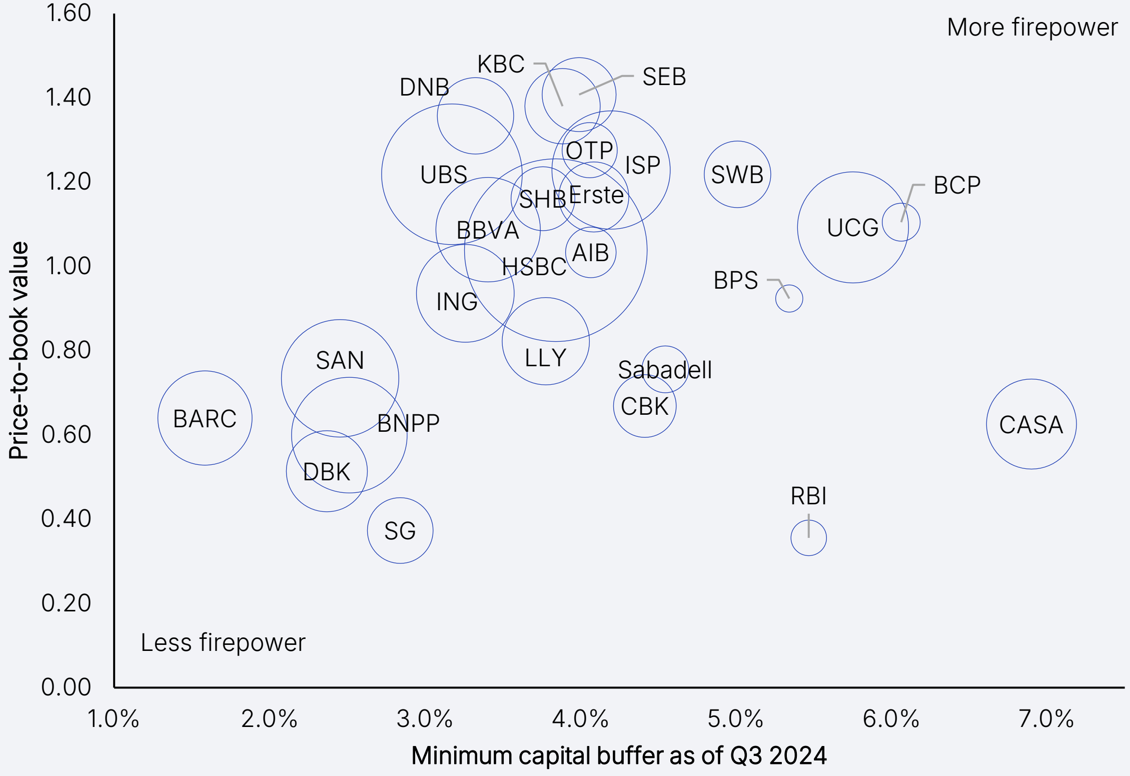
Liquidity coverage ratio
Historical, %



Sources: EBA Risk dashboard, IMF, Macrobond, Scope Ratings

Sector developments | More consolidation to come in 2025

Capital headroom and market position: potential consolidators
Selected rated banks



Notes: Market data as of 13/01/2025. Bubble size represent market capitalization. CASA's minimum capital buffer refers to the group. Source: SNL, Scope Ratings

Value for shareholders: banks must safeguard current market valuations as we have entered a less favourable interest-rate cycle.

Firepower: Excess capital and strong relative pricing position make some banks natural consolidators.

Synergies in domestic deals: domestic M&A offers greater potential for value creation through cost synergies in both physical distribution and overlapping central functions.

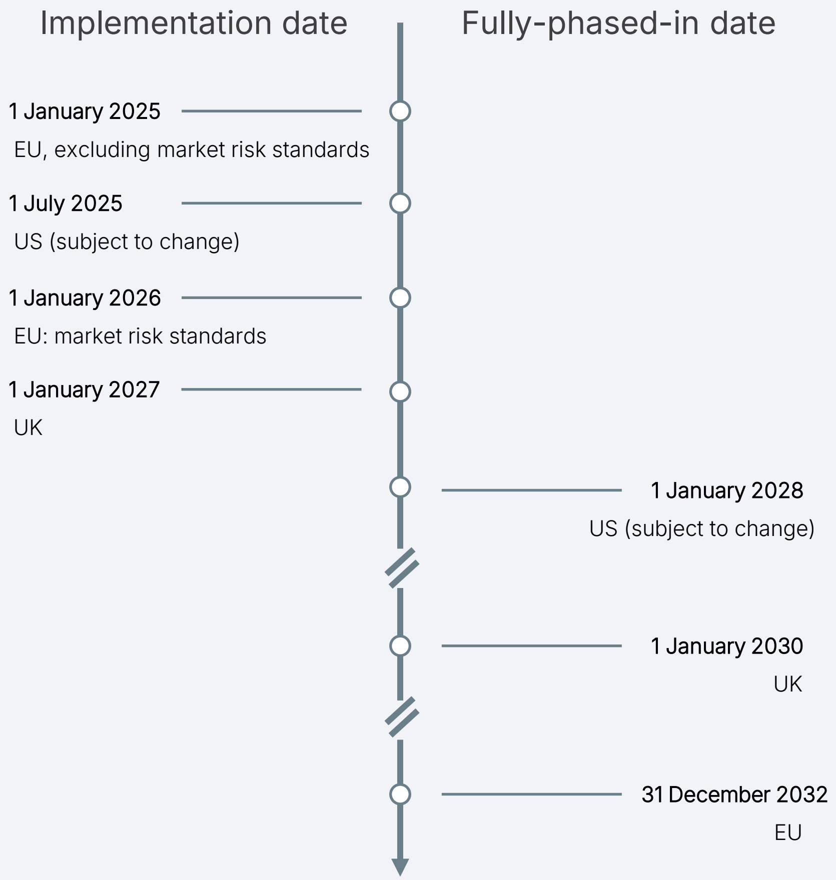
Financial conglomerates: From January 2025, CRR3's permanent Danish Compromise allows banks to avoid fully deducting their significant investments in insurance firms from their capital calculations.

Large cross-border M&A challenges: Cost synergies are limited given the lack of overlapping distribution networks, while the potential for regulatory ring-fencing limits funding cost savings. Incomplete Banking Union limits the fungibility of capital and liquidity across borders. Political resistance also hinders large cross-border mergers.

Sector developments | Basel 3 implementation in process

- **Within Europe, the implementation timeframe is broadly aligned.** The EU has postponed implementation of revised market-risk standards considering the delays in other major jurisdictions and the potential impact on the competitiveness of EU banks.
- **Manageable impact on capital requirements for EU banks.** The EBA estimates EUR 5.1bn in additional capital is needed to fully comply by 2033. For large, internationally active banks, Tier 1 capital requirements rise by 8.6% or by 12.2% for G-SIIs more specifically[1].
- **US regulatory changes remain uncertain**. The original proposal suggested a 16% CET1 increase for large firms, later revised to 9% for US G-SIBs and 3%-4% for other large non-G-SIBs. The push to tighten regulations is likely to stall under the Trump administration.
- **A race to the bottom in global banking regulation is unlikely**. Regulators remain committed to implementing final reforms and safeguarding financial stability. Greater scrutiny and regulation of non-bank financial institutions to come.

Timeline for implementation of final Basel 3 reforms



Note: Dates for the US are from original proposal of July 2023
Source: Council of the European union. UK PRA. US Federal Reserve, Scope Ratings

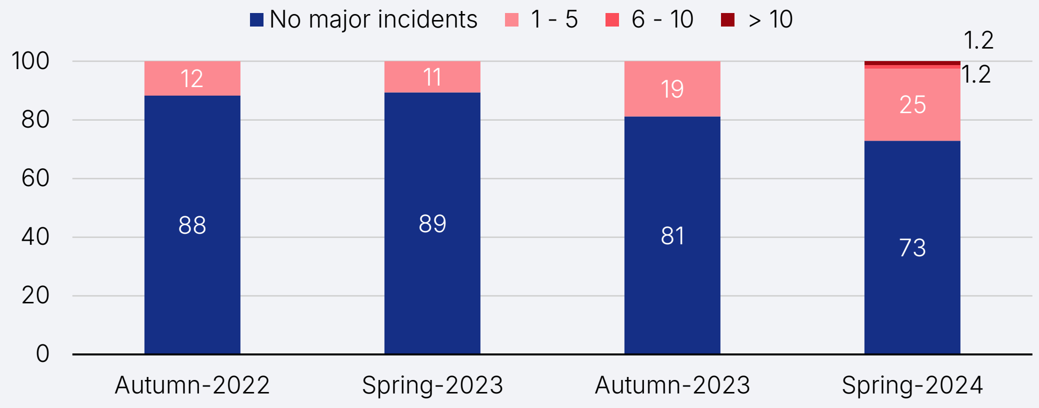
[1] EBA Basel III Monitoring Exercise, results based on data as of 31 December 2023.

 | Cyber attacks represent a growing threat for the industry

➢ Cyber risk and data security are by far the most prominent drivers of operational risk for European banks. As of H1 2024, operational risk accounted for roughly 11% of risk-weighted assets for our top 40 rated European banks.

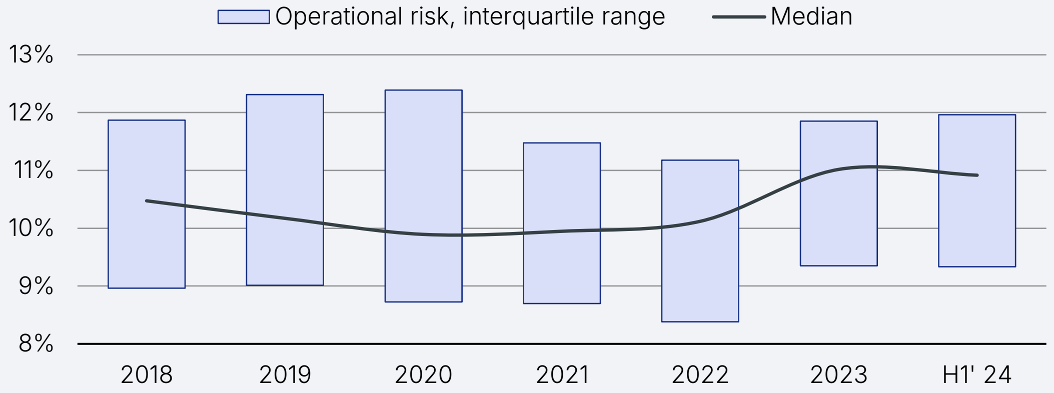
➢ Higher vulnerability: Despite higher investments in IT security, European banks face a growing number of successful cyber-attacks amid heightened geopolitical tensions. The ECB's recent cyber resilience stress test shows that there are areas for improvement.

Cyber attacks resulting in major ICT-related incidents
EBA sample, %



Note: Responses refer to the previous six months. Sources: EBA Risk Assessment Questionnaire, Scope Ratings

Operational risk as % of total RWAs
Scope's top 40 European rated banks



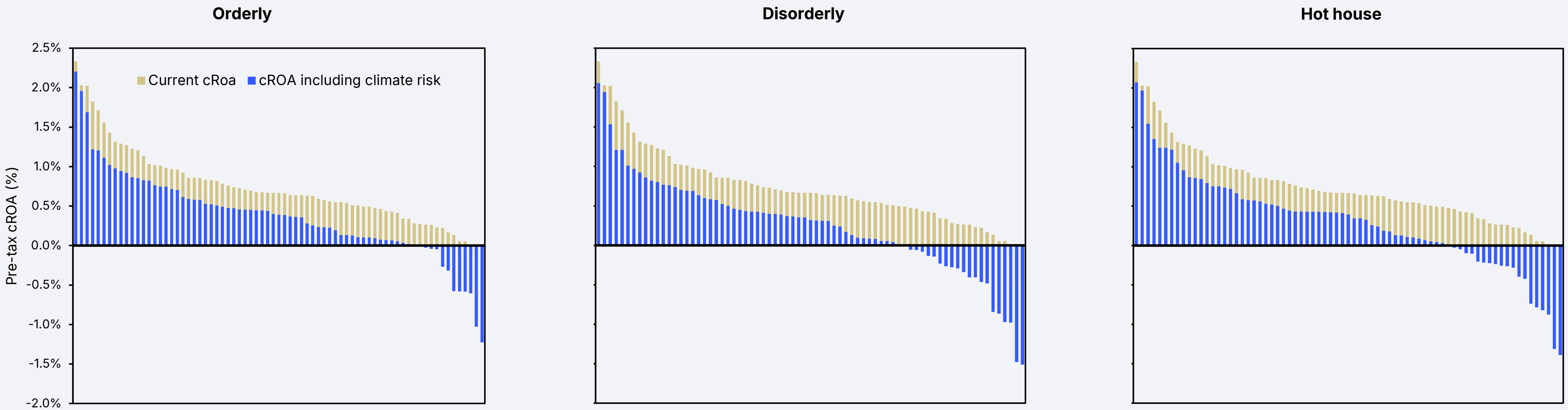
Sources: SNL, Scope Ratings

➢ Potential Impacts: So far, operational losses from cyber attacks have been limited for European banks. However, the IMF reports a global increase in both frequency and scale of "extreme loss events" in the financial sector. Regulators warn that cyber attacks can threaten macrofinancial stability by undermining confidence and disrupting critical services.

Sector developments | Management of climate-change related risks is crucial

- Scope's recent climate stress test study indicates that European banks could face a tripling of credit losses under the Network of Central Banks and Supervisors for Greening the Financial System (NGFS) disorderly and hot house scenarios.
- Banks in Southern and Eastern Europe are most vulnerable owing to higher projected damage from physical risk.
- Banks need credible climate-change risk management plans and proactive engagement with clients to lower credit risk.

Distribution of average pre-tax cROA*, 2045-2050
Based on Scope's Climate Stress test



*Pre-tax credit portfolio return on assets, calculated as the ratio between pre-tax profits and interest-bearing assets.
Notes: NGFS orderly scenario: high short-term transition risk, lower physical risk. Disorderly scenario: medium transition and physical risk. Hot house scenario: low transition risk. High physical risk.
Source: NGFS, EBA, Scope Ratings

Regional Outlook | France

Profitability ↗	We expect profitability to improve compared to 2024 supported by the lagging repricing of the loan book. The stabilisation of deposit costs will reduce pressure on margins, while a higher component of non–interest income, a common feature of French banking groups, will continue growing and will outpace EU peers.
Asset Quality ↘	We expect asset quality to deteriorate given the still-high interest-rate environment, economic uncertainty and confidence of households. The challenges of volatile domestic market dynamics are a concern, but given the well diversified sector breakdown of the banks' corporate portfolios, we do not expect sector-specific deterioration to be material.
Capital ↗	French banks will maintain adequate capitalisation levels, limited by comparably lower organic capital generation vs EU peers but supported by lower shareholder remuneration. We do not expect significant changes in capital levels in 2025 as capital deployment remains focused on RWA growth, while divesting strategies continue to be in place for banks with larger capital-intensive activities.
Funding & Liquidity ↗	The stabilisation of time deposits across French banks provides better oversight of liquidity dynamics for 2025. As larger players with significant CIB activities maintain a large wholesale funding base, we expect debt issuance to closely follow the market and benefit from the expected decrease in interest rates.
Other factors ↘	Challenging domestic economy prospects: lending dynamics should show signs of recovery but the potential for subdued growth remains high, based on uncertainty still related to the impact of the government's restrictive fiscal stance and geopolitical tensions.

Regional Outlook | Germany

Profitability ↘	Profitability is expected to be moderately lower than in 2024, with supportive factors including structural hedges and a continued focus on cost control. At the same time, profitability remains structurally lower than in other European markets. Lending volumes are expected to stabilise at low levels.
Asset Quality ↘	Risks for asset quality remain tilted to the downside but should be manageable overall. Germany's economy has been stagnating for two years, and growth for 2025 is expected to remain below 1%. Additionally, while prices in CRE transactions recently stopped declining, the volume of transactions is low and there is further risk of corrections.
Capital ↗	Moderately positive trend to continue across Germany's main banking segments. Returning excess capital to shareholders remains a focus of large banks. Macroprudential measures remain in place, with a CCyB of 0.75% of RWAs and a sectoral systemic risk buffer of 2% of RWAs for loans secured by residential real estate.
Funding & Liquidity →	Stable deposit and funding profiles.
Other factors ↘	Risks to the German growth outlook could impact' lending volumes and asset quality. Near-term headwinds include potential US tariffs on German exports, as well as a lengthy coalition formation after federal elections in February. If a new government introduces stimulus more forcefully than expected, growth could be more benign than currently expected.

Regional Outlook | Italy

Profitability ↘	We foresee sector profitability moderately declining in 2025, as growth in non-interest income will not fully offset the impact of normalising net interest margins. Earnings could be materially hit if the ECB cuts rates rapidly and steeply.
Asset Quality →	We do not expect a material deterioration in asset quality, barring a sharp macroeconomic downturn. With easing borrowing costs and employment at record highs, we see retail loan books performing well. At the same time, low but positive economic growth should support corporate credit quality.
Capital →	Banks will maintain healthy buffers over capital requirements thanks to strong earnings generation and capital optimisation. The impact from Basel IV will be manageable and spread over several years. On average, minimum requirements will increase as the SyRB of 1% on credit and counterparty risk exposures is fully phased in (0.5% in 2024, 0.5% by H1 2025).
Funding & Liquidity →	No funding pressure as deposit outflows have halted and loan growth remains muted. TLTRO III repayments did not impact banks' liquidity or funding ratios. The limited take-up of the ECB's MRO highlights banks' solidity. Banks expect net issuance of c. EUR 15bn in 2025, down from EUR 22bn in 2024 (Source: EBA).
Other factors ↗	M&A: further consolidation among second and third-tier banks can lead to further efficiency gains and stronger institutions The risk of political instability is lower than in the past, given the centre-right's comfortable majority in parliament.

Regional Outlook | Norway

Profitability →	With an expected moderate decline in interest rates, net interest margins will decline. However, credit growth will mitigate the impact on net interest income. We therefore expect a flattening of profitability among Norwegian banks, most of which are heavily reliant on net interest income.
Asset Quality ↗	Asset quality will be supported in the near term by lower interest rates. The easing of financial conditions, including a slight easing of macroprudential residential real estate exposure (RRE) requirements, may bolster housing markets. This will, in turn, support the recovery of property developers, amid pent-up demand and few housing completions in recent years.
Capital ↗	Norwegian banks with RRE and CRE portfolios using the Standardised Approach will gain material RWA savings from the introduction of CRR3. IRB banks, on the other hand, will see increases in RWA as the Norwegian average risk weight floor on RRE exposures will be increased from 20% to 25%, expected to outweigh the removal of the Norwegian LGD floor of 20%.
Funding & Liquidity →	Unlike lending growth, growth in deposits will slow as interest rates fall. About 20 smaller banks will receive simplified MREL requirements for the first time, to be fulfilled by the end of 2027. This will further strengthen the resilience of the banking sector.
Other factors ↗	Recovering consumer and business sentiment may support near-term profitability and asset quality. Savings bank M&A is likely to continue, with the potential to strengthen business profiles and improve economies of scale.

Regional Outlook | Spain

Profitability ↘	We expect sector profitability to decrease moderately in 2025 compared to 2024, as margins start to reflect the reduction in interest rates and the cost of deposits considering the higher component of time deposits. Fees and commissions should continue their positive trend, supported by the recovery of loan volumes and higher AuM and wealth management products.
Asset Quality ↘	While we expect asset quality to normalise, with NPL levels above those of 2024 as a result of growing consumer and retail lending, we do not expect this to be material. Further deterioration could come from commercial loans to sectors highly exposed to international trade, as the macroeconomic and geopolitical scenario remains uncertain.
Capital →	Banks will maintain current buffers over capital requirements thanks to strong earnings generation and capital optimisation. The expected growth in lending volumes will be supported by organic capital generation. Distributions to shareholders will remain at least at 50% of profits.
Funding & Liquidity ↗	Funding pressure should be limited as deposits from customers have stabilised, with a balanced mix between time and sight deposits. Liquidity will remain adequate and will follow the growth dynamics of loan portfolios.
Other factors ↘	M&A: The potential acquisition of Banco de Sabadell by BBVA could further consolidate the positioning of top players, while among small and medium-sized banks, we expect more aggressive competition in lending to profitable segments. Banking tax: The extension of the banking tax could add pressure to players with a higher revenue base from domestic operations.

Regional Outlook | Sweden

Profitability ↘	We expect profitability to decline moderately in 2025 compared to 2024, as net interest income adjusts following the reduction on interest rates. While fees and commissions recover from a weak performance in 2024, management of operating expenses and low cost of risk levels continue to be key drivers supporting profitability.
Asset Quality →	We do not expect material deterioration in asset quality since financial conditions are easing rapidly, supporting also the recovery of sectors with high refinancing needs such as CRE. Mortgage portfolios should show an increase in NPLs but we do not expect this will be big enough to erode profitability.
Capital ↗	Banks will continue with comfortable buffers to capital requirement and above EU peers. Shareholder distributions will remain high, reaching almost 100% of MDA via dividends and additional share buybacks, as positive results continue to support organic capital generation.
Funding & Liquidity ↗	Funding from customers should improve as the shift of sight deposits to highly remunerated products finally stabilises. Liquidity will remain strong as most Swedish banks maintain a large pool of high-quality liquid assets, both in domestic and foreign currency.
Other factors ↘	Slower than expected economic recovery could add pressure to loan growth and decrease further loan volumes and expectations for commercial lending activity.

Regional Outlook | United Kingdom

Profitability ↘	Sector profitability will moderate from highs seen in 2024. Some recovery in loan growth and structural hedging will support net interest income while banks with diversified business models should benefit from fee income. An ongoing focus on managing costs will allow for investments that support business growth.
Asset Quality →	We expect asset quality to be resilient underpinned by low unemployment rates and the high share of mortgages in loan portfolios. However, as rates remain elevated and new taxes (e.g. National Insurance employer contributions) come into effect, this could put pressure on the economy and businesses.
Capital →	Large UK banks have set clear CET1 targets. We expect capital positions to remain in line with guidance and excess capital to be distributed and/or used for strategic opportunities. Regulatory headwinds will be manageable: Basel 3.1 implementation has now been postponed to 1 January 2027 and the UK PRA will be reviewing Pillar 2 requirements to avoid double counting.
Funding & Liquidity →	Deposit flows are stabilising and remain supportive of funding profiles. Two-thirds of drawings under the Bank of England's Term Funding Scheme with additional incentives for SMEs (TFSME) fall due in 2025, with large banks well positioned to repay these. Banks continue to benefit from diverse sources of wholesale funding.
Other factors ↘	Review of UK motor finance commissions creates uncertainty for banks exposed to this segment. Decisions from the FCA and court rulings are expected this year, which will determine the magnitude of potential customer redress.

Appendix| Research sample

For this Outlook, we have used a sample of the 40 largest banks by total assets rated by Scope in Europe

BANKS	COUNTRY	BANKS	COUNTRY
ABN AMRO Bank	Netherlands	DNB ASA	Norway
AIB Group plc	Ireland	Erste Group Bank	Austria
Banca Popolare di Sondrio	Italy	Groupe BPCE	France
Banco Bilbao Vizcaya Argentaria	Spain	HSBC Holdings	United Kingdom
Banco Comercial Português	Portugal	ING Groep	Netherlands
Banco de Sabadell	Spain	Intesa Sanpaolo	Italy
Banco Santander	Spain	KBC Group	Belgium
Bank of Ireland Group	Ireland	Landesbank Baden-Württemberg	Germany
Barclays	United Kingdom	Lloyds Banking Group	United Kingdom
Belfius Bank	Belgium	NatWest Group	United Kingdom
BNP Paribas	France	Nordea Bank	Finland
Caixa Geral de Depósitos	Portugal	OP Financial Group	Finland
CaixaBank	Spain	OTP Bank	Hungary
Commerzbank	Germany	Raiffeisen Bank International	Austria
Coöperatieve Rabobank	Netherlands	Skandinaviska Enskilda Banken	Sweden
Crédit Agricole Group	France	Société Générale	France
Crédit Mutuel Alliance Fédérale	France	Svenska Handelsbanken	Sweden
Danske Bank	Denmark	Swedbank	Sweden
de Volksbank	Netherlands	UBS Group	Switzerland
Deutsche Bank	Germany	UniCredit	Italy

Appendix | Selected research available on ScopeRatings.com

- Covered Bond Outlook 2025: Credit stability in times of increasing uncertainty, January 2025
- Stress-testing European banks: significant climate-related credit losses likely, January 2025
- French banks outlook: Fundamentals support profitability; political uncertainty clouds loan growth, December 2024
- Sovereign Outlook 2025: robust fundamentals, rising fiscal pressures and geopolitical uncertainty, December 2024
- UniCredit flexes robust financial position to pursue growth in Italy and Europe, November 2024
- Spanish banks 2025 outlook: strong economy supports loan growth, tax extension could erode profits, November 2024
- Italian Bank Quarterly: strengthening business models amid less favourable earnings outlook, November 2024
- Government divestment of bank stakes could revitalise European bank M&A, October 2024
- European Bank Capital Quarterly: Basel 3 implementation imminent, refinements likely, October 2024
- EU banks: NPL ratio stable in Q2 but modest asset-quality deterioration to persist, October 2024
- Global economic outlook: A resilient world economy faces US election test, October 2024
- Full depositor preference a step towards EDIS?, August 2024
- Supervisory changes to assess bank risk and calculate capital add-ons a positive step, August 2024
- European banks in Russia: exceptional factors drive profits amid pressure to exit, August 2024
- European Bank Capital Quarterly: refinements to supervision and regulations are credit supportive, July 2024

Appendix| Overview of Scope's financial institutions team

10+ years of rating activity

Team established in London in 2013

European analytical DNA

Analysts operating in Scope offices in London, Frankfurt, Milan, Oslo and Paris, with deep knowledge and understanding of domestic banking markets.

Diversity as an added value

FI ratings analysts come from a variety of personal and professional backgrounds: rating agencies (small and large), credit buy side, equity sell side, banks.

Languages we speak:

Scope at a glance

Registered credit rating agency

ESMA accreditation in 2012
One of the "Big Five" (2023[1])

(European Securities and Markets Authority)

Pan-European

Berlin · London · Madrid
Frankfurt · Milan · Paris · Oslo

Serving ~600 institutional investors

with total assets under management of circa € 145trn

ECB

Only European rating agency holding ECAF[2] status since

2023

250+ employees

Entrepreneurial culture

Only European rating agency

mandated[3] by the European Union

[1] See "EU Credit Ratings market 2023" (2023) [2] "ECB accepts Scope Ratings within Eurosystem Credit Assessment Framework" (2023) [3] Please see "European Commission mandates Scope to rate its creditworthiness" (2022).

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