

RESEARCH & ANALYSIS

Hungary's OTP tops European bank performance ranking**Thursday, June 20, 2024 8:06 AM ET**By Ben Meggeson, Cheska Lozano
Market Intelligence, Commodity Insights

The largest bank in Hungary and the two biggest in Poland have topped S&P Global Market Intelligence's inaugural ranking of Europe's best-performing banks.

Of the 50 largest publicly listed European lenders, [OTP Bank Nyrt.](#), [PKO Bank Polski SA](#) and [Bank Polska Kasa Opieki SA](#) (Bank Pekao) performed best overall based on a mix of 2023-end financial metrics, bolstered by high central bank rates that supercharged profits.

About this analysis

In this analysis, companies were ranked according to seven weighted financial metrics: return on average equity (16%), net interest margin (16%), noninterest income/average assets (16%), cost-to-income (16%), problem loan ratio (16%), net stable funding ratio (10%) and common equity Tier 1 ratio (10%). The mean for each metric was identified across the sample, and standard deviations from these means were calculated for each metric for each institution and aggregated to determine a relative performance score. Scores for each metric were also capped to help normalize the data.

Performance ranking of the 50 largest publicly listed European banks

Data for the 12 months ended Dec. 31, 2023, unless otherwise stated

Financial performance rank	Company name (ticker-exchange)	Headquarters	Ranking metrics								
			Total assets (€B)	ROAE (%)	Net interest margin (%)	Noninterest income/average assets (%)	Cost-to-income (%)	Problem loan ratio (%)	Net stable funding ratio (%)	CET1 ratio (%)	
1	OTP Bank Nyrt. (OTP-BUSE)	Hungary	103.56	26.97	3.92	2.08	49.70	3.78	●	153.00	16.65
2	PKO Bank Polski SA (PKO-WSE)	Poland	115.41	13.25	4.12	1.29	36.61	3.50	●	156.60	17.77
3	Bank Polska Kasa Opieki SA (PEO-WSE)	Poland	70.35	24.83	4.13	1.12	40.56	6.13	●	166.86	15.24
4	Swedbank AB (publ) (SWED A-OM)	Sweden	256.88	18.49	1.94	0.72	37.88	0.42	●	123.70	18.97
5	Banco Comercial Português SA (BCP-ENXTLS)	Portugal	94.37	14.40	3.33	0.88	54.01	1.41	●	167.00	15.49
6	National Bank of Greece SA (ETE-ATSE)	Greece	74.58	15.74	3.50	0.64	35.74	3.74	●	150.35	17.84
7	Banca Monte dei Paschi di Siena SpA (BMPS-BIT)	Italy	122.61	23.89	2.00	1.36	43.24	4.01	●	130.09	18.14
8	BPER Banca SpA (BPE-BIT)	Italy	142.13	17.73	2.41	1.73	57.15	1.70	●	128.40	14.46
9	AIB Group PLC (A5G-ISE)	Ireland	136.35	15.06	3.01	0.68	43.75	3.02	●	159.00	16.55
10	Skandinaviska Enskilda Banken AB (publ) (SEB A-OM)	Sweden	324.60	17.87	1.38	0.81	38.86	0.32	●	112.00	19.10
11	Eurobank Ergasias Services and Holdings SA (EUROB-ATSE)	Greece	79.78	15.35	3.09	0.89	32.47	3.60	●	128.10	16.93
12	Piraeus Financial Holdings SA (TPEIR-ATSE)	Greece	76.45	11.32	3.18	0.73	30.00	2.10	●	133.14	13.21
13	DNB Bank ASA (DNB-OB)	Norway	306.89	15.16	1.88	0.55	34.53	1.32	●	117.11	18.18
14	Raiffeisen Bank International AG (RBI-WBAG)	Austria	198.24	13.27	2.83	1.20	51.38	3.51	●	141.41	17.30
15	Nordea Bank Abp (NDA SE-OM)	Finland	584.70	16.63	1.39	0.72	42.84	0.40	●	118.70	17.05
16	Credito Emiliano SpA (CE-BIT)	Italy	68.02	15.71	1.85	1.31	56.24	1.60	●	132.00	15.51
17	Svenska Handelsbanken AB (publ) (SHB A-OM)	Sweden	318.26	14.85	1.51	0.40	41.09	0.31	●	120.00	18.83
18	Banco Bilbao Vizcaya Argentaria SA (BBVA-BME)	Spain	775.56	16.00	3.22	1.02	41.32	3.68	●	130.89	12.67
19	Nationwide Building Society (NBS-LSE) ¹	UK	316.46	9.86	1.76	0.08	45.70	0.70	●	149.00	27.38
20	UniCredit SpA (UCG-BIT)	Italy	784.97	15.10	1.77	1.24	49.09	2.32	●	130.00	16.14
21	Mediobanca Banca di Credito Finanziario SpA (MB-BIT) ²	Italy	94.91	10.17	2.22	1.59	48.02	2.21	●	119.55	15.34
22	UBS Group AG (UBSG-SWX)	Switzerland	1,553.59	36.88	0.52	2.24	93.63	0.91	●	124.66	14.36
23	Erste Group Bank AG (EBS-WBAG)	Austria	337.16	14.55	2.20	0.82	50.21	2.33	●	142.38	15.75
24	HSBC Holdings PLC (HSBA-LSE)	UK	2,749.09	12.79	1.78	1.01	48.22	2.05	●	138.00	14.81
25	Jyske Bank A/S (JYSK-CPSE)	Denmark	104.60	13.67	1.29	0.68	44.29	1.59	●	136.19	16.87
26	Bank of Ireland Group PLC (BIRG-ISE)	Ireland	155.71	13.30	2.54	0.50	45.95	3.16	●	157.24	14.53
27	Banque Cantonale Vaudoise (BCVN-SWX)	Switzerland	63.25	12.40	1.02	0.95	53.30	0.35	●	120.40	17.91
28	Bankinter SA (BKT-BME)	Spain	113.01	16.50	2.07	0.41	40.49	2.44	●	141.03	12.30
29	KBC Group NV (KBC-ENXTBR)	Belgium	346.92	14.64	1.58	1.00	56.55	2.07	●	136.00	15.25
30	ING Groep NV (INGA-ENXTAM)	Netherlands	975.58	14.50	1.61	0.68	49.42	1.80	●	132.00	14.68
31	CaixaBank SA (CABK-BME)	Spain	607.17	14.02	1.75	0.68	41.36	3.05	●	144.00	12.38
32	Danske Bank A/S (DANSKE-CPSE)	Denmark	505.93	12.70	1.13	0.48	48.04	1.77	●	125.90	18.76
33	NatWest Group PLC (NWG-LSE)	UK	798.21	12.79	2.02	0.53	53.64	1.46	●	133.00	13.36
34	Intesa Sanpaolo SpA (ISP-BIT)	Italy	963.57	12.33	1.90	0.93	52.17	2.04	●	121.10	13.73
35	Banco Santander SA (SAN-BME)	Spain	1,797.06	12.02	2.58	0.82	48.65	3.41	●	123.23	12.30
36	Banco BPM SpA (BAMI-BIT)	Italy	202.13	9.39	1.88	1.11	55.21	2.90	●	128.54	14.16
37	Lloyds Banking Group PLC (LLOY-LSE)	UK	1,015.76	12.06	1.57	0.61	58.10	1.59	●	130.00	14.56
38	ABN AMRO Bank NV (ABN-ENXTAM)	Netherlands	377.91	11.61	1.62	0.59	60.69	1.91	●	140.00	14.27
39	Alpha Services and Holdings SA (ALPHA-ATSE)	Greece	73.66	8.81	2.55	0.63	38.84	4.97	●	130.40	14.74
40	Luzerner Kantonalbank AG (LUKN-SWX)	Switzerland	61.67	7.41	0.74	0.33	50.15	0.11	●	131.75	13.36
41	Banco de Sabadell SA (SAB-BME)	Spain	235.17	9.88	2.04	0.44	51.54	3.59	●	140.31	13.19
42	Virgin Money UK PLC (VMUK-LSE) ¹	UK	105.83	4.12	1.87	0.15	51.53	1.43	●	136.00	14.35
43	Standard Chartered PLC (STAN-LSE)	UK	744.43	6.99	1.03	1.18	64.86	2.53	●	136.00	14.05
44	Barclays PLC (BARC-LSE)	UK	1,702.61	7.64	0.92	0.82	61.63	2.16	●	138.00	13.80
45	Commerzbank AG (CBK-XTRA)	Germany	517.17	6.90	1.70	0.41	61.60	1.75	●	130.20	14.69
46	Unicaja Banco SA (UNI-BME)	Spain	97.15	4.12	1.50	0.39	55.88	3.13	●	148.50	14.98
47	Deutsche Bank AG (DBK-XTRA)	Germany	1,312.33	6.67	1.16	1.13	74.89	2.61	●	121.00	13.74
48	BNP Paribas SA (BNP-ENXTPA)	France	2,591.50	8.82	0.88	1.02	64.90	2.91	●	115.92	13.20

49	Crédit Agricole SA (ACA-ENXTPA)	France	2,189.40	9.45	0.69	0.52	55.95	2.62	●	111.78	11.77
50	Société Générale SA (GLE-ENXTPA)	France	1,554.05	4.50	0.72	0.96	72.80	3.06	●	118.77	13.15
Group median			13.26	1.86	0.82	49.56	2.18	131.88	14.77		

● Nonperforming loans/net customer loans ● Impaired loans/net customer loans

Data compiled May 16, 2024.

ROAE = return on average equity; CET1 = common equity Tier 1.

Analysis limited to the 50 largest publicly listed European banks, excluding Russian and Turkish banks, by total assets as of Dec. 31, 2023, with templated data available for at least six of the seven metrics.

Companies were ranked according to seven weighted financial metrics: ROAE (16%), net interest margin (16%), noninterest income/average assets (16%), cost-to-income (16%), problem loan ratio (16%), net stable funding ratio (10%) and CET1 ratio (10%). The mean for each metric was identified across the sample, and standard deviations from these means were calculated for each metric for each institution and aggregated to determine a relative performance score. Scores for each metric were also capped to help normalize the data.

Net interest margin represents net interest income, on a fully taxable-equivalent basis if available, as a percent of average earning assets. If average earning assets is not available, average financial assets may be used.

¹ Data for Nationwide Building Society and Virgin Money UK PLC are for the 12 months ended Sept. 30, 2023.

² Mediobanca Banca di Credito Finanziario SpA's ROAE (%), net interest margin (%), noninterest income/average assets (%) and cost-to-income (%) were calculated by combining data from their annual and quarterly reports, which may be on different bases due to the adoption of IFRS 17 in 2023.

Source: S&P Global Market Intelligence.

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Higher rates boost margins

Banks across Europe benefited from higher central bank interest rates in 2023, with the rate-hiking cycle prompted by inflation stoked by Russia's invasion of Ukraine in 2022. Hungary's policy rate was 13% and Poland's 6.75% for much of 2023, and banks in those markets increased earning-asset yields more quickly than funding costs. Budapest-based OTP, and Warsaw-based PKO and Bank Pekao, had the highest year-end net interest margins of any major European lenders at 3.92%, 4.12% and 4.13%, respectively.

These strong margins on lending fed into profits. Of the banks in Market Intelligence's sample, OTP had the second-highest return on average equity (ROAE) of 26.97%, compared to a group median of 13.26%. Its noninterest income, which captures fee-generating business, was also among the highest. In 2023, the bank was [hit by problems](#) at an Uzbek bank it had recently bought, but it recorded lower risk costs in the first quarter of 2024 and expects greater corporate loan demand to pick up in the remainder of the year. OTP placed second in Market Intelligence's [recent ranking](#) of central and southeastern European banks' share price growth potential.

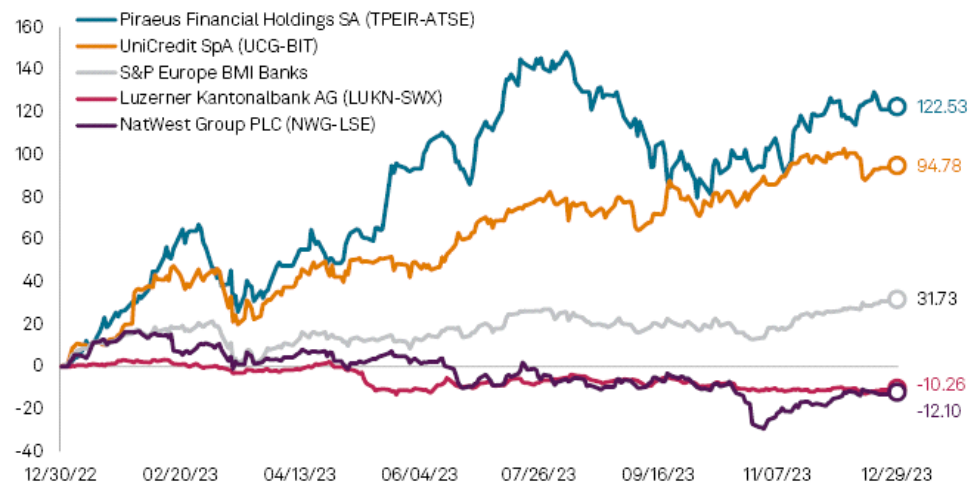
Along with a strong net interest margin, PKO had a relatively low cost-to-income ratio and strong liquidity and capital. Its net stable funding ratio stood at 156.6% at the end of 2023, compared to a median of 131.88% for the sample, and its common equity Tier 1 ratio was 16.65%, compared to a median of 14.77%. In the first quarter of 2024, PKO [beat analyst expectations](#) for net profit, with a strong increase in both lending income and fee income.

Pekao's strong performance was underpinned by a large year-over-year increase in profits in 2023. ROAE was 24.83%, [driven](#) by high interest rates and a reduced impact from a mortgage-holder support scheme that had hit earnings the year before. The bank is also supported by state-linked investors and its low exposure to legacy Swiss franc-denominated mortgages means it is less exposed to a costly ongoing legal issue than domestic peers.

Along with other Polish banks, PKO and Pekao are set to [increase their dividends](#) this year. Pekao plans to pay the highest dividend in its history, of 19.2 zlotys per share.

Best- and worst-performing European bank stocks among top 50

Total return from Dec. 30, 2022, to Dec. 29, 2023 (%)



Data compiled May 21, 2024.

Analysis includes the 50 largest listed banks headquartered in Europe by total assets as of Dec. 31, 2023. Data shown for the two companies with the highest and lowest total returns.

Source: S&P Global Market Intelligence.

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French banks at the bottom

France's three biggest banks — [BNP Paribas SA](#), [Crédit Agricole SA](#) and [Société Générale SA](#) — occupied the bottom three positions in Market Intelligence's ranking, having underperformed European peers on most metrics.

Structural issues have limited the amount of benefit that French banks have been able to derive from higher European Central Bank interest rates. They must abide by a so-called usury rate, which caps the amount they can charge when granting a home loan. At the same time, they are exposed to regulated savings accounts on which they must pay a certain minimum interest rate. As deposit rates at many other banks rose slowly, the rate on the popular regulated Livret A savings accounts rose more quickly, forcing lenders to pass on more rate benefit and limiting lending income growth.

French banks must also shoulder the cost of large branch networks. There are more than 500 bank branches per million people in France, higher than any other major European economy. The strength of unions and political pressure make it difficult for banks to close branches, although [many are pushing cost-cutting programs through](#).

SocGen, which was the least-efficient French bank, has a larger proportion of regulated savings accounts than BNP Paribas and Crédit Agricole, as well as a higher cost-to-income ratio. SocGen's year-end ROAE of 4.5% was well below the 13.26% sample median. All three of the big French banks underperformed the sample median in terms of liquidity, capital and problem loan ratios.

There were [signs of recovery](#) in the first quarter of 2024, with aggregate revenues at SocGen, BNP and Crédit Agricole bouncing back from year-ago levels. Yet French banks face possible turbulence from the snap parliamentary elections scheduled for June 30 and July 7. Bank share prices declined sharply, and French sovereign bond spreads widened, after President Emmanuel Macron called the election, and lenders may face higher funding costs in the long term given France's fiscal position, RBC Capital Markets wrote in a June 14 note.



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