



HSBC'S LEAD ON FRENCH COMPETITORS NARROWS

The Banker's 2021 Top 250 European Banks ranking shows that the industry has withstood the test of the pandemic; however, challenges around profitability remain. *Joy Macknight* reports.

There is nothing quite like a global pandemic to test resiliency in the banking industry. After years of coping with low interest rates and compressed margins, European banks faced the economic fallout of Covid-19 lockdowns.

For example, the 27-nation EU bloc saw a 6.2% decline in gross domestic product (GDP) in 2020, according to the World Bank, with Spain and Italy suffering the biggest drops of 10.8% and 8.9%, respectively. The largest EU economies, Germany and France, also saw contractions of 4.9% and 8.1%, respectively. Ireland was the only one of the 27 that experienced economic expansion, recording a 3.4% rise in GDP.

Outside the EU, the UK experienced a 9.8% drop, while Switzerland saw a more muted decline of 2.9%. Like Ireland, Turkey also bucked the general trend, with a 1.8% increase in GDP.

This has certainly impacted the profitabil-

ity of the region's banks. In *The Banker's* Top 250 European Banks ranking, only 77 of the 215 institutions that recorded a profit in 2020 managed to increase their pre-tax profits.

HSBC IN POLE POSITION

The UK numerically dominates the Top 250 ranking with 36 lenders, including bank holding companies and foreign-owned subsidiaries, followed by Switzerland (33) and Germany (27).

London-headquartered HSBC remains the largest lender in the region by Tier 1 capital, expanding by almost 8% to \$160.2bn. However, the two biggest French banks, Crédit Agricole and BNP Paribas, are beginning to close the gap, both reporting around a 20% increase in Tier 1 capital, as well as double-digit growth in assets (21.2% and 26.3%, respectively). As a result, BNP Paribas has overtaken HSBC to become the largest lender by assets (\$3.1tn) in the region.

French banks occupy five of the top 10

positions in this year's ranking, with Groupe BPCE, Crédit Mutuel and Société Générale also recording double-digit growth in Tier 1 capital.

But it is Intesa Sanpaolo that has seen the highest percentage increase in Tier 1 capital among the top 10 banks. The Italian lender added 41.0% to its Tier 1 capital, which stands at \$72.3bn. Following its acquisition of UBI Banca in mid-2020, it has moved up seven spots to join the elite club in eighth position.

JPMorgan Germany saw the biggest jump in Tier 1 capital in 2020, with a 179% rise. It climbed 44 places to 39th in the ranking. Banque Postale recorded the second-largest increase (97.1%) in Tier 1 capital, as well as the largest growth in pre-tax profits (430.1%). The French lender also reports the best return on capital ratio (25.7%), well above the regional average of 3.1% calculated in *The Banker's* Top 1000 World Banks ranking.

TOP PERFORMERS

Looking at performance on a country level, we applied our best-performing methodology to the largest bank holding companies in six countries: Austria, Denmark, Greece, the Netherlands, Portugal and Switzerland. (Please read *The Banker's* Top 1000 World Banks to see the best-performance results for France, Germany, Italy, Spain and the UK).

The largest bank in the Netherlands, ING, which topped the overall best-performing table last year, has fallen to third place among its five largest peers, overtaken by both specialist lender Bank Nederlandse Gemeenten (BNG) and rival Rabobank. BNG comes in first, with high scores in profitability, operational efficiency, asset quality and return on risk.


Out of Switzerland's five biggest banks, private bank J Safra Sarasin comes out on top, while Credit Suisse, the country's biggest lender and the best-performing bank in 2020, is relegated to fifth place. J Safra Sarasin was first in the cohort for operational efficiency, asset quality and liquidity.

In Austria, regional player Oberbank is crowned the overall best-performing bank, with table-topping results in the asset quality, soundness and leverage metrics. The country's second largest lender, Raiffeisen Bank International, retains second place in the table, but manages to improve on its overall score from last year.

Denmark's fourth-largest bank, Sydbank, moves from last place in 2020 to first place in 2021, outperforming its peers in profitability, asset quality, return on risk, liquidity and leverage. The country's largest lender, Danske Bank, maintains third position; leading its peers in growth, but coming bottom of the cohort for profitability.

In Portugal, Credito Agricola is crowned best-performer for 2021, overtaking the country's largest lender, Caixa Geral de Depositos, which drops into second place. Credito Agricola, a private co-operative financial group, outperformed its peers in growth, asset quality and liquidity.

The best-performing bank among the biggest four banks in Greece is the National Bank of Greece (NBG), with an overall score of 8.31. It comes out on top in six of the eight metrics used in *The Banker's* methodology, particularly operational efficiency and liquidity. Eurobank Ergasias, the best-performer in 2020, falls to the bottom of the table in 2021, with a score less than half of NBG's.

To see individual bank scores, please visit thebanker.com. 

BEST-PERFORMING BANKS METHODOLOGY

The Banker's global and regional rankings are industry-standard measures of bank size by Tier 1 capital. While the current rankings include some additional data to give an overall impression of bank performance, they use only a fraction of the very detailed analysis undertaken by our research team.

Knowing which bank is biggest, or has grown fastest, is useful but what people really want to know is "which bank is the best performer?"

We have developed a model that scores and ranks banks in eight key performance categories, using 17 ratios, and assigns an overall best-performing bank score and ranking.

The key requirement of the model was that it could be used to identify the best performers in any sample group, be it an existing global, regional or country ranking or custom peer group such as global systemically important banks.

The model only uses performance ratios, and year-on-year percentages and basis points changes, so the size of a bank has no influence on its best bank ranking position.

The performance categories and indicators are:

- Growth – Annual percentage growth in assets, loans, deposits and operating income.
- Profitability – Return on assets, return on equity, profit margin, asset utilisation (and annual basis points [bps]

change in these ratios).

- Operational efficiency – Cost-to-income ratio (and annual bps change in these ratios).

- Asset quality – Allowance for loan losses to gross total loans, non-performing loans, impairment charges to total operating income (and annual bps change in these ratios).

- Return on risk – Return on risk-weighted assets (and annual bps change in this ratio).

- Liquidity – Loans-to-assets ratio, loans-to-deposits ratio (and annual bps change in these ratios).

- Soundness – Capital assets ratio (and annual bps change in this ratio).

- Leverage – Total liabilities to total assets (and annual bps change in this ratio).

When the peer group data is imported, the model assigns a score for each indicator based on the relative distribution of values. Thus a bank that significantly outperforms on a particular indicator will receive a proportionately higher score. The maximum possible score for each category is 10 points and the maximum overall score is 80 points.

The model is neutrally weighted so that the underlying ratios and annual bps changes are of equal significance. Each performance category receives equal weighting. We plan to produce an online version of the benchmarking tool, which will allow users to assign data point and category weights according to their own preferences.



AUSTRIA'S BIGGEST BANKS, RANKED BY PERFORMANCE

Rank	Bank	Growth	Profitability	Operational efficiency	Asset quality	Return on risk	Liquidity	Soundness	Leverage
1	Oberbank	4	2	5	1	4	3	1	1
2	Raiffeisen Bank International AG	2	1	2	3	1	1	4	4
3	Bawag Group	1	2	1	4	3	4	5	2
4	Erste Group	2	5	3	5	5	2	3	4
5	Raiffeisenlandesbank Oberösterreich Aktiengesellschaft	5	2	4	2	2	5	2	3

DENMARK'S BIGGEST BANKS, RANKED BY PERFORMANCE

Rank	Bank	Growth	Profitability	Operational efficiency	Asset quality	Return on risk	Liquidity	Soundness	Leverage
1	Sydbank	2	1	5	1	1	1	3	1
2	Spar Nord Bank	3	3	4	5	3	3	1	2
3	Danske Bank	1	5	3	4	5	2	5	5
4	Aktiesikr	4	2	1	3	2	5	2	3
5	Jyske Bank	5	4	2	2	4	4	4	4

GREECE'S BIGGEST BANKS, RANKED BY PERFORMANCE

Rank	Bank	Growth	Profitability	Operational efficiency	Asset quality	Return on risk	Liquidity	Soundness	Leverage
1	National Bank of Greece	1	1	1	1	1	1	2	2
2	Alpha Bank	2	2	2	3	2	4	1	1
3	Piraeus Bank Group	3	3	4	4	3	3	3	3
4	Larobank Ergasias	4	4	3	2	4	2	4	4

THE NETHERLANDS' BIGGEST BANKS, RANKED BY PERFORMANCE

Rank	Bank	Growth	Profitability	Operational efficiency	Asset quality	Return on risk	Liquidity	Soundness	Leverage
1	Bank Nederlandse Gemeenten	3	1	1	1	1	5	5	5
2	Rabobank Group	2	4	2	4	2	3	1	1
3	ING Group	4	3	3	3	3	2	3	2
4	SNS Bank	1	2	5	2	4	4	4	3
5	ABN Amro Group	5	5	4	5	5	1	2	3

PORTUGAL'S BIGGEST BANKS, RANKED BY PERFORMANCE

Rank	Bank	Growth	Profitability	Operational efficiency	Asset quality	Return on risk	Liquidity	Soundness	Leverage
1	Crédito Agrícola	1	2	2	1	2	1	2	3
2	Caixa Geral de Depósitos	3	1	2	2	1	2	1	1
3	Millennium bcp	2	3	1	3	3	4	3	2
4	Banco Montepio	4	4	4	4	4	5	4	4
5	Novo Banco	5	5	5	5	5	3	5	5

SWITZERLAND'S BIGGEST BANKS, RANKED BY PERFORMANCE

Rank	Bank	Growth	Profitability	Operational efficiency	Asset quality	Return on risk	Liquidity	Soundness	Leverage
1	J Safra Sarasin Holding	5	2	1	5	2	1	1	1
2	UBS	2	1	3	3	1	3	5	5
3	Zürcher Kantonalbank	1	3	4	2	3	4	4	3
4	Raiffeisen Switzerland	3	4	2	1	4	5	2	2
5	Credit Suisse Group	4	5	5	4	5	2	3	4

Source: www.thebankerdatabase.com