



VIEWPOINT

Retail Banking Monitor 2025

The race to win the retail banking future

The blessings of another strong year for European retail banks

As the saying goes, good things often come in threes. In 2024, the ongoing interest-rate tailwind continues to significantly boost retail banking income, following strong performances in both 2022 and 2023. In addition to rising interest rates, a few retail banks are reaping the rewards of their cost transformation

initiatives and the successful adoption of digital service models. Overall, 2024 has proven to be another positive year for European retail banks, with topline increasing by 3% and profits by 4%.

Over the past decade, neobanks and challenger banks have made a noticeable impact on the retail banking landscape. They are approaching a tipping point where they could begin to capture a significant share of income from traditional incumbents. Our analysis has identified ten key attributes that vary in presence among both larger and smaller challengers. In response, some incumbent banks have launched in-house ventures and initiatives aimed at competing with these emerging players.

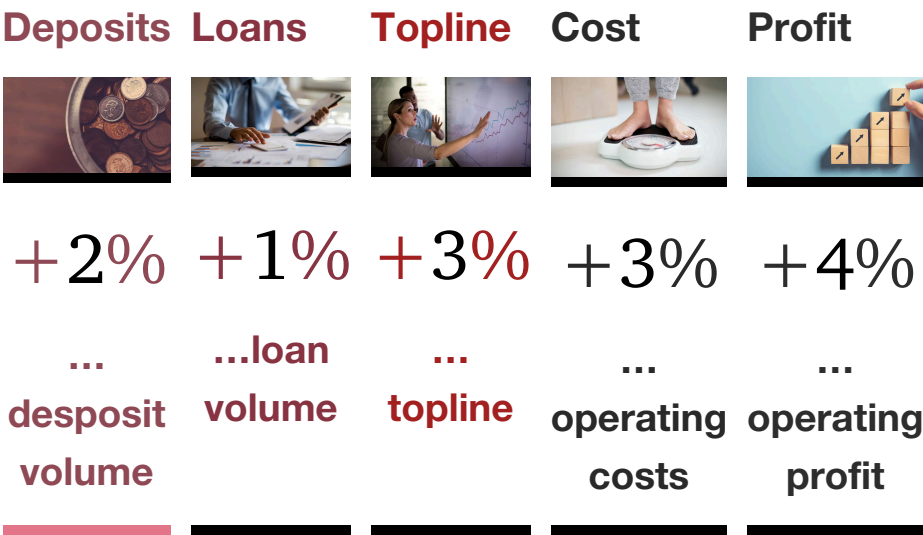
Looking ahead, we anticipate that challengers will evolve in different directions: some may pursue a strategy for global scale, while others might focus on profitability within regional markets. Meanwhile, incumbents are likely to concentrate on building digital models that incorporate physical branches, developing an innovation portfolio compliant with regulatory requirements, and effectively managing their balance sheet capacity.

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Robust retail banking income growth

across our global sample

KPIs of the European retail banking market in 2024



In Europe, while retail banking income has slightly increased, progress in other areas has stalled, most notably in terms of fee and commission income growth. Cost have increased in line with income. The sustained interest-rate tailwind offers an extended opportunity for retail banks to resolve these challenges.

Global retail banking income remains strong in 2024

In 2024, retail banks worldwide have maintained high income levels, primarily fueled by ongoing tailwinds from interest income. Many customers continue to keep substantial amounts of their funds in current or low-interest savings accounts, allowing banks to reap significant margin benefits.

In Europe, overall topline has remained stable at a high level, but the share of fee and commission income per customer has stagnated at 27%. There still exists an opportunity for growth in interest income.

However, a potential shift in interest rate policy - possibly influenced by upcoming U.S. trade barriers - could impact this advantage, prompting a renewed focus on fee generation and cost management. In a challenging scenario, such as the implementation of universal tariffs of 10%, interest rates might be reduced toward zero to mitigate the economic fallout and support the EU’s growth trajectory in key markets.

**Income breakdown over years per customer
(rounded)**

					655	658
				574	462	454
548	542	521	533	379	71%	69%
373	365	350	348	66%		
68%	67%	67%	65%			
154	158	158	169	177	175	178
28%	29%	30%	32%	31%	27%	27%
2018	2019	2020	2021	2022	2023	2024
Net interest income		Net fee and commission income			Other income	

Note: Operating income and cost per customer based on constant 2024 FX rates
Source: Strategy& Retail Banking Monitor 2025

Five priorities for European retail banks

To remain competitive in a rapidly evolving market with a strongly growing customer base among challenger banks, traditional retail banks must focus on achieving a sales transformation and radically simplifying their operating models. Here are five key priorities:

Customer acquisition

Product innovation

Balance sheet management

Monetization strategies

Segment focus

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