Global banking and capital markets sector
Key themes for 3Q13 earning calls

November 2013
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Scope, limitations and methodology of the review

The purpose of this review is to examine the key themes discussed during the 3Q13 earnings reporting season among 35 global institutions operating within the banking and capital markets sector.

This review is limited to the examination of transcripts of the earnings conference calls held from 29 August 2013 to 13 November 2013. The review does not take into consideration information from other sources, such as news reports, annual reports and company press releases.

The period covered was 3Q13, ended 30 September 2013. Exceptions are the following:

• Canadian Imperial Bank of Commerce (CIBC), Royal Bank of Canada (RBC) and Toronto-Dominion Bank, for which the period covered, 3Q13, ended 31 July 2013
• Nomura Holdings, for which the period covered was 2Q14
• Macquarie Group, for which the period covered was 1H14
• Australia and New Zealand Banking Corporation (ANZ) and National Australia Bank (NAB), for which the period covered was full-year 2013

Banks were selected on the basis of their size and the availability of earnings call transcripts. Every effort was made to ensure a global sample of banks was included in the review:

• Mitsubishi UFJ Group Bank, Mizuho Financial Group and Sumitomo Mitsui Financial Group were excluded from the analysis due to the lack of transcript availability.
• Bank of China and Industrial and Commercial Bank of China were excluded due to the timing of the 3Q13 results reporting.

Net income, revenue and expense data are not provided for ANZ, Macquarie Group, NAB and Standard Chartered.

• ANZ, Macquarie Group and NAB disclose half-yearly and annual results only, which do not compare with the quarterly data reported by the other banks in the analysis.
• Standard Chartered did not release specific data during its 3Q13 trading update conference call.
Top 10 key themes: 3Q13 earnings season

The 3Q13 earnings season provided clear evidence that banks worldwide continue to face numerous barriers to successfully achieving what US Bancorp CEO Richard Davis described as “consistent, predictable and repeatable results,” despite multiyear efforts to adjust their businesses and strategies.

Challenges related to the operating environment remain stubbornly in place:

- Macroeconomic and political factors continue to be sources of significant headwinds. While management at most banks seems to agree that economic growth has returned and will continue in 2014, albeit at low rates, it also expects to encounter disruptive shocks along the way to economic health. This was evident in 3Q13, when uncertainties related to the unwinding of US quantitative easing programs impacted client activity levels in the US and Europe.
- Regulatory reform continues to weigh heavily on banks. The combination of newly implemented rules, ongoing reform proposals and uncertainty about domestic regulators’ application of Basel III capital requirements, has increased banks’ compliance burden.
- Legal risks are escalating as banks continue to face litigation related to legacy issues.

Performance trends in 3Q13 were mixed, and, with a few exceptions, did not demonstrate the durability or sustainability of underlying businesses.

- Bottom line results reflected the influence of numerous positive and negative factors unrelated to business performance. These include impacts from charges for accounting, litigation and regulatory matters and benefits associated with reduced credit costs and lower expenses.
- At the same time, banks continued to invest in initiatives to drive efficiency and improve the client experience, with the expectation that such investments would reap future benefits.

The combination of heightened risk and pressures on performance led to pointed questions on the part of analysts, as they sought to understand industry prospects:

- Are businesses appropriately positioned to generate future growth?
- When will investments start to pay off?
- Is there sufficient demand and capacity to fuel loan growth and related revenues in the foreseeable future?
- How long will credit quality improvements provide an earnings tailwind?
- Have banks set aside sufficient reserves to cover legal issues?

“We will be smart around trying to future-proof our businesses where we can. We won’t always get it right.”

Tushar Morzaria, Group Finance Director, Barclays
### 3Q13 earnings season: top 10 themes

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Note: Theme shaded in gold is new to the list this quarter; theme shaded in dark gray dropped out of the top 10.
Key themes overview

Theme 1.1: Drivers of earnings performance – weakness evident in both top and bottom line

Year-over-year earnings growth was primarily driven by factors other than meaningful business growth. The impact of escalating pressures in the operating environment during 3Q13 was evident in sequential earnings declines at 21 of the banks included in this analysis that disclosed quarterly earnings.* In contrast, 23 banks reported higher net income from the year-ago quarter. Notably, year-over-year earnings growth trends did not necessarily reflect banks’ underlying business strength, as the primary drivers were a range of factors unrelated to revenues:

- Banks that reported earnings growth over both prior periods (2Q13 and 3Q12) included Banco Itaú, Banco Santander, Barclays, BNY Mellon, CIBC, Commerzbank, Credit Agricole, RBC and Wells Fargo. Of these, only Banco Itaú and CIBC also reported higher revenues on both a sequential and annual basis.
- On a year-over-year basis, net losses were reversed at Barclays, Credit Agricole, Morgan Stanley and UBS, while significant earnings increases were reported by Banco Santander, Bank of America, Citigroup, Credit Suisse, HSBC, Nomura and Société Générale. Improved profitability in each case was due, in part, to the absence of charges that impacted 3Q12 results. Such charges were booked for a range of items, including own debt valuations, regulatory provisions, asset sales and restructuring.
- Reduced provisions, lower cost of risk, and/or cost cutting efforts boosted net income at BNP Paribas, Commerzbank and Wells Fargo.
- At Goldman Sachs, a sharp reduction in compensation expense helped to keep earnings flat when compared to the year-earlier period, while BNY Mellon benefited from a favorable US Tax Court ruling.
- State Street’s earnings reflected continued investments in its Business Operations and Information Technology Transformation plan.
- The earnings decline at Toronto-Dominion was driven by losses in Insurance related to “severe weather-related events in Alberta and Toronto.”
- JPMorgan Chase reported its first quarterly loss under CEO Jamie Dimon, driven by “very significant” litigation expenses. Deutsche Bank’s earnings were also impacted by additions to litigation reserves.
- Higher provisions dented net income at Intesa Sanpaolo, while a decrease in reported profit at ING Groep and Lloyds was due in part to charges related to asset sales.

In response to persistent pressure on underlying business growth, management faced challenges from analysts about whether their business and activities were appropriately positioned. Some, particularly in Europe, announced additional adjustment measures, while others expressed confidence in the validity of their current business models.

- Brady Dougan, CEO, Credit Suisse: “We are formalizing our existing wind-down strategy and enhancing our disclosure through the creation of non-strategic units within each of our two divisions. ...This clear separation of non-strategic operations will free up management time and resources to focus on our ongoing businesses and growth opportunities.”
- Ross McEwan, Group CEO, Royal Bank of Scotland (RBS): “There are some real advantages around the establishment of an internal bad bank. ...It increases our capital ratio; it normalizes our credit costs and retail risks; it reduces the entire risk of this business; and, it improves our acceleration to profitability.”
- Antony Jenkins, CEO, Barclays: “I’ve asked [new Group Finance Director] Tushar Morzaria to focus as a priority on the review we have commissioned of the original Transform analysis, looking afresh at the returns of all of our businesses considering both risk and leverage.”
- Harvey Schwartz, CFO, Goldman Sachs: “It was clearly not a good quarter for fixed income, currencies and commodities. ...The franchise feels good; we just had a tough quarter.”
- John Stumpf, CEO, Wells Fargo: “We've managed through changing environments in the past, and our experience will guide us through this period of transition as well. Our results this quarter reflected the dynamic environment we are in and the benefit of our diversity.”

* ANZ, Macquarie Group and NAB disclose half-yearly and annual results only. Standard Chartered did not release specific data during its 3Q13 trading update conference call.
Net income and revenues, percentage change from 3Q12*

*Net income percentage change is not included for MS, BCS, LLD, RBS, UBS and CA, because each of these banks reported a net loss in either 3Q12 or 3Q13.
Theme 1.2: Macroeconomic environment - complex backdrop in 3Q13, but growing optimism on the outlook

The seasonal slowdown that typically characterizes 3Q13 in the US and Europe was exacerbated by fiscal issues in the US. In the weeks leading up to the 3Q13 earnings conference call season, headlines worldwide were dominated by the US government shutdown and debt ceiling deadline, or what was described as “the dangerous flirtation with the debt ceiling” by Citigroup CEO Michael Corbat and “shenanigans in the US” by HSBC Group Finance Director Ian Mackay. While management at US banks commented on the situation at length, banks in other regions were more focused on the longer-term uncertainties related to when the US Federal Reserve would start tapering its bond-buying and quantitative easing program.

Harvey Schwartz, CFO, Goldman Sachs: “The US Government shutdown and the debate surrounding the Government debt ceiling has become a concern for our clients. The political complexity involved in finding a long-term solution has created uncertainty about the world’s economic outlook. And, as we have all seen, it has weighed heavily on market sentiment.”

Tom Naratil, CFO, UBS: “Although the ultimate outcome wasn’t that the Fed decided to taper, about 80% of the time during the quarter, if you were listening to the news or listening to different economists, the discussion was about Fed tapering. And that clearly impacted markets, clients and activity levels.”

Despite the disruptive events of the quarter, management at a number of banks expressed optimism about economic prospects for 2014, although expectations were for low growth rates, as opposed to a robust recovery. This optimism reflects improving economic indicators that suggest that after a protracted downturn, a recovery is taking hold across Europe. Eurozone GDP grew 0.3% in the second quarter of 2013 after a record 18-month contraction.

John Stumpf, CEO, Wells Fargo: “Prior to [the shutdown and debt ceiling debate], the economy had continued its pace of moderate growth with gains in consumer spending, business investment and employment. While the recovery remains uneven, there are many positive signs, including increased small business optimism and a dramatic improvement in household net worth, which provides capacity for consumer spending and borrowing going forward.”

Javier Marín Romano, CEO, Banco Santander: “The good news is that the forecast for 2014 from the International Monetary Fund (IMF) points to a general improvement and a significant one. This will probably be the first year that we have positive news for Spain and Portugal, and the year when they get out of recession. We have cleared the expectations from the IMF, 0.2% of growth for Spain and 0.8% for Portugal. We expect that the Spanish economy should be growing at a pace close to 1% and still with room for some even more positive surprises. We will see faster growth in Germany, in Poland, the UK and the US. And in Latin America, we’ll see a recovery in Mexico.”

Stuart Gulliver, Group CEO, HSBC: “We see some signs of a broadening recovery around the world. Indications are that the economy in Mainland China is stabilizing and this has positive implications for Hong Kong and the rest of Asia-Pacific. We believe the US will continue to grow, albeit at a low rate by historical standards, as will the UK, which will outperform the Eurozone. We expect GDP growth in Latin America to remain slow, although we expect the Mexican economy to strengthen in 2014. Our forecasts for global growth remain constant at 2% in 2013 and 2.6% in 2014.”

Wilfred Nagel, Chief Risk Officer, ING: “On economic developments in the Netherlands, we are seeing some early signs of a coming recovery.”

Cameron Clyne, Group CEO, NAB: “There are some tentative signs of an improving economic environment. Business confidence is at a 3.5-year high. There’s no change yet in the demand for credit, but there’s usually a three- to six-month lag. And we’re confident that the uplift in confidence will point to increased activity in 2014.”

“I think we should all bear in mind that tapering is the end of something very unusual as opposed to the beginning of something terribly restricted. We’ve been calling for an end to tapering since the beginning of the year.”

Anshu Jain, Co-CEO, Deutsche Bank
Theme 1.3: Expense trends - banks invest in technology to drive efficiency and simplification

“Our objective is to redesign the bank so we can do the same [things] with lower costs.”

Javier Marín Morano, CEO, Banco Santander

Effective cost management remains a high priority for banks in all regions. Despite the positive economic outlook for 2014, there is little expectation that there will be a resurgence in revenue growth next year. As such, banks remain acutely focused on generating sustainable cost savings. During 3Q13, management reported continued progress on the efficiency and cost management programs that were launched in previous quarters. Management also provided details on investments in information technology (IT) that are intended to drive efficiency and improve the customer experience, thereby supporting future growth. Analysts sought to determine how long IT expenses will reflect increased spending and when banks might expect to reap benefits from their investments.

Jeffrey Campbell, CFO, American Express: “Historically, our strategy in the technology development area has been to outsource a lot of work, and, therefore, the costs run through the professional services line. You have heard us talk a lot about some of the really interesting things we’re doing around big data. A portion of that involves some very complex IT work, and that is some of what is driving up our technology costs in a very positive way. … A 15% year-over-year increase [in professional services] is not what we would expect as an ongoing run rate. But that is part of what’s going on this quarter.”

Ángel Cano Fernández, COO, BBVA: “Our investments in technology go into software, but then we have to get the payback. And so, there’s a certain lag in time before we see the impact on our income statement, but we have to roll out our platforms so that we have a standardized architecture throughout the group, so that we can take advantage of one-off developments that can be used everywhere in the world, and that will be reflected in better commercial productivity and better service for our customers in future years.”

Lars Machenil, CFO, BNP Paribas: “We have launched a few additional projects [under the Simple and Efficient plan] in the quarter, meaning that 88% of the projects we have identified are now up and running. Recurring cost savings in the first nine months of 2013 reached €549m, meaning that we have already exceeded our indicative target of €500m for the year.”

Michael Smith, CEO, ANZ: “The final pillar of our super-regional strategy is an enterprise approach to building the businesses on common platforms and processes. This is an operational strategy involving our hubs, business simplification and investment in technology. The outcome is lower unit costs, better management of risk through standardization and stronger enterprise standards and controls. Importantly, this is also delivering a better service for our customers by bringing products to market more quickly. We’re now at a more mature stage of our operations and technology strategy, and we’re really beginning to realize the benefits of investments that we have made in the last few years.”

Antony Jenkins, Group CEO, Barclays: “The second macro challenge, and something that I have described as the strategic battleground for banks over the next 20 years, is cost. This is not simply a question of becoming more efficient in reducing the cost of doing business. … The key to success is through greater use of technology. That is why a significant proportion of the investment in the cost to achieve [Project] Transform is and increasingly will be focused on industrialization and innovation. We are working on ways to automate systems that have traditionally been performed manually, all but removing the risk of human error and simultaneously driving down cost. Huge waves of activity have the potential to be automated, and we are in the vanguard of driving that in Barclays.”

Rogério Paulo Calderón Peres, Member of the Management Board, Banco Itaú: “The first and most important is the investment that we are doing in IT. … We have important efficiencies to capture out of this investment here. We don’t think that this should imply any further pressure on our profitability.”

Ross McEwan, CEO, Royal Bank of Scotland: “There’s a lot of spend going on in the business at the moment to remediate from the IT failure that happened 16 months ago. A lot of that is not just for resilience, but also to give us some more capability and capacity inside those systems. Most businesses’ core systems are pretty sound for a long period of time, just like ours. But it’s what you put on top of them that’s more important, and that’s where we’ve been concentrating our efforts. And I think we’ll show benefits over the next two to three years.”
Non-interest expenses, percentage change from prior periods

- JPM: 49% - 54%
- STT: 22%
- ITAU: 1% - 10%
- TD: 4% - 8%
- RBC: 0%
- AXP: 3% - 5%
- DB: 4%
- BK: 3%
- CIBC: 2% - 3%
- BCS: 0%
- BBVA: -3% - 0%
- WFC: -1% - 0%
- ING: -1% - 1%
- SG: -1% - 1%
- USBC: -2% - 0%
- USB: 0%
- BNP: -2% - 3%
- MS: -3% - 2%
- CBK: -3% - 1%
- UCG: -3% - 2%
- C: -4% - 4%
- STD: -4% - 3%
- CA: -5% - 2%
- LLD: -5% - 1%
- RBS: -5% - 3%
- INT: -6% - 1%
- BAC: -7% - 2%
- HSBC: -7% - 6%
- CS: -11% - 10%
- NOM: -23% - 25%
- GS: -11% - 24%
- UBS: -33% - 7%

Change from 3Q12  Change from 2013
Theme 1.4: Capital issues - compliance with Basel III risk-based capital ratios appears assured

Banks are on track to comply with Basel III risk-based capital requirements. In 3Q13, banks’ disclosures of Common Equity Tier 1 (CET1) ratios revealed continued capital strength and confidence that compliance at the 2019 end-point is virtually assured. Nevertheless, significant regional variances on the timing and application of the Basel III risk-based capital requirements remain in place, even in countries where the rules have already been implemented. In light of the uncertainties, banks have set internal targets above already-known regulatory requirements as they await the finalization of national rules.

- Tim Sloan, CFO, Wells Fargo: “Our estimated CET1 ratio under Basel III increased to 9.54%, exceeding our target of 9% for the first time, which includes a 100-basis-point internal buffer.”
- Stephan Engels, CFO, Commerzbank: “We have taken a somewhat more prudent and cautious approach than in the previous quarters on the Basel III fully loaded ratio in that some of the papers issued by the European Banking Authority indicate that the netting of certain positions is not as previously assumed.”
- Richard Meddings, Group Finance Director, Standard Chartered: “We run with capital buffers ahead of the regulatory requirements in each of the markets [in which we operate]. It’s certainly becoming an area of greater complexity to manage. That is certainly true as different jurisdictions bring in different aspects at different time frames of the Basel III menu, so it’s becoming more complex to manage, but the bank remains strongly capitalized in all of the markets in which we operate.”
- Lars Machenil, CFO, BNP Paribas, “With respect to a phased-in [CET1 estimate], I’m sad to say that I’ve given up on that one. … We really prefer to stick to the fully loaded one. … We honestly believe that going for the fully phased is the only one where there is no ambiguity.”
- Stuart Gulliver, Group CEO, HSBC: “We set our guidance around the Common Equity Tier 1 ratio end-point at above 10% back in May. We certainly think above 10% continues to be relevant. … I think it’s entirely possible that as the UK implements CRD IV we may get guided to higher point, but I think at this stage in the game, there’s simply far too much uncertainty to conclude where that might be.”
- Mark Joiner, Executive Director Finance, NAB: “What we had said in the past was that we would go to an 8.25% Core Equity Tier 1 and then see how things settle down. … That gives us a buffer to the minimum [set by the Board of Directors]. And then when we get into a world where things start to clarify, the Board will go back to what it did in the mid-2000s, which is starting to narrow the buffer it can live with relative to the regulator.”
- Michael Smith, CEO, ANZ: “In terms of capital requirements, how long is a piece of string? I really don’t know. All I can say is that the discussions going on in Europe and the US would say that this issue has not gone away. Quite clearly, we are in a better position than most European and North American banks and we believe that we have sufficient capital to cope with most likely increases. But I think it’s too soon to call that one. And indeed, I think it’s more confused now than it was this time last year.”

Basel III CET1 ratios, fully loaded (unless noted)

*Australian Prudential Regulatory Authority rules; **All-in basis; #Advanced approach; ±Standardized approach
Theme 5: New regulatory proposals - no relief from regulatory reform

“There continues to be significant regulatory uncertainty on the horizon.”

Stuart Gulliver, Group CEO, HSBC

The regulatory environment remains complex. More than five years after the financial crisis, regulators continue to propose new rules in an effort to ensure the safety and soundness of the financial system. During the 3Q13 earnings season, management comments called attention to the unrelenting challenges associated with these efforts. A wide range of regulatory topics was discussed, including scrutiny of physical commodities businesses, the US Federal Reserve’s proposed supervisory framework for foreign banking organizations and new processes related to the clearing of OTC derivatives, among others. The regulatory topics that generated the most discussion, however, were competing leverage ratio requirements and the upcoming asset quality review (AQR) in the Eurozone.

- Tom Naratil, CFO, UBS: “On the leverage ratio debate, we’ve been very clear that we don’t think it’s helpful for six different competing proposals to be out there. And hopefully the answer isn’t that we have six different approaches across the globe. Moving to a position where there’s more harmonization, and more common definitions of numerators and denominators, will clearly help investors and creditors.”
- Gerald Hassell, CEO, BNY Mellon: “The supplementary leverage ratio (SLR) remains a focus for us and the market in general, and we’re certainly supportive of strong leverage ratio standards and good liquidity management. However, we’ve been meeting with policy-makers to provide an opportunity for them to understand how the proposed SLR affects the market, and we hope to see a final rule that does not create a disincentive to hold a strong liquidity position.”
- Tushar Morzaria, Group Finance Director, Barclays: “On which particular measure of leverage we are managing to, I’d say first and foremost, we obviously, at a very minimum, need to hit the Prudential Regulation Authority’s (PRA) expectation of 3% on their stress measure of leverage. That’s a slightly more onerous calculation than the present CRD methodology and we’re very confident that we will hit that in June.”
- Nicholas Moore, CEO, Macquarie Group: “The other element that’s being developed is the leverage ratio. Again, we haven’t got details from the Australian Prudential Regulation Authority (APRA) on what this leverage ratio looks like. But with regard to what’s being said from the draft requirements, it looks like we’re coming in at about 5.5, which is well in excess of the 3% minimum ratio. Now again, both of these elements are subject to APRA formulating its view on those issues.”

In October 2013, the European Central Bank released the details of the comprehensive assessment of the European banking industry that it is undertaking over the next year. One element of the assessment is the asset quality review (AQR), an in-depth examination of loans on banks’ balance sheets. During the 3Q13 conference calls, management at a number of the banks subject to the review offered their views on the exercise.

- Javier Marín Romano, CEO, Banco Santander: “We believe it’s a good exercise in transparency, which is key in order to recover trust in the financial sector. And we will see for the first time a more level playing field. ... With respect to non-performing loans and refinanced loans, the criteria that are being applied are basically the same criteria as are being applied in Spain by the Bank of Spain. So we feel very comfortable with that.”
- Lars Machenil, CFO, BNP Paribas: “With respect to the AQR stress test, well, the thing is, first of all, we really welcome this. We said this before — having one rulebook for Europe, having one regulator, I think it is really what the doctor ordered. And so on top of that, I think we’re very pleased that the AQR is doing this in a granular way.”
- Carlo Messina, CEO, Intesa Sanpaolo: “Looking at the asset quality review, my position is that I cannot see any kind of risk, because in my opinion, it is an exercise with a level playing field attitude.”
Theme 6: Lending trends - loans expected to grow in 2014, but at continued low rates

**Lending trends reflect weak economic growth.** Banks have the capacity to increase lending, but they face two significant barriers. The first is that, after years of cleaning up the bad loans made prior to the financial crisis, they are now unwilling to compromise on underwriting standards or pricing. The second is macroeconomic conditions. Expected macroeconomic improvement in 2014 will not be robust enough to drive material loan growth, although it is likely to be sufficient to prevent further declines in loan balances.

- Ralph Hamers, CEO, ING: “Clearly, we are a large bank in this country and we have to service our clients, but we will be very cautious as to the risk that we take on the books vis-à-vis the current economic situation and as well as the outlook there.”
- Geoffrey Allan Tomlinson, Non-Executive Director, NAB: “We’ll continue to protect our franchise and look to grow as momentum comes back into the system, but we’ll be very disciplined on credit and risk management. What we have seen in the market over the course of the last year is an easing or a softening in credit and risk appetite in the marketplace. And we’ve chosen not to compete at the margin where we feel that the credit terms and the overall pricing doesn’t justify the risk.”
- Tim Hockey, Group Head of Canadian Banking, Toronto-Dominion: “We’re probably feeling a little more optimistic right now about the outlook than we would have this time last quarter; we’ve seen some green shoots. Having said that, we still feel that it’s not going to return to the heyday of consumer lending or real estate-secured lending growth that you would have seen a number of years ago.”
- Brian Moynihan, CEO, Bank of America: “Demand has been picking up, but it’s still not as strong as it would be because of the 2% growth rate economy.”
- Federico Ghizzoni, CEO, Unicredit, “For Italy, I would be happy if 2014 is substantially in line with 2013. ... We could say the level of loans will not increase too much but will also not decrease versus 2013.”

In the US, mortgage lending slowed down considerably in response to higher interest rates. In other markets, mortgage banking remained a key driver of loan growth. In the UK, banks expect the Government’s Help to Buy scheme to provide a material boost to mortgage demand.

- Tim Sloan, CFO, Wells Fargo: “We’re in a transitional period in our mortgage business. As expected, with the increase in mortgage rates, our mortgage origination volume declined this quarter. ... If rates remain where they are today, we would expect lower origination volume in the fourth quarter.”
- Ross McEwan, CEO, RBS: “I see reasonably good growth in the home-lending market. You’re starting to see the economy start pushing some of that through. Our problem has been we haven’t had enough capability in the organization to actually take up enough of that growth.”
- António Horta-Osório, Group CEO, Lloyd’s Banking Group: “As we said when the [Help to Buy] scheme was launched, there is very strong interest through the Halifax brand where we launched the scheme first. Lots of interest from customers and also non-customers. ... My expectation is that this will be quite significant and [the rate of mortgage growth in the next few quarters] will increase significantly.”
- Michael Smith, CEO, ANZ: “We saw the strongest overall growth of all major Australian banks across home lending, deposits and credit cards. We saw strong customer acquisition in Commercial, with 30,000 new clients and above-system growth in lending and deposits. And these results are not just one-off. We’ve had above-system growth in mortgages for the past 14 consecutive quarters and in commercial lending and deposits for the past six consecutive quarters.”

**End of period net loans, percentage change from 3Q12**

Global banking and capital markets sector
Theme 7: Cross-border/Location strategy - banks monitor non-domestic markets to ensure benefits outweigh risks

“Emerging markets growth has slowed and will likely remain uneven, but we still believe these markets will outpace developed market growth. That being said, we manage our risk prudently and continue to adjust our appetite based on the latest trends and conditions.”

Michael Corbat, CEO, Citigroup

Banks are committed to their global footprints, but carefully monitor associated risks. During the 3Q13 earnings season, management comments on the continued execution of location strategies reflected their keen awareness of the risks and benefits associated with targeted markets. Banks continue to align their cross-border activities with economic conditions, internal risk parameters and core strategic focus.

- RBC’s Co-Group Head of Capital Markets Mark Standish discussed the bank’s recent restructuring of Capital Markets in Europe: “We’ve been focused on identifying products [in Europe] where we really can be best in class in terms of what we offer to our clients. ... Going forward, we remain very committed to origination in Europe, particularly in the sovereign, supranational and agencies space and also in the corporate space, and then, obviously, on the other side, investing clients.”

- Antony Jenkins, Group CEO, Barclays: “As part of our strategic review, we have focused [the wealth] business much more on markets where we have scale and competitive advantage. You’ll have heard that we have exited prospecting in a large number of countries for that reason.”

- Brady Dougan, CEO, Credit Suisse: “In emerging markets, we continue our strong growth in areas such as Brazil, China, the Middle East, Indonesia and Russia. We continue to enhance our onshore and offshore offerings in Singapore and Hong Kong and we will expand additional client interface, particularly in the Asia Pacific region.” At the same time, Credit Suisse has established a small markets initiative, described by CFO David Mathers, “This program involves full exit of 83 countries, in which we have total assets under management of about CHF 3b. So the average assets under management are therefore, around CHF 40m to CHF 45m per market.”

- Richard Meddings, Group Finance Director, Standard Chartered: “Korea remains our most challenging market where we are taking a number of actions, including de-risking our portfolio in Consumer Banking and refocusing our risk-weight allocation to better support higher-return network opportunities.”

- António Horta-Osório, Group CEO, Lloyds: “In line with our UK-focused strategy, we have also reduced our international presence, most recently selling our remaining Australian operations. As a result, we are now in 9 countries, having exited or announced the exits from 21 countries, and achieving our target to be operating in 10 countries or fewer by the end of 2014, down from 30 two years ago.”

- Michael Smith, CEO, ANZ: “The future of Australia and New Zealand are now completely linked to Asia, which is also the number one driver of global economic growth. We are the only Australian bank and one of just a few AA-rated international banks that provides customers with a network and connectivity to these fastest-growing markets. ... Asia is a key driver of global growth. It's a key driver of Australia's growth, and it's a key driver of ANZ's growth now and in the future.”

- Javier Marín Romano, CEO, Banco Santander: “We don't have the presence in the US that we would like to have. We are in the Northeast. We would like to be, as in any other country, a top-three player in the region. We need to do this basically right now organically. We still have a lot of things to do.”

- Tom Naratil, CFO, UBS: “UBS is the largest wealth manager in Asia and this region is a key source of growth for our business. Client activity here tends to be more heavily geared towards trading, with significantly more advisory relationships than discretionary mandates. Thus, client behavior in Asia-Pacific has a more pronounced effect on gross margin compared with the rest of the world, with stronger results when markets are active, but lower gross margin when markets are slower, such as the quarter we just experienced.”
Theme 8: Credit quality trends - impairments stabilize

Across all regions, the level of impaired loans has, at a minimum, stabilized. In 3Q13, credit quality trends continued to improve as banks in most jurisdictions reported declining or stabilized impairment levels. Positive trends were particularly evident in core portfolios and businesses, reflecting the combination of slow economic recovery and banks’ efforts to de-risk their portfolios in the years since the financial crisis.

- Carlo Messina, CEO, Intesa Sanpaolo: “I think that we are now at the [point of] stabilization of the non-performing loans. I cannot say that we have an improvement, but stabilization.”
- Mark Joiner, Executive Director Finance, NAB: “Generally speaking, in all the businesses, the arrival rate of impaired loans is lower.”
- António Horta-Osório, Group CEO, Lloyds: “On the core book, which is a critical one in terms of trends going forward, we see not only the same trends that we saw last quarter, but we saw an improvement in those trends. ... And now we have all segments in our core book are either stable or going down, which is very reassuring from an asset quality perspective.”
- Peter Estlin, Group Financial Controller, Barclays: “Impairment for the nine months [ending 30 September 2013] improved 6% to £2.4b, with significantly lower charges in Corporate Banking and Africa RBB, driven by ongoing actions to reduce exposure in Europe, and lower charges in the South African home loans recovery book as a result of initiatives undertaken in the prior year.”

Improving credit trends had a corresponding positive impact on credit costs in some countries. This was especially true in the US, where lower provisions provided a noticeable tailwind for earnings performance and prompted analysts to question the sustainability of this benefit.

- Rogério Paulo Calderón Peres, Banco Itaú: “Chances are that [2014 provisions] come in a lower level than today. ...Under the current risk environment we don’t see provisions growing in nominal amounts.”
- Bernard Delpit, CFO, Credit Agricole: “How sustainable is the decrease in the cost of risk? We think we are in a kind of turning point in terms of environment. So I believe it’s very sustainable.”
- Stefan Krause, CFO, Deutsche Bank: “Provisioning in our core business decreased. ... In the Core Bank, the loss ratio has ranged between 25 and 32 basis points for the last seven quarters, reflecting the high quality of our loan book.”
- Wilfred Nagel, Chief Risk Officer, ING: “Provisioning is always a bit of a lumpy business. ... In terms of the guidance, what we have said for a while is we expect provisions to stay at elevated levels. ... When do we expect loan loss provisions to come down? Well, that’s hard to predict but I would say that it won’t be until well into 2014.”
- Morten Fris, Chief Risk Officer, RBC: “Our provisions this year have been trending at historically low levels and were 25 basis points this quarter, reflecting very strong credit performance across a number of products, including our cards and business portfolios.”
- Tim Sloan, CFO, Wells Fargo: “There is no change in the philosophy in terms of how we’re thinking about reserving. ... [The reserve release of] US$900m is an increase over the prior quarter. It’s not the largest reserve release we’ve had over the last few years, but it is in the last year or so. ... I can’t promise you that [reserve releases] will continue to grow, but we do feel very comfortable about the continued improvement in our credit quality.”
- Brian Moynihan, CEO, Bank of America: “I would think about the reserve release over the next couple of quarters as being much more consistent with what you saw in the first and second quarters of this year. Then, ultimately, as we get into the latter part of 2014 and beyond, you’d expect most of that to go away. But I do think that there are probably another couple quarters where it could be in line with what we saw in the first and second quarter — but clearly not at the level of the third quarter of this year, given the sharp improvement in credit we saw.”
Theme 9: M&A/Divestment strategies - tied to core priorities and evolving regulations

“We have so much opportunity internally to invest in our existing businesses and our operations and technology platforms [that acquisitions] are not a high priority. We think we can get a much better return on investments in our own businesses and our own products.”

Gerald Hassell, CEO, BNY Mellon

Appetite for acquisitions remained low. Management continued to express a preference for organic growth and reiterated the strict parameters a potential acquisition would have to meet before it would be seriously considered. Such criteria included attractive returns and a strong alignment with core business priorities.

- Gord Nixon, CEO, Royal Bank of Canada: “With respect to acquisitions, we continue to focus on the areas that we talked about in the past. … But we’re continuing to be extremely disciplined to ensure that the returns from dollars that we invest are appropriate, and that’s a real challenge when you have a 20% ROE business. … It’s a challenge to make investments that are as attractive as putting the capital back in your existing businesses.”
- John Stumpf, CEO, Wells Fargo: “We don’t do every deal we look at. I mean, we look at a number of things. If it doesn’t add to our customer base – I mean, these are not only loans. These are customers, and we’re doing more things with them besides just the loan. And as you go through a number of these deals, it’s logical that there’ll be fewer available, but we still, as I always say, kick a lot of tires. But the ones we bring home are the ones that really add value to our customer base.”
- Nicholas Moore, CEO, Macquarie Group: “What we look at is not just the return, and this is where we think people can go wrong, but we also look at the risks involved in the underlying business.”
- Lars Machenil, CFO, BNP Paribas: “With respect to a major M&A, you know that in the current regulatory reform, these things are not really what regulators want because if you would do that, your [systemic importance] would dramatically increase, which would weigh on all of your other businesses.”
- Carlo Messina, CEO, Intesa Sanpaolo: “In my opinion, there could be a consolidation within the smaller banks [as a result of the AQR]. There is absolutely no interest from Intesa Sanpaolo in taking part of any kind of consolidation in Italy and in Europe.”

A number of asset sales and divestitures were also discussed during the 3Q13 earnings season. These deals reflected banks’ efforts to reduce exposure to non-core businesses activities. In addition, regulatory compliance was a factor in such sales as banks moved to exit businesses and stakes that offered little upside in the evolving environment.

- Jeffrey Campbell, CFO, American Express: “The sale [of the financial publishing business] was driven by the reality of banking regulations.”
- Colleen Johnston, CFO, Toronto-Dominion: “We sold our Institutional Services business to National Bank. While the business was performing well, it did not fit our mass-affluent, high-net-worth strategy.”
- Stuart Gulliver, Group CEO, HSBC: “We’ve made further progress towards simplifying and restructuring HSBC, in particular through the recent completion of the sale of our Panama business in October.”
- At RBS, CEO Ross McEwan discussed plans to divest US arm RBS Citizens Financial Group through an initial public offering in 2014. “It’s a very good business. It’s got good positioning in the US. … It’s positioned for growth and improvement. … But to be quite honest, it’s not essential for RBS to have that business. We would like to put that capital back into our core businesses here in the UK. We believe we’ll get better returns out of it, but also strengthen what is home base for us in the UK.”
- Ralph Hamers, CEO, ING: “We have greatly advanced in our restructuring story. In mid-October, we sold another 15% of ING US and the remaining stake now is 57%. With that, we’re almost reaching the deadline of 2014 of reaching 50% stake in that. … We have taken another big step in the restructuring [mandated by the European Commission], reaching a new agreement with the EC, as a result of which ING Life Japan will be divested as part of ING Insurance.”

Global banking and capital markets sector
Theme 10: Litigation/Conduct issues - are litigation reserves sufficient?

“It’s clear today that, for the industry as a whole, [litigation] is a growing risk and we have to live with it.”

Frédéric Oudéa, CEO, Société Générale

Legal expenses elevated as banks add to litigation reserves. Additions to litigation reserves, in some cases significant, raised significant questions about whether banks are adequately provisioned for the myriad legal issues they continue to face. While management could not guarantee that further additions to reserves will not be necessary, they did assure analysts that they are diligently monitoring legal and conduct issues and will maintain a prudent approach to provisioning.

At JPMorgan Chase, management provided detailed disclosures and fielded numerous questions about the unexpectedly high legal expenses reported in 3Q13. CFO Marianne Lake said, “We appreciate that the litigation expense of US$9.2b is much more significant than you've been expecting. It's much more significant than we expected until very recently.” Later in the call, CEO Jamie Dimon addressed concerns that elevated charges may recur: “We would love to reduce the uncertainty around this for ourselves and for you, but it's very, very hard to do. And so, the way I look at it is, it will probably be elevated for the next year or two – not like we just went through, but it will necessarily be lumpy.”

Bruce Thompson, CFO, Bank of America: “If you go back to the beginning of 2010 and look at the combined litigation and mortgage representation and warranty expense that we've had, it's been over $40b, which I think is quite a bit higher than the number that [JPMorgan Chase] quoted. ... We've tried to be out front and get through some of the larger settlements, and we think that $40b plus number reflects that.”

Brady Dougan, CEO, Credit Suisse: “The litigation docket is something that we look at very carefully every quarter. ... We have taken some additional reserves for our litigation matters that we obviously think are adequate. But clearly, we'll continue to work towards resolving those issues over time.”

James Gorman, CEO, Morgan Stanley: “We've fully disclosed all of the litigation risks that we have out there and we're working our way through it. I can't really tell you what inning [we're in]. We've been taking elevated expenses for a couple of quarters. I'm sure some of that will continue. But we're managing our way through it.”

Tom Naratil, CFO, UBS: “I think if you go to the litigation note and walk through the tables that we have and see the cross references to the different items, you'll also be able to get a better feel for what comprises the total of CHF 586m litigation charges we took this quarter. And we have been noting for the past few quarters that we expect litigation charges to remain elevated and we had said previously at least through 2013 and we've said today through 2014.”

Antony Jenkins, Group CEO, Barclays: “In terms of litigation, we've disclosed comprehensively, not only in all of our management statements and half-year updates but also in the prospectus, everything that we know about at this point in time and everything that we can comment on.”

Stefan Krause, CFO, Deutsche Bank: “We know that uncertainty around both the final cost of litigation and the timing of the expenses is frustrating for investors and other stakeholders, but we can assure you that we are working hard to put our legal issues behind us where that is possible and makes sense from our shareholders’ point of view.”

Shigesuke Kashiwagi, CFO, Nomura: “We are not booking any arbitrary figures as our [legal] provisions. Going forward, we will continue to discuss this with the accountants and book any rational provisions that have to be booked. And in relation to the US Federal Housing Finance Agency issue, we are not being investigated. There are no criminal investigations being conducted towards Nomura. And nothing is decided in relation to the settlement.”

### 3Q13 litigation costs of selected banks (local currency, millions)

<table>
<thead>
<tr>
<th>Bank</th>
<th>Litigation Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>BAC</td>
<td>$1,100</td>
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<tr>
<td>C</td>
<td>$677</td>
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<tr>
<td>DB</td>
<td>€ 1,163</td>
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<tr>
<td>GS</td>
<td>$142</td>
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<tr>
<td>JPM</td>
<td>$9,150</td>
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<tr>
<td>MS</td>
<td>$200-$300</td>
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<td>UBS</td>
<td>CHF 586</td>
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</table>
## Appendix

### Summary of key banking sector themes

#### 3Q13 earnings season

This table provides a summary of the top 10 key themes.

<table>
<thead>
<tr>
<th>Top initiatives and issues (arranged from most common to least common)</th>
<th>ANZ</th>
<th>AXP</th>
<th>ITU</th>
<th>STD</th>
<th>BAC</th>
<th>BCS</th>
<th>BNP</th>
<th>CIBC</th>
<th>C</th>
<th>CBK</th>
<th>CA</th>
<th>CS</th>
<th>DB</th>
<th>GS</th>
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<tr>
<td>Drivers of earnings performance</td>
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<td>✓</td>
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<tr>
<td>Macroeconomic improvements</td>
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<td>✓</td>
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<td>✓</td>
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<td>Expense trends/investments in the business</td>
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<td>✓</td>
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<td>✓</td>
<td>✓</td>
<td>✓</td>
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<tr>
<td>Capital strength and plans</td>
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<tr>
<td>Cross-border activities/Location strategy</td>
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<td>M&amp;A/Divestment strategies</td>
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<td>✓</td>
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<tr>
<td>Litigation and conduct issues</td>
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<td>✓</td>
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</tr>
</tbody>
</table>

#### Legend

- ANZ – Australia and New Zealand Banking Corporation
- AXP – American Express
- ITAU – Banco Itaú
- STD – Banco Santander
- BAC – Bank of America
- BK – BNY Mellon
- BCS – Barclays
- BNP – BNP Paribas
- CIBC – Canadian Imperial Bank of Commerce
- C – Citigroup
- CBK – Commerzbank
- CA – Crédit Agricole
- CS – Credit Suisse
- DB – Deutsche Bank
- GS – Goldman Sachs
- BBVA – Grupo BBVA
- HSBC – HSBC Holdings
**Summary of key banking sector themes**

*3Q13 earnings season*

This table provides a summary of the top 10 key themes.

| Top initiatives and issues (arranged from most common to least common) | ING | INT | JPM | LLD | MAC | MS | NAB | NOM | RBC | RBS | SG | STAN | STT | TD | UBS | UCG | USB | WFC |
| Drivers of earnings performance | 35 | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Macroeconomic improvements | 35 | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Expense trends/investments in the business | 35 | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Capital strength and plans | 35 | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| New regulatory proposals | 32 | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Lending trends | 31 | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Cross-border activities/Location strategy | 29 | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Credit quality trends | 27 | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| M&A/Divestment strategies | 26 | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Litigation and conduct issues | 22 | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |

**Legend**

| ING - ING Groep | INT - Intesa Sanpaolo | JPM - JPMorgan Chase | LLD - Lloyds Banking Group |
| MAC - Macquarie Group | MS - Morgan Stanley | NAB - National Australia Bank | NOM - Nomura Holdings |
| RBC - Royal Bank of Canada | RBS - Royal Bank of Scotland | SG - Société Générale | STAN - Standard Chartered |
| STT - State Street | TD - Toronto-Dominion | UBS - UBS AG | UCG - Unicredit Group |
| USB - US Bancorp | WFC - Wells Fargo |
## Select key performance indicators

<table>
<thead>
<tr>
<th>Company</th>
<th>Market value (US$m)</th>
<th>Assets (US$m)</th>
<th>Capital ratio</th>
<th>Basis of calculation for capital ratio</th>
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</thead>
<tbody>
<tr>
<td>American Express</td>
<td>$88,701.24</td>
<td>$150,103.00</td>
<td>12.80</td>
<td>Basel I Tier 1 common capital ratio</td>
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<tr>
<td>Australia and New Zealand Bank</td>
<td>$82,018.31</td>
<td>$657,093.05</td>
<td>8.50</td>
<td>Basel III Common Equity Tier 1 ratio (APRA)</td>
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<td>Banco Santander</td>
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<td>$1,613,562.97</td>
<td>11.56</td>
<td>Basel 2.5 Core Tier 1 ratio</td>
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<tr>
<td>Bank of America</td>
<td>$159,138.72</td>
<td>$2,126,653.00</td>
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<td>Basel I Tier 1 common capital ratio</td>
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<tr>
<td>Bank of New York Mellon</td>
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<td>$371,952.00</td>
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<td>Barclays</td>
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<td>BBVA</td>
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<td>$821,786.56</td>
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<td>Basel 2.5 Core Tier 1 ratio</td>
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<tr>
<td>BNP Paribas</td>
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<td>$2,511,498.95</td>
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<td>Basel 2.5 Core Tier 1 ratio</td>
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<td>CIBC</td>
<td>$34,764.96</td>
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<td>Basel III Common Equity Tier 1 ratio (all-in basis)</td>
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<tr>
<td>Citigroup</td>
<td>$152,863.25</td>
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<td>12.60</td>
<td>Basel I Tier 1 common capital ratio</td>
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<tr>
<td>Commerzbank</td>
<td>$15,331.51</td>
<td>$802,912.63</td>
<td>12.70</td>
<td>Basel 2.5 Core Tier 1 ratio</td>
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<tr>
<td>Credit Agricole</td>
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<td>11.90</td>
<td>Basel 2.5 Core Tier 1 ratio</td>
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<td>Credit Suisse</td>
<td>$46,004.75</td>
<td>$989,804.18</td>
<td>10.20</td>
<td>Basel III Common Equity Tier 1 ratio</td>
</tr>
<tr>
<td>Deutsche Bank</td>
<td>$46,613.33</td>
<td>$2,419,937.74</td>
<td>13.00</td>
<td>Basel 2.5 Common Equity Tier 1 ratio</td>
</tr>
<tr>
<td>Goldman Sachs</td>
<td>$75,377.40</td>
<td>$923,223.00</td>
<td>14.20</td>
<td>Basel I Tier 1 common capital ratio</td>
</tr>
<tr>
<td>HSBC</td>
<td>$206,430.00</td>
<td>$2,723,362.00</td>
<td>13.30</td>
<td>Basel 2.5 Core Tier 1 ratio</td>
</tr>
<tr>
<td>ING Groep</td>
<td>$49,978.98</td>
<td>$1,530,994.11</td>
<td>12.40</td>
<td>Basel 2.5 Core Tier 1 ratio</td>
</tr>
<tr>
<td>Intesa Sanpaolo</td>
<td>$37,235.88</td>
<td>$842,099.45</td>
<td>12.10</td>
<td>Basel 2.5 Core Tier 1 ratio</td>
</tr>
<tr>
<td>JP Morgan Chase</td>
<td>$206,240.56</td>
<td>$2,463,309.00</td>
<td>10.50</td>
<td>Basel I Tier 1 common capital ratio</td>
</tr>
<tr>
<td>Lloyds</td>
<td>$86,533.45</td>
<td>$1,409,149.19</td>
<td>13.50</td>
<td>Basel 2.5 Core Tier 1 ratio</td>
</tr>
<tr>
<td>Macquarie Bank</td>
<td>$15,911.03</td>
<td>$144,506.24</td>
<td>9.80</td>
<td>Basel III Common Equity Tier 1 ratio (APRA)</td>
</tr>
<tr>
<td>Morgan Stanley</td>
<td>$59,125.61</td>
<td>$832,223.00</td>
<td>12.60</td>
<td>Basel I Tier 1 common capital ratio</td>
</tr>
<tr>
<td>National Australia Bank</td>
<td>$73,888.44</td>
<td>$755,645.18</td>
<td>8.43</td>
<td>Basel III Common Equity Tier 1 ratio (APRA)</td>
</tr>
<tr>
<td>Nomura</td>
<td>$29,203.84</td>
<td>$426,662.74</td>
<td>12.20</td>
<td>Basel III Common Equity Tier 1 ratio</td>
</tr>
<tr>
<td>Royal Bank of Canada</td>
<td>$98,207.40</td>
<td>$826,725.45</td>
<td>9.20</td>
<td>Basel III Common Equity Tier 1 ratio (all-in basis)</td>
</tr>
<tr>
<td>Royal Bank of Scotland</td>
<td>$59,190.71</td>
<td>$1,828,601.96</td>
<td>11.60</td>
<td>Basel 2.5 Core Tier 1 ratio</td>
</tr>
<tr>
<td>Societe Generale</td>
<td>$43,237.15</td>
<td>$1,697,773.57</td>
<td>11.60</td>
<td>Basel 2.5 Core Tier 1 ratio</td>
</tr>
<tr>
<td>Standard Chartered Bank</td>
<td>$56,757.68</td>
<td>$649,957.00</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>State Street</td>
<td>$31,011.03</td>
<td>$217,180.00</td>
<td>15.50</td>
<td>Basel I Tier 1 common capital ratio</td>
</tr>
<tr>
<td>Toronto Dominion</td>
<td>$85,756.54</td>
<td>$810,990.26</td>
<td>8.90</td>
<td>Basel III Common Equity Tier 1 ratio (all-in basis)</td>
</tr>
<tr>
<td>UBS</td>
<td>$69,824.66</td>
<td>$1,160,009.51</td>
<td>11.90</td>
<td>Basel III Common Equity Tier 1 ratio</td>
</tr>
<tr>
<td>Unicredit</td>
<td>$39,203.84</td>
<td>$1,196,185.96</td>
<td>11.71</td>
<td>Basel 2.5 Core Tier 1 ratio</td>
</tr>
<tr>
<td>US Bancorp</td>
<td>$69,965.74</td>
<td>$360,681.00</td>
<td>9.30</td>
<td>Basel I Tier 1 common capital ratio</td>
</tr>
<tr>
<td>Wells Fargo</td>
<td>$229,351.26</td>
<td>$1,488,055.00</td>
<td>10.64</td>
<td>Basel I Tier 1 common capital ratio</td>
</tr>
</tbody>
</table>

**Source:** Capital IQ and company reports.  
**Notes:** Market value as of 15 November 2013; assets as of 30 September 2013 (31 July 2013 for Canadian banks).
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