Global banking and capital markets sector
Key themes from 4Q 2012 earnings calls

15 March 2013

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Contents

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Scope, limitations and methodology of the review

The purpose of this review is to determine the key themes discussed during the 4Q12 earnings reporting season among 30 selected banks operating within the Banking and Capital Markets sector worldwide.

The review was limited to the examination of the transcripts and presentations of the 4Q12 earnings conference calls.

For most of the 30 banks reviewed, the period covered was 4Q12, ended 31 December 2012. Exceptions to this include the following:

- Canadian Imperial Bank of Commerce (CIBC), Royal Bank of Canada (RBC) and Toronto-Dominion Bank (TD) — period covered was 4Q12, ended 31 October 2012.
- Nomura Holdings — period covered was 3Q13, ended 31 December 2012.

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.*

- Mizuho and Mitsubishi UFJ Group Bank were excluded from the analysis due to the unavailability of transcript.
- Bank of China, Industrial and Commercial Bank of China (ICBC), Intesa Sanpaolo, and UniCredit Group were excluded due to the timing of the 4Q12 results reporting.
- Macquarie Group and National Australia Bank were not included because they did not report quarterly earnings

*Please see appendix for list of 4Q12 earnings call dates.

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Top 10 key themes: 4Q12 earnings season

The 4Q12 earnings call season covered an unusually extended period, with the Canadian banks announcing earnings in late November and early December 2012 and the UK banks finishing their reports in early March 2013. Numerous events and developments at various points in the earnings cycle influenced the specific items discussed during the conference calls:

- When the season started, there were still concerns that the US would go over the "fiscal cliff." By the time US banks reported 4Q12, these worries had been resolved.
- Optimism about January 2013 activity levels turned into caution as early February trends were not as encouraging.
- Developments in Europe included:
  - Easing of liquidity requirements under Basel III in early January 2013.
  - The Basel Committee on Banking Supervision's report on risk-weighted assets (RWAs) for market risk, released in late January 2013.
  - The European Banking Authority's report on the consistency of RWAs, released in late February 2013.
  - Repayments of long-term refinancing operation (LTRO funds) that started in January 2013, but did not sustain momentum into February.

Amid the shifting "hot topics," a consistent theme emerged: banks have sharpened their focus on core businesses, activities and priorities. Well-defined priorities were evident in discussions about capital and expense management, organic versus inorganic growth strategies and plans for cross-border investment. There was also an acknowledgment that the significant strategic adaptations undertaken by many of the banks will not be validated until the macro environment improves meaningfully.

- Sergio Ermotti, CEO, UBS: "We need to remain realistic. The global economy is still fragile, and many important economic and structural issues remain unresolved. We are focusing on what we can control. And while we would welcome any tailwind, we are not counting on them for our execution."
- Todd Gibbons, CFO, BNY Mellon: "During 1Q13 and all of 2013, we'll be focused on four main activities: creating organic growth, executing on operational and excellence initiatives, continuing to maintain our strong balance sheet and strengthening our capital position and returning some of that capital to our shareholders."
- Gord Nixon, CEO, Royal Bank of Canada: "Looking ahead to 2013, there's no question that financial services companies will continue to face headwinds. In addition to regulatory changes, economic headwinds will continue until there is more improvement in the global economy, and we see resolutions to both the European sovereign debt issues, as well as the US issues, particularly the imminent fiscal cliff situation. But notwithstanding these challenges, we're very confident about our financial and competitive position and our ability to deliver against our objectives and grow our business in 2013."

4Q12 rank	**4Q12 earnings season top 10 themes** (arranged from most common to least common) 30 banks	3Q12 rank	**3Q12 earnings season top 10 themes** (arranged from most common to least common) 34 banks
1.1	Responses to the macro-environment: adaptation of business models	1.1	Responses to the macro-environment
1.2	Capital issues	1.2	Capital issues
1.3	Expense trends/investments in the business	1.3	Expense trends/investments in the business
1.4	Drivers of earnings performance	1.4	Drivers of earnings performance
5	Funding strategy and liquidity management	5	Regulatory issues
6	Cross-border activities	6	Cross-border activities
7	Regulatory issues	7.1	M&A strategies
8.1	M&A strategies	7.2	Lending trends
8.2	Lending trends	9	Credit quality trends
10	Industry culture	10	Funding strategy and liquidity management

Note: Theme shaded in gold is new to the list; theme shaded in dark grey dropped out of the top ten.

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Key themes overview: banks wait for "future" economic stability to validate redefined business priorities

In 4Q12, banks continued to operate against a backdrop that was "challenging," "unsettled" and "complex," facing numerous headwinds that have been firmly in place since the middle of 2011. In response to the persistent industry pressures, banks have re-examined their business models to ensure that they have the right priorities and strategies in place to cope with current conditions and pave the way for future growth. During the 4Q12 earnings season, managements discussed the plans they have implemented to adapt their businesses, many of which were launched in the second half of 2011. Despite industry-wide efforts to sharpen strategic focus, progress in execution was mixed and, in many cases, lingering economic uncertainty has delayed the expected benefits to performance.

- Anshu Jain, Co-CEO, Deutsche Bank: "We've embarked on the most comprehensive reconfiguration of Deutsche Bank in recent times. Our client franchise remains robust. This has enabled us to take deliberate [steps] to position [the bank] for the future. We are confident that the strategic direction we've taken is correct. But we have to remind you, we are under no illusion, this journey will take years, not months."
- Atsushi Yoshikawa, COO, Nomura: "We will continue to transform ourselves to be fit for the future, meet the needs of our clients and speed up the changes that we make."
- Brady Dougan, CEO, Credit Suisse: "Credit Suisse enters 2013 as one of the few financial services firms to have completely reengineered its business to thrive into the new regulatory environment. Throughout 2012, we dramatically transformed all of our businesses, substantially lowered our cost base, significantly increased our capital base and considerably reduced risk-weighted assets and notional balance sheet. We are confident of the proactive and decisive actions that we've taken will enable us to achieve our goal of a 15% return on equity through the cycle."
- Sergio Ermotti, CEO, UBS: "Our strategy is a journey that we set out on just over a year ago. And in October last year, we announced an acceleration in the transformation of the Investment Bank and further cost reduction across the group. We are reshaping our business to better serve clients, deliver more sustainable performance, reduce risk and enhance value and returns to our shareholders."
- Stephan Engels, CFO, Commerzbank: "2012 was also a year of change. We set the course of strategic realignment by announcing our new strategic agenda and mid-term targets, repositioning our brand, initiating the realignment of Private Customers and establishing non-core assets. These measures will lay the foundation for future success of the bank."
- Stephen Hester, CEO, RBS: "We feel that, in 2012, we accomplished a lot. That's important because we had a lot that we needed to do. We've still got a lot to do, but we do believe that we are coming much closer to the end of the restructuring phase of RBS than we have been and that we can see that light in place and that the business that will be unveiled is in increasingly solid shape."
- Antonio Horta-Osoria, CEO, Lloyds: "We expect the economic recovery to take longer than was generally anticipated at the time of the strategic review [in June 2011]. However, the progress achieved so far, together with the benefits we are seeing from our investments into our core franchise, gives us confidence that we will achieve our income-related targets in the medium term."
- Frederic Oudea, CEO, Societe Generale: "We are really entering a second phase of the transformation. I'm confident with that, 2013 will remain a transition year. From an economic point of view we should not expect any miracle in Europe. The rest of the world is doing pretty well. Markets, for the time being, are relatively good. ...Let me say that we have a very clear roadmap going forward to further improve the profits, with less exceptional items, and deliver in 2013 a good [result] to our shareholders."
- Stuart Gulliver, CEO, HSBC: "At the Investor Day in May 2011, we undertook to grow, simplify and restructure the business and to strengthen our capital base. And we've delivered on all of these initiatives in 2012, and we're very well positioned to grow organically in 2013."

In contrast to banks in other regions and businesses, several North American banks with a strong focus on both retail banking and their home markets credited their consistent strategies and low-risk business models as factors in producing record earnings.

- Ed Clark, CEO, Toronto-Dominion: "2012 was a very strong year for TD, with all of our businesses delivering positive earnings growth despite headwinds. ... We achieved these results by staying on strategy and doing what we said we were going to do."
- Tim Sloan, CFO, Wells Fargo: "Our continued strong quarterly and annual performance reflected the benefit of our customer-focused business model and our diversified sources of growth. The combination of our scale and our level of diversification is a significant advantage for our company."
- Richard Davis, CEO, US Bancorp: "In 2013, we will celebrate the 150th anniversary of US Bank. ...We have learned from and capitalized on the lessons of our past and become what we are today, a company with a well-diversified business model and prudent risk management, a company with the ability to produce consistent, predictable and repeatable results. We're focused on the future and continuing to build momentum into 2013 for the benefit of our customers, our employees, our communities and our shareholders."

Key themes overview: strength in capital ratios does not necessarily mean higher dividends

Banks disclose pro-forma Basel III capital ratios, demonstrating progress in adapting to the new capital environment. In 4Q12, banks continued to highlight their ability to strengthen capital levels despite the difficult environment. Notably, 25 of the 30 banks reviewed for this analysis specifically disclosed pro-forma Basel III ratios, even though implementation schedules vary across countries. Four of the banks that did not do so— Banco Santander, Grupo BBVA, Societe Generale and Standard Chartered — indicated that they would easily comply with the rules by the year-end.

Consistently strong and growing capital levels led to numerous questions about how banks planned to return excess capital to shareholders. In general, managements expressed a strong desire to pay dividends or execute share buy-back programs, but actual plans reflected conservatism as most banks deferred material capital returns until they received regulatory approval, had more clarity on local and global capital requirements or generated consistent profits.

- Canadian banks were the exception, and highlighted their ability to increase dividends throughout 2012.
  - Gord Nixon, CEO, Royal Bank of Canada: “[In 2012,] we raised our quarterly dividend twice for a total increase of 11% and ended the year at the midpoint of our dividend payout ratio.”
  - Ed Clark, CEO, Toronto Dominion: “We raised our dividend twice, delivering an 11% increase to our shareholders and increasing our target payout ratio while continuing to build our Basel III capital position.”
- US banks submitted their capital plans to the Federal Reserve under the 2013 Comprehensive Capital Analysis and Review (CCAR) program on 7 January. While they provided some insights into their capital requests, management cautioned that all plans were subject to Fed approval.
  - Tim Sloan, CFO, Wells Fargo: “We're hopeful that over time, as we continue to return more capital to shareholders, that we will have the ability to increase the amount of shares that we can repurchase. But that's subject to the capital plan that we just submitted.”
  - Jay Hooley, CEO, State Street: “In early January, we submitted our 2013 CCAR plan to the Federal Reserve, which included a capital distribution program of dividends and share purchases that we believe is consistent with our strong capital positions and earnings capacity. The amount and form of our capital distribution is contingent upon the Federal Reserve not objecting to our request, and we expect to receive the results of their review in mid to late March.”
- In Europe, management commented extensively on future plans for dividends.
  - Jan Hommen, CEO, ING Groep: “Before you can pay dividends, regulators will have to give you approval for that. ...even if we expressed what we want to, we also need to make sure that we don't have an issue with our regulators.”
  - Angel Cano Fernandez, COO, Grupo BBVA: “With the information we have to date — although there are a lot of uncertainties still about capital requirements — in 2013, we want to maintain our current payout policy. But obviously, we will have to see what actually happens in 2013 when we will have more granular information with regard to the lookout for 2014, too.”
  - David Mathers, CFO, Credit Suisse: “With respect to 2012, we said last year, as part of the capital measures, we intended to pay the dividend in scrip. What we're doing essentially, clearly, is paying CHF 0.75 in total, CHF 0.10 of which would be in cash, and CHF 0.65 will be in stock. If we look forward to the current year, I think we stand by what we said before, that we would expect to make significant cash distributions once we cost 10% on the Swiss Core Capital ratio. And I think as we said before, we would expect that to happen sometime around the middle of the year.”
  - Sergio Ermotti, CEO, UBS: “As we stated before, we will introduce progressive capital return policies. But the substantial steps will be done once we achieve our 13% target, which we still have in sight of delivering by the end of 2014. At that point in time, we have committed and we will commit to at least 50% capital returns policy. But between now and then, I think that it will be marginal.”
  - Stuart Gulliver, CEO, HSBC: “We've reached a stage where we probably now have strengthened the capital base of the firm to a point that we're back to a more normal usage of retained earnings. Now over the last three or four years, we've been building up our capital base to reach the new regulatory norm of a much strengthened capital base and at the same time trying to get clear water between ourselves and other banks because we've always tried run this firm with more capital than our peer group and we're kind of back in that situation. ...I think that we will look quite clearly to try and grow the balance sheet, grow the business, increase the retained earnings and, through that route, increase the dividend.”
  - Frédéric Oudéa, CEO, Societe Generale: “I have in mind, of course, to potentially increase the payout ratio, but there will be this question of balance between payout ratio and further investments in the businesses. What I want to check and, again, that's why I need more visibility on the rules, of course, the profitability of the businesses once everything is more decided. And I think, it's better to wait still and to optimize the balance going forward to 2014.”

Key themes overview: management dismisses the influence of modeling in risk-weighted asset reductions

Management provided details on risk-weighted asset (RWA) reduction, responding to growing concerns about the harmonization of calculations. In late January, the Basel Committee on Banking Supervision (BCBS) published its review of RWAs for market risk. The report underscored substantial variation in market risk RWAs across banks. During the 4Q12 earnings season, a number of banks — primarily in Europe — addressed this issue and assured analysts that their use of models did not distort their calculation or disclosure of RWAs.

- Stefan Krause, CFO, Deutsche Bank: "The majority of the de-risking does not come from model approvals in the second half of 2012...60% comes from non-core operations unit (NCOU) de-risking and portfolio optimization and only 24% from model changes. ...I do understand the concern because of the lack of transparency that exists around modeling, but we are very confident with the information that will be provided in terms of these comparisons over the next couple of months that we will come out quite well."
- Frederic Oudea, CEO, Societe Generale: "The risk-weighted asset review...What I hope is that there will be progress going forward with one regulator in Europe. I have absolutely no visibility on what is being done in the US. And at the end of the day, I rely on the French regulator, which, again, has spent a lot of time in reviewing the French models in the different banks. And what I'm pretty sure is that there are no big differences between French banks."
- Peter Sands, CEO, Standard Chartered: "The debate about RWA models is also very confused. We fully accept the challenges to the credibility of RWA models, but abandoning them in favor of standardized is no solution, neither is adding lots of ad-hoc floors and buffers."
- Iain Mackay, Group Finance Director, HSBC: "We also reduced our risk-weighted assets by $86 billion. Just over half of this reduction came from disposals and the rest largely from de-risking the balance sheet. You will note that the change in risk-weighted assets due to either model or methodology changes was insignificant."
- Jamie Dimon, CEO, JPMorgan Chase: "Our risk-weighted assets are now $1.65 trillion. They've gone up dramatically because of Basel 2.5, and the fact we don't have certain models in place, but we accept it. So some of the benefits are going to be from runoff, some is from models that regulators expect people to design and put in place that we don't have yet. We don't have the history. We haven't done the modeling. And there's a lot that's around credit-related, synthetic credit-type stuff, securitizations and things like that. So we're going to put those in place. I mean, let's not argue with regulators. They would expect us to do that over time. So, obviously, regulators — I know they're going to look at models around the world and they want them to be fair."
- Tom Naratil, CFO, UBS: "We reduced Basel III RWAs by CHF 43 billion in the quarter, closing the year at approximately CHF 258 billion. Since the third quarter of 2011, we've achieved a total reduction of 35%. I'd like to emphasize that 84% of the reduction has come from sales and exposure reduction."
- Mark Culmer, Group Finance Director, Lloyds: "We've also seen a 12% reduction in RWAs, which is ahead of the 8% fall in banking assets due entirely to disposals and de-risking, with no benefit from model changes."

Basel III common equity tier 1 ratio (CET1)		
G-SIFI banks	G-SIFI Additional Capital Buffer	4Q12 Basel III common equity tier 1 ratio (estimated)
BAC	1.50%	9.25%
BCS	2.00%	8.20%
BK	1.50%	9.80%
BNP	2.00%	9.90%
C	2.50%	8.70%
CA	1.00%	9.30%
CS	1.50%	8.10%
DB	2.50%	8.00%
GS	1.50%	9.00%
HSBC	2.50%	9.00%
ING	1.00%	10.40%
JPM	2.50%	8.70%
MS	1.50%	9.50%
RBS	1.50%	7.70%
STT	1.00%	10.80%
UBS	1.50%	9.80%
WFC	1.00%	8.18%

Key themes overview: reinvestments pave the way for future revenue growth and improved cost bases

Expense control remains a key area of focus at all banks. In 4Q12, management discussed the importance of minimizing expense growth while also making appropriate investments to support long-term revenue opportunities. While this is not a new topic of conversation, management at a number of banks provided an increased level of detail about investments, particularly those that are focused on improving the customer experience through mobile innovation.

- Jan Hommen, CEO, ING: “[Customers are] embracing new technologies even faster than we anticipated. We saw in The Netherlands that the Internet is already the leading channel, representing more than 60% of sales. Mobile traffic increased from 9 million visits per month to 25 million per month over the course of only one year. And that means that we have to make significant investments in IT to handle the increased traffic and to continue to improve the functionality and the experience that the customer is getting. That also means that fewer employees that are needed in call centers and in back-office functions to process these transactions.”
- Richard Davis, CEO, US Bancorp: “We're continuing to build into our technology and our infrastructure, the mobile banking and mobile payments capability. ...That investment curve is probably in its middle stages but already parts of it are going to start driving some benefits. And those are fee-based opportunities that don't exist today, that we haven't yet been able to bring to the income statement.”
- Dan Henry, CFO, American Express: “We've invested in the ability to take our remittances electronically. Over 80% of our remittances were received electronically in 2012. Many people are changing the way they want to interface with us. So, for instance, we've invested in apps to allow people to communicate with us either through smart phones or tablet servicing applications.”
- François Villeroy de Galhau, COO, BNP Paribas: “We like speaking about preparing the retail bank of the future, what does it mean? The main evolution is obviously for individuals with the strong development of all online and digital innovations. I mentioned mobile, I mentioned Easy Banking in Belgium. We will also be very active in all the new payment solutions, contactless and on the mobile. We intend to be among the first European and worldwide banks for these new kinds of digital services.”
- Peter Sands, CEO, Standard Chartered: “In an inherently digital industry, failing to embrace technology-driven innovation would be suicidal. We've been investing to increase automation of back-end systems to drive down transaction costs and to improve service quality and resilience. ...We're also investing in underlying data management systems and analytical capabilities. This is critical for seamless management of client relationships across multiple geographies and it's also vital for risk management. We're accelerating innovation to make the bank more accessible and easier to use through social media, online and mobile.”

Mobile was not the only area of investment discussed during the 4Q12 earnings season. Management also provided details on other initiatives that will either support future revenues or improve efficiency and drive down the cost base over time.

- Michael Corbat, CEO, Citigroup: “We're focused in a few areas. One is in the operations and technology area in terms of continuing to combine, streamline, develop and roll out common systems around our global network. ...We're always investing in our people, in terms of wanting to continue to retain and attract talent. And in particular, in our institutional parts of our business, we'll be continuing to invest in the build-out of our commodities businesses around the world. We'll continue to be investing in digital and digitization around our Consumer Banking.”
- Gerald Hassell, CEO, BNY Mellon: “We have a relentless focus on creating organic growth, continuing to drive some of the opportunities we've outlined for you in the past. Some examples: accelerating our asset management growth strategies, particularly in Asia and the retail space; capturing opportunities through our global collateral services business; leveraging our Pershing platform and distribution capability and building out global markets to capture more order flow. ...All these initiatives will help drive our long term growth, but do in fact require investments today that are showing up in our expense base. So we are not standing still waiting for the markets to improve, and we are in fact taking actions to strengthen our revenue streams.”
- Jean-Paul Chifflet, CEO, Credit Agricole: “We've launched a program that we call MUST, whose objective is to make savings in IT and property and purchasing. And we have an objective of €650 million in savings for 2016, and we've already started to work on that.”
- Anshu Jain, Co-CEO, Deutsche Bank: “We've delivered savings on a run rate basis of €400 million in 2012. Where is this coming from? It's coming from two dimensions of cost savings activity. In the front office, all our businesses are now enacting the plan that we mentioned to you they would. ...On the infrastructure side, there's a series of initiatives underway, amongst which I would have to say the IT platform renewal and the footprint rationalization have played a very strong role.”

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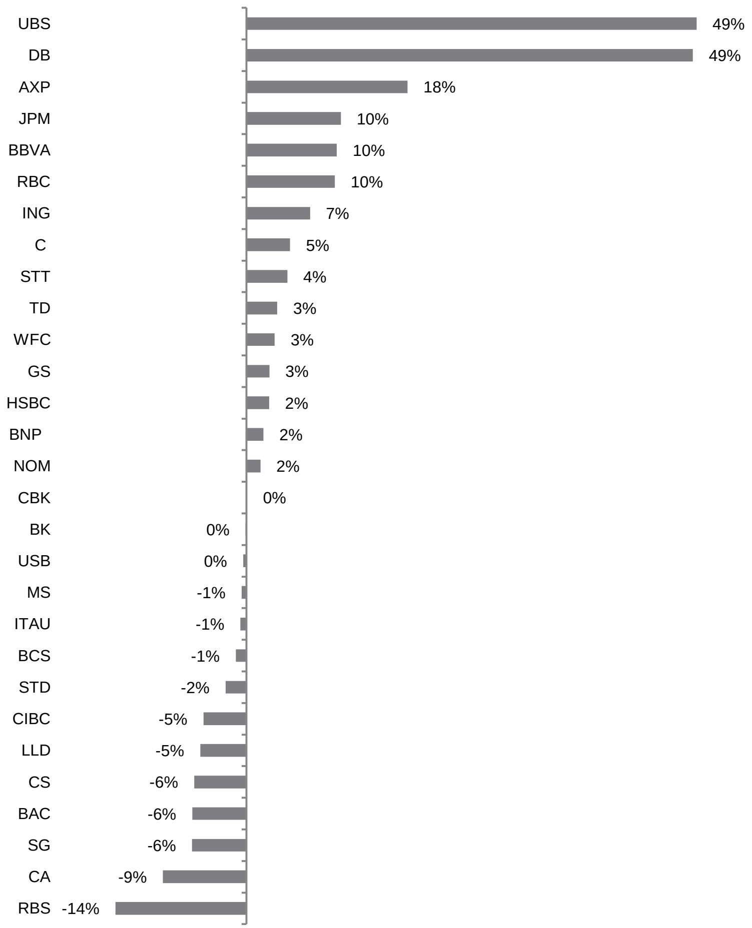
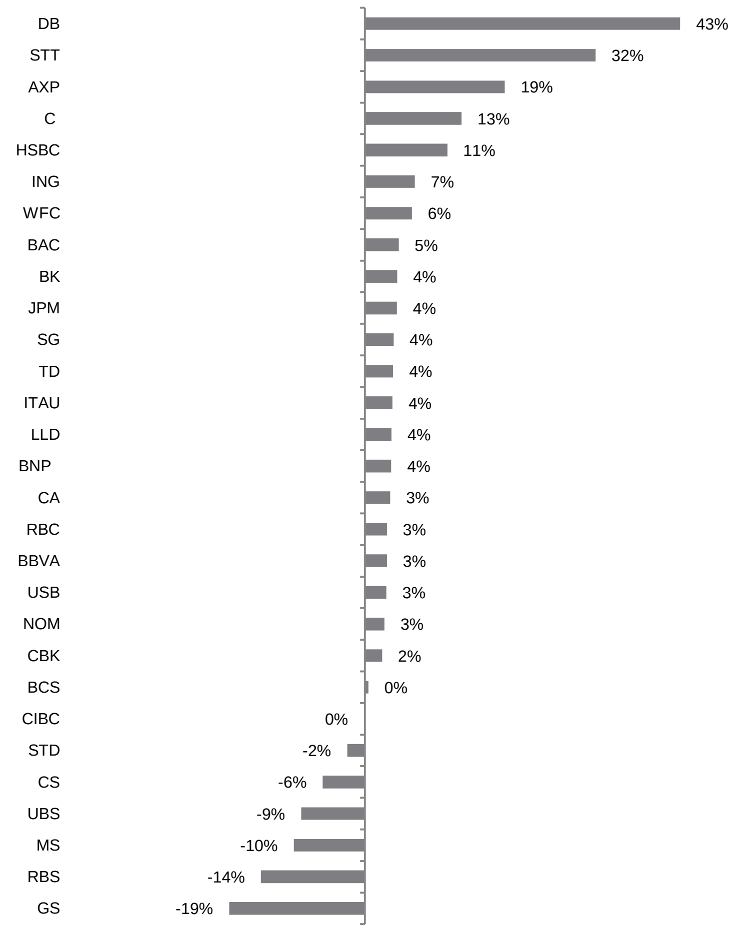
Key themes overview: restructuring charges, litigation and legal-related costs drive expenses up

Expenses, percent change from 4Q11



Expenses, percent change from 3Q12



Key themes overview: few "clean" earnings reports in 4Q12 as extraordinary items continue to impact the bottom line

Extraordinary items dominate earnings reports. During 4Q12, 18 of the 29 banks included in this analysis that report quarterly results* reported an increase in net income from 4Q11. When compared to 3Q12,14 banks reported higher earnings.

The 4Q12 earnings reports included a wide range of extraordinary items that had a substantial impact on performance at a number of banks. As a result, management referred pointedly to "adjusted" or "underlying" results and drew attention to the top half of the income statement in an effort to demonstrate the strength of core business performance.

- Stuart Gulliver, CEO, HSBC: "Underlying profit before tax was $16.4 billion, up 18% on 2011 and it's on an underlying basis that we measure our performance."
- Chris Lucas, Group Finance Director, Barclays: "As usual, we're using adjusted numbers to give a better understanding of our underlying performance."
- Alfredo Saenz Abad, CEO, Banco Santander: "The main highlights of the year were, first, the strength of the upper part of the income statement, with pre-provision profit at €23.56 billion, growing for the 10th year running and is 32% higher than in 2008."
- Junko Nakagawa, CFO, Nomura: "Pretax income in the three segments was robust, increasing 4.6 times to ¥71.9 billion. After deducting ¥ 23.2 billion loss related to our own credit and ¥24.1 billion real estate write-down at consolidated entities, pretax income was ¥13 billion."
- David Mathers, CFO, Credit Suisse: "In the fourth quarter, we achieved underlying revenues of CHF 6 billion, pretax income of CHF 1.2 billion and net income of CHF 816 million. Diluted earnings per share were CHF 0.42; the underlying cost-to-income ratio, 79%; and the underlying after-tax return on equity, 9%."

Non-recurring items that impacted 4Q12 reported earnings include the following:

- Regulatory and legal expenses:
  - Dutch bank tax at ING;
  - Unspecified litigation-related charges at Deutsche Bank and Societe Generale;
  - Charges for mortgage-related settlements at Wells Fargo, US Bancorp, JPMorgan Chase, Citigroup and Bank of America;
  - Charges for Libor settlements at UBS and RBS.
- Restructuring-related charges at American Express, Citigroup, Deutsche Bank, State Street and UBS.
- Goodwill impairments at BNP Paribas, Credit Suisse, Deutsche Bank, Grupo BBVA, Societe Generale and UBS.
- Provisions:
  - "Provisions for contingencies" at Banco Itau;
  - Real estate related provisioning and impairments at Banco Santander and Grupo BBVA;
  - Payment protection insurance (PPI)/swaps mis-selling provisions at Barclays, HSBC, Lloyds and RBS.
- Tax charge on the capital loss incurred by the sale of Emporiki at Credit Agricole
- The impact of debt and credit valuation adjustments (DVA/CVA) at Bank of America, Barclays, BNP Paribas, Citigroup, Credit Agricole, Credit Suisse, HSBC, ING, JPMorgan Chase, Morgan Stanley, Nomura, RBS, Societe Generale and UBS.
  - Stuart Gulliver, CEO, HSBC: "As an aside on fair value on debt, we continue to press the International Accounting Standards Board and the European authorities to adopt accounting standards to eliminate this element from our numbers. To be clear, it has no impact on our business performance now or in the future."
  - Jan Hommen, CEO, ING: "CVA/DVA was a whopping €600 million for 2012, so there's been some big one-off impacts there that have broadcast our revenues artificially lower."

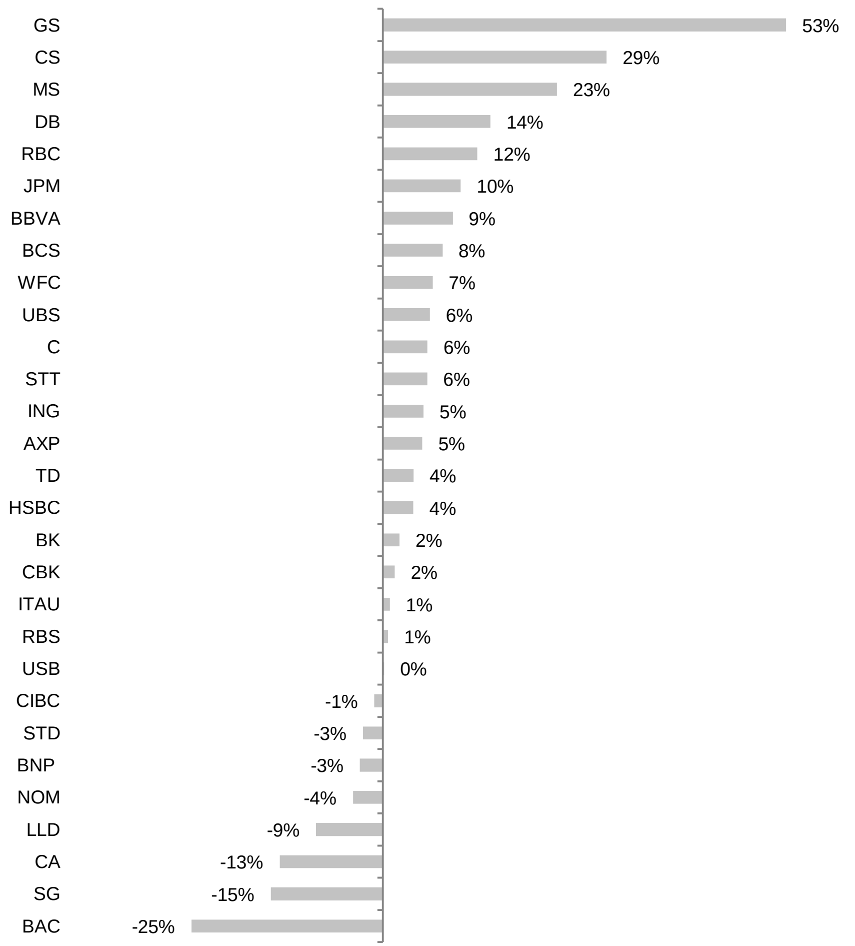
The most positive earnings reports came from North America.

- At CIBC, the Retail and Business Banking segment had record net income for 4Q12. Notably, revenues in personal banking were the highest ever reported in a quarter.
- RBC reported firm-wide record net income for 2012, as well as record annual earnings for three of its businesses: Canadian Banking, Capital Markets and Insurance.
- In 2012, Toronto Dominion reported earnings of C$6.5 billion, up 7% from 2011. Management highlighted that adjusted net income in 2012 exceeded C$7 billion for the first time.
- Wells Fargo reported its seventh consecutive quarter of record earnings per share.
- US Bancorp reported record net income and revenues for 2012.
- The year of 2012 was the third consecutive year of record net income for JPMorgan Chase.

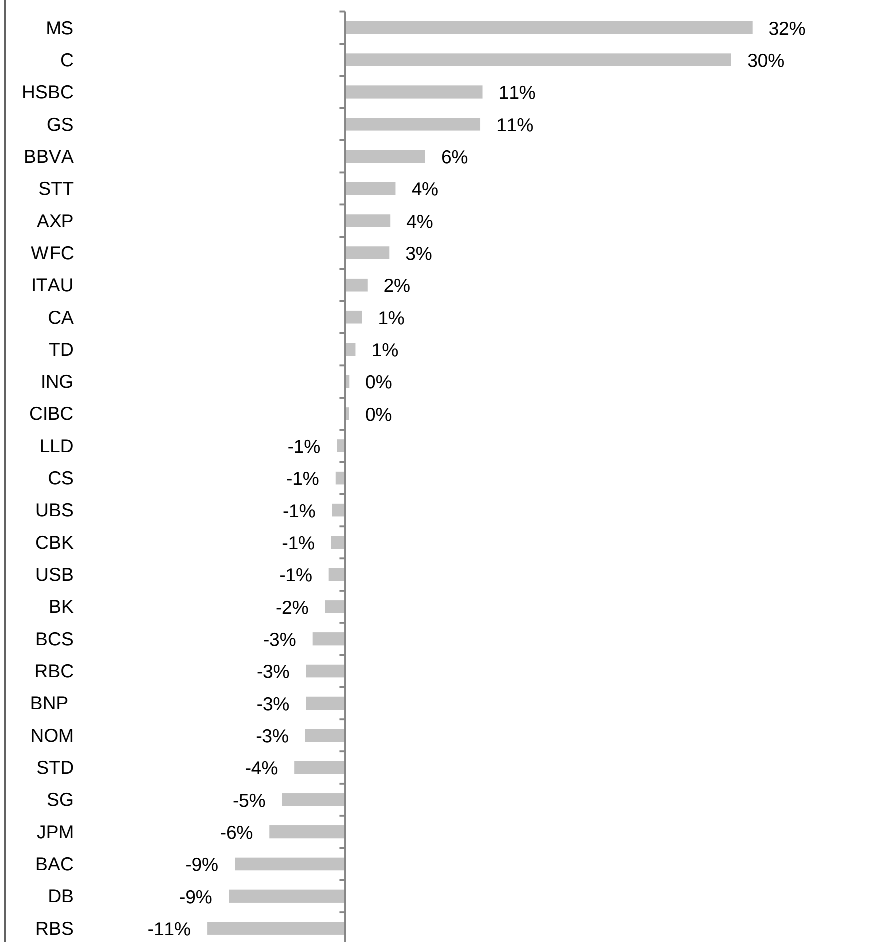
*Standard Chartered reports earnings data on a half-yearly basis.

Key themes overview: revenue growth more consistent on an annual basis, reflecting weak conditions in 4Q11

Revenue, percent change from 4Q11



Revenue, percent change from 3Q12



Notes: See Appendix for legend to ticker symbols; *banks not represented on chart had negative net income in one or both of the compared periods.

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Key themes overview: banks' funding profiles have improved over the course of 2012

Funding profiles have improved, due in part to deposit growth. Following fears of a widespread funding crisis in 4Q11, banks sought to strengthen their funding position during 2012. According to management comments in 4Q12, many banks made material progress on this front. Funding improvements were helped by a number of factors, including the following:

- Participation in the European Central Bank's long-term refinancing operations (LTRO) in December 2011 and February 2012, portions of which were repaid in the first two months of 2013
- Growth in deposits
- Reductions in balance sheets, driven by de-risking and disposals

Management across all regions highlighted their reduced debt footprints and the increased diversity and stability of overall funding sources.

- John Stumpf, CEO, Wells Fargo: "We had something over $400 billion of short- and long-term debt [four years ago]. Now it's down to a combined $180 billion or something like that. So over time, it has come down as we've grown deposits. But, we think some debt to maintain our ratings and support the balance sheet is important."
- Bruce Thompson, CFO, Bank of America: "Deposits were up $42 billion, or 4%, from the end of 3Q12 to the end of 4Q12. During the fourth quarter, we reduced our long-term debt footprint by approximately $11 billion. But more significantly, during all of 2012, our debt footprint came down by almost $100 billion, or 26%."
- Ruth Porat, CFO, Morgan Stanley: "We have reduced outstanding unsecured debt by about $19 billion this year. ...As we buy in the balance of the wealth management business, the deposits will come on [the balance sheet]. ...The total size of those deposits is ballpark $140 billion. ...As we do that, we get dollar-for-dollar substitution, reducing unsecured debt requirements and replacing them with deposit funding."
- Alfredo Sáenz Abad, CEO, Banco Santander: "Improved liquidity was one of the group's priorities for 2012... We've improved our commercial gap by €42 billion in Spain and Portugal. This improvement was due in part to the fall in lending, because the systems continued to deleverage, partly due to an increasing coverage fund, but above all, to our ability to attract deposits through our retail networks. The second driver was a very conservative issuance policy, through which we have attracted €43 billion in medium- and long-term debt and securitizations in the markets. As a result, we've seen a strong improvement in liquidity ratios and in our funding structure, enabling us to return all the money that Santander and Banesto had obtained in the first LTRO auction in December 2011."
- Tom Naratil, CFO, UBS: "We're certainly shifting where deposits are a higher percentage of our mix over time, but it's a part of our mix. We want to make sure we've got a diversified liability structure, one that's both optimized on the cost and tender."
- Jan Hommen, CEO, ING: "We have actively reduced our short-term funding, while at the same time, growing our customer deposits and long-term debt."
- Stefan Krause, CFO, Deutsche Bank: "We continue to be in a very strong [funding] position. The most stable funding sources now comprise 62% of total funding, the highest share ever. ...We closed our local funding gaps in Italy, Spain and Portugal."
- Stephan Engels, CFO, Commerzbank: "Ongoing asset reduction and the strong deposit base limits the funding needs of Commerzbank in 2013 and the following years. Additionally, the eased market and regulatory conditions will have positive effects. Therefore, we expect unsecured capital market funding to be only taken on an opportunistic basis to support franchise demand and a funding diversification."
- Bertrand Badre, CFO, Societe Generale: "We are using less short-term money within our business lines and, on top of that, we are in proportion with more long-term resources and short-term resources also today. So here again, it's a strong rebalancing of the balance sheet."
- Philippe Bordenave, COO, BNP Paribas: "I would just like to stress that our stable funding surplus was more than doubled in one year."
- Bruce Van Saun, Group Finance Director, RBS: "Our key funding and liquidity metrics have all improved. Our short-term wholesale funding requirement declined to just £42 billion compared to around £300 billion at the worst point."
- Antonio Horta-Osoria, CEO, Lloyds: "In 2012, we delivered above market deposit growth of 4% through our innovative multi-brand, customer-focused products. This, together with our noncore asset reduction, has allowed us to achieve our loan-to-deposit ratio targets two years ahead of schedule, which represents the completion of our funding and liquidity transformation."

Key themes overview: cross-border strategies are determined by management's assessment of potential returns

Banks refine their cross-border strategies. Management comments on geographic footprints during the 4Q12 earnings season reflected a sharpened awareness of which countries and regions offer the greatest potential for current and future returns and which ones present the most risk. In general, banks remain committed to regions with an attractive risk-reward proposition and are seeking to exit those that do not.

- Angel Cano Fernandez, COO, Grupo BBVA: "If we look forward now to 2013, our priorities will be in the emerging markets. We need to maintain the dynamism that we saw in 2012 where we'll continue to invest in the geographies where you are seeing the greatest opportunities for organic growth. And for the developed markets, we will continue to work to reduce the risk premium in the developed countries where we operate and we will focus on a return to profitability. ...We'll also seize opportunities to continue to reinforce our footprint and our core businesses."
- Roberto Setubal, CEO, Banco Itau: "We have much higher levels of [loan] growth in [Argentina, Chile, Uruguay and Paraguay]. ... Those economies in general are outgrowing the Brazilian economy. So we expect them to outgrow the Brazilian portfolio by a larger amount. ...we are in the position of interest of investing in other Latin American countries."
- Harvey Schwartz, CFO, Goldman Sachs: "We think the growth markets broadly, and Asia specifically, look quite attractive. And we're comfortable with our level of investment. ...And of course, if the world got much brighter or turned the other way, then we'd adjust."
- Jamie Dimon, CEO, JPMorgan Chase: "Obviously, we operate in a difficult world, but the Investment Bank has been growing and we don't see why we can't continue to grow it around the world and serve more clients in more places like Colombia or some of the emerging markets."
- Peter Sands, CEO, HSBC: "The essentials of our strategy remain the same. We want to lead the way in Asia, Africa and the Middle East. ... We're in the right markets. We have a clear strategy. We're investing in our businesses. There's no doubt that our markets will continue to change dramatically as they grow and get richer. "
- Alfredo Saenz Abad, CEO, Banco Santander: 'Latin America aims to provide solid rises in revenues, volumes and spreads in a good macroeconomic environment."
- Frédéric Oudéa, CEO, Societe Generale: "Our strategic view is to think that Russia will offer better growth than a lot of the European countries."
- Georges Chodron de Courcel, COO, BNP Paribas: "Globally, what is our action plan for 2013? Let's say, continuity. The business is okay. So first of all, in BancWest, as I mentioned, we will continue to develop cross-selling with investment banking and to develop cash management. ...In Europe-Mediterranean, naturally, we will continue to invest in our growth areas, I mentioned Turkey, also Morocco."
- Stuart T. Gulliver, CEO, HSBC: "We believe very strongly that having a developed market presence in the UK, France, Germany, places like Canada, etcetera, it's actually key to the overall trading capital flow proposition of the group. ...We don't see a situation where we would want to change HSBC into being purely emerging market."
- Bruce Van Saun, Group Finance Director, RBS: "Citizens has an attractive footprint and good scale. The challenge is then to generate better returns, which has been hampered somewhat by the sluggish US economy and low-rate environment. That said, we've made steady improvement in profitability, with returns getting closer to our cost of equity. Loan volumes have been shown promising signs, with corporate and commercial balance growth of 21% since 2010. We announced today that we'll be taking steps towards a partial IPO of Citizens in a couple years time."
- Morgan Stanley and Citigroup both discussed geographic footprint reviews, with the intention of exiting markets that generate sub-par returns.
  - James Gorman, CEO, Morgan Stanley: "As part of our ongoing geographic footprint review, we are reducing and resizing some of our international offices so that we can focus mainly on our institutional client coverage and advisory services."
  - Michael Corbat, CEO, Citigroup: "We've already started the work around the country strategies, and again, we come to work, as you described, in many places, in very different ways, and therefore, the things that we want to hold people accountable for and the things we want to measure need to vary, and that's the direction that we're taking the firm."
- Several other banks discussed exits from selected countries in efforts to comply with state-mandated restructuring programs or to minimize overall risk.
  - Jan Hommen, CEO, ING: "Good progress was made on the restructuring program that we have agreed with the European Commission. We divested ING Direct US. We sold our stake in Capital One. We announced the sale of Insurance Malaysia, Hong Kong and Thailand through joint ventures and the Investment Management units in Thailand and Malaysia."
  - Stephan Engels, CFO, Commerzbank: "Commerzbank completed the portfolio realignment of CEE in 2012, refocusing on its core customer franchise in our second home market, Poland."
  - Societe Generale and Credit Agricole both exited Greece.

Key themes overview: concerns about global regulatory coordination resurface

The wide variety of regulatory issues discussed during the 4Q12 earnings season underscores the complexity of the global reform agenda. Management commented on a range of diverse issues and expressed concern about the fragmentation of reform efforts. In addition to the lack of global coordination on a number of key issues, many proposed rules have yet to be finalized, frustrating executives who are seeking clarity about the ultimate impact of regulations on their businesses.

- James Gorman, CEO, Morgan Stanley: "We live in a world of continued regulatory uncertainty as we await final rules on derivatives reform, Volcker and resolution authority, which will bring significant changes to the markets."
- Harvey Schwartz, CFO, Goldman Sachs: "I would say that on capital, I don't know. Maybe we're in the sixth inning in terms of capital rule visibility. Maybe some people could argue the seventh. ...I think the broader issue is the collective visibility into all rules, whether it's Volcker, the impact of Dodd-Frank, things that impact globally. I don't think we have a lot of collective visibility into the weight of that. And actually, I think it's difficult for the regulators to really assess all of that, which, quite frankly, is a concern for the industry and, obviously, it's a concern for the global economy."
- Jamie Dimon, CEO, JPMorgan Chase: "I think we're working with the authorities to get it right, to do the analysis right, have the right numbers. I think you have a little time before someone says it has to be this amount. Remember, we've got Basel I, Basel II, Basel III, the Orderly Liquidation Authority (OLA), Liquidity Coverage Ratio (LCR), Net Stable Funding Ratio (NSFR)...and we're going to be accommodating all of them."
- Anshu Jain, Co-CEO, Deutsche Bank: "We have some major challenges from regulation, the sheer volume of regulatory change, every aspect of our business has been scrutinized. There are significant uncertainties around the implementation of some of these changes. But most of all, we are concerned about the emerging lack of a level playing field."
- Peter Sands, CEO, Standard Chartered: "As we look at the world, many of the biggest challenges and arguably our biggest risks arise from the world of regulation and politics. There's a huge amount happening, touching every aspect of how we run the bank and how our economics work. We are supportive of many of the changes. Establishing workable approaches to resolving failed banks is a very good idea. We strongly support statutory bailing and the recent recalibration of Basel's liquidity rules strikes a much better balance. Yet, there are many crucial areas where unilateral action is undermining international coordination or where politics has overtaken prudential objectives. One example is derivatives, where the sheer complexity of competing and overlapping proposals makes unintended consequences an inevitability."
- Philippe Bordenave, COO, BNP Paribas: "There will be new regulation or at least implementation of recent regulation in the US, in the UK, in Europe, in France — all over the place. So all of that is creating additional complexity. It's too early to understand what is going to be the additional cost of doing business, but there will be some additional cost of doing business. It's not going to be marginal. "
- Alfredo Saenz Abad, CEO, Banco Santander: "The regulatory sphere, with new liquidity and capital demands, is trying to adjust to the current situation and not halt the recovery. A good example is a new definition of the liquidity coverage ratio, known in January, which, along with other changes, will be gradually implemented until 2019."
- Jean-Paul Chifflet. CEO, Credit Agricole, "We've undertaken a lot of work to take into account the new financial and regulatory environment. And the time table was quite busy with the implementation of Basel III, the French banking reform. So we always have new challenges that are run up to us, and we always have to react very quickly."

Specific regulatory and legal issues discussed:

- Supervision of Foreign Bank Organizations (FBOs) in the US
- Financial Services Authority (UK) rules related to forbearance, impairments and RWAs
- Basel III liquidity and leverage ratios applicable to all banks
- French banking reform
- Qualified mortgage rules from the US Consumer Financial Protection Bureau (CFPB)
- OTC derivatives reforms in the US and globally
- Settlements: Independent Foreclosure Review (US banks); Libor (UBS and RBS)
- Provisions: Mis-sold PPI/swaps (UK banks); real estate provisions under the Spanish Royal Decrees
- Resolution plans in the US and globally
- German commercial code (HGB) rules related to impairment

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Key themes overview: banks focus on organic growth and retreat from acquisitions

Acquisition strategies are on hold as banks focus on organic growth and divesting non-core assets. Few banks discussed acquisition strategies in 4Q12. The muted appetite for inorganic growth was driven by the desire to preserve capital and keep expenses down. Discussions on M&A revolved around divestments of non-core assets, reflecting banks' ongoing efforts to refocus priorities and reduce risk.

- Brady Dougan, CEO, Credit Suisse: "We made further progress on previously announced strategic divestments with the January announced sale of our exchange-traded funds business and Asset Management."
- Frederic Oudea, CEO, Societe Generale: "We had announced a disposal program for the next two years, with an impact between 50 and 100 basis points of core Tier 1 benefit. We have done very well by disposing of assets, effectively reaching this 50 basis point hurdle, but more importantly, announcing the strategic profile of the group and reducing the risk. And in particular, of course, the disposal of our subsidiary in Greece, the disposal of TCW, which was completed last week. And as you know, the agreement to sell our Egyptian subsidiary, National Societe Generale Bank, with a public offering, which is about to be launched and with a deal which should be closed end of first quarter 2013."
- Stuart Gulliver, CEO, HSBC: "We continued to simplify and restructure HSBC, announcing the sale or closure of 26 businesses or non-core investments in 2012 and another four already in 2013, bringing the total to 47 disposals and closures since May of 2011."
- Antonio Horta-Osório, CEO, Lloyds: " We are absolutely committed to our "Plan A", which is to sign the Sales and Purchase Agreement (SPA) after the Memorandum of Understanding (MoU) signed with the Cooperative Bank. And we have said before that we're expecting to sign the SPA by the end of 1Q13. At the same time as we said that, we also said that we felt the right thing to do was to prepare this bank, prepare this deal to be done as a full-fledged bank, we were building the bank and you are going to see the TSB Bank in the summer in the high street competing with the other brands."
- Jean-Laurent Bonnafé, CEO, BNP Paribas: "[Acquisitions] are not part of our strategic thinking. We are building an organic plan for the two to three years to come. And we believe the best way for us, looking at the current situation, is to build up the business, to grow our balance sheet, our own client franchise, and this is it. So for external acquisition, this is the only thing we can say."

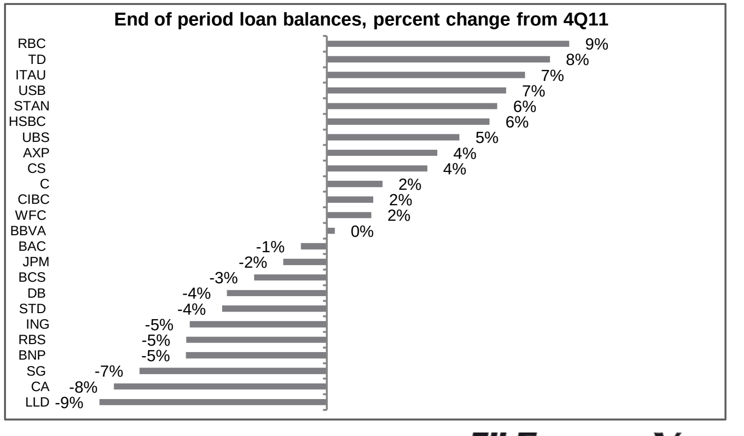
Management at a few retail-focused banks indicated a willingness to pursue acquisitions in certain well-defined markets or businesses. Comments were characterized by a distinct lack of urgency to complete deals.

- Angel Cano Fernandez, COO, Grupo BBVA: "In the US, it's true that we are seeing very stable growth quarter-on-quarter as they contribute more and more to the group, and we are totally aware that we have an infrastructure that would enable us to have a much bigger market share than we currently have in the US. But we are all aware of what our inorganic growth strategy is. We have a franchise which competitors recognize is improving all the time, and so it's a matter of whether we want to take up any opportunities that may arise over the next few quarters or years, but we have no hurry. There's no pressure on us to rush through any transactions in the US at all."
- Roberto Setubal, CEO, Banco Itau: "We do not have any plan relating to any major acquisition [in Latin America]. I don't think there is any possibility of this. Currently, there is no important asset being offered or being negotiated in the market place. So for the time being, I don't think this would be a relevant thing. But I have to say that we are in the position of interest of investing in other Latin American countries."
- Gord Nixon, CEO, Royal Bank of Canada: "Wealth Management is the one area where if we did find the right strategic opportunity, we'd certainly be prepared, and we'd like to find that right strategic opportunity. But I would also emphasize that that is extremely challenging to do in today's environment. And part of it is because of the capital issue."
- Ed Clark, CEO, Toronto Dominion: "We have choices: organic growth by itself, organic growth plus a series of smaller deals or the option of opportunistically taking advantage of a larger deal that might arise that fits our core strategy. Our primary focus remains organic growth. We remain cautious on acquisitions and would only do a deal, large or small, if it fit our timing and our price. We don't intend to comment further on this subject."
- Dan Henry, CFO, American Express: "We always are open to acquisitions. Although, as you know, we've achieved our growth and the share gains that we've experienced over the last several years through organic investments. ...We remain open to acquisitions if the right one comes along with the right returns."

Key themes overview: lending to businesses drives volume growth

While overall loan trends were not universally positive, banks cited business lending as an area of strength. Banks that reported higher end-of-period loan balances, highlighted commercial lending as a key driver of growth. Consumer lending trends were mixed, as North American banks benefited from strong mortgage refinancing trends and banks in other regions either deliberately reduced their exposure to the consumer segment or reported muted demand due to economic conditions.

- J. David Williamson, Group Head of Retail & Business Banking, CIBC: “We've had two or three years of comparatively quite strong growth in business lending.”
- Ed Clark, CEO, Toronto Dominion: “Our Canadian and US Personal and Commercial Banking businesses reported strong loan growth and deposit growth throughout the year, while personal loan volumes in Canada have moderated in recent quarters.”
- Tim Sloan, CFO, Wells Fargo: “The fiscal cliff negotiations and the potential for increases and changes in tax rates actually had a slightly positive effect on loan growth in the fourth quarter, particularly on the commercial side and particularly toward the end of the quarter. ...Our middle market lending business grew. Our commercial real estate business grew, corporate banking grew asset-backed finance grew.”
- Alfredo Saenz Abad, CEO, Banco Santander: “Lending volumes are down, particularly because of real estate lending and slightly also because of lending for consumer finance, not so for business lending. Although overall, lending to the system has fallen. If you look at what Santander has been doing in our business segment, we've not reduced lending to businesses in 2012. We've maintained volume of loans to businesses.”
- Angel Cano Fernández, COO, Grupo BBVA: “I think the important thing is not the fact that we're going to grow our loans in 2013 but rather, we're going to do this in line with our internal strategy of asset allocation, which is rolled out throughout the group. So the different geographies will grow depending on the expectations for economic growth in the different sectors. So the growth in lending that we see in some particular sectors in 2013 here in Spain will be selective. The drivers of this will be the medium-sized companies that are generating enormous amounts of exports.”
- Iain Mackay, Group Finance Director, HSBC: “Customer loans and advances grew in all regions, with over half of this growth coming from Hong Kong, Rest of Asia-Pacific and Latin America driven by trade-related lending.”
- Jan Hommen, CEO, ING: ”Our customer lending increased primarily in Retail Banking, although the growth has been quite moderate given the weak economic environment and the reluctance of businesses to invest.”
- François Villeroy de Galhau, COO, BNP Paribas: “We also had an increase of loans [in Domestic Markets], but a deceleration through the year, due to a slowdown in demand in each of our markets.”
- In the UK, banks commented on their participation in the government’s Funding for Lending (FLS) scheme:
  - Antonio Horta-Osorio, CEO, Lloyds: “We are targeting core loan growth in the second half of 2013, as I said last year, driven by our proactive customer-focused approach and the Funding for Lending Scheme, despite the subdued economic environment and expected continue deleverage in the UK economy.”
  - Stephen Hester, CEO, RBS: “Although the Funding for Lending Scheme, I think, is an important tool, so far our observation is that it has brought forward refinancing, as opposed to strong incremental loan demand. ...The much more important factor in demand for lending is confidence and use of the money and confidence that people can pay it back and so on and so forth. There is a bit more price sensitivity in the mortgage market because people think much more in terms of mortgage payments as a percent of take-home pay. ...That's why we are a bit more optimistic about mortgage demand than we are about business demand in the immediate term, because there's a bit more price elasticity there. But either way, what we need, if you like, is growth, and that needs a competitiveness and so on and so forth. And it is never in economic cycles that loan growth front-runs the recovery of economic confidence and other growth, and you've seen that in the US and other markets.”



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Key themes overview: banks address concerns about industry culture

Bank industry culture questioned following high-profile missteps. Over the course of 2012, the culture of the banking industry came under scrutiny, driven by a number of bank missteps that generated significant press coverage. During the 4Q12 earnings season, a number of the banks involved in the incidents addressed concerns directly.

- Stephen Hester, Group CEO, RBS: “The banking industry, in addition to putting right risk and physical mistakes, also needs to put right cultural things. We do, as much as any other bank and more than many other banks. And from the very beginning of the restructuring phase of RBS in 2009, we have been really clear: We need to rebuild this company as a really good bank. And that actually starts and finishes with serving customers well. That's the lodestar that the best companies in the world consistently reach. We need to consistently reach that, and along with that, to make sure that we're doing it in the right way. You can see, this, if you like, is what we call our purpose, vision and values. It's not where we started, it's not exactly where we are today, it's where we need to get.”
- Peter Sands, CEO, Standard Chartered: “Lots of people are now talking about the culture of banks, but we've been investing time and energy in reinforcing our culture for a long time. We see our culture as a key source of competitive differentiation. We see culture as a key risk management tool. We introduced our values a decade ago, embedding them in our performance management system so that people got rewarded not just for what they achieved, but for how they achieved it.”
- Jamie Dimon, CEO, JPMorgan Chase: “Obviously, when you have a problem like the “London Whale,” you have mistakes that you should acknowledge and then fix. So we obviously fixed the Chief Investment Office (CIO) totally, 100% — the people in it, reporting, risk, controls, committees, guidelines. ...Some of those mistakes scared us so we went and checked everyone in the company. So we're fixing certain things across the company. Nothing so bad, they're not disastrous, but they require fixing. And so when you have an accident like that, you want to say, "We're going to use it to get stronger, better, smarter, tougher." And we have to and we're going to.”
- Sergio Ermotti, CEO, UBS: “As you're aware, we also resolved a number of LIBOR-related matters in the quarter. This experience is a stark reminder of what can happen if we fail to maintain the highest ethical standards in our business. As our regulators noted, we have already made significant progress to strengthen our operational risk controls. I'm firmly committed to ensuring that we continue to put our reputation and risk control first everyday and in everything we do.”

One of the factors contributing to negative perceptions about the industry’s culture is compensation, particularly related to bonuses and incentive pay. During 4Q12, several banks discussed changes to compensation practices that are intended to align rewards with values and shareholder interests. Some banks are examining how to structure the deferred component of compensation to discourage high-risk activities and behaviors.

- Ruth Porat, CFO, Morgan Stanley: “We raised the total compensation level at which deferrals start, so over 82% of people don't have deferrals, and it's really those who are in the earlier parts of their careers. So it's really for the more senior people that we have deferrals. The vesting schedule is still over three years, and it's the combination of cash and equity, which we think further enhances alignments of interest.”
- Sergio Ermotti, CEO, UBS: “As part of our commitment to deliver sustainable performance, we have further aligned our compensation programs to pay for appropriate performance and ensure we can continue to attract and retain top talent. We have made a number of significant changes. For example, we have extended vesting periods and multi-year performance conditions. We had introduced a new deferred compensation plan, which broadly replicates the future of UBS loss-absorbing capital we issued to external investors in 2012 but at a higher trigger set at 7%. This plan counts towards our total Basel III "too big to fail" capital, and awards in this plan will take losses ahead of our low-trigger notes. And finally, we have also reduced the immediate 1-year cash cap for individuals by 50%. Taken together, these changes are another important steps toward ensuring that compensation is better aligned to medium- and long-term performance and our shareholders' interest. I believe they will create the right reward for those who execute our strategy effectively and efficiently and deliver attractive and sustainable returns to our shareholders.”
- Stefan Krause, CFO, Deutsche Bank: “We have again brought down our variable compensation, both in absolute terms and as a percentage of revenues. It is also worth highlighting that we have reduced the percentage of deferred compensation to 47%. One of the recommendations of our external compensation panel was that we need to strike more of the balance between aligning cost to the revenue period in which they were incurred and making sure employees are properly incentivized to make long-term value creating decisions.”
- Richard Ricci, Co-CEO of Corporate & Investment Banking, Barclays: “We have a conservative deferral profile, but because of some of the events we've had, we've increased deferrals. You want to try and get the balance right between making sure interests are aligned, but that you're not overloading your deferrals in any one year.”
- Brady Dougan, CEO, Credit Suisse: “A substantial portion of deferred compensation that's out there [is subject to performance clawbacks], and it's for a substantial proportion of our staff. ...In terms of the compensation structure, we've actually continued to do what I think are good things for employees, but also very good things for the bank in terms of reducing risks, etcetera. Again, this year, we have the Plus Bond, which helps to offset some of the risks in some of our businesses and contribute to our RWA reduction goal. So I think it's a good way to do that.”

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Appendix

Summary of key banking sector themes: 4Q12 earnings season

The tables on the following pages provide a summary of the top 10 themes.

Top initiatives and issues (arranged from most common to least common)		AXP	ITU	STD	BAC	BK	BCS	BBVA	BNP	CIBC	C	CBK	CA	CS	DB	GS
Responses to the macro-environment: adaptation of business models	30	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Capital issues	30	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Expense trends/investments in the business	30	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Drivers of earnings performance	30	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Funding strategy and liquidity management	29	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Cross-border activities	27	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Regulatory issues	25	✓		✓	✓	✓	✓	✓	✓		✓	✓	✓	✓	✓	✓
M&A strategies	24	✓	✓	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓		✓
Lending trends	24	✓	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓			
Industry culture	17	✓			✓		✓		✓		✓			✓	✓	✓

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Legend

AXP — American Express
ITU — Banco Itau
STD — Banco Santander
BAC — Bank of America
BK — BNY Mellon
BCS — Barclays
BBVA — Grupo BBVA
BNP — BNP Paribas
CIBC — Canadian Imperial Bank of Commerce
C — Citigroup
CBK — Commerzbank
CA — Credit Agricole
CS — Credit Suisse
DB — Deutsche Bank
GS — Goldman Sachs

Summary of key banking sector themes: 4Q12 earnings season
(continued)

Top initiatives and issues (arranged from most common to least common)		HSBC	ING	JPM	LLD	MS	NOM	RBC	RBS	SG	STAN	STT	TD	UBS	USB	WFC
Responses to the macro-environment: adaptation of business models	30	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Capital issues	30	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Expense trends/investments in the business	30	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Drivers of earnings performance	30	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Funding strategy and liquidity management	29		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Cross-border activities	27	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓		
Regulatory issues	25	✓	✓	✓	✓	✓		✓	✓	✓	✓			✓	✓	✓
M&A strategies	24	✓	✓		✓	✓		✓	✓	✓		✓	✓		✓	✓
Lending trends	24	✓	✓	✓	✓	✓		✓	✓	✓	✓		✓	✓	✓	✓
Industry culture	17	✓		✓	✓	✓			✓		✓			✓	✓	✓

Legend

HSBC — HSBC Holdings
MS — Morgan Stanley
SG— Societe Generale
UBS — UBS AG

ING —ING Groep
NOM — Nomura
STAN — Standard Chartered
USB — US Bancorp

JPM — JPMorgan Chase
RBC — Royal Bank of Canada
STT — State Street
WFC — Wells Fargo

LLD — Lloyds Banking Group
RBS — Royal Bank of Scotland
TD — Toronto Dominion

Select KPIs

Company	Market Value 1 March 2013 (US$m)		Assets (US$m)		Capital ratio	Basis of Calculation for Capital Ratio	Date of 4Q12 earnings call
American Express	$	68,897.08	$	153,140.00	11.90	Basel I Tier 1 common ratio	17 January 2013
Banco Itau	$	79,231.49	$	495,203.65	10.90	Basel II	6 February 2013
Banco Santander	$	78,082.27	$	1,673,977.19	10.33	Basel II core capital ratio	31 January 2013
Bank of America	$	122,701.92	$	2,209,974.00	11.06	Basel I Tier 1 common ratio	17 January 2013
Bank of New York Mellon	$	31,605.09	$	358,990.00	13.60	Basel I Tier 1 common ratio	16 January 2013
Barclays	$	56,838.91	$	2,422,301.50	10.90	Basel 2.5 core tier 1 ratio	12 February 2013
BBVA	$	51,537.30	$	840,905.79	10.80	Basel 2.5 core tier 1 ratio	1 February 2013
BNP Paribas*	$	67,941.84	$	2,520,450.00	11.80	Basel 2.5 common equity tier 1 ratio	14 February 2013
CIBC**	$	32,397.30	$	393,133.39	13.80	Basel II Tier 1 capital ratio	6 December 2012
Citigroup	$	127,962.14	$	1,864,660.00	12.70	Basel I Tier 1 common ratio	17 January 2013
Commerzbank*	$	10,605.80	$	840,461.00	12.00	Basel 2.5 core tier 1 ratio	15 February 2013
Credit Agricole	$	22,713.28	$	2,464,265.07	11.40	Basel 2.5 core tier 1 ratio	21 February 2013
Credit Suisse	$	33,929.10	$	1,009,444.70	15.60	Basel 2.5 core tier 1 ratio	7 February 2013
Deutsche Bank*	$	40,382.90	$	2,658,820.00	11.60	Basel 2.5 core tier 1 ratio	31 January 2013
Goldman Sachs	$	72,335.50	$	938,555.00	14.50	Basel I Tier 1 common ratio	16 January 2013
HSBC	$	135,803.25	$	2,692,538.00	12.30	Basel 2.5 core tier 1 ratio	4 March 2013
ING Groep*	$	29,590.03	$	1,544,320.00	11.90	Basel 2.5 core tier 1 ratio	13 February 2013
JP Morgan Chase	$	186,027.87	$	2,359,141.00	11.00	Basel I Tier 1 common ratio	16 January 2013
Lloyds	$	56,153.29	$	1,502,725.72	12.00	Basel 2.5 core tier 1 ratio	1 March 2013
Morgan Stanley	$	43,991.01	$	782,373.00	14.70	Basel I Tier 1 common ratio	18 January 2013
Nomura	$	21,824.85	$	445,831.89	14.90	Basel 2.5 common equity tier 1 ratio	31 January 2013
Royal Bank of Canada**	$	89,568.32	$	824,572.27	13.10	Basel II Tier 1 capital ratio	29 November 2012
Royal Bank of Scotland	$	51,957.74	$	2,132,945.96	10.30	Basel 2.5 core tier 1 ratio	28 February 2013
Societe Generale	$	27,784.31	$	1,649,015.76	10.70	Basel 2.5 core tier 1 ratio	13 February 2013
Standard Chartered Bank	$	64,544.00	$	636,518.00	11.70	Basel II core tier 1 capital	5 March 2013
State Street	$	25,726.97	$	222,582.00	17.10	Basel I Tier 1 common ratio	18 January 2013
Toronto Dominion**	$	76,178.06	$	810,646.00	12.60	Basel II Tier 1 capital ratio	6 December 2012
UBS	$	58,299.60	$	1,375,398.13	19.00	Basel 2.5 core tier 1 ratio	5 February 2013
US Bancorp	$	63,373.72	$	353,855.00	9.00	Basel I Tier 1 common ratio	16 January 2013
Wells Fargo	$	186,536.51	$	1,422,968.00	10.12	Basel I Tier 1 common ratio	11 January 2013

Source: CapIQ and company reports
*Exchange rate for assets from oanda.com (1.32148)
**Assets and capital ratios as of 31 October 2012

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