

European Banking Barometer

Growing optimism despite a weak economic outlook

Spring/Summer 2013

 **ERNST & YOUNG**
Quality In Everything We Do

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Introduction

Ernst & Young's European Banking Barometer is a bi-annual study to determine the views of senior bankers across the major banking markets in Europe. The research focuses on the current macro-economic environment and how it will impact their organization and the banking industry as a whole over the next six months.

The Spring/Summer 2013 Barometer consists of over 250 interviews with senior bankers across 11 markets in Europe – Austria, Belgium, France, Germany, Italy, the Netherlands, the Nordics, Poland, Spain, Switzerland and the UK.

The fieldwork, consisting of telephone interviews and online questionnaires, was conducted throughout Spring 2013 by two external research agencies on Ernst & Young's behalf. The aim was to interview senior bankers from a range of institutions representing at least 50% of the 11 markets, defined as banking assets owned.

Interviews were not conducted with subsidiaries of member/group banks, and a range of bank types were interviewed in each market to ensure a fair reflection of the industry in each country.

The results are presented in an aggregate format and shown in percentages. Please note that where charts do not add up to 100%, it is because participants either chose not to answer the question or selected 'Don't know' or 'Not applicable' as their answer. Where possible we've compared answers against those given in Autumn/Winter 2012 but some questions have changed or are new.

We would like to thank all the research participants for their contribution to the study.

If you would like to take part in our next European Banking Barometer, please speak to your usual Ernst & Young contact or refer to your local-country contact on page 51.

Composition of the survey sample by bank type

Type of bank*



Market	Total	Universal	Corporate and investment	Private bank/wealth management	Specialist	Retail and business (cooperative)	Retail and business (state owned)	Retail and business (privately owned)
Europe	252	91	34	42	34	13	9	29
Austria	8	4		1	1	1	1	
Belgium	14	4		4	1			5
France	25	7	6	5		2		5
Germany	59	38	1	2	12	2	3	1
Italy	12	3	1		3	2		3
Netherlands	10	1	2	4	1		0	2
Nordics	14	5		2	2	2		3
Poland	13	7	2		2	1		1
Spain	32	10	7	4	3	0	1	7
Switzerland	29	2	3	15	3	3	2	1
UK	36	10	12	5	6		2	1

* Numbers in the bar chart reflect the percentage of respondents who answered.
Specialist bank definition – consumer credit, savings and institutions that don't offer a current account.

European overview

Banks anticipate an improved performance over the next six months as restructuring programs begin to bear fruit. Although cost cutting and job losses will continue during this phase of strategic readjustment, many bank balance sheets are now stronger. However, although increased customer demand is expected, lending restrictions will continue to tighten across Europe.

Restructuring continues, but some banks are beginning to invest in growth areas.

- ▶ Regulatory compliance remains the main focus for European banks, but cutting costs, streamlining and automating processes, and minimizing non-essential spend will continue to be amongst the top five priorities for institutions over the next six months.
- ▶ Many banks now see streamlining processes as more important than minimizing non-essential expenditure and cutting costs, suggesting they are moving from tactical to strategic cost reduction.
- ▶ Redundancies will continue to play a key role in cost reduction programs with 41% of respondents expecting an increase in redundancies compared with 45% in our Autumn/Winter 2012 Barometer. However, most of these job cuts will be part of redundancy programs already announced by banks.
- ▶ Staff cuts continue to be centered on back office functions as banks streamline and automate processes. Over one-third of banks expect cuts in Operations and IT, and other head office functions.
- ▶ However, some banks are beginning to recruit staff in key areas. Banks expect a net increase in staff in asset management, private banking and corporate banking divisions, where they anticipate increased demand.

Opinions on the economic outlook, and the potential impact of the sovereign debt crisis, remain divided both within individual economies and across Europe.

- ▶ Fifty percent of respondents expect the current sluggish economic conditions to remain. The remainder are equally split on whether the economy will improve or deteriorate. This represents a modest improvement from our Autumn/Winter 2012 Barometer, when more than 40% expected the economy to deteriorate.
- ▶ Surprisingly, Spanish banks are the most optimistic about the economy, with 40% expecting improvement. Record unemployment and a seventh consecutive quarter of economic contraction in Spain may leave little scope for further deterioration.
- ▶ Banks in France and Italy are most pessimistic, with 56% and 42% of respondents respectively expecting the economy to decline.
- ▶ There is little change in expectations about the sovereign debt crisis from our Autumn/Winter 2012 Barometer. Thirty-five percent of respondents expect an increased impact from the sovereign debt crisis. Twenty percent expect its impact to diminish.
- ▶ Spanish and Italian banks remain the most concerned about the sovereign debt crisis.

European overview

European banks will continue to deleverage and sell assets to bolster their balance sheets, but the benefits of restructuring programs are becoming evident at some institutions.

- ▶ Banks continue to pursue a mix of actions to strengthen their balance sheets and build capital buffers.
- ▶ Fifty percent of banks expect to shrink their balance sheets over the next six months, with one-third of banks considering selling assets as they focus on their core businesses.
- ▶ Forty-five percent of respondents expect to improve their funding mix, with half introducing new incentives to attract deposits.
- ▶ However, some banks are already significantly stronger. Less than 25% of respondents now expect their bank to access central bank funding programs, compared with 33% in our Autumn/Winter 2012 Barometer. Almost 40% expect to repay such programs.

Following recent M&A activity, fewer banks anticipate further consolidation in the next year.

- ▶ Only 38% of European banks expect further consolidation of the sector over the next year, compared with 48% in our Autumn/Winter 2012 Barometer, following M&A activity at the end of last year.
- ▶ Future consolidation is likely to be focused on a tail of smaller institutions, particularly private banks in Switzerland and small Spanish banks. Almost three-quarters of respondents in Spain and Switzerland anticipate further M&A.
- ▶ Banks are focused on right-sizing their European operations, with most expecting sales or acquisitions to take place within Europe.
- ▶ Where banks are looking for growth opportunities, they are more likely to buy assets (25%) than consider joint-ventures or partnerships (19%).

Despite increased customer demand, non-performing loans remain a worry for banks and credit conditions will continue to tighten across Europe.

- ▶ Banks expect demand for retail savings products to remain strong, but savings rates will stay low. More stable equity markets and a search for yield mean more banks now anticipate increased demand for personal investment products.
- ▶ Although 44% of banks anticipate increased demand for corporate lending, they remain worried about non-performing loans, with 32% expecting to increase loan loss provisions over the next six months.
- ▶ Banks also expect lending policies to become even more restrictive for most sectors. Construction and commercial real estate will be worst hit, with more than 40% of banks anticipating more restrictive lending policies.
- ▶ European policy actions to boost lending to small and medium enterprises (SMEs) are beginning to take effect. Twenty-nine percent of banks expect lending policies to the SME sector to be less restrictive over the next six months.

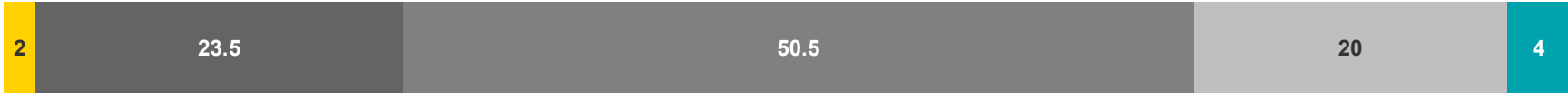
Economic environment



A little more optimism, a little less pessimism, but most banks expect little change to the economic outlook

How do you expect the general economic outlook in your country to change over the next six months?*

Spring/Summer 2013



Autumn/Winter 2012



■ Strengthen significantly
 ■ Strengthen slightly
 ■ Stay the same
 ■ Weaken slightly
 ■ Weaken significantly

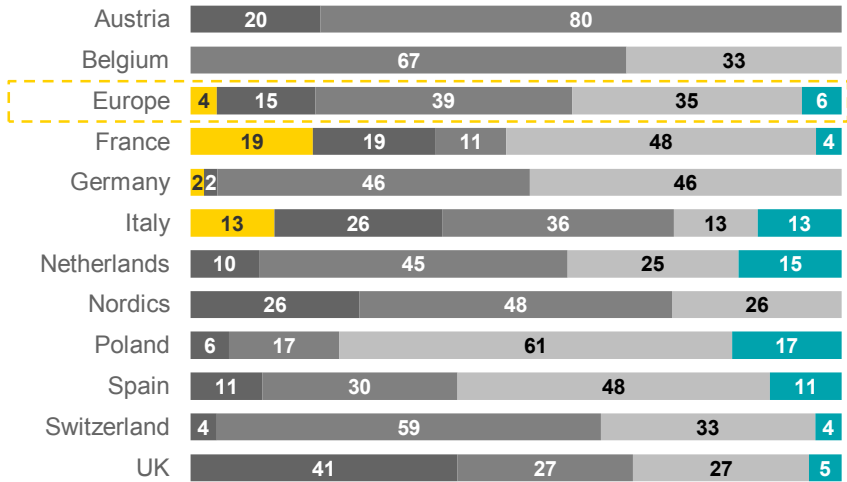
Comments: Banks were slightly less pessimistic about the economic outlook than in our Autumn/Winter Barometer, but there is little cause for celebration as over 50% expect the current sluggish economic conditions to persist. Somewhat surprisingly, Spanish respondents anticipate the greatest improvement in the economy but, with unemployment at a record high and GDP recently contracting for a seventh consecutive quarter, banks are hopeful the economy will not deteriorate much further. The greatest pessimism was in Italy, in the wake of electoral confusion, and France, where the economic recovery continues to disappoint. It remains to be seen whether the European Central Bank’s recent interest rate cut will improve the outlook.

* Numbers reflect the percentage of respondents who answered.

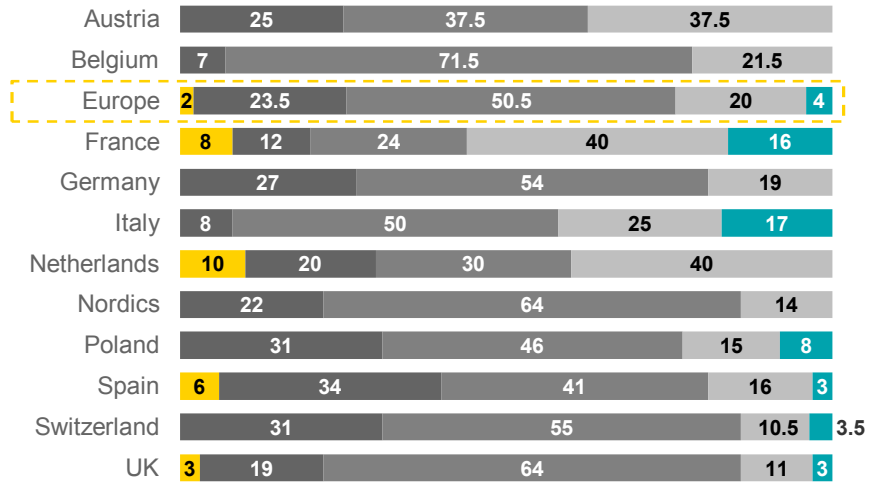
The outlook has improved most for Spanish and Polish banks

How do you expect the general economic outlook in your country to change over the next six months?*

Autumn/Winter 2012



Spring/Summer 2013



■ Strengthen significantly ■ Strengthen slightly ■ Stay the same ■ Weaken slightly ■ Weaken significantly

* Numbers reflect the percentage of respondents who answered.

European sovereign debt crisis



Views on the sovereign debt crisis remain unchanged, despite recent turmoil in Cyprus

What level of impact do you think the Eurozone sovereign debt crisis will have on the banking sector in your country over the next six months compared with the previous six months?*

Spring/Summer 2013



Autumn/Winter 2012



■ Significantly increased impact
 ■ Slightly increased impact
 ■ About the same
 ■ Slightly decreased impact
 ■ Significantly decreased impact

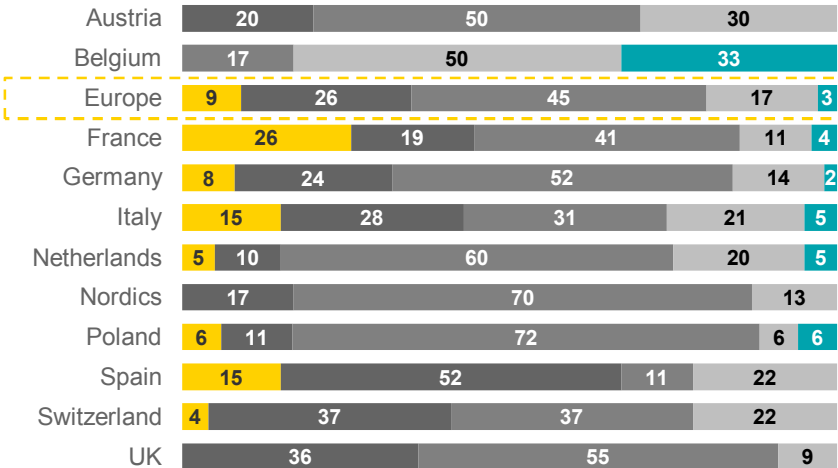
Comments: Views on the sovereign debt crisis remain consistent with our Autumn/Winter Barometer. Despite fears in some quarters that the Cypriot crisis might lead to capital flight from other, larger, Eurozone members, these have not been realized. Banks in Spain and Italy – which have been focal points of the crisis – remain the most concerned, with 50% and 42% respectively anticipating an increased impact from the crisis – but even here there is little change from Autumn/Winter. Worries have grown in Poland, which is heavily dependent on the Eurozone as an export market.

* Numbers reflect the percentage of respondents who answered.

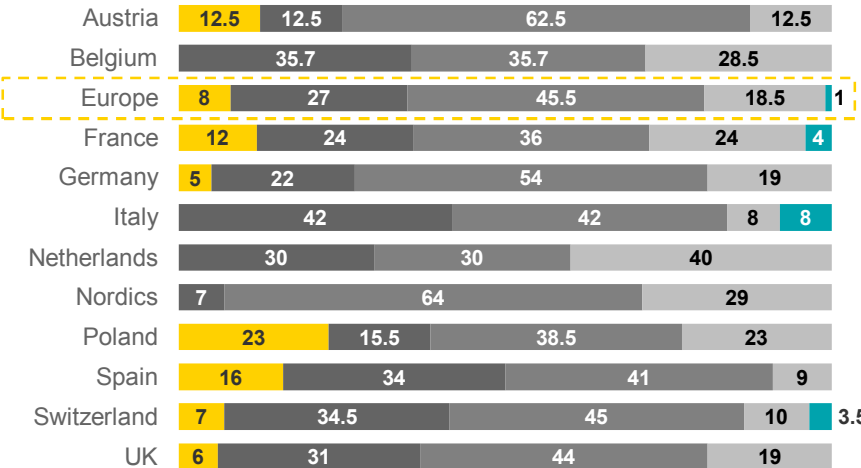
Spanish and Italian banks remain the most concerned about the impact of the sovereign debt crisis

What level of impact do you think the Eurozone sovereign debt crisis will have on the banking sector in your country over the next six months compared with the previous six months?*

Autumn/Winter 2012



Spring/Summer 2013



■ Significantly increased impact ■ Slightly increased impact ■ About the same ■ Slightly decreased impact ■ Significantly decreased impact

* Numbers reflect the percentage of respondents who answered.

Business outlook and focus areas



Banks are increasingly optimistic about their own performance, despite lingering economic concerns...

How do you expect your bank’s overall performance to change over the next six months?*

Spring/Summer 2013



Autumn/Winter 2012



■ Strengthen significantly
 ■ Strengthen slightly
 ■ Stay the same
 ■ Weaken slightly
 ■ Weaken significantly

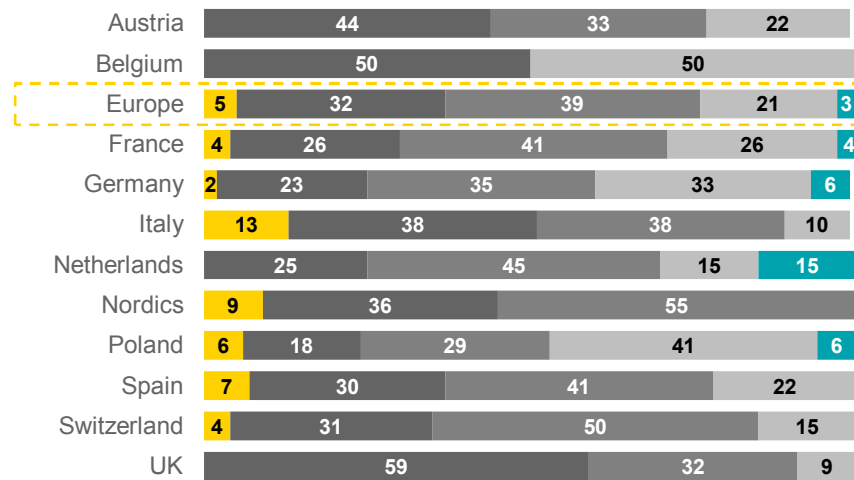
Comments: With a muted economic outlook, and little scope for revenue growth, it is perhaps surprising that more banks now expect their performance to improve over the next six months. This shift in expectations is greatest in non-Eurozone countries, but may also reflect a belief that cost reduction programs are starting to yield dividends. The greatest improvement in expectations is in the Nordics. Banks are also much more positive in Spain, Switzerland and the UK, where the banking sector has made significant strides in restructuring.

* Numbers reflect the percentage of respondents who answered.

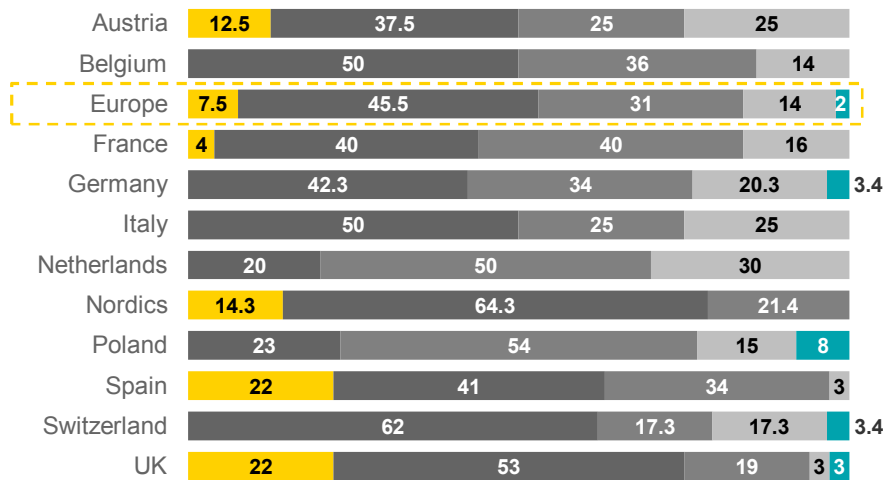
...with banks in non-Eurozone countries more optimistic

How do you expect your bank's overall performance to change over the next six months?*

Autumn/Winter 2012



Spring/Summer 2013



■ Strengthen significantly
 ■ Strengthen slightly
 ■ Stay the same
 ■ Weaken slightly
 ■ Weaken significantly

* Numbers reflect the percentage of respondents who answered.

Banks remain worried about loan losses, although the growth of provisions is declining

Over the next six months, what do you expect your bank’s total provisions against loan losses to do?*

Spring/Summer 2013



Autumn/Winter 2012



■ Increase significantly
 ■ Increase slightly
 ■ Remain at current levels
 ■ Decrease slightly
 ■ Decrease significantly

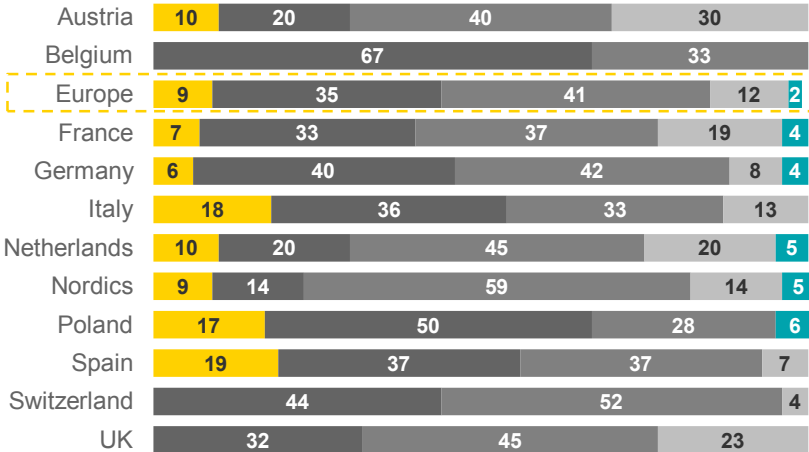
Comments: Fewer banks expect to increase loan loss provisions (LLPs) than in the Autumn/Winter Barometer, reflecting the moderation in economic concerns. Even in Spain, which remains plagued by a troubled economy, fewer banks expect to increase LLPs. However, banks are unlikely to significantly increase lending until a far greater proportion of respondents forecast declining provisions.

* Numbers reflect the percentage of respondents who answered.

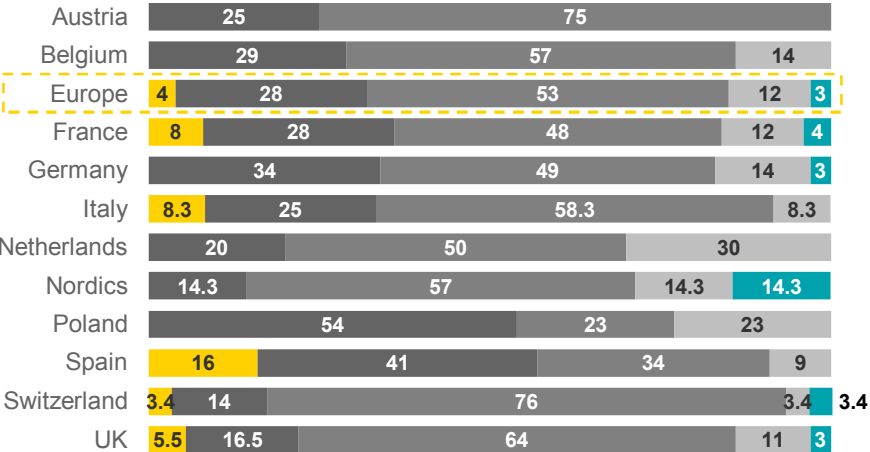
The largest rise in LLPs is expected in Spain, where the economy has contracted for the seventh consecutive quarter

Over the next six months, what do you expect your bank's total provisions against loan losses to do?*

Autumn/Winter 2012



Spring/Summer 2013



■ Increase significantly ■ Increase slightly ■ Remain at current levels ■ Decrease slightly ■ Decrease significantly

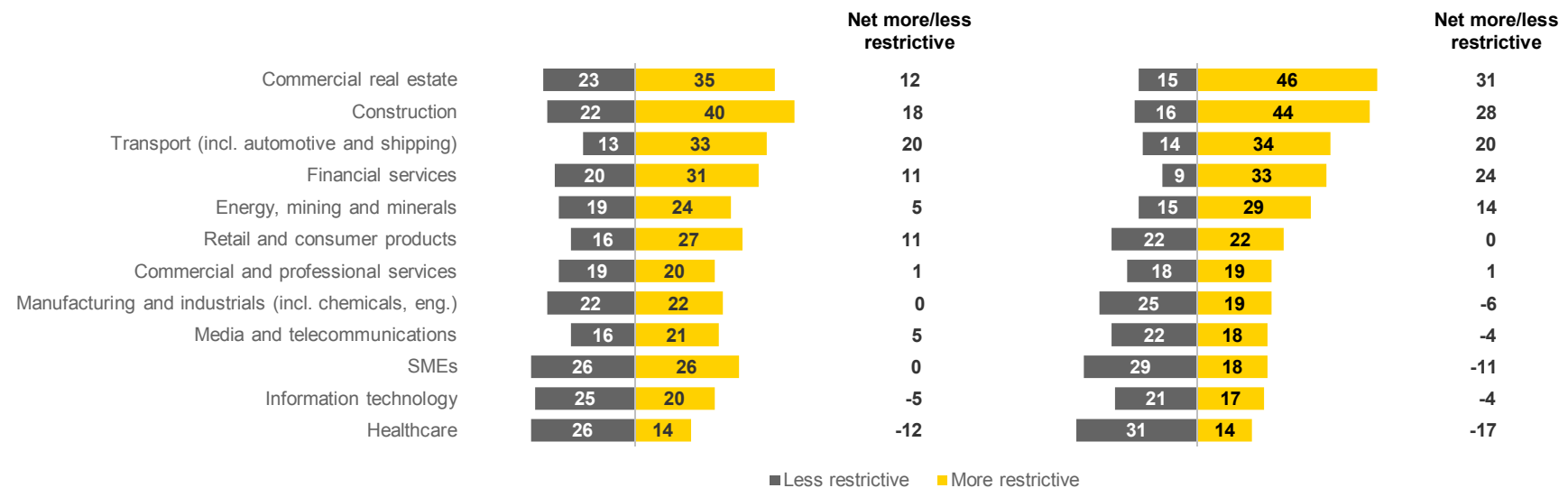
* Numbers reflect the percentage of respondents who answered. Some totals may not add up to 100% due to rounding.

Lending prospects will continue to deteriorate for most sectors, but access to finance is improving for SMEs

How do you expect the corporate lending policies of banks in your country to change in each of the following sectors over the next six months?*

Autumn/Winter 2012

Spring/Summer 2013



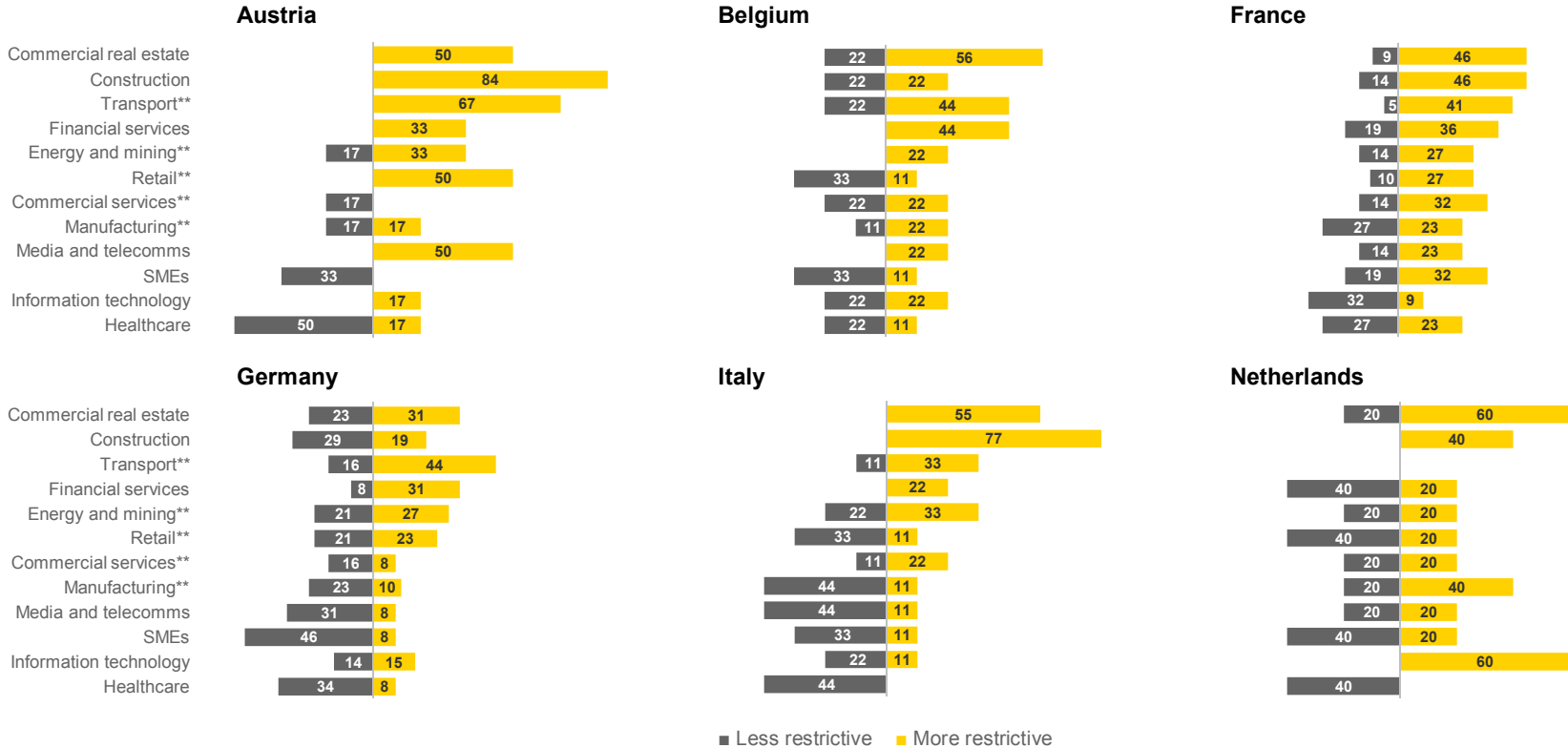
Comments: Since our Autumn/Winter Barometer, the outlook for lending has weakened even further across most sectors. The outlook is most pessimistic for construction and commercial real estate. More positively, banks expect lending to the small and medium enterprise (SME) sector to become less restrictive. This is most notable in Germany, reflecting the continued strength of the Mittlestand, but policy actions are clearly boosting SME lending across Europe.

* Numbers reflect the percentage of respondents who answered.

Where totals do not add up to 100%, remaining respondents answered 'Remain unchanged' or 'Don't know'. Where no data is shown all respondents answered 'Remain unchanged' or 'Don't know'.

Construction and commercial real estate will bear the brunt of more restrictive lending policies...

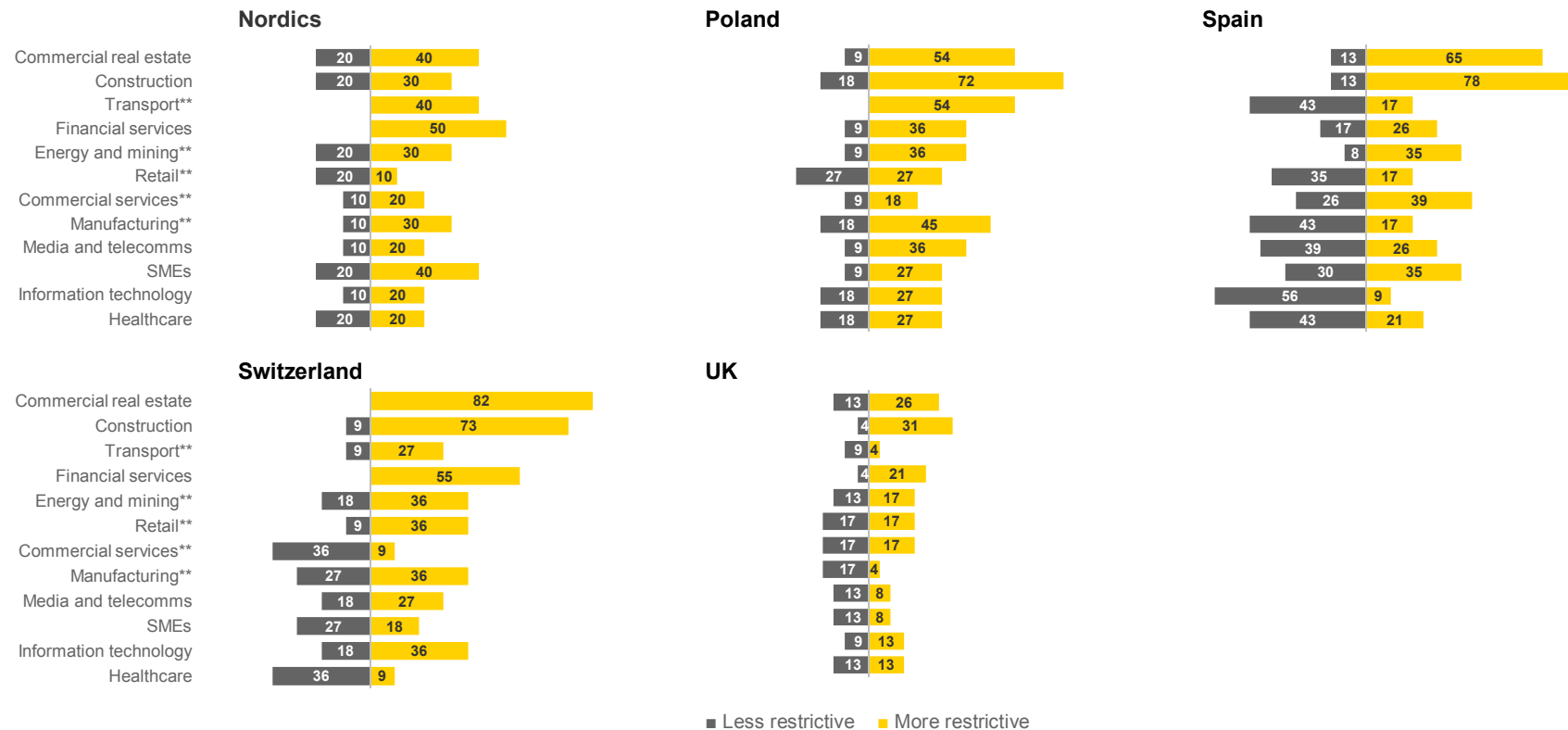
How do you expect the corporate lending policies of banks in your country to change in each of the following sectors over the next six months?*



* Numbers reflect the percentage of respondents who answered.
 ** Manufacturing includes industries, chemicals and engineering; Transport includes automotive and shipping, Retail includes consumer products, Energy and mining includes minerals and Commercial services includes professional services. Where totals do not add up to 100%, remaining respondents answered 'Remain unchanged' or 'Don't know'. Where no data is shown all respondents answered 'Remain unchanged' or 'Don't know'.

...but almost a third of banks now expect SME finance to be less restricted

How do you expect the corporate lending policies of banks in your country to change in each of the following sectors over the next six months?*



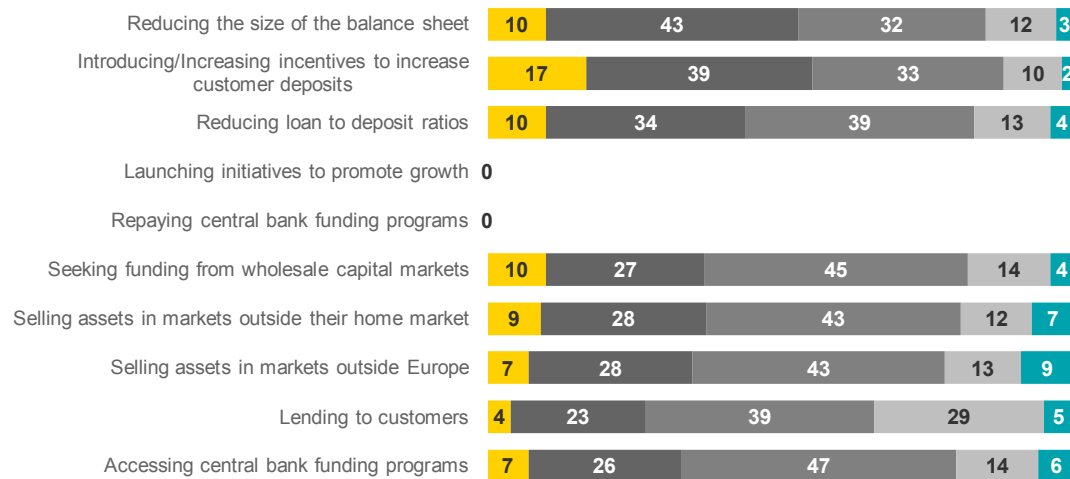
* Numbers reflect the percentage of respondents who answered.

** Manufacturing includes industries, chemicals and engineering; Transport includes automotive and shipping, Retail includes consumer products, Energy and mining includes minerals and Commercial services includes professional services. Where totals do not add up to 100%, remaining respondents answered 'Remain unchanged' or 'Don't know'. Where no data is shown all respondents answered 'Remain unchanged' or 'Don't know'.

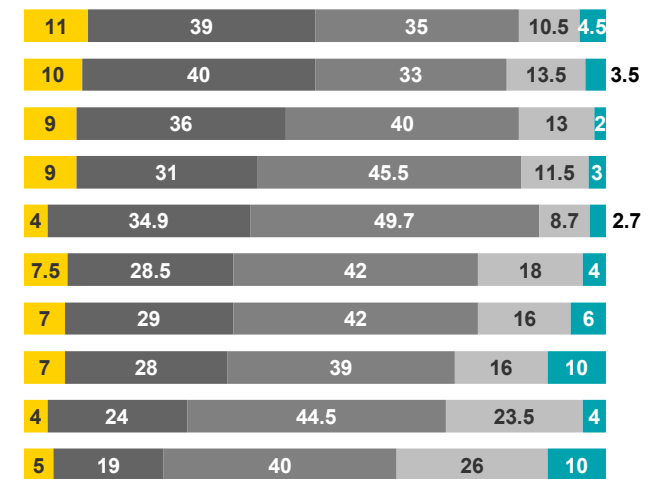
Banks are now becoming less reliant on central bank funding programs...

How likely are the banks in your market to be engaged in the following activities over the next six months?*

Autumn/Winter 2012



Spring/Summer 2013



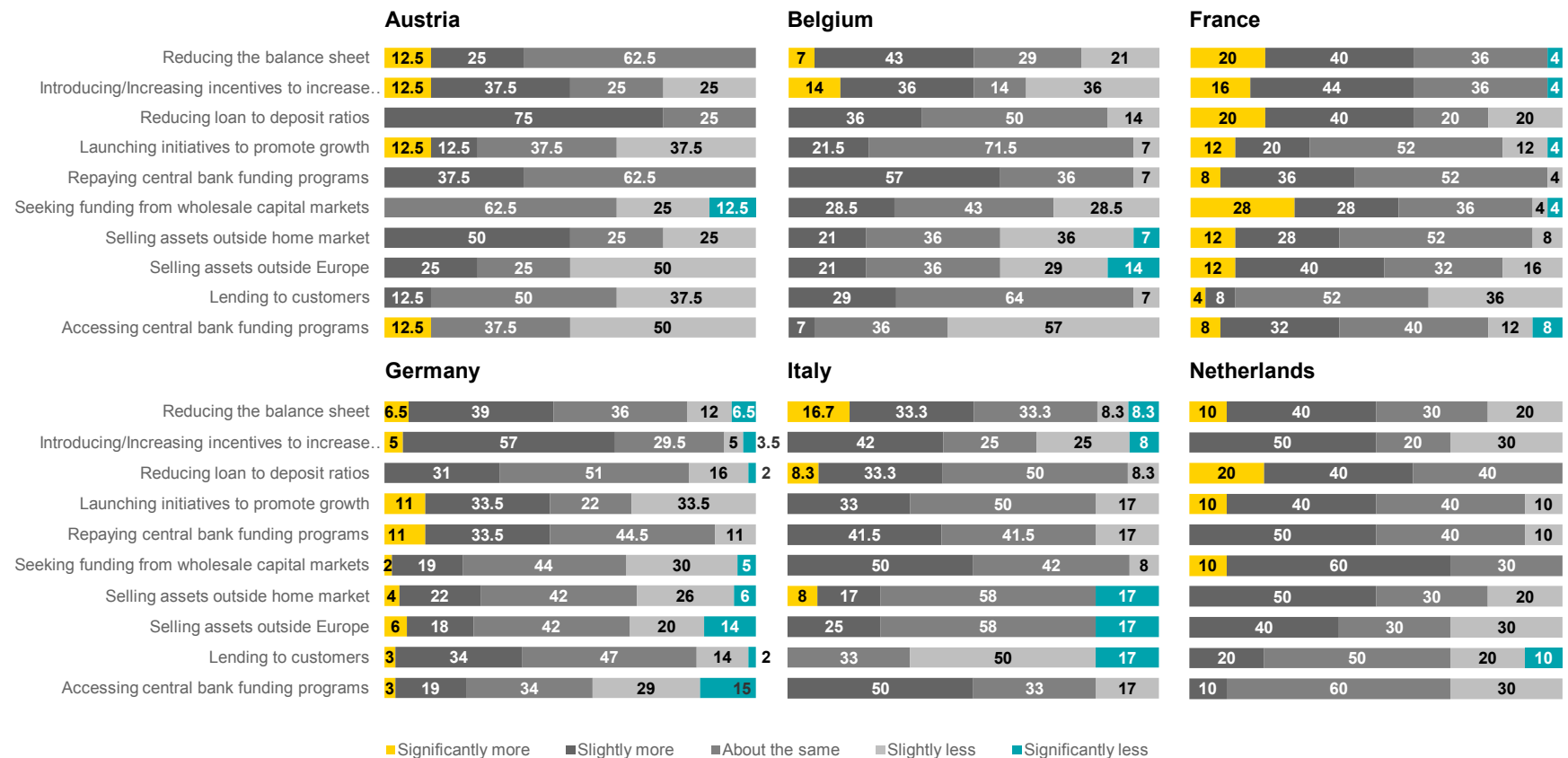
■ Significantly more ■ Slightly more ■ About the same ■ Slightly less ■ Significantly less

Comments: Fewer banks now expect to access central bank funding programs, and 39% are looking to repay such funding. While it is clear that many banks are significantly stronger than six months ago, the restructuring of the sector is set to continue. Fifty percent of respondents still expect to continue shrinking their balance sheets and to improve their funding mix.

* Numbers reflect the percentage of respondents who answered. Banks were not asked about initiatives to promote growth and repaying central bank funding programs in the Autumn/Winter 2012 Barometer.

...but they will continue to shrink their balance sheets...

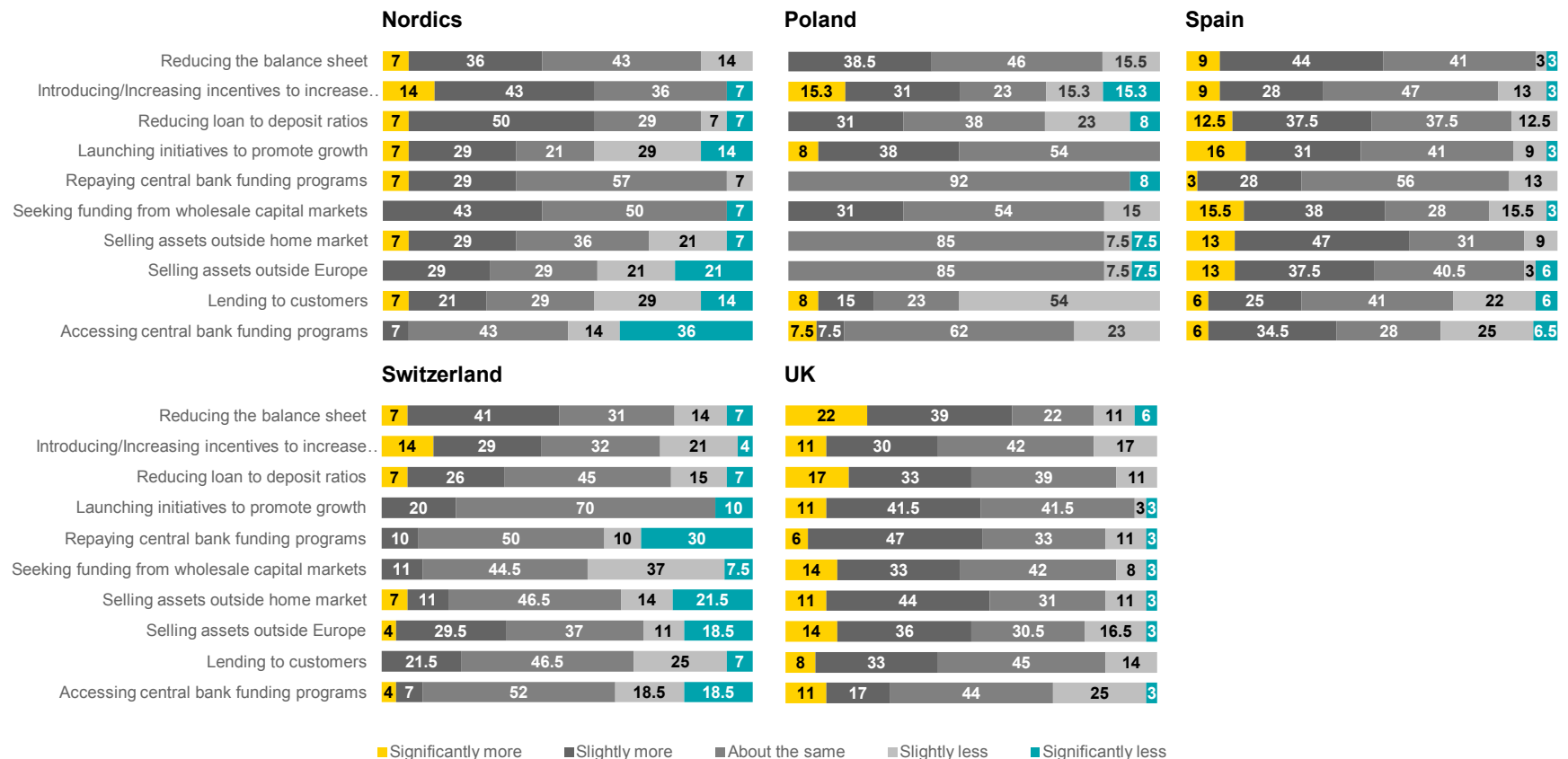
How likely are the banks in your market to be engaged in the following activities over the next six months?*



* Numbers reflect the percentage of respondents who answered.

... and improve their funding mix

How likely are the banks in your market to be engaged in the following activities over the next six months?*

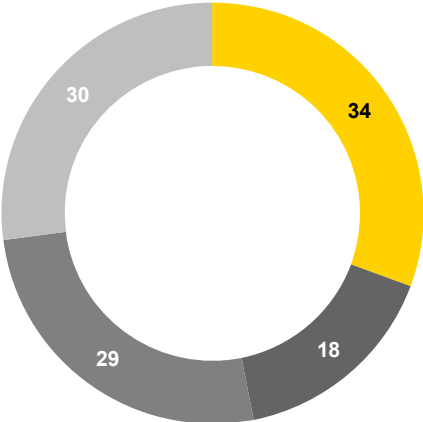


* Numbers reflect the percentage of respondents who answered.

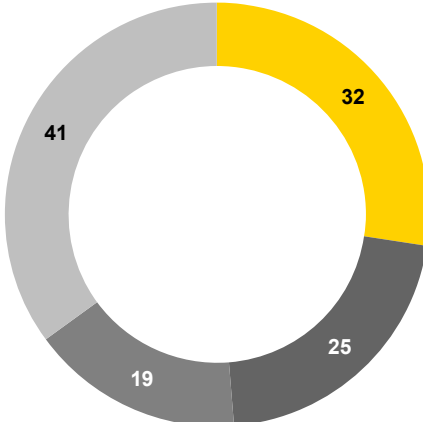
Asset sales remain central to balance sheet reduction programs...

Which, if any, of the following is your bank likely to consider over the next six months in relation to the countries in which it operates?*

Autumn/Winter 2012



Spring/Summer 2013



■ Sell assets ■ Buy assets ■ Partnerships or joint ventures ■ None of these

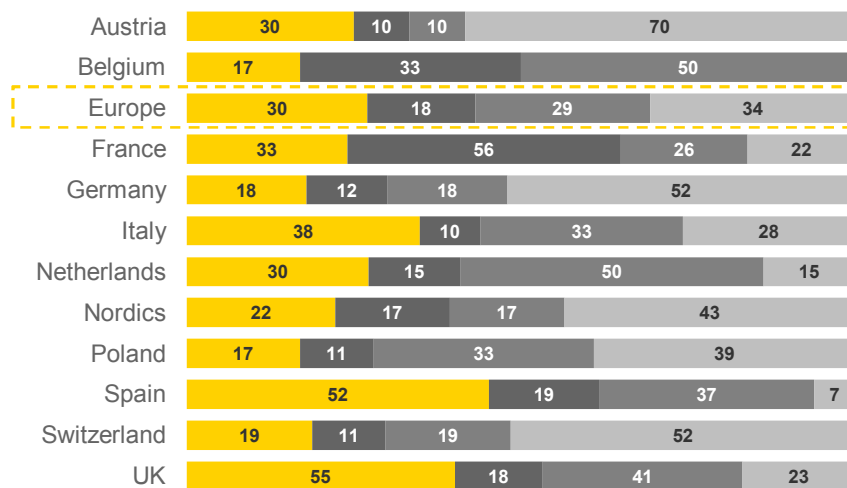
Comments: Thirty-two percent of banks expect to sell assets in the next six months – in line with our Autumn/Winter Barometer – with targeted sales of small books most likely. The difficulties of trying to find a buyer for large operations, at a time when most banks are still looking to boost capital levels, have recently been highlighted in the UK. However, some banks are now beginning to focus on growth opportunities, with 25% considering asset purchases, compared to just 18% six months ago. European banks are focused on right-sizing their footprint in their home markets, with the vast majority of asset acquisitions and disposals anticipated in Europe.

*Numbers reflect the percentage of respondents who answered (respondents could select more than one option).

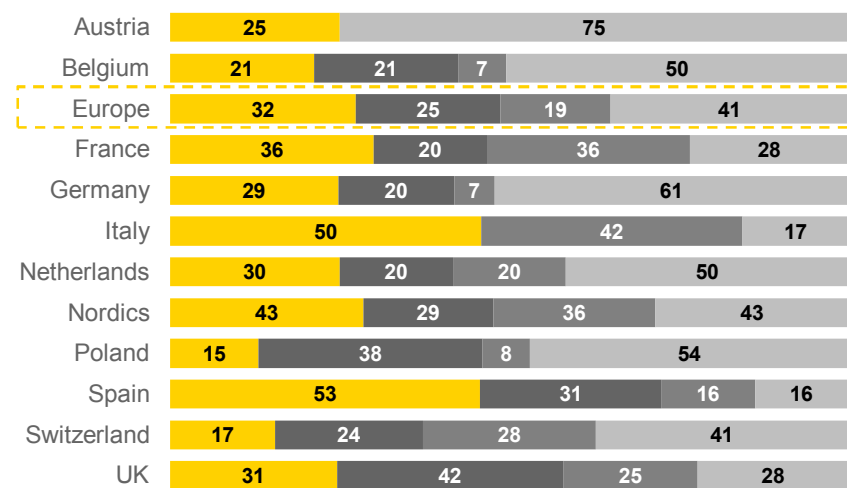
...but more banks are now targeting acquisitions

Which, if any, of the following is your bank likely to consider over the next six months in relation to the countries in which it operates?*

Autumn/Winter 2012



Spring/Summer 2013



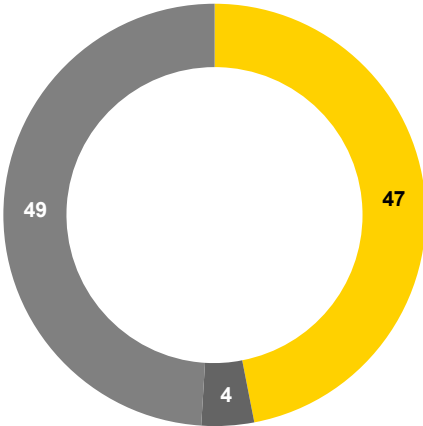
■ Sell assets ■ Buy assets ■ Partnerships or joint ventures ■ None of these

* Numbers reflect the percentage of respondents who answered (respondents could select more than one option). Please note, chart may not add up to 100% due to respondents selecting 'Don't know' or 'Not applicable'.

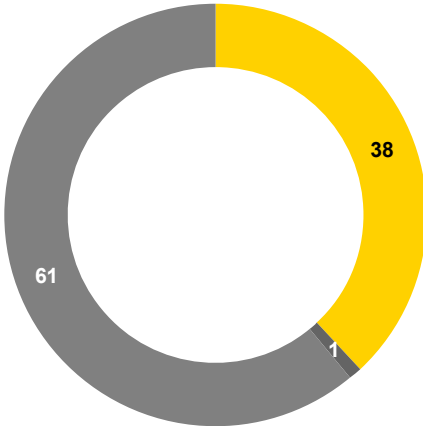
The restructuring of the banking industry will continue, but fewer banks now anticipate consolidation

Do you expect significant consolidation of the banking sector in your country?*

Autumn/Winter 2012



Spring/Summer 2013



■ Yes ■ Don't know ■ No

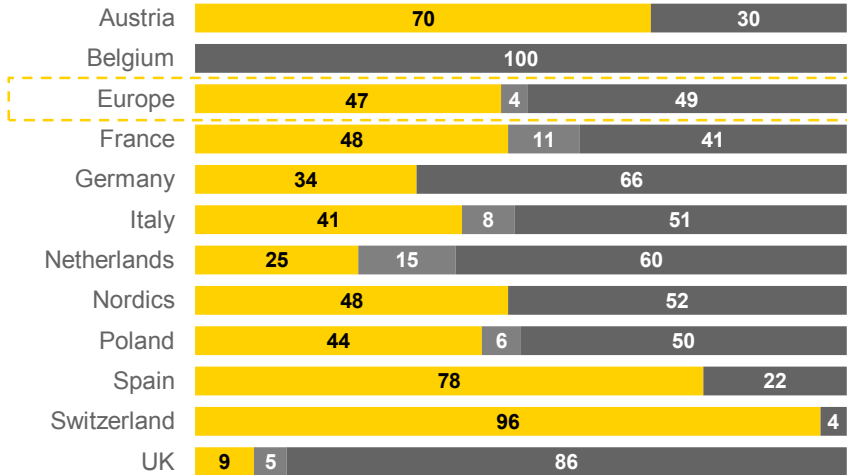
Comments: An ever-increasing regulatory and capital burden will be a key driver for those anticipating that consolidation will continue to play a role in industry restructuring. However, expectations of consolidation have moderately declined across Europe, following recent M&A activity. The fall is most notable in Switzerland, which saw mergers in the private banking sector at the end of last year. Nevertheless, 72% of Swiss respondents still expect further consolidation as private banks struggle with declining profitability, due to increased compliance and IT costs, and revenue pressure, following recent bilateral tax agreements with the UK and Germany. In Spain, where the Fund for Orderly Bank Restructuring is re-shaping the banking landscape, 72% of respondents anticipate further consolidation.

* Numbers reflect the percentage of respondents who answered.

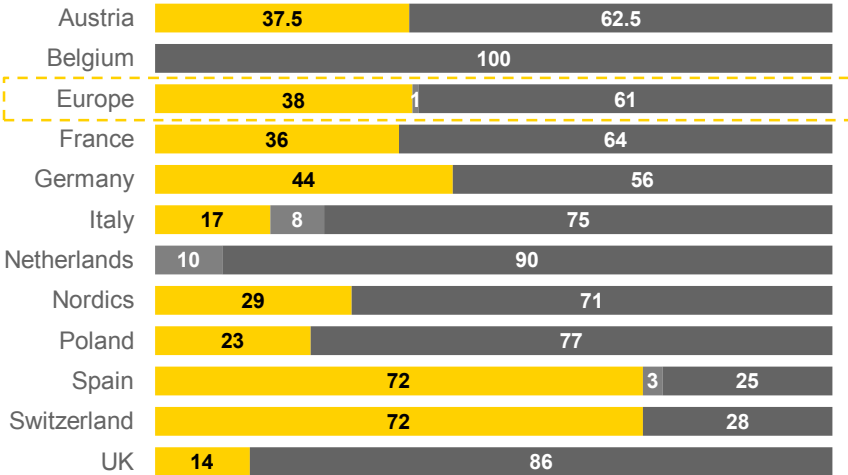
Switzerland and Spain are the markets most likely to see consolidation in 2H13

Do you expect significant consolidation of the banking sector in your country?*

Autumn/Winter 2012



Spring/Summer 2013



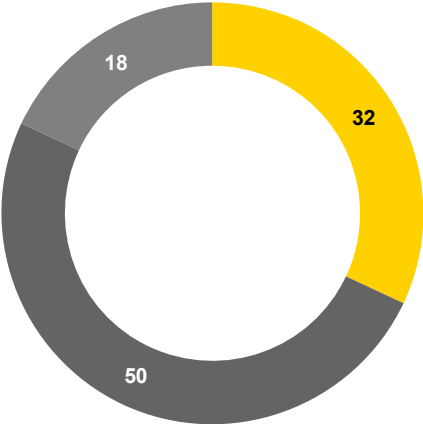
■ Yes ■ Don't know ■ No

* Numbers reflect the percentage of respondents who answered.

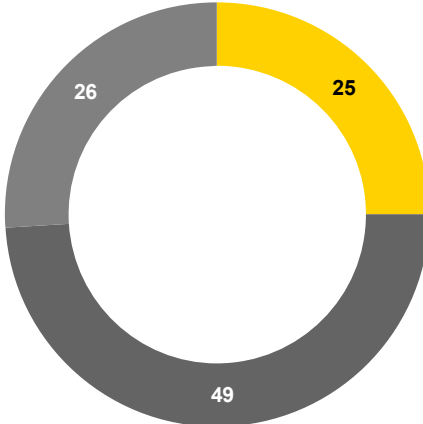
In most European countries, banks anticipate consolidation over a longer timeframe...

In what timeframe do you anticipate this consolidation to occur?*

Autumn/Winter 2012



Spring/Summer 2013



■ Within the next 12 months ■ Within 1-3 years ■ More than 3 years from now

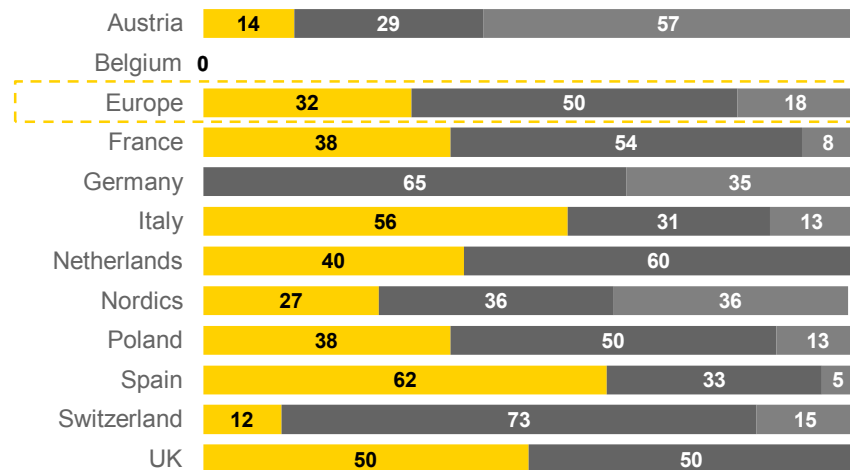
Comments: A lull in the sovereign debt crisis has led to a diminished sense of urgency in bank M&A. Further, with many banks focused on shrinking and strengthening their balance sheets, willing acquirers for assets are few and far between. Consequently, fewer respondents now anticipate consolidation within the next 12 months than in our Autumn/Winter Barometer. Spanish banks expect the greatest consolidation in the short-term, driven by the resolution of failed banks by the Fund for Orderly Bank Restructuring.

* Numbers reflect the percentage of respondents who answered. Data calculated using the percentage answering 'Yes'.

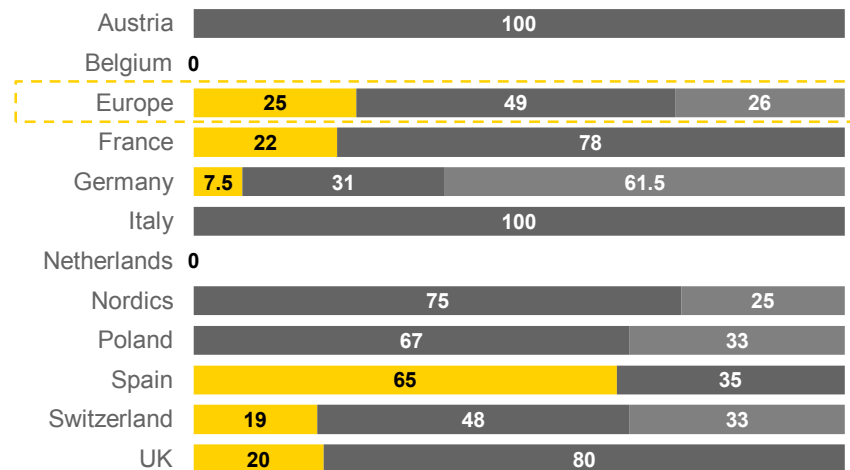
...but most Spanish banks still expect the majority of consolidation to occur within the next year

In what timeframe do you anticipate this consolidation to occur?*

Autumn/Winter 2012



Spring/Summer 2013



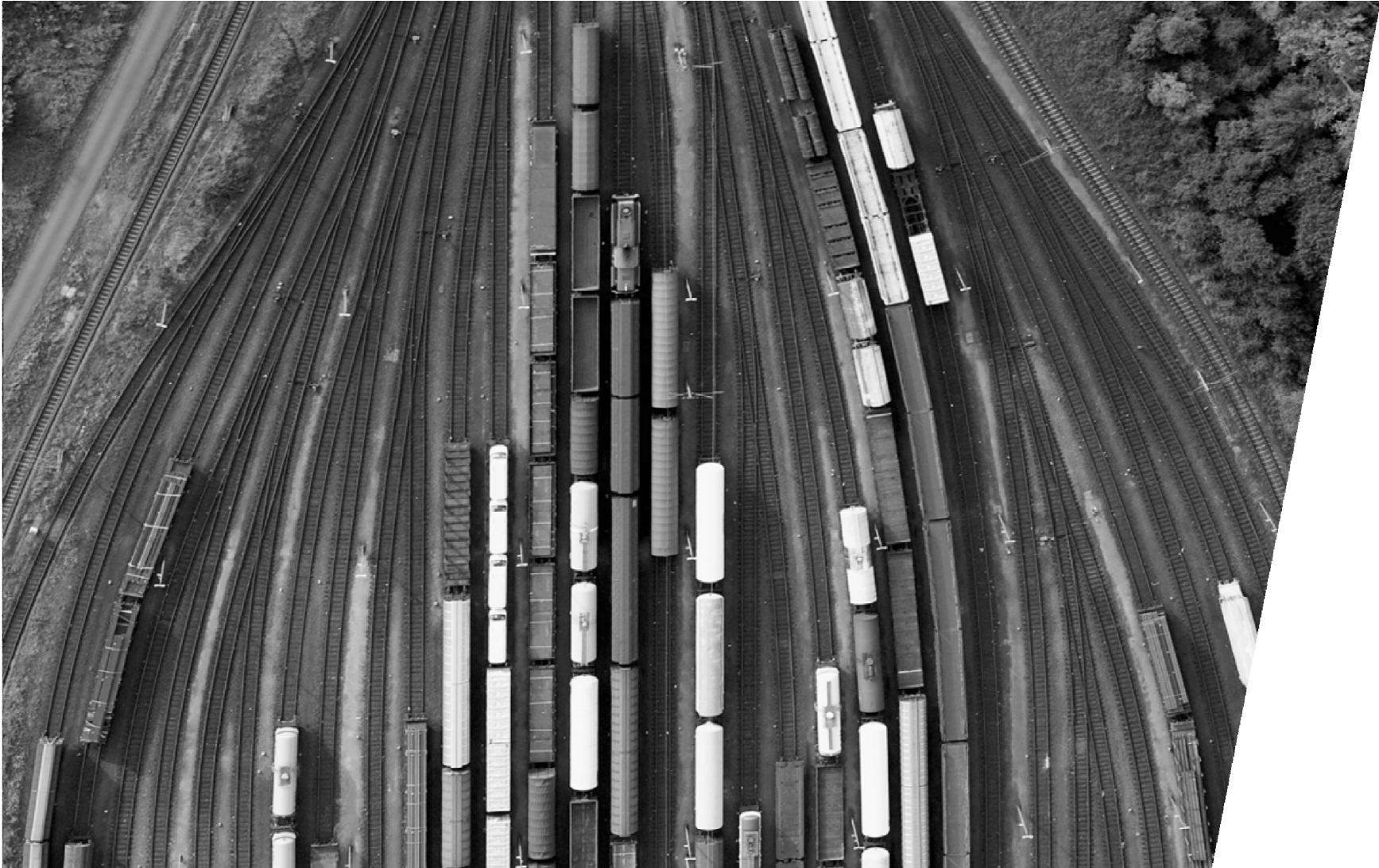
■ Within the next 12 months ■ Within 1-3 years ■ More than 3 years from now

* Numbers reflect the percentage of respondents who answered.

Data calculated using the percentage answering 'Yes'.

No respondents from Belgium expected consolidation in the banking sector in Autumn/Winter 2012. Similarly no respondents from Belgium or the Netherlands expected consolidation in the banking sector in Spring/Summer 2013.

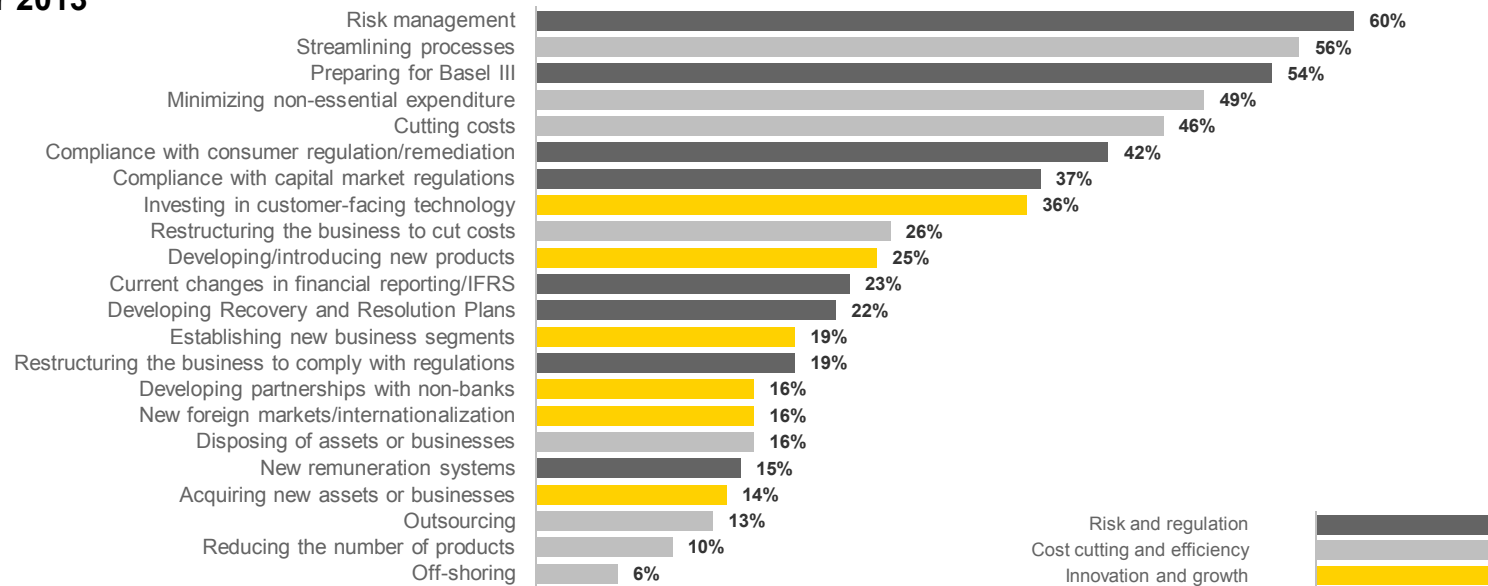
Business priorities and product line expectations



Cost cutting and regulatory compliance continue to overshadow the growth agenda

Rank the importance of the following agenda items for your organization*

Spring/Summer 2013



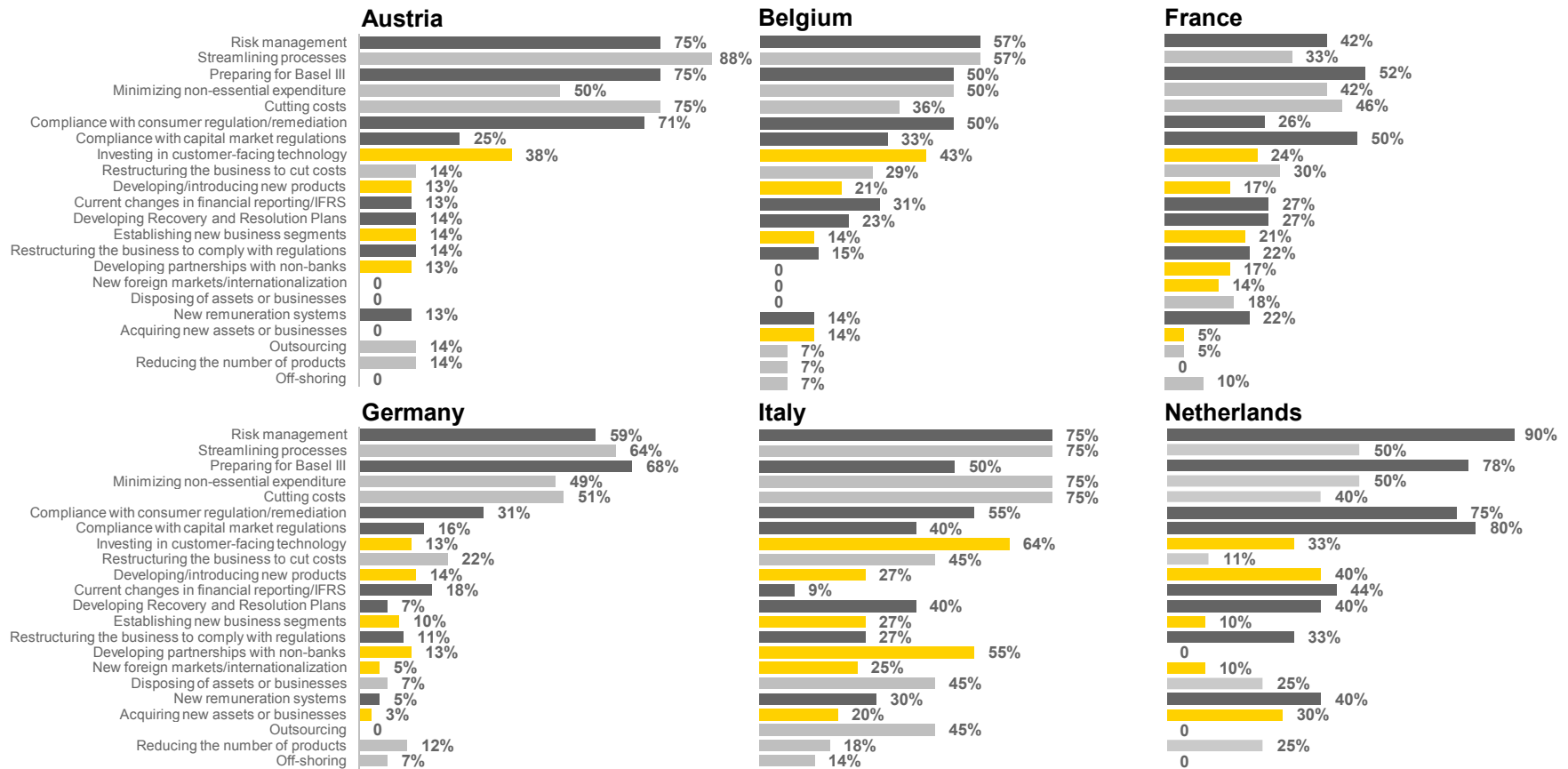
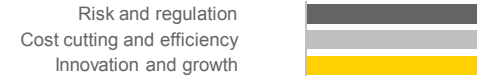
Comments: Banks continue to focus on improving risk management and complying with a wide array of post-crisis regulation. Cost cutting also remains a critical activity, as banks attempt to improve their bottom line in a low-revenue growth environment. However, strategic cost reduction, through process automation, is now more important than short-term cuts. Even the innovation and growth agenda appears to be driven by cost cutting, with 36% of banks believing it is important to invest in new customer-facing technology, such as mobile, which has the capability to reduce branch costs. However, with reductions in discretionary spend, banks are unlikely to invest in other longer-term cost reduction strategies such as outsourcing or off-shoring.

* Numbers reflect the percentage of respondents who answered.

Respondents were asked to rank the importance of activities on a scale of 0 to 10, where 0 means not at all important and 10 means very important. Percentage shows the proportion of respondents selecting either 8, 9 or 10.

Although short-term cost cutting remains a key priority for many banks...

Rank the importance of the following agenda items for your organization*

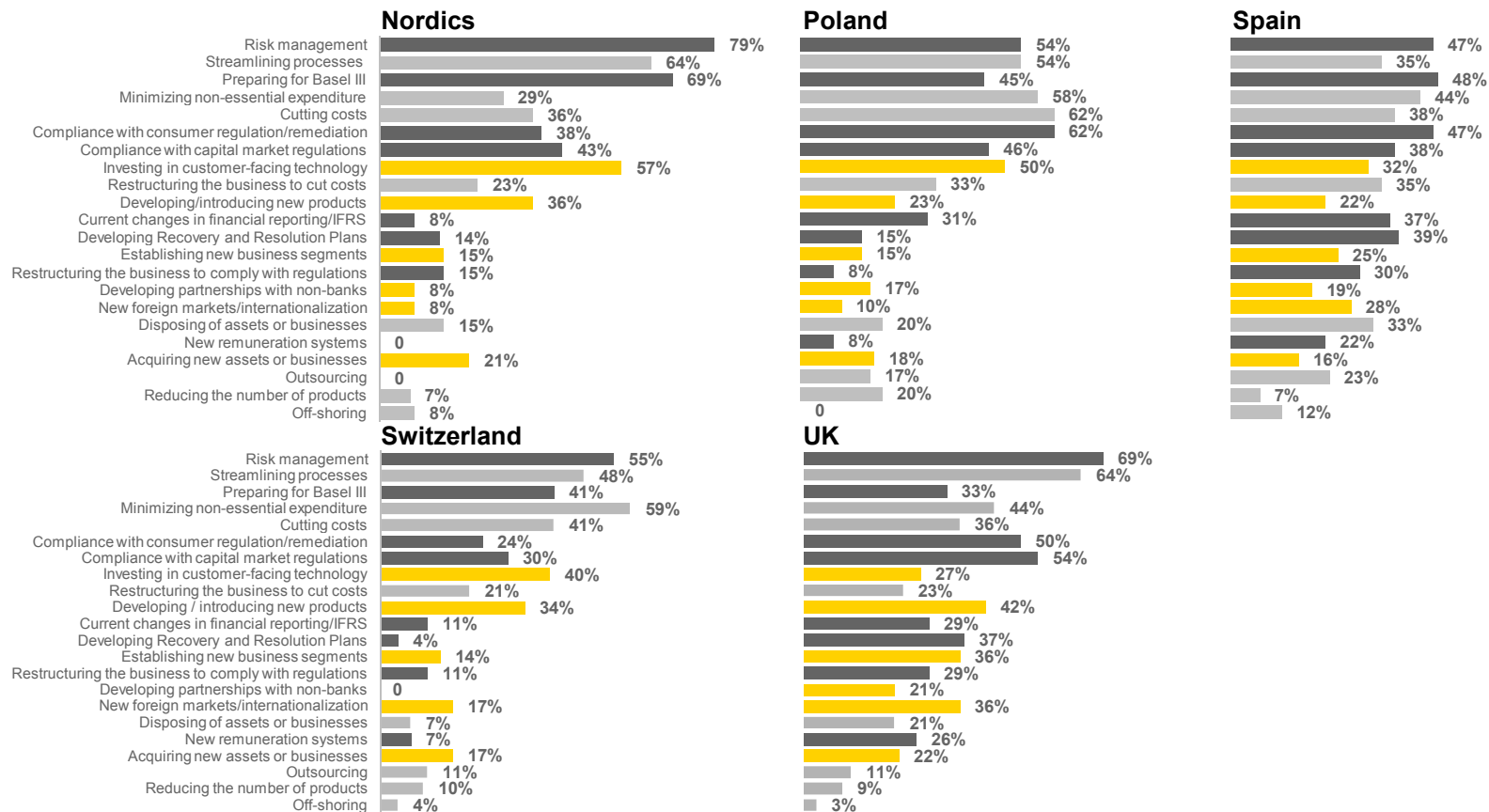
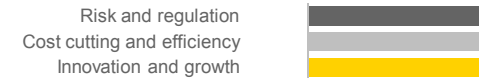


* Numbers reflect the percentage of respondents who answered.

Respondents were asked to rank the importance of activities on a scale of 0 to 10, where 0 means not at all important and 10 means very important. Percentage shows the proportion of respondents selecting either 8, 9 or 10.

...more institutions are now focused on strategic cost reduction through streamlining and automating processes

Rank the importance of the following agenda items for your organization*



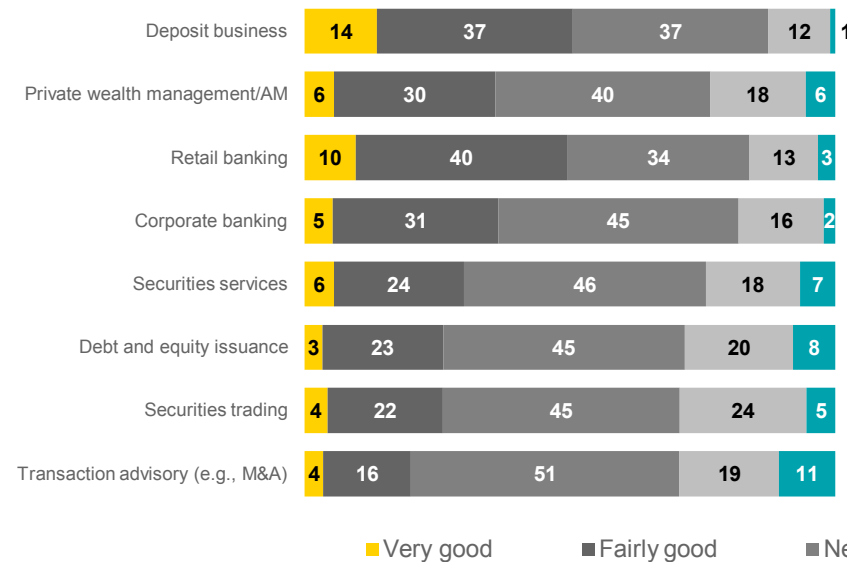
* Numbers reflect the percentage of respondents who answered.

Respondents were asked to rank the importance of activities on a scale of 0 to 10, where 0 means not at all important and 10 means very important. Percentage shows the proportion of respondents selecting either 8, 9 or 10.

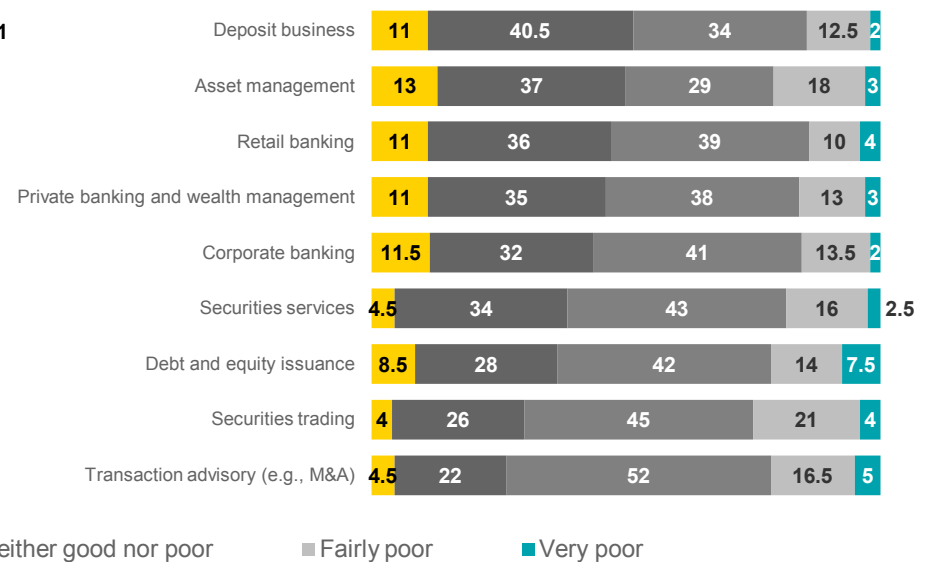
Banks anticipate an improved outlook for most business lines...

How do you rate the outlook for your bank over the next six months in each of the following business lines?*

Autumn/Winter 2012



Spring/Summer 2013



■ Very good
 ■ Fairly good
 ■ Neither good nor poor
 ■ Fairly poor
 ■ Very poor

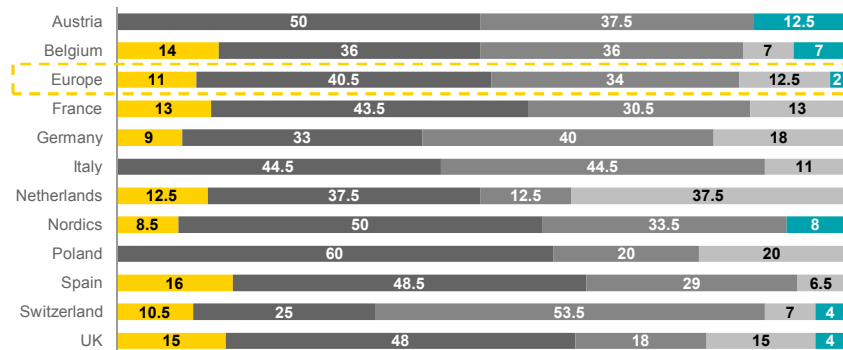
Comments: The outlook for the next six months is most positive in retail and private banking, as well as deposit taking. However, after a challenging 2012, the greatest improvement is for investment banking activities. Over 25% of respondents are positive about the outlook for M&A, hopeful that with greater economic stability cash-rich corporations will pursue new acquisitions. Further, with the European Central Bank easing credit spreads, banks also expect an improved performance from their debt issuance and trading businesses.

* Numbers reflect the percentage of respondents who answered.
 Please note, chart may not add up to 100% due to rounding.
 Private banking, Wealth management and Asset management were combined in the Autumn/Winter 2012 Barometer.

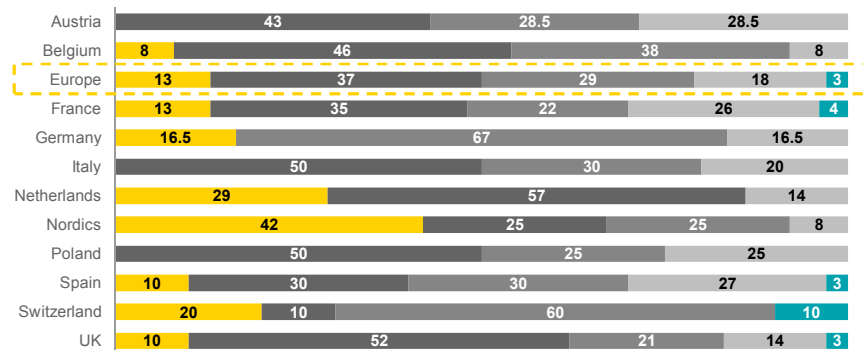
...with the strongest performance expected in deposit taking, retail banking plus wealth and asset management

How do you rate the outlook for your bank over the next six months in each of the following business lines?*

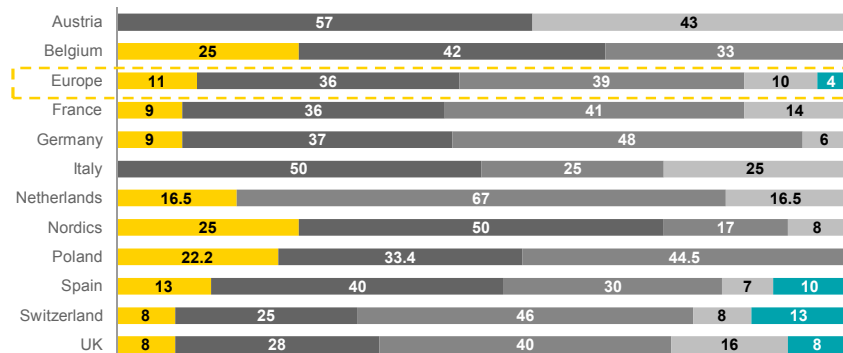
Deposit business



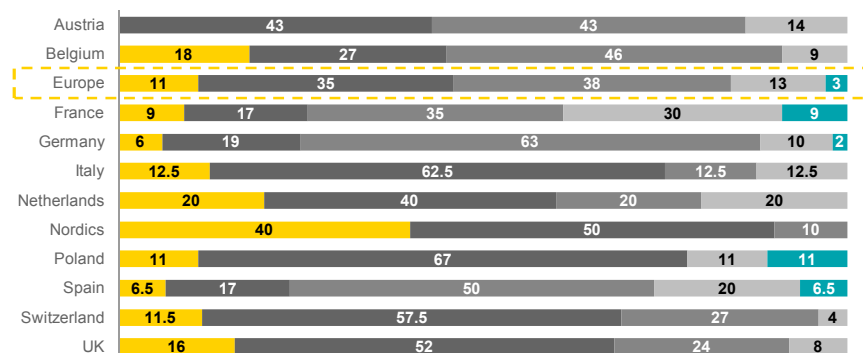
Asset management



Retail banking



Private banking and wealth management



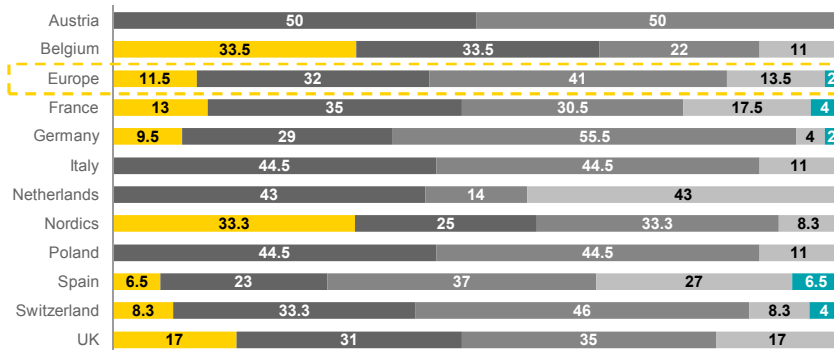
Very good Fairly good Neither good nor poor Fairly poor Very poor

* Numbers reflect the percentage of respondents who answered (respondents could select more than one option). Please note, chart may not add up to 100% due to respondents selecting 'Don't know' or 'Not applicable'.

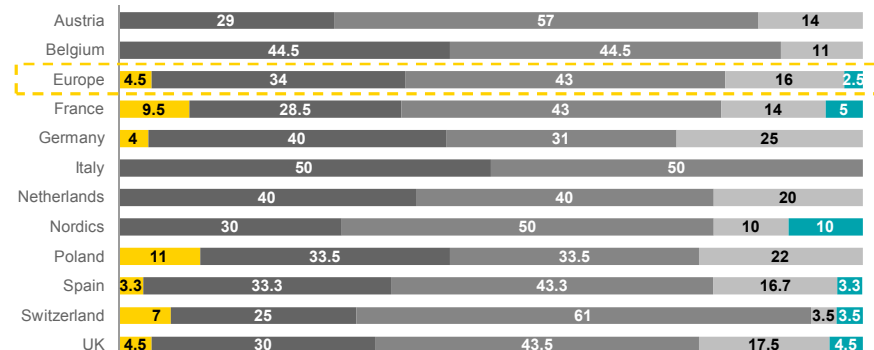
Even the investment banking outlook is improving...

How do you rate the outlook for your bank over the next six months in each of the following business lines?*

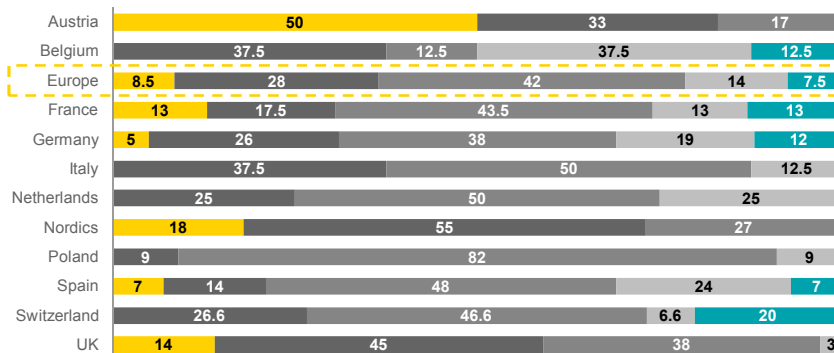
Corporate banking



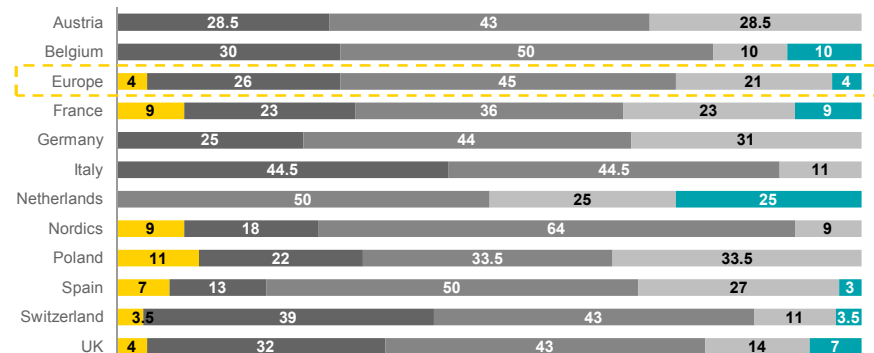
Securities services



Debt and equity issuance



Securities trading



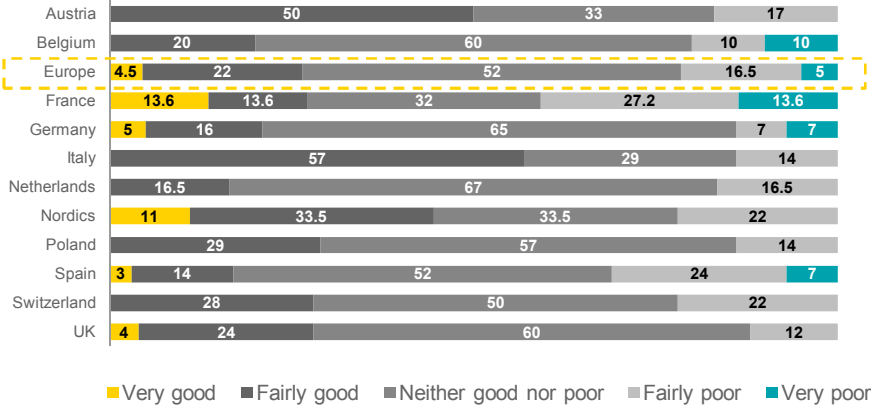
■ Very good ■ Fairly good ■ Neither good nor poor ■ Fairly poor ■ Very poor

* Numbers reflect the percentage of respondents who answered (respondents could select more than one option). Please note, chart may not add up to 100% due to respondents selecting 'Don't know' or 'Not applicable'.

...with banks hopeful that greater economic stability will boost M&A and securities trading activity

How do you rate the outlook for your bank over the next six months in each of the following business lines?*

Transaction advisory



* Numbers reflect the percentage of respondents who answered (respondents could select more than one option). Please note, chart may not add up to 100% due to respondents selecting 'Don't know' or 'Not applicable'.

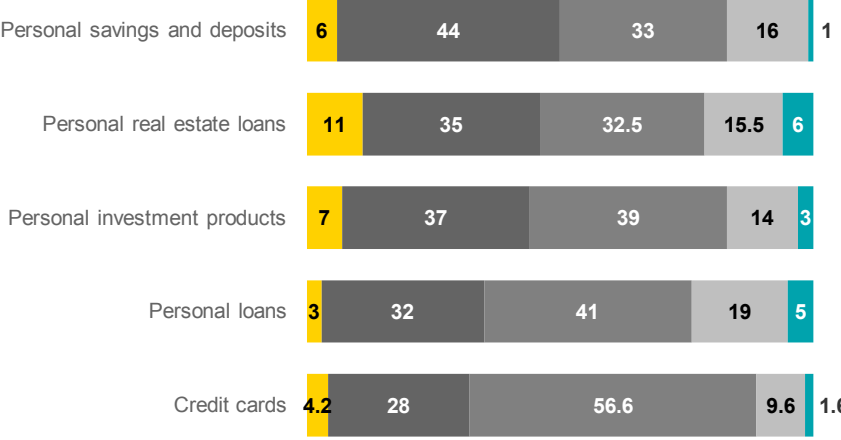
In retail banking, demand for savings and investment products remains strong...

How do you expect customer demand for retail products at your bank to change over the next six months?*

Autumn/Winter 2012



Spring/Summer 2013



■ Increase significantly
 ■ Increase slightly
 ■ Stay the same
 ■ Decrease slightly
 ■ Decrease significantly

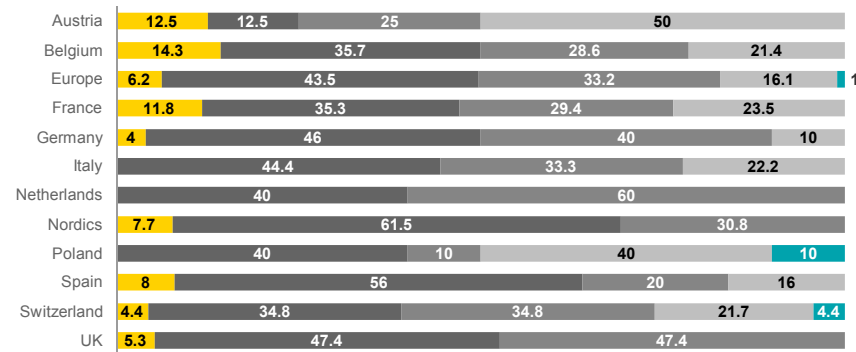
Comments: Retail customers continue to strengthen their personal balance sheets. As a result, demand for savings and deposit products is strong. However, low interest rates on savings and more stable equity markets have also led to a dramatic increase in demand for personal investment products, as retail customers seek higher yields. Banks also anticipate slightly increased demand for personal real estate lending. Mortgage growth will be strongest in Germany, Italy, Belgium and the Nordics. Mortgage growth may be stronger than expected in the UK, following the government’s recent introduction of the “Help to Buy” initiative to help first-time buyers access mortgage finance. Expectations for other credit products are broadly in line with our Autumn/Winter Barometer.

* Numbers reflect the percentage of respondents who answered.

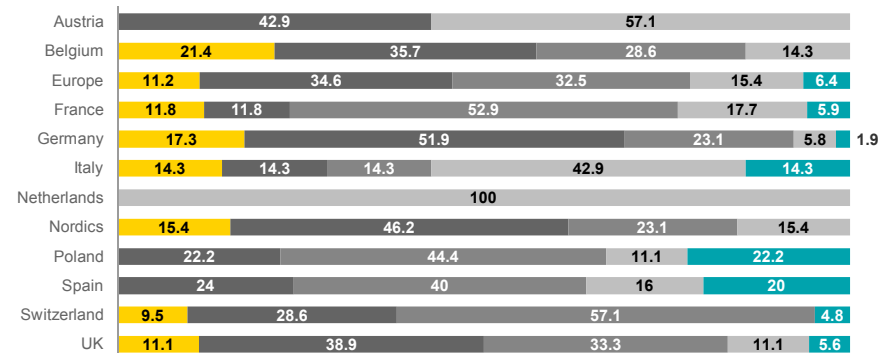
...with Poland and Spain expecting the greatest growth in personal investment products...

How do you expect customer demand for retail products at your bank to change over the next six months?*

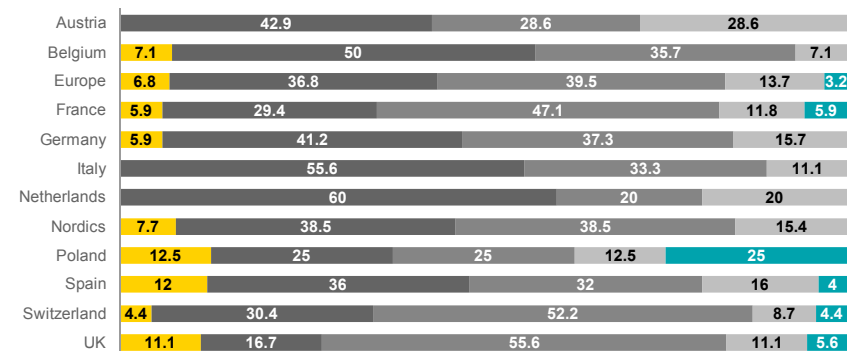
Personal savings and deposit products



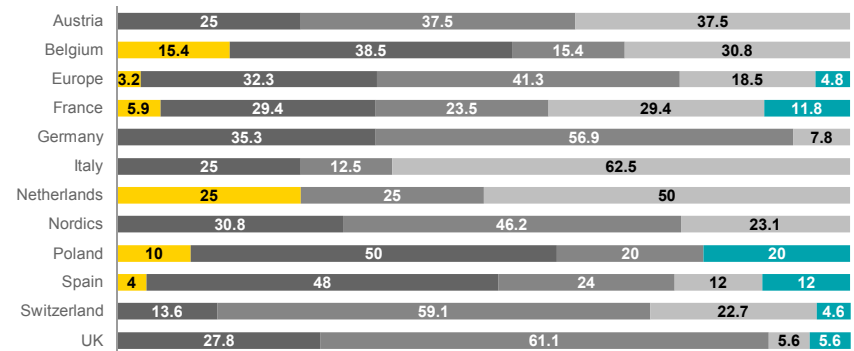
Personal real estate loans



Personal investment products



Personal loans



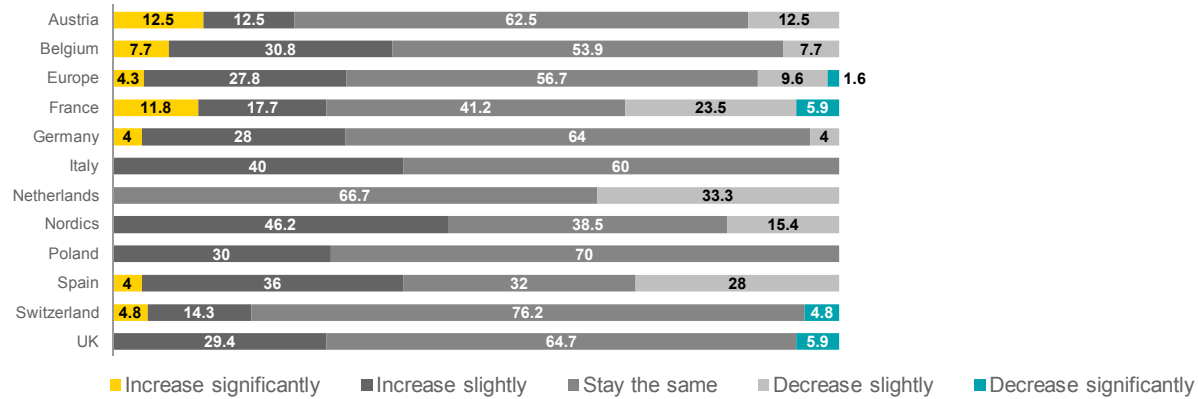
■ Increase significantly ■ Increase slightly ■ Stay the same ■ Decrease slightly ■ Decrease significantly

*Numbers reflect the percentage of respondents who answered.

...but demand for non-mortgage lending remains subdued

How do you expect customer demand for retail products at your bank to change over the next six months?*

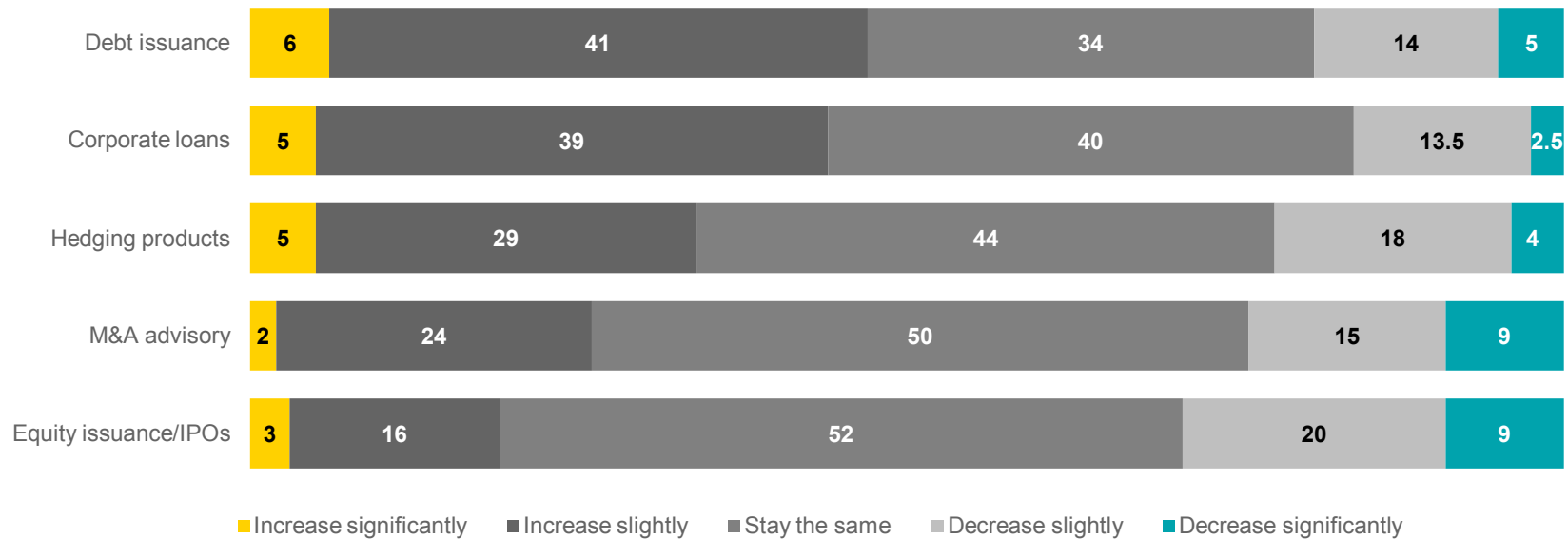
Credit cards



* Numbers reflect the percentage of respondents who answered.

Banks anticipate increased demand for most corporate banking products and services...

How do you expect demand for corporate products at your bank to change over the next six months?*



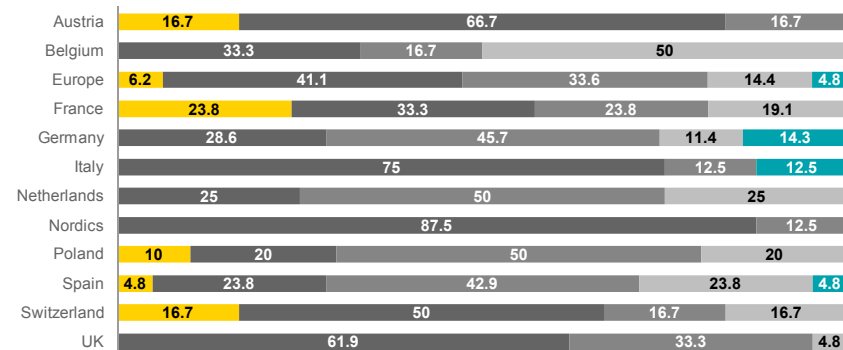
Comments: Banks anticipate the greatest demand in corporate lending and debt issuance. The growth in corporate lending is unsurprising as European corporations remain heavily dependent on bank debt for their financing needs, but bond issuance is also becoming an increasingly attractive form of finance for large corporations that are able to access the debt markets. Bond financing has become cheaper as central bank action has eased credit spreads. The outlook for equity issuance is more disappointing. Despite recent gains in equity markets, IPO valuations remain low and the high-profile failure of a number of large IPOs last year has discouraged new listings. Equity issuance is also typically more expensive than other forms of finance.

* Numbers reflect the percentage of respondents who answered.

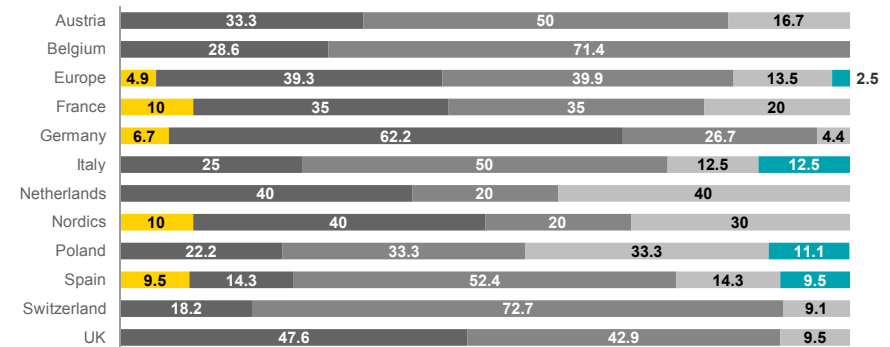
...especially corporate loans and debt issuance...

How do you expect demand for corporate products at your bank to change over the next six months?*

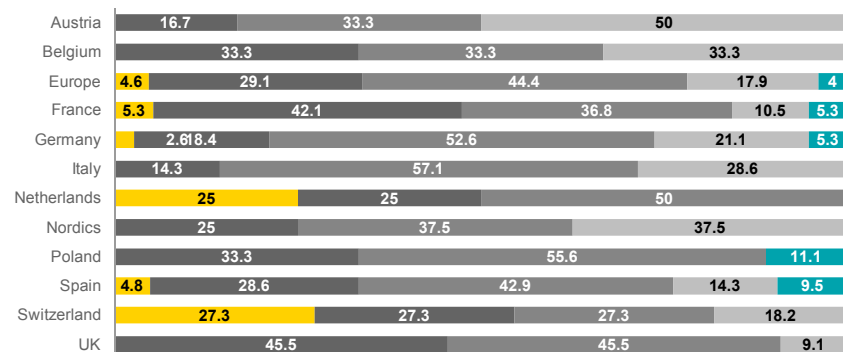
Debt issuance



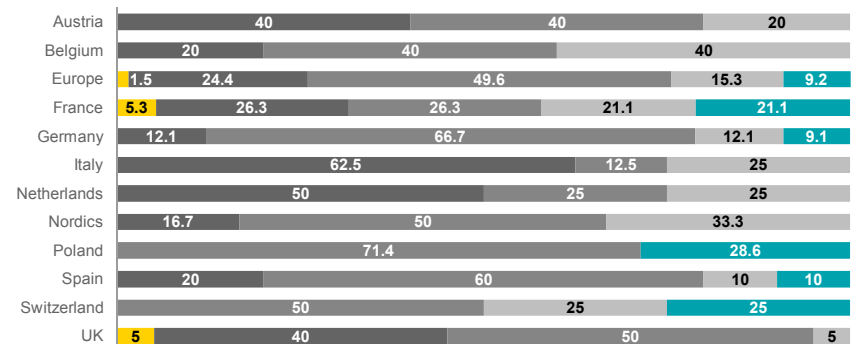
Corporate loans



Hedging products



M&A advisory



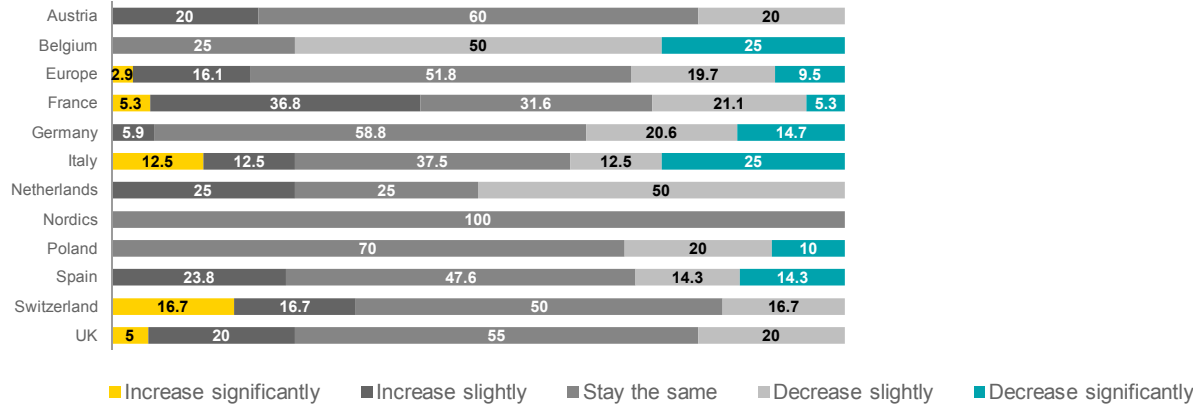
■ Significant increase ■ Slight increase ■ Stay the same ■ Slight decrease ■ Significant decrease

* Numbers reflect the percentage of respondents who answered.

...but demand for equity issuance will continue to decline outside of France, Switzerland and the UK

How do you expect demand for corporate products at your bank to change over the next six months?*

Equity issuance/IPOs



*Numbers reflect the percentage of respondents who answered.

Employment



Ongoing restructuring programs will lead to further job cuts...

Over the next six months, how do you expect the headcount of your bank to change?*

Spring/Summer 2013



Autumn/Winter 2012



■ Increase significantly ■ Increase slightly ■ Stay the same ■ Decrease slightly ■ Decrease significantly

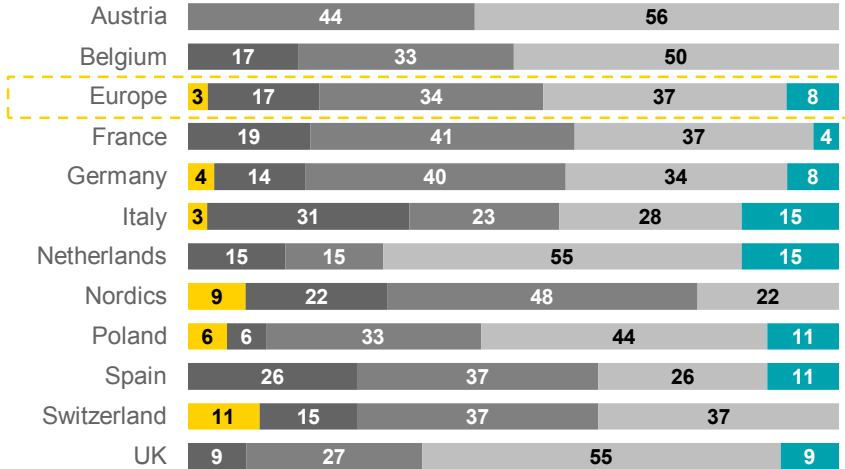
Comments: Not surprisingly, banks expect job cuts to continue to play a significant role in their restructuring and cost reduction agendas, with 41% anticipating a fall in headcount over the next six months. The greatest job losses are expected in the Italy, Austria, Poland and the Nordics. Significant cuts are also expected in the UK. However, most of these job cuts will be part of redundancy programs already announced by banks.

* Numbers reflect the percentage of respondents who answered.

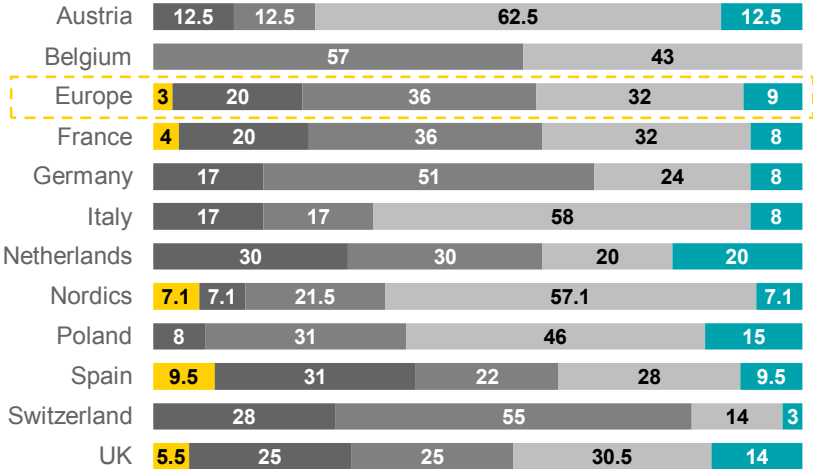
... with Italy and Austria facing the greatest headcount reductions

Over the next six months, how do you expect the headcount of your bank to change?*

Autumn/Winter 2012



Spring/Summer 2013



■ Increase significantly ■ Increase slightly ■ Stay the same ■ Decrease slightly ■ Decrease significantly

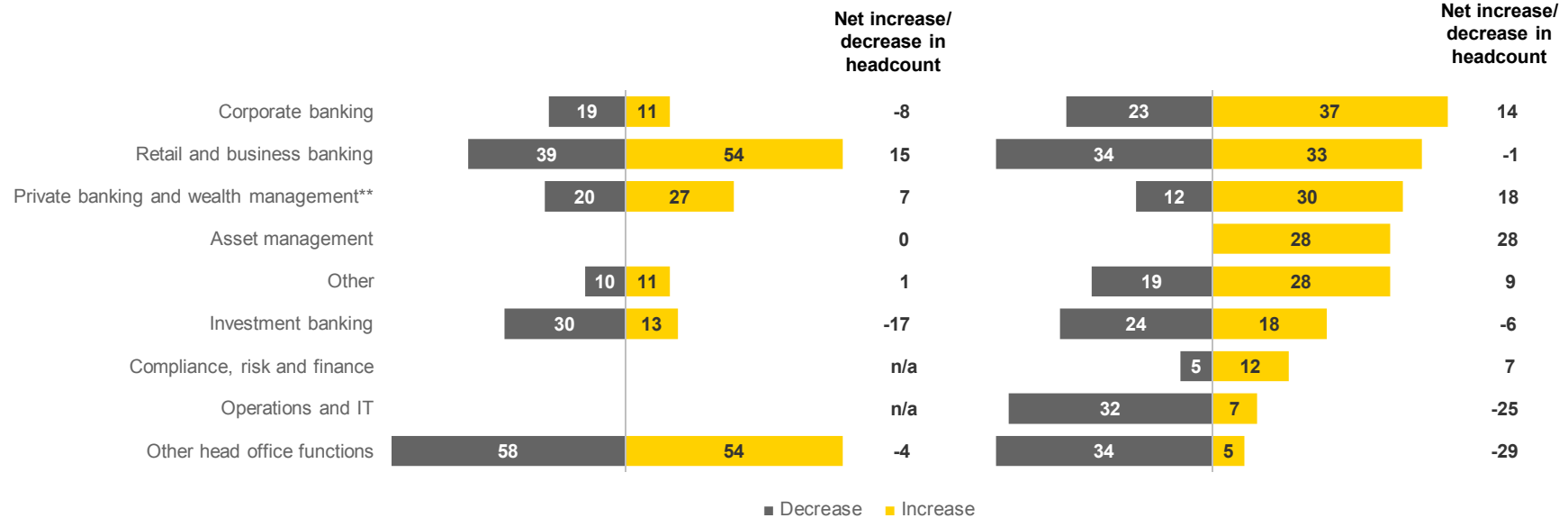
* Numbers reflect the percentage of respondents who answered.

Back office functions will bear the brunt of job cuts, but banks are beginning to recruit in growth areas...

Which areas of the business do you expect headcount increases/decreases to take place?*

Autumn/Winter 2012

Spring/Summer 2013



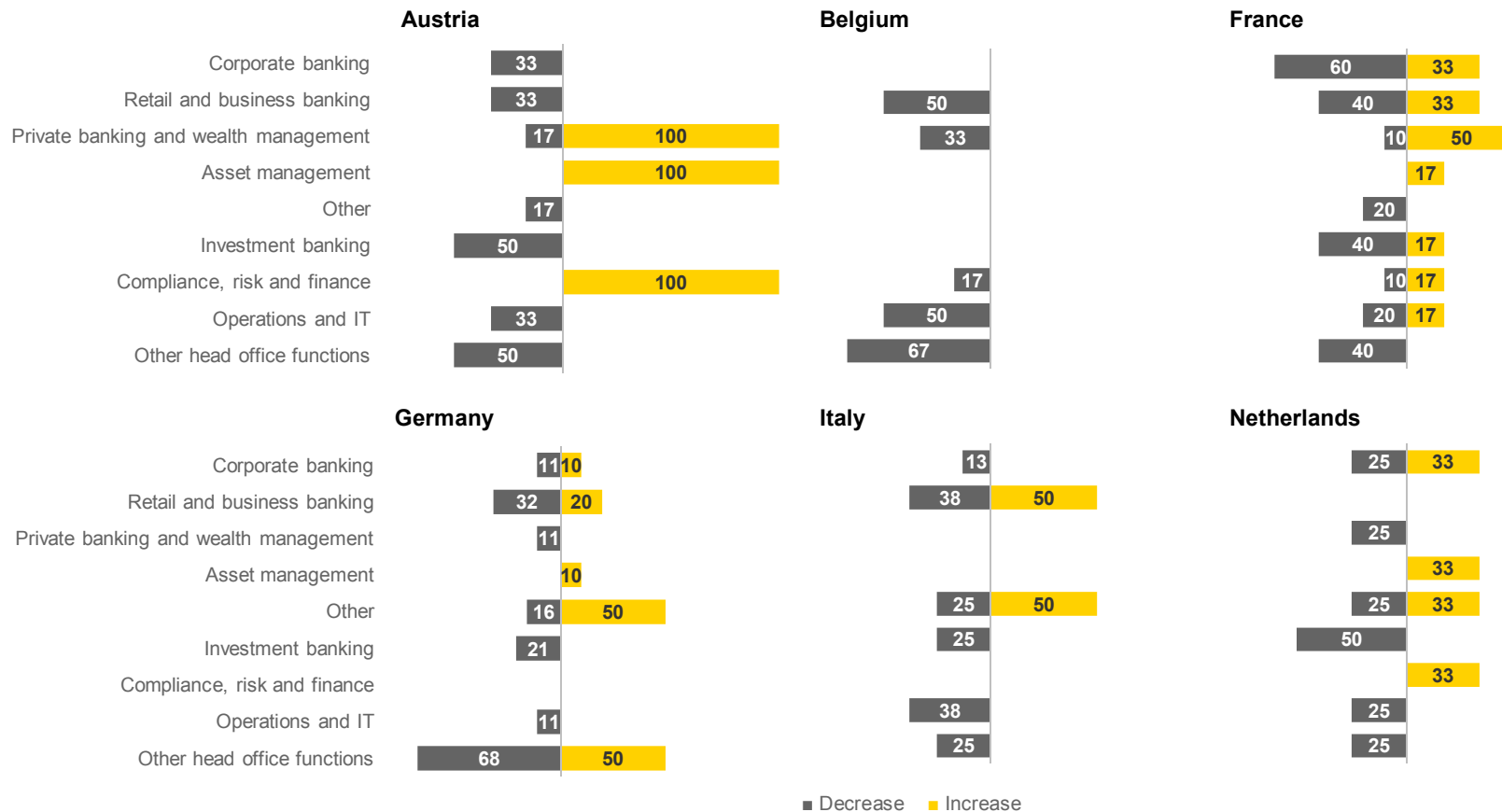
Comments: Redundancies will be centered on the back office, where banks are actively streamlining and automating processes to cut costs. However, the rate of job cuts in front office functions – including investment banking – has slowed. More positively, some growth areas expect to see new jobs created, including private banking and asset management across Europe, and corporate banking in the UK and Spain.

* Numbers reflect the percentage of respondents who answered that headcount would either increase or decrease. Where no data is shown, respondents thought headcount would stay the same.

** Asset management, Private banking and Wealth management were combined in Autumn/Winter 2012, but these have been split for Spring/Summer 2013. Respondents were not asked about Compliance, risk and finance or Operations and IT in Autumn/Winter 2012.

...including private banking and asset management across Europe...

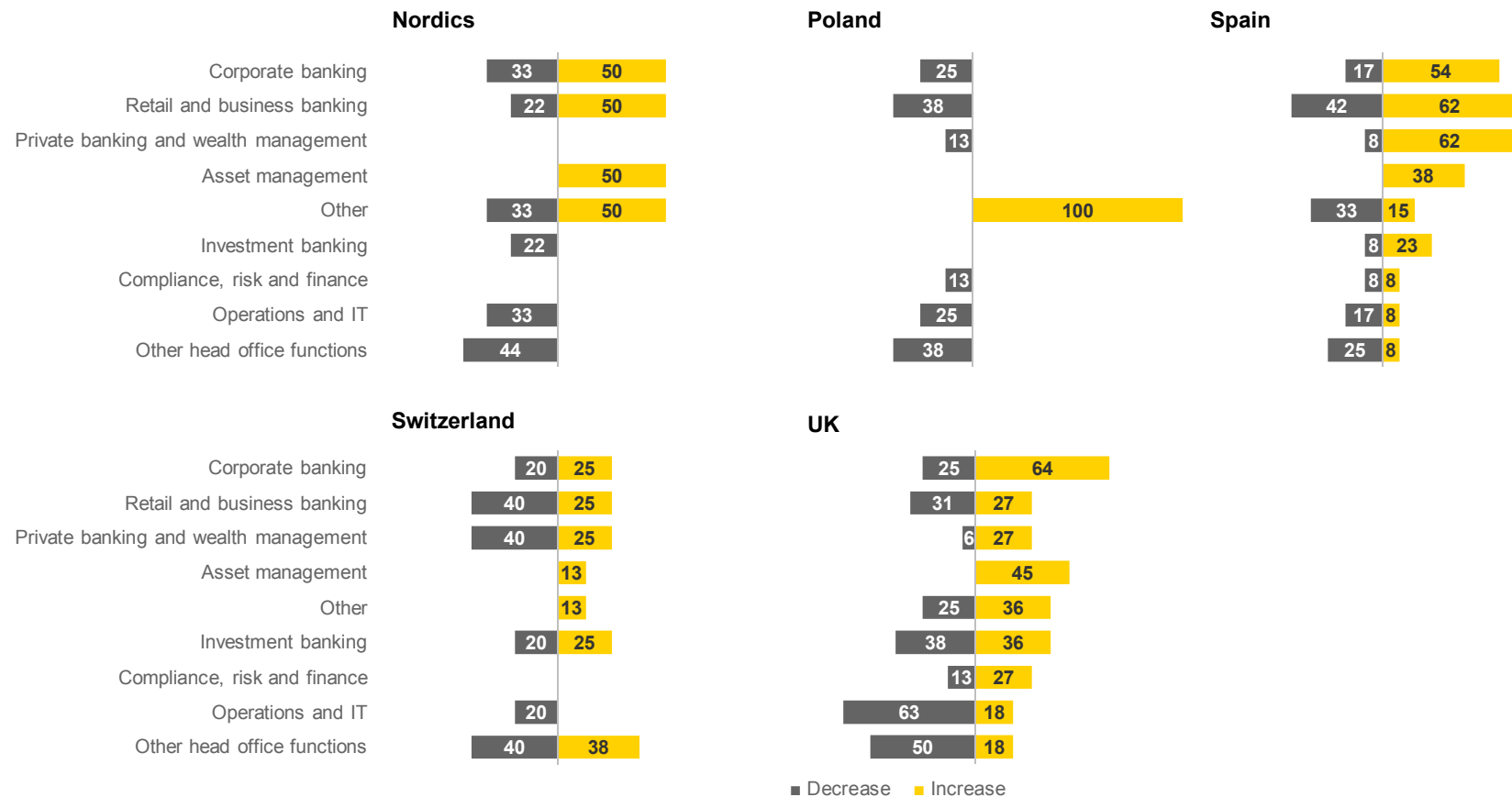
Which areas of the business do you expect headcount increases/decreases to take place?*



* Numbers reflect the percentage of respondents who answered that headcount would either increase or decrease. Where no data is shown, respondents thought headcount would stay the same.

...and corporate banking in the Spain and the UK.

Which areas of the business do you expect headcount increases/decreases to take place?*



* Numbers reflect the percentage of respondents who answered that headcount would either increase or decrease. Where no data is shown, respondents thought headcount would stay the same.

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ED None