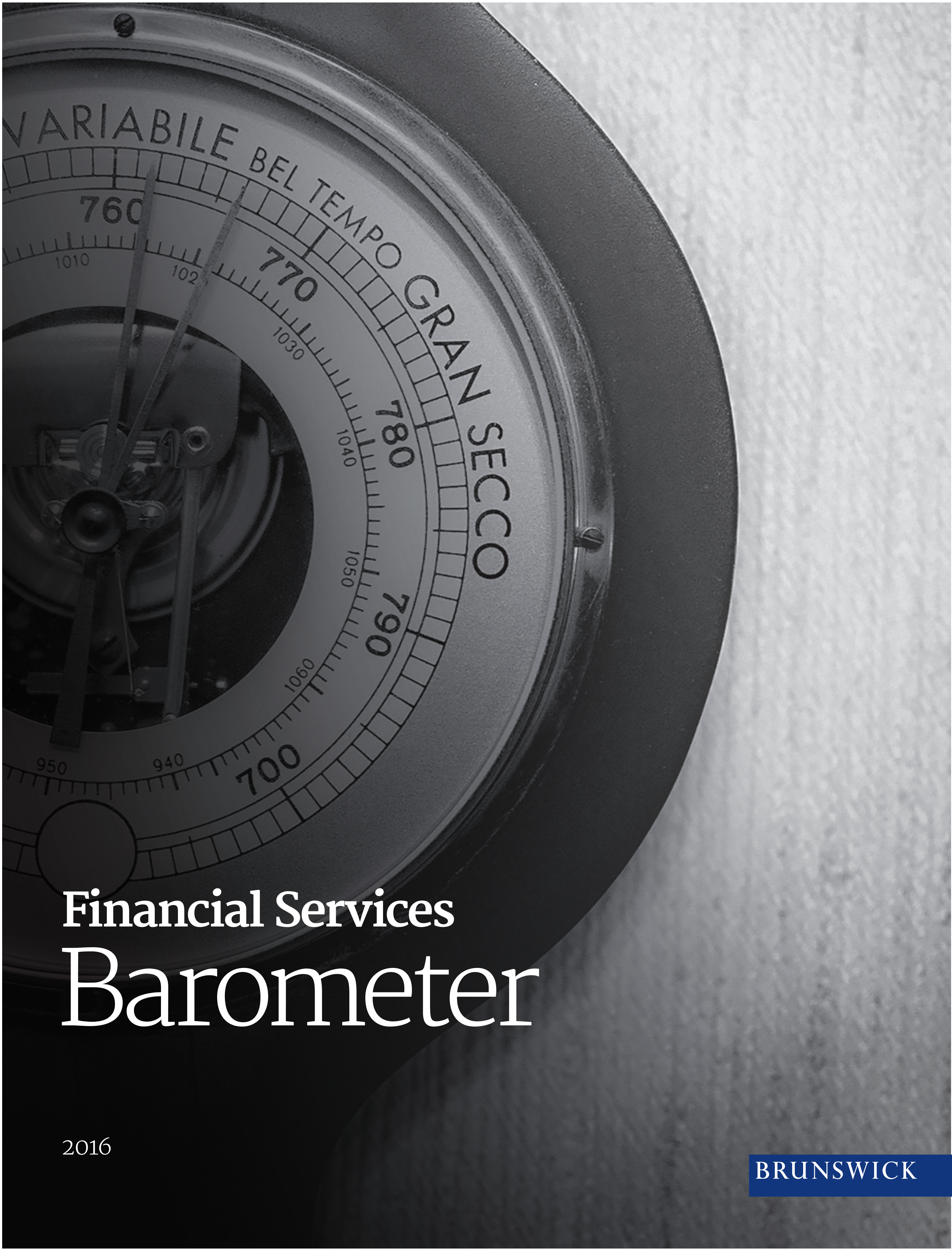


Financial Services Barometer

2016

BRUNSWICK

Executive Summary:

Eight years after the global financial crisis triggered a slate of new rules and regulations, a Brunswick Group survey of 2,039 respondents from four countries finds continuing deep skepticism across the globe about the benefits of big banks and the effectiveness of financial regulation.

A majority of individuals surveyed from the general population in the United States, United Kingdom and European Union say they expect another financial crisis to occur within the next five years, see limited impact from additional regulation and prefer smaller, more local banks to large institutions.

Approach:

Perspectives on challenges, opportunities and emerging trends in the financial system

Who we surveyed

Respondents from the general population in four major western market economies

How many we surveyed

U.S.: 510 | UK: 512 | France: 507 | Germany: 510

How we surveyed them

Online data collection in English, French and German

Survey timing

April 12 – 22, 2016
September 8 – 15, 2016

This view is exacerbated by a global perception that banks are part of an establishment that has ignored and hindered everyone except for those in the top 1%. This can be seen in the Brexit vote, as well as in the U.S. election, where candidates are pillorying Wall Street to great effect.

While respondents see limited benefit in additional regulations, a majority say the key to preventing another financial crisis is for banks to avoid risky investments, limit executive pay and prevent illegal employee behavior. There exists an undercurrent of support for breaking up the big banks and turning them into smaller operations that function more like non-profit entities. At the same time, in certain markets such as the U.S. and France, there is majority support for the financial system to prioritize stronger economic and job growth and high returns of investments and deposits, even if it means more risk and more economic volatility.

The results indicate that banks remain in a permanent state of crisis, despite significant efforts by the sector to shed liabilities, increase capital buffers and reduce risk-taking. Just 27% of U.S. respondents said they place a high level of trust in banks, though this percentage is greater than trust in the media and Congress.

Most people surveyed said they want institutions to prove they put customers and communities ahead of profits and executive pay. At the same time, 72% of respondents in the U.S. want banks to offer a variety of services, suggesting that big banks have an opportunity to overcome the breakup sentiment by convincing customers that they are safe, civic-minded and focused on the economic well-being of their consumers.

Key Findings

Eight years post-crisis, anxiety persists

- Low confidence in banks and institutions
- Most think another financial crisis is likely
- Economic recovery seen as incomplete and unstable

Regulation attractive but not impactful

- Strong desire for additional regulations
- Financial regulation is a popular political position
- Regulations seen as having little impact on deposit safety

Desire for smaller, local banks but also multiple services

- Growing preference for non-profit banks
- Community banks seen as having best approach
- Consumers want small and local, but also banks that offer multiple services

Uncertain implications of Brexit

- Uncertain economic impact
- Strong preferences for banks to have a seat at the table
- No consensus about the future financial capital

Brunswick Group's Survey Goals:

Brunswick Group, a global strategic advisory and communications firm, wanted to better understand public perception surrounding large, global financial institutions nearly a decade after the financial crisis.

Banks face ever stricter rules and regulations aimed at siphoning risk from the financial sector, yet populist rhetoric against banks has continued unabated since 2008. This suggests a perpetual crisis for banks – one that will not be easily overcome.

Continued remediation for issues like mortgage misdeeds, customer manipulation, exchange rate fixing and tax evasion issues, have inflamed public ire towards big banks as multi-billion dollar fines and additional enforcement actions continue to grab front-page headlines.

Banks continue to pay executives handsomely amidst the steady drumbeat of news coverage about misbehaving financial institutions.

Yet there is a reflexive relationship between the market, banks, consumers, politicians and regulators, resulting in a vicious cycle from which banks seem unable to escape. Regulators continue to impose strict measures designed to protect the economy, impinging on bank revenues and the ability of banks to invest, expand and engage in wealth creation. Investors, in turn, pull back from big banks, further constraining the ability of banks to grow and offer credit. Consumers continue to have low trust in the banking sector, giving politicians powerful ammunition to call for additional regulations and punishments. This prompts regulators and lawmakers to get even tougher, thus fueling the cycle.

This research gets to the heart of the interplay between politicians, banks, the wider public and investors, shedding light on the perspective of individuals who use banks and invest in banks.

What We Learned:

Attempts to repair system are not seen as impactful

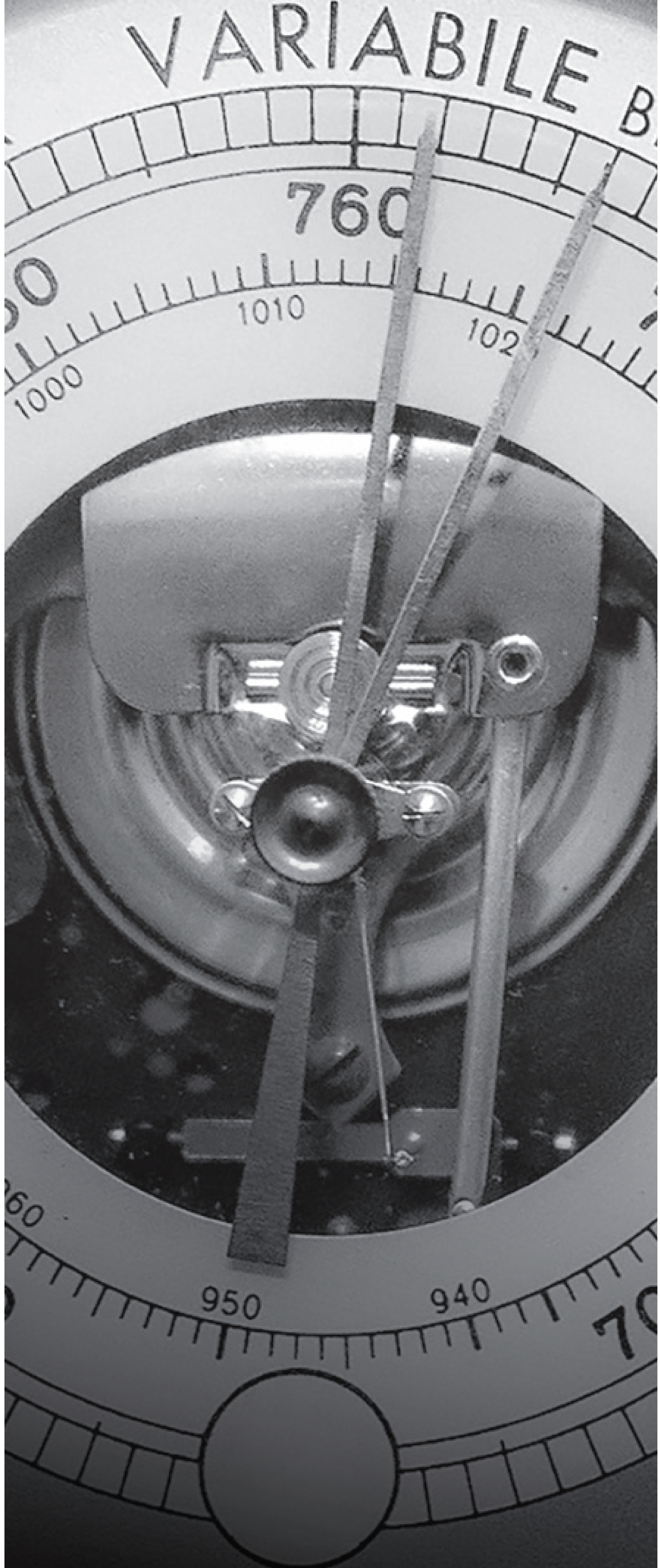
The post-2008 attempts to repair the financial system and stop the behavior and activities that plunged the world economy into a deep recession have been well meaning. Regulators have tried to make the system safer with waves of new rules. Banks have tried to change behavior and increase compliance to prevent misconduct. Policymakers and lawmakers have tried to punish banks severely for misconduct. And investors continue to challenge bank executives on excessive pay. It is still unclear what impact all this change has had on the safety of the global economy – indeed, it may be many years before we fully understand the impact of the tsunami of regulation that has been forced upon the banking sector.

According to our research, people think:

- Regulation is not making the system safer: **63% of respondents think the financial system is performing poorly or indifferently**
- Yet people are still willing to vote for politicians that want more regulation for banks: **82% would vote for a candidate who supported more regulation on banks**
- A crisis will occur in the next five years: **76% think that a financial crisis will occur in the next five years**
- There is strong support for breaking up the banks: **59% support breaking banks into smaller institutions**
- Bank regulation is a potent political issue: **63% would base their vote in a national election on the issue of bank regulation**
- There is a sense that banks are part of an elite establishment that has lost sight of a broader mission to serve customers: **56% favor smaller, more personal banks**
- People want banks to operate more like non-profit organizations, which are perceived as empathetic and championing the interests of others alongside their own: **53% feel that banks should be run as non-profit organizations**

Conclusion:

Banks need to find a way of reconnecting with their customers, reframing their narrative and building trust. This is partly about products, structures and incentives, but also has to do with how banks communicate with the wider public and their customers and how they align themselves. They are currently viewed as part of the establishment and therefore part of the problem. Showing customers, investors, politicians and regulators that banks are accountable for their actions, committed to their customers and focused on providing solutions to the economic needs of individuals and the global economy will be critical in getting banks out of a perpetual state of crisis.



Brunswick Group

Brunswick is an advisory firm specializing in critical issues and corporate relations: a global partnership with 23 offices in 14 countries. Founded in 1987, Brunswick has grown organically, operating as a single profit center – allowing us to respond seamlessly to our clients' needs, wherever they are in the world.

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