

Abu Dhabi
Beijing
Berlin
Brussels
Dallas
Dubai

Frankfurt
Hong Kong
Johannesburg
London
Milan
Mumbai

Munich
New York
Paris
Rome
San Francisco
São Paulo

Shanghai
Singapore
Stockholm
Vienna
Washington,
D.C.



Biannual Financial Services Barometer

October 2016

BRUNSWICK

Approach

© Brunswick Insight 2016

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

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



1

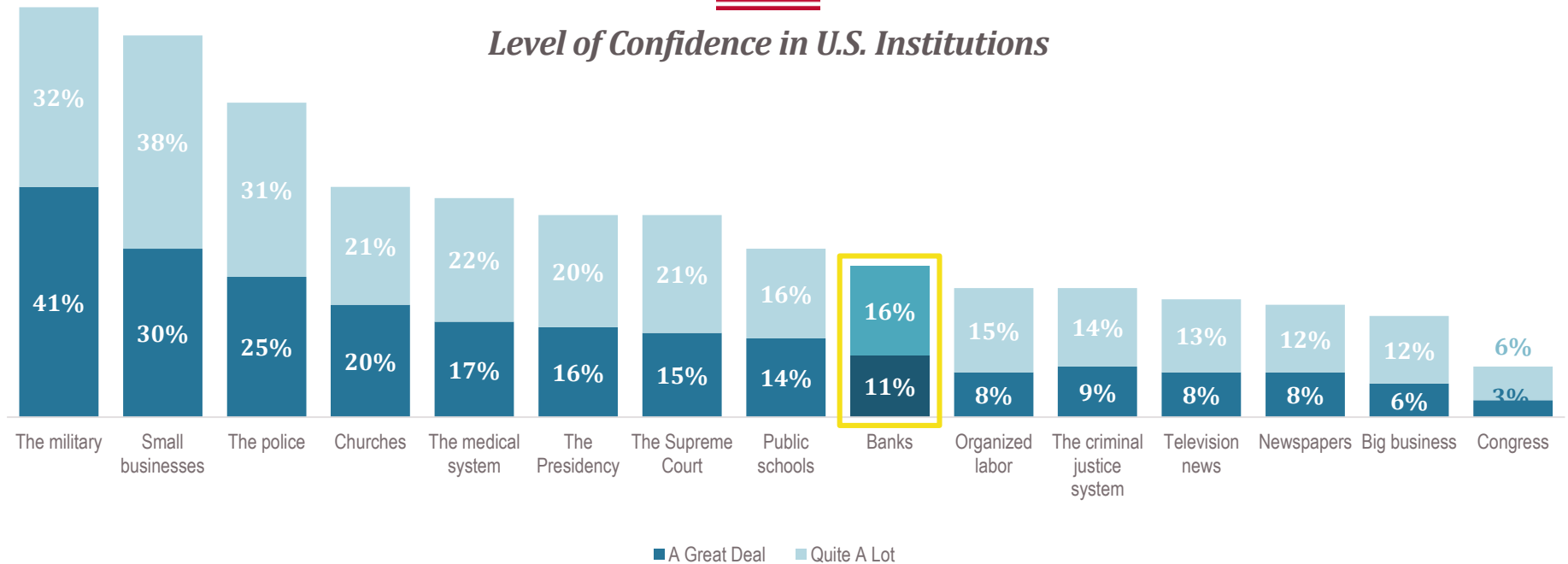
**Eight years on from the
financial crisis, economic
anxiety persists**

Confidence in Institutions

In a low-confidence environment, banks rank low on the list compared to other institutions.



Level of Confidence in U.S. Institutions

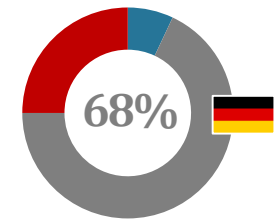
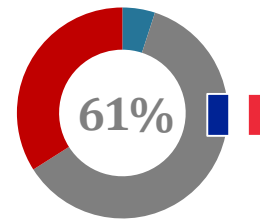
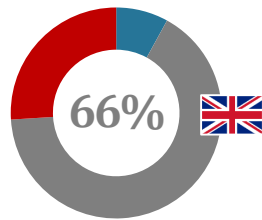
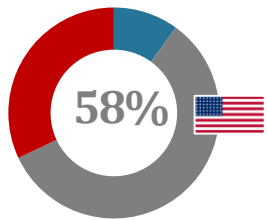


Gallup Survey from July 1-5, 2016

Most think that neither the global economy nor their domestic economy has fully recovered from the crisis.

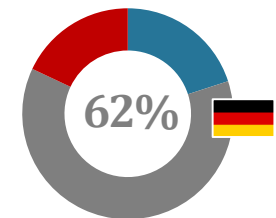
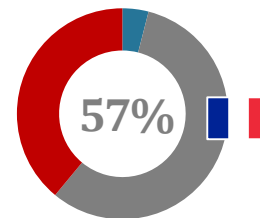
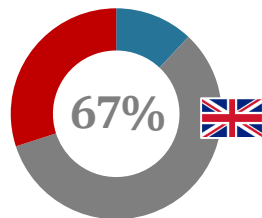
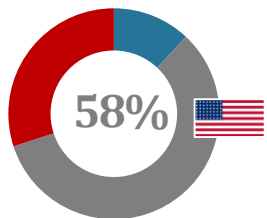
To what extent do you think the global economy recovered from the 2008 financial crisis?

Fully Recovered, Not Fully Recovered, Not Recovered



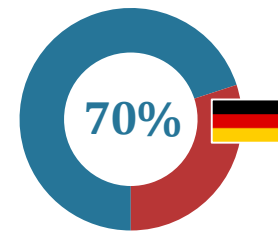
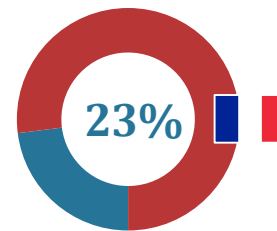
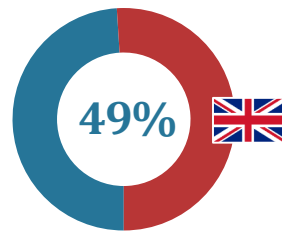
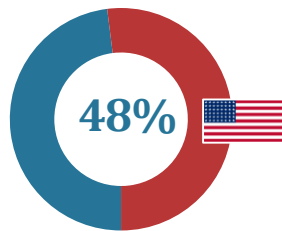
To what extent has your own country's economy recovered?

Fully Recovered, Not Fully Recovered, Not Recovered



Many still see the global economy as unstable due to growing inequality, too much consumer debt and insufficient regulation of financial institutions.

Is the global economy *stable* or *unstable*?



Most Prominent Cause of Instability

Growing inequality in many countries

25%	25%	46%	37%
-----	-----	-----	-----

Too much consumer debt

32%	22%	22%	10%
-----	-----	-----	-----

Insufficient regulation of financial institutions

18%	22%	22%	32%
-----	-----	-----	-----

Political uncertainty around the U.S. Presidential election

15%	8%	5%	16%
-----	----	----	-----

Too much regulation of financial institutions

9%	2%	2%	1%
----	----	----	----

Consequences of Brexit

1%	20%	3%	5%
----	-----	----	----

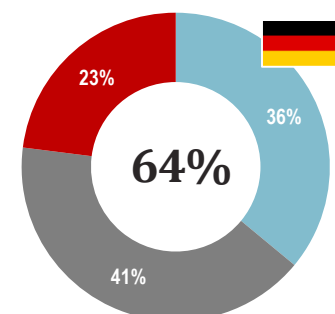
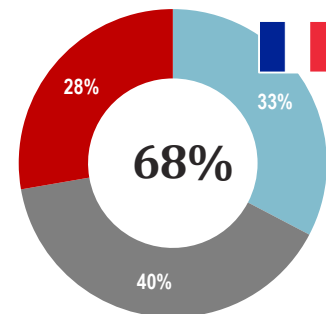
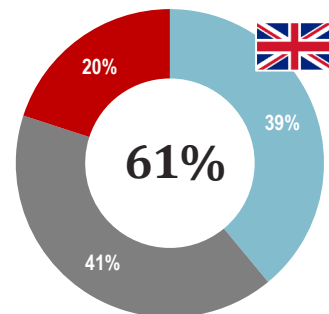
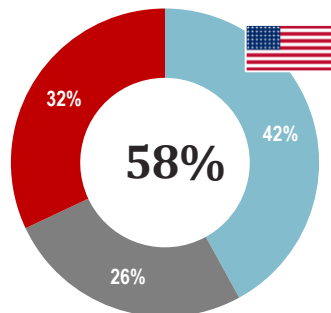
Performance of the Financial System

© Brunswick Insight 2016

In each country, the financial system's performance is underwhelming, with most rating it poorly or neutral.

*Overall, how would you say the **FINANCIAL SYSTEM** in your country is performing?*

Well, Neither Well Nor Poorly, Poorly

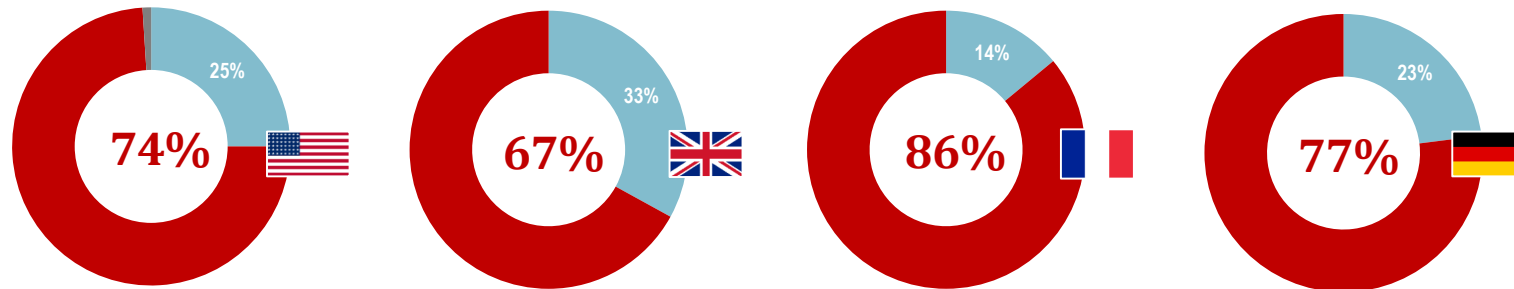


FINANCIAL SYSTEM: *the system that allows the exchange of money between borrowers, lenders and investors. This includes financial institutions [e.g. central bank, consumer banks, commercial banks, credit unions, insurance companies], financial markets [e.g. stock exchanges] and financial instruments [e.g. assets, securities, bonds].*

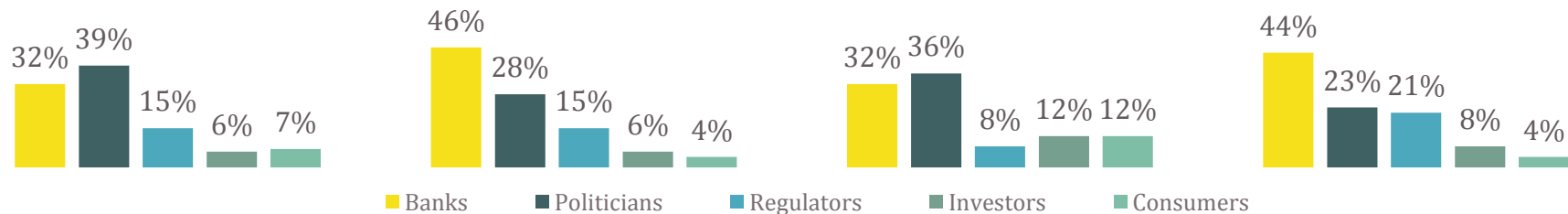
Likelihood of Another Financial Crisis

A large majority expect another global financial crisis. If it comes, they would place blame on banks and politicians.

How likely do you think it is that another global financial crisis will take place in the next five years?
Likely, Not Likely







Who will be blamed in a crisis?



*Would you categorize the current global economic environment as:
 What among the following is the most prominent cause of this instability in the global economic environment?*

Steps to Prevent Another Crisis

To mitigate the risk of another crisis, consumers want banks to focus on sound investments, following the law and executive pay.

<i>Most helpful in preventing another crisis (Three Choices Collected)</i>				
Avoiding risky investments	64%	66%	72%	70%
Preventing illegal employee activity	41%	49%	38%	43%
Limiting executive pay	41%	46%	42%	50%
Holding more money in reserve	40%	47%	34%	29%
Increasing data security	45%	29%	36%	27%
Conducting regular stress tests	18%	24%	33%	25%
Limiting the size of banks	24%	16%	18%	16%

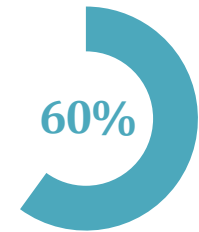
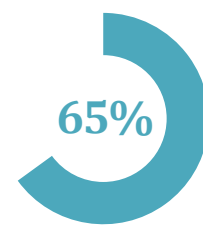
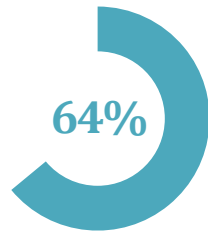
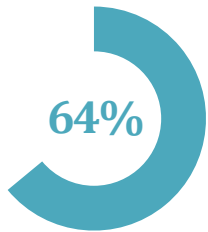
Below are some examples of what some people say are steps banks can take to prevent another financial crisis. Which THREE of the following do you believe would be most helpful in preventing another financial crisis?

2

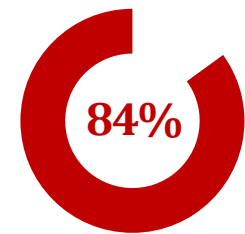
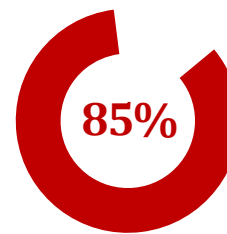
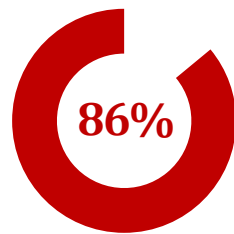
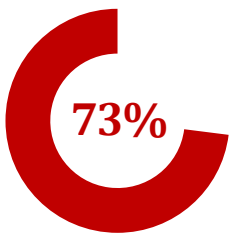
**Additional regulations
are seen as politically
attractive but ultimately
not impactful**

Bank regulation is a powerful political motivator.

% would base their vote in a national election on the issue of bank regulation



% would vote for candidate/party who supported more regulations on banks

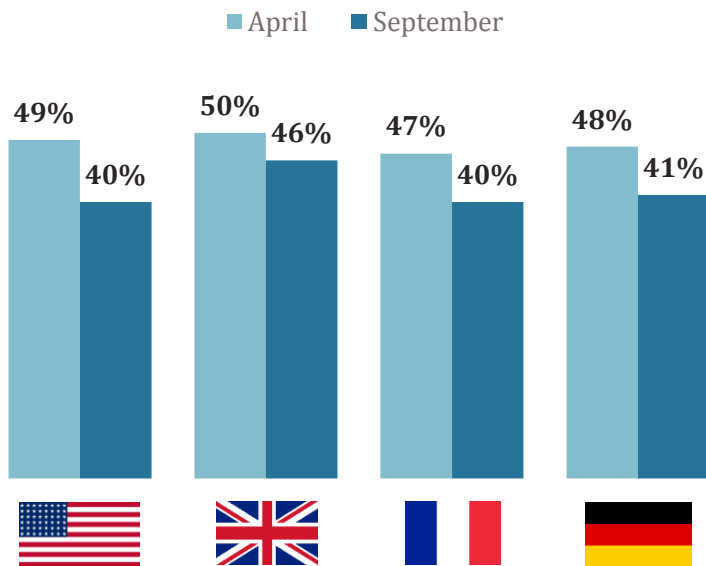


*On this issue of bank regulation, which of the following would you be likely to do?
If you were basing your vote in an upcoming national election on the issue of bank regulation, for which candidate/party would you vote?*

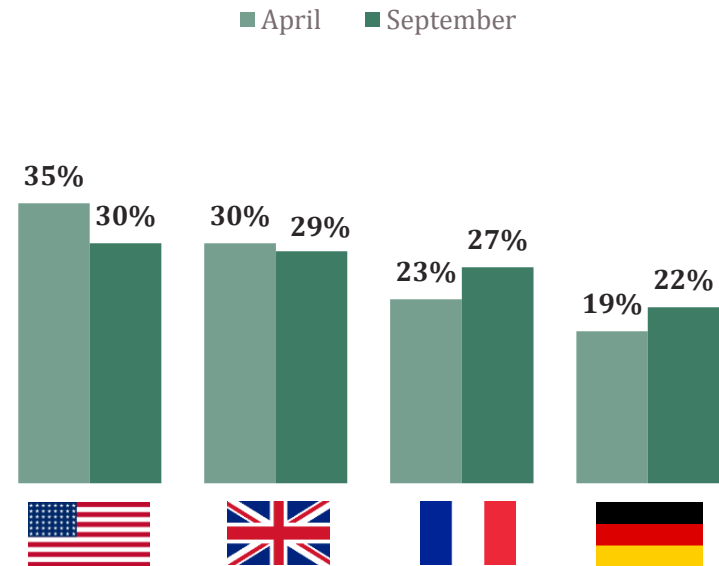
Anticipated Impact of Regulations

Yet additional regulation of the financial system is not seen as particularly effective. Few think it leads to more security or stronger growth.

Additional Regulations Would Make Deposits Safer



Additional Regulations Would Lead to Stronger Growth



*Do you believe that additional government regulation of the financial system in [COUNTRY] would make investments and deposits in banks:
What impact do you think additional government regulation of the financial system in [COUNTRY] would have on economic growth?*



3

**There is an
increasing desire for
smaller, local banks**

Preferred Bank Type and Size

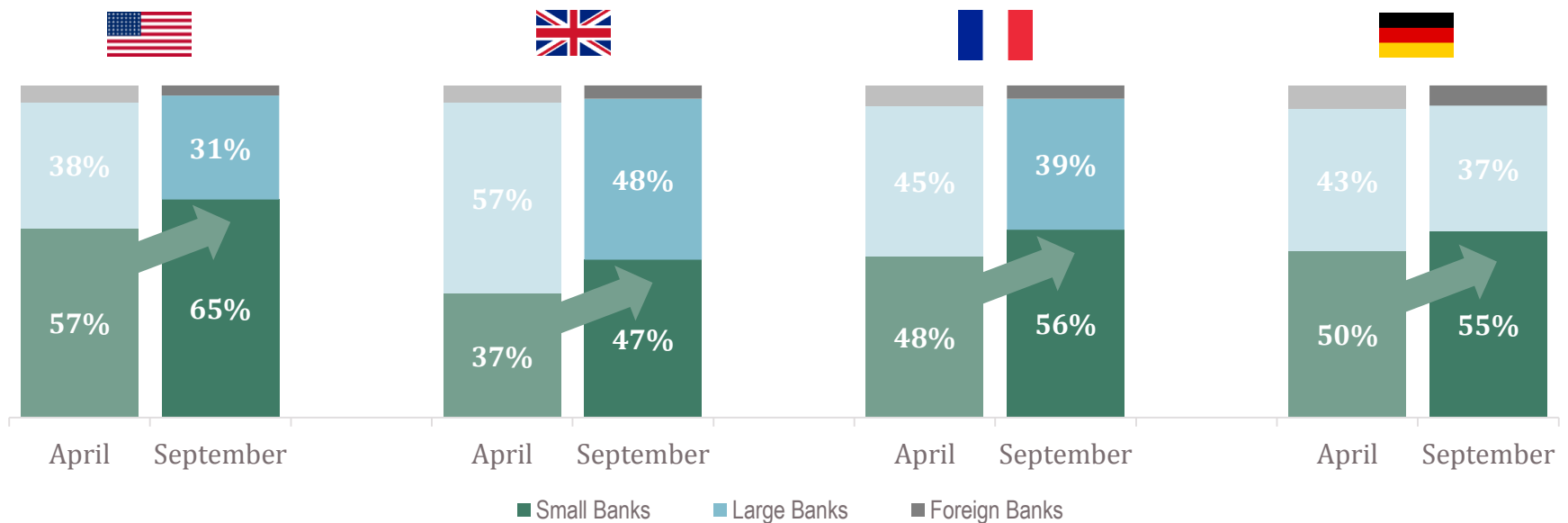
There is a growing preference across all countries for smaller, more personal, community banks.

Which one of the following do you view most favorably?

Small [COUNTRY]-based banks operating in local communities

Large [COUNTRY]-based banks operating throughout [COUNTRY] as well as internationally

Foreign banks operating in [COUNTRY] as well as internationally



Preferred Bank Organization

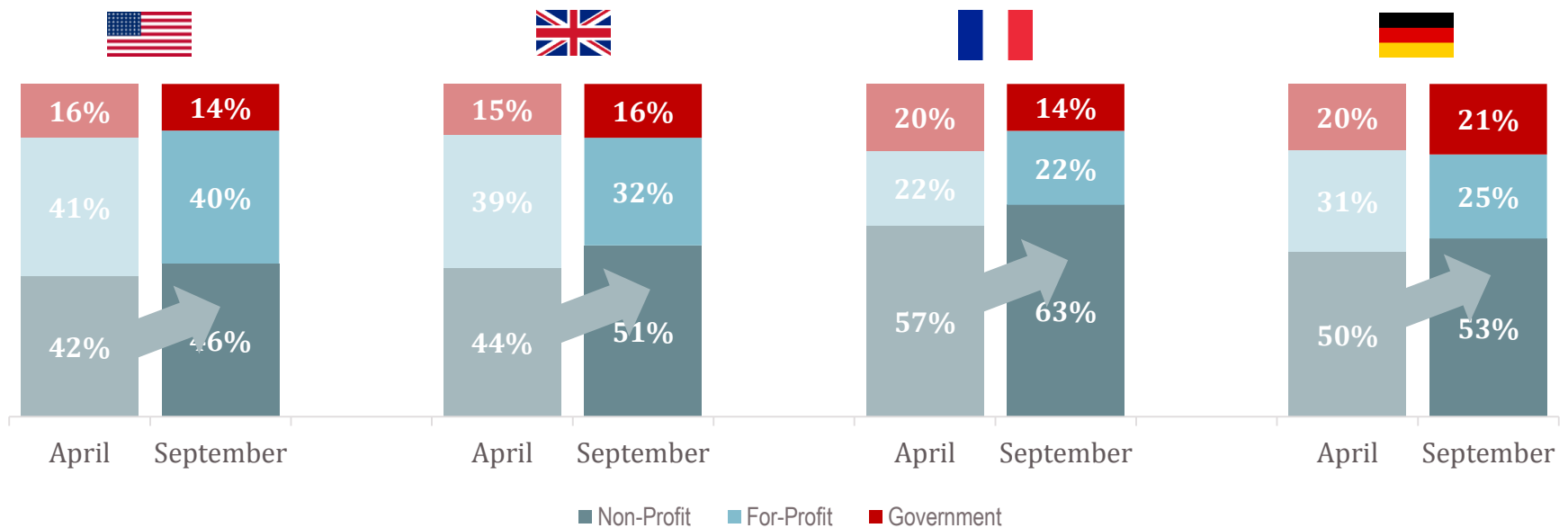
Many, if not most, say they prefer banks to be run as a non-profit organization.

Which of the following do you think would be better for the financial system in [COUNTRY]?

*Banks being owned and run
AS A NON-PROFIT ORGANIZATION*

*Banks being owned and run
AS A FOR-PROFIT COMPANY*

*Banks being owned and run
BY THE GOVERNMENT*



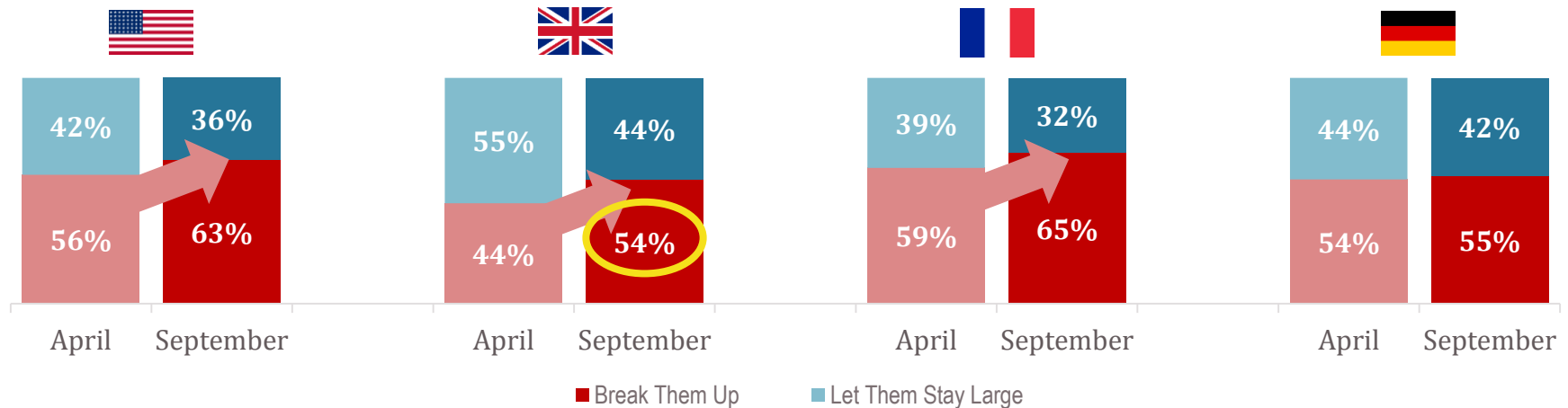
What to do with Large Banks

There is a growing desire for government action to break up large banks. Post-Brexit, most in Britain now agree with this point of view.

Which one of the following statements comes closer to your opinion about the largest banks operating in [COUNTRY]?

*These large banks provide critical resources and expertise to the economy and businesses of [COUNTRY]. The government needs to **ALLOW THESE BANKS TO STAY LARGE** so they can provide capital to projects and support a wide variety of ventures.*

*These large banks control so much of the country's money that their failure would be catastrophic to [COUNTRY]'s economy. The government should take action to **BREAK THEM UP** into smaller banks.*



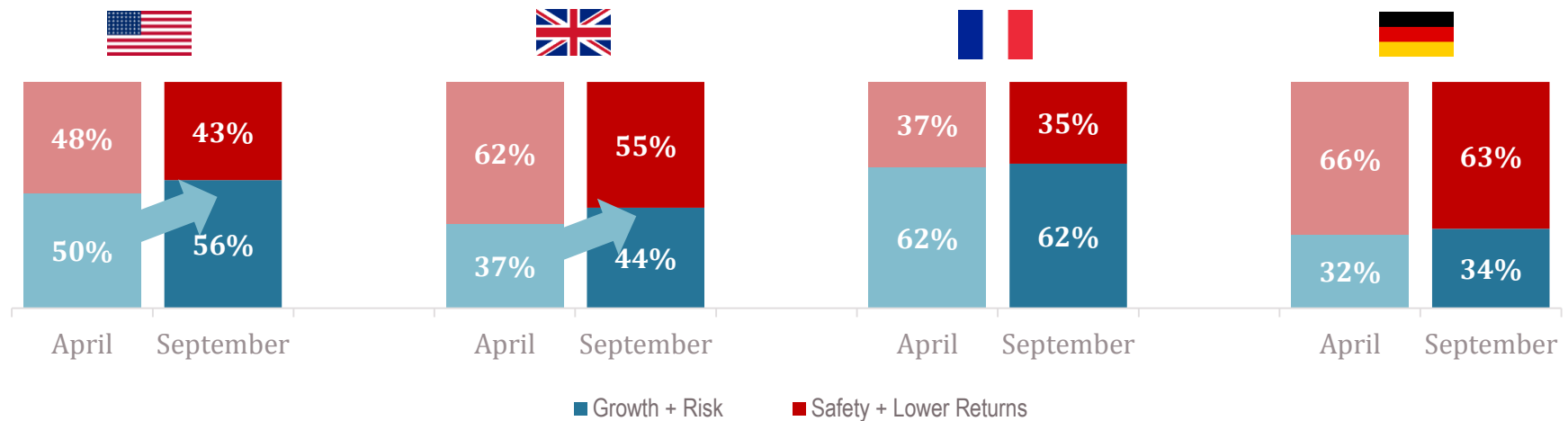
Growth vs. Security in the Financial System

Yet, there is majority support in the U.S. and France for the financial system to prioritize stronger growth over security of investments.

Regarding the financial system in [COUNTRY], which do you think should be the higher priority?

STRONGER ECONOMIC AND JOB GROWTH, and high returns of investments and deposits, even if it means more risk and more economic volatility

SAFETY AND SECURITY OF INVESTMENTS AND DEPOSITS, even if it means slower job growth and lower economic returns



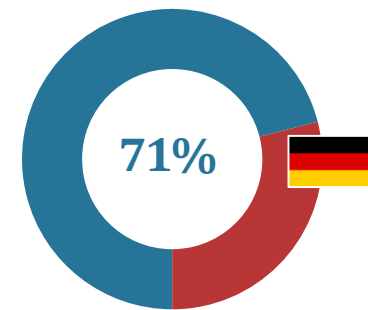
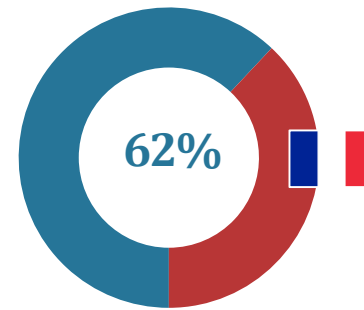
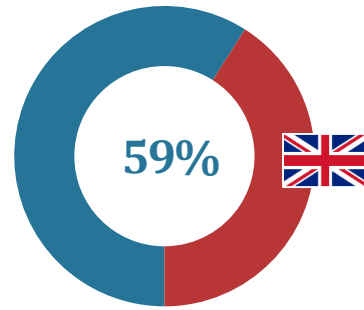
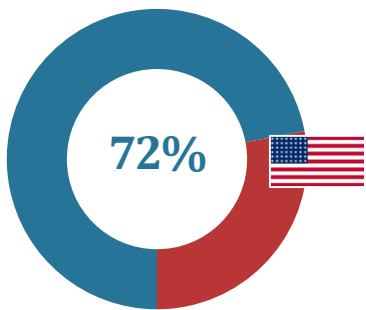
Views of Bank Types

In each country, a solid majority prefers banks with multiple services over specialized institutions.

Which do you view more favorably?

Banks that offer a VARIETY OF SERVICES, such as retail banking for consumers, and commercial and investment banking for businesses and corporations

Banks that offer ONLY ONE TYPE OF SERVICE, specializing in either retail banking for consumers, or commercial or investment banking for businesses or corporations



4

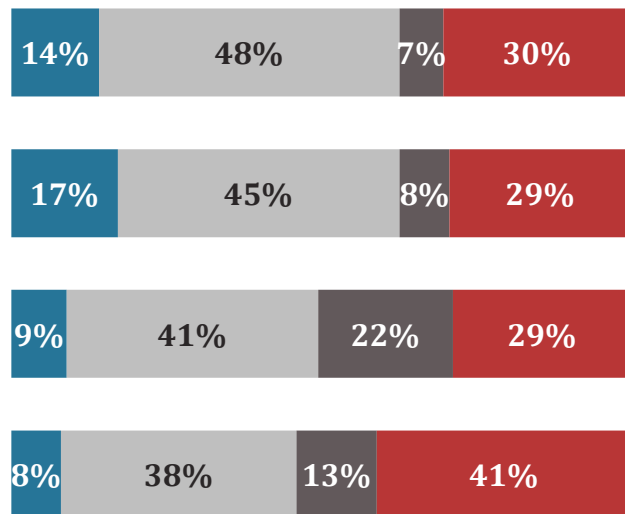
**Amidst post-Brexit
worries, strong support
for banks' involvement
in negotiations**

Impact of Brexit

Across countries, more believe that Brexit has had a negative impact on the global economy. Outside of the UK, most think Brexit is the start of new problems rather than a step towards solving existing problems.

What impact has Brexit had on the global financial system?

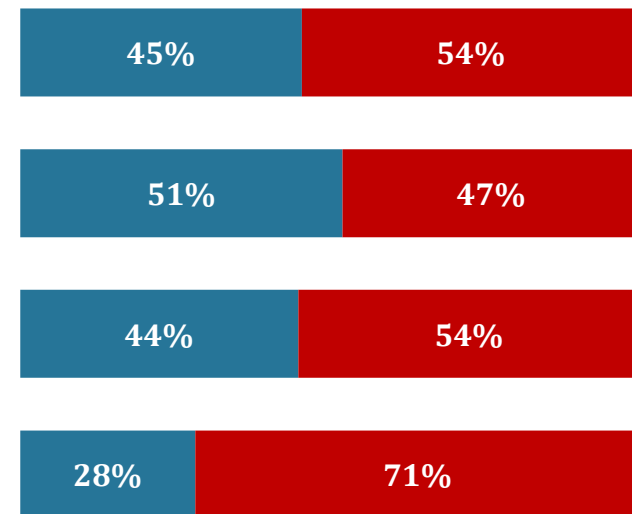
■ Positive ■ Mixed ■ No Impact ■ Negative



Does this step by the United Kingdom represent...

■ Important Step in Solving Problems

■ Start of New Problems






Bank Representation in Brexit Negotiations

© Brunswick Insight 2016

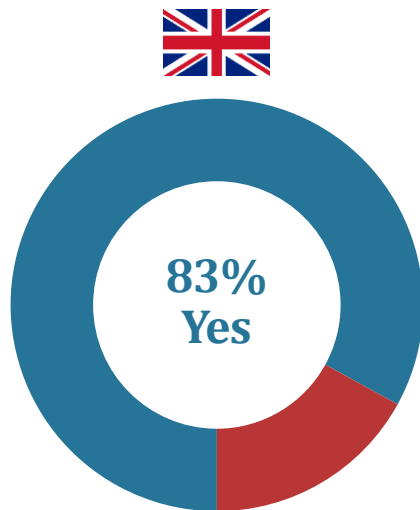
There is overwhelming support for banks to have a seat at the Brexit negotiating table.

HOW IMPORTANT is it that the interests of the following be represented in the Brexit negotiations between the UK and the EU?

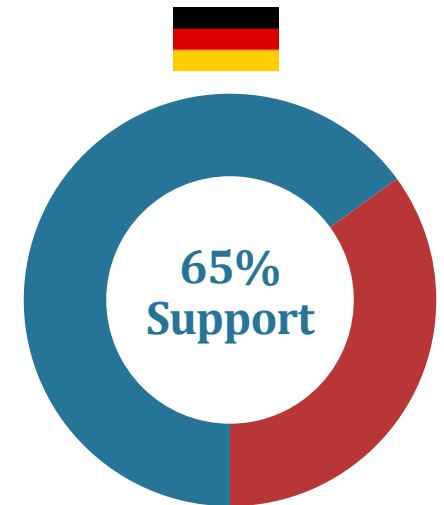
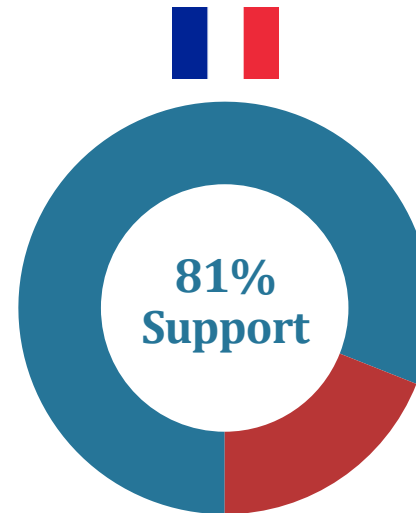
			
British Banks	93%	82%	76%
European Banks	78%	86%	87%
American Banks	58%	51%	51%
Global Banks	72%	67%	72%

Those in the UK want British banks to have free access to European Markets. In France and Germany, there is strong support for luring banks with lower taxes.

*Should banks and financial institutions in the United Kingdom continue to have **FREE ACCESS** to conduct business in the European Union?*



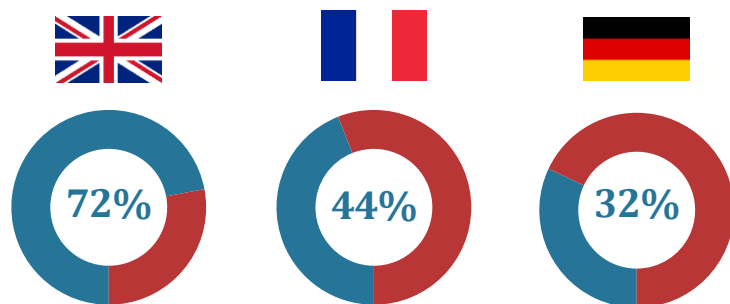
*Would you support or oppose a proposal to **CUT CORPORATE TAX RATES** in France/Germany in order to attract financial institutions to move operations from the United Kingdom?*



Europe's Next Financial Capital?

Europeans are unclear about the post-Brexit financial center and whether it will remain London or shift to Frankfurt, Brussels or Paris.

Agreement that London will remain the financial center of Europe



Which cities will gain in importance?

