



The impact of corporate governance and reputation in the financial value of banking brands and businesses

David Haigh, Chief Executive, Brand Finance plc
8th May 2015



About Brand Finance

Brand Finance helps clients to measure, manage, maximise and monitor the value of their brands to drive business performance

Unique expertise

We possess a unique combination of marketing, research, management and financial expertise

Independent

We manage brands, not create them – so we have no vested interest in the outcome of a project

Transparent

There are no black boxes. We work openly and will always reveal the details of our modelling and analysis

Technical credibility

We provide ISO, IVSC and IASB compliant valuation and analytics services and our assessments are widely accepted by regulatory bodies and tax authorities

We are also a registered training office for Chartered Accountants, Marketers and Financial Analysts

Global

Headquartered in London with offices in over 15 countries



Experience

Over 15 years experience working with 500+ national and international clients of all sizes and across all sectors





Brand Finance Banking 500

The Banker / Brand Finance Banking 500

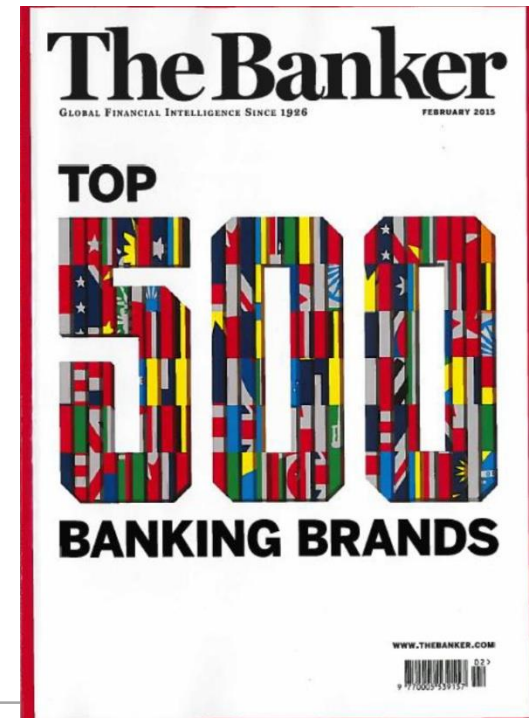


The Banker and *Brand Finance* have partnered on the **Top 500 Banking Brands** for nine years.

Together we have raised branding awareness among banks and established a ranking that has become an industry standard, generating huge interest in this critical subject.



*Brian Caplen,
Editor, The Banker*



2015 Brand Finance Banking 500

The rise and rise of Chinese banking brands

Brand Finance®



Banking 500 2015

The annual report on the world's most valuable banking brands
February 2015

Sector Analysis - Banking

Banking 500



Wells Fargo is the world's most valuable banking brand. Its \$26 billion brand value sees it claim the title for the third consecutive year. It leads a group of 60 American banks featured in the Brand Finance Banking 500, which together are valued at over \$200 billion.

However, there is no room for complacency. JP Morgan chief executive Jamie Dimon recently expressed concerns that the western banks that dominate global banking might be superseded by Chinese brands. This year's results would appear to bear Dimon's fears out. Cit, Bank of America and Chase, America's 2nd, 3rd and 4th most valuable bank brands have been overtaken by both ICBC and China Construction Bank (CCB).

The cumulative brand value of Chinese banks appearing in 2015 edition of Banking 500 has increased by 20%. They now make up 15% of the brand value of the Banking 500, up from 9% in 2011 and 4% in 2008, when the study began. Looking at the figures for the US, the brand is reversed. US banks made up nearly a third of the total in 2008 (32%), by 2011 that had dropped to 27% and this year the figure is 21%.

Chinese banks have accelerated their international expansion this year. Examples include CCB's acquisition of Standard Bank's London trading operations and CCB's of Saldanha in Brazil. CCB added more to its brand value than any other this year. Its brand value grew by \$7.5 billion to a total of \$26.4 billion.

However the growth of Chinese brands cannot be explained just by expansion and acquisition. Chinese banking brands are becoming

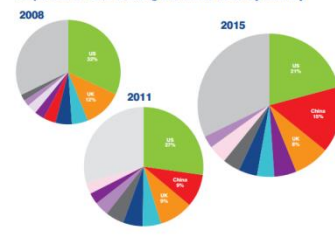
Sector Analysis - Banking

Rank	Brand	2015 Value	2014 Value	% Change	Brand Rating
1	Wells Fargo	\$26.4B	\$26.0B	+1%	AAA
2	Bank of America	\$24.8B	\$24.5B	+1%	AAA
3	ICBC	\$22.8B	\$22.0B	+4%	AA+
4	HSBC	\$22.8B	\$22.0B	+4%	AA+
5	Citi	\$21.4B	\$21.0B	+2%	AA+
6	Bank of America	\$21.4B	\$21.0B	+2%	AA+
7	CHASE	\$21.4B	\$21.0B	+2%	AA+
8	Bank of America	\$21.4B	\$21.0B	+2%	AA+
9	Bank of America	\$21.4B	\$21.0B	+2%	AA+
10	Bank of America	\$21.4B	\$21.0B	+2%	AA+



Sector Analysis - Banking

Proportion of Total Banking 500 Brand Value by Country



Country	2008	2011	2015	% of total value of the Banking 500
US	32%	27%	21%	21%
China	4%	4%	15%	15%
UK	17%	17%	17%	17%
France	8%	8%	8%	8%
Spain	8%	8%	8%	8%
Brazil	2%	2%	2%	2%
Germany	2%	2%	2%	2%
Italy	2%	2%	2%	2%
Japan	2%	2%	2%	2%
Other	20%	20%	20%	20%

Sector Analysis - Banking

Most Valuable Bank Brands by Region

Region	2015 Value	Brand	2015 Value	Brand
Asia	\$18.0B	ICBC	\$18.0B	Wells Fargo
Europe	\$17.5B	HSBC	\$17.5B	Bank of America
North America	\$26.4B	Wells Fargo	\$26.4B	Bank of America
Middle East	\$1.5B	Standard Bank	\$1.5B	Bank of America
South America	\$1.5B	Standard Bank	\$1.5B	Bank of America

banking, accounting for over half of the country's mobile payments. 12.5 million customers transacted via their mobiles in 2014 compared to 8.57 million in 2013 and average transaction amounts increased to over 7000 rupees, suggesting that mobile is becoming an increasingly significant force. The total brand value of Indian banks in the table is up 61%.

With such rapid adoption, technology is fast becoming a "hygiene" factor rather than a differentiator, which LIC's CEO found this out to his cost. Its IT systems have been criticised as outdated and dispersed, representing a patchwork following numerous takeovers. Major system crashes in June 2012 and on Cyber Monday in December 2013, one of the busiest shopping days of the year, exposed its weaknesses. It cost the bank \$75 million (\$263 million in compensation to staff and customers. Brand value is slowly eroding, at the beginning of 2013 the RBI brand was valued at \$4.6 billion, last year the figure dropped to \$3.9 billion and this year is down a further 6% to \$3.7 billion.

Developing markets and the GCC have been the source of some of this year's biggest success stories. Blackrock has defied the Brazilian economy South America's most valuable bank brand has

All results published on Brandirectory.com

Rank	Brand Value (USD \$ Millions)	Brand Rating	Compare Brand
1	34,828	AAA	AAA
2	27,459	AAA	AAA
3	27,280	AAA	AAA
4	26,417	AAA	AAA
5	26,210	AAA	AAA
6	25,713	AAA	AAA
7	24,819	AA	AAA
8	22,714	AAA	AAA
9	20,392	AAA	AAA
10	19,700	AAA	AAA
11	14,939	AA	AAA
12	14,211	AA	AAA
13	14,179	AA	AAA

Brand Ratings

HSBC, Wells Fargo, Citigroup

Market Cap











Market Capitalisation is the total value of shares in a company, according to the stock market. Figures are obtained from Bloomberg.

Brand / enterprise value vs. brand rating

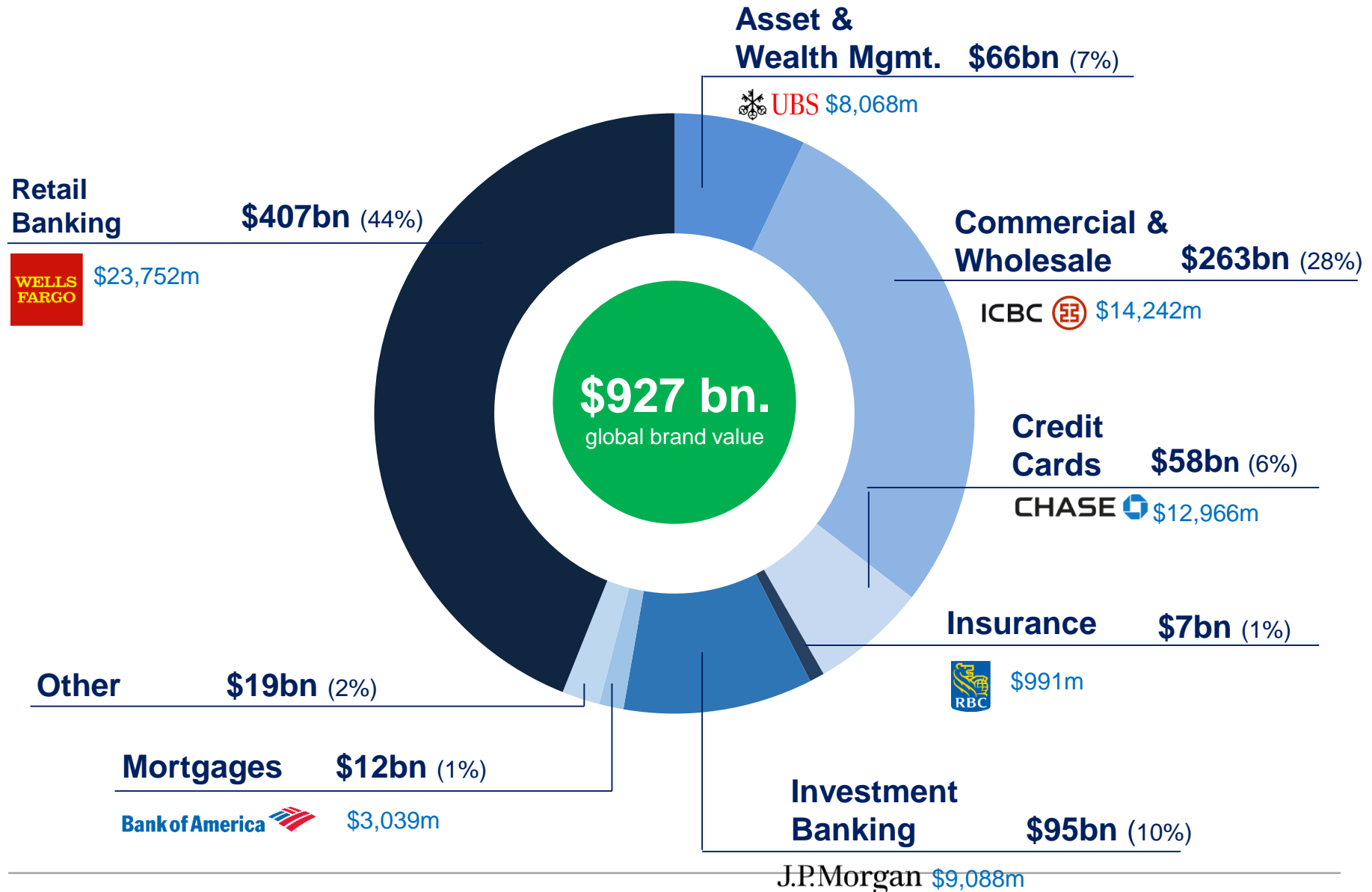
Size of point represents brand value

Brand / Enterprise Value (percentage) vs. Brand rating

Top 10 Most Valuable Banking Brands in 2015

2015	2014	Brand	Brand Value 2015 (USDm)	Brand Value 2014 (USDm)	Change (%)	Change (USDm)	Brand Rating 2015	Brand Rating 2014	Market Cap 2015 (USDm)	Market Cap 2014 (USDm)
1	1		34,925	30,242	15%	4,683	AAA-	AAA-	284,437	236,831
2	6	ICBC 	27,459	22,803	20%	4,656	AA+	AA+	244,336	213,282
3	2	HSBC 	27,280	26,870	2%	410	AAA	AAA	173,250	184,737
4	9	 中国建设银行 China Construction Bank	26,417	18,954	39%	7,463	AAA-	AA+	198,264	187,014
5	4		26,210	24,518	7%	1,692	AA+	AA+	159,045	146,635
6	3	Bank of America 	25,713	26,683	-4%	-969	AA+	AA+	154,014	139,399
7	5	CHASE 	24,819	23,157	7%	1,662	AA	AA+	123,977	118,687
8	10	 中国农业银行 AGRICULTURAL BANK OF CHINA	22,714	17,783	28%	4,931	AA+	AA+	162,489	133,594
9	12	 中國銀行 BANK OF CHINA	20,392	16,725	22%	3,666	AAA-	AA+	152,427	122,168
10	8	 Santander	18,700	20,021	-7%	-1,321	AAA-	AAA-	104,976	93,839

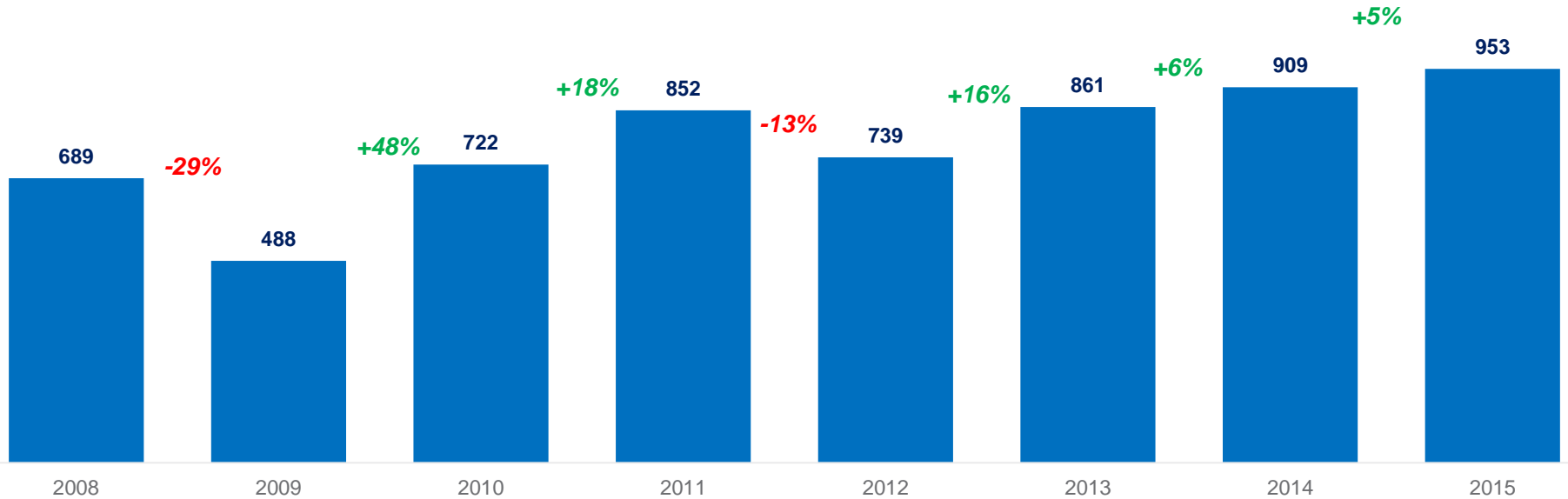
Global brand value by service line



Banking 500

On the path to recovery

Global Banking 500 Brand Value (\$bn)

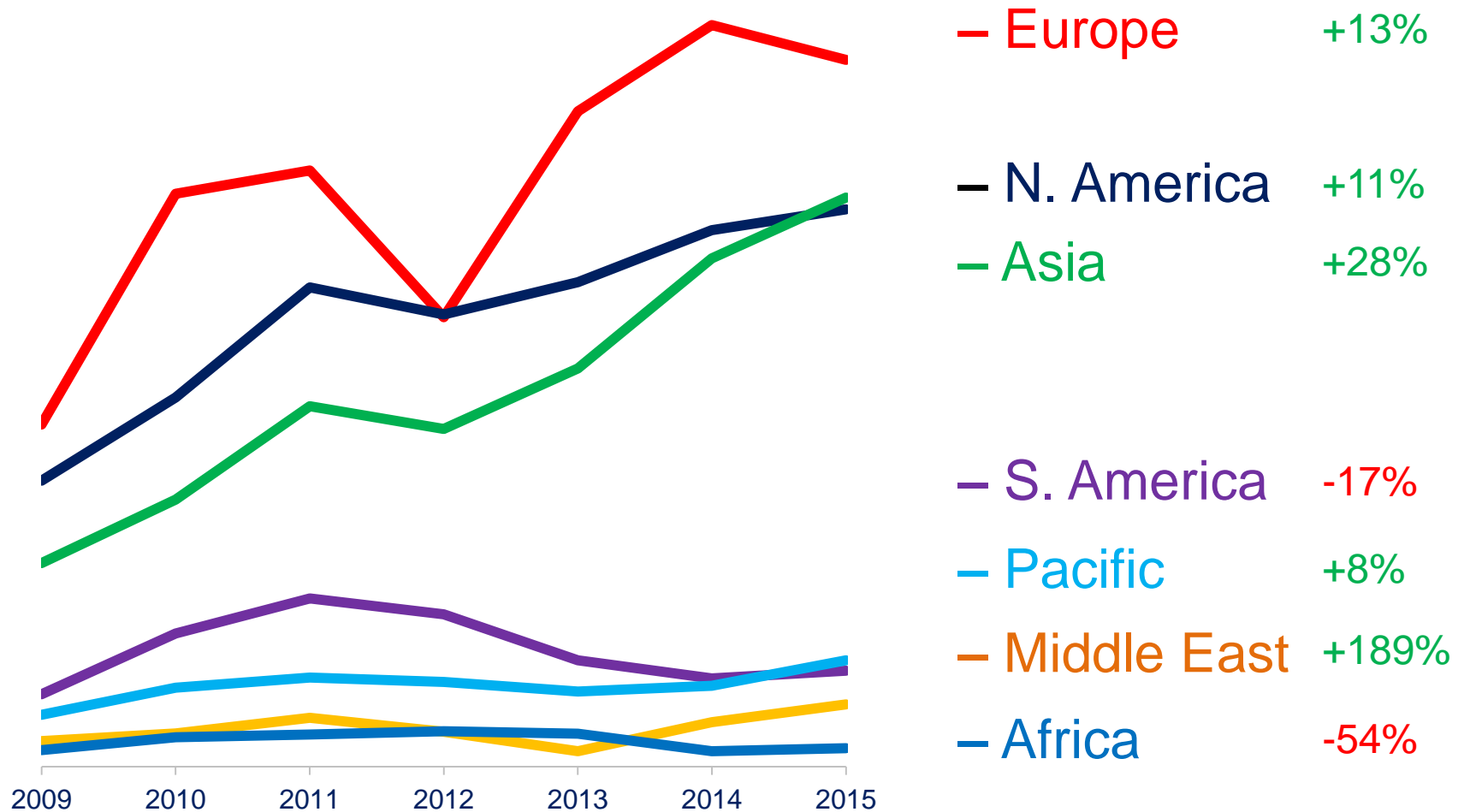


Aggregate brand value of top 500 banking brands has almost doubled from the low of 2009

Source: 2015 Brand Finance Banking 500

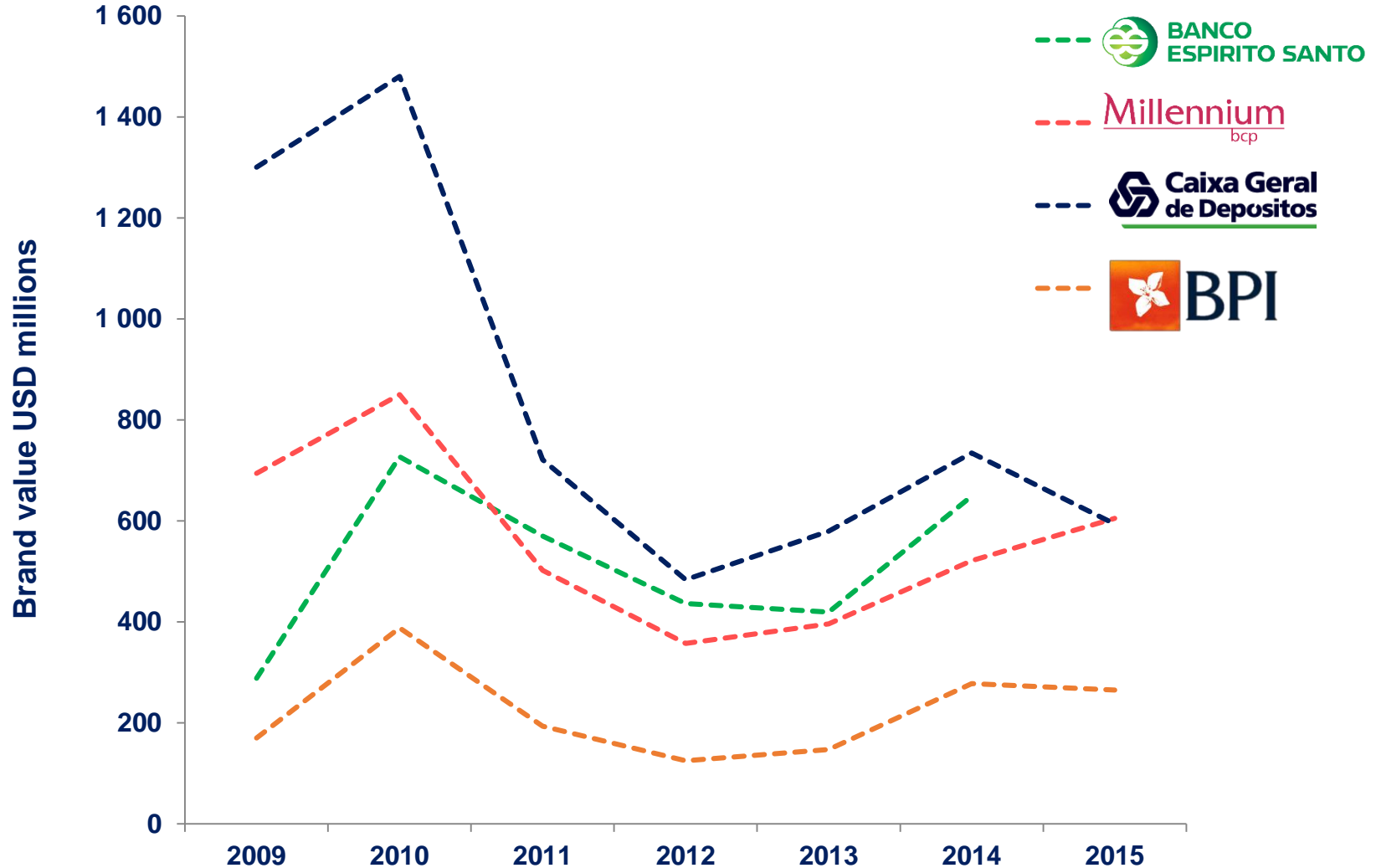
Banking now out of intensive care

European banks halt recovery



Portugal

Historical performance of top Portuguese banking brands



Source: 2015 Brand Finance Banking 500

Most Valuable Portuguese Banking Brands 2015

Three Portuguese banks are listed in Brand Finance's Global Banking 500 League Table

RANK		BRAND	BRAND VALUE		BRAND RATING		US\$ million
2015	2014		2015	2014	2015	2014	
213	225		605	521	AA+	AA+	
216	181		594	734	AA+	AA	
363	342		265	278	AA	AA+	
N/A	197		N/A	649	N/A	AAA-	

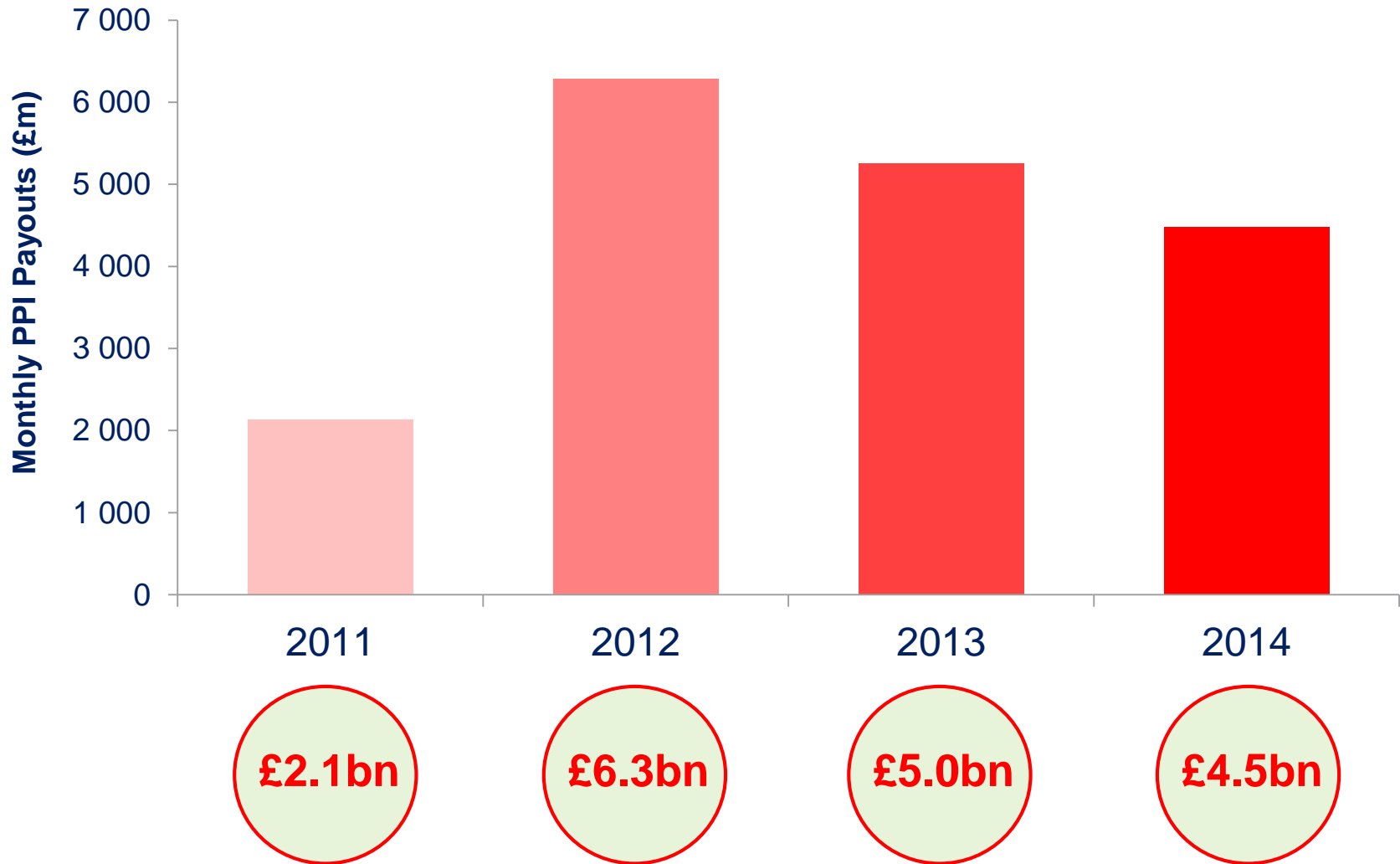


Reputation Damage

The current public perception of banks?



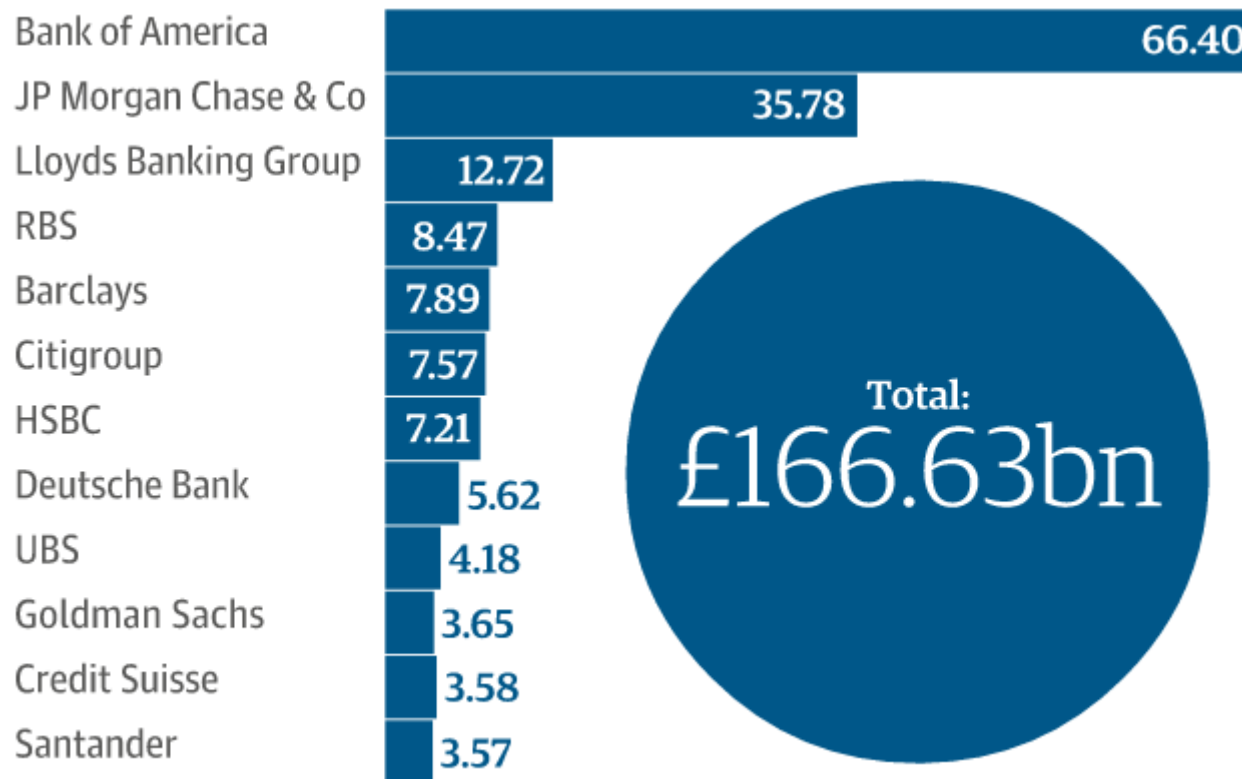
PPI fines have reached £18 billion



Banking fines

The global banking industry racked up more than £166bn in fines, settlement fees and provisions between 2009 and 2013

Fines and settlements and provision for future liabilities, 2009-2013, £bn

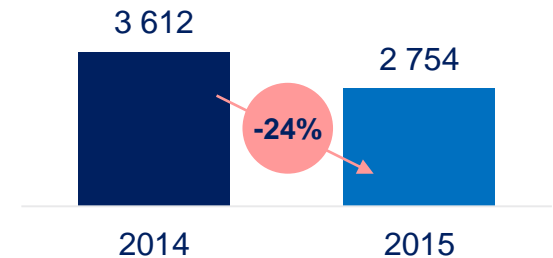


Banking fines and linkage to brand and business performance

COMMERZBANK

- **Commerzbank** was **fined over \$1bn** to settle allegations it broke US sanctions and anti money-laundering laws.
- This has impaired brand perceptions and sentiment towards the brand.
- In addition, the brand's future outlook has been negatively affected.

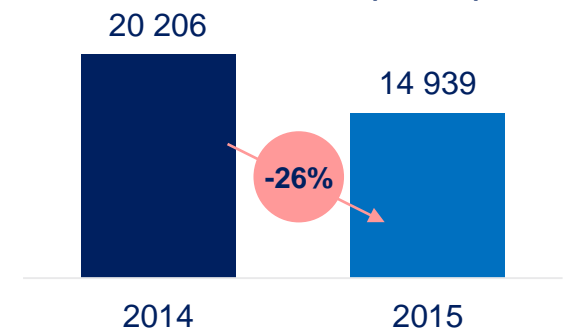
Brand Value (USDm)



BNP PARIBAS

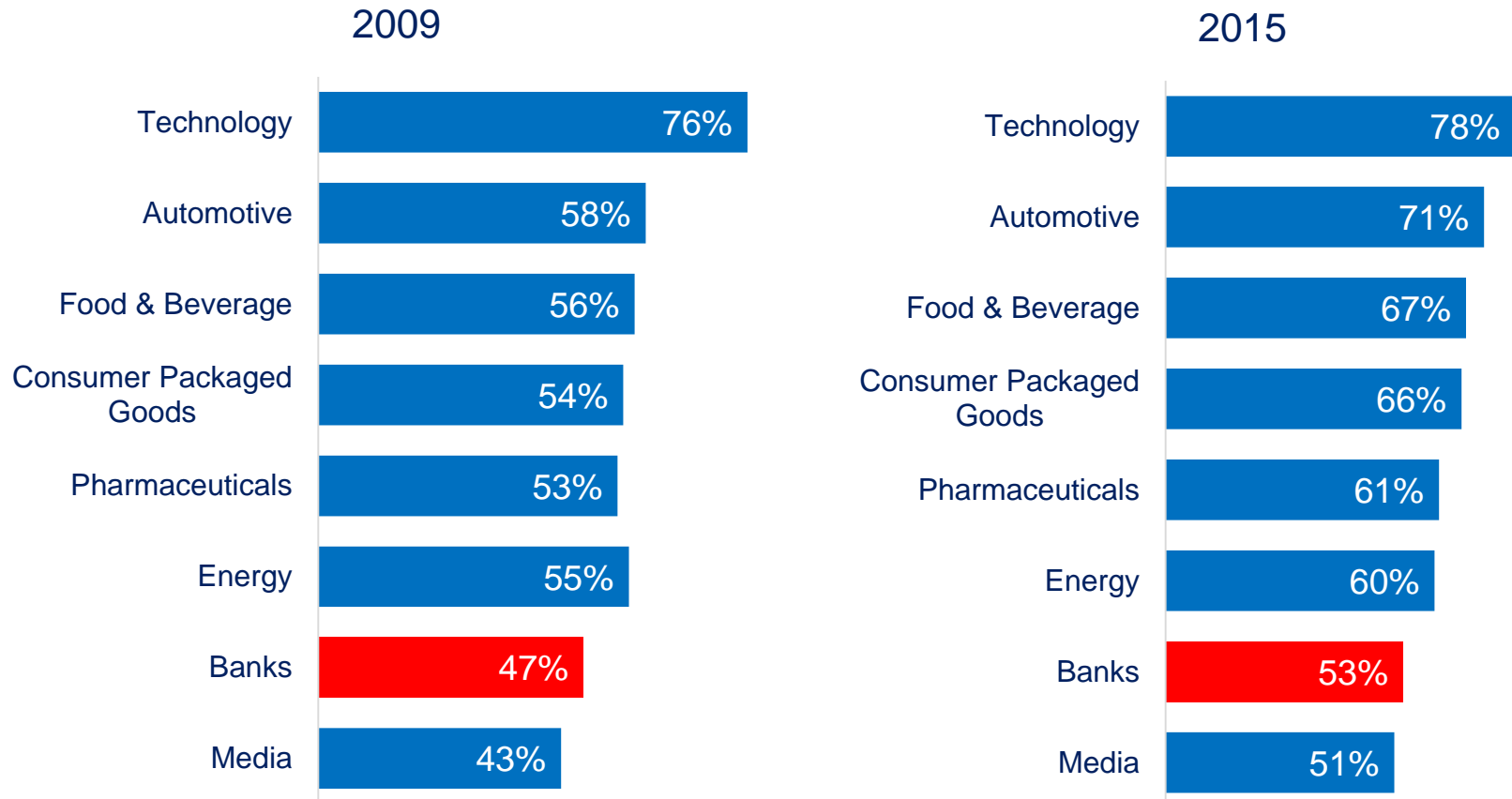
- **BNP Paribas** agreed to a record **\$9bn settlement** with US authorities amid breaking sanctions.
- This had a negative impact on brand perceptions and received a large amount of negative coverage.
- Coupled with a **weak domestic environment** and deterioration in key European markets, this contributed to a decline in brand value.

Brand Value (USDm)



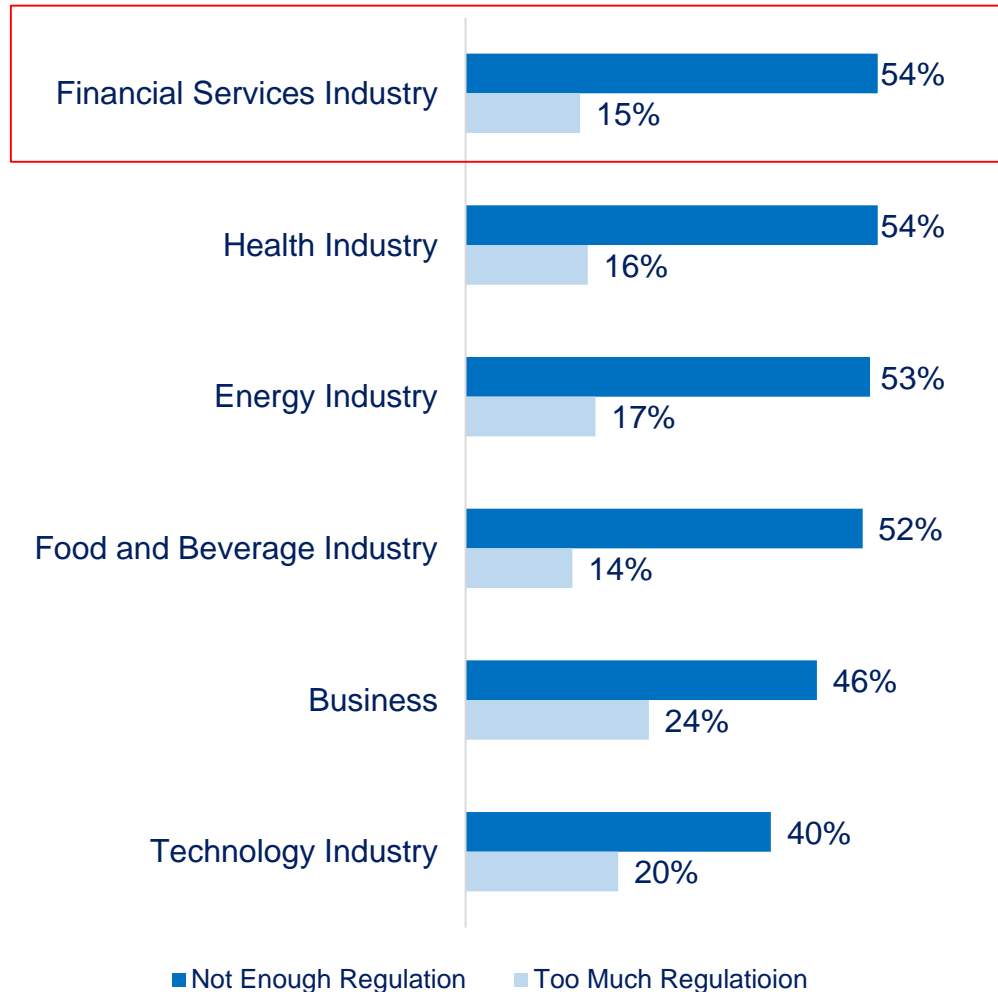
Industry trust

Banks are still one of the least trusted industries



Industry regulation

Government regulation in Financial Services perceived to be inadequate





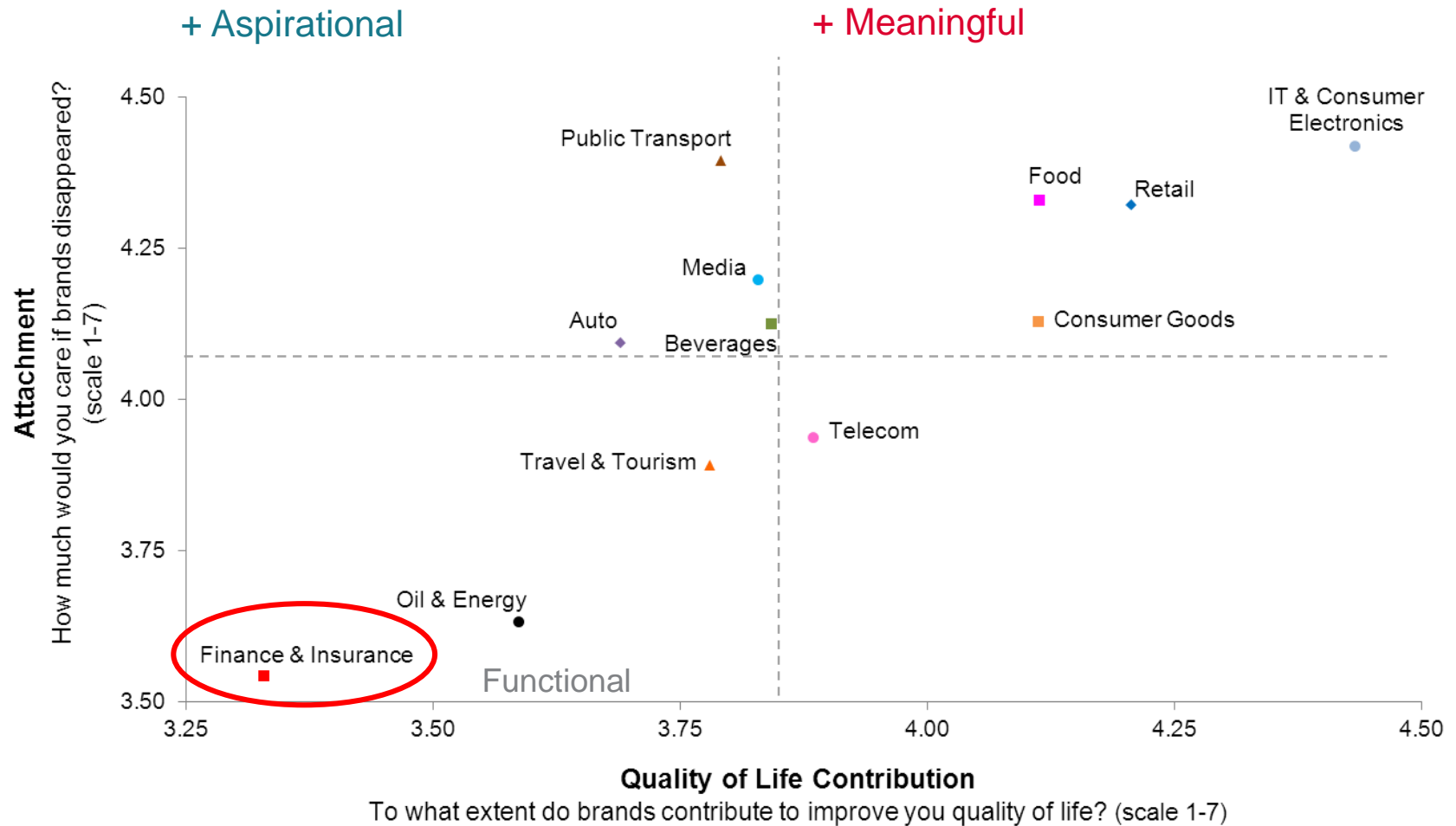
Re-focusing on the customer



How good is your customer service?



Consumers have little emotional attachment to bank brands



Source: Havas Media Group – Meaningful Brands

Become customer focused

Outside-in orientated*

- They manufacture what they can sell
- 'Customer focused'

Inside-out orientated*

- They sell what they can manufacture
- 'Manufacturer focused'



People largely regard Apple as being 'on their side'

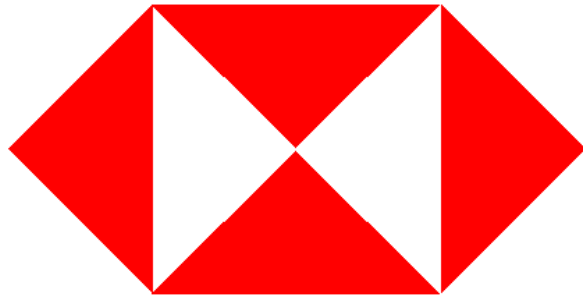
People largely regard banks as being driven by self-interest, particularly investment banks





Defining brand architecture

Monolithic brands



HSBC



Multi-brand strategy

LLOYDS
BANKING
GROUP





Simplified products

Consumers will no longer accept confusing banking products...



...and they don't have to

1|2|3 CURRENT ACCOUNT

The only account that gives you **cashback** and **interest** in one.



SIMPLE





The future landscape

A leaner Portuguese banking sector

The Banker

GLOBAL FINANCIAL INTELLIGENCE SINCE 1926

[Home](#) ▾ [Comment](#) ▾ [Profiles](#) ▾ [Banker Data](#) ▾ [World](#) ▾ [Markets](#) ▾ **[Banking](#)** ▾ [Regulation & Po](#)

[Wholesale Banking](#)

[Retail Banking](#)

[Private Banking](#)

[Home](#) / [Banking](#) / [Retail Banking](#) / A leaner look for Portugal's banks

A leaner look for Portugal's banks

By Peter Wise | Published: 01 April, 2014 | [Comment on this article](#)

[Print](#)

[Email](#)

[Share](#)

[Recommend](#)

[Comment](#)

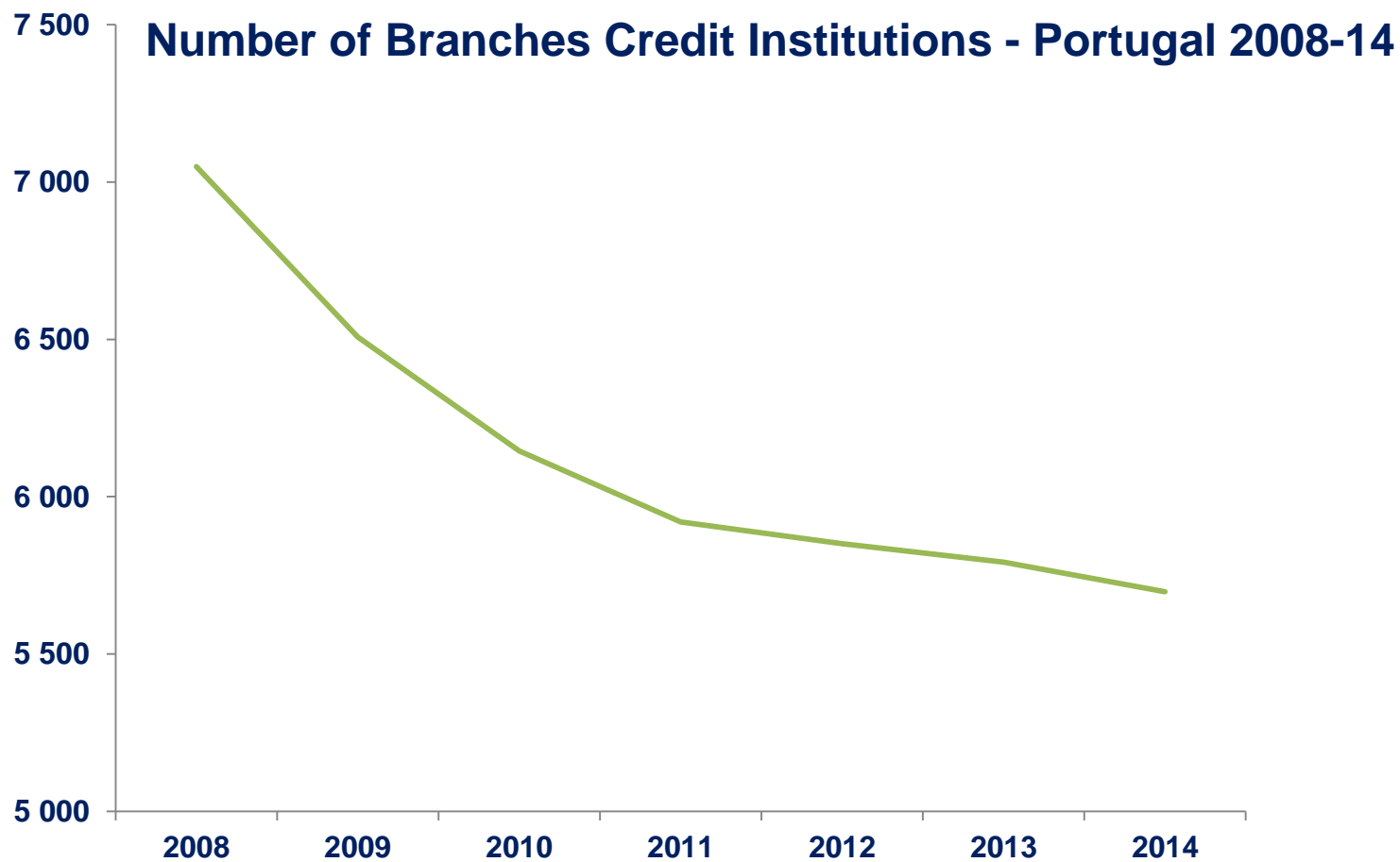


Portugal's banks have undergone a radical transformation in the past few years, emerging from the country's economic crisis better capitalised, leaner and more efficient than ever. Profitability, however, is yet to recover.

After the global financial crisis and a three-year bail-out programme, the

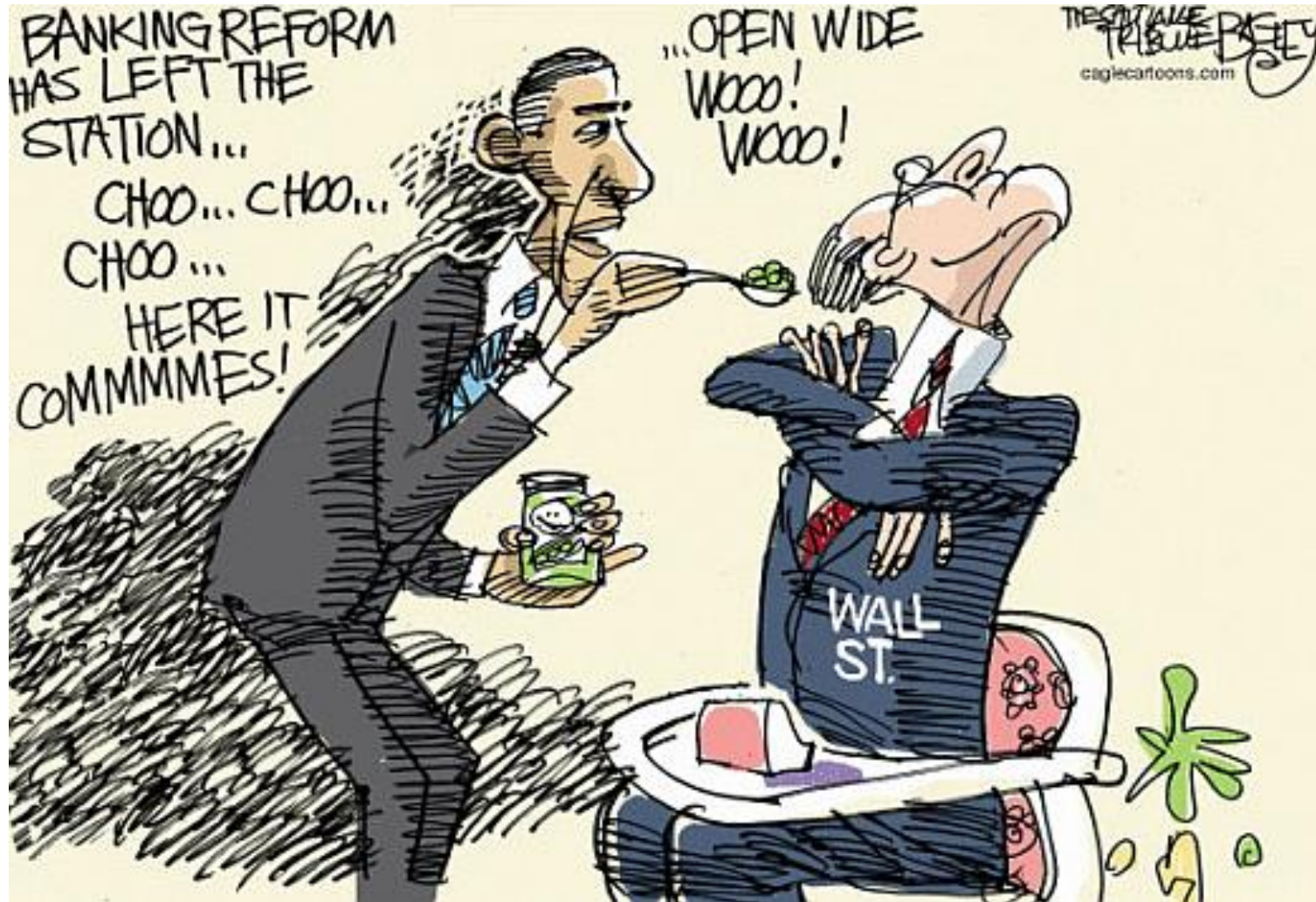
Branch numbers falling

The number of Portuguese banking branches has fallen substantially since 2008



Source: European Central Bank

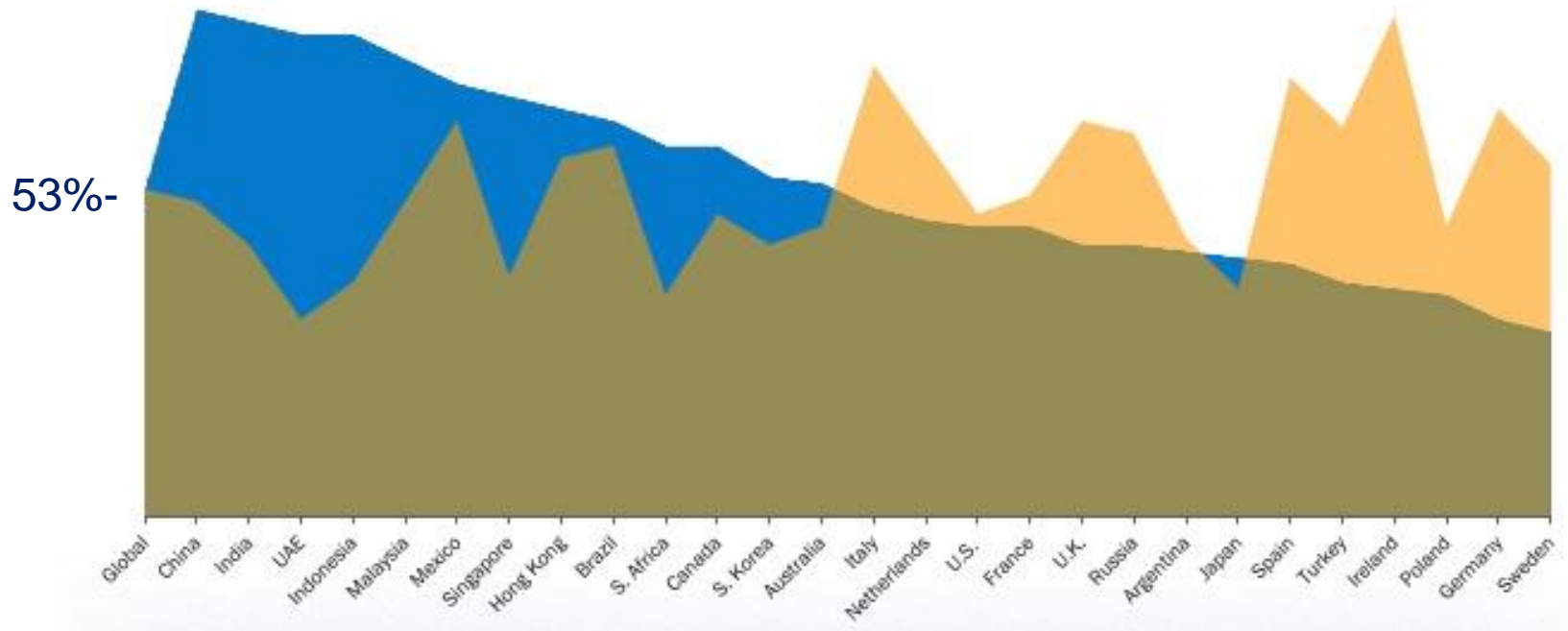
Increased regulation in banking



Regulation will continue if trust remains low

Countries with higher trust in financial services have less desire for increased regulation

- Trust in financial services
- Not enough regulation for financial services



Banks retreating from Europe?

HSBC 



“We are beginning to see the final shape of regulation, the final shape of structural reform and as soon as that mist lifts sufficiently, we will once again start to look at where the best place for HSBC is”

Douglas Flint, HSBC's chairman

Standard
Chartered 



“[The relocation] at the moment it’s something we’re watching, we’re looking at, we’re thinking about”

Andy Halford, Group Finance Director at SCB

UK: increasing burden on the banking sector



“I think the bank levy is here to stay. [...] The reason for the bank levy is to create a safer banking system but also explicitly to raise revenue.”

George Osborne, Chancellor of the Exchequer



“We need a reckoning with our banks. [...] After decades of banking becoming more and more concentrated, I am determined that Labour will turn that tide.”

Ed Miliband, Leader of the Labour Party



The importance of brand post-crisis

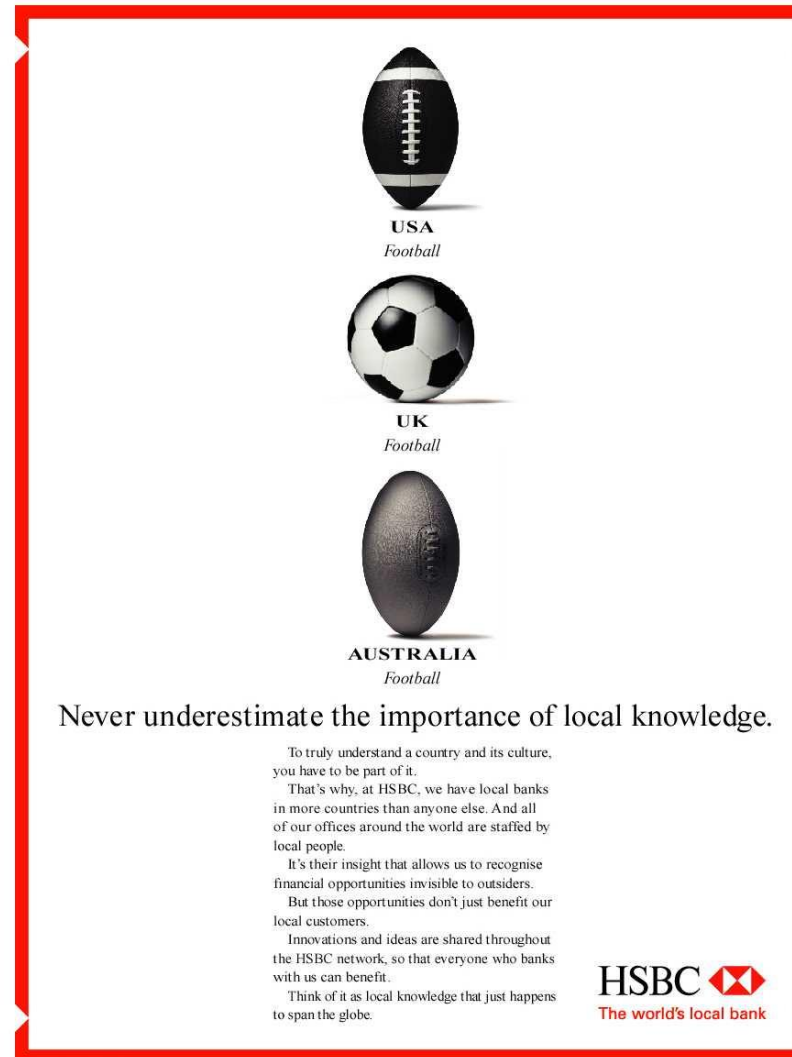
Opportunities outside of local markets

The conservatism of using only your national banks is changing.



Opportunities outside of local markets

Understanding local markets is key



USA
Football

UK
Football

AUSTRALIA
Football

Never underestimate the importance of local knowledge.

To truly understand a country and its culture, you have to be part of it.


That's why, at HSBC, we have local banks in more countries than anyone else. And all of our offices around the world are staffed by local people.

It's their insight that allows us to recognise financial opportunities invisible to outsiders.

But those opportunities don't just benefit our local customers.

Innovations and ideas are shared throughout the HSBC network, so that everyone who banks with us can benefit.

Think of it as local knowledge that just happens to span the globe.

HSBC 
The world's local bank

Issued by HSBC Holdings plc.

Opportunities outside of local markets

Opportunities available even to niche brands



Handelsbanken 

		Share price return over last five years
Branches 152	UK employees 1,200	116pc
		Equity 100.4bn Swedish Krone (£9.97bn)



Understanding brand drivers

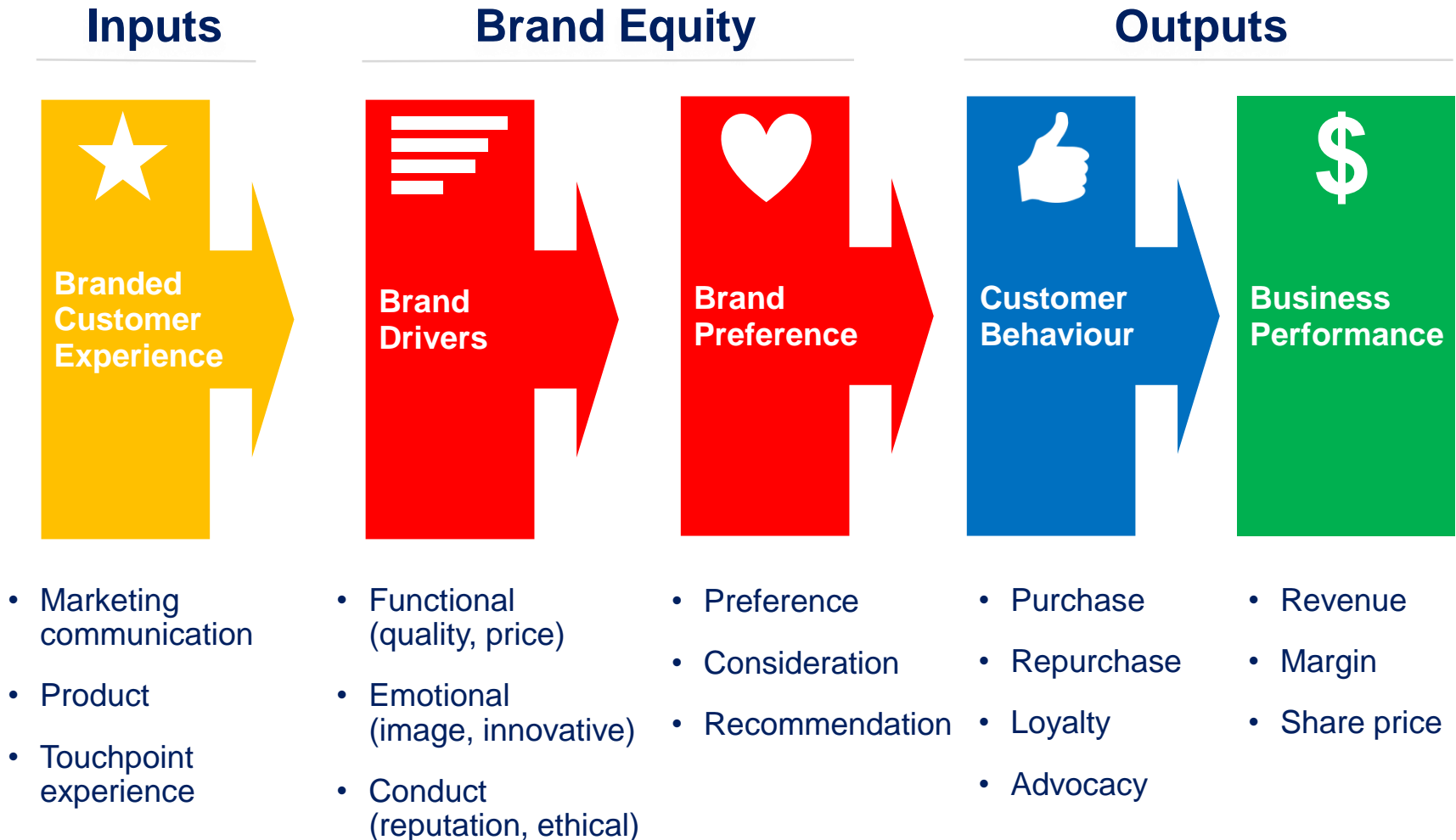
What does your brand stand for?



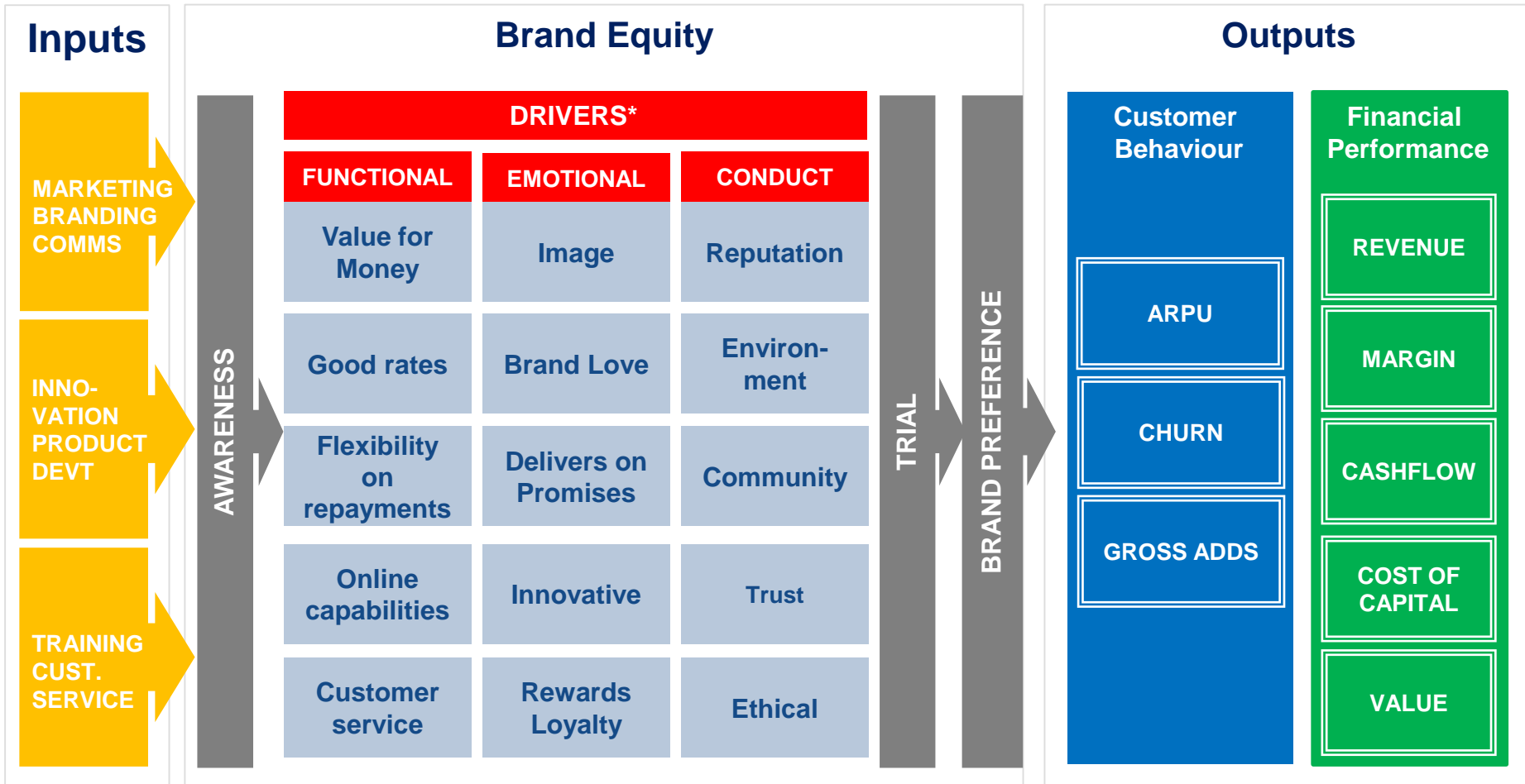
Handelsbanken

Brand process

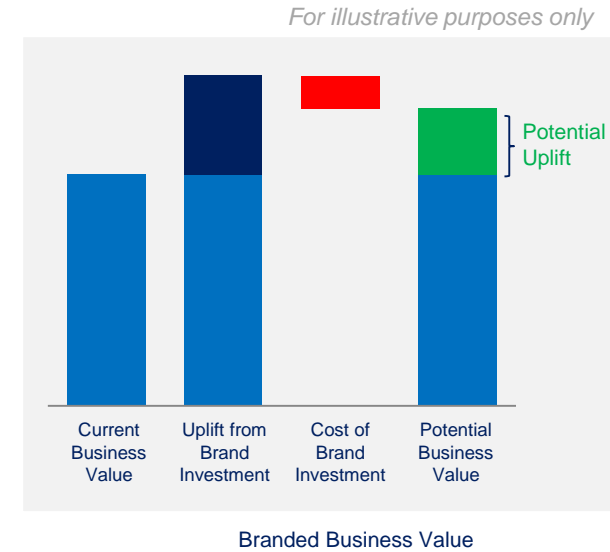
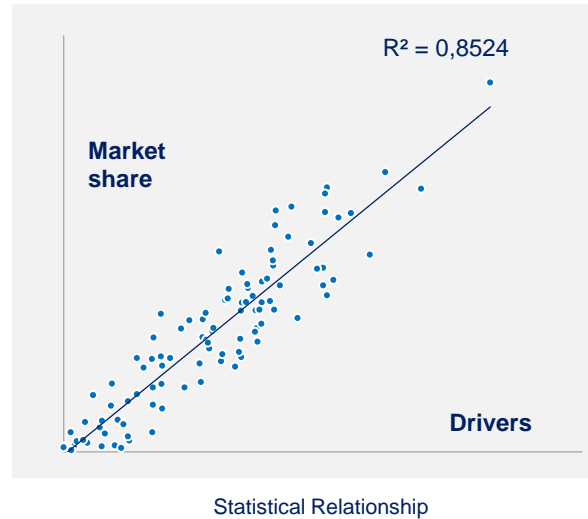
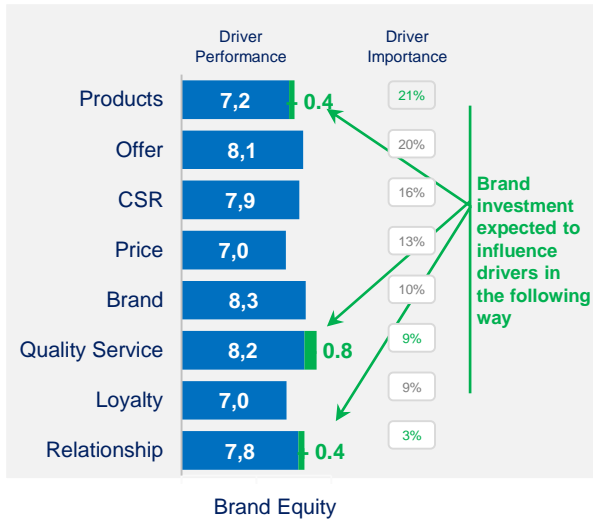
It's crucial to understand how brand drivers affect customer behaviour, which directly impacts business performance



We help brands to manage brand equity in order to maximise business value...



Connecting brand drivers to business value



Typical questions we answer include:

- **Brand positioning** Which brand positioning versus our competitors do customers value most?
- **Brand architecture** Which architecture design creates most demand?
- **Resource allocation** How to optimise the marketing mix to add value to the business?
- **Brand migration** What is the impact of migrating the brand under alternative scenarios?
- **Brand portfolio** What is the optimum mix of brands to maximise shareholder value?
- **Brand extension** What are the best opportunities for extending the brand into other categories and markets?
- **Brand franchising** How could franchising/licensing the brand increase revenues?
- **Brand scorecard** How can we track marketing data to improve financial performance?

Our expertise

We solve strategic and technical brand challenges

Strategic marketing

Brand Strategy

How can we maximise brand value and use our brand asset to grow the business?

Brand Analytics

What are the key brand drivers and what customer insight is there to help us beat the competition?

Technical financial, tax, legal

Accounting

Which technical valuation of our intangible assets will satisfy both the marketing department and the auditors?

Tax

Which brand ownership and charging structure will optimise tax efficiency and management behaviour?

Corporate Finance

How do we make a quick assessment of the quality and value of a brand during an M&A or bid defence process?

Legal

Where can we find expert input from people who understand both the marketing and financial aspects of our brand?

Brand Finance[®]

Contact us

David Haigh
Chief Executive

Brand Finance, London

E: d.haigh@brandfinance.com

M: +44 788 515 3725

3 Birchin Lane,
London,
EC3V 9BW

Brand Finance is the leading brand valuation and strategy firm,
helping companies to manage their brands for improved business results.

www.brandfinance.com

