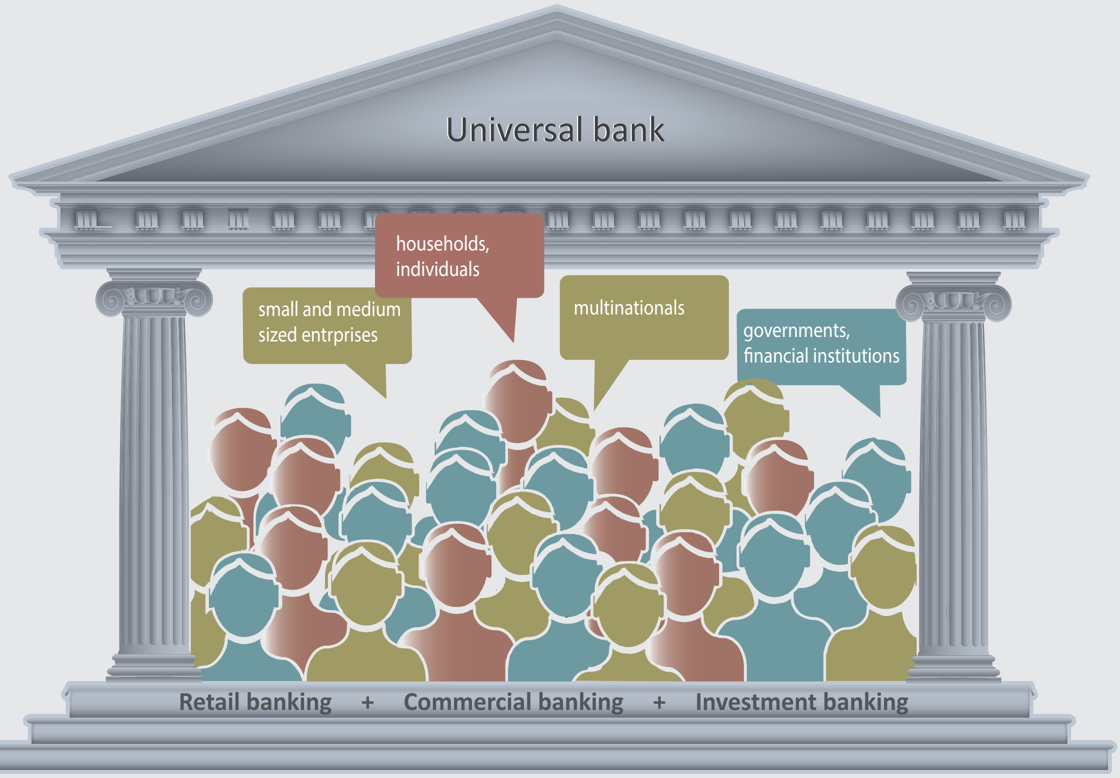
WHAT IS UNIVERSAL BANKING ?



Universal banks provide a comprehensive set of services and products under the same roof to a wide variety of customers. They are like a one-stop-shop where all customers needs can be fulfilled.

Retail banking
- current accounts
- savings/deposits
- residential mortgages/consumer credits
- insurance
- payments

Commercial banking
- treasury/cash management services
- deposits
- lending
- trade finance
- basic investment products
- commercial mortgages

Investment banking
- corporate finance
- risk management
- hedging
- clearing
- market-making
- underwriting

Benefits of universal banks:

Cost efficiency. Lower costs of financing, and lower financial intermediation costs which benefit customers.

Reduced risk exposure. The crisis has proven that universal banks are more resilient due to their diversified operations.

A single point of contact for a broad range of financial services that creates a long term relationship and enables tailor-made solutions.

What has changed?

Numerous new laws were introduced in the wake of the 2008 crisis. Stricter capital and liquidity requirements, better supervision, new bank recovery & resolution rules (incl. bail-in), just to name a few.
Taxpayers will no longer need to pay if a bank has to be wound up.

It is clear that the European banking sector now is becoming safer and more resilient.

Universal banks contribute to financial stability

Banking ultimately is about managing risk. Universal banks are more diversified. They have a wider range of activities, customers and a mixture of rate and fee-based income streams. They are therefore better able to effectively manage their risks, by spreading them out over different activities.

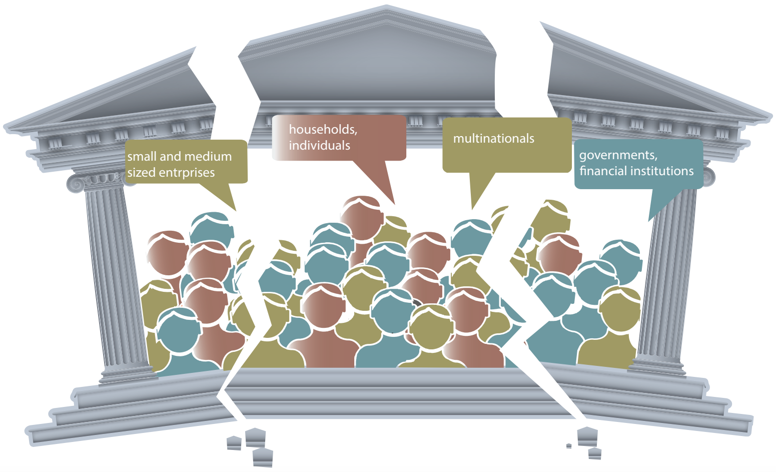
FACT:
Universal banks are most resilient

Universal banks observed the lowest ratio of financial crisis losses to total assets.

Source: Bloomberg, Frontier Economic, Thomson Reuters

Splitting up universal banks cannot be justified

There is no evidence that a separated banking system is more beneficial for society as a whole.



"We wanted to preserve the universal banking model... Having the deposit bank and trading entity under one roof would also allow 'one-stop banking' to continue where it is to the benefit of customers"

Erkki Liikanen, Chairman of the High-level Expert Group on reforming the structure of the EU banking sector, Rome, 27 June 2014.

Businesses need universal banks

Separation would hamper innovation, growth, make exports more difficult and would complicate risk management.

The consequences of splitting up

Companies would lose the diversification and relationship banking benefits that universal banks offer**:**

- Companies would have to build relations with more than one bank, which would cost **time**;
- Companies would **not be guaranteed the best services/products** due to limited services of specialised banks;
- Banks will no longer have a comprehensive overview of companies' needs. Companies would face **increased hedging risks**;
- **Funding costs may rise** due to the duplication of resources/efforts as well as higher operating costs for banks;
- Companies would face **reduced access to lending** because of the lower flexibility in bank balance sheets and funding sources.

A less competitive Europe?

Splitting up universal banks risks making the European economy less competitive on the global stage. It would put European banks at a clear competitive disadvantage on the global market.

Separation would harm the ability of European banks to finance the European economy and takes no account of achievements of regulatory reform measures to date.

European Banking Federation

The voice of Europe's banks

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