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European Banking Summit 2018

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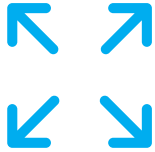
Clear objective: capital markets and banks need to serve the **real economy**



Finance **investments and growth** for SMEs



Help manage **risks** (hedging)



Support **international expansion** of mid and large corps

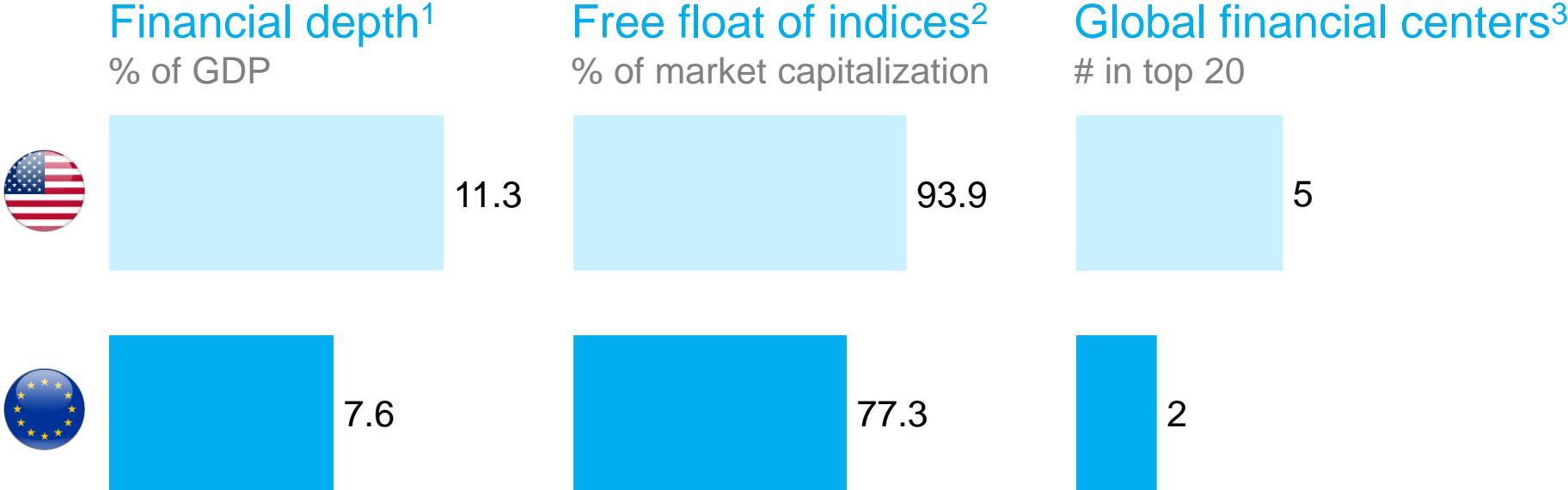


Give **retail investors** access to capital market products

But there is a lot of work to do

But European **capital markets** trail way behind the US in key metrics

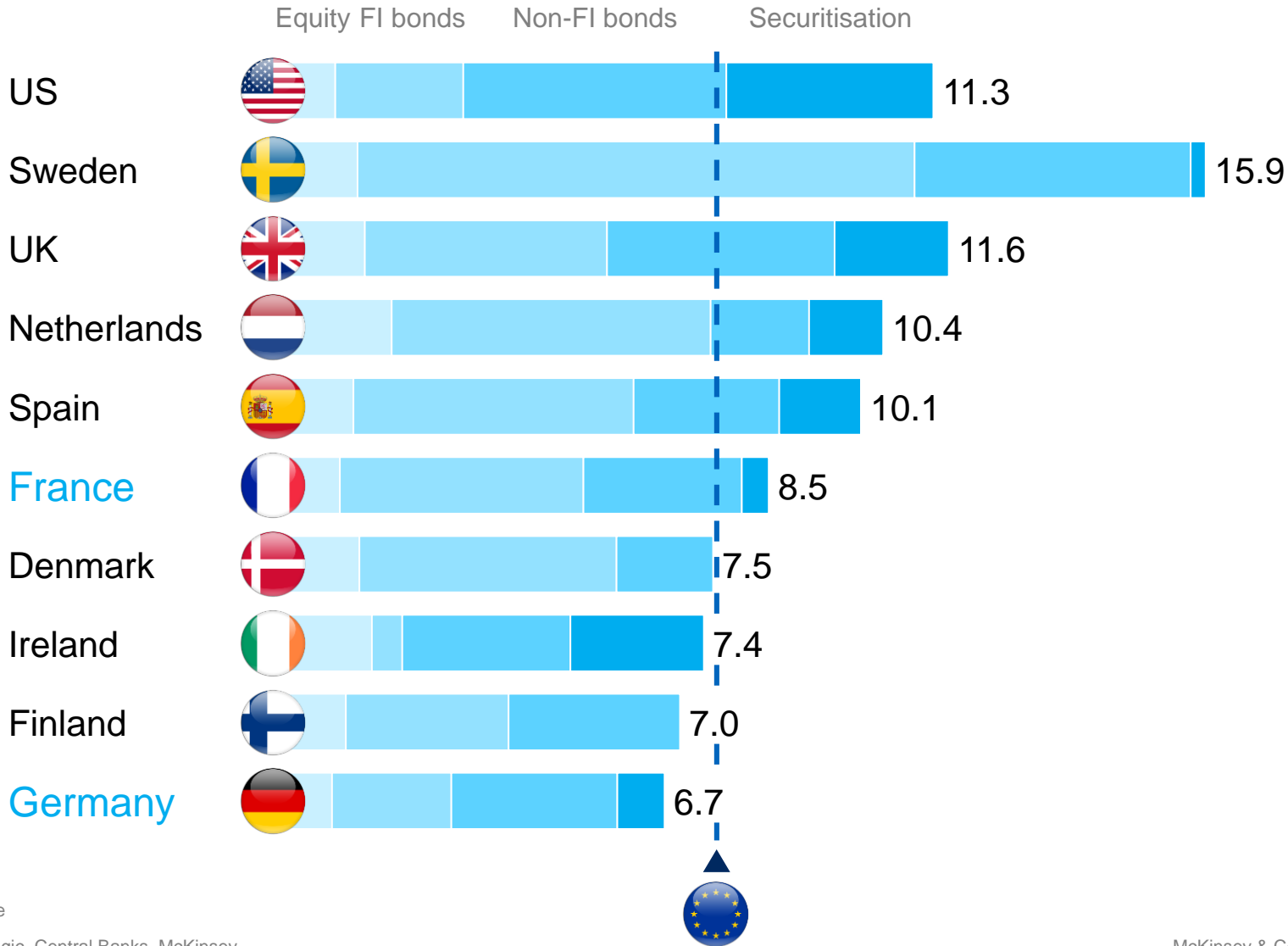
2017



1 Issuance of equity, FI and non-FI bonds, government bonds and securitization in relation to GDP
2 Market capitalization of shares readily available in the market, EU: EuroStox50, US: S&P500 Top50
3 As of September 2018, average score

Some financial markets in Europe are deep, but large countries such as Germany and France rank way lower

Financial depth 2017¹, %

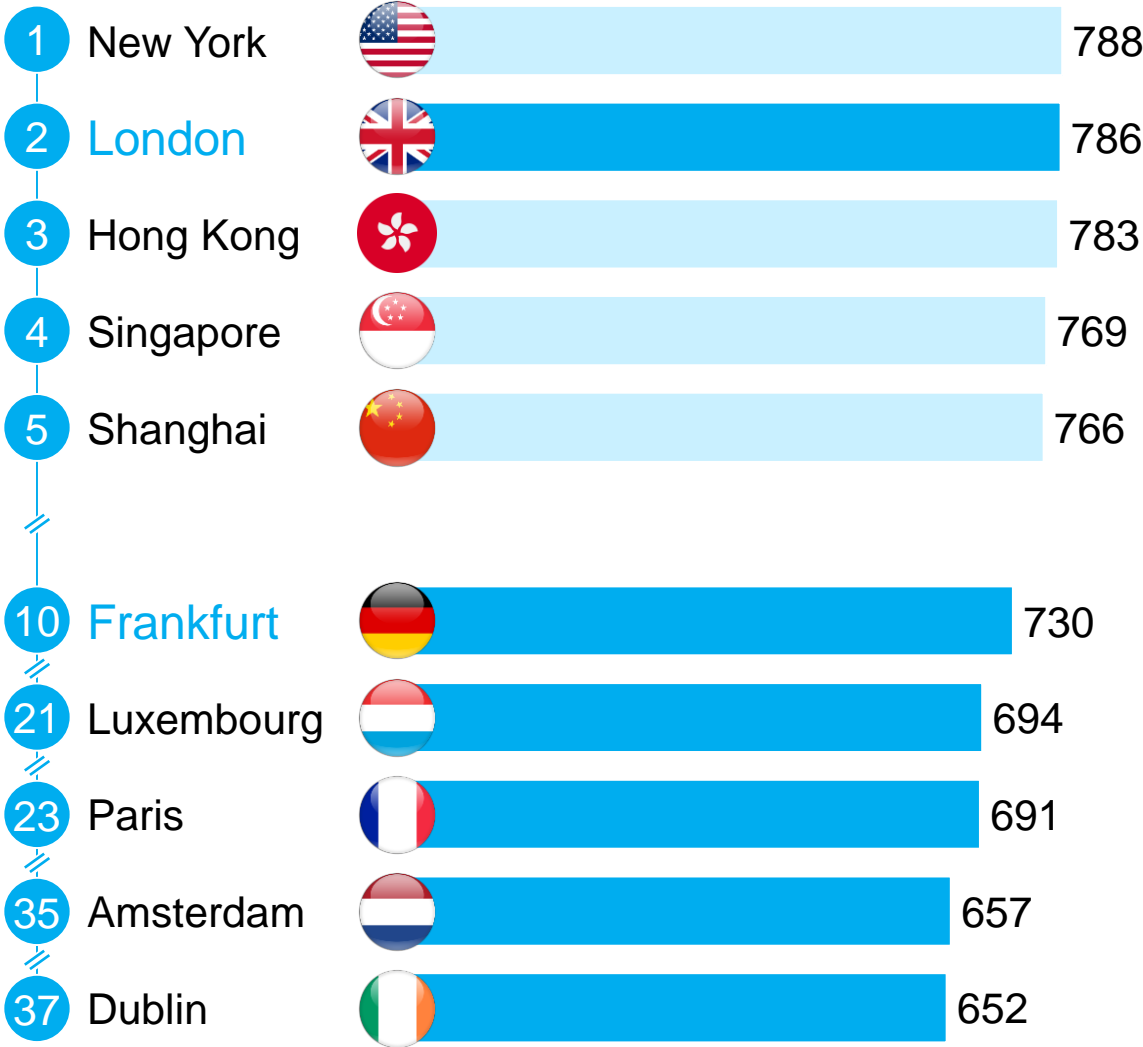


1 US and Europe

SOURCE: Dealogic, Central Banks, McKinsey

Only two European cities in Top 20 financial centers globally

Global Financial Centers Index, 2018



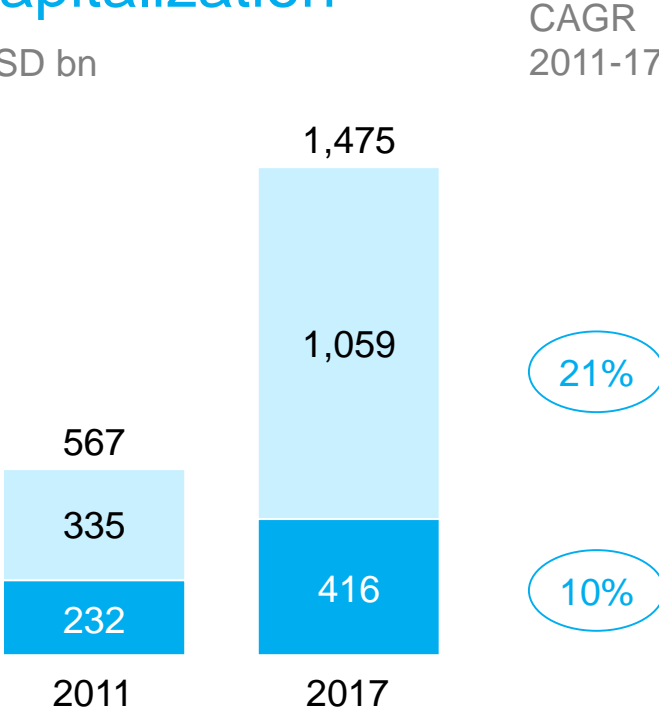
Only **London** and **Frankfurt** rank among Top 20 financial centers globally

New York, Boston, San Francisco, Los Angeles and Chicago are among the 20 financial locations with the best reputation

Europe's largest investment banks are losing share to their US peers

Market capitalization

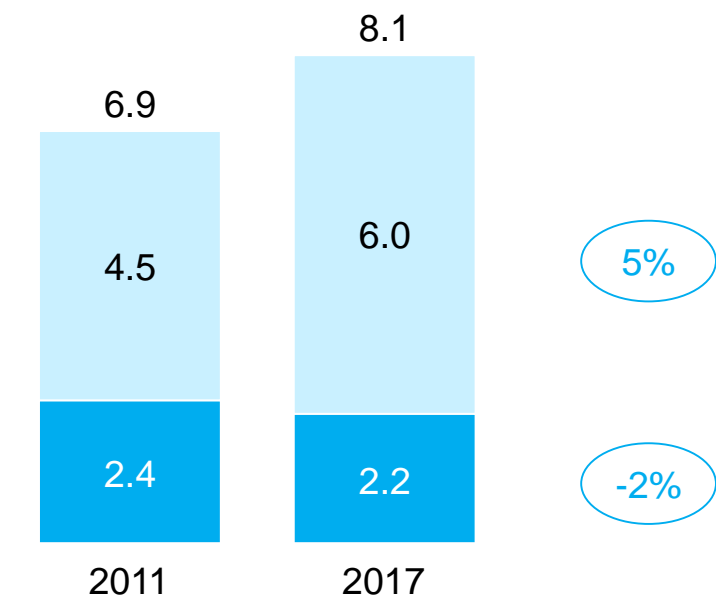
USD bn



Investment Banking Deal Volume³

USD tn

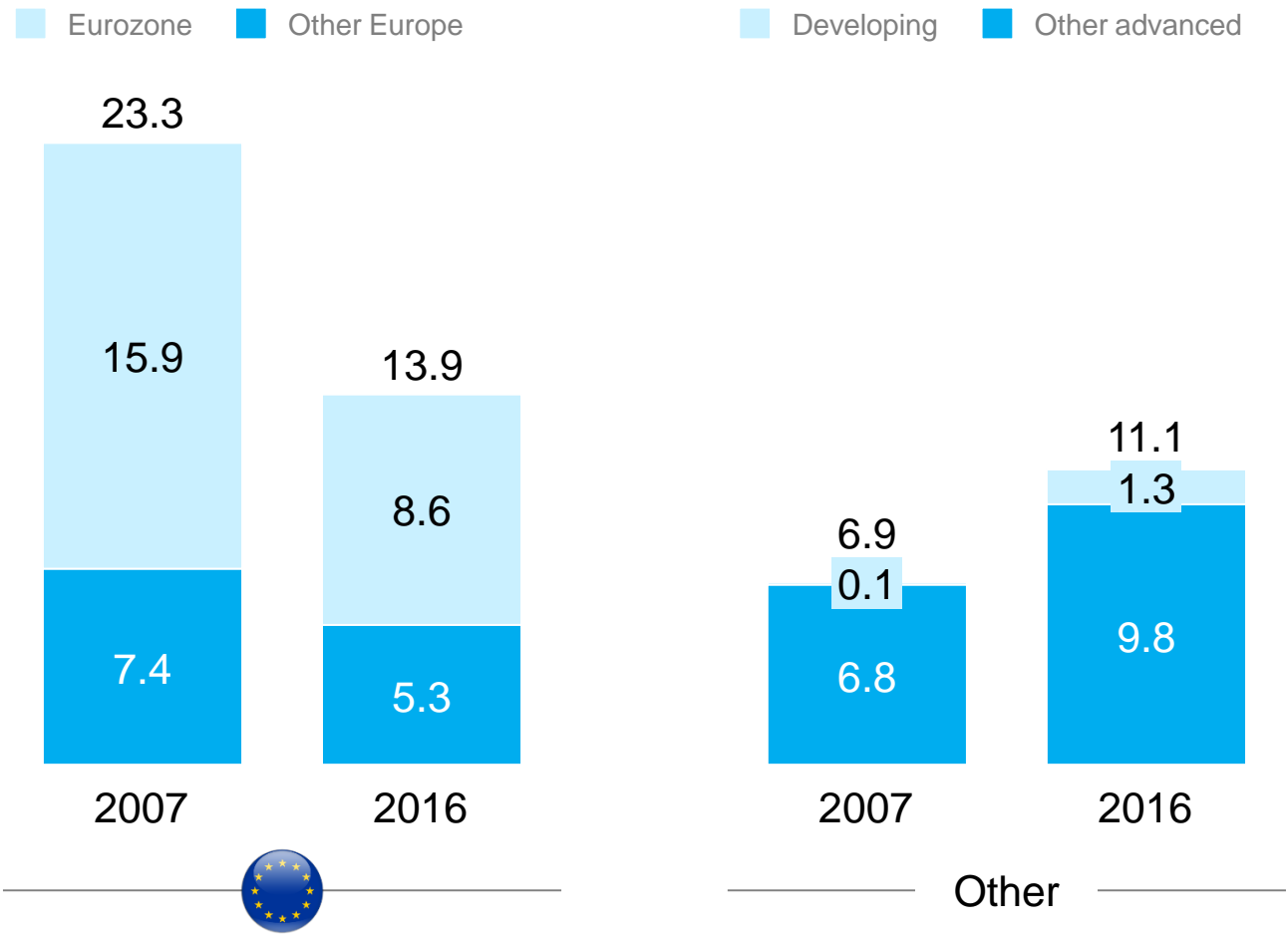
CAGR 2011-17



1 Top 5 US investment banks: JPM, Goldman, MS, BAML, Citi
 2 Top 5 EU investment banks: Barclays, Deutsche, HSBC, BNPP, SocGen
 3 Primary markets, i.e., ECM, DCM and M&A

European banks are leading a retreat from cross-border capital flows, while others are expanding overseas

Foreign bank claims, USD trillion

































Key drivers

- Reappraisal of country risk
- Low profitability of foreign business
- National policies promoting domestic lending
- New global regulations

US players currently dominate in all global investment banking markets

Deal volume 2017 in USD bn

 EU player

ECM			DCM			M&A		
1	 Goldman Sachs	69	 Citi	501	 Goldman Sachs	941		
2	 Morgan Stanley	67	 JPMorgan	479	 Morgan Stanley	790		
3	 JPMorgan	62	 Bank of America	440	 JPMorgan	725		
4	 Citi	48	 Goldman Sachs	334	 Bank of America	611		
5	 Bank of America	43	 Morgan Stanley	325	 Citi	522		
6	 UBS	37	 Barclays	314	 Lazard	413		
7	 Credit Suisse	34	 Deutsche Bank	257	 Barclays	398		
8	 Deutsche Bank	28	 HSBC	257	 Credit Suisse	364		
9	 Barclays	26	 Wells Fargo	236	 UBS	343		
10	 CITIC Securities	17	 BNP Paribas	203	 Evercore Inc	336		

How other industries have **successfully restructured**

	Actions	Impact
Telecom 1997 end of monopoly	<ul style="list-style-type: none">▪ Network cooperation▪ Reduced product portfolio▪ Consolidation▪ Full cost transparency	<ul style="list-style-type: none">⬇ 40% cost⬇ 30% FTE costs⬇ 50% throughput time
Semiconductor 2001 collapse	<ul style="list-style-type: none">▪ Postponed upgrades▪ Optimized equipment▪ Introduced target pricing▪ Switched to reverse auctions	<ul style="list-style-type: none">⬇ 40% cost⬇ 15% FTE costs
Automotive Late 1990s downturn	<ul style="list-style-type: none">▪ Cost cuts for suppliers▪ Integrated supply chain planning▪ Lean manufacturing▪ Modular toolkit strategy	<ul style="list-style-type: none">⬇ 20% cost⬇ 15% FTE costs⬇ 30% throughput time

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Happy to share the presentation – feel free to reach out
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