TRUST

A THOMSON REUTERS FINANCIAL & RISK PROPRIETARY BENCHMARK
OF TRUST IN THE GLOBAL FINANCIAL MARKETPLACE, **Q3 2013**

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TRUST
Q3 2013

"Our ongoing monitoring of key metrics on trust in the global financial industry reveals that at five years post-crisis financial institutions are stronger, more stable. For the first time since January, European Financials have moved higher than US Financials, reflecting recent mortgage scandals in the US and increasing confidence in UK and European institutions."

David Craig – President of the Financial & Risk business at Thomson Reuters

Trust. Where does it come from and how is it measured? What is its value – and how is that earned or lost? Over the past five years, the financial industry has looked in the mirror of public perception for those answers. Today, we offer a wider lens. Data-driven and analytically tested. For a market based on trust, a series of benchmarks built on facts, drawn from Thomson Reuters data, news, and analytics capabilities. **THE TRUST INDEX.**

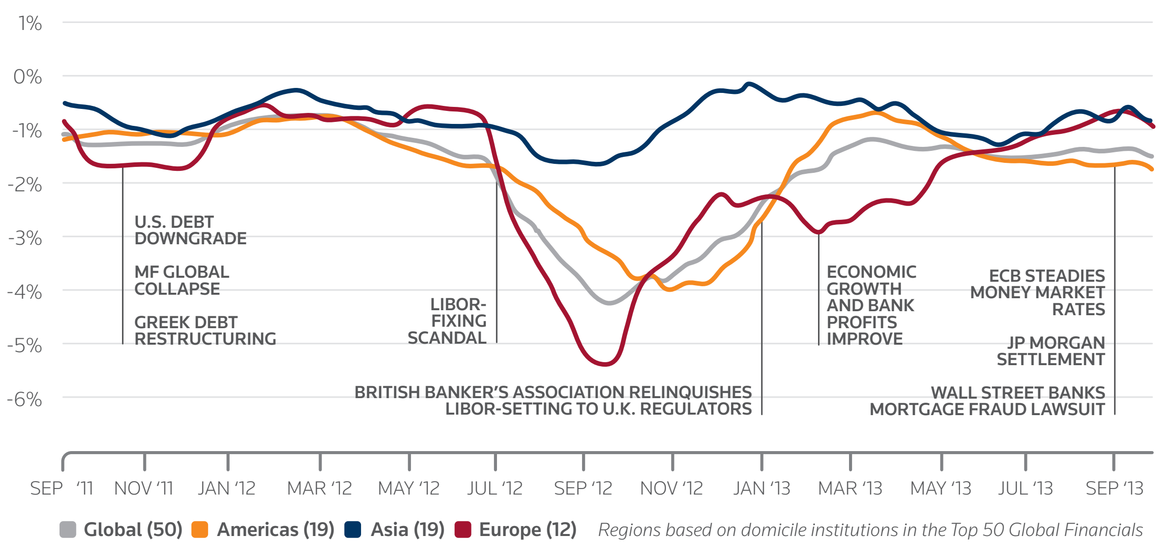
At the five-year mark since the 2008 financial crisis, our Q3 TRust Index metrics generally show that the global financial industry is in much better shape. For instance, StarMine analysis shows forward five year growth rate for the Top 50 Global Financials has been increasing quarter on quarter throughout 2013 and credit default spreads have continued to tighten reflecting an overall increase in confidence.

Tracking the Top 50 Global Financials for our third consecutive quarter of TRust Index metrics, Q3 saw a continuation of several trends that we've been observing throughout 2013. According to our media sentiment analysis, trust in global financial institutions remains negative overall, but regional differences have shifted. For the first time since January, European financials have moved higher than US financials, while US financials have remained flat but have the lowest levels of confidence overall. Q3 data also shows the continued proliferation of regulatory activity, essentially double since the introduction of the Dodd-Frank Act.

TRACKING TRUST THROUGH NEWS AND SOCIAL MEDIA SENTIMENT

Our proprietary sentiment analysis provides an ongoing indicator by drawing on millions of business and financial news and social media sources to track the state of trust in global financial institutions. Five years after the financial crisis, trust sentiment scores for the Top 50 Global Financials have returned to levels last seen in July, 2008 (and up from a low in the wake of the 2012 LIBOR scandal) but remain negative for the quarter at -1.5%.

Trust in the Top 50 Global Financials Expressed Through Media Sentiment



SOURCE: *TRNA/MarketPsych/Sentiment Indicators*

On a regional level, there continue to be subtle but important shifts. The 12 institutions in Europe/UK saw modest Q3 improvement in trust sentiment from -1.5% to -1.0%, and are now on par with the 19 Asian institutions which have led in trust scores for virtually all of 2013. At -1.6% the 19 institutions in the Americas remained negative for the quarter.

Movement in the trust sentiment scores over the quarter appeared driven by a range of factors and events. The August Justice Department suit against Bank of America over mortgage fraud and record JP Morgan settlement in September most affected institutions in the Americas, while ECB signals that it would not allow money market rates to rise too high due to fears of Fed rate rises and general positive sentiment about privatization of UK banks continued to support the increased trust in European banks.

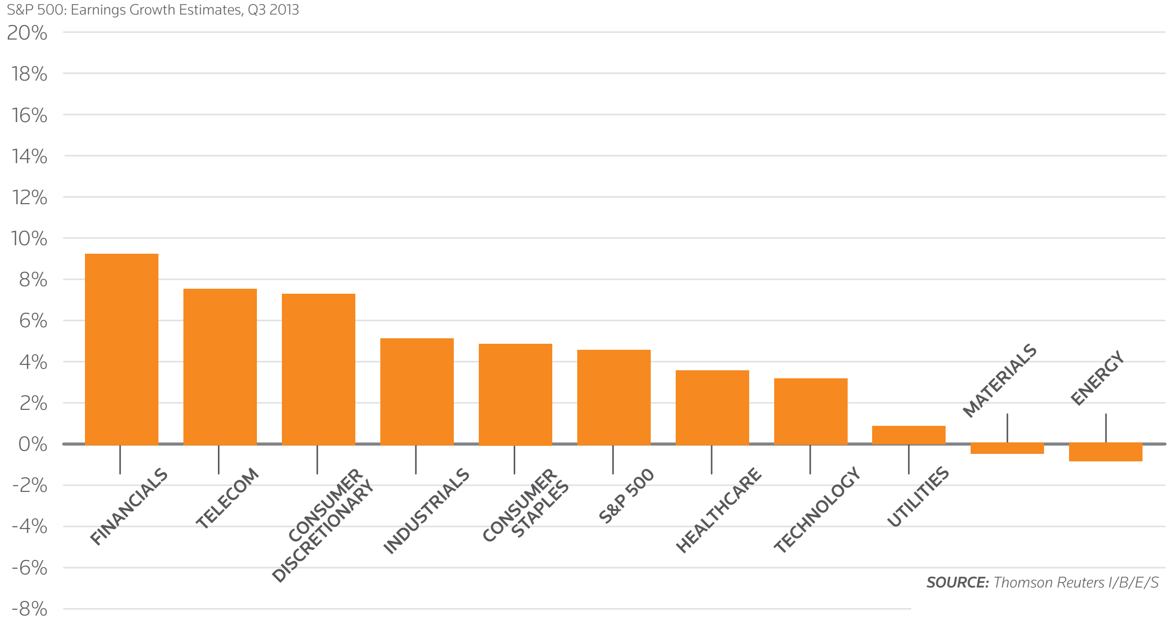
In Asia, ongoing concerns about the strength of the economy and shadow banking in China appear to have the greatest impact on overall trust sentiment for banks in the region.

THE CONFIDENCE OF THE MARKETPLACE – INVESTORS AND ANALYSTS

In Q3, earnings growth estimates for the Financials sector regained their top spot (having slipped to second in Q2) based on high expectations by analysts for financials. At 9% earnings growth estimates for the sector are lower this quarter, but still well ahead of the other S&P 500 sectors.

Q3/2013 Earnings Growth Estimates for Financials Remain High

S&P 500: Earnings Growth Estimates, Q3 2013



SOURCE: *Thomson Reuters I/B/E/S*

In the StarMine data below, analyst forecast forward 5-year EPS CAGR for the Top 50 Global Financials at 9.0% (compared with Q1 forecast of 7.9% and Q2 at 8.1%), and above their 8.0% expectations for the S&P 500. We are still seeing investors discount growth, with market implied growth rates far below analyst expectations. The Top 50 Global Financials achieved a 7.4% price increase over the last 90 days, above both the S&P 500 and Thomson Reuters Global Index.

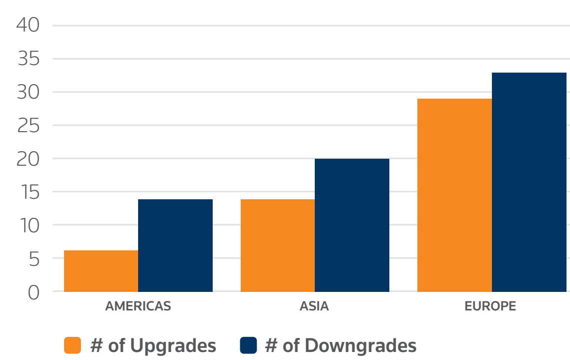
Analyst Expectations/Q3

	ANALYST FORECASTS OF FORWARD 5-YEAR EPS CAGR (STARMINE)	MARKET PRICES IMPLIED FORWARD 5-YEAR EPS CAGR (STARMINE)	PRICE CHANGE % (PAST 90 DAYS)	CREDIT SMARTRATIOS IMPLIED RATING (STARMINE)
S&P 500	8%	4.8%	5.3%	BBB-
TOP 50 GLOBAL FINANCIALS	9%	-2.3%	7.4%	BBB
THOMSON REUTERS GLOBAL INDEX	8%	3.1%	5.1%	

*(**BBB- and higher:** investment grade)*

SOURCE: *StarMine Professional*

Analyst Recommendation Changes/Q3



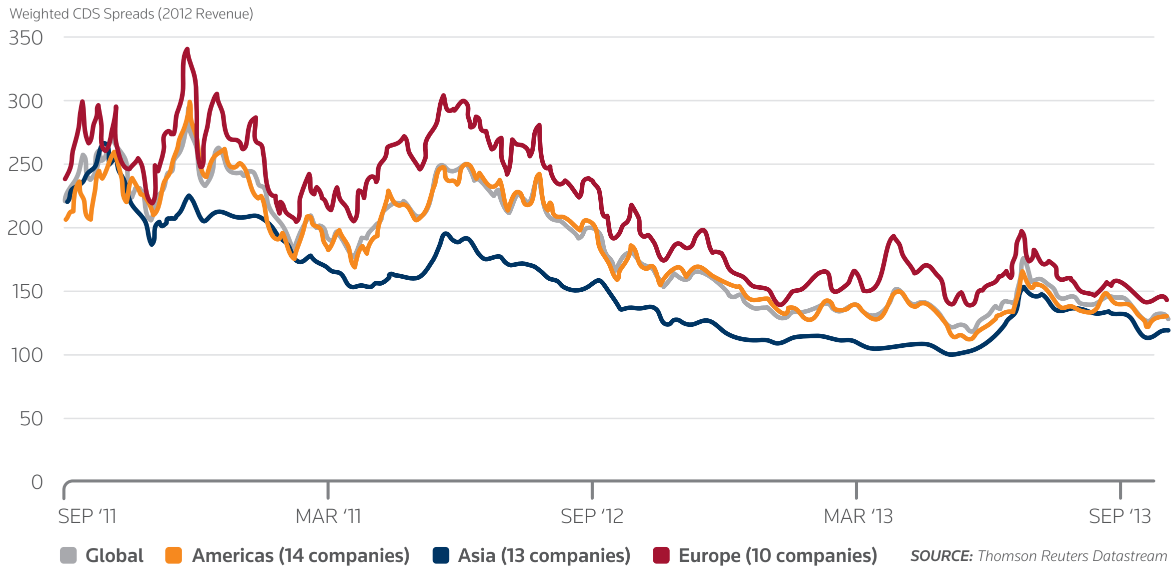
In the graphic above, the aggregate changes to recommendations over the quarter by sector analysts on the Top 50 Global Financial institutions show that downgrades outnumbered upgrades across all regions. While the Asian institutions scored the highest number of upgrades in Q2, these were outpaced by the number of downgrades in Q3 – again, increasing concerns about Chinese banks appears to be having a particularly strong influence.

COUNTERPARTIES: CREDIT SPREADS AS AN INDICATOR OF TRUST

Credit default spreads (CDS) provide another (implied) metric for trust. In the Datastream analysis below, these spreads illustrate the level of confidence these institutions have in each other as reliable counterparties within the larger landscape of market conditions, macroeconomic environment, government and central bank policies and other external factors.

In Q3, credit default spreads continued a long-term tightening trend, reflecting an overall increase in confidence among our Top 50 Global Financials in pricing the relative risk of doing business with each other. Asia continued to have the tightest spreads, with Europe the widest, and with the average spread for Global at about 140 basis points, and far below 2011's high of nearly 350.

Credit Spread (CDS) Trends for the Top 50 Global Financials

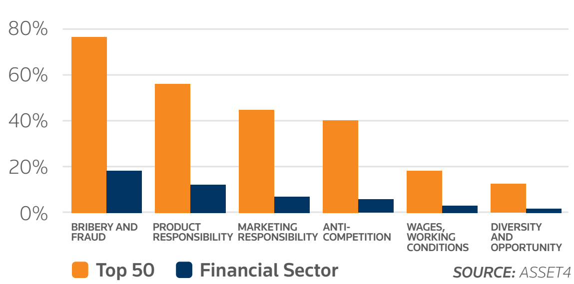


SOURCE: Thomson Reuters Datastream

TRACKING CONTROVERSY AND GOVERNANCE AS FACTORS IN REBUILDING TRUST

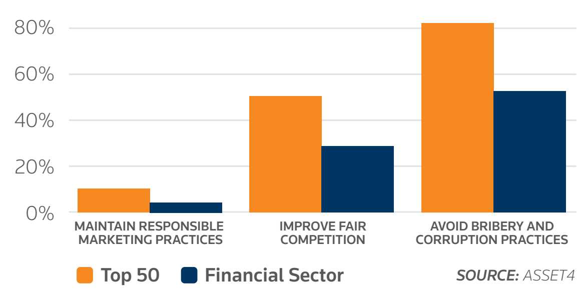
Employing our ASSET4 environmental, social and governance (ESG) data, we see that a high level of controversies have been reported for the Top 50 Global Financials relative to the Financial Sector as a whole, but that adoption of processes and governance to address responsible marketing practices, improve fair competition and avoid bribery and corruption all continue to be priorities.

Percentage of Financials that Have Had Controversies



SOURCE: ASSET4

Percentage of Companies with Processes in Place

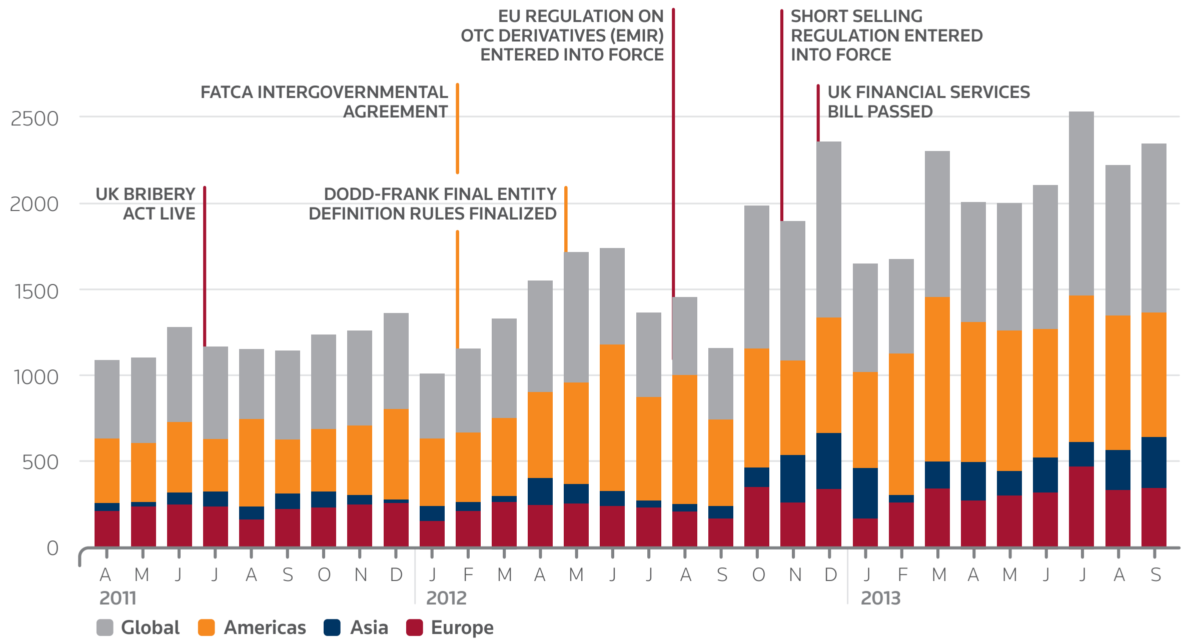


SOURCE: ASSET4

REGULATION AS BAROMETER OF TRUST

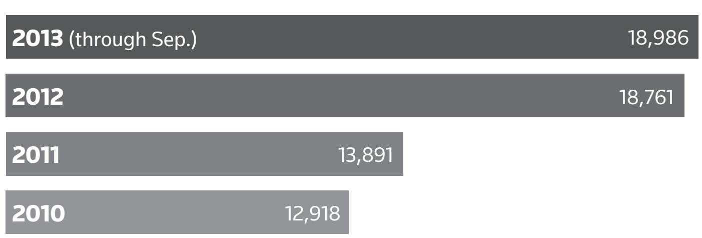
Data drawn from Thomson Reuters Accelus reveals that the level of regulatory activity worldwide continued its strong upward trend this quarter, reflected by an average 110 regulatory updates being tracked each day, up from 85 updates a day in Q2. The proliferation of regulatory activity over the past two years (and its clear implications for the financial sector in terms of managing compliance) can no longer be considered a post-crisis tsunami (which would imply a surge and then receding level) but must be seen as the growing and permanent conditions under which the global financial industry will rebuild.

Regulatory Activity Tracked 2011-2013



The average daily number of regulatory alerts tracked by Thomson Reuters Accelus rose to 110, roughly double the daily average for the same quarter in 2010, and at the end of Q3 stood at nearly 19,000 alerts for the year.

TOTAL ALERTS BY YEAR



AVERAGE DAILY ALERTS

110

**NOTE: Tracked activity includes document changes, announcements, and enforcements by regulators. Average Daily Alerts = Total alerts year–on–year / 261 working days*

SOURCE: *Thomson Reuters Accelus*

METHODOLOGY

Except where otherwise indicated, data is for the Top 50 Global Financial Institutions based on market capitalization and for the period through Q3/2013. Regions based on domicile of institutions within the Top 50 Global Financial Institutions.

THOMSON REUTERS DATA SOURCES

- **ASSET4** provides objective and transparent environmental, social, and governance (ESG) information and analysis tools to enable professional investors to benchmark, compare, and integrate extra-financial information into their investment processes. Coverage – 3,200 listed companies including the S&P 500, Russell 1000, MSCI Europe, FTSE 350, the MSCI World Index, and the 250 MSCI emerging markets companies. Database depth – 650+ data points and 250+ key performance indicators give you the most in-depth coverage in the industry.

- **Datastream** provides vast reserves of historical financial content, enabling research on the correlations and relationships between global economic indicators, and asset classes. Access up to 50 years of history, millions of global instruments and indicators and coverage for 175 countries in 60 global markets. Real-time market data seamlessly integrates streaming real-time market data, economic news, First Call® research reports, and more in a single integrated application. Datastream simplifies the graphical exploration of trends and relationships between series and allows sophisticated analysis across a broad range of financial instruments.

- **StarMine Quantitative Models** are stock selection factors grounded in sound economic intuition and developed using best-of-breed modeling techniques. The models are robust across regions, sectors, and market environments.

- **Thomson Reuters Accelus** suite provides market-leading solutions for global regulatory intelligence, financial crime, anti-bribery and corruption, enhanced due diligence, compliance management, internal audit, e-learning, risk management, and board of director or disclosure services. The Thomson Reuters Governance, Risk & Compliance (GRC) business delivers a comprehensive suite of solutions designed to empower audit, risk, and compliance professionals; business leaders; and the Boards they serve to reliably achieve business objectives, address uncertainty, and act with integrity.

- **Thomson Reuters News Analytics (TRNA)** is a powerful tool that allows users to analyze millions of public and premium sources of Internet content, tag and filter that content to focus on the most relevant sources, and turn the mass of data into actionable analytics that can be used to support trading, investment, and risk management decisions.

- **Thomson Reuters MarketPsych Indices (TRMIs)** provide easy-to-interpret, real-time psychological analysis of news and social media. Users can view and model the impact of investor psychology across global asset classes and regions by analyzing the specific attitudes expressed within stories and tracking the macroeconomic themes that are most relevant to price movements in each asset class.

- **Thomson Reuters I/B/E/S** provides detailed and consensus estimates featuring up to 26 forecast measures, including GAAP and pro-forma EPS, revenue/sales, net income, pretax profit and operating profit, and price targets and recommendations for more than 60,000 companies in 67 countries worldwide.

- **Thomson Reuters Business Classification (TRBC)** is our global, comprehensive, industry classification schema. TRBC helps you identify, analyze, and monitor companies and industries across global markets and is the ideal tool for benchmarking, peer comparison, and navigation. TRBC Indices track 124 industries, 52 industry groups, 25 business sectors, and 10 economic sectors on a global and/or regional basis.

We invite your questions, feedback, and suggestions at
TRustIndex@thomsonreuters.com.

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