Banks in Europe have never operated in such an inhospitable environment. Falling income and lack of cost savings since the financial crisis of 2008 are pushing the European banking sector to a tipping point; in the face of a blizzard of regulation, decisive action is needed to avoid profitability falling to a level where banks risk consolidation or takeover. BearingPoint’s analysis of 156 leading banks provides detailed benchmarks and trends to help banks see their current position and plan strategies to escape the downward spiral.
A cold front is developing for Europe’s banking sector

Banks face losing market share or having to close divisions if they don’t reverse the downward spiral of falling profit margins, in the main caused by increased regulation, declining assets, falling income and stagnant costs.

**EUR 32.6 trillion**

Overall total assets of 156 leading banks in Europe.

Four issues threaten future profitability:

1. **Increased regulation**
   The trend towards tougher regulation has increased compliance and operating costs.

2. **Declining assets**
   Assets declined by nearly 10% from 2012 to 2013. The smaller the asset base gets, the smaller the opportunity to generate turnover and revenues.

3. **Falling income**
   Between 2009 and 2013 interest income declined by 6.7%, 13.9% and 7.4% for small, medium and large banks, respectively.

4. **Operating costs**
   Banks have been unable to reduce operating costs.

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The eye of the storm: bank sustainability reaches a tipping point

Sources: BearingPoint Institute and © The Financial Times Ltd 2015. TheBankerDatabase.com
The eye of the storm: bank sustainability reaches a tipping point

Falling income and lack of cost savings since the financial crisis of 2008 are pushing the European banking sector to a tipping point; in the face of a blizzard of regulation, decisive action is needed to avoid profitability falling to a level where banks risk consolidation or takeover.

Banks in Europe have seldom operated in such an inhospitable environment. On the one hand copious demands from regulators are crippling their ability to do business, whilst on the other they face a growing threat from non-traditional rivals unencumbered by legacy systems and burdensome regulation. These include digital companies and captive banks. Banks have taken some action, but there are still difficult decisions to make. To better navigate this environment, banks need to understand their options. This process begins with the awareness of where they stand in relation to other banks.

To offer this crucial guide for banks, the BearingPoint Institute conducted an analysis of 156 banks’ financial information between 2009 and 2013, including assets, risk weighted assets (RWAs), interest income, net fee and commission, operating costs, general and administrative costs, staff costs, Tier 1 capital ratio and cost-to-income ratio.

Banks were divided into three groups sorted by asset amounts as at 2013, allowing a granular view of specific attributes for each size of bank. Using technical analysis, BearingPoint reveals that, whilst there is a wide degree of variation between banks of different sizes and in different regions, detailed benchmarks and trend highlights can help banks see their current positions and plan their strategies.

At the root of the current pressures is the introduction of Basel III: the regulation, supervision and risk management framework for banks.

Under Basel III, banks are obliged to significantly increase their core capital ratios to at least 18.5% of risk-weighted assets (RWAs), which are used to calculate the capital requirement (Capital Adequacy Ratio or CAR) by 2019. This burden is intensified by enormous political pressures.

IN 30 SECONDS

- Banks are under pressure from regulation, most notably Basel III
- The popular approach to comply with regulatory requirements, disposing of assets, is leaving banks with fewer opportunities for revenue generation
- These issues are compounded by costs, which have not fallen at the same rate as assets
- Banks must carefully consider their position before deciding what action to take
for banks to become safer. Even outside the constraints of regulation, banks have become much more conservative and have significantly reduced risk appetites.

Still, this conservatism seems inadequate for regulators determined that there should never again be another major financial crisis. One of their main safeguards is to press banks to hold higher levels of capital in the form of high-quality assets such as low-yielding government bonds.

The European banking market was expected to face problems in meeting stricter Tier 1 capital requirements. Surprisingly, banks are on course to do this, but of the two ways for banks to build up the high-quality capital buffers demanded by regulators – either raising more capital or decreasing the size of their balance sheets – banks generally chose the latter.

Unfortunately, balance sheet shrinkage has not been accompanied by costs falling at a similar pace, leaving many banks with dwindling profits. This has helped create a vicious circle whereby banks reduce their assets but are left with a similar level of costs, which then constrains their ability to invest to create growth.

For banks, this spiral of stagnant costs and falling profits is clearly unsustainable. As authorities’ demands continue to increase the problems may even worsen.

Over the following pages we analyse the stages in the spiral in detail, consider three scenarios in which banks have found themselves and the actions that might be appropriate in similar circumstances, and provide a checklist of questions to help frame thinking about your own situation.

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**Balance sheet shrinkage has not been accompanied by costs falling at a similar pace, leaving many banks with dwindling profits**

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<table>
<thead>
<tr>
<th>Group</th>
<th>Total assets (2013)</th>
<th>Number of banks</th>
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<tr>
<td>Small banks</td>
<td>&lt;EUR30bn</td>
<td>57</td>
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<tr>
<td>Medium banks</td>
<td>EUR30bn–150bn</td>
<td>54</td>
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<tr>
<td>Large banks</td>
<td>&gt;EUR150bn</td>
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The eye of the storm: bank sustainability reaches a tipping point
Banking’s spiral of decreasing profitability

1. Increased capital requirements under Basel III
2. Reduction of risk-weighted assets
3. Reduction of total assets
4. Decline in revenue opportunities
5. Stagnant operating costs
6. Potential losses directly reduce equity

Based on data acquired from the FT – TheBankerDatabase.com, incorporating approximately 400 European banks, BearingPoint conducted an analysis of important financial information of banks, addressing assets, risk-weighted assets (RWAs), interest income, net fee and commission, operating costs, general and administrative costs, staff costs, Tier 1 Capital ratio and cost-to-income ratio.

The data was first narrowed to a final sample of 156 banks, which was subsequently analysed by investigating fundamental values as well as by developing value relations. This enabled BearingPoint to gain significant insights into how the values behaved between 2009 and 2013. By allocating the banks into three groups, sorted by asset amounts as at 2013, a more detailed view on specific attributes for each size of bank was derived. Using technical analysis, BearingPoint revealed important insights on the business of banks as well as about their challenges, risks and discovered potential solutions to these issues. Combined with BearingPoint’s expertise, knowledge and experience, a unique and crucial guideline for banks was developed.
Increased capital requirements leave banks with a difficult choice

Among the many regulatory headwinds that have been blowing across the banking landscape since the financial crisis of 2008 (see box, right), Basel III exerts the greatest pressure.

The Basel III rules, which deal with the regulation, supervision and risk management of banks, were adopted by G20 countries and are being translated into the European Capital Requirements Directive IV. This in turn will be transposed into national laws in individual EU countries. The rules apply to all credit enterprises and institutions that conduct deposit-taking and lending, and aim to tackle the systemic risks that led to the 2008 bailout debacle.

Intending to encourage banks to hold higher levels of high-quality capital such as low-yielding government bonds, Basel III demands that they increase their core capital ratio to at least 18.5% of risk-weighted assets (RWAs) by 2019. This leaves them with two options: to increase capital or to decrease assets. Given the strict deadlines and difficulties raising capital, many banks are choosing the latter route.

- Tier 1 capital increased by an average of 2.4% for all banks between 2011 and 2013.

Figure 1: Banks have attempted to raise Tier 1 capital
Tier 1 capital development, 2009–13

Source: BearingPoint Institute and © The Financial Times Ltd 2015. TheBankerDatabase.com
Across the board, the regulation that has squeezed banks is increasing. The year 2015 sees the introduction of the Basel III Liquidity Coverage Ratio (LCR) and a further observation period for the Net Stable Funding Ratio (NSFR). Other measures include disclosure requirements relating to the leverage ratio and the implementation of minimum common equity and Tier 1 capital ratios.

Banks also need to prepare to implement other regulatory requirements scheduled for 2016 and beyond. A blizzard of regulatory initiatives with relentless deadlines blowing in between now and 2019 means that, even if regulators delay some of the implementation dates and water down some of the rules, the scale of the task remains enormous.

### A BLIZZARD OF REGULATION

Increased regulation
The trend towards tougher regulation has increased compliance and operating costs

<table>
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<tr>
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<td>Introduction of ‘Single Rulebook’</td>
<td>Introduction of extended corporate governance rules</td>
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<td>First report to regulatory authorities</td>
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<td>Draft technical implementation standards</td>
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<td>Disclosure requirement</td>
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<tr>
<td>Tier 1 capital</td>
<td>Implementation of common equity as standard: Minimum 4.5% Tier 1a</td>
<td>Total 6% Tier 1a + 1b</td>
<td></td>
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</tbody>
</table>

Source: BearingPoint Institute, JWG
Banks have shifted their assets based on risk exposure

Banks have focused on meeting the Tier 1 capital ratio requirements by reducing their risk-weighted assets and total assets. RWAs decreased in all groups on average by approximately 12.4% from 2011–13. However, a more varied picture emerges when looking at RWA for each country between 2009 and 2013:

- Banks in Ireland, Belgium, Switzerland, Portugal and Germany saw RWA reductions of more than 20% as risk appetites declined.
- Banks in Austria, Finland, France, Italy, Luxembourg, the Netherlands, Norway, Spain, Sweden and the UK were more risk-tolerant, with RWA reductions in a 0% to 20% range.

When considering the Tier 1 capital ratio to RWA development per group between 2011 and 2013 it is noticeable that an increase of the ratio has taken place. The increase is mainly attributable to the higher RWA reduction rather than the slight increase in Tier 1 capital.

Banks' risk-weighted assets have been falling since 2010

Figure 2a: RWA development of analysed banks 2009–13

26.1% reduction in risk-weighted assets (RWAs) for German banks between 2009 and 2013
Figure 2b: Changes in RWA 2009–13

- Austria: -5.2%
- Belgium: 2.6%
- Denmark: -36.4%
- Finland: -14.1%
- France: -7.9%
- Germany: -26.1%
- Ireland: -55.1%
- Italy: -15.1%
- Liechtenstein: -0.5%
- Luxembourg: -12.5%
- Netherlands: -2.2%
- Norway: -20.7%
- Portugal: -8.5%
- Spain: -5.5%
- Sweden: 24.1%
- Switzerland: 12.9%
- UK: 10.5%

Source: BearingPoint Institute and © The Financial Times Ltd 2015. TheBankerDatabase.com

Figure 2c: Tier 1 capital to RWA development by group 2011–13

Small banks
- 2011: 12.5%
- 2012: 13.4%
- 2013: 15%

Medium-sized banks
- 2011: 11.8%
- 2012: 12.7%
- 2013: 13.7%

Large banks
- 2011: 12%
- 2012: 13.4%
- 2013: 14%

Source: BearingPoint Institute and © The Financial Times Ltd 2015. TheBankerDatabase.com
The total balance sheet has shrunk as a result

Considering the total asset development, BearingPoint developed the theory that reducing total assets was a strategic decision to meet the regulatory requirements.

When analysing the European banking sector, we initially expected to see total assets drop soon after Lehman Brothers’ bankruptcy in 2008. In fact that drop only happened after 2011, with assets continuing to increase until that point. All banks across Europe have started to reduce their total assets in the last three years by about 11.2%. This implies that the reduction of total assets has occurred faster than the reduction of RWAs.

The overall shrinking of the balance sheet means that, in the past two years, banks (especially small and large banks), have begun to hold a higher percentage of RWAs, which is counter-productive. A reduction of total assets is no guarantee of an equivalent drop in RWAs so banks can no longer rely on this strategy.

- As an example, for banks in the UK, the RWA-to-total-assets ratio declined between 2009 and 2012 and rose slightly the following year, suggesting that the options for RWA reduction may have been exhausted.
- For banks in Switzerland, the RWA-to-total-assets ratio remained stable from 2009, before rising in 2013. This is likely due to the country’s less stringent regulation and different market dynamics resulting from a lower ratio, which was 28.4% in 2013 compared to 35.2% for the UK, where RWAs had fallen sharply.

Bank assets kept increasing until 2011, falling sharply afterwards

Figure 3: Total European bank assets (analysed banks) 2009–13
A shrinking balance sheet means fewer opportunities to generate revenue

Despite individual differences, the general picture is of a smaller asset base which, along with a growing threat from non-traditional competitors (see box, page 90) restricts banks’ opportunities to generate revenue. This in turn narrows banks’ options in generating profit and meeting regulatory requirements.

Banks generate income from net fee and commission income and interest income. The impact of a shrinking asset base can be seen on both these income sources, with historically low interest rates also affecting the latter.

- Net fee and commission income was stagnant for small- and medium-sized banks over the past four years (2010–13), and decreased by 4.2% for large banks.

And a varied downward trend can be seen for interest income:

- Between 2009 and 2013 interest income declined by 6.7%, 13.9% and 7.4% for small, medium and large banks, respectively.

The drop in interest income can be linked back to RWA reduction. These riskier assets, which also yield higher returns, have been sold off to grateful less risk-averse competitors, such as hedge funds.

Source: BearingPoint Institute and © The Financial Times Ltd 2015. TheBankerDatabase.com
6.7% decline in interest income among analysed small banks between 2009 and 2013

Banks need to start reducing their costs

Earnings are only half the story. Becoming lean can drive up profits too. Banks should be aiming to keep operating costs low: ideally, relative to RWAs, they should be falling.

Instead we are seeing a steady increase in operating-costs-to-RWA ratio for all banks. With RWAs expected to drop further, banks should try to stabilise the ratio by reducing operating costs.

Staff expenses are a significant issue

Staff expenses represent a substantial cost in banks’ existing business models. Any change in business model will need to reconsider staffing levels and composition.

The costs related to staff expenses have been subject to different pressures:

- Large banks have decreased staff costs gradually since 2010, reducing them by 5.2% between 2010 and 2013.
- Small- and medium-sized banks had more varied results, but small banks still decreased staff costs by 1.6% between 2010 and 2013 and medium-sized banks by 2%, which is lower than RWA and total asset reduction.

This reduction in assets could suggest greater effort by banks to respond to the regulations, competitive threat and/or mismanagement of personnel or matching staff to the right tasks. Other problems may be arising from age, skills or training.

General and administrative costs are rising steadily

When general and administrative costs are considered together with staff costs, the problem is compounded.

Whilst the general and administrative expenses for small banks stayed stable from 2010 to 2013, they increased for medium-sized and large banks by 9.5% and 5% respectively.

Large banks saw a continuous increase in these costs, to the point where they are equivalent to almost three-quarters of staff expenses. The need to reverse this trend is clear.

NON-TRADITIONAL COMPETITORS

Just as their revenue opportunities have dwindled, nimble competitors have emerged looking to muscle in on traditional banking business.

Hedge funds have become lenders to corporates, for instance, and many corporates have established captive banks to support the sale of their products.³

Captive banks of car manufacturers, such as BMW (see related story on page 100⁴), Mercedes, Toyota and Volkswagen have entered the market for automotive loans. Even metals engineering firm TRUMPF was recently granted a full banking licence: in future the company will be able to provide finance to its customers to help fund purchases of their products.⁵

Many of these new operations benefit from lower costs. As these corporates are typically not deposit-takers, they have a narrow product focus and are not weighed down by the same heavy regulatory burdens as banks.

Banks’ margins are being eroded by these competitors, putting more pressure on banks to focus on profitable products that provide income.
Staff costs have not fallen quickly enough; general and administrative costs compound the problem

Figure 5a: Staff costs development 2010–13

With RWAs expected to drop further, banks should try to stabilise the ratio by reducing operating costs

Figure 5b: General and administrative cost development 2010–13

Source: BearingPoint Institute and © The Financial Times Ltd 2015. TheBankerDatabase.com
The cost-to-income ratio offers insight into a bank’s position

The cost-to-income ratio (CIR) is a useful indicator of banks’ efforts to create return relative to their benefits. Looking at both costs and income and then bringing these together helps to build a clear picture of the past, the present and the possible future outlook for banks.

Our research found that average operating costs have been stagnant, falling only 0.01%, which puts pressure on banks’ CIR. One reason for this mismatch arises because the disposal of a loan portfolio can be done relatively quickly, but reducing associated costs takes longer.

- Operating costs for small banks increased from 2011 to 2013 by about 2%, whilst those for medium and large banks saw a small drop of 0.8% and 1.1%, respectively.
- This shows that operating costs remain stable and banks have not been able to decrease them effectively during this period.
- From 2012 to 2013 there was better news, however, as operating costs from medium-sized and large banks fell, suggesting some efforts to improve may be paying off.
- When looking at the operating costs to RWA ratio, a constant increase is notable for large and medium-sized banks within the last three years. Small banks show a negative trend from 2010 to 2012 but reach the highest percentage in 2013.
- This development is explained along the stagnant operating costs and the overall RWA reduction. As RWAs have been reduced banks must find ways to reduce their operating cost equally.
- Large banks’ CIRs remain relatively high. Reducing them would create more operational headroom for banks and support investment programmes to drive efficiency, to become more market-driven and competitive.
- Smaller banks’ CIRs rose substantially in the year to 2013, possibly due to operational mismatches.
- When CIR is viewed in relation to total assets, small banks stood at 56.5%, medium-sized banks 50.7% and large banks 57.3%. This shows that they are not able to reduce the CIR-to-assets ratio to under 50%, even when reducing assets, indicating that banks are not capable of covering costs with current income.

The three biggest cost positions of European banks – operating, general, and administrative and staff costs – are crucial components of the CIR. Generally speaking, the problem with liquidating assets, such as loan portfolios, is that this raises the CIR. Costs are already uncomfortably high for many banks, and selling more assets will merely raise the CIR to the point of becoming unprofitable.
Banks have struggled to lower operating costs, putting pressure on the CIR

Figure 6a: Operating costs by bank size

Figure 6b: Operating costs to RWA by bank size

Figure 6c: CIR ranked by total assets

Source: BearingPoint Institute and © The Financial Times Ltd 2015. TheBankerDatabase.com
Shelter from the storm

We have developed three typical scenarios in which banks may find themselves. For each scenario below we suggest a possible course of action to help reverse the downward equity spiral. And the self-assessment checklist opposite will help you decide which is most appropriate for your own situation.

SCENARIO A

Bank has successfully reduced its risk-weighted assets (RWAs) to achieve the Tier 1 capital ratio, but income has decreased, due in part to declining private and corporate banking performance. The forecast for operating profit in subsequent years is not particularly positive.

Additional steps:

- Analyse high-margin, strategically important products
- Provide web-based services and simplified online products to enable customers to purchase products via mobile
- Reduce manual processes
- Harmonise IT for a long-term reduction in costs
- Review source systems to overcome data quality problems
- Monitor the new reporting requirements and integrate with your internal control system

SCENARIO B

Bank has only partially reduced its RWAs and the Tier 1 capital ratio is still outside the target range. Costs and processes have not been optimised and commission and net fee income has decreased substantially in recent years.

Additional steps:

- Continue to analyse the essential RWA-bearing portfolios
- Strengthen equity through additional capital
- Optimise processes and costs
- Strengthen product innovation with a view towards digital
- Develop complementary and profitable services through customer profiling, which may need the acquisition of big data analysis capabilities

SCENARIO C

Bank has successfully reduced its RWAs to achieve the Tier 1 capital ratio, but costs to meet regulatory requirements are growing significantly, and the current CIR is 85%.

Additional steps:

- Harmonise IT for a long-term reduction in costs
- Standardise reporting and review relevant KPIs; create a central platform for reporting regulatory measures
- Integrate regulatory measures in planning
Banks need to address both costs and revenue

There is still a short window of opportunity to turn the situation around. Banks need to commit to greater automation, create more inter-departmental cooperation, reduce operating costs and modernise their business models.

Bank management teams must move away from being too heavily focused on compliance challenges and also make it an urgent priority to develop new sources of profitability. They also need to reduce their cost bases more quickly, to catch up with the large reductions made to RWAs.

The appropriate management of operating costs is crucial. Banks’ operating costs are relatively high, so decreases could offer wiggle room for important decisions. A stabilisation of RWAs and a decrease in general and administrative expenses should be primary goals in the short- to medium-term. The reduction of costs has been positive, but banks might find external assistance helpful in avoiding the same mistakes that marred big banks’ initial reductions in assets.

Cuts, however, will not be enough – investment is needed. Greater automation of business processes can bring down staff costs, but more proactive spending to evolve business models is the only way to meet regulatory requirements and to take the fight to competitors.

Bank management teams must move away from being too heavily focused on compliance challenges

BANKING CHECKLIST: WHAT’S YOUR SITUATION?

- Have you continuously increased RWAs within the past few years?
- Can you determine the contribution margin of individual products?
- Do you have a harmonised data platform for internal control?
- Have you significantly decreased personnel and IT expenses?
- Have you focused on profitable products?
- Were you able to raise commission and net fee income?
- Have you identified and eliminated significant data quality problems?
Taking advantage of new technology

Although banks have been investing to match the pace of the onslaught of new rules, most are only just keeping up. Instead of fretting over this cost, banks could view it as a positive incentive to upgrade IT systems and change compliance processes to keep up with competitors. Digital platforms, for example, are becoming more popular with customers, but the adoption of these also has other advantages. Data about users can be used to analyse customer trends, from which valuable market insights can be developed. This data can also help appease regulators, who want banks to improve their reporting systems and to have a better grasp of their own risk profiles (see our paper on regulatory reporting on page 52).

Improvements in technology can help in other ways. A harmonised IT architecture means better sharing of data across banking divisions, making it easier to cross-sell targeted products to existing corporate and retail customers. Adopting a digital foundation layer is a pre-requisite (see our paper on the connected digital economy6).

Existing relationships and infrastructure can also be leveraged through bundled services in the same way that telecoms companies encourage customers to buy mobile, fixed telephony, internet access and television subscriptions in one package.

Incumbency offers banks some advantages

Banks need not suffer ‘death by a thousand cuts’. In the face of agile competitors (see box on page 90), banks’ strengths should not be overlooked. Banks have a much longer history and a deeper connection with the economy, typically servicing many different clients across a much wider spectrum of products. From an economic perspective, banks are still vital in channelling savers’ money towards those that need to borrow it, especially in Europe, and are also in a strong position to evaluate the viability of investments made by their clients.

Developing existing relationships could offer significant improvements to banks’ prospects, with a focus on basic client needs – short-term borrowing, bridging finance, mortgages and so on – to provide more innovative and customer-oriented products and services. Selling expertise is an area where banks can generate extra revenues across many business lines.

Banks find themselves at the eye of a storm that shows no sign of abating. By assessing their current position and outlook against the benchmarks and trends we have identified, banks have the opportunity to take action to protect themselves from inclement weather in the future.
Since the financial crisis, banks have been unable to reduce costs as fast as the reduction they have seen in risk-weighted assets and total assets.

Digital platforms and IT solutions are necessary to adapt business processes.

Many banks have little scope for further investments – but investments in IT architecture and processes are necessary to reduce costs over the long term.

Reducing costs and the fulfilment of regulatory requirements needs to be rebalanced again. If the banks are unable to reduce their costs due to regulatory requirements and inflexible IT architecture, a consolidation will be unavoidable.

Banks need to focus on flexible, dynamic development of products and the operational markets to create new earnings potential on a mid-term perspective.

**KEY TAKE-AWAYS**
About the authors

Frank Hofele
Partner, BearingPoint, Stuttgart

Frank’s experience at BearingPoint includes a range of financial, business and IT transformation projects in the financial services industry, with a particular focus on banking and capital markets. He started his career in financial management consultancy, before joining Landesbank Baden-Württemberg and holds a degree in business mathematics.

frank.hofele@bearingpointinstitute.com

Dr Robert Bosch
Partner, BearingPoint, Nuremberg

Robert’s experience at BearingPoint is mostly focused around financial services, including supporting banks, helping formulate business strategies and the optimisation of organisational structures and processes. A strong capital market focus includes experience of issues such as post-merger integration, both front and back office processes, product management, risk management and regulation.

robert.bosch@bearingpointinstitute.com

Project team
Stefanie Siegmund, Sebastian Koch, Andreas Rindler and Patrick Schröder at BearingPoint.

Acknowledgements
The authors would also like to thank Michael Agar at Michael Agar Design, Alison Benson, Ludovic Leforestier and Tanja Schwarz from the BearingPoint Institute, Philip Harding and Sam Campbell at Grist.
Notes and bibliography

4. ‘Most car companies want their own finance company so they have a place to go home to’, Forbes, Jersey City, NJ, USA, web, Jim Henry, 31/10/12, http://onforb.es/1AHL0fk


GLOSSARY

CIR: Cost-to-income ratio describes the relationship between income and costs. A high percentage (above 100%) indicates problems to cover costs with current income.

CIR to assets: Cost-to-income ratio related to total assets presents the relationship between CIR and the size of the balance sheet.

Operating cost to RWA: Total operating cost to RWA shows the relationship between total cost and risk-weighted assets. From a corporate point of view this ratio should be kept small with a negative trend, indicating stable RWAs and declining cost.

RWA: Risk-weighted assets are a bank’s assets and/or off-balance-sheet exposures weighted according to risk that is defined by the Basel III Committee on Banking Supervision. RWA is used to determine the capital requirements for a financial institution.

RWA to assets: The value of risk-weighted assets divided by assets shows the risk-weighted assets as a percentage of the balance sheet. The ratio indicates how many RWAs are held per EUR in assets. This presents a clearer picture of RWA development, regardless of asset size.

Tier 1 capital: The core equity capital held by a bank, which comprises common stock, disclosed reserves (or retained earnings), and non-redeemable, non-cumulative preferred stock.

Tier 1 capital ratio: Tier 1 capital as a percentage of the balance sheet. Basel III requires a Tier 1 capital ratio of 4.5% by 2019.

Tier 1 capital to RWA: The relationship of a bank’s core capital with regards to risk-weighted assets. The ratio indicates how much Tier 1 capital is held per EUR in RWA. A high ratio is desirable.
LEADERSHIP TEAM
Per Jacobsson, BearingPoint
Ludovic Leforestier, BearingPoint
Mike Kronfellner, BearingPoint

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At the BearingPoint Institute, our ambition goes beyond traditional ‘thought leadership’. We aim to contribute original ideas to the science of business management whilst equipping decision makers with practical advice gained in the field and through our research projects.

www.bearingpointinstitute.com

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BearingPoint consultants understand that the world of business changes constantly and that the resulting complexities demand intelligent and adaptive solutions. Our clients, whether in commercial or financial industries or in government, experience real results when they work with us. We combine industry, operational and technology skills with relevant proprietary and other assets in order to tailor solutions for each client’s individual challenges. This adaptive approach is at the heart of our culture and has led to long-standing relationships with many of the world’s leading companies and organizations. Our global consulting network of 9,200 people serves clients in more than 70 countries and engages with them for measurable results and long-lasting success.

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