EMBARGO until January 21, 2014, 5pm.

Racheline Maltese & Roland Schatz

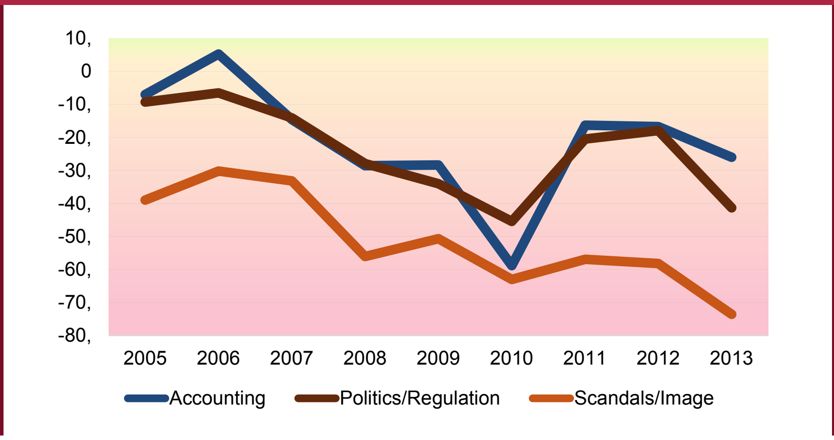
5 years of ongoing trust meltdown: Banks' image now at all time low

Regulation and litigation are ongoing threats

REPUTATION RISK ASSESSMENT 2012/2013

Based on sentiment in elite business media and global TV news

- Image of banks at an all-time low
- Improved financial results are not enough to fix image
- With neither top management nor accounting trusted, banks have no basis on which to rebuild trust



White Paper

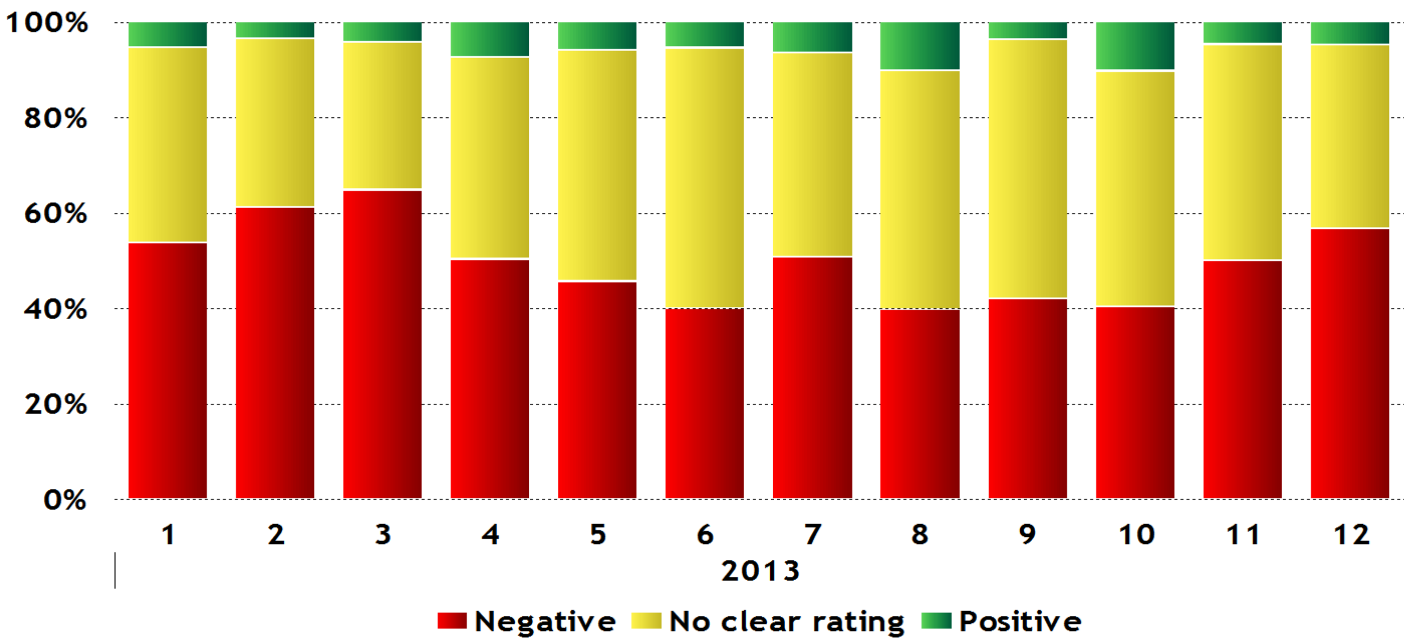
No image improvement for banks

Despite good news from a few banks and financial institutions when reporting their numbers in 2013, the image of the sector remains severely depressed on most TV news. Negativity is once again increasing and is nearing the 60% mark; clearly the crisis is not over. The reasons for this negativity are wide-ranging and thus both active reform and communication are needed if the banks wish to restore trust.

Although banks had more access and almost free access to money in 2013, the media focused on how the real economy faces increasing problems in getting lines of credit from these banks. Headlines in 2013 also underlined the 2012 results and emphasized that most profits came from making money out of money. The media also did not offer coverage on banks where significant and relevant changes to how business is being run was demonstrated.

Since the trust meltdown, banks – despite being a key part of a developed society - have lacked respect from citizens and regulators as institutions do not benefit society but harm it.

Coverage tone on banking industry, international TV news January 1 – December 31, 2013



Basis: 3,731 reports (at least 5 seconds) on 20 international TV news shows

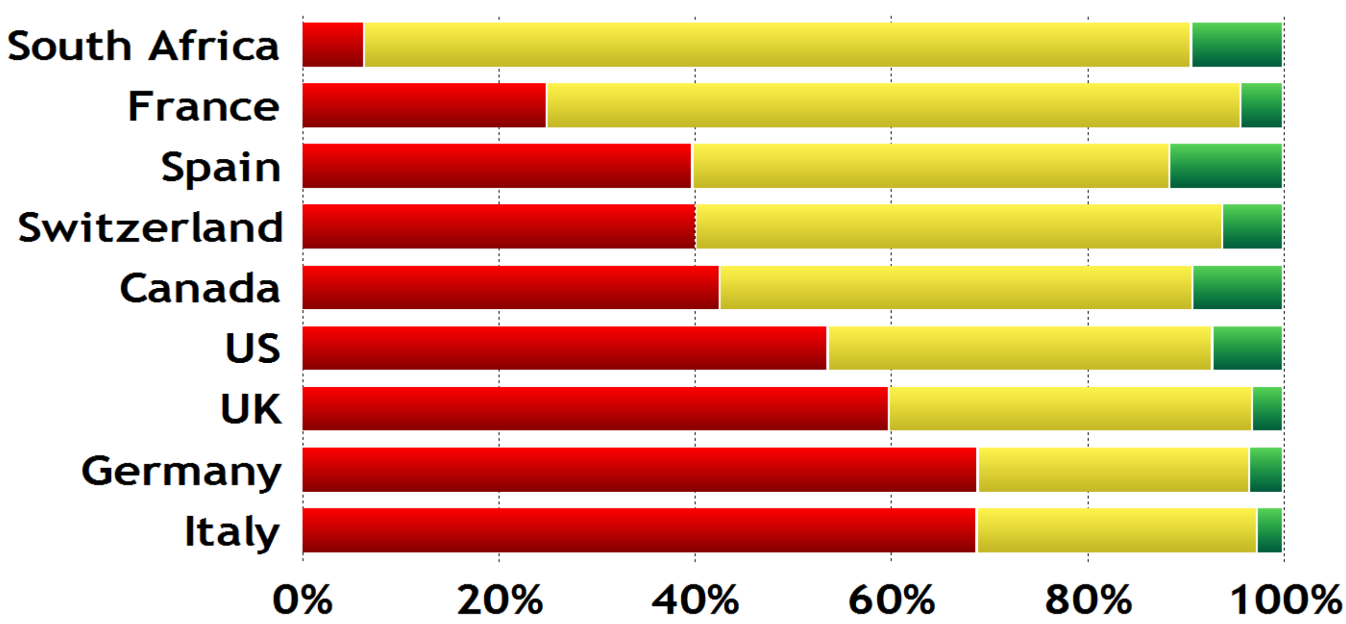
Criticism of banks is widespread

Negativity regarding banks and financial institutions is not confined to a few companies, business aspects, or media markets. Rather, more than half of the reports on banks were negative on Italian, German, U.K., and U.S. TV news. Positivity was almost entirely absent, and the tone wasn't much better in French, Spanish or Swiss TV ever. Five years after the global financial crisis, the trust meltdown remains.

Even the small shares of positivity that are visible are not a significant cause for hope. Most of this positivity is about share price and market position, suggesting that investors are willing to reward banks with their money, even when banks continue to pose risk to the global financial system.

Only in South Africa were banks able to escape this negative image. This was largely because. due to South African regulations, these banks did not participate in the sub-prime casino that helped bring on the financial crisis.

Tone of the banking industry on TV news, breakdown by markets, January 1 – December 31, 2013



Basis: 3,731 reports (at least 5 seconds) on 20 international TV news shows strategic • media • intelligence

The consequences of ignoring problems

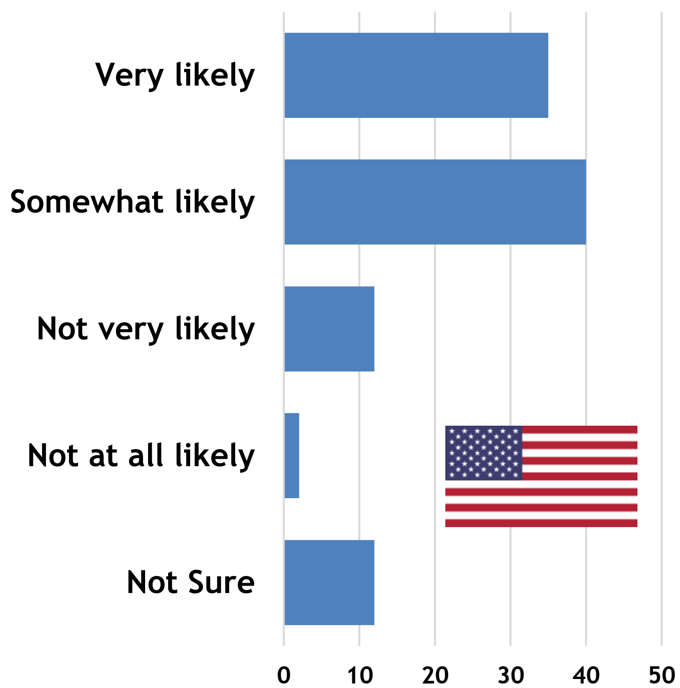
The results of this ongoing negativity about the financial sector have severe consequences, not just for banks trying to maintain their license to operate, but for the social fabric.

U.S. adults polled in 2013 felt overwhelmingly that another banking crisis was very or somewhat likely. Only 2% felt certain this was not a risk.

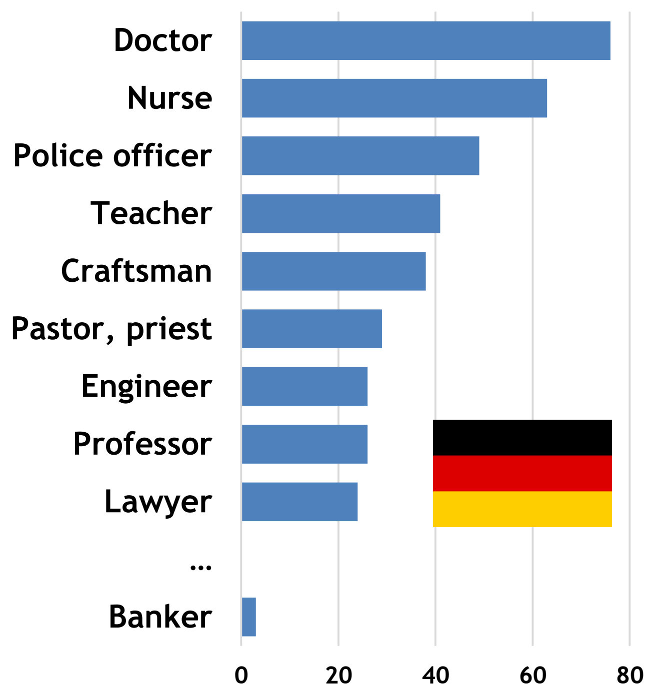
Meanwhile, in Germany, a poll of those sixteen and older on which professions they would like to enter upon completing school found only 3% selecting banker. Lawyers, who are often the subject of negative jokes about ethics in popular culture, received over seven times more respect.

Ongoing negativity of this type creates long-term risks, both for the industry, and for a society that has arguably given up on the idea that banking activities can be successfully regulated or contribute positively to economic and social development.

How likely do you think another banking crisis is?



Which profession do you want when you finish school?



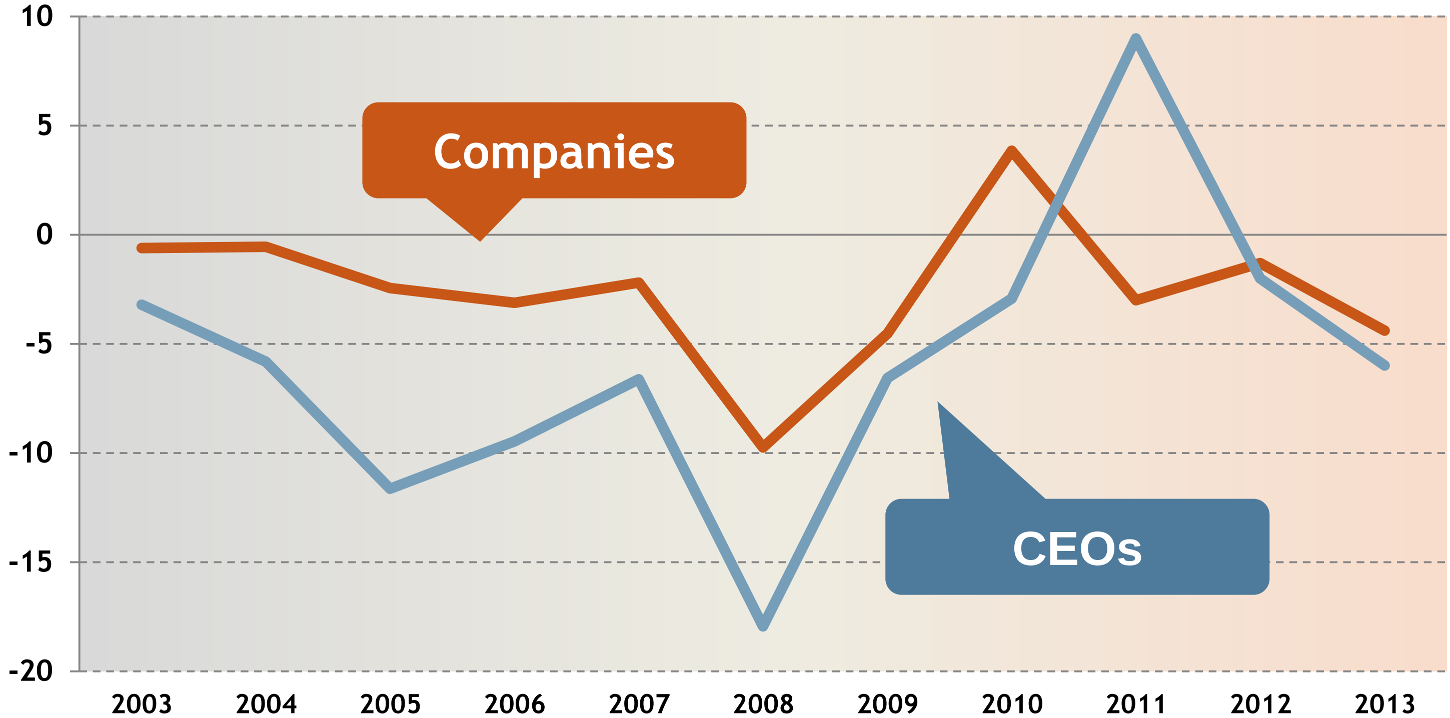
Basis: HuffPost/YouGov, March 27 – 28, 2013 / IfD Allensbach, August 20, 2013

For CEOs, good news is often a tough sell

Over the past ten years, analysis of Germany's blue chip companies shows that the tone of reporting on CEOs has been two to ten percentage points more negative than the overall reporting on the companies and their other senior executives.

CEO reputation impacts directly on company images, yes, but company images also impact directly on CEO reputation. In general, companies are expected to be profitable and generate good news. When things go right, the media does not always reward CEOs and when things go wrong, CEOs face the brunt of the blame. For this reason CEO reputation needs proper planning, execution and monitoring in order to work with the media agenda.

Tone of CEO and company images in International media, 2003 - 2013



Basis: 465,574 passages on DAX managers and companies/brands in 25 analyzed media

Compensation issues part of the problem

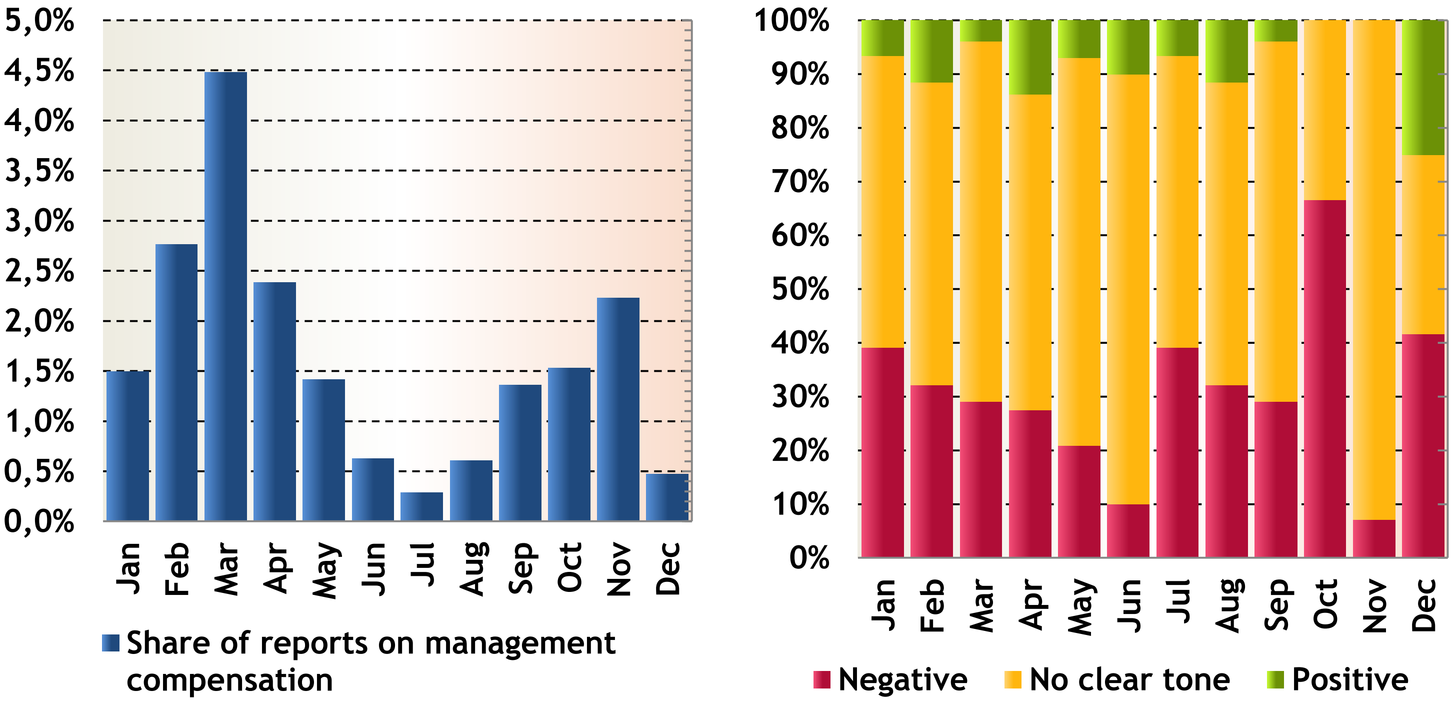
The issue of how executives are compensated remains a key problem. While this concern is broader than that of just the banking industry, high bonuses and golden parachutes in the sector have made it a particular target of concern.

Banks have often been the most outspoken companies in opposition to salary cap regulations that have been discussed in many markets including the U.K., U.S., Germany, and Switzerland.

Issues of executive compensation faded in and out of prominence in 2013, but the message was clear – citizens are concerned about how much executives get paid, especially when they see those executives being rewarded for poor performance or wrong-doing.

Despite this, there were also concerns and negativity around possible salary caps. Many expressed fear it would hamper the ability for affected firms to recruit talent.

Share and tone of coverage on compensation issues in International media, January 1 – December 31, 2013



Basis: 31,700 reports about companies, industries and managers in 27 opinion-leading German TV, radio and print media

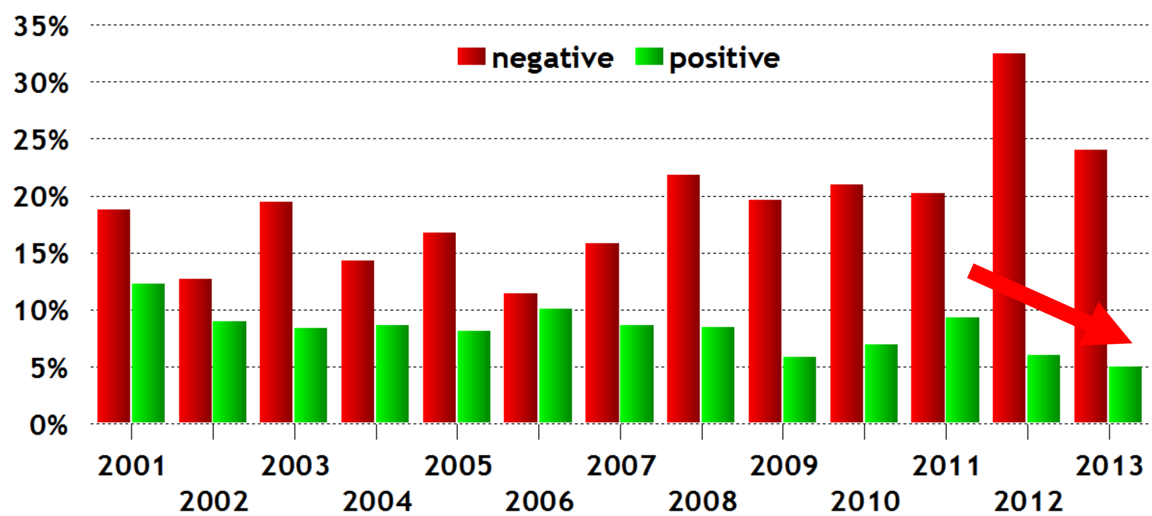
Banking executive images have worsened

That the global financial crisis has engendered negativity towards financial industry executives is not surprising. That this negativity has increased – peaking in 2012 – as positivity decreased (reaching its lowest level in 2013), indicates that as the global economy recovers, the situation has only gotten more serious for the banking industry.

Even as multiple companies assure the media and citizens that negative press is merely the result of putting past wrong-doing behind them, new problems continue to emerge as far as the media story is concerned.

With the Libor and Euribor scandals, concerns over price fixing in precious metals, ongoing coverage of mortgage-related lawsuits, and accounting and bribery investigations and scandals in Asia and the Middle East, consumers have no reason to believe that banks have stopped behaving badly. It is only natural in such circumstances to blame the leadership.

Media image of the top management at banks, International media, 2001-2013



Television is hard on bank executives

Banking executives faced the most negativity in 2013 on international TV news. Not only was negativity particularly high, but positivity was almost nonexistent

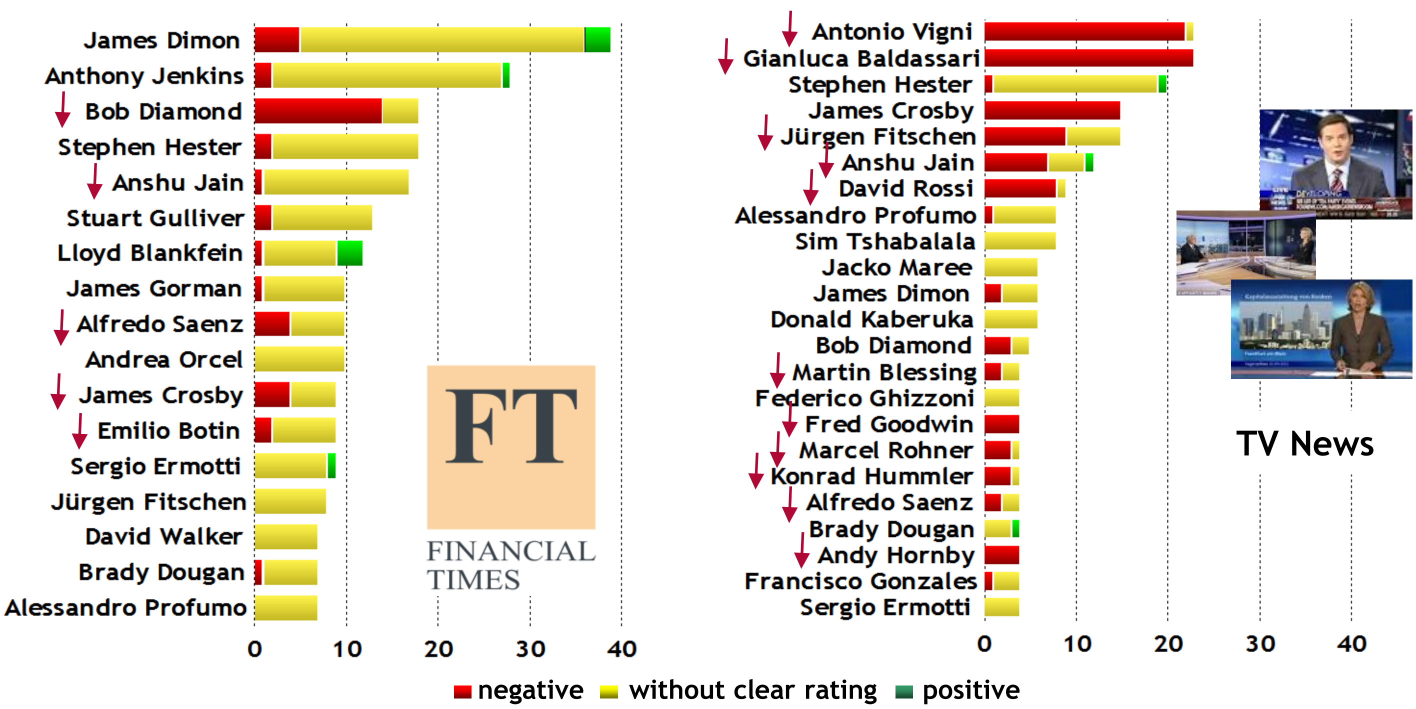
Even executives, like JP Morgan's James Dimon, who was in the past were held up as one of the industry's good guys, now face criticism. And figures like Barclays's Bob Diamond faced intense negativity on everything from regulatory fines to their pay levels.

When discussed on TV news, the media has little good to say about bank executives, create an environment where media audiences, rightfully, assume the worst about the businesses they lead.

Despite this intense negativity from TV news, the FT was much less critical of banking executives, with negativity only emerging in times of specific and unique crisis.

For those in the industry who are more focused on the opinion of elite business media, it would be easy to have the erroneous impression that the industry is not necessarily in crisis.

Visibility and tone of coverage: Banking industry executives January 1 – June 30, 2013



Basis: 797 / 344 reports on the banking industry managers listed above in the FT / on 20 international TV news

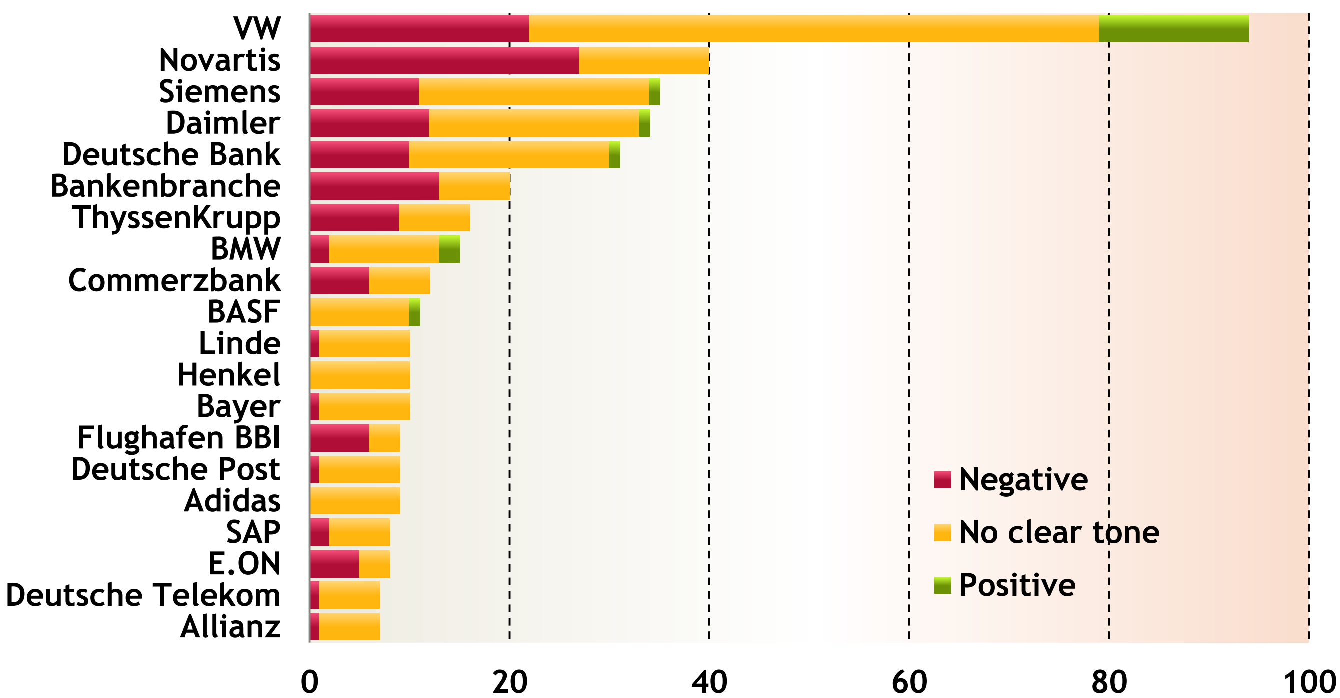
Executive compensation rarely good news

A range of companies faced visibility in German media on the compensation issue. In most cases, if a company received coverage on this topic, that coverage was negative. Only VW managed to be an exception to this rule by communicating frankly on the issue of executive compensation.

For other companies, negativity ranged from concerns about high executive pay in the face of unsuccessful management and strategy to scandals about inappropriately high pay for certain high level officers, such as works council executives. Also causing problems were concerns over golden parachutes – large payments for CEOs leaving office often ahead of schedule.

When it came to banks, negativity on remuneration was compounded by the media and the general public's general skepticism about banks not just as investment objects and companies to do business with, but as organizations that can possibly contribute positively to society. Executive pay is an issue companies must be aware of on a proactive basis.

Tone of coverage regarding executive compensation, German media, January 1 – December 31, 2013



Basis: 31,700 reports about companies, industries and managers in 27 opinion-leading German TV, radio and print media

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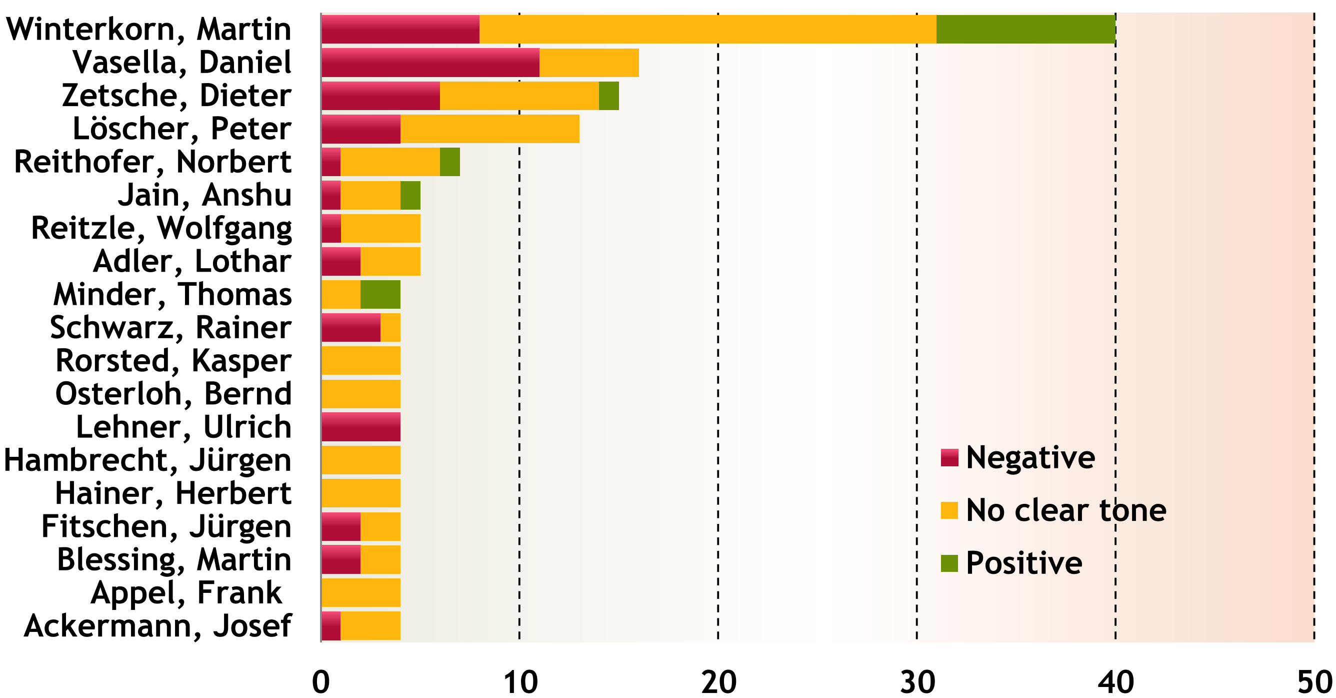
Compensation symbolic of trust meltdown

As Germany's best paid CEO, Martin Winterkorn faced negativity, but his leadership of VW was also praised, allowing some to say that he had earned his high levels of compensation. The same was not true for other executives who were highlights on the compensation issue during 2013.

Novartis's Daniel Vasella, for instance, faced heavy criticism for a $78 million dollar payment upon his departure aimed at making sure he did not share the company's trade secrets. Coming right before a referendum aimed at giving shareholders greater control over executive pay, this compensation package became symbolic of the political issue.

In fact, when it comes to remuneration, one of the greatest risks companies face is the compensation packages and the executives they are awarded to becoming symbols of the larger political debate about inequality and the trust meltdown. Banking figures like Martin Blessing, Anshu Jain, Jürgen Fitschen, and Josef Ackermann were all definitely in the spotlight.

Tone of coverage regarding executive compensation, German media, January 1 - December 31, 2013



Basis: 31,700 reports about companies, industries and managers in 27 opinion-leading German TV, radio and print media

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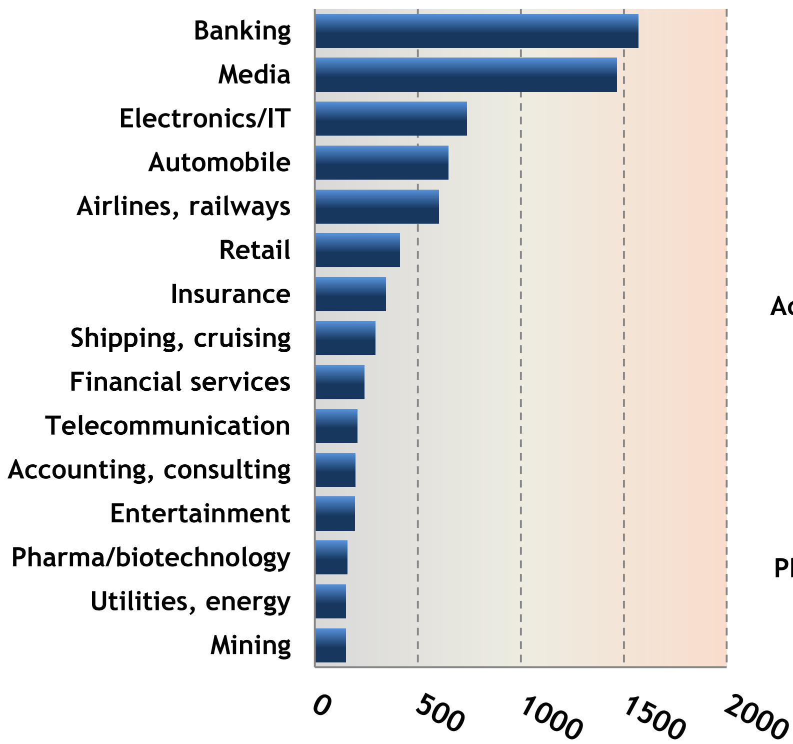
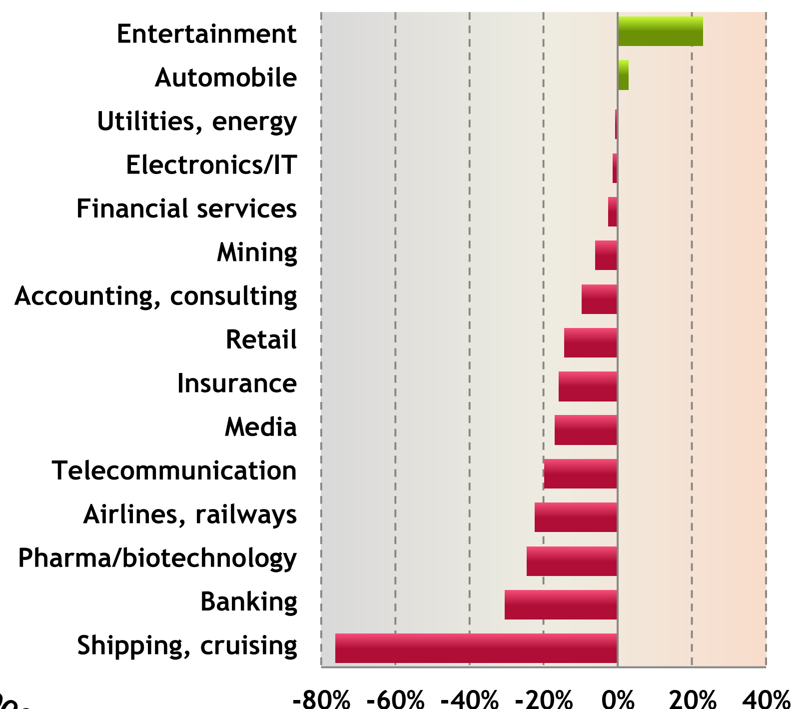
Little trust left for any industry leaders

On international TV media, banking executives have been the most visible, although this has not boded well for them. Overall, banking industry executives faced the most negative coverage with the exception of those leaders from the shipping and cruising industries. But it should be noted that the cruise industry faced particularly disastrous events, with multiple ships getting stranded or having malfunctions in addition to the Costa Concordia disaster.

In general, unless a disaster happens in another industry, banking executives should expect to face the worst media tone as a matter of course. Until communication is clearer and more transparent, too many banking industry executives face a world where the only form of good media news for them is when someone else faces worse, and more distracting, news. Only the entertainment industry and car industry saw positivity. Trust has largely fled the corporate sector.

Visibility of senior management on international TV news, 2012/2013





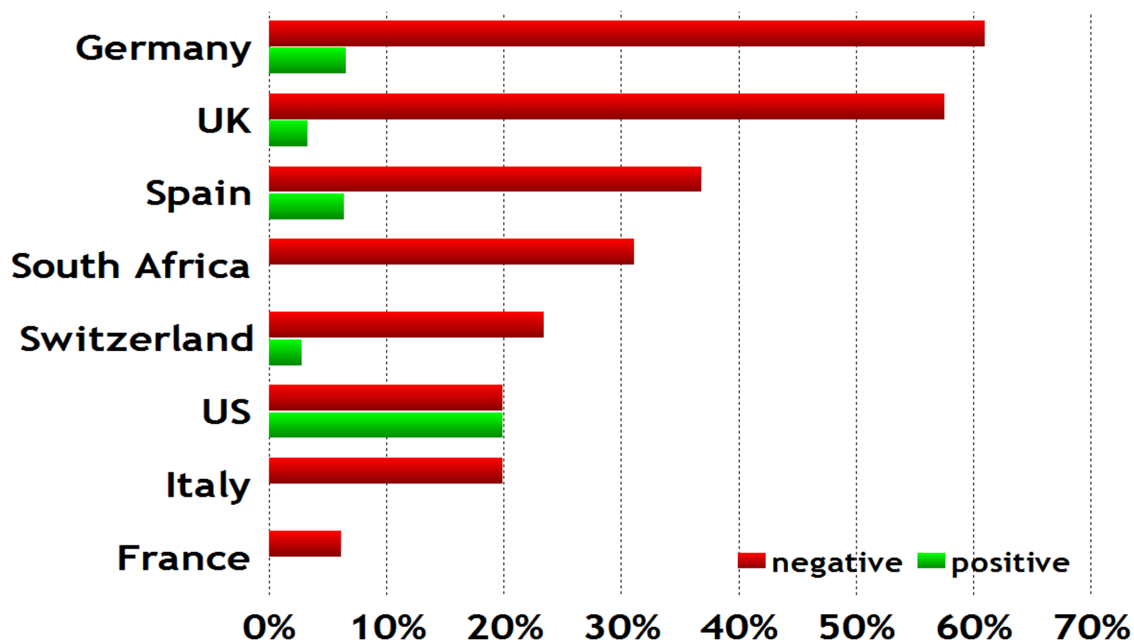
Basis: 8,893 stories on senior executives on 35 international TV shows (Europe, North America, Asia, Africa); not all shows completely analyzed

Banks rarely seen serving their customers

While much media coverage of banks can seem abstract to the average consumer – focus is often on complex investment products and overall financial performance - at the end of the day a bank has the same goal as any other business: providing relevant products in useful ways to satisfied customers. Yet, when banking products and customer relations are discussed in the media, the tonality is extremely negative in most markets. This negativity can provide a competitive advantage to non-banks that offer bank-style products (e.g., PayPal, Bitcoin, etc.)

Negativity towards banks and their customer relations results from a range of issues including sales scandals in which customers were targeted for products that sometimes caused active harm to their finances, and complaints about customer service and responsiveness. Security of customer data also generated negativity. Nowhere were these issues more severe than in Germany. In the U.S., where positivity was also visible due to the strong customer service culture, criticisms were still high. Only on French TV did these issues not produce critical risk.

Tone of coverage banking industry: Products and customer relations, January 1 – December 31, 2013

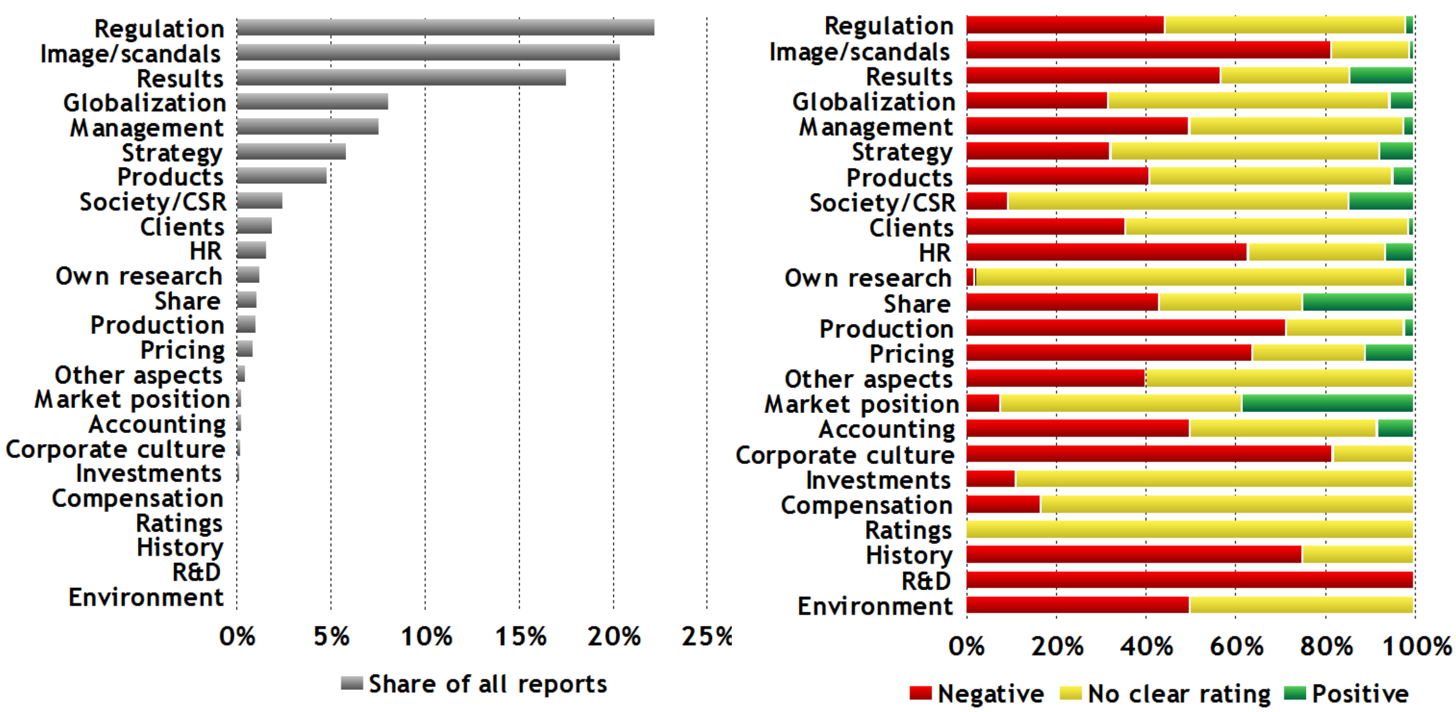


Regulation, scandal eclipse performance

In 2013, coverage of banking regulation and scandal overshadowed financial performance. Media reporting describes shareholder value as being eaten up by penalties for past wrongdoing. Financial performance, however, was largely judged negatively, highlighting the fact that banks don't just face negativity because of their past reputation but are seen as being poor at conducting the business they are designed for: making money for their clients and shareholders. There was little positivity for banks at all. While banks that were mentioned in the media were often described positively as market leaders, this had little overall impact on their image as leading an industry that everyone perceives negatively isn't a particularly significant achievement.

CSR activities received limited visibility and positivity. Far more visibility of activities like sponsoring and donations is needed to help banks reform their image and to make clear that these are more than token gestures.

Coverage of the banking sector in international TV news: Most visible topics and tone, January 1 – December 31, 2013



All aspects of business decline together

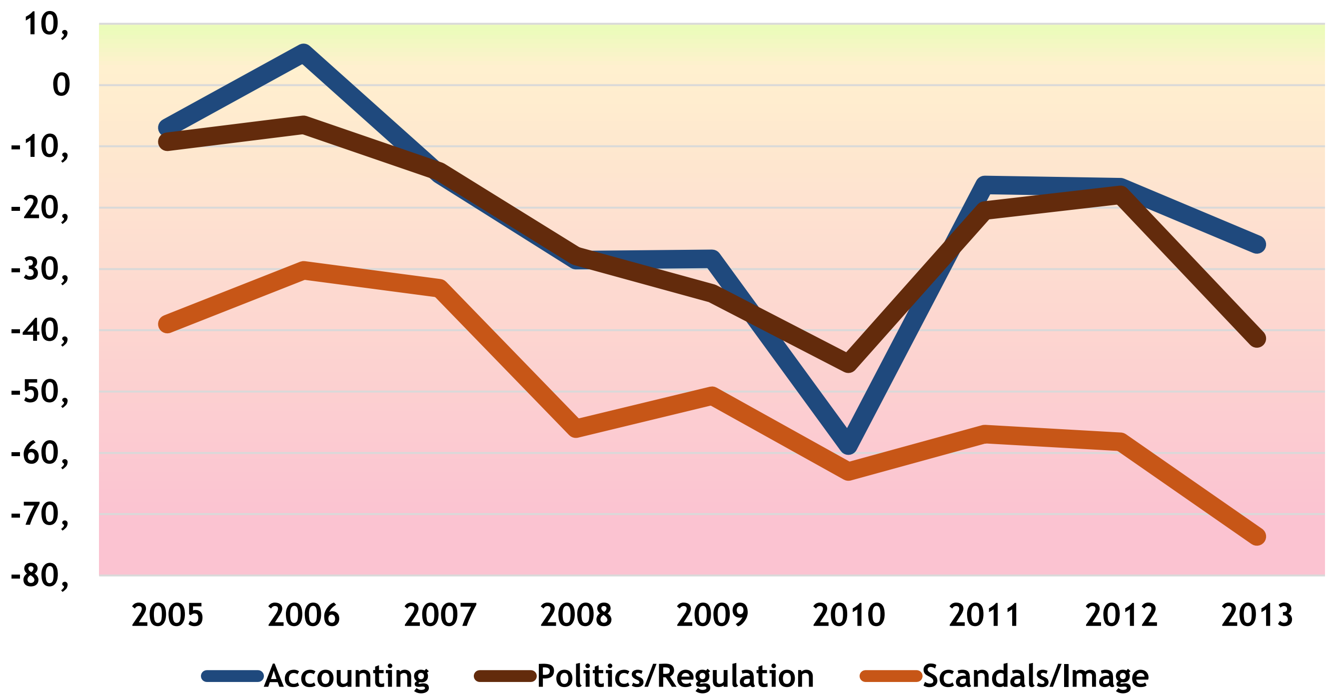
Often, discussion of regulation in the banking industry is framed as something banks view as bad for their business. But media discussion of political and regulatory issues does not happen in a vacuum.

Rather, the tone of media coverage on regulatory issues moves similarly to that of coverage on accounting and scandals. Regulatory issues become riskier for banks when banks face more media awareness of wrongdoing.

Additionally, scandals aren't good for the bottom line. While corporate wrongdoing is often thought of by consumers as a way to make profits, research shows that corporate accounting's image suffers when scandals are at hand.

In 2014 there will be three stress tests for major German and European banks that are coming under ECB supervision during the year. It will be crucial to see whether banks are able to differentiate themselves from negative buzz by communicating clear responsibility and actions in the recent past.

Tone of coverage - banking industry: Accounting, regulation, image, 2005 - 2013



Basis: 271,648 reports in 31 German media

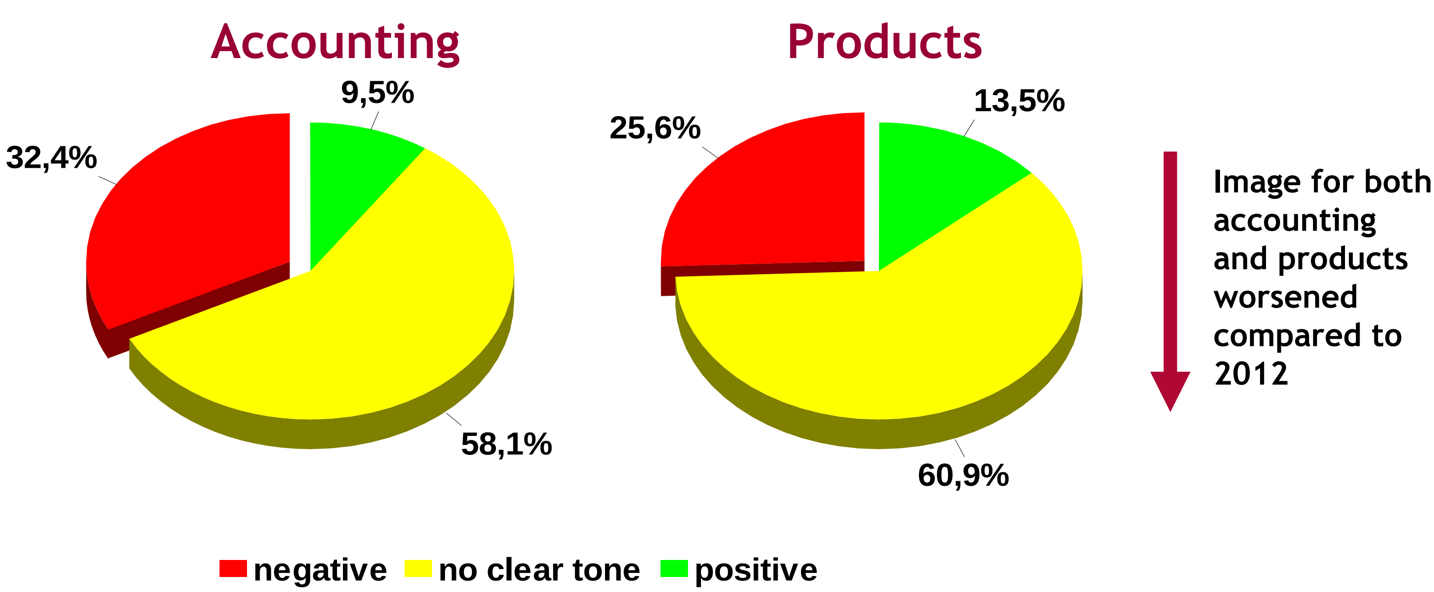
Balance sheet doubts emphasize risk

One particular challenge banks face is that they do not have any clear platform of strength from which to rebuild their images and increase security of the license to operate.

Negativity is high on multiple aspects of their businesses. Reporting on accounting is over 30% negative. This coverage has called into question everything from the accuracy of their numbers to transparency to the content and quality of their balance sheets. This underscores the systemic nature of the problem banks are facing both in their media images and in the way that they run their businesses.

Generally, Media Tenor suggests that for any image factor at least 20% of coverage be positive while no more than 10% should be negative. Banks were nowhere near achieving this in 2013 on their accounting activities or in regard to their products. Without a trustable image on what they do, or how they do it, banks remain in jeopardy.

Coverage tone on bank balance sheets and products in international media, January 1 - December 31, 2013



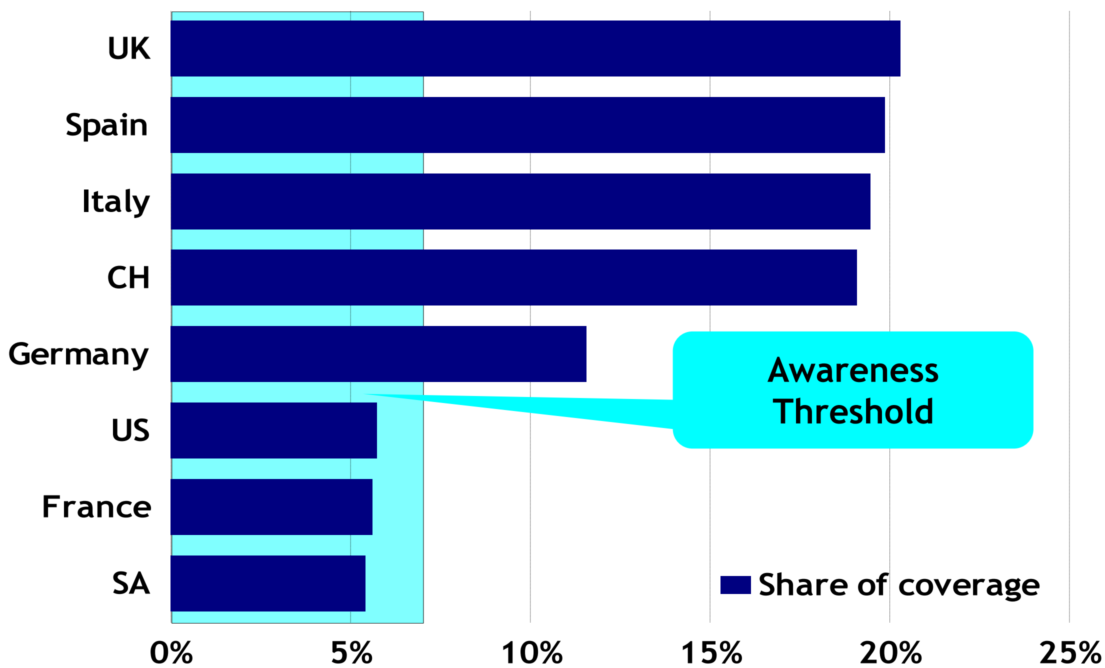
Basis: 17,808 reports on banks / managers in 33 media / 74 on accounting, 555 on products

Banks in European spotlight

Banks were generally visible above the awareness threshold in European TV news. This represents both risk and opportunity, and it underscores that banks continue to face media scrutiny, but this visibility also provides a potential platform from which to communicate change.

In some countries, however, visibility for the banking industry does not rise above the awareness threshold. Here, negativity about the industry is compounded by the lack of a platform to communicate change. Additionally, with banks out of sight and out of mind, news audiences will continue to perceive the industry based on the last things they heard about it; as that coverage related to the crisis and trust meltdown, the lingering image is not good. For all banks, the challenge is to differentiate from the pack, while also being open and frank about the challenges the industry as a whole faces. Few in the media audience are willing to believe that any bank is somehow different than the others.

Company reporting on TV news: Share of coverage on banks
January 1 - December 31, 2013



Basis: 25,699 reports on companies and industries on 20 TV news shows;
3,731 reports on banks and the banking industry

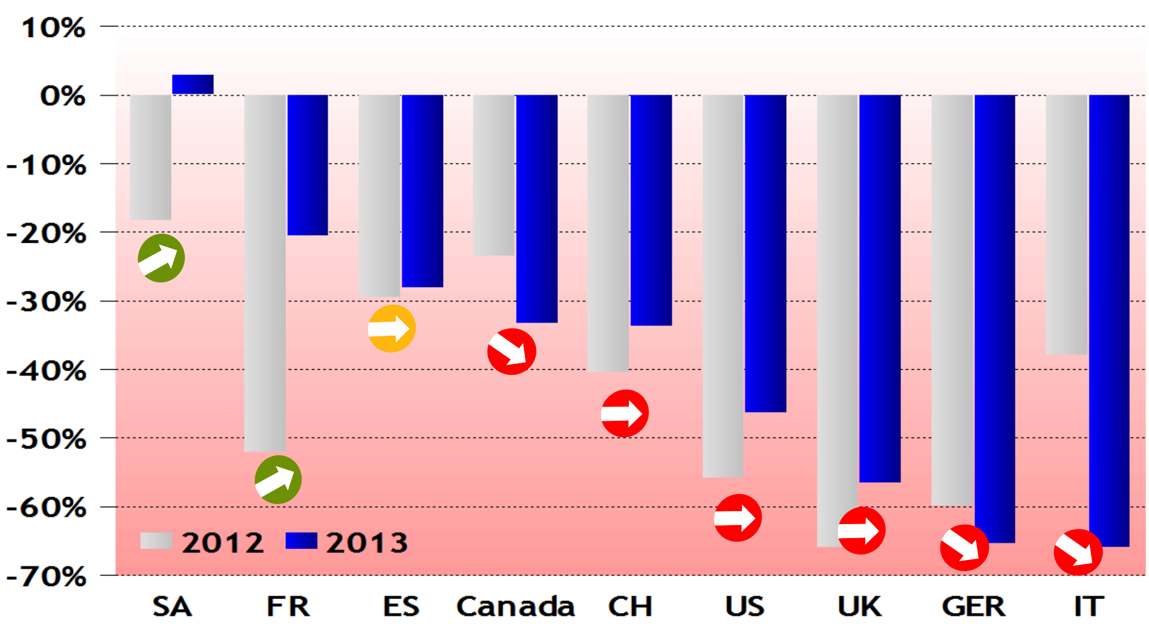
Image improvements not yet enough

The image of the banking industry remained dire on TV news in most countries. With an overall tone of coverage lower than -50% in the UK and lower than -60% in Germany, risk is extreme, as these levels of negativity are generally only seen by companies declaring insolvency.

Overall, the industry remains in a clear image crisis. In Italy, several regional and local banks face scandals and regulators have also been involved with activities of banks from other nations in the country. Doubts as to whether banks can serve their customers in even the most basic ways are mounting.

Meanwhile, Germany's banks have also faced major scandals at home and abroad. Josef Ackermann's career and legal troubles received prominent coverage in the wake of the suicide of Zurich Insurance CFO, Pierre Wauthier and continue to be emblematic of concerns about the social responsibility and corporate culture of the banking industry.

Tone of coverage of the banking industry on international TV news, 2012 compared to 2013



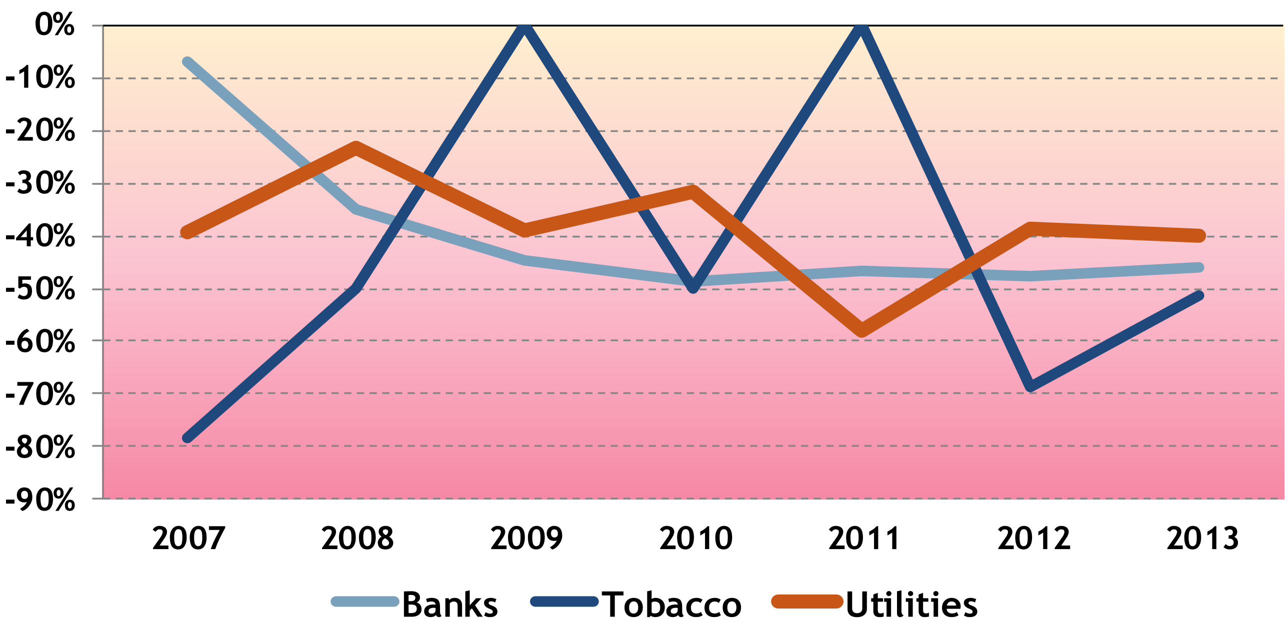
Banks seen as little better than lung cancer

To compare banks to a frightening disease is certainly an incendiary statement, but the fact remains that in the years since the financial crisis, banks have had an image little better than, and often worse than, tobacco companies. With many countries mandating that cigarettes only be sold with graphic and frightening warnings about potential health consequences, it becomes easy to wonder whether banks should come with warnings too.

Unlike banks, though, tobacco companies have many advantages. Despite the health risks of their products many people continue to enjoy smoking; they see it as a pleasure or a treat. Banks garner no such enthusiasm.

Meanwhile, utilities, which represent to many a necessary evil (services needed with service and fees that often leave a lot to be desired) also have a negative image similar to that of banks. In 2013, banks found themselves rated between a dangerous pleasure and a necessary evil, with none of the supposed benefits of either.

Tone of coverage on international TV news: Banks vs. tobacco and utilities, 2007-2013



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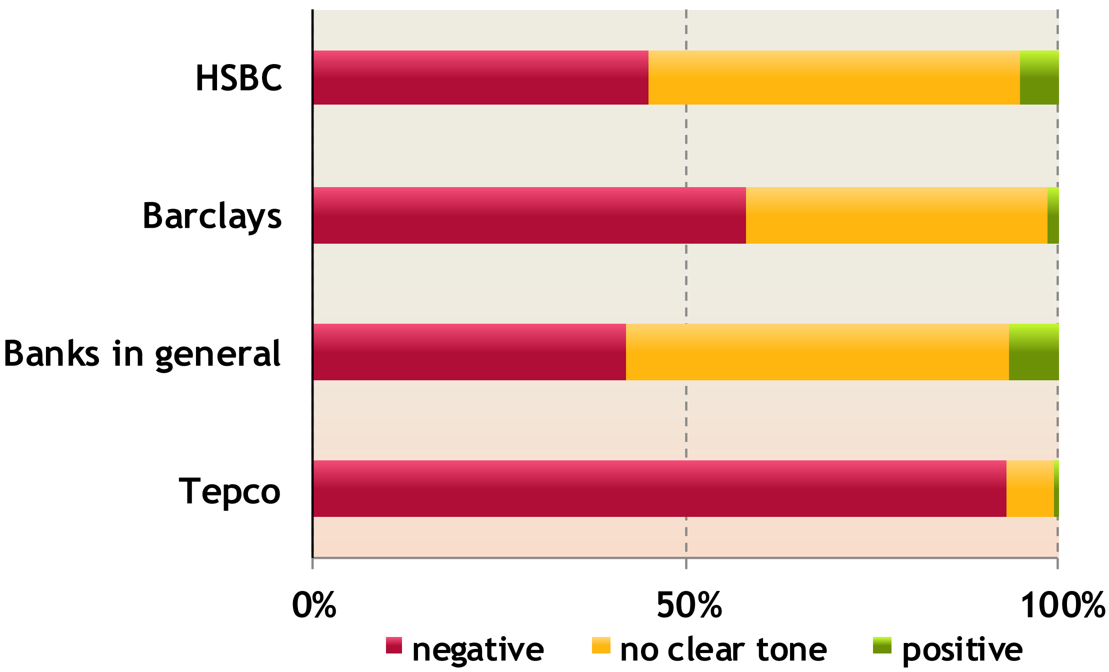
Reputation of Barclays not far from TEPCO

Of course, some companies have fared much worse than banks over the last year. Tepco, for example, continues to face media coverage that is almost entirely negative due to the ongoing problems at the Fukushima nuclear plant.

It is also clear that banks do not, necessarily, need to resign themselves to having a negative image. While Credit Suisse, for example, has not yet met tone targets on international TV news, its image is much better than that of many peers, with a share of positivity that helped to balance a comparatively low share of negativity.

Banks in general faced negativity of almost 50%. Positivity was only the result of occasional good news in financial reporting. Research offered by banks helped dilute negativity, but no amount of expert opinion was enough to truly mitigate the overwhelmingly negative media assessment.

Tone of coverage on international TV news: selected companies January 1 - December 31, 2013



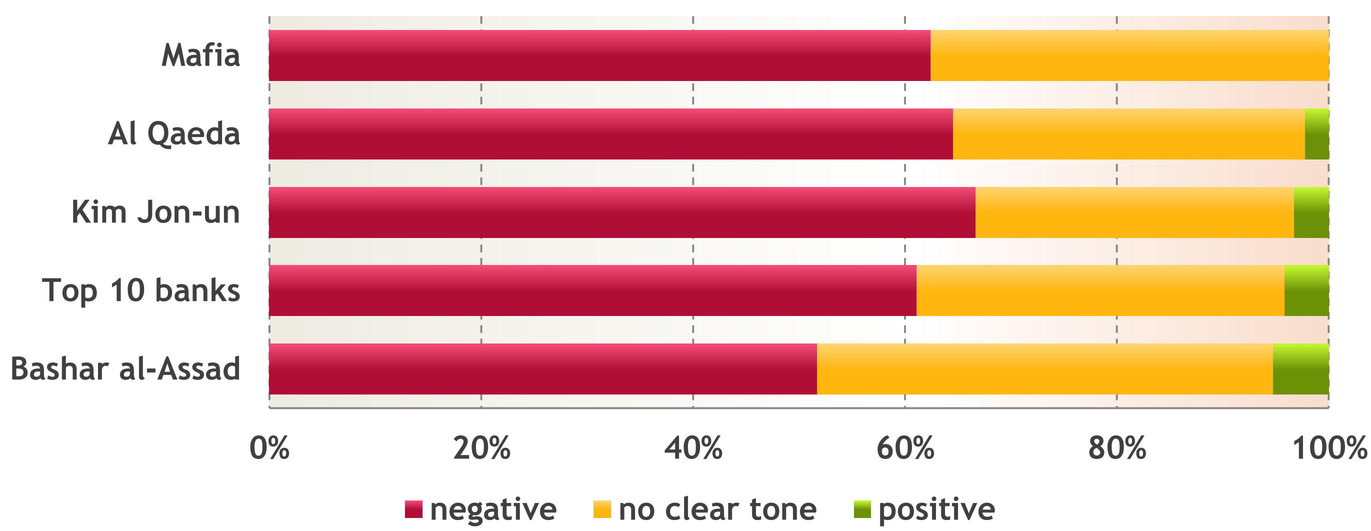
Top banks compared unfavorably to villains

But it is not just controversial industries like nuclear power and tobacco that banks face a similar level of negativity to.

Rather, the top ten banks such as UBS, Barclays and JP Morgan, are perceived with a tonality similar to that of the Mafia and Al-Qaeda. North Korea's dictator, Kim Jon-un, also has an image similar to that of the banking industry. Perhaps most shocking, banks are perceived as more negative than Syria's Bashar al-Assad, currently embroiled in a brutal civil war that has caused significant civilian casualties and involved the use of chemical weapons.

Banks are presented by the media not just as harmful or unethical, but as threatening to the well-being of society and individuals as organized crime, terrorism, civil war, and dictatorship. They have become objects of both scorn and fear, and this image has become normal.

Tone of coverage of selected protagonists on international TV news, January 1 – December 31, 2013



Risk comes from more than the media

The banking industry's image is not just at risk from the media's assessment of its actions, finances and legal problems. Rather, criticizing banks has become part of pop culture in the U.S. and around the world. Shows like John Stewart's *The Daily Show* and *The Colbert Report* often skewer banks in general and in particular. Late night comedians also focus on the problems banks face and the ways in which they do and don't seem to be in touch with the concerns of average citizens.

Right now a bank should expect its every move to be scrutinized by both traditional and online media, and by regulators and consumers.

In one example, JP Morgan decided to do a Q&A on social media platform Twitter. They were immediately barraged with tweets casting aspersions on the bank's ethics and role in home forclosures in the U.S. Ultimately, the bank cancelled the Q&A in the face of the negativity, and web postings compiling the funniest attacks on the bank were shared on another social media platform, Tumblr, where they had been "liked" over 30,000 times as of early January.

Source: The Daily Show, with Jon Stuart, January 9, 2013 / Twitter, November 13 - 14, 2013

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HSBC highlights risks and opportunities

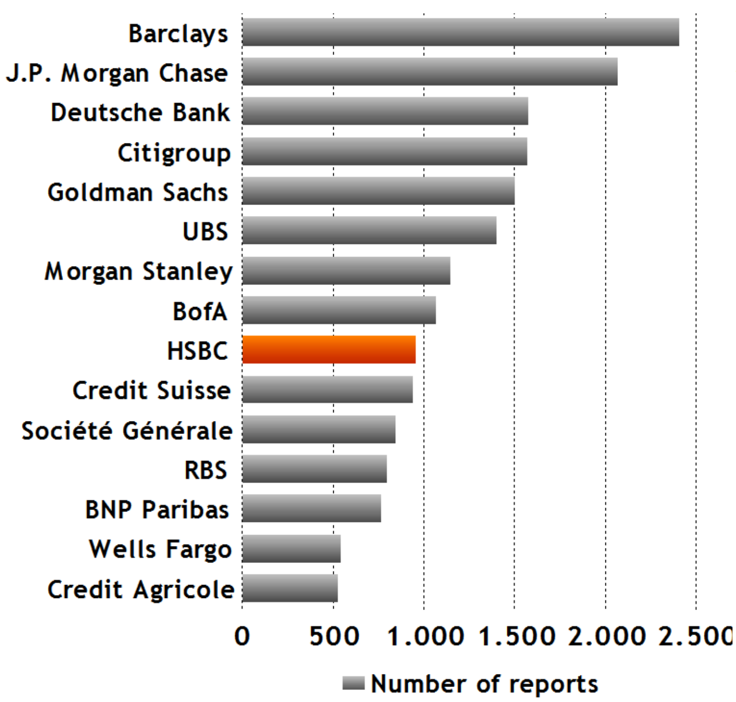
HSBC is a good example of the media image concerns banks faced in 2013. Its levels of visibility were in the middle of the pack, and like most of its peers, it faced close to 20% of its coverage being negative, while only a small share of its coverage was positive.

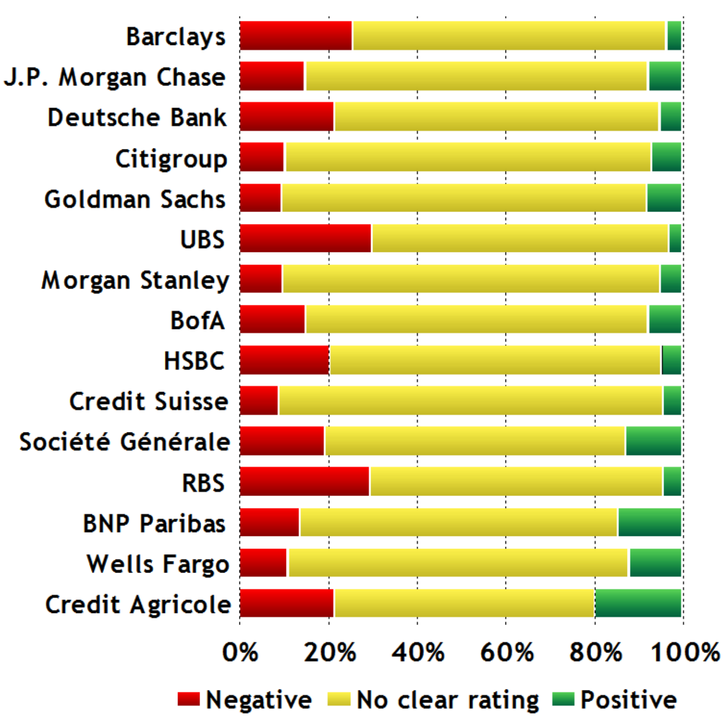
Like many banks in 2013, HSBC faced scandals and penalties. It also faced organizational challenges as it considered divesting some units. Preparation for bonus caps in Europe was also needed.

Like many other banks, HSBC also engaged in CSR and sponsorship activities. Much of this was related to sports sponsoring, which increased awareness of the brand, but didn't necessarily serve to improve the image.

Research was also a fundamental part of HSBC's image as the company offered comment on the markets and economies around the world. With banking's negative image, however, it is unclear how much trust bank research can truly generate, however.

Coverage of HSBC in international TV news and elite business media, July 1, 2012 – June 30,2013





Basis: 31,808 reports on 20 international TV news shows and in 3 business media

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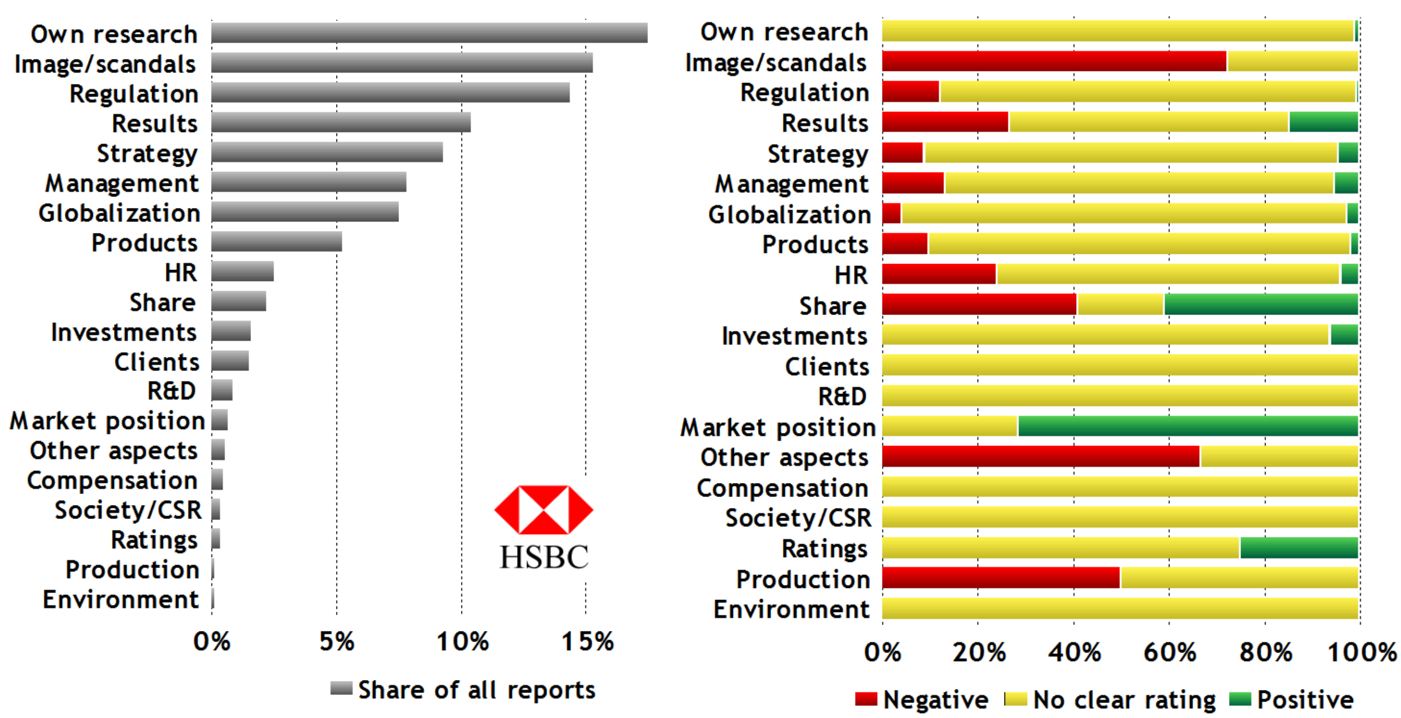
Market image praised as business criticized

HSBC's image faced a disconnect in the media that was similar to that of many other banks. There was significant coverage of scandals that generated high negativity. These included money laundering issues as well as cases about tax evasion, disputes over the value of loans, and currency manipulation. Coverage also related to how the bank does business and the results of that business, which tended to generate negativity. This was true of regulation, results, management, strategy, and production.

There are some indications of positivity for HSBC. Specifically, these were clearest around the share price, the company's market position, and its ratings. This represents a disconnect between the perception of how the company does business and the perception of it as an investment object.

The media persists in describing HSBC (and nearly all of the banks it covers) as a market leader. While positive for HSBC, this implies many negative things about an industry in which market leaders have images so consumed by scandal.

Coverage of HSBC: Topic structure, July 1, 2012 - June 30, 2013



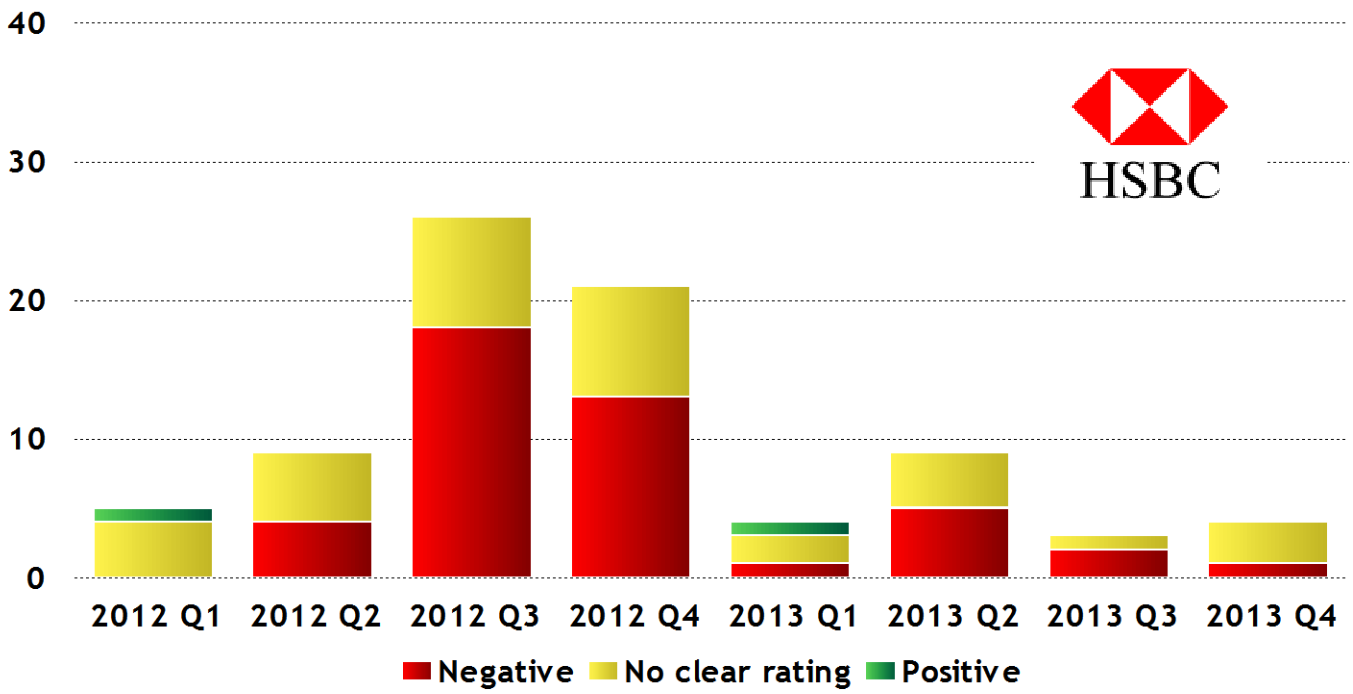
Visibility outside of scandals is challenging

The media coverage HSBC has received over the last two years has been indicative of the challenges many banks face.

High volumes of reporting in the face of scandals (in HSBC's case, a money laundering story was particularly significant), that then drop off as the issue is resolved. Coverage for the resolution of the negative issue is limited and highlights the past wrongdoing. If changes are made to corporate governance and other controls to prevent similar incidents in the future, there is little focus on them.

When new problems occur, old problems are rehashed, so even banks actively working to increase transparency, ethics and responsibility struggle to convey a message that is contrary to what has already been decided in the court of public opinion. Long-term, concentrated effort throughout the industry is needed to generate change.

Volume and tone of HSBC Group coverage in global TV news, January 1, 2013 - December 31, 2013



Basis: 81 reports (at least 5 seconds) on 20 international TV news shows

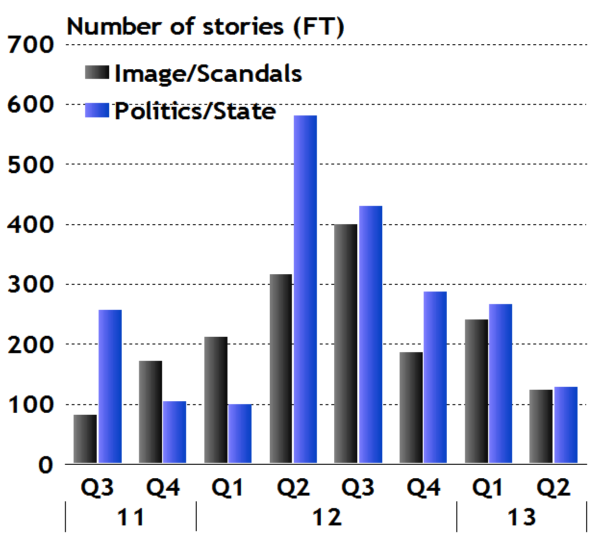
Fines are going up as media loses interest

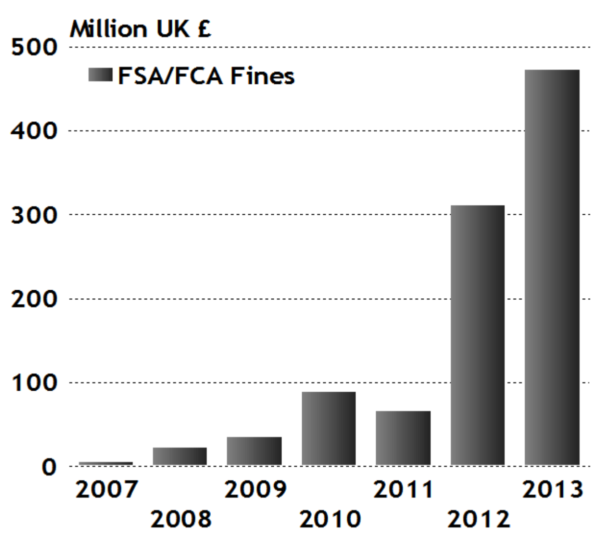
Coverage of regulatory issues and fines has decreased as the financial volume of fines has continued to increase. That banks are being punished by regulatory bodies surprises no one, and the media are not always eager to cover it. While some of the increase in penalties can be attributed to the resolution of legacy issues, the fact remains that regulatory bodies are often eager to investigate and resolve issues quickly, just as banks are often eager to pay a monetary penalty for a case to be dropped. Fines are increasing because awareness of problems is increasing.

As FSA/FCA fines continue to increase – the Libor scandal was a huge driver of this in 2013 – it is clear that banks and their license to operate continue to be in jeopardy.

Ebbs in regulatory action against banks, as well as ebbs in negative media coverage regarding the industry, do not clearly represent an industry having turned a corner. Rather, the prolonged negativity suggests to media audiences that more bad news and legal troubles are always inevitably around the corner.

Presence of selected topics on the banking industry in FT, July 1, 2011 – June 30, 2013 / FSA / FCA Fines 2007 - 2013





Basis: 1,740 / 2,161 reports on banks regarding the topics listed above;
Fines http://www.fsa.gov.uk/about/media/facts/fines/2002
http://www.fca.org.uk/firms/being-regulated/enforcement/fines

German media more critical on banks

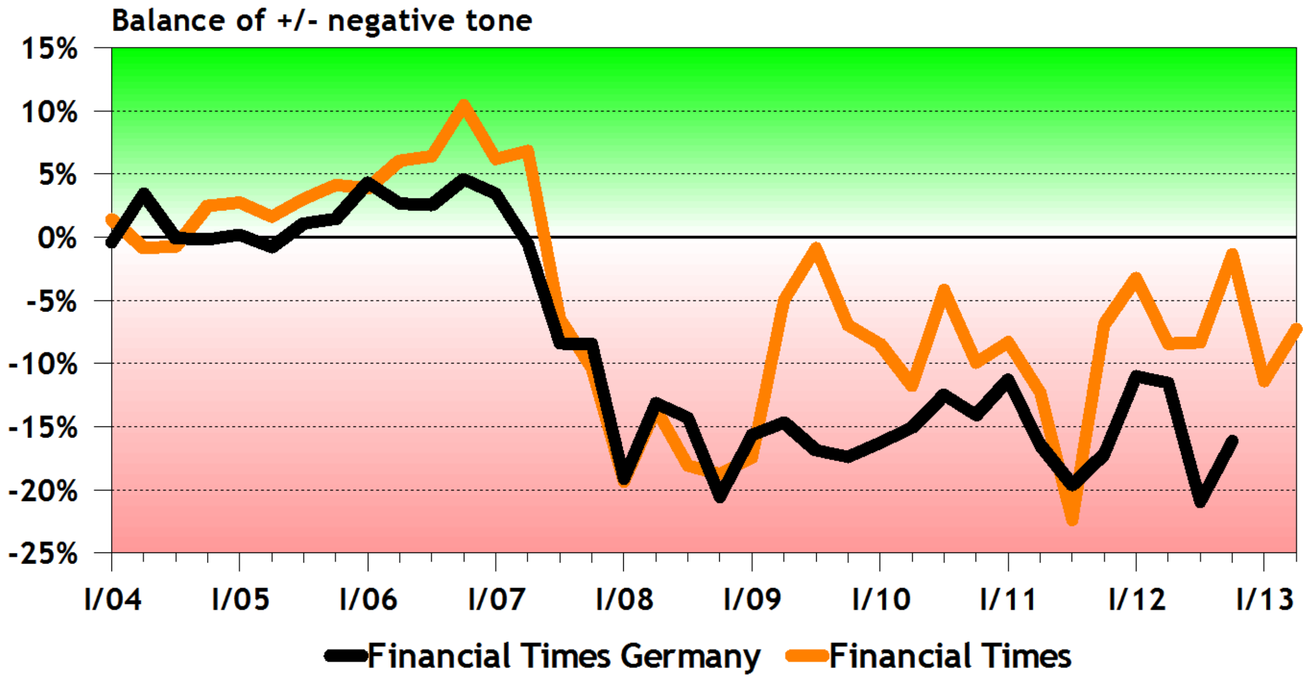
The severity of the banking industry trust meltdown in Germany is apparent by comparing the coverage tone for the industry in the *Financial Times* to the tone of coverage for the industry in the German edition. Coverage has been more negative in the German edition at almost all times before closing in 2013.

Also important is the degree to which there has been less recovery in the image of the banking industry in *Financial Times Germany* than there has been in the English-language editions of the *Financial Times*.

The low faith in the banking industry in Germany reflects a range of issues, including scandals at major banks and the general tonality of German-language media, which is often more negative than some other jurisdictions.

It is important to remember that negativity for banks in German media has an impact well beyond Germany, when it is Germany that has effectively become the financial leader of the Eurozone. Negativity on the industry impacts societal and political will to help in cases like the Greek bailout.

Tone of coverage – banking industry: All topics
January 1, 2004 – June, 30, 2013



Mediatenor
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Hesitance remains on banking finances

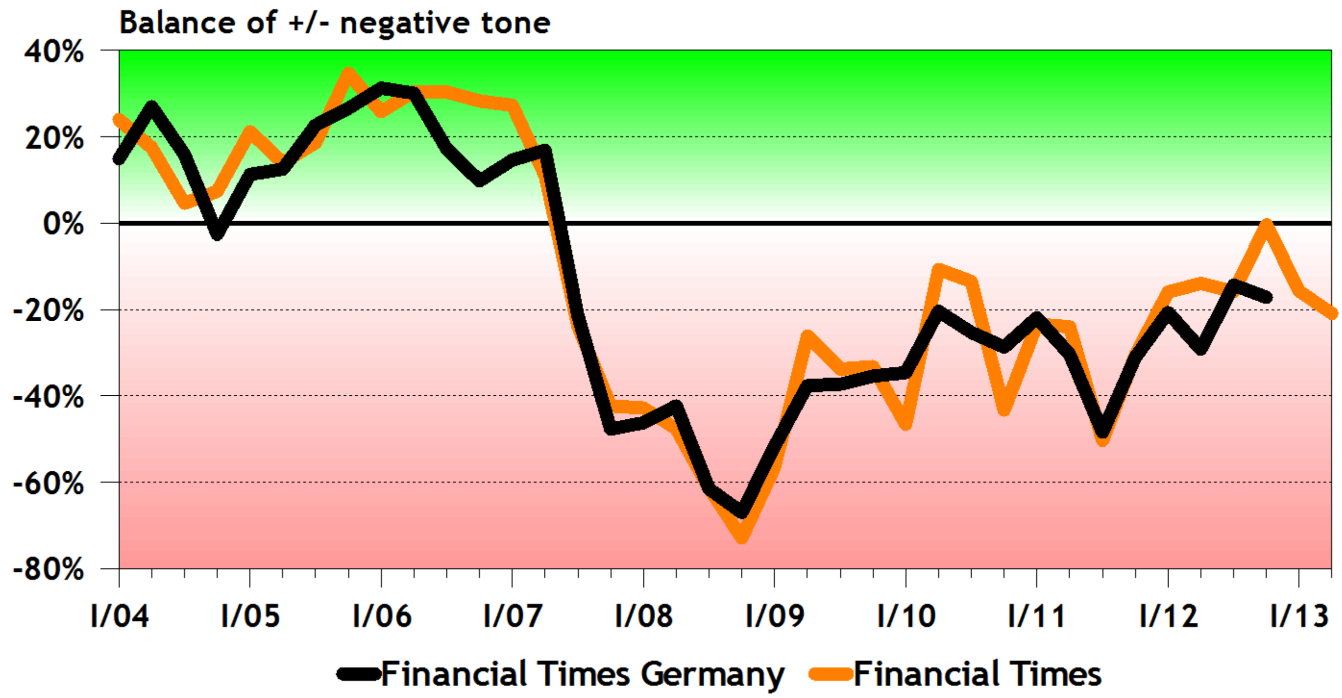
Since the banking crisis, the media has remained cautious on the financial performance of banks. While this aspect of the industry's image has improved, the improvement has largely been of a two steps forward, one step back variety. Additionally, it has largely been attributed to job and cost cuts and not necessarily to increases in profits.

At the current rate of improvement, it will be several years before the financial condition of banks returns to clearly and consistently positive territory. For this to happen, more is required than improved financial performance of banks on a quarterly basis.

Media audiences are looking not just for profits, but for ethical stability before enthusiasm about profits and stock prices can truly return.

As long as society remains concerned about the possibility of another global financial crisis, banks face severe challenges in returning to the level of positivity on their finances that they enjoyed in the past. Generating media coverage on solid balance sheets and responsible risk management – and not just quarterly results - is key.

Tone of coverage – banking industry: Financials
January 1, 2004 – June, 30, 2013

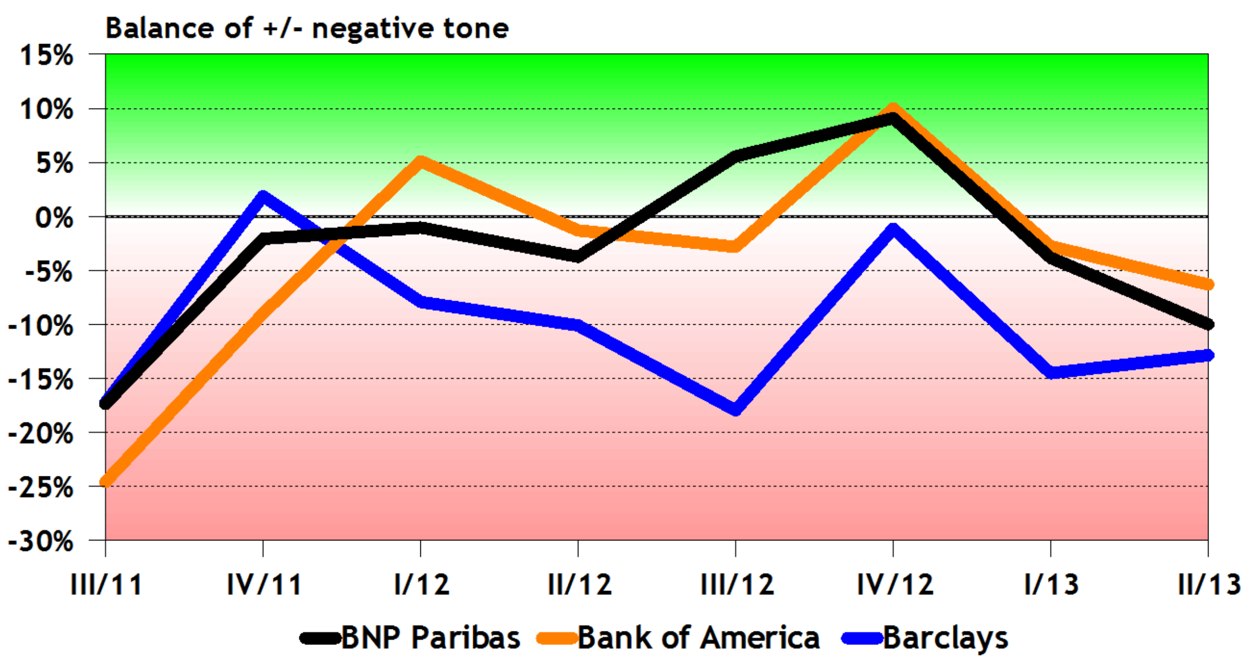


Images of key banks move similarly

Peaks and valleys in the media image of three major banks – BNP Paribas, Bank of America, and Barclays - highlights how their media images have moved similarly. Although Barlcays has faced greater levels of negativity over most of the analysis period, improvements and declines for each bank often happened in the same period. This underscores how the overall assessment of the industry impacts all banks, regardless of their individual story.

The chart below also highlights another key issue, which is that in the ongoing trust meltdown, it has not been possible for any bank to entirely avoid negativity. While it looked, for example, as if BNP Paribas and Bank of America had experienced thorough image recoveries in the fourth quarter of 2012, these banks subsequently suffered again in the first half of 2013. For both the industry and individual banks the trust metldown isn’t over.

Tone of coverage in the FT: BNP, Bank of America, Barclays, January 1, 2004 – June 30, 2013



Basis: 2,380 / 3,202 / 5,927 reports in the Financial Times

Scandalization drives negativity

A comparison of the major image factors for Barclays and BNP Paribas for the same period shows the way scandalization can have a severely negative impact on a company's image.

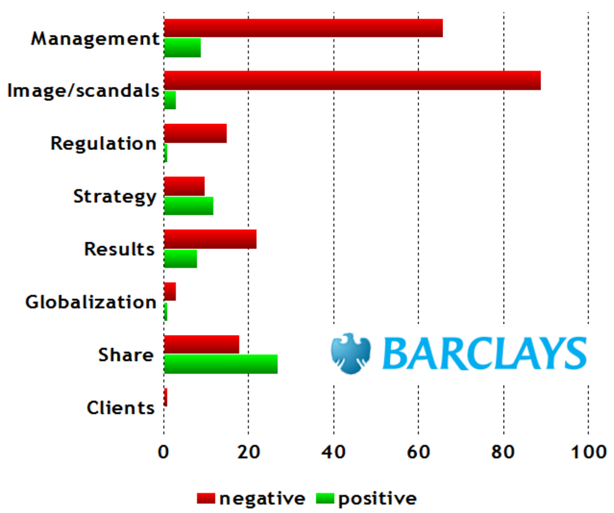
While BNP Paribas faced negativity on its results and share price, the overall story of the bank and how it does business was visible.

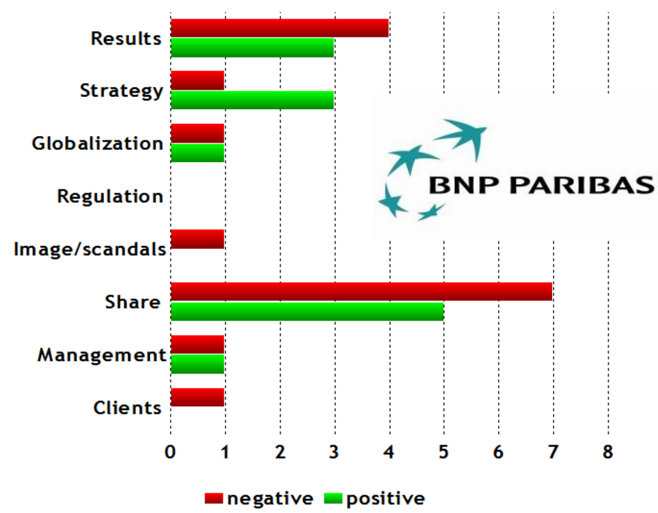
Barclays, on the other hand, received little relative visibility on its results, strategy, and how it does business. Instead, all the focus was on its management and the scandals the bank faced. This coverage was, predictably, overwhelmingly negative.

BNP's biggest challenge came from overall low visibility. Additionally, while the *Financial Times* was happy to report on its share price, this type of coverage is not particularly informative for media audiences, and generally comes with a very mixed tone due to normal market fluctuations.

The comparison of Barclays's and BNP Paribas's media coverage highlights some of the golden rules of generating a positive media image that banks are still struggling to achieve – visibility and topic diversity. This type of coverage is harder to achieve in an environment where eroded trust is the norm.

Positive and negative reports on selected image criteria, FT, July 1, 2012 – June 30, 2013





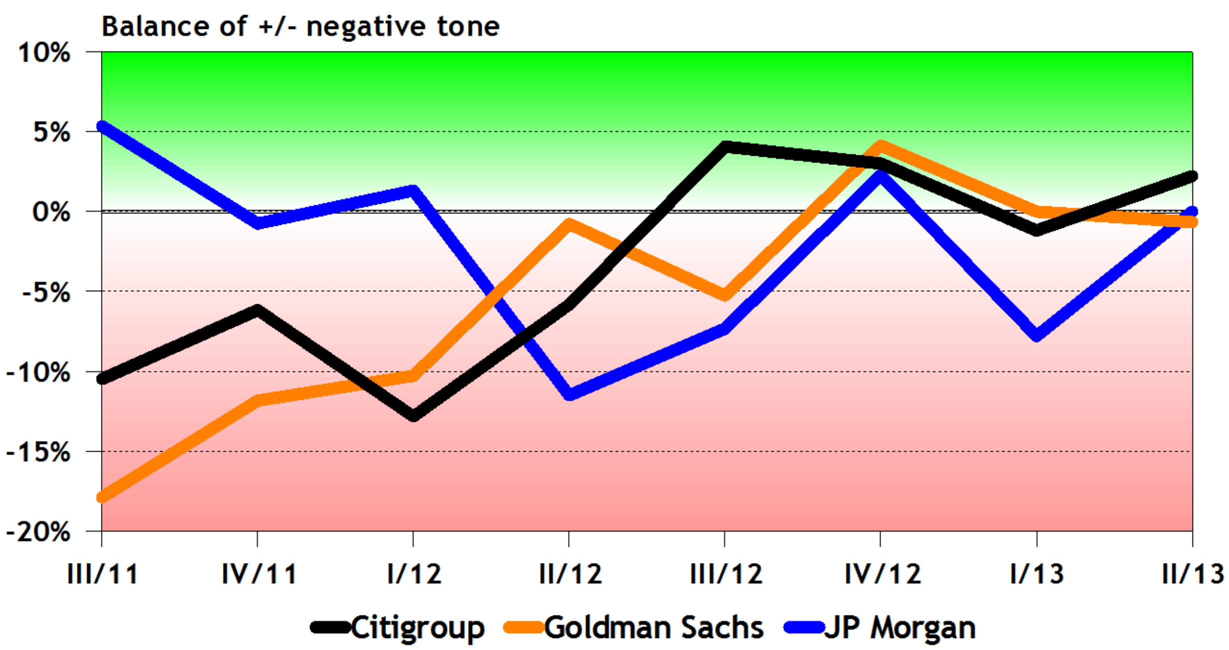
U.S. banks struggle for neutral coverage

Since the financial crisis, three major U.S. financial institutions, Citigroup, Goldman Sachs, and JP Morgan have struggled to achieve neutral ratings. While Goldman Sachs had a relatively linear path back to a neutral image, things have been harder for Citigroup and JP Morgan.

In some ways, JP Morgan has been one of the key symbols of the trust meltdown. Long revered as one of the good banks that got out of the crisis with little wrong-doing and a mostly intact image, 2012 saw the bank take a hit to its image as investigations and regulatory issues finally arrived at its doorstep. After a recovery to neutral, the bank again experienced problems in the first quarter of 2013. Preliminary data also indicates negativity at the end of 2013 is also extreme.

If the banks that media audiences have assumed to be the good guys have ultimately faced criticism and penalty for their business practices, there is a clear challenge to convince consumers and media audiences that there are any good guys left at all.

Tone of coverage in the FT: Citigroup, Goldman Sachs, JP Morgan July 1, 2012 - June 30, 2013



Basis: 6,354 / 5,866 / 5,757 reports in the Financial Times

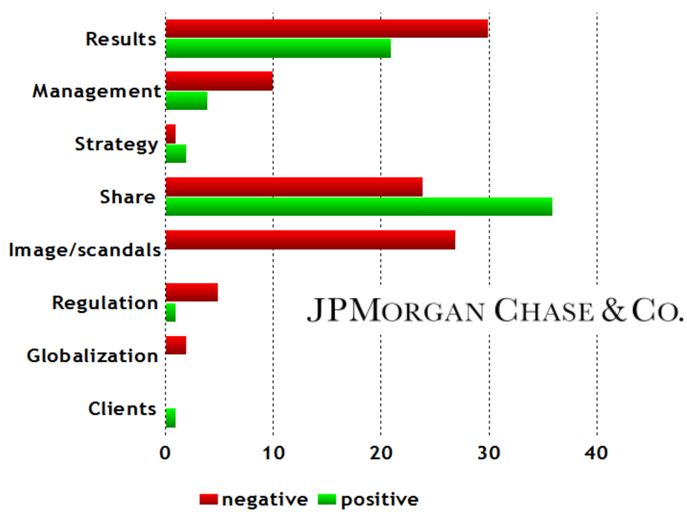
Investors at odds with clients, regulators

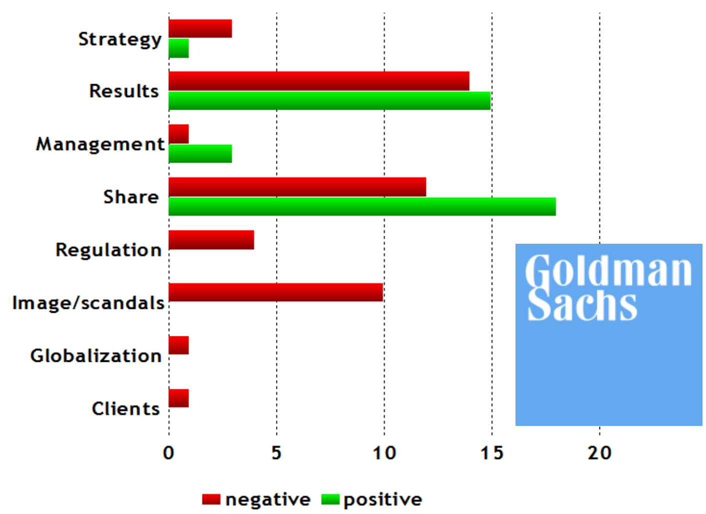
While both JP Morgan and Goldman Sachs faced scandals and image problems during the twelve month period analyzed, their images fared somewhat better than many of their peers because these two banks were able to achieve visibillity on other aspects of their business.

This underscores the importance of ongoing communication, even when times are tough for an individual business or its industry. When businesses hide their heads in the sand, the best case scenario is that people forget about them. But this invisibility is rarely what happens. Instead, memories of their worst image problems remain and even a handful of negative reports can do significant image damage by staining their entire media reputation.

While Goldman Sachs and JP Morgan demonstrated that no banks have been immune from the trust meltdown, they have also demonstrated that there is reputational hope and recovery possible for those who stay engaged with their media audiences.

Positive and negative reports on selected image criteria, FT, July 1, 2012 – June 30, 2013





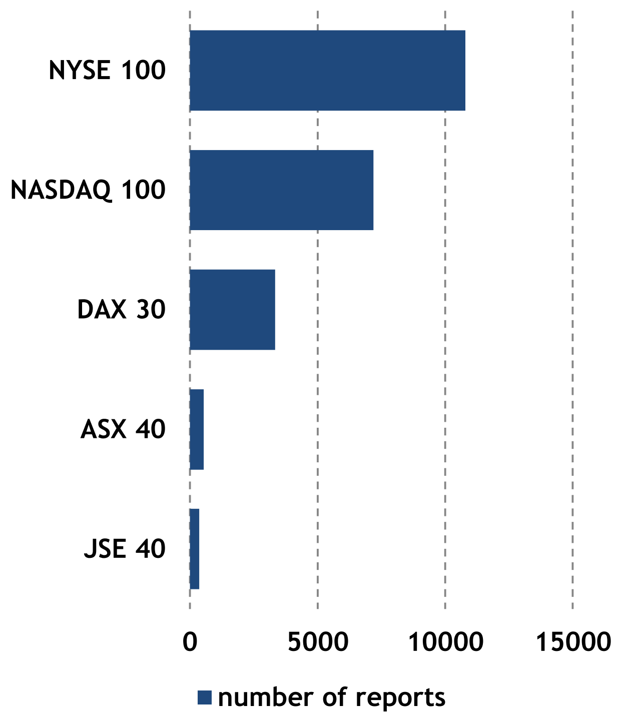
Basis: 796 / 599 reports in the Financial Times

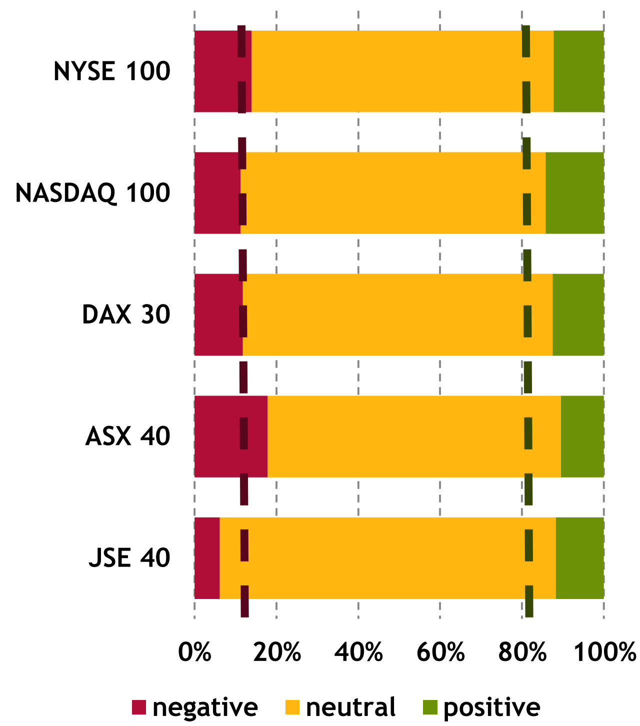
Coverage of NYSE stocks dominate media

Companies in the NYSE 100 receive the most coverage across elite international business media. This is closely followed by the visibility of the companies that make up the NASDAQ 100. Companies that trade on non-U.S. based exchanges are far less visible overall. It is important to remember, however, that the companies that make up any particular index are not equally visible. Rather, approximately 70% of the coverage of the NASDAQ 100 is actually focused on its ten most visible companies, which include major tech and social media giants.

Regardless of visibility, however, the image of the aggregated companies of key indexes is remarkably similar. While there is slightly greater negativity for the Australian stocks and a somewhat more positive image for those that trade in Johannesburg, overall, the media assessment of highly visible public companies is remarkably consistent when looking at the big picture.

Visibility and tone of coverage member companies by stock index, January 1 – December 30, 2013





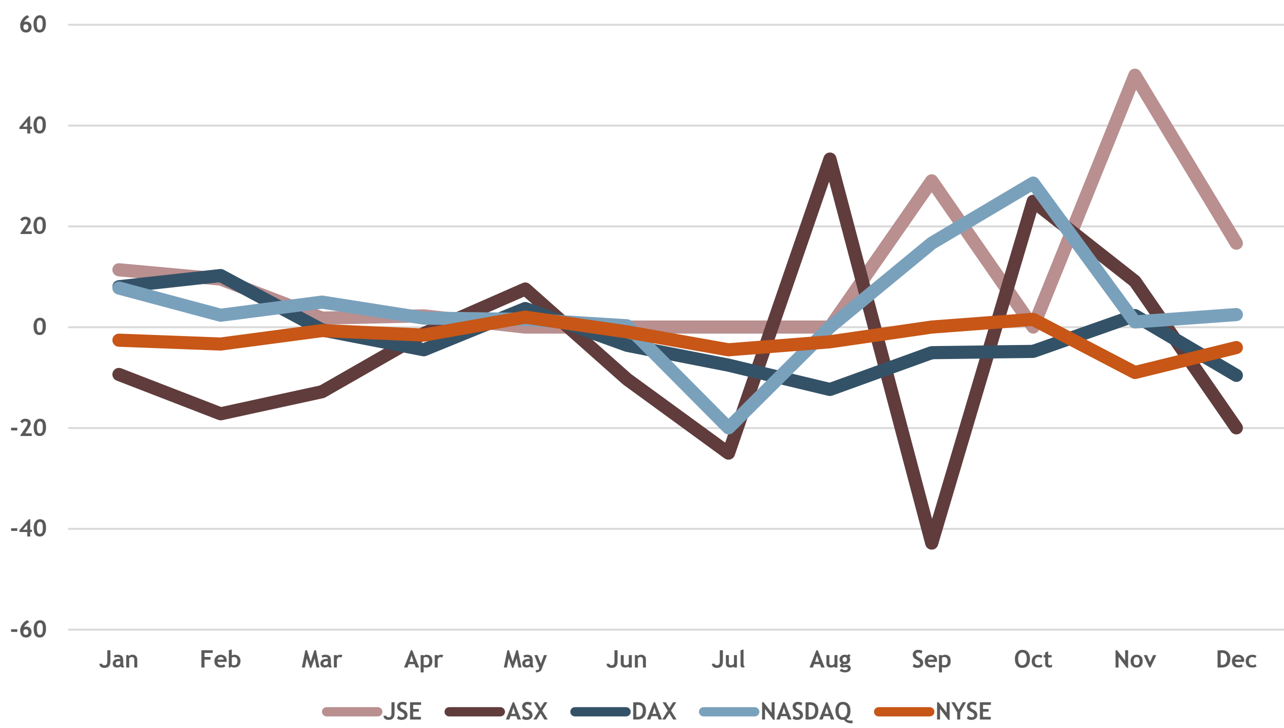
NYSE 100, DAX 30 have consistent image

The tone of media coverage for the companies that make up the NYSE 100 and DAX 30 was in aggregate highly consistent during 2013. There was greater volatility in the image of the NASDAQ 100. This was triggered in large part by media opinion on two of its highest profile stocks, Apple and Facebook.

Volatility in the tone for the companies that make up the JSE 40 and ASX 40 was partially the result of relatively low coverage volume and a media bias towards coverage of stocks that trade on the exchanges of the global north. Often, those companies that make up the JSE 40 and ASX 40 only receive significant coverage when scandal or crisis hits.

As 2013 ended the chaos in the overall tonality began to drop, with each grouping moving back towards the center, which is a hallmark of end-of-year media activity regarding the market. Volatility from some index groupings should be expected.

Coverage tone for member companies, January 1 – December 31, 2013



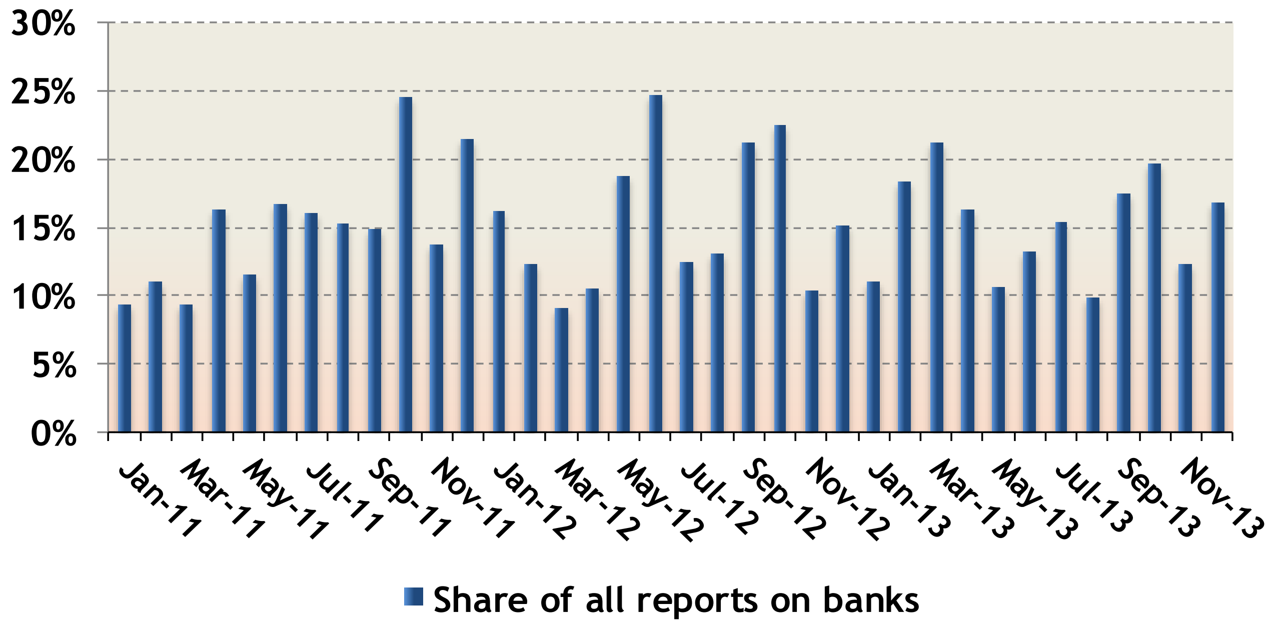
Media prominence of banks remains high

Despite a slight downward trend from mid-2012 through the end of November, the share of coverage in German media on banks remains high overall. This level of visibility is likely to remain relatively constant for some time, meaning that the trust meltdown still has an opportunity to become the trust recovery.

For this transition to happen, however, long-term image change is needed. Just as it takes thirty days of daily practice to establish a habit, it takes significant ongoing media coverage to establish a message, and in particular for a positive message to counteract a negative one that has lasted, in the case of the banking industry, years.

Because banks are key to our economic, political, and social structures interest is high, but for the media to change its tone, banks need to change too.

Banking supervision: Share of all reports on banks, German media, January 1, 2011- December 31, 2013



Banks' unwillingness to reform hurts ECB

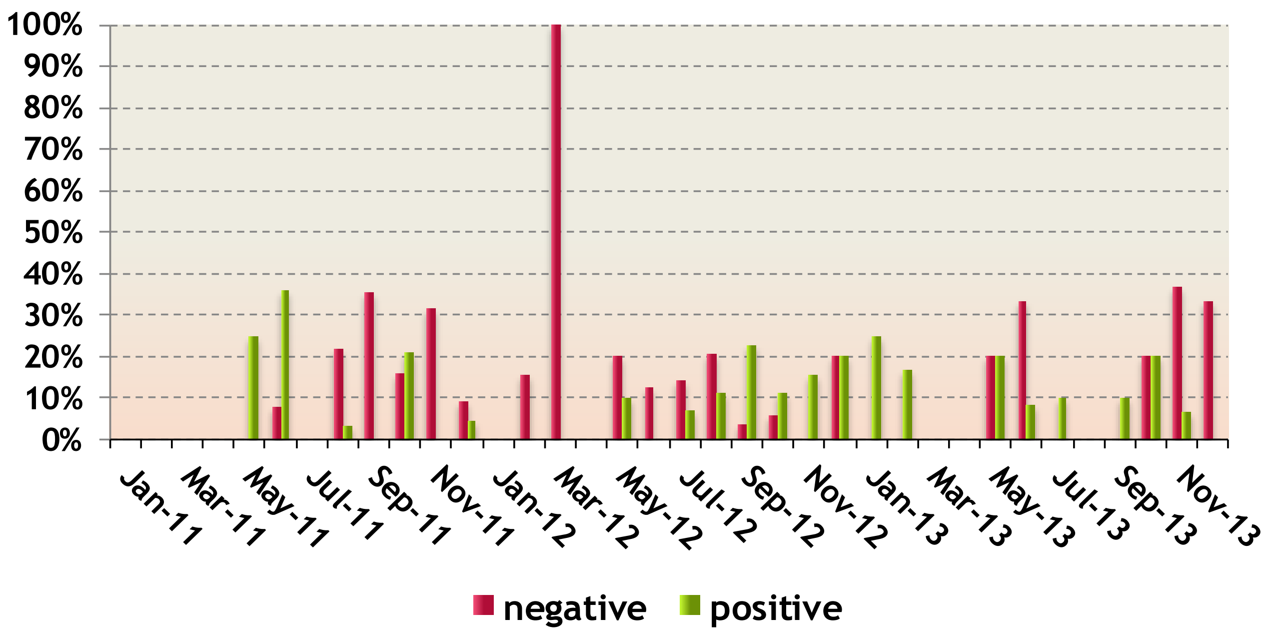
The European Central Bank faces negative coverage on global TV news. This negativity emphasizes the difficulty central banks face in helping the world recover from the global financial crisis and the trust meltdown with regard to the banking industry.

In many ways, central banks have become victims of the way top banks have been portrayed in the media as unwilling to implement change. This has resulted in a narrative that presents central banks as powerless in the face of bad behavior from the industry's supposed leaders.

Despair, however, is not the necessary conclusion, especially as it is clear that the media is acknowledging efforts towards stabilization despite criticism from academia and concerns about the mid-term impact of the low interest rate environment.

Rather, transparent communications, through the media and other channels, can help restore trust. Stakeholders are searching not for good news, but news they can believe in that clearly and accurately defines the scope of problems so that solutions can be examined and implemented.

Tone of coverage – European Central Bank
International TV news, January 1, 2011- December 31, 2013



Basis: 605 reports on 20 international TV news shows

Media coverage unlocks image puzzle

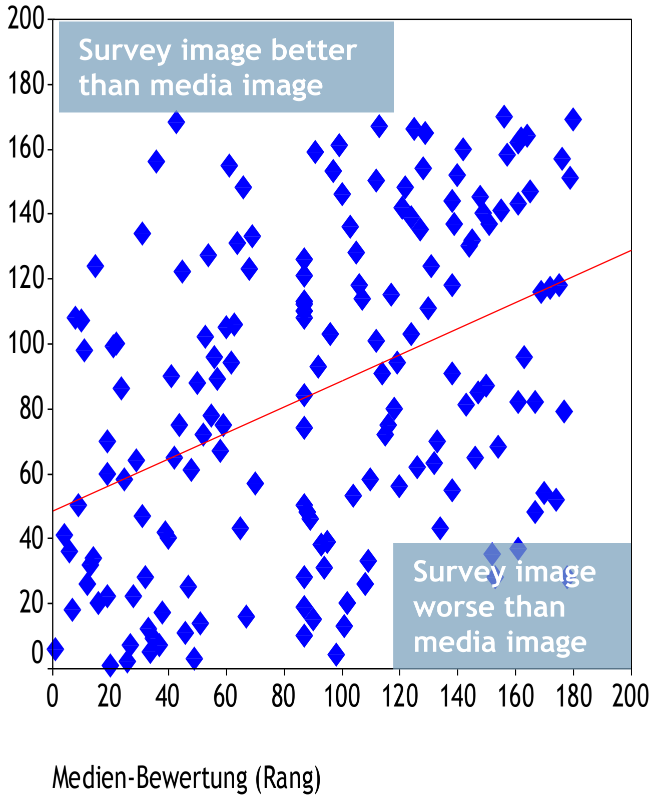
Without research, the relationship between media coverage and image appears to be random.

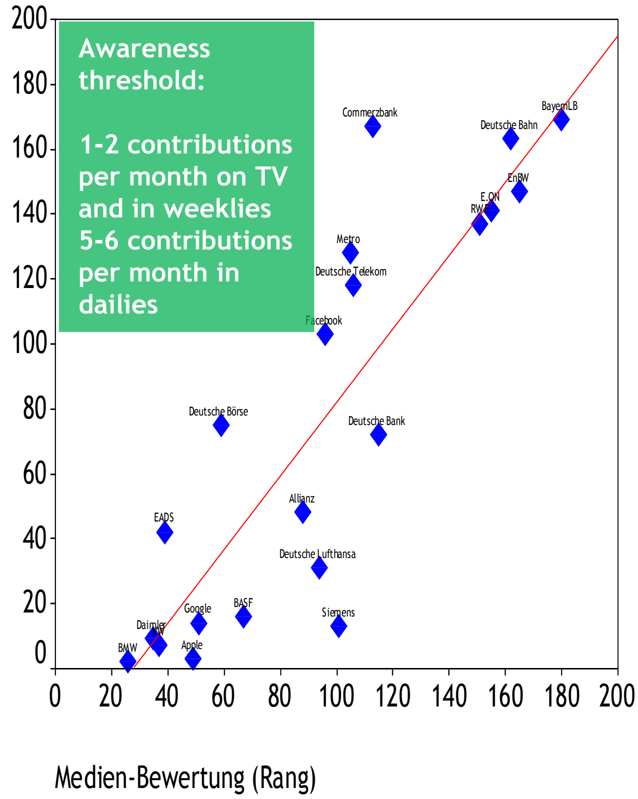
The statistical correlation (or ranking correlation) between media evaluation ranking and the image survey for all companies is 0.415. But there are still many outliers.

Companies, such as the Otto Group, are almost aligned with a strong fit.

It becomes clear, however, that the media is an effective tool once coverage is above the awareness threshold.

The awareness threshold that is empirically observed by Media Tenor clarifies the picture: Although only 21 companies are sustainably visible, they display an almost direct correlation between media evaluation and image ranking (Spearman = 0.882).





Basis: 25,612 reports in 26 opinion-leading German TV, radio and print media

Improving the DJ Sustainability Index

Agenda-setting coverage key indicator of performance

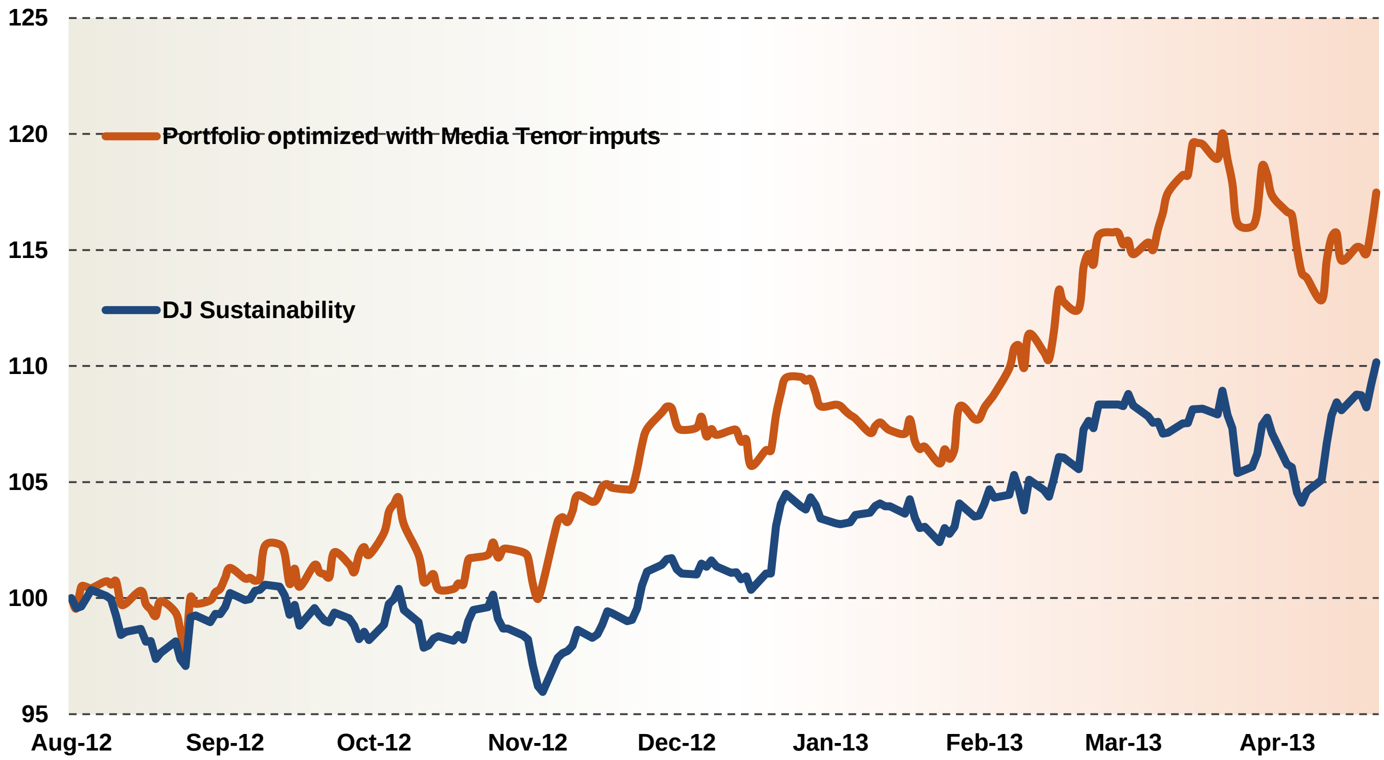
Research shows a clear relationship between media content and public opinion across various fields. Visibility of this coverage is key and, as such, visibility of coverage above the awareness threshold has been instrumental in driving public perception and investor confidence.

Communication above the awareness threshold not only ensures top management's independence from the media agenda but also effectively supports investor relations. Constant news flow in business media effects the buying behavior of financial markets.

The results of the back-testing using media data on analyst sentiment on the basket of stocks undertaken by Method Investment vs. the Benchmark DJSW Global 80 is illustrated below.

For this back-test, portfolio weights were chosen based on the inputs from business media scores related to sustainability factors produced by strategic partners, in particular Media Tenor's financial sentiment data. Over the period analysed, a 6.7% outperformance is achieved, with a 6.1% tracking error. All results shown include transaction costs.

Analyst quotes in business media vs. DJSI (80) market performance



Media sentiment weighs on U.S. consumers

Another downturn in the Consumer Confidence Index likely

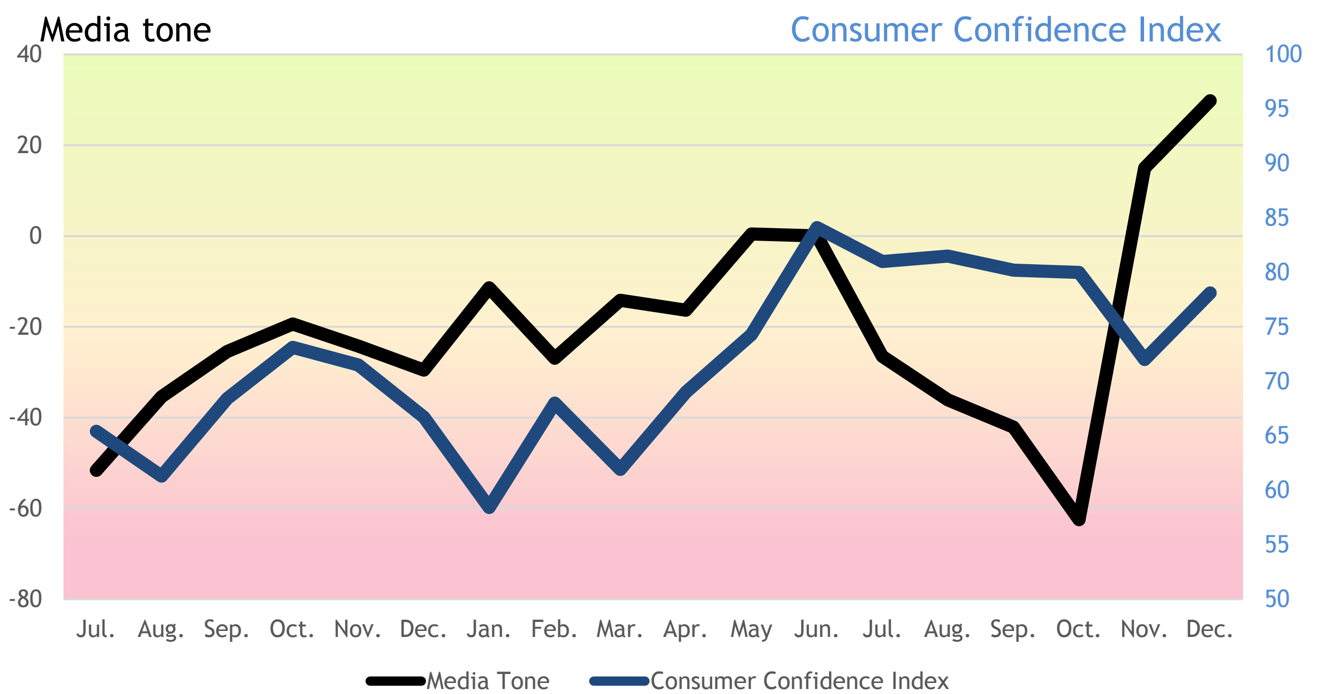
CASE STUDY OF MEDIA EFFECT ON ECONOMIC INDICATORS

Mass media reporting on the state of the economy has proven to be a major contributor to economic sentiment itself, as Media Tenor's studies with several economic research institutes (including KOF in Switzerland and IW Halle in Germany) have demonstrated.

U.S. consumers have been driving global growth for more than a decade. But with the bursting of the real estate bubble and subsequent spiraling of unemployment and government debt, media sentiment did not recover despite GDP growth rebounding to three percent. As a result, consumer confidence was not stimulated by the media. This signaled continued business risk regarding investments in and exports to the U.S.

Recently, there has been a strong recovery in the media tone on the economy, largely tied to the holiday shopping season and a strong jobs report. This has resulted in the CCI being pulled upwards in response.

U.S. TV news on the state of the U.S. economy vs. consumer confidence, July 1, 2012 – December 31, 2013



Basis: 6,013 reports on the U.S. economy in U.S. TV news Jan 1, 2011 – Nov 27, 2012

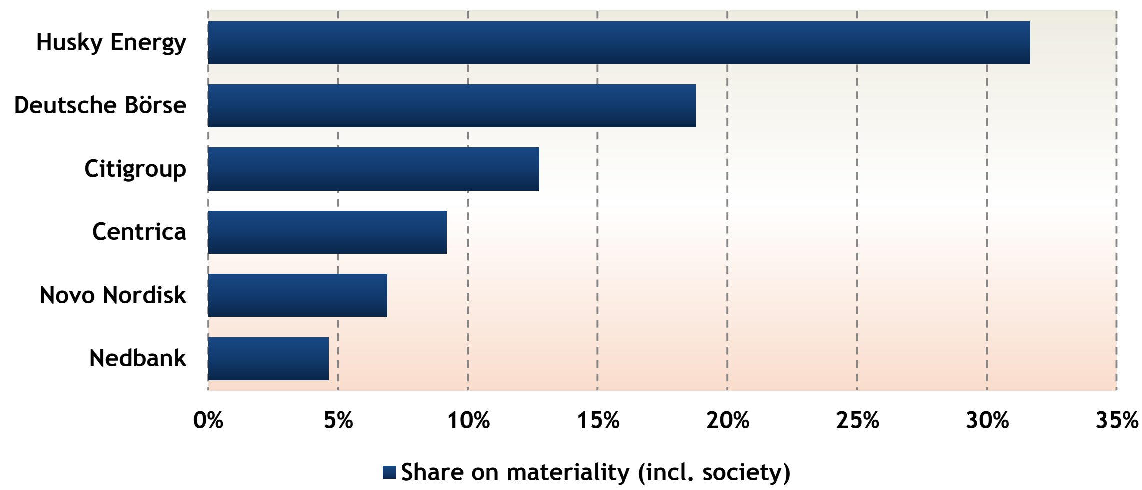
Investors remain lost without clear messaging

Financial markets require transparency on materiality

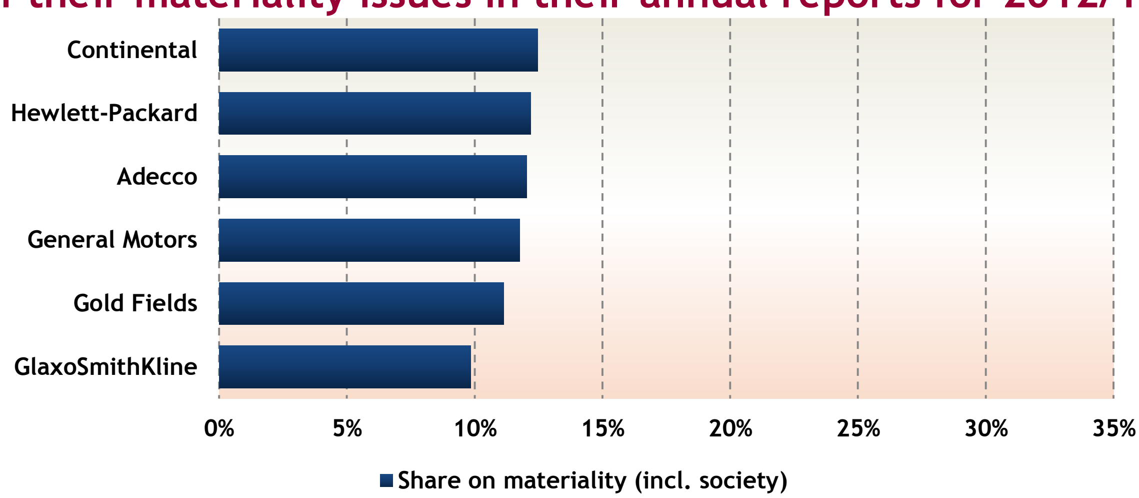
Despite the supposed purpose of annual reports being to share critical material information about the functioning of a company over the past year, most companies don't highlight material issues that reflect how they interact with the communities they operate in through these documents.

The banking industry in particular offered little visibility on material impacts on society in the analyzed annual reports. In a time of little trust, the banks are skipping an opportunity to make their case. Non-banking businesses are much more communicative on their societal impact.

Annual reports by blue chips seldem mention society as part of their materiality issues for 2011/12



No thought leaders among blue chips mentioning society as part of their materiality issues in their annual reports for 2012/13



Basis: 869 statements (at least 5 lines) in 2011/12 annual reports and 942 statements (at least 5 lines) in 2012/13 annual reports

CSR becomes an indicator for success

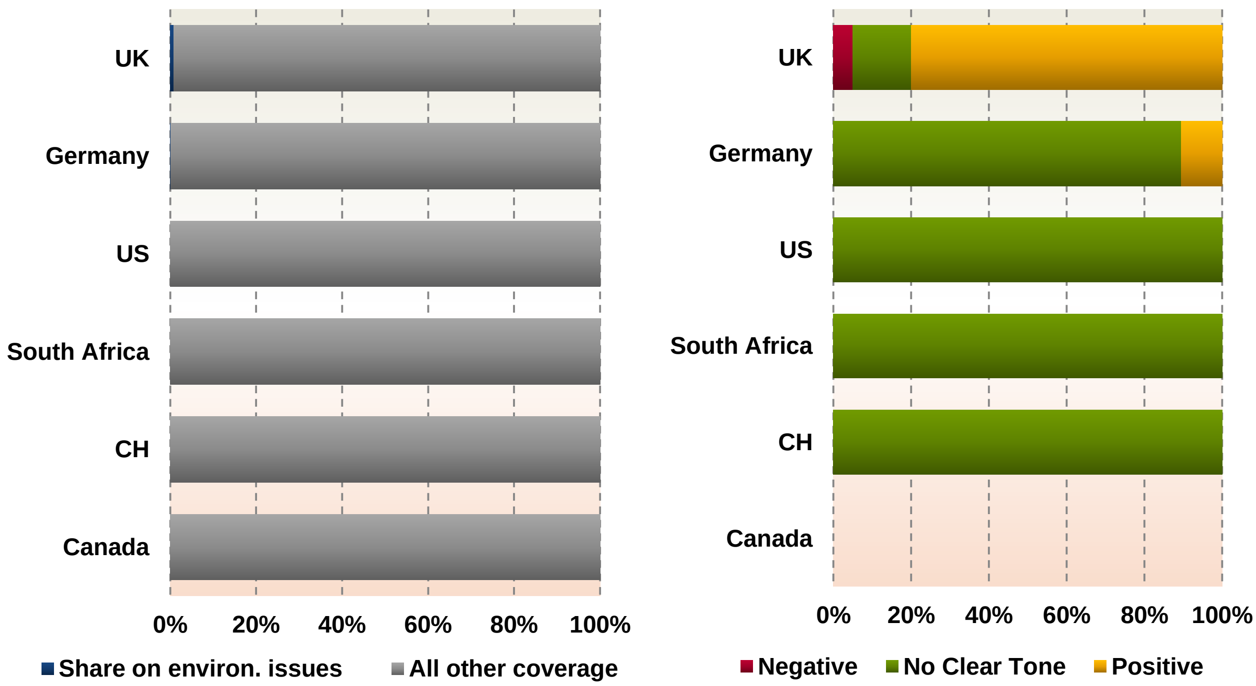
Breakdown by regions highlights trend setters

Fundamental research regarding the reasons for the latest collapse of the financial sector after 2007 is still ongoing. One thing is certain: those regions that maintained a tradition of defining mid- and long-term management goals and led their companies accordingly seem to have been less hurt by the financial meltdown than those that acted on short term management principles.

Ongoing Media Tenor research on how corporations take advantage of communicating via their annual reports, quarterly reports and analyst calls has looked at how companies generate accountability and transparency. Our research shows that blue chips from the U.K. and Germany not only provide a more relevant amount on information regarding their CSR activities, but are taking advantage of these documents to highlight areas in which they need to improve.

These are indicators of a corporate separation from traditional green-washing and an attempt to improve the reputation of CSR activities to investors outside of the company.

Regions of stable investments rank best in annual reports on CSR



Basis: 47 statements in 52 Corporate Annual Reports 2012/2013

Corporate communication amiss

Annual reports seldom used to address media agenda

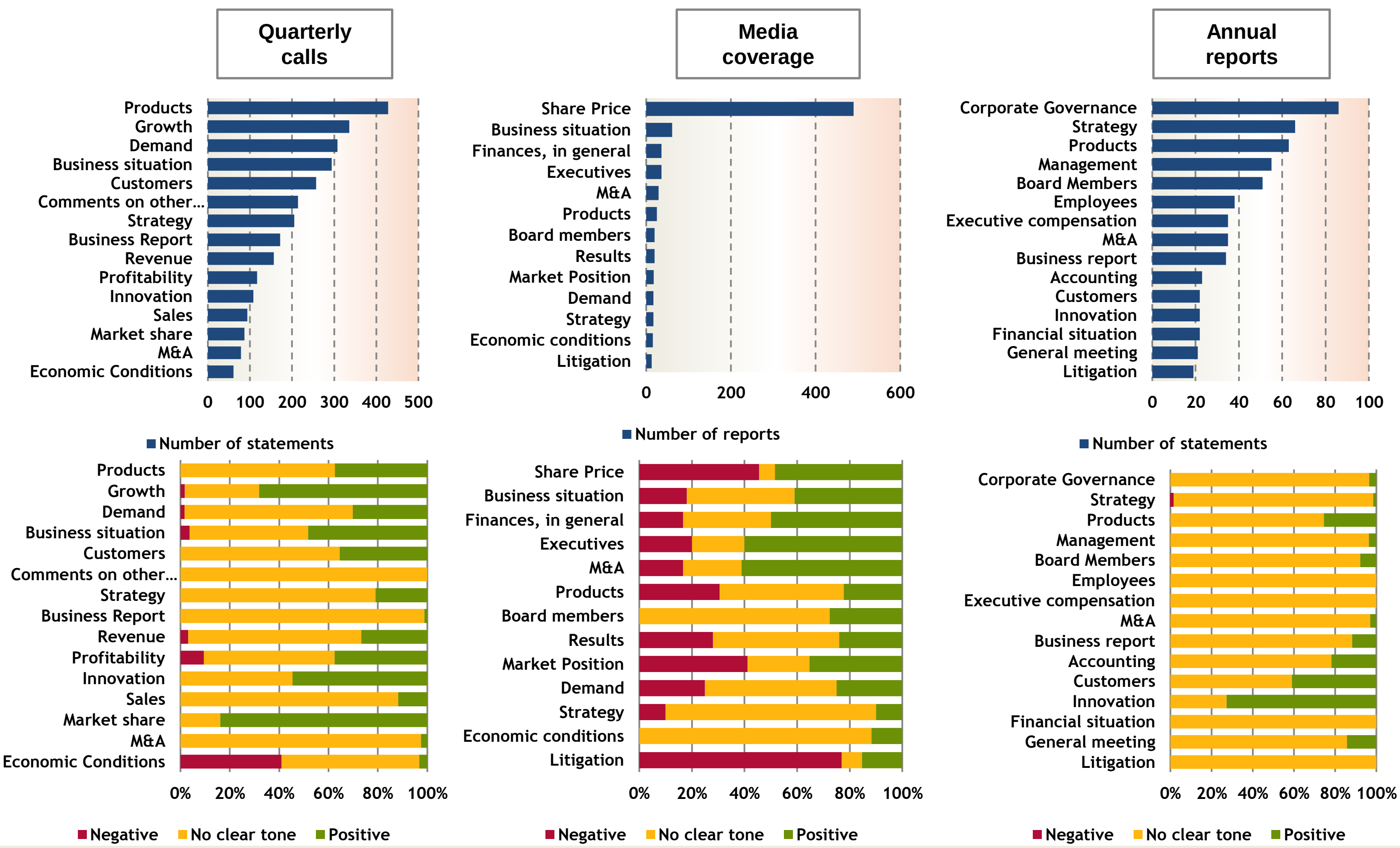
Companies produce quarterly and annual reports which do not necessarily reflect the issues affecting the company in opinion-leading media.

A lack of alignment between what is being communicated in corporate reports and what is represented in the media poses potential risk for these corporations as it creates an image of non-responsiveness.

Additionally, this reveals that corporations are ineffective at communicating their key strengths in the media as well as mitigate key media issues in their own reports.

Below is an analysis of media coverage and corporate reporting from SAP which shows that print and TV media had a very different focus when comparing it to the content provided by the company.

SAP quarterly earnings calls, reports on SAP in international media, SAP annual reports, Q4 2012 - Q3 2013



Basis: 3,390 statements in quarterly earnings calls / 1,101 TV and business media reports / 3,307 statements in annual reports

How to deal with reputation risk

The ten fundamental aspects of a professional media analysis

1. Media Presence

When media presence falls below the threshold of the 1,700 statements mark (in 60 opinion-leading media publications), an organization's image becomes susceptible to external influences.

2. Media Rating

In order to create a credible image, more than 20% of reporting must be positive and no more then 10% negative.

3. Share of Voice: Minimum 35%

The percentage of statements in the media regarding an organization that originate from the organization itself constitutes its share of voice. Organizations should make executives available to the media in order to relay positive information, as this increases coverage and circumvents journalists sourcing information elsewhere.

4. Balanced Topic Structure

An organization that is focused on only a few image factors is understating its overall value and puts undue pressure on top management to deliver short-term results.

5. Comparison with Competitors and Influential Organizations

When it comes to communication, organizations need to benchmark themselves against their direct competitors and against companies of similar influence in other industries.

6. Industry Analysis

The reputation of the industry in which a company operates, plays a significant role in how an individual organization is perceived.

7. Balanced Internal Sourcing

External communication should be a task in which all departments are aligned. Many voices are necessary to attract significant interest in an organization through numerous and diverse media contacts.

8. Importance of 'Soft' Stories

Soft topics are important leverage points in building a comprehensive image.

9. Balanced Media Structure

Coverage should be distributed among a variety of specialized and general-interest media to ensure balanced ratings, even under challenging circumstances.

10. Share of Quoted Analysts: Less than 10%

Analysts' quotations should comprise less than 10% of total coverage in order to ensure a balanced variety of topics and to ensure that sources outside of the organization do not have an undue influence on its image.

Communication Check Box

- ☐ Sufficient overall visibility
- ☐ Continuous news flow
- ☐ Balanced, positive tone
- ☐ Sound image structure, with topic diversity
- ☐ Visibility of key value drivers
- ☐ Strong share of voice
- ☐ Balanced stakeholder opinions

Reputation and its risks

Harvard Business Review, 2007

"Executives know that their company's reputation affects their ability to deliver performance both now and in the future. Companies with a strong positive reputation attract better people and are perceived as providing more value in their products and services, which often allows them to charge a premium for them. Their customers are more loyal and buy a broader range of products and services. Because the market believes such companies will be able to deliver sustained earnings and future growth, they have a higher price-earnings multiple and market value and a lower cost of capital. However, in an economy where 70% to 80% of market value comes from hard-to-assess intangible assets such as brand equity, intellectual capital, and goodwill, companies are especially vulnerable to anything that damages their reputation.

Most companies, however, do an inadequate job of managing their reputations. They fail to recognize that reputational risk is a distinct, corporate-wide category of risk and, instead, tend to mistake their process for handling threats to their reputations that have already surfaced, usually publicly, as satisfactory process. This is not risk management; it is crisis management. While companies have become sophisticated in managing crises, it is a reactive approach to limit the damage. In contrast, reputational risk management is a proactive process."

ROBERT ECCLES, ROLAND SCHATZ

in Harvard Business Review, 2007/1

Testimonials on Media Tenor

Business experts on the importance of reputation issues

"Without the support of Media Tenor, our work would not have been understood by the world leaders on one hand and the general public on the other."

PETER EIGEN, Former President, Transparency International

"Journalists have an extreme impact on what is going on in the world. Therefore, we need a watchdog for us watchdogs. I am grateful that Media Tenor serves this need from a scientific approach but with a strong journalistic understanding."

FRED KEMPE, Former Editor-in-Chief, Wall Street Journal, Current President at The Atlantic Council of the United States

"Strategic Media Relations needs a clear and independent seismograph, telling us in advance where the weaknesses of our external communications are. Media Tenor serves on a global level with their continuous qualified analysis of traditional media as well as monitoring the internet."

RICHARD GAUL, former Head of Corporate Communications, BMW

"Daily reports on the media coverage and expert analysis of the areas of our strengths and weaknesses allowed us to tailor our coverage accordingly; to refocus our efforts on the desired messages and on the sections of the media where we were not being so successful. Without the fine work of Media Tenor that could never have been done effectively."

DR. MICHEL OGRIZEK, International Communications Consultant, Paris

"Media Tenor International provides a unique way for a company to compare the message it is intending to send with the message that is getting heard. Those companies who are committed to greater transparency will find Media Tenor an invaluable tool for improving communication with their shareholders and other stakeholders. Media Tenor is also a useful tool for investors, since it enables them to assess the risks to the reputation and brand of their portfolio companies."

PROF. DR. ROBERT G. ECCLES, CEO, Perception Partners, Inc.

Mediatenor
strategic • media • intelligence

Methodology: Content measurement

Statement coding, passages, and reports

STATEMENT CODING separately analyzes every single piece of information in an article (subject, topic, rating, source, etc.). It is the most sophisticated way of analyzing content and helps to track whether single messages are covered by the media or whether negative/positive tone is changing with regard to headlines and so forth.

Information entities are designed to grab the overall picture of a company and its senior executives in an article. Every description of either a company or a senior executive (minimum of 5 lines) results in a coded passage. A report on a company announcing earnings without the presence of senior executives would be coded as a single passage. The rating is coded according to the dominant tone of coverage (positive/neutral/negative).

THE SINGLE STORY on a certain topic. Report-based coding is use to analyze the main topic of a story (e.g. old-age provision) compared to other stories (e.g. war, catastrophes).

1) “Allianz triplica sus beneficios en España...”
(Allianz triples its profits in Spain)

CODING (CODE):
Company: Allianz Spain (46)
Line of business: Not mentioned (0)
Country described: Spain (221)
Chronological structure: Present (1)
Topic: Business results (100)
Rating explicit: None (0)
Rating contextual: Positive (1)
Source of information: Journalist (1)

> A total of 20 statements were coded.


Allianz triplica sus beneficios en España

1) “Allianz Seguros, la filial española del grupo alemán...”
(Allianz Seguros, the Spanish subsidiary of the German group)

CODING (CODE):
Company: Allianz Spain (46)
Line of business: Not mentioned (0)
Country described: Spain (221)
Topic: Existing holdings (406)
Chronological structure: Present (1)
Rating explicit: None (0)
Rating contextual: None (0)
Source of information: Journalist (1)

3) “...un 7,1 por ciento más”)
(7,1 per cent more)

CODING (CODE):
Company: Allianz Spain (46)
Line of business: Insurance in general (1)
Country described: Spain (221)
Chronological structure: Present (1)
Topic: Results, profits (101);
Rating explicit: None (0)
Rating contextual: Positive (1)
Source of information: Journalist (1)

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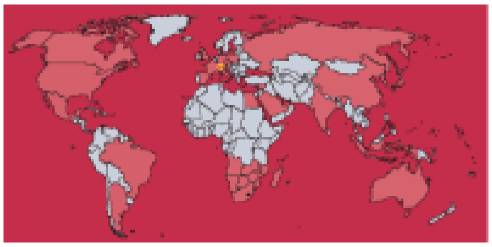

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