



Trust in Global Financial Institutions – Thomson Reuters TRust Index Third-Quarter 2013 Results

- Trust in global financial institutions remains negative overall, but regional differences widen
- Divergence between positive analyst earnings and investors discounting growth still evident
- Level of regulatory activity accelerating and doubled since the Dodd-Frank Act

NEW YORK, October 16, 2013 – Thomson Reuters, the world’s leading source of intelligent information for businesses and professionals, today announced the results of its proprietary TRust Index showing that trust in the Top 50 Global Financial institutions remained negative in the third quarter, according to news and social media sentiment analysis, but regional differences have widened since the second quarter. Financial metrics indicate increased confidence in the sector, but regulatory activity shows no sign of abating.

Tracking the Top 50 Global Financials for the third consecutive quarter of TRust Index metrics, the third quarter saw a continuation of several trends observed throughout 2013, among them a steady improvement in sentiment in news and social media (essentially stable for the third quarter); continued confidence in analyst expectations for the sector; the divergence between investors and analysts still evident; and proliferation – even acceleration – of regulatory activity.

“Our ongoing monitoring of key metrics on trust in the global financial industry reveals that at five years post-crisis financial institutions are stronger, more stable,” said David Craig, president, Financial & Risk, Thomson Reuters. “Whilst social media sentiment analysis shows trust is still negative for the quarter, for the first time since January, European Financials have moved higher than US Financials, reflecting recent mortgage scandals in the US and increasing confidence in UK and European institutions.”

Tracking trust through news and social media sentiment revealed a media sentiment score of -1.5% for the Top 50 Global Financial institutions for the quarter, level with the second quarter’s -1.5%. On a regional level, there continue to be subtle but important shifts. The institutions in Europe/UK saw modest third-quarter improvement in trust sentiment from -1.5% to -1.0%, and are now on par with the Asian institutions which have led in trust scores for virtually all of 2013 (at -1.0% for both quarters). At -1.6% the institutions in North America were flat for the quarter, but had the lowest levels of confidence overall.

Movement in the trust sentiment scores over the quarter appears driven by a range of factors and events.

- The August Justice Department suit against Bank of America over mortgage fraud and record JP Morgan settlement in September most affected institutions in the Americas.
- ECB signals that it would not allow money market rates to rise too high due to fears of Fed rate rises and general positive sentiment about privatization of UK banks continued to support the increased trust in European banks.
- In Asia, ongoing concerns about the strength of the economy and shadow banking in China appear to have the greatest impact on overall trust sentiment for banks in the region.

Other features of this quarter’s TRust Index follow below; please click [here](#) for further insight and data:

The Confidence of the Marketplace – Investors and Analysts

- Third-quarter earnings growth estimates for the Financials sector regained their top spot during the quarter (having slipped to second in the second quarter) based on high analyst



expectations. At 9%, earnings growth estimates for the sector are lower this quarter (17% in the second quarter), but still well ahead of the other S&P 500 sectors.

- According to Thomson Reuters StarMine, analysts forecast a forward 5-year growth rate for the Top 50 Global Financials of 9.0% (compared with the first-quarter forecast of 7.9% and the second quarter at 8.1%), and above their 8.0% expectations for the S&P 500. Although we are still seeing investors discount growth, with market implied growth rates far below analyst expectations, third-quarter figures show a slight improvement on the second quarter. The Top 50 Global Financials achieved a 7.4% price increase over the quarter, above both the S&P 500 and Thomson Reuters Global Index.
- Aggregate changes to analyst recommendations over the quarter for the Top 50 Global Financial institutions show that downgrades outnumbered upgrades across all regions. While the Asian institutions scored the highest number of upgrades, these were outpaced by the number of downgrades – again, increasing concerns about Chinese banks appear to be having a particularly strong influence.

Counterparties: Credit Spreads as an Indicator of Trust

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

Regulation as a Barometer of Trust

"The proliferation of regulatory activity over the past five years, and its clear implications for the financial sector in terms of managing compliance, shows no sign of receding," added Scott McCleskey, global head of regulatory intelligence, Financial & Risk, Thomson Reuters. "In fact it looks to be accelerating, as the number of average daily alerts has doubled since the Dodd-Frank Act."

- The level of regulatory activity worldwide continued its strong upward trend this quarter. The average daily number of regulatory alerts tracked by Thomson Reuters Accelus rose to 110, roughly double the daily average for the same quarter in 2010, and at the end of the third quarter stood at nearly 19,000 alerts for the year.

Tracking Controversy and Governance as Factors in Rebuilding Trust

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

Thomson Reuters TRust Index leverages proprietary data analytics, news and social media sentiment analysis. This latter indicator draws on over four million business and financial news and media sources to track the state of trust in the Top 50 Global Financial institutions. This [two-minute video](#) explains further how the measures in this quarter's TRust Index relate to the state of trust in the global financial market place over the quarter. Please click on [first quarter 2013](#) and [second quarter 2013](#) for previous results.

Sources: Thomson Reuters ASSET4, Thomson Reuters Business Classification (TRBC), Thomson Reuters Datastream, Thomson Reuters I/B/E/S, Thomson Reuters MarketPsych Indices, Thomson Reuters News Analytics (TRNA), Thomson Reuters StarMine Quantitative Models



THOMSON REUTERS

About Thomson Reuters

Thomson Reuters is the world's leading source of intelligent information for businesses and professionals. We combine industry expertise with innovative technology to deliver critical information to leading decision makers in the financial and risk, legal, tax and accounting, intellectual property and science and media markets, powered by the world's most trusted news organization. With headquarters in New York and major operations in London and Eagan, Minnesota, Thomson Reuters employs approximately 60,000 people and operates in over 100 countries. Thomson Reuters shares are listed on the Toronto and New York Stock Exchanges. For more information, go to <http://thomsonreuters.com>.

CONTACT

Lemuel Brewster
PR Director for Investors
Thomson Reuters
+1 646 223 5147
lemuel.brewster@thomsonreuters.com

Lauren Herman
Thomson Reuters
+1 646 223 5985
lauren.herman@thomsonreuters.com

Clare Arber
Head of PR for Financial Services Content
Thomson Reuters
+44 20 7542 6256
clare.arber@thomsonreuters.com

Keywords:

Thomson Reuters TRust Index
TRust Index
Thomson Reuters Trust Index
Trust Index
Trust in the Global Financial Marketplace
Trust of the Global Financial Marketplace
Trust and the Global Financial Marketplace
Trust and Financial Marketplace
Trust in the Financial Marketplace
Trust in the Financial Community
Trust and the Financial Community
Trust Benchmark
TRust Benchmark