European bank performance
10 years after the crisis

London, 21 March 2018
European banks have become more profitable, but revenue gap to US peers widened further in last few years.

**Net income**
USD / EUR bn, up to Q4 17

- US banks
- Large European banks

**Total revenues**
Q1 2006 = 100, up to Q4 17

- US banks
- Large European banks

Sources: FDIC, company reports, Deutsche Bank Research
... as low rates have hurt banks’ interest income with only limited impact on lending

**Net interest income**

EUR bn, top 20 European banks

**Lending to the private sector**

% yoy, up to Jan 18

Sources: Company reports, Deutsche Bank Research

Sources: ECB, FDIC, Deutsche Bank Research
... yet low rates have massively helped asset quality

### Loan loss provisions
USD / EUR bn, up to Q4 17

### NPLs in selected countries
Non-performing loans as % of total loans

Sources: FDIC, company reports, Deutsche Bank Research

* No data available for Q1 and Q3, data for Germany only available for Q4.

Sources: IMF, Banco de España, Banco de Portugal, Banca d'Italia, Deutsche Bank Research
Cost pressure remains high, but capital issues have been resolved

Cost-income ratio of Europe's 20 major banks

<table>
<thead>
<tr>
<th>Year</th>
<th>2010</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>%, unweighted average</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Core Tier 1/Common Equity Tier 1 ratio* of Europe's 20 largest banks

<table>
<thead>
<tr>
<th>Year</th>
<th>Dec 08</th>
<th>Dec 09</th>
<th>Dec 10</th>
<th>Dec 11</th>
<th>Dec 12</th>
<th>Dec 13</th>
<th>Dec 14</th>
<th>Dec 15</th>
<th>Dec 16</th>
<th>Dec 17</th>
</tr>
</thead>
<tbody>
<tr>
<td>%, unweighted average</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Sources: Company reports, Deutsche Bank Research

* Basel II; Basel 2.5 applied from Q4 11 on, Basel III from Q1 14 on

Sources: Company reports, Deutsche Bank Research
European banks shrink to (pro)fit

2017: second-best annual result since financial crisis

- Revenues still depressed
- Banks cut costs and benefit from improving asset quality – driven by low interest rates and economic recovery → what happens in the next recession?
- Capital levels have more than doubled since 2008 → massive de-risking and shrinking

US competitors are far ahead

- Revenues on a stable upward trend
- Loan growth and loan losses have suffered somewhat from rising interest rates, but overall remain resilient
- Profitability moving from one record to the next

European outlook:

- Rising rates likely to strengthen interest margins, but also slow down volume growth (again)