

Dr. Schanz, Alms & Company

Aligning Corporate Strategy and Communication

Reputation and Private Banking

Overcoming the post-crisis lack of trust

11 March 2011

Agenda

- About us
- The reputational impact of the financial crisis
- About reputation
- Reputation in private banking
- Summary



About us

Dr. Schanz, Alms & Company AG focuses on advising clients in the financial services sector.

We develop and execute content-driven communication strategies, targeting customers, employees, investors and the media.

Our clients are based in Switzerland, other European countries , the Middle East and Asia.

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The financial crisis: A reputational disaster



Greed: On-going - Excessive bonus schemes



Fraud: Dec 2008
Madoff's ponzi scheme



Misconduct:
Continuous tax evasion



Default: Sept 2008 -
Lehman insolvent



“Privatize the profits, socialize the losses”: i.e. Feb 2011 - Axel Weber estimates € 700 bn cost for German taxpayers



Misled: 2008 –
The subprime and housing crisis

Just another day in the media....

7 March 2011:
NZZ, US launches another attack on Swiss banks and Swiss banking secrecy



2 March 2011, Daily Telegraph: Mervyn King: „In the past 25 years, banks have increasingly taken bets with other people’s money.“



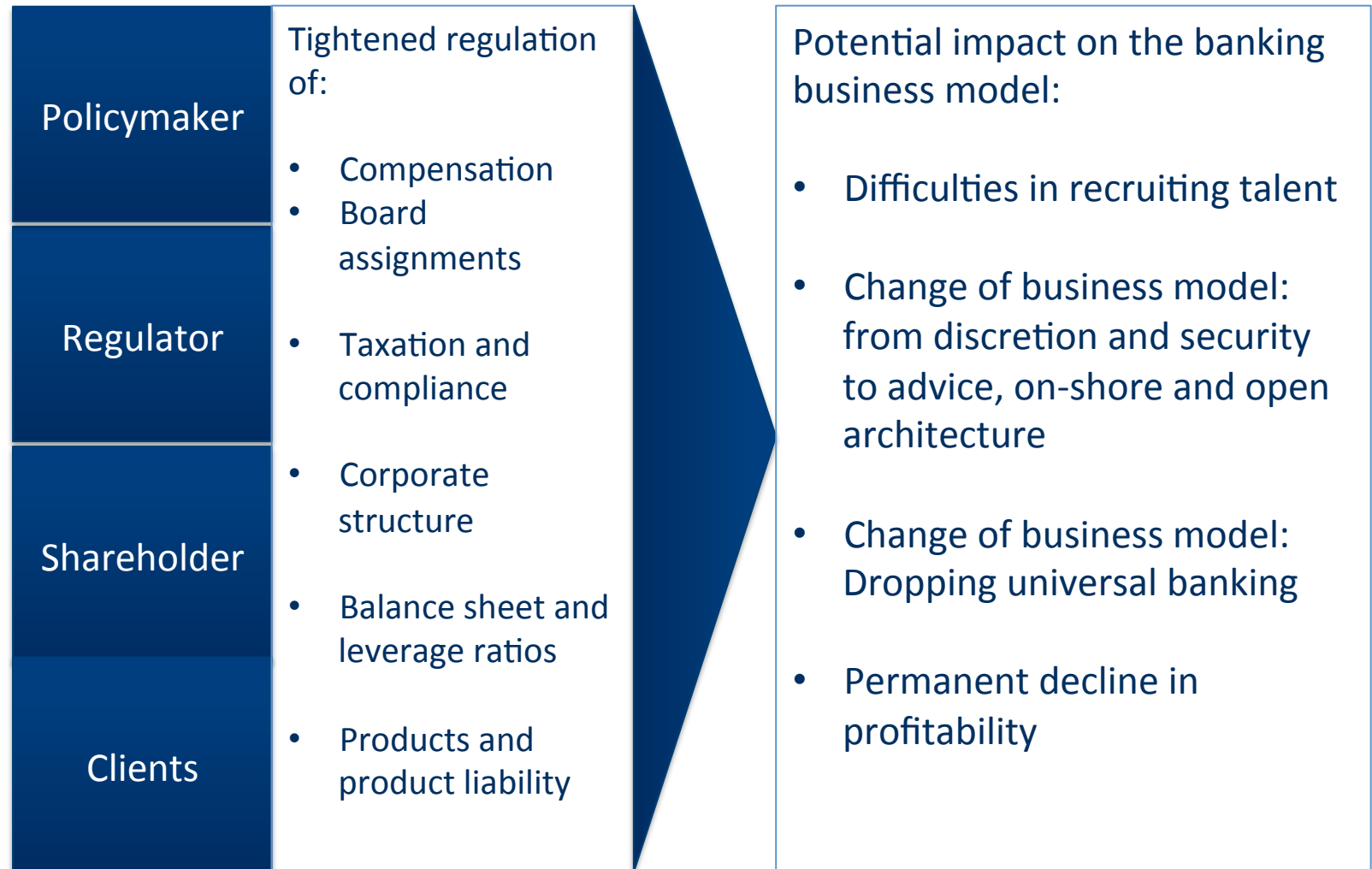
2 March 2011:
FT, UBS CEO predicts lower future earnings for UBS



7 March 2011, NZZ:
Swiss regulator FINMA to further regulate investment advice in private banking



The financial crisis: Potential impact of tightening controls



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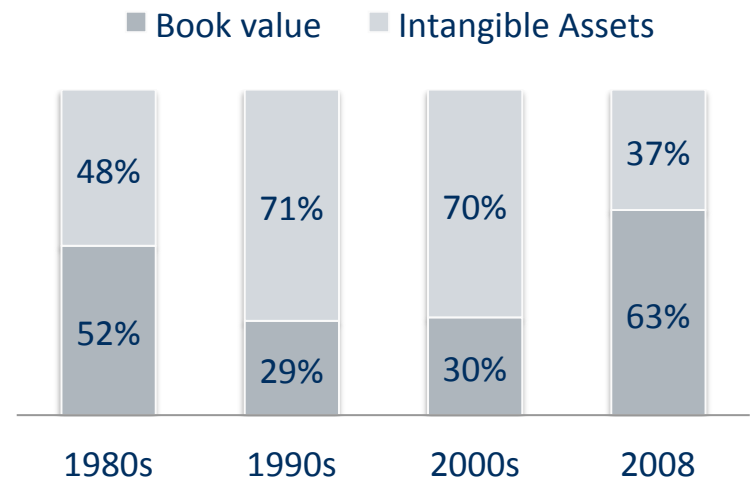
The relevance of reputation

Strong reputation enhances the freedom of action.

According to measurements a strong reputation increases:

- Customer confidence
- Customer retention
- Supports to assert a price premium or higher purchase ratios
- Assures smoother access to capital markets, thus lower capital costs
- Assures higher recruiting and retention rates
- Able to draw on greater support, thus a strong reputation may serve as a proxy for information
- Is advantageous in negotiating with stakeholders

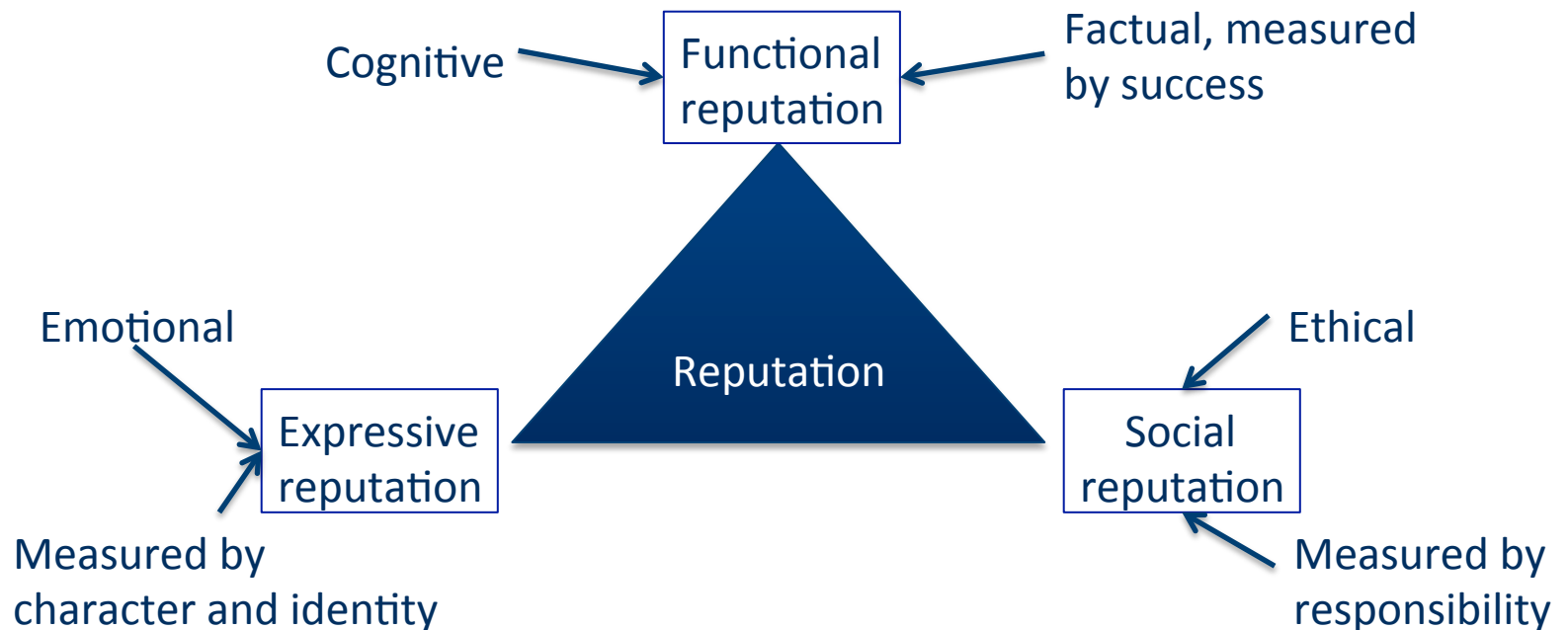
Ratio between book and market value for HDAX companies¹



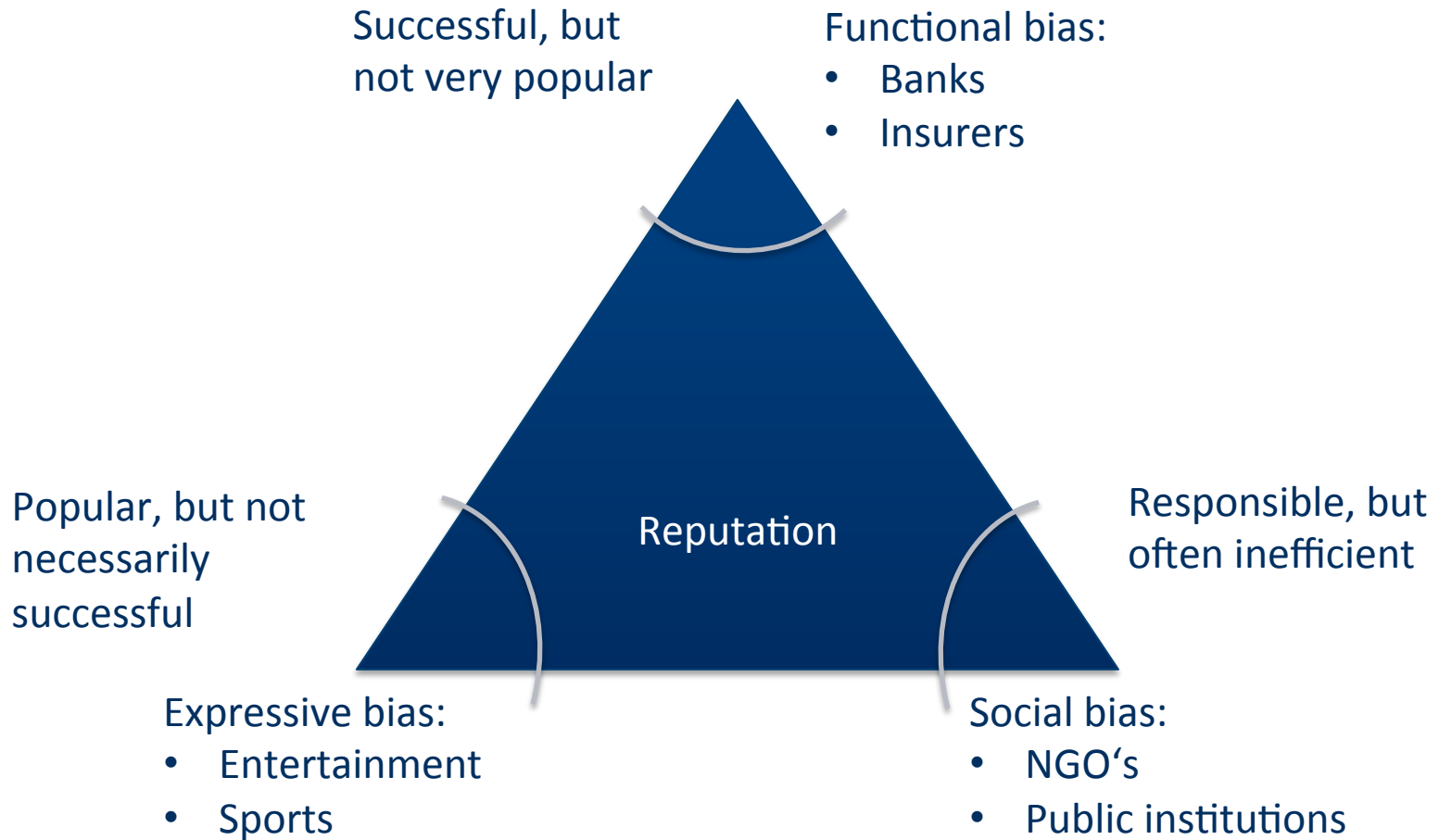
¹M. Schwaiger et.al, in: Reputational Capital, Springer Publ.

Defining reputation

Reputation: The sum of expectations that the public or an individual places on the future behaviour of a person or institution.



Avoid a strong bias towards one end of the reputational triangle

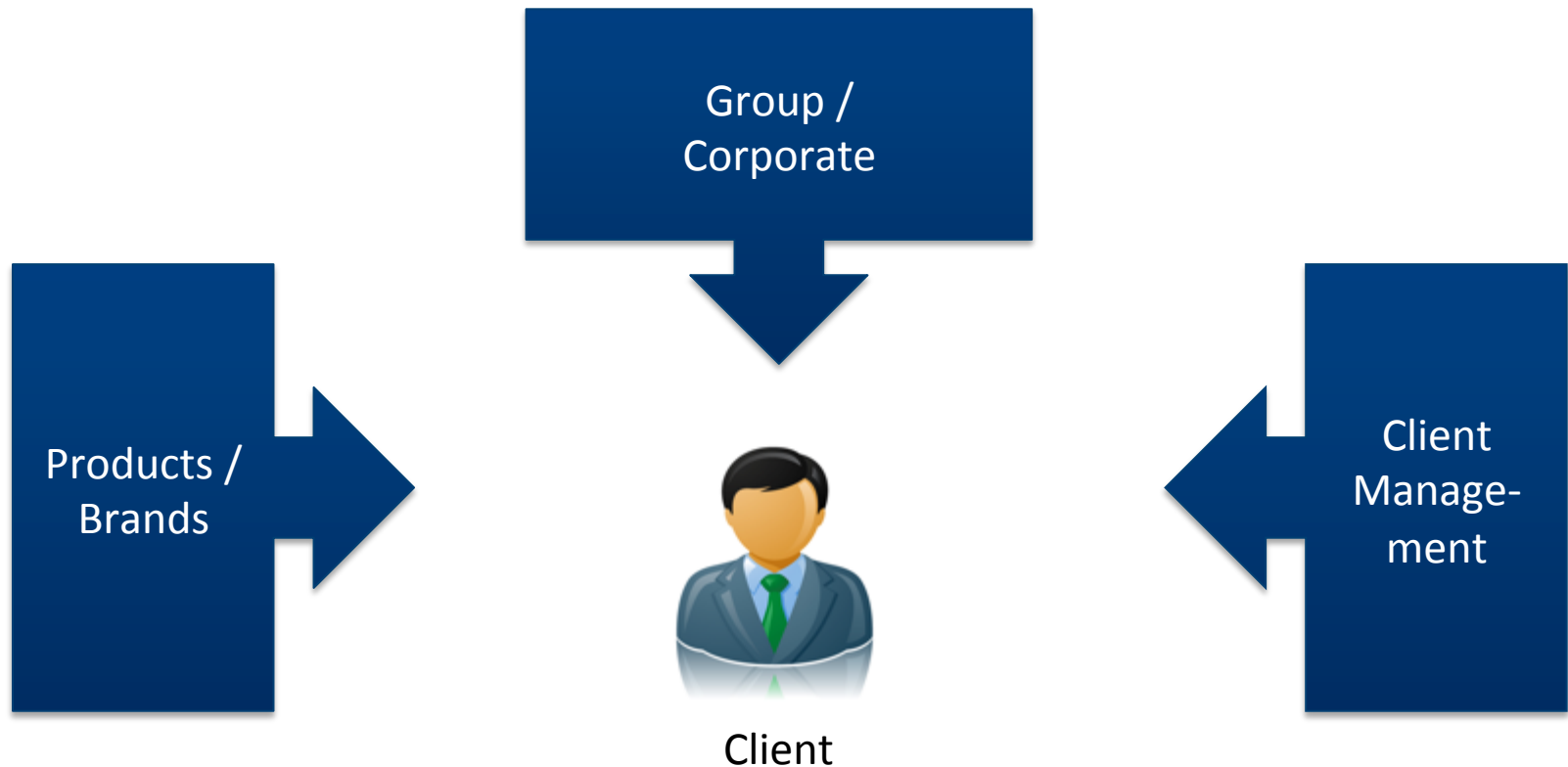


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Relevance of reputation for private banking

The perception which the client holds of a firm is typically shaped by corporate activities, the products and their brands and the client management



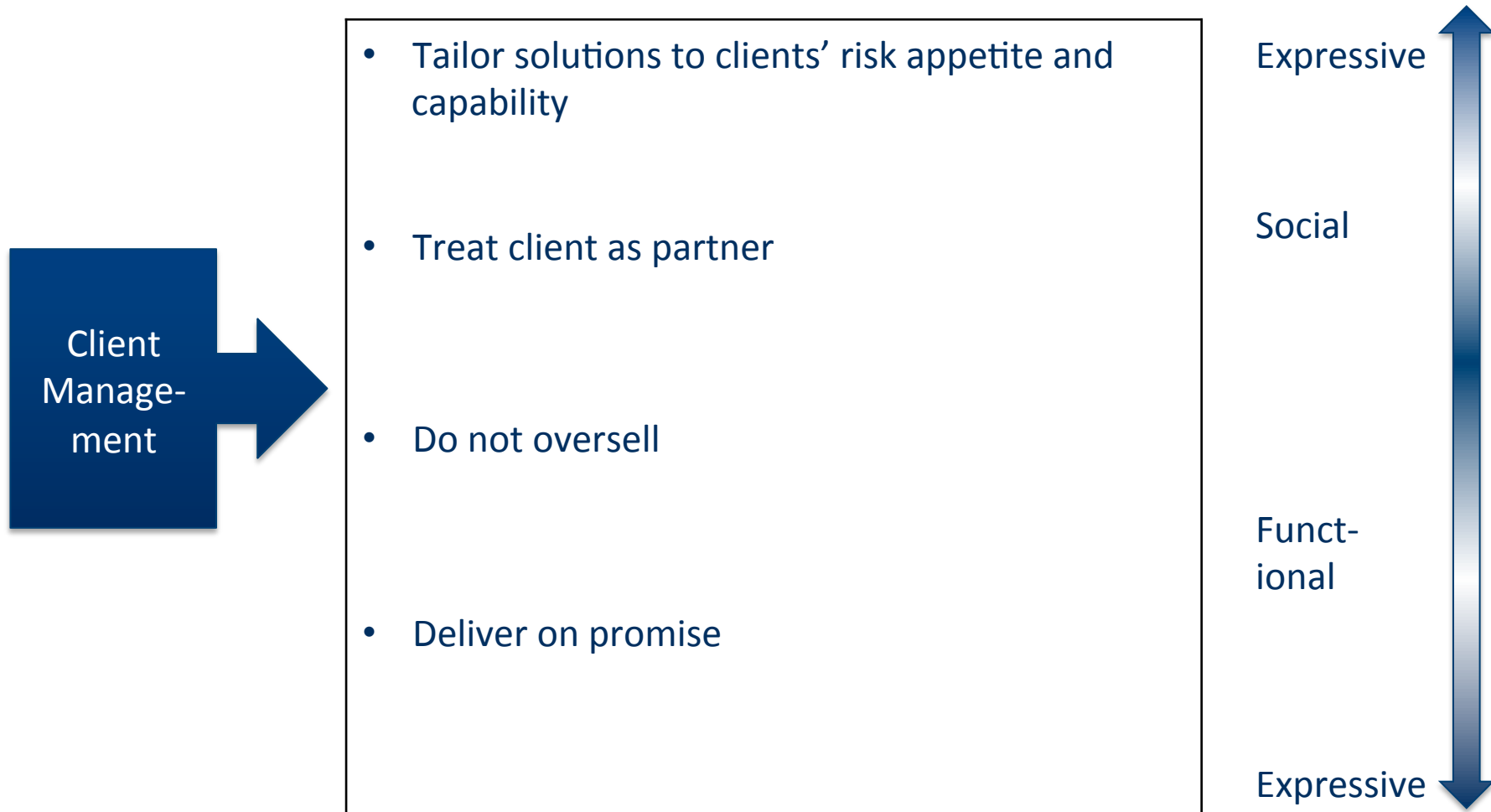
Reputation management from a corporate perspective



Reputation management from a product / brand perspective



Reputation management from a client management perspective



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Summary

- The financial crisis has proven a reputational disaster for the financial services industry which significantly impacts on the sector's freedom of action, its business model and ultimately its profitability.
- Thus far, the banking industry has defined itself predominantly by commercial success. Social and expressive parameters of reputation, which also shape the attitude of stakeholders, were not sufficiently taken into consideration.
- To restore trust and build a strong reputation, the banking industry has to return to commercial success, fulfil its social obligations and develop a “personality” which is clearly focused on the benefits of its clients.
- To meet this objective the banking industry should self-critically review the impact of its activities from a corporate, product and client management perspective.

Contact

Dr. Schanz, Alms & Company AG

Dufourstrasse 24

CH-8008 Zurich

Switzerland

Dr. Kai-Uwe Schanz

Chairman & Principal Partner

Fon +41 44 256 1081

Mob +41 79 413 2848

kai-uwe.schanz@schanz-alms.com

Henner Alms

Principal Partner

Fon +41 44 256 1082

Mob +41 79 248 4091

henner.alms@schanz-alms.com