

# LAFFERTY BANK BENCHMARKING

Expert bank quality rating

Lafferty Benchmarking delivers unique rating services allowing senior executives to measure their banks against their national, regional and 'best-in-class' competitors. Our proprietary methodology uses banks' annual reports as well as statements from CEOs and Chairmen to build up a detailed picture of their financial position, management effectiveness, organisational culture, customer satisfaction and more.



Rating  
your bank



Benchmarking your  
bank against others  
in your market



Benchmarking your bank  
against the Global 100  
Benchmarking Study

## SUBSCRIBERS WILL RECEIVE:

### **A bespoke Lafferty Benchmarking report**

A detailed bank quality rating, plus benchmarking against comparable banks, giving executives actionable insight into their competitive position.

### **Monthly, multi-page research notes**

Coverage of the latest industry developments from Lafferty's Retail Banking 2020 Research Service, including mobile banking, robotics and AI, bank-fintech partnership, and bank branch design.

### **Daily news updates**

The Lafferty Daily Briefing email keeps senior executives across the industry up to date with the key news and sector developments driving retail banking and cards and payments markets.



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Capitec is “inspired by this recognition”.

Gerrie Fourie, CEO, Capitec

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## Lafferty Benchmarking

Lafferty Benchmarking delivers unique rating services allowing senior executives to measure their banks against their national, regional and ‘best-in-class’ competitors. Designed in consultation with senior bankers and Lafferty Council members, our proprietary methodology uses banks’ annual reports to build up a detailed picture of their financial position, management effectiveness, organisational culture, customer satisfaction and more.

We take a detailed, long term (typically over one credit cycle) look at a range of qualitative and quantitative factors to assess banks’ competitive position, while our expert analysts provide additional market context.

The qualitative factors include areas of critical importance to any bank including, for example, culture, strategy and customer satisfaction; while quantitative factors include return on assets and loan to deposit ratios.

**The benchmarking report gives bank executives unique, actionable insight into their competitive positioning.**

Many clients select a wide range of banks including local and international competitors. Lafferty’s previous work on bank quality benchmarking shows that high quality banks are to be found all over the world. In initial studies, banks in the Middle East, Africa and Asia dominated the top ten positions, while well-known global banks from US and Europe often languished in the lower positions, despite their reputations and name recognition.

**Understand the signals your annual report is sending.**

With a deep view across the world’s leading banks, we understand the winning bank quality metrics: what makes good culture, strategy and customer service.

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“The ratings analysis showed us the specific areas that we needed to improve – and pointed us in the direction of other banks that were doing excellent work in those specific areas. Attracting a four-star rating earned us great publicity.”

Yemi Odubiyi, Executive Director  
/ COO, Sterling Bank

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# Lafferty Benchmarking is designed for:

## BANKS

**Bank chairmen, deputy chairmen, independent and other non-executive directors** – who will be able to use the bank quality ratings to judge how the bank is performing relative to peers.

**CEOs, CFOs, heads of retail banking, corporate banking, investment banking and other business units** – who will be able to compare their bank's quality rating to peers around the world and to understand the long-term strategies that in the past have delivered sustainable re-ratings in both stakeholder perception and valuation ratios. This approach also helps to develop ways of thinking about what customers and shareholders really value and hence what management should be rewarded for.

**Heads of correspondent and international banking** – who need to keep abreast of the quality of their bank partners.

**Heads of Risk in banks' management teams** – to understand the quality and practices of the world's banks.

**Remuneration and audit committees** – the methodology provides a much better framework to judge performance and rewards for executives. EPS growth targets and RoE have been thoroughly discredited. This service helps make sure that "rewards for success" are in place.

**Investor relations, public relations and corporate marketing departments** – the service can be used in conjunction with investor feedback from roadshows and management meetings to see where there is a perception gap – and what the bank's strengths and weaknesses are rewarded for.

## REGULATORY AUTHORITIES

Central banks and regulators can use this independent assessment of quality to supplement their judgement of the institutions they oversee. With its focus on quantitative and qualitative assessment criteria, Lafferty Benchmarking provides a simple yet effective quality comparison across jurisdictions.

## INVESTORS

Whatever your preferred investment strategy, our focus and knowledge of the banking industry will add value to your understanding of this sector. Our quality assessment and ratings will help you to ask the right questions and decide where to invest.





“Lafferty Benchmark Reports are essential reading not just for banking executives with strategic responsibility, but for anyone making investment allocation decisions in the banking sector”

## What sets Lafferty Benchmarking apart from other measures of assessing bank quality?

The global financial crisis exposed serious flaws in the methodologies of established bank quality measures. Specifically, they:

- ⊙ Emphasise the financial clout of a bank’s sovereign-backer rather than the quality of the bank;
- ⊙ Ignore the crucial “soft” determinants of success, such as strategy, culture and customer loyalty.

## How is Lafferty Benchmarking different?

- ⊙ **Lafferty Benchmarking is based on the annual report**, which has a unique status and contains a multitude of signals, both intentionally and unintentionally made.
- ⊙ **Lafferty Benchmarking comprises two parts, the first being a suite of quantitative measures:** here we look, inter alia, at capitalisation, profitability, and liquidity. For the second, qualitative part, we scour the annual report for those difficult-to-measure qualities, such as strategy, culture, brand promise and management experience.

## Quality, integrity, innovation

We have been watching and reporting on the strategies and performance of banks worldwide for more than 30 years. Our analysts can “read between the lines” of an annual report based on academic research of the content analysis of what CEOs and chairmen say in the statements.

We are prepared to “say it as we see it” and go against the crowd. We are not under pressure to create trading commissions or investment banking business. We don’t have any great attachment to any one criteria for scoring quality – we simply aim to select the criteria that will best capture an accurate measure of the quality of a bank, as well as its inherent integrity, credibility and trustworthiness.

Please note: The Lafferty Bank Benchmarking Services do not constitute credit ratings as set out in Regulation(EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies.





“I think it’s refreshing to have this approach, and frankly it’s good for our industry, and will also hopefully cause some behavioural changes inside the banks.”

David Nelms, CEO, Discover

## YOUR BESPOKE REPORT

Lafferty Benchmarking options include:

### Rating your bank:

We will rate your bank according to the Lafferty Benchmarking criteria and provide:

- ⦿ Scores and analysis for each of the 15 rating criteria
- ⦿ Your bank’s star-rating – which may range from 1 to 5

### Benchmarking your bank against others in your market:

Ranking and analysis of your bank’s relative position among comparable banks in your country, region, or sector.

### Benchmarking your bank against the Global 100 Benchmarking Study

Ranking and analysis of your bank’s relative position against a cross-section of the world’s leading banks, including established players from developed markets, as well as newer, more nimble institutions from emerging markets.

#### Quantitative criteria

- ⦿ Loans: Deposit ratio
- ⦿ Return on assets
- ⦿ Equity: Total assets
- ⦿ Cash: Total assets
- ⦿ Retail loans: Total Loans
- ⦿ Mis-selling
- ⦿ Education/ qualifications

#### Qualitative criteria

- ⦿ Strategy
- ⦿ Brand Promise
- ⦿ Culture
- ⦿ Not more than two ‘one offs’ in a year
- ⦿ Management Experience
- ⦿ Customer loyalty

## Where we source the information

All the information we use in the rating is publicly available in banks’ annual reports. However, we sift through the information with a fine-tooth comb. For example, the annual report is often more revealing about a bank than any other public document. We look for unusual notes in the accounts.

We question whether they actually do what they set out to do. We sense the culture in the bank. Does it have a commitment to performance and accountability? We ask ourselves: do they know what they are doing?

## Lafferty Benchmarking

We publish bank ratings with scores of one to five stars, but our bespoke individual bank ratings will take you deep into the fine details. Your bespoke individual ratings delivers an in-depth analysis of the score achieved by your bank in each individual metric – and we can also deliver the same fine detail analysis of your peers or of our best in class benchmarking exercise.

We award points to each bank out of a possible maximum score of 100, in bands of 20:



### 5 STAR

**Bank Quality Rating**  
These banks score from 81 to 100 percent.



### 4 STAR

**Bank Quality Rating**  
These banks achieve between 61 and 80 percent.



### 3 STAR

**Bank Quality Rating**  
These banks achieve between 41 and 60 percent.



### 2 STAR

**Bank Quality Rating**  
These banks score between 21 and 40 percent.



### 1 STAR

**Bank Quality Rating**  
These banks score poorly, achieving less than 21 percent.

## ANNUAL FEES

Benchmarking services are available from \$9.5k. To find out more and discuss your benchmarking needs, email [enquiries@lafferty.com](mailto:enquiries@lafferty.com) or phone **+44 (0) 20 3633 1630**. Our benchmarking services are available for whole bank rating as well as retail bank-focused rating.

## ABOUT LAFFERTY GROUP

Senior executives at retail banks, card issuers, and payments providers around the world rely on Lafferty Group for the research, news, data and insight that powers their strategy and decision-making. With over 30 years of experience in retail banking, Lafferty is positioned to support retail banking as it evolves in a rapidly changing, digital world.

Lafferty has constantly innovated: in 1981 we launched the first regular global newsletter serving the retail banking sector; the first in-depth management report followed in 1982 along with the first global retail banking conference; we ran the industry's first international retail banking council in 1995; 2012 saw the launch of our pioneering Retail Banking Academy, founded to educate retail bankers around the world to a high professional standard.

**Visit [Lafferty.com](http://Lafferty.com) to find out more.**