Half of the World's Top Banks "perform poorly"

Around half of the world's top banks perform poorly in Lafferty Group's 2017 Global Bank Quality Benchmarking Study, which measures the ability of 100 banks across 32 countries to sustain themselves for the longer term. This means that they meet 40 percent or less of the criteria Lafferty uses to access bank quality.

The list of these so-called *two-star banks* includes well-known names from the US, UK, Eurozone, Africa, Asia and Australia.

In fact, twenty-three of the banks benchmarked in this study have lower ratings than in 2016, while seven banks have improved star-ratings.

In marked contrast with the poor scores of most of the benchmarked banks, seven banks achieve high four-star rankings – while one is classified as "outstanding" with a five-star rating. Most of these high-scoring banks are based in emerging markets – including South Africa, India, Malaysia and Brazil – with one each in Sweden and the United States.

"The study shows that half of the world's bigger banks have a long way to go restore themselves to sustainable health. This is the case in North America, Europe, Asia, China, Australia and Latin America", commented Michael Lafferty, chairman of the London-based Lafferty Group.

Lafferty Bank Quality Benchmarking (LBQB) is a service that rates banks for their quality – as interpreted from the information presented by banks themselves to shareholders, investors, and the public at large in their own annual reports. The system uses a heuristic methodology to interpret the signals that banks are sending out in their annual reports – intentionally or otherwise – about strategy, culture, customer care, brand promise and financial performance – and brings all of these together to rate the total quality of the bank. It uses the annual report because of that document's unique status as the primary vehicle for management of a bank to communicate and account to shareholders and other stakeholders.

"You could say that we are interpreting what the banks are saying about themselves using a standard template. Some are very good at communicating an accurate picture about their quality – and many are revealing more than they realise about their true state of affairs despite lots of PR hype", commented Michael Lafferty.

"Financial ratios are important in judging bank quality, but so are matters such as strategy, culture, customer satisfaction, and management education and experience", he added.

Lafferty ratings of individual banks are only available to Lafferty clients.

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Background Note

Established in 1981, Lafferty Group provides research, education and other knowledge services to the banking and financial services industries worldwide. Its activities include:

- Global financial industry councils whose members meet regularly to share best practices and brainstorm the future of banking
- Online research databases in retail banking, cards and payments
- Professional education via the Retail Banking Academy
- Benchmarking services in the fields of bank quality, retail banking, and cards and payments.

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