



**Innovest**  
STRATEGIC VALUE ADVISORS

# You Are What You Finance

## ESG Risk in the Finance Sector

Innovest Uncovering  
Hidden Value for  
Strategic Investors

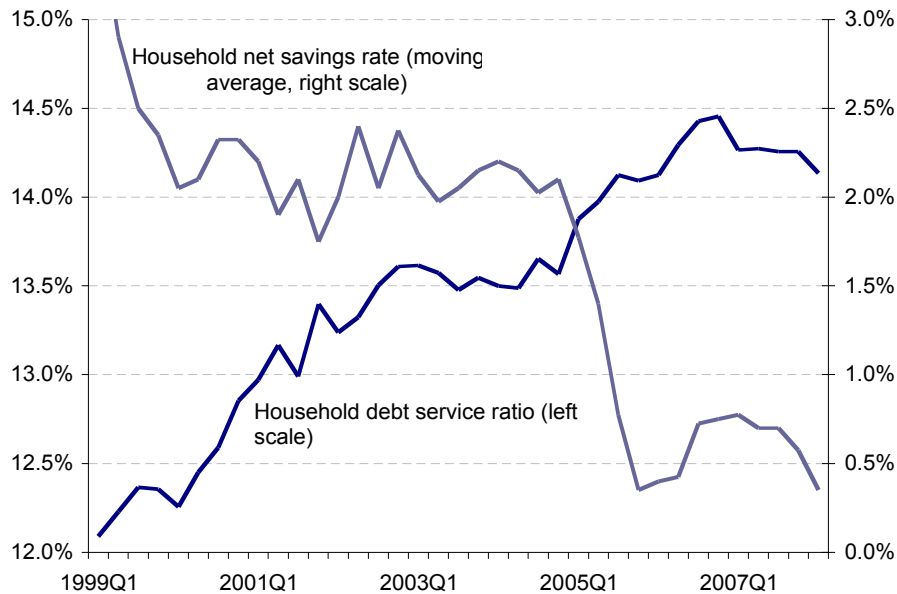
New York  
Paris  
Toronto  
London  
San Francisco  
Sydney  
Tokyo

**Investors now have to recalibrate and recalculate what risk is:**

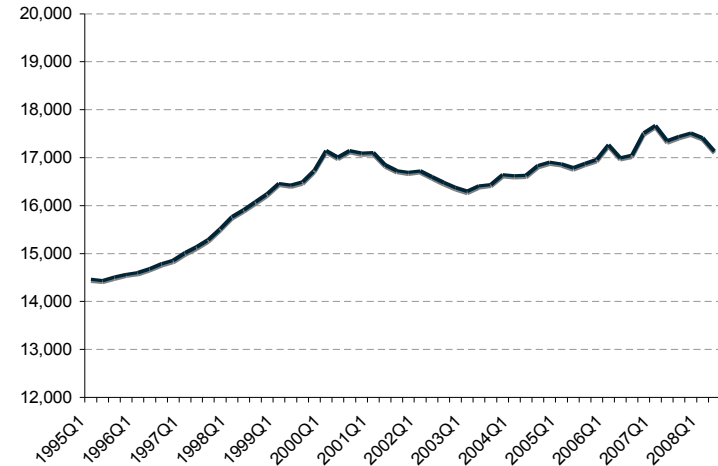
- **What is the cost of eco-inefficiency when oil is \$160/brl?**
- **What is the cost of climate change when carbon costs \$60/tonne?**
- **What is the cost of predatory lending in the wake of the subprime collapse?**
- **Who will be hurt?**
- **Who will thrive?**

# How Sick is the American Consumer?

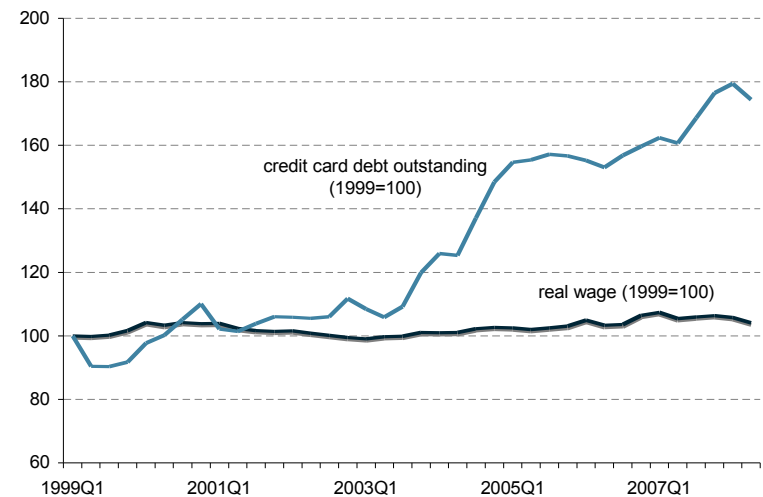
## US Household Net Savings Rate vs Debt Service Ratio



## US Real Wages



## Growth in Credit Card Debt vs Growth in Real Wages



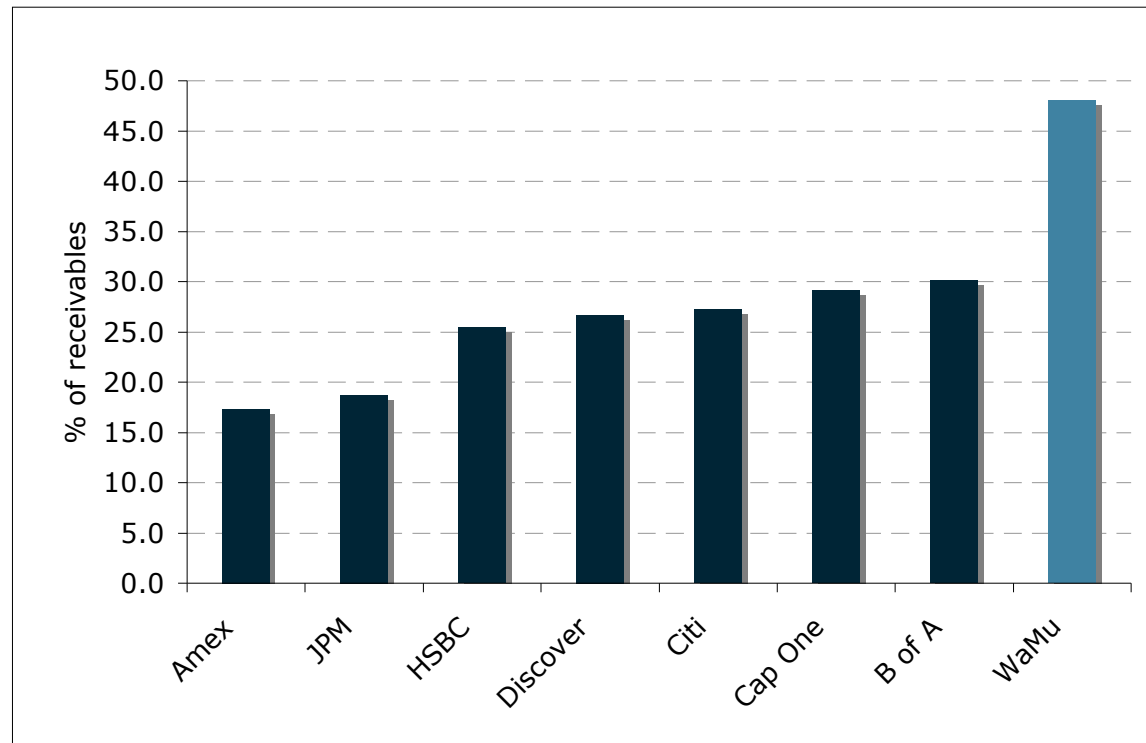
Source: Bureau of Economic Analysis, Bureau of Labor Statistics, Federal Reserve.

## Innovest forecasts:

- First Quarter 2009 Charge Offs of \$18.6 billion**
- Total 2009 Charge Offs \$96 billion**
- Estimate: Net Charge Off Rate peaks at 10% in Q1 2009**

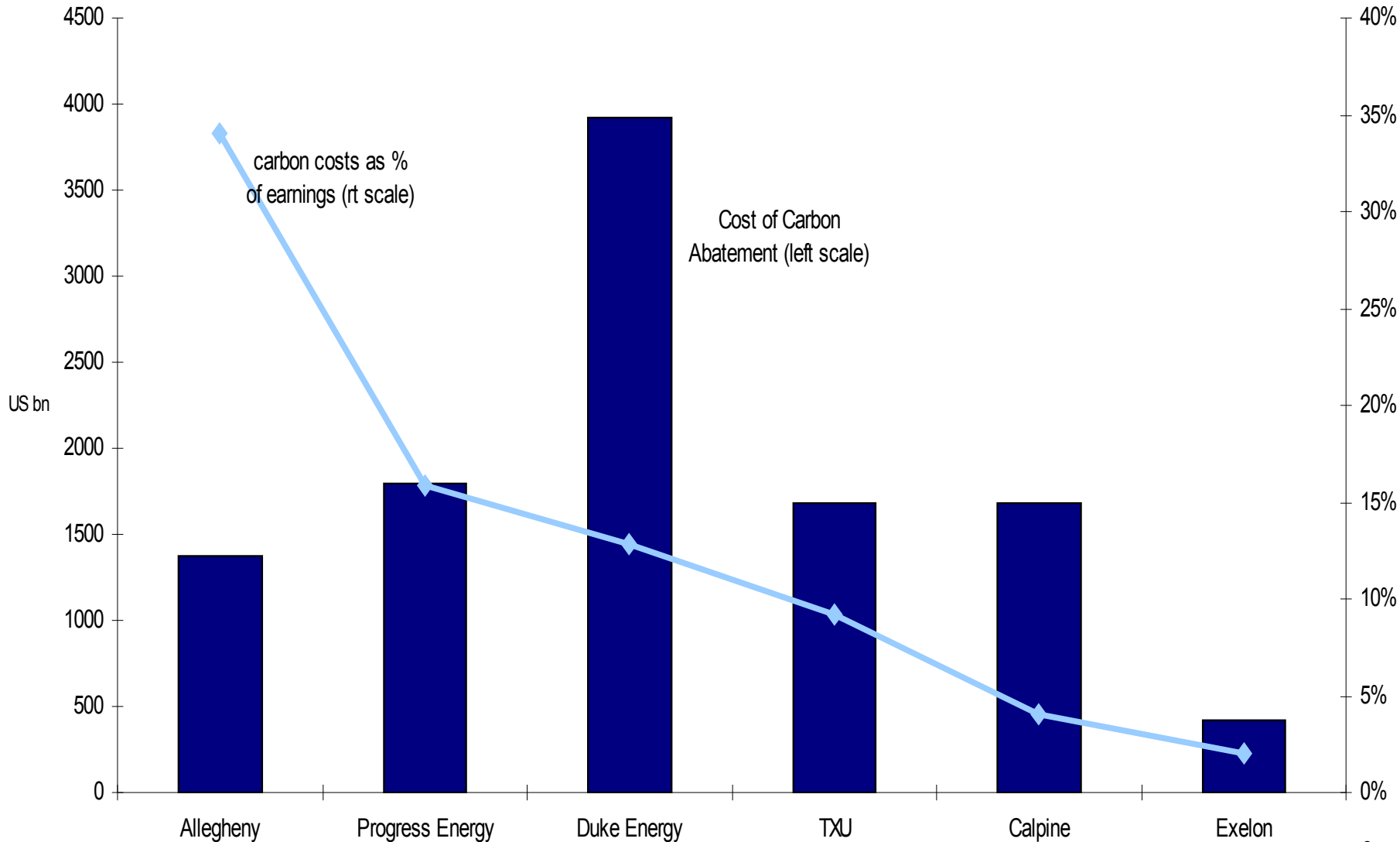
## Subprime Exposure as % of Credit Card Loans

*(subprime = FICO score below 660)*

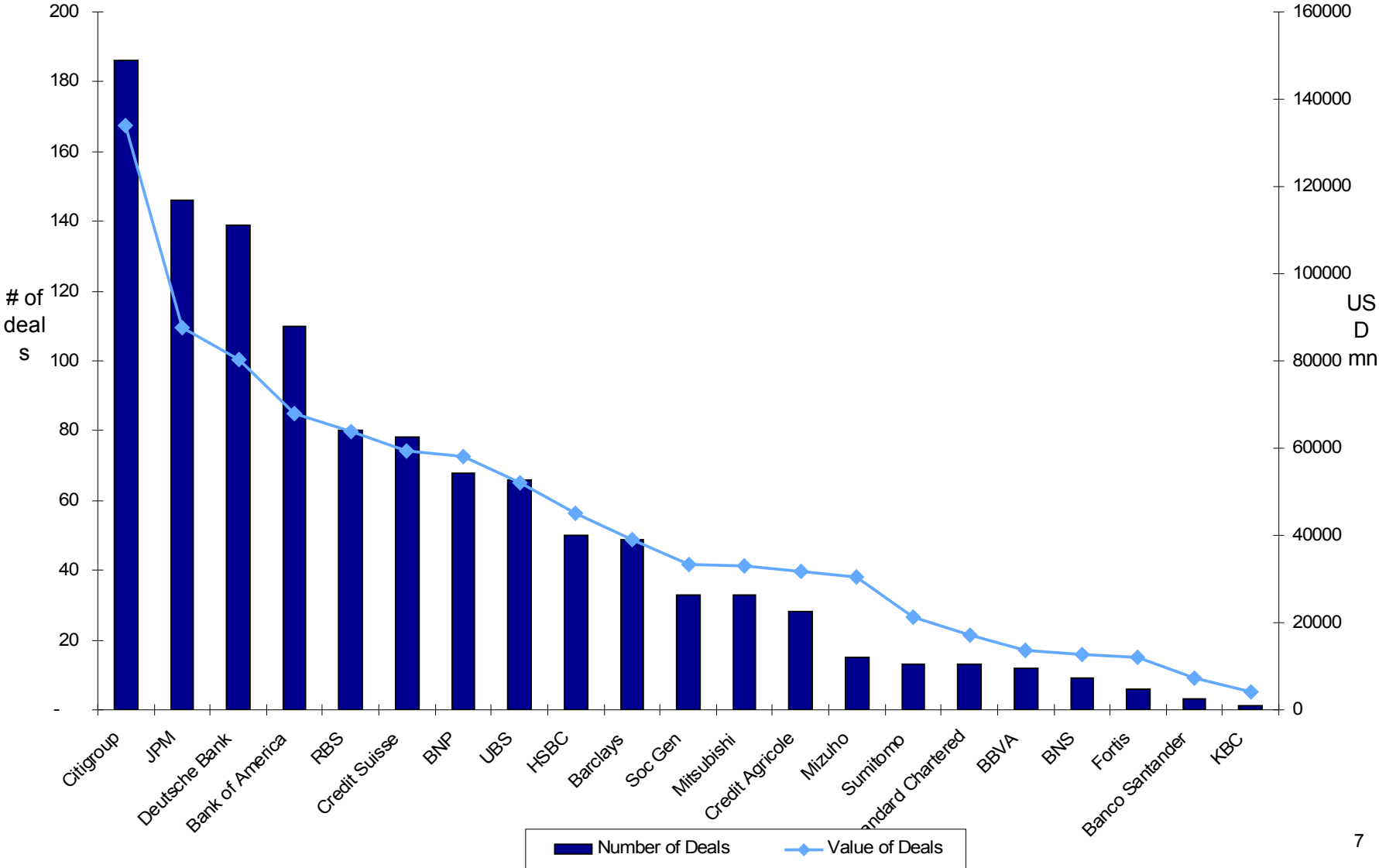


# What happens when emitting carbon isn't free?

## The Cost of Carbon

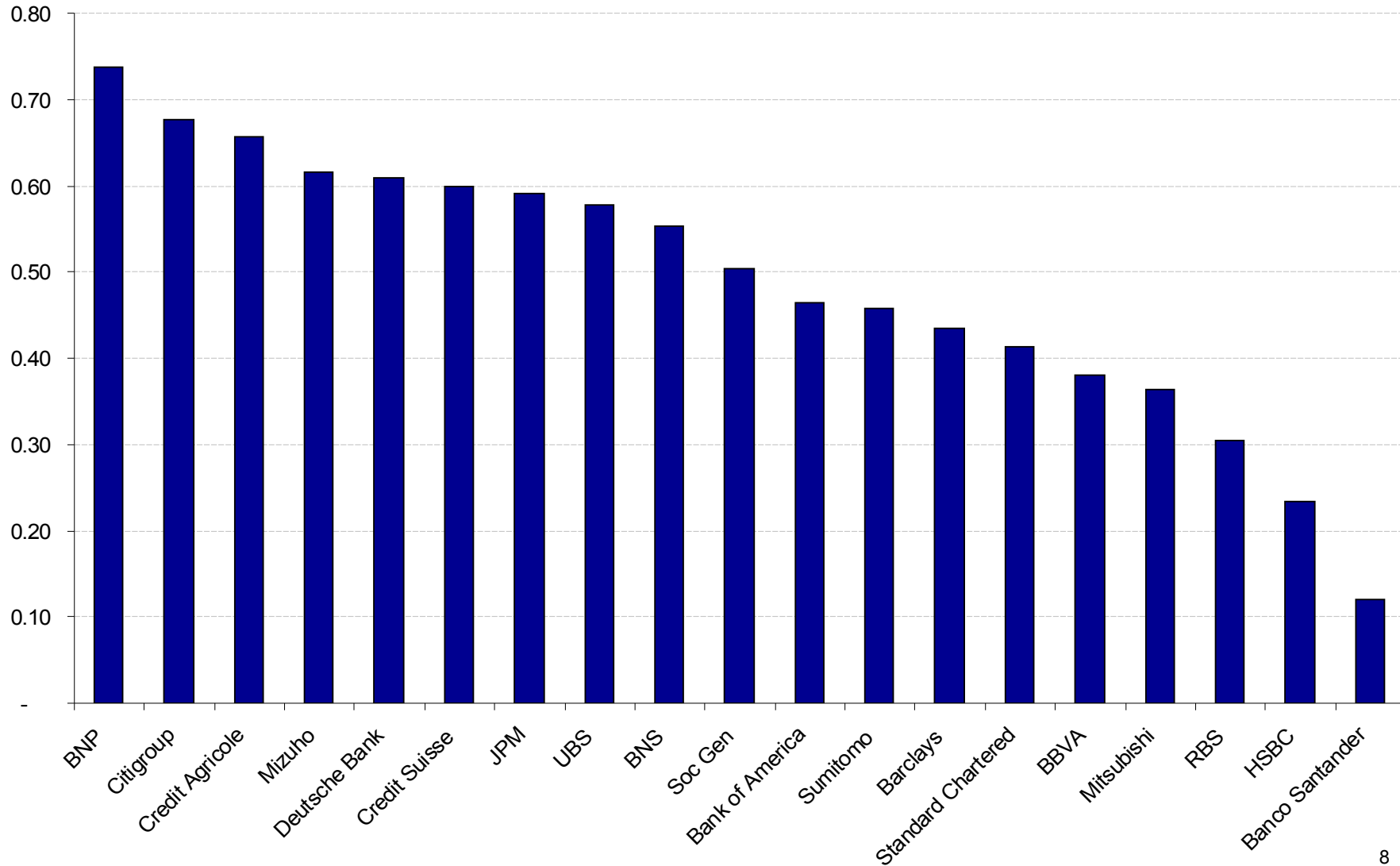


## High ESG risk deal exposure



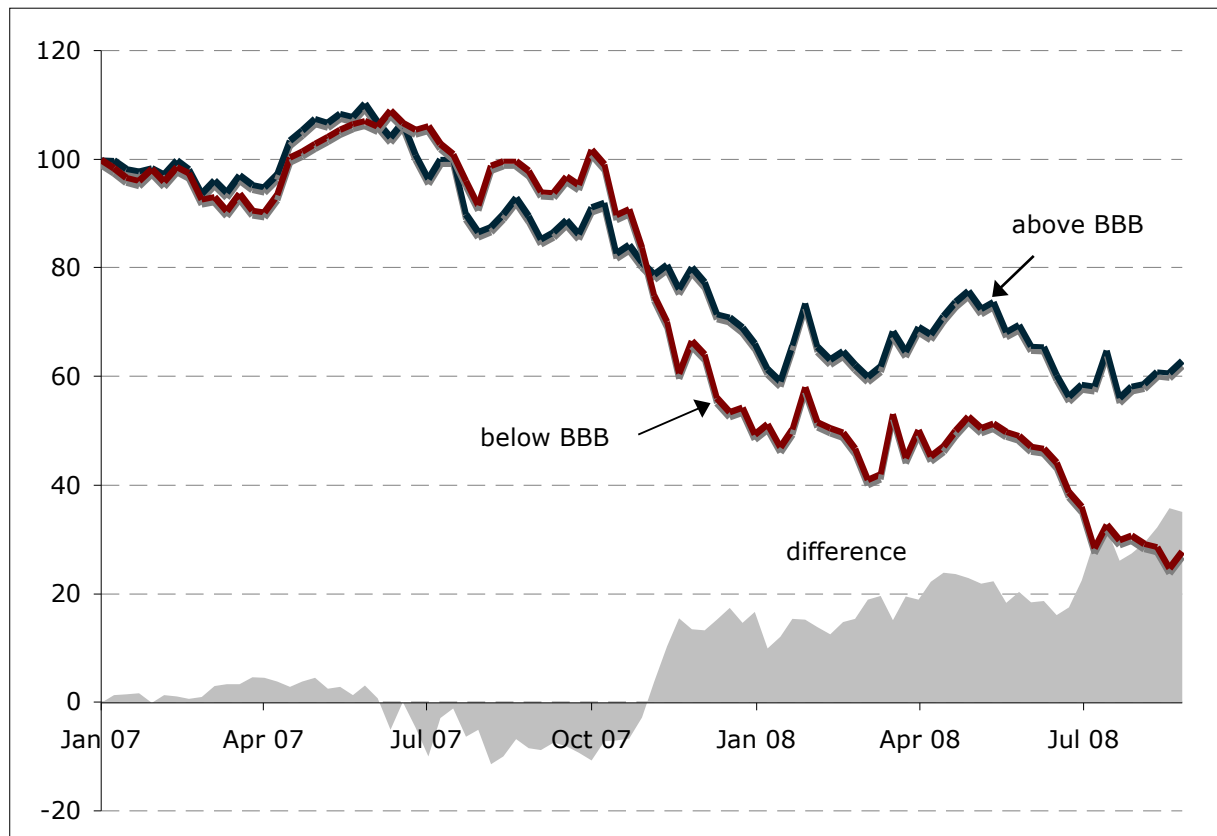
# You Are What You Finance

high risk deals as % of tier 1 capital



# Winning and Losing Strategies

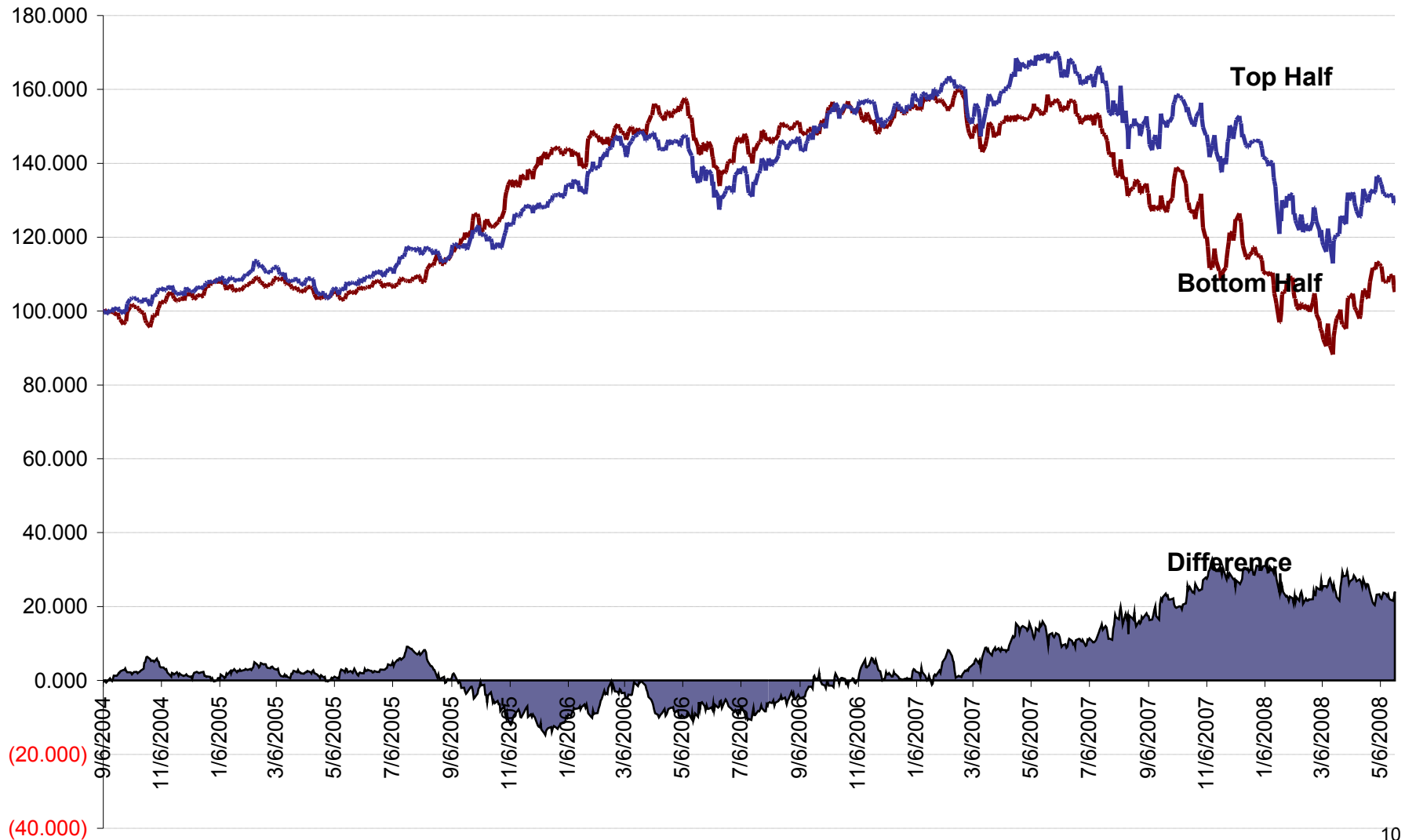
## Stock Performance of US Consumer Finance Companies Above-Average vs. Below-Average Innovest Rating



Source: Innovest, Bloomberg.

# Three Year Stock Performance

## Three Year Stock Performance



# Twelve Month Stock Performance

## Stock Performance Since Rating

