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Turning Point:

**How the crisis is re-defining the future of the financial
services industry**

Chris Gentle

Global Head of Research

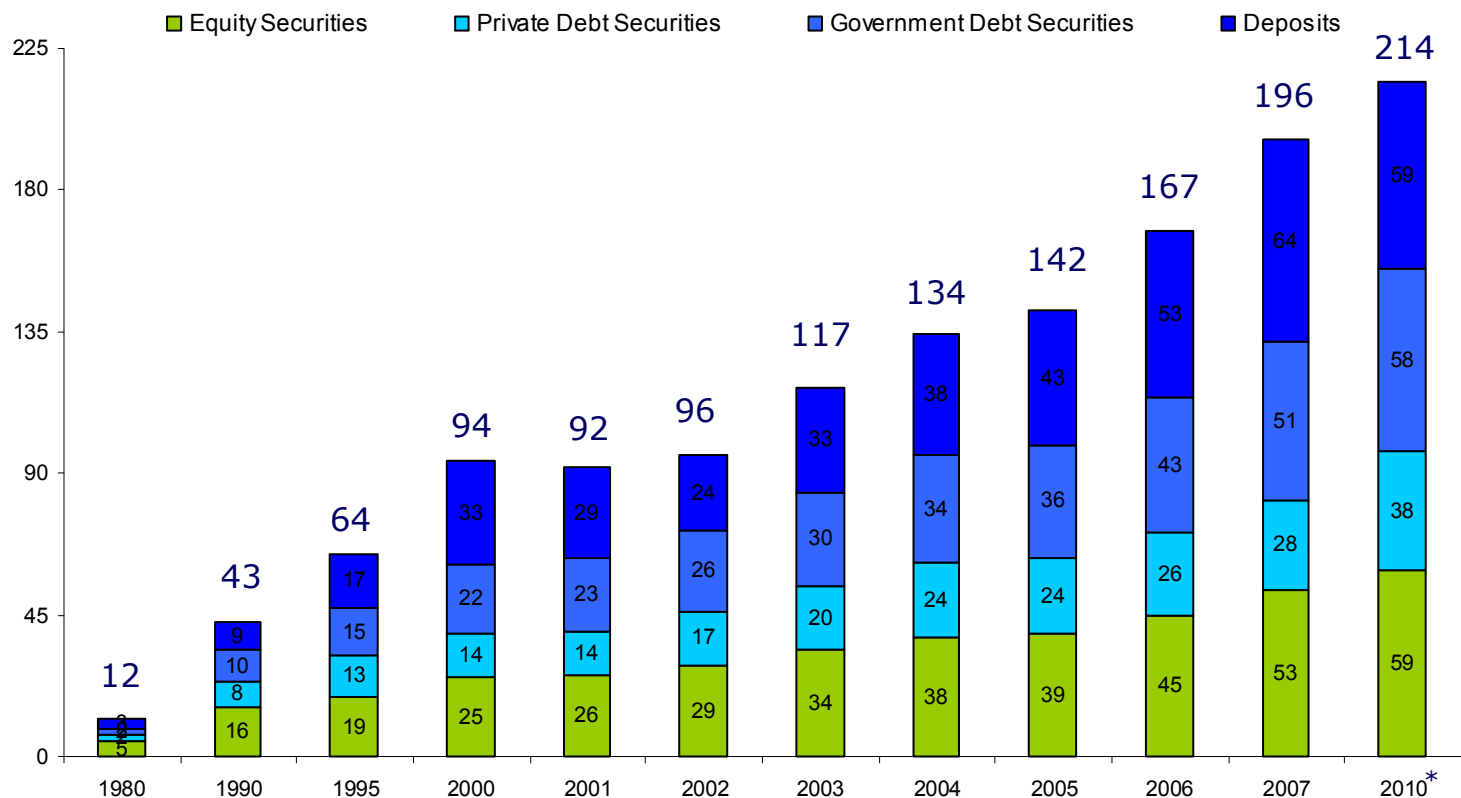
WTO, Genève, 31 March 2009

Audit • Tax • Consulting • Corporate Finance •

Agenda

- 1 **An era of liberalisation**
- 2 Turning point?
- 3 Future landscape of financial markets

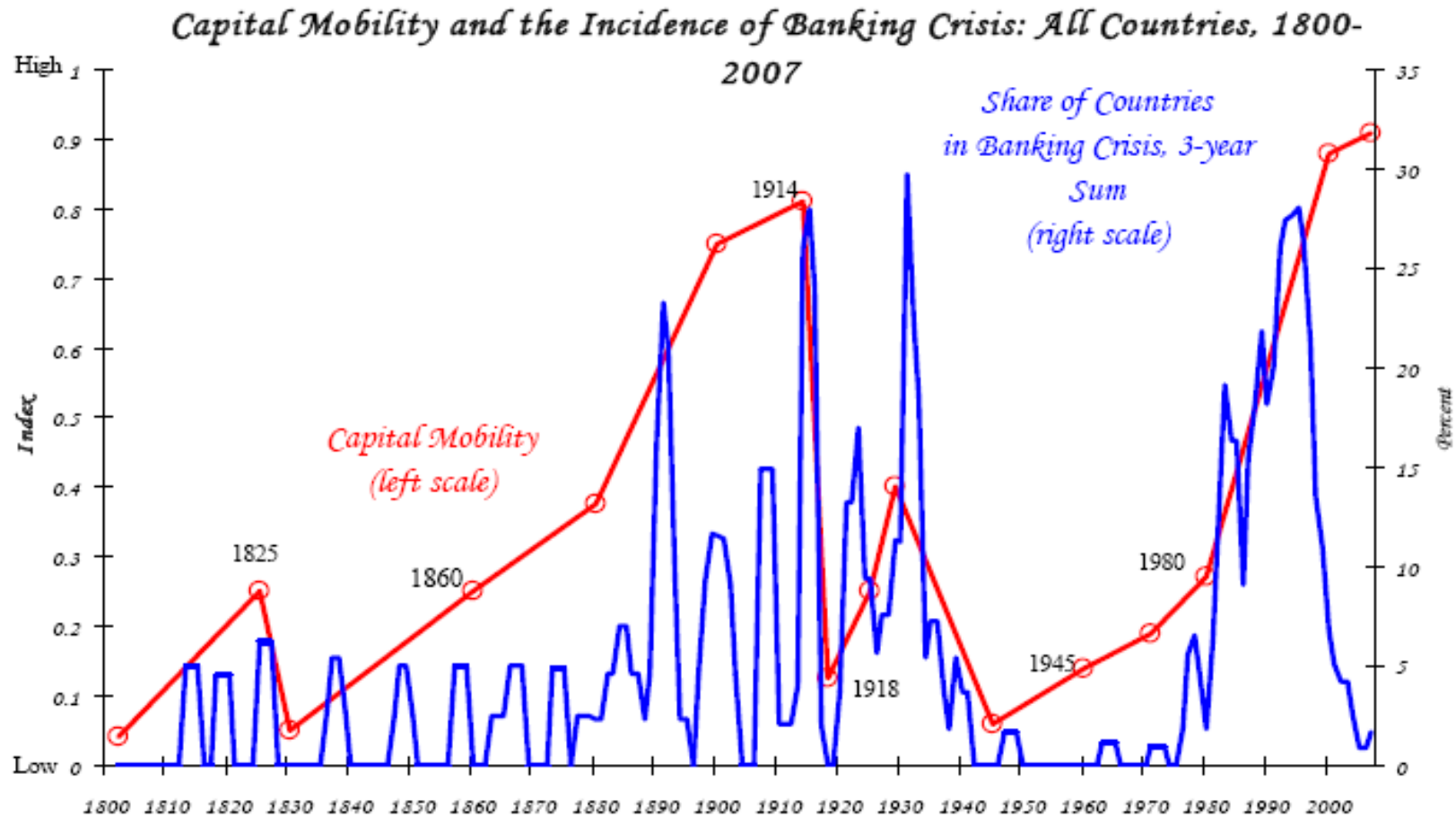
Global financial assets outpace growth of global GDP



Nominal GDP \$ trillion	10	22	29	32	32	33	37	42	45	49	55	63
Financial Assets/GDP%	120	195	221	294	288	291	316	319	316	341	356	340

*- Estimate

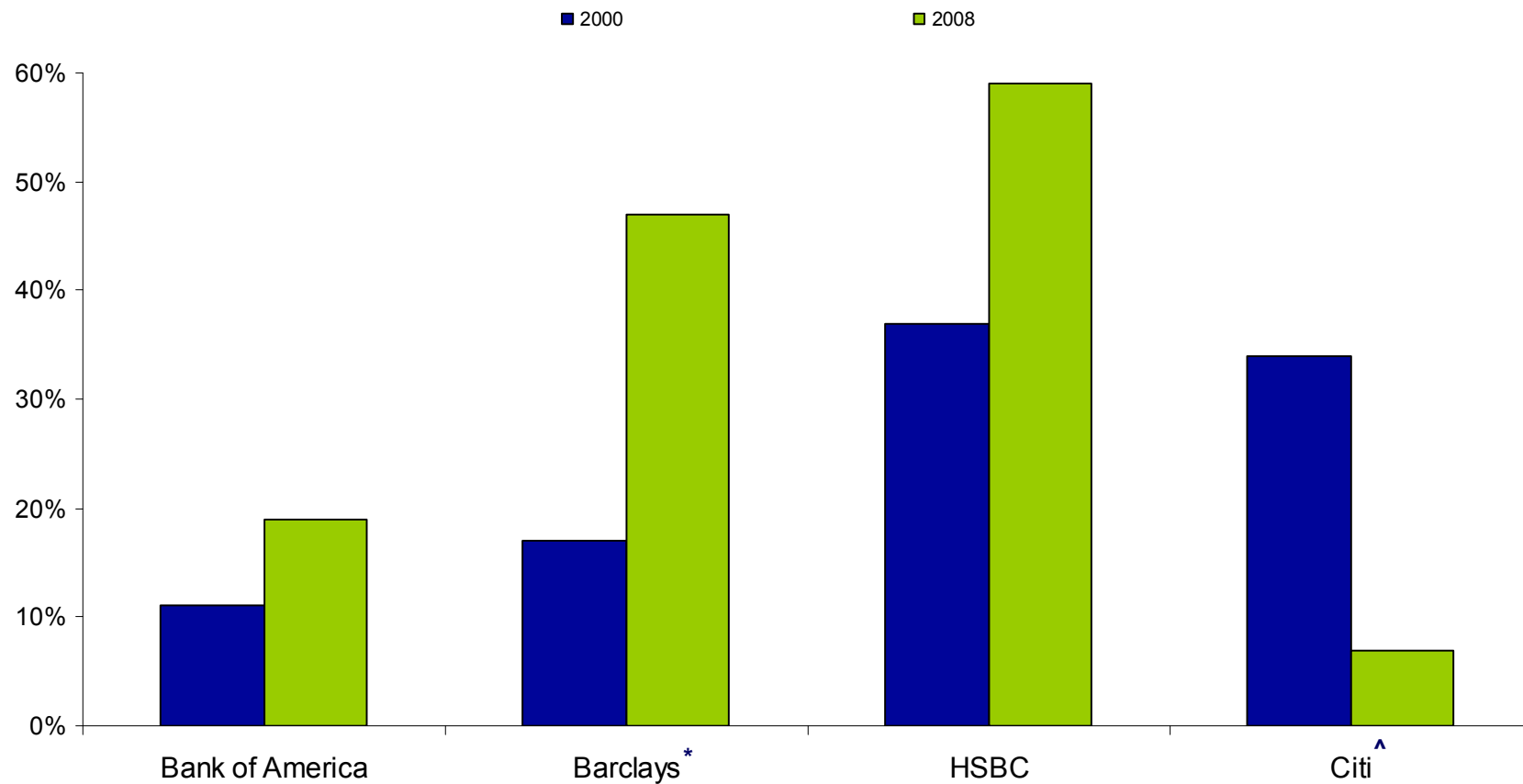
Higher capital mobility a major contributor to banking crises



Go East: Banks market cap

1999		2009	
Citigroup	137,499	Indl & Coml Bank of China	140,299
Bank of America	119,415	China Construction Bank	129,007
Lloyds TSB	79,640	JP Morgan Chase	108,454
UBS	69,113	HSBC	104,187
Bank of Tokyo - Mitsubishi	67,766	Bank of China	89,520
Bank One	62,649	Wells Fargo	73,441
Wells Fargo	61,991	Mitsubishi UFJ Financial	61,279
HSBC	56,250	Banco Santander	60,194
American Express	54,904	Goldman Sachs	51,688
Chase Manhattan	52,431	Bank of America	49,931
Total	761,658	Total	818,067

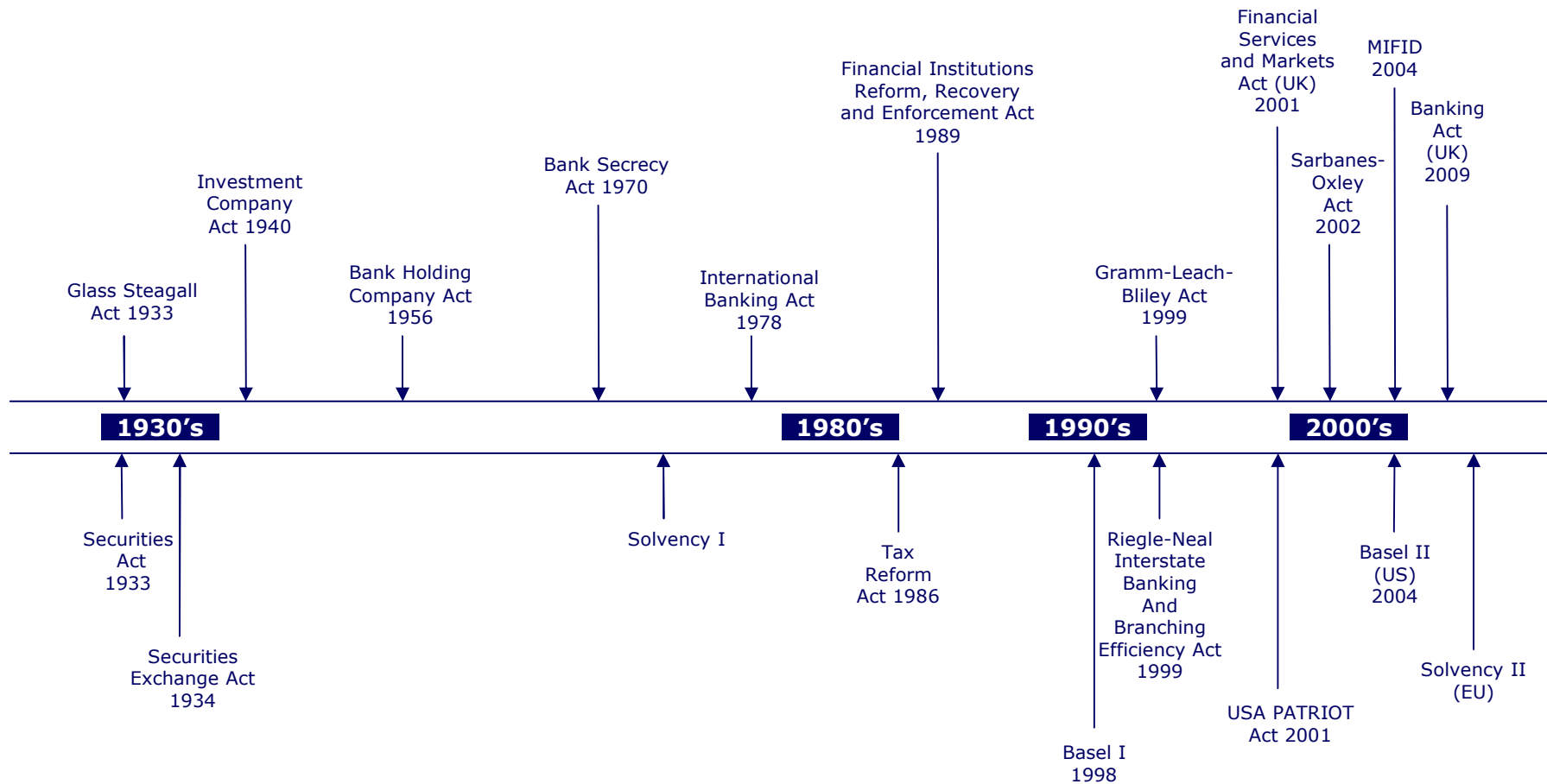
Proportion of profits from foreign markets



* - Revenue figure for 2008, since profits distribution unavailable

^ - Asia is the only region to post a profit in 2008, domestic market incurred a loss

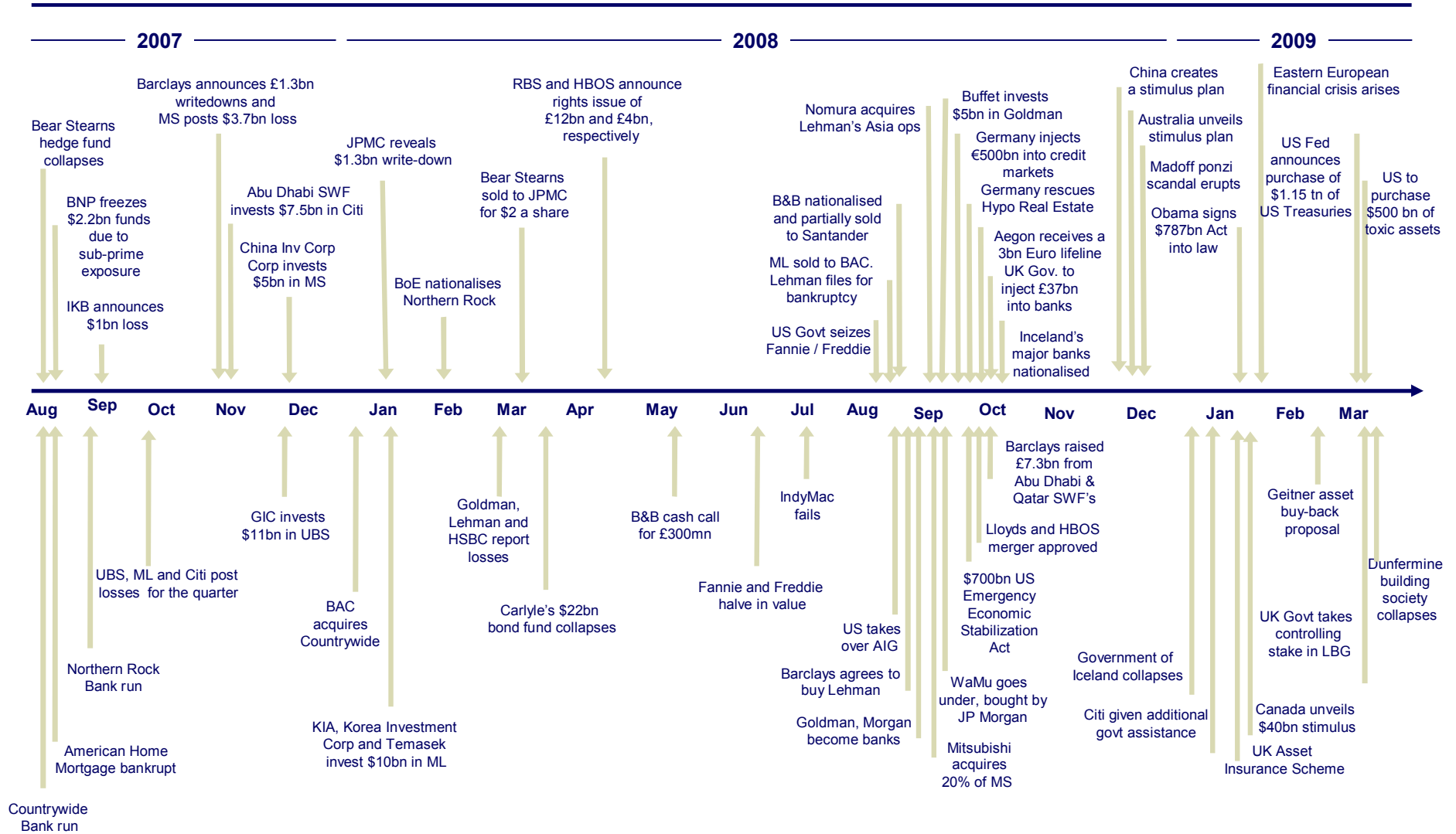
Fine tuning regulations? - Major regulatory events



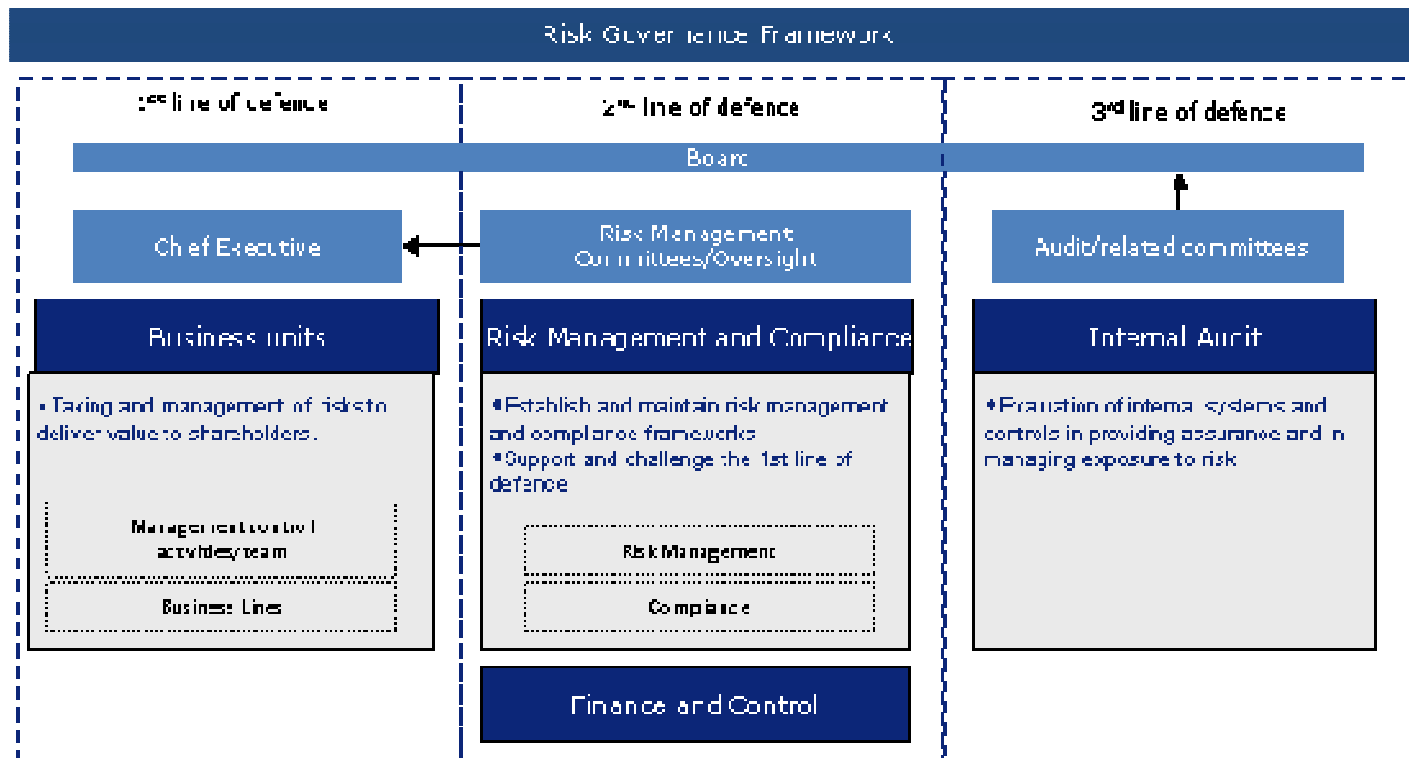
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Most significant financial crisis in a lifetime

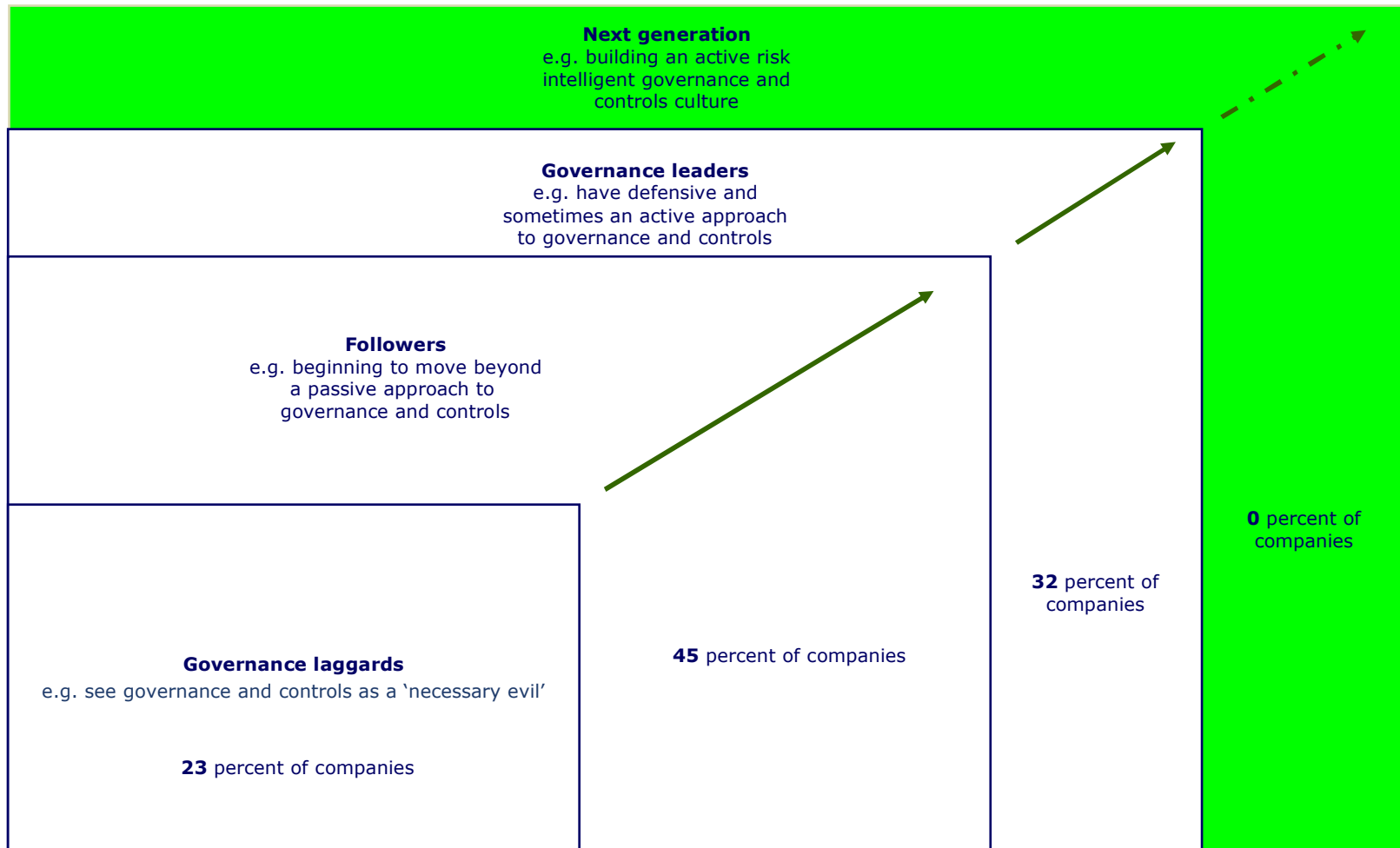


Governance Risk and Controls framework

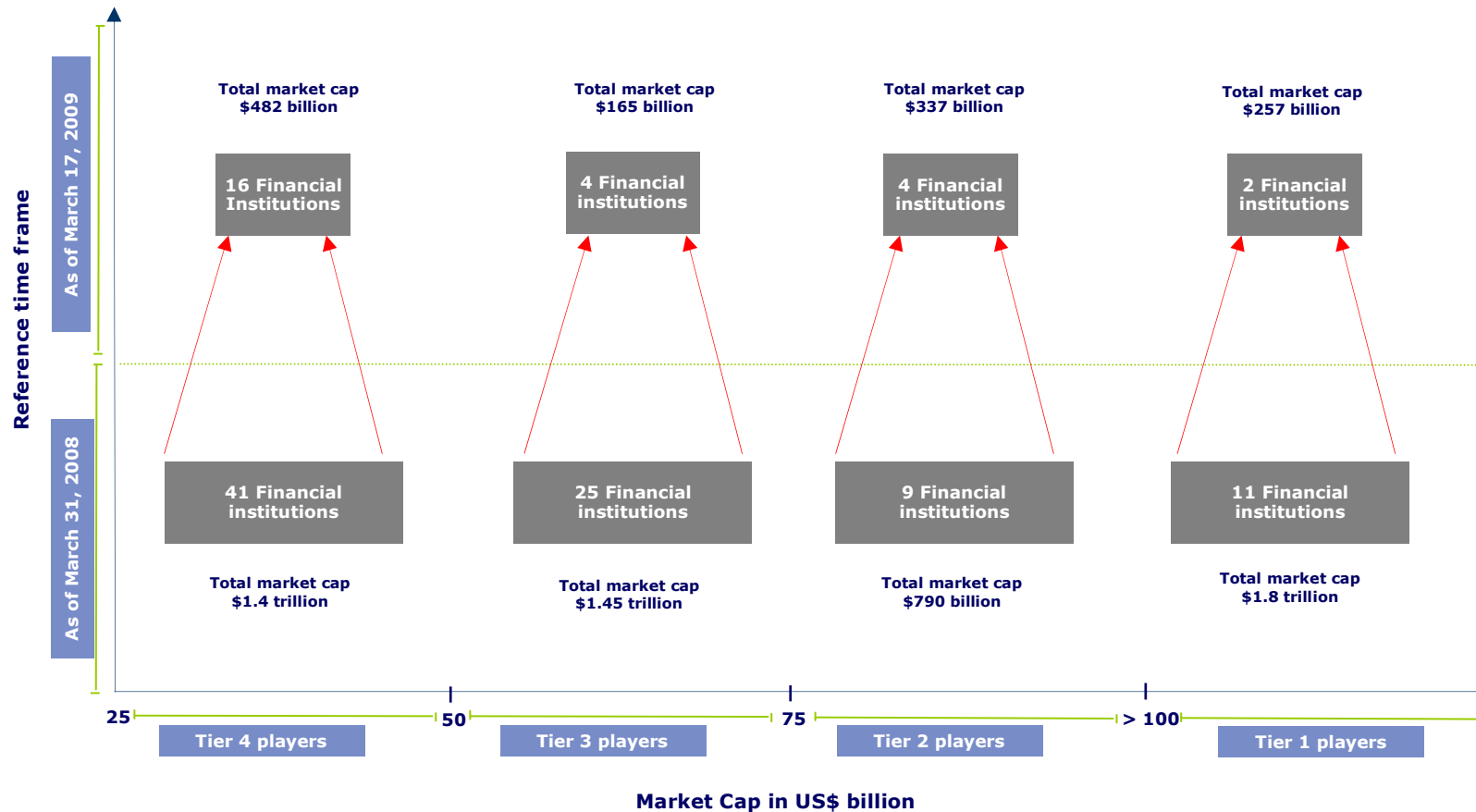


In Control?: Best practice in short supply

Governance and controls performance



Reshaping of the financial services industry

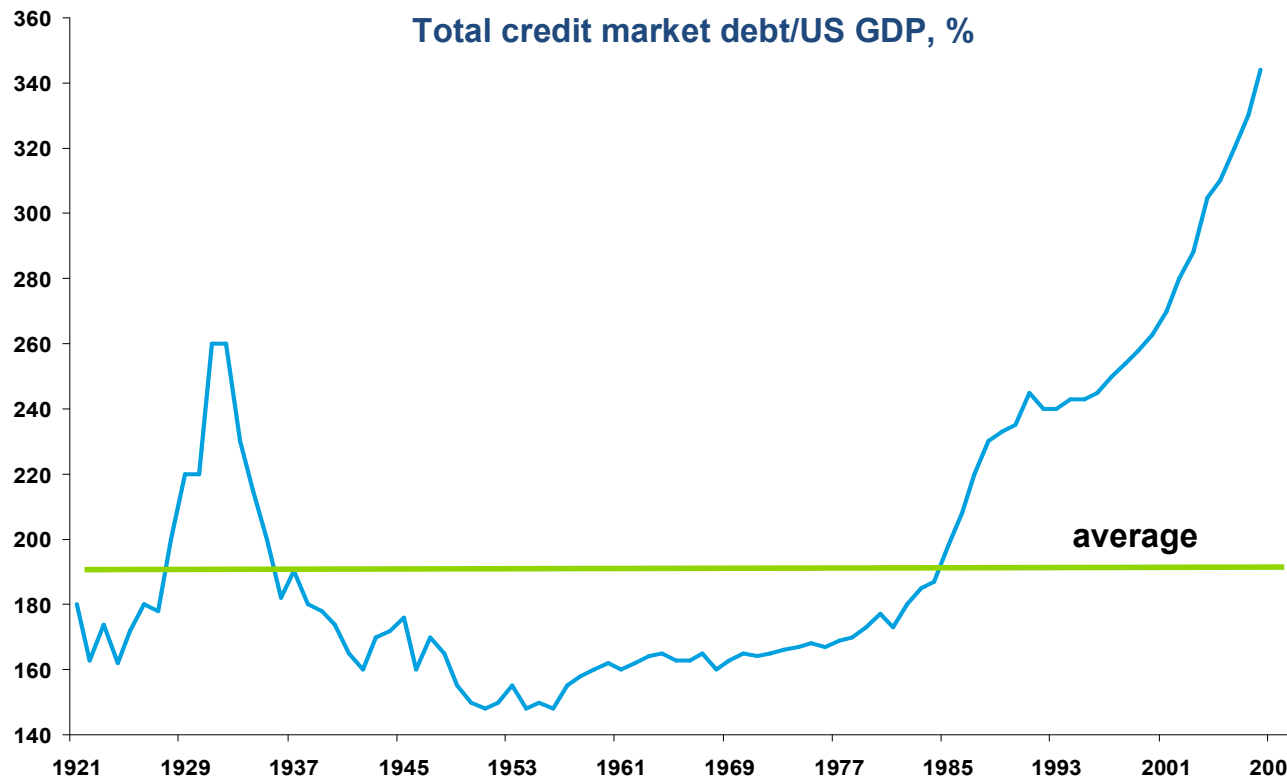


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Is the long boom over?

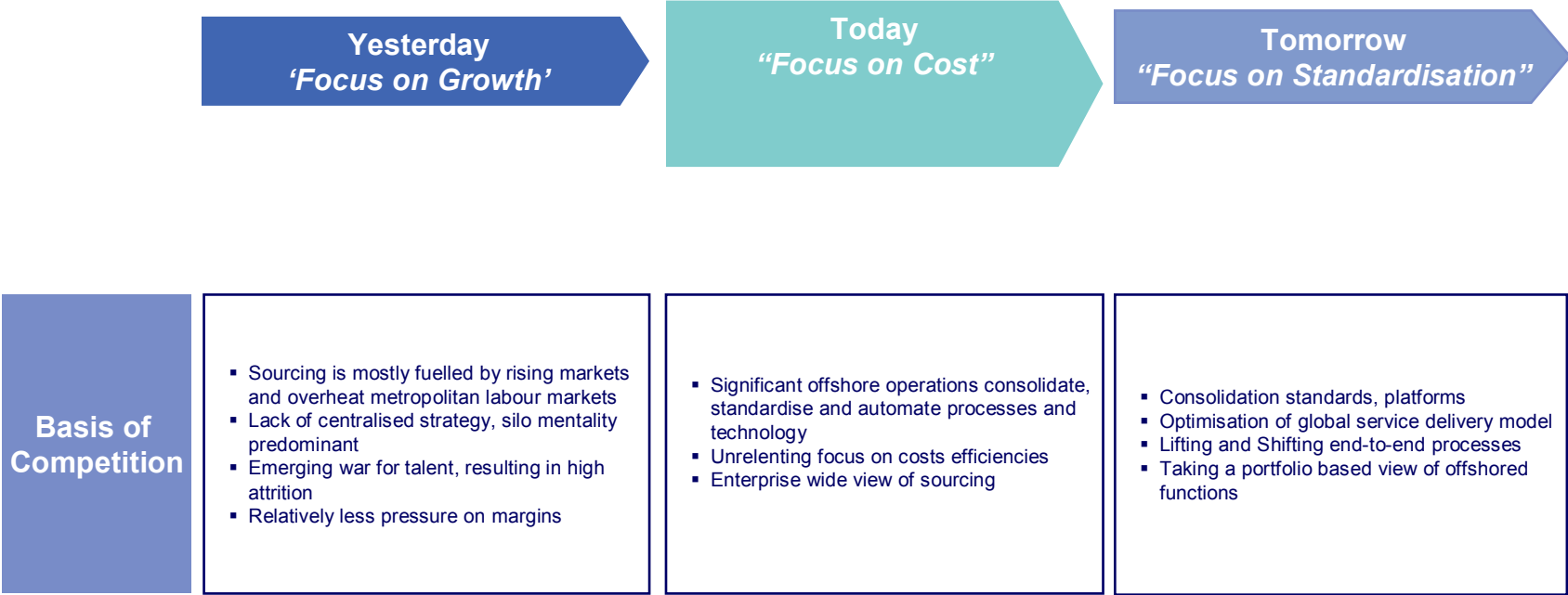
Debt boom = asset price boom



Source: Ned Davis Research, 2008

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Basis of competition is shifting in financial services



13 Source: Deloitte LLP

Hallmarks of Success

- International markets and a business model to match
- Mass efficiency with focused premium service
- Consolidation with a purpose
- Winning the struggle for growth through stronger customer relations
- Transparency and compliance as a performance springboard
- Cracking the IT code value



How the market may look: Some speculative strategies

Driving Theme	Hypothetical examples	Who?
Preference for stability over growth	"Back to Basics Bank"	LBG
Opportunity to secure value by leveraging scale	"International Arbitrage Bank"	HSBC, Barclays, Santander
Need for differentiated deposit gathering	"Convenience Bank"	ING Direct
Differentiating as customer champion	"Ethical Bank"	Co-op, Post Office

Liberalisation & globalisation – the future

- After liberalisation – an issue we must address proactively, not reactively
- Positive impact of globalisation of finance over the last decade
- Is big beautiful in banking?
- Developed world banks vs developing?
- Regulation must be re-drawn, but investors have a big part to play

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