



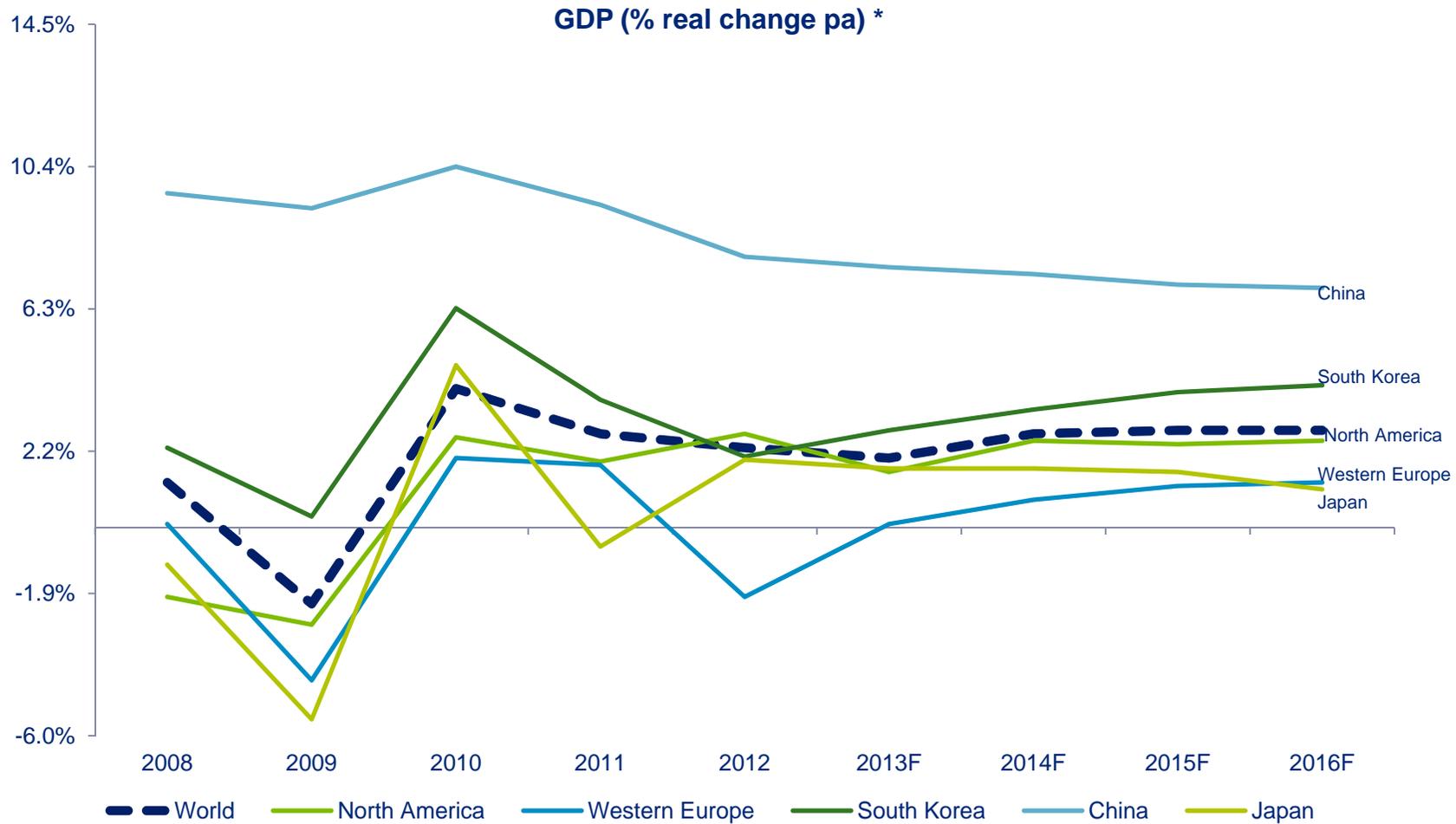
Global banking and its role in economic growth

Enabling economic activity

Chris Harvey
Global Financial Services Industry Leader
Deloitte Touche Tohmatsu Limited



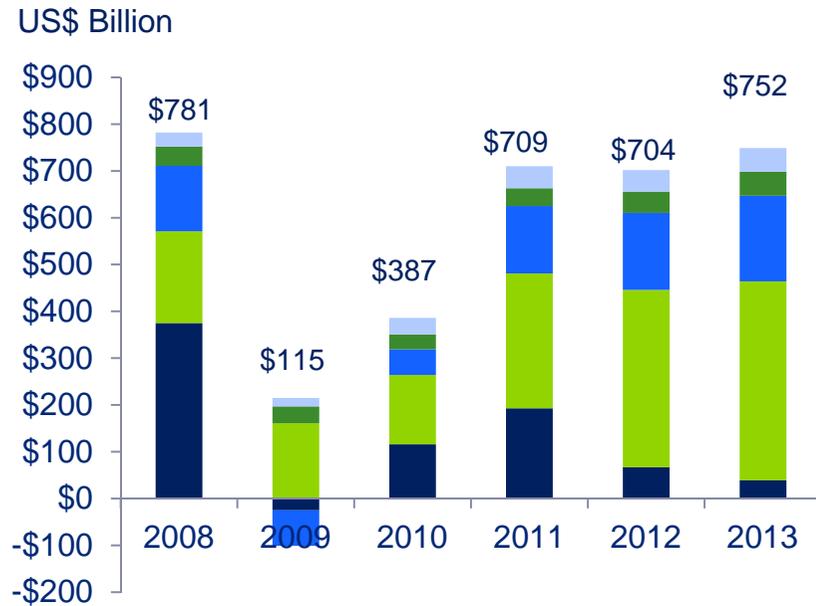
After the recent economic turmoil, real GDP growth is stabilizing, however, at relatively slower growth rates across the world; GDP growth rate are expected to remain low



* Percentage change in real GDP, over previous year;

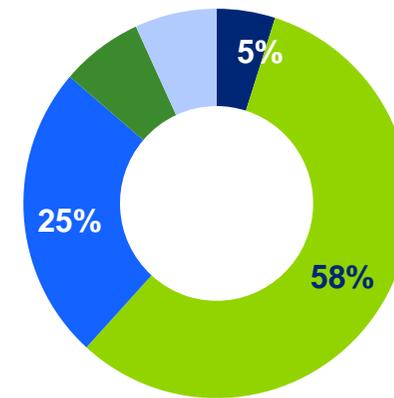
Source: EIU

Global banking's pre-tax profits are back to pre-crisis levels. However, these profits are now generated in different geographies

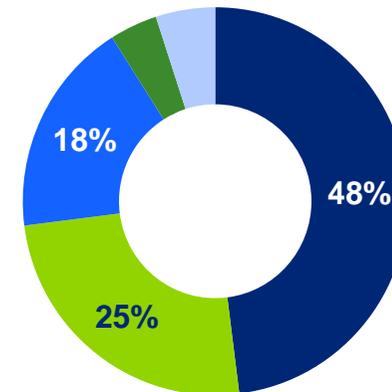


- Central / Latin America/Caribbean
- Africa / Middle East / Central Asia
- North America
- Asia Pacific
- Europe

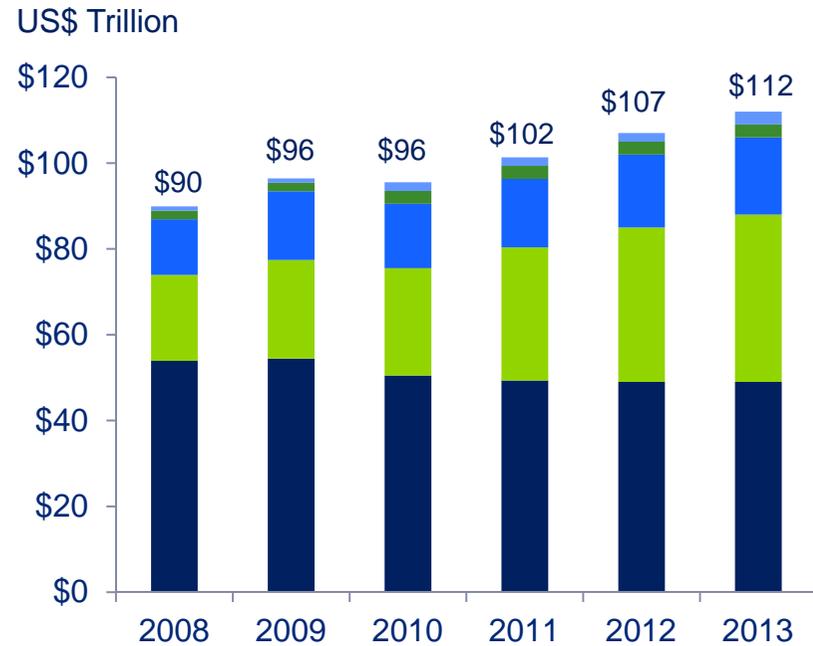
Distribution of pre-tax profits, 2013 ranking \$752 Billion



Distribution of pre-tax profits, 2008 ranking \$781 Billion

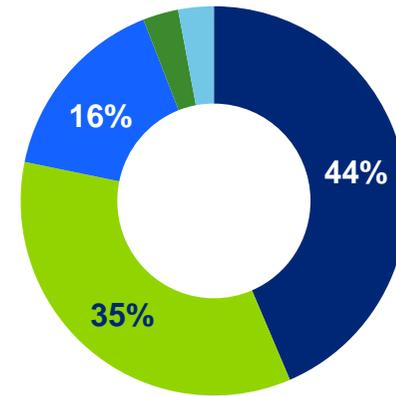


Global banking's success is driving a redistribution of banking assets by region

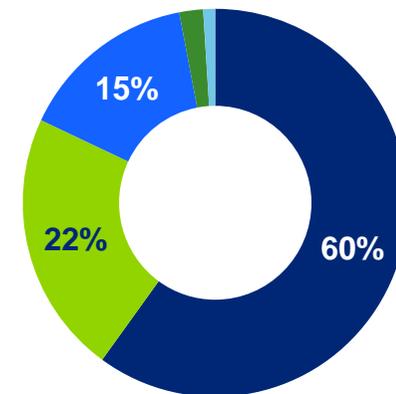


- Central / Latin America/Caribbean
- Africa / Middle East / Central Asia
- North America
- Asia Pacific
- Europe

Share of assets, 2013 ranking \$112 Trillion



Share of assets, 2008 ranking \$90 Trillion



Markets are rewarding a return to stability and the expectations of growth

Domicile Market Capitalization of the Top 20 Banks



29%



21%



19%

2007



36%



31%



13%

2013

Bank

- Citigroup
- Bank of America
- HSBC
- ICBC
- JPMorgan Chase

Market Cap US \$ Billion Sept '07

- \$261
- \$220
- \$214
- \$209
- \$169

Bank

- Wells Fargo & Co
- ICBC
- JP Morgan Chase & Co
- China Construction Bank Corporation
- Agricultural Bank of China
- Bank of America

Market Cap US \$ Billion Aug '13

- \$227
- \$224
- \$197
- \$186
- \$167
- \$157

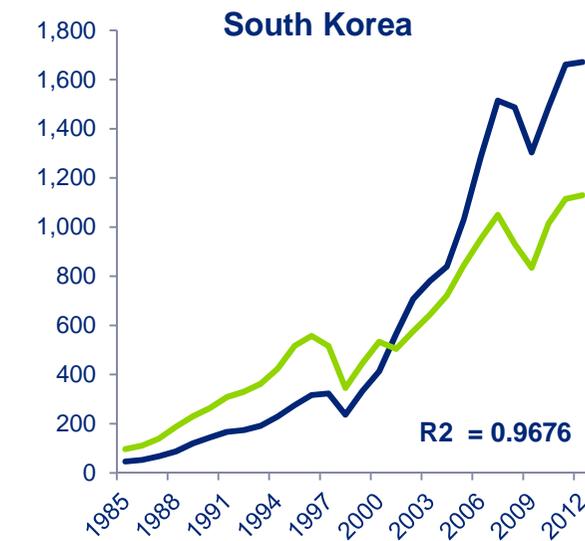
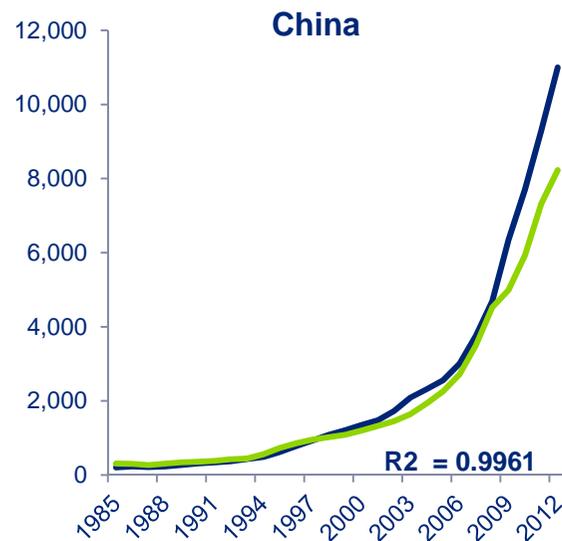
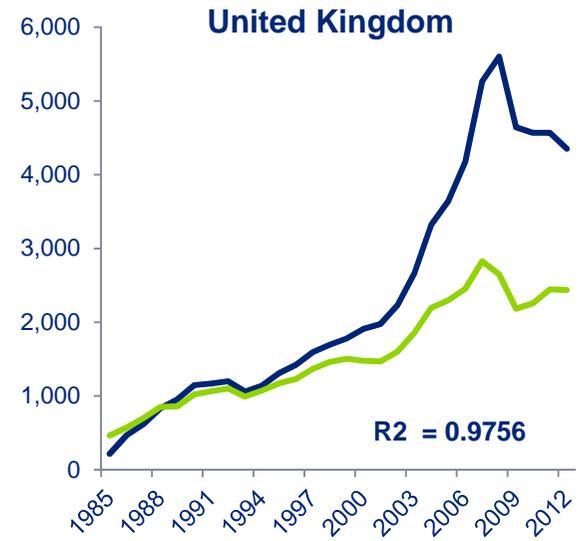
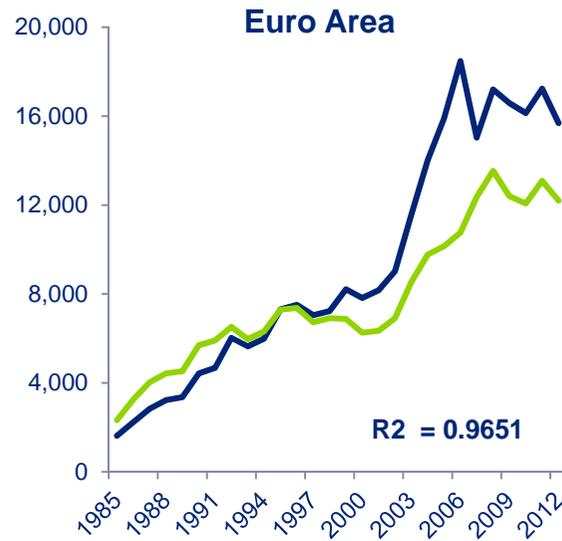
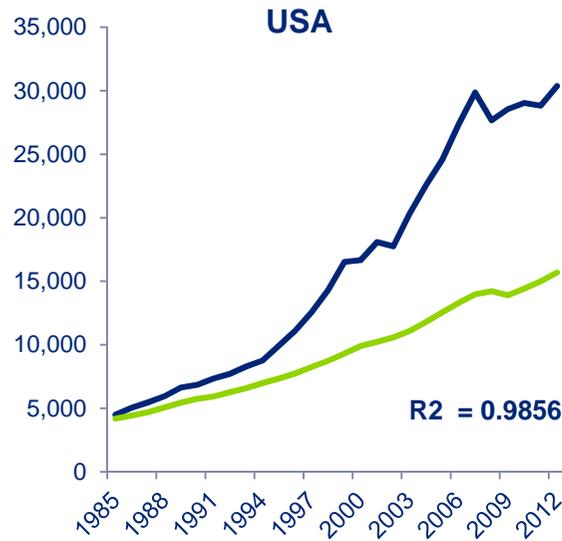
The financial sector acts as:

- Mobilisers of funds
- Providers of affordable credit for household
- Medium for small and large scale investment
- Improves productivity
- Risk transferor
- Facilitates domestic and international transactions
- Promotes firm entry and competition



Enables economic activity

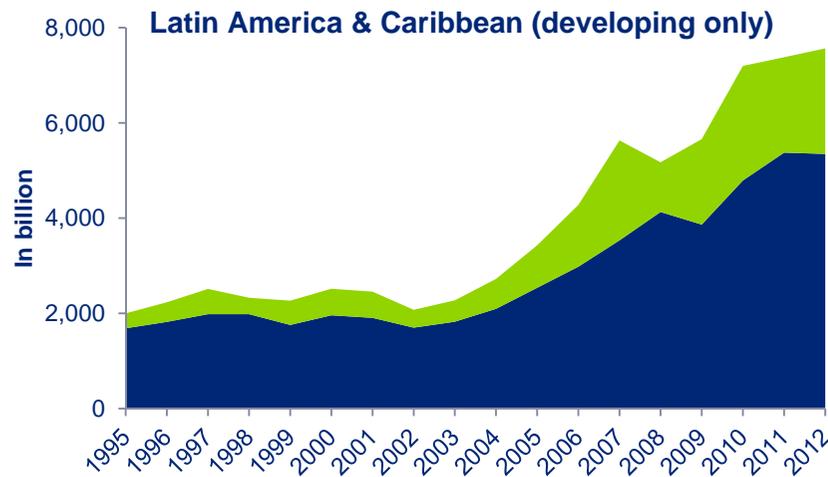
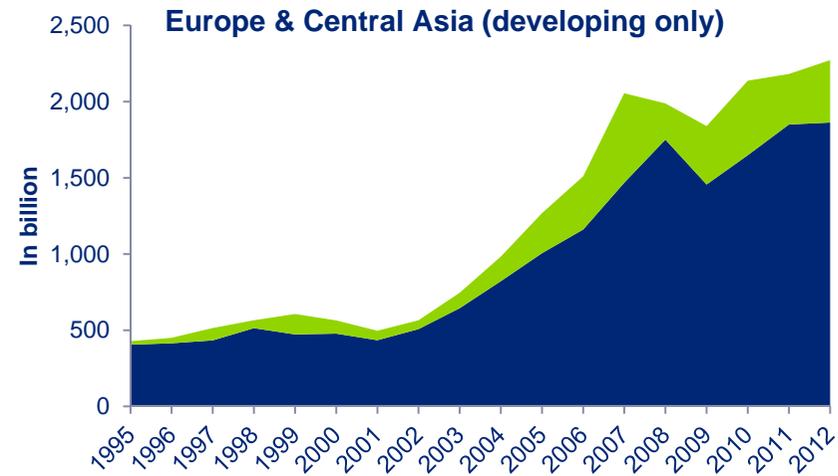
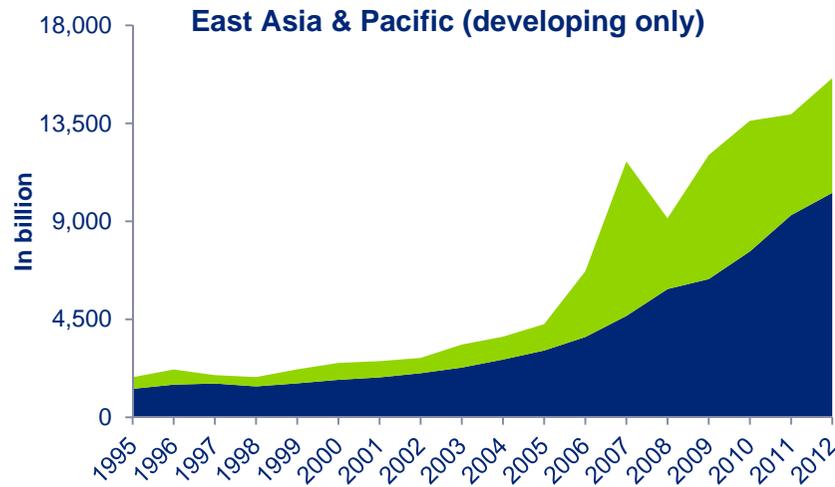
The level of credit available to the domestic private sector is closely correlated to GDP



Source: World Bank

— Domestic credit to private sector — Gross Domestic Product (GDP)

As the financial sector matures, companies in developing markets are allowed access to more sources of funds at various price levels through capital markets, accelerating economic growth

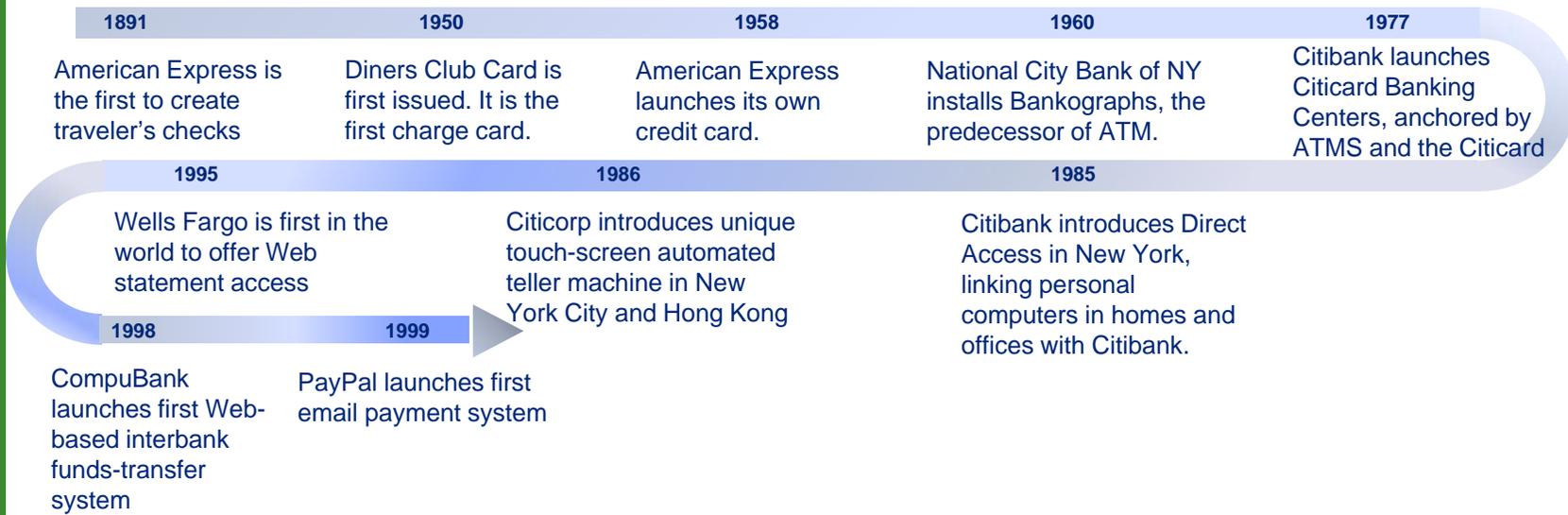


■ Market capitalization of listed companies (current US\$) ■ GDP (current US\$)

Source: World Bank

Innovation in banking is a continuous evolution driving increased efficiency

Innovation through the last Century



Recent Innovations in Financial services industry

- Mobile Banking:** American Express - location based offers
- Online banking :** BBVA Compass - virtual assistant
- Open Innovation:** Barclaycard – Crowd-sourced credit card; American Express - Investment in start-ups
- Start-ups:** Dwolla - Disruptive payments network; Simple - virtual banking service



Mobile Deposit by Mitek (mobile remote data capture)



Citi's first iPad Application



Google Wallet

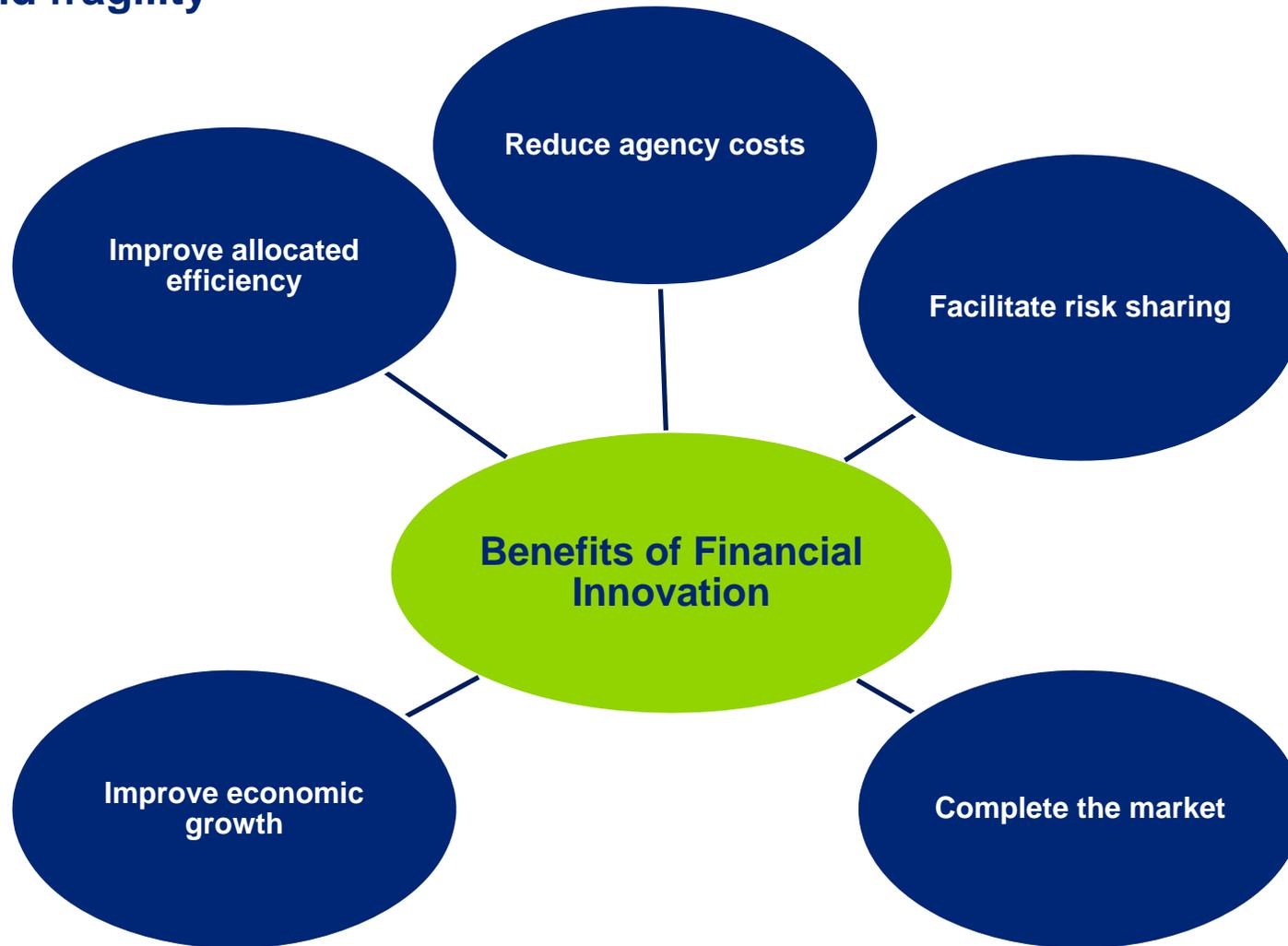


Intuit GoPayment – mobile merchant services device for SMEs

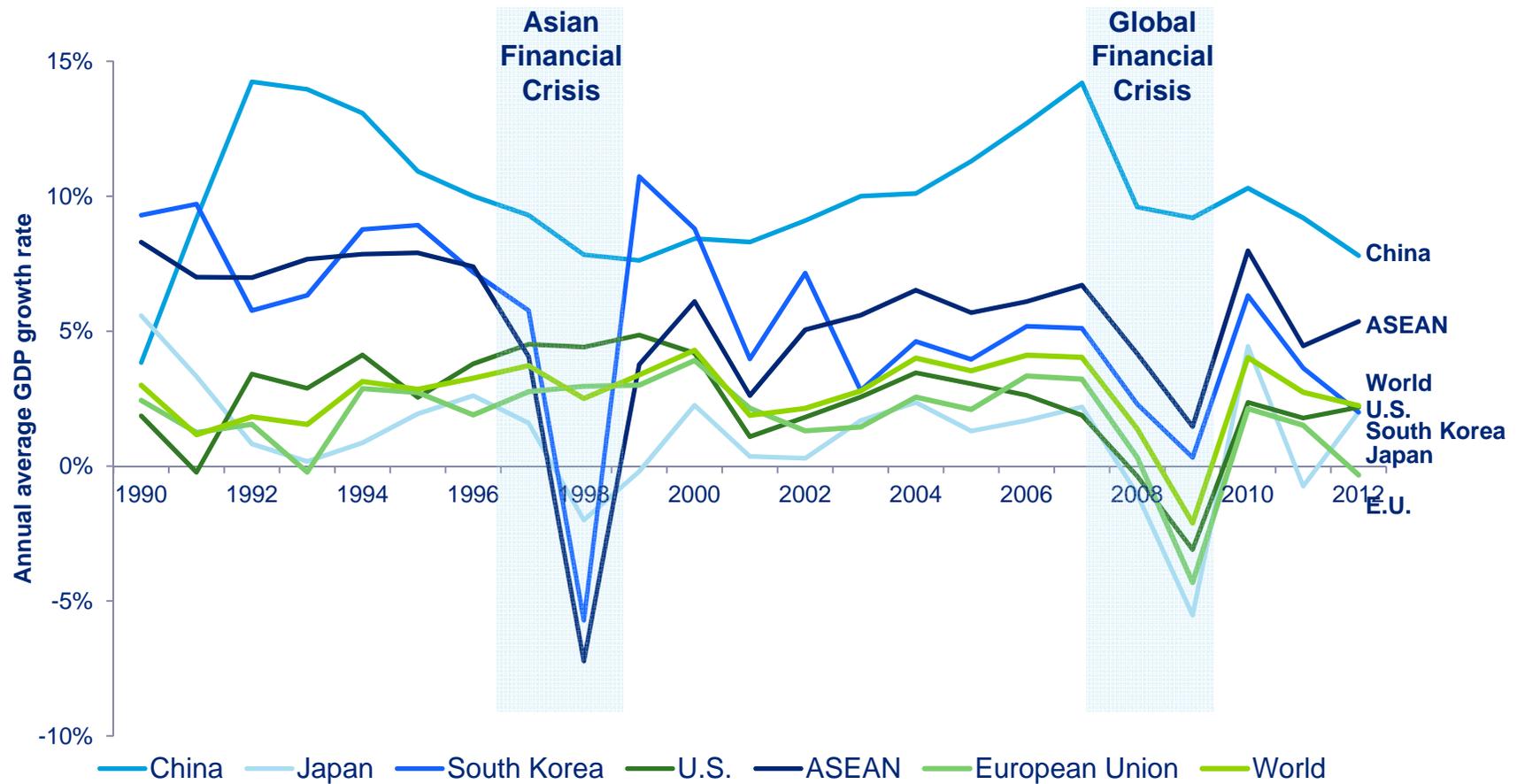


Boku Payments Service

With financial sector maturity and financial innovation comes economic growth. However, this combination is associated with higher bank risk taking and fragility



These risks introduce volatility which can impact growth



Source: United Nations Conference on Trade and Development

In reaction to the financial crisis, much regulation is being enacted and compliance is being required in an attempt to ensure stability

Area of reform	Global	US	Europe	UK
Capital	Basel III	Dodd-Frank	CRD 4	Independent Commission on Banking
Liquidity	Basel III		CRD 4	Independent Commission on Banking
Governance		Dodd-Frank	CRD 4, MiFID, EBA guidelines	Walker Report
Systemic Risk		Dodd-Frank	EU Directive	Independent Commission on Banking
Supervision		Dodd-Frank		The Prudential Regulation Authority's
Remuneration	FSB principles	Dodd-Frank		Walker Report
Customer treatment		Dodd-Frank	MiFID, CASS	Financial Conduct Authority
Traded markets		Dodd-Frank	MiFID, EMIR	
Accounting and disclosure	IFRS 9			
Tax/compliance		FATCA	FTT	

A balance is needed between financial services sector, financial innovation and regulation so that growth is not stifled

Financial services enable:

- Consumer spending and confidence
- Funding of small, medium and large scale investment
- Improves productivity
- Allows for risk management
- Facilitates domestic and international transactions
- Promotes firm entry and competition
- Facilitates economics growth

Financial innovation enables:

- Greater access to capital and liquidity
- Increases efficiency and reduces costs in the financials services sector
- Enables the sharing of risks
- Enables the efficient matching of suppliers and demanders of capital
- Facilitates economic growth

Regulation:

- Addresses risks in the system
- Aims to ensure a level playing field
- Protects consumers where there is asymmetry of information
- Aims to ensure stability
- Potential to curtail the supply of capital and liquidity
- Potential to stifle growth



Balance



Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity. Please see www.deloitte.com/about for a detailed description of the legal structure of Deloitte Touche Tohmatsu Limited and its member firms.

This communication is for internal distribution and use only among personnel of Deloitte Touche Tohmatsu Limited, its member firms, and their related entities (collectively, the "Deloitte Network"). None of the Deloitte Network shall be responsible for any loss whatsoever sustained by any person who relies on this communication.

© 2013. For information, contact Deloitte Touche Tohmatsu Limited.