

Banking Panel

Global Banking System – trends and challenges

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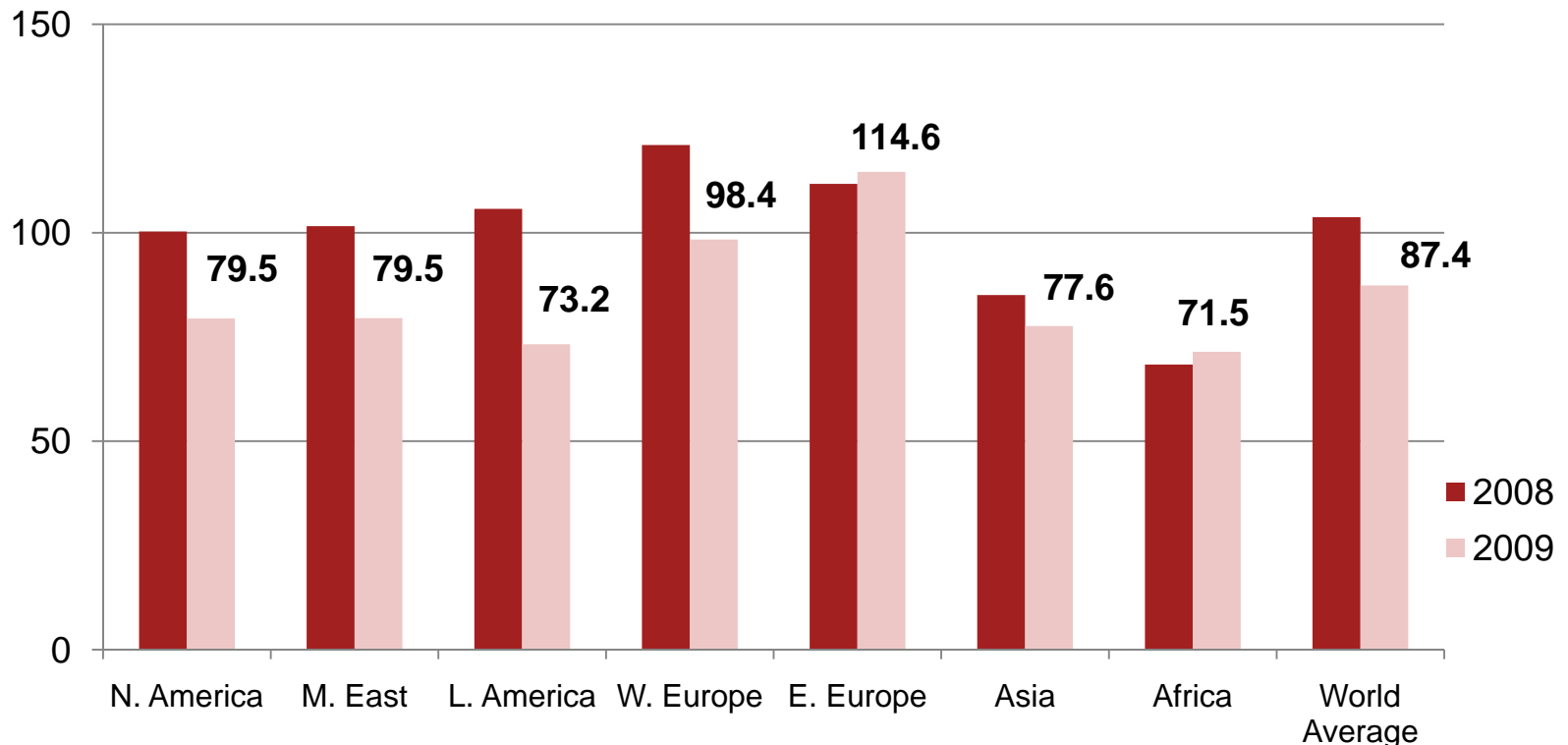
24 March 2011 New York

“Never again” – the response of regulators to the recent Banking industry crisis of 2007

- **Lower level of loans compared to deposits – greater liquidity**
- **More equity less leverage – now**
- **More expensive capital requirements**

Global banking system – pressures to reduce loan/deposit ratio – this fell to 87,4% from 103,7%

Loan/deposit ratios by region 2009 (2008)

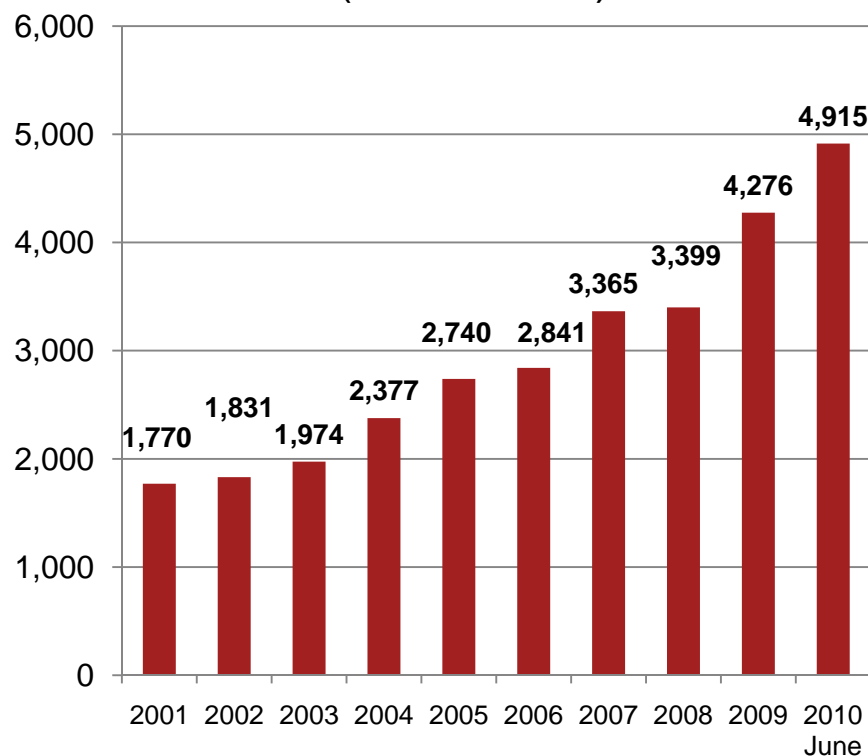


The Optimum loan to deposit ratio is probably 70%

Source: The Banker Database (Average individual bank ratios; information from 254 banks)

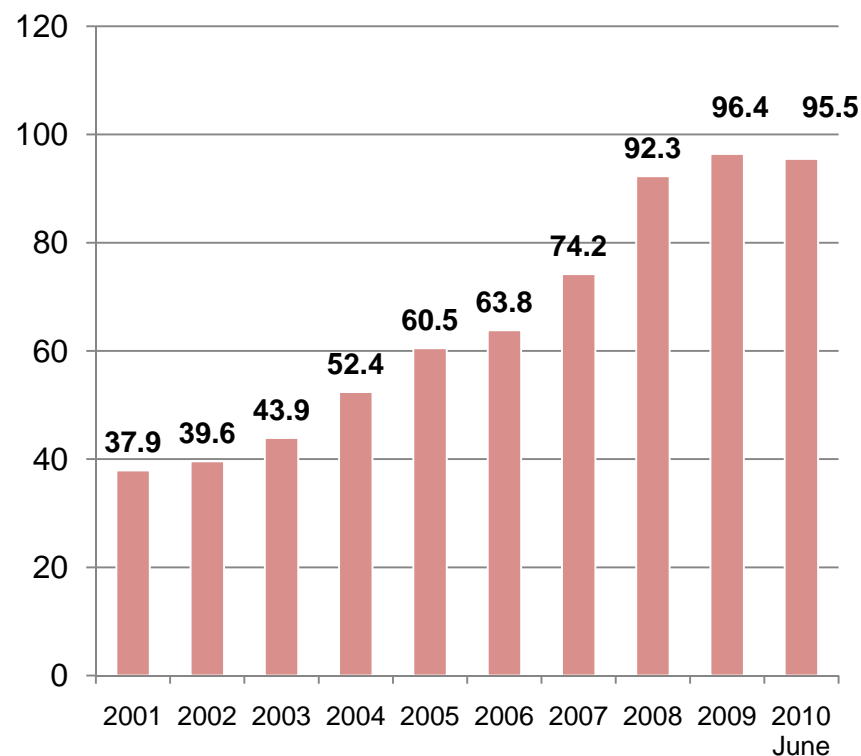
Global Banking system – pressures to deleverage (More Capital, Fewer Assets)

Total Tier 1 Capital
(USD Billion)



Source: The Banker Database

Total Assets (USD Trillion)



“Never again” – the response of regulators

Capital changes (transitional arrangements)

From 1 January:

	2011	2012	2013	2014	2015	2016	2017	2018	2019
Min Common Equity Ratio			3.5%	4.0%	4.5%	4.5%	4.5%	4.5%	4.5%
Capital conservation buffer						0.625%	1.25%	1.875%	2.5%
Min common equity + cap conservation buffer			3.5%	4.0%	4.5%	5.125%	5.75%	6.375%	7.0%
Phase in of deductions from Common Equity				20%	40%	60%	80%	100%	100%
Minimum Tier 1	4.0%	4.0%	4.5%	5.5%	6.0%	6.0%	6.0%	6.0%	6.0%
Minimum Total Capital	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%
Min Total Capital + cap conservation buffer	8.0%	8.0%	8.0%	8.0%	8.0%	8.625%	9.25%	9.875%	10.5%
Capital instruments that no longer qualify as Tier 1 or Tier 2			Phased out over 10 year period starting 2013						