

Goldilocks

Lukewarm gruel for banks amid low growth

| | UNSUSTAINABLE EXPANSION (2002-2007) | CRISIS (2008-2011) | NEW REALITY (2012-2015) |
|---|--|---|---|
| | DOUBLE-DIGIT GROWTH, HIGH ROE, MULTIPLES AT UNSUSTAINABLE LEVELS | SLOW GROWTH, ROE SIGNIFICANTLY BELOW COE, LOW MULTIPLES | LOW, SINGLE-DIGIT GROWTH, PLATEAUED ROE AND MULTIPLES, IMPROVED COST-EFFICIENCY |
| Average ROE | 14.0% | 7.3% | 9.1% |
| Revenue growth* | 16.8% | 3.9% | 6.2%** |
| Emerging markets' share of revenue growth* | 26.9% | 69.0% | 70.9%** |
| Tier 1 ratio | 10.5% | 12.1% | 12.5% |
| Loan/deposit | Developed | 124.6% | 105.7% |
| | Emerging | 75.6% | 77.4% |
| Price/book value | Developed | 2.2 | 0.9 |
| | Emerging | 2.2 | 1.2 |
| Per cent of banks with price/book value <1.0x | Developed | 28.4% | 64.1% |
| | Emerging | 19.2% | 42.0% |
| Primary driver of economic growth | Volume | Risk cost | Operational efficiency |

* Revenue before risk cost

** Fixed conversion rate, \$ 2015