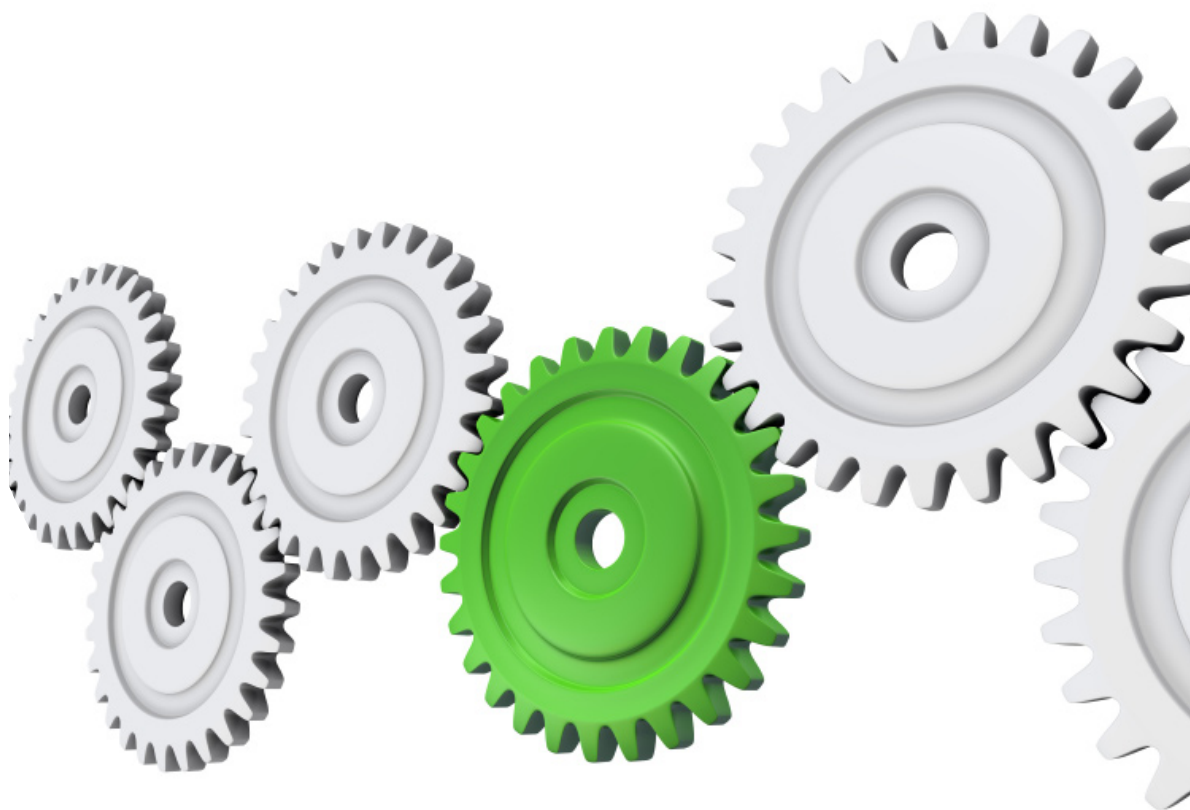


Improving Efficiency
The new high ground
for banks



Foreword



The turmoil in the financial markets, coupled with the economic downturn, is fundamentally altering the financial services environment. In this new world, improving operating efficiency has become a competitive necessity. But while financial firms have typically moved quickly to reduce costs when the business cycle is contracting, far too often these efforts have been quickly forgotten when business picks back up.

In this report, we present research conducted by the Deloitte Center for Banking Solutions demonstrating the critical importance of operating efficiency to the fortunes of financial firms. Among the findings is that building efficient operations is not enough — steady, continuous improvement in operating efficiency are required. In fact, banks that have achieved continuous improvements in efficiency have also generally experienced far greater gains in their share prices.

The report also describes the key factors that drive success. While there are many factors, a few themes underpin them. Successful programs are sustained, long-term efforts, not something that is here today and gone tomorrow. These efforts should be comprehensive, encompassing such issues as awareness, business processes, metrics, technology, and culture.

Finally, most organizations will find that increasing efficiency over the long term will demand fundamental changes to their business processes and often to their culture as well. Driving this level of change depends upon active leadership from the C-suite to infuse a commitment to continuous efficiency improvement into the DNA of the organization.

We hope you find this report worthwhile.

Sincerely,

A handwritten signature in black ink, appearing to read "Don Ogilvie". The signature is written in a cursive style with a long, sweeping underline.

Don Ogilvie
Independent Chairman
Deloitte Center for Banking Solutions

May 2009

Executive summary

Financial services firms are facing a much tougher operating environment as a result of the credit crisis. Higher funding costs, increased defaults, and limited opportunities for topline growth are all contributing to a more challenging situation for the industry. Combined with the likelihood of additional compliance obligations, financial institutions are facing a level of difficulty they have not seen for many years. As a result, many firms are being forced to place more emphasis on reducing costs.

Improving efficiency has long been a challenge for the financial services industry, but cost management is not only about reducing expenses. It is about generating more revenue per unit of cost. U.S. banks vary widely in their commitment to cost management, and their commitment tends to be more cyclical than sustaining.

The benefits of a stronger focus on efficiency can be significant. According to our research, banks that generally maintained a consistent approach to efficiency improvement also enjoyed superior stock-price growth in addition to being better prepared to organically fund investments. Furthermore, banks that effectively manage their operating costs will likely have more room to maneuver during the current credit crisis than banks that do not. It is not just revenue that counts on Wall Street. This may be particularly important for banks struggling to rebuild capital positions damaged by the crisis. In this environment, any contribution to the bottom line is important.

With this in mind, many banks have announced cost-reduction programs to help improve damaged margins. However, how successful will these programs be?

For banks to exceed their peers in improving efficiency, they have to be willing to implement a long-term, enterprise-wide approach that will require fundamental, and for some, cultural change.

In down markets, the temptation is often to resort to short-term measures and reduce costs quickly wherever possible. But successful cost management requires a long-term and consistent focus across cycles instead of reactive responses to specific business cycles, such as the current downturn.

For banks to exceed their peers in improving efficiency, they have to be willing to implement a long-term, enterprise-wide approach that will require fundamental, and for some, cultural change. They want to go beyond simply reducing budgets and improving processes, cutting back on external contractors, and freezing headcount and expenses. Instead, they try to embed a commitment to efficiency into the firm's DNA, perhaps even making consistent quality and continuous performance improvements part of the enterprise identity.

This report addresses the importance of a sustained focus on cost management, particularly at the present time, and provides suggestions on ways to start the process of continuous improvement.

Current trends in banking

The perfect storm

In the current crisis, financial institutions are under siege. Credit markets are struggling. Transformational government support is broaching uncharted territory. Wall Street stalwarts are disappearing entirely or being acquired by other institutions. Consumer confidence is spiraling to decades-old lows, with 'real' reductions in both consumer wealth and spending. (See Exhibit 1.)

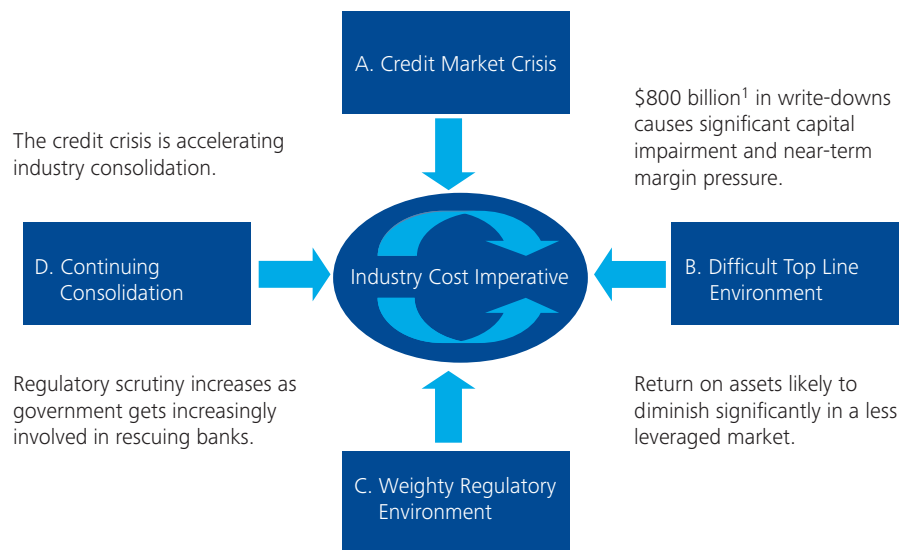
The market has changed dramatically from seeking higher returns through complex, leveraged transactions to increased focus on simpler, more standardized products and businesses with lower risks and more predictable returns. The market for structured products is in retreat, and there is much greater reliance on fee-based services such as transaction banking, custody, and clearing services that depend on scale, processing, and operational efficiency for their success.

As capital becomes scarce, financial institutions are more compelled to focus on their core vision and simplify their businesses. This provides an immediate opportunity for improving efficiency. Simplifying the organization is one of the first steps to improving the efficiency and effectiveness of the infrastructure that supports it.

There are no quick fixes to credit market volatility

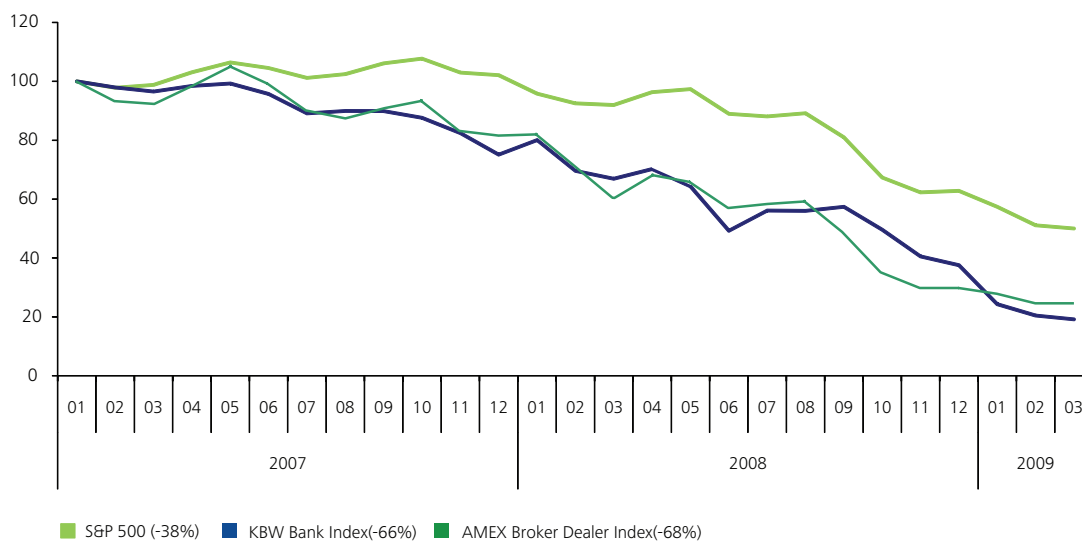
First and foremost is the credit crisis; continued write-downs that many banks are facing could potentially impact the industry for years to come. Banks around the world have already experienced write-downs of more than \$900 billion.¹ Estimates of future potential write-downs vary as asset write-downs give way to actual credit losses and plummeting stock prices. (See Exhibit 2.) The crisis still leaves banks struggling to maintain and restore their capital positions.

Exhibit 1: A significantly more challenged market



Source: Deloitte Center for Banking Solutions

Exhibit 2: A significant decline in stock price performance



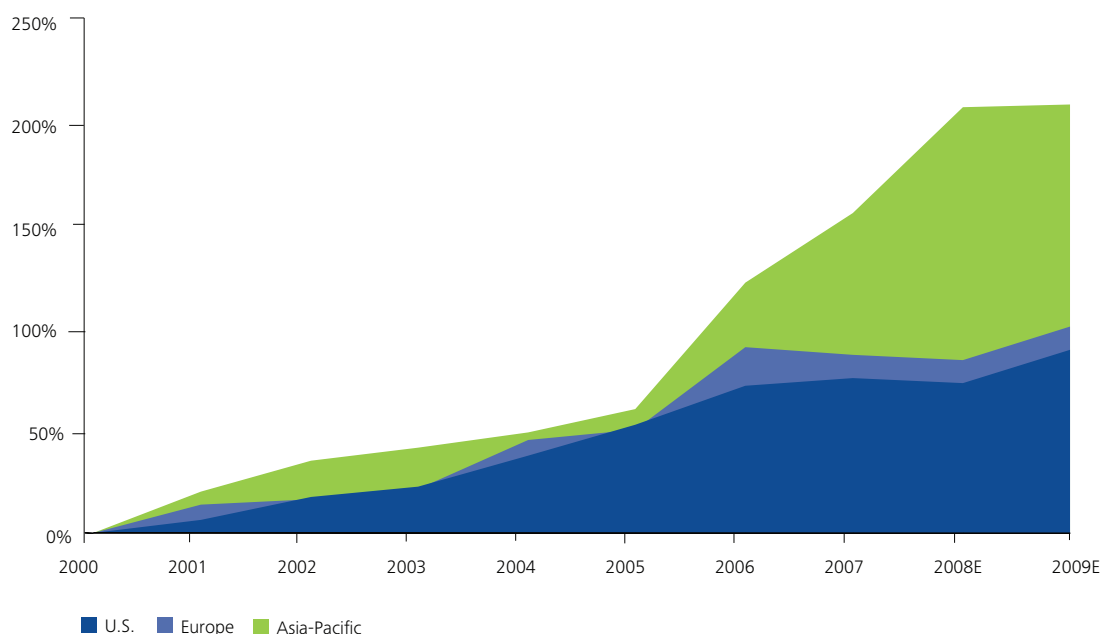
Source: WSJ, KBW, Deloitte Center for banking Solutions

Revenue and margin growth will likely continue to slow

Banks in particular are likely to maintain higher capital ratios in the future. This may result from regulatory pressure, concerns about counterparty risk, or investor anxieties. In the short term at least, this means lower levels of return on equity (ROE) than in prior years. In 2008, the industry’s annual net income was the lowest since 1990.² Additionally, core businesses are likely to continue to face difficulties from declining consumer confidence. Write-downs create significant pressure to improve earnings, and rising credit costs are forcing many banks to revisit the economics of their traditional businesses. The mortgage origination engine has been seriously wounded, higher reserves and losses may offset any up-tick in refinances as rates drop, and pricing pressure from product commoditization will continue to drive down margins overall.

Exhibit 3 illustrates a slower outlook for U.S. and European banking revenue growth through 2009. And, it is predicted that growth in developing markets, such as those in the Asia-Pacific region, is likely to decelerate from pressures on developed economies impacted by the crisis. In the third quarter of 2008, net income for all Federal Deposit Insurance Corporation-insured institutions totaled \$1.7 billion, a decline of \$27 billion from the same period in 2007.³ Quarterly return on assets was down to 0.77%, the lowest since the second quarter of 1987.⁴ Write-downs and credit costs will probably continue to depress earnings well into 2009.

Exhibit 3: Banking industry revenues – past performance and outlook



Source: Capital IQ December 2008

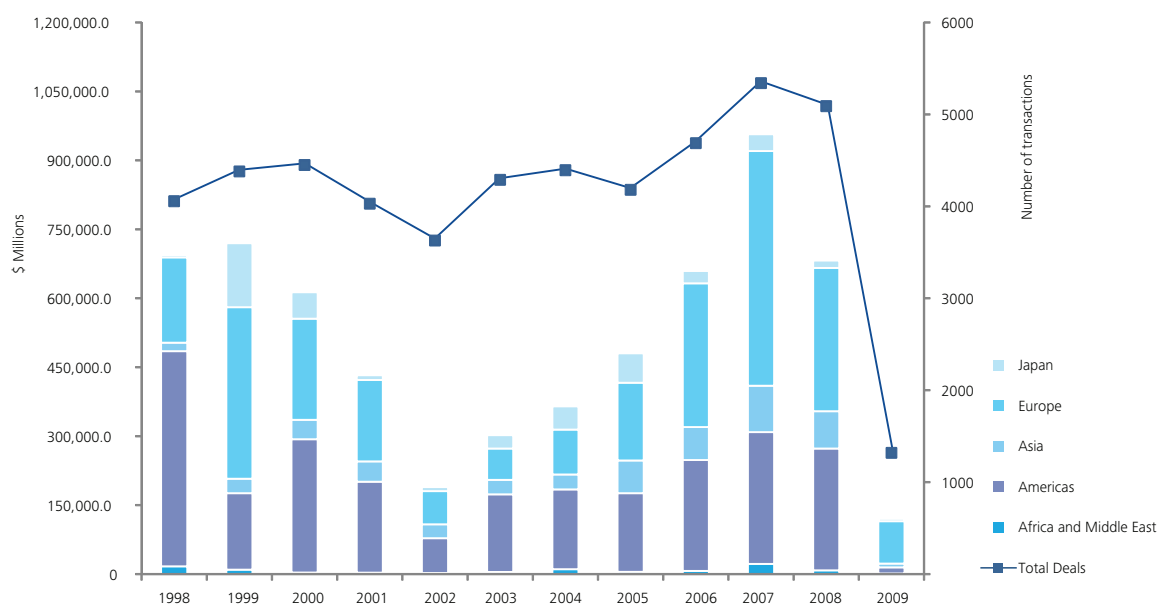
Organic growth replaces acquisitions

From an M&A perspective, the industry continues to consolidate around larger, stronger institutions where improvements in efficiency are a primary driver. This global process — made all the more likely by the continued pressures of the credit crisis — exposes challenged U.S. banks to the constant threat of acquisition by more efficient competitors. Major transactions as well as business model clean-ups are occurring in spurts as the market attempts to self-correct. The number of mergers and acquisitions in the industry has increased in recent years. (See Exhibit 4.)

Essentially, businesses are likely to become simpler and more standardized forcing greater attention on cost management and revenue generation per unit of cost. By inviting capital infusion on a controlled basis from private equity and sovereign wealth sources, regulators have opened up the possibility of further restructuring from activist shareholders.

However, many institutions may need to shift away from acquisitions, and increase focus on unlocking the value of core businesses through improved efficiency.

Exhibit 4: Financial services global M&A activity



World-Wide Financial Services M&A Transactions by Target Region, All Transactions
Date Announced 1998 to April 6, 2009

Source: Mergerstat; Deloitte LLP

Compliance costs will probably continue to grow

Past financial crises have often resulted in additional regulation. The already-considerable compliance burden on banks will likely increase in an attempt to prevent future crises. The Basel Committee on Banking Supervision,⁵ the Senior Supervisors Group,⁶ the Institute of International Finance,⁷ and the U.S. Treasury⁸ have all issued reports calling for changes in risk management practices and the regulatory process itself. The Federal Reserve has recently issued new regulations⁹ on mortgage origination to protect consumers. The outcome of all these recommendations is likely to be more regulation rather than less, with banks themselves under pressure to improve their own governance processes.

Research from the Deloitte Center for Banking Solutions on compliance costs at leading U.S. financial firms found that “known” compliance costs increased by an average of

159% between 2002 and 2006.¹⁰ The last 12 years have seen a significant number of new regulations impacting the financial services industry.

While compliance responsibilities have clearly grown, the approach to compliance management generally has not, leaving some institutions with a fragmented approach to delivering against evolving requirements.¹¹ A succession of reports and initiatives from different regulatory and industry bodies has appeared, pointing to the probability of even greater levels of regulatory scrutiny to come. For investment banks in particular, this is likely to mean a lower reliance on leverage to generate earnings, which in turn must be compensated in some way.

Banking in the new millennium: scale alone is not enough

The current credit crisis is accelerating consolidation in the U.S. banking industry as troubled institutions are acquired by remaining players. Between year-end 2007 and the third quarter of 2008, the top five U.S. banks have increased their share of industry assets from a little more than a half to nearly two-thirds.¹² Larger banking institutions increasingly dominate the U.S. and global banking landscape.

Is this a good thing or a bad thing from an efficiency perspective?

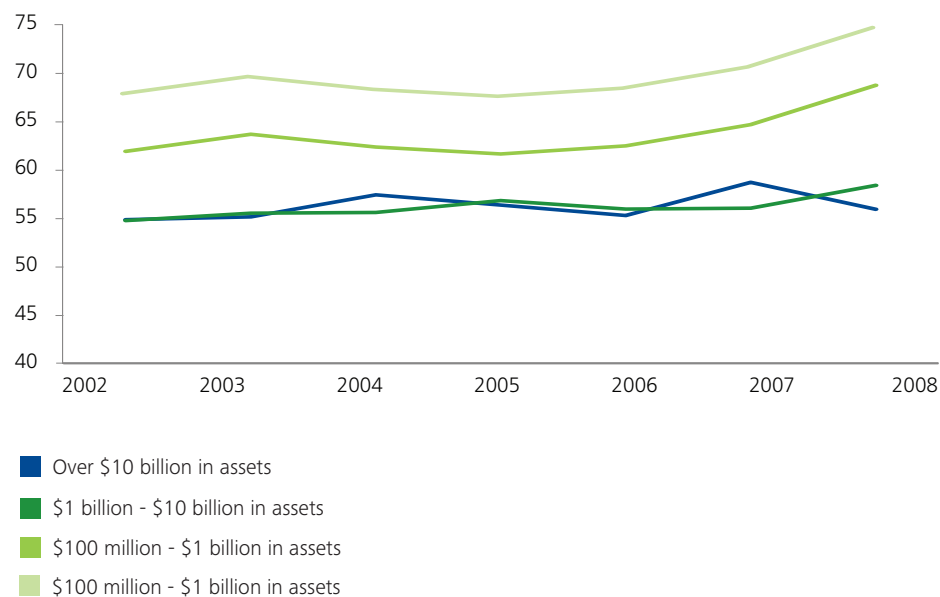
Large, complex financial institutions (LCFIs) can create diseconomies of scale unless siloed infrastructures and fragmented technologies are streamlined or replaced. According to our analysis of recent mergers and acquisitions, the management of more efficient institutions

typically comes out on top. This trend has been even more pronounced during the credit crisis. Effective cost management has become even more critical for the success of the banking industry in particular and for financial services in general.

Has industry consolidation improved efficiency?

Exhibit 5 shows efficiency ratios by size of commercial bank. We see two clear groupings: larger banks have better efficiency ratios than smaller banks. However, the larger banks are almost indistinguishable in terms of efficiency. This suggests that, at some level of scale, efficiencies become more difficult to achieve. In other words, above a certain size of bank, there may be diseconomies of scale.

Exhibit 5: Efficiency ratio trends by size of bank*



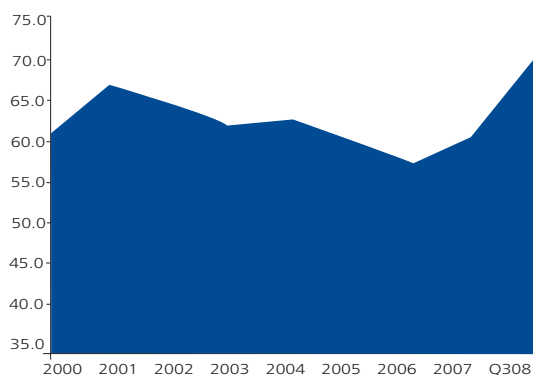
Source: FDIC, Third Quarter 2008

* The standard FDIC definition of the efficiency ratio has been used throughout, which equals operating expenses divided by the sum of noninterest income and net interest income.

Over time, we see the gap between the efficiency of smaller and larger banks increasing. However, none of the groups show continuous efficiency improvement. In fact, efficiency ratios have deteriorated for each group. While scale may contribute to greater efficiency, it does not by itself appear to lead to more continuous efficiency improvement.

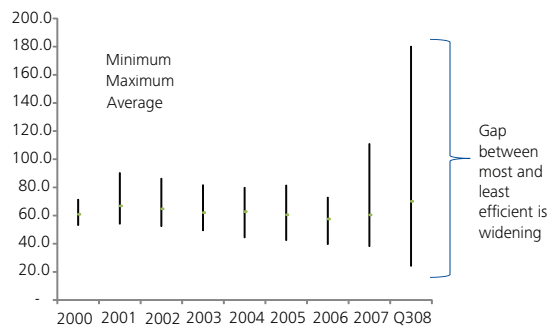
Exhibit 6: Changes in efficiency ratios U.S. Banks 2000 - 2008

Average efficiency ratios U.S. Banks 2000 - 2008



Source: Capital IQ

Efficiency ratios U.S. Banks 2000 - 2008 – average, minimum, and maximum



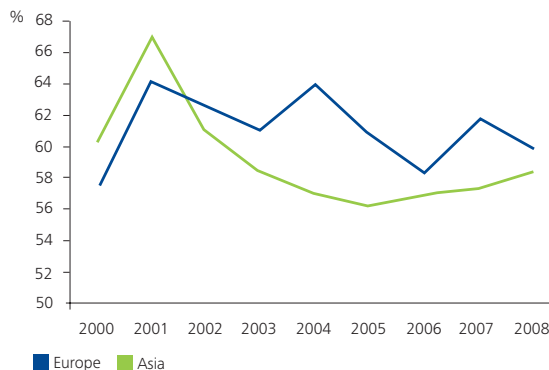
Source: Capital IQ

The importance of a sustained approach

Cost management in U.S. banking suggests cyclical rather than sustained progress. (See Exhibit 6.) In addition, there have been wide variations in performance between banks and the gap between the lowest and highest efficiency ratios has increased through the credit crisis. (See efficiency ratio variance between average, minimum, and maximum in Exhibit 6.) The European banking industry has a similar history. In the Asia-Pacific region, banks have made substantial, albeit more temporal, improvements in efficiency. (See Exhibit 7.) Following a period of heavy investment in the region, banks began experiencing economies from their investments and leveraging established infrastructure.

One of the more obvious opportunities for all banks in the current environment is an enhanced focus on efficiency. It may be one of the few margin generators available as topline challenges continue to increase. But, the crisis will pass and even this cycle will turn. Given the decline in bank market capitalization, analyzing the importance of efficiency improvement to stock price growth should be conducted before revenue pressures return.

Exhibit 7: Changes in average efficiency ratios European and Asian Banks 2000 - 2008



Source: Capital IQ

What does Wall Street think?

We analyzed the change in the efficiency ratios and stock prices of 30 U.S. banks of varying size and market capitalization. The banks were split into three equal groups based on changes in their efficiency ratios from 2000 to 2006. To isolate the impact of the credit crisis, we analyzed the banks initially from 2000 to 2006 before the crisis broke and then again from 2000 to 2008 after the crisis was in full swing.

Group one (“Strong Performers”) achieved the greatest improvement in efficiency, an average of 19.26%. Group two (“Average Performers”) saw little change in efficiency, with an average improvement in their efficiency ratios of 5.09%. Group three (“Challenged Performers”) saw marked deterioration in their efficiency ratios, an average decline of 13.10%. Almost all banks recorded an increase in revenues during the period. To highlight this more clearly, growth in revenues and expenses have been separated for each of the three groups. (See Exhibit 8.)

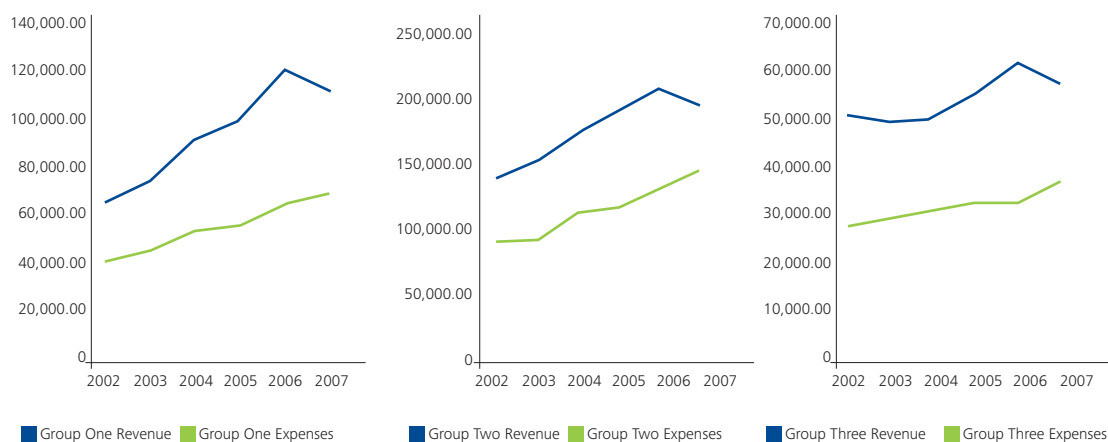
Banks in group one expanded the gap between income and expenses up until 2006. Banks in groups two and three struggled to achieve this. More significantly, banks in group one grew revenue by 86% between 2002 and 2006. This was 1.6 times greater than banks in group two

and nearly four times greater than banks in group three. In 2007, growth in revenues was reduced for all groups because of the credit crisis.

The next stage was to analyze the average performance of each of the groups in terms of relative stock price growth. (See Exhibit 8.) Banks in group one clearly outperformed the other two groups, while banks in group two comfortably outperformed banks in group three. Perhaps more striking was the size of the gap in stock-price performance.

From 2000 to 2006, the share price of banks classified as Strong Performers grew by 126.7% on average, compared to an increase of just 21.3% for the Challenged Performers. The average growth in share price of the Strong Performers also outpaced that of the Average Performers by more than two to one. Additionally, banks classified as Strong Performers achieved average ROA growth that was approximately twice as high as Average Performers over the period, while Challenged Performers saw their ROA actually decline. Banks that improved efficiency generally achieved better returns for their shareholders and generated more revenue per unit of costs and dollar of capital employed.

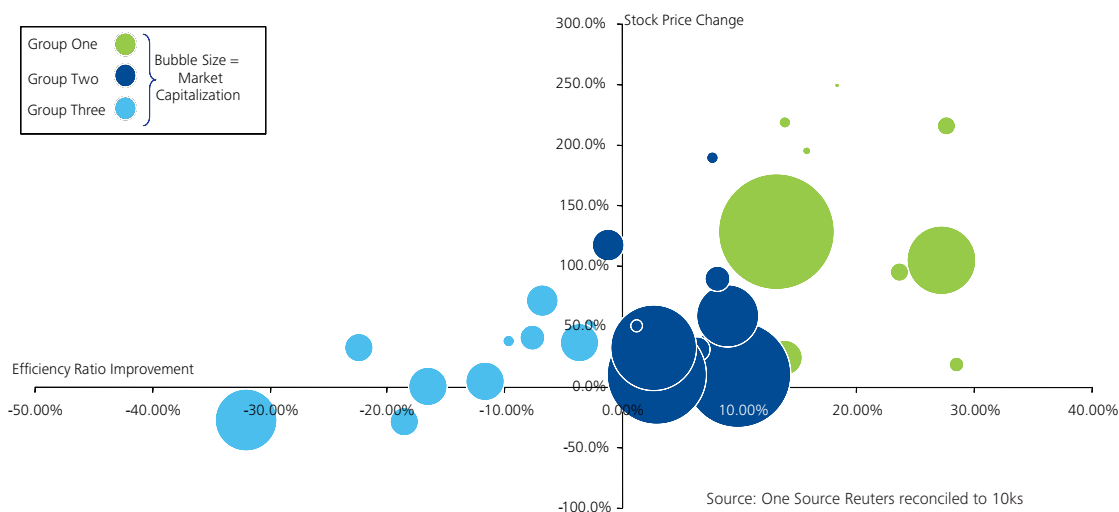
Exhibit 8: Average growth in revenue and expenses – groups 1, 2, and 3 (2002 – 2007)



Source: Capital IQ

Exhibit 9: Wall Street rewards U.S. companies that maintain cost efficiency

Analysis of 30 U.S. banks 2000 - 2006 ^{1,2}



¹ The group of 30 banks studied were selected on the basis of a random sample of small, medium, and large banks. The banks have been organized on the basis of efficiency ratio improvement and then organized into equal groups of three.

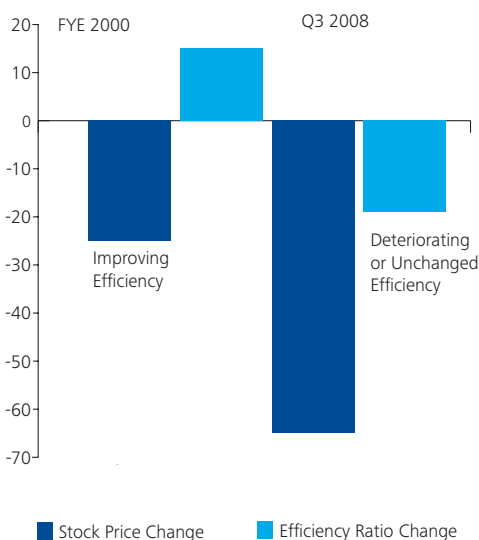
² Banks whose bubble are covered: (Group 1, 10.37% improvement in efficiency ratio, 21.6% growth in stock price), (Group two, 3.42% improvement in efficiency ratio, 11.5% growth in stock price)

Exhibit 9 maps efficiency changes and stock price growth; the size of a bubble represents market capitalization. This exhibit reinforces the message that scale alone is not enough to drive efficiency improvements over time. Smaller banks are well represented in groups one and three, while larger institutions form a cluster in group two.

Impact of the Credit Crisis

Write-downs ravaged market capitalizations across all banks. (See Exhibit 10.) Risk management and efficiency management are clearly different disciplines. For ease of analysis, we reduced the number of groups from three to two. The first group of banks (12 in total) consistently improved efficiency, some dramatically so. The second group of banks (14 in total) decreased their efficiency, except for two where efficiency remained generally static. Both groups suffered deterioration in stock price consistent with the significant decline in the market and the sector. But the second group of banks experienced a loss of market value more than twice that of the first group. Those banks with a stronger track record of continuous efficiency improvement appear to be weathering the current turmoil better than those that have not.

Exhibit 10: Average stock price and efficiency changes sample group of banks FYE 2000 – third quarter 2008



Source: Deloitte Center for Banking Solutions

Factors that drive success

What is it about the banks in group one that made them more successful?

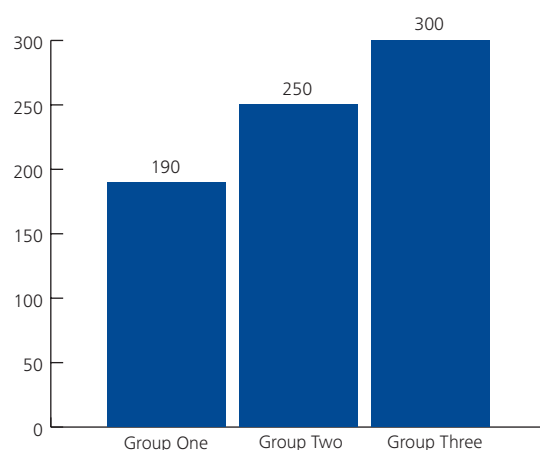
Commitment to continuous efficiency improvement.

Banks in group one showed a commitment to continuous efficiency improvement between 2000 to 2006. Some banks in group one had higher efficiency ratios (implying lower efficiency) than banks in group two, but greater efficiency improvement.

Scale was not a primary factor. Group two had the largest share of LCFIs supporting the point that size can produce diseconomies of scale beyond a certain size.

Integrate mergers. Group three banks had the most growth through acquisitions. (See Exhibit 11.) Many group one banks were also actively engaged in acquisitions, but less so on average than banks in groups two and three. Group one also had some active acquirers, but it appears to have absorbed acquisitions and managed integration, while achieving better efficiency statistics. In fact, the most efficient banks in group one were also among the more active acquirers.

Exhibit 11: Total number of acquisitions by group



Source: FDIC

Focus on core business. Banks in group one generally had less diversified and more concentrated businesses than banks in groups two and three. In particular, a number of banks in group two represented the amalgamation of larger, more complex businesses that came together as a result of industry consolidation. This group may have achieved improved market presence, but it did not sustain a high

level of efficiency ratio improvements. Group two had the largest institutions with the most diversified business models. Managing efficiency improvements across multiple lines of business provides additional challenges.

Consistently focus on revenue and costs. Banks in group one consistently managed both revenue and costs. As a result, they achieved the greatest increase in revenue on average and the largest reduction in expenses. Group one banks generally achieved more consistent improvements in efficiency than banks in the other two groups. Additionally, having a low efficiency ratio by itself is not enough for inclusion in group one. The focus must be on improvement over time.

Drive from the center out. Clear leadership from the C-suite is essential in implementing the cost management program with a cultural commitment to efficiency across the enterprise. Different parts of the business should be engaged at all levels to deliver a sustained approach over time with long-term goals in place and a compensation system to reflect this.

Understand the critical processes. Critical to the success of the enterprise are the underlying processes, technologies, and people that support them.

Benchmark against the best. Benchmarking against both internal and peer group best-in-class performance is essential for ongoing success. Internal benchmarking can force a process of identifying, rewarding, and replicating best practices already in place within the organization. Peer group comparisons can also help organizations set higher standards and evaluate performance against those standards over time, based on the factors that are shaping the future of the industry.

The temptation is often to believe that your bank is unique and cannot be compared with any other. This temptation should be resisted because it encourages a rear-view mirror approach to measuring performance.

Maintain a cultural commitment to continuous improvement. Leaders have made this part of a wider effort to improve quality in all aspects of the enterprise. It becomes a key part of the way the corporation manages and talent development. It goes beyond disciplines like Six Sigma and is often embedded in the brand of the enterprise, and in commitments made to customers and stockholders.

Exhibit 12: An efficient maturity model

	Near-term cost cutting	Sustained cost management	Continuous efficiency improvement
Awareness	<ul style="list-style-type: none"> • Short-term approach. • Headcount, travel, and entertainment expenses focus. • Limited understanding of the detailed costs of running the business. 	<ul style="list-style-type: none"> • Prioritized cost management opportunities. • Detailed understanding of costs down to individual product and service levels. 	<ul style="list-style-type: none"> • Strong C-suite leadership. • Efficiency part of the DNA of the enterprise. • Close leadership alignment at the enterprise and line of business level. • Constantly seeking new methods of improvement.
Accountability/ Organization	<ul style="list-style-type: none"> • Roles and responsibilities not clearly defined. • Limited structural oversight or alignment between line of business and C-suite. • Commitment varies by line of business. 	<ul style="list-style-type: none"> • Roles and responsibilities clearly defined. • An enterprise-wide approach. • Accountability well established. • Defined incentives and penalties in place and enforced. • Long-term goals drive the efficiency agenda. • Close alignment between business and operations. 	<ul style="list-style-type: none"> • Efficiency goals are “top of mind” at all levels of the enterprise. • Close integration with broader organizational goals shareholder value, performance improvement, and longer-term customer relationship development.
Process and Controls	<ul style="list-style-type: none"> • Limited focus on process improvement and organizational simplicity. • Many silos and fragmented structures. • Heavy focus on manual exceptions. 	<ul style="list-style-type: none"> • High focus on process improvement consistent with core vision and priorities. • Enterprise-wide approach leveraging shared resources and utilities within a business function model. 	<ul style="list-style-type: none"> • Process and goals are constantly reassessed to find new and better ways of accomplishing more with less. • Innovation is a critical part of the process management agenda. • The firm is seen as an industry leader in driving infrastructural improvements.
Measurement	<ul style="list-style-type: none"> • Metrics in place to measure efficiency are limited or inconsistent across the enterprise. • No external benchmarking. 	<ul style="list-style-type: none"> • Metrics in place to manage efficiency improvements. • External benchmarking with best-in-class industry peers. 	<ul style="list-style-type: none"> • Metrics are in place and constantly reassessed for effectiveness. • External benchmarking in place with best-in-class efficiency leaders outside the industry.
Technology	<ul style="list-style-type: none"> • Fragmented, siloed, aged technology infrastructure. • Limited alignment with the business. • High maintenance costs. Low technology return on investment. 	<ul style="list-style-type: none"> • Strong alignment between business and technology. • Well-integrated systems-high degree of automation. • High technology return on investment. 	<ul style="list-style-type: none"> • Clearly established technology leadership. • High degree of automation. • Leaders in proven and innovative technology. • Mastery in managing a technology portfolio.
Culture	<ul style="list-style-type: none"> • No clearly established cost management culture. • Revenue goals consistently outweigh cost management considerations. • Cyclical approach to cost management. 	<ul style="list-style-type: none"> • Strong internal commitment to efficiency improvement. • Embedded cultural focus. 	<ul style="list-style-type: none"> • Quality is part of the external branding image of the firm. • The firm defines itself by its culture of efficiency with clients, shareholders, and employees beyond traditional benchmarks.

Source: Deloitte Center for Banking Solutions

An enterprise-wide perspective

Where is your firm today?

We believe that most financial institutions will find themselves in one of the three channels in terms of their approach to cost management. (See Exhibit 12.)

Short-term cost management: This typically reflects a transactional approach to cost management, focusing on low-hanging fruit and demand-based activities rather than sustainable organizational restructuring and streamlining processes and infrastructure. Cutting travel and entertainment, reducing headcount, and cutting projects is often the first response of institutions in this channel. Cost-cutting goals are short term in nature. There is often significant push back within individual lines of business, and as a result, cost-cutting goals may not be achieved. Cost-cutting initiatives are often put in place as a response to cyclical pressures, and those pressures change once the cycle has turned. This approach characterizes the cyclical nature of many cost-cutting programs.

Sustained cost management: Sustained cost-management strategies span industry cycles and attempt to make efficiencies permanent. Goals are aligned to the core vision of the enterprise. Efficiency improvement is consciously embedded in the DNA of the institution through an explicit shift toward creating a culture that recognizes and rewards a rigorous approach to cost management and performance improvement.

The key element in sustained cost management strategies is a long-term commitment to efficiency improvement. In our experience, longer-term cost management programs are more successful than short-term initiatives. They tend to have wider internal support and are frequently more strategic in their scope and intent. With their focus on core operating model improvements, longer-term programs typically address the key challenges of the enterprise in a more sustainable fashion.

Continuous efficiency improvements: This approach goes beyond long-term cost management and differentiates the firm in efficiency improvement. This translates into dealings with customers, in communications with shareholders and in managing and developing employees. A commitment to efficiency leadership is also often reflected in initiatives at an industry level, playing

a leading role in the development, for example, of clearing and settlement systems and infrastructural projects or risk initiatives that increase efficiency across the financial services industry for the benefit of all institutions.

An enterprise invested in continuous efficiency improvement may not define itself primarily in efficiency terms, but it may express the same commitment through broader objectives, such as “perfection in meeting customer needs” or “maximizing shareholder value.” Efficiency intelligence goes beyond initiatives like Total Quality Management (TQM) and Six Sigma and is reflected in a cultural approach to management that constantly tries to improve performance across the enterprise at all levels and functions. Developing this level of efficiency leadership can take several years, involving a total commitment on the part of senior leadership as well as sweeping cultural change.

An efficiency maturity chart

Exhibit 12 lays out an efficiency maturity chart designed to help institutions determine roughly how they might compare with a best-in-class model. This is no substitute for an ongoing benchmarking approach, but it should help an institution establish some preliminary goals for what it might define as a realistic goal based on an approximation of where it is today. Moving from one part of the chart to another can take several years of continuous effort and may ultimately involve all parts of the institution.

Mapping the marketplace

A new financial services marketplace is emerging from the credit crisis. Its focus is very different from before. Market conditions are much tougher, and continuous margin improvement is more difficult to accomplish. In this context, consistent focus on improving operating efficiency for all business segments is more important than ever. Especially in businesses that are heavily invested in scale and scope, efficiency improvement is the ultimate battleground for competitive success and stockholder enrichment. The current phase of the market, which grants a premium to businesses with more transparent and predictable profit characteristics, only serves to emphasize this.

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About the Center

The Deloitte Center for Banking Solutions provides insight and strategies to solve complex issues that affect the competitiveness of banks operating in the United States. These issues are often not resolved in day-to-day commercial transactions. They require multidimensional solutions from a combination of business disciplines to provide actionable strategies that will dramatically alter business performance. The Center focuses on three core themes: public policy, operational excellence, and growth.

To learn more about the Deloitte Center for Banking Solutions, its projects and events, please visit www.deloitte.com/us/bankingsolutions. To receive publications produced by the Center, click on "Complimentary Subscriptions."

Endnotes

¹ Bloomberg WDCI Report 2/25/09.

² Ibid.

³ Ibid.

⁴ FDIC Quarterly Banking Profile Q4 2008.

⁵ Bank for International Settlements Web site, April 16, 2008, www.bis.org/press/p080416.htm.

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⁷ Final Report on the IIF Committee on Market Best Practices, IFF, July 17, 2008.

⁸ "Blueprint for a Modernized Financial Regulatory Structure," U.S. Treasury, March 31, 2008.

⁹ "Amendments to Regulation Z," Federal Reserve, July 14, 2008.

¹⁰ "Navigating the Compliance Labyrinth – The Challenge for Banks," Deloitte Center for Banking Solutions, December 2007.

¹¹ FSJ deal activity includes banking and finance institutions as defined by Mergerstat. 2008 estimates of M&A Deal activity includes closed or pending deals in the Mergerstat database as of Apr 27 2008.

¹² Cross-border M&A deal activities includes deals where the acquirer and the target are based in different countries Cross-border is inclusive of cross-region activity.

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