

Financial Services

Fresh perspectives*

Issues, insights and solutions in the financial services industry



*connectedthinking

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Embracing a world of opportunity

Globalisation offers opportunities for new market penetration, broader customer service offerings and innovation. Yet to realise the full potential, financial services organisations need to understand the risks and realities of growth, including working with diverse cultures and managing dispersed resources.

PricewaterhouseCoopers[†] launched the tenth of its annual global CEO surveys at the World Economic Forum in Davos earlier this year¹. The findings reveal a generally upbeat outlook among business leaders. More than 90% of the 1,100 respondents, a significant proportion of whom head FS organisations, are confident about their prospects for revenue growth both in the next 12 months and over the next three years.

The primary driver for growth cited by the CEOs in the survey is the increasing access to new markets, new customers and technological innovation opened up by globalisation. For FS organisations, this includes the vast and still comparatively untapped potential of the emerging

markets of Asia, Latin America and Eastern Europe. In China, for example, the country's increasingly affluent citizens have built up residential savings of \$1.84 trillion, a potential bonanza for investment managers and other international groups². By 2025, it is expected that banking profits in the E7 group of leading emerging economies will be half of those of the G7 and will overtake them by 2050³.

However, the CEO survey also revealed a growing recognition of the risks and challenges of global expansion. In particular, respondents identified cultural issues, conflicting regulation and unexpected costs as the three greatest potential obstacles to successful cross-border M&A. The creation of ever larger and more diffuse groups is also heightening the already mounting pressures on risk management and corporate governance.

Over the coming pages we look at how FS organisations can realise the growth potential of today's global marketplace, while addressing the cultural, regulatory and other market entry and development

challenges. At the heart of these global strategies is an agile mindset and ability to develop and collaborate with partner networks, underpinned by a proactive modus operandi capable of moving swiftly to seize opportunities, while dealing confidently with risk and uncertainty.

If you would like to discuss any aspect of this publication, please speak to your usual contact at PricewaterhouseCoopers LLP[▲] or one of those listed in the following pages.

Chris Jones
UK Financial Services Leader

¹ 'Tenth annual global CEO survey', published by PricewaterhouseCoopers in January 2007 (free copies are available for download or to order from www.pwc.com)

² 'Entering the Chinese investment management industry', published by PricewaterhouseCoopers in December 2006 (free copies are available for download or to order by visiting www.pwc.com/financialservices and clicking on publications)

³ 'Banking in 2050: How big will the emerging markets get?', published by PricewaterhouseCoopers in April 2007 (free copies are available for download or to order by visiting www.pwc.com/financialservices and clicking on publications)

[†] PricewaterhouseCoopers refers to the network of member firms of PricewaterhouseCoopers International Limited, each of which is a separate and independent legal entity.

[▲] PricewaterhouseCoopers LLP refers to PricewaterhouseCoopers LLP (a limited liability partnership in the United Kingdom)

Extending global reach

The surge in cross-border acquisition is a telling indication of the rising tide of globalisation. Yet, as some of the most attractive targets fall under the hammer or remain off-limits as a result of regulation, cheaper and more flexible joint ventures are increasingly coming to the fore, especially within Asia.

2006 saw a sharp upturn in deal activity in the financial services industry, and in banking in particular. In Europe, FS transaction values reached €137 billion in 2006, up 77% on the previous year, making FS the most active sector in the M&A market¹.

Nearly half of these transactions were cross-border, an increase of 17% on the already high values of 2005. The continuing development of 'second home' markets included Crédit Agricole's acquisition of no fewer than three banks in Italy¹; this is the country that attracted by far the most deal activity including the proposed acquisition by the London Stock Exchange of the Borsa². International groups are also looking to extend their global footprint into fast growth emerging markets, within Asia in particular. A key

part of Barclays' rationale for its planned merger with ABN Amro was access to the Dutch group's strong presence in Asia, for example³. Other UK groups such as Prudential and Standard Chartered have stepped up acquisition in Asia. The reduction in capital charges through geographic diversification under Solvency II could be a particular spur for M&A among insurers.

However, the growing competition for the most attractive targets is raising Asian acquisition prices and heightening the risk of overpayment. This risk is recognised in Asia itself, where a recent PricewaterhouseCoopers-commissioned survey of FS executives found that pricing is now seen as the greatest barrier to deal-making, followed by the limited supply of quality targets and uncertain regulatory requirements⁴.

Collaboration is emerging as one way to develop new markets, while addressing potentially high valuations and regulatory restrictions. Nearly 70% of the respondents in the PricewaterhouseCoopers survey believe that joint ventures will be the key to expansion in Asia and more than 60% are

actively seeking strategic foreign investors. Particular interest centres on generally less regulated, high growth/return segments such as credit cards, private banking and project finance, where international groups are able to combine their capital and expertise with the brand and relationship strengths of their local partners.

**For more information please call
Damian Guly on 020 7804 3494 or
Nick Page on 020 7213 1442.**

¹ 'Financial services M&A: Going for growth in Europe', published by PricewaterhouseCoopers in April 2007 (free copies are available for download or to order by visiting www.pwc.com/financialservices and clicking on publications)

² London Stock Exchange media release, 20.6.07

³ Barclays Bank media release, 23.4.07

⁴ 'Financial services M&A: Going for growth in Asia', published by PricewaterhouseCoopers in June 2007 (free copies are available for download or to order by visiting www.pwc.com/financialservices and clicking on publications)

The future of banking

Emerging market potential

Last year, PricewaterhouseCoopers published a report predicting that by 2050 the 'E7' emerging economies of China, India, Brazil, Russia, Mexico, Indonesia and Turkey could be larger than the current G7¹.

A newly published report² examines the impact of this rapid economic growth on the banking sectors of the E7. At present, these markets are comparatively small, though already relatively profitable. By 2050, the study forecasts that the banking markets of the E7 will be both bigger and more profitable than the G7. While China and India will lead the march, the other five all have the potential to develop markets of comparable size to France and Italy by 2050.

Clearly, this rapid growth opens up huge opportunities for banking groups. It also presents significant competitive challenges. If their near-term strategy does not yet encompass an adequate presence in selected emerging markets, how long they can afford to wait, especially as such a presence may eventually become essential in

maintaining corporate client and investor interest in their institution? They also need to identify which particular markets and segments offer the highest growth prospects for their particular institution and what are the most viable routes to entry and development.

For more information please call John Hawksworth (Macro Economic Group) on 020 7213 1650 or Nick Page (Transaction Services) on 020 7213 1442.

¹ The World in 2050 (www.pwc.com)

² 'Banking in 2050: How big will the emerging markets get?' (www.pwc.com)

Maximising revenue growth

Controlling cost is clearly critical in an ever more competitive banking marketplace. Yet, many banks realise that their ability to strip out cost through call centres and automation may have eroded the customer understanding, satisfaction and loyalty that are at the heart of profitable relationships and revenue growth.

In the face of today's ever more exacting customer expectations, the challenge is how to re-develop the personal

understanding and rapport of the traditional branch, while remaining cost competitive. In the years to come, net promoter scores, balanced scorecards and other closely targeted information streams, which not only seek to identify sources of growth but also potential opportunities lost, will become essential parts of the banking toolkit. The key differentiator will be the agility with which institutions respond to this information by swiftly providing solutions for clients evolving needs and ensuring consistent excellence across all customer interfaces.

The result is likely to be a strong segmented focus as successful banks seek to drill down on where profits are made and identify which clients offer the greatest revenue potential. By 2050, many of the less capable banks will have been swallowed up by consolidation. Yet, niche institutions will continue to have a strong competitive sway in areas such as high net worth banking.

For more information please call John Bromfield on 020 7804 2823 or Steve Osei-Mensah on 020 7213 1892.

One rule for all

Moves towards principles- and group-based supervision are set to increase as regulators recognise the way groups manage their capital allocation. Yet whether there will ever be a truly harmonised set of global regulations remains in doubt.

The formulaic approach to regulation that prevailed under Basel I for banks and Solvency I for insurers is giving way to a risk- and principles-based approach to capital controls. A principles-based approach should help institutions to bring compliance into line with the day-to-day running of their business. Basel II, and eventually Solvency II, could also help to promote cross-border trade by assuring market authorities in one country of the soundness of an entity authorised and supervised in another.

These developments are setting a universal benchmark that many emerging markets now aspire to reach. The largest and most sophisticated of China's banks are expected to implement the requirements of Basel II between 2010 and 2013, for example. However, the delays in the implementation of Basel II in the US do not augur well for international consensus, especially as when it is finally introduced Congress is likely to insist on an additional regulatory capital floor.

Recognition of the practical benefits of lead supervision is gaining ground. The FSA is in particular championing a move towards single group supervision as part of Solvency II, arguing that it could reduce compliance costs and enhance the benefits of group-wide risk diversification. However, the balance between home and host oversight remains controversial.

Many smaller countries argue that local operations, which may be relatively insignificant to a large global group, could be critical to the financial health of their particular market. Moreover, the long drawn-out debate over the EU consumer finance directive suggests that national cultures, approaches and interests continue to vary, especially in relation to retail markets.

For more information please call John Tattersall (Basel II) on 020 7212 4689 or Annette Olesen (Solvency II) on 020 7213 3394.

Long lines of command

Regulation tops the list of risks facing banks and insurers. Compliance risk and the associated threats to corporate reputation and performance can be heightened by the long lines of command seen in today's fast expanding global groups. How can companies take the risk out of regulation?

While, as the previous article highlighted, some steps are being taken to streamline and harmonise regulation worldwide, managing compliance remains a critical concern for many financial services organisations. The latest PricewaterhouseCoopers-sponsored 'Banana Skins' surveys found that both banks and insurers see over-regulation as their greatest risk¹.

The complexity and management cost of compliance are inevitably heightened each time a group moves into a new territory and faces a fresh set of local regulations. Even in relation to global accords such as Basel II, international groups need to contend with numerous variations in interpretation and application.

Lead supervision can help to simplify the process. However, lead supervisors are now casting an ever more probing eye on how well frameworks of governance, accountability and risk management are rolled out across the organisation, not just the 'home' operations. Even within highly decentralised groups, boards need assurance that risk and governance standards are applied consistently across the organisation and that they are underpinned by effective data, communication and escalation processes.

The key to addressing these challenges is a consistent and effective governance and risk management infrastructure capable of providing both a sound platform for complex and multifaceted compliance and an enhanced basis for decision-making and strategic execution.

Basel II has provided some of the foundations by enhancing the processes for measurement of risk and associated capital requirements. The next stage is turning effective risk measurement into effective risk management by embedding these processes into the enterprise.

Better understanding can not only help to control risk, but also provide boards with the assurance they need to commit capital and realise emerging market opportunities.

PricewaterhouseCoopers is helping a number of companies to turn their Basel II investment in improved risk information and control into a source of competitive value. This includes both more effective risk management and a more forward-looking and assured basis for decision-making.

For more information please call Richard Smith on 020 7213 4705.

¹ Banking and Insurance Banana Skins 2007 are published by the Centre for Financial Services Innovation in association with PricewaterhouseCoopers. For copies please visit www.cfsinnovation.com

Setting the standard

Global convergence of accounting and reporting has taken a potentially critical step forward following the Securities and Exchange Commission's (SEC) decision to seek comments on whether to allow US firms to report under International Financial Reporting Standards (IFRS).

The SEC is already planning to do away with the requirement for Foreign Private Issuers to reconcile their IFRS statements to US GAAP (Generally Accepted Accounting Principles). It has now gone further by announcing consultations on whether to give domestic US firms the choice of preparing their accounts under IFRS.

The SEC announcement marks a new stage in the increasing convergence of IFRS and US GAAP. Other recent developments include the International Accounting Standards Board's (IASB) consultations on a proposed commonly applicable IFRS definition of fair value, which is closely modelled on America's new FAS 157.

Bringing the world's largest economy into an IFRS fold that already includes around 100 countries would clearly enhance the global comparability of financial reporting. Multinational groups could also make considerable savings by moving to a single set of financial reporting procedures. It is understood that there is already considerable interest among some of the larger and more global US companies in taking the opportunity to report under IFRS.

Any attempt to marry US GAAP and IFRS could be a painstaking and drawn-out process. Allowing the two accounting bases to run side by side would therefore help to avoid any such potential difficulties. However, the SEC may be reluctant to change its detailed investigative approach to regulation, initially at least.

Accounting standards are evolving rapidly at present. New developments include IFRS 7, which will require companies to convey management's own objectives and perspectives about the risks arising from their financial investments. Consultations

are also underway on proposals for a new IFRS for insurance contracts set out in a recent IASB discussion paper.

As US and IFRS accounting move closer together, US participants are set to become a more active part of the constituency whose views will need to be considered as part of the formation of a consensus on any developments in IFRS. This is already evident in the active participation of the Group of North American Insurance Enterprises (GNAIE) in the continuing debate over the shape and detail of a future insurance contract IFRS.

For more information please call Alex Finn on 020 7212 4791 or Ian Dilks on 020 7212 4658.

The global battle for talent

Attracting, retaining, developing and promoting outstanding talent are among the critical capabilities that distinguish successful enterprises. Yet 72% of CEOs have serious concerns about the availability of key skills¹. How can organisations address this on a global scale?

Financial services organisations are becoming ever more global, be this through acquisition, offshoring or expansion into new markets. Regardless of the route to globalisation, companies can no longer get away with running loosely connected businesses spread over different locations worldwide.

Although the transfer of financial capital is still a significant driver, it is no longer perceived as the only factor underpinning economic value creation in a global environment. CEOs increasingly recognise that effective knowledge, people and culture management are critical in the journey towards successful global integration¹. However, while the need for a strategic business plan at a global level is usually seen as critical in creating an effective global organisation,

many companies may have failed to consider the importance of building a truly integrated global HR strategy. A global HR strategy can play a key role in building connectivity within a global business through common policies and practices that bring key people together from around the world.

An example of this is talent management. Well-designed and managed cross-border programmes can ensure that the organisation is benefiting from access to a larger, diverse pool of global talent. International placements can also help to ensure that tomorrow's leaders are selected for and developed to operate in the increasingly important global arena. CEOs increasingly speak of the need for 'global citizenship' – people who can view business with a truly global mindset and who are flexible enough to deal with uncertainty¹.

It is important for companies to realise the value that HR can bring to the table in regard to overall global strategy. When acting as a strategic business partner in the international scope, HR can facilitate the unification of corporate culture and aid

successful acquisition and development of global talent. HR effectiveness can no longer be judged at a local level, but needs to be considered on a global scale.

For more information please call Ron Collard on 020 7213 4499.

¹ 'Tenth annual global CEO survey', published by PricewaterhouseCoopers in January 2007 (free copies are available for download or to order from www.pwc.com)

The changing face of alternative investment

As alternative investment and mainstream financial services converge, they are exerting an ever increasing influence on each other's strategy and operations.

The 'alternative' investment sector continues its phenomenal growth. Assets deployed to hedge fund investment had topped \$2 trillion by the beginning of 2007¹ and could reach \$6 trillion by the end of the decade. Private equity and venture capital investment accounted for more than 0.3% of global GDP (\$130 billion) in 2005².

From an investor perspective, FS is now one of the industries at the centre of the alternative radar. Recent deals include the takeover of the Austrian bank BAWAG by a consortium led by US private equity firm Cerberus. As alternative investment in FS increases, it is beginning to make its mark on corporate strategy. In particular, the exacting and often accelerated profit expectations of alternative investors could add to the pressure on boards to deliver more rapid returns and divest underperforming or poorly fitting subsidiaries.

While alternative investors are bringing their influence to bear on the mainstream, they are moving in more of a conventional

direction themselves. Public listings are increasing. More and more investment banks are setting up or acquiring hedge fund arms. Many conventional funds are looking to alternative investments to enhance yields and, through the use of increasingly innovative derivative strategies, deliver more sustainable 'absolute returns'.

The corollary of joining the mainstream is the increasing pressure from listing authorities and institutional investors to improve transparency and introduce more formal risk management and corporate governance structures. The UK and other governments are also considering an overhaul of the tax position of alternative investment companies. For private equity, there is the particular challenge of having to fair value their portfolio companies, which could increase the volatility of reported performance. Corresponding moves by the industry itself include the announcement of new voluntary standards by a committee representing 13 of Europe's largest hedge funds.

**For more information please call
Pars Purewal on 020 7212 4738,
Robert Mellor on 020 7804 1385 or
Graham Phillips on 020 7213 1719.**

Global alternatives

Alternative investors continue to extend their geographical reach. Private equity investment in China reached \$8 billion in 2005, for example, a rise of more than 300% from the previous year. Real estate investment in emerging markets is also soaring, with a recent study carried out by PricewaterhouseCoopers and the Urban Land Institute finding that Asian markets, including China and India, 'continue to offer the best alpha'³. While hedge funds are still primarily focused on developed markets, it can only be a matter of time before they follow private equity and investors into the emerging market arena.

¹ 'Under the spotlight: The regulation, taxation and distribution of hedge funds around the globe'. (Free copies are available for download or order by visiting www.pwc.com/financialservices and clicking on publications)

² 'Global private equity report 2006'. (Free copies are available for download or order by visiting www.pwc.com/financialservices and clicking on publications)

³ 'Emerging trends in real estate 2007, US'. Copies are available to order from www.pwc.com

PricewaterhouseCoopers in the marketplace

Effective organisational design

Ensuring clarity of decision-making, effective strategic execution and the assurance of sound governance, compliance and risk management are clearly critical to business at any time. These challenges have been heightened by the ever more complex products, diffuse operations and extended lines of command seen in today's increasingly diverse global groups. PricewaterhouseCoopers is helping a number of financial services companies to address these challenges through the development of more streamlined and effective organisational design and governance. Drawing on a thorough review of the structure and objectives of the enterprise, the process seeks to ensure that the right people are in the right roles and in the right places and that they are clear about their responsibilities, direction and ability to take decisions.

**For more information please call
Andrew Gray on 020 7804 3431.**

Value chain transformation

PricewaterhouseCoopers is helping a number of FS organisations to develop a more active and sustainable approach to tax management through the transfer of key functions and associated risks to tax favourable jurisdictions such as Ireland and Switzerland. The catalyst for the development of 'value chain transformation' (VCT) has been growing hedge fund and other investor pressure to manage tax rates in the face of tough new tax legislation and a clampdown on some traditional tax mitigation techniques. PricewaterhouseCoopers can help companies to address the key tax and business restructuring challenges of VCT, along with related legal, HR and treasury issues.

**For more information please call
Justin Woodhouse on 020 7804 6750.**

Bermuda inversion

PricewaterhouseCoopers has been the tax advisor for a number of formerly London headquartered insurers, including Hiscox, Kiln and Omega¹, who have recently established new Bermuda-domiciled holding companies. These moves are interesting and emphasise the importance of Bermuda in an increasingly globalised insurance marketplace. As the premier focus of investment and now home to 12 of the world's top 40 reinsurers, the island opens up access to additional business and capital investment that may not be available in London, along with certain tax and regulatory advantages. De-listing and re-listing as a Bermuda-based company is a complex process, however, and PricewaterhouseCoopers has been closely involved in these transactions. There have also been a number of other companies that have restructured their insurance operations as a consequence of the new reinsurance directive and it is clear that we have not seen the last of major insurance reorganisations.

**For more information please call
Huw Jenkins on 020 7212 5480.**

¹ Reuters 13.3.07

Advising alternative investors

PricewaterhouseCoopers is playing an active role in the rapid development of hedge fund, private equity and real estate investment. This includes acting as key advisors on accounting, tax planning, deal structuring and regulatory/listing authority approval in a number of recent fund launches and IPOs (both AIM and full listing). The focus of these deals has ranged from African infrastructure to Middle Eastern commercial property, reflecting the growing scope and geographical reach of alternative investment.

For more information please call Pars Purewal on 020 7212 4738, Angela Crawford-Ingle on 020 7212 5225 or Graham Phillips on 020 7213 1719.

New tax rules for insurers

PricewaterhouseCoopers has joined insurers and other stakeholders in contributing to continuing consultations with the Treasury and HMRC aimed at streamlining some of the complex rules and structures governing the insurance

industry in the UK and addressing some acknowledged problems. Progress to date includes some simplification of the transfer of business tax rules for life insurers, a reduction in the number of categories of life insurance business requiring separate tax calculations and a revision to the Crown Option regime that gives companies greater certainty in their tax planning. Further consultation on both life and non-life matters will continue through into next year.

For more information please call Anne Hamilton on 020 7212 5454.

Total Tax Contribution

Total Tax Contribution (TTC) is a framework developed by PricewaterhouseCoopers to help companies develop a better understanding of the taxes they bear and the taxes they collect on behalf of the Government – research carried out by PricewaterhouseCoopers on behalf of the Hundred Group found that for every £1 paid in corporation tax, the UK's largest firms bear another £1 in other business taxes and collect a further £3.70.

In an increasingly global business environment, companies often have the choice as to the countries in which they will carry out their activities – tax cost is often an important consideration in that decision. Without a true understanding of total tax costs, organisations cannot make fully informed business decisions or consider their approach to tax and how they manage tax risk.

In support of its TTC approach, PricewaterhouseCoopers has published a new Tax Transparency Framework, which looks at how companies can communicate the contribution of their tax payments to the societies in which they operate. This includes conveying clear information to investors and other key stakeholders about tax strategy and risk management along with tax numbers and performance.

For more information please call Caroline Ishojer on 020 7212 3022 or visit www.pwc.com/uk/ttc

In brief

Prospects for UK financial services

The quarterly CBI/PricewaterhouseCoopers Financial Services Survey provides a unique up-to-date insight into the health, perceptions and plans of the FS industry, both overall and sector-by-sector. The latest report (July 2007) recorded a notable improvement in overall confidence, reflecting the highest aggregate increase in business volumes for seven years. The most buoyant sector is fund management, where confidence levels have risen by more than 50% over the past quarter on the back of increases in volumes and commissions of more than 80%. At the other end of the scale, building society sentiment has dipped by more than 40% in the wake of the marked slowdown in mortgage demand.

Please visit www.pwc.com/financialservices for a free copy of the latest edition.

Emerging trends in real estate

A far-reaching European real estate industry survey carried out by PricewaterhouseCoopers in partnership with the Urban Land Institute has concluded that the growth in capital values of real estate has reached the top of the cycle, and in the immediate future any rise in the value of real estate investments will be a rise only from increasing rents¹. In the UK, real estate investment entered a new era following the introduction of REITs in January, though changes to the tax regime could add further complexity. The increasing globalisation of the real estate sector is also having a major impact, with London establishing itself as the leading capital market for real estate equity and debt. The potential risks and rewards of the globalisation trend was one of the key issues discussed at PricewaterhouseCoopers' UK Real Estate Seminar in May.

If you would like to attend future seminars or would like more information please call John Forbes on 020 7804 3161.

¹ Copies of 'Emerging trends in real estate 2007, Europe' are available to order from www.pwc.com

Treating customers fairly

As we outlined on page 4, the move towards principles-based regulation ('PBR') is gaining traction both in the UK and globally. The FSA's Treating Customers Fairly (TCF) initiative is at the forefront of this 'step change' by shifting the focus from prescription towards driving behaviours through outcomes.

The FSA has set the bar high for TCF. Companies will need to be able to demonstrate that they have the appropriate management information and effective governance mechanisms to treat their customers fairly and be able to use these capabilities as a key driver of cultural change. By the end of 2008, the FSA expects to see real results, with responsibility for failure placed firmly at the feet of senior management. As such TCF highlights the need to reassess and raise standards of governance, risk management and compliance (GRC).

For more information please call David Taylor on 020 7804 2892 or Ian Edge on 020 7804 4867.

Did you know?

Facts about PricewaterhouseCoopers LLP

- 30% of our business in the UK comes from the financial services industry and PricewaterhouseCoopers audits 36% of the financial services organisations in the FTSE100.
- We have won two high-profile pensions awards recently, including Pension and Benefits Consultancy of the year at the Professional Pensions UK Pensions Awards 2007 and Employee Benefits Consultancy of the year at the FT Business Pension & Investment Provider Awards 2007.
- We have recently received a Silver Jubilee Award at the Business in the Community Awards (BitC). The award recognises companies whose Corporate Social Responsibility programme has made a long-term impact on communities over the past decade.
- We have a leading-edge alumni programme with over 21,000 members in the UK, 3,500 of whom work in financial services.
- For the fourth year in succession, we were voted the UK's top graduate employer in The Times Top 100 List of Graduate Employers for 2007.
- Research commissioned by the World Economic Forum of the media coverage at its annual meeting at Davos looked at 100 leading global, print, online and broadcast media. For the first time since this analysis began five years ago, PricewaterhouseCoopers[†] was the leading company mentioned.

[†] PricewaterhouseCoopers refers to the network of member firms of PricewaterhouseCoopers International Limited, each of which is a separate and independent legal entity.

Thought leadership

Drawing on in-depth surveys, interviews and market analysis, our research studies offer unique insights into the trends and best practices that will sustain tomorrow's industry leaders.

PricewaterhouseCoopers/EIU Briefing programme

This series of briefings, written in co-operation with the Economist Intelligence Unit (EIU), addresses key challenges that financial institutions are facing. Each briefing addresses a different strategic issue and recent reports have included: Creating value: Effective risk management in financial services; Winning the battle for growth: Building the customer centric financial institution; Effective capital management: Economic capital as an industry standard?

Other recent publications include:

CBI/PricewaterhouseCoopers Financial Services Survey

This quarterly survey identifies the current perceptions held by the industry and offers insight into the recent trends and

future prospects for investment, human resources, marketing and other strategic developments. The survey covers a broad range of financial services activities.

Financial services M&A: Going for growth in Europe

The 2007 edition of the PricewaterhouseCoopers review of financial services deal activity in Europe analyses the deals and trends in the financial services sector across Europe in 2006 and provides insight into some of the factors that may shape European financial services M&A going forward.

Financial services M&A: Going for growth in Asia – Overall results

This survey, conducted by the Economist Intelligence Unit (EIU) on our behalf, examines the outlook for M&A deals in the financial services sector for the coming years, in terms of both target countries as well as the goals of M&A activity.

Executives from 230 institutions in Asia participated in the survey, which was conducted during March and April 07'.

Banking 2050: How big will the emerging markets get?

This report examines the potential changes in the scale of the banking sector between now and 2050. The report highlights the pace of change and provides some scale to the size of the opportunity and challenge. This report is linked to an earlier report, The World in 2050, published in 2006, which provided a comparison of projected levels of economic growth in the G7 and the E7 (China, India, Brazil, Russia, Mexico, Indonesia and Turkey) over that period. Following on from that report, Banking 2050 focuses on the implications for the sector: will China, India and the other E7 economies come to dominate this sector of the world economy?

Entering the financial services market in Taiwan

As part of a series, this report examines the structure, performance and prospects of the Taiwanese financial services sector and the unfolding investment opportunities for international groups. The paper covers banking, insurance,

asset management and brokerage issues and discusses the investment trends and opportunities available. Other recent papers in this series include: Entering the Gulf financial services market and Entering the Chinese investment management industry.

M&A opportunities in Europe's retail payments market under SEPA

This report summarises thoughts on the possible strategic directions of Europe's retail payments industry and key factors driving change under SEPA. It considers potential implications for Europe's retail payments ACHs, their existing shareholders and potential investors.

Global Private Banking/Wealth Management Survey

The 2007 survey reveals a period of unprecedented opportunities for wealth managers. With over 265 participating organisations, over double the number since our previous survey, this year's survey is truly global in its coverage and findings. It covers the established markets of Europe and North America, as well as emerging markets in Asia, South America

and The Middle East, as well as a number of offshore centres. The survey highlights the significant issues currently affecting the private banking industry and takes a look at the changes that are expected across the differing global markets.

Total Tax Contribution

Having a clear understanding of its total tax contribution can enable a business to make better-informed decisions, demonstrate its wider social and economic impact and improve monitoring and management of tax risk. PricewaterhouseCoopers' Total Tax Contribution Framework has been used with companies and trade organisations around the world in this regard and has been developed into a new publication on best practice tax reporting – the Tax Transparency Framework.

UK Real Estate Insights

A new quarterly newsletter, UK real estate insights, provides thought leadership and insights on issues that will affect the real estate industry, including developments from the Chancellor's Budget, capital projects and opco/proco structures.

The newsletter has also featured articles on topics from the annual UK real estate client event, which this year looked at the globalisation of the real estate industry.

Emerging Trends in Real Estate® 2007

Produced in conjunction with the Urban Land Institute, this report is the industry's most prominent and longest running forecast.

European Investment Management and Real Estate Newsletter

In keeping with our clients' growing interest in a more diversified set of asset classes, our quarterly newsletter addresses both the investment management and real estate sectors.

Under the Spotlight: The regulation and distribution of hedge funds around the globe June 2007

This fifth edition of our report on the European hedge fund industry is divided into four sections covering current developments in the hedge funds market, pan-European regulatory developments, current developments in the taxation of hedge funds, hedge fund managers and

hedge fund investors and, finally, country-by-country overviews covering some 31 countries.

Private Equity Going Public – Global Private Equity Report 2006

This report provides a comprehensive look at global private equity and venture capital fund-raising and investment, bringing together data from our surveys and numerous sources around the world.

Countdown to Solvency II

This publication examines the latest developments in the planned reform of prudential regulation for European insurers. Solvency II aims to map the regulatory capital requirements of each company against its individual risk profile. This will encourage, if not require, companies to enhance risk management, upgrade information systems and embed risk awareness more closely into the strategy and operations of their business.

Insurance Banana Skins

The Centre for the Study of Financial Innovation (CSFI) has recently completed its inaugural Insurance Banana Skins survey of leading members of the insurance industry to find out their concerns about the soundness of the financial markets. The survey, sponsored by PricewaterhouseCoopers, puts together a league table identifying potential sources of risks to the insurance industry and ranks them by severity. This year's survey is based on 139 responses in 21 countries.

Our insights into the industry also include:

The Journal

This global publication addresses some of the global issues facing organisations operating in the evolving and challenging environment that is today's banking and capital markets industry.

UK Retail Banking Insights

This publication aims to address topical and challenging issues facing the UK Retail Banking Industry.

Insurance Digest

This publication is dedicated to providing thought-provoking insights into some of the key strategic issues facing the insurance industry; it has European, Asian and American editions.

Global Real Estate Now

Offers in-depth analysis and commentary on the key issues and challenges facing the international real estate community.

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This newsletter is dedicated to providing up-to-date and authoritative insights into UK financial services regulation on a quarterly basis.

Electronic copies of our publications are available at www.pwc.com/financialservices. Alternatively, please contact Max Harmer on 020 7213 3571 or at max.j.harmer@uk.pwc.com

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