

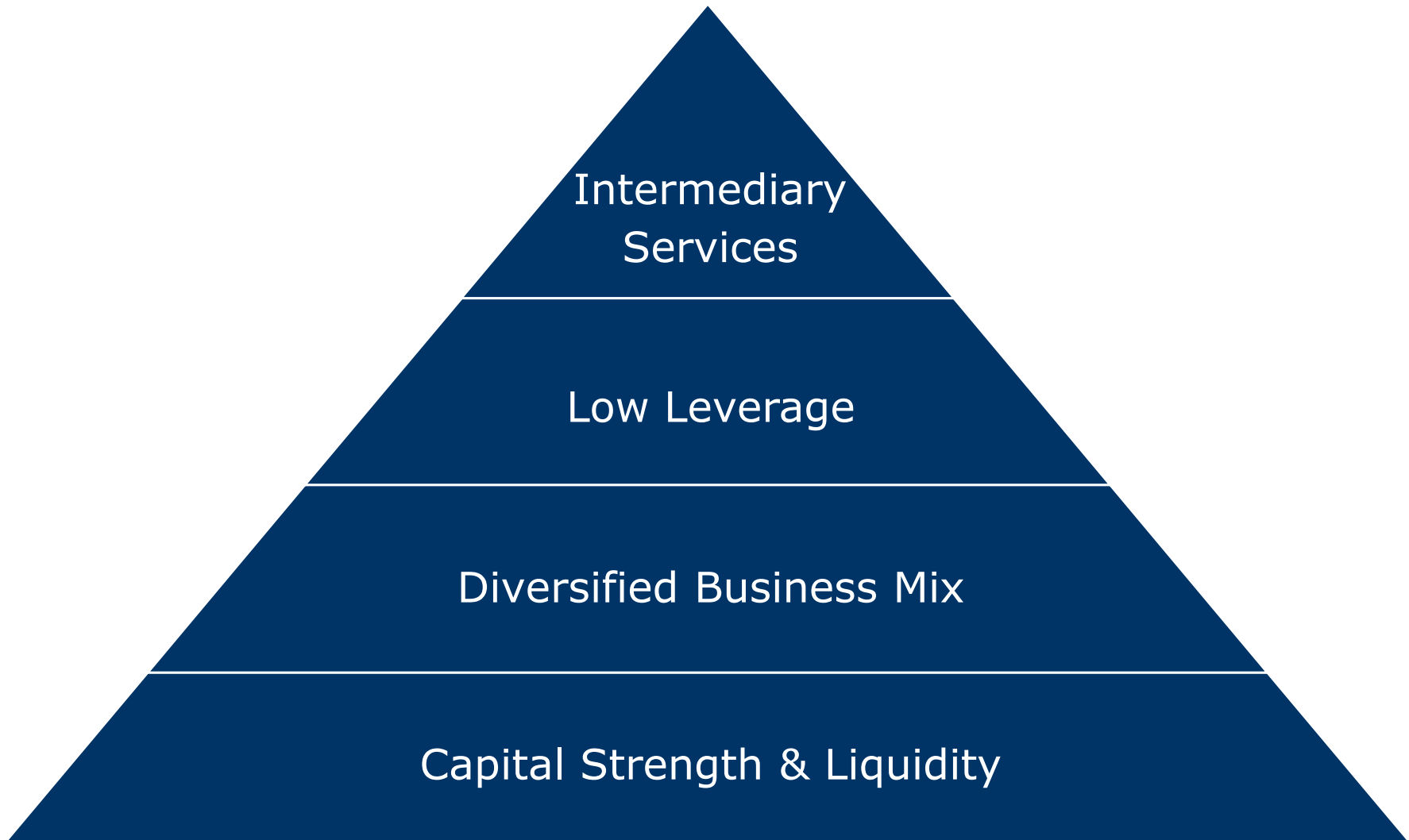


Should there be a return to traditional banking?

Suresh Sookoo
Chief Executive Officer
RBTT Financial Group

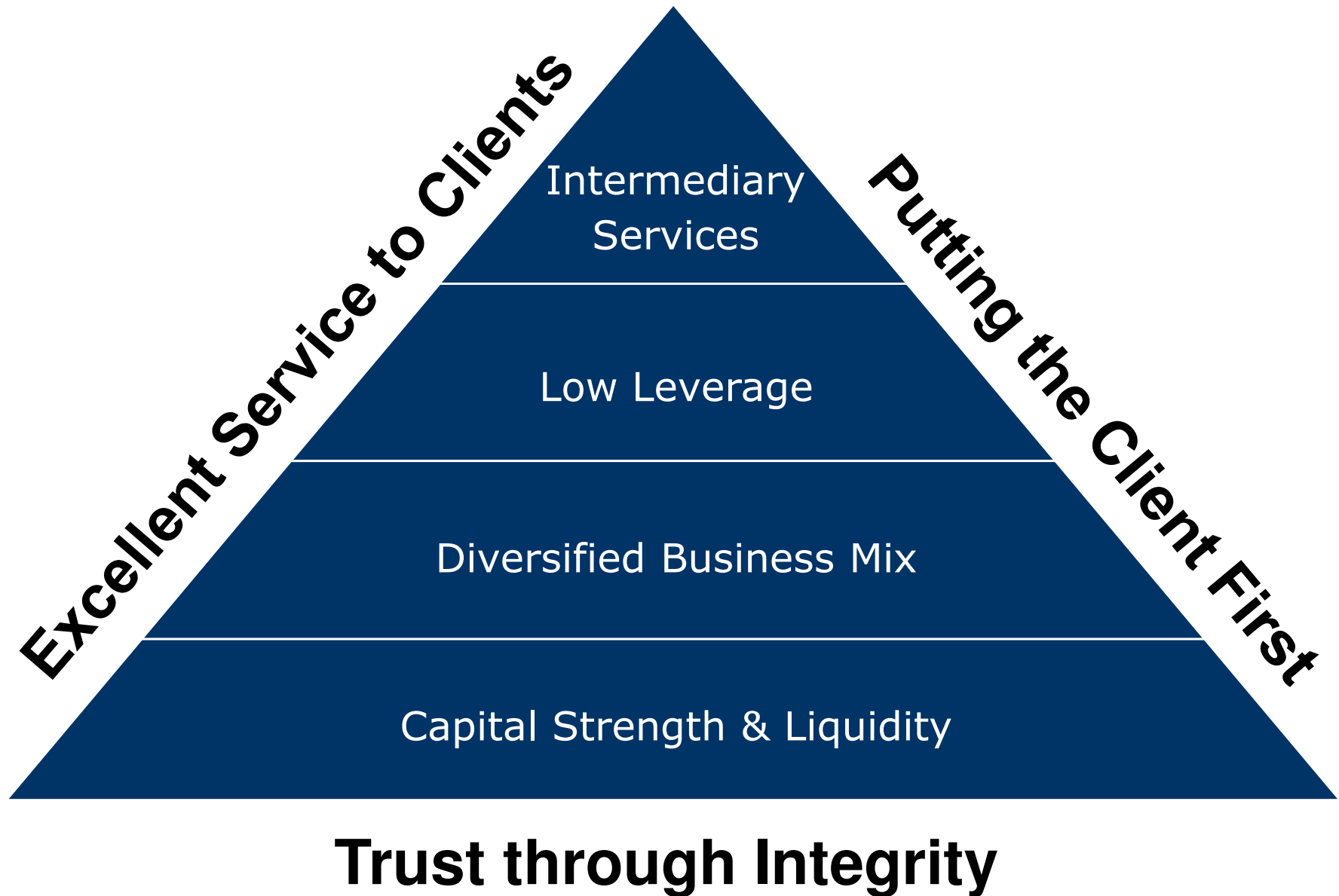


What is traditional banking?





What is traditional banking?





Financial Innovation



- Products – e.g. credit cards
- Securitization or disintermediation
- Rating agencies
- Funding sources – short term debt vs core deposits
- Origination models, broker models/independent contractors
- Derivatives
- Role of Insurance companies, SWFs, Hedge funds, pension plans
- Globalization

The New York Times

Lehman Files for Bankruptcy; Merrill Is Sold

BBC CARIBBEAN.com

Global Crisis Hits Caribbean
Tourism

A US investment bank helps
Greece hide the extent of its

deficit



THE HUFFINGTON POST

The Goldman Sachs Scam
Reveals the Rot in our Financial
System



AIG shares plummet as cash
crisis mounts

The Washington Post

U.S. Forces Nine Major Banks To
Accept Partial Nationalization

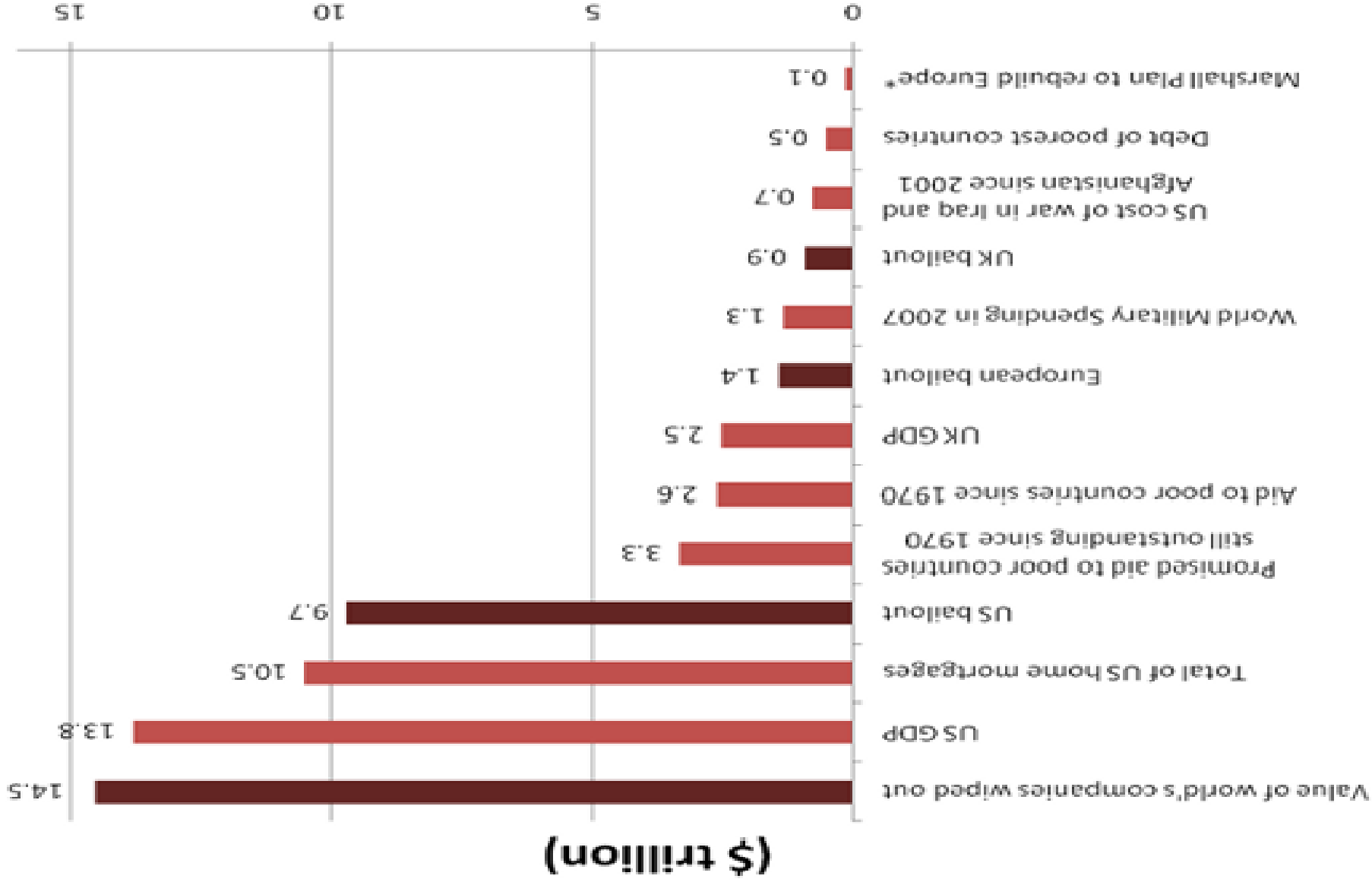


The Global Financial Crisis Evolution



2007

Global Financial Crisis: Losses and Bailouts for US and European Countries in Context



Sources: BBC, Bloomberg, UPI, globalissues.org, Feb 2009
 * Adjusted for inflation



The Caribbean Experience



- By and large unscathed
- CL Financial / Clico debacle
- Stanford debacle
- Broker / dealers in Jamaica
- More weaknesses in small indigenous banks
- Regulatory oversight
- Legislative controls



Underlying Causes and Weaknesses



- Low interest rate in the U.S.
- Risk not clearly understood
- Incentive for risk taking
- Sub-prime bubble
- Banks took too much risk
- Insolvency of many financial institutions



Lessons Learned



- Our economies are tightly interrelated with the global economy
- We are all vulnerable to the financial issues of other countries (e.g. the US residential real estate market)
- Sound regulatory regimes sheltered some banking systems from the fate of others
- Institutions that did not follow traditional principles did poorly — new rules and regulations will enforce these principles
- Good risk management and governance must be embedded in all operations of a company — not just to satisfy a compliance checklist
- At the core, problems begin when the customer's needs are not met within a strong values framework
- Banks focused on the client while diversifying risk and using balance sheets judiciously managed well through the crisis



Will Traditional Banking Protect Us from Future Financial Crises?



- No rules or standards can protect us from the greedy or foolhardy
- Traditional banking existed during the Great Depression, countless recessions and Ponzi schemes
- Traditions such as putting the client first, acting according to your values and having a strong capital base will always be important
- Many aspects of banking will continue to change and customers will redefine the rules of the game – i.e. Treating Customers Fairly introduced in the UK

RBC and RBTT - One Values-Based Bank With Financial Strength



- **Active in all banking areas in Canada with leading market positions**
- **Global capabilities in capital markets and wealth management**
- **Diversified model with the right mix of businesses and geographies**
 - Able to generate significant returns throughout the economic cycle
 - Long-term strategic balance
 - 75% retail banking, wealth management and insurance businesses
 - 25% capital markets businesses
- **Senior debt ratings amongst the highest globally:**

- Moody's:	Aaa(1)	- DBRS:	AA
- S&P:	AA-	- Fitch:	AA

We manage our company for long-term success and client satisfaction in the Caribbean



Should there be a return to traditional banking?

Return to traditional banking *principles*



- Tools may change, but human behaviour is human behaviour
- Whether the concentration is on more basic consumer products or leading-edge innovations, **traditional banking principles must always be applied:**
 - Putting the client first
 - Strong corporate values and culture
 - Highly engaged employees
 - Deep relationships with clients and communities
 - Diversified business strategy
 - Sound governance, risk management processes and decision making



Thank You.