News Release

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Emerging Markets Drive Financial Services Growth, Report Finds

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- Report confirms developing world ' s growth surge has helped redefine global financial competition, creating a historic opening for firms that innovate
- Financial institutions active in emerging markets have benefited from a growth in market capitalization of US$ 572 billion from 2006 to 2011.
- Through 33 case studies, the report showcases financial services innovation in Asia, Africa, Latin America and Europe.
- The Redefining the Emerging Market Opportunity: Driving Growth through Financial Services Innovation report is published by the World Economic Forum and The Boston Consulting Group
- For more information about the report: http://www.weforum.org/REMO2012

Bangkok, Thailand, 31 May 2012 – Emerging-market financial services companies, riding a new wave of opportunity, are rapidly evolving into world-class competitors and now dominate the ranks of firms providing the highest total return to shareholders, according to a new report released today by the World Economic Forum.

The report, prepared in collaboration with The Boston Consulting Group (BCG), says financial providers worldwide should look to developing countries as the source of long-term business growth and shareholder return.

The study, entitled Redefining the Emerging Market Opportunity: Driving Growth through Financial Services Innovation, is being released today at the World Economic Forum on East Asia in Bangkok. It reports that the role of financial firms is rapidly expanding in the world ' s developing countries, driven by economic growth that outpaces the slow expansion of developed economies. The result, the report concludes, is a historic opening to provide new financial services to low-income populations rapidly transitioning to middle-income status, as well as to regional companies evolving into world-class competitors.

Financial institutions active in emerging markets have benefited from tremendous growth in market capitalization in recent years, the study found, soaring by US$ 572 billion from 2006 to 2011, even as valuations in high-income countries declined by US$ 1.5 trillion.

The report ' s research – comprising expert interviews and discussions among World Economic Forum stakeholders, including global and emerging-market financial institutions, regulators, multilateral organizations and academics – identifies two key factors that contribute to emerging-market growth for financial firms:

- Overall, the most significant opportunities lie in three business activities: consumer financial services, small- and medium-sized enterprise (SMEs) financing, and corporate bonds
- Innovation of financial products and services – rather than simple capacity building – will be the main driver of success

The report showcases financial services innovation in Asia, Africa, Latin America and parts of Europe. It provides 33 case studies that illustrate strategies and initiatives that have transformed unmet emerging-market needs and demands into opportunity and economic progress, as well as the challenges encountered along the way.

A decade ago, the emerging-market financial institutions rising to the top of global-market capitalization rankings came mostly from China, the report says. More recently, institutions from Brazil, Chile, Indonesia, Thailand, Malaysia, Turkey, India and South Africa have made their way up the rank.

Many countries have succeeded by adopting highly innovative approaches in their own markets. These providers have overcome infrastructure limitations and addressed local needs through creative distribution models, risk practices, and partnerships, the report says. Some institutions, for example, can effectively disburse financing to small business customers within 10 minutes through electronic channels and without documentation or guarantor requirements.

" We trust that this publication can help overcome asymmetries in knowledge and experience across different regions and organizations, and help realize the untapped opportunities within the financial services space in emerging markets, " says Giancarlo Bruno, Senior Director, Head of Financial Services Industry, World Economic Forum USA.

Savings accounts, insurance, loans, payments and similar offerings – where they do exist – penetrate unevenly and often reach only higher-income populations, the report says. As a result, the enormous potential of mass-market consumers to drive economic growth in emerging countries is barely tapped. The report concludes that there is a significant and profitable opportunity for financial providers to benefit by embracing financial inclusion of the poor in emerging markets.

The two other key opportunity areas – SME financing and corporate bonds – are also crucial for both the financial services business and economic growth. Emerging economies depend heavily on smaller companies for job creation. Corporate bond markets address the increasingly complex funding needs of local companies as they grow larger.

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