

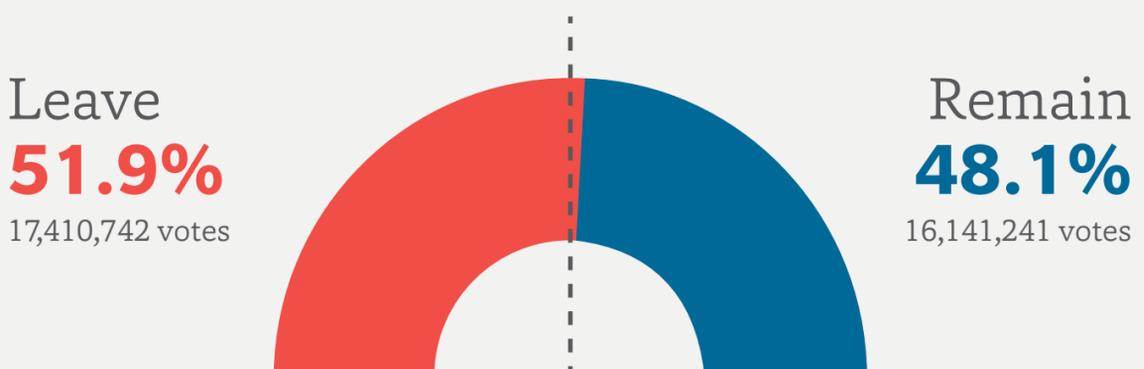
LIFE AFTER BREXIT: MANAGING THE NEW RISK ENVIRONMENT



After months of fierce debate and a policymaking hiatus, the UK electorate **has voted to leave** the European Union (EU).

Companies will face considerable uncertainty until the UK's exit strategy from the EU is fully defined and trade negotiations with other countries are completed.

REFERENDUM RESULTS



3 AREAS OF FOCUS FOR RISK MANAGERS

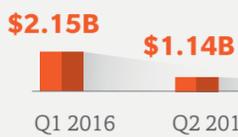


A NEW RISK ENVIRONMENT

POTENTIAL RISK

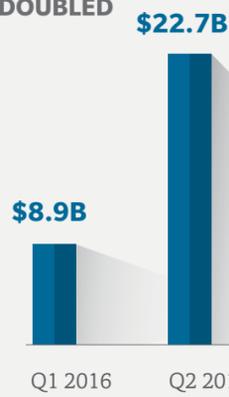
GDP growth and regulatory uncertainties may deter foreign direct investment to the UK in the short-term.

↓ THE VALUE OF UK IPOs DECREASED BY NEARLY HALF



MEANWHILE...

↑ THE VALUE OF GLOBAL IPOs MORE THAN DOUBLED



In the months running up to the "Brexit" vote, IPOs and private equity deals and corporate credit demand softened—how long this might last is a critical factor.

* As of June 19, 2016



CORPORATE STRATEGY IMPLICATIONS

POTENTIAL RISK

If "passporting" rights – the ability of financial services firms based in one EU country to operate in another without setting up a new legal entity—are not resolved, banks (both UK- and EU-domiciled) may be required to set up additional operations or headquarters elsewhere, with revenues travelling accordingly.



43%* of total EMEA (Europe, Middle East and Africa) revenues for capital markets and investment banking is at significant risk of migrating if "passporting" is not resolved.

*Based on 2013-14 figures

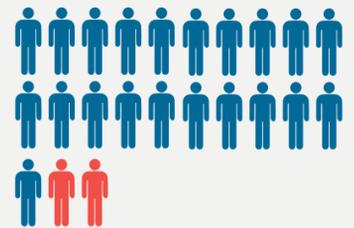


WORKFORCE DISLOCATION

POTENTIAL RISK

Based on negotiations that will determine the circumstances of EU citizens currently working in the UK labor market, employment mobility constraints may influence how multinational companies operate.

THERE ARE CURRENTLY **23 MILLION** FULL TIME EMPLOYEES IN THE UK.



OF THESE, **2 MILLION** EMPLOYEES ARE EU CITIZENS.

Two million employees who are EU citizens currently working in the UK may be affected by labor market complexity.

SO, WHAT NOW?

RECOMMENDATIONS

- ✓ Protect against stress on capital and credit positions resulting from market volatility and possible negative GDP impacts.
- ✓ Monitor economic and political contagion in other markets, and the associated business consequences.

RECOMMENDATIONS

- ✓ Track negotiations on passporting arrangements and tariffs to inform restructuring plans for UK operations.
- ✓ Analyze likely changes in regulatory regimes on capital requirements and operational constraints to inform industry consultations.

RECOMMENDATIONS

- ✓ Anticipate UK labor market constraints (faster than regulatory change and trade deals) and impacts on competitive pay levels.
- ✓ Assess cross-border implications for employee healthcare, and also pension scheme performance and risk management.

