



The World In Transition: Can Banks Help Build for the Future

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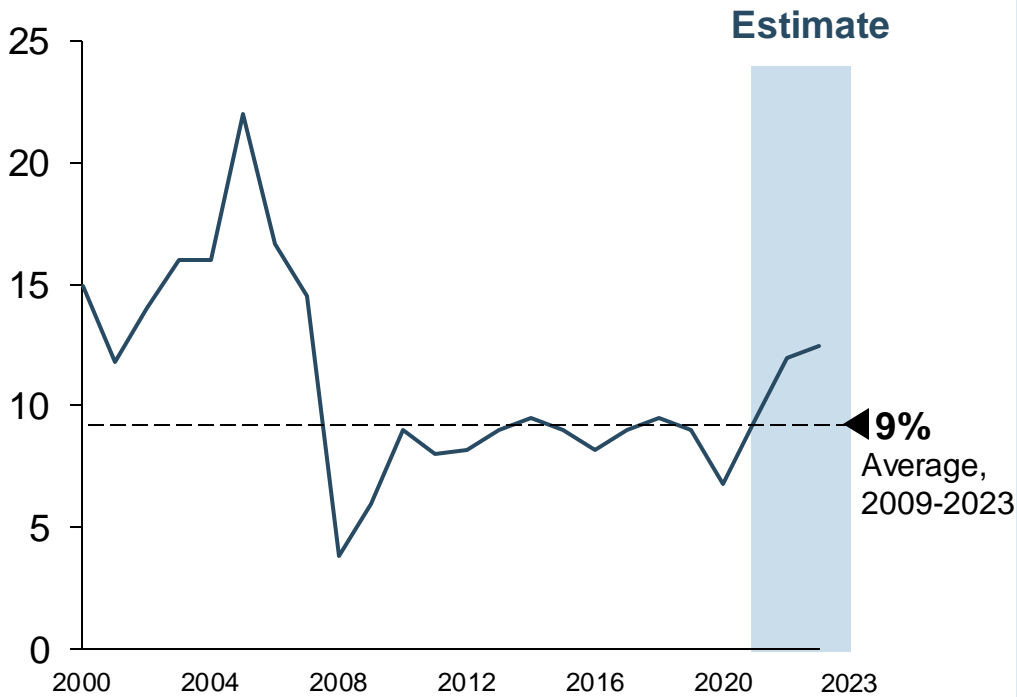


Today's agenda

- Where banks are
- What lies ahead
- Strategic choices
- The way forward

Where banks are

Profitability improving
Return on equity for global banking (%)



Source: McKinsey

Regional convergence on profitability
RoE by region (%)

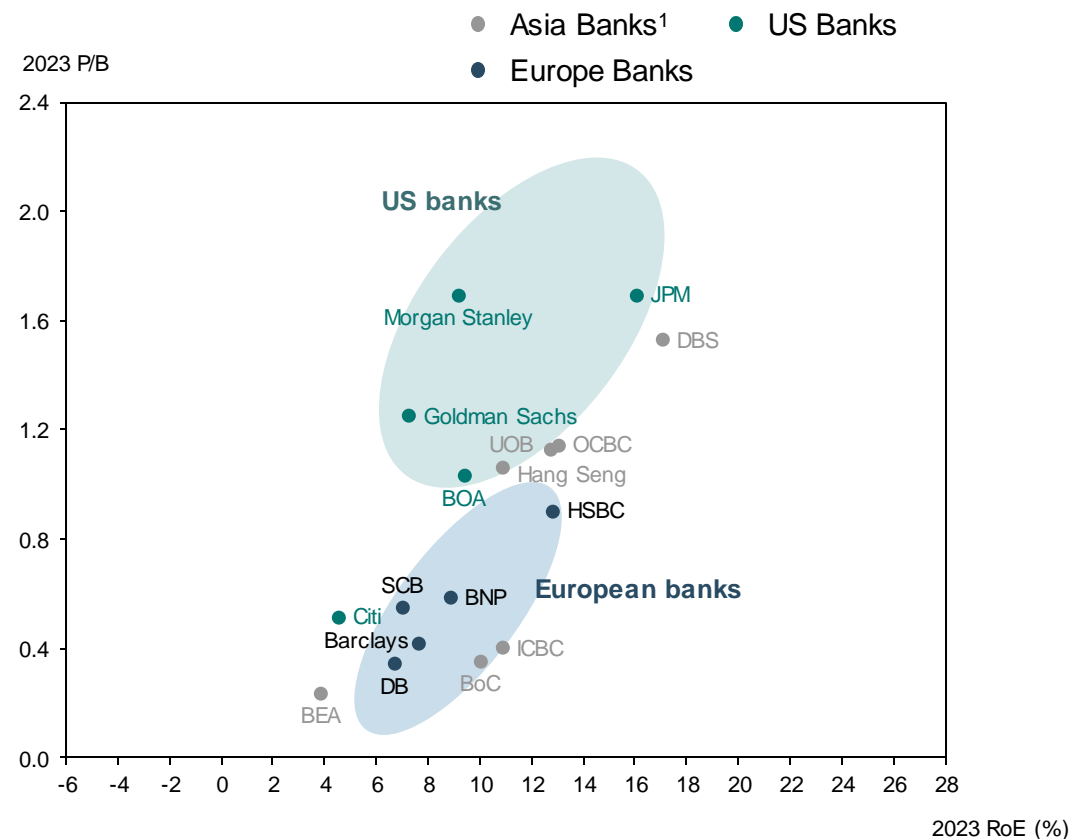


RoE of Chinese banks was not available at the time of analysis.
Sources: Capital IQ

Variance in valuations remain

Currently 18 out of 29 GSIBS are trading at a P/B below 1

Price-to-Book vs. RoE



RoE of Chinese banks was not available at the time of analysis. P/B against RoE for Chinese banks refer to 2022 data

Sources: Capital IQ

What lies ahead

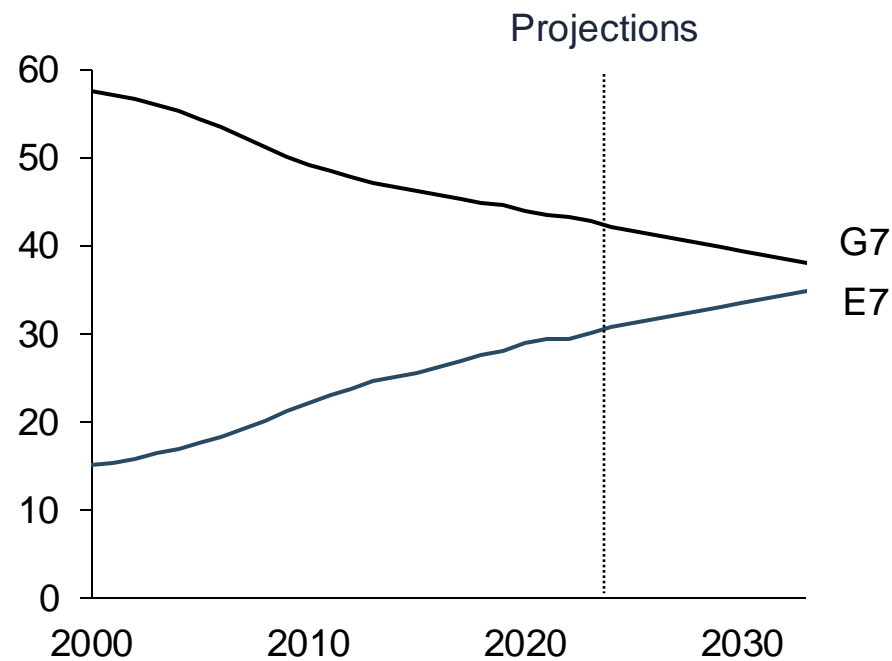
- Highly complex, uncertain and fast changing environment
- Cyclical and structural factors
- Affecting
 - Customers, investors, employees
 - Role of banks within finance and society



- Challenges
 - Macroeconomic shifts
 - Geopolitical tensions
 - Technology / digital
 - Nature of competition
 - Climate change
 - Regulatory fragmentation
- Address challenges and turn them into opportunities
- Need to reset banks' business models

Lower global growth 3.1% - 3.2% (2023-25) below 3.8% (2000-19)

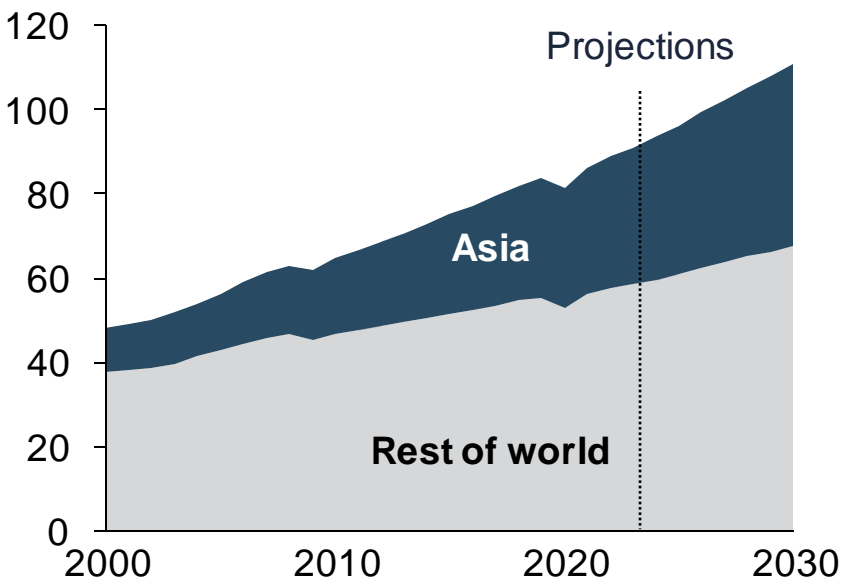
Increasing role of Emerging Markets
Contribution to global GDP (%)



G7 refers to Canada, France, Germany, Italy, Japan, UK, US
E7 refers to Brazil, China, India, Indonesia, Mexico, Russia, Turkiye

Source: USDA

Growing role of Asia
Real GDP (USDtr)

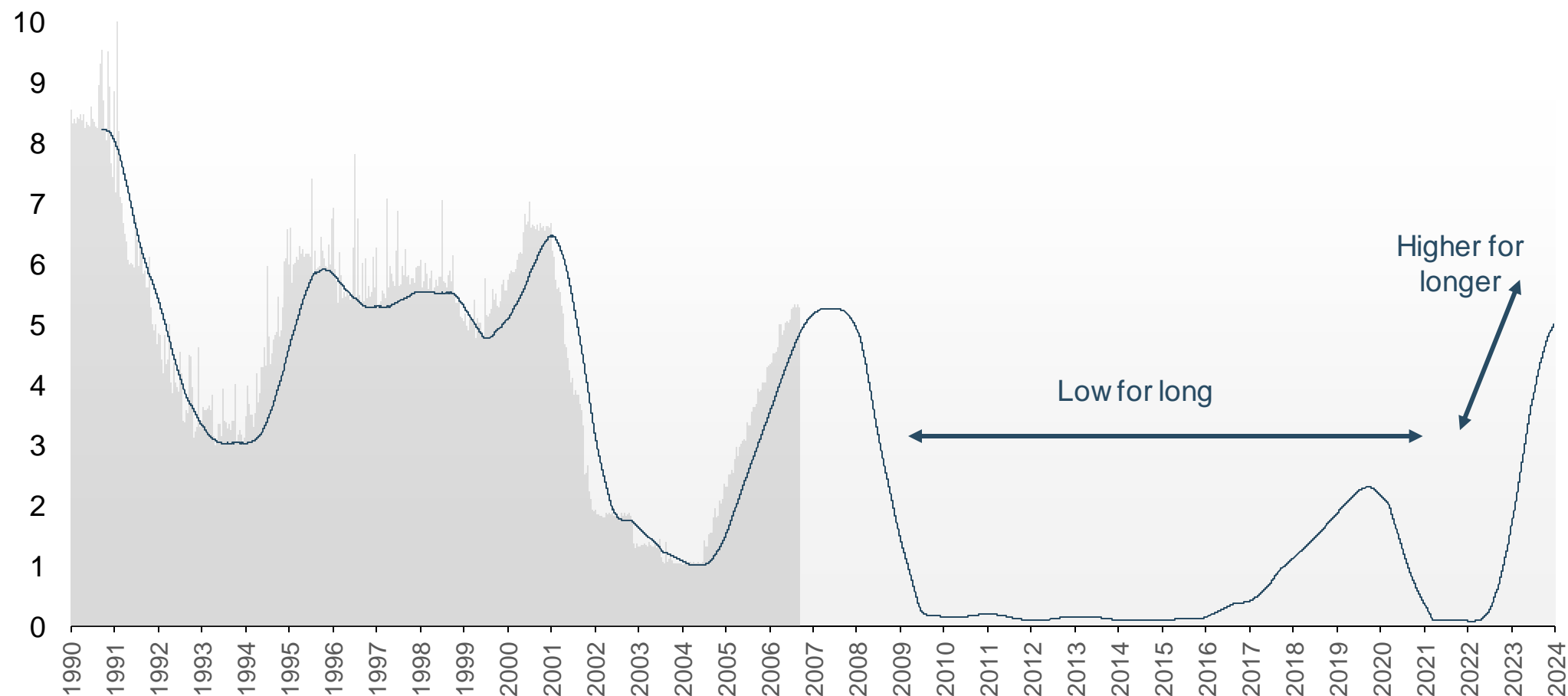


Asia share of GDP 22% 28% 35% 39%

Source: Oliver Wyman Analysis

From “low for long” to “higher for longer”, and now....

Fed Rates 1990 - 2023

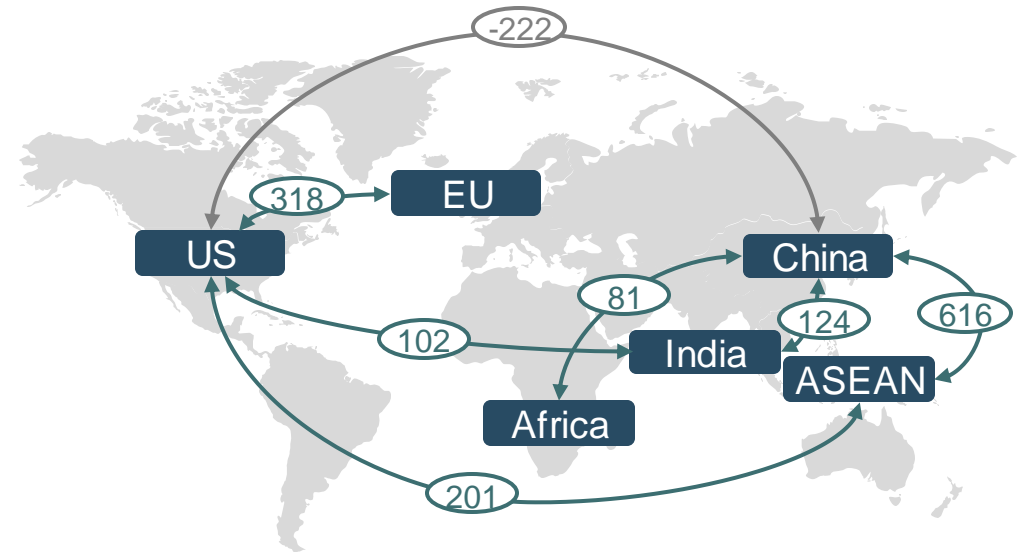


Geopolitics impacting on geoeconomics

- US/China tensions
- Conflicts in Ukraine and Middle East
- Risk “off and on” episodes: flight to safety
- Opportunities

Est. change in trade flows 2022-32 (USDbn)¹

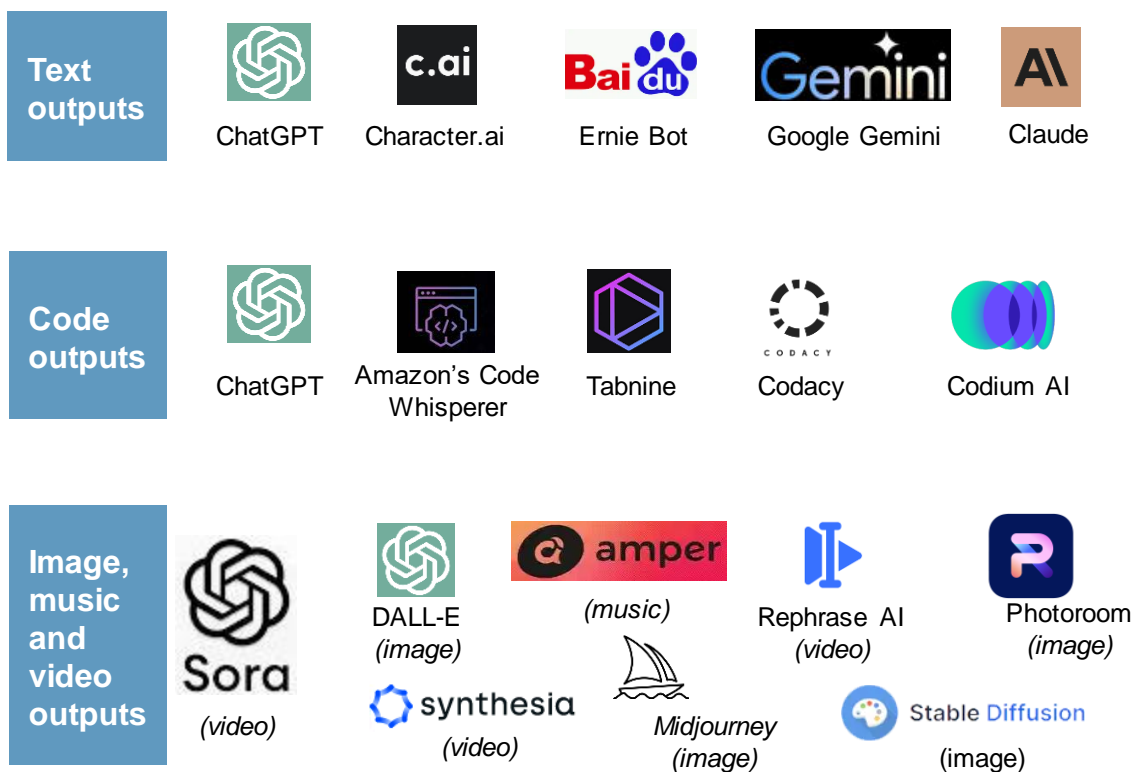
Major corridors



Technology / Digital

- Disruptive technologies
- Banks not sitting still
- But unfinished agenda:
 - Legacy tech platforms
 - Manual interventions
 - More to do on skills
 - Increasing threat surface

Generative AI impact



\$16tn
Addition to Global
GDP by 2030
(15% of current
GDP)

\$200-340bn
Annual
incremental
economic impact
in the banking
sector from Gen-
AI linked new
business cases

Source: PWC/McKinsey

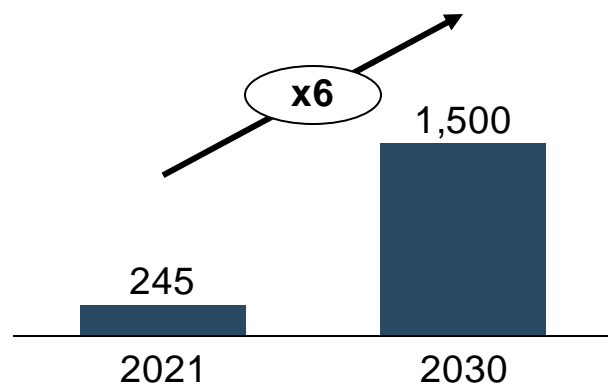
Increasing competition from non-traditional players

Global Bigtech/ Fintech revenue (USDbn)

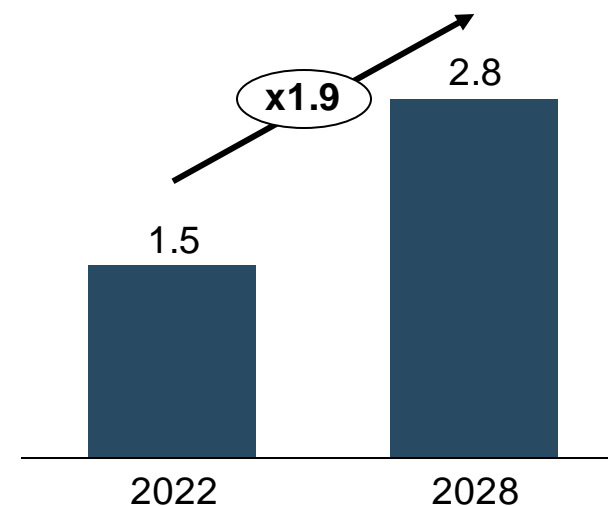
Share of banking
revenue pool:

4%

13%

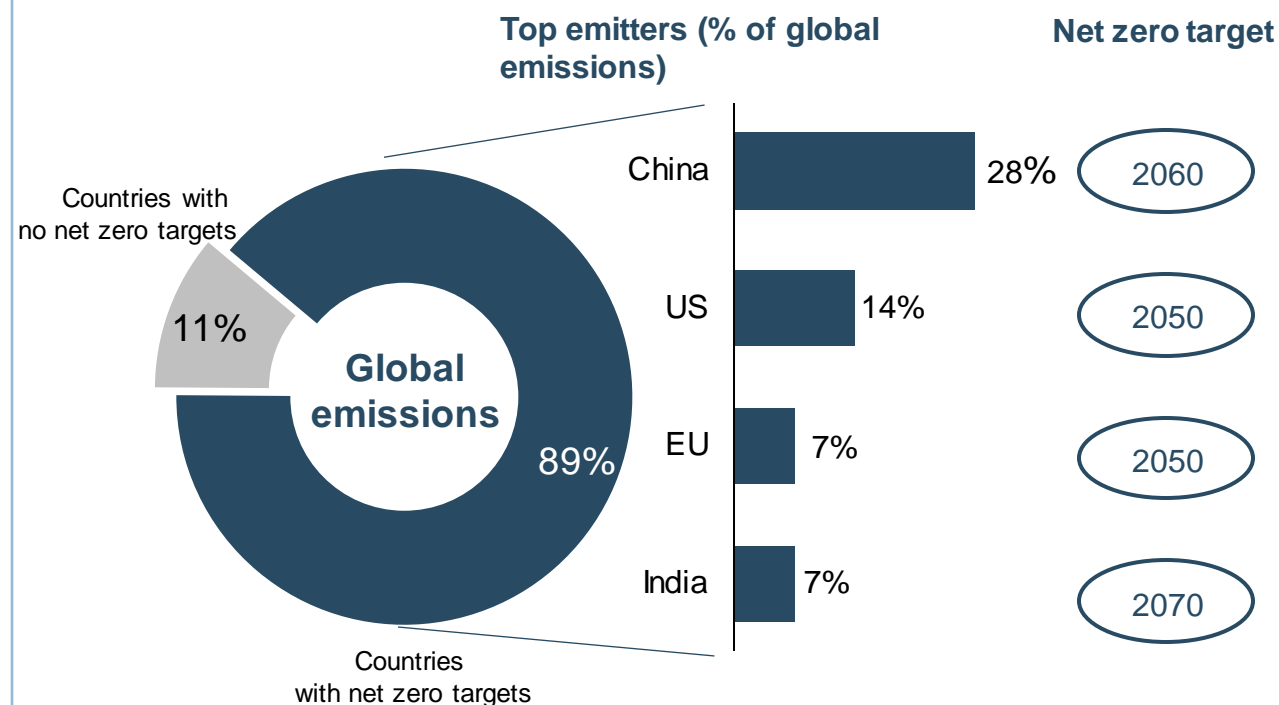


Private credit: debt AUM (USDtr)



Climate Change will remain squarely in focus

Global emissions (%)



- Challenges for banks
 - Reputational
 - Climate risk management
 - Multiple disclosures
 - Net Zero delivery influenced by public policies and clients
 - Greenwashing
- Opportunities

Regulatory Fragmentation

- Basel 3.1: uneven implementation
- Banks – non-banks: uneven playing field
- Data
- Digital assets
- AI
- Climate

Key:



Existing requirements are tightening



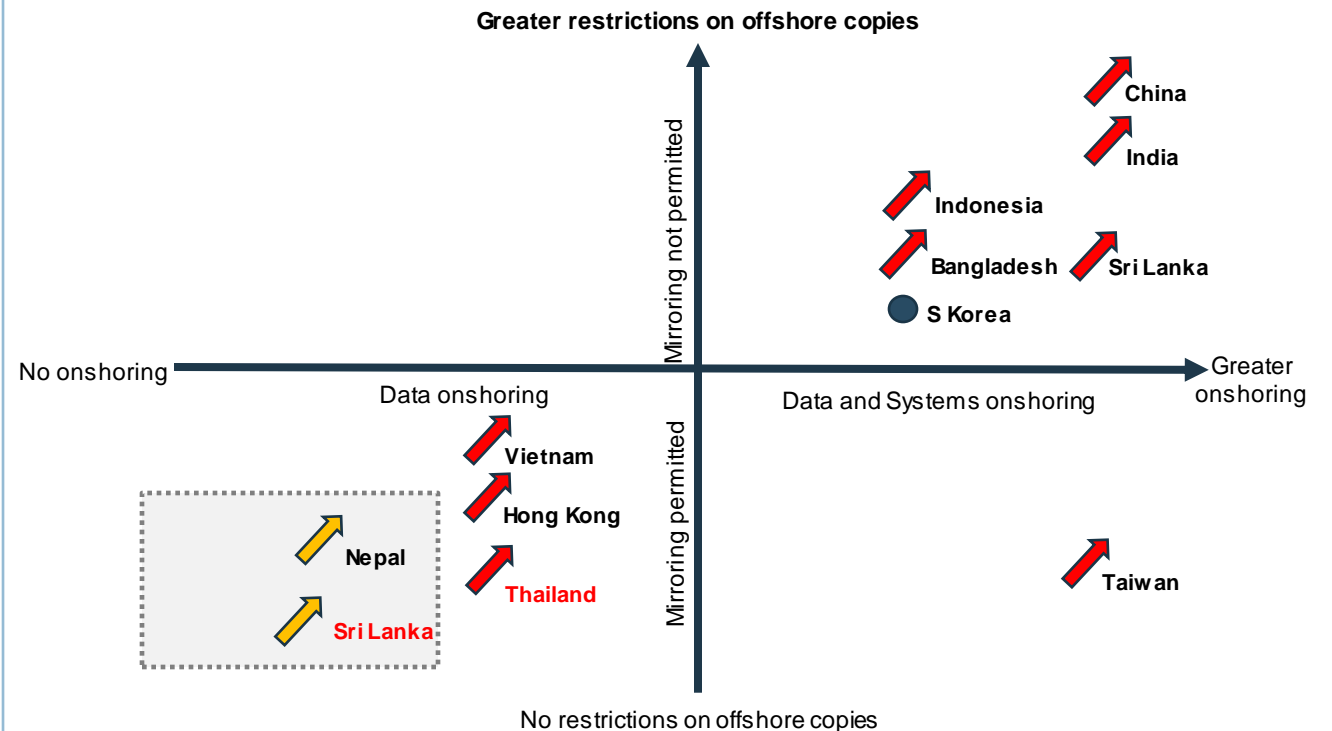
Existing requirements are stable

In some markets draft rules and policy signals suggest a significant horizon risk of new onshoring requirements.



Future requirements are likely

Increasing Data and Systems national onshoring requirements



Three strategic choices



Specialise

Become a niche player

Specialise in providing limited but differentiated products



Collaborate

Embedded finance

Embed banking capabilities into existing digital platforms



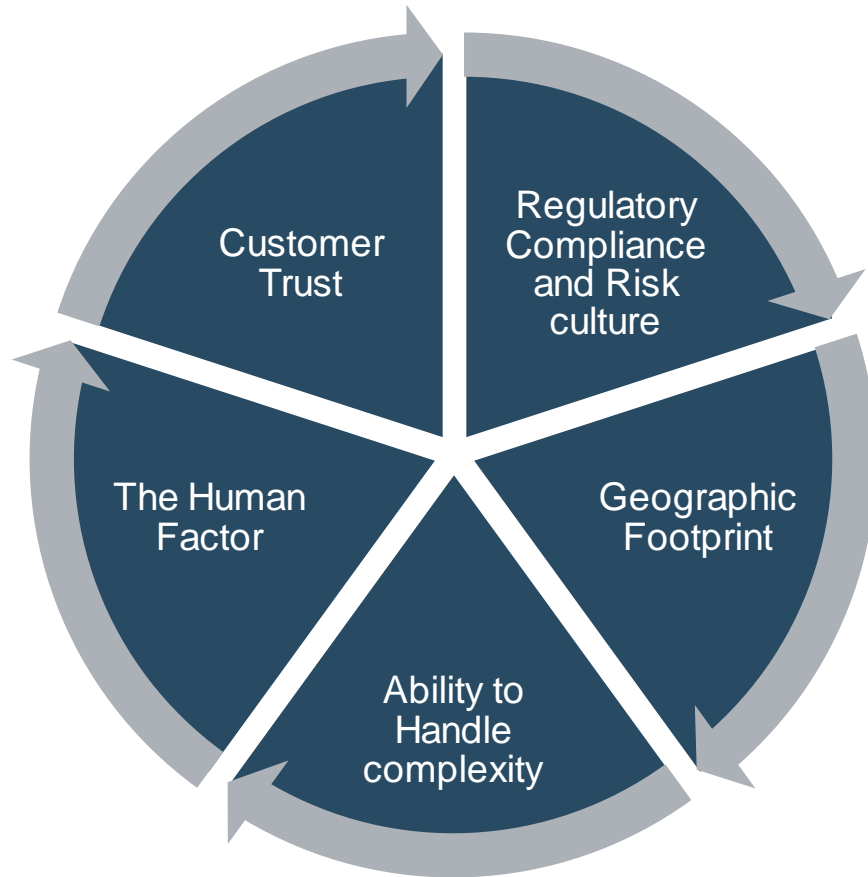
Compete

Build an open platform

Defending primary banking relationships while acting as an open platform

The way forward: strategic choices based on comparative advantage of individual banks...but certain “musts” in all cases

Rely on banks' strengths.....

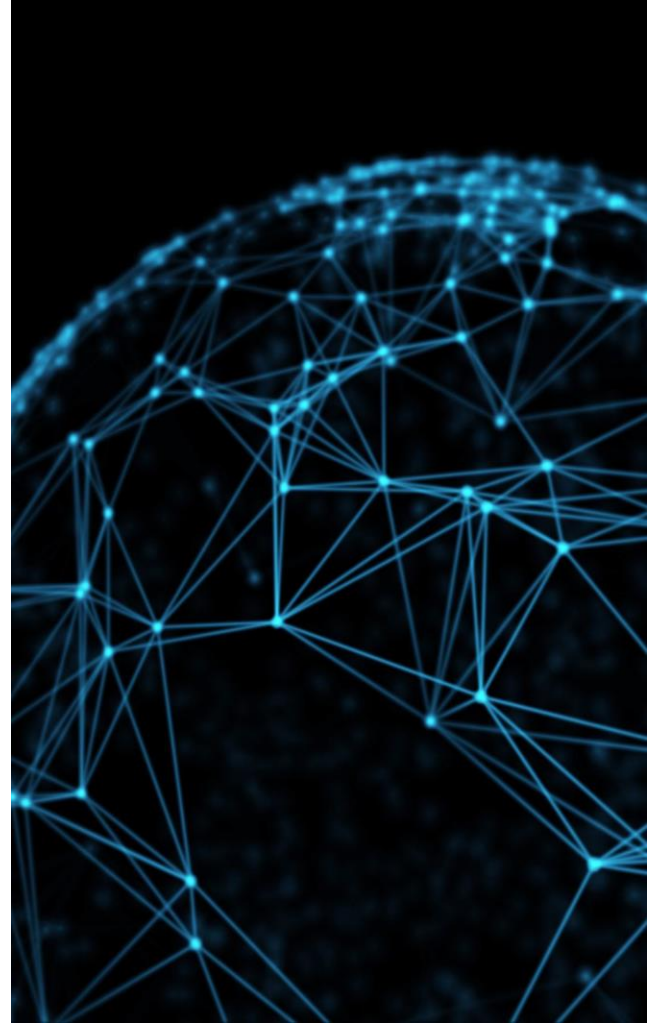


.....to deliver resilience and agility

- Profits aligned with purpose
- Culture and governance
- Simplification, standardisation and digitisation
- Client Centric
- Talent

Banks as a force for good

- Trusted intermediaries in a world in transition
- Banks must remain “banks” while transforming their business models
 - Value creation
 - Contribute to sustained growth and financial stability
- Help build a more prosperous and sustainable future





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Q&A