



Banking trends: Where is the sector heading?



How does the future of banking look like?



Purpose of bank in post-crisis economy?



Source of banks' profits in the future?



Impact on the balance sheet's structure?



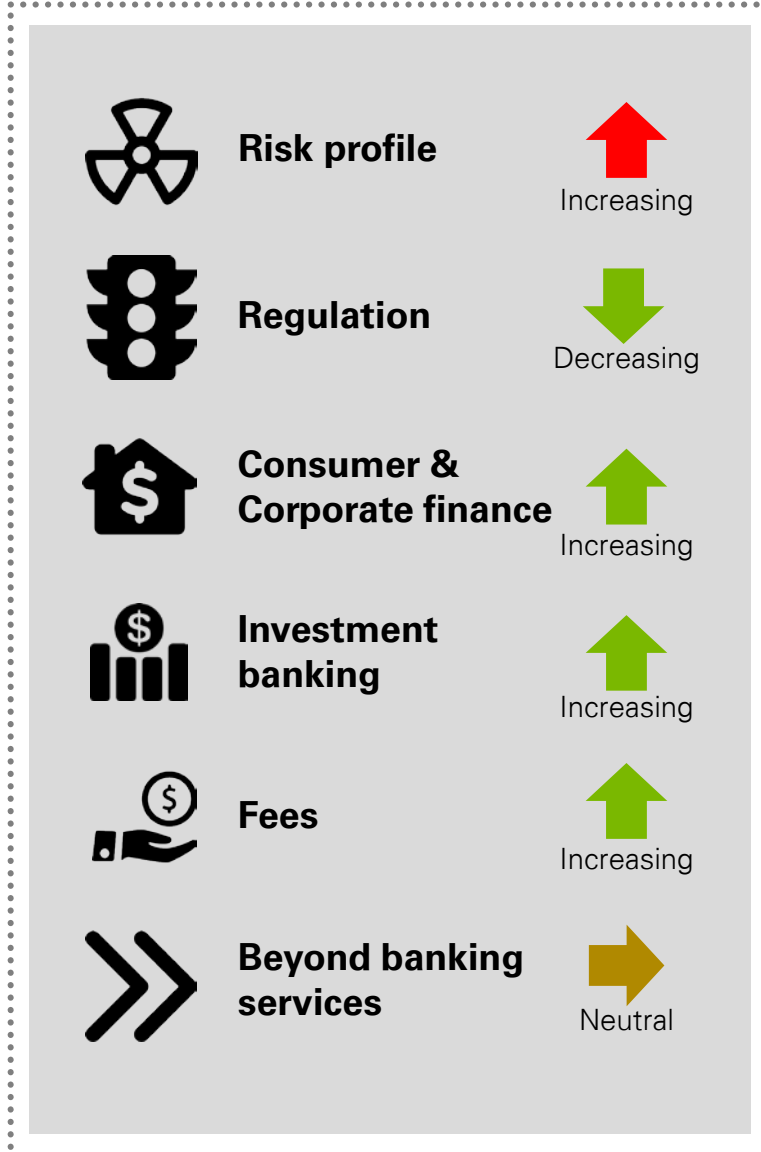
Drivers of customer expectations?



Sustainability of present business models?

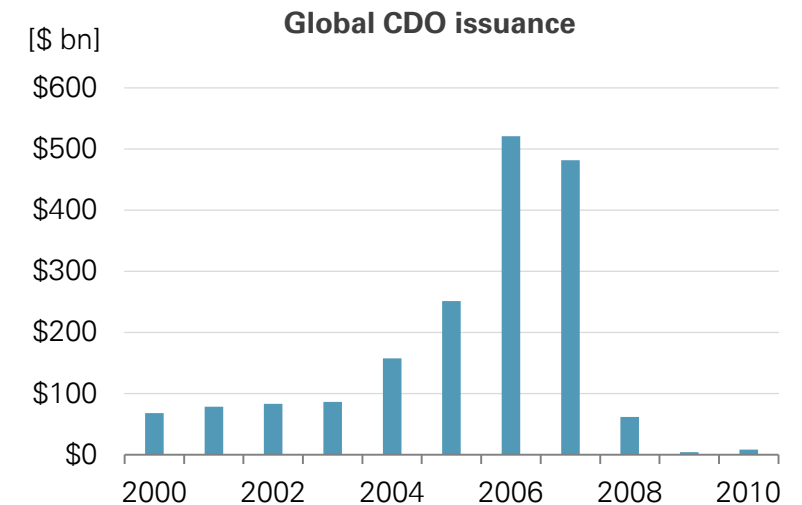
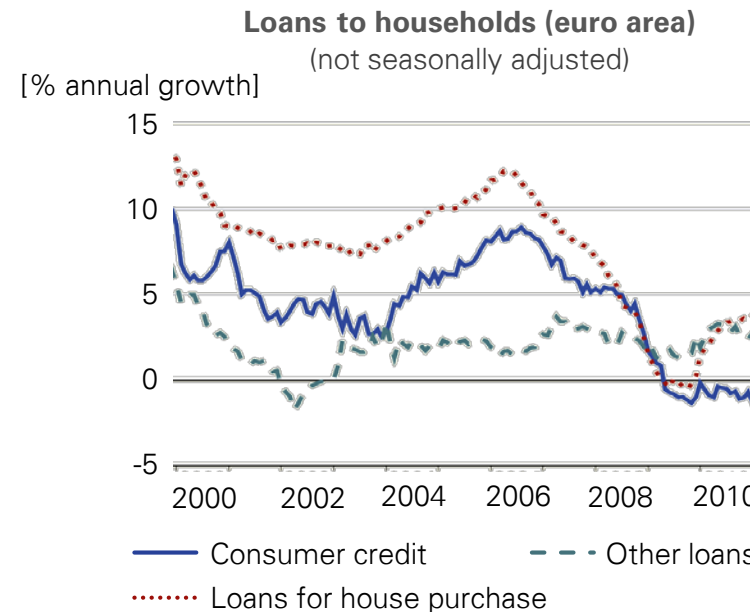
Up to 2008: high-risk profile, less regulation

Snapshot of the key trends before 2008



Main developments

- > Deregulation during 1980's and 1990's allowed banks to increase return on equity in exchange for higher risk
- > Consumer credit became more available between 2002 and 2007
- > New financial products were developed in investment banking and financial markets became more interlinked















- > Marked by fall of Lehman Brothers in 2008, the financial crises significantly impacted bank performance and slowed the business, especially from the risky activities.
- > Consequently, the structure of income moved from that highly dependant on trading to secured loans, non-interest income (mainly fees) and began exploring non-banking activities.

Source: KPMG, European Central Bank, SIFMA

Currently, banks have to make money through innovation in order to replace slowing returns on assets by high-margin services

Snapshot of the key current trends

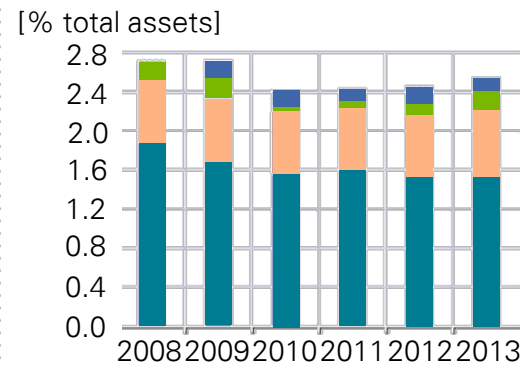
	Risk profile		Decreasing
	Regulation		Increasing
	Consumer & Corporate finance		Increasing
	Investment banking		Decreasing
	Fees		Decreasing
	Beyond banking services		Increasing

Main developments

Income structure

- > Interest income has decreased due to low interest rate environment and worse economic conditions.

Operating income structure (euro area)



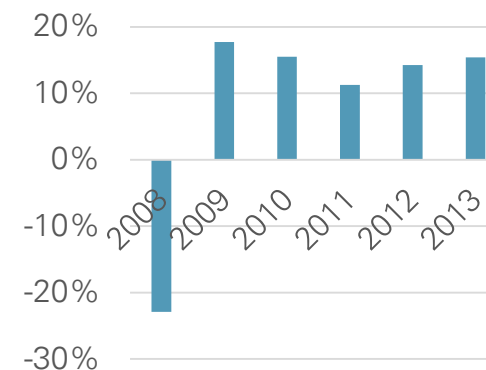
- Net interest income
- Net fee and commission income
- Gain and losses on financial assets and liabilities
- Other operating income

- > Because the conventional sources of income are on decline due to regulation, lesser risk clients are willing to take, banks look for new sources of income in products and services such as bankassurance products, retail sales of commodities (energy, telco), other beyond banking products.

Income from trading

- > Trading revived soon after 2008, however, the results remain flat due to stricter regulations and changing focus of banks and customers

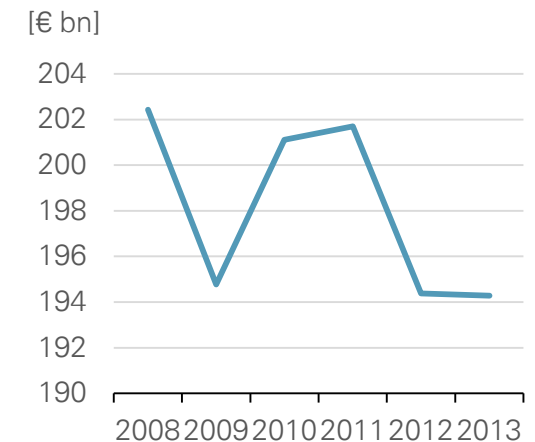
Gains and losses on financial assets held for trading and liabilities



Income from fees

- > Share of fees will hardly grow ...

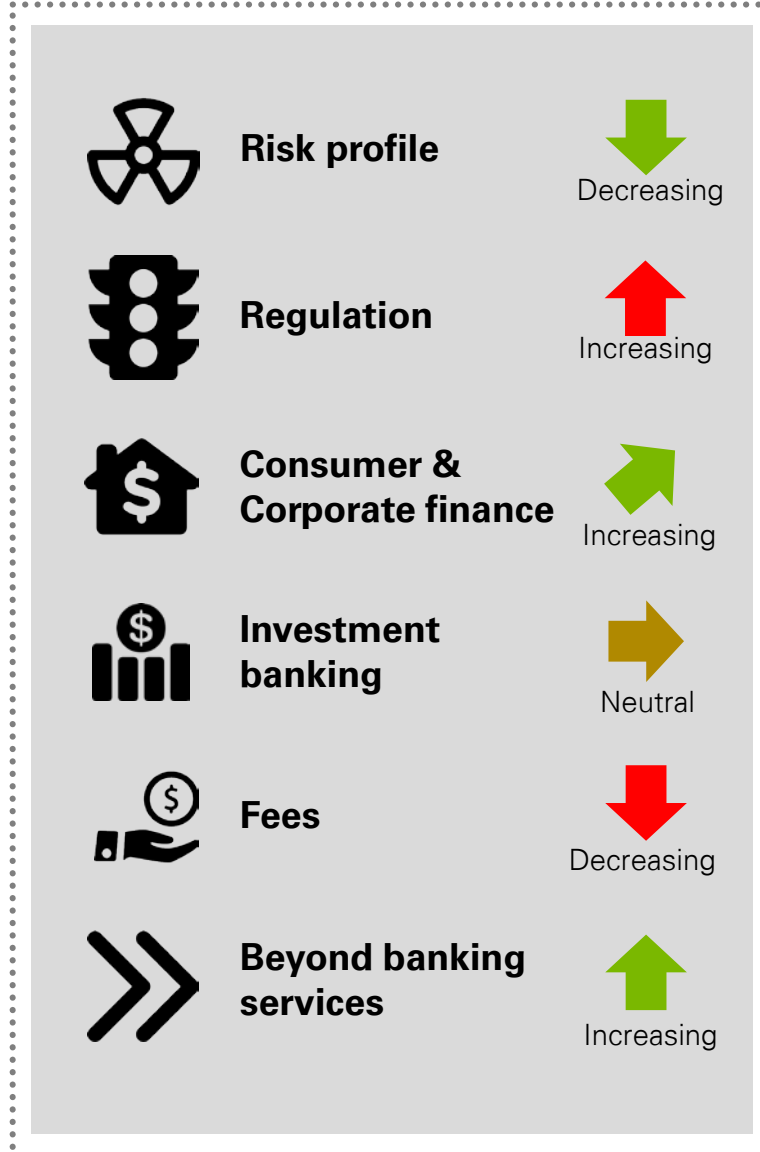
Net fee and commission income (EU 25)



Source: KPMG, European Central Bank

By 2025, banks will have embraced digital revolution and involved non-banking products and services in their business model













Snapshot of the key trends by 2025



Main developments

- > Banking sector will be more regulated and less volatile. Returns will face slow growth due to the limited risk options. The digital revolution and technological process will decrease costs for banks and their operations further.
- > Financing and investment products will become simpler and more available in order to reach new markets and increase volumes, however, investment banking will probably not return to the pre-crises growth.
- > Fees for banking products and services will become low or disappear.
- > Banks will move further into new non-banking products and services both as a way of clients' retention as well as to explore new sources of income.

Key trends that will drive the change of a bank's business model

	Customer centricity		Digitalization		Changing demographics
	Seamless omni-channel distribution		Rise of Big Data and Customer Analytics		Industry consolidation
	Product and price customization		Cyber security		Commodization
	New products beyond banking (e.g. data safe)		Stronger regulation		New business models (e.g. shadow banking)

Source: KPMG



Thank you



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