



News release

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Survey of Banking & Capital Markets CEOs lifts the lid on the huge challenges facing banks globally

“The world needs banking but not banks” - which banks can successfully regenerate and which will wander a long (or perhaps short) path to extinction?

A PwC survey of 176 Banking & Capital Markets (BCM) CEOs across 62 countries reveals the huge challenges facing banks globally. Challenges with the global economy, poor business performance, heightened risks such as Cyber, ongoing regulatory burdens and seizing the opportunity from emergent technology mean the pressure on banking CEOs has not been greater since the financial crisis.

Findings from the report ‘**Creating a platform for competitive regeneration**’, which forms part of PwC’s 19th Global Survey of over 1,400 CEOs globally, highlights the threats to banks prospects.

BCM CEOs see over-regulation (87%), geopolitical uncertainty (81%) and exchange rate volatility (76%) as really impacting their banks. The combination of higher capital charges, liquidity demands and compliance costs is forcing many to abandon what had once been profitable mainstays in their business.

More than 66% plan further cost cutting initiatives over the next twelve months. Restructuring across the market will continue with more than 10% of BCM CEOs indicating they plan to sell a majority interest in a business or exit a significant market over the next 12 months.

64% of Banking and Capital Markets CEOs plan significant changes in the way they define and manage risk in response to customer and stakeholder expectations. The scope of risk management is broadening to adapt to fundamental changes in markets, business models and transactions. The key differentiator is being able to see risk coming, contain it early and adapt quickly.

Technology is transforming customer expectations, lowering barriers to market entry and opening up **growing competition from FinTech entrants**. Almost every BCM CEO believes it is the trend most likely to transform customer, regulator and other key stakeholder expectations over the next five years.



“New technology development from Robo advice, Blockchain to Artificial Intelligence should help banks foster a more informed, engaged relationship with customers but it will also cause radical changes to, and cost savings in, operational processes. While recognition of the prize is obvious from the CEOs surveyed, some banks are already acting fast on this while others, seem barely to have started. Executing on this successfully needs to be front of mind for all banking CEOs,” says Kevin Burrowes, Global Banking & Capital Markets Leader at PwC.

“Our survey shows BCM CEOs see **customer relationship management systems (80%), data analytics (75%) and social media communications and engagement (56%) as the top three areas of technology** that will yield the greatest returns in terms of engagement with wider stakeholders.

“The ability to analyse more data, more quickly and with more predictive capabilities than ever can also ensure a faster, more targeted and more forward-looking response to customer demands and capital market developments.”

72% of BCM CEOs view the limited availability of key skills as a threat to growth.

The impact of technology requires more people with both banking and digital skills. Few as yet possess these hybrid capabilities. Competition to attract them isn't just coming from traditional peers, but also FinTech start-ups and technology groups looking to develop their presence within the BCM and wider financial services market.

With technology comes a new and escalating raft of cyber and broader financial crime risks – **nearly three-quarters of BCM CEOs see cyber threats as a barrier to growth.** BCM organisations have always been in the frontline of the fight against cybercrime, though they are only as strong as the weakest link.

Stakeholders are demanding more from banks, not just in the value they deliver to them individually, but also in their contribution to society as a whole. In response, **30% of industry leaders say their organisation has changed its purpose in the past three years to take account of its broader impact on society.** A further 12% are considering this.

Burrowes concludes:

“The CEO agenda remains as full as ever. For them, driving delivery of technology and innovation will be critical in delivering the choice, service and pricing bank customers want. Pressures of economic conditions, regulation, costs, risk management and increasingly Cyber remain intense though. Prioritising all this is a huge challenge. I am regularly surprised about how poorly institutions do this and then execute on their plans. Getting this right now though has never been more crucial for the sector. As one of the CEOs we surveyed noted – the world needs banking but not banks.”

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Notes to Editors:

PwC's report '**Creating a platform for competitive regeneration**', is based on the response from 176 Banking & Capital Markets CEOs in 62 countries. To see the full results of PwC's 19th Annual Global Survey, please visit www.pwc.com/ceosurvey



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