Banking After COVID-19

A look at the current and future state of banking revenues, clients and business models

September 29, 2020

Executive Summary:

As bankers gather for fourth-quarter planning meetings and annual industry events like SIBOS, we should all take a moment to be thankful we are nearing the end of what will go down in history as one of the most challenging, painful and strangest years on record. But there will be little time for looking back.

As 2020 draws to a close, the banking industry is beset with change. The global pandemic upended business operations of clients and banks alike, triggering alterations that will affect markets and the economy for decades to come. The fallout of the COVID-19 crisis has forced governments and central banks to adopt historic measures to stave off economic collapse, ushering in a new phase of ultra-low interest rates that seem at least semi-permanent.

Meanwhile, social mobilizations, climate change and a host of other fast-moving developments are making the global marketplace more unpredictable and risky. All this is occurring against the backdrop of technological innovation that was kicked into overdrive this year by the sudden need to switch nearly all business functions (and most social interaction) to virtual channels amid the pandemic lockdown.

These factors are combining to produce one of the most trying business environments in memory. To succeed in these conditions, banks will have to adjust. They will have to review traditional approaches, while embracing innovation and responding to rapidly changing client needs.

In this paper, we attempt to help banks create strategies they will need to meet these goals. We first provide a baseline accounting of where the banking industry stood in the final quarter of 2020 in terms of revenues and clients. We then look at perhaps the preeminent strategic question facing banks today— how to use digital technology and data to enhance the value they provide to clients and investors.

Finally, we look to the long-term future of the banking industry, projecting how banks will have to alter products and business models, and examining the role banks will play in the defining economic, social and environmental issues of the post COVID-19 era.

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