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Beyond COVID-19: Five key priorities to accelerate post-crisis transformation for banking and capital markets

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As lockdown restrictions begin to ease, the strategic focus within banking and capital markets (BCM) is pivoting towards how to succeed in the post-crisis world. The road ahead is challenging, but these circumstances also present a unique opportunity to accelerate transformation, boost growth and reassert the value of BCM organisations within society.

Looking to the future

Although COVID-19 is still taking a daily human and economic toll, the worst of the immediate crisis is probably behind us. As a business leader, you can now shift your focus from crisis mobilisation and stabilisation to a new set of more enduring, strategic goals.



In the near term, you'll need to sustain support for clients, staff and government programmes while preparing for a return to work that revolves around a 'new normal' combination of remote work, digital interaction and use of emerging technologies.

For the longer term, you'll need to find more agile and efficient ways of working, while accelerating cost, digital and workforce transformations. As you look to keep pace with evolving market demands and reinvigorate growth, you'll also have opportunities to develop new client propositions, business models and collaborative operating platforms.

Numerous related questions are emerging within boardroom discussions and strategic planning sessions (see "The strategic questions that need to be addressed").



The strategic questions that need to be addressed

- How can we reaffirm our purpose and role within society?
- What are the implications of the different recovery curves (V, U, W), and how can we ensure we're best positioned to benefit from the rebound?
- What long-term effects will COVID-19 have on the economy, consumer sentiment and customer behaviour?
- How should we reshape and refine our strategy and business model?
- How should we align our cost structure, operational capabilities and ways of working with growth opportunities and changing customer demands?
- How can we balance the drive for growth with the need to sustain financial stability and operational resilience?

Coming through the crisis stronger than before

We believe the answers to these strategic questions fall into five key priorities.

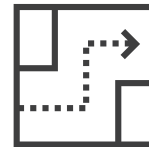
Below, we outline which actions we believe your organisation should take and which potential benefits it should target. Some of the actions reflect today's unique circumstances. Others should already have been part of your growth strategy, although COVID-19 has created new urgency around implementing them.

Five key priorities



01

Being part of the solution:
re-establish trust



02

Updating and optimising operations
for the return to work



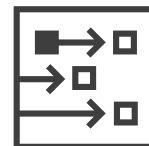
03

Capitalising on the opportunities for
transformation



04

Driving acquisition and collaboration



05

Balancing stability and growth



01

Being part of the solution: re-establish trust





BCM organisations already play a key role in solving the problems COVID-19 has caused, by supporting vulnerable clients, providing a credit lifeline for businesses and helping deliver government economic initiatives. Your company's contribution will continue to be critical in kick-starting economic recovery and strengthening your firm's resilience for future crises.

Helping carve a path forwards creates an opportunity for you to build trust with consumers and be part of resetting and reasserting the role of the BCM industry within society. For instance, by attracting workers who want to make a difference in the world, you can enhance your image and your contribution to society. By supporting the taxpayers who helped bail banks out of the 2008 global financial crisis, you can build trust and strengthen your reputation.

Being part of the solution also insulates you from the risks associated with the currently intensified media, regulatory and government spotlight on general business conduct and potential conflicts of interest.

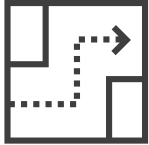
Actions to take

- Strengthen engagement with government, regulators, businesses and communities.
- Be creative in supporting clients through the crisis and beyond (e.g., payment holidays, alternative lending and collections practices).
- Reallocate staff and resources to key support roles.
- Closely monitor strains on liquidity and credit supply within the economy and think about how you can help alleviate these stresses.
- Closely monitor and manage financial impacts (e.g., an increase in arrears and insolvencies).
- Strengthen transparency on how and how well you seek to support society's priorities.
- Implement a framework to build society's expectations into your culture, governance, risk management and day-to-day work.

Outcomes to target

- Stronger customer loyalty and trust
- Closer engagement and collaboration with governments and regulators
- Renewed sense of purpose within your workforce
- More positive image for the industry





02

Updating and optimising operations for the return to work





The COVID-19 lockdown has forced all businesses to rethink how they operate. Now, as the return to work begins, it's important to build on this reassessment to determine which ways of working have stood up to this intense test of efficiency and resilience, which ways haven't and how to do things differently in the future.

Strategies should balance the immediate imperatives of business continuity with the longer-term opportunity to create a more lean, agile and efficient operating platform. Priorities include strengthening remote working capabilities and ensuring that resources can be quickly mobilised to support renewed demand in areas such as mortgages and acquisition financing.

It's also important to avoid simply reverting to pre-crisis ways of thinking and working. Endeavor to lock in the adaptability and flexibility that have been the hallmarks of the rapid shift to remote working.

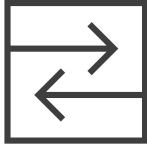
Actions to take

- Gauge the operational impact of various client demands and recovery scenarios and determine how to respond proactively.
- Identify opportunities to effectively digitise sales and scale customer support.
- Strengthen employee health and well-being, safety, support and communication.
- Nurture innovation, adaptability and informal structures.
- Determine real estate and occupancy needs for social distancing in the short and medium term and consider continued remote working in the long term.
- Ensure technology, virtual private networks and cybersecurity are equipped to deal with more remote working over the long term.

Outcomes to target

- Agility and scalability in the face of changing and uncertain demand
- Ability to quickly move on emerging opportunities
- Stronger employee well-being and loyalty
- Sustainable cost structures





03

Capitalising on the opportunities for transformation





Digital transformation has been in full swing within the BCM industry for some years. Yet the results have been mixed, and the industry is still rife with overstaffing, fragmented technology and difficulties in making the most of available data. The pandemic, having demonstrated the value of well-developed digital capabilities, could provide fresh impetus for accelerating digitisation.

Workforce transformation and digital transformation go hand in hand. The speed of technological advances has already created significant demand for upskilling within the workforce. The crisis has further underlined the importance of ensuring that your people have both the right skills and the willingness to continually learn, adapt and embrace change.

Actions to take

- Accelerate investment in leading digital capabilities to reduce costs, improve customer experience and reduce risk.
- Build momentum by harnessing existing digital transformation programmes and targeting initiatives that deliver significant value early.
- Creatively partner to rapidly deliver and prototype leading digital capabilities.
- Modernise channel mix and cross-channel management.
- Organise and upskill staff to promote new, agile ways of working.
- Embed flexible working arrangements.
- Reboot culture — foster greater innovation and collaboration.

Outcomes to target

- Cost efficiency and productivity
- Organisational agility and operational resilience
- Improved customer experience
- Culture of innovation and readiness to embrace change





04

Driving acquisition and collaboration





The pandemic and resulting economic crisis have changed many of the demand, supply and return dynamics within the BCM industry, for instance, by prompting even lower interest rates and a further squeeze on net interest margins. Such developments could make consolidation attractive. Acquisition would also increase access to industries and retail client segments that are likely to see the quickest rebound. Valuations will vary, but market movements could bring more targets into the affordable range.

Partnership and collaboration are also going to be crucial in strengthening capabilities and helping organisations meet changing demands without imposing prohibitive extra costs.

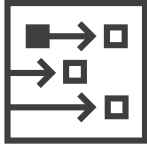
Actions to take

- Refresh acquisition criteria for the post-COVID-19 world.
- Seek to expand distribution channels by looking for M&A opportunities, both within BCM organisations and outside, given industry convergence.
- Explore opportunities for divestment of assets and operations now deemed to be non-core.
- Be realistic about the factors that will affect integration of acquired assets and establish synergy expectations.
- Manage the investor and regulatory narratives.
- Identify fresh opportunities for collaboration in this new environment, both in sourcing services and in offering your own.

Outcomes to target

- New capabilities
- Reduced costs
- Access to growth markets
- Accelerated modernisation
- Enhanced client satisfaction





05

Balancing stability and growth





The trajectory of overall recovery within different markets remains uncertain. There will also probably be significant variation in the impact and pace of rebound within different industry sectors and subsectors. It's therefore important to look at how to ensure that your business is in the best position to benefit from the rebound and be agile in responding to opportunities, while also safeguarding financial stability and proactively managing risks and exposures.

Actions to take

- Model recovery scenarios and assess potential impacts on revenue, profit, capital and shareholder value.
- Identify sectors and segments that are likely to rebound quickly and the opportunities this opens up.
- Reassess your target customers and client segments. Determine how their needs, expectations and behaviours might have changed.
- Model changing demand and proactively scale operations.
- Look at how the recovery could foster and accelerate innovation.
- Tailor specific messages by segments.

Outcomes to target

- Agility in responding to evolving threats and opportunities
- Sustainability of capacity and liquidity
- Targeted support for different clients and industries



Reinvention and differentiation

Out of every crisis come opportunities for competitive reinvention and differentiation. Today's strategic rethink provides a catalyst for strengthening operational resilience and positioning your business for a new era of innovation and growth. We believe that our five priorities offer a valuable starting point for navigating through the crisis, capitalising on emerging opportunities and being a force for good within society.



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