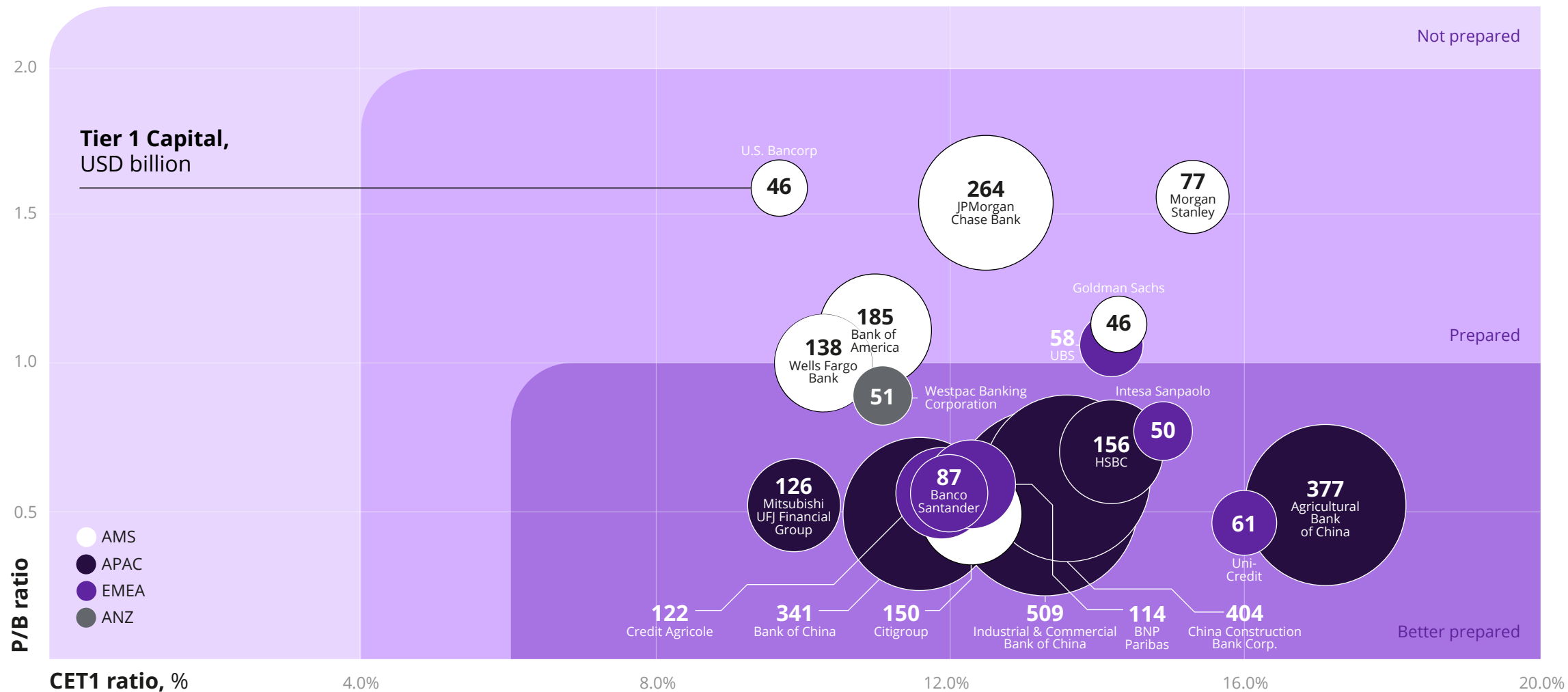


The Largest Banks are Prepared for Crisis

Major economies are facing a downturn this year, possibly entering recession. However, banks are better positioned to weather it than they were in 2007. The Finance sector is likely to mitigate any damage done by the next recession.

Who is best prepared?



What is driving the downturn?

- Global economic loss**
- ≡ **-6.7%** due to COVID-19
 - ∨ **-0.17%** due to Russia's invasion of Ukraine
- Inflation remains unexpectedly high**
- ≡ **6.5%** inflation rate in the US in 2022
 - ≡ **9.2%** inflation rate in the Euro area in 2022
- Global GDP growth rate is declining**
- ∨ **3.2%** expected growth rate in 2022
 - ≡ **2.9%** forecast for 2023
 - ∧ **3.1%** forecast for 2024

The Impact of the Downturn across Banking

Higher interest rates are reducing demand for loans and increasing credit risk on existing lines of credit. In the meantime, consumers expect their banks to provide the same level of digital experience as they get from other sectors.

Retail Banking

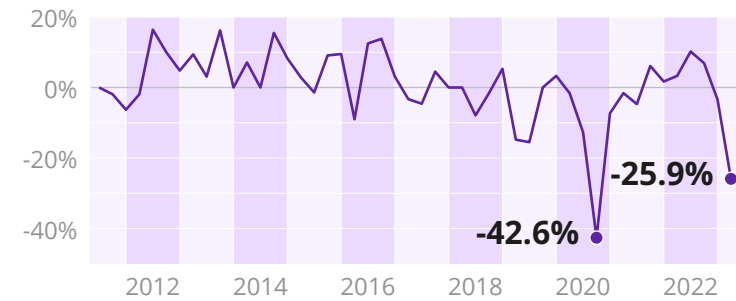
What affects this segment?

- › Increasing interest rates
- › Long cost optimization timeframes

How does it affect this segment?

- › Reduction in lending operations and other LoBs
- › Variation in the degree of differentiation in LoBs
- › New innovations by FinTech have increased the degree

Net percentage of banks reporting stronger demand for consumer loans, %



Mortgage

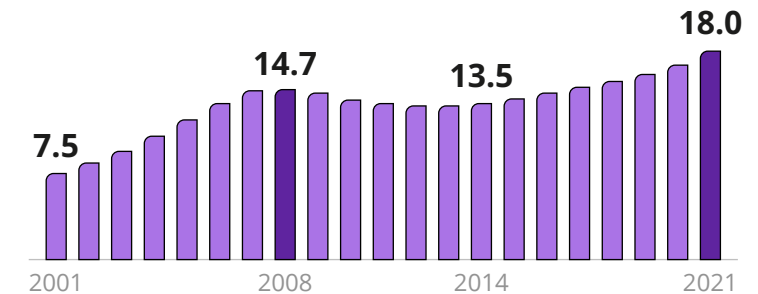
What affects this segment?

- › Changing global macro trends
- › Commoditized nature of the process
- › Diminishing volumes

How does it affect this segment?

- › Declining volumes of new originations
- › Mortgage operations tend to have a high transition period
- › The industry is highly concentrated in the US

Mortgage debt in the US, USD trillion



Corporate Banking

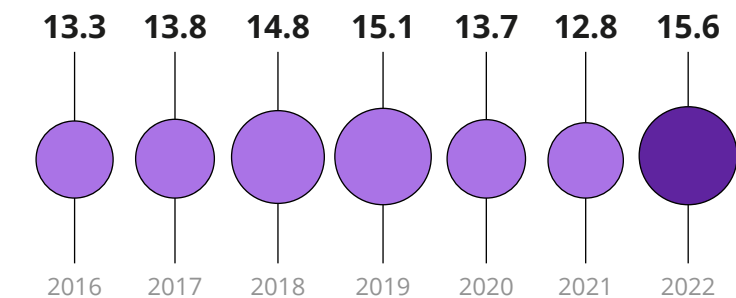
What affects this segment?

- › Persistent inflation and rising rates
- › Disrupted supply chains
- › War in Ukraine

How does it affect this segment?

- › The era of cheap credit is over
- › Free cash flow becomes paramount for corporate banking clients
- › Increased transaction and commercial banking revenues

Transaction banking revenues in the first half of the year*, USD billion



The Impact of the Downturn across Capital Markets

The war in Ukraine has created a severe geopolitical fragility on a scale not seen in Europe for decades. It heightens risks and adds further pressure on energy prices, supply chains, and inflation across Europe and beyond.

What is affecting Capital Markets?

Economic factors:

- › Increasing inflation
- › Increasing interest rates by numerous central banks
- › Volatility remaining the same or increasing

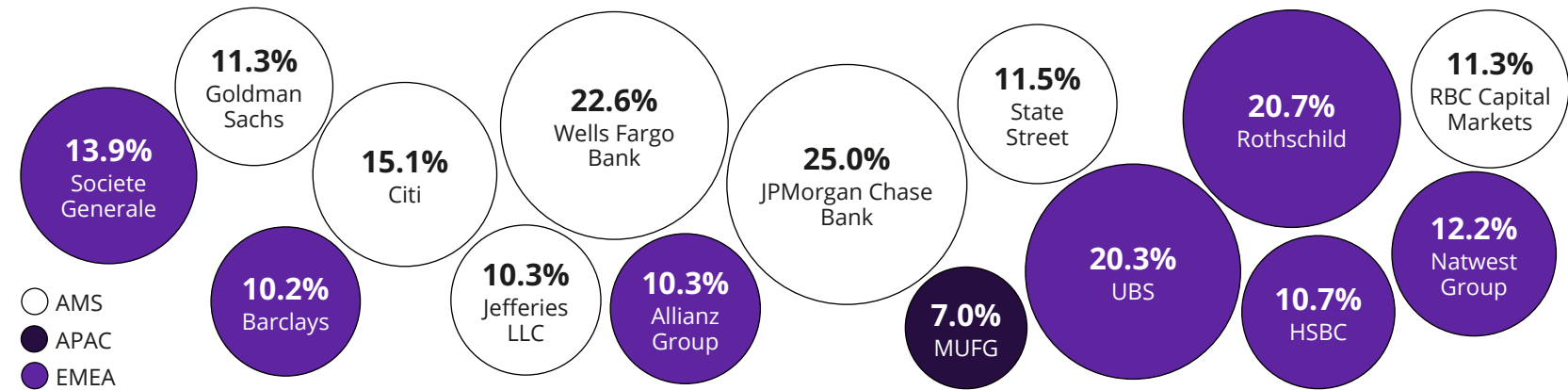
Geopolitical factors:

- › The battle against COVID-19
- › The war in Ukraine
- › Uncertainties around global elections
- › Climate-driven conflict

The impact on the Sell-Side

- › Many investment banks posted impressive returns and boosted ROE due to volatility from pandemic
- › Overall Sell-Side expenses are going up
- › A change in the required technological skills

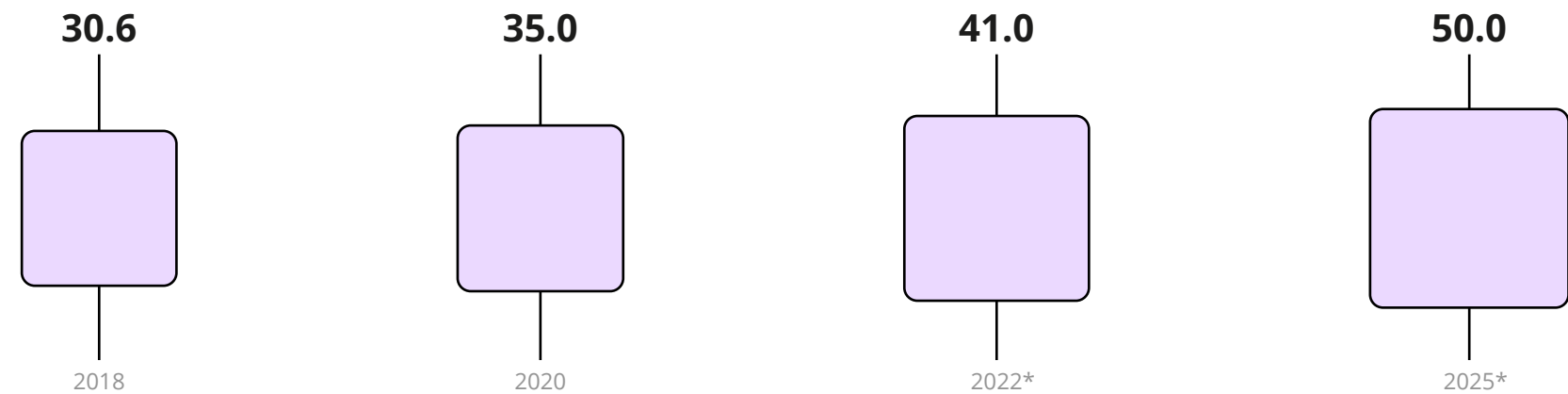
ROE, %



The impact on the Buy-Side

- › Rapid growth in interest in ESG and digital assets had a positive impact on investment management AUM
- › Costs continue to rise as well, fueling M&A activities
- › Enterprises have a strong demand for transformation consulting services

ESG assets under management, USD trillion



The Impact of the Downturn across Wealth Management

Growing economic and geopolitical uncertainty is leading to a transformation of wealth management.

What is affecting Wealth Management?

Economic factors:

- › Inflation
- › Tightening monetary policy in major economies
- › Deterioration of liquidity conditions
- › Uncertainty regarding GDP growth

Geopolitical factors:

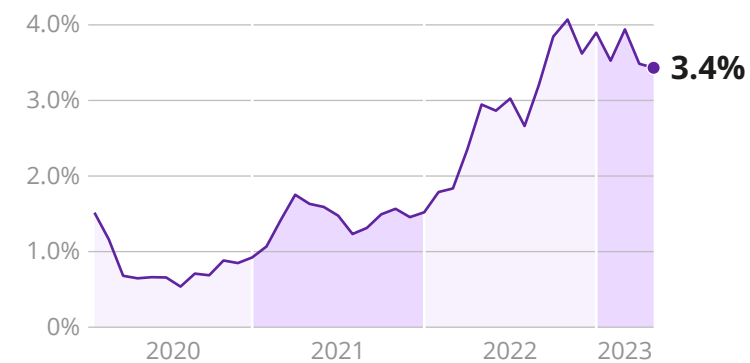
- › Heightened geopolitical tensions
- › The war in Ukraine

How does it affect Wealth Management?

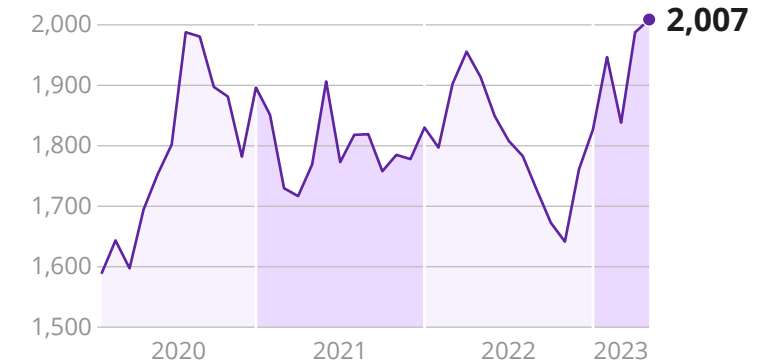
During times of uncertainty, a “flight to quality” drives a redistribution of funds towards safer investments such as gold and long-dated US Treasuries.

The mass-affluent segment will become more influential. A rising pool of mass-affluent investors demands and expects more from wealth management firms.

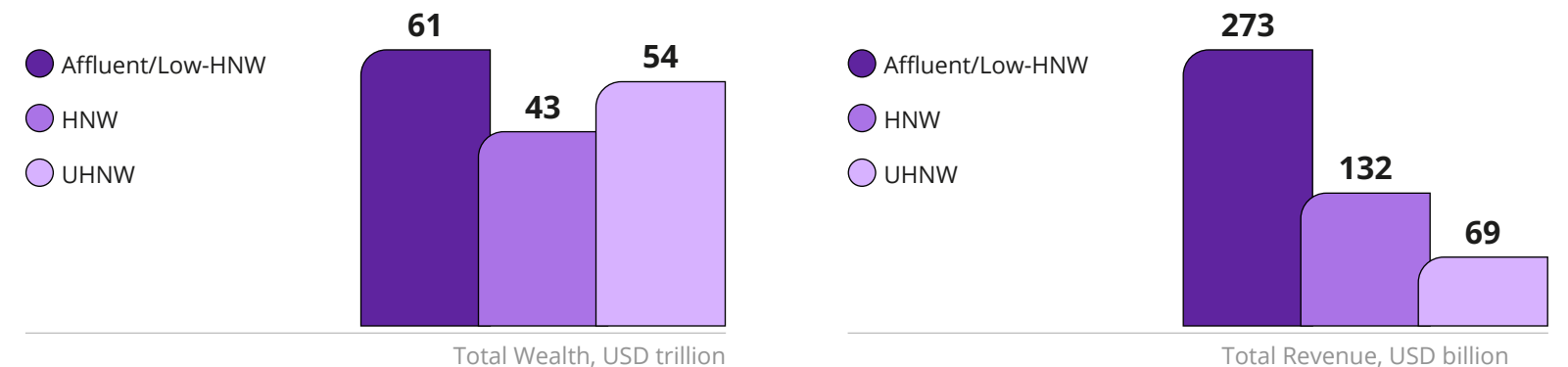
Monthly US 10-year bond close yield, %



Monthly gold close price, USD/oz



Global household wealth and revenue pools by client segment in 2026*



How can Banks Mitigate the Impact of the Downturn?

Digital transformation is a strategic imperative across front-, middle-, and back-office processes.

The impact on the bank's efficiency

