Value creation in banking

A cross-cycle view of economic value generation by product segment

Banking has always involved a degree of cross-financing: some products and sectors create economic value, while others enhance liquidity or improve customer loyalty or acquisition.

Today, however, fintechs and monoliners are threatening to disaggregate the banking value chain by cherry-picking the higher-margin segments.

To respond, banks need to either deliver superior value and unique propositions in these core products, or restructure their operating and delivery models to turn their less profitable products into value generators.

Large differences in value creation exist between regions and product segments

Level of value creation, RoE=CoE, %

- High value generation >3
- Moderate value generation 0.1–3
- Value destroying <0

Total value created⁵, 2005–21, $ billion

### High value

**Accounts and payments**

- North America: 333
- Europe: 230
- Asia–Pacific: 314
- Latin America and Middle East: 200

**Wealth and asset management**

- North America: 368
- Europe: 224
- Asia–Pacific: 217
- Latin America and Middle East: 65

**Corporate banking**

- North America: 28
- Europe: -26
- Asia–Pacific: 4
- Latin America and Middle East: 5

**Capital markets and investment banking**

- North America: -683
- Europe: -1,841
- Asia–Pacific: 40
- Latin America and Middle East: -374

**Banking core**

- North America: 17
- Europe: -5
- Asia–Pacific: 6
- Latin America and Middle East: -1

**Mortgages**

- North America: 28
- Europe: -26
- Asia–Pacific: 4
- Latin America and Middle East: 5

**All other**

- North America: 150
- Europe: -1,362
- Asia–Pacific: 652
- Latin America and Middle East: 20

### Threat of disaggregation

83% of all fintechs are attacking value-creating segments, which could disaggregate traditional value chains.

### Opportunity for banks

Banks who successfully reinvent business models can unlock tremendous shareholder value and improve recognition by the capital markets.

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⁵Profits less cost of capital