



Global Banking Outlook 2018

Accelerating innovation-led
change

North American results

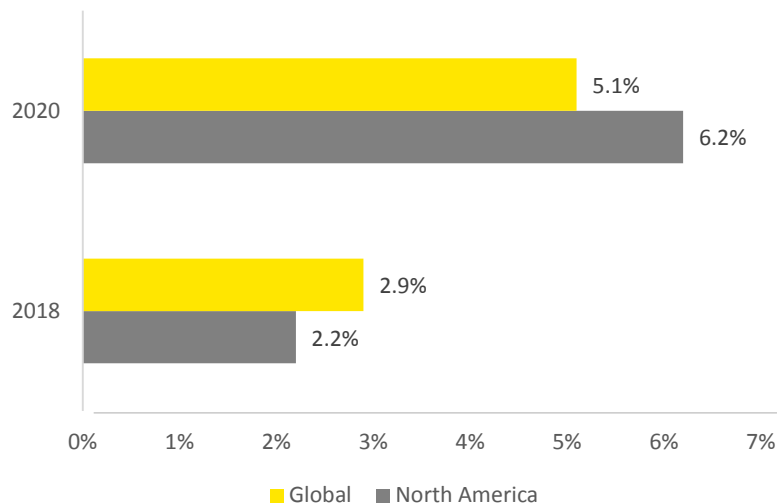


North American banks are looking forward to improved financial performance ...



North American banks expect revenue growth to accelerate over the next three years

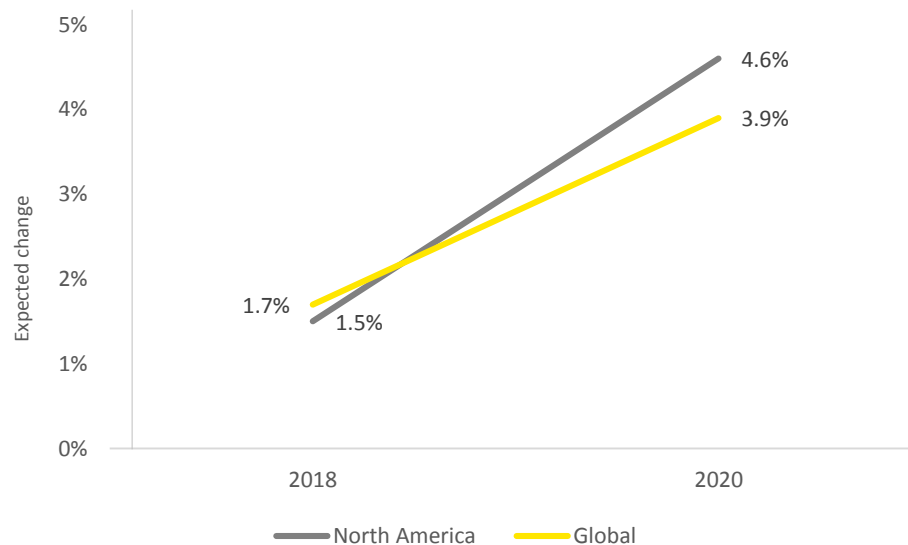
Q: By how much do you expect your bank's revenue growth to increase or decrease in 2018 and over the coming three years?



Source: Global banking outlook survey 2018

North American banks anticipate ROEs to grow by almost 5% by 2020

Q: By how much do you expect your bank's ROE to increase or decrease in 2018 and over the coming three years?



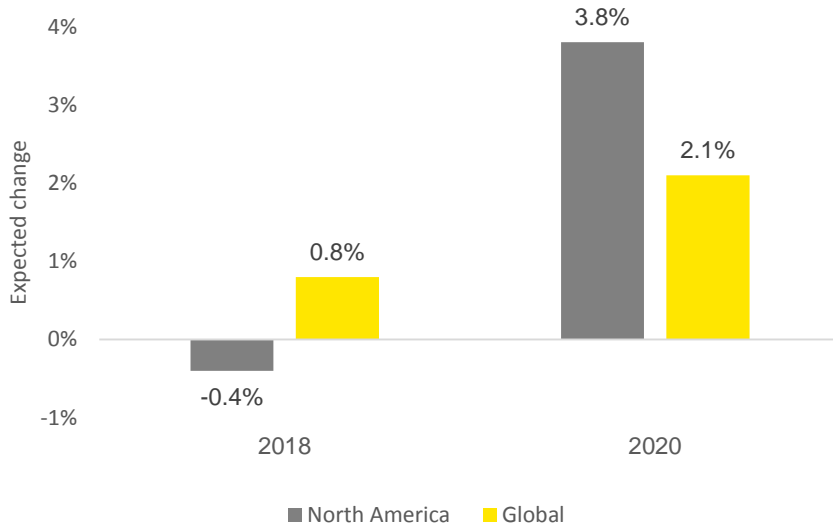
Source: Global banking outlook survey 2018

... despite an expected increase in costs and growing competitive challenges.

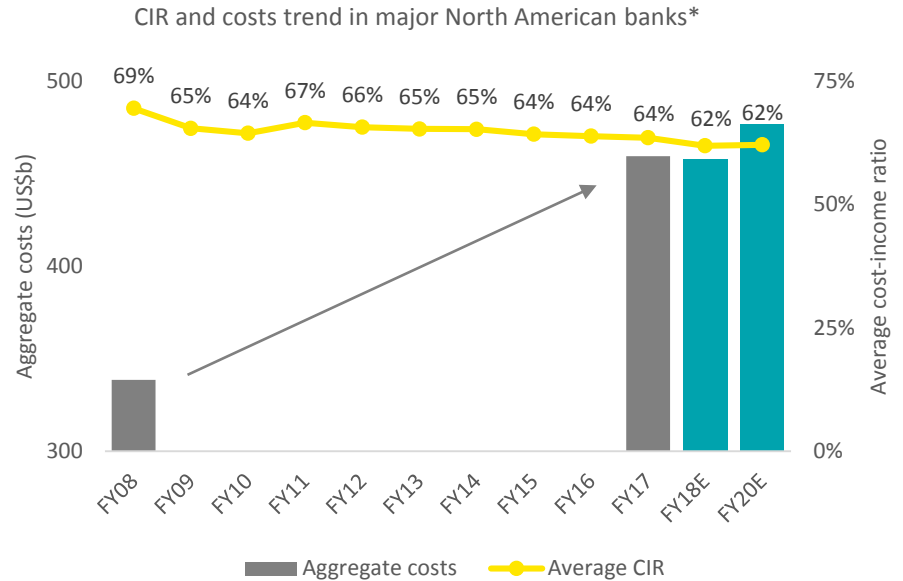


North American banks expect costs to jump nearly 4% by 2020

Q: By how much do you expect your bank's cost base to increase or decrease in 2018 and over the coming three years?



Source: Global banking outlook survey 2018



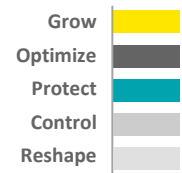
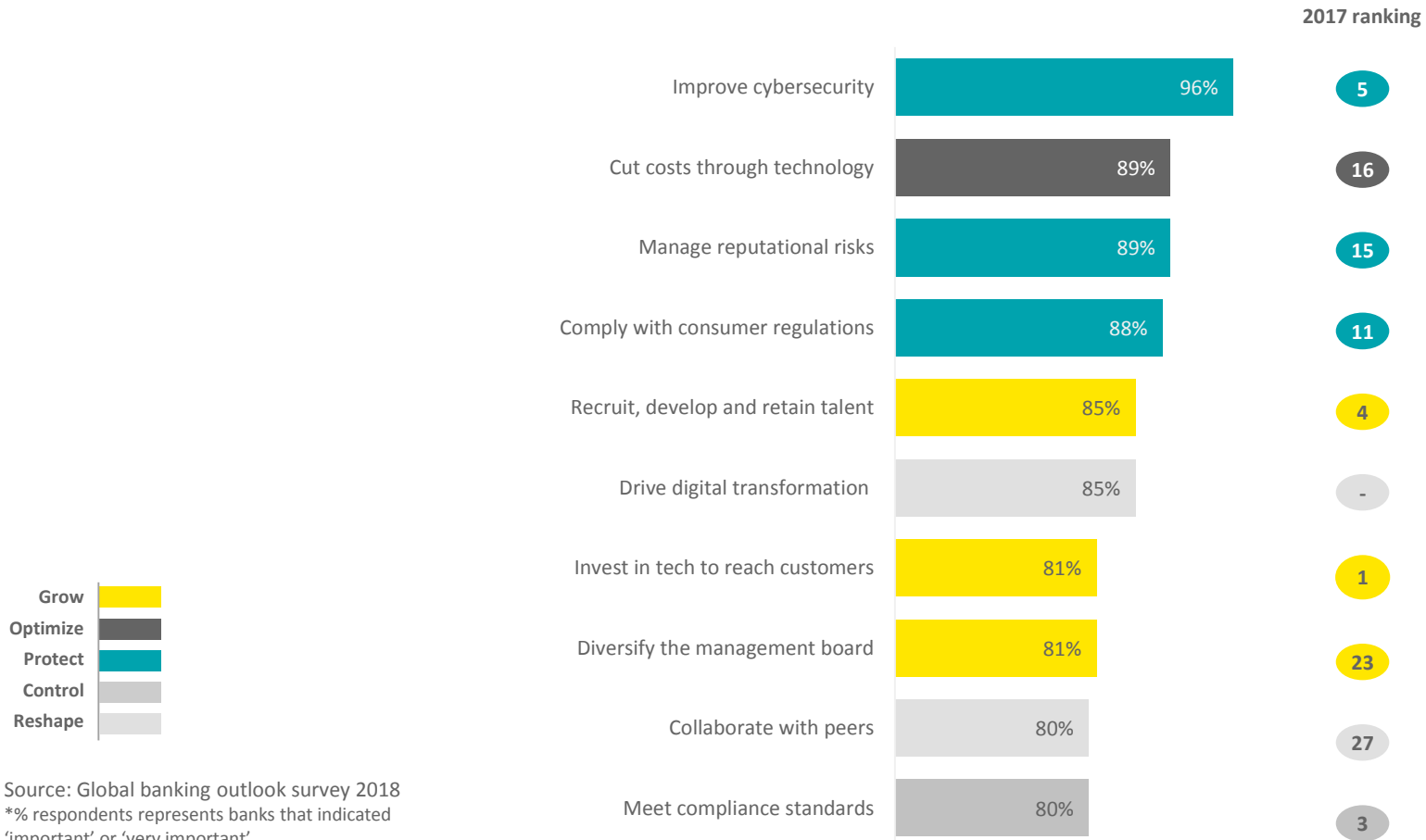
Source: SNL Financial database, EY analysis
*Sample covers top 29 North American banks

Investments to manage evolving risks could also divert funding for growth initiatives.



Managing cyber and reputational risk have become higher priorities in 2018

Q: What is the importance of the following business priorities to your organization in 2018*?



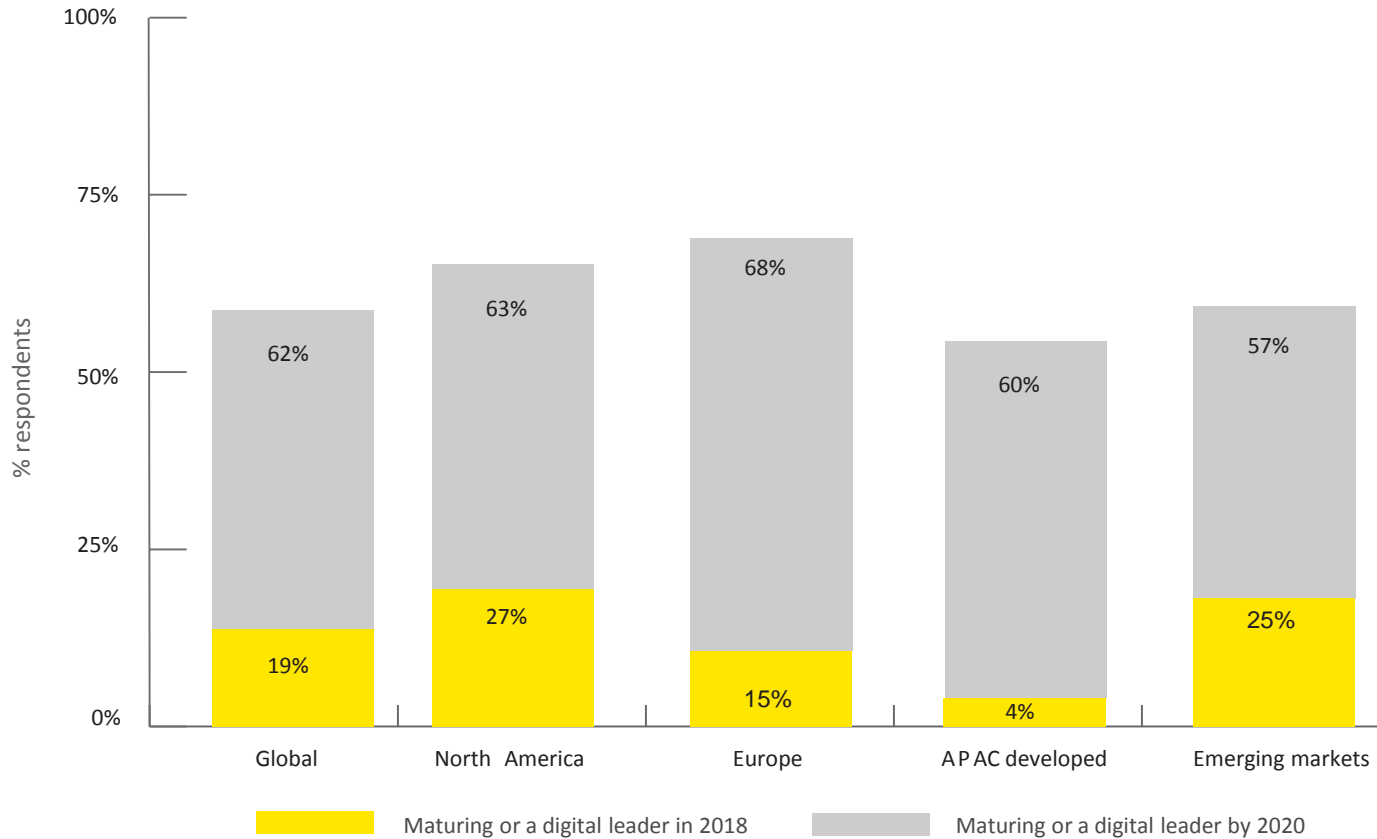
Source: Global banking outlook survey 2018
 *% respondents represents banks that indicated 'important' or 'very important'.

Banks need to be digitally mature to mitigate challenges to achieving performance targets.



More than 25% of North American banks believe that they are already digitally mature

Q: Which stage of digital maturity best describes the progress made by your organization to digitally transform its strategies, processes, products and business models to date? Which stage best describes where you expect to be in 2020?



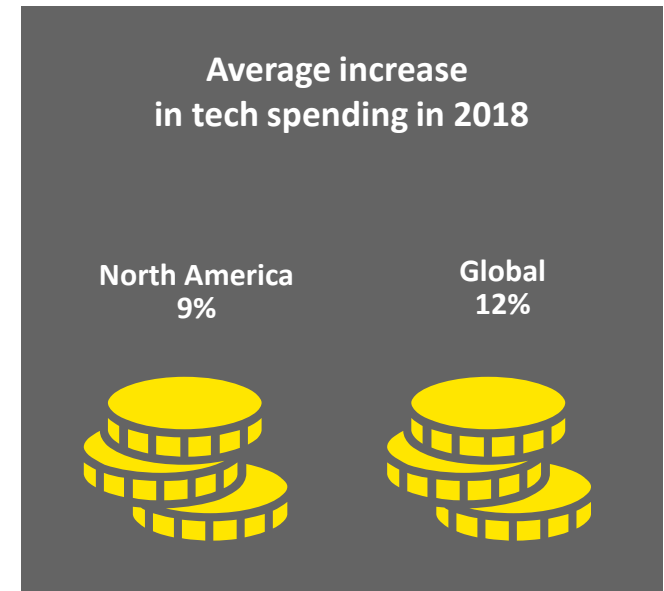
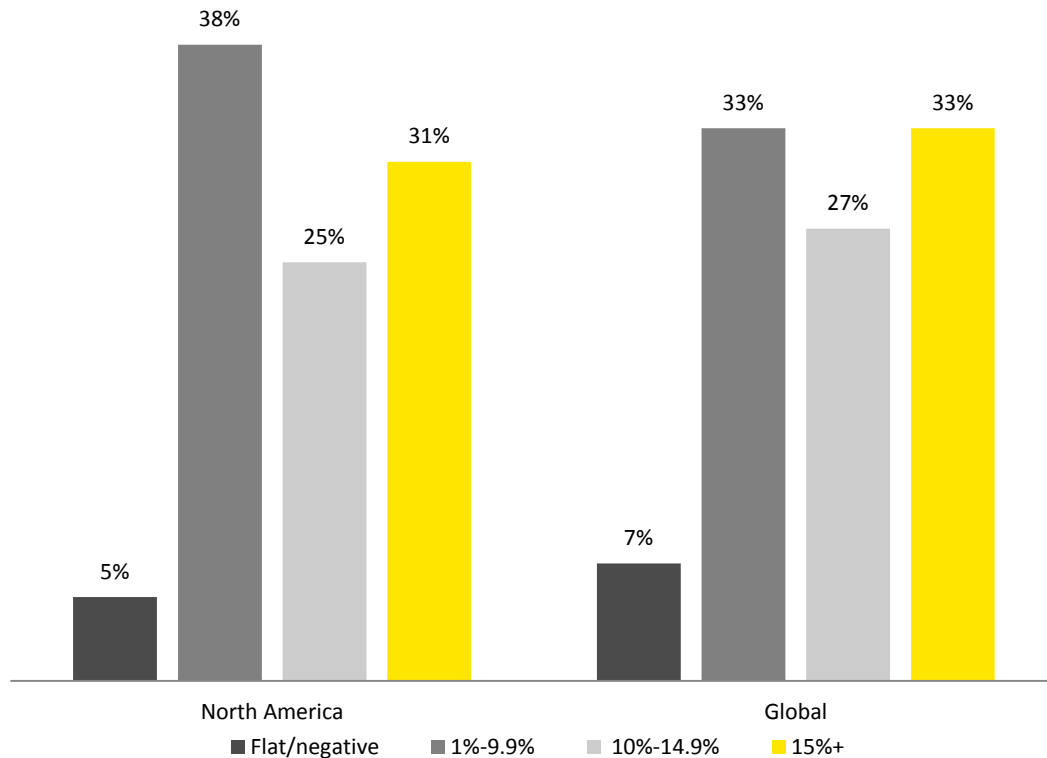
Source: Global banking outlook survey 2018

Achieving digital maturity requires an increase in technology spending ...



56% of North American banks plan to increase their technology budget by more than 10% by 2020

Q: By how much will your organization's technology investment budget change over the coming 12 months, across all markets?



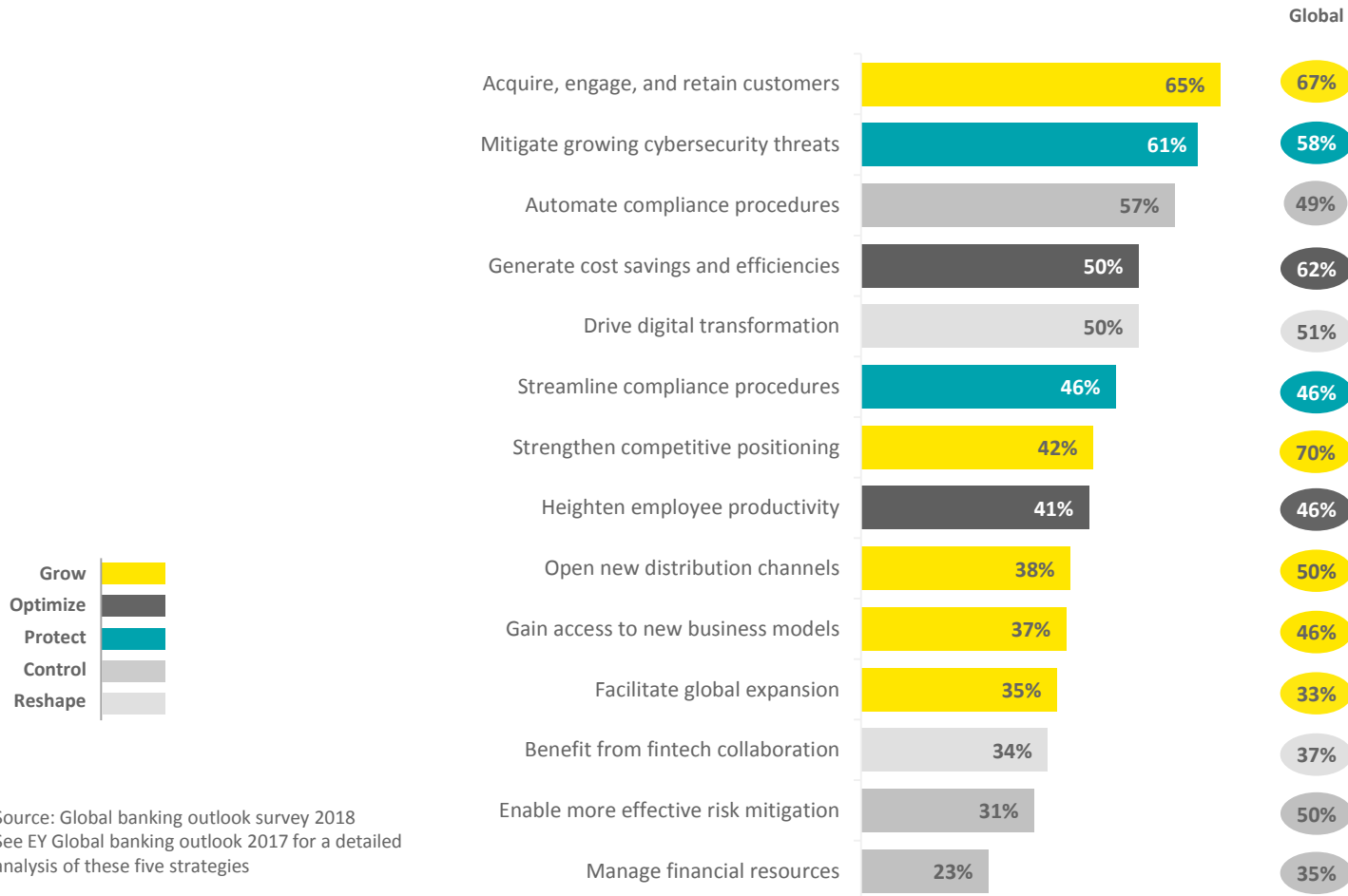
Source: Global banking outlook survey 2018

... and a balanced and coherent technology investment plan.



North American banks have varied reasons for investing in growth

Q: What are the main reasons behind your organization’s plans to invest in technology over the coming three years?



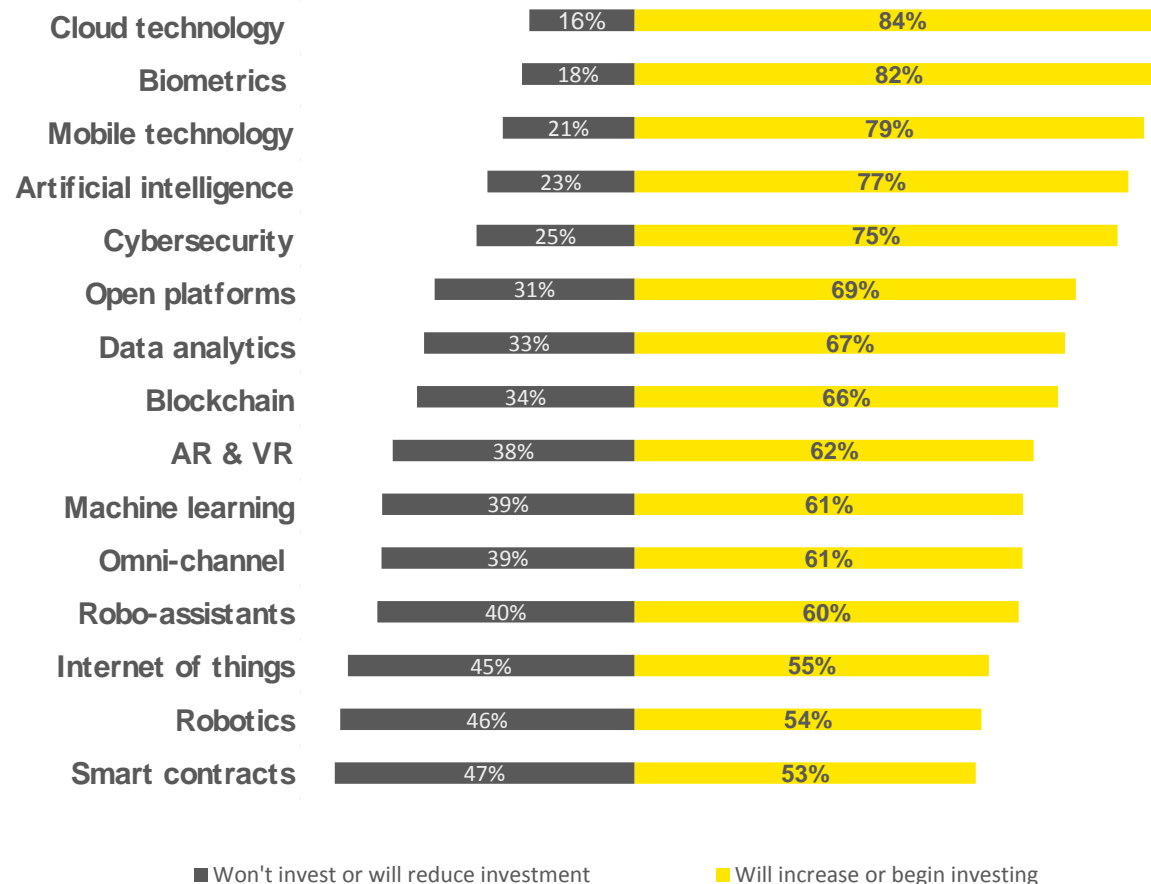
Source: Global banking outlook survey 2018
See EY Global banking outlook 2017 for a detailed analysis of these five strategies

North American banks are investing in key technologies ...



Banks must develop a deep understanding of how each technology will benefit the business, operations and organizational strategy, allocating meaningful budgets to the technologies that can drive end-to-end digitalization and sustainable efficiencies.

Q: In which of the following technologies are you investing now and in which do you plan to begin, reduce, or increase investment in over the next three years?



Source: Global banking outlook survey 2018

... and participating in the ecosystem to develop their digital competencies.



North American banks are more likely to pursue partnerships than in-house solutions for most advanced technologies.

Q: For those technologies and solutions that your organization is investing in now or will begin investing in within the next three years, please indicate whether your organization is acquiring an entity, purchasing the technology, partnering with others or developing the technology in-house.

	Acquiring an entity	Purchasing the technology	Partnering	In-house development
Artificial intelligence				
Augmented and virtual reality				
Biometrics				
Blockchain				
Cloud				
Cybersecurity				
Data analytics				
Internet of Things (IoT)				
Machine learning				
Mobile technology				
Omnichannel customer experience				
Open platforms/API architectures				
Robo-assistants				
Robotic process automation				
Smart contracts				
North America average	19%	48%	45%	31%
Global average	17%	46%	36%	31%

Source: Global banking outlook survey 2018

Colour scale indicates density of % respondents across options





Is your bank ready for innovation-led change?

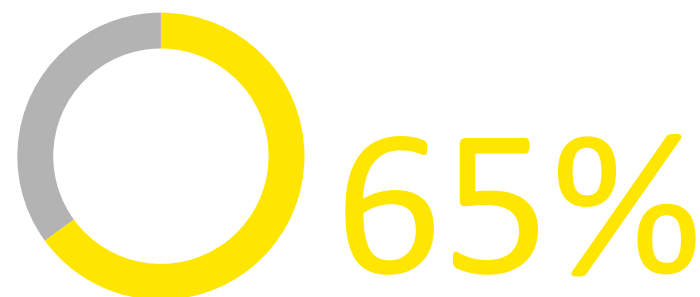
Six key questions to ask:

- 1 Does my strategy take into account rapidly changing revenue and profit pools?
- 2 What is my role in the ecosystem and how do I innovate efficiently?
- 3 How do I implement strategic change in a rapidly evolving digital environment?
- 4 How do I change my talent to support a more digital business?
- 5 Am I sufficiently considering new risks and the need to embed cybersecurity in my strategy?
- 6 How do I transform my technology and the technology organization?

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-



of North American banks **will invest in technology to expand their ability to acquire, engage, and retain customers** over the coming three years.

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-

In 2018, 68% of North American banks will focus on developing partnerships with fintechs, and 80% will collaborate with peers to create industry utilities.



of North American banks on average expect to **develop new technologies in-house.**

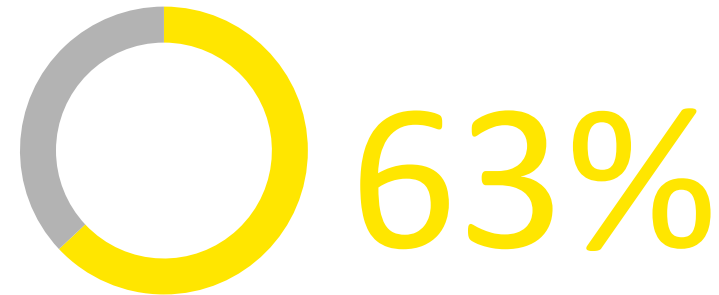
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of North American banks **cite implementation of a digital transformation program** as a key business priority for 2018. While,



of North American banks expect to become **digitally mature or digital leaders by 2020.**

Is your bank ready for innovation-led change?

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41% of North American banks see heightening employee engagement and productivity as a primary reason for investing in technology.



85% of North American banks cite **recruiting, developing and retaining key talent** as a key business priority for 2018.

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Although enhancing cybersecurity is the number one strategic priority for 2018, 25% of North American banks are planning to reduce their investments or not invest at all in cybersecurity technology over the next three years.

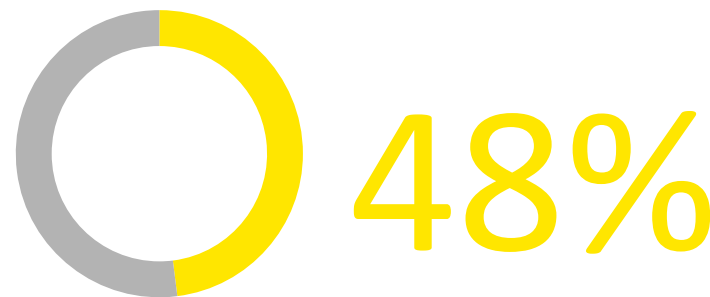


61% of North American banks are planning to **invest in technology to mitigate cyber threats** although enhancing cyber and data security is the number one priority for banks.

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-



of banks expect **rising technology budgets to have a very positive impact on IT.**



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Methodology



The EY 2018 Global banking outlook survey asked senior executives at 221 banks across 29 markets about their views regarding the health of the industry, banks' strategic business priorities over the next 12 to 36 months and technology adoption trends into 2020. The survey was conducted between November and December 2017. The survey data cited throughout this report is weighted on a regional assets basis with all 'don't know' responses removed from the calculations.

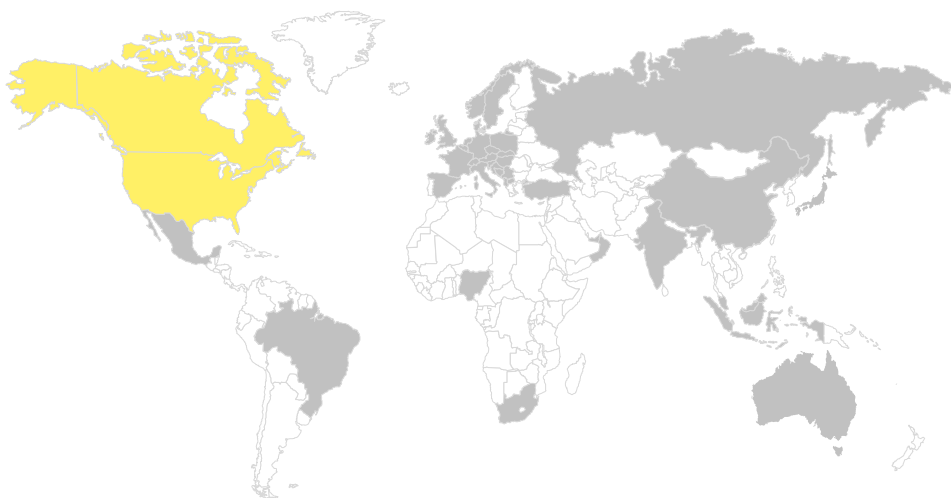
Survey period: November 2017

Markets covered: 29

Global banking assets covered in survey: 72%

Number of banks surveyed: 221; 22 in North America

Respondents' rank: C-suite, direct reports, and division heads



Countries and percentage of banking assets represented in the survey sample

North America	87%	APAC dev.	79%
Canada	55%	Australia	53%
US	97%	Hong Kong	89%
		Japan	86%
Europe	71%	Singapore	76%
Austria	60%	Emerging	72%
Belgium	51%	Brazil	59%
France	72%	China	58%
Germany	68%	India	73%
Ireland	52%	Indonesia	69%
Italy	74%	Malaysia	74%
Netherlands	78%	Mexico	83%
Nordics	55%	Nigeria	58%
Poland	58%	Poland	58%
Spain	78%	Russia	78%
Switzerland	69%	South Africa	97%
UK	75%	Turkey	71%
		UAE	84%

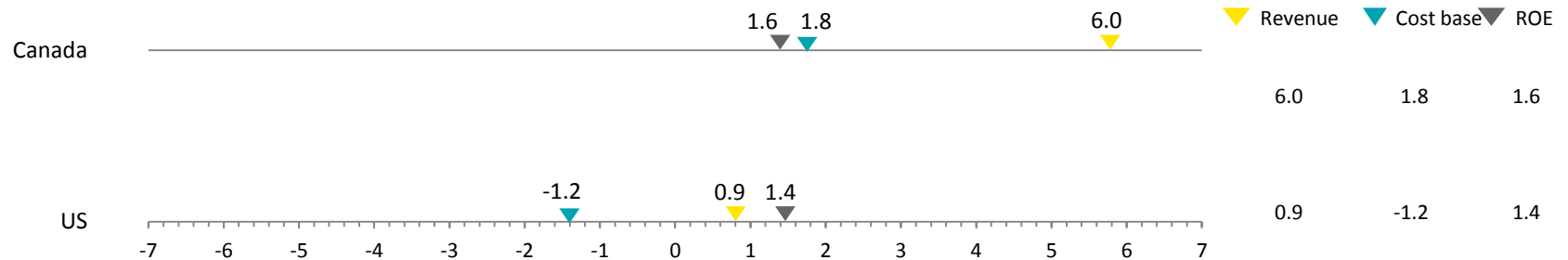
A blurred background image of a city skyline at night, with numerous lit-up windows and buildings. The image is centered on a dark grey rectangular area.

Appendices

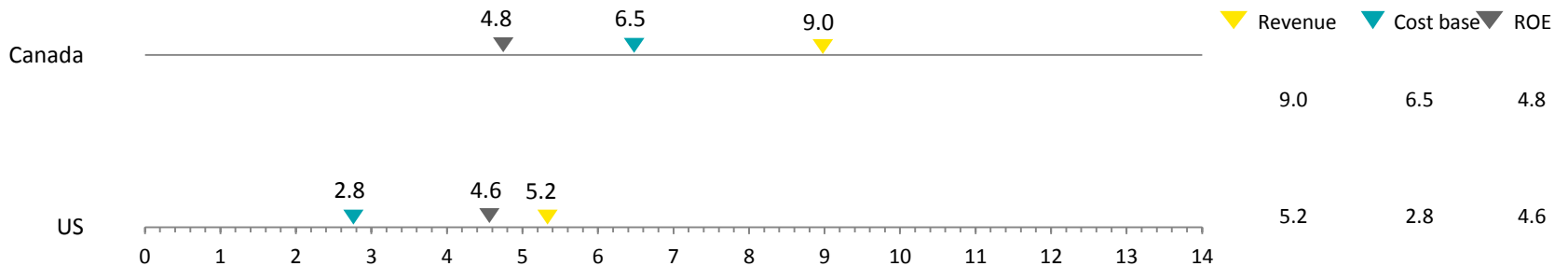


How much will your organization's revenue growth increase or decrease in percentage terms for the coming 12 months and the next three years? How much will your organization's cost base increase or decrease in percentage terms for the coming 12 months and the next three years? AND How much will your organization's return on equity increase or decrease in percentage terms for the next 12 months and the next three years?

Next 12 months



Next 3 years



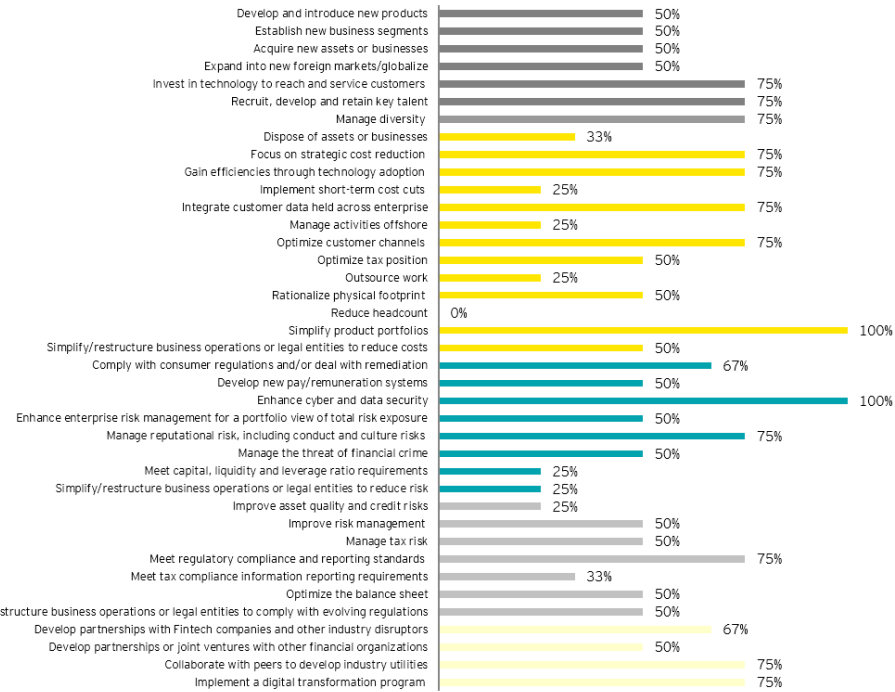
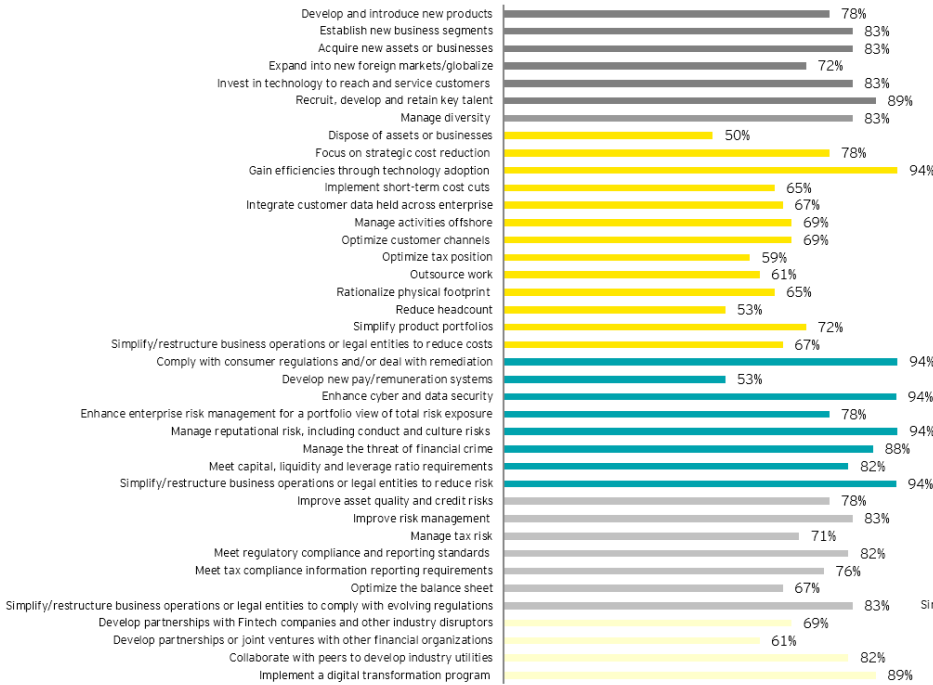
Numbers reflect the percentage of respondents. Base excludes respondents who answered "Don't know."

In today's marketplace, banks regularly need to reassess their priorities across five business priorities: grow, optimize, protect, control, and reshape. Please rate the importance of the following business priorities for the year ahead.



US

Canada



■ Grow ■ Optimize ■ Protect ■ Control ■ Reshape

*% respondents represents banks that indicated 'important' or 'very important'. Base excludes respondents who answered "Don't know."

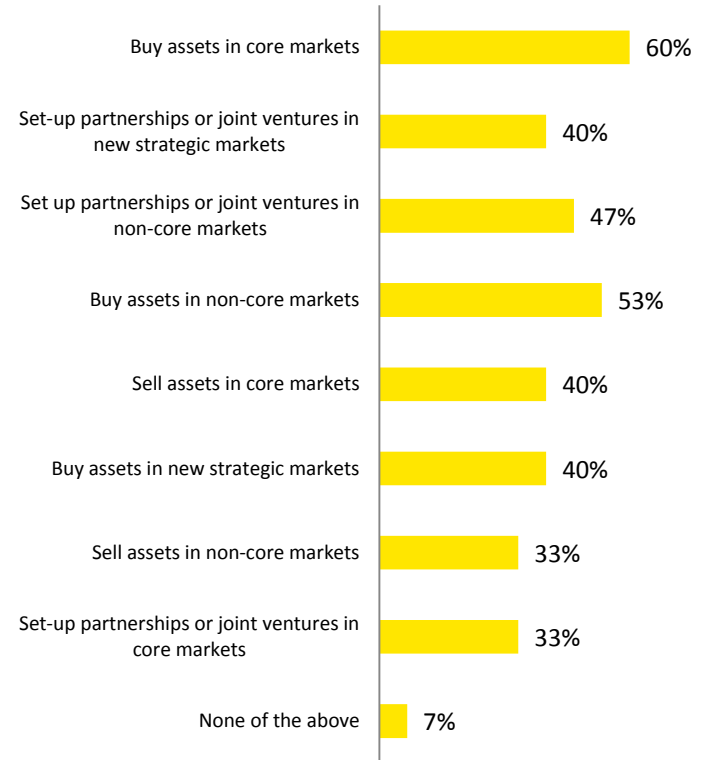
Considering your bank's global footprint, which, if any, of the following actions is your bank likely to take across global markets over the next 12 months? Select all that apply.



Canada



US



Numbers reflect the percentage of respondents.



In which of the following technologies or technology-enabled solutions are you investing now and in which do you plan to begin, reduce, or increase investing in over the next three years? Please select one response for each row.

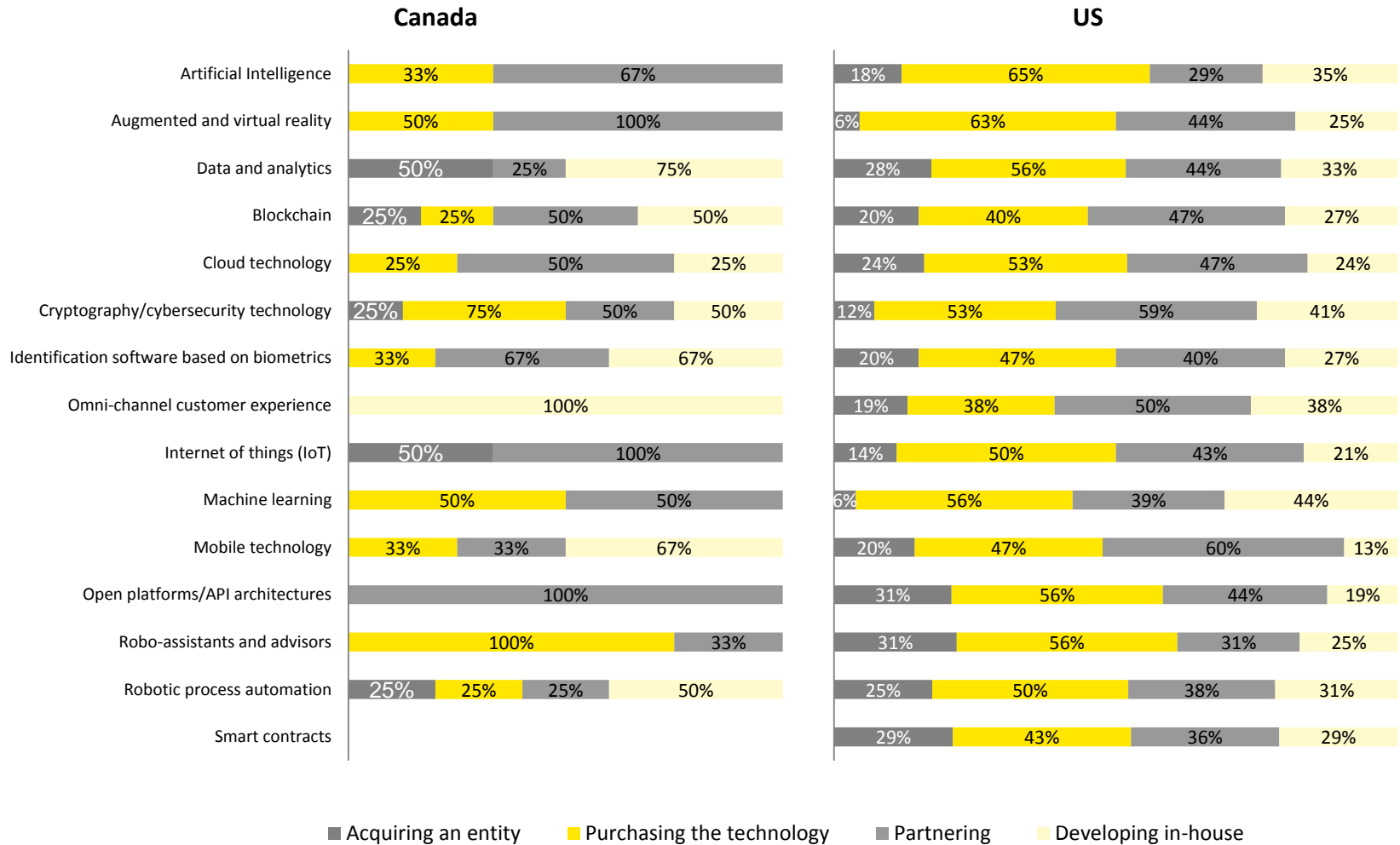
Canada

US



Numbers reflect the percentage of respondents. Base excludes respondents who answered "Don't know."

For those technologies and solutions that your organization is investing in now or will begin investing in within the next three years, please indicate whether your organization is acquiring an entity, purchasing the technology, partnering with others, and/or developing these capabilities in-house. Select all methods of technology adoption that apply.

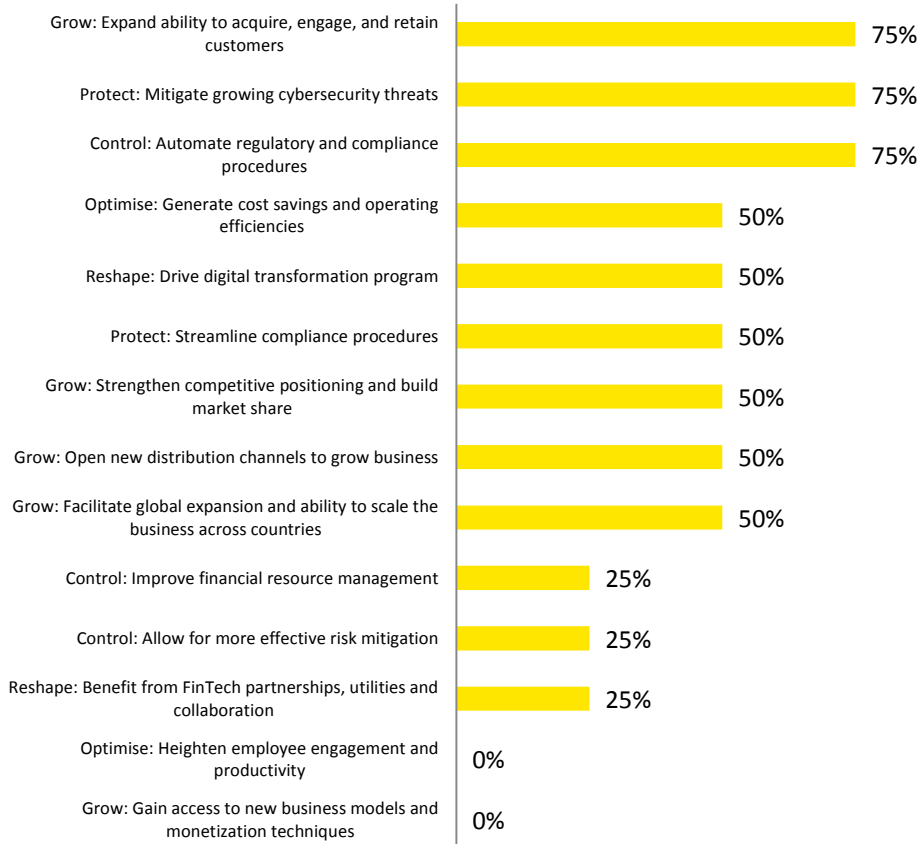


Numbers reflect the percentage of respondents.

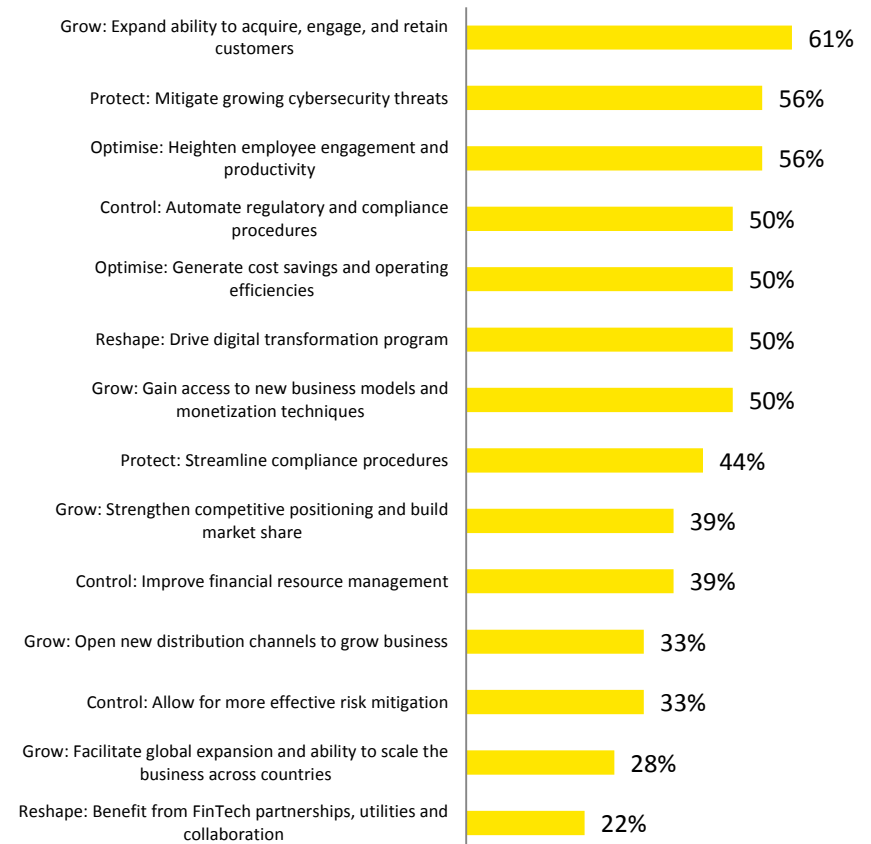
What are the main reasons behind your organization's plans to invest in technology over the coming three years? Select all that apply.



Canada

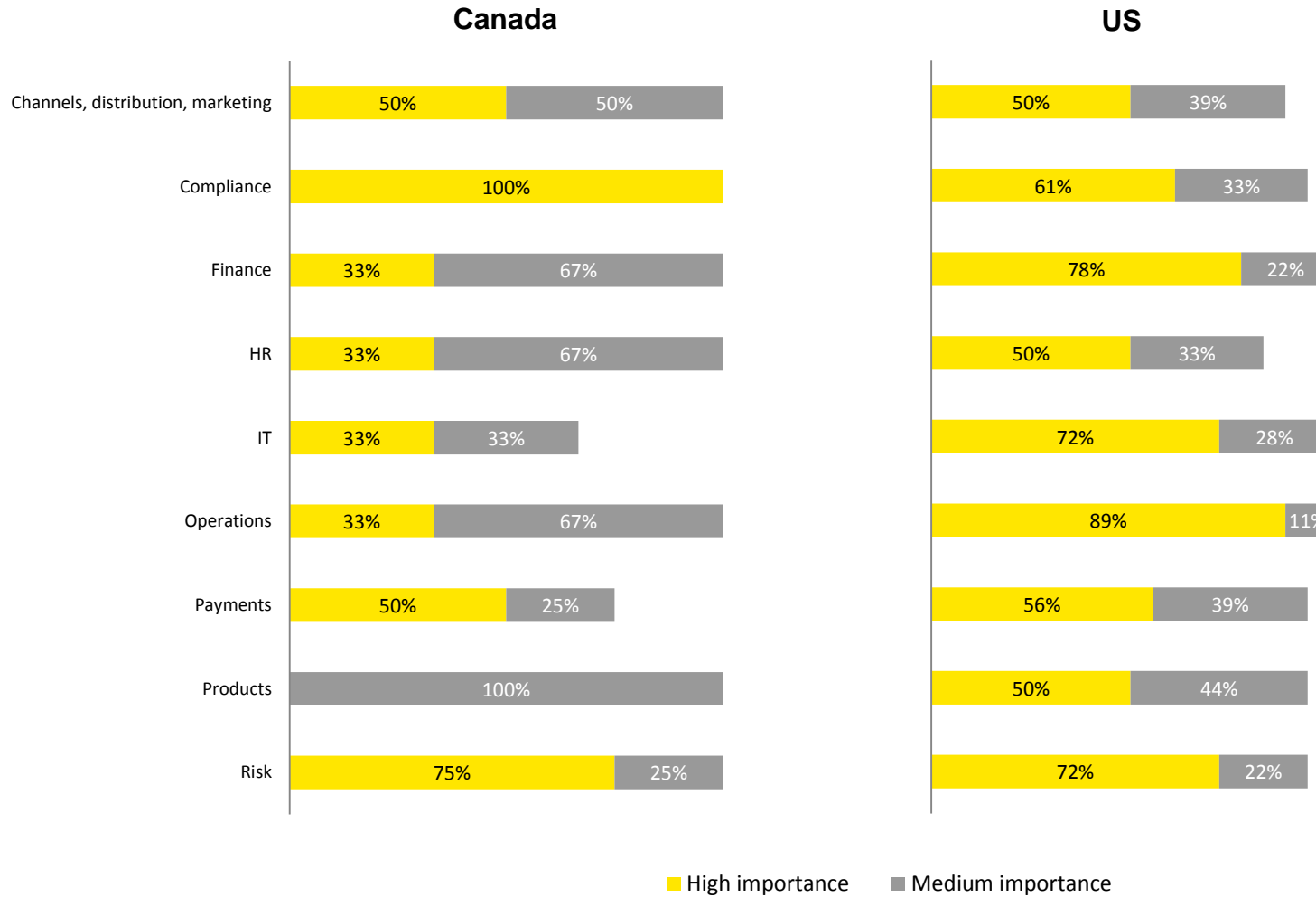


US



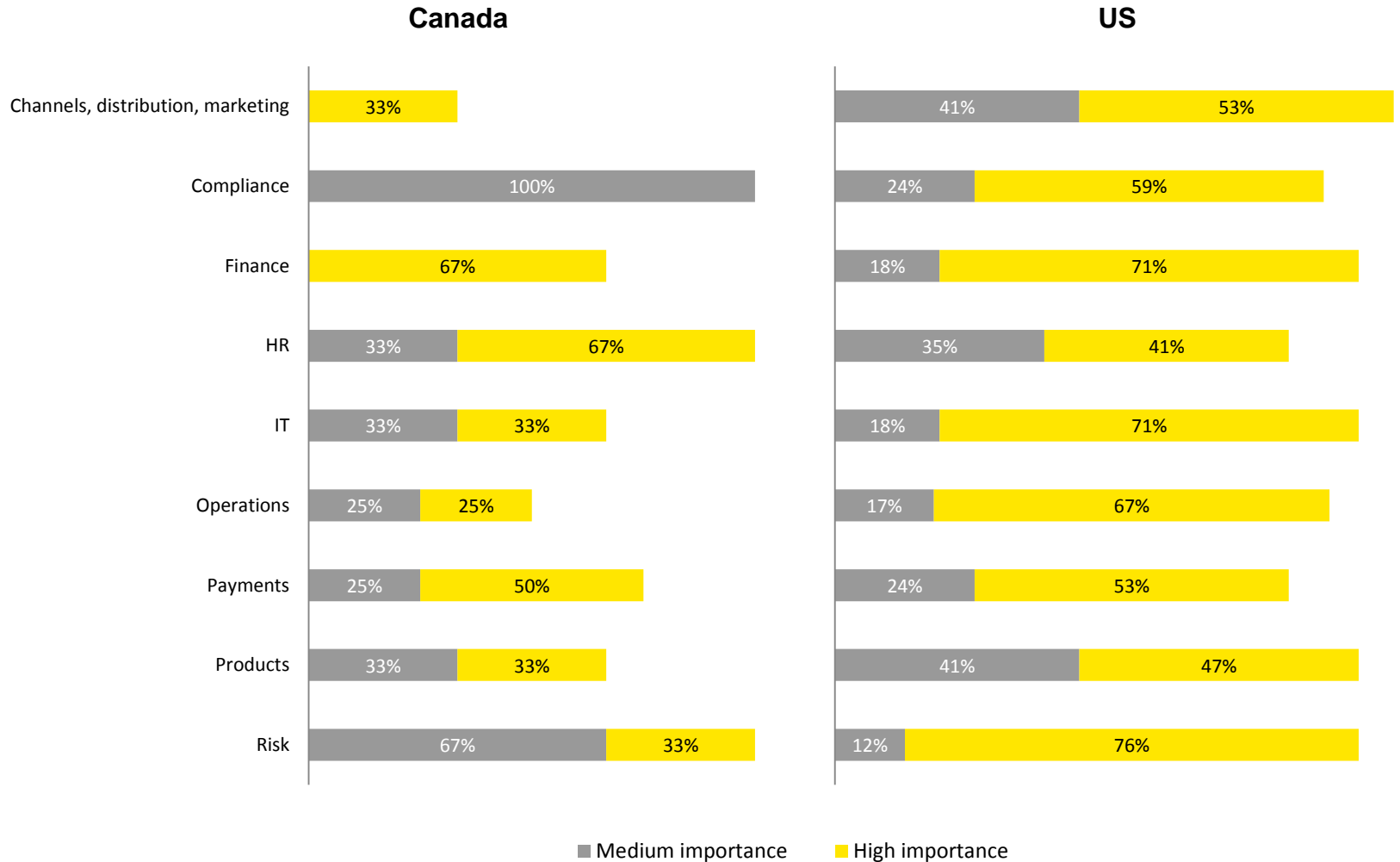
Numbers reflect the percentage of respondents.

How would you rate the importance of making investments in artificial intelligence in the following functional areas, in the coming 12 months?



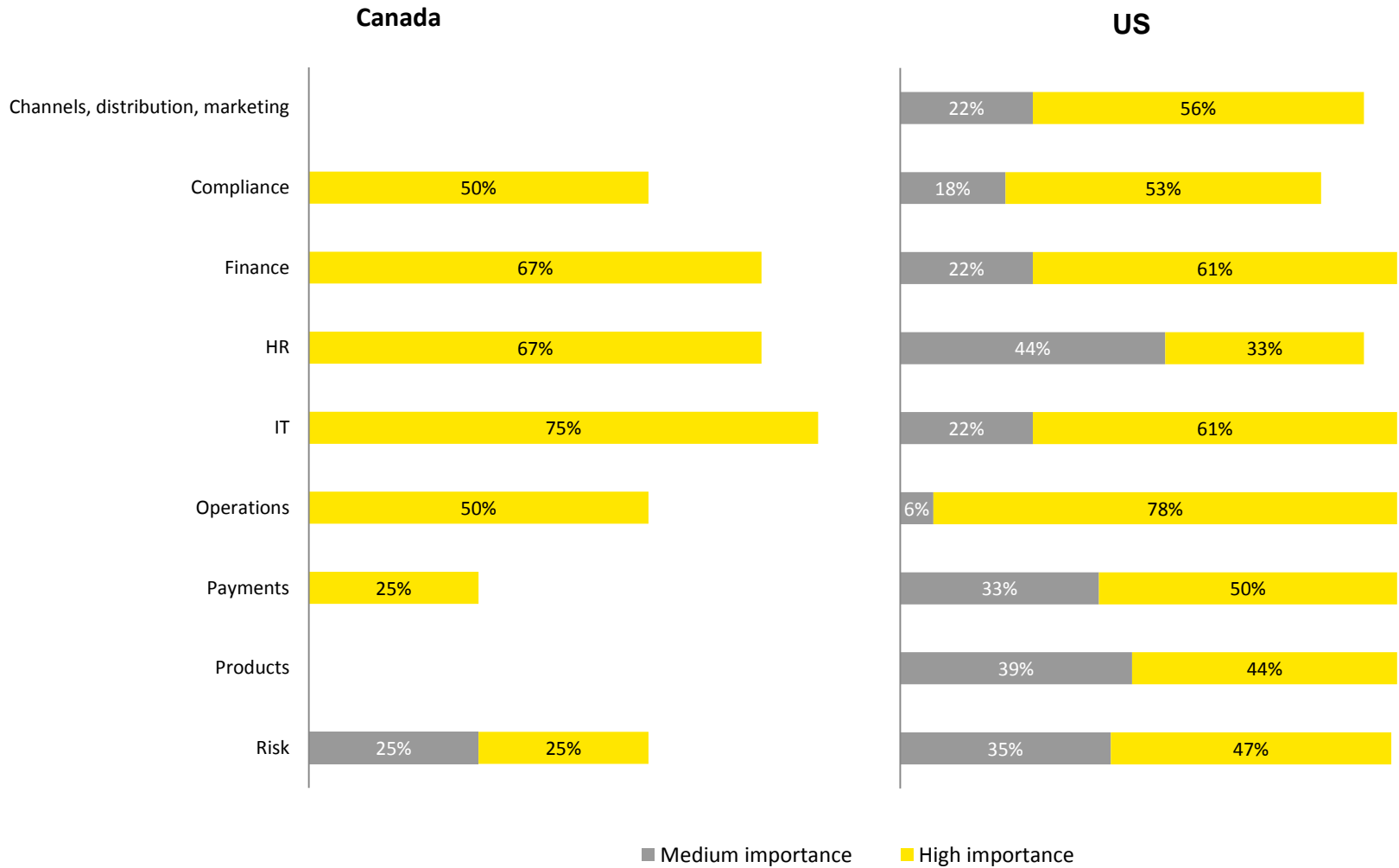
Numbers reflect the percentage of respondents. Base excludes respondents who answered "Don't know."

How would you rate the importance of making investments in blockchain in the following functional areas in the coming 12 months?



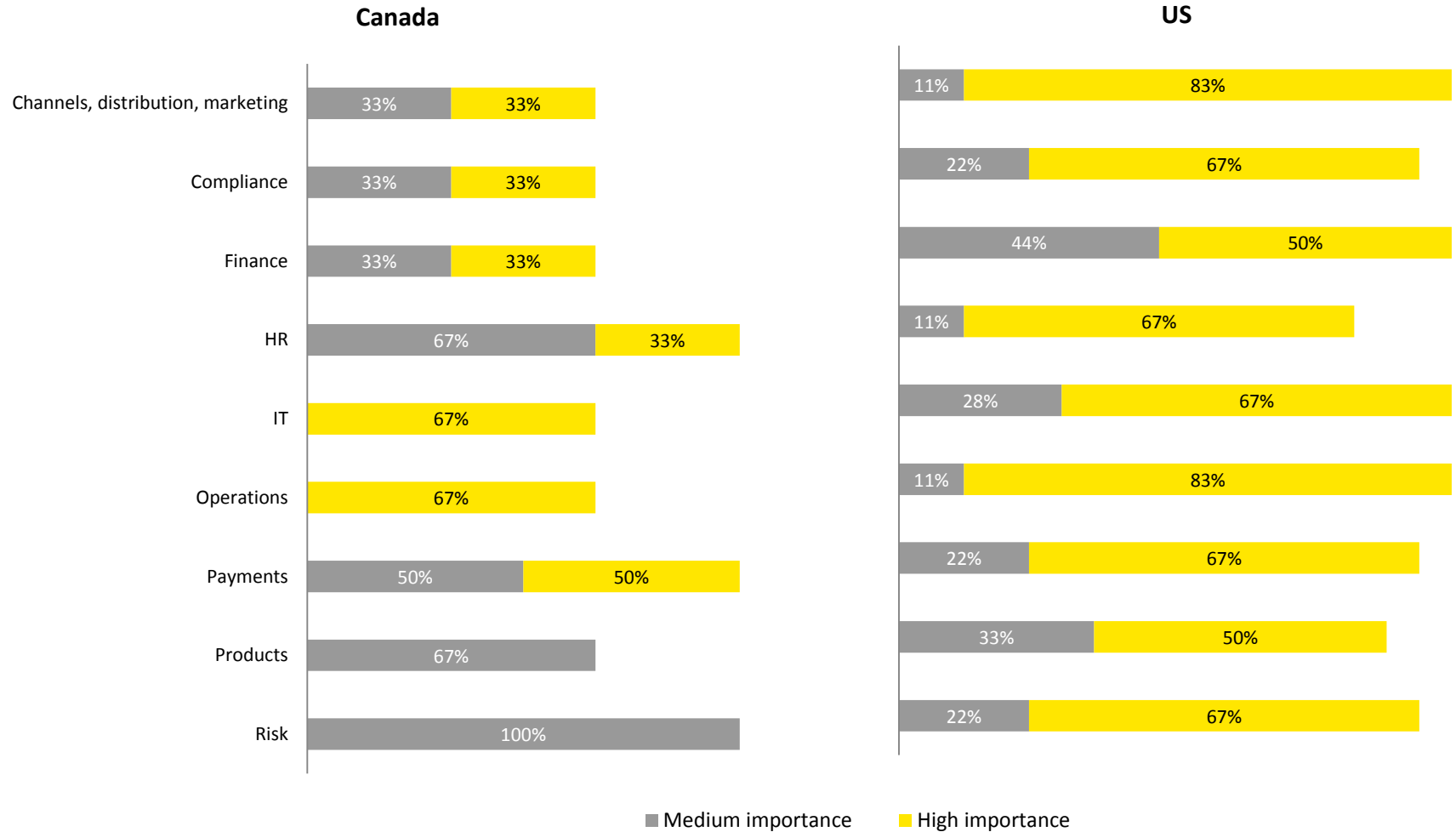
Numbers reflect the percentage of respondents. Base excludes respondents who answered "Don't know."

How would you rate the importance of making investments in robotic process automation in the following functional areas in the coming 12 months?



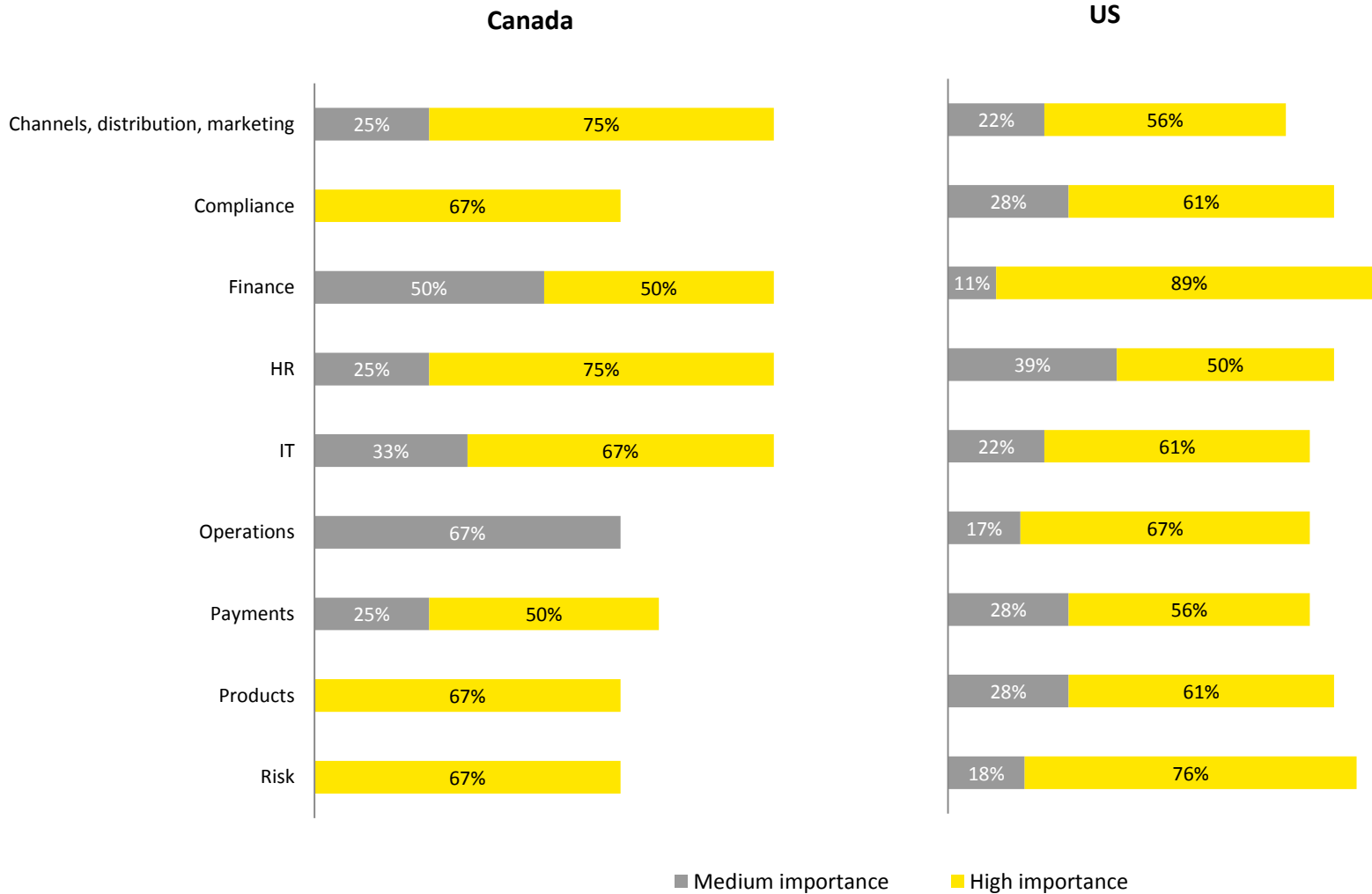
Numbers reflect the percentage of respondents. Base excludes respondents who answered "Don't know."

How would you rate the importance of making investments in cryptography and cybersecurity in the following functional areas in the coming 12 months?



Numbers reflect the percentage of respondents. Base excludes respondents who answered "Don't know."

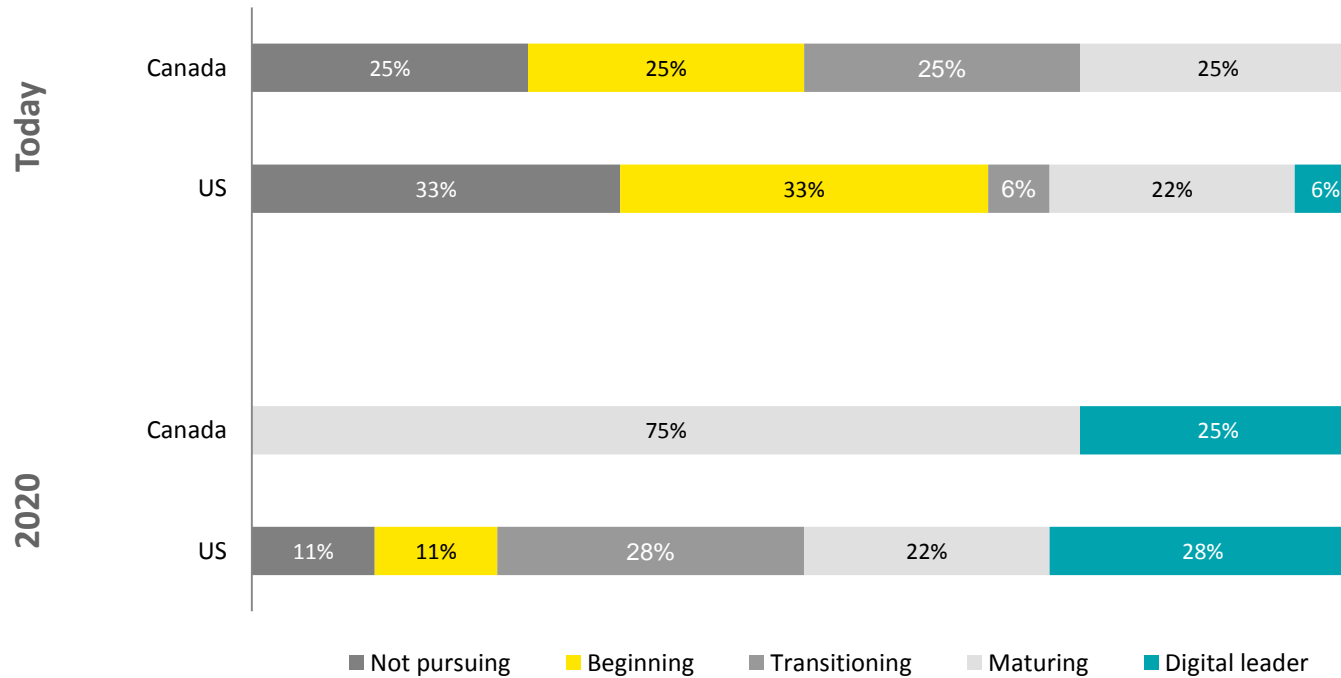
How would you rate the importance of making investments in data and analytics in the following functional areas in the coming 12 months?



Numbers reflect the percentage of respondents. Base excludes respondents who answered "Don't know."

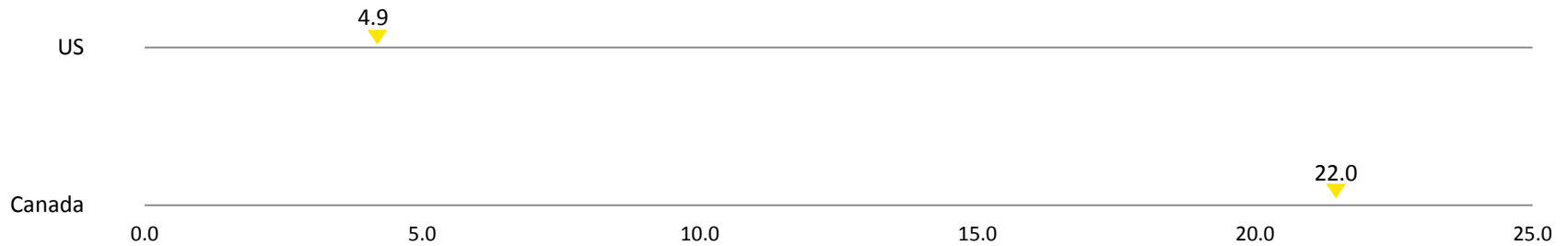


Which stage of digital maturity best describes the progress made by your organization to digitally transform its strategies, processes, products and business models? Which stage best describes where you reasonably expect to be in 2020? “Digital transformation” refers to the application of digital technologies to transform an organization’s strategies, processes, products and business models. Select one for each period.



Numbers reflect the percentage of respondents.

By what percentage will your organization's technology investment budget change over the coming 12 months?



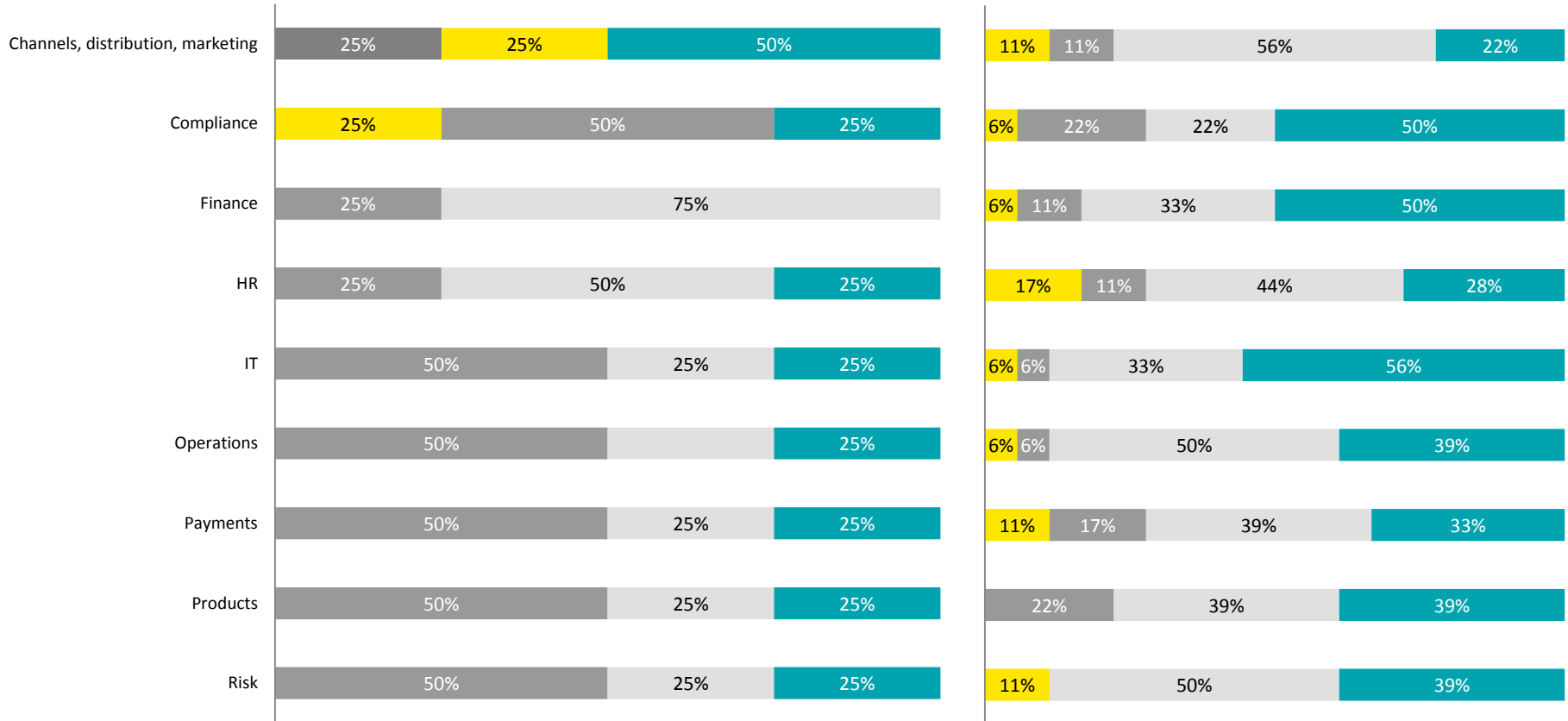
Numbers reflect the percentage of respondents. Base excludes respondents who answered "Don't know."

Please indicate whether the impact of this change in your technology budget on each of the following functional areas will be negative or positive.



Canada

US



■ Very negative impact ■ Slightly negative impact ■ Neither positive nor negative ■ Slightly positive impact ■ Very positive impact

Numbers reflect the percentage of respondents.

Further reading



[Global FinTech Adoption Index 2017](#)



[Unleashing the potential of FinTech in banking](#)



[2017 bank risk management survey](#)



[An integrated vision to manage cyber risk](#)

Global Banking Outlook 2018: Pivoting toward an innovation-led strategy

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