Global banking outlook 2016

Transforming talent
The banker of the future
Think about the future. How do you define a leading bank?

Are banks focused on improving financial KPIs or cultural attributes?

- Earnings numbers vs. ethos
- Compliance vs. customer connections

Challenged by low ROEs, banks are adapting their strategies and changing their business models.

Return on average equity

<table>
<thead>
<tr>
<th>Year</th>
<th>2006</th>
<th>2008</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global</td>
<td>17.5%</td>
<td>7.7%</td>
<td>10.3%</td>
</tr>
</tbody>
</table>

Major global banks planning to shrink infrastructure finance

Infrastructure finance

71%

Banks planning to expand equities (market making & proprietary trading)

80%

But banking transformation needs to be about more than just processes and products. It needs to shift mindsets and cultural values - it needs to be about people.

First, it is critical to identify what good looks like

Leading financial performance may be accompanied by unacceptable conduct. Sustainable performance requires both better behavior and improved financial results.

By codifying the traits of high performers, banks will be able to drive change across the rest of the organization.
How can banks transform talent?

Four actions can ensure employees can deliver success tomorrow.

1. Understand the expectations of a new generation

2. Assess technology’s impact on the workforce

3. Encourage diversity of thought

4. Nurture and empower a collaborative workforce
A new generation of employees brings new expectations

Banks must understand the ways that labor is changing.

Millennials: born between 1981 and 2000

72% of the global workforce by 2025

Millennials will dominate the workforce by 2025
- More mobile
- More tech savvy
- More entrepreneurial
- More entitled

Meanwhile, four global megatrends are reshaping the workforce
- A global market
- Digital business
- New demographics
- A changing workforce

Why millennials switch jobs
- Insufficient pay
- Limited career opportunities
- Lack of work flexibility

Technology is revolutionizing the banking workforce

Branch banking vs. online banking in Europe and the United States

<table>
<thead>
<tr>
<th>Branch banking</th>
<th>Online banking</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of branches (in ‘000s)</td>
<td>% of individuals using Internet banking</td>
</tr>
<tr>
<td>Europe</td>
<td>2011</td>
</tr>
<tr>
<td></td>
<td>USA</td>
</tr>
</tbody>
</table>

- Claims of the banking industry being run by robots in 10 years are overblown
- But as robots develop human-like, creative problem-solving capabilities, more complex tasks will be completed by technology alone

To balance investments in technology and people, banks should look at three areas

- Where technology will automate roles
- Where technology will augment individuals
- Need for new roles and skill sets

Automation can drive efficiency and reduce task-based roles

<table>
<thead>
<tr>
<th>Category</th>
<th>Decrease roles</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail and business banking</td>
<td>32%</td>
</tr>
<tr>
<td>Investment banking</td>
<td>17%</td>
</tr>
<tr>
<td>Operations and IT</td>
<td>28%</td>
</tr>
<tr>
<td>Other head-office functions</td>
<td>31%</td>
</tr>
</tbody>
</table>

Sources: FDIC, ECB, US Federal Reserve, Eurostat

Retail and business banking: 36% to 44%
Investment banking: 65% to 72%

Source: EY European Banking Barometer – 2015
Banks will need an adaptable, “intrapreneurial” workforce, with the diversity of thought that promotes innovation. Few banks have such a workforce today – most will need to build it.
Banks must build diversity of thought ...

The current banking workforce is not fit for purpose

- Compliance-led
- Out of touch with customers
- Insufficiently innovative

Diversity points to improved financial performance

- Correlation between better gender balance on board and higher share price
- But banking remains a homogenous industry and approaches to change are too tactical

There are three smart steps to increased diversity and transformed cultures

- Broaden horizons
- Foster flexibility
- Eliminate bias
... and nurture and empower a collaborative workforce

10 stages of the HR life cycle in banking – and how to do them better

1. Attracting talent … with purpose
   Align company values with those of millennials: only two banks are in the top-50 most attractive global employers for IT and engineering grads.

2. Recruiting … with new technology
   Update clunky application forms and use video to give applicants a compelling sense of company culture.

3. Onboarding … with aplomb
   Mentor early with a focus on cultural immersion and the organizations’ core reason for being – rather than just providing products and services training.

4. Collaboration … that harnesses talent by balancing needs
   Harness the abilities of multiple generations by understanding motivations and maximizing diverse potential.

5. Performance management … beyond paperwork
   Abandon biannual reviews and give real-time feedback and rewards rather than distribution-curve ratings.

6. Engagement and wellbeing … to unlock productivity
   Get granular about physical, mental, financial and social well-being to address risks and improve performance.

7. Development … like you mean it
   Offer mobility, progression, altruistic assignments and training to help employees tap into their own core purpose.

8. Rewards optimization … because it’s deserved
   Reward people for their jobs – not their titles – and incorporate spot awards instead of focusing on just bonuses.

9. Separation … with sincerity
   Regularly engage alumni to help connect the talent pool and gain feedback on improving the employee experience.

10. Broadening the talent pool … via accessibility
   Increase the applicant pool through education partnerships and emphasize aptitude rather than academic success.

Sources: EY analysis, company reports, EY Beacon Institute, CollegeBoard, EY Generations Survey
In the future, HR functions will not support resource management but mobilize intelligence.

Banks need leaders who recognize that although change may not be achieved swiftly, transforming talent is potentially more important than next quarter’s earnings and an important part of their legacy. Are you that leader?

- Millennials will constitute 72% of the global workforce by 2025.
- Organizations transition from scheduled work and broad-based roles to real-time coordination of task-oriented workforce.
- Companies facilitate innovation by employing a diverse workforce of employees, contractors and automated machines.
- Companies will engage talent in a more flexible and dynamic manner.
- Infuse purpose into the organization to engage an increasingly discretionary workforce – meaning is the new money.
- Digital and robotic technologies augment and replace workers.
- Work styles are becoming more agile in the digital world.
- Work from home.
- Work on the go.

47% of occupations in advanced economies are at “high risk” of being automated in the next 20 years.

Millennials will constitute 72% of the global workforce by 2025.

34% of the American workforce can be classified as “freelancers”.

Banks need leaders who recognize that although change may not be achieved swiftly, transforming talent is potentially more important than next quarter’s earnings and an important part of their legacy. Are you that leader?
If banks want to rebuild a viable industry, then transforming the banking workforce is as important as transforming products and processes.

How would you build the banker of the future?

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How would you build the banker of the future?

If banks want to rebuild a viable industry, transforming the banking workforce is as important as transforming products and processes. Get ready to transform talent.

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Transform talent

#BetterQuestions

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