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BBVA

Creating Opportunities

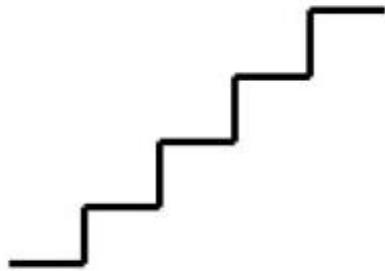
Future Scenarios for Financial Services

Javier Sebastián
Digital Regulation & Trends – BBVA Research

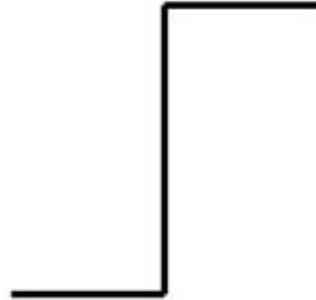
30 October 2018

Changes drive evolution. Adaptation is key.

CHANGE IS THE ONLY CONSTANT

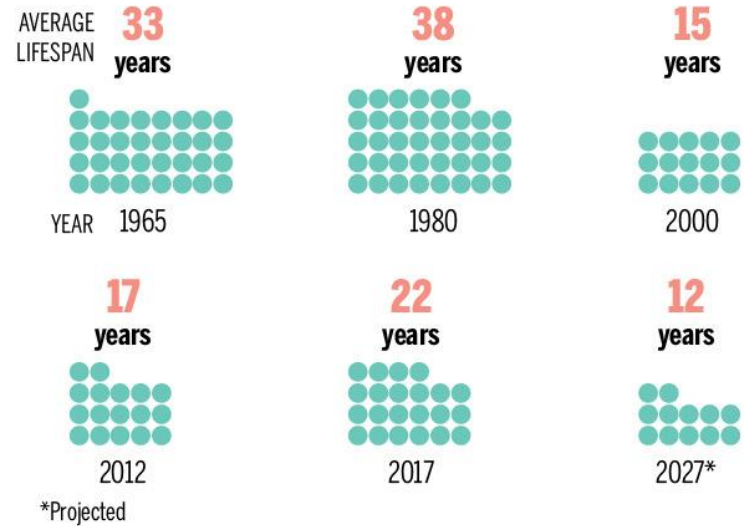


Incremental change
Change occurs over a period of time in incremental stages



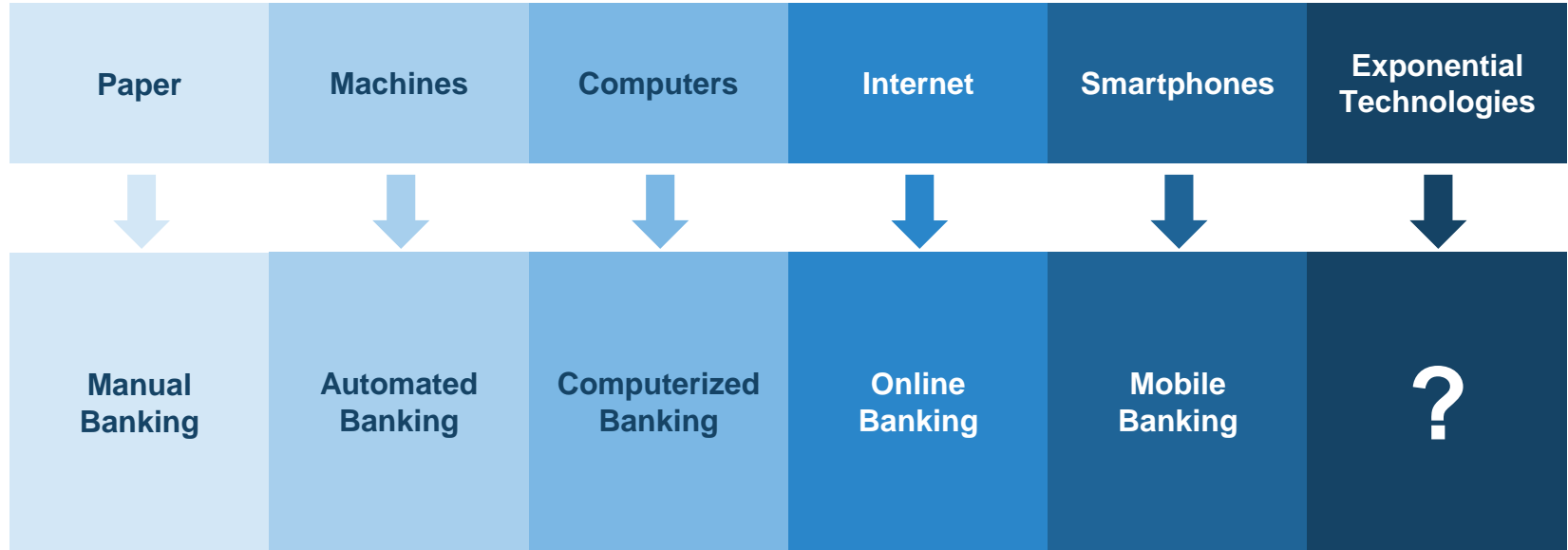
Step change
Occurs rapidly

DECLINING CORPORATE LONGEVITY



Lack of adaptation = 

Financial services as an example of continuous adaptation



Technological waves are increasingly bigger and faster

Is this time different? Are we in a “perfect storm”?

Exponential Technologies

- Cloud Computing, Big Data , AI, Blockchain, IoT...



Complex economic environment

- Weak growth
- Negative interest rates

Regulatory pressure

- Higher capital requirements

Customers' new expectations

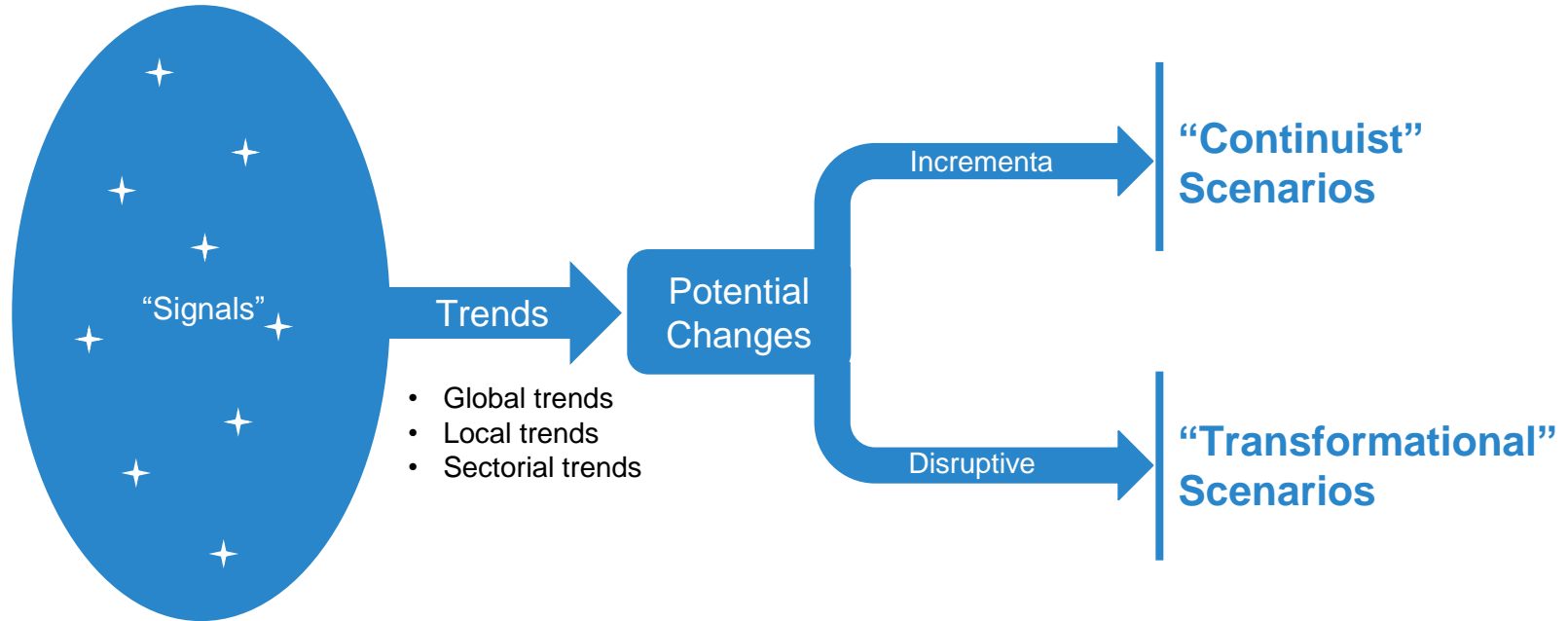
- 24x7x365
- Agility
- Convenience

Increased competition

- Fintech Start-ups
- BigTechs

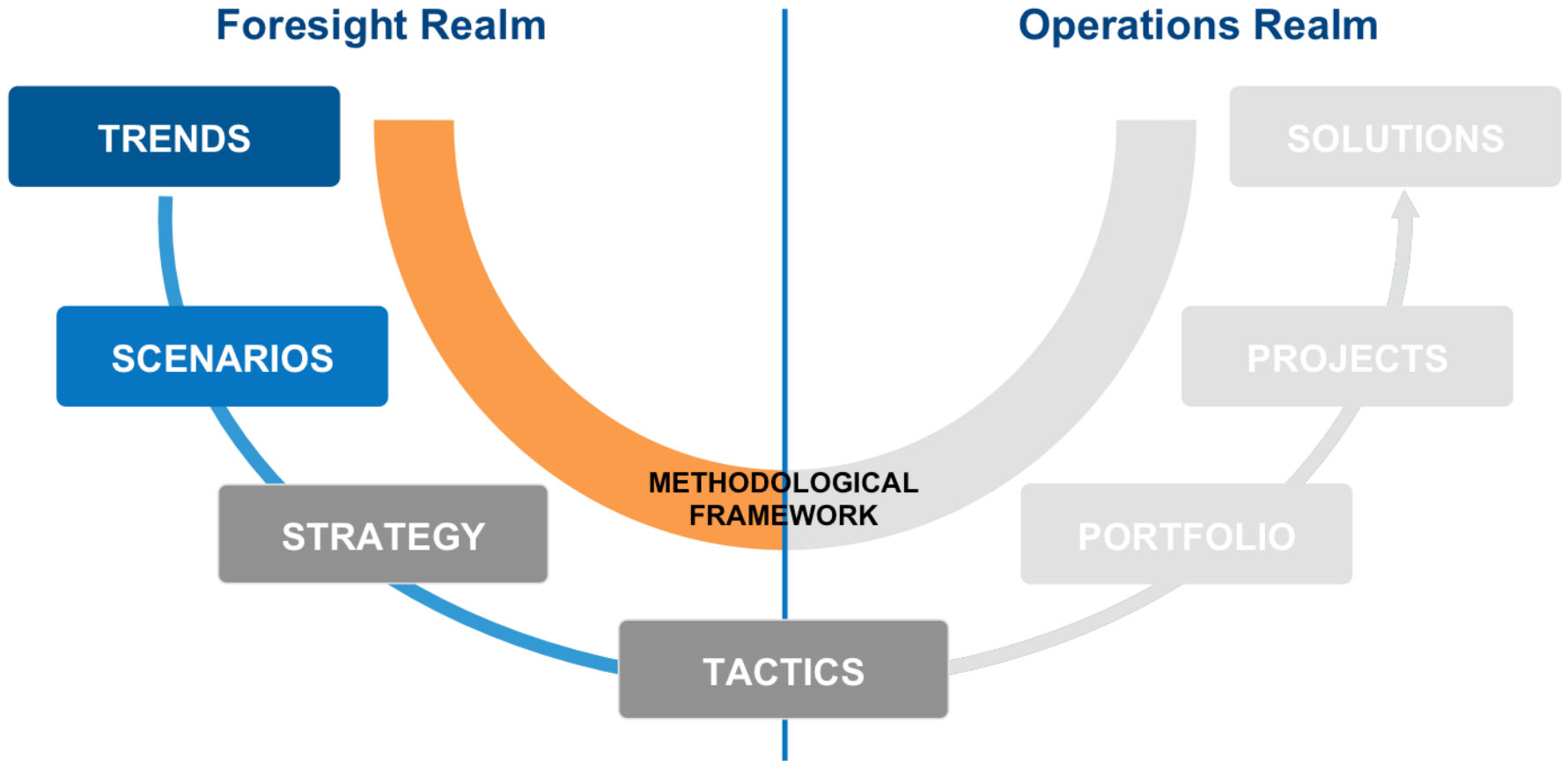
Will banks be able to adapt to this new environment in order to survive? How?

Trend Analysis and Scenario Building are parts of the “survival kit”



Potential Futures of the Financial Services Industry will result from the different scenarios

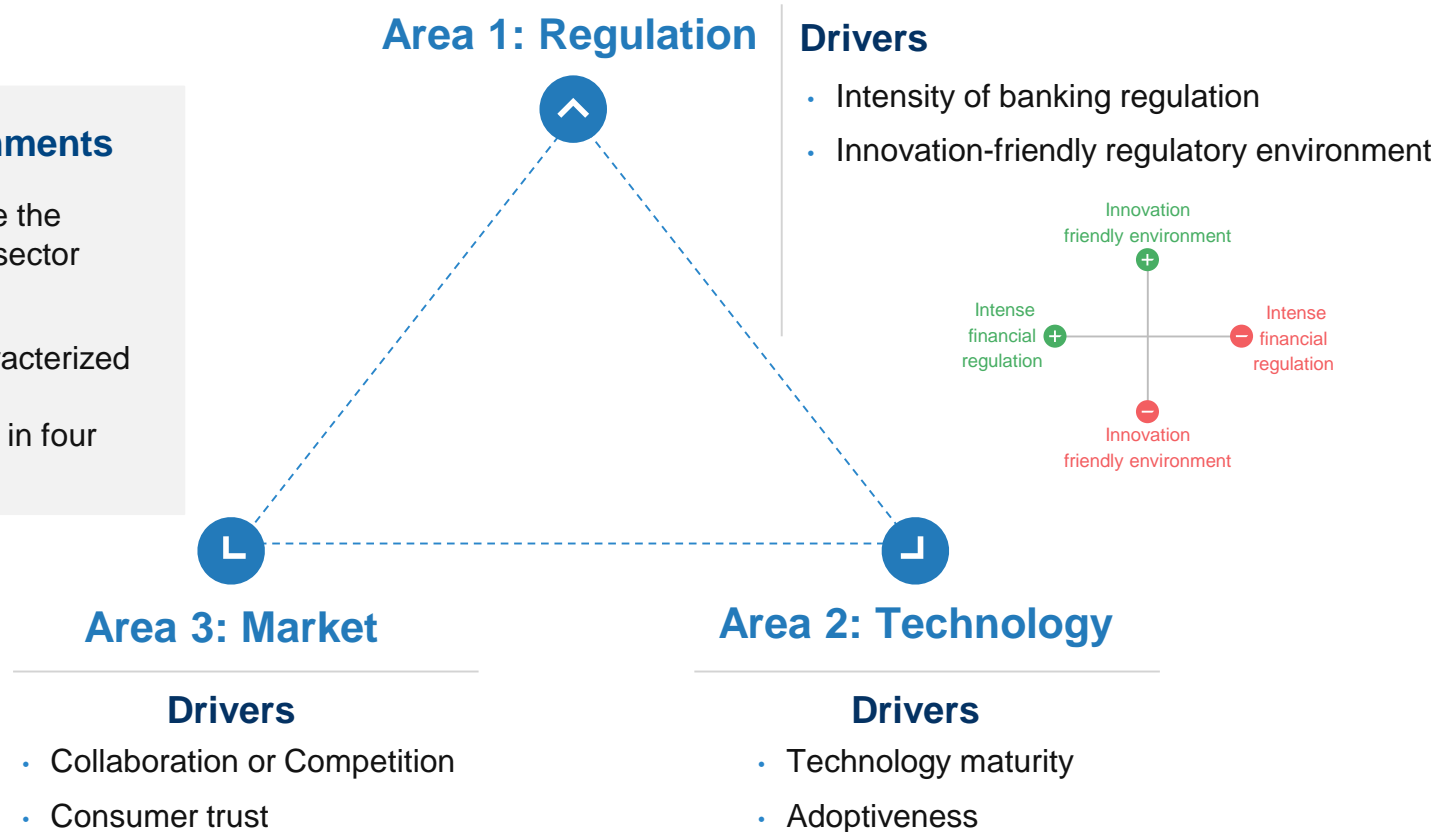
From Scenarios to Action



The 3-lever foresight methodology

Methodological comments

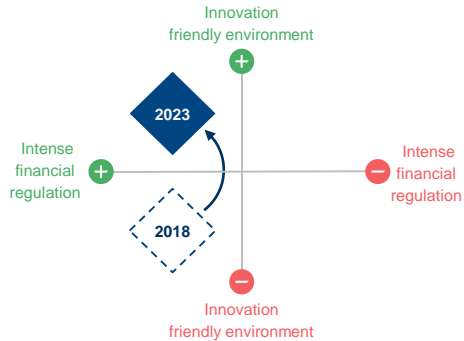
- Three areas will shape the future of the financial sector
- Each area will be characterized by two drivers, whose combination will result in four scenarios.



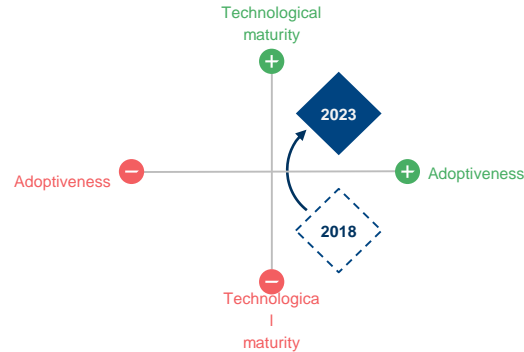
The European example: Future Scenarios 2023

Most likely Scenario - Bank as Digital Ecosystem

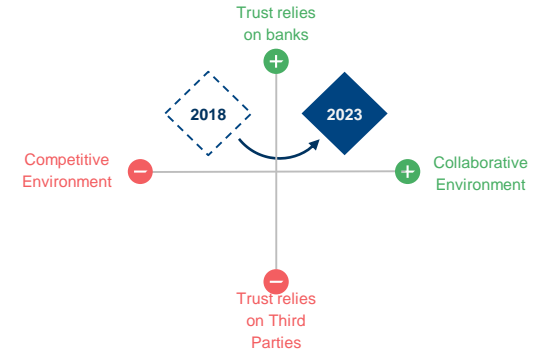
Area 1: Regulation



Area 2: Technology

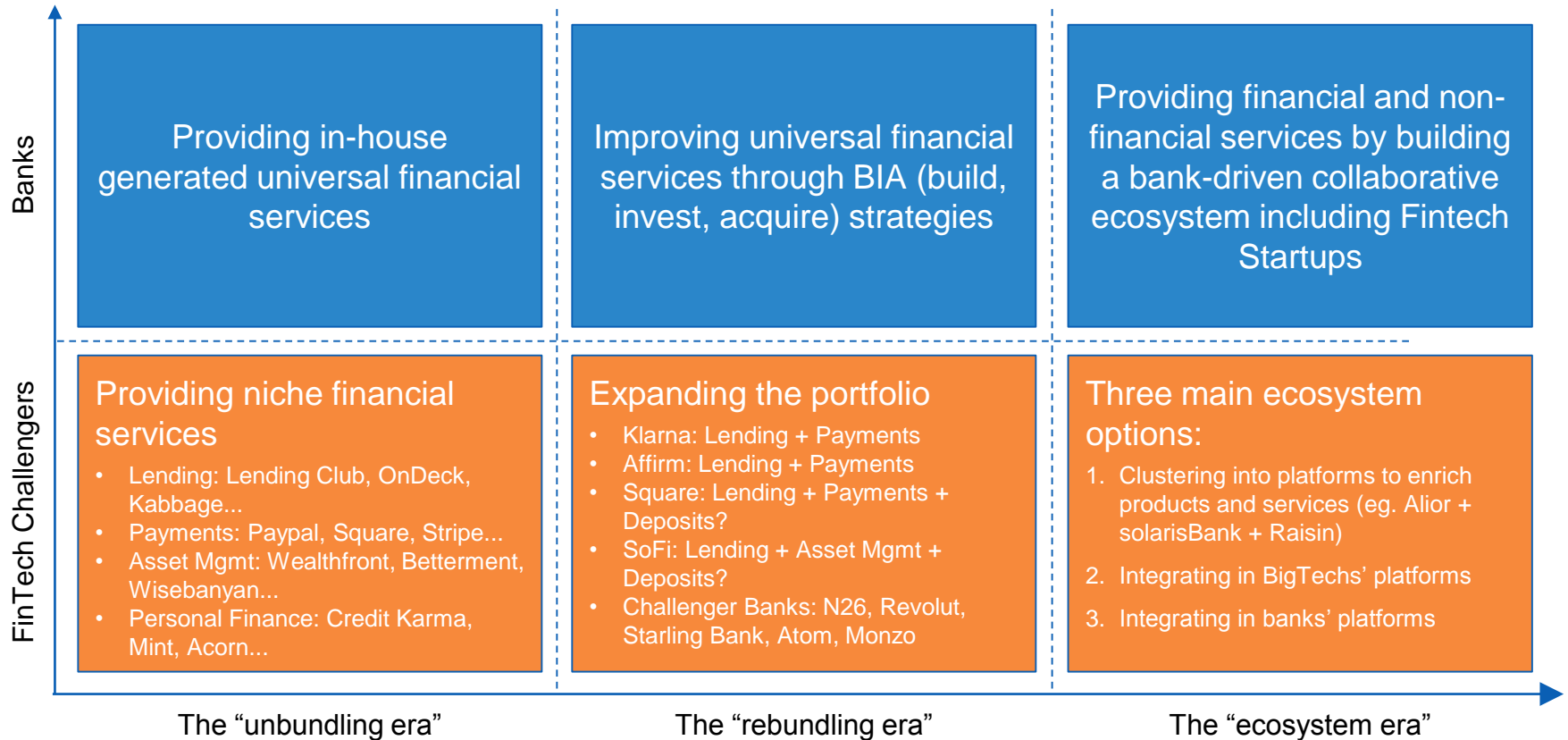


Area 3: Market



- **Incumbent banks as core FS providers** with other players as “satellites” complementing the banks’ portfolio of (even non-financial) solutions with specialized functionalities
- **Enhanced solutions:** AI-based advisory, self-driving banking, IoT services, token economy
- A low number of big **pan-European bank-driven ecosystems** compete to manage the relationship with customers in a “circle of trust” model

Is it really a question of Fintech startups vs banks?



What banks can do in the ecosystem era

A. Leading role in a digital ecosystem

Create new ecosystem:

- From the core
- Parallel to the core

Partner to strengthen an emerging ecosystem

B. Financial services partner of a leading digital ecosystem

Exclusive provider of solutions: co-branded or white label

Banking services provider: capacities or product offered
– BaaS

C. Provider of financial services within digital ecosystems

White label provider, not privileged

Branded product provider



Risk and potential profitability



Thank you!

Javier Sebastián
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