Global Retail Banking 2022

Sense and Sustainability

September 2022

By Lionel Aré, Thorsten Brackert, Chaojung Chen, Jorge Colado, Muriel Dupas, Alasdair Keith, Holger Sachse, Sam Stewart, Juan Uribe, and Monica Wegner

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Why Sustainability Matters

Like beauty, sustainability can be in the eye of the beholder. In business, sustainability refers to a company's capacity to make a positive environmental and societal impact. Determining an organization's success in this realm is at least partly subjective—and reflects internal and external perspectives. Retail banks must please their boards and management teams as well as customers, shareholders, regulators, and the communities in which they operate. One thing is clear, though. Sustainability has moved quickly up the priority list for all stakeholders. For many it is at or near the top.

Sustainability is not just about complying with a new set of rules and expectations. We believe it will become the next frontier of competitive advantage for retail banks—and a pillar of future growth. Leaders have already taken note and developed aggressive environmental, social, and governance (ESG) goals and agendas. Those who have been slower to act will feel pressure, perhaps from multiple quarters, to follow suit.

Our last two retail banking reports examined evolving customer priorities and industry dynamics and their impact on retail banks' sources of competitive advantage. In 2020, as COVID-19 caused customers around the world to fast-forward the shift of their banking activities online, banks needed to speed development of new digital capabilities to maintain relevance and grow scale. More customers doing more banking online accelerated the digital migration, which led to banks digitalizing value streams front-to-back, which we explored last year.

Retail banks have long been responsive to evolving customer needs. Interest in sustainability has been rising for several years. Concerns over climate change in particular have become decision drivers not only for customers, but also for investors, policymakers, and others. Indeed, regulatory authorities such as the European Central Bank are integrating climate and environmental risks into their supervisory methodologies and banks' capital requirements. More banks are responding by building sustainability into their digital transformation programs.

This raises a question: What does a "sustainable" bank look like? Many factors will likely distinguish winning banks of the future from others. (See Exhibit 1.) There's likely no single or universal combination that makes for a sustainable bank. But for each institution, customers and other stakeholders can be counted on to have strong opinions.

Exhibit 1 - Some Characteristics of Winning Banks of the Future

Commitment, policy, and track record of **protecting the environment** and **promoting social justice**

Evident ambition to play a **positive role in customers' lives** and to improve their financial wellbeing

Growth through continuous innovation in a fluid market environment characterized by competition from banks, fintechs, and players from other industries

Collaboration and partnership with others for scale, expertise, and customer access

Digitization of customer interactions, **AI** for personalized engagement, and **simplification and automation** to drive down unit costs

Firm grip on **conduct and risk management**, including cyber, financial crime, and compliance

Ability to **respond to crises quickly** and with purpose

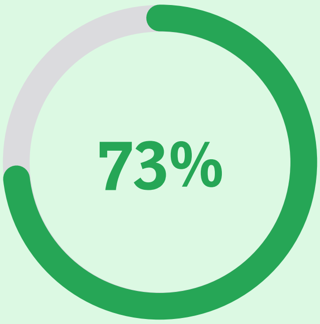
Source: BCG analysis.

For most banks, environmental issues are only one leg of the stool. Social and governance initiatives are receiving as much or more attention. In emerging markets, for example, many banks are focused on social issues such as poverty and financial inclusion for those with limited or no access to financial services. Consumers and regulators in many Western markets are looking for demonstrable progress on diversity, equity, and inclusion (DEI) in areas such as hiring and lending. Privacy and data-security worries put social and governance issues high on board-level agendas. Regulators continue to underscore the importance of vigilant compliance, anti-money laundering, and know your customer policies and procedures.

Sustainability has long been part of good business—but in today's marketplace, engaging with customers and other stakeholders on ESG issues is a matter of rising urgency. This is one reason, as we shall see, that leading retail banks make ESG one of the primary focus areas for their digital transformation programs. Another third of all retail banks cite ESG as a key criterion in selecting and prioritizing digital transformation initiatives.

This report examines the fast-rising importance of sustainability for retail banks today, starting with what consumers are looking for in banking relationships and what leaders are already doing. We then set out an agenda that all retail banks can follow to raise their ESG games—and enhance their competitive positions at the same time.

Across industries, customers take ESG into account when choosing a product



of customers are altering buying habits with the environment in mind

say they would be willing to pay a 10%+ premium for sustainable goods

of millennials have at least some interest in sustainable investing, up 15pp in 6 years

Source: Nielsen, Morgan Stanley Institute, BCG

A Good Bank Is a Good Friend

What's considered "good"—in any situation—is also highly subjective. Strong ESG practices and products, as well as services that promote sustainable behavior by customers, are essential aspects. But there are others. The "good" retail bank practices strong customer centricity and acts in ways that benefit society generally. It actively tries to do the "right" thing (as opposed to avoiding the wrong thing), even if this is sometimes difficult to discern. It also embraces the principles of regulation as opposed to adhering to the letter of the law or pushing the boundaries of what's allowed. (See Exhibit 2.)

Being good does not mean banks have to do everything. Banks, like friends, have individual strengths and qualities that anchor relationships. Each bank should select its priorities, consistent with its mission and purpose, and make sure those priorities are reflected in ways that provide solutions to customers and engage with other stakeholders.

Exhibit 2 - The Dimensions of a "Good" Retail Bank

Treating customers fairly
- Making banking simple and easy
- Pricing fairly and transparently
- Driving financial inclusion
- Helping customers with low digital capabilities or limited digital access

Enabling sustainable behaviors
- Integrating sustainability in solutions and customer journeys
- Engaging with customers on sustainability beyond financial matters
- Enabling customers to make "sustainable" financial decisions

Coaching & personalizing engagement
- Supporting financial literacy
- Improving financial resilience and health
- Enabling customers to make "good" financial decisions

Being a responsible citizen
- Following regulatory principles and good ESG practices
- Supporting UN development goals
- Driving for diversity and inclusion
- Providing meaningful careers to employees

Reinforcing trust
- Putting customers' interests first
- Ensuring appropriateness/affordability of products
- Using AI ethically

Activating the ecosystem
- Driving for new standards
- Leveraging the role of the industry for society
- Partnering with fintechs and others

Customer focused   Society focused

Source: BCG analysis.

The "good" retail bank practices strong customer centricity, acts in ways that benefit society, and tries to do the "right" thing—as opposed to avoiding the wrong thing.

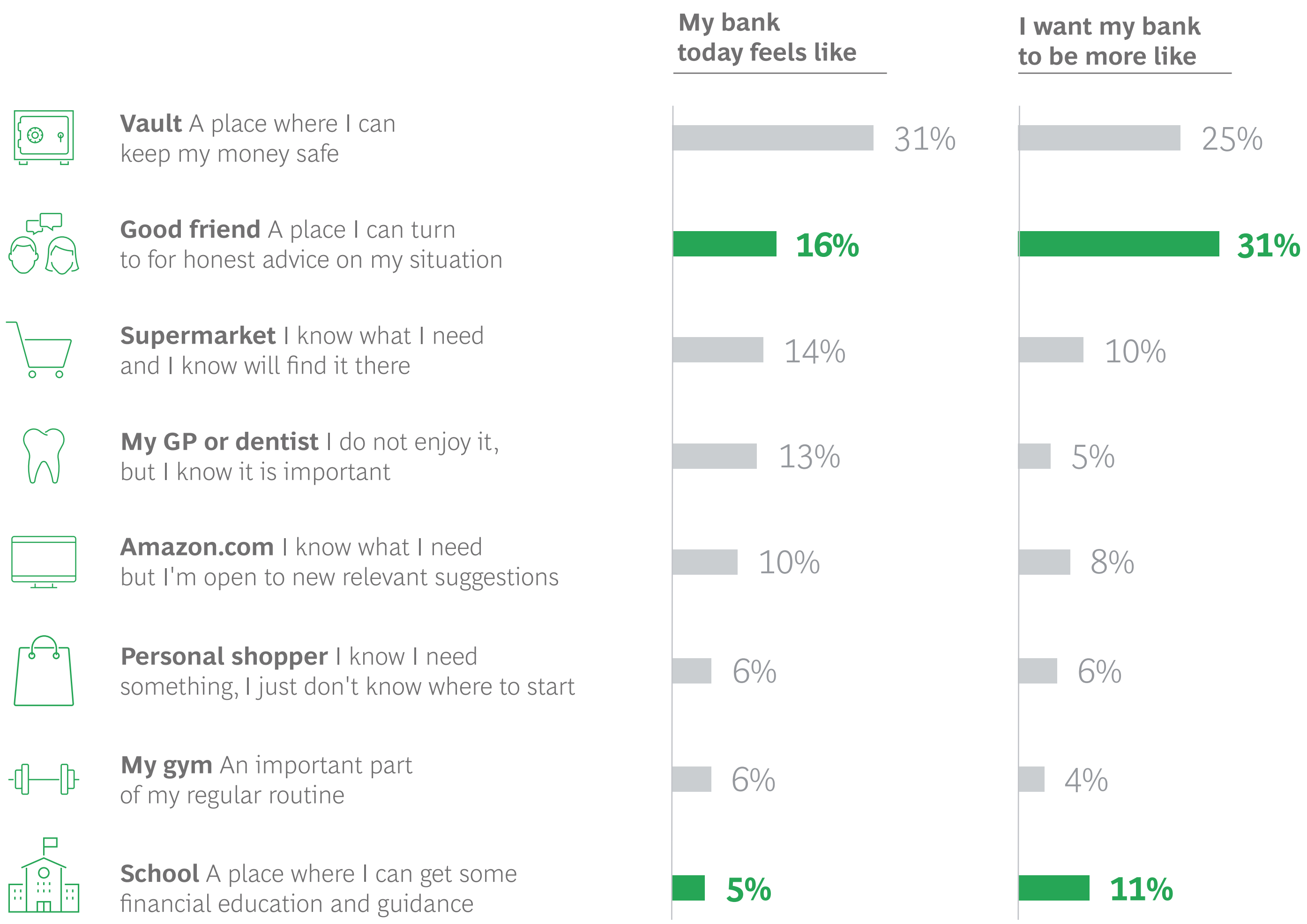
Most retail banks are already in a “good” position, starting with their relationships with their customers. In the wake of the 2008 financial crisis, financial institutions were broadly seen as the cause of the problem. As COVID then imposed all manner of restrictions on normal daily activity, banks responded by becoming part of the solution, offering easy ways to get things done. Our 2021 retail banking consumer sentiment survey, which covered 25 countries, found that about 20% more people voiced increased trust in their bank during the crisis than in 2020, when the pandemic was just taking hold. Customers are also open to broader services from their banks: more than two-thirds of survey respondents said they are willing to consider services beyond simple banking from their banks.

The 2021 survey surfaced three major findings:

- Digital banking is becoming the norm. Customers are more satisfied with mobile and online banking than with all other channels.
- Customer satisfaction with their experience with branches and call centers is low, especially when compared with digital channels. People want more value-added service through these channels.
- Customers are ready for banks to take on a new role beyond fulfilling their immediate financial needs.

Customers are looking to build deeper relationships with their banks. While most customers say they have two or three banking relationships, a large majority (70%) still secured their last product from their primary bank. Customers want their banks to feel like a “good friend” that they can turn to for honest advice, and a “school” where they can obtain financial guidance. (See Exhibit 3.) And they tend to have confidence in their banks—even more than they do in their doctors—when it comes to data trustworthiness. Traditional banks score at the top of the list in this regard. (See Exhibit 4.) Moreover, four out of five customers are willing to disclose more data to their banks if they value a new service or feature. (See Exhibit 5.)

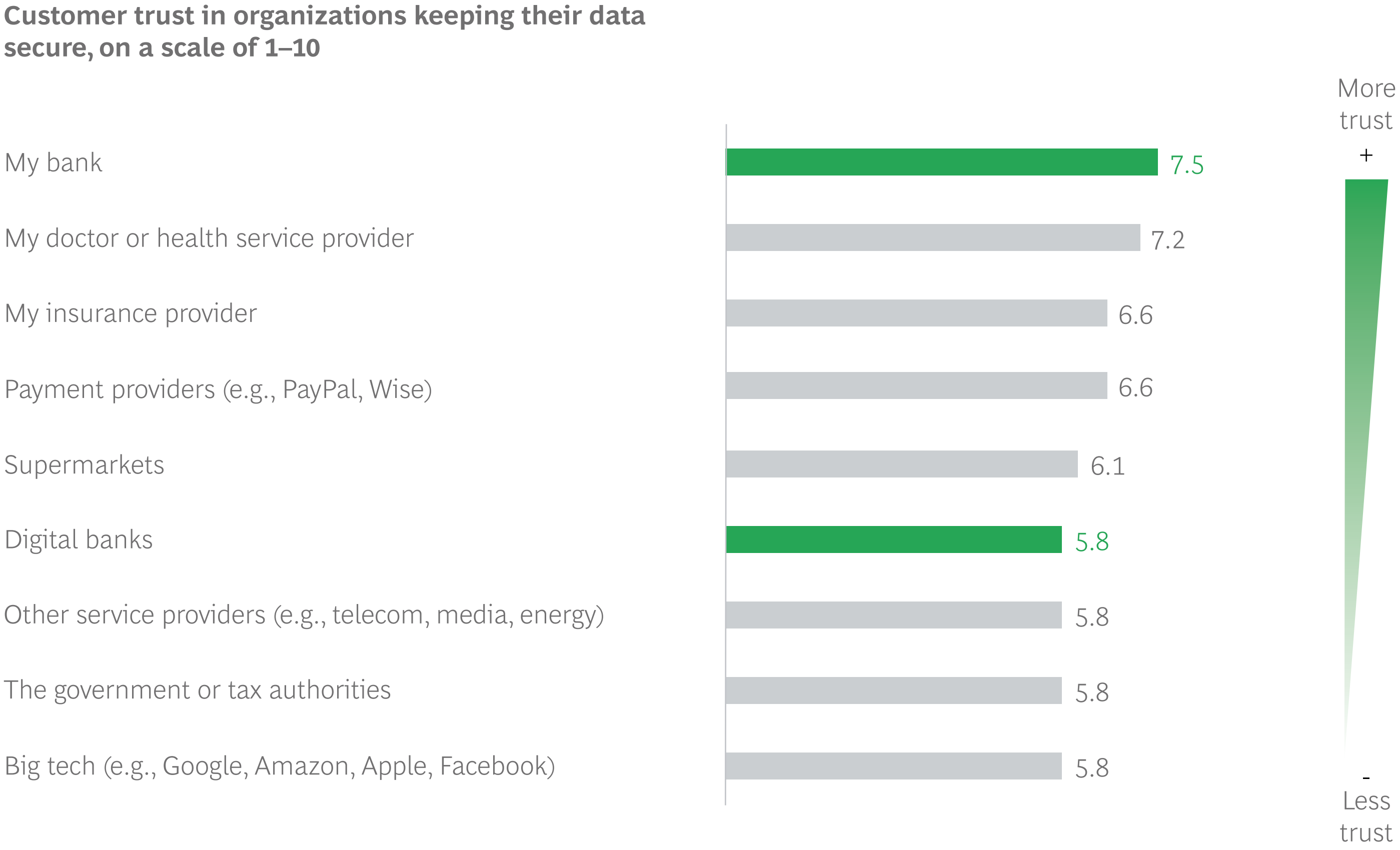
Exhibit 3 - Customers Want Their Banks to Feel More Like a “Good Friend” for Advice and a “School” for Financial Guidance



Source: BCG REBEX Consumer survey 2021.

Questions: My bank today feels like…? I would like my bank to be more like…?

Exhibit 4 - Banks Have a Trust Advantage to Build On



Source: BCG REBEX Consumer survey 2021.

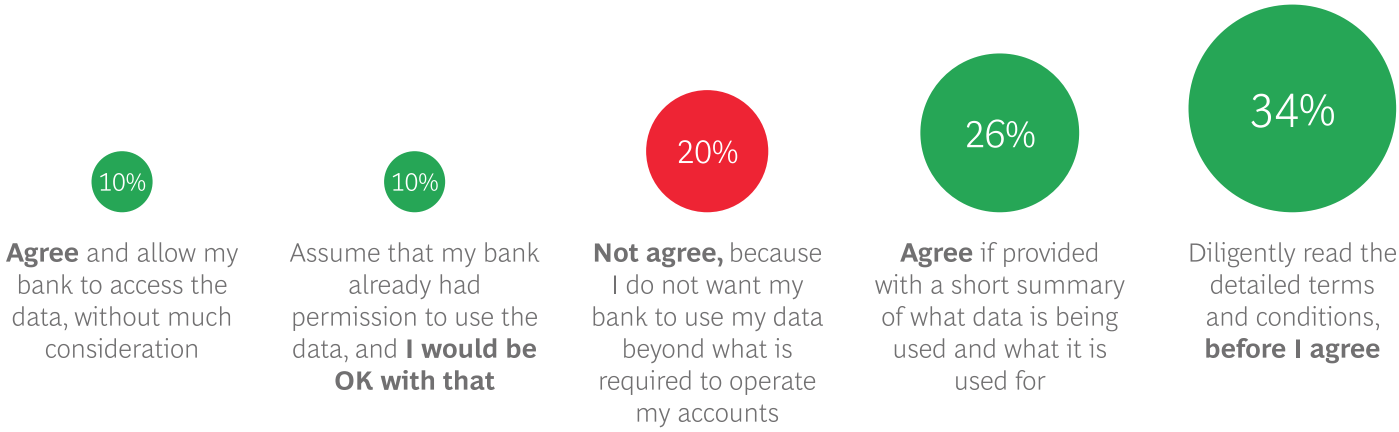
Questions: On a scale of 1-10 how much do you trust the following to keep your data secure?

Customer needs vary widely by market, but generally there are plenty of opportunities for banks to provide high-impact services at very basic levels. BCG research shows that in every major market banks are innovating solutions that cover most, if not all, customer value streams. (See Exhibit 6.)

In the US, for example, millions of consumers struggle with day-to-day finances, debt, and retirement savings. According to US Federal Reserve's *Economic Well-Being of U.S. Households* in 2021 report, 32% of Americans could not raise $400 in cash to handle a financial emergency. Among adults with outstanding education debt, 12% were behind on their payments in 2021 and borrowers with less education were more likely to be behind. About one-quarter of non-retired adults had no retirement savings. Among those with retirement accounts, only 40% thought their retirement savings were on track.

Several US banks (and fintech companies) have responded to these needs with smart engagement programs that combine financial coaching, credit-building loans, and automated nudges and incentives that promote savings to help customers gain greater control over their finances and meet their goals. (See Exhibit 7.) For example, digital outreach based on insights from customer data provides real-time alerts to help customers manage spending and payments and monitor balances. Simple investment solutions, such as robo-advisory services and exchange-traded funds, help people with little investment experience build future nest eggs, with strategies adapted to their individual needs and circumstances. Self-driving finance programs encourage customers to spend less, save more, plan for the future, and improve financial habits—tracking and adjusting their financial goals using real-time data.

Exhibit 5 - About 80% of Bank Customers Would Disclose Personal Data to Access a New Service or Feature



Source: BCG REBEX Consumer survey 2021.

Question: How would you react on being offered a new service or feature from your bank which requires access to personal data?

In Asia, where many people are still "unbanked," one large retail financial institution seeks to leverage the high degree of digital literacy among consumers with online and mobile design, such as simpler interfaces and reduced features, that facilitate engaging with the bank using digital channels. The bank also offers easy-to-use products, such as its robo-adviser financial planner that uses some 30 million data-driven insights to help retail customers take the first steps in investing.

Younger consumers (Millennials and Gen Z) in many markets face the tough combination of lower incomes, higher housing costs, and more personal debt than previous generations. Those in the gig economy also work flexible schedules and lack the workplace infrastructure that is part of a traditional job. Banks are serving these customers with solutions that help smooth dips in income and bumps in expenses. These include buy-now-pay-later installment lending and delayed-payment programs (often with interest-free features if debt is repaid on time), no- or low-fee cash advances, and immediate funds availability on check deposits.

Cross-industry surveys show that three-quarters of customers are altering their buying habits with the environment in mind, and about 20% of customers say they would be willing to pay a premium of 10% or more for sustainable goods. Millennials have especially strong views. A survey conducted by Morgan Stanley found that more than 40% of consumers aged 25 to 38 are very interested in sustainable investing—and almost all are at least somewhat interested. But Millennials cite issues related to the performance and availability of such investments, as well as a lack of advice, as barriers to doing more.

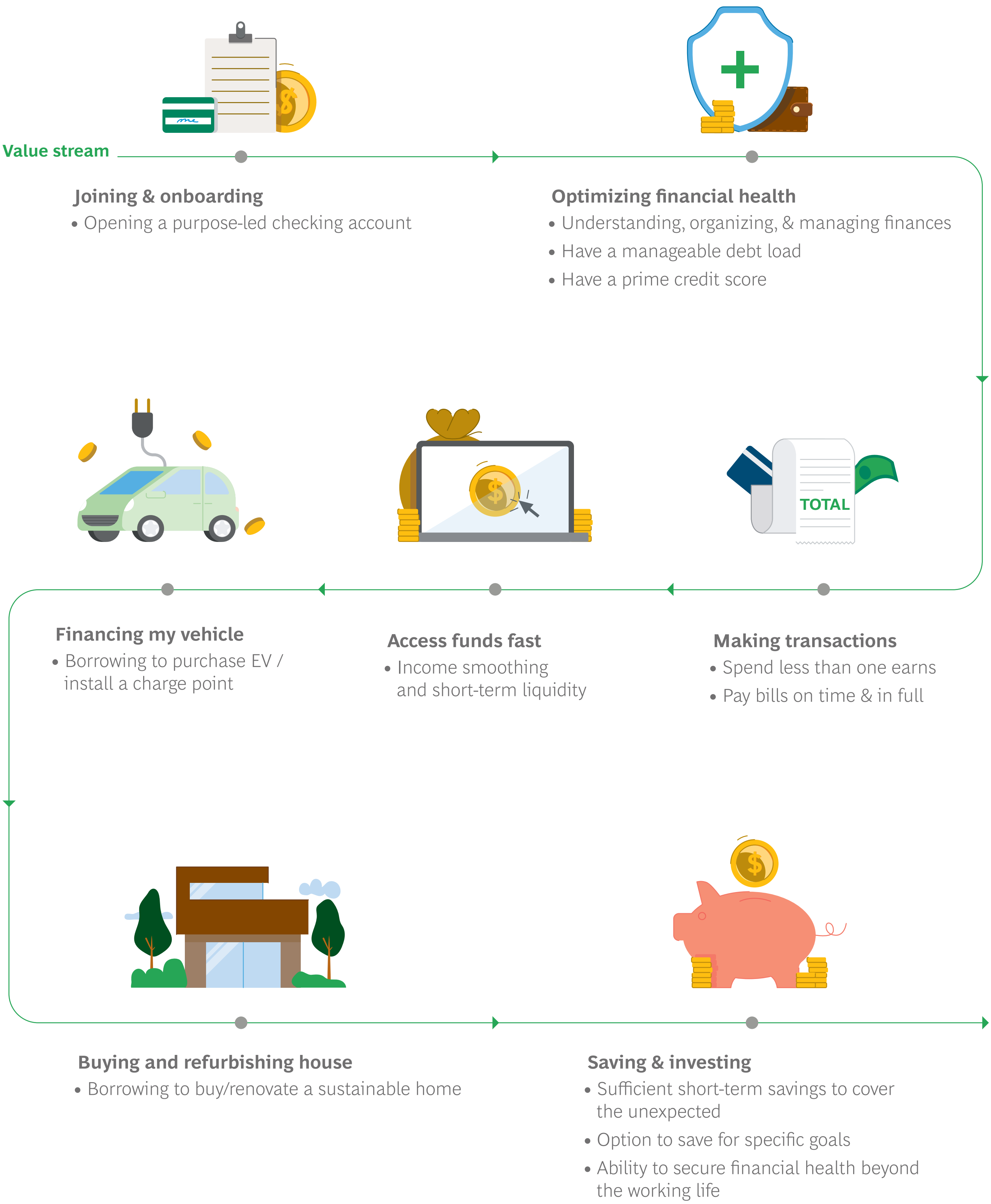
Exhibit 6 - Banks Have Many Opportunities in Each Customer Value Stream

Value streams

		Financial Wellness	Joining (Checking account)	Making Transactions	Financing (short-term)	Borrowing (long-term)	Saving & Investing
Innovations	Enabling sustainable behaviors		**Sustainable daily banking** • Personal carbon footprint based on spend • Carbon offset • Rewards converted to charity donations		**Green Credit Cards** • Carbon footprint and offset • Reward for low-carbon transactions	**Green Borrowing** • Energy-efficient homes • Retrofitting • EV/LEVs	**Sustainable investments** • ESG funds • Personalized investment rules
	Coaching and personalizing engagement	**Smart engagement (control)** Cash-flow management tools: • Optimize spend • Future view of deposit and bill payments • Financial health check / coaching Debt management: • Credit builder loans • Credit building tips			**Smart engagement (cash flow smoothing)** • Salary advance • Check advance • Buy Now, Pay Later	**Smart engagement (planning)** • Control basic financial needs/resilience • Planning for financial future	**Smart engagement (goals)** • Goal-based saving • Track progress and adjust financial goals
Foundations	Reinforcing trust	**Customer's interest first** • Selling to need, appropriacy, and affordability of products • Fair and transparent pricing					
	Treating customers fairly	**Simple and easy banking** • Easy to sign up for and easy to end • Easy products to use • Accessible for unbanked / low income • Simple banking for those with lower digital capability					

Source: BCG analysis.

Exhibit 7 - Retail Banks Can Realize a Purpose-Led Vision at Each Customer Life Stage



Source: BCG analysis.

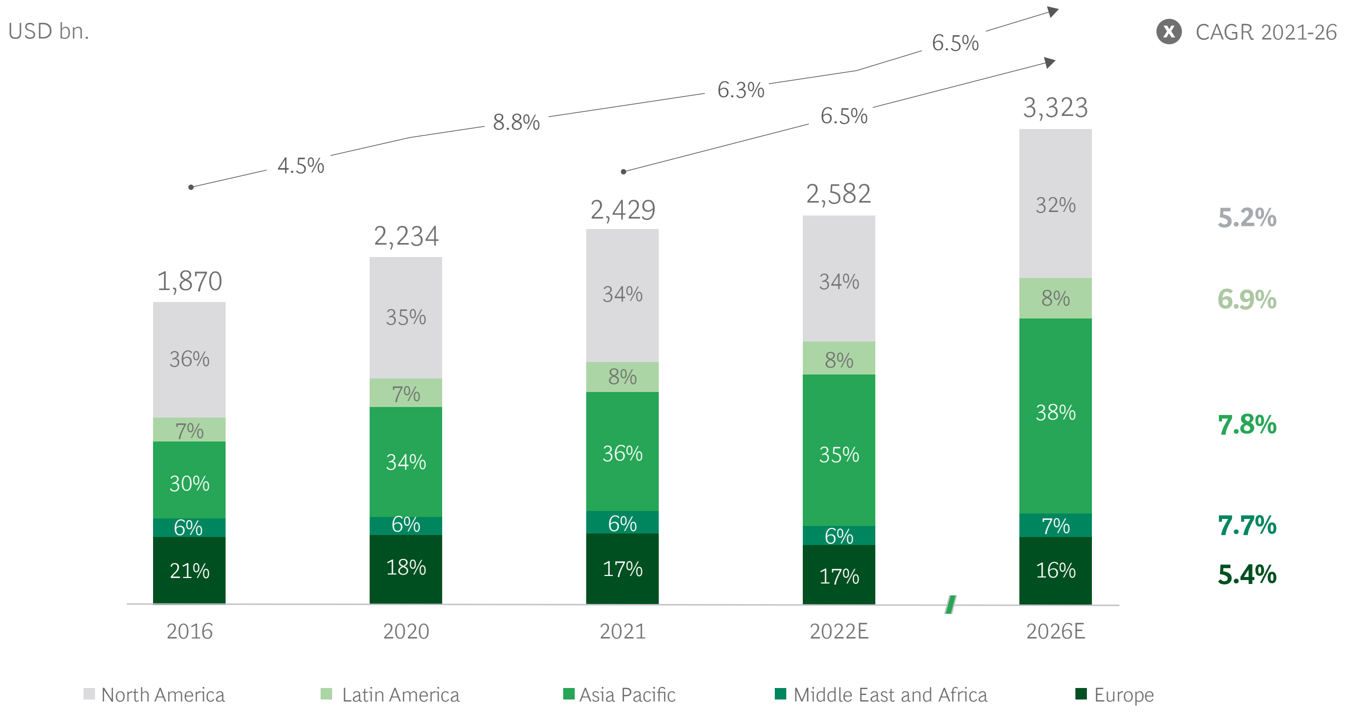
Sustainability and the Strategic Agenda

BCG has observed many times that sustainability is rapidly reshaping competitive advantage, remaking whole industries, and generating new waves of growth. Banks must look for places in new markets where they have unique advantages—including existing customer relationships—and create offerings and build business models to leverage these advantages. Digital tools and technology will be critical to building new businesses and crafting solutions that fulfill customer needs in new ways.

Strong Industry Trends…

The good news for retail bank management teams is that the challenges of building sustainable practices into their strategic agenda and operating model should play out against a backdrop of broadly rising revenues over the next several years. We expect global retail and private client revenues to grow at more than 6% a year through the 2021–2026 period. (See Exhibit 8.) Regionally, revenues in Asia-Pacific should rise the fastest, at an estimated 7.8% a year, followed by the Middle East and Africa (7.7%) and Latin America (6.9%). North America and Europe will grow more slowly but still at rates of more than 5% a year. While North America generated the biggest share of revenues in 2020, it is in the process of being overtaken by Asia-Pacific.

Exhibit 8 - Global Retail Banking Revenues



Source: BCG Banking Pools 2022.

Deposits will be the leading driver of revenue growth globally (although they start from a low base in 2021 thanks to rate cuts during the pandemic) as central banks raise interest rates in response to higher inflation. (See Exhibit 9.) We expect payments to grow at an annual rate of 6.3% as more people opt for online, credit card, and other non-cash transactions and continuing innovation in payment products. Consumer and other retail loan revenues should rebound to growth rates of around 4% as customer spending increases as COVID recedes. Investments will grow attractively, at more than 5% a year, while mortgage growth will be muted as interest rates rise.

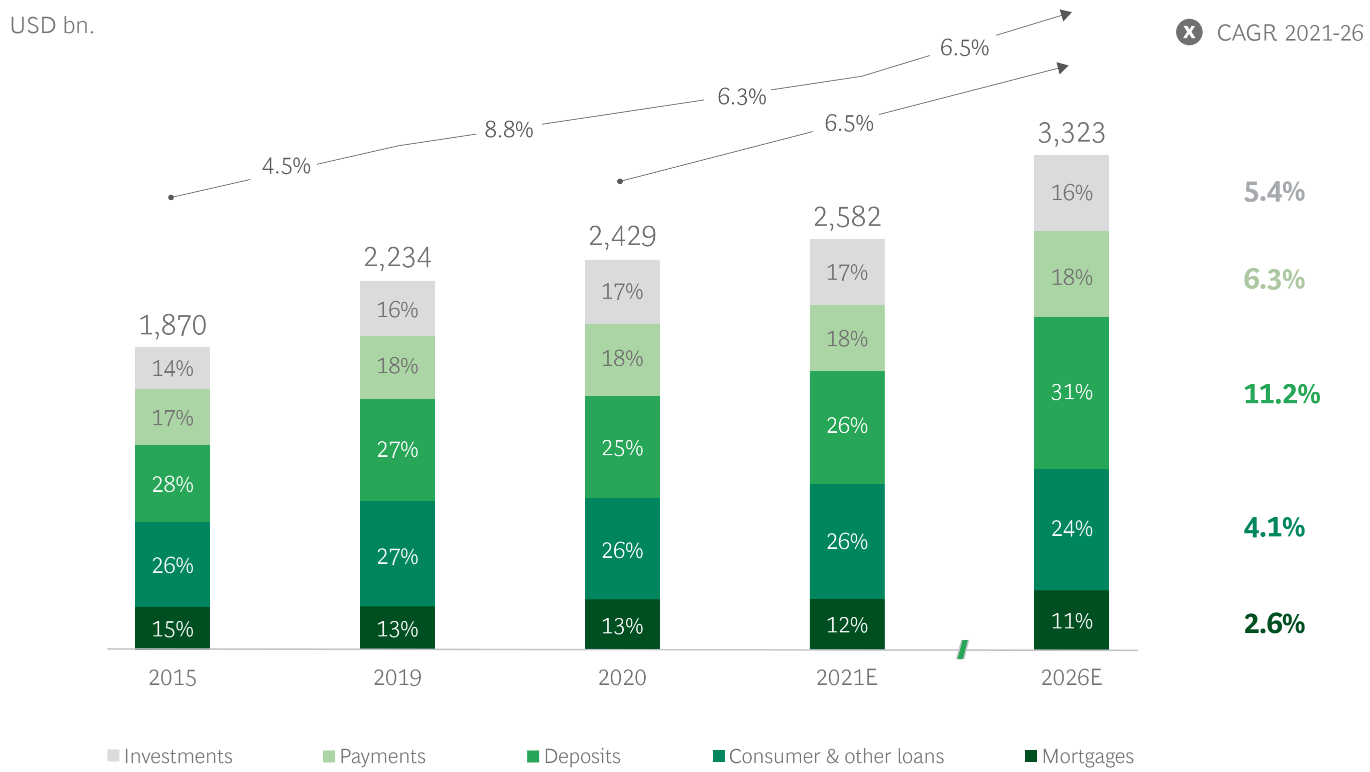
...Will Help Fund Investment

Revenue growth helps fund investments, which most banks plan to make. BCG research into digital transformation shows that three-quarters of retail banks plan to increase spending on ESG initiatives, almost 20% of them significantly. (See Exhibit 10.) A quarter of retail banks report that ESG is one of the primary focus areas for their digital transformations, and another 38% say that ESG is a key criterion in selecting and prioritizing digital transformation initiatives. (See Exhibit 11.) They are prioritizing a broad range of initiatives in this domain.

Almost half of retail banks are focused first on environmental sustainability initiatives, such as reducing energy consumption in offices and buildings. More than two-thirds (69%) want to ensure protection of employee and customer data and improve employee collaboration through digital platforms. About 60% are prioritizing governance initiatives—this includes managing critical risk incidents, building cyber-resilience, and developing predictive risk analytics to ensure improved preparedness and mitigation.

Our cross-industry research shows that companies that have already scaled an initial wave of digital transformation initiatives are shifting their emphasis from digital reengineering to innovation. This means that successful digital transformers are upping the ante, and as they leverage their digital skills to innovate faster and better, the gap will widen between digital transformer winners and their lagging competitors.

Exhibit 9 - Global Retail Banking Revenues by Product Line



Source: BCG Banking Pools 2022.

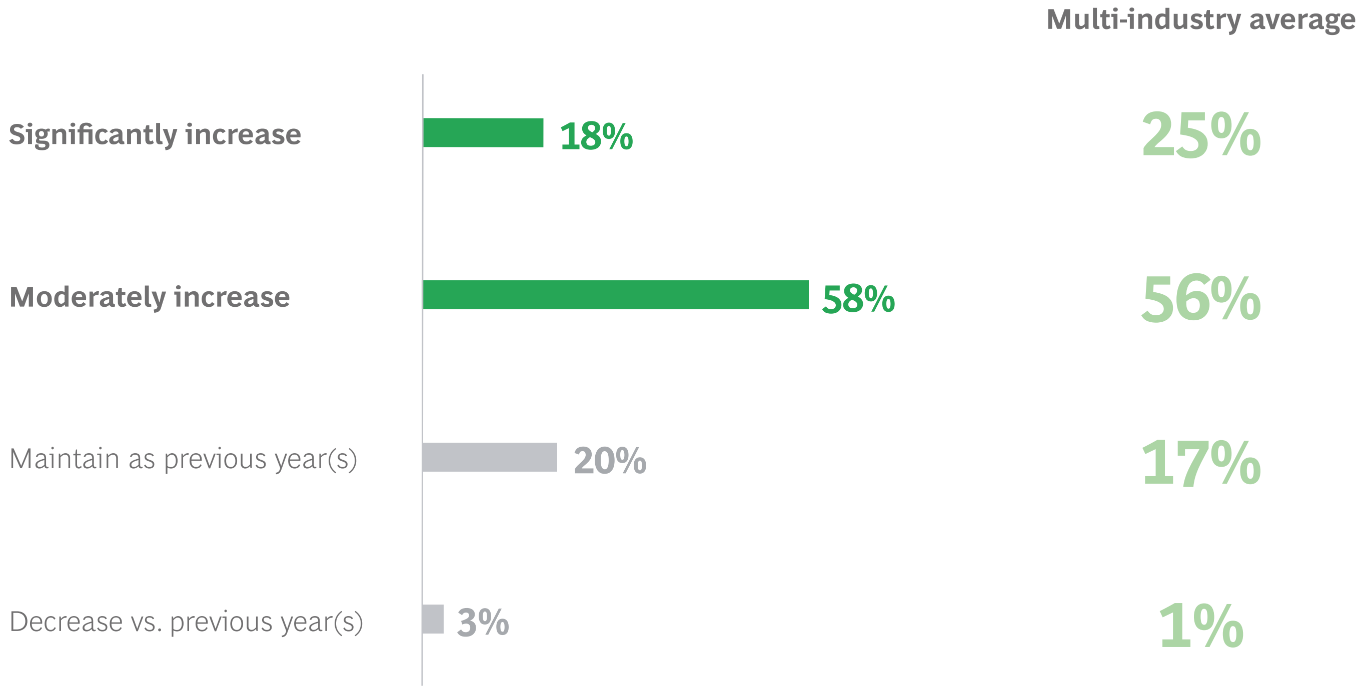
Promoting Sustainable Behaviors

Banks have many opportunities to innovate sustainable practices and products along the customer lifecycle—and to practice good business in the process.

We wrote last November that as consumers recognize their carbon footprints, retail banks can help address climate change while seizing a fast-growing business opportunity if they devise new loan options and other products to help customers achieve their sustainability ambitions. Our colleagues in Canada recently described a $2 trillion opportunity for banks in that country to help consumers and small businesses finance their energy transitions. An October 2021 BCG-HSBC white paper observed that small and medium-sized enterprises (SMEs) will need some $25 trillion to $50 trillion of financial assistance to bring their greenhouse gas emissions to net-zero levels.

Exhibit 10 - Three-Quarters of Retail Banks Plan to Increase Their ESG Investments

Share of respondents planning to increase, decrease, or maintain investment towards ESG in coming years (%)



Source: BCG Global Digital Transformation Survey 2021 survey, n = 39.

Such opportunities are only the beginning. The push to limit global temperature increases to 1.5°C above pre-industrial levels will drive a massive transformation of the global economy and require investments totaling an estimated $100 trillion to $150 trillion by 2050. Companies, including banks, have a major opportunity to unlock new sources of growth, particularly in relation to the trillions of dollars that the public and private sectors will be investing every year to achieve global net-zero carbon emissions.

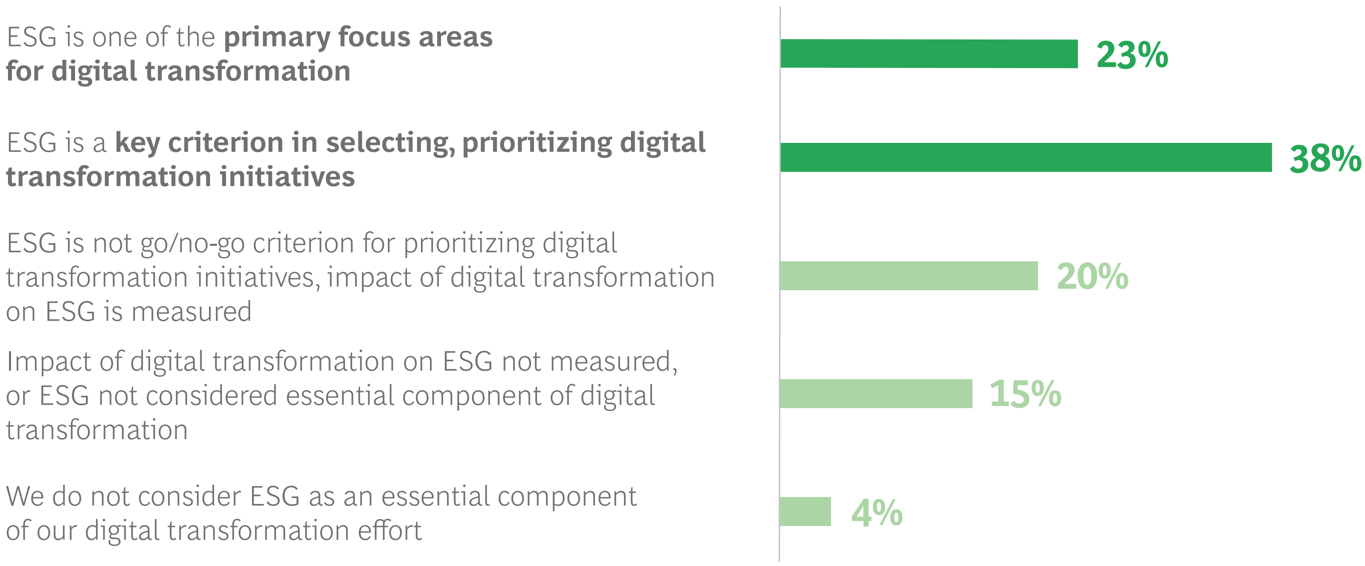
Green mortgages, which provide discounts on interest rates or fees to purchasers and builders of energy-efficient dwellings, are one opportunity. Some banks already offer these products. Others have been reluctant given historically low take-up rates and the potential erosion of profit margins. But by building energy and climate considerations into their own credit risk processes, banks can better manage the climate-related risks associated with their green mortgage portfolios.

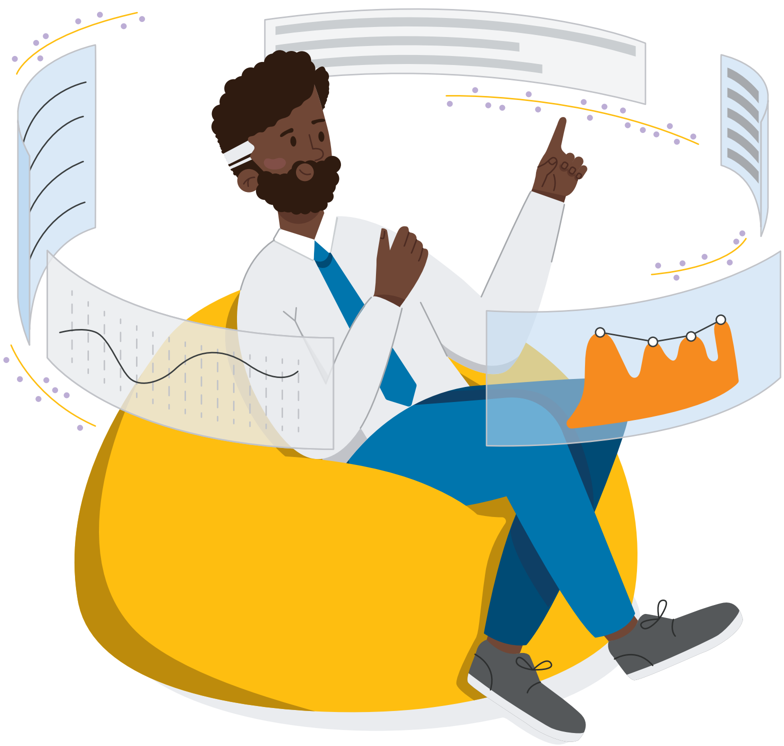
Green mortgages are also being packaged into green bonds and mortgage-backed securities in the Australian, UK, and US markets. While these products are still relatively niche, they show significant growth potential. In 2020, for example, Barclays raised a £400 million green bond to finance energy-efficient residential mortgages—that was oversubscribed by five times. A December 2020 report by the UK Committee of Climate Change estimated that in the UK alone, some £250 billion will be required through 2050 to upgrade homes for a net zero economy.

There are multiple points along the home mortgage value stream where banks can help with green solutions and products. (See Exhibit 12.) In Canada, for example, RBC offers an Energy Saver Loan with a 1% rate discount for environmentally friendly products and services recommended as part of an energy audit. The bank offers extended amortizations to match the customer's payments with expected monthly energy savings.

Exhibit 11 - ESG Has Become a Major Consideration for Selecting and Prioritizing Digital Initiatives

Share of respondents by link between digital transformation and sustainability (% of total respondents)





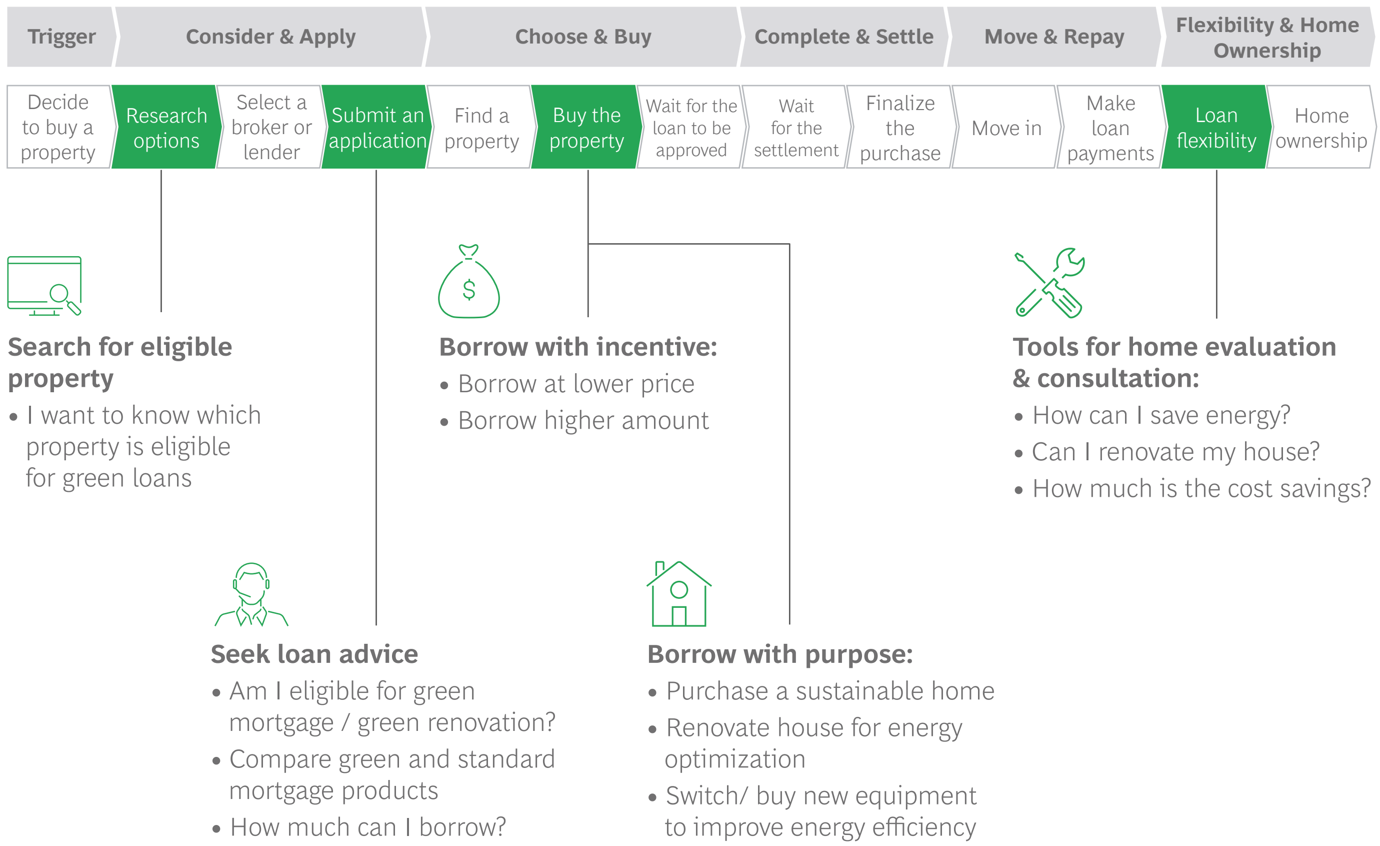
Source: BCG Global Digital Transformation Survey 2021 Survey; N=859, Scaled first wave of digital transformation = 556, In midst of scaling = 303.

Question: "Do you consider sustainability (ESG) criteria in selecting, prioritizing, and assessing your digital transformation initiatives?"

Sustainability deep dive is limited to respondents who consider it as a primary focus area, key criteria, or discuss the impact of digital initiatives on ESG with leadership.

Exhibit 12 - Green Mortgages Help Customers (and Society) in the Transition to More Sustainable Housing Stock

Dimensions of a green mortgage across the home-buying value stream:



Source: BCG analysis.

Another bank offers term loans and credit lines branded as Planet-Wise Renovation Solutions. And the bank doesn't stop at energy-efficiency financing; its green banking efforts are further burnished by a line of Microloans for Green Business and a credit card that donates at least 5% of profits to local environmental projects. The Yukon Housing Corporation offers loans with a 15-year amortization suitable for solar panels. The loan's structure means the consumer is cash-flow positive from Year 1, enabling even cash-poor first-time homebuyers to participate in the transition to clean energy.

Banks can also use the daily banking relationship as well as their personalized engagement capabilities to support customers in environmentally friendly and ethical living. In many markets, customers appreciate the assistance. Almost 9 in 10 US and UK consumers would like brands to help them become more environmentally friendly. As noted above, almost all Millennial investors are at least somewhat interested in sustainable investments.

The push to limit global warming will transform the world economy and unlock new sources of growth.

Innovative banks are at work on at least two fronts: adapting existing products and promoting sustainable investment strategies and tools. Long-standing products, such as checking accounts, loans, and credit cards, can be modified to help customers enhance their own sustainability. For example, DBS in Asia is developing an app that helps customers offset their carbon footprints by purchasing carbon credits. Aspiration in the US offers two types of hybrid checking-savings accounts—one for which customers pay a monthly fee that they consider "fair" (it can be zero if the customer chooses) and another with a set monthly fee and attractive benefits. Features include:

- A personal impact score for spending
- Cash-back on purchases with a stable of sustainable brands
- "Plant your change" program, which rounds up spending to plant trees
- A planet protection option: automatic offsetting of carbon emissions for each gallon of gas purchased
- Donations of 10% of every $1 in fees to sustainability causes

In Europe, Doconomy offers a series of tools for both consumers and businesses that enable users to assess their carbon footprints and the impact of potential changes in behavior or practice.

Among banks that are promoting sustainable investment strategies and tools, DBS in Asia provides access to funds that invest in renewable energy and other eco-friendly initiatives. Triodos Bank in Europe and the UK offers a crowdfunding platform so customers can invest directly in organizations pioneering climate-change solutions. Robo-advisor platforms such as those offered by Betterment in the US and Nutmeg in the UK are making socially responsible investment funds accessible to the mass-market retail investor.

Sustainability Platforms

In addition to offering green financial products, we expect that leading banks will also build platforms of offers that help consumers move to sustainable ways of living and encourage small businesses to adopt good ESG practices. Banks have the potential to serve both customer segments as green ecosystem orchestrators, bringing together clusters of providers that can comprehensively meet customer needs in value streams such as reducing home and building or supply chain emissions. (See Exhibit 13.)

Banks are well positioned to provide a "one-stop green shop" that offers customers and platform participants products and services that include a knowledge hub and a range of useful tools (including tools for assessing carbon footprints), a marketplace made up of qualified and pre-screened vendors, cost estimations and simplified information request processes, financing support options, and marketing and sales facilitation. (See Exhibit 14.)

ESG Business Potential

A strong ESG focus is increasingly rewarded by customers, investors, and others. Research by BCG and the World Economic Forum shows that corporate climate leaders can attract and retain better talent, realize higher growth, reduce costs, avoid regulatory risk, access cheaper capital, and achieve higher shareholder returns. (See Exhibit 15.)

BCG's most recent analysis of evolving retail banking profit pools indicates that ESG-related products in core business lines (e.g., mortgages for improving energy efficiency or loans for electric vehicles) could generate substantial revenue streams over time. It is hard to predict how quickly ESG-related revenues will rise since growth in many product lines will follow underlying market trends. For example, the ESG-related share of investment products is rising as funds change their policies to meet new sustainability standards. Consequently, the ESG share of revenues for banks offering investment products increases without consumers taking action. In financing, the share of green retail banking revenues can be expected to track the rising share of electric vehicles in new and (in time) used car sales or the share of energy-efficient new construction or building renovation work.

Exhibit 13 - Banks Have the Potential to Become Green Ecosystem Orchestrators

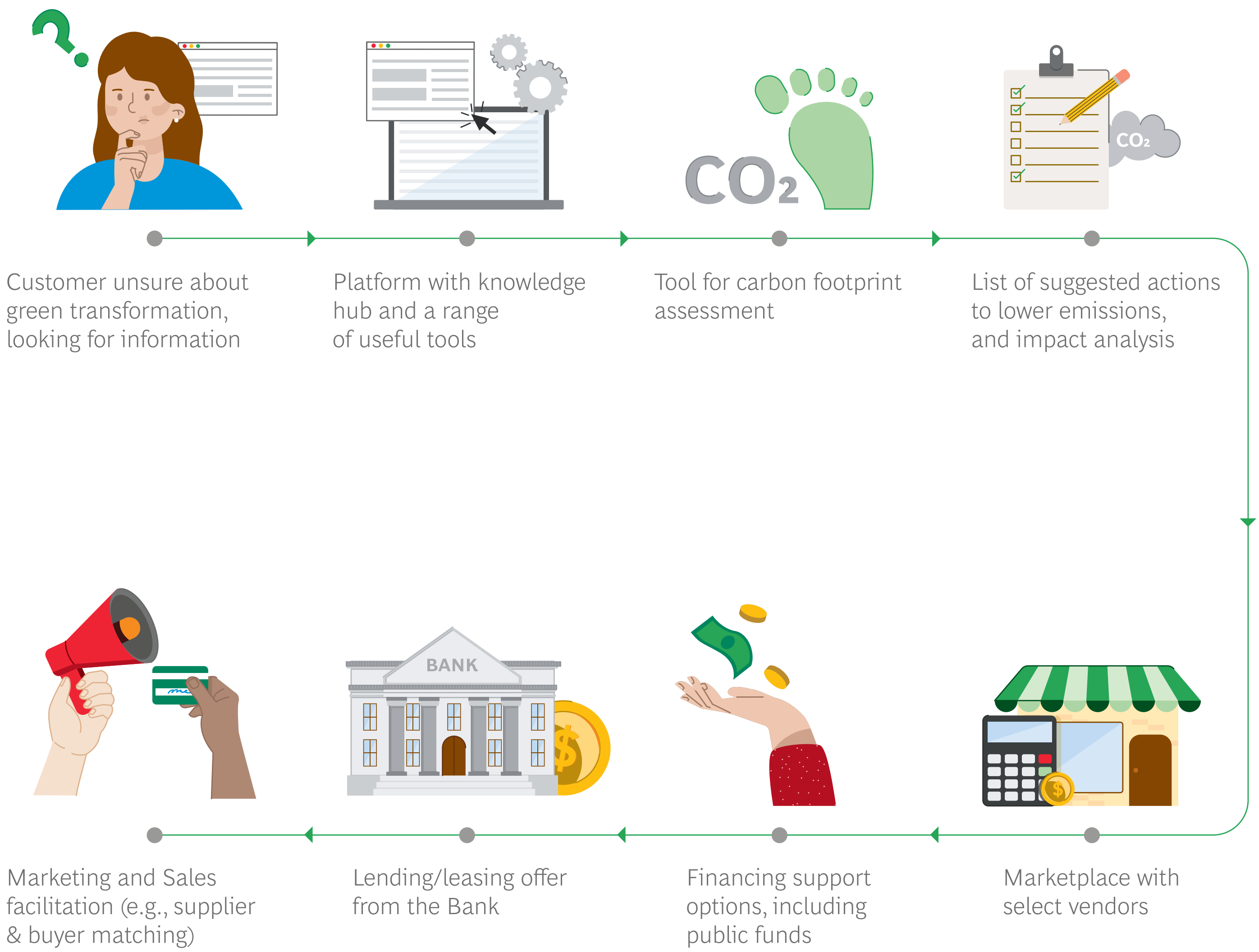
Small business illustration

Source: BCG analysis.

These market trends are gathering speed, driven by a combination of changing consumer demand and government policies. With a raft of new electric vehicles coming to market, BCG has estimated that by 2026 electrified vehicles will account for more than half of light vehicles sold globally. In December 2021, the European Commission issued an updated directive on building emissions that sets out how the EU can achieve a fully decarbonized building stock by 2050, including reducing building emissions by at least 60% from 2015 levels by 2030. In the US, the City of New York, where buildings generate almost 70% of emissions, has committed to all new buildings being net-zero by 2030 and a 20% reduction in energy consumption for all buildings by 2025.

More important than a debate over how quickly ESG shares will rise is the fact that— without question—the share of bank ESG products will increase and eventually replace almost all non-ESG business. This presents a big opportunity for the foresighted. A 20% ESG-related share in new retail banking revenues in the next five years, for example, would result in about a 10% share of total retail banking revenues—or about $300 billion 2025. Retail banks that gain early share in these emerging product lines will be best positioned to achieve above-market growth in the coming years.

Exhibit 14 - Banks Can Provide a Green "One-Stop Shop" Serving the Full Customer Journey



Source: BCG analysis.

Exhibit 15 - Climate Leaders Gain Competitive Advantage

Easier hiring and retention	Higher revenues	Cash and carbon savings
40% of talent seek sustainability	**+4–25 pp** CAGR of sales growth for green products	**~50%** of emissions reduction at net-zero cost in key sectors

Lower regulatory risks	Cheaper financing	Higher value
+2–12 pp EBIT margin after EU carbon border tax for companies abating 55% of emissions[1]	**-100 bp** WACC for top-quartile environmental performers in Europe	**+3 pp** TSR for top-quartile environmental performers globally

Source: EU announcements; BCG analysis. World Economic Forum & BCG-Winning the Race to Net Zero: The CEO Guide to Climate Advantage

Note: bp = basis points; pp = percentage points; WACC = weighted average cost of capital.

[1]Based on a €75/tCO2 carbon price assumption for 2030.

Responsible Business and Community Leadership

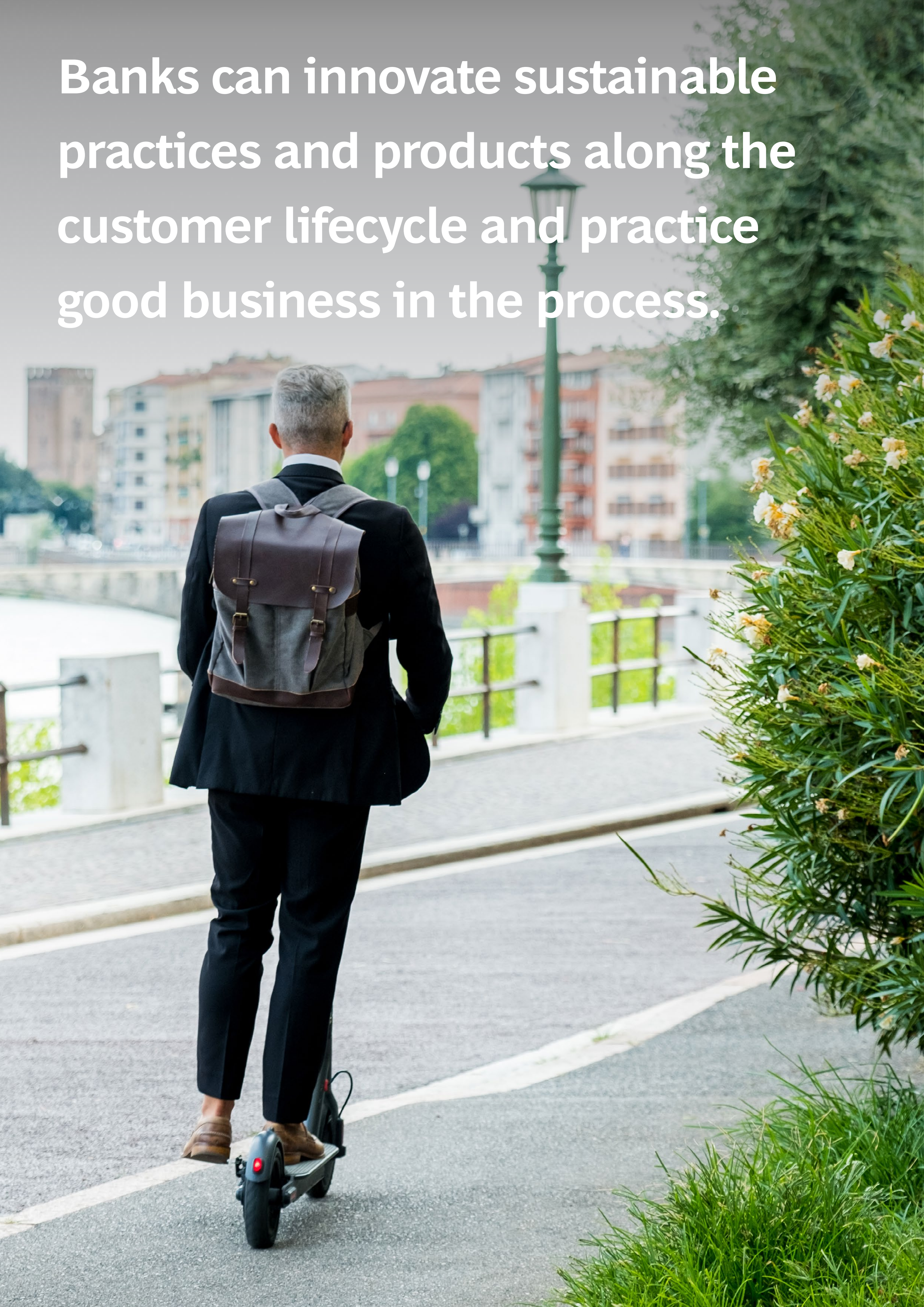
Banks have long been seen as important partners in their countries and communities, and many are finding new ways to bring their capabilities and influence to bear on societal needs. BBVA, which operates in Europe and North and South America, recently launched its Global Financial Education Plan, which will run through 2025 and aims to train 1 million people and reach 50 million more on the subject of good financial practices.

Multiple financial institutions work with Child & Youth Finance International to produce Global Money Week, an annual celebration "aimed at inspiring children and youth to learn about money, saving, creating livelihoods, gaining employment, and becoming an entrepreneur," as well as other programs to help children and young people learn about money.

Lloyd's Bank in the UK seeks to be a leading lender to first-time home buyers and to expand financial inclusion among people whose personal or financial circumstances have pushed them outside the financial system.

A number of banks have been awarded B (for beneficial) certification by B Labs, a US-based not-for-profit. The B designation certifies that an organization voluntarily meets standards related to sustainability, transparency, and other criteria.

Banks can innovate sustainable practices and products along the customer lifecycle and practice good business in the process.



Applying a Purposeful Lens

Startups are often born with a strong sense of purpose that is rooted in their founders' desire to apply technology and business solutions to larger societal needs. When combined with speed, nimbleness, and determination, this sense of purpose conveys powerful advantages.

Incumbents are not without their own advantages, starting with financial, human, and technological assets, scale, and large customer bases. Re-examining these advantages through a clear statement of purpose can lead to new strategies, products, services, and revenue streams that also support a defined mission—such as promoting financial inclusion or advancing customers' sustainability efforts.

Many banks may need to build new enablers, including green products and tools, carbon footprint calculators, budget and life planning tools, data and AI tools and policies, and fair pricing structures. Where they do not have internal capabilities, or these are too time-consuming or expensive to build, they may also need to pursue relevant partnerships.

Environmental and social challenges transcend generations and set societies and their institutions, such as government and business, on new paths. As they consider a redirected future, retail banks should ask themselves a couple of existential questions: What will our customers be looking for beyond straightforward financial products and services in the next few years. And how can we align our business goals with meeting those needs before our competitors (new as well as old) do so first?

About the Authors

Lionel Aré is managing director and senior partner in the Paris office of Boston Consulting Group. You may contact him by email at are.lionel@bcg.com.

Thorsten Brackert is a partner and director in the firm's Frankfurt office. You may contact him by email at brackert.thorsten@bcg.com.

Chaojung Chen is a managing director and partner in BCG's Tokyo office. You may contact her by email at chen.chaojung@bcg.com.

Jorge Colado is a managing director and partner in the firm's Madrid office. You may contact him by email at colado.jorge@bcg.com.

Muriel Dupas is a senior sector manager in BCG's London office. You may contact her by email at dupas.muriel@bcg.com.

Alasdair Keith is a knowledge expert and team manager in the firm's London office. You may contact him by email at keithy.alasdair@bcg.com.

Holger Sachse is a managing director and senior partner in BCG's Düsseldorf office. You may contact him by email at sachse.holger@bcg.com.

Sam Stewart is a managing director and senior partner in the firm's Sydney office. You may contact him by email at stewart.sam@bcg.com.

Juan Uribe is a managing director and partner in BCG's New York office. You may contact him by email at uribe.juan@bcg.com.

Monica Wegner is a managing director and partner in BCG's Sydney office. You may contact her by email at wegner.monica@bcg.com.

For Further Contact

If you would like to discuss this report, please contact the authors.

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