

2015 Banking Outlook: Boosting profitability amidst new challenges

In a lot of ways, banks may liken the past six years to a turbulent ride on a small aircraft. As we move into 2015, institutions may finally be at the point of boosting profitability – taking off for a less bumpy ride. That’s not to say challenges aren’t ahead, but rather a new flight plan is in store. Check out seven key areas that banks will likely have to prioritize in 2015.

Balance sheet efficiency



- Compliance with LCR may force the largest banks to reexamine balance sheets
- Funding costs may be controlled by replacing wholesale funds with retail deposits
- Rising interest rates may cause banks to reclassify assets from AFS to HTM
- The SLR will force large banks to reassess capital deployment and asset allocation

M&A



- M&A activity will be driven by stronger balance sheets, stable deposit franchises, improved loan originations, revenue growth challenges, and limits to cost efficiencies
- Super regionals may remain restrained, while small banks in the \$10-50B range may show an increased appetite

Growth



- Banks may find growth in personal loans and credit to borrowers with imperfect histories
- Transaction banking businesses will develop a disciplined approach to pricing and customer value
- Nontraditional players may offer a new source of competition in 2015

Payments transformation



- Apple Pay™ mobile payments solution will spark growth in contactless payments
- Banks may see reduced interchange revenue and diminished brand recognition
- Regulators’ interest in a real-time payments systems will grow and require attention
- Adoption of distributed networks may help the industry realize faster processing

Compliance and risk management



- New regulatory actions require improvements in risk capabilities and culture
- Banks should seek cost efficiencies with dual objectives: help risk and compliance and enhance the business strategy
- Regulatory attention to turn to regional and small banks and foreign banks operating in the US

Data management



- Strengthening data capabilities will be focused across front-line operations, business units, and functions
- Monetizing data to drive increased revenues could begin to become a reality
- Role of the chief data officer will evolve, moving beyond data governance and quality to value creation

Cybersecurity



- Banks will increasingly collaborate with industry and law enforcement to share information
- Recruiting and retaining talent will continue to be a high priority
- Boards will be actively engaged in the oversight of cyber defense infrastructure and protocols

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