The Banking Industry Landscape is Fast Changing

The traditional banking environment is experiencing a major transition, with:

- **Technology disruption shifts** (Agentic AI banker is max 5y away)
- **Changing customer behavior is evident**
- **Macro changes** - uncertainty & volatility a new standard
- Several challenger banks, neobanks & fintech players **crossing chasm**

The future banking environment will be more like the Zambezi River: diverse ecosystems including forests, wetlands, and dry savannas - not hospitable for unadaptable small boats.

Size will play role: For many small, traditional banks – the sub-scale banks– **the very viability of their operating business model is at stake.**

Distribution Power Shifts & Transaction Ecosystem Changes

Distribution Model Changes

Lending distribution models are changing rapidly; fully digital and embedded finance models redefine client acquisition. Sub-scale banks cannot win this game unless they follow the path of digitally native players.

Technology as Survival Factor

Generative AI, automation, process streamlining and cloud migration can cut Opex by 10–20%, but require up-front investment and expertise. Small banks have limited capex generation capacity.

Transaction Ecosystem Specialists

New business models are reshaping the transactions ecosystem in FX, trading platforms, remittances, crypto, payment processing, and merchant acquiring. Market shares held by traditional banks are falling at accelerated pace.

While larger banks try to keep pace due to market positions, technology capex, talent acquisition capacity, and geographic shields, sub-scale banks are increasingly exposed to these competitive pressures.

Future Scenarios for Sub-Scale Banks

Scenario	Strategic Positioning	Likelihood of Survival	Business Viability Risk
Status Quo	Maintain current model; minimal digital and strategic change	Low	Very High
Niche Specialist	Focus on defensible client segments and specialized products	Moderate	High
Platform Participant	Integrate into larger ecosystems via partnerships and APIs	High	Moderate
Merge or Be Acquired	Consolidate to achieve scale, tech capacity, and talent pool	High	Low

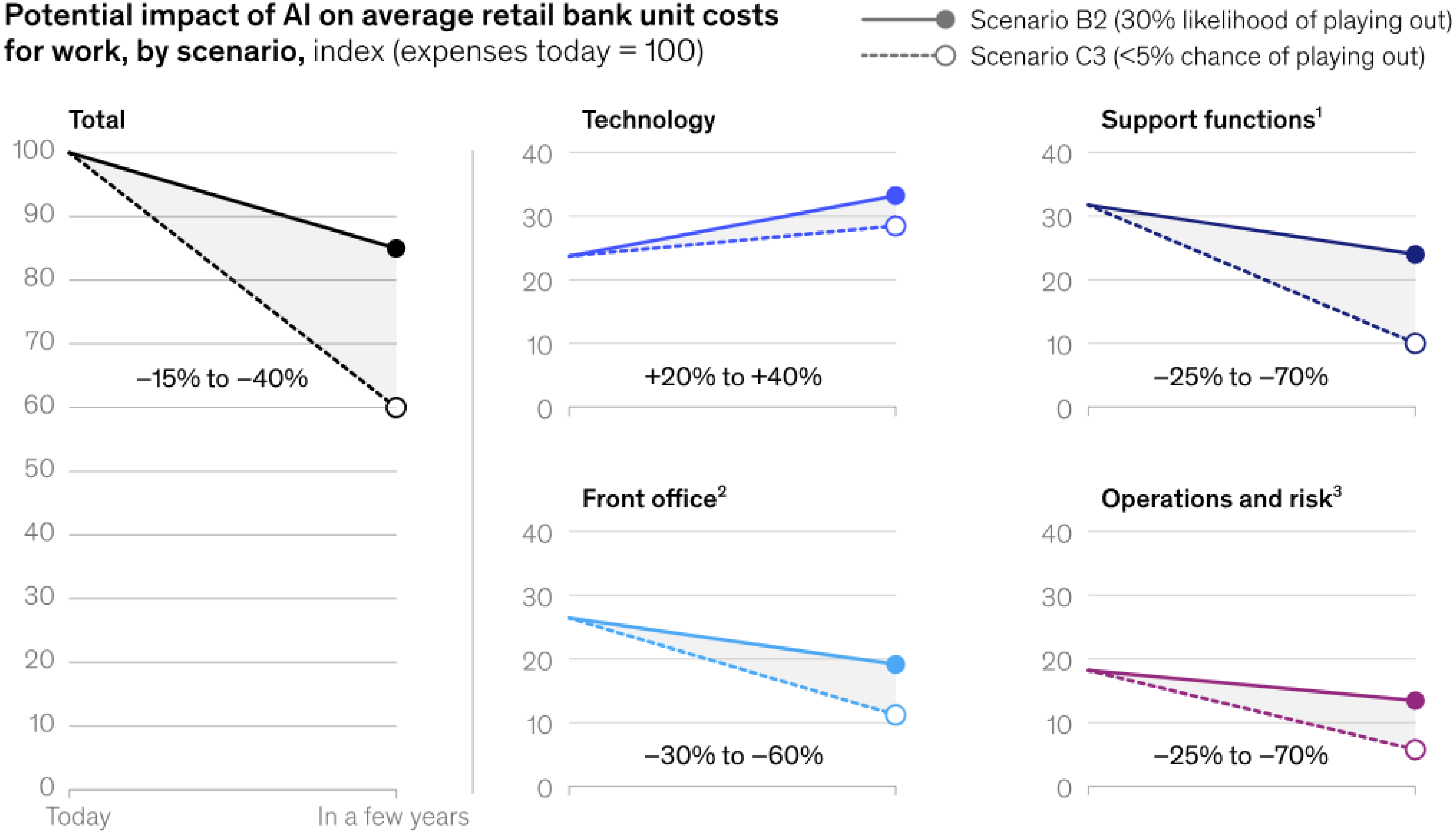
Management IQ will be the determining factor. Success in this transition demands bold, disciplined leadership with strategic vision, humility, and willingness to learn fast. Execution excellence, supported by focused investments in scale, technology, and talent, will ultimately separate the survivors from the rest.

Tyme bank - John Kane (CEO, MCA Asia)

- How you've built a digitally native bank across 3 markets (19 mil clients), what are your key products and why is your phygital operating model so unique?
- The credit risk of »tomorrow«: Can you tell us what's the gist of your Agentic AI risk scoring model and how you apply it in practice?
- How is this tied to your Operational Risk?
- In terms of risk, what are you afraid of?
- Any first hand advice for us, traditional bankers?

AI has the potential to lower banks' unit costs for work.

Potential impact of AI on average retail bank unit costs for work, by scenario, index (expenses today = 100)



[1] Includes business and product strategy, finance, HR, internal audit, legal, marketing, procurement, and real estate.
[2] Includes ATMs, branches, contact centers, corporate centers, correspondents, and direct sales staff.
[3] Includes credit collections, operations, and risk and compliance.
Source: Finalta by McKinsey; McKinsey analysis