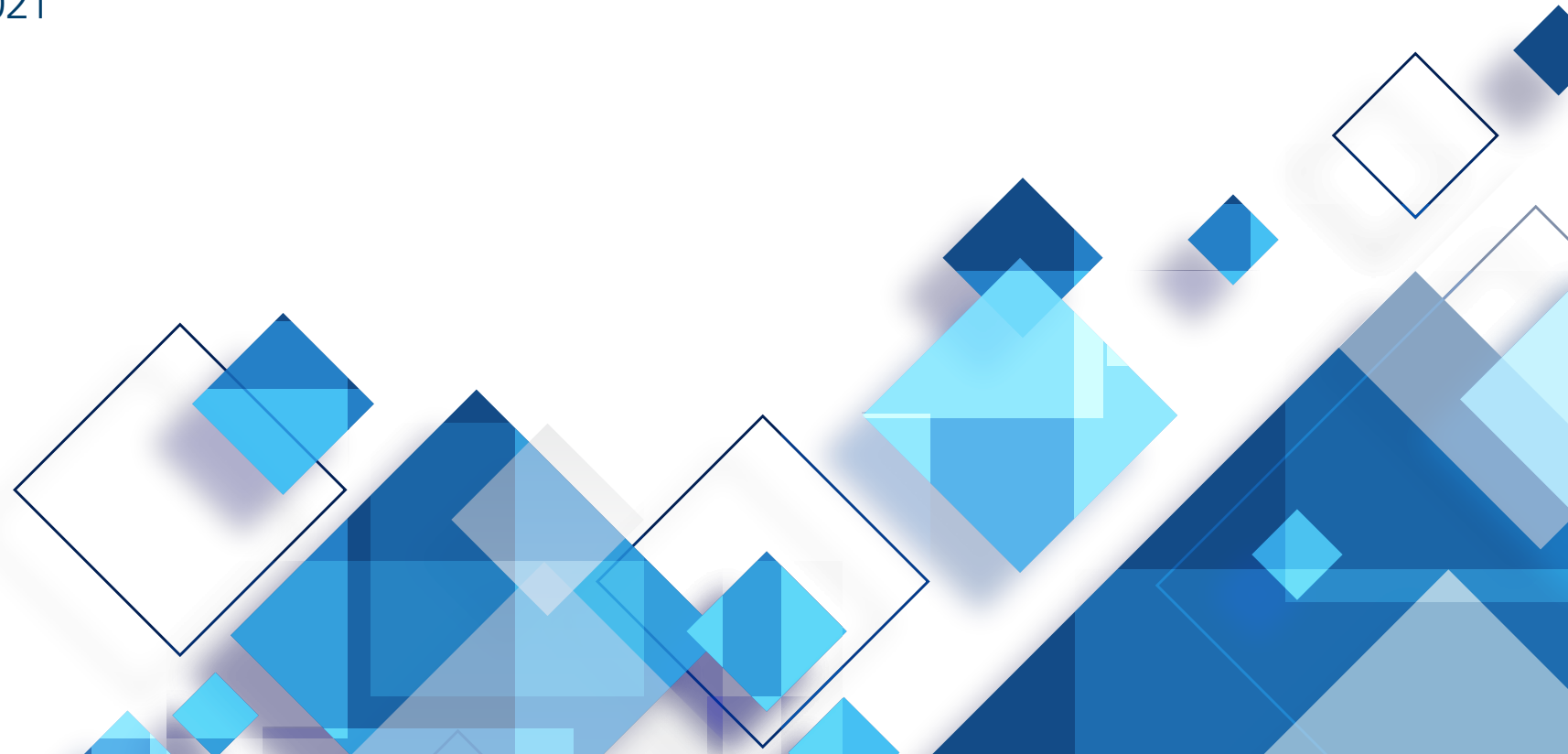


2021 FINANCIAL INSTITUTIONS C-SUITE SURVEY

Resiliency Reigns Supreme

Contents

- 1 Introduction
- 2 Key Findings
- 3 Financial Institutions in 2021
- 6 Product Development
- 8 Operational Efficiency
- 11 Future of Work
- 14 Contacts



Introduction

As with many businesses, the financial services industry was significantly impacted by the onset of the pandemic, and in a short period had to rapidly change the way it operates – both maintaining operations and engaging clients in new ways. Many of us have spent more than a year working under various forms of quarantine, lock down, and other restrictions. Given the extraordinary time we all live in, we thought that it was the right time to ask key market constituents (private banks and universal banks) about their thoughts on this period, and how it has changed their approach to business and their plans moving forward. The survey focuses on what the challenges were, the response, and how we all see new ways of working as we come out of the pandemic.

Who we surveyed:

32 global financial institutions across Europe, the Americas (U.S., Latin America, and Caribbean), and Greater China

In aggregate, survey respondents are responsible for more than

\$35 trillion of assets

56% are universal banks

44% are private banks

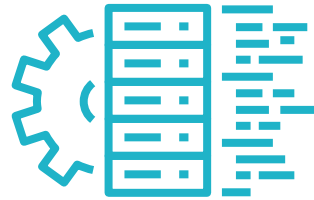


Key Findings



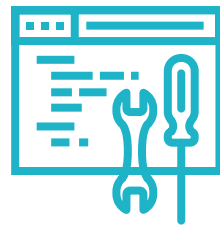
Banks have shown resiliency in the face of a multitude of challenges

Fee compression and near-zero interest rates are eroding revenue, while increasing regulatory requirements and evolving client expectations require investments to meet. Uncertainty around the economy and the future of work is compounding these challenges. But banks are responding in a multitude of ways.



Many banks are eyeing operational efficiency improvements to reduce costs and combat downward revenue pressure

Operational efficiency was a top concern among respondents related to the current environment. Several avenues are being pursued to optimize cost structures, including outsourcing, shared infrastructure projects, and increased focus on automation of manual tasks, spurred in part by lessons learned during a period of remote work.



Digital and data enhancements are a bright spot for efficiency gains

Digital automation and efficiency of product delivery is top of mind for many banks. 41% are targeting data and digital for efficiency improvements. 25% are shifting into new services, such as Alternatives, ESG, and Cryptocurrency.



Remote work has largely proven to be a success, however concern for staff well-being is high

18% said staff well-being is their number one concern. Leaders are seeking to understand how they need to adapt and evolve to assist and support their employees with work/life balance.



Real estate is seen as a top area (22%) to seek expense reductions

Given that nearly all of the respondents expect that remote work will continue in some form going forward, many are scrutinizing real estate expenses and individual role and responsibilities. This trend is opening new possibilities when it comes to recruiting talent, and the ability to extend beyond the local market.

Financial Institutions in 2021

For financial institutions, the past year has presented a series of significant obstacles. The early months of the COVID pandemic brought outsized volatility to the market during a period of fast-paced organizational change, while the early part of 2021 has been marked by the confirmation of vaccine rollouts with a goal to a return of normalcy. The ever-present challenges faced by banks in this environment are the economy, operational resilience, and regulatory changes in the short term – competition, fee pressures, rising technology costs, regulatory and compliance changes – have only intensified. While the move to remote work was seamless, staff morale and well-being remains a concern among those who are still working remotely.

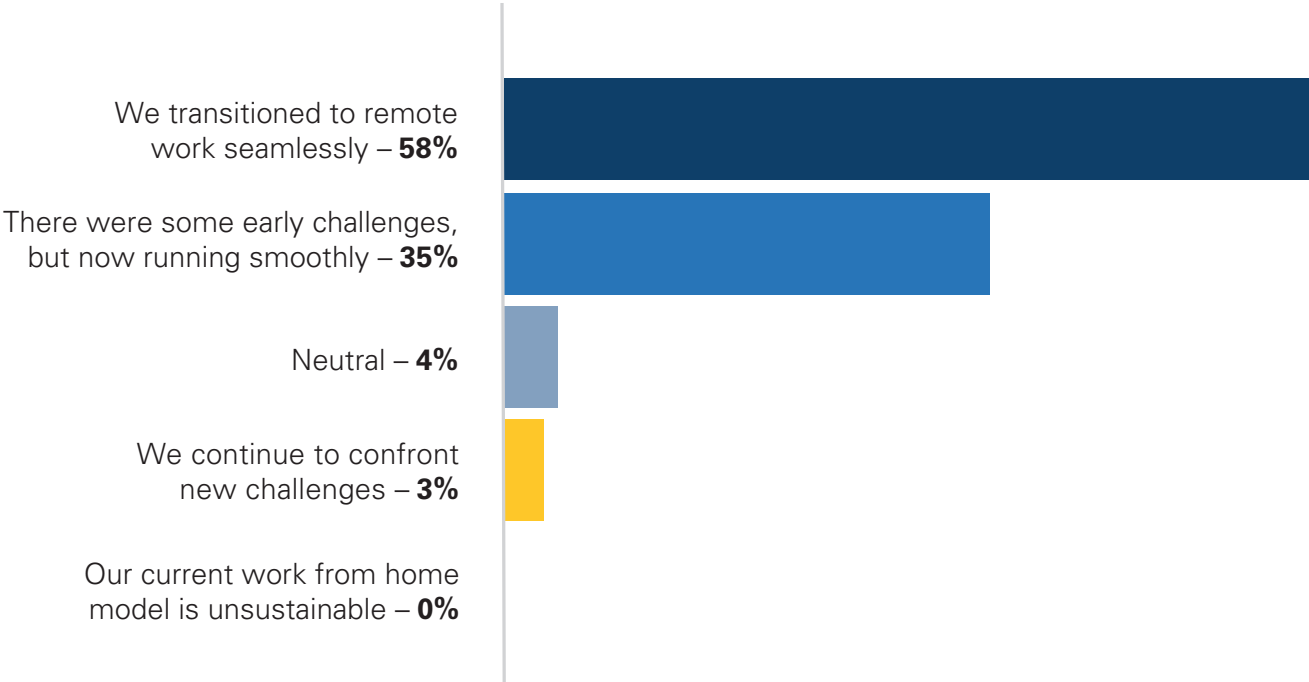
Employee well-being is the number one concern

What are your top concerns related to the current environment?

Staff Productivity/Well-being	Rank 1
Operational Resiliency	1
The Economy	2
Sales Efforts/Revenue Retention	2
Sustainability/ESG Considerations	3
Cybersecurity/Fraud	4
Diversity & Inclusion	5
Other	5

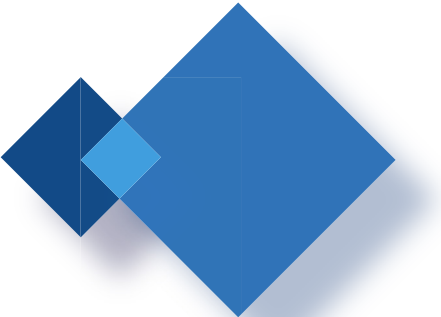
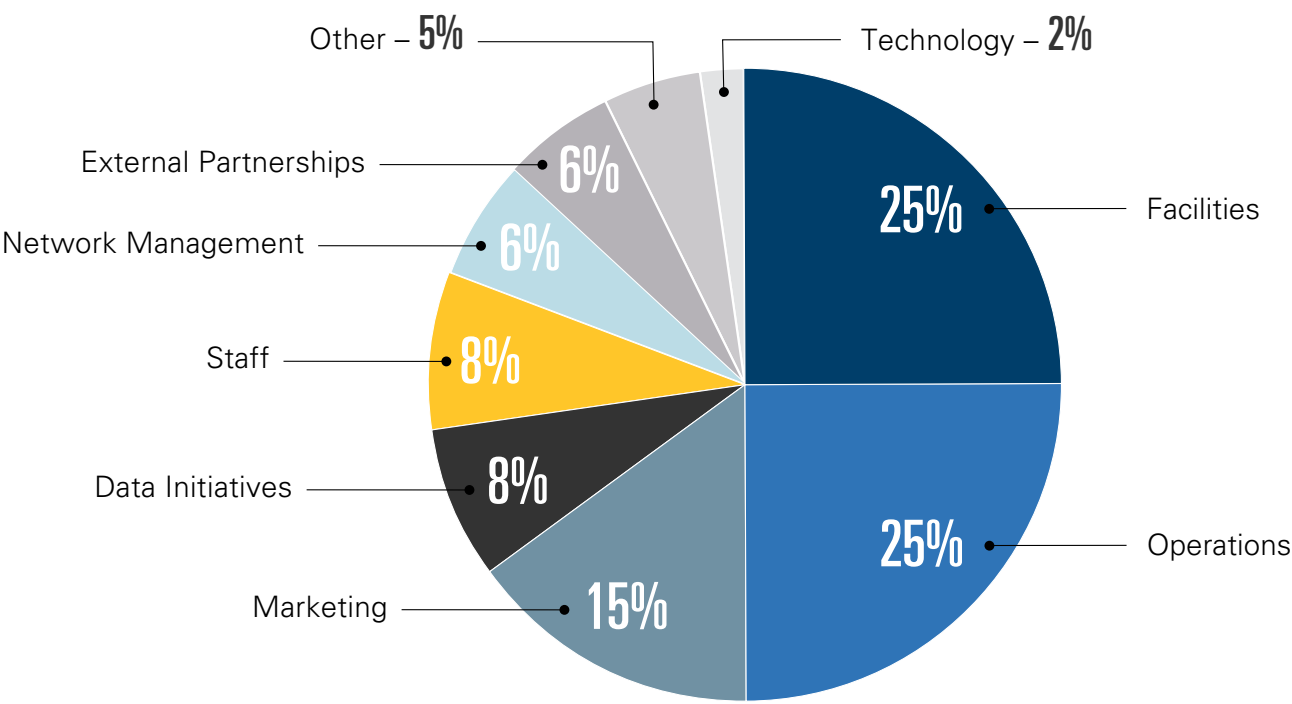
Remote work has been relatively seamless

How do you believe your firm has handled working remotely?



Real estate is in the cost cut crosshairs

What areas are you looking to reduce expenses the most in the next 12 months?





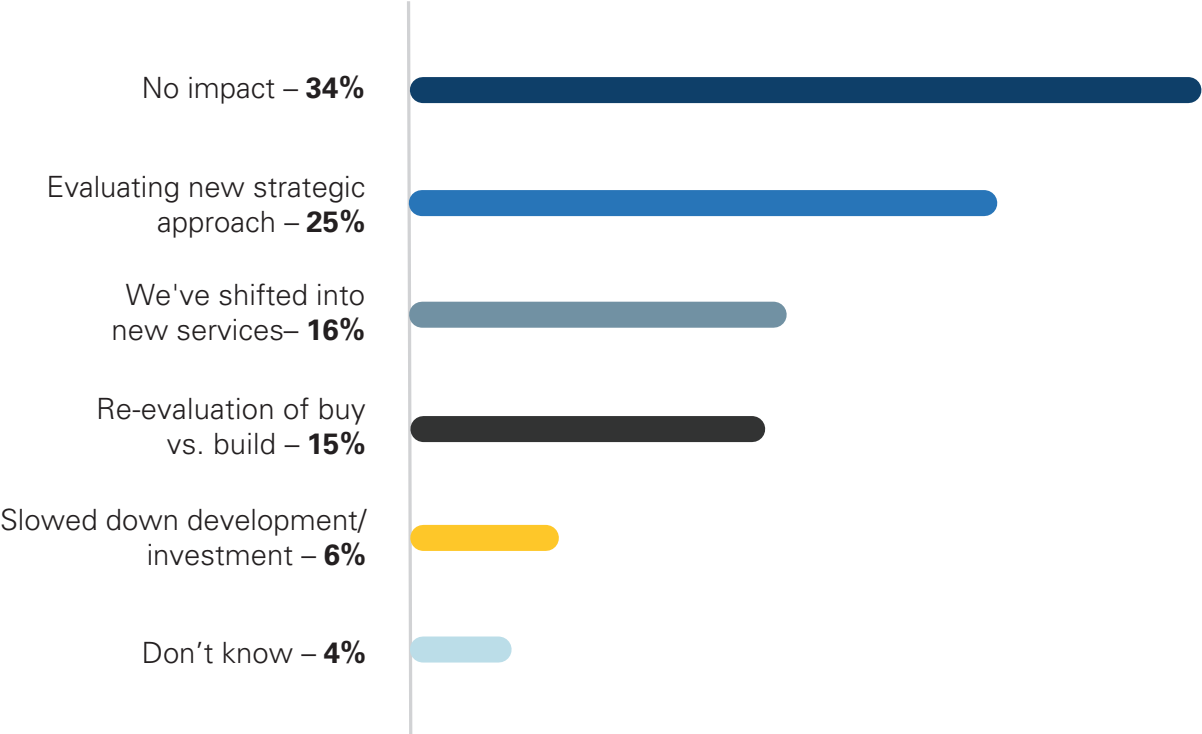
Product Development

It goes without saying that the past year has challenged the way banks operate. Like many industries, global banks were not immune to the widespread disruption of having nearly all their employees go remote overnight. Staff productivity, core technology, and even the way businesses interact with clients were all put to the test this year. But resiliency appears to be a common thread: Financial institutions swiftly embraced this new way of working, launching new products, seeking new distribution channels, and engaging with their investors in new ways.

To that end, investments in digital and data are seen as critical for the future to meeting client expectations. It's a competitive market, and transparency to information is key to the client experience of the future. Many pointed to client interface upgrades, along with internal-facing investments to increase automation and efficiency of product delivery. Data is the underpinning to many of these investments, as it is key to extracting the anticipated value. Clients are seeking data on a real time basis, with the flexibility to customize and consume it in the way they want. Further, Asset Owners have a significant amount of cash on hand, and are pushing to deploy it into new asset classes and strategies, such as alternatives and ESG, which often requires corresponding investments in people and technology. To a lesser extent, cryptocurrency is also a subject of interest. Along with new product development, many also pointed to their continued focus on client relationships as a key part of their offering.

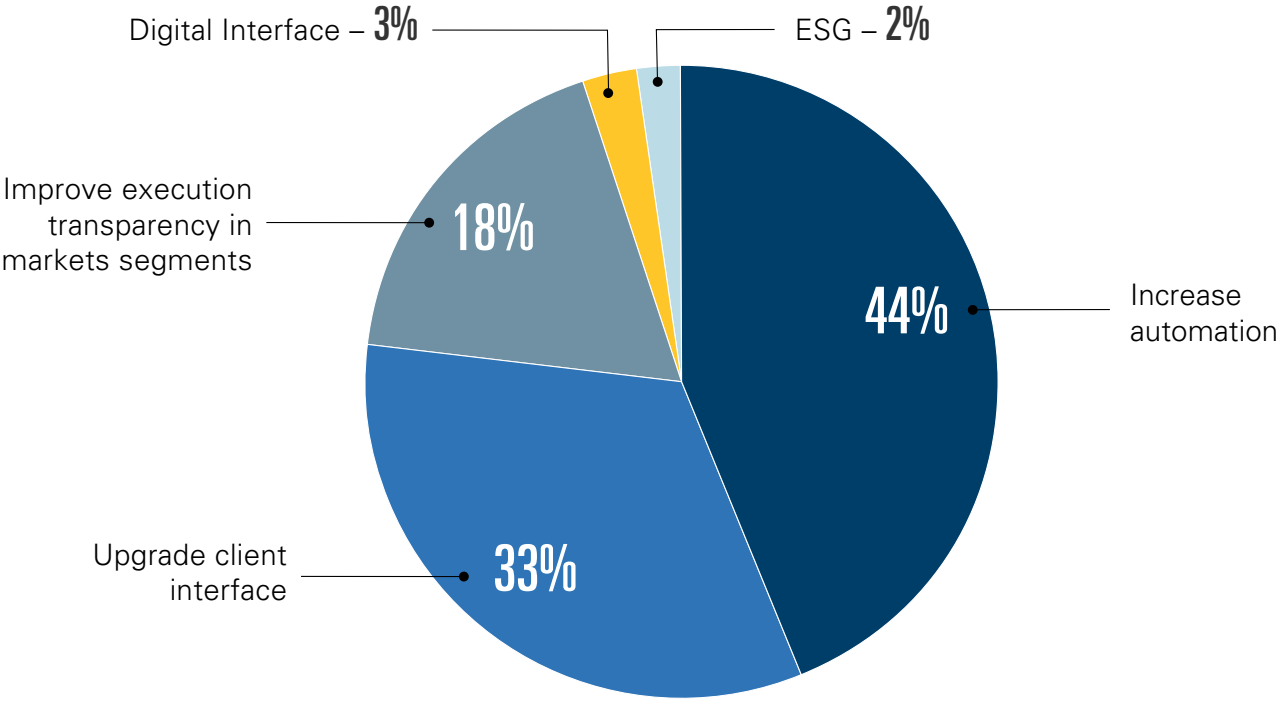
Many are evaluating new strategies

How has your product development strategy changed as a result of the current crisis?



Automation is top of mind

How are you planning on increasing performance of your existing products?





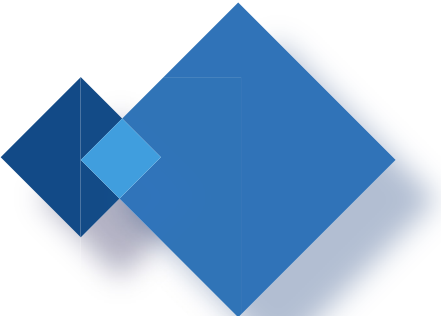
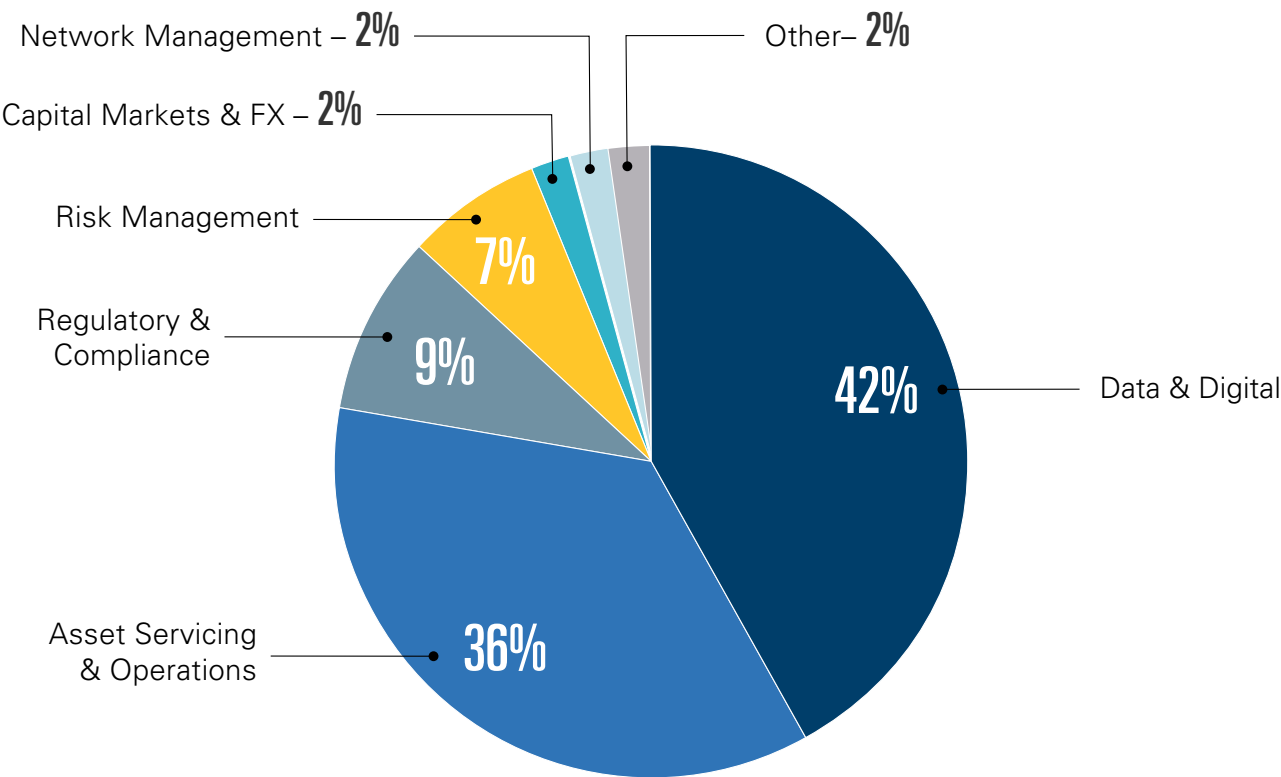
Operational Efficiency

To address eroding margins, and ready themselves for expansion into more complex products, financial institutions are naturally looking to automation and digitization to optimize costs and enable efficiency. Among surveyed respondents, real estate also presents a significant opportunity to mitigate expenses, given the expectation that a greater percentage of the workforce will spend at least some time working remotely. The remote work environment has also highlighted gaps in existing processes, which may have been less apparent in the office, but came to the fore when working remotely. Tactical projects which target specific processes for automation can be more manageable and faster to implement in the current environment, paying dividends more quickly.

Outsourcing has been a growing trend in recent years as firms seek to replace fixed costs and legacy infrastructure with access to specialist providers who can deliver expertise and scalable technology. 32% of respondents are more likely to consider outsourcing functions than they were a year ago. Whether seeking a new outsourcing arrangement, or aiming to rationalize an existing service provider ecosystem, identifying the right partner is critical. Regulatory expectations are also a key factor when considering the optimal model, along with the approach to oversight, which can become more streamlined with a limited number of key partners providing support across a spectrum of business processes.

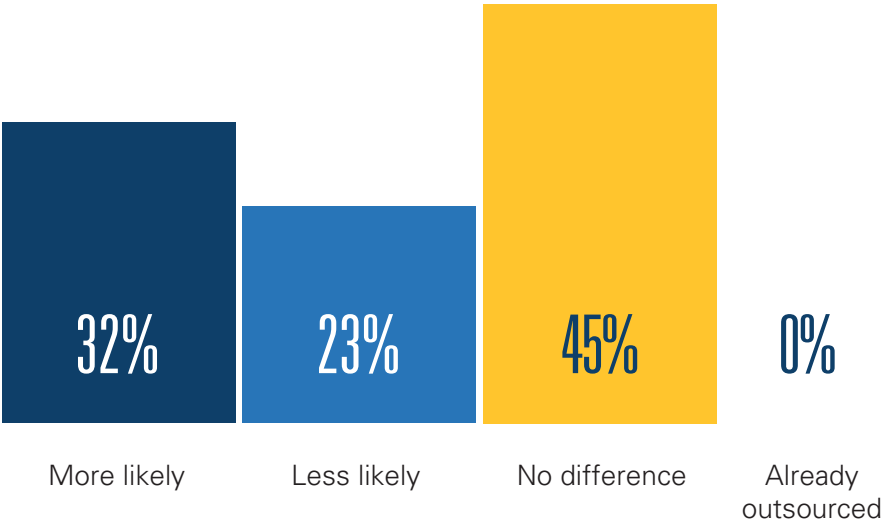
Data and digital is top of mind

Which areas are you most likely to target for operational efficiency improvements?



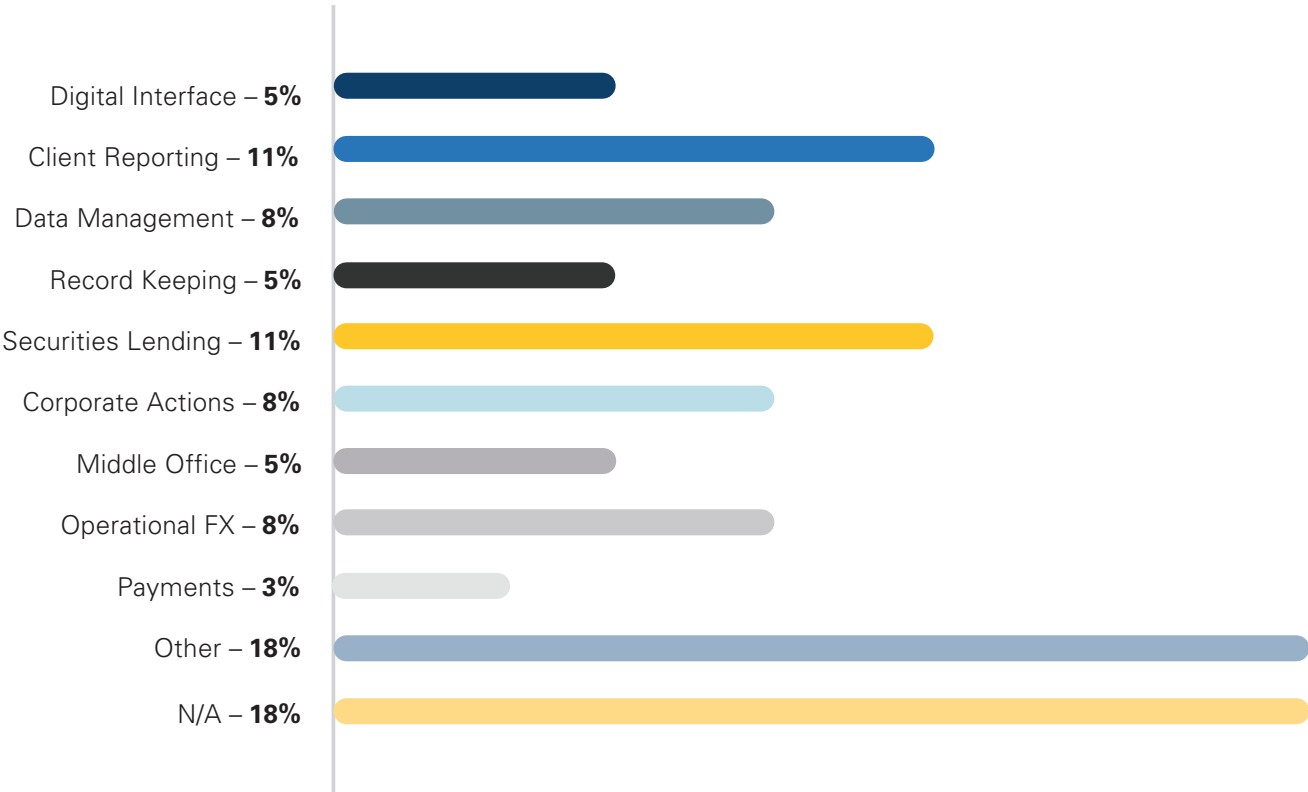
Many are considering outsourcing

Are you more or less likely to consider outsourcing functions than one year ago?



What they will outsource varies

If more likely, what areas are you most considering outsourcing?



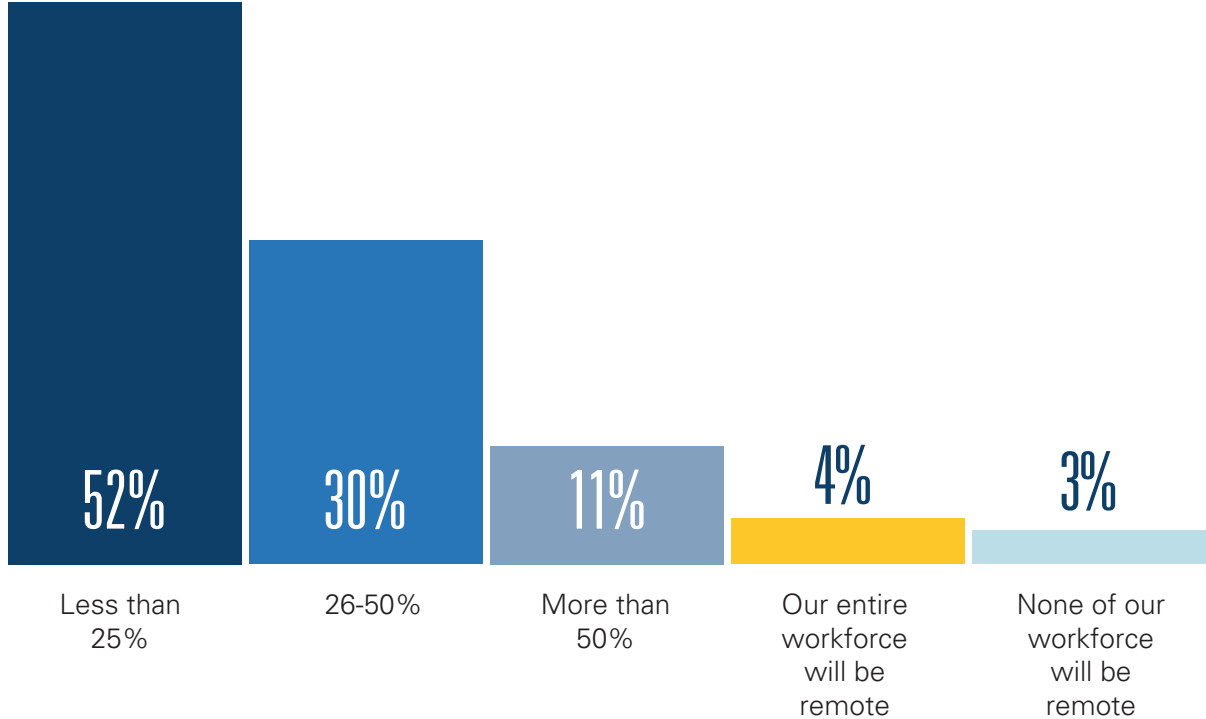
Future of Work

2020 saw the world change seemingly overnight. With little time to prepare, firms successfully adapted across the globe and sent their entire workforces home to work remotely. Business continuity plans (BCP) were tested to an extent that few could have foreseen. And while the learning curve was steep, Universal Banks and Private Banks quickly acclimated to the new work environment. Ultimately, this shift has helped to propel our industry into the future.

Remote work has become more the 'norm'; however, Private Banks recognize that to perform their business, they need to be in proximity to clients. Firms will be challenged to evaluate their operating models, ingrained into the culture of the industry and digital sales strategies have adapted to the constraints of social distancing. It stands to reason that many of these changes will persist long after this era. Most banks recognize that to organically grow their future talent, the office environment and flexibility must be considered, while balancing the importance of each firm's unique culture and business model.

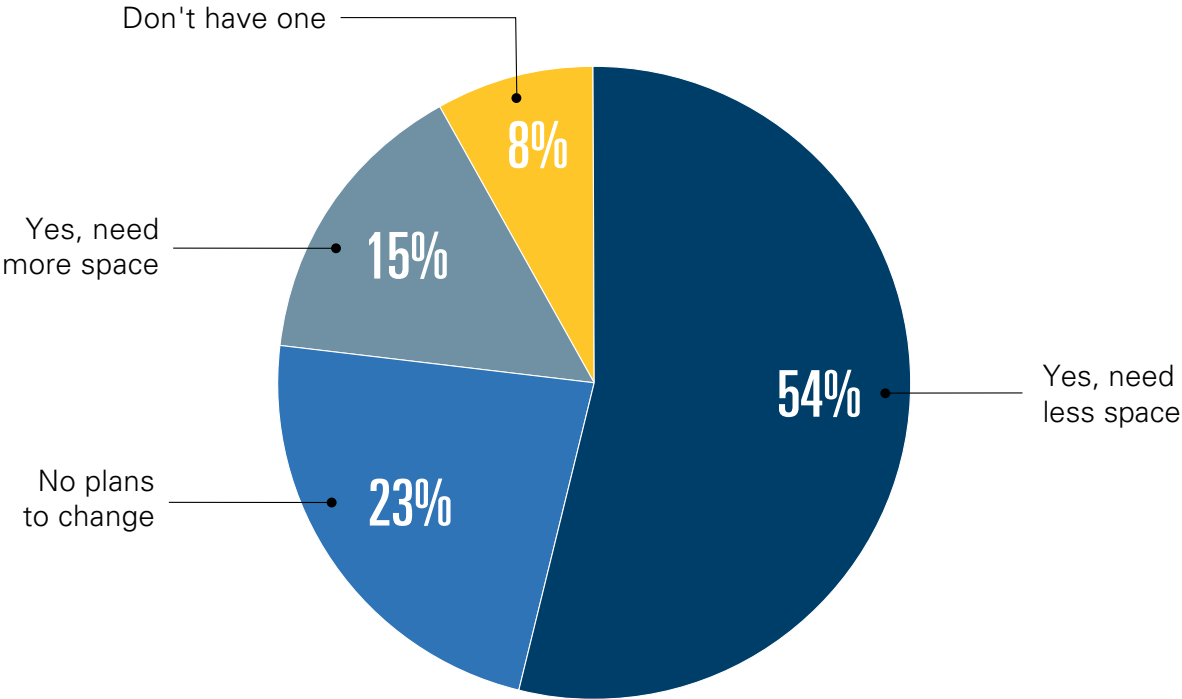
Remote work could be here to stay

What percentage of your workforce do you expect to work remotely in the future?



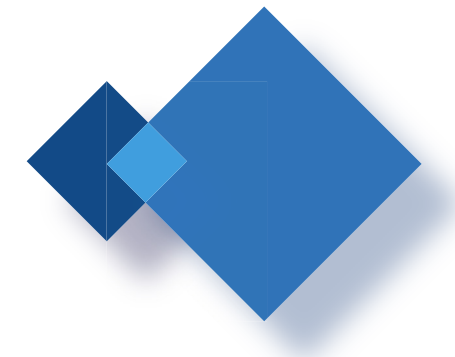
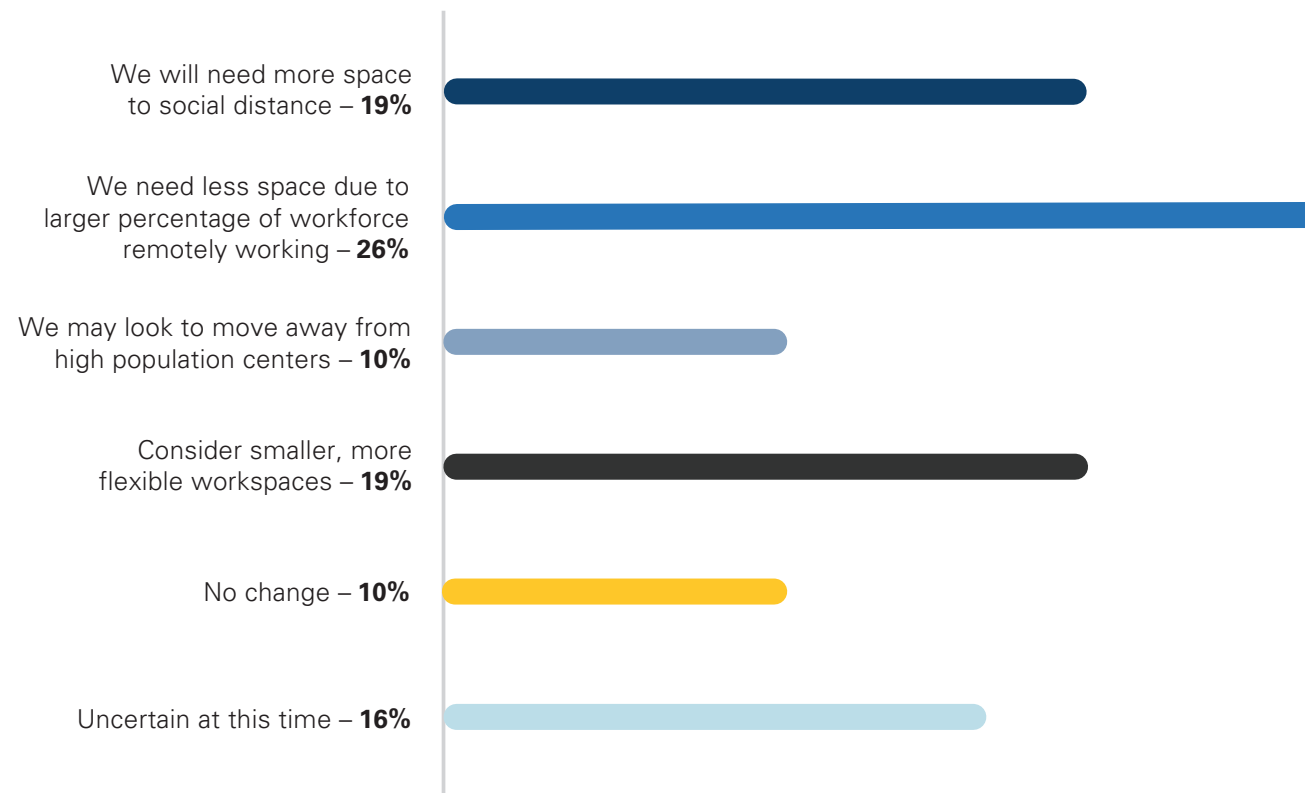
Virtual BCP is the new norm

If you have an emergency BCP site, do you have plans to change your footprint?



Banks are re-imagining the workplace

How will your real-estate plans/office layouts change in the next year?



Contacts



Geoffrey Cook
Partner, London
geoffrey.cook@bbh.com



Sam Zhao
Managing Director, Hong Kong
samuel.zhao@bbh.com



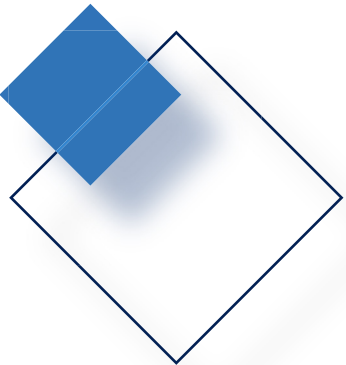
Karen Jackson
Senior Vice President, London
karen.jackson@bbh.com



Yoshifumi Nakajima
Senior Vice President, Tokyo
yoshifumi.nakajima@bbh.com



Cate Dawson
Senior Vice President, Boston
catherine.dawson@bbh.com



For the latest insights visit:

EXCHANGE
THOUGHTS

[BBH.com/exchangethoughts](https://bbh.com/exchangethoughts)

ON THE
REGS

OnTheRegs.com

Mind on the
Markets

MindontheMarkets.com

LinkedIn®

[Brown Brothers Harriman](https://BrownBrothersHarriman)

 BROWN BROTHERS HARRIMAN

NEWYORK BEIJING BOSTON CHARLOTTE CHICAGO DUBLIN GRAND CAYMAN HONG KONG JERSEY CITY KRAKÓW LONDON
LUXEMBOURG NASHVILLE PHILADELPHIA TOKYO WILMINGTON ZÜRICH [WWW.BBH.COM](https://www.bbh.com)

Brown Brothers Harriman & Co. ("BBH") may be used as a generic term to reference the company as a whole and/or its various subsidiaries generally. This material and any products or services may be issued or provided in multiple jurisdictions by duly authorized and regulated subsidiaries. This material is for general information and reference purposes only and does not constitute legal, tax or investment advice and is not intended as an offer to sell, or a solicitation to buy securities, services or investment products. Any reference to tax matters is not intended to be used, and may not be used, for purposes of avoiding penalties under the U.S. Internal Revenue Code, or other applicable tax regimes, or for promotion, marketing or recommendation to third parties. All information has been obtained from sources believed to be reliable, but accuracy is not guaranteed, and reliance should not be placed on the information presented. This material may not be reproduced, copied or transmitted, or any of the content disclosed to third parties, without the permission of BBH. Pursuant to information regarding the provision of applicable services or products by BBH, please note the following: Brown Brothers Harriman Fund Administration Services (Ireland) Limited and Brown Brothers Harriman Trustee Services (Ireland) Limited are regulated by the Central Bank of Ireland; Brown Brothers Harriman Investor Services Limited is authorised and regulated by the Financial Conduct Authority; Brown Brothers Harriman (Luxembourg) S.C.A is regulated by the Commission de Surveillance du Secteur Financier. All trademarks and service marks included are the property of BBH or their respective owners. © Brown Brothers Harriman & Co. 2021. All rights reserved. Data as of March 30, 2021. IS-07217-2021-04-16 20210498