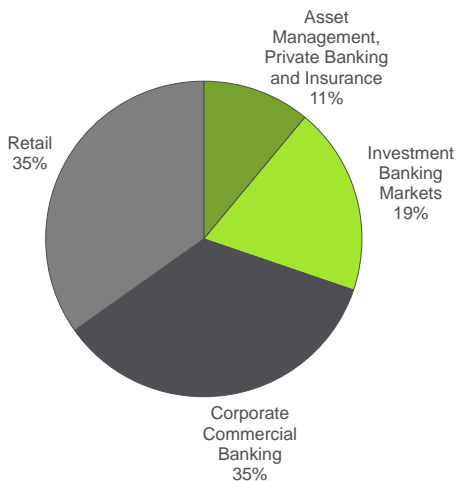
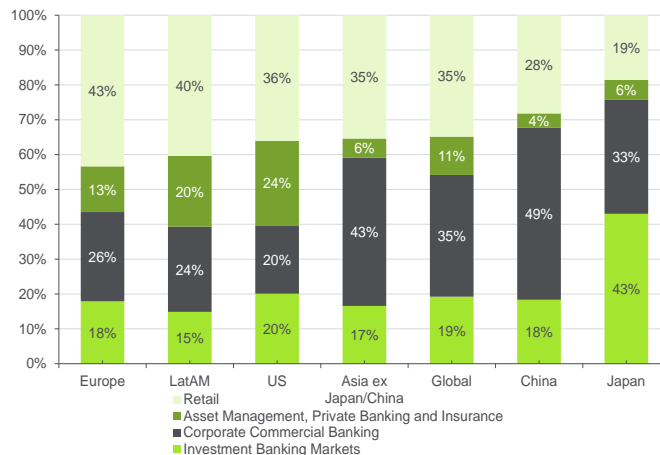


Figure 20. Global Banks – Profit Split by Business Segments



Source: Company Reports and Citi Research Estimates

Figure 21. Banks Profit Split By Region



Source: Company Reports and Citi Research Estimates

but most of the FinTech competition has been in the relatively new ecosystem of e-commerce

And is there good news? So far, most of the market value in FinTech has been created by companies that are embedded in the still relatively new ecosystem of e-commerce, such as Alipay in China or PayPal in the US. For banks in many countries, this is an opportunity lost rather than a loss of existing earnings. The payment segment is only ~7% of the income of our sample of leading banks, with personal/SME payments only half of that share.

Of course, as e-commerce grows (two of the three largest retailers in the world by market are online companies) banks are giving up future growth opportunities. In addition, while the current profit loss may be small, letting other intermediaries get in between the bank and their clients opens up risks for the future.

Figure 22. Global Banks Profit Breakdown By Product and Customer Segments

	Payments	Savings and Investment	Lending	Capital Markets	Overall
Personal/SME	4%	12%	29%	1%	46%
Corporate	3%	6%	21%	5%	35%
IB/Markets	0%	3%	6%	10%	19%
Overall	7%	21%	56%	16%	100%

Source: Citi Research Estimates; Based on the banks under Citi coverage; The profit split by customer segments are based on company reports or analyst estimates; the profit is then allocated across products; the profit splits by product segments is estimated base on selected banks that discloses revenue splits by products.

### Digital Disruption Tipping Point

On other industries, there has been a 44% share-shift from physical to digital business models over a 10-year period

Time and again, we have seen digital disruption fundamentally erode value across many industries including: music sales, video rentals, travel booking, and newspapers. In each of these cases, incumbents either transformed or became marginalized. According to Citi’s Digital Strategy team, digital disruption in these industries resulted on average in a 44% share-shift from physical to digital business models over a 10-year period. Further, digital disruption accelerates over time – market share shifts gradually (~1.6%/year) until an inflection point around year 4 when traditional share declines rapidly accelerate to >6% per year. (Figure 23)