

# New trends in Payments, AI & Banking

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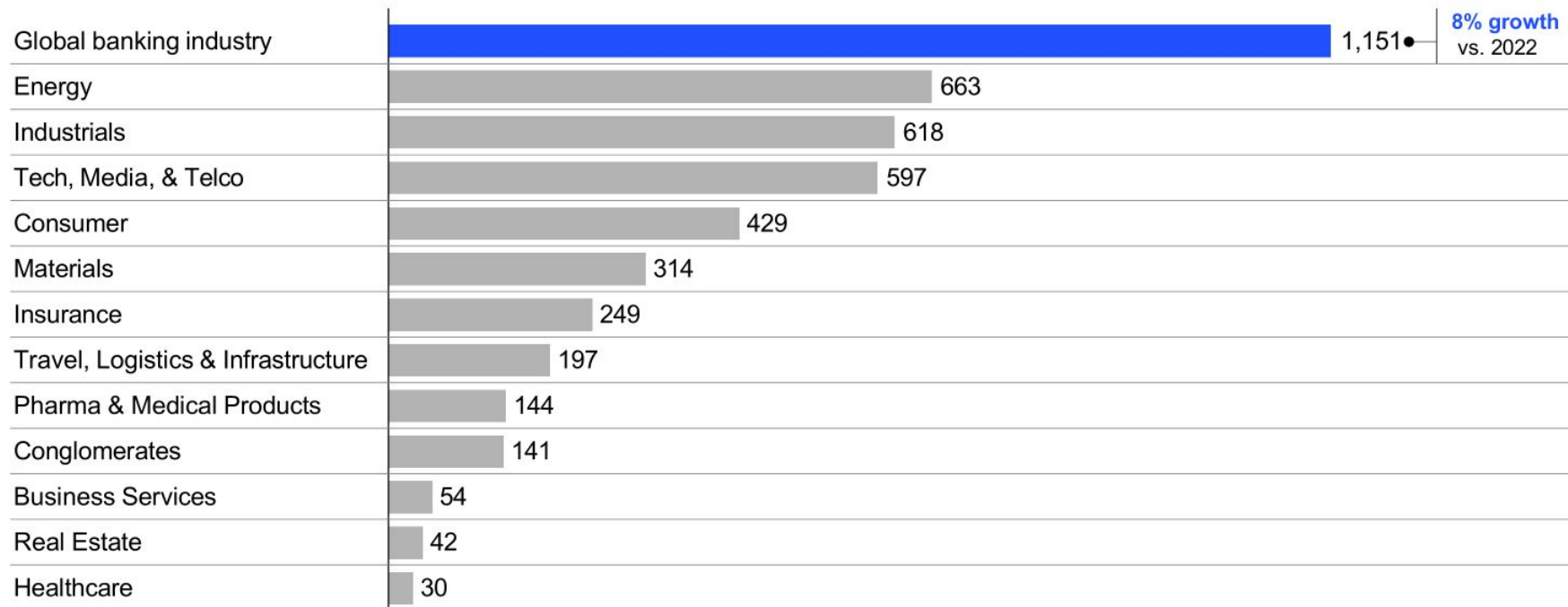
25<sup>th</sup> February 2025



# The global banking industry in 2023 generated \$1.15 trillion in net income, roughly the combined energy and industrials industries

## Net income by industry of publicly-traded companies<sup>1</sup>

2023, US\$ billion



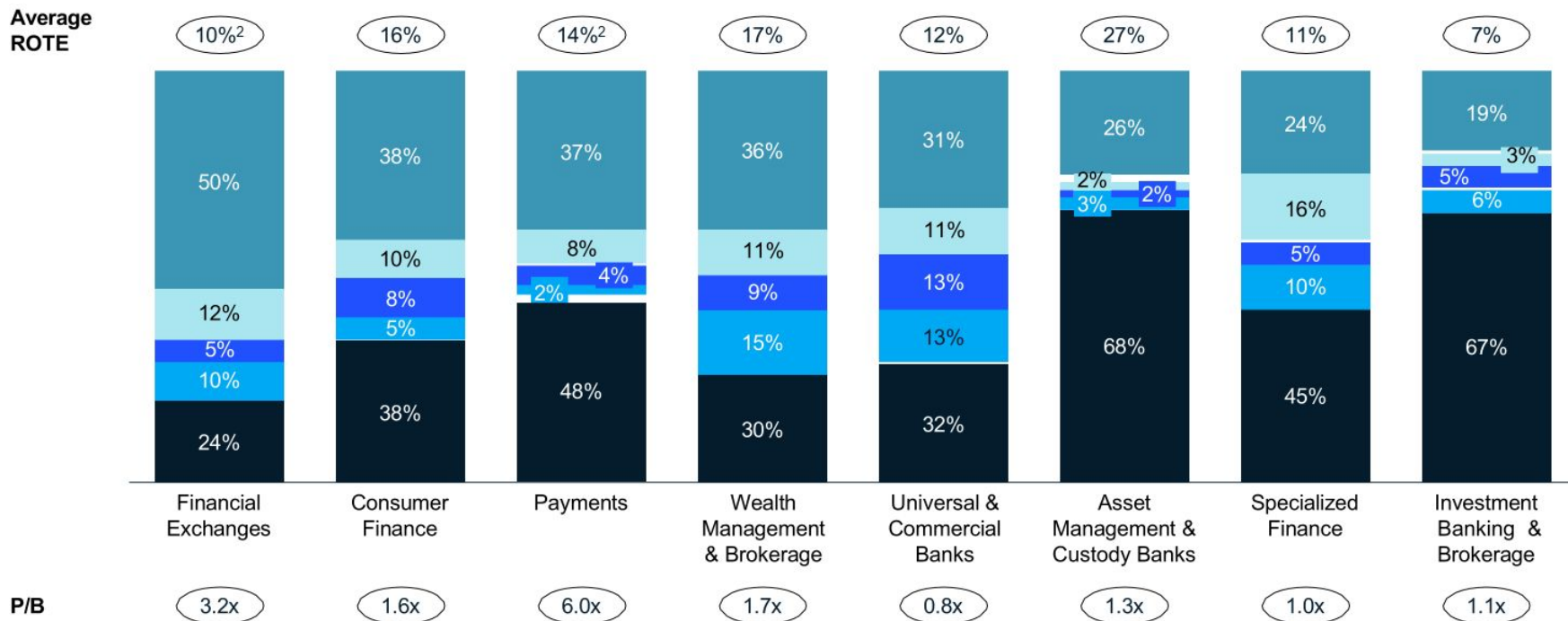
<sup>1</sup>. Based on ~35k publicly traded companies

Source: McKinsey Value Intelligence, McKinsey Panorama

# However, the performance varies across and within sub-sectors of the banking industry

■ ROE <8% ■ 8% to <10% ■ 10% to <12% ■ 12% to <14% ■ ROE 14% and above

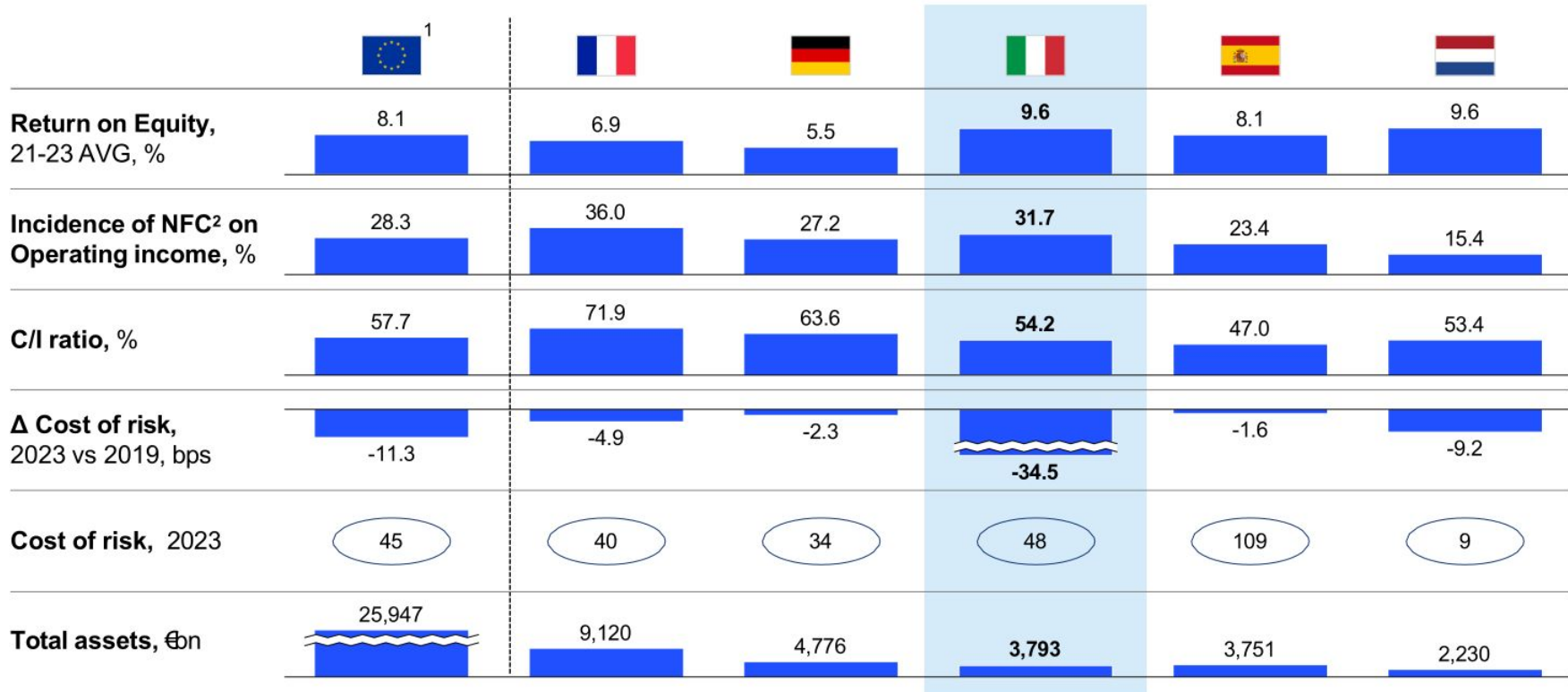
Distribution of financial institutions by ROTE<sup>1</sup>, % of total institutions 2023



1. Based on ~2k financial institutions | 2. Indicates ROE, considering that substantial goodwill in the segment results in negative tangible equity

# Within Europe, the Italian banking industry shows the best ROE performance...

FY23



1. Referred to Euro Area countries | 2. Net Fees and Commissions

Source: For EU countries ECB data (consolidated), for Italy: Bank of Italy



# A | Several key trends will shape payments digitalization's revenue growth in the next 5 years

x. Detailed next    ↑ Supporting revenue growth    ↓ Impacting revenue growth    ● Limited relevance    ● Significant relevance

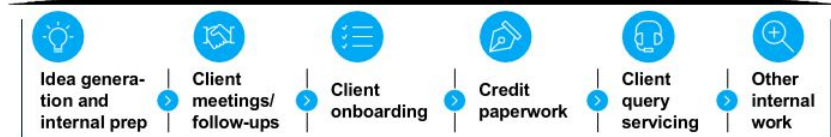
Key trends		Industry impact	Potential strategic posture <sup>1</sup>	Relevance in Europe
<b>1.</b> Decline of cash usage will slightly <b>slow down</b>	↓	Digital payment <b>growth</b> continuing at a <b>slower pace</b> , selected geographies hold <b>consistent cash conversion rates</b>	Increased focus on <b>organic growth</b> (e.g., increased commercial focus, VAS)/ <b>market expansion</b> as <b>industry tailwinds diminish</b>	●
<b>2.</b> Platforms will continue to <b>take share</b> from incumbents	↑	<b>Platforms</b> (e.g., ISVs, marketplaces) supporting <b>digitization of the economy</b> and increasing <b>digital payments volumes</b> , but potentially disintermediating traditional players	<b>Development of dedicated platform proposition</b> (e.g., proprietary ISV offering, enablement of platforms/ ISVs as a partner) in order to <b>capture</b> part of the <b>volume growth</b> and <b>limit disintermediation</b>	●
<b>3.</b> B2B payments will navigate towards a <b>fully digitalized model</b>	↑ ↑	Opportunity to <b>increase SoW on SMEs/ large merchants spend</b> , catering to needs which are currently not well addressed by banks	Creation of <b>integrated B2B payments propositions</b> (e.g., cash forecasting, fraud) to <b>expand the TAM</b> and <b>accelerate large merchants' growth</b>	●
<b>4.</b> A2A APMs will be <b>catalyzed by instant payments</b> and growing adoption of <b>digital public infrastructures</b>	↓	Bypassing of traditional rails, with potential <b>impact on card-related revenues</b> in <b>countries with established electronic payments ecosystems</b>	<b>Assessment</b> of potential <b>instant payments solutions</b> deployable in <b>core markets</b> , with a <b>"defensive" approach</b> (i.e., shaping the market before the arrival of attackers/new entrants)	●
<b>5.</b> Prioritizing the <b>fight against financial crime</b>	↑ ↓	<b>Increase in cost burden</b> to manage with additional fraud risk, with <b>emergence of solutions with value for merchants</b>	<b>Consolidation of fraud/ risk management capabilities</b> and development of <b>solutions</b> offered to <b>merchants/industry players</b>	●

Based on expected materiality of economic impact in Europe

1. For legacy traditional players (e.g., banks, PSPs)

# B | GenAI will revolutionize the entire value chain of Banking through the implementation of several use cases

## "GenAI-powered" banker value chain



### 1 GenAI knowledge platform *• Detailed next*

2



#### Semi-auto pitch preparation

Semi-automatically **prepare** selected **proposals' building blocks**, by leveraging latest Client data and public info

3



#### Tailored commercial insights

**Suggest Client-specific actions** to bankers by analyzing companies and markets' insights

4



#### In-call "live" co-piloting

Shape **preliminary responses** to **steer live Client calls** based on product offering, previous Q&A, policies and past Client log

5



#### Post-call insights generation

Generate **Client call assessments** and **summarization** into actionable commercial next steps

6



#### Virtual on-call expertise

Provide a 24/7 "**virtual SME**" bot to **answer spot questions** (of Bankers and potentially to Clients) – trained on prop know-how, Client data, "live" news feeds and/ or latest public information

7



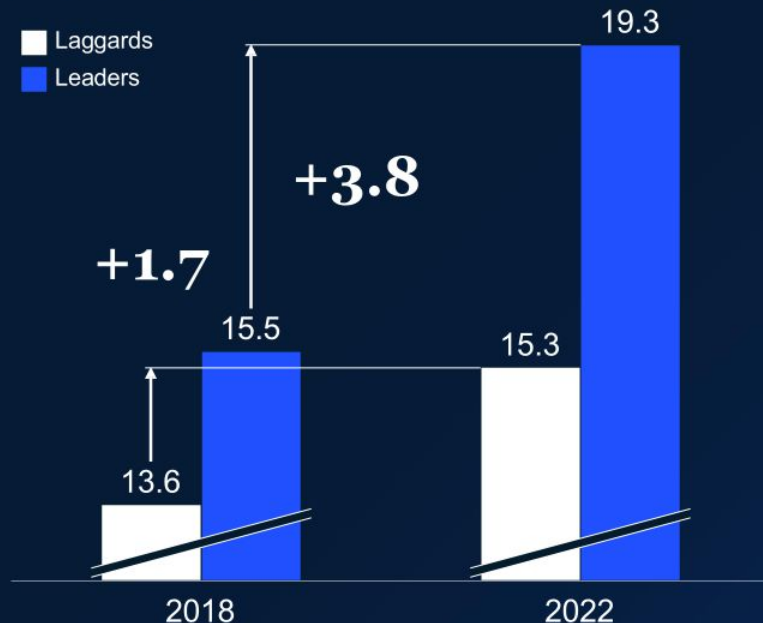
#### Drafting of "internal docs"

Semi-automatically **write, fill or interpret technical docs** (e.g., KYC, Credit memo, ESG memos) based on deal info/ term sheets

# F | Digital Leaders are monetizing their competitive advantage, while the gap between leaders and laggards is growing over time

## RoTE

Adjusted pre-tax Return on Tangible Equity peer group average (%)



## What explains the gap?



Higher **adoption** of **digital channels**



Higher levels of **personalization** and **analytics-driven engagement**



Superior **customer experience** driving higher share of wallet and primary relationship



Higher share of **sales** through **digital channels** (gap is expanding)



**Lower cost-to-serve** through optimized combination of physical, remote/hybrid and digital



BANCA D'ITALIA  
EUROSISTEMA

# Technological innovation in banking

Rome – 25 February 2025

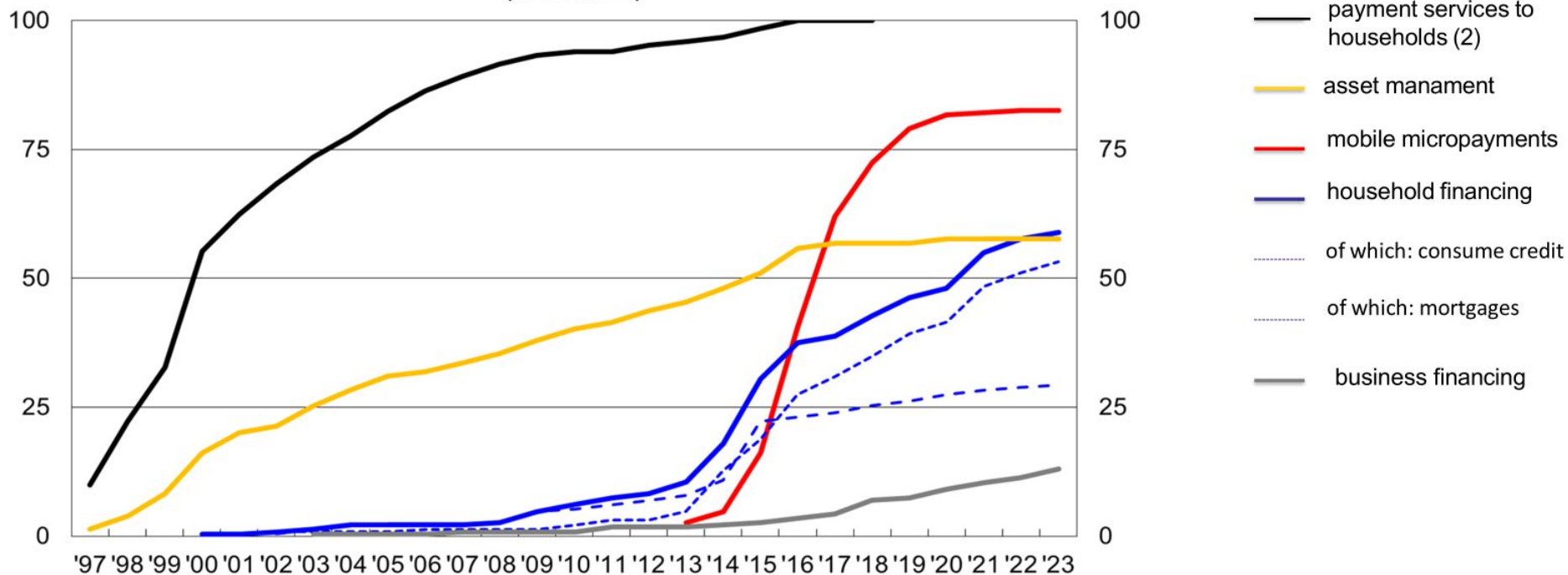
**Ilaria Supino**

Bank of Italy – Financial Stability Directorate



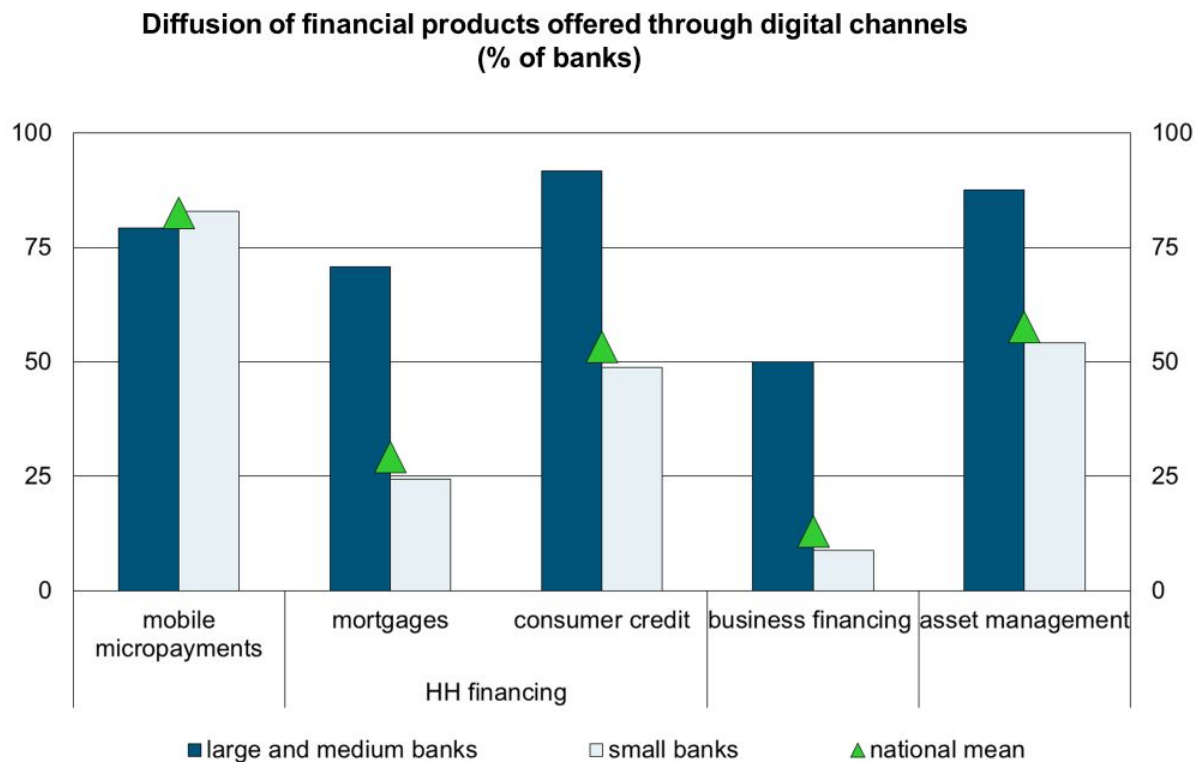
# Over the past decade, banks have continued to expand the digital services they offer...

Diffusion of financial products offered through digital channels  
(% of banks)



Source: Regional Bank Lending Survey. Data collected until 2018.

....especially larger ones...



Source: Regional Bank Lending Survey. Data from 2022.

# Web-mobile apps, AI, and APIs are the main focus of fintech projects.

**Half of the projects  
are focused on:**

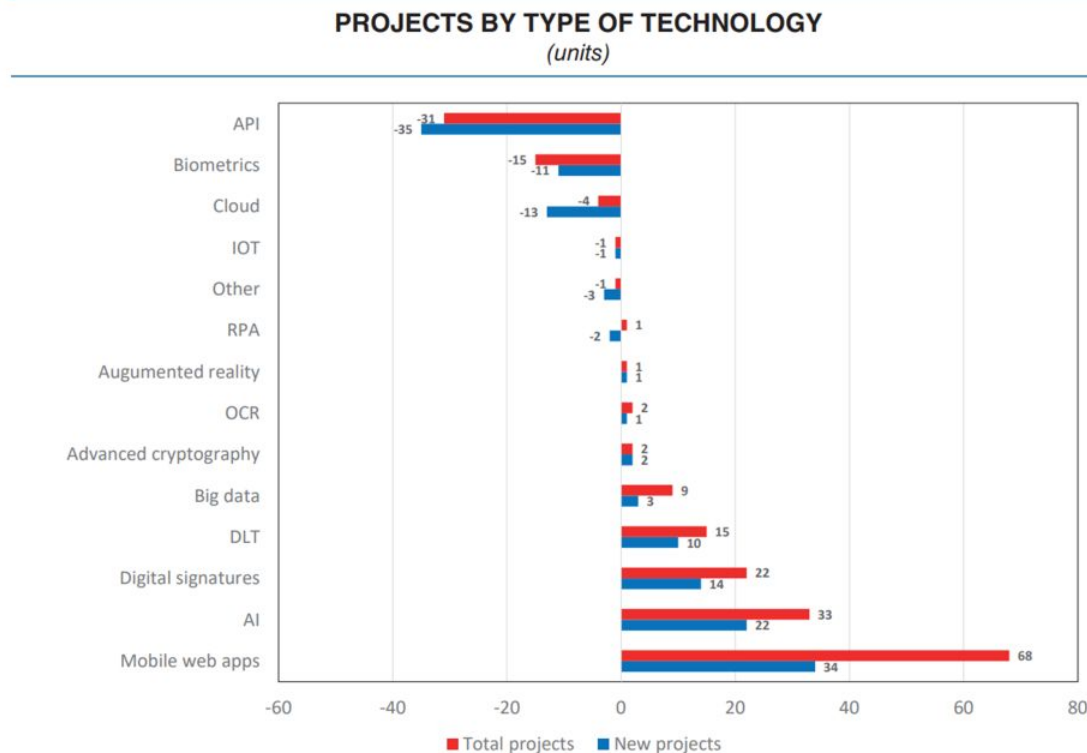
Web-mobile apps (20.5%)

AI (16.5%)

APIs (14.9%)

Other: cloud computing, digital  
signatures, DLT-Blockchain, big data,  
advanced analytics

Web-mobile apps and AI  
continue to grow.



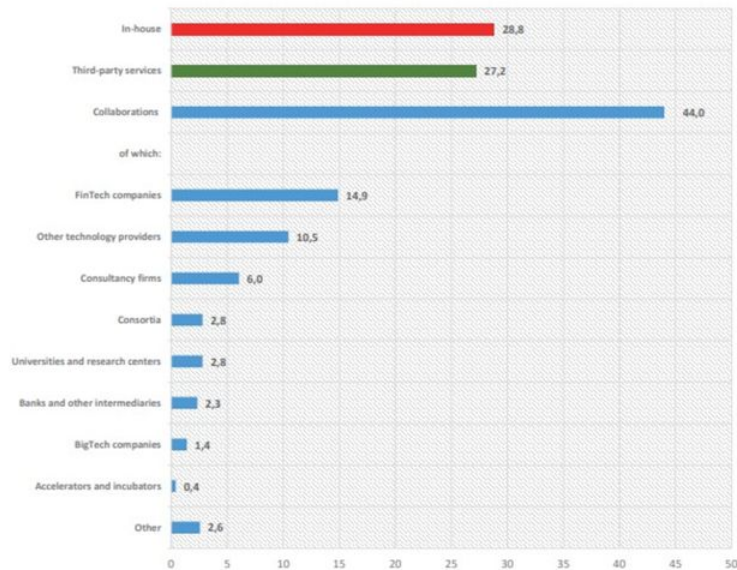
Source: [Indagine Fintech Banca d'Italia](#) (2024)

Note: Variations in the number of projects compared with the previous survey.

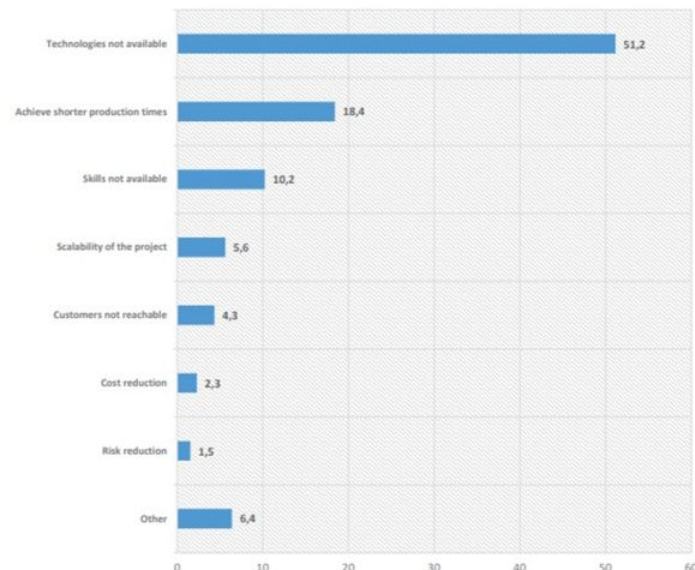
# Banks are increasingly partnering with new operators, including fintech firms.

## NUMBER OF PARTNERSHIPS (per cent)

METHOD OF REALIZATION  
Project (a)



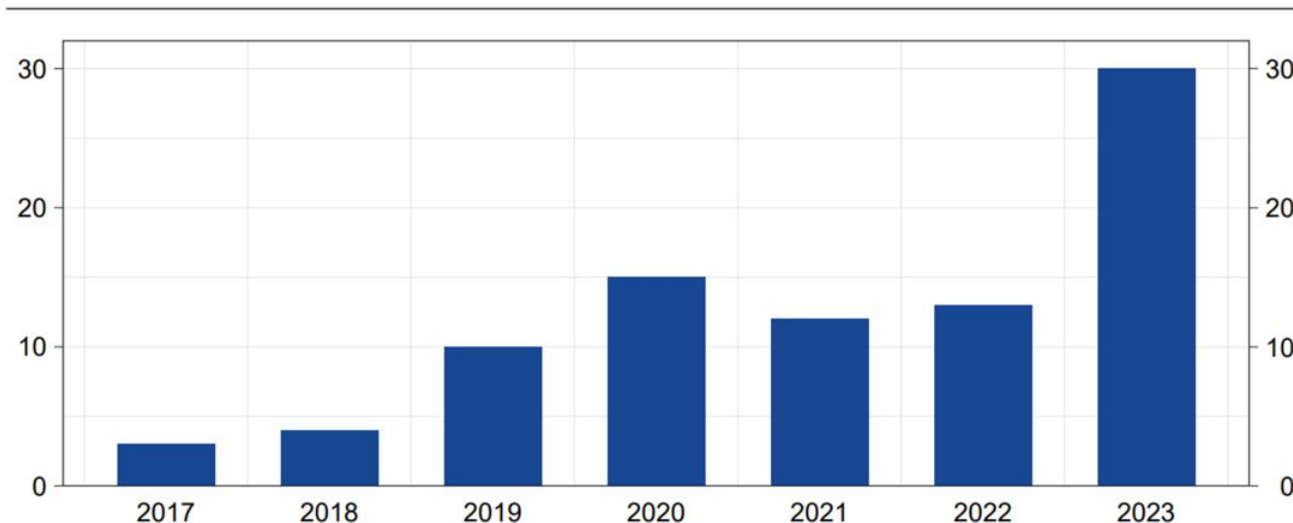
REASON FOR PARTNERSHIP  
Projects (b)





# As technology advances, so do the potential cyber risks...

**Serious cyber incident reports from Italian intermediaries**  
*number of reports*



Source: Banca d'Italia (2024)

- In 2023, intermediaries reported a sharp increase in serious incidents.
- Numerous national and international initiatives: G7; SSM Cyber Stress test; Bdl-ABI CERTfin; BI-ACN.