5 lessons from Spain on banking success in uncertain times

How can the banking sector leverage momentum and adapt to digital and competitive threats?

May 27, 2024

In 2023, Spain’s five largest banks made a combined profit of over €26.08 billion (a return of 0.75% on assets). This is great news for financial stability, bank shareholders and society as a whole. However, the shadow of uncertainty remains.

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These are the challenges and opportunities facing the sector in an increasingly uncertain environment.

1. Takeover bid: opportunity or threat?

The BBVA takeover bid for Banco Sabadell, launched in May 2024, has had many calling foul. But supporters argue that the takeover is not inherently hostile. It's a financial transaction, and for an investor, a takeover bid is always an opportunity.

2. Bank consolidation: a question of competitiveness

What's the acceptable limit for banking consolidation? In recent years, the number of financial entities in Spain has gone from 50 to just 12. This could impact credit availability for certain sectors and businesses. Moreover, among the institutions remaining, only a few are positioned to compete globally with banking giants in the United States and China. Europe needs to accelerate its pace to stay in the race for banking prosperity, in a world where the U.S. innovates, China imitates and Europe regulates.

3. Financial cycle vs. economic cycle

Financial highs and lows have always driven the economic cycle into periods of volatility. A new "countercyclical capital buffer," brought in this year by the Banco de España, aims to end this correlation. This macroprudential tool is designed to be used during boom times to mitigate credit volatility and prevent drastic adjustments during recessions.

4. The challenge of payment systems: the new battle for data

In the coming years, banks will need to focus on controlling payment systems, not so much for the fees as for the data ownership. Current regulations restrict access to small business data, which would enable banks to offer better credit conditions. A public debate is needed on how we want to use data, and what compensation model might be fairest for those producing it.

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5. The example of Ukraine: banking resilience

What is a viable business continuity plan when your offices are hit by missiles and your servers are burned? Despite such conditions, Ukraine banks have exemplified resilience, managing to migrate the entire banking system to the cloud in just three months to comply with operational standards and creditor obligations.

SOURCE: 19th IESE Banking Industry Meeting, led by Germán López-Espinosa and organized by IESE Industry Meetings.

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