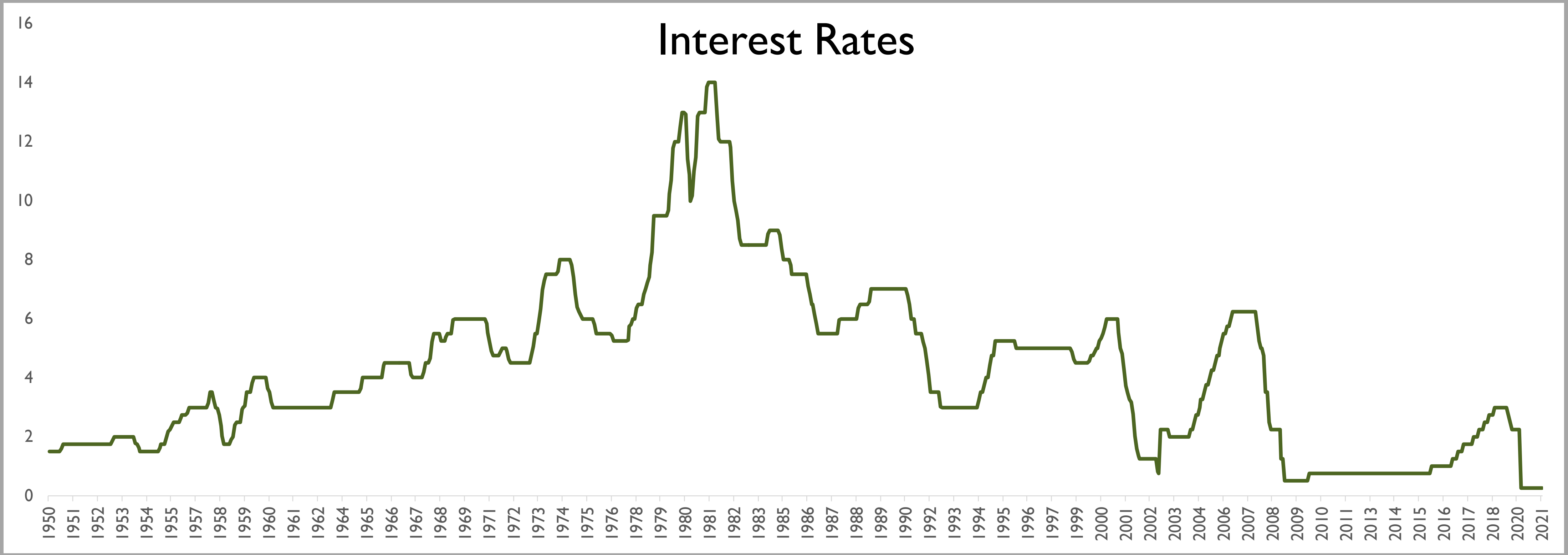
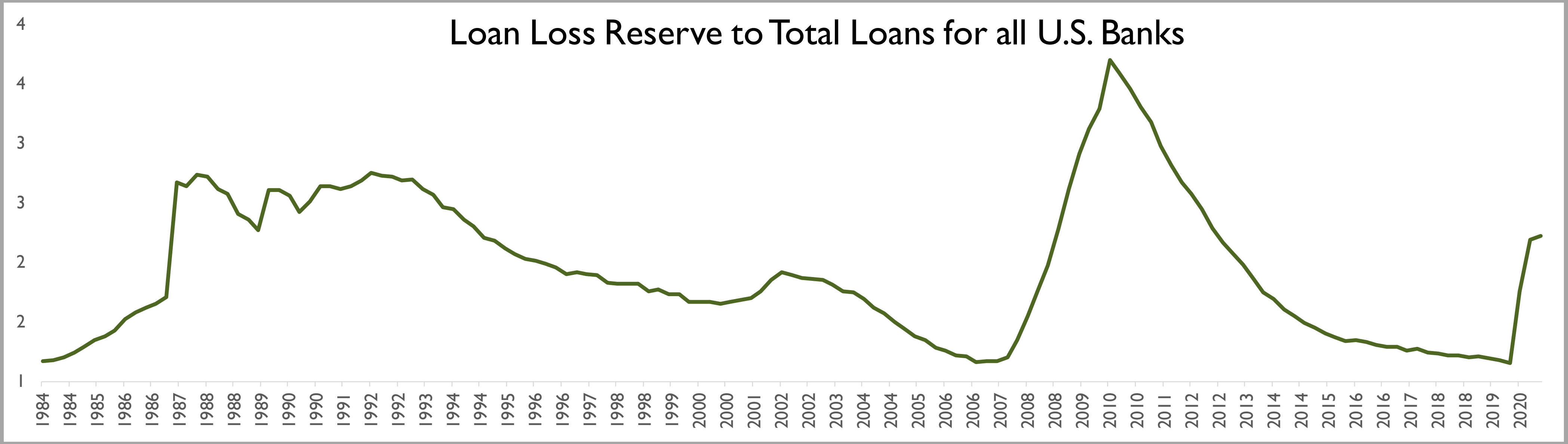
The Impact on the Financial Sector of Covid-19 and the Ensuing Recession

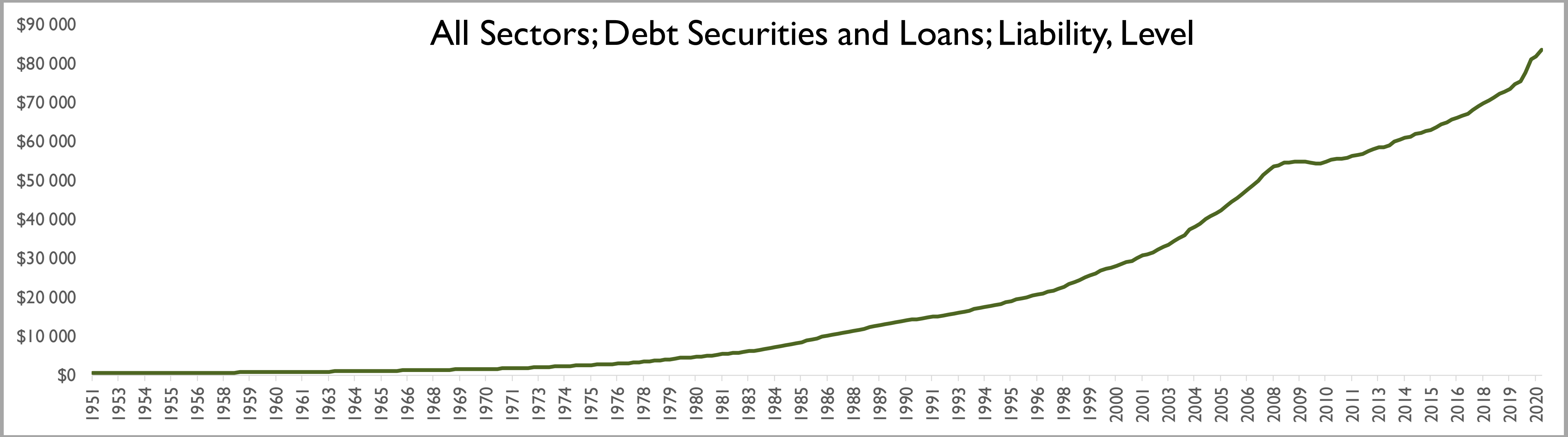
INTEREST RATES AFFECT ON THE FINANCIAL SECTOR



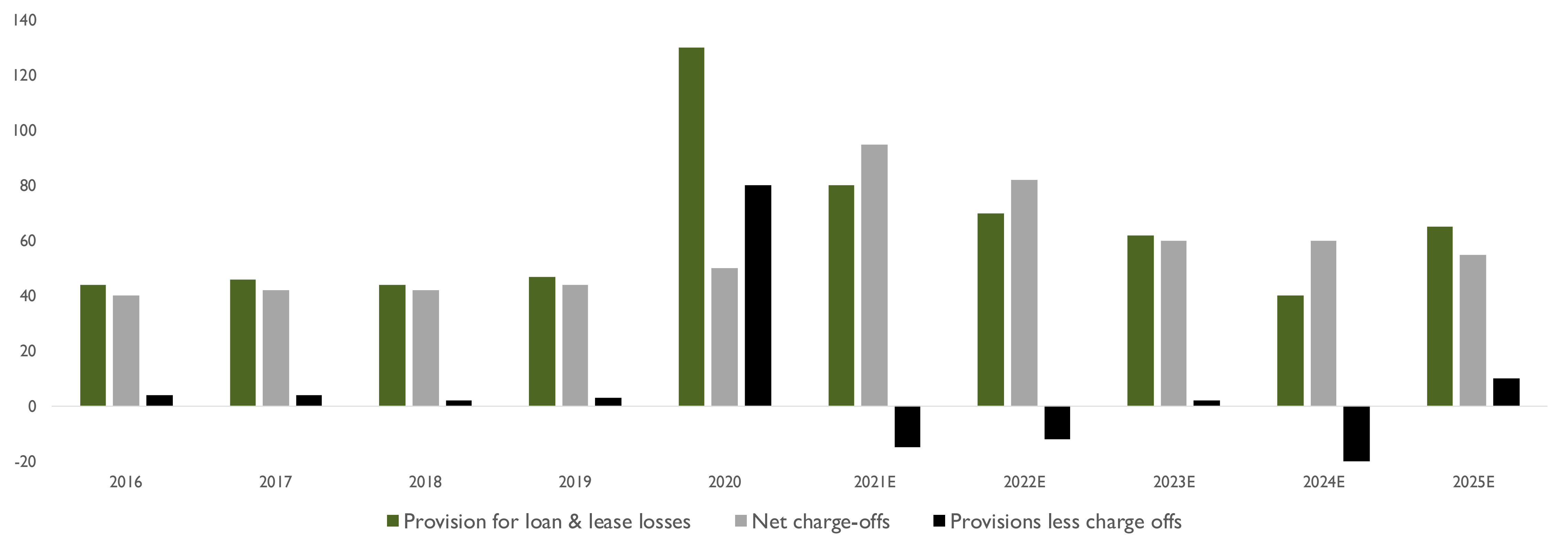
- All-time low interest rates from covid-19 has reduced core banking profitability in mature markets
- Financial institutions are shifting towards commission-based income, from payments and tech businesses

COVID-19 AFFECT ON LENDING





CREDIT QUALITY

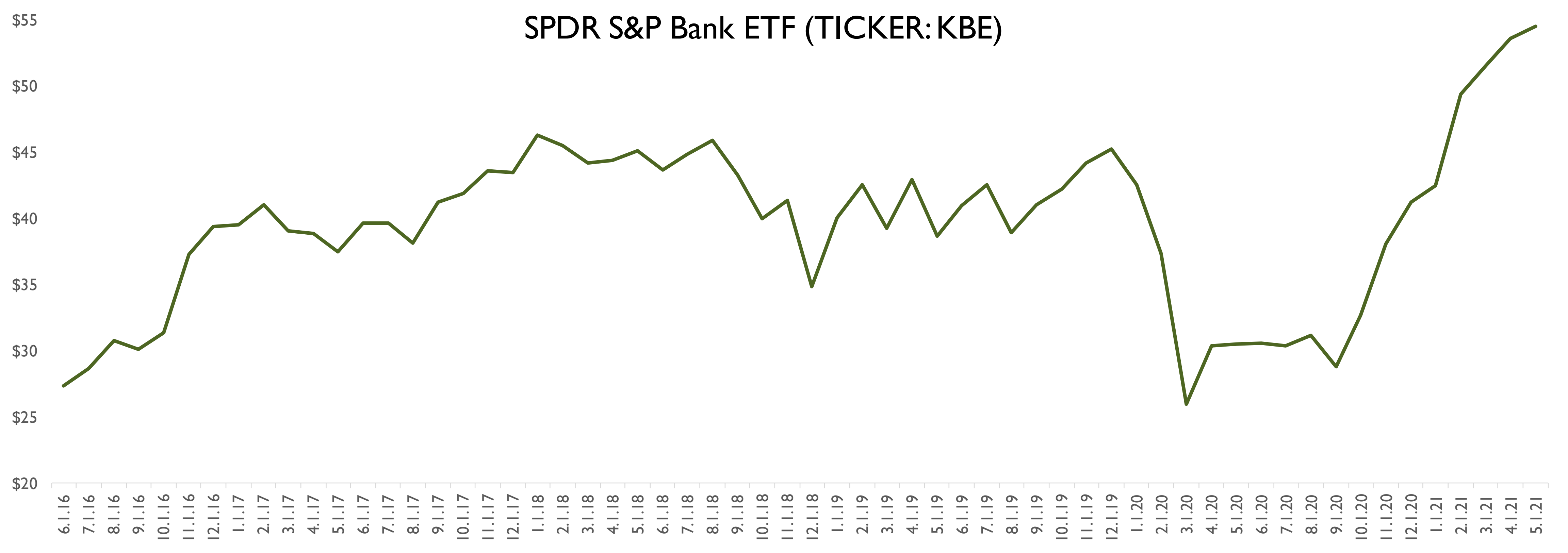


***Provisions will drop dramatically as credit outlook improves**

VOLATILITY ON BANK VALUATIONS

Volatility from Pandemic

- Peak to Trough → -42.60%
- Trough to Present → 109.93%
- The market believes the future is bright for the Banking Sector



SPECIAL PURPOSE ACQUISITION COMPANIES (SPACs)

- Offer private companies an alternative to go public when market volatility spiked during the pandemic
- Some criticize on the legitimacy of "blank check" companies

POSSIBLE CHANGES IN FINANCIAL SERVICES

- <u>New and Diverse Services From Banks</u>
  - Banks will need to look for different streams of income due to rates being at all-time lows
  - This could include new products that are not yet offered
  - Banks may have to think outside traditional ways of doing business
- <u>Expansion of Digital Currencies</u>
  - More money is flowing into digital currencies from the traditional monetary system
  - Financial solutions built within the decentralized financial ecosystem- such as digital lending, arbitrage trading, digital financing solutions such as STOs and ICOs, and the tokenization of assets are directly affecting the traditional revenue streams of banks –Christoph Lymbersky, Visionary Founders Capital
- <u>Fewer Physical Bank Branches</u>
  - Helps reduce operating costs
- <u>Growth of Nontraditional Lenders</u>
  - New competition are entering the banking space, due to banks not lending
  - Traditional banks may have trouble competing with more efficient alternatives
- <u>Tech Driven Simplification</u>
  - Simplify documentation, implement automation, speed up applications & onboarding

https://www.forbes.com/sites/forbesfinancecouncil/2021/01/14/11-finance-experts-predict-big-changes-coming-to-the-banking-industry/?sh=5b323400361a