
Financial Technology and Banks: Threats and Opportunities

Presentation and Discussion

SYMPOSIUM ON BUILDING THE FINANCIAL SYSTEM OF THE 21ST CENTURY:
AN AGENDA FOR JAPAN AND THE UNITED STATES

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1. Current-state observations

1) Bank business model under significant pressure to transform

- Digital giants reshaping customer expectation
- Dis-intermediation and dis-aggregation fast underway
- Incumbents at severe cost disadvantage vs. challenger banks

2) Technology advancement accelerating

- AI/ML, Blockchain, AR/VR, 3D printing, IoT, quantum computing ...

3) “Fintech Startups” activities have reached inflection point

- “Challenger banks” business model finding niches in some markets
- However, customer migration in well-banked market have been negligible

4) Incumbent banks starting to “improve” & “innovate” leveraging new technology

- Enhanced Digital + Physical UX
- RPA, RegTech, AI, Blockchain
- API, cloud computing

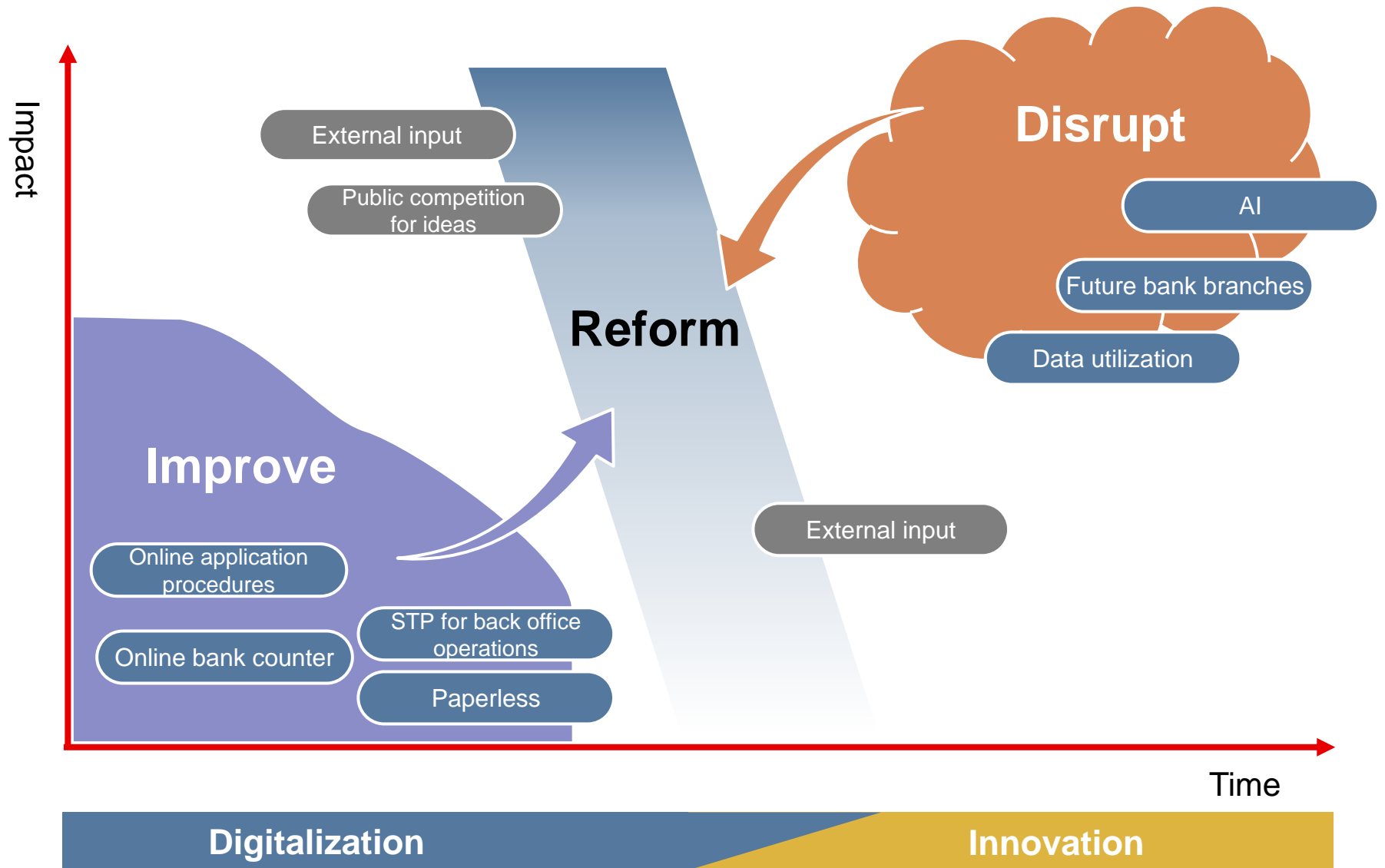
2. How will the end state be shaped?

- 1) What financial tech will really change customer lives?
- 2) Will “digital challenger banks” ever gain market share in US or Japan?
- 3) Can incumbent banks partner with digital giants to become “distribution platformers”?
- 4) How will “profit redistribution” evolve? Will bank revenue pool meaningfully shrink or will we see more “share shift within” through consolidation?
- 5) What’s the future of global banks in an increasingly divergent financial ecosystem?
- 6) Will regulations and controls keep up with innovation?

3. What does it take to survive?

- 1) Lower cost base – absolute imperative
- 2) Monetize data
- 3) Ability to rapidly deploy partnerships and enhance
- 4) Faster decision making to implementation – customer success at center of all decision
- 5) Agility and adaptability DNA supported by core operating principles, talent, incentive/KPI
- 6) Adapt fast enough but not ahead of control adaptation
- 7) Privacy control and trust earned through reputational excellence

4. MUFG Approach



5. Trust

“Be the World’s Most Trusted Financial Group”

... in a digitalized world