A Decade of Transformation

Historically, emerging market banking has been associated with currency volatility, conservative lending of capital, and the risk of state interference. But the last decade has quietly written a more nuanced story.

The banking industry across the Emerging Market equity universe has been reshaped by technology, demographics and policy. Smartphone penetration and digital identity schemes have pulled hundreds of millions of unbanked citizens into formal finance, while rising Asian incomes have fuelled demand for wealth management services. Established platforms and brands face new competitors, leaving an industry with growth drivers that look different from those in developed markets.

India illustrates how government-led digital identity can transform financial access at scale. The rollout of the Aadhaar biometric identity system in 2010, paired with the Jan Dhan Yojana financial inclusion scheme, enabled the opening of over 560 million new bank accounts since 2014, with formal banking access now reaching almost every village nationwide. The trinity of Jan Dhan accounts, Aadhaar identification and mobile connectivity sharply lowered the cost and facilitated onboarding of retail customers into formal banking, replacing informal moneylenders and cash economies in many rural areas. Alongside this, India's Unified Payments Interface has driven rapid adoption of online and mobile banking among retail customers nationwide, positioning India among the most digitally advanced banking markets in the emerging world.

In Latin America, fintech has done more to advance financial inclusion than decades of traditional branch expansion. Nubank now serves over 100 million customers across Brazil, Mexico and Colombia, with a low cost digital model targeting the unbanked, offering fee free accounts, credit cards and loans via a smartphone rather than a branch network. Its scale has forced incumbent banks to digitise rapidly to retain their customer base. Nubank has been joined by Mercado Pago, the fintech arm of ecommerce group Mercado Libre, which has become a dominant lending platform, while Rappi, PicPay and Ualá have built similar unbanked customer bases across the region.

A similar dynamic has unfolded across Africa. Capitec has grown from a challenger bank into one of South Africa's largest banks by market value, building a base of over 26 million customers with a low fee, digitally led model that has taken share from established lenders over 25 years. Aubrey's holding in the stock reflects that shift. Kenya’s M-Pesa system pioneered money transfers and financial services via mobile phones almost 20 years ago and now serves over 100 million customers across various countries. Africa continues to be the continent with the highest rate of forecast population growth and these mobile money platforms will be the first point of contact for future consumers seeking basic financial services, particularly in markets with limited branch infrastructure and low card penetration.

At the wealthier end of the spectrum, Singapore has emerged as a rival to Hong Kong as Asia's premier financial hub. Assets under management in Singapore have grown to US$4.6 trillion, narrowly ahead of Hong Kong, according to recent industry data, reflecting an influx of family offices, private banks and treasury centres seeking political stability, currency convertibility and regulatory predictability. Hong Kong retains advantages through its connectivity to mainland China, but Singapore's role as a base for regional headquarters, wealth management and ASEAN focused banking has strengthened. Aubrey’s investment in DBS reflects growing recognition of its regional franchise.

Rising household wealth across South Korea, Taiwan and Singapore has become a growth engine for banks and asset managers. Decades of export led growth, high savings rates and ageing populations have created large pools of investable assets, with Asia Pacific assets under management reaching US$23 trillion. Private banks and wealth managers have responded by expanding advisory, discretionary portfolio and succession planning services for high net worth and mass affluent clients.

China's banking system, by contrast, continues to work through the property sector's prolonged downturn, a process the government is managing carefully. Regulators have extended lenders' bad loan disposal programmes to the end of 2026, allowing banks to sell distressed real estate and local government exposures gradually. Non-performing loans tied to property developers remain a concern at several large state owned banks, and local government financing vehicles add a further layer of risk. Beijing's approach favours deleveraging and recapitalisation to protect the system's financial stability, rather than a focus on profit metrics and capital returns. China's state lenders, still working through balance-sheet repair, are a reminder that an index does not distinguish between a bank focused on returns and one still rebuilding its capital base.

Asia's banking growth opportunity differs from that of the US and Europe, where branch networks, wealth pools and payment systems are often mature albeit successful. Across much of the Emerging Market universe, financial inclusion, digital identity and rising incomes are still expanding the addressable customer base, while wealth accumulation in North Asia is only beginning to be monetised through advisory services. These structural tailwinds, combined with proven management teams, underpin Aubrey's expectation that emerging market banking will offer compelling investment opportunities over the longer term. The next decade looks unlikely to be won by the largest balance sheets alone, but by the platforms and services closest to the customer.

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Biography

John Ewart | Director, Investment Manager

John is a Director of Aubrey, and Investment Manager of the Global Emerging Markets Strategy. He joined the firm in 2012.

John is a graduate of the University of Strathclyde, with a BA in Economics and, additionally, is a member of the CFA Institute. John has over 30 years' investment industry experience across global equity markets. He joined Glasgow-based FS Assurance in 1988, and managed equity portfolios in the UK retail and pension fund market. He then moved to First State Investments in 2000 to manage retail and segregated European client portfolios. In 2004, he moved to Alliance Trust PLC and was a member of the Global Equity Team and subsequently responsible for the Global Emerging Markets portfolio.

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