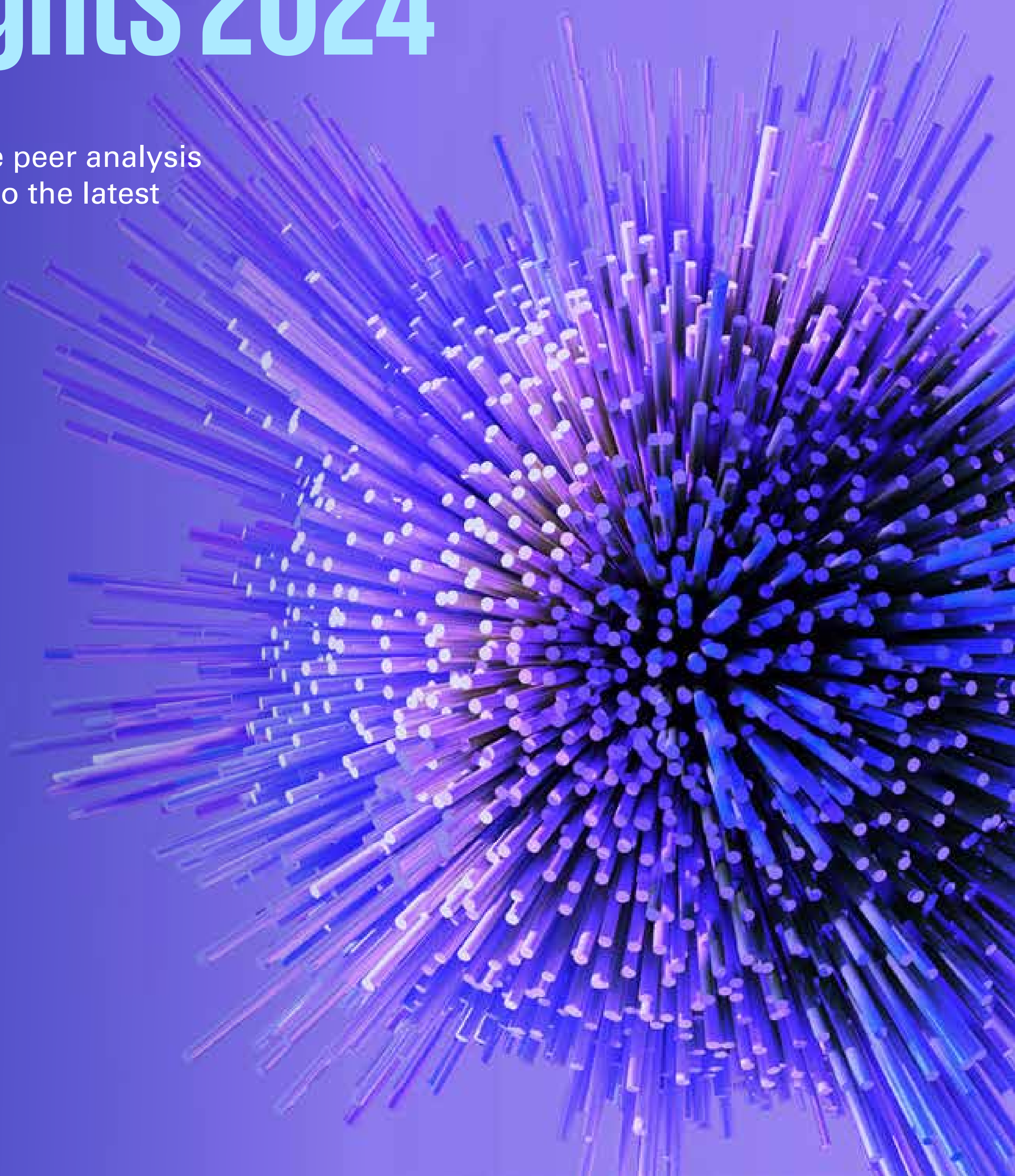
Banking Strategic Benchmarking Insights 2024

A comparative peer analysis and insight into the latest market trends



November 2024

Foreword

Banks across the world faced a diverse set of challenges in 2024, regardless of their size and shape. In many respects, Banking is not new to dealing with complex challenges. However, 2024 seemed like the perfect storm, both in terms of variety and intensity of these challenges, and we expect the storm to continue into 2025. Indicatively these challenges included:

1. **Growth environment**: Continued macroeconomic uncertainty presented many opportunities as threats
2. **Regulatory intensity**: Levels of regulatory intensity and scrutiny kept on geometrically increasing
3. **Digital transformation**: Banks continued to invest in digital transformation with a focus on enhancing the customer experience, reducing cost and modernizing architecture
4. **Gen AI**: Over hyped in the short term and underestimated in the long term. Less than 10% of Banks exhibited the signs of having a clear AI strategy cascaded across the organization
5. **Workforce expectations**: While being at the forefront of the return-to-office trend, Bank officers also acknowledge the need to balance flexibility with the advantages of in-person interactions

In this environment we are seeing Banks becoming increasingly outward looking, in their effort to better understand how to thrive through these challenges.

This clear trend of Banking executives developing their transformation approach through learning from the experience of peers was the genesis of KPMG's Banking Strategic Benchmarking Insights (BSBI) capability. The BSBI CoE aims at unifying our strong functional benchmarking and elevating it to the enterprise level, creating a repository of premium and up-to-date industry KPIs and best practices across the operating model of Banks front-to-back. It aims to help Banking executives develop an evidence-based perspective on cost and performance, all the way from Digital Customer Experience to the depths of Finance and HR.

We are excited to issue our inaugural BSBI annual report and we hope you enjoy the read.

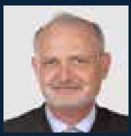
Aris Kossoras
Partner, Global BSBI Lead
KPMG in Canada
ariskossoras@kpmg.ca

Karim Haji
Global Head of Financial Services, Partner
KPMG in the UK
karim.haji@kpmg.co.uk

Francisco Uria Fernandez
Global Head of Banking and Capital Markets, KPMG International, Partner
KPMG in Spain
furia@kpmg.es

Peter Rothwell
Partner, Head of UK Banking
KPMG in the UK
peter.rothwell@kpmg.co.uk

Geoff Rush
Partner, National Industry Leader, Financial Services
KPMG in Canada
geoffrush@kpmg.ca



Matthias Mayer
Partner, Head of Banking, Germany
KPMG in Germany
matthiasmayer@kpmg.com

BSBI – KPMG's Premium Benchmarking Capability

KPMG's Banking Strategic Benchmarking Insights (BSBI) aims to provide C-suite executive stakeholders with functional and CX insights based on traceable, high fidelity esoteric data that informs strategic decisioning making.

All data is sourced directly from individual banks, is anonymized, and coded to a unified language. Depending on the BSBI pillar, our database holds up-to-date datasets from anywhere between 50 and 350 banks. Clients that onboard onto BSBI receive personalized, integrated comparative analytics against the industry and custom peer groups. Client sponsors of BSBI for each bank also become members of the BSBI thought leadership community, which comes with access to this Annual Report and peer roundtable events organized regularly throughout the year, based on demand.

1. Cost Suite (BECB)

Key Metrics/Lenses:

- C/I Ratios
- Functional Cost
- Cost Consumption by Type
- Lever Analysis
- Cost-to-Serve

Relevant Audience:

COO, Head of Strategy & Transformation

2. Finance Suite (BFFB)

Key Metrics/Lenses:

- Cost of Fin. Analytics
- FTE Distribution
- Location & Sourcing ratios
- ESG Reporting & Performance
- Architecture & Invest

Relevant Audience:

CFO

3. HR Suite (BHRB)

Key Metrics/Lenses:

- Cost of HR Analytics
- Effort Distribution Analysis
- Location & Sourcing ratios
- Workforce Analytics
- Architecture & Invest.

Relevant Audience:

CHRO

4. Risk Suite (BRFB)

Key Metrics/Lenses:

- FTE Distribution
- Seniority Level
- Functional Cost of Ops
- Location & Sourcing
- Automation
- Selected deep-dives (e.g. ESG Risk, Process)
- Architecture & Investment

Relevant Audience:

CRO

BSBI Global Pillar Leads

Owen Lewis
Cost Suite (BECB)

Aris Kossoras
Finance Suite (BFFB)

Alejandro Modarelli
HR Suite (BHRB)

Arvind Sarin
Risk Suite (BRFB)

5. Transformation Suite (BTRB)

Key Metrics/Lenses:

- Strategy & Portfolio Model
- Govern. & Processes
- Organization & People
- Technology & Tooling
- Value Management

Relevant Audience:

Head of Strategy & Transformation

6. Digital CX Suite (BCXB)

Key Metrics/Lenses:

- Rated Digital Customer journey (app & internet)
- Functionality analysis by product & journey
- CX Insights By Bank & Journey

Relevant Audience:

Chief Digital Officer

7. Operations Suite (BOFB)

Key Metrics/Lenses:

- Functional Cost of Ops
- Effort Distribution Analysis
- Location & Sourcing
- Automation Strategy
- Architecture & Invest.

Relevant Audience:

COO

BSBI Global Pillar Leads

David Polley
Transformation Suite (BTRB)

Amit Kiran
Digital Customer Exp. Suite (BCXB)

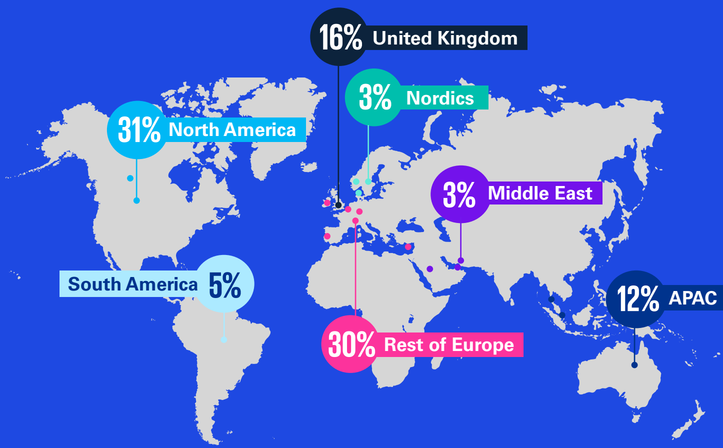
Operations Suite (BOFB)
To be launched in 2025

All these tools are designed with your needs in mind, providing you with actionable insights to drive strategic decision-making and enhance your competitive edge!

BSBI Global Outreach

The BSBI platform is KPMG's premium benchmarking service. It works hand in hand with our network of global member firms to expand its outreach. This collaborative approach allows us to offer a service that is tailored to meet your specific benchmarking needs. Whether you're seeking a broad, global perspective or a more localized focus, BSBI can cater to your requirements. Serving diverse banking institutions of all sizes and types, the platform's versatility and adaptability enable it to provide tailored, unique perspectives.

Avg. 100 Banks	Global Banks participated in BSBI in 2023
17 GSIBS	BSBI participants vary from challenger to large banks
7 Pillars	BSBI supports banks across 7 product suites
22 Countries	Global presence through KPMG's network of Member Firms
200+ Banks	Banks expected to participate in the 2024 / 2025 cycle



* Banks by region as a percentage of our total database

Banking CEO Perspectives

In today's tumultuous environment, 68% of the global Banking CEOs we surveyed are confident in the growth prospects of the global economy. In the next 3 years the main external challenges to fulfilling the growth potential seem to be cybercrime/security (81%); cost of living (80%); trade regulation (73%); economic uncertainty (57%); and geopolitical complexities (48%).Within this environment, almost half of Banking CEOs expressed a desire for inorganic growth and leveraging strategic alliances to meet growth objectives. While only 18% emphasized organic growth as strategic objective.

Gen AI – A clear growth opportunity that invites danger

Despite ongoing economic uncertainty, 81% of Banking CEOs believe Gen AI adoption is a top investment priority and have a clear view on how it will disrupt our current business models and create new opportunities. In fact, they anticipate return on Gen AI investment in three to five years. However, CEOs show less confidence regarding implementation, with only half of them believing that they can deploy AI safely with robust governance frameworks.

Only 43% say they are confident that their organization's cybersecurity plans can keep up with rapid AI advancements, and 72% state they are now raising their investment in cybersecurity to protect operations from AI risks and building a cyber security-focused culture as a central pillar of integrating AI into their organization.

ESG – A shift from compliance to differentiated value

ESG is seen as a major driver for building customer relationships and a positive brand reputation, shaping capital allocation, M&A and alliance activities. Almost half of CEOs poled anticipate receiving a significant rate of return on their ESG investments within three to five years. 75% of CEOs have not changed their climate strategy over the last year but have adapted how they communicate this to meet changing stakeholder needs.

The majority of banking CEOs are willing to take a public stand on behalf of their organization on what is a politically and socially contentious subject and divest profitable parts of their business that are damaging the Bank's public perception. The overwhelming majority (79%) of organizations poled stated they have the capability and capacity to meet new reporting standards and 63% feel they have fully embedded ESG into their business as a means of value creation.

Productivity – Pivoting from cost reduction to value management

Banks' cost-to-income ratios have risen since the pandemic, reversing a downward trend. As Banks renew their cost optimization efforts, employee productivity is a key battleground. According to KPMG International's report, after the pandemic 61% of Bank executives surveyed indicated that cost reduction had become a higher strategic priority.

Although Banks have made considerable progress in applying sourcing solutions, digitization and automation across the value chain, compensation as a proportion of total costs has risen, suggesting that transformation is yet to deliver the intended productivity benefits. In 2024, we started seeing a pivot from cost reduction on an absolute basis, to cost-to-serve & employee productivity; from cost management to cost optimization & enterprise value management with ROE in mind.

* Insights have been supplemented by data provided by KPMG's 2024 Banking CEO Outlook survey results

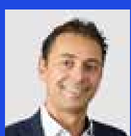
Workforce – Managing the return while changing competency profile

93% of Banking CEOs expect to increase their organization's headcount in 2024/25, though the majority anticipate staffing levels to rise by less than 5% over the next three years. 86% now expect their employees to return to the office over the next three years, with just 10% favoring hybrid arrangements. In fact, they are incentivizing employees to return to the office as knowledge transfer between employees is seen as a significant factor that will impact the company as a whole.

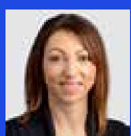
Less than 35% say they are confident that employees have the right skills to fully leverage emerging technological benefits or believe that their data is ready for Gen IA. However, they seem to be ready to experiment in order to learn and democratize innovation amongst their staff.

Contents

Finance (BFFB)



Aris Kossoras
Partner
KPMG in Canada
Global BSBI Lead and Program Sponsor
E: ariskossoras@kpmg.ca



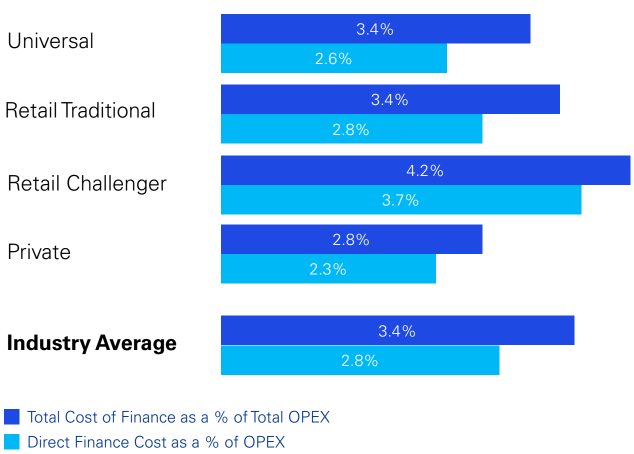
Nelly Ford
Senior Manager
KPMG in the UK
BSBI Program Lead
E: nelly.ford@kpmg.co.uk

Insights: Finance benchmarking analysis 2023/2024

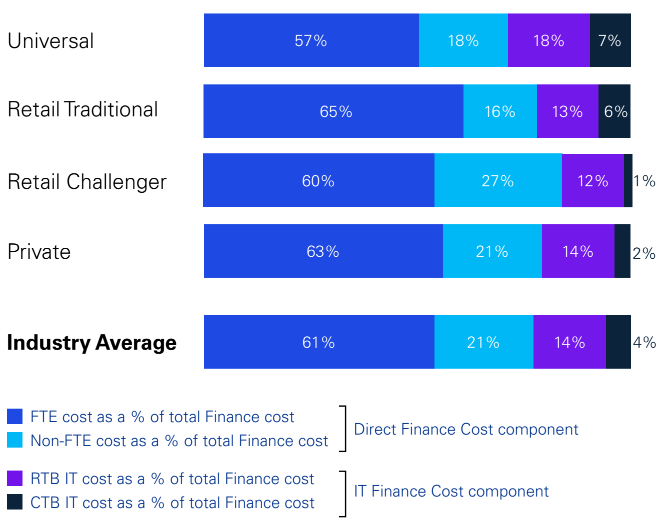
When assessing the Direct Cost of Finance (CoF) as a percentage of Total OPEX across the banks in our database, we observe that Retail Banks generally incur higher direct costs, aligning closely with the industry average. This trend is more pronounced among Retail Challenger Banks, that consistently exceed the industry average. A similar pattern is seen with the Total Cost of Finance as a percentage of Total OPEX, where Retail Banks hover around the industry norm, while Retail Challenger Banks significantly surpass it. This is largely due to Challenger Banks' higher non-FTE-related expenses. Despite their higher finance-related costs, Retail Banks continue to demonstrate stronger productivity levels. In contrast, Private Banks maintain the lowest average Cost of Finance.

Universal Banks, while generally in line with the industry average for overall finance costs, stand out with the lowest FTE-related expenses but notably higher IT-related costs. On a regional level, European banks in our database exhibit substantially higher average Direct and Total Costs of Finance, especially in comparison to their North American counterparts.

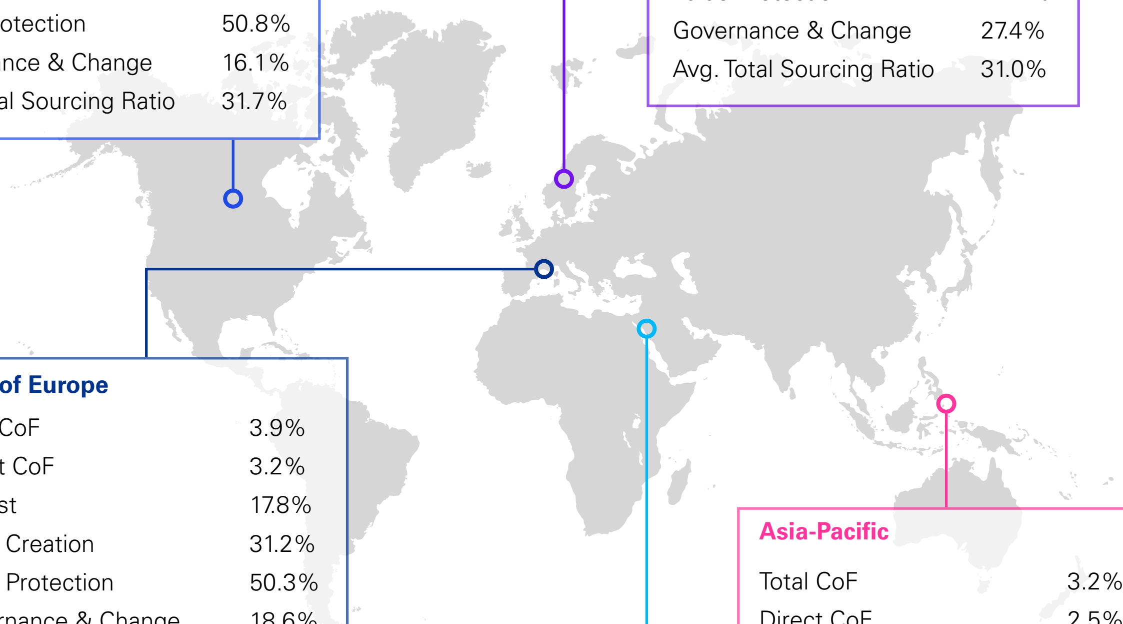
Total and Direct cost averages



Sector Averages cost breakdown



Regional Averages



North America

Total CoF	2.5%
Direct CoF	1.9%
IT Cost	24.3%
Value Creation	33.1%
Value Protection	50.8%
Governance & Change	16.1%
Avg. Total Sourcing Ratio	31.7%

Nordics

Total CoF	4.3%
Direct CoF	3.1%
IT Cost	28.7%
Value Creation	29.9%
Value Protection	42.7%
Governance & Change	27.4%
Avg. Total Sourcing Ratio	31.0%

Rest of Europe

Total CoF	3.9%
Direct CoF	3.2%
IT Cost	17.8%
Value Creation	31.2%
Value Protection	50.3%
Governance & Change	18.6%
Avg. Total Sourcing Ratio	35.2%

Asia-Pacific

Total CoF	3.2%
Direct CoF	2.5%
IT Cost	22.5%
Value Creation	30.2%
Value Protection	49.4%
Governance & Change	20.5%
Avg. Total Sourcing Ratio	42.0%

Middle East

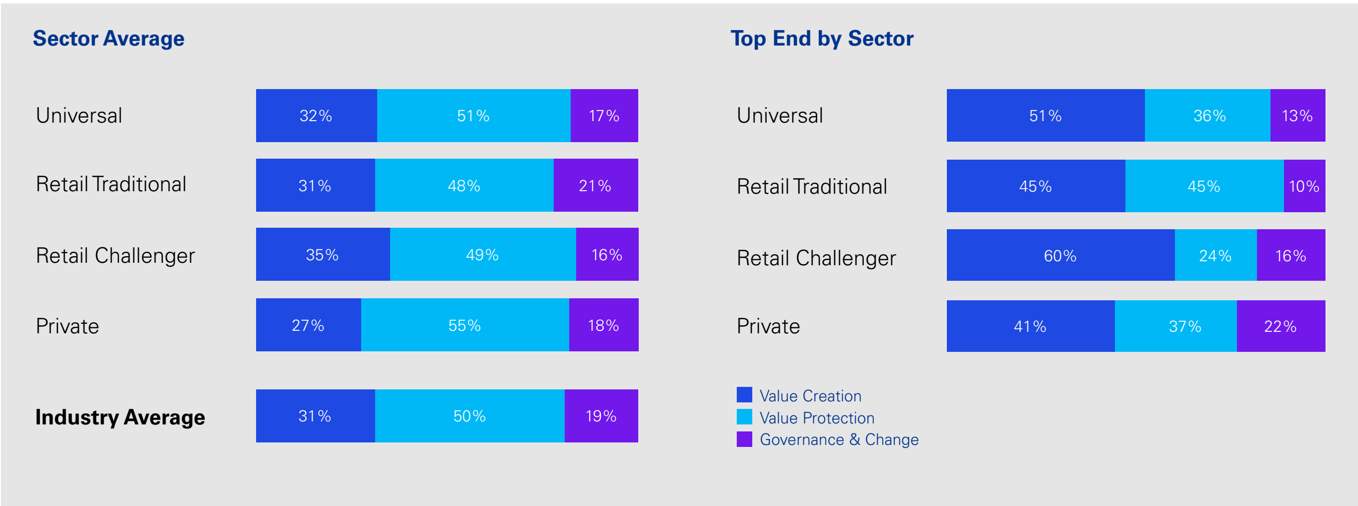
Total CoF	2.4%
Direct CoF	2.1%
IT Cost	15.0%
Value Creation	30.3%
Value Protection	63.6%
Governance & Change	6.1%
Avg. Total Sourcing Ratio	23.8%

Value of Finance

When evaluating the Value of Finance, particularly the concentration of effort on Value Protection (VP) and Value Creation (VC) activities across sectors, we find that Retail Banks come closest to the ideal 60:40 ratio of VC to VP and Governance & Change (GC). While most banks still fall short of this optimized balance, we have observed progress over the past year, with several institutions actively shifting towards greater Value Creation.

This reflects a move away from traditional finance roles focused primarily on controllership, as banks increasingly recognize the strategic importance of finance in driving business growth. Modest investments in data integration and automation further illustrate the evolving role of finance as a business partner. Nevertheless, the core challenge remains: how to increase Value Creation efforts without undermining the critical Value Protection functions essential to the finance function.

Globally, the percentage of Value Creation activities is consistent across regions, generally hovering around 30%. Interestingly, Middle Eastern banks in our database exhibit a notably lower percentage of Governance & Change activities, while Nordic banks demonstrate much higher-than-average involvement in Governance & Change, suggesting a stronger focus on regulatory adherence and process improvement

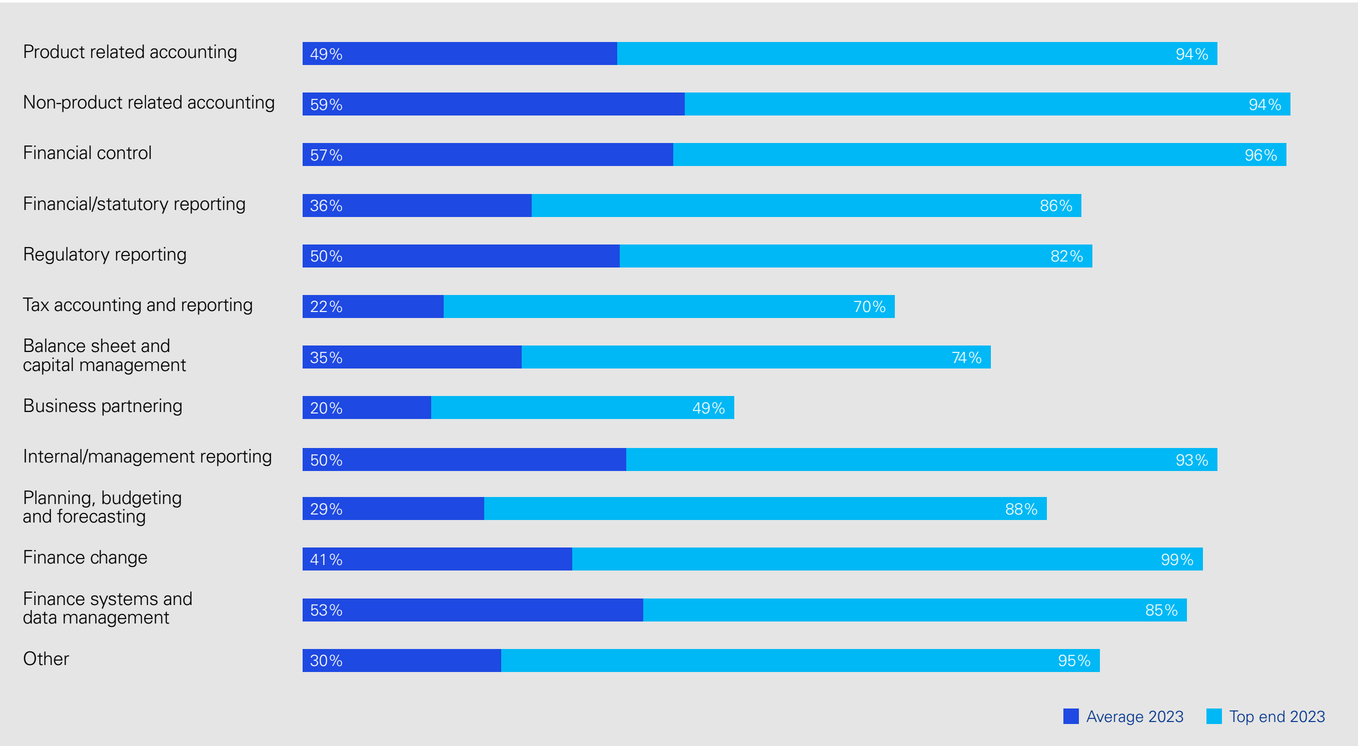


Sourcing Evolution

Average and best-in-class sourcing ratio by activity

The table below provides the average and top-end sourcing ratios by activity. As observed in last year's publication, we continue to see the highest year-on-year increase in average sourcing percentages for 'non-product-related accounting' and 'internal/management reporting,' highlighting a clear trend toward increased outsourcing in these areas.

Regionally, banks in the Asia-Pacific region exhibit the highest average sourcing ratio at 42%, indicating a stronger reliance on outsourcing. In contrast, Middle Eastern banks show a significantly lower average sourcing ratio of 23.8%, well below the global average



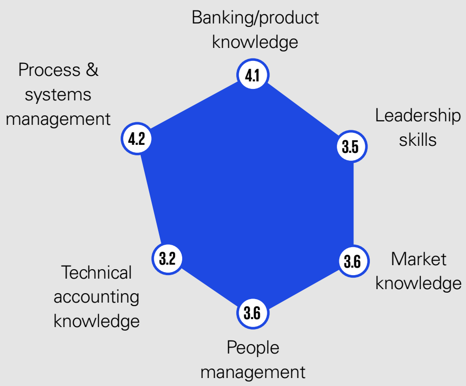
Finance Workforce: People Skills

When assessing people and skill sets, we consistently find that technical accounting expertise is rated highly across the board. However, there are notable deficiencies in areas such as process and systems management, people management, and leadership skills. This gap indicates a general lack of effective leadership capabilities, even though team members possess strong technical proficiency—a trend we have observed in prior years.

Interestingly, within individual sectors, Retail Challenger Banks display strong people management skills relative to their peers. However, their overall skill sets are comparatively weaker, receiving lower ratings across the board. In contrast, Universal Banks consistently achieve the highest ratings for overall skill sets, demonstrating well-rounded competencies in both technical and managerial areas.

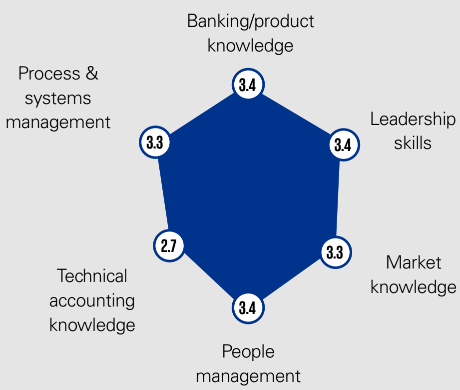
This disparity highlights the urgent need for targeted development in leadership and people management skills throughout the banking sector to ensure teams can succeed in an increasingly complex environment.

Universal Bank

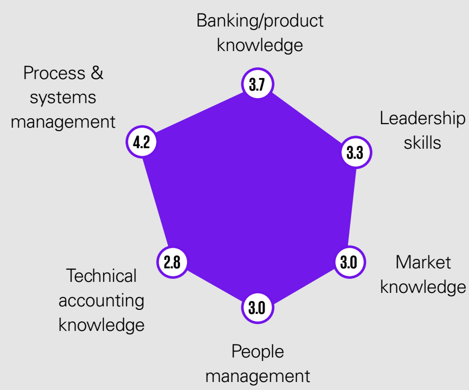


Retail Traditional

Retail Challenger



Private Bank

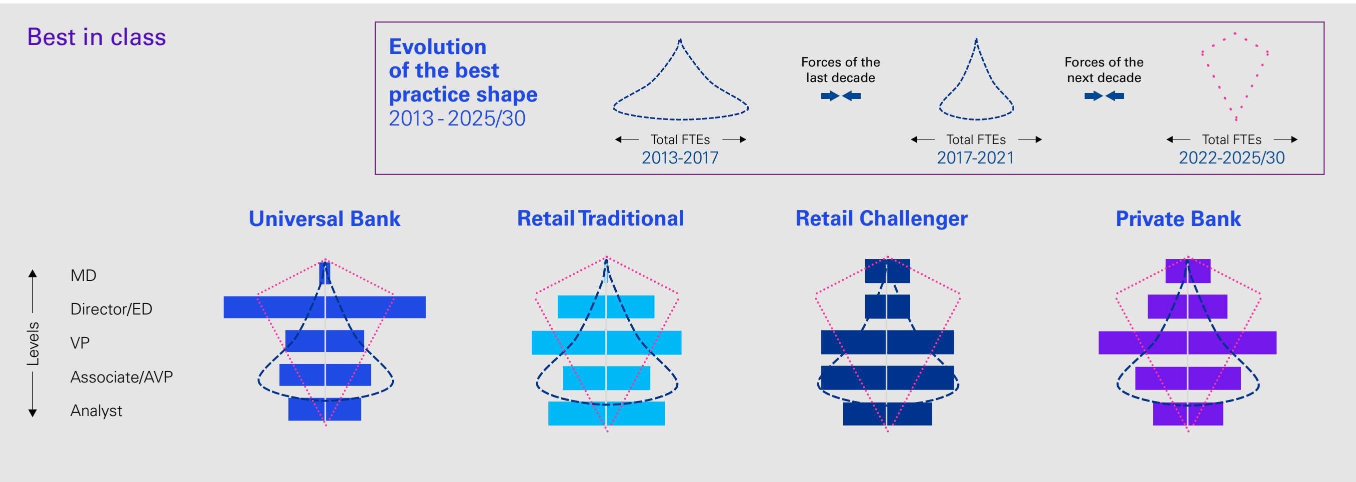


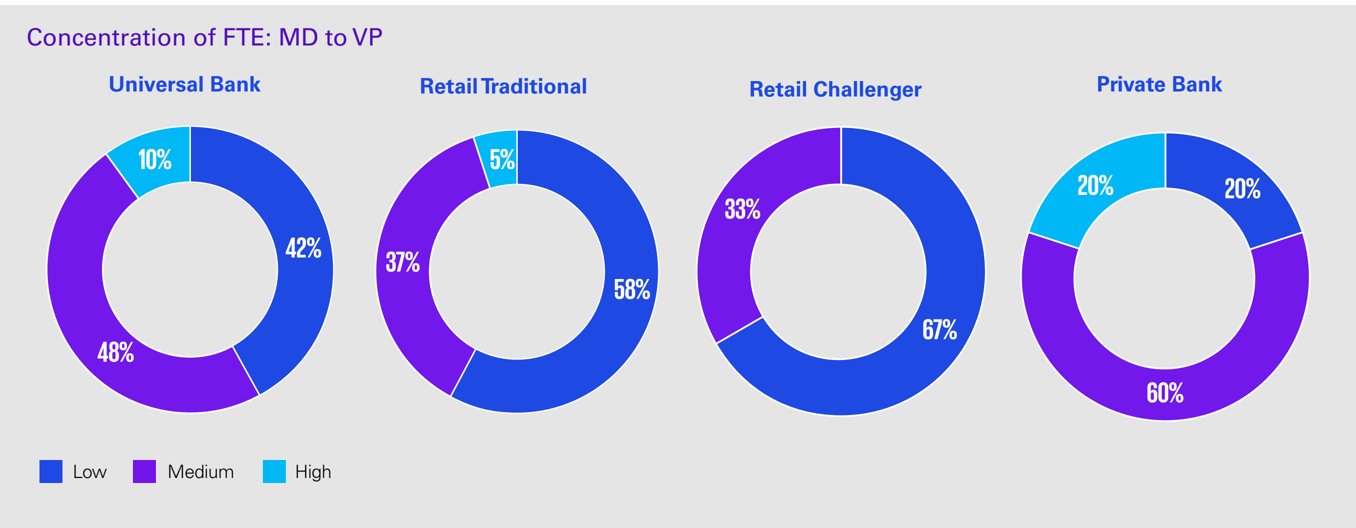
Shape of Finance

Our data shows that the vast majority of banks continue to adhere to the traditional 'teardrop' organizational structure. However, we are seeing instances where some banks are transitioning towards a 'diamond' shape, a trend we expect to accelerate in the coming years. With ongoing investments in data analytics and automation, we anticipate a reduction in the need for analysts to perform manual tasks, allowing them to take on more strategic roles within the organization.

When examining the different sectors, 60% of Private Banks in our database have a concentration of FTE - MD to VP ratios between 25-50%, followed closely by Universal Banks at 48.4%. Retail Banks, by contrast, still predominantly maintain the 'teardrop' structure. This suggests that Private and Universal Banks have begun the shift toward a more balanced 'diamond' configuration, while Retail Banks remain more reliant on the traditional model.

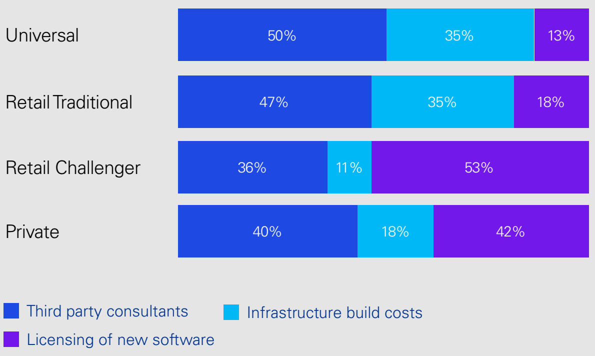
As these changes unfold, we expect more banks to adopt this transformation, driven by the increasing integration of technology and the need for more strategic, value-adding roles.



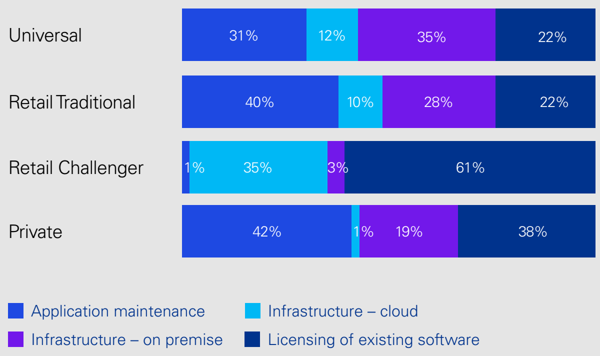


IT Breakdown: Costs, Cloud Implementation & Data Integration

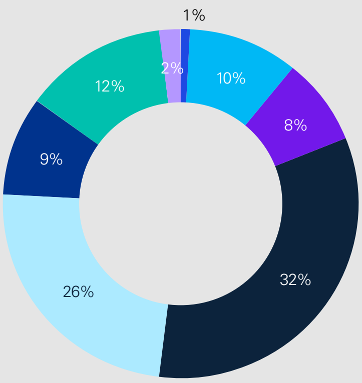
Change-the-Bank (CTB) overview



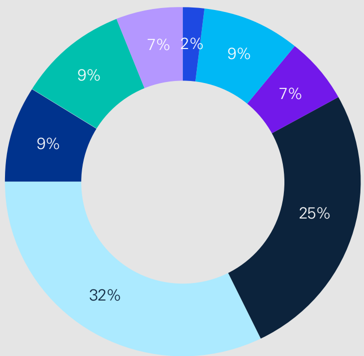
Run-the-Bank (RTB) overview



CTB cost deep dive



RTB cost deep dive



Agile tools (BPM, RPA)
Data storage/ETL
Data visualisation & MI analytics
Financial & regulatory reporting
General ledger/Subledger
Modeling & calculation engines
Other
Planning, budgeting & forecasting

Percentage of banks, by sector, that have implemented cloud

Industry
59%

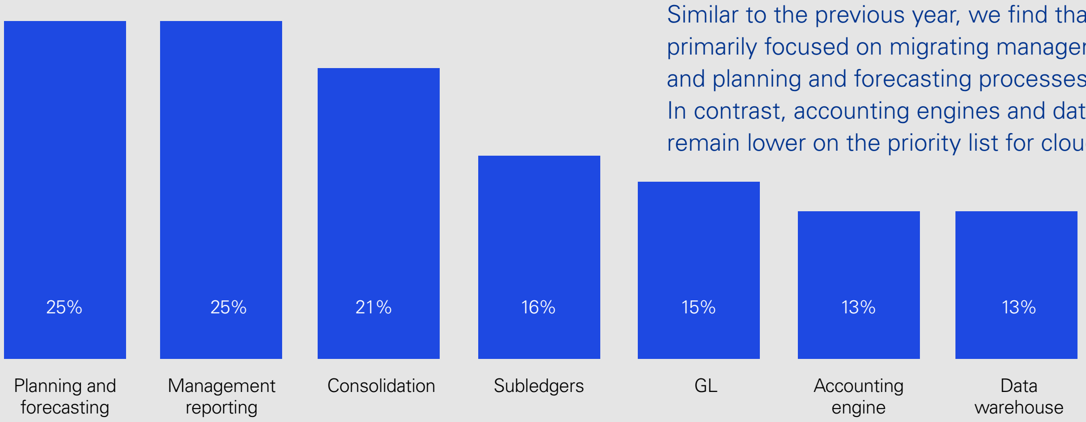
Universal
67%

Retail Traditional
41%

Retail Challenger
57%

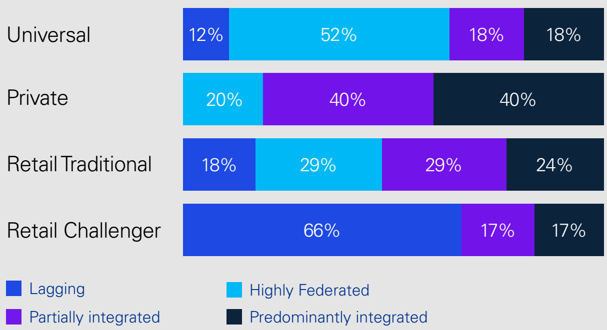
Private
60%

Cloud implementation by process



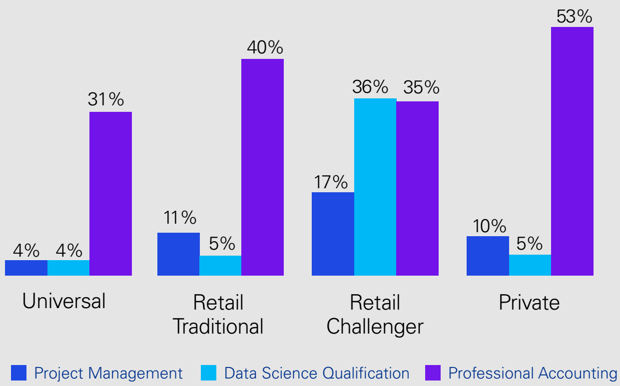
Similar to the previous year, we find that banks have primarily focused on migrating management reporting and planning and forecasting processes to the cloud. In contrast, accounting engines and data warehousing remain lower on the priority list for cloud implementation.

Finance data landscape



In terms of data integration, we find that among the Private Banks surveyed, the largest percentage (40%) are predominantly integrated, with an additional 40% being partially integrated. Universal Banks, on the other hand, show a different trend—52% operate with a highly federated data architecture, and only 18% are predominantly integrated. Retail Banks present a more balanced distribution, with roughly a quarter of the banks being predominantly integrated and another quarter partially integrated. Retail Challenger Banks, however, lag behind, with 67% having outdated or fragmented data architectures and only 17% being predominantly integrated.

Finance capabilities



When analyzing team qualifications across sectors, we observe significant variation. Private Banks lead with the highest percentage of employees holding professional accounting qualifications at 53%, followed by traditional Retail Banks at 40%. Project management and data science qualifications, however, are scarce across most banks in our database, with the exception of Retail Challenger Banks. In this sector, 36% of employees hold data science qualifications, the highest among all sectors. This indicates a distinctly different qualification breakdown for Retail Challenger Banks, which aligns with their greater focus on digital capabilities compared to more traditional banks.

Process Automation

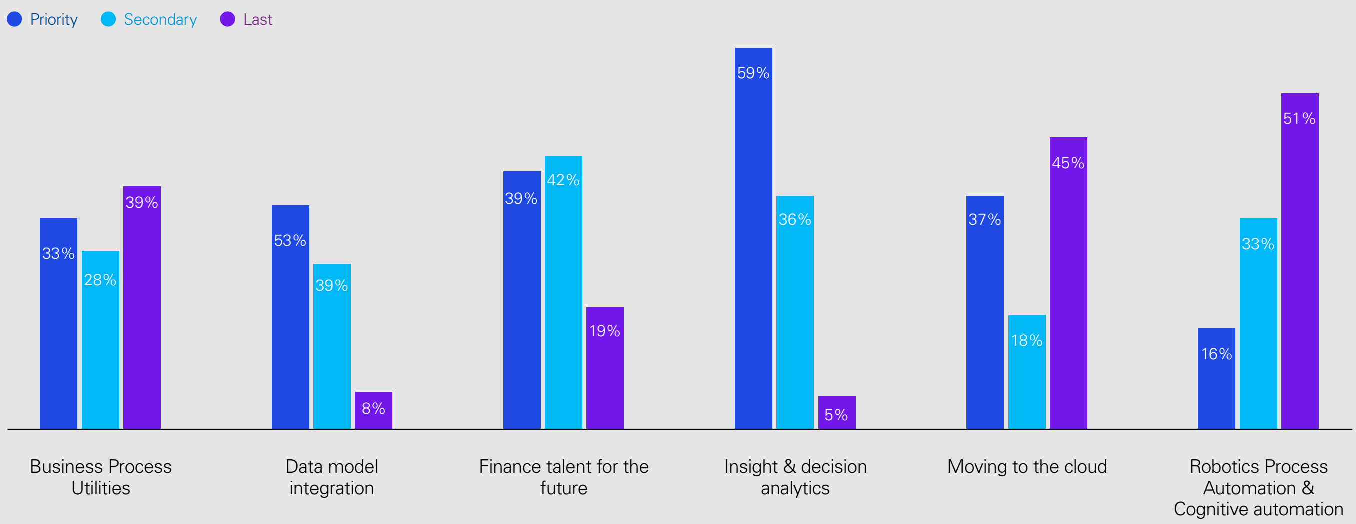
When examining automation by process, we continue to see that visualization and data transformation remain key areas of focus for the majority of banks across essential processes. In contrast, the adoption of Natural Language Generation (NLG) tools and Machine Learning (ML) remains much smaller. However, we expect a growing emphasis on Machine Learning over the next five years, as banks increasingly adopt AI technologies and expand their automation capabilities.

Percentage of participant banks already using or anticipating to use given technology to automate key Finance activities

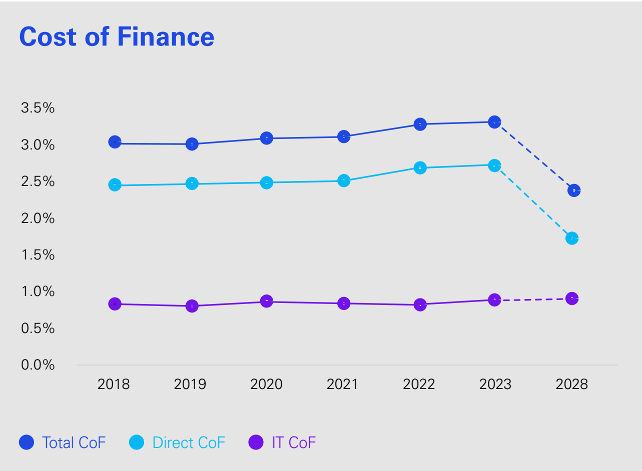
	Cloud IAAS	Data transformation / ETL	Digital Workflow	Machine Learning	Natural Language Generation	Robotic Process Automation	Visualisation
Product related accounting	18%	28%	15%	11%	3%	20%	**30%**
Non-product related accounting	18%	23%	16%	7%	2%	23%	**26%**
Financial control	11%	30%	**33%**	3%	2%	**33%**	30%
Financial / Statutory reporting	20%	26%	23%	3%	3%	13%	**30%**
Regulatory reporting	18%	**34%**	31%	2%	3%	18%	**31%**
Tax accounting & reporting	10%	**20%**	**20%**	5%	2%	10%	18%
Balance Sheet & Capital management	15%	**23%**	11%	2%	3%	11%	21%
Business partnering	11%	16%	11%	5%	2%	7%	**30%**
Internal / Management reporting	18%	30%	28%	7%	5%	8%	**54%**
Planning, budgeting & forecasting	18%	28%	20%	8%	3%	5%	**36%**
Finance change	15%	15%	**23%**	7%	2%	16%	21%
Finance systems & data management	21%	**30%**	28%	2%	3%	18%	28%

Future investment priority of banks

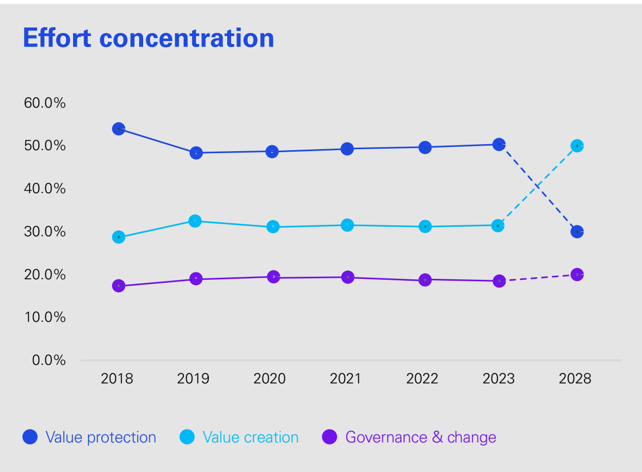
Percentage of banks prioritizing investment in each activity



Finance Trends



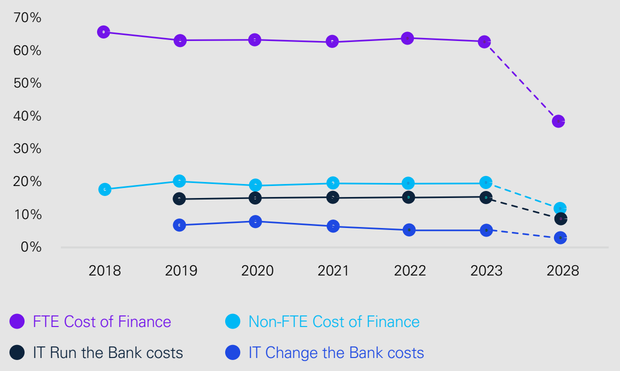
The Average Total Cost of Finance as a percentage of total OPEX has remained relatively stable over the years, generally ranging between 2.5% and 3.5%. However, in recent years, we have observed a slight upward trend in both Total and Direct Costs, driven primarily by increased non-IT-related expenses, such as regulatory compliance, consulting fees, and operational inefficiencies. This rise can be attributed to the growing complexity of managing financial processes amidst shifting market conditions. Looking ahead, we anticipate a significant reduction in these costs as more banks invest in advanced data integration and automation technologies. These investments are expected to streamline finance functions, optimize operations, and ultimately reduce the reliance on manual processes, leading to substantial cost savings and enhanced productivity. As banks transition to more efficient, data-driven models, they will likely achieve greater economies of scale. IT costs, on the other hand, are expected to remain relatively stable, although they may see a modest increase as banks continue to upgrade and expand their IT infrastructure to support digital transformation efforts. The implementation of cloud technologies, machine learning, and artificial intelligence will require significant upfront investments, but these technologies are poised to drive long-term efficiencies that should offset initial cost increases.



Effort concentration has remained relatively consistent over the years, with Value Protection activities consistently hovering around 50% and Value Creation around 30%. Ideally, these ratios should be reversed, reflecting a shift toward a more strategic role for finance in driving business value. We anticipate this transformation will unfold in the coming years as banks gradually move away from traditional controllership-focused finance functions and embrace roles as value drivers within their organizations. Despite this slow progress, many banks continue to operate at sub-optimal levels of data integration, limiting their ability to fully optimize Value Creation efforts. However, there are promising signs of change. Over the past year, a number of banks in our database have made notable strides in improving their Value Creation to Value Protection ratios. These improvements are largely due to better business partnering and more effective balance sheet optimization. As banks continue to invest in data integration and automation, we expect to see further progress in this area, with finance functions becoming more agile, data-driven, and integral to long-term business strategy.

Finance Trends

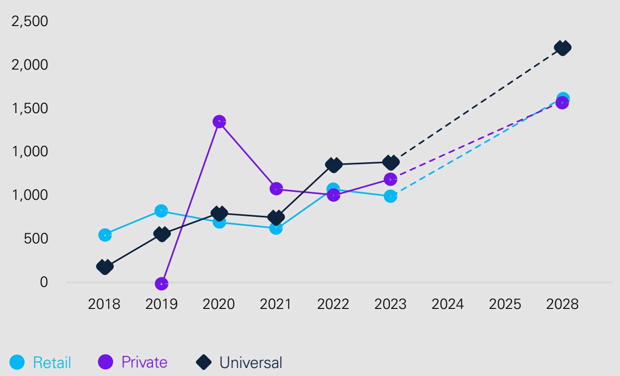
IT Cost – deepdive



When analyzing the cost breakdown, particularly IT-related expenses, we find that banks have also remained relatively consistent in their IT spending over the years. FTE costs continue to be the largest component, accounting for approximately 65% of expenditures, while non-FTE costs, such as professional fees and other expenses, make up around 20%. IT 'Change the Bank' (CTB) costs are the lowest, at about 5%, reflecting limited spending on transformative IT initiatives. In contrast, 'Run the Bank' (RTB) costs, which cover maintaining existing IT systems and infrastructure, make up around 15%, highlighting that a significant portion of IT budgets are still dedicated to sustaining day-to-day operations. Looking ahead, we expect IT-related expenses to gradually decrease over the coming years. This is largely due to the shift toward upfront investments in data integration models and modern IT infrastructure, with the expectation that these initial costs will lead to long-term efficiencies and cost reductions. As banks enhance their digital capabilities and streamline operations, the need for ongoing IT maintenance and support is expected to decline, contributing to lower overall IT spend.

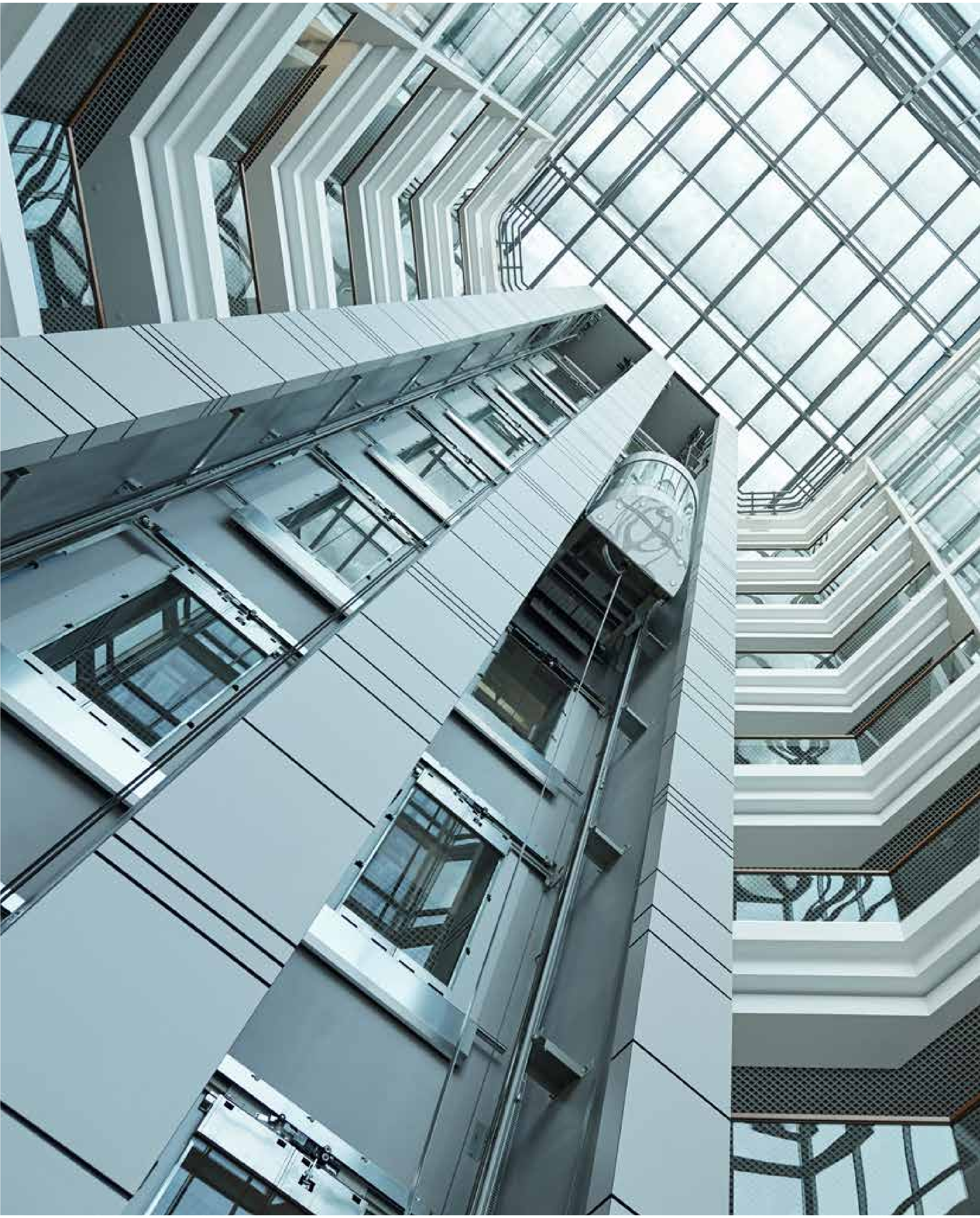
Similarly, FTE costs are likely to decrease as automation technologies reduce the need for large finance teams. Many manual and repetitive tasks within finance will be automated, leading to a reduction in headcount, particularly in lower-skilled roles. However, the remaining workforce will be more specialized, with a higher concentration of data engineers and MBAs who can leverage data and analytics to drive strategic decision-making. While this shift will likely result in fewer employees, the impact on overall FTE expenses could be mixed, as these specialized roles may command higher salaries. Nevertheless, the net effect is expected to be a decrease in total FTE costs as automation reshapes the finance function.

Training budget



This year, we observe that Universal, Retail, and Private Banks have converged in terms of training budgets, with all three sectors now averaging around $1,000 per FTE. This represents a significant increase in training budget allocation when compared to the past five years, reflecting a growing emphasis on upskilling and talent development. A similar upward trend is also evident among Retail Challenger Banks, though their average training budget remains lower than that of the broader industry.

Looking ahead, we anticipate this trend will continue, with banks across the industry expected to further increase their investment in staff training. This rise in spending reflects a growing emphasis on attracting and retaining top talent while preparing for the future finance workforce. Beyond technical skill development, we expect banks to focus more on equipping their employees to become value drivers. This means prioritizing training in areas such as strategic thinking, data analytics, and decision-making to ensure teams are prepared to contribute meaningfully to business growth and innovation.



The rise of the CVO: The evolving role of the CFO

The role of the Chief Financial Officer (CFO) in banking is poised for a significant transformation over the next decade. Traditionally viewed as responsible for steering financial outcomes and the place where "the buck finally stops", the CFO's role is being redefined by advancements in automation and AI-enabled, data driven decision making.

As traditional finance tasks become increasingly automated or outsourced to AI, the finance function is more likely to be reshaped at its core, leading to a dramatic reduction in size – in some cases, by as much as 50%.

With automation, cloud technology, and data analytics taking center stage, the traditional CFO's controllership facet is set to evolve into a compliance focused, middle-management role, giving rise to the CFO as Chief Value Officer (CVO). This role will drive business strategy, performance analytics and data integration in an environment where business insights will be AI augmented. In this future landscape, we can expect to also see a significant shift in people and skill sets in Finance, with those unwilling or unable to adapt facing obsolescence. Although in some Banks the pivot from CFO to CVO has already begun, for most traditional banks that is not the case.

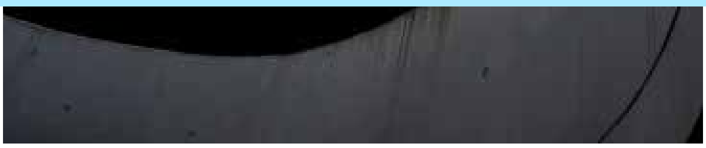
Cloud Transformation: Stripping away Core Finance Responsibilities

Traditionally, the finance function has been synonymous with end-to-end management of an organization's financial reporting. However, advancements in cloud technology have already begun to standardize and commoditize these disciplines. Cloud-based core finance applications, coupled with investments in data integration, will eliminate previously considered core human workloads. What normally took days or weeks and significant overtime for a monthly close cycle, for example, will be reduced to being near real-time, rendering month-end closing inconsequential. This will likely lead to a drastic reshaping of finance teams, with a marked reduction in resources, required now to focus on accounting engine parameterization, anomaly detection & resolution and business decision support.

Transforming Finance Capabilities: The Need to Reinvent

As the shift away from traditional accounting skill sets accelerates, finance teams will need to evolve and pivot away from hiring people with accounting backgrounds. The career trajectory of accountants is likely to undergo significant transformation, as automation takes over tasks that once formed the core of their career progression. The era of producing lengthy presentations on performance and financial results will soon give way to AI-driven solutions developed by data specialists with direct inputs from market and product experts. These specialists, armed with deep-learning calculation engines, can offer deeper insights into business strategy by digesting not just internal data but also external market signals. The future finance team, in essence, will be increasingly made up of strategic thinkers and data experts able to communicate compelling data-driven narratives, rather than traditional accountants. Most leading academic institutions are already adapting their curricula to align to this new reality, ensuring they do not produce an oversupply of technical finance professionals misaligned with market needs.

> As banks and businesses adapt to a future driven by data, AI, and automation, the CFO's role will inevitably evolve.



Data Integration, Automation, Outsourcing, and Redundancy

In the coming years, the traditional financial structure as we know it will also be reinvented. Banks and large enterprises will of course retain roles such as the Enterprise Controller and Legal Entity (LE) Controllers for regulatory compliance purposes. LE Controllers previously reporting to respective Regional CFOs, will report directly to the Group Controller, a role that will likely be integrated into a CoE function with accounting operations becoming fully automated or outsourced. What would then remain of Financial Operations will be rolled into Enterprise-wide Business Services. This restructuring represents a complete reimagining of what finance is all about, and more importantly, what it no longer does. Compliance and control will remain a necessary, yet highly utility-ized function.

The New CFO: The Chief Value Officer

As the traditional CFO role continues to diminish, the rise of Chief Value Officers (CVOs) within financial institutions is expected to fill the void. These leadership positions will become increasingly crucial in driving growth, focusing on leveraging augmented data sets to ensure the organization takes the right management actions to stay competitive in a rapidly evolving market landscape or as Jeff Bezos put it "focusing on the things that make your beer taste better". The market is expected to favor skill sets that align with deeper data and technological capabilities, with an emphasis on augmented insights and storytelling – in simple words, MBAs with data engineering degrees. Some CFOs may soon start to transition into these roles, where a focus on data engineering, intelligent forecasting and insightful business partnering will become the differentiators. However, the majority of CFOs might not be able to adapt and pivot into the CVO role.

Central Planning and Performance Insights

The emergence of Central Planning and Performance Insights Teams - groups destined to become the nerve center of the modern organization, living closer to Strategy and Corporate Development teams - led by the Chief Value Officer (CVO), will mark a significant pivot of power in the organizational structure. Reporting directly to the CEO, informing business strategy, and serving both Business Units (BUs) and Group Executives as equal customers of value analytics. The CVO will not aggregate bottom-up budgets, but will integrate Strategic Planning with corporate and BU planning and analytics, taking a balance sheet first approach underpinned by operational drivers. By running all planning models centrally using machine learning, the CVO group will distribute these models to BUs, allowing them to engage directly on the platform with model assumptions, facilitating continuous forecasting. The use of generative AI and advanced visualization tools will enable complete business self-service, offering dynamic dashboards and Language Learning Models (LLM) chatbots to provide real-time insights.

Forget spreadsheets; the CVO will run all planning models centrally, using cutting-edge machine learning algorithms to predict and shape the bank top down. BUs will no longer rely on Finance Business Partners to interpret the data—they'll interact directly with the models, tweaking assumptions in real-time and scenario planning continuously. Generative AI and sophisticated visualization tools will in turn enable self-serve via dynamic dashboards and conversational AI chatbots. Decision support without intermediaries minimizing the lag between data and management action.

The Controller

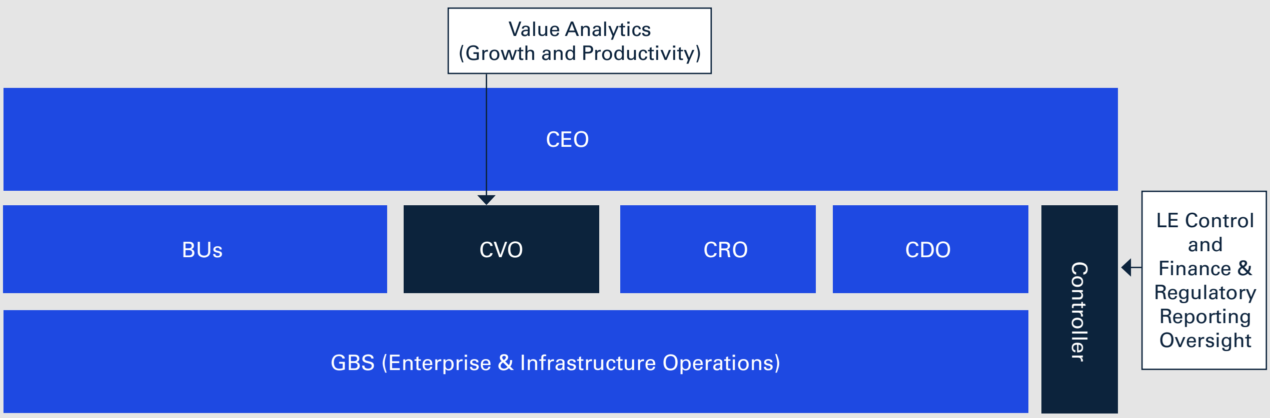
With the CVO group handling all planning and performance analytics independently from accounting and controllership disciplines, the traditional CFO's role in banks will shift. CFOs that do not adapt to become CVOs will thus be relegated relative to the importance of the CVO, yet still represent the last bastion of financial compliance oversight. A role seen as "table-stake" rather than as a differentiator for the enterprise.

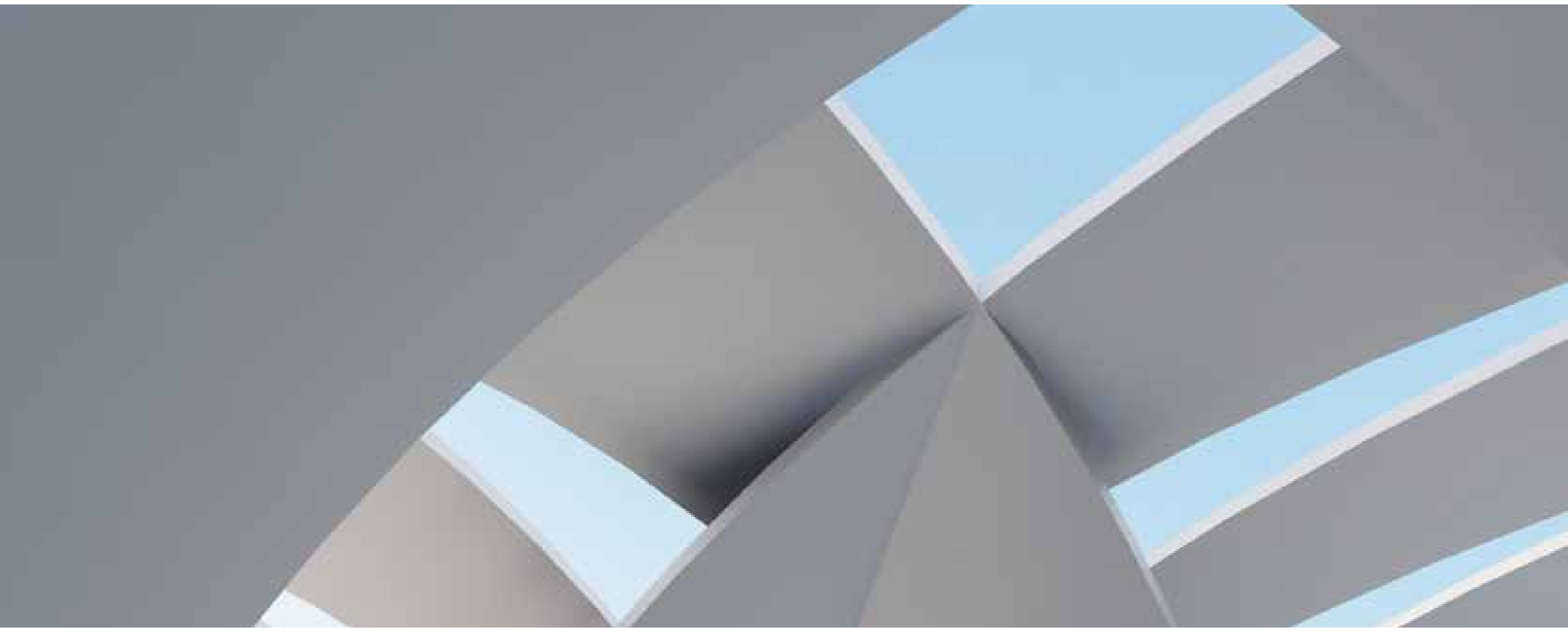
The Future Organizational Blueprint

In this new world of integrated data sets and AI driven controls and insights, the CVO group will not require traditional finance skills. Finance Business Partners will also need to change as Finance gets disintermediated from business performance insights. Business Finance staff will become a thin layer acting as the spoke to the CVO hub, providing management action options to close gaps to forecast and plan and strategies to achieve long term business plans.

The global banking industry is already starting to witness some of these changes. A large US Headquartered GSIB, for instance, has completely bifurcated its group financial control from Business Finance, essentially the ex-LE Controllership role. However, both the Head of Group Financial Control and the Head of Business Finance still report to the Group CFO – for the time being.

The Future Organizational Blueprint





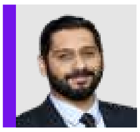
The Future lies with the CVO

As banks and businesses adapt to a future driven by data, AI, and automation, the CFO's role will inevitably evolve. The emergence of specialized leadership roles like the CVO and the consolidation of financial oversight under a controller are signals of a new era, where performance analytics and technological innovation will take precedence over traditional financial oversight. As banks embrace data-driven insights, finance professionals must also adapt to stay relevant. Failure to do so will render them redundant in a world where insights and strategic leadership no longer require a financial intermediary.

The expected shift isn't simply a re-organization, but a fundamental reinvention of Banking Finance functions; teams will shrink, role evolution will follow the Bank's data and AI maturity. While the traditional CFO role isn't expected to become irrelevant or disappear entirely, the future undoubtedly belongs to the CVO. Current CFOs must prepare for the future and welcome the opportunity. CFOs defensive to this change in the balance of value will risk being relegated and commoditized.

Aris Kossoras
Partner, Global BSBI Lead
KPMG in Canada
E: ariskossoras@kpmg.ca

Steve Pratley
Partner
KPMG in Australia
E: spratley@kpmg.com.au



Irtaza Nawazish
Manager
KPMG in Canada
E: inawazish@kpmg.ca

Better Finance partnering for agile technology functions"

What does supporting an Agile Technology Transformation mean for Finance?

In recent years the business environment has become more volatile and quick-changing. Banks need to be able to respond to these changes quickly and effectively. Making any transformation future-proof is a cornerstone to ensuring the Bank's operations are seamless. Moving to an Agile approach enables banks to be more resilient in dealing with both internal and external challenges.

It also facilitates value creation by enabling Banks to understand their cost of delivery and associated benefits in a more structured and clearly defined way. It focuses on the creation of autonomous and high performing teams whose delivery is outcome driven. Agile approaches are based on iterative, fast paced projects, focusing on continuous improvement and collaboration.

Moving to Agile ways of working has a significant impact on a Bank's approach to project delivery, with key processes at risk of becoming outdated and ineffective, including:

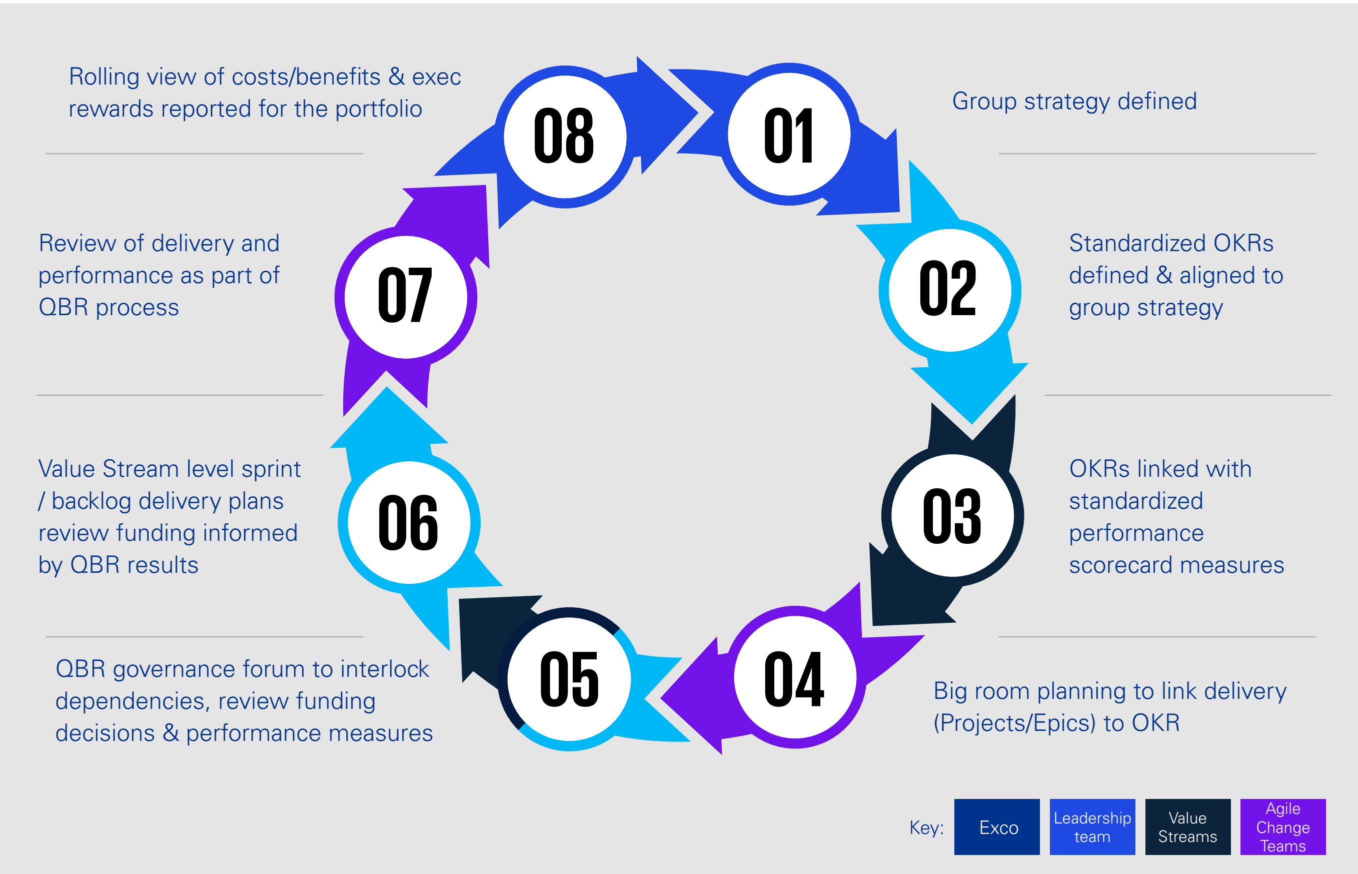
1. Project Planning, Budgeting and Forecasting
2. Project Accounting
3. Delivery Management
4. Benefits Tracking & Reporting
5. Time Recording & Asset Capitalization

The impact of Agile on elements of Finance	The traditional method	How Finance needs to adapt to facilitate Agile
Project Planning, Budgeting & Forecasting	Traditional focus on historic performance does not inform solution development, or the learning obtained from incremental product/service development, which does not allow for forward looking/optimal decisions or the evidence necessary to decide if the business should pivot or persevere with an initiative's MVP.	Focusing on historical performance means Finance is unable to adapt to the Agile approach of fail fast and deliver quick wins. Agile focuses on ensuring that the business (e.g. Technology) is always delivering value to their customer. For Finance, this means equipping users with the right systems, tools and insights to enable faster, more forward-looking decision making based on real-time and accurate financial data.
Project Accounting	Making frequent requests with urgent deadlines for marginal value leads to suboptimal results, rather than assigning the highest priority items to the top two or three tasks, which, in contrast, ensures that optimal value is realized.	The Agile methodology encourages the regular re-prioritization of initiatives based on cost & value assessment. This focus enables improved funding decisions and ensures investments are better targeted at those initiatives that have clear links to the overall strategy. To enable this, Finance needs to provide the structure to enable clear linkage between the cost and benefits of initiatives to Group Strategy, for example through the linking of Strategy with Objectives and Key Results.
Measure Delivery ROI	In traditional Waterfall projects, the delivery management is defined at the start, i.e. projects are delivered from start to finish and any change or deviation from the predefined goals and timeframe is difficult to implement.	By producing and accepting the deliverable incrementally, around short iterations or equivalent (usually 2-4 weeks), Agile encourages frequent communication between developers and those who will ultimately accept and use the deliverable, improving efficiencies and the effectiveness of the project delivery. For Finance, this means being able to leverage the data produced during each sprint to understand cost of delivery and asset value.
Benefits Tracking & Reporting	Insights into the success of funding allocations is key to enable the organisation to pick future winners, by understanding the benefits being delivered. If not, funding will be allocated to build a service/product that customers may no-longer want (regardless of whether it is delivered 'on time and to budget'). Finance rarely tracks the actual benefits realized post delivery reducing the likelihood of lessons learnt being adopted for future projects.	Key to the methodology is a mindset of continuous improvements with the aim of reducing waste and improve efficiency. Ultimately, this drives cost savings as processes and systems are streamlined, as well as ensuring there is clear visibility of the benefits and costs associated with funding allocations. Finance is key in tracking and understanding actual cost incurred and benefits realized for projects.
Using Data & Analytics to replace timesheets for Activity Capitalization Rules	Traditional time recording processes focus on manual updates from employees which are often time consuming and inaccurate.	Time recording processes can be automated leveraging agile delivery management tools, linking resources and outcomes. Integration of delivery management tools with finance systems enables automation of process, controls and financial statements.
Asset Capitalization	Highly manual capitalization process can lead to extensive excess time determining by both Finance and business colleagues. In addition, inaccuracies in time recording can result in inaccurate and inefficient capitalization process which can lead to incorrect asset valuation & impairments.	Developing the right capitalization methodology for Agile projects will mean that the costs of Agile are accounted for fairly, reducing the in-year P&L impact. Controls and accounting policy designed to support the accurate capitalization of Agile "projects."

Approaching Agile Investment and Funding Governance

When approaching an Agile Governance model, there needs to be clear alignment between Group Strategy and the delivery teams on the ground, ensuring that all initiatives being delivered are linked to Group Strategy and there are defined and measurable benefits associated with delivery. There needs to be an iterative review process to enable re-prioritization of initiatives and dynamic resource allocation across teams.

This means that Finance is able to continually assess whether initiatives will deliver against Group Strategy in expected timeframes, enabling resilience and flexibility against both internal and external factors. Finance is central in owning and defining this process, ensuring costs and benefits are measured accurately, using real-time data.



Guiding principles for implementing Agile in Finance functions for effective Performance Management

When moving to Agile Change Management, Banks often face issues with their approach to Performance Management as the metrics they have traditionally used, such as cost and profit center, no longer align with the Agile delivery model adopted, which focuses on Value Streams & Product Owners. Alignment with wider Change Management framework and principles is key for successful implementation.

There are 8 key principles which shape the approach:

01 Create cross-functional teams with zero-based budgets that are responsible for defining, testing and delivering value across. Provide these budgets over a long period.

02 Pre-funding team capacity is the key difference in Agile, so the focus shifts from milestones against time and budget to measuring value delivery versus time invested by teams.

03 Funding allocation moves from a cumbersome annual exercise to a rolling forecast within the boundaries of acceptable tolerance ranges that are based on categories of program, i.e., foundational, transformation or revolutionary.

04 Define epics that includes the estimated business value and story points, which are essential for defining, planning and implementing business value.

05 Define feature(s) for the to be developed solutions. Analyze them, define the minimum viable product and estimate costs.

06 Create a Lean Portfolio Management Board that tracks the repository of approved epics and (re)prioritizes them as these are picked up by the Agile Release Train.

07 Continuously measure team predictability and progress velocity by comparing Estimated Business Value against Realized Business Value.

08 Funding is released or re-prioritized in stage-gates as Business Value is delivered or not.

What are the risks of not doing it?

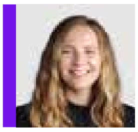
Not implementing Agile risks you being left behind in comparison to your competitors, maintaining a Finance Function with poor cost management and value creation and becoming inflexible in an ever-evolving market. Maintaining a traditional operating model poses many wider risks.

1. Firstly, there is a risk of the misstatement of costs and assets in financial statements, which can lead to missed strategic targets and adverse audit findings, as well as the reputational risk of not meeting regulatory requirements.
2. Additionally, poor governance models leading to increased auditor engagement, negative audit findings, therefore, costly rework of change and the threat of fines.
3. It is likely the Bank will also experience higher workforce costs with increased in-efficiencies and operational overheads.

All of these risks above contribute to low shareholder confidence and poor perception in the market.

Therefore, it is clear that by adopting an Agile approach to Finance you are setting yourself up to be a resilient and dynamic Finance function of the future. Organizations that do not adapt Finance processes for Agile Technology delivery will open themselves up to increased regulatory pressure, damage to their reputation and associated investment implications, and set them behind their competitors in terms of delivery and development.

Jyotsna Goel
Senior Manager
KPMG in the UK
E: jyotsna.goel@kpmg.co.uk



Katie Simpson
Manager
KPMG in the UK
E: katie.simpson@kpmg.co.uk

How to make controls a competitive advantage in your Finance systems transformation

Innovative thinking about controls in your Finance systems transformation will drive benefits and give you a competitive advantage.

New regulations, volatility in the political and economic landscape and trends on cloud, self-serve functionalities and AI have made for interesting reading over the last few years. But today, while many transformation programs embrace new technologies, they aren't joined up with key domains such as risk and controls. Which has meant that CFOs responsible for risk and controls are behind the curve on requirements, a low priority for investment and, rather unhelpfully, have a mindset of compliance rather than competitive advantage.

This may seem counterintuitive, but incorporating a well-designed control framework can actually be a powerful competitive advantage for organizations embarking on transformation programmes. By thinking innovatively about controls, we have helped organizations achieve significant benefits whilst giving them a 'leg up' for future requirements by building a sustainable operating model with latest technologies and strong capabilities.

To truly move the dial of controls in a transformation program and aim to be competitive, there has to be a monumental shift in mindset to drive a centralized, integrated and benefit driven control structure. This is how:

1) Be part of Transformation - Proactively prioritize controls

This starts with breaking away from traditional language based on regulatory guidelines and specialist terminology that only further the isolation of Controls. Think Business, think benefits. Controls needs to get a seat on the transformational table from Day 1 and changing the mindset is essential in getting there. A scalable solution will require alignment with the Operating model areas like End to End (E2E) data design, Technology solutions, Reporting considerations and people capabilities, so think E2E with controls embedded from the beginning.

Even one simple change, such as building the first test of automated control, into the User Acceptance Testing (UAT) period can significantly reduce total cost to the organization, so imagine the payoff of thinking through E2E control benefits.

2) Build people capabilities for continuous improvement

It's impossible to predict the future, so building technology that solves all future problems is not realistic; you need the right capabilities to drive continuous improvement.

Start by embedding key Finance and Controls stakeholders in the transformation program. Use their business knowledge to design controls and processes that operationalize the benefits into your BAU and seamlessly integrate technology and people.

Recent Finance trends show that skills and capabilities need to move beyond technical control expertise to a more balanced skillset that includes business context, stakeholder management, data analytics, horizon scanning and strategic thinking that builds collaboration across the organization. By building these capabilities into your transformation program you can embed a culture of continuous improvement and a forward-thinking mindset.

3) Adopt rather than adapt

This isn't a simple 'lift and shift' exercise from one toolset to another. Many businesses that have implemented a system have subsequently asked us to help them 'untangle the wires'. Cloud based developments have further reinforced the need to adopt a level of standardisation as part of the Software as a Service constructs. Customisations are therefore no longer possible, which has driven a healthy level of challenge on 'as-is' conventional wisdoms to drive out chunky add-ons, hidden logic and key person exposure on the workarounds and handovers.

Today's smart systems come with powerful built-in control functionalities, workflows, MI dashboarding, reporting, artificial intelligence and machine learning features. As a rule of thumb, embrace what's available out of the box: adopt not adapt.

Understand the art of the possible by showcasing all the functionality of the new technology. Demonstrate use cases and industry best practices to make it real. Armed with that knowledge, critically assess the E2E processes and controls to eliminate unnecessary activities, and release capacity.

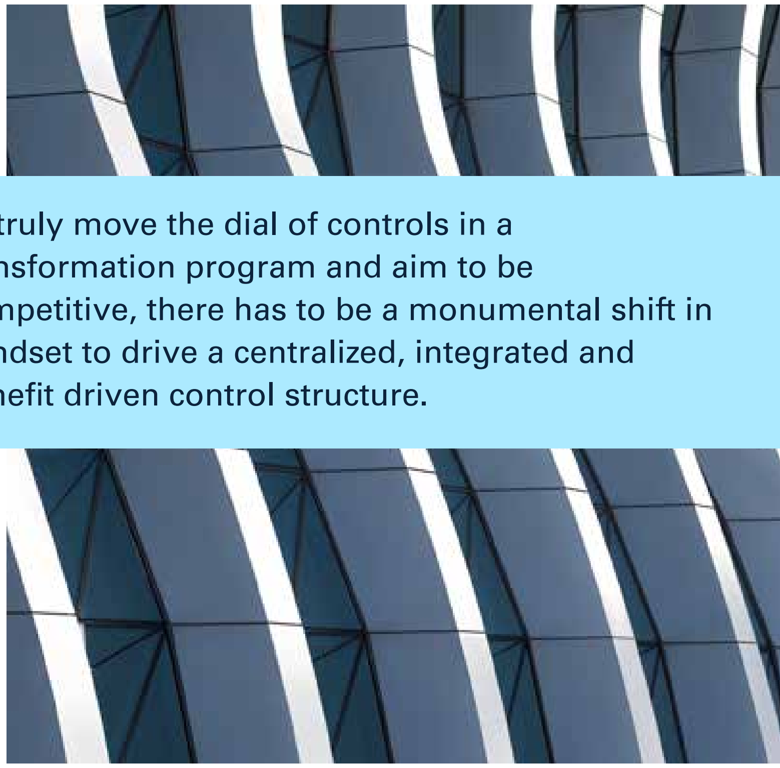
One last thought… Yes you can – others have successfully achieved this and so can you.

Transformation is tough but very much possible. We have worked with many organizations over the last decade to truly embed new ways of working and innovative technologies to drive significant benefits, such as: automation of 40-50% of controls, shorter working day close, unlocked capacity to focus on what matters, and numbers you can trust.

Christopher Checkley
Partner
KPMG in the UK
E: christopher.checkley@kpmg.co.uk

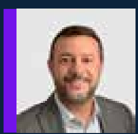
Maurice Lips
Partner
KPMG in the UK
E: maurice.lips@kpmg.co.uk

Carol Chung
Senior Manager
KPMG in the UK
E: carol.chung@kpmg.co.uk

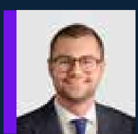


> To truly move the dial of controls in a transformation program and aim to be competitive, there has to be a monumental shift in mindset to drive a centralized, integrated and benefit driven control structure.

HR (BHRB)



Alejandro Modarelli
Partner
KPMG in the UK
E: alejandro.modarelli@kpmg.co.uk



Patrick Kay
Senior Manager
KPMG in the UK
E: Patrick.Kay@kpmg.co.uk

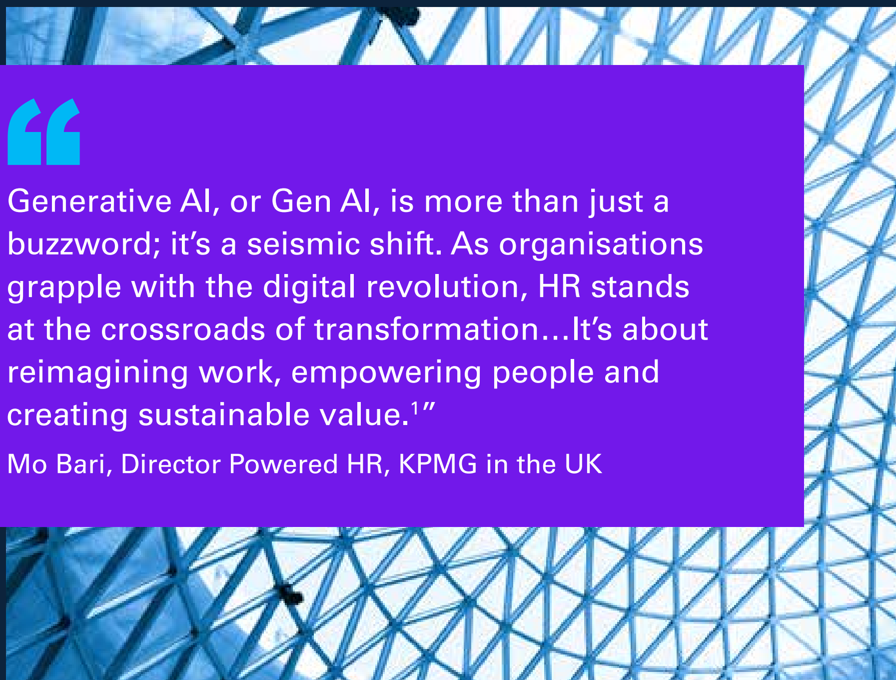
Next-Generation HR – are you ready?

The world is changing, fast. Embracing the disruption is critical to unlock value, drive profitability and accelerate growth. HR plays a key role in this. Transforming in an AI-era, whilst incentivising and developing talent is critical for businesses to respond to market disruption.

Meanwhile, the rise of remote and hybrid working – enabled by digital technology and accelerated by COVID – means employees now expect greater flexibility in their working lives. They are prioritizing well-being and, in many cases, pushing back against digital overload. Many are prepared to change employers to get a better work/life balance, with 40% of the global workforce saying they are considering leaving their job this year[2].

For businesses, these trends are creating pressing challenges. To stay competitive, organizations must simultaneously:

- Retain top talent (a key challenge identified by 71% of CEOs)[2]
- Keep employees engaged and motivated to counter the trend of 'quiet quitting'
- Improve employee productivity to deliver on business targets with maximum cost-effectiveness.



> "Generative AI, or Gen AI, is more than just a buzzword; it's a seismic shift. As organisations grapple with the digital revolution, HR stands at the crossroads of transformation…It's about reimagining work, empowering people and creating sustainable value.[1]"
>
> Mo Bari, Director Powered HR, KPMG in the UK

Embracing next-generation technology to enable the right outcomes

The good news is that the same advanced technologies driving this change are also bringing exciting opportunities for HR. Embracing technologies such as generative AI, machine learning and natural language processing gives the function new capabilities to achieve the right outcomes for the business.

It enables HR to help the business respond to employees' evolving expectations, including delivering an enhanced employee experience to drive engagement. This ultimately feeds into better outcomes for customers and, from here, the business.

These advanced technologies are already in action in organizations with leading HR functions, we call these organizations 'Pathfinders'. These 'Pathfinders' are adopting new technologies at pace, re-thinking their 'offer' to the business and pioneering a new wave of HR transformation in the process. Here's how they're doing it:

60%

of HR leaders expect to change their operating model in the next two to three years, with AI being a driving factor.

[1] Remodeling the HR Operating Model using Gen AI
[2] The Future of HR: from flux to flow, KMPG in the UK

Putting experience and well-being first

With employees increasingly prioritizing their personal well-being, Pathfinders are deploying modern technologies to create a highly efficient environments allowing for employers to prioritize employee experience and focus on business strategy. Digital workflow tools deliver a single, unified portal for employees, making it easy for them to be part of the organization and do their job well, wherever they are working.

Pathfinder HR functions are investing in technologies to actively measure and influence experience. For example, capitalizing on listening engagement tools to tune in to employee sentiment and understand where action is needed to increase engagement and address low motivation. Similarly, they are using natural language processing to analyze employee feedback or survey responses efficiently and understand sentiment across the organization. Therefore, modern technologies can be leveraged to better tailor the employee experience offering depending on key employee issues.

> It's trying to create as many avenues as you can for people to interact, engage, and connect across the group[3]."
>
> David McCormack, Deputy Chief People Officer, AIB

Driving productivity

Leading HR functions are improving their own productivity by capitalizing on generative AI to tackle repetitive and time-consuming tasks. For example, large language models can be used to draft high-quality job descriptions and other AI tools can be utilized to sort through resumes to identify top candidates. These technologies free up time for tasks requiring the human touch, empowering HR professionals to focus on delivering strategic value-add for the business. Continuing with recruitment examples, greater efficiency in this process enables talent acquisition partners to identify and retain top talent with key skills sets. This change also drives a change in employee service, impacting the three tier HR model so employees interact with HR via one unified portal, as opposed to several different outlets.

Delivering data-driven insights to guide workforce shaping

The rise of AI and generative AI has created a multitude of changes in the way organizations manage and shape their workforce. To keep up with these evolutions, Pathfinders have adopted and deployed advanced data and analytics to better keep track of their shape and organizational skills. AI can be used to build a data-led view of the skills organizations have, and to support strategic workforce planning to ensure the relevant skills for the business are being invested in.

To enable this forward planning and to aid workforce planning, advanced analytics are also being used to predict employee attrition based on performance and on historical data, enabling HR professionals to design and target impactful interventions.

In both scenarios, advanced technologies are being deployed to support skills development.

An AI-powered coach, for example, can serve up personalized L&D recommendations for individual employees, helping to guide and accelerate careers, strengthening bonds between employers and employees.

> Adopting a skills-first workforce is not merely a trend; it's a strategic imperative for organizations aiming to navigate the complexities of the modern business landscape[4]."
>
> Danny Seto, Managing Director, Human Capital Advisory, KPMG in the US

Summary

With AI and generative AI accelerating the pace of change across society and the workplace, HR functions can't afford to sit still. These tools will enhance ways of working and fuel productivity gains across businesses. Like Pathfinder organizations, HR Functions need to develop a far-reaching strategy, adapt their ways of working and embrace advanced technologies.

Together, and utilized well, these methods and opportunities to leverage AI in new and exciting ways will ensure that HR functions who want to become 'Pathfinders' will be well on their way to making the most from AI.

KPMG firms have helped many FS HR functions make the most from AI to tackle their strategic challenges, and we are continually working and collaborating with clients to help expand their knowledge and understanding of AI.

[3] The Future of HR: from flux to flow, KMPG in the UK
[4] The Rise of Skills-based Talent Strategies

The Impact of AI on the Workforce

As highlighted above, HR functions in FS organizations are finding new ways to utilize AI creating significant change for the organization. Let us look at the impact of AI in retail banking and consider how this effects the broader HR landscape.

Impact in Retail Banking

There is a significant growth in demand for AI skills across retail banking:

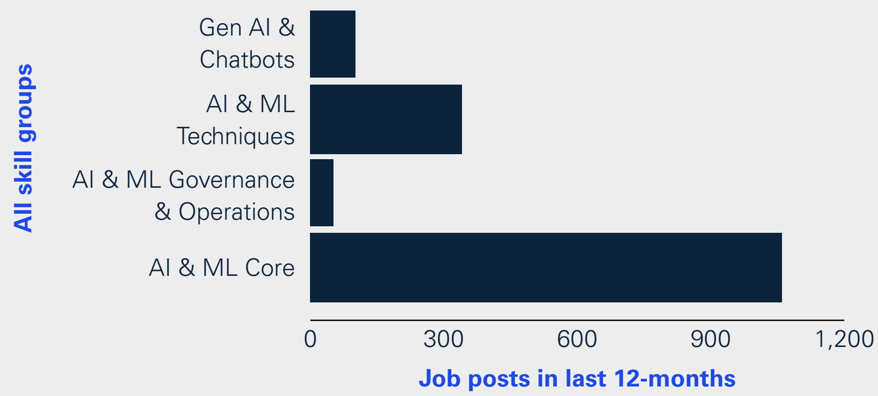
+236%

increased demand for AI skills in the last three years

4.5%

of job posts in the last 12 months include AI skills

Spread of AI skills being seen in job posts in the last 12 months



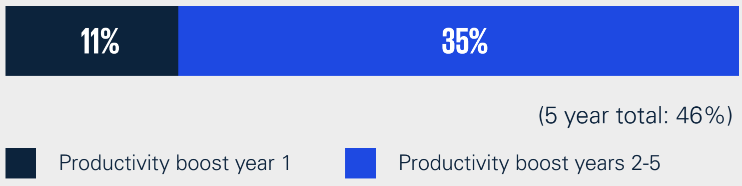
Retail banking is taking a more cautious approach to AI adoption compared to other sectors and is focusing on getting the fundamentals right in terms of data, infrastructure, and risk management, before fully embracing AI-powered decision-making. With a large amount of customer data at risk and uncertainty over regulation, retail banks are integrating AI on a case-by-case basis with many fail-safes in place. Primarily use cases such as "agent assist", have proven beneficial to date.

When it comes to some of the challenges, many retail banks are still addressing legacy IT systems and dispersed data across different products and services, making it difficult to access high-quality, integrated data needed to effectively deploy AI.

Retail banks have focused on building a culture of strong conduct, therefore being more risk adverse. When it comes to adopting new technologies like AI, by comparison with the "automation-first" mindset of more agile challenger banks, retail banks have been slower to see the benefits of AI adoption.

Leading HR functions are expanding their reach into their businesses by focusing on business partnering. AI is used to free up time across HR by reducing administrative tasks in the recruitment process across candidate sourcing and selection, disseminating better information during employee onboarding, unlocking employee movement through talent mobility platforms, proactively distributing strategic learning, and creating more dynamic ways to listen to employees and gather sentiment.

Impact on HR as a Control Function



As organizations are transforming in light of AI, so must HR and other control functions. AI presents its own risks as well as a new and evolving set of regulations to adhere to. We may see significant growth in some control areas, such as HR, as AI governance capacity expands to meet demand. More broadly, we are also likely to see work increasingly move into an 'approver/validator' space as operational tasks are automated, but humans are accountable for a broader range of generative AI outputs that need checking and approving.

Skills in transformation and business process design will be important for the generative AI transformational phase within HR functions. HR professionals will also need to increase their core AI skills to help spot hallucinations (a 'symptom' of the inherent creativity of large language models that sometimes causes them to give false information), and prompt engineering to help extract, summarize and compare policies, regulatory and legal documents in different contexts - all with substantial attention to detail.

HR functions will increasingly need to upskill their workforce in data architecture, data quality and data concepts, so appropriate judgments can be made regarding the validity of automated data-driven outputs and recommendations. This will also enable them to provide appropriate recommendations about storing and processing sensitive customer data.

Preparing for Change

So how can FS organizations plan for this change? There is no doubt that AI, and generative AI in particular, will continue to enhance the way work is done across all organizations. It will fuel productivity gains and free up time to focus on higher value activities which will help drive growth and improve employee experience.

> "Leaders wishing to prime themselves for growth in the medium term should favour investment in reskilling over reflexive redundancies[5]."
>
> Mel Newton, People and Change Partner, KPMG in the UK

As Financial Services firms recognize the benefits of AI and see this translated into greater productivity, there will generally be four options to consider:

- Reallocation of saved time to high-value tasks within the scope of each role
- Redeployment of talent into areas of the business with high need and growth
- Maintaining the same structure and control within each role, but with less stress/pressure due to time recouped through increased productivity
- Redundancy and short-term cost savings for roles wherein the majority of tasks can be replaced by AI

Saving costs and preparing for significant transformation to reduce spend will be a great benefit to organizations experiencing cost challenges, however focusing on cost-cutting alone may prove to be short-sighted. Instead, organizations should prioritize upskilling and reskilling employees for long-term benefits.

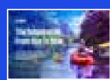
In summary – where FS companies are experiencing significant change they should look to assess their current and future skill needs and focus on training rather than competing for scarce AI talent. Workforce planning should align with the pace of AI adoption, with firms either improving customer service, innovating, or adjusting to natural attrition.

KPMG firms have helped many FS organizations understand the impact AI has on their business, including through the lens of a specific function like HR. Though the landscape is complex, there are key principles and approaches that all organizations should follow to help them get the most from this dynamic and complex technology.

Recent KPMG HR papers


5 advantages of skill-based talent strategies


Shape your workforce with data-driven people analytics


The future of HR: From flux to flow


Next Gen HR

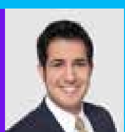

Alejandro Modarelli
Partner
KPMG in the UK
E: alejandro.modarelli@kpmg.co.uk


Patrick Kay
Senior Manager
KPMG in the UK
E: Patrick.Kay@kpmg.co.uk

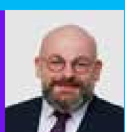

Jennifer Worrall
Manager
KPMG in the UK
E: jennifer.worrall@kpmg.co.uk

[5] Financial & Professional Services: The Future of AI & the Workforce, City of London Corporation and KPMG UK

Risk (BRFB)



Arvind Sarin
Partner
KPMG in Germany
E: arvindsarin@kpmg.com



Albrecht Budke
Director
KPMG in Germany
E: abudke@kpmg.com

Insights: Risk & Compliance benchmarking analysis 2023/2024

Much like the CFO function, the CRO function is navigating a landscape fraught with challenges stemming from recent market developments, technological advancements such as automation and artificial intelligence, and an ongoing regulatory focus on specific issues. CROs must adeptly manage these challenges and transform their functions to stay ahead of future demands.

> The cost structure of the Risk and Compliance function is characterized by a high reliance on personnel costs and significant investments in change initiatives. These financial commitments are essential for developing efficient and maintaining robust risk management and compliance systems that can respond dynamically to the changing financial landscape and regulatory demands.

To aid CROs in comprehending their unique challenges and identifying necessary areas for trans-formation in comparison to their peers and the broader industry, KPMG has crafted a specialized benchmark approach tailored to the Risk & Compliance function. This comprehensive assessment delves into headcount, full-time equivalent (FTE) allocation, and cost structure, forming the core of the approach. Additionally, it explores specific focus areas of high relevance to the CRO function, including emerging trends and current developments, ensuring that CROs are well-equipped to navigate the evolving risk landscape.

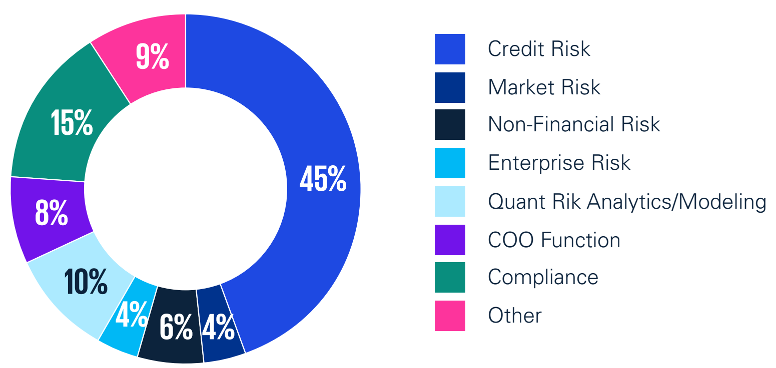
The benchmark analysis is based on insights and data from more than 130 banks across the globe comprising banks of different business models. Medium-sized European banks stipulate the largest share of surveyed banks.

Insights for CROs

The outcomes of the R&C Benchmark Analysis 2023 & 2024 have been intensively discussed with the CROs of the participating banks. The granular level results allowed them to identify specific topics for further discussion and necessary analysis on an individual basis.

The allocation of FTEs is an important operational figure that provides an indication of the efficiency of a bank's individual functions. In this context, the R&C Benchmark Analysis provides a comprehensive comparison of total FTEs across the main subfunction of the Risk & Compliance function along a standardized functional model. The following figure shows an example of the typical distribution of FTEs within the Risk & Compliance functions of the analyzed banks.

Allocation of full-time equivalents (FTEs)



Source: Risk & Compliance Benchmark Analysis 2023 & 2024

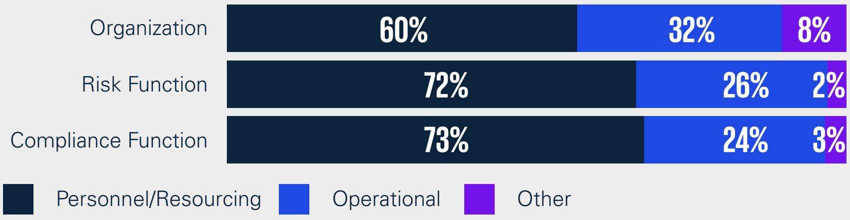
Consistently, the Credit Risk function emerges as the most FTE-intensive area within the banks analyzed. This underscores the critical role of credit risk management in banking operations, where a significant portion of resources is dedicated to assessing, managing and mitigating credit risk. The intensity of FTE allocation in this function is closely linked to the bank's business model, particularly in institutions with a substantial volume of loan related activities.

Apart from Credit Risk, a material share of FTEs is distributed among other key functions such as Quantitative Risk Analytics & Modelling and the Chief Operating Officer (COO) Function. These areas, while not as FTE-intensive as Credit Risk, play pivotal roles in comprehensive risk management and operational efficiency.

The Enterprise Risk, Market Risk, and Non Financial Risk functions typically exhibit a lower share of FTEs compared to other risk functions. The allocation in these functions can vary significantly depending on specific bank setups, such as the existence of a trading book, which influences the resource needs in Market Risk management.

The Compliance function, integral to the bank's second Line of Defense (2nd LoD), also commands a crucial share of FTEs. It is important to note that while some activities of the Compliance function are overseen by the Chief Risk Officer (CRO), others may be managed separately, reflecting the diverse nature of compliance activities. For the next years driven by on the one hand increasing regulatory requirements but on the other hand increasing cost pressure we would expect this distribution to change with e.g. an increase in non-financial risk (driven by regulatory requirements), while the share for credit risk might be reduced due to the stronger use and application of AI.

Share of cost types for the entire organisation and for the Risk & Compliance function



Source: Risk & Compliance Benchmark Analysis 2023 & 2024

Taking into account the cost structure

A key component that must be taken into account in a meaningful assessment of the risk function's FTE resources is the cost structure.

The cost structure of the Risk function compared to the Compliance function exhibits a notable similarity in the distribution between personnel and operational costs. This similarity underscores the parallel nature of these functions in terms of their reliance on skilled personnel to manage and mitigate risks effectively and ensure compliance with regulatory requirements.

It can be observed that personnel costs in both the Risk and Compliance function are higher compared to the overall organization. This emphasizes the human capital-intensive nature of these function and is indicative of the specialized skills and expertise required in these areas, which often command higher salaries. The personnel costs not only reflect the salaries but also the training and development needed to keep the staff updated with the latest regulatory changes and risk management techniques.

The bulk of the costs within these functions is allocated to run-the-bank activities (approx. 80-90%), which involve the day-to-day operations necessary to maintain ongoing risk management and compliance. These activities form the backbone of the functions, ensuring stability and continuous oversight of the risk landscape and compliance requirements.

Despite the emphasis on run-the-banks costs, there is a significant portion of the budget — up to 20% — that is invested into the Risk and Compliance change agenda. After years of implementing regulatory requirements, the current investments serve not only to comply with new laws and regulations, but also to improve and increase the efficiency of risk management practices in particular. More than two thirds of all banks plan investing in increasing risk management efficiency. Typical areas of investments for such a transformation to be successful are the streamlining of organization and governance, automation of processes and the reduction of IT costs.

In conclusion, the cost structure of the Risk and Compliance function is characterized by a high reliance on personnel costs and significant investments in change initiatives. These financial commitments are not only essential but necessary for developing efficient and maintaining robust risk management and compliance systems that can respond dynamically to the changing financial landscape and regulatory demands – as described in the following section.[6]

[6] For further details regarding this topic please also refer to the whitepaper on "Cost transformation in risk management"

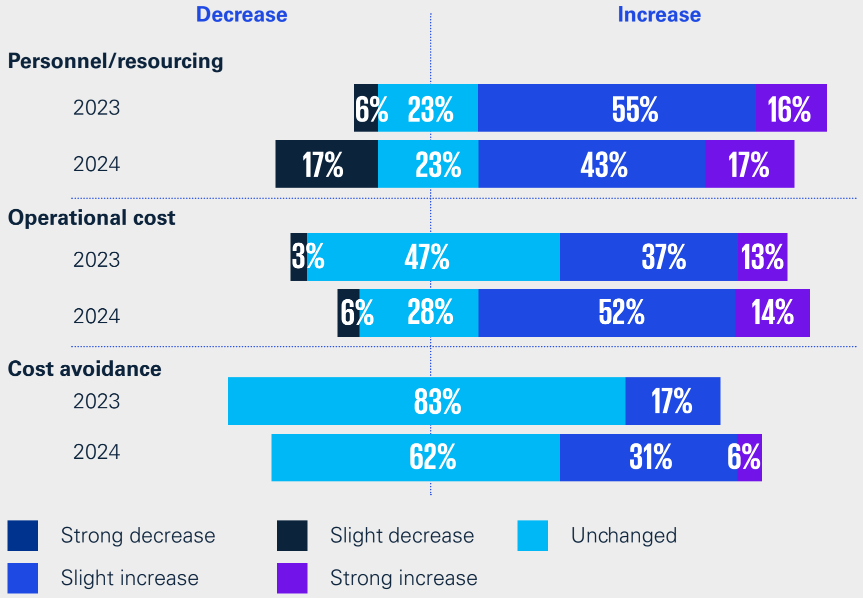
Planned Investments in the Risk & Compliance Function

In addition to the banking sector's overarching goal of improving cost efficiency, which is also present in the Risk & Compliance function, there is also a clear agenda at most banks to continue to invest in both staff and operations within the Risk and Compliance function. This strategic investment is essential not only to maintain the high standards required for effective risk management and regulatory compliance but also to adapt to evolving market demands and technological advancements.

More than half of the banks assessed in the R&C Benchmark Analysis have reported increases in their costs for personnel and operations this year, and many anticipate further increases next year. This trend is particularly pronounced among larger banks, which face complex risk landscapes and stringent compliance requirements. The expected increase in costs for both personnel and operations is attributed to a confluence of factors:

- **Regulatory Requirements**: Ongoing and new regulations continue to demand substantial resources, both in terms of personnel to interpret and implement these regulations and operations to integrate and maintain risk and compliance systems.
- **Technology Investments**: As digital transformation accelerates, banks are increasingly investing in advanced technologies to enhance their risk management and compliance functions. These technologies include data analytics, machine learning, and automation tools, which, while initially costly, are vital for long-term efficiency and effectiveness.

Planned change to investments in the R&C function by cost type



Source: Risk & Compliance Benchmark Analysis 2023 & 2024

- **Changing Market Conditions**: The dynamic nature of global markets (e.g. high volatility in interest or stock rate markets, reduced access to liquidity) necessitates continual adaptation and investment in the Risk and Compliance functions to effectively manage emerging risks and compliance issues.

As banks navigate these challenges, the imperative to manage costs effectively while making prudent investments becomes more pronounced. It is crucial for banks to not only focus on immediate cost containment but also to invest in areas that will ensure the efficiency and effectiveness of the Risk and Compliance functions in the long term. This strategic balancing act will require careful planning, prioritization of investments, and continuous evaluation of both the internal and external environments.

Change of seniority in the risk function – AI and automation changing the typical structure?

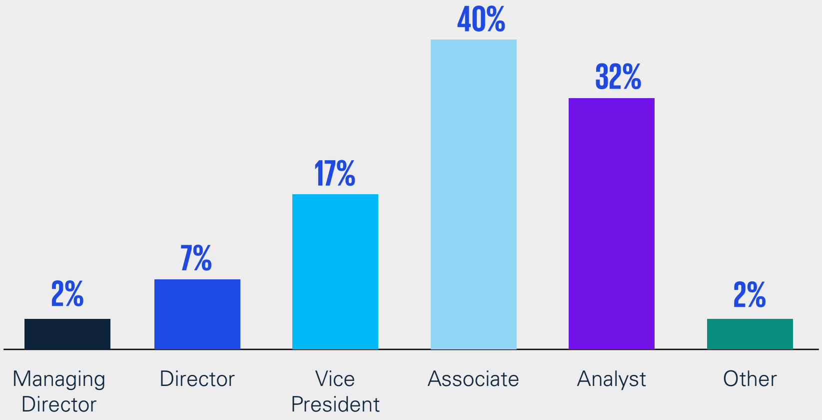
Across various banks, the benchmark analysis reveals a consistent pyramidal structure in the distribution of seniority levels within the risk function. This pyramidal hierarchy is influenced by the individual profile of each bank, which in turn affects the organizational hierarchy and the distribution of seniority levels.

Our observations indicate that the ratio of management positions, such as Managing Directors (MD) and Directors (D), to lower seniority levels, including Vice Presidents (VP) to Analysts (A), is approximately 1:11. This ratio highlights the significant difference in the number of senior management roles compared to more junior positions within the risk function.

The distribution of associates and analysts varies depending on the specific activities of each risk function. For instance, higher ratios of associates and analysts are typically found in credit risk areas, such as credit back office and credit analysts. Conversely, functions like enterprise risk and modeling tend to have a higher proportion of Vice Presidents and Directors. This variation underscores the importance of tailoring the structure of the risk function to the specific needs and activities of each area.

Maintaining an appropriate structure for the different risk areas is crucial for the successful performance of the risk function's activities. A well-balanced hierarchy ensures that each risk area is adequately staffed with the right mix of seniority levels to effectively manage and mitigate risks. Specifically, for the CRO, the analysis shows that there are typically around five individuals with a direct reporting line. This direct reporting structure enables the CRO to maintain close oversight and coordination of the risk management activities across the organization.

Distribution of seniority levels



Source: Risk & Compliance Benchmark Analysis 2023 & 2024

In light of these findings, it is essential to consider the emerging trends in process automation and the application of artificial intelligence (AI) within the risk function. Automation and AI are transforming the way risk management activities are conducted, offering opportunities to stream-line processes, enhance accuracy, and reduce manual workloads.

For example, AI-driven analytics can provide deeper insights into risk patterns and trends, enabling more informed decision-making. Automation tools can handle routine tasks, allowing risk professionals to focus on more strategic activities.

The integration of automation and AI into the risk function will also influence the pyramidal structure of seniority levels. As routine tasks become automated, the demand for junior roles such as analysts will decrease, while the need for roles specialized in specific risk topics and application of AI, such as those held by Vice Presidents, will increase. This shift underscores the importance of continuous skill development and within the risk function.

We thus would expect the ratio of management positions and non-management positions to decrease from 1:11 to at least 1:9 driven by a 20% lower share of associates and or analysts. This transition will put a strong challenge to the management of the risk function to develop peoples' skills respectively hire new experts and provide an appropriate work environment.

Non-financial risk a dynamically changing function in the CRO area

The Non-Financial Risk (NFR) function is experiencing a dynamic evolution, driven by regulatory requirements, organizational realignment, and efficiency considerations. This transformation is evident in the varying number of full-time equivalents (FTEs) observed across different NFR functions, depending on their maturity and the evolving risk landscape.

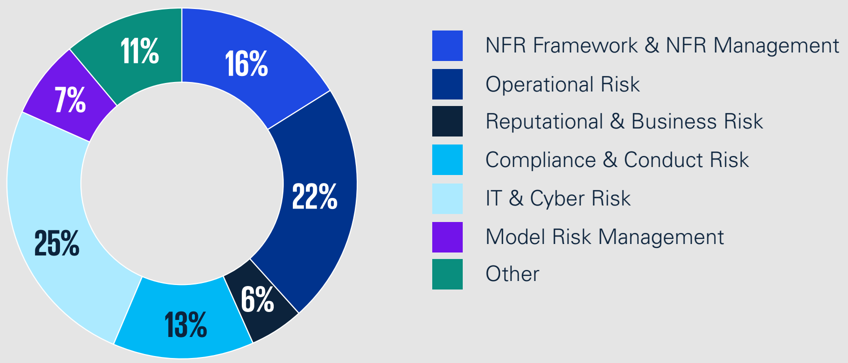
Operational risk, one of the longest-established NFR functions, has seen well-established teams over the past years. Similarly, the NFR Framework & NFR Management functions have also matured, reflecting their foundational role in the overall risk management framework. However, a significant shift is occurring with the increasing importance of newer NFR functions such as IT & Cyber Risk and Compliance & Conduct Risk. These areas have seen a substantial build-up of FTEs among the surveyed banks, indicating their growing significance in the face of emerging and increasingly complex risks.

The rising prominence of IT & Cyber Risk and Compliance & Conduct Risk underscores the changing risk landscape for banks. As digital transformation accelerates and regulatory scrutiny intensifies, these functions are becoming critical to safeguarding the institution's integrity and resilience. The majority of surveyed banks have already expanded their FTEs in these areas this year or are planning to do so in the coming year, highlighting a proactive approach to addressing these evolving challenges.

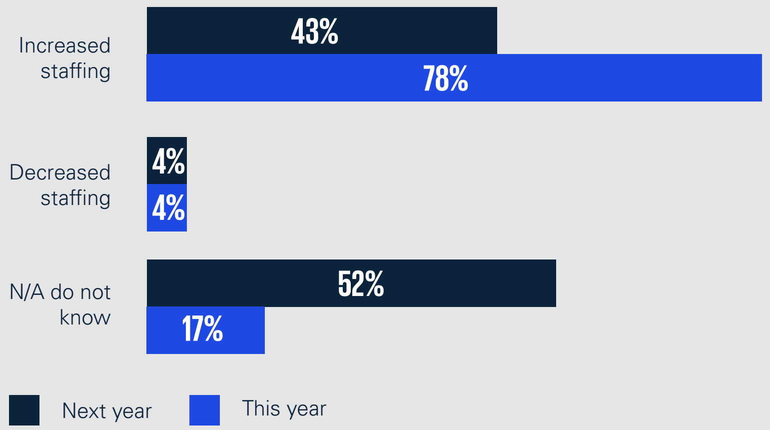
This dynamic development within the NFR function is not only a response to regulatory demands but also a strategic move to enhance organizational efficiency and resilience. By investing in these critical areas, banks are better equipped to navigate the complexities of the modern risk environment.

The focus on IT & Cyber Risk, for instance, reflects the need to protect against cyber threats and ensure robust information security. Meanwhile, the emphasis on Compliance & Conduct Risk aligns with the increasing regulatory expectations and the need to foster a culture of ethical behavior and compliance.

Allocation of full-time equivalents (FTEs)

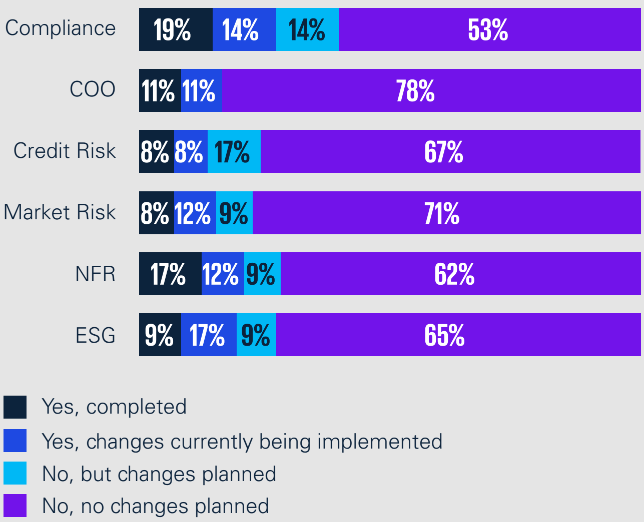


Overall plan to change FTE / staffing for the NFR function

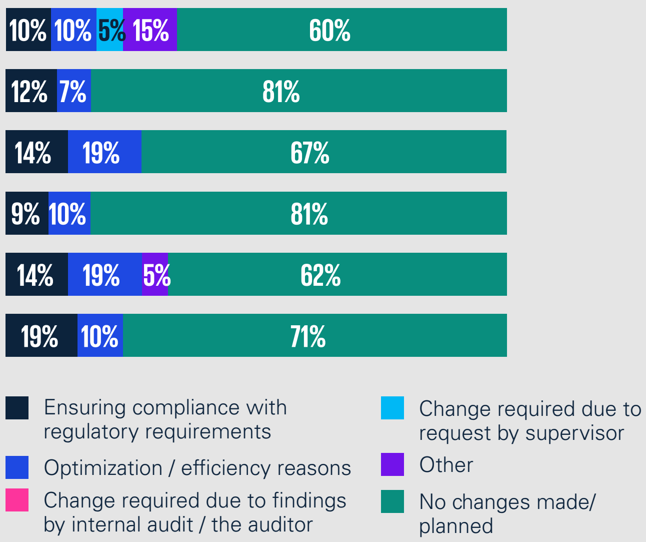


Source: Risk & Compliance Benchmark Analysis 2023 & 2024

Were there changes to the organisational setup during the last year?



What were the reasons for these changes?



Source: Risk & Compliance Benchmark Analysis 2023 & 2024

In conclusion, further evolution of the NFR function's is an imperative for each bank for staying ahead of emerging risks. By continuously adapting and realigning their risk management strategies, banks can ensure that their NFR functions remain agile, efficient, and effective in mitigating non-financial risks. This proactive approach not only enhances the institution's risk management capabilities but also strengthens its overall resilience in an ever-changing risk landscape.

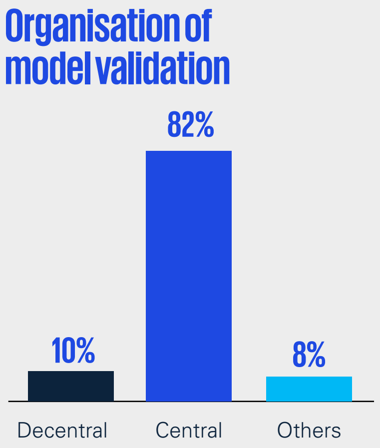
> "By continuously adapting and realigning their risk management strategies, banks can ensure that their NFR functions remain agile, efficient, and effective in managing non-financial risks.

Building an effective model validation function has been on the agenda for many years. How to increase efficiency going forward?

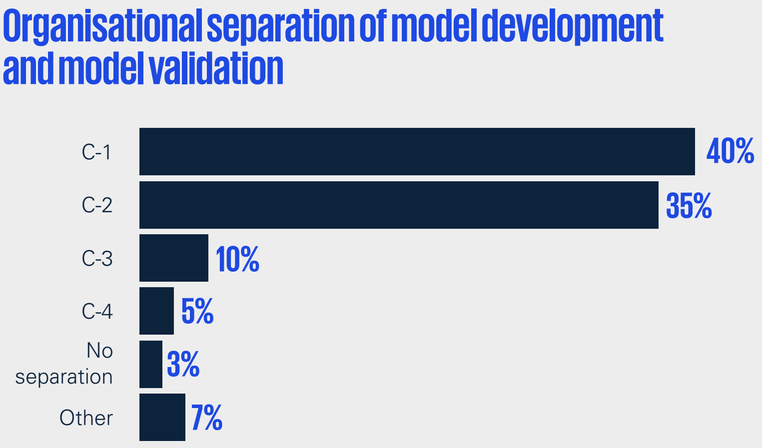
In recent years, the validation of risk models has been a focal point for regulators across various supervisory regimes. This regulatory emphasis has driven most banks to establish robust model validation functions, with organizational setups tailored to their complexity and structure.

Medium to large-sized banks, in particular, have implemented centrally organized model validation functions that define validation standards, while the execution of these validations may vary based on the individual organizational setup.

Ensuring the independence of the model validation function is a critical aspect, with more than 70% of banks achieving this through functional segregation at the C-1 or C-2 level. Only a few banks maintain independence at a lower organizational level. The size of the model validation function, in terms of FTEs, is closely linked to the number of FTEs performing modeling activities. Typically, a ratio of between 0.4 and 0.6 model validators per model developer is observed, with the specific ratio depending on factors such as the complexity of the models used and the use of standard models.



Source: Risk & Compliance Benchmark Analysis 2023 & 2024



Source: Risk & Compliance Benchmark Analysis 2023 & 2024

50%

Ratio of FTE in Model Validation to FTE in Model Development Functions

Source: Risk & Compliance Benchmark Analysis 2023 & 2024

Having invested significantly in establishing these model validation functions, banks are now turning their focus towards optimizing the efficiency of their model validation processes. One area of interest is the potential for outsourcing certain validation activities. The market has observed varying degrees of success with outsourcing, with some banks reporting positive outcomes in terms of cost savings and efficiency gains, while others have faced challenges related to quality control and regulatory compliance.

Outsourcing can offer several benefits, including access to specialized expertise, scalability, and the ability to focus internal resources on more strategic activities. However, it also requires careful management to ensure that outsourced activities meet the same standards of rigor and independence as in-house validation. Banks that have successfully outsourced model validation functions typically have strong governance frameworks in place to oversee the quality and compliance of outsourced activities.

In addition to outsourcing, banks are exploring other strategies to enhance the efficiency of their model validation functions. These include the adoption of advanced technologies such as automation and artificial intelligence (AI). Automation can streamline routine validation tasks, reducing manual workloads and allowing model validators to focus on more complex and strategic aspects of validation. AI-driven tools can provide advanced analytics capabilities, enabling deeper insights into model behavior and performance.

By leveraging these technological advancements and carefully considering outsourcing options, banks can enhance the efficiency and effectiveness of their model validation practices. Banks will benefit by having a leaner, more agile and cost-efficient risk function even in an evolving risk landscape. Maintaining quality of these outsourced services requires improvement by most banks.

KPMG benchmark approach for the Risk & Compliance function

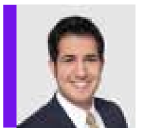
The KPMG benchmark analysis follows a sophisticated approach to account for banks' individual business model and setup. The approach has been field-proven in the last three years of per-forming the exercise with more than 130 banks across the globe.

A dedicated functional model for the risk and compliance function is applied to enable normalized comparison of FTEs independent of the banks' organizational setup (see chart below).

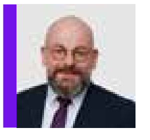
Each of the different functions comprises a comprehensive set of more granular sub-functions and description of typical activities to allow for complete coverage of the risk and compliance function's activities in a normalized setup. This quantitative approach is complemented by a set of qualitative questions to capture an additional level of detail.

KPMG's benchmark approach ensures meaningful comparison of individual banks with their relevant peers via a standardized functional model. Meaningful peer groups are individually defined for each bank to ensure adequate comparison. For this purpose, various complexity drivers are assessed to determine peer banks that match the bank's profile.

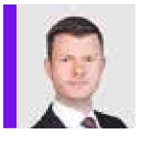
Banks participating in the benchmark analysis receive a detailed and comprehensive peer analysis in an individual benchmark report. The bank's specific information is compared to its peer banks providing pinpointed analyses of differences and potential action points to support their transformation agenda.



Arvind Sarin
Partner
KPMG in Germany
E: arvindsarin@kpmg.com

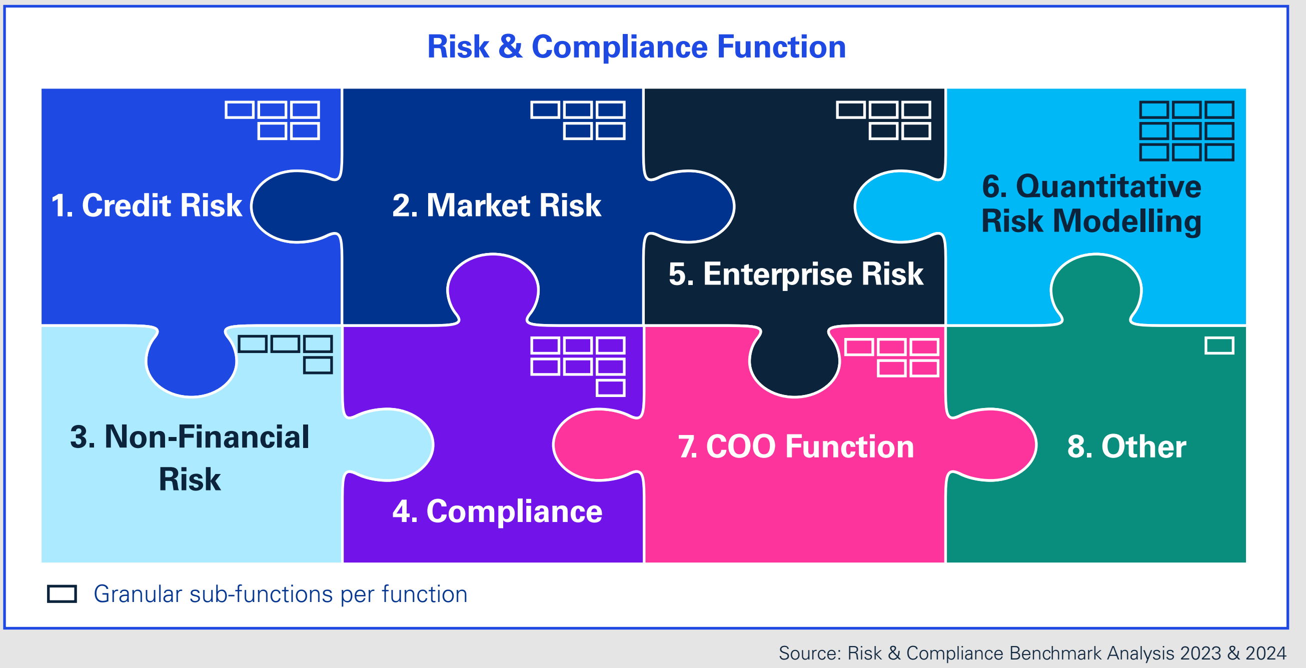


Albrecht Budke
Director
KPMG in Germany
E: abudke@kpmg.com



Patrick Lausberg
Senior Manager
KPMG in Germany
E: plausberg@kpmg.com

Functional model for the Risk & Compliance function



Source: Risk & Compliance Benchmark Analysis 2023 & 2024

ESG risk management in Banking: Insights from KPMG's 2024 survey

The financial sector faces unprecedented challenges, as both the global climate and our understanding of the importance of social and governance structures increases.

Extreme weather events or the loss of ecosystems, for example, not only disrupt economies but also spotlight the urgent need for the implementation of environmental risk management in the financial sector. Financial institutions are increasingly under pressure from regulators, investors, and the public to uphold sustainable and ethical standards, integrating environmental, social and governance (ESG) risks in their risk management framework. To reflect the current stage of integration, KPMG conducted its fourth international benchmark survey in 2024, involving 153 institutions across 28 countries, to assess the current state of ESG risk management in the financial sector[7]. The survey covers a wide range of topics including business and risk strategy, risk identification, credit risk management, and stress testing, with a special focus on emerging issues such as data quality, greenwashing, and biodiversity.

The results allow us to draw eight key observations on the market, three of which we will examine in more detail in this article:

Observation 1: Significant institutions (SI) are adjusting expectations as to when they will be compliant with regulatory requirements

Although SI are making progress in ESG risk management, they continue to lower their expectations as to when they will fully comply with regulatory requirements.[8]

Share of SI expecting to comply with regulations over the years (%)

	2022 Achieved by end of 2022	2023 Achieved by end of 2023	2024 Achieved already	2022 Achieved by end of 2025	2023 Achieved by end of 2025	2024 Achieved by end of 2026
Business Environment	45%	2%	6%	97%	70%	55%
Business Strategy	21%	2%	6%	100%	67%	55%
Management Body	61%	20%	21%	100%	70%	48%
Risk Appetite	42%	2%	9%	100%	80%	61%
Organisational Structure	64%	15%	24%	100%	80%	55%
Internal Reporting	24%	2%	6%	88%	74%	52%
Risk Management Framework	27%	7%	6%	94%	74%	70%
Credit Risk Framework	30%	7%	6%	91%	65%	52%
Operational Risk Management	28%	7%	9%	97%	74%	64%
Market Risk Management	21%	11%	6%	91%	65%	58%
Scenario analysis & Stress Testing	36%	4%	6%	94%	76%	64%
Liquidity Risk Management	18%	13%	9%	94%	65%	55%
Disclosure	No data	No data	No data	No data	No data	No data

Source: KPMG ESG Risk Survey 2024

[7] The survey differentiates between SI and other banks. The term "other banks" includes all other banks globally as well as European banks that are not directly supervised by the ECB.
[8] The table is divided into two sections. The left side displays results for institutions that anticipated being compliant by the end of each year, starting from 2022 through 2024. The right side shows the responses from institutions that did not expect to be compliant by the end of the year, indicating when they anticipate meeting the regulatory requirements

Achieving full compliance with regulatory expectations regarding ESG risks is a long journey since it involves complex integration of new policies, practices, and technologies across all levels of banking operations. Additionally, as ESG criteria and regulatory frameworks continue to evolve globally, financial institutions must remain agile, continuously updating and refining their risk management strategies to keep pace with emerging standards and expectations.

Our survey shows that in most areas, such as the risk management framework and also in individual risk types, only a few percent of institutions report full compliance with regulations in 2024, continuing the decreasing trend already visible in last year's survey. Furthermore, leading institutions have also become more pessimistic about meeting regulatory requirements in the coming years. According to our 2023 survey, the share of institutions reporting full compliance in the near future has decreased by more than 20% in some areas.

These downward adjustments stem from concerns over increasing regulatory requirements, as evidenced by recent consultation papers (e.g. the EBA draft guidelines on the management of ESG risks) , and heightened supervisory scrutiny observed in audits. To cope with the rapidly changing regulatory landscape, institutions are investing in enhancing methodologies and processes related to ESG risk. A key strategy in this endeavor is the full integration of ESG risks into the risk management framework to leverage existing practices.

Observation 2: Integration of ESG into risk models is perceived as a new key challenge

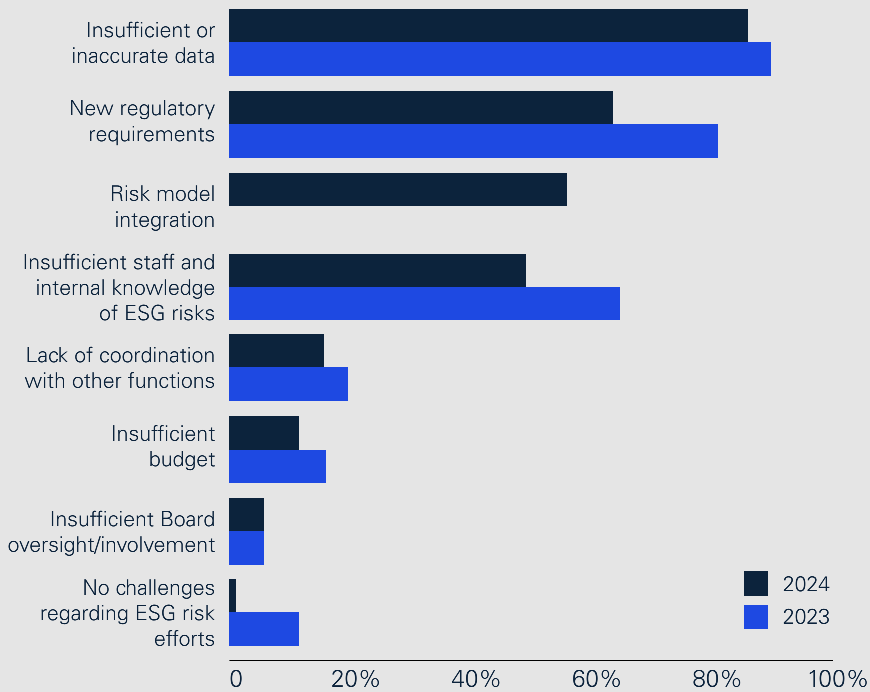
Globally, many institutions perceive model integration as a new key challenge in 2025 - 2026. Data availability and quality, regulatory requirements as well as insufficient internal knowledge continue to be profound problems for most institutions.

New key challenges emerge, and familiar challenges continue to trouble financial institutions.

Notably, insufficient, or inaccurate data is cited by more than 120 institutions as a top challenge in 2024. Critical data gaps include scope 1, 2, 3 GHG emissions at the customer level, energy efficiency of buildings in the collateral pool, and customers' transition plans.

Challenges with respect to regulatory requirements are also prominent, as new, and updated guidelines are frequently issued.

Top challenges for the next two years related to ESG risk (%)



Source: KPMG ESG Risk Survey 2024

For example, the recent EBA consultation paper in Europe introduces new requirements, such as materiality assessments and transition plans. To stay compliant, we are advising that institutions keep up to date with the latest developments and to invest in advanced risk management as well as data processes. The integration of ESG risks into already established processes can be particularly advantageous to leverage existing tools. For instance, existing stress testing frameworks can be used for ESG scenario analysis, allowing organizations to assess potential impacts related to ESG. Additionally, existing monitoring of market segments can be used to identify and inspect segments particularly vulnerable to ESG risks, which informs possible follow-up actions. Institutions are also recommended to keep up the dialogue with supervisors to get to know their expectations and ambitions.

Insufficient staff knowledge also remains a significant issue for institutions as ESG risk management requires a specialized skill set that most institutions lack. However, compared to 2023, there has been progress in closing this gap, with institutions educating their employees internally or targeting skilled individuals during their hiring processes.

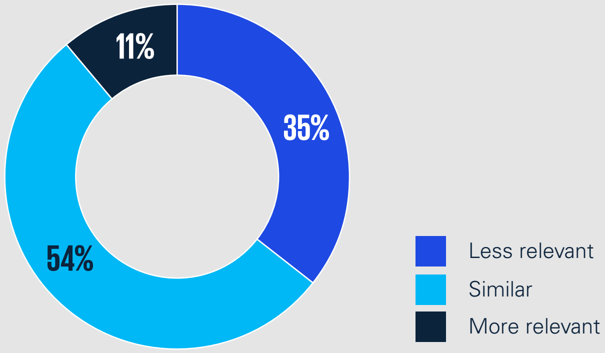
The integration of ESG into risk models has emerged as a pressing issue for many institutions. This challenge is closely connected to data issues, as insufficient or inaccurate data complicates the development of reliable risk models.

With supervisory authorities worldwide, particularly the ECB in Europe, urging institutions to enhance their efforts in integrating ESG into risk models, institutions are compelled to act swiftly to stay ahead of regulatory expectations.

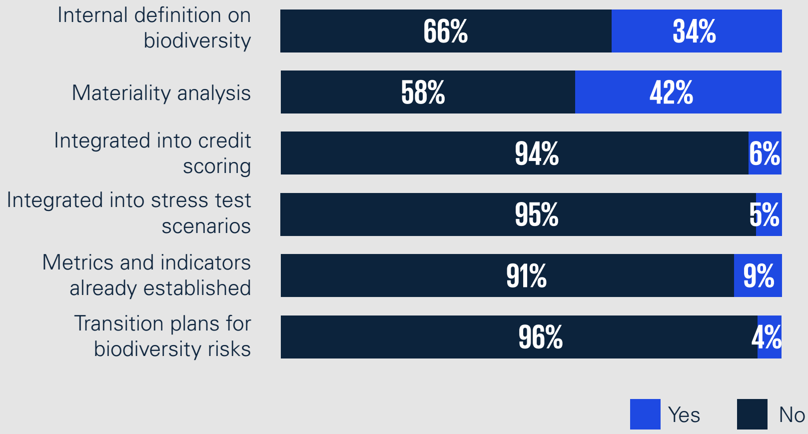
Observation 3: Awareness of biodiversity risks increases, but methods and data need to be further developed for proper risk quantification

Leading institutions now consider biodiversity risk as at least as relevant as climate risk. However, lack of data is affecting proper risk quantification and limit the quality of materiality assessments regarding biodiversity risk.

Relevance of biodiversity risks for institutes compared to climate risk in the long term (in %)



Consideration of biodiversity risk in different areas (%)



Source: KPMG ESG Risk Survey 2024

Institutions expect biodiversity risk to increase in significance over the next few years, particularly among SI, as most of them have already established an internal definition of biodiversity and have conducted materiality analyses. Notably, 70% of all SI and 63% of other institutions rate biodiversity risks as equally or even more important than climate risks in the long run.

SI are generally a few steps ahead compared to other institutions when it comes to considering biodiversity risk in their risk framework. However, other institutions are expected to increase efforts to keep up with this evolving field. Many of the participating institutions are already starting to identify and improve their understanding of biodiversity as a risk driver, yet the current analyses rely mostly on sector-based proxies, which do not allow for a fully adequate risk assessment. Analysis can be enriched with location-based data, but the necessary data collection can be challenging. Institutions should therefore search for and assess possible data sources early on to improve their capabilities to analyze biodiversity risks.

However, so far, almost none of the participants have integrated biodiversity into their stress testing or have transition plans. As supervisory scrutiny of biodiversity risk increases, institutions are encouraged to adapt their risk management processes to incorporate biodiversity risk. This adaptation will not only align them with regulatory expectations but also enhance their overall risk management effectiveness.

Conclusion and next steps

KPMG specialists globally observe a better understanding of ESG risk drivers among financial institutions, both in terms of their impact on business models and risk profiles, and the effort and investment necessary to accurately reflect them within risk management frameworks. Despite the significant progress achieved in the last years, it is evident that growing supervisory pressure and regulations call for an increased effort by financial institutions to manage ESG risks adequately. A full integration of ESG risks into the existing risk management framework is the way forward as it ensures meeting regulatory expectations while also guaranteeing operational efficiency and a robust and sustainable risk management. Markus Quick (Partner, KPMG in Germany Lead ESG Risk) explains: "Knowledge on ESG risk among banks has significantly increased. However, continued regulatory pressure forces banks to ensure efficiency of implementation and revise ambitious plans."

However, it is not just about achieving risk management integrity, operational efficiency, and compliance. Institutions that get this right will gain a significant competitive advantage in the market. By building new frameworks rather than integrating with old ones, banks can position themselves as leaders in ESG risk management, attracting more business and enhancing their market reputation. This proactive approach will enable institutions to not only meet regulatory expectations but also to leverage ESG insights to drive profitability and competitiveness.

Markus Quick
Partner
KPMG in Germany
E: markusquick@kpmg.com

Armina Schädle
Manager
KPMG in Germany
E: aschaedle@kpmg.com

Cost transformation in risk management

In an increasingly competitive market, cost pressures affect banks comprehensively, and even departments which have been spared during recent cost cutting rounds are now asked to contribute to the enterprise-level cost optimization effort.

In this article, we will cover the following topics with a specific focus on the risk management in financial institutions:

- The drivers and challenges of cost reduction in risk management
- Ten levers for cost takeout in risk
- Project approach for cost-takeout initiatives
- The benefits and best practices of outsourcing, sourcing, and reporting in risk management
- How KPMG can help clients along the risk transformation journey

The drivers and challenges of cost reduction in risk management

Reducing costs and improving efficiency are top priorities for C-suite executives in today's uncertain and volatile economy. Failing to align risk functions with the overall enterprise objective of optimizing costs can lead to financial inefficiencies, regulatory penalties, and a weakened competitive position. Despite compliance and regulatory arguments often being made to exempt risk functions from the cost optimization agenda, market pressures necessitate that risk management leaders align their functions with these goals.

This alignment is crucial not only for meeting the growing demand for risk and compliance expertise but also for sustaining long-term growth and competitiveness.

The KPMG Global Risk and Compliance Benchmark shows how banks are future-proofing their risk and compliance functions, based on a survey of over 130 leading financial institutions across 33 countries. The results show that more banks are increasing their investment in their risk and compliance capabilities, compared to 2023, as they expect higher operational costs and more complex regulatory requirements.

However, they also aim to avoid costly penalties, unplanned regulatory remediation, and loss events, which can harm their reputation and profitability. By proactively managing risks and achieving cost avoidance, they are future-proofing their risk and compliance functions.

At the same time, risk leaders need to balance multiple transformation drivers, such as growth, effectiveness, compliance, and de-risking, and hence should avoid short-sighted cost-cutting efforts that may result in rework, quality issues, or increased risk exposure.

A first step to reduce costs in risk management is to understand the direct and indirect cost drivers, such as personnel, third parties, tools, data, and fees, and prioritize the controllable and impactful ones. Organizations also need to define their intended outcomes, value proposition, and target operating model, and examine their existing capabilities and pain points.

Ten levers for cost takeout in risk

KPMG has identified ten levers that can yield significant cost savings in risk management, while maintaining or improving quality. These levers are:

1. **Functional, organizational and legal entity rationalization**: eliminating redundancies and aligning skillsets in risk oversight and execution.
2. **Product and channel simplification:** reducing the variability and complexity of risk and oversight associated with product offerings and channel delivery.
3. **Location, geographic or global sourcing**: sourcing risk headcount from cost-advantageous locations.
4. **Delivery model improvements**: enhancing or streamlining operating models to execute risk requirements in a cost-effective manner, such as using centers of excellence, utility functions, or consolidated delivery approaches.
5. **Outsourcing risk as a service**: using third-party vendors to execute select risk management activities on behalf of the first and second lines of defense.
6. **Integrating risk technology**: creating a common technology strategy to collect, maintain, and facilitate risk-related data, such as using a single platform or linked systems, or data repositories.
7. **Digitization of risk**: digitizing risk processes, documentation, and control environment, including the use of automation and advanced analytics to gain efficiencies.
8. **Rationalizing foundational risk data and architecture**: creating a single, rationalized and clean source of truth of organizational risk taxonomies, inventories, and data in an optimized architecture strategy.
9. **Risk simplification**: aligning and rationalizing risk processes, assessments, and methodologies to streamline the annual burden of risk execution and oversight.
10. **Other expense optimization**: rationalizing other risk-related costs not related to headcount, such as training programs and license fees.

Topic area	Cost reduction lever	Explanation	Upfront investment	Speed for ROI	Potential cost savings
Governance model and strategy	1.Functional, organizational and legal entity rationalization	Rationalization of legal entity, functional and organizational risk accountabilities to eliminate redundancies while aligning appropriate experience and skillsets in execution and oversight of risk-taking.	$$		Medium Potential
	2.Product and channel simplification	Rationalization of product offerings and channel delivery strategies to help reduce the variability in associated risk and oversight burdens, a decision that is typically led by the business	$$		Medium Potential
Delivery model	3. Location, geographic or global sourcing	Acquiring risk headcount from cost-advantageous locations.	$		High Potential
	4. Delivery model improvements	Enhanced or streamlined operating models to execute risk requirements in a cost-advantageous manner, including the use of centers of excellence, utility functions or other consolidated delivery approaches; in many cases, these changes can be paired with low-cost or global sourcing strategies	$$		High Potential
	5. Outsourcing risk as a service	Use of third-party vendors to execute select risk management oversight or execution activities on behalf of the first and second lines of defense	$$		High Potential
Tech modernization (platforms, digital	6. Integrating risk technology	Common technology strategy to collect, maintain and facilitate risk-related data (i.e., single platform or linked systems, data repositories).	$$		Medium Potential
Data as an asset	7. Digitization of risk (e.g. cloud, automation, advanced analytics)	Digitized risk processes, documentation and control environment, including the use of automation and advanced analytics to gain efficiencies.	$$$		High Potential
	8. Rationalizing foundational risk data and architecture	Creating a single, rationalized and clean source of truth of organization risk taxonomies, inventories and data in an optimized architecture strategy	$$		Medium Potential
Risk execution	9. Risk simplification	Alignment and rationalization of risk processes, assessments and methodologies to streamline the annual burden of risk execution and oversight while still maintaining quality.	$$		High Potential
	10. Other expense optimization	Rationalization of other risk oversight and execution-related costs not related to headcount, such as training programs and license fees.	$		Low Potential

$ Low upfront investment needed	$$ Medium upfront investment needed	$$$ Extensive upfront investment needed	Effect is immediately noticeable	Effect is noticeable In the short term	Effect is noticeable in the long term

Project approach for cost takeout initiatives

When planning a cost takeout initiative, the sequencing of cost takeout efforts is critically important to get maximum benefit in the shortest timeframe. Traditional efforts that lead with technology or automation without addressing the root causes of inefficiencies often fail to yield sustainable savings in the long run and may create unintended outcomes. At KPMG, we approach projects broadly, as a sequence of efforts that balances short-term and long-term savings, upfront investment and return on investment, and addresses the foundational issues before implementing the long-term vision.

Before launching any specific initiatives, organizations should also conduct a holistic assessment of their cost landscape, define their target outcomes and value proposition, develop a roadmap with clear success measures, and communicate it internally and externally to gain buy-in and support.

The benefits and best practices of outsourcing, sourcing, and reporting in risk management

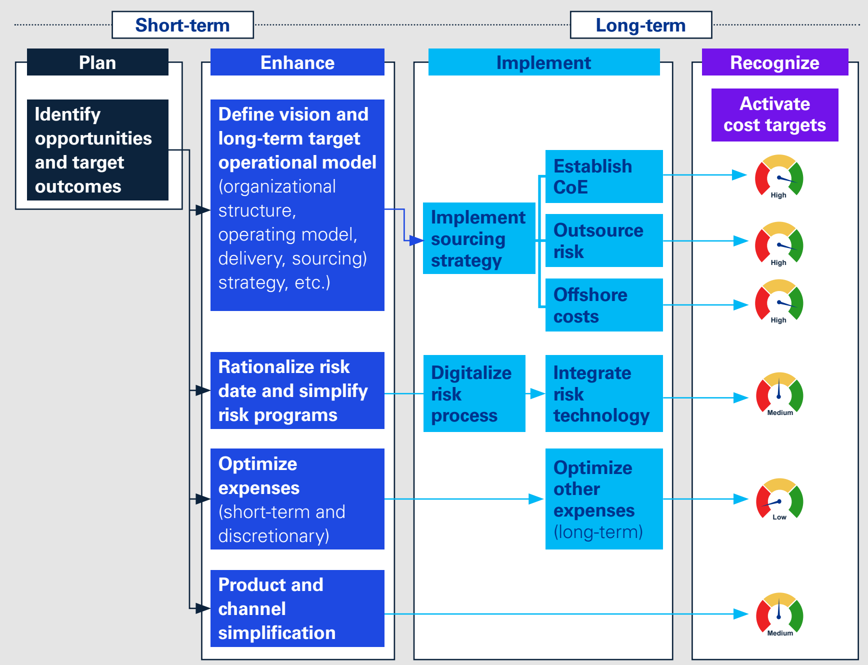
KPMG performed several large benchmarking studies in the risk management field. They showed how outsourcing, sourcing, and reporting can help reduce costs in risk management. The following best practices and learnings were collected:

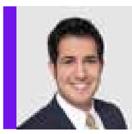
- Sourcing headcount from cost-advantageous locations can save on labor costs, access talent, diversify workforce, and provide time zone coverage, but also requires effective communication and collaboration across locations.
- Outsourcing certain risk management activities to third-party vendors can be more cost-effective than building and maintaining an in-house team, but also requires careful selection and management of vendors, and appropriate oversight and monitoring mechanisms.
- Aligning and rationalizing risk processes, assessments, and methodologies can reduce duplication of effort, improve efficiency and resource allocation, and improve risk management outcomes, but also requires ensuring that any changes do not compromise the effectiveness of the risk function or increase risk to the organization.
- Setting up a central reporting hub can increase the efficiency and quality of risk and compliance reporting, but also requires separating responsibilities for risk analysis and monitoring, and consolidating risk reporting across different risk types.

How KPMG firms can help clients along the risk transformation journey

KPMG firms help clients along every step of the risk transformation journey, including cost takeout, from identifying strategic enhancement opportunities to executing against them. KPMG firms have a suite of business transformation technology solutions that can help clients engineer a different future, where new opportunities are designed to create and protect value. In this article, we provided some use cases of how KPMG firms helped organizations reduce cost while maintaining high quality in risk management.

Exemplary sequencing cost takeout efforts to maximize impact





Arvind Sarin
Partner
KPMG in Germany
E: arvindsarin@kpmg.com

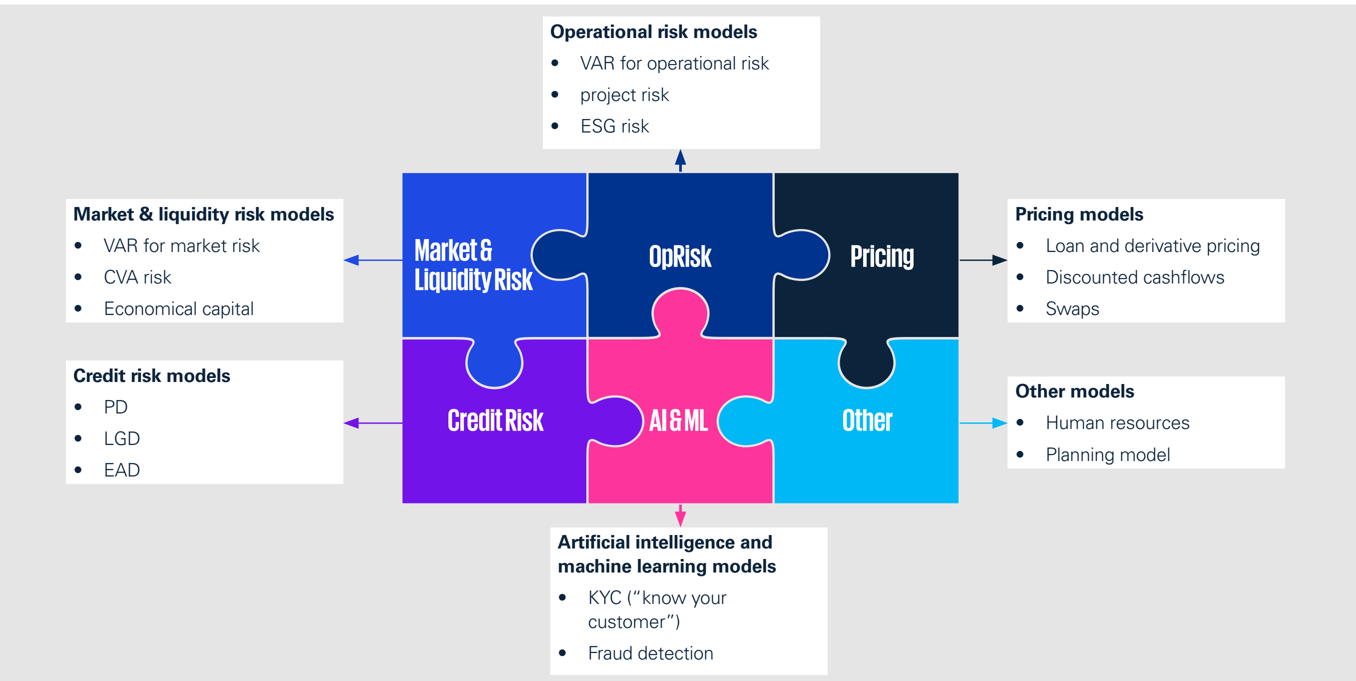
Implications of model risk and validation challenges on Bank steering

Model risk arising from inappropriate or incorrect use of models has attracted significant attention in the financial sector.

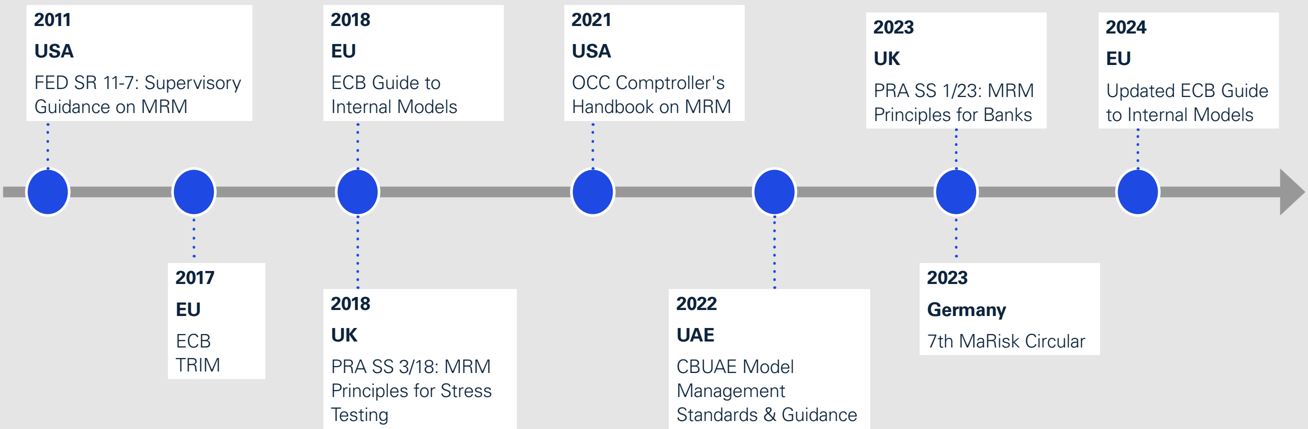
> The evolving landscape of regulatory publications in recent years highlights how regulators are increasingly focusing on model risk, reflecting its growing importance and relevance.

This is because banks rely on various types of models which often strongly impact bank steering in terms of profitability, operational efficiency, and capital requirements. Examples of said models include risk models and pricing models, which are increasingly complemented by ML and AI applications.

A structured model landscape enables banks to better understand model risk. Models are generally clustered in categories. The number of models of an institution can be from a lower two-digit number up to >1000 models.



The evolving landscape of regulatory publications



According to Haie Lawrenz, Senior Manager at KPMG in Germany and Co-Manager of KPMG's Global MRM Working Group: "The global financial crisis showed us that model risk is real and that the consequences can be far-reaching. In the past, some banks have suffered from significant financial and reputational damages due to wrong models or inadequate model usage. Additionally, the importance of models for business decisions has increased rapidly by inclusion of AI and ML models."

In response, regulators have heightened scrutiny to ensure that financial institutions uphold robust Model Risk Management (MRM) standards. In 2011, US regulators significantly raised expectations with the publication of the SR 11-7 Supervisory Guidance on Model Risk Management. The European Central Bank followed with the ECB Targeted Review of Internal Models in 2017 and the ECB Guide to Internal Models in 2018.

In recent years, financial institutions have been challenged by a further increasing frequency of regulatory publications, with new major MRM requirements published by regulators in the United Arab Emirates, the UK, Germany, and the European Union

The evolving landscape of regulatory publications in recent years highlights how regulators are increasingly focusing on model risk, reflecting its growing importance and relevance.

Banks have started to raise their standards by incorporating considerations of model risk into their organizational and governance frameworks, spanning from the board of directors to the operational units. Nonetheless, many banks face difficulties in complying with regulatory standards because of the large and complex nature of their model portfolios and the variety of settings in which these models operate.

Banks frequently underestimate model risk, beginning with the difficulties in defining what model risk actually entails to the growing reliance on algorithms and advanced technologies. The proliferation of AI and ML models consistently reshapes the model environment, as these technologies are extensively utilized in digital sales platforms and numerous client-facing applications. However, many banks still do not have fundamental model governance and MRM integrated into their daily operations, leaving them vulnerable to substantial operational model risks.

Five key aspects are highlighted to consider for creating an effective and sustainable MRM function:

1. **MRM Framework**: Banks commonly employ models to aid in decision-making, financial and regulatory reporting, and to offer predictive insights across different business areas. As a result, they face potential risks associated with the use of these models and must develop a suitable MRM framework to thoroughly manage and mitigate these risks.
2. **Model Inventory and Tiering**: Typically, at the core of MRM is a model inventory that encompasses all models aligning with regulatory guidelines and internal criteria. This inventory should act as a comprehensive database detailing all models that are under development, actively used, or have been recently decommissioned. It offers senior management and all parties involved in the model life-cycle a complete overview of the model environment. Furthermore, models are frequently categorized based on a scoring system, which assists banks in recognizing the significance of particular models, for example by evaluating their materiality or complexity. This helps prioritize the scope and depth of model validation within the MRM framework.
3. **Model Life-cycle**: While the inventory is crucial to MRM, the model life-cycle oversees a model through its different stages, from development and initial validation to approved usage and eventual decommissioning. It is essential that this life-cycle is managed with clarity to guarantee transparency and accountability, and that suitable controls are established to reduce model risk.
4. **Communication**: Effective communication within the organization among various stakeholders, including management and validation teams, as well as external communication with oversight bodies and regulators, is vital for banks within their MRM framework. Additionally, fostering a culture of model risk throughout the organization is crucial. Consequently, forward-thinking banks incorporate dedicated MRM roles into their framework to ensure model risk culture and management are integral parts of their governance structure.
5. **Technological Environment**: Adequate technological support for MRM offers a complete perspective on model risk throughout the organization. This support can be developed in-house or sourced from an external provider, with options ranging from a strategic approach to a more adaptable and cost-efficient tactical solution.

Matthias Peter, Partner at KPMG In Germany and Head of KPMG's Global MRM Working Group: "Financial institutions are more than ever challenged to fundamentally modernize their MRM frameworks to comply with regulatory requirements and demands for efficient and effective management to mitigate emerging model risks."

In the context of a more stringent and comprehensive regulatory environment, model risk management has developed into a key focus area for modern bank steering. Demonstrating not only the validity of individual models but also the effectiveness of controls covering their design, development, revision, and use is therefore crucial in a holistic approach for model risk management. Examples of the past have shown that model risk is real and that insufficient model risk management can lead to significant reputational damages, multi-billion-dollar losses, bankruptcy as well as severe impacts to the society and the economy.

Matthias Peter
Partner
KPMG in Germany
E: matthiaspeter@kpmg.com

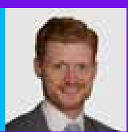
Haie Lawrenz
Senior Manager
KPMG in Germany
E: hlawrenz@kpmg.com

Aurelian Roeser
Assistant Manager
KPMG in Germany
E: aroeser@kpmg.com

Digital Customer Experience (BCXB)

Peter Hughes
Partner
KPMG in Canada
E: phughes1@kpmg.ca

Amit Kiran
Director
KPMG in Canada
E: amitkiran@kpmg.ca



Graeme T Barber
Manager
KPMG in Canada
E: gbarber@kpmg.ca

The digital CX gap

Friction remains a major blocker for many Traditional banks.

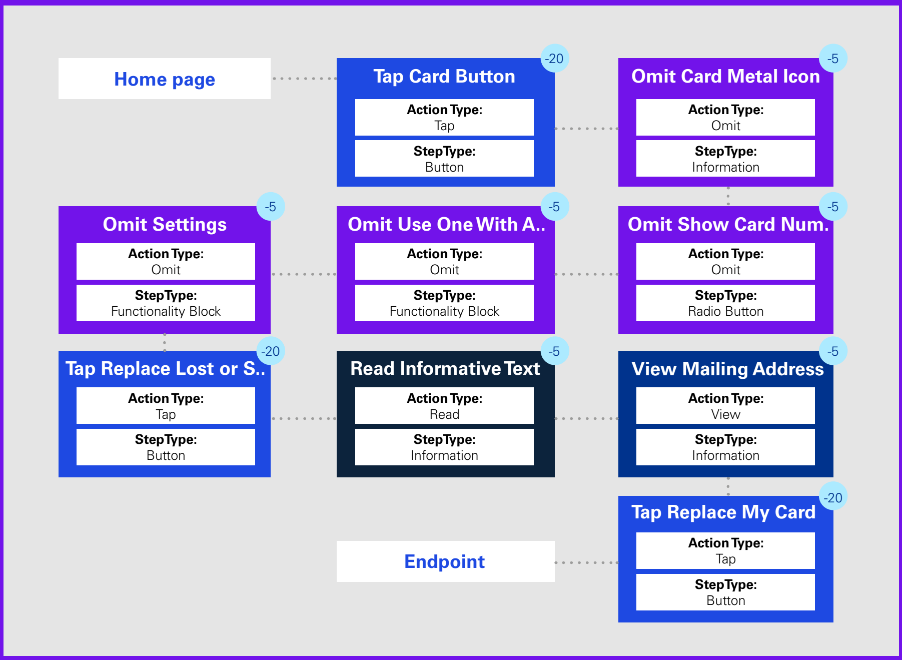
In one study[9], 68% of participants who reported experiencing needlessly complicated onboarding said they'd abandoned the process, meaning the banks involved lost these customers at the first hurdle. Friction also has a significant impact on retention, with 51% of consumers who switched banks in the 12 months up to September 2024 saying they did so for a better digital experience.

The dearth of freely available digital banking research is a large part of the reason why friction continues to be so stubbornly pervasive. Where, in other industries, it's common for competitors to share knowledge[10] with the goal of improving the customer experience for all, banking is a closed shop. This means that, all too often, Neobanks and Traditional banks have no way of benchmarking their efforts.

User journey spotlight 1: Canceling a debit card on iOS

Comparing how a Traditional bank and a Neobank handle the same user journeys highlights just how wide the CX gap can be. On paper, canceling a debit card and ordering a new one from within an app is one of the more basic and straightforward functionalities banks can offer.

But contrasting a US Neobank's implementation on iOS — the mobile operating system with the biggest market share in the States[11] — with that of a large, regional US bank, reveals dramatic differences. In the Neobank's case, it takes nine steps to cancel a debit card and order a new one.



[9] https://www.pymnts.com/money-mobility/2024/report-small-businesses-want-instant-vendor-payments-but-worry-about-integration-costs/
[10] https://ixtenso.com/technology/top-3-benefits-of-retailer-supplier-cross-channel-data-sharing.html
[11] https://explodingtopics.com/blog/iphone-android-users

By contrast, the regional bank's user journey has 25 steps.

It takes three steps just to navigate from the home screen to the Cards menu. The consumer must then confirm their phone number, leave the app in order to retrieve an SMS verification code, and, once they type the code and complete verification, go through a further eight steps to request the new card. "The fact that two banks can take such dramatically different approaches when implementing the same functionality highlights how detrimental not having access to the right tools can be," observes Nickolas Belesis, VP of Growth of FinTech Insights, the digital banking research platform we used to conduct our analysis.

FinTech Insights CEO Alexandros C. Argyriou agrees. "As things stand, banks waste a lot of time on trial and error, often with underwhelming results. If they could see how their competitors tackled similar implementation challenges, it would vastly improve outcomes across the whole industry. Banks could focus on refining their user journeys instead of getting bogged down figuring out the basics."

User journey spotlight 2: The first login from a new device

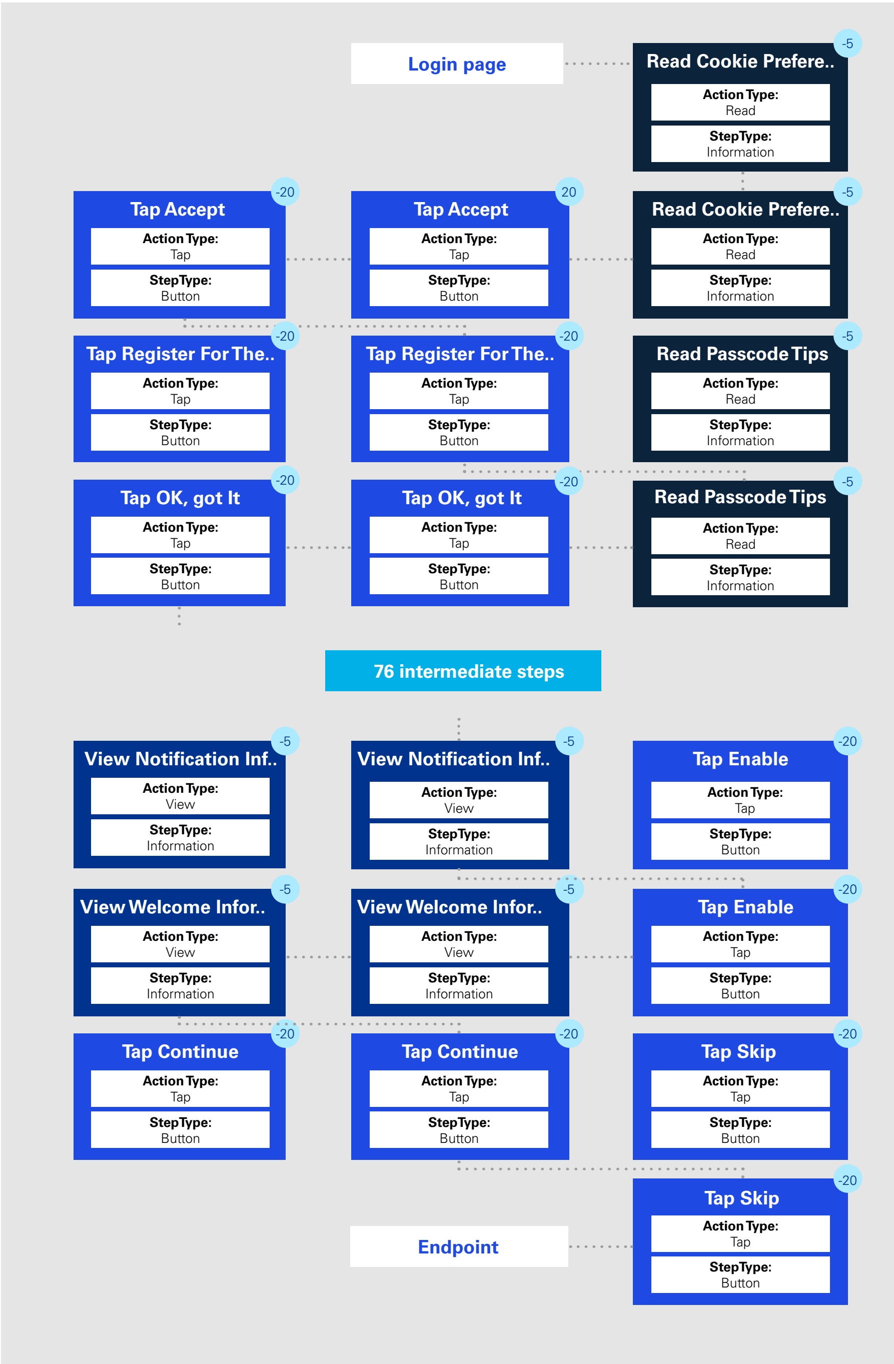
With fraudsters deploying increasingly sophisticated techniques — and fraud cases spiking[12] — digital security is another area where banks' approach is make or break. And the way they handle the first login from a new device is especially critical, because it's a moment when the consumer is particularly vulnerable but, if handled well, can lay the groundwork for strong ongoing security.

Yet, the differences between a Neobank's approach and that of a Big Four UK bank were, once again, dramatic.

The Neobank's device-pairing procedure involves 21 steps from first login to confirmation. The consumer keys in their phone number and password, takes a selfie and records a short video to confirm their identity, then verifies their phone number with a one-time passcode.

While not perfect by any means, this process is far more user friendly, quicker, and, crucially, more secure than that of the Big Four bank, which forces the customer through a whopping 82 steps simply to log in and set up a passcode.

[12] https://www.aarp.org/money/scams-fraud/info-2024/2023-ftc-consumer-losses.html



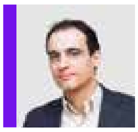
"There's a persistent narrative, particularly in traditional banking circles, that security requires CX trade-offs," observes Argyriou, "but I think this hasn't been the case for quite some time.

"In my view, the real issue is that banks have limited visibility into what competitors are doing. Without that data, it's difficult to know where to start, or if what you want to achieve is even feasible."

Of course, concedes Argyriou, no technology can guarantee security. But fraudsters' remarkably reliable ability to adapt to technological advances makes it all the more pressing for both digital-first and traditional banks to step up their game.

Could it be time for them to stop guarding their secrets so closely and take a more collaborative approach, at least when it comes to knowledge-sharing?

Alexandros C. Argyriou
CEO - Managing Director
FinTech Insights
E: a.argyriou@fintechinsights.io



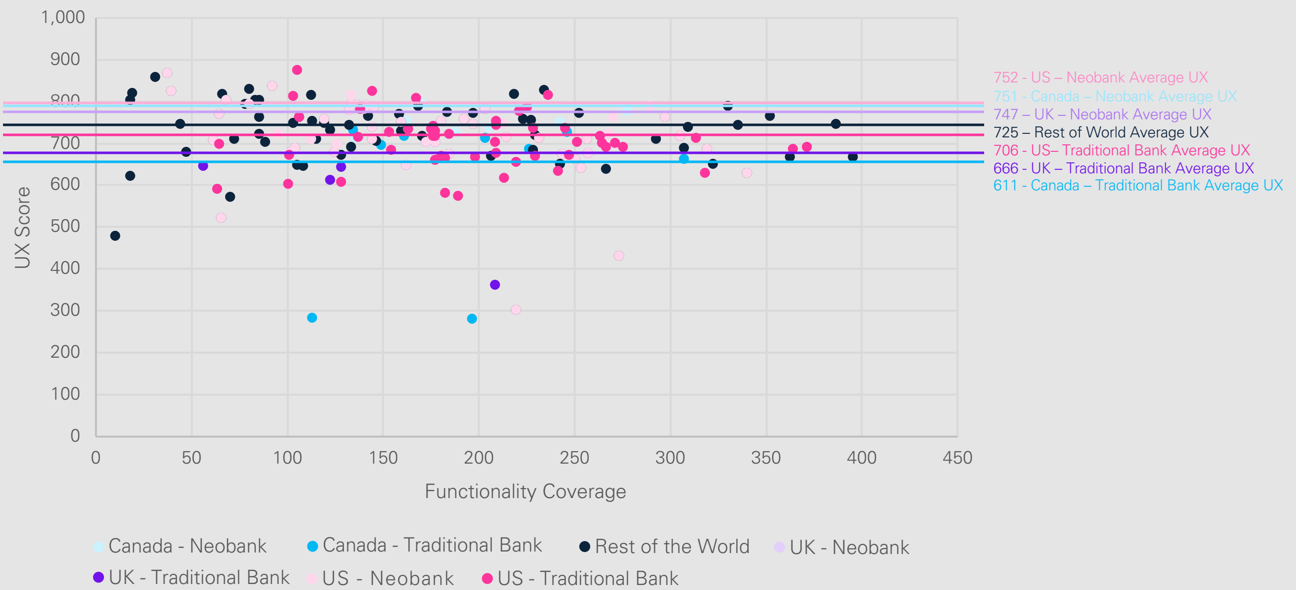
Nickolas P. Belesis
VP of Growth & Partnerships
FinTech Insights
E: n.belesis@fintechinsights.io

KPMG collaborates closely with FinTech Insights at a global level to power the BCXB insights pillar. FinTech insights provides AI-powered competitive analysis through digital banking research for banks and fintechs.

https://www.fintechinsights.io

Insights: Customer experience data analysis 2023/2024

Market positioning



Source: FinTech Insights

The "Market positioning" section provides insights into various financial institutions, detailing their total functionalities offered and total user experience (UX) scores. The data indicates that, overall, Neobanks tend to provide a more favorable user experience compared to traditional banks. For instance, US and Canadian Neobanks score between 50-140 UX points higher than traditional banks in their respective markets. This trend suggests that Neobanks may be more agile in adapting to user needs and preferences.

From a functionality coverage perspective, some regional differences emerge when comparing Neobanks to traditional banks. In the US, Neobanks have adopted a more purposeful approach to functionality coverage, with the average number of features of a US Neobanks being just 70% of the number of features offered by traditional US banks.

Conversely, in Canada and the UK, the situation is different. Canadian Neobanks and traditional banks are more or less on par with the average number of features offered by each bank type. In the UK, there is a larger divide, with Neobanks offering, on average, 25% more functionalities than their traditional bank counterparts.

However, it is noteworthy that the average UX score of UK Neobanks is the lowest among Neobanks in other regions. This suggests that a higher number of features does not necessarily correlate with a better user experience. In fact, the data implies that a focus on user experience can be more beneficial than merely offering a high number of features.

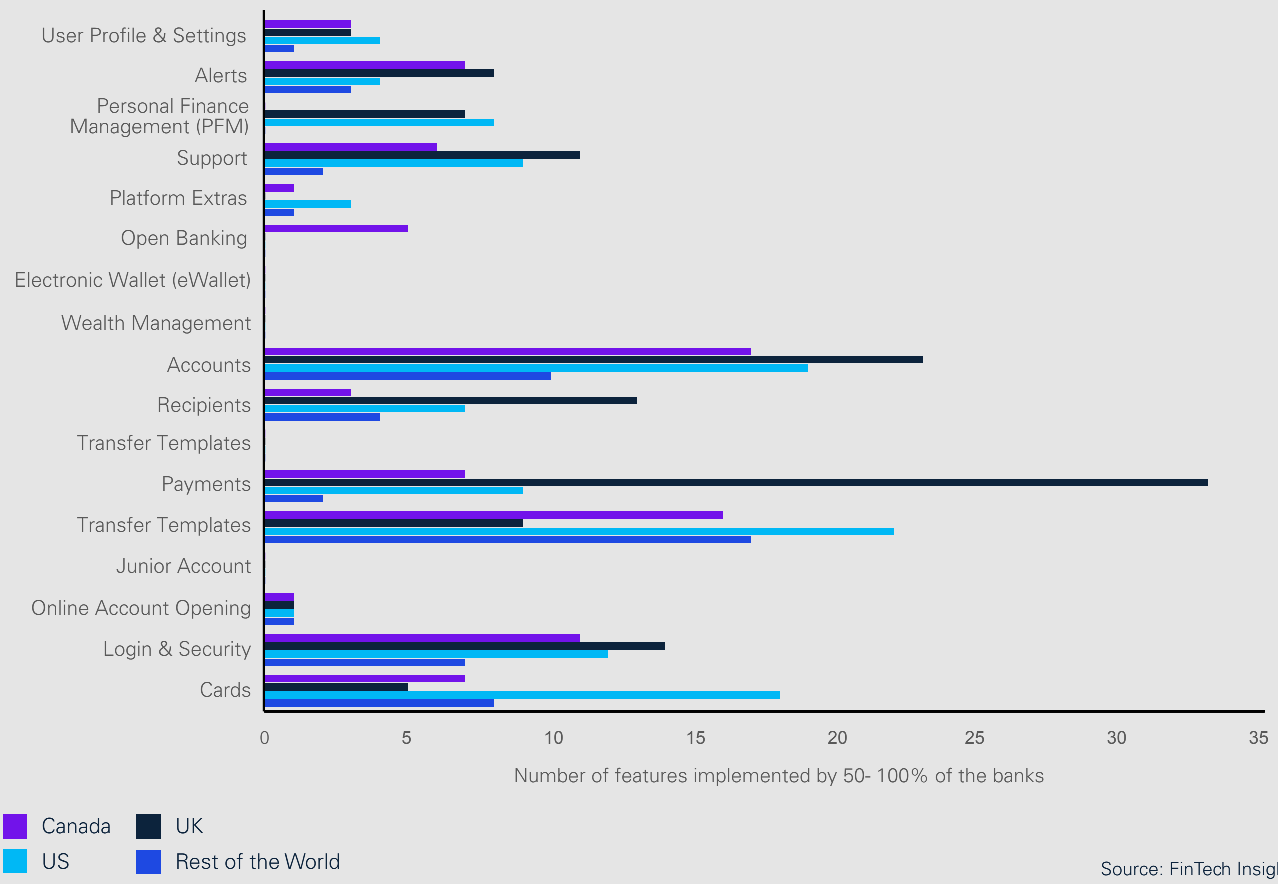
* Analysis has been performed using data provided by FinTech Insights (www.fintechinsights.io)

Total number of distinct functionalities observed in each market

Source: FinTech Insights

- **US Leads Across Categories**: The US has the broadest feature set, leading in 16 of the 17 categories. This suggests a more comprehensive approach to mobile banking, likely driven by high consumer demand, competition, and an emphasis on digital convenience in the US market. The UK generally follows the US in feature availability but does not lead in any category except Junior Account. Canada typically ranks last in total feature count across categories but has a few strong areas like Wealth Management and Open Banking.
- **Accounts and Wealth Management**: The US has significantly higher feature counts in both categories, with 192 features in Accounts (about 52% more than Canada's 126 features) and 237 features in Wealth Management (32% more than Canada's 180 features). This indicates a well-developed focus on financial management and investment tools, likely tied to consumer demand for comprehensive financial services and a focus on wealth accumulation and tracking.
- **Open Banking**: Canada stands out by surpassing the UK with 28 features (compared to the UK's 20). This reflects Canada's increasing adoption of open banking, even if behind the US. This is likely driven by regulatory encouragement and a desire to enhance banking interoperability.
- **Patterns in Security and Login**: The US has a slight lead in Login and Security with 75 features compared to the UK's 68 and Canada's 45. This aligns with heightened attention to cybersecurity in the US, where both consumers and regulators expect robust authentication and secure login options in digital financial services.
- **Regulatory and Market-Driven Innovation**: The US's leadership across categories could be attributed to a competitive market with multiple fintech players, higher demand for digital banking innovation, and less restrictive regulations compared to some other markets. This may lead to faster feature rollouts and a willingness to experiment with new offerings.

Common features by market



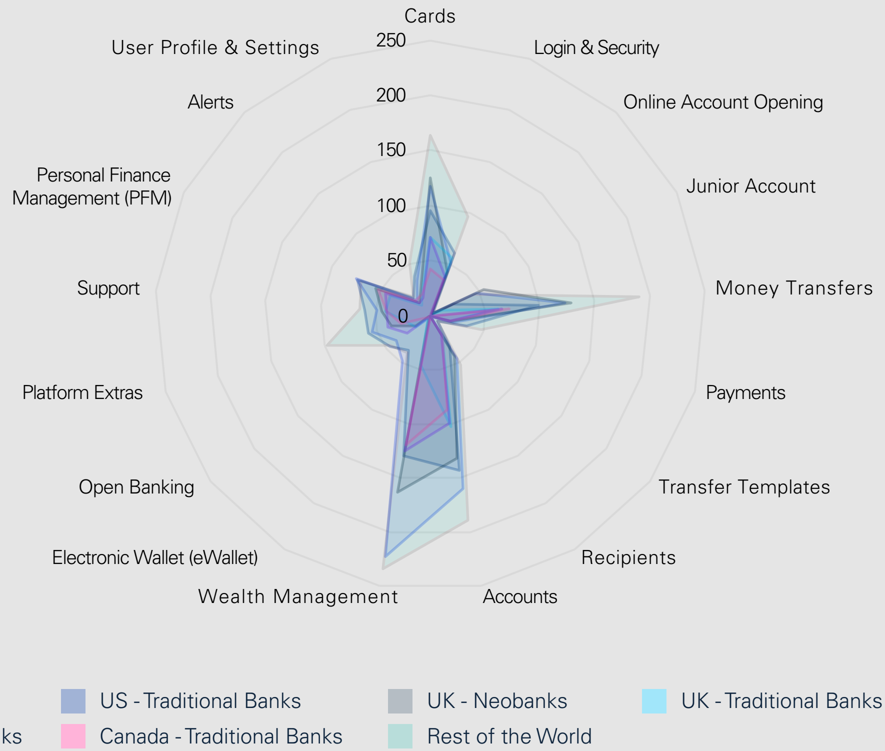
Source: FinTech Insights

Analysis of Key Table-Stakes Mobile Banking Features by Market

The analysis shows that certain features are commonly implemented across banks in different regions.

- **UK Leads in Standardization for Transactional Features**: The UK market places a strong emphasis on standardizing transactional features like Money Transfers and Recipients. This reflects a regional expectation for easy, consistent transfer capabilities, which may be driven by customer demand for seamless, efficient financial interactions.
- **Canada Prioritizes Core Banking Needs with Lower Feature Diversity**: Canadian banks have lower feature counts across all categories in the table-stakes view, focusing on essential services like Accounts, Money Transfers, and Payments. This indicates a more conservative or foundational approach, potentially due to different regulatory environments or consumer preferences that don't demand as broad a feature set.
- **US Emphasizes Money Transfers and Security but with Less Uniformity in Value-add Services**: The US shows high adoption of core functionality like Money Transfers, Accounts, and Login & Security, highlighting a strong focus on transaction ease, account management, and cyber security as baseline expectations. Limited consistent coverage in areas like Wealth Management, Personal Finance Management (PFM), and eWallets suggests these functionalities are either fragmented or deprioritized, reflecting and opportunity for differentiation and value-add services. This emphasis on foundational features underscores a market geared toward ensuring broad accessibility and reliability, with room to innovate in personalization and advanced financial management tools.

Functionality radar by market



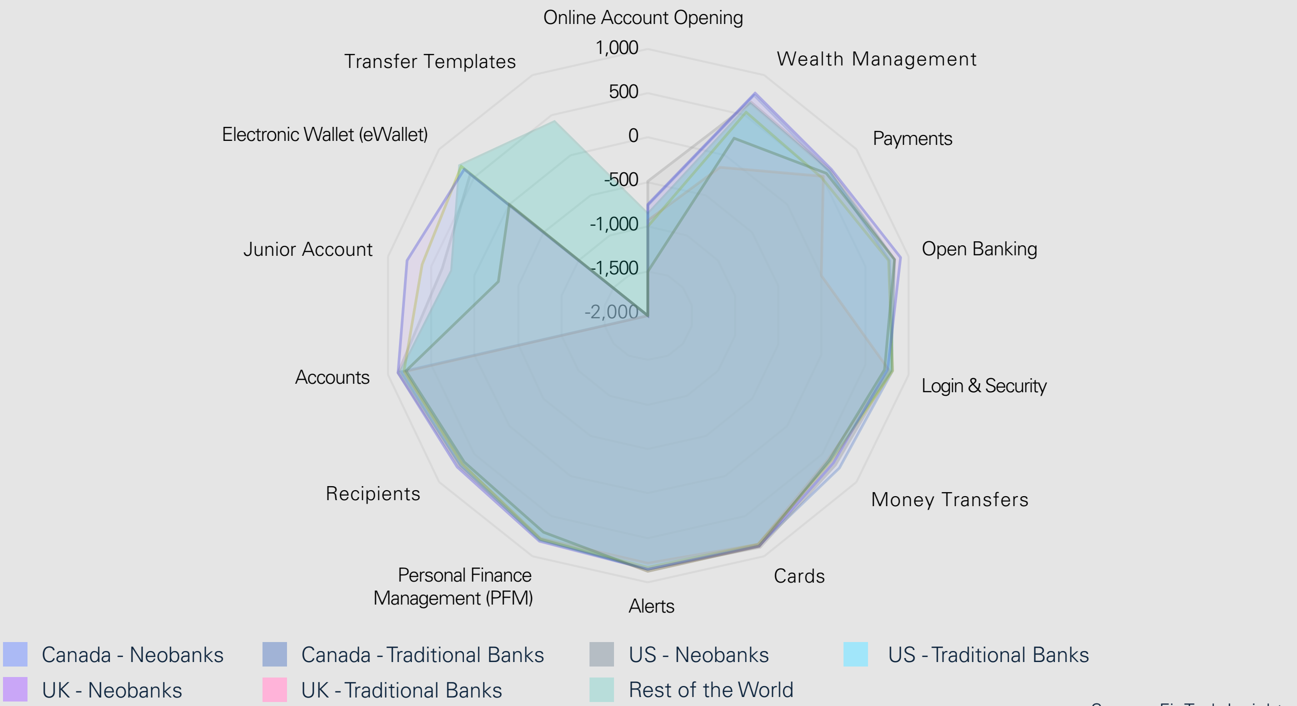
Source: FinTech Insights

Key Differences between Neobanks and Traditional Banks by Region

The "Functionalities Coverage Radar" provides a visual representation of how different banks cover various functionalities. This can help identify gaps in service offerings and areas where banks can improve to meet customer expectations.

- **Neobank Focus on Wealth Management and Cards**: Neobanks are distinguishing themselves with a focus on digital-first functionalities that traditional banks don't cover as extensively. This trend is clear in wealth management, where Neobanks in the U.S. (223 features) and UK (163 features) substantially outpace their traditional counterparts. With wealth management on the rise as an integrated offering, Neobanks appear well-positioned to capture customers seeking full-service, digitally managed financial solutions.
- **Transactional Superiority in Money Transfers for Neobanks**: Card and money transfer functionalities, two categories prioritized by U.S. and UK Neobanks, also show Neobanks' focus on transaction convenience and flexibility. The UK's high coverage in card features for Neobanks (125 vs. 71 for traditional) indicates a particularly strong alignment with customer demand for flexible and widely accessible payment solutions, a strategy less emphasized in Canada, where traditional banks maintain a lead in money transfer functionality (72 vs. 66). This suggests that Canadian traditional banks are prioritizing transactional reliability, while Neobanks may be focusing on other categories to differentiate themselves.
- **Regional Differences**: Overall, U.S. and UK Neobanks have prioritized expanding feature coverage across transactional, wealth management, and digital payment categories to drive differentiation. Canada, meanwhile, shows a more balanced competition, with traditional banks maintaining strong coverage in key transactional categories and only a slight gap in account management (99 vs. 87) and card functionality (71 vs. 42). This signals that while digital transformation is advancing, regional differences in customer expectations and regulatory factors could mean slower Neobank adoption in some areas.

UX Coverage Analysis

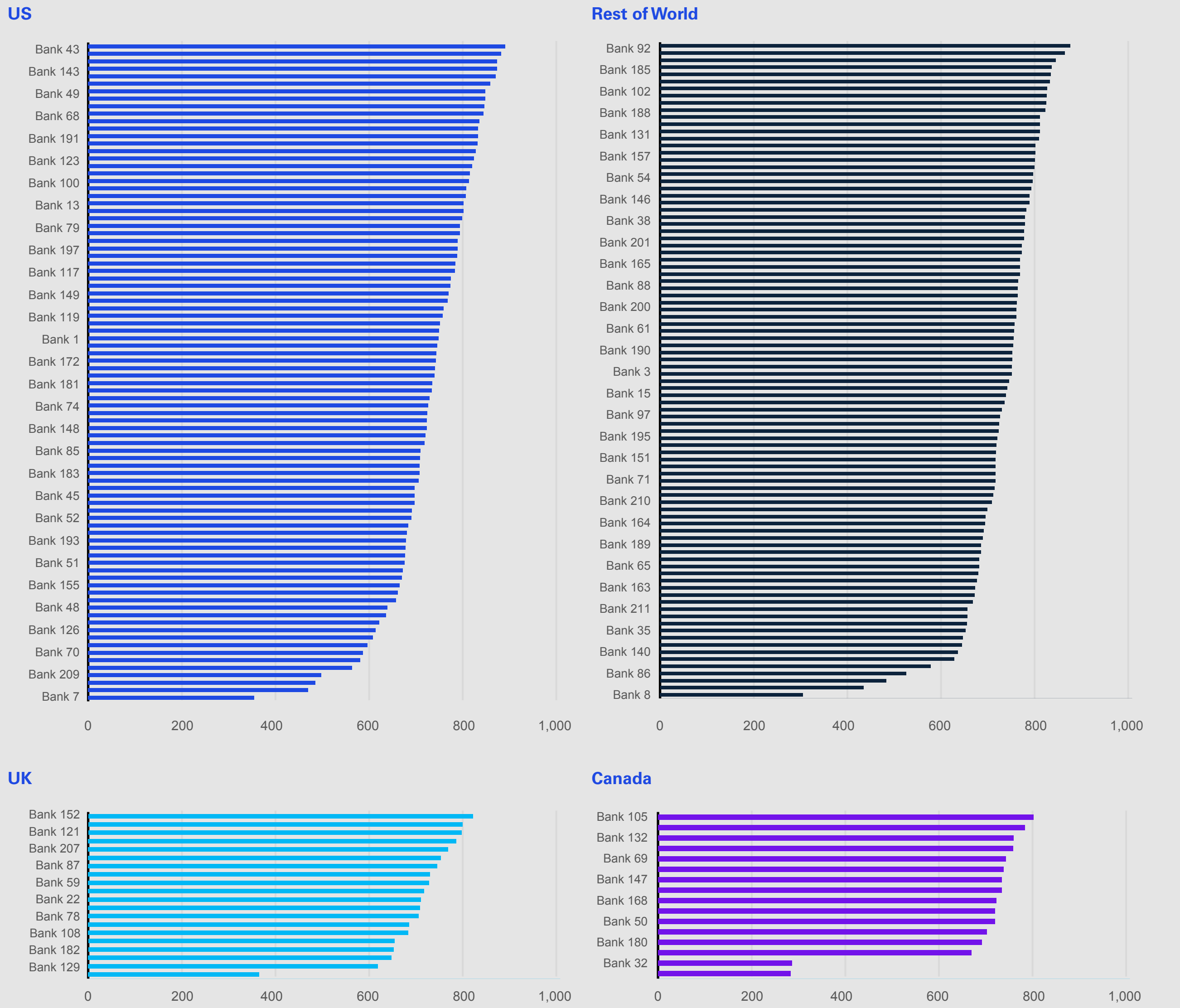


Source: FinTech Insights

UX Coverage Analysis showcases where regions and institution types excel and / or lag in their implementation of mobile features from a user experience perspective.

- **Online Account Opening**: UX scores show notable friction across all regions and bank types in online account opening, with all scores being negative. U.S. traditional banks have the lowest score at -1004, while U.K. traditional banks show the greatest struggle with a significant deduction to -1508. This indicates that online account opening journeys have multiple steps and frictions that reduce user experience satisfaction ubiquitously. This is an area where streamlining steps could provide notable improvements in user satisfaction.
- **Wealth Management**: Neobanks lead in UX across all regions, with U.K. Neobanks scoring highest at 779, followed by Canadian Neobanks at 755, and U.S. Neobanks at 666. This indicates a more intuitive, efficient process for wealth management offerings in digital-first platforms. Traditional banks, by contrast, display lower scores, such as -148 for Canada and 216 for the UK, indicating higher friction in wealth management experiences.
- **Payments**: Neobanks in all regions demonstrate slightly higher UX scores than traditional banks, though both groups maintain relatively similar, positive scores. U.K. Neobanks score 641 and U.S. Neobanks score 618, indicating effective UX design with minimal friction. Traditional banks show lower scores but are within range, such as 562 for U.K. traditional banks. This consistency across bank types and regions suggests payments are a category where both Neobanks and traditional banks are generally optimizing UX successfully, though small differences indicate a slight advantage for digital-first institutions.
- Overall, Neobanks continue to lead in UX for emerging or high-engagement categories like wealth management and money transfers, likely due to their focus on reducing steps and optimizing digital journeys. Traditional banks, however, retain competitive UX in foundational services, demonstrating effective adaptation to core digital expectations while they seek to catch up in more advanced or niche functionalities. This gap presents an opportunity for traditional banks to explore targeted UX improvements in newer financial offerings to match or exceed Neobanks standards, particularly as digital banking demands increase globally.

UX Score by Bank by Region



Source: FinTech Insights

UX Scoring Methodology: The Perfect 1000 System

Our proprietary Perfect 1000 system quantifies the effort each journey requires, creating a simple, objective way to evaluate user journeys. Each journey starts with a score of 1000. Starting from the homepage, points are deducted for every step the user must take to complete their action.

Deductions are based on the complexity of each step. For instance, requiring a user to enter personal details, like their name, date of birth, and address, might reduce the score by 10 points. Conversely, a multi-day document verification process could slash 50 points from the final score.

Balancing digital innovation with human-centric experiences

Cracking the code to deliver best in class CX in Financial Services

Customer Experience (CX) through the Lens of Digital Innovation

At one point or another, we've all been victims of the infinite chatbot loop – the unbreakable cycle of trying to speak to a human, only to be redirected down a rabbit hole of unrelated choices and automated responses to streamline the customer experience. Ironically, these innovations often have the opposite effect, burdening customers more than anticipated.

As technology drives the world forward, organizations have rapidly adopted digital solutions, viewing them as cost-effective alternatives to traditional human interactions. This shift has given rise to the "digital-first" agenda, where chatbots, streamlined security, and AI-driven tools have become ubiquitous and very much a standard part of every customer journey. However, in the race for efficiency, one thing has been neglected: the human touch.

KPMG's 2023-24 Global Customer Experience Excellence Report revealed a concerning downward trend in CX metrics across many markets, with the overall Customer Experience Excellence (CEE) metric dropping by 3%, and companies' ability to meet expectations and respond empathetically to customer interactions both declining by 4%. Balancing technological advancements with human-centric experiences is essential to reversing these trends and achieving true CX excellence in the digital age.

Financial institutions and the digital shift

In 2020, during a period of low interest rates, CX became a key differentiator in the banking industry, prompting significant investment to digitize various banking journeys. All major successful financial institutions now understand that a seamless UX is an absolute necessity for long term user growth and retention. However, now in a higher interest rate environment, a critical question arises: Is CX still a deciding factor for consumer choice of banking providers in a higher interest environment? The answer is both yes and no.

While competitive rates attract new customers, they do not guarantee customer loyalty. According to the 2023 J.D. Power U.S. National Banking Satisfaction Study, 60% of U.S. customers maintain secondary accounts to optimize interest earnings. This suggests that while better rates may draw customers in, the key to retaining them is a seamless, human-centric experience. Banks that excel in reducing time and effort while showing empathy tend to retain a larger share of customer deposits.

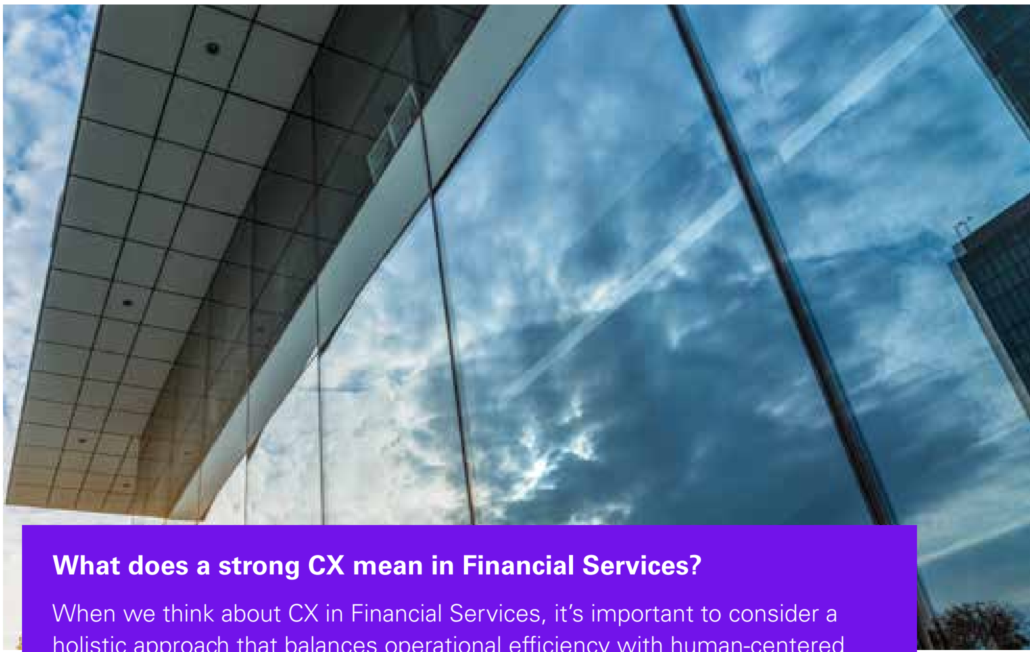
> "In today's rapidly evolving financial landscape, Neobanks and digital-only banks have emerged as powerful alternatives to traditional banks. These fully online financial institutions, operating without physical branches, offer streamlined services through mobile apps, often delivering higher rates and superior CX

Neobanks and traditional banks: the loyalty divide

In today's rapidly evolving financial landscape, Neobanks and digital-only banks—terms often used interchangeably—have emerged as powerful alternatives to traditional banks. These fully online financial institutions, operating without physical branches, offer streamlined services through mobile apps, often delivering higher rates and superior CX. This shift has made moving money easier than ever, leading to customers diversifying their banking relationships - often opening accounts with Neobanks that offer both higher rates and superior CX. This phenomenon known as "silent attrition" sees customers gradually reducing their engagement with traditional banks in search of better experiences.

Although traditional banks have not historically been innovators, we have been seeing that the most successful banks have been learning from Neobanks and traditional banks to ensure they can attract and retain their customers.

Currently, attracting new customers with competitive interest rates is part of the equation for traditional banks. Retaining customers requires minimizing friction and providing a high-quality experience that meets customer needs Research shows that while 66% of customers are satisfied with online chat technologies, only 26% are happy with AI-powered chatbots. Banks must continue to optimize their self-service tools while ensuring that human interaction remains readily available, as 91% of customers value quality customer service when selecting a bank[13]



What does a strong CX mean in Financial Services?

When we think about CX in Financial Services, it's important to consider a holistic approach that balances operational efficiency with human-centered design. This perspective helps institutions create digital-first strategies that not only streamline interactions but also resonate deeply with customers, ensuring their needs and expectations are met in meaningful ways.

Personalization

Using individualized attention to drive an emotional connection

"Offer me relevant financial products and services based on my profile."

"Provide personalized advice that aligns with my financial goals."

Empathy

Achieving an understanding of the customer's circumstances to drive deep rapport

"Show that you understand and care about my financial situation."

"Treat me with respect and kindness in all interactions."

Expectations

Managing, meeting and exceeding customer expectations

"Provide consistent and reliable service every time I interact with you."

"Make it easy for me to access my accounts and complete transactions."

Resolution

Turning a poor experience into a great one

"Resolve my issues quickly and efficiently, without unnecessary delays."

"Provide multiple channels for me to reach customer support."

Time & Effort

Minimizing customer effort and creating frictionless processes

"Simplify my banking experience and minimize the steps needed to complete tasks."

"Reduce the time I spend waiting for service, whether online or in -branch."

Integrity

Being trustworthy and engendering trust

"Keep my personal and financial information secure."

"Be honest about the risk and benefits of your financial products."

[13] https://latinia.com/en/resources/banking-statistics-shaping-customer-experience

The Impact of Changing Demographics on Banking Profitability

Understanding demographic shifts is critical for financial institutions to maintain profitability. While Baby Boomers and Gen X still hold significant wealth—Baby Boomers currently hold about 52% of the United States' net wealth, valued at approximately $76 trillion[14]—younger generations, particularly Millennials and Gen Z, are growing in economic power and will reshape the financial sector in the coming years. By 2025, Gen Z is expected to represent 27% of the global population and control $33 trillion in assets[15], while Millennials will inherit $90 trillion from Baby Boomers in the U.S. alone over the next two decades[16].

For banks, catering to both groups is essential. Baby Boomers value physical branches and human interaction, while Millennials and Gen Z demand digital-first, frictionless solutions. Neobanks have captured younger customers by offering features that align with their priorities, such as convenience, transparency, and seamless digital experiences. However, traditional banks, which still hold the trust of older generations, must adapt to serve the needs of a diverse customer base.

Uncovering the Gaps: A Comparative Analysis of Neobanks vs. Traditional Banks Across Canada, the US, and the UK

When Neobanks and digital-only banks first emerged, they revolutionized banking by offering personalized, tech-driven solutions. However, traditional banks are catching up, integrating many of the digital features that Neobanks have used to attract customers. Our cross-market analysis of banking in the U.S., U.K., and Canada reveals a clear divide between Neobanks' focus on personalization and convenience and traditional banks' emphasis on trust, integrity, and comprehensive services. While the gap between the top traditional banks and leading Neobanks remains significant—often exceeding 200 functionalities—the overall landscape shows that traditional banks are closing in on the total features offered.

> While the gap between the top traditional banks and leading Neobanks remains significant—often exceeding 200 functionalities—the overall landscape shows that traditional banks are closing in on the total features offered.

[14] https://www.economist.com/finance-and-economics/2024/05/26/baby-boomers-are-loaded-why-are-they-so-stingy
[15] https://www.wenalyze.com/what-is-generation-z-looking-for-in-banking/
[16] https://content.knightfrank.com/resources/knightfrank.com/wealthreport/the-wealth-report-2024.pdf

What digital banks got right

Digital Banks have carved out a niche by targeting younger, digitally native customers with features that emphasize customization, convenience, and user control—key elements of personalization.

1. Streamlined Onboarding: Digital banks have redefined the onboarding process, making it quick and hassle-free. By leveraging advanced digital identification tools, they allow customers to open accounts in minutes, often without the need for any physical documents or in-person verification. This frictionless process, paired with intuitive interfaces and guided steps, helps ensure that customers can sign up and begin using banking services with minimal effort. In addition, features like instant account approval and the ability to customize account settings from the start offer a sense of control and personalization that resonates with today's digitally savvy consumers.

2. Digital and Virtual Card Services: Neobanks lead in providing sophisticated digital card functionalities. Users can instantly activate or deactivate virtual cards, customize card settings, and manage spending limits directly through the app. This level of control and personalization allows customers to meet their needs quickly and efficiently, minimizing time and effort while enhancing the sense of security and integrity in their banking experience.

3. Advanced Personal Financial Management (PFM) Tools: Neobanks excel in offering advanced PFM features, such as custom financial categories and transaction reconciliation, that appeal to users who demand granular control over their money. This personalization fosters a deeper sense of ownership and satisfaction.

4. Accessible Wealth Management: Neobanks democratize access to trading and investing, offering fractional shares and micro-investing options to all customers. This inclusive approach addresses expectations and integrity by ensuring that all customers, regardless of wealth, can participate in financial growth.

Where traditional banks strengths reside

Traditional banks command loyalty by excelling in areas that cater to a more established clientele, often with an emphasis on trust and personal connection—key elements of empathy and integrity.

1. Comprehensive Credit Cards and Loyalty Programs: Traditional banks dominate in offering sophisticated loyalty programs tied to credit cards. These programs, often featuring high cashback rates and strategic partnerships, provide value and meet the expectations of their customers, reinforcing loyalty through integrity.

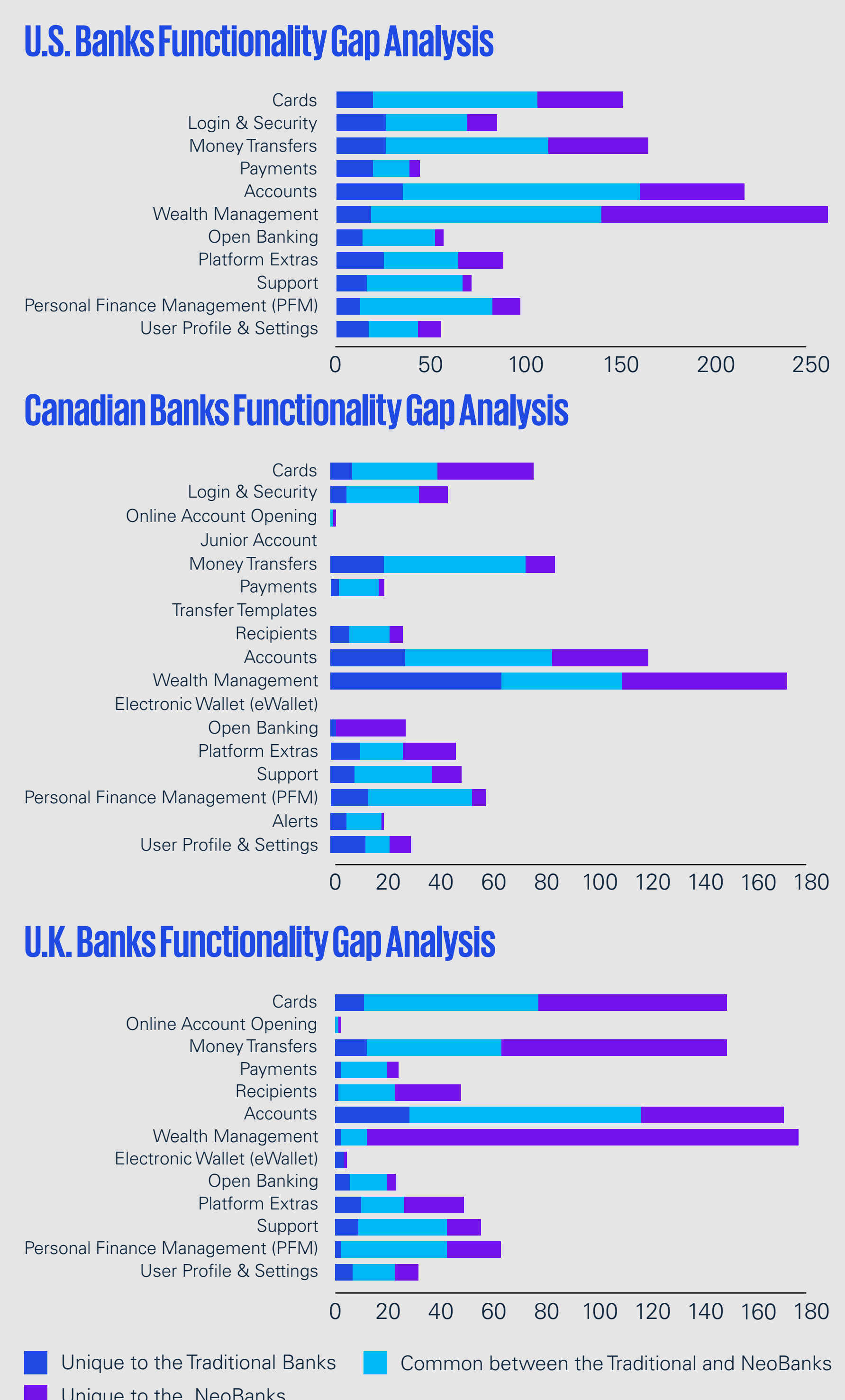
2. Broad Account Management Options: From joint accounts to business banking solutions, traditional banks cater to a wide range of customer needs. Their bundled services, including mortgages and insurance, are complemented by in-person support and relationship managers. This high-touch service exemplifies empathy, addressing complex financial needs with personalized care.

3. Personalized Wealth Management: Traditional banks have long provided comprehensive wealth management through experienced financial advisors. This personalized, high-touch service remains a key differentiator for affluent clients who seek customized advice and integrity in their financial relationships.

4. Extensive Branch and Phone Support: Despite the digital shift, many customers still value face-to-face interactions or direct phone support, especially for complex transactions. Traditional banks excel in providing these touchpoints, reinforcing empathy and resolution, particularly for older clients who prefer human interaction over digital interfaces.

Uncovering the functional gaps: a regional perspective

Our analysis of the banking landscape across the U.S., U.K., and Canada reveals significant regional differences in the functionalities offered by both traditional banks and Neobanks. The gaps between these markets reflect distinct customer needs, and the ability to meet these needs with empathy, efficiency, and integrity is crucial.



Source: FinTech Insights

Wealth management: a market in flux

In the U.S., traditional banks are making strides in wealth management by offering more diverse investment options, such as fractional shares and commodities. This shift indicates a growing recognition of the need to meet evolving customer expectations and provide more personalized, accessible financial services. However, these services are still largely tailored to an older, more passive investor base, leaving a gap for younger, more digitally inclined customers who seek the intuitive, self-serve investment tools that Neobanks excel at providing.

In the U.K., the disparity between traditional banks and Neobanks is more pronounced. While traditional banks offer basic investment services, they lag significantly behind Neobanks, which have captured the market with their user-friendly platforms and comprehensive wealth management tools.

> Canadian Neobanks are capitalizing on the changing financial landscape where the trust and reputational advantage traditional banks have enjoyed is gradually eroding. These digital-first banks have begun to challenge this dominance by appealing to a younger demographic

Neobanks in the U.K. have successfully aligned their offerings with the pillars of personalization and time and effort, providing a seamless, efficient experience that traditional banks have yet to fully replicate.

Canada presents a mixed landscape. Traditional banks dominate wealth management, offering comprehensive services that cater to a more conservative, older clientele. These services are robust and deeply trusted due to their longstanding reputation and perceived stability over the decades and even centuries of operation, aligning with the pillars of empathy and integrity. However, Canadian Neobanks are capitalizing on the changing financial landscape where the trust and reputational advantage traditional banks have enjoyed is gradually eroding. These digital-first banks have begun to challenge this dominance by appealing to a younger demographic seeking more control and flexibility in their financial planning.

This division highlights a broader trend in Canada, where traditional banks must adapt to maintain relevance among younger, tech-savvy customers without losing the trust of their established base.

Open banking: where the gaps widen

Open banking, a key area of innovation, has seen varied adoption across these regions, reflecting differing levels of customer expectation and regulatory support. In the U.S. and U.K., traditional banks have started to integrate open banking features, allowing customers to connect accounts across multiple financial institutions. This integration enhances the CX by providing a consolidated view of finances, meeting the pillars of time and effort, and resolution.

Neobanks in these markets have also embraced open banking, often leading in offering seamless cross-platform money transfers and account management, which aligns with their focus on personalization and convenience.

In Canada, however, the development of open banking is still in its infancy. Traditional banks have been slow to adopt these features, which limits customer mobility and stifles innovation. Canadian Neobanks, while more progressive, still fall short compared to their U.S. and U.K. counterparts in offering fully integrated open banking solutions. The lack of robust open banking in Canada means that customers face greater challenges in managing their finances efficiently, ultimately impacting their overall banking experience.

The future winners and losers in the war for Digital CX supremacy

As the digital landscape evolves, the battle for CX supremacy in banking will be won by those institutions that blend technological innovation with a deep understanding of their customers' needs. The winners will be banks—both traditional and digital-first—that go beyond mere functionality to foster true customer loyalty and engagement. While factors like interest rates will continue to influence customer choice, exceptional CX is becoming the primary brand shaper in a world where legacy trust in established institutions carries less weight.

Winners: The Banks that Master the Balance

The future of digital CX in banking will be led by institutions that successfully blend advanced technology with a deep understanding of customer needs. Neobanks have set a high standard with their tech-first, personalized solutions, but traditional banks, with their trust and resources, are still strong contenders—if they accelerate their digital transformation while maintaining the human touch.

These traditional banks must focus on three key areas:

1. **Enhancing Digital Onboarding**: Ensuring customers can open and manage accounts entirely online with minimal friction by integrating sophisticated identity verification tools and offering seamless multi-product journeys.
2. **Investing in Advanced Personal Financial Management (PFM) Tools**: Providing tools that help customers track spending, manage budgets, and offer proactive advice tailored to individual financial goals.
3. **Modernizing Wealth Management Offerings**: Making wealth management more accessible to younger, digitally inclined customers by introducing robo-advisors and flexible investment options like fractional shares and cryptocurrencies.

If traditional banks fail to innovate in these areas, they risk losing significant market share, especially among younger generations who prioritize convenience and digital sophistication. This trend has become increasingly prevalent, with 61% of consumers somewhat or highly likely to switch their primary provider to a digital-only bank in 2023[17]. While 77% of consumers still choose traditional banks as their primary or secondary provider, only 57% of their funds remain in traditional bank accounts; the other 43% circulates among various digital providers for different use cases[13].

However, those that successfully innovate while preserving their core strengths—such as personalized advice, in-person support, and sophisticated service offerings—can not only retain their existing customer base but also attract new clients across a broader demographic spectrum. By focusing on what truly matters to their customers, they can create digital experiences that cater to a wide range of needs and preferences, from the tech-savvy to those who still value personal interaction.

> Those that successfully innovate while preserving their core strengths—such as personalized advice, in-person support, and sophisticated service offerings—will not only retain their existing customer base but also attract new clients across a broader demographic spectrum.

[17] https://info.galileo-ft.com/rs/805-NLO-363/images/galileo_research_ebook.pdf

Losers: Institutions that Neglect the Human Element

Institutions that over-rely on technology without addressing customers' emotional and practical needs may see diminishing loyalty. For example, a bank may offer swift onboarding but then revert to slow, impersonal service for more complex issues, frustrating customers. Similarly, Neobanks focusing solely on tech features without strong customer support or personalized advice will struggle to compete as traditional banks catch up. For instance, a digital-only bank might introduce tools like instant spending notifications or cryptocurrency trading but fail to provide adequate customer support or personalized financial advice. As traditional banks enhance their digital offerings—combining robust tech solutions with their established strengths, such as superior in-person support—these purely tech-focused newcomers could struggle to compete.

Banks that neglect the human element in CX miss a crucial opportunity. In a competitive market, blending technology with empathetic, customer-centered service is key to building lasting relationships. Without this balance, institutions may fail to foster loyalty and may quickly become obsolete.

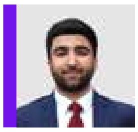
The Road Ahead: A Call for Balance Innovation

The future of banking isn't about choosing between digital innovation and human-centric service—it's about integrating both to create a seamless experience that resonates with customers on all levels. The real winners will likely be those institutions that adapt to evolving customer expectations while maintaining the trust and loyalty that have long defined successful banking relationships.

Imagine a bank that has perfected this balance. A customer logs into their app to check spending habits and receives personalized insights on how to save based on their financial goals. If they decide to open a savings account, the process is entirely digital, but they can consult a financial advisor at any point via live chat, video call, or phone. This advisor, who understands the customer’s financial history, offers real-time advice, combining digital convenience with human expertise.

In this rapidly evolving landscape, success will be defined by banks that deliver CX that is not only innovative and efficient but also personal, empathetic, and reliable. The institutions that master this blend will likely set a new standard for what customers expect from their financial partners, ensuring not just customer satisfaction but enduring loyalty.

Sarah Simmons
Manager
KPMG in Canada
E: sarahsimmons@kpmg.ca



Samridh Batra
Consultant
KPMG in Canada
E: sambatra@kpmg.ca

Transformation (BTRB)

David Polley
Director
KPMG in Ireland
E: david.polley@kpmg.ie

Christine Adams
Associate Director
KPMG in Ireland
E: christine.adams@kpmg.ie

Global Transformation Survey: Key pillars of transformation

BSBI is currently launching its transformation pillar (BTRB) which will feature high in 2025. BTRB will collect data from across the industry to identify the most significant trends in transformation and help better understand the most significant challenges our banking clients face in the delivery of change today. We are ready to onboard your data and give insights across the survey themes below.

2024 Transformation Global Banking Survey

Survey Structure

Section 1: Introduction and contextual data

Section 2: Qualitative questions across the key themes

Section 3: Quantitative questions across the key themes

Outputs

01 **Individual / tailored client reports** (for non-Audit clients)

02 **Industry Report** anonymized and available on KPMG website internationally

03 **Follow up Peer-to-Peer Sessions** to review outcomes and results

04 **KPMG Beyond Insights** bite-size reports providing deeper insights

Survey Themes

1. Transformation Strategy
- Vision for Change
- Change Leadership
- Architecture
- Partners and Suppliers

2. Portfolio Model
- Strategic Alignment
- Prioritization
- Planning Cycles
- Demand Management

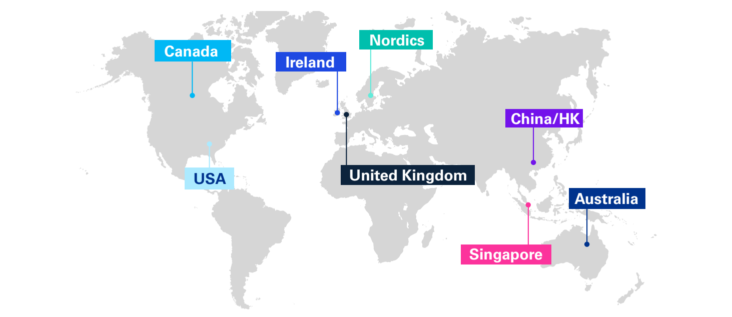
3. Governance & Processes
- Governance Approach
- Risk & Dependency Management
- Delivery Methods

4. Organization & People
- Executive Alignment
- Accountability
- Skills, Capability, Culture
- Change Impacts

5. Technology & Tools
- Tooling
- Data & Analytics
- Innovation

6. Value Management
- Business Case
- Modelling Benefits
- Performance Management

Target Geographies



Transformation Strategy

Your Bank's approach to transformation strategy will significantly impact your maturity within each of the transformation pillars. To quickly progress along your change journey, start by considering what good looks like regarding transformation strategy. Leading financial institutions see Transformation as a forethought rather than an afterthought. They have a top-down vision of Change across the organization, with Board and ExCo members ensuring alignment. These banks seek to continually out-deliver their peers and that goal is a consideration in their transformation budgets. Investors trust in the organization's ability to deliver Change efficiently and effectively which is often reflected in share valuation. Having an executive appointed solely to lead transformation performance is another strong indication of a mature transformation strategy.

Strategic challenges that may impede your progress across the pillars include a lack of innovation, recruitment & capability, as well as limited technology and subject matter expertise. Enterprises who wish to transcend these pitfalls must take charge of their transformation strategy. Change must no longer be relegated to an afterthought.

Portfolio Model

Skillful prioritization of programs and projects will ensure your bank is well-positioned to achieve its Change goals. Best-in-class portfolio models are transparent in how the change portfolio drives future performance. For top banks in this area, prioritization criteria are attentively updated using quantitative data, and align closely to strategic goals. In tandem with this, there is a regular cadence for reallocating funding provided by finance processes and systems. Banks with less developed portfolio models often encounter common pitfalls. Inadequate stakeholder engagement and a lack of strategic alignment lead to disjointed and competing change ambitions. This is typical when there is no consolidated view of Change across the organization. Overemphasis on the short-term and failure to monitor and review the data will exacerbate inflexibility – also detrimental to long-term gains.

Governance and Processes

In today's financial environment, effective governance and processes are essential for successful Transformation. Those banks with a strong change management framework are best-placed to effectively implement Transformation in their organization. So what does good look like? An agreed governance approach is vital. Bank's must have comprehensive controls and a documented change framework. Financial institutions with mature governance and processes have a dedicated assurance function in which sponsors and executives are actively engaged. They also maintain an Enterprise PMO function who centrally manages funding and oversight.

Inefficiencies and a lack of accountability are characteristic of a poor governance structure. Banks who have not matured along the Governance and Processes pillar often have bureaucratic decision-making practices and poor oversight. These issues can leak into every aspect of Transformation – for example, without comprehensive controls in place, how can a team effectively identify, assess and mitigate risk? Furthermore, overly complex processes and lack of training in these banks can lead to inconsistent process implementation.

Organisation and People

Having the right people with the right skills is key to driving your transformation agenda. Those who are far along their transformation journey see people as their greatest asset, upon whom they lean to capture Change benefits. For every change program, an executive is appointed to be accountable for performance. Change Directors are not figureheads but have real influence over the direction of business decisions. In these banks, retaining top talent is paramount. There is a well-structured career path in Change itself which talented individuals can follow through to Executive. Culture is hugely impactful with regards to Transformation. Banks with a cultural resistance to Change will face barriers in implementing new ways of working and thinking. Furthermore, a lack of diversity of thought can cause stagnation of creativity which drives Transformation. Organizations who are not people focused often fall down in this area. This can be due to a lack of training and investment in their workforce, but employee sentiment is also crucial. Poor communication, inconsistent performance management, failure to recognise and reward effort, and workforce burnout can all affect sentiment.

Technology and Tooling

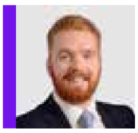
Effective utilization of technology and tooling is crucial for banks aiming to achieve their transformation goals. Best-in-class banks ensure that all projects and programs are integrated into a common suite of project planning and management applications. This facilitates credible and transparent reporting. Such banks adopt a standard set of tooling approaches that cover the entire change lifecycle, and all aspects of the operating model. This comprehensive approach ensures consistency and efficiency across the organization. Moreover, technologies and tools are ever- evolving, driven by active communities of interest. Practitioners reflect and share innovative ways of working. Such a culture of continuous improvement and knowledge sharing ensures that the bank remains at the forefront of technological advancements. Additionally, data ownership is clearly defined across the organization, and data quality is maintained at a high standard. The application of data science is embedded within the bank's operations, supporting faster and more precise delivery of services.

Common issues that can inhibit a bank's technology and tooling capability include the use of legacy systems and Vendor Lock-In which hinder innovation and scalability. This can cause long-term inefficiencies when compared to peers. Poor data management, inadequate training and cybersecurity vulnerabilities are all further indicators of immaturity of this capability.

Value Management

Huge insights can be gained by measuring the value generated, both financial and non-financial, by your transformation efforts. As such, effective value management is essential for banks striving to achieve their change goals. Best-in-class banks foster an executive culture that rigorously challenges all estimates, ensuring a strict change control process is in place. This disciplined approach helps maintain alignment with strategic objectives and prevents scope creep. These banks also implement robust project accounting tooling that drives holistic governance. This is supported by standardized reporting, templates, and documentation that provide audit trails and a single source of truth. Comprehensive governance frameworks ensure that every business case is subjected to rigorous challenge and scrutiny before funding is approved. This level of oversight also helps to mitigate risks and ensures that projects are well-positioned to deliver their intended benefits. In banks with strong value management, it is rare for programs and projects to fall short of delivering their promised benefits.

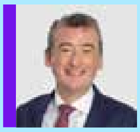
There are a number of key pitfalls that affect banks with less developed value management practices. A lack of rigorous measurement and tracking of KPIs can lead to poor understanding of where the value lies. This is often coupled with a resistance to adapt to new ways of working. Siloed operations and a short-term focus are also common impediments to the bigger picture with regards to capturing value.



David Polley
Director
KPMG in Ireland
E: david.polley@kpmg.ie

Christine Adams
Associate Director
KPMG in Ireland
E: christine.adams@kpmg.ie

Cost (BECB)



Owen Lewis
Partner
KPMG in Ireland
E: owen.lewis@kpmg.ie

James Dunne
Director
KPMG in Ireland
E: james.dunne@kpmg.ie

Insights: Enterprise Costs benchmarking analysis 2023/2024

19% of banks are targeting 10% or more cost saving in the next 12 months, compared to 16% in 2020

An increase in ambition needs to be supported by strongly defined metric

25% anticipate radical changes to their existing operating models to achieve cost reduction targets

To sustain cost optimization, banks need to look at how they deliver both 'run' and 'change' concurrently – including how enterprise-agile supports this

90% of banks acknowledge outsourcing will also become more central to their future operating model

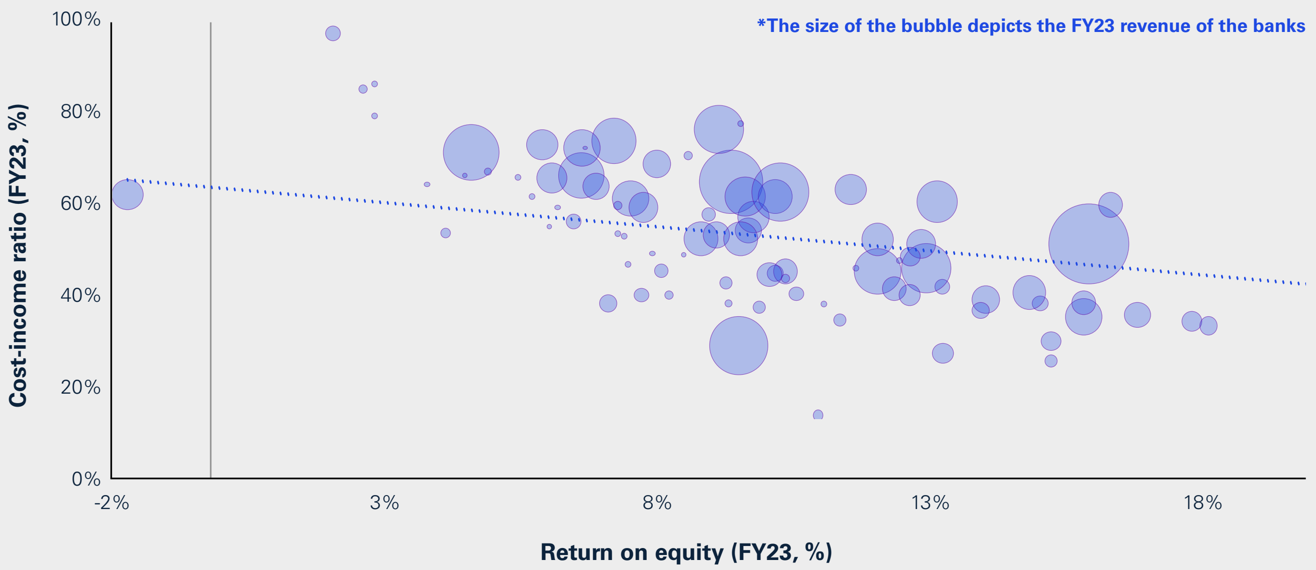
Leading banks are exploring innovative third-party arrangements or captive offshore centres to access new talent with the same or less cost

88% agree that AI will play a more central role in their future operating model. 60% believe AI will be more important in reaching cost saving targets in the next year alone

While many banks have had notable success in deploying AI to drive productivity through PoCs – proven scaled AI / GenAI use cases remain elusive

Source: Beyond Savings: Cost optimization for the modern bank - KPMG Global

Comparison of FY23 CI ratio, RoE and revenue of all banks



Note(s): Change in CI ratio and return on equity represents FY23's data. Revenue numbers are the revenue for respective banks during the same FY23. The chart consists of 89 banks out of the total 98 banks. The 9 banks have been excluded due to unavailability of data.

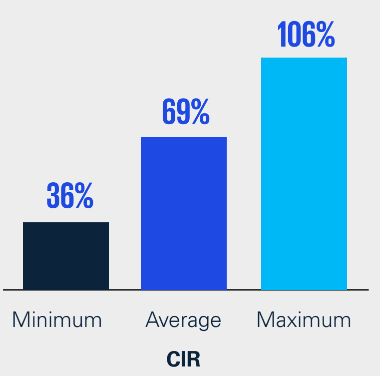
Source(s): CapitalIQ; Banks' financial and annual reports, accessed as on 25 June 2024

In the above, we can see an expectable relationship between the Cost-Income Ratio of banks and their Return on Equity.

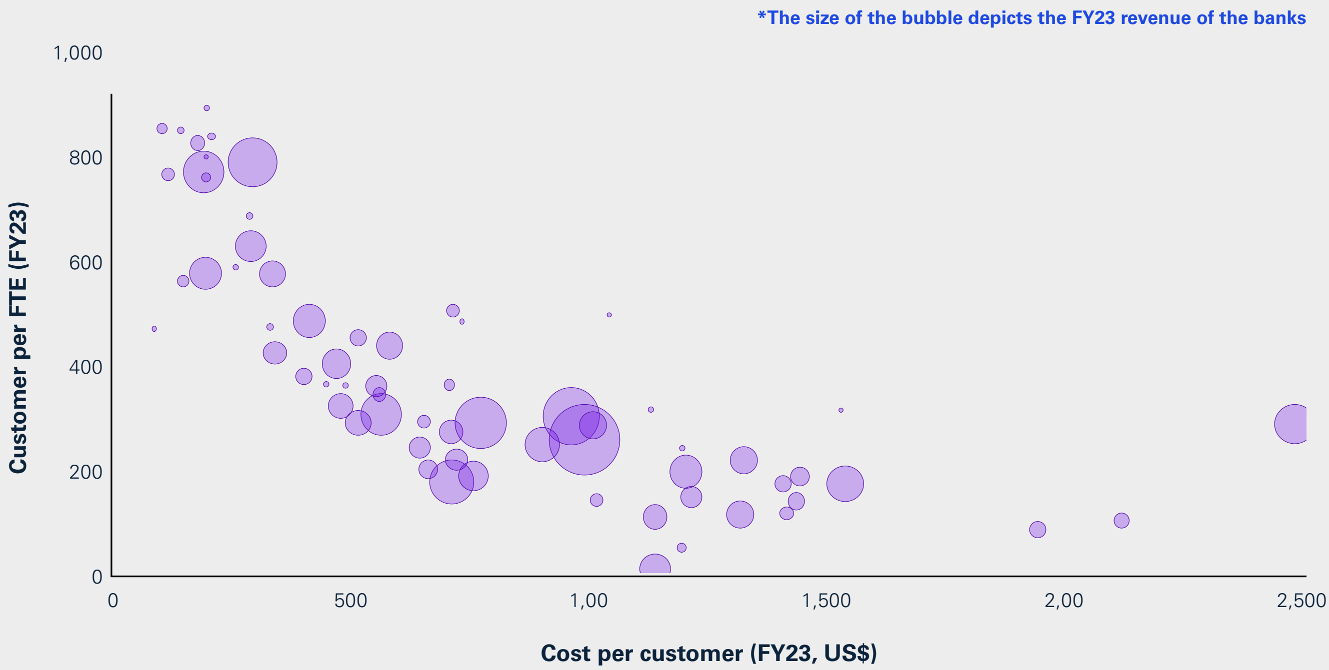
- Those having high costs with respect to income typically earn a lower RoE.
- The industry's top performers do a good job of keeping costs low. This typically indicates higher efficiency and a strong RoE.

Where are you plotted in relation to the trendline? Those above the line incur higher costs to generate the same level of equity returns. They may be facing operational inefficiencies or higher expenses that are not translating into proportional returns. Conversely those below the line may have better cost management practices.

CIR range of participants



Comparison of FY23 customer per FTE, cost per customer and revenue of all banks



Note(s): The chart consists of 73 banks out of a total of 98 banks, Customer per FTE is not available for 16 banks, Cost per customer is not available for 25 banks.

Source(s): Bank's financial reports and annual reports; all accessed on 25 June 2024

Delineating between quarters of the graph, we see different customer strategies:

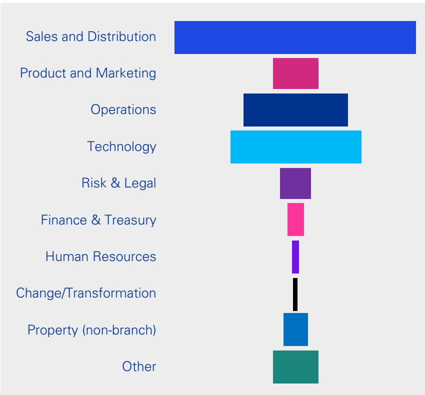
- Those banks with a high number of customers per FTE and low cost per customer display a "low-frills, low-margins" approach in which banks offer basic customer service as cheaply as possible.
- Those at the tail of the distribution offer a more tailored service to their customers. They have higher costs per customer and more Full Time Employees per customer to ensure a high level of service.
- In the bottom left quarter of the graph, banks try to achieve the best of both worlds as efficiently as possible. They go beyond the basics while still keeping costs low.

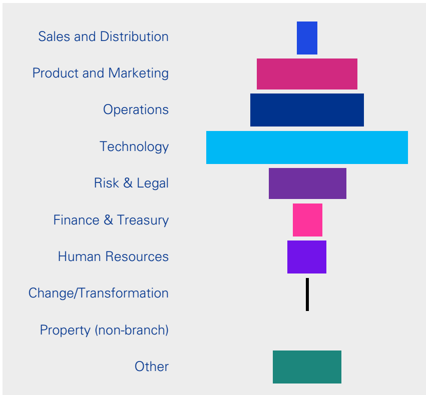
There is no wrong answer to where your bank may fall on this graph with large returns being seen in each. Does your plot on the graph align with your customer strategy? If not, which of your metrics need to change?

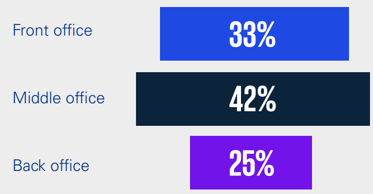
True value optimization will occur when the cost strategy aligns to the overall customer strategy

Sample Retail Bank with multi-channel service offering	Sample Retail Bank with Digital-only service offering	Industry Averages

OpEx Split

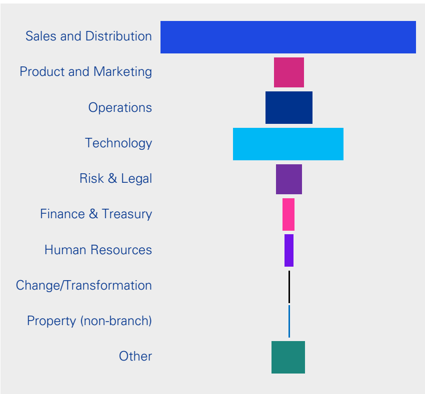


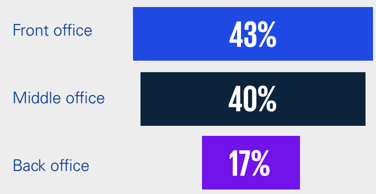




With a strong Operations and / or Technology function, the middle office on average takes the largest share of Opex.

FTE Split





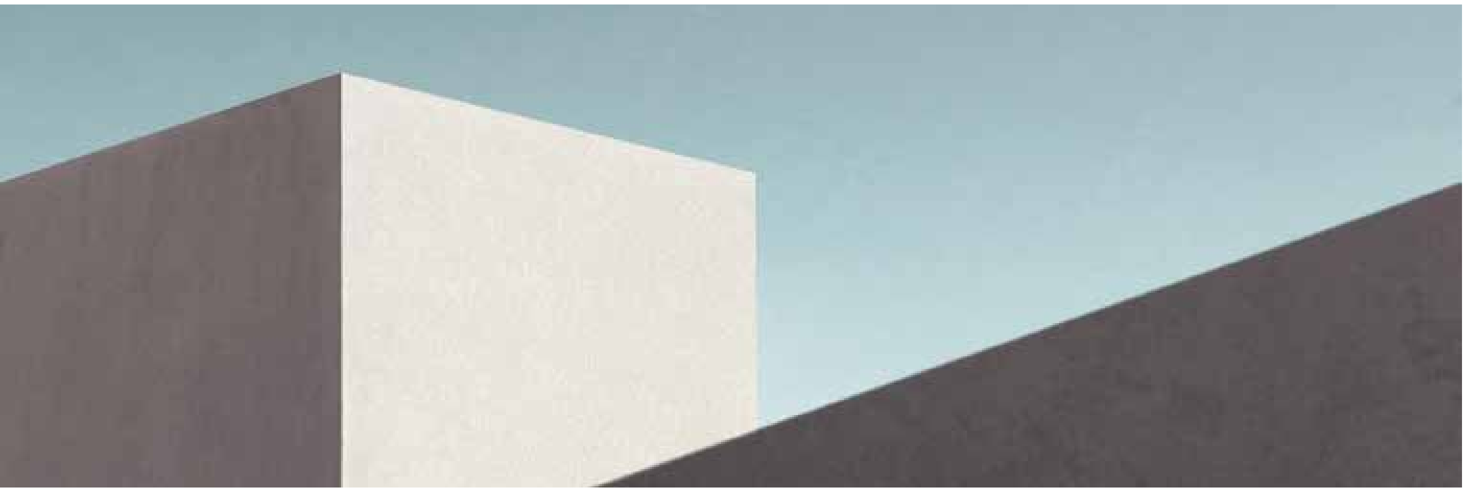
However, due to the nature and relative cost of font-line FTE, there tends to be a greater balance between front and mid-office.

80% of survey respondents perform cost management both by traditional vertical structures as well as by horizontal cost management units

Top investment priority is automation and workflow, followed by investment in Data and Analytics…

Survey respondents' highest priority Cost Management plans were driven by:

- Technology Optimization, alongside
- Digitization and Operational Efficiency.
- It is worth noting that an increased Cost management focus and reviewing the Operating Model and Balance sheet were close behind in priority focus



Changing the cost mindset: Using cost to serve to unlock value optimization

Addressing cost to serve can be a powerful North Star to embedding a different mindset compared to traditional cost reduction methodologies.

56%

of banks rank cost management as one of the industry's top three concerns.

82%

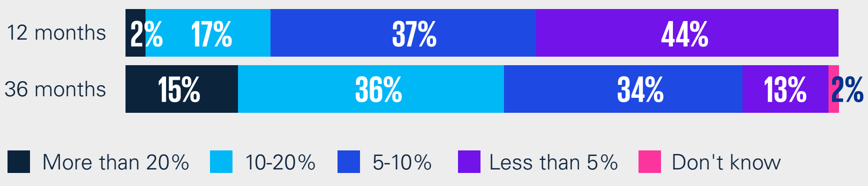
of the survey respondents pointed to deep cultural challenges in achieving sustainable cost reductions, even among banks that have made significant technology investments.

Whilst many banks view cost reduction as a key part of their ongoing strategies, they are also calling out that delivering against those strategies is intrinsically challenging. These challenges are not purely driven by external factors, such as rising wage and technology spend, but can also be driven by deep-rooted cultural challenges in their traditional approaches to cost management.

For banks that have already picked the low-hanging fruit over prior years, identifying, and unlocking further cost opportunities can prove to be hard, however, with over half of the banks KPMG surveyed targeting a minimum of a 10% cost reduction over the next 3 years, this is a challenge that needs to be addressed.

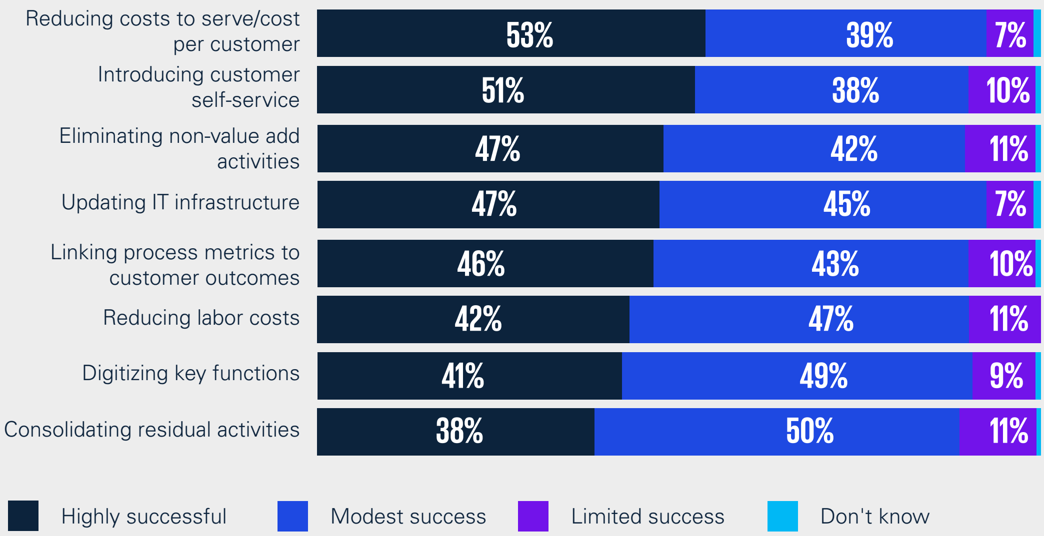
For banks whose cost reduction journeys are more mature, a change in mentality could be the factor that unlocks further opportunities, and with 53% of our survey participants stating that reducing costs to serve, or costs per customer is a highly effective approach to deliver cost reduction, it is worthwhile investigating this in more detail.

Cost reduction targets over time



Source: KPMG International

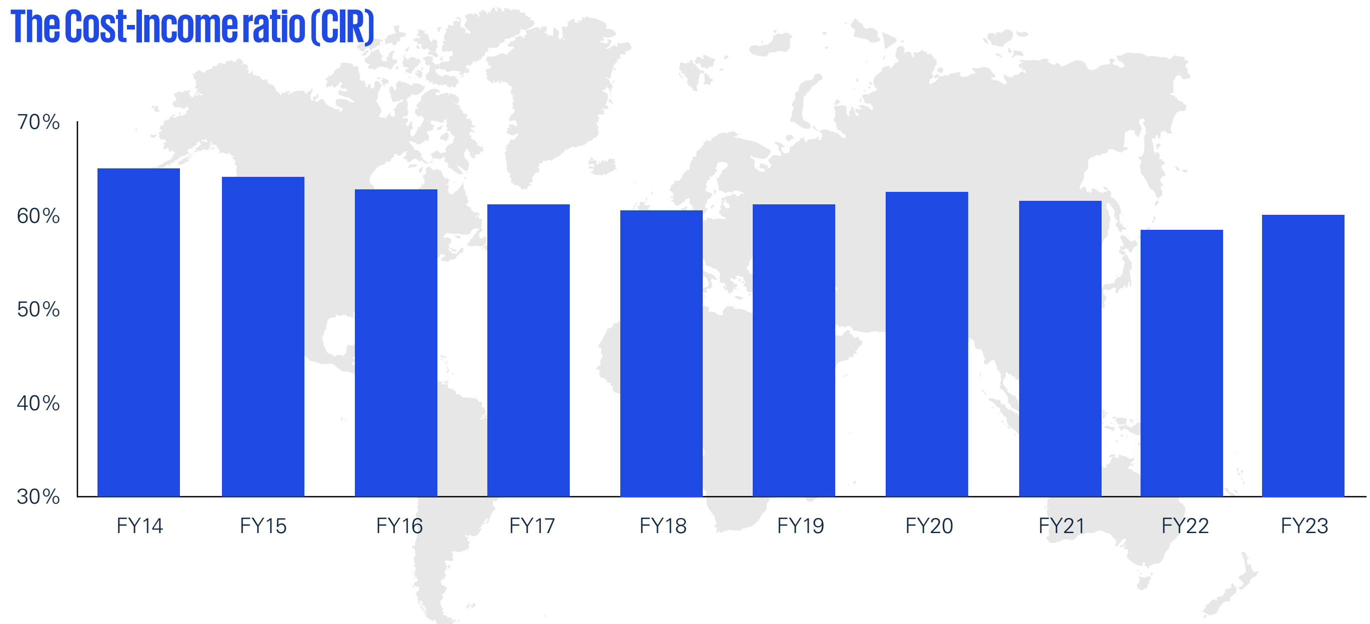
Approaches to deliver cost reduction



Source: KPMG International

But first, to better understand how the cost to serve approach can change a Bank's cultural approach to cost reduction, we should consider the global trends in a traditional measure of a firm's cost efficiency.

The Cost-Income ratio (CIR)



Whilst the average CIR has declined from c.65 percent to c.60 percent (2014 to 2023), we can see some year on year rises bucking the overall trend across this period, notably 2022 - 2023 which coincided with interest rises across parts of the globe and the revenue side of CIR driving the improvements. With interest rates now holding steady in some regions, we can see the cost agenda once again coming into focus, as per the findings of our survey previously mentioned.

This demonstrates the challenge of CIR as a key measure of cost efficiency, as it can be as easily affected by a strong income performance as it can by a strong cost performance. That is not to say that banks should discount this as a metric, but to more effectively optimize the cost base within the chosen business model, moving the discussion to the cost to serve metric allows banks to bring value optimization in focus.

Approaching your cost base on a cost to serve basis places your customer at the centre of your cost strategy and enables you to assess whether your cost strategy is aligning to your customer strategy.

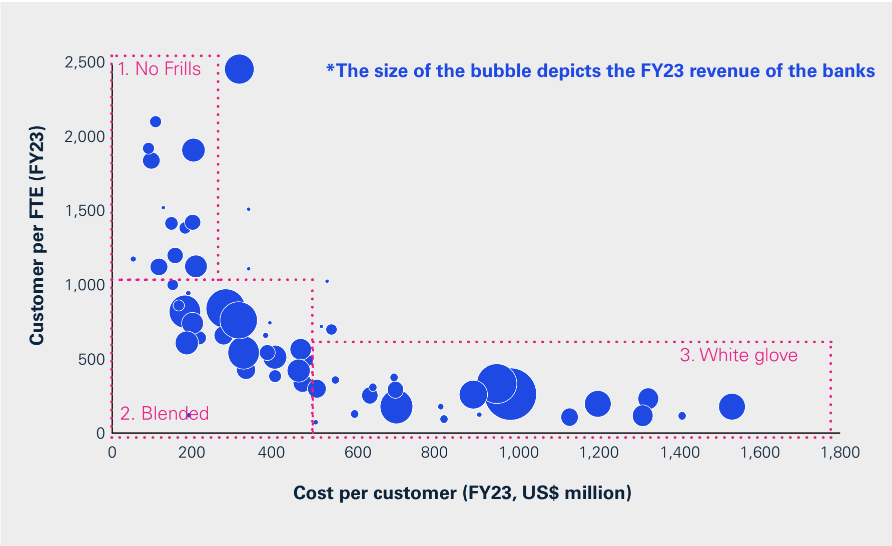
In the graph below we plot the number of customers per total FTE against the total cost per customer and it demonstrates a clear top left to bottom right curve with, we would propose, 3 distinct sections as numbered 1 to 3.

In our view, there is no "wrong" place to be on this chart, as long as where you sit matches up to your overall customer strategy.

Banks in section 1 should have a customer strategy of providing simple, effective "no-frills" customer engagements, whereas the customer strategy of banks in section 3 will be the "white gloves" approach with a high quality, relationship building and deepening approach to customer engagements.

Those in section 2 will likely be trying to drive the best "blended" position between the "no-frills" and "white gloves" strategies by driving customer engagements that exceed minimum expectations but through the cheapest and most efficient delivery approaches that they can.

Regardless of the section each bank finds themselves in according to the customer strategy, the concept of value optimization holds true,



- For those wishing to inhabit the no frills box, their value model will focus on whether the cost being spent will ultimately reduce the overall cost to serve their customers while meeting and maintaining a minimum standard of customer experience,
- Whereas those who aim for the White Gloves section, value optimization will occur from spend on activities that enhance and positively differentiate the customer's experience.
- Again, those in section 2 will be looking get the best of both worlds by ensuring money is spent in areas where the customer value can be increased for the lowest amount of money spent.

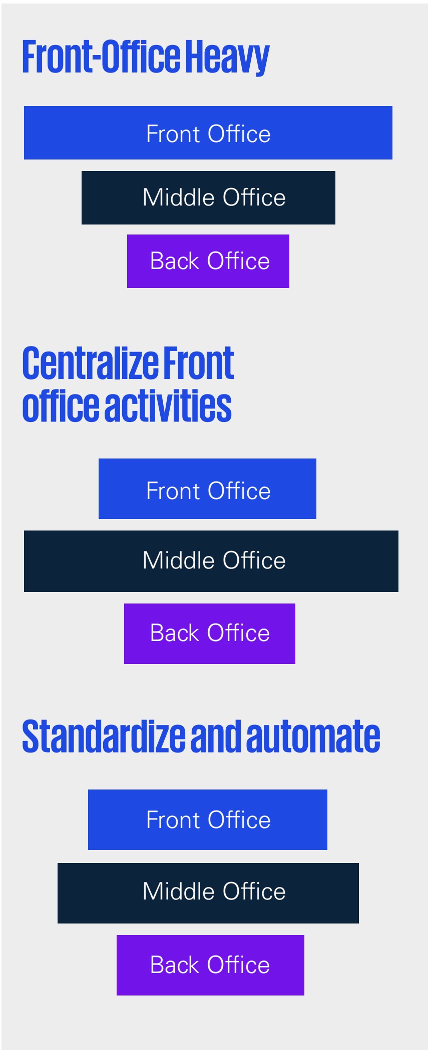
By ensuring that their cost and customer strategies are in alignment, banks will likely be looking to ensure that they optimize spend for their chosen strategy, however, Banks who continue to focus solely on traditional CIR based analysis to cost optimization may struggle to drive and identify the alignment between their customer and cost strategies.

Those that chose to view their cost base under the cost to serve lens may unlock new opportunities for exploration within their cost base, but to maximize this approach it will require banks to embed and align to this thinking throughout the organization.

But how can banks apply the value optimization / cost to serve approach if they use a traditional functional assessment of their cost base?

From our functional level surveys across 2023 and 2024 we have seen a number of functional structures that have benefited from a reassessment under a cost to serve / value optimization review.

For example, the graph below shows a sample bank with most of its cost sat in the front office activities, i.e. predominantly customer facing or product roles.



This shape suggests that the front office is likely to be undertaking a variety of non-value adding tasks that could be centralized within an Operations team.

Once front office activities are centralized within operations, opportunities will arise to consolidate, standardize and automate those activities to drive further cost benefits.

As cost is generally driven in the most part by the FTE in a function, this approach then opens up value optimization opportunities, namely, how to best deal with the capacity created by the centralization and automation of activities?

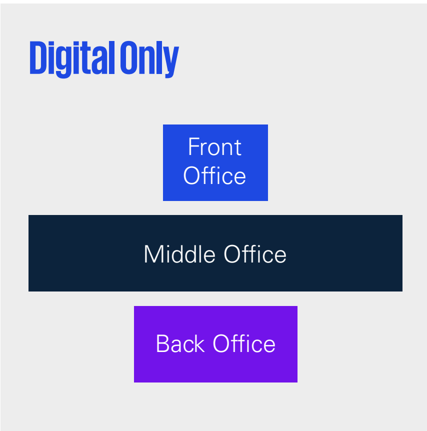
Referring back to our cost to serve graph and associated 3 sections, dependent on where the bank sits, and their associated customer strategies, the answer is likely to differ.

A bank in section 1 focused on minimizing cost to serve, would likely look to the excess capacity created as an opportunity to reduce staff levels, driving out ongoing cost savings, whereas banks in section 3 focused on optimising value might see the excess capacity as an opportunity to double down on spending more time with their customers to attempt to drive out increased value per customer as a result.

It is worth noting that under a pure "cost reduction" approach, whilst similar steps may be taken, a discord between the cost and customer strategies could be created ultimately potentially leading to costs re-entering the business down the line.

But what about Digital only banking models where traditional front office activities are likely to be minimal?

Our functional level surveys have demonstrated that digital-only banks tend to have smaller front office costs relative to their multi-channel peers. Given their technology first focus, their middle offices tend on the whole to be larger especially given relative salary scales in the technology sector.



The value optimization challenge we have observed, especially in the emerging Digital banks is one of ensuring that commercial growth is de-coupled from FTE and cost growth.

To give an example, there is likely to be a minimum size that is required of a finance function to meet all regulatory reporting requirements, however, a doubling in growth of that business should not result in a doubling of their finance function assuming that they have been set up efficiently. Therefore, in this specific example, the bank will optimize the value of their cost base by spending money on systems / processes that will enable them to support the commercial growth without requiring them to significantly increase their staff footprint, the biggest driver of cost.

Taking this concept to a natural conclusion, if a Digital bank can fully automate its middle office operations, thereby reducing its cost to serve, it will also benefit from making its operating model markedly more scalable which should in turn lead to more of the marginal revenue per customer hitting their bottom line.

A cost to serve mentality can also support the deep cultural challenges to achieving sustainable cost positions.

The concept of a North Star is one that is often used within organizations at all levels to drive and align activities behind one clear goal. Whilst placing cost reduction as a North Star would definitely focus minds on stripping out costs from the organization, it equally gives no clear direction on the desired way to achieve that goal, which could therefore lead to disjointed approaches being adopted within an organization.

Replacing "cost reduction" with "reducing CIR" would give more direction on how to achieve an organisation's North Star, but as already referenced, that goal can be achieved by influencing income or cost in isolation, or by trying to solve for both at the same time. This could, therefore, lead to disjointed approaches being adopted, despite the purpose of a North Star being to align all parties involved.

Placing "Optimizing cost to serve for our customer strategy of '…' " as the organisation's North Star would give clear direction on the goal ("optimize cost to serve"), alongside the guardrails required ("for our customer strategy").

Embedding this approach throughout an organisation's decision making helps to ensure colleagues at all levels will, over time, begin to reflectively query whether the proposed spend will support the organisation's customer strategy (i.e. for the "no-frills", will this spend ultimately lead to a reduced cost to serve whilst maintaining a minimum expected customer experience?) or whether it could be best spent elsewhere, or even, not spent at all.

Embedding cultural changes requires a compelling vision alongside a direction of travel to make an impact with colleagues, and by focusing on cost to serve, rather than traditional high level cost reduction goals, an organization can address the direction of travel that could be missed from a goal that focuses on CIR optimization.

Bringing the strands together:

Cost is a key focus for the banking industry today, but banks are telling us that they are finding it hard to achieve sustainable cost reductions, in part caused by cultural challenges at the heart of their businesses.

Our view is that ensuring your customer strategy aligns to your cost strategy can allow you to maximize the value that can be created from your cost base, and that using a "cost to serve" metric can be an ideal vehicle to change the mentality, and therefore culture, around cost within the organization and help to unlock new opportunities for value optimization moving forwards.

James Dunne
Director
KPMG in Ireland
E: james.dunne@kpmg.ie

Ben Morley
Associate Director
KPMG in Ireland
E: ben.morley@kpmg.ie

Additional perspectives on AI, Challenger Banks and Innovation

AI opportunities in Finance

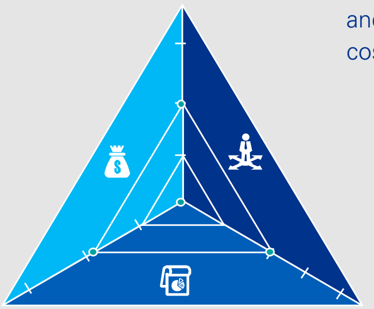
AI plays a crucial role in enhancing Value Protection and Value Creation activities in Finance. By leveraging AI technologies, companies can improve risk management, ensure regulatory compliance, enhance crisis management, maintain financial resilience, and protect intellectual property.

Simultaneously, AI can drive operational efficiency, foster innovation, support market expansion, enhance customer satisfaction, and inform strategic investments. The integration of AI into financial strategies allows organizations to achieve sustainable growth while safeguarding their assets.

AI Unlocking the Value Equation of Finance

Value for Money

Cost remains a key item on the CFO agenda, with digitisation and automation driving finance costs lower



Value Creation

Increasing demands on finance as a function to produce high quality outputs that can be used to drive decision making and optimize capital allocation

Value Protection

Strong control of finance processes allows businesses to meet their statutory and regulatory requirements, without being strenuous on the business

>90% automation of transaction processes

15x faster financial close & planning cycles

80% more accurate forecasts

98% confidence in finance statement audit compliance

10x more time spent on analytics, decision support and innovation

What are the opportunities for AI in Finance?

Utilization of AI can help organizations strike a balance between Value Protection and Value Creation by providing integrated solutions that address both aspects. For instance, AI powered contract analysis can quickly determine contract risks and any inefficiencies. Additionally, AI can facilitate intelligent forecasting by enhancing the accuracy, efficiency, and scope of predictive analytics.

Primary Categories in Finance

Defensive (Focused on Value Protection)

Intelligent Monitoring

Applied Anomaly Detection

Primary applications in Product Accounting, General Accounting, PE Close and Financial Reporting

- G/L analysis
- Data anomaly detection
- Expense fraud
- Vendor risk

Intelligent Processing

Language Modeling

Primary applications in Lead to Cash, Source to Pay, Risk & Compliance

- Revenue leakage
- Cost assurance
- Cognitive contract mgmt.
- Regulatory compliance

Progressive (Focused on Enterprise Value Creation)

Intelligent Forecasting

Predictive Modeling

Primary applications across Integrated Business Planning, Tax, and Treasury

- Sales, margin, expenses
- Channel / product growth
- Working capital
- Competitive pricing

Prescriptive Insights

Generative Creation

Highly valuable but more experimental, more custom, and less repeatable

- New product forecasting
- Investor comms analysis
- Capital Allocations
- Investment decisions

AI presents numerous opportunities in the finance sector, enhancing efficiency, accuracy, and decision-making across various functions. The various use cases here can be grouped into Defensive (Value-Protection) and Progressive (Value-Creation).

Defensive				Progressive	
FinOps (AP, AR)	**Internal Controls & Compliance**	**Procurement**	**Accounting & Reporting**	**Financial Planning & Analysis (FP&A)**	**Investor Relations**
Invoice matching and approval (AP)	Risk Profiling and Scoring recommendations and corrective actions	Supplier Selection	Anomaly detection	Extract and analyze market intelligence	Peer Group Market Analysis
Quote Generation & Purchase order management	Risk-based Sampling	Smart Contracts	Account Reconciliations	Intelligent Forecasting Analysis (e.g. summary,	Research and preparation for earnings call
Improve upstream data readiness w/ Process Mining	Recommendations and corrective actions	Inventory Optimization	Identification & processing of suspense account reclass JEs	Cash (liquidity) forecasting & analytics recommendations)	Summarization of 10-K/10-Q, Earnings Call summaries
Monthly business and operations reviews	Detect data anomalies & fraud	Procurement Help Desk	Automated PR Generation and Accruals calculation	Spend & variance analysis	
Customer behavior and sales performance data	Internal policy documentation	Supplier Risk Mitigation	Fixed asset cost segregation & classification	Create management presentations and commentary	
Customer & Supplier Onboarding Automation	Contract T&Cs compliance / optimization		Revenue recognition engine (linked to customer contracts)	Corporate knowledge search and chat	
Automation of accounts payable & accounts receivable	Continuous Controls Monitoring		Financial statement summarization & analysis	Customer behavior and sales performance data	
Cash Applications (AR)	Parsing and workpaper (documentation) generation		Earnings report generation (incl. MD&A)	Predictive guidance and Variance automation	
Generative contracts for procurement and payables	New Regulation Summary / Implications		Intercompany Predictive Guidance	Journal risk analyzer	

78% of executives selected Gen AI as the top emerging technology over the next 1-1.5 years. An Intelligent Close comprises of digital, analytical and Gen AI capabilities across 'Record to Report' to drive efficiency and innovation.

ICC Framework for identifying AI features across e2e use cases

Ingestion

The data ingestion layer is a critical component in data architecture, responsible for collecting, importing, and processing data from various sources into a data storage system, such as a data warehouse or data lake. This layer serves as the entry point for data, ensuring that it is efficiently and accurately captured for further analysis and processing.

Calculation

The data calculation engines are responsible for processing, analyzing, and transforming the ingested data into meaningful insights. This layer typically encompasses core Finance application and AI features facilitate data manipulation, querying, and analytics.

Consumption

The data consumption layer provides access to the processed data for end-users, applications, and business intelligence (BI) tools. This layer ensures that the insights derived from the data are effectively utilized for decision-making and operational processes.

- Plan to Perform
- Quote to Cash
- Project to Result
- Source to Pay
- Acquire to Retire
- Record to Report
- Treasury

Record to Report - Example Output

KPMG has built assets and accelerators for different use cases that can be leveraged and deployed to cloud and on-prem infrastructures

Suspense Reclassification

Reduce lines hitting suspense due to incorrect mapping by identifying recurring patterns and addressing using NLP and business rules.

Intelligent Flux Analysis

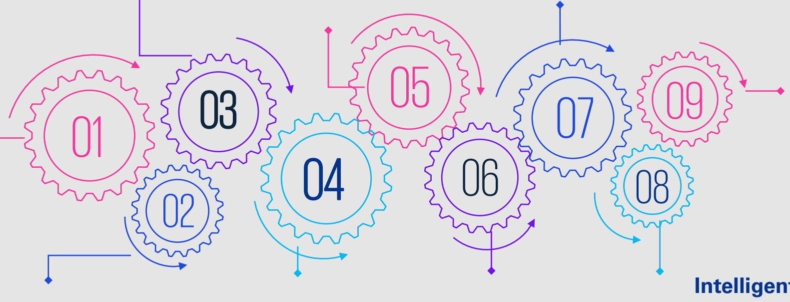
Intelligently monitor the full P&L (and Balance Sheet), identifying when accounts are shifting, enhancing review efficiency, and spotting outliers more quickly.

Allocations/Revaluations

Identify allocation rules and revaluation configurations that are causing errors each month, helping to eliminate rework and manual review of outputs.

Intelligent Reconciliation

Reconcile summary G/L entries and identify anomalies. Gather transaction data from disparate ERP systems and rapidly identify reconciliation errors.



Automatic Regulatory Reporting Extraction

Automate download, extraction, and summarization of key data points from peers' 10K and 10Q reports, minimizing need for manual lookup and summarization.

G/L Account Monitoring

Identify unusual account usage and non-standard debit/credit account combinations, flag misaligned transactions for further review to quickly pinpointing erroneous journal entries.

Ledger Mappings

Identify recurring missing mapping scenarios, using NLP to suggest mapping likelihood and detect errors, resulting in transaction alignment where they are supposed to in both primary and secondary ledgers.

Extended Workdays in the Close

Forecast portions of the close that will disproportionately affect specific workdays and prevent other teams waiting for upstream tasks to be completed.

Intelligent Consolidation

Run anomaly detection engine prior to intercompany elimination and preliminary consolidation, spot unusual account movement and non-expected ending balance in dimensions.

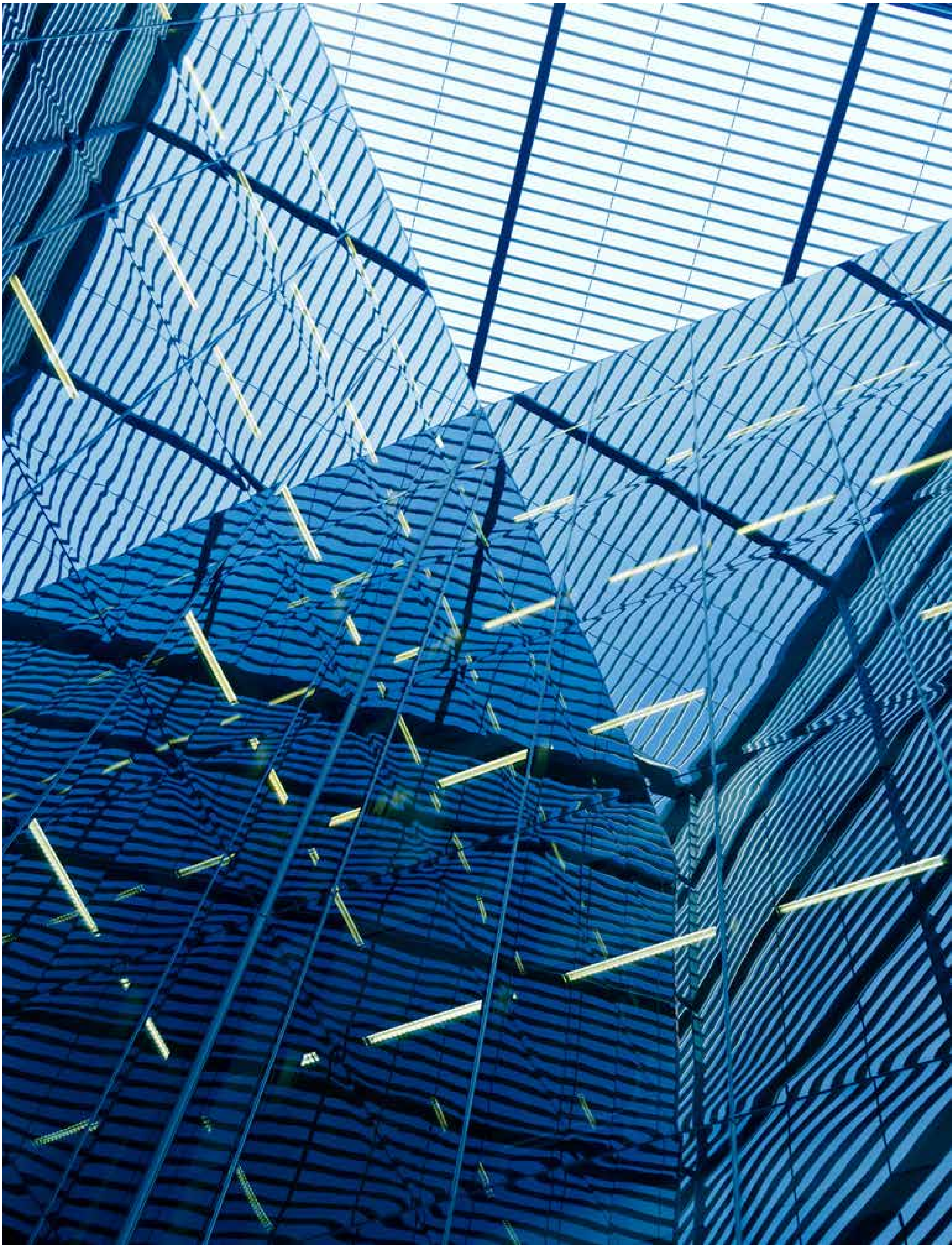
CFOs are uniquely positioned to lead AI adoption within organizations due to their expertise in data analysis, risk management, regulatory compliance, and strategic planning. By leveraging AI technologies, CFOs can enhance operational efficiency, improve financial forecasting, and drive value creation.

Why CFOs are positioned to be leaders of AI adoption

AI is a natural extension to the CFO's existing responsibilities related to business strategy, digital transformation, and risk management

CFO AI leadership opportunities	**Evaluate impact** on enterprise strategy, business model, operations and workforce	**Lead refresh of strategy and targets**, considering opportunities, risks, and tradeoffs	Lead **more agile**, effective allocation of enterprise investments	**Facilitate development of leading practices** for governance, alliances, and usage	Scale adoption within Finance to **protect and create enterprise value**
Questions CFOs must answer…	• How can we leverage our competitive advantage across the enterprise, particularly in the area of Finance?	• What is the overall impact on key aspects, such as revenue streams, productivity and capacity?	• What skills and capabilities do we need? How will we close any gaps? • What is the right interaction model across the C-Suite and functions?	• How should we mitigate key commercial, operational and financial risks? • How can we ensure responsible development and deployment in line with our values and ethics?	• How can we optimize return on investments, balancing the need for sustained value creation vs. immediate cost savings?

Gen AI adoption is a survival imperative, and CFOs are ideally positioned to be leaders of the charge

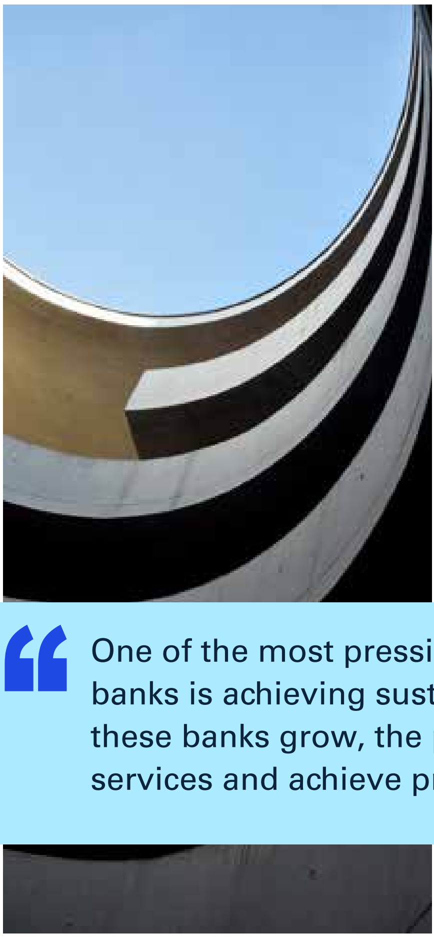


The rise of Challenger Banks in the United Kingdom: A disruption in the banking industry

In the heart of the UK's financial landscape, a quiet but powerful transformation is unfolding. A new generation of financial institutions, known as Challenger Banks, is reshaping the banking industry.

Luke Phillips
Assistant Manager
KPMG in the UK
E: luke.phillips@kpmg.co.uk

These digital-first players, born from the frustration and distrust following the 2008 financial crisis, have rapidly gained traction, drawing millions of customers away from traditional banks. For CFOs of established banks, understanding the dynamics behind this shift is critical, as the implications for the future of banking are profound.



> One of the most pressing challenges for challenger banks is achieving sustainable profitability. As these banks grow, the pressure to monetize their services and achieve profitability intensifies.

The Emergence of Challenger Banks: A Perfect Storm

The story of challenger banks begins in an era marked by economic uncertainty and a profound loss of faith in traditional financial institutions. The 2008 financial crisis exposed deep flaws in the banking system, leading to a wave of regulatory reforms aimed at increasing competition and protecting consumers. In this environment, a new type of bank emerged – lean, agile, and built on a foundation of cutting-edge technology.

Several factors converged to facilitate the rise of challenger banks:

1. Regulatory Reforms

Post-crisis, the UK government and regulatory bodies like the Financial Conduct Authority (FCA) sought to reduce barriers to entry in the banking sector. The introduction of measures such as the Open Banking regulation enabled licensed third-party providers to access customer data (with consent), effectively leveling the playing field for new entrants.

2. Technological Advancements

As mobile technology and online platforms became integral to daily life, consumer expectations shifted. People began to demand more from their banks—greater convenience, real-time services, and personalized experiences. Challenger banks, unburdened by legacy systems, leveraged modern technologies such as AI, blockchain, and big data analytics to meet these demands head-on.

3. Changing Consumer Preferences

A new generation of customers began seeking more agile and tech-driven banking solutions, favoring digital channels over traditional in-branch interactions. These customers, often digitally native, preferred to manage their finances on the go, using mobile-first or mobile-only banking platforms that provided instant access to services. The introduction of the Financial Services Compensation Scheme (FSCS) further reassured customers that their deposits were protected, giving them the confidence to trust new and unfamiliar banking brands.

A Tale of Two Markets: Why Challenger Banks Didn't Emerge Everywhere

While the conditions in 2008 fostered technical innovation and disruption in the UK banking space, leading to the emergence of challenger banks, the response was not universal. Various factors, from regulatory to socio-economic, influenced how other countries responded to the same event, leading them down very different paths. One such country is Canada, whose banking environment, rooted in tradition, has largely avoided disruption and innovation, perceived to carry significant risk. It's banking system, characterized by its stability and strict regulatory oversight, was largely insulated from the crisis compared to other countries.

Canada's conservative banking culture, dominated by a few large, well-capitalized banks, avoided the risky lending practices that led to widespread failures elsewhere.

The regulatory environment in Canada, which includes stringent capital requirements and a focus on maintaining systemic stability, discouraged the kind of market disruption seen in the UK.

In contrast to the UK's proactive regulatory changes aimed at fostering competition, such as the Open Banking initiative and the lowering of entry barriers for new banks, Canada maintained its highly regulated structure, making it challenging for new entrants to gain a foothold.

The Canadian public's trust in the safety and reliability of their traditional banks, combined with less regulatory encouragement for innovation, resulted in a market that was not as conducive to the rise of digital-first challenger banks.

Consequently, while the UK's banking landscape evolved rapidly with new players reshaping the market, Canada's remained relatively stable and resistant to similar disruptions. After providing an overview of the UK banking sector and its successful venture into a new, technology-driven industry, we will delve deeper into the reasons why the Canadian banking market has not adopted the same approach, and how this has shaped its current environment. We will also discuss the consequences that have led it to a crossroads for change.

Spotlight on Success: A Model Challenger Bank

Consider the story of a leading UK-based challenger bank – let's call it "NextGen Bank." Founded by a visionary leader with deep industry experience, NextGen Bank set out to create a financial institution that operated entirely on a mobile-only platform, free from the physical and operational constraints of traditional banking. This approach appealed directly to a demographic shift where new customers, particularly younger generations, preferred interacting with their banking providers exclusively through digital channels.

NextGen Bank's success can be attributed to several core strategies:

1. Relentless Focus on User Experience

From its inception, NextGen Bank prioritized creating a seamless, intuitive user experience. The bank's mobile app was designed to be more than just a tool for transactions; it was crafted as a comprehensive financial hub, offering features like real-time spending notifications, personalized budgeting tools, and effortless cross-border transactions. This user-centric design matched the preferences of a younger, tech-savvy audience that expected immediate, round-the-clock access to their financial data and services.

2. Cost Efficiency and Agility

Operating without the overheads associated with physical branches, NextGen Bank was able to keep costs low. This lean operational model not only allowed for competitive pricing but also enabled the bank to quickly innovate, introducing new features and services in response to customer feedback and market trends. This ability to rapidly adapt matched the changing demographics and needs of customers who sought a more responsive and flexible banking experience.

3. Building Trust Through Transparency

In an industry where trust is paramount, NextGen Bank distinguished itself by championing transparency. It adopted a no-hidden-fees policy and offered straightforward, easy-to-understand terms for all its products. This commitment to fairness, combined with high customer satisfaction, helped NextGen Bank build a strong reputation and rapidly expand its customer base.

The story of NextGen Bank illustrates the power of aligning business strategy with evolving consumer needs and market dynamics. The key takeaway is that customer-centric innovation, operational agility, and a commitment to transparency are not just buzzwords – they are the pillars of success in the modern banking landscape.

The Challenges on the Horizon: A Balanced Perspective

While the rise of challenger banks paints a picture of unbridled success, the journey has not been without its challenges. Despite their innovative approaches, these digital-only banks have encountered significant obstacles as they've scaled.

1. The Path to Profitability

One of the most pressing challenges for challenger banks is achieving sustainable profitability. Many have built their models on offering low-cost or free services to attract customers, leading to thin margins. As these banks grow, the pressure to monetize their services and achieve profitability intensifies. Some have struggled to transition from a focus on growth to a more balanced, profit-driven model.

2. Regulatory Complexities

As challenger banks expand and grow their balance sheets, they face new regulatory requirements that traditional banks have long been accustomed to managing. Scaling up often means adhering to more stringent capital requirements, enhanced reporting obligations, and increased scrutiny from regulators. These additional layers of compliance can be particularly burdensome for challenger banks, which may lack the robust risk and compliance frameworks of their larger, more established counterparts.

3. Intensifying Competition

The success of early challenger banks has inspired a wave of new entrants, leading to a crowded market. As customer acquisition costs rise and differentiation becomes more difficult, even the most innovative players face the challenge of standing out. The market saturation could lead to consolidation or drive some banks to pivot their strategies to focus on niche markets.

These challenges underscore that the rise of challenger banks, while impressive, is not without its hurdles. For traditional banks, these challenges highlight the importance of balancing innovation with prudent risk management and long-term sustainability.

Strategic Focus: Challenger Banks vs Traditional Banks

Focus Area	Challenger Banks	Traditional Banks
Technology Adoption	Invest heavily in cutting-edge technologies (AI, cloud, blockchain) to enhance customer experience and operational efficiency.	Modernize legacy systems to integrate new technologies while ensuring system stability and security.
Customer Experience	Prioritize seamless, mobile-first or mobile-only platforms with intuitive interfaces and personalized services.	Enhance digital offerings to match consumer expectations while maintaining branch presence for complex services.
Agility & Innovation	Rapidly iterate on products and services based on real-time feedback and market trends.	Streamline decision-making processes to enable faster innovation cycles, leveraging agile methodologies.
Cost Management	Maintain low operating costs through digital-only models and partnerships with FinTech's.	Optimize cost structures by reducing branch networks and automating back-office functions.
Regulatory Compliance	Scale compliance frameworks as balance sheets grow, proactively addressing new regulatory demands.	Strengthen compliance with evolving regulations, utilizing reg-tech solutions to manage complex reporting requirements.

A Call to Action for Traditional Banks: Adapt or Fall Behind

The ascent of challenger banks is more than a passing trend – it signals a fundamental shift in the banking industry. Traditional banks, with their deep-rooted legacy systems and established customer bases, may appear secure. However, the rise of digital-first competitors reveals a stark reality: the future belongs to those who can innovate, adapt, and meet the evolving needs of customers.

Challenger banks have demonstrated that consumers are willing to abandon long-standing relationships with traditional banks for better experiences, lower costs, and more innovative services. If established banks fail to respond, they risk losing not only market share but also relevance in a rapidly changing financial landscape.

For CFOs of both challenger and traditional banks, the mandate is clear: drive innovation, invest in digital capabilities, and reimagine how their institutions engage with customers.

CFOs can support this transformation by allocating resources strategically toward technology investments, streamlining operations to enhance agility, and fostering a culture of continuous improvement. Embracing data-driven decision-making and leveraging partnerships with FinTech's can also position banks to better navigate the evolving market.

The warning is clear: the time for complacency is over. Traditional banks must embrace digital transformation, invest in customer-centric technologies, and reimagine their business models to stay competitive. Those that do not adapt risk being left behind in a world where the pace of change is accelerating.

The future of banking is unfolding before our eyes. For CFOs and other leaders within both challenger and traditional banks, the challenge is not just to survive this wave of disruption but to thrive within it. The path forward is clear: innovate, adapt, and lead – or risk becoming a footnote in the history of banking.

> The warning is clear: the time for complacency is over. Traditional banks must embrace digital transformation, invest in customer-centric technologies, and re-imagine their business models to stay competitive.

Below are selected results from our Finance Benchmarking Survey, showcasing key metrics for all UK-based Challenger Banks and Building Societies in our database.

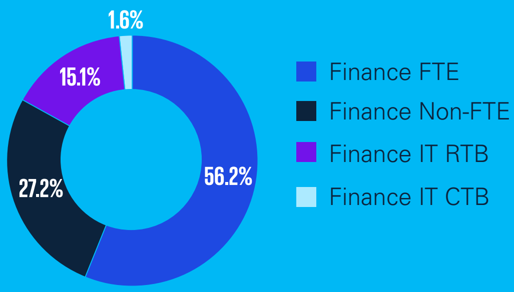
4.5%
Average total cost of finance

3.7%
Average direct cost of finance

16.6%
Average IT cost of finance as % of TcoF

30:50
Average Value Creation to Value Protection Ratio

Finance cost breakdown



67%
Of banks have implemented cloud infrastructure

143,875
Average cost per resource (US$)

Top finance landscape platforms

Workday
Sun Systems
SQL
Access Dimensions

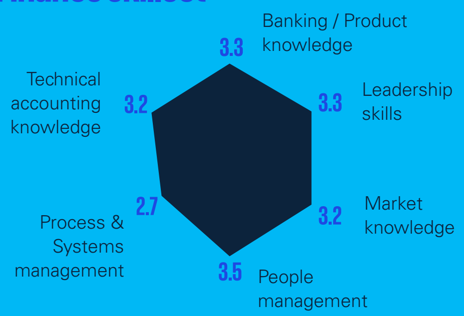
Future investment priorities

1. Insights & Decision Analytics

2. Data Model Integration

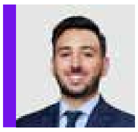
3. Finance talent for the future

Finance skillset



The innovation impasse: The Canadian struggle with Banking's status quo

The 2008 financial crisis shook the banking industry to its core. Once thought to be infallible, it saw too big to fail banks close their doors or get bailed out by government intervention.



Adriano Fania
Senior Consultant
KPMG in Canada
E: afania@kpmg.ca

Later named the Great Recession, it wreaked havoc on the U.S. and Global economy with far-reaching consequences still being felt today. In the U.S., CFOs were grappling with the repercussions of sweeping reforms introduced by the Dodd-Frank Wall Street Reform and Consumer Protection act. This legislation's primary goal was to deter the excessively risky behaviors that were central in bringing on the financial crisis from recurring. As illustrated above, the period of economic instability and regulatory reform in the U.K. created an environment that allowed agile, technology-driven banks, a.k.a. Challenger Banks, to emerge and adapt to the evolving landscape in ways that traditional banks struggled to achieve.

Canadian Banking – how did it succeed?

While American and European banks were on the brink of meltdown, things were cooler Up North. So, what happened in Canada exactly? Well, not much actually.

Although it is difficult to compare the Canadian and U.S. economies—since one is merely a fraction of the other in both size and global reach—they are inextricably linked as neighbors, and what happens in the U.S. is usually felt in Canada. Even though Canada felt the effects of the financial crisis in other ways, there were no bank failures or government bailouts, and the recession had been less severe than either that of the early 1980s or early 1990s.

> Consumers now demand convenience, and this has led to the rise of digital banking platforms that allow users to manage their finances from anywhere, at any time. These developments are disrupting the traditional banking model, paving the way for innovative banking solutions.

The differences in risk appetite and banking regulations can often be seen as primary reasons why Canadian banks weathered the storm much better than their U.S. counterparts. The Canadian banking system, which is under the strict supervision of a single overarching regulator, has prevented its banks from engaging in risky behaviors in the mortgage market and investment banking. Canadian banks are required to maintain lower debt-to-equity ratios than most of their international counterparts, which promotes higher security at the cost of lower profits. On a consumer level, mortgage applications are also stress-tested at higher interest rates to evaluate the risk of payment defaults before approval.

The financial sector of Canada is especially concentrated around the Big 5 banks, also known as Domestic Systemically Important Banks (D-SIBs). These banks have benefited from government policies that have protected them, and under this regime, grew at an extraordinary pace from 2008 to 2018 compared to the five largest U.S. banks. Their economic importance and almost inescapable presence in the Canadian market - as both large employers and symbols of security- have made it difficult for new entrants to acquire market share. These new entrants struggle with high financial and regulatory hurdles, as well as attracting and retaining new customers.

Comfort is comfortable

The conservative approach to banking policy that is deeply engrained in the Canadian banking framework - which emphasizes stability and security at the expense of maximizing profits - reflects Canadian consumer habits. The notion of paying a little more for security and quality has historically been seen as a good trade-off, especially after witnessing the consequences of the financial crisis in other parts of the world. This perspective is deeply rooted in national sentiment, with conservatism often seen as an intrinsic part of the Canadian identity. In a country as expansive and challenging as Canada, marked by long, harsh winters, the concept of protecting what we have is often as important as gaining what we do not. However, the sun might be setting on the reign of the Big 5, as change is brewing on the Canadian front, ushering in a new age of banking that could turn the traditional industry on its head. Led by a rapidly evolving technological landscape, shifting consumer preferences, government support and economic uncertainties – the CFOs of the Big 5 must seek ways to adapt or risk getting left behind.

Being almost two decades removed from the financial crisis, the economic landscape has drastically changed, and the reality of Canadians' daily lives are vastly different. In a time of high interest rates and rocketing inflation, every dollar counts for the average Canadian more than ever before. Therefore, the notion that was once considered an easy trade-off is being challenged by new generations of Canadians facing different realities than those of their parents.

Will they continue to be loyal to the traditional banks that have dominated the landscape for decades or look elsewhere towards challenger banks (also called neobanks) and online-only banks as a new way forward? Recent studies have shown that many Canadians, somewhere between 45%-60% of respondents, have used the same bank for over 10 years and that due to the economic uncertainty in the post COVID-19 era, are less open to the idea of switching banks than before the pandemic.

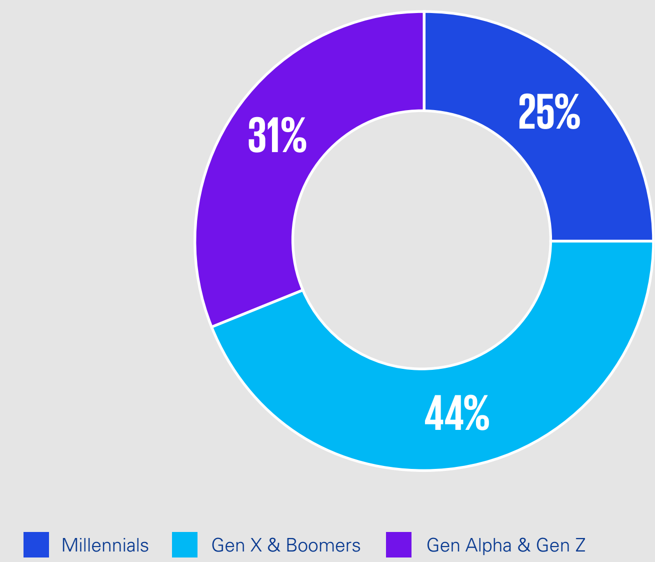
The Canadian banking industry changing, creating opportunities for new types of banks to emerge. Where the U.S. and UK markets have already gone, Canada is on its way. These changes have been driven by a shift in demographics towards a younger generation and new arrivals in Canada, who bring with them different banking needs and expectations. This demographic shift has coincided with advancements in technology, which have transformed the way banking services are delivered. Consumers now demand convenience, and this has led to the rise of digital banking platforms that allow users to manage their finances from anywhere, at any time. These developments are disrupting the traditional banking model, paving the way for innovative banking solutions that cater to the evolving needs of the Canadian population. Even the traditional incumbents are starting to adapt and introduce more technology into their product offerings. They are like ocean liners, slowly and surely approaching their destination, while the new fintech disruptors are like speedboats, quick and agile but with a higher tendency to crash!

Fintechs are here but who is asking?

Taking a closer look at the age distribution of Canada's population, it provides additional insight as to how ready the Canadian market might be to accept innovation and change in something as sensitive as banking. Based on Statistics Canada's 2023 population survey, just under 45% of the population are 50 years or older, otherwise known as Gen X and Boomers. This segment of the population, holding the vast majority of the country's wealth, is either retired or nearing retirement age and have a very low appetite for risk, especially when it comes to their retirement and savings. Not known for being overly tech savvy, the Baby Boomers generally favor in-person interactions over digital self-serve alternatives offered by new age digital banking. Therefore, the traditional banks still hold their business and should not be the target audience that fintechs are pursuing.

Next are the Millennials, a generation facing a unique set of economic and social challenges that previous generations did not. The burden of the Great Recession's aftermath is being felt by Millennials, with its consequences having crystallized in the form of a tough job market, stagnant wages, increasing inflation, high interest rates, fewer assets, and less wealth accumulated compared to the Baby Boomers at the same age. In addition, Millennials are burdened with unprecedented levels of student debt. The cost of higher education has skyrocketed in recent decades, and many Millennials are forced to take large student loans to pay for their education. Socially, traditional milestones such as marriage and home ownership are often being delayed due to unattainable prices.

Who's ready to accept change?



The Millennials are either coming into or currently in their highest earning years and should be the target demographic for fintechs for several reasons. Firstly, as digital natives they are the first generation to grow up with the internet and digital technology as a part of their everyday lives. They are comfortable using technology, are often early adopters of new tech and largely have the disposable income to afford it.

Secondly, Millennials value the convenience and efficiency provided by fintechs, which offer services that are typically more accessible, faster, and user-friendly than traditional financial services. This aligns with the millennial preference for services that can be accessed easily and at any time.

Thirdly, Millennials are more open to change, and innovation compared to older generations. They are more willing to try out new services and products, including those offered by fintechs.

Lastly, the economic constraints faced by Millennials have also made them more receptive to fintechs due to their lower cost model. Many fintechs offer services that are more affordable than traditional financial services, which is appealing to Millennials who are often dealing with stagnant wages and high levels of debt.

Lack of Innovation? Actually, no.

So, Canada has an important chunk of its population seemingly ready for a disruption to the status quo…so now what? Canada's banking, although known for being strong and secure, is also known for being slow to innovate. The lack of competition in the financial-services sector has not given the Big 5 much incentive to innovate, as their reign has gone uncontested for so long. Research shows that Canada is ranked in the top 5 countries for smartphone penetration, internet usage and higher education yet ranks among the bottom five developed countries for the adoption of digital banking, digital B2B services, and fintech solutions.

The slow rate of adoption however may see a change in the coming years, as Canada is fast becoming a major hub for artificial intelligence research. Since 2016, many of the world's leading tech companies have chosen the city of Montreal in the province of Québec, Canada as a location for their AI research centers.

What has made Montréal such an attractive location is that it boasts a strong educational system, producing a high percentage of STEM graduates and researchers. The city's AI academic community, considered to be the world's largest, is bolstered by over 250 researchers and doctoral students from local Universities and Research Institutions, specializing in automatic speech recognition, computer vision, natural language processing, and reinforcement learning.

The provincial and federal governments have also identified the transformative opportunities provided by AI technology and its potential for economic development and productivity enhancements and have decided to further support this sector through policy changes and financing.

The Quebec provincial government is supporting the sector with substantial tax incentives for R&D, job and training costs and personal income exemption for foreign researchers and experts, while the Federal Government of Canada has announced a provision of $2 billion over the next five years. This funding will be allocated to researchers and companies to help them have the necessary tools to maintain competitiveness.

With regards to policy changes, the Canadian Federal government has recently voted on a bill that would take a meaningful step-forward in establishing what it calls a "consumer-driven banking framework", also known as open banking. It's being hailed as a new way of banking that would give consumers and businesses more control over their personal financial data and how they share it. It will help boost savings, increase access to credit and lower interest rates. Another major advantage, is the ability to streamline and simplify the user experience - who doesn't like simple? When open banking is adopted, a user with multiple bank accounts could have the ability to access all their financial information in one place through a mobile app, which would use an interface technology to allow two systems to communicate, which is the same mechanism that allows a user to register or log in to a website using a Google, Facebook or Apple account.

While Canada is still in the early stages of introducing the framework, open banking policies already exist in 49 countries including the U.S., U.K., India, Singapore and Australia and the momentum for open banking is growing elsewhere. In the U.K., research shows that payments under the system were up 88% from the year before and it 17% of small businesses currently using the system.

As more companies start to enter the space and provide more solutions, the more it will catch on and move from a fringe topic to the mainstream. Canada is new to the game, but the stage is set for quick adoption due to the many factors highlighted in the earlier sections. The incumbent banks still have a lot of power, and they may try hindering the adoption using their influence but advancing technology doesn't wait for anyone. So, innovation is brewing in Canada! The talent is here, and its home grown, the sector is being supported by Government initiatives and private sector VC funding and all we're missing is a nudge in the right direction for the right company to present itself!

Where has Innovation taken us so far

Canada is a vast country, the challenges faced by its inhabitants living in a large metropolitan city will be very different than if they live on a sweeping flatland in the Prairies or those in a remote northern village. Canadian fintechs can research, learn, and gain insights from the common financial issues faced by Canadians while crafting products tailored to the unique economic landscape. This approach not only encourages the development of valuable fintech products that directly address the specific needs and challenges encountered by Canadians, but it also helps prevent fintech founders from having to construct narratives for their investors and the market that are not applicable or feasible in Canada, as is often witnessed today.

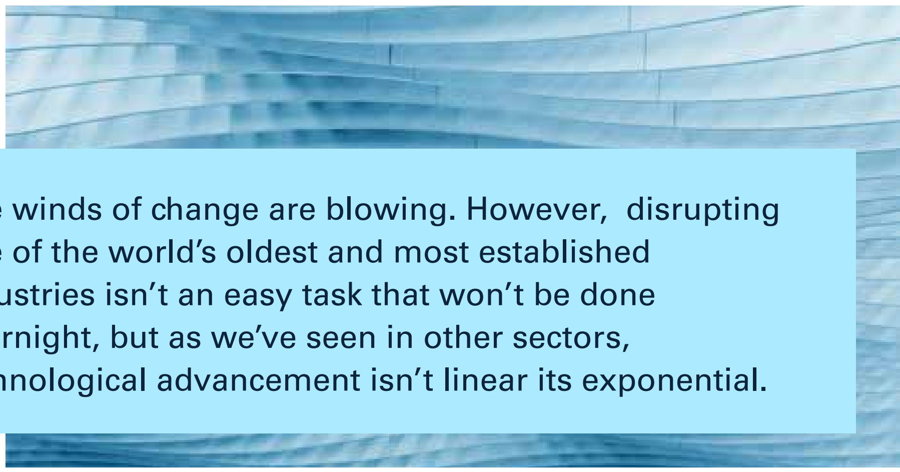
Here are a few Spotlights of Canadian financial services fintech companies disrupting the status quo!

Spotlight – Fintech 1

A fintech company based in Calgary, Alberta, Canada has created a digital community wallet platform. This platform is designed to assist non-prime customers, individuals who do not have easy access to traditional banking services. Their target audience are primarily new immigrants to Canada who do not have a credit history that carries over from their home country. This lack of credit history restricts their access to quality banking products. The platform is built on a group rotating savings model. In this model, a group of individuals agree to contribute a fixed amount of money to a common fund regularly. The total amount collected in each period is then given to one member of the group. This process rotates among all members of the group until each one has received their share. This system aims to help build credit slowly for these individuals. The reason this company has become successful is because they identified a specific need that new Canadian immigrants were dealing with and developed a solution to address the lack of access to traditional banking services.

Spotlight – Fintech 2

A fintech company based in Toronto, Ontario, Canada is an online-only financial institution. It aims to innovate traditional banking with high interest and GIC rates, and an almost entirely feeless structure, making it a viable option for everyday banking essentials. The advantages include no monthly fees, free e-transfers for both sending and receiving, and no non-sufficient funds (NSF) fees. While this challenger bank does not offer a chequing account, their non-registered savings accounts allow for free unlimited transactions, providing account holders with the flexibility of a chequing account, which is their core offering. This bank's status as a Canadian challenger bank is reflected in their approach to transform traditional banking practices and appeals to consumer's looking to switch to a cheaper, more agile banking solution. Similarly to the company above, this fintech identified the shift in consumer appetite and filled the market gap for a cheaper banking option, which appealed greatly to Millennials looking for ways to save money on fees and have a convenient banking option at their fingertips.



> "The winds of change are blowing. However, disrupting one of the world's oldest and most established industries isn't an easy task that won't be done overnight, but as we've seen in other sectors, technological advancement isn't linear its exponential.

Spotlight – Alternative banking

First Brie, then GIC

There also exists a space in the Canadian banking market that lives in between traditional banking and digital online or mobile banking disruptors, which are financial service arms of large grocery chains. Big box grocery chains are very well-positioned to establish financial service divisions due to a combination of factors: they have a large and diverse customer base, they have a well-established brand recognition and the trust with their customers, they already have the necessary infrastructure in place, and they are perfectly positioned to effectively leverage cross-selling opportunities by packaging additional loyalty rewards and opportunities to their financial services. Furthermore, technological advancements have lowered the barriers to entry for non-traditional players in the financial services sector. In Canada, this big box chain offers its customers a digital online banking experience with a chequing account that requires no monthly fees, no minimum balance, free interac e-transfers and rewards the customer with a points program that can then be used against future purchases. What makes this company a hybrid model is that they even have a physical location reserved for their financial services near the exit in every location for customers who prefer doing their banking at the ATM or an agent.

What makes this approach a success is that it appeals heavily to certain core tenets that drive Millennials spending habits, namely that they create a sense of convenience and efficiency, are low in cost, reinforce brand loyalty by giving back in the form of rewards and incentives. A big factor in their success is that they have positioned financial services program around an item that usually takes up an important part of every family's monthly budget – food and other home necessities. These are expenses that need to happen anyways, but getting the feeling that you're getting something back in the process creates a positive feeling and will increase the chances of a customer returning.

This model is not only specific to Canada, two large grocery chains in the UK had taken similar approaches to great success and the divisions were eventually sold to traditional banking institutions.

What now?

The 2008 financial crisis has led to two distinct environments in the Canadian and U.K. banking markets. While the U.K. has seen an increase in challenger banks offering consumers more varied options driven by innovation and agility, Canada has maintained the status quo. Canadians find themselves at a pivotal crossroads where they are increasingly weighing the reliability of established banking institutions against the enticing prospects offered by technology-driven alternatives. This shift is propelled by tech-savvy Gen-Z and Millennials, who prioritize convenience and streamlined living.

The emergence of online banks poses a significant challenge to incumbent banks, as they offer cheaper and more convenient services. The previously accepted trade-off of security for high fees, once seen as a good deal, is increasingly being scrutinized by Canadians, driven by evolving economic conditions and shifting consumer expectations. This is particularly evident when Canadians compare their banking options to the more secure and competitively priced alternatives available in the U.S. and U.K. markets.

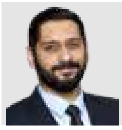
The government is beginning to recognize the benefits of technological advancements in the industry. By fostering competition and diversifying options, they are supporting this evolution with financial backing and policy changes.

Disrupting one of the world's oldest and most established industries isn't an easy task and won't happen overnight. However, as we've seen in other sectors, technological advancement isn't linear, its exponential. Within the next 5-10 years, new companies will emerge, and the banking landscape in Canada will transform dramatically. The message for big banks is clear: the winds of change are blowing. As CFOs, it is crucial to recognize these dynamics and adapt to the technical revolution. The impact of these changes will influence strategic positioning and operational frameworks moving forward, or else risk losing market share to agile, tech-driven banks.

BSBI Team and Contributors

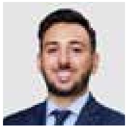
BSBI Central Team

Aris Kossoras
Partner
KPMG in Canada
Global BSBI Lead and Program Sponsor
E: ariskossoras@kpmg.ca



Irtaza Nawazish
Manager
KPMG in Canada
BSBI Project Manager
E: inawazish@kpmg.ca

Amit Kiran
Director
KPMG in Canada
BSBI COO
E: amitkiran@kpmg.ca



Adriano Fania
Senior Consultant
KPMG in Canada
BSBI Project Manager
E: afania@kpmg.ca

Kishore Kunal
Director
KPMG Global Services, India
BSBI Insights Manager
E: kishore@kpmg.com

Kushaagra Jitendra Ahuja
Consultant
KPMG Global Services, India
BSBI Insights Analyst
E: kushaagrajitendra.ahuja@kpmg.co.uk

Nelly Ford
Senior Manager
KPMG in the UK
BSBI Program Lead
E: nelly.ford@kpmg.co.uk

Avishikta Roy Chowdhury
Consultant
KPMG Global Services, India
BSBI Insights Analyst
E: avishiktaroy.chowdhury@kpmg.co.uk

Internal contributors:

Daniel Resnick
Partner
KPMG in Canada
DA - Ops M&A
E: dresnick@kpmg.ca

Minochehr Vania
Partner
KPMG in the UK
CS&P EPM
E: minochehr.vania@kpmg.co.uk

Caleb Larrier
Manager
KPMG in Canada
Finance Transformation
E: clarrier@kpmg.ca

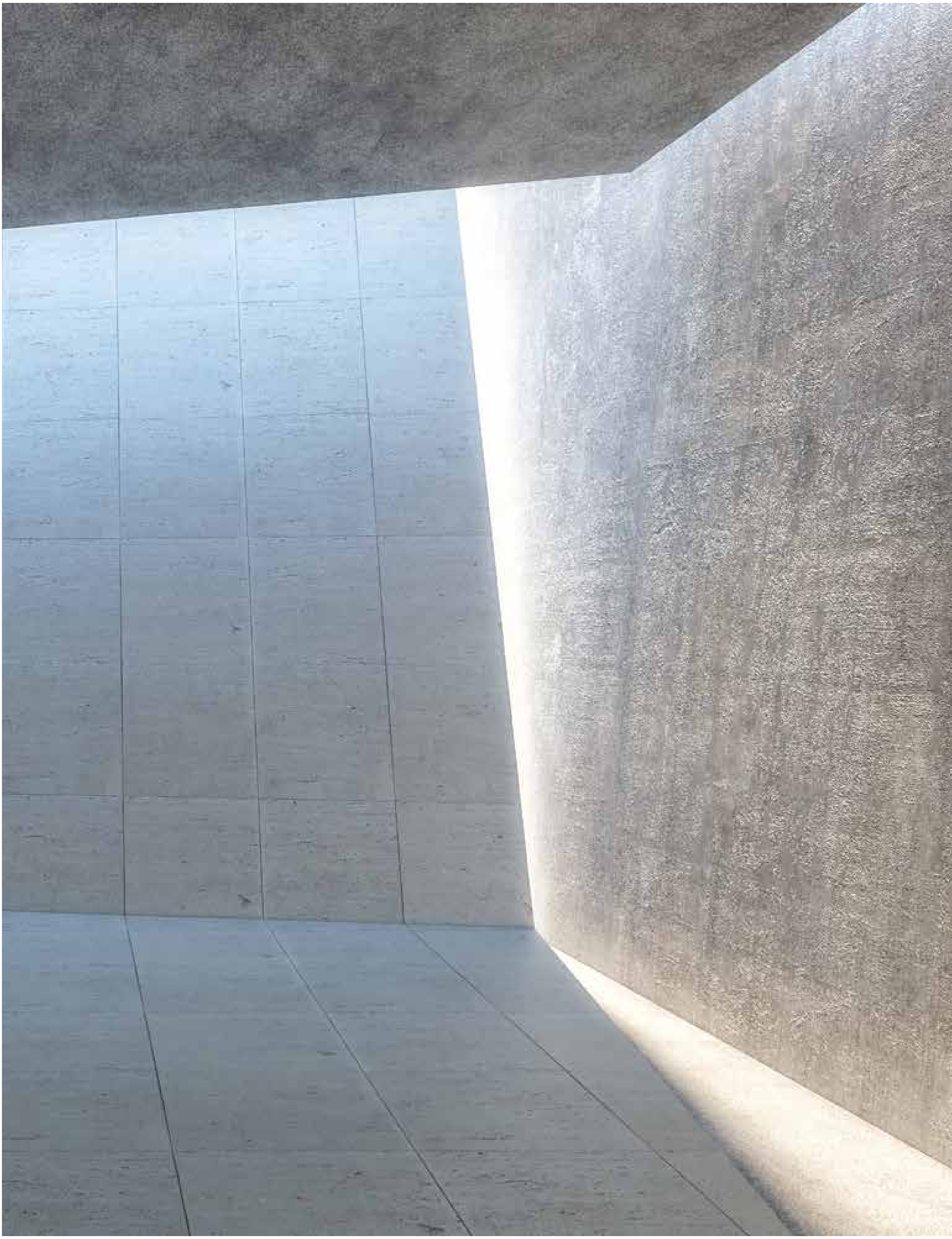
Katharina Dort
Assistant Manager
KPMG in Germany
Risk & Treasury
E: kdort@kpmg.com

Manon Glockmann
Assistant Manager
KPMG in Germany
Risk & Treasury
E: mglockmann@kpmg.com

Vincent Fischer
Assistant Manager
KPMG in Germany
Risk & Treasury
E: vfischer1@kpmg.com

Marius Imhoff
Senior Consultant
KPMG in Germany
Risk & Treasury
E: mimhoff@kpmg.com

Sarah Zarges
Consultant
KPMG in Germany
Risk & Treasury
E: szarges@kpmg.com



KPMG global network BSBI contacts

KPMG in Canada

Aris Kossoras
T: +1 416 943 7882
E: ariskossoras@kpmg.ca

Geoff Rush
T: +1 416 454 8324
E: geoffrush@kpmg.ca

KPMG in the UK

Peter Rothwell
T: +44 7826 531190
E: peter.rothwell@kpmg.co.uk

Peter Luscombe
T: +44 7979 524810
E: peter.luscombe@kpmg.co.uk

KPMG in the US

Robert Fisher
T: +1 804 782 4226
E: rpfisher@kpmg.com

Ben Roberts
T: +1 305 358 2300
E: broberts@kpmg.com

KPMG in Spain

Francisco Uria Fernandez
T: +346 797 98839
E: furia@kpmg.es

KPMG in APAC

Chris Foster
T: +61 2 9455 9016
E: cfoster@kpmg.com.au

KPMG in Greece

Dionysis Diamantopoulos
T: +30 21 0606 2223
E: ddiamantopoulos@kpmg.gr

KPMG in Switzerland

Kevin de Verteuil
T: +41 7917 503 30
E: kevindeverteuil@kpmg.com

KPMG in France

Alexandra Vezmar
T: +33 6198 05799
E: avezmar@kpmg.fr

Vassiliki Papaevangelou
T: +33 6189 55038
E: vpapaevangelou@kpmg.fr

KPMG in Germany

Matthias Mayer
T: +49 89 9282 1433
E: MatthiasMayer@kpmg.com

Arvind Sarin
T: +49 69 9587 2968
E: arvindsarin@kpmg.com

KPMG in Ireland

Owen Lewis
T: +353 870 504760
E: owen.lewis@kpmg.ie

James Dunne
T: +353 170 004390
E: james.dunne@kpmg.ie

KPMG Nordics

Karin Sancho
T: +46 70 3189767
E: karin.sancho@kpmg.se

Pasi Koivunen
T: +358 40 556 3418
E: pasi.koivunen@kpmg.fi

KPMG in Cyprus

Gerasimos Ntouskas
T: +357 222 09041
E: gerasimos.ntouskas@kpmg.com.cy

KPMG in Portugal

Carlos E. Santos
T: +351 913592411
E: carlosesantos@kpmg.com

KPMG in the Netherlands

Camiel van Steekelenburg
T: +316 536 45596
E: vansteekelenburg.camiel@kpmg.nl

KPMG in Japan

Yasuhiro Kawai
T: +81 8021 080284
E: yasuhiro.kawai@jp.kpmg.com

Yuta Tanaka
T: +81 8021 082975
E: yuta.tanaka@jp.kpmg.com

KPMG in Singapore

Juvanus Tjandra
T: +65 9183 6752
E: juvanustjandra@kpmg.com.sg

KPMG in Thailand

Christopher Saunders
T: +66 84 439 3059
E: csaunders2@kpmg.co.th

KPMG in Indonesia

Irwan Djaja
T: +62 21574 0877
E: irwan.djaja@kpmg.co.id

KPMG in the Philippines

Imelda Corros
T: +63 91 7536 4177
E: icorros@kpmg.com

KPMG in Malaysia

Siewmei Chan
T: +60 12 376 5511
E: siewmeichan@kpmg.com.my

KPMG in U.A.E

Abbas Basrai
T: +971 4403 0484
E: abasrai1@kpmg.com

kpmg.com

Designed by **CREATE** | CRT157657 | November 2024