

Banking transformation: The new agenda

How leading banks are driving successful
operational and cost transformation



About the Authors



Owen Lewis

Global Lead for Banking Cost Transformation
KPMG International, Partner
KPMG in Ireland

Owen leads Cost Optimization in Financial Services globally. Owen has over 25 years of consulting experience, 10 of which were in global roles at Toyota and the remainder leading transformation programs across Financial Services. This has ranged from enterprise-wide transformation, cost optimization in functions such as Operations, Technology, Risk, Finance and Customer Facing channels, and helping clients deliver value across products and services in a more efficient and effective way.

Owen holds a Ph.D. in the application of Deep Learning capabilities to Financial Services and regularly advises and supports FS clients use AI and Gen AI in their businesses to drive efficiency, effectiveness and better customer outcomes.



Nadia Orawski

Head of Financial Services Strategy
KPMG in the US

Nadia leads the KPMG Financial Services Strategy practice in the US. In this role, she is responsible for overall client service, go-to-market efforts, people and innovation across the Financial Services Strategy practice. Nadia has over 20 years of experience and has spent her career focused on helping her clients and teams deliver significant value from M&A and Transformation in buy-side, sell-side, and organic growth environments.

A leader in M&A and transformation, Nadia has been responsible for delivering large-scale, global, and complex projects in M&A environments, assessing organizations, and developing and implementing M&A and value creation strategies across business functions in Banking, Capital Markets, Fintech, Payments, Insurance and Private Equity.



Ben Kilpatrick

Partner, Financial Services Consulting
KPMG Australia

Ben is a Partner in KPMG Australia's Financial Services Consulting Practice. Ben specializes in the design and delivery of large-scale programs focused on delivering improved customer and efficiency outcomes for his clients. As an experienced delivery practitioner, Ben has led a number of enterprise-wide and functional-focused cost transformation programs in the banking and capital markets sector - including: global workforce strategies and use of onshore/offshore delivery models; digital-first operational transformations in retail banking; and discrete functional programs including channel strategy and execution, customer service delivery and complaints management.



Sara Forbes

Partner, Advisory
Transformation Services
KPMG in the UK

Sara is a Partner in the Transformation Services team with deep experience in Financial Services in-house at Northern Rock and RBS as a consultant. Sara has significant experience in leading large scale global transformation programs. She has great energy and leads her teams with passion and enthusiasm. She is skilled in business advisory, operational excellence and strategy development.



Jörg Fehrenbacher

Partner,
Financial Services
KPMG in Germany

Jörg Fehrenbacher is responsible for "Process Excellence" at Financial Services. The graduate economist and business economist has extensive knowledge of all issues in the process optimization environment. This covers both the entire value-added and support processes of financial services companies. In his more than 17 years at KPMG, he has also specialized in E2E optimization, process management, robotics, ICS and sFO. In addition, Jörg Fehrenbacher has broad experience in setting up governance structures for a wide range of financial service providers.

Contents

04

Foreword

06

Growth amidst
uncertainty

12

Prioritizing productivity
and profitability

17

Overcoming the barriers

22

Building on success

28

Five key takeaways

29

How KPMG can help

30

Methodology

Foreword

Operational and cost transformation is at the top of the banking agenda as they navigate a complex landscape of economic pressure, rising competition, and rapidly evolving customer expectations. With tighter margins and increasing regulatory demands, banks are turning to digital technologies, automation and AI to streamline operations, reduce costs, and enhance service delivery. Yet many banks struggle to deliver on their transformation objectives. This report explains why and — more importantly — how leading banks are achieving success.

Based on a survey of more than 228 banking leaders globally, this report combines data, experience and insights to provide bank leaders and decision-makers with a clear and value-driven view of success. Leveraging the experience of KPMG's global network of banking and transformation professionals, the report is intended

to help bank CEOs, CFOs, CTOs and transformation leaders by providing a clear and practical guide to delivering sustainable operational and cost transformation.

On behalf of KPMG's global organization of banking professionals, I encourage you to contact your local member firm to learn more about the findings of this report or to discuss your own unique transformation challenges. Transformation never stops and neither does KPMG. Contact us today to learn how we can help.



Owen Lewis

Global Lead for Banking Cost Transformation
KPMG International Partner
KPMG in Ireland

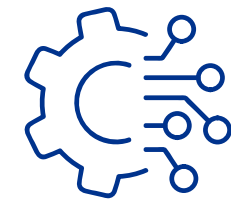
Based on a survey of more than

228 banking

leaders globally, this report combines data, experience and insights to provide bank leaders and decision-makers with a clear and value-driven view of success.

Banking transformation: At a glance

Three big transformations at the top of the banking agenda



Embedding AI into new ways of working

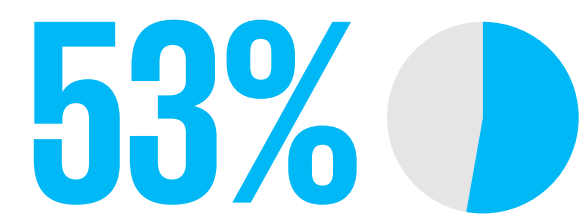


Addressing cyber security and fraud

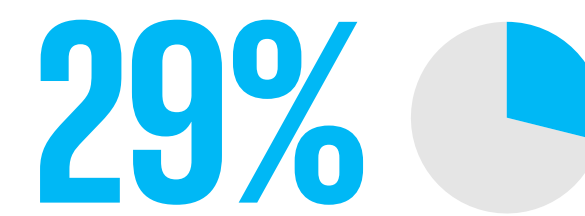


Improving data and analytics capabilities

Anticipated cost savings are significant

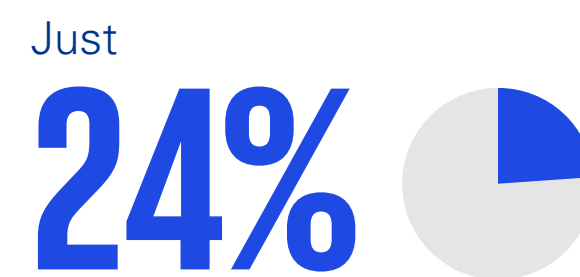


expect to **cut costs by 10% by 2030**

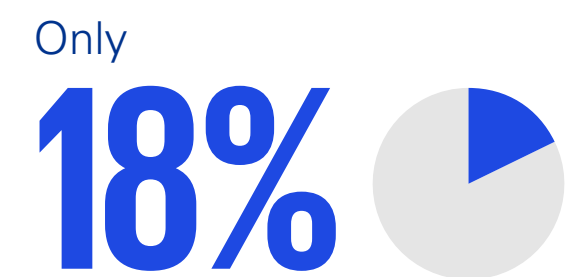


want to **cut costs by more than 20% by 2030**

Yet successful transformation has been a challenge



have been highly successful in achieving cost reduction goals



have been highly successful in achieving transformation goals

Not all banking leaders think they are ready



think they are well positioned to implement change management or lead transformation initiatives



think they are well positioned to adapt to changing market dynamics

What are the most successful banks doing differently?



They have clearly defined cost objectives



Their cost and transformation objectives are 'fully aligned'



They have a centralized approach and have cross-function transformation working groups



They have allocated substantial budgets



They have made leadership accountable

Source: Beyond boundaries: banking transformation, KPMG International, 2025

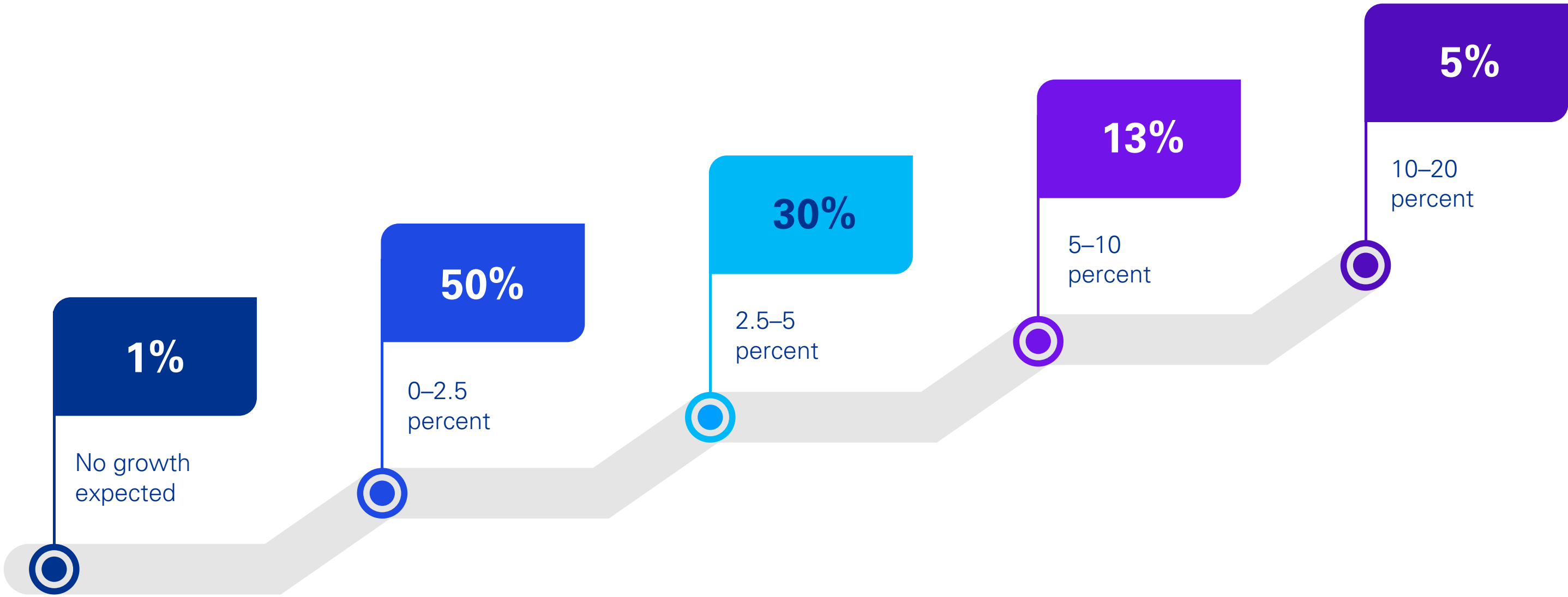
Growth amidst uncertainty

Bank executives have big growth ambitions for their organizations. According to a recent global survey of bank CEOs conducted by KPMG International, nearly half of all banks believe they can grow their earnings by more than 2.5 percent over the next three years. Around one-in-five say they expect growth of more than 5 percent.¹

While this suggests that bank leaders are feeling bullish about their growth prospects, the reality is that achieving growth in the current macroeconomic and competitive environment will not be easy. Shifting interest rates and changes in the broader financial conditions are changing the real cost of capital for banks. Threats of tariff wars and trade disruption are weighing on consumer and business confidence. Heightened customer expectations are adding pressure. Regulation and risk remain high on the agenda.

“In today’s complex market, banks understand the need to evolve their operating models and systems to be more scalable, efficient, and agile.” notes Yann Camenen a Partner in the CIO Advisory practice with KPMG in France. “It’s about being able to move quickly — whether that’s integrating new assets, adopting emerging technologies, responding to regulatory shifts, or launching new products. Many are recognizing that their current models need to adapt to keep pace.”

Organization’s earnings outlook in the next three years



Source: KPMG 2024 Banking CEO outlook

¹ KPMG 2024 Banking CEO Outlook, KPMG International, 2024

Time for transformation

In a new global survey conducted on behalf of KPMG International, bank leaders shared the areas they believe will be of the greatest strategic importance over the next two years. Perhaps not surprisingly, the top priority for banks is to embed AI into new ways of working. Third highest on the agenda is to improve data and analytics capabilities. Both priorities indicate a focus on creating organizational efficiency and reducing costs.

At the same time, they have also prioritized risk reduction — bank leaders say that addressing cyber security and fraud, and responding to economic shifts are among the top 5 strategic priorities. The desire to enhance the customer experience also ranks highly for bank leaders.

According to KPMG International’s recent Customer Experience Excellence (CEE) report, customer dissatisfaction with banking experiences remains a concern. However, the latest data reveals a more nuanced picture: while the cost to serve (CTS) rose by 5 percent from 2023 to 2024, CEE also improved by 3 percent during the same period. This widening of the CTS — CEE ‘gap’ suggests that although banks are incurring higher service costs, and the return on investment on these uplifts are sub-optimal, they are beginning to see modest gains in customer service.

Several factors may explain this improvement. Across industries, organizations have responded to earlier backlash against cost-driven digital transformations by refocusing on customer-centric enhancements. Specifically within banking, institutions are increasingly leveraging AI — particularly in areas like customer vulnerability detection — to proactively identify and support at-risk customers, contributing to a more empathetic and effective service experience.

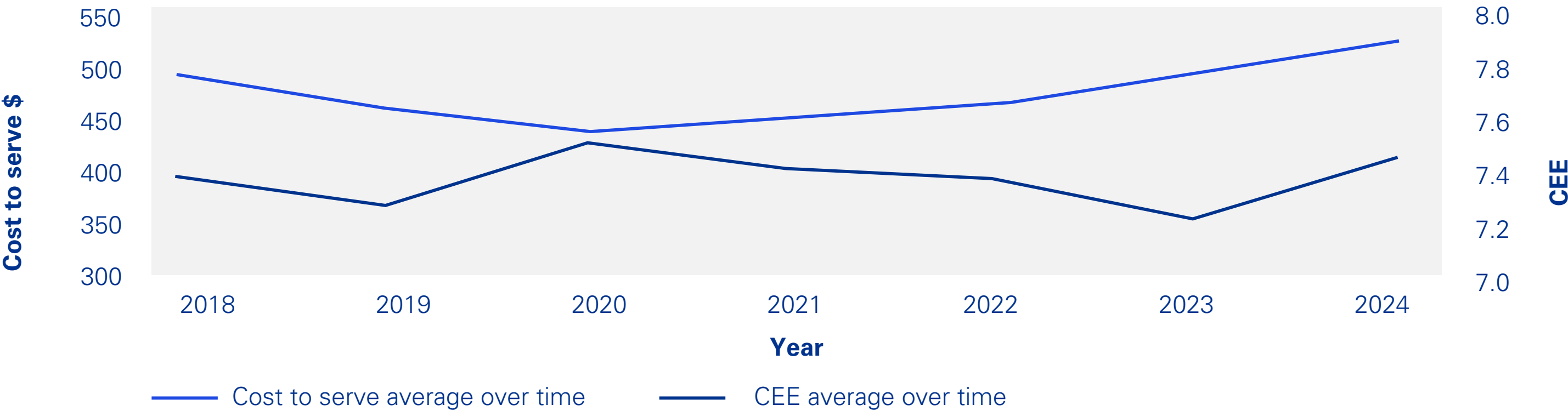
After years of branch rationalization as a core tenant to banks productivity efforts, retail and business banks are re-evaluating the critical role these locations and hubs play in meeting the needs of their clients. While the role they play — and the services they offer — might be evolving as digital channels become more predominate, access to human service still remains important to many “customers”.

Areas of strategic importance



Source: Beyond boundaries: banking transformation, KPMG International, 2025

Cost to serve vs. customer satisfaction



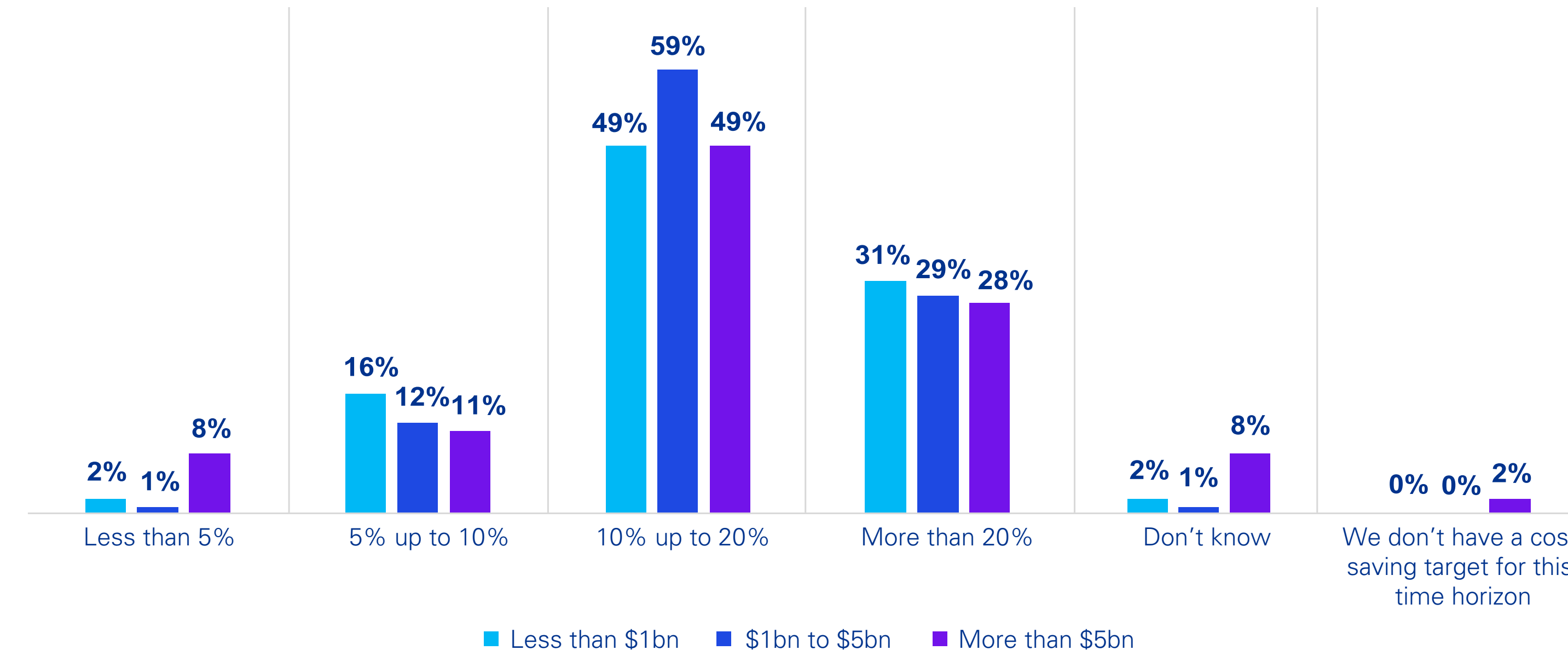
Source: KPMG analysis, KPMG International, May 2025

Cost on the agenda

KPMG’s survey suggests banking leaders expect their operational transformation initiatives to deliver significant cost benefits. Indeed, 82 percent of respondents say they plan to reduce their cost base by more than 10 percent by 2030 (those with revenues of less than US\$1 billion). Nearly 30 percent say they expect cost reductions of more than 20 percent over the same period. Interestingly, mid-sized banks (those with revenues of between US\$1 billion and US\$5 billion) report the most aggressive cost reduction targets with 88 percent aiming to cut costs by 10 percent or more by 2030, versus 77 percent of large banks and 80 percent of small entities.

Target cost saving as a percent of current cost base — by banks size

Target for 2030



Source: Beyond boundaries: banking transformation, KPMG International, 2025



Reading between the lines, banks executives are pushing hard to drive cost reduction outcomes through variations of top-down and bottom-up approaches. The challenge remains execution and making the gains sustainable by changing the underlying nature and form of the work.”

Owen Lewis

Global Lead for Banking Cost Transformation
KPMG International Partner
KPMG in Ireland

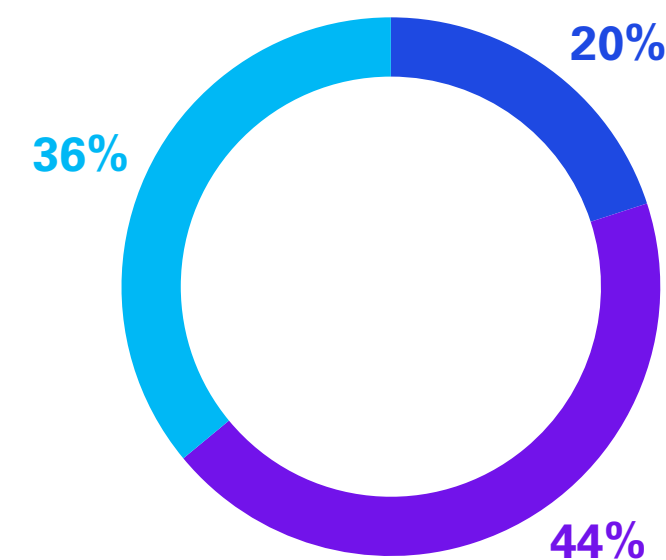
“Most banks could probably achieve a 10 percent reduction in costs through blunt ‘cost out’ targets or by applying AI to discrete processes,” notes Owen Lewis. “Cutting costs by 20 or 30 percent, however, will require banks to undertake some fairly significant operational transformation initiatives to make the business more efficient, effective and productive. You can’t achieve that through headcount reductions alone.”

Bank leaders recognize they will need to move quickly and confidently if they hope to achieve their transformation and cost objectives. In our survey, 80 percent of respondents say they plan to accelerate their existing cost reduction initiatives over the next two years. At the same time, 78 percent say they have plans to refocus their cost reduction initiatives, suggesting they currently may not be achieving the anticipated results. Mid-sized firms and those in the Americas are the most likely to say they plan to accelerate their cost initiatives; smaller firms and those in APAC are the most likely to say they are refocusing their efforts.

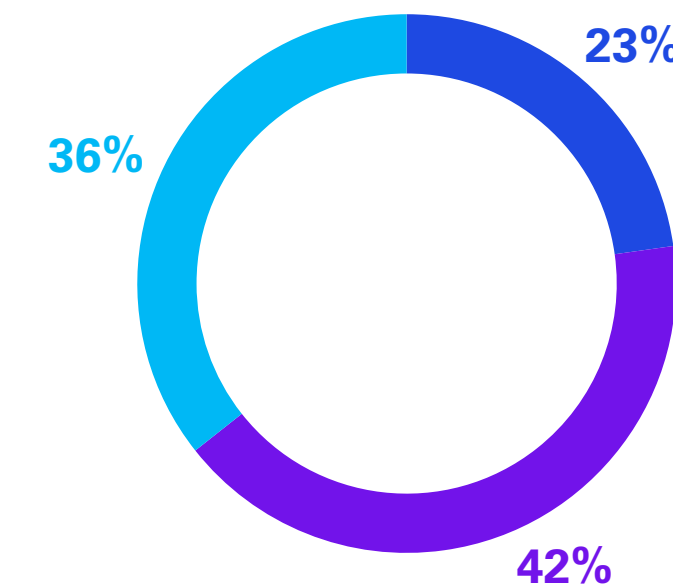
“Recent data suggests that cost-to-income ratios and return on equity ratios for US banks tend to lag those in Europe where — generally speaking — banks have focused more on modernizing their core banking systems, introducing greater automation and pushing forward with branch rationalization,” notes Lennart De Vries, Managing Director, Banking Strategy with KPMG in the US. “US banks see opportunity for significant operational and cost transformation and are now moving quickly to address their cost base.”

Assessment of cost reduction strategy

We plan to accelerate existing cost reduction initiatives over the next two years



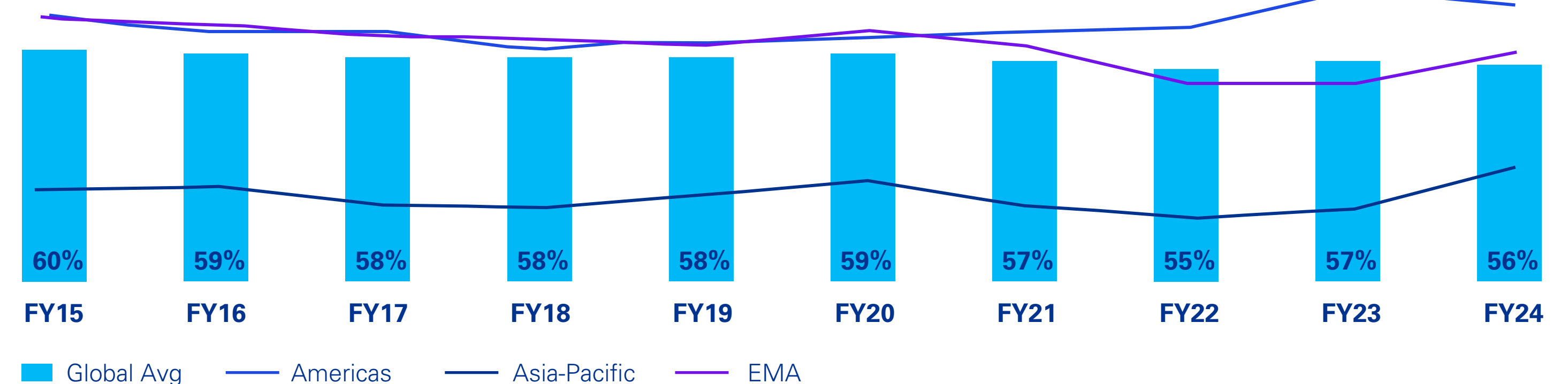
We plan to refocus cost reduction initiatives over the next two years months



- Disagree (0 to 6)
- Agree (7 to 8)
- Strongly agree (9 to 10)

Source: Banking transformation: The new agenda, KPMG International, 2025

Cost income ratio over time by region



Source: KPMG analysis, KPMG International, May

Focus on productivity and cost reduction will follow: Client case study

A full-service bank faced a significant cost challenge within its Operations function. The organization lacked robust operational metrics and sought to reduce costs by over 25 percent while boosting productivity. Their ambition extended beyond cost-cutting — they aimed to embed continuous improvement capabilities within their teams to ensure long-term operational excellence.

To address this, KPMG led an in-depth transformation of the bank's operations. Firstly, at a business unit level, the team reviewed FTE allocations and operational metrics to develop tailored transformation plans. These plans were grounded in value stream mapping and interventions across people, process, policy, and light automation. Implementation occurred in 8 to 12 week waves, ensuring rapid value realization and iterative improvement.

KPMG also introduced a wide-ranging workflow and automation enhancements. By digitizing inputs, enabling intelligent routing, and automating processing through Intelligent Automation and straight-through processing (STP), the bank significantly reduced manual touchpoints.

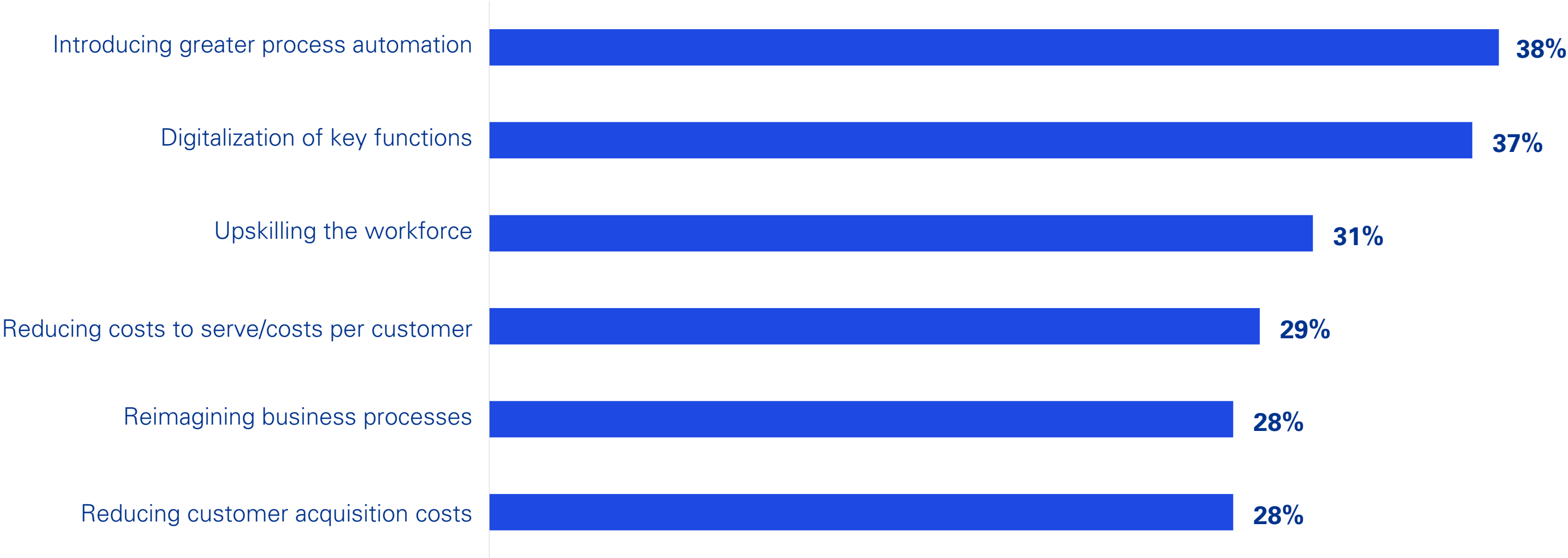
The client was able to realize a 35 percent sustainable productivity uplift over 12 months. The transformation left behind a robust operating model that enabled ongoing performance transparency and continuous improvement. The bank emerged with a more agile, efficient, and digitally enabled operations function, well-positioned for future growth.

Prioritizing productivity and profitability

With operational and cost transformation now high on the banking agenda, our data indicates that bank leaders and executives see significant opportunity to boost productivity and profitability. According to our survey, respondents see the greatest opportunity in introducing more process automation into the organization, followed closely by the digitalization of key functions. Many also believe their efforts to reimagine their business processes will deliver big benefits to profitability.

One area of particular focus for process optimization is around the customer. Banking leaders say they expect to achieve significant cost savings by reducing the cost to serve customers and their customer acquisition costs, suggesting banks will be prioritizing processes that touch the customer, along with changes to their distribution and channel strategies.

Biggest benefit to profitability



Source: Beyond boundaries: banking transformation, KPMG International, 2025



We have seen a lot of transformation programs focused on end-to-end process optimization over the past twelve months. Tellingly, the focus has been not only on digitalizing the process, incorporating greater automation and removing manual tasks, but also on cost. The link between operational transformation and cost is clearly top of mind for banks.”

Jörg Fehrenbacher
Partner
Financial Services
KPMG in Germany

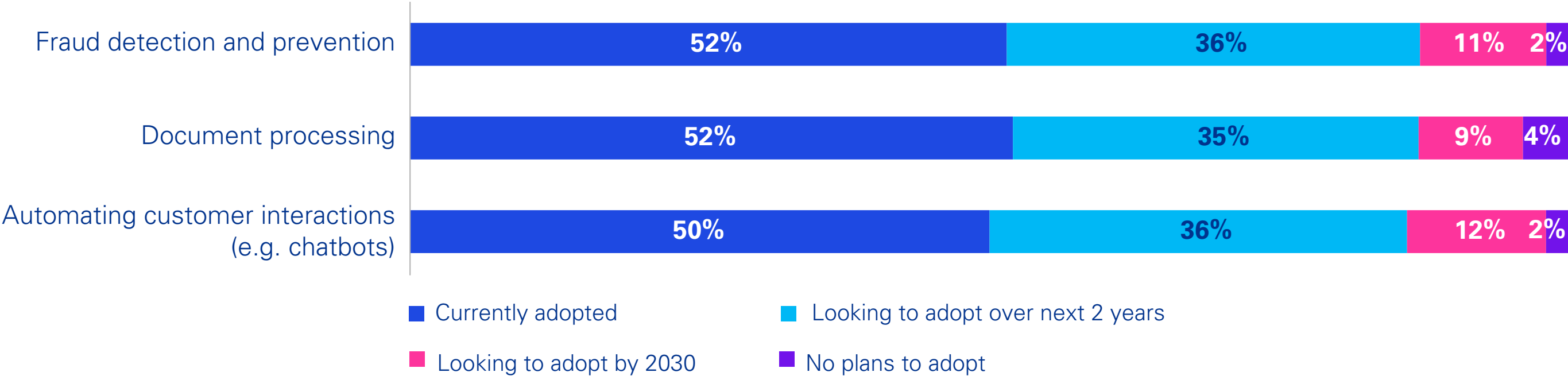
According to KPMG International’s *Banking Strategic Benchmarking Insights 2024*, cost to serve may be a more valuable metric for driving cost and operational transformation initiatives. The report suggests that approaching your cost base on a cost to serve basis, places your customer at the center of your cost strategy. This enables you to assess whether your cost strategy is aligning to your customer strategy.²

“
Focusing your cost and transformation efforts around the customer is a good idea, but it must be done with an enterprise view looking end-to-end at the customer experience and expectations. If you are just introducing a bunch of individual point solutions, you may be scoring wins in siloes, but you are probably not delivering on your overall cost, operational or customer objectives.”

Sara Forbes
Partner, Advisory Transformation Services
KPMG in the UK

² Banking Strategic Benchmarking Insights 2024, KPMG International, 2024

Adoption of AI and automaton use cases



Source: Beyond boundaries: banking transformation, KPMG International, 2025

People, process and technology

Not surprisingly, many of our respondents say they are implementing new technologies to help drive their transformation objectives. Half of the 228 banks that participated in our survey say they have already implemented new digital procurement platforms to help improve their supply chain management. Just over half (52 percent) say they have already applied AI and automation in their fraud detection and document processing value chains. Fifty percent say they have adopted automation in their customer interactions.

“In many cases, automation is a steppingstone to wider transformation,” adds Owen Lewis. “We are working with a number of global and regional banks who are using AI and automation to streamline their customer interactions before moving them into an offshore center or handing them to a managed service provider who can then manage the process while introducing greater automation and efficiency across the process. They are not just applying technology but are pulling multiple levers at the same time to deliver real and sustainable operational and cost transformation.”

Indeed, our survey suggests that bank leaders are adopting a range of new approaches simultaneously to achieve their goals. Eighty-two percent say they have already adopted or plan on imminently adopting collaborative partnerships with startups to bring new ideas and processes into the organization. More than three-quarters say they are running innovation incubators and digital sprints. Two-thirds say they are acquiring fintechs to achieve their goals.

To better support their new ways of working and the introduction of automation, many bank leaders are also focused on transforming their workforces. In our survey, respondents say that upskilling their workforce could provide a significant uplift to profitability. In part, that means updating executive performance management frameworks to better reflect their transformation and cost reduction priorities. At the same time, many banks say they have implemented cross-functional working groups on transformation, instituted digital apprenticeship programs and introduced digital assistants to reduce some of the more manual administrative tasks for their employees — freeing them up to focus on more value-adding activities.

“We’re seeing significant talent gaps emerge — particularly within areas where banks are piloting new technologies but don’t have the capabilities to sustain their gains,” adds Kris Pearson, Director of Finance Consulting with KPMG China. “With competition for these key capabilities rising, many banks recognize they need to reskill and build capabilities internally if they hope to achieve their transformation goals.”

We also see a significant number of leaders looking to expand their global workforce strategies — to provide new access routes to specific skills and talents that aren’t accessible in their key operating jurisdictions.

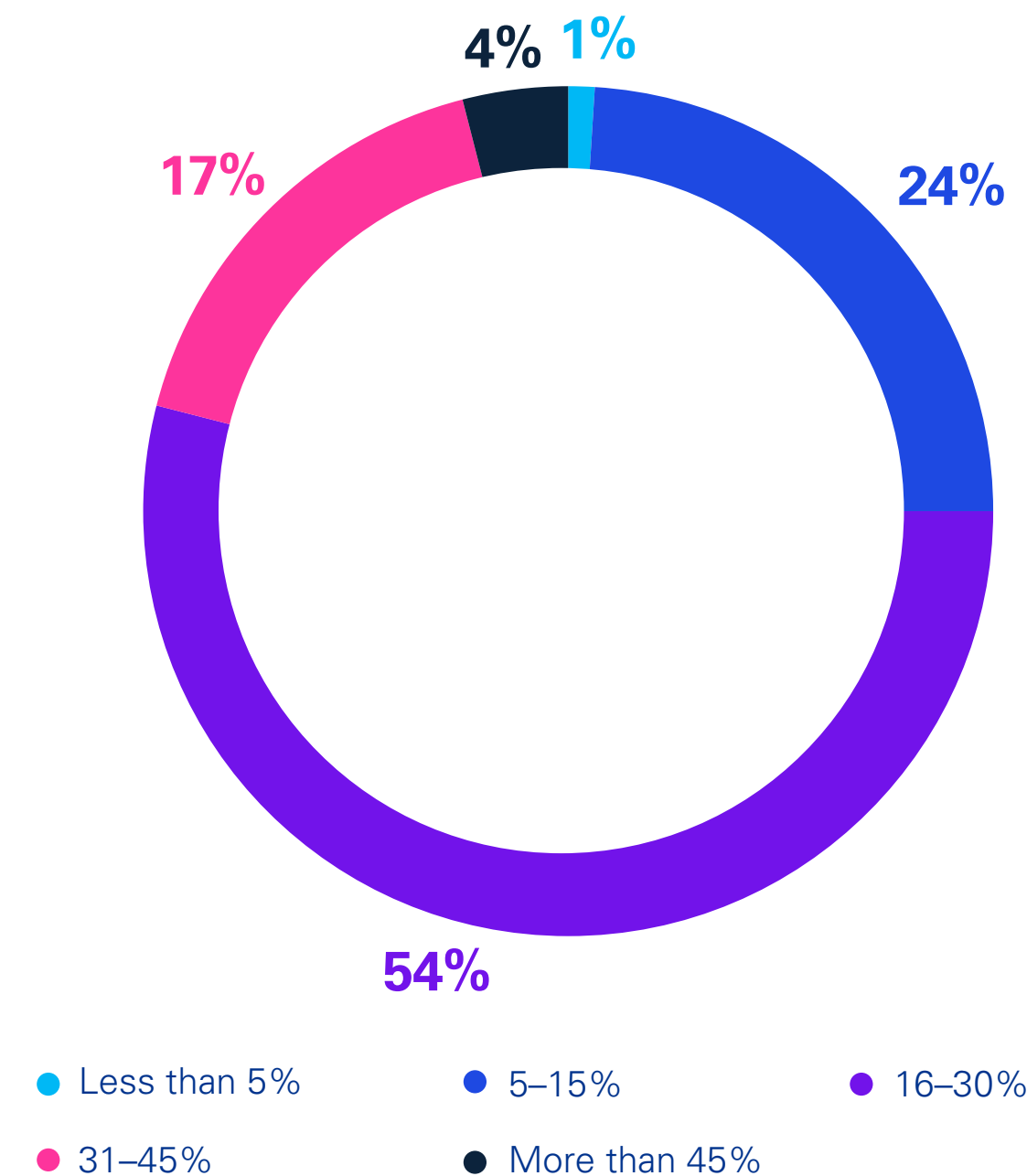
Capital in, cost out

Undertaking a complex change program requires significant investment. And our survey indicates that banks have earmarked sizable budgets to support their efforts. Three-quarters of the banks in our survey say they are investing more than 15 percent of their operating budget into transformation initiatives; of those, 21 percent say they will invest more than 30 percent of their operating budget.

Looking across regions, a third of firms in the Americas say they are investing more than 30 percent of their OpEx budget into transformation, versus 12 percent of those in APAC and 17 percent of those in EMEA. Similarly, mid-sized and large banks are more likely to say they are investing more than 30 percent of their OpEx versus small banks.

“Modernizing a core banking system is an expensive proposition but — for many banks today — is central to creating the agile, scalable and efficient infrastructure that banks need to truly transform,” adds Owen Lewis. “Yet, alongside these massive programs, banks will also want to invest in projects that deliver in-year savings that can help fund and facilitate out-of-year transformation outcomes.”

OpEx invested in transformation



Source: Banking transformation: The new agenda, KPMG International, 2025



While we encourage banks to explore non-traditional approaches to driving innovation, they must also be mindful of the capabilities required to make these options a success. Partnerships and acquisitions require a very different approach in terms of decisions and execution in order to get the value out of the deal.”

Nadia Orawski

Head of Financial Services Strategy, KPMG in the US

Tackling the highest impact customer and cost priorities:

Client case study

A global universal bank was under pressure to reduce costs despite having launched several cost-saving initiatives in the past. These efforts had not delivered the desired impact, and the bank continued to face inefficiencies across its operations. KPMG was brought in to assess the bank's most critical customer processes and global contact centers, with the goal of identifying and delivering meaningful cost reductions and productivity gains.

The approach began with an in-depth review of operational metrics, full-time equivalent (FTE) allocations, and cost structures across major functions supporting customer journeys. This included contact centers, branches, and back-office operations. The analysis was conducted globally across major processes and markets, enabling a holistic view of the bank's operational landscape. The team then developed a roadmap of changes across people, process, policy, and technology to drive a 30 percent uplift in productivity.

In parallel, KPMG assessed the bank's organizational structure, examining spans of control, layers, and role alignment. Using industry benchmarks, the team identified opportunities for structural changes, shared services, and business process outsourcing. A detailed 18-month roadmap was created to guide implementation through the executive committee and HR teams. This plan provided a clear path for optimizing the organization's operating model and aligning resources with strategic priorities.

The transformation also focused on the bank's global contact centers, which served retail and SME customers. KPMG identified a 40 percent opportunity to eliminate failure demand through process improvements and automation. The team worked with the bank to implement new operational practices that empowered front-line staff to solve problems and escalate issues effectively. These changes aimed to improve customer experience while enhancing efficiency and reducing costs which amounted to over \$400 million in savings opportunities.

Overcoming the barriers

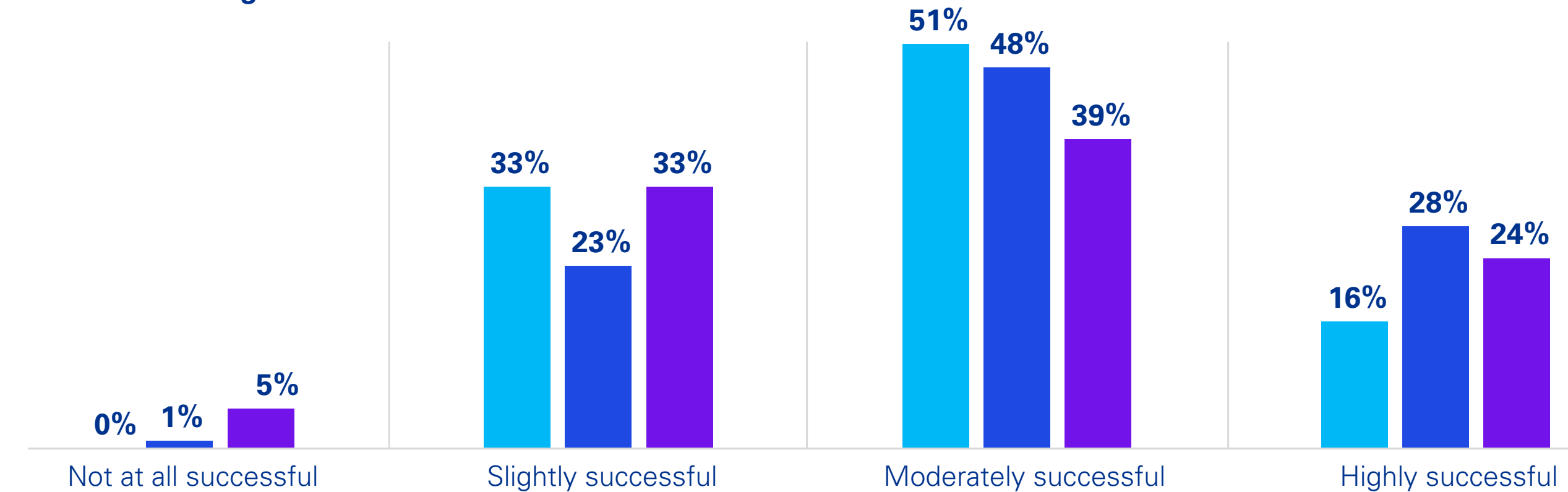
Banks are not new to transformation. Most banks have been running ongoing transformation programs for years. Yet our data suggests that few banks are achieving the outcomes they expected from their transformation activities and investments. Indeed, in our survey, less than a quarter of banks report that they had been highly successful in executing their cost reduction initiatives. Just 18 percent say they have been highly successful in achieving their transformation goals.

Interestingly, larger firms report relatively higher levels of success achieving their overall transformation goals versus small and mid-sized firms. But mid-sized firms suggest greater levels of success delivering on their cost reduction goals than their smaller and larger peers.

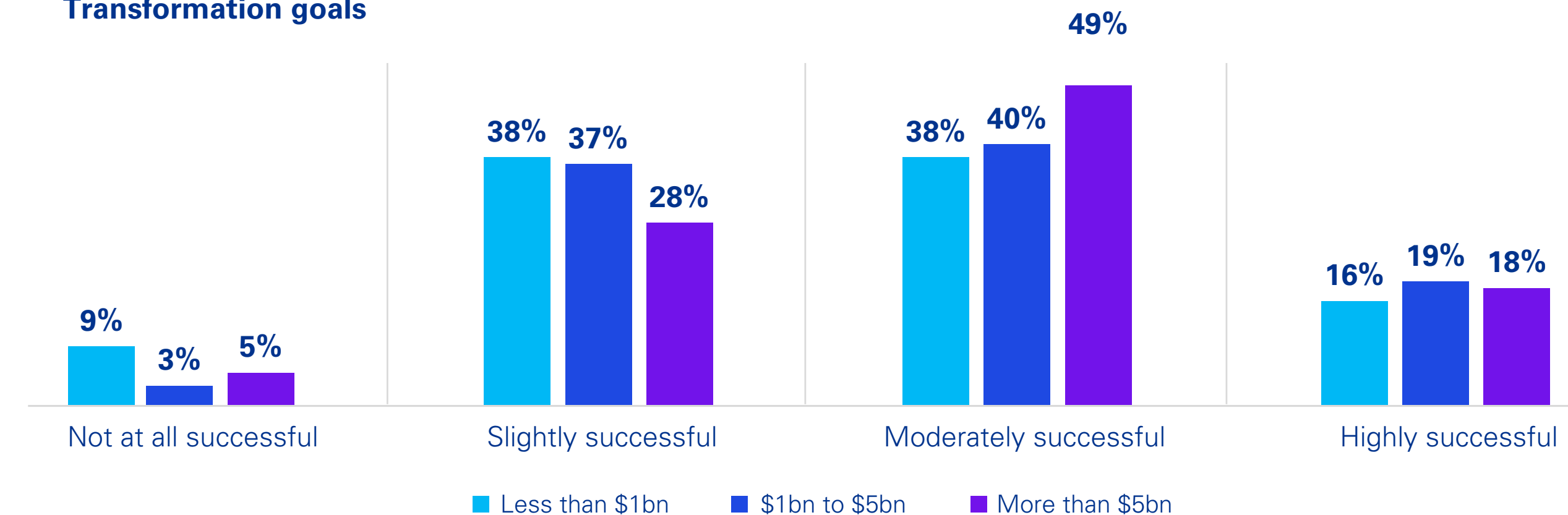
“Mid-sized banks may be better placed to deliver on their cost objectives since management tends to be closer to the costs which leads to greater control,” notes Karin Sancho, a Partner and Head of Financial Services with KPMG in Sweden. “It’s easier to get a centralized view of your progress and to hold executives to account for their outcomes when the bank is a more manageable size.”

Success of past transformation efforts — by banks size

Cost reduction goals



Transformation goals

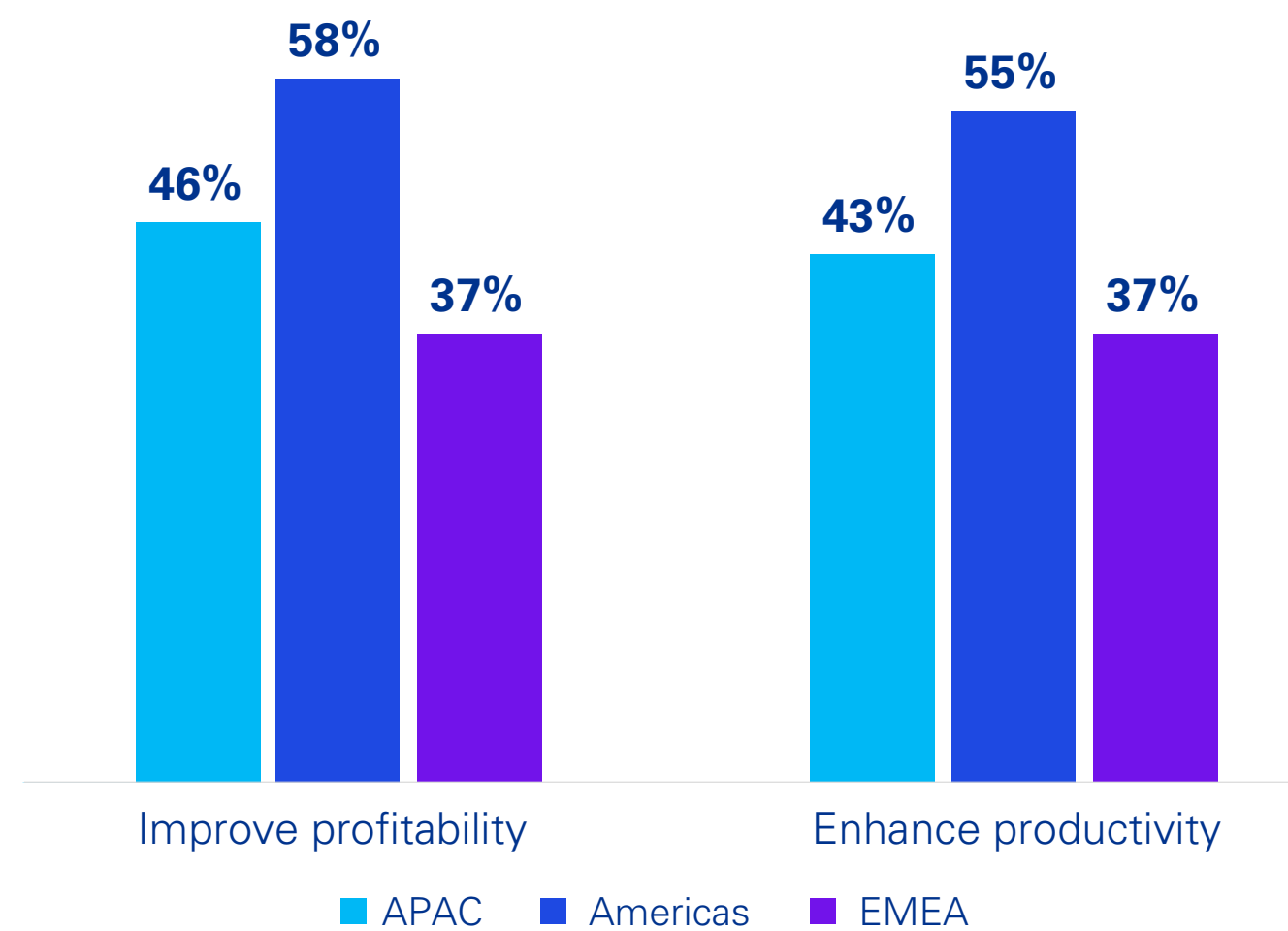


Source: Beyond boundaries: banking transformation, KPMG International, 2025

Looking for alignment

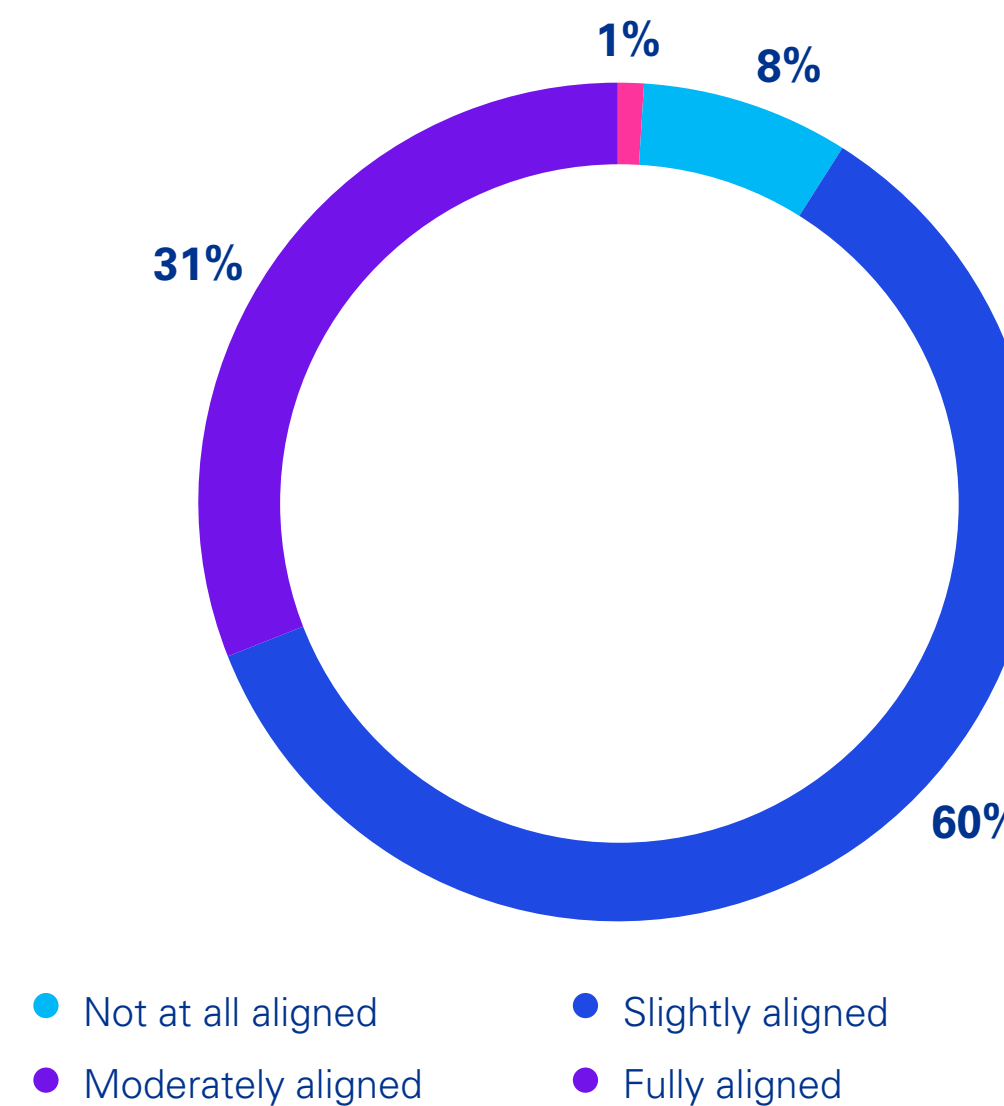
Perhaps more worrying is that our data suggests that less than half of all banks globally feel they are prepared to deliver on their cost and transformation objectives. In our survey, just 47 percent say they believe their business is ‘well prepared’ to improve profitability and 45 percent say the same about their ability to enhance productivity. Firms based in the Americas seem to feel somewhat more prepared than others.

Preparedness to achieve key outcomes over the next 2 years



Source: Beyond boundaries: banking transformation, KPMG International, 2025

Alignment of cost reduction strategy



Source: Banking transformation: The new agenda, KPMG International, 2025

In part, this lack of preparedness likely reflects a lack of enterprise-wide clarity about the cost reduction and transformation strategy. Only around a third of our respondents say they have a clearly documented cost reduction strategy and four-in-ten say their cost objectives are well defined, communicated and understood across the organization. Our data suggests that firms based in the Americas are somewhat more successful at defining, documenting and communicating their cost objectives versus those in ASPAC or EMEA.

Given this lack of clarity around cost objectives, it is perhaps not surprising that few banks claim they have achieved alignment between their organizational transformation and cost reduction goals.

In our survey, just 31 percent of respondents say they are fully aligned, with the majority (60 percent) reporting moderate alignment between cost and transformation objectives.

“Alignment requires organizations to have a very clear understanding of how transformation delivers cost and efficiency improvements,” adds Owen Lewis. “Without this level of alignment, banks run the risk of devolving their programs into siloed transformations and blunt cost-out initiatives which can deliver short-term outcomes but rarely leave the organization better prepared to sustainably grow in the future.”

Structure matters

One way to achieve greater alignment is through creating a more centralized approach to transformation with a global, centralized team that coordinates and drives strategy and execution across the organizations. In our survey, just 38 percent of respondents say they execute their transformation and cost reduction efforts centrally and 17 percent say they manage their efforts through a ‘hub and spoke’ approach that centralizes key capabilities and activities.

“While there are many reasons why Japan’s banks may lean towards a hub-and-spoke model — particularly for foreign subsidiaries — we are seeing banks in Japan start to move towards a much more centralized approach,” notes Satoshi Ogasawara, Senior Manager, Financial Services, with KPMG in Japan. “I suspect banks here will ultimately land on more of a hybrid approach supported by centralized centers of excellence.”

Our survey asked respondents what approach they saw as being the most effective to drive transformative outcomes. Of those that use a centralized approach, half report that it is highly effective; 36 percent of those using a hub and spoke approach say the same. Much less effective — according to our respondents — are regional or functional approaches.

Prioritizing accountability

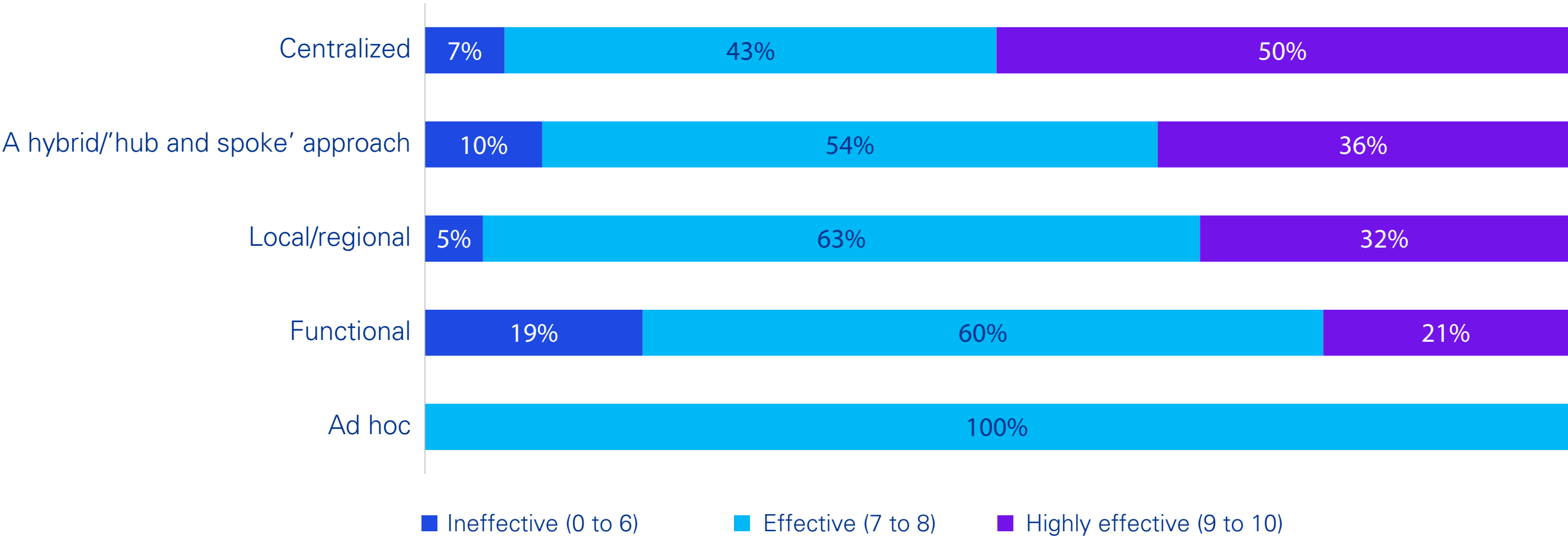
Where banks have failed to effectively implement these more modern operating models, a lack of alignment and coordination manifests in a number of critical barriers to transformation for banks. More than half of our respondents say they struggle with prioritizing and coordinating their complex change portfolio and 45 percent say they are missing significant opportunities to improve customer experience, cost and long-term capability building.



To respond better to the accelerating pace of change, many banks have shifted their operating models centered around end-to-end value streams — simplifying decision rights and accountabilities across run and change. In doing so, transformation and cost efficiency outcomes are aligned under a single executive as opposed to the historical functional-led (and heavily siloed) approach.”

Ben Kilpatrick
Partner, Banking & Capital Markets Consulting
KPMG Australia

Effectiveness of transformation approaches



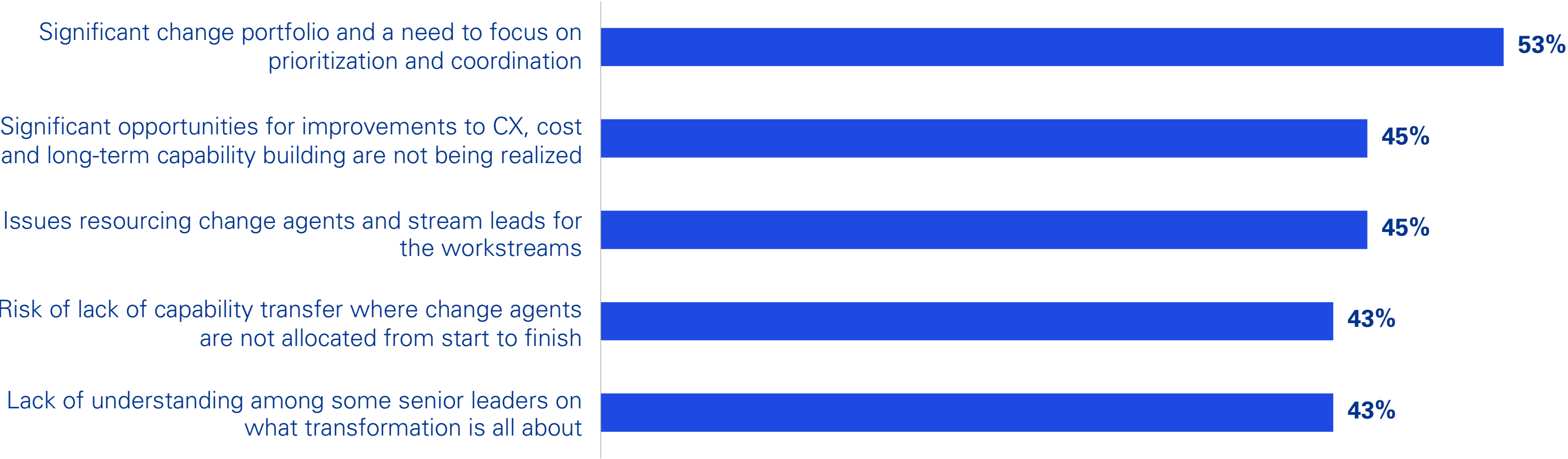
Source: Beyond boundaries: banking transformation, KPMG International, 2025



Many banks also point to challenges related to accountability and capability for transformation. Nearly half of our respondents say they have issues resourcing their change agents and 43 percent say their senior leaders lack a clear understanding of what the transformation is all about. The same number say they struggle to achieve capability transfer in situations where change agents are not allocated from start to finish.

“A lot of the challenges we see are due to a lack of accountability across senior management for cost and transformation,” notes Nadia Orawski, Head of Financial Services Strategy with KPMG in the US. “Some of the most successful organizations in the US have been those where the CEO and C-suite takes ownership of the agenda and provides the right tone from the top, using both incentives and consequences to encourage the organization to work together to drive their transformation agendas.”

Barriers to transformation over the next two years



Source: Beyond boundaries: banking transformation, KPMG International, 2025

Building on success

Our survey reveals which banks are achieving the greatest success in their transformation programs and — more importantly — what they are doing differently.

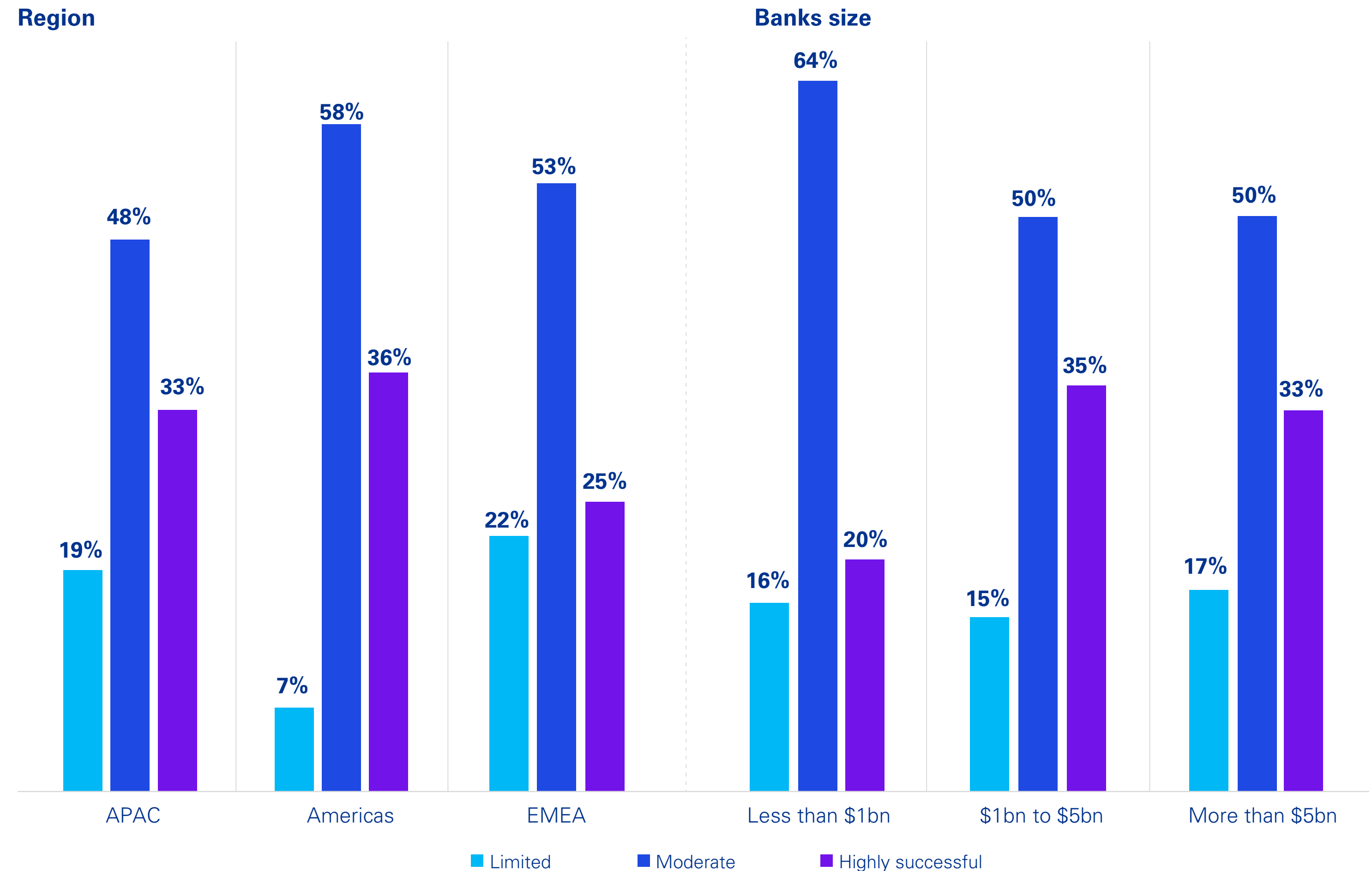
Based on our data, the banks most likely to claim high levels of success are mid-sized and larger entities with 35 percent of mid-sized banks and 33 percent of large banks reporting success versus just 20 percent of smaller banks (those with less than US\$1 billion in annual revenues). Similarly, banks in the Americas and those in APAC report higher levels of success than those in EMEA — 35 percent of those in the Americas and 33 percent in APAC versus 25 percent in EMEA.

“The size and scale may influence the complexity of the transformation, but it doesn’t influence the rate of success,” adds Owen Lewis. “One of the best indicators of success is having the right fundamentals in place — a clear understanding of the products and segments you want to serve, visibility into the end-to-end value chains that deliver to those segments and the right business architecture to execute lasting change.”

33%

of large banks reporting success versus just 20 percent of smaller banks (those with less than US\$1 billion in annual revenues).

Breakdown of ‘success level’ by region and bank size

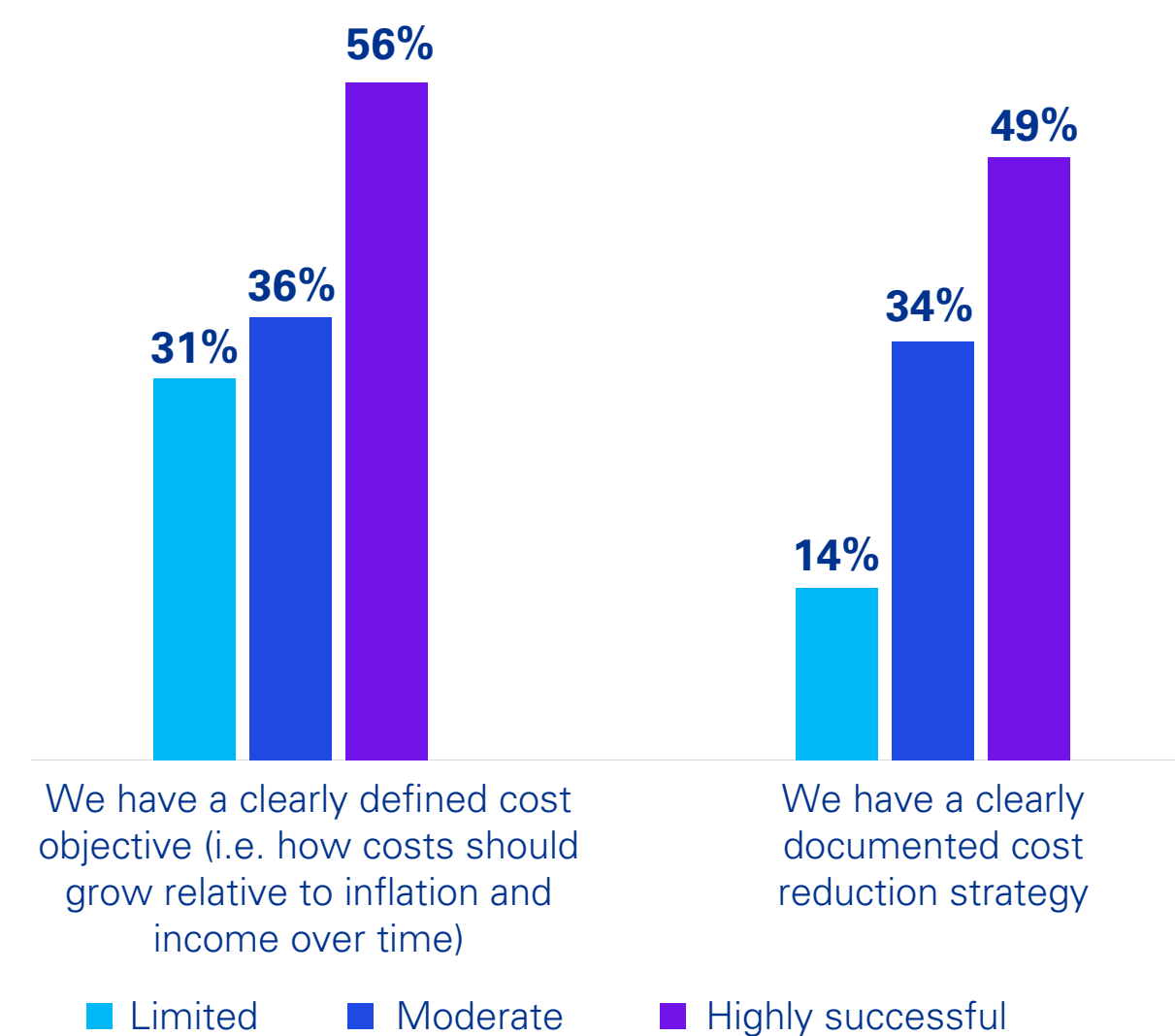


Source: Beyond boundaries: banking transformation, KPMG International, 2025

Follow the leaders

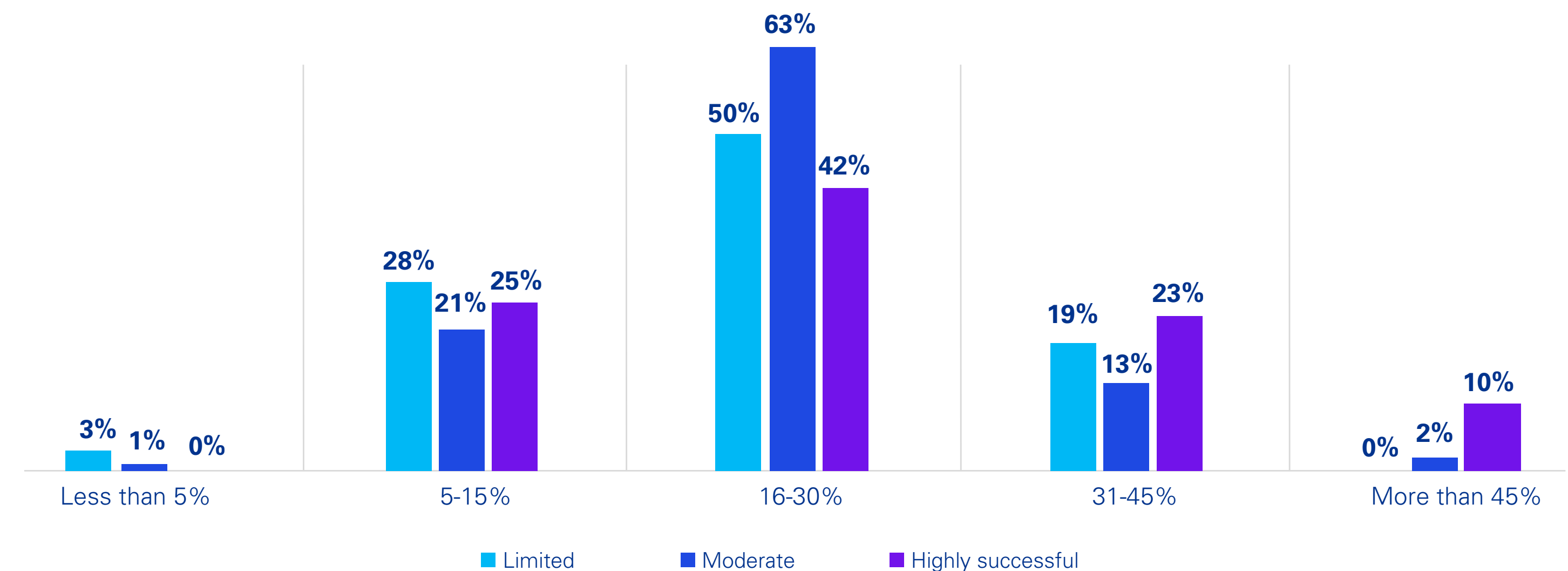
What are they doing differently to their peers? For one, they are better aligned on their cost and transformation objectives. Nearly two-thirds of the most successful banks report ‘full alignment’ between their transformation and cost reduction objectives, versus just 6 percent of those reporting limited success. Around half of the successful banks say they have a clearly defined cost reduction strategy (versus 14 percent of those that achieved limited success) and 56 percent have clearly defined cost objectives (versus 31 percent of the less successful respondents). They are also 2.5 times more likely to use a centralized approach to executing their strategies than their less successful peers.

Assessment of cost reduction strategy — by success level



Source: Beyond boundaries: banking transformation, KPMG International, 2025

OpEx invested in transformation — by success level



Source: Beyond boundaries: banking transformation, KPMG International, 2025

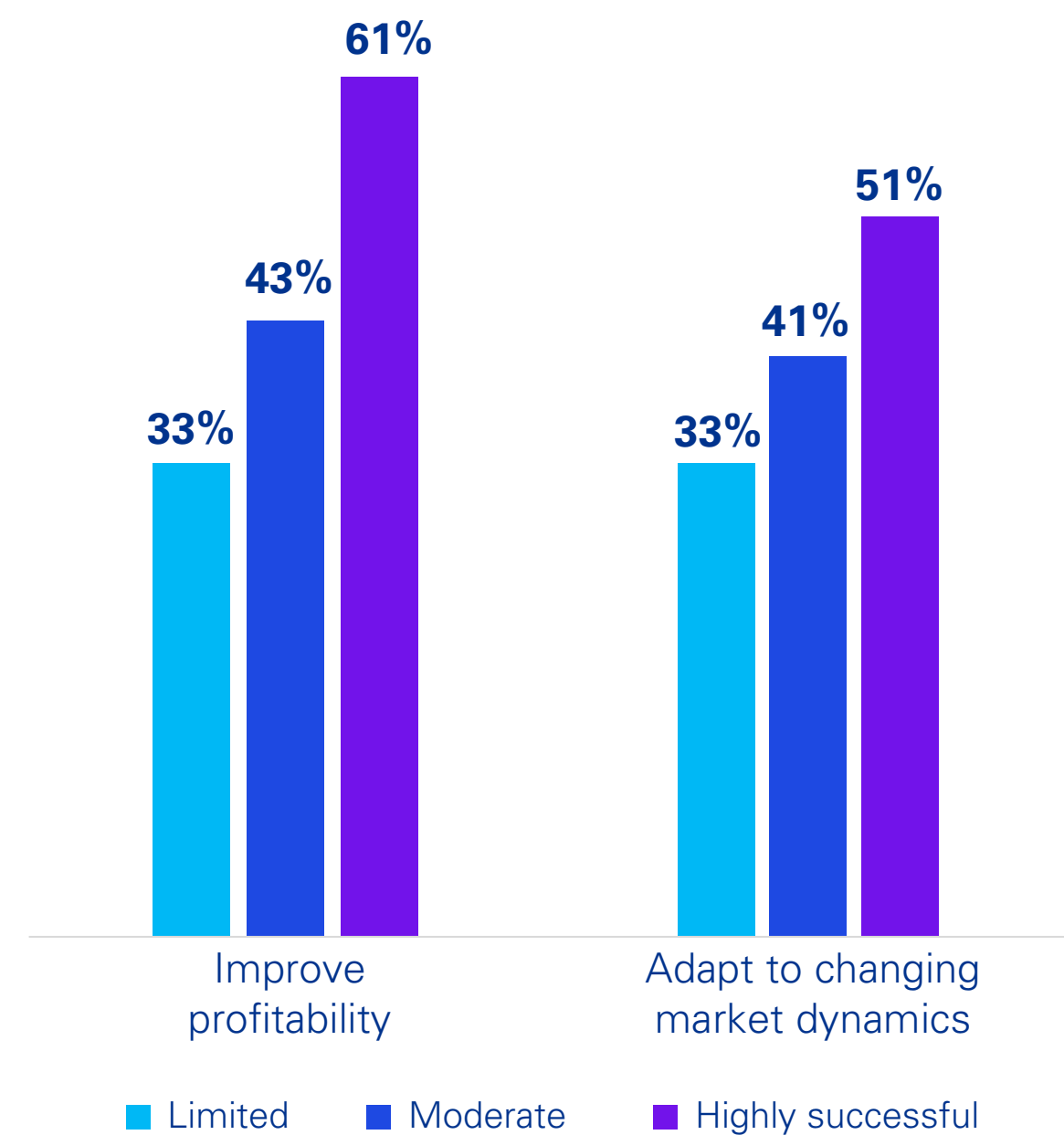
“Ultimately, alignment is about really understanding the value drivers across the enterprise and then identifying what areas of your business architecture need to evolve in order to deliver on that value,” adds Kris Pearson, Director, Finance Consulting, KPMG in China. “It’s not just alignment between cost and transformation, but also alignment across the enterprise and down into the functions that enables success.”

The highly successful banks are more likely to enjoy bigger budgets and stronger accountability. Our data shows that a third of the most successful organizations invest more than 30 percent of their OpEx budget into transformation, compared to 19 percent of the less successful banks. And 56 percent say they have updated their executive performance management to reflect their cost and transformation priorities, versus 39 percent of those who reported limited success.

Building confidence and capability

Perhaps as a result of their past experiences, the most successful banks are more ambitious and confident in their strategies and capability. Sixty-one percent say they are well positioned to improve profitability, compared to 33 percent of those that saw limited success in the past. And 51 percent are confident in their ability to adapt to changing market dynamics, versus a third of those reporting limited success.

Preparedness to achieve key outcomes over the next 2 years — by success level

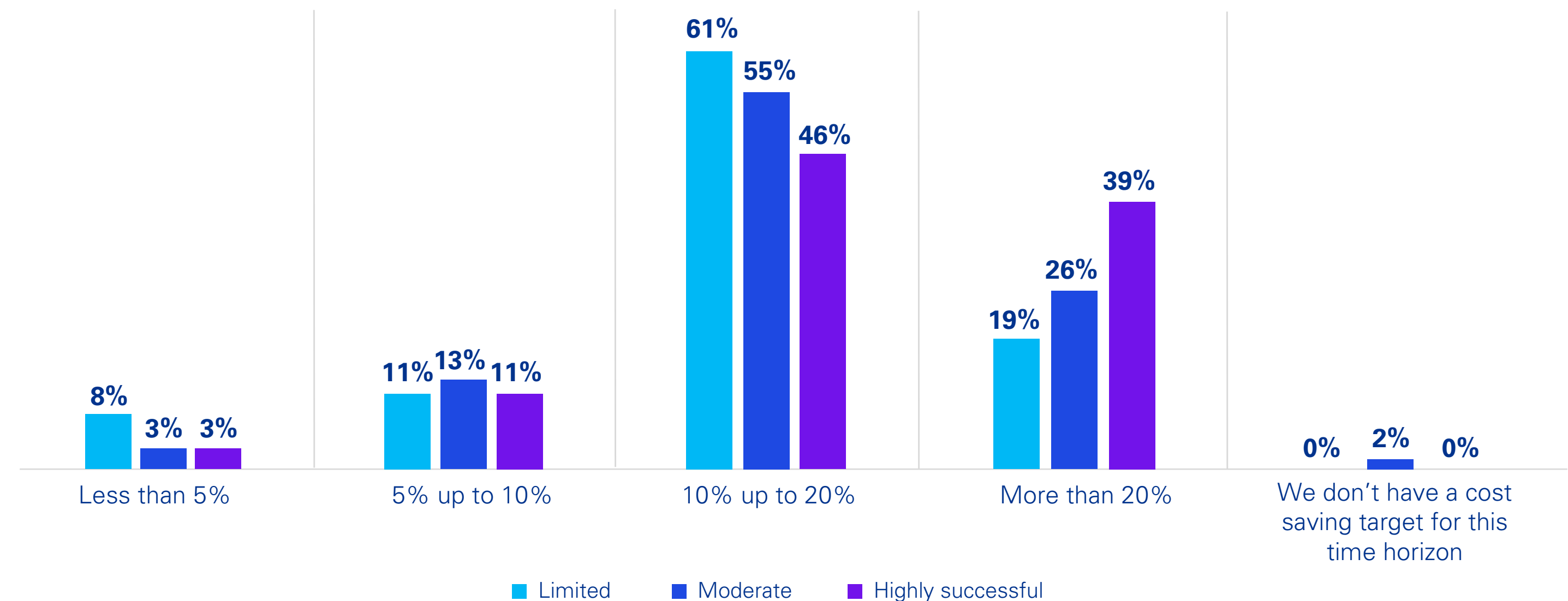


Source: Banking transformation: The new agenda, KPMG International, 2025

They also have more aggressive cost targets with 39 percent of the most successful banks saying they plan to reduce costs by more than 20 percent by 2030, versus 19 percent of their less successful peers. And they are more likely to say they plan to accelerate their existing cost reduction initiatives (42 percent versus 33 percent).

Target cost saving as a % of current cost base — by success level

Target for 2030



Source: Beyond boundaries: banking transformation, KPMG International, 2025

Our survey suggests the most successful organizations also tend to be the ones that are early adopters of more innovative approaches. Successful banks are more than twice as likely as their less successful competitors to say they have adopted innovation incubators. Fifty-six percent are already using digital assistants to automate administrative activity, versus a third of those reporting less success. And they are much more likely to have adopted AI into their risk management processes and into their predictive modeling and forecasting.

“While technology can be a fantastic enabler of transformation and cost outcomes, banks really need to be thinking about all of the different levers they could be pulling to achieve their objectives” said Jame Dunne, Managing Director, KPMG in Ireland. “At KPMG firms, we look at transformation and value through the lens of 12 levers that can be activated in sequence or simultaneously to deliver sustainable transformation outcomes.”



Success breeds success — not only in terms of building confidence and capability, but also through creating the right environment for more transformative changes. Automating parts of a process can make it much easier to eventually move the process out to a managed services provider, for example. Improving your access to data and analytics can help unlock future insights. It’s all about taking smart steps forward and building on your success.”

Owen Lewis

Global Lead for Cost & Value Transformation in Financial Services
KPMG International, Partner
KPMG in Ireland



Next steps

While identifying cost-saving opportunities is critical, the real challenge lies in execution. Leading banks are moving beyond theoretical models and embracing structured, data-driven approaches to deliver measurable outcomes. Our experience shows that successful cost optimisation is not a one-off exercise — it’s a disciplined, multi-phase journey that requires clarity, commitment, and control.

Start with a baseline and a vision. The most effective programs begin by establishing a clear view of current costs, organizational structures, and operational performance. This includes financial baselining, activity mapping, and benchmarking across sub-functions. “You can’t manage what you can’t measure,” notes Owen Lewis. “We work with clients to build a fact base that not only quantifies the opportunity but also aligns the organization around a shared understanding of where value can be unlocked”. You know where you are but you need to know when you want to get to — working back from a North Star is a much more successful journey as you have a clear set of principles to guide decision making and investment. Asking are we getting closer or further away from our target state is a simple but very powerful question to ask at each decision juncture.

Design for impact. Once the opportunity portfolio is defined, banks must translate insights into action. This means developing one-page business cases for each initiative, setting operational metric targets, and building an integrated roadmap. Governance is key — establishing a transformation office or control tower ensures accountability, decision-making agility, and value realization oversight. Governance should be pan organization and avoid siloed decision making.

Deliver value in waves. Execution should be sequenced into value delivery waves, with short-term wins funding longer-term transformation. Initiatives are delivered through detailed design, organizational redesign, and hands-on implementation. AI and automation play a critical role in accelerating delivery and sustaining gains. “We’ve found that working in waves across the business — prioritizing areas with the greatest potential for impact — and making sure we work end-to-end across value streams, not only accelerates value delivery but also builds confidence and momentum for broader transformation,” adds Sara Forbes, Partner in Advisory Transformation Services, KPMG in the UK.

Track, measure, and sustain. A robust benefit realization framework is essential. This includes stage-gated tracking from identification to realization, performance dashboards, and change management support. Knowledge transfer and sustainability mechanisms — such as operations management standards — ensure that improvements stick.



Cost optimisation isn’t about cutting for the sake of it. It’s about building a smarter, leaner organization that’s fit for the future.”

Owen Lewis

Global Lead for Banking Cost Transformation
KPMG International and Partner
KPMG in Ireland

Five key takeaways

01

Know what you want to achieve

Rather than focusing on siloed cost and transformation initiatives, start by understanding who you want to serve, how you want to serve them and what products and services they will need. Then take the time to really understand the root causes of inefficiency and define what ‘good’ looks like. From there, success is all about designing, sequencing and executing a holistic change program within the right parts of the organization.

02

Create alignment between transformation and cost

Be clear about your cost and transformation objectives and help the organization understand the link between operations and efficiency. Instead of handing down generic cost targets, create clear alignment between operational transformation and long-term cost outcomes. Look for opportunities to use in-year cost savings to support and fund out-of-year transformation objectives.

03

Understand the levers of value

While technology can enable and unlock efficiency and simplification, consider all of your routes to transformation — in some cases, moving processes into a managed services or offshore capability can help drive significant transformation and cost savings. At the same time, understand what it will take to ensure that your transformation efforts stick — change management, capability building and new workflows are often key to unlocking the value of technology.

04

Drive successful definition and execution across the enterprise

Whether or not your approach to transformation is centralized, make sure you have a hand in driving results, setting and holding leaders and people accountable, and maintaining visibility to the execution and success of various programs across the change agenda. Use approaches such as mission control centers and value driver trees to not only maintain tight control and oversight, but also to continuously reprioritize, accelerate and improve your various change initiatives as the needs and capabilities of the organization evolve.

05

Tap into tested experience

While every bank is unique, many of the challenges and opportunities they face are not. Look for support from experienced professionals who can bring tested methodologies and approaches to the table, particularly when seeking to apply new technologies such as generative AI. At KPMG firms, for example, we have centralized our tools, capabilities and approaches to help ensure banking clients globally can access our global organizations’ experience and learnings from around the world.

How KPMG can help

At KPMG, we believe transformation starts with people. Our global organization of experienced banking professionals provides clients with deep industry knowledge, actionable insights and implementation experience helping to realize the full potential of their people and technology, and working together to achieve successful transformation. Because when people and technology are in harmony, great things happen.

KPMG professionals can help make all the difference on your transformation journey. From strategy through to execution and managed services, we can help you to orient your business around the customer, enhance functions for a new era, address enterprise risk and regulation for a safer future, rise to a new level of value creation, and create an environment for managing ongoing change.

KPMG professionals are working with several major banks globally to deliver significant cost optimization programs using a twelve levers of value model that sits alongside value analysis/value engineering thinking and provides banks with an opportunity to consider their options for helping increase value and reducing the cost to serve. The twelve lever model codes leading practices from around the world into a cost and value generation platform to help banking leaders assess, commit and deliver benefits across the enterprise. Understanding the twelve levers and how they work in concert is a key to helping drive operational and cost outcomes.

Contact your local KPMG member firm to learn more about how KPMG can help you successfully transform your banking organization.

Twelve levers of cost and value transformation

Macro cost lens	Twelve levers of cost reduction	Example opportunities
 Strategy	1.1 Geographies, markets, products	Help reduce presence in low-performing customer segments and product areas
	1.2 Operating model and balance sheet	Help reduce the cost of funding by optimizing the balance sheet
 Simplicity	2.1 Organizational model	Help reduce organizational complexity, including reporting, decision-making and governance structures
	2.2 Transformation optimization	Create a core organizational capability around transformation
	2.3 Cost management focus	Drive a cost focus through strategy and accountability
 Engineering	3.1 Digitization and operational efficiency	Digitize work from front to back office and drive enterprise-wide automation
	3.2 Channel optimization	Digital shift with interventions to drive behavioral change
	3.3 Organization design and people	Drive the simplification of the organizational design throughout the bank, focus on spans and layers and realignment of pay and rewards
	3.4 Technology optimization	Accelerate the migration of critical environments to the cloud, decommissioning of the obsolete applications and removal of data centers
	3.5 Property optimization	Rationalization of operations between head offices and regions
	3.6 Sourcing and supplier management	Drive third-party spend down through challenge of integrated supply and demand
	3.7 Tax and legal optimization	Optimization of tax and legal structures

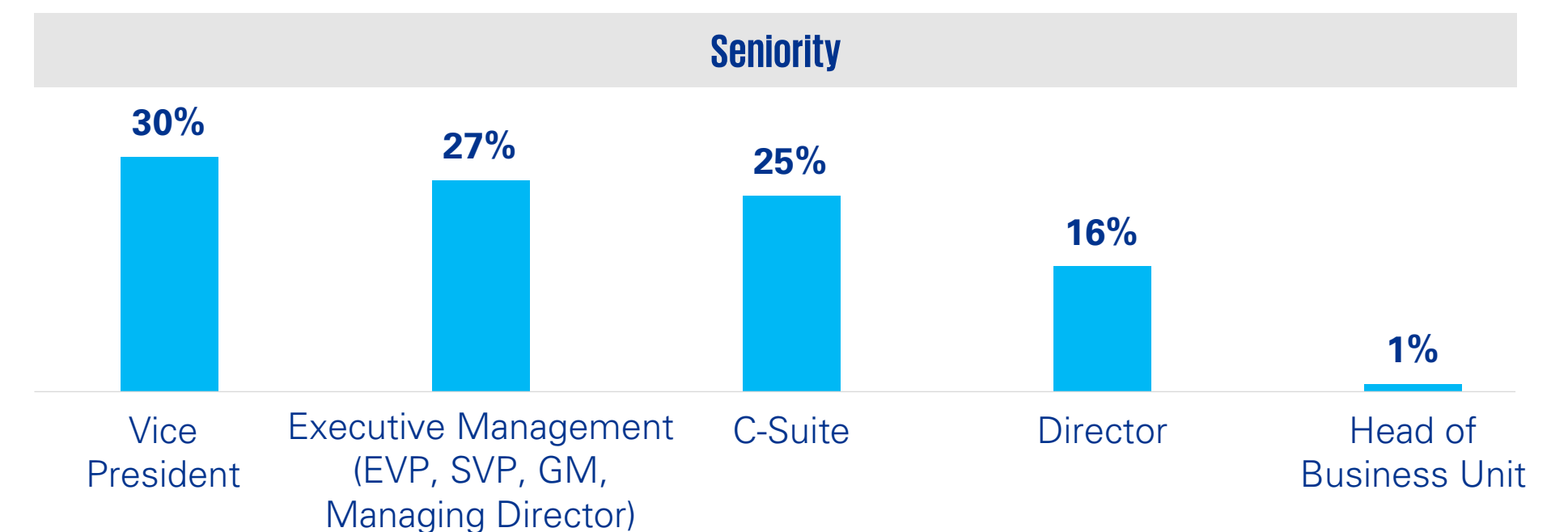
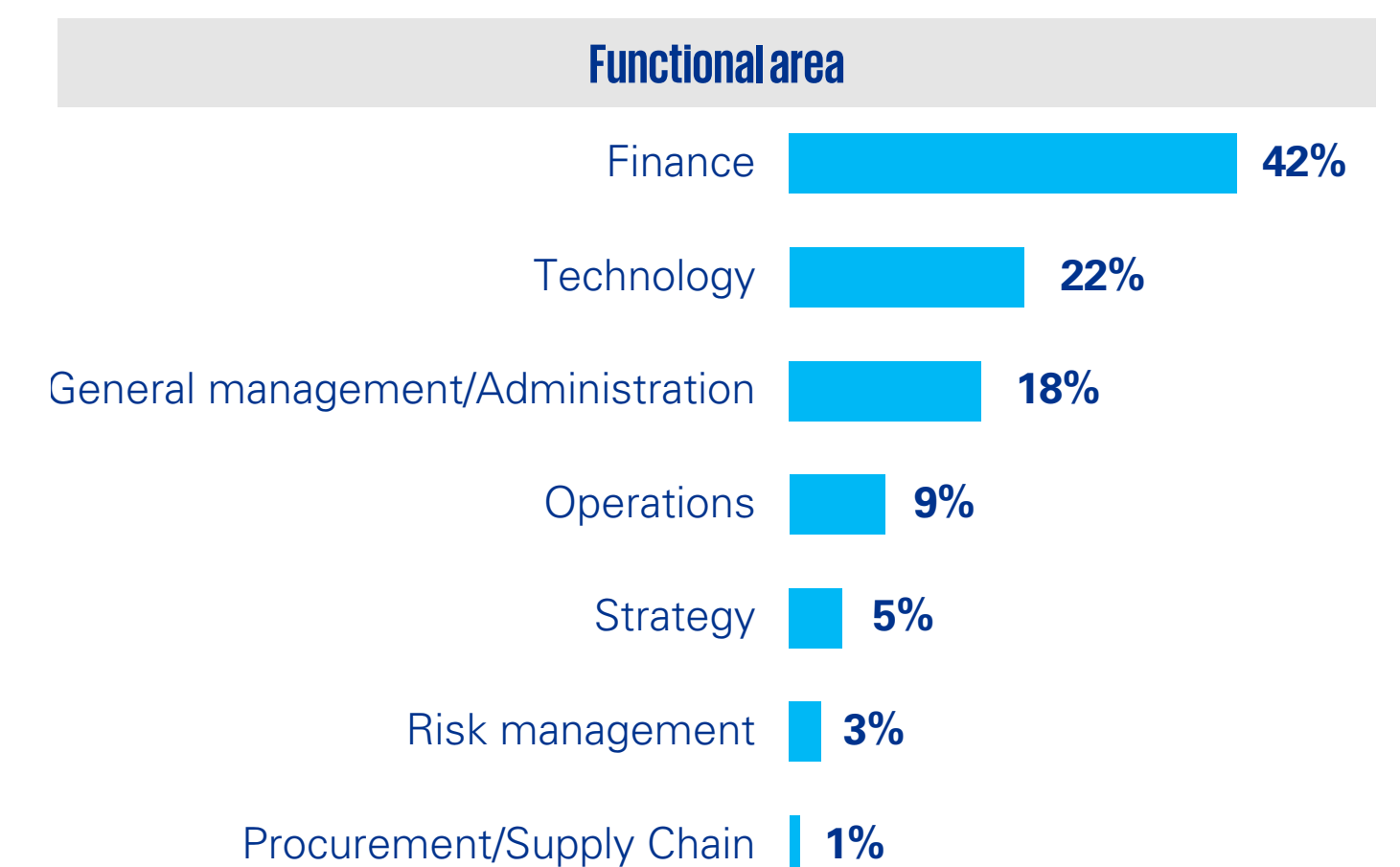
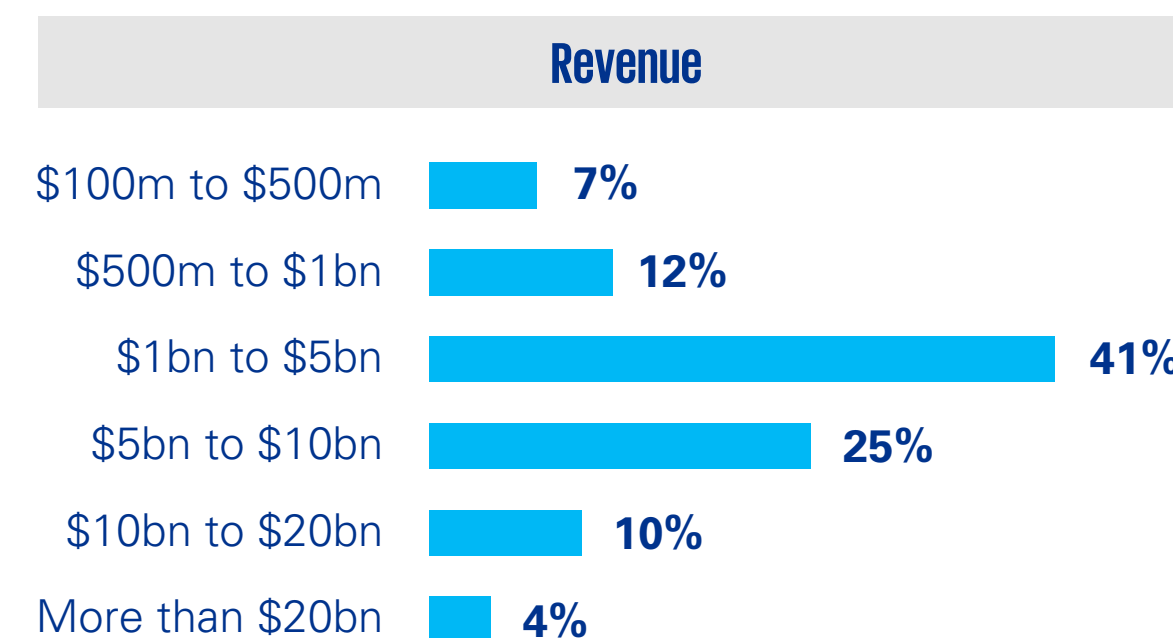
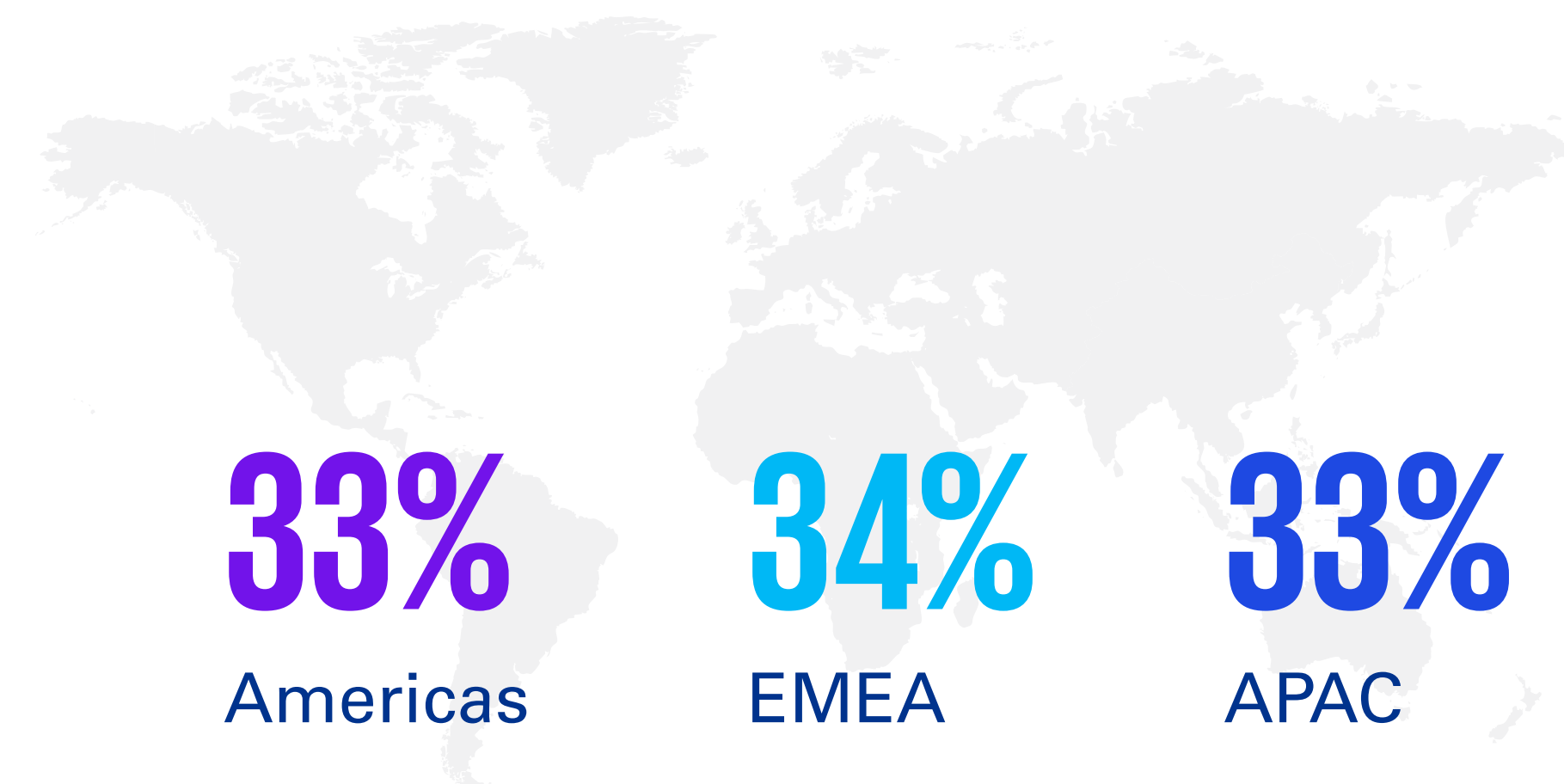
Methodology

Data for this report was collected by Meridian West in an online survey of 228 banking leaders conducted between February and April 2025. Along with our five main authors, in-depth interviews were conducted with seven additional KPMG subject matter specialists in May 2025.

All respondents have annual revenues over US\$100M and 42 percent of the total companies surveyed have more than US\$5B in annual revenue. The survey included respondents across three regions (EMEA, APAC and the Americas).

A quarter of respondents identified as c-suite executives with the remainder holding key senior positions including Vice President (30 percent), Director (16 percent) and Executive Management (27 percent). All respondents are directly responsible for transformation initiatives within their organization.

NOTE: Some figures may not add up to 100 percent due to rounding.



Contact us

Francisco Uría

Global Head of Banking
KPMG International
E: furia@kpmg.es

Owen Lewis

Global Lead for Banking Cost Transformation
KPMG International and Partner
KPMG in Ireland
E: owen.lewis@kpmg.ie

Ben Kilpatrick

Partner, Financial Services Consulting
KPMG Australia
E: bkilpatrick1@kpmg.com.au

Nadia Orawski

Head of Financial Services Strategy
KPMG in the US
E: norawski@kpmg.com

Jörg Fehrenbacher

Partner
Financial Services
KPMG in Germany
E: jfehrenbacher@kpmg.com

Sara Forbes

Partner, Advisory Transformation Services
KPMG in the UK
E: sara.forbes@kpmg.co.uk

The authors would like to acknowledge the following individuals for their extensive contributions to this report:

Ben Morley

Associate Director, Management Consulting
KPMG in Ireland

James Dunne

Managing Director, Management Consulting
KPMG in Ireland

Yann Camenen

Partner, CIO Advisory Practice
KPMG in France

Karin Sancho

Partner, Head of Financial Services
KPMG in Sweden

Lennart De Vries

Managing Director, Banking Strategy
KPMG in the US

Satoshi Ogasawara

Senior Manager, Financial Services
KPMG in Japan

Kris Pearson

Director, Finance Consulting
KPMG in China



Some or all of the services described herein may not be permissible for KPMG audit clients and their affiliates or related entities.

kpmg.com



The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

© 2025 Copyright owned by one or more of the KPMG International entities. KPMG International entities provide no services to clients. All rights reserved.

KPMG refers to the global organization or to one or more of the member firms of KPMG International Limited (“KPMG International”), each of which is a separate legal entity.

KPMG International Limited is a private English company limited by guarantee and does not provide services to clients. For more details about our structure please visit kpmg.com/governance.

The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organization.

Throughout this document, “we”, “KPMG”, “us” and “our” refers to the KPMG global organization, to KPMG International Limited (“KPMG International”), and/or to one or more of the member firms of KPMG International, each of which is a separate legal entity.

Designed by Evalueserve.

Publication name: Banking transformation: The new agenda

Publication number: 140042 | Publication date: July 2025