KPMG

Banking Strategic Benchmarking Insights 2025

A comparative peer analysis and insight into the latest market trends

KPMG. Make the Difference.

April 2026

Banking Strategic Benchmarking Insights
Foreword

Foreword

2025 was yet another year of "unprecedented" change. The word unprecedented is quickly becoming old.

Disruption is now sustained and as such, it is increasingly "priced-in", as KPMG's Global CEO outlook report indicates. The banking and capital markets sector has proven resilient in the face of sustained disruption. Despite geopolitical tension, inflation, rapid rate hikes, and credit and liquidity stress, CEOs remain confident in growth, digital expansion, and selective market entry. In fact, 83 percent of CEOs surveyed are confident in their company's growth prospects in the next three years, up from 78 percent in 2024. Inorganic growth remains on the agenda but it is more targeted to acquiring fintech capabilities and serving digital first customers, while protecting the trust built over decades.

AI is widely seen by banking leaders as central to their strategy. Sixty-five percent of CEOs say GenAI is a top investment priority, with agentic AI, expected to bring transformational benefits. Seventy percent of CEOs expect to spend 20 percent of their investment dollars in the next 12 months on AI, expecting ROI within 1-3 years. Although AI is seen as offering significant potential to improve productivity, customer insight, and risk management; however, it raises challenges around prioritization, ROI measurement, ethics, and trust.

As banks modernize legacy systems, counter AI-enabled financial crime, respond to fintech competition, and manage rising cyber risk, it is important to avoid over automation that erodes the human touch. At the same time, the banking workforce does not seem to be prepared. Seventy-eight percent of CEOs say that AI workforce readiness and level of AI skills could negatively impact their organization's ability to catch the AI train and 79 percent of them say that is has completely redefined expected entry level skills.

BSBI consolidates KPMG's Benchmarking Perspectives in Banking, bringing functional insights from Global SMEs, leveraging data from KPMG member firms' banking clients and projects, double-clicking into:

Finance	HR	Risk	Transformation	Cost	Digital CX
(BFFB)	(BHRB)	(BRFB)	(BTRB)	(BECB)	(BCXB)

We hope you will enjoy the 2024/2025 BSBI report. KPMG specialists are available to discuss their perspectives and findings with you, as well as describe how KPMG member firms have been helping banking organizations solve some of their most complex challenges.

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Finance (BFFB)

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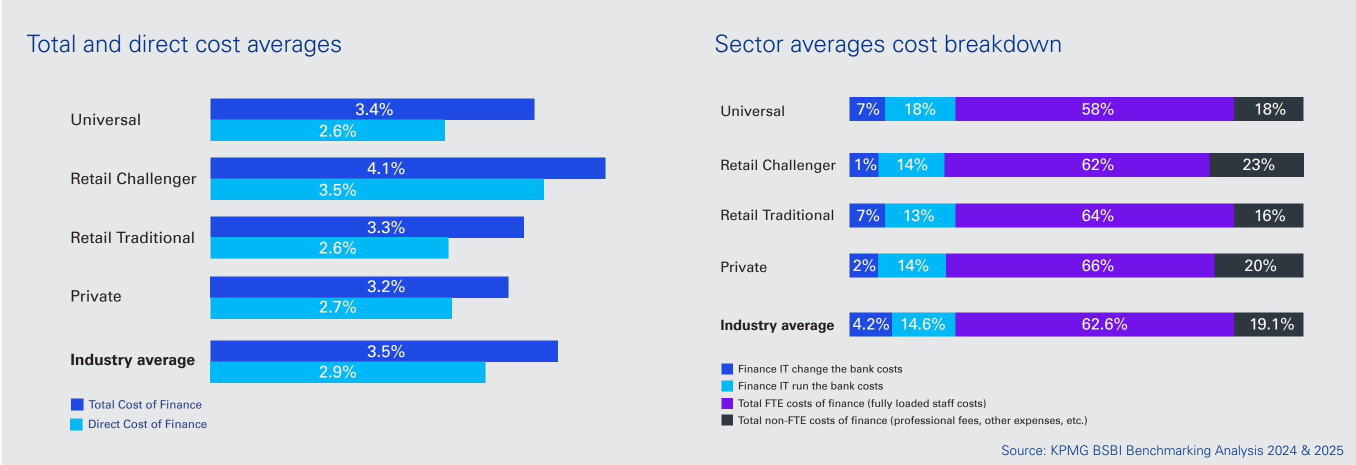
Insights: Finance benchmarking analysis 2024/2025

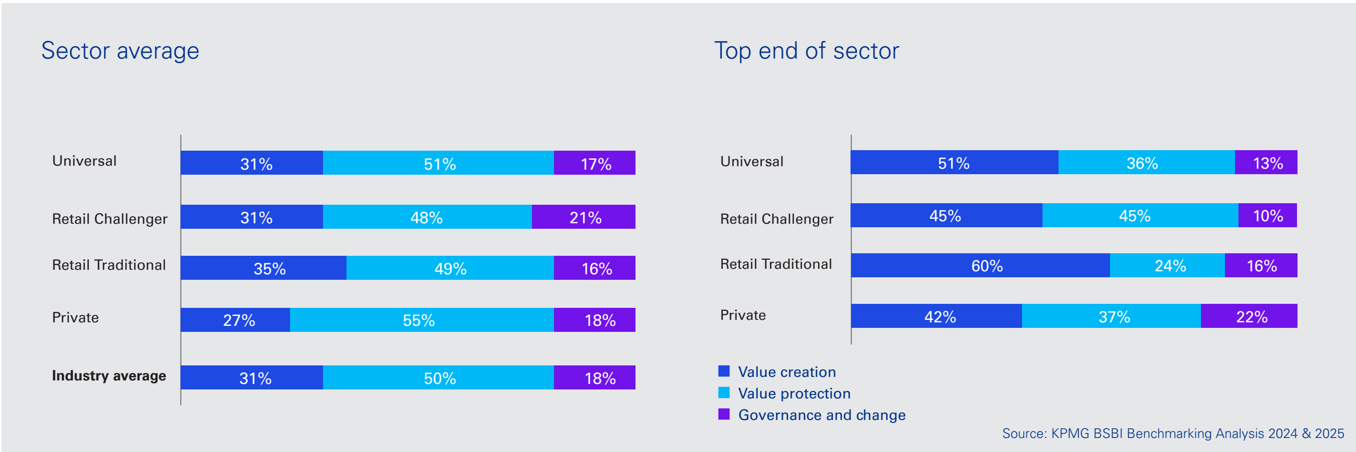
When assessing the Total Cost of Finance as a percentage of Total OpEx, Retail Banks are aligned to industry norm, while Challenger Banks are less efficient than the industry, driven primarily by higher non-FTE-related expenses. A similar trend is observed with Direct Costs of Finance as a percentage of Total OpEx, where Retail Banks generally incur higher direct costs in line with the industry average and Challenger Banks exceed this benchmark. Universal Banks, while generally in line with the industry average for overall finance costs, continue to stand out with the lower FTE-related expenses but notably higher IT-related costs.

When evaluating the Value of Finance, specifically the concentration of effort of Value Creation vs. Value Protection activities, we see that leading banks aim to achieve a 50:30 Value Creation to Value Protection ratio. This ratio is fundamentally driven by using an integrated data backbone that allows them to source and transform data once and use it everywhere. This coupled with automation enables these banks to optimize capacity. As observed in last year's publication, Retail Banks, in particular Challenger Banks, come closest to achieving this optimized balance, but comes at a cost of high finance-related expenses. The majority of banks continue to fall short of this balanced value ratio; however, we have observed that several organizations are actively shifting their efforts toward prioritizing Value Creation activities. This is especially true as the majority of banks operate on a cloud infrastructure and have spent time improving their data foundation.

Cost of finance



Value of finance

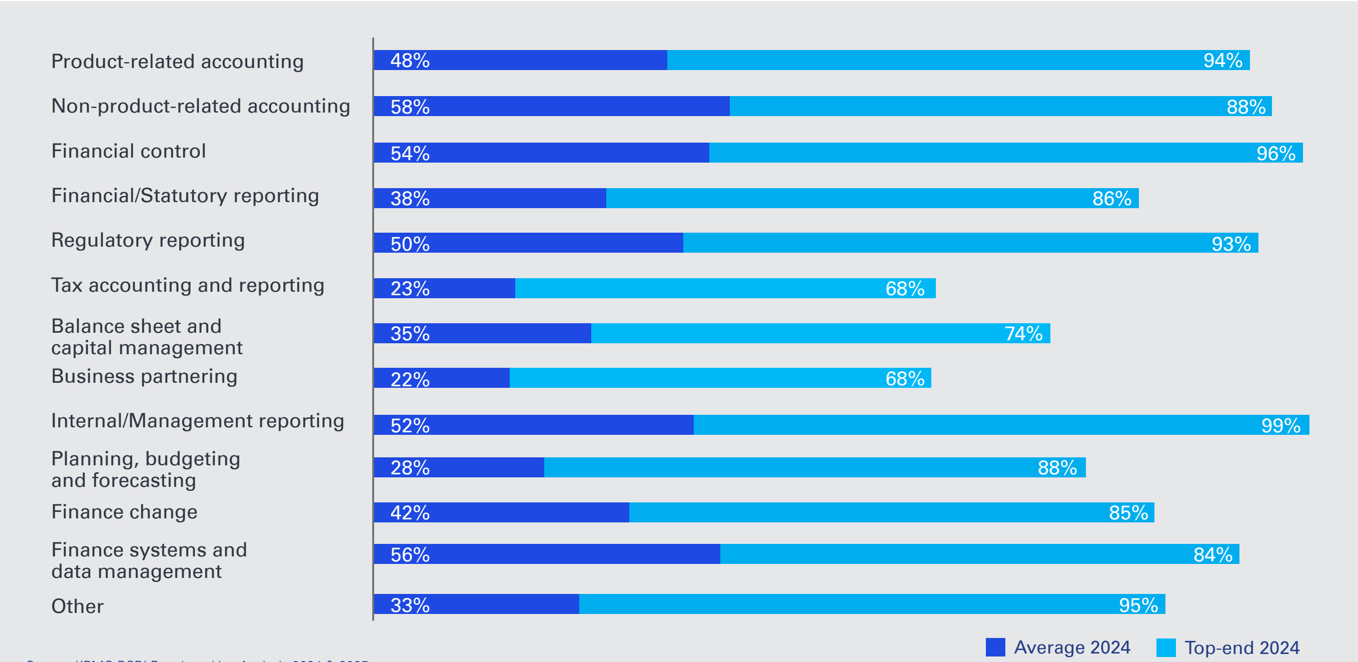


Banking Strategic Benchmarking Insights
FINANCE (BFFB)

Sourcing evolution

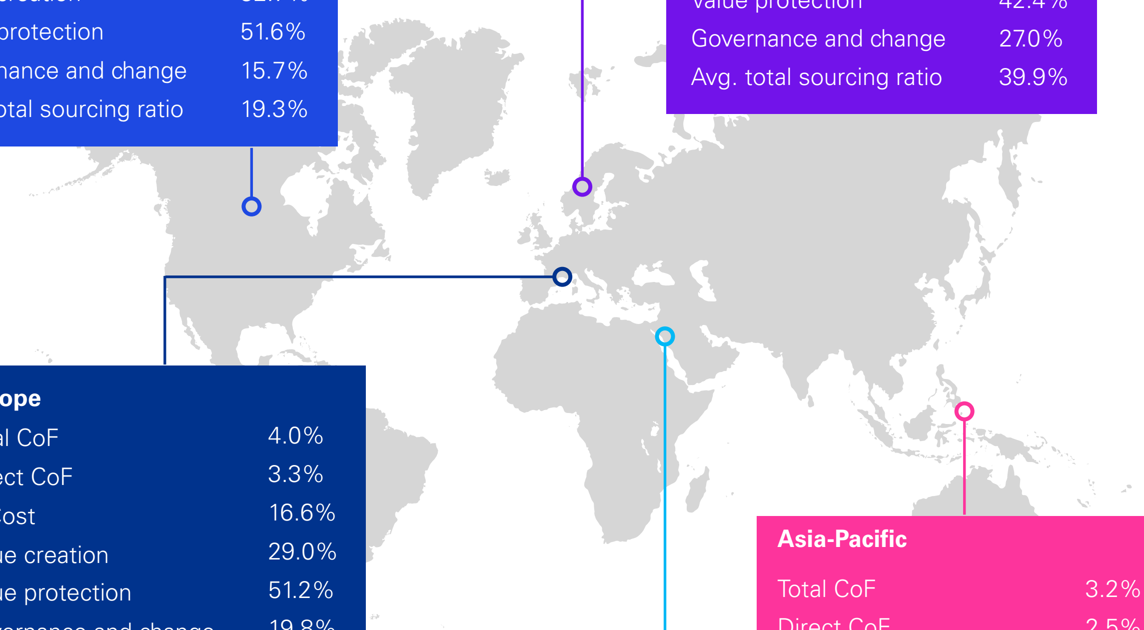
Average and best-in-class sourcing ratio by activity

Sourcing is the consolidation of organizational activities into shared services through onshore, nearshore, and offshore models, whether captive or outsourced, regardless of location strategy. When evaluating the average and top-end sourcing ratios by activity, we see the highest increase in average sourcing percentages for financial/statutory reporting, regulatory reporting and internal/management reporting. While many banks exhibit sourcing ratios above 55 percent, the data suggests that banks with the overall value index of 50:30 (Value Creation to Value Protection), typically have a sourcing ratio between 35 and 45 percent. Banks with centralization/offshoring ratios above 50 percent tend to exhibit diminishing value returns, as the scale of their offshore operations create a disincentive of e2e digital transformation. Leading banks, however, with leading sourcing ratios, are looking to re-transform their offshore capabilities – shifting from pure accounting operations to data-engineering operations, which drives them to re-think their location strategy.



Source: KPMG BSBI Benchmarking Analysis 2024 & 2025

Regional averages



North America

Total CoF	2.5%
Direct CoF	1.9%
IT cost	23.8%
Value creation	32.7%
Value protection	51.6%
Governance and change	15.7%
Avg. total sourcing ratio	19.3%

Nordics

Total CoF	4.4%
Direct CoF	3.1%
IT cost	28.9%
Value creation	30.7%
Value protection	42.4%
Governance and change	27.0%
Avg. total sourcing ratio	39.9%

Europe

Total CoF	4.0%
Direct CoF	3.3%
IT Cost	16.6%
Value creation	29.0%
Value protection	51.2%
Governance and change	19.8%
Avg. total sourcing ratio	34.3%

Asia-Pacific

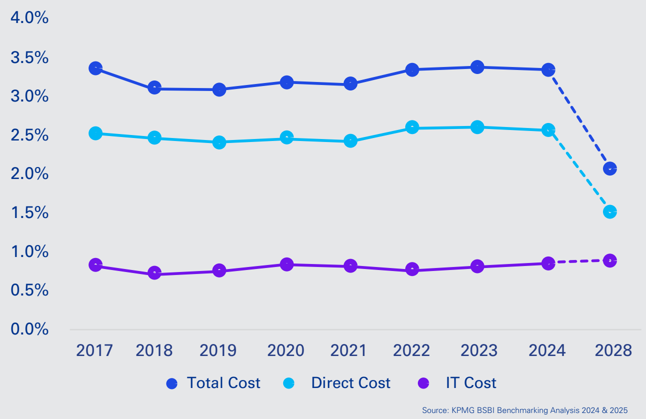
Total CoF	3.2%
Direct CoF	2.5%
IT cost	23.1%
Value creation	28.8%
Value protection	50.4%
Governance and change	20.7%
Avg. total sourcing ratio	41.0%

Middle East

Total CoF	2.5%
Direct CoF	2.1%
IT cost	16.0%
Value creation	31.7%
Value protection	61.1%
Governance and change	7.3%
Avg. total sourcing ratio	23.8%

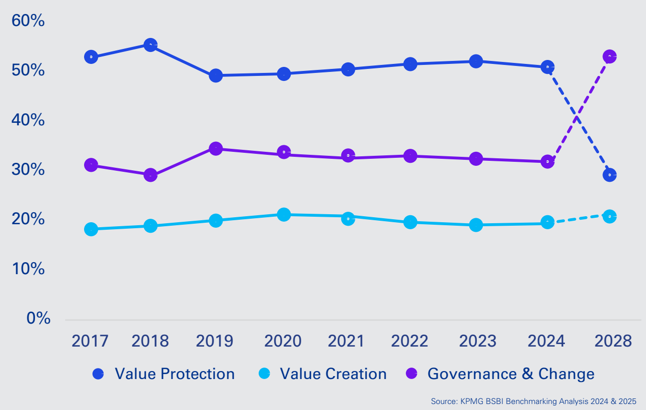
Finance trends

Cost of finance



The Average Total Cost of Finance as a percentage of Total OpEx has remained stable across the market. However, since 2021, we have started to see a gradual increase in both Total and Direct Costs, driven primarily by non-IT factors such as heightened regulatory requirements, increased reliance on third parties, and ongoing operational inefficiencies. Looking ahead, we are anticipating a reduction of these costs as banks accelerate investments in artificial intelligence, automation, and data integration. As these capabilities mature, finance functions should become more streamlined and scalable, reducing manual effort, improving decision-making, and delivering meaningful productivity gains. IT costs are anticipated to remain relatively steady overall, with the potential for modest near-term increases as banks continue to modernize and expand their technology foundations. Investments in cloud infrastructure, machine learning, and AI will require upfront capital; however, these expenditures are expected to be offset by longer-term efficiency gains, improved resilience, and reduced operating complexity as digital transformation initiatives fully take hold.

Effort concentration



Effort concentration across finance activities has remained relatively consistent in recent years. Value Protection continues to account for roughly half of total effort, while Value Creation has remained closer to a third. This ratio continues to reflect a finance function that is primarily controllership oriented and operating with sub-optimal levels of data integration in data model architecture.

Leading banks have begun to invert their Value Creation to Value Protection ratio, a shift driven primarily by more effective business partnering models and targeted balance sheet optimization initiatives. These banks have already largely addressed their data foundation and are now focusing on advanced analytics and spend most of their time on decision engineering. We predict, as banks continue to invest in data integration, automation, and advanced analytics, we expect these trends to accelerate across the industry. Over time, reduced manual effort in core controllership activities should create capacity for finance teams to play a more insight-led role that supports strategic decision-making and long-term value creation rather than primarily safeguarding existing value.

At the same time, the slight upward trend in Governance & Change reflects growing investment in transformation capabilities required to enable this shift.

Banking Strategic Benchmarking Insights
FINANCE (BFFB)

Cost of finance and sourcing ratio breakdown by sector

The table below provides a breakdown of each bank's sourcing ratio and cost of finance, including their FTE, non-FTE and IT-related costs, as percentages of their overall finance cost. Interestingly, while FTE-related costs form the bulk of total finance costs across the board, Retail Challenger and Private Banks see higher than average FTE-related expenses.

Sector	Bank	Region	Total cost of finance as a % of total OpEx	Direct finance cost as a % of OpEx	FTE costs as a % of total finance cost	Non-FTE costs as a % of total finance cost	IT cost as a % of total finance cost	RTB IT cost as a % of total cost	CTB IT cost as a % of total cost	Total sourcing ratio
Universal	1	North America	2.4%	2.1%	82.0%	4.0%	14.0%	-	-	58.7%
	2	Europe	4.4%	2.8%	50.7%	13.9%	35.4%	25.3%	10.2%	51.6%
	3	Europe	3.9%	3.4%	70.4%	16.7%	12.9%	6.9%	6.0%	53.9%
	4	Europe	4.9%	4.0%	57.3%	24.6%	18.1%	17.8%	0.3%	62.7%
	5	Asia	3.4%	2.7%	59.4%	18.5%	22.0%	17.8%	4.2%	52.1%
	6	Nordics	5.5%	3.4%	39.5%	22.9%	37.6%	22.6%	15.1%	34.3%
	7	Europe	2.7%	2.1%	45.4%	32.6%	22.1%	15.8%	6.3%	54.4%
	8	Europe	4.0%	3.1%	64.0%	13.0%	23.0%	23.0%	-	50.1%
	9	North America	2.2%	1.7%	68.0%	7.0%	25.0%	-	-	38.5%
	10	North America	2.0%	1.6%	69.6%	8.3%	22.1%	12.4%	9.7%	22.8%
	11	North America	3.6%	2.4%	51.2%	16.8%	32.0%	24.3%	7.7%	35.3%
	12	North America	3.2%	2.3%	45.4%	25.5%	29.1%	29.1%	0.0%	1.7%
	13	Europe	4.3%	3.0%	52.7%	17.0%	30.3%	29.5%	0.7%	6.6%
	14	North America	2.1%	1.7%	70.0%	8.0%	22.0%	14.3%	7.7%	4.6%
	15	Asia	2.8%	2.1%	64.2%	11.4%	24.3%	24.3%	-	29.9%
	16	North America	3.2%	2.3%	65.2%	5.1%	24.9%	26.7%	3.0%	-
	17	Asia	4.3%	3.8%	70.9%	16.7%	12.4%	7.1%	5.3%	-
	18	Asia	2.6%	2.1%	69.3%	10.3%	20.4%	15.3%	5.7%	-
	19	North America	1.6%	1.2%	61.3%	15.1%	23.7%	9.0%	14.7%	35.9%
	20	Europe	4.1%	2.9%	56.0%	15.0%	29.0%	14.8%	14.2%	58.8%
	21	Europe	5.1%	4.0%	69.3%	8.8%	21.9%	10.4%	11.5%	10.2%
	22	North America	2.0%	1.5%	67.8%	8.7%	23.6%	18.7%	4.9%	51.3%
	23	Nordics	6.0%	4.5%	49.4%	25.2%	25.4%	20.3%	5.1%	7.0%
	24	Nordics	2.4%	1.8%	54.0%	21.0%	25.0%	-	-	22.4%
	25	Middle East	2.7%	2.2%	46.1%	34.9%	19.0%	12.2%	6.9%	23.8%
	26	North America	1.3%	1.0%	60.1%	15.2%	24.7%	19.6%	5.1%	2.0%
	27	Europe	4.8%	3.4%	51.9%	19.4%	28.8%	11.1%	17.7%	0.7%
	28	Europe	6.0%	5.2%	59.4%	27.8%	12.8%	5.8%	6.9%	-
	29	North America	1.5%	1.0%	65.9%	3.3%	31.5%	23.0%	7.9%	-
	30	Nordics	3.4%	1.9%	47.5%	9.7%	42.8%	34.2%	8.6%	35.9%
	31	North America	3.8%	3.6%	19.0%	76.0%	5.1%	2.6%	2.5%	-
Sector average			**3.4%**	**2.6%**	**58.2%**	**17.8%**	**23.9%**	**17.6%**	**7.2%**	**32.2%**
Wealth, private and investment	32	Europe	2.5%	2.3%	76.3%	13.9%	9.8%	9.7%	0.1%	38.4%
	33	Europe	3.2%	2.8%	50.2%	35.3%	14.5%	12.0%	2.5%	-
	34	Europe	1.5%	1.4%	75.7%	15.7%	8.6%	6.2%	2.4%	-
	35	Europe	3.0%	2.4%	56.0%	25.0%	19.0%	15.0%	4.0%	-
	36	Europe	7.0%	5.8%	70.5%	11.8%	17.6%	14.7%	2.9%	9.0%
	37	North America	3.4%	2.5%	52.7%	20.6%	26.7%	22.7%	4.0%	66.6%
	38	Europe	2.9%	2.3%	66.8%	14.5%	18.7%	17.8%	0.9%	13.8%
	39	North America	2.0%	1.9%	78.0%	22.0%	0.1%	-	-	25.1%
Sector average			**3.2%**	**2.7%**	**65.8%**	**19.9%**	**14.4%**	**14.0%**	**2.4%**	**30.6%**
Retail traditional	40	Asia	3.0%	2.3%	64.0%	11.0%	25.0%	18.5%	6.5%	-
	41	Europe	2.8%	2.0%	59.6%	10.2%	30.2%	30.2%	0.0%	50.2%
	42	Europe	1.8%	0.9%	49.2%	0.5%	50.3%	32.7%	17.6%	57.8%
	43	Europe	2.7%	2.7%	96.2%	3.0%	0.8%	0.7%	0.1%	-
	44	Europe	2.2%	2.0%	63.6%	27.3%	9.1%	4.5%	4.5%	-
	45	Europe	2.8%	2.7%	55.6%	41.6%	2.8%	1.9%	0.9%	-
	46	Europe	2.8%	2.1%	67.4%	6.8%	25.8%	3.6%	22.4%	-
	47	Europe	3.4%	2.5%	54.9%	18.7%	26.4%	11.2%	15.2%	-
	48	Europe	6.0%	5.4%	49.0%	41.0%	10.0%	10.0%		-
	49	North America	2.8%	1.8%	50.7%	12.9%	36.3%	34.8%	1.5%	-
	50	Europe	2.7%	2.5%	65.2%	26.4%	8.4%	8.2%	0.2%	-
	51	Europe	3.9%	3.6%	85.7%	7.7%	0.7%	6.6%	0.0%	-
	52	Asia	3.0%	2.2%	58.8%	14.0%	27.2%	20.5%	6.7%	-
	53	Middle East	2.6%	2.3%	71.1%	17.6%	11.3%	11.3%	-	-
	54	Middle East	2.0%	1.7%	75.5%	9.9%	14.7%	11.7%	2.9%	-
	55	Nordics	3.9%	3.2%	65.6%	15.5%	18.8%	7.2%	11.7%	50.1%
	56	Europe	4.9%	3.3%	67.0%	0.0%	33.0%	0.0%	0.0%	-
	57	Europe	3.1%	2.7%	84.0%	3.6%	12.4%	10.3%	2.1%	-
	58	North America	4.4%	3.8%	58.0%	28.0%	15.0%	9.0%	6.0%	-
	59	Europe	3.9%	3.3%	76.7%	6.7%	16.7%	13.1%	3.6%	-
	60	Middle East	2.1%	1.8%	67.0%	17.0%	16.0%	9.0%	7.0%	-
	61	Europe	6.7%	3.6%	42.6%	11.4%	45.7%	29.6%	16.2%	-
Sector average			**3.3%**	**2.6%**	**64.9%**	**15.0%**	**19.8%**	**12.9%**	**6.3%**	**6.3%**
Retail challenger	62	Europe	3.0%	2.2%	64.0%	9.0%	27.0%	27.0%	0.0%	0.0%
	63	Europe	3.3%	3.0%	36.4%	53.0%	10.6%	10.1%	0.5%	0.5%
	64	Europe	6.8%	5.8%	64.4%	20.7%	14.9%	14.9%	0.0%	0.0%
	65	Europe	4.0%	4.0%	64.0%	36.0%	0.0%	0.0%	0.0%	0.0%
	66	Europe	3.0%	2.2%	56.9%	16.7%	26.4%	26.4%	0.0%	0.0%
	67	Europe	5.6%	5.1%	55.6%	36.6%	7.8%	5.8%	1.9%	1.9%
	68	Europe	3.9%	3.2%	72.0%	9.3%	18.8%	17.3%	1.5%	1.5%
Sector average			**4.2%**	**3.6%**	**59.0%**	**25.9%**	**15.1%**	**14.5%**	**0.6%**	**0.6%**
Industry average			**3.5%**	**2.7%**	**61.3%**	**18.0%**	**20.6%**	**15.3%**	**5.6%**	**5.6%**

Definitions of terms

1. **OpEx:** Operating expenses
2. **Direct cost:** FTE and non-FTE costs
3. **FTE cost:** Fully loaded staff costs
4. **Non-FTE cost:** Professional fees and other expenses
5. **Finance IT Run The Bank (RTB):** Includes infrastructure on cloud or on premise, application maintenance and licensing
6. **Finance IT Change The Bank (CTB):** Includes third-party consultants, licensing and infrastructure building cost

High
Low

Banking Strategic Benchmarking Insights
FINANCE (BFFB)

AI in finance: The new competitive edge

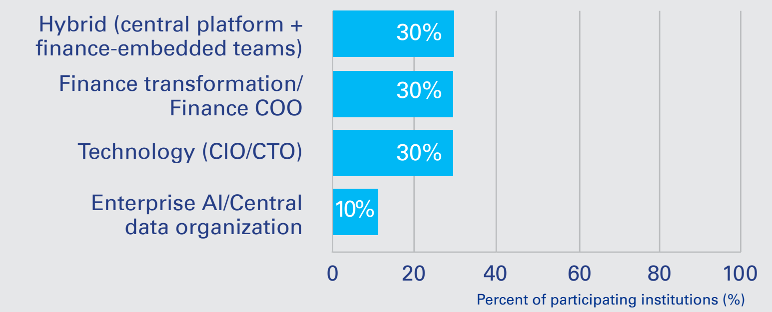
A survey of 10 leading financial institutions[1], including 8 G-SIBs, provided a directional perspective on how organizations are organizing, delivering, and measuring AI across four foundational pillars of governance, operating model, priority processes, and adoption maturity. The survey reveals a function in the early but active stages of AI transformation. Key takeaways include:

Decentralized ownership	There is no single dominant ownership model for AI in finance. Leadership is fragmented, with a mix of hybrid, IT-led, and finance-led approaches.
Part-time accountability	While accountability for AI in finance is established in most organizations, it is often a part-time responsibility, indicating that dedicated leadership is still an emerging trend.
Hybrid delivery is key	The most common approach to delivering AI is a hybrid model, combining the power of a central enterprise platform with the domain expertise of embedded finance teams.
Focus on core processes	The highest ROI from AI is currently seen in foundational finance processes, particularly reconciliations, variance analysis, and regulatory reporting.
Early-stage maturity	The vast majority of firms are in the “piloting” or “exploration” phase of their AI journey, with very few having scaled solutions across the enterprise.
Efficiency is the primary metric	Success is overwhelmingly measured by efficiency gains (cost savings and hours saved), with less focus on broader effectiveness or risk reduction.

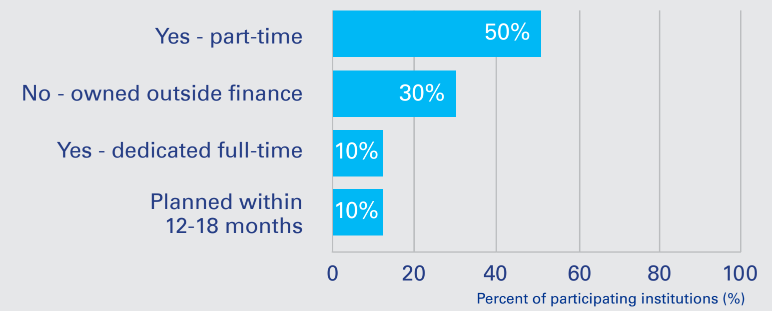
Insights and data #1 | Governance: Ownership is split, accountability is part-time

Firms are still experimenting with the right governance model for AI in finance. This suggests a period of organizational learning as companies continues to determine how to best align AI strategy with financial operations.

Q1: Ownership for AI delivery supporting finance



Q2: Accountable senior leader for AI across finance



KPMG insights

What does the market data tell us?

Many financial institutions are stuck in “pilot purgatory”:

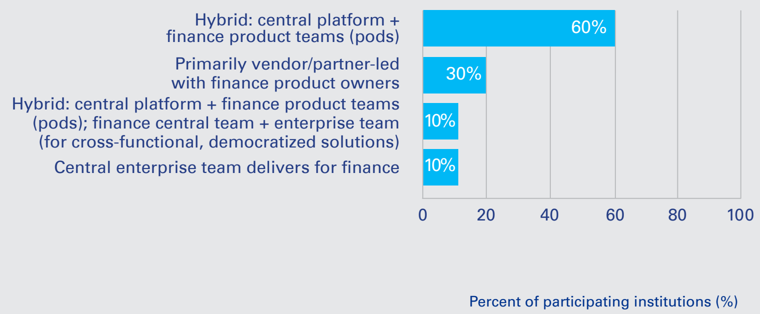
- Fragmented ownership
- Part-time accountability
- Slow scaling
- Efficiency-only value metrics
- Overreliance on core processes
- These are symptoms of deeper structural barriers, not lack of innovation

1. A KPMG survey provides a directional view of how peer Finance organizations are organizing, delivering and measuring AI for strategic advantage.
Source: KPMG US - Delaware, "AI in Finance: The new competitive edge" (March 2026)

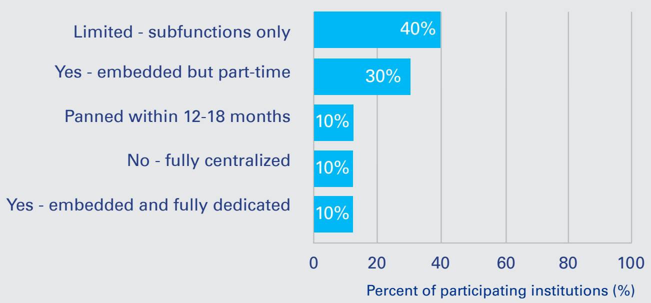
Insights and data #2 | Operating model: Hybrid pods lead the way

The "hub-and-spoke" model is the clear winner for delivering AI capabilities. This structure allows for centralized expertise and standards while empowering business-specific innovation.

Q3: Delivery model for AI capabilities for finance



Q4: AI/data specialist embedded with finance



KPMG insights

WAI-enabled finance: Why incremental progress is no longer enough

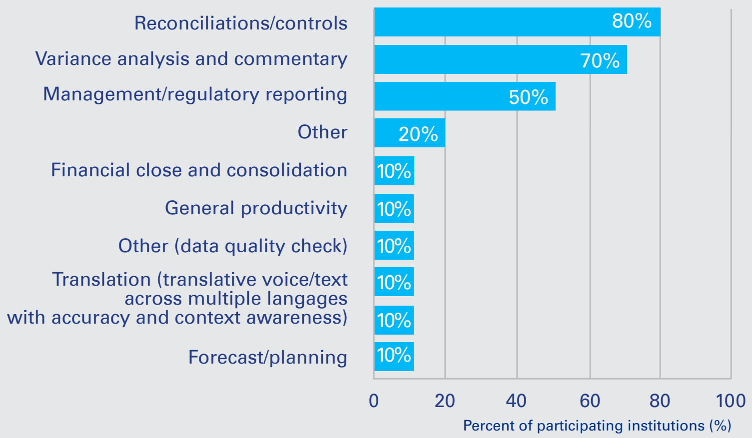
- A new blueprint for accelerating value, scaling impact, and reshaping the finance operating model.
- AI adoption in finance appears stalled, not because of technology, but because the operating model is outdated.
- Leaders who wait for clarity could likely fall behind those who build while learning.

Banking Strategic Benchmarking Insights
FINANCE (BFFB)

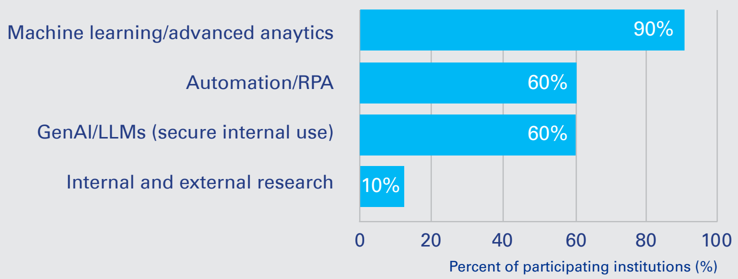
Insights and data #3 | Priority processes and capabilities: A focus on the core

The most significant value from AI is currently being realized in areas that are foundational to the finance function. This indicates a focus on automating and improving core operational tasks before moving to more advanced applications.

Q5: Finance process seeing most AI value today



Q6: AI capabilities actively used in finance



KPMG insights

How do you move beyond reconciliations and variance commentary?

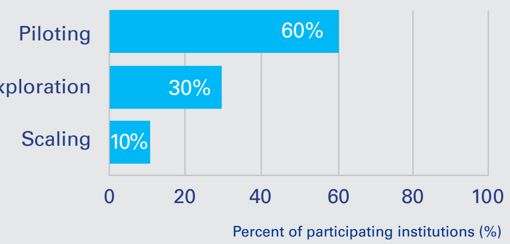
Develop priority use cases that unlock tangible value

- Forecast accuracy + scenario modeling
- Close with insight automation
- Real-time controls and anomaly detection
- Natural-language FP&A decision support
- These drive strategic impact – not just time savings

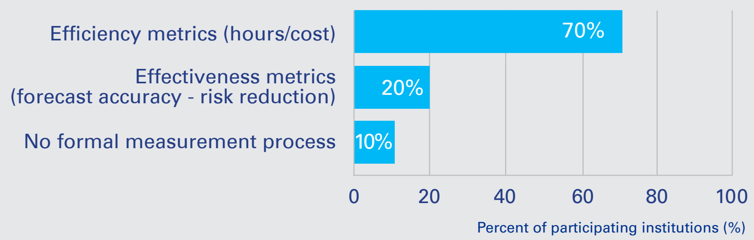
Insights and data #4 | Adoption and value measurement: Early days focused on efficiency

The "hub-and-spoke" model is the clear winner for delivering AI capabilities. This structure allows for centralized expertise and standards while empowering business-specific innovation.

Q7: Maturity of AI adoption within finance



Q8: How finance measures AI value



KPMG insights

What are the leadership imperatives?

- Incremental progress is no longer defensible.
- The competitive gap is opening now.
- C-level executives should own the transformation and demand accelerated execution.
- Those who wait may likely only achieve automation while competitors achieve advantage.

Generic AI creates capacity. Domain-specific AI reshapes finance

As AI adoption accelerates across finance, it is critical to distinguish between tools that can create capacity and those that can fundamentally change how finance operates. While generic AI is already delivering productivity benefits, domain-specific AI introduces a very different risk, governance, and value equation.

Generic AI features	Domain-specific AI features
Productivity enablement (10-15%)	Operating model transformation
Optimizes how finance work is done	Redefines how finance operates
Works around finance activities	Embedded within core finance processes
Drafting, summarization, insight generation	Close, forecasting, controls, compliance
Delivers incremental efficiency gains	Enables **structural performance shifts**
Low risk, human-reviewed	High risk, tightly governed
Errors are manageable	**"Mostly right" is unacceptable**
Accelerates delivery	Requires auditability, explainability, and control
Improves speed, not outcomes	Errors carry **material regulatory and trust implications**

Key takeaways

- Finance adoption lags other functions due to extreme risk asymmetry
- Human-in-the-loop governance is non-negotiable
- FP&A is the natural entry point (lower risk, higher business tolerance)
- Expect narrow pilots, disciplined scaling, and strong CFO oversight

What has been observed in the last 18 months

1. The technology behind AI works and is likely to be a game changer
2. So far, investments have delivered productivity improvements in pockets
3. The promise of dramatic impact on the business requires new thinking
4. Implementing use cases mostly delivers incremental value
5. Availability of high-quality data continues to be a gating factor

> Leveraging existing technology platforms, applications and connectors

Banking Strategic Benchmarking Insights
FINANCE (BFFB)

Finance domain AI can be a game changer but not a silver bullet

Finance domain AI has the potential to be transformative but only when built on the right foundations. Unlocking sustainable value from domain-specific and agentic AI requires deliberate changes to processes, data, technology, and skills. Leading organizations are approaching this as an operating-model transformation: modernizing data foundations, redesigning end-to-end finance processes, and integrating automation, machine learning, and agentic AI into core workflows. Success depends as much on people and governance as on technology, requiring disciplined process mapping, targeted pilots to validate value, and sustained investment in data literacy, digital skills, and cross-functional collaboration.

Transformation is a mix of automation, agentic AI and ML

Generic AI Productivity tooling can help **generate capacity**. Domain-specific use cases can make core finance processes more efficient as well as **enhance strategic insights**. Such technology solutions may involve orchestration, traditional automation, ML and agentic AI and should integrate seamlessly with legacy platforms.

> Finance is likely to be smaller, smarter, faster, better integrated and more strategic.

Foundational data modernization is a critical prerequisite

The success of AI initiatives is critically dependent on a modern and robust data foundation. Current processes rely heavily on legacy platforms. Unifying the data model will be key to scaling AI. Leading organizations create an integrated backbone through data products with authoritative data ownership, lineage and overall data governance.

AI/agentic requires process mapping and redesign

The path forward requires mapping existing processes, identifying inefficiencies, defining AI/agentic requirements and sizing expected benefits and costs of development and integration to form a holistic strategy. Launching select pilots early can bring value forward, while at the same time serve to validate business case assumptions across all future use cases.

Training and adoption is as important as technology and data

The transformation is as much about upskilling people and enabling an AI culture as it is about technology. Focus should be on upskilling data literacy and digital acumen across teams and levels, as well as bringing in intellectually curious talent from the business, technology and the market. A culture of cross-functional collaboration, empowerment and experimentation should be supported with leadership buy-in.

What does the future look like if you are successful?

1.	**Most of today's finance activities will be AI-enabled**
	Finance workforce will shrink and reshape, driven by new AI tech
	Human-in-the-loop oversight
	Reimagine talent strategies with new skills
2.	**Traditional functions are likely to converge, giving rise to smaller teams with bigger outputs**
	From silos to synergy – focus shifts to strategic outcomes and value
	Smaller, more agile teams – more responsive to business needs
	Outcome-oriented operating models, with integrated processes
3.	**AI becomes the modern enterprise operating system**
	Continuous automated processes with real-time decision agility
	Embedded intelligence making finance "invisible"
	Unified, integrated, high-quality data forms the backbone
4.	**Criticality of controls increases as agents amplify enterprise risk**
	Controls become backbone of trust and accountability
	Risk management radically shifts from reactive to proactive to autonomous
	Controls enable auditability and transparency in autonomous decision-making
5.	**Profile and career path of finance professionals is dramatically shifted in this new world**
	Shift from reporting to real-time orchestration/decision-making
	Career path is no longer straight up through finance both more of a "lattice"
	Profile shifts from F&A foundation to intellectual curiosity

GSIB focus of AI investment

At the BFFB CFO Roundtable in April 2025, CFOs of European and US G-SIBs made it clear: AI is about capacity and speed to insight, not cost take-out. Yet for core controllership, innovation remains tightly anchored to cloud ERP vendor roadmaps.

GSIB Voice

FP&A Led

Been there done that. Works well, will keep on doing more

Progressive

Use case focused on enterprise value creation

Net-new capability. Will invest to develop speed to insight

Example: Intelligent forecasting using ML models

Example: Mkt research, investor and annual report co-authoring using LLMs

Non-agentic

ML analytic-driven insights out of structured data sets (external and internal). Usually augmenting existing systems and applications

Gen AI/agentic

AI that acts on prompts, autonomously advises and adapts to achieve goals. Usually standalone AI leveraging Co-pilot and LLM tech

Example: Ledger monitoring, recs using anomaly detection

Example: Accounting policy assistants using LLMs

Controllership Led

Will not innovate. Will follow ERP vendor product development roadmap

Defensive

Use case focused on enterprise value protection

Net-new capability. Will invest to develop speed to insight

Implementing AI in Finance: Suggested steps to success

A. Develop a holistic strategy for finance

Vision and governance
Leverage an external benchmark and understanding of the wider organization to define the goals and guardrails of the AI strategy

Opportunity prioritization
Assess the existing backlog of AI capabilities and prioritize through a repeatable, value-centric framework

Delivery model
Define the roles, responsibilities, and operating model to support AI projects from initial intake through post-deployment support and maintenance

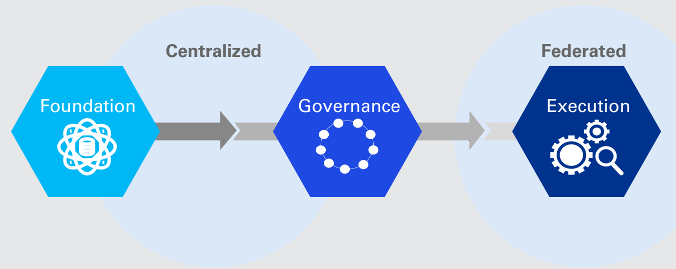
Execution model
Develop a tactical roadmap to implement the strategy through a series of discrete initiatives to enable capabilities and activate the delivery model

Technical capabilities
Architect the reusable assets to be developed in execution of the strategy to enable improved speed to market and maintainability of AI use cases

Value realization framework
Evaluate and tune value realization framework for AI projects to enable rapid value case development for each finance subfunction

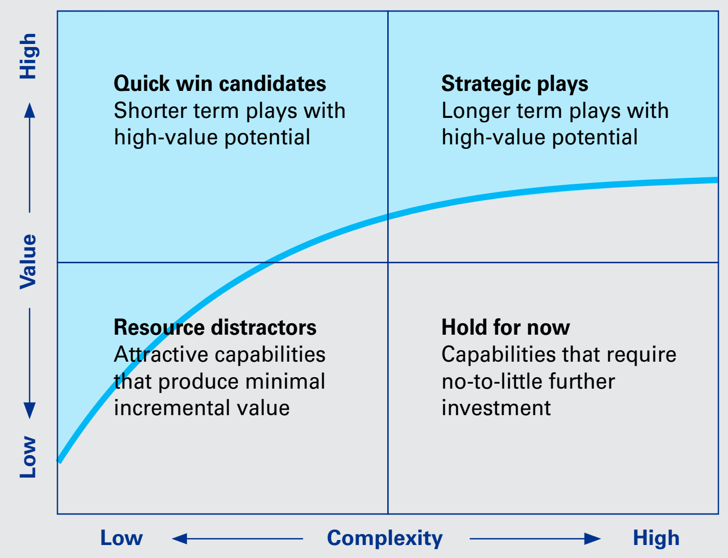
B. Adopt a CoE approach but federate execution to each subfunction

A central team should coordinate foundational initiatives and create governance to increase use of standard patterns and tools



The central team and the business and functions should collaborate in a federated manner to start executing on the development of prioritized technology solutions

C. Structured opportunity prioritization



Complexity

Data privacy
How sensitive is the data landscape?

Data quality
What is the quality of your data sources?

Data access
How easily accessible is the data you need?

Model usability
To what extent is there a model ready for use?

Value

Economic value
What benefits are realized by this use case?

Generative accuracy
How accurate to the results need to be?

Risk

Business impact/competitive advantage
How scalable is the impact to the business?

Generative security
How secure does the information need to be?

D. Clear principles for finance data management

Reduce data silos

- Ensure the finance data lake is established by leveraging integrated enterprise data governance standards
- For the finance use case, leverage/enhance enterprise business information model and establish a defined set of enterprise conformed business entities to facilitate multidimensional data querying and exploration

Reduce point-to-point solutions

- Avoid multiple paths for GL data flows to finance data mart and reports
- Use of existing enterprise standard real-time and near real-time capabilities to support following the defined set of architecture patterns

Integrated data supply chain

- Standardize data formats and protocols for seamless data integration and interoperability
- Leverage enterprise governance capability and data quality framework for comprehensive data governance and compliance, integrated with enterprise data products strategy

AI-first thinking

- Seek to ensure AI solutions are understandable as to how and why recommendations are made or conclusions drawn
- Adhere to cloud and data platform capabilities and use cases driven from the integration of finance, customer, account, transaction, and channel data

Optimize efficiency

Reduce cost of finance data ownership

Strengthen regulatory compliance and reduce risk

Increase trust with regulators

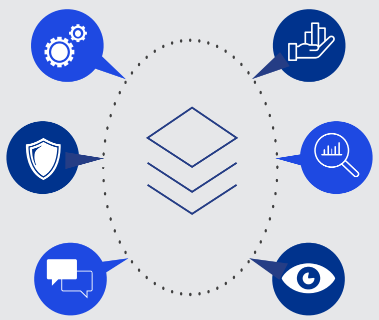
E. A data product architecture

KPMG defines data products as curated data sets where data is gathered from multiple sources, transformed and quality-certified to deliver trusted, timely data to the business. The data product value lies in its ability to be reused for multiple solutions or applications, as well as monetized. Delivery in a data marketplace dramatically impacts the value delivery and sustained adoption.

Data products:

- Use data as the core ingredient
- Are reusable and have been activated for use once certified
- Have a customer, for whom it brings value and serves a purpose
- Are curated for the target audience

AND THEY SATISFY THESE SIX CRITERIA:



Interoperable
Is the data keyed according to our standards and is it well-documented in the data marketplace?

Secure
Am I seeing only what data I should, and not at risk of violating data regulations or company policy?

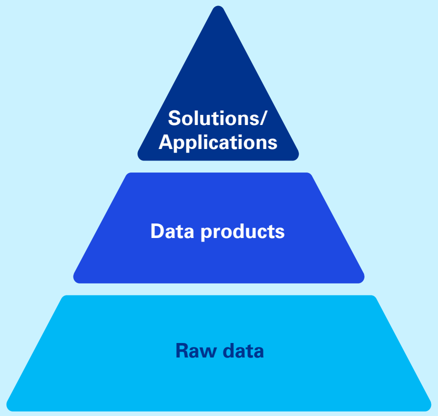
Self-describing
Do I understand how to use the data, what its strengths and weaknesses are from the marketplace description?

Trustworthy
Is there an SLA and can I count on it? To whom do I escalate if there are problems with the data or my access?

Addressable
After I'm approved for access, can I consume it via reporting and dashboards, call an API directly, or provision it to my sandbox?

Discoverable
Can I find it in the data marketplace?

A solution is an amalgamation of data products, wrapped in an appropriate delivery vehicle, i.e. APIs, dashboards, etc.

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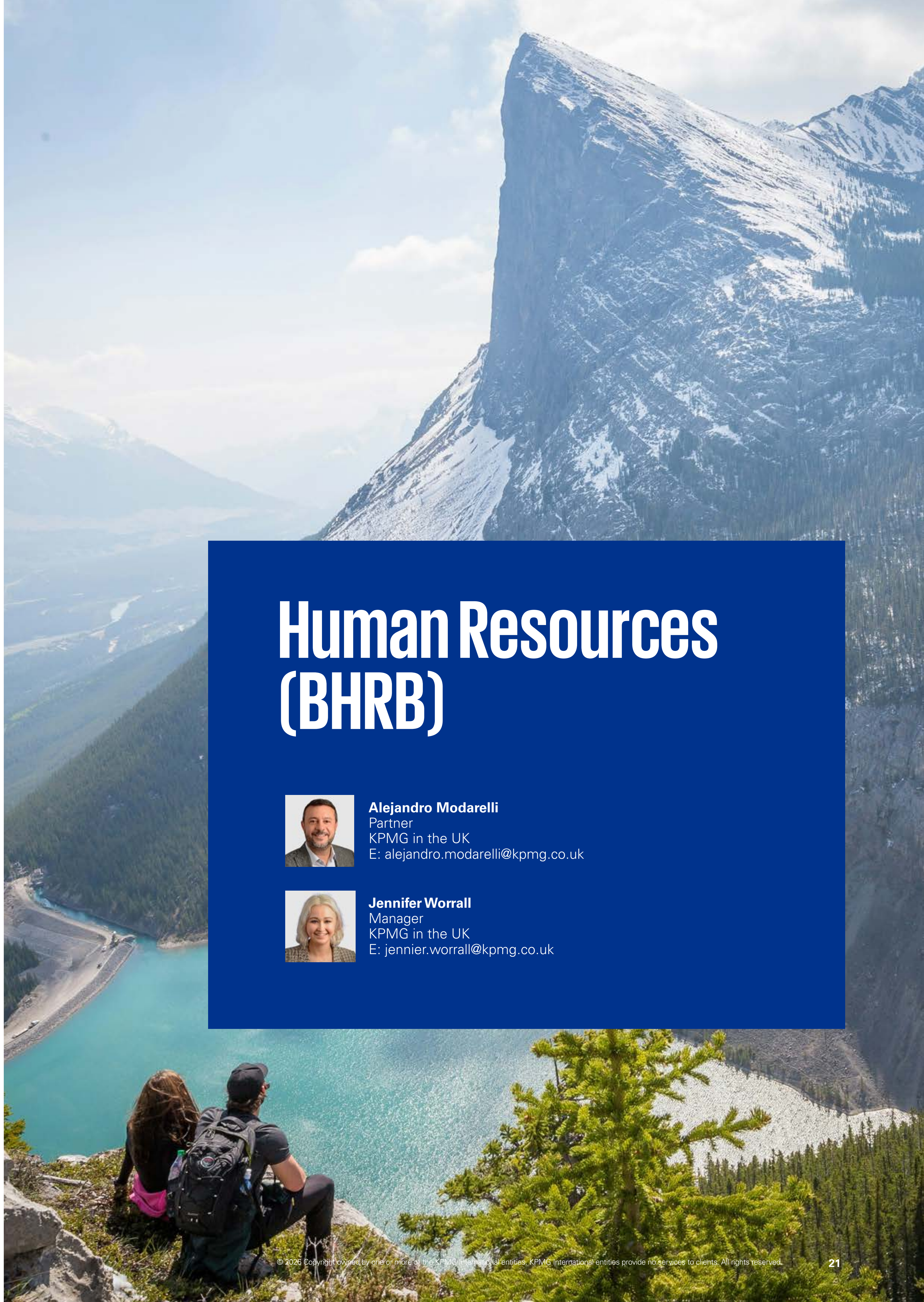

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Banking HR's reset: Platforms, AI and the diamond workforce

Future-ready people: Workforce shape, capability and resilience

Banking HR functions, and in turn, their workforces, are entering a new era, one defined by structural shifts, rising expectations and accelerating change. Economic volatility, regulatory intensity, rapid digital adoption and evolving employee demands are converging at pace, reshaping what banks need from their people and what employees expect in return.

Our benchmarking shows these forces are surfacing globally across banking institutions, signaling a shared need to rethink how workforce value is created and sustained. As banks strive to balance stability with long-term capability, HR leaders are being called to design resilient, cost-effective and experience-led people strategies that can carry their organizations through this transition.

Those that modernize career pathways, integrate HR platforms and deliver employee-centric experiences should not only withstand the pressures ahead — they should set the standard for performance in an increasingly competitive financial landscape.

Strategic priorities: Employee experience continues to rank

Employee experience (EX) is again one of the highest impact priorities for banking HR leaders, with our benchmarking population ranking Employee Experience & Engagement as their top strategic priority for the next 12 months, a consistent theme in HR agendas over the last 3 years. This places EX above performance management, talent, workforce transformation, and even HR technology investments.

With talent markets tightening and hybrid working now the norm, many organizations are shifting focus toward what genuinely drives retention, productivity and culture. At the same time, economic and political pressures have pushed ESG and D&I further down the priority stack, creating sharper choices about where investment delivers the greatest value.

This means banks should be focusing on initiatives that:

- Build digital-ready HR capabilities and strengthen data-driven decision-making
- Modernize learning and reskilling capability to close future skills gaps
- Prioritize employee experience and engagement as a top strategic imperative
- Embed AI and automation to improve employee experience, productivity, and service quality
- Strengthen leadership and consultative capabilities to improve the quality of people management and experience

HR should design an integrated experience strategy — one that connects capability building, hybrid working, mobility, culture and wellbeing into a coherent, system-led experience. Organizations that succeed are likely to be those that retain specialist skills, reduce attrition risk and build the workforce resilience needed for the next phase of sector transformation.

Workforce shape: A shift from pyramid to diamond workforce structures

HR functions are gradually moving away from traditional pyramid hierarchies — characterized by a broad base of junior roles — toward more diamond-shaped structures, with a larger concentration of mid-level specialists and fewer routine tasks carried out by entry-level staff.

This shift is driven by:

- Increased technical and regulatory complexity
- Demand for mid-career talent with deeper expertise
- Reduction of administrative activity due to automation

Our HR benchmarking validates this trend, showing that banks with more "diamond-shaped" workforces are better positioned to meet rising capability demands, maintain productivity, and adapt to regulatory and digital pressures. For HR leaders, this reinforces the need to redesign career pathways, rebalance hiring strategies, and invest in targeted capability development to build a workforce that can continuously adapt to changing skills demands, absorb operational and regulatory shocks, and sustain performance over time, all while safeguarding employee experience and the human impact of this evolving model.

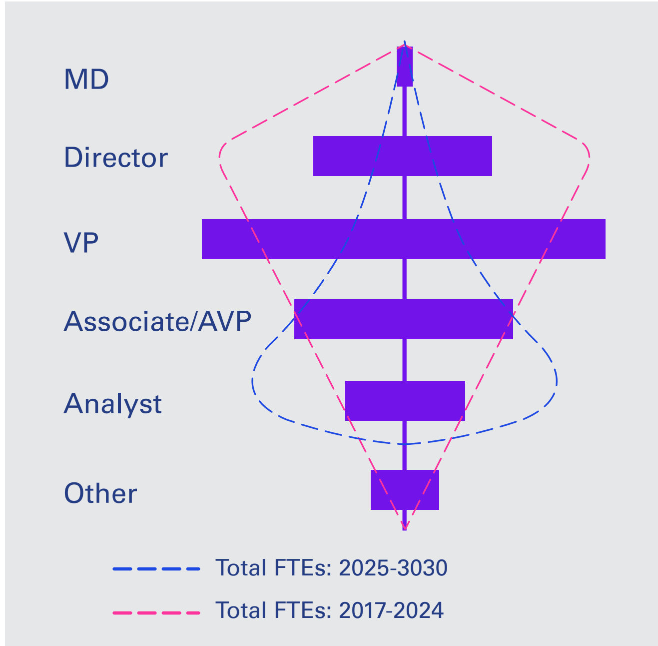

Figure: Schematic model showing decreased reliance on junior routine roles and an expanded specialist middle.
Source: KPMG HR Benchmarking Report 2025

Platforms and productivity: HR technology investment continues rising

Market research indicates the global HR technology market will grow from USD40.45bn (2024) to USD81.84bn by 2032 (The Access Group, 2025). Our benchmarking exercise also shows a surge in the HR cost base, with the HR cost as a percentage of operating expenses (OpEx) up 28.6 percent and HR budget per employee increasing by 33.9 percent since 2023, year-on-year. Across industries, HR typically accounts for ~1.3 –1.5 percent of OpEx; in banking our benchmarking shows an average of ~2.1 percent given regulatory and complexity overheads. For banks actively integrating HR platforms, we expect a temporary build-phase band of ~2.5–3.5 percent, before stabilizing to ~1.8–2.6 percent as automation, self-service and shared services take hold. This reflects a strong investment in learning platforms, analytics, cloud HR suites, compliance automation and employee-experience technology, meaning banks are prioritizing systems that:

- Integrate payroll, performance, learning and analytics
- Reduce compliance risk through policy automation
- Improve auditability and workforce insights
- Support hybrid and distributed teams

HR leaders report that technology consolidation is becoming essential, as legacy and fragmented systems increase

complexity and cost. Fragmented HR systems are now a material barrier to productivity, inflating OpEx, slowing decision-making, and limiting workforce insight. For leading HR functions, consolidating platforms is no longer a tech optimization exercise; it is a strategic lever to reduce operating costs, improve compliance, and create a single source of truth for workforce planning and employee experience.

AI in HR: Growing use of automated and conversational tools

AI is a contextual driver across all of our HR benchmarking themes, with its growing influence across financial services difficult to ignore. What began as small-scale trials in areas such as compliance monitoring, employee enquiries and document-heavy process enhancement has now become a routine part of how leading HR teams operate.

This shift is reflected in sector data, showing that the use of conversational tools and digital assistants among UK financial services employees increased from 35 percent in 2023 to 62 percent in 2024 (Internal Benchmarking Report, 2024).

While many parts of the organization are still exploring limited and tightly controlled use cases, HR teams are already applying AI in recruitment, learning, workforce planning and employee support. In several of our benchmarking organizations, HR has effectively become the early testing ground for the wider transformation that AI is beginning to trigger across the enterprise.

Even with this momentum, the move from experimentation to true scale remains uneven. Many organizations have promising activity underway, but few yet have the data foundations, governance structures or measurement approaches needed to sustain productivity improvements. Without specific visibility of AI-related spend, changes in full-time equivalent allocation or clear evidence of role impact, the link between investment and outcome remains difficult to articulate.

For HR teams, the rise in AI adoption across financial services is more than an operational enhancement. It reflects the beginning of a more profound shift in how the function supports the organization. As firms adapt to evolving role structures, new career pathways and increasingly specialist workforce needs, AI is becoming a central mechanism for connecting policies, employee expectations and operational delivery. Banks should now shift from experimenting with AI to embedding these tools into the day to day operations of their functions, building repeatable workflows, governance, and capabilities that turn pilots into sustainable, scaled outcomes. To be a HR "Pathfinder" on this AI adoption journey, banks should consider defining value early, tailoring use cases to real personas, activating leaders and champions, and delivering role-based training. This ultimately should help the future target operating model, design and experience-led HRIS architecture, and predict the skills of the future.

2025 and beyond

The forces shaping 2025 signal new chapter for banking HR functions. Looking ahead, banks are likely to face continued pressure to build more resilient, capability-led and experience-driven people functions. Smarter use of data, AI and automation is likely to be critical to anticipating workforce needs, managing people risk and improving decision-making at pace. Workforce models could continue to shift away from rigid role structures toward skills-based, diamond-shaped organizations, supported by modern career pathways and internal talent marketplaces.

At the same time, employee expectations for personalized, intuitive experiences could rise, while HR operating costs are likely to remain elevated in the near term as banks invest in platform consolidation, analytics and capability. Alongside this, regulators and leaders are likely to place greater scrutiny on fairness, transparency and workforce resilience.

What should banks start thinking about now?

- **Shift to skills, not roles**
  Redesign workforce models around skills and specialist capability, not fixed job titles — using clearer pathways, internal mobility and talent marketplaces to build resilience and reduce dependency on junior, routine roles.
- **Fix the data and platform foundations**
  Consolidate fragmented HR systems, strengthen workforce data and move AI from pilots into day-to-day use cases that improve insight, productivity and decision-making while controlling cost and complexity.
- **Design experience with cost and risk in mind**
  Deliver more personalized, intuitive employee experiences, while planning for sustained HR OpEx pressure and increased scrutiny on fairness, transparency and people risk.


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1. Article title: "New study by Top Employers Institute reveals how Gen Z is shaping the future of work"
Source: Top Employers Institute, September 19, 2024.
2. Article title: "HR trends in financial services 2025: Digital HR transformation at scale"
Source: The Access Group, October 16, 2025
3. Article title: "Workforce Preference Barometer 2025: Beyond Mandates – The Future of Hybrid Work"
Source: JLL, September 9, 2025
4. Article title: "Digital Finance & Fintech"
Source: World Bank Group, 2025
5. Article title: "HR Trends in Financial Services 2025"
Source: The Access Group, October 16, 2025

Risk (BRFB)


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Banking Strategic Benchmarking Insights
RISK (BRFB)

Management summary: R&C is transforming in times of uncertainty and instability

Banks are increasingly recognizing the need to focus on reducing costs/increasing efficiency in today's politically and economically uncertain environment. The tumultuous geopolitical landscape increases the focus on exposures to third parties and other related risks, while the stagnating economic environment and continued tight labor market for skilled labor exert financial pressures. In particular, geopolitical turbulence, inflation and fiscal vulnerabilities have put the global economy on an uncertain path.

Banks are confronted with the challenge of adopting new technologies, including artificial intelligence, in a targeted manner and integrating them into their compliance and risk management processes. At the same time, they should develop a thorough understanding of the associated risks and ensure these remain manageable. This dual responsibility requires careful strategic planning and continuous adaptation to both technological advancements and the evolving risk landscape. The need for skilled labor remains high, as banks see the need for technological transformation, such that pressure on personnel costs remains elevated.

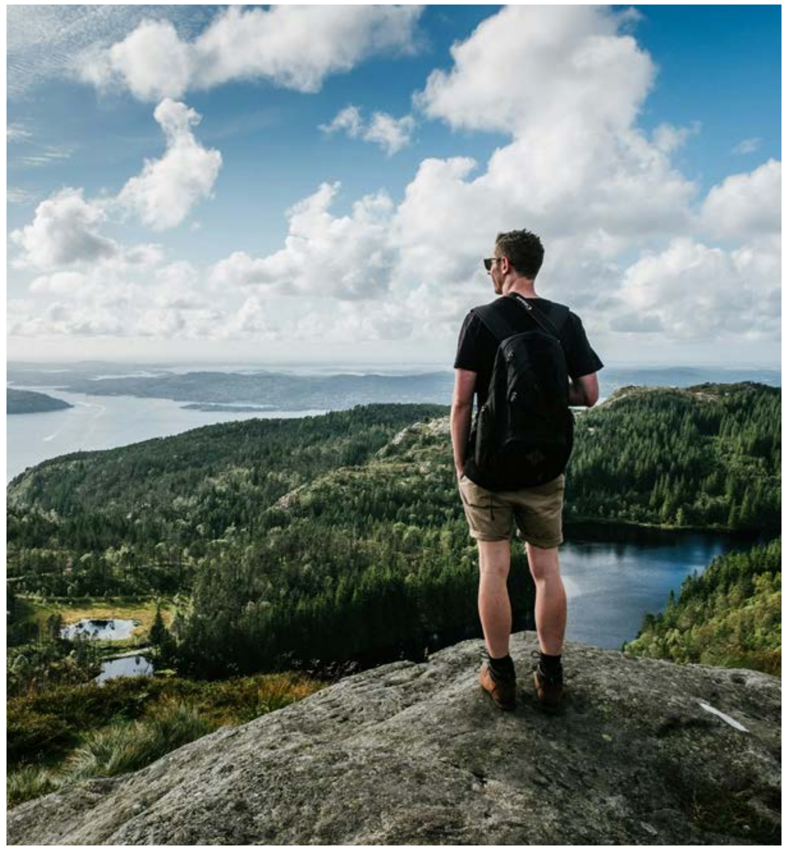
Against this backdrop, many banks are reassessing their priorities in risk and compliance. Areas with ongoing or emerging regulatory expectations still require substantial investment, particularly where existing requirements have not yet been fully implemented. In more mature risk areas, where regulatory pressure is stabilizing and internal capabilities have strengthened, institutions are increasingly pursuing more cost-efficient and resource-efficient operating models. Investments are focused on procedural and technological enhancements to improve the effectiveness and efficiency of the risk and compliance function, especially in credit risk and compliance, as explored later in this paper. In addition, the CRO is expected to integrate the industry's leading megatrends, emerging risk, digital operations and digitalization, and evolving regulatory demands.[1] Many banks view the use of artificial intelligence for process optimization as a long-term opportunity, though identifying concrete use cases remains challenging. In contrast, some areas, such as non-financial risk, continue to be shaped primarily by regulatory developments.

Our global benchmark of the risk and compliance function seeks to capture these dynamics and provides senior risk managers and compliance officers with additional insights.

It collects responses from small, medium and large-sized banks across the world, especially Asia, Europe and North America. Given the wide variety of participants, the results represent the overall industry trends and give an indication for future focus topics and developments.

The following key observations summarize the most relevant trends emerging from our benchmark analysis:

- The risk function is shrinking relative to the compliance function, a change strongly driven by credit risk.
- Banks are reducing personnel and the associated costs in the (credit) risk function.
- Banks are facing increased cost pressure in the compliance function due to growing personnel costs.
- The NFR function shows stable growth and its development is driven by current events and regulations.
- AI has shown broad adoption across banks, but identifying business cases remains the key challenge.



1 Detailed analysis available in our separate megatrend study Future of risk in banking

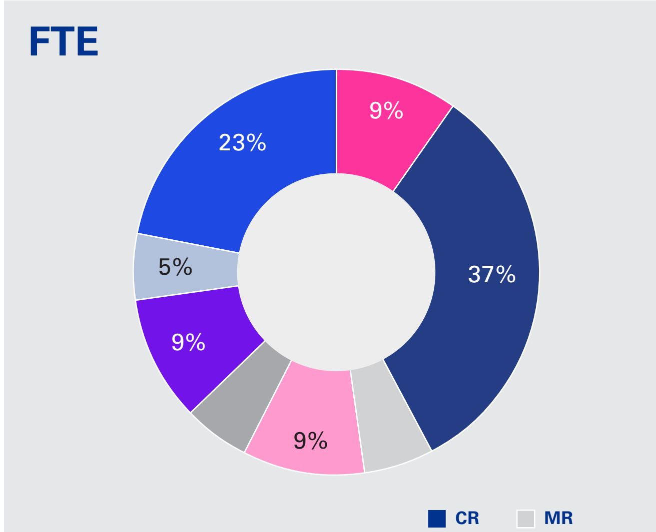
Overview of FTE in risk and compliance

The risk function is shrinking while the compliance function is growing

The development of the different functions is heterogenous, depending on their level of maturation and the regulatory environment. The functions of credit risk and compliance still comprise the highest number of FTEs within the risk and compliance function, although a clear trend toward FTE reduction in credit risk is already observable. Notably, credit risk and compliance are two of the functions where banks most frequently indicated their intention to change their organizational structure.

While credit risk made up 45 percent of the total FTE in our last benchmark, the proportion has fallen to 37 percent this year, a result that is robust to different peer group specifications, demonstrating that FTE reductions are already underway. Compliance has made up most of credit risk's loss in relative FTE, increasing from 15 percent to 23 percent, suggesting an upwards trend in the number of FTE in this area. This reveals a continued high need for personnel in this area.

Overall, the data shows a clear shift in priorities: as credit risk functions streamline, banks are ramping up compliance capacity to address mounting regulatory pressure.



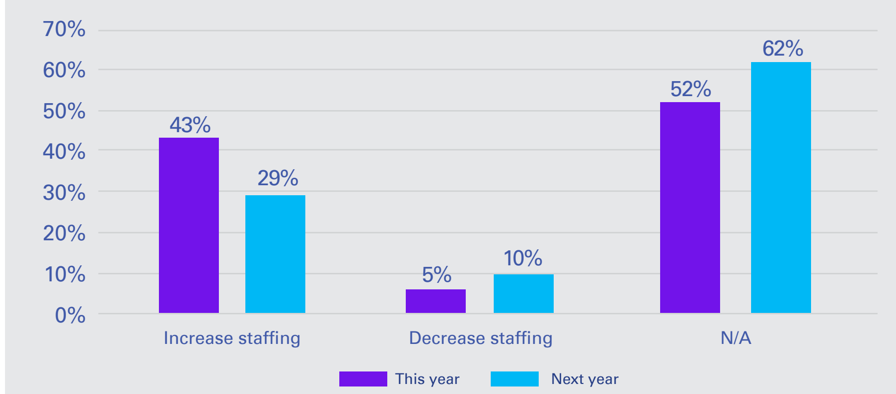
Analysis of the distribution in the current benchmark

Source: KPMG BSBI Benchmarking Analysis 2024 & 2025

The NFR function shows a stable, albeit decelerating growth in FTE

NFR shows a slight increase in the share of FTE, increasing from 6 percent to 9 percent this year. This reflects that regulatory requirements are still in the process of being fulfilled and that a relatively higher number of personnel are needed to address these new challenges. Furthermore, the importance of emerging risk has increased, and banks need to increase their FTE in this area to respond. Indeed, banks on average intend to continue increasing the number of FTE in NFR, though less banks intend to do so in 2026 than in 2025. Accordingly, NFR was cited along with compliance and credit risk as one of the areas where banks in our benchmark intend to pursue changes to their organizational structure the most. The steady but slowing expansion of NFR indicates that institutions are reaching a more mature stage of regulatory implementation, yet still face rising exposure to emerging risks. This suggests that banks are recalibrating their operating models to balance regulatory fulfilment with the need for more agile, forward-looking risk capabilities.

Beyond that, the share of FTE remains relatively stable. Market risk, enterprise risk, quantitative risk analytics modeling, COO function and other functions reveal insignificant deviations to the previous benchmark.



Banks' plans for staffing changes in NFR in 2025 and 2026

Source: KPMG BSBI Benchmarking Analysis 2024 & 2025

Trends in the risk function

Banks are reducing personnel/recruiting costs and investments

The average cost structure of banks shows that the proportion of costs made up by personnel is trending downwards. Whereas personnel/resourcing costs made up on average 72 percent in the risk and compliance function previously, that share has decreased to 67 percent in this year's benchmark. While this may in part be explained by cost reductions, it is more likely an indication that banks are gradually reducing their total FTE for the risk and compliance function. Given the previously shown upward FTE trends in the compliance function, these reductions in personnel costs are expected to be within the risk function, credit risk in particular.

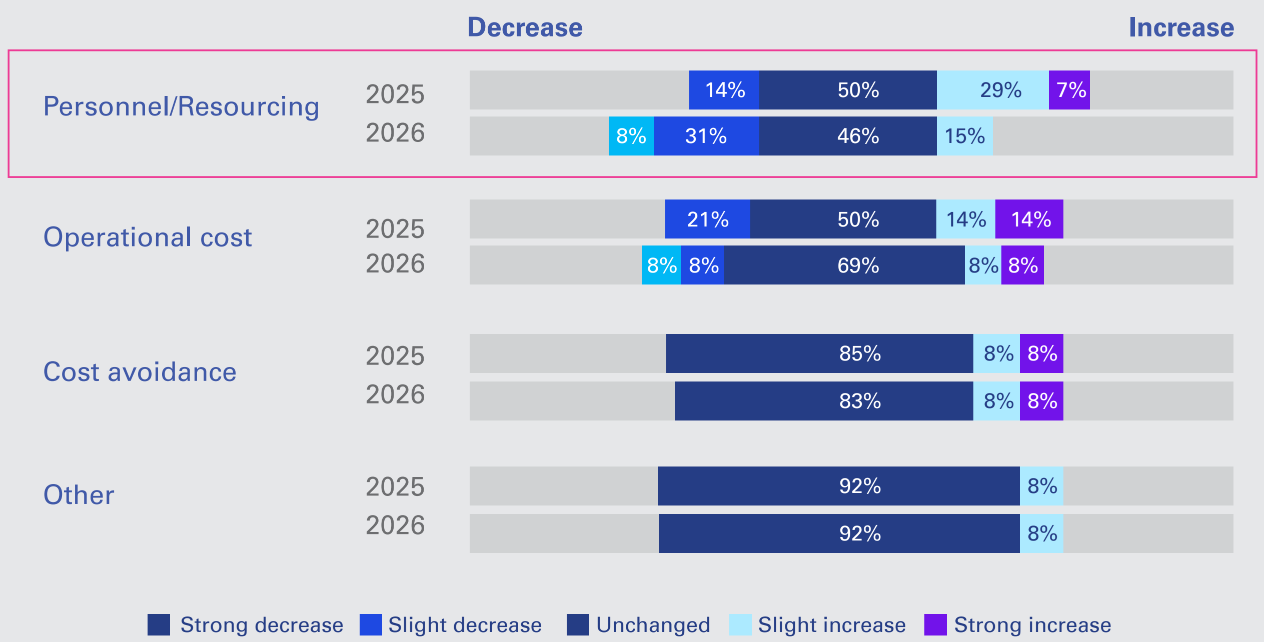
Compared to the last benchmark, the proportion of banks revealing an intention to leave investment unchanged has strongly increased for personnel/resourcing and operational costs, roughly doubling in both cases. The proportion of banks indicating a desire to decrease investment in these areas also increased to a similar extent. This is consistent with banks' intention to decrease personnel costs.

For the risk function in particular, the increase in the proportion of banks intending to decrease their investment in personnel is striking. The proportion of banks intending to reduce investment in personnel/resourcing has more than doubled, while the proportion intending to decrease investment is less than half. These results are consistent with the trends in overall FTE and are expected to be centered on the credit risk function.

Allocation of costs by cost types for the R&C function

Source: KPMG BSBI Benchmarking Analysis 2024 & 2025

Planned change to investments in the risk function by cost type



Source: KPMG BSBI Benchmarking Analysis 2024 & 2025

Costs are being reduced via optimizations and technology

The reduction in FTE and personnel costs can be explained by process optimizations and technological improvements. Credit analysis for instance, the sub-function making up the largest share of credit risk in terms of FTE, is an area where many banks already use AI. Furthermore, the potential for further cuts in personnel costs through FTE reductions in credit risk remains high. A wide range of technological and procedural transformations is currently being implemented across the market, enabling shorter processing times, full automation in retail banking, and accelerated workflows in corporate banking. As such the trend of reductions in absolute and relative FTE for credit risk is expected to continue.

Thus, both current and planned cost-cutting initiatives in the risk function are focused on technological transformations and pertain mainly to digitization of risk (cloud usage, automation of tasks and advanced analytics) as well as integrating risk technology. These initiatives enable banks to maintain their functions while reducing personnel and associated costs.

Current initiatives to cut cost in the risk function		Planned initiatives to cut cost in the risk function	
	Peer group		Peer group
Top 1	Digitization of risk (cloud, automation, advanced analytics)	Top 1	Digitization of risk (cloud, automation, advanced analytics)
Top 2	Integrating risk technology	Top 2	Integrating risk technology
Top 3	Rationalizing foundational risk data and architecture	Top 3	Risk simplification

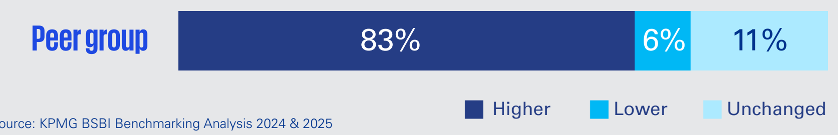
Source: KPMG BSBI Benchmarking Analysis 2024 & 2025

Trends in the compliance function

Banks are facing heightened cost pressures

A large majority of banks in our database indicated themselves to be facing higher cost pressures in compliance relative to 3 years ago. Given the previously observed relative increase in FTE, this development is not surprising.

Current cost pressure on the compliance function compared to the previous 3 years

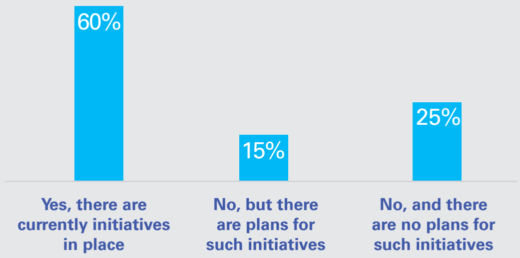


Source: KPMG BSBI Benchmarking Analysis 2024 & 2025

Investments and transformation aim at reducing costs in the medium term

A large majority of banks already have initiatives in place to transform the compliance function or have plans for such initiatives. Only one in four banks has no such plans. The most frequently cited reasons for the transformation are cost efficiency/optimization, technology/data, and regulatory changes or pressure, in that order.

Status of current initiatives to transform the Compliance fuction



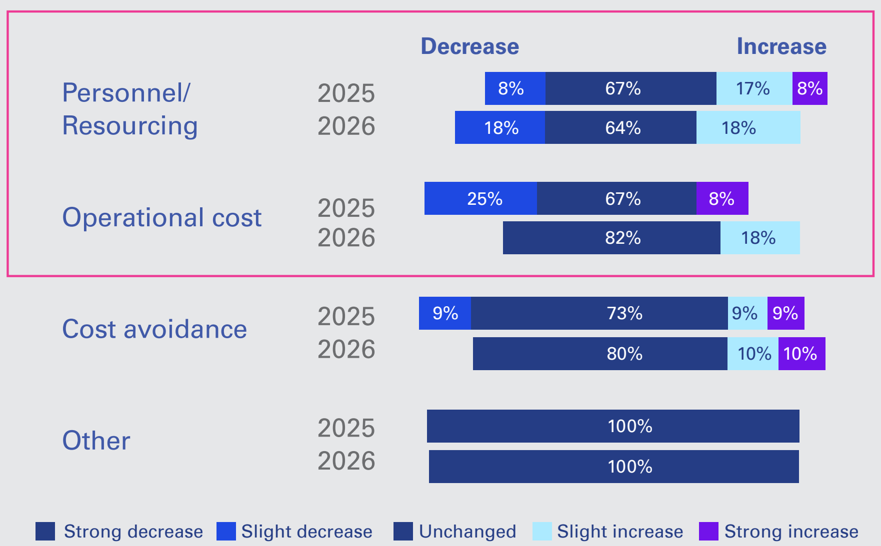
Key drivers for the compliance transformation in banks

Top 1	Cost efficiency/optimization
Top 2	Technology/Data
Top 3	Regulatory changes or pressure

Source: KPMG BSBI Benchmarking Analysis 2024 & 2025

Indeed, banks indicated their intention to decrease compliance costs by 4.4 percent on average, with the automation of compliance tasks and leveraging AI being the two most cited drivers for this cost reduction. These initiatives will likely increase investments in operational costs, as banks confirmed in our benchmark. Whereas 25 percent of banks indicated a decrease in investment in operational costs in 2025, no banks plan (further) decreases in 2026. In turn, there's a net increase of 10 percentage points in banks that intend to increase investment in operational costs from 2025 to 2026.

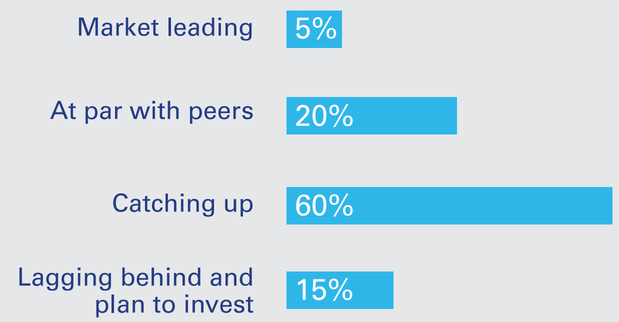
Planned change to investments in the compliance function by cost type



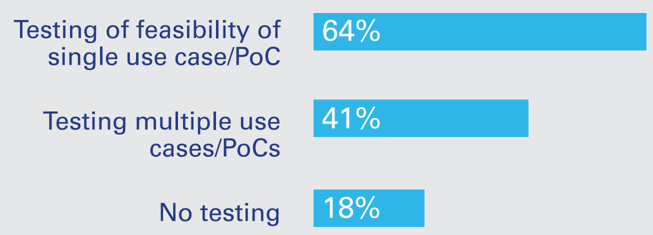
Source: KPMG BSBI Benchmarking Analysis 2024 & 2025

Despite their focus on technology for the transformation of the compliance function, a majority of banks perceive themselves to be catching up to their peers, suggesting that implementations are still underway. As such, significant changes to the compliance function can be expected over the next few years.

Maturity level of technology and data analytics incl. use of AI in compliance



Testing of AI feasibility with use cases and PoCs (proof of concepts)



Source: KPMG BSBI Benchmarking Analysis 2024 & 2025

Non-financial risk

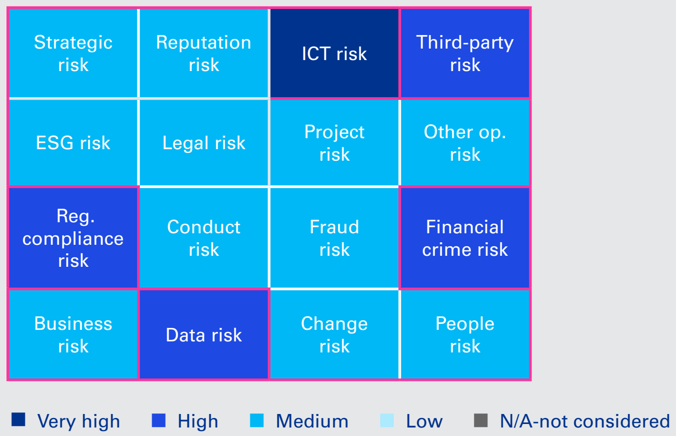
Current events and regulations are the focus topics in non-financial risk

The uncertain economic and geopolitical environment continues to pose significant challenges for banks. A series of unexpected shocks in recent years has elevated the relevance of non-financial risks for institutions and regulators alike. Geopolitical tensions are of particular concern, as financial institutions — being critical components of national economies — are natural targets for cyberattacks and financial crime. Consequently, banks identify ICT risk as the most material NFR subtype, with third-party risk, data risk, and financial crime risk also ranking among the highest priorities.

Regulators have mirrored this increased focus, as reflected in initiatives such as DORA in Europe and the UK's statutory framework for critical third parties. As a result, regulatory compliance risk is likewise viewed as a key area of importance, underscoring that banks are still actively implementing transformation programs to meet evolving supervisory expectations.

These priorities are not expected to shift materially in the coming years. Institutions anticipate that ICT risk, third -party risk, and regulatory compliance risk will further increase in importance, despite already being among the most critical non-financial risk areas today.

Which of following risk subtypes will increase the most in importance in the future? (top 3)



Top 1	ICT risk
Top 2	Third-party risk
Top 3	Regulatory compliance risk

Source: KPMG BSBI Benchmarking Analysis 2024 & 2025

An incomplete integration into the risk management framework necessitates further growth of the NFR function

A significant share of the continued growth in NFR can be attributed to its still incomplete integration into the broader risk management framework, a structural gap that suggests further expansion in the coming years. Nearly one in five banks in our benchmark is unable to specify the reporting line of their NFR function, highlighting persistent organizational ambiguity.

Moreover, most institutions do not differentiate between general NFR responsibilities and specialized control activities, and many lack a dedicated NFR team within the First Line of Defense. Establishing an integrated NFR function therefore remains one of the most important priorities for banks in our benchmark.

Emerging risk forms a particularly critical component of NFR, as it reflects the volatile and uncertain environment described earlier. Crises, technological change, and geopolitical disruptions are occurring with increasing speed and unpredictability, often with material consequences for financial institutions. Traditional risk management structures are not designed to capture such fast evolving threats, making the development of dedicated emerging risk capabilities increasingly essential.

While emerging risk is now included in the risk frameworks of most surveyed banks, full integration into the risk management cycle remains limited. Only a minority of institutions have defined a dedicated risk strategy or articulated a clear risk appetite for this area. Accountability within the Second Line of Defense is unclear for roughly half of respondents, and systematic processes for risk identification remain underdeveloped.

In response, banks plan to significantly enhance their emerging risk capabilities. More than two-thirds intend to strengthen operational resilience — an area closely linked to emerging risk — and institutions in our benchmark expect to double the FTE allocated to emerging risk between 2025 and 2026. Further structural upgrades are anticipated in the years ahead.

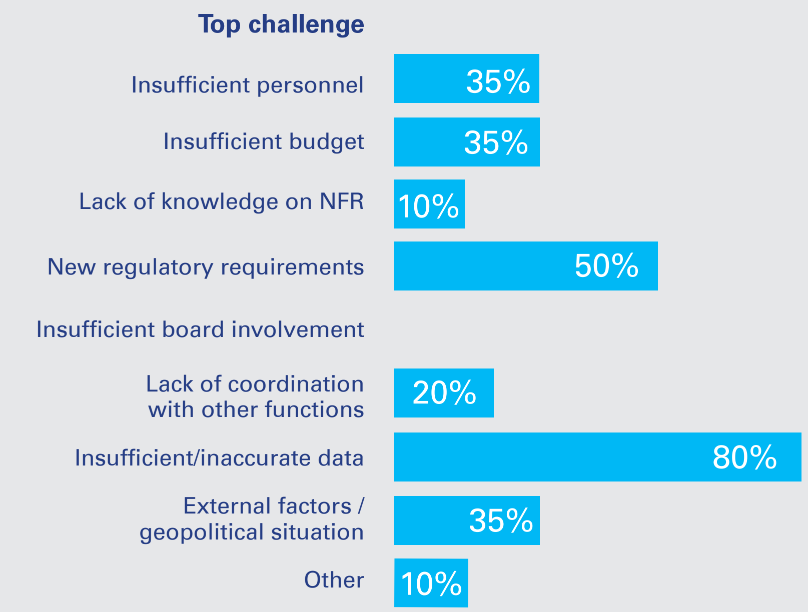
Consideration of the emerging risks in the bank

Source: KPMG BSBI Benchmarking Analysis 2024 & 2025

Data availability and quality is the most widespread challenge in NFR

Across the NFR function, banks identify data availability and quality as the most significant challenge, with nearly 80 percent of respondents highlighting it as a major constraint. Until the necessary technical transformations are completed and a minimum level of data quality is achieved, advancements such as automation or the application of AI are unlikely to be implemented at scale. The second most frequently cited challenge relates to new regulatory requirements, reinforcing the observation that regulatory implementation efforts within NFR are still ongoing.

Percentage of peers who picked the respective challenges as top regarding NFR (three choices by each bank possible)



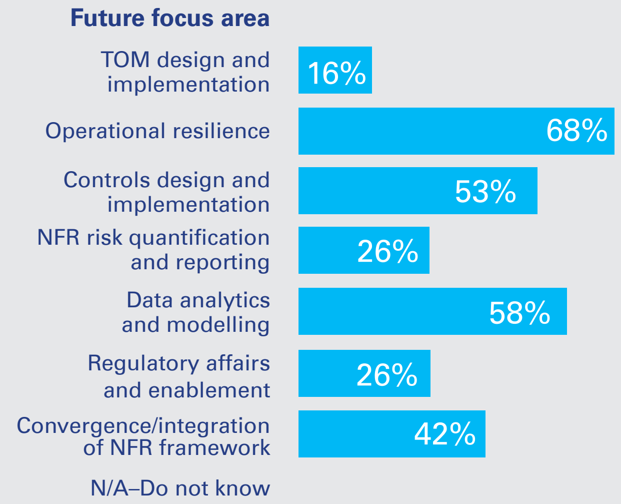
Source: KPMG BSBI Benchmarking Analysis 2024 & 2025

The substantial growth of NFR functions in recent years suggests that banks have already invested heavily in this area. Looking ahead, 40 percent of institutions in our benchmark plan to increase spending on change the bank initiatives in 2026 (up from 35 percent in 2025). Given that personnel growth is slowing and data challenges continue to dominate, these investments are expected to focus primarily on technological enhancements.

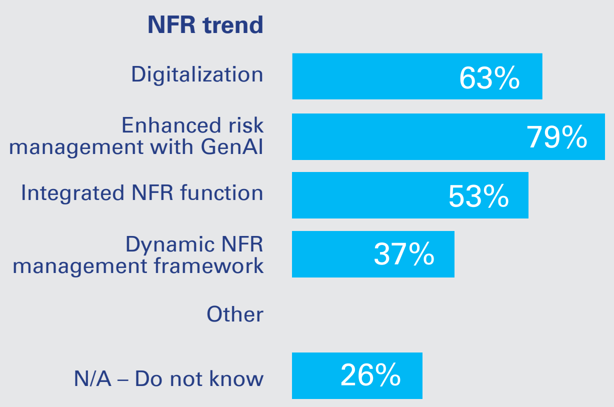
Many banks indicate that improving data modelling and analytics capabilities, as well as strengthening control design and implementation, are key priorities for the coming years.

Enhancing risk management through GenAI is also viewed as an important future trend; however, no concrete AI applications in NFR are currently planned. This is likely due to the fact that the existing data quality and availability issues act as a bottleneck, limiting the reliability of AI-driven solutions.

Percentage of peers who picked the respective areas as top focus in the context of NFR
(three choices by each bank possible)



Percentage of peers who picked the respective trends in the context of NFR
(three choices by each bank possible)



Source: KPMG BSBI Benchmarking Analysis 2024 & 2025

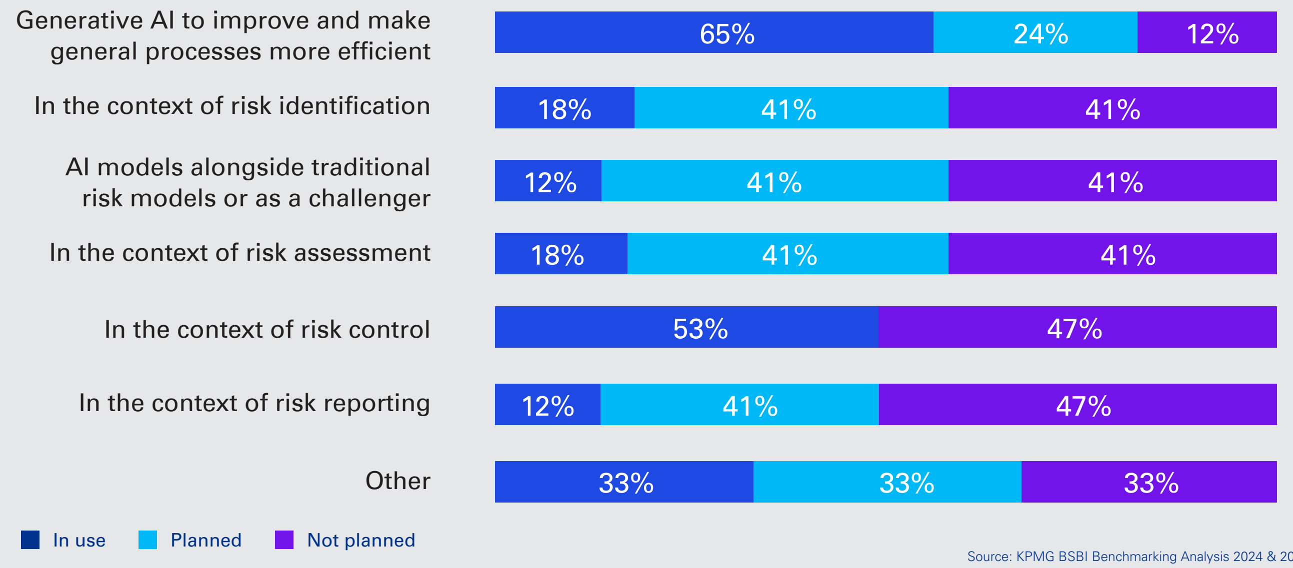
AI use in the risk and compliance function

A broad adoption of AI in banks is observable, but identifying business cases remains the key challenge

Previous sections of this report have shown that AI has already gained traction in risk management, particularly in credit analysis, and that banks expect to optimize a wide range of processes through its use. AI adoption is now widespread: all banks in our benchmark already apply AI in their risk functions, and most intend to further expand its use. Nearly two-thirds of participants employ GenAI to streamline and enhance processes, while almost half plan to use AI for risk identification, risk assessment, risk control, model development alongside traditional risk models, and risk reporting. As a result, a significant number of new AI-based implementations is expected to be operationalized in the coming years.

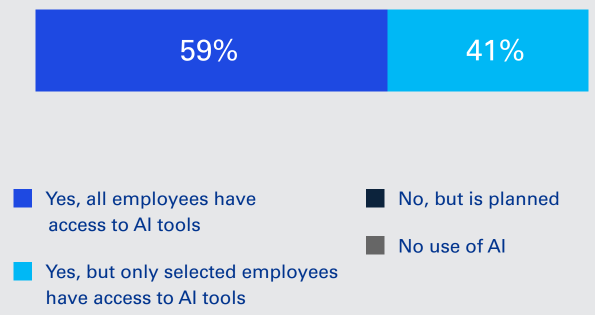
Despite these ambitions, around 40 percent of banks cite the difficulty of identifying a clear business case as the main obstacle to further AI adoption. This indicates broad recognition of AI's potential, but limited clarity on how to translate this potential into concrete, value-adding use cases.

Planned/current usage of AI in certain areas of risk management



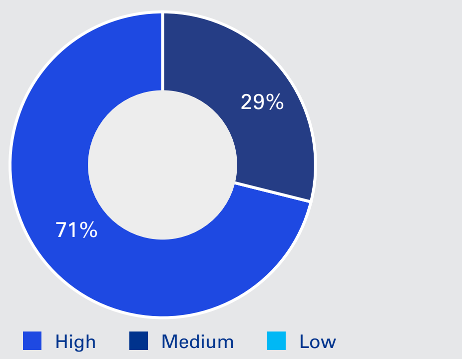
Source: KPMG BSBI Benchmarking Analysis 2024 & 2025

Share of organizations that generally use AI@Risk



Source: KPMG BSBI Benchmarking Analysis 2024 & 2025

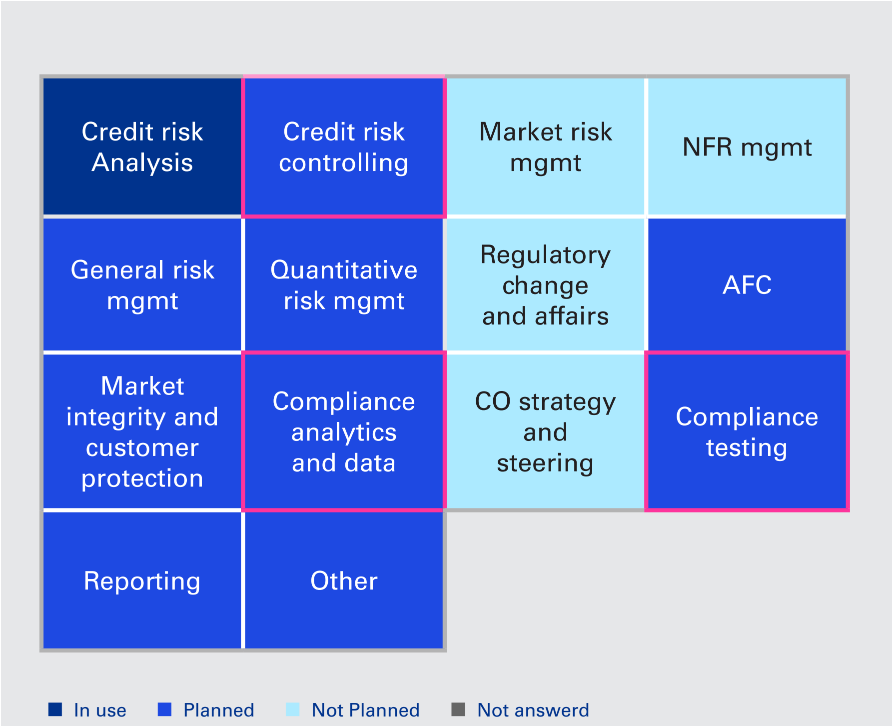
Ambition and risk appetite in the organization regarding AI@Risk usage



Credit risk and compliance have the highest potential for AI adoption

Banks identified credit risk and compliance as the areas with the highest potential for AI. While AI is already used in credit risk analytics, most banks have yet to implement AI within their credit risk controlling processes. Broader deployment is expected to contribute to the continued decline in FTEs in credit risk. In compliance, banks plan to adopt AI for analytics, data-driven processes, and testing, aiming to alleviate the cost pressures discussed previously.

Banks have not yet planned to extend AI use to NFR management, primarily due to data availability and quality challenges, which act as a bottleneck for AI implementation. Nevertheless, GenAI is viewed as an important future trend for NFR. Furthermore, the use of AI in reporting, applicable across all risk types, is seen as a promising avenue to standardize and accelerate reporting processes.



Source: KPMG BSBI Benchmarking Analysis 2024 & 2025

Key questions for the CRO in 2026 and beyond

There are intensifying regulatory expectations and emerging IT risks and operational resilience compliance standards. Rising operational complexity and increasing cost pressure require CROs to challenge and re-think their operating models while strengthening capabilities. To navigate this environment effectively, CROs should make strategic decisions on where to invest, where to streamline, and how to build the risk function of the future.

The following selection of questions is intended to serve as catalysts for reflection and guidance for the transformations ahead:

1. Which investments and technologies are required to move toward a more cost-competitive risk function?
2. How can the increasing cost pressures in the compliance function be sustainably addressed?
3. What actions are needed to achieve full and timely integration of new non-financial risk types into the risk management framework?
4. How can clear and scalable business cases for GenAI be implemented and integrated into risk management, especially within credit risk and compliance?
5. Which steps need to be taken to upgrade the risk function to provide more holistic assessment and analytics of future risks?

Ultimately, CROs who proactively address these strategic questions should be best positioned to drive resilience, enable transformation, and create long-term competitive advantage for their institutions. By doing so, they can shape a risk organization that not only meets regulatory expectations, but actively supports strategic decision -making and strengthens the bank's ability to navigate future uncertainty.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Global transformation: The key pillars of transformation

Our Global Banking Transformation Survey highlighted a clear pattern.

While most banks demonstrate strong ambition and public commitment to transformation, execution effectiveness remains inconsistent.

Leading institutions distinguish themselves by structuring change around end-to-end customer outcomes rather than functions, technologies or isolated programs. In practice, this does not translate into large centrally governed transformation programs, but into well-coordinated enterprise portfolios with federated ownership across executive leaders who are responsible for each value chain.

While the structure and branding of transformation programs vary across institutions, ranging from centralized initiatives to federated portfolio models embedded in business units, leading banks maintain clear enterprise alignment around outcomes, governance and value delivery.

This approach strengthens enterprise prioritization, executive accountability and consistent delivery of measurable outcomes.

2024 Transformation Global Banking Survey

Survey themes	
Change and transformation strategy	Clarity of intent, ownership and sequencing aligned to business and customer outcomes
Portfolio model	Disciplined prioritization across the enterprise rather then fragmented initiatives
Governance and processes	Decision-making structures that balance pace control and accountability
Organization and people	Coability, capacity and leadership required to sustain change
Technology and toolings	Platforms and data that enable scalable, end-to-end execution
Value management	Rigorous tracking of financial, operational and customer value
Financials and colleagues	Productivity, workforce sustainability, and reinvestment to support long-term performance

What differentiates leading banks

Leading banks don't just distinguish themselves through the scale of their transformation ambitions, but through how they govern and execute change. The examples below illustrate how these practices translate into tangible outcomes.

Focused strategy and sequencing	A leading Asian retail bank prioritized modernizing core infrastructure and automating key processes before scaling digital banking services, ensuring foundational capabilities were in place and enabling digital initiatives to scale successfully
Enterprise portfolio discipline	A North American bank strengthened enterprise-level portfolio governance across transformation investment, allowing leadership to prioritize projects aligned to strategic outcomes while managing delivery capacity and funding more effectively
Strong governance and executive cadence	A UK bank implemented regular executive portfolio reviews of transformation programs, enabling faster resolution of delivery dependencies and clearer accountability for program outcomes
Embedded delivery capability	An Australian commercial bank embedded agile delivery capability across transformation programs, aligning business and technology teams in cross-functional units accountable for delivery change outcomes
Technology as an execution enabler	A US investment bank invested in modern cloud-based platforms and APIs to support the launch of new digital banking capabilities, enabling faster development cycles and quicker introduction of new products and services
Value-driven delivery	A European bank embedded structured benefits tracking within major transformation programs, enabling leadership to monitor delivery of cost and operational improvements and intervene where benefits were at risk
Customer-led execution	A European retail bank redesigned its operating model around end-to-end customer journeys, bringing product, technology and operations teams together in cross functional squads responsible for journeys such as lending and payments. This reduced hand-offs between functions and accelerated the rollout of customer-facing improvements

Source: KPMG BSBI Benchmarking Analysis 2024 & 2025

Transformation pillar 1:

Change and transformation strategy

Despite widespread transformation ambition, execution continues to be constrained by how effectively banks translate strategy into sequenced, owned delivery.

Transformation remains firmly on the strategic agenda across the global banking sector. Eighty-eight percent of banks have made explicit commitments to the market regarding their transformation agendas, signaling the scale of change underway across business models, operating structures and technology platforms. However, ambition continues to outpace execution; only 30 percent of digital transformation targets are successfully achieved highlighting persistent challenges in translating strategy into delivery. For banks, closing this execution gap is not simply operational; it directly influences cost efficiency, scalability and long-term competitiveness.

Leadership ownership is emerging as a differentiator; 55 percent of banks have a dedicated executive accountable for driving transformation, reflecting a shift away from diffused accountability models. However, leading institutions increasingly combine strong enterprise oversight with federated execution ownership, ensuring strategic direction and portfolio discipline at the center while empowering business units and regions to execute change aligned to customer needs and market conditions.

Technology ambition is high, but maturity remains uneven. Seventy-eight percent of banks are experimenting with AI-enabled solutions, reflecting an industry-wide "test and learn" phase rather than scaled, embedded deployment. While AI is widely recognized as the most significant disruptor to banking operating models, most firms have yet to move beyond pilots to enterprise-wide adoption. This experimentation gap reinforces the need for clearer governance, value management and operating model decisions before AI can deliver material impact.

Execution challenges remain consistent across the market. The top four barriers cited by banks in delivering transformation agendas are:

1. Technical capacity
2. Colleague capability
3. Portfolio management and governance
4. Change management

These challenges underline the need for transformation strategies that are realistic, prioritized, and integrated with organizational capability.

Transformation pillar 2:

Portfolio model

Portfolio models increasingly determine whether transformation strategies translate into outcomes or remain a collection of competing initiatives.

More mature banks are moving away from project-led portfolios toward end-to-end transformation aligned to value streams and customer journeys. Rather than prioritizing initiatives by function or technology domain, leading institution's structure portfolios around strategic objectives and cross-functional outcomes, enabling clearer sequencing and dependency management.

In practice, this often introduces horizontal transformation priorities into institutions where BAU ownership remains vertical across business units and functions. Leading banks reconcile this by maintaining enterprise-level portfolio governance at the center, while jointly assigning delivery ownership between business and technology leaders responsible for the relevant customer journeys or value stream initiatives. This ensures transformation priorities cut across organizational silos while remaining anchored to accountable budget and performance owners.

Portfolio design therefore plays a critical role in translating ambition into measurable outcomes. More mature banks are increasingly structuring their change portfolios around a limited number of enterprise-level themes, with customer outcomes explicitly embedded into sequencing and prioritization decisions.

Investment patterns reflect this shift. Approximately 10 percent of total change portfolio spend is now allocated to AI enabled initiatives, indicating a move from experimentation toward scaled deployment. Rather than isolated pilots, AI investments are increasingly positioned as enablers across customer experience, operations and risk.

Where portfolio models are less developed, banks experience fragmentation, competing priorities and short-termism. The absence of a consolidated view of change across the enterprise continues to dilute impact and strain delivery capacity. Conversely, banks that regularly reassess prioritization criteria using quantitative and strategic data are better positioned to reallocate funding dynamically and sustain long-term value creation. In leading banks, this dynamic capital reallocation is typically supported through collaboration between strategy, finance and central transformation offices, ensuring that portfolio reprioritization feeds directly into budget cycles and performance management.

Transformation pillar 3:

Governance and processes

Governance effectiveness increasingly determines the pace and consistency of transformation delivery.

Governance structures vary significantly across the banking sector. Sixty-six percent of banks operate a centralized transformation governance model, typically supported by a central transformation or change office, while 34 percent operate decentralized models with central oversight support.

Reporting cadence further differentiates maturity, with one-third of banks reporting transformation progress to ExCo monthly (vs two-thirds quarterly). More frequent reporting is associated with faster issue resolution, stronger dependency management and clearer accountability.

Where governance is fragmented or overly decentralized without strong coordination, banks experience slower decision-making, weaker prioritization and increased delivery risk. Stronger governance models integrate portfolio oversight, risk management and delivery tracking to maintain momentum across complex change agendas.

Transformation pillar 4:

Organization and people

Transformation success is increasingly constrained by organizational capacity and capability rather than strategy or funding.

People capability remains a critical enabler of transformation success. Eighty percent of banks formally embed performance scorecards into transformation and delivery reviews, reinforcing accountability and providing a consistent mechanism to track progress against objectives.

Capability investment is also evident in leading banks. Sixty-four percent of banks provide professional qualification support and/or structured change and development learning pathways, reflecting recognition that sustainable transformation requires investment in leadership,
delivery skills and change capability.

In parallel, many banks are reshaping their operating and service delivery models to create the organizational capacity required to sustain transformation. These include:

- Correcting imbalances between Run (BAU) and Change capacity, ensuring sufficient organizational bandwidth to deliver transformation alongside core operations.
- Realigning organizational size to evolving business mix and expected growth priorities, enabling resources to shift toward strategic areas of expansion.
- Expanding shared services and third-party delivery models, enabling access to specialist capabilities, improved scalability and more consistent service delivery in addition to cost efficiency.
- Structural simplification and de-layering, reducing organizational complexity and accelerating decision-making.
- Aligning roles to the appropriate level of seniority, strengthening accountability and improving the speed and quality of operational decisions.

As well as improving efficiency, these levers are increasingly used to create the organizational capacity required to sustain large-scale transformation programs.

While AI has the potential to augment the impact of these levers by enabling further automation of low-complexity processes, consolidation of roles and greater concentration of expertise in higher-value positions, most banks remain at an early stage of scaling AI capabilities across the organization.

Despite continued investment, colleague capability remains one of the top challenges to transformation delivery (after technical capacity), underscoring the need for sustained focus on skills, culture and leadership behaviors, particularly as banks advance innovation and scale through AI.

Transformation pillar 5:

Technology and tooling

Technology and tooling are increasingly being standardized to support execution at scale. Sixty percent of banks manage their operational and transformation portfolios through a single enterprise tool suite, improving transparency, resilience and delivery control across complex change environments.

Alongside greater tooling standardization, banks are also evolving in how technology supporting transformation delivery is structured and consumed. There is a clear shift toward product-centric operating models, with capabilities supporting change increasingly delivered on an "as-a-service" basis. When combined with robust governance and value management discipline, this model improves transparency across transformation portfolios, strengthens delivery accountability, and enables faster execution of complex change programs.

Innovation remains a priority. Fifty percent of banks have ring-fenced investment for technology innovation and horizon planning, supporting modernization of core systems and preparation for future operating models. This reflects the dominance of technology goals that are focused on replacing legacy systems, rationalizing system architecture and enabling straight-through processing — priorities that are foundational to delivering customer-centric, scalable and resilient banking platforms.

Transformation pillar 6:

Value management

Strong front-end discipline does not always translate into realized value.

Value management practices show increasing maturity at investment approval stage. Ninety-two percent of banks apply a standardized approach to business case development, ensuring consistency in how transformation initiatives are assessed.

However, fewer banks apply sustained financial rigor throughout delivery. Fifty-six percent of banks embed hurdle rates within business case approval processes, indicating that while most institutions standardize business cases, fewer enforce consistent thresholds for value and return.

This contributes to a recurring challenge — strong investment governance at initiation, but weaker value tracking and realization through execution. Banks with more mature value management practices translate strategic objectives into measurable operational KPIs and track transformation programs against these metrics throughout delivery, rather than relying solely on upfront business case approval. This strengthens the link between strategic intent, portfolio investment decisions and realized financial outcomes.

In contrast to sectors such as energy and telecommunications, where capital allocation is tightly linked to operational performance metrics, many banks still struggle to maintain this discipline through the full transformation cycle.

Transformation pillar 7:

Financials and colleagues

Transformation outcomes are increasingly judged by their impact on productivity and workforce sustainability.

Transformation is expected to deliver measurable financial and workforce outcomes. Banks are under pressure to improve productivity, reduce cost-to-serve and reinvest savings into strategic growth areas such as digital capability and customer experience. Workforce strategies are evolving in parallel, balancing automation, capability uplift, and selective use of expertise.

The scale of transformation underway, combined with accelerating AI adoption, is reshaping workforce strategies. Investment decisions are increasingly evaluated not only on financial return, but on their impact on colleague capability, role evolution and long-term operating sustainability.

What does this mean for banks?

Transformation success is defined by execution discipline, not ambition. Banks that sequence change effectively, govern portfolios at enterprise level and align delivery to customer outcomes are best-placed to convert strategy into measurable results. Those that do not risk underperforming through fragmented delivery, value leakage and change fatigue.

We believe that this survey helps to show that banks require assistance across the full transformation journey, not isolated interventions.

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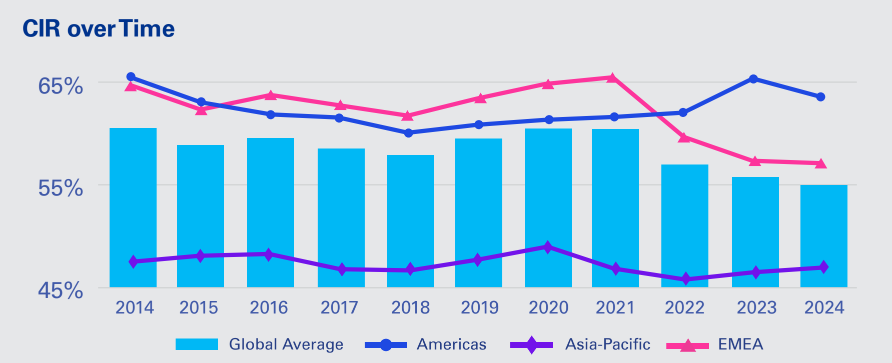
The drive for frontier performance

The topic of cost is well and truly back on the board's agenda. With interest rates, on average, being cut or held across the globe, optimizing spend is once again in the crosshairs of the C-suite. At the same time, the continued improvements in AI, and AI-related tech, alongside increased expectations of it from end users are combining to drive organizations to search for frontier performance on cost. This article will explore recent global trends, share feedback from the C-suite, themes we have seen arise from member firms' client engagements and a view on capabilities KPMG professionals are bringing to the market to support client's drive toward frontier performance.

Global trends: The cost/income ratio:



Source: KPMG BSBI Benchmarking Analysis 2024 & 2025

While global averages have seen the Cost Income Ratio improve since 2021 for our dataset (of over 120 banks of varying scales and business models), the regional picture is more nuanced.

In EMEA, we saw a significant improvement from 2021 to 2023, with 2024 bringing a flattening out of that trend. ASPAC, however, has seen a gradual increase year on year since 2022, albeit from a lower starting position. Of the three main regions, the Americas have arguably seen the most volatility over the last 3 years. While an overall worsening of the average CIR can be observed, 2024 appeared to recover from a peak.

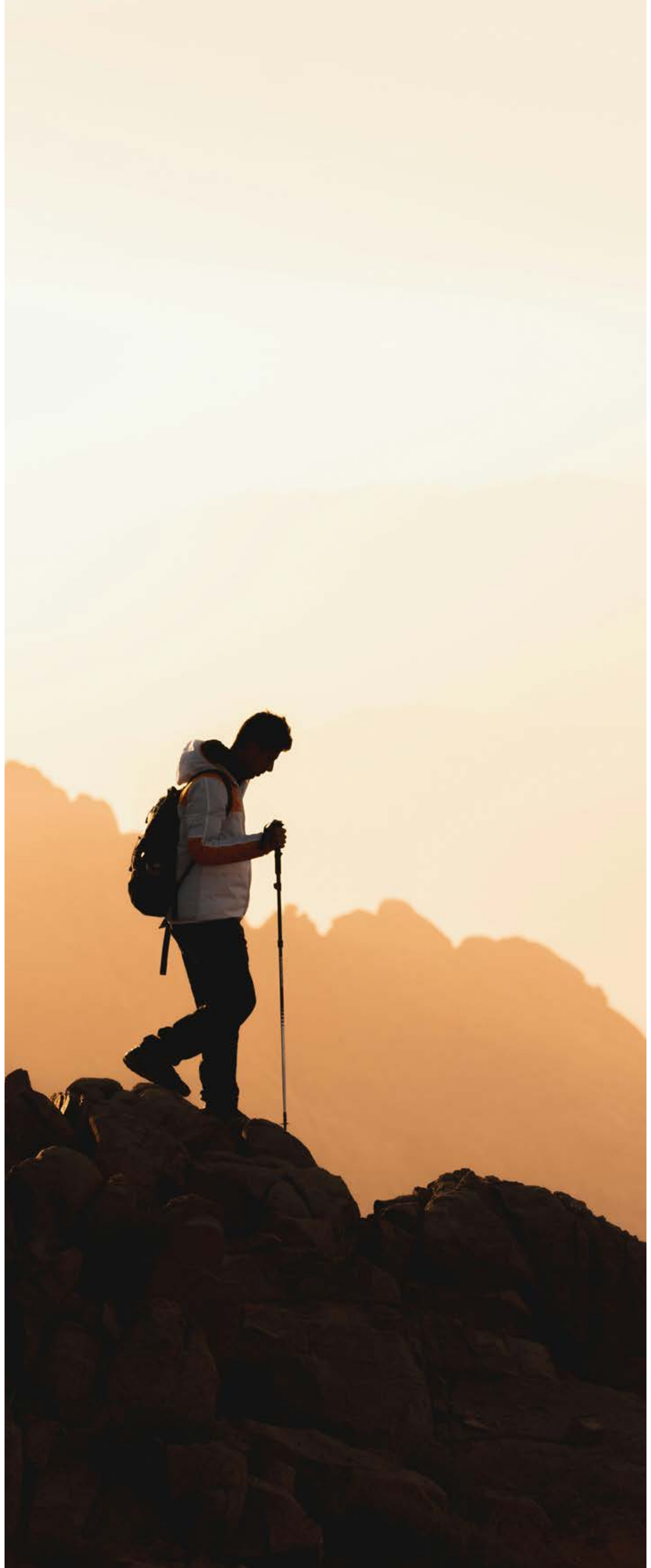
Setting the Cost Income Ratio improvements in the Americas in 2024 aside, the overall picture shows a flattening out in the improvements of the ratio during a period where it is coming under increased scrutiny.

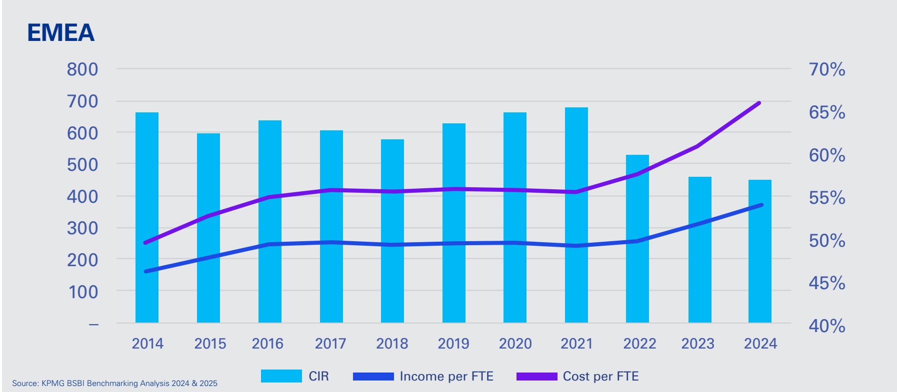
Given the ratio is a function of both cost and income, and with interest rates no longer rising on a regular basis, understanding which of these two aspects is driving the overall picture is key in supporting banks' efforts in identifying that pathway. To do this, we routinely baseline these two metrics by the bank's headcount.

Global Trends: Income and cost per headcount

From our regional analysis, banks appear to have seen costs start to rise post a fairly consistent cost floor prior to 2022. While income per FTE across the regions has generally seen a positive improvement since 2021, as global interest rates rise, the flattening out of interest rate movements alongside the increasing cost performance brings cost management and the need to drive toward frontier performance back under the board's microscope.

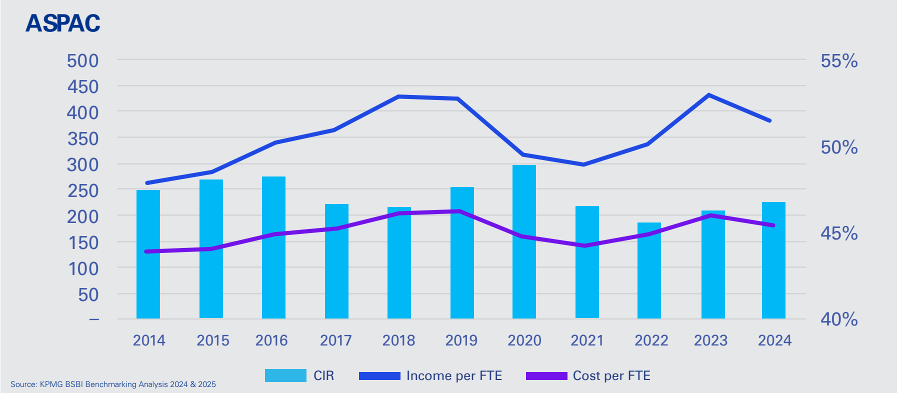
For EMEA, the average Cost Income Ratio has seen year-on-year improvements since 2021 with income per FTE increases outstripping cost per FTE rises.





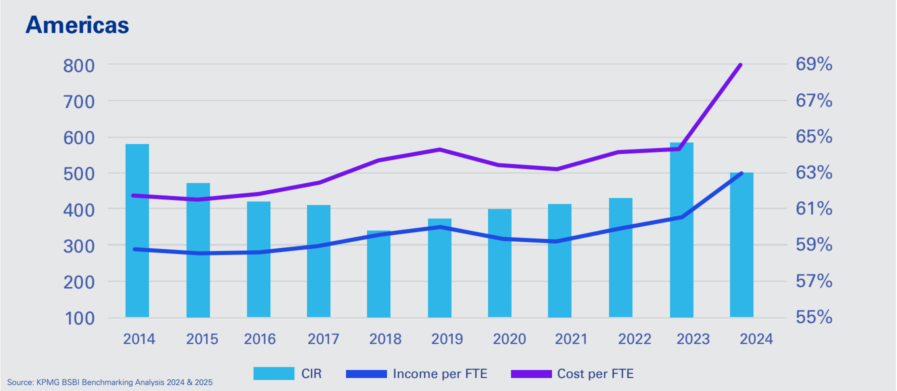
Source: KPMG BSBI Benchmarking Analysis 2024 & 2025

In ASPAC, the story differs as cost per FTE on average remains broadly flat. The drop- off in income per FTE is therefore likely the larger driver of the average Cost Income Ratio rises since 2022.



Source: KPMG BSBI Benchmarking Analysis 2024 & 2025

For the Americas, while the story is broadly similar to their EMEA-based counterparts, the overall volatility of the average Cost Income Ratio performance since 2022 appears to be more driven by income volatility, certainly for 2023.



Source: KPMG BSBI Benchmarking Analysis 2024 & 2025

To understand how these global trends are impacting the strategies and thinking of the banking industry, we interviewed over 200 banking leaders across the globe for our "Banking Transformation: The New Agenda" report during 2025.

Banking leaders react

The clear message arising was that enhanced cost management and control is firmly within their crosshairs.

Despite the challenges to successfully deliver cost transformation, or perhaps in spite of them, Leaders in the banking industry are keeping cost reduction firmly on the agenda with one-third saying that they are looking to accelerate cost reduction plans, with a similar proportion looking to refocus their initiatives over the next 2 years.

For the past 15 years, navigating to the cost floor observed earlier was achieved during a phase of operating model disruption. During this phase, standard and well understood cost levers began to be deployed by everyone, covering levers such as centralization, lean processes and offshoring. With the rise of AI, a new phase of disruption has begun, but the question remains: how to sustainably optimize cost and drive toward frontier performance?

Anticipated cost savings are significant

53% expect to **cut costs by 10% by 2030**

29% want to **cut costs by more than 20% by 2030**

Yet successful transformation has been a challenge

24% have been highly successful in achieving cost-reduction goals

18% have been highly successful in achieving transformation goals

Not all banking leaders think they are ready

40% think they are well positioned to implement change management or lead transformation initiatives

43% think they are well positioned to adapt to changing market dynamics

Source: KPMG BSBI Benchmarking Analysis 2024 & 2025

How can banks achieve frontier performance?

As highlighted earlier, reducing cost is a key focus for leaders in the industry, and with the technological advances, many are expecting AI to open the doorway to a step change in cost management, with 38 percent of our leaders consulted calling out that embedding AI is seen as strategically important to their bank.

Areas of strategic importance

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

However, AI alone will not unlock frontier cost performance, as to build toward frontier performance requires strong foundations. Traditional cost and value levers, such as the introduction of cost management units, driving digitization and operational efficiencies and technology optimization will enable organizations to have that strong base of well understood and documented cost control and insight. From this strong foundation, taking a value-based approach in applying AI to existing processes and operating models will lead to further improvements in cost efficiency (and value optimization), but organizations achieving true frontier performance go beyond this and re-engineer their processes with an AI-first mindset. Banks that fail to achieve or address this latest phase of industry disruption may likely find their chances of breaking through the cost floor mentioned above reduced, and as a result will likely miss out on future step changes in the industry.

For banks unsure as to where to start, we would recommend establishing an AI strategy is the first logical step to understand where they wish to target, therefore, what processes will be in scope and who, if anyone, they might want to work or ally with to support them on their journey.

From a KPMG perspective, noting the market's desire for technology and AI to enable industry leaders to push further than the 10/20 percent cuts noted above, our Cost Center of Excellence has been investing in developing a secure, reusable AI cost and value platform that allows the identification of value in real time through an agentic approach to analysis and delivery support. This KPMG platform is already supporting clients with their cost optimization targets and to deliver tangible benefits on their journeys to frontier performance.

With cost being firmly back in the C-suite focus and many banks having already addressed the low hanging fruit in relation to cost optimization, identifying and unlocking the next steps on the cost optimization journey can be complex; however, we are observing some banks finding ways to leverage AI to support them on their journeys. How will you take your steps toward frontier performance?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Banking Strategic Benchmarking Insights
Digital CX (BCXB)

Introduction: CX becomes a strategic imperative in 2025

Years of fast-paced digital change, regulatory demands, emergence of disruptive technology and unpredictable economic conditions have changed customer expectations and engagement with the banking industry. Expectations around experience continue to rise with customers measuring digital journeys across industries as the benchmark. In this climate, traditional strategies like adjusting prices, launching new products, or rethinking branch networks were no longer enough.

The real difference between leading and lagging banks became the quality, reliability, and intelligence of the customer experience throughout the entire relationship. Customer experience moved from a side consideration to the core of business strategy. It was not just a department or a set of projects, but a key strength that shaped long-term revenue, financial stability, and resilience. The aim shifted from excelling in single interactions to uniting every person, process, and digital touchpoint around a consistent, meaningful, and customer-focused journey.

Looking back on past years, one key lesson stands out: customer experience is not a one-time change, but an ongoing commitment. Banks specifically across the US and UK have made public commitments around investing in CX capabilities long term. Whether the commitments are focused on changes to operating models, branch structure or employee skillsets, all these commitments are centered around listening to their customer needs.

Companies leading the way are looking at CX as an ongoing commitment

Strategic approach	Treats CX as revenue, risk and resilience lever, not a service initiative
Continued investment	Predictive analytics, journey orchestration and data foundations
RPA as infrastructure	Automating journeys that are seamless and unnoticed by customers
Broadened competition	Looking globally across industries for best practices and disruptors
Clear accountability	End-to-End journey owners that cut across product, channel and functions

Banks that are leading the way aren't those with the most features, the most automation, or the most ambitious artificial intelligence plans. Instead, success should go to those that keep customer experience as a top priority, even when faced with tough choices and changing market conditions.

1. CX as a revenue and resilience strategy (not a service metric)

Historically banks measured customer experience with service metrics like NPS, CSAT, and complaint volumes, rarely connecting these indicators to their financial performance. Over time this mindset shifted. Forward-thinking banks now treat customer experience as a vital asset on their balance sheets. Customers are responding to banks that deliver straightforward, transparent, and proactive interactions with greater loyalty, stronger engagement, and higher wallet share. With markets growing ever more volatile and switching providers remaining simple, customer experience has evolved into a durable competitive advantage that continues to build strength over time.

From a revenue viewpoint, customer experience improves both acquisition and lifetime value. Personalized, predictive journeys boost conversions, reduce drop-offs, and enable effective cross-sell and upsell without damaging trust. When interactions are timely and relevant, customers see value instead of feeling pressured, making them more open to recommendations and more forgiving when problems occur. Banks that make customer experience part of their growth strategy consistently outperform competitors because they generate revenue through relevance and loyalty rather than frequent promotions.

Customer experience also plays a crucial role in resilience, especially during stressful periods or disruptions. Strong experiences help absorb shocks by lowering incoming demand, preventing churn, and supporting scalable self-service when volumes rise. During operational failures, economic downturns, or regulatory changes, customers are more likely to stay with banks that communicate well, resolve issues quickly, and show empathy. Organizations focused on customer experience recover faster from disruptions because trust stabilizes demand and reduces costs associated with fixing issues. In this way, customer experience acts as both a risk buffer and a commercial tool.

Banks that thrive treat customer experience as a strategic asset, designing, funding, and governing it like revenue-generating infrastructure. They align customer experience metrics with financial outcomes, invest in automation and analytics, and hold leaders responsible for performance across customer journeys. Most importantly, they understand that customer experience should be built into products, processes, and platforms from the start, not improved after the fact. When customer experience becomes a strategic discipline, it drives sustainable growth and resilience for the long term.

2. Predictive analytics as the foundation of scaled personalization

Personalization now means anticipating customer needs instead of just responding. Predictive analytics allows banks to forecast what customers may need, what issues could arise, and how to address them. This approach shifts customer experience from looking back at what happened to taking action on what should be done now, making personalization feel timely and relevant.

Predictive analytics brings together data from all stages of the customer lifecycle to create insights that support decision-making. It uses information like transaction history, behavior, and interactions to predict outcomes such as risk of leaving, possible service issues, or interest in products. These predictions are built into customer journeys, so experiences adjust in real time for each person, not just for broad groups.

By automating judgment, predictive analytics allows banks to personalize for millions of customers. Predictions can trigger instant actions like proactive messages, custom self-service options, priority support, or early problem resolution. This process improves as better data leads to better predictions and experiences. A leading North American Bank launched an AI-driven virtual assistant embedded in their mobile banking that leverages predictive analytics to predict customer needs. Seeing millions of interactions per day, the results have been faster self-service and personalized guidance for their customers. Another example is aggregating customer interactions across channels to detect potential friction points and churn risk. This resulted in a sizeable reduction in call center volumes and improved retention.

Banks that fall behind often keep predictions separate from customer experience execution. Leaders build predictive analytics into their strategy, investing in data quality and feedback systems to make sure predictions are

useful and trusted. True personalization is about making smarter decisions sooner. Predictive analytics turns customer experience into a forward-looking and valuable business strength.

3. Automation (RPA) as CX infrastructure, not innovation theater

Banks have spent the last decade investing heavily in automation technologies such as Robotic Process Automation (RPA), workflow orchestration, and intelligent document processing. Yet in many institutions, automation is still positioned as an innovation initiative or cost-reduction program rather than as a foundational component of CX. This mindset is increasingly outdated.

Customers do not experience automation as a standalone technology; they experience it as speed, accuracy, and simplicity. When automation works, processes happen instantly and when automation fails or are poorly designed, customers face delays, duplicate information requests, and fragmented experiences across channels.

When automation is designed around the end-to-end customer journey, not internal departmental tasks, we see the ability for organizations to pivot faster and drive results in the market. Leading North American banks have demonstrated how deep automation integration can dramatically accelerate document processing and compliance reviews, while another North American bank embedding automation across customer service to support real-time digital interactions. These organizations do not treat automation as an IT capability; they treat it as operational infrastructure underpinning customer experience.

Automation succeeds when customers do not notice it. But when poorly governed automation removes empathy or lacks escalation paths, it quickly erodes trust. The most effective banks therefore combine automation with human-in-the-loop oversight to handle complex or sensitive situations.

In modern banking, automation is no longer an innovation story. It is the invisible operating layer that determines whether customer experiences feel effortless or frustrating.

4. Global neobanks as experience benchmarks

Neobanks continue to lead the way for customer experience, showing what excellence looks like in financial services. Free from old systems and legacy mindsets, these companies made customer experience a core feature from the beginning. Features like always-available service, mobile-first design, instant results, and clear communication are now expected. Customers no longer compare banks only to each other, but to the best digital services they use everywhere.

Their real advantage comes from how they operate. Neobanks use automation, live data, and AI to turn long customer tasks into fast, seamless processes. Opening accounts, making payments, getting credit decisions, and handling disputes all happen in a single smooth flow. Customers receive immediate confirmation, ongoing status updates, and proactive communication as the norm rather than as special treatment. As of result of these features, 2030 projections show more than 60 percent of young adults in developed markets to use neobanks as their primary bank[1].

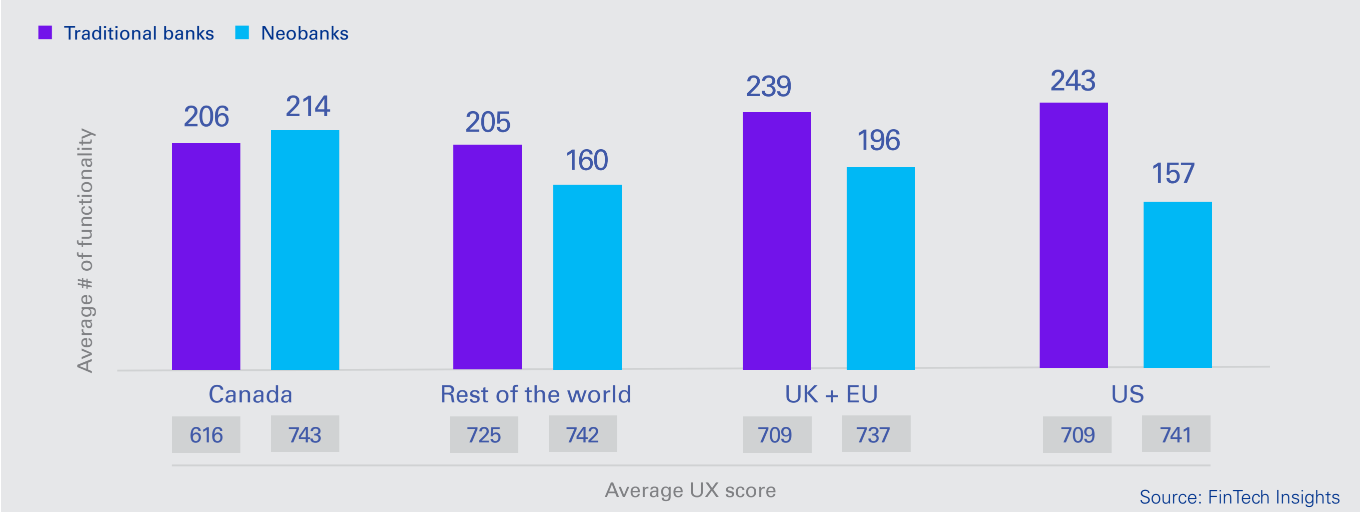
Comparing average number of functionality and avg. UX score for both traditional banks and neobanks shows the advantage neobanks have when starting without a legacy foundation with product silos. Unlike traditional banks, neobanks offer more targeted functionality based off gaps or customer wants within the marketplace. On average, there is a 5-10 percent improvement in UX score with key journeys like customer onboarding having significantly better experiences. Prime example is a North American neobank which operates in over 147 countries and offers customers the ability to open USD accounts in minutes.

Neobanks have not only disrupted the market but redefined the standards for customer expectations in banking. With more 18- to 35-year-olds now relying on neobanks, the tipping point isn't on the horizon; it's happening now. This is no longer a matter of whether neobanks will dominate, but how quickly will they render legacy institutions irrelevant for the next generation. Traditional banks face an existential threat; superficial feature mimicry will not save them. To survive, they should fundamentally transform, embedding automation and seamless digital experiences throughout their core banking infrastructure. As generational wealth transfers accelerate and digital-first demand becomes universal, neobanks aren't just altering the competitive landscape; they are set to permanently reshape the future of banking.

5. Why CX journeys fail, and how leaders fix them

Most customer experience journeys fail not because of a lack of intent, but because they are designed as abstract ideas rather than practical systems. Many organizations create ideal customer paths without considering real limits like data, policy, risk, and old technology. As a result, these journeys fall apart when customers take unexpected actions or when an exception occurs. This leads to repeated steps, delays, and inconsistent answers, making customers feel misunderstood.

Another main reason for failure is fragmented ownership. Marketing, operations, and technology each control different parts, but no one manages



Source: FinTech Insights

1. Article title: "The Neobank Transition Report: Stablecoin Effects on Banking" Source: Stablecoin Insider Website, December 1, 2025.

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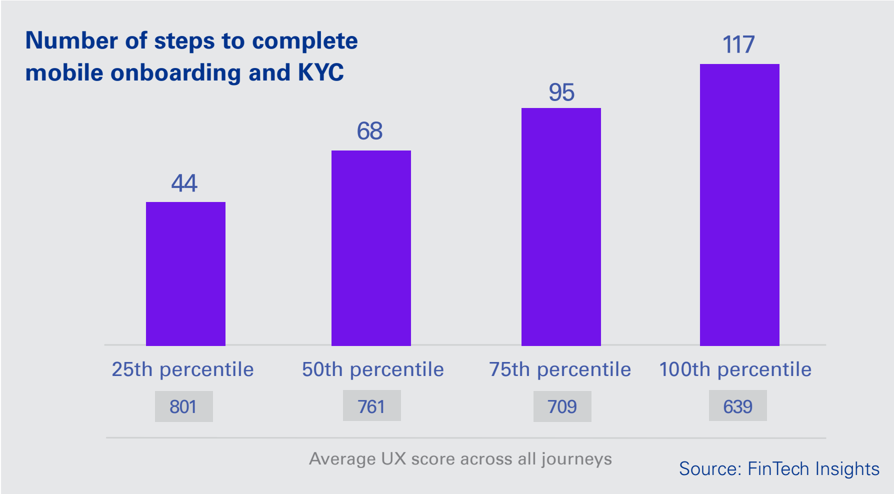
the entire journey. This causes small improvements in certain areas, while the overall experience gets worse. Automation can add to the problem when used only for single tasks instead of the whole process. Tasks get faster, but the journey still breaks because decision-making, data, and responsibility are not focused on customer results.

Leaders who fix these issues treat customer journeys as active systems that operate in real time. They base designs on real operational needs with clear steps, defined ways to handle exceptions, built-in controls, and clear results. Automation and AI are used with purpose: AI understands intent and risk, while automation tools carry out actions smoothly across all systems. Leaders also plan for problems, guiding and supporting customers when something goes wrong instead of leaving them confused.

Prime example is looking at the mobile onboarding and KYC experience, which is the entry point for a customer and sets the tone for the banking relationship. Market leaders are focused on simplicity, streamlining the process for customers asking only what is required. Laggards make this unnecessarily complicated with over two times the amount of steps required to complete onboarding activities.

Improving customer experience journeys requires a new approach to management and culture. Top organizations give full ownership to



someone who manages the journey across departments, fund journeys as important projects, and judge success by customer results. They invest in shared data, real-time coordination, and models where employees can step in when needed. In 2025, the real advantage belongs to those who turn journeys into reliable, automated systems that always deliver value to customers.

In summary

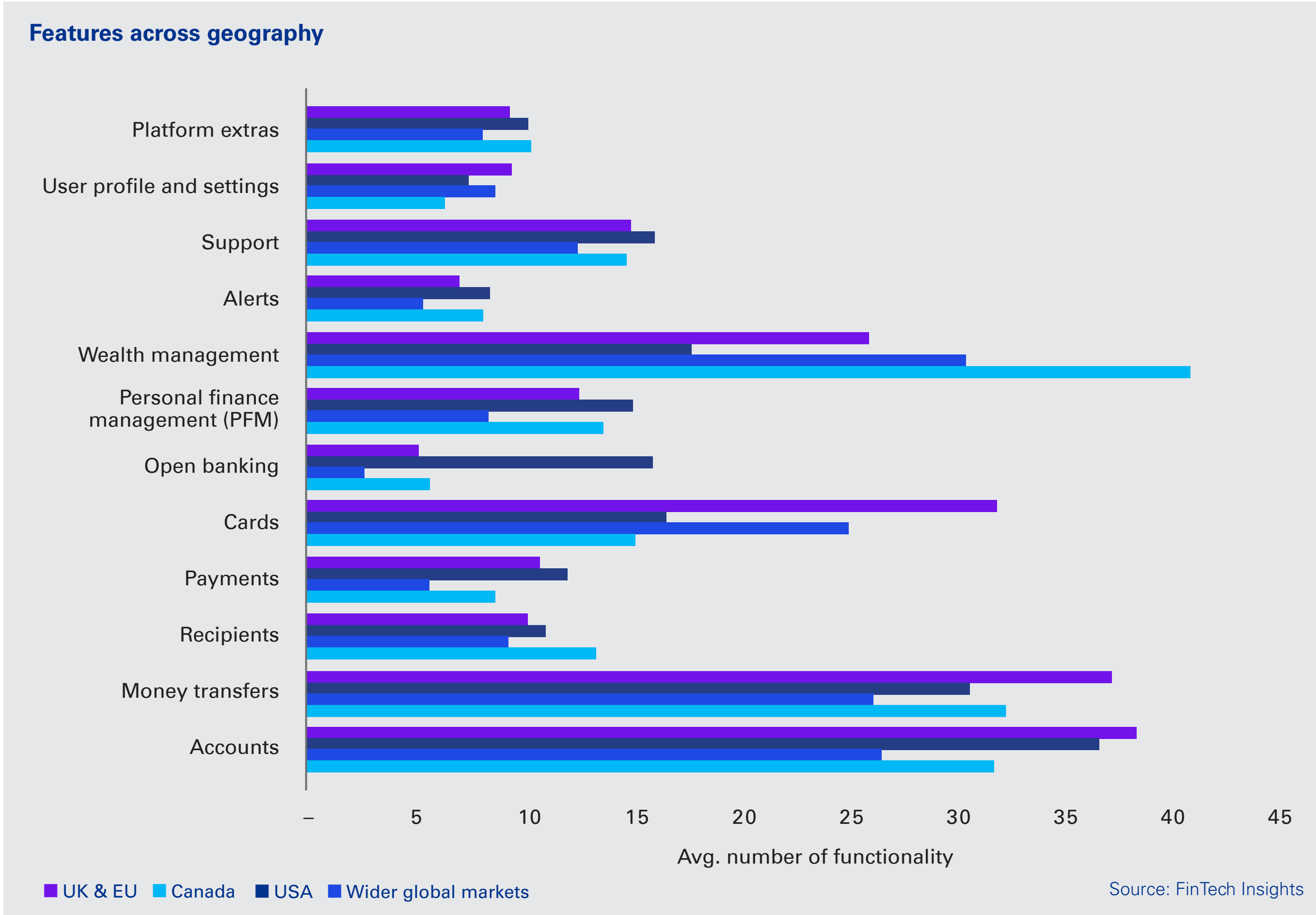
Customer experience has decisively shifted from a service consideration to a core element of how modern banks generate revenue, manage risk, and remain resilient in volatile markets. The evidence is clear: institutions that treat CX as strategic infrastructure that design, govern, and fund with the same discipline as balance sheet assets, consistently outperform those that view it as a layer to be optimized after the fact.

What distinguishes leaders from laggards is not ambition, technology spend, or the breadth of functionality offered. It is execution discipline. Leading banks make deliberate trade-offs, prioritizing well designed, reliable journeys over fragmented capability expansion. They design experiences that anticipate customer needs, absorb disruption, and scale without adding friction. Most importantly, they embed CX into products, processes, and platforms from the outset rather than attempting to repair experiences downstream.

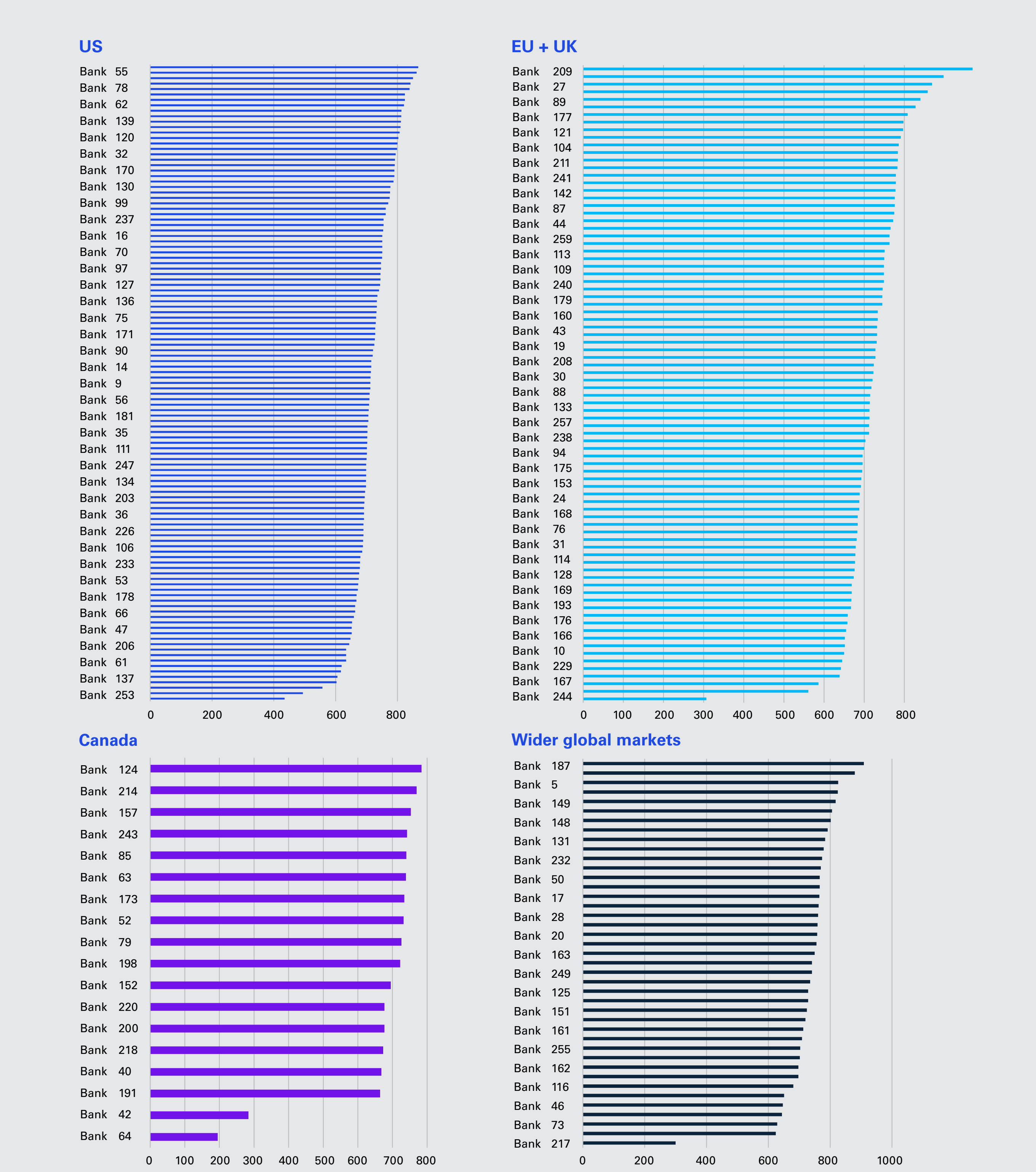
As competitive parity in products and pricing continues to increase, customer experience remains one of the few durable sources of differentiation. In an environment defined by uncertainty, CX is no longer a reflection of strategy. It is the strategy.

Insights: Customer experience data analysis 2024/2025

FinTech Insights is an AI-powered competitive analysis platform designed for financial services. It offers tools for benchmarking, competitor deep dives, product road mapping, and market strategy development.



UX score by bank by region



Source: FinTech Insights

UX scoring methodology: The Perfect Score of 1,000

FinTech Insights proprietary Perfect 1,000 system quantifies the effort each journey requires, creating a simple, objective way to evaluate user journeys. Each journey starts with a score of 1,000. 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 documentation verification process could slash 50 points from the final score.

Functionality deep dive

Enhancing wealth management and crypto offerings

A deep dive into wealth management and crypto functionality reveals a rapidly evolving landscape within digital banking, particularly as member expectations shift toward more sophisticated investment opportunities. While credit unions have traditionally offered limited wealth management services, industry trends (especially in the EU) demonstrate a broadening of available financial instruments, including seamless access to cryptocurrencies and digital asset management. This expansion is fueled by a surge in social and institutional adoption of crypto, prompting banks to develop comprehensive digital solutions that go well beyond basic investment accounts. Cutting-edge banking platforms now embed features such as secure crypto custody, real-time trading platforms, frictionless on/off ramps for converting between fiat and digital currencies, and integrated portfolio management tools that support both traditional and emerging assets. By embracing these advanced functionalities, financial institutions are not only responding to the demand for borderless, flexible investments but are also positioning themselves as leaders in the next generation of wealth management, where digital assets could play a central role in the customer experience.

AI adoption worldwide – banking chatbots

Artificial Intelligence (AI) adoption is accelerating within the banking industry as institutions strive to modernize their services and keep pace with digital transformation. Banks are increasingly integrating agentic chatbots into their digital platforms to automate routine processes, provide personalized customer support, and enhance operational efficiency. These chatbots enable customers to interact with banking services through natural language, allowing for seamless execution of transactions, information requests, and other everyday tasks. By leveraging AI, banks can offer more responsive and tailored experiences, reduce manual workloads for staff, and remain competitive amid rising expectations for convenience and innovation. This trend reflects a broader movement across industries, where AI-driven solutions are central to improving customer engagement and driving efficiency gains.

Buy now, pay later

Buy now, pay later (BNPL) is rapidly emerging as a significant trend in financial services, with banks increasingly integrating BNPL options into their digital platforms to meet shifting customer expectations. By offering BNPL directly within banking apps, institutions enable users to split purchases into manageable installments without exiting the platform, providing greater convenience and flexibility. This development mirrors the consumer-centric approach pioneered by fintechs, signaling a strategic shift toward adaptive banking ecosystems where innovative digital services coexist with traditional products. In particular, LATAM banks are advancing toward secure platform models, making robust security architecture visible and differentiating aspect of the customer experience rather than merely a back-end compliance feature.

Banks expanding into non-banking services

Banks are increasingly broadening their offerings by venturing into non-banking services, aiming to create a more integrated and engaging experience for customers. Driven by fierce competition with fintechs and the accelerating digitalization of daily life, financial institutions are collaborating with third parties to provide a variety of lifestyle-oriented services within their apps, including real estate assistance, mobile top-ups, transport ticket purchases, bill payments, insurance, entertainment, dining, and e-commerce options. This shift reflects a move away from siloed banking toward platform-based ecosystems, where apps serve as central hubs for both financial and everyday lifestyle needs. The approach is particularly advanced among European banks, which are delivering super-app-like experiences that allow users to complete processes entirely in-app — enhancing convenience, encouraging better financial habits, and deepening customer engagement. As banks continue to expand these integrated services, they are redefining the traditional banking relationship and positioning themselves at the center of customers' digital lives.

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.

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