



Banking transformation: The new agenda

How leading banks are driving successful
operational and cost transformation





Foreword

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

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

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

Please do not hesitate to contact us to learn more about the findings of this report or to discuss your own unique transformation challenges. Transformation never stops and neither does KPMG. Contact us today to learn how we can help.



Owen Lewis

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

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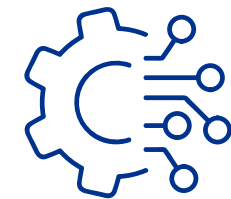
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Banking transformation: At a glance

Three big transformations at the top of the banking agenda



Embedding AI into new ways of working

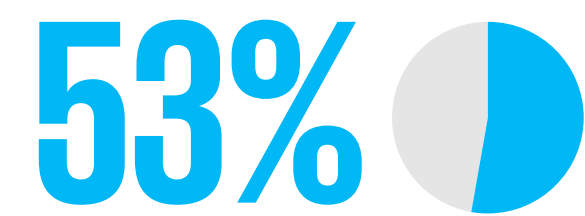


Addressing cyber security and fraud

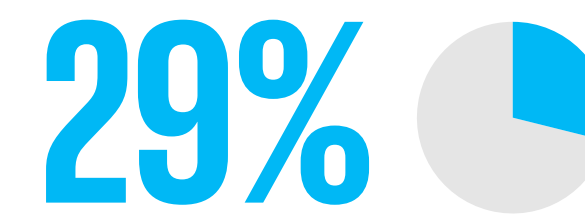


Improving data and analytics capabilities

Anticipated cost savings are significant

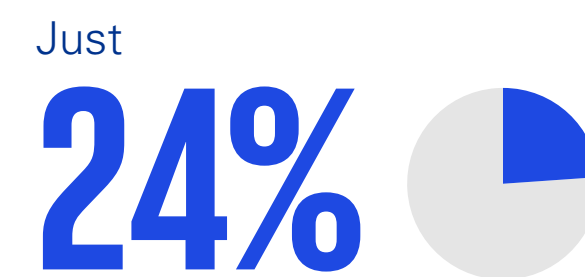


expect to **cut costs by 10% by 2030**

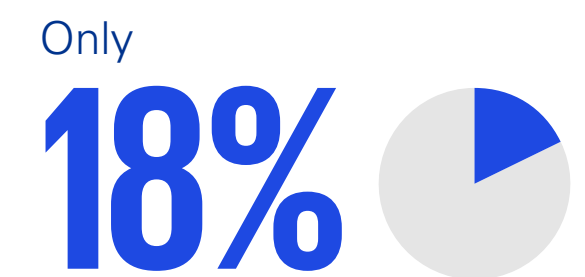


want to **cut costs by more than 20% by 2030**

Yet successful transformation has been a challenge



have been highly successful in achieving cost reduction goals



have been highly successful in achieving transformation goals

Not all banking leaders think they are ready



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



think they are well positioned to adapt to changing market dynamics

What are the most successful banks doing differently?



They have clearly defined cost objectives



Their cost and transformation objectives are 'fully aligned'



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



They have allocated substantial budgets



They have made leadership accountable

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



Growth amidst uncertainty

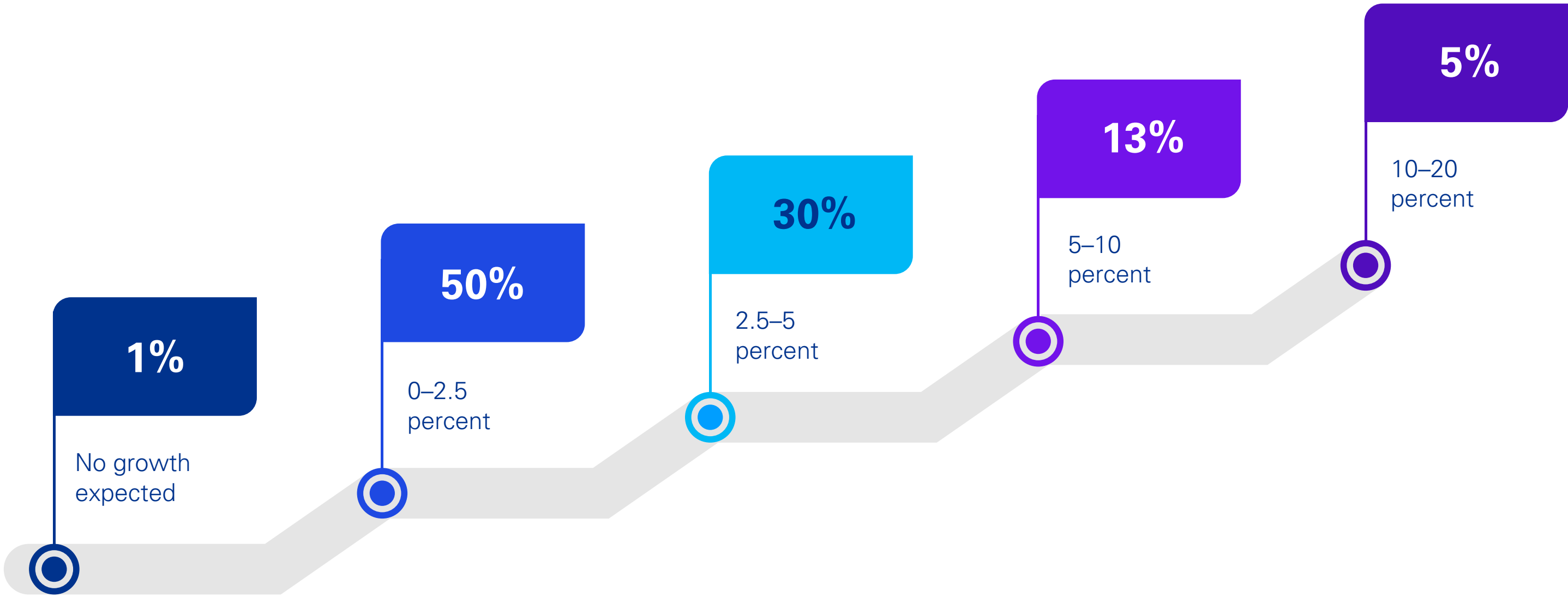


Bank executives have big growth ambitions for their organisations. According to a recent global survey of bank CEOs conducted by KPMG International, nearly half of all banks believe they can grow their earnings by more than 2.5 percent over the next three years. Around one-in-five say they expect growth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

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

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

Organisation’s earnings outlook in the next three years



Source: KPMG 2024 Banking CEO outlook

¹ KPMG 2024 Banking CEO Outlook, KPMG International, 2024



Time for transformation

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

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

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

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

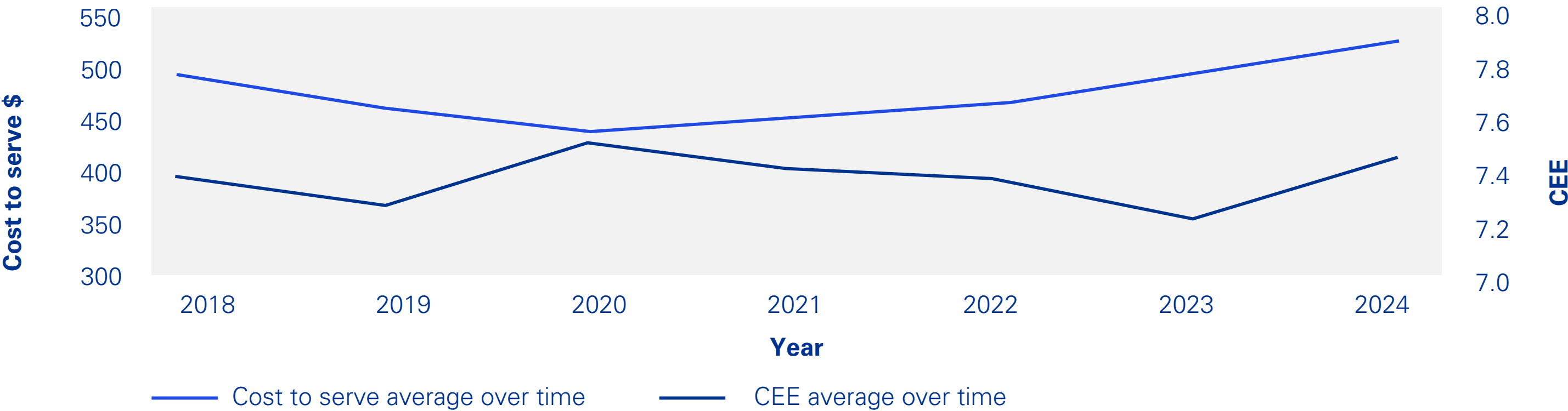
After years of branch rationalisation as a core tenant to banks productivity efforts, retail and business banks are re-evaluating the critical role these locations and hubs play in meeting the needs of their clients. While the role they play — and the services they offer — might be evolving as digital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

Areas of strategic importance



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

Cost to serve vs. customer satisfaction



Source: KPMG analysis, KPMG International, May 2025

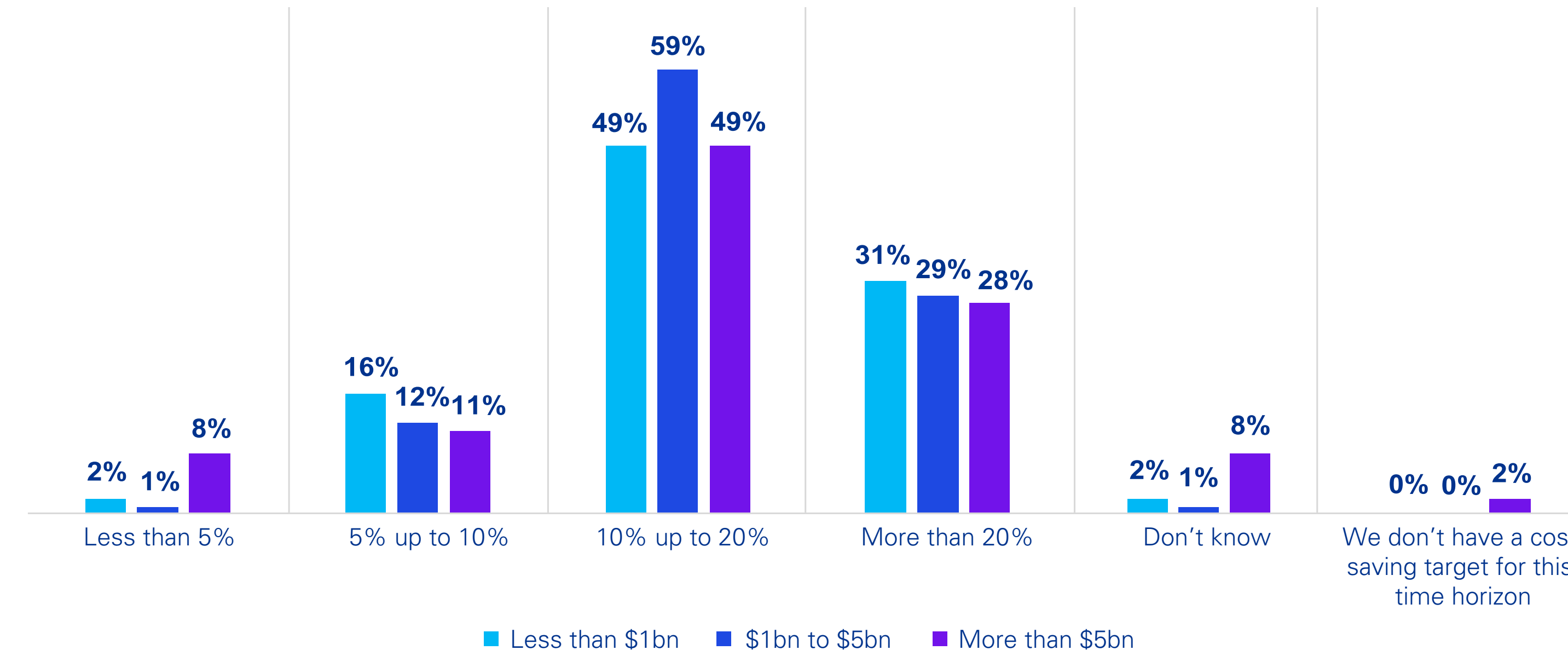


Cost on the agenda

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

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

Target for 2030



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



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

Owen Lewis

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



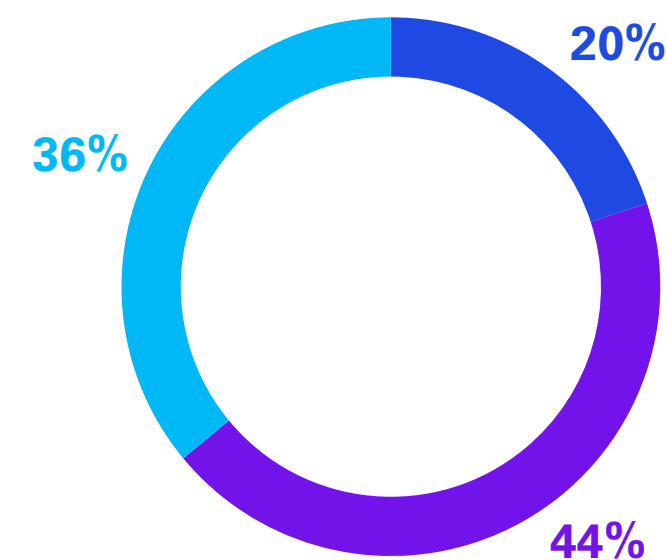
“Most banks could probably achieve a 10 percent reduction in costs through blunt ‘cost out’ targets or by applying AI to discrete processes,” notes Owen Lewis. “Cutting costs by 20 or 30 percent, however, will require banks to undertake some fairly significant operational transformation initiatives to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

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

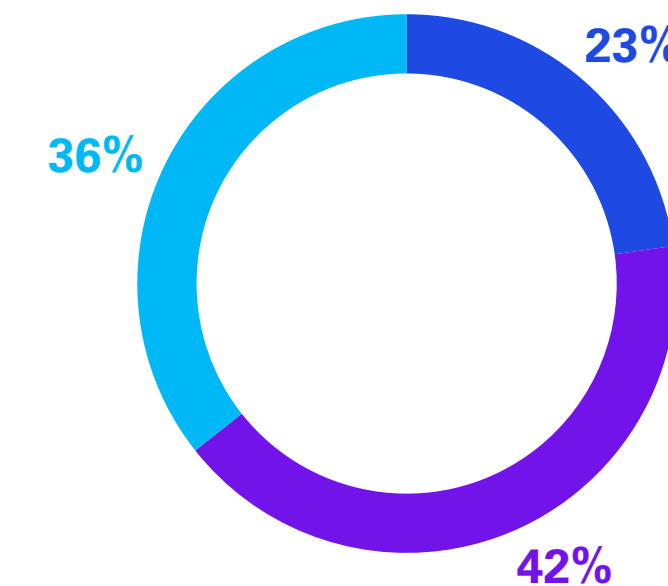
“Recent data suggests that cost-to-income ratios and return on equity ratios for US banks tend to lag those in Europe where — generally speaking — banks have focused more on modernising their core banking systems, introducing greater automation and pushing forward with branch rationalisation,” notes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

Assessment of cost reduction strategy

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



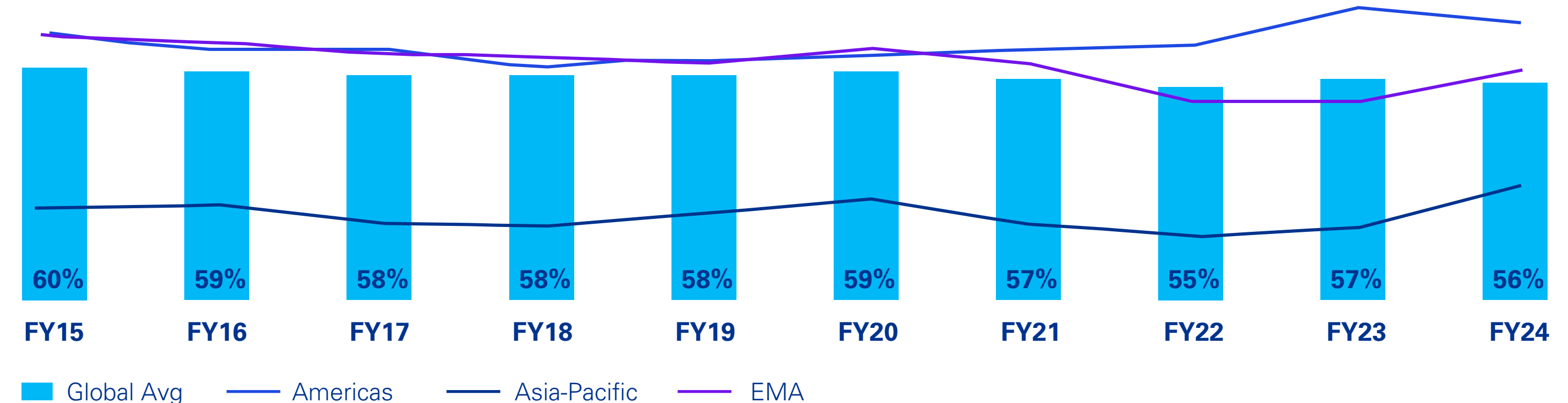
We plan to refocus cost reduction initiatives over the next two years months



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

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

Cost income ratio over time by region



Source: KPMG analysis, KPMG International, May



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

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

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

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

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



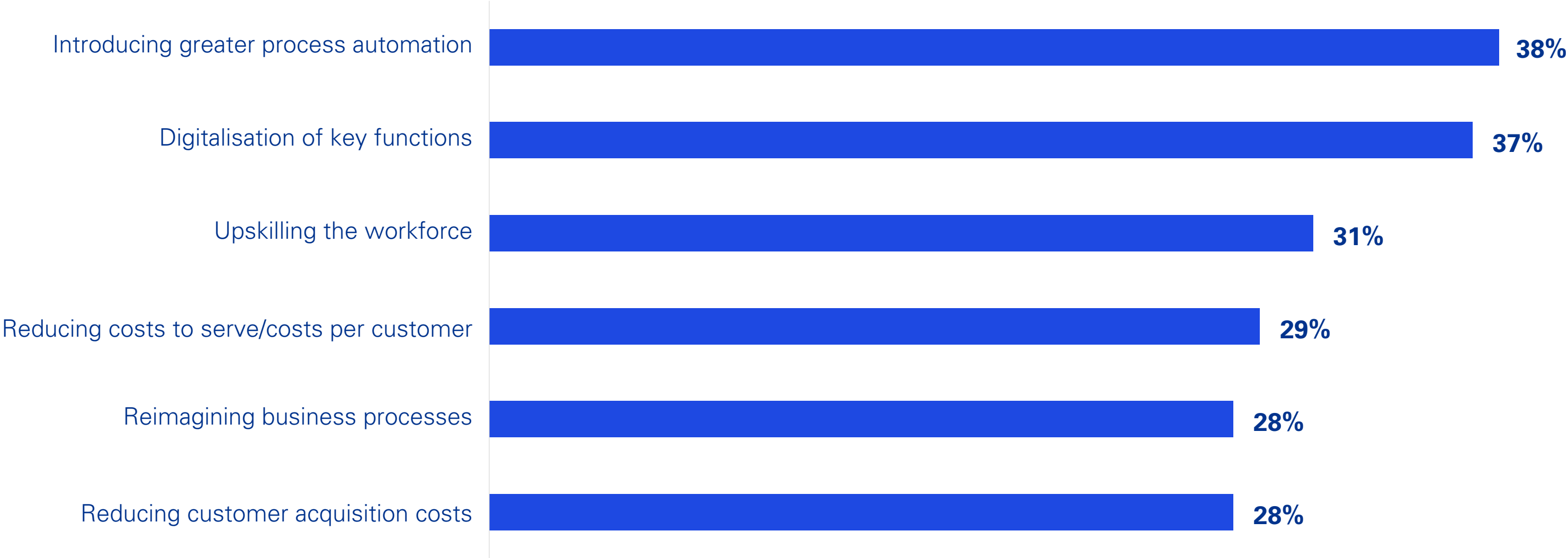
Prioritising productivity and profitability



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

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

Biggest benefit to profitability



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



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

Jörg Fehrenbacher
Partner
Financial Services
KPMG in Germany



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

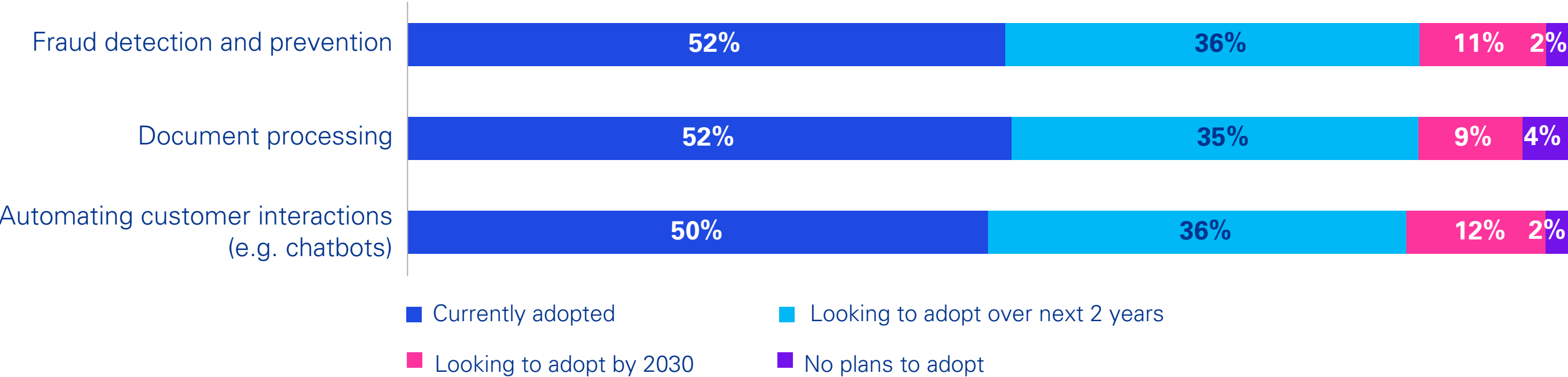


Focusing your cost and transformation efforts around the customer is a good idea, but it must be done with an enterprise view looking end-to-end at the customer experience and expectations. If you are just introducing a bunch of individual point solutions, you may be scoring wins in siloes, but you are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

Sara Forbes
Partner, Advisory Transformation Services
KPMG in the UK

² Banking Strategic Benchmarking Insights 2024, KPMG International, 2024

Adoption of AI and automaton use cases



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

People, process and technology

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

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

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

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



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

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

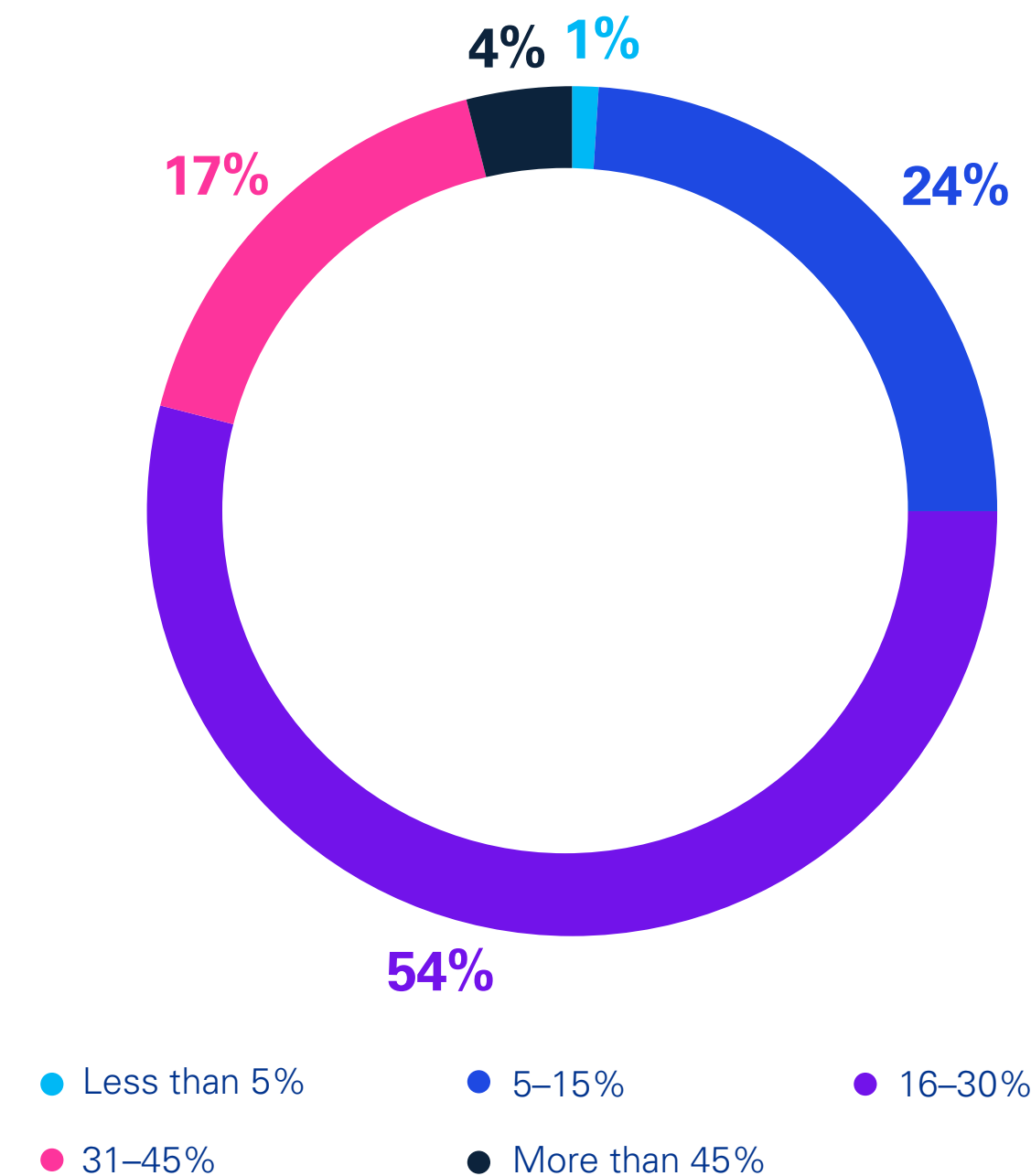
Capital in, cost out

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

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

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

OpEx invested in transformation



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



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

Nadia Orawski

Head of Financial Services Strategy, KPMG in the US



Tackling the highest impact customer and cost priorities: Client case study

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

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

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

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



Overcoming the barriers





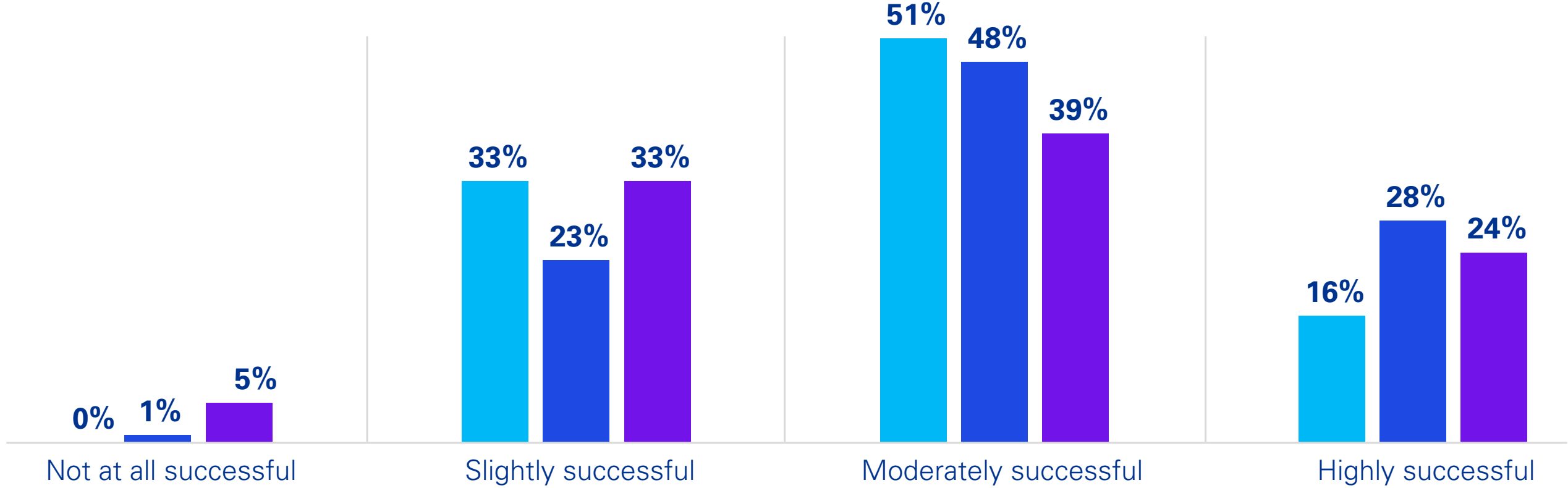
Banks are not new to transformation. Most banks have been running ongoing transformation programmes for years. Yet our data suggests that few banks are achieving the outcomes they expected from their transformation activities and investments. Indeed, in our survey, less than a quarter of banks report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

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

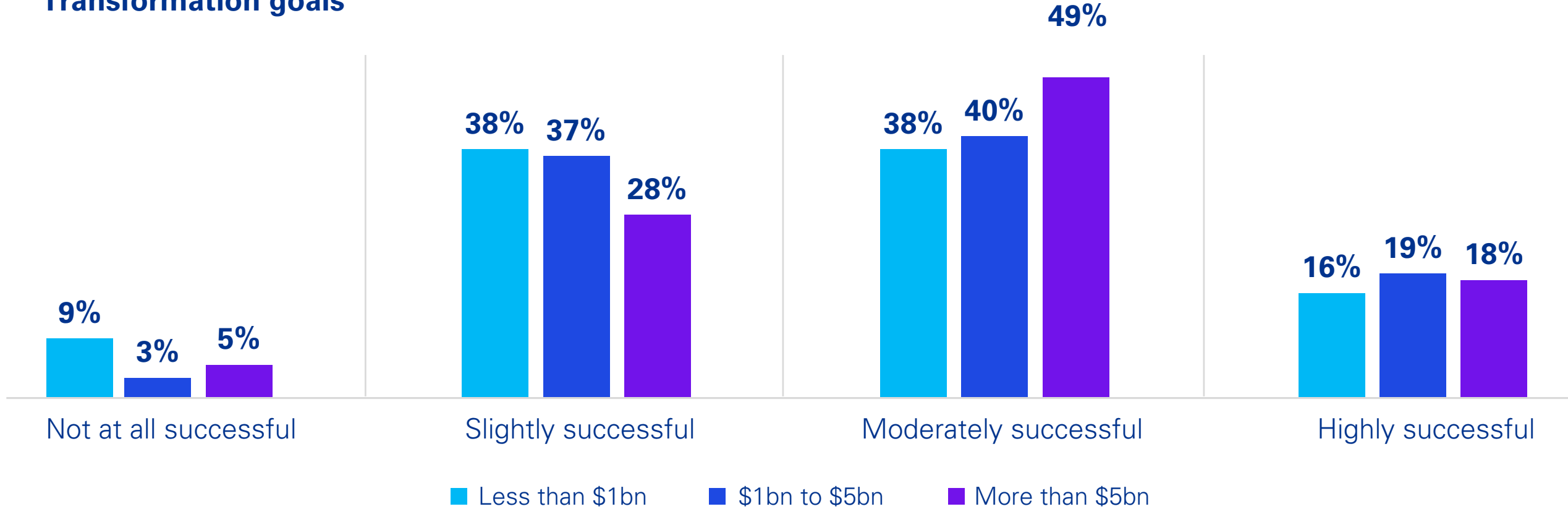
“Mid-sized banks may be better placed to deliver on their cost objectives since management tends to be closer to the costs which leads to greater control,” notes Karin Sancho, a Partner and Head of Financial Services with KPMG in Sweden. “It’s easier to get a centralised view of your progress and to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

Success of past transformation efforts — by banks size

Cost reduction goals



Transformation goals



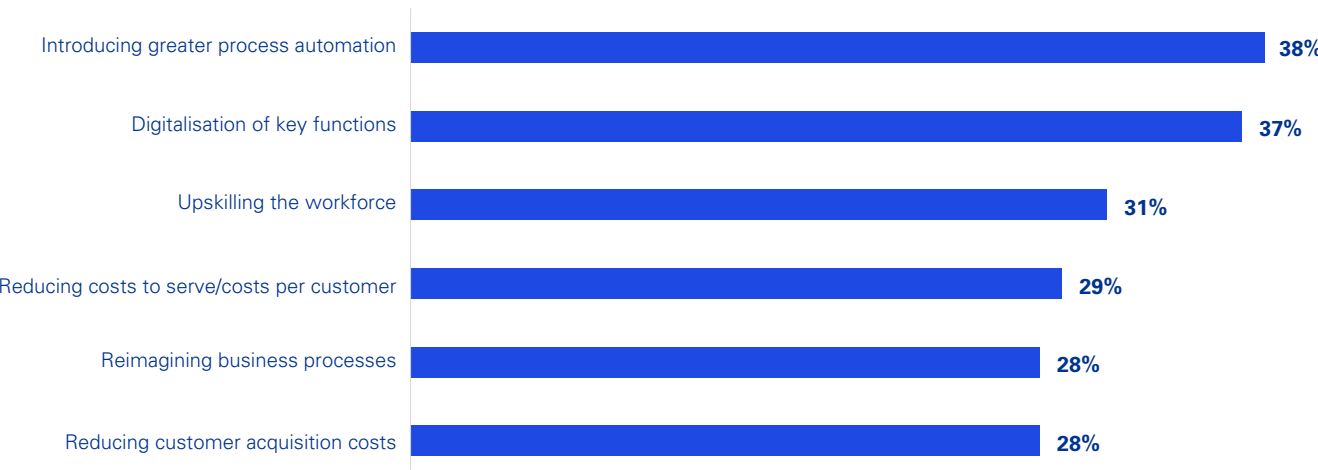
Source: Beyond boundaries: banking transformation, KPMG International, 2025



Looking for alignment

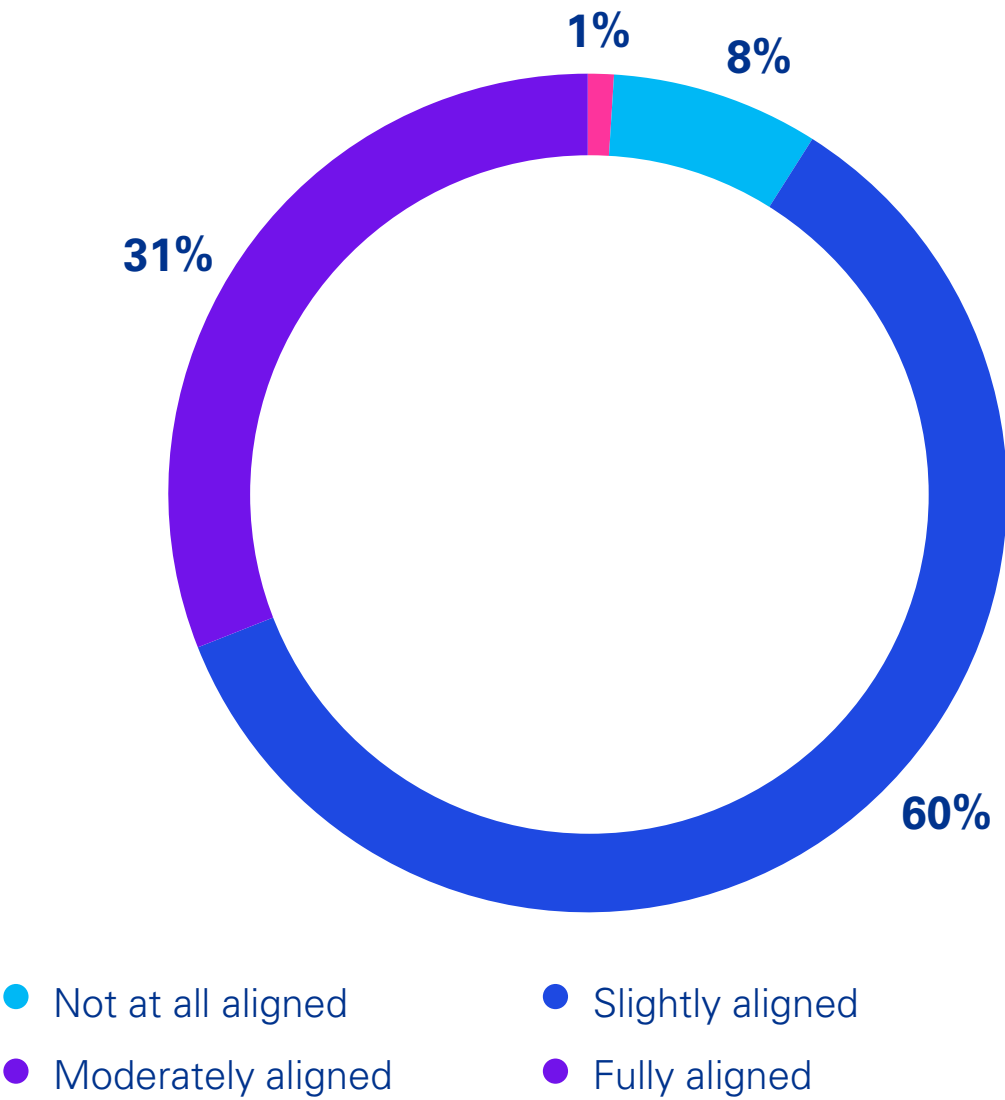
Perhaps more worrying is that our data suggests that less than half of all banks globally feel they are prepared to deliver on their cost and transformation objectives. In our survey, just 47 percent say they believe their business is ‘well prepared’ to improve profitability and 45 percent say the same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

Biggest benefit to profitability



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

Alignment of cost reduction strategy



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

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

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

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

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

Structure matters

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



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

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

Prioritising accountability

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

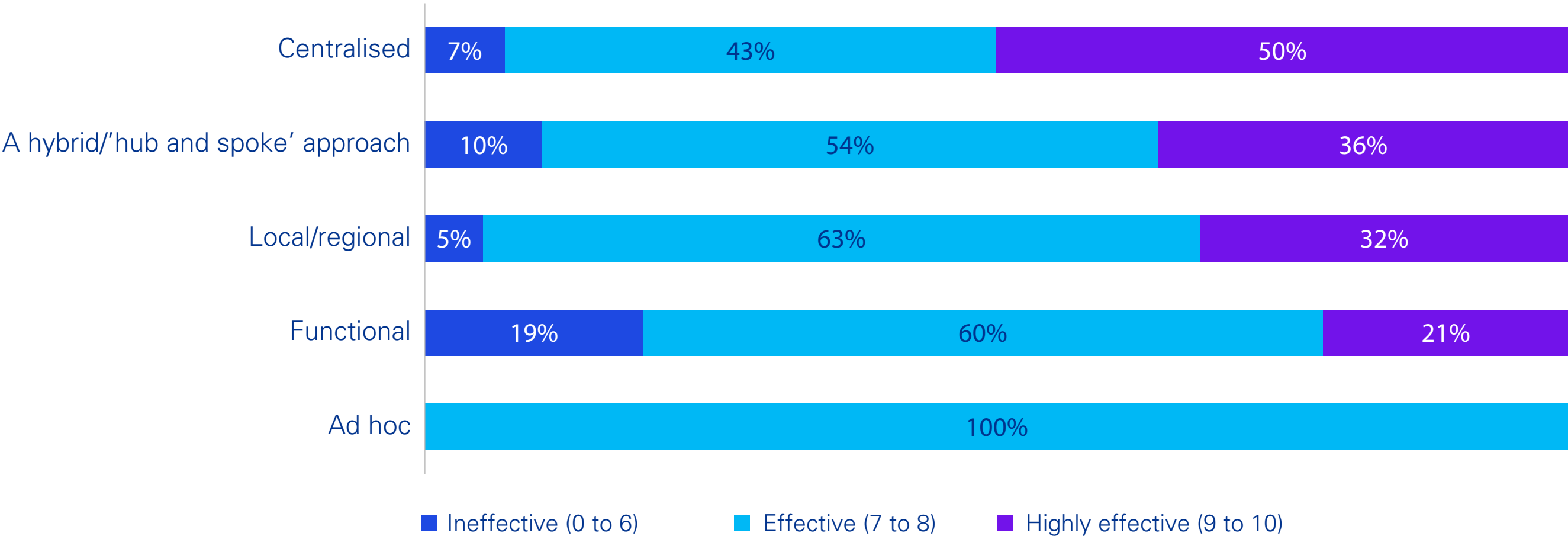


To respond better to the accelerating pace of change, many banks have shifted their operating models centred around end-to-end value streams — simplifying decision rights and accountabilities across run and change. In doing so, transformation and cost efficiency outcomes are aligned under a single executive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

Ben Kilpatrick

Partner, Banking & Capital Markets Consulting
KPMG Australia

Effectiveness of transformation approaches



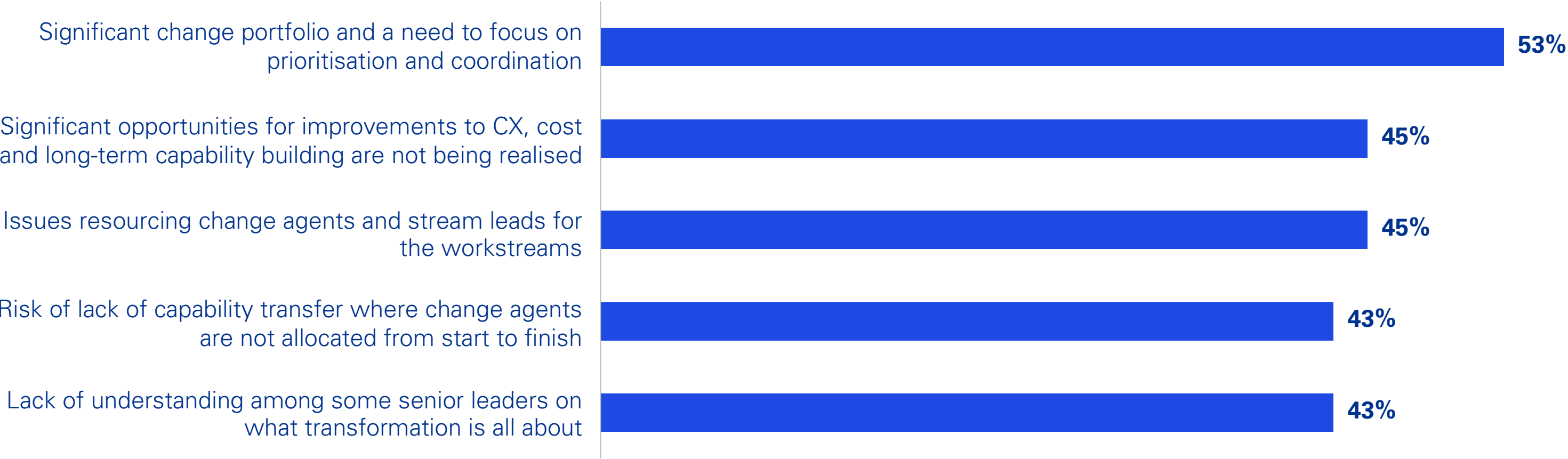
Source: Beyond boundaries: banking transformation, KPMG International, 2025



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

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

Barriers to transformation over the next two years



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



Building on success





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

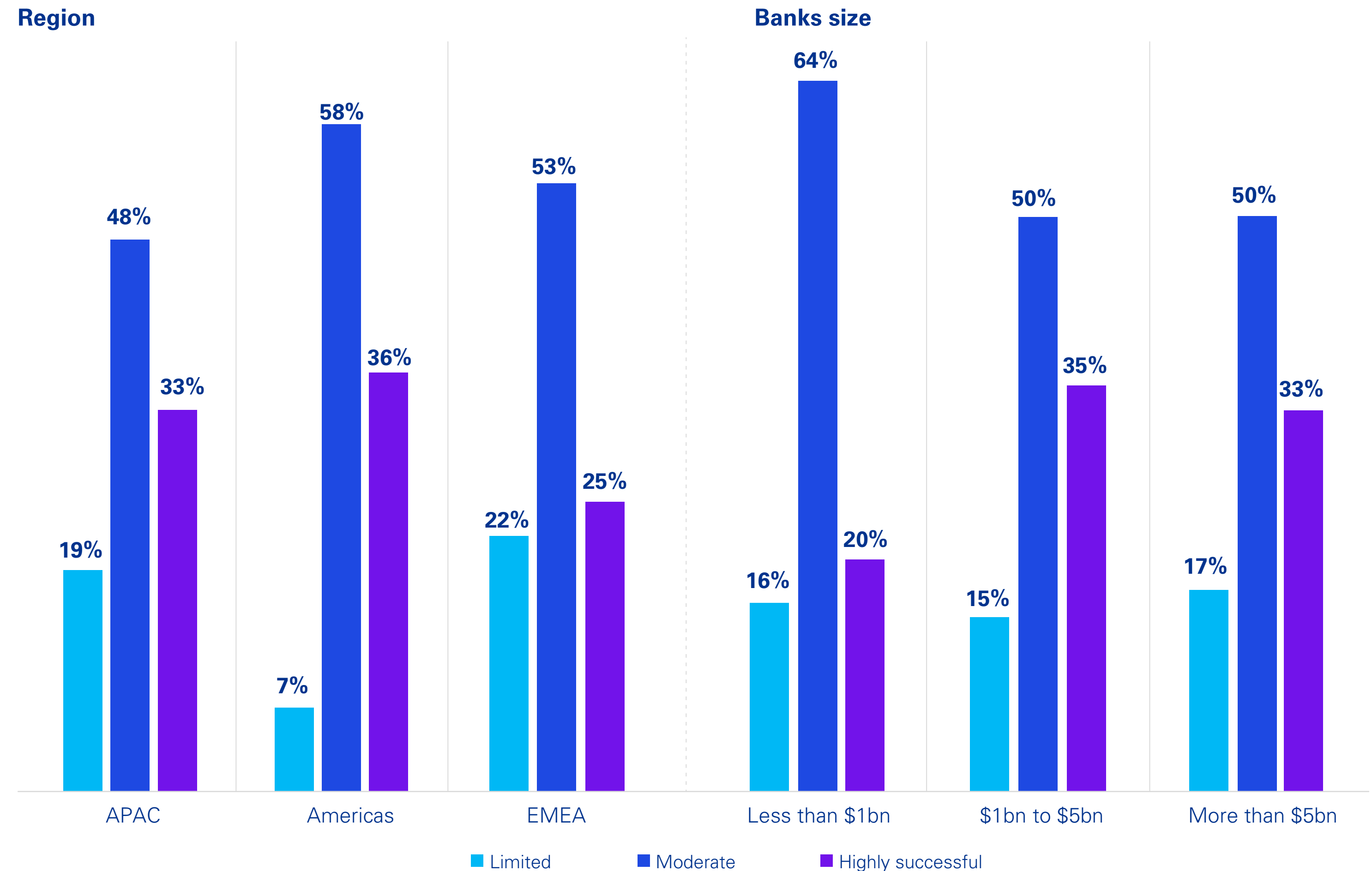
Based on our data, the banks most likely to claim high levels of success are mid-sized and larger entities with 35 percent of mid-sized banks and 33 percent of large banks reporting success versus just 20 percent of smaller banks (those with less than US\$1 billion in annual revenues). Similarly, banks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

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

33%

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

Breakdown of ‘success level’ by region and bank size



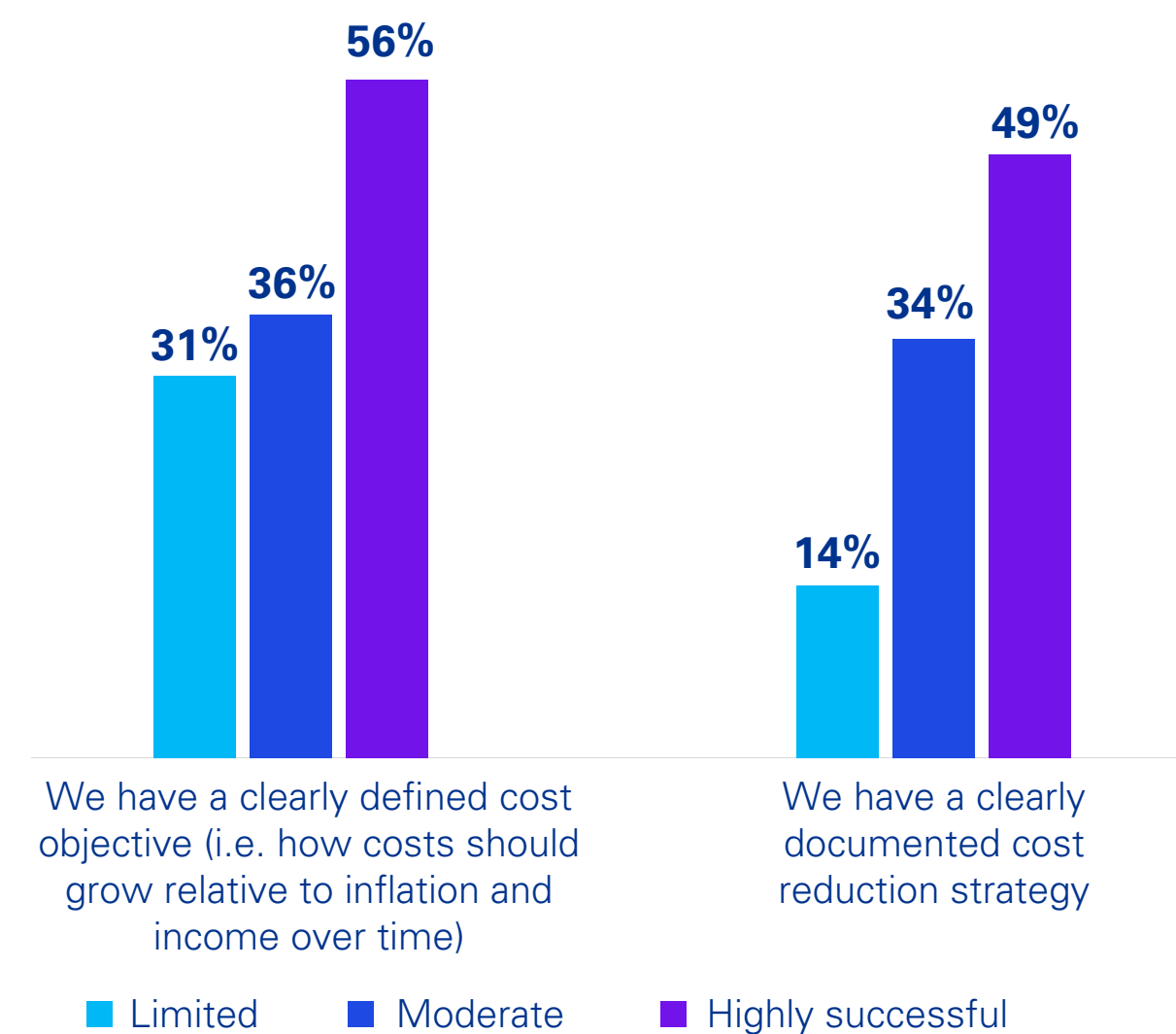
Source: Beyond boundaries: banking transformation, KPMG International, 2025



Follow the leaders

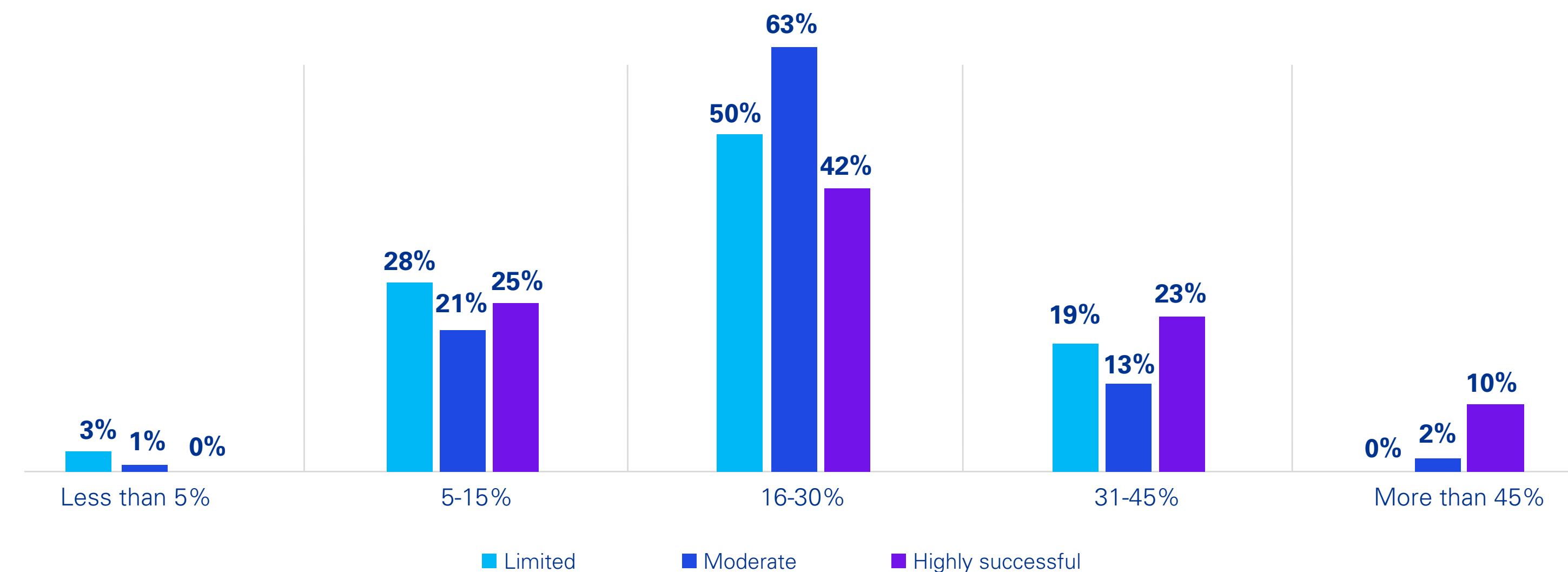
What are they doing differently to their peers? For one, they are better aligned on their cost and transformation objectives. Nearly two-thirds of the most successful banks report ‘full alignment’ between their transformation and cost reduction objectives, versus just 6 percent of those reporting limited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

Assessment of cost reduction strategy — by success level



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

OpEx invested in transformation — by success level



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

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

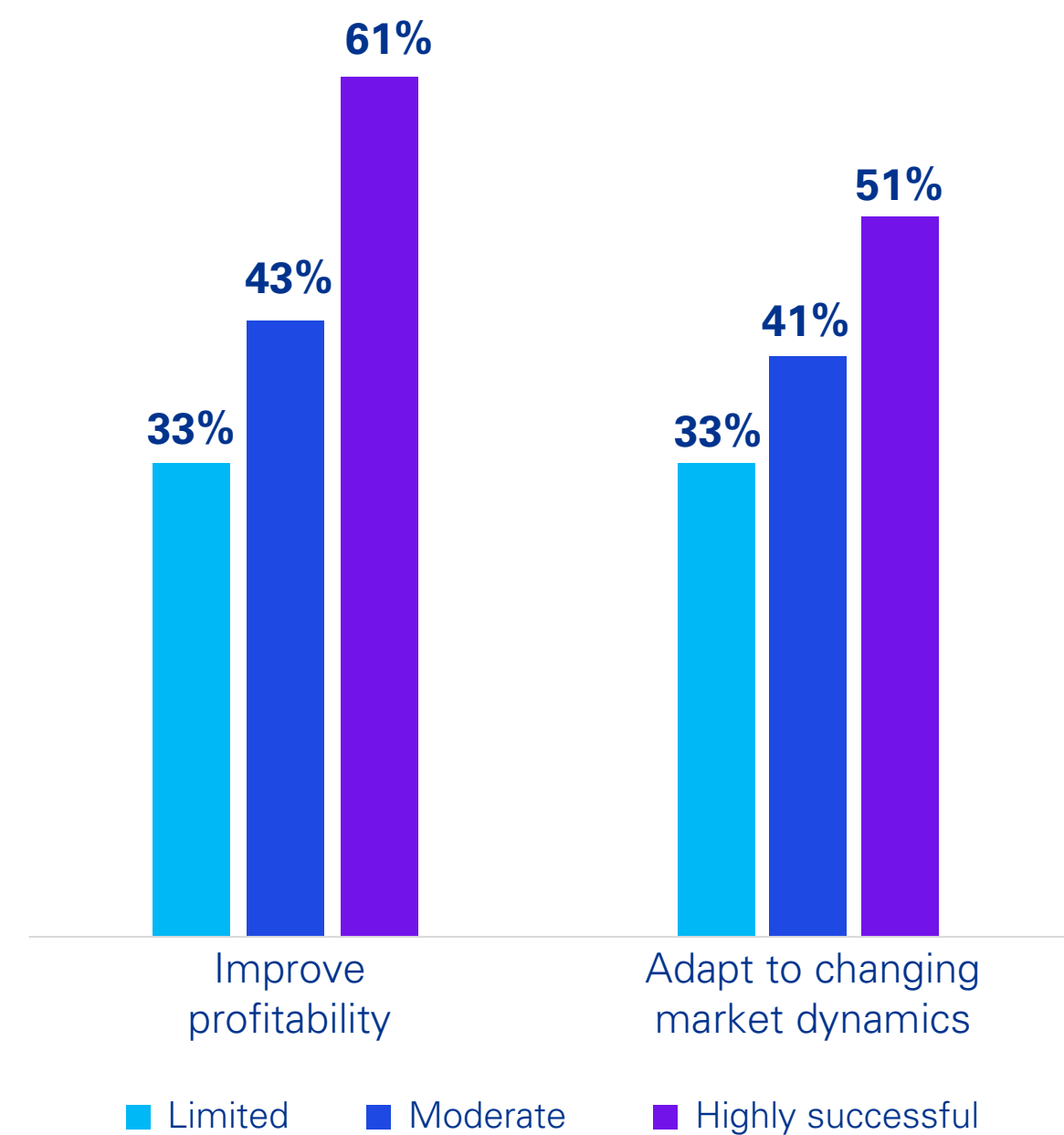
The highly successful banks are more likely to enjoy bigger budgets and stronger accountability. Our data shows that a third of the most successful organisations invest more than 30 percent of their OpEx budget into transformation, compared to 19 percent of the less successful banks. And 56 percent say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



Building confidence and capability

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

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

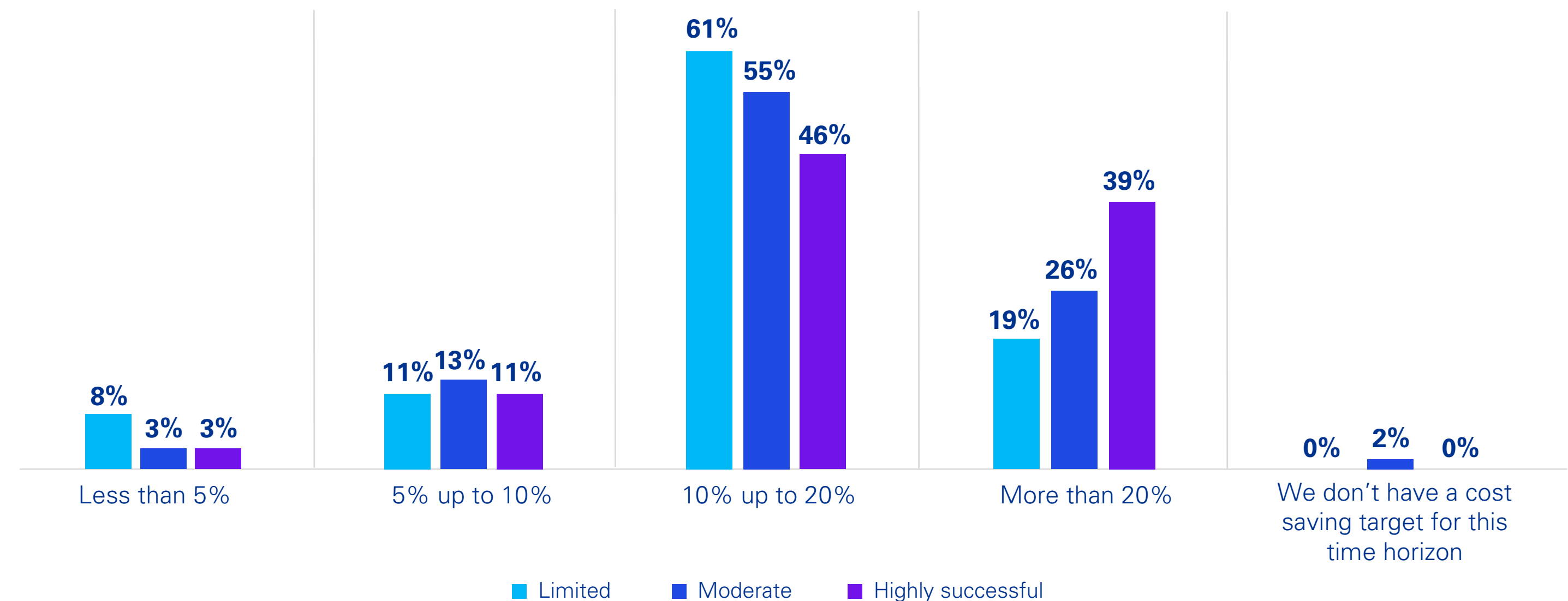


Source: Banking transformation: The new agenda, KPMG International, 2025

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

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

Target for 2030



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



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

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



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

Owen Lewis

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





Next steps

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

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

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

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

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



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

Owen Lewis

Global Lead for Banking Cost Transformation
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Five key takeaways

01

Know what you want to achieve

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

02

Create alignment between transformation and cost

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

03

Understand the levers of value

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

04

Drive successful definition and execution across the enterprise

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

05

Tap into tested experience

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



How KPMG can help

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

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

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

Don't hesitate to contact us to learn more about how we can help you successfully transform your banking organisation.

Twelve levers of cost and value transformation

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



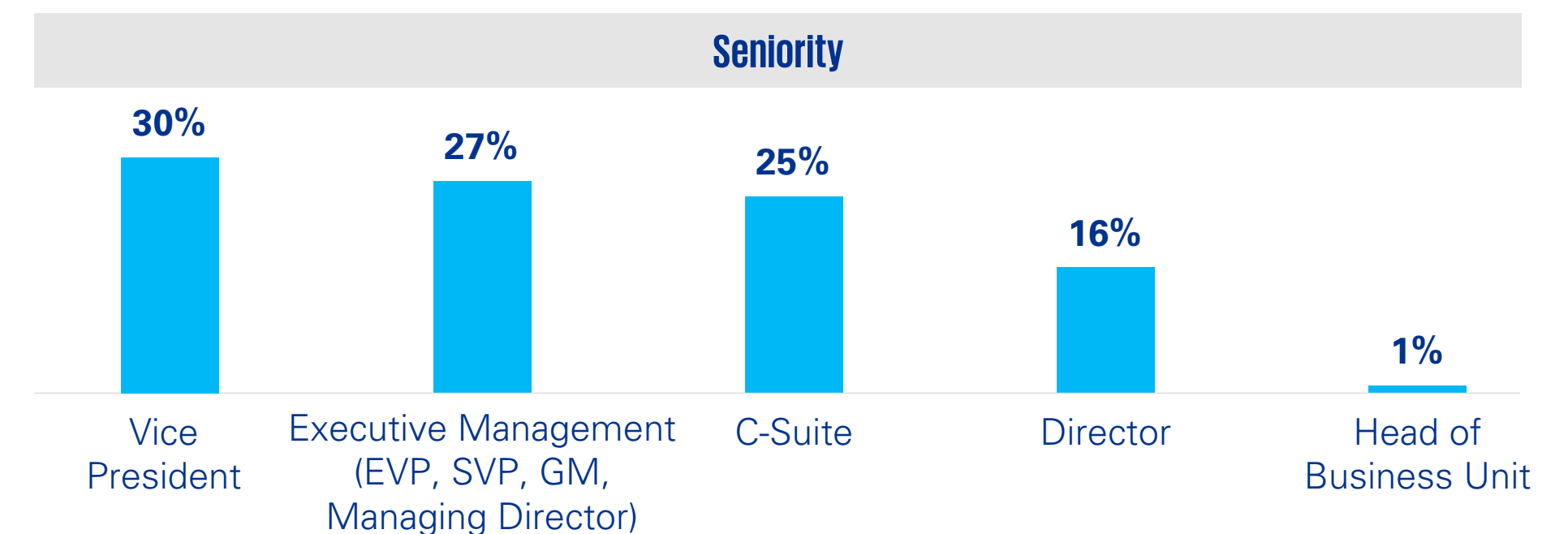
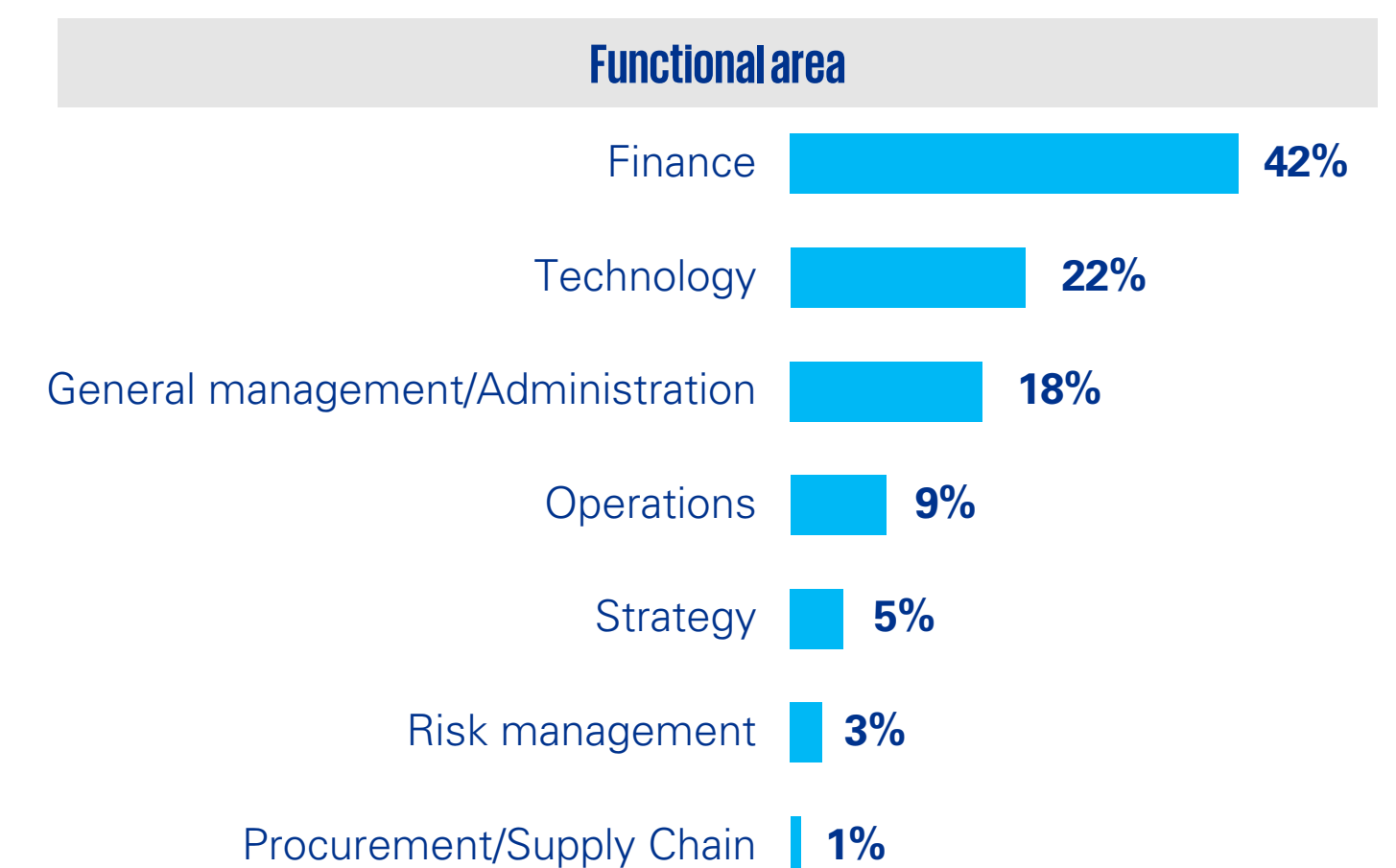
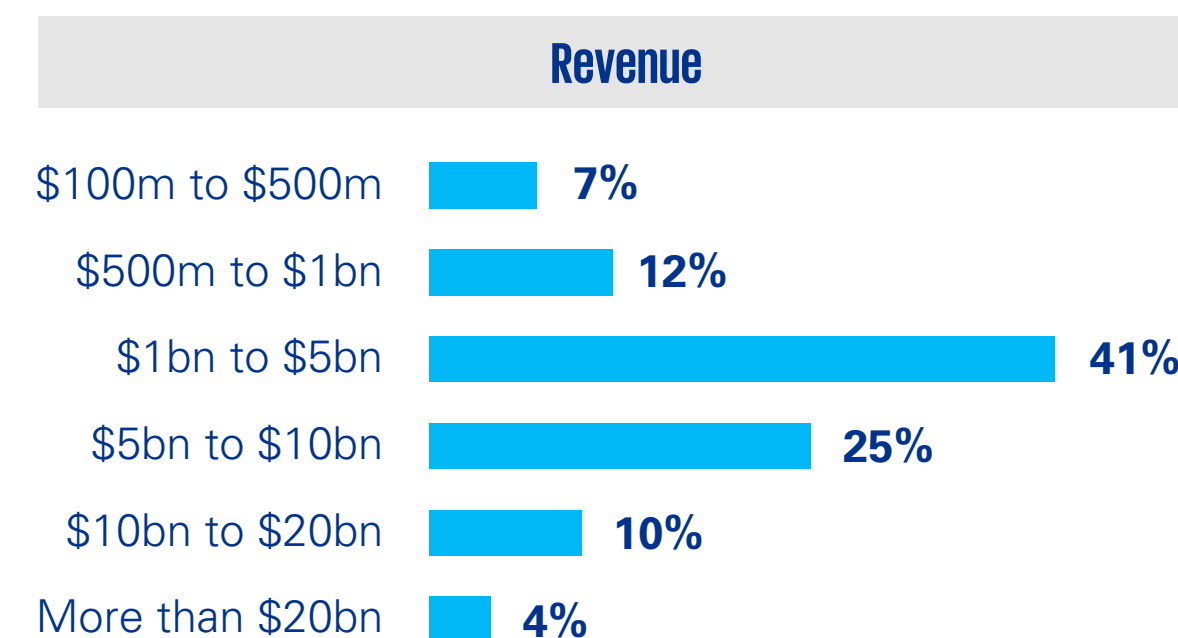
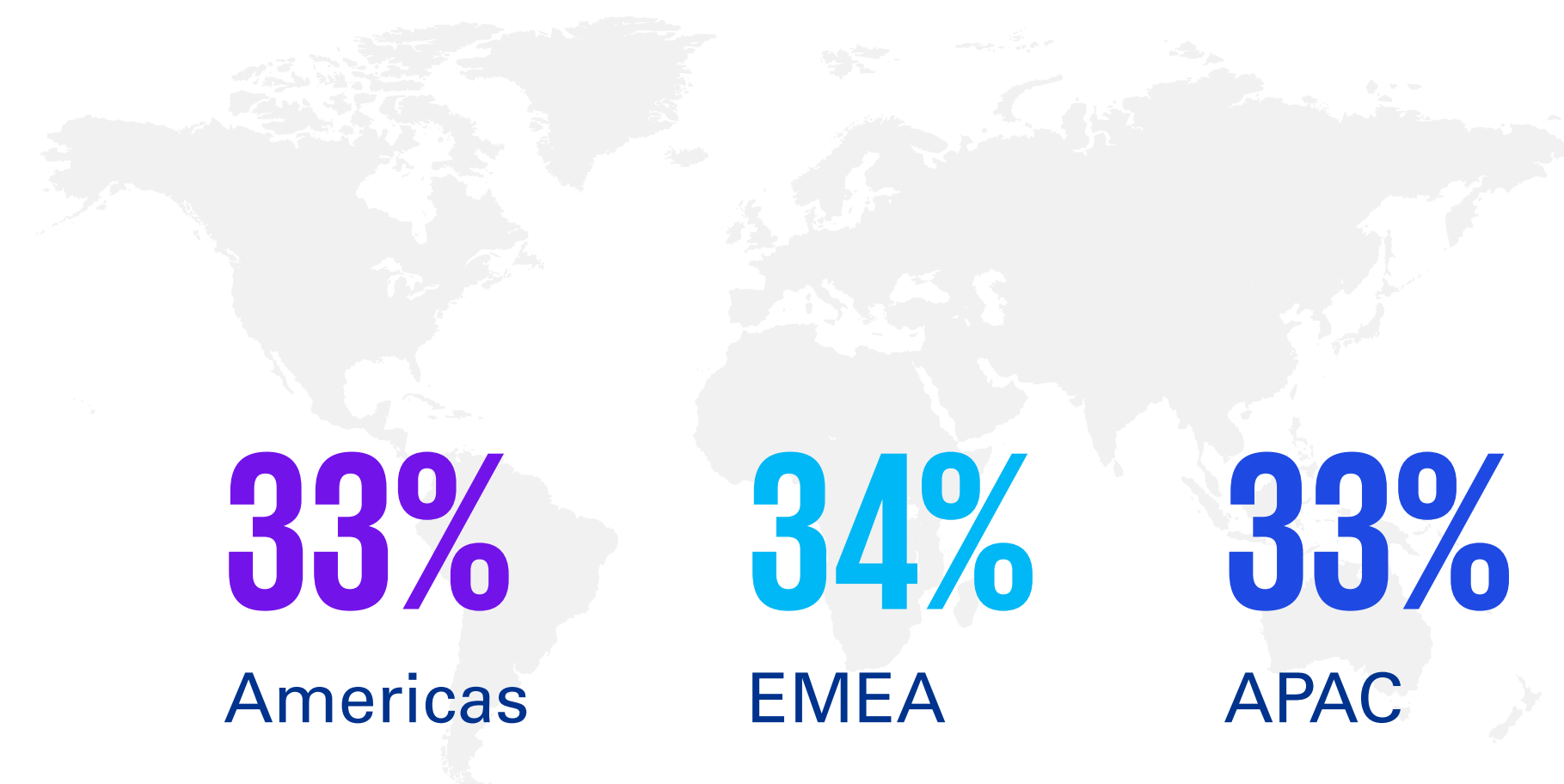
Methodology

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

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

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

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





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