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KPMG 2025 Banking and Capital Markets CEO Outlook

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Foreword

The banking and capital markets sector has historically proved effective at pivoting and adjusting to change. Despite recent shocks such as tariffs, wars, inflation, rapid rate hikes, liquidity scares, and credit risks, CEOs feel their organizations have the resources to thrive, increase digital capabilities and enter new markets.

Inorganic growth remains firmly on the agenda, not least to acquire and/or partner with fintech expertise and access customers who prefer a digital experience. At the same time, bank CEOs are aware of preserving the trust premium they have built up over decades or even centuries.

Technology, in particular AI, presents a huge opportunity, but also a challenge in terms of where to prioritize, how to achieve a measurable return on investment (ROI), and how to ensure responsible and safe adoption to maintain trust. Banks need to modernize legacy IT, cope with rising financial crime risk, made more difficult by sophisticated scams using AI, address new competitive threats from fintechs and nimble, cloud-native banks, and comply with complex and changing regulations.

AI can help improve customer engagement and increase understanding of customers, but banks must avoid de-personalizing their interactions and losing the human touch. AI also simultaneously raises the cyber threat and boosts banks' ability to detect and defend against bad actors.

The KPMG 2025 Banking and Capital Markets CEO Outlook reflects these underlying geopolitical, economic and market conditions, and provides some interesting suggestions as to how CEOs are tackling the many challenges to find a winning competitive formula. Our global organization of professionals across KPMG member firms are always available to discuss these trends, and specific topics that interest you, to help guide your organization on its path to sustainable success. To learn more about the topics or ideas raised in this report, I encourage you to contact your local KPMG member firm.

Geoff Rush
Global Head of Banking and Capital Markets
KPMG International

Executive summary

In a volatile world, banking CEOs are remarkably upbeat about the prospects for their companies and their industry, with positive expectations for business and earnings growth. Appetite for M&A remains high, although this has shifted somewhat towards more strategic transactions. Those expressing interest in higher-impact M&A are likely to seek market consolidation — especially in regions like Europe where fragmentation is greater. The specter of cybersecurity continues to hang over the sector, but banks are stepping up to this threat by investing in cyber defense, including AI.

AI has become central to banking strategy, transforming the operations and employee and customer experience. Banks are accelerating investment in AI, and rolling out AI at scale to reap benefits in productivity and enhanced customer experience. The CEOs are increasingly confident of returns from their investment but also recognize the need to build trust, with ethical challenges seen as the biggest obstacle to AI implementation.

Banking leaders recognize the seismic impact of AI on their workforces, with an urgent need for upskilling and redeployment, as AI radically transforms the shape of jobs.

Balancing humans and machines is becoming one of the key priorities, to get the most out of AI, and reassure people that technology is there to make their lives more fulfilling — not simply take their jobs. There is a rethink of the kinds of skills and personal characteristics needed to forge a competitive banking workforce.

In a highly regulated sector, sustainability reporting remains a major challenge for banking, and compliance is high on CEOs' agendas. However, they also acknowledge the business benefits of clean energy, smart buildings and low-emission value chains, and are embedding sustainability into their business strategy and operations. Again, CEOs see the value of AI to forecast climate scenarios, decarbonize supply chains, and drive energy-efficiency.

Over its history, the banking sector has shown remarkable resilience in adapting to periods of change and uncertainty. Our 2025 CEO Outlook suggests continued optimism combined with realism, as banks digitally transform and deploy new technologies that will help deliver growth and resiliency.

25%

of CEOs identified 'strategic differentiation' — gaining competitive advantage through innovation, customer experience or new business models as the primary driver of AI adoption.

Key findings

Economic outlook and business confidence

83% of CEOs are confident in company growth, up from 78% last year.

41% expect 2.5–4.99% earnings growth, up from 30% in 2024; 20% expect earnings growth of 5–9.99%, up from 13%.

46% anticipate moderate-impact M&A activity, high-impact M&A appetite declined to 41% from 48% in 2024.

86% of CEOs say cybersecurity is the most likely factor to impact organizational growth in next three years.

AI-powered technological innovation

65% say Gen AI remains a top investment priority.

59% expect agentic AI to have a significant or transformational impact.

70% expect to spend 10–20% of budget on AI in next 12 months.

69% expect ROI from AI investments within 1–3 years, up from 13% last year.

56% say ethical challenges are the biggest obstacles to implementation.

Tuning your workforce into an AI world

78% say AI workforce readiness or AI upskilling could negatively impact the organization.

79% say AI has redefined entry-level skills (up from 53% in 2024) and 80% say it is reshaping workforce development (up from 61%).

30% of CEOs identified bridging the skills gap and identifying candidates with suitable skills as the top two challenges in attracting and retaining AI talent.

Achieving strategic advantage through ESG

60% say sustainability is embedded into the business.

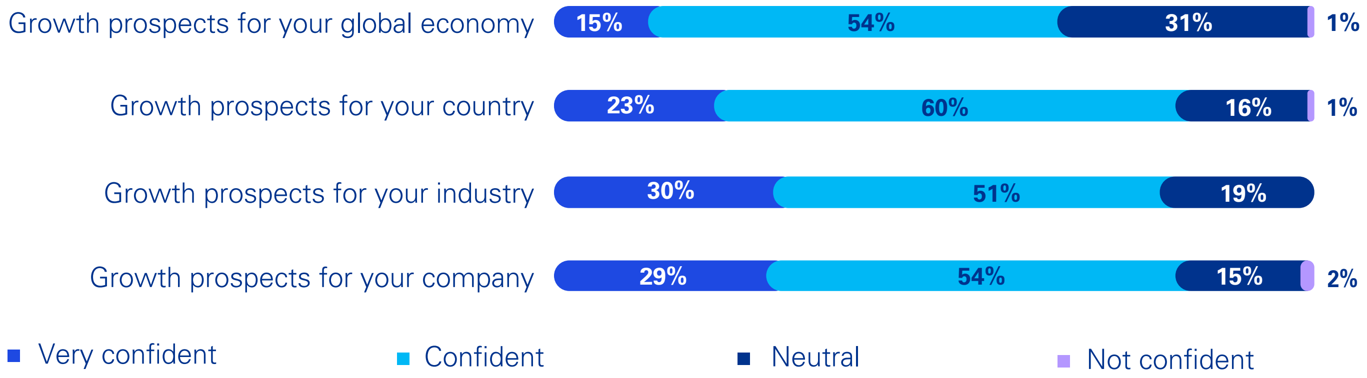
51% prioritize compliance and reporting standards to meet investor and stakeholder demands.

75% view AI as a driver of responsible ESG innovation; 72% say it helps identify resource efficiency opportunities.

Economic outlook and business confidence

Despite living in uncertain times, 83 percent of CEOs surveyed are confident in their company's growth prospects in the next three years, up from 78 percent in 2024. They have similar sentiments about the banking sector as a whole, with growth expectations surging from 66 percent last year to 81 percent in 2025. Leaders are very focused on growth, with technology as a key enabler, helping to broaden channels through e-commerce, mobility and health apps — and boost margins through AI-powered productivity gains. Which explains why the top operational priority to achieve growth is advancing digitalization and connectivity across the business (20 percent) — a 'must have' capability to deliver a connected customer experience.

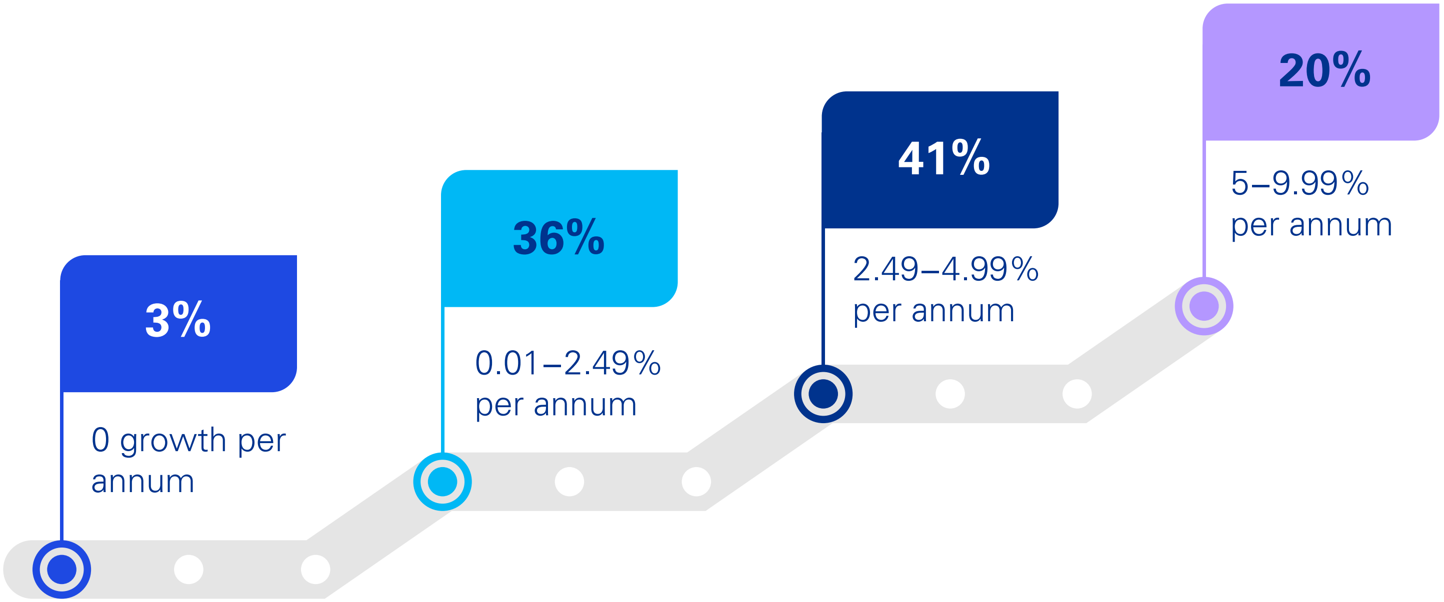
Economic confidence over the next 3 years



Source: KPMG 2025 Banking and Capital Markets CEO Outlook, KPMG International, January 2026.

This optimism is reflected in expectations of earnings growth, which have also risen significantly. The proportion of CEOs anticipating a 2.5–4.99 percent uptick in earnings has leapt from 30 percent in 2025 to 41 percent, while 20 percent foresee earnings increasing by 5-9.99 percent — compared to just 13 percent in 2024.

Earnings outlook in the next 3 years

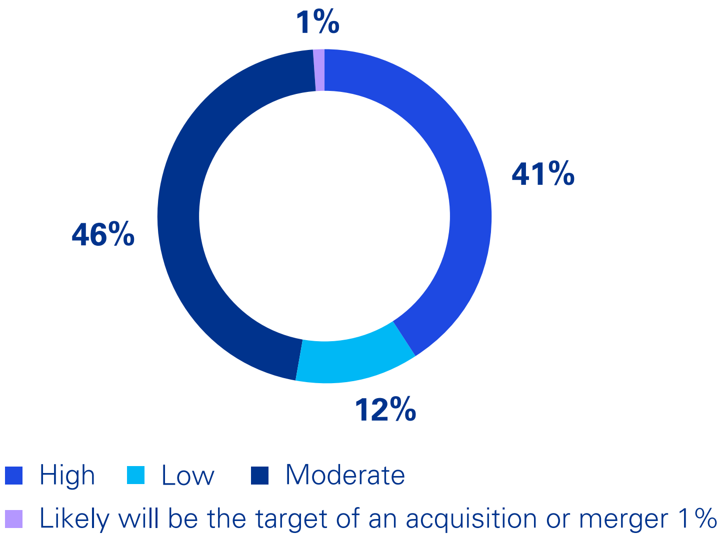


Source: KPMG 2025 Banking and Capital Markets CEO Outlook, KPMG International, January 2026.

A cautious but positive attitude to M&A

Triggers for M&A activity include increased economic stability, declining interest rates, and robust capital reserves. The vast majority of CEOs surveyed expect to be active in the deal market over the coming three years, although fewer envisage ‘high-impact’ deals (down from 48 percent to 41 percent). Instead 46 percent favor ‘moderate-impact’ acquisitions, primarily targeting fintechs, digital lending platforms, and RegTech firms to accelerate innovation without overextending capital.

M&A appetite



Source: KPMG 2025 Banking and Capital Markets CEO Outlook, KPMG International, January 2026.

European banks see a strategic need for scale, with a trend towards domestic consolidation and even cross-border deals — despite the regulatory complexity this brings. There's also hope of a more favorable regulatory environment emerging in the Euro region and beyond.

Stepping up to the rising cyber threat

Of all the factors that could slow down growth, cyber risk is the number one (86 percent — up from 81 percent in 2024).

And cybersecurity is ranked as the top challenge facing banks — at 43 percent — more than any sector in KPMG's global survey, an indication of the unique position banks have due to large customer bases and access to highly confidential personal and corporate data. Attack surfaces are inevitably expanding due to digital banking platforms, open banking APIs, and AI, with hackers and criminals also employing AI to breach banks' cyber defenses to pursue payment fraud and install ransomware. These findings also help explain why CEOs are prioritizing cybersecurity (57 percent) above all other investments as a means to mitigate risk.

Top 5 trends negatively impacting organization's prosperity

Source: KPMG 2025 Banking and Capital Markets CEO Outlook, KPMG International, January 2026.

> **Given high operational and regulatory costs, scale (in terms of assets and customer numbers) is critical for banks to be able to spread these costs effectively, driving M&A activity. Banks are looking for deals that will expand their distribution capabilities, differentiate their value propositions and help them gain access to new markets/regions."**
>
> **Geoff Rush**
> Global Head of Banking and Capital Markets
> KPMG International

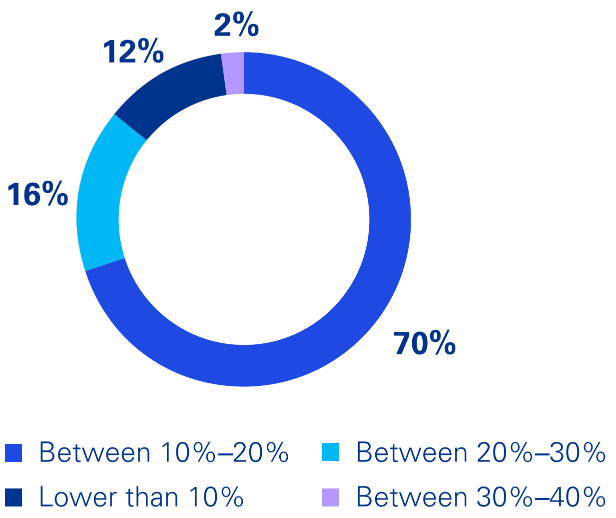
AI-powered technological innovation

There is considerable excitement over the potential for AI in banking, with 65 percent of CEOs stating that AI is a top investment priority, and 59 percent expecting agentic AI to have a significant or transformational impact. The pace of change is phenomenal, with sentiment shifting from 'what if' to 'how fast', as banks move from pilots to rolling out AI at scale, in an effort to accelerate the achievement of productivity benefits and improved customer experience.

As banks start to scale AI, most have a clear idea over deployment, taking a broader end-to-end value stream approach, seeking gains in productivity, customer engagement and regulatory reporting. They are reimagining its use in the full customer lending/onboarding/know your customer (KYC) processes and fraud and financial crime prevention including activities like transaction monitoring. Use of AI agents is growing fast, supporting customers through chatbotsenhance many back-office tasks and processes, and support risk and compliance.

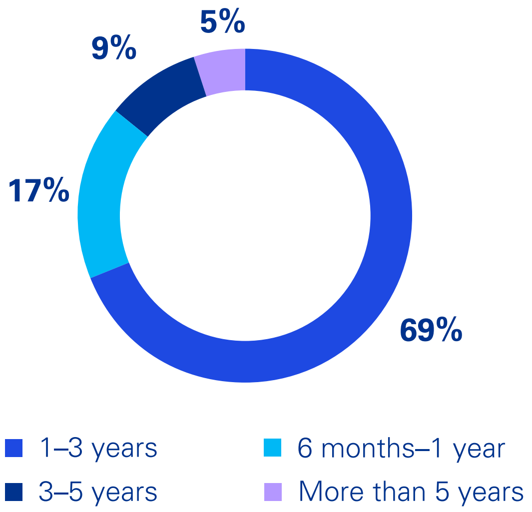
In a further sign of confidence, seven out of ten (70 percent) banking CEOs plan to allocate between 10 to 20 percent of budgets to AI in the next year. And 69 percent of banking CEOs anticipate realizing their ROI in AI within 1-3 years, a sharp rise from 13 percent in 2024, highlighting AI's promise as a catalyst for enhanced profitability through automation, risk management, and advanced analytics.

Percentage of budget on AI in next 12 months



Source: KPMG 2025 Banking and Capital Markets CEO Outlook, KPMG International, January 2026.

Return on investment on AI implementation



Source: KPMG 2025 Banking and Capital Markets CEO Outlook, KPMG International, January 2026.

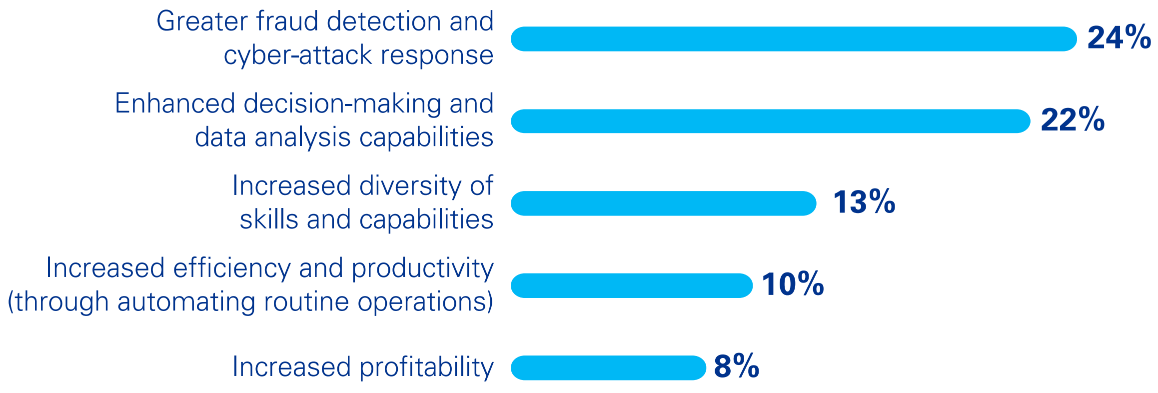
This isn't optimism for its own sake. For some firms these expectations are grounded in real-world results, especially in fraud detection, cyber-attack prevention and efficiency, which remain the top AI focus areas. Banks are seeing AI deliver tangible value in risk mitigation, with 24 percent citing fraud and cyber as the primary benefit, closely followed by enhanced decision-making and data analysis (22 percent). These are not abstract gains; they help enable faster, safer, and more personalized banking experiences.

Overcoming obstacles to AI implementation

However, the sector's ambition is tempered by real-world constraints. The slow pace of AI regulation is seen as a major barrier by 61 percent of CEOs — not because banks want a regulatory vacuum, but because uncertainty makes it harder to invest boldly and at scale. Ethical challenges (56 percent), data readiness (55 percent), and lack of regulation (55 percent) are the biggest obstacles to implementation, highlighting that the sector's bottlenecks are now organizational and cultural, not just technical. Talent remains a real challenge too — something we discuss in section 3 of this report.

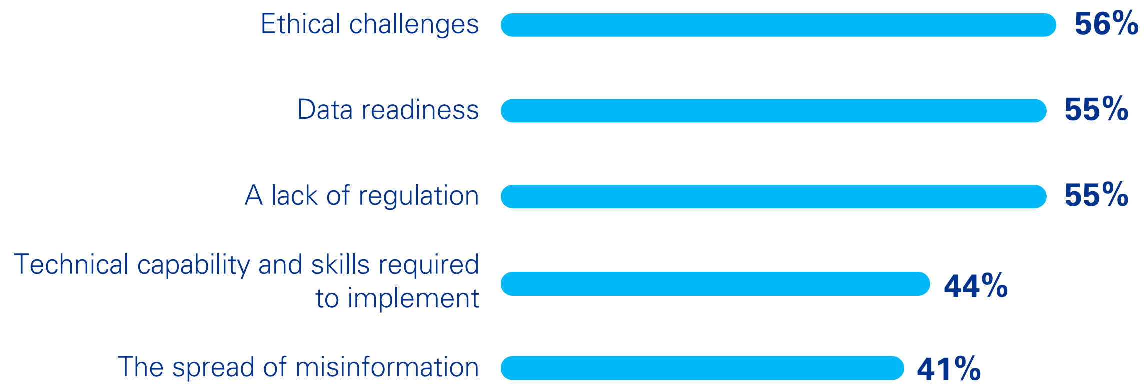
AI regulations consistently focus on governance, accountability, and fairness, necessitating greater awareness of discrimination and bias, calling for continuous monitoring of models, along with greater data transparency. Banks' deployment of AI must be in lockstep with a strong, ethical oversight, which may on occasions require them to slow down the pace of adoption to ensure continued trust.

Top benefits of implementing AI



Source: KPMG 2025 Banking and Capital Markets CEO Outlook, KPMG International, January 2026.

Challenges to AI implementation



Source: KPMG 2025 Banking and Capital Markets CEO Outlook, KPMG International, January 2026.

Leadership is responding by prioritizing workforce reskilling (83 percent) and ensuring governance readiness (80 percent). There's a growing recognition that AI's value is unlocked as much by people as by technology, with a growing demand for individuals who can blend human judgment with machine intelligence. Experimentation is seen as critical, with 76 percent saying it's key to unlocking AI's potential. Yet, the impact of AI is not uniform: while 72 percent expect significant or transformational impact in digital channels, only 38 percent expect the same in sales, reflecting the continued importance of human relationships in complex, trust-based interactions.

Cybersecurity remains a board-level concern, with fraud detection (95 percent) and identity theft (94 percent) topping the risk agenda. As banks digitize, the attack surface grows, making AI both a shield and a target. The sector's leaders are embedding AI risk into enterprise frameworks, recognizing that governance and trust are now as important as technical capability.

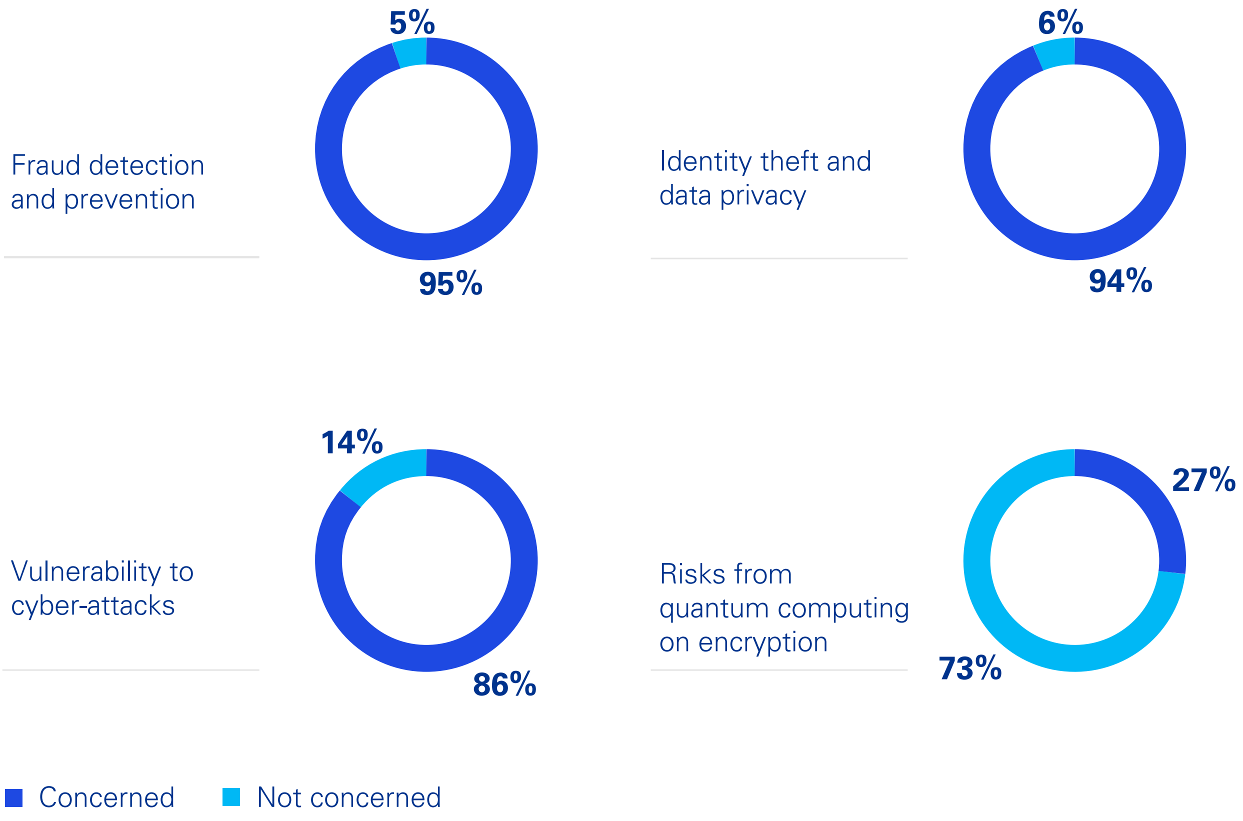
"In a sector built on trust, customers expect technology to be used responsibly. Banks are already harnessing AI's tremendous potential, and as agents take over more tasks, they must apply strong governance to ensure ethical, fair and transparent use of models, to avoid bias and show they're acting in customers' best interests."

Helen Campbell
Global Lead Partner, Financial Services
KPMG in Switzerland

Impact from AI adoption across functional areas

Source: KPMG 2025 Banking and Capital Markets CEO Outlook, KPMG International, January 2026.

Level of concern regarding technological risks affecting cybersecurity



Source: KPMG 2025 Banking and Capital Markets CEO Outlook, KPMG International, January 2026.

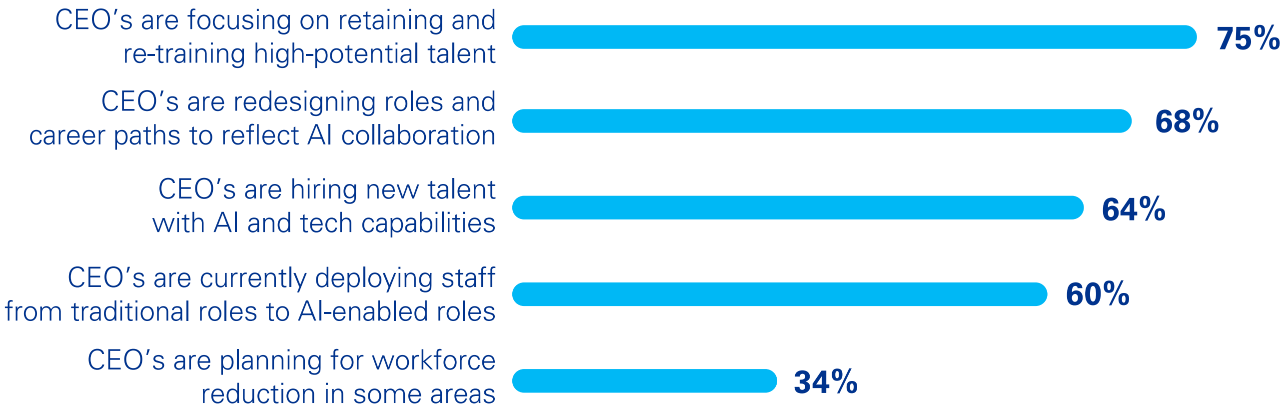
"AI has moved from hype to a critical component of strategy in banking. Leaders are no longer dabbling — they're scaling, driven by a clear recognition that AI is now central to operational resilience, customer trust, productivity and competitive edge. There's an increasing belief that AI is not just about automating tasks, but about fundamentally reimagining how banks operate and serve customers."

Owen Lewis
Global Lead of AI in Banking and Capital Markets
KPMG in Ireland

Tuning your workforce into an AI world

The workforce agenda in banking is being rewritten by AI, but leaders also recognize that the sector's future competitiveness depends how they prepare their people to work with technology. There's a clear sense of urgency: 78 percent of CEOs say that AI workforce readiness or skilling could negatively impact the organization if not addressed. They recognize that, in addition to filling technical roles, they need to equip the entire workforce to thrive in a world where AI is embedded in every process. Consequently, 83 percent are prioritizing workforce reskilling to leverage AI — while only 34 percent anticipate workforce reductions. The focus is on redeploying talent to higher-value roles — interpreting insights, managing risk, designing new products — rather than simply cutting costs.

Long term workforce strategy in response to AI



Source: KPMG 2025 Banking and Capital Markets CEO Outlook, KPMG International, January 2026.

As a global industry, banks have a good track record of utilizing their worldwide talent pools, and moving people around different regions to meet market demands. The sector has traditionally been viewed as an attractive prospect, and should continue to build on this reputation, offering opportunities to work at the cutting edge of technology.

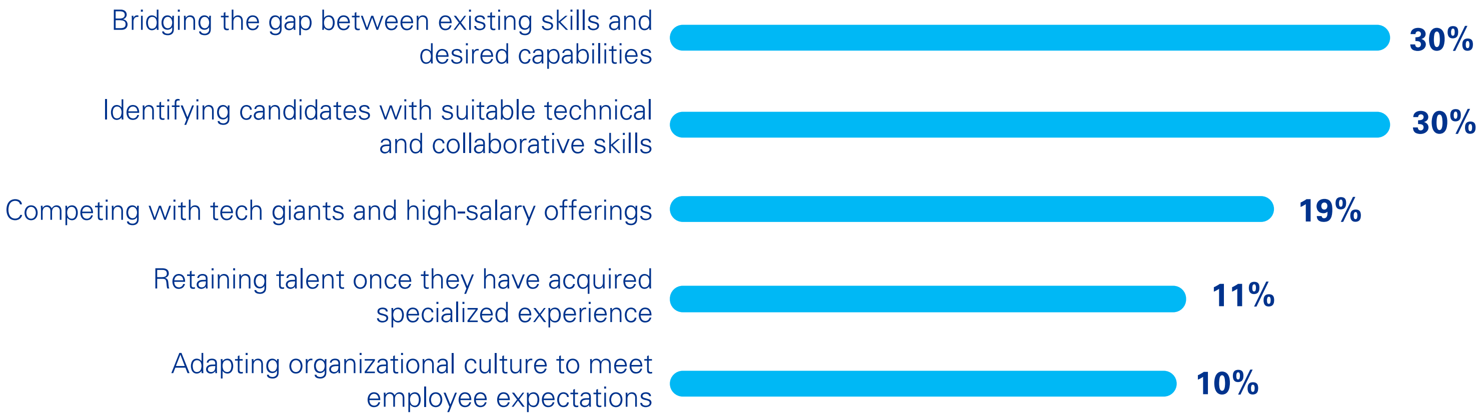
Eighty percent of the CEOs taking part in our global survey say AI is reshaping workforce development — compared to 61 percent in 2024. Banks are moving away from traditional career ladders, investing in continuous learning, and embedding AI literacy.

CEOs want their workforces to welcome rather than fear AI, to work alongside agents and see its potential for creating a better experience for both themselves and their customers. In the future, we expect to see teams of agents hand off to each other, and to other agent team leaders, as part of joint human/AI teams. It’s not enough to simply teach skills; banks need to ensure their people are open to embracing change, self-learning and curiosity. Change can be daunting, and CEOs should create a challenging but supportive environment, providing learning paths, with formal training, and clarity on policies and risks, so that people don’t just understand how to use AI, but to use it responsibly.

Rethinking workers in an AI age

According to the CEOs taking part in our global survey, 79 percent say AI is redefining what entry-level skills look like (up sharply from 53 percent last year). Attracting and retaining AI talent remains a challenge, with the biggest hurdles being bridging the skills gap (30 percent) and identifying candidates with the right mix of technical and collaborative skills (30 percent). Banks are learning that AI success requires more than coders and data scientists; it needs people who can translate business needs into AI solutions, be creative and innovative, and work across functions and generations. CEOs are starting to recognize these requirements, with 76 percent believing experimentation is key to successful AI adoption — with appropriate guardrails in place.

Key challenges in attracting and retaining AI talent



Source: KPMG 2025 Banking and Capital Markets CEO Outlook, KPMG International, January 2026.

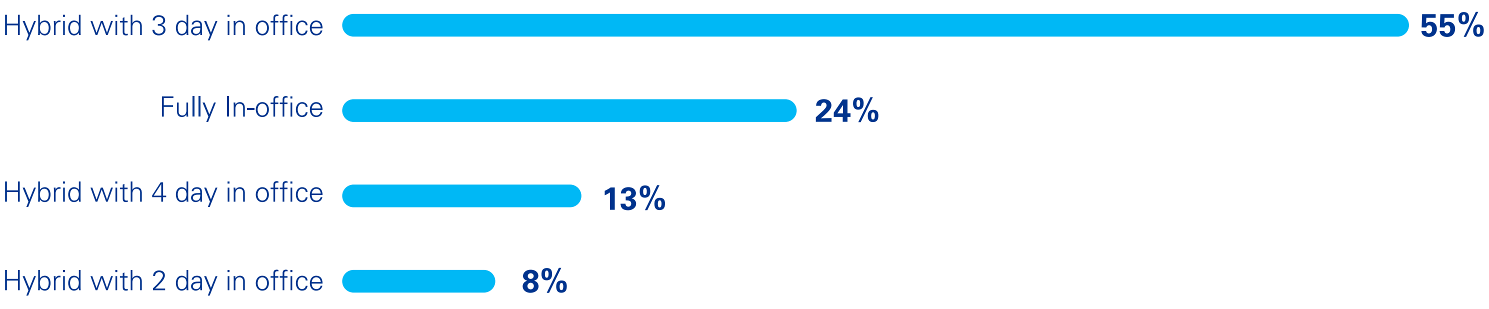
Interestingly, one of the most important leadership skills is cited as 'broader digital and technological literacy' (25 percent). For those seeking a career in banking, proficiency in AI can win you a job, but also help you progress through your career.

The sector is grappling with demographic headwinds: 92 percent report moderate-to-high impact from an aging workforce, with retirement trends (32 percent) and generational skill gaps (28 percent) topping labor-market concerns. This double squeeze — experienced talent leaving and new talent needing new skills — makes skilling and succession planning strategic imperatives.

Office versus home working

Hybrid work has become the new normal, with 76 percent expecting it to dominate, up from just 10 percent in 2024. As well as enabling flexibility for its workforce, banks also recognize they need to provide the right conditions to attract and retain digital talent, supporting collaboration, and enabling continuous learning.

Expected working environment



Source: KPMG 2025 Banking and Capital Markets CEO Outlook, KPMG International, January 2026.

"AI is no longer a side project for banks — it's the engine driving operational resilience, customer trust, productivity, and future growth. The real differentiator isn't just the technology, but how we embed it into our culture, governance, and talent strategy. The future of banking belongs to those who invest in people as much as in technology. Skilling, flexible work, and clear career pathways are now strategic imperatives — because AI's true value is unlocked by empowered, adaptable teams."

Geoff Rush
Global Head of Banking and Capital Markets
KPMG International

Achieving strategic advantage through ESG

Banking CEOs say their top response to geopolitical and sustainability pressures (51 percent) is prioritizing compliance and reporting standards to meet investor and stakeholder demands. This urgency is driven by the rapid evolution of global disclosure frameworks IFRS (International Financial Reporting Standards) Sustainability Standards, EU Taxonomy, and India's Business Responsibility and Sustainability Reporting (BRSR) Core), alongside heightened scrutiny from central banks and financial regulators.

Many parts of the world have now been through their first climate reporting cycles or are quickly finalizing their initial reports. This has often been challenging, relying largely on manual processes, leaving significant data gaps. However, the usefulness of those reports for management decision making, strategy and credit decisions has been fairly limited.

Geo-political landscape and internal challenges in ESG

Source: KPMG 2025 Banking and Capital Markets CEO Outlook, KPMG International, January 2026.

Accordingly, the next phase for many banks is to improve accuracy, repeatability and efficiency. They are looking to AI and NLP natural language programming to fill data gaps, along with vendor solutions to improve automation and ease reporting burdens. Eighty-one percent of CEOs surveyed feel AI can improve ESG reporting.

From compliance to business-as-usual

Banks are increasingly integrating ESG into risk, credit and finance functions, and changing roles responsibilities and KPIs (key performance indicators) to reflect new priorities. Sixty percent of CEOs say sustainability is embedded into their business, and 45 percent say they are trying to align sustainability goals with core business strategy. The emphasis is shifting from reporting and compliance towards understanding very real physical and transition risks — and how that knowledge can be used to preserve value and identify new value creation opportunities (e.g. lending and investment) across the portfolio.

CEOs recognize that a sustainable and profitable business model (for the bank and its portfolio) involves reliable energy sources, energy efficiency, and circularity to make efficient use of scarce resources like minerals and water. It's also about creating businesses that are resilient to extreme weather events such as floods, droughts, hurricanes and forest fire.

AI can increase energy efficiency and reliability, and reduce emissions

Like any business, banks can harness AI to optimize their scope 1 and 2 emissions through energy supply optimization, more efficient operations, smart building management and data center optimization. AI can also help increase the efficiency of existing processes, such as identifying areas of greenwashing risk.

Given that the bulk of their emissions are scope 3 — for example, financed or insured emissions — the banks should prioritize supporting and influencing their portfolio/clients' efforts to reduce emissions. CEOs state that one of the top barriers to achieving net zero goals is complexity of decarbonizing supply chains (20 percent). Again, AI has a growing role to play. Three-quarters of CEOs surveyed (75 percent) view AI as a driver of responsible innovation, enabling climate-aligned products and ESG-linked portfolios. And 72 percent feel it helps identify resource efficiency opportunities. Additionally, 85 percent see the potential for AI to enhance climate risk modeling.

72%

feel it helps identify resource efficiency opportunities. Additionally, 85% see the potential for AI to enhance climate risk modeling.

Role of AI in advancing climate and sustainability goals

Enhancing climate risk modelling and scenario planning	85%
Improving sustainability-related data quality and reporting	81%
Reducing emissions and improving energy efficiency	79%
Supporting responsible innovation aligned with climate goals	75%
Identifying opportunities for resource efficiency	72%
Monitoring environmental impact across operations	69%
Monitoring environmental impact across supply chains	51%

Source: KPMG 2025 Banking and Capital Markets CEO Outlook, KPMG International, January 2026.

“There is a recognition that a sustainable and profitable business model means that the investment or lending portfolio is sustainable in its broadest sense, including climate and the environment. The emphasis is shifting away from compliance outcomes towards building and preserving value.”

Richard Bernau
Global Lead ESG, Banking & Capital Markets
KPMG in the UK

The way forward

In spite of continued economic uncertainty, banks can map an exciting future where AI fuses with traditional capabilities to massively improve efficiency and productivity, create new markets, and help people build exciting careers.

AI-powered technological innovation

Focus on trust in AI

Through appropriate governance, controls and cultures, banks can implement AI and automation in core processes, boost cybersecurity and fraud prevention, build trust in new digital offerings, and comply with AI and data regulations.

Tuning your workforce into an AI world

Remember the human element

When adopting AI, it's vital to place humans at the center, setting tone from the top to explain why AI is so important, and how it can help people do their jobs better and enjoy more fulfilling careers.

Rethink core skills

AI is upsetting traditional ways of working, calling for different skills — not just technical but also interpersonal, such as creativity, collaboration, and curiosity.

Achieving strategic advantage through ESG

Consider business benefits of sustainability

From energy-efficiency and business resilience, to new green financial products, sustainability can create new revenue streams, reduce susceptibility to geopolitical, economic, and climate change shocks, as well as cutting costs and compliance risks.

Work with clients on decarbonization and energy efficiency

Using tools such as climate risk modeling and scenario analysis, and advice on third-party supply chains, banks can help clients on their net zero journey.

Methodology

The 11th edition of the KPMG CEO Outlook, conducted with 1,350 CEOs between 5 August and 10 September 2025, provides unique insight into the mindset, strategies and planning tactics of CEOs.

This report focuses exclusively on the 110 Banking and Capital Markets CEOs surveyed, representing commercial banking, capital markets and investment banking, retail banking, and organizations operating across multiple segments, including retail, commercial, and investment banking. Where year-over-year comparisons are made (e.g., 2024 vs 2025), the data is drawn from equivalent questions in previous editions of the KPMG CEO Outlook survey.

All respondents oversee companies with annual revenues over US$500M and a third of the companies surveyed have more than US$10B in annual revenue. The complete survey included CEOs from 11 key markets (Australia, Canada, China, France, Germany, India, Italy, Japan, Spain, UK and US) and 12 key industry sectors (asset management, automotive, banking, consumer and retail, energy, infrastructure and transport, healthcare, insurance, life sciences, manufacturing, technology, and telecommunications).

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

How KPMG can help

Disruption. Regulations. Cost. These are three key themes that link the many challenges retail, commercial and investment banks face in today's rapidly evolving financial services industry. From implementing new technologies, such as artificial intelligence (AI), robotics and blockchain, through to transitioning to new low-cost structures while driving value creation, banks are under pressure from several fronts. KPMG can help.

KPMG firms have global multi-disciplinary teams of professionals who understand specific client needs and can help deliver successful outcomes. Our close connection with regulators, understanding of key issues, and deep industry knowledge aims to lead to smooth collaboration and practical execution. We are continuously evolving and growing to help ensure we have the capabilities, methods and alliance relationships to deliver the insights-driven, fact-based and technology-enabled services to enhance sustainable value.

KPMG's firms Banking and Capital Markets practice offers specialized services to a wide range of industry clients at local, national and global levels. Our professionals in Audit, Tax and Advisory are specialists in their fields and have deep experience in the issues and needs of banking and investment businesses.

Contacts

Geoff Rush
Global Head of Banking & Capital Markets
KPMG International
geoffrush@kpmg.ca

Dominic Jaar
Co-lead Americas, Banking & Capital Markets
Senior Partner, Clients and Markets
KPMG in Canada
djaar@kpmg.ca

Sven-Olaf Leitz
Lead of EMA, Banking & Capital Markets
Partner and Member of the Managing Board
KPMG in Germany
sleitz@kpmg.com

Richard Bernau
Global ESG Lead, Banking & Capital Markets
KPMG International
richard.bernau@kpmg.co.uk

Peter Torrente
Co-lead Americas
Banking & Capital Markets
National Head of Banking
KPMG in the US
ptorrente@kpmg.com

Chris Foster
Lead of ASPAC, Banking & Capital Markets
Partner, Consulting Lead, Financial Services
KPMG Australia
cfoster@kpmg.com.au

Helen Campbell
Partner
Financial Services
KPMG in Switzerland
hcampbell@kpmg.com

Owen Lewis
Global Lead, AI, Banking & Capital Markets
Partner, Head of Banking & Capital Markets
KPMG in Ireland
owen.lewis@kpmg.ie

kpmg.com

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