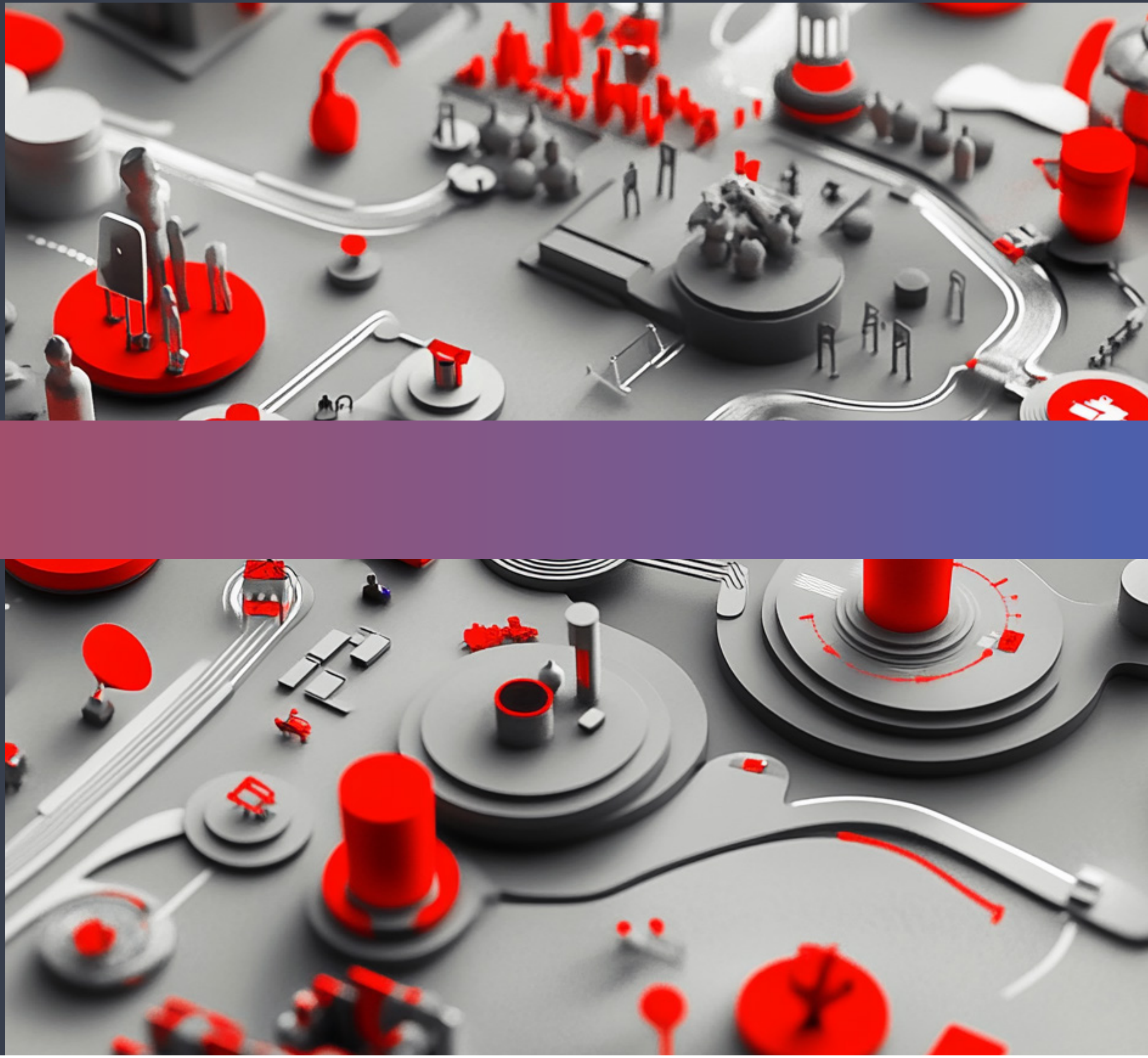
Innovation in Retail Banking

Shaping Banking's Next



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Message from

Sajit Vijayakumar,

CEO, Infosys Finacle

I am pleased to present the 15th edition of the Innovation in Retail Banking research, developed in collaboration with Qorus and Jim Marous.

The global banking industry stands at a pivotal crossroads after significant investments to advance digital maturity. While foundational elements are in place, the path forward remains complex and multifaceted. Banks must continue to innovate across several domains: adopting new business models, enhancing digital engagement, achieving operational agility, fostering an innovation-centric culture, and integrating advanced technologies like cloud computing, artificial intelligence (AI), and enhanced security measures. Additionally, they face a more stringent regulatory landscape focused on resilience and customer protection.

This year's research captures financial institutions' progress as they navigate a challenging yet promising environment. For instance, only 11% of banks believe they have managed to scale transformation initiatives and achieve expected outcomes. This indicates that although most banks in the survey are advancing digitally, so are their goalposts. Banking executives believe that the market's dynamism will continue to accelerate: 80% believe embedded banking will drive over half of transactions by 2030, 80% also anticipate that over three quarters of enterprise banking applications will reside in the public cloud, 85% expect AI to become ubiquitous in the industry, and 90% foresee cybersecurity threats and budgets more than doubling. Furthermore, 70% predict that non-incumbents will secure over one third of the retail banking market share, highlighting a fiercely competitive landscape.

To stay relevant in this evolving ecosystem, banking leaders acknowledge the need for a comprehensive approach to innovation and transformation. The report suggests three focus areas to energize innovation and help banks benchmark their progress against industry standards:

1. **Business Model Innovation:** Banks that are scaling new business models suited to the digital age are better equipped to meet evolving and nuanced customer expectations. The report identifies the top four emerging archetypes that banking executives expect to dominate by 2030, including digital-only offerings, financial marketplaces, digital advisory services, and banking-as-a-service models. However, many banks face challenges in aspects like articulating a clear vision, enhancing process agility, and enabling co-innovation in offerings.

2. **Scaling Capabilities for Continuous Innovation:** Strategic deployment of both established and emerging technologies is crucial. While some banks are deriving value from open APIs, cloud services, and AI, areas like the Internet of Things (IoT) and immersive media see over 80% of initiatives falling short of expectations. Preferences for cloud deployment models vary due to operational needs, regulatory concerns, and legacy system complexities. Banks are prioritizing AI investments that directly impact business outcomes and customer engagement. However, only 16% of respondents consider their application architecture best-in-class across capabilities like scalability, security, modularity, and cloud-native adoption, indicating significant room for improvement.

3. **Rapid Creation and Delivery of New Value:** Non-banks have led innovation in certain segments, redefining value creation and delivery. Banks can improve by innovating products and services, reimagining customer experiences, and adopting new ecosystem partnership models. There's a need to enhance digital engagement and mature AI initiatives across the customer lifecycle, especially post-onboarding. Banks also have significant opportunities to innovate in products like cards, wealth management, and non-traditional offerings.

Alongside these benchmarks, the report includes practical insights from qualitative interviews with 10 global banking leaders and over 40 innovation case examples. These findings provide a comprehensive view of the strategies, challenges, and successes shaping the future of retail banking.

We hope this report serves as a valuable guide in strengthening your bank's digital and innovation strategy. As always, we welcome your thoughts and feedback.

Message from

John Berry

CEO, Qorus

15th Edition of the Qorus-Infosys Finacle Innovation in Retail Banking Report: Shaping Banking's Next

The scramble to test and roll out GenAI applications has been one of the standout features of the retail banking landscape during the past year. Banks across the world have been quick to harness the capabilities of increasingly powerful and cost-effective generative AI technologies.

However, behind the widespread adoption of GenAI lies a deeper trend.

Banks are grappling with the urgent need to create and deliver new value quickly. GenAI is helping them rise to this challenge. So too are technologies such as Open APIs, blockchain, immersive media and, of course, cloud computing. But the need to provide customers with new products and services, which often address clients' fast changing circumstances, requires banks to do more than just adopt promising technologies. They must also rethink how they will run and grow their businesses. Traditional banking business models, as many institutions have come to realize, can't respond quickly enough to the rapid and frequent changes occurring at the onset of the digital era. Change today is indeed a constant. And retail banks must ready themselves and their technology resources for continuous innovation.

Many banks are already demonstrating their ability to react quickly and effectively to the changing requirements and aspirations of their customers. This year's Qorus-Infosys Finacle Banking Innovation Awards, for example, showcased the agility, foresight, and creativity of many institutions across the world. Notable innovators include Československá Obchodní Banka, transforming its business model by providing customers access to around-the-clock shopping in the Czech Republic; Banco Santander, enhancing the customer experience its service channels deliver to SMEs in Spain; and Brazilian bank Bradesco, using GenAI to boost its operational efficiency, innovation and customer service.

This year's Innovation in Retail Banking report, a collaboration between Qorus, Infosys Finacle and The Financial Brand, examines the major shifts in the banking industry that are forcing institutions to adapt - and to adapt quickly. It reports how banks at the forefront of change are successfully transforming their business models and technology resources. Furthermore, the report points to challenges and opportunities on the horizon.

This year's report reveals that many bank leaders expect further industry consolidation and a rise in competition from new entrants. Anticipation of those changes will likely force banks to quicken their adoption of new technologies, speed up the switch to more flexible business models, and hasten efforts to create new value for themselves and their customers. The future looks set to become even more demanding.

I recommend the Qorus-Infosys Finacle Innovation in Retail Banking report to all leaders and decision-makers in the banking sector. It provides insights into our industry that are both useful and thought-provoking.

This year's report would not have been possible without the input and support of Infosys Finacle. They have proved to be an outstanding partner and their contribution to this venture and to the Qorus-Infosys Finacle Banking Innovation Awards has been invaluable.

Message from

Jim Marous

Co-Publisher, The Financial Brand Owner and
CEO, Digital Banking Report Host, Banking Transformed Podcast

Building an Innovative Organization for 2030 and Beyond

The landscape of retail banking continues to evolve at an unprecedented pace. As we present our 2024 Innovation in Retail Banking report, we find ourselves at a pivotal moment: The democratization of data, insight, and new technologies is reshaping how we bank and who can lead banking innovation.

A critical insight from our research challenges conventional wisdom: size no longer dictates innovation maturity. Thanks to the rapidly expanding capabilities of solution providers, organizations of any size can now innovate at speed and scale. This means regional banks and community financial institutions can compete effectively with global giants to meet evolving marketplace needs.

While our research shows that only 11 percent of banks have deployed digital initiatives at scale with expected outcomes, the true differentiator isn't technological investment —it's leadership vision. The most successful organizations are distinguished by leaders who embrace change, understand calculated risk-taking, and foster democratized innovation throughout their organizations. These visionary leaders blend legacy experience with fresh perspectives, creating cultures where innovation thrives at all levels.

Looking ahead to 2030, our findings paint a picture of significant industry transformation. Over 70 percent of banking executives anticipate a substantial wave of consolidation, and an equally high percentage expect non-traditional players to serve an expanded proportion of the consumer and business banking markets. Organizations must succeed by leveraging generative AI, cloud technology, and marketplace research while simultaneously developing internal talent—independently or through strategic partnerships.

The role of technology in shaping banking's future cannot be overstated. By 2030, more than 75 percent of enterprise banking applications are expected to reside in the public cloud, while AI and machine learning are projected to become ubiquitous, particularly in personalization and risk management. Cybersecurity investments are also anticipated to more than double, reflecting the growing importance of digital trust and operational resilience.

However, progressing along the digital continuum will remain challenging. Only 27 percent of banking executives believe incumbent banks will lead innovation across all business lines by 2030, and only 8.5 percent report successfully fostering innovative ecosystems at scale. Additionally, less than 15 percent feel fully prepared to capitalize on embedded finance opportunities in critical areas such as vision, technology infrastructure, and organizational agility.

As we navigate this transformative period, success will depend on banks' ability to reimagine their business models, scale organizational capabilities, and accelerate the creation and delivery of new value propositions that increase engagement. This requires a holistic approach encompassing people, processes, and technology, supported by a culture of continuous innovation.

As we navigate this transformative period, the winners will not necessarily be the largest or most well-funded institutions but those with the most adaptable cultures, forward-thinking leadership, and a willingness to build modern solutions with strategic partnerships.

We trust this report will provide valuable insights and guidance as you chart your organization's course through the evolving landscape of retail banking innovation.

1

Evolution of Retail Banking: Tracing a Decade of Innovation and Transformation

1. Evolution of Retail Banking: Tracing a Decade of Innovation and Transformation

When the inaugural edition of the Innovation in Retail Banking came out in 2009, the world was being rocked by the Great Financial Crisis, the banking industry had not yet been disrupted by new technologies or players, and Internet Banking was seen as the most significant innovation in fifteen years. The banking universe has changed dramatically since then, with accelerated digital banking adoption, instant digital payments catching on like wildfire, generative AI promising a myriad of new possibilities and a significant proportion of banking itself is being embedded outside traditional banking channels, to name a few.

Over the past decade and a half, this Innovation in Retail Banking study has traced the industry's transformation, with special emphasis on innovation – its drivers and imperatives, challenges and roadblocks, best practices, and investment trends. It has also provided benchmarks for banking executives to reflect on where their organizations are in their innovation journeys and how they can move forward.

1.1 Innovation Imperatives: Familiar Yet Evolving

Customer expectations, margin pressures, new technology, competition, and compliance continue to top the list of innovation imperatives, albeit in new weights and shapes.

- Customers, who in the 2010s, demanded 24/7 banking access, now expect those services to be already embedded inside the chain of activities when they buy a home, take a vacation, fund a child through college, or stock up the refrigerator; And beyond everyday banking, they want financial advice and experiences to be hyper-personalized.
- Margin pressure existed then, as it does now, but today, banks are attacking it with AI-driven automation and alternative revenue streams in addition to cost cutting efforts.
- Banks are dealing with a dual progression of technology, where new technologies are emerging while existing technologies are maturing. So, on the one hand, banks will look to experiment with technologies like generative AI and web 3.0, and on the other, accelerate the adoption of 'mainstream' technologies like cloud and APIs.
- In fifteen years, fintechs have gone from being "startups" to challengers, while tech biggies, such as Apple, Amazon, Google, WeChat, Ant Financials, AliPay and PayTM have made further inroads as prominent players in the industry.
- New imperatives have also emerged, such as protecting data security & privacy, building business resilience, and meeting growing ESG (Environmental, Social and Governance) mandates.

"I see three major forces that are driving the evolution of banking as we know it today. One, digital-natives are forcing banks to advance their technological capabilities and foster innovation. We see it happening across the planet though not evenly... The second one, that's really become prominent in recent years is regulation and data residency... The last one, which I really find fascinating, is the rise of artificial intelligence and how it's becoming more prevalent."

Boe Hartman, Co-Founder and CTO, Nomi Health, Ex-**Goldman Sachs**

1.2 The Digital Continuum

As the innovation imperatives evolve and unfold, banks have been navigating a rapidly evolving digital landscape over the past few years. Their innovation and digital transformation journeys now span a continuum, where each wave of change builds upon the last. This digital continuum reflects not just the technological shifts but also the growing strategic importance of co-creation, ecosystem partnerships, and the rise of open banking.

Going from left to right, the digital continuum traverses three waves of digitization, and depicts how important areas in banking have evolved between digital 1.0 and digital 3.0.

Let us start with engagement. During digital 1.0, when branch-based processes were starting to be replaced by digital equivalents, less than 50 percent of customer engagement occurred outside the branch; come digital 2.0 and the reimagining of customer journeys with contextual interactions, more than 90 percent of customer transactions were seen to occur on digital channels. Digital 3.0 envisions a new banking paradigm, where "universal banks" and "proprietary products and channels" are making way for open/collaborative banking, where banks co-create new sources of value with their ecosystem partners; in this open environment, more than 50 percent of customer engagement will happen on third-party, non-bank channels.

While the pressure on margins remains strong, cost to income ratios have eased due to digitization. The 50-60 percent cost to income ratios of the early 2000s (digital 1.0) reduced to 40-50 percent in digital 2.0, and dropped below 40 percent in digital 3.0, with some next-gen players even boasting ratios of the order of 20-30 percent. Compared to mid-tier incumbent banks, digital-only providers running on cloud-native technology platforms could have a 60 to 70 percent lower cost base.

Coming to digital banking application landscape, the homegrown solutions of the first digital wave were replaced by packaged applications in the second, and in the third, by composable solutions built on a foundation of APIs and microservices. At the same time, some bank workloads migrated from the banks' premises to private cloud in digital 2.0; in digital 3.0, more and more workloads are residing in public or hybrid cloud.

Transformation across multiple dimensions

Business Models	**Digitized** **Traditional** Business Model	Reimagination with **Digital-First** Business Model Design	Creating and Delivering **New Value with Ecosystems**
Customer Engagement	**< 50%** outside the branch	**> 90%** on digital channels	**> 50%** on third party channels
Cost to Income Ratio	**50-60%**	**40-50%**	**30-40%**
Product Innovation	Product managers with significant **support technology teams**	**Product managers** with limited technical support	**Co-create products** with brands & customers
Banking On Cloud	**On premise**	**Private cloud**	**Public & Multi-Cloud**
Banking Channels	**Multiple channels and social networks**	**Omnichannel**	**Truly Omnichannel for Bank-owned & Partner Channels**
....	....	....	....

1.3 Progress on the Digital Continuum: Banks' Ongoing Innovation and Transformation Journey

How has the industry responded to the innovation imperatives? The study has been tracking the progress of banks' digital transformation success – the heart of banking innovation – for the past few years. In this year's survey, just 11 percent of the participating banking executives said their organization had deployed digital transformation initiatives at scale, with expected outcomes. On the face of it, this finding may appear discouraging, but it does not tell the whole story.

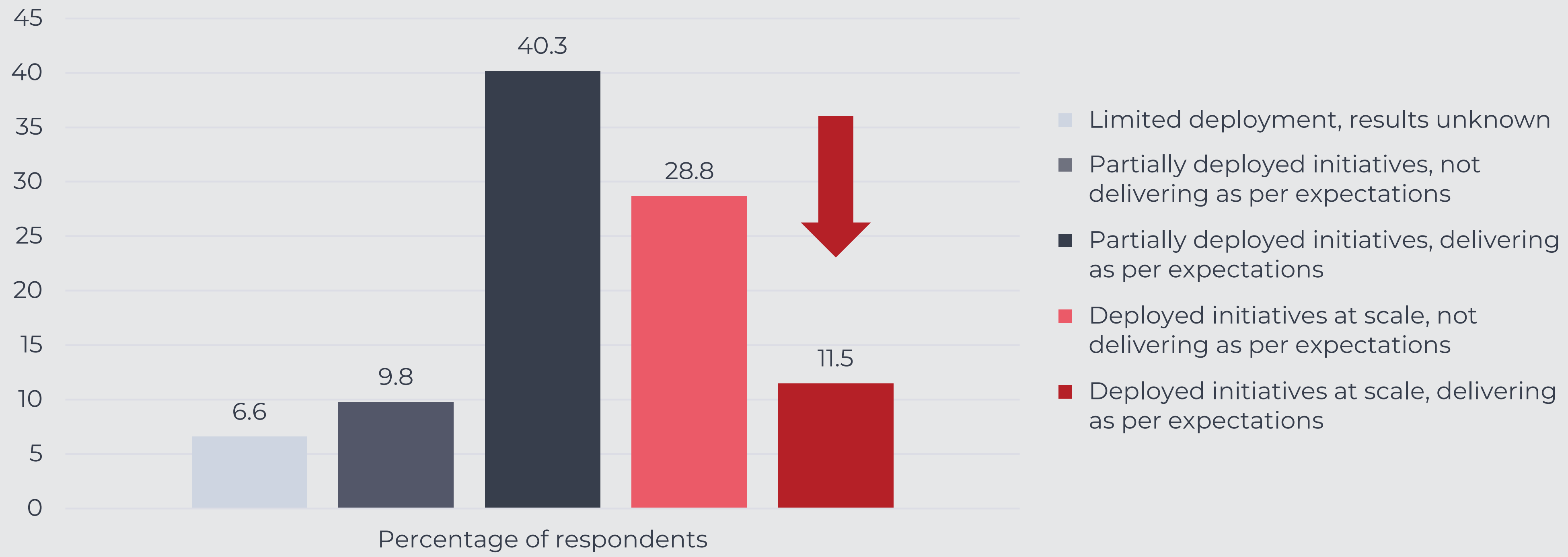
The reality is that banking innovation is not an absolute goal, but a moving target that organizations have to chase by journeying along the digital continuum. It is also important to note that 40% of the banking executives believe that they have partially deployed digital transformation initiatives delivering outcomes as expected. Seen in this light, the findings show that while only a few banks are seen as achieving their target, many more are making steady progress on the journey to transformation.

11%

of the participating banking executives said their organization had deployed digital transformation initiatives at scale that are delivering as per expectation

Status of Digital Transformation

Reflection of Moving Goalposts



Source – Infosys Finacle and Qorus Innovation in Retail Banking Research 2024

1.4 Shaping Banking's Next: A Vision for 2030 and Beyond

A bank's position on the digital continuum speaks to their innovation maturity, and is also an indicator of how far they've come on their transformation journey. Drawing on the elements in the continuum, we framed a few questions on how respondents saw the future of banking.

The Industry Consolidation Wave:

The survey results indicate a significant shift in the landscape of the banking industry by 2030. According to survey insights, over 70% of banking executives foresee a major wave of consolidation, signaling an era where agility, innovation, and scale will be paramount for survival. This is not a sign of contraction, but rather a path to building stronger, more resilient institutions that are fit for the future. As traditional players merge or evolve, they will emerge as leaders in a landscape where technological prowess is the key to staying competitive.

The future will see new leaders rise.

With nearly 70% of banking executives predicting that non-traditional players—fintechs and tech giants—will command over 30% of the consumer banking market, the boundaries between industries will blur. Tech-savvy innovators will bring fresh perspectives, infusing the sector with a level of dynamism that will challenge established norms. The rise of these players signifies not the end of traditional banking, but the dawn of a collaborative ecosystem where banks, fintechs, and tech giants partner to deliver unparalleled value to consumers.

2030 Perspectives

Growing MnA

70% foresee a major wave of industry consolidation

New Leaders Rise

70% believe non-incumbents will command 30+% share in the consumer segment.

Embedded Banking

80% believe it will drive over 50% transactions

Cloud

80% believe 3/4th of enterprise banking applications will reside in the public cloud

AI @ Scale

85% believe that AI will become ubiquitous in the industry

Cybersecurity

90% foresee threats and budgets more than doubling in this space

CBDCs

40% believe CBDCs will evolve a key form of value exchange

Digital Identity

More than **70%** of banking executives expect global digital identity systems to become a standard

ESG

65% believe green and sustainable banking will account for over 30% of all banking products

Source – Infosys Finacle and Qorus Innovation in Retail Banking Research 2024

Embedded banking will be the new frontier:

The survey results set a clear benchmark: by 2030, embedded banking will no longer be an emerging trend but the new standard, with over 80% of banking executives agreeing that third-party apps will drive more than half of all banking transactions. Preparing for this shift requires banks to adopt agile digital strategies, integrate deeply into the digital ecosystems where consumers and businesses operate, enhance data-sharing capabilities, and cultivate a culture of innovation that embraces collaboration across industries.

Sustainability will be become a core pillar of industry's future growth:

The survey results underscore the fact that the future of banking will be strongly intertwined with sustainability. With 65% of banking executives predicting that green and sustainable banking will account for over 30% of all banking products by 2030, ESG will move beyond being a regulatory requirement to become a core pillar of the industry's future growth. Banks must see this as both a responsibility and an opportunity to lead in creating a more sustainable world, aligning their product portfolios with the values of consumers, businesses, and regulators alike.

“In the open finance scenario, three years after its launch, initiatives from financial institutions are maturing, in a pursuit to generate value for the customers who choose to use it.... Consequently, the financial sector has seen a significant increase in competition, with fintechs and non-financial players entering the market. Traditional monetization models are being challenged, and digital transformation is fundamental for preparing financial institutions for the future. Customers demand real-time solutions now of need within their journey, and banks should adapt to provide these solutions.”

Renata Talarico Petrovic, Head of Innovation, **Bradesco**

“Open banking and finance are all about connecting opening to broader ecosystem. Security is a very high priority for the bank. So, the challenge is being open while maintaining a high level of security because being open means data sharing & hosting on public clouds.”

Marina Shehfe, Retail Transformation Officer, **BNP Paribas**

Cloud: The Backbone of Future Banking:

The survey reveals a resounding consensus - by 2030, more than 75% of enterprise banking applications, including core systems, will reside in the public cloud. The cloud will be the backbone of next-generation banking, empowering institutions to experiment with other cutting-edge technologies like AI, quantum computing, and blockchain. Banks that have already invested in a comprehensive cloud migration strategy are setting themselves up for success.

No surprises with AI and Machine Learning:

AI and machine learning are expected to become ubiquitous by 2030, according to over 85% of banking executives, particularly in the areas of personalized services and risk management. Banks that have already made progress on integrating AI into their customer engagement and operating models will be at the forefront. For those still on the sidelines, now is the time to build the necessary AI infrastructure and governance frameworks to ensure ethical, effective AI deployment.

Cybersecurity:

Rising Threats, Rising Investments: With over 90% of banking executives predicting that cybersecurity investments will more than double by 2030, the implications are clear: as threats grow more sophisticated, robust cybersecurity will be the bedrock of trust and operational resilience in the banking sector. Banks that prioritize advanced security measures, such as AI-driven threat detection and zero-trust architectures, will not only protect themselves but also differentiate their brands in the eyes of increasingly security-conscious customers. By now, banks should have already embraced a multi-layered defense strategy, with continuous innovation and monitoring at its core.

Quantum Computing:

Unlocking the Next Frontier: Quantum computing, once a distant concept, is projected to be a transformative force in banking by 2030, with 65% of banking executives expecting it to be used for complex tasks like real-time fraud detection and risk analysis. Banks should already be investing in quantum research and establishing partnerships to ensure they are ready to deploy this cutting-edge technology when the time comes.

Blockchain is set to revolutionize cross-border payments and trade finance by 2030, according to nearly 65% of surveyed banking executives. Banks that want to be serious about this technology should already be building partnerships, exploring distributed ledger technologies, and scaling blockchain initiatives to seize this opportunity.

Digital Identity: Streamlining Compliance and Enhancing Security:

By 2030, more than 70% of banking executives expect global digital identity systems to become a standard, dramatically streamlining KYC and AML processes. Banks that have invested in secure digital identity platforms and aligned with global regulatory standards will be positioned to thrive in this new era of streamlined compliance.

CBDCs: The Future of Currency:

Although still in the experimental phase, over 40% of banking executives are seeing CBDCs as a key form of value exchange. To stay competitive, financial institutions must engage with central banks and prepare their customers for this monumental shift in how value will be exchanged.

1.5 Challenges Faced by Banks to Progress Across the Continuum

While the vision for 2030 paints an exciting future for banking, the reality of where banks stand today reveals significant challenges in progressing along the digital continuum. According to our survey, only 27% of banking executives believe incumbent banks will be leading innovation across all business lines by 2030. Even more striking, only 8.5% of respondents say their banks have successfully fostered an innovative ecosystem with initiatives deployed at scale and delivering expected outcomes. Moreover, less than 15% of banking executives feel their organizations are fully prepared to capitalize on embedded finance opportunities across key areas such as vision, technology infrastructure, strategic partnerships, and organizational agility.

Several challenges continue to hinder banks from moving forward as quickly as desired. Based on our findings, here are the top six challenges:

Balancing competition with co-opetition:

One of the most pressing issues for banks is maintaining a clear vision for competitive advantage while simultaneously fostering collaboration with fintechs, big tech, and players from other industries. In a landscape where competition and partnerships are constantly shifting, banks struggle to balance innovation with collaboration, often leading to fragmented strategies.

Legacy Systems and Data Utilization:

Legacy technology remains a significant barrier to innovation. Many banks still rely on outdated systems that limit their ability to integrate new technologies such as AI and advanced data analytics. This inability to effectively harness data for decision-making and customer personalization is holding back the digital transformation process.

Innovation and Digital-First Mindset:

Cultivating an organization-wide innovation mindset is another challenge. The shift to a digital-first approach requires a deep cultural transformation, yet many banks are struggling to embed this mindset into their DNA. The challenge extends to leadership, where fostering an environment that promotes experimentation and embraces failure is crucial for driving innovation.

Balancing Innovation and Regulatory Mandates:

While innovation is essential, banks also face the challenge of complying with stringent regulatory requirements around ESG, data privacy, cybersecurity, and resilience. Striking the right balance between fostering innovation and ensuring compliance is often a complex and resource-intensive task, causing many institutions to move cautiously in their digital initiatives.

Talent and Skills Gap:

As the industry becomes more technology-driven, the demand for new skill sets has intensified. Many banks face difficulties in attracting, retaining, and upskilling talent with expertise in emerging technologies such as AI, blockchain, and quantum computing. Without the right talent, banks will find it difficult to execute their innovation strategies at scale.

Agility in Strategy and Operations:

Organizational agility remains a hurdle, with many banks struggling to adapt to rapid changes in market demands and customer expectations. Slow decision-making processes, rigid hierarchies, and lack of flexible operational models are inhibiting banks from moving quickly enough to seize new opportunities or pivot when needed.

1.6 A Comprehensive Approach to Innovation: The Path Forward

To overcome these challenges and accelerate innovation, banks understand the need to adopt a multi-faceted and comprehensive approach across the below three key dimensions. In this year's report and the following chapters, we have assessed the progress of the industry across these dimensions.

1. **Rethinking the Business Model for the Digital Era:** Banks need to reimagine their customer segments and target business models for the digital-first world. This involves identifying new revenue streams, exploring untapped markets, and embedding finance into ecosystems that align with customers' lifestyles.

2. **Scaling Organizational Capabilities for Continuous Innovation:** Building a culture of continuous innovation requires investments in people, processes, and technology. Banks must foster a culture that promotes agility, empowers employees to experiment, and equips teams with the right tools and data to drive innovation at scale.

3. **Rapid Creation and Delivery of New Value:** Banks must focus on the rapid development and deployment of new products and services that enhance customer experience. This involves optimizing channels, improving customer journeys, and building ecosystems of partners that can help deliver value more quickly and efficiently.

By addressing these challenges head-on and adopting a holistic innovation strategy, banks can accelerate their progress along the digital continuum and position themselves as leaders in the banking landscape of 2030.

Three Key Dimensions to Drive a Comprehensive Innovation Agenda

#1	Rethinking the business model for digital era	Customer Segments and Target Business Models		
#2	Scaling organization capabilities to drive continuous innovation	People and Culture	Agile processes	Technology and Data
#3	Rapid creation and delivery of new value	Product and Services	Channel and CX	Ecosystem

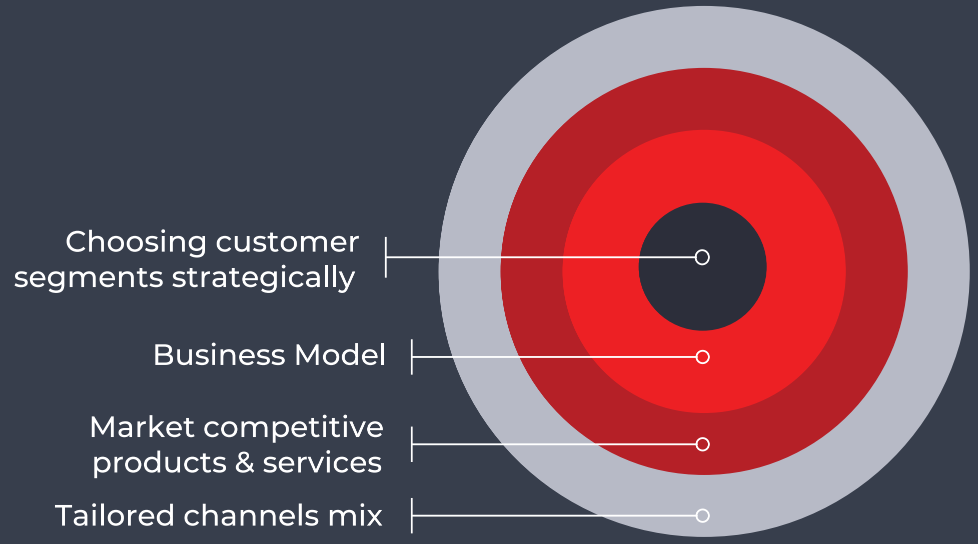
2

Rethinking the Business Model for Digital Era

2.1 Scaling Business Models for Profitability in the Evolving Banking Landscape

New age banks carefully select the customer segments they serve, unburdened by legacy portfolios and existing customer bases. In contrast, traditional banks not only manage these legacy commitments but also face significant pressure from investors to prioritize customer segments within their chosen business areas. Achieving the right combination of customer segments and the depth and breadth of product/service offerings is crucial for profitability.

Emerging new business models empower banks to tap into nuanced customer segments and create or co-develop offerings that meet these segments' needs, generating significant economic profits for stakeholders. With customer expectations and the digital landscape continually evolving, banks must adapt and scale new business models to stay competitive and relevant.



Retail Customer Segments

The digital era has opened up opportunities for banks to tap nuanced and diverse customer segments, each with distinct needs and preferences

Gig workers | Immigrant population | Gen Alpha | Unbanked population with access to smartphones | Senior Tech Adopters | High net worth millennials | ...

Distinct Customer Contexts

Banking continues to be increasingly intertwined with various life contexts, necessitating tailored and real-time offerings

Home | Health | Education | Shopping | Travel | Transport | Wealth | ...

Ever Rising Customer Expectations

Modern customers expect financial services to be

Contextual | Smarter / more accurate | Automated | Real-time | Secure | ...

"New embedded finance solutions and Banking-as-a-Service solutions also allow financial services to be at the point of need, creating revenue opportunities. By embedding finance in other contexts, the customer receives the financial offer at the exact moment of her need, with a lower degree of friction and potentially reducing the churn in the journey in question. This is in line with the whole idea of developing products and services with the customer at the center, seeking to meet her expectations and generate connections with her; and no longer adopting a product-centric design, which would previously aim for immediate profit to the detriment of a longer-lasting relationship."

Renata Talarico Petrovic, Head of Innovation, **Bradesco**

2.3 Eight Emerging Banking Business Model Archetypes

Eight new banking business archetypes are emerging that empower banks to create and deliver value in innovative ways. These archetypes redefine how banks interact with customers, integrate technology, and adapt to changing market dynamics to meet diverse customer needs effectively.

1

Digital bank

Digital banks deliver banking services entirely (or almost entirely) through digital touchpoints.

2

Digital financial advisor

Digital financial advisors deliver financial advice by using AI to understand customers' financial situation and recommend actions.

3

Embedded finance

Companies with frequent engagement and deep customer understanding are embedding banking and payments into non-financialproducts and services.

4

Banking as a Service

Banking as a Service (BaaS) offers complete banking processes, typically through APIs, that third parties can embed into their products and services.

5

Banking curator

These digital banks aim to offer best-of-breed products by combining basic accounts with financial advice and a curated set of third-party products.

6

Finance marketplace

Finance marketplaces build infrastructure to help customers choose financial services from multiple third-party suppliers in an open environment.

7

Non-finance marketplace

Non-finance marketplaces build infrastructure to help customers choose goods and/or services from multiple third-party suppliers in an open environment.

8

Banking industry utility

Banking industry utilities specialise in delivering non-differentiating services by pooling resources, expertise, and capabilities to increase efficiency.

Source: Report "Developing innovative digital banking business models" by 11:FS in association with Infosys Finacle

"In terms of new business models, we are seeing and experiencing new business model in our region. For Bank as a platform model, we embed third parties, product offers or technologies within our channels. So, for example, cyber insurance, for SMEs, is integrated in our platform, as well as business financial management tool for small businesses. On bank as a service, basically we embed our core products and services within third parties, channels, for example SME lending as a service is on the rise."

Marina Shehfe, Retail Transformation Officer, **BNP Paribas**

8 Emerging Banking Business Model Archetypes: Innovation Case Studies

Digital Banks

Nequi, Bancolombia's digital only bank provdes a wide range of financial and non-financial services, which allow users to pay with the Nequi Card, bring dollars through PayPal, pay for public services and more

Digital Financial Advisor

UK fintech Plum links with customers' bank accounts via open banking. It then uses AI to analyse customers' spending and automatically identify how much they can afford to set aside into a savings pot or investment account each month

Embedded Finance

Kasikorn Line, Thailand, a joint venture between Kasikorn Bank and Line, launched a range of banking services that are offered via messaging app LINE BK.

Banking as a Service

Cross River's API-driven banking infrastructure embeds financial services across industries and provides the foundation for regulatory compliance upon which its partners grow.

Banking Curator

BMTX in the US BankMobile Vibe Checking Account is a digital-only, FDIC-insured, interest-bearing checking account designed specifically for students.

Finance Marketplace

The Raisin platform connects savers with financial institutions through its award-winning marketplaces, available across Europe and the U.S.

Non-Finance Marketplace

"Travel Guru," launched on the HSBC HK Reward+ app, is the first bank-driven Travel Rewards Membership Program in Hong Kong.

Banking Industry Utility

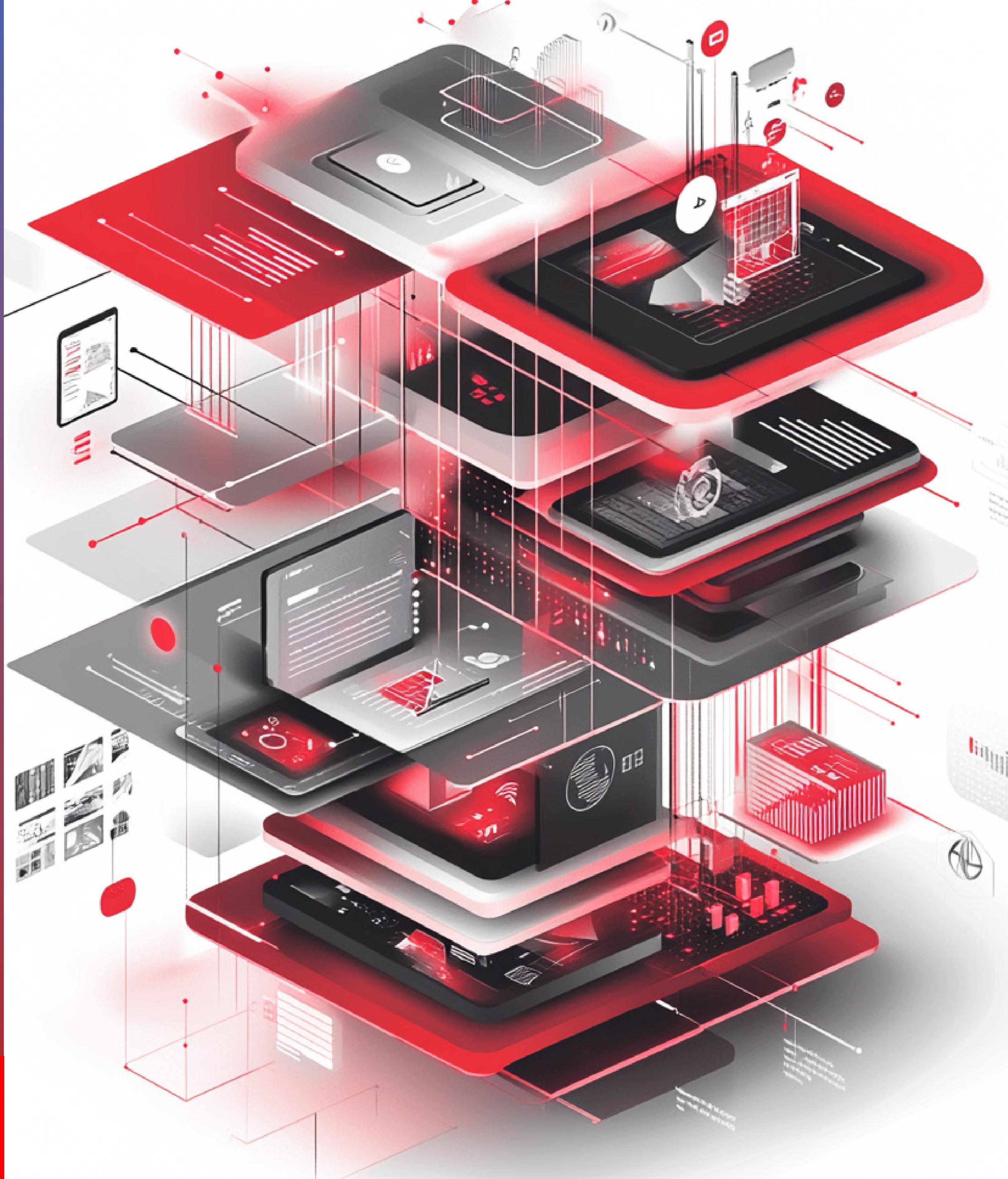
Dutch mortgage processor Stater serves banks across the Benelux region. Stater offers a complete range of services across the mortgage and consumer lending value chain with deep capabilities in digital origination, servicing and collection.

“The embedded finance, the invisible banking as often mentioned. Banks are now getting into this new role. Being invisible through the support for example, of the customers of a retailer, where we get into that journey to facilitate their primary target, which is to buy a TV or something else for example. So, we need to get into the proper step in a simple way and finance their needs without changing their experience, using APIs. Many similar cases addressing C2B or B2B journeys are in scope for Embedded finance that will certainly be of our highest priority for the next years.“

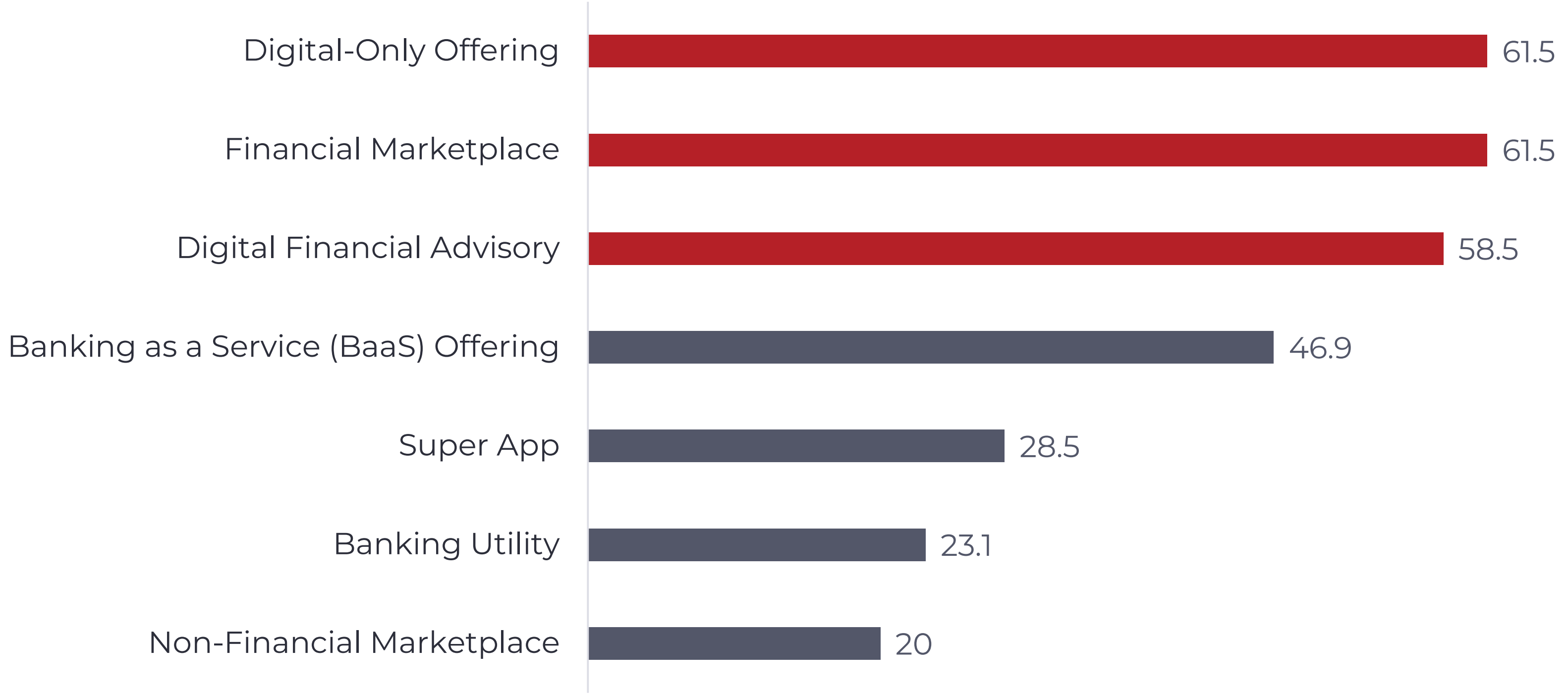
Harris Mygdalis, Chief Digital Officer, Eurobank, **Greece**

2.4 Top Three Business Models to Build and Scale by 2030

The survey showed that by 2030, **digital-only banking propositions** and **financial marketplaces** will lead, with 61.5% of banking executives favoring them due to their scalability, lower costs, and ability to meet customer demands for seamless experiences. **Digital financial advisory** (58.5%) ranked second, driven by the growing need for personalized, real-time advice. **Banking-as-a-Service** (46.9%) followed, enabling banks to expand via ecosystem partnerships. **Super apps, banking utilities**, and **non-financial marketplaces** were less favored, likely due to regulatory complexity and limited alignment with core banking services.



Top Three Business Models to Build and Scale by 2030



% of banking executives who ranked the business model among their top three priorities for adoption by 2030.

Source – Infosys Finacle and Qorus Innovation in Retail Banking Research 2024

“Among the new types of business models, there are platforms such as marketplaces that integrate and present solutions from different providers for the customer. This model entails indirect monetization strategies and prioritizes the customer experience, providing features such as price comparison, frictionless and complete journey. One use case of this model is e-agro, a marketplace that offers lines of credit, including CPR Digital and Rural Credit, without the need to leave the farm. Additionally, e-agro features a digital store where the farmer can purchase agricultural products and supplies from trusted brands.”

Renata Talarico Petrovic, Head of Innovation, **Bradesco**

2.5 Succeeding with Emerging Business Model Requires a Comprehensive Approach

Adapting and scaling new business models within incumbent banks is undeniably complex, given the deeply rooted legacy systems and cultural resistance to change. To thrive in an embedded finance ecosystem, banks need a holistic strategy that seamlessly aligns their vision, technology, and organizational agility. Banking executives globally agree that several key factors contribute to success in this transformation. In this year's survey, we asked banking executives to rate their success across each of these parameters.

- **Vision:** How aligned is the organizational vision and strategy? How strong is the executive sponsorship to capture the opportunities?
- **Technology Infrastructure**: The readiness of technology infrastructure for embedded finance, including APIs and SDKs for seamless integration with third-party platforms.
- **Strategic Partnerships:** The extent to which the bank has formed or has the readiness to form strategic partnerships with fintech companies, e-commerce platforms, and other non-financial businesses.
- **Regulatory Compliance:** The bank's ability to navigate the complex regulatory landscape associated with offering banking services through third-party platforms.
- **Product Innovation:** The capacity to co-innovate and create tailored solutions with partners.
- **Customer Data Management:** The preparedness to manage and leverage customer data securely and effectively within embedded finance ecosystems.
- **Risk Management:** The readiness of banks to address the unique risk management challenges posed by embedded finance, including fraud prevention and credit risk assessment in decentralized environments.
- **Organizational Process Agility:** The ability of banks to operate with the necessary agility, including rapid decision-making processes and a culture that supports innovation.

Adopting Emerging Business models

Progress Snapshot

	% of banking executives that have deployed initiatives (partially or completely) that are **delivering as per expectations**	% of banking executives that have deployed initiatives (limited / partial / significant) that are **not delivering as per expectations**
Regulatory Compliance	**56.50%**	43.40%
Risk Management	**51.30%**	48.70%
Customer Data Management	**47.00%**	52.90%
Organizational Process Agility	36.30%	**63.70%**
Vision	36.50%	**63.50%**
Product Innovation	40.50%	**59.60%**
Technology Infrastructure	41.90%	58.00%
Strategic Partnerships	46.70%	53.30%

Indicates top 3 areas where banking executives have deployed initiatives (partially or completely) that are delivering as per expectations

Indicates 3 areas where banking executives have deployed initiatives (limited / partially / completely) that are not delivering as per expectations

Source – Infosys Finacle and Qorus Innovation in Retail Banking Research 2024

When asked about their readiness to capture the opportunities of embedded banking across key factors, banking executives highlighted three areas where they have made significant or partial deployment of initiatives with results delivering as per expectations: regulatory compliance (over 56%), risk management (over 50%), and customer data management (47%). This signals that while progress has been made, it is primarily in areas driven by regulatory mandates, with banks laying solid foundations in risk management and data handling—both critical, yet not sufficient, for success in the rapidly evolving ecosystems of embedded banking.

Conversely, the areas where banks have deployed initiatives but are not yet meeting expectations include vision (over 63%), organizational process agility (over 63%), and product co-innovation and co-creation (nearly 60%). These are pivotal to driving future success, where banks must align their strategies and execution to secure a dominant role in the embedded banking landscape. The positive takeaway is that banks already investing in these areas, signaling intent to bridge these gaps.

To make meaningful progress, banks must prioritize aligning their vision with emerging opportunities, cultivate an innovative culture, enhance agility in their processes, and ensure their technology infrastructure is composable and future-proof. Only then can they fully capitalize on the opportunities in the market.

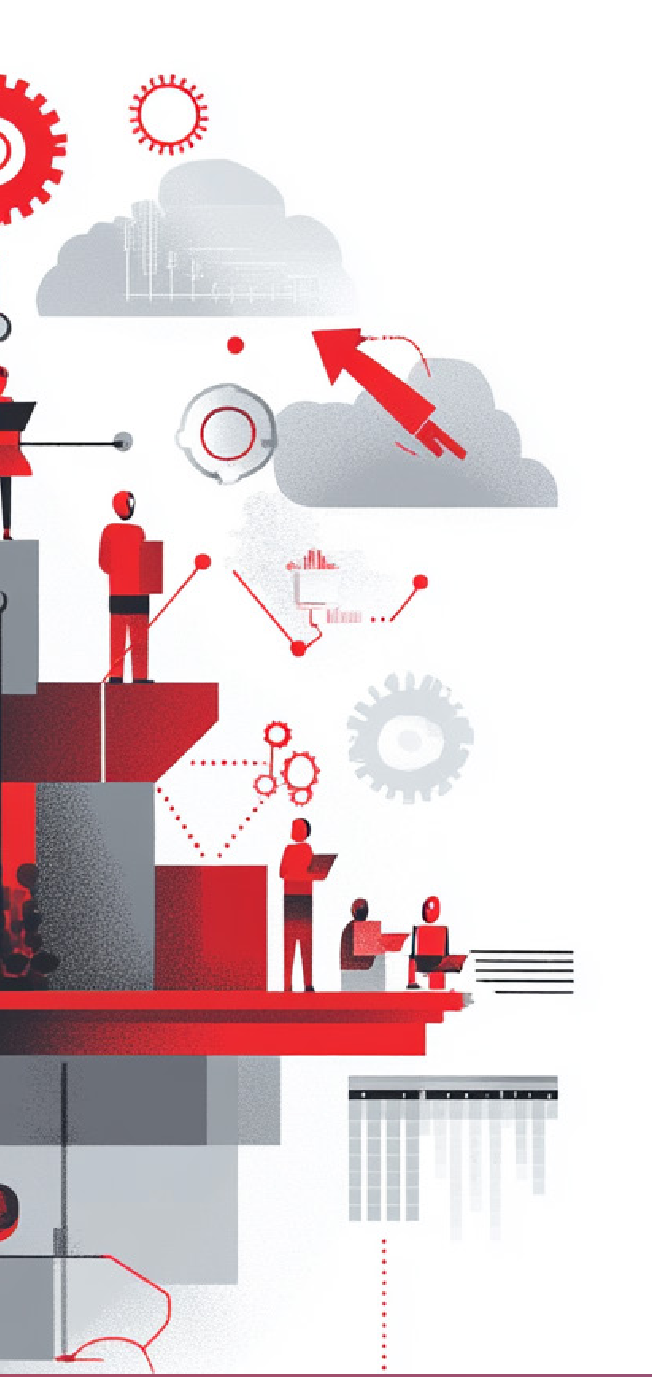
2.6 A Blueprint for Designing New Models to Create, Deliver, and Realize Better Value

To thrive in the competitive landscape of retail banking, institutions must rigorously innovate and refine their business models. The blueprint provided here lays out a systematic nine-step approach to design, test, and implement new business models that are primed for success.

This process ensures banks can not only respond to current market demands but also proactively shape their future in the banking industry. Each step is designed to build upon the previous, creating a robust framework for continuous adaptation and sustained value creation in the evolving financial sector.

3

Scaling Organization Capabilities to Drive Continuous Innovation



#1 Rethinking the business model for digital era

Target business model
Customer Segment | Value propositions | Channel mix | Revenue Streams| Cost structure

#2 Scaling organization capabilities to drive continuous innovation

People and Culture

Agile processes

Technology and Data

#3 Rapid creation and delivery of new value

Product and Services

Channel and CX

Ecosystem

“The new business model that we are also trying to pilot is product management. For example, create value streams for cards business, consumer lending, embedded finance and others. Value streams that will have the required resources to run the business and grow the business. Working on their day-to-day operations, but also implementing the initiatives they need to grow their business. That means we should have all the required components securely allocated from technology, business, line of defense and support units“

Harris Mygdalis, Chief Digital Officer, **Eurobank, Greece**

3.1 People and culture

The people and culture pillar, while challenging, is pivotal for building resilient, scalable organizations that drive ongoing innovation. This requires a holistic approach where a clearly defined purpose and mission centered on customer-focused goals align teams, with incentives and metrics rooted in customer-centric outcomes. Many digital banks now link incentives with these outcomes across roles, which is crucial for success in fintech partnerships and embedded banking solutions. Agile models in banking further empower teams by pushing decision-making to the front lines, enabling rapid responses to real-time customer needs. Advanced Gen AI tools are revolutionizing productivity and collaboration, accelerating project timelines and elevating outcomes. To increase responsiveness, banks are also shifting toward cross-functional teams organized around customer outcomes, which facilitates smoother collaboration with tech partners. Finally, modern developer portals, APIs, and sandboxes enable scalable, efficient partnerships, empowering banks to co-create solutions with technology innovators.

Source: 11:FS report: 'Rebuilding financial services from the inside'

Innovation Case Studies

Organization culture

Fostering Intrapreneurship:

Encouraging employees to think like entrepreneurs within the organization, fostering innovation from within. Example: In Portugal, Novobanco's Innovation & Talent Lab is revolutionizing the future of work, fostering a culture of intrapreneurship, empowering people to securely test & develop new business opportunities, where employee insights fuel groundbreaking innovations.

Upskilling and Reskilling:

Providing continuous learning opportunities to help employees develop new skills and stay current with technological advancements. Example: In Hungary, MBH Bank launched 'AIDA', along with in-depth training modules and a dedicated power user community, helping employees prepare to excel in a future shaped by AI - starting from the basics.

Fostering a Tech Community of Employees:

Creating a collaborative environment where employees can share knowledge and work together on technological innovations. Example: TBC Bank in Georgia has setup a Tech Community project aims to create a close-knit tech community within TBC Bank, focusing on employee engagement, development, and effective communication.

"The same transformation program or same platform being deployed into two different organizations can yield to very different results. If you roll out a platform across a large organization, two organizational units might result in very different performance uplift and the reason behind that is the leadership ability to learn, adapt, and understand their processes. It includes everything from how we make decisions and how sustainable the investments are to how we set KPIs and measure and monitor them to how leaders stand in front of their staff and actually encourage them to adopt and accept this new technology. So without this adoption capability within the organization, it is very difficult to become frontrunners, and this is a skill that is practiced over time."

Majid Muhammad, Chief Information Officer, **Resimac**

“The key to success is having the ability to listen to your customers. We put so much premium on customer centricity and on providing a delightful customer experience. In any digital transformation journey, it’s not just about technology; it’s about mindset, culture, and people.“

Lito Villanueva, Executive Vice President, Chief Innovation & Inclusion Officer, **RCBC**

3.2 Agile Processes

For better operations, banks must adopt a holistic approach, balancing internal focus with external customer-centricity. This requires re-imagining five key pillars: business strategy realignment, smart processes, workforce modernization, technology advantage, and strategic governance. These pillars shift focus from value maintenance to value enhancement, ensuring effective, customer-driven operations.

1. Strategic Alignments

Business models | Customer segments | Products and services | Channels mix

2. Smart Processes

Customer-centric design
Digital-first operations
Ubiquitous automation

3. Augmented Workforce

Workforce transformation
Work digital-augment
Workplace reset

4. Technology Advantage

Digital-first platform
Continuous evolution
Cloud based consumption

5. Strategic Governance

Risks management | Regulations & compliance

Innovation Case Studies

Digitization, automation and workforce augmentation

Digitization of Manual Processes:

Converting manual processes into digital formats to increase speed and accuracy. Example: Leveraging OCR and proprietary image matching algorithm, HDFC revolutionized invoice, image and delivery order processing in Consumer Durable Loans.

Simplifying Processes through Digitization:

Streamlining complex procedures using digital tools to make them more user-friendly. Examples: Bradesco identified customer issues with taking credit, enhancing their app to simplify credit processes, making products accessible, simplifying contracts and enhancing personalization

Virtual Robot Colleagues:

Integrating intelligent automations and AI-driven colleagues to support employees in their daily tasks and improve efficiency. Akbank's "Robots" are new technological colleagues integrated them into employee lives to achieve strategic workforce management, faster compliance with legal and regulatory requirements, operational excellence and most importantly, increased customer and employee satisfaction.

“It’s not only important to offer products and services digitally, we also must simplify and digitalize the internal processes of the bank triggered from any customer contact across channels. The credit side, the operations side and others. Offering a product or a service digitally along with lean and digitalized processes internally makes a bank digitized to the core”

Harris Mygdalis, Chief Digital Officer, **Eurobank, Greece**

3.3 The Imperatives for Banks in a Rapidly Evolving Tech Landscape

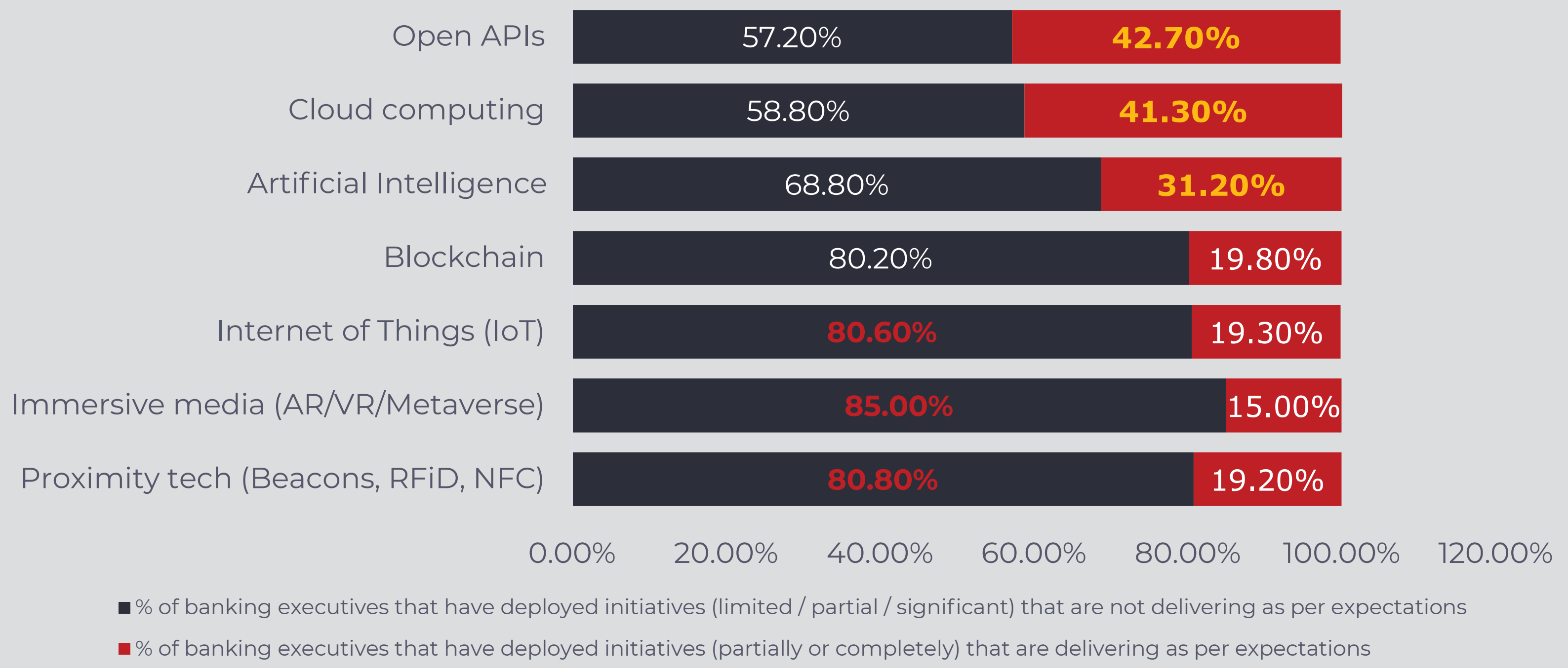
A major imperative for banking executives has been navigating the surge of modern technologies that unlock new opportunities.

Banks must also navigate the different pace and stages of technological evolution: while new technologies like generative AI and Web 3.0 are emerging, established technologies such as cloud and APIs continue to mature.

This creates a dynamic landscape where banks must balance innovation and operational stability. On one side, there's room for experimentation with cutting-edge solutions, while on the other, there's an urgency to accelerate the adoption of proven, mainstream technologies.

In both scenarios, a robust architectural foundation becomes crucial for maximizing the benefits of these innovations. Without this, banks risk underutilizing the potential of both new and maturing technologies.

In our survey, when banking executives were asked about their success in leveraging technologies to create, deliver, and realize better value, cloud computing and open APIs emerged as the most successfully adopted technologies. Over 40% of banking executives reported that their initiatives (partially or fully deployed) in these areas are delivering results as expected. This reflects the industry's increasing reliance on cloud for scalability, flexibility, and cost-efficiency, and on APIs for enabling ecosystem partnerships and enhancing service delivery. However, this success rate also highlights that even with mature technologies, banks have significant room for improvement, requiring continued resources and investments.



Indicates top 3 areas where banking executives have deployed initiatives (partially or completely) that are delivering as per expectations

Indicates top areas where banking executives have deployed initiatives (limited / partially / completely) that are not delivering as per expectations

Source – Infosys Finacle and Qorus Innovation in Retail Banking Research 2024

Artificial intelligence (AI) ranked third, with just over 30% of banking executives stating that their AI initiatives are delivering expected outcomes. While AI adoption is growing rapidly, banks are still in the early stages of fully leveraging its potential across use cases such as predictive analytics, personalized offerings, and risk management. Banks need to prioritize investments in data quality, AI governance, and talent, to drive meaningful AI-led transformations.

Emerging technologies like blockchain, the Internet of Things (IoT), immersive media (AR/VR/Metaverse), and proximity technologies (Beacons, RFID, NFC) are still in the experimental phase for most banks. More than 80% of banking executives who have deployed initiatives in these areas report that they are not delivering as expected. This is largely due to the nascent nature of these technologies and the limited scale of deployments, with over 50% of banking executives having only tested these solutions on a smaller scale. For these technologies, the banking industry stands at the crossroads of exploration and real-world application. Banks must approach these innovations with a clear use-case-driven mindset, investing in pilots that are aligned with business goals and customer needs, while also staying flexible to pivot based on early learnings.

These insights provide a valuable benchmark for banking executives on where and how much to invest in these technologies, taking into consideration their own position in the technology adoption journey.

3.3.1 Cloud Adoption: Current Adoption Rates Across Key Banking Applications

Cloud adoption is now a mainstream strategy in banking, with institutions moving past the exploratory phase to focus on scaling deployment for maximum impact. While the advantages of cloud—agility, operational efficiency, scalability, and innovation—are widely accepted, the cloud adoption journey is nuanced across application areas influenced by specific operational needs, regulatory concerns, and the complexity of legacy systems.

Core Banking: A Stronghold for Private Cloud

With 43% of banking executives opting for private cloud, this model provides the control, security, and governance required for a bank's most critical systems.	**Hybrid cloud, preferred by 16.5% for adoption**, is gaining ground for banks seeking the flexibility to scale operations without fully committing to public cloud.	The relatively low adoption of **public cloud and SaaS (less than 10%)** signifies a cautious approach largely due to concerns about data sovereignty and regulatory complexity.	**25.4% are yet to adopt any cloud model.** As cloud-native solutions mature and regulations evolve, we may see **greater movement towards hybrid and public cloud models.**

Cloud Adoption: Current Adoption Rates Across Key Banking Applications

	Private cloud	Public cloud	SaaS	Hybrid	Yet to adopt
Core banking	**43%**	5.80%	8.30%	16.50%	**26.40%**
Data lake, analytics, and AI	**35.70%**	8.70%	6.10%	20%	**29.60%**
Loan origination	**27.90%**	11.50%	14.80%	18.90%	**27%**
Digital channel suite	**25.60%**	13.20%	14%	22.30%	**24.80%**
Payments	**25%**	7.50%	15%	**26.70%**	**25.80%**
Wealth management	**19%**	8.30%	12.40%	14%	**46.30%**
CRM	**31.70%**	10%	10%	15%	**33.30%**
Loan servicing	**25.20%**	9.20%	14.30%	22.70%	**28.60%**

- **Indicates top preferred cloud hosting model for the banking application area**
- **Indicates second preferred cloud hosting model for the banking application area**
- Indicates top two banking application areas where public cloud and SaaS are most preferred

Source – Infosys Finacle and Qorus Innovation in Retail Banking Research 2024

Loan Origination and Servicing: SaaS Gains Traction

Around **25–27% banking executives have adopted private cloud,** with the need for secure, streamlined processes that can handle large volumes of transactions while ensuring compliance. **Hybrid cloud adoption is favored by 18–22%.**

Interestingly, **SaaS adoption is higher in this area (14%) compared to other applications**, suggesting that banks are warming to the idea of cloud-based solutions for improving customer experiences and loan processing efficiencies.

As competition intensifies in lending, **SaaS and public cloud models (currently at 9–11%) are expected to gain traction**, enabling banks to leverage the latest in automation and AI-driven underwriting models.

Digital Channel Suite: Balancing Resilience and Innovation

Private cloud leads with adoption rate of **25.6%**, providing a controlled environment. Hybrid cloud at **22.3%** offers a balance between on-premise control on data & transactions, and public cloud scalability for handling peak traffic.

The adoption of **public cloud (around 13-14%) and SaaS solutions (13%)** is higher compared to core banking, driven by the need for agility and rapid innovation in the space.

While **24.8% of banks have yet to adopt cloud**, the shift towards embedded banking and omni-channel experiences is likely to accelerate adoption.

Payments: Real-time Nature of Payments Drive Hybrid Adoption

Over 26% banking executives have opted for hybrid cloud. The real-time nature of payments and the need for seamless integration across networks make hybrid cloud an ideal solution, offering flexibility and scalability without compromising security.

Private cloud is similarly popular, reflecting banks' need to maintain control over this essential function.

Interestingly, **SaaS adoption is also on SaaS adoption is also preferred by 15% banks,** signaling a growing trend toward cloud-based payment solutions that offer agility and cost efficiency.

Wealth Management: Nature of Business Slows Adoption

Remains an area of slower cloud adoption, with **46.3% of banking executives yet to deploy any cloud model.**

19% of respondents favor private cloud for wealth management, with **hybrid cloud (14%)** and **SaaS (12.4%)** also showing traction.

As wealth management firms seek to enhance client experiences through AI and analytics, we may see an **uptick in hybrid and SaaS adoption**, especially for personalization and robo-advisory services.

CRM: Need for Security and Personalization at Scale Drives Private Cloud Adoption

With **33.3% yet to adopt cloud for CRM**, there is significant potential for growth as banks increasingly rely on AI-driven insights to enhance customer experiences	The ability to securely manage vast amounts of customer data while delivering personalized experiences makes **private cloud adoption at 31.7%** a natural choice	**Hybrid cloud, favored by 15%. Public cloud and SaaS each at 10% adoption rate**, reflect banks' willingness to use these models for less sensitive aspects of CRM

DataLake, Analytics, and AI: Complexity and Privacy Concerns Drive Private Cloud Adoption

Private cloud adoption is relatively strong at 35.7%, reflecting banks' need to maintain control over vast datasets and ensure compliance with data privacy regulations	**Hybrid cloud (20%) is second-most preferred model**, as it provides the flexibility to process data across environments.	**Public cloud (8.7%) and SaaS (6.1%) adoption remains low**, likely due to the complexity of migrating vast data sets and ensuring data privacy. Nearly **30% of banks are yet to adopt cloud adoption** for these functions, highlighting the vast potential for growth in this area.

"I think hybrid cloud is the way to go. It allows you easier step into cloud computing realm, whether it's an on-prem, private, or public cloud. In a private and public cloud approach, you could have a private cloud for data residency, but you can off shoot the processing to public clouds. I also like private cloud concept in hybrid because that's where operational stability and efficiencies can be built in for main business processes and by using public aspects of it you can do quick development, agile innovation and other processing at lower cost, paving more robust way to get into market."

Boe Hartman, Co-Founder and CTO, Nomi Health, Ex-**Goldman Sachs**

“It hasn’t been that long since when we used to see announcements being made by the large players in the industry about a billion-dollar program of either implementing a platform or to unify existing ones or to upgrade them. That scale of investment is outside of the reach of 90% of players within the industry. But cloud has democratized that problem. Many organizations can now access that capability on a SaaS basis which previously some of the large players were having to implement with those large investment programs in place.”

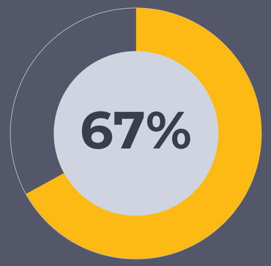
Majid Muhammad, Chief Information Officer, **Resimac**

"We identified two major difficulties to overcome on our cloud adoption journey: treating the cloud not just as an IT project but as a strategic initiative that affects the entire organization and recognizing the need for new operational models and interactions between business and IT, including extensive training and new roles. To address these, we implemented a clear strategy for cloud migration that not only addresses the total cost of ownership of the infrastructure, but also the benefits in terms of time to market and innovation capacity."

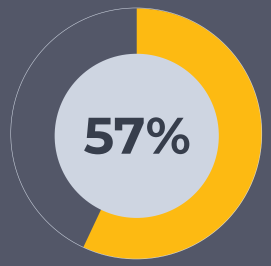
Renata Talarico Petrovic, Head of Innovation, **Bradesco**

3.3.2 AI-Driven Priorities in Banking: Customer Engagement and Operational Efficiency Reign Supreme

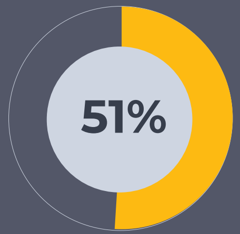
As banks increasingly deploy innovation investments, their priorities are becoming clear—focusing on areas where the impact on business outcomes and customer engagement is most direct. The survey results point to a future where AI investments will become increasingly balanced across all areas of the bank, with particular emphasis on customer engagement, operational efficiency, fraud management and data-driven insights.



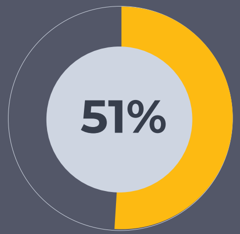
of banking executives ranked **customer engagement** among their top three areas for AI investment. Looking ahead, this trend is likely to intensify as banks increasingly adopt AI for predictive analytics, enabling more proactive customer engagement through offers, services, and solutions based on real-time behavior patterns. Banks will also leverage generative AI to deploy conversation bots and agentic AI tools to elevate customer engagements.



Operational efficiency emerged as the second-highest priority, This has to be 57% banking executives ranking it among their top three areas for AI investment. This is unsurprising given the immense potential of AI to streamline processes, reduce manual interventions, augment workforce effectiveness and enable predictive maintenance. As banks push to become leaner, more agile organizations, AI investments in this area will become integral to building resilient and scalable operations.



Tied with fraud management, analytics and insights were ranked among the top three AI investment areas by 51% of banking executives, underscoring the critical role of data in shaping future banking strategies. Future trends will likely focus on expanding AI's role in predictive analytics and prescriptive insights, where banks can not only understand what is happening in real-time but also anticipate future trends and customer

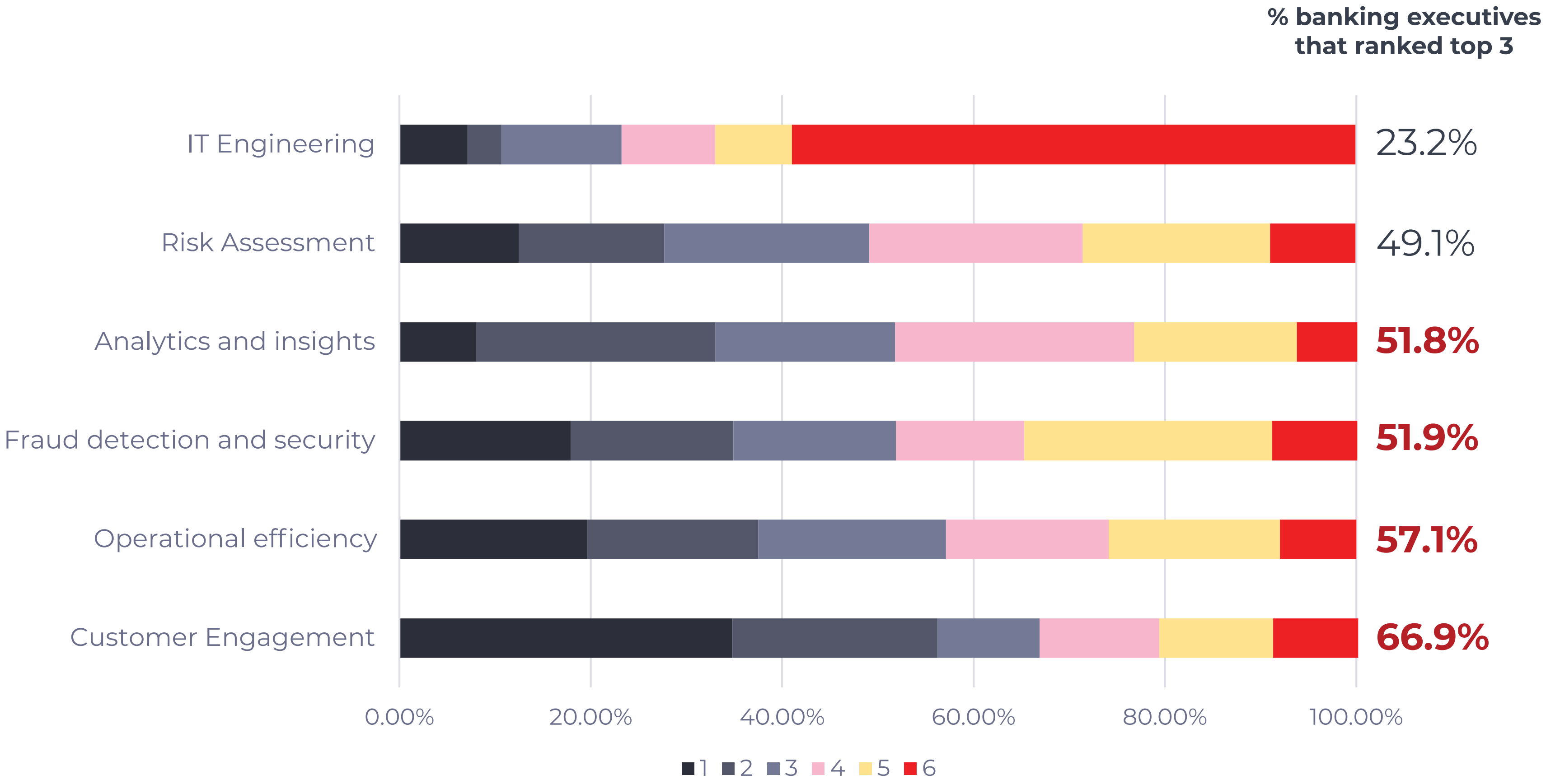


Banking executives ranked **fraud management** in their top three, it's evident that AI is becoming an essential tool in detecting and mitigating fraud. Going forward, banking executives can expect to see more investment in machine learning models that can detect new, previously unseen fraud patterns, along with AI-powered behavioral analytics that can adapt to emerging threats. The importance of AI in fraud management will only grow as cybercrime becomes more advanced and as banks increasingly rely on digital platforms.

Risk management remains a key focus area for AI investments, with **49%** of banking executives ranking it in their top three. AI is helping banks refine their risk models, ensure data-driven decisions, mitigate operational and credit risks, and ensure compliance with evolving regulations.

Surprisingly, only **23.2% of banking executives** ranked **IT engineering** among their top three investment areas. This may indicate a hesitation to heavily invest in AI for core IT functions, potentially due to the complexity of integrating AI within legacy systems. However, as digital transformation accelerates and banks move toward more cloud-native, agile infrastructures, we can expect to see AI investments in IT engineering rise.

AI-Driven Priorities in Banking



Source –Infosys Finacle and Qorus Innovation in Retail Banking Research 2024

"Artificial intelligence is a broad concept of which large language model is one. It also includes everything from expert systems through to machine learning through regression analysis to vision and audio systems. The possibilities that AI brings to an organization are limitless. Questions we should be asking ourselves are whether there are assumptions within our corporate strategy around cost leadership around channels around customer value proposition around customer segments that we have resumed based on what we think we can do that are now fundamentally changed as a result of artificial intelligence not being introduced. So that's what I suggest AI adoption approach would start with and from that point on a comprehensive change would need to be delivered to truly take advantage of."

Majid Muhammad, Chief Information Officer, **Resimac**

“We’re going to see a world where financial institutions are leveraging technologies like generative AI to improve customer satisfaction, improve operations, and create a symbiotic relationship between a human banking executives and AI, resulting in better value for the organization and the client.” Imtiaz Adam, Founder at Deep Learn Strategies “The real trick is going to be who can use the creative side of generative AI to create new value propositions, new ways of engaging with customers and delivering experiences.”

Tony Moroney, Co-Founder at **The Digital Transformation Lab**

"An AI-first organization requires a complete reorganization of databases and internal/external APIs in order to empower a data-driven structure. AI and machine learning have been adopted widely for modelling and automating processes for a while now, and there is an intense test, learn and adopt movement of generative AI in different initiatives."

Renata Talarico Petrovic, Head of Innovation, **Bradesco**

3.3.3 Need for a Modern Architecture

For banks and financial institutions (FIs) to thrive in today's evolving environment, they must adopt modern technology platforms that enable them to transform with speed, scale, and resilience. These platforms must be capable of meeting the rapidly emerging demands of digital banking, from enhanced customer experiences to real-time services.

In this context, we asked banking executives to evaluate their institutions' application architecture maturity against modern architectural principles across key tenets, including scalability, security, modularity, interoperability, cloud-native adoption, data management, analytics and AI, CI/CD, resilience and recovery, and sustainability practices. The findings reveal that fewer than 1/5th banking executives believe their architecture is best-in-class across these tenets.

Where Banks Hold Steady: Security, Scalability, and Resilience:

In the areas of security, scalability, and resilience and recovery, more than 50% of banking executives believe they are on par with the industry but not better than others. These areas tend to be more mature in banking, given their foundational importance to operational integrity and regulatory compliance. However, while banks are maintaining standards, they face challenges in advancing beyond basic requirements to truly differentiate themselves in these critical areas. The focus has largely been on mitigating risks rather than driving innovation, which may explain why few banks consider themselves leaders here.

Bank's Application Architecture Maturity vis-à-vis Modern Architectural Principles

	Best in class	As good as others but not better	Not as good as others	No opinion
Scalability	9.10%	**56.20%**	28.10%	6.60%
Security	23.30%	**59.20%**	14.20%	3.30%
Resilience and Recovery	16.10%	**58.50%**	19.50%	5.90%
Modularity	14.50%	43.60%	**35.90%**	6%
Interoperability	14.20%	40.80%	**39.20%**	5.80%
Cloud-Native Adoption	16%	38.70%	**36.10%**	9.20%
Data Management, Analytics, and AI.	11%	39%	**40.70%**	9.30%
Continuous Integration/Continuous Deployment (CI/CD)	8.40%	36.10%	**47.10%**	8.40%
Sustainability Practices	16.80%	38.70%	**31.90%**	12.60%

Indicates top 3 areas where banking executives believe they are as good but not better than others

Indicates areas where banking executives believe they are not as good as others

Source –Infosys Finacle and Qorus Innovation in Retail Banking Research 2024

Areas Lacking Confidence: Modularity, Interoperability, and Cloud Native Adoption:

In the areas of modularity, interoperability, cloud-native adoption, data management, analytics and AI, CI/CD, and sustainability practices, confidence dips significantly. Between 35% to 45% of banking executives believe they are only as good as others, while a similar percentage admit they are not as good as their peers. These areas require more dynamic and forward-looking architectural capabilities, which can be difficult for banks to develop and maintain. The rapid rise of fintech competitors, the demand for seamless integration with external services, and the need for real-time, data-driven decision-making have highlighted the limitations of many banks' existing systems. Furthermore, cloud adoption and sustainability practices often require deep organizational commitment and significant resource allocation, which many banks are still hesitant to fully embrace.

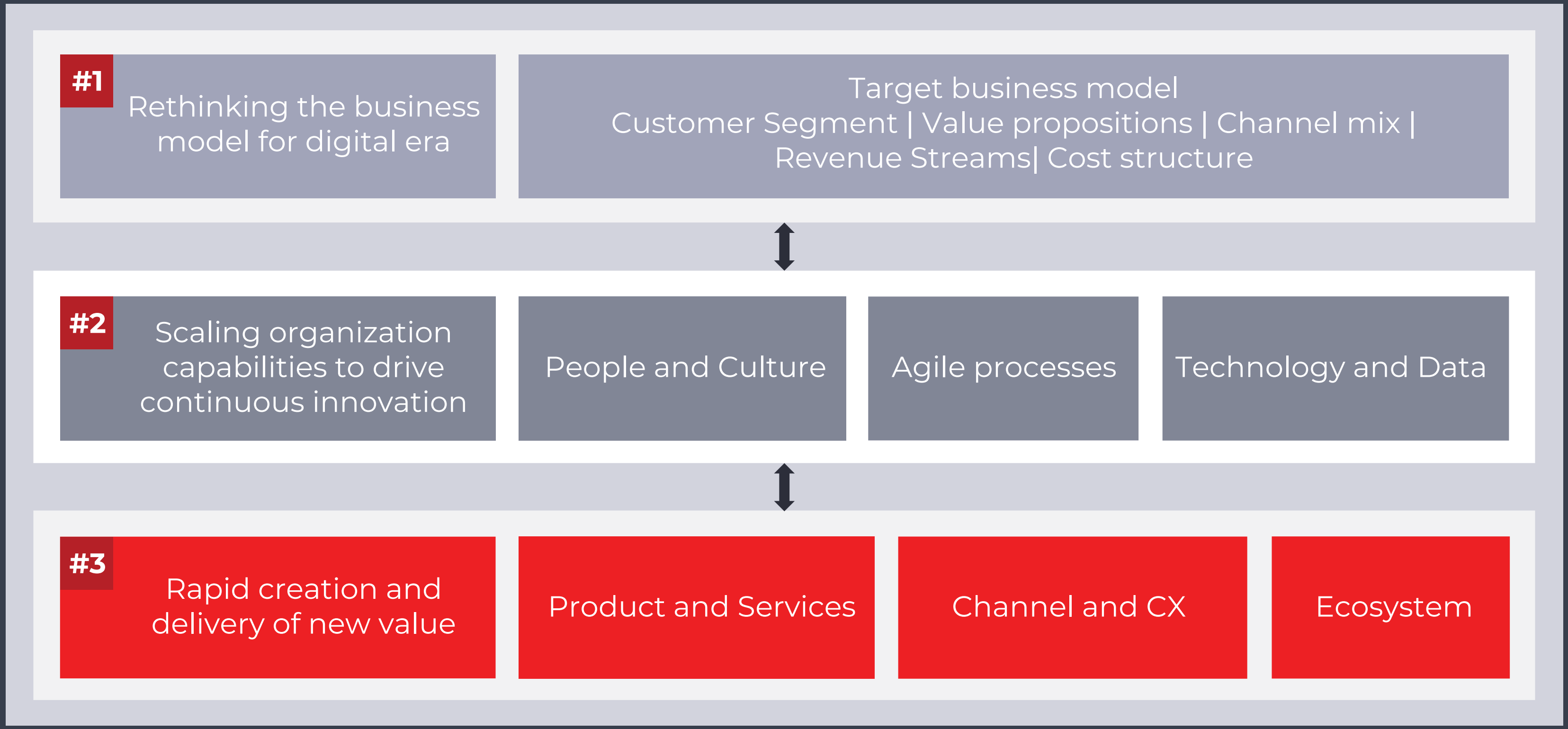
The Path Forward for Banks:

To succeed in the digital era, banks must prioritize a complete reimagining of their application architecture. This means embracing modularity and interoperability to support rapid innovation and integration with external services, adopting cloud-native technologies for scalability and flexibility, and leveraging data management, analytics, and AI for enhanced decision-making. At the same time, focusing on security, resilience, and sustainability practices will ensure that banks remain safe, compliant, and future-proof.

In conclusion, modernizing application architecture is no longer optional—it's a critical enabler of long-term success in the banking industry. Banks that invest in developing best-in-class architectural capabilities will not only meet the demands of today's digital banking landscape but will also be well-positioned to lead in the future.

4

Rapid Creation and Delivery of New Value

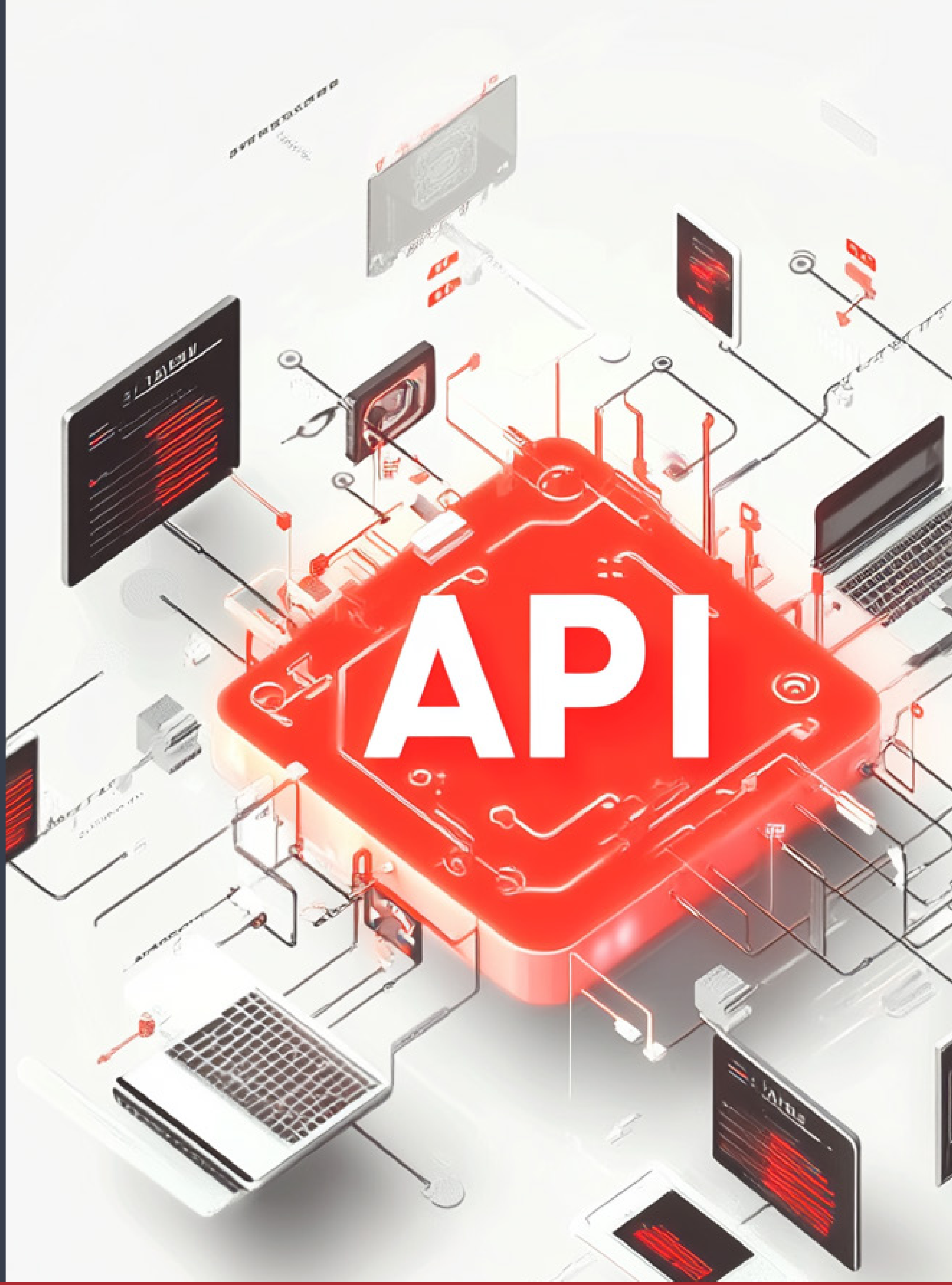

#1
Rethinking the business model for digital era
Target business model
Customer Segment | Value propositions | Channel mix | Revenue Streams| Cost structure
#2
Scaling organization capabilities to drive continuous innovation
People and Culture
Agile processes
Technology and Data
#3
Rapid creation and delivery of new value
Product and Services
Channel and CX
Ecosystem

4.1 Innovation Across products and Services: Assessment of Competitive Landscape

For some years now, non-banks have led banking innovation in certain product and service segments, redefining the way value is created and delivered. Respondents to this year's survey said that leading consumer technology companies would continue to dominate innovation in payments and cards by 2030.

But overall leadership in product and service innovation seems to rest with incumbent financial institutions who, according to the banks surveyed, will dominate innovation in wealth management, lending, as well as in accounts & deposits. However, unlike in payments, where consumer tech companies are expected to clearly dominate in the future, in both lending and accounts & deposits, there is a fairly strong challenge to incumbent institutions from challenger banks in particular, and to a lesser extent, from fintech startups.

Today's competitive landscape is layered, evolving, with players capitalizing on different strengths to corner their part of the market.



Innovation in Products & Services: Assessment of Competitive Landscape

	Incumbent financial institutions	Challenger banks	FinTech start-ups	Leading consumer technology companies (such as Apple, Google)	Leading digital businesses (such as Amazon, Uber and Alibaba)	Big brands from other industries (retailers / telcos / insurers)
Overall	**27.60%**	16.40%	**22.40%**	**17.20%**	12.10%	4.30%
Lending	**27.60%**	**20.30%**	**16.30%**	12.20%	**16.30%**	7.30%
Accounts and deposits	**38.30%**	**28.30%**	**17.50%**	6.70%	5.80%	3.30%
Wealth management	**38.70%**	**21.80%**	**26.10%**	4.20%	3.40%	5.90%
Payments	10.60%	15.40%	**16.30%**	**37.40%**	**16.30%**	4.10%
Cards	**23.10%**	**17.40%**	9.10%	**32.20%**	10.70%	7.40%
Non-traditional products	7.60%	**17.80%**	**33.90%**	**17.80%**	**17.80%**	5.10%

% represents the proportion of banking executives who believe that the entity will be at the forefront of innovation in each respective business line by 2030.

Indicates the top player perceived to be at the forefront of innovation for the product line

Indicates the top 3 players perceived to be at the forefront of innovation for the product line

Source – Infosys Finacle and Qorus Innovation in Retail Banking Research 2024

Payments: The survey found that in the opinion of 37.4 percent of respondents, large consumer tech firms, such as Apple and Google, will lead innovation in payments, followed by fintech startups (16.3 percent) and leading digital (platform) businesses such as Amazon, Uber, and Alibaba (16.3 percent). Incumbent banks must catch up with the leaders in payments innovation if they hope to capitalize on the big opportunities in this space, such as real-time payments, which according to different estimates could touch between USD 120 billion and USD 190 billion by 2030; global cross-border payments which will surpass $300 billion by 2030; and Central Bank Digital Currencies, whose transaction value is expected to grow by a mammoth 260,000 percent between 2023 and 2030.

To get there, banks, especially those trapped within legacy systems and processes, will need to upgrade to a composable payments platform. A composable payments platform will bring functional harmonization and standardization to the payments business, and several advantages on the technical side, namely services composition, component reusability, interoperability, modularity, API-centricity, and standards-based integration. These features will enable banks to deliver highly innovative payment solutions, collaborate better with ecosystem players, and embrace new business models. Emerging models like embedded payments, non-financial marketplaces, payments as a service, and payments data monetization will be crucial in improving the typically low profitability of this business.

Payments: Innovation Case Studies

Empowering internal teams

An Australian-first innovation Westpac SaferPay alerts customers to potential scams through questions presented for new payments detected to have high scam risk. If the responses suggest it is likely to be a scam, Westpac will not process the payment.

TD Bank is among the first large U.S. banks to debut Tap to Pay on iPhone, a secure mobile-based payment acceptance option that offers greater flexibility and convenience to small and micro businesses.

Enabling clients with personalization and configuration options

VakıfBank is the second largest bank in Turkey in terms of asset size. The bank created 'Benim Yerim' to enable customers to track payments from a single screen, receive notifications as payment deadlines near, and personalize their experience with their own information. customers can add their home and vehicle information to VakıfBank Mobile. By this means, they can keep track of their bills, rent, dues, loans, money transfers, Motor Vehicles Tax (MTV), traffic fines and Fast Pass System (HGS) expenses on a single screen. Moreover, tabs such as Health, Education, Travel and Personal Payments can also be easily accessed from the Benim Yerim menu.

Tapping into the strengths of ecosystem partners

Standard Chartered Bank, in a regional partnership with Visa, is offering credit card customers in Asia Pacific a Buy Now Pay Later facility that allows them to split their payments for purchases made at participating physical and online stores right at the point of purchase.

Lending: Although no single player is perceived to dominate solely over others in the lending space, banking executives in our survey believe that incumbent banks (27%), challenger banks (20%), fintech companies, and leading digital businesses like Amazon, Uber, and Alibaba (each at 16%) will all play significant roles in leading innovation in the lending space by 2030. This means that while incumbent banks are still seen as strong players, they will continue to face substantial competition from challenger banks, fintechs, and major digital businesses in this sector. This situation underscores the pressure on banks to continuously elevate their value propositions. We believe banks need to take a first principles approach to

- Build customer-centric propositions: Create digital platforms offering instant access, configurable products, and hyper-personalized offers.
- Drive continuous innovation: Use APIs for collaboration, expanding offerings like marketplace lending and syndicated products.
- Operate at higher efficiencies: Implement paperless operations, reduce human intervention, and enhance transparency through automation.

Innovation Examples in Lending

Empowering internal teams

Bancolombia is one of the largest banking groups from Colombia. Recognizing that blue-collar workers often need a small loan to tide them over at the end of the month when finances run low, Nequi, the digital bank of Bancolombia, introduced an end-of-month, pre-approved unsecured, digital loans micro loans. The Bank piloted a "Lifesaver Loan" from Nequi for amounts between COP 100.000 and COP 500.000, and a maximum repayment period of one month. The loan, which requires no documentation, co-debtors or guarantees, is credited within 5 minutes through the Nequi app.

Enabling clients with personalization and configuration options

Marcus, a brand of Goldman Sachs, benefits from the firm's 147-year history of financial expertise, risk management, and customer service. One of the first products from Marcus is a fixed-rate, no-fee unsecured personal loan that enables customers to tailor their monthly payment options to fit their schedule and budget. The bank delivers extensive self-service capabilities on digital channels to design truly personalized products. The system will give end-consumers the flexibility to choose lending terms such as repayment amount and tenure.

Tapping into the strengths of ecosystem partners

UnionBank of the Philippines, one of the top 10 banks in the country, has partnered with Samsung Finance+ to offer pre-approved loans for millennials buying Samsung products. By integrating Telco scores into its credit decisioning tools, UnionBank can expand its reach and provide instant credit lines. Customers use Samsung's app in-store, enter basic info and select a gadget, with the application linked to UnionBank's eKYC and loan processes, enabling instant loan approval for gadget purchases.

Innovations & Case Studies in Deposits

Deposits: Incumbent institutions are the clear leaders in this space, but as mentioned earlier, are facing a mounting challenge from challenger banks and fintech startups. Still, banks must be careful not to slow down the pace of innovation, capitalizing on every opportunity to innovate within the organization, in partnership with other providers, or jointly with customers.

Empowering internal teams

Game on Deposit is a one-of-its-kind gamified fixed deposit by Liv, which is a digital-only bank powered by Emirates NBD, a leading banking group in MENAT. The innovative deposit allows customers to secure the market's highest interest rate by predicting the winners of sports tournaments. To participate, customers only need to select the team they think will win the tournament while opening the deposit. If their selected team wins, they earn 10% p.a. interest. If it reaches the semi-finals, they receive 5% p.a. interest. If neither, they still earn a 2.3% p.a. interest.

Enabling clients with personalization and configuration options

Apple and Goldman Sachs envisioned something very revolutionary: a savings account offering a market-leading annual percentage yield (APY) of 4.40%, with no fees or minimum balance or deposit requirements. This account would automatically funnel cash rewards from the card or wallet into savings, while also allowing consumers to deposit funds from other linked accounts, all while earning an impressive return. The funds in the savings account could be used for any purchase, not just those related to the company's devices, with reward percentages varying based on the type of purchase. For withdrawals, consumers would simply link their bank account to access their cash.

Tapping into the strengths of ecosystem partners

Hatton National Bank's HNB Fitness App unites banking with the lifestyles, incentivizing customers to consistently lead a healthy life | Customers that achieve their health goals will get up to 8% additional interest.

Wealth Management: Innovations and Case Studies

According to 38.7% of banking executives, incumbent banks are expected to maintain their innovation leadership in wealth management by 2030. This confidence likely stems from their established customer base, robust resources, and the ability to integrate new technologies with existing infrastructures. Meanwhile, FinTech start-ups and challenger banks are seen as equally strong innovation leaders by 26% and 21% of executives, respectively, due to their agility, customer-centric approaches, and focus on niche innovations that challenge traditional models. The interplay of incumbents leveraging scale and new players driving specialized innovation is shaping the competitive landscape in wealth management.

Empowering internal teams

After a recent technology modernization, HDFC bank is facilitating innovation, both within the internal ecosystem as well as with external partners. The application offers over 350+ APIs for seamless integration enabling digital teams to effectively support the evolving needs of the business.

Enabling clients with personalization and configuration options

DBS digibank, being a digital first proposition in India enables customers to open a wealth account in a jiffy, create a personalized risk profile, and purchase, track and redeem mutual fund on the go. Mutual fund investment plans are provided by DBS Bank and include automated alerts or automated monthly investments.

Tapping into the strengths of ecosystem partners

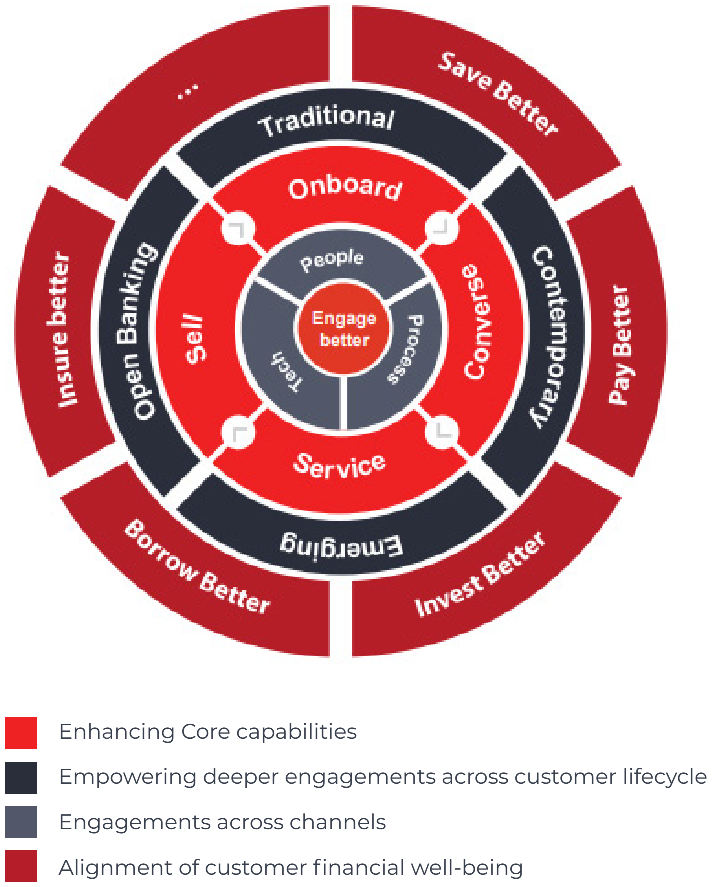
Emirates NBD has partnered with more than 15 insurance providers across conventional and Islamic banking entities to offer Bancassurance - to manage the insurance portfolios of its existing customers financially. Leveraging Bancassurance, the bank offers a complete range of insurance products and services, strengthening its product portfolio and helping it to stand out from the competition.

4.2. Channel and CX

With trends like open banking and embedded finance taking hold, banking transactions are steadily moving out of bank channels to those of third-parties, such as brand partners, ecommerce platforms, and various ecosystem participants. Even so, incumbent banks need to reimagine their channels and customer experiences, not just to satisfy the customers who continue to transact on their channels but also to be able to onboard them while they are on their primary journeys, and participate in the earlier mentioned ecosystem opportunities. Reimagination needs to happen in each of the four key stages in the customer engagement lifecycle, namely, onboarding, conversing, servicing, and selling.

Need for a Comprehensive customer engagement strategy: Banks must align their people, processes, and technology to create a cohesive engagement strategy. This strategy should encompass traditional, contemporary, and emerging channels, ensuring customers can interact with the bank seamlessly across various touchpoints. By executing this well, banks can empower customers to manage their financial well-being more effectively, enabling them to save, borrow, pay, insure, and invest with greater confidence.

The survey offers insights into where incumbent banks stand when it comes to innovation in the above areas.



Channels and CX:
Success Rate with Digital Engagement Strategies across Customer Lifecycle

Onboard	Converse	Service	Sell
42.1% Providing tools for customer need analysis	**32.5%** Next-best offers based on customer's anticipated needs	**38.1%** Seamless omnichannel experiences	**48.4%** Offering a full range of banking products and services on digital channels
42.8% Product simulation to visualize benefits	**32.2%** Enabling automated actions (such as auto sweeps to deposit a/c for idle balance)	**29.0%** Consent-based open banking access	**34.9%** Offering non-banking products and services
47.2% Product comparators	**41.8%** Enabling your employees with customer insights	**35.8%** Servicing through third-party apps (example: embedded finance)	

% indicates banking executives that have deployed initiatives (partially or completely) that are delivering as per expectations

Indicates top 3 areas where banking executives have deployed initiatives (partially or completely) that are delivering as per expectations

Indicates areas where banking executives have deployed initiatives (limited / partially / completely) that are not delivering as per expectations

Source – Infosys Finacle and Qorus Innovation in Retail Banking Research 2024

Channels and CX: Success rate with AI Applications across Customer Lifecycle

Onboard	Converse	Service	Sell
64.8% Document verification and authentication	**76.1%** Advanced chat bot for natural, context-aware conversations	**75.6%** Virtual assistants to handle routine enquiries, FAQs and resolve issues	**75.6%** Next-best offers for customers or relationship managers (RMs)
50.9% Predictive analytics for risk assessment	**39.4%** Real-time sentiment analysis	**38.4%** Predictive customer support for potential issues or service needs	**57.3%** Personalized marketing
49.1% Chatbot to support onboarding process		**24.4%** Creation of customer support summaries	**20.7%** Dynamic pricing

% banking executives indicating these AI applications have been successfully deployed

Indicates top 3 areas where AI applications have been successfully deployed

Indicates areas AI applications have been least successfully deployed

Source – Infosys Finacle and Qorus Innovation in Retail Banking Research 2024

"Banks in Cambodia have also made considerable advancements in financial inclusion by reaching out to the unbanked population through digital channels. This has been facilitated by the widespread adoption of smartphones and the internet, even in rural areas. The e-KYC (Electronic Know Your Customer) process has been streamlined, making it easier for customers to open accounts and access financial services even in remote areas in the country."

Han Peng Kwang, Former Chief Executive Officer, **Wing Bank, Cambodia**

"We want to remain both a human and a digital bank, enabling us with flexibility to solve our clients' problems. So, there can never be a scenario where we are either a digital-only bank or a human-only bank. There are some geographies where mobile adoption is low, especially smartphones. Here, we will go with a solution that works on a normal analog phone but also ensure that it works with our physical branches or contact centers as well. So, we will always be an omni-channel provider of services in many instances."

Khomotso Molabe, Group CIO, **Standard Bank**

“Branches are being restructured to provide counseling and higher value-added services, since digital channels such as the mobile app are becoming more powerful for customers to manage their financial lives. Bradesco is also empowering an additional channel of Bradesco Expresso, which consists of partnerships with local stores for them to sell and give support to Bradesco’s products and services. Tools are being developed to improve customer experience across different channels in order to generate an omnichannel experience. In this sense, there are different initiatives to explore open finance as a tool to generate better recommendations and improve customers’ financial well-being. Finally, our mobile app is in constant transformation to provide a better user experience and empower our customers to achieve their goals.”

Renata Talarico Petrovic, Head of Innovation, **Bradesco**

Customer Onboarding: Success rate with Digital Engagement Strategies and AI led Initiatives

Asked to rate their success in improving onboarding through different means, the survey respondents said the following: 42.1 percent said they had partially or fully deployed initiatives for providing tools for customer need analysis, and the initiatives were delivering as per expectations; the percentage of respondents who said the same thing about product simulation to visualize benefits and product comparators was 42.8 percent and 47.2 percent respectively. These figures indicate reasonable progress, but they also say that there is more work to be done.

The encouraging news is that many banks have adopted artificial intelligence technology – which is rapidly becoming indispensable – in onboarding processes: 64.8 percent of the banking executives surveyed said they were using AI for document verification and authentication; 50.9 percent were using predictive analytics for risk assessment; and 49.1 percent confirmed their banks had deployed chatbots to support onboarding.

On-boarding: Way forward

The onboarding process is the first interaction a customer has with a bank, making it crucial to ensure a frictionless and positive experience. Banks should focus on digitizing the entire onboarding journey, ensuring customers can complete the process across all relevant channels—mobile, web, or even third-party platforms. This eliminates the need for repetitive steps and ensures a smooth, unified experience.

Additionally, empowering customers during the onboarding phase by offering self-service tools is key. When customers feel in control of their financial decisions, they are more likely to build trust with the bank. Banks can achieve this by offering simplified, customizable product options and providing customer-led, user-centric journeys.

For example, allowing customers to tailor their account types, card preferences, and financial goals directly from the onboarding interface.

With 80% of bankers agreeing that third-party applications will dominate banking transactions by 2030, banks need to be ready to integrate seamlessly with these platforms. This means providing digital, instant onboarding on third-party channels such as e-commerce websites, digital wallets, or other fintech apps. Additionally, banks should use the data gathered during onboarding to offer contextual, real-time services based on customer behavior, preferences, and goals.

Customer On-boarding - Innovation Case Studies

Emirates NBD Liv, the UAE's fastest-growing bank and the first digital-only lifestyle bank, offers a seamless account creation process that takes just minutes. All customers need is an Emirates ID and a valid UAE mobile number—no paperwork, branch visits, or queues required. Once registered, a free VISA debit card is delivered right to their doorstep.

UNO Digital Bank is revolutionizing banking in the Philippines. UNO's seamless integration with the leading e-wallet platform in the Philippines enabled the incorporation of banking services directly within the platform, allowing users to open accounts in just one minute. This innovation helped UNO expand its reach, particularly among the unbanked and underbanked, tech-savvy population. Impressively, 32% of UNO's customers are entirely new to banking.

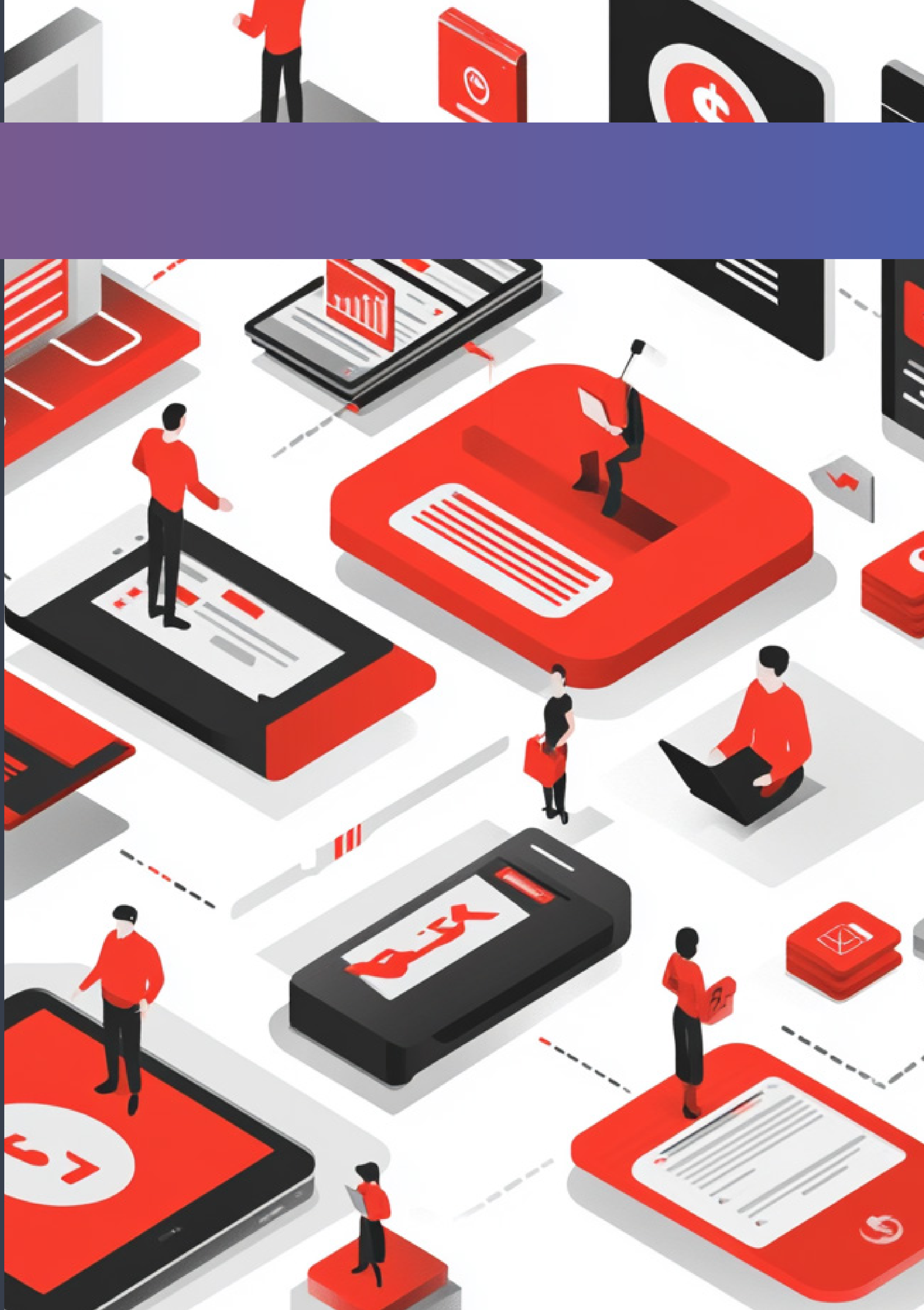
Australian Military Bank, a digital community bank serving the needs of the defense community members. It enables its customers, no matter where they are stationed, to join and start banking anytime, from anywhere, within minutes. With automated ID verification and real-time checks, they can easily open savings accounts, deposits, and loans. This has led to a 116% rise in mobile banking engagements.

Conversing: Success rate with Digital Engagement Strategies and AI led Initiatives

The quality of conversations throughout the customer relationship lifecycle – marketing to acquisition to servicing to upselling – influences the quality of engagement.

Unfortunately, banks' progress with digital engagement strategies has not been great here. Only 41.8 percent have deployed initiatives with expected results for enabling employees with customer insights; the performance is even more underwhelming when it comes to making next-best offers based on customers' anticipated needs (32.5 percent) and enabling automated decisions, such as automatic sweep of idle balances to deposit accounts (32.2 percent).

AI is well-entrenched in some activities but not in others: a robust 76.1 percent of banks use advanced chatbots for natural, context-aware conversations, but only 39.4 percent employ it for real-time sentiment analysis.

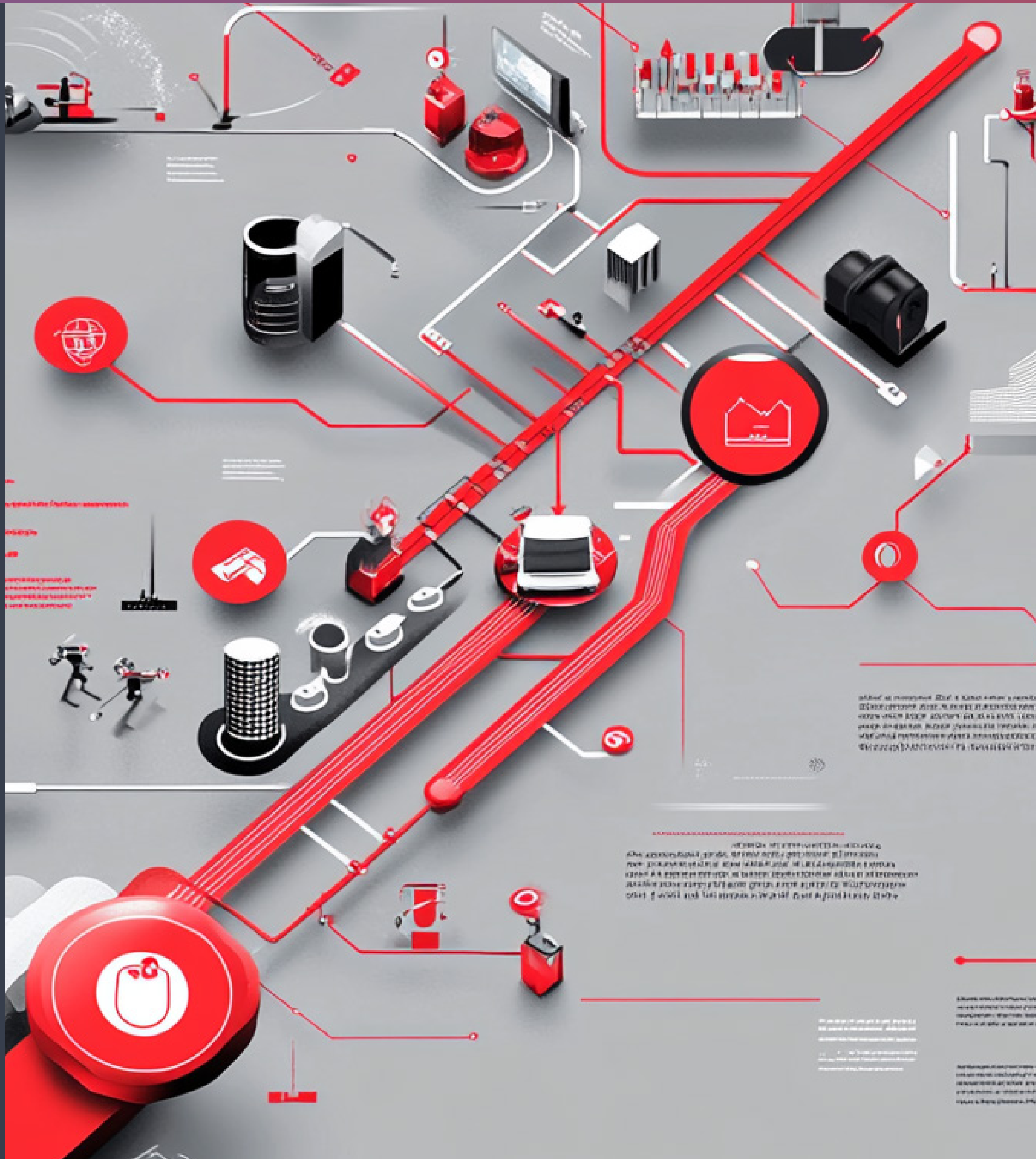


Conversing: Way forward

Banks can improve customer engagement in the conversation stage by leveraging advanced data and analytics to enhance their KYC capabilities. Implementing an open-source enterprise data platform allows banks to aggregate and analyze data from multiple sources, providing a comprehensive view of the customer. Offering KYC as a service to ecosystem partners also boosts collaboration and customer experience.

Additionally, banks should focus on delivering descriptive insights, such as account aggregation and spend visualizers, along with diagnostic insights that identify patterns in user behavior, such as missed payments or frequently used options. Predictive insights, like anticipating penalties or defaults, can help banks offer proactive financial advice and create nudges that promote healthier financial habits.

AI plays a crucial role in this process, using real-time sentiment analysis to facilitate personalized conversations that drive customer engagement and financial wellness.



Elevating Customer Conversations: Innovation Case Studies

Novobanco is a major Portuguese universal bank headquartered in Lisbon. The bank revolutionized how clients update personal information by delivering a seamless omnichannel experience. Their secure, user-friendly solution allows clients to update data remotely via eIDs or by uploading ID documents, eliminating branch visits. This boosts efficiency, enhances regulatory compliance, and deepens the bank's understanding of clients. Over 10% of digitally active clients now update data each month, leading to improved customer satisfaction and significant operational cost savings.

Union Bank of India is one of the largest public sector banks in India. The bank recently enhanced its digital presence with Union Virtual Connect (UVConn), offering 65 banking services in 7 languages via WhatsApp to over 487 million users. Additionally, Union Voice Assistant extends conversational banking by providing services through voice commands. This conversational platform not only enhances customer service but also offers opportunities for cross-selling products and generating new leads.

DBS is known to be one of the most successful digital banks in the world. The bank revolutionized car loan servicing with the AI-powered Car Loan Digibot, offering 24/7 personalized assistance. It delivers instant solutions, reducing wait times and operational inefficiencies, while enhancing customer satisfaction. This innovation alleviates strain on traditional customer service channels, streamlining the entire car loan journey for customers.

Servicing: Success Rate with Digital Engagement Strategies and AI led Initiatives

Today's customers expect banking services to be accessible anytime, anywhere, on their preferred channel. Providing superior service means offering a wide range of personalized, consistent banking experiences, delivered quickly across both digital and physical channels.

In servicing too, banks have made limited progress in innovation. Their best performance is in creating seamless omnichannel experiences, servicing through third-party apps, and providing consent-based open banking access; however, in all cases less than 40 percent of respondents – 38.1 percent, 35.8 percent and 29 percent respectively – had deployed initiatives partly or fully and secured results as expected.

On the bright side, 75.6 percent of banks had successfully deployed virtual assistants to handle routine enquiries and FAQs, and to resolve issues. A smaller number of banks had also successfully deployed AI for offering predictive customer support for potential issues or service needs (38.4 percent) and creation of customer support summaries (24.4 percent).

Servicing: Way forward

The bank should provide servicing experiences across traditional, contemporary, emerging, and open banking channels for every type of user—whether end customers, bank staff, external partners, or trusted third parties.

Real-time account management and aggregation must deliver up-to-date information without requiring branch visits. Leveraging chatbots and AI-powered virtual assistants ensures 24/7 support, instantly resolving queries without human intervention.

Additionally, banks must deliver contextual engagements at speed, with customer-centric, intuitive user journeys that focus on easy navigation, one-click actions, flexible workflows, and self-contained tasks for a seamless experience.

“It is possible in our industry to generate a lot of volume and attract a lot of customers using price as the only leverage but we are quite convinced in our strategy that while you can attract customers on price you can’t retain them with poor service and therefore customer service forms a critical part of how we think about the life cycle of the customer”

Majid Muhammad, Chief Information Officer, **Resimac**

Servicing: Innovation Case Studies

İşbank, launched a Dialog application, the first in a mobile banking application in Turkey that offers the feature of making voice and video calls and messaging between branch employees and customers. Before this innovation was introduced, customers and branches were using WhatsApp to do business. The bank was able to stop that interaction make both parties use a trusted channel. Within a year, the application has handled 3,850,000 interactions.

The **Standard Bank** of South Africa is Africa's biggest lender by assets with footprint across 20 countries across the continent. The Bank digitized its banking services at its branches. The bank saw 90% improvement in process efficiencies across branches and Turnaround time on transactions (TAT) improved by over 40%.

American Express united its design, product, engineering, and analytics teams for a multi-year mobile app redesign, focusing on enhancing customer experience. The v7.0 app caters to Millennials and Gen Z, facilitating digital payments, Membership Rewards use, and exclusive lounge access.

Selling: Success Rate with Digital Engagement Strategies and AI led Initiatives

When it comes to selling processes, banks have seen some success in innovation initiatives aimed at offering a full range of banking products and services on digital channels, with 48.4 percent of respondents agreeing that their partly or fully deployed initiatives were delivering to expectations; just about a third of respondents, 34.9 percent, said the same about their efforts to offer non-banking products and services.

Comparatively, the deployment of AI applications has seen better results: 75.6 percent of respondent banks have successfully deployed next-best offers for customers or relationship managers (RMs), while 57.3 percent are using AI for personalized marketing and 20.7 percent to execute dynamic pricing.

Selling: Way forward

To enhance their selling proposition in customer engagement, banks must adopt a holistic, multi-channel approach. At branches, they should transition from transactional services to advisory-driven interactions, empowering staff with real-time customer insights and AI-driven recommendations.

On digital channels, personalized experiences are key—leveraging data analytics and AI to offer contextual, tailored solutions that meet customer needs in real-time.

Additionally, banks should explore new revenue streams by collaborating with ecosystem partners. This enables innovative business models such as embedded banking, subscription-based services, and marketplace banking, driving both customer value and increased revenue opportunities.

Selling: Innovation Case Studies

By combining a 360° customer view with omnichannel interactions on an adaptable cloud platform, Postbank empowers employees to excel in a dynamic environment. This drives growth through superior customer experiences that are personalized, data driven decisions, and employee agility enabling their staff to adapt to changing regulations, market trends, and customer needs. The gamified elements enhance staff motivation, driving growth, customer loyalty, and improved sales performance.

In the annual report for 2023, DBS reports to have expanded heir consumer finance business by working with 11 ecosystem partners in various markets outside Singapore. They include Kredivo, JD.com and Cred. The volume of loans disbursed across these markets grew 118% to SGD 3.4 billion.

RCBC Pulz was conceived to provide underbanked and unbanked Filipinos belonging to the mass affluent segment an access to a digital banking solution that corresponded to their need for convenient access to high-quality banking. By transforming RCBC Pulz into a digital concierge, this ensured that mass affluent Filipinos had a hyper personalized experience. Since its relaunch as RCBC Pulz, the digital solution saw a 27% surge in transaction volume and 34% increase in transaction value. For interbank transactions powered by Instapay, RCBC saw a 33% increase in transaction value and a 31% increase in transaction volume.

4.3 Navigating Innovation in Evolving Banking Ecosystems: Successes, Challenges, and New Roles

As banking ecosystems continue to evolve, ecosystem innovation has become a critical metric of success. We asked banks to assess our organization's progress and effectiveness in fostering an innovative ecosystem, and the results reveal key trends. According to respondents, the top three product lines where banks have deployed initiatives that are delivering on expectations include accounts and deposits (49.2%), payments (45.9%), and lending (42.7%). These areas have traditionally been the core of banking services, making them more mature, predictable, and thus more likely to yield positive results when innovation is applied. Banks have a long history of refining processes in these areas, and customer familiarity with these products creates a lower barrier to successful implementation.

On the flip side, banking executives highlighted challenges in deploying initiatives in non-traditional products (73.5%), wealth management (70.3%), and cards (60.2%), where innovations have fallen short of expectations. Several factors may contribute to these difficulties. Non-traditional products often involve unfamiliar or emerging technologies, making the path to successful innovation less clear. Wealth management, a high-touch, relationship-driven service, poses complexities in digitization, and achieving the same level of personalization and trust can be challenging. Similarly, cards, while long-established, are facing disruption from new payment methods, causing uncertainty in how to innovate effectively in this space.

Effectiveness in Fostering an Innovative Ecosystem

	% of banking executives that have deployed initiatives (partially or completely) **that are delivering as per expectations**	% of banking executives that have deployed initiatives (limited / partial / significant) that **are not delivering as per expectations**
Lending	**42.70%**	57.20%
Payments	**45.90%**	54.10%
Accounts and deposits	**49.20%**	50.80%
Cards	39.80%	**60.20%**
Wealth management	29.80%	**70.30%**
Non-traditional products	26.40%	**73.50%**
Overall	47.00%	52.90%

Indicates top 3 areas where banking executives have deployed initiatives (partially or completely) that are delivering as per expectations

Indicates top 3 areas where banking executives have deployed initiatives (partially or completely) that are delivering as per expectations

Source – Infosys Finacle and Qorus Innovation in Retail Banking Research 2024

Evolving Roles Within the Ecosystem

As the financial ecosystem evolves, banks must innovate to assume new roles such as:

Aggregator:

Bringing together a variety of financial services under one platform.

Integrator:

Seamlessly connecting different financial and non-financial services.

Infrastructure Provider:

Offering the backbone for other financial services to operate.

Innovation Case Examples

- **Aggregator:** Aggregate consumer demand, attention, and data at scale to take on dominant positions in the consumption ecosystem
  - **Bank Bazaar:** India's finance marketplace BankBazaar offers customized quotes for loans and credit cards. More than 50 of India's leading financial and insurance firms participate on the BankBazaar platform
  - **Beyond banking:** DBS Car Marketplace, Standard Bank Retail Media Network connects advertisers to digital customers

- **Integrator**: Integrate across a diverse range of production partners (providing supply) and distribution partners (serving demand) to organize a fragmented ecosystem
  - Solaris Bank monetizes access to its APIs. By aggregating APIs from mutiple sources and providing one-stop access across different APIs, Solaris Bank monetises API access. Using APIs, partners embed Solaris Bank's modular banking services (integrated across third parties) directly into their products and services.
  - Identifying a need to empower all credit partners that do not have the financial reach to integrate with BPI's APIs and develop their own frontend, BPI introduces a credit intermediation platform for partners to seamlessly manage clients, monitor loans, and stay updated with bank offers

- **Infrastructure**: Provide critical infrastructure and standards to enable, coordinate, and organize production
  - Indian Banks' Digital Infrastructure Company (IBDIC) owned by a consortium of Indian banks, is using blockchain to automate trade finance processes across different banks. The utility is poised to reduce cycle time, operational costs and trade frauds, while also helping to grow the market. For instance, the previous 9 to 10 day for a letter-of-credit (LC) cycle has been cut to 2 to 3 days

“There is no single commercial bank in the Philippines now that doesn’t have alliances or partnerships with any fintech player. It’s not about having to consider FinTech players in the industry as your competitors. It’s about collaboration and cooperation, embedding our digital financial products into the mobile apps of other integrators in the industry to bring value to both.”

Lito Villanueva, Executive Vice President, Chief Innovation & Inclusion Officer, **RCBC**

“**WingBank** Cambodia, in particular, is embracing fintech solutions to drive financial inclusion and economic growth. This includes the adoption of mobile wallet and payment providers, which have been at the forefront of the fintech industry in Cambodia. By adopting these measures, Cambodian banks are not only enhancing the customer experience but also ensuring that they remain competitive in an increasingly digital world.”

Han Peng Kwang, Former Chief Executive Officer, **Wing Bank, Cambodia**

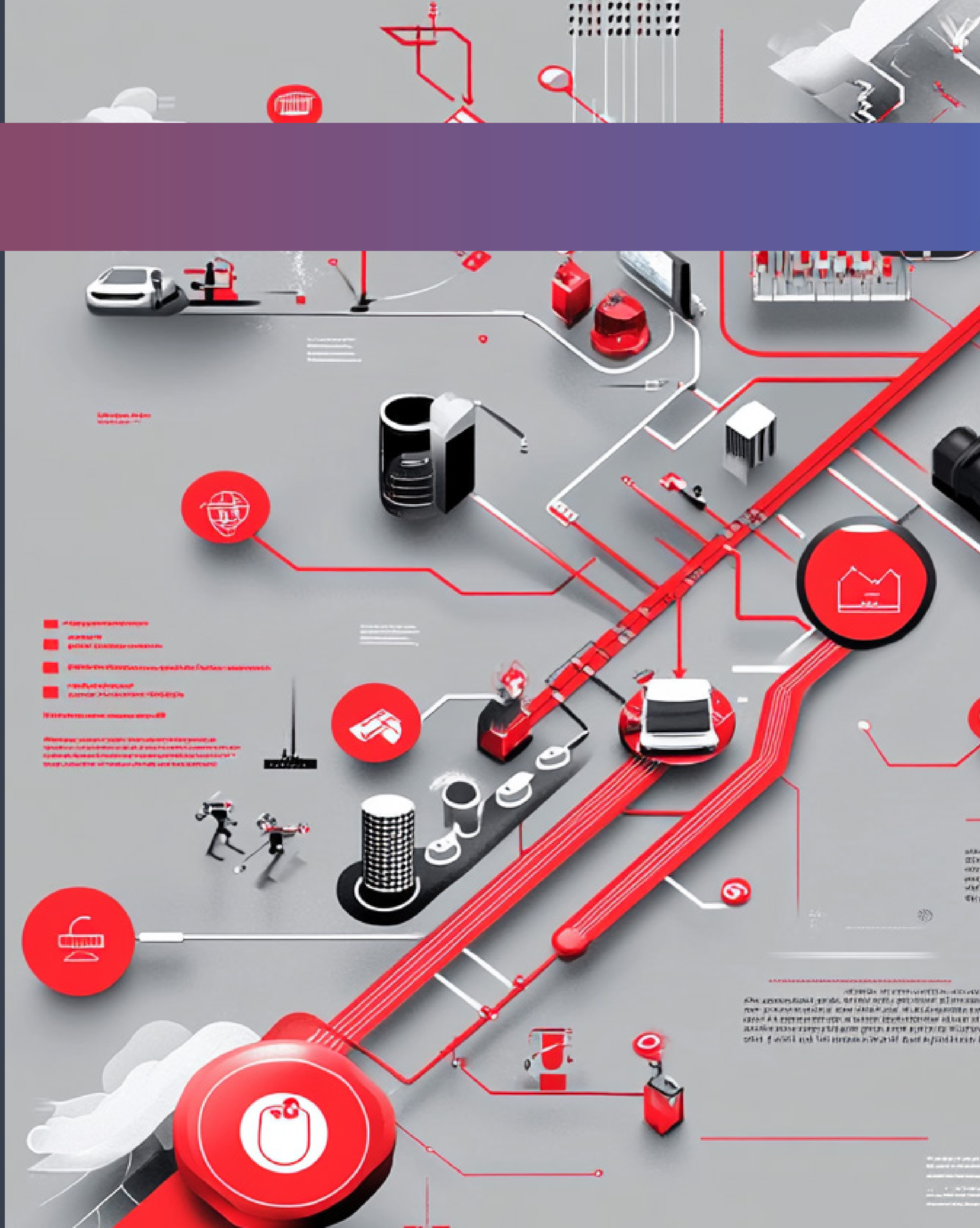
“One way of advancing the digital engagement experience is through partnerships and connections to create a frictionless experience. Open innovation enables ideas from outside the company to accelerate initiatives and create new offerings. Bradesco, for example, has an innovation ecosystem that includes a space with startups, corporates and other partners to facilitate new business.”

Renata Talarico Petrovic, Head of Innovation, **Bradesco**

Conclusion

In conclusion, overcoming the challenges of digital transformation and driving innovation in banking requires a comprehensive approach across business models, organizational capabilities, and value creation. Through survey analysis, real-world learnings of practitioners, and case studies, this report aims to share industry's progress across these dimensions. By addressing these imperatives holistically, banks can not only keep pace with the evolving banking ecosystem but also establish themselves as leaders in the banking landscape of 2030, prepared to meet the dynamic needs of their customers.

We hope you found the survey insights and learnings from practitioners in this report to be a valuable benchmark for assessing the industry's and your bank's progress across these dimensions. Additionally, the case studies provide inspiration on what progressive banks are doing to innovate and succeed, serving as a guide for reviewing your bank's individual progress in this transformative journey.



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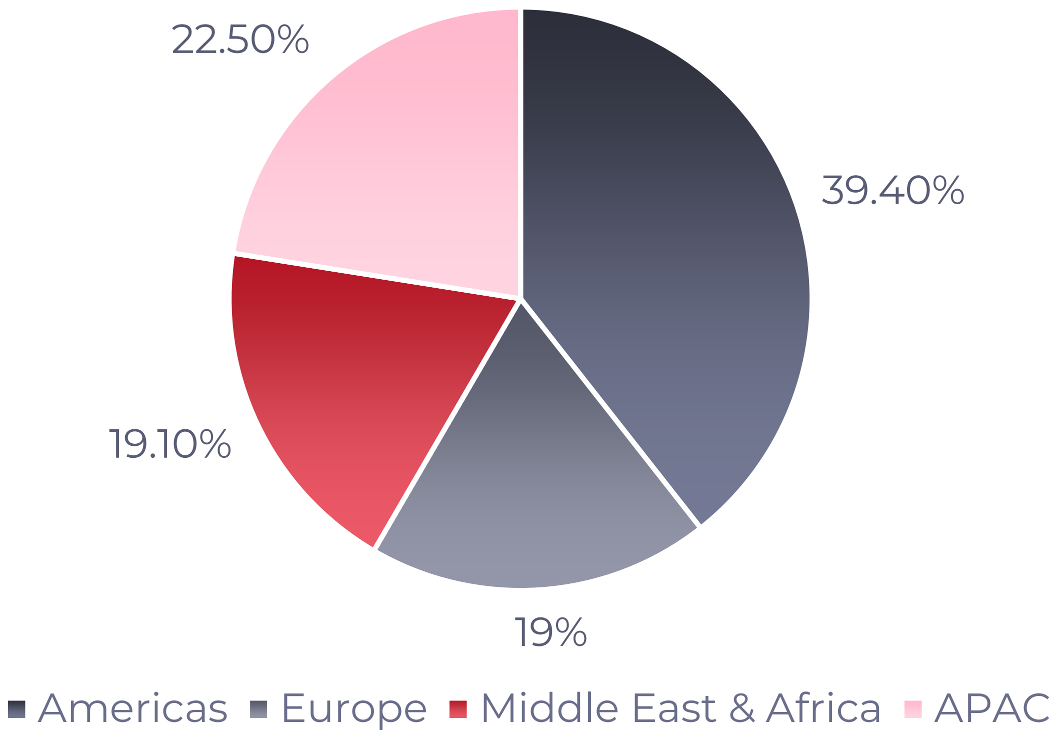

130+
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Finacle is an industry leader in digital banking solutions. We are a unit of EdgeVerve Systems, a product subsidiary of Infosys. We partner with emerging and established financial institutions to help inspire better banking.

Our cloud-native solution suite and SaaS services help banks engage, innovate, operate, and transform better to scale digital transformation with confidence. Finacle solutions address the core banking, lending, digital engagement, payments, cash management, wealth management, treasury, analytics, AI, and blockchain requirements of financial institutions. Banks in over 100 countries rely on Finacle to help more than a billion people save, pay, borrow, and invest better.

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About Jim Marous

Named as one of the most influential people in banking and a ‘Top 5 Fintech Influencer to Follow’, Jim Marous is an internationally recognized financial industry strategist, co-publisher of **The Financial Brand** and owner and publisher of the **Digital Banking Report**. As a sought-after keynote speaker, author and recognized authority on disruption in the financial services industry, Jim has spoken to audiences worldwide. He has been featured by CNBC, CNN, Cheddar, the Wall Street Journal, the New York Times, the Financial Times, the Economist and the American Banking executives. Through his podcast, Banking Transformed, Marous provides listeners with an opportunity to hear about the organizational impact of digital transformation. With new shows each Tuesday, Jim interviews his guests with the objective of digging deeper into the opportunities and challenges facing banking and other industries. You can download Banking Transformed on The Financial Brand podcast page or on your favorite podcast platform.

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