Shaping Banking's Next Operational Models

Operational efficiency remains a top priority for the banking sector in 2025 as institutions seek to balance innovation with cost-effectiveness in an increasingly competitive landscape. Despite significant investments in technology and process improvements, the average efficiency ratio is projected to remain around 60% . These figures underscore the pressing need for more transformative approaches to achieve meaningful productivity gains.

As advanced technologies such as artificial intelligence (AI), automation, and predictive analytics mature, banks are increasingly leveraging these tools to optimize operations, enhance customer experiences, and strengthen risk management frameworks. However, the road to operational excellence requires more than just technological upgrades. Banks must reimagine their operating models, prioritizing scalability, flexibility, and integration across their systems and processes.

A holistic approach is imperative—modernizing legacy infrastructure, building adaptive processes, and fostering a culture of agility and innovation. By aligning digital investments with strategic priorities and empowering their workforce with the tools and skills to thrive, banks can unlock agility, gain operational resilience, reduce cost-to-income ratios, and capitalize on opportunities in a rapidly evolving ecosystem. Operational efficiency is no longer just a metric; it is a critical enabler of sustainable growth, competitiveness, and long-term value creation.

Industry Trendline

Resilience regulations are shaping financial operations across key markets like the US, UK, Singapore and others

Europe's cost-to-income ratios dropped from 57.29% in mid-2023 to 54.24% by mid-2024

In preparing for emerging business models, 63.7% of banking executives believe that initiatives to achieve organization process agility are not delivering as per expectations

Achieving Operational Efficiency in a Complex Ecosystem in 2025

Resilience, Resilience, Resilience will be the cornerstone of banking

Strategic imperatives to drive cost-to-income ratios below 40%

Achieve organizational process agility to succeed with ecosystem collaboration

Resilience: Cornerstone of Banking in 2025 and Beyond

As global banking continues to evolve, operational resilience has become a central focus for banks worldwide. The rising regulatory pressures, coupled with increased cybersecurity risks, have amplified the need for robust resilience frameworks. The cost of cybersecurity breaches continues to rise, with global average costs reaching $4.88 million in 2024 , highlighting the critical need for comprehensive measures. At the same time, the global regulatory landscape has become more stringent, with key regulations like the EU's Digital Operational Resilience Act (DORA) focusing on minimizing disruptions, ensuring financial stability, and protecting customer data. Several countries and regions including the US, UK, India, Australia, Singapore, Hong Kong, Switzerland, Canada and more have rolled out such regulations aimed at enhancing operational resilience in the financial sector. Banks in these countries and regions have been making strides to comply with these regulations, yet there remain significant challenges in fortifying operational systems against evolving risks.

The need to modernize IT infrastructure, manage third-party risks, and ensure cybersecurity resilience is more pressing than ever. Banks have already made considerable investments in these areas, establishing foundational resilience measures, such as periodic stress tests, disaster recovery plans, and cybersecurity frameworks. However, to truly thrive in this increasingly complex environment, banks must go beyond compliance-driven approaches and adopt more proactive, agile, and innovative strategies. The evolving threat landscape demands that banks look at resilience through a holistic lens, focusing on areas such as data integrity, workforce preparedness, and real-time threat detection. The new era calls for operational frameworks that can adapt swiftly to disruptions, ensuring not only continuity but also the capacity to recover quickly and minimize impacts.

Looking ahead, banks must integrate cutting-edge technologies, including AI-powered cybersecurity tools, digital twins, and decentralized IT architectures, to foster resilience. By using predictive threat intelligence and anomaly detection powered by AI, banks can move from reactive to proactive security measures, identifying vulnerabilities before they become threats. Additionally, banks need to consider modernizing their core systems with cloud-native platforms and adopting multi-cloud strategies to reduce reliance on any single provider. The importance of third-party risk management cannot be overstated, and banks must collaborate with ecosystem partners, fintechs, and regulators to create a cohesive, collective resilience framework. More than just compliance, this strategic approach will enable banks to safeguard their operations, protect customer trust, and capitalize on opportunities in the evolving digital era.

Banks that proactively embrace advanced technologies, foster collaborative ecosystems, and prioritize a resilience-first culture will not only navigate disruptions with confidence but also position themselves as leaders in the industry. By continuously evolving their strategies and investing in innovative solutions, they can turn resilience into a competitive advantage, ensuring sustained trust, stability, and growth in an increasingly complex financial landscape.

Resilience Regulations Around the World

- United States: Regulations such as the Cyber Incident Reporting for Critical Infrastructure Act (CIRCIA) mandate incident disclosures.
- UK: The Operational Resilience Framework focuses on impact tolerances and service continuity.
- India: The RBI Digital Payment Security Controls and IT Framework for NBFCs stress robust cybersecurity, incident reporting, and third-party risk management to safeguard operations
- Asia-Pacific: Countries like Singapore enforce the Cybersecurity Act, emphasizing third-party risk management.
- Australia: The APRA Prudential Standard CPS 234 requires robust information security practices.
- EU: Digital Operational Resilience Act (DORA), which sets a gold standard for operational resilience across the EU.

Driving the Need for Cost-to-Income Ratios Below 40%

The pursuit of cost-to-income ratios below 40% has become a defining metric for operational excellence in banking. This goal reflects the industry's response to digital transformation, heightened shareholder expectations, and mounting competition from fintechs and neobanks, all of which demand leaner, more efficient operations. Despite substantial investments—banks globally allocate approximately $600 billion annually to technology—the anticipated productivity gains, particularly in developed markets like the United States, remain elusive . However, there are signs of progress: generative AI offers transformative potential, with an estimated $200 billion to $340 billion in annual productivity gains—representing up to 9 to 15% of operating profits in value through increased productivity. Additionally, supervisory banking statistics highlight Europe's cost-to-income ratios dropping from 57.29% in mid-2023 to 54.24% by mid-2024 .

The path to achieving sub-40% cost-to-income ratios is fraught with challenges. Legacy IT systems remain a significant barrier, driving high maintenance costs and constraining agility. Fragmented processes and siloed workflows exacerbate inefficiencies, especially in customer service, compliance, and loan processing. Cybersecurity demands are rising, with banks investing heavily to counter sophisticated threats, while evolving regulations, such as DORA, add layers of operational complexity. Compounding these issues is the competitive pressure from digital-first banks and fintechs, which excel in delivering cost-efficient, customer-centric services.

To overcome these hurdles in 2025 and beyond, banks must focus on strategic imperatives: modernizing technology, streamlining operations, and investing in targeted innovations. Accelerating the shift to cloud-native platforms and hybrid cloud solutions will be pivotal, enabling scalability and cost optimization while enhancing operational flexibility. Automation, powered by robotic process automation (RPA) and AI, can drive efficiencies by eliminating repetitive tasks, enhancing fraud detection, and optimizing risk assessments. Centralized data platforms must replace fragmented systems, fostering real-time analytics and ensuring better data governance for compliance and resource optimization.

Equally important is reimagining IT infrastructure. By adopting modular, API-first architectures and leveraging low-code and no-code platforms, banks can reduce dependency on legacy systems and accelerate solution delivery. Proactive cybersecurity measures, underpinned by AI-driven tools and zero-trust frameworks, will strengthen resilience while keeping costs manageable. Empowering the workforce with advanced digital tools and tailored training programs is another critical lever, enabling employees to maximize productivity and focus on high-value activities.

As the financial ecosystem continues to evolve, the journey toward sub-40% cost-to-income ratios is about more than cost-cutting. It represents a shift toward building agile, future-ready organizations that balance efficiency with strategic investments in innovation, compliance, and customer experience. By building on current efforts and embracing cutting-edge technologies, banks can turn operational efficiency into a sustainable competitive advantage.

Case-in-Point

Emirates NBD's digital-first strategy has allowed the bank to set new benchmarks in efficiency, reducing costs and enhancing service. In the 9 months ending Sep 2024, the bank achieved a cost-to-income ratio of 29.4%, a testament to their relentless focus on operational excellence.

Increasing Organizational Process Agility in Ecosystem Collaboration

As we step into 2025, operational efficiency in banking is defined by the need for agility, particularly in processes supporting ecosystem collaboration. With partnerships among fintechs, big techs, and third-party providers becoming integral to delivering innovative, value-added services, banks must evolve rapidly. Yet, many banks struggle to meet this imperative, with 63.7% of banking executives noting that their initiatives to prepare for new business models are underperforming.

Legacy IT systems, organizational silos, and regulatory frameworks like the Digital Operational Resilience Act (DORA) pose significant challenges, necessitating a shift toward modular architectures and API-first approaches that enable seamless data exchange and system interoperability. This shift not only facilitates faster rollouts of new offerings but also ensures compliance in a rapidly changing regulatory landscape. This is particularly important as the onus of regulatory compliance in the evolving banking landscape will continue to be on banks rather than ecosystem partners.

Banks face the dual imperative of enhancing resilience while fostering agility. To meet these demands, banks must redesign internal processes by moving from hierarchical structures to agile, cross-functional teams. Agile methodologies and dynamic resource allocation will help banks prioritize high-impact initiatives, accelerating innovation. Real-time risk analytics and advanced digital workflow automation can strengthen oversight, streamline third-party onboarding, and improve service delivery. Investments in predictive analytics and AI-driven compliance tools will further enable banks to monitor third-party dependencies effectively, mitigating vulnerabilities.

Cultural transformation also plays a crucial role. Banks must embed a mindset of experimentation and collaboration, with leaders modeling openness to change. Training programs can prepare employees to navigate external partnerships, while advanced data tools can enable real-time decision-making and hyper-personalized customer experiences. By fostering a resilience-first, agile culture, banks will unlock the potential of ecosystem partnerships to deliver long-term value.

In 2025 and beyond, operational efficiency through agility and resilience will no longer be optional—it will be a strategic imperative. Banks that combine these capabilities with innovation will establish robust, customer-centric ecosystems capable of thriving in a fast-evolving regulatory and market environment.

Case-in-Point

DBS reports to have expanded their 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.

Why we exist

To inspire better banking so that billions of people and businesses can save, pay, borrow, and invest better.

How we do it

Our solutions and people help banks to engage, innovate, operate and transform better, so that they can improve their customers' financial lives, better.

What we offer

A comprehensive suite of industry-leading digital banking solutions and SaaS services that help banks engage, innovate, operate and transform better.

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