The Future of Banking
2025 and Beyond

Content

Foreword

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Today, the banking industry is evolving rapidly, driven by technological disruption, shifting customer expectations, economic uncertainty, and increasing regulatory challenges. Despite all this, the past few years were the most profitable for the industry, with revenues reaching USD 7 trillion in 2023[1].

The rapid pace of digitization has created three distinct segments of banks. The first segment includes mature adopters who have already embraced digitization at scale, and are now looking to monetize their investments. These institutions aim to create differentiated value through embedded finance and innovative offerings.

The second includes traditional banks working with legacy systems and manual processes and want to modernize rapidly. These banks require extensive help in adopting modular, microservices-based architectures and reducing operational inefficiencies. They expect immediate value from these transformations to remain competitive in a fast-moving market.

Finally, emerging banks and fintech are exploring entirely new lines of business to address shifting demographics and changing customer behaviors. With millennials and Gen Z expected to dominate the customer base in the future, this segment is targeting them with innovative digital products and personalized offerings. They are also partnering with service providers that offer industry expertise and co-investment opportunities.

As competition increases, particularly in high-margin areas like wealth management and payments, banks must find ways to deal with the disruption from fintechs, neobanks, and tech-first challengers. These players are transforming customer engagement with agile, innovative solutions, leaving traditional institutions to reconsider their business models and operational strategies.

Technologies such as Gen AI, blockchain, and predictive analytics can address the challenges of each segment. However, the focus must be on solving particular business problems rather than adopting technology for its own sake. Additionally, partnerships with trusted service providers can help banks share risks and unlock value in data-intensive areas like regulatory reporting and fraud prevention.

The future of the banking industry is full of opportunities. To thrive, banks must embrace bold strategies that balance risk-taking with innovation. As this report outlines, the future of banking lies in agility, collaboration, and a focus on delivering value. Institutions that dare to lead by embracing digital transformation, forging strategic partnerships, and navigating economic and regulatory uncertainties will not only adapt but redefine the industry for years to come.

Foreword

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In 2025, the banking sector is expected to encounter significant challenges. Geopolitical instability, sanctions, and refugee movements continue to disrupt supply chains and create uncertainty across global markets. Elevated interest rates are placing downward pressure on profit margins. The emergence of fintech companies and neobanks has also increased competition, compelling traditional banks to reduce fees to remain competitive. Furthermore, the industry is experiencing heightened expectations to prioritize sustainability and adopt environmentally conscious practices.

Customer demands are also evolving rapidly. Clients now seek seamless and expedited payment systems and highly personalized services. They also want the ability to manage their financial needs conveniently through mobile platforms. Additionally, there is

growing interest in integrated financial services that are embedded directly into retail or e-commerce experiences, reflecting a shift towards more dynamic and technology-driven banking solutions.

To handle all these changes, banks need to smarten up with technology. AI is key here—it can automate routine tasks, cut costs, and help banks make better decisions with data. Embedded finance is another big opportunity; it allows banks to blend their services into non-bank platforms, reaching more people and making banking more convenient. By using APIs, banks can work more easily with fintechs, roll out new products faster, and even make money by offering API access.

In the next five years, technology will change banking a lot. In Europe, the top ten banks are spending 2.5 times more on tech than the bottom ten. This is a big deal because

AI and machine learning have made it easier than ever to launch new projects quickly and cheaply. Fintechs, neobanks, and tech giants are already using these tech advances to nibble away at traditional banks' profits. If banks want to stay relevant, they need to shift quickly toward a tech-focused approach. This means rethinking how they operate and embracing new tech; otherwise, they risk becoming obsolete.

Banks are at a crossroads now—it's time to adapt and innovate, or be left behind. The banking industry stands at a pivotal juncture, where choosing to adapt and innovate is imperative. By strategically leveraging technological advancements, banks can effectively address existing challenges while positioning themselves for sustained success in an increasingly dynamic and competitive financial environment.

Trend 01

Regaining trust and enriching customer lifetime value

Customer loyalty and trust in banks are declining, prompting banks to prioritize transparency and accountability to rebuild these critical relationships. In this section, we discuss what banks can do to improve customer loyalty and lifetime value.

Introduction

A string of banking failures in the last few years has shaken customer confidence in traditional banking[2].

Meanwhile, the growth of digital banking has paved the way for neobanks and fintech companies to vie for customers' attention. Nowadays, with a plethora of choices available, customers hold the power to easily switch financial institutions, seeking out attractive deals and personalized services. But, at the end of the day, trust remains vital in choosing a financial institution.

A Monotype and CITE Research survey found that 49% of consumers prioritize trust when choosing a financial institute, while E&Y reported that only 33% of customers see their bank as a trusted partner. On the other hand, fintechs and digital-only banks are trusted by 37% of customers, and this number is climbing steadily[3]. Banks are also struggling to drive customer engagement, product differentiation, and customer lifetime value. To succeed and effectively compete with fintechs, banks must emphasize transparency and accountability by reinforcing regulatory compliance and risk management practices. Accelerating digitization and using generative AI to improve customer experiences and personalized engagement should also be a focus area.

Ernst & Young's research indicates that average consumers spend only 1.3% of the month on banking activities, which may decrease as banking products/services become integrated into various customer life moments[4].

AI perspectives

Personalized Experience: Offer hyper-personalized and omnichannel experiences by using AI to access and analyze customer data, generating tailored financial advice, product recommendations, and customer service interactions. This will help boost customer experience and loyalty.

Improved Fraud Detection: Use ML to monitor financial transactions in real time to detect and prevent fraudulent activities. Generate synthetic fraud patterns to improve the training of fraud detection systems, making them more robust against novel or evolving types of fraud.

Proactive Customer Retention: Predict which customers are likely to churn and why, to proactively address issues and retain customers. This involves analyzing transaction patterns, customer interactions, and other data points.

Query Redressal Automation: Use AI-powered chatbots and virtual assistants to handle routine inquiries and transactions, freeing up human agents to deal with more complex customer issues. Doing so will enable quick, effective assistance, boosting customer satisfaction and brand trust.

Technology enablement

Decentralized data security: Leveraging decentralized technologies ensures robust protection of customer data access, strengthening trust.

Data-as-a-Service (DaaS): Capture and organize actionable data, including credit ratings and demographics, from multiple external systems, reducing infrastructure costs and process inefficiency[5].

Cloud-native platforms: Ensure uninterrupted, 24/7 service availability with cloud-native infrastructure, enhancing reliability and customer confidence.

Key takeaways

To build customer trust, banks should prioritize transparency by clearly communicating data usage and security practices. Leveraging AI and machine learning for hyper-personalization will allow them to tailor services to individual needs while maintaining robust data protection. Collaborating with fintech partners and service providers will help banks create a resilient 24/7 IT infrastructure.

Banks must use digital banking knowledge to improve trust and engagement while accelerating customer education. Additionally, embracing advanced technologies like AI-driven chatbots and virtual assistants will improve customer service and operational efficiency, ensuring a secure, personalized, and responsive banking experience that fosters loyalty.

Way forward

- Clearly communicate data usage and security measures to build trust and comply with regulations.

- Use AI and ML to understand customer behavior and goals to deliver personalized experiences.

- Invest in educating customers about digital banking to empower them, increase trust, and reduce customer service demands.

- Develop strategies for real-time information on customer sentiment and integrate information across data sources to gain valuable insights.

- Build resilience by improving scenario analysis and enhancing predictive capabilities with AI/ML and quantum computing.

- Implement a comprehensive ecosystem with other banks, brands, fintech partners, third-party service providers, and reliable tech providers to improve operations and enhance business value.

Offering tailored solutions and services through composable banking

Composable banking is redefining banking products by taking the different elements of a banking platform, breaking them down, and composing/reassembling them into tailored solutions as per market requirements. In this section, we'll discuss how banks can leverage the fintech playbook to increase agility.

Introduction

Traditional core banking systems have long been industry standards but are now restricting banks as they compete against nimble and tech-savvy startups and fintech disrupters. These new market entrants are forgoing the aging, inflexible, and costly monolithic platforms in favor of the speed and agility offered by composable banking solutions.

Composable coreless banking platforms help financial institutes rapidly assemble and deliver tailored products and services that are secure and comply with regulatory oversight. These scalable and sustainable banking systems are highly adaptable and cost-efficient. Composable banking helps banks focus on specific enhancements through targeted microservices and adopt a product-centric approach toward every function.

Adopting this system will help banks create an API-first, cloud-native solution with a Lego block architecture that can easily integrate with applications and services not just within the bank but also with external applications and services to offer a best-in-class digital banking experience.

Composable, componentized banking solutions enable progressive modernization of core banking solutions and allow banks to introduce discrete capabilities to new products and services.

AI perspectives

- **Product innovations:** Gen AI-driven rapid prototyping and testing of new financial products or services simulates various scenarios to predict outcomes and optimize offerings before they go to market.

- **API integrations:** Ensure seamless connectivity between systems, allowing financial institutions to offer AI-driven personalized, composable solutions by leveraging third-party services.

- **Enhanced decision-making:** Simplify decision-making processes like credit scoring, risk assessment, and fraud detection without relying on traditional core systems.

- **Data synthesis and reporting:** Automatically generate reports and synthesize complex financial data into actionable insights, increasing bank agility and adaptability to changing regulations and market conditions.

Technology enablement

- **Decomposable banking service:** Break down banking services into distinct, self-contained functions that can be integrated to form comprehensive solutions, using either custom builds or Commercial Off-the-Shelf (COTS) products.

- **API sandbox for testing:** Establish a virtual environment to test and validate the integration of various banking functions, ensuring everything works smoothly before launching the overall service.

- **Data-driven insights:** IoT-integrated systems: Leverages real-time data from connected devices to create dynamic and personalized composable banking solutions. This will enhance customer experience and offer new banking possibilities.

Key takeaways

Transforming core banking systems is a lengthy and complex undertaking, requiring full commitment from a bank's leadership, employees, and resources. By embracing composable banking, institutions can accelerate innovation and enhance customer experiences. This approach allows for quicker adoption of new software and enables updates to individual application components without impacting others, significantly reducing risks to existing IT systems.

Additionally, composable banking lowers upgrade costs and is future-proof, eliminating the need for comprehensive redesigns over time and allowing for gradual IT system transformations. Banks that adopt this modular strategy can navigate complex development paths flexibly and foster a more adaptive and responsive banking environment.

Way forward

- Establish clear priorities and a well-defined target to align your transformation efforts, focusing on customer-centric services that leverage composable components.

- Adopt coreless banking frameworks to facilitate the migration from legacy systems to more flexible, modular architectures.

- Invest in robust API ecosystems that allow for seamless integration of various banking functions, enabling quicker and more efficient product and service delivery.

- Encourage a culture of rapid prototyping and testing of new financial products using AI-driven insights, allowing for agile responses to market demands and consumer expectations.

- Develop a gradual, iterative approach to upgrading systems, ensuring adaptability and resilience in the face of evolving market conditions and regulatory changes.

Trend 03

Improving efficiency and security using generative AI

Generative AI (Gen AI) is expected to add USD 4.4 trillion in annual value for businesses, and the banking industry is expected to benefit the most from the technology[6]. This section will explore how banks can integrate Gen AI to accelerate innovation and gain a competitive edge.

Introduction

The banking industry faces several challenges that hinder its efficiency and effectiveness. One of the most pressing issues is inefficient resource allocation, where banks struggle to optimize staff and technology to meet customer demands. Security risks are also increasing as fraudsters develop more sophisticated tactics that make it difficult to detect anomalies.

Some of the functions where security threats are anticipated include Incident Response (IR), vendor management, and breach reporting systems. The AI-enabled approaches to addressing the threats are comprehensive IR systems, SEC-compliant

vendor risk management, and proactive cyber security measures compliant with both state and federal regulations. Gen AI offers a promising solution to these challenges. Gen AI models analyze customers' financial data to understand customer behavior, allowing banks to tailor their products and services to individual preferences.

Gen AI simplifies risk management by monitoring transactions in real-time and identifying unusual patterns that may indicate fraudulent activity. By embracing Gen AI, financial institutions not only tackle existing challenges but also position themselves for sustainable growth in a competitive marketplace.

McKinsey estimates that generative AI could boost the banking industry's value by $300 billion each year through productivity improvements[7].

AI perspectives

- **Proactive security:** Financial institutes can build cybersecurity defense mechanisms through advisory services, algorithmic evolutions, and readiness assessment supported by semi-supervised learning[8].

- **Fraud prevention via behavioral biometrics:** Assess customer behaviors—like navigation habits, portfolio adjustment, scaled transactions, and spending patterns—to detect anomalies and prevent fraud.

- **Portfolio management:** Analyze extensive economic data to enable bankers to forecast trends based on future financial variables and optimize customer portfolios.

- **Lending:** Transform lending by personalizing denial applications, customizing loan origination applications, enhancing underwriting decisions, and aiding debt collection. Leveraging Gen AI-enabled lending solutions can help improve customer experiences.

- **Back-office automation for banks:** Use Natural Language Processing (NLP) to scan, process, and categorize physical documents securely on the cloud, simplifying customer service, reducing costs, and driving efficiency and productivity.

- **Financial modeling:** Enhance banks' adaptability to run simulations, predict economic trends like inflation rates, and adjust strategies such as interest rates accordingly.

Technology enablement

- **AI-driven optimization:** Combine applied AI, adaptive AI, and generative AI to improve decision-making, extract meaningful insights, and create content through active engagement rather than passive generation.

- **Cybersecurity mesh:** Improve data security by leveraging AI technology and utilizing emerging solutions such as cybersecurity mesh, deception technology, and zero-trust security architecture.

- **Data fabric technology:** More than 80% of data in the banking and vendor ecosystem is unstructured. Address this challenge by implementing data fabric technology to create an integrated and unified data layer for AI applications.

Key takeaways

According to research from netguru.com, 72% of customers prefer tailored products over mass-market offerings. This is where Gen AI-enabled solutions can help. Using a variety of machine learning algorithms, banks can unlock new value streams through improved efficiency, expanded market access, and enhanced customer empathy. They can offer personalized recommendations, improve fraud detection, provide contextual insights, and anticipate customer needs.

By using Gen AI, banks can unlock additional annual value of up to USD 300 Bn and improve the productivity of core Corporate and Investment Banking (CIB) by up to 90%.

Way forward

- Analyse large data sets and complex patterns to improve financial forecasting and business efficiency.

- Gain adaptability in critical dynamic and evolving economic conditions.

- Proactively manage potential risks by analyzing historical data and market trends.

- Create effective financial and customer engagement strategies by evaluating the impact of various scenarios on customers' financial outlook.

- Generate personalized insights to create tailored products and services, benefiting banks and customers alike.

Enhancing CX and creating new revenue streams using open & embedded finance

Open and embedded finance are creating an ecosystem for banks, fintechs, NBFCs, and tech giants, using which they can improve customer experience. Here, we discuss how this ecosystem can create seamless and secure banking operations.

Introduction

The evolving landscape of financial services presents significant challenges, particularly for traditional banks. They are struggling with customer data management, reliance on potentially unreliable APIs, and the lack of standardized digital identity solutions, all of which complicate secure interactions and data sharing. Concepts like open finance and embedded finance are emerging as viable solutions to address these issues.

Open finance enables the sharing of comprehensive financial data to create tailored services, while embedded finance allows seamless integration of financial services into non-financial platforms, streamlining transactions and enhancing user convenience.

By adopting these approaches, banks can reduce time-to-market for new products, improve customer satisfaction through personalized offerings, and foster stronger loyalty, ultimately unlocking new revenue streams and driving growth in a more integrated, customer-centric banking experience.

The global open finance market is projected to grow from USD 25 billion in 2023 to USD 50.83 billion by 2030, with a CAGR of 10.67%[9].

AI perspectives

- **Chatbots and virtual assistance:** Optimize responses to customer queries, improving customer satisfaction and saving operating costs.

- **Customer segmentation:** Identify customer segments based on transaction history and patterns to create custom offerings, enhancing customer stickiness and revenue.

- **Automated financial advisors:** Use AI-driven virtual relationship managers or financial advisors to optimize financial planning, identify cross-selling opportunities, and generate more revenue.

- **Prevent revenue leaks:** Up to 5 percent of EBITA is lost due to inefficient contract and payment management. Leverage AI to reduce revenue risk and increase customer confidence[10].

Technology enablement

1. **Hybrid cloud infrastructure:** Leverage hybrid and multi-cloud for data availability, digital identification to maximize data security, and machine learning-driven applied intelligence to drive customer data monetization.

2. **Machine learning:** Provide intelligent financial advice to customers using ML, NLP, and bleeding-edge technologies to gather integrated and unified data across sources.

Key takeaways

As technology pushes innovation and user delight becomes the driving force for banks, the relevance of concepts like open finance, embedded finance, and Banking-as-a-Service (BaaS) will continue to rise. In fact, fintechs, NBFCs, and technology giants like Amazon, Apple, Google, Uber, and Starbucks are already using open finance to improve customer satisfaction and generate revenue. The BNPL value alone is estimated to be more than USD 438 billion by the end of 2025.

Embedded finance, as an add-on with open finance, is expected to see a revenue uplift of USD 7.2 trillion by 2030. However, various challenges remain, including the unreliability of APIs, lack of standardized identity management, and unsecured data sharing across third parties. The growth of AI and machine learning, while bringing new opportunities, might also create challenges for this sector.

Way forward

- Seamlessly integrate open finance and open data into everyday customer journeys.

- Super apps for banking, fueled by open models and strategic partnerships, will provide a diverse range of reimagined offerings from various innovators.

- Marketplaces powered by fintechs and startups will create a dynamic environment for diverse financial services.

- Integration with machine learning, AI, and the Internet of Things (IoT) will drive differentiation and widespread adoption while APIs work in the background.

- Digital ID providers will enable customers to effortlessly manage their data stored across various platforms.

- Market infrastructure providers will offer common services, fostering the activation and expansion of ecosystems locally and internationally, driving adoption.

Revolutionizing banking operations with intelligent automation

75% of fintechs believe that AI-driven Intelligent Process Automation (IPA) will significantly impact their business by boosting productivity, cutting costs, and improving customer experience[6]. This section will explore the potential benefits of IPA for global banks.

Introduction

The shift from digital-first to digital-only experiences has created the need for hyper-personalized customer journeys, pushing banks to reevaluate their operational processes. To drive efficiency and optimization in banking processes, institutions are leveraging IPA to reshape critical functions such as lending, payments, and risk management. This transformation not only optimizes operations but also enhances customer experiences by providing seamless and secure interactions.

The benefits of adopting consumer banking automation include cost reductions, improved compliance, and enhanced fraud detection capabilities. Specifically, banks can transform the fraud detection and prevention process, allowing for more effective monitoring of suspicious activities.

Additionally, processes like compliance and reporting can also be streamlined, enabling quicker responses to regulatory requirements. Furthermore, automation can help transform loan processing, reducing approval times and improving customer satisfaction. By creating a customer-centric approach and improving operational efficiency, banks can position themselves for sustained growth in a competitive market.

The banking sector is the largest adopter of Intelligent Document Processing (IDP) solutions and accounts for approximately 30% of the IDP market. The global market size is anticipated to reach USD 11.6 billion by 2030.

AI perspectives

- **Enhanced security and risk management:** Utilize AI during onboarding to analyze customer data for potential fraud or suspicious activities, improving security and risk assessment.

- **Personalized customer interactions:** Leverage AI to create tailored customer experiences throughout the onboarding process.

- **Redefined lending processes:** Implement intelligent automation in credit assessment and approval, using advanced algorithms on large datasets for faster, more accurate decision-making.

- **Transformed mortgage processes:** Employ intelligent automation to streamline each mortgage process stage, from application to final approval.

- **Improved credit card management:** Use intelligent automation for real-time transaction monitoring and personalized spending insights, enhancing customer engagement.

- **Seamless payment transactions:** Enable intelligent automation to facilitate secure and efficient payment transactions, reduce errors, and increase overall effectiveness.

Technology enablement

- **Robotic Process Automation (RPA):** Implement three significant strategies under process automation - RPA, Business Process Automation (BPA), and IPA.

- **NLP algorithms:** Combine predictive analysis through machine learning algorithms with NLP to drive automation initiatives.

- **Blockchain:** Utilize blockchain technology to ensure transparency and security in the execution of smart contracts.

- **Low-code and no-code:** Accelerate application development, democratize innovation, and streamline operations to empower banks to enhance efficiency, adapt quickly, and deliver superior customer experiences[11].

Key takeaways

To remain competitive, the core banking functions, and internal support operations must adapt to the new smart automation avenues.

Banks can leverage a robust IA framework not only to automate end-to-end systems but also to protect them from harmful attacks and threats. Based on the performance of the offerings, the banking organizations can prioritize the functions to fully digitize the core functions as well as the support functions with the continuously rising benefits and throughputs.

Fostering a more customer-centric approach and enhancing operational efficiency, leading to significant cost reduction for banks, is the goal every financial company can set for the coming years.

Way forward

- Integrate RPA, BPA, and IPA across all business functions to automate routine tasks like data entry, document verification, and customer inquiries.

- Invest in advanced analytics, leveraging AI and ML, to generate data-driven insights, make informed decisions, and improve operational efficiency.

- Enhance cybersecurity measures to protect sensitive information from potential threats. Regular updates and staff training will improve security.

- Collaborate with fintech partners to drive innovation and gain access to cutting-edge solutions that enhance automation efforts.

- Establish Centers of Excellence (CoE) RPA and intelligent automation to create best practices and share knowledge.

Empowering small and medium enterprises with emerging AI technologies

Technologies like AI, ML, and open finance have democratized financial services, and SMEs are expected to be the biggest beneficiaries. In this section, learn how emerging AI in the banking sector will empower SMEs.

Introduction

Traditionally overshadowed, Small and Medium Enterprises (SMEs) are now recognized as vital contributors to job creation and economic development, accounting for 90% of global enterprises and 50% of jobs[12,16]. The banking industry, too, has started prioritizing this sector with tailored financial services and resources.

Recent digitalization and fintech innovations are helping SME banking by streamlining processes, reducing costs, and enhancing financial management. Enhanced collaboration among banks, governments, and technology providers is fostering a supportive ecosystem for SME growth.

This approach allows banks to better understand SME needs, resulting in customized services that improve access to capital and financial management tools. By adopting these solutions, banks are positioning themselves as growth enablers, offering not only financial support but also strategic guidance.

According to World Bank projections, SME banking is expected to experience continued growth and development, driven by the need for 600 million jobs by 2030[12].

AI perspectives

- **Talent pool optimization:** Leading fintechs are using AI-driven training programs to upskill employees, creating a future-ready workforce aligned with rapidly evolving fintech demands[19,20].

- **Multilingual voice agents:** SME businesses are heavily dependent on their field marketing staff due to customers' lower skill sets and inability to use online systems. Adapting and implementing AI-supported voice agents is easy and can increase productivity for fintech and neo-banks.

- **Optimize operations and supply chain:** Leverage AI-powered tools to optimize supply chain, inventory, and logistics for MSMEs, reducing costs and increasing efficiency[21].

- **Virtual infrastructure:** Customers who find virtual infrastructure much more convenient than traditional banks expect faster, seamless, and highly personalized services. Gen AI tools can help productively address and exceed these expectations.

Technology enablement

- **ML models:** Hedge funds and investment firms are using ML models, fed with vast amounts of traditional and alternative data, to help evaluate stocks and assets.

- **Distributed infrastructure:** Utilize data fabric architecture to provide an integrated data layer, distributed infrastructure, and cloud-native API ecosystem.

- **AI-driven mentorship platform:** Leverage AI and ML to analyze extensive business data to offer personalized strategic advice to SMEs. This approach reduces mentoring costs and provides valuable insights by tailoring learning and development programs to users' unique needs.

Key takeaways

The increasing demand from SMEs for digital-first experiences and instant services presents an opportunity for banks. Those tuned into their customers' pain points and capable of providing effective solutions are poised for substantial success. Now is the opportunity for banks to enhance their credit services by fostering collaboration across departments.

This collaboration – spanning business, risk, IT, and supporting functions, will facilitate the adoption of holistic strategies. Optimizing strategies, streamlining processes, using data analytics, and tweaking operating models can enable banks and fintech to capitalize on the burgeoning growth in SME Banking.

As banks refine their approaches, the symbiotic relationship between financial institutions and SMEs is poised to play a pivotal role in shaping the future of the banking industry.

Way forward

- Collaboration among banks, governments, and technology providers is crucial for shaping the future of SME banking and supporting their growth journey.

- Exploring international collaboration avenues will open new opportunities for small businesses in the globalized post-pandemic economy.

- Emerging technologies, particularly AI, generative AI, and deep learning, are expected to profoundly transform the future of SME banking. Innovations like OpenAI's Chat-GPT and Google's Bard show substantial potential for enhancing SME banking experiences, particularly in automation and data analytics.

- Increasing awareness among investors and SMEs regarding sustainability and ESG considerations is creating new business models.

Conclusion

The future of banking beyond 2025 will be defined by agility, innovation, and a customer-first approach, as these six trends reshape the industry.

Regaining customer trust through transparency and hyper-personalized services powered by generative AI will elevate lifetime value and loyalty. Composable banking's modular and API-first architecture will help banks evolve with the changing market dynamics. Using generative AI and intelligent automation will enhance efficiency, security, and decision-making, transforming core operations and enabling proactive innovation. Open and embedded finance will integrate banking into everyday platforms, unlocking new revenue streams and improving customer convenience, while robust API infrastructure and data security will remain critical. Simultaneously, banks focusing on SMEs by leveraging AI-driven tools and collaborative ecosystems will capture growth opportunities in an underserved segment.

To remain competitive, banks must take decisive steps to future-proof their businesses. First, investing in advanced technologies such as AI, intelligent automation, and cloud-native solutions is essential for building scalable, efficient, and adaptive operations. Second, nurturing a workforce skilled in emerging technologies and supporting a culture of innovation will position institutions to leverage the full potential of these trends. Third, collaboration with fintechs, regulators, and ecosystem players will enable banks to co-create innovative solutions and expand their reach into new markets. Fourth, maintaining customer trust through transparency, ethical practices, and robust cybersecurity frameworks will be important as data sharing and embedded finance become integral to operations.

Lastly, aligning business strategies with ESG goals will not only meet regulatory expectations but also resonate with increasingly socially conscious customers.

By addressing these priorities, banks can effectively tackle challenges in the evolving financial landscape. This approach allows them to seize new opportunities and position themselves as leaders in the dynamic, interconnected future of banking. Institutions that act boldly, with clarity and a commitment to customer-centric innovation, will emerge as pioneers in the next phase of the industry's journey.

To learn more about how LTIMindtree can help your organisation make the best of changing trends in Banking & Financial Services, **contact us.**
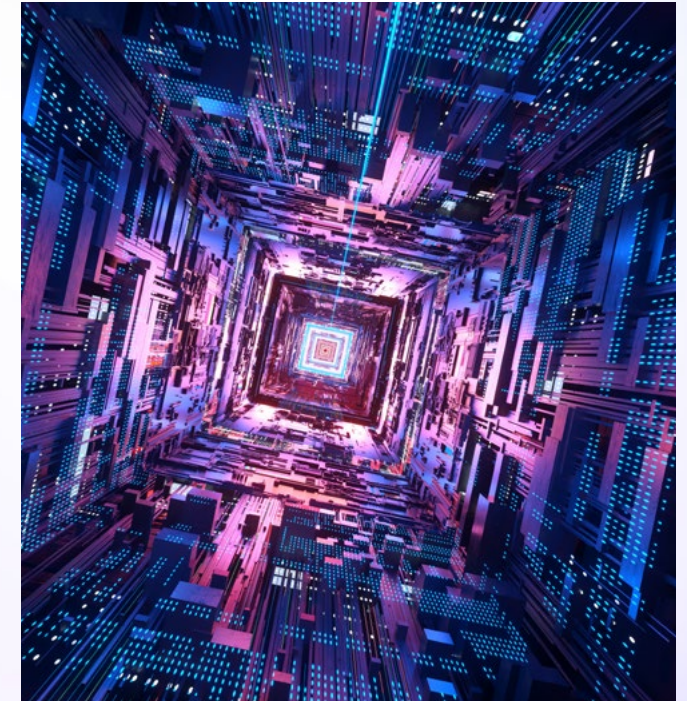
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Acknowledgements

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