

Capgemini Financial Services Top Trends 2025 **Retail Banking**



Explore Top Trends 2025

January 2025



The Capgemini FS Top Trends 2025 span three broad themes





Intelligent Industry

Leveraging the **most modern** solutions to deliver an **end-to-end** digital experience that transforms the value chain – from design to delivery of intelligent products and services

The Capgemini FS Top Trends in the Banking sector by sub-domain (1/2)



Wealth Management	Retail Banking	Payments	
Seamless digital experience : Wealth firms power up digital platforms to consolidate services and create seamless CX	Omnichannel experience : Omnichannel customer journeys boost experiences across digital platforms, contact centers, and branches	Open finance : Open-finance-based use cases will grow as regulators improve financial data access	
Hyper-personalized advisory: Artificial intelligence can enable made-to-order investment advice strategies	Financial literacy : Financial literacy and personal budget apps boost customer confidence and promote financial inclusion	Instant payment adoption : Instant payment rails are cannibalizing checks and debit cards, while mobile wallets maintain their dominance	
Bridging generation gaps : With younger entrepreneurs on the rise, wealth firms shape advice to resonate with HNWIs of all ages	Next-gen banking : Retail banks set their sights on youth, the prime target of new age players, to secure long-term customer lifecycle growth	POS innovations : POS payment innovations can help banks enhance merchant acquisition capabilities and increase consumers' credit options	
Inorganic growth strategies : Wealth firms seek external expansion to broaden services and boost revenues	Operational resilience : Digital operational resilience will remain crucial for regulatory compliance	Cross-border payments : Multi-territory instant payment corridors are revolutionizing cross-border payments, empowering businesses with speed and efficiency	
Regulations drive ESG traceability : Wealth firms implement ESG asset transparency metrics as regulators standardize sustainability reporting	RegTech for compliance : Intelligent RegTech solutions will reduce compliance costs and timelines, as retail banks face escalating risks	Cloud-based payment hubs : Cloud-based payment hubs offers unified and consolidated multi-rail payment processing capabilities at scale	
Digital onboarding : Digital onboarding boosts revenue for wealth firms through white-labeling, while accelerating client acquisition and improving compliance	Deposit growth : Deposit growth continues to be a retail bank priority along with lowering funding costs	Multi-rail payment strategy : Multi-rail strategy will enhance payment flexibility and offer different payment methods in a single interface	
Unified operating models : Wealth firms unify operating models to deliver a consistent experience for HNWIs across geographies	Onboarding efficiency : Onboarding efficiency remains critical as retail banks embrace digital identity management for seamless onboarding	Operational resilience : Regulators are prioritizing operational resilience to foster trust in the cashless future of markets and economies	
Gen AI for relationship manager efficiency : Gen AI-powered copilots can boost relationship manager productivity	AI for efficiency gains : Artificial intelligence will drive productivity by reimagining customer and employee journeys	Decentralized identity : Decentralized digital identity management combats fraud and grants customers greater control over their personal data	
Real-world asset tokenization : Real-world asset tokens powered by robust blockchain networks improve liquidity and access	ESG product strategy : Banks will implement intelligent ESG product strategies and solutions	Remittance transformation : Remittance transformation is reshaping the global financial landscape, characterized by plummeting costs and lightning-fast transfer times	
Cloud-native wealth management platforms : Cloud-native platforms scale workflows and enable cost-efficient wealth management processes	Leveraging open finance : Open finance regulations clear a path for retail banks to develop a 360-degree customer footprint	Data monetization : Payments data is driving innovation and leading to the creation of new revenue streams	
Customer First	Enterprise Management 📃 Int	elligent Industry	

The Capgemini FS Top Trends in the Banking sector by sub-domain (2/2)



Capital Markets	Lending & Leasing	Sustainability Sustainable product opportunities: Growth in innovative and eco- friendly debt instruments and insurance products	
Perpetual KYC revolution: Organizations are digitizing and automating KYC processes to reduce the cost of compliance and enhance customer experience	Frictionless Enterprise: Providing a one stop shop for equipment delivered through a seamless omnichannel digital experience		
Accelerating sustainable lending: Banks are augmenting to accelerate green lending and leverage sustainable finance as a growth engine	Moving towards Equipment-as-a-Service: Redefining equipment financing with growth of an as-a-service model	Sustainability service opportunities: Financial institutions support their end-clients beyond financing to accelerate their net zero transition and resiliency	
Changing investment landscape: The market landscape is shifting as organizations adapt to passive investing, retail investor growth and geopolitical forces	Embedded finance : Transforming equipment leasing with seamless integration of financing solutions	ESG risk criteria: Financial institutions increasingly incorporate ESG risk factors into their investment strategies and risk management processes	
Efficiencies through collaboration: The industry is moving towards mutualization and strategic outsourcing to reduce the cost of post-trade processing	Expanding B2C channels : Leveraging digital platforms for scalable growth and enhanced customer engagement	Increased regulation: Enhanced regulatory frameworks and reporting reshapes corporate accountability through rigorous ESG standards by 2025	
Capital efficiency: Global uncertainty and regulatory shifts are driving organizations to focus on mastering their capital strategy	Bespoke Solutions: Offering customized solutions in an efficient and cost-effective manner	Industrialized climate risk modeling: Financial institutions are intensifying efforts to assess, manage, and disclose climate related risks to stakeholders	
Modernized resilient platforms: Limitations in legacy systems are driving capital markets organizations to modernize their core systems	Green asset financing : Need for sustainability reshaping the investment landscape	Greenwashing and greenhushing: Financial Institutions face scrutiny from customers and activists and possible penalties from regulators, consumers and activists	
DLT & tokenization: The increased integration of DLT and tokenization into mainstream finance is digitally transforming the financial services industry	Navigating the regulatory landscape : Shift towards sustainable and transparent lending	Decarbonization of portfolios: Stakeholders increasingly prioritize low-carbon investments to reduce carbon footprints and align with climate goals	
Leveraging Generative AI: Capital Markets organisations are seeking competitive advantages using Gen AI to create actionable insights, efficiencies and differentiation	Ushering digital transformation: Leveraging data driven management and decision making	Sustainability as corporate DNA: Enterprise-wide sustainability with integration into operations, products and services and supply chain	
Global accelerated settlement: The drive for a global T+1 settlement cycle continues, with the UK and EU pushing forward with plans	Simplifying and standardizing process: Essential steps for leveraging Artificial Intelligence and Machine Learning technologies across geographies and business lines	Gen AI aiding sustainability: The advent of Gen AI has made financial services look at more innovative ways of implementing Sustainability	
Transaction reporting optimisation: Following the recent regulatory rewrites, firms are shifting focus to efficiency and control	Balancing automation with human expertise: Integration of Artificial Intelligence and Machine Learning for efficiency while preserving human judgment and creativity	Going beyond carbon emissions: Financial services broaden focus beyond carbon emissions to include social and biodiversity factors in ESG strategies	
Customer First	Enterprise Management 📃 Int	elligent Industry	

Retail Banking Top Trends 2025 – Priority Matrix





- 2 **Financial literacy:** Financial literacy and personal budget apps boost customer confidence and promote financial inclusion
- **3** Next-gen banking: Retail banks set their sights on youth, the prime target of new-age players, to secure long-term customer lifecycle growth
- 4 **Operational resilience:** Digital operational resilience will remain crucial for regulatory compliance
- **5 RegTech for compliance:** Intelligent RegTech solutions will reduce compliance costs and timelines, as retail banks face escalating risks
- **Deposit growth:** Deposit growth continues to be a retail bank priority along with lowering funding costs
- **7** Onboarding efficiency: Onboarding efficiency remains critical as retail banks embrace digital identity management for seamless onboarding
- 8 AI for efficiency gains: Artificial intelligence will drive productivity by reimagining customer and employee journeys
- **9 ESG product strategy:** Banks will implement intelligent ESG product strategies and solutions

Leveraging open finance: Open finance regulations clear a path for retail banks to develop a 360-degree customer footprint

Capgemini's **Priority Matrix** outlines our assessment of the impact of 2025 trends on operating environments facing:

- Softening inflation and high interest rates, coupled with stagflation trends
- Geopolitical instability
- Dynamic regulatory activity

- Intense competition and increased focus on customer centricity due to the impact of new-age players
- Operational cost overruns and high capital lock-in



• Adoption priority: The criticality of a 2025 trend to value creation because of its sector importance.

Business impact: Each trend's effect on 2025 sector business as it relates to customer experience (CX), operational
excellence, regulatory compliance, or profitability. Circumstances will vary for each firm depending on business
priorities, geographic location, and other factors. For more information, contact us at banking@capgemini.com.

Trend 1 Omnichannel experience

Digitalized customer journeys boost experiences across digital platforms, contact centers, and branches







- Customer journeys across multiple channels often involve digital and physical interactions. Siloed channel
 operations can create friction and hinder seamless customer experience (CX).
- 60% of customers surveyed for the World Retail Banking Report 2024 said their bank's self-service chatbot experience was average.¹
- The same report revealed that only 32% of customers were satisfied with their bank's customer contact center experience.¹



- By transitioning from a siloed multichannel to an end-to-end omnichannel customer interaction strategy, banks can offer seamless start-anywhere-finish-anywhere customer journeys.
- Omnichannel customer journeys enable banks to collect and leverage cross-channel customer insights to tailor offerings and interactions to each customer's preferences.
- By actively understanding and mapping customer journeys across various channels, retail banks can identify and address pain points to enhance CX. In turn, improved customer experience can foster greater customer loyalty.

Sources: 1. Capgemini World Retail Banking Report 2024; Capgemini Research Institute for Financial Services analysis, 2024

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Trend 1 Omnichannel experience

Customer First

Digitalized customer journeys boost experiences across digital platforms, contact centers, and branches

Figure 1: Advantages of an omnichannel versus multichannel approach



RBC Royal Bank

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To get new client relationships off to a smooth start, RBC Bank offers an interconnected omnichannel client acquisition ecosystem. This strategy seamlessly integrates physical and digital channels, enabling new customers to initiate and complete the account opening process through their preferred channel.¹

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NatWest

NatWest launched an upgraded digital assistant, *Cora+*, in mid-2024 to enhance its omnichannel service offerings. Cora+ allows customers to **transition seamlessly from chatbot interactions to live customerservice agents**, ensuring a cohesive crosschannel experience.²

Sources: 1. Celent; 2. Natwest; Capgemini Research Institute for Financial Services analysis, 2024

Trend 2 Financial literacy

Financial literacy and personal budget apps boost customer confidence and promote financial inclusion







- As banking shifts to digital platforms, consumers are frequently required to make financial decisions independently. Yet, a 2024 Capital One survey revealed that only about 55% of Americans are digitally financially literate, scoring high in both digital literacy and financial literacy.¹
- Increasingly, global regulators expect financial institutions to prioritize customer outcomes. In the UK, for example, the Financial Conduct Authority's **Consumer Duty regulation** mandates that firms ensure customers' full comprehension of the financial products and services they purchase.²
- The Capital One survey also revealed that 45% of US consumers prefer to manage their finances through a mobile app.³

Impact

- Financial education informs bank customer behavior, resulting in **improved credit scores** and **less high-risk borrowing**.
- Financial literacy initiatives can help retail banks boost cross-selling. As customers develop a better understanding and greater confidence in financial products such as investments and insurance, banks can effectively cross-sell these offerings.
- As the financial services industry undergoes digital transformation, retail banks can instill customer confidence and loyalty through financial literacy efforts.

Sources: 1. CapitalOne; 2. Finextra; 3. CapitalOne; Capgemini Research Institute for Financial Services analysis, 2024

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Trend 2 Financial literacy

Financial literacy and personal budget apps boost customer confidence and promote financial inclusion

Figure 2: Financial literacy programs can boost customers' digital confidence



Sources: 1. Chase; 2. Regions; Capgemini Research Institute for Financial Services analysis, 2024

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Chase, the retail banking division of J.P. Morgan

community center branches in underserved

workshops and skills training programs. The

bank planned to open three new community

center branches in 2024, increasing its total

In the United States, Alabama-based Regions Bank has enhanced its **financial literacy**

initiatives. As part of the bank's Next Step and

Regions *Greenprint* programs, it aims to help

customers cultivate a positive relationship

with money and achieve their

financial objectives.²

Chase, is **expanding its network of US**

communities to offer **financial health**

Chase

to 19 locations.¹

Revolut

Trend 3 Next-gen banking

Banks set their sights on youth, the prime target of new age players, to secure long-term customer lifecycle growth





Background



- Research by Allied Analytics estimates that starter credit cards, primarily marketed at teenagers, could generate USD 790 bn in revenue by 2032, growing at a CAGR of 10.6% from 2023 to 2032.²
- Data services provider Cuscal estimates that in Australia alone, individuals aged 6 to 22 represent a USD 825 billion total market size for retail banks.³
- A 2024 Capital One survey found that 50% of US consumers (aged 18 24) scored high in digital literacy but low in financial literacy.⁴

Impact

- By engaging with customers early and providing banking and education tools for youth, banks create a foundation of trust that can lead to long-term loyalty.
- With FinTech companies increasingly targeting younger users, incumbent banks can remain competitive through enhanced offerings. A focused youth-banking strategy can help banks differentiate through services that resonate with young digitally-savvy customers.
- Banks that establish clear pathways for young customers to migrate to adult accounts can capitalize on the youth-banking segment. Strategic banks proactively communicate transitions at key life stages to ensure customer relationship continuity.

Sources: 1. Rego Payment; 2. Global Newswire; 3. Cuscal; 4. CapitalOne; Capgemini Research Institute for Financial Services analysis, 2024

Trend 3 Next-gen banking

Banks set their sights on youth, the prime target of new age players, to secure long-term customer lifecycle growth

Figure 3: Retail banks can create a compelling value proposition for young customers



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Innovation

Follow best practices established by industry leaders and provide **best-in-class experiences** for account holders

Intimacy

Combine technology with a **personalized relationship** to make every account holder feel unique and exclusive

Simplicity

Use a simple process and **straightforward language** to uncomplicate the relationship between people and their money

Reliability

Guarantee that customers' money is being responsibly **guided by top professionals they can trust**

Transparency

Be transparent in relations and operations, always making open and honest **communication with** all stakeholders a priority

Sources: 1. American Banker; 2. FFNews; Capgemini Research Institute for Financial Services analysis, 2024

U.S. Bank



In mid 2024, U.S. Bank partnered with FinTech Greenlight to **help families teach their children essential financial skills**. The collaboration gives eligible U.S. Bank customers **access to Greenlight's debit card and money management app**. An in-app financial literacy game, *Greenlight Level Up*, is designed to help users learn money skills.¹

Revolut

Revolut's youth banking app, *Revolut <18*, surpassed 2 million users in early 2024. The UK neo-bank's app offers analytics to **boost financial literacy through budgeting and spending analysis**. **Its** *Pockets* feature **encourages users to set aside money** for specific goals.²



Enterprise Management Trend 4 **Operational resilience**

Digital operational resilience remains crucial for regulatory compliance







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- To strengthen and harmonize cybersecurity and operational risk management regulations in Europe, regulators created the Digital Operational Resilience Act (DORA), which requires banks and critical third-party providers to implement robust IT security measures by January 2025.¹
- Research by Statista estimates that financial services firms lost an average of USD 6.1 million per data breach in 2024, up from USD 5.9 million in 2023.²
- Yet, an IMF survey of over 51 markets revealed that **56%** of central banks lack a defined **financial sector** cyber resilience strategy and 42% of markets lack dedicated cyber security or technology risk management regulations.³

Impact

- Retail banks can increase customer confidence with a demonstrated focus on digital operational resilience. Preventing data breaches and cyber attacks will help banks avoid reputational damage and regulatory action.
- Retail banks with digital resilience plans can prevent **costly disruptions** from downtime and data recovery efforts.
- Retail banks that demonstrate a commitment to resilience can establish a competitive advantage over others and attract customers who value **security and reliability**.

Source: 1. EIOPA; 2. Statista; 3. IMF; Capgemini Research Institute for Financial Services analysis, 2024

Enterprise Management

Trend 4 Operational resilience

Digital operational resilience remains crucial for regulatory compliance



Figure 4: Technology partners can help financial firms meet DORA requirements



Barclays

Barclays Bank entered a strategic partnership with Microsoft in June 2024 to enhance its **digital security capabilities** and **safeguard employees**, **customers**, and **operations against** evolving **cyber threats**.¹

ANB

In Saudi Arabia, Arab National Bank automated its IT disaster recovery with orchestration and real-time dashboards to achieve minimal downtime and reduce manual effort by 90%. The move enhances bank resilience, agility, and compliance with regulatory demands.²

Sources: 1. Channel Life; 2. Kyndryl; Capgemini Research Institute for Financial Services analysis, 2024

Trend 5 **RegTech for compliance** Intelligent RegTech solutions will reduce cor

Intelligent RegTech solutions will reduce compliance costs and timelines, as retail banks face escalating risks







- A 2023 Reuters survey of global financial services firms revealed that over half of respondents said they
 expected the time spent on compliance to increase in the next year.¹
- Laws governing Anti-Money Laundering (AML) and Know Your Customer (KYC) regulations have become increasingly exhaustive, with Forrester estimating that the global cost of financial crime compliance has reached USD 206 billion.²
- New risks emerge for retail banks with the exponential growth of transaction volumes. Fenergo, a provider of RegTech solutions, reported that in 2023, **banks and financial institutions shelled out USD 6.6 billion in fines** for failing to comply with regulatory reporting and compliance rules.³

Impact

- As more retail banks adopt RegTech solutions, compliance and regulatory reporting is being automated. And that means banks can react to regulatory changes quickly and cost effectively.
- RegTechs can help turn compliance processes into a competitive advantage for retail banks by enabling the use
 of sizeable regulatory data for fraud analytics and informing underwriting decisions.
- RegTech solutions also enable retail banks to build resilience frameworks that help them proactively identify and assess potential regulatory and fraud risks.

Sources: 1. <u>Reuters</u>; 2. <u>Lexis Nexis</u>; 3. <u>Fenergo</u>; Capgemini Research Institute for Financial Services analysis, 2024

Enterprise Management Trend 5

RegTech for compliance Intelligent RegTech solutions will reduce compliance costs and timelines, as retail banks face escalating risks

Figure 5: How can RegTech add value for retail banks?

		First Citizens Bank 🗧	
Financial crime compliance Integrate AI and ML capabilities with reporting to streamline financial crime compliance by automating identification of KYC and anti-money laundering (AML) incidents	Trade surveillance Monitor transaction data to analyze patterns for market manipulation or other abuse; generate alerts for potential violations, ensuring timely action	US-based First Citizens Bank selected the <i>RegCloud</i> solution from Adenza in late 2023 to enhance its regulatory reporting capabilities . RegCloud enables the bank to transition to more efficient and hands-free reporting processes. ¹	
Regulatory and compliance Track and monitor regulatory developments for effective compliance, assess the impact of regulatory changes, and identify necessary adjustments in realtime	Data and information Improve data quality and governance for regulatory and compliance disclosures; with improved data quality, regulatory data can be leveraged for analytics	Dutch bank ING tapped RegTech firm Ascent to automate identification of its MiFID-II/MiFIR obligations . Ascent shortened the process to 2.5 minutes , a task that previously took 1,800 hours of manual effort. ²	

Sources: 1. WFLA; 2. Ascent; Capgemini Research Institute for Financial Services analysis, 2024



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Trend 6 **Deposit growth** Deposit growth continues to be a retail bank priority along with lowering funding costs

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Background



- Despite exercising caution in expanding the money supply, central banks have begun a cycle of interest rate reductions. The European Union initiated rate cuts in June 2024, followed by the US Federal Reserve in September.^{1, 2}
- Findings from the **Capgemini World Retail Banking Report 2024** indicate that retail bank executives rank the **high cost of capital and declining deposit volumes as the top two concerns**.³

Impact

- Retail banks can offer bundled products that combine savings accounts with credit or investment options, providing greater value to customers.
- Targeting specific customer segments, including young professionals and retirement-age customers with higher preference for liquid cash, retail banks stand to boost their deposit volumes.
- As interest rates continue to decline, retail banks must cultivate stronger relationships with price-insensitive customers. By consolidating their customer needs through retention and acquisition incentives (cash bonuses, fee waivers, and reward programs), banks maintain their deposit volumes.

Sources: 1. Federal Reserve; 2. ECB; 3. Capgemini World Retail Banking Report 2024; Capgemini Research Institute for Financial Services analysis, 2024 * Quantitative tightening occurs when a central bank chooses to reduce its balance sheet by refraining from reinvesting in maturing securities or by selling existing securities.

Enterprise Management

Trend 6 **Deposit growth**

Deposit growth continues to be a retail bank priority along with lowering funding costs





Revolut

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In mid-2024 Revolut launched *RevPoints*, **a pan-European loyalty program** in which customers can redeem points for everyday purchases. The **program seeks to increase customer engagement and boost bank deposits**.¹

U.S. Bank

In September 2024, U.S. Bank announced the *Bank Smartly Savings Account*, **a savings offering bundled with its Visa Signature Card**. US Bank intends to **enhance deposit growth by specifically targeting younger**, affluent customers. U.S. Bank says its Smartly product line contributed to a 4.4% increase in deposits from 2023 to 2024.²

Source: 1. <u>Qorus;</u> 2. <u>Financial Brand</u>; Capgemini Research Institute for Financial Services analysis, 2024

Trend 7 Onboarding efficiency

Enterprise Management

Onboarding efficiency remains critical as retail banks embrace digital identity management for seamless onboarding





Background



- Capgemini's World Retail Banking Report 2024 explored delays in the KYC process for banking customers, with
 64% of bank employees reporting that the process for each customer can take up to three days.¹
- Regulators globally are advocating for the adoption of digital identity tools for KYC processes. In April 2024, the European Commission published the European Digital Identity Framework, requiring member states to provide their citizens with a pan-European digital identity wallet by 2026.²
- In September 2024, Gartner published research findings which predict that by 2026, at least 500 million users will be using a digital identity wallet for KYC and verification claims.³

Impact

- Digital identity verification will enable banks to efficiently handle high volumes of customer onboarding requests without the need for additional resources, facilitating easier scaling of operations as demand increases.
- Digital identity tools for KYC verification can also significantly decrease the time required for onboarding customers, leading to increased conversion rates and supporting 24/7 account openings.
- By utilizing digital identity management tools for onboarding and KYC processes, **retail banks can also improve accuracy and enhance fraud detection during the onboarding phase**.

Sources: 1. Capgemini World Retail Banking Report 2024; 2. Thales; 3. Gartner; Capgemini Research Institute for Financial Services analysis, 2024

Trend 7 Onboarding efficiency Onboarding efficiency remains critical as

Onboarding efficiency remains critical as retail banks embrace digital identity management for seamless onboarding

Figure 7: Digital identity models for retail banks

Centralized identity A **single agency**, usually a regulatory or government body, is responsible for issuing and managing digital identities

Federated identity

digital identities on the banks' behalf

Self-sovereign identity

In this **decentralized model** for digital identity, users store their digital identities on their own devices and provide access on demand

Retail banks and financial institutions use **third-party providers** that issue and maintain

Sources: 1. Banking Gateway; 2. Fintech News; Capgemini Research Institute for Financial Services analysis, 2024

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In July 2024, NatWest announced its integration of **OneID's bank-verified digital identity solution for** its **structured finance customers** in the Nordics. NatWest will use OneID's digital identity verification within Adobe Acrobat Sign, enabling the bank to digitally onboard and verify KYC of its customers.¹

HSBC

HSBC Singapore implemented *Singpass Face Verification*; a digital identity wallet offered by the Monetary Authority of Singapore, in Q4 2024. The wallet enables users to **verify their identity for HSBC's mobile banking services**.²



Trend 8 Al for efficiency gains Artificial intelligence will drive productivi

Artificial intelligence will drive productivity by reimagining customer and employee journeys







- AI in retail banking began with data-driven machine learning, advanced to new content generation with GenAI, and is now closing in on agentic AI – systems that possess a degree of autonomy and can act on their own to achieve specific goals. Autonomous agents will help banks personalize services and automate operations.
- Domain-specific large language models (LLMs) are being developed for the financial industry to analyze market data, understand financial regulations, and automate risk assessment, fraud detection, and customer service.
- Capgemini's World Retail Banking Report 2024 found that 70% of bank CXOs planned to increase digital transformation investments by up to 10% in 2024.¹

Impact

- According to Citi, AI could boost banking industry profits by USD 170 billion by 2028, enhancing
 productivity through automation and streamlined operations.²
- A 2023 NVIDIA survey found that **36% of financial services professionals reported AI applications reduced their company's annual costs by more than 10%.**³
- Banks can optimize up to 66% of time spent on operational, documentation, and compliance-related activities by leveraging AI-powered intelligent transformation projects, according to Capgemini research.⁴

Sources: 1. <u>Capgemini World Retail Banking Report 2024</u>; 2. <u>Citi</u>; 3. <u>BizTech Magazine</u>; 4. <u>Capgemini World Retail Banking Report 2024</u>; Capgemini Research Institute for Financial Services analysis, 2024

Trend 8 Al for efficiency gains Artificial intelligence will drive productive

Artificial intelligence will drive productivity by reimagining customer and employee journeys

Figure 8: AI can help banks navigate the cost, competition, and customer triad



Sources: 1. Forbes; 2. Financial Review; Capgemini Research Institute for Financial Services analysis, 2024



J.P. Morgan Chase

In July 2024, J.P. Morgan Chase unveiled *LLM Suite*, a set of AI copilot tools designed to enhance employee productivity. The **virtual research assistant** offers writing assistance, idea generation, and document summarization.¹

Commonwealth Bank

Australian multinational Commonwealth Bank adopted AI to enhance efficiency, boosting software engineering productivity by 30%. The bank reported that AI-driven tools also boosted security and accelerated loan processing by halving the time needed to verify income.²

Intelligent Industry Trend 9 **ESG product strategy**

Banks will implement intelligent ESG product strategies and solutions





Background

- Regulations are encouraging financial services firms to power up ESG efforts. As part of Capgemini's "Embrace data to accelerate sustainability" report, 67% of executives said compliance is a key reason to initiate ESG initiatives.¹
- Investments in ESG technology will unlock value beyond compliance. More than 72% of global financial firms plan to spend 2USD 500,000 on regulatory reporting, emissions data, and transitional climate risk modeling, according to a 2024 Chartis Research study.²
- Banks are responding to growing customer demand for ESG products. An *Economist Impact* report sponsored by Temenos shows 73% of banks will offer more sustainable options in the next five years.³

Impact



- By embedding innovative ESG products and solutions into products, retail banks can win **market differentiation** to create a **competitive advantage**.
- As **investors continue to prioritize ESG considerations**, sustainability products and services tailored to individual customers will help banks foster **deeper relationships**.
- Proactive use of ESG solutions can help retail banks bolster their **reputation** and **brand image**, while staying ahead of the regulatory curve.

Sources: 1. Embrace data to accelerate sustainability; 2. IBS Intelligence; 3. Sustainability Magazine; Capgemini Research Institute for Financial Services analysis, 2024 *ESG stands for Environmental, Social, and Governance

Trend 9 ESG product strategy Banks will implement intelligent ESG prod

Banks will implement intelligent ESG product strategies and solutions



Figure 9: Steps to ESG product and solutions strategy development



Evaluate current ESG products and services; benchmark against industry best practices to identify potential opportunities

Develop ESG goals and frameworks for different customer segments and leverage analytics to develop personalized products and services

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Communicate the ESG product strategy to internal teams to ensure they understand their role in implementation and with external shareholders to build trust

Bank of Ireland

Bank of Ireland offers a **mortgage** with **discounted interest rates** for energy-rated homes: its *EcoSaver Mortgage* offers discounts for homes that have earned Ireland's Building Energy Rating.¹

NatWest

London-based NatWest uses AI to link loans with ESG data. New loans benefit from sophisticated mapping techniques, while AI helps address challenges with older loans by improving data accuracy. NatWest uses machine learning to manage its loan portfolio and streamline ESG data processing.²

Sources: 1. Irish Independent; 2. FinTech Global; Capgemini Research Institute for Financial Services analysis, 2024

Trend 10 Leveraging open finance Open finance regulations clear a path for reta

Open finance regulations clear a path for retail banks to develop a 360-degree customer footprint





Background

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- The European Commission's Financial Data Access regulation (FiDA), expected to be finalized in 2025, establishes
 a legal framework governing the access and use of customer data within the financial sector. The legislation aims
 to foster data-driven innovation across sectors of the EU economy, including finance.¹
- In mid-2024, the US Consumer Financial Protection Bureau suggested new rules aiming to allow consumers to easily move their financial information between different financial institutions.²
- Research by MX Technologies in 2023 found that 89% of US consumers want to control access to their financial data.³



- With real-time access to comprehensive financial data, open finance allows banks to seamlessly integrate customer information into a single platform, improving customer convenience.
 - A 360-degree view of bank customers' finances gives firms opportunities to cross sell, offering personalized savings and investment advice.
 - With access to comprehensive data sets, retail banks can develop more nuanced risk profiles for borrowers. This can lead to better-informed lending decisions and potentially lower default rates, as banks are able to identify reliable borrowers overlooked under traditional scoring models.

Sources: 1. <u>Didomi</u>; 2. <u>CFPB</u>; 3. <u>MX</u>; Capgemini Research Institute for Financial Services analysis, 2024

Intelligent Industry Trend 10 Leveraging open finance

Open finance regulations clear a path for retail banks to develop a 360-degree customer footprint

Figure 10: Open finance regulations can add value for retail banks



Sources: 1. Experian; 2. Media Outreach Newswire; Capgemini Research Institute for Financial Services analysis, 2024



Experian Experian launched an open-banking solution to expand credit scoring methodologies in mid 2024. Cashflow Attributes offers lenders insights from 1,000+ transaction-based attributes generated from consumer checking, savings and credit card transaction data and factors such as income, expenses, wealth and debt for advanced consumer analysis, underwriting enhancements and account management processes.¹

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Citibank

In mid-2024, Citi Hong Kong added Wealth 360, a digital wealth management feature to its mobile app, as part of the Interbank Account Data Sharing (IADS) program initiated by the Hong Kong Monetary Authority. Wealth 360 gives Citi users real-time access to wealth management functions, including an overview of interbank accounts and personalized financial insights.²





Partner with Capgemini

Generative AI for Customer Experience

GenAI for CX helps banks move from generic public LLMs that can be challenging to control and risky for data and privacy – to a tailored, trusted, and compliant solution. To help you deliver innovative CX faster and at scale, we leverage our *Digital Customer Experience Foundry* – a collaborative environment for ideation and innovation. Fostering collaboration among clients and partners, the Foundry is a global delivery incubation hub.

Intelligent Process Automation

Automation is a top 2025 priority as banks align operational efficiency with profitability. Capgemini's *Intelligent Process Automation* delivers self-service and end-to-end automation through automated, frictionless business processes and a digitally augmented workforce infused with robotic process automation (RPA), AI, and smart analytics. Let us help you connect your teams with data to drive success at scale while breaking down organizational silos around front-, middle-, and back-office processes.

Connected Marketing

Capgemini helps banks navigate the digital landscape with an end-to-end suite of services and capabilities driven by our *Connected Marketing* engine. Services fall into five areas: Brand & experience, content, data & technology, loyalty, and personalization. Delivering the right message or product at the right time helps drive brand loyalty. Using real-time customer data, banks can deliver personalized, relevant content and product offerings at scale.

Contact Center Transformation

If your organization relies on legacy infrastructure and faces team silos, scalability issues, and challenges with employee performance and satisfaction – then *Contact Center Transformation* can help you migrate to cloud and leverage artificial intelligence, GenAI, and machine learning modernization. By moving your on-premises contact center to cloud, your organization can improve scalability and bolster cost savings and agent productivity.





Ask the experts



Gareth Wilson Global Head of Banking and Capital Markets Practice

With over 30 year of experience, Gareth is an expert

with over 50 year of experience, dateans an experience with a proven track record of developing long term client relationships and the successful management of large scale, complex, business critical client engagements.



Carlos Salta EVP, Head of Banking and Capital Markets Practice

Carlos comes with extensive experience and skills sets focused around transformation planning and management, solution definition and complex solution delivery disciplines. He has a strong background in digital led core modernization/replacement and has experience in driving transformations that span front end and back-end functions.



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Jennifer Evans leads Retail Banking for Capgemini Invent. She comes with over 19 years of experience in leading complex transformation programs, experience designing and delivering a range of strategic solutions covering areas including cultural change, employee and customer advocacy, digital evolution, and operational efficiencies.



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