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Banks Embark on the Next Frontier of Digital Transformation

The inside story from 1000 senior banking leaders

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The Global Banking Benchmark Study is part of an ongoing programme of research on the latest digital transformation trends in Financial Services. To access more reports, articles and case studies from our teams around the world visit **www.publicissapient.com/fs**

CONTENTS

EXECUTIVE SUMMARY

This year's Global Banking Benchmark Study, which is based on a survey of more than 1,000 senior executives at banks around the world, reveals that banks are aggressively gearing up for the next phase of digital transformation. After making only moderate progress in the past 12 months, banks are refocusing on operational agility by investing in new technologies, enhancing their data use, and reorganizing their internal structures.

The key driver of digital transformation has shifted post-COVID-19. Last year, the pandemic influenced banks' plans heavily, as they rushed to enable remote operations and support digital customer interactions. Now, the survey shows banks' digital transformation efforts are pivoting toward creating personalized customer experiences and using granular data to better understand customer needs.

Banks are also offering new products and services and taking steps to transform from a product-centric to a customer-centric organization. Practically speaking, this entails moving from organizing teams around specific products who are incentivized to increase sales, to identifying customer needs and then suggesting appropriate solutions. This has been catalyzed by the accelerated emergence of new competitors, some from outside financial services.

Although banks have bold ambitions for digital transformation, the survey finds many hurdles, including regulatory obstacles, skills gaps, outdated ways of working, legacy technologies and core systems, and difficulties extracting and analyzing customer data. The survey also uncovers that C-suite leaders are more bullish on their bank's digital transformation progress than their direct reports. For example, 70% of C-level executives believe they are ahead of the competition when it comes to personalizing customer experiences, compared with only 40% of senior managers. The good news is that banks are fully aware of these issues, and are tightly focused on overcoming them in order to accelerate.

KEY FINDINGS

are yet to make significant progress on executing their digital transformation plans (see section 1).

are combining customer data across different systems, making it the top method of improving customer experience (see section 2).

say modern cloud-based core banking systems are the top priority when it comes to transforming operations, likely because legacy systems prevent meaningful improvements in customer experience. (see section 3).

say that rapid, fundamental change, rather than incremental progress, is needed to achieve their digital transformation objectives (see section 3).

report having a fully agile operating model; a lack of operational agility is cited as the second-greatest barrier to digital transformation (see section 4).

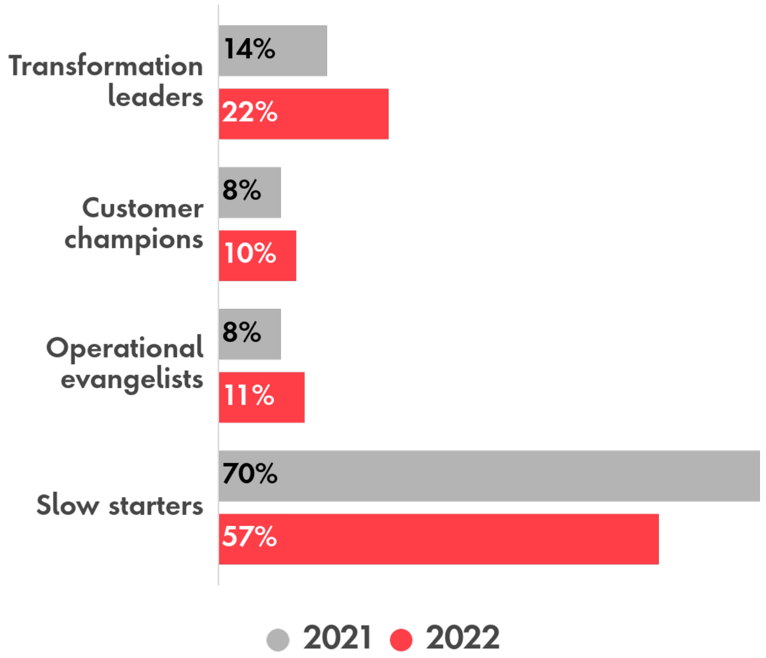
feel significant pressure to address ESG risks, but only 31% have implemented ESG sponsorship and oversight at board level (see section 5). There is a clear gap between intention and action.

1

TRANSFORMATION PROGRESS, BUT NOT AT THE REQUIRED PACE

This year's survey shows that respondents have progressed with their transformation initiatives, yet bank leaders are still feeling the competition from non-bank industry disruptors such as large technology companies and fintechs.

MORE BANKS HAVE ACHIEVED THE STATUS OF "TRANSFORMATION LEADER" COMPARED WITH 2021



Based on how banks answer a series of questions designed to understand their level of operational and customer experience maturity, 22% have now reached the status of "Transformation Leader." At the time of last year's survey, only 14% had attained this status. In parallel, 57% are "Slow Starters," down from 70% a year ago.

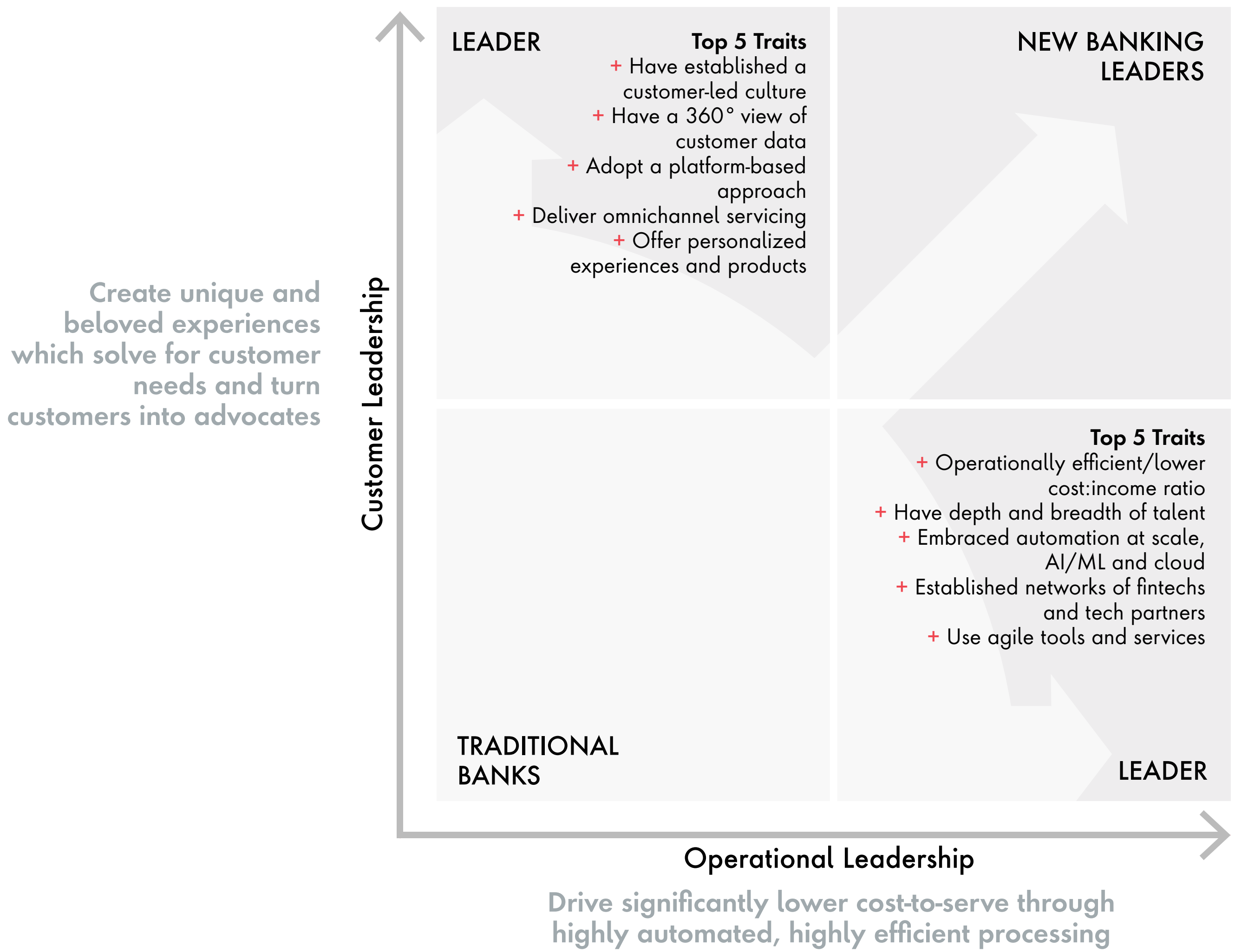
DEFINING THE FOUR BANKING SEGMENTS

- Accounting for 22% of the sample, Transformation Leaders are furthest ahead when it comes to digital transformation, performing strongly in both improving customer experiences and internal operations.
- Accounting for 10% of the sample, Customer Champions have made good progress in transforming customer experience but lag behind other banks when it comes to operational agility.
- Accounting for 11% of the sample, Operational Evangelists have prioritized digitalizing internal operations and embracing agility. But this has not yet translated to improved customer experiences.
- Accounting for 57% of the sample, Slow Starters are yet to make significant progress in executing their digital transformation strategies on any front.

What defines banking leadership?

Today, banks need to deliver superior customer experiences at the same time as being operationally agile to drive growth and compete with digital-first challengers and new tech entrants.

The Global Banking Benchmark Study ranked the digital transformation maturity of leaders by assessing specific traits and behaviors of both customer and operational leadership.

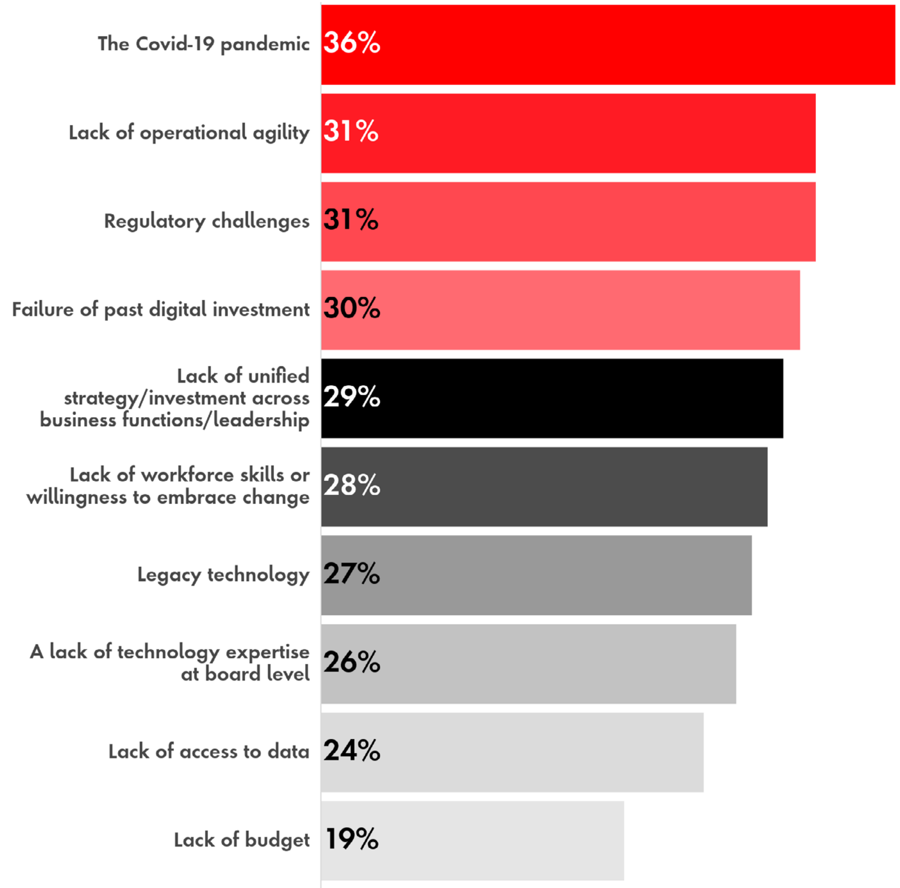


While progress has been made, the survey also reveals that banks feel a strong imperative to do more—and with some urgency. **The majority say they have yet to make significant progress on executing their digital transformation plans.** What's more, almost half (47%) say the pace of their transformation is slow compared with that of key competitors and that a lack of sufficient investment in digital innovation means they cannot match the offerings of digital-first challengers.

What's holding banks back? COVID-19, a lack of operational agility, and regulatory challenges were the greatest barriers across the industry during the past 12 months. For the largest banks, however, legacy technology is the key area to address.

Although the COVID-19 pandemic remained the largest obstacle during the past 12 months, its significance as an impediment to progress seems to be waning. Last year, 48% of respondents identified COVID-19 as a significant roadblock, almost double the number that selected the second-most important barrier. This year, the pandemic is only marginally ahead of other important barriers and does not feature among the top five challenges for the largest banks in our sample. Of course, COVID-19 was in the past also a driver of digital transformation at many banks.

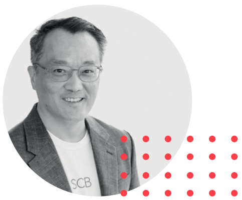
COVID-19 WAS AGAIN CITED AS THE MAIN DIGITAL TRANSFORMATION BARRIER – BUT A LACK OF OPERATIONAL AGILITY, REGULATION AND PAST INVESTMENT FAILURES ARE SIGNIFICANT BLOCKERS TO PROGRESS



WHICH QUALITIES DO BANKS FEAR IN THEIR COMPETITORS, AND HOW ARE THESE SHAPING THEIR DIGITAL TRANSFORMATION STRATEGIES?

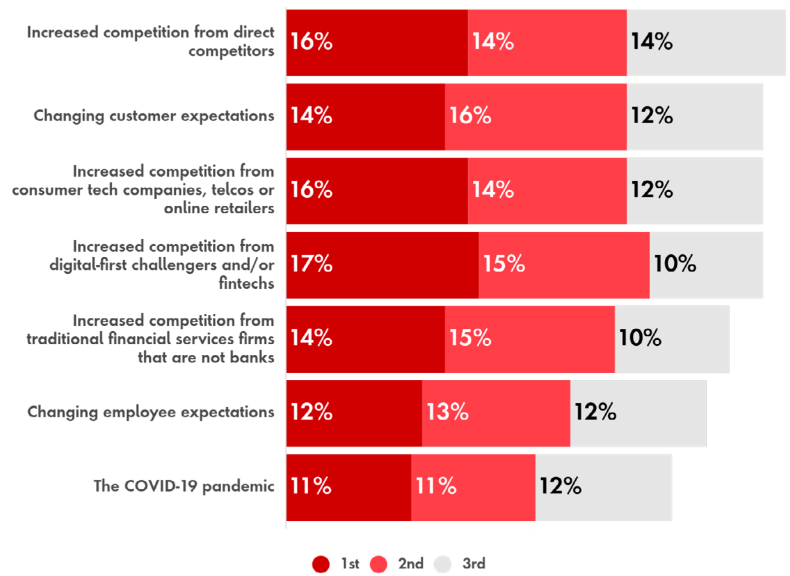
Looking at the key drivers of transformation, banks pinpoint the need to remain competitive with their challengers, which include financial services peers and digital-first challengers, as well as businesses that entered banking from the technology, telecommunications and retail sectors. The need to meet rapidly changing customer expectations, which have often been set by digital-first companies outside of financial services, is also a major driver.

> *"The biggest force driving us to transform right now is the large number of non-banks that are entering and disrupting banking."*



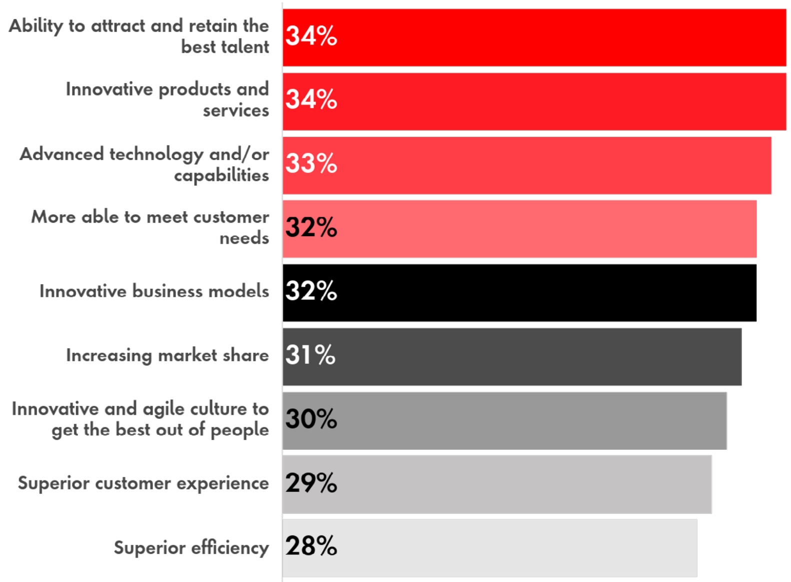
CHALEE ASAVATHIRATHAM
SEVP, Chief Digital Banking Officer
Siam Commercial Bank

INCREASED COMPETITION REPLACES COVID-19 AS THE TOP BANKING DIGITAL TRANSFORMATION DRIVER



"Unless we totally disrupt ourselves, we are going to be too slow at innovating things like personalized financial advice to compete with the technology-driven fintechs. These companies are not shackled by the complexity and opacity of legacy infrastructure, which I call 'the black box.' Moreover, they have fewer regulatory obligations. We need to be able to run faster and at much lower cost because, if we don't, others will pass these cost savings on to customers."

TALENT RETENTION AND INNOVATIVE PRODUCTS ARE THE MOST ENVIED COMPETITOR QUALITIES



According to the survey data, an ability to attract and retain the best talent; a solid line of innovative products and services; possession and harnessing of advanced technology; and the ability to meet customers' needs are the most significant of many factors that banks recognize in their peers and seek to emulate. Looking specifically at banks that are driven by competition from digital-first challengers, though it is their innovative products and services, and superior efficiency that stand out as key reasons.

"Fintechs typically have a primary product and so they can deliver it to the market fast. We need to be able to keep up, but also leverage fintech products quickly in our ecosystem where it makes sense. You start to create inconsistent customer experiences if you can only deliver new product offerings in one channel but not another. Reducing complexity helps to do all of this faster."

TRACY KERRINS
CIO, Consumer Technology
Wells Fargo

2

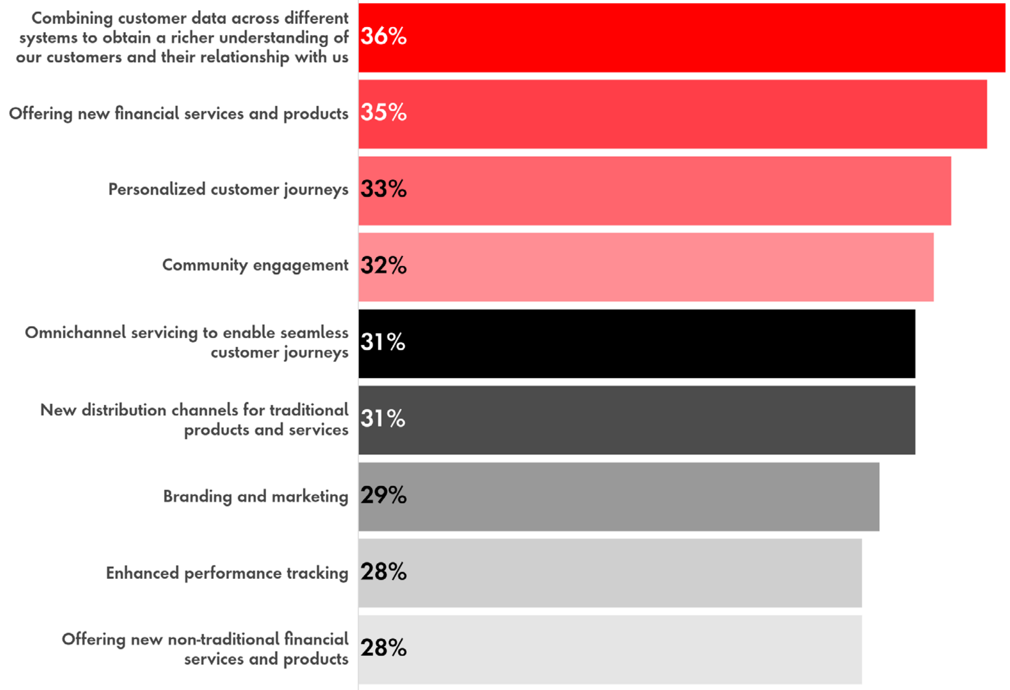
IMPROVING THE CUSTOMER EXPERIENCE: A TOP PRIORITY

Survey respondents cite improving customer experience as their most important digital transformation goal. To achieve this, banks are combining customer data across different systems to obtain a richer understanding of their customers and their relationships (36%), and using this to design new offerings (35%) and to personalize customer journeys (33%).

Beyond these priorities, banks also highlight several other ways to improve customer experience, from servicing clients through multiple channels to expanding their range to offer new non-traditional financial services and products.

In the past, some banks focused excessively on launching new offerings to enrich their overall proposition. But meeting the expectations of the post-pandemic customer requires more—especially when other banks can replicate these new solutions with relative ease once they enter the market. Today, banks have adopted a holistic approach to improving customer experience, which includes personalization, omnichannel servicing that enables seamless journeys, new distribution channels and more in addition to developing new financial services offerings.

INTEGRATED CUSTOMER DATA AND NEW OFFERINGS ARE THE TOP CUSTOMER EXPERIENCE PRIORITIES



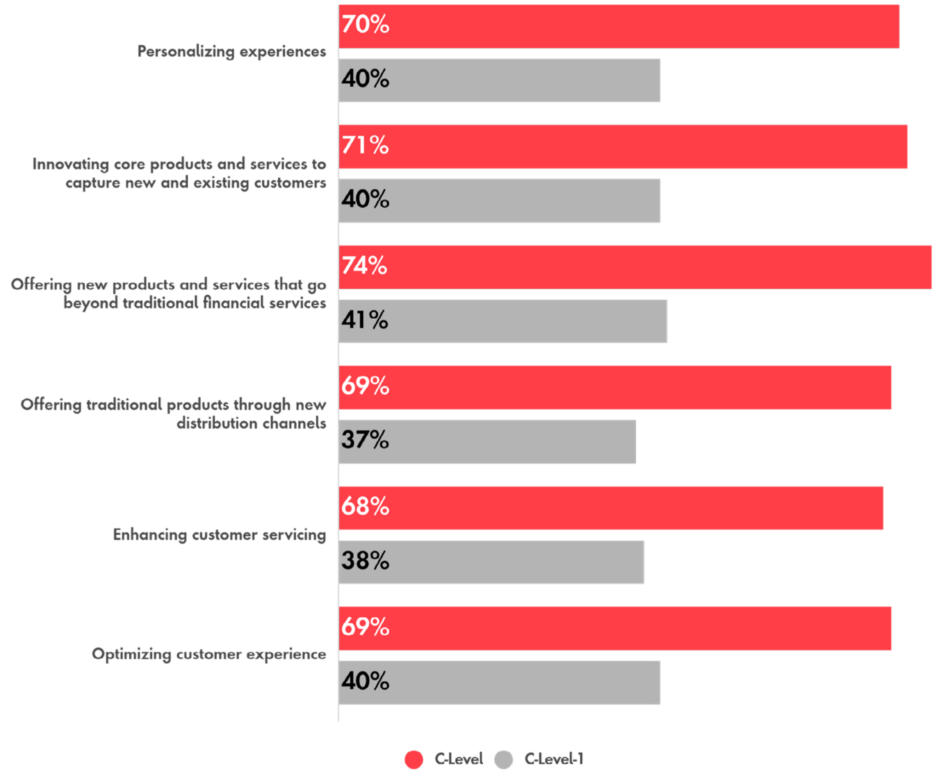
Enhancing customer experience may be banks' top priority overall, but it is not a requirement that they can meet easily. Banks need to build the most accurate customer profiles possible using internal and external data and understand in granular detail how customers interact with the bank. More specifically, they need to understand how customers interact with the bank across different channels and in relation to all products they may have.

Creating a digital core customer ID and then using matching algorithms to link data with this ID can help. Only then will it be possible to instantly resolve queries to complete customer satisfaction; anticipate and provide advice that is tailored to meeting customer needs; or recommend the most appropriate products and services. Collecting and analyzing this data at the necessary speed requires banks to invest in the most up-to-date technology (see section 3) and adopt agile business practices (see section 4).

However, survey results show that C-level executives and senior management may not be on the same page when it comes to exactly how advanced their customer experience capabilities are.

C-SUITE AND SENIOR MANAGEMENT DISAGREE ON DIGITAL BANKING CUSTOMER EXPERIENCE CAPABILITIES

(Percentages that believe they are ahead of their peers)



The survey results reveal a disconnect between the perception of performance held by C-level executives and those of the senior managers that report into them, spanning across several different functions.

For example, 70% of C-level executives believe they are ahead of the competition when it comes to personalizing customer experiences, compared with only 40% of senior managers. In parallel, 68% of C-level executives say they are ahead of the competition in terms of enhancing customer servicing, compared with only 38% of senior management.

Whatever the reason for this perception gap, reaching a consensus on customer experience strengths and weaknesses could help banks collectively identify opportunities and areas for improvement.

85% of C-level execs say customer experience is a key metric compared with just 55% of senior managers.

EVALUATE CUSTOMER EXPERIENCE CAPABILITIES ACCURATELY

To attain a more accurate assessment of their current provision, banks should track and evaluate customer experience in addition to operational and financial metrics. The survey data reveals a significant difference in perception between C-level executives and senior managers in terms of the importance of these metrics: 85% of C-level execs say customer experience is a key metric, compared with just 55% of senior managers. Whilst senior managers are less enthused by their current CX metrics, 85% of C-level execs still understand the importance of it. If CX data could be used more efficiently, it would be interesting to see if this would bridge the gap between the two.

Investing in data-driven customer feedback technology can help banks objectively analyze their digital banking customer experience. French digital-only bank Nickel, which places significant emphasis on customer experience metrics, did exactly this. Thomas Courtois, President of Nickel explains:

"The first thing we did was to build a customer experience cockpit, which includes many indicators of customer satisfaction, customer effort, and potential churn for a

number of key processes. This is in addition to our monthly NPS [net promoter scores]. We also invested in natural language processing technology to analyze our customer feedback from social media and review our status on platforms such as Trustpilot. Ultimately, customers have great experiences when banks make many small actions to improve processes, guided by direct customer feedback."

It is encouraging that banks are laser-focused on improving customer experiences. But this cannot come at the expense of improving experiences of employees and partners. Given the war for talent, it is vital to create attractive propositions for employees, which includes up-to-date IT systems, career progression and financial and non-financial benefits. The increasing importance of partnerships means that banks must make it as easy as possible for third parties to engage with the bank, whether that be by making IT integration as simple as possible or by adopting an open and collaborative approach to partnerships (see section 3).

> ***"Two years ago, we launched a major initiative to continuously enhance customer experiences, because it's the only way to stay ahead of the competition."***

THOMAS COURTOIS
President
Nickel

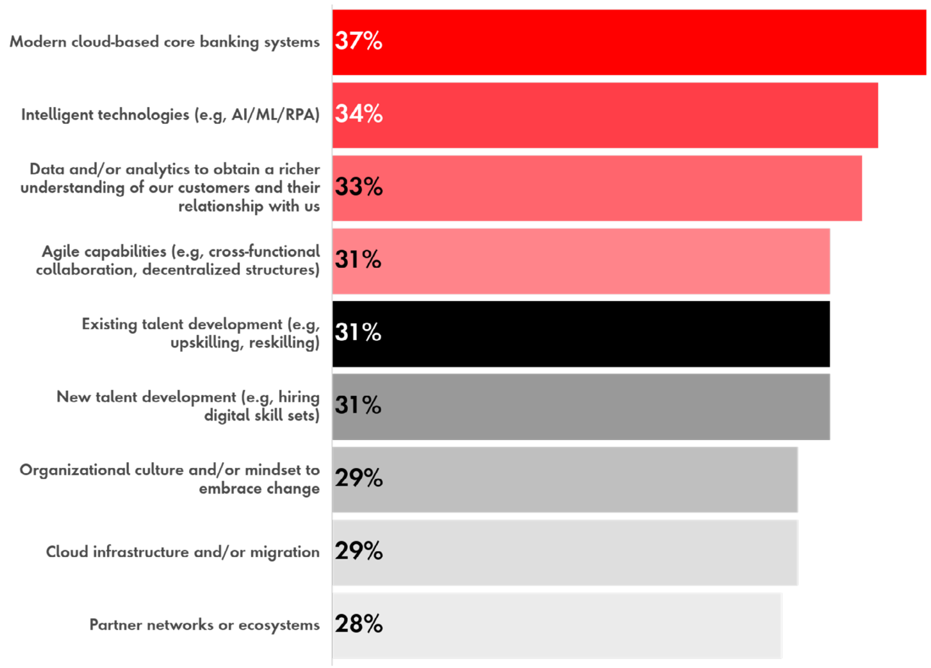
3

HIGH INTEREST IN MODERN CORE BANKING SYSTEMS

Banks plan to revamp their internal operations to facilitate the necessary step change in customer experience, drive efficiencies, and cut costs. Their top priority for the next three years when it comes to operational transformation is investing in modern cloud-based core banking systems.

The largest banks in our sample (those with more than $1tn in global assets) are particularly keen on this; 48% identify modern cloud-based banking systems as a top investment priority, significantly ahead of their second priority of data analytics. It seems that banks have grown frustrated with their rigid and complex legacy core banking systems, which slow the pace of transformation and prevent meaningful improvements in customer experience.

BANKS EXPECT TO TRANSFORM OPERATIONS THROUGH CLOUD-BASED CORE SYSTEMS AND INTELLIGENT TECHNOLOGIES



Although the benefits are significant, transitioning to modern cloud-based core banking systems is a highly complex multi-year initiative that can require a large investment. The majority of banks realize that this level of commitment is necessary: 61% of banks say that fast-paced fundamental change, rather than incremental progress, is needed to achieve their digital transformation objectives.

However, the survey data also reveals a contradiction: the majority of respondents also expressed a preference to upgrade legacy IT systems and applications, rather than adopting a "rip and replace" approach. Banks are clearly aware of the operational challenges that come with implementing cloud-based core banking systems, yet understand the benefits and are interested in moving forward.

Interestingly, cloud infrastructure migration ranks as the second-lowest transformation priority, but this seems short-sighted. Banks need to be patient and build up their cloud programs gradually, perhaps starting by migrating some key applications or data, before ramping up to core systems once a framework has been established.

Deutsche Bank (DB), which has embarked on a multi-year cloud transformation journey, is taking exactly this approach. *"For any bank, or a regulated entity, there is significant operational and regulatory complexity in transitioning to the public cloud,"* explains Gil Perez, the bank's Chief Innovation Officer and Head of Cloud & Innovation Network. *"First we defined DB's cloud strategy, ambition and selected our strategic cloud partners. We also began working with regulatory authorities to obtain their approvals. We then established the cloud foundation, cloud infrastructure capabilities, security controls and migrated our first 'pioneer applications'. We are now focusing on scaling up applications migration. Over the next year, we intend to have a low triple digit number of applications in the cloud and significantly accelerate our data migration to the cloud – enabling us to harvest the data for insight, analytics and new AI/ML use cases."*

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GIL PEREZ
Chief Innovation Officer and Head of Cloud & Innovation Network
Deutsche Bank

ATTRACTING AND RETAINING BANKING TALENT WITH THE RIGHT SKILLS IS CRUCIAL

Banks rank talent development, including new hires and training, as a mid-order priority for transforming operations. However, high priorities like deploying cloud-based core banking systems and intelligent technologies require new expertise at every level of seniority, including the board. This may include data scientists and those with coding expertise or knowledge of certain new technologies. To attract this talent, banks may need to revisit their proposition for new hires, dip into new recruitment pools, review existing training programs, and tap into external expertise.

"Key to your digital transformation to the cloud is to become the employer of choice for technology talents. To grow your talent pool, banks need to provide talents with interesting career development opportunities," explains Perez. *"Put concerted effort into training, upskilling and opening employees' minds to new capabilities. You need to enable them to learn new skills, provide them with interesting business challenges to put those new skills to use and offer a career path. Banks should create a technology career track parallel to the managerial career track for tech talent career progression. This will help to retain and attract people with the capabilities you need to join your bank."*

While digital skills are highly sought after, softer skills are often overlooked. *"Beyond technical skills, there are four things that I look for in people: a strong sense of ownership; curiosity to think outside the box; and empathy—because we spend so much time focusing on the customer, whether that's internal or external; and being very data-driven,"* says Matt Swann, CTO at Nubank. *"If you have these and technical skills, you can do anything."*

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MATT SWANN
CTO
Nubank

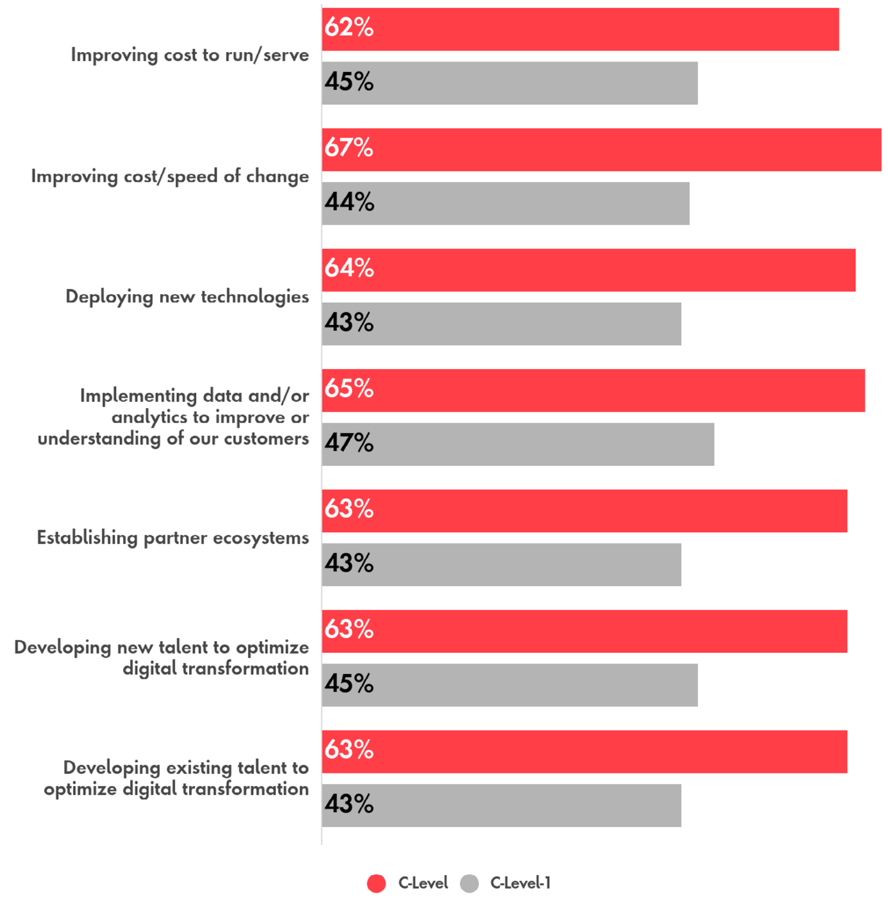
ADDRESS DIFFERENT PERSPECTIVES BETWEEN THE C-SUITE AND SENIOR MANAGEMENT

It is impossible to focus on everything at once, so priorities need to be established based on current weaknesses and projected return on investment.

However, as we have seen previously, C-level executives and senior managers are misaligned in terms of their perceptions of current strengths and weaknesses. For example, 64% of surveyed C-level executives believe they are ahead of the competition when it comes to deploying new technologies, compared with just 43% of senior managers. Likewise, 63% of C-level execs say they are ahead of their peers in developing existing talent to optimize digital transformation, compared with just 43% of senior managers. Aligning on operational strength will help define future areas of focus.

C-SUITE AND SENIOR MANAGERS DISAGREE ON OPERATIONAL MATURITY

(Percentages that believe they are ahead of their peers)



PARTNERSHIPS ARE CHALLENGING TO FORGE BUT BRING HUGE BENEFITS

When asked about their priorities for transforming operations, creating partner networks and ecosystems ranked lowest. But for those that intend to offer their products and services through new channels or wish to offer new services unrelated to finance, partnerships are crucial.

The lack of enthusiasm for partnerships perhaps stems from the challenge of identifying and agreeing lasting partnerships. *"When we first started to make partnerships, we created a bespoke and customized integration with each partner,"* says Chalee Asavathiratham at Siam Commercial Bank. *"This proved incredibly complex, so we are now building an API, so that partners can plug and play. But technology integration isn't the only problem. Potential partners can be very reluctant to share their data in a way that makes the partnership work, either because they are concerned about data privacy regulation or because they value it very highly and don't want to share it."*

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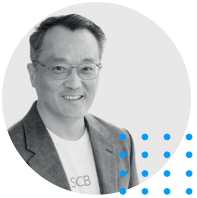

CHALEE ASAVATHIRATHAM
SEVP, Chief Digital Banking Officer
Siam Commercial Bank

4

THE OPERATIONAL AGILITY IMPERATIVE

Banks rank a lack of operational agility as the second-most significant barrier to digital transformation in the past 12 months, behind only COVID-19. What does this mean in practice? There are multiple components of agility, including having the technology and data that enable urgent change; collaboration between different teams; and a culture that promotes experimentation and adaptability.

"Ability to change is more of an imperative than ever. There are many aspects of agility within a bank, but it really comes down to an organizational mindset of realizing you have never completed the job; there is always room for iteration, whatever your position in the company," explains Benoit Grisoni, CEO of Boursorama.

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BENOIT GRISONI
CEO
Boursorama

Tracy Kerrins, CIO Consumer Technology, Wells Fargo outlines the benefits of agility. *"With agility, you scale at speed and ultimately deliver better products and experiences for customers,"* she says.

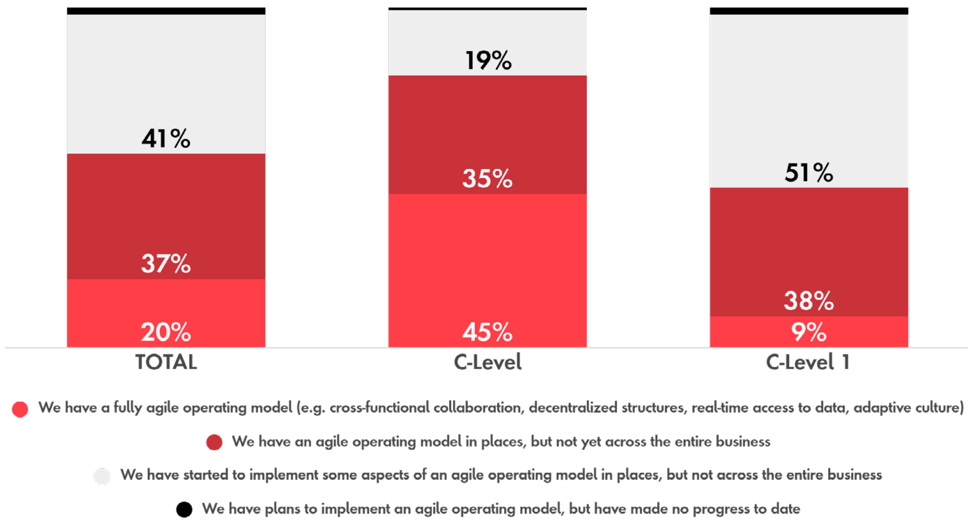
> ***"With agility, you scale at speed and ultimately deliver better products and experiences for customers."***

TRACY KERRINS
CIO, Consumer Technology
Wells Fargo

"It eliminates the siloed technology solutions of the past and really starts to put the customer first. With an agile approach to product development, you sprint, which means you deliver pieces of code or technology that the business sees iteratively rather than waiting 18 months before delivering anything. You get speed but also better engagement from the business and product owners."

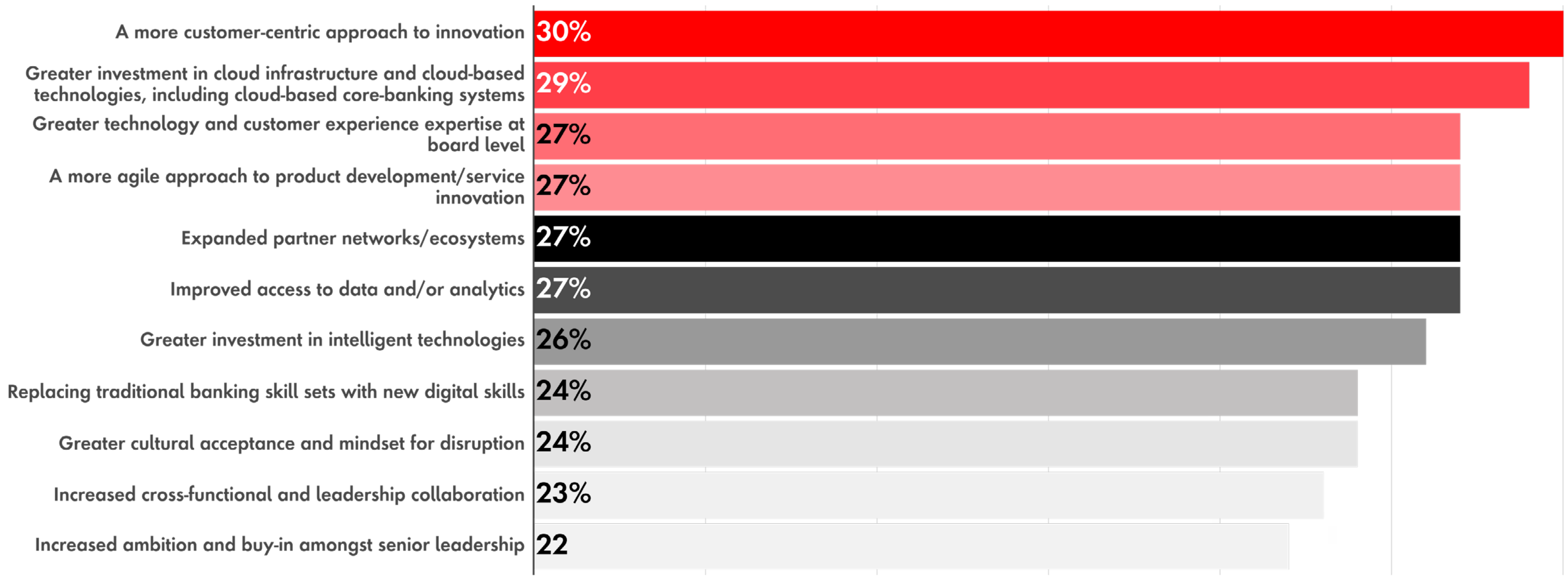
Our survey data reveals that banks have made some progress on these fronts, but are yet to achieve agility at scale. Just 20% say they have a fully agile operating model, and this falls to 9% among senior managers. In parallel, almost half (48%) of banks with more than $1tn in global assets have yet to embrace an agile operating model.

THE MAJORITY OF BANKS DON'T HAVE A FULLY AGILE OPERATING MODEL



When asked what would most help them to deliver on their digital transformation plans with agility in the next three years, they mention a number of key initiatives, including adopting a more customer-centric approach to innovation, structuring teams differently, investing in cloud, and making better use of data.

BANKS BELIEVE CUSTOMER-CENTRICITY AND A CLOUD FOCUS WILL ACCELERATE TRANSFORMATION FASTEST



IMPROVING DATA ACCESS ACCELERATES BANKING TRANSFORMATION

Banks can only transform at speed if they have access to a wide range of data, including customer information and financial and operational performance data. As a starting point, banks need data about the efficiency of their internal processes to understand where they need to prioritize investment.

Moreover, they can only begin to create personalized customer experiences if they first understand customers' unique circumstances and preferences, which they must currently stitch together from a range of internal and external sources.

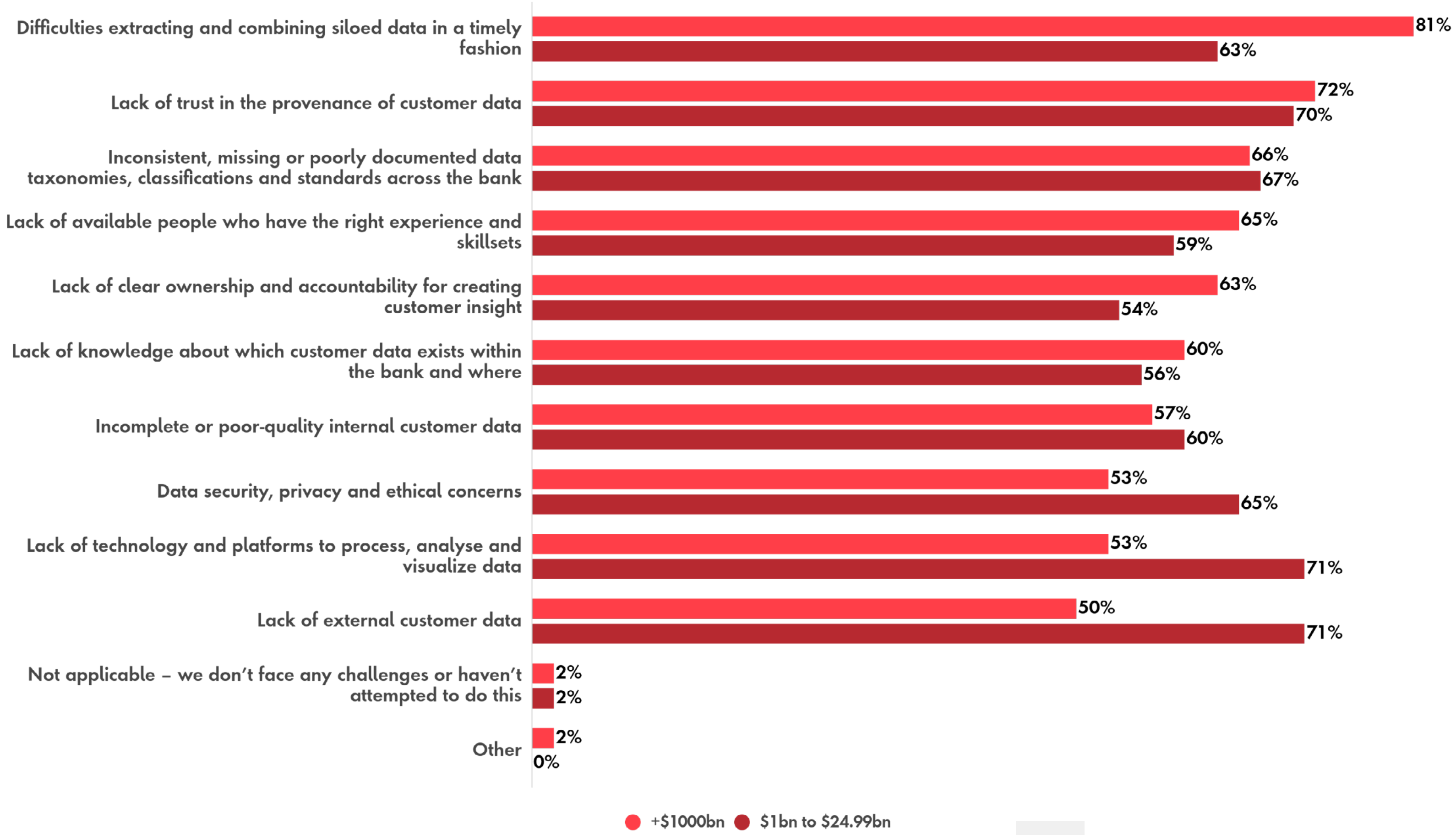
Using internal and external data to draw insights about customers is notoriously difficult. According to the survey data, the key challenges—and, therefore, areas that require attention—vary between large and small banks. For example, the key difficulties for banks with more than $1tn in global assets are extracting and combining siloed data in a timely fashion—and a lack of trust in the provenance of customer data. In contrast, the top obstacle for banks with less than $25bn in global assets is a lack of technology and platforms to process, analyze, and visualize data.

"We've always had a cloud-first approach, but our challenges when it comes to building a 360-degree view of customers across channels and countries are very similar to the incumbent banks, in that it can be difficult to access," explains Matt Swann at Nubank. *"To overcome this, you need to start with a very solid foundation of data that is highly curated, well-understood and labeled. We've also implemented a microservices infrastructure to make access to data very straightforward for different teams across the bank. Developers have a menu of data that they can access, confident that it won't disrupt other systems."*

> ***"We've implemented a microservices infrastructure to make access to data very straightforward for different teams across the bank."***

MATT SWANN
CTO
Nubank

BANKS FACE DIVERSE CHALLENGES TO GENERATING CUSTOMER INSIGHTS



RETHINK TEAM STRUCTURES TO PROMOTE DIGITAL BANKING TRANSFORMATION

Most banks are structured in traditional vertical fashion, with individuals working in discrete business functions or on specific products. This legacy structure can often prove inefficient for digital banking transformation for a few reasons.

First, internal processes within a bank often span multiple teams, meaning no one group is accountable for customer outcomes or improving customer journeys. In addition, customers may have multiple products and relationships with a bank that span multiple teams, so improving customer experiences requires a joined-up approach.

An alternative is to create teams-of-teams that are focused on improving a particular customer journey, such as opening a new bank account or applying for a mortgage. These teams should incorporate individuals from the back and front office and across multiple functions and meet regularly to discuss progress on key initiatives. These "end-to-end" teams can deliver change much more rapidly because all necessary stakeholders are involved from the outset. In times of intense competition, reduced time to market is a key differentiator.

Encouragingly, 63% of banks plan to structure their teams around specific customer segments. Such teams will have a more holistic view of their customers and, therefore, be better positioned to improve the services they offer them.

In an even more radical approach, some banks have decided to isolate their transformation team completely from the wider business to free themselves from outmoded approaches to change and innovation. One example of this is SEB, which launched an innovation studio, SEBx, in 2018.

“It is hard for traditional banks to drive disruption because they have to prioritize quarterly financial targets and they may miss out on something that can future-proof the bank for the next ten years,” explains Christoffer Malmer, Head of SEBx. *“This is well-documented and often referred to as the ‘innovation dilemma.’ So, we set up SEBx on the side to accelerate digital transformation and work independently from the group. We want to be our own profit center, not just a lab for cool technology. But, of course, whatever we accomplish and whatever we do can accelerate the broader group’s digital transformation efforts.”*

The survey data reveals that this approach is still the exception, rather than the norm: just 6% say their transformation team is separate from the wider business when it comes to developing and delivering new technology.

“It is hard for traditional banks to drive disruption because they have to prioritize quarterly financial targets and they may miss out on something that can future-proof the bank for the next ten years.”

CHRISTOFFER MALMER
Head of SEBx

PUT CUSTOMERS AT THE CENTER OF INNOVATION

When asked what would be most beneficial in helping them to deliver at speed on their digital transformation plans in the next three years, banks ranked a more customer-centric approach to innovation first. What does this mean in practice? In short, investing in innovations that will benefit the customer, rather than just creating internal efficiencies or cutting costs.

In order to invest in functionality and product improvements that customers really want, the first step is to determine what they are. As hard as it is to do, banks need to prioritize customer satisfaction above short-term ROI.

"We know that our customers don't want a cryptocurrency trading platform; they just want to ensure they get paid every month and can make the payments they need to," confirms Nickel's Thomas Courtois. *"That's why we invested in giving them the capability to deposit a check. It might seem odd for a neobank like us to invest in such a traditional, non-profitable capability but it's what our customers wanted most, so we did it."*

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THOMAS COURTOIS
President
Nickel

5

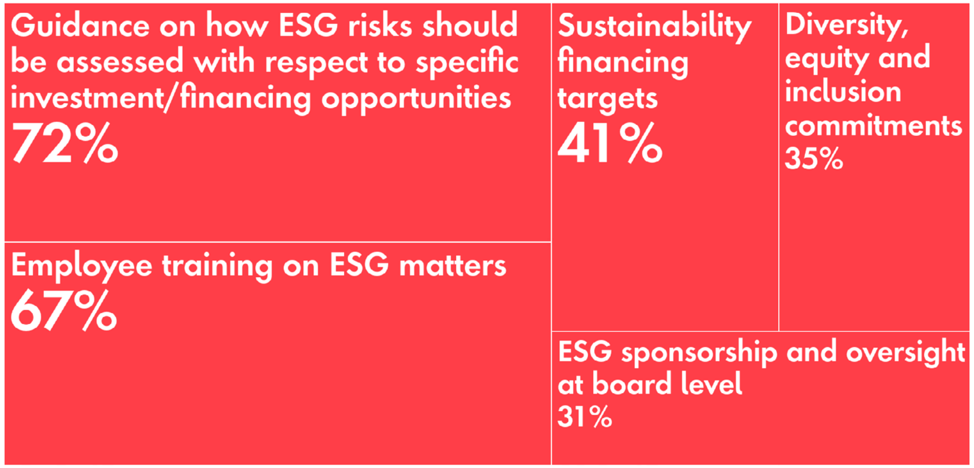
THE ESG “SAY-DO” GAP

More than half of banks report that they feel significant pressure to improve their ESG (environmental, social and governance) credentials; this rises to 61% of surveyed C-level executives. This pressure comes from multiple sources, including customers and employees, who increasingly want their banks to address societal challenges more actively. Banks therefore have an opportunity to carve out a competitive edge and key point of differentiation by actively addressing ESG topics.

In addition, regulators in many jurisdictions have introduced certain ESG requirements. For example, the European Banking Authority (EBA) has outlined requirements for banks to report on a new set of metrics that demonstrate their sustainability performance by 2024. More specifically, banks will have to report on the sustainability of their loan portfolios, as well as their exposure to climate-change risks and how these are being mitigated, in accordance with EU regulations.

Banks have made some progress: 65% have evaluated their investment portfolios' exposure to ESG risk and 59% say they do more than is required by law in relation to ESG. Of course, many banks also offer ESG-related investment products to clients. But the survey data also reveals that there is significant scope for improvement. Indeed, just 35% have diversity, equity, and inclusion commitments and just 31% have ESG sponsorship and oversight at board level; this rises to 53% of banks with more than $1tn in global assets.

BANKS HAVE ROOM TO IMPROVE ON ESG CREDENTIALS



By investing in the right technologies and human capabilities, banks can access the ESG data that is key to assessing risk levels and meeting regulatory reporting requirements. Today, banks struggle in this area—most lack the data, capabilities, or process in place to effectively assess ESG performance or evaluate ESG metrics when assessing credit risk.

6
CONCLUSION

FOUR ACTIONS BANKS SHOULD TAKE

To make meaningful progress towards transformation leadership, banks need to reorient their teams so that they can be truly customer-centric, and they must focus on creating more engaging customer experiences by putting digital and data at the core of everything they do.

1

Creating rich customer profiles using internal and external data

Understanding customers' unique circumstances and treating them as a "segment of one" creates the opportunity for banks to deliver highly personalized experiences. But to combine, access and analyze data in a timely way, they need to rethink the way their data is structured and accessed across the organization.

2

Integrating channels to provide a seamless omnichannel experience

Transformation leaders are those that take a holistic approach to improving customer experience, from delivering personalization and omnichannel servicing, to building seamless customer journeys and new distribution channels.

3

Digitizing core banking systems

Banks need to replace large and complex traditional core systems with modern architectures. By adopting a platform that puts data at the core—with a series of discrete services that access and utilize that data via APIs—transformation leaders will in effect become "core-less", with a series of processes driven from an orchestration layer that run the bank in a flexible and cost-effective way.

4

Transforming from a product-centric to a customer-centric operating model

Leading banks are shifting away from more traditional vertical product-focused teams. Encouragingly, 63% of banks are planning to structure their teams, talent and skills around specific customer segments, enabling them to create a holistic view of customer needs and design services tailored to them.

7

ABOUT THE RESEARCH

The findings in this report are based on a survey of more than 1,000 senior retail and commercial banking leaders conducted in March and April 2022. Every participating bank had more than $1bn in global assets and the majority had more than $100bn.

Respondents were based in 13 countries including the U.S., the U.K., Hong Kong, Singapore, Australia, France and Germany. Firms were scored on their digital transformation leadership in two core areas: customer experience and operational leadership.

Survey questions were designed to ascertain organizations' digital transformation maturity in relation to their peers across a number of indicators within these two areas. Each survey response was assigned an index score on a scale of 1 to 10, where 10 indicates a high level of maturity and 1 indicates a low level of maturity. These scores were then used to create the four groups outlined in this report: Transformation Leaders (22%), Customer Champions (10%), Operational Evangelists (11%) and Slow Starters (57%).

In addition to the quantitative research, a series of in-depth qualitative interviews was also conducted with senior executives from seven leading financial services firms.

COUNTRY BREAKDOWN (BANK HQ)

Numbers are rounded to the nearest percentages

JOB FUNCTION BREAKDOWN

Transformation, innovation & digital
34%

Technology
14%

CEO & strategy
13%

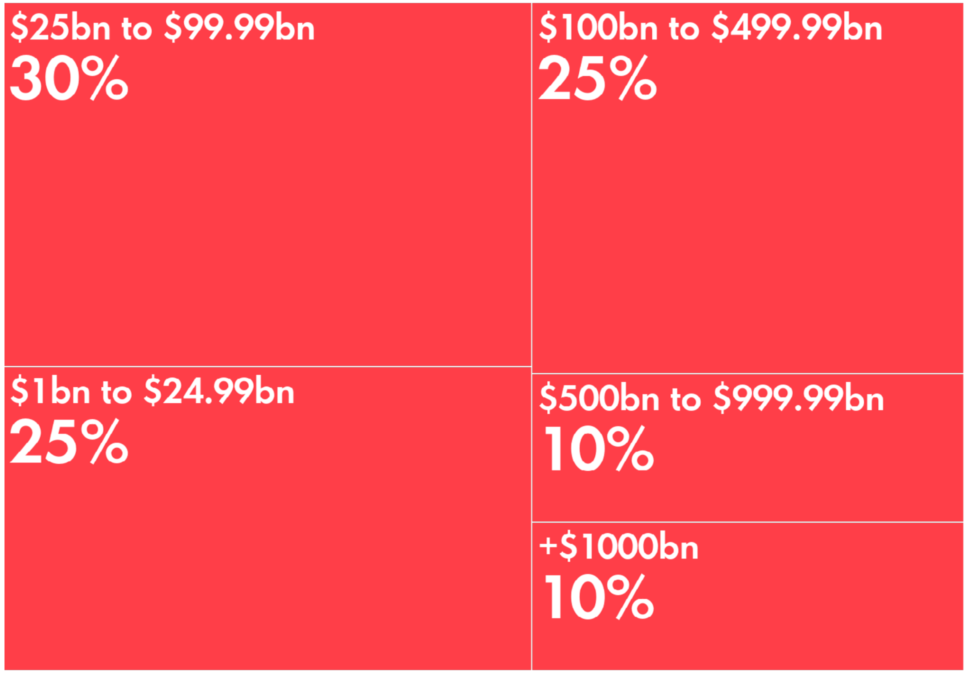
Finance
13%

Marketing
10%

Operations
9%

Data & information
7%

SIZE BREAKDOWN (GLOBAL ASSETS)



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Many thanks to everyone that participated in the survey and agreed to be interviewed.

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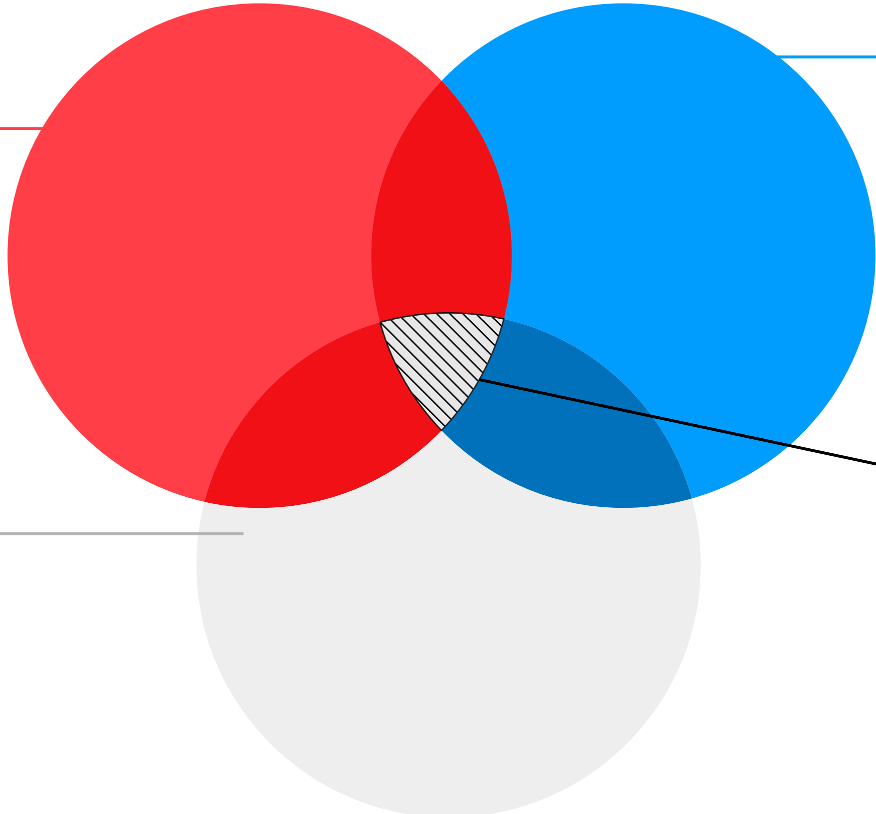

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