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ECONOMIST
IMPACT

Byte-Sized Banking:

Les banques peuvent-elles créer un véritable écosystème grâce à l'embedded finance ?

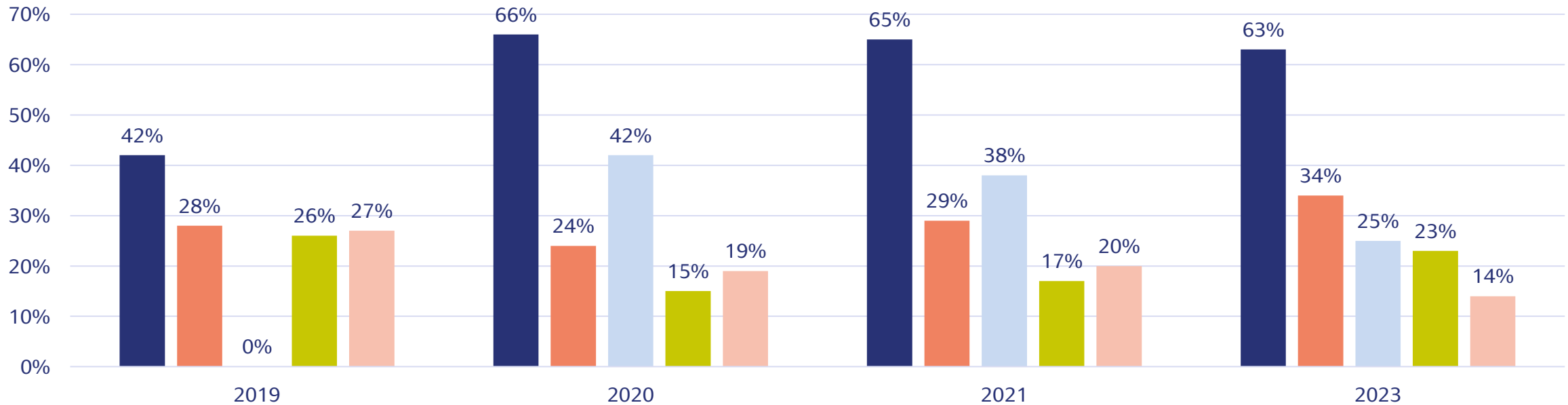


Key Findings

- **New technologies** will have the biggest impact on banks in the next five years
- 71% of survey respondents see unlocking value from AI as a key differentiator between winners and losers. **Generative AI** is expected to impact banking, according to 75% of respondents
- Banks' **collaboration with fintechs** or other tech providers is key to access expertise in emerging technologies as open-banking initiatives multiply across the world
- Banks see their business model evolving in the next 12-24 months, offering BaaS, and enabling **embedded finance** within their own products and services—79% of survey respondents agree that banking will become embedded in consumers' lives
- However, nearly **two-in-five banks foresee acting as a digital ecosystem** themselves. One-in-five respondents are prioritizing building a banking super-app or an ecosystem
- Customer centricity is driving banks to offer **embedded ESG propositions** to their customers (73%), as well as providing capital to environmentally friendly projects (74%).
- With the focus on lowering their carbon footprint, as well as the increasing use of data-intensive AI, banks are inevitably moving to the **public cloud, which is gaining maturity—51% agree** that banks will no longer own any private data centers in the next five years after moving to the public cloud

New technologies are having the biggest impact

Which trends do you believe will have the biggest impact on banks in the next five years?



New technologies



Changing customer behavior



Regulation on digital and cloud technology



Changing competitive environment



Changing public health, geopolitical, macroeconomic, or environment

Technology in the Spotlight: AI

71% agree that unlocking value from AI will differentiate the winners from the losers

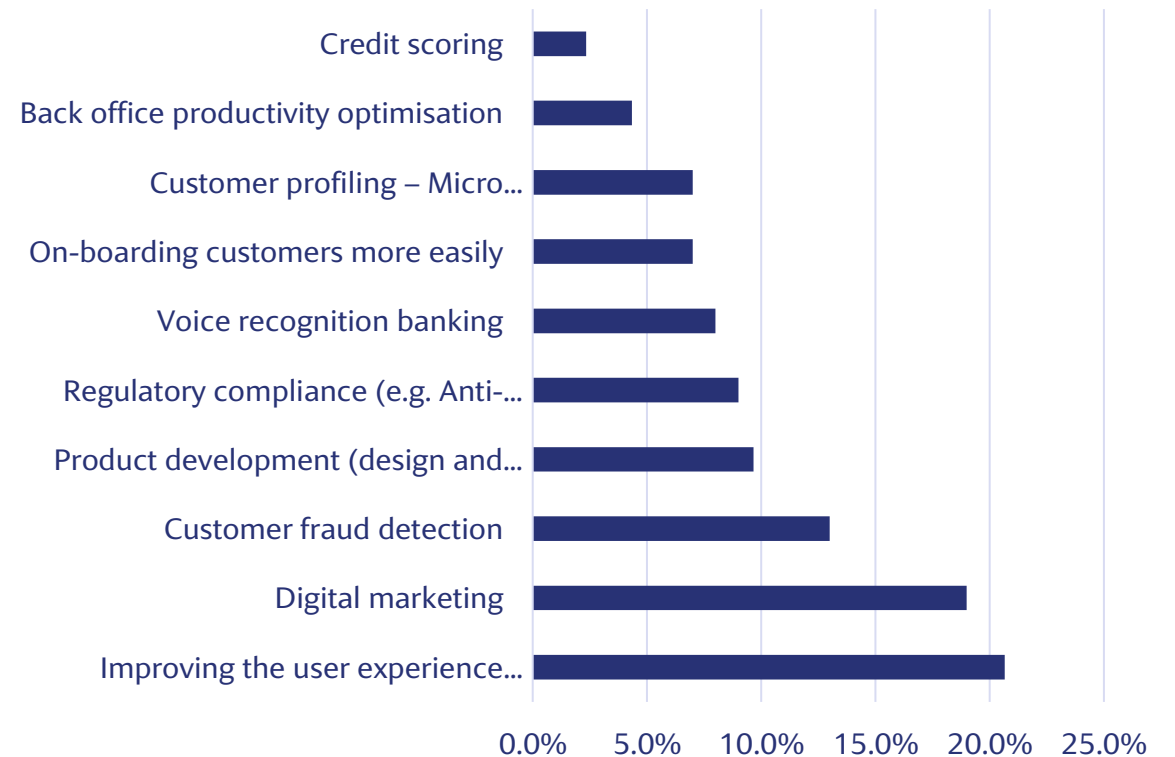
75% believe that banking will be significantly impacted by generative AI



In the next couple of months, we are rolling out a solution using generative AI for our relationship managers, which will curate investment research for their clients.

- Nimish Panchmatia, chief data and transformation officer, DBS

What do you believe will be the most valuable use of artificial intelligence for banks in the next 1-3 years?

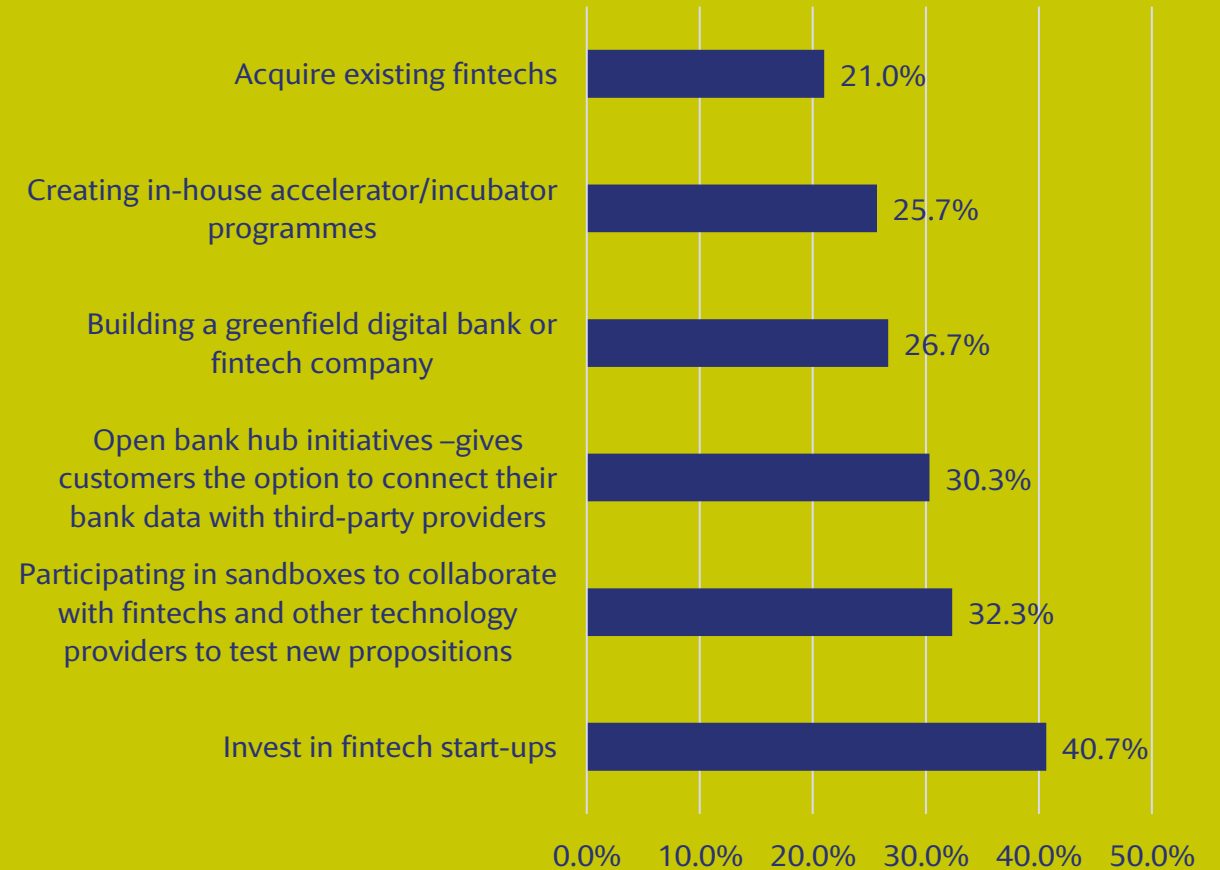


Innovation Strategies

Since the last survey in 2021, deepening engagement with fintechs has become a much more important innovation strategy for banks.

Compared to 2021 (24.6%), a much higher share of banking executives now cite investing in fintech start-ups and participating in sandboxes with fintechs and other technology providers to test new propositions as their top innovation strategy.

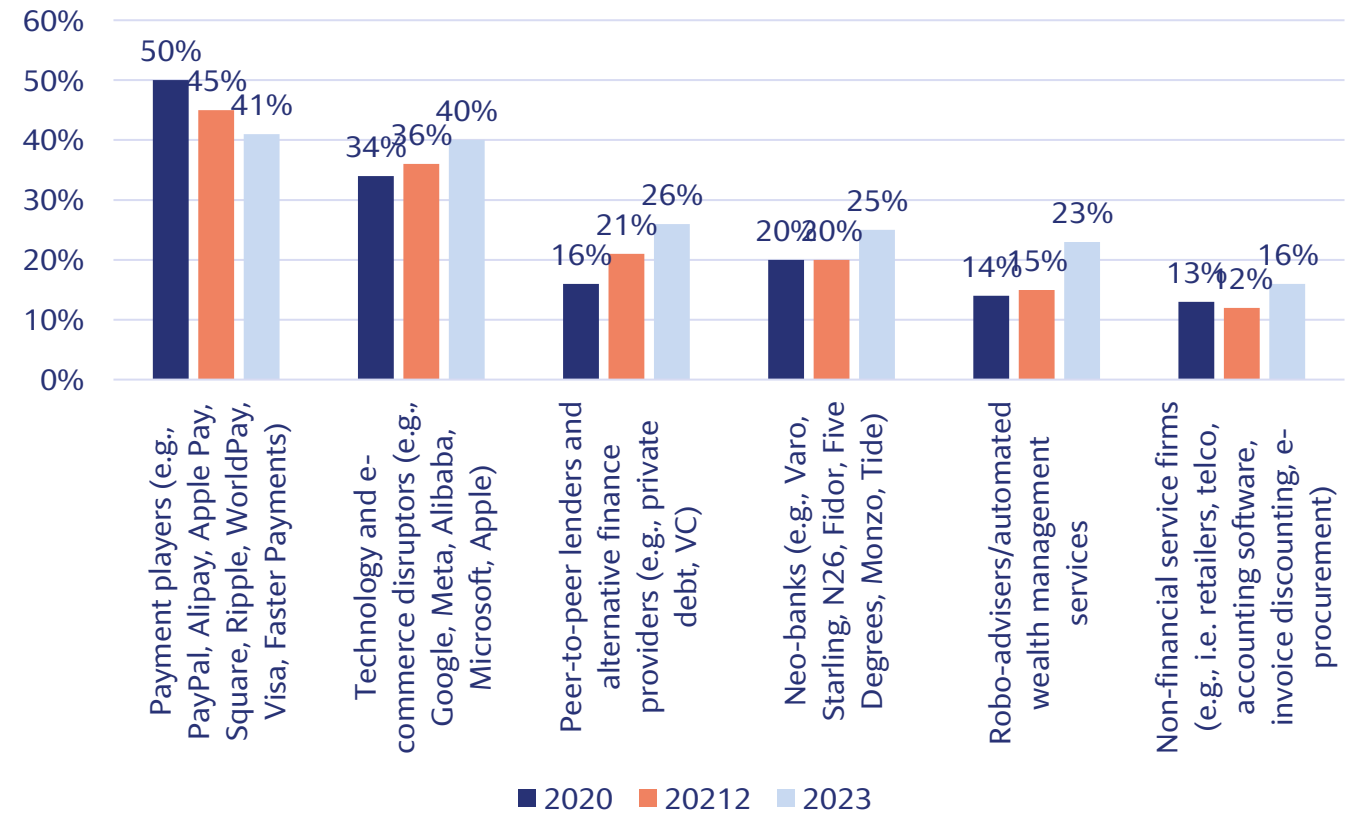
What is your bank's innovation strategy?



Non-Traditional Entrants

A rapidly changing macroeconomic environment is also enabling banks' investments in fintechs. After years of declining profits, bank profitability reached a 14-year high in 2022, supported by rising interest rates in 2023. Meanwhile, their challengers are facing a funding crunch.

Which non-traditional entrants to the banking industry will be your company's biggest competitors in the next five years?

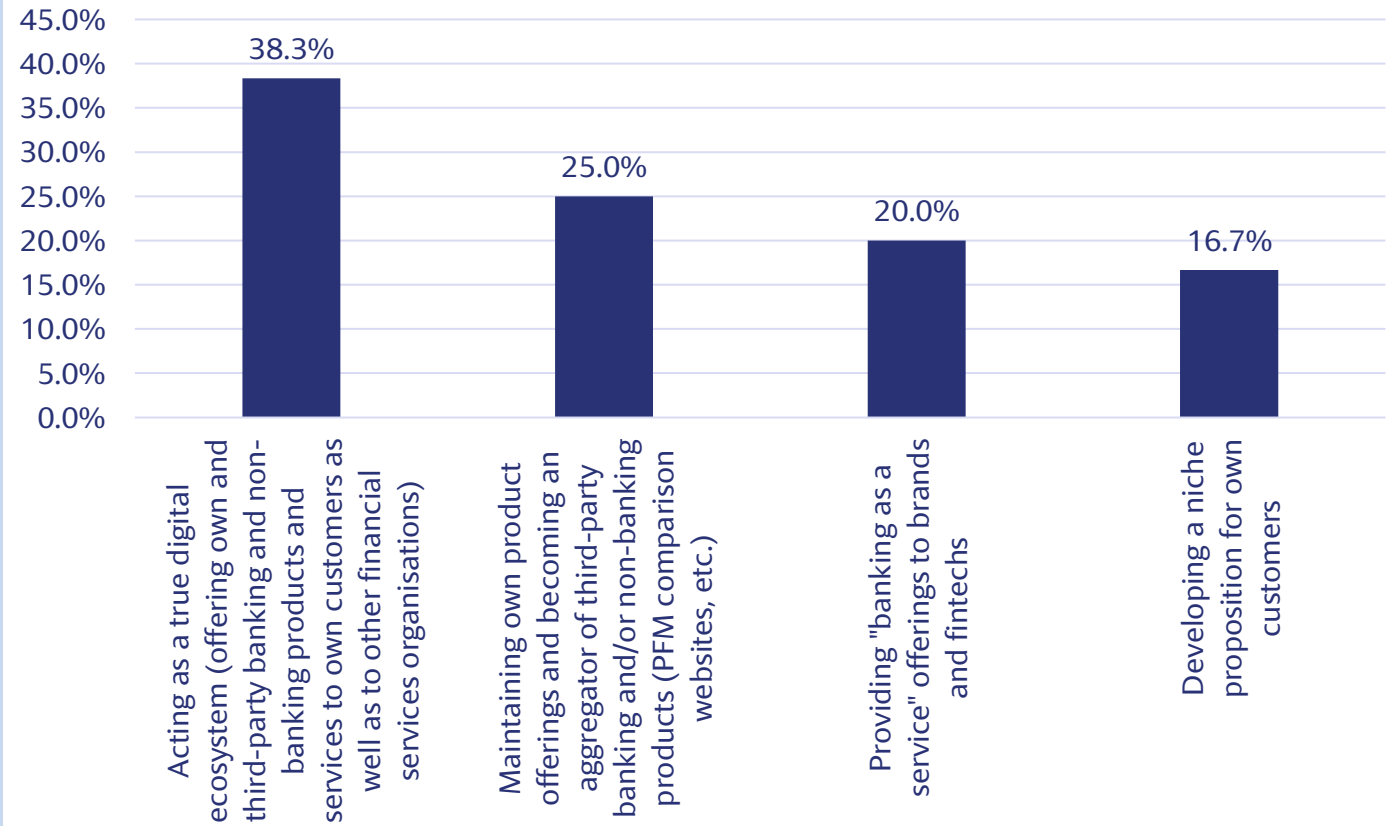


The Rise of New Business Models

Technological innovation and evolving customer needs have given rise to embedded finance.

However, banks do not want to be cut out of the equation entirely, or to lose more ground in terms of the consumer-facing experience. To keep this direct connection with the consumer, banks are recognizing that they must become true digital ecosystems.

What is the primary way in which you see your current business model evolving over the next 12-24 months?





Focus on ESG

As ecosystems enable banks to play a larger part in consumers' lives, what they stand for and how they operate will matter more.

Customers and employees increasingly expect companies to operate according to clear values.

73%

of respondents believe that banks will offer embedded ESG / Sustainable banking propositions to their customers – both retail and enterprise

Top ESG action banks are currently undertaking:

37%

are investing in low-carbon technologies and start-ups working in decarbonization

Maturity of Cloud

More than half (**51%**) of survey respondents agree that banks will no longer own any data centers because they will have moved to public cloud in the next five years.

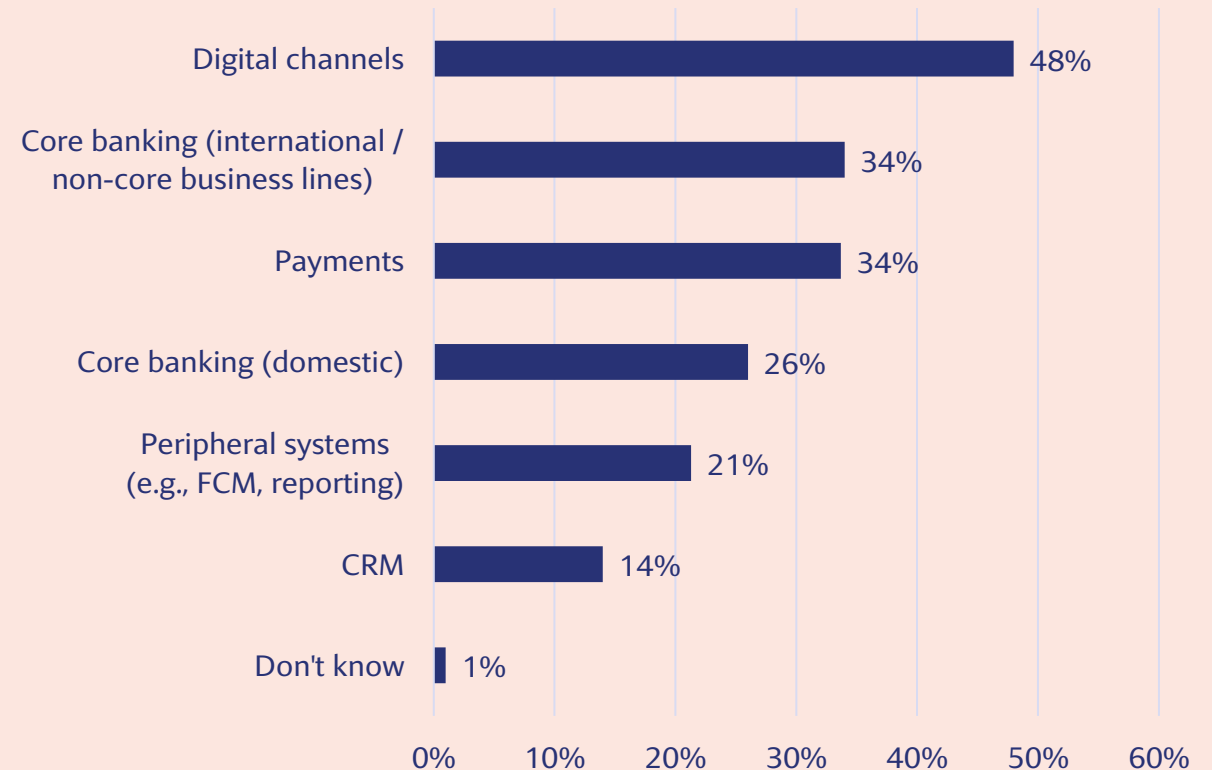
Over two-thirds (**70%**) of banks agree that a multi-cloud strategy will become a regulatory pre-requisite in the next five years.



The future is going to be cloud driven. We have gone from 90% of our applications on old technology, mainframe applications about eight years ago to now 95% cloud-enabled.

- Nimish Panchmatia, chief data and transformation officer, DBS

What type of applications do you believe banks will prioritise in moving to the cloud over the next 12-24 months? Please select up to two.



Thank you

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