Technology Trends Redefining the Future of Banking

An overview across banking segments

temenos

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Technology as a strategic advantage

For banks, operating under pressure is nothing new. High running costs, tight margins and regulatory complexity have long shaped the industry. In this environment, technology has often been viewed as a cost center rather than a value driver.

What *has* changed is the pace of innovation, and the consequences of falling behind.

Banks are recognizing that technology is central to their ability to build trust, compete and grow. Those treating technology as a strategic asset are pulling ahead, those that don't are finding it increasingly difficult to keep pace.

This report examines the forces shaping banking across Retail, Corporate, Wealth and Payments. Banks are navigating heightened regulatory scrutiny, escalating cyber threats, rising customer expectations and intensifying competition. At the same time, meaningful growth opportunities exist across verticals, but only for banks who can use data efficiently, create real-time insights, and leverage the transformational potential of generative and agentic AI.

Many banks are attempting to respond to these challenges and opportunities with platforms that were never designed for them. Legacy cores struggle to support modern security standards and real-time decision making. Nearly a third (28%) of legacy banking applications are undocumented, creating hidden operational risk and uncertainty.[1] Data duplication is widespread, and batch processing remains common, significantly limiting the effectiveness of analytics and AI.

In practical terms, legacy environments make agility slow, change expensive, and innovation harder to deliver.

A different approach is now taking hold. Cloud-native, composable core platforms provide the resilience, scalability and system integration required to build trust, progressively modernize and support sustainable growth. They allow targeted investments in AI and automation that deliver measurable value, including lower cost-to-serve, faster time-to-market, improved operational efficiency, and more relevant customer experiences.

Across banking segments, the pattern is consistent. Banks that embed intelligence into a modern core, rather than layering it onto legacy, are better positioned. In the market, they're increasing share of wallet, improving cross sell, and using real-time, AI-driven capabilities to grow in areas such as DeFi and payments. Within the bank, gen AI is already compressing tasks that once took months into minutes. Meanwhile, agentic AI is beginning to reshape banking workflows, accelerating implementations and allowing employees to focus on high-value work.

In collaboration with Bain & Company, this report brings together industry research, market insights and Temenos Value Benchmark data to give banking leaders an evidence-based view of the trends shaping their industry. It is designed to support practical, informed decision making, grounded in what has been shown to drive value.

The future of banking will be defined by institutions that treat technology not just as a cost to be managed, but as a driver of growth, resilience and differentiation. I hope the insights in this report help you move forward with clarity and confidence.

Will Moroney
Chief Revenue Officer

[1] Temenos Value Benchmark, 2025

Technology

Against a backdrop of high operating costs and squeezed margins, technology has traditionally been viewed as a cost center by banks. Today, however, there is growing recognition of its strategic role in maintaining or bolstering operational resilience, reducing long-term operational costs, and enhancing revenue.

However, to fully leverage the potential of innovations such as generative and agentic AI, financial institutions must ensure they have the underlying technology foundations, supported by robust data environments, that such capabilities require.

Tighter regulatory oversight of operational resilience is also resetting technology priorities, with many focusing more on business outcomes, ensuring that technology investments truly add value and can evolve with changing regulatory and customer needs. In many cases, this is prompting a rethink of not just *what* to modernize, but how modernization itself should be tackled.

Ask, don't navigate: Generative AI transforms productivity

Like in many other sectors, natural language interfaces are revolutionizing productivity in banking. Generative AI is changing how business users interact with systems, replacing complex workflows and the need for multiple screens with conversational interfaces that turn data into real-time, actionable insights.

Instead of navigating endless menus or writing SQL queries, business users can ask for reports or actions in natural language and get immediate results. For example, asking the interface to *"Identify customers aged 34–50 who opened a personal account and a mortgage before 2021"* instantly surfaces relevant demographics for proactive engagement aimed at supporting financial wellbeing, strengthening customer relationships and potentially creating revenue opportunities. Crucially, the underlying logic or SQL is always visible, so outputs can be explained and audited.

In a legacy technology environment, answering this type of query would not be feasible, and could take weeks or even months of manual effort. By spending less time searching for information, financial institutions can act on insights faster, innovate more quickly, and respond to customer needs with greater impact.

Beyond analysis, this natural language approach will bleed into how digital experiences are created and adapted.

As global guidance and legislation continue to evolve, some financial institutions are gravitating to the popular open-source Model Context Protocol (MCP), which provides a mechanism for AI to tap into context and data from core systems and external services – without duplicating data or embedding logic into models. This decoupled approach means the AI only retrieves the information required for a given task *when it is needed* – strengthening governance and regulatory alignment.

Agentic AI drives operational autonomy

While generative AI creates content based on learned patterns, agentic AI combines these capabilities with goal-driven actions to perform tasks. This is fundamentally transforming banking workflows, with AI agents able to autonomously install, run, operate and upgrade systems alongside the necessary human oversight.

As deployments accelerate, financial institutions are expected to see clearer, more measurable ROI from large-scale agentic AI implementations.

In payments, AI agents can detect and repair broken transactions in real time, identifying causes such as formatting errors. With such issues much less reliant on manual intervention, more transactions can be processed using fewer resources.

In watchlist screening, AI agents can action and resolve alerts as they arise, reducing false positives and easing workloads. Low-risk alerts are automatically assessed and cleared, allowing teams to focus on higher-risk investigations.

According to industry research, banks are most open to using agentic AI for reducing labor costs in operations (86%), followed by support (75%), and maintenance (71%). On average, labor accounts for almost half (49%) of core banking total cost of ownership (TCO), making it the largest cost category, and, currently, the greatest opportunity for agentic AI to reduce TCO.[2]

These efficiencies free human staff to focus on tasks such as handling complex customer or operational cases, investing in R&D, evaluating growth strategies and delivering empathy and judgement that automation cannot entirely replace.

When combined with appropriate human oversight, agentic AI minimizes downtime, strengthens operational resilience, and supports scalability.

[2] Hanover Research for Temenos, September 2025

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Progressive modernization: A lower-risk path to core banking transformation

Core banking technology modernization is a high-stakes transformation. Banks are increasingly avoiding "big bang" implementations where entire core systems are replaced simultaneously. This style of modernization is expensive, risky, and often fails.

Instead, many are adopting progressive modernization, a composable approach that upgrades individual core components gradually. With the evolution of integration frameworks, this approach has become more feasible as modern methods such as event-driven architecture, microservices, and domain-based decomposition are widely adopted.

Legacy core banking systems are often monolithic. Components such as customer data, deposits, lending, and payments are tightly entangled. As a result, there is a high risk of system-wide disruption when updating one component. A progressive modernization approach allows banks to gradually break apart the monolith by carving components into independent systems connected by application programming interfaces and events.

This approach greatly reduces the risk of system-wide disruption during transformation. Rather than taking a multi-year, all-or-nothing gamble, banks can prioritize modernizing higher-priority components such as lending while leaving other core components unchanged until needed.

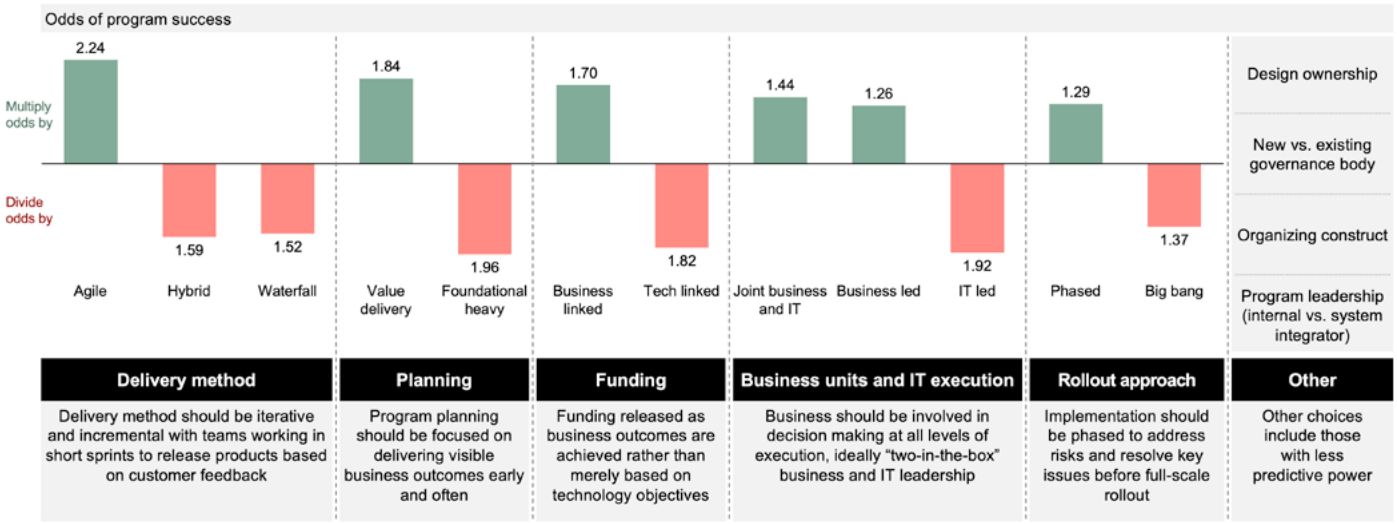
As decomposition progresses, the approach delivers business value earlier and more frequently. Investment is also spread over time, accelerating ROI as components go live sooner than in a traditional core replacement.

However, this approach can introduce challenges, including:

- Extended transition: Old and new systems coexist for a longer period, increasing complexity in the interim.
- Leadership fatigue: Multi-year transformations test management patience, and stopping midstream can leave technology in an even more complex state.
- Operational shift: IT teams must run more standalone systems and increase investment in systems integration.

Bain & Company's analysis of over 45 core programs found that progressive modernization is one of the top five predictors of replacement success, balancing transformation with business continuity. For banks that plan for coexistence and integration, progressive modernization offers a lower-risk path to a modern core.

Our analysis showed five choices are the strongest predictors of successful progressive modernization



Notes: Out of 46 bank programs, 36 have a clear milestone to measure success; multiplier effect to the odds of being a successful program vs. being an unsuccessful program.
Source: Bain analysis

Cloud and data mesh underpin the “intelligent bank”

Banks across segments are leveraging cloud platforms and SaaS to renovate fragmented back-office systems and scale for the huge volumes of data required for real-time insights and AI-driven services.

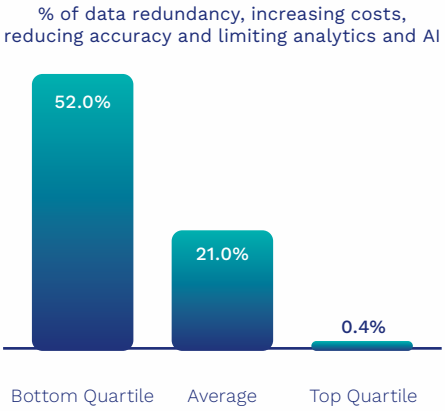
Cloud-native architectures provide the elasticity, resilience, and processing power needed to handle high-frequency data flows, while SaaS solutions remove reliance on legacy infrastructure and enable financial institutions to deploy new capabilities faster.

While “data is the new gold” remains true, the reality for many is much more complex. Data is often fragmented and difficult to access, making it challenging to leverage in meaningful ways. Temenos Value Benchmark data indicate that on average over a fifth of bank data is duplicated, increasing costs, reducing accuracy, and potentially limiting analytics and AI.

For banks in the bottom quartile over half of their data is duplicated - potentially a huge drain on bank resources and limiting their ability to implement intelligent services in the future.

In response, financial institutions are increasingly adopting data mesh architectures to organize and extract value. Data mesh architectures are decentralized but well-governed frameworks that ensure data is organized, compliant, and accessible across all business lines, not housed in one function.

Supporting tasks like sharing real-time transaction data for regulatory reporting, data mesh architectures and cloud platforms help to establish the foundations needed to thrive in increasingly automated and AI-driven banking operations.



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Banks’ cybersecurity reset: From perimeter to zero trust

The cybersecurity landscape is shifting rapidly, driven by the adoption of AI and advances in quantum computing. Banks’ transition to modern digital banking platforms demands a transition from legacy perimeter controls to a comprehensive zero-trust approach.

Zero trust moves security from the perimeter into access decisions and continuous verification. In practice, it spans device integrity, tighter privileged workforce access, and modernized cryptography to stay ahead of AI-powered and quantum-era risks while meeting evidence-based regulatory expectations.

Mobile device access to banking services is a prime example of a zero-trust security model. Banks increasingly use app and device attestation to cryptographically confirm that banking apps are genuine and running on uncompromised devices. When paired with hardware-backed biometrics and passkeys, these controls secure account data and reduce the risk of fraud compared to legacy credential-based systems.

As banks deploy AI tools internally, they need guardrails to prevent chatbots from manipulation or sharing sensitive data. Key risks include hallucinations that produce incorrect outputs and prompt-injection attacks, where inputs are used to bypass safeguards and can result in leaked sensitive information.

In the organization, zero trust prioritizes controlling privileged access across all users. Banks should use locked-down devices for sensitive tasks and issue permissions only when necessary and for limited periods. These controls, underpinned by role-based access and timely removal as roles change, ensure that only designated personnel can access critical security platforms.

Banks also need to prepare for post-quantum cryptography by adopting cryptographic agility—upgrading encryption for secure connections and access tokens as quantum-safe standards mature, and retiring weak ciphers that allow downgrade attacks. The regulatory landscape is also demanding rigorous technical evidence and tested validation of digital operational security. These measures strengthen resilience, support compliance, and mitigate risk in the evolving quantum and AI era.

Retail & Business

Retail and business banks are navigating a shifting operating environment, with changing interest rates, rising customer expectations, and intense competition. Many players are re-evaluating their underlying economics and growth strategies. While customer experience investments have been a long-standing focus, attention is now turning to their impact on overall performance.

This includes greater use of data analytics to better understand customer needs, helping banks increase share of wallet and cross-sell more effectively. Hyper-personalization has also become a critical tool to strengthen customer relationships, with loyalty models evolving as banks look to enhance lifetime value.

To deliver in these areas and more, banks must continue to invest in modern technology infrastructures that support integrated digital banking, automate essential services, and embed analytics and AI into customer journeys. These capabilities will become increasingly important as financial institutions prepare for a more hybrid financial system.

Capitalizing on digital banking beyond customer experience

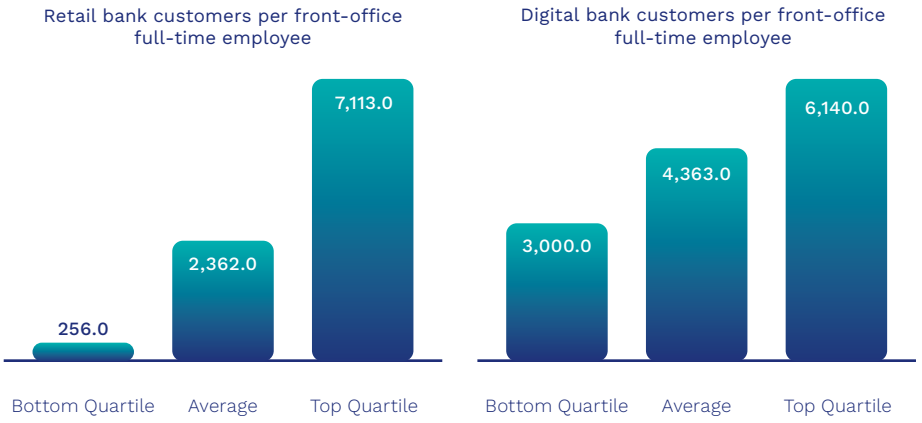
Banks have been investing in digital experiences for over a decade to provide more intuitive and secure platforms that resonate with customers. While this has enhanced engagement and trust, they are now focusing on moving from *building* experiences to *capitalizing* on them.

Digital channels can unlock a range of growth opportunities, including more accurate next-best product recommendations, hyper-personalized offerings, and product innovation shaped by customer behavior analysis. These help boost share of wallet and enable banks to cross-sell more effectively.

Data-driven insights are also strengthening customer relationships and reducing churn with "propensity to leave" models. For example, by identifying early warning signals like reduced engagement, banks can proactively contact customers with personalized support, leveraging "next-best interaction or product" models. This brings banking to a more human level, using data not just for efficiency, but to deliver empathy as well as reinforcement that human advisors are available.

To keep capitalizing, banks needs to maintain a focus on operational efficiency. Automation in areas such as onboarding and compliance checks are improving resource optimization and, ultimately, margins. Digital maturity also drives scalability. According to Temenos Value Benchmark data, there is a clear opportunity for the average retail bank to improve employee productivity through digitalization and support the move to monetization of digital experiences.

Digital banks achieve significantly higher front-office productivity than traditional banks



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A hybrid model for SMEs' digital future

The future of small and mid-size enterprise (SME) banking isn't solely digital; it's hybrid, pairing robust digital capabilities with human advice. Digital offerings and transactions are important, but SME clients continue to value a human touch at pivotal moments. Winning models combine strong digital propositions with relationship managers (RMs) who orchestrate the full experience.

Although most banks already have core digital journeys in place, AI offers the next step-change to make those journeys smarter and more responsive for clients and RMs. Fragmented, manual processes can become end-to-end digital workflows that enable straight-through processing across onboarding, lending, payments, and investments.

But digital alone is not enough. SMEs want the flexibility to self-serve for straightforward tasks while accessing informed, proactive advice from RMs. In the most effective models, RMs are fully integrated into the client's digital journey. They have visibility into key client actions and use digital tools that enhance productivity and anticipate client needs.

Blending robust digital platforms with AI and RMs isn't about just adding a chatbot. The advantage comes as AI evolves from pilots into foundational layers embedded across workflows. The combination of speed through digital tools and trusted advice can help banks compete effectively with tech-only platforms.

At the same time, SME ecosystem competition is intensifying. As digital marketplaces and commerce platforms embed banking services into their offerings, lending risks becoming a commodity, which can weaken banks' relationships and reduce their influence with SME clients. Banks will need to make strategic decisions about where they can provide the right client services and when to double down on advisory moments when depth and trust are crucial.

For banks, digital transformation has become table stakes. But the differentiator is a hybrid operating model that embeds AI into core workflows and focuses RMs on moments of truth.

Hyper-personalization becomes the new battleground

If personalization has become the norm, *hyper-personalization* is now the differentiator.

Hyper-personalization goes beyond the types of data typically used for personalization, such as demographics, by incorporating factors such as behavioral patterns and predictive insights to anticipate customer needs and swiftly offer relevant products or services. For example, a retail customer might open their banking app and receive a personalized investment suggestion based on recent spending trends and life stage indicators.

[3]Temenos Value Benchmark, 2025

With the average product per customer at 2.59, hyper-personalization is an opportunity to boost product adoption and foster deeper customer relationships.[3]

Hyper-personalization spans multiple touchpoints and beyond cross-selling is playing an increasing role in customer acquisition, retention, and dynamic experiences (real-time adaptation to customer activity).

Some banks are going as far as creating experiences for specific segments, such as restaurants within the SME sector. This could include AI-driven cash flow insights, highly personalized loyalty programs and partnerships with special offers on food delivery platforms – highlighting banking's evolution from a transactional-based service to one that is more holistic and purposeful to the customer.

Driving loyalty with tiered banking experiences

The subscription economy has changed how consumers access goods and services, driven by a desire for convenience, value, and, for some, access over ownership. Advances in technology are accelerating this shift, making it easier and more compelling to buy services, extract insights into consumer needs and preferences, and deliver bespoke experiences.

Financial institutions are tapping into this trend by going further than their traditional rewards programs (such as cashback or earned points) and offering tiered, subscription-based experiences that provide exclusive features, personalized services, and bundled benefits for specific segments, such as frequent travelers or high-net-worth (HNW) individuals.

There are two main objectives behind this strategy: deepening engagement and loyalty by embedding banking into daily life, and establishing recurring revenue streams. Subscription models are also helping banks compete with digital challengers that have set new standards around convenience and already offer such subscriptions. Leveraging personalization, exclusivity and smooth digital user journeys, tiered banking subscriptions are helping banks to compete in an increasingly experience-driven market.

Connecting traditional banking with decentralized finance

As the financial system increasingly blends traditional finance with blockchain-based platforms, financial institutions are seeking interoperability across both. Banks are exploring controlled, secure ways to connect with DeFi protocols, tokenized assets, and stablecoin ecosystems in response to growing customer demand for faster settlement, programmable money, and 24/7 access to digital assets.

Rather than *competing* with DeFi, they are positioning themselves as *trusted gateways*, offering custody, on- and off-ramps, identity verification, and transaction monitoring.

DeFi's growing footprint is increasingly difficult to ignore, representing an estimated €78 billion or 4% of total market capitalization.[4] It is predicted that stablecoins, a core component of DeFi, could reach USD $500-700 billion in the next couple of years, with the Guiding and Establishing National Innovation for US Stablecoins Act (GENIUS Act), effective as of July 2025, providing a framework for adoption and issuance.[5]

Success in this space will require striking a balance between openness and control, with strong governance, risk management, and compliance. This includes AML, fraud prevention, and real-time monitoring across traditional and decentralized rails. Banks are also balancing innovation with ownership as they seek to capitalize on this trend while maintaining assets on their own balance sheet.

Those that invest in composable architecture, tokenization capabilities, and secure APIs will be best positioned to integrate DeFi.

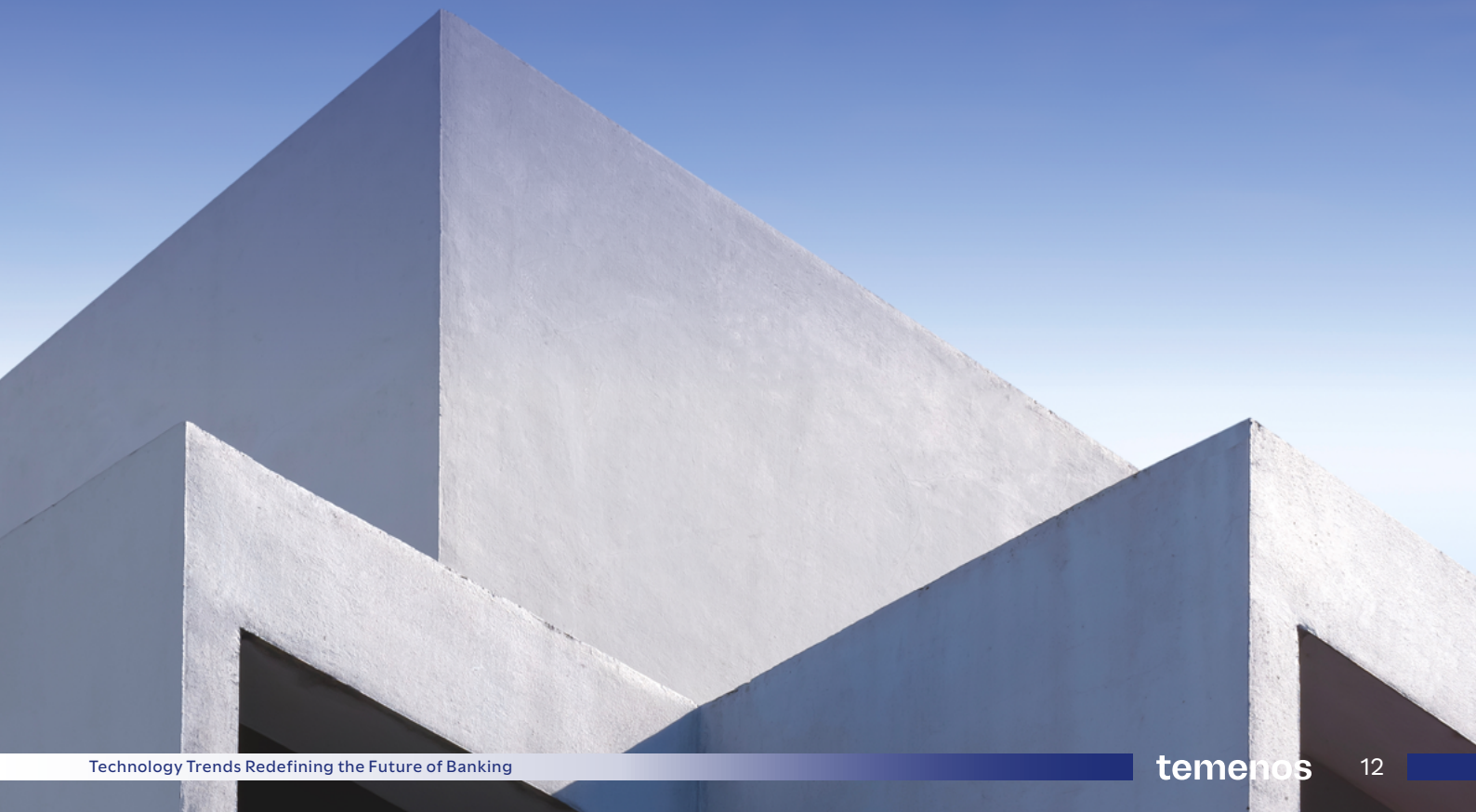
[4] https://www.taylorwessing.com/en/interface/2025/regulating-cryptos/decentralised-finance-a-growing-but-grey-area
[5] https://www.jpmorgan.com/insights/global-research/currencies/stablecoins

Corporate & Commercial Banking

Long characterized by manual, bespoke processes and a slower pace of modernization compared to other banking segments, corporate and commercial banking is slowly catching up. The sector is leveraging technology to operate more efficiently and deliver modern, compelling customer experiences.

The macro-economic environment remains challenging with higher funding costs and ongoing volatility continuing to weigh on corporate balance sheets. These dynamics reinforce the need for technology-driven solutions that equip employees with tools that enhance their productivity as well as those that transform historically paper-heavy processes.

Rapidly changing customer expectations are also catalyzing change. Many businesses are seeking more flexible and alternative financing solutions that reflect real-time performance rather than historical metrics, while treasurers, for example, expect real-time visibility into cash, liquidity, and risk to strengthen business decision-making and operational resilience.



Lending broadens to include flexible credit

Working capital is under pressure with persistent economic volatility and uncertainty. Many businesses require loans for their strategic ambitions or day-to-day operations, but traditional corporate and commercial lending models often fall short. Lengthy approval processes and reliance on historical data can make it difficult for businesses to access credit.

This is accelerating the adoption of alternative finance structures that respond to changing business circumstances. These include solutions like supply chain finance to optimize cash flow management, leasing arrangements free from large upfront costs, and cash flow or asset-based lending that make credit decisions based on current and future cash flow, as well as considering the value of company assets, such as machinery.

The scale of this shift is evident in the growth of private credit markets, which often finance companies with complex risk profiles, and may accept alternative forms of collateral. Private credit markets were estimated at roughly $3 trillion for 2025 and are projected to hit around $5 trillion by 2029, signaling the growing role of non-bank capital in corporate lending – and its direct competition with banks.[6]

Banks are expanding their offerings beyond traditional credit facilities to provide alternative solutions that better reflect business needs. This also helps them compete against digital challengers that already offer more flexible, bespoke credit solutions.

[6] https://www.morganstanley.com/ideas/private-credit-outlook-considerations

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Unified lending platforms: Building the digital core of corporate lending

Corporate credit remains slowed by fragmented workflows, product systems, and manual hand-offs. A unified lending platform consolidates the end-to-end client life cycle into one digital experience, from origination to monitoring. Combined with embedded AI, it can accelerate decisions, increase transparency, and enable more tailored pricing.

Leading banks will consolidate the entire credit life cycle - origination, assessment, decisions, documentation, and monitoring - into a single digital platform. By standardizing processes across products and geographies, banks can improve turnaround times, reduce rework, and increase transparency across the portfolio.

The second defining feature of unified platforms is embedded AI. Rather than layering AI onto fragmented systems, banks are integrating it directly into the core workflow. AI can pull key data from client financial statements, produce a first-pass credit view, support affordability and sustainability checks, and automatically approve simple, low-risk loans with minimal human intervention. For more complex cases, it flags potential risks and supports credit specialists with structured insights. The shift isn't from humans to machines but rather from turning a traditionally manual process into human–AI collaboration within a single environment.

Unified lending platforms aren't just about internal efficiency. They also allow banks to plug directly into clients' workflows. As lending integrates with enterprise resource planning systems, banks can remain visible either by partnering tightly with those platforms or by expanding their own digital capabilities to deliver a broader, stickier client proposition.

Strategically, banks will need to prioritize budgets and AI enablers to stand up these platforms. IT capital constraints and limited AI talent necessitate the careful selection of areas to embed the capability across the organization. Done well, unified lending platforms turn corporate credit into a scalable advantage, accelerating decision making while preserving the human judgment that clients value.

AI agents transform complex workflows

Corporate and commercial banking has traditionally relied on highly bespoke processes designed to manage large transaction values and elevated risk profiles. As a result, achieving straight-through processing has been challenging.

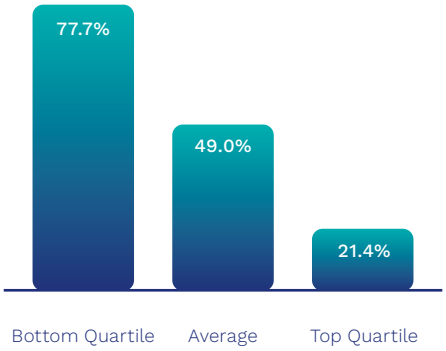
For front-office staff at banks in the bottom quartile, over 75% of their time is spent on admin tasks, which could reduce drastically with the help of modern technology like AI and automation.

Administrative burdens could soon be minimized with the rise of generative and agentic AI, which are starting to orchestrate workflows such as deal structuring, compliance checks, and multi-party documentation. AI agents can interpret unstructured data, coordinate tasks across systems, and deliver real-time insights, improving efficiency and reducing the duplication of tasks in areas historically resistant to or unsuitable for standardization.

However, human oversight and judgement, informed by experience, remains essential in this high-stakes industry.

While widespread adoption will take time, early pilots are expected to reinforce the value of these technologies, laying the foundations for greater efficiency in the corporate and commercial space by 2027. This forms part of a broader industry imperative to modernize technology infrastructure, and transform people and processes.

% of time spent on admin tasks by corporate banking front-office staff



Treasury redefined by real-time intelligence

Rather than waiting for a daily report, treasurers increasingly expect real-time visibility into cash flow and liquidity to make decisions that help them mitigate risk and maximize growth.

Against a backdrop of economic and geopolitical volatility, as well as fast-moving markets, treasury is evolving from static, batch-based reporting into a live business function powered by real-time insights into payments, liquidity, and cash positions.

As these capabilities become industry standard, banks are increasingly focusing on solutions that give treasurers the tools and insights needed to optimize payments and liquidity. Those that embrace this shift will not only differentiate through increased agility and resilience, but also enhance the user experience by making day-to-day tasks significantly easier.

This transformation is unfolding in two main ways. First, financial institutions must elevate the digital experience for treasurers, providing real-time, API-driven channels that allow data to be programmatically consumed by specialized ERPs and other treasury tools. Legacy batch-based mechanisms such as BAI2 and ISO 20022 outputs are no longer sufficient on their own. Meeting today's expectations requires a robust back-end infrastructure capable of supporting continuous data exchange.

Looking ahead, technology will continue to play a major role in this central function. A 2024 survey found that 82% of corporates expect AI to support their treasury functions within five years, particularly in forecasting, fraud prevention, and market analysis.[7]

[7] https://www.business.hsbc.com/en-gb/insights/innovation-and-transformation/real-time-treasury-smarter-liquidity-stronger-control-and-quicker-decision-making

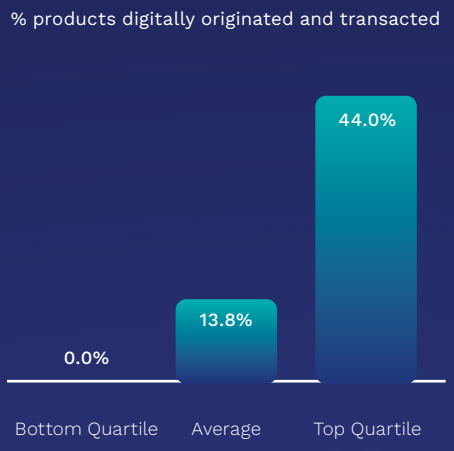
Digitalization moves from advantage to imperative

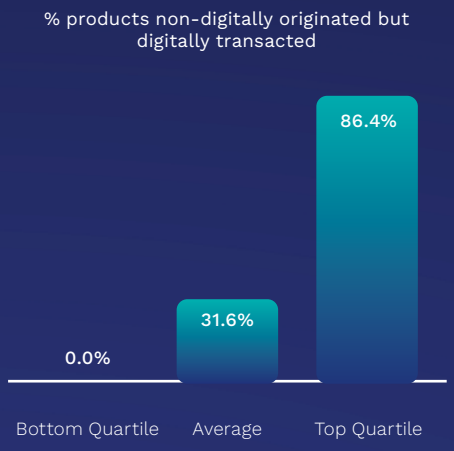
After years of underinvestment in technology relative to peers, corporate and commercial banking is embracing modernization, and this is expected to accelerate. The case for modernization touches almost every operational aspect – from replacing paper documents and faxes in Europe to phasing out checks in the US, and delivering intuitive digital experiences through treasury management platforms.

The opportunity to move more decisively into the digital world is clear, with Temenos Value Benchmark data showing that on average only 13.8% of corporate banking products are originated and transacted digitally, compared to 31.6% digitally transacted but not digitally originated. These findings show significant potential to digitalize processes, with many workflows still reliant on manual data entry, offline documentation, and fragmented approvals. Streamlining these steps through automation, digital origination, and integrated platforms will accelerate decision-making, reduce errors, and lower operational costs.

Industry analysis suggests that the "consumerization of corporate banking technology is in full swing", with front-office investments, including digital channels and customer lifecycle management, "front lines" for revamping client experiences.[8]

Corporate banks show stronger digital adoption in servicing than onboarding





[8] Celent, *Corporate Banking IT Spending Forecasts by Domain 2023–2028*

Wealth Management

Wealth management has been an early innovator in client-centric capabilities but faces unique considerations when it comes to broader technology adoption. With the depth and sensitivity of client relationships, alongside stringent regulatory and fiduciary obligations, change must be carefully planned for.

This is particularly important as the nature of wealth itself evolves. With global migration at record levels, assets are becoming increasingly dispersed across regions, jurisdictions, and generations, introducing greater complexity into how wealth is managed and transferred.

These dynamics are compounded by shifting client expectations being shaped by digital-first experiences in other industries. Today's clients expect seamless, intuitive digital engagement alongside trusted, high-touch advisory relationships. Wealth firms are therefore increasingly adopting hybrid service models to support diverse client needs and preferences.

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AI scales wealth management advice and raises the bar on fee transparency

AI is reshaping the economics of wealth management. A key mechanism of this transformation is expanding advisory capacity and enabling tailored advice at scale.

For example, AI automates meeting preparation and documentation processes using targeted information, freeing up time for quality interactions with clients and supporting growth in assets under management (AuM). Linking client profiles with product and portfolio insights helps advisors match client needs with products, potentially increasing revenue.

Bain research suggests that AI has the potential to improve unit economics twofold. An estimated 25% to 30% of this uplift will come from reducing non-client-facing tasks, allowing advisors to serve more clients while maintaining personalization and high-quality service at lower cost.

Meanwhile, rising client scrutiny and fee compression are reshaping the economics of wealth management. With 62% of investors reassessing advisory fees in 2025 and average fees down roughly 8% annually in 2023 through 2025, price transparency has become essential. AI is a critical enabler; by automating fee decomposition, benchmarking costs, and real-time client reporting, firms can respond to transparency demands at scale while protecting margins and reinforcing trust. Rather than defending pricing, advisors show value through quantified outcomes.

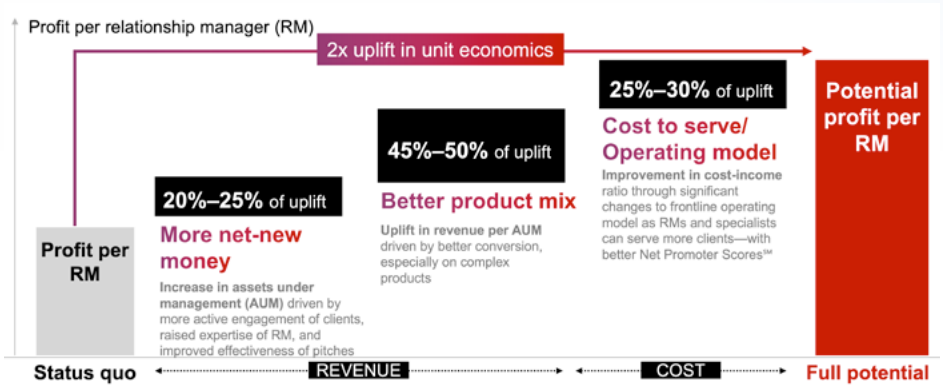
However, most wealth managers still operate on legacy systems and fragmented data stores not designed for AI requirements. Without foundational investment, AI initiatives remain pilot projects rather than enterprise capabilities.

To win, organizations should:

- Modernize their technology foundations around the demands of enterprise-grade AI agents;
- Embed AI into advisor workflows; and
- Redesign pricing communication to emphasize outcome-based value rather than percentage-based fees.

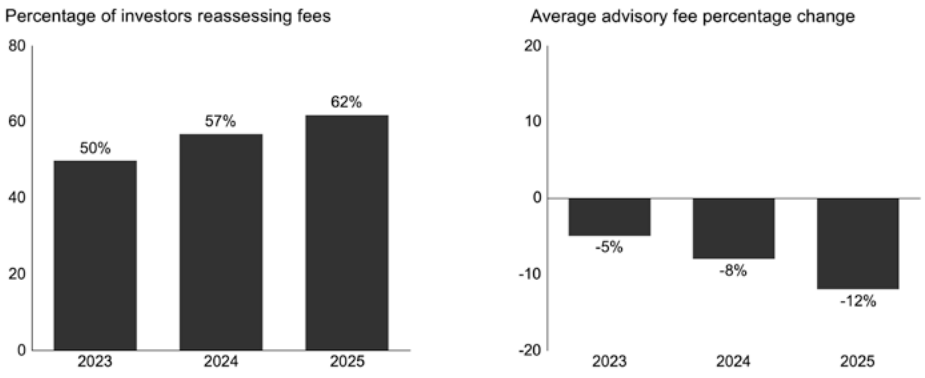
In the age of AI, the key competitive frontier in wealth management is trust, earned through tailored advice and fee clarity. Firms that combine digital intelligence with human judgment will capture that trust. AI does not commoditize advice; it elevates the value.

AI could double relationship manager unit economics



Note: Net Promoter Score℠ is a service mark of Bain & Company, Inc., NICE Systems, Inc., and Fred Reichheld
Source: Bain analysis

Advisory fees come under increasing pressure



Source: Cerulli Associates, The Advisor Practice Economics Issue, Q2 2025

Millionaire migration requires global capabilities

Millionaires are relocating at record levels, with migration numbers more than doubling from 51,000 in 2013 to a provisional 142,000 for 2025.[9] This is being driven by a range of factors, including the rise in remote working and evolving tax regimes, as HNW individuals seek new bases to support long-term wealth and lifestyle planning.

These movers are staying in new locations for extended periods, often beyond six months, creating more complex wealth, tax and investment needs across jurisdictions. Wealth managers are being forced to rethink service delivery and adopt scalable technology that supports clients across borders.

Remote advisory services, multi-jurisdictional compliance capabilities, and the ability to navigate differing tax regimes and local market standards are now essential. Compliance is increasingly being approached through a cross-border lens by default, with implications across payments, KYC, data residency and securities handling.

To meet these evolving demands, wealth firms are investing in solutions that can adapt rapidly to new geographies, enabling them to continue delivering the high-touch experiences the industry is known for without requiring a physical presence in every client location. At the same time, however, many firms are opening branches in markets such as Singapore, Dubai and the Caribbean to provide local expertise, navigate domestic tax laws and regulatory requirements, and meet client needs without delay. Digital infrastructure and local services are therefore increasingly essential to supporting global wealth clients, with digital tools often adopted to complement on-the-ground expertise.

[9] https://www.henleyglobal.com/publications/henley-private-wealth-migration-report-2025/global-wealth-migration-2025

Private and digital assets drive portfolio diversification

Portfolio diversification remains a cornerstone of wealth management, but the way in which investors diversify is changing.

Despite investor appetite to take advantage of private markets, particularly in seemingly fast-growing sectors like AI, access remains largely limited to those that meet the accredited investor criteria. But with demand increasing and policy momentum building to broaden participation,[10] the challenge (and imperative) for banks is to position themselves as the go-to gateway for access. With many investors already turning to private exchanges, banks need to ensure they have the infrastructure (including integration capabilities) needed to safely offer private market opportunities to a wider investor base. This includes managing complex ownership and lifecycle management and addressing risks of fraud.

Digital assets and tokenized securities also continue to attract investor interest, offering a new level of flexibility, including the potential for fractional ownership, faster settlement, and enhanced liquidity. However, legacy systems often struggle to support complex digital asset structures, which can also complicate KYC and AML processes. Banks therefore need secure custody, tokenization, compliance, and API-driven integration capabilities to safely support digital assets and tokenized securities at scale.

Meanwhile, market volatility is driving a renewed focus on active management, with advisors adjusting portfolios more frequently to capitalize on changing conditions and risk. Banks increasingly require technology that supports real-time portfolio management as they continue to navigate volatile and uncertain markets.

[10] https://www.wsj.com/finance/investing/private-stock-market-growth-bb71bde1?gaa_at=eafs&gaa_n=AWEtsqc2vfvJcTaZ2yJQSuadnwj2b_8AUdlNozHHD8X7Gn92jM36JB_ef6yBFexCaD4%3D&gaa_ts=69a84aee&gaa_sig=X0SJlySne3lF-

Digital-first experiences for next-gen wealth clients

Generational shifts are redefining the wealth landscape. At one end, Millennials and Gen Z are rapidly dominating the mass affluent segment, which accounts for nearly 40% of global wealth.[11] Rising incomes, greater financial literacy, and the proliferation of digital wealth platforms are accelerating this transition, making younger mass affluent clients both more visible and more economically viable for firms to serve at scale.

At the same time, the Great Wealth Transfer is reshaping the demographics of the HNW and ultra-high-net-worth (UHNW) segments. As Baby Boomers and Gen X continue to pass on their assets, a younger, digitally native cohort of HNW and UHNW clients is emerging. Many of these inheritors have fundamentally different expectations from their predecessors, which firms cannot afford to overlook. Research suggests that even relatively basic gaps, such as limited access to their preferred digital channels, are a leading reason (46%) why new inheritors switch firms within two years.[12]

To capture mass affluent growth and retain clients as they move up the wealth curve (as well as existing UHNW clients), wealth firms are adopting hybrid models that blend digital capabilities with human advice. This requires modern technology and software that can integrate real-time data, support digital onboarding (for the mass affluent) and digital KYC, enable personalization, and provide secure, omnichannel collaboration tools.

[11] UBS, World Wealth Report, 2025
[12] Capgemini, World Wealth Report, 2025

Compliance and operational resilience drive innovation agenda

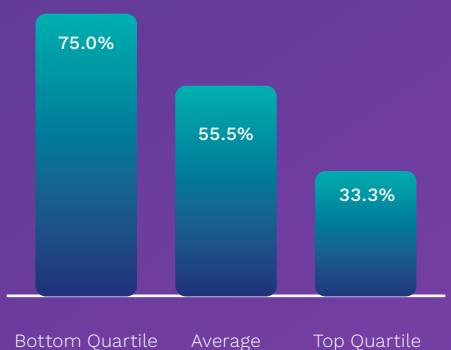
Compliance-focused innovation is a priority as wealth managers seek to address intensifying regulatory requirements, such as those under MiFID II, as well as tighter AML and KYC regimes, more efficiently and without increasing operational complexity.

At the same time, regulators are paying closer attention to operational resilience and system stability, with the arrival of the Digital Operational Resilience Act in Europe early last year a case in point (alongside global developments such as Australia's evolving APRA standards and OSFI Guideline B10 in Canada).

Efficiency pressures compound these challenges, with Temenos Value Benchmark data showing that on average wealth front-office staff spend over half their time on administrative tasks.

Together, these forces are driving investment in compliance solutions that support real-time adherence to legal and contractual frameworks, and internal policies and client guidelines, while also enabling accurate and timely reporting. The way firms assess and respond to customer risk is also evolving, with increasing use of advanced monitoring tools across AML and KYC, and the growing adoption of perpetual KYC models that use automation to continuously monitor client risk profiles and client life cycles.

Administrative burden highlights the operational cost of compliance



% Wealth front-office staff time spent on admin tasks

AI is also being applied to processes such as verification of source of funds (which also applies when clients switch firms), making it faster and more secure to amalgamate supporting documentation.

Keeping operations running smoothly with minimal interruptions and clear audit trails has become non-negotiable. In a trust and transparency-based industry, demonstrating service continuity and real-time compliance intelligence significantly enhances client confidence while protecting the business and its reputation.

Payments

Payment volumes and real-time transactions continue to explode globally as cash declines and embedded payments proliferate.

The rise in smaller, more frequent payments – such as through bill splitting – are also adding to volumes and squeezing processing capacity. Legacy, batch-based systems are struggling to provide the continuous availability, real-time processing, and cost efficiency required for sustainable payments growth.

Meanwhile, regulatory clarity is laying the groundwork for the convergence of traditional and tokenized finance. As frameworks mature, confidence is growing to integrate these services into existing payment offerings, including the use of stablecoins and central bank digital currencies (CBDCs) to execute transactions.

At the same time, it has become even harder to keep up with the risk landscape. Banks must balance the demands of speed and scale with protecting customers and the business from fraud and other bad actors.

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Stablecoins expand into real-world use cases

Stablecoins are moving from crypto infrastructure to a credible settlement and liquidity rail for specific banking and payments flows. In emerging markets with constrained access to stable foreign currency, they are increasingly used to hold value in US dollars. Although stablecoins will not replace existing payment systems, they are becoming strategically relevant in cross-border, automated cash-pooling, and wholesale settlement. For banks, this creates long-term opportunity and near-term complexity.

Scale, regulation, and industry engagement are shaping adoption. Global stablecoin supply has reached $300 billion – still small relative to bank deposits but large enough to prove technical viability and substantial liquidity.

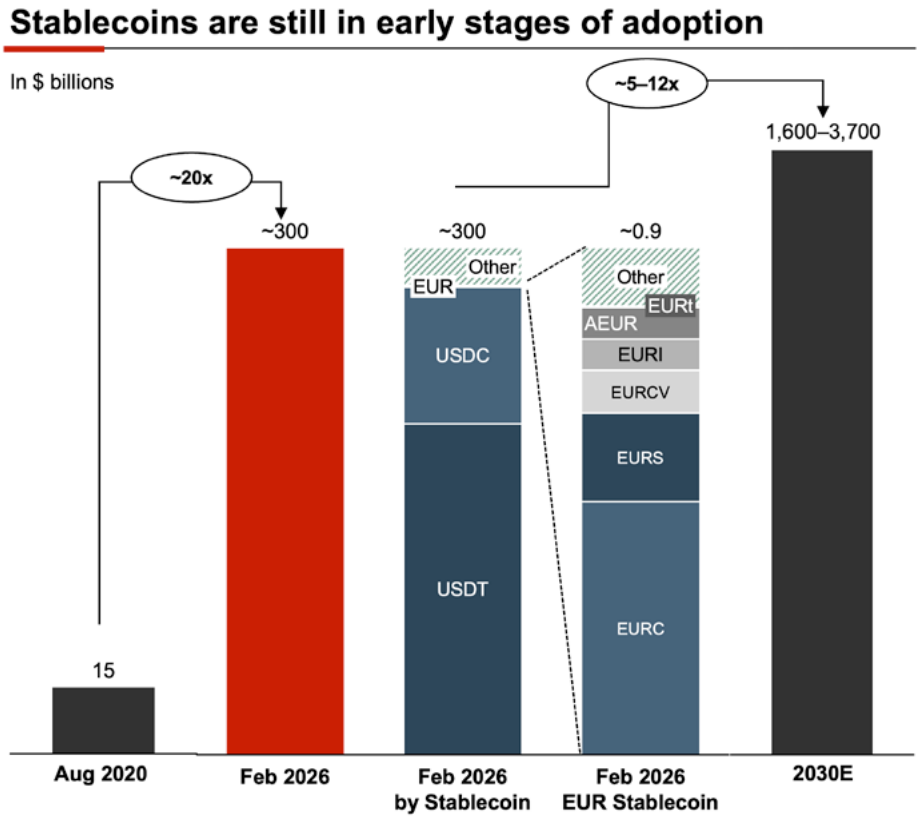
Usage remains largely crypto-native and US dollar-centric, but that's changing. Clearer regulation in key markets—such as the Guiding and Establishing National Innovation for US Stablecoins (GENIUS) Act in the US and the Markets in Crypto-Assets (MiCA) regulation in the EU, deeper supervisory engagement, and participation by major banks and payment networks are moving stablecoins from experimentation toward commercialization.

Stablecoins can add the most value where payment systems remain slow, fragmented, or costly. In cross-border and wholesale payments, stablecoins reduce friction in B2B cross-border payments, foreign exchange payment-versus-payment settlement, and collateral mobility. In domestic payment flows where real-time systems or fintechs already offer instant, low-cost, and trusted solutions, stablecoins offer limited value.

Technologically, most banks are constrained by legacy cores, which are not designed for the 24/7 operations and instant settlement that stablecoins provide. In the near term, the shift to stablecoins will require a dual-track model where existing payment rails sit alongside new digital infrastructure, linked by robust integration layers.

Banks should prioritize a small set of high-value use cases and build no-regret capabilities, including custody and wallets, piloting with select clients and partners. The goal is not immediate scale but the readiness for a payment rail likely to grow in importance.

Stablecoin assets under management are expected to grow 5–12x by 2030, led by US dollar, with Euro growing gradually



Notes: Other includes the residual stablecoins such as Pax Dollar (USDP), Global Dollar (USDG), PayPal USD (PYUSD), and First Digital USD (FDUSD); growth rate depending on 2030 estimated value; Citigroup estimates stablecoin AUM to grow to $1,600 billion by 2030 in base scenario and to $3,700 billion in bull-case scenario
Sources: Visa Onchain Analytics Dashboard; CoinMarketCap; Citigroup; Artemis

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How tokenization and wallets will change banking

Digital wallets are evolving from payment instruments to foundational infrastructure for financial services. As assets and transactions extend beyond traditional core banking systems to digital asset networks, through tokenized deposits, stablecoins, and emerging CBDCs, the conventional bank account is being redefined. Increasingly, it will need to function less as a static ledger entry and more as a programmable wallet capable of securely transacting, authenticating, and managing digital assets and identities.

New products and enhanced services illustrate this trend. Mobile wallets are expanding beyond contactless payments to incorporate digital identity credentials, such as government-issued identities and passports, enabling secure authentication for travel and regulated services.

Meanwhile, crypto wallets support self-custody of tokenized assets across decentralized finance ecosystems, signaling a shift toward customer-controlled financial identity and value storage on digital asset networks.

Institutional products are also emerging. Banks and asset managers are experimenting with tokenized deposits, representations of cash balances on digital asset networks that enable real-time settlement and interoperability across digital ecosystems. Tokenized investment products demonstrate how traditional financial assets are held and transferred via wallets on digital asset networks.

Looking ahead, digital wallets will increasingly incorporate identity management and authentication capabilities based on verifiable credentials, allowing banks to issue and verify identity attributes seamlessly across services. The transition from bank accounts to wallets—blending programmable value, portable identity, and cryptographically assured access—will reshape customer engagement and position banks as a provider of digital trust.

Regulatory clarity accelerates digital currency adoption

Digital currency regulation is taking shape, with the introduction of regulatory frameworks such as the US GENIUS Act and the EU's MiCA helping to formalize issuance, reserve requirements, and consumer protections.

CBDC initiatives are also gaining ground. Europe's progress on the digital euro is one of the most significant steps toward mainstream adoption, with 2026 set to be a "crucial year" for the project, and a potential release expected by 2029.[13] Over 100 other countries are also actively engaged in CBDC work.[14]

Against the backdrop of global political turbulence, CBDCs have become increasingly attractive to governments as a way of reclaiming control over payments infrastructure, including rails and data. Their rollout will significantly impact processing and management infrastructures, as currency distributions will need to be tracked and fed to the central bank in real time.

Although it could be years until we see full-scale rollouts, the coexistence of increasingly regulated stablecoins and CBDCs is already helping to define a market structure. Banks and other financial participants such as payment processors are starting to plan for interoperable rails and compliance workflows to support both as digital asset ecosystems continue to mature.

[13] https://www.ecb.europa.eu/press/blog/date/2025/html/ecb.blog20251209~9ba130ff20.en.html#:~:text=It%20will%20complement%20them%2C%20making,look%20at%20The%20Supervision%20Blog?

[14] https://coinledger.io/research/cbdc-developments

Beneficiary verification adoption accelerates globally

Beneficiary verification, designed to make sure the name provided by a payer matches the recipient's account name before funds are transferred, have become mandated, standard practice in many markets around the world – and increasingly leveraged within the cross-border space. Financial crime prevention, changing regulatory requirements, and an increased focus on customer trust and operational efficiency are all driving adoption.

Proliferation of beneficiary verification services is putting pressure on payment service providers to support a growing mix of these tools across multiple markets. This is prompting discussions around the standardization and consolidation of services, driven by the need for greater regulatory alignment. More harmonized solutions would help reduce operational burdens – lowering costs and minimizing friction from additional steps – for providers operating across multiple markets.

Real-time efficiency and scalability remain key challenges, particularly as cross-border payment services move to more instant-based delivery. Leveraging cloud technologies for resilience and scalability, while also choosing beneficiary verification service providers that can deliver high performance at scale, will therefore be essential for future success.

AI powers smarter payments processing and compliance

The scale of payments, combined with rising expectations for instant processing and tighter regulatory oversight, is putting significant strain on processing infrastructures, particularly in financial crime mitigation.

With legacy systems pushed to their limit, agentic AI and machine learning are stepping in and increasing speed and accuracy, freeing human teams to focus on high-value decisions (such as assessing an alert for a suspicious transaction). These technologies streamline compliance exceptions by identifying, investigating, and resolving discrepancies, often before they escalate into larger operational or compliance challenges. As mentioned previously, AI agents can also detect and repair broken transactions in real time.

What were once manual, reactive processes are becoming more proactive capabilities. This is also evident in payment initiation, where front-end agentic AI efficiencies are increasing the need for scalability across the whole processing value chain.

As digital challengers adopt these technologies as table stakes, AI has shifted from a nice-to-have to a must-have to stay competitive. However, AI is not a one-off investment; it is increasingly being baked into operating models and is expected to continue evolving not just within payments, but also across financial institutions more broadly.

Temenos Value Benchmark

The Temenos Value Benchmark is an industry-leading program that draws on insights from more than 200 banks and 100,000 data points to help financial institutions optimize their technology investments and improve profitability. As a customer value benchmarking and advisory service, it provides C-level banking executives with unique, data-driven insights into how technology can be leveraged more effectively to drive business value. In all graphs referenced in this report, quartiles are defined and sorted per metric.

Explore the program today

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Temenos (SIX: TEMN) is a global leader in banking technology. Through our market-leading core banking suite and best-in-class composable solutions, we are modernizing the banking industry. Banks of all sizes utilize our adaptable technology – deployed on-premises, in the cloud, or as SaaS – to deliver next-generation services and AI-enhanced experiences that elevate banking for their customers. Our mission is to create a world where people can live their best financial lives.

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