2025 Retail Banking Trends and Priorities

January 2025

Q2

DIGITAL BANKING REPORT

> *The future of retail banking in 2025 is a seamless blend of digital innovation and personalized human touch, where AI-driven insights meet customer-centric solutions, redefining convenience, trust, and engagement.*

— Jim Marous

Co-Publisher, The Financial Brand
Host, Banking Transformed Podcast
Owner, Digital Banking Report

Copyright 2025: DIGITAL BANKING REPORT (ISSN 2375-3455)
is published by DBR Media LLC, *admin@digitalbankingreport.com*

Issue 311

Publisher: **Jim Marous**, *jmarous@digitalbankingreport.com*

Creative Director: Carol Ann Ryan

Letter from the Editor

DIGITAL BANKING REPORT
Jim Marous, Owner & CEO
jmarous@digitalbankingreport.com
Issue 311

Jim Marous

The *2025 Retail Banking Trends and Priorities* Report, sponsored by **Q2**, reveals an industry at a critical inflection point. While digital transformation remains a central focus, with 51% of institutions actively implementing such initiatives, the path forward requires more than technology alone. The data presents a complex picture of an industry balancing innovation with practical realities, where success increasingly depends on personalized engagement and relationship building.

Digital experience enhancement leads institutional priorities at 52%, yet only a quarter of organizations prioritize modernizing legacy systems or back-office operations. This disconnect between customer-facing innovation and core infrastructure investment raises long-term sustainability and scalability questions. Credit unions stand apart, with 45% prioritizing legacy system updates, demonstrating a more holistic approach to technological advancement.

Perhaps the most striking finding in this year's report is the continued commitment to physical presence amid digital acceleration. Thirty-five percent of financial institutions plan branch network expansion, with credit unions leading at 61%. Rather than contradicting digital transformation goals, this hybrid approach may be an attempt to differentiate from digital-first organizations despite the underlying expense of following this strategy.

Real-time payment capabilities show significant adoption disparities between types of organizations. While 62% of banks offer some version of real-time payments, only 40% of credit unions follow this trend. This gap highlights smaller institutions' ongoing challenges in implementing advanced payment technologies while maintaining competitive service offerings.

Artificial intelligence adoption shows promising growth beyond traditional security applications. While fraud detection leads at 33%, the expansion into customer service chatbots (28%) and content creation (25%) signals a shift toward more sophisticated customer engagement.

Letter from the Editor (continued)

DIGITAL BANKING REPORT
Jim Marous, Owner & CEO
jmarous@digitalbankingreport.com
Issue 311

When we asked financial institution executives to provide a prediction for 2030, 80% of institutions expect AI to drive personalized marketing, enabling more targeted and meaningful customer interactions. Given the technology's rapid advancement and growing accessibility, the projection that 76% of institutions will use generative AI by 2030 seems conservative.

As consumer demands evolve rapidly, many organizations of all sizes are partnering with third-party solution providers. While 48% of institutions depend on core providers for most solutions, 38% favor third-party providers. Digital account opening leads partnership priorities at 49%, underscoring the industry's emphasis on streamlining customer acquisition and onboarding processes. This trend is even more pronounced among credit unions, with 62% prioritizing partnerships for digital account opening solutions.

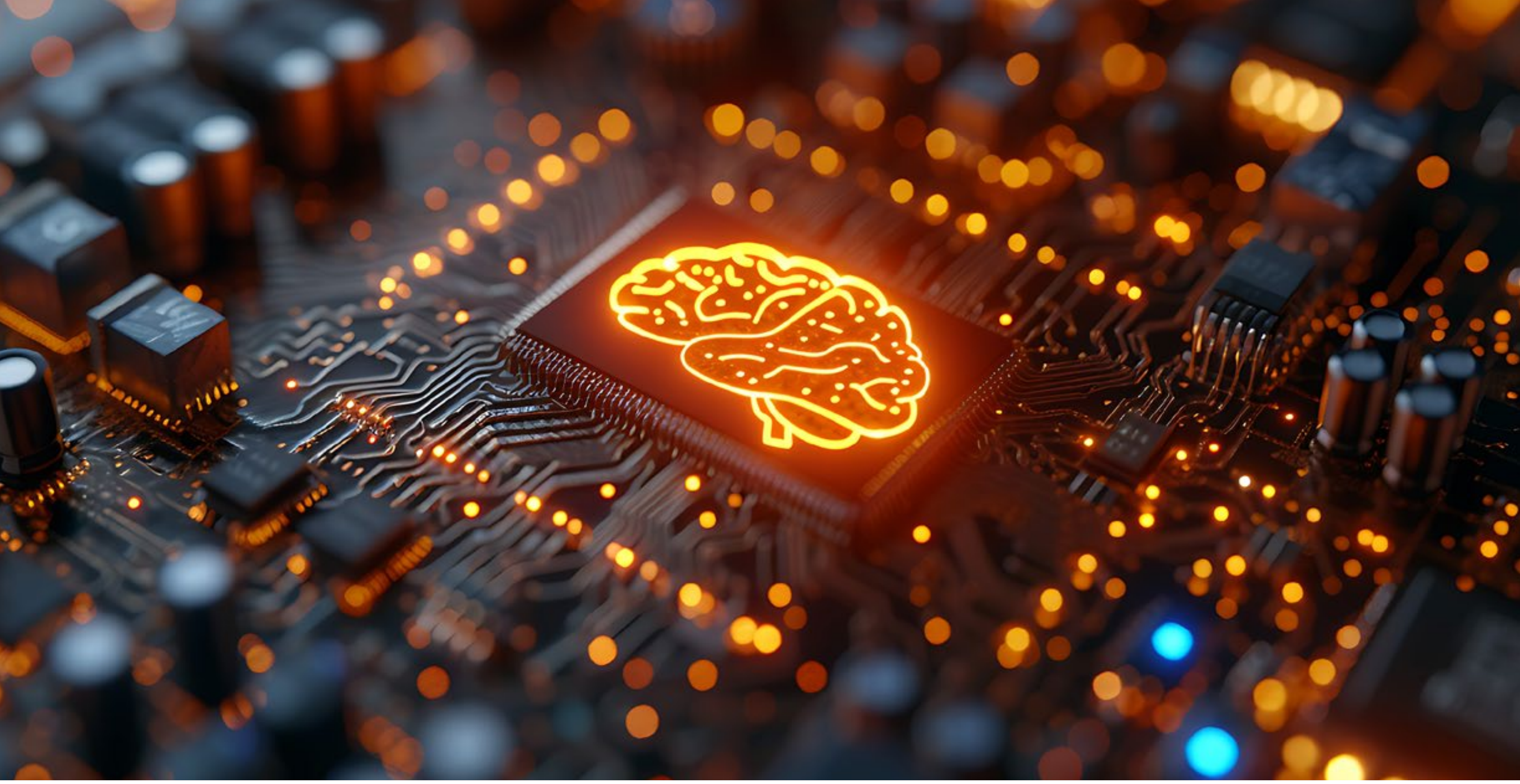
The emphasis on acquiring new relationships rather than organic growth presents opportunities and challenges. While expansion is crucial, institutions must balance acquisition efforts with strengthening existing customer relationships through improved digital experiences and data analytics. This dual focus ensures sustainable growth while minimizing customer attrition.

As we navigate these changes, success will increasingly depend on institutions' ability to leverage technology while maintaining meaningful customer relationships. The challenge is not choosing between digital and traditional approaches but crafting an integrated strategy that enhances efficiency and personal connection.

This report will guide you through this transformative period, offering insights and strategies to help your institution thrive in an evolving financial services landscape. The future belongs to organizations that can create personalized engagement that resonates with customers across all channels while maintaining the trust and security that form the foundation of banking relationships.

Best regards,

Jim Marous
Owner and CEO
Digital Banking Report



Contents

Since 1937, HFS Federal Credit Union has promised to nurture every member and foster financial growth on the Big Island of Hawai'i. Today, digital banking is core to that promise. In just one year after switching to Q2, HFS saw a 94% increase in active online banking users.

With modern digital tools that make banking simple and accessible, HFS is helping more members lead financially empowered lives—including the next generation that will enrich the island's culture for years to come.

LEADERS BANK ON Q2

Preface

Kirk Coleman

Innovation and Personalization Will Shape Banking in 2025

When you take a moment to reflect on how far the banking industry has progressed over the past decade, the pace of digital banking transformation has been nothing short of extraordinary.

Last year, Q2 proudly celebrated its 20th anniversary. In the early days, banking happened primarily in physical, brick-and-mortar branches, and as a software company serving banks and credit unions, we focused on providing online banking solutions. Fast-forward to today, and over half of the logins into the Q2 Digital Banking Platform are happening through mobile devices.

This rapid pace of innovation accelerated in the past five years with the COVID-19 pandemic, which served as a catalyst for digital banking innovation and increased adoption of digital tools at an unprecedented scale.

As we step into 2025, two things remain constant: Digital Transformation continues to advance, and banks and credit unions are trying to keep pace with consumer expectations that are evolving faster than ever. This sentiment is echoed in this year's Retail Banking Trends and Priorities report, where 52% of financial institution respondents identified improving the digital experience as a top strategic priority.

This new report offers invaluable insights into the trends and strategies shaping the future of the industry. It provides a roadmap for financial institutions to innovate, collaborate, and adopt a consumer-centric approach. Here are three key areas of focus for financial institutions in 2025.

Personalization of the consumer experience has become a critical differentiator

Consumers are increasingly turning to their financial institutions' mobile apps or websites to manage their financial lives. According to recent Harris Poll research commissioned by Q2, 48% of respondents across all generations log into their bank's mobile app or website daily. Moreover, 74% of these respondents expressed a desire for more personalized banking experiences.

A seamless, personalized digital experience has evolved from a "nice-to-have" to an essential expectation by consumers. Financial institutions are listening to their account holders, recognizing the need to move beyond generic, one-size-fits-all services (52%

"When account holders feel understood and supported, they are more likely to remain loyal to their financial institution. This strategy allows financial institutions to differentiate themselves in the marketplace and build a more sustainable competitive advantage."

listed it as their top priority). The challenge—and opportunity—is to deliver tailored solutions that align with individual needs and preferences.

By offering dynamic, personalized experiences, financial institutions can transform routine banking transactions into meaningful account holder engagement. These moments of tailored support and timely solutions not only enhance satisfaction but also foster deeper account holder relationships.

Financial institutions must strategically adopt AI and data analytics

To deliver dynamic personal experiences, banks and credit unions must first understand their account holders at a deeper level. This involves gathering and analyzing data from various sources, such as transaction history and account activity, to gain insights into each account holder's financial behavior, goals, and pain points. The key is to make sense of this data so that financial institutions can deliver on consumer expectations.

According to the *2025 Retail Banking Trends and Priorities* report, only 33% of respondents who listed enhancing data and analytics capabilities as a priority rated it as their top priority. However, **The Harris Poll** report uncovered that consumers are comfortable with their financial institution using their data to personalize their experiences (66%) and are comfortable with financial institutions utilizing AI for advanced fraud protection (70%).

It is imperative that financial institutions adopt and enhance their use of AI and data analytics to meet the needs of consumers. For example, financial institutions can leverage digital banking platforms that harness data, enabling them to offer information and services specific to their account holders' needs throughout their financial journeys. Utilizing data in this way will help financial institutions move beyond targeted marketing to providing dynamic personal experiences that will ultimately increase account holder satisfaction and loyalty.

And it is not without reward. According to **McKinsey**, GenAI has the potential to add the equivalent of $200 to $340 billion in value to banking, largely from increased productivity.

Innovative partnerships will help drive consumer loyalty

To further enhance the account holder's experience, financial institutions need to integrate a wide range of services and tools into their digital platforms. This can be achieved by partnering with fintech companies and third-party providers. According to the *2025 Retail Banking Trends and Priorities* report, financial institutions have already begun utilizing fintech partners, with 64% of financial institutions reporting that they already have an established collaboration with a fintech firm. However, according to the report, 20% have no plans to collaborate with a fintech firm in the foreseeable future.

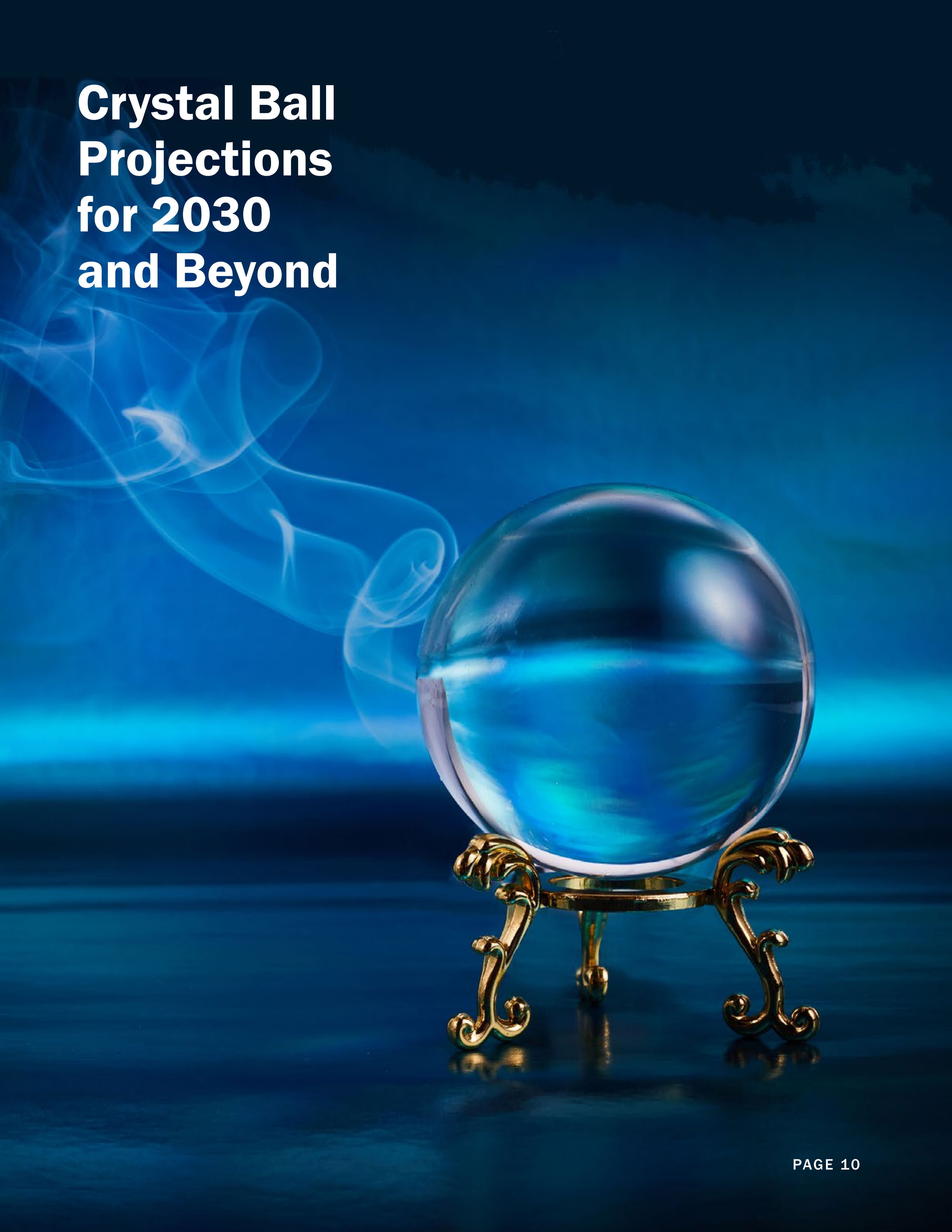
By leveraging open ecosystems, financial institutions can offer a broader array of specialized solutions, such as credit score monitoring, financial literacy resources, and chatbot tools, allowing them to meet diverse consumer needs in a comprehensive and efficient way. This approach creates an ecosystem where people feel supported across their financial journeys, not just for basic transactions.

When account holders feel understood and supported, they are more likely to remain loyal to their financial institution. This strategy allows financial institutions to differentiate themselves in the marketplace and build a more sustainable competitive advantage.

While many financial institutions have made significant strides in their digital transformation journeys, there's still work to be done to digitally transform the industry. The most successful financial institutions prioritize deep account holder insights and align them with a strong strategy. By doing so, they don't just transform — they innovate, strengthen loyalty, and drive lasting engagement.

Kirk Coleman
President, Q2

Crystal Ball Projections for 2030 and Beyond



Crystal Ball Projections for 2030 and Beyond

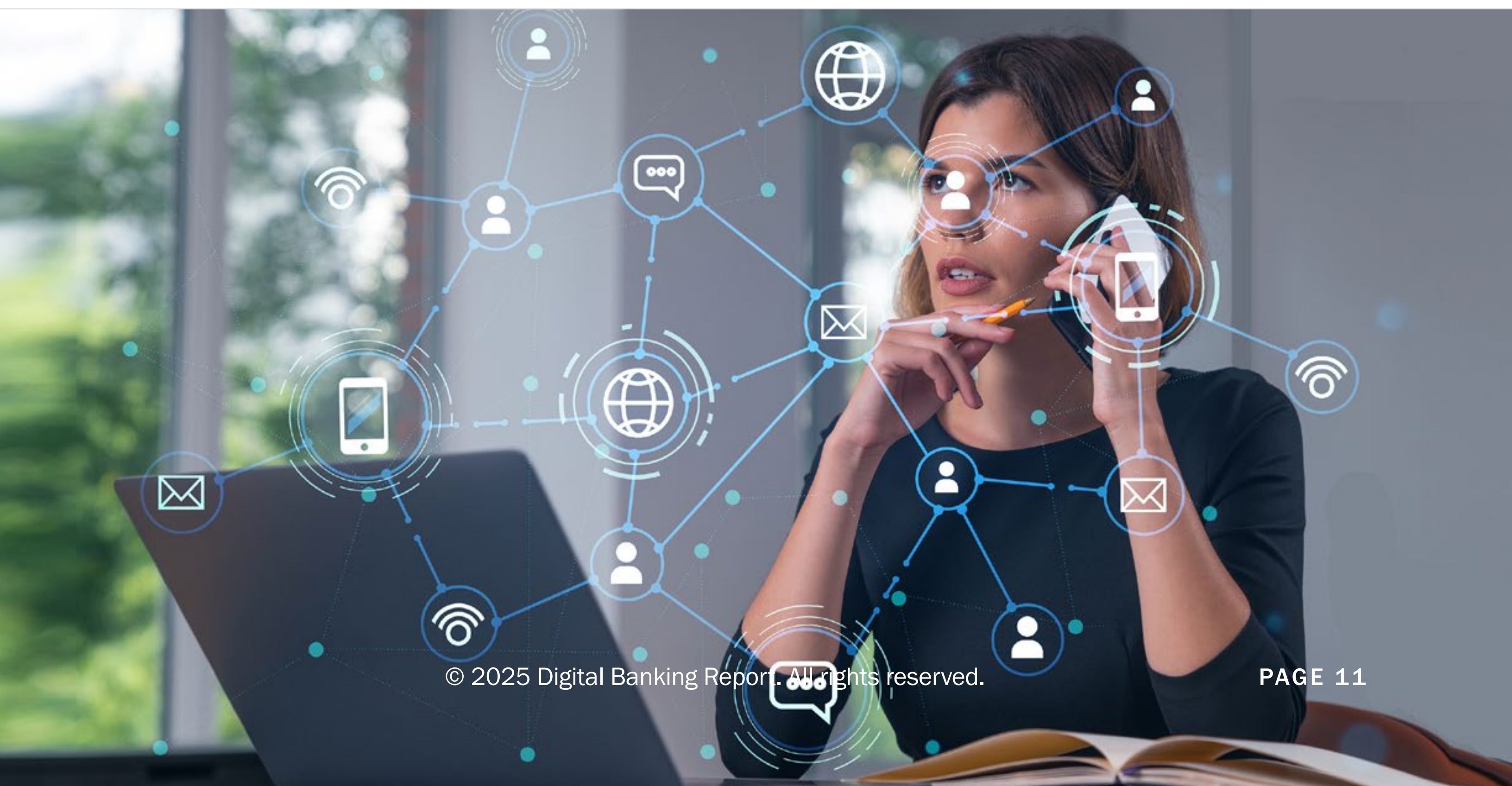
The projections for retail banking for 2030 and beyond highlight a dynamic shift driven by advanced technology, customer-centric innovation, and increasing competition. This shift presents both transformative opportunities and significant challenges for financial institutions.

As the financial services industry races toward a digitally driven future, our crystal ball projections for retail banking for 2030 and beyond, provide critical perspectives (from financial services executives globally) into emerging trends and transformative shifts. These predictions, ranging from the adoption of generative AI to the increased prevalence of cryptocurrencies, reflect an industry undergoing profound change.

While many of these projections point toward exciting opportunities for innovation, they also highlight significant challenges for financial institutions striving to remain competitive and to be more customer-centric. Following, we delve into the nuances of these projections, exploring how they map out the future of retail banking and what they imply for the industry.

Generative AI and Digital Agents: Redefining Customer Engagement

The fact that **80% of organizations believe digital agents will rely on generative AI for real-time personalized marketing communications by 2030** represents a significant and potentially overstated leap forward in customer engagement. The supporting projection that **76% of financial institutions believe that most financial**



institutions will be using generative AI by 2030 underscores AI's pivotal role in reshaping how banks interact with their clients.

Generative AI, with the ability to analyze massive datasets and create hyper-personalized content, allows financial institutions to predict customer needs and preferences in real time. This development presents an enormous opportunity to build deeper customer relationships and increase loyalty.

However, this shift is not without its challenges. Implementing generative AI at scale requires significant data management, technology, and talent investments. Additionally, banks must navigate ethical concerns surrounding data privacy and the potential for algorithmic bias. Institutions that balance technological innovation with transparency and inclusivity will be best positioned to capitalize on this trend.

Embedded Banking and the Payments Ecosystem

The payments marketplace is one of the most dynamic components of banking today. Therefore, it was not surprising that **70% of financial institution executives believe that more than 50% of payment transactions will occur through non-bank channels such as Apple Pay and Google Pay by 2030.**

In addition, **48% of banking executives believe plastic cards will account for less than 25% of payments by 2030.** This trend underscores consumer preference for convenience and speed in financial transactions. Banks investing in seamless digital payment experiences benefit from increased transaction volumes and enhanced customer satisfaction.

Within this context, banks must ensure that their digital payment solutions are accessible to all customers, including those with limited technological proficiency or access to digital devices. Bridging this gap will require targeted financial literacy programs and the development of user-friendly digital tools.

Aligned with these more traditional payment trends, **67% of financial institution executives believe that over half of the top ten financial institutions will integrate banking into non-banking solutions by 2030**. This integration allows platforms to offer seamless, context-aware financial services, such as payment processing or credit options, directly within the customer journey.

For traditional financial institutions, embedded banking opens new revenue streams by tapping into consumer transactions occurring on third-party platforms.

Partnerships with e-commerce platforms or ride-sharing apps enable banks to offer contextual financial services like microloans or insurance. On the other hand, banks risk being relegated to the back end of these transactions, losing direct customer relationships to tech-savvy intermediaries.

Developing robust APIs and forging partnerships with fintech and big tech players can help banks leverage their strengths while retaining some level of customer interaction. Furthermore, embedding value-added services, such as financial management tools or loyalty rewards, into third-party platforms can help banks maintain visibility and relevance in a competitive landscape

Cloud and Enterprise Banking Applications

Nearly 70% of banking executives predicted that over **75% of enterprise banking applications would migrate to the cloud by 2030,** signaling a fundamental transformation in operational efficiency and scalability. Cloud adoption enables financial institutions to streamline processes, reduce costs, and improve resilience to rising cyber threats.

The shift to cloud-based infrastructure also supports the development of real-time services, enhancing the customer experience and enabling faster innovation cycles.

Despite these advantages, cloud migration can pose logistical and regulatory challenges. Financial institutions must address concerns around data sovereignty and ensure compliance with a patchwork of regulations. Furthermore, transitioning legacy systems to the cloud is a complex undertaking that requires careful planning and robust cybersecurity measures.

Consolidation and the Future of Physical Branches

The **anticipated 25% reduction in financial institutions by 2030 (predicted by 60% of financial services executives) and a similar decline in physical bank branches by 2030** (expected by 56% of bankers) reflects the banking sector's ongoing fiscal and competitive challenges.

For many banks, this consolidation may present an opportunity to optimize physical footprints and focus resources on digital transformation. As branches close, banks can invest in omnichannel strategies integrating digital tools with personalized, high-touch services.

"At its core, the future of retail banking hinges on the ability to adapt to changing customer expectations while maintaining trust and transparency."

Alternatively, the decline of financial institutions and branches poses a significant challenge for customer segments that value in-person interactions, such as older demographics or those with complex financial needs. Institutions must find creative ways to serve these customers through video banking, mobile advisors, or reimagined branch formats prioritizing advisory services or community support over transactions.

Blockchain and Beyond

While only **27% of banking executives believe that blockchain technology will be adopted by over 75% of financial institutions by 2030**, our research shows that its potential to enhance transparency, security, and efficiency is undeniable in the long term. Today, blockchain is used to streamline cross-border transactions, improve fraud detection, and enable innovative solutions such as smart contracts.

Addressing significant challenges, including scalability and interoperability, is essential for the widespread adoption of blockchain. Regulatory clarity is also essential to ensure that blockchain applications comply with global standards. Banks that invest in collaborative blockchain ecosystems will be better positioned to navigate these complexities and unlock the technology's full potential.

Virtual and Augmented Reality: New Channels for Engagement

Only **32% of financial executives believe that 20% of consumers will use virtual and augmented reality (VR/AR) for daily transactions by 2030**, with an additional 50% believing that AR/VR will eventually break through. VR/AR technologies have the potential to revolutionize financial education, enabling immersive experiences that help customers understand complex products. Additionally, virtual branches could provide a unique blend of convenience and personalization.

However, adopting VR/AR in banking depends on overcoming technological and cultural barriers. High development costs and the need for specialized talent could limit adoption among smaller institutions.

The Cryptocurrency Conundrum

Embracing cryptocurrencies can open new revenue streams and position institutions as leaders in the fintech space. However, continued regulatory and political uncertainty and the volatility of crypto markets remain significant barriers.

This uncertainty is reflected by only **27% of those surveyed believing cryptocurrencies and digital fiat currencies will overtake cash usage by 2030.**

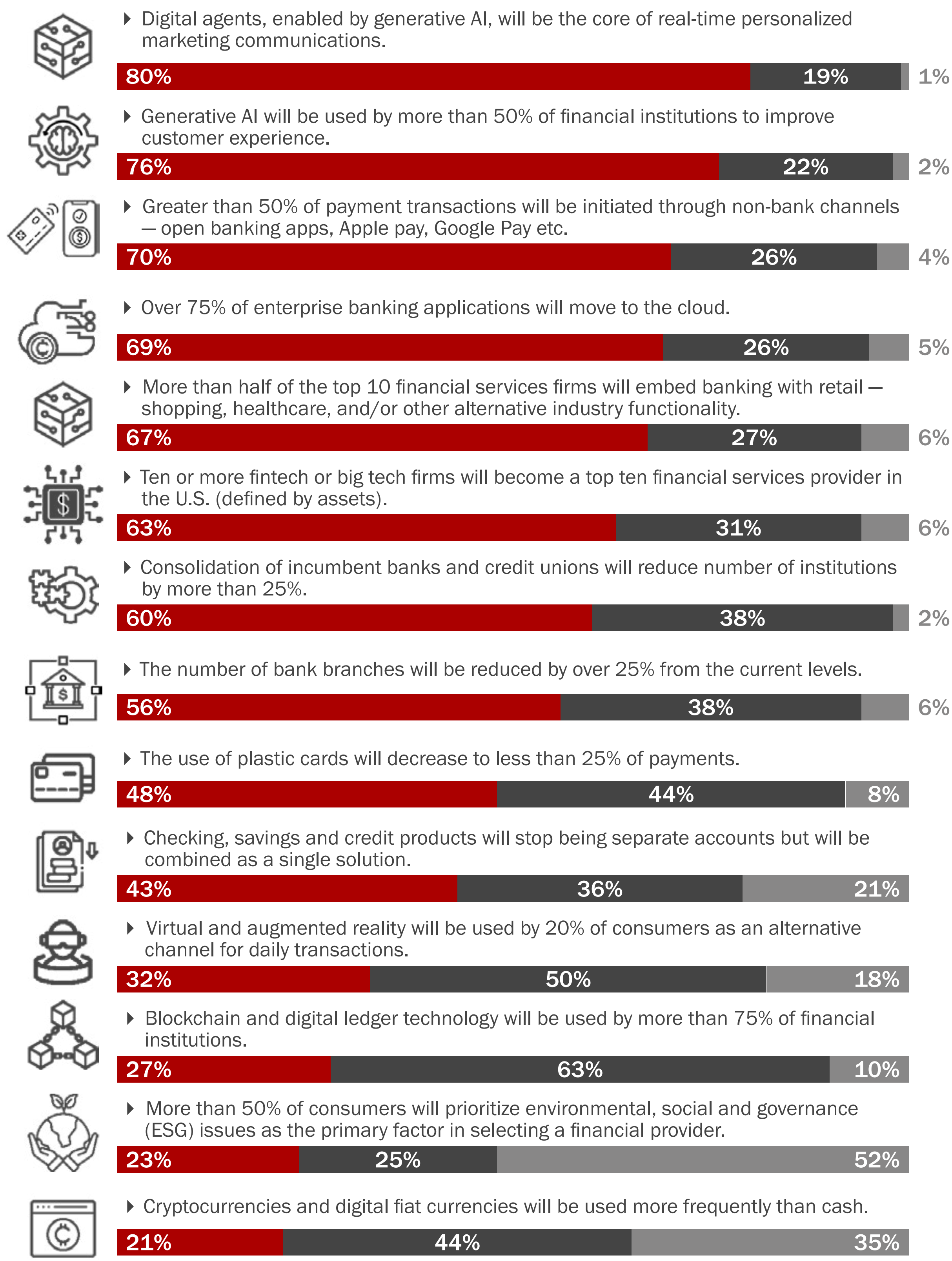
A Balancing Act for the Future

The crystal ball projections for retail banking in 2030 depict a landscape of both opportunity and disruption. While AI, cloud computing, and blockchain advancements present transformative potential, they also require substantial investments and strategic foresight. Institutions emphasizing customer-centric innovation will be best prepared to tackle the challenges ahead.

At its core, the future of retail banking hinges on the ability to adapt to changing customer expectations while maintaining trust and transparency. As digital transformation accelerates, banks must balance leveraging cutting-edge technologies and preserving the human touch that underpins lasting customer relationships. By doing so, they can survive and thrive in the dynamic landscape of 2030 and beyond.

CHART 1: CRYSTAL BALL PROJECTIONS FOR THE FUTURE OF BANKING

Please indicate your projections for when the following may occur.



Source:
Digital Banking
Report Research
© January 2025
Digital Banking Report

■ Will occur by end of 2030.
■ Will occur after 2030.
■ Will never occur.

The Accelerating Change in the Retail Banking Industry

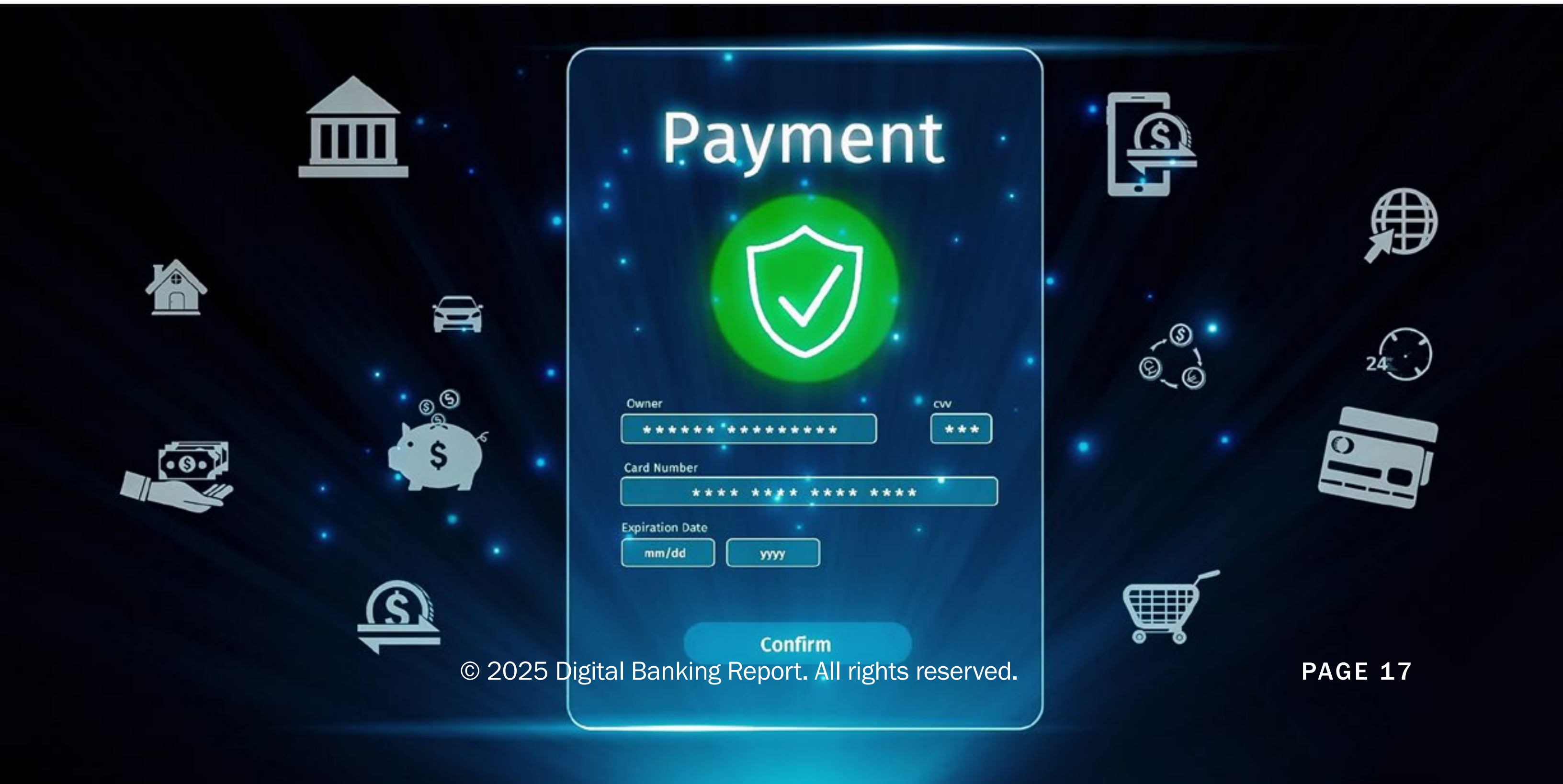
The Accelerating Change in the Retail Banking Industry

Retail banking is undergoing a transformative shift fueled by the convergence of personalization, innovation, and advanced data analytics. In an era where seamless digital experiences influence customer expectations, financial institutions must move beyond traditional service models and provide contextual real-time engagement.

The research conducted by the Digital Banking Report for this year's *Retail Banking Trends and Priorities* Report reflects the rapid change in the banking industry.

The ability to leverage customer data and implement predictive analytics has become a competitive necessity, allowing banks and credit unions to anticipate needs, offer relevant product recommendations, and cultivate deeper relationships. AI is a crucial driver in this transformation, enabling institutions to evolve from transactional interactions to more empathetic, contextual engagement.

From hyper-personalized financial wellness insights to AI-driven chat interfaces offering human-like support, the technology is enhancing efficiency and customer satisfaction. Innovation in digital banking is no longer optional — it is essential to retaining relevance and growing wallet share. Institutions that embrace these trends with a strategic, data-driven approach will be best positioned to drive loyalty, maximize lifetime value, and differentiate themselves in an increasingly crowded market.



A Look Back on 2024

When we asked financial institution executives to review last year's trends, they found significant shifts from what was expected to happen in 2024. One of the most striking shifts occurred in data and analytics prioritization.

While 'improving data and analytics (AI) capabilities and use of insights' was the top anticipated trend at the start of 2024 (with 52% of institutions ranking as a top trend) only 32% ranked it first from a looking-backward perspective in our research this year. Conversely, digital transformation gained momentum compared to what was expected in early 2024, rising from 42% to becoming a top priority looking back on the year (tied with customer journey simplification at 53%).

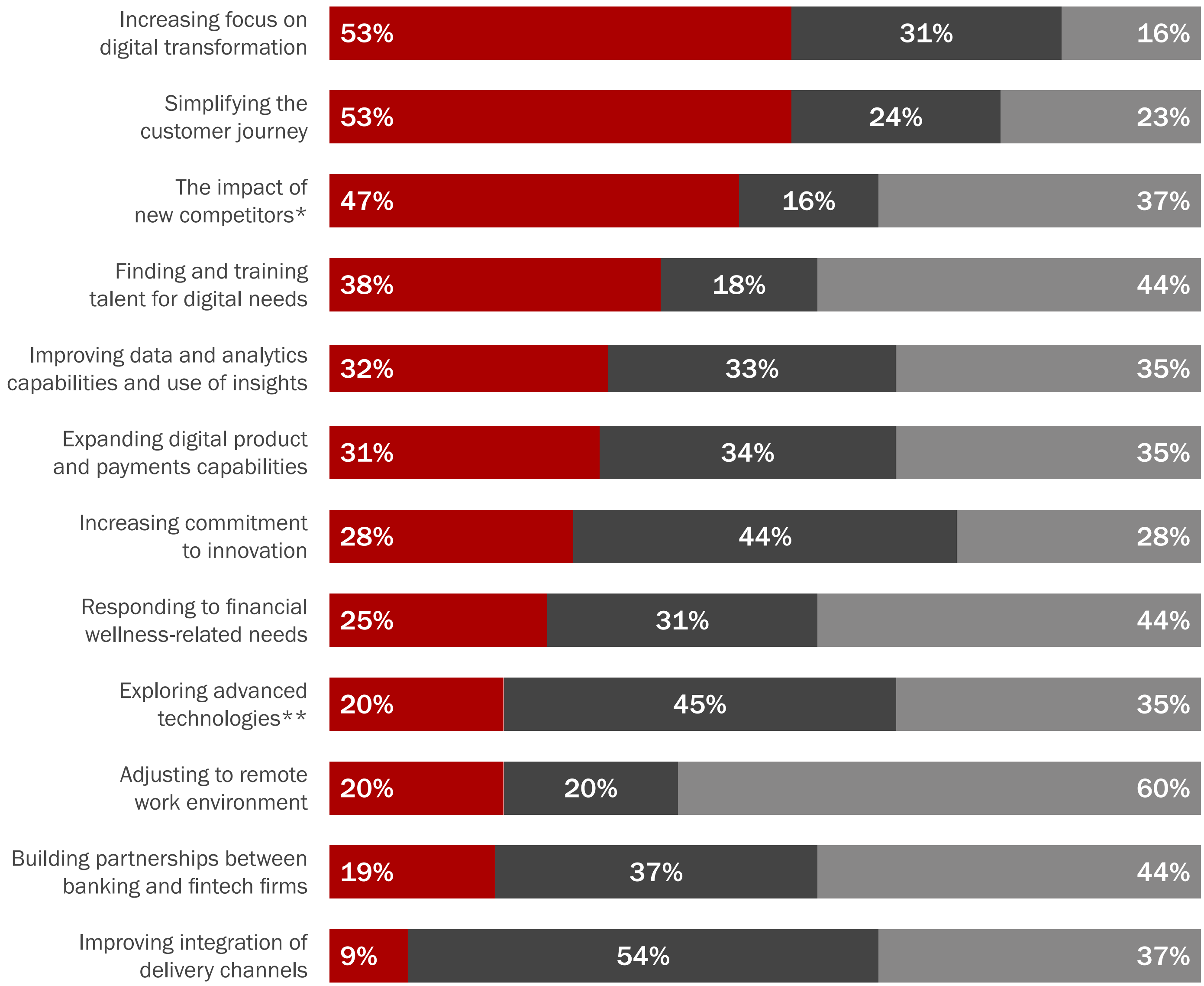
The emphasis on customer journey simplification was a much more critical trend last year than anticipated, jumping from 38% believing this would be a top trend at the beginning of 2024, to sharing the top position at 53% as bankers looked back to last year.

This shift suggests that in 2024, there was a growing recognition of the importance of user experience in banking services. The impact of new competitors (particularly fintech and large tech firms) and customer expectations became more pronounced throughout 2024, driving the focus on seamlessly delivering improved capabilities.

Reviewing 2024, we see an industry that began 2024 with aspirational goals of using data, technology, and innovation to drive results, but instead focused on prioritizing immediate customer needs and competitive responses as the year progressed.

CHART 2: MOST IMPORTANT RETAIL BANKING TRENDS IN 2024

What were the three most important retail banking trends in the past year?



*Fintech firms, large tech firms, etc.
** IoT, Voice, Blockchain, Web 3, Metaverse, etc.

- Top trend in 2024
- Second most important trend in 2024
- Third most important trend in 2024

Source: Digital Banking Report Research © January 2025 Digital Banking Report

2025 Projected Retail Banking Trends

The outlook for retail banking in 2025 shows a significant shift compared to 2024's retrospective view. While digital transformation and customer journey simplification dominated the 2024 review, the forecast for 2025 once again elevates data analytics and digital payment capabilities to the forefront, with both being viewed as a significant trend for the upcoming year.

Digital transformation remains vital in 2025 but drops to third place, with 40% identifying it as a top priority. However, it maintains a strong secondary importance, with 41% ranking it second. Notably, customer journey simplification, which was a leading priority in 2024's retrospective, shows a dramatic decline in importance for 2025, dropping to just 29%. This suggests a shift from basic customer experience improvements toward the desired deployment of more sophisticated technological capabilities.

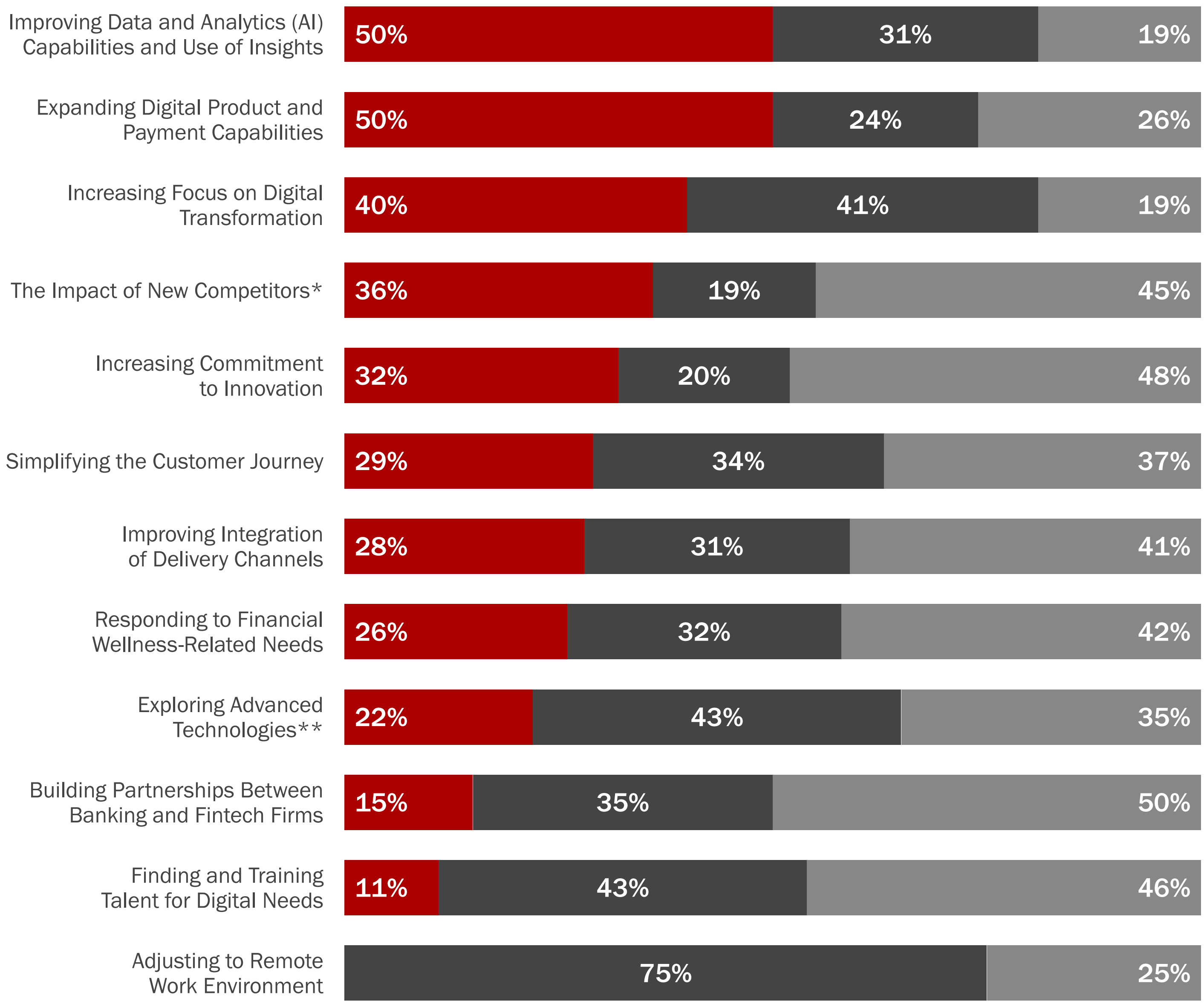
The impact of new competitors shows a slight decline as a primary trend, from 47% in 2024 to 36% in 2025, but interestingly, it gains significance as a third-tier trend at 45%. Remote work environment considerations show the most dramatic change, dropping from a notable trend in 2024 to receiving no first-priority rankings for 2025. This suggests that many banking employees are returning to full-time in-office or a standardized hybrid work schedule.

The emphasis on finding and training talent for digital needs also shows a marked decrease from 38% in 2024 to just 11% for 2025, while building partnerships between banking and fintech firms drops from 19% to 15%, indicating these may be viewed as more mature, established practices rather than emerging trends.

This evolution in anticipated trends suggests that banking executives are shifting their focus from foundational digital transformation and customer experience initiatives toward more advanced technological capabilities and data-driven operations. It will be interesting to see if these projected trends stand the test of time, seeing how the same aspirations in 2024 didn't result in significant business model transformation.

CHART 3:
THREE MOST IMPORTANT RETAIL BANKING TRENDS IN 2025

What will be the three most important trends for the retail banking industry this coming year?



* Fintech firms, large tech firms, etc.
** IoT, Voice, Blockchain, Web 3, Metaverse, etc.

- Top trend in 2025
- Second most important trend in 2025
- Third most important trend in 2025

Source: Digital Banking Report Research © January 2025 Digital Banking Report

"These incongruencies indicate either a disconnect between trend recognition and strategic planning or a proactive approach in which organizations try to anticipate trends".

Continued Disconnect Between Trends and Priorities

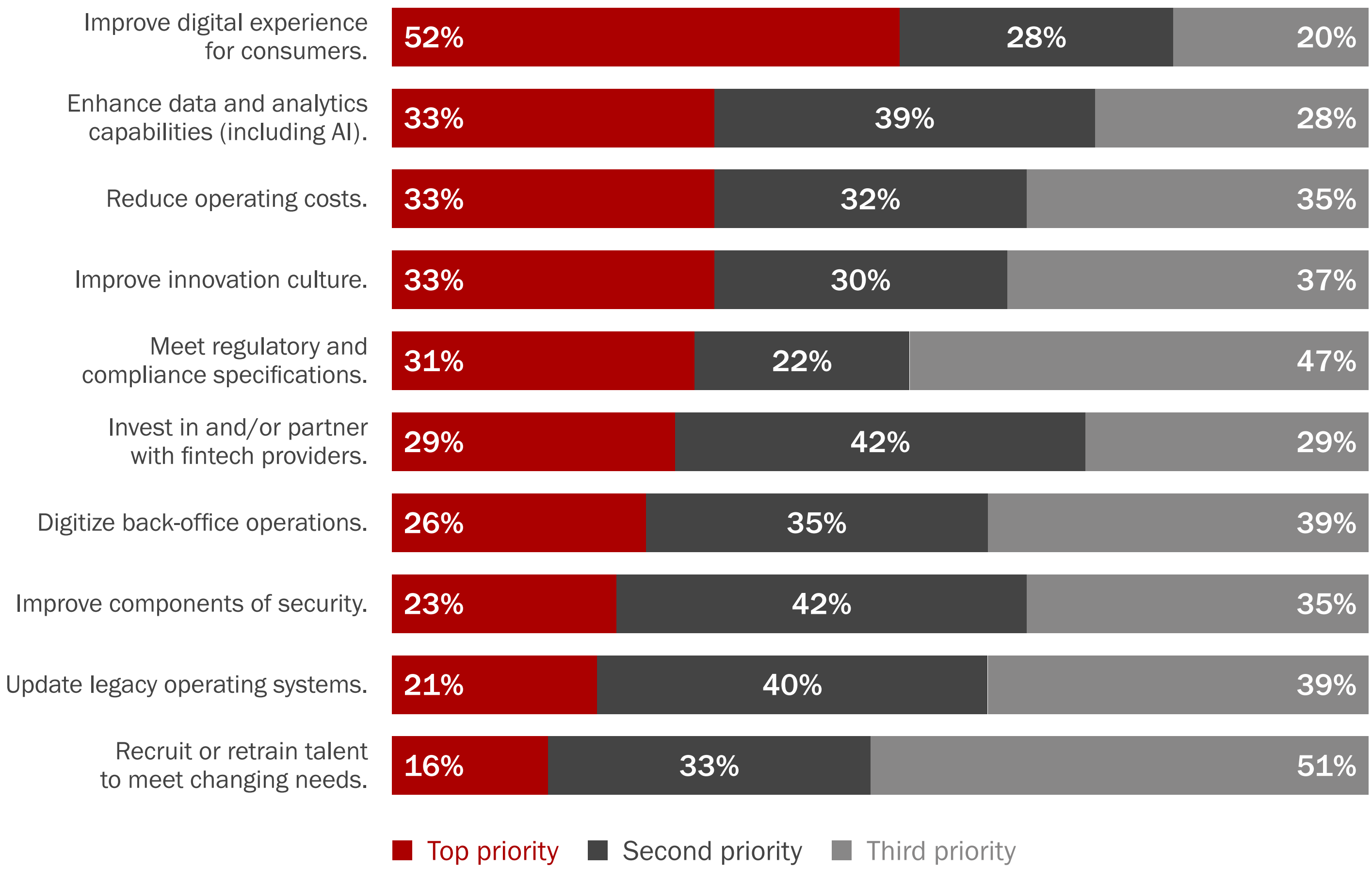
As we compare anticipated trends and stated strategic priorities for 2025, there are several disconnects in how banking executives view the future versus how they plan to act. We have seen this ongoing dynamic over several years of conducting our research.

- **Digital Experience vs Digital Transformation**: While improving digital experience for consumers ranks as the top strategic priority at 52%, the related digital transformation trend is only rated as the third most important trend at 40%. This suggests a potential misalignment between strategic execution and trend recognition.
- **Data and Analytics Capabilities:** While a focus on data and analytics is identified as the top trend for 2025, enhancing data and analytics capabilities ranks notably lower at 33% of strategic priorities. This suggests that while executives recognize the trend's importance, they may not allocate resources accordingly.
- **Customer Journey Simplification**: Although simplifying the customer journey ranks relatively low as an anticipated trend for 2025, enhancing the digital experience for consumers — closely related to this — is the foremost strategic priority at 52%. This may suggest a disconnect in how executives perceive and categorize customer experience initiatives.
- **Fintech Partnerships:** Forming partnerships with fintech or third-party solution providers ranks low as a trend at 15%, but investing in and/or partnering with fintech providers receives a significantly higher strategic priority at 29%. This suggests that executives may be actively pursuing partnerships more than the trend analysis indicates.
- **Talent Management:** Finding and training talent for digital needs ranks as one of the lowest trends at 11%, while recruiting or retraining talent appears as a more significant strategic priority at 16% (though still relatively low). Both suggest a potential underestimation of talent needs in trend forecasting.

These incongruencies indicate either a disconnect between trend recognition and strategic planning or a proactive approach in which organizations try to anticipate trends. They could also suggest that some organizations are more focused on immediate operational needs than on aligning with perceived industry trends.

CHART 4:
TOP THREE STRATEGIC PRIORITIES FOR 2025

What are your top three strategic priorities for 2025 as an organization over the next 12 months?



Source: Digital Banking Report Research © January 2025 Digital Banking Report

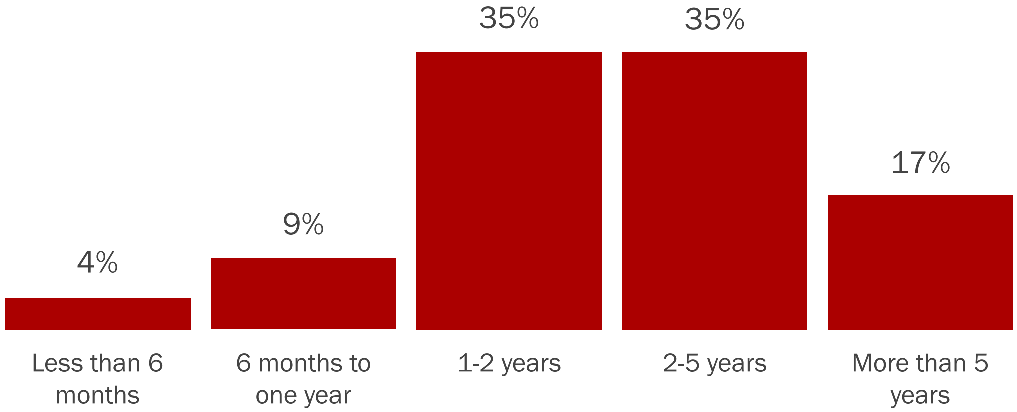
State of Digital Banking Transformation in 2025

The state of digital banking transformation presents a complex and somewhat contradictory picture. While 51% of institutions report having active digital transformation initiatives in implementation, a deeper analysis reveals significant challenges and varying levels of progress.

Most institutions (70%) are relatively new to digital transformation, with their initiatives starting within the past five years. Specifically, 48% began their journey less than 2 years ago, with another 35% started 2-5 years ago. Only 17% have worked on digital transformation for over five years. This relative inexperience may explain why only 7% of institutions report fully achieving their digital transformation goals.

CHART 5: LENGTH OF FOCUS ON DIGITAL TRANSFORMATION

How long has your company worked on your digital transformation strategies/initiatives?



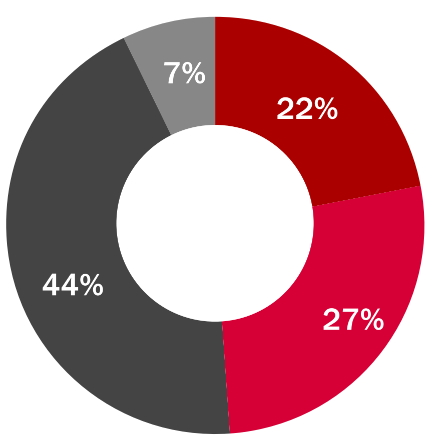
Source:
Digital Banking Report Research
© January 2025
Digital Banking Report

The maturity assessment of digital transformation initiatives reveals troubling gaps between ambition and execution. While 44% of institutions see themselves as being in the "mid-stage" of their digital transformation (having reached at least 50% of their goals) a notable 49% are either in the early stages (27%) or facing challenges with unclear goals and success metrics (22%).

This indicates that many institutions still struggle with the essential aspects of digital transformation strategy and execution. This may also be reflective of an environment that is continuously changing, creating moving targets for achievement.

CHART 6: STATUS OF DIGITAL BANKING TRANSFORMATION INITIATIVES

Which of the following best describes the current status of your company's transformation initiative?



- We have some active projects but it is hard to say where we are, as we do not have clearly defined goals or measure of success in place.
- We are in the early stages of our digital transformation initiative. We have some active projects, but have not yet made substantial progress towards our goals.
- We use mid stage in our digital transformation initiative. We have achieved at least 50% of our goals.
- We have fully achieved the goals we set ourselves. Digital is just part of how we do business now.

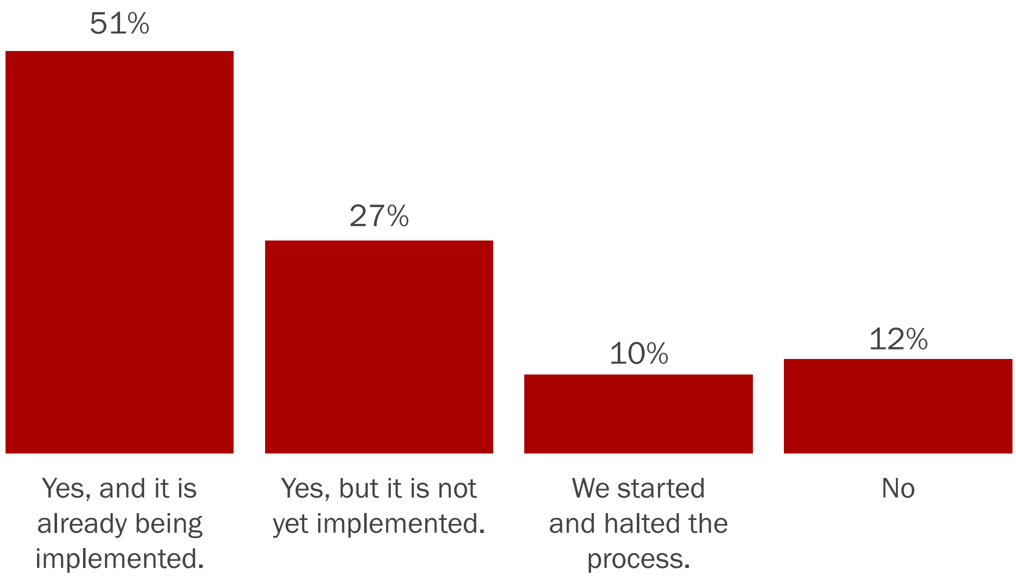
Source:
Digital Banking Report Research
© January 2025
Digital Banking Report

"The overall picture suggests that while digital transformation is widely acknowledged as essential, many institutions still face challenges with the pace, scope, and execution of their digital initiatives."

The good news is that most financial institutions have a digital banking transformation strategy defined to improve customer experiences. Alternatively, almost half of the organizations surveyed have not implemented a strategy.

CHART 7: DIGITAL BANKING TRANSFORMATION IS PROGRESSING SLOWLY

Does your company have an active initiative or strategy designed to digitally transform the way that you work as a business or how you deliver experiences to your customers?



Source: Digital Banking Report Research © January 2025 Digital Banking Report

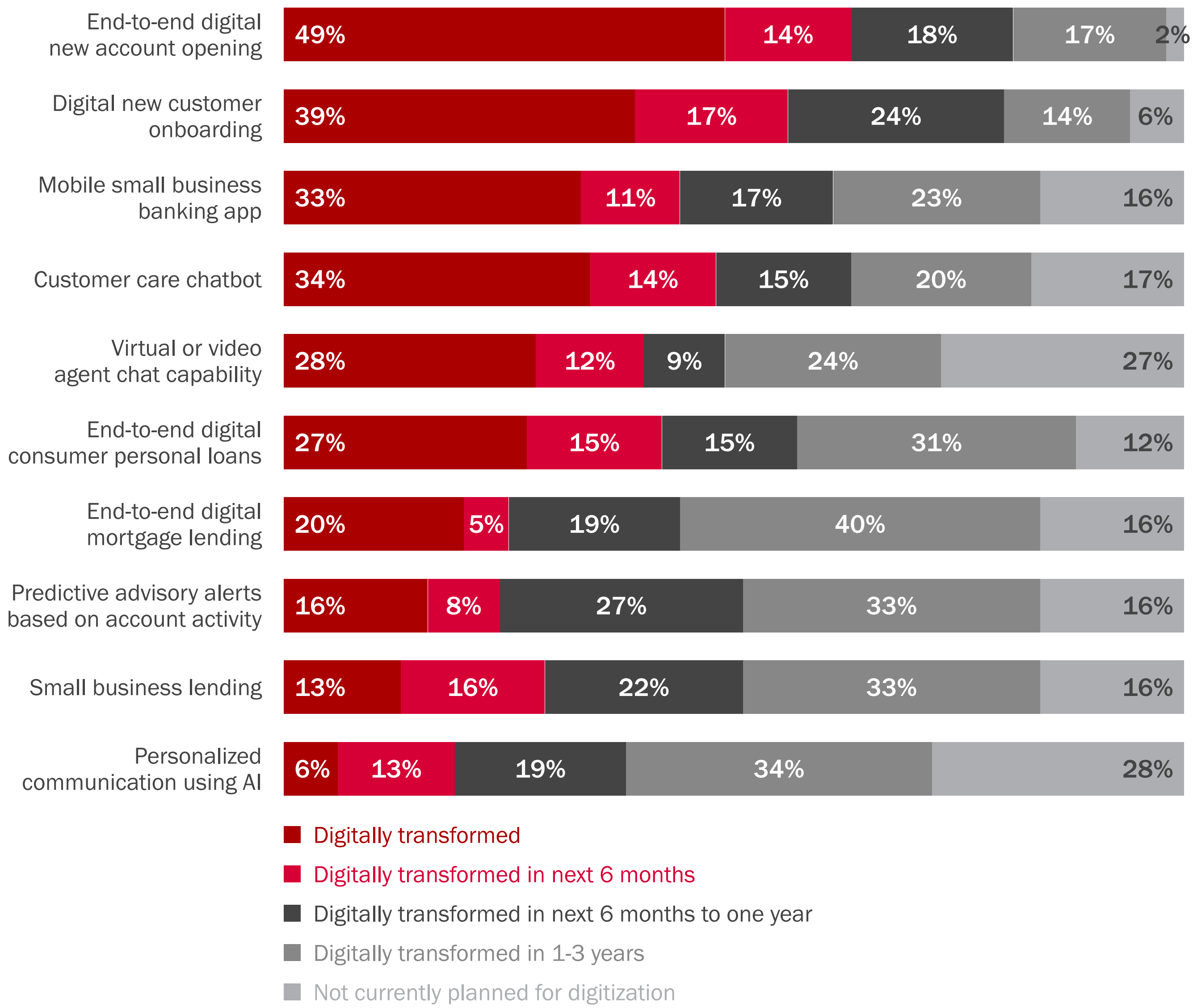
When we analyzed specific digital transformation initiatives, we found a clear focus on customer-facing solutions, especially in account opening and onboarding. End-to-end digital new account opening is at the forefront, with 49% of institutions having already digitally transformed this process, followed by digital new customer onboarding at 39%.

However, more complex services, such as end-to-end digital mortgage lending (20%) and personalized AI communication (6%), are lagging significantly. The data also highlights a concerning trend in the adoption of advanced technologies. Many institutions plan to postpone the implementation of key innovations for 1-3 years, especially in areas like predictive advisory alerts (33%) and small business lending (33%).

This cautious approach to advanced digital capabilities may place legacy banks at a competitive disadvantage compared to more agile fintech competitors, particularly considering that 10% of institutions have completely halted their digital transformation processes, and 12% have no active initiatives. The overall picture suggests that while digital transformation is widely acknowledged as essential, many institutions still face challenges with the pace, scope, and execution of their digital initiatives.

CHART 8: CURRENT STATUS OF SPECIFIC DIGITAL TRANSFORMATION STRATEGIES

What is the **current status** of the following digital transformation strategies?



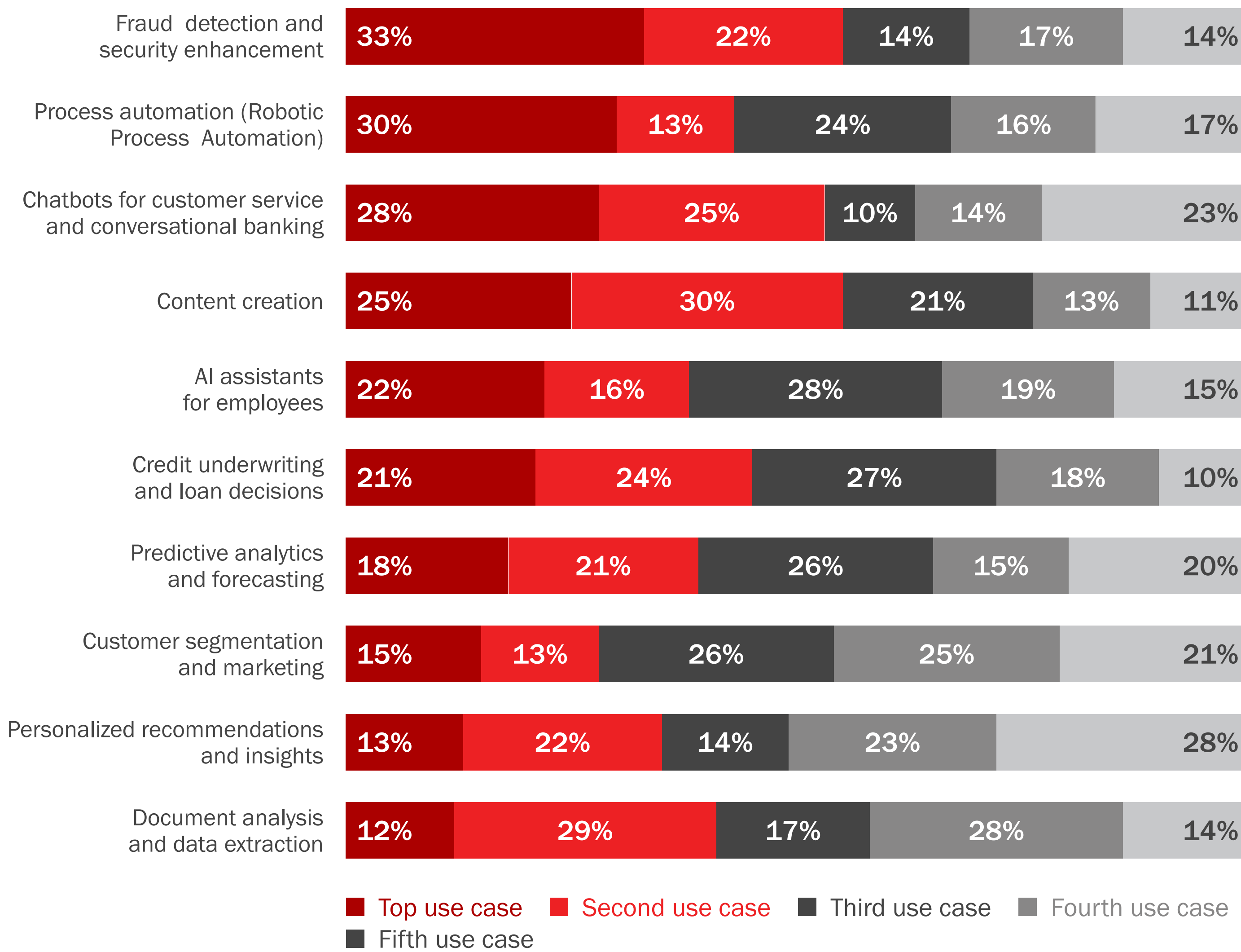
Source: Digital Banking Report Research © January 2025 Digital Banking Report

The Increased Importance of AI in Financial Services

The current state of AI adoption in financial institutions shows a clear focus on risk management and operational efficiency, with fraud detection (33%) and process automation (30%) at the forefront of current use cases. However, this marks only the beginning of AI's transformative potential in banking. The notable presence of customer-facing applications like chatbots (28%) and content creation (25%) indicates that financial institutions are starting to explore the capabilities of generative AI, albeit largely in basic applications.

CHART 9:
HOW ARE Fis CURRENTLY USING AI?

Please rank the 5 most important ways your organization is using AI currently. (Select one answer for each column.)



Source: Digital Banking Report Research © January 2025 Digital Banking Report

The industry is at an inflection point between traditional AI applications and more advanced generative AI use cases. While current implementations focus heavily on operational aspects, the relatively lower prioritization of personalized recommendations (13%) and customer segmentation (15%) indicates significant untapped potential in using AI for customized engagement. This gap is particularly notable given that personalization in banking has been found to drive substantial increases in relationship growth, loyalty, trust and customer engagement metrics.

The technology's ability to understand context and generate human-like responses could revolutionize how banks approach financial wellness coaching and advisory services. For instance, agentic AI systems could proactively monitor customer financial behavior, anticipate needs, and provide personalized guidance that combines financial expertise with conversational empathy — moving beyond the current chatbot implementations that dominate customer service applications today.

However, significant challenges persist in realizing this potential. Financial institutions must navigate intricate regulatory requirements regarding AI transparency and fairness, especially in credit decisions where AI is already witnessing substantial adoption (21% as the leading use case). The relatively low current emphasis on predictive analytics (18%) also indicates that many institutions may need to enhance their data infrastructure and governance frameworks before they can fully utilize more advanced AI applications.

The move toward truly personalized, AI-driven financial services will require banks to evolve beyond current use cases that focus on efficiency and risk management. Success will depend on developing strong ethical frameworks for AI deployment, ensuring data quality and accessibility, and building the technical capabilities needed to deploy and manage increasingly sophisticated AI systems. The current emphasis on document analysis and data extraction (12% as top priority) indicates that many institutions are still establishing these foundational capabilities rather than advancing into more complex applications.

Realizing the potential of AI will require significant investments in technology infrastructure, talent development, and careful consideration of ethical implications, particularly as AI systems take on more autonomous and advisory roles in customer interactions.

The Power of Collaboration

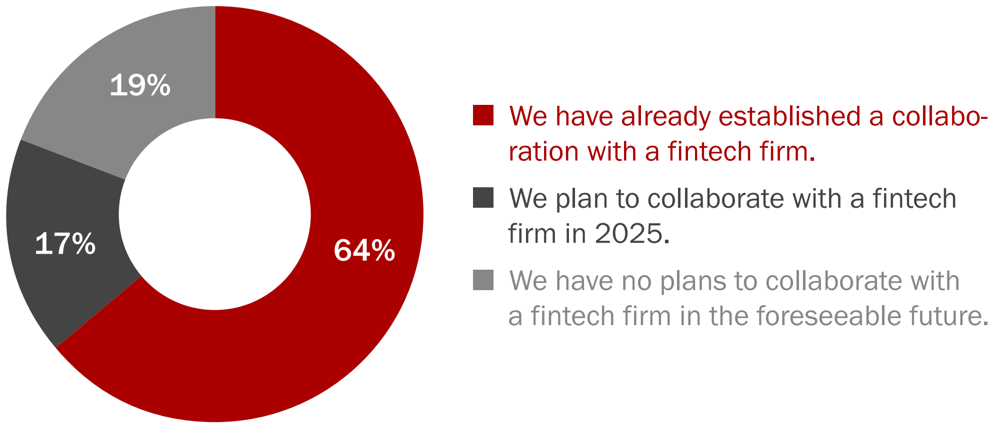
The Power of Collaboration

Strategic collaborations have emerged as a critical accelerator in banking's digital transformation journey. Most financial institutions are either already partnering with fintech firms or planning to do so in 2025. This partnering mentality enables institutions of all sizes to access cutting-edge technologies and deliver enhanced customer experiences at speed and scale.

Our research indicates an ongoing shift in how financial institutions approach technological modernization, with partnerships emerging as a key strategy for digital transformation. A significant 64% of organizations have already formed collaborations with fintech firms, while an additional 17% plan to do so by 2025, showing a clear acknowledgment that external partnerships are vital for remaining competitive in today's banking environment.

CHART 10: INCIDENCE OF PARTNERING WITH FINTECH FIRMS

Has your organization partnered with a fintech firm?



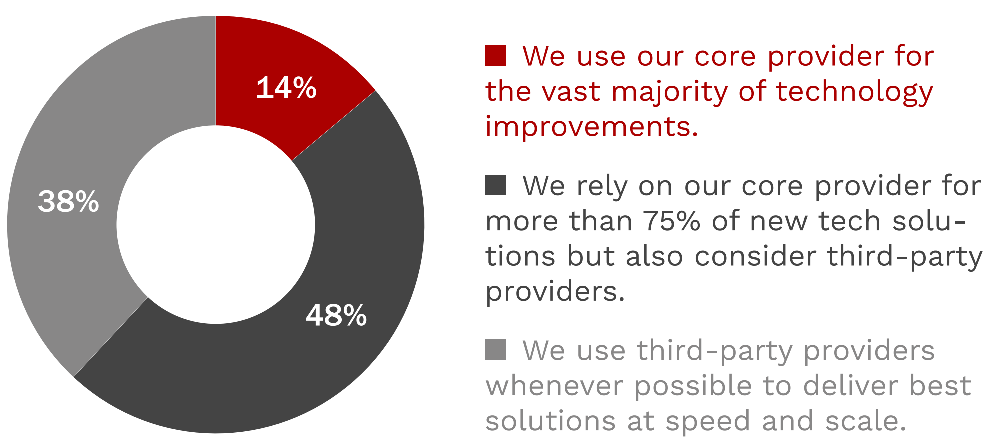
Source: Digital Banking Report Research © January 2025 Digital Banking Report

These collaborations extend beyond fintech relationships to broader technology modernization strategies. The research shows that 86% of institutions rely on external providers for their technology improvements, with 38% prioritizing third-party providers for best-of-breed solutions and 48% taking a hybrid approach that combines core provider capabilities with third-party solutions.

Only 14% of institutions depend exclusively on their core providers for technology improvements, suggesting a strong industry-wide movement toward more flexible and diversified technology sourcing strategies.

CHART 11: PARTNERSHIPS CONTINUE TO DRIVE TECHNOLOGY MODERNIZATION

How does your organization modernize technology?



Source: Digital Banking Report Research © January 2025 Digital Banking Report

"By embracing a collaborative approach, financial institutions of all sizes can improve operational efficiency and enhance customer experiences without the need for massive internal technology investments or high-risk core replacement projects."

This partnership-focused approach allows financial institutions to tackle several key challenges in their modernization efforts. Instead of pursuing expensive and risky complete core replacements, many institutions are embracing a composable architecture strategy, utilizing third-party solutions to gradually enhance specific functionalities while ensuring core stability. This method enables banks to innovate progressively, minimizing risk while speeding up their ability to launch new products and services.

The high adoption rate of third-party solution provider collaboration primarily benefits smaller and mid-sized institutions, democratizing access to advanced banking capabilities. By leveraging fintech partnerships and third-party solutions, these institutions can achieve digital transformation goals that would be unreachable if they relied solely on internal resources or core provider capabilities.

The data suggests that technological modernization is not just about updating core systems but about creating an ecosystem of partnerships that enables innovation and agility. By embracing a collaborative approach, financial institutions of all sizes can improve operational efficiency and enhance customer experiences without the need for massive internal technology investments or high-risk core replacement projects.

The strong preference for partnership-based modernization (86% using either hybrid or third-party focused approaches) indicates that financial institutions have recognized that the traditional model of relying solely on core providers cannot deliver the speed and innovation required in today's market.

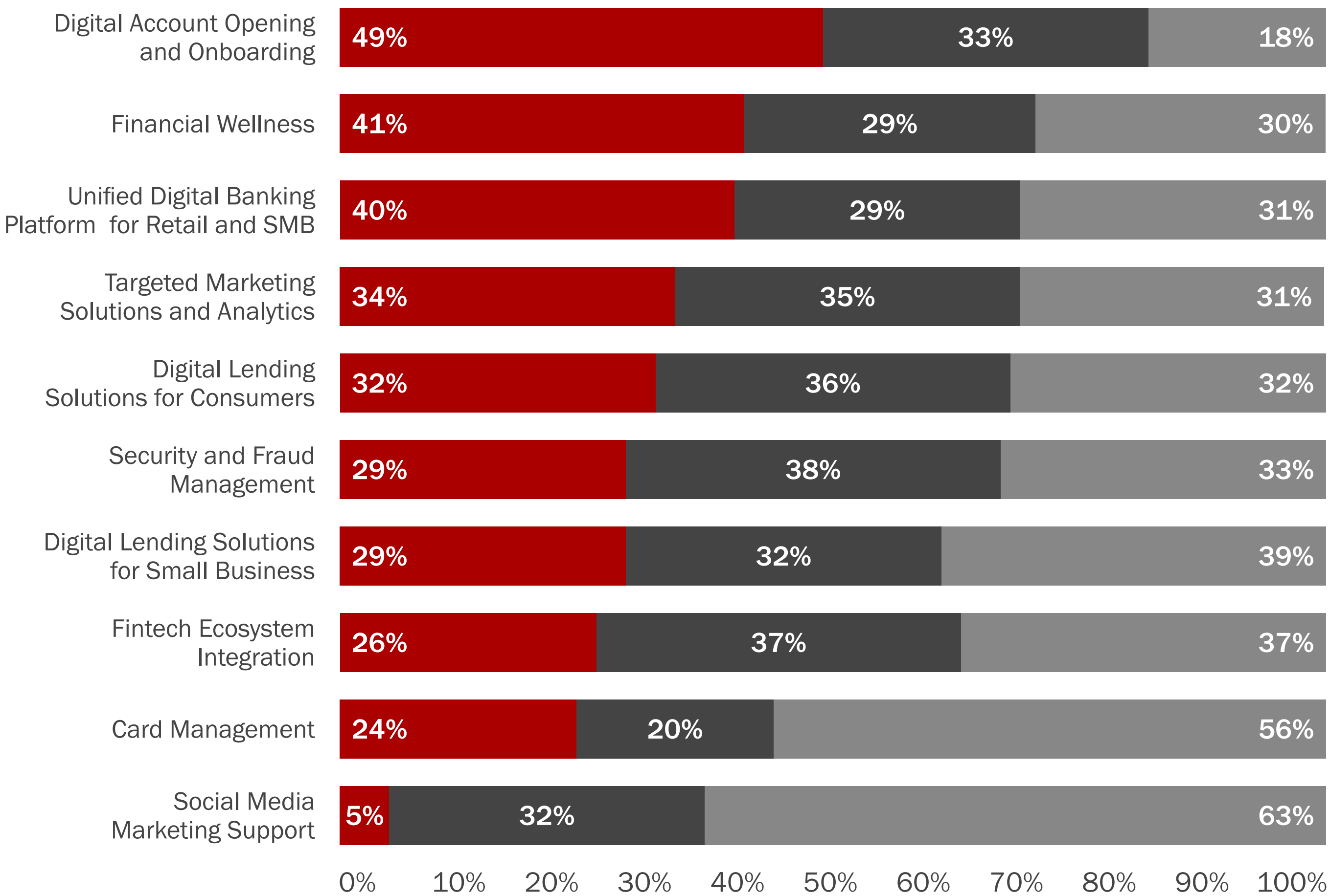
Third-Party Solutions Address Vast Array of Challenges

Our research finds a strategic prioritization in how financial institutions leverage third-party solution providers, with a clear focus on enhancing customer-facing digital capabilities and foundational banking services. Digital account opening and onboarding are the top solutions for third-party partnerships at 49%, followed closely by financial wellness solutions at 41% and unified digital banking platforms at 40%.

This prioritization follows a customer journey-centric approach, with institutions focusing first on acquisition (digital onboarding), engagement (financial wellness), and core service delivery (unified platforms), before moving to more specialized services.

CHART 12:
HOW FIS USE 3rd PARTY SOLUTION PROVIDERS

What are the top 3 solutions where you would partner with a third-party provider?



Source: Digital Banking Report Research © January 2025 Digital Banking Report

Notably, while security and fraud management are crucial banking functions, they rank lower for third-party partnerships at 29%, suggesting many institutions may prefer to maintain more direct control over these critical risk functions or rely on core provider solutions.

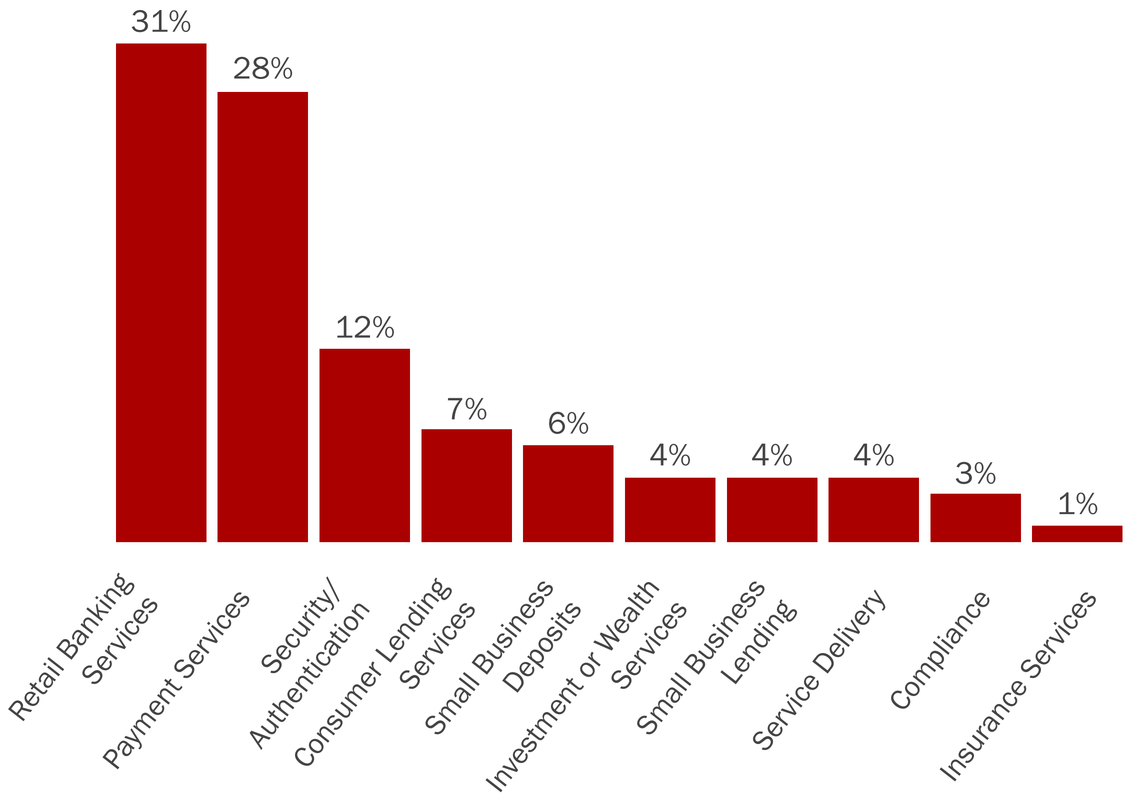
Impact of Non-Traditional Providers

Looking at the projected impact of non-traditional providers in 2025, our research found that retail banking services (31%) and payment services (28%) are expected to face the most significant disruption from big tech and fintech providers. This aligns with previous research by the Digital Banking Report, as institutions proactively seek partnerships in areas where they anticipate the most significant competitive pressure from non-traditional players.

The relatively low expected impact on insurance services (1%) and compliance (3%) suggests these remain domains where traditional financial institutions maintain strong competitive advantages.

CHART 13: SERVICES PROJECTED TO BE IMPACTED BY NON-TRADITIONAL PROVIDERS

Which area of traditional financial services is most likely to be impacted by big tech and fintech providers in 2025?



Source: Digital Banking Report Research © January 2025 Digital Banking Report

The focus on digital lending solutions for both consumers (32%) and small businesses (29%) as partnership priorities highlights the increasing significance of efficient, automated lending processes. However, the higher third-priority ranking for small business lending (39%) compared to consumer lending (32%) suggests that institutions consider consumer lending capabilities more urgently for competitive positioning.

By leveraging third-party solutions for customer-facing digital services while maintaining control of core banking functions, institutions can accelerate digital transformation while managing risk and maintaining regulatory compliance.

Growth Strategies for 2025

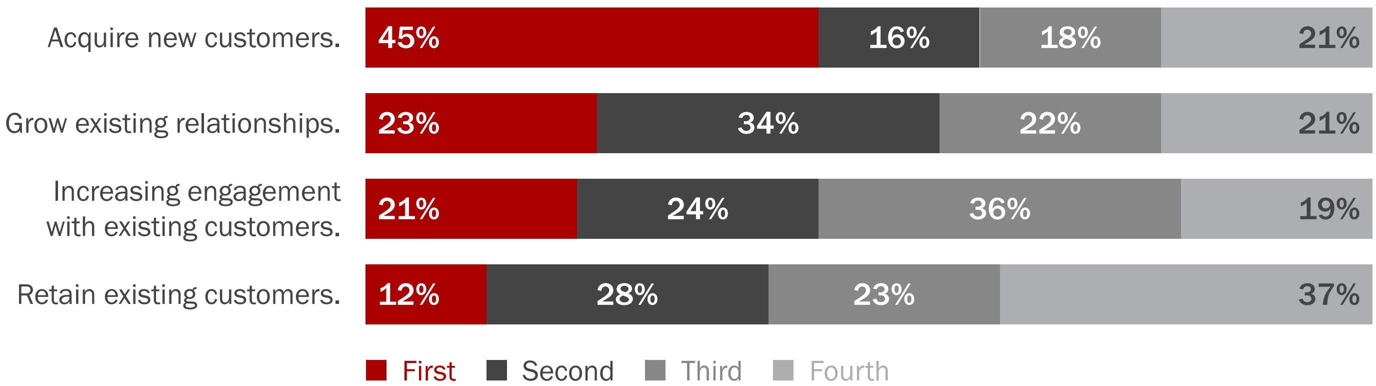
Growth Strategies for 2025

Retail banking growth is being shaped by a heightened focus on both offensive and defensive strategies, as traditional banks encounter unprecedented competition from fintech and big tech rivals. With 31% of executives anticipating that non-traditional providers will significantly influence retail banking, institutions must prioritize initiatives that directly foster customer acquisition, deepen relationships, and protect against disintermediation.

When comparing the growth strategies for 2024 and 2025, we observe an increasing emphasis on customer acquisition, along with potential changes in how financial institutions manage relationships and focus on retention. Our research indicates that acquiring new customers continues to be the primary priority, rising from 43% in 2024 to 45% in 2025 as the leading initiative among institutions. This suggests a heightened focus on growth through expanding the customer base.

CHART 14: KEY GROWTH INITIATIVES FOR 2025

Please rank your growth initiatives for 2025.



Source: Digital Banking Report Research © January 2025 Digital Banking Report

"The most significant change over the past year is the approach to data and analytics for personalized engagement, which has seen a significant increase from 27% to 35% ranking it as a top priority."

The growth of existing relationships remains the second most important overarching growth strategy, holding steady at 23% as a top priority between 2024 and 2025. However, there is a notable shift in the secondary priority ranking, rising from 29% to 34%, indicating that institutions will focus more on deepening relationships after acquiring customers this year. This reflects an increasing awareness of the value of expanding relationships as a defense against competition from non-traditional providers.

Customer engagement has undergone an interesting evolution, with the focus on top priorities rising from 17% in 2024 to 21% in 2025. This increase in engagement prioritization indicates that financial institutions increasingly acknowledge the vital role of active customer interaction in preventing attrition and promoting relationship growth.

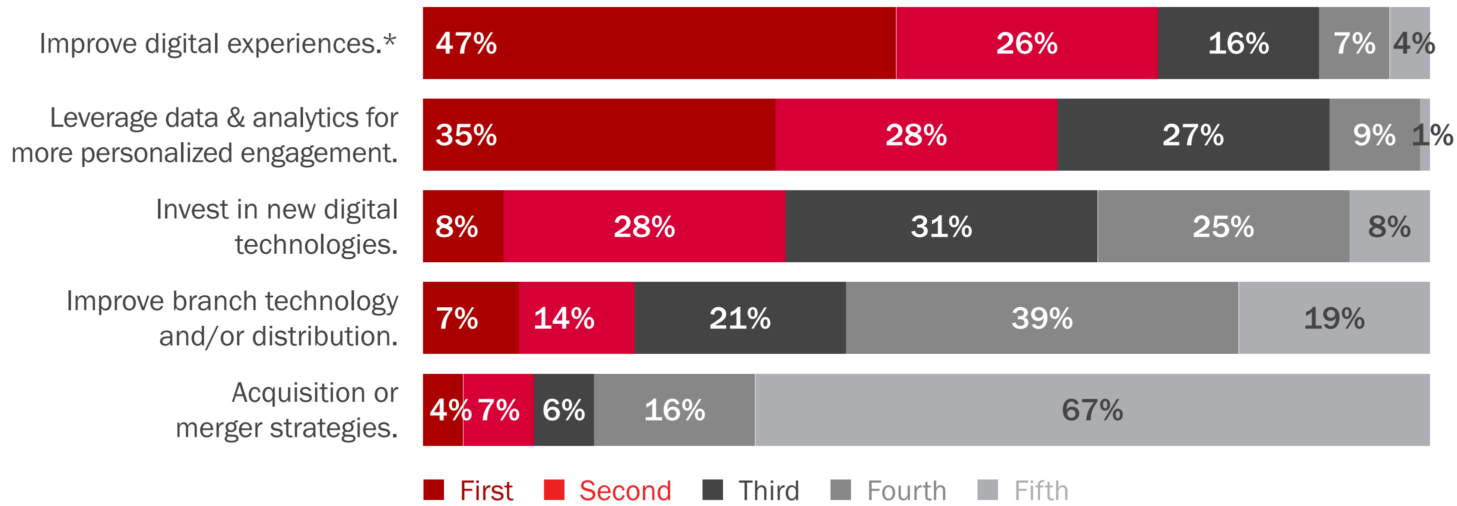
The most significant change is observed in customer retention, which sees a notable decline as a top priority, falling from 18% in 2024 to 12% in 2025. This shift in retention prioritization could indicate either a concerning de-emphasis on customer retention or, more likely, a strategic evolution where institutions view retention less as a standalone initiative and more as an outcome of successful engagement and relationship growth strategies.

As we dive deeper into growth strategies for banks and credit unions, we find an evolving focus on digital capabilities and data-driven personalization, with some notable shifts in priority and emphasis between 2024 and 2025.

The emphasis on enhancing digital experiences has remained the top strategic priority for both 2024 and 2025, showing only a slight increase from 46% to 47% as the main focus. The most significant change over the past year is the approach to data and analytics for personalized engagement, which has seen a significant increase from 27% to 35% ranking it as a top priority.

This 8 percentage point jump indicates a growing recognition of data's crucial role in driving customer growth through personalized experiences and targeted engagement. The combined first- and second-priority percentages for using data and analytics (54% in 2024 vs. 63% in 2025) further emphasize this strategic shift toward data-driven customer engagement.

CHART 15: KEY STRATEGIES FOR CUSTOMER GROWTH IN 2025



* Digital account opening, UX, digital loan application

Source: Digital Banking Report Research © January 2025 Digital Banking Report

Interestingly, investment in new digital technologies declined significantly as a top priority, dropping from 13% to 8% over the past 12 months. However, this decrease in top-priority ranking doesn't necessarily indicate reduced importance, as the combined first and second priority percentages remain relatively stable (41% in 2024 vs. 36% in 2025). This might suggest a maturation in how institutions approach technology investments, moving from experimental initiatives to more targeted, strategic implementations.

Branch technology and distribution strategies maintain consistent low-priority positioning (7% in both years), while acquisition and merger strategies show declining importance as growth drivers. This suggests that institutions are increasingly focused on organic growth through digital capabilities rather than traditional consolidation strategies.

These trends collectively indicate a sharper focus on digital-first growth strategies, leveraging data and analytics to drive personalized engagement while maintaining substantial investments in core digital experiences.

Deposit Generation Remains a Priority in 2025

While gathering deposits remains a priority in 2025, the way deposits will be generated has shifted over the past twelve months towards data-driven targeting, with less focus on rate-based competition.

This is supported by the prioritization of data and analytics for existing customers, which increased from 52% to 57% from 2024 to 2025, while the use of analytics for prospects slightly declined from 45% to 43%. This widening gap between customer and prospect targeting suggests that institutions are focusing more on deepening relationships with existing customers rather than pursuing new ones.

The appetite for short-term deposits declined significantly from 53% in 2024 to 43% in 2025, indicating a shift from tactical product creation toward more strategic, *"These trends indicate a clear industry movement toward real-time payment adoption. By 2025, 62% of institutions are expected to have some form of real-time payment capability, compared to 49% in 2024."*

relationship-based deposit gathering. This shift is further emphasized by the dramatic decrease in institutions paying higher marketplace rates across their portfolio, dropping from 34% to 20%, suggesting a reduced reliance on rate-based competition.

Relatively stable numbers in the lower-priority strategies suggest that while some institutions remain conservative in their approach, the majority are actively pursuing more sophisticated deposit-gathering strategies.

These trends signal a continuing shift towards more targeted, data-driven deposit acquisition strategies, particularly emphasizing existing customer relationships. This shift contrasts with the wide-ranging competition and product development observed last year.

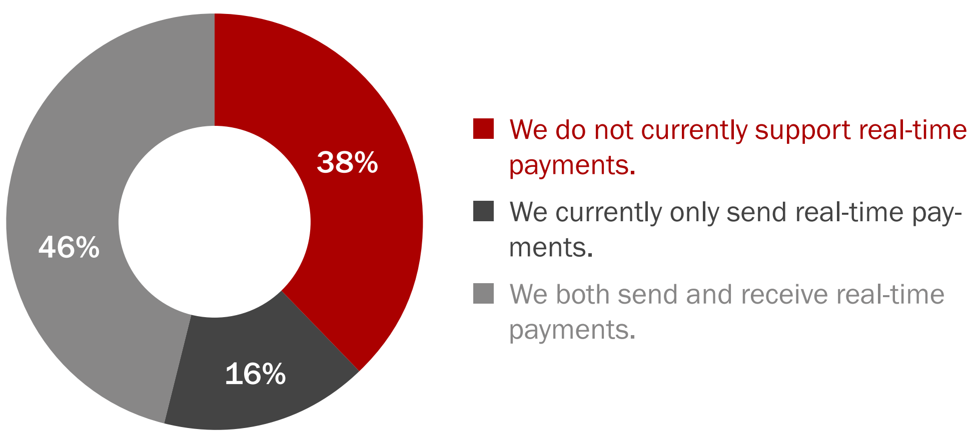
State of Real-time Payments

The comparison of real-time payment adoption between 2024 and 2025 reveals a significant shift toward broader implementation of real-time payment capabilities across the banking sector. The most notable change is the substantial decrease in institutions that do not support real-time payments, dropping from 51% in 2024 to 38% in 2025, indicating a 13-percentage point improvement in adoption rates.

Financial institutions that provide a comprehensive real-time payment option, enabling them to send and receive payments, have seen significant growth over the past year, rising from 35% to 46%. This 11-percentage point increase indicates that more institutions recognize the importance of full real-time payment capabilities as a vital competitive requirement rather than merely an optional service enhancement.

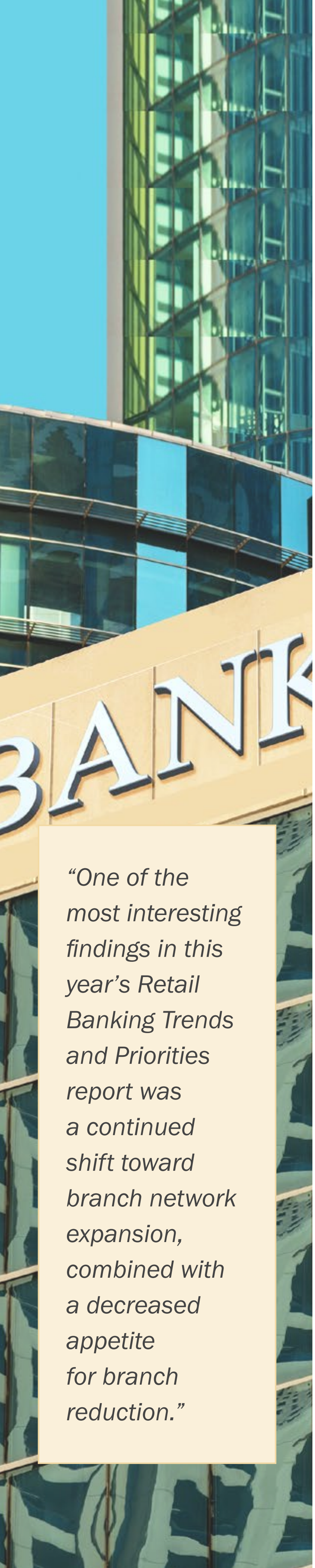
CHART 16: STATUS OF OFFERING REAL-TIME PAYMENTS

What is your **current status** of offering real-time payments?



Source: Digital Banking Report Research © January 2025 Digital Banking Report

These trends indicate a clear industry movement toward real-time payment adoption. By 2025, 62% of institutions are expected to have some form of real-time payment capability, compared to 49% in 2024. This rapid shift reflects the growing customer demand for instant payment capabilities, competitive pressure from fintech firms, and the broader industry movement toward real-time financial services.



"One of the most interesting findings in this year's Retail Banking Trends and Priorities report was a continued shift toward branch network expansion, combined with a decreased appetite for branch reduction."

Small Businesses Represent an Underserved Segment

Recognizing that small businesses require more than just basic banking services, financial institutions of all sizes are enhancing their digital platforms with AI-driven insights, integrated payment solutions, and automated cash flow management tools. Many are also streamlining business loan applications, embedding financial wellness resources, and offering tailored advisory services through digital channels.

When we compare small business strategies between 2024 and 2025, we see that the priority of building small business mobile banking platforms slightly increased, rising from 43% to 45% as the top priority in 2025.

A slight shift was also observed in the growth of SMB services (payroll, cash management, etc.), which increased from 39% to 41% as a primary focus in 2025, moving up to second place overall. This rise in priority indicates that institutions are emphasizing comprehensive service offerings more than merely digital access points.

One of the most notable changes was in helping businesses get an accurate picture of their finances. This strategy increased significantly from 23% to 33% as a top priority in 2025. This 10-percentage point increase illustrates the importance of financial insights and business intelligence tools for small business customers.

These shifts collectively indicate a movement toward more comprehensive and sophisticated small business banking strategies, emphasizing core business services and financial insights while focusing strongly on digital delivery channels. The data shows that financial institutions are focusing on more value-added services that help small businesses manage their operations more effectively.

Branches Remain a Key Customer Acquisition Tool

Even though consumers of all ages and demographics are increasingly moving toward digital channels, traditional financial institutions are still working to build, redesign, and rethink their branch delivery systems.

One of the most interesting findings in this year's *Retail Banking Trends and Priorities* report was a continued shift toward branch network expansion, combined with a decreased appetite for branch reduction. Those organizations with branch network expansion plans increased from 29% in 2024 to 35% in 2025.

At the same time, plans to "rethink existing branches" slightly decreased from 28% to 27%, while institutions planning "no change" to their current network remain stable at 30%. This suggests that while some institutions are becoming more aggressive with expansion, others are maintaining a measured approach to their branch strategies.

The most unexpected shift is the decrease in organizations planning to downsize their branch networks, which fell from 13% in 2024 to just 8% in 2025. This 5-percentage point drop in reduction plans, combined with the rise in expansion plans, suggests a possible reversal of the branch consolidation trend that has characterized the industry in recent years.

These changes suggest a more nuanced approach to branch strategy is emerging, where physical locations are increasingly viewed as strategic assets rather than just legacy costs. The data indicates that financial institutions are moving away from wholesale branch reduction strategies and instead focusing on optimizing their physical presence while also advancing their digital capabilities.

Credit Union Alternative Path Approach

Credit Union Alternative Path Approach

The *2025 Retail Banking Trends and Priorities* report reveals an industry in transition,with credit unions taking a distinctly different approach to digital transformation when compared to traditional banks. While 51% of financial institutions are actively implementing digital transformation efforts, credit unions are focusing more heavily on foundational infrastructure modernization and branch expansion.

Mark Sievewright

In an exclusive interview with Mark Sievewright, Chief Strategy Officer at **SRM** and Founder of **Sievewright & Associates**, we explore credit unions' unique challenges and opportunities as they navigate technological change and evolving consumer expectations. With over 35 years in financial services, including roles at HSBC, MasterCard International, and Fiserv, Sievewright brings a global perspective to the strategic positioning of credit unions.

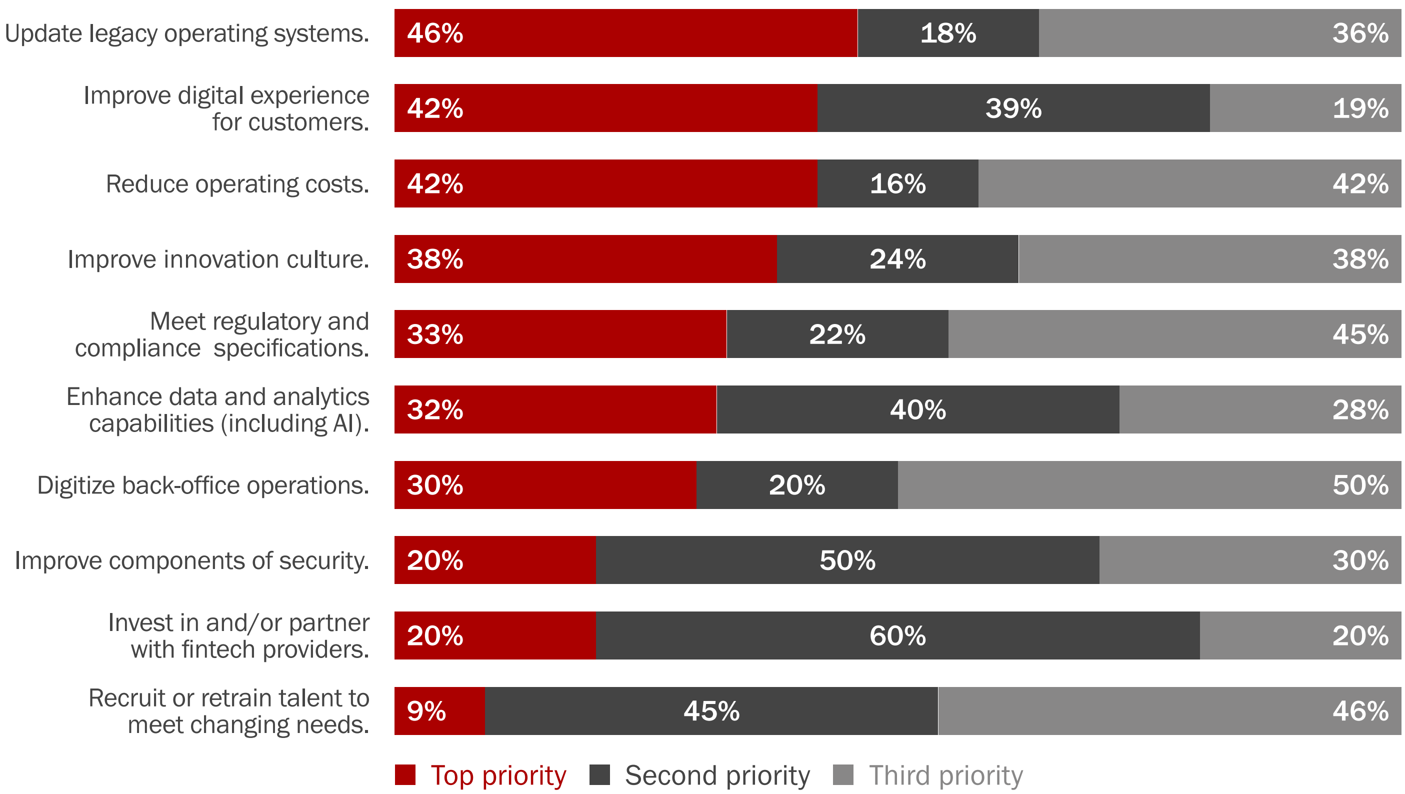
The Technology Gap

Jim Marous: While 52% of financial institutions prioritize improving digital experiences, less than 25% prioritize updating legacy systems. However, credit unions' top priority is updating legacy systems at 46%. What's driving this difference?

Mark Sievewright: “It’s not inertia. A lot of it is around investment capacity. Credit unions, on average, are much smaller than your average bank, and they have a disproportionately smaller share of the financial services market, eight to 9%, even though there are 4,600 credit unions. Historically, they have not prioritized the replacement of legacy systems at quite the same pace as some of their competitors, but I can tell you from day-to-day experience that they’re playing catch up fast. And there’s an incredible focus now on improving where they’ve been heading.”

CHART 17: TOP THREE STRATEGIC PRIORITIES FOR 2025 (CREDIT UNIONS)

What are your top 3 strategic priorities for 2025 as an organization over the next 12 months?



Source: Digital Banking Report Research © January 2025 Digital Banking Report

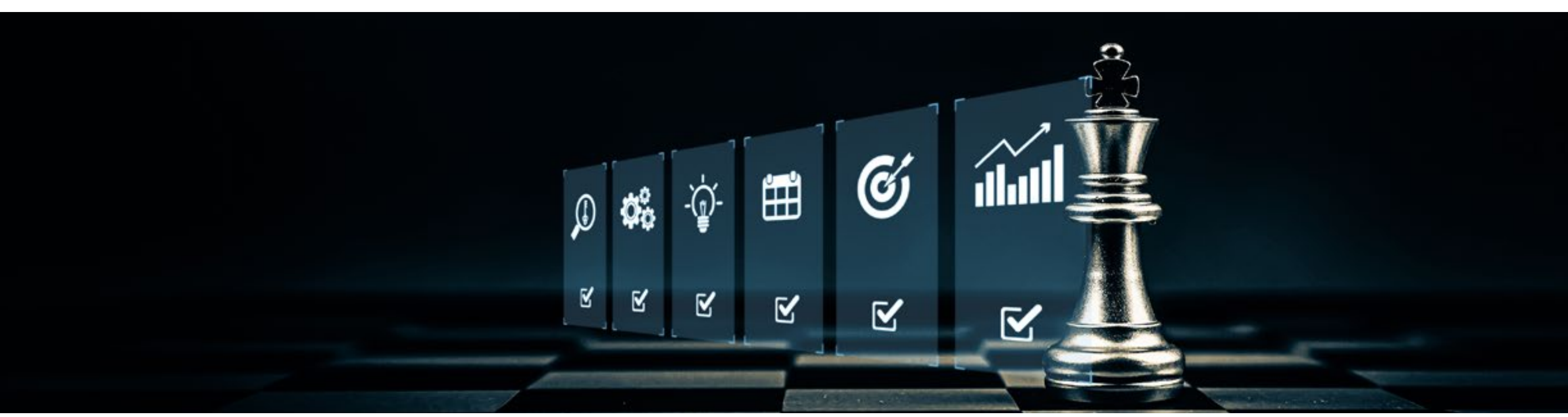
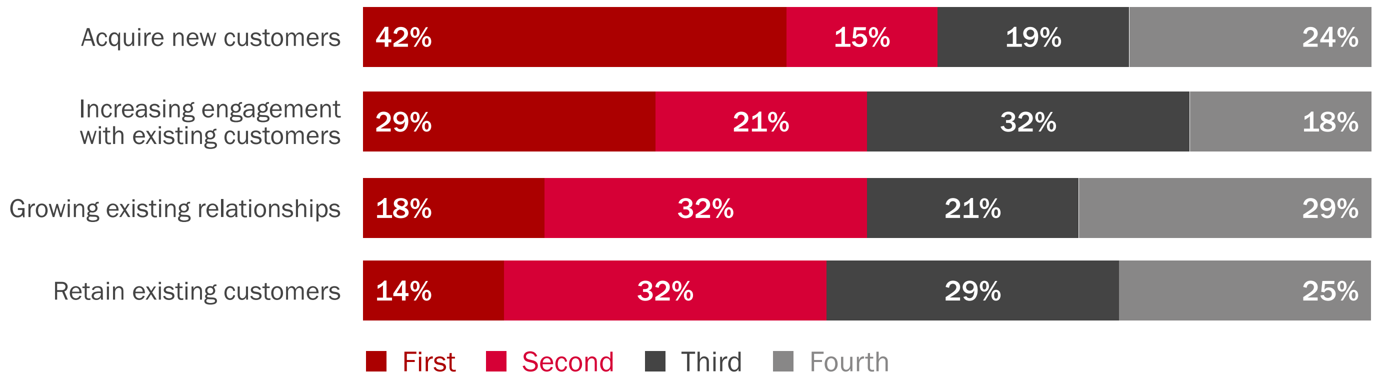


CHART 18: KEY GROWTH INITIATIVES FOR 2025 (CREDIT UNIONS)

Please **rank** your growth initiatives for 2025.



Source: Digital Banking Report Research © January 2025 Digital Banking Report

Real-Time Payments Adoption

The gap between traditional banks and credit unions extends beyond core systems. While 62% of financial institutions now offer some version of real-time payments, only 40% of credit unions provide this capability.

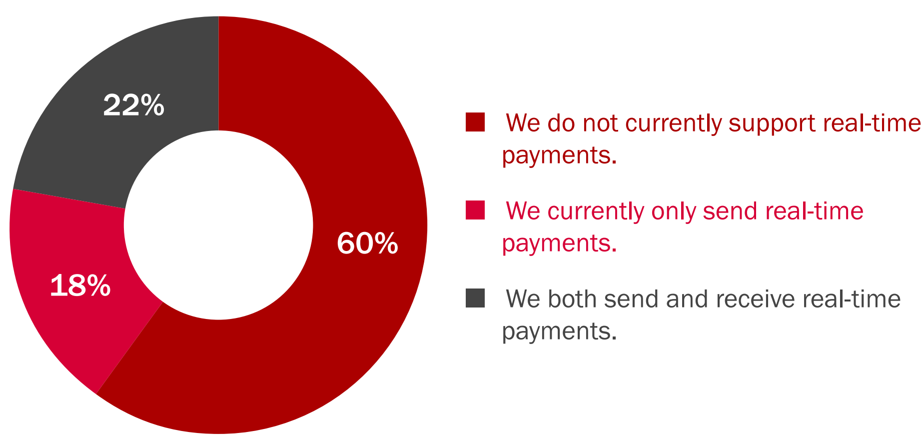
Jim Marous: "What is the main barrier preventing wider adoption of real-time payments among credit unions?"

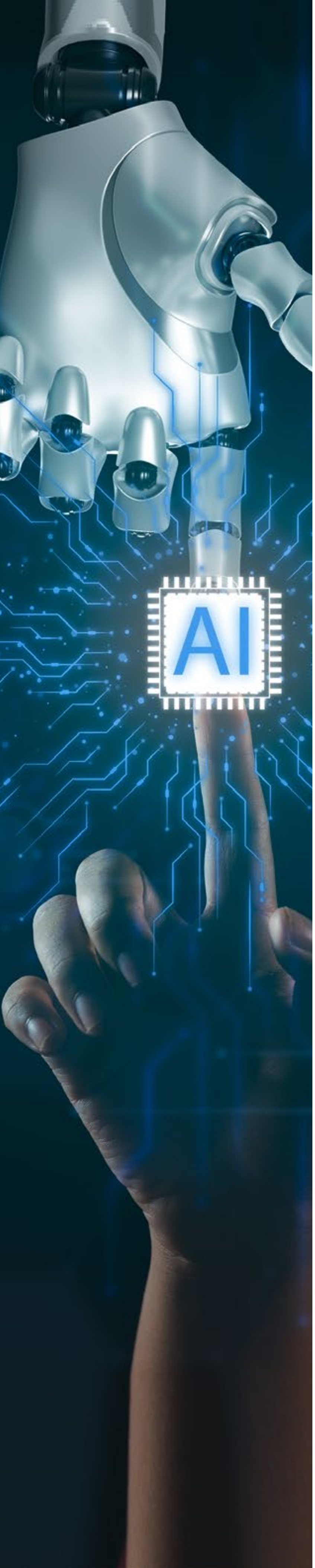
Mark Sievewright: "The fraud issue around real-time payments is palpable. It's in every conversation I have with our credit union clients, and they're being quite skittish overall in the pace at which they allow both send and receive capabilities within real-time payments. Not surprisingly, we're now introducing AI capabilities to help control and manage this risk in many organizations."

CHART 19: STATUS OF OFFERING REAL-TIME PAYMENTS BY CREDIT UNIONS

What is your current status of offering real-time payments?

Source: Digital Banking Report Research © January 2025 Digital Banking Report





AI Implementation and the Future of Banking

The research reveals a complex landscape of AI adoption in financial services, with significant variations in implementation across different use cases and institution types.

Current State of AI Adoption

Jim Marous: Looking at AI applications, fraud detection leads use cases at 33%, content creation at 25% and chatbots at 28%. How will these priorities shift in the next 12-24 months?

Mark Sievewright: "We are on the cusp of the biggest technological revolution of our lifetimes. What we're going to see now in terms of AI is the ability to do something we've never done. We've never been able to humanize technology. We now have the opportunity to make technology feel human, look human, sound human, and do jobs that humans do.

We're likely to see the adoption of AI on basic fundamental levels. What I mean by that is having AI take away repetitive tasks — easy to allow software to take over instead of having people do them.

Contact centers present a prime opportunity for initial AI deployment. Roughly a third of the calls we see on an inbound basis are for routine fundamental things like, 'Did my paycheck clear? What's my balance?' AI can already do that."

Jim Marous: "The research indicates that 76% of institutions believe most banks will use generative AI by 2030. However, this timeline seems conservative, given the rapid pace of AI development. When you look at generative AI, it's being done more and more in the customer care area, in the call center area, but not used to its best degree."

AI Implementation Challenges

Several factors are influencing the pace of AI adoption, according to Sievewright:

1. **Policy Development:** Many institutions, especially credit unions, are still formulating their policies and strategies toward AI use, including compliance protocols.
2. **Risk Management:** Financial institutions' traditional view of risk makes them cautious about implementing agent AI functions that offer recommendations based on customer data.
3. **Data Readiness:** As Sievewright emphasizes, "A lot of credit unions do not have a data strategy; a lot of them don't have their data in a place where it can be accessed readily. And so, no matter how much AI we apply to that, it won't do much good if we don't have our fundamentals in place around data."

The Branch Expansion Paradox

Jim Marous: "The research shows that 35% of financial institutions plan to expand their branch network overall, but 61% of credit unions intend to increase their branch network in 2025. How do these physical expansion plans align with digital transformation goals?"

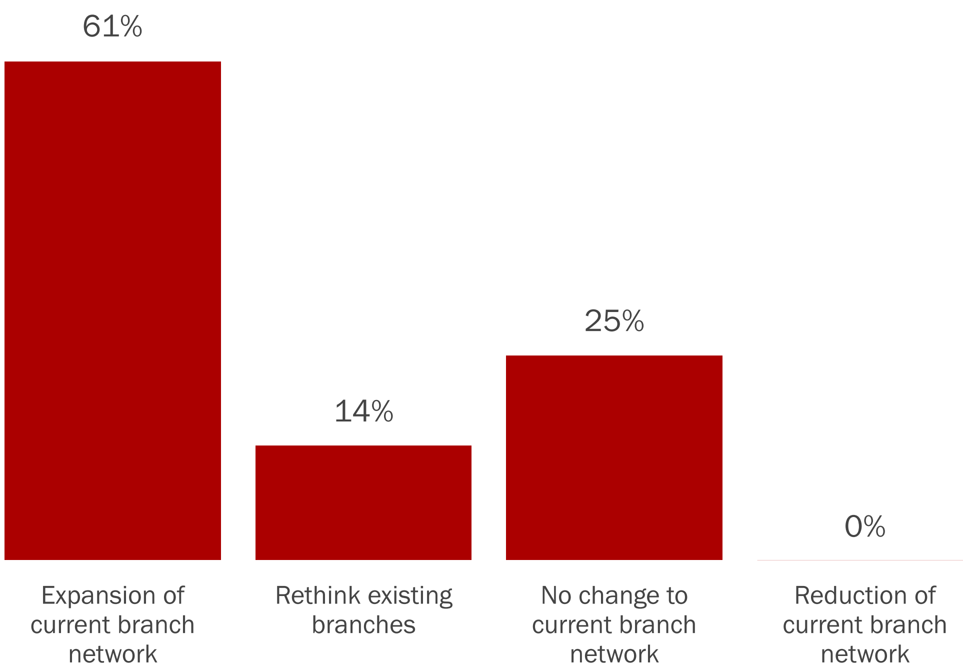
Mark Sievewright: "What we're seeing is branch optimization. We're seeing new

branches being opened but also a healthy dose of branches being closed. On a net basis, the number of branches in the United States is not actually going up. At best, it's staying flat, and more likely, it's coming down moderately."

The contrast with international markets is striking. As Sievewright notes, "I look to my alma mater in the United Kingdom, where branch strategies are all about shutting down branches fast and moving to digital. We've seen a record pace of change in branch closures in the United Kingdom. Now, companies are opening up shared locations for existing financial institutions for customers who want to use them."

CHART 20: SIXTY PERCENT OF CREDIT UNIONS WILL GROW BRANCH NETWORKS IN 2025

What is your organization's plan for branch development in 2025?



Source: Digital Banking Report Research © January 2025 Digital Banking Report

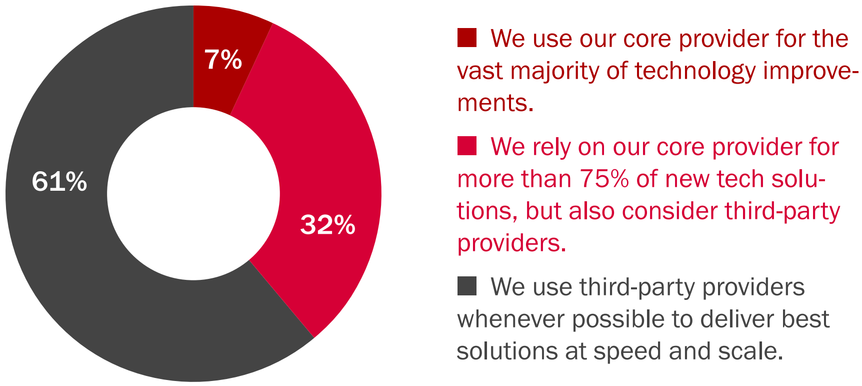
Technology Partnerships and Core Providers

Jim Marous: "Our data showed that 48% of institutions rely on core providers for about 75% of their solutions, while 38% prefer third-party providers. However, credit unions and community banks tend to turn to third-party providers. What's driving this split in technology strategies?"

Mark Sievewright: "The core system isn't as core as it used to be. What we wrap around the core has become much more important — the applications, the services, and the solutions. The evolution of APIs, SDKs (software development kits), these techniques and tools have encouraged small and large financial institutions to say, 'We're going to rely more on third-parties.'"

CHART 21: PARTNERSHIPS ARE MORE IMPORTANT FOR CREDIT UNIONS FOR TECHNOLOGY MODERNIZATION

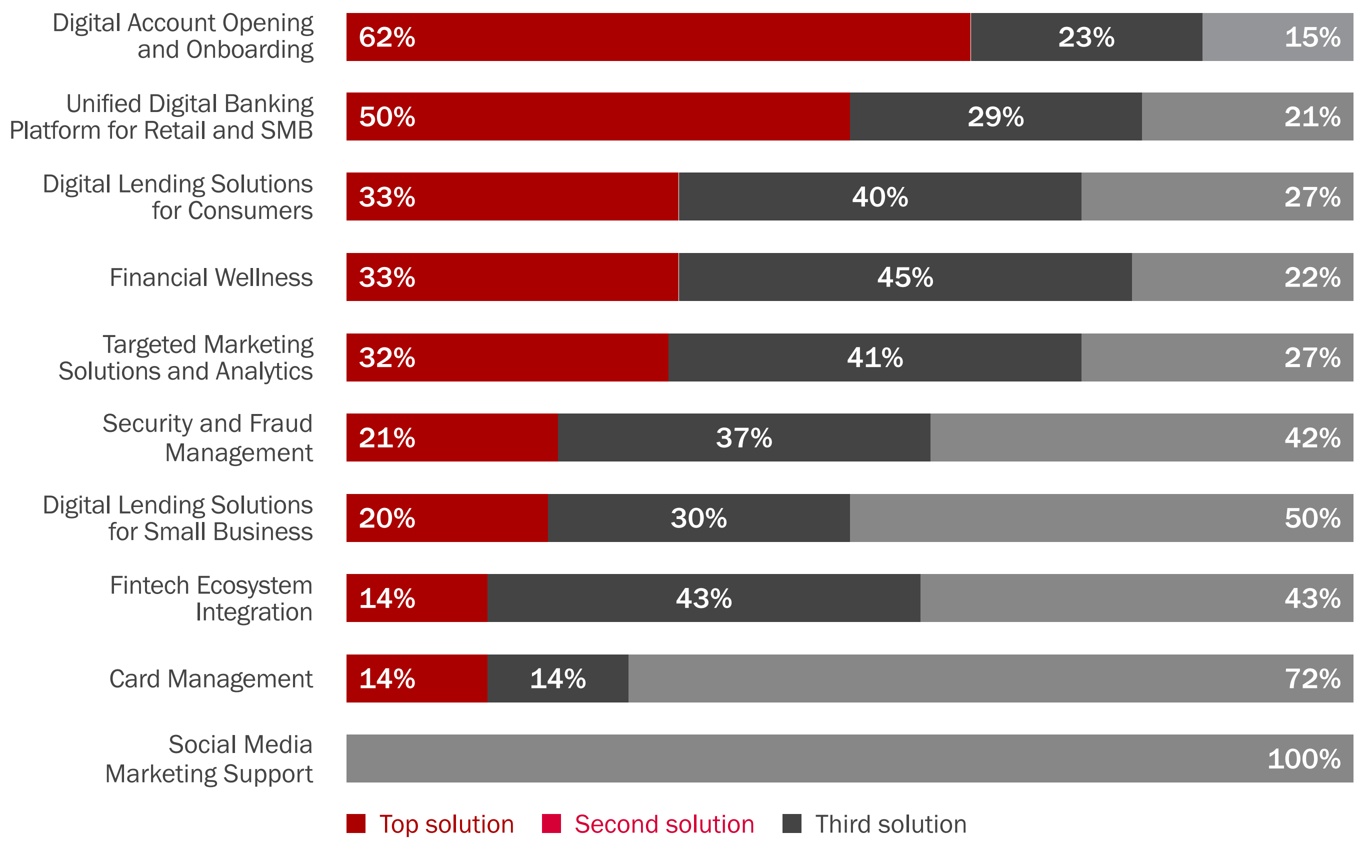
How does your organization modernize technology?



Source:
Digital Banking Report Research
© January 2025
Digital Banking Report

CHART 22: HOW CREDIT UNIONS USE 3RD-PARTY SOLUTION PROVIDERS

What are the top 3 solutions where you would partner with a third-party provider?



Source: Digital Banking Report Research © January 2025 Digital Banking Report

The Impact of Big Tech and FinTech

The research reveals that only 31% of retail banking executives believe they're being significantly impacted by big tech and FinTech companies. This perception may underestimate the ongoing transformation of financial services, particularly in areas like payments and digital engagement.

Jim Marous: "How does the rise of alternative financial providers impact traditional financial institutions?"

Sievewright: "By examining ACH files and credit/debit card transactions, institutions can observe changing customer behaviors and relationships with alternative providers. This data presents both challenges and opportunities for traditional institutions to adapt their services."

The Future of Banking: Challenges and Opportunities

Jim Marous: "What do you see as the biggest challenge in financial services today?"

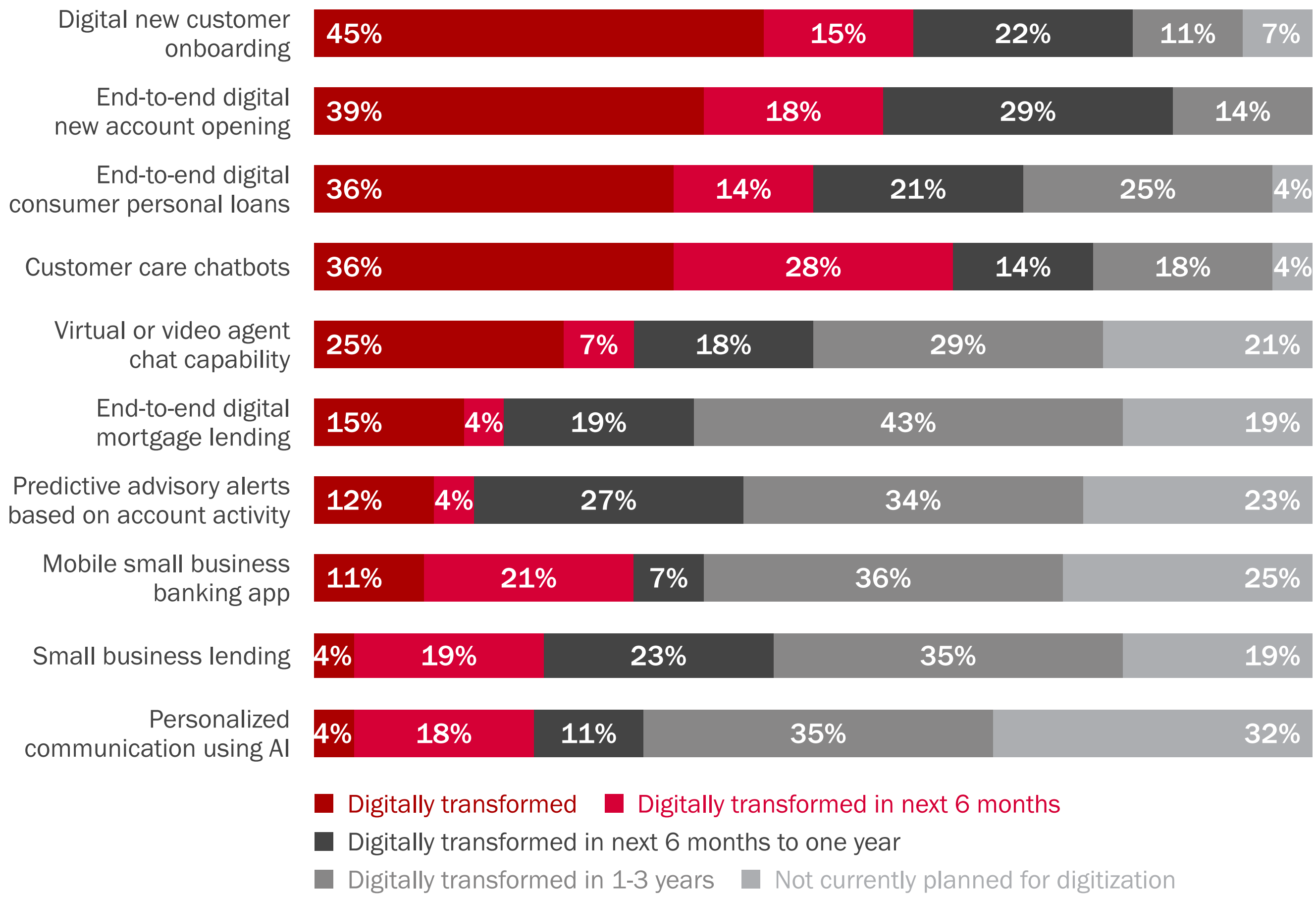
Mark Sievewright: "Moving from where we are to where we need to be. The environment is so challenging that where we're trying to get to is a future state where we have immersive customer experiences through integrated channels. Where we have highly personalized intelligent marketing. Where we have an ecosystem that's effective and efficient."

Jim Marous: "What's the biggest opportunity in banking today?"

Mark Sievewright: "To improve how we conduct the business. We have an opportunity now, thanks to technology, where we can redefine the business model of banking. We shouldn't have people who aren't spending their time on valuable member or customer impact roles. If we have people doing repetitive tasks daily, we're doing something wrong."

CHART 23: CURRENT STATUS OF SPECIFIC DIGITAL TRANSFORMATION STRATEGY FOR CREDIT UNIONS

What is the **current status** of the following digital transformation strategies?



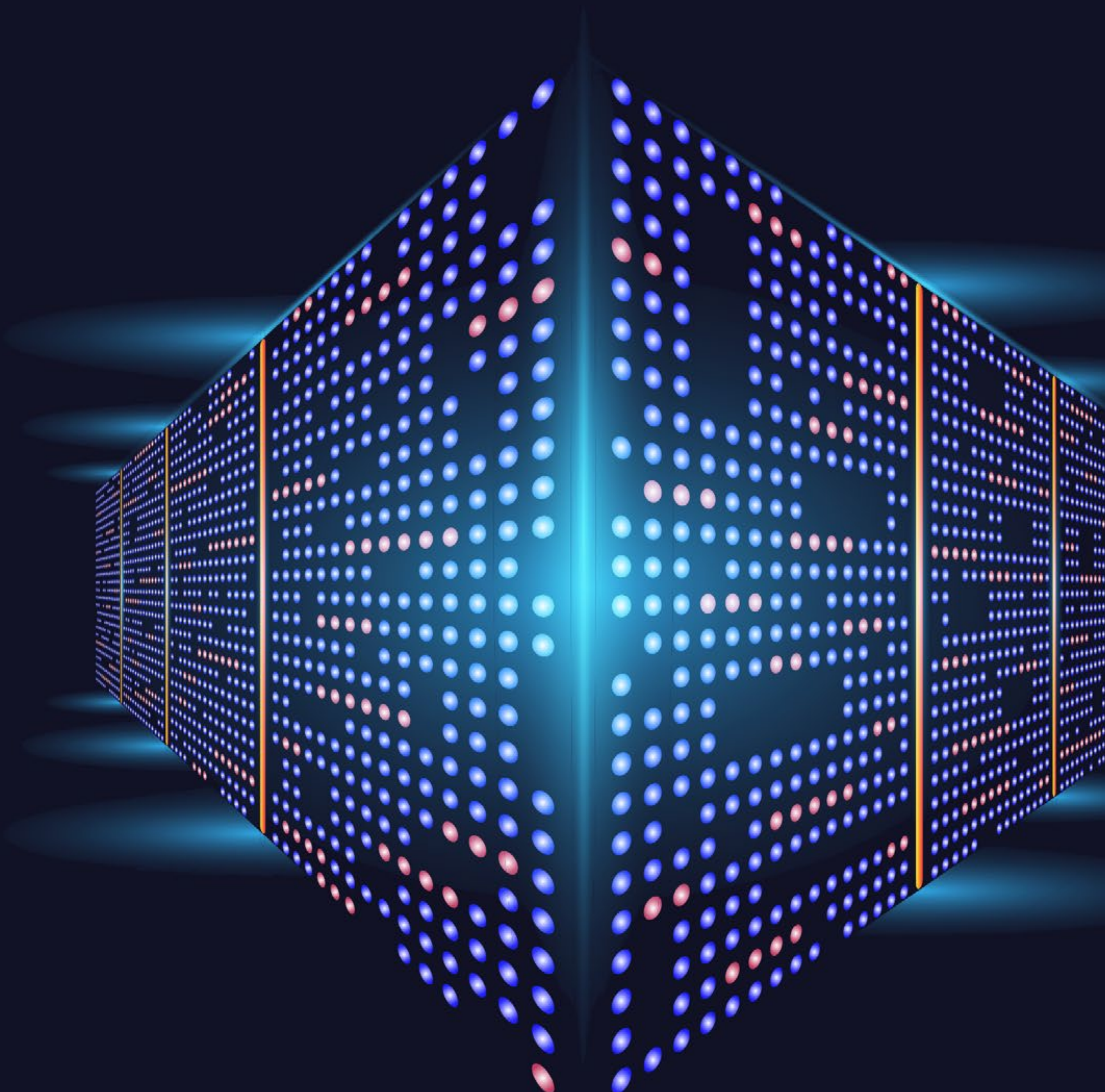
KEY TAKEAWAYS

Key Takeaways for Credit Unions

1. Focus on modernization of foundational infrastructure before pursuing advanced digital initiatives.
2. Address security concerns systematically to enable real-time payment adoption.
3. Optimize branch networks rather than simply expanding.
4. Develop a clear AI strategy that begins with fundamental applications.
5. Invest in data capabilities to enable personalized member experiences.
6. Consider partnerships with third-party providers to accelerate digital transformation.
7. Monitor and respond to changing customer behaviors and competitive threats.

Although credit unions' path forward may differ from traditional banks, the destination remains the same: creating a modern, efficient, and member-centric financial institution that can compete in an increasingly digital world. Success will require balancing traditional strengths with technological innovation and changing consumer expectations.

Conclusion: The Path Forward



Conclusion: The Path Forward

The Retail Banking Trends and Priorities report, sponsored by Q2, verifies that the banking industry continues to undergo a seismic shift driven by rapidly evolving consumer expectations, emerging technologies, and the growing importance of trust. Expectations include delivering hyper-personalized experiences, ensuring transparency in data usage, modernizing customer service, prioritizing digital convenience, and strategically integrating AI.

Personalization Beyond the Basics

Banks and credit unions are no longer merely places to store money and conduct transactions – they must become proactive, intelligent partners in their customers' financial lives.

Consumers have made it clear that basic personalization efforts (like using a customer's first name or recommending generic products) are no longer enough. Modern banking customers comfortable with digital engagement's power expect highly tailored, data-driven insights that reflect their unique financial situations and goals.

This is especially true for younger generations like Gen Z, who seek hyper-personalized financial guidance and expect institutions to use their data responsibly to deliver meaningful value.

Yet, despite the industry's ongoing push for improved customer engagement, consumer satisfaction with personalization remains low. This disconnect presents both a challenge and an opportunity. Banks that effectively bridge this gap will differentiate themselves and build stronger, more profitable relationships.

The Trust-Data Paradox

Trust remains the foundation of financial service relationships, yet consumers remain skeptical about how their personal data is used. Many banking customers don't fully understand how their financial institutions collect, store, and protect their information. With the growing role of AI in banking, transparency around data usage is more critical than ever.

This is especially important given that customers are willing to share more personal data in exchange for better service … but only if they feel confident that their privacy is safeguarded. Banks and credit unions must find a way to strike the right balance between leveraging AI-driven personalization and ensuring robust data security, with clear communication about how customer data is being used.

Service and Support: The Weak Link

While technology has transformed banking experiences, customer service remains a weak point. Many customers report dissatisfaction with the speed and effectiveness of support, often citing the frustration of repeating themselves across different channels.

Consumers expect seamless, omnichannel service that blends digital efficiency with human empathy. Routine inquiries should be resolved instantly through AI and automation, while complex financial matters should still have a human touch. Institutions that fail to modernize their service models risk losing customers to more agile competitors, including digital-native financial players.

The Digital-First Imperative

Most consumers now prefer to handle their banking needs digitally through mobile apps, online platforms, or AI-powered chat support. However, preferences vary across demographics, with some customers still valuing in-person interactions.

Banks and credit unions will succeed in 2025 by offering a flexible, hybrid approach that allows customers to engage on their own terms. This means refining mobile banking experiences, integrating AI-driven support tools, and ensuring that human advisors remain accessible when needed.

AI is an Essential, Not a Novelty

AI is no longer just a futuristic concept. It has become an expectation in banking. Customers increasingly recognize AI's potential to expedite transactions, provide real-time insights, and enhance security through fraud detection. However, most consumers remain hesitant to fully entrust AI with major financial decisions, such as investment management or credit approvals.

Institutions that thrive in 2025 and beyond will integrate AI thoughtfully, using it to enhance, not replace, human relationships. AI should handle efficiency-driven tasks while empowering advisors to provide higher-value, personalized guidance.

Winning in 2025 and Beyond

To meet and exceed consumer expectations in 2025, financial institutions must:

1. Elevate personalization efforts beyond surface-level recommendations and deliver tailored financial insights.
2. Build trust through transparency about data usage and security, ensuring customers feel in control of their personal information.
3. Fix service inefficiencies by streamlining support experiences, reducing customer frustration, and improving response times.
4. Prioritize digital convenience while maintaining a hybrid approach that accommodates all customer preferences.
5. Use AI strategically to improve efficiency while ensuring that human interactions remain available where they add the most value.

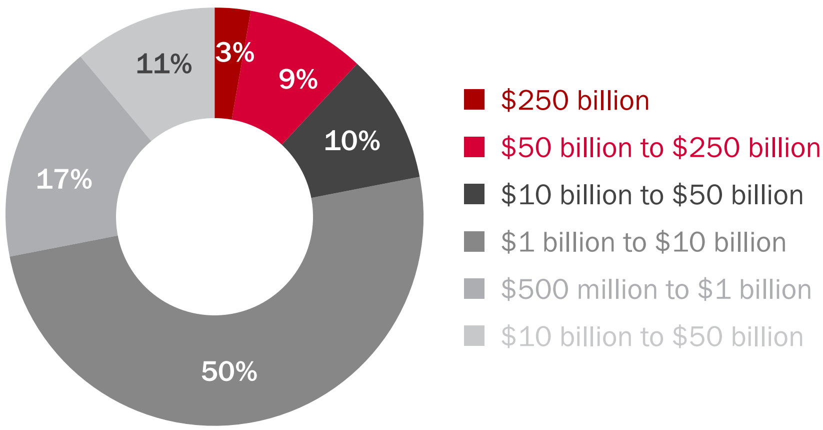
Final Thought

Banks and credit unions will succeed in the years ahead if they recognize that digital transformation is an opportunity rather than a challenge and that transformation is a process, not a destination. More than just technology, leaders must embrace change, take risks, and disrupt their organizations with customer-centric innovation. Doing so, they can position themselves as indispensable partners in their customers' financial journeys.

About the Respondents

CHART 24: RESPONDENTS BY ASSET SIZE OF FINANCIAL INSTITUTION

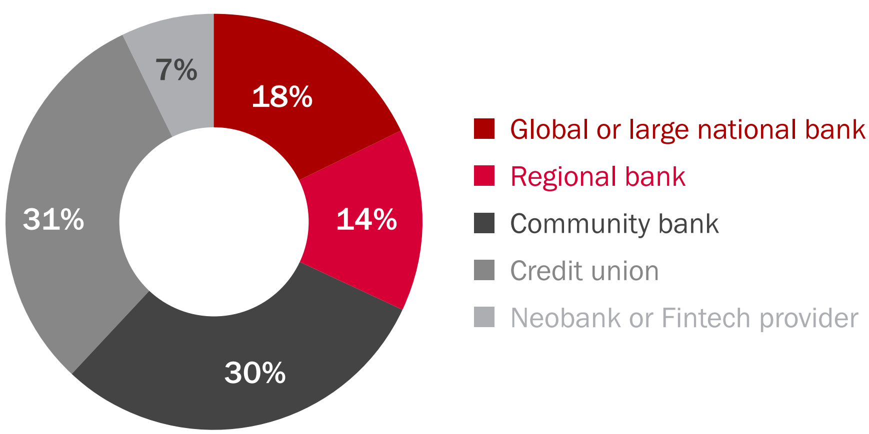
What is the asset size of your institution? (Only financial institutions)



Source: Digital Banking Report Research © January 2025 Digital Banking Report

CHART 25: RESPONDENTS BY TYPE OF FINANCIAL INSTITUTION

What type of company do you work for?



Source: Digital Banking Report Research © January 2025 Digital Banking Report

CHART 26:
LOCATION OF COMPANY HEADQUARTERS

Where is your company head-quartered?

North America (United States and Canada)	74%
Asia	8%
Eastern Europe	5%
Africa	4%
Australia	2%
Western Europe (Other than U.K.)	2%
Middle East	2%
Central and South America or Caribbean	2%
United Kingdom	1%
Other (please specify)	1%

Source: Digital Banking Report Research © January 2025 Digital Banking Report

About Jim Marous

Jim Marous

Named as one of the most influential people in banking and a 'Top 5 Fintech Influencer to Follow', Jim Marous is an internationally recognized financial industry strategist, co-publisher of **The Financial Brand** and owner and publisher of the **Digital Banking Report**.

As a sought-after keynote speaker, author and recognized authority on disruption in the financial services industry, Jim has spoken to audiences worldwide. He has been featured by CNBC, CNN, Cheddar, the Wall Street Journal, the New York Times, the Financial Times, the Economist and the American Banker.

Through his podcast, **Banking Transformed**, Marous provides listeners with an opportunity to hear about the organizational impact of digital transformation. With new shows each Tuesday, Jim interviews his guests with the objective of digging deeper into the opportunities and challenges facing banking and other industries. You can download Banking Transformed on The Financial Brand podcast page or on your favorite podcast platform.

You can also follow Jim Marous on **Twitter** and **LinkedIn** or visit his professional website.