

FINANCIAL INSTITUTIONS
RETAIL BANKING REPORT 2025

From Branches to Bots

Will AI Agents Transform Retail Banking?

November 2025

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Will AI Take Off?

Retail banking would appear to be a ripe target for artificial intelligence and its most recent incarnation, AI agents.

Banks have an abundance of attributes that sit squarely in AI's sweet spot: enhanced customer support, personalization of service and offers, and automation of manual or repetitive tasks, to name a few. BCG has identified more than \$370 billion a year in additional profit potential industrywide from AI. Little surprise that venture funding for fintech is surging and the frequency of AI mentions in retail banks' investor presentations is rising fast.

All that being said, actual examples of real value attained from deploying AI—in the form of cost savings, revenue gains, and EBIT increases—are hard to find. Most retail banks are piloting AI in some functions or operations. A few have embarked on more ambitious end-to-end transformation of functions or workflows. But results so far have been limited.

Retail banks' experience is consistent with that of business more broadly. Despite the widespread expectations surrounding AI, BCG's **2025 Build for the Future** study found that 5% of companies are generating value at scale from AI and 60% are not. Another 35% are showing some limited success. Roadblocks range from legacy technology to culture, customer-related concerns, and unease over regulations and compliance.

Despite the subdued progress to date, it's clear to most executives and observers that use of AI—and especially AI agents—will pick up in retail banking. Banks' needs and AI's benefits are too compelling to ignore. Specifically:

- Banks need to break out of a toxic revenue-cost squeeze that threatens to erode profitability in the near and medium term. Traditional banks also risk becoming non-competitive with both fintechs and faster-moving competitors. AI opens big opportunities on both the revenue and cost sides of the income statement.
- Inaction is not a viable strategy. Even if only 5% of retail banks successfully embed AI across their operations—and the number will almost certainly be larger—these institutions will alter the competitive dynamics of the industry, especially as more agents come on stream, and render non- or slow-movers increasingly irrelevant over time.
- The potential new profit pools are substantial: more than \$370 billion a year and after, which is 30% greater than the business-as-usual potential. We estimate AI can reduce costs by as much as 40%, and banks can reinvest a portion of the savings into innovation, new revenue-generating capabilities, and acquiring new customers—at a time when revenue growth from traditional sources is expected to slow.
- AI agents are systems that autonomously observe, plan, and act toward goals, often leveraging predictive and generative AI capabilities. Hardly mentioned at all in 2024, agents already account for 17% of total AI value in 2025 across all industries and are expected to reach 29% by 2028.

The good news, especially for more aggressive retail banks, is that leaders in other sectors have developed a proven playbook for getting value from AI that banks can readily adapt. One of the most compelling lessons from these companies is that early movers gain big and fast rewards. And over time they make it difficult for others to catch up.



The Case for the AI-First Retail Bank

Banking executives give themselves high scores on AI adoption and maturity.

In our self-reported Build for the Future study, banks, fintechs, and payments companies rank behind only software and telecommunications on the AI maturity index. (See [Exhibit 1](#).)

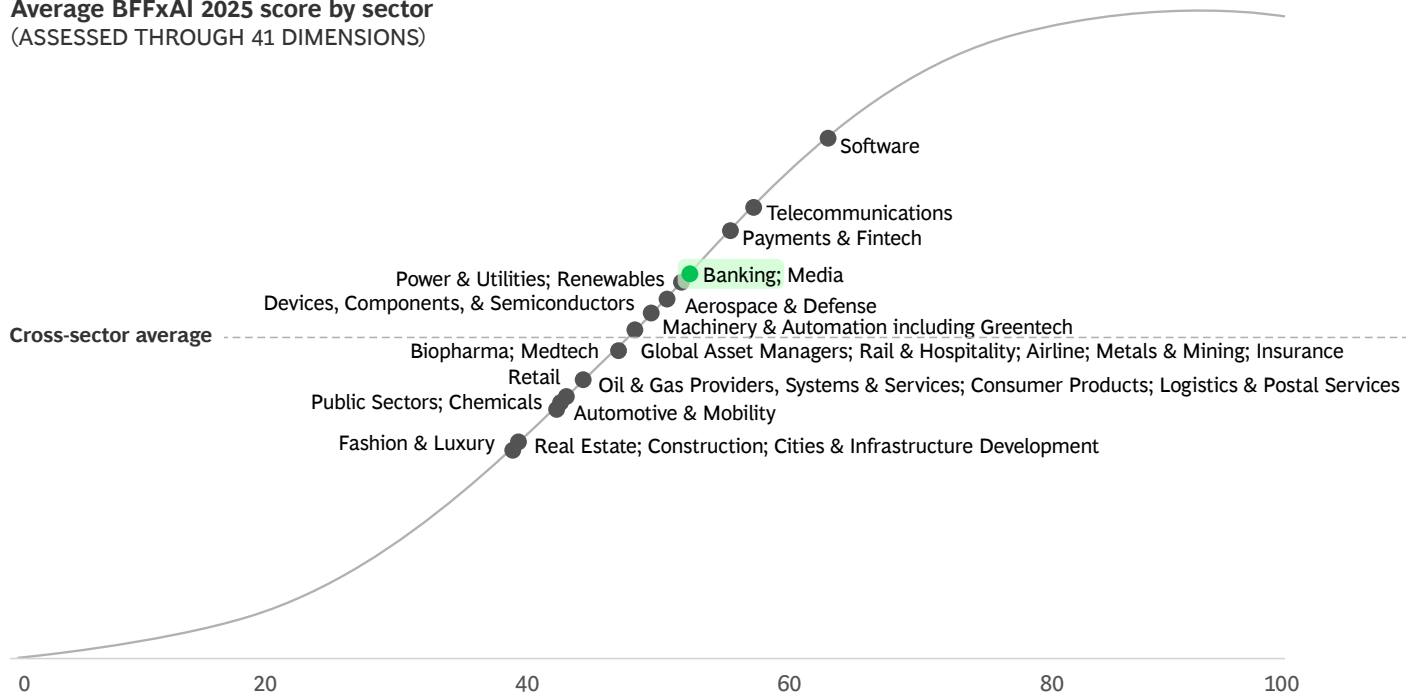
But look more closely and it appears that the reports of maturity may be at least somewhat exaggerated. More than half of the banks surveyed are adopting AI in transactions and payment services (similar to fintech players)—and expect to see impact from it. They are also focusing on customer journeys. Adoption and use in other areas, such as credit and loans, marketing, and pricing, are more slowly picking up speed. (See [Exhibit 2](#).)

This may be about to change, however, as several forces coalesce to catalyze AI in retail banks.

EXHIBIT 1

Banks Give Themselves Relatively High Marks for AI Adoption

Average BFFxAI 2025 score by sector
(ASSESSED THROUGH 41 DIMENSIONS)



Source: BCG Build for the Future 2025 Global Study (N=1250).

EXHIBIT 2

Transactions and Payments Lead in AI Adoption Among Financial Institutions

Top AI workflows across top functions (based on adoption and expected impact)

FUNCTION	WORKFLOW	ADOPTION IN BANKING	EXPECTED IMPACT IN BANKING ¹
Transaction and payment services	AI-driven fraud risk identification and fraud risk scoring Centralized, on-demand access to curated information for faster issue resolution	54%	55%
	AI-based transactions Real-time system oversight to detect issues and ensure operational continuity	52%	51%
Credit and loans	Loan underwriting Data-led budget allocation to maximize campaign efficiency and ROI	38%	23%
Digital marketing	Campaign performance optimization Data-driven audience segmentation to maximize ad relevance and impact	40%	39%
	Targeted outreach Predictive insights to identify timing and signals for retention and growth opportunities	37%	33%
Regulatory compliance and risk management	Debt collection and recovery Predictive analytics for delinquency management and personalized repayment strategies	26%	21%
	AI-based portfolio management Real-time modeling of credit risks with auditable AI recommendations	29%	32%
Sales	Banking sales optimization Data-informed innovation to accelerate product design and market fit	43%	25%
	Branch and digital network optimization Strategic levers and analytics to maximize topline performance	42%	22%

Source: BCG Build for the Future 2025 Global Study (N=1,250; n~100 financial institutions).

Note: Top 5 functions based on highest adoption and expected impact and top 2 workflows for each of these functions.

¹Impact is measured as improvement above the addressable baseline of key KPIs, such as revenue increase, cost reduction, and customer satisfaction.

A Profit Squeeze Looms

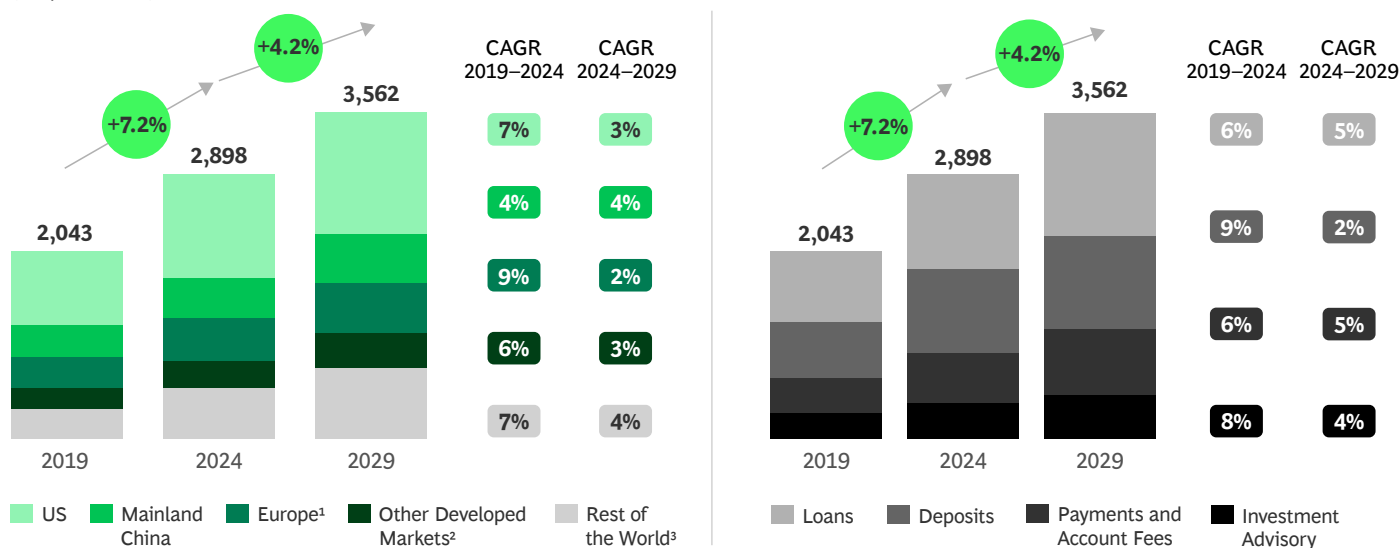
Retail banks have had a good, if uneven, run in recent years. Global annual revenue growth has averaged 7% since 2019, with regional variations from 4% in China to 7% in the US to 9% in Europe. Deposits, loans, and fees have all increased over this period, driven by higher interest rates and other global macroeconomic developments. (See [Exhibit 3](#).)

Profitability has fared less well, however, as rising costs, especially in North America, have eaten into revenue growth. Pre-tax profitability actually declined in North America between 2021 and 2024 because of increasing costs and loan loss provisions. (See [Exhibit 4](#).)

EXHIBIT 3

Global Retail Banking Revenue Pools Have Grown in Recent Years

(US\$ BILLION)



Source: BCG Expand Banking Pools.

¹Includes 24 markets from Western and Eastern Europe.

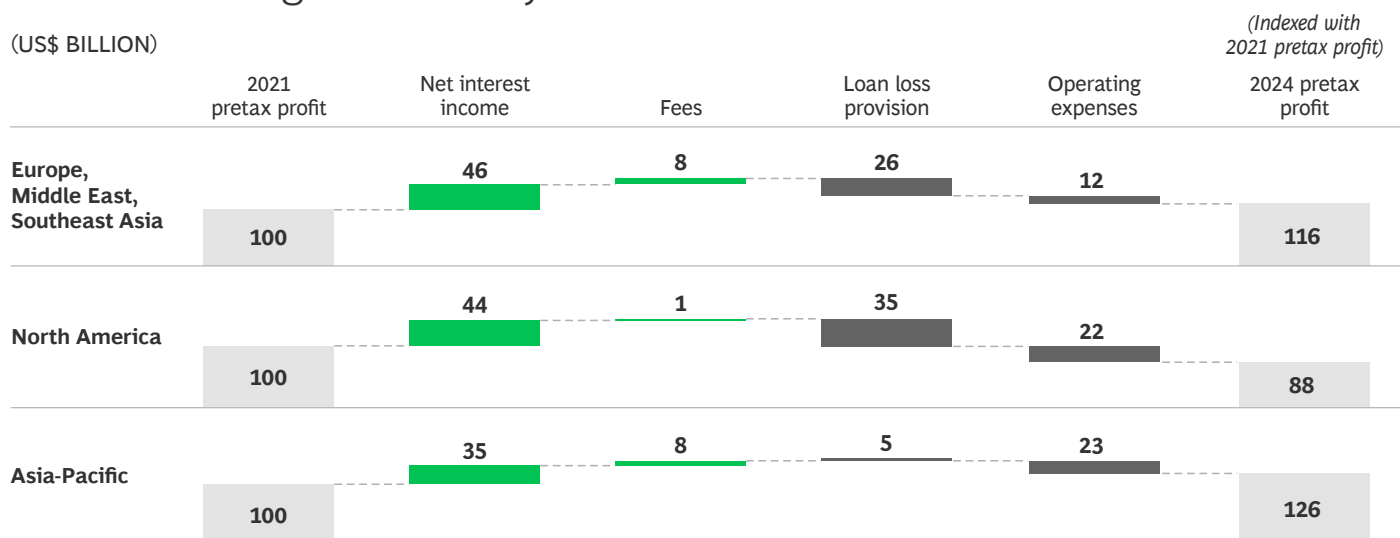
²Includes Australia, Canada, Hong Kong, Japan, Singapore, and South Korea.

³Includes 35 markets across Latin America, Middle East, and Asia.

EXHIBIT 4

Retail Banking Profitability Has Suffered

(US\$ BILLION)



Source: S&P CapIQ.

Looking ahead, our forecasts, as well as those of others, point to a toxic mix of slower revenue growth and increasing costs. Our business-as-usual forecast shows revenue growth dropping to 2% to 4% annually from 2024 through 2029 and becoming more volatile since revenue pools remain rate- and cycle-sensitive. Loan margins move with rates and volumes while fee income is stagnating. Deposits and savings are highly sensitive to rate normalization. In 2025, as rates have fallen, savings revenues have dropped by almost 35% over 2024.

At the same time, costs continue to rise. The industry suffers from three factors: continually increasing fixed costs, more investment in digital marketing (as traditional customer touchpoints in branches lose importance), and a need to upgrade the tech stack in the face of ever-expanding business demands. Indirect and regulatory-driven costs have grown faster than total opex in recent years, with compliance, IT, and control functions eating a larger share of budgets and exceeding the savings in direct costs from more efficient distribution networks. Marketing costs continue to rise, both in absolute and per-customer terms. BCG's REBEX benchmark shows marketing costs per customer up more than 20% from 2023 to 2024.

The structural mismatch between revenues and costs explains why the average cost-to-income ratio of many traditional banks is stuck above 60% compared with about 35% for well-run digital banks. This is an expanding gap in competitiveness. For traditional players, incremental moves such as trimming costs in marketing or branch operations, for example, are insufficient solutions. Banks need a step change, which AI can provide.

Paralysis Is Poisonous

Many banks find themselves frozen between hype and hesitation. AI is everywhere in the conversation but missing in the P&L. Banking is at risk of being caught in a dangerous contradiction: CEOs proclaim bold ambitions, yet most institutions remain in pilot mode, applying AI narrowly to such functions as know-your-customer or chatbot experiments.

Our research and client experience finds plenty of reasons for lack of progress. One of the biggest is lack of top management commitment. They may talk the talk, but fail to articulate a clear value ambition, set concrete goals, and track progress toward identified KPIs. Some company leaders move slowly because they worry about adverse impacts, such as poor customer experience. Others delegate AI to people in middle or lower management, who are unsure what to do or fearful of the technology's future impact on them. Still others experiment too widely, spreading their resources over scores of complex workflows and automating processes here and there, instead of focusing end-to-end on a few important functions or workflows that can generate value and illustrate the benefits of scale. The outcome is often a proliferation of disconnected initiatives that consume resources without generating coordinated value.

The risk for banks is not that AI fails to deliver; it is that banks fail to adopt boldly and quickly enough. Waiting is not an option.

Another huge barrier is not having the state-of-the-art tech architecture that is the prerequisite for building an AI-driven bank. Management teams feel chained to the investments in legacy systems and are unsure how to make the transition to a modern open architecture with a solid data capability. They are also concerned over technology durability: the quickening pace of new release cycles for foundation models (from months to weeks) with advancing power and capabilities creates fear of investing in technology that may be obsolete within a year. Asian banks, especially those in China and Singapore, report build-versus-buy paralysis as supplier ecosystems continue to evolve quickly. US banks are more concerned about the risk of vendor lock-in (leading to high potential follow-up costs via license renegotiations).

There are very real concerns over the reliability and accountability of AI decisions and its trustworthiness for mission-critical use in applications such as credit decisioning, anti-money laundering, and treasury allocation. Companies are still trying to determine where to place the human in the loop and when and where to intervene if necessary. This is less a tech question than an operating model design challenge, but defining effective thresholds for human intervention and accountability frameworks is critical to both smooth operations and avoiding problems with financial, legal, or reputational consequences.

Regulation, compliance, and cultural barriers also play a role in banks' limited application of AI. Executives are often not comfortable handing over judgments to machines (especially in high-stakes products such as investments or mortgages). Customers' reluctance to allow AI into private matters involving money combines with potential resistance from banks' own staff, who fear AI may render them redundant. Adoption requires well-planned and executed change management and reskilling at scale. Banks that treat AI as a cultural transformation, not only a tech rollout, will progress faster.

All of these concerns are real. But waiting for others to clear the path ahead means waiting until the competitive race is already lost. The big risk for banks is not that AI fails to deliver, it is that banks fail to adopt boldly and quickly enough.

Profit Pools Will Expand

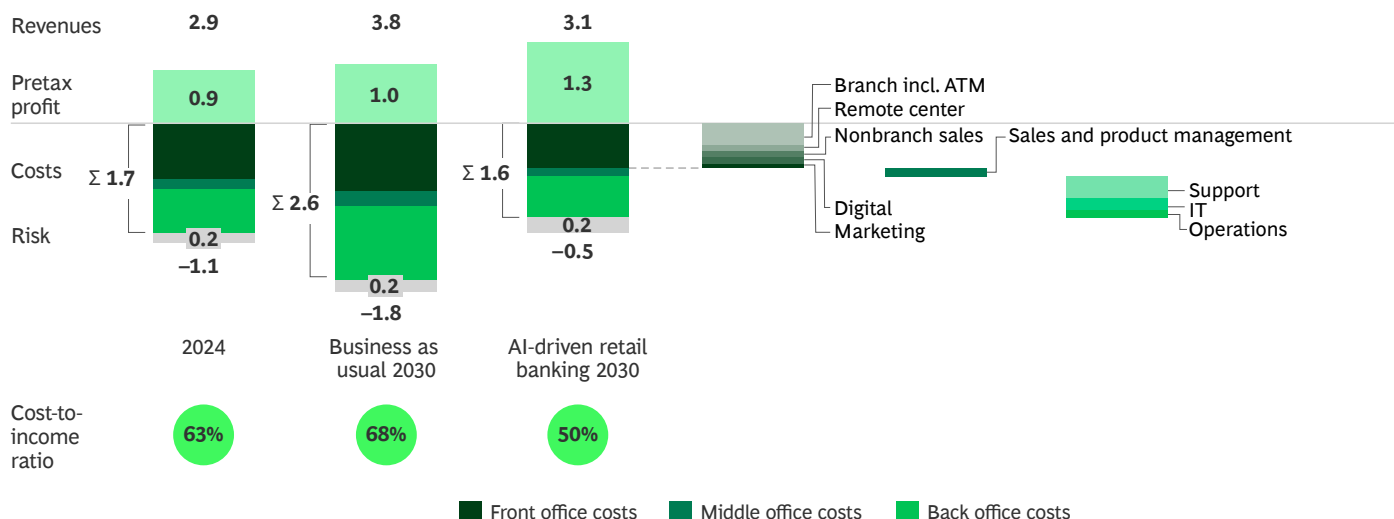
Banks have digitized existing products and processes, improving efficiency, reducing cost-to-serve, and meeting customer demand “on demand.” But digital technology operates as a support function, doing things faster, better, or less expensively. AI-first banks create an entirely new logic of banking that is predictive, adaptive, and autonomous. AI-first banks will not just move products to digital channels, they will guide customers toward meeting their financial goals with prompts, suggestions, and adjustments within predefined guardrails. They will invent products that are only possible using an AI platform in an AI-first operating model.

As AI assists customers, it also improves productivity in the front, middle, and back office. AI can structurally lower costs and boost profitability while providing customers with a better deal. (See **Exhibit 5**.) In a nutshell, retail banking currently generates \$2.9 trillion in revenues and pre-tax profits of about \$900 billion. Based on current market and macroeconomic trends, revenues will grow to \$3.8 trillion in 2030, but profits will increase only modestly to \$1 trillion because of the accelerating costs described above.

EXHIBIT 5

AI Will Help Ignite Productivity Increases and Higher Profits

Global revenues and costs 2024 vs. 2030 AI-driven retail banks
(US\$ TRILLION)



Sources: BCG Banking Pools; BCG analysis.

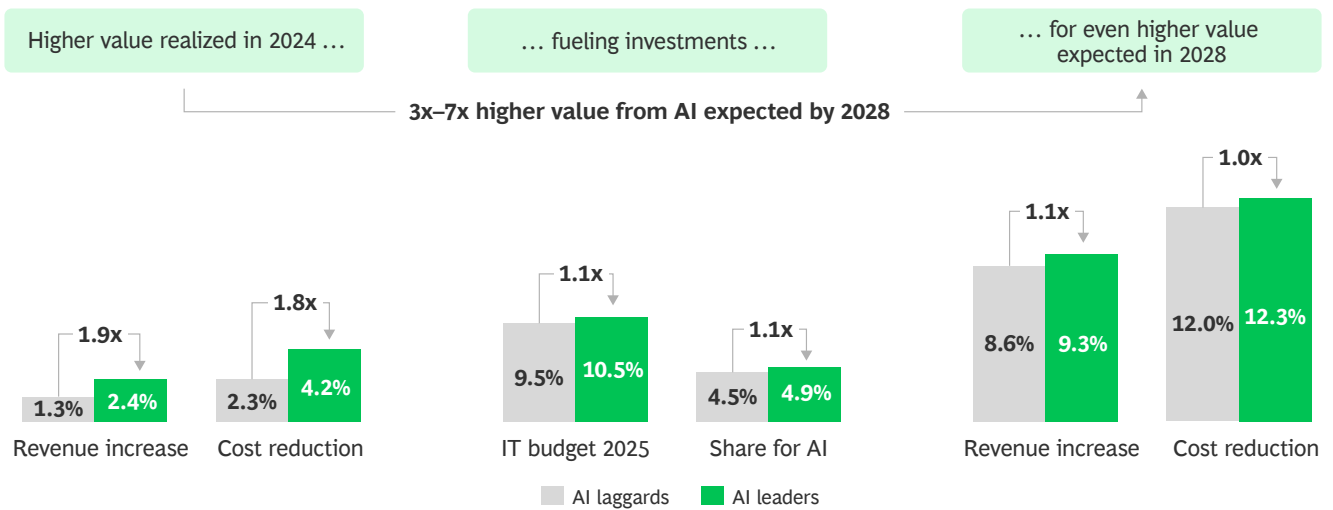
AI also alters the business dynamics. We estimate that AI-first retail banks can achieve cost bases that are 30% to 40% lower compared with the projected market scenario. Depending on the geographic region and inflation, this could mean flat costs in absolute terms for a medium-term period. Banks will likely pass on some of the savings to customers and reinvest in acquiring new customers, which will reduce potential revenues by 15% to 20%. Though the revenue loss appears high, we have seen similar scenarios play out historically when other new technologies took hold. Reinvesting productivity gains into innovation and new revenue-generating capabilities will capture share

from slower movers. We are already seeing a flywheel effect take shape among AI leaders in other industries. (See **Exhibit 6**.)

For a typical retail bank, effectively implementing AI at scale can lead to a 30% or greater increase in profits compared with non-AI scenarios. The dynamics will unfold at different speeds around the globe (Asia is currently in the lead), and some AI developments may be slower than anticipated. But there is no other lever with such a strong potential impact.

EXHIBIT 6

Financial Institution AI Leaders Ignite a Virtuous Cycle of Value Creation by Reinvesting Funds



Source: BCG Build for the Future 2025 Global Study (N=1,250; n=147 financial institutions).

Agents Promise to Make a Big Impact

The emergence of agentic AI in the past 12 months represents a critical development in making AI more relevant to businesses. AI agents are systems that autonomously observe, plan, and act toward goals, often leveraging predictive and generative AI capabilities. Their integration into business workflows enables autonomous reasoning and action across the value chain—shifting AI from a passive advisor to an active operator within enterprise systems.

Early movers are registering impressive results. One Asian bank that is using agents to automate its collections outreach and negotiation processes has reduced costs by 30% to 40% and improved cure rates by double-digits over more traditional approaches. Banks using virtual assistants to provide customers with financial information, guidance on products, and real-time insights in interactive “conversations” have seen 75% increases in completed pre-applications with improved approval eligibility. A major global bank is piloting an AI-first greenfield transformation of its HR function to show how the technology can fundamentally reshape employee journeys.

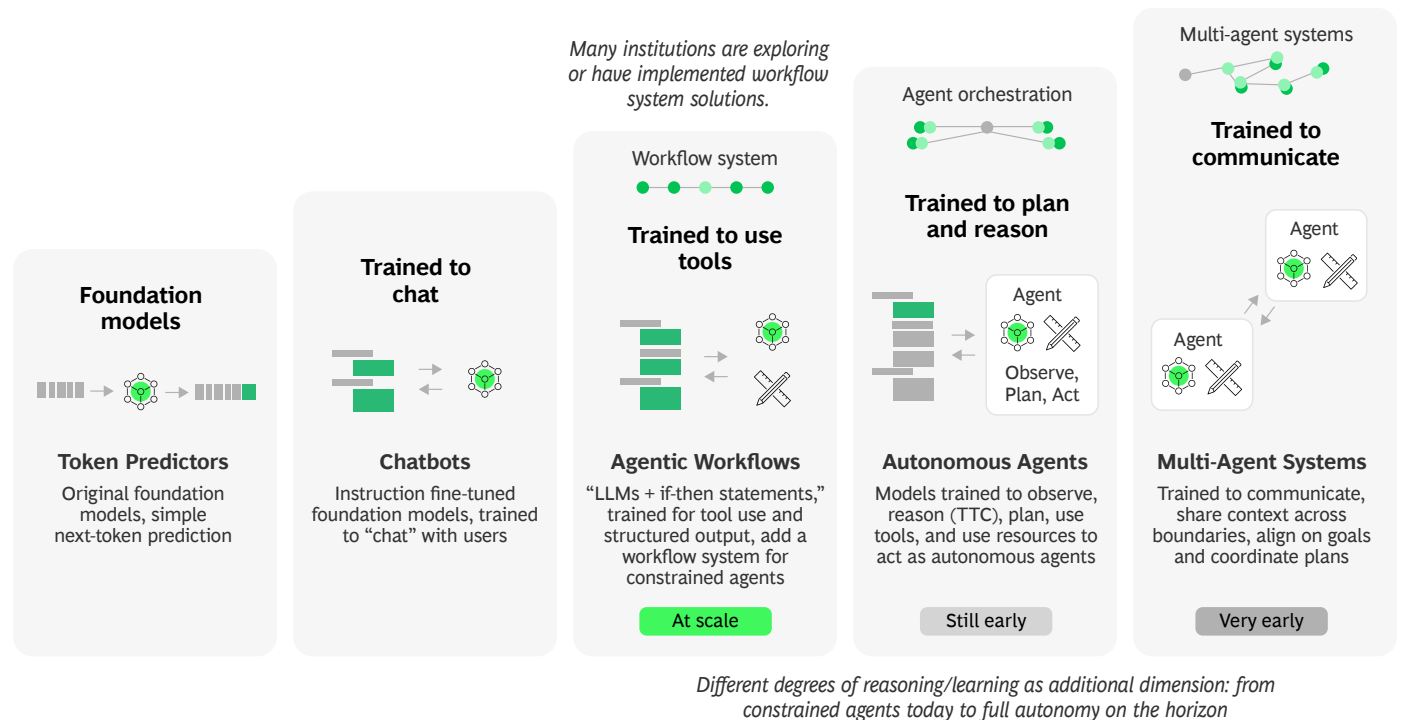
If they evolve into their full capabilities, AI agents will be thought of as **digital workers**. AI-first banks will use agents to achieve scalable operations and truly individual customer interactions. Agentic AI supervises and executes end-to-end workflows across service, compliance, risk, and exceptions, driving near-zero marginal cost at scale. Human capacity shifts up the value curve: mid- and back-office priorities move from repetitive work, which is automated, to handling “moments of truth”—high-stakes, emotionally charged, or complex cases where human empathy, judgment, or accountability are decisive factors.

We are not there yet. Taking full advantage of agents means not only building the human and technological capabilities, it requires implementing a **new operating model**, which is a long-term undertaking. It’s possible that some (or even most) banks will end up using agents primarily at the customer interface where engagement and intent resolution become agent-driven. Subsequent steps rely on deterministic, linear logic that agents themselves author and update, allowing rapid adaptation while preserving control and auditability.

At the moment, early movers have deployed some autonomous agents, but in general banks are on the lower steps of the agentic staircase. (See **Exhibit 7**)

EXHIBIT 7

Leading Financial Institutions Are Climbing the Agentic AI Staircase



Source: BCG.

Note: LLMs = large language models; TTC = test-time-compute.

For leading financial institutions, though, the next steps are where the biggest impact lies. Moving up to autonomous agents—models trained to observe, plan, use tools, and act—can lead to material value on both the cost and revenue lines. At the very top of the stairs (a level no company has yet reached), systems involving multiple agents will be created and trained to communicate among themselves, share context across boundaries, align on goals, and coordinate plans. Few companies in any industry have approached the latter two stages, but according to BCG research those that generate value at scale report five times the revenue increases and three times the cost reductions of companies that do not. The impact is sufficient to drive shareholder returns.

Even in these early days, it's easy to see an AI-first future, at least for industry leaders. As occurred in the consumer digital revolution (remember commerce before Amazon.com?), we expect customers' experience with advanced companies in other industries to influence the evolution of banking business and operating models. Travel and retail are raising the customer experience bar with autonomous trip-planning, continuous repricing, and "anticipatory concierge services" that will make banks' reactive servicing feel dated. In time, AI agents will split the pack: leaders will embed agentic systems; laggards will continue to pilot tools.



What Does an AI-First Retail Bank Look Like?

Digitalization helped banks automate processes and serve customers better, but it did not change the basic banking model.

AI is different. AI-first banks will redefine what leading banking can do. Deploying AI can remake the cost structure of the institution; this is already occurring. Leaders will go further, reshaping existing products and services and inventing new ones. They will create agents that become life partners for their clients, helping people to achieve their financial goals and manage their financial lives with autonomous, real-time, data-based suggestions and actions.

Imagine a bank that can automatically reallocate investments according to changes in strategy (be more aggressive) or circumstance (the purchase of a new home). Or a bank that provides individual interest rates for deposit products depending on specific volumes. Or personalized mortgages designed for each customer based on the specifics of the property, the transaction, and the customer's financial profile. Or individual savings plans or seamless payments thanks to AI-driven processes fully embedded in other non-banking products. (See **"A Day in the Life of Maria and the Financial Coach in Her Pocket."**)

AI also alters the economics of banking. Historically, retail banks competed on salesforce strength, efficiency, risk judgment, and the solidity of their balance sheet. Technology cut across these dimensions, but as a support function. Banks that master the transition to AI-first will no longer compete on branch density or balance sheet size, but on the speed, sophistication, and transparency of their algorithms. Assuming they achieve a requisite level of trust, Bank A's algorithms may eventually compete with Bank B's, putting a premium on human design capabilities and the machine's "intelligence" (how well it learns as it serves customers, for example). Agents can achieve scalable operations and truly individual customer interactions at no incremental cost.

A Day in the Life of Maria and the Financial Coach in Her Pocket

Maria wakes up at 6:30 a.m. to the chime of her phone. Her bank's AI assistant, Ari, has prepared a morning briefing, which she reviews over breakfast.

“Good morning, Maria. Your utilities bill is due today. I noticed that if you shift the payment to after 2 p.m., you'll avoid overdraft fees and keep your cashback rewards. Shall I adjust that for you?”

A quick yes from Maria to her voice assistant, and Ari updates her payment plan. No apps, no log-ins—just a seamless, invisible interface that anticipated her needs.

While Maria is on the bus to work, she receives a notification from Ari for a personalized mortgage update.

“Based on the recent appraisal of your neighborhood and your improved credit profile, we can reduce your mortgage rate by 0.3%. Switching now would save you about \$300 per month. Would you like me to simulate the refinancing process and show you the impact on your budget?”

Maria taps *simulate*. Within seconds, a dynamic visualization of the offer pops up: her new cash flow, savings over five years, and projected property value trends. Ari has prefilled most of the forms, ready for her approval. No branch visits, no sales pitch—just intelligent, contextual engagement.

At lunchtime, Maria grabs sushi at a local shop. She doesn't need to reach for her wallet or phone to pay because she has opted into hands-free payment with this merchant. The terminal detects her device's encrypted proximity token, and the bank authorizes payment using a network token based on her ordering behavior, location data, and preset limit preference of less than \$50. No credit card details are shared. While she eats, Ari updates her budget goals.

“I noticed you've spent 12% less on dining out this month compared with last. If you keep this pace, you'll reach your travel savings goal a month earlier. Want me to redirect today's difference into your vacation fund?”

Maria agrees. She hadn't even thought about budgeting. Ari had already done it.

In the afternoon, Maria shops online for a second-hand electric bike, which could cut her commute by 20 minutes. The seller offers instant financing. Normally, this would mean paperwork and waiting for approval. Instead, Ari analyzes her income flow, spending habits, and the bike's projected resale value.

“Loan approved. Monthly repayment: \$50. Rate: personalized at 4.2% based on your profile and market conditions. Insurance for theft and damage is embedded. Do you want to proceed?”

In less than a second, Maria has financing and protection bundled together, with no forms and no delay. The bank has provided a complete financial solution in real time.

On her way home, Maria received a monthly money-management update from Ari.

“Today, I reallocated part of your savings into a short-term bond fund. Market volatility increased this afternoon, and this adjustment balances your risk profile while keeping your annual yield steady. Here's the audit trail and a simulation of alternatives. Would you like to override or approve?”

Maria glances through the summary. Everything is transparent, with human accountability still in place—she could always step in. But she rarely needs to. Ari's autonomous operations preassembles solutions in the background so she can make quick, informed decisions.

As Maria sets her alarm that night, Ari reminds her that she has a virtual meeting with her bank's human relationship manager the next day. They don't talk often as Ari handles most of her needs. But tomorrow's session will focus on Maria's dream of opening a sustainable café. Ari will have prepared the funding options, projected cash flows, and even simulated different business models. The relationship manager will help Maria work out a real-life plan to make it all happen.

As she turns in, it occurs to Maria that she hasn't thought about “banking” once all day.

Here are six characteristics that we believe will substantially define an AI-first bank.

Hyper-Personalized Customer Engagement

The branch manager and financial advisor of the future is an AI agent in the customer's pocket that continuously monitors and engages with the individual's financial life, anticipating needs before the customer articulates them and making suggestions (or, if authorized, even taking steps) to implement improvements in real time. Agents will boost conversion to new or better-suited products and services based on personalized analysis and arguments tailored to each customer. Agents at some major financial institutions are already monitoring company announcements, news stories, social media posts, and brokerage-house research. They use this array of inputs, as well as information on individual clients, to recommend investment strategies and products to client-facing staff. It is likely only a matter of time before cultural barriers and fear of the new are overcome and agents begin working directly with retail bank clients. At this point, bank sales will be orchestrated across channels with conversion rates redefined by prediction and personalization.

Individual Comprehensive Financial Solutions

AI-first banks will not sell traditional products in the traditional way. They will provide comprehensive, self-configuring, dynamic financial solutions and financial operating systems that continuously optimize each customer's financial life. In this way, AI-first banks will reverse the current trend towards more fragmentation of solution providers (the pick-and-choose approach). Agents will be able to juggle modular products and configure them in combinations that become tailored financial solutions to individual circumstances.

As an example, in bancassurance, AI enables real-time tailoring of protection products, adjusting coverage, pricing, and risk appetite at the individual customer level. Life and property insurance can be embedded into broader financial needs and contexts (along with mortgages, savings, and payments). Pricing becomes individualized and fluid—no more flat rates and standardized interest margins. Instead, personalized risk-return trade-offs are priced instantly and balance individual customer risk preferences and tolerance for price increases with risk, interest rate, and portfolio developments and competition in the market. As solutions become more personalized and sophisticated, consumer-protection concerns rise. AI that is both trustworthy and responsible increases in importance, not only from the point of view of reliability but also consumer-protection and bank reputation.

Invisible, Embedded Interfaces

Banking interfaces and apps dissolve into daily life. Agents act across channels, preemptively addressing customer needs. Payments, credit, and savings are embedded seamlessly into apps and ecosystems where customers already live and do business (e-commerce, mobile, social). Reactive digital front ends may effectively disappear.

Autonomous Operations

Agentic AI supervises and executes end-to-end workflows across service, compliance, risk, and exceptions, driving near-zero marginal cost at scale. Human capacity moves up the value curve: the focus of a reduced mid- and back-office staff shifts to high-impact analysis and interventions. Ways of working become hybrid by design. Processes default to automated flows in which agents triage and pre-assemble solutions to minimize customer wait time while humans unblock bottlenecks and provide signoffs. The cognitive architecture continuously observes, reasons, plans, and acts, learning from outcomes and self-adapting to the altered workflow.

Human accountability will remain an important factor. Customers will want to know that the bots have not taken over entirely. One answer could be the adoption of a three-layer guardrail. The agent redefines operations consistent with an *agent policy layer* that defines what the agent may and may not do. An *assurance layer* provides controls, audit trails, and simulations. A *human responsibility layer* provides a clear owner of record for each autonomous domain, analogous to accountability frameworks in autonomous driving.

Real-Time Risk and Capital Allocation

In an AI-first bank, risk management is always on. While traditional risk management runs on delayed cycles (credit scoring at origination, portfolio reviews monthly or quarterly, stress tests annually), in an AI-first bank, risk models run continuously, sensing, predicting, and repricing risk in real time. A loan approval can be priced and decided in milliseconds. Risk and return are no longer calculated as averages. AI models integrate live feeds of customer behavior, macroeconomic signals, and market dynamics to adjust pricing instantly. This means real-time loan margins, deposit rates, and insurance premiums that flex continuously to risk appetite, funding cost, and competition.

Instead of waiting for deposits to accumulate and loans to be drawn, banks become autonomous allocators of capital. AI agents dynamically steer balance sheets, shifting liquidity, funding, and risk-weighted assets across clients, portfolios, and even geographies in near-real time. This allows banks to maximize return on capital under existing regulatory constraints while simultaneously tailoring solutions for each customer. This in turn will influence supervisory expectations from regulators. Transparency, stress testing, and resilience of AI-driven risk engines will become central.

Lean Human Core

Organizations shrink in headcount (and cost) but expand in reach and effectiveness as humans focus on strategy, governance, creativity, and relationships. The AI-first bank may employ fewer people than a mid-sized fintech today, yet control more assets than the largest banks of the last century. The defining moat becomes not branch networks or balance sheets, but high-performing—and critically, trusted—AI.



Follow the Leaders

The AI-first retail bank and its potential implications may appear far-fetched.

It's certainly true that the reliability of AI models needs to improve, data and technological infrastructures need to be in place, regulations must catch up, and, most important, consumers and employees have to become comfortable interacting with “smart” machines. But we can already see examples of banks making significant steps towards an AI-first future.

For instance, banks are deploying virtual assistants to provide financial information and real-time money insights in voice-operated interactive conversations. They are

reducing costs and improving conversion rates with no drop-off in customer service ratings. AI agents are handling collections with improved success rates and lower costs. Real-time, agent-assisted monitoring of fraud and risk factors reduces loss rates while keeping false-positives in check. Agent-led personalization campaigns featuring dynamic pricing and offers lift ROI and accelerate adoption of fee-based services. Know-your-customer and anti-money laundering agents can orchestrate case assembly, evidence checks, and filings. Cycle times fall, analyst rework drops, and auditability improves due to structured agent logs.

To be sure, examples such as these are still anecdotal. For banks to generate material systemic value from AI—the kind that shows up on income statements and shareholder returns—they need to become much more ambitious in their vision and more aggressive in implementation and scaling.

Three Stages of AI Investment

Typically, we see companies move through three stages of investment in AI; it is only when they start to scale in the latter two stages that they see P&L impact. (See **Exhibit 8**.)

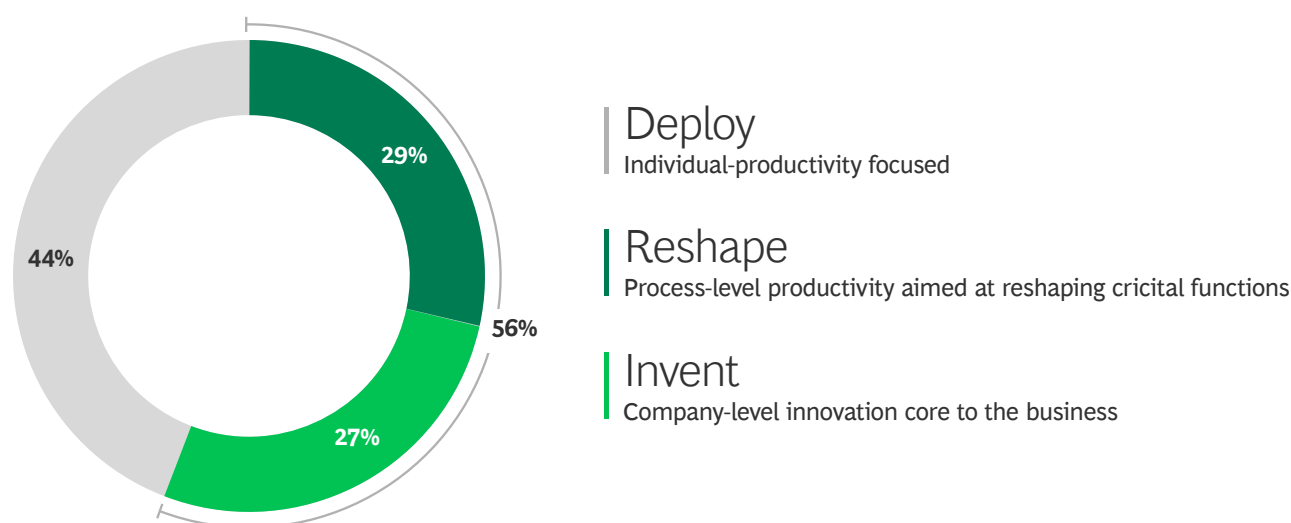
- **Deploy.** AI automates or augments daily routines throughout large parts of the organization with mainly standard solutions such as document extraction, sanctions screening, and drafting and summarization of text.
- **Reshape.** AI optimizes processes and functions end-to-end, such as credit advisory, application, credit check (including valuation for securitized loans), approval, and disbursement (including context-specific chatbots for end clients or customer service reps), and report drafting.
- **Invent.** AI enables entirely new business models based on data and algorithms, including personalized financial operating systems, real-time risk pricing, and predictive investment platforms.

Despite the many changes needed to fully realize the vision, some banks are already making significant steps toward an AI-first future.

EXHIBIT 8

Most Companies Are Not Prioritizing Investments In High-Impact Opportunities

Share of AI investments in Deploy, Reshape, and Invent initiatives



Source: BCG AI Radar 2025 Survey (N=1,803).

The crucial question for most banks is: Will they remain in deploy mode or move forward to invent fast enough to rewrite the rules of their banks and the industry? Those that fail to move beyond the deploy stage risk being structurally overtaken.

Fortunately, the leading players in other sectors that are achieving measurable value from AI—the companies we call “future-built”—have written a playbook that others can follow. It has five strategies, although banks need to add one of their own due to the particular attributes of the industry.

Set a Bold Multiyear Ambition

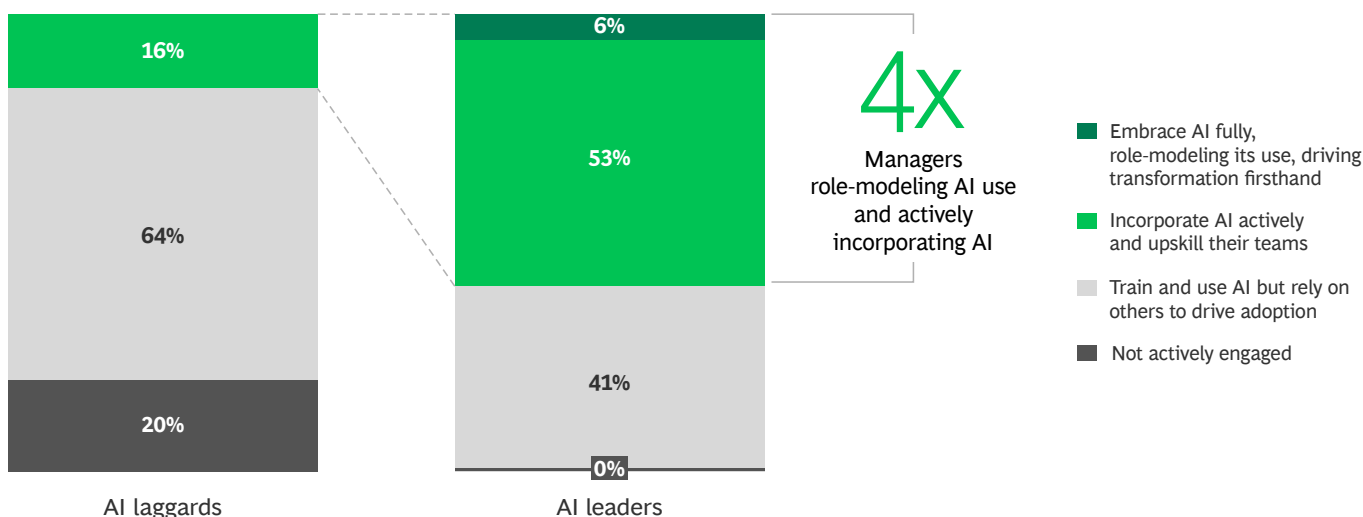
Future-built companies set bold, credible, and quantifiable AI targets that are aligned with corporate strategy. They back these initiatives with board- and CEO-level sponsorship, elevating the agenda above isolated experiments or pilots. (See **Exhibit 9**.) Top management translates overall business goals into a multiyear, fully funded AI vision with clear goals, such as defined efficiency gains from AI-induced process improvements or new revenue from personalization programs.

Value from AI is the guiding light for these companies. They prioritize AI opportunities according to the potential payback from investments, looking for big wins. The financial expectations are clearly stated, and as we have seen, leaders reinvest the proceeds from successful investments into growth initiatives, such as new customer acquisition or share-of-wallet expansion. They set clear KPIs for both proof-of-concept and scaling, and they anchor their ambitions in time-to-impact, both near and longer term (not only KPIs for the end of this year but what to achieve by 2030). They also set an explicit execution roadmap.

EXHIBIT 9

Banking Leaders Anchor AI at the C-level, with Managers Four Times More Likely to Drive Adoption

Managers' behavior in supporting AI implementation



Source: BCG Build for the Future 2025 Global Study (N=1,250; n=59 banks).

Reshape and Invent

Future-built companies go beyond automating individual process steps with AI and instead (re)invent and automate entire workflows end-to-end. They rethink how work gets done with different forms of the technology, such as vision AI, which could help banks automate processes that rely on paper-based documents containing unstructured data (such as floor plans) or automatically evaluate videos of buildings or vehicles to be financed. They hardwire AI into workflows, rebalance investment portfolios, and create organizational conditions where technology and business advance as one. Almost all leaders expect most of their AI value to come from reshaping and inventing business processes.

Leaders prioritize achieving value in core business functions, which are generating on average 75% of banks' value from AI. (See **Exhibit 10**.) Banks have prioritized customer service functions where AI is creating tangible value in multiple core business workflows, such as digital marketing, managing customer journeys, pricing, and sales. In addition, IT—and specifically software development—is a big value generator.

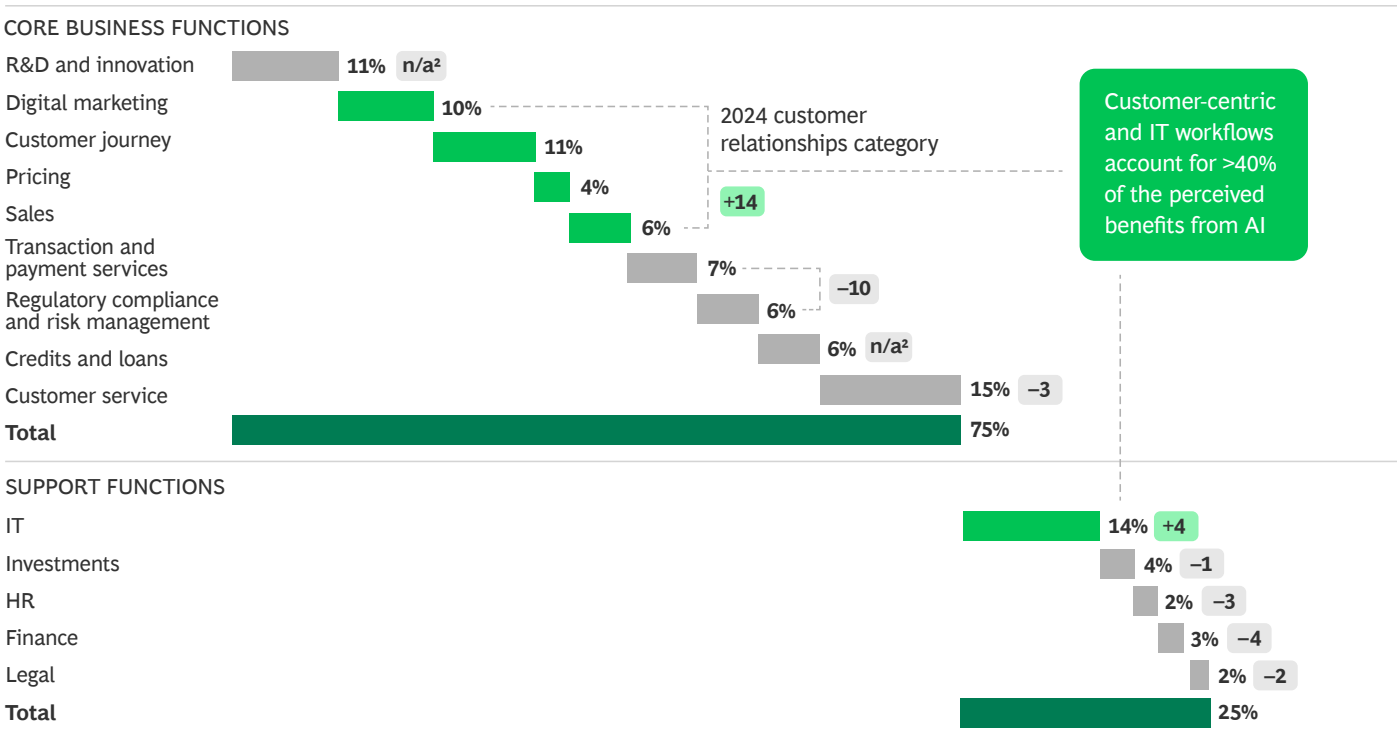
The prioritizing of AI portfolios for financial or operational impact results in strong alignment of adoption and expected outcomes. Leaders achieve a far higher match than other companies between where AI is deployed and where it delivers impact. Prioritization also accelerates implementation. Some 62% of initiatives at future-built

companies have already been deployed, compared with 12% for laggards. Overall, these companies achieve faster time-to-impact—typically 9 to 12 months instead of 12 to 18 months. They also consistently track and report results. More than 60% of future-built firms rigorously track AI value, compared with only 17% of slow movers.

EXHIBIT 10

AI Value Comes from Core Business Functions and IT

Distribution of AI value potential across functions¹ in 2025



Source: BCG Build for the Future 2025 Global Study (N=1,250; n=59 banks).
¹Value comprises topline growth and cost reduction.
²Function added in 2025 framework, not present in 2024.

□ % change vs. 2024

Adopt an AI-First Operating Model

Leaders understand the need to move fast, but they are equally attentive to evolving their operating model over time. An effective AI-first operating model does not focus on replacing people with technology; it entails reimagining the company around AI. Humans are no less critical to the process than before, but they perform in redesigned roles in workflows that are restructured to include digital workers.

Most banks will not be able to scale AI—and especially agentic AI—without converting their operating model into agent-supported and eventually agent-orchestrated workflows. This requires joint tech-business ownership of AI initiatives, with disciplined portfolio, stage-gate funding, and quarterly portfolio reviews, while also leaving room for decentralized innovation.

Two aspects of the new model are particularly important: governance and partnerships within the ecosystem. Governance must strike a balance between enough oversight to deploy scarce AI resources onto the most promising initiatives and sufficient flexibility to allow business units to innovate. Success requires both empowering decentralized innovation and maintaining central steering, with accountable P&L owners in the center.

Working with external experts is key. Partnerships are often the best and sometimes the only way to secure the requisite talent, gain greater flexibility and access to the latest technology, and enable speedier shifts in how the organization operates. These ventures can develop new engines for value creation.

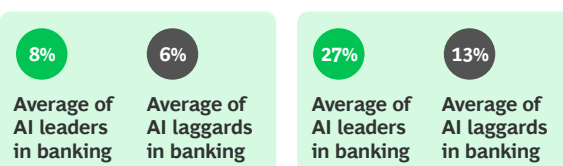
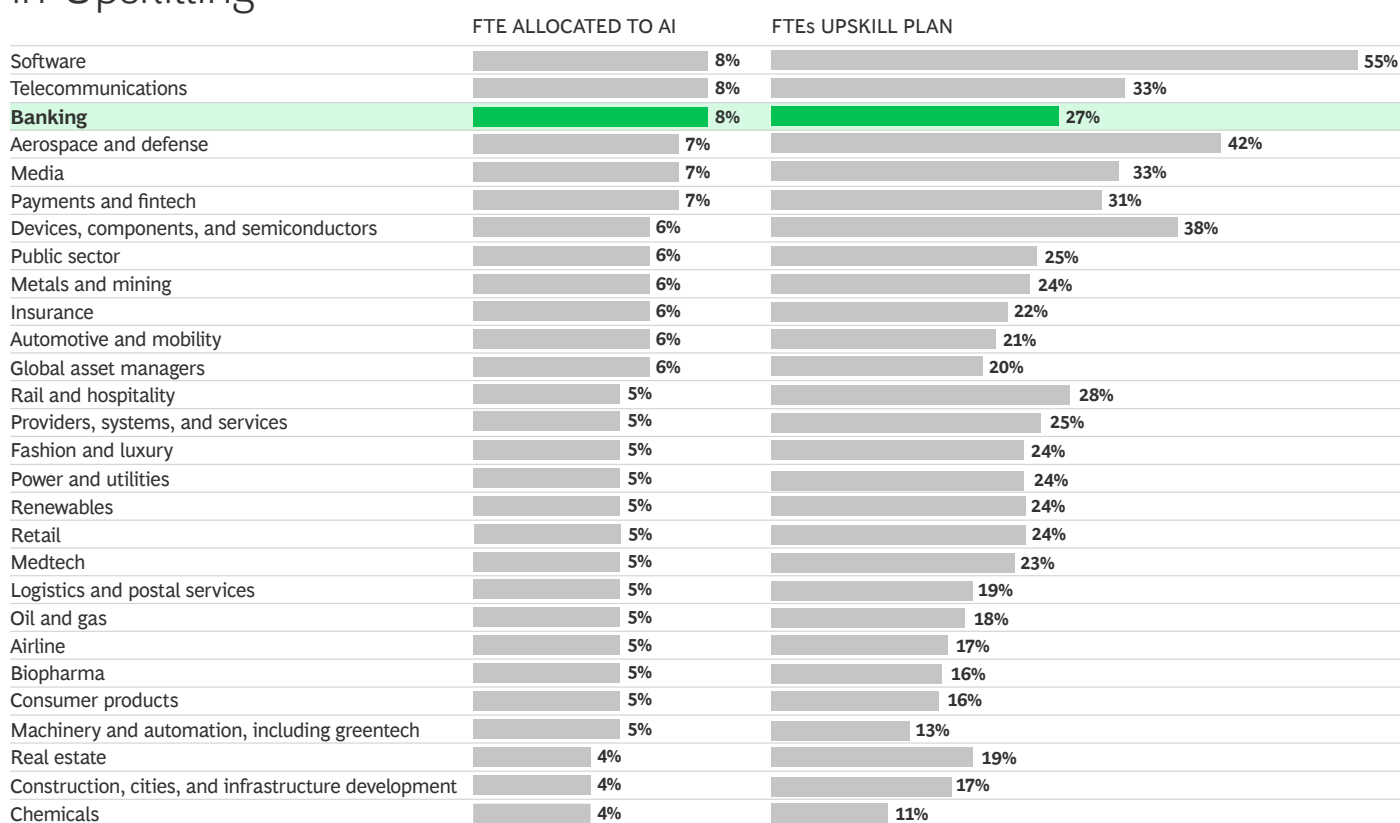
Secure the Necessary Talent

For an AI-first operating model to work, access to human talent is more critical than ever. Leaders must act decisively to attract, retain, and upskill individuals who can orchestrate and oversee AI agents in designing, deploying, and managing next-generation AI capabilities without delay. In the short term, this means identifying which AI-critical roles (such as machine-learning engineers, data scientists, and AI governance experts) are needed, and how to close the talent gaps they present (build, buy, or partner). In the medium to long term, though, securing talent means retraining and upskilling current staff while redesigning workflows, building capabilities to manage a hybrid worker environment, and overseeing an evolution in people skills mix.

It also means creating a bank where AI talent wants to work, with an employee value proposition and a culture that conveys ambition, autonomy, and purpose in technology. Future-built companies pair bold training ambitions with widespread engagement: they plan to upskill more than 50% of their employees in AI in the next year, compared with only 20% at laggards. Future-built firms are also six times as likely to carve out time for structured learning. As a result, 50% more staff use AI in their daily work, shifting their contributions to higher-value activities such as strategic thinking, judgment, and human–AI collaboration. (See “[Eric’s New Role in an AI-First Bank](#).”) While banks are well advanced in the share of staff formally allocated to AI, the share of upskilled employees leaves room for further growth. (See [Exhibit 11](#).)

EXHIBIT 11

Banks Rank in the Top Tier In AI FTE Allocation but Mid-Tier in Upskilling



Source: BCG Build for the Future 2025 Global Study (N=1,250).

Eric's New Role in an AI-First Bank



Before his bank's transformation to an AI-first operating model, Eric worked as a customer experience analyst. His job involved reviewing customer survey results and call-center transcripts, running periodic focus groups, building dashboards from historical data (such as customer satisfaction scores, churn rates, and wait times), and recommending improvements based on retrospective patterns. Most of his time was spent looking backward, relying on static data with long feedback loops. His team often struggled to translate insights into rapid change, since the team worked in its own silo with only minimal direct contact with other teams or higher-ups.

With the shift to AI-first banking, Eric's role fundamentally changed. His title is now customer journey orchestration specialist, and his responsibilities, along with the tools he uses, are vastly different. Here are some examples of how his job has changed.

Always-On Feedback Loops

Instead of waiting weeks for survey data, Eric now monitors real-time signals from millions of micro-interactions. AI agents continuously analyze data such as drop-off points in app flows; customer sentiment from voice, chat, and social media; and behavioral shifts, such as customers hesitating before approving a transaction.

Eric doesn't sift through the raw data. AI surfaces anomalies, friction points, and predictions (for example, "this feature is likely to cause 5% churn in a specific customer segment next month").

Co-Creating with AI Agents

Rather than writing up the issues that AI surfaces, Eric collaborates with AI assistants that propose interventions. For example, if a group of customers frequently pauses when reviewing loan offers, the AI might recommend adjusting the explanation layer of the interface. Or if spending categories show confusion (such as between groceries and meal kits), AI can prototype a redesigned budget tracker visualization. Eric is the human decision maker in the loop: he validates, tweaks, and prioritizes the suggestions, ensuring they align with customer empathy, brand tone, and compliance.

Embedded Experimentation

AI-first operations enable instant A-B-n testing. If a customer's AI assistant offered a new savings suggestion and engagement dipped, Eric's team could see the results in real time and automatically launch counter-experiments. Eric's job is now more like a supervisor in a control room: setting guardrails, choosing which experiments to greenlight, and monitoring the system's self-learning capabilities.

Blending Human and Machine Perspectives

One key change is that Eric now spends a lot more time in cross-functional workshops. Among other things, this exposure to other people and functions helps him ensure that human characteristics—empathy, cultural understanding, ethics—remain embedded in every journey. For example, if AI suggests auto-refinancing for all customers in a neighborhood, Eric asks: “Are we unintentionally biasing against people who might value personal contact?” If predictive models detect stress in customer tone during calls, Eric helps design interventions that feel supportive, not invasive, to customers.

From Observing to Orchestrating

The biggest change is that Eric is no longer just observing customer journeys, he's orchestrating them in real time. His dashboard isn't only descriptive, it's a control panel for dynamic experiences. Eric can adjust an AI agent's tone of voice for specific segments—for example, more formal with older customers (“How are you today, Mr. Smith?”) and more casual with younger ones (“What's new, Jenny?”). He can trigger new micro-journeys (such as an educational flow about mortgages when interest rates shift suddenly). And he can simulate future outcomes, for example, by asking, “What if we reduce the friction in the loan approval journey by 20%—how would that impact lifetime customer value?”

The Skills Eric Relies on Now

In the transformation process, Eric received extensive training in new skills. He has become proficient in:

- **Human-AI collaboration:** Knowing when to trust the algorithm and when to override it
- **Design thinking and empathy mapping:** Ensuring AI-driven journeys still feel human
- **Data fluency:** Not only reading dashboards but interrogating real-time predictive models
- **Ethics and compliance literacy:** Working within the assurance layers that safeguard autonomy and fairness
- **Storytelling and influencing:** Translating AI findings into compelling narratives for leadership

The Human Core

In an AI-first bank with leaner staff, Eric's role is critical. AI agents may design and monitor customer journeys, but trust, empathy, and strategy remain human domains. Eric's team is smaller but more empowered. It spends much less time crunching numbers, instead focusing more on shaping seamless, personalized, and trusted customer experiences. Eric's work has shifted from analyzing yesterday's customer issues to co-orchestrating tomorrow's customer journeys in real time—with AI as both partner and engine.

Build a Strong Technology and Data Foundation

Banks have long been leaders in technology, and most have strong legacy systems. This can be a two-edged sword. Capturing value from AI requires rewiring systems architecture and processes around the new technology, and adherence to legacy systems can inhibit decisive moves forward. But as the use of agents multiplies, fragmented architectures that force teams to rebuild models from scratch are no longer viable.

Future-built firms sidestep this problem by embracing a flexible, portfolio approach to technology. The best companies adopt a strategic, horizontal tech stack with a dedicated agent and AI platform layer to control costs and risk, scale intelligently, and prove value incrementally. Recognizing that there is no single end-state architecture, they curate a mix of solutions to serve specific needs. This strategy involves making deliberate choices across four broad options for sourcing agentic capabilities:

- **Standalone Agentic Solutions.** Turnkey applications for narrow tasks, such as coding or research assistants
- **Embedded Agentic Solutions.** Capabilities integrated directly within major enterprise platforms like CRM or ERP, leveraging native data and governance
- **Agent Builder Platforms.** Low-code or self-serve platforms that empower teams to build custom agents by using modular components
- **Custom-Built Agent Solutions.** Tailor-made agents developed from scratch for differentiating use cases that require bespoke logic, heavy orchestration, or strict performance controls

Most companies find that a hybrid approach is the most effective strategy for balancing market solutions with internal customization. Our research shows that only 11% of firms rely primarily on in-house development, and just 4% depend on a single, end-to-end vendor for their full AI stack. However, buying solutions everywhere without prioritization risks fragmentation and poor adoption.

Position Risk and Compliance as a Differentiator

Consumers, staff, regulators, and others need to trust AI before they will interact with the technology to any significant degree (or in the case of regulators, allow such interaction to occur). It falls to the institution using AI to build this trust over time. Banks need to establish transparent, regulator-ready guardrails for every AI use case—and they must ensure alignment with evolving standards while addressing ethical expectations from clients and staff.

Managing risks of these technologies while adopting and embedding AI, GenAI, and agentic AI in the organization is key to unlocking the potential for AI transformation. **Risk and compliance** functions must prepare to support AI transformations by:

- Elevating risk and compliance positioning within the AI program
- Upskilling resources on data, technology, and associated risks through training facilitated by AI, GenAI, and AI agents
- Moving to scalable risk technology platforms that facilitate seamless integration of AI and third-party data/solutions
- Promoting an organizational mindset shift from low- to high-value-added activities, learning “with the machine” to generate key insights and redefine risk management approaches

Key questions include:

- Which risks are generated by AI and how can they be managed effectively?
- How can I leverage the power of AI to better manage the risks of my business?
- How do my R&C capabilities need to evolve?

Scale Implementation and Change

Since AI involves both widespread and far-reaching change, setting expectations and monitoring progress in execution is critical. Top management needs to translate the ambition and strategy into a quarter-by-quarter roadmap, to be driven by managers who have role-model adoption as a clear success factor. They should be supported by aligned change initiatives across business and tech as well as with an AI delivery office.



A Checklist for Tomorrow

CEOs and their boards should make deploying AI for value a top priority.

Today, fewer than 20% of banks have quantified AI targets and fewer than 15% have rebalanced their P&L toward technology-driven revenue and cost. Most will need to overcome organizational reluctance, complex IT, poor data integrity and access, and workforce concerns about job losses and AI weaknesses, underscoring the distance to go.

Here are several actions retail banks can take, starting tomorrow morning, to jump-start the move toward AI-first.

Establish the Baseline

Management can gain clarity on the starting point with a systematic assessment of the current state of AI maturity that pinpoints current capabilities, structural gaps, and unaddressed opportunities. Assign a cross-functional team to audit existing AI use cases, data quality, tech infrastructure, and skills, using a proven framework (BCG's AI maturity self-assessment tool is one). The team's output should be a comprehensive AI maturity "heatmap" that clearly shows strengths and weaknesses, identifies opportunities, and prioritizes the areas where the biggest gaps exist between the current state and potential value. This baseline should reveal which departments need upskilling, which legacy processes to automate, and where to invest in new technology first, providing a focused game plan for the AI journey.

Articulate a Clear Ambition

Communicating and promoting a clear multiyear AI vision that prioritizes comprehensive value creation (as opposed to just cutting costs) is essential to gaining organizational alignment. The ambition should emphasize innovation and competitive advantage and signal that AI-first is a top management priority.

Translate the vision into specific, quantifiable goals and initiatives. Define clear KPIs (such as targeted efficiency gains and incremental revenue from AI-driven services) and secure board sponsorship and funding to embed the ambition into the business strategy.

Use this vision to rally the organization. Business units should weave AI objectives into their plans and regularly track and report progress against targets. Teams should be held accountable for tangible outcomes.

Convert the Ambition into Workflows

Identify and prioritize a portfolio of "quick win" AI workflow pilots. Kickstart execution by launching a few high-impact AI use cases immediately (within the first 180 days or so). Deploy two to four agentic workflows (such as digital customer onboarding, automated credit checks, or dynamic pricing) selected for their scalability and value potential.

Assign a small agile team to each workflow, which can leverage existing AI tools or platforms to build solutions rapidly. Use sprints to develop the AI-enabled workflows and establish clear success metrics (such as reduced turnaround time or improved error rates) to track impact from day one.

The initial implementations act as proof-of-concepts while producing a playbook of best practices and templates for scaling. Quick tangible wins prove that AI's value is not speculative. Within 6 to 12 months, the pilot workflows should show significant improvements (onboarding time cut by 50%, for instance, or loan-processing errors down dramatically) that justify being rolled out more broadly. The organization gains confidence and momentum as early successes build excitement, and a pipeline of new AI projects takes shape.

Rebalance Investment Progressively

As you gain experience and show success, shift more resources and funding toward AI. Give technology and data a larger portion of the budget over time. Reallocate investments to high-ROI AI platforms and solutions, and phase out lower-value spending. Revisit your project portfolio and budget allocations each quarter, looking for legacy projects and expense that can be reduced or stopped, with the funds redirected to AI initiatives.

Create a self-reinforcing investment cycle. A continuously updated multiyear investment plan shows how resources are reallocated (with specific dollar amounts or percentages) from traditional expenditures to AI and data programs, ensuring the transformation is fully funded. The plan becomes a financial blueprint that aligns investment with the AI-first strategy and ensures that the bank's spending mirrors its strategic priorities. Savings or new revenues from early AI wins are reinvested into the next wave of projects. AI initiatives continuously fund themselves and drive higher ROI, rather than being one-off costs.

Institutionalize Responsible AI

AI solutions must be proficient, safe, secure, and regulation compliant. Banks should fully integrate ethics, transparency, and accountability into every AI initiative from the start. All AI systems need to be readily auditable and have robust governance. Regulator-ready guardrails (for fairness and privacy, for example) are built in by design.

Set up a strong AI governance framework from the start. Define clear ethical guidelines and compliance checks (such as bias testing protocols, transparency standards, and human override mechanisms) and train teams on these criteria. Assign accountable owners (a responsible AI committee or officer) to review AI use cases and integrate mandatory risk assessments and audit checkpoints into the AI development lifecycle. Enforce these guardrails consistently.

Establish a robust **AI control framework** across the organization, including published AI risk policies, an oversight body that monitors AI deployments, and tools and dashboards for ongoing model monitoring and auditability. Other features will include robust AI lifecycle management, including respective tooling, documentation of each model's compliance (audit trails, bias reports), and incident response plans. The goal is a "safety net" that catches issues early and shows regulators and stakeholders that AI is under tight management control. Over time, the bank builds a reputation for safe and ethical AI use, turning strong compliance into a competitive advantage (customers and regulators feel safer with your AI-first bank).

Build Human Capacity at Scale

Make your people the centerpiece of the AI transformation, which will both help ensure you have the necessary skills and assuage job-related fears among employees. Invest in upskilling and reskilling the workforce so employees can partner with AI. The goal should be widespread AI fluency in the organization. (For example, target 40% or more of employees being AI-proficient within a few years.) Bring in critical new skills from the outside, through hiring or partnerships, when absolutely needed.

AI-first will require many changes in how you manage and develop people. Consider launching an AI academy to build AI skills at all levels, from front-line staff to executives. Identify the new roles an AI-first bank requires (such as AI model trainers, prompt engineers, data ethicists, and AI product managers) and build long-term plans to fill them, prioritizing retraining high-value employees. Redesign workflows and job descriptions to integrate AI tools and adjust incentives and performance metrics to encourage employees to adopt and excel with these new tools. Map current to future roles, showing who will be retrained versus where redundancies may occur, and set up a curriculum of training modules and certifications. Early outputs can be the number of employees trained or redeployed in new roles and a hiring plan for any talent gaps.

The structure of the organization will need to be rethought (and very likely flattened) with new AI-centric roles and clear career paths at the center. If employees feel empowered by continuous learning opportunities instead of threatened by automation, the bank will become a magnet for top tech talent.

AI-first banking is no longer a distant possibility; it will soon become the structural foundation for a new level of competitiveness in retail banking. Banks that actively pursue the path to AI-first in a structured and determined way will establish lasting advantage as they shape the future of the industry.

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