BCG Treasury Benchmarking Survey: Activating the Balance Sheet

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Since 2022, bank treasuries have experienced the sharpest rate cycle in a generation, a geopolitical environment that has redrawn assumptions about funding markets and counterparty risk, and a payments infrastructure undergoing rapid transformation. Decisions on balance sheet positioning now carry far greater consequences for banks' performance and resilience.

BCG's 2025 Treasury Benchmarking Survey draws on 40 banks across Europe and North America, from global systemically important banks (G-SIBs) to regional players. Its central question is whether treasury functions have built a capable operating model with the analytical skills and strategic ambition to turn uncertainty into competitive advantage and sustained performance.

The results are uneven. Treasury leaders who take an active role in shaping the balance sheet can gain a competitive edge. But most banks still leave millions of dollars in annual run-rate contribution locked in their balance sheets. Intraday liquidity frameworks remain underdeveloped even as real-time payments reshape cash flow dynamics. Our benchmark maps where the gaps are and what it takes to close them.

From Guardian to Active Manager

For more than a decade after the 2008 financial crisis, treasury focused on stability and regulatory compliance. Liquidity buffers were rebuilt, regulatory ratios became the core steering metrics, and

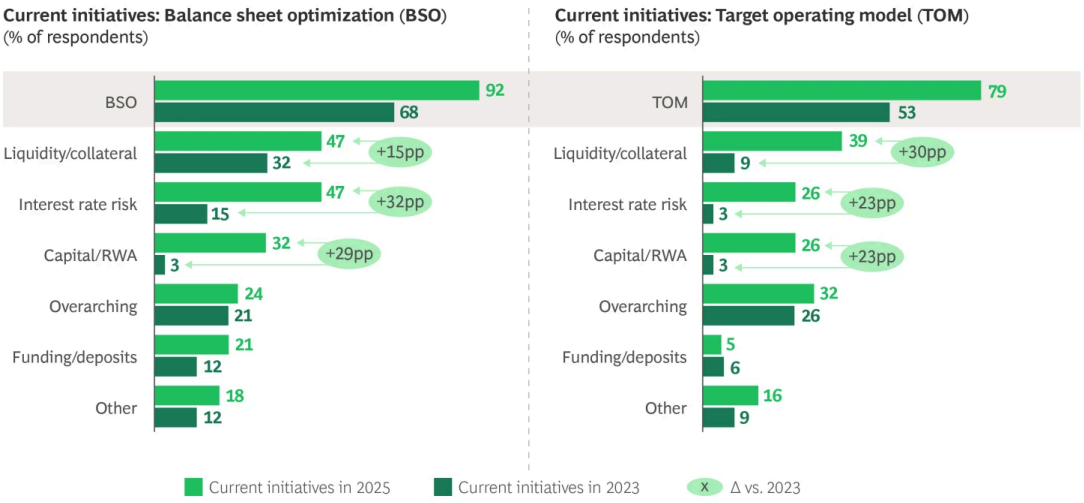
stress testing defined the operating rhythm of the treasury function. The environment is now materially different.

Rates rose sharply from 2022 and are settling at levels not seen since before the financial crisis. Deposits remain the most important and profitable funding source on banks' balance sheets. Yet deposit growth is stalling in many markets, and flows are becoming more volatile even in historically stable segments. Understanding the behavioral dynamics of non-maturing deposits (NMDs), prepayment options, and undrawn credit lines is now central to managing balance sheet risk and net interest income (NII).

Attention has shifted toward capital, liquidity management, and interest rate risk in the banking book (IRRBB). (See Exhibit 1.) Geopolitics is now the single most cited external pressure, flagged by nearly 90% of treasurers. Volatility has direct consequences for funding market contingency planning and cross-border balance sheet positioning. For the largest and most complex banks, including G-SIBs, this challenge is amplified by cross-border legal entity structures and resolution constraints, which require treasury to manage liquidity, funding, and capital across currencies and material entities.

EXHIBIT 1

Capital, Liquidity, and Interest Rate Risk Now Lead the Treasury Agenda



Source: BCG Treasury Benchmarking Survey 2025.
Note: Percentages indicate the share of banks that reported at least one initiative in the respective area; RWA = risk-weighted assets.

These conditions make treasury decisions more consequential. How duration and interest rate risk are positioned, how the liability mix is managed, and how collateral and funding are deployed carry more immediate and material P&L implications. Among surveyed treasurers, roughly 65% identify NII and IRRBB management as their priority focus and 48% point to structural liquidity

and funding. Balance sheet optimization activity has expanded accordingly. Virtually every bank we surveyed has initiatives underway to manage their balance sheets, with the majority estimating annual run-rate impact of more than 1% of overall bank NII.

The survey also shows that treasurers are assessing their capabilities more critically than in our last survey two years ago. Only about half of banks can steer capital, liquidity, and IRR in a fully integrated manner, with much of the underlying balance sheet optimization still handled manually. Data fragmentation limits transparency into the P&L implications of capital, IRRBB, liquidity, and funding. As a result, most treasury operating models still fall well short of what active balance sheet management requires.

Optimizing the Balance Sheet

Treasury's role is focused on optimizing the balance sheet on behalf of the entire bank. Interest rate maturity transformation and liquidity transformation remain the primary levers. Treasury generates roughly 8% of group NII before reallocation to the business—and 70% see material optimization potential remaining, with value concentrated in a few high-stakes areas.

Dynamic Balance Sheet Modeling. Deposit behavior is one of the most consequential inputs to NII management and to liquidity and interest rate risk positioning. It determines how long funds remain, how sensitive they are to rate movements, and what share is genuinely stable. Over 90% of surveyed banks model NMDs. Stable deposits are under increased pressure as indicated by reductions in core share and duration. For retail deposits, the core share, defined as balances with a modeled repricing assumption of more than one year, has been falling and currently stands at about 66%, with an average duration of 3.2 years. (See Exhibit 2.)

Connecting NMD modeling to a broader set of inputs allows treasury functions to manage the balance sheet more actively. This draws on more granular customer data, deeper competitor pricing intelligence, and a wider mix of macroeconomic indicators. Outputs then feed directly into asset-liability management (ALM), funds transfer pricing (FTP), and hedging decisions, allowing balance sheet management to become more precise.

Leading banks are moving toward integrated IRR steering, for joint optimization of accrual-based NII stability and economic value. This requires a more dynamic ALM that provides close to real-time visibility, stress testing across rate and deposit scenarios, and direct links to live hedging and funding decisions. This capability sits at the center of balance sheet optimization and is where investment delivers the most returns. (See "Deposit Modeling as a Value Creator.")

Rightsizing Liquidity Buffers. Banks must hold two distinct types of liquidity buffers—one to meet the liquidity coverage ratio (LCR) and one to cover intraday needs. Getting the size and composition of each of them right protects liquidity stability without unnecessary drag on P&L. In

practice, most banks maintain intraday buffers, but few have formally separated them from the LCR buffer or allocated their costs to the business lines that drive them.

Managing Capital as a Scarce Resource. For most banks, regulatory capital ratios are now the binding constraint on growth. Leading institutions are responding by treating capital as an actively managed resource, embedding RWA optimization into portfolio steering, pricing, and business line decisions. This approach creates room to redeploy capital where it generates the highest return. BCG estimates the combined potential at 5% to 10% RWA reduction. (See "Turning Capital Management into a Strategic Discipline.")

Strengthening the Funding Mix. Deposit retention dominates near-term funding plans, cited by 73% of banks. The next priorities center on capital markets funding. Around 55% of institutions plan to diversify their investor base, while 48% intend to increase their use of secured funding through higher asset encumbrance. North American banks are pursuing a broader set of funding strategies than their European peers. High-quality liquid asset optimization is also an active lever for a meaningful share of institutions, though execution often lags ambition as many banks continue building the data foundations and process integration these approaches require.

Transforming the Operating Model

The demands on treasury have outpaced what the operating models of most banks can deliver. Closing this expectation gap means growing both the scope of what treasury owns and the analytical capabilities for managing the balance sheet.

Broadening the Treasury Mandate. Treasury today acts as a holistic financial resource manager in most banks. Core execution functions now reside within treasury at more than 90% of surveyed institutions. (See Exhibit 3.) These include funding, money market operations, hedging, and the management of cash, the liquid asset buffer, and investment portfolios. Activities that were historically part of capital markets have also shifted toward treasury at some banks. Securities financing and repurchase agreements, structured funding, and secondary market activities have each moved by more than 20 percentage points since the last survey.

Steering responsibilities have followed. Treasury now owns ALM, FTP, and liquidity management at more than 90% of banks, with its remit expanding into strategic capital management, capital allocation, and data and technology. Median treasury headcount has risen to roughly 39 full-time employees (FTEs) per €100 billion cash balance sheet (defined as cash and cash equivalents, investment securities, and net loans), up around 17% since 2023. The increase may reflect the absorption of staff from functions moving into treasury and the build-out of new capabilities. Approximately 55% of those treasury FTEs now sit in steering rather than execution roles.

Governance and analytical infrastructure have not kept pace at most institutions. Capability gaps across liquidity, capital, ALM, IRRBB, FTP, and data and technology are common. The most cited barrier is the tendency to manage steering metrics in isolation rather than as a connected system. A coherent, real-time view of the interplay between capital, liquidity, funding, and IRR is still rare.

Nowhere is that pressure more immediate than in intraday liquidity, where governance and analytical infrastructure must operate seamlessly. Supervisory expectations and payment volumes are both moving faster than most frameworks can support. (See "Mastering Intraday Liquidity.")

Deepening Analytical Muscle. Moving from an isolated view on single metrics to an integrated, real-time perspective is fundamentally an analytical challenge. Treasury functions are approaching this challenge from two directions.

Around half of treasury functions now use GenAI in some form, with adoption exceeding 80% among G-SIBs. (See Exhibit 4.) To date, the impact has been mainly focused on achieving slight efficiency gains, with treasury-specific applications only beginning to emerge. These include behavioral deposit modeling, intraday liquidity forecasting, cash flow and prepayment analysis, and optimization engines for liquidity buffer sizing.

Benefits of these targeted applications include improvements in NII stability, capital efficiency, and interest rate and liquidity risk profiles. But banks also need explainable, production-grade deployment to satisfy supervisory expectations. For large banks especially, this is the differentiator in determining whether AI can be embedded at scale.

GenAI is also starting to support the analysis of complex, unstructured data, laying the groundwork for more dynamic balance sheet steering. Examples include sentiment-driven early-warning systems as well as improvements in data quality and lineage, model documentation, and validation.

The second angle is internal coding capability. Treasury teams are increasingly able to build and adapt analytical tools themselves rather than relying entirely on IT development cycles. Roughly 15% of treasury staff now write code, using tools such as Python, SQL, VBA, and GenAI. Applications range from forecasting and behavioral models to FTP and capital management systems as well as data pipelines for steering and reporting. Many teams are also developing targeted tools to close gaps in vendor systems. North American banks are ahead of their European peers on these capabilities.

Together, GenAI adoption and stronger in-house coding capabilities are shifting treasury away from periodic balance sheet positioning toward more active balance sheet steering and continuous optimization.

What Leaders Should Do Now

Our survey findings point to a clear agenda. Four priorities stand out:

- **Integrate steering across NII, liquidity, funding, and capital.** Active balance sheet management requires explicit frameworks, regular processes that surface value opportunities, and the discipline to evaluate risk-return trade-offs across interest rate risk management, liquidity, funding, and capital simultaneously.
- **Industrialize the behavioral analytics underpinning balance sheet decisions.** Deposits, prepayments, hedging, and undrawn commitments cannot be managed as separate modeling exercises. The institutions pulling ahead treat them as a single, continuously updated view that feeds directly into ALM, funding, and pricing decisions in real time.
- **Build the intraday operating model now.** Instant payment volumes will more than double within three to five years, and supervisory expectations are already tightening. Most banks have significant ground to cover on forecasting and outflow management, governance, and product infrastructure. Taking proactive measures now will be materially cheaper than reacting under pressure.
- **Actively reallocate capital.** Most banks pursue RWA optimization, but few execute it well, held back by data quality gaps and process fragmentation. The largest uncaptured value lies in embedding multi-lever capital management into planning, pricing, and business line decisions.

The past decade was about fortifying the balance sheet and fulfilling new regulatory requirements. The next chapter is about unlocking the value hidden in bank balance sheets without compromising on resilience. Leaders are moving toward active balance sheet management and continuous balance sheet optimization to gain a competitive edge.

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