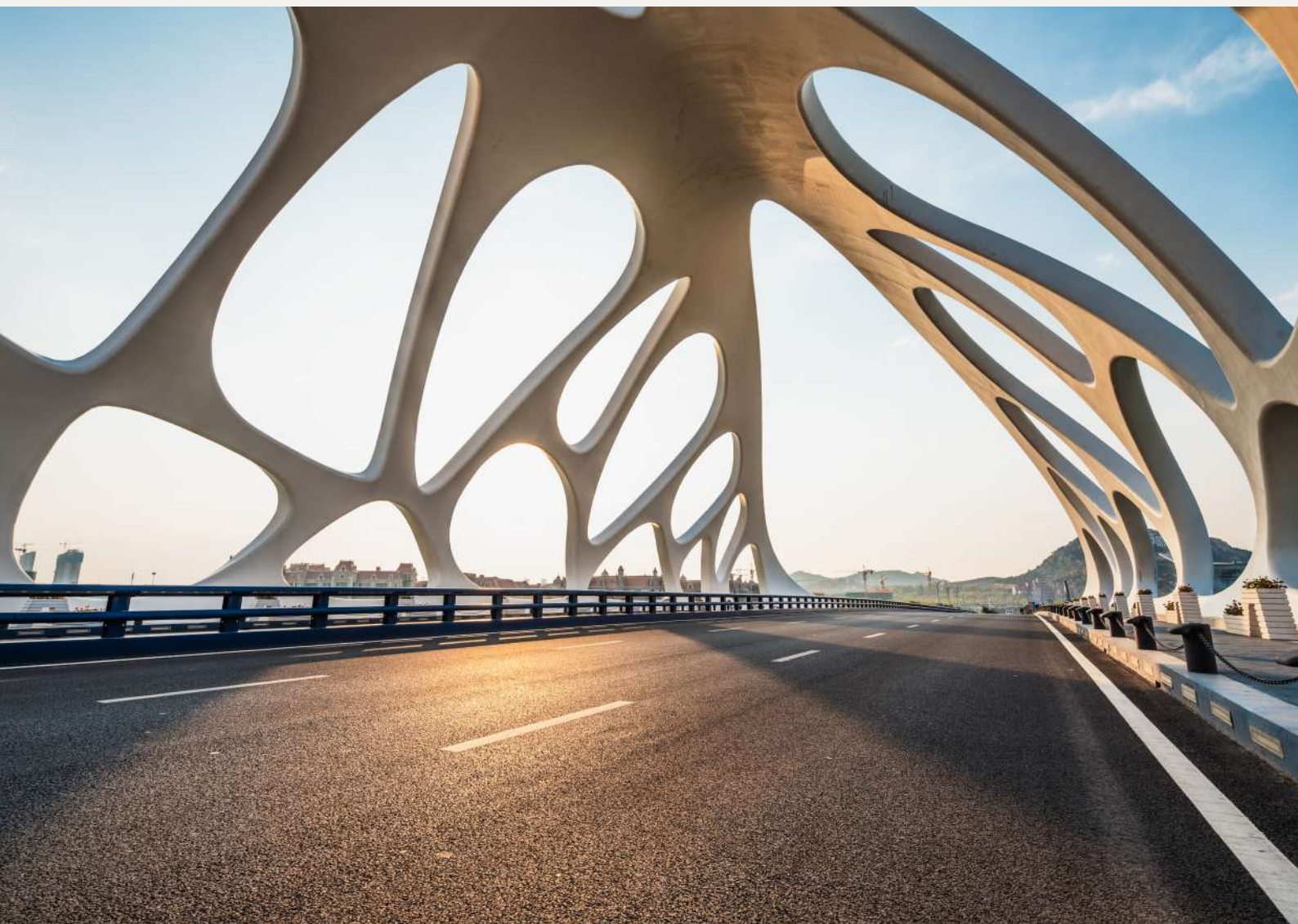


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A Kyndryl Company

The Samlink Equation 2024

Banking Outlook: Navigating the
Transformative Trends in Banking



Foreword by Jim Marous: The importance of Digital Maturity in Banking

Financial institutions are embracing advancements such as advanced applications and data analytics to enhance customer service, improve user experiences and engagement, and maintain competitiveness. However, not all financial institutions are at the same level of advancement.

Digitally mature institutions predominantly prioritize providing customers with superior digital experiences rather than relying on physical channels. In addition, when evaluating banking platforms, less digitally mature companies often focus on aesthetics and simplicity, while more sophisticated institutions emphasize capabilities such as personalization and process automation.

Digital maturity is important since the level of digital maturity is closely linked to revenue growth. Institutions that prioritize data utilization and automation experienced an annual revenue growth of 20%, which is twice as high as less digitally mature organizations.

While many of the less digitally mature organizations are from smaller asset sized institutions, it's worth noting that digital banking sophistication is not solely determined by size. Around one third of institutions with assets under \$500 million are excelling digitally despite being smaller than their peers. These firms have a mindset of being open to change, testing emerging technologies before others in their asset category.

The future remains unwritten in banking. By taking proactive steps, delivered at speed and scale, incumbents and aspirants alike can thrive amidst economic uncertainty. Digital dexterity will position organizations to quickly capitalize on new opportunities while weathering impending disruptions.

Jim Marous,
Co-Publisher, The Financial Brand and Host,
Banking Transformed Podcast.

Preface

As we stand on the brink of 2024, the banking industry faces a horizon teeming with both unprecedented challenges and exhilarating opportunities. In this era of transformative change, where the only constant is innovation, we at **Samlink Advisory Services** have written this report to share our view on banking in 2024.

The banking sector is at a critical point, shaped by the accelerated pace of technological advancements, refocused customer expectations, shifting economic currents, and an ever-evolving regulatory landscapes. The rise of digital challengers, the acceleration of AI technologies, and the growing significance of ESG principles are reshaping the foundations of the banking industry. In this context, traditional banking models are being upended, giving way to a new paradigm driven by agility, customer-centricity, and emerging technologies.

Our outlook delves into the critical areas that will define the future of banking, with a focus on 2024 - from strategic adaptation in response to changing market conditions to the embrace of digital innovation for an enhanced customer experience. We explore the intricate dance of regulatory compliance and risk management, and the imperative of new business models.

At **Samlink Advisory Services**, we understand that navigating this future is not a solitary endeavour but a collaborative journey. Our approach goes beyond conventional consulting, as we partner with our clients to co-create solutions tailored to their needs. Our dual expertise in banking and information technology positions us uniquely to bridge the gap between traditional banking practices and technological innovation. We believe in the power of partnership, grounded in mutual respect, transparency, and a shared vision, transforming our relationships into robust alliances.

As we present this outlook, our goal is to equip banking professionals with the insights and strategies needed to not only navigate but thrive in the rapidly evolving banking environment of 2024, and how Samlink and Kyndryl can assist.

In a world where the only certainty is change, join us as we set the foundations for tomorrow's banking landscape, embracing the challenges and seizing the opportunities that lie ahead.

Pål Krogdahl

Director, Technology Strategy
and Advisory Services
Samlink

Arto Sorvoja

Vice President & Senior Partner
Samlink



Executive Summary

As customers and employees increasingly embrace digital technologies, financial institutions have revealed operational and technical shortcomings. Many banks have initially concentrated on digitalizing the digital customer interface and engagement, which, though beneficial, doesn't tap into the entire potential of their organizations and ecosystem, leaving a growing chasm between the digital customer engagement and the aging legacy systems and manual back-office processes.

To excel in the digital domain, leading financial institutions are adopting two key strategies. Firstly, they are leveraging advanced and emerging technologies like automation, hybrid cloud, AI, and an ecosystem of partners. Secondly, they implement these technologies on a large scale to foster collaboration within their business units, with external partners through platform interactions, and to drive new value to their customers.

This digital transformation can bring value to the entire organization and its ecosystem, extending from customer-facing operations to the core and support functions. To fully embrace digitalization, financial institutions must develop flexible and robust computing environment and infrastructure that allows for innovation and flexibility while enhancing cost-effective and resilient operations. However, this is just part of the solution, albeit a critical foundational part that must not be overlooked.

The challenge lies in the variety of interconnected and legacy applications running on different technologies, which can hinder banks from fully adopting new technologies and achieving comprehensive transformation. Banks need to overhaul their

business and IT architecture, focusing on interoperability and secure, portable microservices and containerized solutions, and a future technology landscape based on ecosystem partners.

In this paper by **Samlink Advisory Services**, we present our perspective for the banking landscape in 2024. As the global economy continues to brace for a slowdown, banks are increasingly forced to transform.

The Paradox of Slowing Economy and Rising Interest Rates

The interplay between a slowing economy and rising interest rates presents a paradox for banks. On one hand, higher interest rates could bolster bank revenues, potentially making them cash rich. On the other, a slowing economy might dampen loan demand and increase the risk of loan defaults. This dynamic brings several critical questions: Will the increase in interest income compensate for the challenges posed by the economic slowdown? And importantly, will this financial cushion be enough, or will banks still need to aggressively pursue transformation and adaptation strategies? The need to modernise legacy systems and back-office processes to support new digital capabilities and agile customer centricity will not go away.

Embracing Digital Transformation and Innovation

The era of AI (Artificial Intelligence) and digital is not coming—it's already here. Banks that fail to ride this wave of change risk being left

behind. They must transition from traditional models to a digital-first approach with a strategic view on how they will engage in an emerging platform paradigm, balancing technological advancements with personalized services.

Competitive Dynamics and Industry Convergence

The writing is on the wall as new digital banks, fintech, and big tech firms continue their push. 2024 will see banks forging alliances with unlikely partners, exploring symbiotic relationships with fintech and non-financial entities. This change in dynamics will also continue to fuel the accelerated growth of Embedded Finance and Banking as a Service (BaaS) as customer behaviour and trends shift. There is a rapid demand for banking needs to be satisfied as part of the customer journey – consumers want unconscious banking.

Regulatory Adaptation and Growing Cyber Threat

The regulatory maze becomes more intricate, and the growth of digital rings a steady increase in cyber threats. Banks must excel in compliance and risk management while pivoting towards customer-centric models whilst strengthening their resiliency towards cyber-attacks and fraud.



Today most people transact using a wallet. All of the fastest growing financial institutions are digital players, and they're taking market share from the UK, to China, to Latin America and beyond. That's even before we start really seeing the impact of AI and the emergence of smart wallets. If you aren't innovating at the same rate as the most innovative digital players, you are simply losing ground, record profits or not.

Brett King,
Author of Bank 4.0,
Host of Breaking Banks and
The Futurists podcasts.

In this paper, we take a look at the critical business and technology trends for 2024, and share our perspectives on how to engage in this complex banking environment, as well as how Samlink can assist in successfully navigate the coming trends as your partner.

At the heart of our approach lies a profound understanding that true progress in banking is not a solo endeavour but a symphony of collaborative efforts. We bring a partnership approach that transcends traditional consulting models, setting a new paradigm in banking transformation, including:

- ✔ Guiding Banks in Platform-Based Transformation
- ✔ Core Modernization and Digital Transformation
- ✔ Harnessing AI for Competitive Edge
- ✔ Pioneering in Payments Transformation
- ✔ Banking as a Platform (BaaP) Strategy and Operations

In essence, Samlink Advisory Services is not just a consultant; we are partners in true sense, committed to scripting success stories in the banking sector, riding alongside our clients on their journey towards innovation, resilience, and sustainable growth in the dynamic world of 2024.

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1. Introduction: Banking on the Brink of Revolution

As we enter 2024, the global banking sector stands on the edge of a transformative shift. This paper by Samlink Advisory Services seeks to share our perspectives and views into the trends that will shape the industry in 2024.

1.1 The 2024 Banking Battlefield

Amidst a slowing and turbulent global economy, banks are navigating through a growing number of challenges, from managing costs to uncovering new income streams in an increasingly divergent economic world. This era is defined by a storm of changes in customer expectations, disruptors, soaring interest rates, shrinking money supplies, assertive regulations, climate change, and geopolitical challenges.

Compounding these challenges is the accelerated growth and pace of technological innovation. The explosive growth of generative

AI, industry convergence, embedded finance, and digital currencies is not just influencing but revolutionizing the way banks operate and interact with customers. Traditional revenue streams are under pressure, compelling banks to seek out new value propositions in a world where capital is a precious commodity. Customer expectations are evolving fast, with a growing demand for digital banking and tailored hyper-personalised customer experiences. Banks now face the complex task of not only meeting these expectations but also contending with non-financial entities encroaching on their territory and blurring the boundaries of the banking industry.



For bank CEOs, now is the time to take a critical look at your teams and advisers surrounding you and your board. Are you getting the best technology and digital advice, both externally and internally? Look me in the eye and tell me you are absolutely satisfied with your technology performance this year? The pace of change is getting faster and you're going to need the absolute best talent to deliver on the upcoming challenges across 2024 and beyond.

Ewan MacLeod, Partner, New Era Digital

As financial institutions continue to face intense competition and ongoing margin compression, they must radically transform their business models and architectural landscape. And speed is of the essence!

With banks continuing to drive critical digital and core modernisation, they are forced by accelerated speed of change to evaluate how to take advantage of an ecosystem of partners and best of breed software providers that can deliver positive change and RoI (Return on Investment) to the banks with reduced risk and time to market. For most banks there is a need to shift from a traditional build approach in regard to their core systems and offerings, and adopt a more Buy or consume strategy using fintech and Banking as a Platform solutions.

The regulatory landscape is no less complex. Increased scrutiny and evolving compliance demands are forcing banks to be not just reactive but proactive. Navigating this complex terrain demands a strategic and adaptable approach.





2. Business Trends in Banking: Riding the Wave of Change

There is an increasing need for banks to navigate the complex interplay between economic forces, customer behaviours, and competitive dynamics currently redefining the banking sector. Grasping these trends is vital for banks to survive.

2.1 Economic and Market Overview: Navigating the Economic Mazed

The banking industry faces a number of challenges and opportunities in a complex economic and market environment. Banks need to be more than just resilient; they need to be visionary in their approach to generating income and managing costs against the backdrop of a slowing global economy.

The moderate growth pace of the world economy is a double-edged sword for banks. While advanced economies grapple with stagnation, emerging economies offer untapped opportunities. Banks must align their strategies to these divergent growth patterns, capitalizing on emerging markets while innovating in developed ones. But banks need to be cautious as they progress, as an example, whilst China's economic demise are greatly exaggerated, a slowdown in China now has global impact, and those rooting against

China should be careful what they wish for. Banks need to reassess their exposure to Chinese markets and adapt to the potential supply chain shifts.

The central banks' balancing act with interest rates and money supply presents both risks and opportunities. Banks should leverage these adjustments to optimize their lending and investment strategies, staying agile in the face of policy shifts.

Lastly, the ongoing geopolitical tensions and supply chain dynamics require banks to be proactive in managing risks and exploring new trade corridors. Diversification of investment and lending portfolios will be key to mitigating these impacts.

This economic overview underscores the need for banks to exhibit strategic agility and adaptability in the face of fluctuating economic conditions.

2.2 Customer Behaviour and Expectations: The Digital Personalization Paradox

Customers increasingly expect digital-first banking experiences that are seamless, convenient, and personalized. The demand for digital banking services has escalated, with a growing preference for mobile platforms, including a shift away from traditional web engagement. Investing in AI and machine learning can help tailor services to individual customer needs, but banks need to change focus from pushing banking products to delivering customer experiences and outcomes – both directly and via third parties using Embedded Finance offerings and emerging platform business models. This is founded on a shift from traditional branch-based banking business models that relied on a push-based economy where consumers consciously did banking, to a digital native pull-based economy where consumers will interact with their finances unconsciously and at the point of need.

As customers continue to embrace digital platforms, banks must offer efficient, user-friendly services that rival those of non-traditional financial institutions. This means innovating beyond traditional banking models to retain customer loyalty. David Birch, an author, advisor and commentator on digital services, notes that many banks will have to make a difficult choice here. He says:

“For some banks, it will be impossible to make the investments needed to compete on the distribution side of the business, so perhaps it is better to focus on delivering world-class APIs into embedded propositions.”

David Birch,
author, advisor and commentator

As we face a generational shift, the younger demographic does not hold the same loyalties and expectations from financial institutions as previous generations – they do not hold a lifelong relationship with one financial institution, they will often seek to undertake financial activities using non-banking offerings. We can see a shift in the digital wallet becoming a key channel of the future for money management by digital natives, where the bank no longer holds the relationship. To address the loyalty shift, especially among younger consumers, banks should focus on creating superior digital experiences and transparent services, aligning with the values and preferences of a tech-savvy generation, but also stand as the custodian of trust and stability.

Understanding and adapting to these shifts is critical for banks to maintain relevance and competitive edge.

2.3 Competitive Dynamics and Industry Convergence: The New Battleground

The banking sector is witnessing the growth of intensified competition and industry convergence as the boundaries of the industry are realigned, forcing traditional banks to reinvent themselves.

Banks face competitive pressure from new digital only banks, fintech, and big tech companies, all seeking to unbundle banking. Additionally, innovations like digital wallets and BNPL (Buy Now, Pay Later) services are redefining banking. To stay ahead, banks must innovate in areas like deposits, payment solutions, retail banking services, retail investment, and wealth management for the masses, embracing technologies that differentiate their offerings, as well as seek out

new strategic partnerships. But at the same time, banks still sitting on a large IT legacy and manual back-office processes will struggle to deliver on new demands. There is a critical need to modernise the legacy.

Viewing fintech and potentially big-tech as collaborators, not adversaries, can open new avenues for customer acquisition and retention, if managed appropriately. Banks should explore strategic partnerships with fintech's to enhance their service offerings. As technology and business model innovation within banking accelerates, there is a growing need for banks to put focus on driving customer engagement, which will require future investment focus to be shifted from the back-end systems to how they drive seamless experiences. This will drive a shift from investing in developing core systems in-house, to taking advantage of an ecosystem of fintech partners that can deliver best of breed solutions. Banks should also define a strong perspective and strategy on how they will drive positive advantage from the growth of Embedded Finance and Open Banking.

Navigating these competitive dynamics requires banks to be innovative and adaptive, embracing new strategies to stay relevant in the rapidly changing banking environment.

2.4 Central Bank Digital Currencies (CBDCs): A New Era in Digital Banking

Central Bank Digital Currencies are rapidly becoming a key focus in the digital transformation of banking, or at least a critical point for discussion and consideration. As nations like China advance in launching their digital currencies, the global financial landscape is poised for significant changes, and evaluating the potential adoption of CBDC both regionally

and globally. CBDCs represent a unique blend of traditional banking security and digital currency innovation, offering a state-backed, secure digital payment method.

The global landscape of CBDCs is rapidly evolving. China's digital yuan has paved the way, while other major economies like the Eurozone and the U.S. are actively exploring digital versions of their currencies. This trend points towards an inevitable shift towards digital currencies in the global economy.

“CBDCs suffer from a crisis of imagination. Instead of thinking about buying coffee with a CBDC think instead of a future that is only 5 years or so away when machines will make payments for us. That future needs CBDC.”

Richard Turrin,
Author of “Cashless” &
“Innovation Lab Excellence”

The security and regulation of CBDCs are critical. Banks and regulatory bodies must collaborate to develop frameworks that ensure the stability and integrity of CBDCs, balancing innovation with the need to maintain trust and financial stability.

CBDCs will significantly influence consumer behaviour and financial markets. They hold the promise of greater financial inclusion and may change the dynamics of how people interact with money and banking services, but as indicated by Richard Turrin, there is still a general perception and lack of understanding by many consumers in regard to the value and need for CBDC.

3. Technology Trends in Banking: The AI Revolution and Beyond

From AI implementation to digital and cloud technologies, we are not just witnessing a technological enhancement, we're seeing a complete reinvention of banking services.

3.1 Advances in AI and Machine Learning: The Cornerstone of Banking Future

Artificial Intelligence (AI) and Machine Learning (ML) are no longer auxiliary tools, they are rapidly becoming integrated into every day capabilities such as redefining customer interactions with sophisticated chatbots and virtual assistants to revolutionizing risk management with enhanced credit scoring and fraud detection. This shift will reimagine banking from the back-office processes and systems all the way up to the customer interactions.

However, a significant portion of banking executives are not fully prepared to harness the potential of AI. Only a fraction of these leaders fully understand AI's capabilities and limitations. This lack of readiness could impede the sector's ability to fully capitalize on AI's transformative power.

In fact, many bank executives have misconceptions regarding the impact of AI—in particular, Generative AI—according to Ron Shevlin, Chief Research Officer at Cornerstone Advisors:



Many bankers expect Generative AI to lower operational expenses by replacing people. That's not what's going to happen. Generative AI tools will augment—not replace—people, making them faster and smarter. It's less about automating large transaction volume processes and more about accelerating human productivity, particularly among the knowledge workers in the organization.

Ron Shevlin,
Chief Research Officer
at Cornerstone Advisor

The operational efficiency AI brings to banking is unparalleled, automating routine tasks and freeing up human capital for more complex functions. This extends to the modernization of legacy systems, where AI tools help transition old codebases to modern languages, a critical step for maintaining competitiveness in the digital era.

With AI's predictive analytics capabilities, banks are poised to anticipate market trends and customer behaviours, offering a strategic edge in a fast-evolving marketplace. AI and ML's role in banking could be comprehensive, touching every aspect from customer service to operational efficiency, and beyond.

3.2 Digital Transformation and Cloud Technologies: Shaping the New Banking Ecosystem

Whilst early trends focused on a transition to public cloud, the banking industry is refocusing on placing workloads where they are best suited. The industry shift to a more hybrid cloud model marks a significant evolution. This shift caters to the diverse needs of banking operations and regulatory constraints, offering a mix of public and private clouds and on-premises solutions. It enables banks to operate with increased flexibility, security, and scalability.

Adoption of practices like API first (application programming interfaces), microservices, and Domain Driven Design, accelerates application development and ensures operational resilience, and enables banks to transition to a more consumption based as-a-service model. This transition is essential for banks to remain competitive, allowing them to swiftly adapt to market demands and customer needs.

This shift also gives banks a chance to evaluate how they manage their future core systems, with many making a shift from build to buy for non-competitive or differentiated services. This is further strengthened by the growth of cloud native core banking providers and a growth of Banking as a Platform offerings that can be enriched with an ecosystem of solution providers using a predominantly as-a-service model.

Yet, many banks are still grappling with the complexities of digital transformation, particularly in integrating cloud technologies into their existing infrastructures. While the intent is clear, the execution remains a challenge for many.

3.3 Cybersecurity Challenges and Solutions: Safeguarding the Digital Frontier

In the face of increasing cyber threats, banks are fortifying their defences with advanced security technologies and protocols. Yet cybersecurity remains one of the top concerns for banking executives, underscoring the need for continuous vigilance and investment in this area.

It has become critical for banks to focus on developing and implementing comprehensive cybersecurity frameworks that encompass advanced technologies, protocols, and employee training.



3.4 Embedded Finance and Invisible Banking: The Seamless Future of Banking

Embedded Finance and Invisible Banking are reshaping the banking landscape, moving towards a seamless integration of financial services into everyday life. Approximately 70% of banking executives recognize Embedded Finance as core to their business strategy, according to a report by IBM Institute for Business Value (IBV). This report suggests that while banks are aware of the trend, the challenge lies in effectively implementing these innovations while adhering to regulatory and security standards. (Reference: [IBM IBV Report on Embedded Finance](#))

These concepts represent a paradigm shift towards more customer-centric, efficient, and integrated financial services, aligning with contemporary consumer demands. However, the transition is not without challenges, requiring banks to balance innovation with regulatory compliance and data privacy concerns, as well as a more outside in approach to developing banking products and future revenue streams.

As Open Banking and Embedded Finance set a direction towards a more platform-based paradigm for the industry, banks must define a clear strategy and roadmap for how they will engage in a predominantly platform-based future. This involves assessing the impact on existing business and operational models, identifying areas for integration or transformation, and determining how to leverage platforms for new revenue streams. The move to a platform model will require a fundamental shift in how banks operate, from product-centric to customer-centric approaches, and how they interact with the ecosystem of fintech's, tech companies, and other financial service providers that might in the future become the key channel for customer engagement – a key threat to banks is a potential shift to a commodity based business competing on volume and cost rather than value and trust.

3.5 Build vs Buy vs Consume: Embracing the Future of Ecosystem Partners

To succeed in staying relevant in the face of accelerated digitalisation and foundational shifts in customer expectations, banks are exploiting exponential and emerging technologies, seeking to unlock value across the entire organisation. But most financial organisations are still seeing most of their investment getting sucked into maintaining the status quo and keeping the legacy systems running, hampering or putting the brakes on developing new capabilities for competitive advantage.

Banks need to refocus their investment and consider the benefits of modernising, taking advantage of an ecosystem of partners. They need to evaluate their approach to core systems differently, should they continue building a custom solution, buy a packaged solution, or consuming a SaaS (Software as a Service) offering. Reality is that most banks will take a hybrid approach based on a balancing act between generic capabilities – operate as a bank, and differentiating capabilities – make them competitive and deliver unique value.

Each option has its own set of advantages and disadvantages, and the right choice will depend on the bank's specific needs and circumstances.

Building a custom solution can provide the bank with a solution that is tailored to its unique processes and requirements. This can be a competitive advantage, as it allows the bank to differentiate itself from competitors with a unique offering. However, building a custom solution can be time-consuming and expensive, requiring significant investment in development resources and infrastructure. Over-customisation can also limit the

scalability and adaptability of the solution in the long term.

Buying an Independent Software Vendor's (ISV) solution can be a faster and less expensive option, as it eliminates the need for extensive development resources and infrastructure. Pre-built solutions are often designed with best practices and industry standards in mind, reducing the risk of over-customisation and ensuring that the solution is scalable and adaptable. Additionally, ISV solutions can offer the benefit of ongoing support and maintenance, which can be a valuable resource for banks with limited technical expertise. However, pre-built solutions may not align perfectly with the specific needs of the business, requiring customisation or integration with existing systems. Additionally, ISV solutions may not provide a competitive advantage in the market, as other banks may be using the same solution.

Consuming a SaaS solution, although in some ways seen as a deployment option of buy, can provide several advantages over building or buying a custom solution. SaaS solutions offer ease of deployment and scalability. They are also designed to be easily configured, but often with higher restrictions than the buy option.

Additionally, SaaS solutions often provide ongoing updates and maintenance, ensuring that the solution stays up to date with the latest security and compliance requirements. However, there normally are limitations to the amount of customisation that can be done within the solution, which could affect the bank's ability to align the solution with its specific processes and requirements. Relying on a third-party SaaS provider for a core banking solution could also introduce new risks related to data privacy and security, as well as potential downtime or service interruptions.

4. Key Imperatives for Banks in 2024: Forging Ahead in Uncharted Water

Let us now focus on the key imperatives for banks in 2024, and addresses the strategic adaptations and innovations that banks must undertake to navigate the complexities of the current landscape.



Although 2024 will bring in its wake a multitude of technology choices corporates will need to face, with associated strategic and cost implications... it will also bring us face to face with the pressures of the choices we have not made hitherto. As our industry added technical capabilities to our existing estate at a much higher rate than we replaced or switched off older systems, we are faced with complex technology landscapes inside our organisations: systems from different eras, served by different teams, operating on different cycles and intended for different architectures and functional pressures. The cost and operating risk implications of this has been steadily mounting and the price of maintaining it is way too high in terms of both monetary cost and headspace. As we face into 2024 and try to decide 'what's next' in GenAI, we should also start considering what should be no more in terms of our tech estate. It is time to streamline, retire old systems and bring operating risk and running cost under tighter control so we can face into the innovative pace ahead.

Leda Glyptis,
Author of "Bankers Like Us"

4.1 Strategic Adaptation to Changing Market Conditions

As the banking industry navigates into 2024, strategic adaptation emerges as a critical imperative. Banks are recognizing the need for significant changes in their business models and operational strategies to address the changing market conditions, heightened competition, and evolving customer expectations.

Business Model Innovation

Banks can no longer rely on traditional business models. The integration of advanced technologies, especially AI, is pivotal in transforming these models for increased efficiency and enhanced customer value. AI, for instance, has shifted from being a mere operational tool to a key driver of customer-centric strategies, as seen in early adoption in leading financial institutions, where AI implementation can significantly improve customer service efficiency. Additionally, the growth of Embedded Finance and the platformification of the industry is forcing banks to review how they will engage in a predominantly platform-oriented business in the future and aligning their strategies to potentially adopting a more platform-based business model.

Ecosystem Platforms

Financial institutions are increasingly focusing on creating value through ecosystem platforms. These platforms facilitate collaboration with partners, sharing data insights, and capabilities, thus multiplying potential value and enhancing the ability to anticipate and meet client expectations. But this requires

banks to shift from a traditional output-based business model to one more focused on outcomes, and where they will see value creation in the future. But there is a shift ahead, where the tides will turn and potentially to the benefit of the banks. Where the fintech companies initially worked to unbundle banking, the consumer trends are pushing back as financial management is getting complex and distributed over a growing number of unconnected providers – consumers are facing a growing number of independent mobile apps with no aggregation or consolidated view. Consumers are seeking for a rebundling of their financial life, calling for platforms and banks to be the providers. Whilst we have seen Open Banking drive a consolidation effort in this area, the current trends are falling short in customer expectations and needs. Established banks have an advantage based on scale, brand, trust and revenue to drive and capitalise on this transition.

Partnerships

The banking sector is rapidly evolving, with external influences accelerating changes. Banks are finding it challenging to adapt while also managing significant technology debts. With the expansion of the industry, marked by the rise of fintech innovators and solution providers offering top-tier capabilities, leading banks are eager to capitalize on this growth. They are aiming to modernize their outdated systems by integrating modern, cloud-native core providers and a network of complementary partners. This approach facilitates quicker market entry and better investment returns while minimizing risks and complexities. In this dynamic environment, some banks have distinguished themselves from the rest.

Cost Management and Operational Efficiency

The challenge of maintaining a healthy cost-to-income ratio (CIR) is pushing banks towards more holistic strategies for core operational transformation. This approach requires a redefinition of the strategic scope of cost-cutting, addressing business culture changes, and skill gaps, and adapting to geopolitical developments. A shift from isolated cost reduction initiatives to a more integrated approach is essential for sustainable financial performance.

Reimagining Business Architectures

In response to digitalization and competitive pressures, banks are transforming their operations on modern business architectures. This involves a shift from traditional back-office focused operations to more client-centric models, leveraging technologies like cloud, AI, and automation. Such transformations are crucial for banks to become more agile and responsive to customer needs, effectively adapting to the changing market landscape.

Strategic adaptation in 2024 revolves around embracing technological advancements, redefining business models, focusing on ecosystem collaborations, and integrating cost management into business reinvention strategies. By doing so, banks can effectively navigate the complexities of the current financial environment, ensuring growth, resilience, and sustained performance.



4.2 Emphasis on Digital Innovation and Customer Experience

Banks are intensively focusing on digital innovation and enhancing customer experience as key drivers of competitiveness and growth. But where traditionally banks put most of their investment into the back-office operations and systems with limited return on investment, there is a need for them to focus on the customer ecosystem where they will realise a much higher return – but only if they can modernise the back end and automate with AI-infused Operations. This strategic pivot is a response to the changing landscape of customer expectations and heightened competition.

Digital Innovation

Financial institutions previously established innovation centres, often siloed and not fully aligned with broader business strategies. The current approach integrates digital innovation deeply into the core business model, ensuring that technology advancements directly contribute to business growth and performance. The infusion of AI and other advanced technologies is now centred on enhancing customer value rather than merely improving operational efficiencies.

Ecosystem Platforms

Banks are increasingly leveraging ecosystem platforms to create new value. These platforms are instrumental in reducing friction in customer and employee journeys and enable sharing data insights and capabilities with partners. This collaborative approach amplifies the potential value achieved and allows banks to better anticipate and meet evolving client

needs, as well as enabling the expansion to a beyond-banking paradigm.

Holistic Cost Management

Rather than isolated cost reduction efforts, banks are now adopting comprehensive strategies to transform core operations. This shift involves redefining the strategic scope of cost cutting, addressing changes in business culture and skill gaps, and leveraging technologies like hybrid cloud for significant performance improvements in business-critical areas.

Transforming Business Architecture

The transformation of business architectures is crucial for banks to adapt to the new digital era. Banks are shifting their focus from back-office operations to front-office technology and client differentiation. This change is essential for banks to become agile and successfully engage customers early in their financial journey. The integration of exponential technologies like cloud, AI, and automation is driving this transformation, enabling banks to innovate and operate more effectively in a digitally dominated landscape.

Banks need to strategically embrace digital innovation, focusing on customer-centric solutions and efficient, modern business architectures to thrive in the rapidly evolving financial sector.



4.3 Regulatory Compliance and Risk Management

Banks are navigating a landscape where regulatory compliance and risk management are increasingly intertwined with their overall strategy and operations. The financial services industry, amid geopolitical uncertainty, market shocks, and the constant evolution of digital technologies, faces the challenge of maintaining compliance while innovating and meeting growing client demand.

Evolving regulatory dynamics compel banks to adopt a proactive stance in understanding and integrating new regulations into their business models. This requires a continuous assessment and adaptation of compliance frameworks to ensure alignment with global

regulatory standards. The next systemic crisis in the financial world could well be operational, stemming from the failure to effectively manage these evolving regulatory and compliance requirements.

Financial institutions are also focusing on enhancing risk management protocols, using advanced technologies to monitor and mitigate risks more effectively. The use of data and AI, for instance, is becoming increasingly critical for real-time risk assessment and decision-making. However, the challenge remains to integrate these technologies effectively within existing systems, particularly given the constraints posed by legacy architectures.

4.4 Environmental, Social, and Governance (ESG)

ESG in banking extends beyond regulatory compliance into a strategic realm. Banks are increasingly recognizing the need to embed ESG principles into their core business. This shift is driven by changing consumer preferences, investor demands, and the broader societal push towards sustainable and responsible business practices. Incorporating ESG criteria is not just about risk mitigation, it is about seizing opportunities in sustainable finance, building trust with stakeholders, and positioning for long-term success.

Environmental Initiatives

The environmental aspect of ESG focuses on how banks are mitigating their environmental impact and supporting the transition to a low-carbon economy. This involves green finance initiatives such as sustainable investing, green bonds, and financing renewable energy projects. Banks are also implementing internal policies to reduce their carbon footprint and embracing technologies that promote environmental sustainability.

Social Responsibility

The social dimension of ESG emphasizes the bank's role in promoting social well-being. This includes efforts towards financial inclusion, responsible lending practices, and community development programs. Banks are increasingly aware of their impact on the communities they serve and are investing in initiatives that support social equity and economic empowerment.

Governance

Governance in the context of ESG refers to the standards for running a bank ethically and transparently. This includes issues like corporate governance structures, anti-corruption practices, and transparency in reporting and operations. Strong governance practices are essential for building credibility and trust with stakeholders, and they form the backbone of effective ESG implementation.

Looking ahead, integrating ESG considerations into banking operations and strategies is not just a trend but a fundamental shift. Banks that proactively adopt ESG principles are better positioned to manage risks, capitalize on new market opportunities, and meet the expectations of an increasingly conscientious customer base. ESG is thus a pivotal component in shaping the future of the banking industry, reflecting a holistic approach to value creation that encompasses economic performance, environmental stewardship, and social responsibility.

5. The Samlink Equation – Orchestrating your Banking Future

Samlink is a Kyndryl subsidiary since February 2022, and is a trusted partner for companies in the finance industry. Samlink specializes in cutting-edge financial solutions that help businesses to grow and stay ahead of the competition. Collaborating closely with clients, Samlink ensures that the financial transactions of thousands of people run smoothly every single day.

The journey of Samlink started in Finland already in September 1994, and over the years, Samlink has established itself as a trusted partner within the financial sector. Fast-forward to the present day, our collaboration with Kyndryl has catapulted Samlink to new heights: it is safe to say that Samlink has undergone tremendous growth and transformation over the past three decades, and our future holds even greater promise of growth.

At the heart of our operations are our exceptional professionals, the top talents in the industry. Our diverse team comprises over 500 experts from various fields, each possessing outstanding skills in their respective domains and driven by the dynamic nature of the FinTech industry.

Every day our professionals engage in projects ranging from retail banking systems to mobile solutions, which are utilized by thousands of people. Our services vary from consulting to project deliveries and support services utilizing user-centric and innovative solutions.

While our headquarters are in Finland, our operations have expanded to encompass highly skilled individuals working in Hungary and Poland. Despite having expanded to multiple countries and cities in Europe, according to our employees, one of the best things about their work is the people around them. That tells something about our exceptionally communal culture.

5.1 Samlink Advisory Services – Your Partner in Navigating the 2024 Banking Challenges

In the dynamic landscape of the banking industry, where challenges and opportunities coexist, **Samlink Advisory Services** emerges as an innovative partner. At the heart of our approach lies a profound understanding that true progress in banking is not a solo endeavour but a symphony of collaborative efforts. We bring a partnership approach that transcends traditional consulting models, setting a new paradigm in banking transformation.

Our journey with each client begins with an unwavering commitment to understanding their unique needs, aspirations, and challenges. Recognizing that each financial institution possesses a distinct identity, we tailor our approach to align seamlessly with their specific goals and operational ethos. This bespoke method ensures that our partnership is not just about providing solutions but about crafting a journey of transformation together.

Samlink Advisory Services' prowess is deeply rooted in a dual expertise that encompasses both the intricate world of banking and the ever-evolving realm of information technology. This dual expertise is our guiding star, enabling us to bridge the gap between traditional banking practices and modern technological innovations. Our team of seasoned practitioners brings to the table a wealth of experience, not just in terms of years but in depth and diversity of knowledge. From navigating complex regulatory landscapes to implementing advanced technological systems, our experts are adept at turning challenges into opportunities.

At ***Samlink Advisory Services***, we believe in the power of collaboration. Our partnership approach is built on the principles of mutual respect, transparency, and shared vision. We engage with our clients not as external consultants but as integral members of their team, committed to their success as our own. This philosophy of inclusivity and collaboration is what transforms our relationships from mere business engagements into powerful alliances, driving innovation and excellence in the banking sector.

As we gaze into the horizon of 2024, Samlink is poised to be the navigator and co-architect in helping banks steer through the turbulent waters of the banking sector:

Guiding Banks in Platform-Based Transformation

Integrated Digital Transformation: Samlink understands the seismic shift towards platform-based banking models. We incorporate a SPEED-like Design Thinking approach, coupled with our expertise, to offer a unique blend of rapid, efficient, and intelligent transformation. This method ensures personalized, customer-centric banking experiences, facilitating seamless integration of banking services into digital platforms.

Core Modernization and Digital Transformation

Global Reach and Technological Integration: Samlink is adept at unravelling the complexities of modern banking. Our advisory and execution services include a comprehensive digital overhaul. By partnering with a vast network of tech companies and FinTech's globally, we transform core operations into efficient, customer-centric engines, equipped with cutting-edge technology for maximum efficiency and engagement.

Harnessing AI for Competitive Edge

Hyper-Personalized Banking Experiences: Our insights in AI and Machine Learning extend to providing hyper-personalized banking services. We offer solutions that allow banks to offer bundled services, enhancing customer engagement through customization akin to media platforms like Netflix. This approach bolsters risk management, streamlines operations, and ensures banks stay ahead in the AI revolution.

Pioneering in Payments Transformation

Innovative Payment Solutions and Neo bank Strategies: In a world where payment systems and digital banking trends like neo banks are rapidly evolving, with our partners, Samlink offers innovative solutions that keep banks at the forefront of these transformations. Our expertise also encompasses support for emerging digital banking platforms, catering to retail and small business markets.

Banking as a Platform (BaaP) Strategy and Operations

Global Reach and Technological Integration: Samlink is adept at unravelling the complexities of modern banking. Our advisory and execution services include a comprehensive digital overhaul. By partnering with a vast network of tech companies and FinTech's globally, we transform core operations into efficient, customer-centric engines, equipped with cutting-edge technology for maximum efficiency and engagement.

Harnessing AI for Competitive Edge

Enhanced Collaboration and Market Adaptation: Leveraging our enhanced platform and global insights, Samlink guides banks in developing dynamic BaaS (Banking as a Service) strategies. This comprehensive approach fosters deeper collaboration and sharing of insights, enabling banks to more effectively anticipate and meet the shifting needs of clients.

In essence, **Samlink Advisory Services** is not just a consultancy; we are partners in true sense, committed to scripting success stories in the banking sector, riding alongside our clients on their journey towards innovation, resilience, and sustainable growth in the dynamic world of 2024.



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Pål is the Director of Technology Strategy and Advisory Services with Samlink, with over two decades of experience in the banking sector as a technical leader and consultant. He specializes in digital transformation and core modernisation, with a strong focus on embedded finance and platform strategies, using unconventional thinking and cutting-edge technologies to drive significant digital initiatives in global banks. As a Director at Samlink, Pål leads innovative advisory services, providing strategic guidance and tailored solutions to financial institutions on their digital journeys, focusing on operational efficiency and customer engagement. Pål's consultancy work spans multiple regions including the Nordics, Australia, South Africa, and Canada, where he has played a key role in core banking software selection and implementation. He also serves as a non-executive advisor in the global FinTech ecosystem, influencing the strategic direction of emerging FinTech companies. A recognized industry thought leader, he co-hosts the 'Fintech Daydreaming' podcast, offering insights into fintech trends and engaging in discussions with industry experts.



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Arto is one of the most respected experts in modern financial technology in Finland. He is a banking IT leader in Kyndryl, the world's largest provider of IT infrastructure services, and also leads Samlink, a financial IT services company whose mission is to lead the development of the financial sector. During his career, he has advised clients in different parts of the world. Arto is also a 5-time World Ironman Finisher.



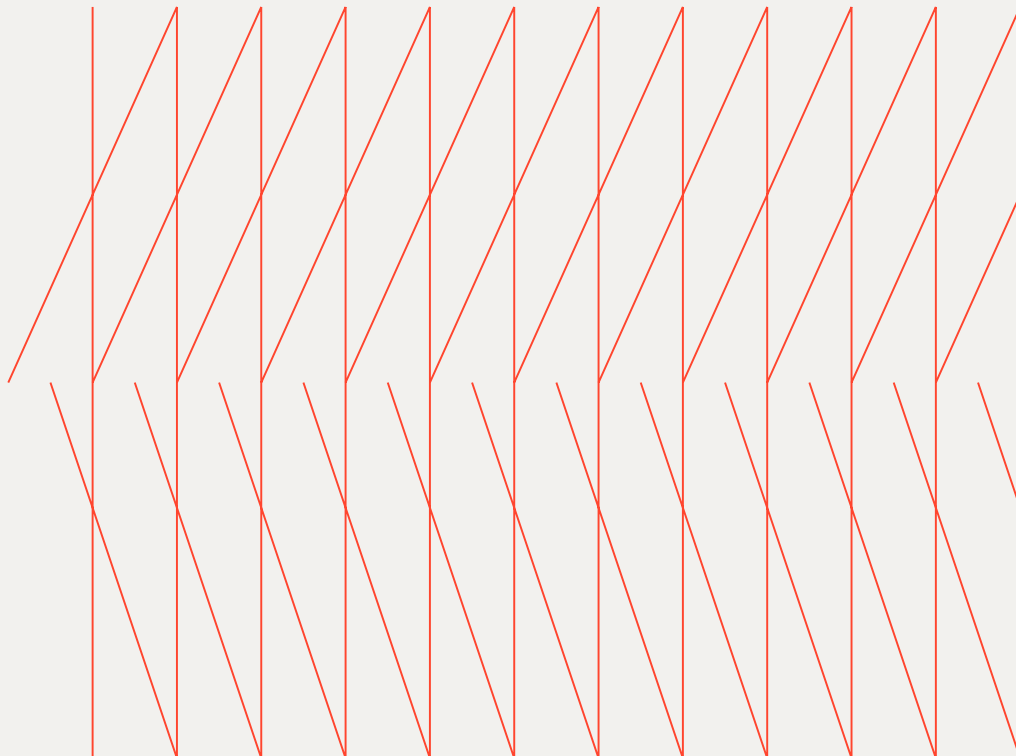
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Linh is the Chief Technology Officer of Samlink with broad experience and proven track record in banking IT industry working with large transformation programs such as core banking renewals, digitalization of services, IT enhancements and optimizations to ensure cyber security, compliancy, business continuity and operational resiliency. Linh provides technology vision and architecture leadership driving innovation for customers locally and globally. He also leads Samlink's Enterprise Architecture team, who are helping banks translate business vision to tangible cost-efficient IT services and solutions that provides significant value for the banks and their end-customers. Linh also cooperates closely with Fintech ecosystem partners to design and deliver best-of-breed products and technologies that will accelerate the growth of the financial services industry.



Nordic IT Powerhouse

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