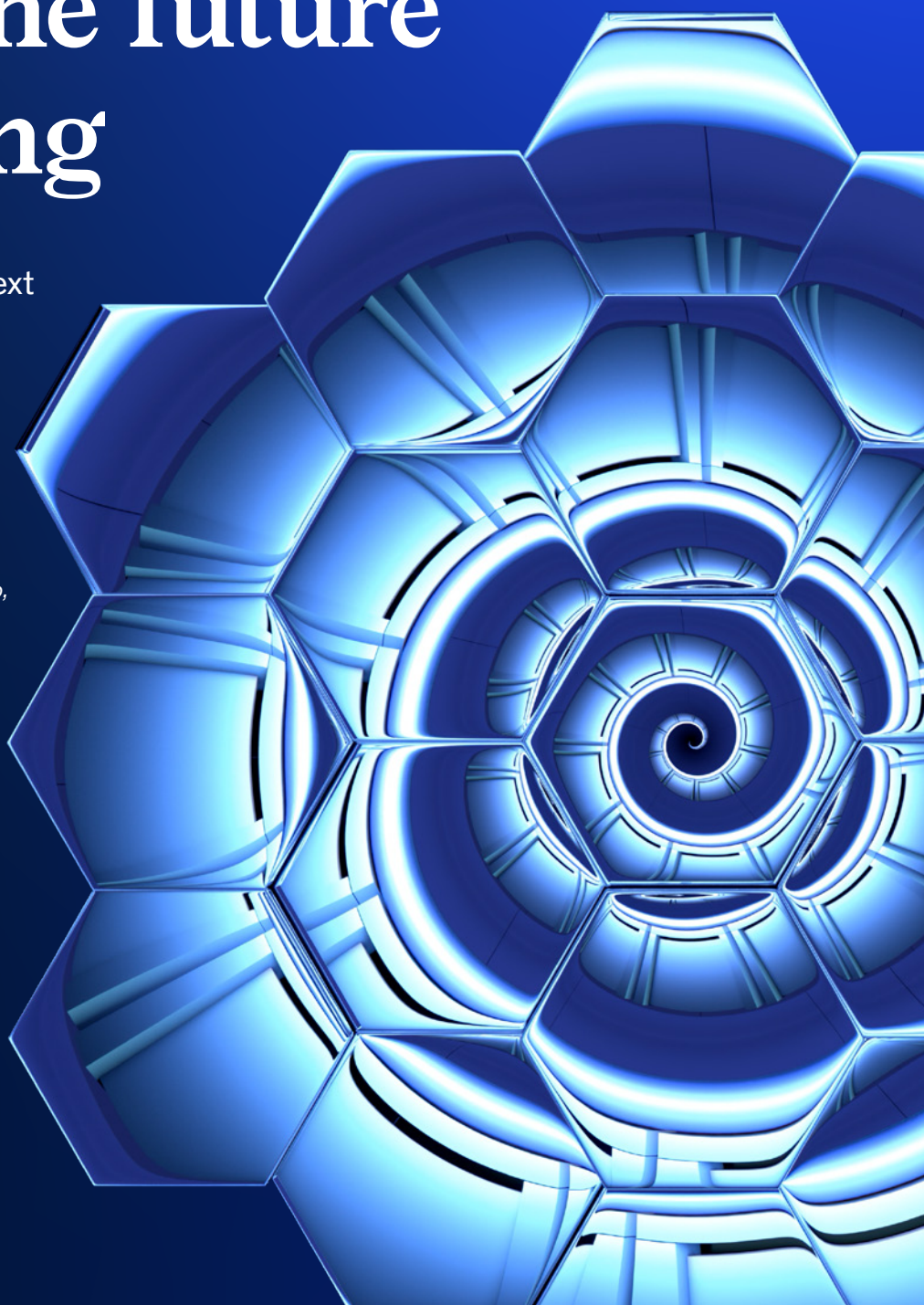


Global Banking Annual Review 2025

Why precision, not heft, defines the future of banking

Banks need to prepare for the next growth curve. Global Banking Annual Review 2025 shows how a targeted approach can help them thrive.

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Executive summary

In 2024, the global banking sector generated profits of about \$1.2 trillion, the highest total ever for any industry. Yet capital markets remain skeptical: Valuations trail the average of all other industries by nearly 70 percent.

Why? Markets doubt banks' recent highs are sustainable, seeing them as tailwind driven. Complicating the picture are macroeconomic forces, including declining interest rates, shifts in technology and consumer behavior, and the steady siphoning of attractive profit pools by fintechs, private credit, and wealth managers. This confluence of factors could push banks' ROE below the cost of equity in many markets.

To thrive in this new era, banks need new solutions. Macro-focused, scale-driven strategies once promised resilience but no longer suffice. Precision is the decisive differentiator, separating leading banks from slow movers and reshaping the industry's performance curve.

The "precision toolbox," applicable to banks of any size, revamps strategy across four core dimensions:

- *Technology*: focusing surgically on technologies with the greatest impact—even within agentic and gen AI—while scaling back investments that don't improve workflows, customer engagement, or business models.
- *The new consumer*: moving beyond broad segmentation to individualization (a "customer segment of one"), delivering hyperpersonalized, data-driven access to products and services that earn trust in an era of fading loyalty.
- *Capital efficiency*: shifting from sweeping reallocations to micro-level balance sheet discipline—product by product, client by client, down to individual risk-weighted assets—to free up trapped capital with precision and put it to work where it earns more.
- *Targeted M&A*: moving from scale for size's sake to precision, pursuing deals that add reach in specific micromarkets or geographies, or that bring distinct capabilities in a specialized area.

Precision, not heft, is the great equalizer. In the age of AI, even smaller banks can capture disproportionate rewards by embedding precision into every dimension of strategy.

This report covers all four elements of the precision toolbox, with an in-depth look at AI and the new consumer.

AI, particularly agentic AI, holds significant promise for banking, with early adopters securing a lasting advantage over slow movers. Given these are still the early days of agentic and gen AI, it is imperative to use surgical precision to identify where these technologies can truly generate earnings impact, rather than piling into them because of the fear of missing out.

As AI is implemented across the banking industry, it could bring gross reductions of as much as 70 percent in certain cost categories. But because these savings will be partly offset by rising