

FINASTRA

# FINANCIAL SERVICES STATE OF THE NATION 2026



INNOVATING  
FINANCE  
TOGETHER

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# CEO FOREWORD



## Welcome to our Financial Services State of the Nation 2026 report.

Since 2019, this research has explored how technology and innovation are shaping financial services. Each year, we look at the forces shaping how institutions operate, compete, and serve their customers, from modernization and artificial intelligence to security and rising customer expectations.

What has changed in 2025 is not the pace of innovation, but the consequences of getting it wrong. Technology decisions now sit at the center of trust, resilience, and customer experience. Institutions are expected to move quickly, but also responsibly, as regulatory scrutiny increases, and customers demand financial services to work reliably, securely, and personally every time.

Across the 11 markets surveyed in this report, one signal stands out clearly. Artificial intelligence has moved from experimentation to everyday use. Institutions are no longer debating whether to adopt AI. They are focused on where it delivers tangible value and how it can be deployed responsibly. Only two percent of respondents say they are not using AI at all, which underscores how decisively the industry has crossed the threshold.

AI, however, is only part of the story.

What matters just as much is how innovation shows up for customers. Payments are expected to be instant and seamless. Lending decisions must be faster, fairer, and easier to understand. Experiences need to feel personal, secure, and dependable. Delivering on those expectations requires more than new tools. It requires modern platforms, resilient infrastructure, and trust embedded into every transaction.

# CEO FOREWORD

At the same time, financial services leaders are operating in a far more demanding environment. Regulators are raising expectations around transparency, security, and data stewardship. Investors are prioritizing resilience and sustainable performance. Customers are less forgiving when systems fail or trust is broken. Innovation without discipline is no longer enough.

The data in this report reflects that shift. Nearly nine in ten plan to invest in modernization over the next 12 months. Six in ten institutions improved their AI capabilities in the past year. Security spending is set to rise sharply, with an average increase of 40% projected for 2026. These trends are not abstract. They directly influence how quickly institutions can deliver safer payments, faster lending decisions, and more relevant customer experiences. Progress, however, remains uneven. Talent shortages, legacy complexity, and privacy concerns continue to slow execution. The institutions pulling ahead are making deliberate choices. They are modernizing their core platforms, applying AI where it delivers outcomes, strengthening resilience, and using partnerships thoughtfully to move faster without losing control.

At Finastra, this is where we focus our efforts. We help financial institutions turn innovation into execution, and execution into measurable results. That means enabling modernization that scales, supporting responsible use of AI, and providing technology that helps institutions earn trust with every customer interaction.

We hope this report offers practical insight into what's changing across the industry and clarity on what matters most next. In the year ahead, success will not be defined by how much technology an institution advances, but by how dependably it serves the people and businesses who rely on it every day.



**Chris Walters**  
Chief Executive Officer

## Why this matters

For bank CEOs, COOs, and CIOs, the decisions made in the next 12–18 months will shape competitiveness for the rest of the decade.

This research shows that AI, modernization, security, and customer experience are no longer separate initiatives. They are converging into a single operating reality where execution, resilience, and trust matter just as much as innovation.

### If you are a CEO:

Growth will increasingly depend on how reliably AI and technology perform in the real world, not just on product breadth or speed. Customers, regulators, and investors are rewarding institutions that deploy AI responsibly, modernize with discipline, and deliver consistent, trustworthy experiences across every interaction.

### If you are a COO:

Payments, lending, and core operations have become central to the customer experience. Operational resilience, automation, and AI-enabled workflows are now directly linked to cost control, service quality, and the ability to scale without adding complexity.

### If you are a CIO:

The technology agenda has shifted from isolated transformation projects to foundational choices. Modern platforms, data architecture, and security posture now determine how quickly AI can be deployed, how safely ecosystems can expand, and how confidently institutions can meet regulatory and customer expectations.

Across all roles, the message is clear. Success is no longer defined by how quickly new technology is adopted, but by how dependably it is delivered. Institutions that align strategy, operations, and technology around trust, resilience, and execution will be the ones that pull ahead.



## Chapter 1

# TWO FORCES REDEFINING THE FUTURE OF FINANCE

### AI and modernization move from experimentation to execution

Innovation is no longer peripheral, it is the front line of banking and finance transformation. Innovation in payments, lending, and customer experience are evolving rapidly across every market. Ingenuity has shifted from optional to essential. The industry is emerging from a period of buoyant growth, fueled by high interest rates that lifted margins and a global wealth boom. But as those tailwinds fade, institutions face a saturated market where scale alone cannot secure advantage. Traditional strategies - chasing size or broad segmentation - are insufficient to deliver the returns needed to stay ahead.

This year, the focus won't be on how big a bank can become, but rather how deeply it can transform. Progress will be measured by the ability to modernize: to embed new technologies, redesign operating models, and rise to evolving customer expectations. Innovation has moved beyond experimentation. It is now about structural choices that determine resilience, relevance, and long-term growth.

## The two forces shaping the next chapter

Among all the technologies and trends reshaping financial services, two forces stand above the rest: Artificial Intelligence (AI) and modernization. Together, they form the backbone of the industry's next wave of growth. AI is the spark - the capability that captures imagination and unlocks new possibilities. Modernization is the structure - the set of foundational technologies that make AI scalable, secure, and enterprise-ready.

These forces are not parallel tracks; they are deeply intertwined. AI thrives only when supported by modern systems, clean data, and cloud-ready infrastructure. Modernization, in turn, becomes exponentially more valuable when paired with AI's ability to personalize, predict, and automate. This interplay is what makes 2026 and beyond a pivotal moment for the industry.

Nearly nine in ten respondents (87%) describe themselves as excited about the pace of technological and cultural change the financial services sector is experiencing, with almost half (47%) saying they are very excited about upcoming opportunities.

## Artificial intelligence: the new connective tissue of finance

AI now sits at the heart of financial innovation. No longer confined to back-office automation, it is powering real-time fraud detection, personalized product recommendations, intelligent underwriting, and dynamic customer engagement. It is also emerging as a key driver of trust, a shift that would have been unthinkable just a few years ago.

Four in ten institutions (43%) cite AI as their top innovation lever, making it the most influential technology of the past year. Its impact is both operational and emotional: AI reduces friction, accelerates decisions, and tailors experiences in ways that feel intuitive to customers. It is becoming the connective tissue of banking - the intelligence layer that links data, channels, and services into something coherent and responsive.

Four in ten (43%) cite AI as their top innovation lever.

But AI's potential is only as strong as the systems beneath it. Which brings us to the second major force reshaping the industry.



## Modernization: the infrastructure of transformation

Modernization is no longer a single initiative. It is a comprehensive refounding of the enterprise. We view it as four interconnected capabilities: digital transformation, cloud adoption, data platform modernization, and core banking modernization. Each plays a distinct role, but together they form the architecture that enables institutions to innovate at scale.

And critically, modernization isn't just happening quietly in the background. Institutions believe they're outpacing competitors. In fact, nearly three-quarters of financial institutions (72%) say they are ahead of their competitive set when it

comes to modernization, with Saudi Arabia leading at 91%. Japan remains the most cautious, with 27% saying they are actually behind their peers.

At the same time, modernization is accelerating. Nearly nine in ten institutions (87%) plan to increase their investment in modernization over the next 12 months, with Singapore leading in spending increases above 50%. This signals not only momentum, but inevitability: modernization has become the backbone of transformation.



### Digital transformation: the enterprise engine

With 30% of institutions advancing digital transformation in the past year, this remains the essential first step. Modernizing processes and systems reduces operational drag and creates the agility needed to deploy new technologies quickly and consistently. Without this digital backbone, AI and other innovations remain siloed experiments rather than enterprise-wide capabilities.



### Cloud adoption: resilience and real-time responsiveness

Cloud migration, prioritized by 29% of respondents, provides the scalability and resilience required for modern financial services. Real-time data streaming, elastic compute, and lower infrastructure costs allow institutions to respond instantly to customer behavior and market shifts. Cloud is no longer a destination; it is the operating environment for modern finance, with 84% of respondents reporting that they are using some cloud solutions.



### Data platform modernization: unlocking intelligence

The same number (29%) see data modernization as the bridge between raw information and actionable insight. Institutions are investing in real-time data architectures, improved data quality, and integrated platforms that support personalization, risk modeling, compliance, and AI deployment. Without modern data foundations, AI cannot deliver on its promise.



### Core banking modernization: the engine room of growth

Core banking modernization, prioritized by 25% overall, is gaining momentum as institutions confront the limits of legacy systems. Some markets are moving faster than others: Germany and the UAE lead at 34%, followed by Vietnam (33%) and the U.S. (32%), with all other regions below 30%. This uneven but accelerating shift reflects a growing recognition that modern cores are essential for launching new products, reducing cost, and enabling real-time, customer-centric experiences.



### **The modernization journey is not frictionless**

Talent shortages (43%) and budget constraints (41%) remain the biggest barriers to progress. Yet institutions are pushing forward: half (50%) are modernizing all aspects of their business, revealing a growing acknowledgment that modern cores are vital for the launch of new products, a reduction in cost, and the ability to enable real-time, customer-centric experiences.

### **A new architecture for competitive advantage**

AI and modernization are not simply the top priorities of the past year - they are the forces that will define the next decade of financial services. AI brings intelligence, personalization, and speed. Modernization brings the digital, cloud, data and core infrastructure required to scale that intelligence across the industry.

Together, these two forces are reshaping all areas of finance, from payments and lending to everyday banking. They link modernization with security, customer expectations with operational agility, and innovation with long-term resilience. This is the new architecture of competitive advantage.

Next, we'll explore how leading institutions are putting these forces into action.

## Chapter 2

# AI ADOPTION HITS A TURNING POINT

### Only 2% of institutions say they're not using AI

While innovation has emerged from many corners of banking, no force has transformed the industry as rapidly or profoundly as AI. The transition from niche experiment to mainstream technology has been swift, pilot projects have moved to multi-functional deployment, underscoring the shift from experimentation to aggressive adoption. The data reinforces this. Only 2% of surveyed respondents report no use of AI at all, a dramatic indicator of near-universal adoption. It's clear that what was once a frontier technology, faced with undeniable skepticism, is now embedded across the banking value chain, reshaping trust, efficiency and customer experience.

Despite the collective global uptake, there are certain markets leading the charge and others trailing behind. For example, Vietnam reports the highest levels of active AI deployment (74%) but Japan lags significantly behind at just 39%. This is likely due to its cautious approach to technological change, legacy system constraints, and a preference for incremental innovation over rapid deployment - reflecting a deliberate, measured pace consistent with its reputation for prudent innovation even as other markets accelerate.

Which of the following best describes your organization's adoption and implementation of AI?	
Scaled deployment across multiple functions	31%
Limited production deployment	30%
Piloting or testing in limited functions	27%
Not currently using, but exploring and researching options	8%
Not currently using AI and no plans to start	2%
Don't know	2%

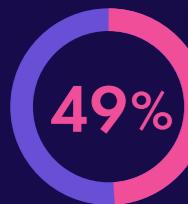


of respondents  
globally report  
no AI use

## Not one size fits all: AI adoption reflects local priorities

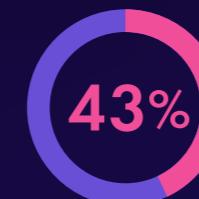
AI has become a non-negotiable priority for financial institutions worldwide, but the motivations behind adoption reveal striking differences across markets. When asked about their primary objectives for deploying AI, each region's focus reflects its unique competitive pressures, customer expectations, and operational realities.

In the UAE, institutions lead with pragmatism: 53% deploy AI to improve accuracy and reduce errors, while 44% emphasize lowering operational costs - a clear signal that efficiency and reliability are the foundation of their strategy. Japan, by contrast, leans into workforce productivity (49%), reflecting both demographic pressures and a cultural preference for incremental, employee-centric innovation. Vietnam's priority is speed, with 49% using AI to accelerate processing in payments and lending services - a response to booming demand and the need to keep pace with rapid financial inclusion.



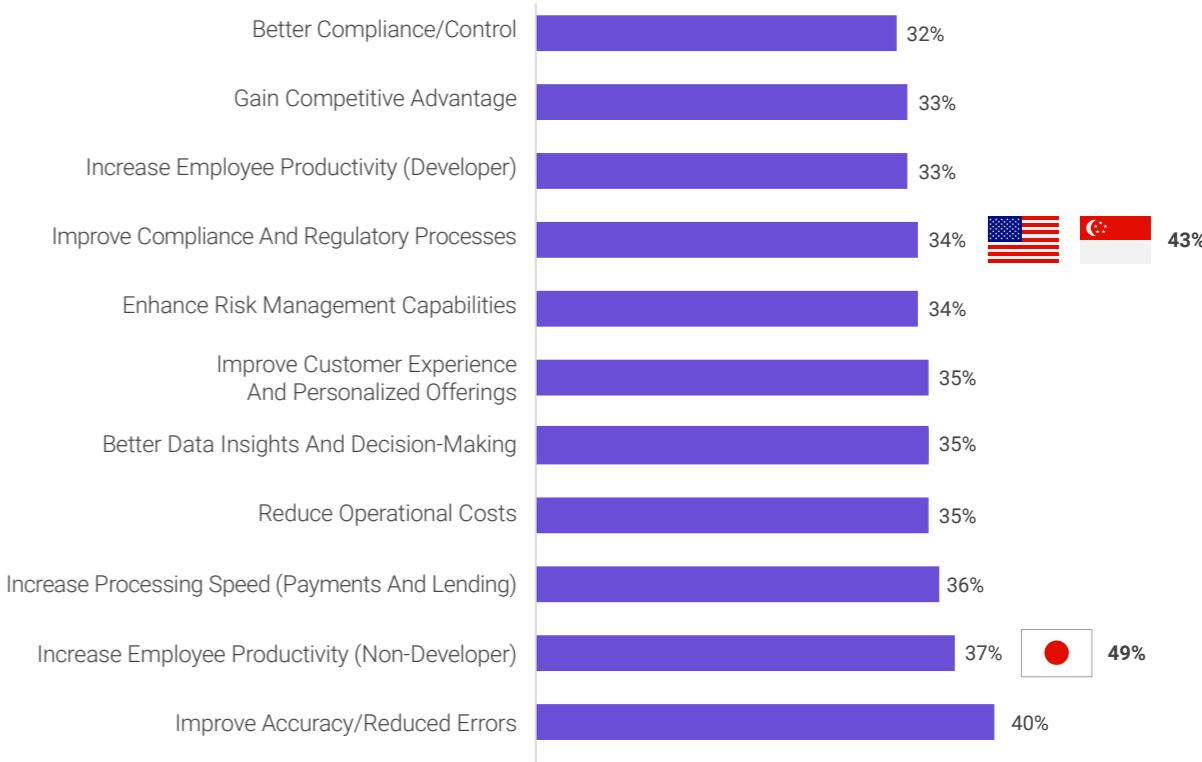
of respondents in Japan are using AI to drive greater workforce productivity

Meanwhile, the UK, U.S., and UAE converge on generating better insights (all at 42%), positioning AI as a decision-making partner in complex, data-rich environments. Mexico highlights customer experience and personalization (43%), underscoring the importance of trust and tailored engagement in a competitive retail banking landscape. Saudi Arabia frames AI as a lever for competitive advantage (41%), signaling its ambition to leapfrog peers in digital transformation. Finally, the U.S. and Singapore emphasize compliance and regulatory processes (43%), showing how AI is being harnessed to navigate increasingly complex oversight while maintaining resilience.



in the U.S. and Singapore say AI is supporting with compliance and regulatory processes

## Organizations' Primary Objectives for Implementing AI



Together, these objectives illustrate how AI is not just a single technology but a mirror of each market's priorities - whether efficiency, speed, insight, customer intimacy, or competitive edge.

## Chapter 3

# PAYMENTS AND LENDING BECOME THE FRONT LINE OF CUSTOMER EXPERIENCE

Technological innovation is reshaping the two most fundamental customer journeys - how people borrow and how they pay. Payments and lending are two clear opportunities for financial institutions to prove their ability to deliver personalization, trust, and customer-centric experiences. AI sits at the heart of these changes, yet it's just one strand in a broader surge of technological advances reshaping financial services across markets.

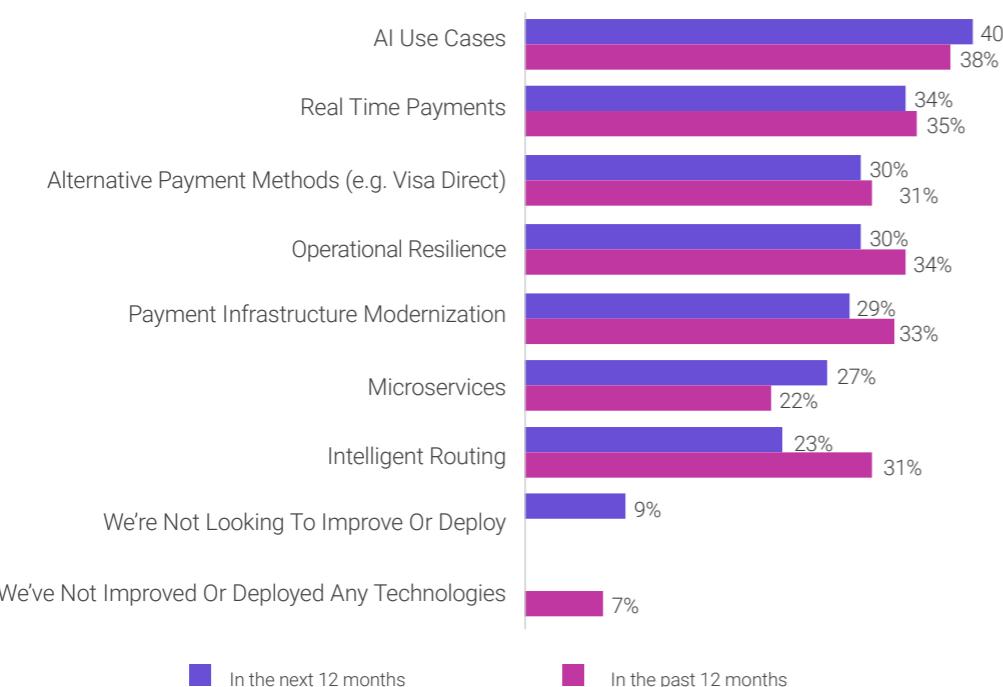
### **Payments: AI, real-time technology and new methods drive the next wave**

Payment innovation is being driven by three forces: AI use cases, real-time rails, and rising alternative payment methods. Over the past 12 months, 38% of organizations have deployed or improved AI use cases in their payments technology, underscoring AI's role in fraud detection, anomaly spotting, and personalized transaction flows. Some markets are much further along than others here - with Singapore (73%) ahead in experimentation/deployment. Vietnam follows most closely (57%), but markets like Japan (27%) and Hong Kong (25%) are much less likely to have rolled out. Real-time payments follow closely (35%), reflecting the sector's push for immediacy and customer convenience.



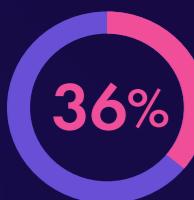
Operational resilience improvements (34%) highlight continued investment in reliability, business continuity, and system robustness ensuring that speed does not come at the expense of trust. Together, these advances show how payments are evolving into a seamless, secure, and always-on experience.

### Payment Technologies Improvement and Deployment



## Lending: AI assistants and fraud controls are key adoption areas

AI is equally transformative in lending, where it improves risk assessment and accelerates automated credit decisions. In the past year, 36% of institutions adopted AI assistants and chatbots for training and troubleshooting (the U.S., Germany and the UK are driving this at 45%, 42% and 41% respectively), while 35% deployed fraud, Know Your Business (KYB), and Know Your Customer (KYC) enhancements to strengthen identity verification and financial crime prevention (most prevalent in Vietnam at 47% versus just 11% in Japan). Updates to consumer, commercial, and mortgage origination systems (32%) signal broad investment in core lending processes and customer onboarding.

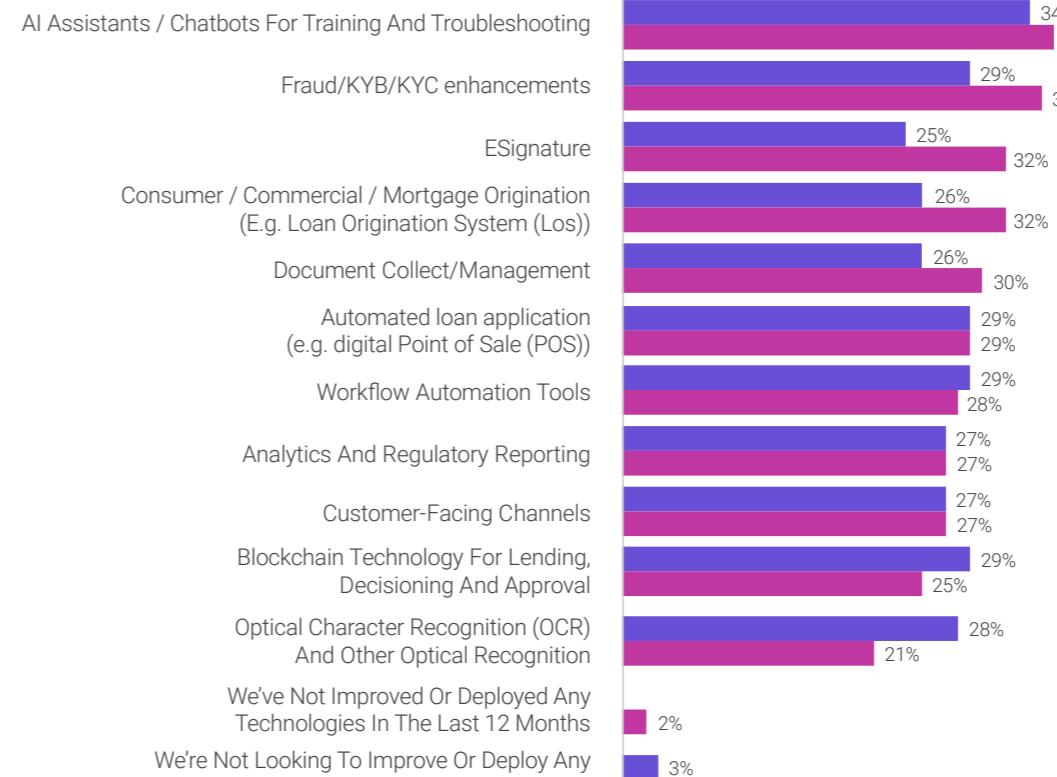


**of institutions adopted AI assistants and chatbots for training and troubleshooting in the past year**

Looking ahead to the next 12 months, developing AI assistants and chatbots remains one of the highest priorities (34%), pointing to a desire to extend automation and customer engagement capabilities.

Other priorities include embedding blockchain technology for lending, decisioning and approval (29%), integrating workflow automation tools (29%), and automated loan applications (29%) as institutions seek to digitize and accelerate the customer journey from inquiry to approval.

## Lending Technologies Improvement and Deployment



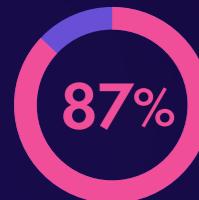
These priorities signal a future in which lending journeys become faster, more transparent, and seamlessly embedded within digital ecosystems. Payments and lending are no longer back-office processes hidden from view - they have emerged as the front line of customer experience. The data shows that institutions are investing in speed, resilience, risk management, and customer intimacy all at once. Together, these shifts position innovation in payments and lending as the most visible expression of finance's evolution - where trust, efficiency, and personalization converge in the everyday journeys of customers.

## Chapter 4

# MODERNIZATION ACCELERATES BUT BARRIERS REMAIN

If innovation is the North Star, then modernization is the backbone of progress in financial services. Modernization can't be seen as the role of back-office functions who simply "upgrade the tech" every year. It needs to be part of the overall business strategy. Every department must champion modernization, pushing teams to fully adopt and master new technologies.

Modernization is fundamental to success. It determines whether institutions can scale innovation, embed resilience, and deliver customer-centric experiences quickly. The data shows that financial institutions are confident, with 72% saying they believe they are ahead of competitors on technology modernization. An overwhelming nine in ten (87%) expect to invest in modernization over the next 12 months. Yet it's crucial to remember that modernization is not simply about upgrading systems. It requires investment in people, processes, and platforms - areas where many institutions feel less equipped, and where barriers continue to slow down momentum.



**expect to invest in modernization  
over the next 12 months**



### Commitment to spend

The commitment to invest in modernization is clear. Across markets, institutions are signaling strong increases rather than reductions - particularly in Singapore, where spending is set to rise 50% year-on-year. Larger firms, and those that already perceive themselves as "ahead," are allocating materially more, underscoring how scale and readiness shape investment patterns. This momentum reflects a recognition that modernization is the backbone of innovation: without it, nothing can scale effectively.

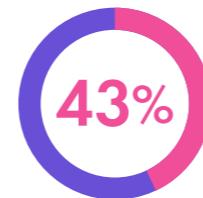
### Despite strong intent, barriers persist – and talent shortage tops them

Human capital is the most significant barrier to modernization, cited by 43% of institutions who say that a talent and skills gap is stopping them from moving forward. This challenge is particularly acute in Singapore (54%), the UAE (51%), and Japan and the U.S. (50%), where demand

for specialized digital skills outpaces supply. By organization type, hedge funds face the largest shortages, reflecting the complexity of their operating models and the need for advanced technical expertise.

Budget constraints also weigh heavily. In Singapore (52%) and the UK (49%), tightening purse strings are slowing progress, forcing institutions to prioritize short-term resilience over long-term transformation. Regulatory and compliance hurdles add further complexity, most significantly for institutions with assets valued between USD \$50B–\$100B, where modernization intersects with heightened oversight and reporting requirements.

Institutions find themselves dealing with a catch 22. Modernization is universally recognized as critical, yet the very factors that make it urgent - talent shortages, rising costs, regulatory scrutiny - also make it difficult to achieve.



**of financial institutions say that a talent and skills gap is stopping them from modernizing**

### How are institutions responding to challenges?

Financial institutions are responding with pragmatic strategies. Partnerships with fintech providers are the default approach for 54% of institutions, seen as the fastest way to add new technology capabilities and mitigate internal gaps. These partnerships allow organizations to access innovation without bearing the full burden of talent acquisition or system development.

**of institutions see partnerships with fintech providers as the default approach to modernization**



For those who choose to build capability in-house, data sovereignty emerges as the primary reason why – perhaps unsurprising given increasing regulatory complexity and heightened media scrutiny around data privacy over the past 12 months.

The U.S. is by far the most concerned in this area (58%), reflecting both its regulatory environment and public discourse around sovereignty. Institutions in this market are more likely to prioritize control over data handling, even if it slows the pace of modernization.

This split highlights a big trade-off: partnerships speed up innovation, but in-house builds offer more control - at a much higher cost in expertise and infrastructure.

#### Why leaning on partnerships will be key in 2026

Institutions are turning to partnerships because modernization demands speed, specialized expertise, and resilience that few institutions can deliver alone.

For leaders who are cautious about over-reliance on external providers, the most resilient path forward is not choosing one model over the other but blending both. Leveraging partnerships to accelerate innovation while retaining in-house builds for areas where control, compliance, and data integrity are paramount. A combination of the two approaches delivers not only compliance and resilience, but also competitive advantage in a rapidly evolving financial landscape.

#### The pace of change

Despite ongoing disruption and challenges, industry confidence remains strong. Respondents express high levels of optimism about the opportunities ahead, both personally (87%) and for their institutions (86%), as technology and operating models continue to evolve.

## TOP 5 WAYS INSTITUTIONS ARE LEANING ON PARTNERS TO FUTUREPROOF:



**Accelerate modernization:** quickly add new capabilities without the delays of in-house builds



**Close skills gaps:** access specialized talent in AI, cloud, and security where shortages are most acute



**Streamline integration:** reduce tool sprawl through modular APIs and interoperable platforms



**Strengthen compliance:** leverage auditable workflows and embedded reporting to meet rising regulatory expectations



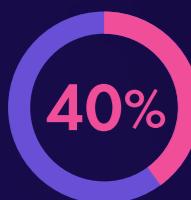
**Balance sovereignty concerns:** establish governance frameworks that maintain control while benefiting from external innovation

## Chapter 5

# SECURITY AND RESILIENCE RISE TO THE TOP OF THE AGENDA

### Four in ten institutions are prioritizing security investments

Escalating digital threats - particularly those linked to AI - are reshaping priorities and driving a projected 40% average increase in security spend over the next year. Institutions are responding to a landscape where 43% cite constantly evolving risks and AI deployment itself (40%) as their two biggest security challenges. To stay ahead in a landscape where investment in defense is on the rise, leaders need to think about security not just as an insurance policy but also as a growth strategy.



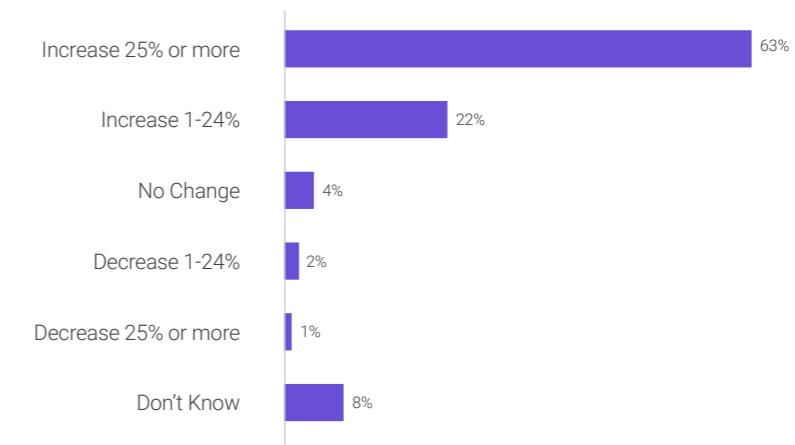
projected increase in security spend expected this year



As digital adoption accelerates, financial institutions are not only confronting a surge in threats but also reassessing how their posture compares to competitors. The research shows a sector that is confident in relative terms yet deeply concerned about the risks ahead. Globally, 72% of institutions believe they are ahead of peers on security and reliability, while 7% admit to being behind and 20% place themselves somewhere in the middle. This mix of confidence and caution underscores how resilience is both a competitive differentiator and a shared vulnerability.

Against this backdrop, the highest levels of planned investment are concentrated in the UAE, Mexico and Hong Kong – with 90% or more preparing for uplift in security spend in the next 12 months.

## Investment in Security and Reliability: Expected Change in Next 12 Months



## Deployments and upcoming priorities

Over the past year, institutions have focused on strengthening core defenses. Advanced fraud detection (48%) has been widely deployed - particularly in Singapore (62%). As has Security Information and Event Management (SIEM) and Security Orchestration, Automation and Response (SOAR) modernization (47%) with Vietnam, Hong Kong and Saudi Arabia leading the charge (all at 60%). Mexico trails behind (29%). These investments enable critical real-time threat monitoring and automated response. Alongside these, identity verification has been reinforced through Multi-Factor Authentication (MFA) and biometrics (40%) with Singapore (54%) again spearheading deployment, while the U.S. is prioritizing backup, disaster recovery improvements and resilience testing (48% vs the global average of 40%), ensuring continuity in the face of disruption.

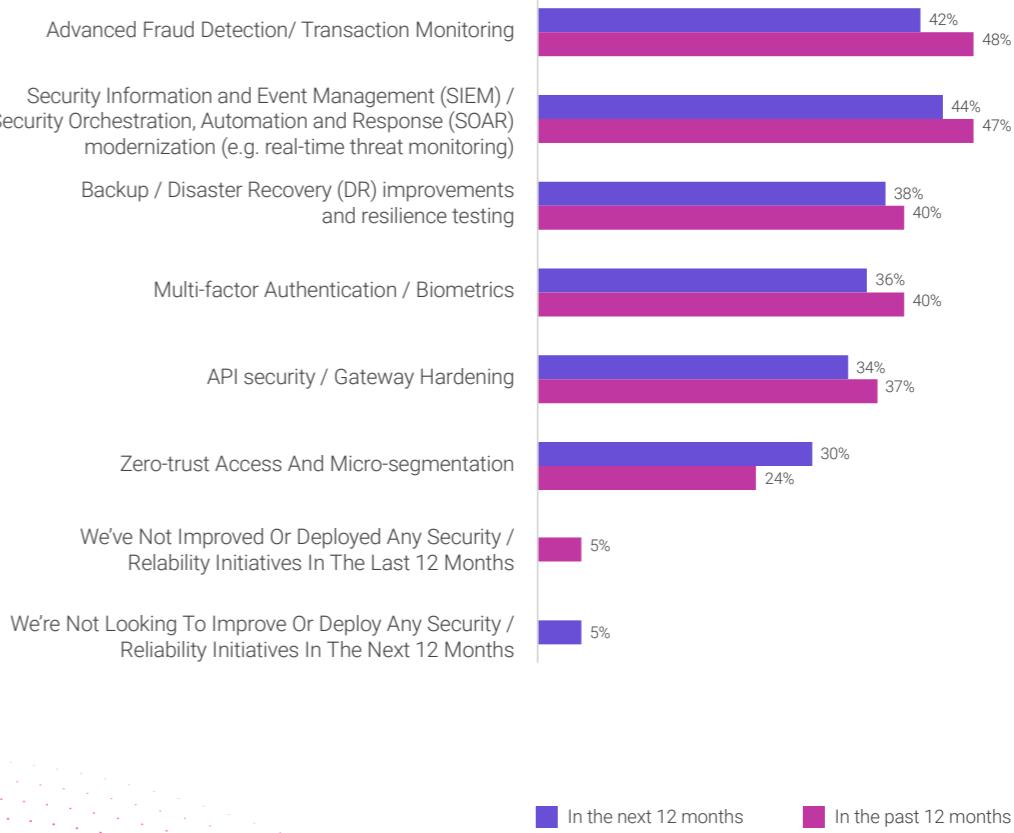
Looking ahead, alongside those mentioned above, API security and gateway hardening (34%) also stands out as a key priority for the next 12 months, reflecting the growing need to secure access points against increasingly sophisticated attacks. Institutions are also focused on consolidating vendors and addressing tool sprawl and integration gaps, which remain persistent challenges.

## Security is now a large part of competitive currency

Despite rising spend, resilience cannot be achieved through investment alone. Vendor consolidation, integration discipline, and governance frameworks are essential to ensure security programs deliver cohesion rather than complexity. Partnerships with fintech providers can help institutions streamline ecosystems, embed transparency, and align compliance without slowing innovation.

The role of security is only going to rise. Four in ten institutions are prioritizing it, and spending is set to rise sharply. Yet the challenge is not only about defending against threats, but also about building day-to-day trust among the customer base and partner ecosystem. Institutions that balance speed with compliance, innovation with sovereignty, and partnerships with in-house control will be best positioned to convert resilience into competitive advantage in the age of AI.

## Security / Reliability Initiatives Deployed or Improved

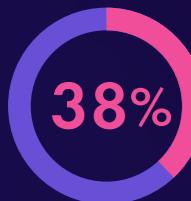


## Chapter 6

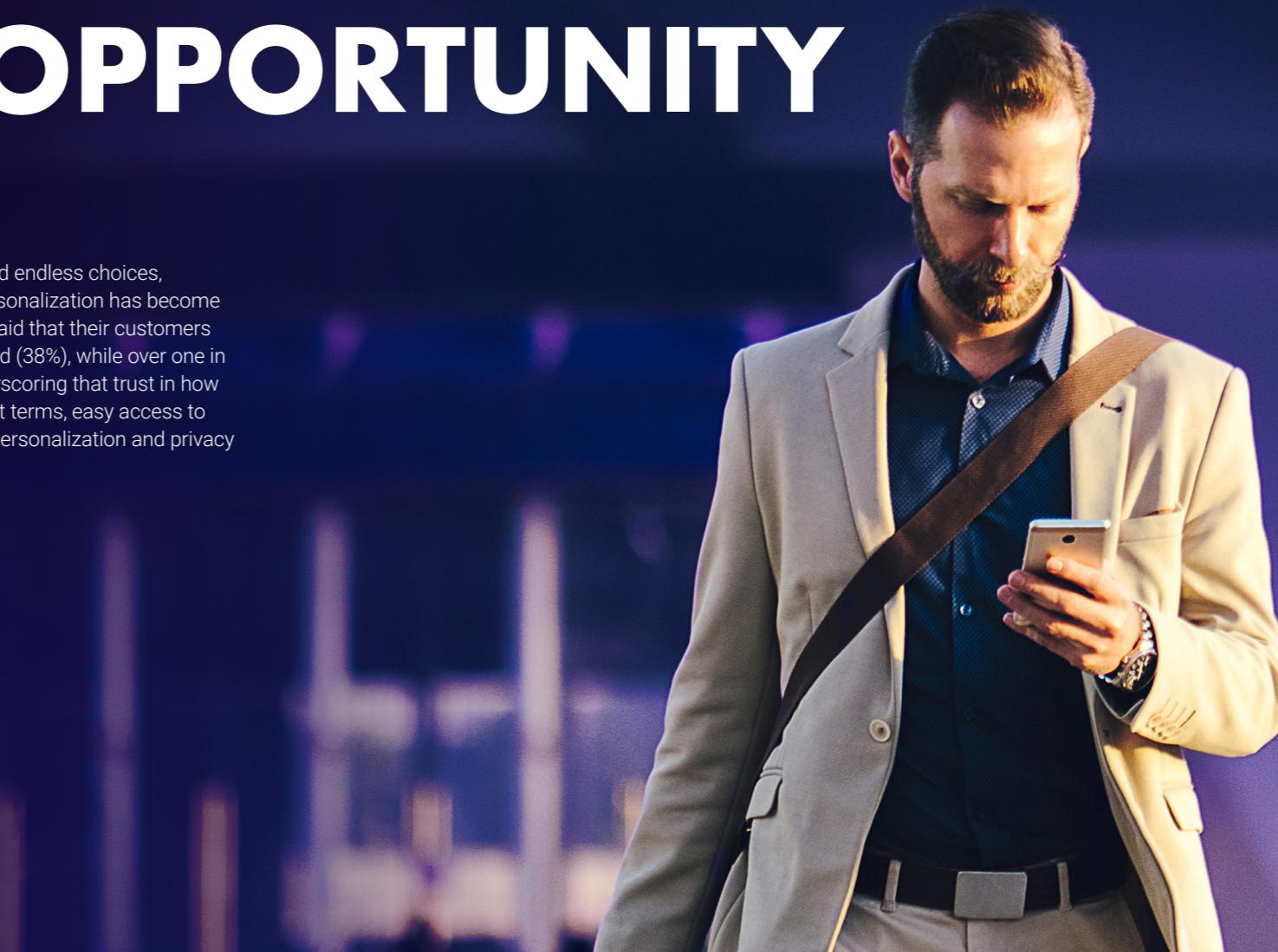
# PERSONALIZATION REMAINS GREATEST OPPORTUNITY

### Customer expectations and delivering unbeatable experiences

In a world where people are bombarded with communications, apps, and endless choices, frustration with one-size-fits-all experiences has never been greater. Personalization has become a fundamental expectation in financial services. Respondents globally said that their customers rank improved service and personalized experiences as their top demand (38%), while over one in three (37%) highlight the security of personal and corporate data - underscoring that trust in how information is handled is inseparable from tailored services. Transparent terms, easy access to finance, and blended human/digital interactions remain important, but personalization and privacy now lead the customer agenda.



of financial institutions say their customers rank improved service and personalized experiences as their top demand



### Financial institutions' current personalization offerings

Institutions are already moving to meet these expectations. Four in ten (42%) provide values-aligned banking such as sustainable investing, while 42% use chatbots to deliver instant support. A similar amount (39%) offer real-time payments, and 37% provide liquidity insights with optimization suggestions. Personalization is also expanding through tailored loan offers, personalized marketing, and recommendation engines - services already prominent in planned deployments across Singapore, Hong Kong, Vietnam, and Saudi Arabia. Only four percent of institutions report offering none of these services, underscoring how deeply personalization has permeated the industry.

### Personalized Services Currently Offered to Customers



ONLY  
**4%**

of institutions globally aren't offering personalized services

### The next wave of innovation in personalization

The pipeline reflects a shift toward more complex, data-intensive services that demand stronger governance around privacy and consent. A quarter (25%) plan to expand into personalized marketing (highest in Singapore at 35%), while 24% plan digital wallets, personalized recommendations, and tailored loans (highest in Hong Kong). Vietnam leads (37%) in tailored loan offers, and Saudi Arabia (33%) in values-aligned banking. These priorities show how personalization is evolving from convenience into a strategic lever for customer loyalty and competitive advantage

### Personalized Services Financial Institutions are Looking to Implement

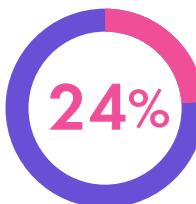


2026 is set to be the year of hyper-personalization. Financial institutions that use data responsibly and provide personalized services widely will meet growing customer expectations and also set a new standard for trust.

## Investment patterns confirm the momentum

Over the next 12 months, three in ten (30%) institutions expect to increase customer experience (CX) and personalization spend by 25–49%, while a quarter (24%) anticipate 50–74% growth. A further 7% project near-doubling of investment, and only 3% foresee reductions. Saudi Arabia stands out with aggressive scaling, while Japan reflects uncertainty amid regulatory complexity. For very large organizations, the challenge is sharper still: 45% cite privacy, consent, and regulation as their foremost barrier to delivering greater personalization, highlighting that scale magnifies risk.

In Finastra's 2024 State of the Nation report, almost all (97%) institutions offered some form of personalization. In 2025, the narrative shifted. The challenge now is not whether to personalize, but how to do so responsibly, at scale, and in ways that convert regulatory friction into trust. Leaders will be defined not by the breadth of services offered, but by their ability to turn stewardship into customer loyalty.



**A quarter of institutions anticipate 50–74% growth on CX and personalization spend in the next 12 months**

## Personalization as trust currency

Personalization is now the visible expression of trust. Institutions must move beyond pilots and fragmented offerings to embed personalization into the core of their customer experience strategies. That means:

- Investing in data governance to ensure privacy and consent are not compromised
- Scaling personalization responsibly, balancing innovation with regulatory clarity
- Aligning personalization with values, so customers see their priorities reflected in financial services
- Treating trust as a differentiator, recognizing that transparency and security are inseparable from personalization

The institutions that act decisively will not only meet rising expectations but also set the standard for resilience and competitiveness in the age of AI-driven finance.



## Chapter 7

# AS WE LOOK AHEAD, STEWARDSHIP WILL BE THE MARKER OF SUCCESS

The story of 2025 was not simply one of technology adoption. It is a story of an industry shifting its focus to accountability, safety, and trust – and understanding that those three areas are the springboard that make innovation possible. What once was measured in size and speed is now measured in responsibility.

In the key areas we've looked at - modernization, security, and customer experience – we can see that they are no longer separate agendas, they have converged into a single mandate, all underpinned by AI. Institutions are moving beyond pilots and incremental upgrades to enterprise-wide deployments, embedding intelligence into payments, lending, personalization, and resilience. The industry is not just adopting new tools. 2026 will see it continuing to reshape its foundations.

As we come to the close of our report, let's look at the defining investment priorities which will shape the next year.



### 1. Security – projected 40% spend increase

Financial institutions are placing big bets on security, with a high focus and an expected 40% rise in spend in 2026. Investments are flowing into advanced fraud detection, SIEM/SOAR modernization, and API security, particularly in key growth markets. As AI adoption accelerates, resilience is no longer insurance - it is the visible currency of trust..

### 2. Modernization – 87% planning investment

Nearly nine in ten institutions will invest in modernization over the next year, with Singapore leading in spend increases above 50%. Modernization has become the backbone of transformation, enabling AI and real-time payments to scale while strengthening the infrastructure that underpins customer experience, security, and operational agility. Its future importance lies in interoperability and resilience, without which personalization and security cannot advance.

### 3. Personalization – CX spend scaling fast

Customer experience and personalization are accelerating, with 30% of institutions planning to increase spend by 25-49% and another 24% by 50-74%. Saudi Arabia is scaling aggressively, while Japan reflects caution amid regulatory complexity. By 2026, hyper-personalization will be table stakes, and only those embedding privacy and consent will turn it into lasting loyalty.

### 4. AI – adoption near-universal

AI is already embedded across the value chain, with 61% of institutions improving capabilities in 2025 and only 2% reporting no use at all. Spend is flowing into fraud prevention, compliance, workflows, and personalization. The next frontiers will include governance (ensuring AI decisions are explainable, ethical, and trusted at scale) and fully embracing agentic AI for workflow automation, with 63% already either running programs or piloting them.

### 5. Partnerships – 54% collaborating with fintechs to deliver innovation

More than half of institutions are partnering with fintech providers to accelerate modernization and close skills gaps. Partnerships are the fastest way to add new capabilities without bearing the full burden of talent acquisition or system development. As ecosystems expand, partnerships will be the accelerators of speed and innovation, balanced by sovereignty and compliance.

Looking ahead, 2026 investment priorities are clear. Security spend is set to rise significantly, and modernization will see near-universal commitment with markets like Singapore leading. Customer experience budgets are scaling fast too, with hyper-personalization becoming the standard. AI adoption is almost universal with governance the next major challenge, and partnerships with fintechs are expanding to close skills gaps and accelerate innovation.

The next 12 months will see institutions channeling resources into driving resilience, future-proofing and earning trust - not as separate agendas, but as the foundation for growth in the year ahead.



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**Personalization**  
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**Partnerships**  
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to deliver innovation

## In 2026, where should the focus lie?

To convert these investments into lasting advantage, leaders should anchor their strategies around four focus areas:



**Strengthen trust and security posture:** Provide advanced security tools that manage rising threats and reassure regulators and customers, embedding resilience into every transaction.



**Embed AI into real operations:** Prioritize AI that boosts accuracy, strengthens fraud prevention, streamlines workflows, and enables real-time decision-making.



**Accelerate API-led modernization:** Unify data flows and scale personalization through open APIs that reduce duplication and enable seamless integration.



**Partner to speed innovation:** Adopt strategies and collaborate with fintechs and ecosystem partners to accelerate customer-centric innovation and shape future growth.

2026 will be a turning point. Institutions will be judged less by the range of services they offer and more by how tailored they are and how reliably they deliver them. Leaders who can turn regulatory pressure into trust, balance speed with compliance, and scale innovation responsibly will set the pace for the industry.

The key message this year is straightforward. Progress is not about being the biggest or the fastest, but about being the most dependable. Firms that build responsibility into every decision will not only earn trust - but they will also define what competitiveness looks like in the age of AI.

**Stewardship will define success in the next era of financial services.**



# INNOVATING FINANCE TOGETHER

Finastra partners with customers to deliver reliable and secure mission-critical financial services software shaped by their needs and driven by innovation.

## Methodology

A total of 1,509 managers and executives from banks and financial institutions across 11 regions participated in the survey (including France, Germany, Hong Kong, Japan, Mexico, Saudi Arabia, Singapore, the UAE, UK, the U.S. and Vietnam). Collectively, the organizations represented manage over \$100 trillion in assets, equivalent to approximately a quarter of global financial assets based on public estimates. These organizations employ around 5 million staff and serve approximately 400 million client, customer, or member relationships.

Figures are based on respondent-reported data; percentages may not sum to 100 percent due to rounding and multiple-choice questions.

The research was conducted by Savanta via an online panel (November 2025).

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