



Saudi Arabia tech report: Financial Services insights

Unlocking growth through digital innovation

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Executive summary

As financial services organizations contend with evolving risks and demands in a cost-pressured environment, companies with a competitive edge in the sector are those who can deploy digital transformation tactics to bring enterprise-wide value. But are financial services firms ready to unlock unprecedented growth through digital innovation? As the sector faces mounting pressures, the answer to this question could determine their future success. This report is intended for CEOs, CIOs, CTOs, and senior executives in the financial services sector who are looking to harness technology to help fuel operational efficiency and growth.

Persistently high inflation, geopolitical pressures, regulatory challenges, and slow global economic growth are combining to challenge businesses across financial services. Interest rate volatility is dampening consumer spend and asset performance, while compliance and operational costs are steadily increasing, forcing executives to revisit growth strategies. At the same time, organizations across financial services are coming under pressure both to generate value and to operate within tighter margins.

Technology is proving vital for performing in this environment. The *KPMG 2024 CEO Outlook* across [asset management](#), [banking](#) and [insurance](#) confirms that CEOs in these industries are continuing

to prioritize digitization to galvanize business models. Despite ongoing economic uncertainty, 87 percent of financial services executives in the Kingdom see generative AI as a top investment priority. Organizations are leaning on innovative platforms and systems to help them reduce costs, improve customer experiences, and build resilience.

Our research features insights from 612 technology executives from financial services, including 15 from Saudi Arabia, across asset management, banking and capital markets, insurance, private equity, and real estate. The findings of the research further highlight the potential of technology to bolster the sector.



This report reveals that the financial services sector is most likely to generate profit from its AI investments. However, to stay ahead of the game, financial services companies should move beyond siloed, short-sighted tactics. This will likely involve adopting multiple advanced technologies, in addition to addressing legacy solutions, to ensure enterprise-wide compatibility. A simplified, modernized architecture that reduces complexity and transforms the end-to-end customer experience should be the goal. ”

Ovais Shahab
Partner, Head of Financial Services

Key findings

Managing risk with innovation and artificial intelligence

The sector's inherent exposure to elevated risk and regulatory challenges has driven a need for innovation to manage these demands. As a result, financial services is the sector most likely to be generating profit from its cybersecurity, XaaS and AI investments. But while this has brought progress, the evolving risks and responsibilities continue to weigh heavily on tech decision-makers in the sector.

93% of financial services executives in Saudi Arabia state that complex regulatory developments are the factor most heavily denting their investment confidence.

The survey finds that data-led decision-making, AI-enabled solutions and modernization of legacy platforms are at the center of the sector's coping strategies. Organizations in the financial services sector are most likely to be using data-centric decision making to adapt their digital transformation in response to evolving market risks. However, financial services executives in Saudi Arabia are most likely to use scenario forecasts and risk identification workshops. With the right data foundations in place, AI provides a means to accelerate the modernization of the control environment, predict change impacts and minimize drift.

To deliver on the promise of data and AI, companies must scale with purpose

The rise of generative AI (Gen AI) is set to revolutionize financial services, enabling companies to automate complex tasks and enhance customer experiences in unprecedented ways. Financial services is the sector most likely to generate profit from its AI investments. But many organizations still encounter problems when trying to implement AI across the business in an integrated way.

100% of financial services companies in the Kingdom are generating profits from AI. However, only 20 percent are generating returns at scale.

Our research uncovers key actions that digital leaders are taking to help realize benefits at scale — taking an ecosystem approach with use cases drawing on multiple AI capability sets, pushing the envelope by seeking to radically change end-to-end value chains (compared with incremental improvements), and investing in digital and data foundations.

Simplification and modernization: Moving toward an adaptable, flexible architecture

Financial services companies are increasingly looking to modernize their systems to improve resilience and remove unnecessary complexity. These modernization efforts are essential to business continuity.

80% of executives in the Kingdom admit that flaws in their foundational enterprise IT systems disrupt business-as-usual on a weekly basis.

Across the sector, there has been an uptick in the implementation of cloud-based platforms that can help simplify digital infrastructures, with an impressive 86 percent of organizations in Saudi Arabia prioritizing investment in XaaS in 2024.

One of the core benefits of this simplification is cost reduction. Nearly one-third of respondents say that public cloud platforms or XaaS technologies have helped to reduce the cost of both technology debt and total cost of ownership (TCO).

Risk and regulation

In a mission to build consumer trust, organizations across financial services face strong headwinds. Geopolitical tensions are disrupting every sector, impacting supply chains and financial systems, limiting access to capital, pushing up the prices of goods and commodities, and, ultimately, impacting economic stability. Technological advancements and greater regulatory burdens are also creating new uncertainties, leading to a fragile reputational risk environment.

As fast as financial services companies are adapting, bad actors are weaponizing technologies with the aim of manipulating people, businesses and governments, and eroding trust. As a result, financial services companies are less confident in investing in new technology than a year ago, with the [KPMG 2024 Banking CEO Outlook](#)¹ revealing that only 43 percent of respondents are confident that their organizations' cyber security defenses can keep up with the challenges thrown up by advancements in AI. Technical debt that has built up through years of underinvestment in core systems is worsening the situation, with many financial services executives in Saudi Arabia (80 percent) in the *KPMG Tech Report* research saying that flaws in their foundational enterprise IT systems disrupt business-as-usual on a weekly basis.

¹ <https://kpmg.com/xx/en/our-insights/value-creation/kpmg-2024-banking-ceo-outlook.html>

To protect citizens and vulnerable members of the community, and ensure the continued functioning of capital markets, regulators are responding by expanding legislation, intensifying the legal burden on the financial services sector. Some of the most significant new pieces of legislation include the Cyber Resilience Act (CRA), the Digital Operational Resilience Act (DORA), and the EU AI Act.

However, inadequate and divergent approaches to the regulation of emerging technologies, in particular artificial intelligence (AI), is seen by many organizations as a barrier. This is evident in [recent research](#) by KPMG, which identifies that 70 percent of insurance CEOs believe that the lack of current AI regulation within the sector could become a barrier to the organization's success.²

Published in December 2023, ISO/IEC 42001 is the first international standard that provides a framework with which to manage AI. The standard addresses the unique challenges AI poses, such as the need for ethical considerations, transparency, and continuous learning. For financial services organizations, it sets out a structured way to manage risks and opportunities associated with AI, balancing innovation with governance. Importantly, implementation of the standard can help companies build trust with their stakeholders, providing an opportunity to differentiate.

From analyzing the tactics of digital leaders in this space, it is evident that many leading organizations navigate this complexity by developing digital transformation strategies that balance addressing immediate needs with planning for predicted future requirements. In terms of knowing how to strike the right balance and adjust it in response to evolving market trends and risks, data-centric

² <https://kpmg.com/xx/en/our-insights/value-creation/kpmg-2024-insurance-ceo-outlook.html>

While these standards offer valuable guidance, the evolving risk environment and growing compliance requirements are still daunting for financial services companies.

93%

of financial services executives in the Kingdom state that complex regulatory developments are the factor that most affects their investment confidence (7 percentage points higher than the cross-sector average).

decision-making is a crucial tool for high performing organizations. The [KPMG 2024 Global Tech Report](#) shows that, across sectors, in comparison with non-leaders, global leaders are 18 percentage points more likely to use data-centric decision-making to align their digital transformation strategies with evolving market trends and risks.

When it comes to data-informed decision-making, financial services is already making confident strides forward. Our research shows that, when responding to evolving risk and trends, global financial services companies are more likely than other sectors to take a data-led approach. In the Kingdom, financial services executives lean more towards using scenario forecasts and risk identification workshops to adapt their digital transformation in response to evolving market risks. However, the sector cannot rest on its laurels; it is imperative that it continues to build its data maturity.

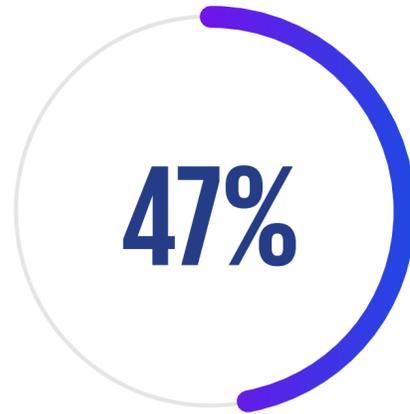


Navigating complex regulations in risk management and compliance demand advanced intelligence and operational efficiency. Rapid technological innovation is opening new doors to solve these challenges using modular, adaptable systems, AI, and data. ”

Furkan Ali Hamid

Financial Services Leader,, Digital and Innovation Advisory

Financial services is more likely to take a data-centric approach to responding to market risks with agility



Data-centric decision making

Which of the following tactics do you use to adapt your digital transformation strategy in response to evolving market trends and risks?



Excellent digital leaders don't just respond to change, they plan for it. By building strong data foundations and aligning technology with risk strategies, they can anticipate disruptions, strengthen controls, and reduce exposure before issues arise.



Justin Malta

Partner, Risk and Regulation Leader

Drawing on our experience working with digital leaders in highly regulated sectors, we suggest the following actions are critical:



Baseline

Develop an understanding of current and future risks, regulatory obligations, and critical operations and controls at an organizational level. Consider how technologies and solution options are evolving that could have an impact on your strategy and decisions taken in the short term. Prioritize those areas most critical to resolve now while forming a position on future scenarios.



Manage

Build and implement a robust risk management framework, incorporating certifications such as ISO 42001, to hone best practice and strengthen controls. Explore how AI can be leveraged to accelerate the modernization of your controls, predict the impact of control changes to your processes and systems, and sustain them in a rapidly evolving and uncertain environment.



Implement

Prepare a vision and strategy that consider the evolving risk and technologies environment, immediate priorities and future scenarios that could play out. Evaluate architectural options, with a view towards a cloud-based composable architecture that can adapt to future changes, leveraging XaaS solutions to accelerate and de-risk, enabled by AI and data.



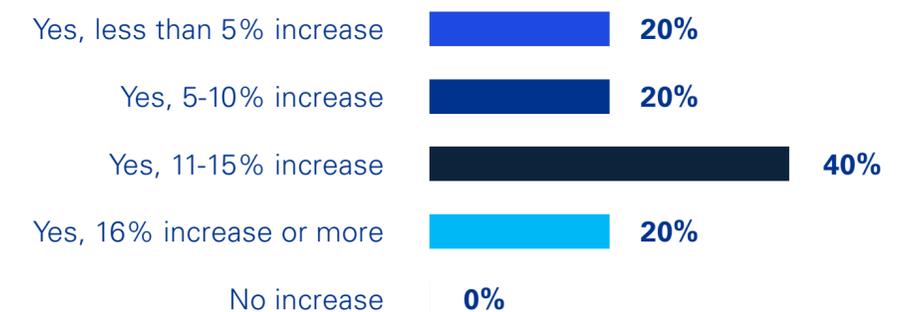
Prepare

Design and mobilize the program teams needed to uplift your control environment, leveraging third party providers that bring grounded advice and global experience. Establish the delivery cadence and governance needed to surface and resolve design and delivery issues as they arise. Design and prepare the 'business-as-usual' operating model to sustain the control environment and avoid drift.

Data and AI

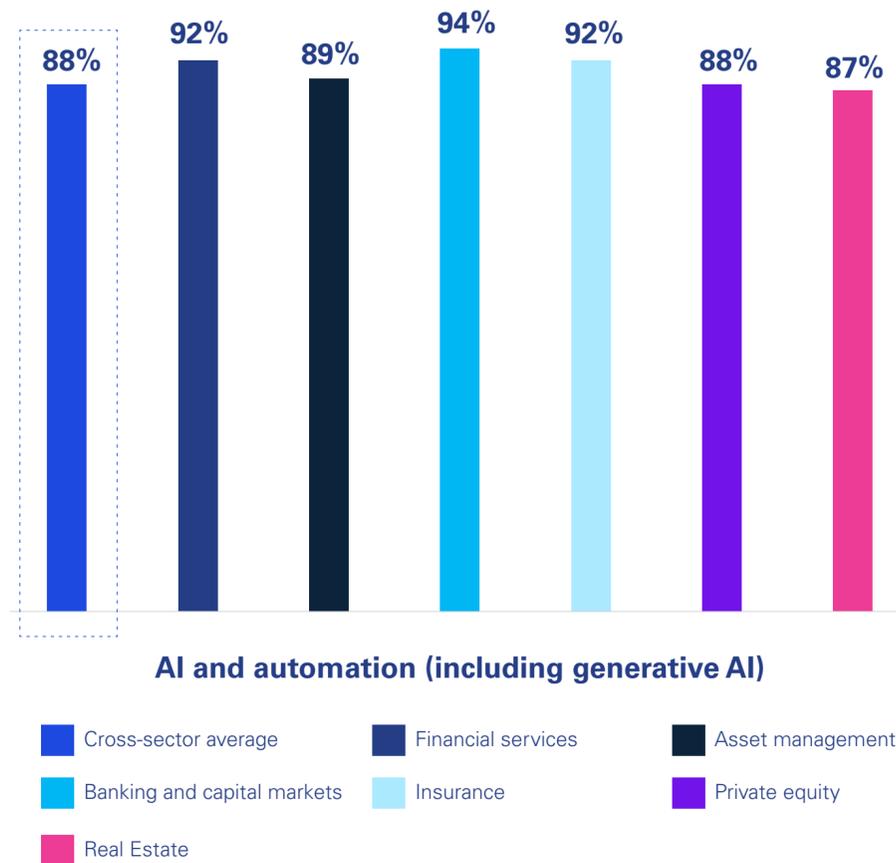
The evolution of AI is transforming numerous industries. The rise of Gen AI has caused many organizations to rethink their AI investment strategies with a view to accelerating and building on their experience with machine learning (ML). Financial services companies have always been quick to embrace new technologies.³ As such, all of the financial services executives in our research indicated their AI investments have generated profits over the last 24 months, compared with 92 percent of global companies.

Over the past 24 months, have your digital transformation efforts with AI and automation (including generative AI) positively impacted your organization's profitability? If so, what was the approximate size of the increase?



³ https://www3.weforum.org/docs/WEF_AI_in_Financial_Services_Survey.pdf

Global financial services' proportion of AI-driven profitability, including subsectors, compared with the cross-sector average



Over the past 24 months, have your digital transformation efforts with the following technologies positively impacted your organization's profitability/performance?

Our discussions with financial services business and technology leaders suggest they are continuing to be inundated with requests for Gen AI support, with delivery backlogs growing. There are multiple high value use cases, including automated claims, automated credit assessment, fraud detection, risk assessment, controls optimization and development, personalization of products and services, fighting cyber-crime and code generation. Financial services organizations are increasingly looking to AI to help tackle complex and time-intensive tasks and to streamline processes.

Along with the opportunities, obstacles and barriers to adoption are also growing. Our research confirms that the sector has yet to master the art of scaling AI use cases to fully realize their potential. While 33 percent of financial services companies in Saudi Arabia are already generating AI returns, 66 percent have not yet reached this stage.

Rapidly evolving technologies are butting up against legacy IT systems, siloed data, and fiscal constraints. AI is the next technology solution that financial services companies are investing in to become more modular and fast-moving. This has cost implications, especially since the wide range of digital solutions they are managing simultaneously turns digital debt into a serious risk.

One of the biggest concerns among financial services leaders is the state of their current systems. According to the [2024 KPMG Global AI in finance report](#) nearly 30 percent of financial executives agree that difficulty with integrating existing tools is one of the biggest

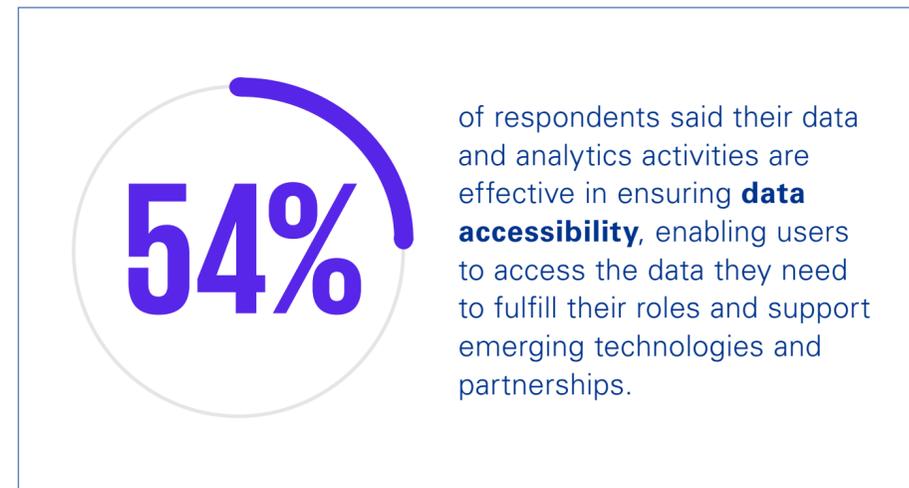
barriers to AI adoption. Legacy systems limit the ability to innovate, whether it be due to less money being made available for AI use cases, an inability to capitalize on new capabilities or difficulty accessing siloed data sets. A failure to address these barriers risks increasing the divide between digital leaders (including fintechs) and the wider functions.⁴

In parallel with unwinding legacy tech, digital leaders are shifting how they think about their AI investments from a technology perspective. Historically, organizations have looked at automation and AI technologies through a tool or platform-specific lens (applying robotic process automation [RPA] to processes and ML models). The landscape has shifted to a much more integrated ecosystem, in which use cases may draw from multiple AI capability sets.

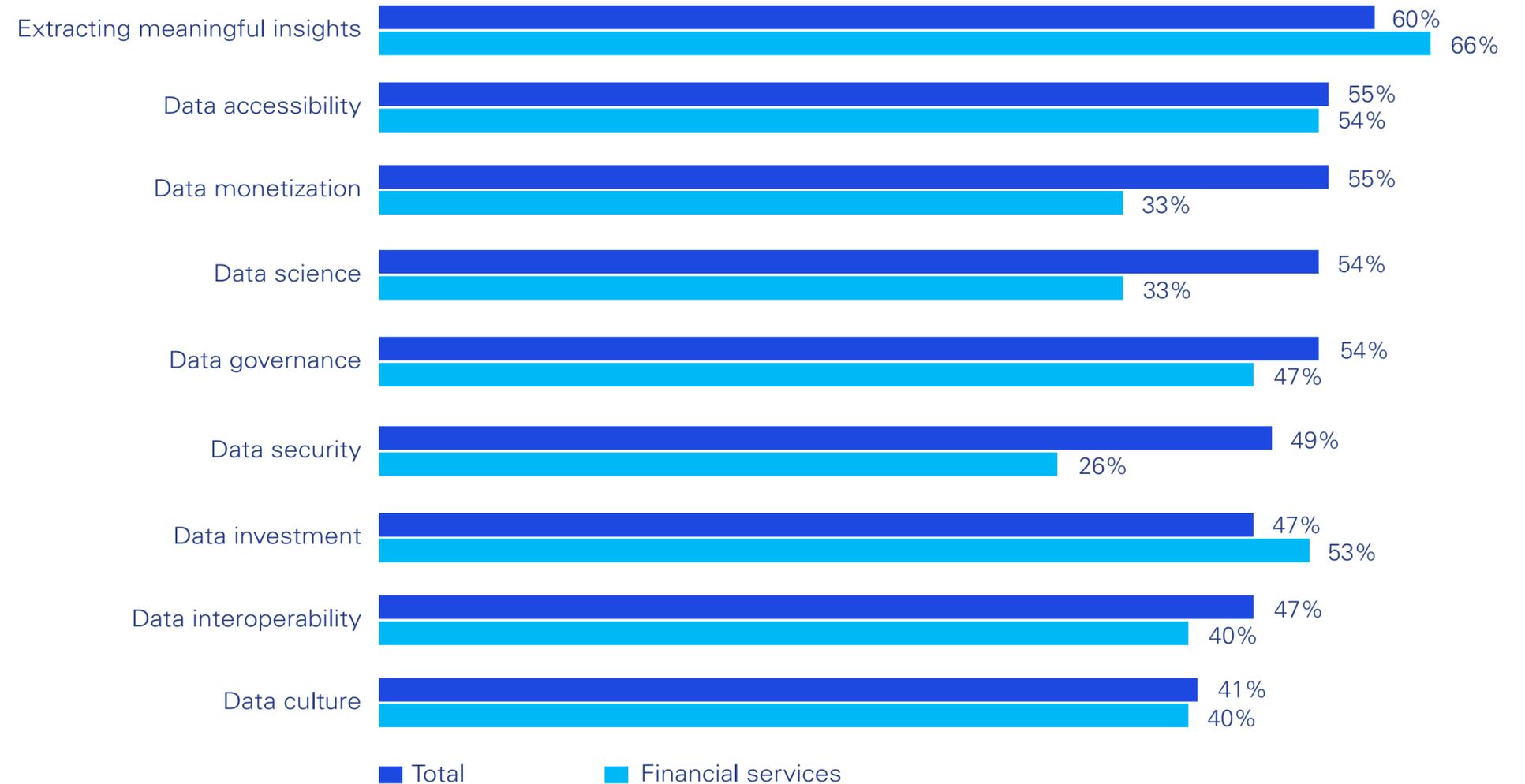
Ecosystem level AI blueprints consider how end-to-end value chains can be transformed, beyond automation of certain process steps that solve specific pain points but risk missing the wider change opportunity or impacts. As technologies mature and gain traction across the enterprise, we are seeing a significant and important interplay with how business leaders consider the future service delivery model for their respective functions, whether it be to transform the customer experience or optimize the cost base.

⁴ KPMG, 'Global AI in finance report', 2024

Discussions with business and technology leaders, and our experience leading AI programs, have highlighted the critical role data management plays in enabling enterprise-wide transformation, in particular when moving beyond point solutions and isolated AI use cases. While many companies are making considerable progress, they often struggle to define their desired end state. Ultimately, they should aim for a closer integration of data management with their overall business strategy and growth objectives. This likely means embedding this initiative into every interaction, decision and process — and, critically, delivering it through a marketplace of accessible data products that can easily be discovered and served up.



Proportion of financial services in the top two levels of data maturity compared with the cross-sector average across nine key data management categories





Treating data as a business asset with a clear purpose allows organizations to focus on making data useful and actionable, rather than perfect. The shift to product-based data governance is helping leading firms unlock faster value and make smarter decisions. ”

Robert Ptaszynski

Partner, Head of Alliance, Technology and Innovation

To transform the value chain end-to-end, businesses will need to continually address data siloes by strengthening data governance and integration, and consider how to bridge a skills gap.

Companies across financial services are currently experiencing a bottleneck for as they look to scale their AI adoption. A recent KPMG survey found that only 16 percent of organizations have a workforce that is well equipped to implement Gen AI, with 61 percent looking to hire new talent in this area.⁵ A multi-faced approach is proving to be a critical strategy adopted by digital leaders. This involves partnering with third parties to expand the talent pool, providing learning programs and global delivery centers to upskill and engage with the workforce, buying off the shelf assets and solutions, and ‘co-investing’ with startups or (financial) tech companies to leverage their speed, skills, and balance sheet.

⁵ KPMG, ‘KPMG Survey: GenAI Dramatically Shifting How Leaders Are Charting the Course for Their Organizations,’ 2024.

The financial services sector should consider these challenges with urgency. We recommend the following actions, derived from analysis on the performance of global leaders:



Upgrade legacy systems

Legacy systems are holding AI back. Invest to upgrade, re-platform or consider low-code options to help augment legacy systems where they are impeding the use of AI.



Improve data foundations

Establish the data foundations needed to enable your vision, including data platforms, products and governance. Build confidence in the quality of data to improve outcomes from the use of AI.



Plan for talent

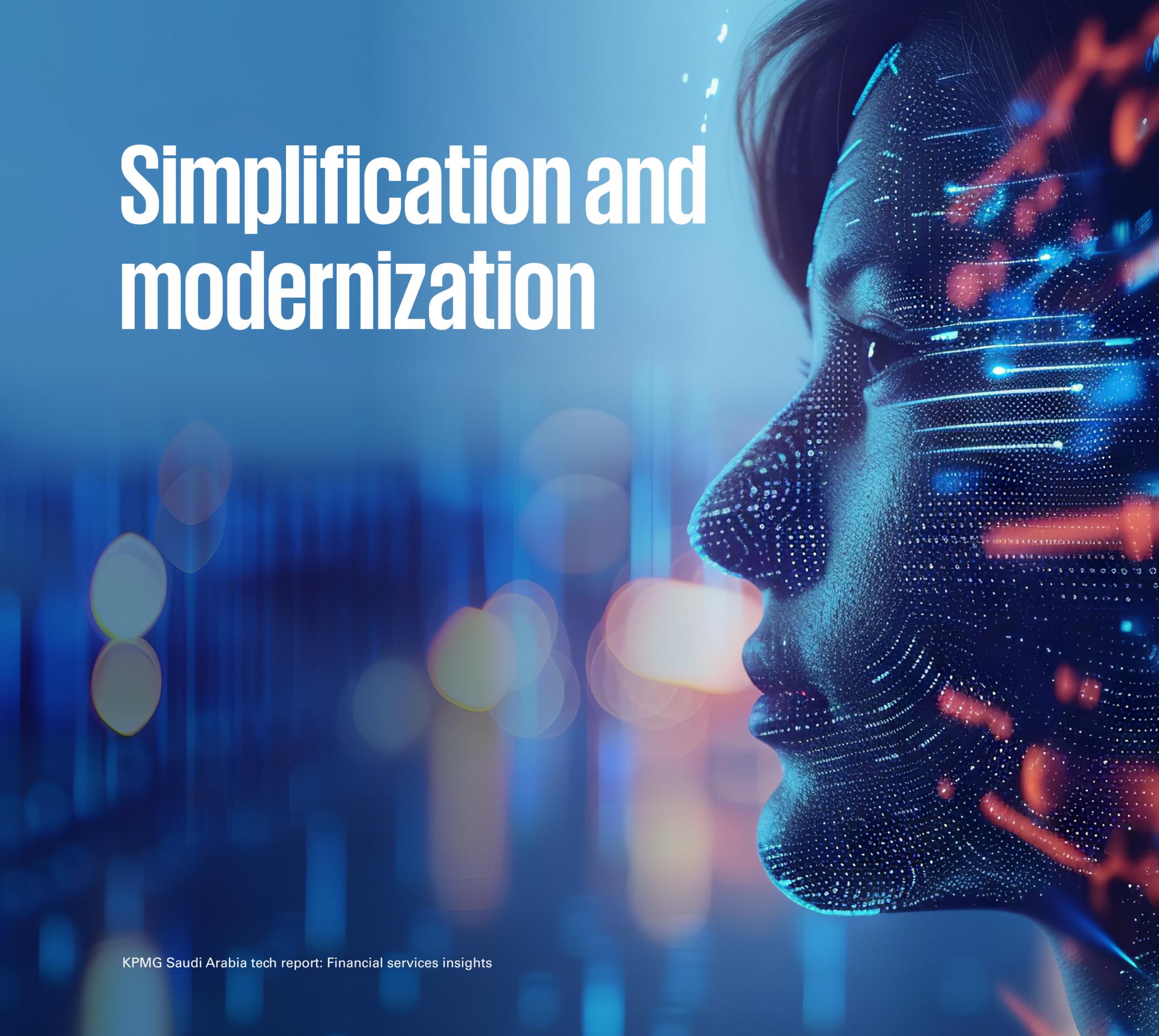
Identify and plan for your future AI talent. Explore the requirements for upskilling your current team while identifying future sources of skills including partnering or co-investing with startups or tech companies.



Transform

Architect your AI enabled transformation to maintain focus on long-term goals while releasing value progressively and avoid getting stuck in proofs of concept or pilots that don't deliver value. Accelerate use cases that can prove benefits and de-risk delivery.

Simplification and modernization



The desire to accelerate transformation appears clear across financial services, with 80 percent of organizations in the Kingdom suggesting that, over the next twelve months, they plan to focus on investing in new tech rather than focusing on maintaining their legacy technology. Mounting tech debt caused by years of aggregated cost pressures and the temptation of new technologies has left the sector with a tangled web of systems. This dynamic increases the risk of outages and results in crowded technology transformation portfolios, which makes it difficult to deliver to customers with confidence.

But the sector is starting to act. Tech leaders and business sponsors want to tackle the legacy, tightly coupled systems that limit innovation, increase downtime and erode the customer experience. Compared with 2-3 years ago, there is a much bigger appetite for modernizing systems that underpin financial services companies, from cards to payments, lending, claims, investment management, and core banking or registry systems, all while improving digital infrastructure and consumer experiences.

Regulation around data transparency, fraud prevention and digital payment systems is accelerating this modernization imperative.

What key benefits has your organization achieved from using public cloud platforms/XaaS technologies over the past 12 months?

While there are multiple benefits in technology simplification and modernization, one that cannot be underestimated in the current climate is the potential productivity improvements gained in technology delivery, through adoption of public cloud platforms or XaaS technologies, alongside the deployment of DevSecOps tooling, practices and controls. Nearly one-third of respondents say that public cloud platforms or XaaS technologies have helped to provide better data management and integration in their organizations.

Business drivers, regulations, and shifting customer preferences are increasingly pushing financial services companies to adopt flexible, adaptive architectures that can cater to emerging needs. As these organizations modernize their technology stacks, the three key factors that influence their investment decisions and overall approach to transformation are presented in the graph below.



⁶ <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52020PC0595&rid=10>

⁷ <https://www.cdr.gov.au/>

Business drivers, regulations, and shifting customer preferences are increasingly pushing financial services companies to adopt flexible, adaptive architectures that can cater to emerging needs. As these organizations modernize their technology stacks, the three key factors that influence their investment decisions and overall approach to transformation are:

- **Guidance from third parties (89 percent)**
- **In-house trials and proof-of-concept testing (88 percent)**
- **Previous adoption by competitors (78 percent)**

The first and third factors indicate an appetite to learn from leaders in financial services or other sectors. This approach is particularly prevalent among the sector's digital leaders, who use insights from a broad range of sources, including third-party experts, industry analysts, and technology vendors.

The second influencing factor highlights how for many companies, including digital leaders, modernizing legacy tech toward a cloud-based, composable architecture requires careful planning that considers the successes and failures of previous attempts.

The financial services sector has long been ahead of the curve in terms of cloud and data adoption, but recently we've seen a number of organizations stuck halfway through a transformation, with results not justifying the costs. Digital leaders in the sector have now started to focus on finishing the transformation. From established markets launching digital sub-brands to large companies trying to compete with fintechs, the sector has a reputation for trying things that did not work. But all those lessons are now feeding into innovation.

In an industry where change is constant and the pace of innovation is accelerating, the ability to socialize learnings and continuously adapt will be a critical success factor. This balance of risk-mitigating and transformation is essential for staying competitive in a fast-evolving marketplace.

One of the unintended consequences of leaders embracing the challenges of technical debt and the opportunities offered by XaaS, data, and AI, is the creation of an overcrowded technology transformation portfolio that can be difficult to manage. Digital leaders need to excel in multimodal thinking, enabling them to rapidly respond to shifting circumstances, and manage a growing portfolio of change. This flexibility is crucial in a dynamic environment, where companies need to stay ahead of evolving conditions, shifting customer preferences, and technological advancements.

When done right, the benefits of this strategy and its successful execution can be significant. By simplifying and modernizing systems, and effectively harnessing the power of data and AI, organizations are better positioned to understand and swiftly respond to changing customer needs and community expectations. This approach enables businesses to create digital experiences, products, and services that are not only secure and resilient but also innovative and differentiated in a competitive landscape.



Customer feedback provides a clear view of the things that matter, but financial services companies must move beyond this to unlock significant value. For example, soon I expect we will see entirely AI-based service delivery models, which require a shift toward component-based architectures. Senior executives are asking what those fundamentally different end-to-end digital experiences could look like, and what the business needs to get there.

Salman Chaudhry
Partner, Financial Services & Insurance Leader

Focusing on simplification and modernization can help organizations reduce complexity, streamline processes, and build a more flexible and resilient technology environment. We suggest financial services companies focus on four key actions:



Assess

Begin by evaluating existing legacy systems to identify inefficiencies and complexity that may hinder agility. Focus on areas where simplification can yield immediate improvements in performance, cost reduction, and operational speed. Engage with key stakeholders to align on challenges and ensure a shared understanding of the need for modernization.



Prepare

Create a clear roadmap for removing unnecessary complexity and adopting more modern, flexible technologies, such as cloud-based solutions. Prioritize areas with the highest impact on operational efficiency and customer experience. Establish governance structures, leadership models, and cross-functional squads to ensure alignment across the organization. This foundational work ensures that the transformation is well-supported, with clear objectives and communication pathways to guide execution.



Leverage

Identify where organizations can harness assets and experiences (e.g., from partners) to expedite and de-risk the change, while maintaining focus on areas of differentiation.



Deliver

Design, build and deliver towards a more resilient, composable, cloud-based infrastructure that supports future growth and operational flexibility. Maintain a focus on continuous improvement, tracking progress and refining systems to meet evolving market needs. Ensure that simplification efforts are sustained, aligning with long-term business goals and reducing complexity over time.

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