

Commercial Banking Top Trends for 2024

Bridging today's challenges and
tomorrow's possibilities

Optimizing for today, investing for tomorrow

Following Accenture's release of the [Banking Top 10 Trends for 2024](#) report, we now take a closer look at the trends that we expect to shape commercial banking in the year to come. While many of the trends intersect, banks that focus on the corporate and small and medium business (SMB) sectors will also face some unique headwinds and tailwinds.

For commercial banks, higher interest rates and resilient consumer spending in 2023 helped to shore up business lending and improve profitability. 2024 is set to be a very different year, even if the global economy glides towards a much hoped-for soft landing. Leading banks are keeping one eye on the macroeconomic uncertainties and the other on how artificial intelligence (AI) and other emerging technologies are opening new pathways to growth and profitability.

Right now, operational and regulatory concerns are top of mind. Windfall gains from high net interest margins are eroding as commercial clients demand more yield from and security for their deposits. These gains may diminish further as inflation comes under control and interest rates are cut later this year.

The commercial banking investment environment is clouded by the challenges that corporates worldwide face to optimize supply chains, navigate technological disruption and reimagine their workforce. Large commercial clients have shown less appetite for borrowing and started to seek more security for their deposits.

In the SMB sector, especially in Europe, the number of non-performing loans is rising as consumer spending dries up. Banks thus need to fortify asset quality.

Having navigated the uncertainties of both the Global Financial Crisis and the pandemic, banks are imagining what economies will look like when they are not propped up by the excessive consumer spending of the past decade. Is a normalization of economic cycles in view? Whatever comes next, a return to near-zero interest rates seems unlikely; bankers will need to adapt their approach to the market accordingly.

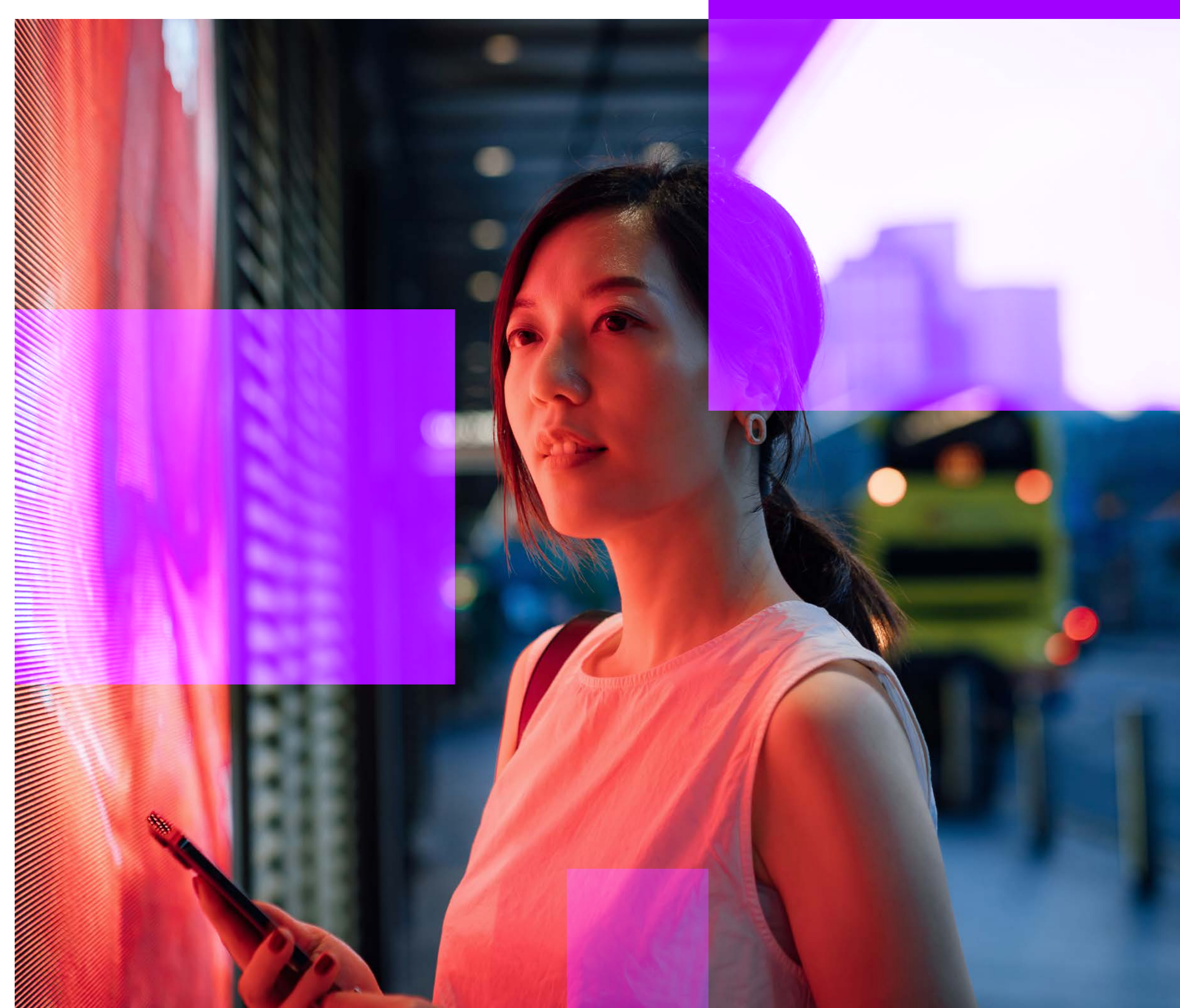
Meanwhile, 2023's high profile banking failures, including Silicon Valley Bank and Credit Suisse, are stimulating intensive new regulatory measures. Throughout 2024 and beyond, the need to comply with more stringent regulations and risk management requirements will become a cost burden for banks that have not simplified their technology and business architectures.

AI—and generative AI in particular—is catalyzing a transformation which we believe will be as profound as the revolution started by the steam engine. Generative AI offers some compelling answers to commercial banks’ most pressing challenges.

As the global economy shifts gears, commercial banks that have invested in modernizing their digital core and strengthening their data capabilities will be primed to swiftly adapt to changing regulatory requirements—and to outperform. They will be the first to seize the opportunities of AI and data. With these once-in-a-generation technology shifts, commercial banks have more tools at their disposal than ever to reinvent their client experience, reimagine their business and adapt to a changing environment.

AI—and generative AI in particular—is catalyzing a transformation which we believe will be as profound as the revolution started by the steam engine. Generative AI offers some compelling answers to commercial banks’ most pressing challenges. But it raises questions about what commercial banks will require from the next generation of talent, how roles will be structured and how banks can create a future-ready workforce. It also intensifies the urgency for banks to remedy the gaps in their data strategies.

It is an engine for innovation and creativity. With its ability to parse natural language and generate rich content, generative AI is disrupting traditional workflows and redefining what human-machine collaboration can achieve. The technology is more than a tool for automation. We are living in a moment as significant as the onset of the Industrial Revolution in 1760.



This gives commercial banks much to be excited about. Leading banks are already exploring how they can scale generative AI and unleash dramatic gains in the productivity of relationship managers, the accuracy of credit decision-making and the cost effectiveness of engaging with small business customers. We can't be certain where this will end, but what is certain is the need to act. The time to start is now.

Six converging trends for 2024

Everything, Everywhere, All at Once—the title of the winner of the Best Picture Oscar for 2023—is an apt description of what we expect to unfold for the commercial banking sector in 2024. Many of the trends that will shape 2024 started years ago, but this is the year that the disparate threads will come together in a single tapestry.

We've divided our trends for the year into two major themes:

In our Commercial Banking Top Trends for 2024 report, we explore six trends that will shape the market in the year ahead. High-performing commercial banks are optimizing their operations today, while at the same time investing for tomorrow. We examine how banks can navigate the uncertainties and position themselves to harvest the opportunities.

Focusing on operational and regulatory fundamentals

With global GDP growth expected to decelerate from 2.7% in 2023 to 2.4% in 2024,¹ efficiency and cost optimization are top of mind for most commercial banks. Trends 1 to 3 in our report focus on how commercial banks are preparing for economic uncertainty. We examine how they will strive for operational excellence in areas such as cost transformation, deposits and regulatory compliance.

- 01 From tactical cost takeout to strategic cost transformation**
- 02 New regulation shifts capital allocation into the spotlight**
- 03 Doubling down on deposits**

Embracing technology advances for a very different future

Generative AI and other new technologies are creating exciting growth opportunities and the potential to develop new value-added services for commercial banks. Trends 4 to 6 in our report explore how banks can take advantage of the latest innovations at scale to reinvent their business and achieve a new performance frontier.

- 04 A commercial payments wakeup call**
- 05 The next generation of automated, data-powered lending**
- 06 Generative AI in commercial banking**

#1

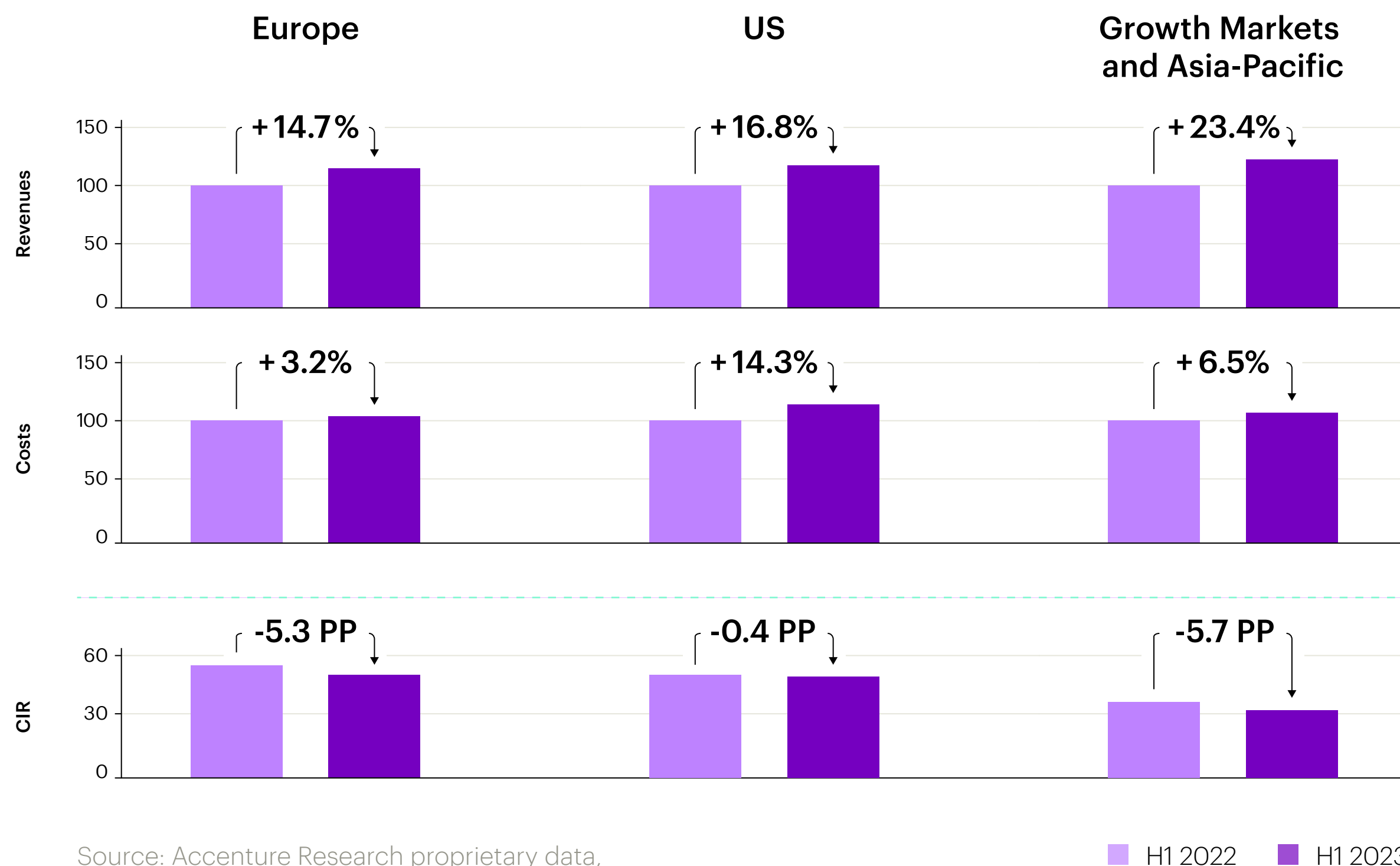
**From tactical cost takeout
to strategic cost transformation**

Trend #1 From tactical cost takeout to strategic cost transformation

Higher interest rates helped to reduce commercial banks' cost-to-income ratio (CIR) from a global average of 50.1% for H1 2022 to 46.4% in the first half of 2023 (Figure 1). These improvements were driven mostly by topline improvements, with revenues increasing by an average of 17.1% year over year while average expenses grew by 7.6%.²

Figure 1. Average change in indexed revenues and costs for commercial banking segments by region (H1'22-H1'23, H1'22=100)

Analyzing the commercial banking segment of top banks tracked by Accenture, European banks saw strong improvements in CIR in 2023. Banks in growth markets and Asia-Pacific operate at much lower efficiency levels.



Source: Accenture Research proprietary data, analysis of top commercial banking financial data.

This year, leading commercial banks are considering how to maintain or improve CIR with expenses such as IT costs expected to rise and interest rates likely to fall. According to Celent, IT spending at commercial banks is forecast to increase by 5.6% in 2024 and then rise at a compounded annual growth rate of 4.6% through to 2028.³

Strategic cost management will be at the top of the agenda for these institutions, with a focus on long-term programs that apply a holistic approach to taking out costs across technology, human resources, controls and third-party expenditure. It's no longer just about cutting costs through short-term tactics but creating a platform for continuous optimization.

For some banks, this approach may require a change in their current approach to investment. IT spending, accounting for 11% to 12% of overall expenses at the average bank,⁴ will be a key lever. Today, most of the IT budget is dedicated to mandatory (legal and regulatory compliance) and maintenance activities rather than optimizing operations or growing the business.

According to Gartner®, almost two-thirds of banks allocate less than 25% of their IT budgets to transformative projects that can lead to sustainable competitive advantage.⁵ That picture is starting to change as leading commercial banks explore how they can leverage their technology investments to advance their maturity in automation. Firms anticipate their expected spending change over the next two years to have the biggest jump in hyperautomation, with 89% increasing their technology spending.⁶ This promises not only to improve operational efficiency, but also free up more resources for strategic, transformational initiatives.

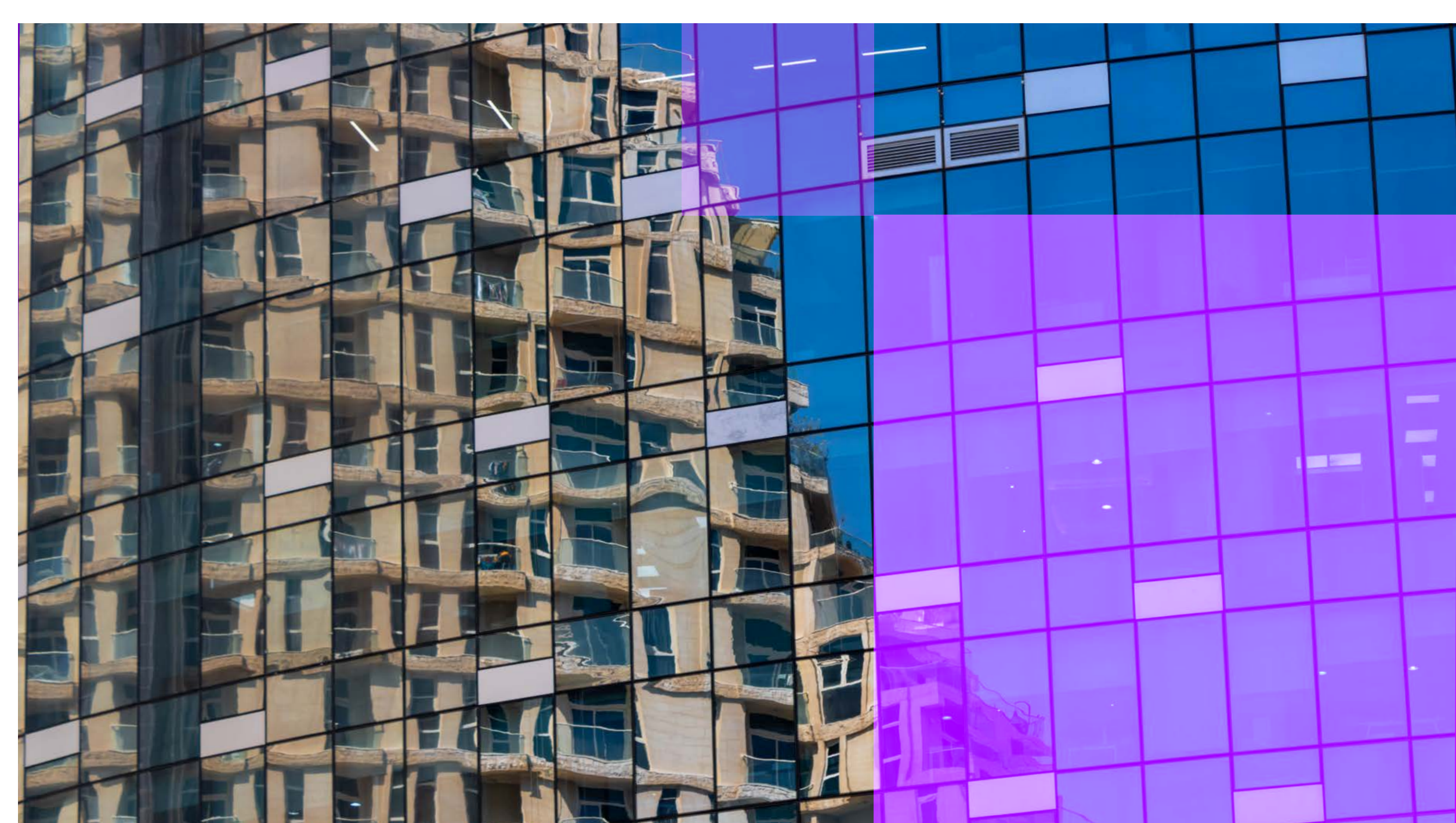
Trend #1 From tactical cost takeout to strategic cost transformation

For example, leading banks have leveraged their modern technology stack to create an integrated experience across loan origination and servicing. The integration transforms the booking process, enabling just-in-time data validation and remediation during fulfillment and multi-platform, single-click booking with a +90% success rate for all loan types.⁷

As commercial banks seek to further improve CIR, it is important to recognize that cost transformation and digital transformation go hand in hand. Building or enhancing a modern digital core with cloud-based infrastructure is thus a key priority for commercial banks as they look to reduce costs in their business, while also creating a sustainable platform for growth and innovation.

Priorities for commercial banks

- **Realign the operating model by abstracting products and lines of business from reusable and API-enabled capabilities.**
- **Change the nature of work, assessing which tasks require human involvement and which should be automated or removed.**
- **Apply digital in the right way, finding an appropriate mix of human involvement within customer and user experiences.**



Case study

Strategic cost optimization at a North American bank

A leading North American financial services company has rethought how “work” is defined and how software is delivered with automation and new ways of working. The company modernized its IT architecture and restructured its business around a product orientation. The outcome is a 30% to 40% reduction in costs while supporting a 25% increase in work volumes.

#2

New regulation shifts capital allocation into the spotlight

Trend #2 New regulation shifts capital allocation into the spotlight

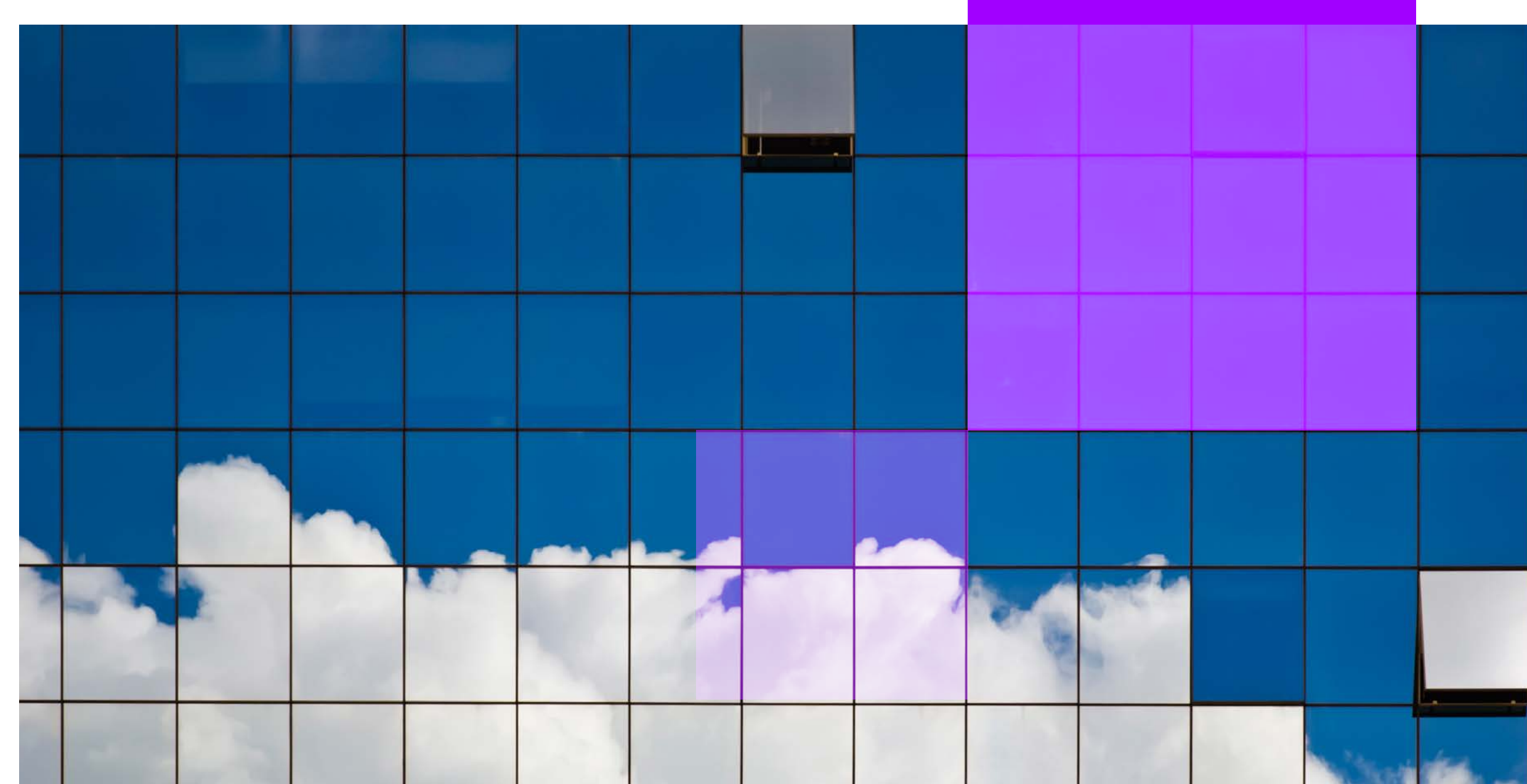
The risk and regulatory landscape continues to evolve at high speed, putting banks under pressure to increase their investment in regulatory compliance and alignment. Commercial banks are expected to face even tougher demands from a range of new regulations. Regulators around the world are simultaneously broadening the scope and refining the granularity of prudential requirements.

Risk differentiation, risk quantification and credit lifecycle management remain at the top of the regulatory agenda. Regulators are also paying closer attention to how technology innovation and trends such as profitability pressures and environmental, social and governance (ESG) concerns are affecting credit lifecycle management.

In Europe, commercial banks will face challenging prudential requirements due to the effect that the European Central Bank's Targeted Review of Internal Models will have on more complex exposure classes such as specialized lending, financial institutions and, to some extent, large corporates.

Europe's commercial banks will need to strike a balance between making their credit lifecycle leaner and meeting their own sustainability targets. Risk management and business teams will need to collaborate to manage the risks inherent in sustainable lending and rely more heavily on technology—all while understanding the impacts of risk sensitivity for capital.

Meanwhile, in the US, regulators have raised capital requirements for small and mid-sized banks alike and increased regulatory scrutiny of mid-sized banks. Banks will likely need to increase their capital ratios, with the Fed forecasting a 16% increase in aggregate capital requirements across the banking system.⁸



Financial institutions worldwide will thus need to adopt a standardized risk assessment model; incorporate unrealized losses and gains from securities held in their portfolios into their assessments; and fund themselves with more long-term debt. Lending costs are likely to rise as institutions bolster their total loss-absorbing capacity.

In this environment, most commercial banks will seek to optimize capital by balancing their exposure to highly impacted loan and asset classes. Ultimately, they will need to make difficult choices regarding capital allocation. For some, specialized finance will be less attractive due to the increased capital holding requirements.

Commercial banks—particularly those using advanced internal rating-based models—will or already do face significant risk-weighted asset (RWA) increases. The wave of upcoming regulations, especially Basel IV, will lead to higher RWAs or a more counterintuitive approach towards risk. This will necessitate a reconsideration of the capital efficiency of portfolios, pricing and product offerings.

Accenture identifies three drivers of capital optimization within commercial banks in 2024:

1. Optimize processes, pricing and portfolios for the new prudential landscape

Against the backdrop of recent defaults, higher inflation and rising interest rates, regulators worldwide are demanding stricter management of prudential risks. This will have implications for how banks allocate capital, which markets they choose to operate in and how they price products. For example, Basel IV is expected to weigh negatively on capital in Europe but lead to some capital relief in the US. As a result, banks will further seek solutions to optimize processes, pricing and portfolio compositions.

2. Technological innovation accelerating credit lifecycle maturity

Technology such as intelligent automation, advanced statistical techniques and generative AI enable commercial banks to streamline sales and tailor products and experiences to each customer. These solutions also help them accelerate credit lifecycle management across origination, monitoring, collateral management and management of non-performing loans.

Banks need to balance the speed of automated credit assessments, ratings and decisioning with the risk of not having enough client data for an appropriately risk-sensitive acceptance scorecard.

Automated credit decisions could change the default and loss characteristics across portfolios, even if counterparties and loan characteristics remain otherwise similar.

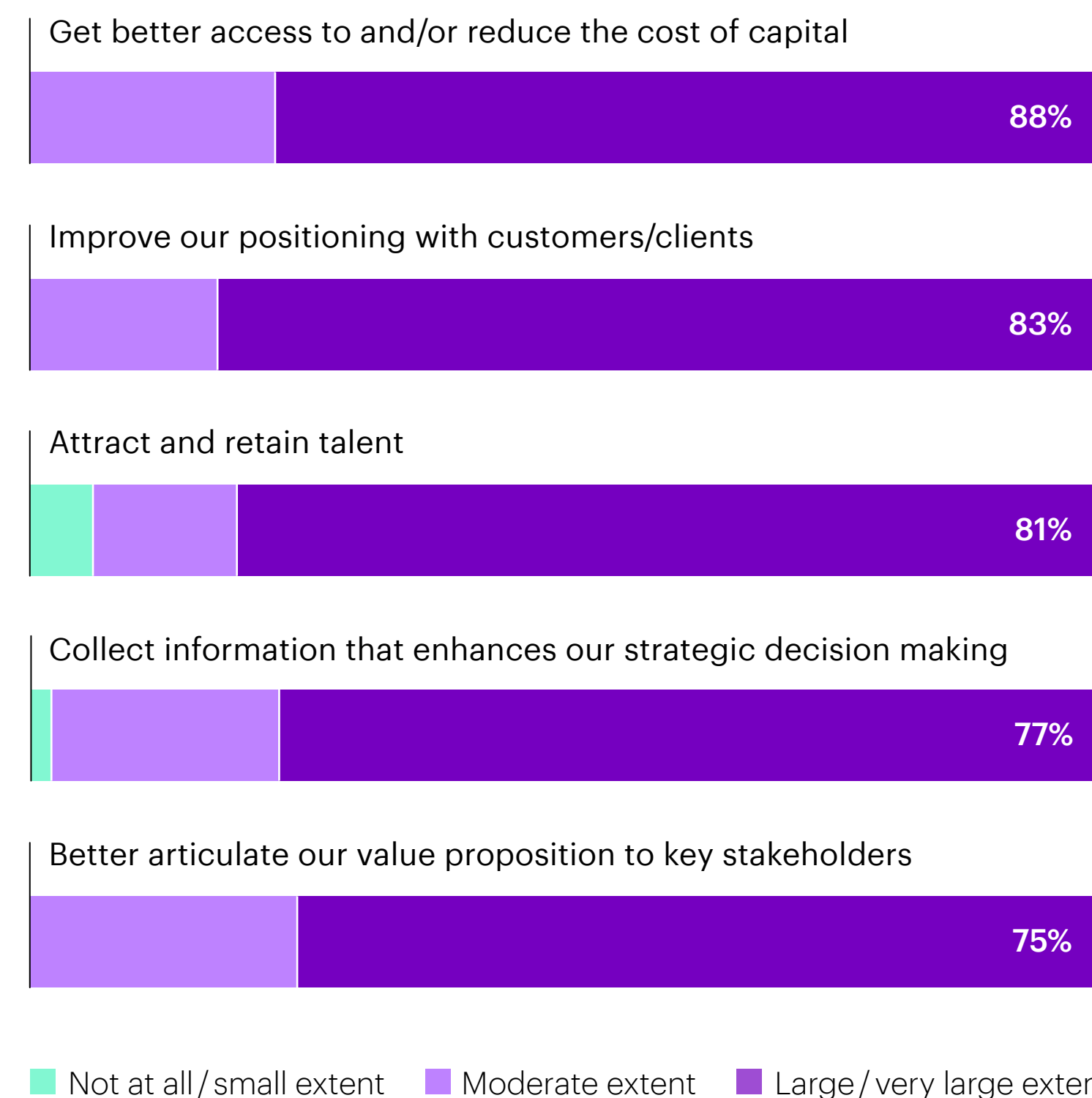
3. ESG concerns impact bank capital

ESG remains a hot topic in financial services regulation. The European Banking Authority, for example, last year published policy recommendations related to the prudential treatment of ESG risks. Banks supervised by the European Central Bank are already required to have ESG roadmaps. This year, they will need to refine their product and portfolio offerings in line with those roadmaps.

ESG regulations are likely to start impacting bank capital soon (Figure 2). In a recent Accenture survey, 88% of banking respondents said that disclosing on ESG matters reduces the cost of capital to a large or very large extent.⁹ The cost of funding for green portfolios can be lower, thanks to ‘greeniums’¹⁰ on debt securities issued by the banks to finance such portfolios. Banks that are credible in their green financing will enjoy higher greeniums.

Figure 2. ESG disclosures are perceived mainly as a way to get better access to capital

Question: To what extent does disclosing ESG matters help your organization achieve the following outcomes?



Source: Accenture, How CFOs can accelerate innovation through ESG reporting, 2023. Number of banks surveyed: 52

Priorities for commercial banks

- Increase investment in prudential compliance and risk management capabilities.
- Assess the costs and benefits of automating credit decisioning, advanced acceptance scorecards, advanced behavioral scorecards, early warning systems and non-performing loans management.
- Apply a comprehensive approach to regulatory change management to complete and consolidate changes already in progress.
- Evaluate and anticipate the impact of changes in prudential requirements and evolution of topics with high prudential impact (such as ESG risk and technological innovation). This will allow banks to refine and optimize portfolio composition, explore new propositions and services, optimize credit lifecycle management and secure the right funding to maintain a competitive edge.
- Review commercial strategies and pricing policies to mitigate capital impact from new provisions on credit risk.



#3

Doubling down
on deposits



The failure of Silicon Valley Bank (SVB) in 2023 triggered a flight to stability among commercial banking clients, especially in the US. A fundamental redistribution is underway, with sizeable numbers of corporate clients moving deposits from smaller banks to the perceived safe harbor of systemically important institutions.¹¹

At a time when deposits are more valuable than they have been for years, the balance of power has tilted in favor of the largest commercial banks with the strongest balance sheets and established corporate relationships. But as we look further into 2024, banks' profits will come under pressure as central banks around the world start to cut interest rates.

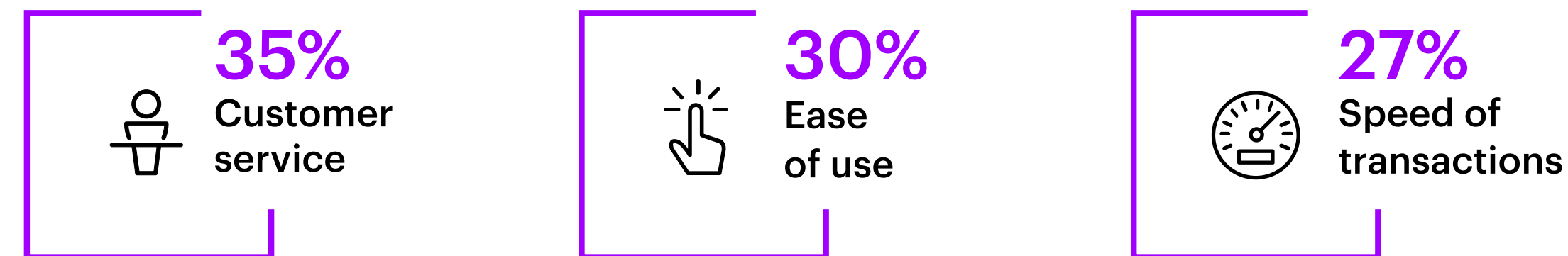
Large institutions will enter this new economic cycle on the front foot. The increased deposits they have obtained will enable them to invest and sharpen their digital capabilities. This means they will be able to widen the gap with their small and mid-sized competitors at a time when smaller banks may struggle to retain corporate and SMB money.

Small, medium and regional banks have responded to the shifting dynamics by paying more for deposits to counteract the outflow to larger banks. But to remain truly competitive and create sticky deposits in this market, they will need to develop capabilities beyond offering higher interest rates.

Clients are looking for mature digital treasury capabilities for managing money movement and complex payments ecosystems. Data-oriented capabilities that help corporations improve treasury operations and working capital, for example, can help banks of all sizes improve the stickiness of their treasury offerings. Cash management data will be the foundation on top of which banks can build intelligent solutions and closer advisory relationships with their clients.

Figure 3. Commercial banking customers' top criteria for choosing a cash management provider.

Question: Which of the following factors are most important when your organization selects a structured trade finance / other cash management provider? Percentages are an average of other cash management and structured trade finance.



Source: Accenture, Reinventing Commercial Payments



A modern digital core will enable banks to improve their ability to meet these client expectations. Strong data capabilities, in particular, will give them a valuable competitive edge in treasury management. Leaders will use real-time information to differentiate their value proposition in an environment where businesses aim to maximize liquidity and more effectively deploy capital.

Banks that succeed in transforming treasury and payments data can unlock real-time insights for their corporate customers. According to the Accenture Treasury Management Survey, nearly all business CFOs (99%) want real-time information for their businesses as real-time processes and operations inform better business decisions. As such, neglecting to invest in data capabilities is not an option.¹²

According to Celent, the biggest banks in the US have substantially increased their treasury and cash management revenue in 2023.¹³ This is a warning shot for all banks other than the largest. The clock is ticking for small and medium-sized institutions that have not yet carved out a compelling proposition based on product and service innovation.

Priorities for commercial banks

- **Aggressively highlight your bank's stability as part of your 2024 marketing plan.**
- **Focus on delivering competitive fees in a price-competitive market.**
- **Leverage technology to offer innovative services and features that attract and retain small business and commercial customers at a sustainable cost. Examples include client portal features like cash flow forecasting, advanced data analytics tools and API integration of treasury capabilities with enterprise business systems.**

Case study

Experience transformation for business term deposits at a large Australian bank

In anticipation of rising interest rates, a major business bank in Australia reinvented its experience and processes for business term deposits (TDs). TDs are a core pillar of the bank's funding and an important part of Basel III and Australian Prudential Regulatory Authority requirements. The bank focused on priority capabilities in the realms of digital customer experience, modernization of tools and straight-through processing. The institution forecasts a potential increase in TD balances of up to tens of billions in the next few years.

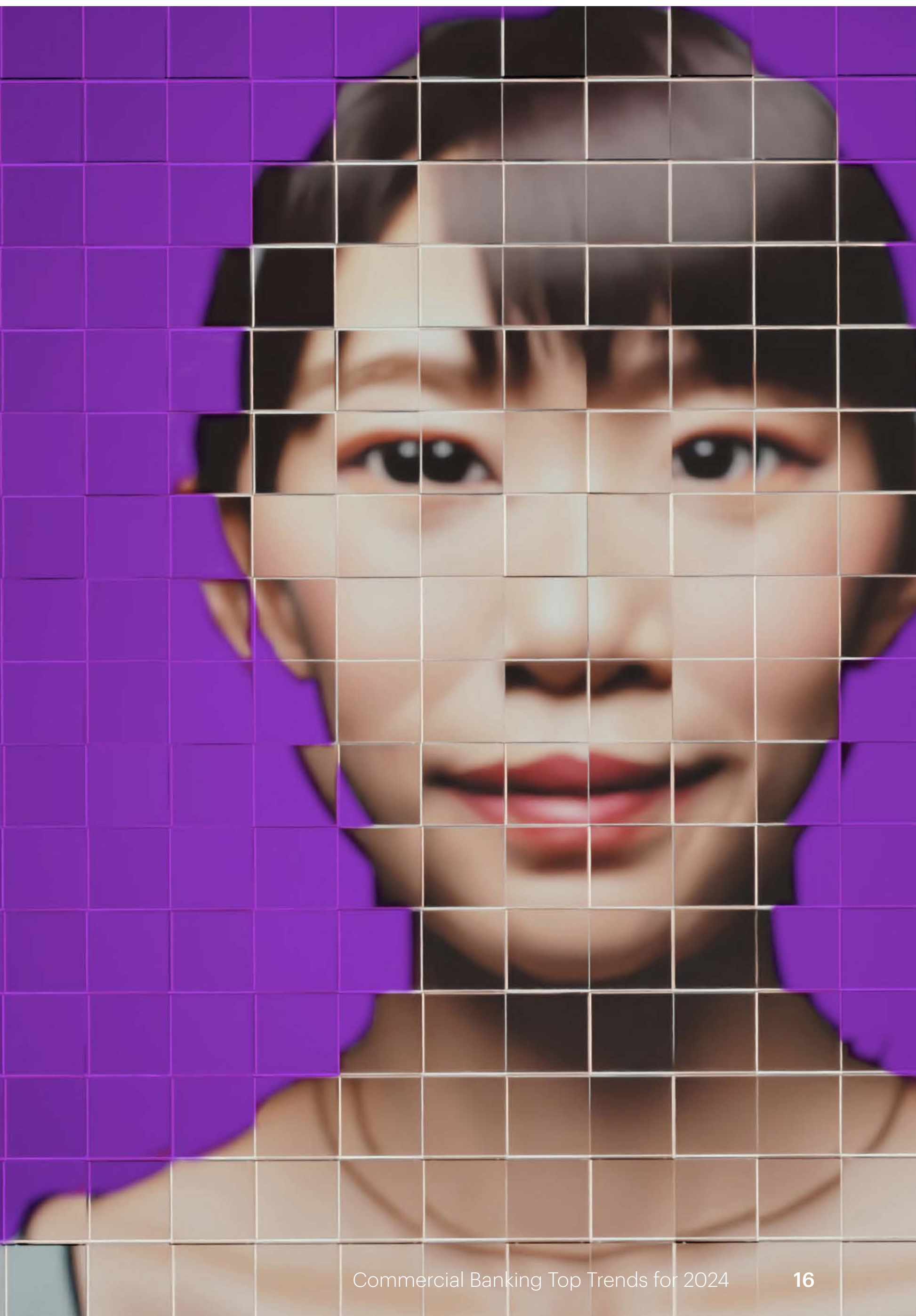
Case study

Leveraging analytics to make informed treasury decisions

Bank of America has introduced an analytics tool for its CashPro digital banking platform. CashPro Insights' data-driven tool empowers the bank's corporate and commercial clients to glean insights that help them make more informed treasury decisions. The tool breaks down a client's data into digestible segments, offering industry benchmarks, deposit balance notifications, data visualizations and more. One feature, the Security Insight, recommends ways in which users can improve their security controls.^{14,15}

#4

A commercial payments
wakeup call



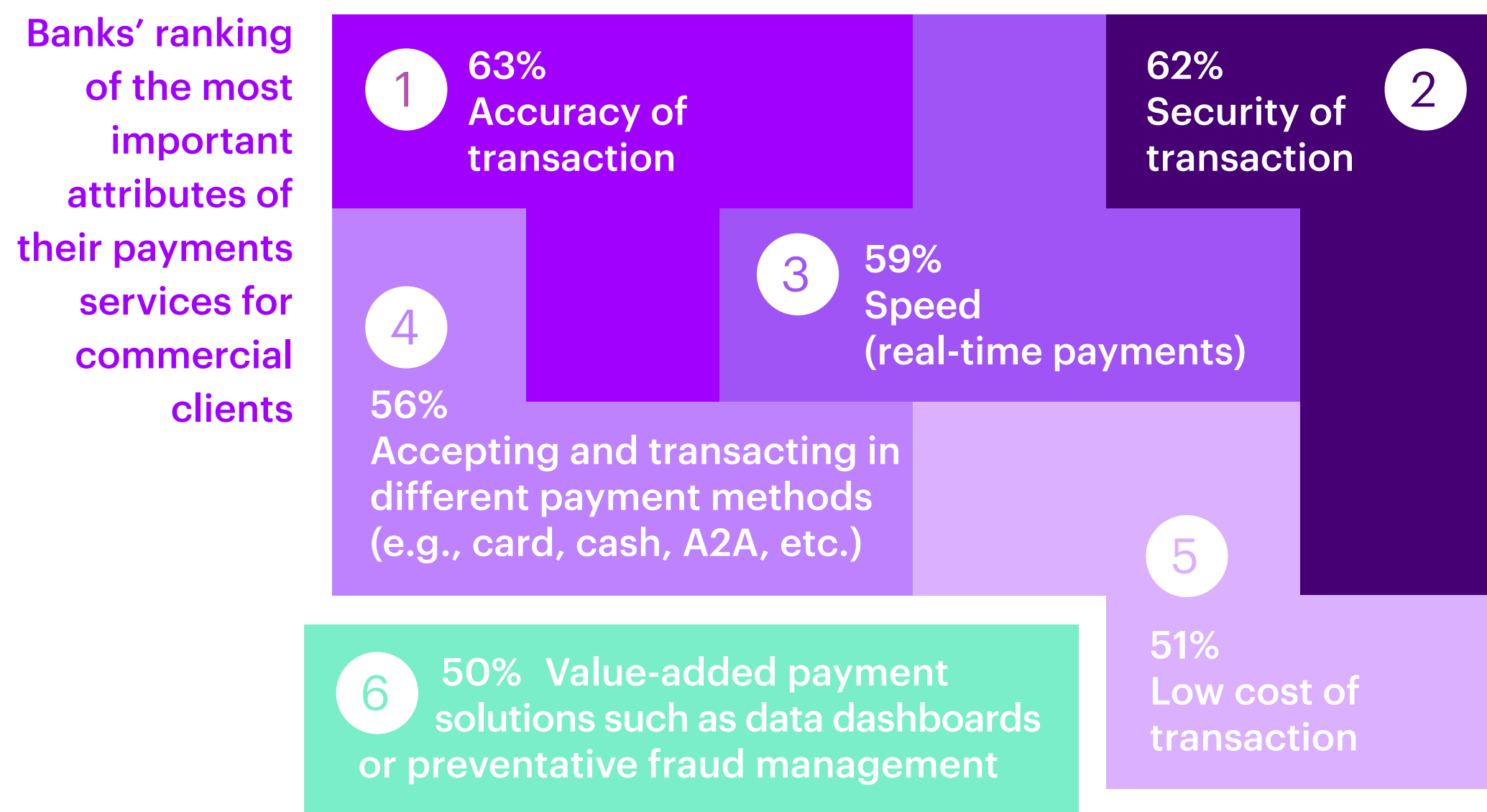
Trend #4 A commercial payments wakeup call

Commercial payments account for 35% of total payments revenue¹⁶ and are growing faster than consumer payments, driven by merchant services and commercial cards. Yet most commercial banks are missing out on opportunities to grow market share and revenues in this space. Innovation and the user experience in this segment have lagged the advances in consumer payments.

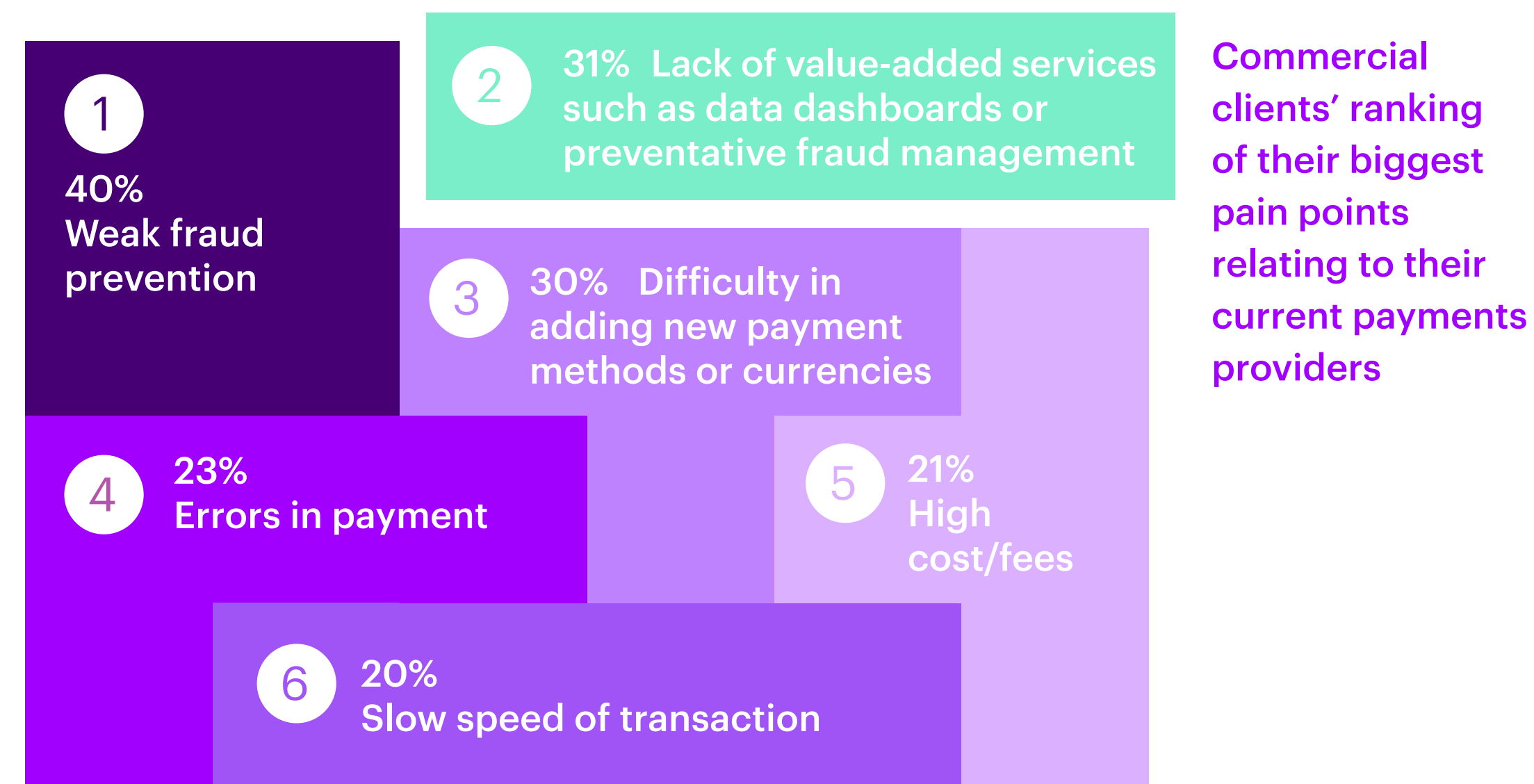
Because moving to a new payment provider is more expensive for large businesses than for consumers, incumbent providers have underinvested in keeping these clients happy. But this picture is changing fast, as fintechs and other new entrants target the segment more aggressively.

Figure 4. Banks' perception of their clients' priorities versus client challenges

Question: How important are the following attributes of payments to your commercial clients?



Question: What are the biggest product pain points you experience with your current payment providers?



Source: Accenture, Reinventing Commercial Payments

Payments is an essential pillar of commercial banking and banks can profit from owning the client relationship, from lending to transactional banking. There is a growing impetus for banks that lead with lending to improve their transactional banking capabilities, given the cost of funding benefits. The sleepy backwater of payments is getting a wakeup call.

Clients want value-added services¹⁷ and leading banks have a compelling opportunity to use these offerings to transform payments into a platform for revenue growth and service innovation (Figure 4). On average, clients are willing to pay 8.1% of their annual payments costs towards value-added services, which could represent \$371 billion in value through to 2028.¹⁸

For banks, it is encouraging that Accenture's commercial payments research shows most clients would prefer to receive value-added services from incumbents rather than new entrants. The most sought-after, value-added services are: tax and accounting system integration; real-time payments data for analytics; automated invoicing and bill payments; and dashboards to track sales, products and customers.

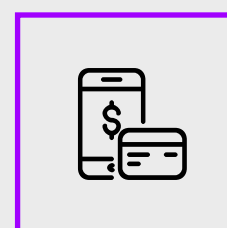
48%

of commercial banks are prioritizing investments in payments and transactional banking

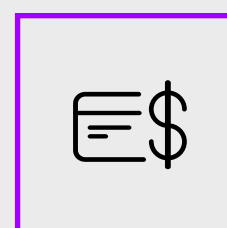
Accenture survey data shows 48% of commercial banks are prioritizing investments in payments and transactional banking.¹⁹ Commercial banks have made significant investments in payment security, but they are lagging in modernization investments such as cloud, AI and automation. The average bank will need to raise its technology game to offer value-added services.



Tax and accounting system integration: This feature is relatively mature and widely adopted, but there is still significant scope for growth. Around 70% of commercial customers report having API-based connections between their business systems and payment providers, while 26% are planning to make connections in future. When asked about accounting systems, 79% reported that they have already connected business systems and processes to payments providers via APIs. Some 20% have not integrated accounting systems and payments providers but are planning to do so in the future.²⁰



Real-time access to payment data for analytics: Accenture survey data reveals that providing access to real-time payments is a driver for technology modernization and investment among 61% of banks. Replacing and integrating siloed legacy systems with modern, interoperable platforms and establishing an industrialized payments hub could enable banks to achieve a 30% reduction in IT spend, a 10% increase in client acquisition and a 25% reduction in the cost of full-time operations employees.



Automatic invoicing and bill payment: Around half (48%) of banks are prioritizing modernization of their payment infrastructure to enhance the user experience. Key technologies required include automated clearing, API connection and automated or rule-based user consent. Some banks are already providing value-added services for bill payment.



Advanced data dashboards to track sales and products: Investments in data repositories, real-time data analytics and cloud services will enable banks to offer these services. Generative AI is a potentially powerful lever for payment modernization, particularly for advanced data dashboards. Nearly all (97%) commercial banks agree generative AI is crucial to payment modernization and 85% believe they would be disadvantaged by not investing.

Case study

Instantaneous payment of bills and subscriptions via API

Natwest has signed agreements with other payment providers to offer a new payment option via its variable recurring payments (VRP) and automated clearing APIs. This will enable businesses to manage customer payments via Pay.UK's Faster Payment System, meaning payments can be received in near-real time. The VRPs are set up digitally, saving time and reducing the risk of fraud and manual errors. Other advantages are streamlining payment journeys and minimizing transaction costs.^{21, 22}

Case study

Streamlining financial workflows and invoices

US-based fintech BILL UK streamlines financial workflows by enabling clients to generate and process electronic invoices, speed up approvals, and send and receive payments. Invoices are synchronized with their accounting system and businesses can manage their cash. Moreover, they can get access to recurring invoices, automatic payment reminders, automatic overdue notices and electronic payments through automated clearing houses.²³

Case study

FelixPay signs partnership with Checkout.com for real-time remittances

Felix Pago, a fintech that focuses on remittances, has developed a way for consumers and entrepreneurs to send fast cross-border transfers via WhatsApp. The transactions are funded through Checkout.com. To send money to Mexico from the United States, users send a message to Felix Pago via WhatsApp. The chatbot keeps track of who receives the money, the amount and if they want the beneficiary to receive the money in cash or in a bank account. The platform uses AI and blockchain technologies to make the process fast and easy.²⁴

However, around a third of corporate clients in our research said they would consider another provider if it offered value-added services at no additional cost. Thus, the greatest worth of value-added services might lie in creating client stickiness rather than in generating additional revenue.

Priorities for commercial banks

- **View value-added services as a means to build scale and improve client retention rather than primarily as a monetization play.**
- **Invest in digital front-end experiences to automate manual processes and provide corporate clients with access to data-driven insights.**

#5

The next generation of automated,
data-powered lending

Loan demand has fallen off dramatically and the days of easy money are decidedly over. In Europe, net demand for business loans fell 36% in the third quarter of 2023, driven mainly by rising interest rates and a decline in fixed investment.²⁵ M&A-related borrowing also decreased, while demand for inventory and working capital was stable.

Banks, especially in the eurozone, tightened credit standards and terms for corporate loans and credit lines,²⁶ a trend that is likely to continue in 2024 especially for unsecured lending. This is a response to the perception that economic risks are growing, and the creditworthiness of many companies is declining in a volatile market.

Commercial real estate (CRE) is still feeling the aftereffects of the pandemic and the shift to hybrid work. Amid soaring delinquencies across banks of all sizes since the beginning of 2023, CRE constitutes a significant threat to banks' balance sheets (Figure 5 and 6). In the US, banks own 38% of CRE debt, with regional banks' exposure to CRE twice the size of that of the top four banks.²⁷

With higher interest rates and subdued lending, the most successful commercial banks will be those that tailor the lending products they offer each client, based on a holistic view of the company's credit risk. To achieve this goal, commercial banks will need to elevate the level of data-fueled automation in lending processes such as auto decisioning, credit monitoring and risk management.

⁺ Top 4 banks include: J.P. Morgan, Bank of America, Citi and Wells Fargo

^o Regional banks include: Top 40 banks by assets.

Note: Excludes the impact of a gain on acquisition (and no goodwill) related to the SVBB Acquisition and the CIT Merger in First-Citizens Bank & Trust Company (+ \$10b)

* Source: Accenture Research based on quarterly reports

Figure 5*. Commercial real estate delinquency // 90 days past due CRE loans + Nonaccrual CRE loans as % of total CRE loans

Irrespective of a bank's size, delinquencies in the CRE sector have been on the rise since the start of 2023. While the top 4 banks (JPM, CITI, BOFA, and WFC) exhibit a notable level of delinquencies, excluding WFC, it's the regional banks that demonstrate a higher delinquency rate.

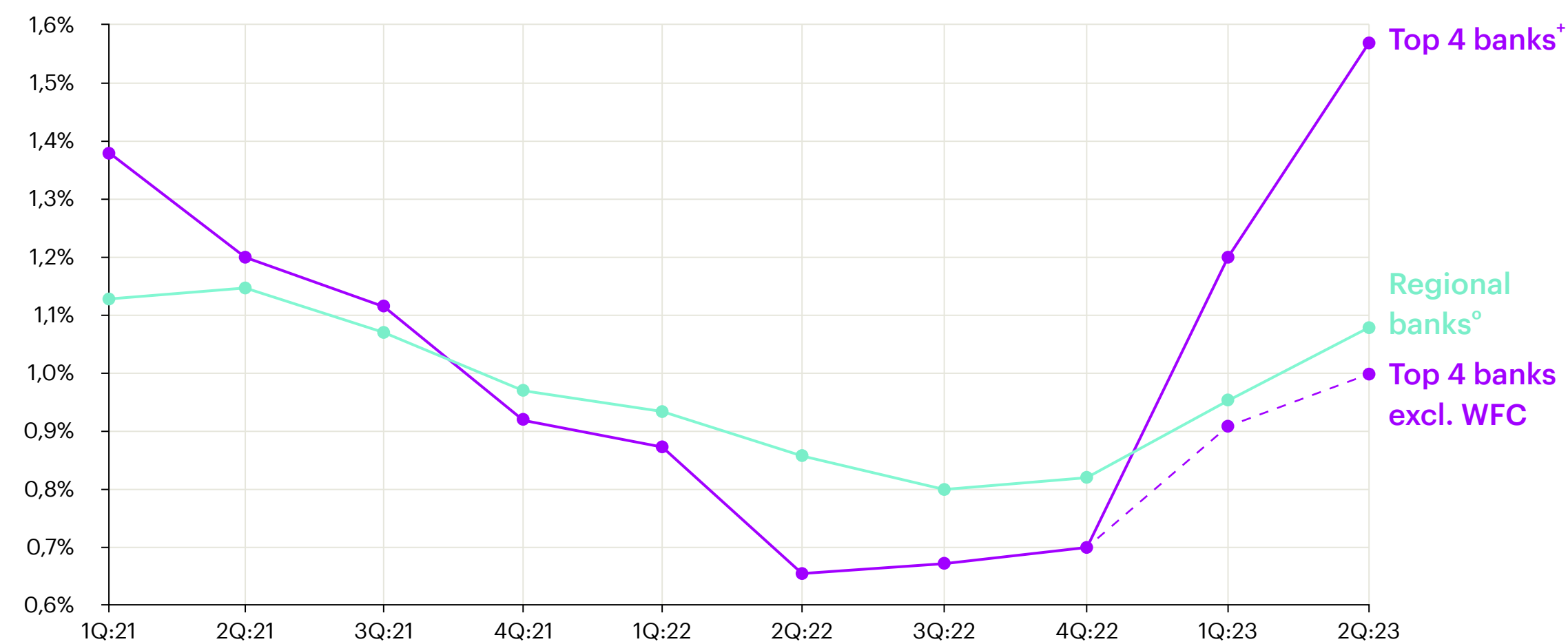
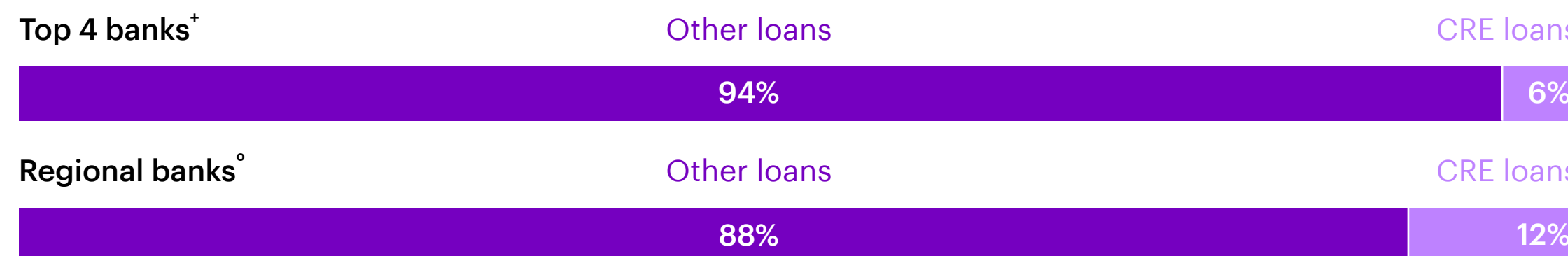


Figure 6*. Commercial real estate exposure // CRE as % of total loans, June 2023

Regional banks exhibit a CRE exposure that is twice as high as that of the top 4 banks, comprising 12% of their overall loan portfolio.



Trend #5 The next generation of automated, data-powered lending

According to Gartner®, less than 60% of each of the key loan origination process steps are automated for commercial and industrial (C&I) loans. Fifty-two percent of the lending process is automated at the know your customer/anti-money laundering (KYC/AML)²⁸ check step. Access to richer data and new automation tools—including generative AI—can change this.

Leading banks can also harness data, analytics and AI to sharpen profitability in lower margin products. Real-time information and digital platforms enable banks to increase their focus on unsecured lending products like invoice financing, receivable finance and debt to finance. These products have long been out of favor because of the complexity of managing the credit risks.

Priorities for commercial banks

- **Harness the power of AI and alternative data to launch new products with enhanced risk management capabilities.**
- **Review, revise and simplify existing credit policies to reflect the modern economic reality.**
- **Leverage new internal and external data sources to improve auto decisioning capabilities and credit monitoring capabilities.**
- **Increase automation to decrease operational cost and lend in a more capital-efficient manner.**

Case study

Commonwealth Bank of Australia leverages cloud solution to re-enter invoice financing market

The Commonwealth Bank of Australia (CBA) re-entered the invoice-based financing market in 2021, using technology from the fintech invoice lending platform, Waddle, to manage the associated risks more effectively and automate what was previously a highly manual process. CBA subsequently agreed to acquire Waddle. The CBA Stream Working Capital product allows business customers to unlock cash tied up in unpaid invoices with a digital cash flow solution connected to business accounting software like Xero, MYOB and QuickBooks.²⁹

Case study

Simple, automated lending for a superapp's restaurant partners

Rappi, a superapp in Latin America, is offering financing to partner restaurants. The amount of credit a restaurant can qualify for is determined by its sales volumes on the platform. It takes less than five minutes to apply without the need to submit financial statements or additional documentation.³⁰

Case study

A top European asset financier adopts an embedded financing strategy

A European financing company recognized that a shift towards digital channels was reshaping business-to-business (B2B) commerce. It created a digital innovation hub to evolve its product and operating model and crafted an embedded finance strategy to reimagine its customer journey. The company now offers embedded financing as a check-out option in online equipment purchases. This makes financing available to a wider selection of clients and streamlines the customer journey, which in turn drives portfolio protection, growth and operational efficiency. To bring its embedded equipment finance vision to life and ensure financing is available on its customers' choice of channel, the company is co-creating with a range of e-commerce partners.

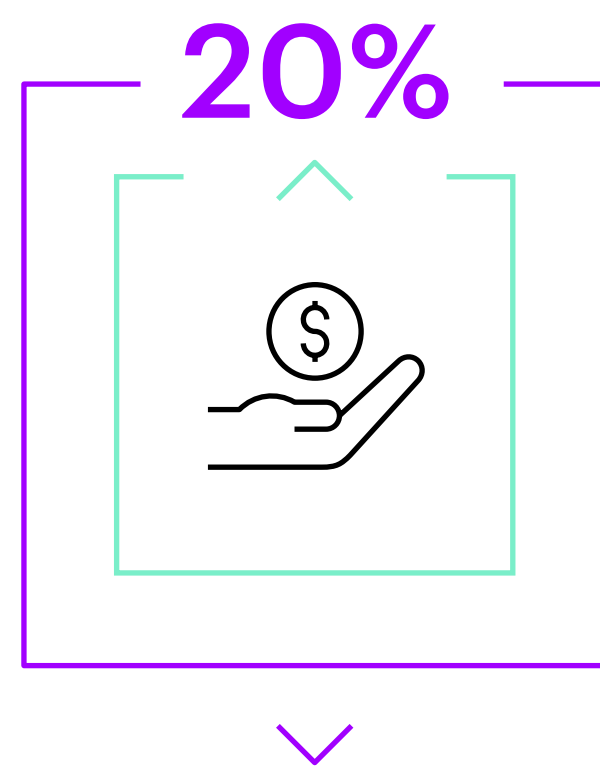
#6

**Generative AI
in commercial banking**

Generative AI is a megatrend that will reshape commercial banking in 2024 and beyond. It will be at the forefront of business reinvention across the other trends in our report—not just as a means of optimizing costs and boosting productivity but also as a lever for enabling revenue growth, reimagining how employees work and transforming the client experience.

But to take full advantage of its possibilities, banks will need to invest urgently in building a future-fit data foundation and addressing gaps in data governance and quality. In particular, it is imperative for banks to strengthen their ability to manage unstructured data as well as emerging patterns in, for example, synthetic data and zero party data to get high-quality output from large language models (LLMs).

Gen AI could increase banks' operating income by an average:



This prediction implies

1-2% of cost reduction **6%** of revenue uplift

Banks that leverage generative AI effectively could get a 22-30% productivity uplift

Generative AI has the potential to touch nearly every commercial banking process and role. Accenture research indicates that 67% of working hours in the banking industry could be affected by the technology. Approximately 33% of all work done at banks has high potential for automation and 34% could readily be augmented.³¹

Our analysis suggests that the technology could uplift an average bank's operating income by 20%, and banks that leverage generative AI effectively could get a 22% to 30% productivity uplift. It is thus not surprising that 35% of banks agree that generative AI will be a top three transformative technology for corporate banking over the next five years.³²

Commercial banks that scale and operationalize generative AI early will gain a competitive advantage, while those that are late to adopt it could find it difficult to catch up with the accelerating rate of evolution. The leaders are moving rapidly beyond exploring use cases and conducting proofs of concept to scaling deployments across the business.

The factor that makes generative AI such a potential game-changer for commercial banking is that it can be embedded into many of the tools that employees already use every day (Figure 7). It can also elevate the performance of every employee—with the biggest gains among the poorest performers. The implications for productivity are profound.

Furthermore, generative AI isn't just about saving money—it is also a powerful tool for innovation and differentiation with clients. The greatest potential for generative AI within the banking value chain lies in sales and customer advisory, which is expected to account for 40% of the total value unlocked by the technology.³³

Figure 7: Areas where generative AI can drive value and impact in commercial banks

Within commercial banking use cases, prioritization is critical to balance building momentum with use case complexity and value.

Commercial banking value chain	Use cases	Gen AI levers	Complexity	Value
Sales and relationship management	Client advisory solutions	Combine machine learning (ML) with generative AI to transform large volume of relevant and curated data insights into searchable, summarizable and conversational format.	Medium	High
	Outreach plan for target prospects	Create tailored outreach plan (channel, time, frequency) based on client preferences.	Medium	Medium
	Industry trend and research summaries	Generate insights and/or materials on key industry factors impacting clients.	Low	High
Client onboarding, underwriting and administration	Client and product onboarding	Additionally analyze text-heavy documents (e.g., annual reports, news reports) and further enhance know your customer (KYC) and onboarding review.	Medium	High
	Credit memo generation	Automate initial credit memo narrative based on client and industry context.	Low	High
Product fulfillment and implementation	Document exception tracking	Summarize information received from / needed by clients based on structure and terms.	Medium	High
Servicing	Transaction and cashflow insights	Summarize changes in client behavior based on historical transactions and projected cash flows and generate explanation of the root cause of the changes.	Medium	High
	Customer-facing chatbot	Expand breadth and effectiveness of chat-based servicing solutions.	Medium	High
	Payment reconciliation services	Significantly reduce time spent to research and resolve reconciliation breaks to improve data quality in golden source systems.	Medium	High
Corporate actions	Smart inbox management	Summarize content, suggest next best actions and automate email responses.	Low	Medium
	Meeting notes and action summaries	Synthesize notes, actions, speakers and attendees into shareable/searchable content.	Low	Medium

Accenture believes that commercial banks' business models will be transformed across the value chain as banks adopt generative AI to re-engineer processes and transform client experiences. We identify several priority use cases where generative AI could revolutionize commercial banking:

1. Enabling relationship managers to boost performance

Even in a digital age, relationship managers play a pivotal role in the relationship between banks and commercial clients. Around 71% of business customers consider the relationship manager to be the most influential factor when selecting a bank and deciding on lending products.³⁴ But relationship managers often work reactively, juggle multiple tasks and need to support dozens of clients.

Time-pressured relationship managers are struggling to deliver the rich, personalized interactions that position them as trusted advisors to their clients. Generative AI has a potentially valuable role to play in equipping them with tools to streamline meeting preparation, synthesize bank and industry information and personalize their interactions with clients.

Case study

Augmenting risk and compliance with generative AI

Brex is using a generative AI solution from fintech Alloy for KYC/AML. Based on rich, unstructured data, the software automates identity decisions when originating new accounts and monitors them on an ongoing basis. Alloy claims to process over a million decisions each day.^{35, 36}

Case study

Empowering commercial banking relationship managers to become trusted advisors

A top commercial bank in the US is using predictive AI models to provide relationship managers with actionable, data-driven insights. These insights are seamlessly incorporated into the bank's customer relationship management system to identify opportunities to deepen client relationships. The bank is on track to realize an incremental increase in revenue of \$30 to 40 million over the next three years thanks to a 3-7% increase in product penetration. The next phase of its AI program includes search capabilities enabled by generative AI to empower associates with even better insights.

Case study

Credit memo generation step in the origination processes

Accenture is building a demo for a commercial bank that showcases how generative AI can be harnessed to increase efficiencies in heavily manual underwriting processes. The proof of concept shows how banks could accelerate credit memo generation by analyzing key documents, summarizing relevant information and generating a draft of the memo. This new tool will increase productivity and ensure consistent outcomes in underwriting. We estimate that this tool could automate 60% of the process, reducing the approval and funding timeframes from weeks to days, enabling banks to improve pricing 20 to 30 basis points and lifting net interest margins by 10 to 15%.



Tools such as AI-enriched customer relationship management and analytics dashboards should help relationship managers to prioritize leads and identify cross- and up-sell opportunities. This use case should help banks to grow revenues through better client- and product-level recommendation models, as well as boost service levels to improve customer retention.

2. Enhancing operational risk management and compliance

Our research finds that the financial risk specialist is one of the banking roles with the highest potential for augmentation (30% of working hours). The impact will be most tangible in tasks such as evaluating the quality and accuracy of data, advising others about legal or regulatory matters, assessing the characteristics of regulations and policies and implementing procedures and processes. The potential for automation is significant (nearly 40%) across tasks such as monitoring financial data and activities, preparing reports of operational and procedural activities and examining materials or documentation for accuracy or compliance.³⁷

3. Automating and augmenting the underwriting process

Although commercial banks have invested in digitizing credit approval processes, there is still potential to automate manual processes to increase throughput and achieve faster times to close, increased revenues, decreased costs and improved customer satisfaction. One prominent example is the credit memo generation step of the loan origination process.

Commercial banks could use generative AI to create an overlay of company policies for more consistent origination and reduced post-closure risks. Automation and high-quality, up-to-date data are essential. The benefits of automated and augmented underwriting processes include reduced losses, potential reductions in operational costs, faster time to decision and higher customer satisfaction.

Generative AI: Should everyone be a data scientist?

To unlock the full power of generative AI, banks will need to bring customers and talent along for the journey. Commercial banks should thus focus on developing a future-ready workforce with a culture that embraces change, innovation and constant learning. In such a culture, generative AI is woven into daily processes, systems and ways of working.

Banks will not only need to recruit for new roles such as AI model and prompt engineers, AI content creators, data curators and ethics and governance specialists. They should also prepare everyone in the workforce to harness generative AI. By focusing on this talent-centric strategy, banks will ensure that their people have the ability to use advanced generative AI tools effectively.

Within the next five years, nearly everyone in the workforce will need to have basic skills in data and AI to perform their jobs. Banks should take this mindset into account as they think about training and recruitment strategies as well as their business and technology operating models moving forward.

Priorities for commercial banks

- **Strengthen the data foundation. A modern enterprise data platform built on the cloud with a trusted, reusable set of data products is the foundation of a successful AI strategy.**
- **Develop generative AI use cases for augmenting and automating processes that span the front, middle and back offices.**
- **Prepare for a cultural shift. Equip people with the curiosity, security and ethical awareness and skills to incorporate generative AI into their daily workflows.**
- **Invest in attracting people with specialized skills such as LLM data architects and engineers.**
- **Consider building a center of excellence to nurture talent and foster ideas.**
- **Promote responsible AI use. Train staff in ethical AI practices to enhance trust and brand reputation, not just as a compliance or ethical necessity.**



Conclusion

Converging themes spell opportunity for commercial banking

In 2024, the themes that dominated commercial banking for the past few years, from the urgency of escalating regulatory pressures and the imperative of cost transformation to the critical need to perfect data strategy will all converge as commercial banks accelerate efforts to scale AI, and in particular, generative AI.

We are on the cusp of an opportunity to reinvent how banks deliver services to commercial clients—one that comes just at a moment when a return to the 2019-era norm is palpable.

The risks of further systemic shocks cannot be ruled out, given the turbulence in the geopolitical landscape. But the aftershocks of the pandemic are over, with signs that macroeconomics and governments are reverting to the norms that

prevailed before the pandemic and possibly even before the Global Financial Crisis. In this environment, commercial banks and their clients will grapple with similar opportunities and risks.

Commercial banks that successfully transform their operations, workforce and client experience and become digital and data-first leaders have reason to be optimistic. They will become partners of choice for businesses that are traversing a landscape characterized by seismic technology shifts in 2024 and beyond.



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