

**Business finance trends
in the banking sector**
How AI and human
capabilities are enabling
the transformation

Finance & Performance FS1

Foreword

Welcome to the beginning of a new Finance era in banking. As we run into the new year, the banking sector stands at a pivotal crossroads, forced to embrace unprecedented change and innovation. In this landscape of rapid evolution, the ability of banks to generate income and manage costs will be tested.

The unstoppable move toward digital changes is reshaping how finance works, challenging traditional norms and guiding us towards a future that demands agility, innovation, and bold leadership.

As digital tools revolutionize the financial landscape at an unprecedented pace, it's no longer sufficient for finance leaders to merely adapt - Now they must take control and make change happen with strong determination.

At the front of this revolution stand Chief Financial Officers (CFOs), who are not only adapting but stepping into a strategic role as visionary leaders guiding the banking sector. In a world where macroeconomic shifts and digital advancements intersect, the role of CFOs has never been more crucial in steering institutions towards sustainable growth and resilience.

In this context of transformation, the performance and sustainable growth of banks are being monitored and supported by new insights, and GenAI offers to CFOs the opportunity to adopt a forward-looking vision. This involves adopting proper metrics and activating new performance models to navigate market dynamics and lead decision-making processes effectively.

But amid all this change, there's also a lot of opportunity. Digital solutions can make things easier and help people work in ways they never thought possible, unlocking new realms of efficiency and productivity, liberating individuals from repetitive tasks and empowering them to reimagine the way they work and live.

The time for change is now.

The digital transformation of Finance is happening now. Are you ready?

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SECTION I

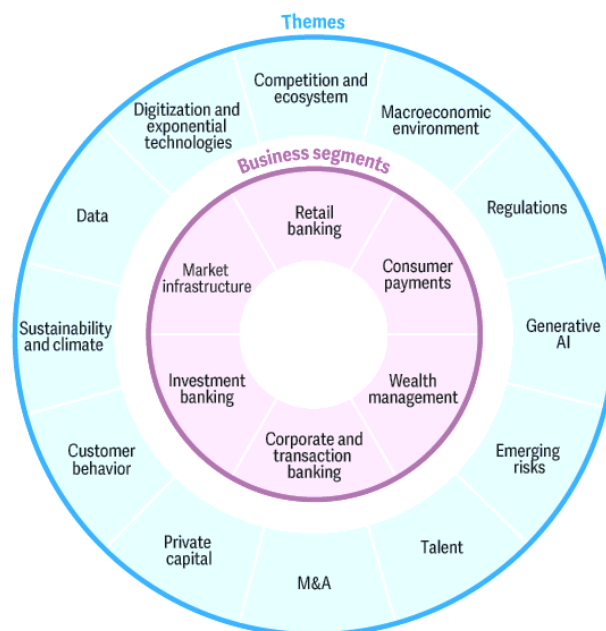
Macro-economic trends in the banking sector are challenging the finance function

Macro-economic trends in the banking sector are presenting formidable challenges to the finance function, necessitating a paradigm shift in how financial institutions approach their strategy and operations.

Banks' strategic choices are continually tested as they contend with multiple and fundamental challenges to their business models, relating to the following macro-trends (among the others):

- A **slowing global economy**, coupled with a **divergent economic landscape**, is challenging the banking sector – Banks ability to generate income (e.g. by focusing on non-interest income to make up for the expected reduction in net interest income) and manage costs (e.g. efficiency ratio led by cost discipline) is continually tested to grant the required growth.
- **Multiple disruptive forces** (Figure 1) are reshaping the foundational architecture of the banking and capital market sector – Interest rates trends, reduced money supply, more assertive regulation, climate change (extreme weather-related events, such as floods, heatwaves, and hurricanes) and geopolitical tension are the key drivers behind this transformation.
- **Industry convergence** and the **relationship** between banks, fintech's and other players are evolving in a more and more **collaborative way** and no longer seen as adversaries. This collaborative approach fosters innovation, accelerates the pace of digital transformation, and ultimately enhances the value proposition for customers.

Figure 1 - Themes highlighted in Deloitte's future banking and capital markets outlook



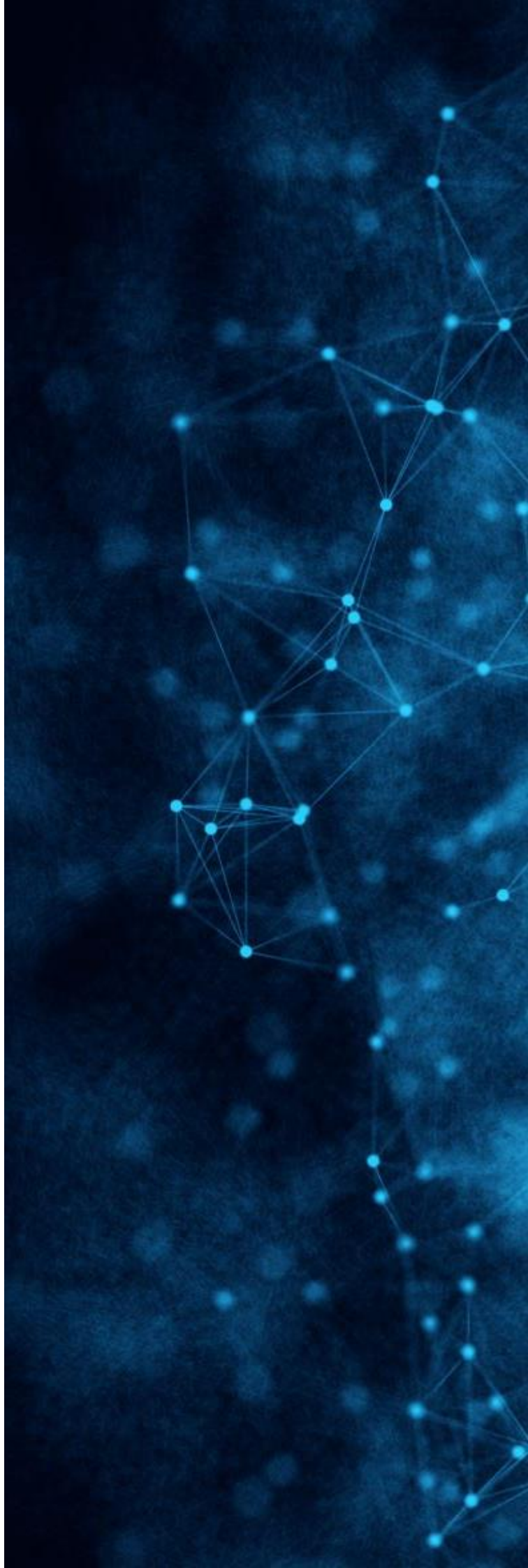
Source: Deloitte Center for Financial Services analysis

- The **exponential pace of new technologies** and the **confluence of multiple trends** are influencing how banks operate and serve customer needs – The impact of **AI, embedded finance, open data, digitization of money, decarbonation**, are growing.

- **Data** and especially the “**right data**” are crucial to maximize the impact of the new techs and to the greater and greater need to generate insights and to gain a more holistic view of customers. By leveraging **AI tools**, it’s possible to make informed decisions that drive strategic initiatives and optimize resource allocation.

The ability of banks to effectively address these **multifaceted challenges** and align their **strategic choices** with evolving market realities will be pivotal in determining their long-term success and resilience in an increasingly competitive and uncertain landscape. These key trends impacting the banking sector represent a significant challenge also for the related **finance functions**, who have to necessarily manage them to:

- Proactively **monitor bank’s profitability** and the related drivers to support a **sustainable growth** of the various business divisions.
- **Plan and forecast business financials**, considering macro-economic factors and stressed variables to support scenario analysis and better predict future events and related impacts.
- Strategically **assess the incoming benefits** and **value of AI and other tech disruptors**, based on dedicated business cases, to evaluate investments and to measure the expected return on it.



SECTION II

Performance & (sustainable) growth monitored and supported by new insights

Digital innovation is moving Finance to be a Strategic Partner. Advanced technologies (like ML, AI, GenAI...) are a key opportunity for CFOs as they enable a **strategic vision** that provide forward-looking information.

Considering the challenges the banks are facing to sustain a solid growth in terms of "**Key financials**" (new revenues, cost efficiency, capital, etc..) and "**Non financials**", related to **sustainability indicators**, it's becoming more and more relevant to re-think the way the performance is managed and measured.

For this reason, the performance evaluation has to be oversight from a E2E perspective:

- Along the entire **planning** and **control cycle**, from long term strategic goal definition till the actuals results, through yearly budget objective and continuous forecasting.
- By adopting **proper metrics** and **dimensions of analysis** to effectively represent and steer the Business consistently with its related characteristics (e.g. adoption of digital channels, new products and services, new operations frameworks, etc.).

In this overall **framework**, with the goal of driving the achievement of the **growth goals**, it's strategic to activate new performance models:

- To **navigate** into the **dynamicity** and **uncertainty** of market phenomena.
- To **predict future** performance **results** considering different scenarios and assumptions (e.g. expectations on interest rates, inflations, cost of labour, market shares, etc..).
- To **lead** the **decision-making process** (e.g. prioritization on non-interest income offers to make up from the expected shortfall on interest income).



To effectively manage it, **performance management** models for predictive purposes should be:

- Specifically conceived for the different **business areas** (e.g. commercial banking, capital markets, ...) to address the related specificities through drivers and algorithms capable of intercepting valuable insights.
- Boosted and supported by a more scientific "**data driven**" **approach** adopting artificial intelligence and machine learning models, evolving from basic and standard approaches which require manual effort and continuous adjustments (and operation risks as well).

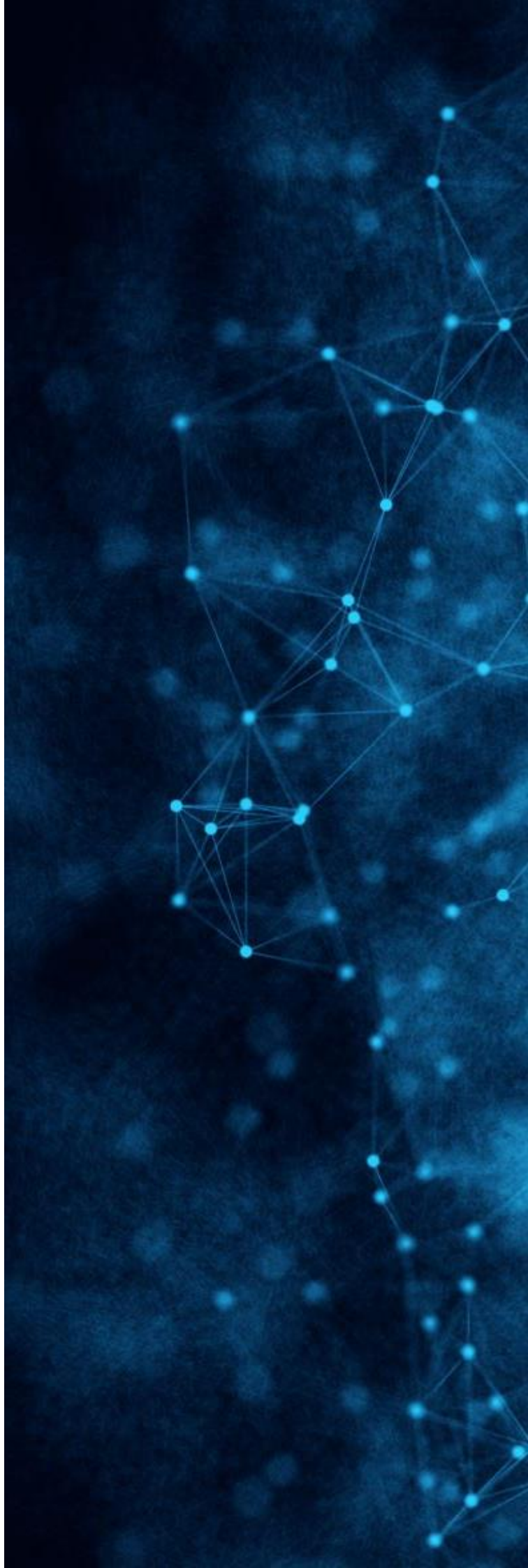
In the 1Q 2024, CFO Signals survey, 93% of the 116 respondents said that bringing talent with **GenAI skills** into the financial sector is important over the **next two years**.

Indeed, in response to the survey¹, it emerged that 42% of the respondents have already begun **exploring AI applications**, and the main finance functions impacted will be "**Planning, forecasting, and analysis**," (49) "**Automated routine/transactional processes**"(26) and "**Increased efficiency and cost reduction**" (20).

As for the **key financial indicators**, also the **non-financial performance** needs to be to be rethought not only to monitor the **ESG** related results but also to lead them – **Green Asset Ratio**, for example, can be computed ex-post to represent the alignment level to EU Taxonomy, but it can be used to support business departments, based on finance regulatory knowledge, to conceive new natively aligned products and services to increase the value of this indicator, thus following the **sustainability strategy**.

All this pulse to enhance **performance** and **growth** management, both financial and non- financial, will be key to enable the change from standard paradigms to new ones leveraging on both data, new technologies (see next chapter) and human interactions in a symbiotic way to better support the **CFO** to become a **tough business partner**.

¹ Source: CFO Signals



SECTION III

Data and (gen)AI as key levers to enable the transformation

In today's rapidly evolving financial landscape, Artificial Intelligence (AI) stands at the forefront of **transformative technologies**, reshaping how businesses and individuals approach financial analysis, decision-making, and automation.

Within the overall **Finance area** and in particular for planning, control and analytics departments, data and new digital solutions are playing a strategic role in transforming financial and non-financial data into actionable insights with business relevance.

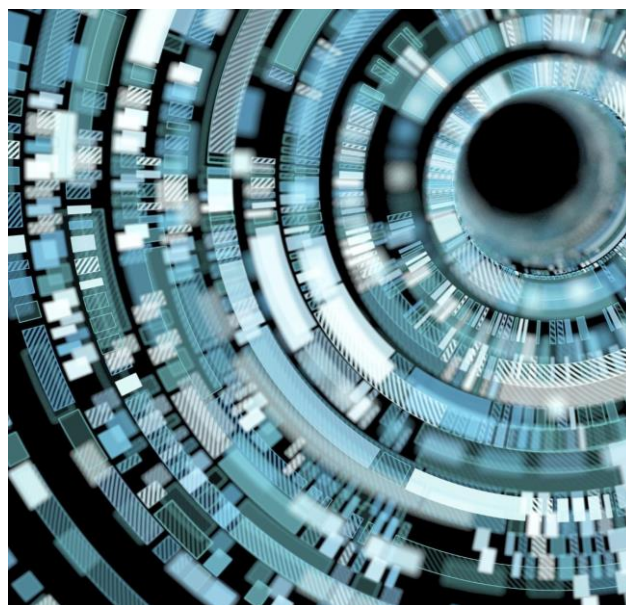
Artificial Intelligence, and more specifically the **Generative AI**, is stimulating the evolution of "business-finance" by generating new contents using natural language, starting from automated coding for data extraction purposes till automated reporting and commentary analysis

In line with the trends on **GenAI**, recent survey² revealed the following:

- **By 2026**, more than **80%** of banks will have adopted **GenAI**, up from current levels of 5%.
- **By 2027**, **90%** of service providers are expected to utilize **GenAI for software development services**, up from 26% in 2023.
- **By 2027**, **AI-driven** personalized adaptive **user interfaces** are projected to be used in **35% of new applications**, up from under 5% today.

More specifically **Generative-AI** can be used in combination with underlying data platforms to effectively enable **value creation** in terms of:

- **Understand complexity** – AI application to improve understanding and decision making by deciphering patterns, connecting dots, predicting outcome from increasingly complex sources.



- **Speed to execution** – AI application to accelerate time to operational and business results by optimizing processes and minimizing latency.
- **Cost reduction** – AI application to intelligently automate business processes, tasks and interactions to reduce costs, increase efficiency and ensure predictability.

² Source: Forecast Analysis: Artificial Intelligence Services, 2023-2027, Worldwide

From on side the **value creation of GenAI** can be seen along different processes and for different purposes:

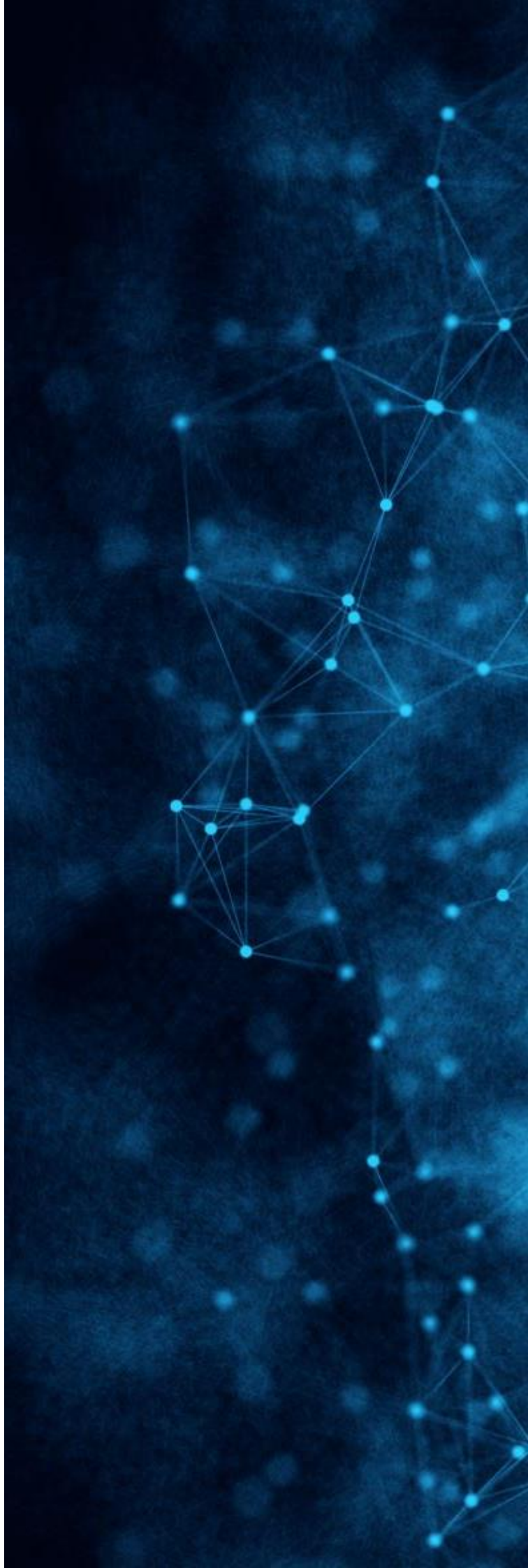
- **Data engineering (for extraction purposes)** – Essential for extracting relevant financial information from various corporate systems and databases. It enables the collection, integration, and transformation of raw data into usable formats for financial analysis.
- **Automated data visuals and presentation** – Allows for the generation of customized reports and dashboards in a timely and accurate manner, providing a clear overview of the company's financial performance.
- **Advanced commentary** – Enables the generation of in-depth analysis and meaningful insights, thereby supporting strategic financial decision-making within the company.
- **Autonomous financial reco** – Ensures the accuracy and integrity of financial data, reducing the time and resources required and enhancing the reliability of financial information.
- **Rules and regulation interpretation** – Enables the analysis and understanding of regulatory implications, thereby facilitating compliance with regulations and reducing associated risks.

To reach these results the proper governance of bank data is fundamental together with the adoption of market technologies which are supporting these solutions (e.g. Microsoft Open AI, GitHub, Mistral, Nvidia, etc..), thus resulting into:

- **Better insights** – By leveraging advanced data analytics technologies, it's possible to gain deeper insights into market trends and financial patterns, crucial for strategic planning and informed decision-making.
- **Faster workflows** – Market technologies can enhance the efficiency of P&C processes, enabling faster and smoother workflows, educing processing times and allowing for greater responsiveness to market needs.
- **Cheaper applications** - By utilizing GenAI solutions it's possible to develop and deploy applications more efficiently and cost-effectively, thus reducing overall development and maintenance costs.

On the other side, AI (non only generative) applied to planning and forecasting solutions based on Machine Learning (e.g. "AI XG-boost models") for scenarios analysis has already demonstrated significant benefits in terms of accuracy and efficiency, positioning itself as a reliable partner to tackle challenges in the field of **forecasting** and **data analysis**.

Eventually work smarter, not harder requires the proper interaction with human skills and capabilities which will lead to a **new way of working** and **talent management** (see next chapter).



SECTION IV

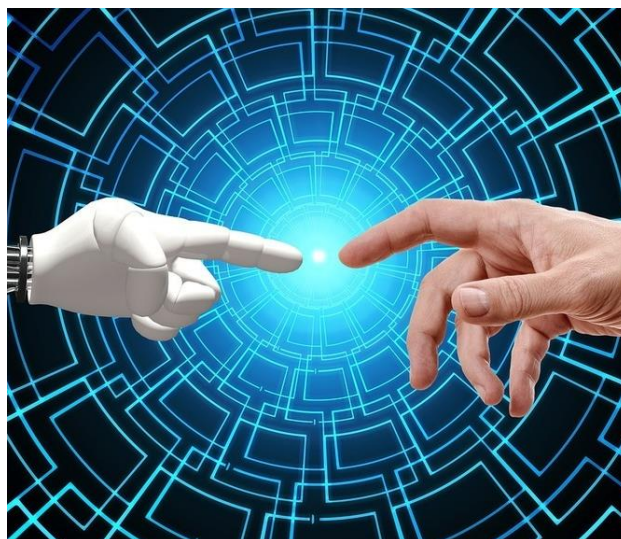
Talent Management: skills and human capabilities to elevate business partnering

Talent management in business finance is crucial for adapting to change and **driving innovation**, requiring strategic investment in both **new skills** and enduring **human capabilities**

Given the need to **monitor** and **lead** the **performance** and **growth**, **talent management** plays a **crucial role** in enabling the new way of **managing Finance planning and controlling**, including a combination of **new skills and human capabilities** which will become more and more needed, especially considering both the **new technologies** and extensive data usages, but also the new rapidly changing business and economic context.

The evolution of finance demands **new skills**, the **pace of change** is so rapid that it's increasingly difficult to stay abreast. The general mantra that skills are core to **business success** is key, but **focusing on skills** only is not all or the only answer to build the **finance workforce** needed for the **future**. For this reasons finance leaders will have to **proactively invest on change management** to support the transformation, with:

- **Skills management**
 - **skills** are defined as the **tactical knowledge** or expertise **needed to achieve work** outcomes within a **specific context**. Skills are specific to a particular **function** (e.g. forecasting, data analytics), **tool** (e.g. planning engines, gen-AI virtual assistant, ...) or **outcome** (e.g. institutional or commercial reporting, ...), and they are applied by an **individual** or a **team** to accomplish a given **tasks**;
 - **up-skilling** and **Re-skilling** are therefore fundamental to let the **finance analysis, reporting** and **communication** be effective and efficient, augmented and exploited by the advanced **use of new technologies** to transform data into insights relevant for business purposes;



In these regards the vast majority of **leaders** surveyed³ (72%) said they **expect generative AI to drive changes** in their **talent strategies** within the next two years: now (17%), within 1 year (24%), or in 1-2 years (31%).

According with another Deloitte recent survey most of organizations (75%) expect the **technology** to affect their **talent strategies** within two years; 32% of organizations that reported “very high” levels of **Generative AI** expertise are already making changes;

³ Source: 2024, The State of Generative AI in the Enterprise Q1 - Full Report

- **Capabilities management**

- enduring **human capabilities** are defined as **observable human attributes** that are demonstrated independent of context. They help individuals keep adapting the skills they have and be motivated to acquire new skills rapidly, to apply and effectively adapt them;
- these **capabilities** can be **both innate** (but can be amplified – such as empathy, curiosity, creativity) and **developed through experience and practice** – The latter are related to teaming, sense-making, critical thinking etc. and represent the real added-value finance planners and controllers can bring to business divisions, e.g.:
 1. **creating meaning** out of the **financial figures**, generating awareness by means of effective storytelling about actual results vs budget objectives,

2. **staying tuned** and open to **incoming changes**, providing **new answers** based on new insights to business leaders and all stakeholders,
3. **visualizing data** and new stories to better **support** the **decisional making** process and **providing concrete advice**.

These investments in talent management are key to enable cultural shift from pure "**what happens**", e.g. the explanation of business events with traditional analysis and reports, to "**what next**" – e.g. forward-looking performance management including foreseeing, oversight and advice, leveraging also o data and artificial intelligence.



Indeed, this **cultural shift** will be pivotal to ensure significant steps forward regarding:

- **Enhancement in business partnering**, to better guide future decisions and not only explain facts (capability-driven).
- **Boost in autonomy**, in performing analysis augmented by the new advanced technologies, which will act as a complement/ accelerator and not as a replacement (skills driven).
- **Improvement in strategic communication** towards all stakeholders (skills and capability-driven).

Final Remarks

The move to an **accelerated digital transformation** is ongoing, so it can be hard to imagine maintaining the traditional and current approach. Accordingly, CFOs are facing key agenda to maximize the financial returns of the banking institution. The Digital tools are reshaping **business finance so fast**; therefore, **Finance leaders** must not only adapt to but **lead a pivotal role** in driving the change engaging individuals with **new mindset, innovative tools and strategies**.

In the rapidly **evolving banking sector**, macro-economic trends are posing challenges to finance functions. Despite recent efforts to combat economic slowdowns and geopolitical tensions, banks globally face a unique mix of challenges affecting income generation and cost management.

However, these challenges also present opportunities for CFOs to become **strategic partners** by leveraging digital innovation. Advanced technologies like AI enable forward-looking insights crucial for sustaining growth and managing performance. CFOs must rethink performance management models to navigate market uncertainties and lead decision-making processes effectively.

Furthermore, data and AI are key levers driving transformation in financial analysis and decision-making. **Generative AI**, in particular, is revolutionizing business-finance by generating actionable insights and automating routine processes. Proper governance of bank data and adoption of market technologies are essential for unlocking value creation and driving efficiency.

But technology alone is not enough. **Talent management** plays a crucial role in this transformation journey. CFOs need to invest in upskilling and reskilling their teams to adapt to new technologies and changing business contexts. Additionally, nurturing enduring human capabilities like critical thinking and creativity is essential for elevating business partnering and strategic communication.

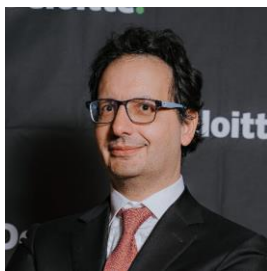
In summary, the answer to whether we're ready for this transformation is a resounding "yes, we're!". Through embracing new technologies, rethinking performance management, and investing in talent management, CFOs can navigate the challenges and seize the opportunities of this new era in banking.

What does this mean for Business Finance? New era. New Technologies are based on data. And since Finance operate with huge amounts of data, it's a natural suitable to take advantage.

Reach out for a conversation.



Luigi Mastrangelo
DCM FSI&Consulting Growth Leader
Enterprise Technology and
Performance
lmastrangelo@deloitte.it



Paolo Barzaghi
F&P Lead
Enterprise Technology and
Performance
pbarzaghi@deloitte.it



Stefano Appetiti
F&P FSI Lead
Enterprise Technology and
Performance
sappetiti@deloitte.it



Davide Grassi
F&P FSI - Business Finance Lead
Enterprise Technology and
Performance
dgrassi@deloitte.it



Rosario Laface
Director
Enterprise Technology and
Performance
rlaface@deloitte.it



Andrea Fondi
Director
Enterprise Technology and
Performance
afondi@deloitte.it



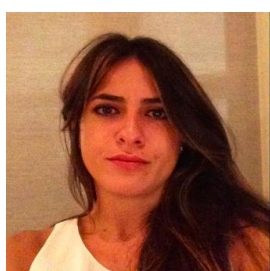
Isabella Carannante
Senior Manager
Enterprise Technology and
Performance
icarannante@deloitte.it



Giorgio Cacciatori
Manager
Enterprise Technology and
Performance
gcacciatori@deloitte.it



Alessio Delle Cave
Manager
Enterprise Technology and
Performance
adellecave@deloitte.it



Paola Ponticorvo
Manager
Enterprise Technology and
Performance
pponticorvo@deloitte.it



Debora Cerrini
Manager
Enterprise Technology and
Performance
dcerrini@deloitte.it



Luca Davini
Senior Consultant
Enterprise Technology and
Performance
ldavini@deloitte.it

Endnotes

1. [The CFO Agenda 2024](#)
2. [Forecast Analysis: Artificial Intelligence Services, 2023-2027, Worldwide](#)
3. [CFO Signals](#)
4. [The State of Generative AI in the Enterprise Q1 - Full Report](#)
5. [Deloitte Center for Financial Services - 2024 banking and capital markets outlook | Deloitte Insights](#)
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7. [Deloitte Global PBF survey insights report | Deloitte UK](#)
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13. [Forecasting in a digital world](#)

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