

Lending Industry Newsletter



Market Updates

The global lending industry is undergoing a dynamic transformation, moving from traditional, manual processes to technology-driven solutions. Innovations such as artificial intelligence (AI), machine learning (ML), and blockchain have revolutionized the sector, enabling lenders to conduct precise risk assessments, offer customized products, and streamline application processes.

The **Commercial Banking** market has demonstrated significant growth, reaching \$3.8 trillion in 2024, and is projected to rise to \$6.7 trillion by 2028 at a CAGR of over 15%. Similarly, the **Corporate Banking** market is forecasted to grow steadily from \$9.7 trillion in 2024 to \$15.8 trillion by 2032, with a CAGR exceeding 6%. This growth is fueled by pivotal factors such as rising global trade, increasing digitization, AI integration, growing cybersecurity and regulatory compliance needs, expansion of global supply chains, heightened demand for business loans and financial services, and the growth of Internet banking. North America remains the market leader, driven by its robust financial infrastructure and a high concentration of corporate clients.

Additionally, the **Private Banking** market has experienced substantial expansion, valued at \$416.1 billion in 2024 and projected to reach \$632.3 billion by 2028, with a CAGR of over 11%. Key growth drivers include rising individual wealth accumulation, increased globalization facilitating seamless financial transactions, and a growing emphasis on personalized financial services. Advancements in AI, regulatory shifts, and changing demographics have further shaped investment strategies and market dynamics.

Small and Medium Enterprises (SMEs) remain pivotal to economic performance, contributing to employment, innovation, and technology. Banks play a critical role in supporting SMEs by providing credit, efficiently allocating funds, and bridging the gap between depositors and borrowers. By channeling surplus deposits into business loans, banks drive economic growth and wealth creation.

This newsletter highlights the transformative effects of innovation and tailored financial solutions in reshaping the lending landscape and driving growth across various sectors.

Source: [GlobalNewswire](#), [EINPresswire](#), [Market Research Future](#), [The Business Research Company](#)

Emerging Trends

As we enter 2025, several key trends are poised to shape the commercial banking landscape. Leading banks are balancing operational optimization with forward-looking investments to navigate uncertainties and seize opportunities. Here's a closer look at the trends driving the industry:

1. From Tactical Cost-Cutting to Strategic Cost Transformation

Banks are evolving their cost strategies to address rising IT expenses and potential declines in interest rates. The focus has shifted from short-term cost reduction to strategic cost transformation, integrating technology, workforce optimization, and third-party expenditures to enhance cost-to-income ratios (CIR). Despite IT spending increasing moderately in 2024, Gartner reports that nearly two-thirds of banks allocate less than 25% of their IT budgets to transformative projects. With 89% of banks planning to boost investments in hyper-automation and other technologies, strategic cost management is becoming essential for sustaining competitive advantage.

2. Regulatory Changes Spotlight Capital Allocation

Evolving regulatory frameworks are reshaping capital allocation strategies in commercial banking to invest more in compliance and risk management. New prudential requirements emphasize risk quantification, credit lifecycle management, and ESG compliance. In the U.S., heightened capital requirements for mid-sized banks are driving up capital ratios and lending costs, while Europe's Targeted Review of Internal Models is imposing stricter standards on complex exposures. Basel IV will further increase risk-weighted assets (RWAs), forcing banks to reassess portfolio efficiency, pricing models, and product offerings. Balancing sustainability goals with credit optimization will remain a key challenge for banks navigating this regulatory environment.



3. The Deposit Race Intensifies

The 2023 collapse of Silicon Valley Bank (SVB) triggered a flight to stability, with corporate and small bank deposits shifting from smaller banks to larger, systemically important institutions. While these larger banks gained a competitive edge, smaller banks have had to offer higher interest rates to retain corporate and small bank deposits. As central banks cut interest rates in 2024, profits came under pressure, particularly for smaller banks. To remain competitive, banks must go beyond rate hikes, focusing instead on creating "sticky" deposits through enhanced digital capabilities and personalized offerings.

4. Transforming Payments into a Growth Platform

Payments are emerging as a vital growth pillar for commercial banking. Banks are shifting focus from lending to enhancing their transactional banking capabilities, driven by client demand for value-added services. Clients are willing to allocate approximately 8% of their annual payments budgets, representing a \$371 billion opportunity by 2028, for services like tax system integration, real-time payment analytics, and automated invoicing.

While incumbent banks are preferred providers, they lag behind fintech competitors in adopting technologies like cloud, AI, and automation. Investing in these areas will be critical for banks to meet client expectations and innovate in payments.

5. The Rise of Automated, Data-Driven Lending

Data-driven lending is revolutionizing traditional loan models by shifting the focus from collateral-based assessments to a more holistic evaluation of creditworthiness using diverse data points such as revenue, profit margins, debt-to-equity ratios, and industry-specific metrics. Banks can use technologies like AI and machine learning to analyze real-time and alternative data—such as transaction histories and customer behavior—to make faster, more accurate lending decisions while mitigating risks.

This approach enhances financial inclusion by expanding credit access to underserved borrowers. It also enables tailored loan products and streamlined processes, transforming the lending landscape to meet evolving market demands. Achieving this requires significant investment in automated credit decisioning, monitoring, and risk management processes. Banks can navigate economic headwinds and strengthen their lending portfolios by harnessing advanced data analytics.



Source: [Accenture](#), [SAP Pioneer](#)

Key Themes

Maximizing Profitability: The Future of Commercial Lending

Commercial loans, which play a vital role in bank revenues, typically encompass commercial mortgages, equipment loans, accounts receivable loans, and loans for business expansion. The key question for banks is whether these loans are driving profitability effectively. To maximize profits, banks must prioritize loans that directly support business operations and promote growth, particularly focusing on commercial real estate loans, syndicated loans, and Small Business Administration (SBA) loans. While other loan types, such as Business Lines of Credit and Equipment Financing, also generate revenue, these specific categories present significant opportunities for banks and financial institutions (FIs) looking to strengthen their bottom lines.

The Role of Artificial Intelligence in Transforming Commercial Lending

Artificial intelligence (AI) is reshaping commercial lending by enhancing efficiency, improving accuracy, and elevating customer satisfaction. Banks leverage AI and machine learning to streamline underwriting, optimize portfolio monitoring, and integrate alternative data into pricing and risk models. AI-driven automation reduces decision-making time and operational costs, while digital lending platforms facilitate seamless online borrowing. These platforms simplify loan origination and serve as intermediaries, connecting banks to investors and enabling loan distribution through securitization.

Generative AI is further transforming workflows in the banking industry. JPMorgan Chase utilizes OpenAI's ChatGPT to draft reports, Citizens Bank is developing an AI copilot to assist its customer service teams, and Citibank is rolling out GitHub Copilot to enhance coding efficiency for its developers. These innovations empower financial institutions to automate routine tasks, optimize operations, and improve service delivery.

AI's transformative impact can be seen across several key areas:

- **Digitization:** AI tools streamline administrative processes by ingesting, classifying, and transferring documents to digital systems, reducing costs and workload.
- **Chatbots:** Real-time voice recognition, language translation, and documentation improve customer engagement and interactions, enhancing the user experience.
- **Agent Assistance:** AI supports customer service teams by suggesting the next best actions, offering topic-specific insights, and simplifying communication, leading to better service quality and faster turnaround times.

As AI continues to evolve, its role in lending is becoming indispensable. It offers lenders a competitive edge by driving efficiency, cutting costs, and improving customer engagement. These technologies enable banks to meet evolving market demands while delivering personalized and efficient lending services.

Download our [whitepaper](#) to learn more about transforming lending with AI and automation.

Source: [Mindtree – A L&T Company](#), [Cognizant](#), [American Banker](#), [McKinsey](#)

Recent News

Moody's expands lending tech suite with acquisition of Numerated Growth Technologies

November 25, 2024: Moody's Corporation has acquired Numerated Growth Technologies, a Boston-based firm specializing in AI-driven commercial loan origination platforms for banks and credit unions. This acquisition aims to integrate Numerated's technology into Moody's existing lending suite, enhancing its end-to-end loan origination and monitoring solutions.

Source: [FintechFutures](#)

KeyBank expands Commercial Banking Operations in Chicago and Southern California

November 19, 2024: KeyBank has expanded its commercial banking business in Chicago and Southern California, targeting middle-market clients with tailored lending, capital markets, and payment solutions.

Source: [KeyBanc](#)

Wells Fargo may lose up to \$3 billion on its office building loans

October 25, 2024: Wells Fargo CEO Charlie Scharf stated that the bank could face \$2–3 billion in losses on its commercial real estate office loan portfolio over the next few years, though reserves have already been set aside. While overall commercial real estate performance is improving with declining interest rates, Scharf highlighted persistent challenges in office loan demand.

Source: [Reuters](#)

TD Bank to pull back on auto lending

October 16, 2024: TD Auto Finance is scaling back its commercial auto lending and other less profitable portfolios following the \$3.1 billion in fines for money laundering violations imposed by the U.S. Department of Justice and the Financial Crimes Enforcement Network.

Source: [AutoFinanceNews](#)



U.S. consumer fintech SoFi secures \$2bn deal with Fortress Investment Group to expand loan platform business

October 15, 2024: SoFi Technologies has entered a \$2 billion agreement with Fortress Investment Group to enhance its personal loan origination capabilities. This collaboration enables SoFi to expand its loan platform business by referring pre-qualified borrowers to partners and originating loans for third parties, aligning with its strategy to diversify revenue through less capital-intensive, fee-based sources.

Source: [FintechFutures](#)

U.S. Bank's SBA lending surges in fiscal year 2024

October 9, 2024: U.S. Bank's SBA 7(a) loans surged 74% to \$708.2 million in fiscal 2024, ranking fifth among SBA lenders. It led SBA lending in Minnesota and expanded significantly in states like California.

Source: [U.S. Bank](#)

Citizens Financial Group, Inc. expands California presence with Two Bay Area Private Banking Offices and SoCal Private Banking Team

October 02, 2024: Citizens Financial Group has opened two Private Banking offices in Mill Valley and Downtown San Francisco and added a top team in Southern California, supporting its growth strategy in Private Banking, Wealth Management, and Corporate Banking. Future expansion plans include new offices in Newport Beach, San Diego, and Silicon Valley by mid-2025.

Source: [Citizens Financial Group](#)

Stamford, Connecticut-based Patriot National Bancorp is considering a sale or merger

October 02, 2024: Patriot National Bancorp is exploring strategic options, including a potential sale, after canceling its planned merger with American Challenger Development Corp. in July 2022. The bank has engaged Performance Trust Capital Partners to assist in evaluating possibilities such as a capital raise, strategic partnership, or outright sale. Facing challenges like deteriorating loan quality and high deposit costs due to elevated interest rates, Patriot reported a \$4.2 million loss for 2023 and a \$30 million loss for the first nine months of 2024.

Source: [AmericanBanker](#)



About Evalueserve

Evalueserve is a global leader in technology-enhanced managed services with over a decade of experience helping corporate and commercial banks transform their lending operations. We combine domain expertise with technology accelerators like AI-powered Spreadsmart to help banks make faster, smarter credit decisions. We support major banks around the world across the entire lending lifecycle.

Lending Solutions

Lending Lifecycle	Pre-Lending			Post-Lending	
	Facility Origination & Sales Support	Credit Underwriting	Due Diligence & Closing	Portfolio Management	Facility Servicing
List of Activities	<ul style="list-style-type: none"> Screening and Profiling (Deal Pitches) Initial sighting paper Industry updates and newsletters 	<ul style="list-style-type: none"> Financial spreading Credit memo preparation Populating risk rating Models (PD Assessment) Data quality review (Pre-Deal) Collateral Analysis (LGD Assessment) 	<ul style="list-style-type: none"> Onboarding new borrowers on lending platforms KYC, compliance checks, documentation checks Producing standard facility agreements & related documents 	<ul style="list-style-type: none"> Periodic reviews Covenant monitoring Annual Due Diligence Tracking Early Warning Trigger Financial Spreading/Risk Rating 	<ul style="list-style-type: none"> Loan Servicing Loan Closure Collateral Management Managing facility documentation Collections
Data Quality	Enterprise Valuation Testing (Validating EV for high leveraged transactions)				
	Rating Integrity Testing (Sample based validation of PD/LGD parameters driving accurate risk weighted assets)				
	Credit Application Quality Assurance (Providing credit assurance for credit memo quality and credit policy adherence)				

Experts



Vivek Sharma

Vice President, Corporate and Investment Banking

Vivek has over 17 years of experience setting up offshore support teams for global banks and managing delivery.



Sumit Kumar Agarwal

Associate Director, Corporate and Investment Banking

Sumit has over 12 years of experience setting up and managing offshore support teams' deliveries, primarily focused on investment banking and private banking LOBs.

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