

# 2024's Banking Evolution: 7 Trends Reshaping Digital Banking!

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Coding Colorful Banking

**01**

The rise of GenAI

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**02**

Time to think  
cloud first

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**03**

Prioritizing building  
resilience, consumer  
trust and ESG  
practices

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**04**

Financial well-being  
tools are here to stay

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**05**

Cybersecurity will still  
have its limelight

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**06**

3<sup>rd</sup> Party collaboration  
proliferation

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**07**

Open Finance coming  
to light

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# Introduction and 2023 Trend Recap

**In 2023 we witnessed banks regaining confidence following great efforts to navigate a tense climate of global geopolitical challenges, including war and economic volatility in 2022.**

Luckily, the widespread fears concerning an oncoming recession, which were predicted by both banks and economists, did not come to fruition as expected. With banks' future readiness now the main priority, they are faced with the challenge of re-building consumer trust after the damages caused by high-profile failures, increased borrowing costs, and generative AI (genAI) risks. (1)

2023 began with a lot of uncertainty for banks, mainly a looming recession combined with growing geopolitical issues globally. (2) Luckily, in 2023 the majority of banks remained economically strong, partially assisted by high interest rates; even so, they suffered from a collapse of confidence within the sector. (1) As we begin 2024, banks begin to move forward with greater confidence; while there are still uncertainties, a lot of open issues have stabilized, with banks now having greater optimism. (2) To move forward in a positive direction and re-establish customer confidence, banks are currently working towards improving customer financial well-being and the customer experience, while also increasing their resilience as well as sustainability and security efforts. (1)

According to a commissioned study at SBS, in 2024, we believe banks will rebound from the setbacks experienced in previous years, moving forward with greater confidence and focusing on higher profits. We will also likely see greater transformative efforts, including collaborative ventures and third-party integrations. Resilience and consumer trust will be at the forefront, with an emphasis on fortifying supply chains and adopting greater ESG practices. Third-party partnerships continue to be a main consideration in regards to sustainable growth, while digitizing customer engagement and exploring technologies, like generative AI, will become essential for future-proofing business models and increasing revenue. (1)

In last year's report, we highlighted 7 key trends for 2023 which would shape digital and open banking: The rise of platform-based banking, shifting from creativity to resilience in innovation, sustainable banking and corporate social responsibility, demand for embedded fintech to surge, growing awareness of financial well-being, cybersecurity to remain in the spotlight, and the future is Gen Z.

In this whitepaper, we look at seven key trends that are expected to shape the digital and open banking sector in 2024, while examining how banks and financial institutions can leverage them to stay on top of their digital game. As can be seen, many of these trends build off of the previous year, let's get started.

# 01 The rise of GenAI

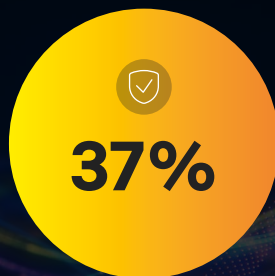
The greatest consensus among retail bankers surrounds the adoption rate of generative AI in financial institutions. In fact, close to 30% of financial institutions expect a 50% adoption rate by 2025, with another 50% expecting this by 2030. In 2021, research showed that almost four in ten executives taking part in the survey believed a 25% consolidation of AI with existing technologies would take place by 2025. Upon further examination, this mid-Covid-era estimate was a bit too vigorous. (2)

Generative AI is now being implemented by banks, with the GenAI market growing at an unprecedented pace over the last months; this is expected to only accelerate. In fact, we have seen incredible strides in generative AI over the last year. Despite this, while banks see clear business value, they nonetheless worry about how generative AI tools will affect areas like security (37%) and the banking workforce overall (30%). This viewpoint was present across all regions and maturity levels. (1) While many financial institutions and vendors continue to evaluate the role of GenAI, the ways in which it can be implemented into live production is now expanding. GenAI is no longer seen as simply a future challenge, but also an incredible opportunity of the modern day. (5)

In 2023, most banks began experimenting with GenAI, generating large-scale, fantastic results. It's likely that over the next 12 months we will see increased adoption across most organizations, with more driven banks using GenAI as the motive to redefine their entire foundation. The biggest impact of GenAI within banking will likely concern revenue. According to Forbes, by equipping people in sales, marketing and customer interaction roles with AI related tools, revenues could rise by 6% in a span of three years. (4) Accenture also believes that banks are likely to benefit more than other industries, with a potential rise in productivity by 20-30% and a revenue increase of 6%. As such, banks will not only need to prioritize the use of cloud and data effectively, but also re-evaluate how work and talent is managed. To achieve the desired growth, banks will need to implement an AI strategy which places the workforce at the core. This will require new skills, which few banks have in sufficient numbers, meaning significant changes must take place regarding how work environments operate. (3)

According to Accenture's Pulse of Change: 2024 Index, adoption of GenAI is happening at lightning speed; in fact, 87% of banking executives think that a greater level of change will

## AI tools will affect areas like



Security



The Banking Workforce overall

happen this year compared with last year, while 53% believe they are not fully prepared for such a change. (6) AI is also becoming increasingly important when interacting with customers and administration activities. There appears to be a key role for AI within customer service and assistance, especially in regards to regulatory compliance and risk management. According to the Forrester Digital Banking Study in 2023, the higher the future readiness of a bank, the more AI is believed to impact operations (62% for Pioneers vs. 51% for Explorers.) (1)

47% of decision-makers are currently planning to integrate generative AI or large language models (LLM), while 45% plan to invest in AI-enabled automation and workflow optimization.

Generative AI is not the only highly beneficial emerging technology, but it is doing a good job of making institutions aware of the importance of remaining competitive through such technologies. AI won't be the secret to banks' future success in itself, but rather the manner in which it will be used within an institution. The people who will utilize the technology play just as important of a role as the technology itself, just as strategy is as important as the implementation. There are many spinning plates to balance when it comes to incorporating AI, but those banks who are able to master it will look back at 2024 with a feeling of success. (4)

**Close to 50% are planning to invest in emerging technologies, such as chatbots, augmented/virtual reality, and AI-enabled digital assistants to engage customers.**

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**62%**  
for pioneers

**51%**  
for explorers

Banks continue to push customers toward automated support channels rather than human support, but users remain disappointed by the service received from chatbots. In order to improve customer engagement with elevated chatbots, banks are hoping for AI and LLM models to produce a more robust conversational experience. (1)

# 02 Time to think cloud first

Initially, it was the IT sector that started the banking push towards cloud adoption. Security benefits paired with cost flexibility and scalability options led banks to begin migrating those less crucial applications to the cloud. In fact, by 2022, roughly 15% of average bank workloads were migrated to the cloud, up from 8% in the previous year. (3)

Banks are now realizing the value held in cloud infrastructure, when it comes to unlocking the value of data, AI, as well as well as other emerging technologies. The cloud is not just for storage anymore, but represents a radical shift to a cloud-first approach to transform an organization towards greater flexibility and speed. As such, organizations are forced to restructure and re-examine their processes, roles, skills required and company culture. (3)

What is evident, is that as the business benefits of IT are more readily seen, a greater number of business leaders will advocate for further

cloud migration. As such, more banks will shift their historic operating model to align with cloud principles, meaning on-site and cloud environments will seamlessly be integrated, which is vital for regulatory compliance, such as [DORA](#) in Europe. (3)

A shift towards greater resilience, and being able to operate in diverse environments, will lead to major changes to banking in the cloud by 2024. Banks are no longer focused on weighing the benefits of cloud migration, as these are now well established, but instead are shifting their focus to how quickly they can begin the transition itself. The computing and data demands brought on by AI mean that cloud computing is a requirement in 2024. While it will still take time for the majority of banks to become a truly cloud-first organization, massive headway has already been made over the least three years.(4)



# 75 %

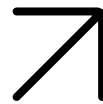
According to the 2024 Retail Banking Trends and Priorities report, it's expected that **more than 75% of enterprise banking applications are to be eventually migrated to the cloud.** (2)

# 03 Prioritizing building resilience, consumer trust and ESG practices

Regaining consumer trust is at the top of bank priorities following the aftermath of the high-profile failures of Credit Suisse and SVB.

It's important to note that 32% believe the Credit Suisse and SVB failures created a considerable breach in consumer trust. This isn't helped by the long-term impact of high interest rates. As such, the drive to increase both resilience (25%) and sustainability (33%) increased in 2023. Next to this, creating robust and compliant ESG practices showed the greatest growth (33% from last year); in fact, 40% of respondents in Latin America and 39% in APAC believe this to be a critical priority for their bank, with 43% increasing their investment in using ESG elements with the goal of showcasing their own customer-facing products and services, designed to outshine the competition. (1) While in previous years banks have focused greater efforts on retaining their existing customer base and ensuring operations ran smoothly, in 2024 banks are seeking to increase revenues, which naturally means their customer base must grow. As such, customer trust remains at the forefront of banks strategic considerations for 2024; in order to attract new customers, banks need to regain customer trust after some slightly unpredictable years. (11) while banks prioritize resilience, consumer trust, and ESG practices as separate initiatives, they are inherently interconnected. Strengthening resilience bolsters consumer confidence by demonstrating the bank's ability to navigate challenges effectively. Likewise, prioritizing ESG practices not only aligns with consumer values but also contributes to the bank's long-term resilience and competitive advantage.

Banks have also prioritized the use of multiple suppliers (up by 23% from the previous year) in an effort to thwart dependency on single providers. This goal was realized during the pandemic, when the disruption of supply chains showcased banks' weaknesses. As such, banks are also focusing to improve operational resilience to better handle unexpected market changes (up by 25%). Collaborative supply networks as well as business models are key aspects in this adaptive and resilient future fit strategy. Immediate short-term goals for banks include fortifying supply chains to strengthen resilience, alongside building all encompassing, compliant environmental, sustainability, and governance (ESG) practices. (1)



# 25%

*As such, banks are also focusing to improve operational resilience to better handle unexpected market changes (up by 25%).*



# 04 Financial well-being tools are here to stay

It's not easy for consumers in this day and age; they are experiencing persistent financial pressure as well as high inflation rates. As a result, banks are placing greater focus on well-being services, aimed at protecting customers from harm, using financial vulnerability analytics (64%) and money management tools to help customers self-manage their finances for increased resilience (63%). The aim for this focus on consumer-oriented well-being is to create new value, while also increasing loyalty and trust, and future-proofing revenues. (1) What is clear, is that for many banks in the coming year, customer wellness is replacing wealth. Rather than gaining the largest share of their wallet, more forward-focused banks will work towards improving customer lives, which therefore means also improving customers financial well-being, by providing holistic digital advice and financial guidance. (2)

The Forrester Digital Banking 2023 study results lead us to the following conclusion:

The more mature and future-ready a bank is, **the greater the emphasis being placed on customers' financial well-being.**

Pioneers, on the other hand, are more likely to focus on longer-term initiatives aimed at educating people on how to change their financial literacy, rather than simply providing the tools. (1)



# 05 Cybersecurity will still have its limelight

In regards to cybersecurity, banks will shift from a preventative standpoint to a resilient one. Both hackers and banks are utilizing GenAI to aid in their efforts, creating a sort of cyber arms race. Security remains thus a top priority for the banking sector, due to the large quantities of sensitive customer and transactional data being processed at any time. As such, banks' IT infrastructure remains a popular target for cybercriminals looking to cash out. (7) Luckily, just as technologies like AI are being used by cyberattackers, banks can utilize these same technologies to fight cybercrime. It's no surprise that the finance industry has the second highest cybersecurity costs, with each breach costing around \$5.9 million. As such, it's paramount that greater cybersecurity efforts are implemented, to not only safeguard sensitive customer data, but avoid large financial costs. (13)

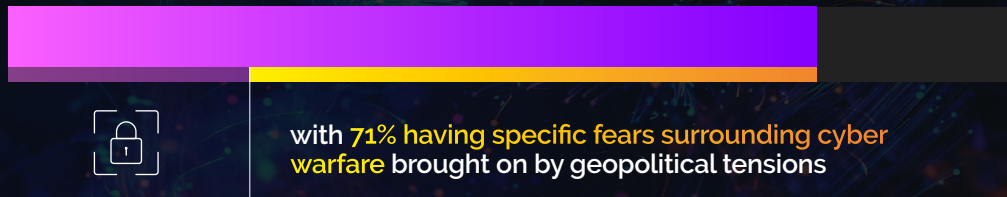
In fact, according to a recent EY Press Release, 82% of European Chief Risk Officers (CRO's) believe that their greatest business risk for 2024 is cybersecurity, with 71% having specific fears surrounding cyber warfare brought on by geopolitical tensions. Next to inflation and high-interest rates, European banks must continue to operate in a challenging economic environment with various elements largely outside of their control; election outcomes, continuous war and unrest in the Middle East are contributing to further volatility. It is no surprise that 82% of CRO's believe that geopolitical risks will only increase this year. (8)

As more banks move towards online consumer experiences, digital security becomes paramount as they are tasked with having to protect both consumer and business assets. This technology opens doors but also attracts the attention of mal-intended cybercriminals, looking to benefit from the copious amounts of customer data banks safeguard. As such, banks are tasked with not only managing but preparing for such attacks before they happen. The best defense after all, is a good offense. (9) According to Kaspersky experts, financial institutions must strengthen their defenses in 2024 as developments in AI and heightened automation makes them more susceptible to cyber crimes. The main culprits to look out for in their eyes? "Cyberattacks, exploitation of direct payment systems, the resurgence of Brazilian banking trojans, and a rise in open-source backdoored packages." (10)

As a result, startups are emerging that provide security protocols and data compliance management specifically designed to support banking systems in safeguarding sensitive data. Data encryption tools, anti-hacking software and AI-powered fraud detection are also being implemented to reduce the risk of data breaches while also preventing identity theft and phishing scams. (7)

ACCORDING TO A RECENT EY PRESS RELEASE

**82% of European Chief Risk Officers (CRO's) believe that their greatest business risk for 2024 is cybersecurity**



# 06 3<sup>rd</sup> party collaboration proliferation

Thanks to third-party fintech collaborations, smaller financial institutions can now utilize APIs and cloud computing to gain access to innovative technologies which were previously out of reach, meaning newer services can be deployed faster than is possible with larger banks. (5)

What is clear, is that banks will continue to heavily rely on third parties to advance the ecosystems necessary for continued growth. Collaboration will thus remain a strong focus of investment – whether it be through the use of cloud and XaaS solutions or third-party ecosystems. Furthermore, a strong focus will be placed on digitizing customer engagement and looking into new, emerging technologies like generative AI in order to future proof business models and increase revenue.

According to the Forrester Digital Banking 2023 study, **74% of banks believe that collaborative business models are the key to making successful strides to their future business strategy**

The greater a banks' readiness, the more they tend to agree with this viewpoint. We see that almost half (48%) of respondents are furthermore investing in better APIs to connect

with partners, while 46% are improving platforms and customer-facing systems, 45% are furthering the monetization of open banking, and 45% are leveraging their own marketplaces. (1)

What can be seen is that there is an overall trend for modern bank initiatives to remain focused on improving both collaborative and connective capabilities, pushed forward as a whole ecosystem approach. It appears that collaboration is here to stay; while 29% of banks had plans to build capabilities themselves rather than partner with 3rd parties, that number has dropped to just 20% this year. Those banks willing to adopt solutions exclusively from third parties are now one-third. Third-party support is strongest in loan origination/management, account aggregation, and financial planning and management. (1) It's important to note that many third-party providers are simply better suited to provide specific services, as they may use their own specialised resources – allowing banks to focus on what they are good at, mainly the financial aspect of things. For example, third parties are usually better able to offer advanced analytics to financial institutions, providing them with richer insights to better position themselves as not only transaction providers but client advisors. (12)

Banks' reliance largely surrounds customer experience consulting providers (50%), followed by software providers (48%) and technology/integration consulting providers (47%). Banks are beginning to see collaborative business models as a necessity when aiming to increase investments in APIs and developer portals. In fact, those banks declaring themselves as prepared for open finance increased by 30% in one year alone, to one in four this year. However, only 14% of banks are ready to begin their open finance journey. (1) What is essential, is for banks to determine which capabilities they need to acquire through third parties by thoroughly examining current delivery capabilities, and which business demands are better suited for in-house management. (11)

# 07

## Open Finance coming to light

Banks are ready for Open Finance, fully prepared to capitalize on growth opportunities. It is now accepted that collaborative business models are crucial to banks' future successes, especially in regards to increasing investment in APIs and developer portals, so that B2B Open Banking services can generate more revenue. As it stands, those banks claiming they are ready for Open Finance increased by 30% this year, to one in four. Only 14% haven't yet begun their Open Finance journey. (1)

Increasingly sophisticated distribution models for Open Banking services are being adopted while cross-selling is still the dominant model. Even so, marketplaces are strengthening their position, especially in regard to digital identity services.

Banks still struggle with disintermediation; in fact, slightly less than one in four strongly agree that their bank struggles with disintermediation within the financial ecosystem. While banks believe Open Finance is valuable, they falter between whether collaborating will produce the best outcome for customers, or if their own platform is better suited. (1) Regardless, what is clear is that value chain partners allow for faster, more personalized results: Composable collaboration gives banks the chance for both them and their customers to take part in a seamless, positive experience. (2)

**76 %**  
expect B2B  
to be the  
force behind  
generating  
higher  
revenue

*Account origination is a top revenue driver for both B2C and B2B; 76% expect B2B to be the force behind generating higher revenue, while 54% believe B2C is the key to revenue growth. (1)*

**54 %**  
believe B2C  
is the key to  
revenue growth

# Conclusion

**As we have illustrated, in 2024 there are 7 key trends reshaping digital banking for you to be on the lookout for: the rise of Gen AI, time to think cloud first, prioritizing building resilience, consumer trust and ESG practices, financial well-being tools are here to stay, cybersecurity will still have its limelight, 3rd party collaboration proliferation and open finance coming to light.**

Are you prepared to embrace the key trends expected to shape the digital and open banking sector in 2024? Sopra Banking Software has developed a range of [innovative software solutions](#) for all types of banks seeking to accelerate their digital transformation in 2024. Based on an API-first banking solution, our software can be customized to a bank's specific needs, while offering an omnichannel experience, providing a seamless customer experience across multiple platforms, including mobile and web apps, as well as in-branch capabilities.

By partnering with an experienced industry player like Sopra Banking Software, banks benefit from our wealth of knowledge and expertise, specifically addressing these key trends to ensure the continued success of their digital transformations.

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Sopra Banking Software is the partner of choice for more than 1,500 financial institutions worldwide. The rich variety of our solutions, the strength of our conviction and our passion for innovation enable us to support our clients on a daily basis and in their future projects, as well as in their goals regarding financial inclusion.

Our customers, based in over 80 countries around the world, benefit every day from our technologies and software, as well as the expertise of our 5,000 employees. Sopra Banking Software is a subsidiary of the Sopra Steria Group, a European leader in consulting, digital services and software development. With more than 50,000 employees, the Sopra Steria Group generated a turnover of €5.1 billion in 2022.

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Rabia is a seasoned marketing professional with over a decade of experience across diverse industries and geographies. Currently at Sopra Banking Software as Director of Product Marketing, she previously held leadership roles at Westpac Group and FlexiGroup Limited in Australia, developing impactful marketing strategies and leading customer marketing and simplification and remediation programs. Rabia excels in driving customer-centric initiatives, product lifecycle management, and spearheading innovative marketing campaigns.

