How Community Banks Win Commercial Relationships

Becoming Integral to Modern Business Operations

EXECUTIVE SUMMARY:

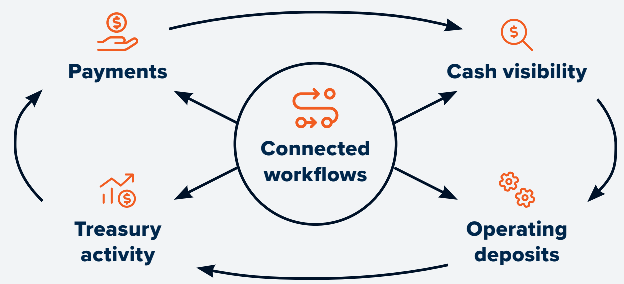
Commercial Relationships are Becoming Operating Relationships

Commercial banking relationships are increasingly won or lost through the daily financial workflows businesses rely on to operate.

For years, community banks have faced fierce competition for commercial relationships from larger banks and fintechs. Much of that competition now centers on how well they support day-to-day money movement within a business.

Businesses expect faster payments, real-time cash visibility, and financial tools that fit how their operations run. When those needs are not met, payment activity and deposit balances often move elsewhere, even if the business owner maintains a relationship with the bank.

Where the Relationship Actually Lives



Competition increasingly centers on how well a bank supports day-to-day business operations, not simply the products it offers.

Daily Work is Moving Elsewhere

In many cases, that shift reflects operational necessity more than banking preference. As business needs become more complex, community banks have an opportunity to compete for relationships that once favored regional and super-regional banks, but only if commercial capabilities come together in a more connected, coordinated way.

Deposits Follow Activity

The consequences extend beyond lost payment fees. Commercial operating accounts often represent some of a bank's most valuable funding relationships. When payment activity moves elsewhere, associated deposits frequently move with it, increasing funding costs and putting additional pressure on margins.

Banks that become more central to how businesses manage money every day are better positioned to retain these relationships and the financial benefits that come with them.

What this Paper Covers

This paper explores how community banks can compete for more complex commercial relationships without matching larger institutions feature for feature. The path forward centers on becoming more embedded in daily business workflows, moving faster with connected capabilities, and applying the market knowledge that already makes community banks valuable to the businesses they serve.

Three Ways to Compete

Embedded workflows | Connected capabilities | Market knowledge

Why Commercial Relationships Matter to Funding and Margins

Commercial relationships influence far more than payment revenue. They also play a critical role in deposit gathering, funding costs, and long-term margin performance.

Commercial operating accounts, particularly noninterest-bearing balances tied to daily payment activity, are among the lowest-cost funding sources available to a community bank. When payment activity migrates to a fintech platform or competing institution, the bank often loses more than fee income. It can lose the operating deposits that fund its loan portfolio most efficiently, replacing them with higher-cost funding sources. That challenge is becoming more pronounced as competition for commercial relationships intensifies.[1]

> ***"Becoming more central to how businesses manage money every day is not simply a relationship strategy. It is a strategy for strengthening deposits, supporting margins, and expanding lending capacity."***

The industry is already feeling the pressure. Community banks face growing pressure around net interest margins and core deposit growth, while institutions that maintain strong operating account relationships often benefit from a more favorable funding mix and stronger margin performance.[2]

Commercial Relationships by the Numbers[3]

86.6% Community bank core deposit ratio (Q1 2026)	**3.71%** Community bank average NIM (Q1 2026)
30%+ Noninterest-bearing deposit ratios among selected commercial-focused banks	**3.88%-4.72%** Reported NIM range among those institutions
#1 concern Net interest margin	**#2 concern** Core deposit growth

For community banks competing in an increasingly challenging deposit environment, becoming more central to how businesses manage money every day is not simply a relationship strategy. It is a strategy for strengthening deposits, supporting margins, and expanding lending capacity.

Commercial Payments → Operating Deposits → Lower Funding Costs → Stronger Margins → Greater Lending Capacity

The New Commercial Banking Reality

Community banks do not need another reminder that larger banks and fintechs compete for small and midsize business relationships. That pressure has shaped the market for years. The more useful question is why so much business activity moves away in the first place.

The answer often comes down to daily operations. Businesses need to collect payments, approve outgoing funds, track cash, reconcile accounts, manage controls, and produce reports across multiple systems and users. Basic treasury services and standalone digital tools still matter, but many businesses now need more connected support.

When the bank cannot support daily work, businesses usually take one of two paths

Path 1:
Migrate to a Larger Bank

They move more of the relationship to a larger bank, believing they have outgrown their institution. Loans, treasury services, and day-to-day payment activity all follow.

Path 2:
Add Outside Tools or Providers

They add outside tools or providers to solve specific problems, including fintech tools, secondary banking relationships, card programs, payment platforms, or reporting tools.

In fact, three in four SMBs now work with at least one fintech provider.[4]

Relationship Risk

The bank may keep the account while losing the activity that gives the relationship its value: payment flows, cash visibility, treasury engagement, and operating deposits.

Both paths create risk. The bank may lose the full relationship, or it may keep the account while losing the activity that gives the relationship its value: payment flows, cash visibility, treasury engagement, and operating deposits.

Many businesses would prefer to work with a community bank that understands their market and their goals. But the relationship must make daily financial work easier. So, community banks need to strike the right balance between commercial tools and expertise for the businesses they are best positioned to serve.

The Commercial Banking Gap, By the Numbers

36% of businesses cite ease and speed of onboarding as a top factor when choosing a financial institution[4]

What it shows: Slow or manual onboarding can weaken adoption before the relationship fully begins.

39% of companies maintain relationships with more than seven financial institutions[4]

What it shows: Commercial relationships are already fragmented across several providers.

42% of midsize and large businesses say their primary financial institution does not meet their payment needs[5]

What it shows: Payment capability gaps can weaken the primary banking relationship.

42% of SMBs work with at least one fintech provider[4]

What it shows: Most SMBs already use outside providers to solve specific financial or operational needs.

76% of U.S. businesses experienced payment fraud in the last 12 months[4]

What it shows: Businesses need stronger controls, visibility and response capabilities.

87% of midsize and large businesses will use real-time payments by the end of 2026[4]

What it shows: Faster money movement is becoming a baseline expectation.

These numbers point to a clear opportunity for community banks: reclaim more of the financial activity businesses now manage outside their primary banking relationship.

What Winning Looks Like in Commercial Banking

Holding the account no longer guarantees the bank remains at the center of the relationship. Businesses increasingly manage financial activity across multiple providers, using different platforms for payments, reporting, treasury services, and credit access.

That shift changes what "primary bank" actually means. The strongest commercial relationships are defined less by where the account sits and more by where the business manages operating balances, payment activity, cash flow, and day-to-day financial operations.

When more of that activity stays with the bank, the relationship becomes more valuable. Deposits become more stable. Treasury engagement grows. The bank gains better visibility into how the business manages cash, moves money, and plans for growth.

> *A commercial relationship can appear stable while the most valuable activity moves elsewhere. The account stays open.*

A loan remains on the books. The business still values the bank. But payments begin running through another provider. Cash visibility moves to another platform. Reporting happens outside the bank. Credit needs shift toward lenders that offer a faster path to approval.

Commercial banking value follows operating activity. The more financial activity a business manages outside the bank, the less visibility the bank has into cash flow, payment patterns, risk signals, and future needs. Over time, the bank risks becoming one provider among many instead of the central financial relationship supporting the business.

Old Definition of Primary

Where the account sits, whether a loan is on the books, whether the business still values the relationship.

New Definition of Primary

Where operating balances, payment activity, cash flow, reporting and daily financial work are managed.

How Commercial Accounts Operate Today

Commercial account holders do not organize financial activity around bank products and services. They organize around the work that must be done: accounts payable and receivable, payroll, cash flow management, reconciliation, reporting, and industry-specific operations.

Those tasks increasingly run through accounting platforms, ERP systems, payroll providers, and specialized software. That reality changes where the bank fits into business operations.

When the bank does not fit into those workflows, businesses build workarounds. They adopt external tools, add providers, and gradually move operating activity elsewhere.

The experience often looks like this:

Old Model - disconnected

Multiple accounts
No unified view across balances

Seperate portals
Staff navigate multiple platforms

Manual exports
Data moved by hand between systems

Re-keyed information
Duplicate entry across systems

Reconciliation burden
Time lost matching records manually

That is the current state for many businesses. They do not experience those processes as separate banking products. They experience them as one operating workflow. Visibility, approvals, reporting, and reconciliation all connect to how work gets done.

A stronger model reduces that friction. In a more connected experience, that same partner can see balances across accounts, approve payments within a controlled flow, and move transaction data directly into accounting and reconciliation. Instead of forcing the business to jump between portals, export files and re-key information, the bank supports the workflow more directly.

Where Traditional Banking Models Fall Short

Many community banks already provide foundational commercial banking services, including ACH, positive pay, and fraud controls. Those capabilities still matter. But growing businesses now expect more connected support for daily financial work.

The issue centers on whether services align with how businesses operate. Some obstacles include:

Disconnected Products

Deposits, payments, lending, cards, and digital banking often reach businesses as separate products instead of one connected experience.

Bank-Centric Design

Banks often rely on portals and channels that require commercial account holders to adapt to the bank's structure, rather than fitting more naturally into the business's existing workflows.

Difficult Onboarding

Onboarding, integration, and setup often remain manual and inconsistent, making it harder for businesses to adopt and expand commercial capabilities.

Inconsistent Controls

Entitlements, approvals, reporting, and alerts often vary by product or channel. Businesses experience that fragmentation as extra work, operational friction, and added risk.

As businesses become more complex, they need stronger support for cash visibility, approvals, reconciliation, payments, and credit access.

That challenge becomes especially clear in businesses with more operational complexity, such as construction firms managing draw schedules and subcontractor payments, property managers overseeing multiple entities and reserve balances, or law firms handling trust accounting and client-level reconciliation.

Complexity shows up for businesses like construction firms, property managers, law firms, title companies, homeowners' associations and multi-entity operators.

These are not just banking needs. They are operational needs tied directly to how the business manages money every day.

When a bank cannot support them well enough, businesses start looking elsewhere for help. 80% of millennial-run businesses believe fintech companies offer more products and services than their primary financial institution.[6] Meanwhile, twelve percent of small and midsize businesses now borrow from fintech lenders.[7]

The Technology Gap

For many banks, those limitations show up in the commercial capabilities businesses increasingly expect: payment orchestration, automated workflows, and real-time data exchange.

INDUSTRY INSIGHT

Nearly half of community banking professionals cite technology limitations or integration gaps as their biggest obstacle to growing their commercial portfolio - ahead of fintech competition, regulatory burden, and credit risk.[9]

Source: CSI 2026 Banking Priorities Survey

That gap shows up in three specific areas:

Payment Orchestration
Businesses expect money movement across multiple payment types and use cases.

Automated Workflows
Manual setup and servicing make it harder to scale commercial relationships.

Real-Time Data Exchange
Cash visibility and reporting expectations are moving closer to real time.

Banks that can connect commercial capabilities more effectively across payments, treasury, onboarding, and servicing are better positioned to close this gap while preserving the relationship-driven service that differentiates community banking.

The New Model: Becoming Part of How the Business Operates

To compete for more complex commercial relationships, community banks need a model that connects banking capabilities to how businesses operate. Deposits, lending, cards, payment rails, compliance, and core systems still matter deeply. What changes is how those capabilities fit into the business's financial workflow.

The same basic flow appears across many high-value commercial relationships. Businesses collect money, separate it by purpose or party, control who can access it, disburse funds, reconcile activity, and report back to the people involved.

That flow is not limited to one industry. It can appear in homeowners' associations collecting dues, law firms managing trust balances, title companies coordinating disbursements, property managers handling owner funds, and landlord-tenant relationships managing recurring payments. The details change by segment, but the underlying work is similar.

Collect → Receive funds and incoming payments.

Segregate → Separate funds by party, purpose or entity.

Control → Apply users, approvals, limits and alerts.

Disburse → Move funds through the right payment rails.

Reconcile → Match activity to records and systems.

Report → Give stakeholders visibility and documentation.

Businesses do not experience these as separate banking products. They experience them as one operating workflow.

The New Model in Practice

Old Model - disconnected	New Model - connected
Multiple accounts No unified view across balances	**Unified cash visibility** All balances in one view
Seperate portals Staff navigate multiple platforms	**One connected experience** Payments, approvals, reporting in one place
Manual exports Data moved by hand between systems	**Automated data flow** Transactions move directly into accounting
Re-keyed information Duplicate entry across systems	**Single source of truth** Data entered once, flows everywhere
Reconciliation burden Time lost matching records manually	**Automated reconciliation** Activity matched to records in real time

In this model, the bank connects commercial capabilities around the way the business operates. Account holders can move from cash visibility to payments, reconciliation, controls, and servicing without navigating separate systems. Those capabilities can also connect into the tools businesses already use, including accounting platforms, ERP systems, payroll providers, and industry-specific software.

Controls, approvals, alerts, and user permissions are built into the experience. Onboarding becomes more than a one-time event. It becomes an ongoing capability that supports growth and operational complexity.

Bank capabilities connect to accounting platforms, ERP systems, payroll providers, and industry-specific software - instead of forcing the business to manage around the bank.

In short, the bank becomes part of the customer's financial supply chain.

Where Community Banks Still Hold an Advantage

Community banks already hold an advantage in many commercial markets because they understand the businesses operating within their communities. They often know the local law firms, property managers, contractors, title companies, and homeowners' associations that drive economic activity in their markets. Those relationships still matter, especially as businesses navigate more complex financial needs.

More than 75% of small and midsize businesses use a physical branch at least once a month. Additionally, 73% say connections with branch staff are important, including 80% of millennial-run businesses.[8] That trust gives community banks a strong foundation to expand commercial relationships over time.

But relationship banking alone is not enough to retain the full commercial relationship. Businesses also expect their bank to support the financial work happening inside the business each day, from payments and approvals to cash visibility, fraud controls, and reporting.

That expectation creates an opportunity for community banks that already understand the businesses they are best positioned to serve. They do not need to compete across every commercial segment at once. They need to support the operational and financial needs of businesses already active within their markets.

Trust is the Foundation

75% use a physical branch at least once a month

73% say branch staff connections are important

80% millennial-run businesses say connections are important

The Opportunity

Community banks should use trust as the foundation, then extend the relationship into daily operating workflows.

Closing the Execution Gap

Fragmented systems, siloed teams, and inconsistent onboarding make it difficult for banks to deliver connected commercial experiences at scale.

The banks making the most progress are finding practical ways to connect capabilities more effectively without creating additional operational burden.

SIMPLE	GROWING COMPLEXITY	COMPLEX
Small businesses Law firms, contractor, franchisees	**Growing midsize businesses** Regional firms adding complexity	**Complex commercial clients** Manufacturers, multi-entity operators
What Matters Most • Ease of onboarding • Basic connected payments • Fraud protection • Clear reporting	**What Matters Most** • Cash visibility • Wire and ACH capabilities • User entitlements • AP integration	**What Matters Most** • Real-time payments • ERP integration • Treasury tools • International capabilities
How to respond • Digitize onboarding • Deliver connected payments • Proactive fraud alerts • Improve account reporting	**How to respond** • Surface real-time cash positions • Support role-based controls • Enable approval workflows • Connect payroll and AP	**How to respond** • Enable payments orchestration • Connect via ERP APIs • Deliver cash concentration • Rival larger institution tools

What Winning Banks Do Differently

Successful strategies include:

01 **Design around workflows, not product categories.** Commercial experiences align with how businesses operate, not how the bank is organized.

02 **Connect capabilities across deposits, payments, lending, cards, and digital channels.** The business experiences one coordinated relationship, not a collection of separate tools.

03 **Prioritize onboarding, integration, and ease of expansion.** Account holders can adopt and expand capabilities without lengthy implementation cycles or manual setup.

04 **Build visibility, controls, and governance into the experience.** Reporting, security, and approvals remain consistent throughout the relationship.

05 **Focus on industries where operational complexity creates a stronger relationship opportunity.** Targeted approaches help community banks compete where generic delivery creates friction.

Winning banks make commercial banking feel like a coordinated operating relationship, not a set of disconnected products.

From Relationship to Essential Partner

Commercial banking increasingly revolves around the financial work happening inside the business each day. Account holders expect their bank to support how money moves, how cash is managed, and how financial activity stays visible across the organization.

For community banks, the opportunity extends beyond retention. Businesses still value relationship-driven banking, but they also need stronger operational support as they grow. Banks that meet those needs can retain more deposits, expand treasury activity, grow fee income, and become more essential to the commercial relationship.

The next question is where to focus first. The strongest opportunities often emerge in businesses with recurring money movement, multiple parties, approval requirements, and reporting needs.

> ***Solving that friction can turn a trusted banking relationship into the primary operating relationship.***

From there, community banks have a clearer path to compete for commercial opportunities that once seemed out of reach.

Where to Begin

Community banks do not need to compete everywhere. The strongest opportunities are where businesses already trust the bank but still struggle with the financial workflows that keep their operations moving.

Look for These Signals

01 Recurring money movement

02 Multiple parties or entities

03 Approval and control requirements

04 Reporting and reconciliation needs

The Payoff

Turn a trusted banking relationship into the financial operating relationship businesses rely on every day.

Banks that become central to their customers' financial supply chains will be better positioned to grow with those businesses and strengthen their role in the communities they serve for years to come.

About CSI

CSI is a leading provider of end-to-end financial technology solutions, helping U.S. community and regional financial institutions compete and grow. Backed by more than 60 years of industry expertise, CSI delivers a comprehensive suite of capabilities spanning core banking, digital banking, lending, payments, risk and compliance, and managed IT and cybersecurity services. CSI gives financial institutions the flexibility to deploy a fully integrated core platform or best-of-breed, core-agnostic solutions, enabling them to modernize on their terms. Known for its high-touch service, CSI helps financial institutions navigate disruption, strengthen account holder relationships and drive growth in an increasingly digital-first financial landscape. To learn more, visit **csiweb.com.**

Resources

1 BauerFinancial, All New Bank Star-Ratings Now Available (March 2026)

2 CSBS, Net Interest Margins Bump Reg Burden as Top Community Bank Concern

3 FDIC and company earnings disclosures, 2025–2026

- FDIC, Quarterly Banking Profile, First Quarter 2026
- Community West Bancshares, SEC Form 8-K, Q3 2025 Earnings Release
- Community West Bancshares, SEC Form 8-K, Q1 2025 Earnings Release
- Northrim BanCorp, SEC Form 8-K, Q2 2025 Earnings Release
- Northrim BanCorp, SEC Form 8-K, Q1 2025 Earnings Release
- Ameris Bancorp, Q1 2026 Earnings Call Summary

4 Datos Insights, Top Trends in Commercial Banking & Payments, 2026: The Dual Mandate of Foundation and Forward

5 Datos Insights, Intelligent Routing Is the Future of Payments Automation

6 Datos Insights, Top Trends in Commercial Banking & Payments, 2025: Switching from Defense to Offense

7 Datos Insights, Taking SMBs Back from Online Lenders: How to Do It Now

8 Datos Insights, The Future of the Branch in SMB Banking

9 CSI, 2026 Banking Priorities Executive Report

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