

# Artificial Intelligence: Buzzword or Essential Bank Strategy?

**BANKTALK 2023**

*BY THE SALTMARSH BANK ADVISORS*



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# Agenda

- Why Do Your Customers and Teams Need AI?
- How Can We Use AI to Make Banking Better?
- What New Risks Will My Bank Need to Manage?
- Where Can My Bank Start Implementing AI?

# What Banking and Tech Titans Think of AI

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“The AI trend seems to be moving faster than anyone can comprehend or get a handle on.” – Jack Dorsey, The Block Head, Block

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“Hey, can I afford to go out for dinner tonight? Your bank account should be able to answer that question.” – Brett King, Moven

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“Can AI understand the creative nuances that emotionally connect with people the way a human can? The jury’s still out.” – Andrea Brimmer, Ally

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“You don’t want to have to explain after the fact why an AI model is making certain decision; it may be too late.” – Alexey Surkov, Deloitte

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*Artificial intelligence is a foundational technology that gives customers the experiences, tools and insights they need and want to feel better about their financial lives.*

# Did You See This Coming?

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Instagram has 2 billion active users

Influencer Marketing Economy Hits \$17 billion

ChatGPT Reaches 100M Users in First Two Months

Threads Reaches 100M Users in Five Days

\$60 Trillion in Wealth Set to Transfer

68 Million US Consumers Use Fintech Banks

Financially Concerned

Money-Savvy

Self-Reliant

Entrepreneurial



# Building Lasting Relationships with GenZ

Mastery of the digital experience means owning the experience – internal and external

Build trust into digital experience  
– live chat, financial wellness & advice

Leverage data to understand customers and members – Intelligent Engagement

Create conversations with GenZ that center around their concerns and goals

'Rebundle' financial services – investing, student loan paydowns, credit monitoring, payments

Ensure GenZers are part of your management team - and vendor team, too



# Serving GenZ Will Require New Strategies

## What They Want

- Micro:
  - Turn off/on payments cards
  - Modern online account opening
  - Online loan origination
  - Faster/Real-Time payments
  - Pay for value, not function
- Macro:
  - Financial mastery
  - Integrated investing
  - Safe way to invest in crypto
  - Reduce financial anxiety
  - Engagement with aligned brand







Open APIs

Internet of Things

Artificial Intelligence

Advanced Data Security

Fast

Easy

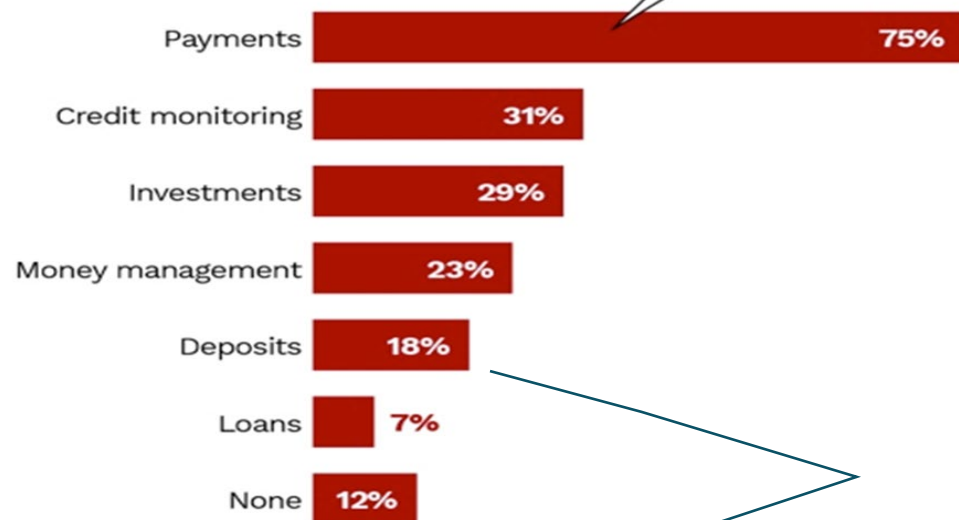
Fun

Flawless

# Competition with Fintechs is Brutal

Tasks for which Gen Z is comfortable using tech companies

Consumers age 15-24



SOURCE: MX © January 2022 THE FINANCIAL BRAND

- Only one third of GenZ believes their FI is meeting their needs.
- 54% of GenZ thinks banks and credit unions don't care about their needs.
- Less than half of GenZ used same FI as parents in 2022.
- GenZ will push financial services brands to grow or fade.
- Traditional financial institutions cannot survive as money storage facilities.

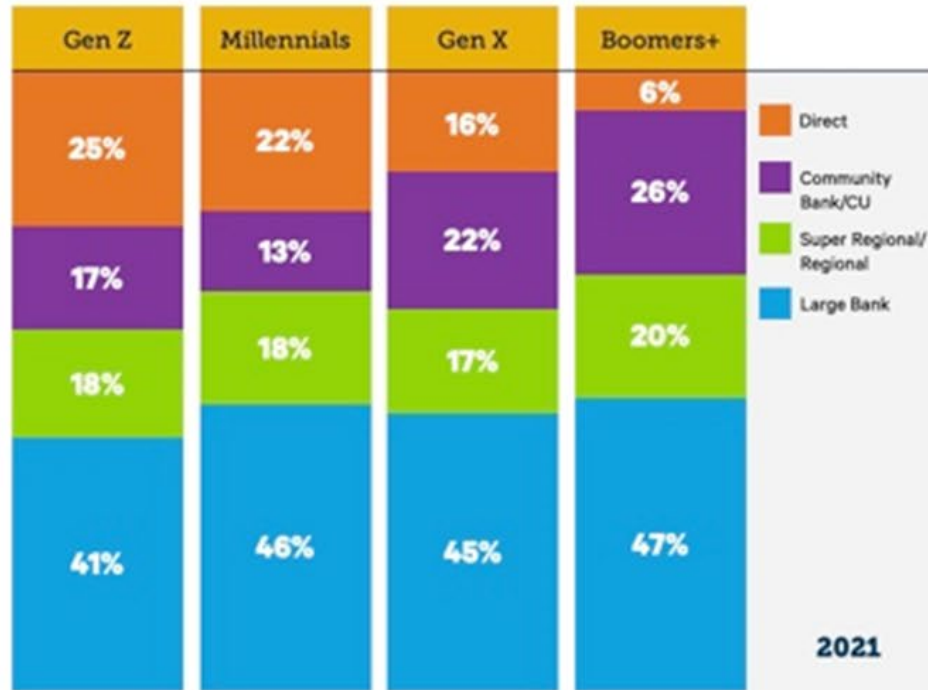
Banks Run the Risk of Operating Solely in the Deposits Box !

# Gradually, Then Suddenly, Shift Happened



Source: [www.FedFis.com](http://www.FedFis.com)

## Who is your primary financial services organization?



### Key Insight:

GenZ is much more likely to choose direct banks and split their financial services relationships across multiple financial services providers.

## Do you bank with only one financial services organization?



We asked customers

**Would you consider banking with a nontraditional financial services organization?**



of consumers would consider banking with Amazon, Apple, PayPal or another nontraditional organization.

Source: BAI

# Trust Matters

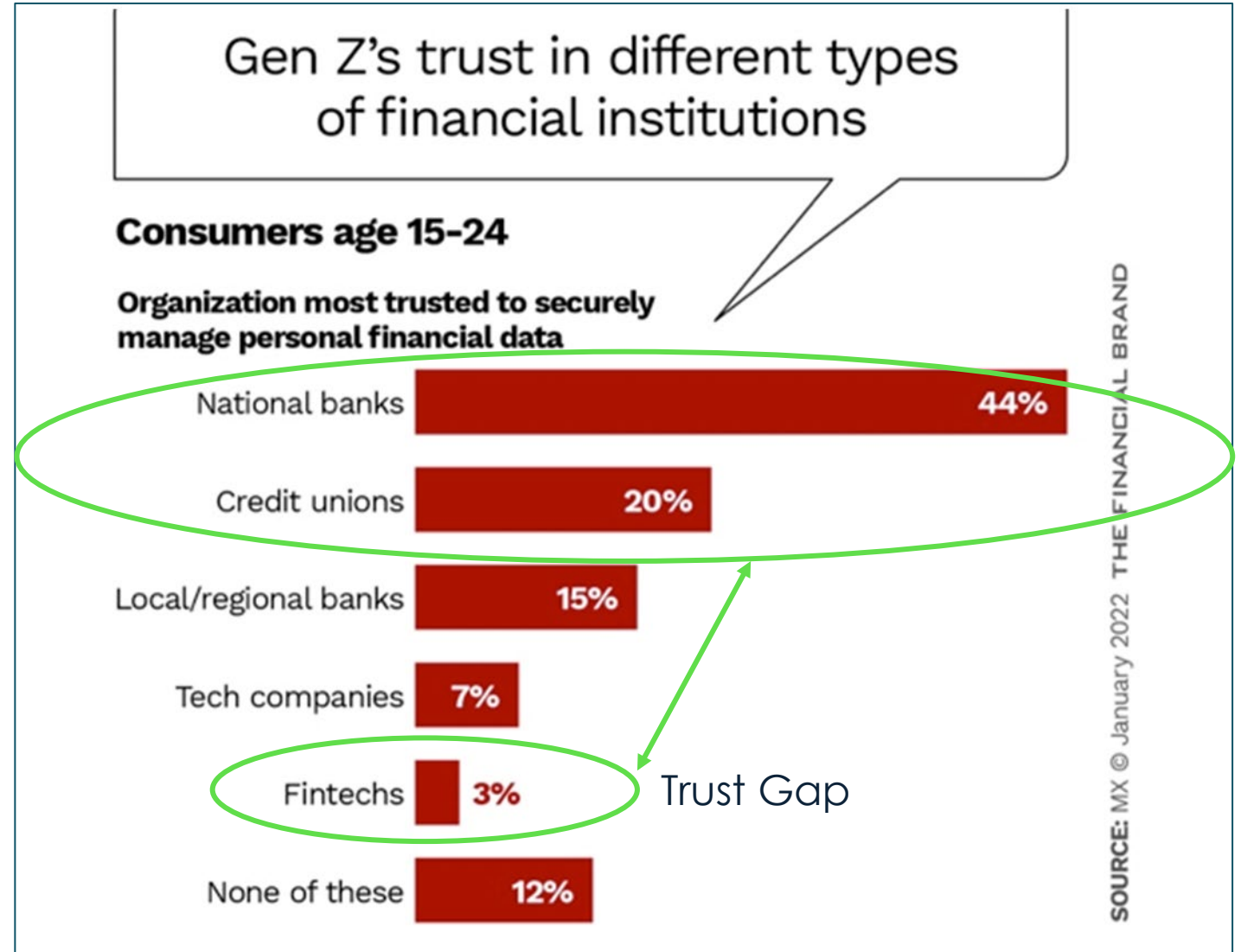
The current trust advantage that traditional financial institutions have over fintechs is unlikely to last very long.

Move quickly to build relationships with GenZ now.

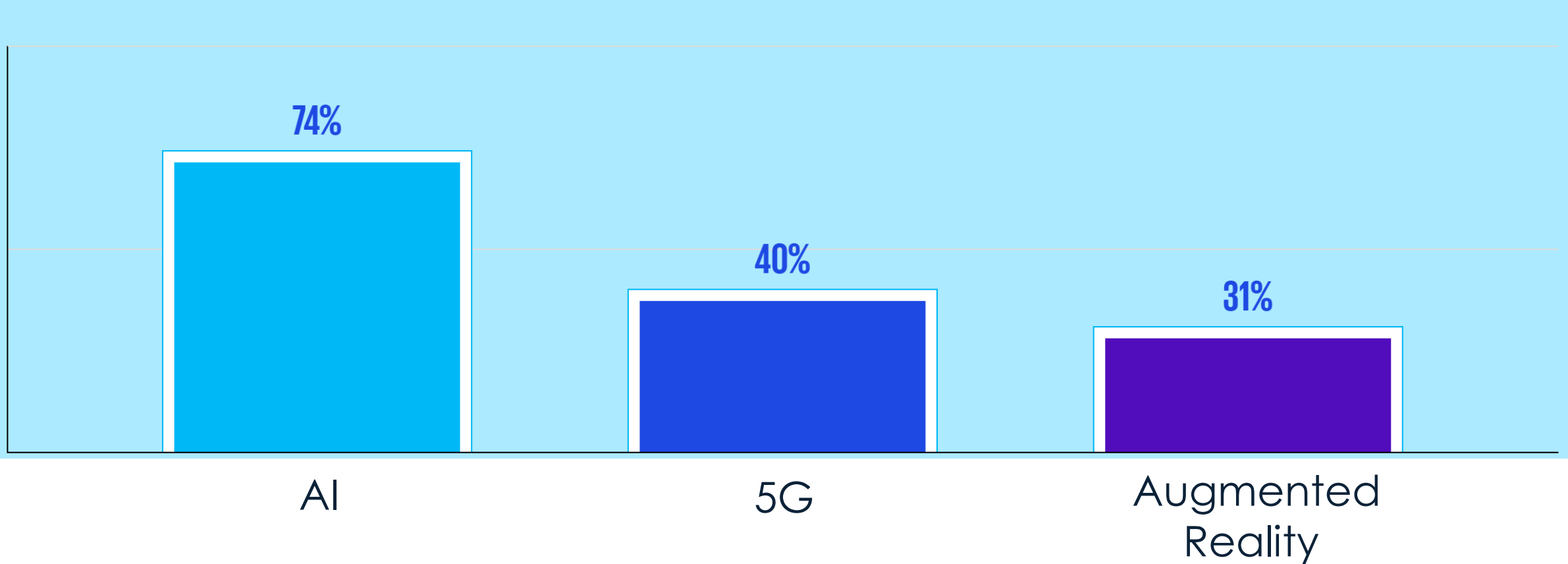
Measuring success by deposit accounts is a recipe for failure as GenZers increasingly view them as money storage.

## The Innovation Dilemma:

Traditional financial institutions need to grow loans in a dramatically different demographic that wants to bank with brands they trust.



# Top Three Emerging Technologies That Will Have Biggest Impact in 2024



Source: KPMG Generative AI Study, June 2023

# Artificial Intelligence Moves The Industry Forward

Reactive

Proactive

Commoditized

Personalized

Too Late

Time Sensitive

Reporting

Analytics

Monologue

Conversation

Transactional

Emotional



# Artificial Intelligence Makes Your Customers' Financial Lives Better



- Frictionless customer service
- Personalized financial advice
- Formulation of savings plans
- Customized bundles of products
- Conversational engagement (across channels)
- Personal wealth manager
- Control over who accesses data
- Intelligent chatbots for bank-initiated outreach
- Mobile-first trust builder



# Leadership Depends on Achieving Interoperability of Modern Banking Infrastructure

## Full Service Legacy Cores



## Payments



## Account Opening & Onboarding



## Insights



## Digital Channel Solutions



## Credit Monitoring



## Marketing Automation



## P2P



## Financial Wellness & Wealth Solutions



## Lending & Mortgage



## Data Aggregation



## Crypto Enablement



## "New Core/SaaS"



## AI/Chatbots

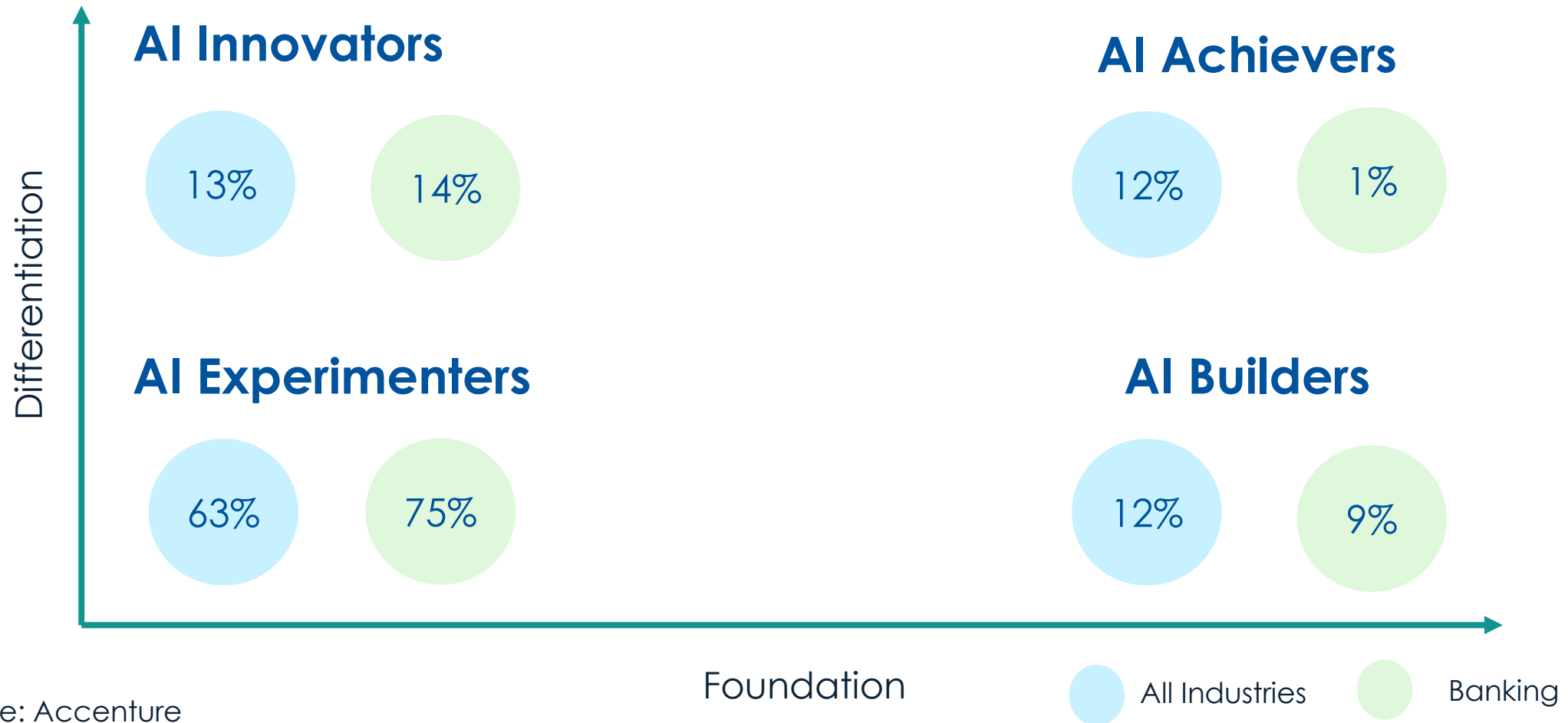


## Enterprise Data & Security



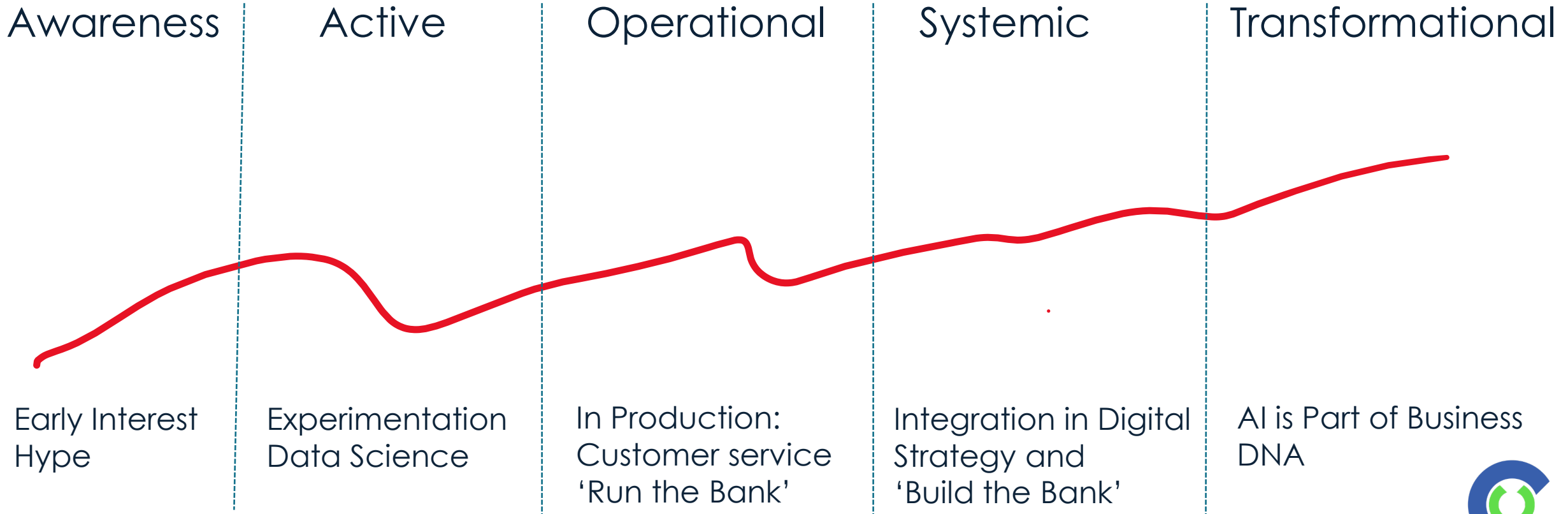
Sources: HTMA, CBInsights, Gartner

# Banks are Lagging Other Industries in AI



Source: Accenture

# AI Will Progress Quickly from Experiment to Business DNA



Source: Gartner



# Risk Management in the AI Era is a Huge Challenge for Banks



63%

rate privacy concerns with personal data as a top risk.



62%

rate cybersecurity as a top risk.



61%

rate legal, copyright, and intellectual property issues as a top risk.

# Regulation Not Slowing the AI Train

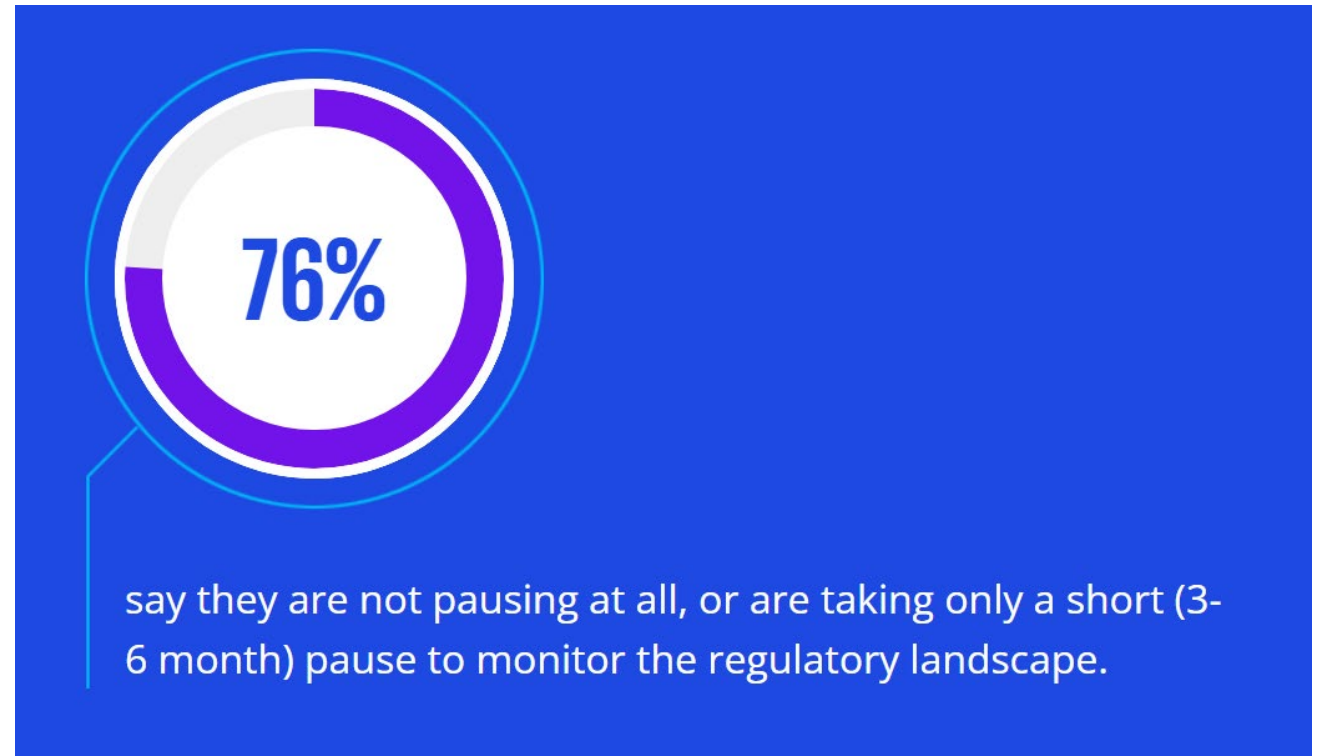
## Spots to Watch:

- AI-spurred job losses
- Privacy violations
- Biased algorithms
- Cybersecurity breaches

## Resources:

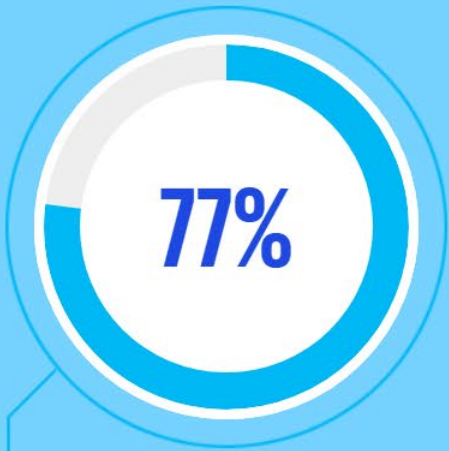
Artificial Intelligence Risk Management Framework 1.0 – National Institute of Standards and Technology

“We can’t afford to break trust with our customers.”

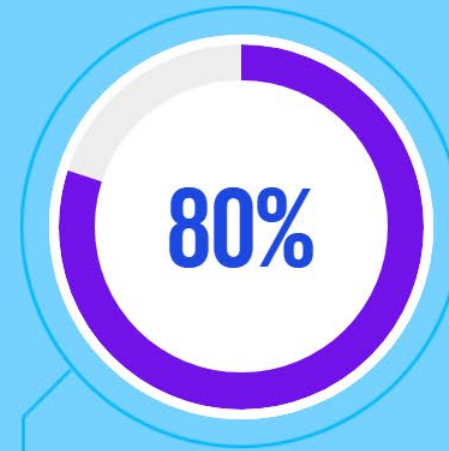


Source: KPMG Generative AI Study, June 2023

# Most US Business Leaders are Confident in Ability to Manage AI Risks



are confident in their ability to mitigate risks associated with generative AI.



of those that already deployed generative AI are confident in their ability to mitigate risks.

# What To Do Now

“How is AI Embedded in Current IT Projects?”

Elevate AI Internally; AI Talent

Get Your Teams On Board

Modernize Your IT Evaluations

Verify the Vendor Bench of AI Experts



# Thank You!

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