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THE AI REVOLUTION IN BANKING

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Banks have been trying for years to implement artificial intelligence (AI) programs to improve their client experiences and fend off increasing competition from new entrants outside the traditional financial services industry. Mos@ In cit

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For some banks that have embraced AI, the results have been impressive. Our recent work with a leading bank serves as a testimony of the ″nancial impact that AI can deliver. As an example, the introduction of AI in selection of leads for marketing campaigns has had remarkable results: 10% of sales in the bank today for personal loans and auto loans are linked to AI campaigns. In yet another example, leveraging advanced data analytics to

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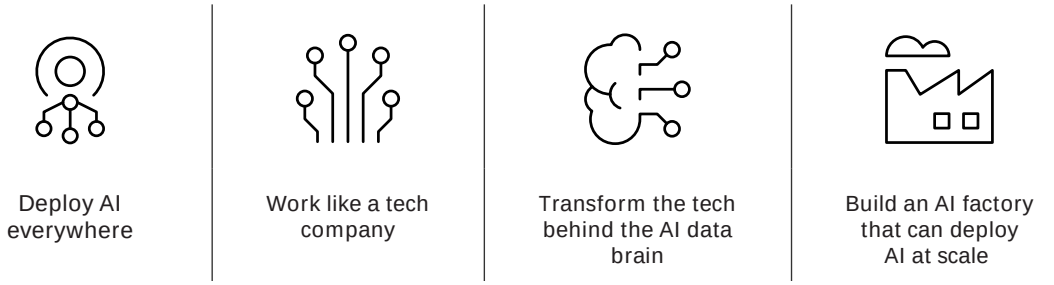
Exhibit 1: Pillars of the AI transformation



Deploy AI everywhere: How does a bank envisage AI at work in its organization, from front o ŭ ce to back? Once the bank has this vision in place, the next step is to create a clear plan outlining how AI will be deployed throughout the organization, including timelines. They should start with applications that will be able to deliver value quickly, as this will win over the support of the team and thus hasten the adoption of AI in other areas.

Work like a tech company: Traditional banks♯ greatest competition no longer comes from other banks, but rather from technology companies. Therefore, it♯s time to start thinking as they do. What gives ˝ ntech companies an edge? What draws consumers to them? Often, it is the agile working methods they employ, which make them better to serve and answer their needs. In order to compete, banks need to mimic this agility. It may require a change in how they operate, but the results will be self-evident.

Transform the technology behind the data brain: At its very core, AI is about data. A successful AI transformation necessitates having high quality ♯raw material♭ available at the right time. This, in turn, means a bank must have the right data infrastructure in place. It may be necessary to move to the cloud to enable real-time AI applications; it will almost certainly entail establishing the necessary data governance, stewardship, and data-quality frameworks.

Build an AI factory that can deploy AI at scale: A true transformation will occur only if AI is deployed and institutionalized at scale. Assembling a team of high-caliber individuals and formalizing a center of excellence in the organization to drive the change is key. Crafting an attractive value proposition will help a bank attract AI talent ˇ no small feat in an environment where these skills are in great demand.

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In any industry undergoing major change at pace, players are searching for a silver bullet that can help them not only remain ahead of that change but emerge as winners. This is particularly true for the banking sector, where the digital revolution has transformed the landscape across digital, mobile, and data. Where incumbent players once could count on established legacy and a generations-deep track record to keep customers coming back, digital newcomers are now gaining market share thanks to their ability to answer evolving customer demands. Regulas c ` w grng ש s y a l ז im d tḷ s m ṫ ṡ ṣ ᴰ

Our AI-˝rst cohort ȥ those banks trailblazing what can be achieved through systemwide

Change is never easy. Changing a mindset is even more di ů cult, as it entails not only the imposition of new procedures and processes, but also reshaping internal company culture, and encouraging employees to view their roles in a di ˜ erent

That said, AI should not be viewed as an isolated element that can solve a speci˝c business problem or optimize a speci˝c metric; rather, its power is exponentially enhanced when

Exhibit 7: Overview of 3-6-9 agile delivery approach followed by an AI-first trailblazer

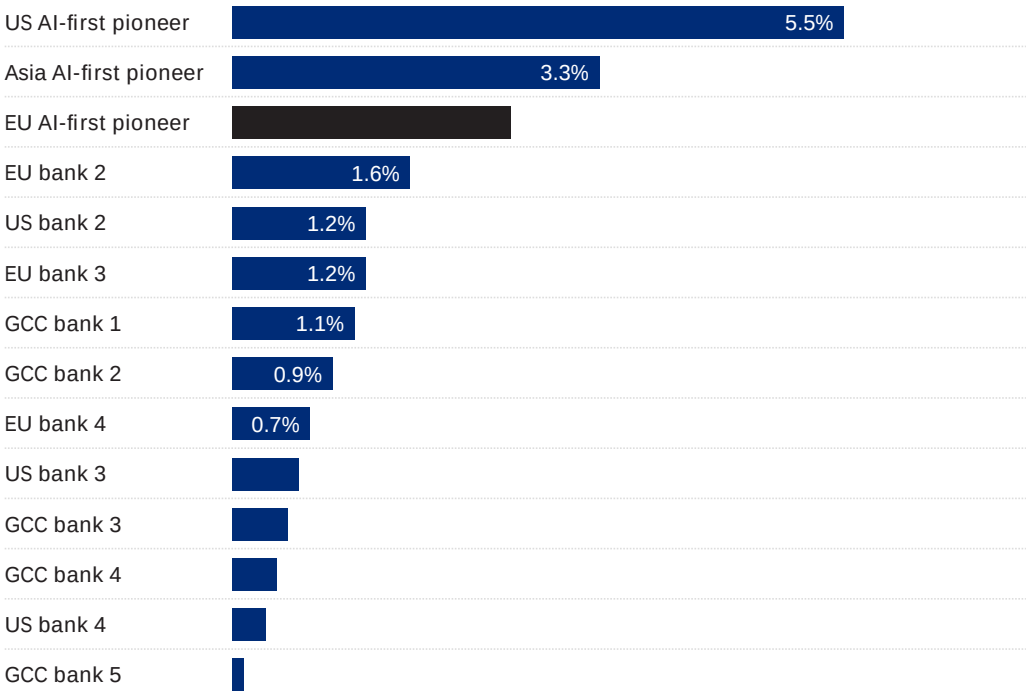
3	**Days to mobilize multidisciplinary team**	Multidisciplinary teams, bringing together empowered representatives of all relevant units e.g., AI factory, risk, retail, marketing,...
6	**Weeks to develop prototype**	To deliver a product in agile sprints, with an MVP in only six weeks...
9	**Months to industrialize solution**	And focusing on missions that can stick at the bank ʐ only start a use case if it can be industrialized/embedded in operations in nine months or less

To deploy and embed AI across a bank at the scale of the trailblazers, an organization needs strong technology and a data stack that enables AI applications. However, this does not mean all technology and data elements must be in place before it can embark on the AI transformation journey. To the contrary, our experience has shown that the project is likely to be more successful if the bank ˝rst concentrates on launching use cases that demonstrate the bene˝ts to be gained through transformation, as this will ensure support from the broader organization.

Our analysis shows that trailblazers have implemented data transformation prorsrnrsm ɔ c eh

Trailblazers understand the importance of building advanced data analytics capabilities ȝ and consequently are prepared to invest signi˝cantly in creating a workforce with corresponding skills.

Exhibit 8: Comparative analysis of data and analytics team across top US, EU, GCC and selected AI-frst pioneers — headcount based on LinkedIn information



The ability to compete with such organizations requires a deliberate focus on accelerating the development of AI teams. For example, one trailblazer based in Europe acquired a specialized big data start-up to rapidly scale up capabilities. This acquisition was the start of what today is a 200+ member-strong AI unit that includes many PhDs.

Beyond AI-specialized and broader data capabilities, banks need to focus on upskilling and bringing the wider organization along the AI journey. One trailblazer has trained hundreds of resources across business areas, including the bank's leadership, in the fundamentals of data analytics. Trained employees act as AI ambassadors in their respective business units, scouting potential AI use cases and translating business needs into data applications.

There are many attributes that have contributed to the longevity of the current banking model, with in]

Encouragingly, once action is taken, results are fairly rapid, as has been demonstrated by one of our clients, when partnering with us to build an AI center of excellence and transform the bank (see Exhibit 9). As part of our collaboration, we are working with our client to develop and deploy AI use cases, working to generate impact while building key capabilities ˛ an approach that has helped us secure support across business units and, in so doing, facilitated buy-in from the broader organization.

The time to act is now. As much as traditional banks are under pressure, there are also several factors in their favor, such as a relaxed regulatory environment and increasing interest rates. With AI as a compelling tool to stop the loss of further market share, AI-˝rst incumbents can look forward to remaining relevant in a world of constant change.

Exhibit 9: The journ7 Tm[7)16 (n)97 (0 9 977953)1n6R

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