

# The Current and Future State of Generative AI for Banking

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**Exploring the Potential**

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### Introduction

In the rapidly advancing landscape of artificial intelligence (AI), the past 18 months have witnessed a fascinating evolution in generative AI technologies for banking. A recent [report](#) from Burning Glass Institute and SHRM suggests that generative AI will most significantly impact the banking and tech industries. The McKinsey Global Institute's own [report](#) reinforces expectations, estimating the annual potential for generative AI in banking to be "\$200 billion to \$340 billion (equivalent to 9 to 15 percent of operating profits), [coming] largely from increased productivity."

Today, at least, AI isn't replacing essential roles en masse. But, financial institutions should still be [pre-](#)

[paring themselves](#) for a future where AI will significantly influence, and enhance, their operations and staff — which means banking executives must learn to navigate the complex landscape of AI innovation.

This white paper is designed to help you accomplish exactly that. It explores key developments in generative AI, and how carving a path forward with this technology helps to enhance digital engagement, empower banking workforces, and deliver consistently better experiences for every touchpoint.



# The Latest: Generative AI in Banking

An overview of key points in this evolution provides valuable context for defining how financial institutions can unlock the full potential of generative AI — to improve both competitive advantage and customer value.

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## Hype Deflation

The [fevered push](#) surrounding generative AI in 2022 and 2023 was soon followed by “the trough of disappointment” phase from Gartner’s [Hype Cycle for Artificial Intelligence](#). Expectations often outpaced reality as financial institutions explored early AI solutions. The industry has now transitioned to a more [balanced perspective](#), focusing on practical applications and tangible business outcomes rather than overblown promises.

## Money Grab

As part of the initial hype, some AI vendors pursued a “money grab” strategy, [promising quick solutions](#) and compelling results without delivering sustainable business value. Financial institutions have become [more discerning](#), seeking AI partners with proven track records and a deep understanding of the financial sector's unique challenges, including its regulatory context.

## Custom AI Models

One notable trend is the shift towards [custom models](#) tailored for industry-specific needs. Financial institutions are increasingly investing in the development and fine-tuning of AI models tailored to specific use cases, such as improving employee productivity and personalized customer interactions. These custom models offer better performance and cost-efficiency compared to general-purpose large language models (LLMs). As generative AI’s [multimodal capabilities](#) evolve — integrating text, image, and other data types

— financial institutions can leverage custom models to extract and analyze insights from unstructured data, including historical service interactions, social media posts, news, web pages, and more. These capabilities improve service operations and customer experiences, ultimately [enhancing customer engagement](#).

## LLM Agents

[According to](#) the McKinsey Global Institute, AI agents — autonomous, intelligent entities capable of performing specific tasks — are the next great frontier of generative AI, particularly for banking. The value of deploying these AI-powered “virtual workers” for tasks such as customer assistance or real-time fraud detection is coming sharply into focus. And, the benefits are already being realized with [AI-augmented human teams](#): Human agents and employees “team up” with AI tools that assist with and enhance their work in real time.

## Guardrails Under Scrutiny

“Guardrails” in AI, the frameworks and practices meant to ensure ethical and compliant behavior, are being questioned. As AI systems become more complex, financial institutions grapple with [ensuring transparency and accountability](#) in AI decision-making processes — for consumers, employees, and regulators alike.

## Hybrid Systems (Neurosymbolic)

The emergence of hybrid AI systems — the combination of neural networks with symbolic reasoning — presents [exciting opportunities](#) for banking applications and may mitigate some of the challenges associated with “guardrails.” These systems enable a more nuanced understanding of financial data and facilitate explainable AI; for example, lists of customer-specific terms and abbreviations can help to train and refine an LLM's performance through a combination of symbolic reasoning and generative capabilities. Such methods can help to enhance transparency, improve regulatory compliance, and build trust with consumers and regulatory bodies.



## FOMO and No Go: Carving a Path Forward with Generative AI

Financial institutions are understandably [vacillating](#) between charging full-steam ahead for fear of missing out or adopting a more cautious approach to generative AI and its benefits. Being the first to act invites greater scrutiny, but waiting too long risks the perception that your institution is less innovative in the competitive landscape.

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## The 4 Biggest Benefits for Financial Institutions

While every financial institution must move at its own pace towards generative AI adoption, incorporating it can help organizations:



**Deliver a consistent, innovative brand experience**



**Increase customer satisfaction**



**Promote digital engagement**



**Empower its workforce**

## Unlock Business and Channel Silos

Generative AI unlocks siloed product and procedural knowledge. Data repositories can be shared more easily to support a consistent brand experience across every customer touchpoint. Employee-facing solutions also prevent your teams from spending all their time digging for the right information. The results are enhanced accuracy in financial institution-customer interactions and improved experiences for all.

## Optimize Digital Engagement

Every financial institution wants to increase deposits, lower costs to serve their client base, expand share of wallet, and grow their footprint. Digital tools make this possible with less. For example, generative AI-enabled chat functions can provide hyper-personalized, human-like conversations that keep consumers engaged — and encourage them to discover more. For banks and credit unions, large volumes of financial data and unique customer insights are available immediately at their fingertips. Whether customer-facing or banker-facing, these digital channels build brand trust and drive more sustainable growth.

## Increase Customer Satisfaction

No one wants to wait anymore. Consumers want to self-serve. But, sometimes, they need some assistance — and when they do, they expect their digital experience to be as human-like as possible. Enter intelligent digital assistants (IDAs). IDAs are designed to facilitate positive customer experiences. They host human-like conversations to understand customer preferences, sifting through volumes of data to answer detailed questions and execute actions — all with the self-serve efficiency consumers demand.

## Empower and Nurture Your Workforce

Incorporating generative AI solutions provides front-line staff with the most timely and accurate information they need to proactively address customer needs at a lower cost. Beyond enhancing customer interactions, AI solutions help [foster a workplace environment](#) that prioritizes personalized support, skill development, interdepartmental collaboration, and employee well-being. The results are significant gains in productivity and improved employee engagement.



## Technology Designed with Financial Institution Employees and Consumers in Mind

Kasisto has aligned its promise with these four pillars to help its financial institution clients:



**Increase accuracy**



**Build trust**



**Improve transparency**



**Provide customized experiences**

Its full suite of conversational and generative AI solutions is purpose-built for financial institution consumers and employees. Kasisto's conversational AI platform, KAI, takes personalized assistance to an entirely new level, making it possible for employees, consumers, and members to find needles of knowledge in the information haystack. KAI is powered by [KAI-GPT](#), a large language model carefully curated for banking that minimizes the risk of LLM hallucinations and delivers precise, secure, and remarkably intuitive interactions.

### Banking Employee Experience Solutions

Kasisto's employee-facing solutions facilitate AI and human collaboration with unparalleled speed and accuracy. With KAI, employees have immediate access to the precise information needed — so they can scale their support and their operations to help their institution thrive.

#### KAI Answers

[KAI Answers](#) instantaneously sorts vast information networks to deliver just the right information exactly when it's needed — taking flat, tabular text and summarizing it in natural spoken language so teams can concentrate on their primary goal: delivering exceptional customer experiences and efficient performance.

#### Intuitive, User-Friendly Features

Minimize the learning curve with user-friendly features that deliver the best possible performance without bankers needing to "learn" how to ask questions effectively.

#### Streamlined Implementation

Seamless integrations with existing banking systems ensure a smooth implementation process and compatibility with a team's current workflows.

[See how](#) KAI Answers improves experiences for bankers and consumers alike.

## Consumer Experience Solutions

Kasisto's consumer-facing solutions are purpose-built for banking and branded to engage the market — combining AI and human-like assistance to create a friction-free customer experience that delivers the expertise of the best bankers.

### KAI Consumer Banking with KAI Answers

KAI Answers leverages the power of LLMs, such as KAI-GPT, enabling consumer-facing digital assistants to produce generative replies based on any internal and/or public-facing document ingested via the KAI Portal.

#### Enhanced Customer Engagement and Satisfaction

Improve customer satisfaction and loyalty with a seamless user experience powered by personalized, 24/7 support — across multiple channels.

#### Operational Efficiency and Cost Reduction

Cut operational costs and boost overall productivity with intelligent automated responses to routine inquiries and transactions.

#### Scalability and Integration

Ensure efficient and secure operations, even during peak times, with integrated capabilities designed to handle large volumes of interactions simultaneously.

[Learn more](#) about banking knowledge for all lines of business.



## Generative AI for Financial Services is Here

The evolution of generative AI in banking marks a transformative period of opportunities as well as challenges. As the initial hype wanes, financial institutions are adopting more practical and sustainable AI applications.

The development of custom AI models and the rise of intelligent AI agents indicate a trend towards more sophisticated and tailored solutions. However, ensuring ethical AI use and navigating regulatory landscapes remain critical hurdles.

The path forward for financial institutions lies in integrating advanced technologies to deliver consistent, high-quality customer experiences, enhance digital engagement, and empower their workforce. By leveraging generative AI, financial institutions can unlock siloed knowledge, optimize operations, and foster a more productive and satisfied workforce.

As generative AI continues to evolve, its potential to reshape banking operations and customer interactions grows, promising a future where AI is an indispensable part of the financial ecosystem.

To stay ahead in this rapidly changing landscape, financial institutions need solutions that are not only powerful but also precisely tailored to their unique needs.

Kasisto's KAI Consumer Banking with KAI Answers equip financial institutions with the best generative AI technology to deliver unparalleled customer and employee experiences.

Contact Kasisto today to learn more about how these solutions can drive success in the era of AI.

### Ready for more insights?

Watch our webinar "The State of Generative AI in Banking" to learn more about how generative AI is transforming customer engagement and workforce empowerment.

**Kasisto**  
HUMANIZING DIGITAL EXPERIENCES

**AMERICAN BANKER**

Watch the Webinar

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