



The New Physics of Financial Services

Understanding how artificial intelligence is transforming the financial ecosystem



Deposits and lending sector summary

AI is changing the physics of financial services

As artificial intelligence (AI) significantly changes the traditional operating models of financial institutions, Deloitte and the World Economic Forum's latest report in their 'Future of Financial Services' series explores how financial services firms can better embrace AI. The report is comprehensive, so here we have explored the sector-specific findings relating to deposits and lending.

A quick look at the impact of AI on deposits and lending



AI can improve banks' profitability through the delivery of personalised advice at scale and the transformation of lending operations. Potential strategies include:

- Focusing retail banking on improving customer outcomes, such as through the use of machine learning to proactively advise customers on spending and saving habits.
- Increasing the efficiency and scale of retail lending. For example, streamlining the end-to-end onboarding process to more efficiently evaluate and issue new loans.
- Offering automated working capital solutions for commercial clients. An example could be the use of advanced analytics to understand a broader set of data to better adjudicate commercial lending.



AI is allowing institutions to deliver advice at scale and at the moment of need, redefining the value proposition of the retail banking experience. New capabilities include:

- Intelligent employee dashboards can generate insights from past customer interactions (e.g., analysis of calls) and provide recommendations to front-line staff.
- Automated interactions provided by "chat bot" solutions allow customers to access and receive always-on advice through the expanding network of digital channels.
- Process automation improves connectivity and accuracy across business functions and accounts.
- Continuous monitoring of accounts held across different institutions can raise proactive alerts.
- A true single-customer view can be achieved by intelligently scanning internal data held across silos.
- Insights generated from third-party data (e.g., social, mobile) connect advisory to the day-to-day reality of retail customers.



AI can deliver smarter and more nimble workflows that improve the productivity and reach of lending operations. New capabilities include:

- Natural language processing allows faster and error-free document reading to support activities such as information verification, user identification and approvals.
- Dynamic sourcing of data from disparate sources eliminates the need for manual data entry – opening the way for scalable digital onboarding and servicing channels.
- Third party data analysis can aid understanding of how transactions affect the creditworthiness of an individual.
- Automated decision-making can adjudicate customers in real-time and at low cost, allowing tailored lending at the point of purchase.
- Advanced credit-decision models that use machine learning can improve the confidence of lenders to extend credit, reducing defaults and expanding reach.
- Alternative data sources can be used in place of traditional credit scores to assess creditworthiness in segments for which data is not readily available.



AI is launching a commercial banking renaissance through improved data integration and analytics tools that unlock a vast and underserved market. New capabilities include:

- Integration into client Enterprise Resource Planning (ERP) and data sources to access real-time raw data, enabling lenders to get a deeper understanding of client fundamentals and offer more customised advisory services.
- Predictive algorithms can assess and anticipate client borrowing needs in real-time, allowing advisers to dynamically generate offers and extend funds seamlessly.
- Augmented analytics tools allow underwriters to customise their credit analysis rapidly, using a variety of data sources to increase their certainty of creditworthiness and ultimately credit adjudication.
- Natural language processing and automated dashboards can collate important statistics by deciphering complex and non-standard financial documents, extracting relevant information in summary form for underwriter review.



Download the full report at [Deloitte.co.uk/AIFSfuture](https://www.deloitte.co.uk/AIFSfuture)



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This report forms part of the 'Future of Financial Services' report series by Deloitte and the World Economic Forum. Access the report library at **[Deloitte.co.uk/WEF](https://www.deloitte.co.uk/WEF)**

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