

Breakout 1: **Bank Director 101: Technology Primer**

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BankDirector.
#BBTF24

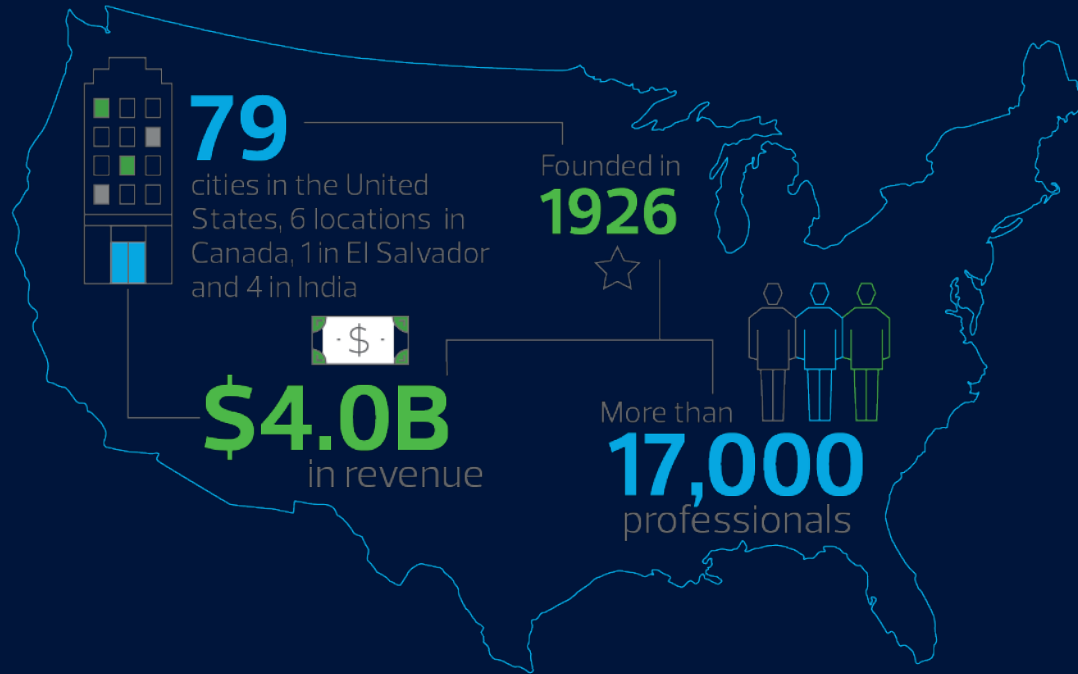
Bank Director 101

Technology Primer:

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About RSM



RSM US LLP is the **leading provider** of assurance, tax and consulting services focused on the **middle market**.

Technology within Financial Institutions



- Technology for Competitive Advantage



- Technology as Business Enabler



- Technology for Decision Making



- Technology as a Source of Risk

Technology for Competitive Advantage

The Inevitable Demographic-Tech Shift



208M

Digital Banking

78% of the population will use **digital banking in 2023**

Insider Intelligence estimate

Gamification

Adoption

Market growth rate

26.5%

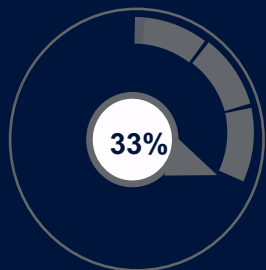
Through 2027

Revenue

Converting customers

700%

Increase once adopted



Nonbanking

One third of users would purchase nonfinancial products from a bank - housing \$3.8T: vehicles - \$1T: Leisure & travel \$1.5T

Accenture study



99%

Mobile Adoption

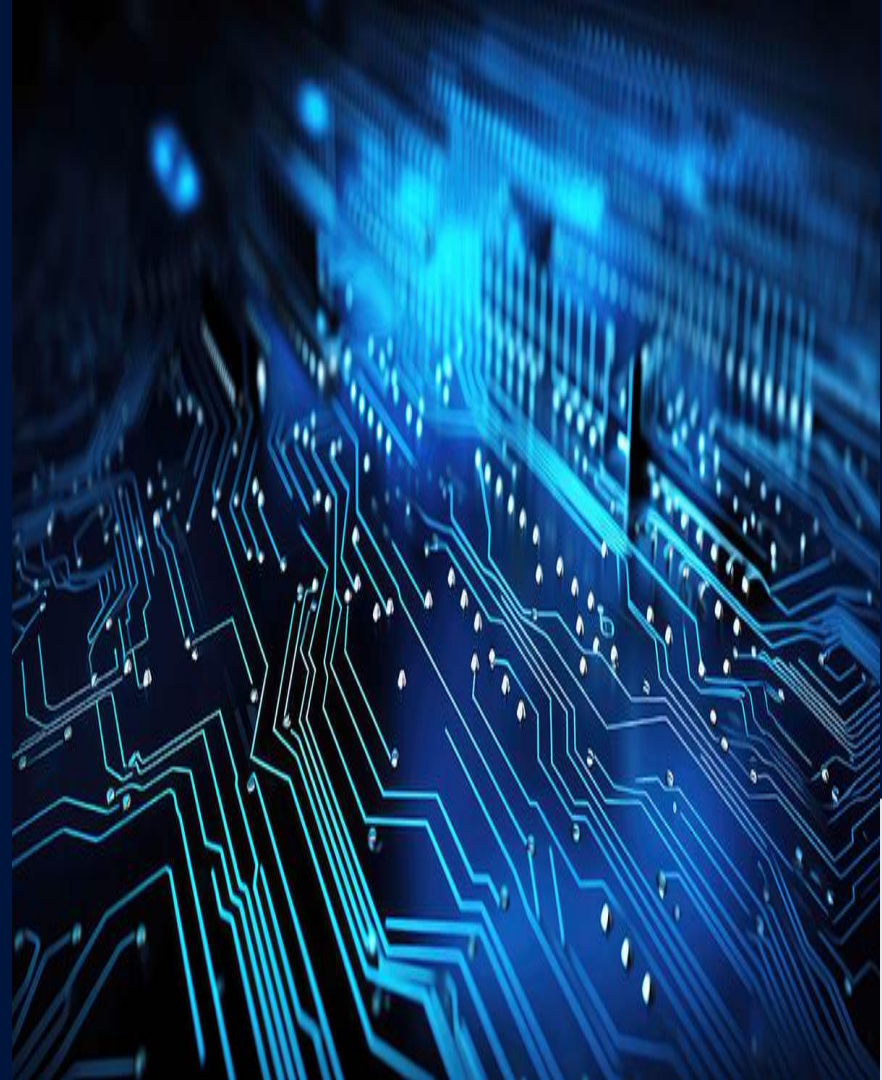
Gen Z and Millennials use a mobile banking app for many of their financial tasks

Gen Z Expectations and Trends

- The generational wealth transfer
- Digital self service
- Nudges and alerts
- Convenience, always on, mobile
- Hyper - Personalized experience
- Importance of online influencers
- Brands can be brittle with low switch costs
- Spending on CX technology has real ROI

The Future

- Evolving forms of assets and currency
- Virtual, Augmented and Mixed Reality
- More humanized AI
- Super Computing
- Super Apps
- Increased data security risks (quantum Computing)
- Regulation and Governance
- More...



Potential questions to ask:

- ☐ How is technology used to improve the customer experience
- ☐ What do our customers say about our technology today?
- ☐ How easy is the bank to do business with?
- ☐ How is our data governance framework?
- ☐ Does the bank truly understand the “Customer Journey”?
- ☐ How effective is our digital marketing strategy?
- ☐ How well do we use advanced analytics to cross sell?
- ☐ Should we partner with a fintech?
- ☐ What, if any, are the bank’s plans for digital assets?
- ☐ Is our spend aligned with our strategy?

Technology as Business Enabler

Some trends in automation and business support

- RPA (Robotic Process Automation)
 - Replaces human “swivel chair” processing
 - Can automate inefficient human processes making them work faster
 - Mature market - switching to Intelligent Automation
- Low Code No Code
 - Speed to Value: Weeks not Months or even years
 - Democratizing: User driven programming
 - Enterprise wide or application specific



The 800 lb. Gorilla: Artificial Intelligence

\$1.0T

Artificial intelligence can add value to the banking industry of over \$1.0 trillion on an annual basis



A bit more about AI

- AI-Machine Learning is in use today
 - Making credit decision
 - Predicting business risk
 - Enhancing chat bots
- AI will change everything
 - It will take time
 - Business will adapt
- Generative AI: ChatGPT
 - It's not magic
 - Model drift
 - Model bias
 - Controls and Concerns

Pre-Trained database using large chunks of the internet.

Generates answers by predicting the probability of the next word in a sentence, based on preceding words and context.

Interprets questions based on context derived from the words in an input sequence.

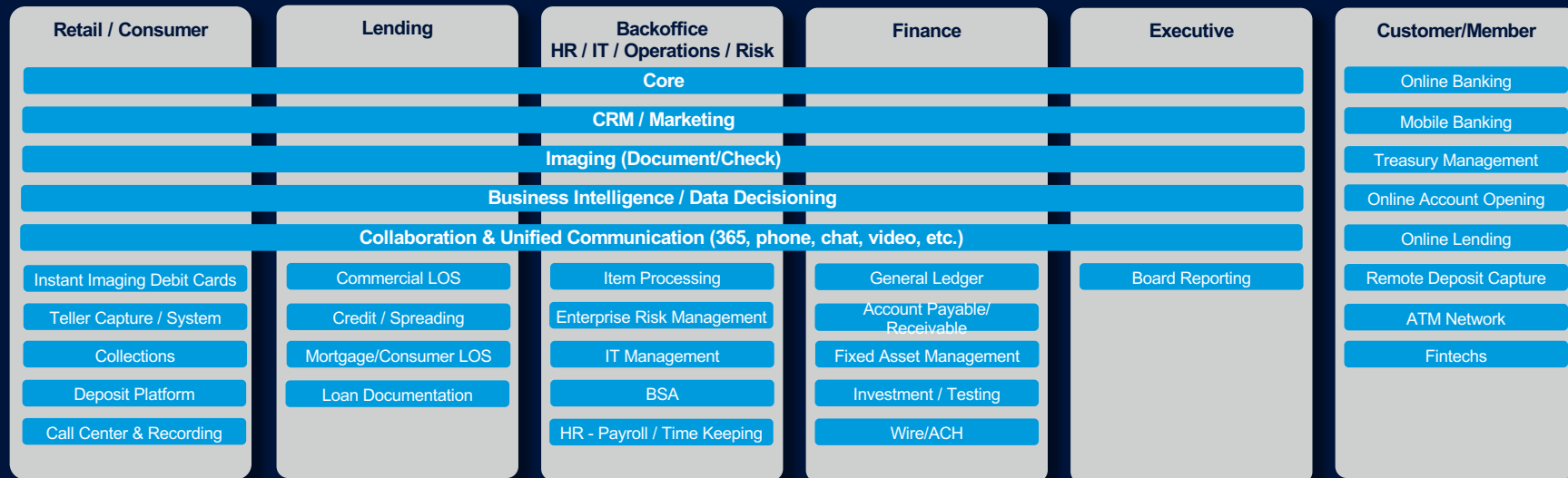
Various other algorithms and tuners.

Potential questions to ask:

- ☐ Is the bank's IT department staffed to handle the future?
- ☐ Is our spend on technology aligned to our strategy?
- ☐ How are we achieving ROI on automation investments today?
- ☐ What further benefits could be derived through automation?
- ☐ Does the bank have or need a strategy for Artificial Intelligence?
- ☐ Do we have policies and procedures around LLM/Generative AI?
- ☐ Do we have a clear data strategy?
- ☐ How do we know the bank's data is secure and accurate?

Technology for Decision Making

Community Banking Technology Stack



Multiple systems that don't talk to each other:

- Incur cost in consolidation, analysis and reporting
- Pose risk of errors and omissions
- May lead to poor or late decisions
- Can limit opportunities for profitable growth
- Can lead to regulatory issues

Everything, Everywhere, All at Once

Summarize, Compare, Review, Correlate, Communicate, Decide: multiple data elements across various aspects of the business derived from multiple platforms and systems as well as external data.

Everything at your fingertips on one dashboard platform, all the way from external reporting down to customer transaction level, all from any secure connection.



Potential questions to ask:

- ❑ How well is the bank's decision making supported by information?
- ❑ How easy is it to get quality information in near real time?
- ❑ How well do we aggregate from different systems?
- ❑ How is information presented?
- ❑ What is the level of trust in the underlying data sources?
- ❑ What is the level of confidence in the internal reporting process?
- ❑ How much do we rely on spreadsheets, cut, copy and paste?
- ❑ What is the cost of 'data analysis and reporting' labor?

Technology as a Source of Risk

Technology as a source of risk



Cyberattacks

- There were 744 cyber incidents in the financial services sector in 2023 up from 268 in 2022
- 73% of global chief risk officers expect the increasing risk of cyberattacks to be the greatest risk of their organization
- Cyber-crime is predicted to hit \$9.5 trillion in 2024
- 95% of cybersecurity issues are traced to human error



Data Breaches

- In 2023, financial organizations incurred the second-highest data breach costs of \$5.97 million
- FS employees have access to an average of 11 million files and documents
- Companies take an average of 277 days to identify and contain a data breach



EUC Risks

- 90% of spreadsheets with over 100 rows contain errors
- Banks have thousands of spreadsheets, some serving critical business needs
- Security, version and change control is more difficult

Potential questions to ask:

- ☐ Do we have a sound Cyber Risk Strategy?
- ☐ How good are our policies, procedures and controls?
- ☐ How frequently and how well do we test Cyber controls?
- ☐ How well are the bank's staff trained to spot cyber attacks?
- ☐ How up to date is our data security and privacy policy?
- ☐ How many spreadsheets do we have performing critical processes?
- ☐ How are these spreadsheets controlled and managed?
- ☐ How up to speed is internal audit with latest technology risks?
- ☐ Is the bank's spend aligned with the level of risk?

Risks and consequences

Failure to innovate



Loss of competitive edge, declining market share and profitability

Failure to keep pace with advancements



Falling behind competitors

Poor data governance and quality



Inaccurate or incomplete data

Cybersecurity breaches and data loss



Financial losses, regulatory fines, reputational damage, and loss of customer trust

Third-party and fourth-party risk management



Exposure of risks from third-party vendors, including fintech partners leading to operational disruptions or compliance issues

Hyper reliance on cloud and other service providers



Strategic missteps, operational inefficiencies and potential financial losses

Inaccurate or incomplete data



Delayed decision-making and missed opportunities due to outdated or lagging information

Lack of real-time capabilities



Financial losses, missed opportunities, and potential regulatory non-compliance

Misalignment with business strategy



Inefficient operations, wasted resources, missed opportunities

Overreliance on legacy systems



Increased operational costs, inefficiencies and difficulty integrating new technologies

Bringing it home



- Technology for Competitive Advantage



- Technology as Business Enabler



- Technology for Decision Making



- Technology as a Source of Risk

Thank you for listening.
Any questions?



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