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AI In Banking

An Incremental Game Changer

Miriam Fernández, Director, Analytical Innovation

June, 20, 2024

1. AI Insights website
2. AI impact on banks
3. AI Trends to watch

A Conversation With The Market On AI

AI Could Impact Banks' Creditworthiness

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Key Drivers For Credit

- Business competitive landscape
- Financial performance
- Risk management practices
- Technology / Fintech Ecosystem
- Sovereign, regulatory and systemic implications
- Cyber risk / Malicious agents
- Third party supply chain risk

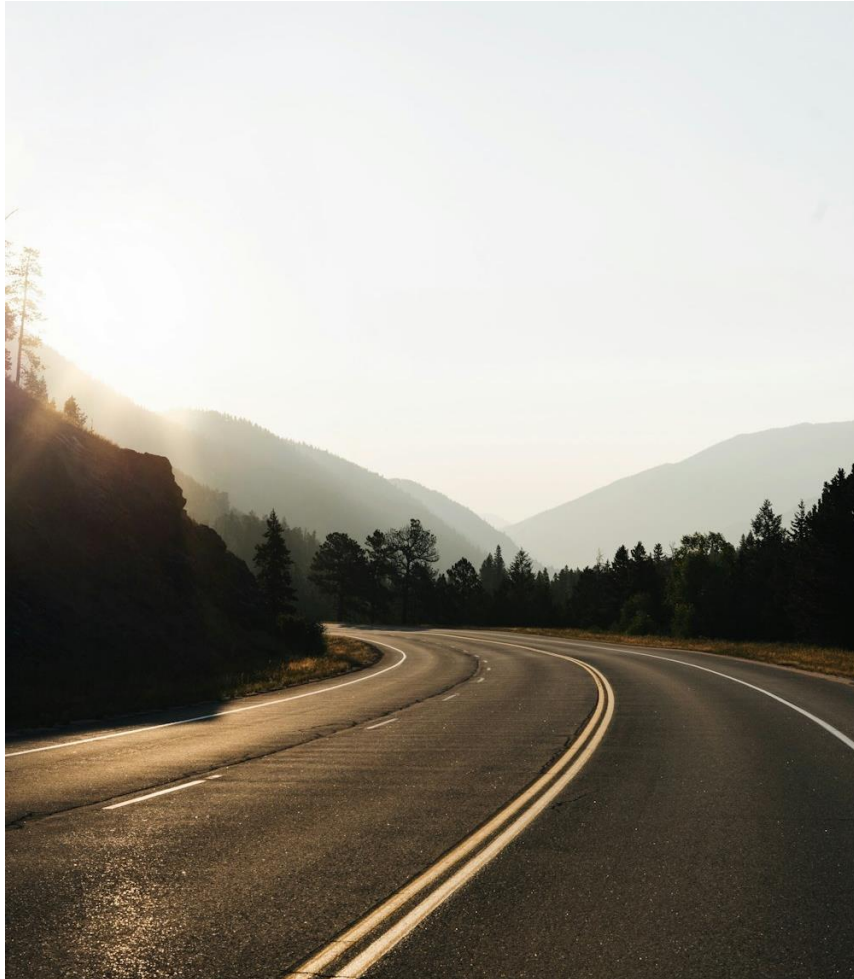**S&P Global** Ratings

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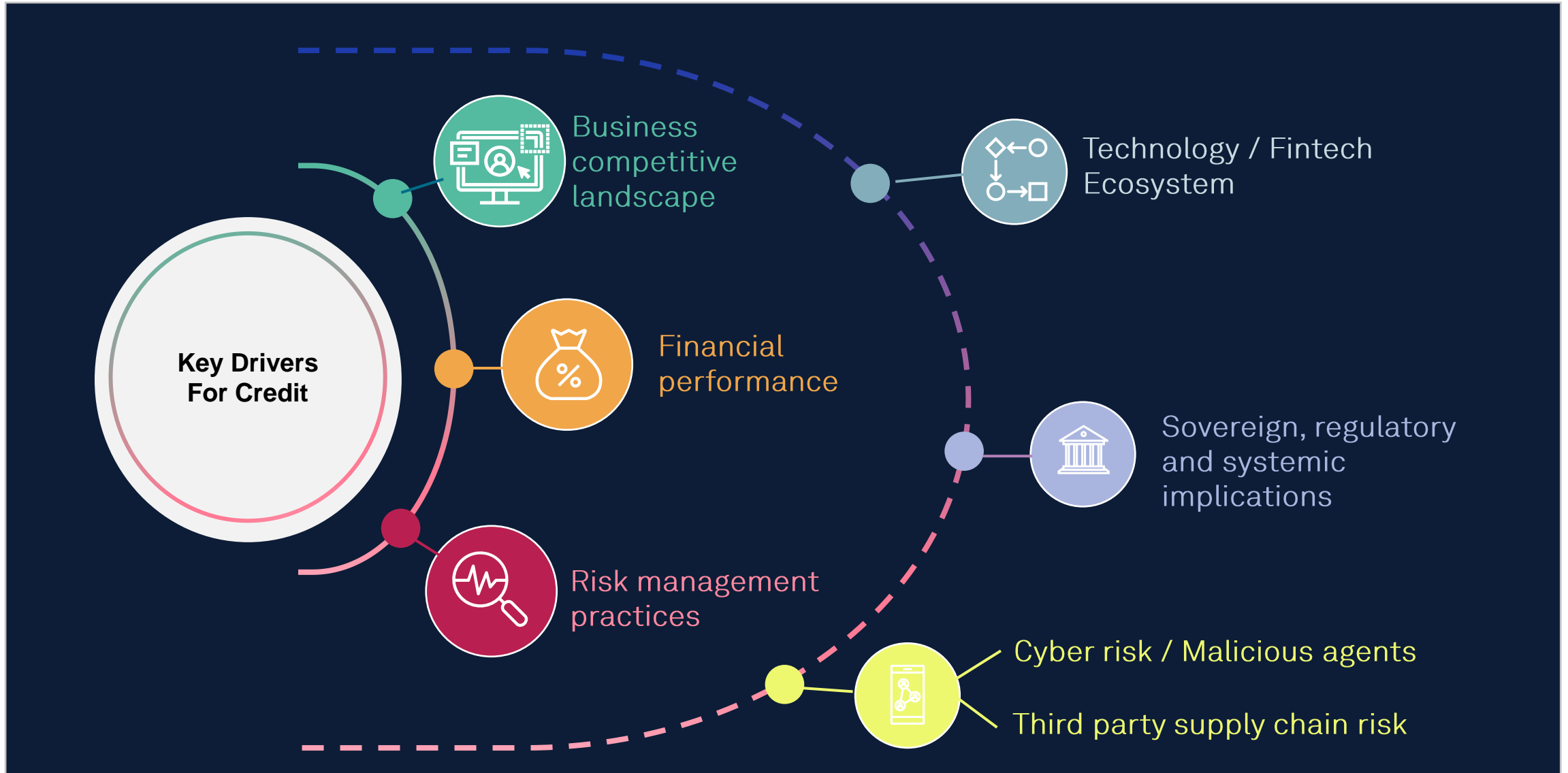
AI As A Changing Force:

Trends to watch

AI STRATEGY

AI strategy, development and governance infrastructure

Exploration of AI use cases in current business processes

HUMAN CAPITAL

Internal talent reskilling, customer preferences and education

RESILIENCE
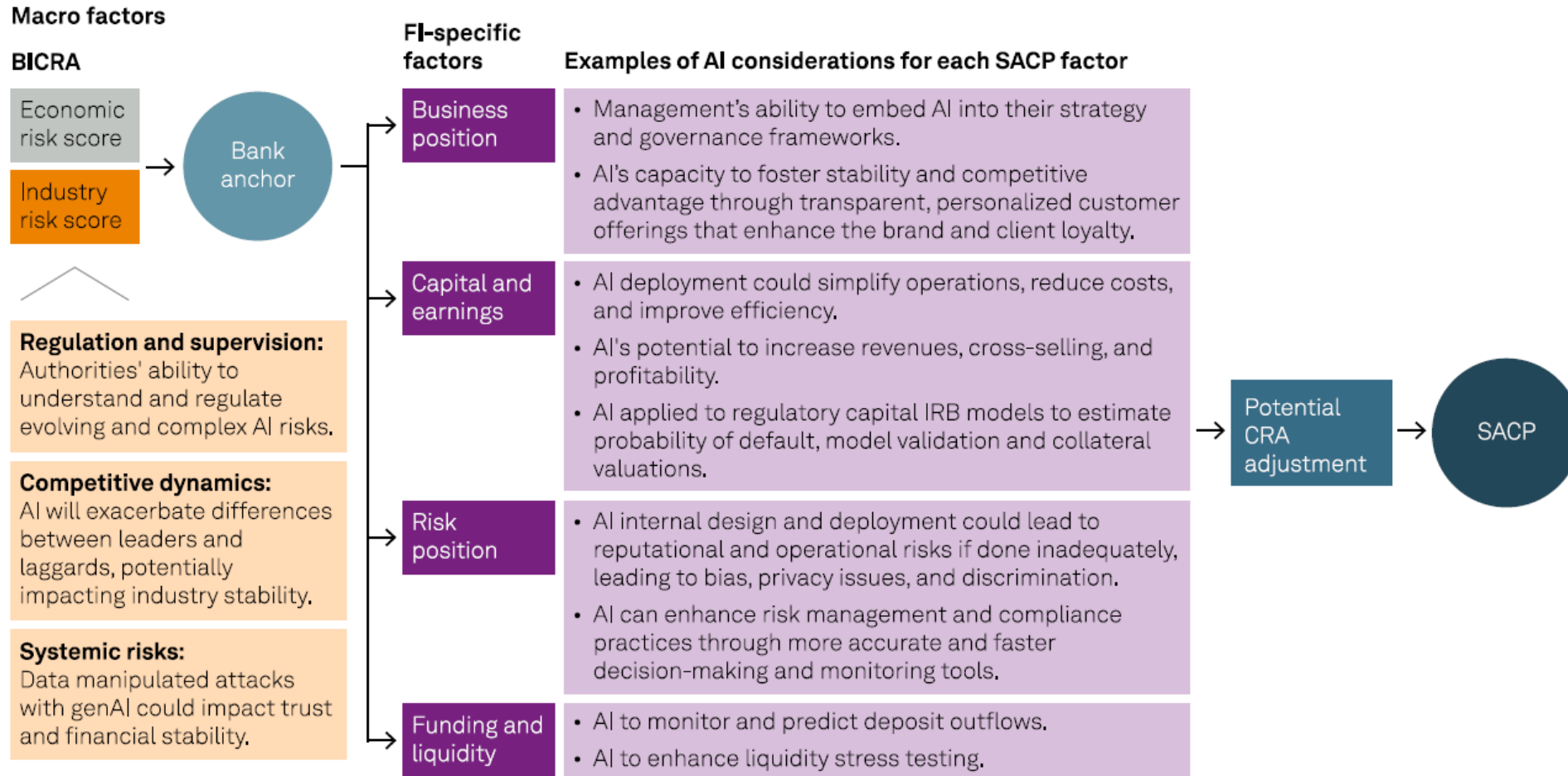
Integrated digital operational resilience

RISK & HUMAN APPROACH

Risk-based and human-centered approach to scaling AI

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Annex

Examples Of AI Considerations In The Credit Assessment Of Banks

Macro factors

BICRA

Economic risk score

Industry risk score

→ Bank anchor

Regulation and supervision: Authorities' ability to understand and regulate evolving and complex AI risks.

Competitive dynamics: AI will exacerbate differences between leaders and laggards, potentially impacting industry stability.

Systemic risks: Data manipulated attacks with genAI could impact trust and financial stability.

FI-specific factors

Examples of AI considerations for each SACP factor

Business position
- Management's ability to embed AI into their strategy and governance frameworks.
- AI's capacity to foster stability and competitive advantage through transparent, personalized customer offerings that enhance the brand and client loyalty.

Capital and earnings
- AI deployment could simplify operations, reduce costs, and improve efficiency.
- AI's potential to increase revenues, cross-selling, and profitability.
- AI applied to regulatory capital IRB models to estimate probability of default, model validation and collateral valuations.

Risk position
- AI internal design and deployment could lead to reputational and operational risks if done inadequately, leading to bias, privacy issues, and discrimination.
- AI can enhance risk management and compliance practices through more accurate and faster decision-making and monitoring tools.

Funding and liquidity
- AI to monitor and predict deposit outflows.
- AI to enhance liquidity stress testing.

Potential CRA adjustment → SACP

BICRA--Banking Industry Country Risk Assessment. CRA--Comparable rating analysis. FI--Financial institutions. IRB--Internal ratings-based. SACP--Stand-alone credit profile. Source: S&P Global Ratings. Copyright © 2023 by Standard & Poor's Financial Services LLC. All rights reserved.

Related Research

- Your three minutes in AI: The EU AI Act could become a global benchmark, Mar. 15, 2024

- Can generative AI create a productivity boom?, Jan. 10, 2024

- The AI Governance Challenge, Nov. 29, 2023

- AI in banking: AI will be an incremental game changer, Oct. 31, 2024

- Foundation models powering generative AI: The fundamentals, Nov. 29, 2023

- Language modelling: The fundamentals, Jan. 23, 2024

- Artificial Intelligence: What are the key credit risks and opportunities of AI?, Dec. 4, 2023