

Strategic Opportunity for Banking

Maximizing the Value of Generative AI

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First National Bankers Bank



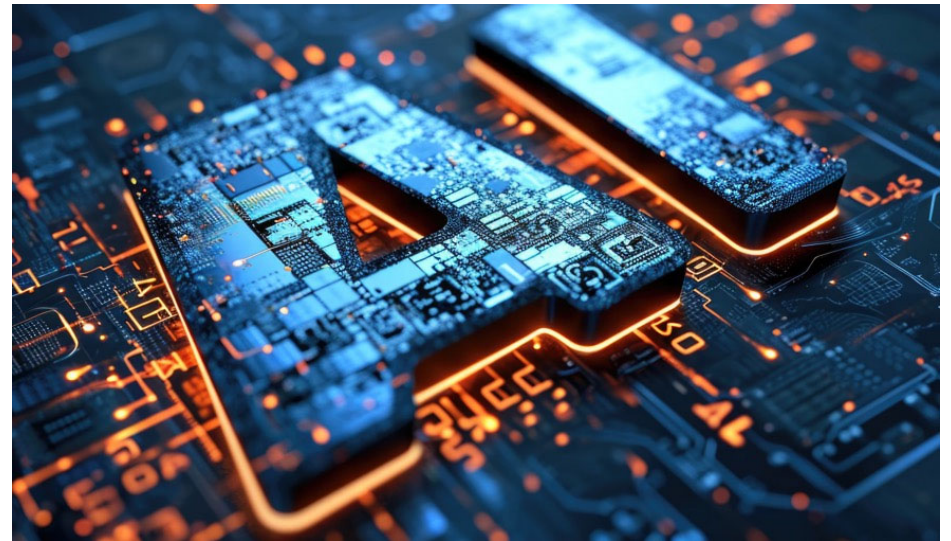
Is Enterprise-Wide Deployment of GenAI a Strategic Imperative?



How Are We Defining AI?

Not all AI is the same:

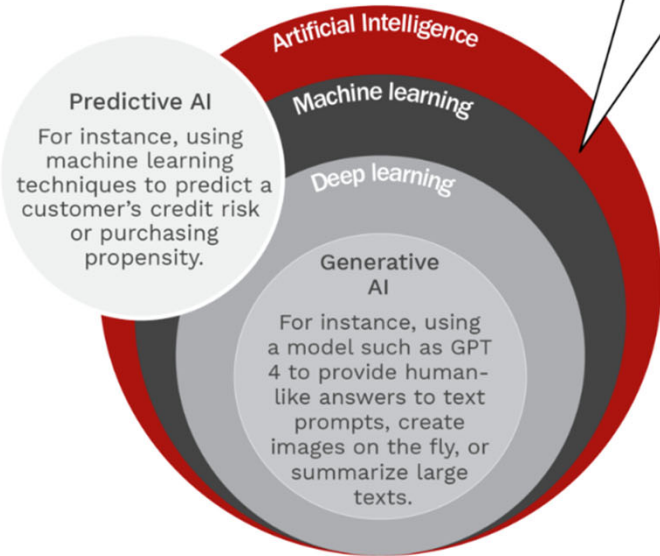
- Artificial Intelligence has been around for decades .. .not new
- AI is built on Machine Learning. ML is programmed to “predict” an outcome ...
- ... but predictions can be wrong



What is AI

Generative AI is what is causing a new explosion of AI related solutions

Understanding definitions around Artificial Intelligence and GenAI



Artificial intelligence - A broad term for nonhuman “intelligence” or problem- solving ability embedded in machines or software.



Machine learning - A subset of artificial intelligence algorithms in which computers figure out how to tackle problems and discover solutions independently, often by using artificial neural networks.



Deep learning - A subset of machine learning algorithms in which computers leverage multilayer (“deep”) artificial neural networks to perform complex learning tasks that in many cases involve large amounts of text or images.



Predictive AI - Predictive modeling techniques that are widespread in industries such as banking and that can leverage a variety of AI techniques, sometimes including machine learning or deep learning.



Generative AI (Gen AI) - A subset of deep learning algorithms in which computers focus on generating apparently new, realistic content from unstructured inputs such as text, images, or audio. Widely known examples include ChatGPT (for text) and DALL-E (for images).



Is all GenAI the Same?

- Large Language Models – attempt to consume as much information as possible (ie: all web content ...)
 - ChatGPT, CoPilot, DeepSeek, etc.
- Small Language Models – only a limited number of documents are presented for analysis and training
 - Loan Ops policies, procedures, loan regulations, loan procedures, etc.
- Some SLMs use LLMs to create human readable responses



Large Language Model Usage

- Prompt - “Create a draft AI policy suitable for a community bank”

Here's a draft AI Policy suitable for a community bank, designed with an emphasis on risk management, compliance, customer trust, and innovation enablement. The structure is scalable and adaptable depending on the size and technological maturity of the institution.

Community Bank AI Policy (DRAFT)

1. Purpose

This policy outlines the principles and requirements for the responsible use of Artificial Intelligence (AI) within [Bank Name], ensuring AI is used in a secure, ethical, transparent, and compliant manner that aligns with our community-focused mission and regulatory obligations.

2. Scope

This policy applies to:

- All employees, contractors, and third-party vendors.
- All AI applications, tools, models, or services used in bank operations.
- All departments including, but not limited to, customer service, lending, fraud detection, compliance, and marketing.

3. Guiding Principles



⌕ + Ask anything  



Small Language Model Usage

- Prompt – {uploaded Netlink Documents}
- Prompt - “What is the correct ISO 20022 message for a customer domestic wire transfer?”



Fedwire® Funds Service ISO® 20022 Quick Reference Guide Last Revised: October 18, 2024

The Fedwire Funds Service ISO 20022 Quick Reference Guide provides focused information about



The NetLink system offers click and hover access to various applications. Easily navigate to the services and functions you use to perform daily transactions and activities.

| Services | | Profile Center |
|--|--|---|
| ACH ▶ Manage incoming and outgoing ACH files ▶ Perform ACH origination ▶ Process returns and NOCs | International ▶ Access NetLink's foreign wire, cash letter and currency services | ▶ User name ▶ Access NetLink news alerts ▶ Time remaining indicator ▶ Multi bank dropdown ▶ Current balance display |
| Check Adjustments ▶ Submit and receive check adjustments ▶ View NCI and DTF information ▶ Utilize automated process for NetLink Exchange adjustments | Large Dollar Returns ▶ Report and receive large dollar return notifications for checks | Functions Account Activity ▶ View balances, transactions, statements, invoices and loan advices |
| Coin & Currency ▶ Process coin and currency transactions for Federal Reserve Bank and other providers | MoneyGram ▶ Create MoneyGram settlement wires ▶ Select from multiple accounts | Authorizations ▶ View and verify any transaction activity awaiting authorization |

NETLINK Reference Guide
NetLink Exchange
 Send and receive cash letter files through FNBB's exchange program and the Federal Reserve Bank.

Incoming

- ▶ Choose file and **DOWNLOAD** files for up to seven business days
- ▶ Filter files by date range and document type

Outgoing

- ▶ Browse, select file and **FILE UPLOAD**
- ▶ Validate file totals and **SUBMIT** to process file or **CANCEL** to delete file
- ▶ Track file progress in Status field — It is the bank or processor's responsibility to ensure "Accepted" status of file.
- ▶ **VIEW** to see details of the file acknowledgment

During processing, file will show as Pending under Transaction Activity.



NetLink Security White Paper

Approved on: 04/13/2023



Small Language Model Usage

- Prompt – {uploaded Netlink Documents}
- Prompt - “What is

Use pacs.008 — Customer Credit Transfer.

The Fedwire Funds Service designates pacs.008 as the required ISO 2022 value message for customer credit (i.e., customer-initiated domestic) wires, replacing the legacy CTR/CTP formats. See *Fed_QuickReferenceGuide_v20241018 – ISO 2022 Quick Reference Guide* and *Fedwire Funds Service Business Function Mapped to ISO 2022 Message*.



Fedwire® Funds Service
ISO® 2022 Quick Reference Guide
Last Revised: October 18, 2024



NetLink Security White Paper



Approved on: 04/13/2023

The Key to AI: Writing Queries

- GenAI works off queries, the instructions you provide:
 - It attempts to interpret “intent”
 - Vague queries are subject to mis-interpretation
 - End users should receive training on effective query structure
- What makes a good query?



Query Structure

- Role/Identity – describe the persona from which the response is generated
- Context – relevant details
- Prompt – this is the actual question you are trying to get answered
- Output Format – how should the output be structured



Bad Prompt – What are our lending limits?

<https://davidmoore.io/how-to-talk-to-ai-part-2-good-prompt-bad-prompt/>

Query Structure

- Role/Identity – describe the persona



Good Prompt - "Acting as a loan underwriter, looking to understand loan lending limits, please provide an overview of lending limits for all commercial loan types, with the output suitable for importing into excel."

- Output Format – how should the output be structured



Bad Prompt – What are our lending limits?



<https://davidmoore.io/how-to-talk-to-ai-part-2-good-prompt-bad-prompt/>



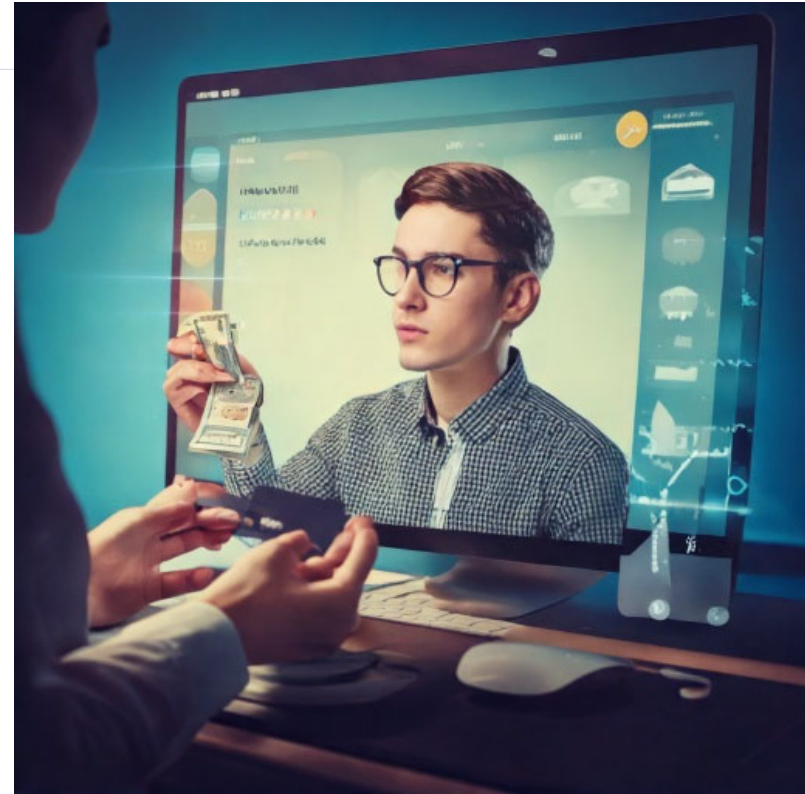
What About Agentic AI?

- Combines GenAI/ML and process automation to autonomously execute tasks
 - The “Do-It-For-Me” trend
 - Takes the concierge model to another level
 - Example: Account balance is negative, Agentic Agent automatically seeks best option for internal transfer



What About Agentic AI?

- Does Agentic AI bring new challenges?
 - How does the FI control Agentic activities?
 - How does the customer direct Agentic activities?
 - Can the bank remediate the risk of actions the Agentic AI agent takes?



AI Usage and Associated Risk

- Operational Risk
 - Reliability of Results
 - Interoperability
 - Data Quality
- Ethical Risk
 - Source of information GenAI is using for content creation
 - Job Displacement



AI Usage and Associated Risk

- Regulatory Risk
 - Compliance / Audit
 - Bias and Fairness
 - Transparency / Explainability
- Legal
 - Intellectual Property
- Data Privacy and Security



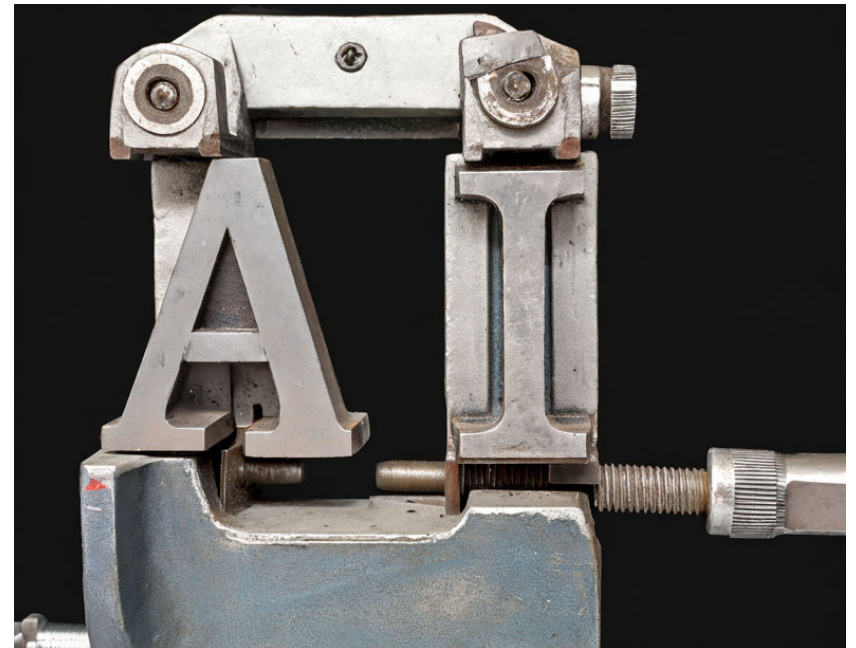
AI Usage and Data Security Risk

- What are the safeguards for data that is propagated into an GenAI service?
 - Where is data stored?
 - How does data get updated?
 - How does model get “trained”?
 - Where else can data go?
 - How to guard against data misuse?

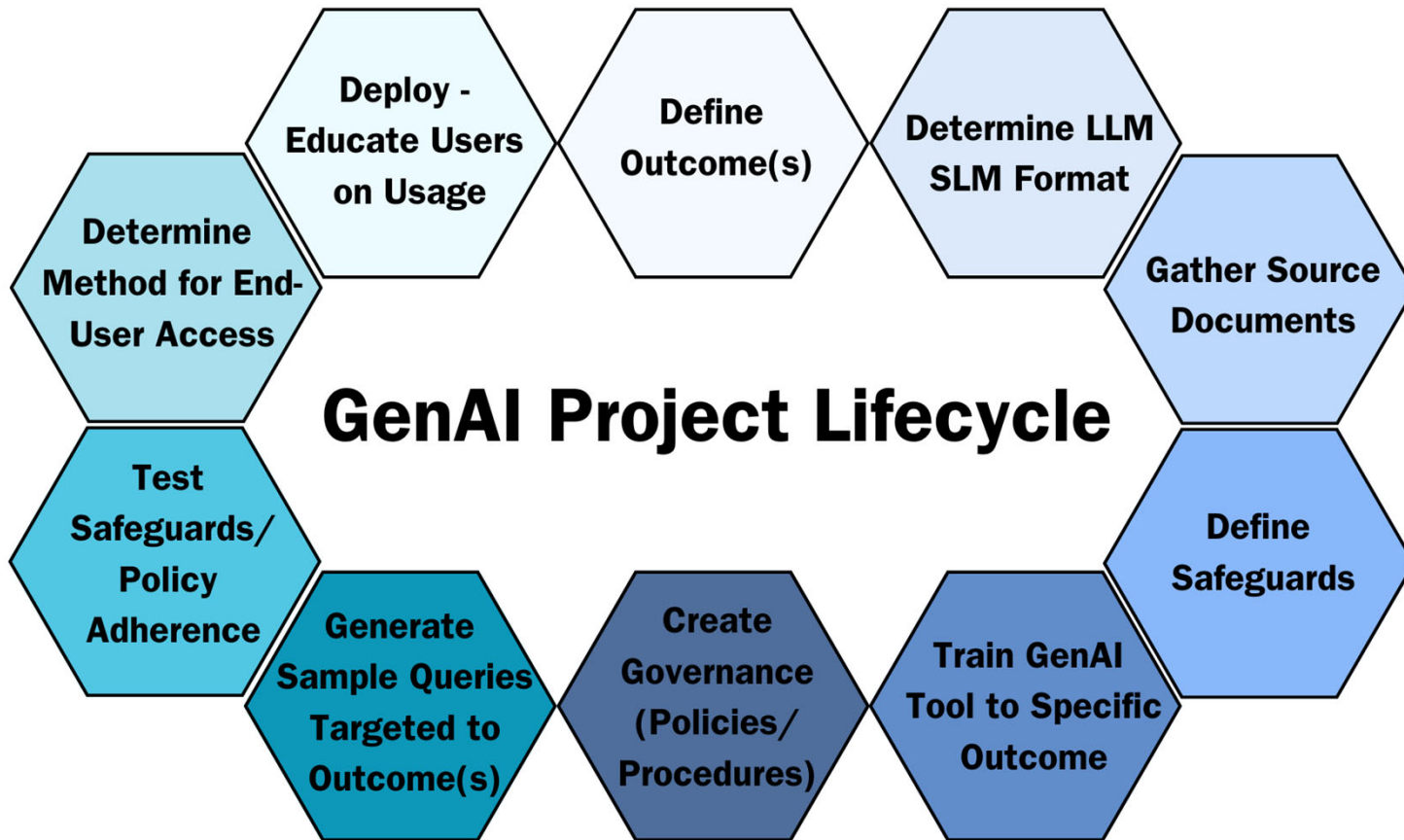


“Guardrails” to Consider Re: AI

- Have you clearly defined expected outcomes?
- Do you need a LLM AI Tool?
 - You can train and tune an AI model using your own data...
- Have you narrowed the scope of what AI can do?
 - ie: turn off functionality for:
 - Telling a joke, writing code, making investment recommendations, etc.



GenAI Project Lifecycle



GenAI Tools for Banking

- What GenAI tools are available?
 - Open GenAI Tools
 - Agent Based – Targeted tool for a specific outcome
 - Hybrid Banking Tools – have access to GenAI tools but have specific banking features built in
 - Customer Agentic Tools – provides direct response to end users (chat, calls, OAO)



What is the right solution /
model for your institution?



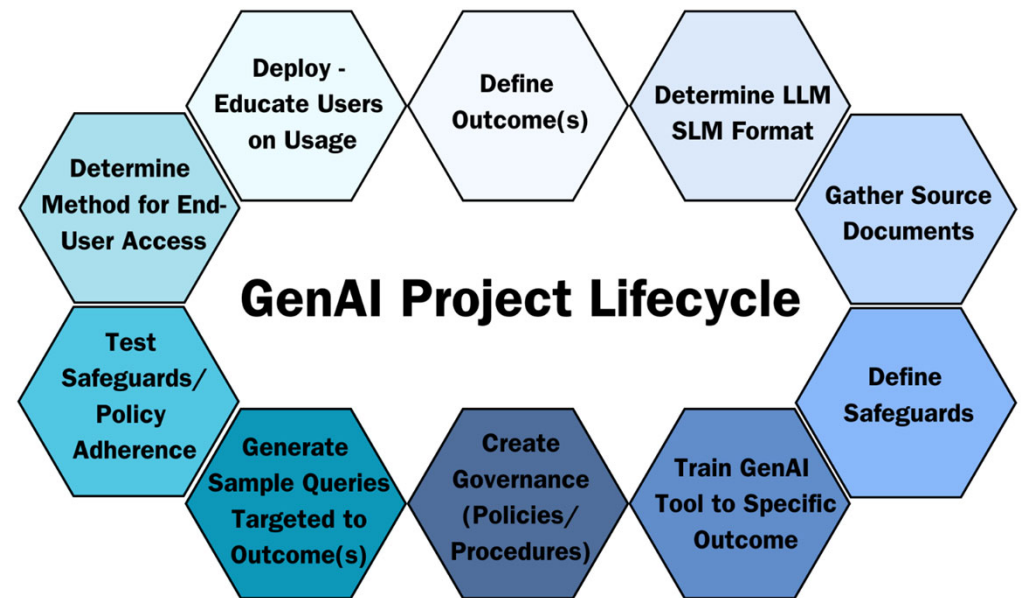
AI Project at FNBB

- Goal: Make GenAI available to all FNBB team members
- Establish outcomes:
 - Departmental Answer bot
 - Loan Ops / Netlink
 - Normalized data
 - Loans/ALM
 - Marketing
 - SoMe Posts / PDF / Graphics
 - General use – emails / analysis



AI Project at FNBB

- Contracted for enterprise license of OpenAI (ChatGPT)
- Created pilot group of users
- Creating training courses
- Roll out to all FNBB employees
 - Accept AI Policy
 - Take AI Training
 - Access FNBB best practices
 - Continued training and follow up



5 Uses for GenAI in Banking



GenAI 1 – General and Administrative

- Writing (emails, proposals, policies, marketing, SoMe Posts, etc.)
- Summarizing (doc comparison, doc synthesis, transcriptions, analysis)
- Brainstorming
- Prospecting (meeting prep, opportunity analysis)
- Financial (review complex bills)



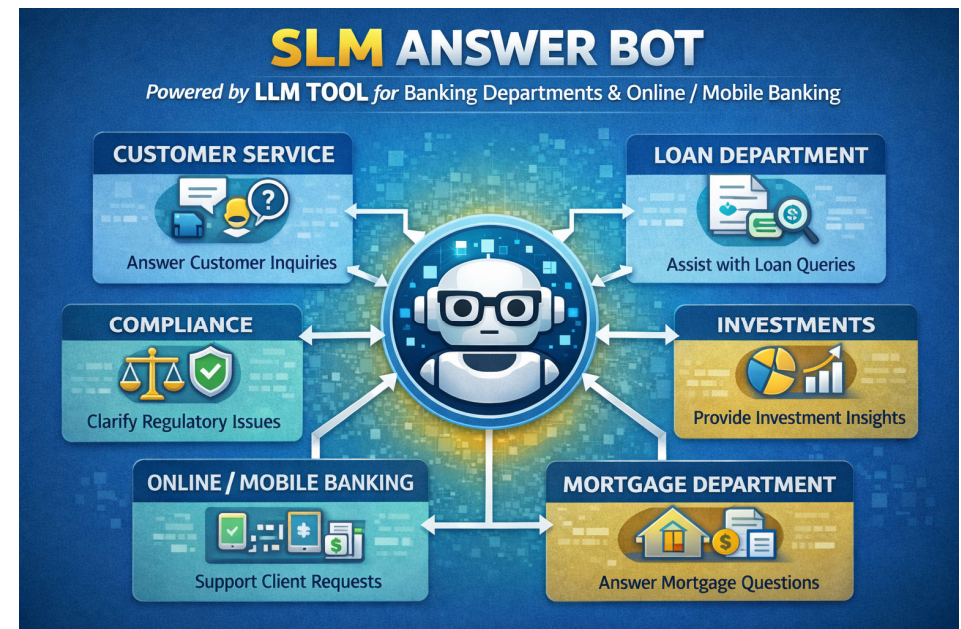
GenAI 2 – Loan Operations

- Intelligent Document Ingestion – finds all relevant data and imports
- Draft Credit Memos
- Exception and Risk Review – find policy exceptions, identify industry risk factors
- Loan Workflow Automation
- Post-Close Servicing Intelligence - track collateral, UCC filings, monitor borrower “news”



GenAI 3 – Information Answer Agent

- Create SLM Instance (per department?):
 - Upload internal documents
 - Upload compliance / regulatory documents
 - Provide training
 - Turn off access to web
- Loan / deposit ops, finance
- Use for OLB / Mobile



GenAI 4 – Customer Facing Apps

- GenAI Powered OLB Chat (SLM)
 - Transfers to Live Chat
- Enhanced Call Center (SLM)
 - Transfers to Live Chat
- Intelligent Marketing
 - enhanced product recommendations and comm
- GenAI Avatar (LLM)
 - Enables interactive session for customers to openly engage / enable agentic transactions



GenAI 5 – Audit and Compliance

- Regulatory Change Monitoring
 - Compare new regs to existing policies
- Suspicious Activity Monitoring
 - Enhanced detect for payments, behavioral analytics
- Policy / Procedure Drafting
- 3rd Party Risk / Vendor Review
 - Evaluate vendor docs, note exceptions, draft risk ratings



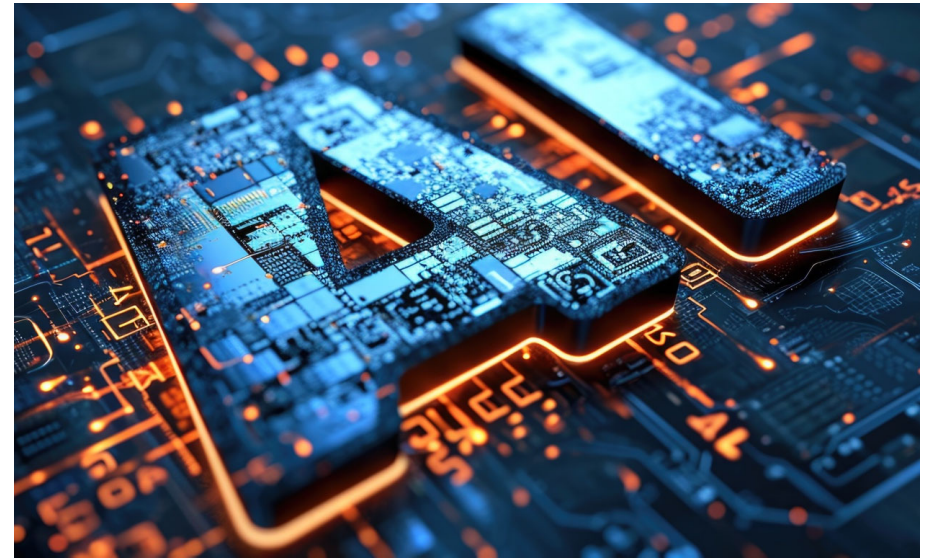
To AI OR NOT TO AI??

| Task | AI Model | Result |
|--|-----------|--------------------|
| Generate Internal Emails | LLM | Y – But Review |
| Generate Customer Emails /Social Media Posts | LLM | Y – Closely Review |
| Intranet Loan Ops Answer Bot | SLM | Yes |
| Autonomous Loan Decisioning | SLM | High Risk |
| Loan Spreading / Analysis | SLM | Yes |
| Next Best Product Recommendation | SLM | Yes |
| Enhanced Chat | SLM / LLM | Use Caution |
| Customer Facing Argentic Agent | SLM/LLM | High Risk |
| | | |



The Future of AI

- Generative AI is here to stay
 - You shouldn't implement without proper planning...
 - ...but you should not be afraid of it
- Proper control of AI comes when:
 - Use Small Language Models (SLM)
 - Enact appropriate guardrails
 - Provide employee training!



Questions??

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