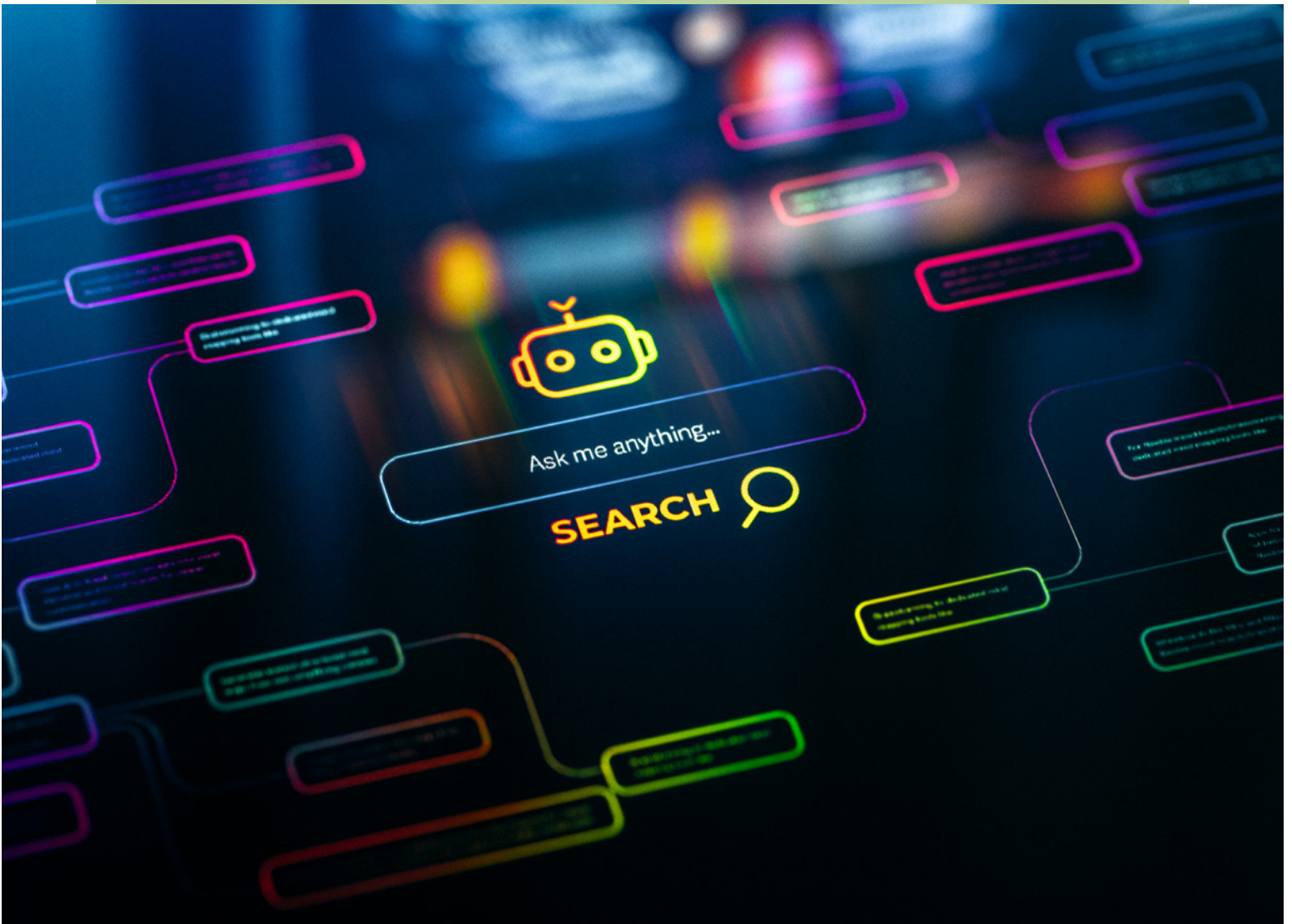


CHATBOT

INSIGHTS



INSIGHTS

Agent IQ

Chatbots are one of the most visible applications of artificial intelligence within the banking industry and can provide efficiencies by saving staff time and energy. However, this technology needs to be continuously monitored and regularly updated to ensure it delivers correct information to both employees and customers.

KEY TAKEAWAYS

- Chatbots rely on machine learning to find responses to questions and use natural language processing to simulate human conversations.
- A bank may use chatbots either externally to respond to simple customer inquiries or internally to find information for employees.
- However, a chatbot is only as good as the data it's fed. A chatbot that provides a customer with incorrect or outdated information may open a bank up to legal and regulatory risks. Therefore, a chatbot needs to be continuously monitored and regularly updated.
- When evaluating vendors, bankers need to understand the frequency of updates a provider will perform, as well as the speed with which it can resolve errors.

GOOD TO KNOW



Machine learning:

A type of artificial intelligence in which algorithms “learn” patterns gleaned from large datasets in order to make accurate inferences from new data.



Natural language processing:

A type of artificial intelligence that uses machine learning to enable computers to simulate human conversation.

Source: IBM

Chatbots present an interesting opportunity and risk to the banking industry.

When done right, chatbots can free up valuable time and energy for bank employees, quickly tracking down information and handling simpler customer queries. But there is also the potential to create an experience where a customer must type “human being” over and over into a pop-up window to reach an actual person for help. Certainly, that’s a scenario any banker wants to avoid.

A chatbot is a type of technology enabled by artificial intelligence (AI). Chatbots use machine learning to quickly retrieve data and natural language processing to simulate simple conversations. Companies have been experimenting with this technology for decades but chatbots have become more sophisticated, with more firms adopting them, over the last few years with advancements in generative AI.

In the banking industry, chatbots are commonly associated with providing answers to simple customer questions, like queries about routing numbers. Brendan Marston, chief operations officer at Bank First Corp., in Manitowoc, Wisconsin, compares customer-facing chatbots to ordering a pizza: Some customers will want to call in their order, but others will prefer to order it digitally.

“We need to meet customers where they are. A lot of customers don’t want to make a phone call or walk into a branch,” says Marston. “It’s never about reducing headcount. It’s about scalability and bandwidth and customer experience.”

But there are opportunities to use the technology beyond answering simple questions. Banks can also deploy chatbots internally to assist employees with quickly finding information about company processes or provide deeper analysis. For example, a bank with a larger strategic goal of maintaining core deposits might use an internal chatbot to identify all customers with a certificate of deposit expiring in the next 60 days. It could then use a customer-facing chatbot to prompt those customers to explore options for rolling over those funds when they log into their bank accounts online.

“And that is the real challenge: Figuring out how chatbots and their AI con-

Can I Get An Assist?

Workers between the ages of 18 to 49 were likelier than those over 50 to say they have used AI chatbots at work. This is how they tend to use that technology.

Do research or find information about a specific topic

57%

Edit written content

52%

Draft reports, documents or other written content

47%

Summarize information from documents or meetings

40%

Come up with new ideas

35%

Source: Pew Research Center, survey conducted in October 2024

nect to the institution's broader strategy," says Michael Lee, chief sales officer with Agent IQ. "Chatbots are often deployed for efficiency, but their greatest value comes when those efficiency gains free staff to deepen relationships, uncover needs and ultimately drive growth."

Early Successes

The \$4.5 billion Bank First began using customer-facing chatbots in mid-2025, Marston says. The bank started with unauthenticated chatbots, meaning that they would serve any person accessing the bank's website. It didn't call attention to the function initially, opting to see who would use it and what they would ask of it. Staff then used this information to refine the chatbot's logic and improve responses.

The institution has progressed to using authenticated chatbots, or those that answer more personal customer questions for people who have logged in and authenticated their identity. "We handled hundreds and hundreds of chats in those first few days," he says. "Quite frankly, it probably saved us a thousand calls that week."

Bank First has since moved on to testing an internal chatbot. Eventually, the goal is to have a bot that employees can use to quickly access information about the bank's procedures without having to sift through a dense manual for the answer. For instance, a banker might call up the bot to provide the code for a principal-only payment on a loan.

"The beauty of this is that by using the [standard operating procedure] as the resource, we can control the information that the chatbot is using to answer that question and make sure that it's giving an accurate answer," Marston says. "What you find on a general chatbot online is that a lot of times it gets the answer wrong because it's going out to the internet and getting all that information."

Risk Versus Reward

That gets to one of the primary risks associated with deploying AI technologies into customer-facing functions such as chatbots. AI technologies can create tremendous efficiencies, but a human still needs to be looped into the process to double-check the final output. If a

customer-facing chatbot provides bad information, that opens the bank up to myriad risks that an internal bot would not, says Slaven Bilac, CEO and co-founder with Agent IQ.

"If you have an internal-facing AI that says something egregious, your employees have the ability to double check," he says. Customer-facing chatbots lack that safeguard. There is no bank employee there to verify the accuracy of the information being shared. Providing "incorrect information can lead to trouble, liability for lawsuits, refunds, penalties and other undesirable consequences," Bilac adds.

A fundamental key to making a chatbot work successfully is ensuring that it's fed the proper data. In the case of Bank First and its initial, unauthenticated chatbot, this meant telling the AI where it could source answers to questions casual visitors might have. An internal chatbot would need to be fed information from the bank's manuals and standard operating procedures. Bank leaders also need to be aware of the risk that a chatbot will hallucinate, or provide a confident but incorrect answer.

Whether the bot is deployed for internal or external purposes, it's important that banks remember it's not something they can set and forget. Bilac likens it to a junior employee. "To some extent, they need to be mentored and supervised," he says. "The level of supervision will depend on how much surface area it covers, the types of questions it is trying to answer and the available resources, but some amount of monitoring and supervision is recommended."

Because most small and midsize banks will be working with a vendor to implement some type of AI chatbot, it's important to understand how frequently that vendor updates the software, Bilac says. "The speed of being able to do that is an important factor," he adds. "If you can fix something within five minutes of finding an issue, it's obviously much better than having to wait five weeks."



Agent IQ is an AI-powered relationship banking platform that helps banks and credit unions turn everyday digital interactions into measurable growth. By combining persistent digital engagement with agentic AI, the platform enables financial institutions to automate routine tasks, assist staff with trusted insights, and deliver proactive, personalized experiences at scale. Agent IQ's governed AI approach ensures transparency, control, and alignment with institution-approved knowledge. Seamlessly integrated within digital banking environments, Agent IQ helps institutions strengthen relationships beyond the branch, improve operational efficiency, and drive acquisition, expansion, and retention through intelligent, relationship-driven engagement.



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