How mid-tier banks can turn AI into practical advantage

Analysis by Bloomberg Intelligence analysts Diksha Gera, Herman Chan, and Tomasz Noetzel

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Executive Summary

Banks are entering a different phase of the economic cycle, after spending the past several years operating through extraordinary market conditions. Today, the challenge looks different:

- Funding costs remain elevated.
- Rate expectations continue to shift.
- Margin expansion is uncertain.
- Growth opportunities are becoming more selective.

At Abrigo ThinkBIG 2026, two themes dominated the conversation. One centered on the macroeconomic environment and what it means for community and regional banks. The other focused on artificial intelligence, not as a future technology, but as a practical tool already helping institutions improve how they operate. Increasingly, those two conversations are becoming one. As banks look for ways to operate more efficiently in a challenging environment, AI is moving from experimentation toward practical application. The opportunity is increasingly tangible: operate with greater speed, consistency and efficiency.

This report combines insights from ThinkBIG 2026 with Bloomberg Intelligence research to explore how financial institutions are approaching AI adoption, where practical use cases are emerging today, and what this means for treasury, operations and the broader banking organization.

Key Takeaways

- Persistent funding pressure, rate uncertainty and limited expectations for margin expansion are putting greater emphasis on operational discipline and balance-sheet execution.
- Financial institutions are using AI to drive efficiency and improve customer experience, with 57% already deploying it in operations. Success will depend on data readiness, as more than 25% of financial services firms cite data quality as their biggest AI challenge.
- Mid-tier banks do not need to begin with a broad AI transformation program; instead, the most practical starting point is focusing on a defined workflow that solves for information that is difficult to access, decisions that are delayed, or manual work that previously created friction.

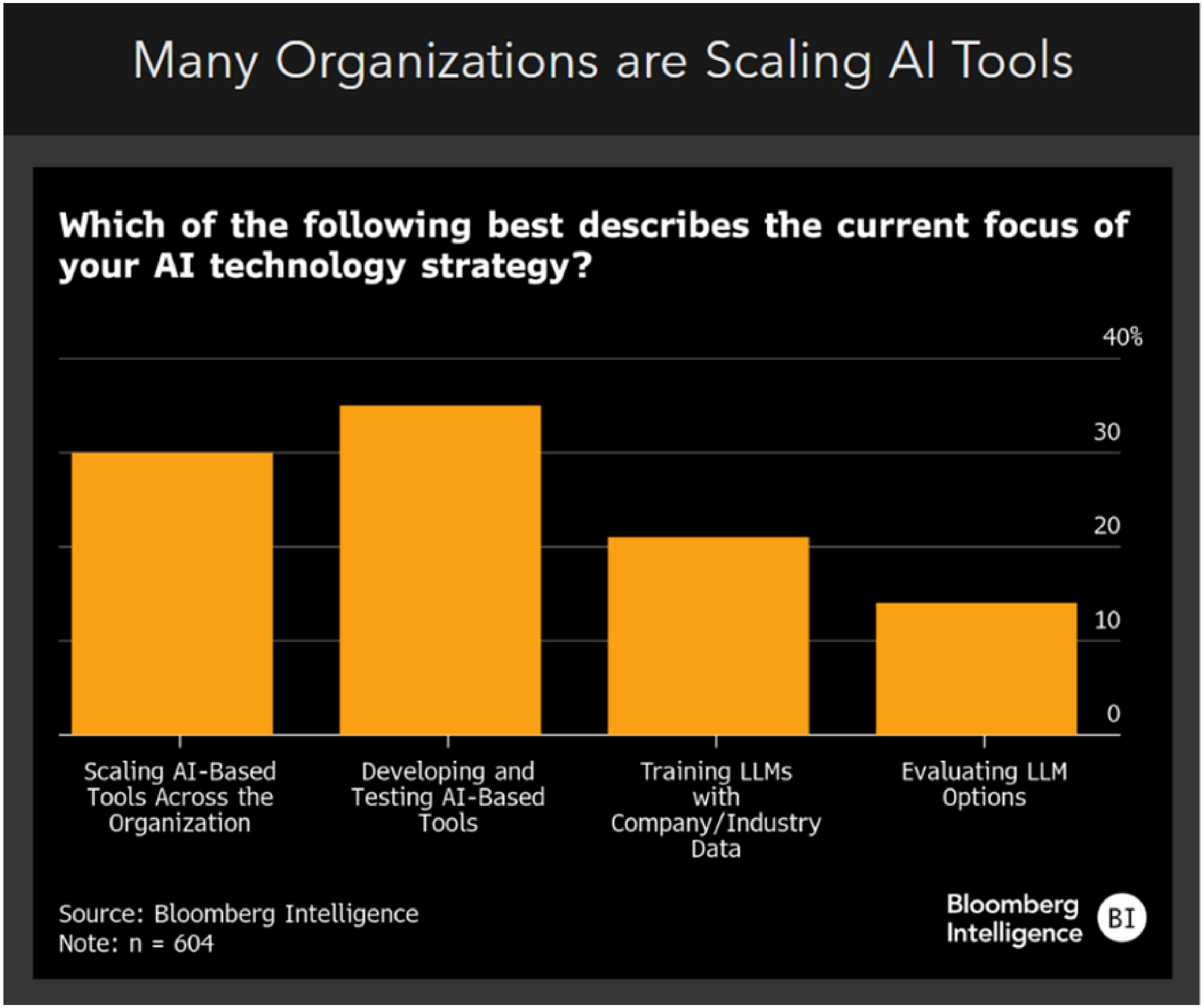
AI Moves From Experimentation to Execution

At ThinkBIG 2026, Abrigo’s annual gathering of financial institution leaders, two conversations shaped much of the discussion. The first centered on the macroeconomic environment: the direction of Federal Reserve policy, persistent pressure on funding costs and questions about the economy’s resilience amid geopolitical uncertainty. The other was artificial intelligence, which, while not new, no longer felt like a promise for the future but rather like a show-and-tell of what it already does, how firms are seeing impact and how fast it is changing.

At first, those conversations seemed distinct, but as the conference progressed, they began to blur together almost seamlessly. That overlap became one of the defining themes of the conference. Rather than viewing AI as a separate technology initiative, many attendees increasingly discussed it as a practical response to today's operating environment. The question was no longer whether AI would become part of banking, but where it could most effectively improve execution.

According to Bloomberg Intelligence's cross-industry survey of 604 C-suite executives, 36% of organizations now rank AI as their top strategic priority, while another 47% place it among their top three priorities. Additionally, 65% of respondents have moved beyond experimentation and are either developing and testing AI applications (35%) or scaling them across their organizations (30%), while 93% expect AI budgets to increase over the next 12 months.

AI Moves From Experimentation to Execution



Why AI Matters for Banks Right Now

The urgency surrounding AI is closely connected to the banking industry's economic environment. At ThinkBIG, speakers and attendees considered the future direction of rates, continued geopolitical uncertainty and the economy's ability to sustain its recent performance. There were different views on the outlook, but several concerns remained consistent:

- Funding costs were unlikely to provide immediate relief
- Net interest margin expansion could remain limited
- The direction of rates was far from certain

We may be settling into a slower, less predictable stretch. There may be no immediate relief from funding costs, no clear expectation for margin expansion and no obvious direction. After a long period of inverted rates and tight liquidity, a prolonged period of uncertainty is not an easy message for bankers to hear. With continued pressure on funding costs, limited expectations for net interest margin expansion and an uncertain rate environment, banks are increasingly focused on operational excellence, revenue growth and customer experience.

Bloomberg Intelligence found that operational efficiency was the primary objective for AI initiatives, cited by nearly half of executives surveyed, while revenue generation and customer experience ranked as the next most important priorities. Notably, only 15% of financial services executives identified headcount reduction as a primary goal, reinforcing the view that AI is being used to augment capabilities rather than simply reduce costs.

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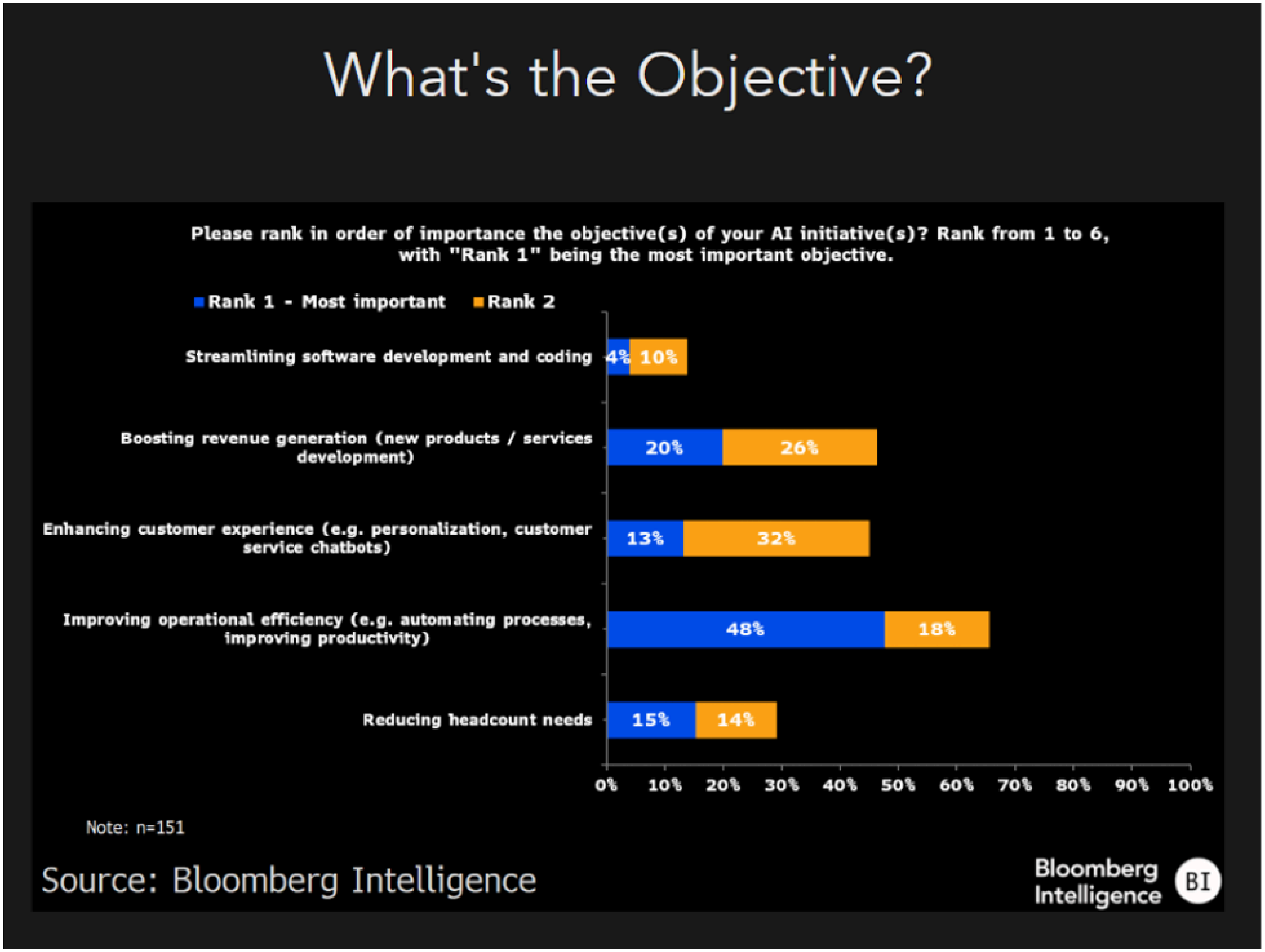


What This Means for Community and Regional Banks

Perhaps the most important takeaway for community and regional banks is that AI adoption appears to be evolutionary rather than revolutionary. Bloomberg Intelligence found that only 23% of financial institutions have reached enterprise-wide AI deployment, compared with 35% across all industries, reflecting the sector's regulatory and risk-management requirements.

For community and regional banks, that gap does not necessarily means they are falling behind. It may instead point to a more deliberate path forward.

A clear consensus emerged at ThinkBIG: AI will be a driving force of innovation and efficiency. But it will not change community banking overnight. The banks most likely to benefit are not necessarily those pursuing the most ambitious AI strategies, but those identifying targeted opportunities to remove friction, improve decision-making, and enhance the customer experience.

The impact will be seen in practical improvements such as:

- faster response times
- deeper customer understanding
- more consistent decisions
- less friction in internal and customer processes

These improvements may be incremental, but community and regional institutions that begin with contained use cases that address observable operational problems often see more meaningful wins.

"US regional banks are deploying AI-based solutions for efficiency gains in areas like product development, fraud detection, and KYC/AML onboarding. The implementation of agentic processes is also anticipated to multiply productivity gains. For instance, one large regional bank (Huntington) anticipates up to 50 bps reduction in its annual cost base from agentic workflows alone, accounting for roughly a third of its broader efficiency program," according to Bloomberg Intelligence's Herman Chan.

Where Financial Institutions Are Deploying AI

Within banking and financial services, AI adoption is increasingly concentrated in areas where institutions can improve productivity, decision-making, and client engagement. Bloomberg Intelligence found that 57% of financial firms have already scaled or fully deployed AI within operations and back-office functions, while 54% report similar levels of deployment in fraud detection.

AI is also helping accelerate customer response times through intelligent service tools and virtual assistants, enabling bankers to access information faster and spend more time engaging with clients. Financial institutions are leveraging AI to generate deeper customer insights, improve personalization, support cross-selling opportunities, and streamline internal workflows.

"AI is advancing treasury and liquidity functions by replacing manual, spreadsheet-based processes with autonomous, predictive workflows. It enables real-time cash positioning, improves forecasting accuracy, and automatically enforces compliance with strict regulatory frameworks like Basel III," says Bloomberg Intelligence Fintech Analyst Diksha Gera.

Across industries, customer service, sales, and marketing were identified as the areas with the greatest potential for AI-driven productivity gains, highlighting the technology's ability to improve both efficiency and client engagement.

These cases are consistent with the examples discussed at ThinkBIG. The common thread is the removal of work that delays decisions, limits visibility or keeps employees from spending their time on higher-value responsibilities.

"The banking industry continues to operate with various manual processes that are ripe for AI-enabled efficiency improvement. Banks are seeing gains across these areas like customer service delivery, credit administration, and loan documentation," says Chan.

Where Financial Institutions Are Deploying AI

Use Cases in Financial Operations

AI Investment Domains	Stage of Development
Software Development/Engineering	3.8
Operations/Back-Office Automation	3.6
Fraud Detection	3.5
Compliance & Regulatory Reporting	3.4
Investment/Trading Strategies	3.3
Front-Office Customer Engagement	3.3
Personalized Financial Offerings	3.2
Treasury & Liquidity Forecasting	3.2
Credit & Underwriting	3.2

Note: Weighted Average Scores; 1-Not Started, 5- Fully Deployed

Source: Bloomberg Intelligence

Bloomberg Intelligence BI

Measuring the Financial Impact

The expected benefits are meaningful. Financial services executives surveyed by Bloomberg Intelligence anticipate AI will contribute an average 7% increase in revenue and an 8% increase in profits over the next three years, while more than 75% expect productivity gains of at least 6%. Leading institutions are already reporting tangible results.

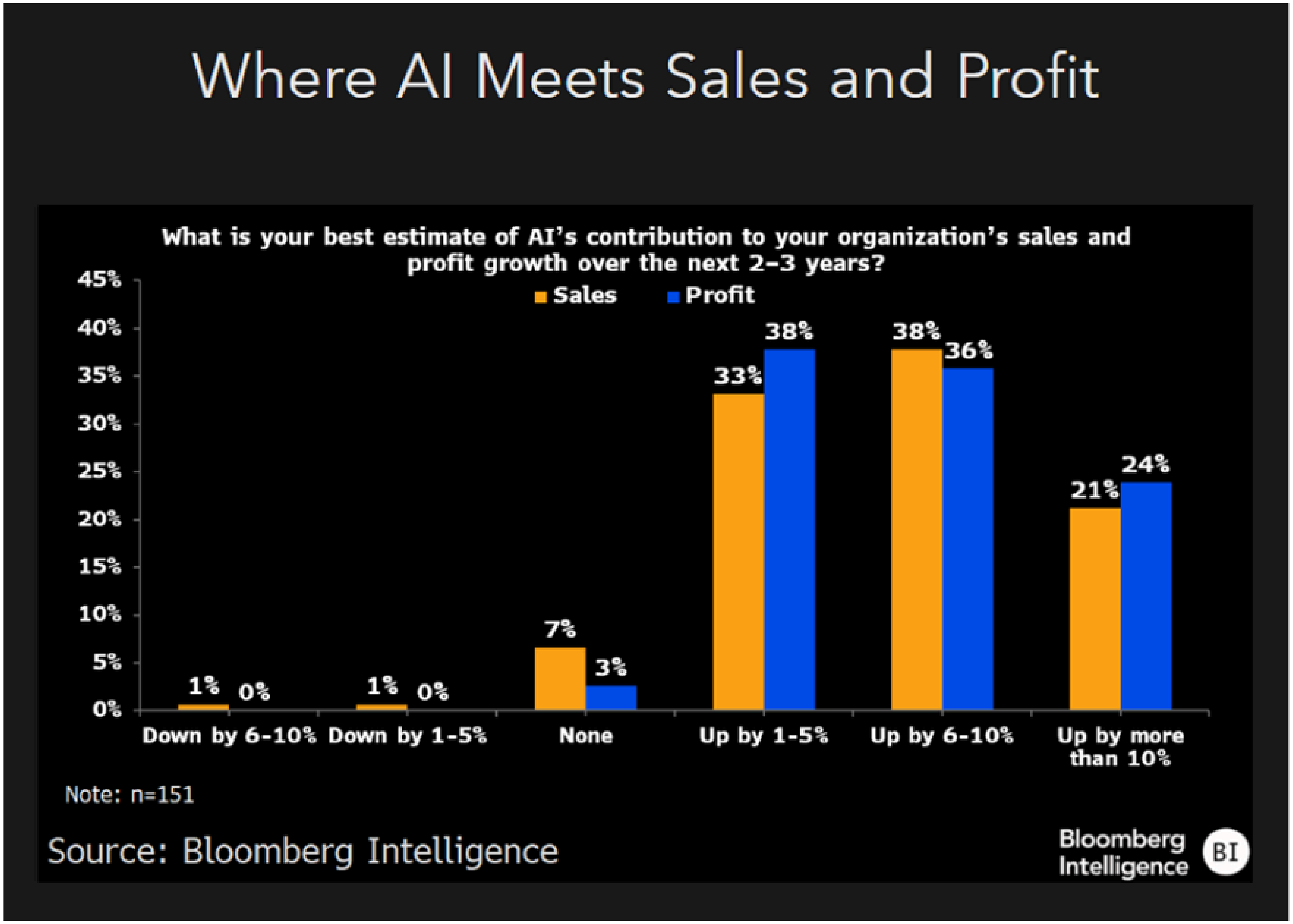
"The banking industry has been constructive on the benefits of AI from both an expense and revenue perspective, but management teams will need to better articulate how the costs of AI adoption are translating to measurable profit gains across the enterprise," says Chan.

For many institutions, a targeted implementation may make that measurement easier. A specific workflow can be evaluated according to the time it saves, the delays it eliminates, the quality improvements it produces or the customer experience it supports. Teams should avoid starting with the statement, "We need to build an AI strategy," as it feels too big and abstract. It can also be difficult to measure what the institution receives in return for the effort and expense. Instead, find a spot where AI can actually remove friction. Look for places where:

- work slows down because information is difficult to access
- decisions take longer than they should
- teams are completing repetitive, manual work that adds little value

Then improve those areas.

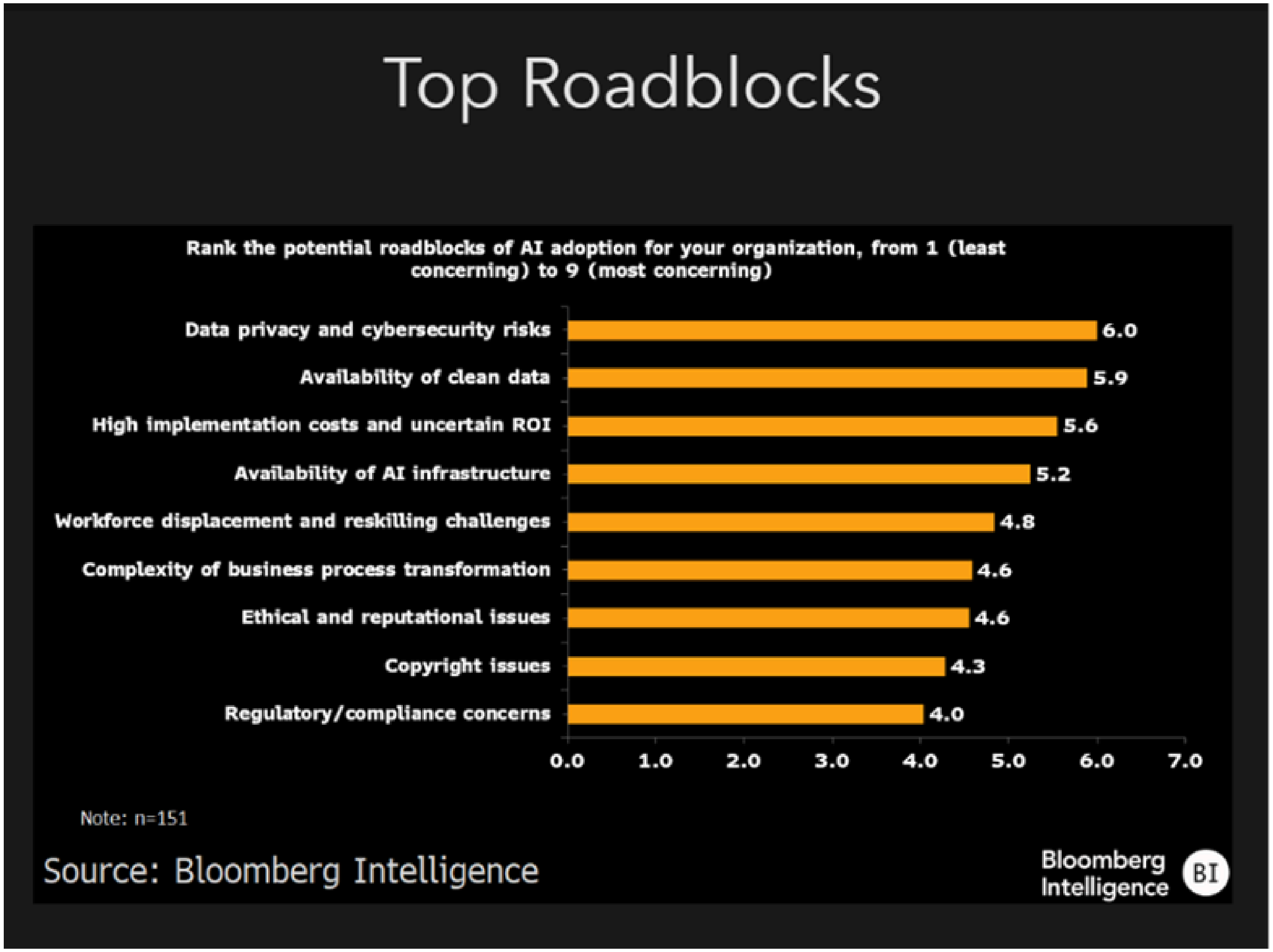
Measuring the Financial Impact



Data Readiness Remains the Biggest Challenge

Bloomberg Intelligence's findings suggest that realizing those gains will depend less on model selection and more on data readiness. More than a quarter of financial services respondents identified data quality as their biggest challenge, while roughly 30% cited data privacy and cybersecurity concerns as key barriers to adoption.

Bloomberg Intelligence concluded that institutions investing in data modernization, governance, cloud infrastructure, and privacy-by-design frameworks will be best positioned to scale AI effectively and safely.



Conclusion

Community financial institutions have historically trailed behind larger banks when it comes to technology adoption. AI is one area where banks and credit unions cannot afford to fall behind. Leaders need to invest the time and energy to understand it, get comfortable with how it works and begin incorporating it into their risk profiles and decision-making.

In an environment where every basis point matters, AI is increasingly becoming part of the execution layer, helping institutions operate more efficiently, respond more quickly and compete more effectively.