AI in Australian Finance Sector:

Bridging the Gap from Pilot to Profitability

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Executive Summary: Opportunity Amid Caution

The Australian finance sector, which contributes 7.5% to the country's GDP (Reserve Bank of Australia), is in the middle of a major shift. Faced with economic volatility, regulatory shifts, and rising customer expectations, financial institutions urgently need more accurate, agile forecasting and data-driven decision-making.
Aritificial Intelligence is no longer a future vision but a core enabler of performance - streamlining reporting, enhancing credit decisions, and personalising services. This white paper paper explores AI's applications, benefits, and challenges in the Australian finance sector.

AI in Finance: Key Trends

- AI is already reshaping Australian finance, helping banks deliver sharper forecasting, faster operations, and more personalised customer experiences.
- Leaders are prioritising practical use cases like automating loan processing, improving fraud detection, and tailoring financial products in real time.
- Top banks (CBA, NAB, ANZ, Westpac) are moving from pilots to real impact, using AI to cut fraud losses, reduce wait times, and boost staff productivity.
- Current investments focus on fixing core issues-disconnected systems and manual tasks-rather than chasing advanced features for the sake of it.
- Future value will come from scaling AI across the business, turning isolated wins into enterprise-wide gains in productivity and customer trust.
- The big opportunity now is to embed AI responsibly, linking it to clear business goals and building the skills needed to stay ahead in a shifting market.

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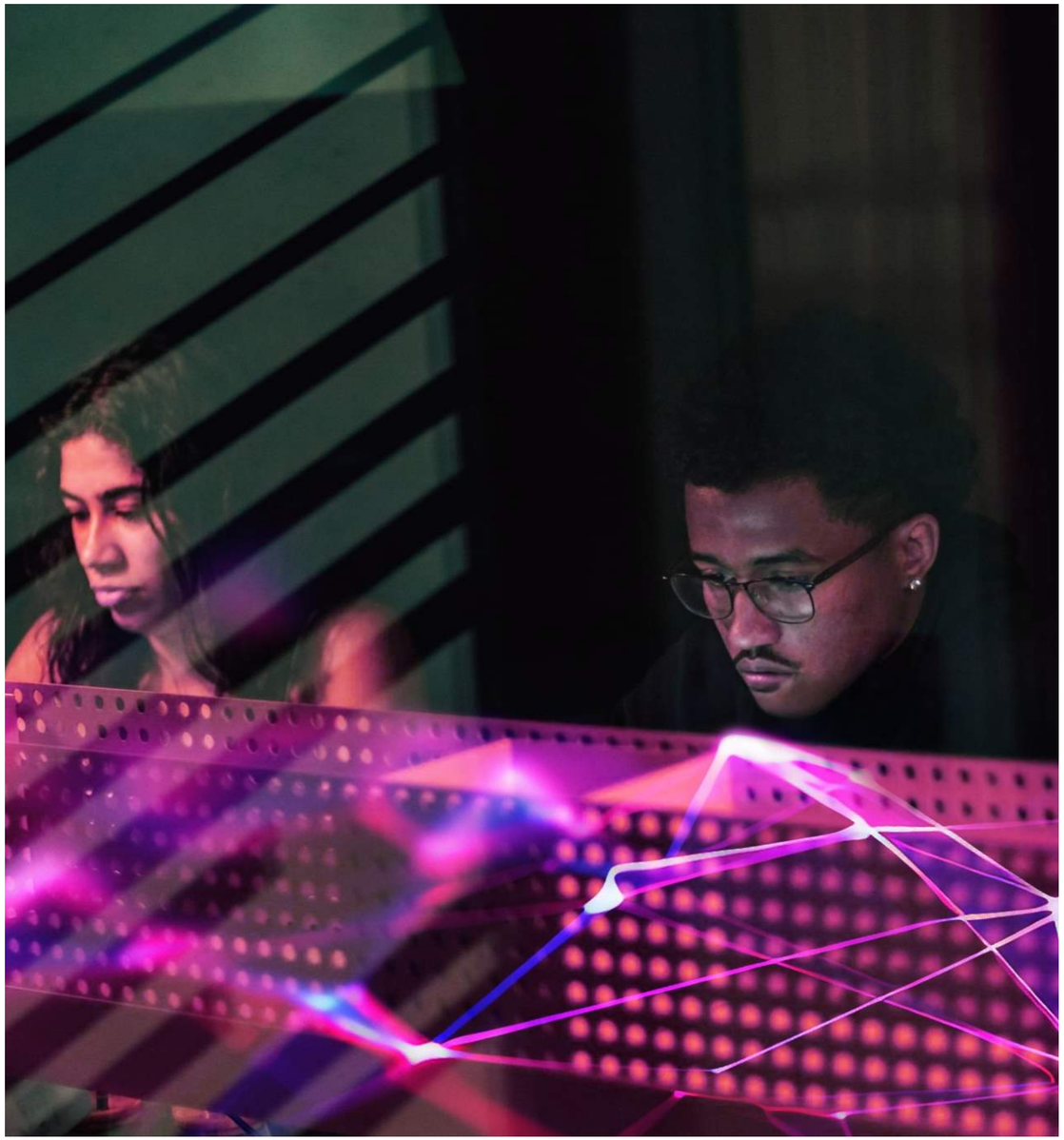


Introduction: The Accelerating Impact of AI in Australian Finance

Australia’s finance sector is on the verge of significant change, driven by the advancement of artificial intelligence. AI promises improvements in forecasting, operational efficiency, and customer experience. While traditional narrow AI-used in fraud detection and credit scoring-has been widely adopted, GenAI opens much broader possibilities, enabling finance teams to work faster, more accurately, and more closely with customers. However, challenges remain, ensuring high-quality data, establishing robust controls, preparing the workforce, and navigating evolving regulatory frameworks. Without clear business cases and guardrails, there is a risk of moving too fast. With the right leadership and safeguards, AI could add nearly A$16 billion to Australia’s finance sector and boost GDP by almost A $49 billion by 2035.
(Source: Microsoft and the Tech Council of Australia)

Quick Pulse from Factor Research: AI's transformative role

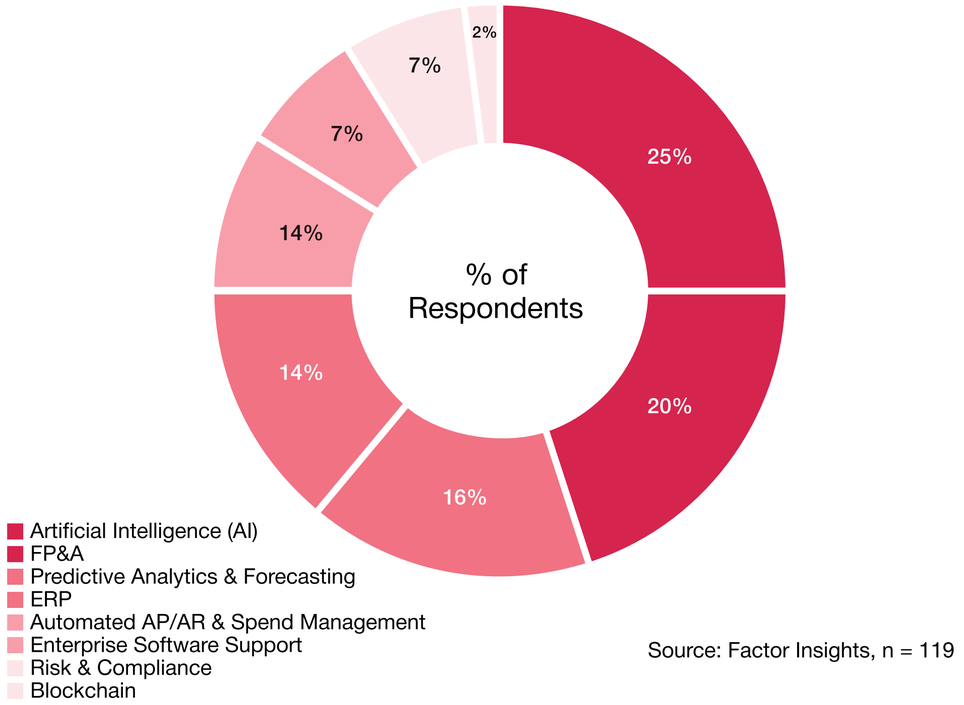
AI is no longer a futuristic concept-it's now a real, practical driver of smarter forecasting, better risk management, and more efficient operations. Across the financial ecosystem, AI is starting to deliver tangible results

According to a Factor Insights 2025 survey of Australian financial organisations, this isn't just talk. The latest group of finance leaders (25%) say AI is their top technology investment priority for the year ahead. That finding supports what we're seeing more broadly: a strong move towards AI-powered forecasting, automation, and smarter customer engagement.

Other focus areas highlight how finance teams are thinking more holistically about transformation:

- **Financial planning & analysis (20%)**
  There's a clear push to improve budgeting, forecasting, and scenario planning-often with the help of AI and predictive tools.
- **Predictive analytics & forecasting (16%)**
  Closely linked to AI, this is about turning data into sharper, faster decisions.
- **Enterprise resource planning systems (14%)**
  Investment here shows ongoing efforts to modernise legacy systems and lay a stronger foundation for things like real-time analytics and AI adoption.

2025 Investment Focus



Source: Factor Insights, n = 119

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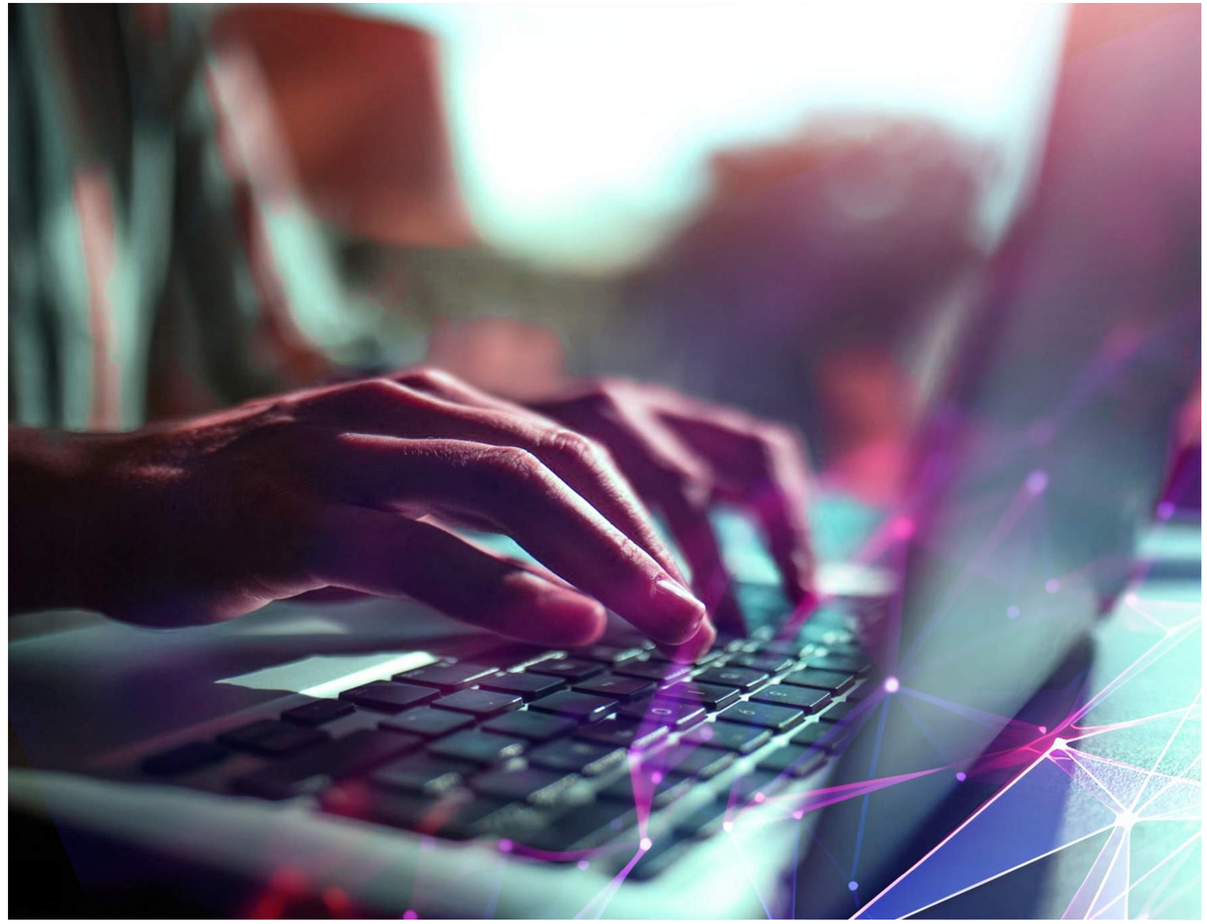
Where the focus is now - and where it isn’t

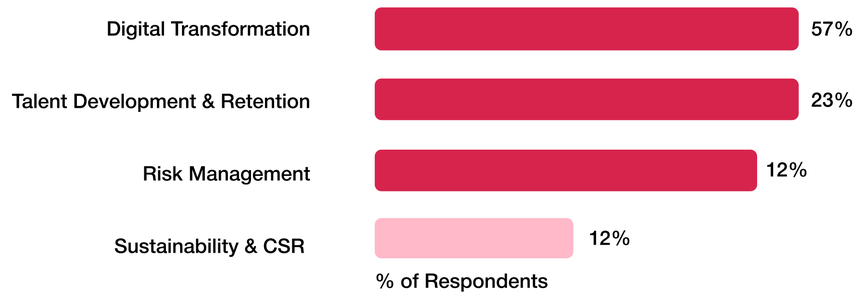
While aspirations around AI and analytics are rising fast, current investment patterns reveal where finance leaders are putting their immediate focus.

Survey data shows that 57% of finance leaders are currently prioritising or investing most in digital transformation, making it the standout area of focus. This reinforces a broader shift toward data-driven, technology-enabled finance operations, where AI, process automation, and platform modernisation are seen as high-impact levers.

However, only 23% are prioritising talent development and retention, suggesting a potential capability gap. As organisations embrace AI and advanced forecasting tools, the lack of commensurate investment in upskilling could hinder transformation outcomes.



Priority Investment Areas For Finance Leaders



Source: Factor Insights, n = 119

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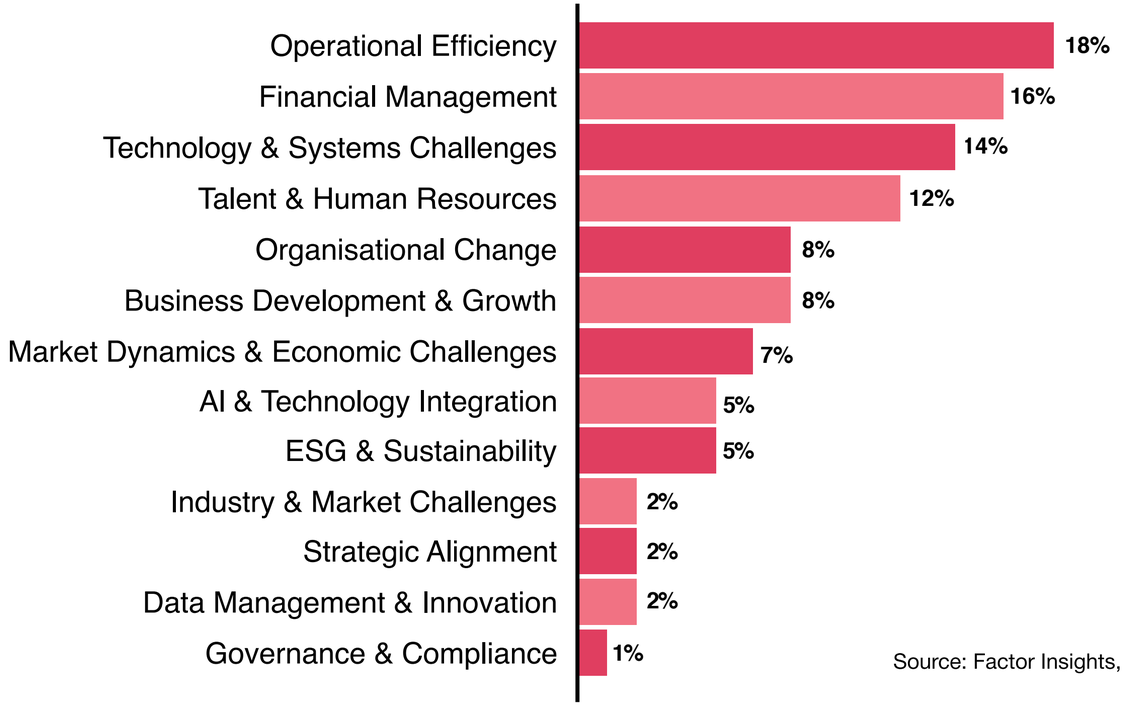
The most pressing pain areas for finance stakeholders

Factor Insights survey reveals the most pressing pain areas finance stakeholders are currently grappling with:

- **Operational efficiency (18%) and financial management (16%)** top the list, underscoring ongoing pressures to streamline processes, control costs, and improve cash flow management. These pain points highlight that many finance teams still struggle with core financial operations, despite increased automation efforts.
- **Technology & systems challenges (14%)** remain significant barriers. Legacy systems, integration difficulties, and data silos continue to complicate efforts to deploy advanced technologies such as AI at scale, limiting agility and the ability to generate actionable insights quickly.
- **Talent & human resources (12%)** issues reflect difficulties in attracting, retaining, and upskilling finance professionals who can work effectively alongside new technologies. This challenge impacts the pace of transformation and the organisation's capacity to leverage AI fully.

Key finance pain areas



Source: Factor Insights, n = 119

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The opportunity: bridging the gap between technology and talent

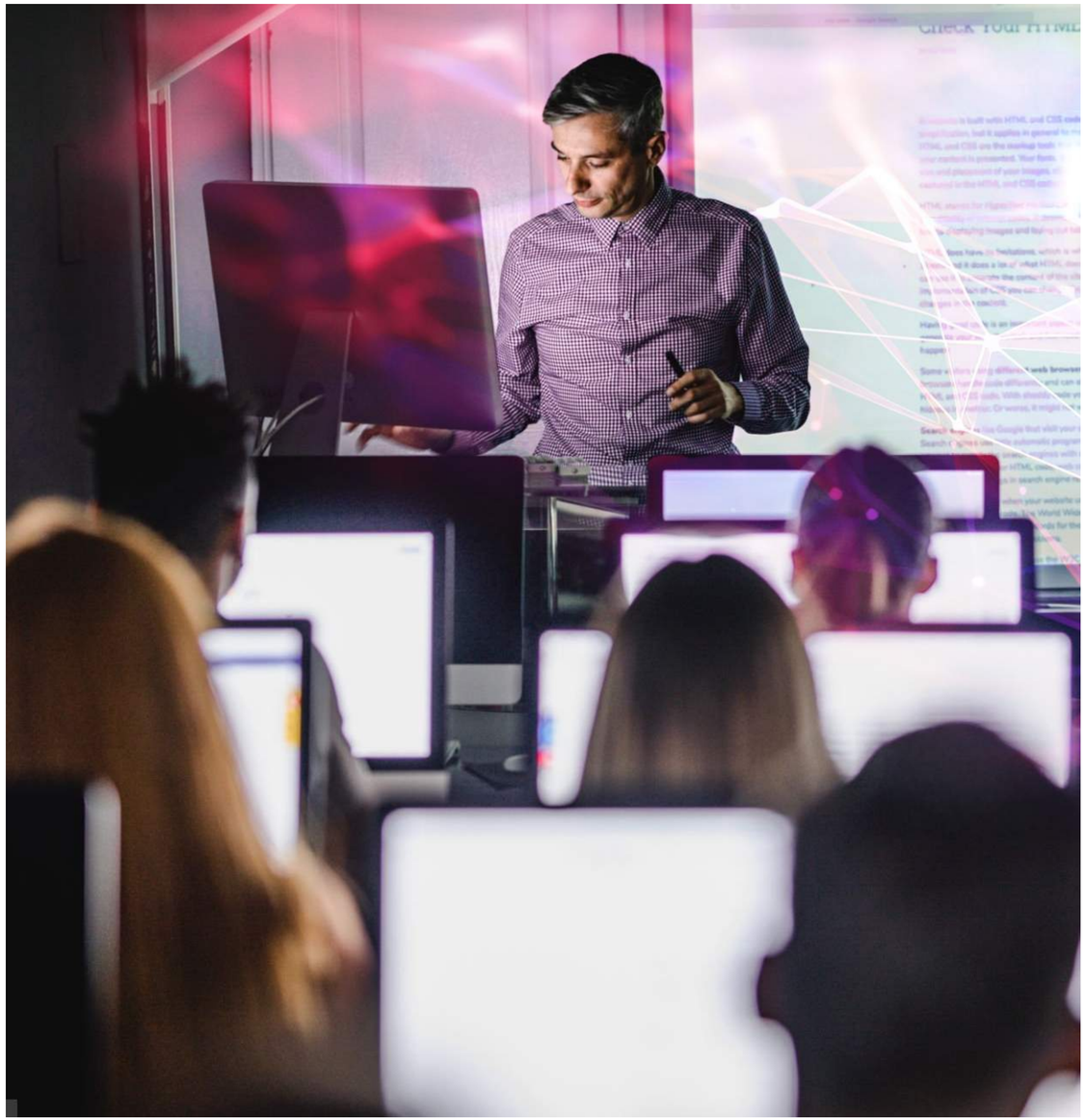
As financial organisations navigate through these challenges, for AI initiatives to truly succeed, finance leaders need to go beyond tech deployment and create an environment where innovation can thrive. That means institutions need to focus on building the foundation through upskilling, effective change management, and adoption of principles that drive responsible AI:

1 **Prioritised upskilling**
nstitutions that embed AI training into their L&D strategies will be far better placed to drive productivity-without leaving employees behind.

2 **Focusing on change management**
Building trust and communicating clearly about the role of AI helps reduce fear and boost adoption.

3 **Implementing AI responsibly**
As regulators close in, explainability, fairness, and ethical use of AI will be central to maintaining internal and public trust.

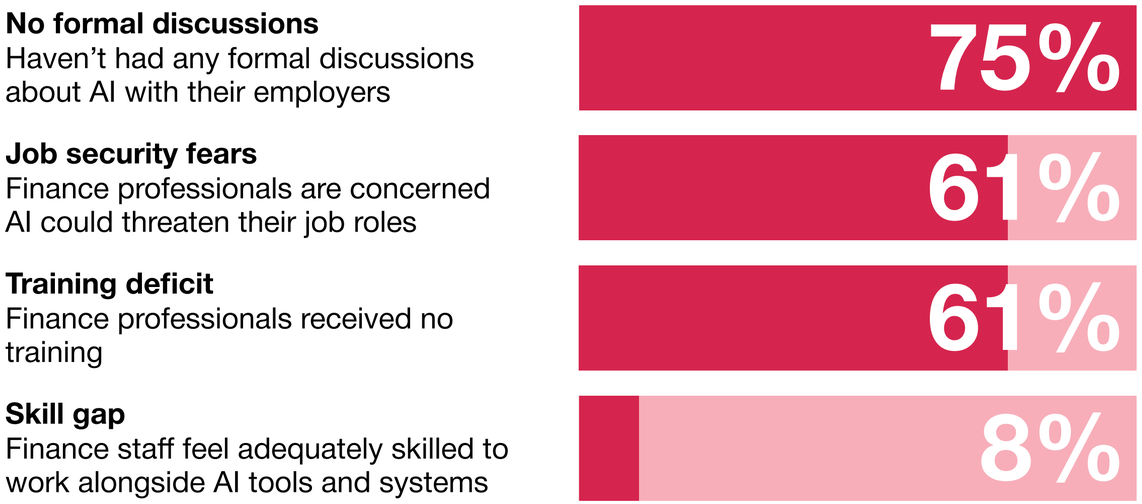
These people-focused strategies form the foundation for AI success-but they must be matched by structural readiness.



Workforce, Skills, and Adoption Readiness

When we review the most pressing issues leaders face today, skilled talent remains critical for successful AI adoption. Besides, AI isn't just a tech project- it's also a people challenge. While platforms evolve rapidly, organisational culture and workforce readiness often lag behind. According to the Financial Services Union (FSU, 2025), Australian finance workers are experiencing deep uncertainty and low preparedness:

Australian Finance Workers' Job Security Fear About AI



Source: FSU Feb 2025

> **Don't treat AI as an entirely separate problem-but do recognise that it introduces different dimensions of risk. The key is to identify those risks early and ensure people are educated on how AI-related risks need to be approached differently than traditional ones.**

Dr. Martin Leo
Chief Risk Office, National University of Singapore

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Barriers to scalable AI in finance - and what to do about them

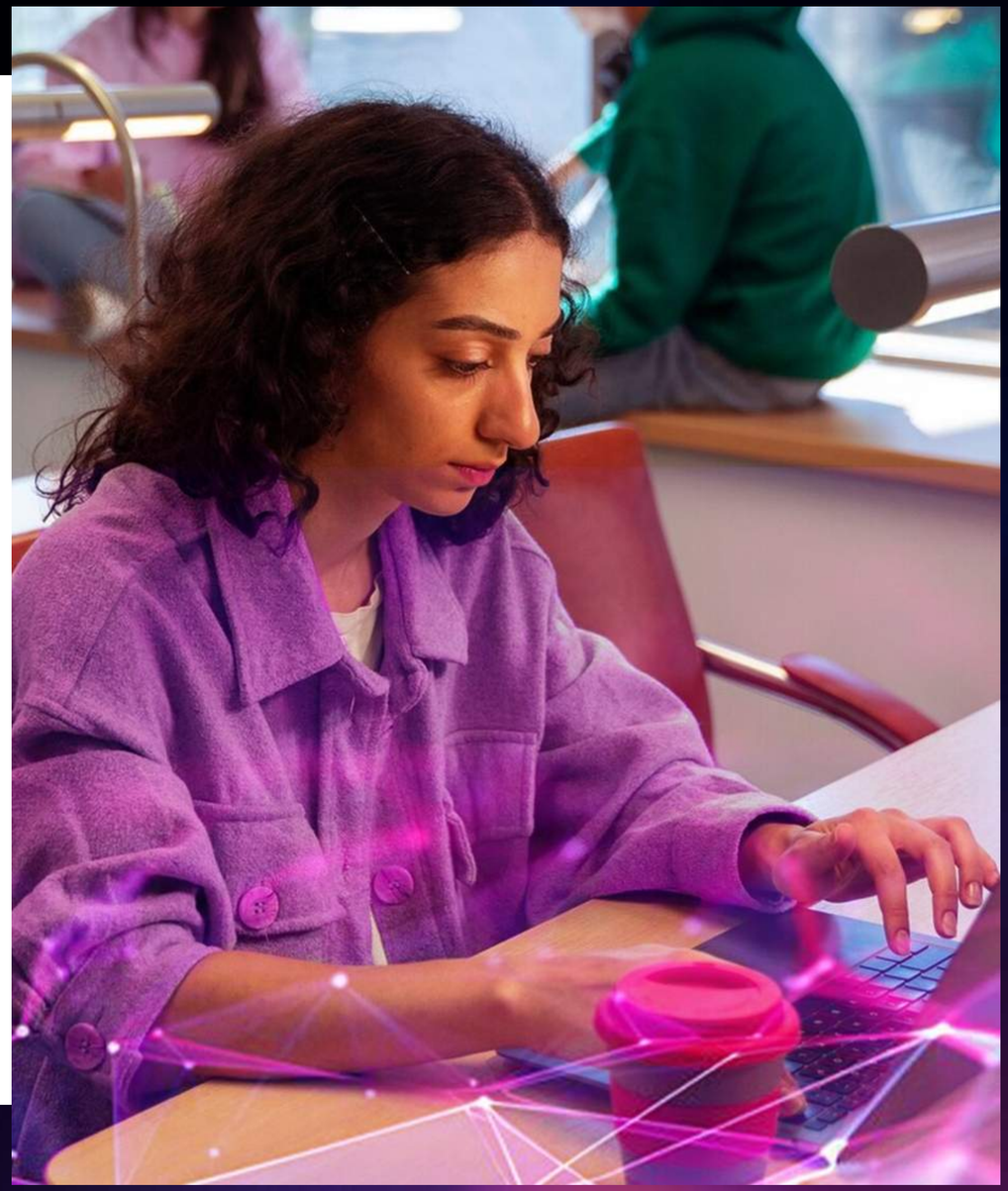
Furthermore, as AI moves from isolated pilots to enterprise-grade deployment, Australian financial institutions face a set of structural and technical hurdles that can stall omentum if left unaddressed:

1. **Legacy systems and technical debt**
   Outdated systems and fragmented architecture create friction for real-time AI applications. This slows down implementation and reduces the value financial teams can extract from advanced technologies.

2. **Data fragmentation and governance gaps**
   AI depends on clean, accessible data. Yet many banks and insurers still operate in silos, undermining the accuracy, fairness, and performance of AI models.

3. **Cost, complexity, and ROI pressure**
   Globally, 30% of GenAI projects are expected to be abandoned by 2025 due to poor ROI alignment-a cautionary tale for Australian institutions. Source: Australian Finance Industry Association & KWM (May 2025)

4. **Defensibility and explainability**
   As AI becomes embedded in critical areas like credit scoring and fraud detection, ensuring transparency and compliance is harder-but essential. Automated decisions must be explainable and defensible.



Turning barriers into building blocks

While these challenges are significant, they also present an opportunity. Institutions that address these foundational issues head-on will not only remove friction-they'll build a competitive advantage.

- **Modernising core systems:** Investing in cloud-native, API-driven platforms can improve integration readiness and lower the barriers to AI scalability.
- **Building data foundations :** Strengthening data pipelines, investing in quality frameworks, and establishing enterprise-wide data governance are preconditions for reliable AI.
- **Strategic AI governance:** Proactively adopting fairness, accountability, and explainability policies will not only prepare institutions for regulatory change-it will build internal clarity and customer trust.
- **AI as a compliance enabler :** Rather than being a risk, well-governed AI can help institutions stay ahead of compliance requirements-through automated risk modelling, real-time monitoring, and audit trail generation.

With the right mindset, today's barriers can become tomorrow's building blocks for AI at scale - reimagining finance operations to be not just digitally enabled, but strategically intelligent and future-ready.

Governing AI in finance: striking the balance between innovation and responsibility

Alongside technical transformation, the Australian finance industry must also develop a stronger regulatory and ethical backbone. As AI accelerates, particularly in areas like credit scoring, algorithmic trading, and personalised services, regulatory frameworks are struggling to keep up. And, according to a Factor survey from November 2024, only 12% of leaders say they're currently prioritising risk management, highlighting a potential oversight in governance, especially as finance teams adopt AI for high-stakes functions like credit, forecasting, and regulatory reporting. The path forward will require industry-wide collaboration: aligning innovation with responsibility and embedding guardrails that allow AI to deliver value without compromising trust.

Current state: fragmented but evolving

Australia has taken early steps toward responsible AI through principles and voluntary guardrails. However, their voluntary nature has resulted in inconsistent adoption across the industry.

Ethics principles and safety guardrails:
Australia's eight AI Ethics Principles - including human-centred values, fairness, and xplainability-offer foundational guidance, while 2024's voluntary safety guardrails outline practical actions like pre-deployment testing and ensuring human oversight. However, both remain non-binding, leading to varied uptake.

Australia's eight AI ethics principles

- Human, societal and environmental wellbeing
- Human-centred values
- Fairness
- Privacy protection and security
- Reliability and safety
- Transparency and explainability
- Contestability
- Accountability

Voluntary AI safety guardrails

- Regulatory compliance
- Risk management
- Data integrity
- Testing
- Ensuring human control
- Creating trust with users (disclosure)
- Establishing processes for user challenge
- Transparency across the AI supply chain
- Maintaining records
- Engaging stakeholders

Policy positioning: The Australian government has maintained a cautious stance-calling for regulatory clarity without stifling innovation or triggering "knee-jerk" interventions. The goal is to allow market-driven growth while managing societal and economic risks.

The opportunity: regulate for trust, not just control

Australia has an opportunity to take a balanced, globally relevant stance on AI in finance-one that supports innovation while protecting public interest.

1 Proactive industry standards

Financial institutions can step ahead of regulation by adopting voluntary AI assurance frameworks, conducting independent audits, and embedding fairness and transparency into their model design lifecycle.

2 Regulatory sandboxes

ASIC's regulatory sandbox and tech-neutral policy stance can be used more aggressively to test AI use cases in a supervised setting-allowing innovation to flourish while identifying unintended consequences early.

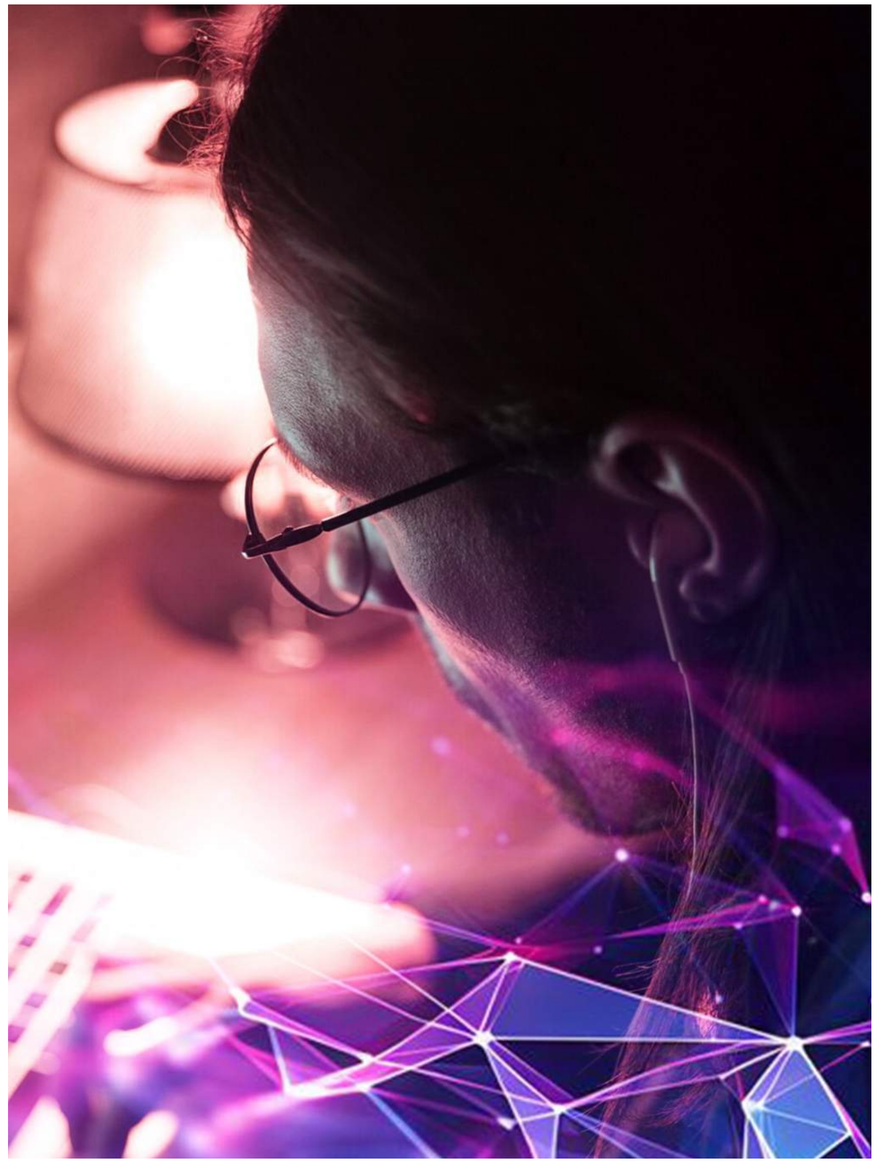
3 Cross-sector coordination

Coordinated action is needed between financial regulators (APRA, ASIC), privacy authorities (OAIC), and digital innovation agencies (DSR, CSIRO). This could help build consistent expectations and reduce fragmentation.

4 Global collaboration

As AI becomes a cross-border capability, Australia should align with international partners to shape interoperable frameworks-ensuring that local innovation is exportable and globally compliant.

Without meaningful guardrails, the rapid expansion of AI in Australian finance risks public backlash, regulatory intervention, or ethical failures. But by embedding governance into deployment from the start-and shaping thoughtful regulation-Australia can lead not just in adoption, but in trust.



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Emerging use cases in Australian finance

As AI matures, the range of applications across financial services is rapidly expanding. Many organisations are already realising benefits from well-established use cases, while new ones- especially those powered by GenAI-are beginning to show promise.

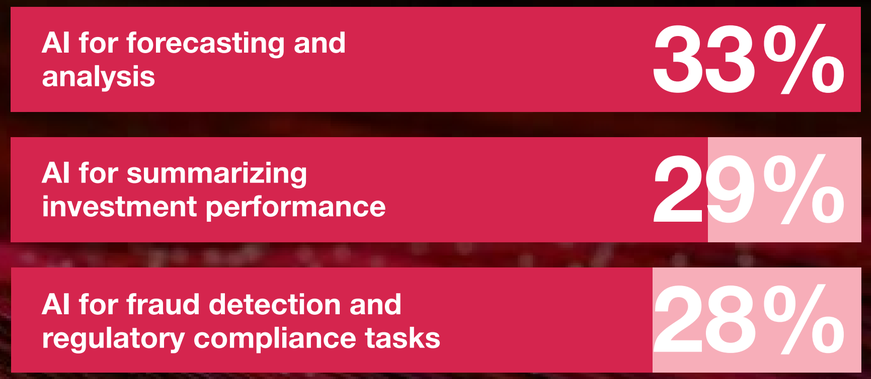
- **Credit Decisioning and Management:** Improving accuracy of credit scoring models, predicting likelihood of recovery post-default, and prioritising contact with high-risk customers.
- **Customer Engagement and Value Proposition:** GenAI-assisted staff summarising customer complaints, and AI-optimised interfaces based on browsing history or user intent.
- **Fraud Detection and Prevention:** Detecting mule accounts or account takeovers, and identifying at-risk customers before fraud occurs.
- **Operational Efficiency and Compliance:** Using AI to detect anomalies in processes or internal errors, automating data validation, and identifying signs of financial hardship during customer interactions.

These evolving use cases are not only enhancing precision but also reducing response times and operational overhead, which is why many firms are doubling down on AI experimentation across multiple departments.

Where AI is delivering results right now	
Forecasting	AI is enabling more accurate, continuous forecasting by drawing on a wider array of data, from macroeconomic indicators to behavioural signals.
Enhanced risk analytics	Continuous, real-time anomaly detection across portfolios. ■ Improve claims processing, assess risks, and set dynamic pricing ■ ML is increasingly used alongside geospatial data for risk-linked pricing, especially in property insurance
Personalisation of financial products	■ Investment advice and financial planning can now be tailored based on personal behaviour, goals, and spending patterns ■ Using real-time customer data, insurers are beginning to adjust coverage and pricing dynamically
Automation and CX	Simplifies manual tasks, improving profitability and experience at once. ■ Loan processing or claims approval can now be automated, reducing turnaround times and human error ■ AI-powered virtual agents are providing 24/7 customer support

Source: Factor Insights

The Most Prominent Usage of AI in Finance



Source: SAP, Oct 2024

% of Respondents

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In-Action: AI Initiatives at Leading Australian Banks

CBA recognised the constant battle against evolving cyber threats and the need to deliver more seamless, personalised customer experiences at a massive scale. Their solution involved deepening their partnership with Microsoft to integrate Generative AI capabilities directly into their operations. The outcome is a more robust defense against sophisticated cyberattacks, leading to a significant reduction in customer scam losses and reported frauds, alongside noticeably shorter call centre wait times due to AIpowered app messaging and enhanced customer service quality.
(Source: Commonwealth Bank)

NAB faced the ongoing challenge of keeping pace with increasingly sophisticated fraud attempts while striving to make customer transactions faster and more efficient. To tackle this, they collaborated with leading US tech firms to implement advanced AIdriven solutions. The result is a stronger, more proactive fraud prevention system that can detect anomalies in real-time, coupled with streamlined transaction processes that enhance both security and customer satisfaction.
(Source: NAB)

ANZ Bank understood that their employees spent valuable time sifting through vast amounts of corporate information and manually generating reports, which slowed down decision-making. Their solution was to develop an internal chatbot, Z-GPT, powered by OpenAI's models and Google's AI tools, specifically designed to automate reporting and provide quick access to internal data. This has led to a noticeable improvement in internal efficiency, allowing staff to find critical information faster and reduce the burden of routine administrative tasks.
(Source: ANZ)

Westpac envisioned a future where banking could be far more personalised and proactive, moving towards an almost autonomous financial concierge service for its customers. To achieve this, they began pioneering "hybrid intelligence," which combines the power of advanced AI, including generative AI, with human oversight. This strategic move is already boosting software development productivity and is paving the way for a future where AI can offer highly tailored financial advice and manage routine banking tasks, ultimately aiming for a truly seamless and intelligent customer experience.
(Source: Westpac)

Projected future value of AI in finance

As the adoption of AI rises across financial institutions in Australia, the value of AI will come from three key sources including productivity gains, better service quality, and innovative products that can generate new revenue streams. According to the survey from AFIA productivity gain will provide maximum benefit to financial institutions:

Anticipated Value Generated Through AI

70% From productivity gains-via automation, real-time insights, document generation, and internal process improvements

20% From enhanced service quality-through faster response times, hyper-personalisation, and proactive service delivery

10% From new revenue streams and products-such as AI-enabled financial planning tools, micro-personalised lending models, or real-time credit risk products

% of Respondents

Source: Australian Finance Industry Association & KWM

The next frontier: from pilots to scalable AI platforms

Despite early successes, most institutions are still operating in pilot mode. The next phase of transformation requires a shift from isolated use cases to scalable, platform-based AI strategies that span the enterprise. To make this leap, financial leaders must navigate a set of interconnected priorities:

Five moves to turn AI ambition into impact:

- **Prioritise responsible AI**: Make transparency and fairness non-negotiable
- **Invest in AI fluency and rebuild talent and team structures:** Establish cross-functional teams, upskill leaders, and embed AI centres of excellence.
- **Tie AI to business value:** Focus on use cases with measurable impact.
- **Partner with regulators early and embed governance at every stage:** Integrate risk controls, fairness reviews, and auditability from data ingestion to decision output.
- **Modernise infrastructure for agility:** Shift to cloud-native, API-driven architectures that support real-time, modular AI applications.

With smart planning and people-first leadership, Australia's financial institutions can transform AI from a tactical tool into a strategic engine of long-term value and trust.

Conclusion:
Seizing the Future of AI in Australian Finance

AI is no longer a distant promise - it's already reshaping the financial sector in Australia, bringing sharper forecasting, leaner operations, and more responsive customer experiences. But the real value will come not just from adopting the technology, but from using it wisely.

To unlock that value, financial institutions need to do three things well: align AI initiatives with clear business priorities, invest in people and skills, and embed ethical guardrails from the start.

The sector now faces a defining choice. Competing on cost alone is no longer enough. The next chapter will be written by those who can build AI into the fabric of their operations - scaling it responsibly, quickly, and with purpose. Trust, capability, and execution will separate the leaders from the rest.

Australia doesn't just have an opportunity to keep pace - it has a chance to set the standard. With the right balance of innovation and integrity, the finance sector can turn AI into a long-term engine of resilience, growth, and leadership.

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About Factor

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