

# **BANKING IN 2020: THE VIEW FROM HERE**

**FEI OF NORTHEASTERN WISCONSIN  
OCTOBER 24, 2019**



# 8 TRENDS SHAPING BANKING

## National trends impact financial services in Wisconsin

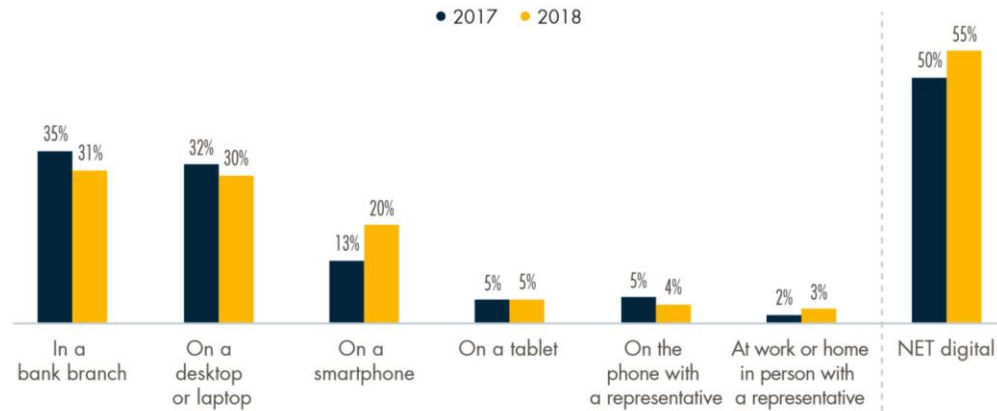
- Consumer Channel Preferences
- Bank & Branch Consolidations
- Spending at Megabanks
- Rise of Non-Bank Competitors
- Regulatory Environment
- Fraud & Operational Risk
- Fintech Partnerships
- Service Provider Consolidation



# CONSUMER CHANNEL PREFERENCES

Consumers prefer digital channels to open accounts...

## MAJORITY OF CONSUMERS PREFER DIGITAL ACCOUNT OPENING



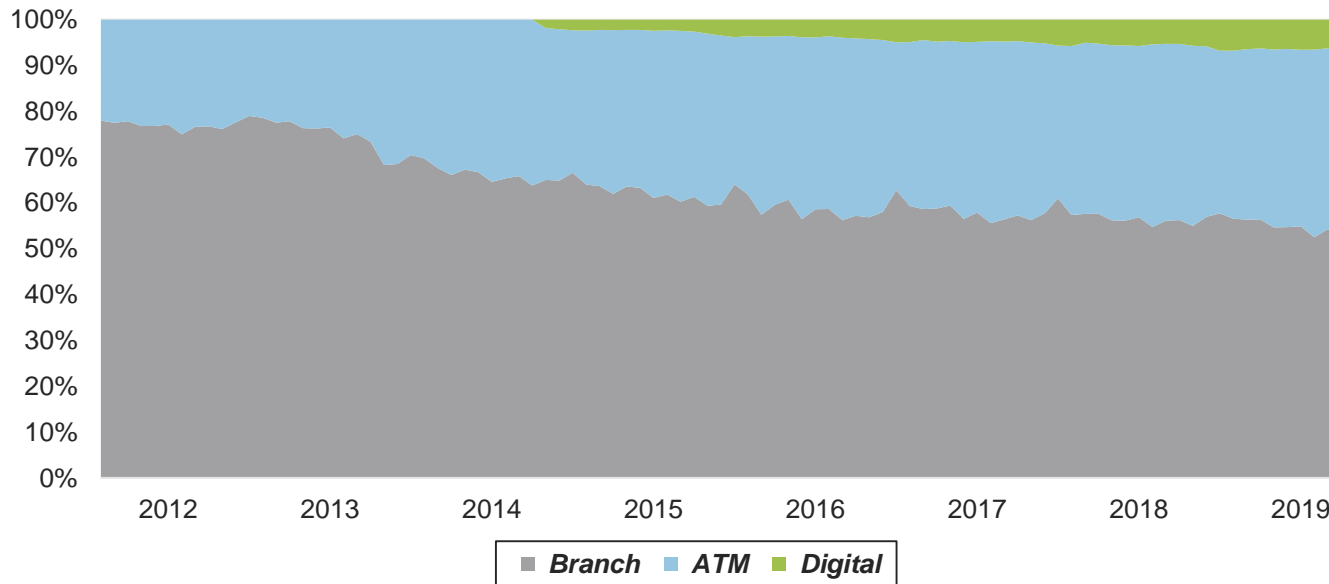
Source: Novantas study (Oct 2019)



# CONSUMER CHANNEL PREFERENCES

...and increasingly to transact...

## ***BRANCHES NOW CONDUCT ONLY HALF OF ALL BANK TRANSACTIONS***



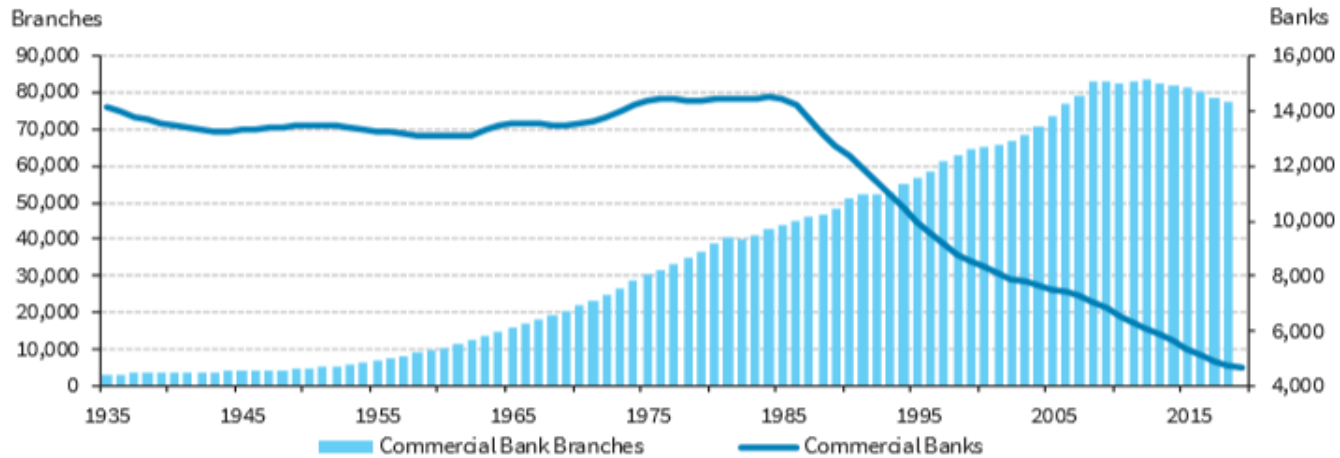
Source: Associated Banc-Corp



# BANK & BRANCH CONSOLIDATIONS

...leading to fewer banks, fewer branches

## *CUSTOMER PREFERENCES DRIVING BRANCH CONSOLIDATIONS*



Sources: Barclays State of the Industry (Oct 2019); FDIC



# BANK & BRANCH CONSOLIDATIONS

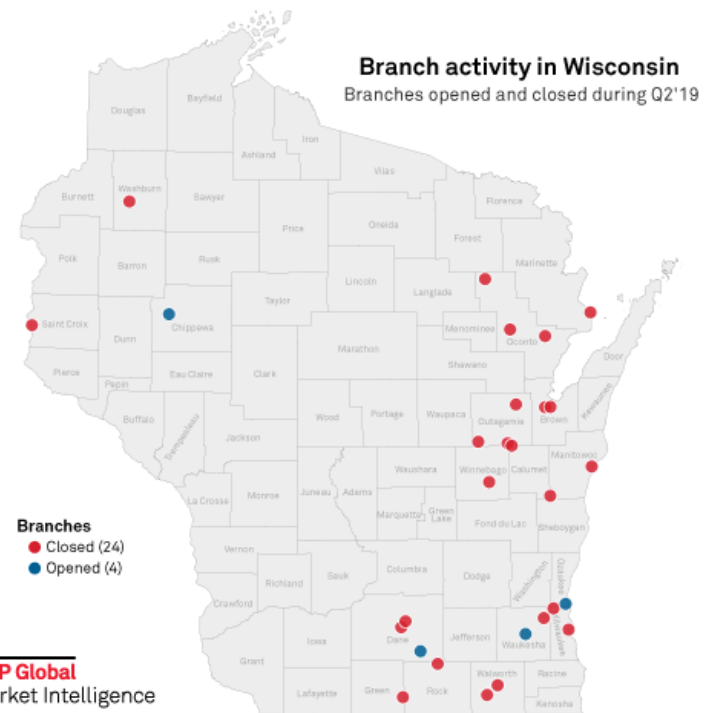
## Wisconsin consolidation continues as well

### WISCONSIN ACTIVITY

- **Bank Deals:** Year-to-date through September 2019, 16 bank acquisitions announced—more than in 2017 and 2018 combined
- **Branch Activity:** Branch closures continue to exceed branch openings by a wide margin

Source: SNL Services

### 2Q19 WI BRANCH ACTIVITY

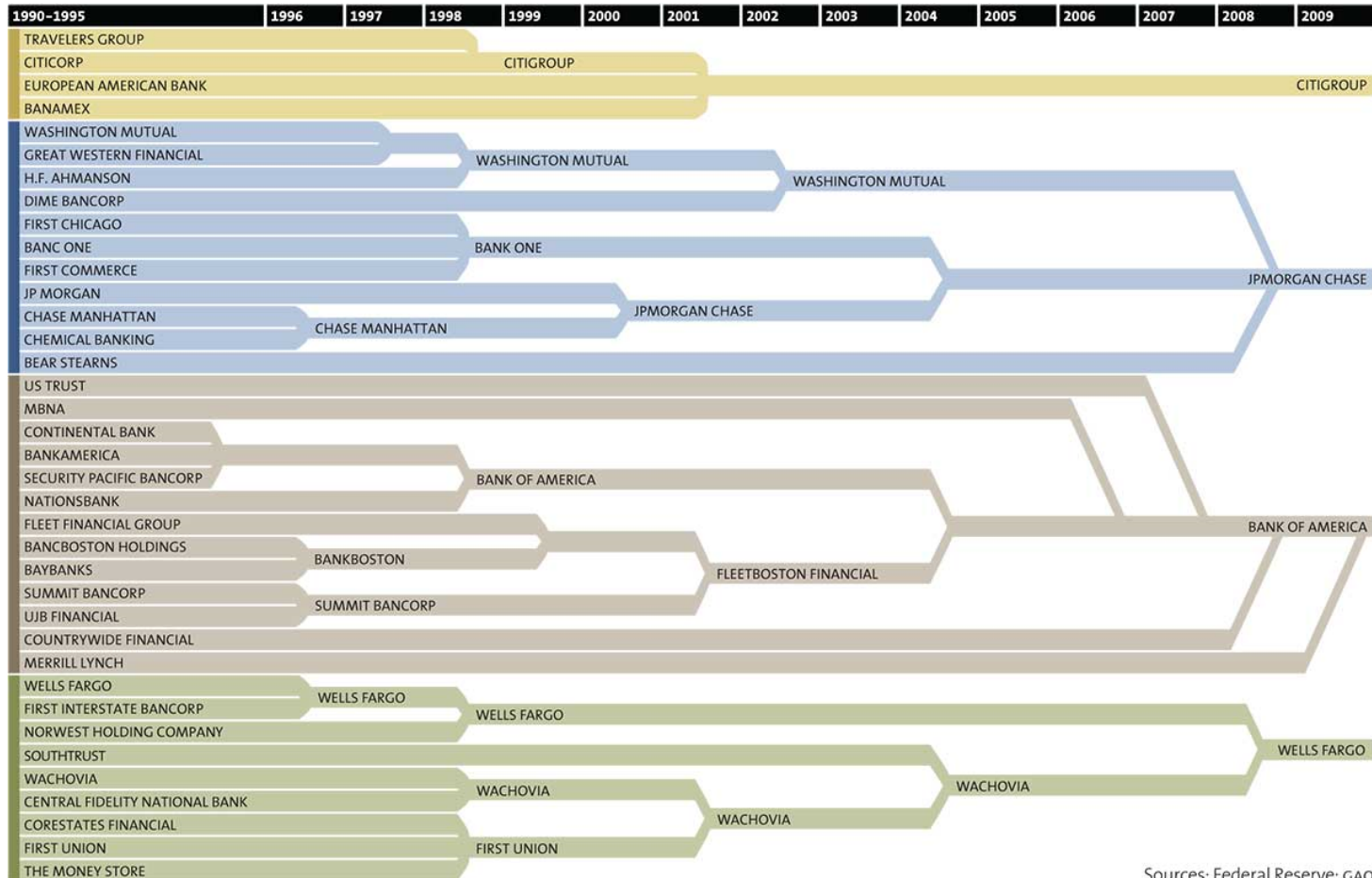


Data compiled Sept. 17, 2019.  
Branch openings and closings are limited to cases where opening and closing dates are available.  
Branch data collected on a best-efforts basis and excludes credit union branches.  
Map credit: Ciaralou Agpalo Palicpic  
Source: S&P Global Market Intelligence

# BANK & BRANCH CONSOLIDATIONS

Four “megabanks” emerged from the financial crisis

## CREATION OF THE LARGEST U.S. BANKS

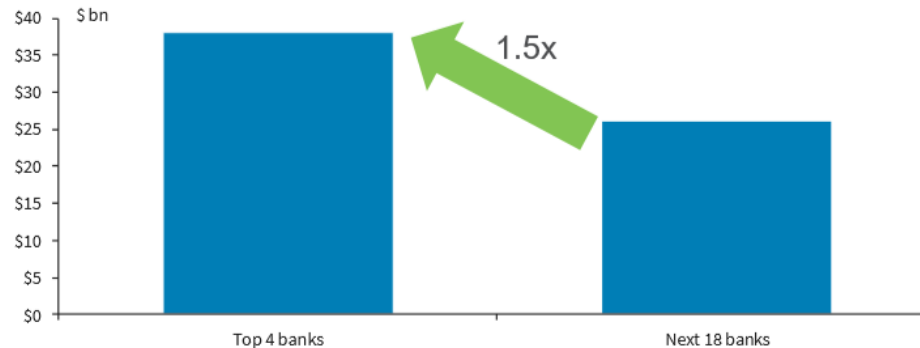


Sources: Federal Reserve; GAO

# SPENDING AT MEGABANKS

Tens of billions spent on technology, customer experience

## MEGA BANK TECHNOLOGY SPEND DWARFS REST OF INDUSTRY...



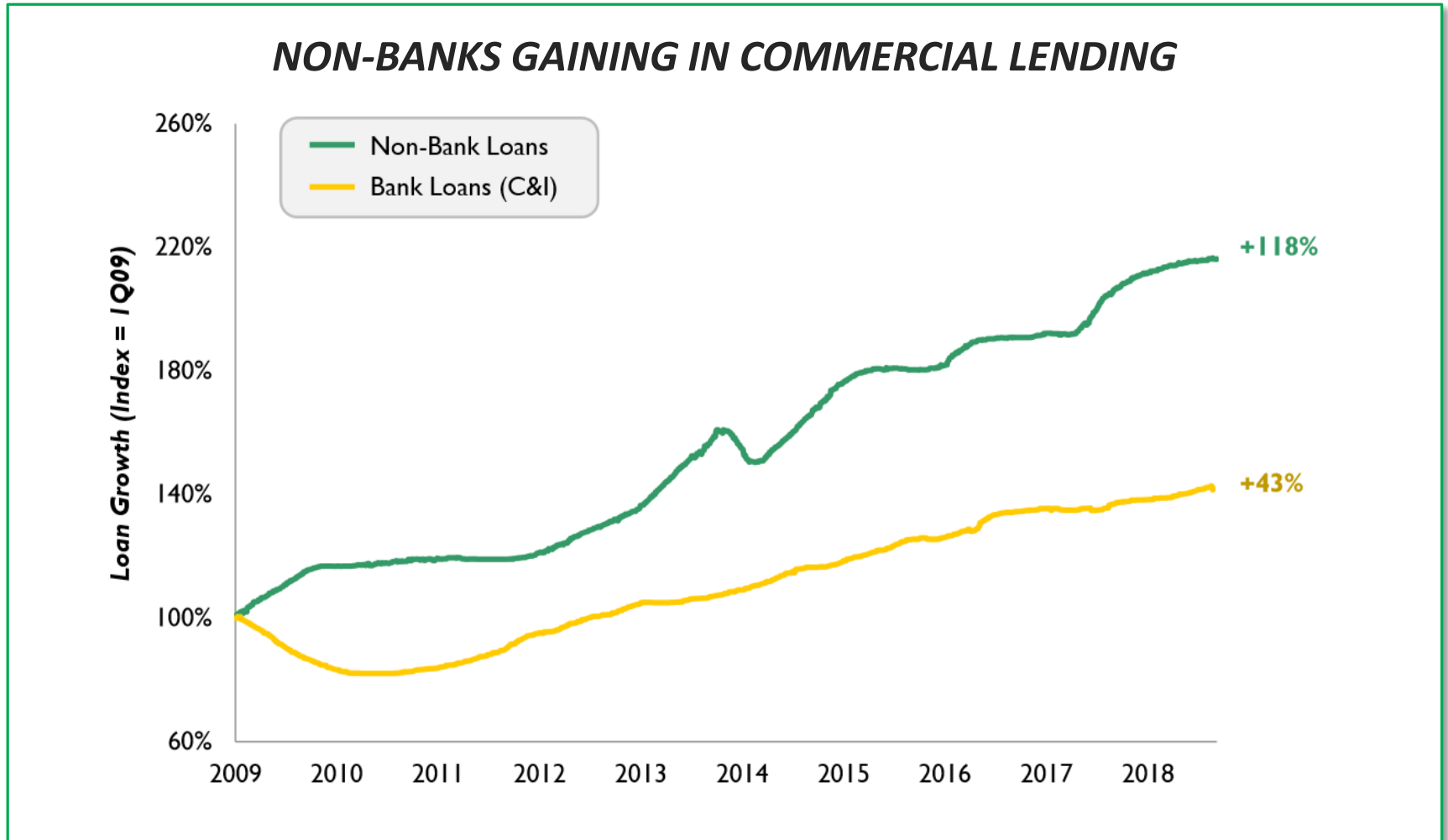
## ...COMBINED WITH MARKETING, SIGNIFICANTLY SKEWS RESULTS

	Assets	Share of Deposits	Share of Branches	Share of deposits/ share of branches
Mega banks	> \$1trn	45%	19%	2.4
Super regionals	\$250bn-\$1trn	12%	9%	1.3
Regionals	\$50bn-\$250bn	14%	16%	0.9
Mid-caps	\$10bn-\$50bn	11%	15%	0.7
Community banks	< \$10bn	18%	41%	0.4



# RISE OF NON-BANK COMPETITORS

Non-banks impacting competition in commercial...



Sources: Centerview Partners; FDIC, Federal Reserve

# RISE OF NON-BANK COMPETITORS

## ...and in retail banking

### SUMMIT CREDIT UNION

Assets: \$3.2 Billion

Deposits: \$2.2 Billion

2018 Net Income: \$39 Million

Full-Service Branches: 34



### ASSOCIATED BANC-CORP

Assets: \$33 Billion

Deposits: \$25 Billion

2018 Net Income: \$323 Million

Full-Service Branches: 240



# REGULATORY ENVIRONMENT

Dynamic environment on many regulatory fronts

## *SELECT REGULATORS FOR MID-CAP BANKS*



## REGULATORY THEMES

- Consumer Protection
- Community Reinvestment
- Capital Adequacy
- Risk Management
- Bank Secrecy & Money Laundering
- Public Company Disclosures
- Vendor Management
- IT Security

# FRAUD & OPERATIONAL RISK

## Significant challenges for the entire industry



### RISK THEMES

- Threats to Bank Customers
- Direct Attacks on Banks
- Payment Systems Risk
- Internal Security



# FINTECH PARTNERHIPS

Complex technology ecosystem, even for mid-sized banks

## CORE PROCESSORS



## PAYMENTS VEHICLES



## PRODUCTS/CUSTOMER EXPERIENCE



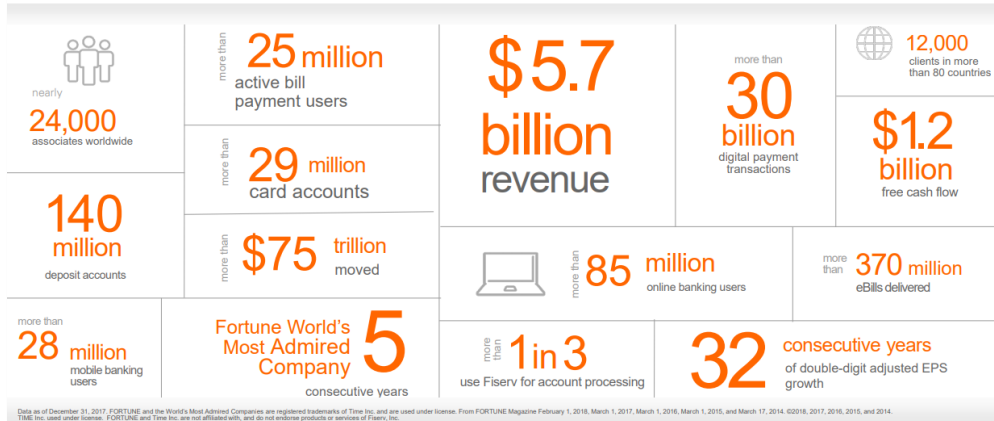
## EFFICIENCY & RISK



# SERVICE PROVIDER CONSOLIDATION

## Fiserv/First Data deal impactful for WI and WI banks

### Fiserv by the Numbers



First Data

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Source: Fiserv/First Data investor presentation Jan 2019

### First Data by the Numbers



First Data

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