

INDUSTRY & REGULATION: A LOOK AHEAD

BRUCE WHITEHURST

2021/2022 MANAGEMENT DEVELOPMENT PROGRAM



OLD & NEW TRENDS & ISSUES

Key Issues Facing Community Banks

- Rising Interest Rates?
- Impact of PPP
- Future of CRE
- Industry Image

PAYCHECK PROTECTION PROGRAM



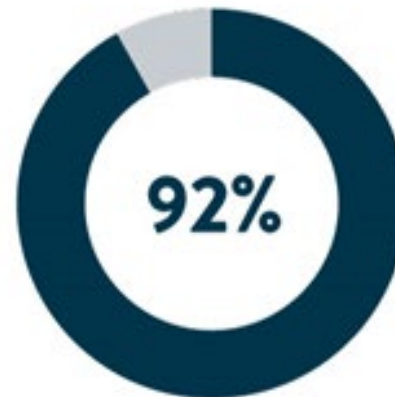
Banks Supported Millions of Jobs through the Paycheck Protection Program

America's banks, which have delivered nearly 8.4 million PPP loans worth \$722 billion, supported 63.0 million jobs through first-draw loans and another 20.8 million jobs through second-draw loans.



67.8 Million Jobs Supported
(First-draw loans)

- Banks
- Other Lenders

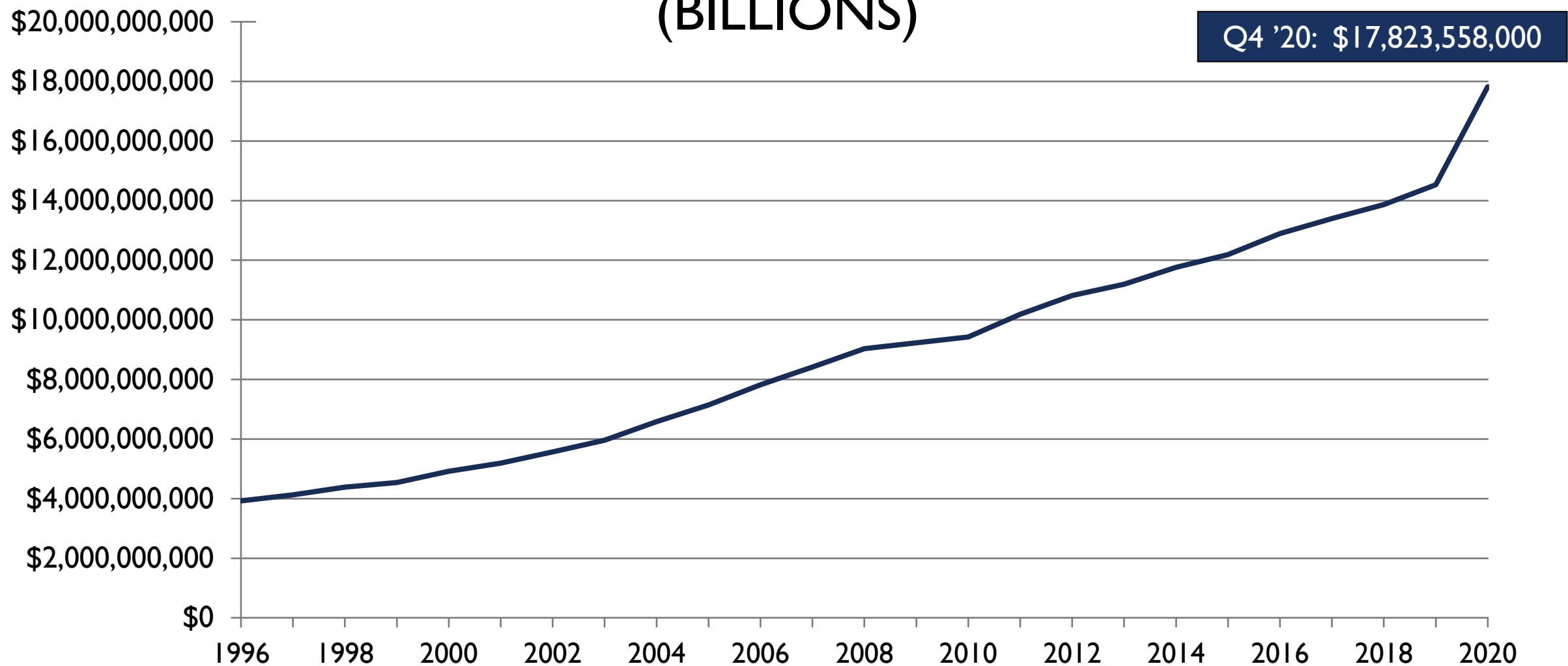


22.6 Million Jobs Supported
(Second-draw loans)

VIRGINIA PPP DATA

- **Round 1** – Approvals through August 8, 2020:
 - 114,570 loans approved; totaling more than \$12.58 billion
- **Round 2** – Approvals through May 31, 2021 (does not include 2020 data):
 - 113,491 loans approved; totaling more than \$5.5 billion
- **Total PPP Loans in Virginia: 228,061 loans totaling more than \$18.08 billion.**

DEPOSITS, LONG-TERM TREND - US (BILLIONS)

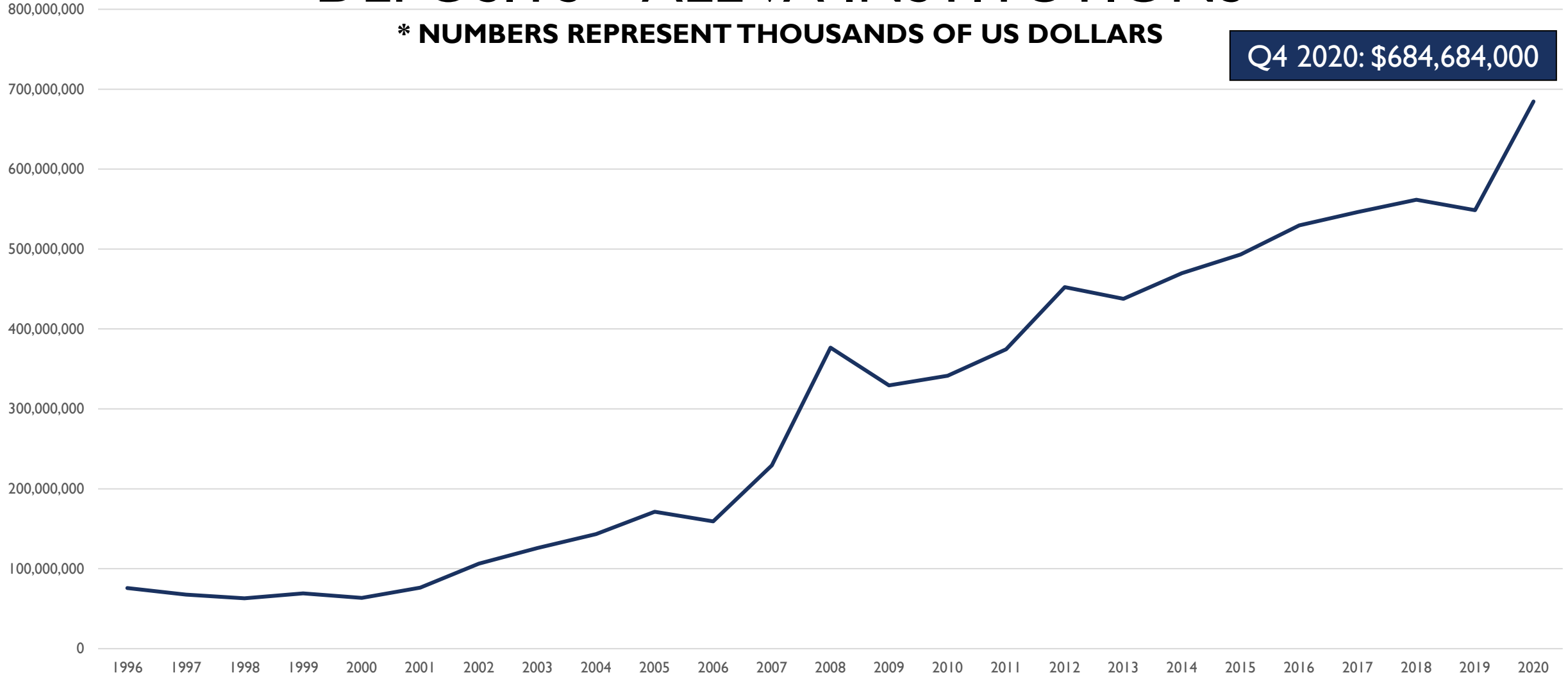


Source: FDIC

DEPOSITS – ALL VA INSTITUTIONS

* NUMBERS REPRESENT THOUSANDS OF US DOLLARS

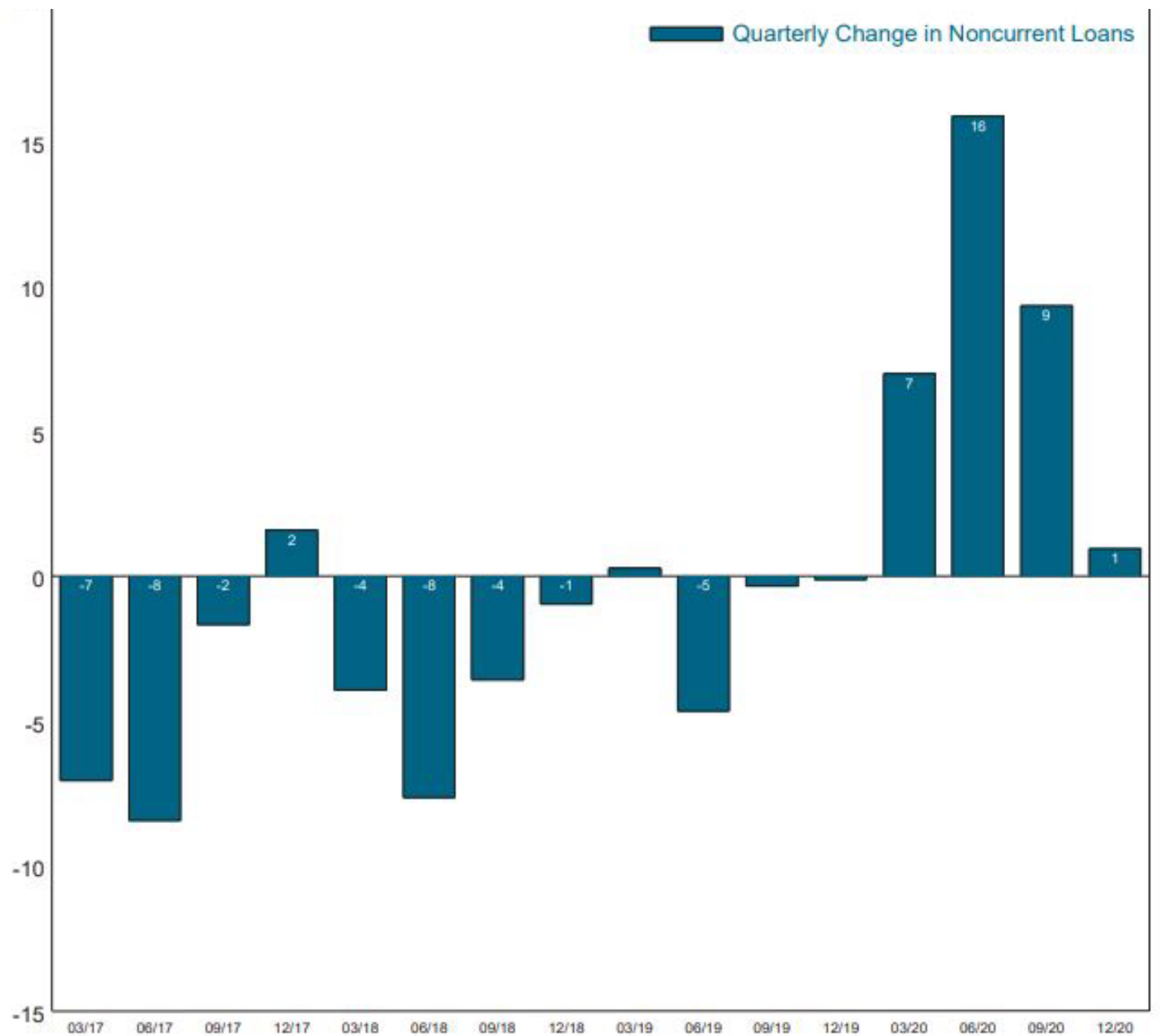
Q4 2020: \$684,684,000



Source: FDIC

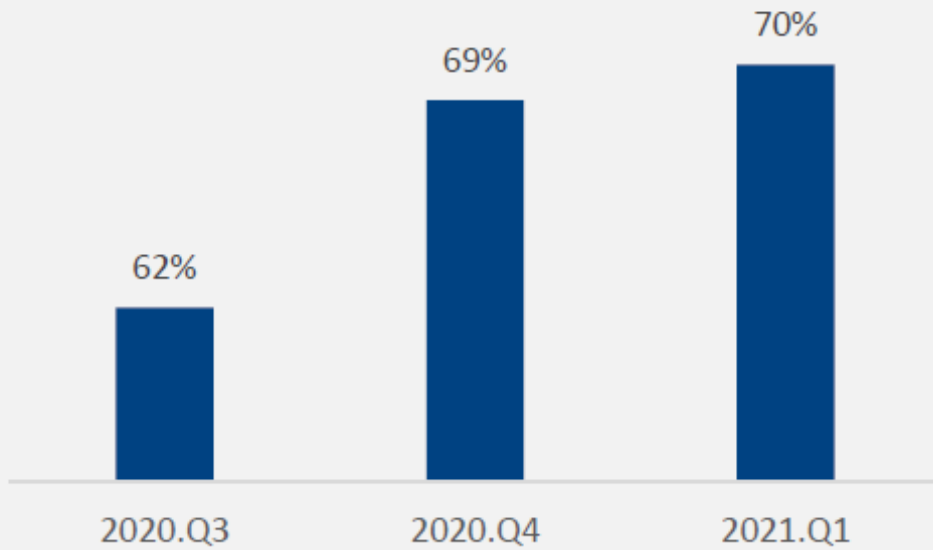
QUARTERLY CHANGE IN NONCURRENT LOANS 2017-2020 (BILLIONS)

Source: FDIC

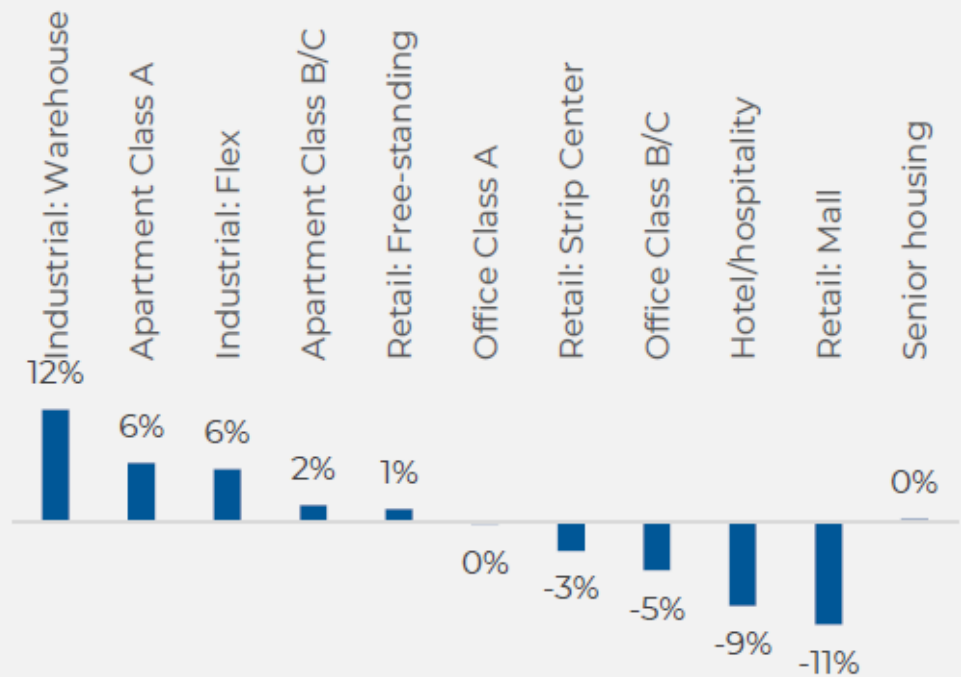


CRE TRENDS

Companies leasing or moving into offices with smaller square footage due to working from home



YoY % Change in Construction Projects (in sq.ft) in 2021 Q1



Source: National Association of Realtors

GALLUP SURVEY: CONFIDENCE IN BANKS, 2019-2021

% who have “a great deal” or “quite a lot” of confidence

2019 %	2020 %	2021 %	Change, 2021 vs. 2020 Pct. Pts.
30	38	33	-5
2007 %	2008 %	2009 %	Change, 2007 vs. 2009 Pct. Pts.
41	32	22	-19

CONSUMER SATISFACTION DURING THE PANDEMIC



9 in 10
account holders are
“very satisfied” or “satisfied”
with their primary bank



96%
rate their bank’s customer
service as “excellent,”
“very good,” or “good”



3 in 4

- ▶ rate the banking industry’s response as “excellent” or “good”
- ▶ are “very satisfied” or “satisfied” with their bank’s response



12%
have utilized a financial
assistance program offered by
their bank during the pandemic



83%
of those aware of their bank’s
assistance options during the
pandemic now view their bank
more favorably

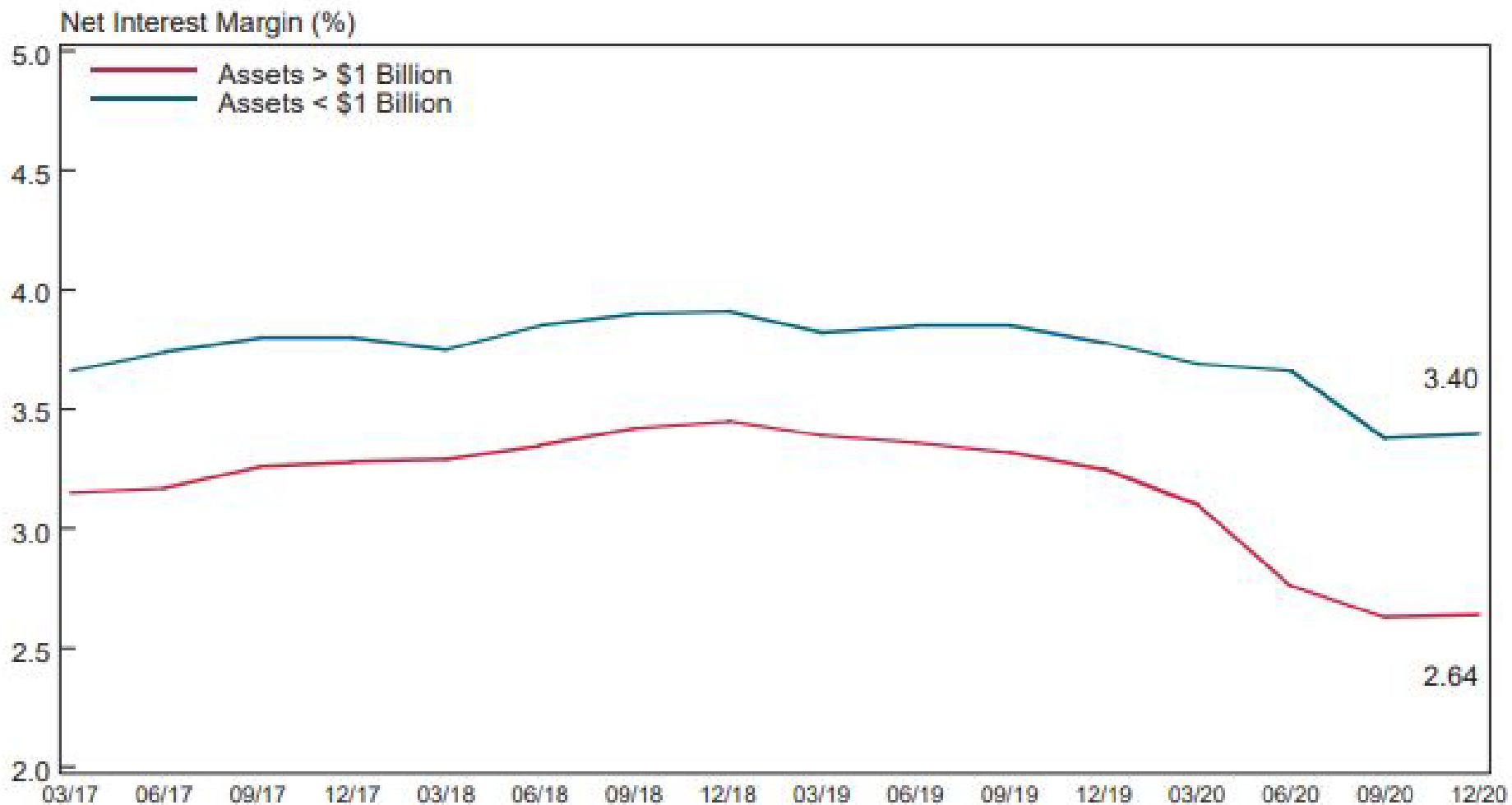
POST-PANDEMIC BANKING

PRE-PANDEMIC ISSUES REMAIN IN DIFFERENT FORMS

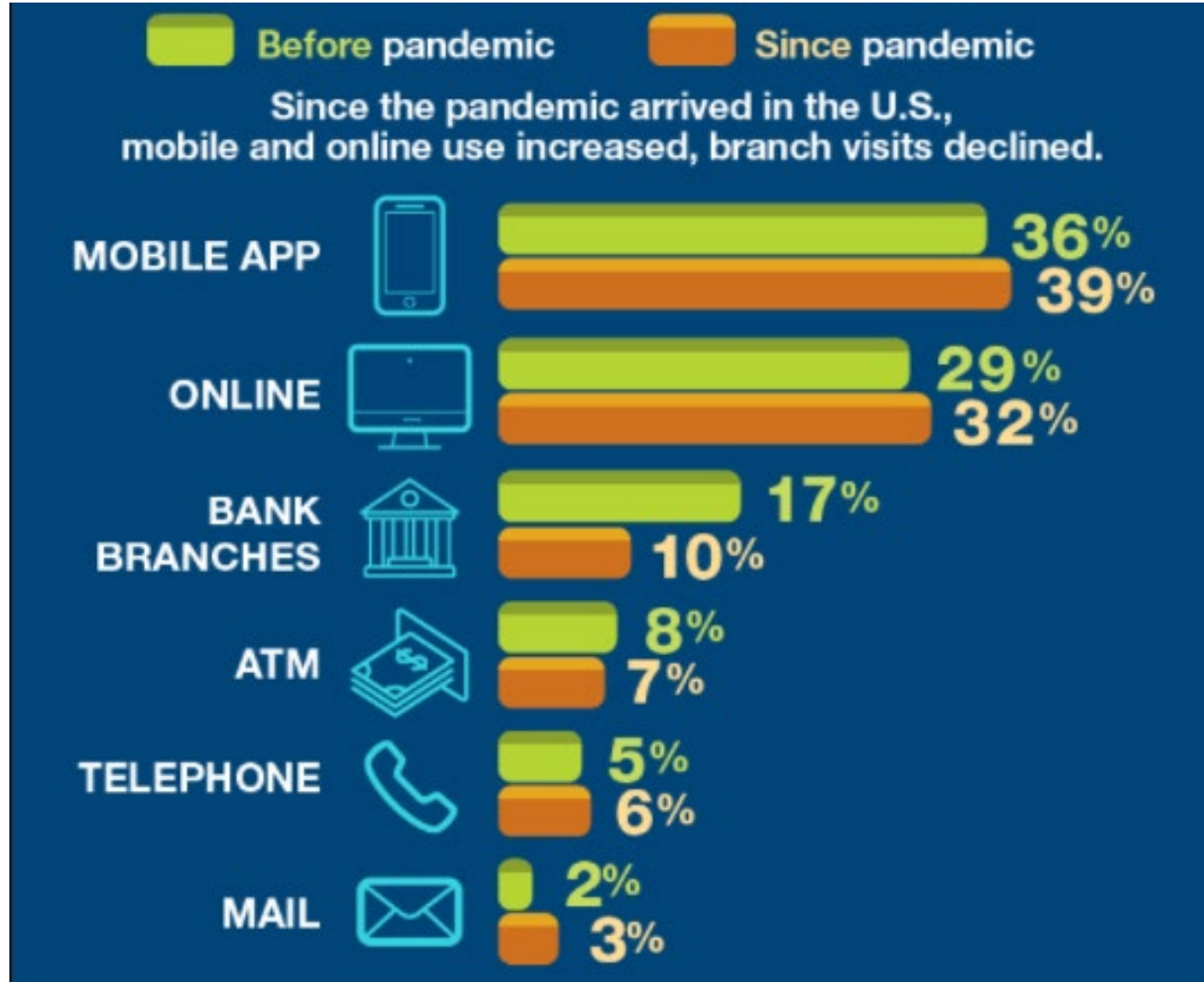
Key Issues Facing Community Banks Before & After COVID:

- Margin Compression:
 - Rates Still Historically Low; Thin NIM
- Technology/Cyber/Data:
 - New Frauds; More Online/Mobile Usage; AI
- Branch Decisions:
 - New Staffing Approaches; Customer Behavior Changes
- M&A Options:
 - Coming Back; Large Banks Reemerging?
- Recruitment/Retention/Training:
 - Remote working; Culture; DEI

QUARTERLY NET INTEREST MARGINS, ANNUALIZED 2017-2020



HOW AMERICANS BANK: BEFORE & DURING PANDEMIC



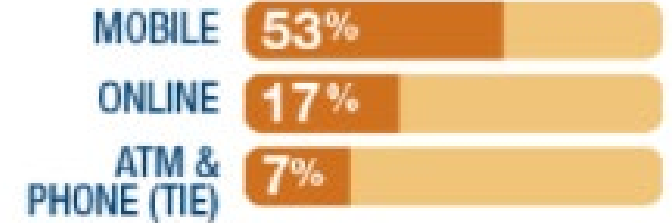
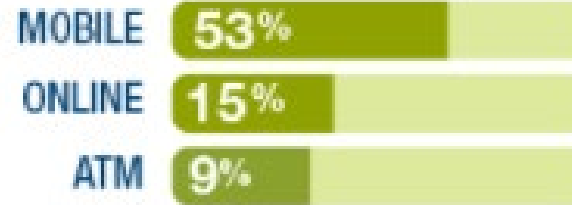
Source: ABA

DIFFERENT AGE GROUPS BANK DIFFERENTLY

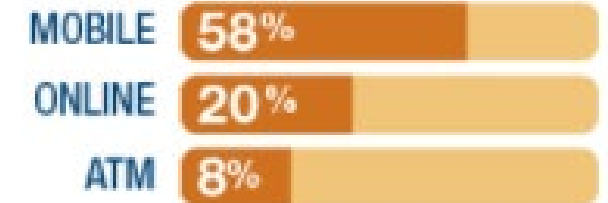
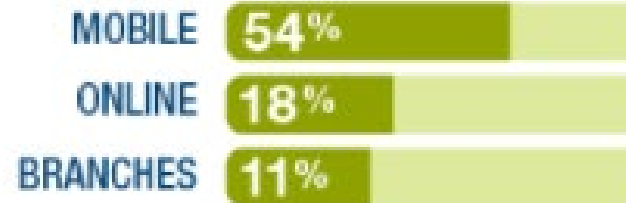
BEFORE PANDEMIC

SINCE PANDEMIC

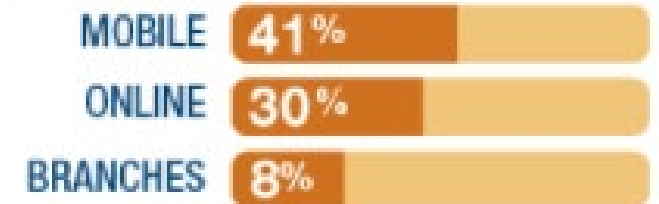
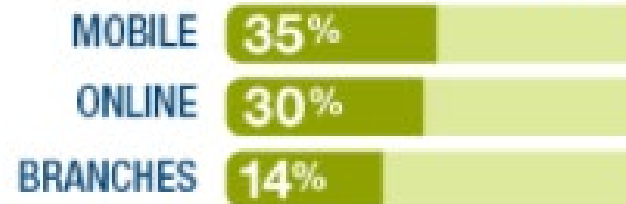
Gen Z (1997–2012)



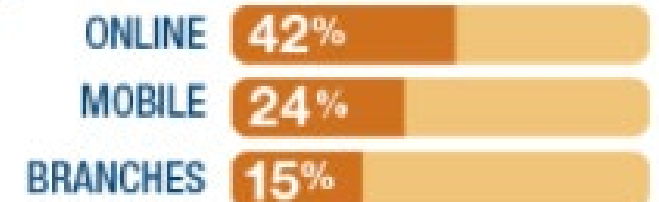
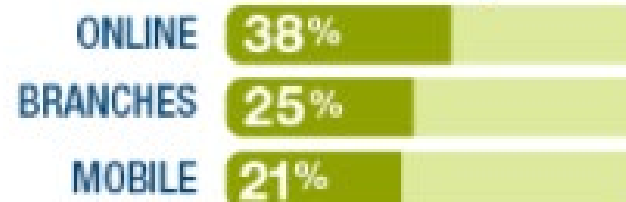
Millennials (1981–1996)



Gen X (1965–1980)



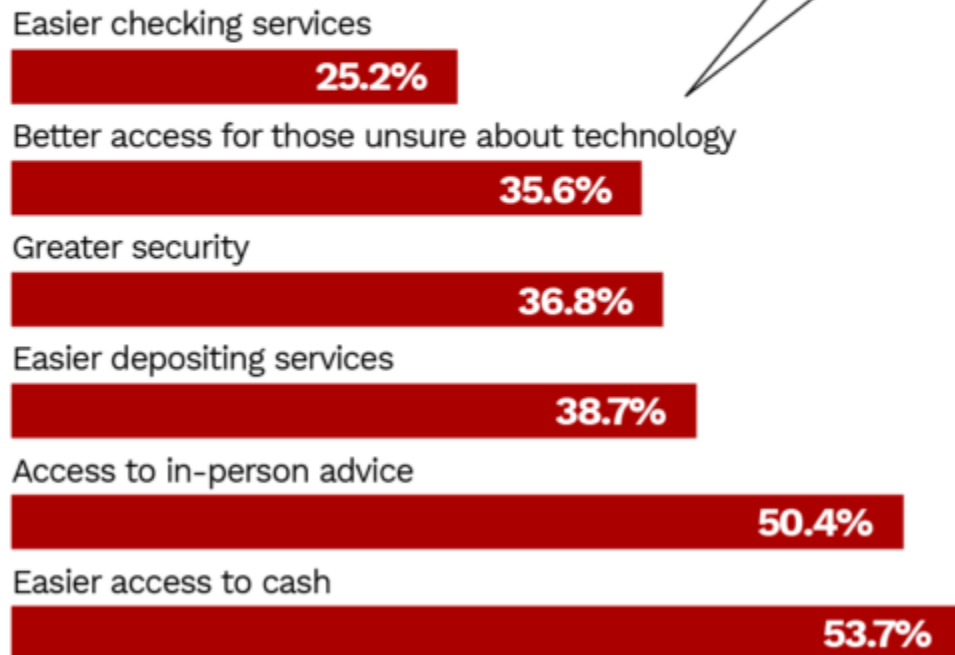
Baby Boomers (1946–1964)



Source: ABA

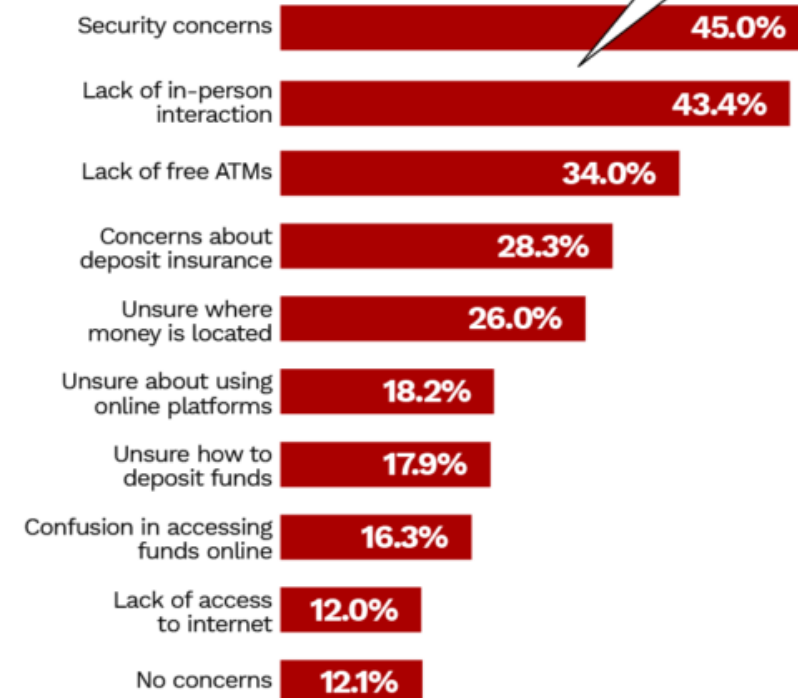
BRANCH VS. ONLINE

Why consumers use in-person versus online banking



SOURCE: Self Financial © March 2021 The Financial Brand

Why consumers choose not to use online banking



SOURCE: Self Financial © March 2021 The Financial Brand

CONSUMERS ON DATA SECURITY

92% **WANT INFORMATION PROTECTED**
Companies with personal and financial information should have rigorous procedures in place to protect it.

92% **WANT DATA BREACH NOTIFICATION**
Companies should be required to publicly notify customers of a data breach

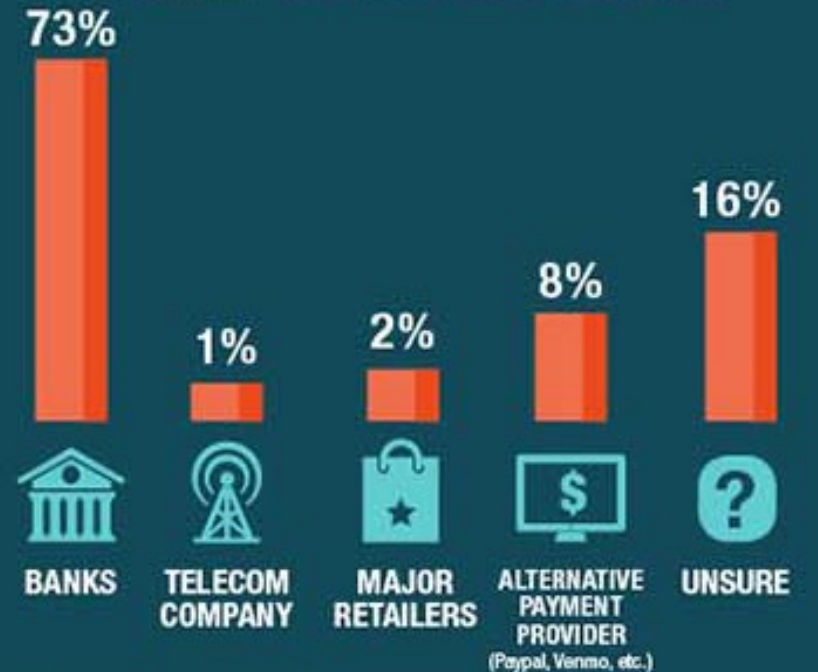
HOW CONSUMERS ARE PROTECTING THEIR INFORMATION:



89% think local banks are doing a good job of protecting their customers' personal information and privacy.

62% think big box retailers are doing a good job

WHO DO YOU TRUST MOST TO KEEP YOUR PAYMENTS SAFE?



Source: ABA



LEGISLATIVE/REGULATORY ISSUES



FEDERAL LEGISLATIVE & REGULATORY KEY ISSUES

- Legislation
 - Infrastructure Bill: Funding Sources: Corporate rates; using banks for IRS reporting
 - SAFE Banking Act
 - DEI & ESG
 - FedAccounts/Postal Banking
- Regulation
 - CRA Modernization
 - Climate Change Risk
 - Fair Lending/UDAAP
 - Cryptocurrency/FinTech
 - DEI & ESG

KEY STATE LEGISLATIVE ISSUES

- Federal Funds – Small Business, Housing, Broadband, Tourism
- Data Privacy – State and Federal
- Oppose Credit Union Expansion – Legislative & Litigation Strategies
- Affordable/Workforce Housing – State and Federal
- State Employer Regulations
- Tax Policy
- Racial Equity Focus: All Issues

WHAT CAN
YOU DO?
STAY ENGAGED!



THANK YOU!

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