

INDUSTRY UPDATE

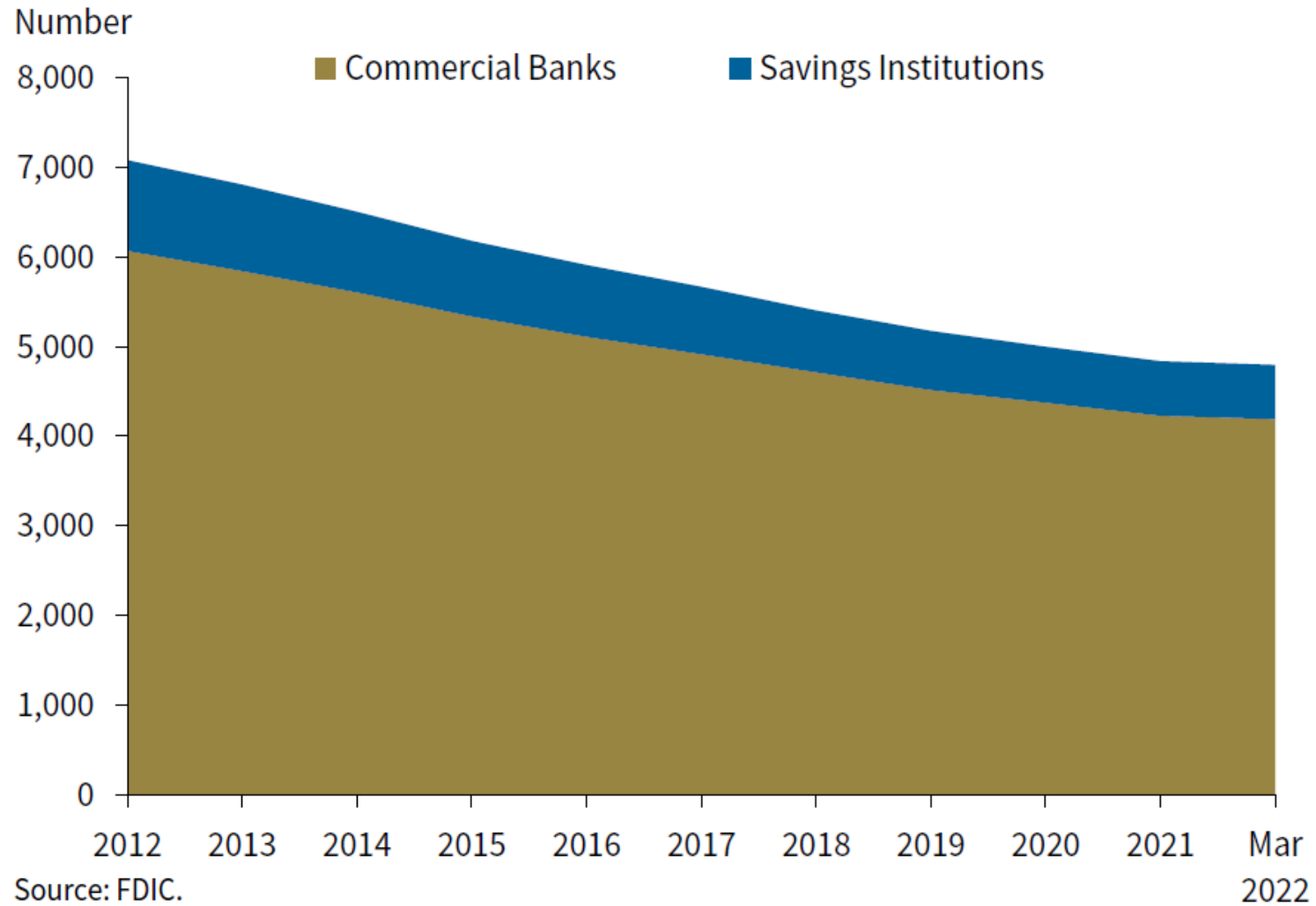
BRUCE WHITEHURST
PRESIDENT & CEO, VIRGINIA BANKERS ASSOCIATION
2022 VBA LEADERSHIP CONFERENCE

PRESENTATION OUTLINE

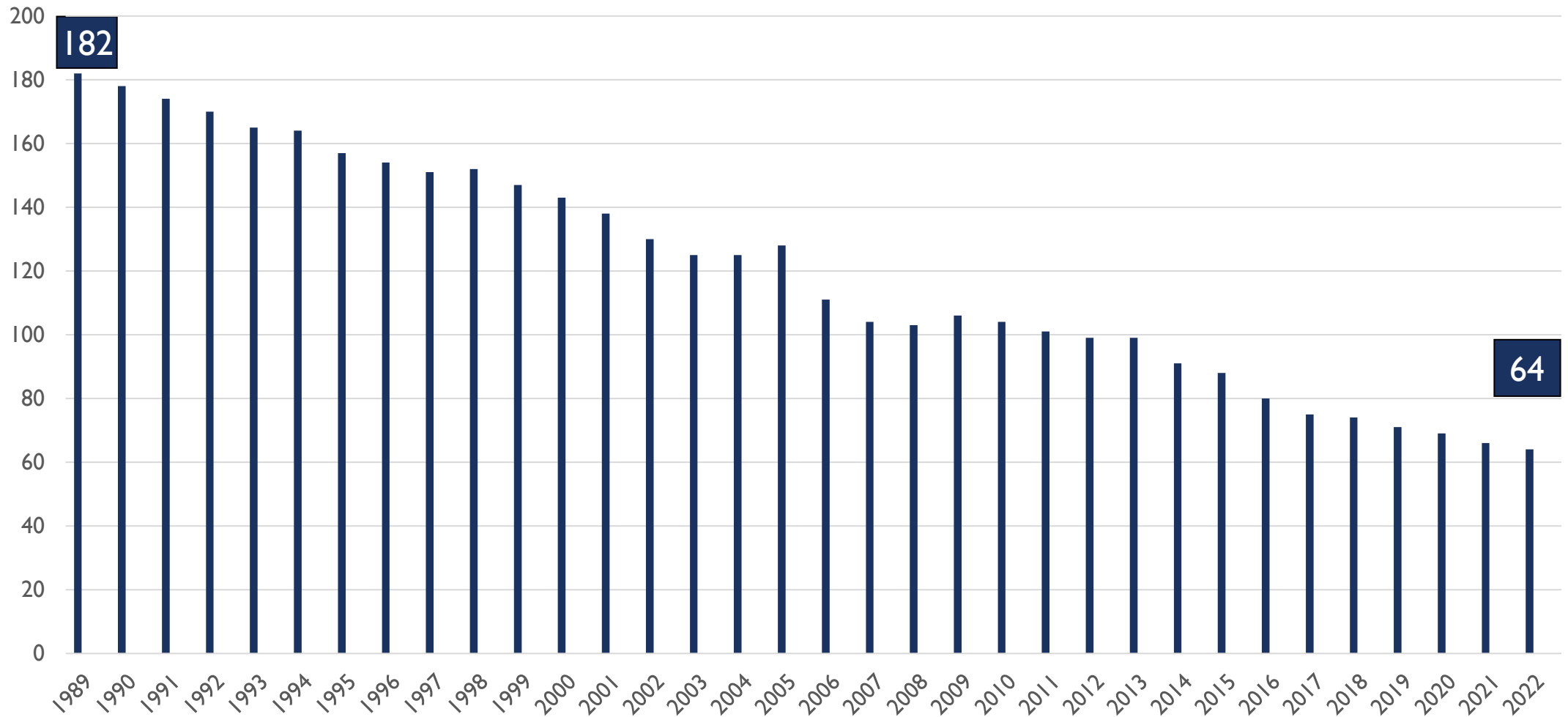
- M&A and De Novo Activity
- How We Bank
- Top Legislative & Regulatory Issues
- Consumer Sentiment on Banking
- Roundtable Discussion
- Wrap Up



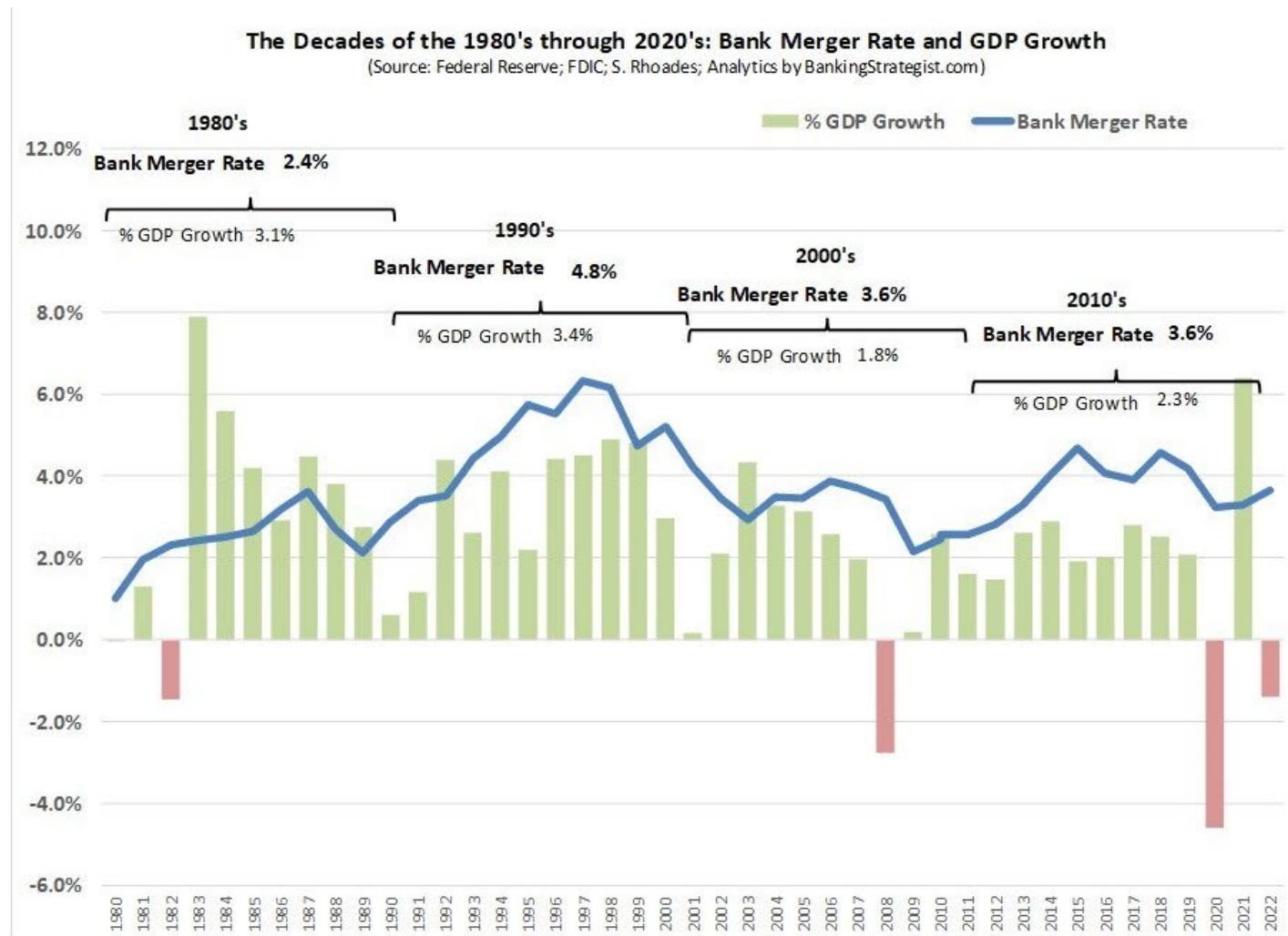
INDUSTRY CONSOLIDATION – NATIONAL NUMBER OF FDIC-INSURED INSTITUTIONS



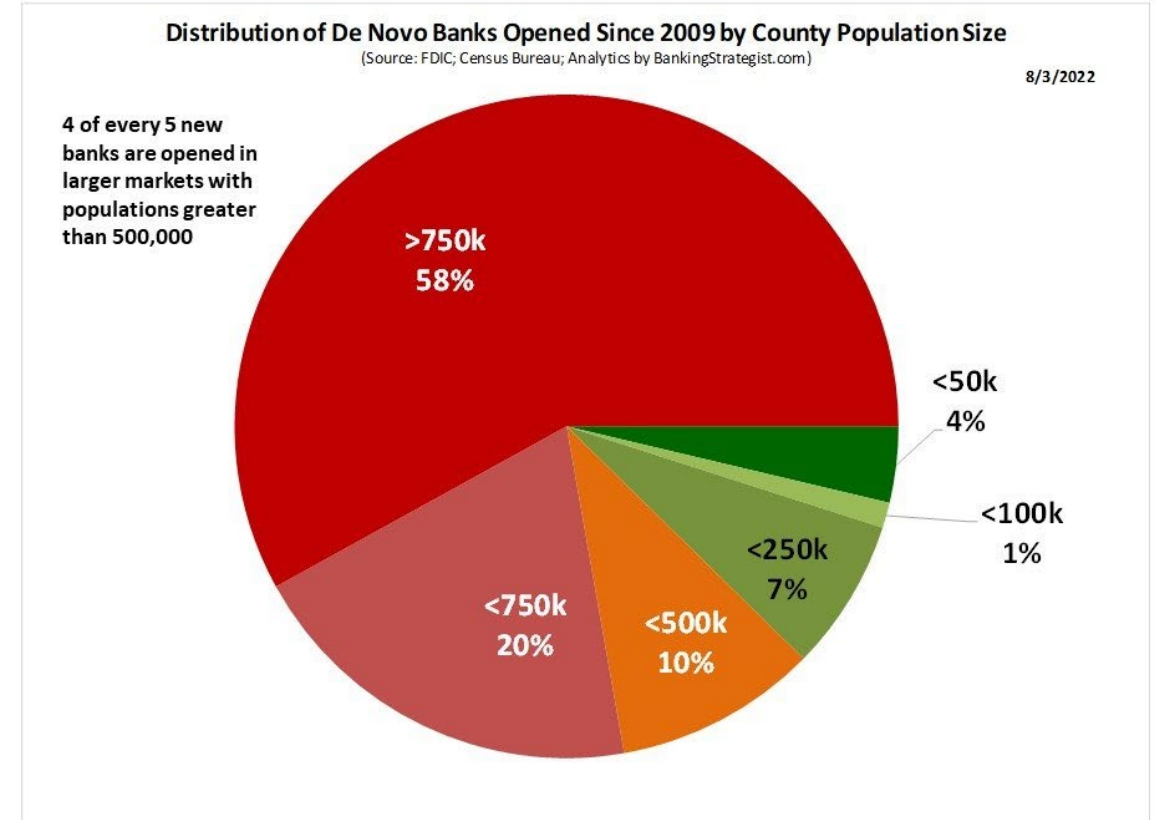
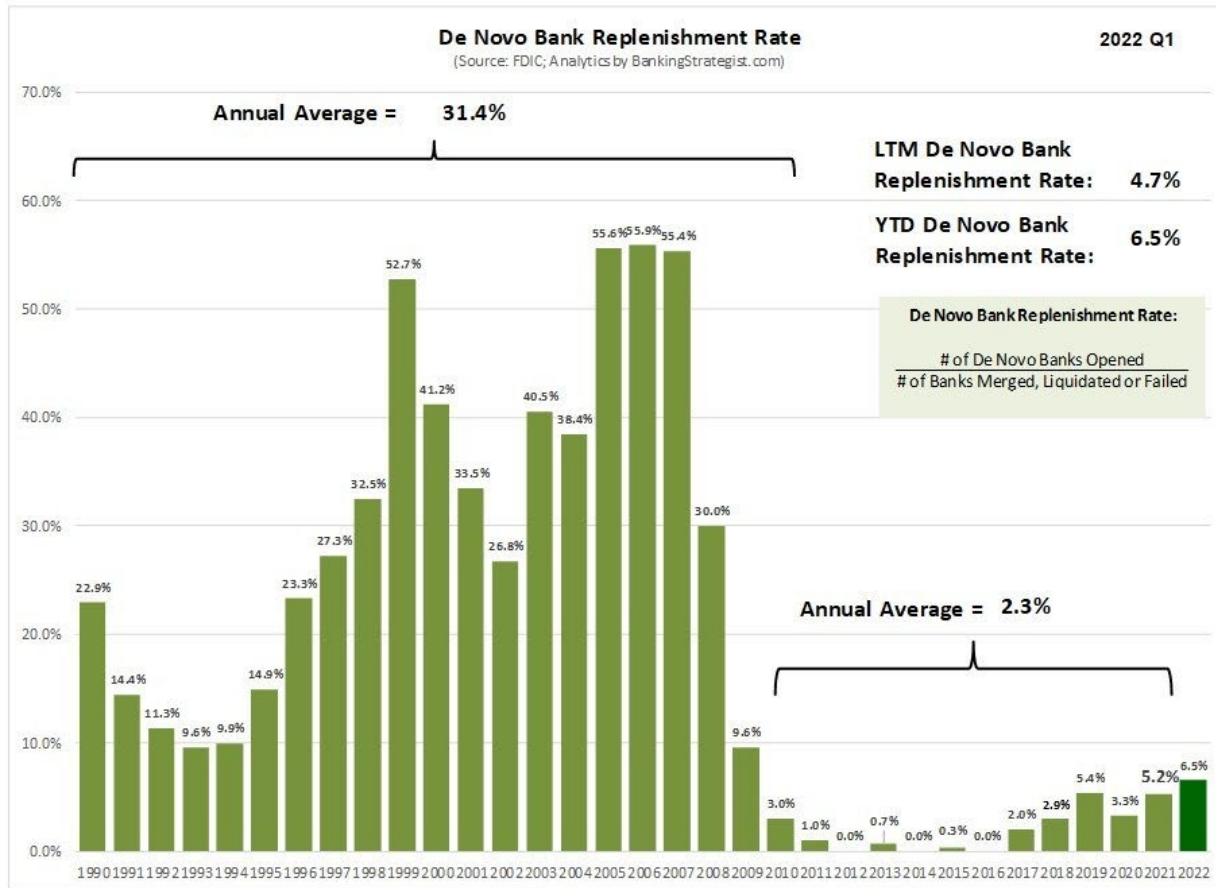
INDUSTRY CONSOLIDATION - VIRGINIA



INDUSTRY CONSOLIDATION – ECONOMIC TRENDLINE

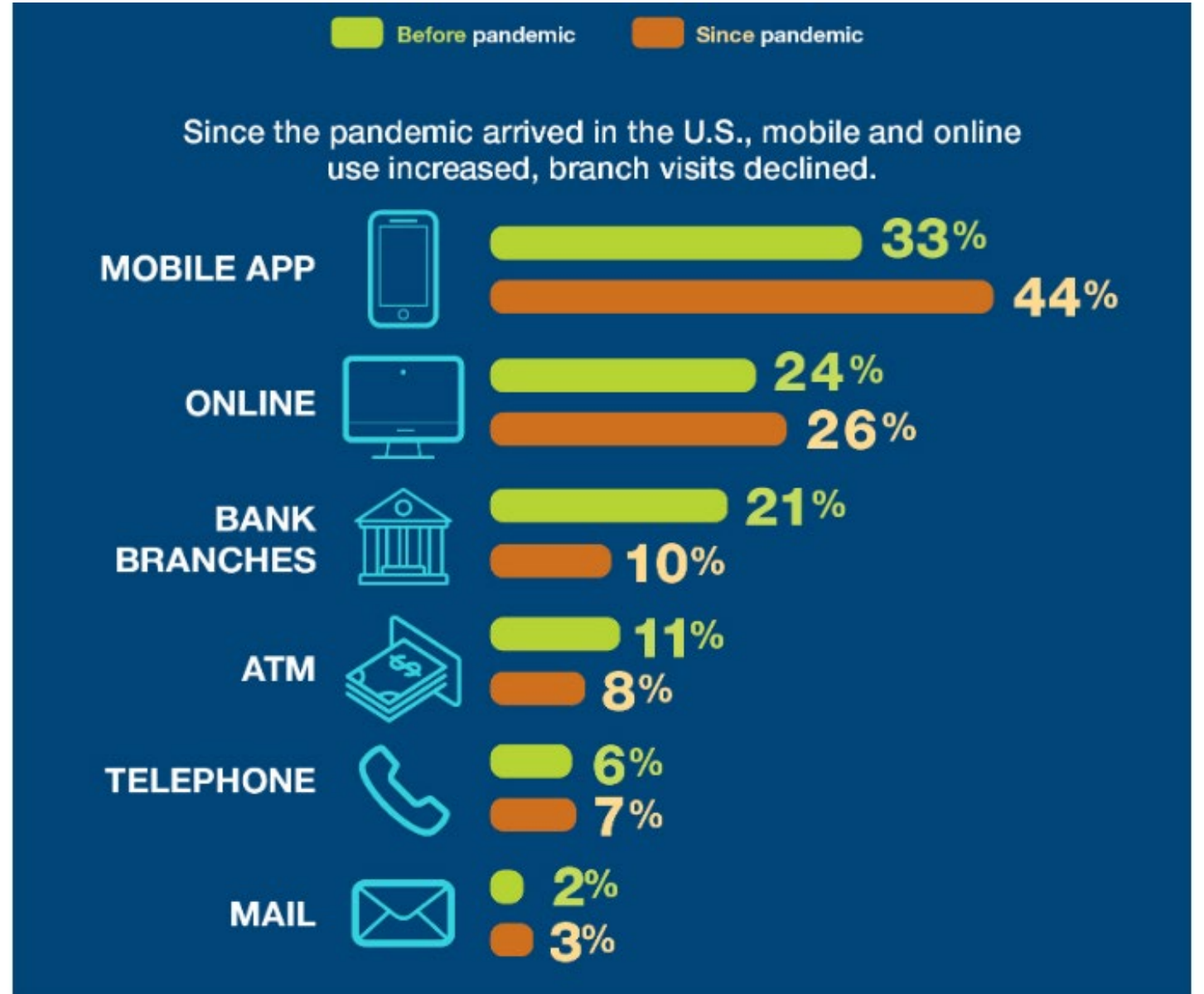


DE NOVO ACTIVITY



Source: BankingStrategist.com

HOW AMERICANS BANK: BEFORE & DURING PANDEMIC

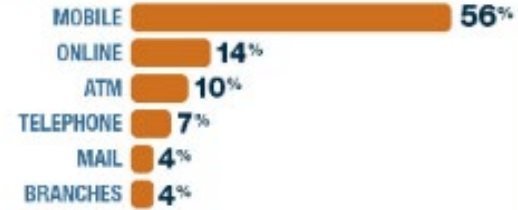


DIFFERENT AGE GROUPS BANK DIFFERENTLY

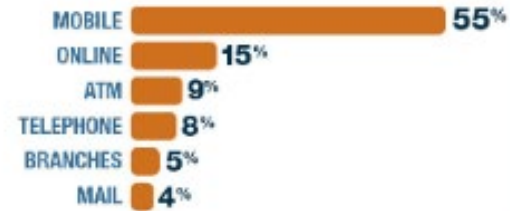
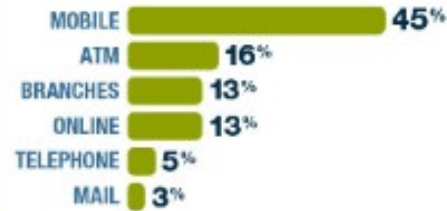
BEFORE PANDEMIC

SINCE PANDEMIC

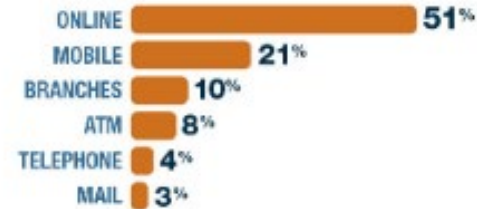
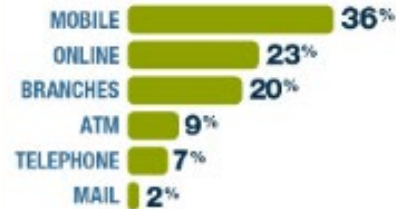
GEN Z (1997–2012)



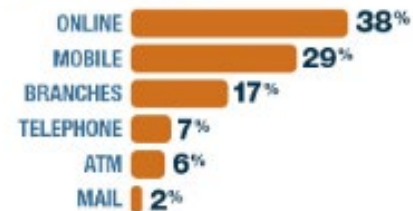
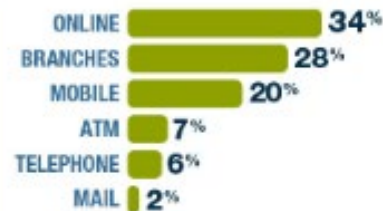
MILLENNIALS (1981–1996)



GEN X (1965–1980)



BABY BOOMERS (1946–1964)



FEDERAL LEGISLATIVE & REGULATORY KEY ISSUES

- Legislation
 - IRS reporting
 - SAFE Banking Act
 - Interchange Restrictions 2.0
- Regulation
 - CRA Modernization
 - 1071 Reporting
 - Climate Change Risk/ESG
 - Cryptocurrency/FinTech
 - CFPB Focus on Bank Fees
 - Fair Lending/UDAAP

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
- Tax Policy
- Virtual Currency

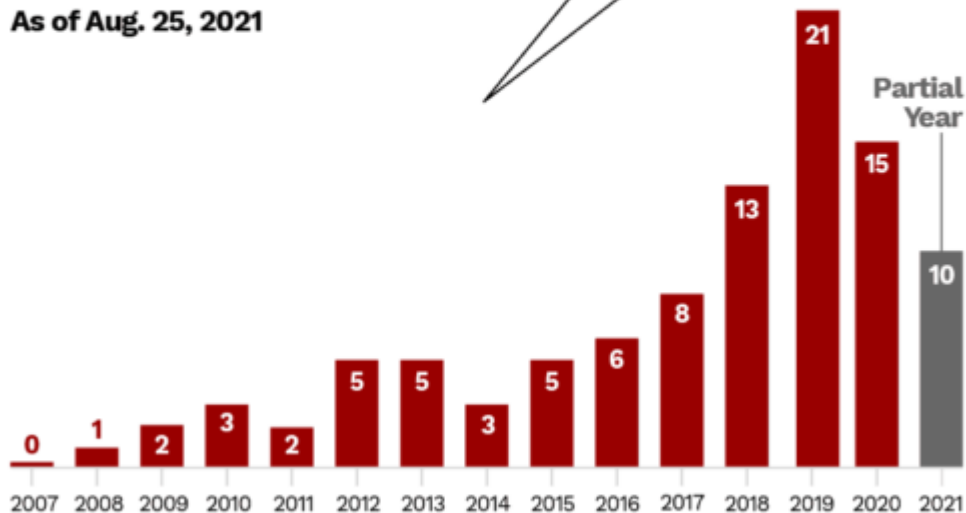


VIRGINIA BANKERS
ASSOCIATION

CREDIT UNIONS – BANK BUYERS

Credit union acquisitions of banks/bank assets over 15 years

As of Aug. 25, 2021



SOURCE: ICBA analysis of S&P data © September 2021 The Financial Brand

- 13 banks were acquired by credit unions in 2021
- Consultants and investment bankers are increasingly pitching banks to sell, or at least consider, credit union bidders, noting the shortcut for CRA review and that credit unions must pay in cash because they have no stock.
- When credit unions buy banks, they can't say they are different from banks at the same time. The tax and regulatory treatment of the industry should match the facts on the ground.

CREDIT UNIONS – FIGHTING BACK

- VBA and 7 Virginia banks appealed Virginia Bureau of Financial Institution's approval of Virginia Credit Union (VACU) field of membership expansion to members of the Medical Society of Virginia (MSV)
 - Case started in August 2019, have had two trials before a Hearing Examiner
 - SCC recently decided in our favor, overturning the approval
 - VACU is the largest Virginia state-chartered credit union with over \$5 billion in assets. All 7 participating banks are smaller than VACU.
 - VBA argued that adding MSV members totaling over 10,000 potential customers exceeds state law which does not allow new groups over 3,000 to be added unless the group cannot feasibly or reasonably establish a new credit union
- ABA filed suit against NCUA in 2019 over their field of membership rule
- Legislative efforts on leveling playing field on CRA, taxation and regulatory oversight while opposing efforts to expand business lending
- 2023 General Assembly: TBD

MORNING CONSULT CONSUMER SURVEY DATA

CONSUMER SATISFACTION

Americans are happy
with their bank ...



9 in 10

account holders are
"very satisfied" or "satisfied"
with their primary bank



95%

rate their bank's customer
service as "excellent,"
"very good," or "good"

CONSUMER SATISFACTION, COMPETITIVE MARKETPLACE

- 86% of Americans with a bank account say they are “very satisfied” or “satisfied” with their primary bank, and 95% rate their bank’s customer service as “excellent,” “very good” or “good.”
- 84% percent of those surveyed said innovation and technological improvements by banks are making it easier for all Americans to access financial services.
- 88% of consumers agree they have multiple options when selecting products and services such as bank accounts, loans and credit cards, and 85% said they have a wide array of choices when deciding where to bank.
- 82% of consumers believe the financial services industry is highly competitive, and 82% believe their bank is transparent about disclosing fees.

CREDIT CARD SATISFACTION/REWARDS

- 94% of consumers saying they value the convenience of using their credit card.
- 78% have at least one credit card that offers rewards, and 90% of them value the rewards program on their credit card(s).
- 82% of consumers think merchants benefit from being able to accept credit cards for payment.
- 74% of credit card users said they would be disappointed to lose the rewards program on their cards due to government regulatory changes.

CONSUMER TRUST

- U.S. adults trust banks more than any other entity – including healthcare providers, non-bank payment providers and the government – to keep their information secure and private.
- 89% said their bank takes proactive steps to protect them from fraud/scams, and 77% believe their bank does more than businesses in other industries to protect them from fraud/scams.

OVERDRAFT

- 82% of those who paid an overdraft in the past year were glad the payment was covered (vs. 17% who would have preferred the bank returned or declined the payment)
- 89% find the overdraft protection offered by their bank to be valuable (48% very valuable, 41% somewhat valuable)
- 64% believe it is reasonable for banks to charge fees for overdrafts (vs. 28% who said unreasonable)

OVERDRAFT CONTINUED

- 76% believe it is reasonable for banks to charge fees for overdrafts when considering that overdraft protection from banks ensures customers' large payments such as mortgages or rent payments are covered and paid on time in the event these payments overdraft a customer's account.
- 75% believe it is reasonable for banks to charge fees for overdrafts when considering that overdraft protection from banks protects customers from late or other penalty fees if payments overdraft a customer's account

CURRENT SITUATION



TABLE TALK ASSIGNMENT

- In your opinion, which three of these words should be the “biggest” in the word cloud?
- As a group, come up with at least one word that you feel is missing. Discuss why it should be included.
- Be sure to designate a speaker from your table for our discussion!

- In your opinion, which three of these words should be the “biggest” in the word cloud?
- As a group, come up with at least one word that you feel is missing. Discuss why it should be included.
- Be sure to designate a speaker from your table for our discussion!



WHAT CAN
YOU DO?
STAY ENGAGED!

Keep

Keep us front of mind for your needs

Sign Up

Sign up for our communications on the VBA website

Engage

Engage with grassroots advocacy and the Emerging Bank Leaders

Visit

Visit our website www.vabankers.org to learn about upcoming education & training opportunities

Tell

Tell us more about what you need from us

THANK YOU!

BRUCE@VABANKERS.ORG



@vabankers



Virginia
Bankers
Association



@vabankers



Virginia
Bankers
Association

THANK YOU TO THE 2022 EBL CHAIR



SHERRY WILLIAMS CHESAPEAKE BANK

VIRGINIA BANKERS
ASSOCIATION


VBA EMERGING BANK LEADERS
DEVELOP. CONNECT. ENGAGE.