

Industry Trends

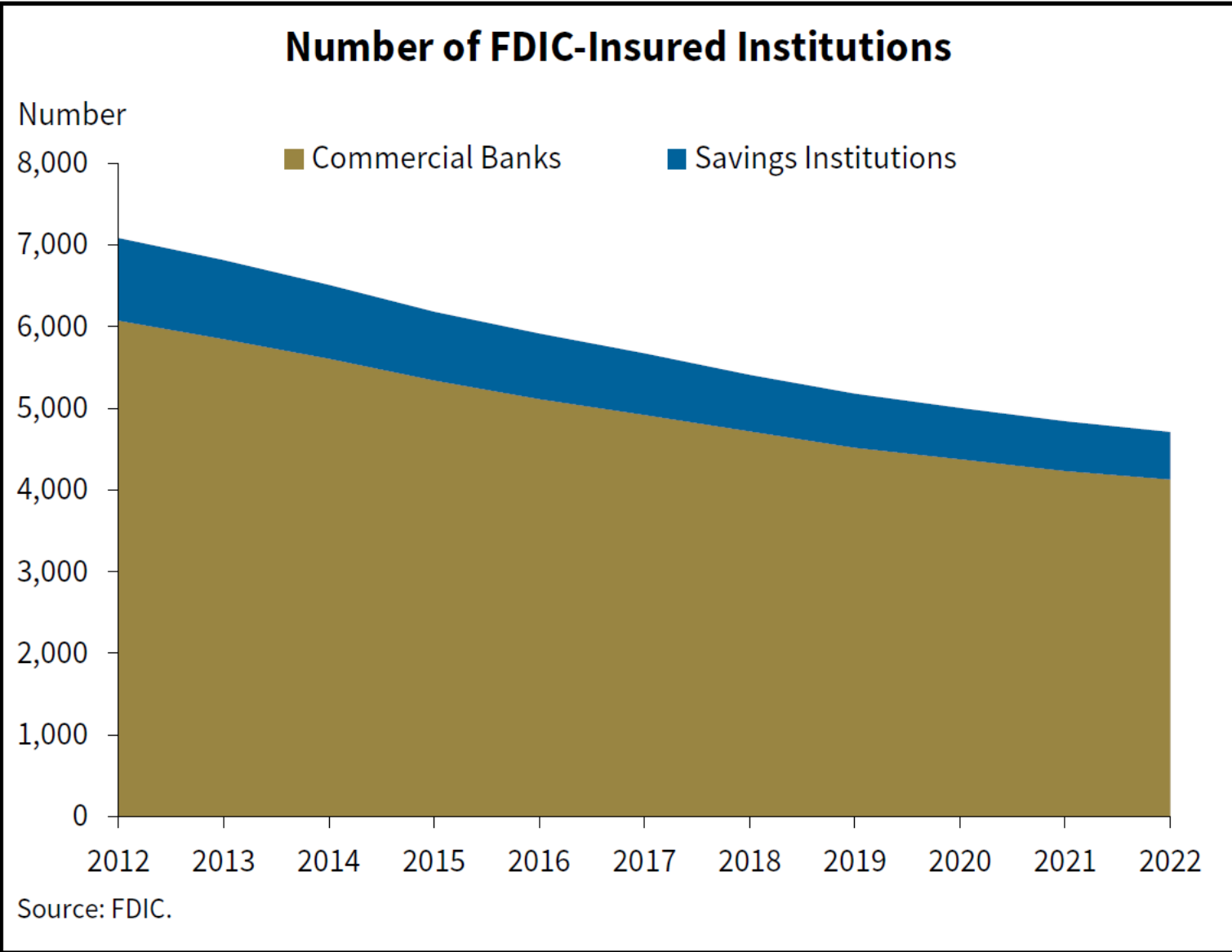
Matt Bruning

VBA Connect | Protect Experience

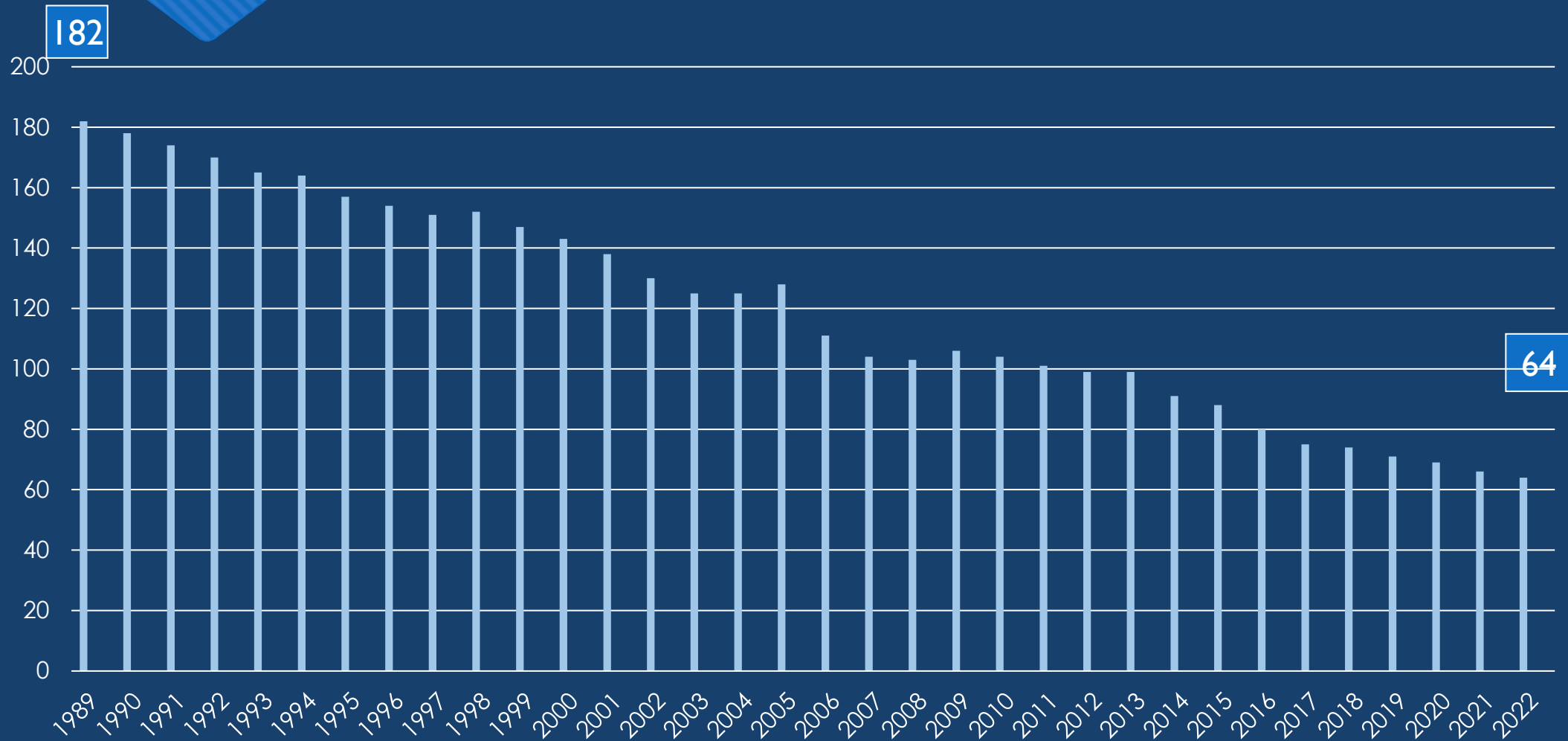
March 14, 2023

mbruning@vabankers.org

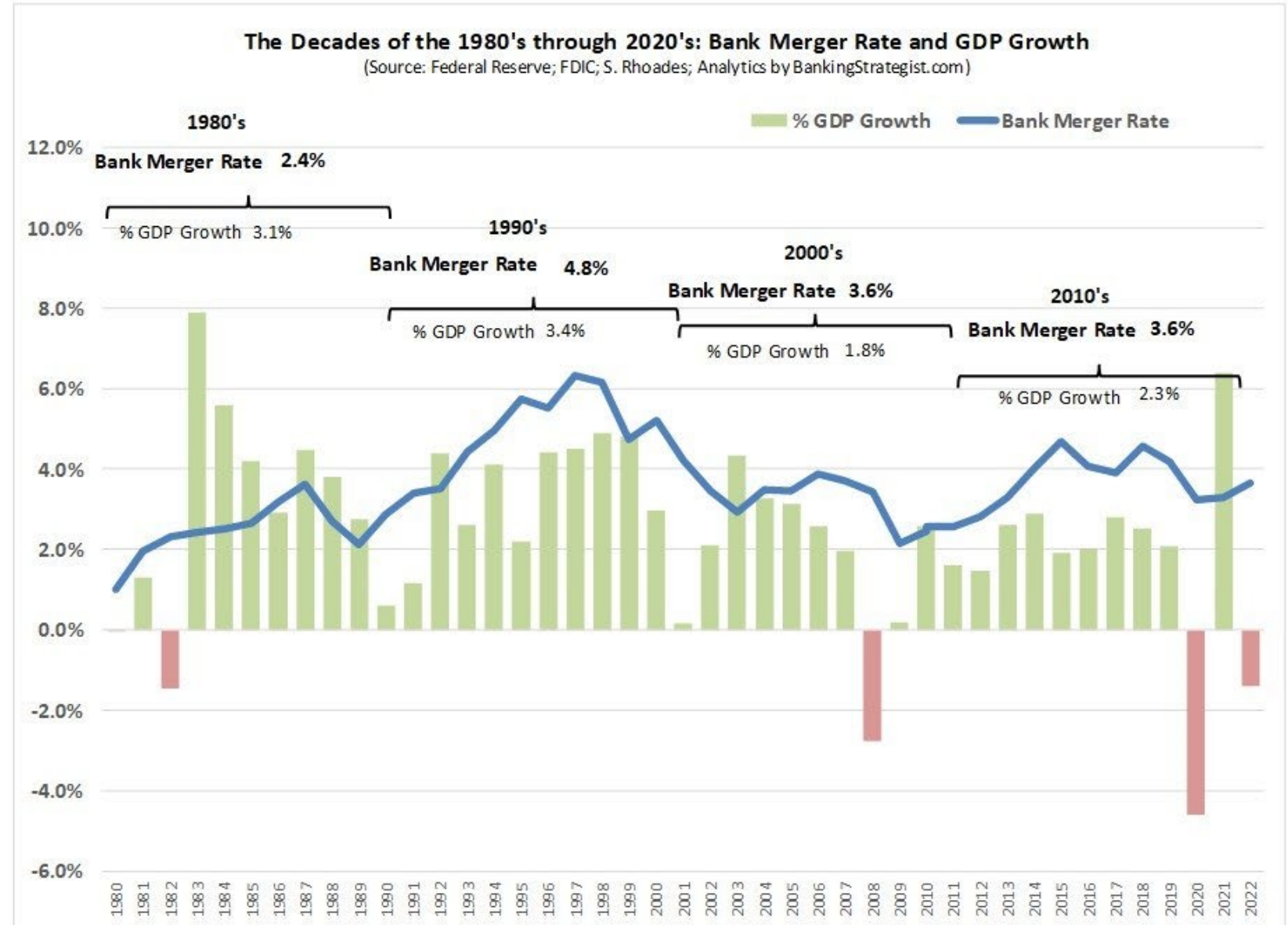
Industry Consolidation - National



Industry Consolidation - Virginia

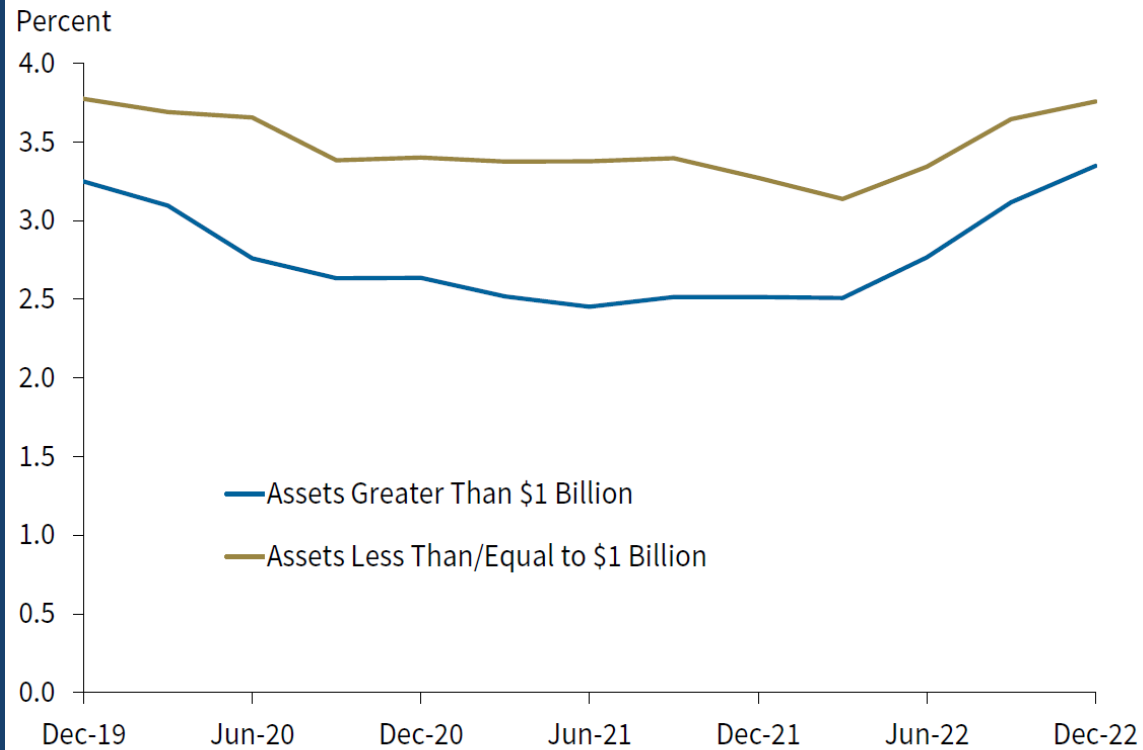


Industry Consolidation – Economic Trendline



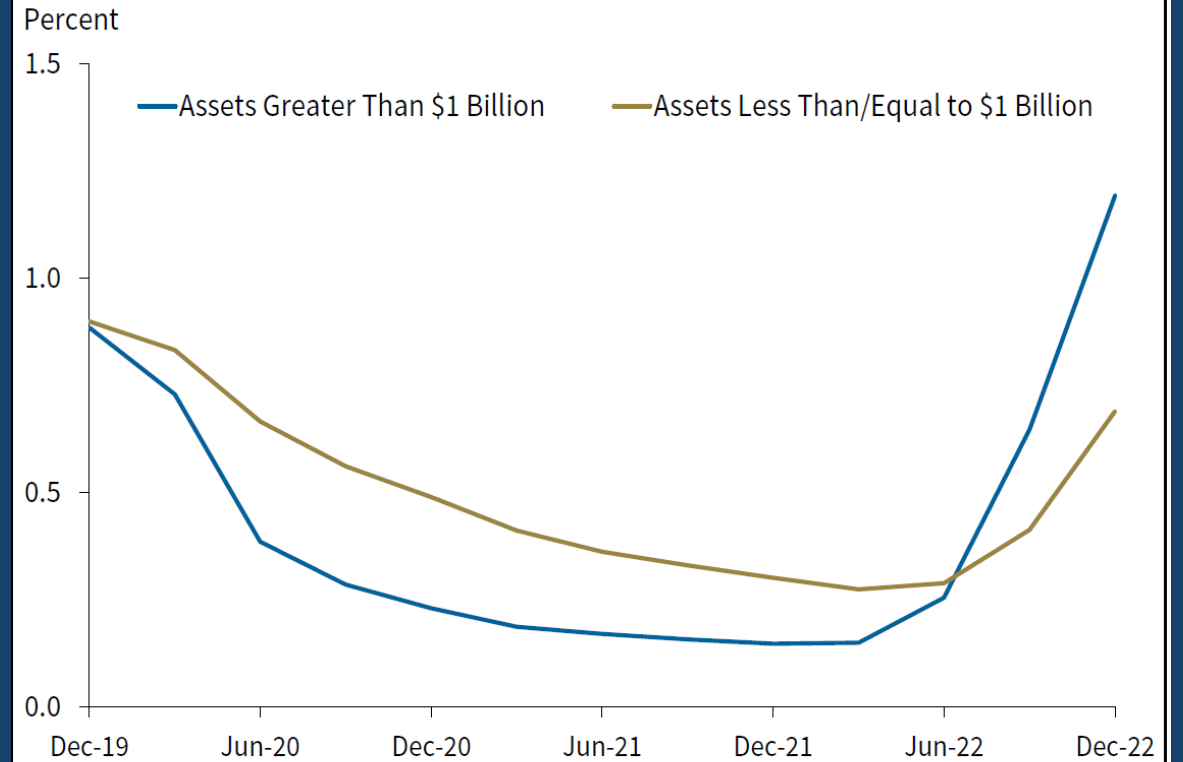
Financial Trends

Quarterly Net Interest Margins, Annualized



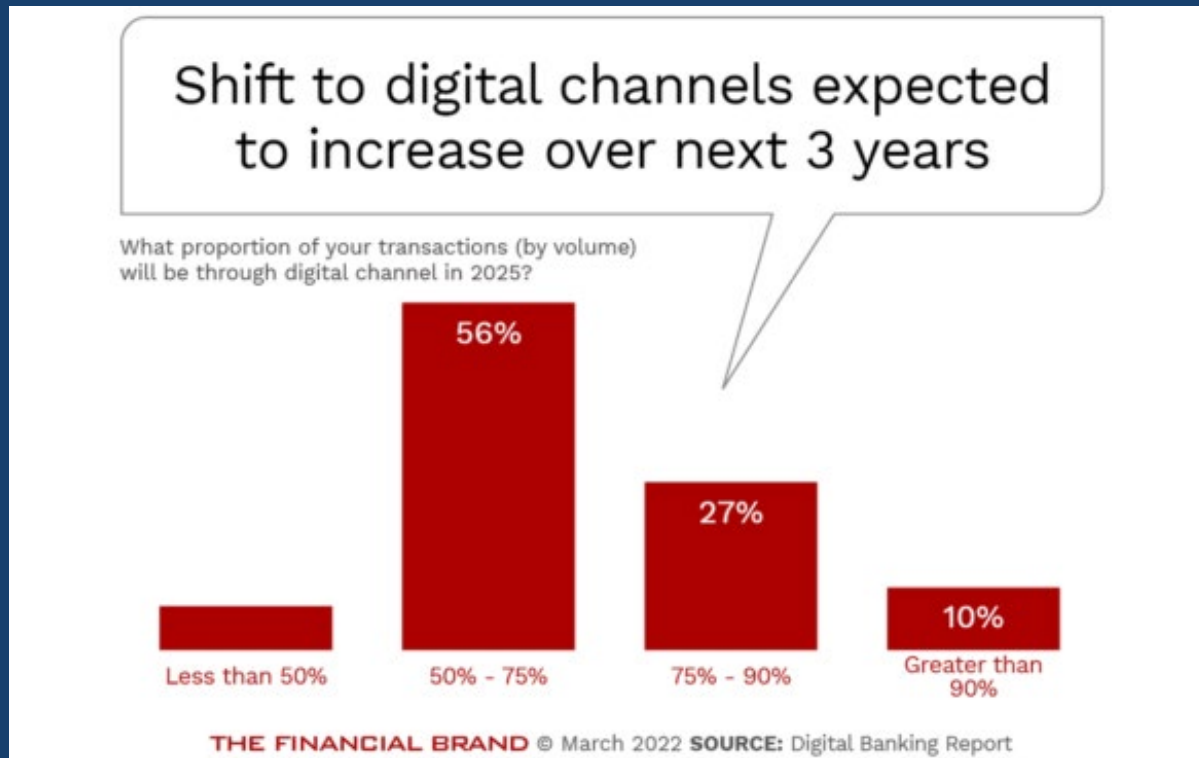
Source: FDIC.

Quarterly Cost of Funding Earning Assets, Annualized



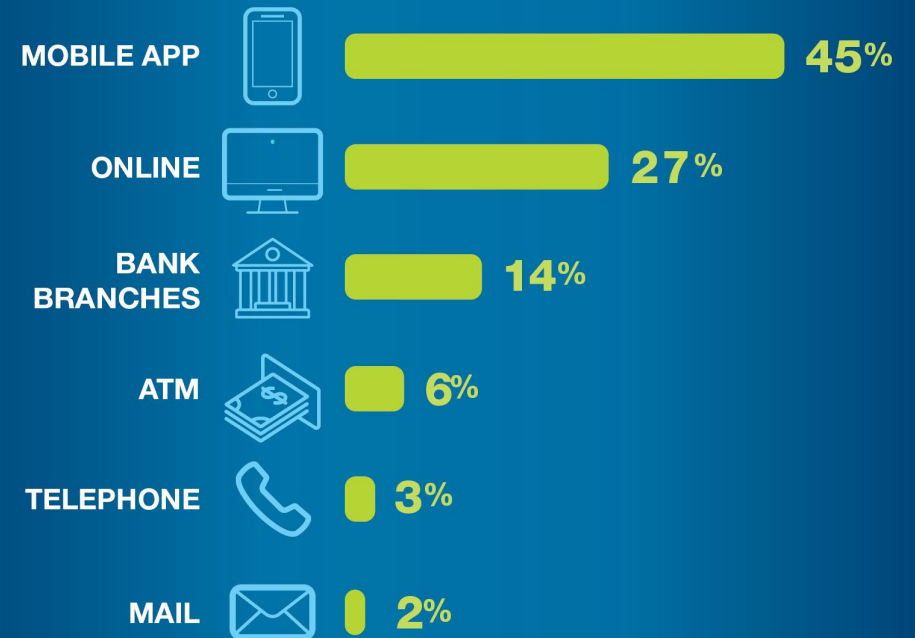
Source: FDIC.

Customer Delivery Channels



How Americans Bank: Most-Used Banking Methods

Mobile app banking is most preferred



Different Age Groups Bank Differently



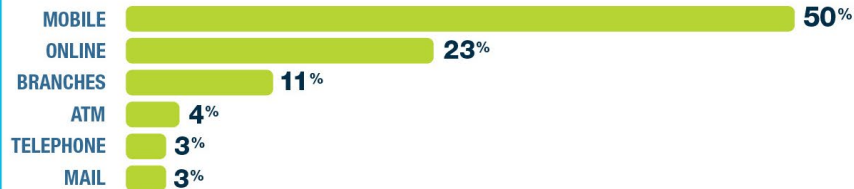
GEN Z (1997–2012)



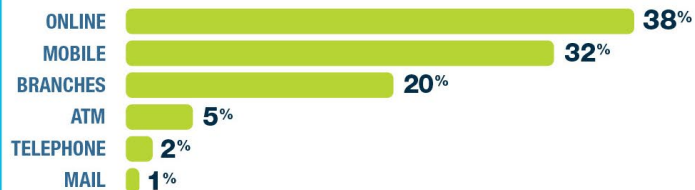
MILLENNIALS (1981–1996)



GEN X (1965–1980)

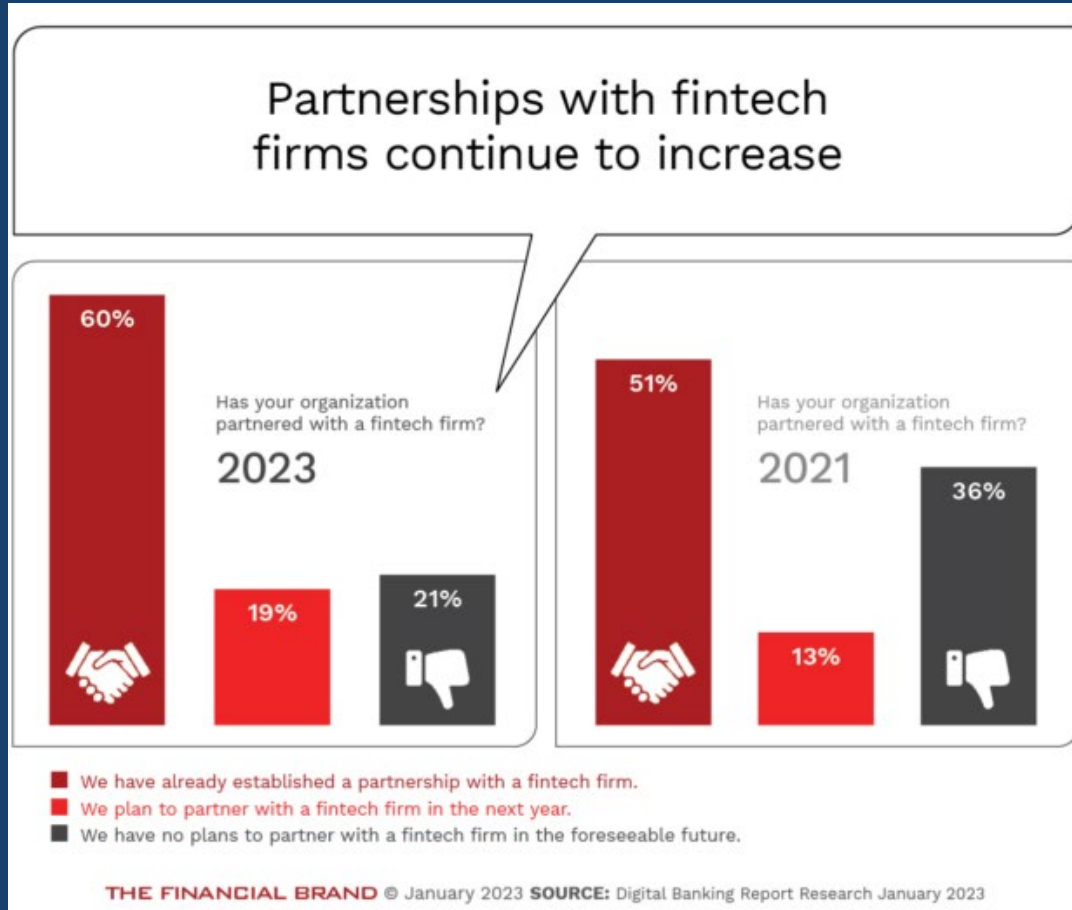


BABY BOOMERS (1946–1964)

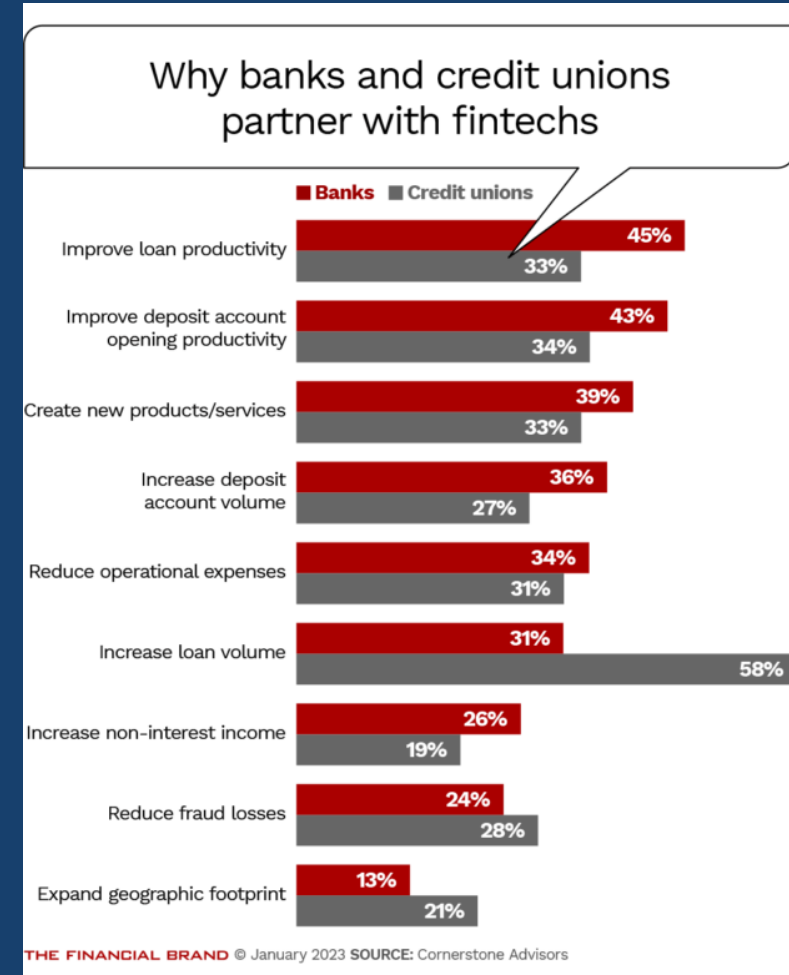


FinTech Partnerships

Partnerships with fintech firms continue to increase



Why banks and credit unions partner with fintechs



Check Fraud on the Rise

500,000 Check Fraud Scam Victims
in US Each Year



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PAYMENTS FRAUD RESOURCES

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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”



84%

said tech improvements by banks are making it easier to access financial services



84%

agree they have multiple options when selecting products and services such as bank accounts, loans and credit cards



9 in 10

say they have a wide array of choices when deciding where to bank



82%

say the financial services industry is highly competitive



81%

believe their bank is transparent about disclosing fees

Recruitment & Retention

Many financial institutions have been impacted by the great resignation.
Which statement best describes your institution? We've had...



Source: Cornerstone Advisors survey of 300 community-based financial institution executives, Q4 2022

Employee retention has
really gone up since we
started Margarita Mondays.



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Change: The Constant Trend



Federal Legislative & Regulatory Key Issues

○ Legislation

- Data Privacy
- SAFE Banking Act
- Interchange Restrictions 2.0
- Cryptocurrency

○ Regulation

- CRA Modernization
- 1071 Reporting
- Climate Change Risk/ESG
- Cryptocurrency/FinTech/1033 Data
- Overdraft and Bank Fees
- Fair Lending/UDAAP

Key State Legislative Issues

- Bank Franchise Tax
- Permissible Investments
- Oppose Credit Union Expansion – Legislative & Litigation Strategies
- Affordable/Workforce Housing – State and Federal
- Virtual Currency
- Non-bank Financial Services Providers

Credit Unions – Fighting Back

- VBA and 7 Virginia banks successfully 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, had two trials before a Hearing Examiner
 - SCC decided in our favor, overturning the approval
 - VACU is the largest Virginia state-chartered credit union with over \$4.7 billion in assets. All 7 participating banks are smaller than VACU.
 - VBA argues 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
 - VACU declined to appeal ruling to the Supreme Court of Virginia
- ABA filed suit against NCUA in 2019 over their field of membership rule over redlining concerns
- Legislative efforts on leveling playing field on CRA, taxation and regulatory oversight while opposing efforts to expand business lending

Change: The Constant Trend



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Thank You!

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