



FinTech Engagement – Why it's Important

Charles E. Potts
Executive Vice President, Chief Innovation Officer
Independent Community Bankers of America

Innovation as a Concept

“Innovation is taking two things that exist and putting them together in a new way.”

- Tom Freston (born 1945), Co-founder of MTV

Innovation in Banking

- ATM's
- Telephone Banking
- Online Banking
- Mobile Banking
- Online Bill Payment
- Debit Card + Rewards + Bitcoin =



“Technology is a piece of innovation, but so are many other factors. Your ability to be flexible, your mindset, your protocols, and your ability to function well in an evolving environment all make up your innovation agenda.”

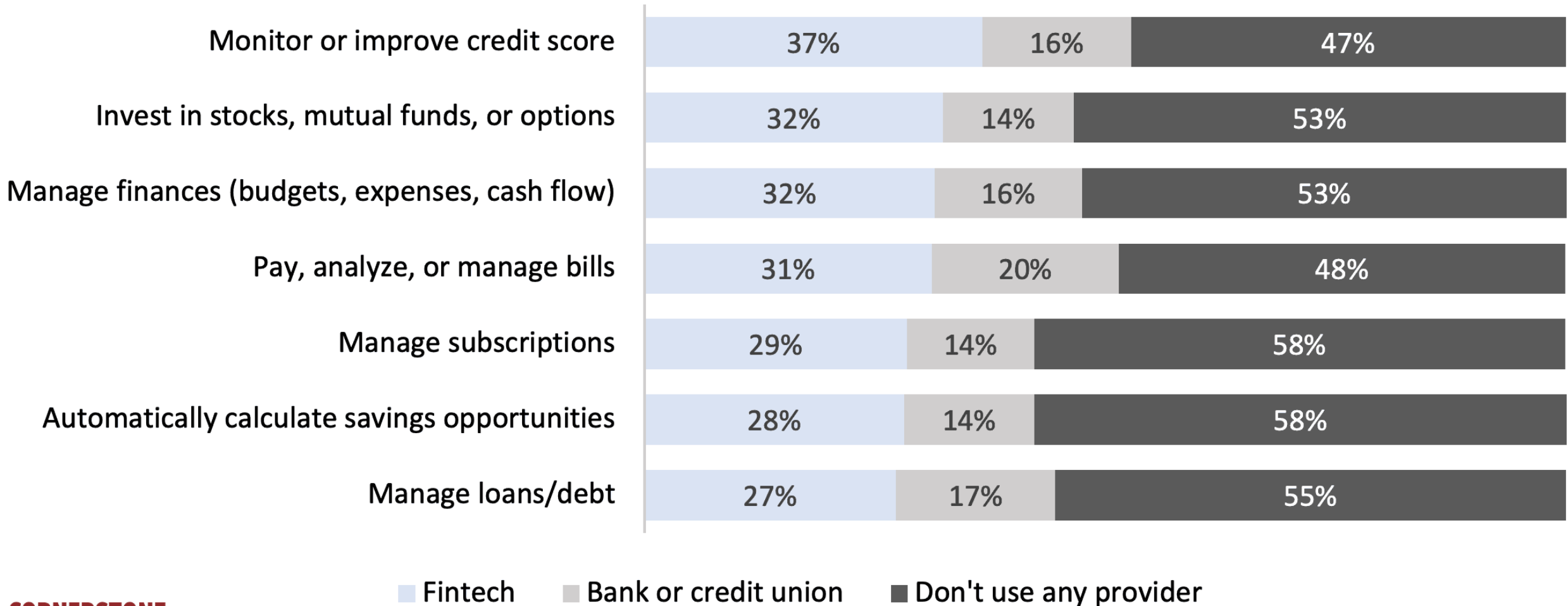
- Steve Farbstein, CRO/CDO, Blue Ridge Bank

The Digital Landscape

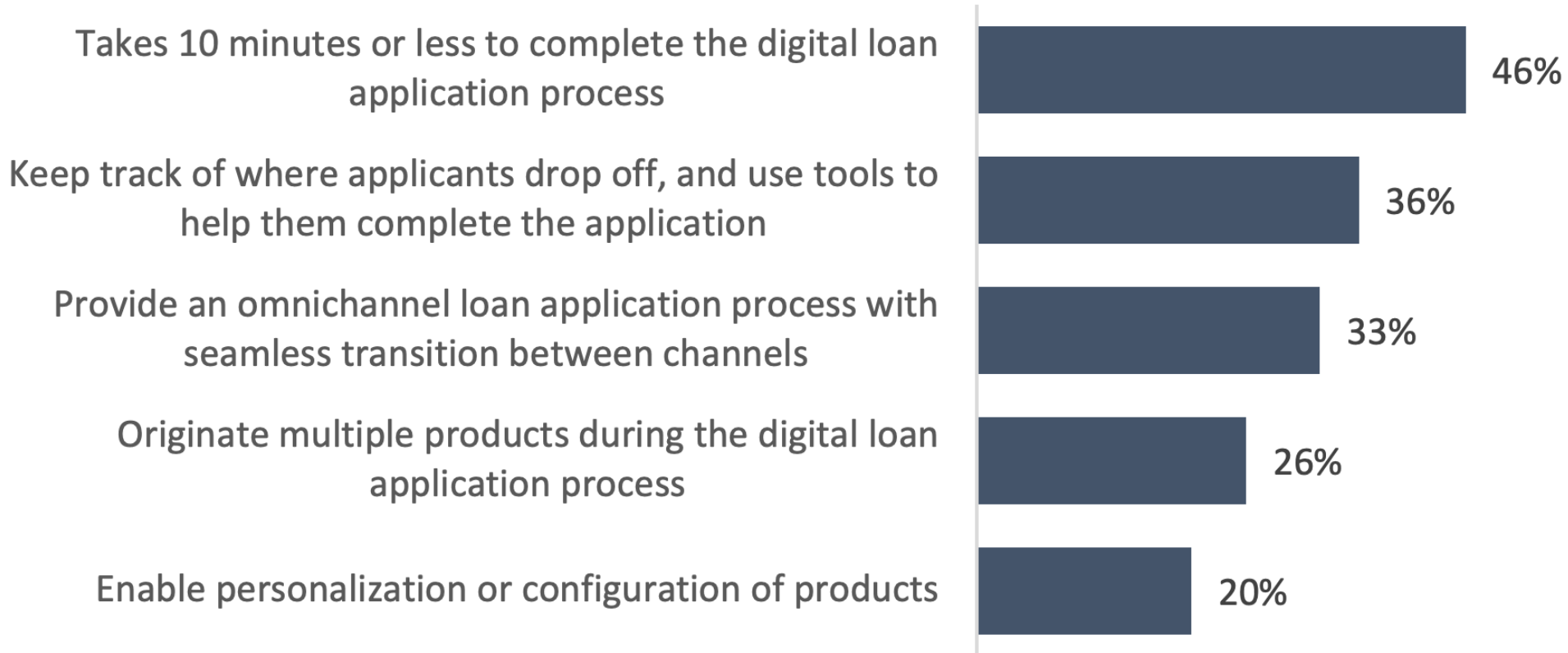
2020 – Rise of the Challenger Banks



Who do you primarily use to do the following financial management activities?

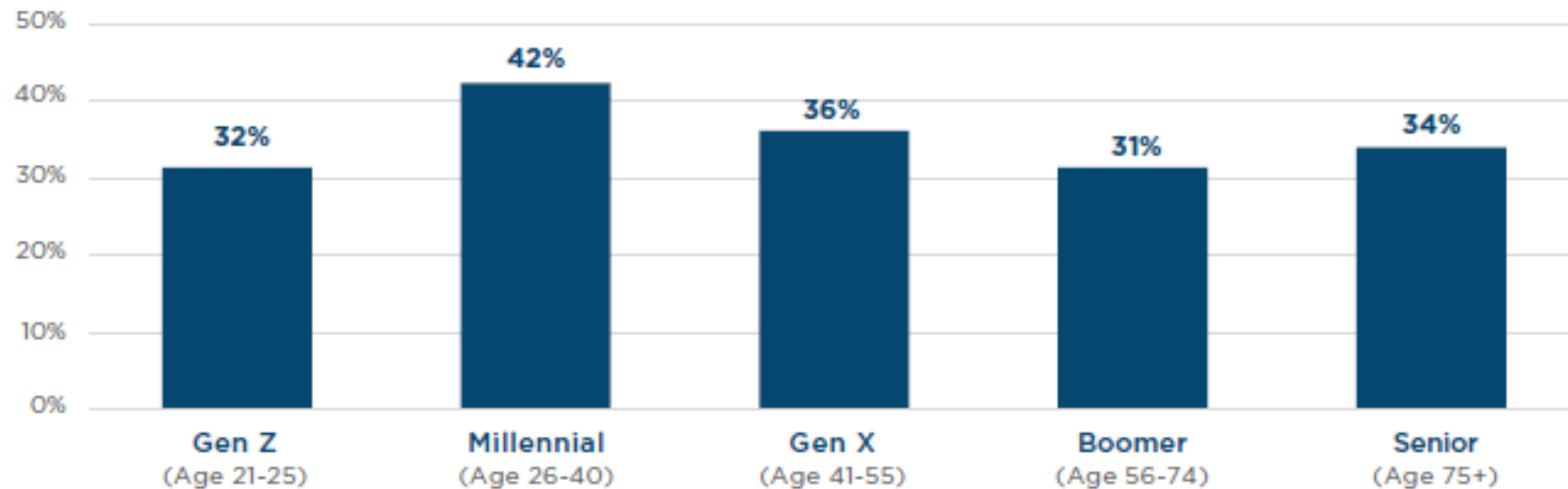


% of Banks With Unsecured Loan Digital Application Capability (Base=Banks with a digital loan application process)



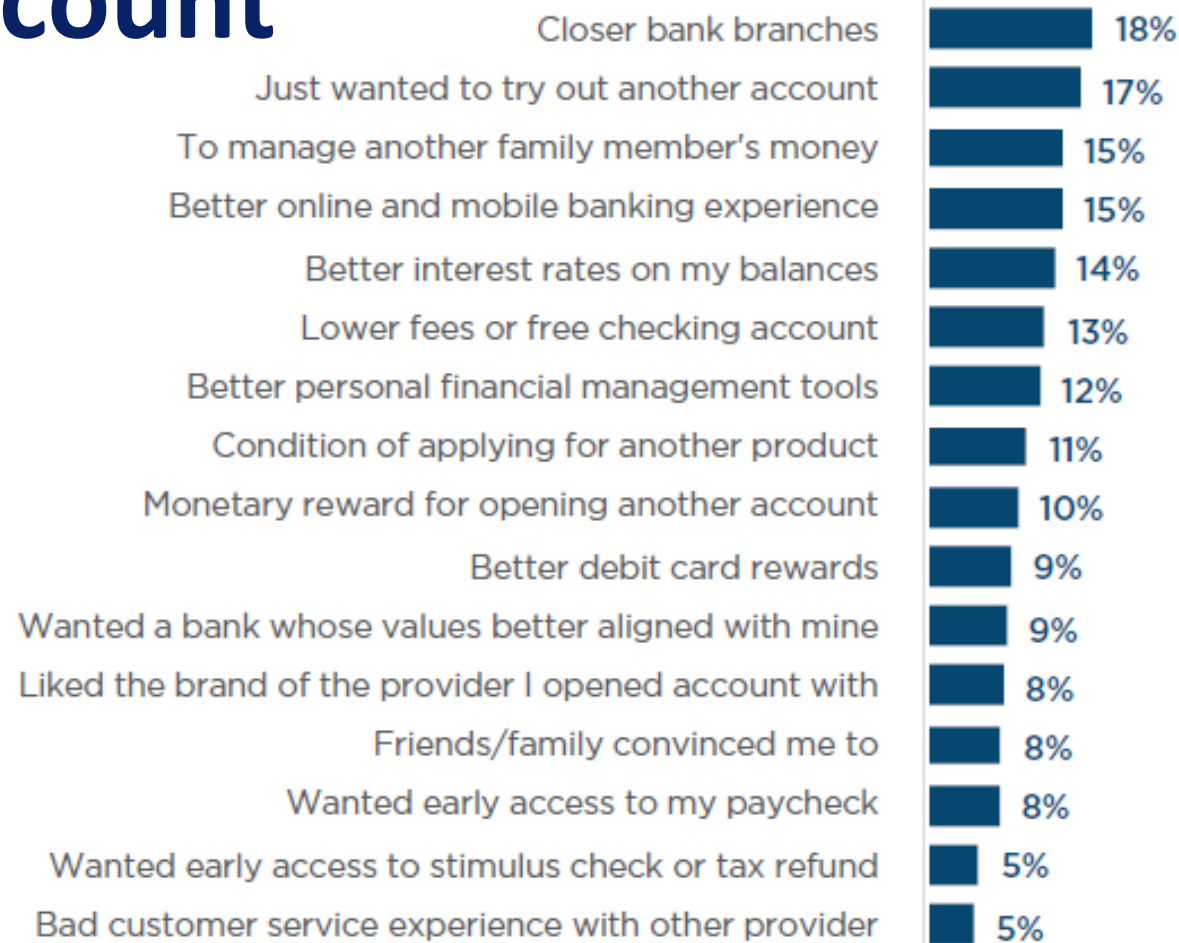
Consumers with More Than One Checking Account

Percentage of Consumers With More Than One Checking Account



Source: Cornerstone Advisors survey of 3,016 U.S. consumers, Q4 2020

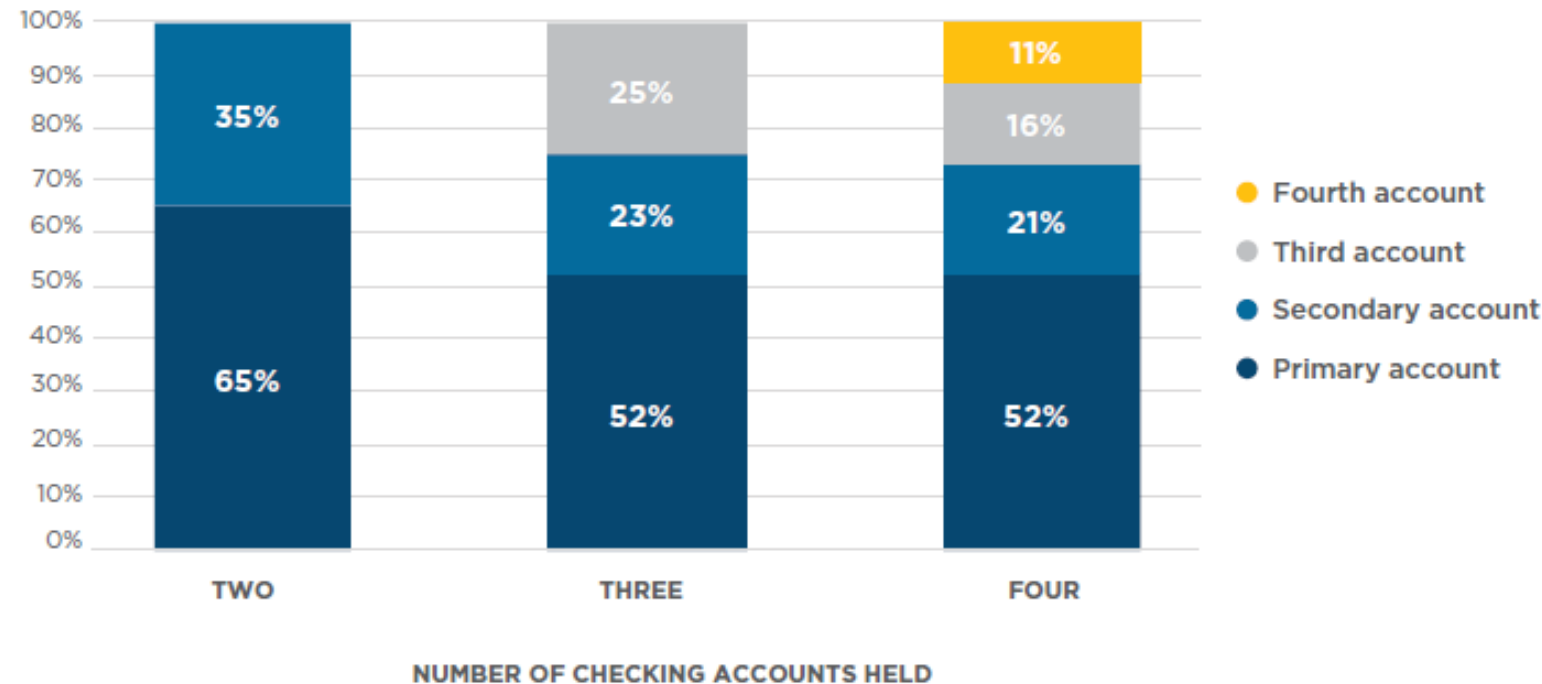
Reason why Consumers have more than one checking account



Source: Cornerstone Advisors survey of 3,016 U.S. consumers, Q4 2020

Number of Checking Accounts Held

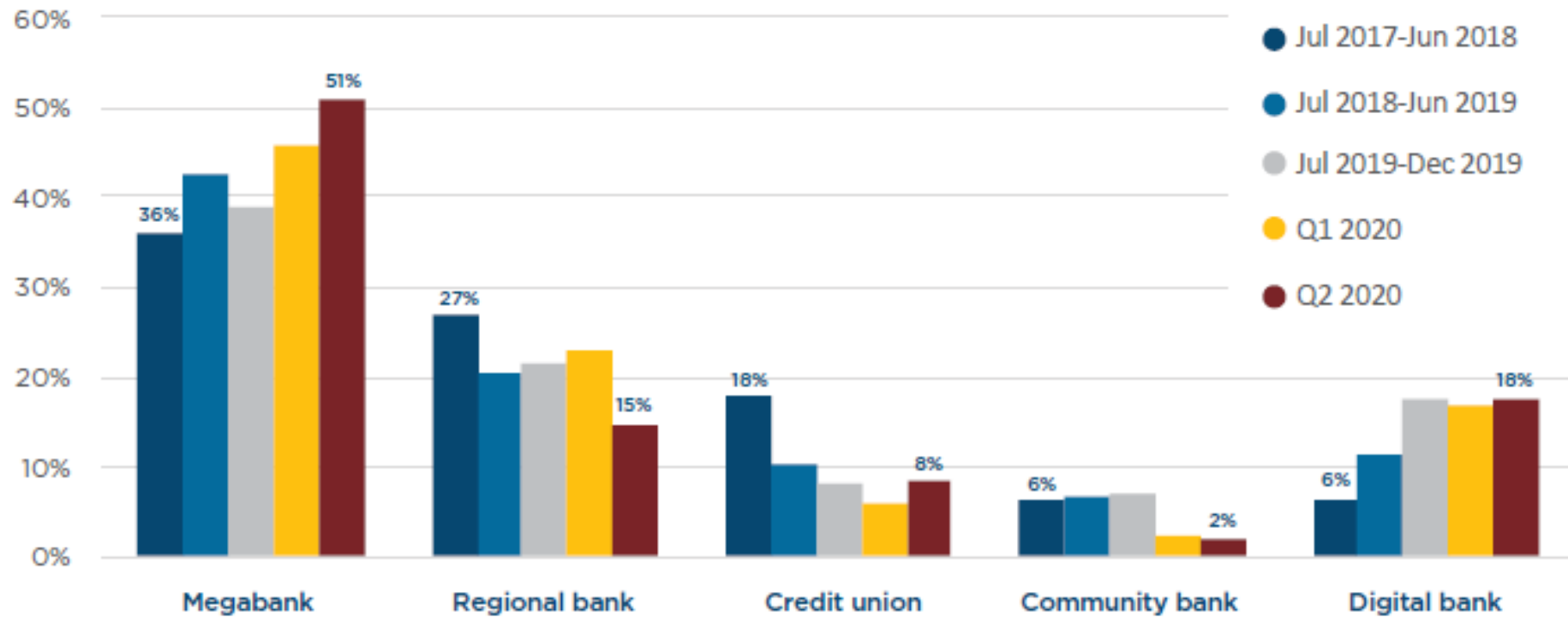
Allocation of Funds in Checking Accounts (by # of accounts)



Source: Cornerstone Advisors survey of 3,016 U.S. consumers, Q4 2020

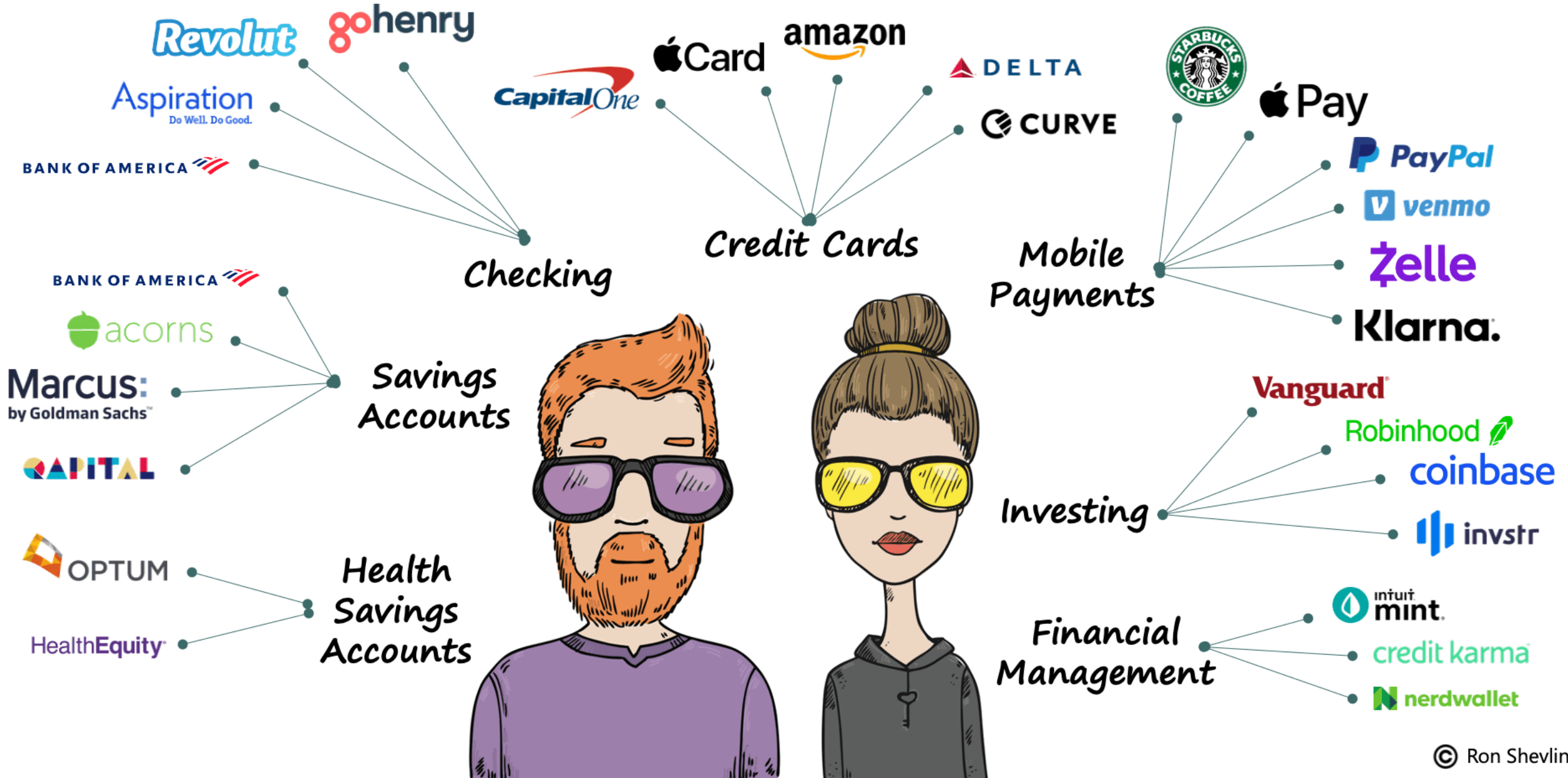
Share of New Accounts Opened by Type of Institution

Type of Financial Institution Chosen the Last Time an Account Was Opened



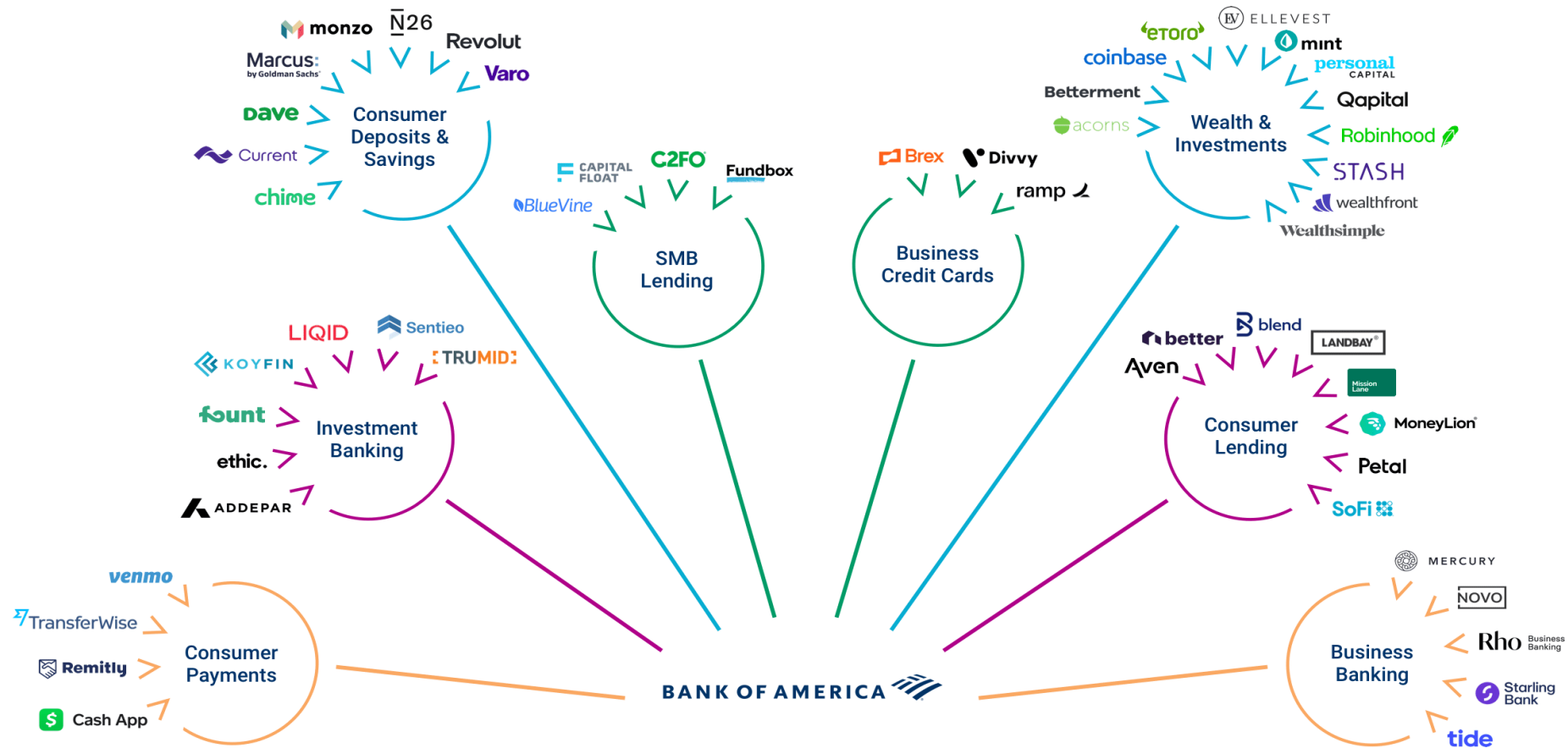
Source: Cornerstone Advisors survey 3,004 US consumers, Q4 2020

Americans' Shadow Financial Lives



UNBUNDLING BANK OF AMERICA

Companies targeting the traditional bank



Source: cbinsights.com

CBINSIGHTS

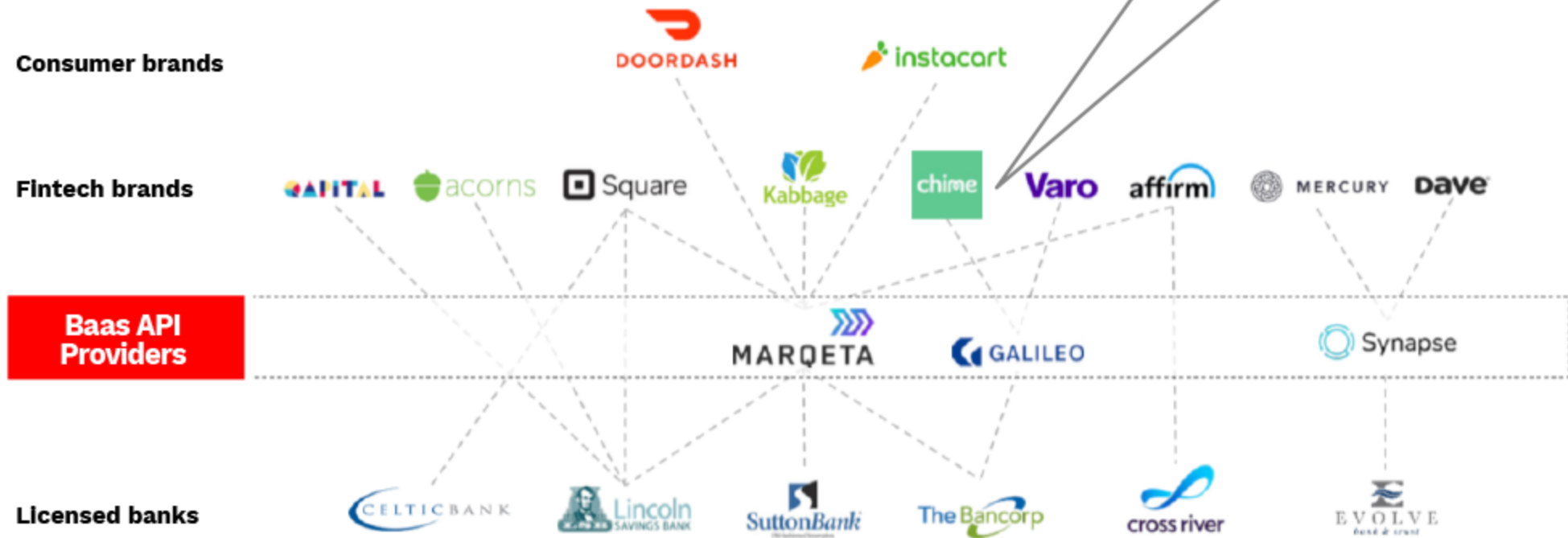
COMMUNITY FINTECHS ARE EMERGING TO SERVE NICHE GROUPS



How are some banks addressing this demand?

Banking-as-a-Service (BaaS)

Examples of different BaaS arrangements already in place



As of July 2020




Under \$10B in assets (Durbin Exempt)

	South Dakota	\$6.1B	Rapid! (debit card), Control, NetSpend (debit card)
	New York	\$5.6B	Brex (card issuer)
	North Carolina	\$4.7B	Part of Carolina Fintech Hub
	New York	\$4.5B	Chime (debit card and deposits), SoFi Money (debit card), Venmo (debit card), Oxygen (debit card and deposits), BlueVine (business debit card and checking), Uber (gift cards), NetSpend (debit card), 50+ prepaid cards
	Nebraska	\$4.3B	Dwolla (ACH and deposits)
	California	\$3.3B	Revolut (debit card), MoneyGram (debit card), Current (debit card)
	Utah	\$2.8B	Divvy (business credit card), Paychex, HSA Bank (debit card)
	California	\$2.1B	Stash (debit card and deposits), Uber (debit card and deposits), Wealthfront (debit card and deposits), Walmart MoneyCard (reloadable card)
	North Dakota	\$2.1B	Lively (HSA), Current (debit card and deposits), Dough (debit card and deposits), Uii (debit card and deposits), TeamPay (debit card)
	New Jersey	\$2B	Upgrade, Affirm, Upstart, SeedFi, Stripe (push-to-card payments), Best Egg, Coinbase, Finix, ROCKET Loans, RS2
	West Virginia	\$1.9B	Credit Karma (savings account), Divvy Pay (bill pay), Prism (payments)
	Missouri	\$1.8B	Otto Card (credit card)
	Massachusetts	\$1.4B	Acquired by LendingClub, LevelUp, Prosper, Aspiration (ended 2019), Brex Cash (high yield), Treasury Prime (business checking)
	Iowa	\$1.3B	MoneyLion (debit card and deposits), Acorns (debit card and deposits), Capital (debit card and deposits), M1 (debit card and high yield)
	Washington	\$1.1B	Aspiration (debit card and high yield), One Finance (debit card and high yield)
	Minnesota	\$1.1B	Passbook by Remitty (debit card), Settinc (lending), TrueConnect (lending), True Link (debit card), Gift Rocket

Under \$1B in assets

	Utah	\$972M	Kabbage (SMB lending), Square Capital (SMB lending), Bluevine (SMB lending), OnDeck (SMB lending), Deserve (credit card), Stripe Capital (SMB lending), Surge Card (credit card), Fundra (SMB lending)
	Utah	\$960M	Upgrade, LendingClub, Prosper, Avant, Petal, Klarna, Paypal Working Capital, CAN Capital (SMB lending), Zero (credit card)
	Missouri	\$833M	Bettement (debit card and checking), Digs (savings), Joust (debit card and deposits), TrueBill (savings), Tip Yourself (savings), Empower (debit card and deposits), Long Game (debit card and deposits)
	Oklahoma	\$699M	Chime (debit card)
	Ohio	\$642M	Cash App (debit card), Upgrade (debit card), Robinhood (debit card), Monzo (debit card), Brex (credit card), Ramp (credit card), Marqeta (prepaid cards), Teampay (debit card)
	Tennessee	\$474M	Synapse Partner, Branch, Mercury, YieldStreet, Zero (checking)
	Tennessee	\$467M	CreditStacks (credit card)
	Massachusetts	\$446M	Bank Nova (SMB debit card and deposits)
	Virginia	\$423M	Long Game (savings)
	New York	\$219M	GoCardless (ACH), GoHenry, Greentlight, Long Game (debit card and deposits)

Under \$200M in assets

	California	\$107M	EasyPay Finance (lending)
	Kansas	\$87M	Moven (debit card), Simple
	California	\$68M	HMBrodley (credit card and deposits)

.....and then there's this

AMERICAN BANKER

BofA's one app to rule them all is coming this year: Marketing head Tyrie - By Chana Schoenberger - February 25, 2022



... “Search Apple’s App Store for Bank of America, and several apps pop up for iPhone users: mobile banking, private banking, prepaid mobile and others aimed at clients of the bank’s Merrill Lynch wealth management unit. By December, all those functions will be rolled into the bank’s main app ...”

“ ...The goal of the app, and of the Charlotte, North Carolina, bank’s digital plans more generally, is to be a **one-stop shop for all customers’ financial needs, to make mission control easier....”**

How Can the ICBA Help?

ICBA ThinkTECH Accelerator

Modern Banking Infrastructure Ecosystem



*Sources: HTMA, CBInsights, Gartner



ICBA THINKTECHSM ACCELERATOR

POWERED BY THE VENTURE CENTER



THE
VENTURE
CENTER





ICBA ThinkTECH Accelerator in partnership with The Venture Center (Little Rock, AR)

- Began the program/process in October 2018
- Partnership to create a community bank-focused, mission-based accelerator program working with fintech companies
- Provides a structured process to innovation and allows us to focus on community bank issues and involve our members
- Provides a feeder system of early-stage companies/fintechs to onboard new corporate members
- Provides interaction and investment opportunities for ICBA and our community bank members

ICBA ThinkTECH Objectives

Recruit roughly 10 early-stage ventures or startups with community bank enabling solutions

De-risk roughly 10 ventures

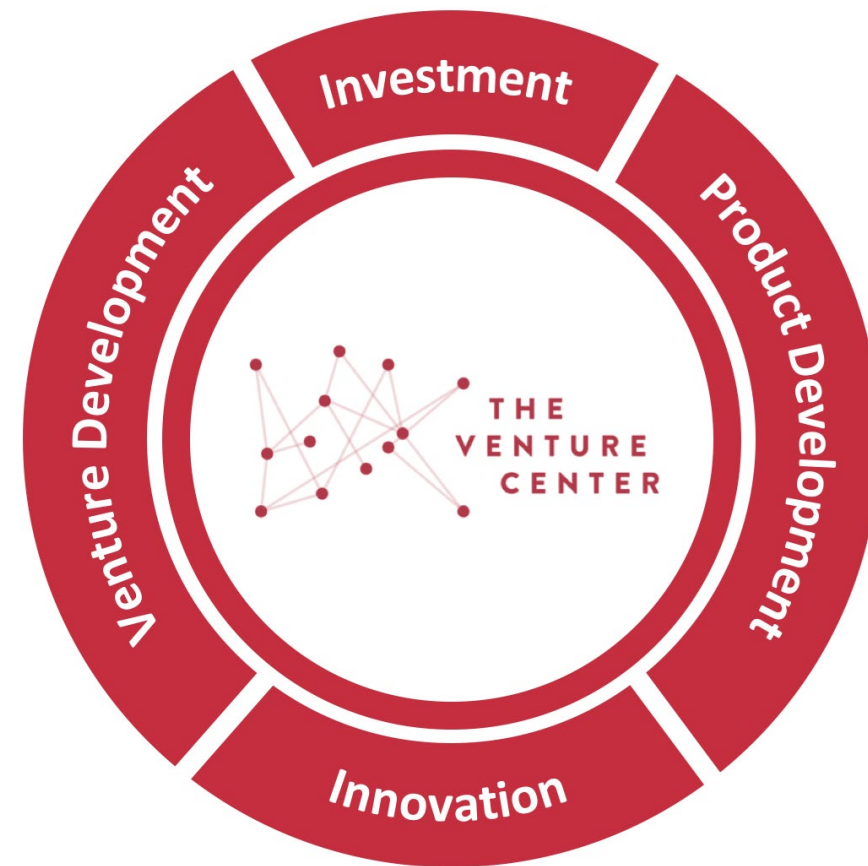
- Connections, Connect, Capital, Communications

Accelerate each company's timeline to validation

Contribute meaningfully to the innovation culture among ICBA and its members

Create innovation content opportunities for ICBA marketing and social media efforts

Create a potential investment return opportunity to ICBA





Accrue – Franklin, TN
core10.io



Chimney – Brooklyn, NY
Chimney.io



DocFox – Miami, FL
docfox.io



KlariVis – Roanoke, VA
klarivis.com



LemonadeLXP – Ottawa, ON
lemonadelxp.com



Quilo – Lakeside, MT
quilocloud.com



Senso – Toronto, ON
senso.ai



Sequaretek – Woodbridge, NJ
sequaretek.com



Unifimoney – San Francisco,
CA – unifimoney.com



Vero Technologies –
Brooklyn, NY
vero-technologies.com



Wealth Stack – Austin, TX
wealthstack.us

ICBA ThinkTECH Thought Leadership

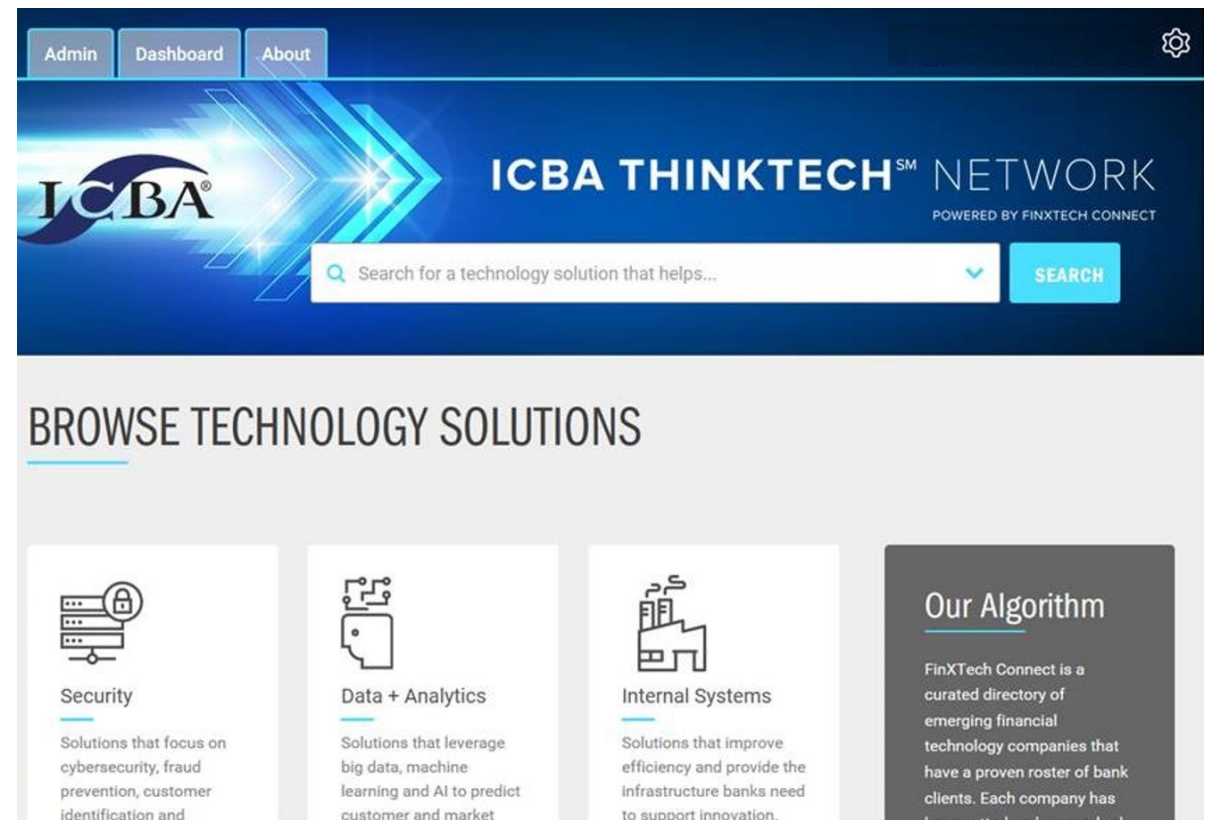
ICBA ThinkTECH Network Directory

Curated, online directory of technology companies that are strategically partnering with financial institutions

Exclusive ICBA member bank benefit

Similar to sourcing bank solutions through a digital format like Yelp, Consumer Reports, or Angie's List

Bank Director/FinXTech technology is the foundation for the platform



ICBA ThinkTECH Innovation Series

Cryptocurrency Demystified: A look at the growth of cryptocurrency solutions and the implications for community banks. This three-part webinar series offers a primer on the technology, potential use cases, and potential regulations and associated risk.

Banking as a Service Demystified: A look at the new, and more modular provider landscape, known as Banking as a Service for the digitization of payments, loans and insurance offerings at the point of need rather than as a standalone product.



Communities of Innovation: An ICBA Podcast

Inspired by countless conversations with community bankers, ICBA's Communities of Innovation podcast invites community bankers to share their stories, experiences, and how innovation has shaped their journey.

Join us for conversations on emerging technology, fintech, and the ever-shifting landscape of the community banking industry.

Listen in at icba.org/podcast



BankTech Ventures, LP

Finding & Funding Solutions for Community Banks

July 2021



Why The Need for BankTech Ventures?

THE CHALLENGE

- Community banking is facing fierce competition from all sides, including Big Tech, FinTech and challenger banks.
- Veteran banks are working hard to remain competitive and deliver a positive customer experience, but are hindered by legacy systems, lack of integration and antiquated processes.
- As margins are compressing, the cost of operations and required investments in tech are rising.
- Competitors are attracting talent which further inhibits bank innovation.

THE SOLUTION

- Banks' expertise are safely holding deposits, transaction processing, credit allocation and regulatory compliance.
- The Fund will focus on investing in and providing vetted tech solutions that enhance all of the above and more.
- Banks can leverage these to develop new revenue streams, lower overhead costs, increase customer acquisition, and enhance the customer experience.
- The Fund will provide investors with a tech network, strategic guidance, and financial return.

THE OPPORTUNITY

- The banking industry is at a transformational crossroads; successful banks will adapt.
- Those that adapt and learn to leverage their charter, combined with technology, will flourish.
- Existing and emerging technology is changing the way banks derive revenue and make overall business decisions.
- The Fund's mission is to serve community banks by identifying, vetting, de-risking, and commercializing key tech for the industry.

THE TEAM

- Unparalleled combination of industry experience and reach, bank technologists, and a motivation to help community banks succeed.
- Partnership with The Venture Center, a tech accelerator focused on FinTech and BankTech that understands how to find promising tech companies and scale them.
- Experience and infrastructure to source, test, incubate, and deploy promising technologies within GP banks and Partner banks, in order to support your bank's needs and future.

Investment Committee



WAYNE MILLER
Executive Director
The Venture Center



CHARLES POTTS
Senior Vice President,
Chief Innovation Officer
ICBA



STEVEN HOVDE
Chairman & CEO
Hovde Group



CARSON LAPPETITO
President
Sunwest Bank



ERIC SPRINK
President & CEO
Coastal Community Bank



Summary of Fund Terms



Target Size

\$150-250MM. Initial closing projected once fund hits \$50MM, with final closing date of 2/1/22



Target Returns

Projected 13-16% gross return and gross multiple of invested capital of 2.0x or greater¹



Equity Investment Size

\$3.0-6.0MM, reserving 35-45% of commitments for follow-on investments. 15% reserved for early-stage companies with lesser investment amounts



Distributions

80%/20% LP/GP split on profits after 100% of capital returned to investors



Minimum LP Participation

\$250,000



Investment Period

5 years from initial closing



Term

10 years from initial closing. Options for two 1-year extensions



Management Fee

2% on an annualized basis of the aggregate capital commitments of the Limited Partners



Get Involved

<https://www.icba.org/solutions/innovation/accelerator>

Questions?



Thank You!

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