



# Driving Innovation in the Financial Industry

**Charles E. Potts**  
EVP, Chief Innovation Officer



## Themes to Discuss



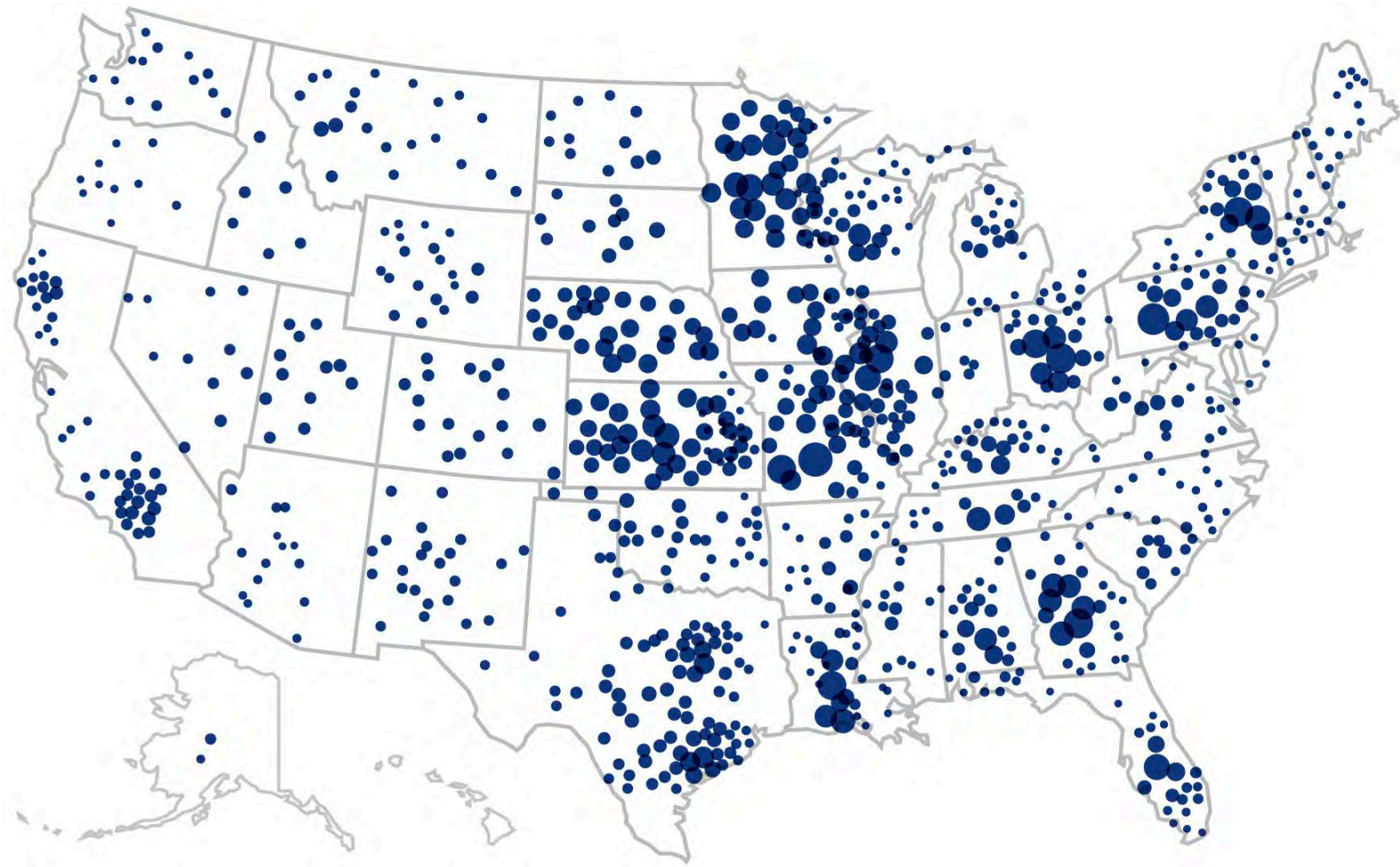
- Insights on Driving Innovation in the Financial Industry
- Exploring the Transformative Potential of Emerging Technologies
- Strategies for Achieving Growth and Competitive Advantage in Today's Digital Landscape



The Independent Community Bankers of America<sup>®</sup> has one mission: to create and promote an environment where community banks flourish. We power the potential of the nation's community banks through effective advocacy, education, and innovation.

## ABOUT COMMUNITY BANKING

- Community banks comprise of **99% of all banks and have 50,000+ locations** nationwide
- Provide over **60% of all small business loans**
- Make over **80% of agricultural loans**
- Employ **nearly 750,000 people**
- Are the *only* physical banking presence in **one-third** of U.S. counties

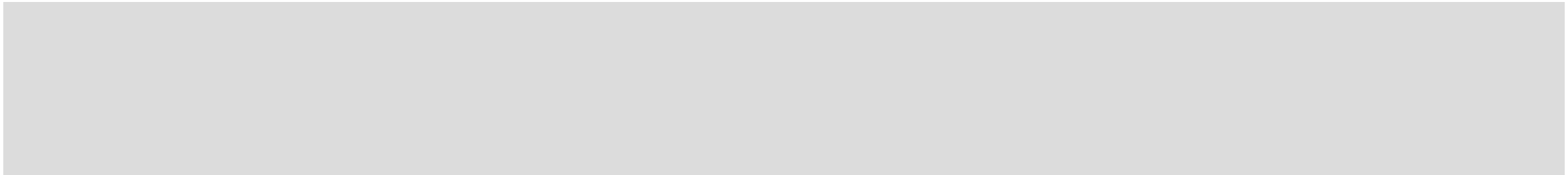


## ABOUT US



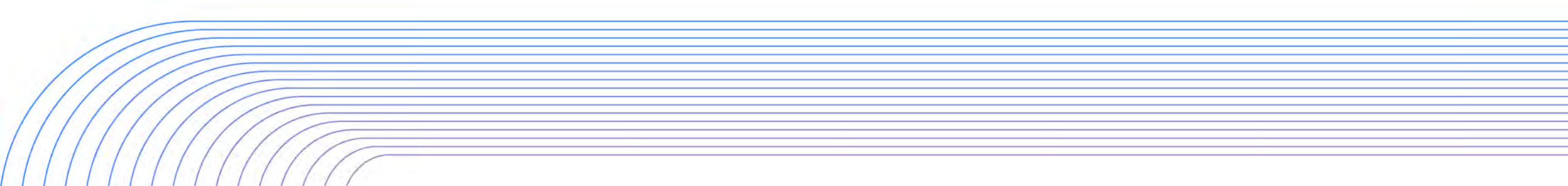
- **National Representation Through Advocacy:**  
ICBA engages members of Congress and federal regulators to help them understand our industry and our concerns—continuously pushing for pro-community bank policies.
- **Best-in-class Education:**  
ICBA's Community Banker University® trains more than 120,000 community bankers annually with webinars, live events, online courses and certification programs.
- **Ongoing Innovation in Services & Solutions:**  
ICBA offers payments, reinsurance and investment solutions to members while providing access to a vast network of community bank-focused providers and fintech companies.

# Insights on Driving Innovation in the Financial Industry



# What is innovation?

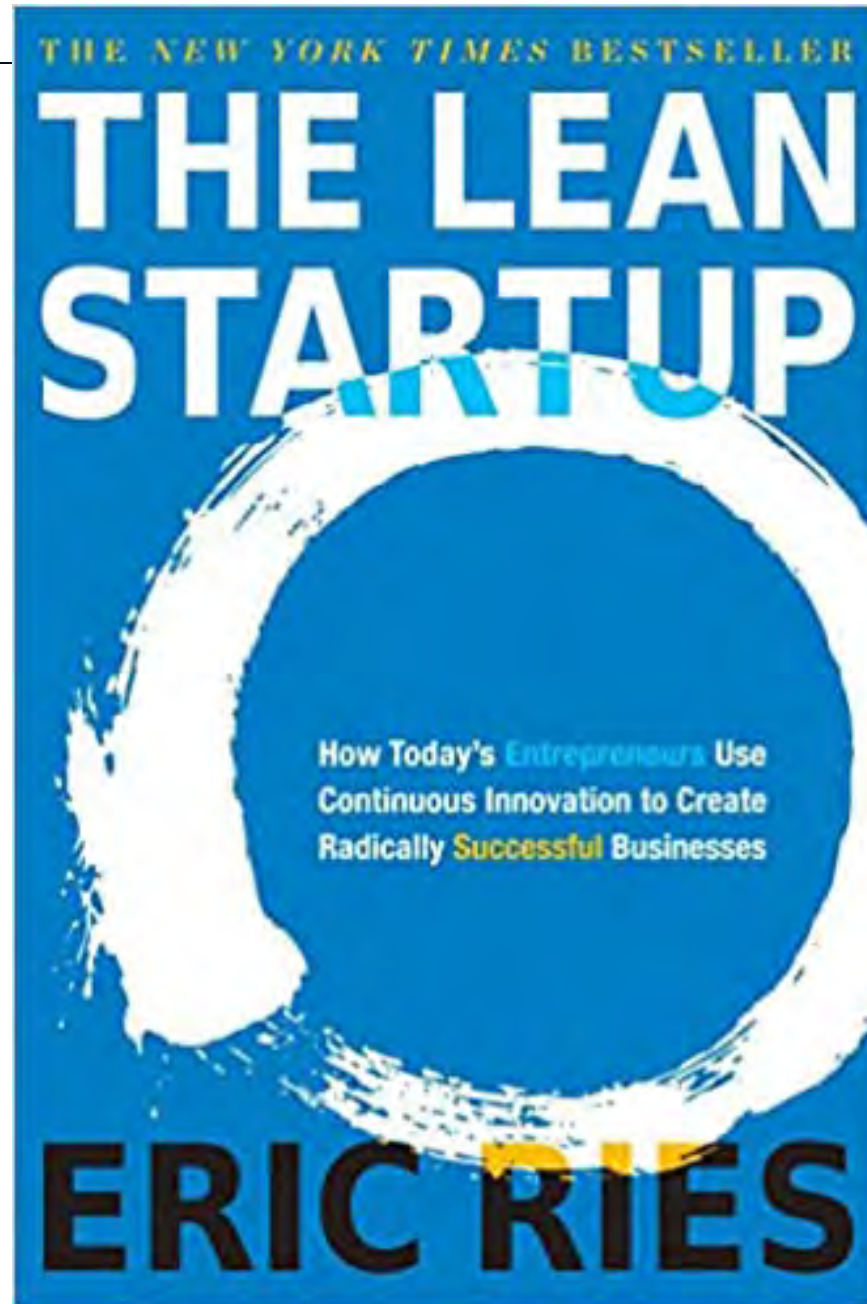
- It's not just technology.
- It's not just a shiny object.
- It's adjusting to consumer preferences.
- It's evolving to help people and institutions stay connected.
- It's a continuous journey.



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

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





“The ability to learn faster from customers is the essential competitive advantage that startups must possess.”

— Eric Ries, [The Lean Startup: How Today's Entrepreneurs Use Continuous Innovation to Create Radically Successful Businesses](#)

# Technology Evolution: 60 Years in the Making





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## Why Community Banks Should Innovate?



Improved Customer Experience



Internal Efficiency



Deposit Acquisition & Retention

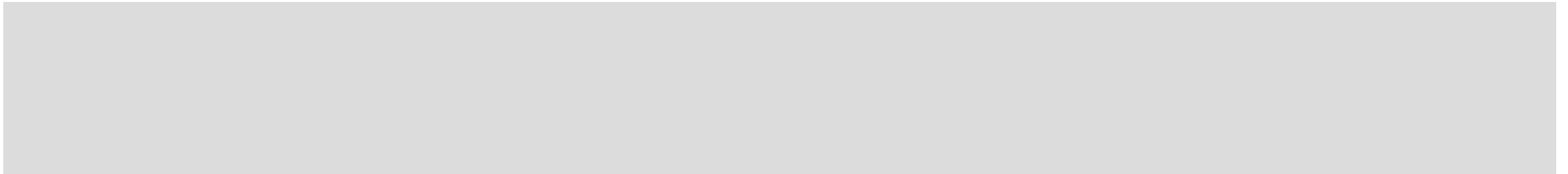


Efficient Implementation of New Regulations



Reporting and Insights for Decision-Making

# Exploring the Transformative Potential of Emerging Technologies





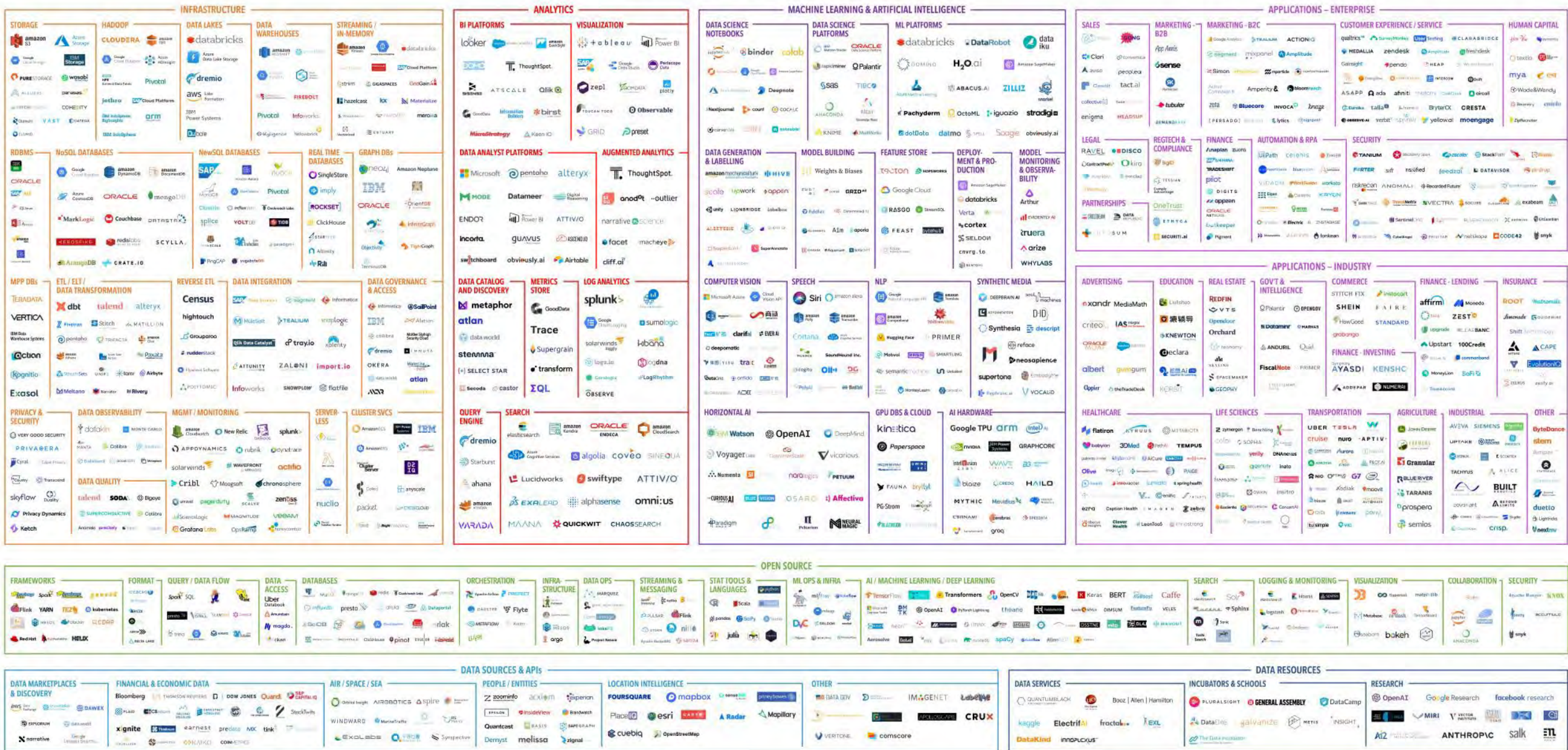
- NCR began in 1884 when John Patterson began to make mechanical cash registers. It was widely regarded as a 'high tech' company and even made some of its resources available to code-breaking groups during WWII.



**NCR**  
**ATLEOS**

**NCR V<sup>o</sup>YIX**



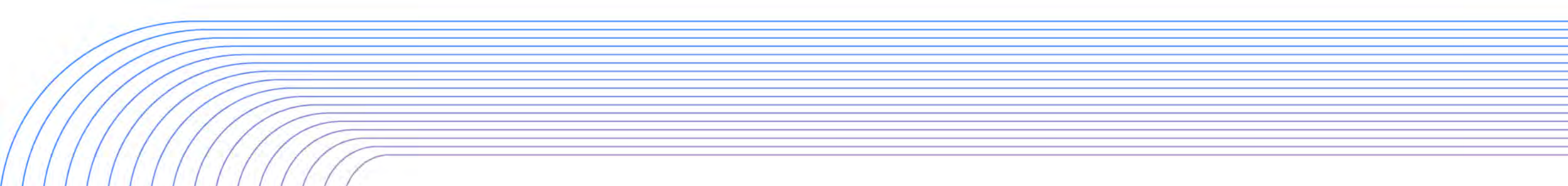


# Emerging Technologies

- Automation, A.I. and M.L.
- Fraud
- Data Analytics
- Embedded Finance
- Quantum Computing



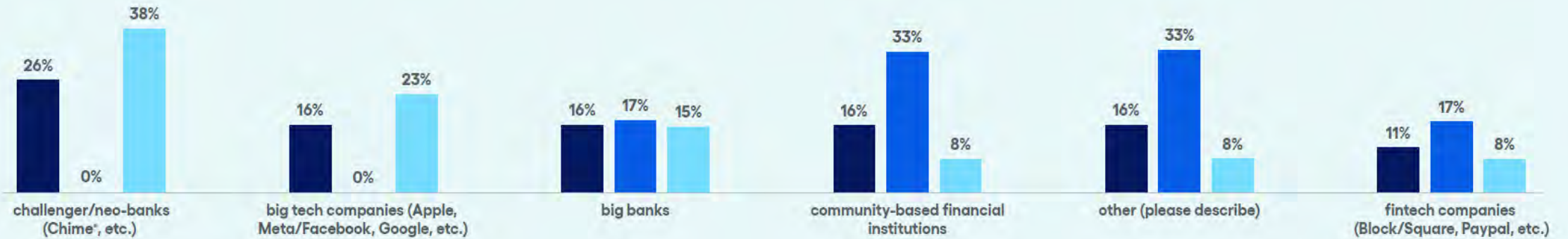
# Fintech: Friend, Foe or Frienemy



Which competitor type presents the biggest threat?

### Biggest Competitive Threat

■ Total ■ Banks ■ Credit Unions



No responses were received for "regional banks" in the survey.

# What is a FINTECH?

## WHAT IS FINTECH?

*"Fintech" is just another way to describe the technology we use to save, invest, or transfer currency- and it's quickly becoming a part of our daily lives.*

### WHAT IS FINTECH?

Fintech refers to the technology and innovation that aims to compete with financial services to create new and better services for consumers in industries such as banking, asset and wealth management, investing, insurance and mortgages.

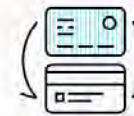
### FINTECH INNOVATIONS



P2P LENDING



BLOCKCHAIN



MOBILE  
PAYMENTS

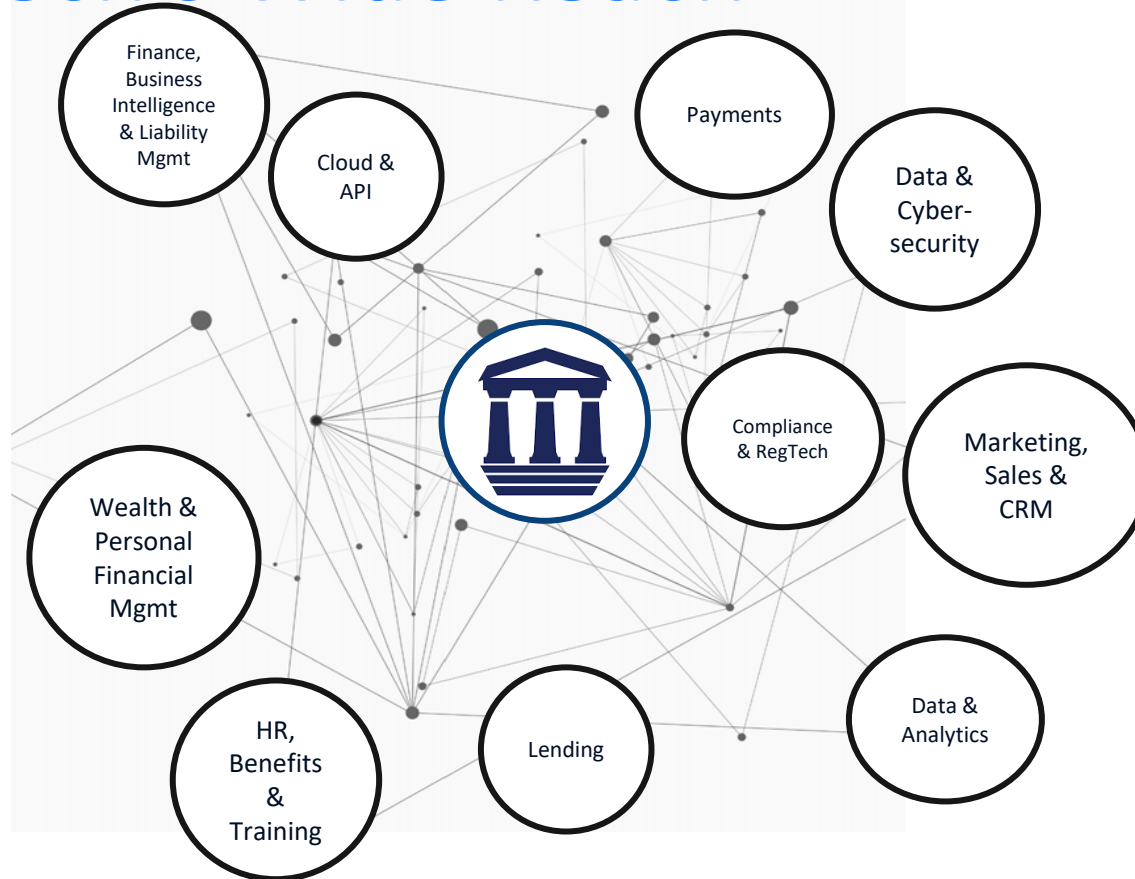


ROBO ADVISORY



ONLINE  
BANKING

# Fintech's Wide Reach



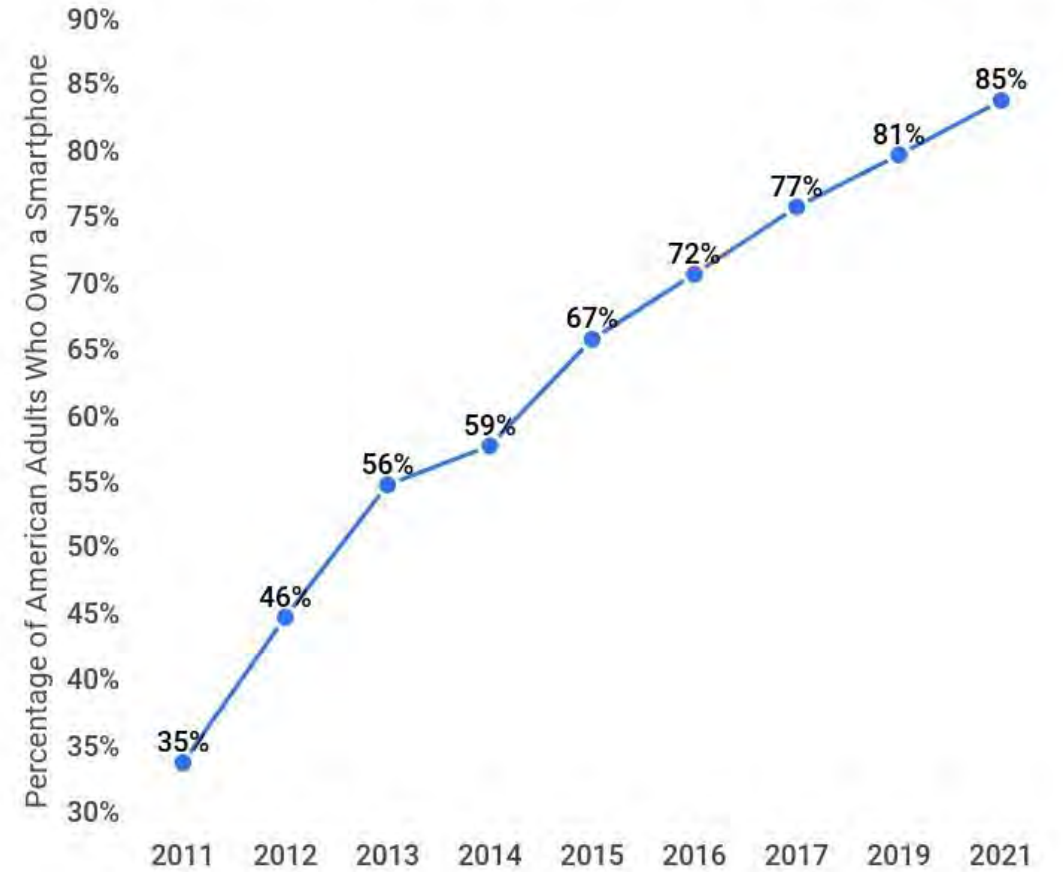
“...incumbent financial institutions have been able to catch up faster than many expected, ***treating the proliferation of fintechs as a supermarket for capabilities that allow them to use acquisitions and partnerships to rapidly deploy new offerings.***”

— R. Jesse McWaters, Financial Innovation Lead at the World Economic Forum

# U.S. SMARTPHONE OWNERSHIP



### U.S. SMARTPHONE OWNERSHIP 2011-2021



# Fintech has redefined consumer expectations, COVID-19 forever shifted consumer engagement...



## Increased adoption

**34%**

More fintech app downloads in 2020



## Less financial stress

**68%**

Say fintech helps reduce financial anxiety



## Higher trust

**55%**

Millennials trust fintech more than incumbents

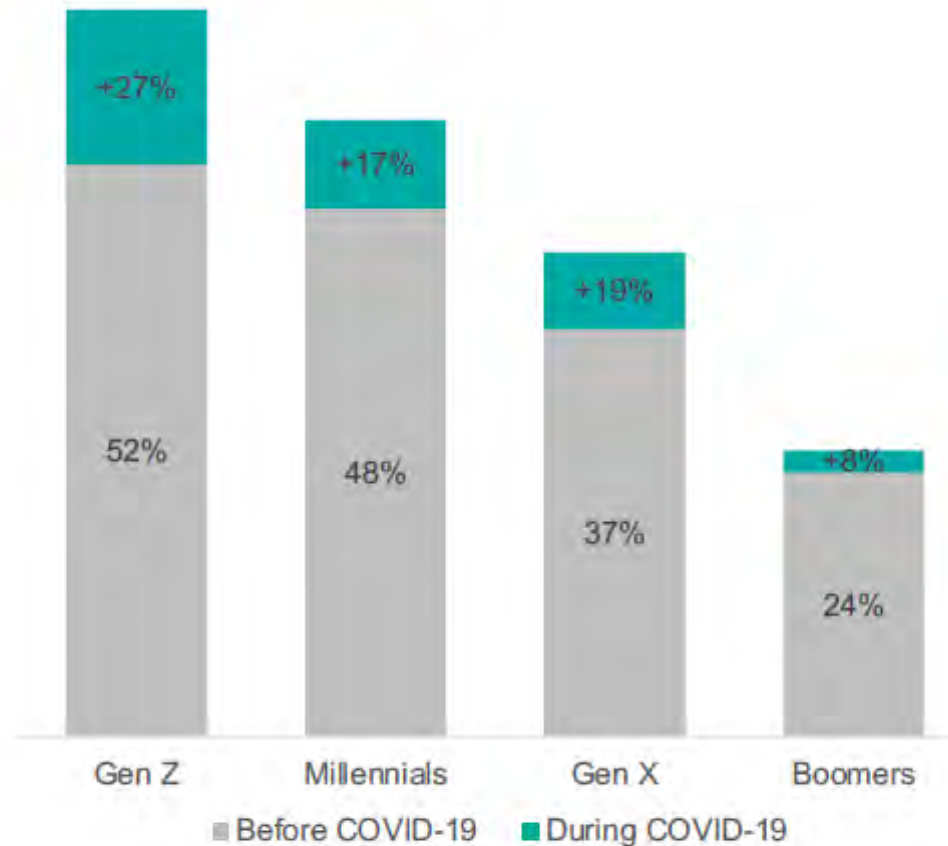


## Greater access

**76%**

Fintech helps find new/better financial products

## Fintech Usage Changes<sup>1</sup>



1. Represents relative percentage changes

Sources: State of Fintech Apps 2020, Sensor Tower; "Global Fintech Report 2021," KeyBanc; "COVID-19 and the financial services consumer," Capgemini Research Institute; "The Fintech Effect," Plaid; "How US customers' attitudes to Fintech are shifting during the pandemic," McKinsey & Company

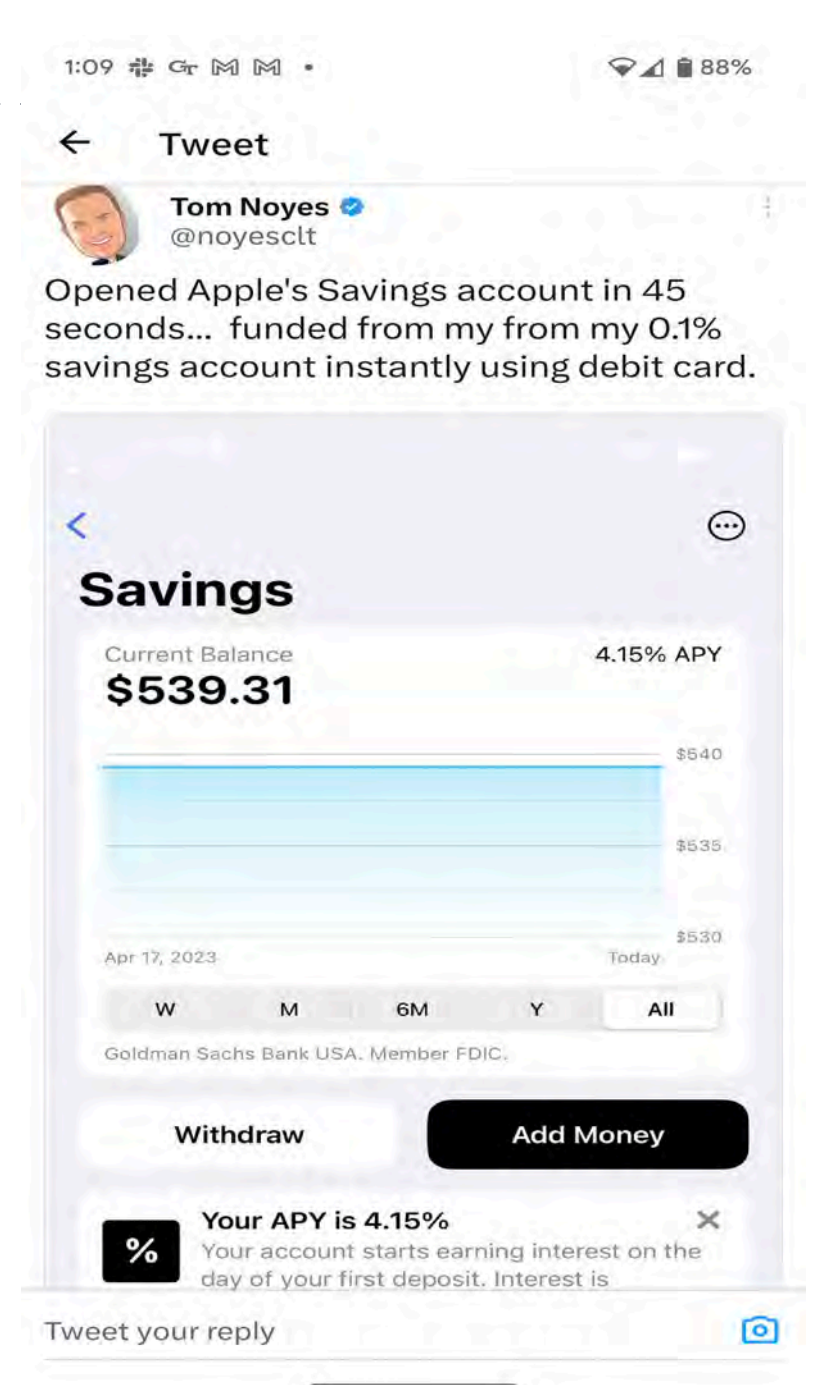


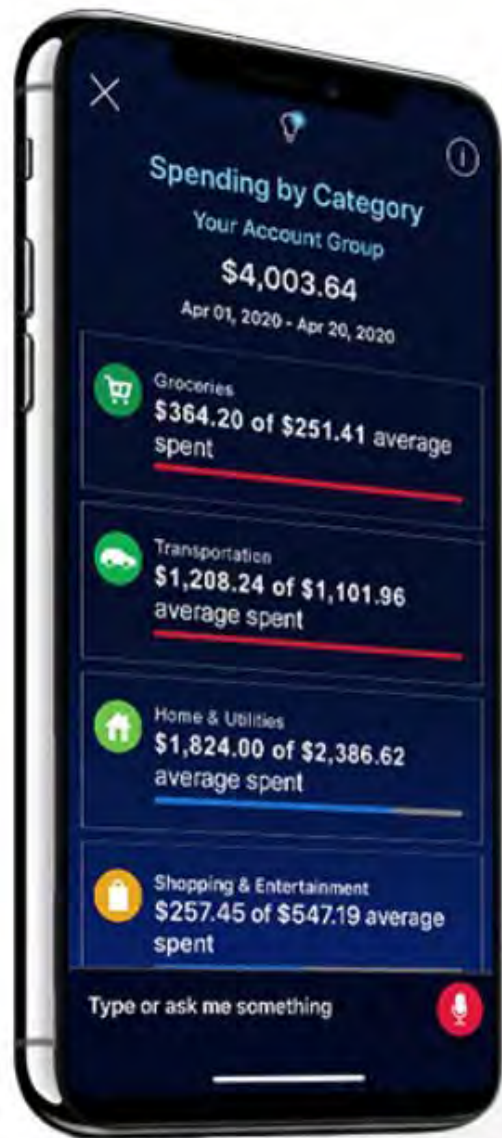




## A Competitor in Your Pocket

- ~ 7 Million Credit Card Holders
- ~ 150 Million iPhone Users
- ~ \$1B in Deposits





Our AI-driven virtual financial assistant, Erica<sup>®</sup>, has surpassed  
**20 million users**

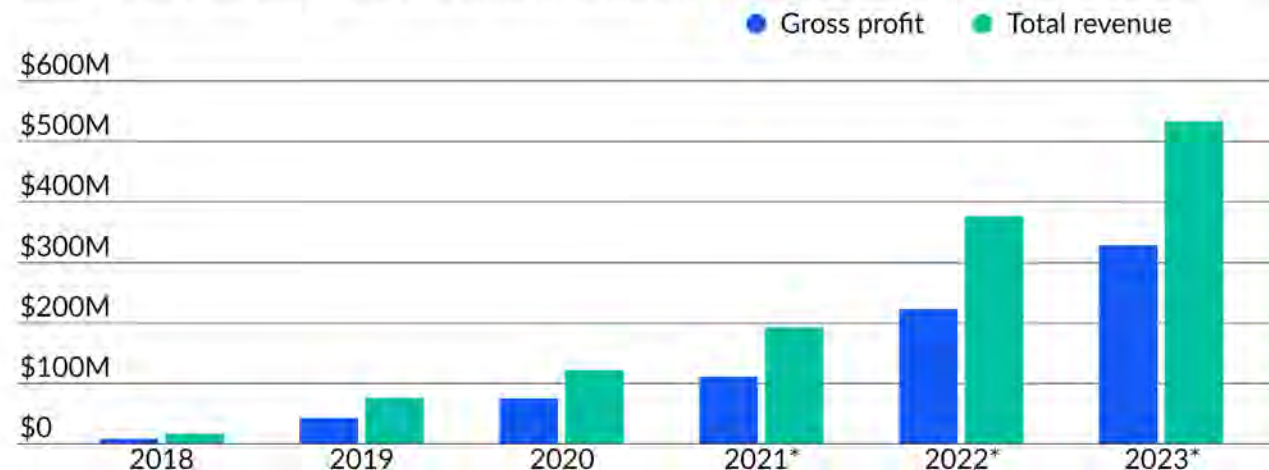


# Neobank Dave launches DaveGPT chatbot

**Challenger bank expects chatbot to resolve up to 75% of customer inquiries**

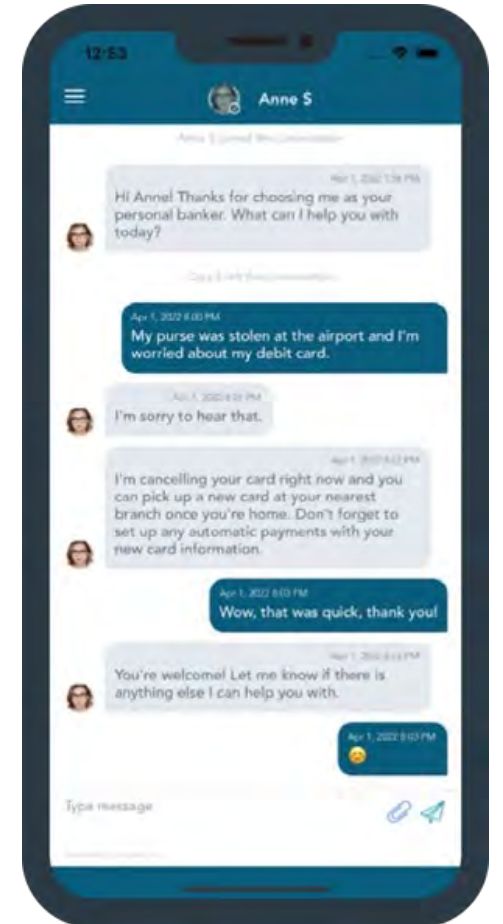
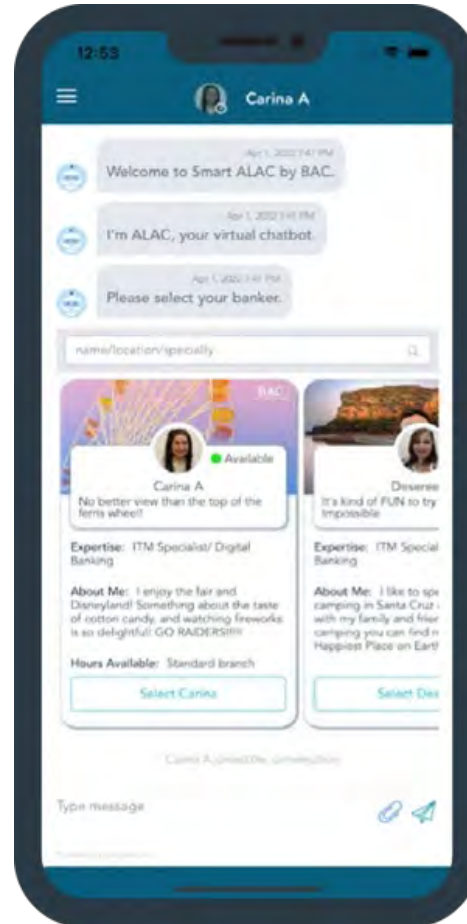
## Ambitious plan

The challenger bank Dave has grown steadily since its inception and predicts that adding more banking and investment products will help it take off in coming years



Source: SEC filing \*estimated

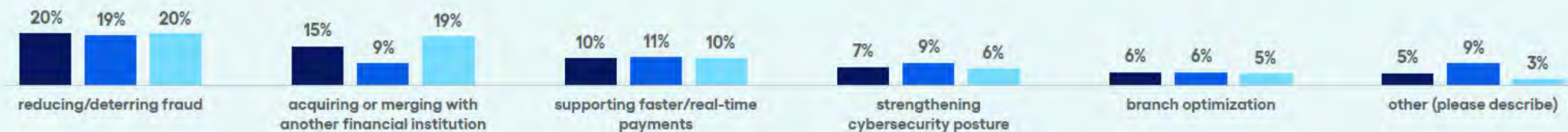




Over the next two years, what are your top three strategic priorities?

### Top Three Strategic Priorities

■ Total ■ Banks ■ Credit Unions



Under 3% of responses were received for "fintech partnerships" in the survey.

Nov 15, 2021, 08:00am EST | 616 views

# Americans' Shadow Financial Lives: Why Banks Don't Know Jack (Or Jill)



**Ron Shevlin** Senior Contributor @

Fintech

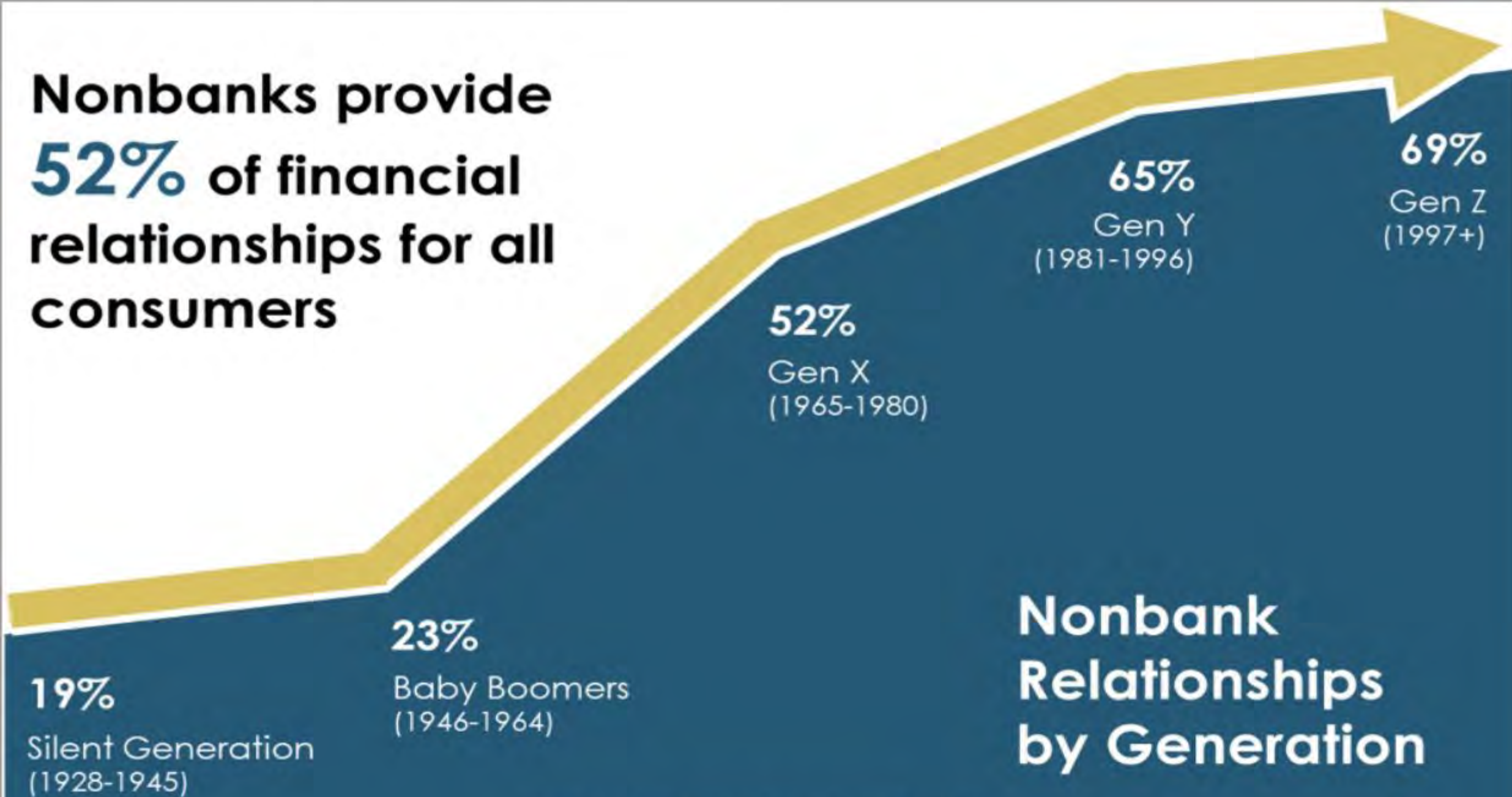
*Observations from the Fintech Snark Tank*

Forbes

“Overall, it’s not uncommon for a Gen Z or Millennial couple to do business with **30 to 40 financial providers**. In our quest for more convenience in our financial lives, our financial lives have become *more* complex to manage.”

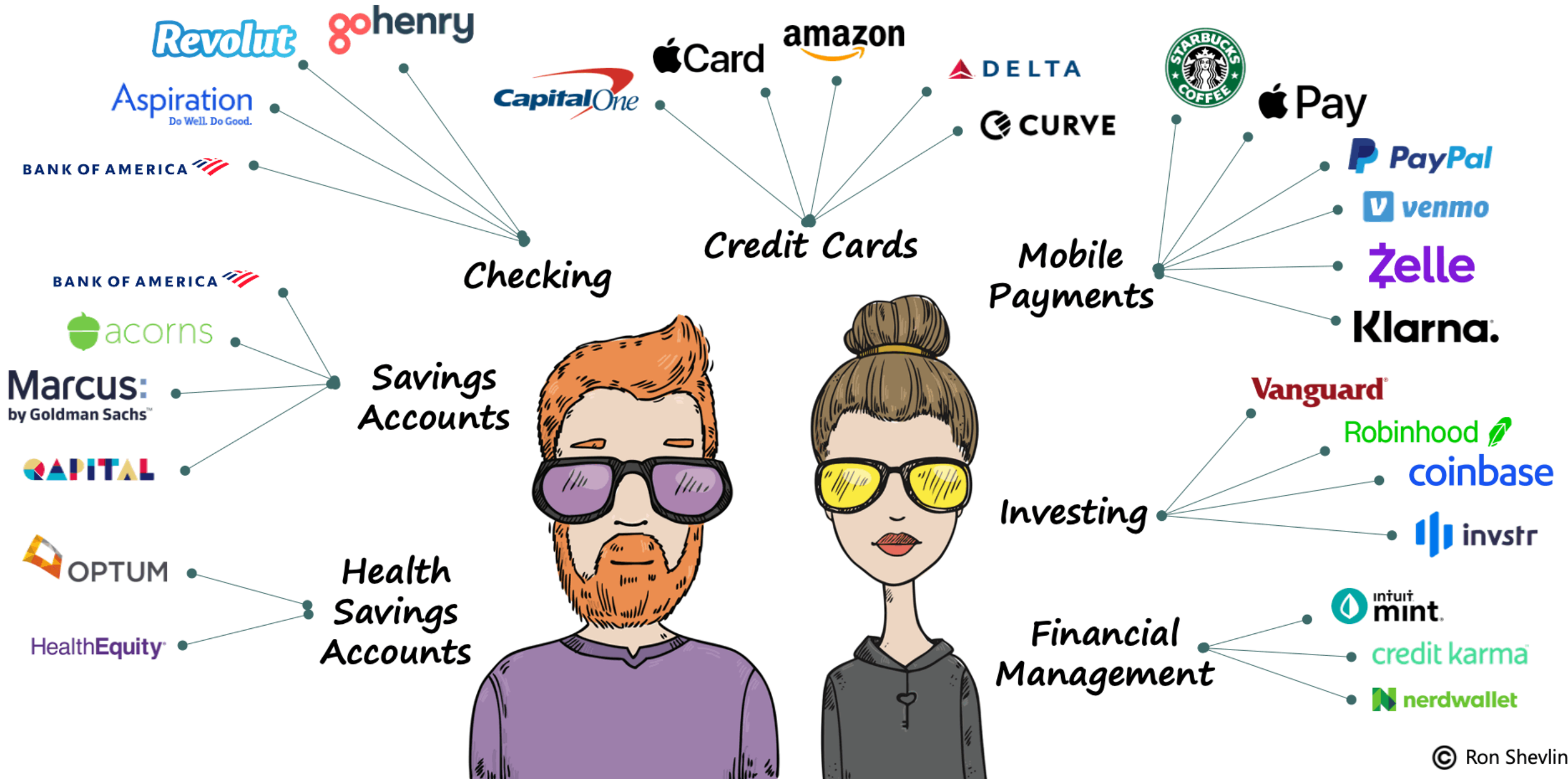


Nonbanks provide **52%** of financial relationships for all consumers

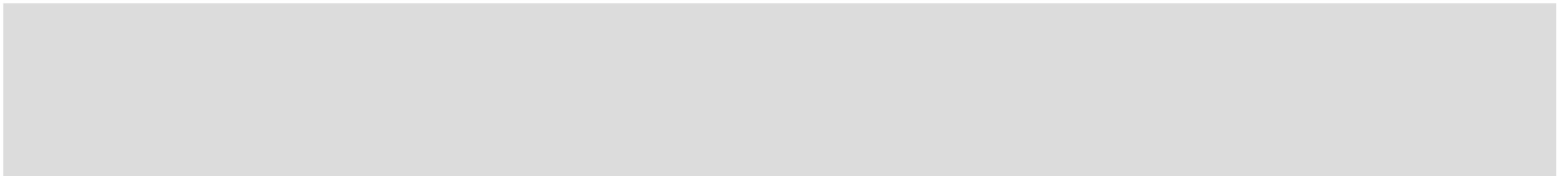


**Nonbank Relationships by Generation**

# Americans' Shadow Financial Lives



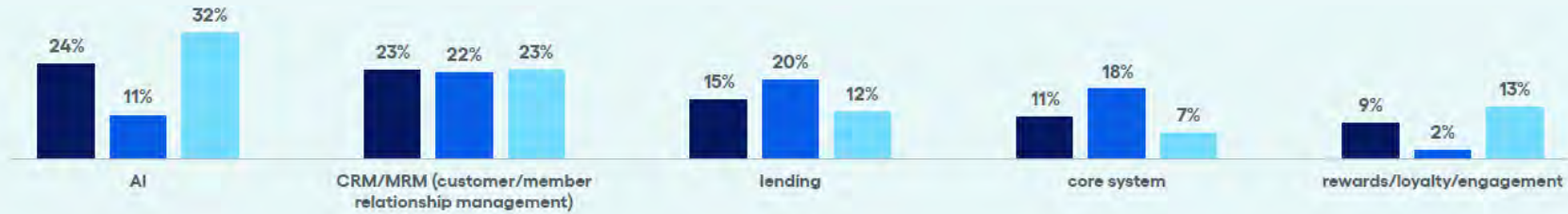
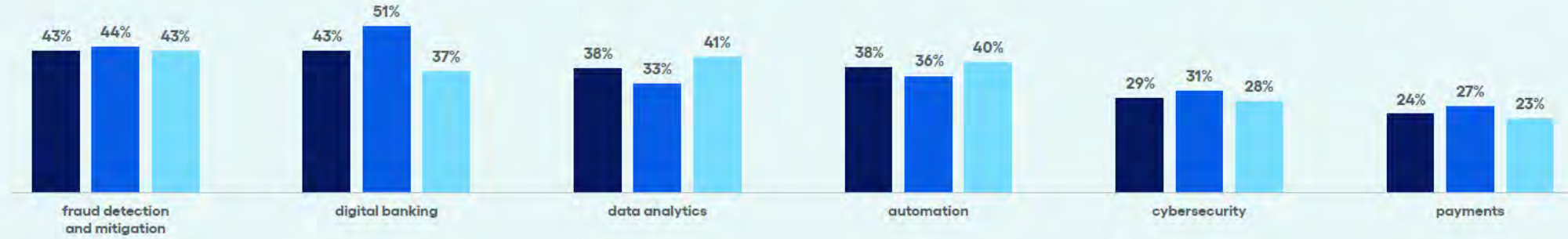
# Strategies for Achieving Growth and Competitive Advantage in Today's Digital Landscape



Select the top three technologies you plan to invest in over the next two years:

### Technology Investment Priority

■ Total ■ Banks ■ Credit Unions



Under 2% of responses were received for "other (please describe)" in the survey.

# ICBA Innovation - How we serve



## Thought Leadership

- Podcast
- Blog
- Speaking at conferences



## ThinkTECH Accelerator

Two 10-week hybrid programs annually resulting in 12 new corporate members



## Innovation Programming

- Demystify Webinar Series
- Solutions Forums
- ThinkTECH in an Instant
- ThinkTECH Connect



## Strategic Solutions

- Preferred Service Provider
- Corporate Member
- Solutions Directory

# ThinkTECH Accelerator



# Our Methodology

## ID Problems

Assemble stakeholders to identify problem sets and evaluate.

## Evaluate

We lead the stakeholders in the evaluation of the prospective solutions through a series of interviews that unpack the value proposition of those selected.

## Incubate

Prepare during week one with practice “visits”, 1:1’s, gap analysis and value prop reviews to make ready for bank visits.

## Deals

Help facilitate deals with stakeholders and potential follow-on investment where applicable.

## Source Solutions

Leverage our global network to seek out solutions providers and unique tech and founders to solve problems identified.

## Select

Distilled down from 100’s to about a dozen, we do more due diligence to select the final cohort and offer to make an investment in those companies.

## Accelerate

8 weeks of 30-minute meetings with 100 or more bankers, SME’s, Regulators and VC’s collecting data to provide feedback for additional support.

## Alumni Support

Prepare during week one with practice “visits”, 1:1’s, gap analysis and value prop reviews to make ready for bank visits.

# Accelerator Program





Marketing, Customer  
Service & Acquisition

CRM, Research,  
Data & Analytics

Lending &  
Underwriting

Wealth management  
& Brokerage

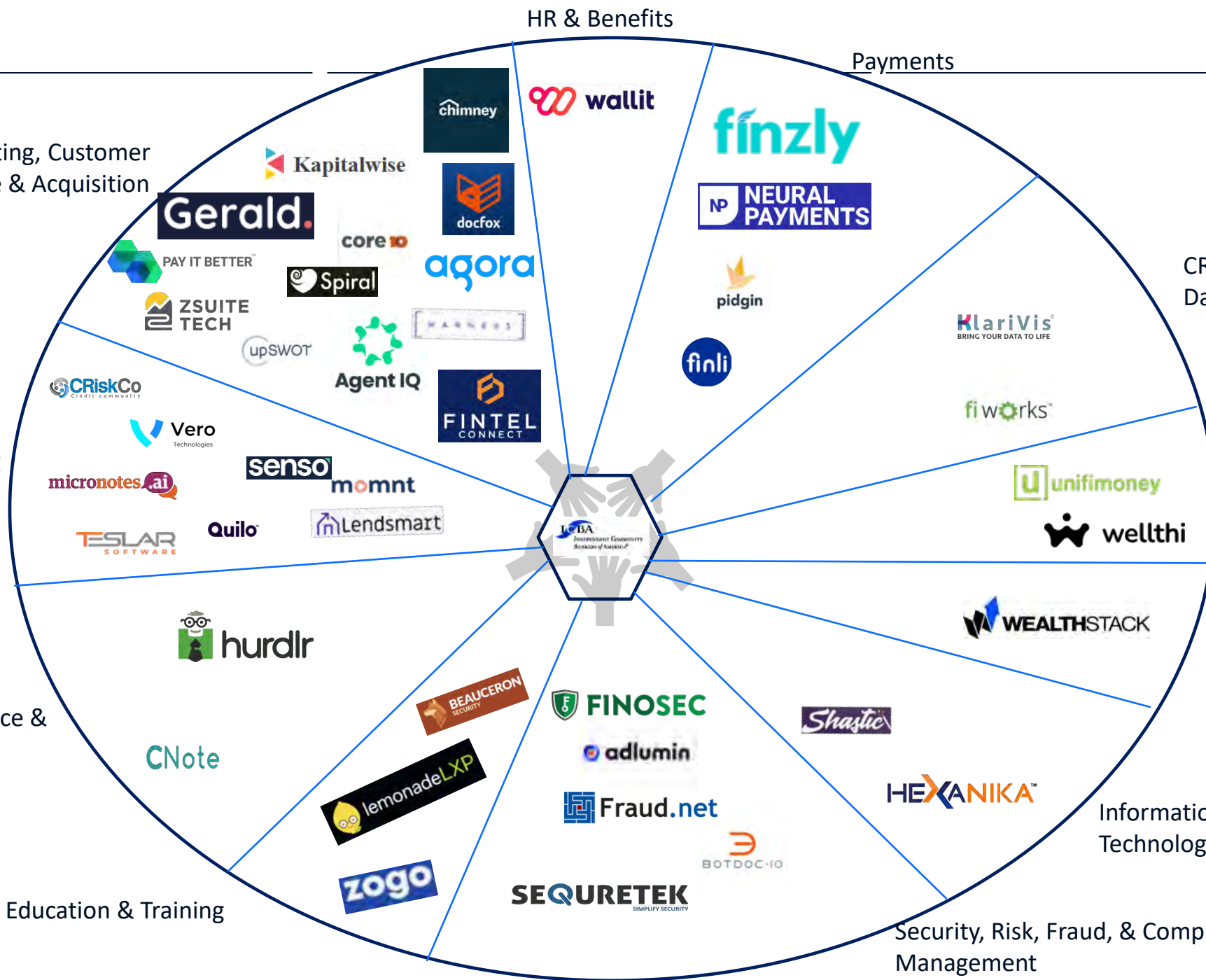
Accounting, Finance &  
Treasury

Capital Markets  
& Investment  
Solutions

Education & Training

Information  
Technology

Security, Risk, Fraud, & Compliance  
Management



## Center for Innovation in Atlanta!

- 999 Peachtree
- 6K+ sq feet
- Training/Event Room
- Co-working Space
- In the heart of tech in midtown



Questions?





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Innovation Officer

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