Long-Term Relevance for Community Banks: Gaining & Maintaining Competitive Advantage

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Gonzo Banker

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Smarter Banks

1. Hyper Efficient
2. Differentiated
3. Nimble
4. Data-Driven
5. Opportunistic

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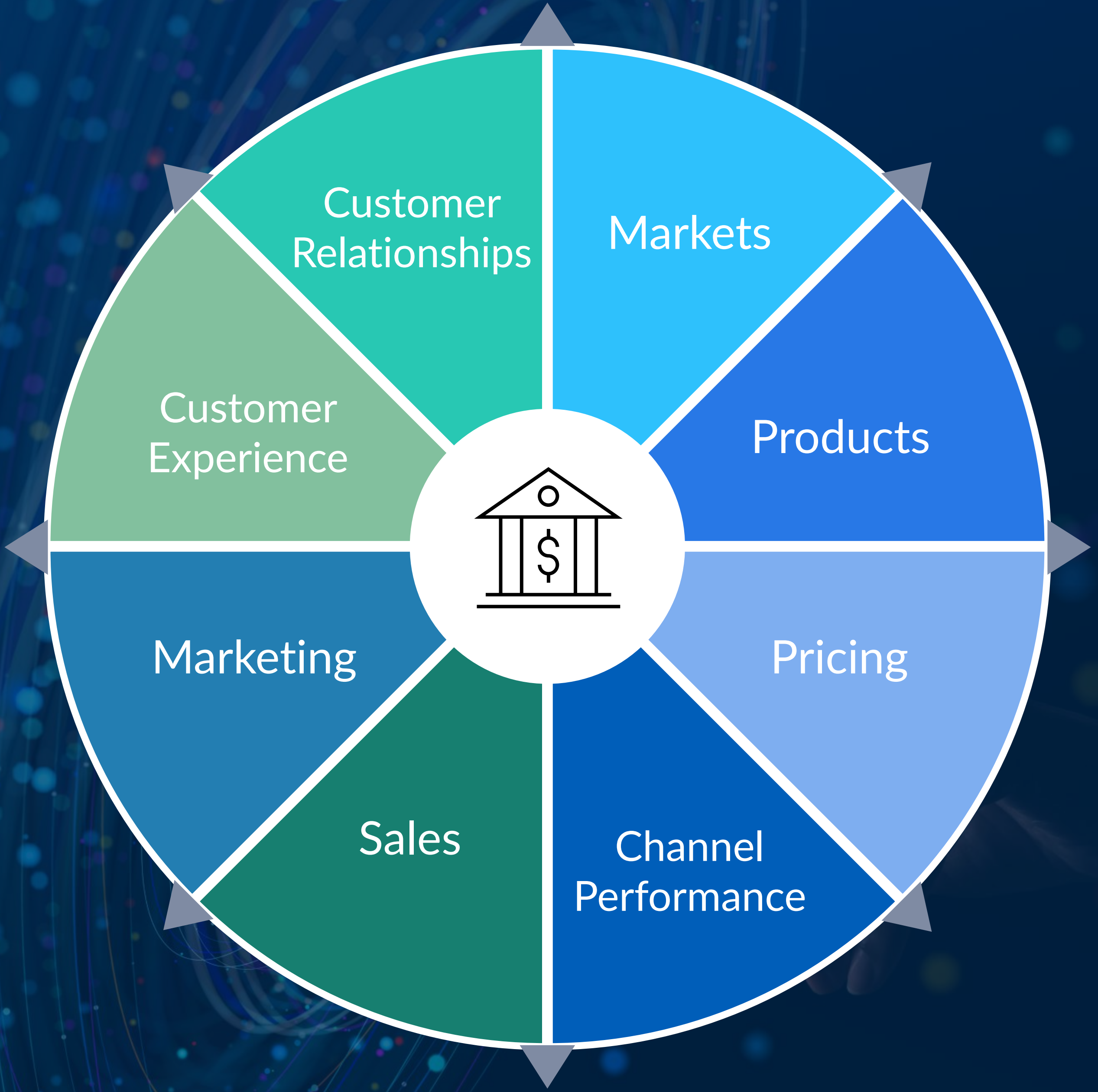
High Value Growth Playbook



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Hyper Efficient for Growth

Focus on benchmarking and performance

Improve efficiency 3X faster and grow assets 3% more

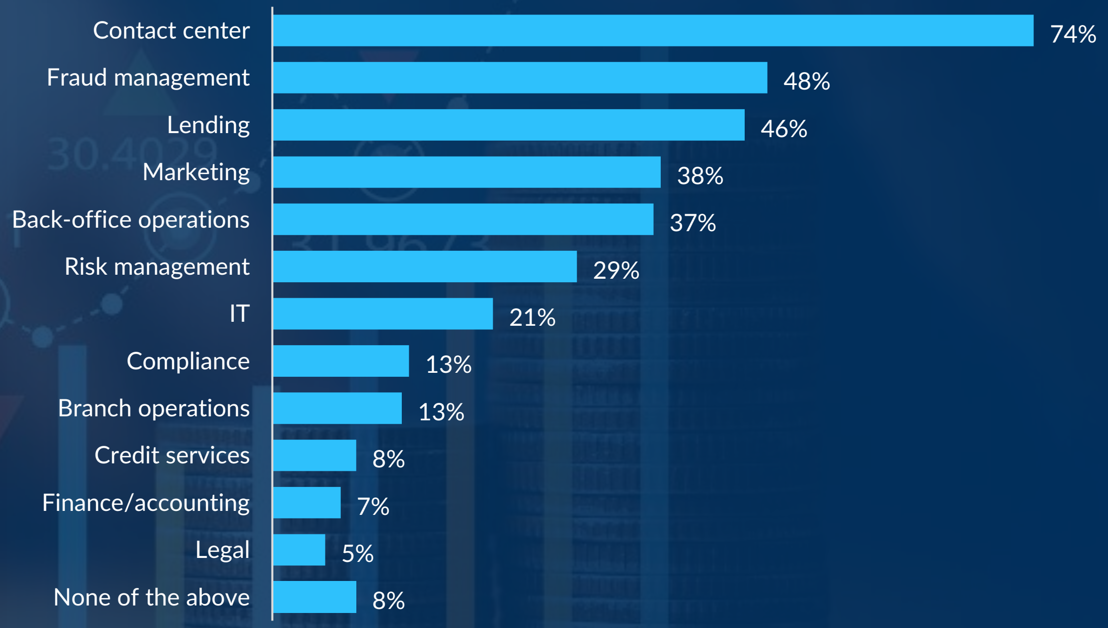
Source: Cornerstone Advisors, Performance practice

Generative AI Plans

In which of the following areas is your institution using – or planning to use – generative AI agents and tools to help increase productivity?

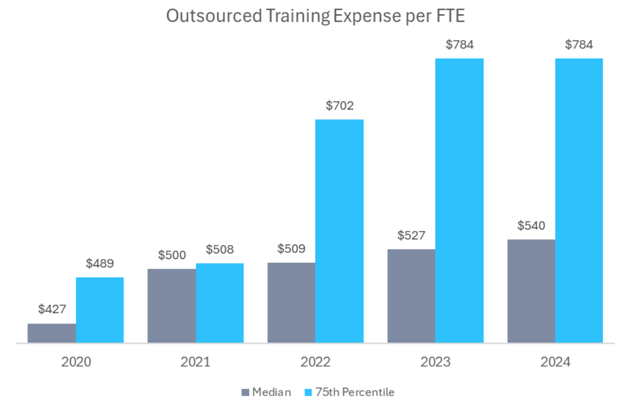
Banks

Credit Unions



Source: Cornerstone Advisors, What's Going on in Banking research report, Ron Shevlin, author

Redirecting Workforce for Growth



Cornerstone Performance Vault, Draup

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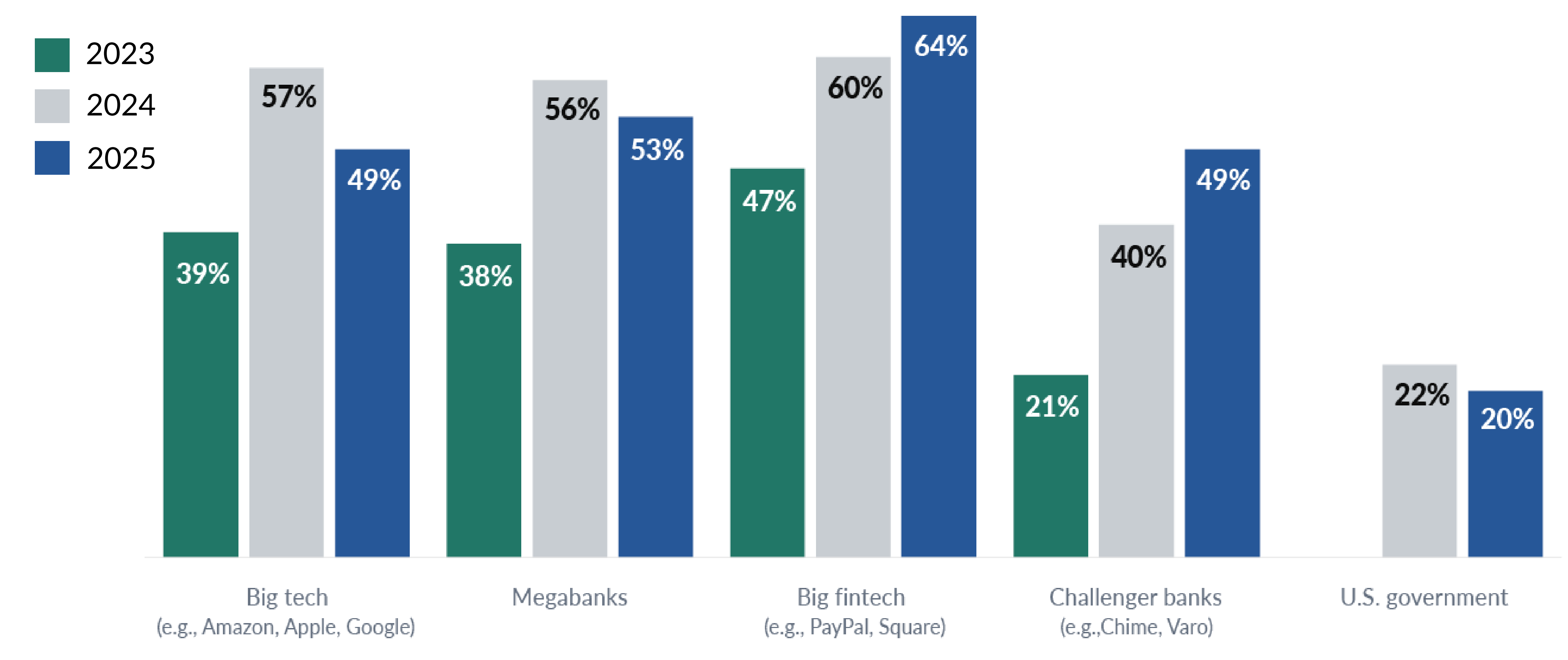
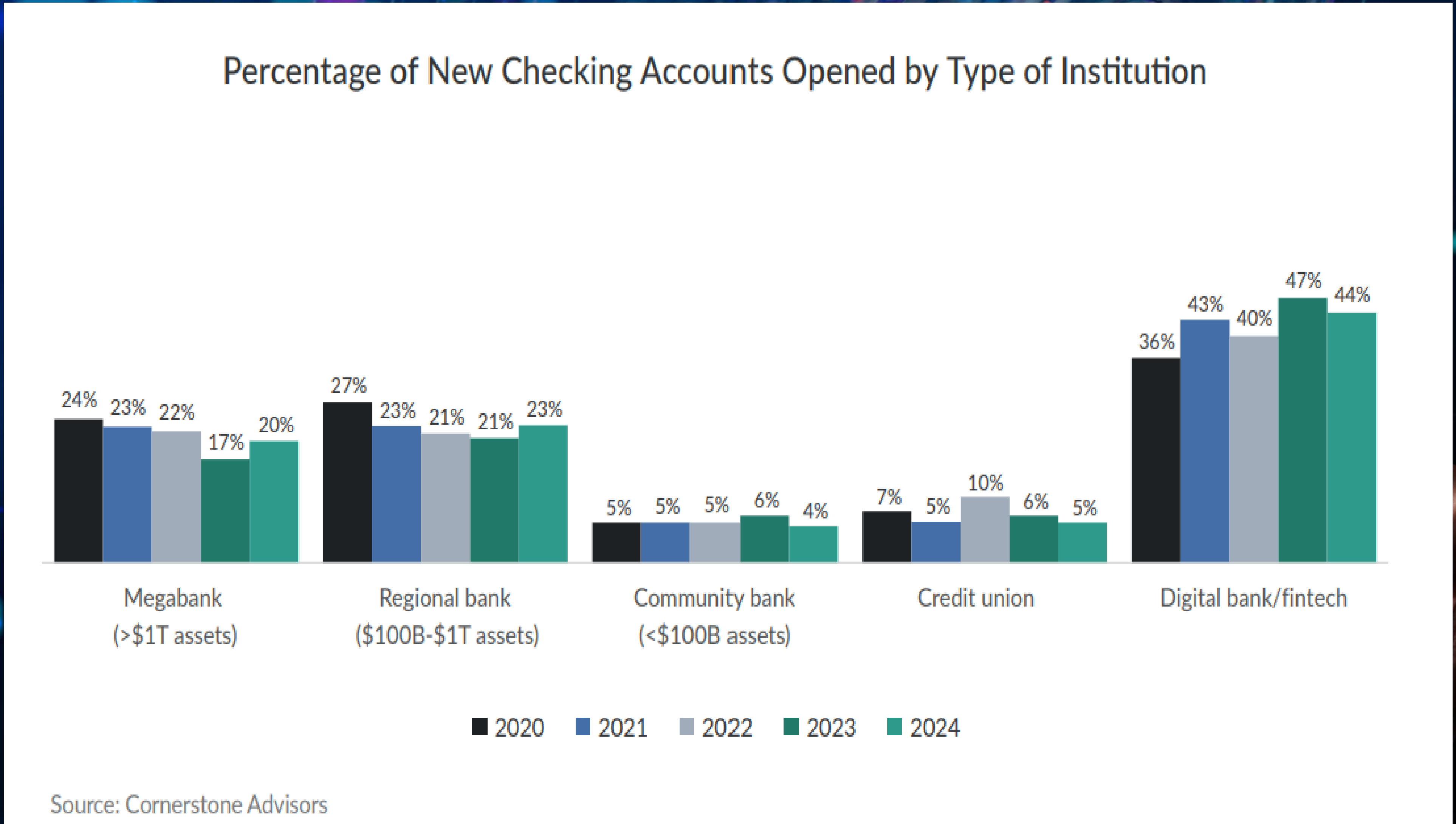
Threats to our Industry



Checking Accounts Opened by Type of Institution



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The Rocket Effect
Also Chime + Square + SoFi Effect

Faster digital-first delivery

Faster shift to marketing & tech

Faster enablement (contact center)

Investor and customer energy

Lead product and business model threat

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

	Bank	Fintech
Improve credit score	16%	37%
Manage budget	16%	32%
Analyze/manage bills	20%	31%
Manage subscriptions	14%	29%
Automate savings	14%	28%

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Source: Cornerstone Advisors consumer research, Ron Shevlin chief research officer

Differentiating Beyond “Great Service”

1. Who is your ideal customer?
   How will they find you?

2. How do you define
   “community”?

3. What makes you different, truly?
   And who does cares?

Your people are your brand in action.
Your *niche focus* makes your brand uniquely yours.

"Why fit in when you
were born to stand out?"
- GONZO

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Community… What does this really mean these days?

Four types:

- Communities of **interest** – common passion, hobby, or interest
- Communities of **practice** – part of the same profession, organization or discipline; often referred to as a network
- Communities of **place** – shared physical location such as a city/town or region
- Communities of **circumstance** – brought together by external events, common life circumstances

Connecting People & Purpose

Family

Music

Dreams
Serenity

Passion:
Building
People,
Solutions,
Companies and
Opportunities
for Others

Speed & Adrenaline

What does this one slide tell you about my financial needs? Am I an ideal client for you?

Who am I?

- Entrepreneur/SMB/commercial needs
- Passionate about fueling opportunities for others
- Risk-taker
- Family matters – college-aged kids
- Music lover
- F1 racing fan
- Probably need some great insurance for my track car
- Saving to retire on the beach is my dream
- And… I'm probably not very patient!

So What???

- Need a bank to support all aspects of my life
  - Personal
  - Business
  - Investing
  - Wealth management
  - Retirement
  - Solutions to help teens manage money
  - All in one easy-to-use place, without having to come into a branch frequently, if ever.

We must overhaul our thinking about how to attract the RIGHT customers, at the RIGHT time, with the RIGHT solutions…

Data is everywhere.

It's not hard to figure out what people are interested in or how you can be of value to them.

But we must overcome the traditional thought process around:

- how we define ourselves as community banks,
- who our ideal customers are and then
- how we reach them – where they already are.

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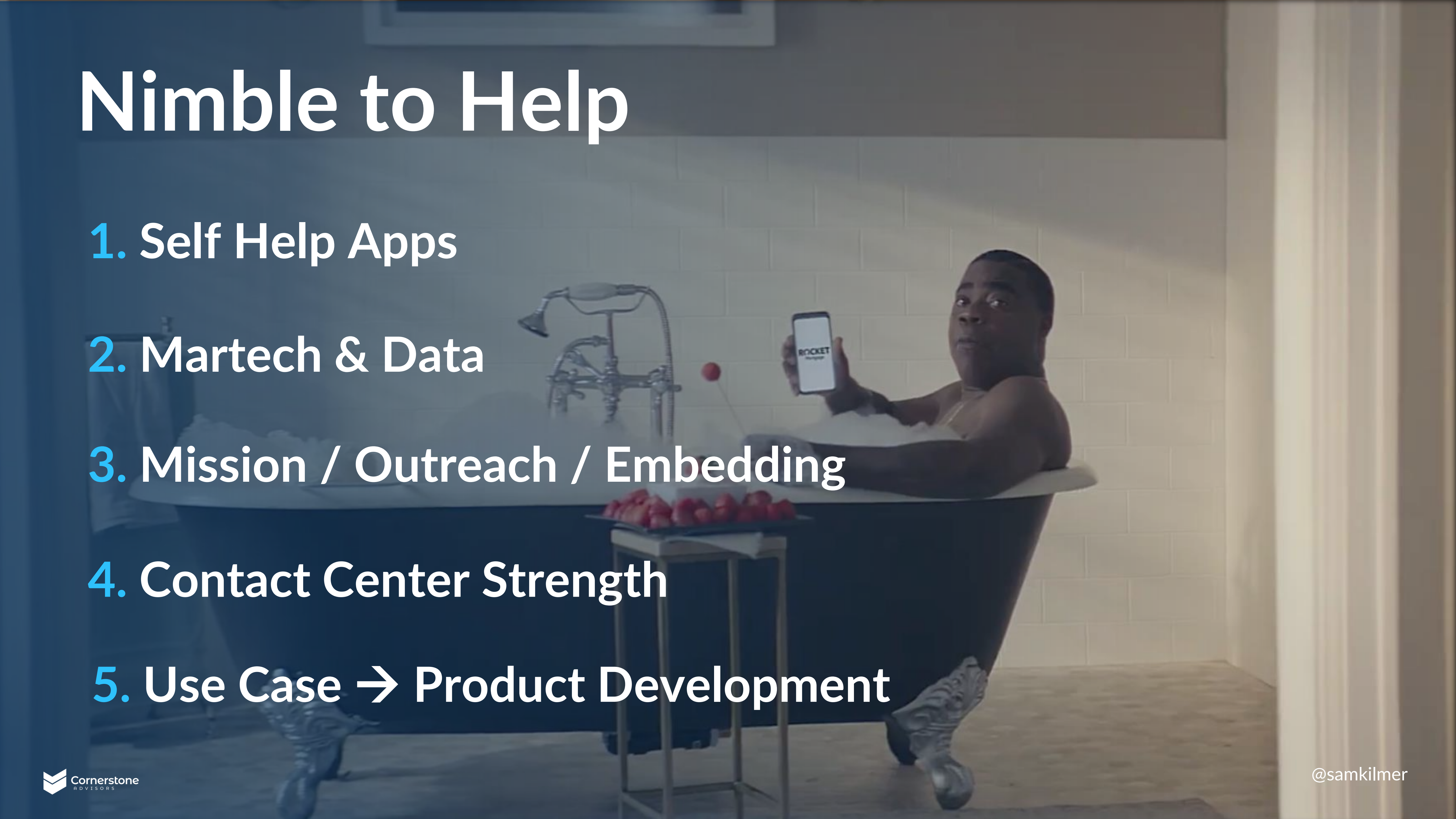
Nimble to Help



1. Self Help Apps
2. Martech & Data
3. Mission / Outreach / Embedding
4. Contact Center Strength
5. Use Case → Product Development

Nimble Finding Product Opportunities

Commercial Real Estate Lending
$90B+

Commercial Industrial Lending
$80B+

Commercial Deposits
$100B+

Cash Management & Merchant Services
$25B+

Product Value Overlaps

Loyalty / Rewards
Monitoring / Protection
Subscriptions
Credit Card
Buy Now Pay Later
C&I Lending / Treasury
Small Business
Wealth/Private

Source: Revenue estimates, IBISWorld

The Future of BaaS & Embedded Finance

51%	**$251.5B**
Sponsor banks revenue and deposits originated from embedded finance	Embedded Finance is projected to be worth $251 billion by 2029
52%	**97%**
Over half of individuals aged 25 to 34 prefer accessing financial products and services through their favorite brands rather than traditional banks.	Percent of sponsor banks that reported compliance and regulatory complexities as Very Challenging or Somewhat Challenging when implementing & scaling a BaaS program.

SO WHAT?

Yes, BaaS and embedded finance offer community banks opportunities to expand services through fintech partnerships. **However**, compliance challenges continue to demand stronger governance, talent, staffing and vision to drive it forward.

BaaS Partnership of the Year Gone Wrong Award

EVOLVE BANK & TRUST + Synapse

Get Ahead Of The Curve: Gen Z Homebuyers Are On The Way

What's Going on in Banking 2025

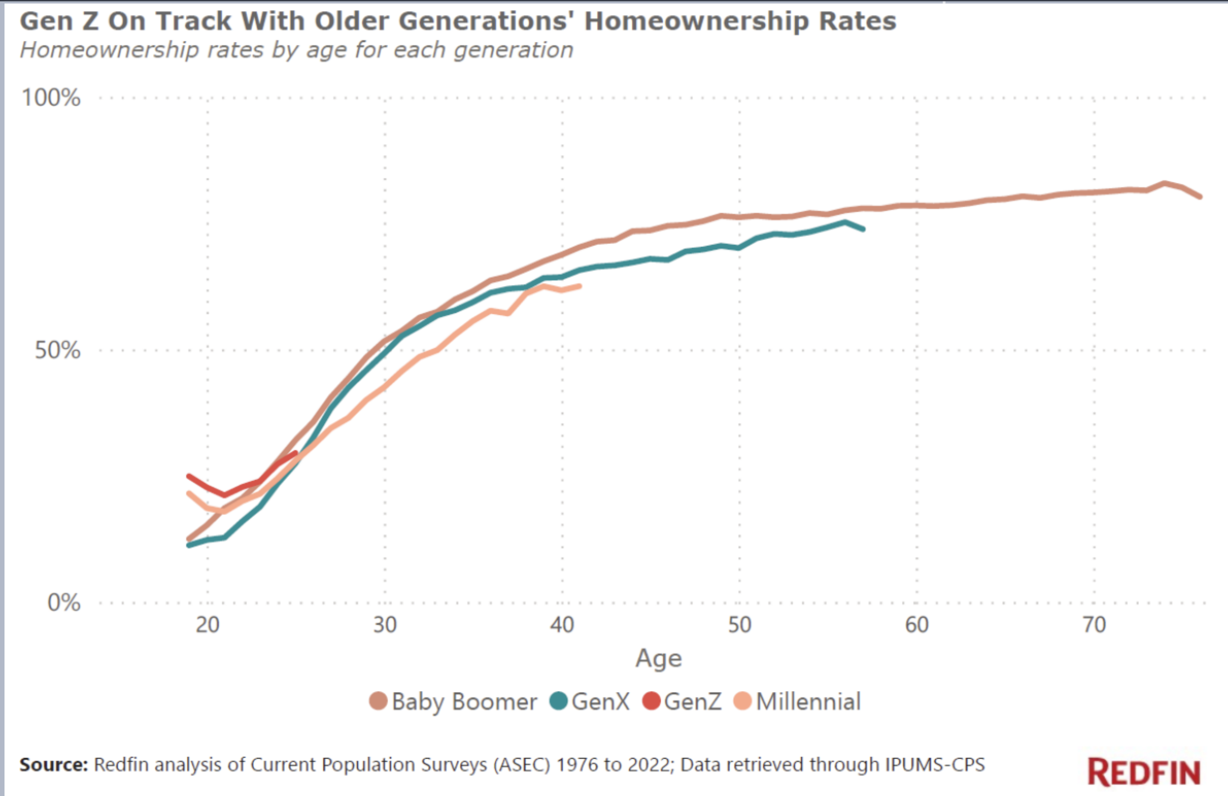
Banks & Credit Unions list mortgage/refi loans as a top 3 lending priority in 2025.

National Mortgage News

- Just 4% of Gen Z are homebuyers today, but over half are saving for their first home.
- One analysis predicts Gen Z's share of the mortgage market will quadruple by 2028.

National Mortgage News

- Digital strategy is key: meet the next gen where they are (because they won't come to you).
- Leverage your brand confidently and market directly to Gen Z to build ongoing relationships.



SO WHAT?

Lenders need to adopt a digital-first mortgage origination strategy to allow Gen Z to self-service.
Start preparing for the time of Gen Z home buying: build relationships and financial literacy/saving habits with Gen Z now so they choose you for their first mortgage.

Sources: What's Going On in Banking 2025: Happy(er) Days Are Here Again; EY; National Mortgage News; BCG

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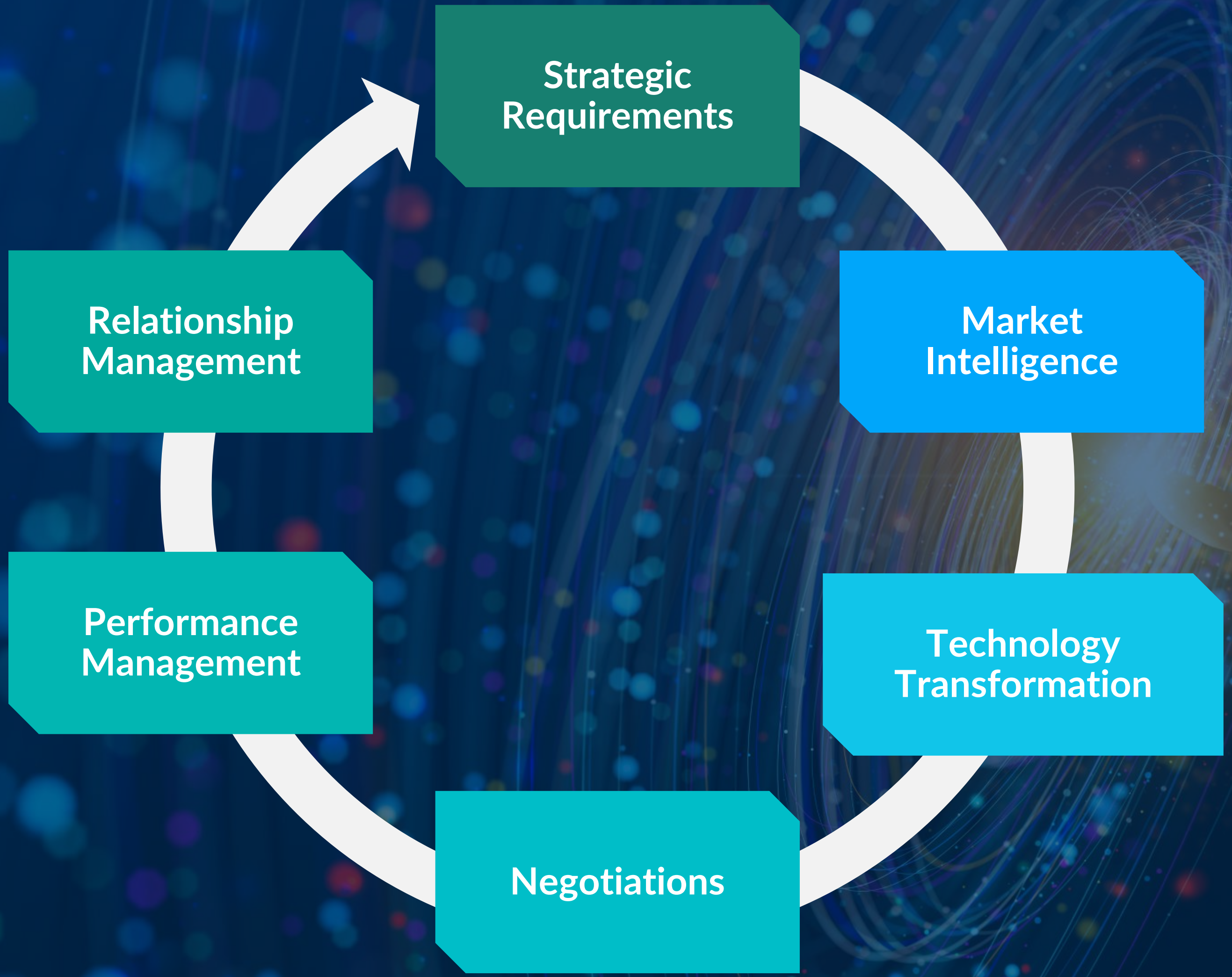
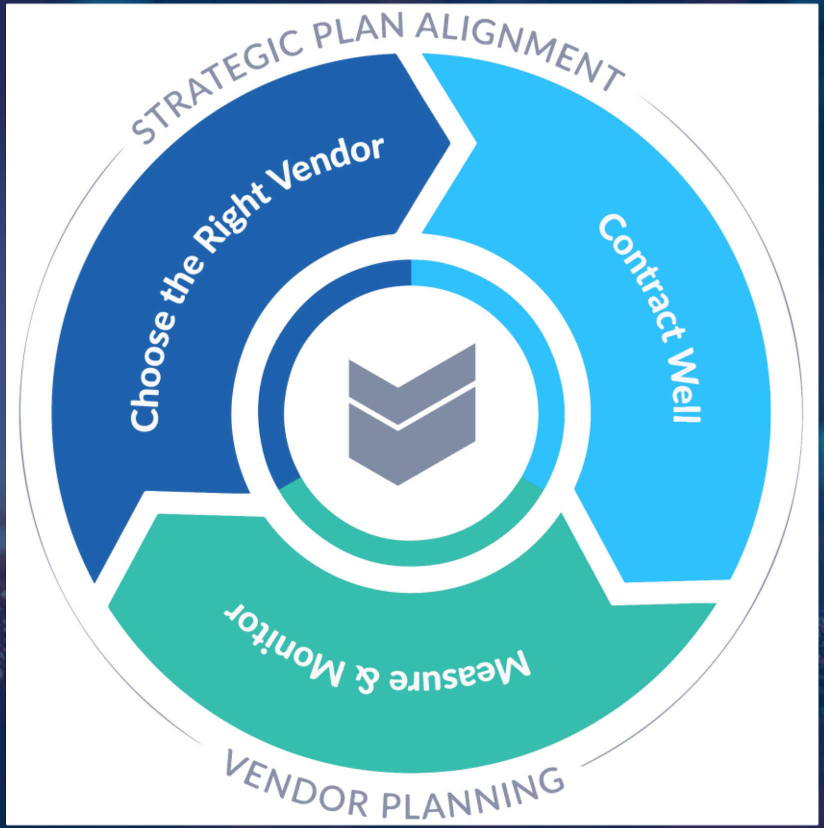
Strategic Execution Accountability



Strategic Vendor Management



Vision	Clarity about what you need from vendors
Plan	Understand how vendors are performing and the results you're getting; plan how to get the vendors that deliver the results you want
Manage	Put the **Manage** in vendor management

Top System Changes in Banks

	2025 Plan	2024 Actual	2024 Plan	2023 Actual	2023 Plan
Commercial/small business digital account opening	**25%**	16%	18%	11%	23%
Consumer digital account opening	**22%**	21%	27%	19%	29%
Fraud/BSA/AML	**17%**	14%	19%	12%	15%
Commercial/small business digital loan origination system	**17%**	13%	15%	20%	13%
Consumer digital loan origination system	**17%**	11%	13%	17%	28%
Data analysis/business intelligence	**17%**	10%	18%	10%	12%
Customer relationship management (CRM)	**16%**	14%	19%	16%	15%
Enterprise risk management	**10%**	2%	9%	6%	3%

Source: Cornerstone Advisors What's Going on in Banking 2025 report

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Why does it matter if you have a Zombie Core?

- Less investment going in to evolve and support those zombie cores
- Continued erosion of support
- Less interest from third parties to spend large amounts of time and money to integrate into legacy technology with no growth potential for them.
- Cornerstone Advisors estimates that 29% of US Banks and **24%** of all US **Credit Unions** are currently processing on a zombie core. If you already felt your core wasn't keeping up with changing core system capabilities, imagine what a loss of 33% of the potential funds for support and R&D means. It's not a pretty picture.

Source: Cornerstone Advisors What's Going on in Banking 2025 report

The Smarter Core Banking Platform

Hyper Efficient

- Leverages cloud technology and new dev tools to lower cost of ownership.

Differentiated

- Provides a product engine that is highly flexible and allows for fast speed to market on new offerings.
- Provide simple configuration and low-code options to support niche offerings.

Nimble

- API framework and software development kit (SDK) allow for agile integration and custom use cases without deleveraging the base product.
- Micro-service-based design support greater exposure to discreet core functionality

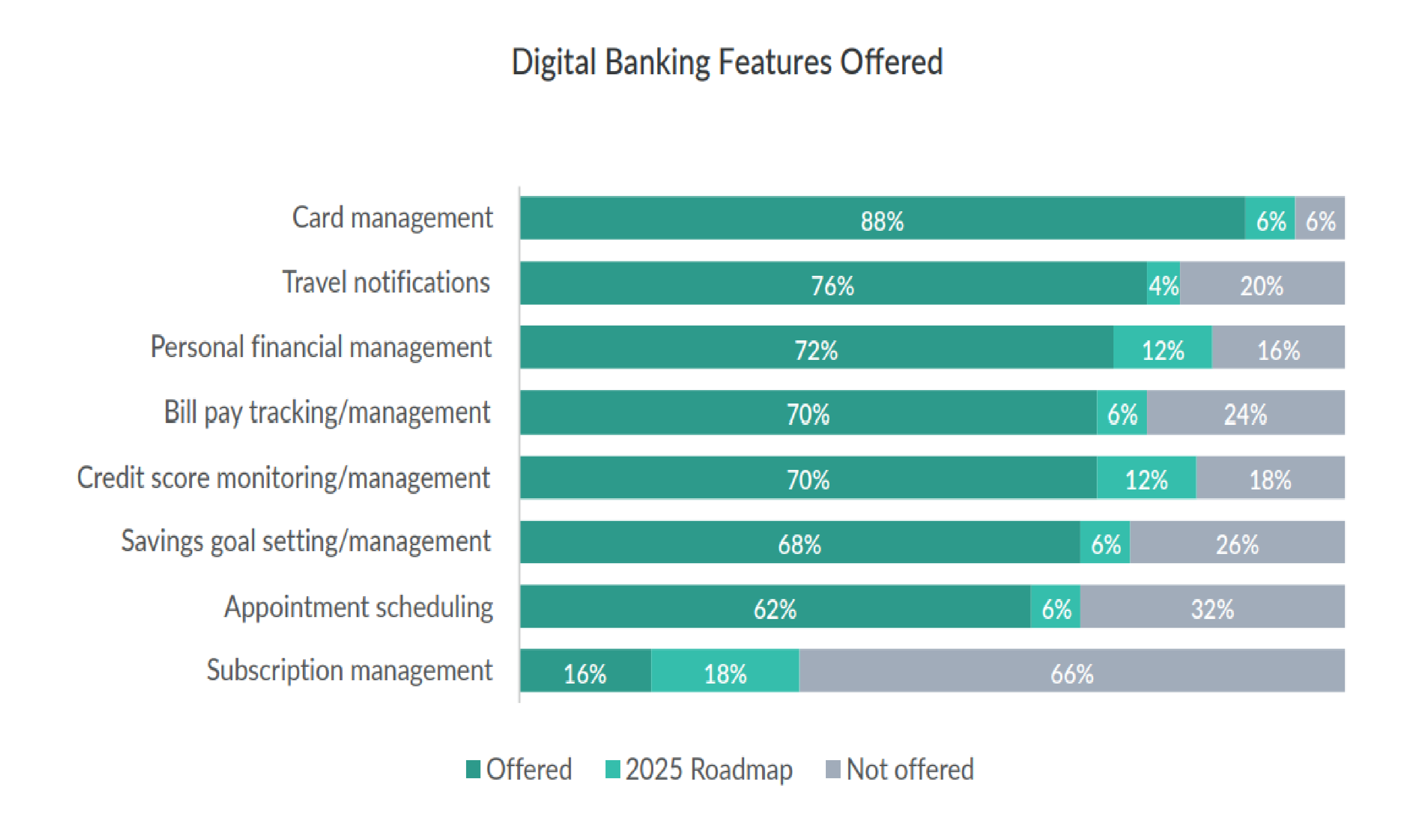
Data-Driven

- Standard database foundation and documented data library supports broader data strategy
- Integrations with major analytic, marketing and CRM offerings in the marketplace

Opportunistic

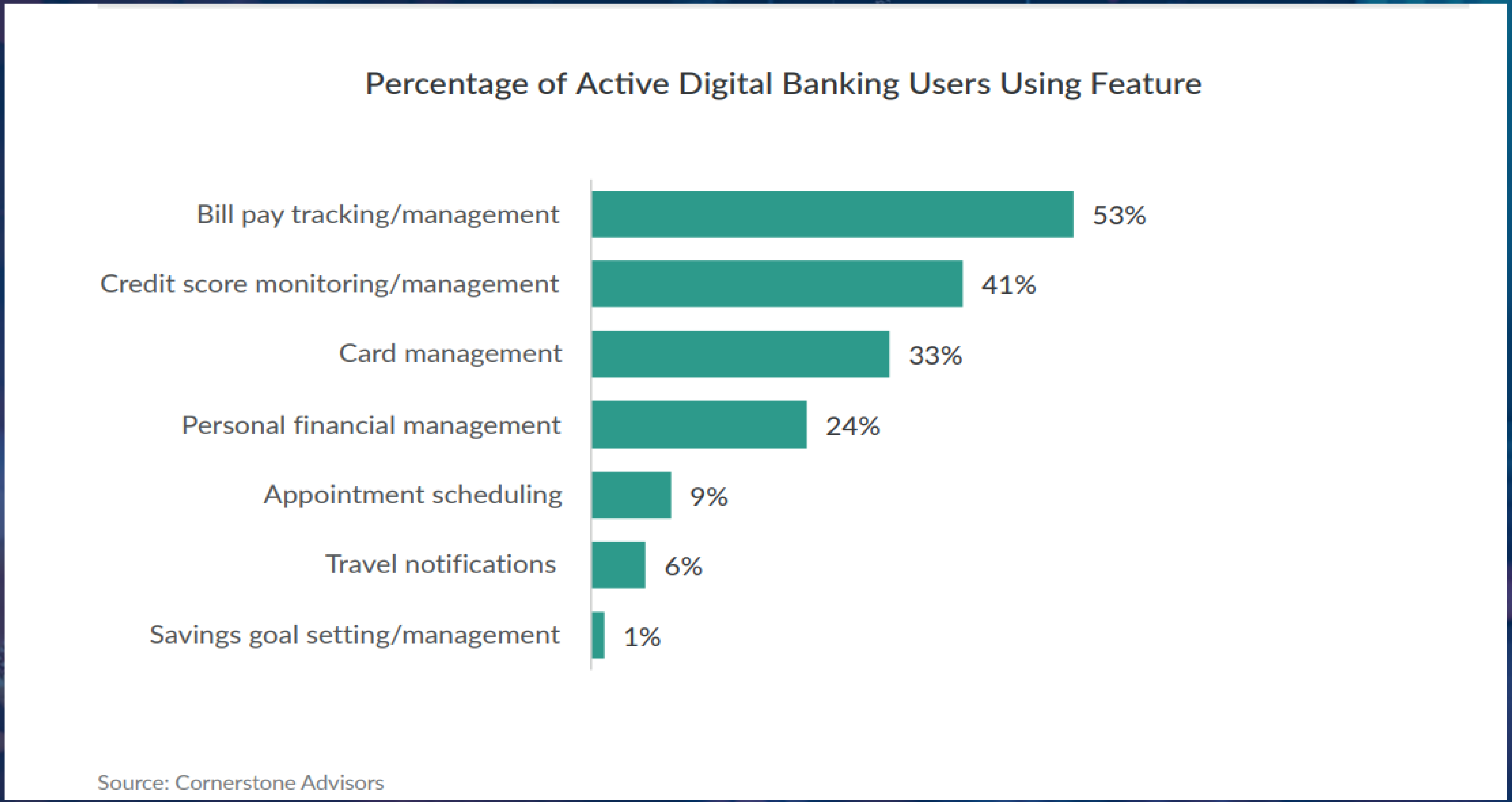
- Professional services and strategic engagement to support bank and credit union strategic moves and competitive agility
- Proactive work by the core vendor to build a stack of ancillary and fintech integrations

Digital Banking Features and Utilization



Source: Cornerstone Advisors What's Going on in Banking 2025 report

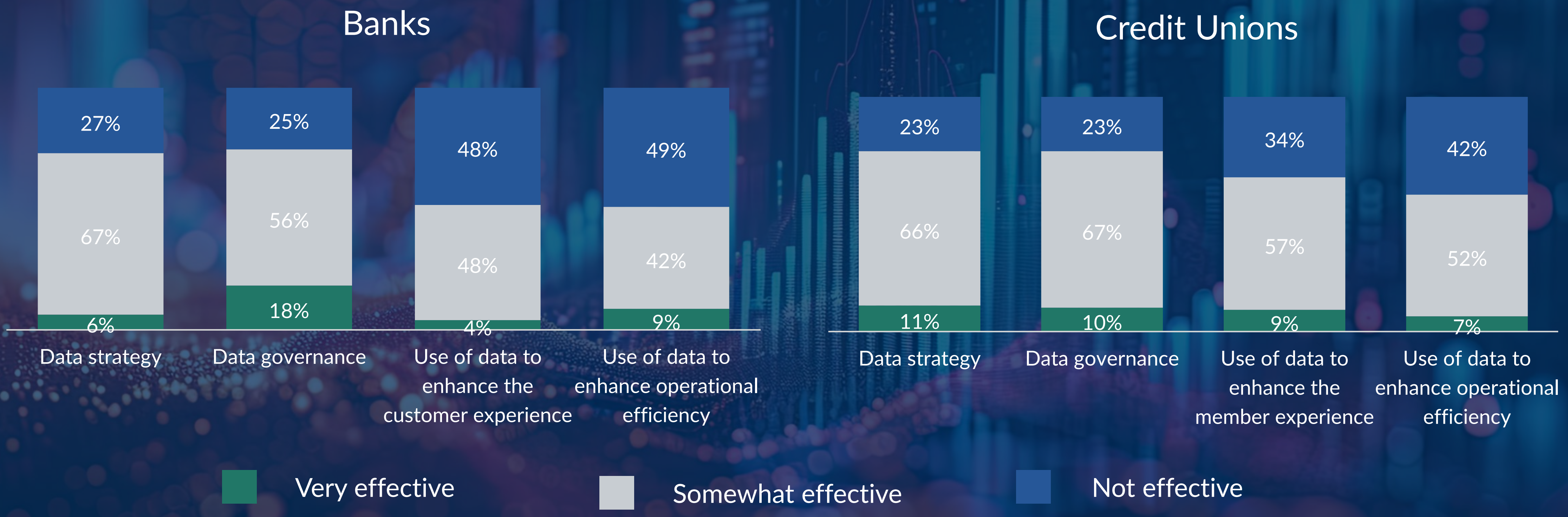
Digital Banking Feature Utilization



Source: Cornerstone Advisors What's Going on in Banking 2025 report

Banks' and Credit Unions' Data Assessments

How would you assess the effectiveness of your organization's...



Source: Cornerstone Advisors What's Going on in Banking 2025 report

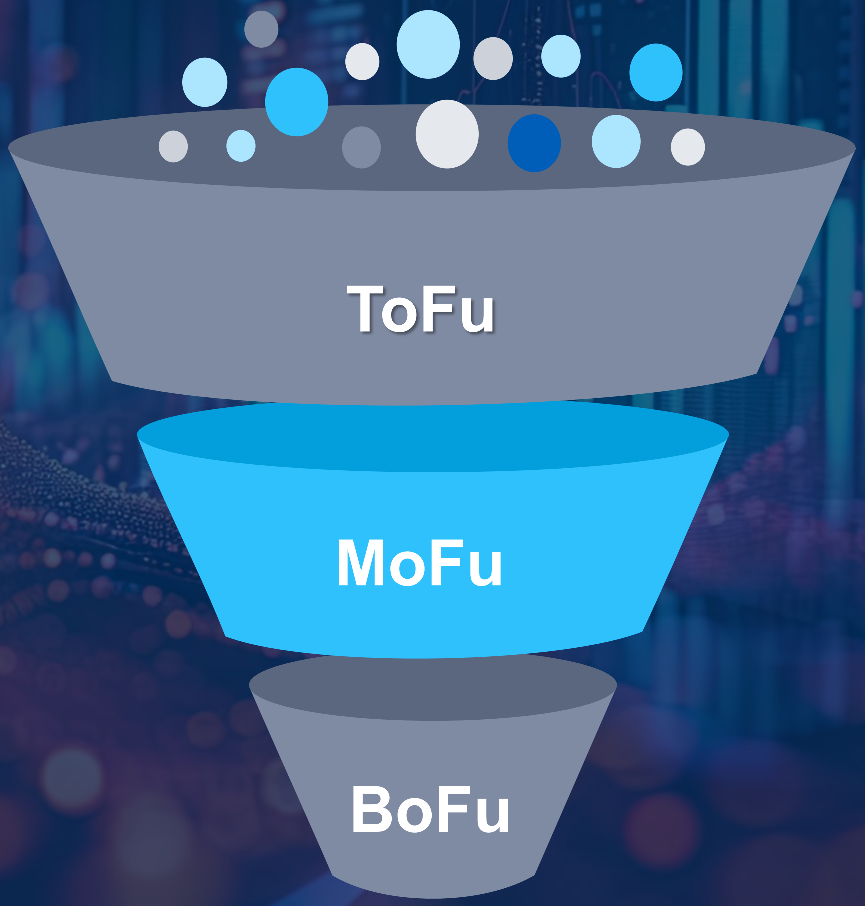
Data & AI Driving Growth Funnel

Prospect…

…becomes aware of the problem you can solve

…wants a solution

…becomes a customer



Tech…

- Search Engine Optimization
- Generative Engine Optimization
- Helpful Content Management
- Social Monitoring

- Marketing Automation
- Lead Management
- Online Reputation Platforms

- Digital Account Opening
- Onboarding & CRM
- Digital Banking and Payments
- AI and Chatbots

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Source: Cornerstone Advisors Growth practice

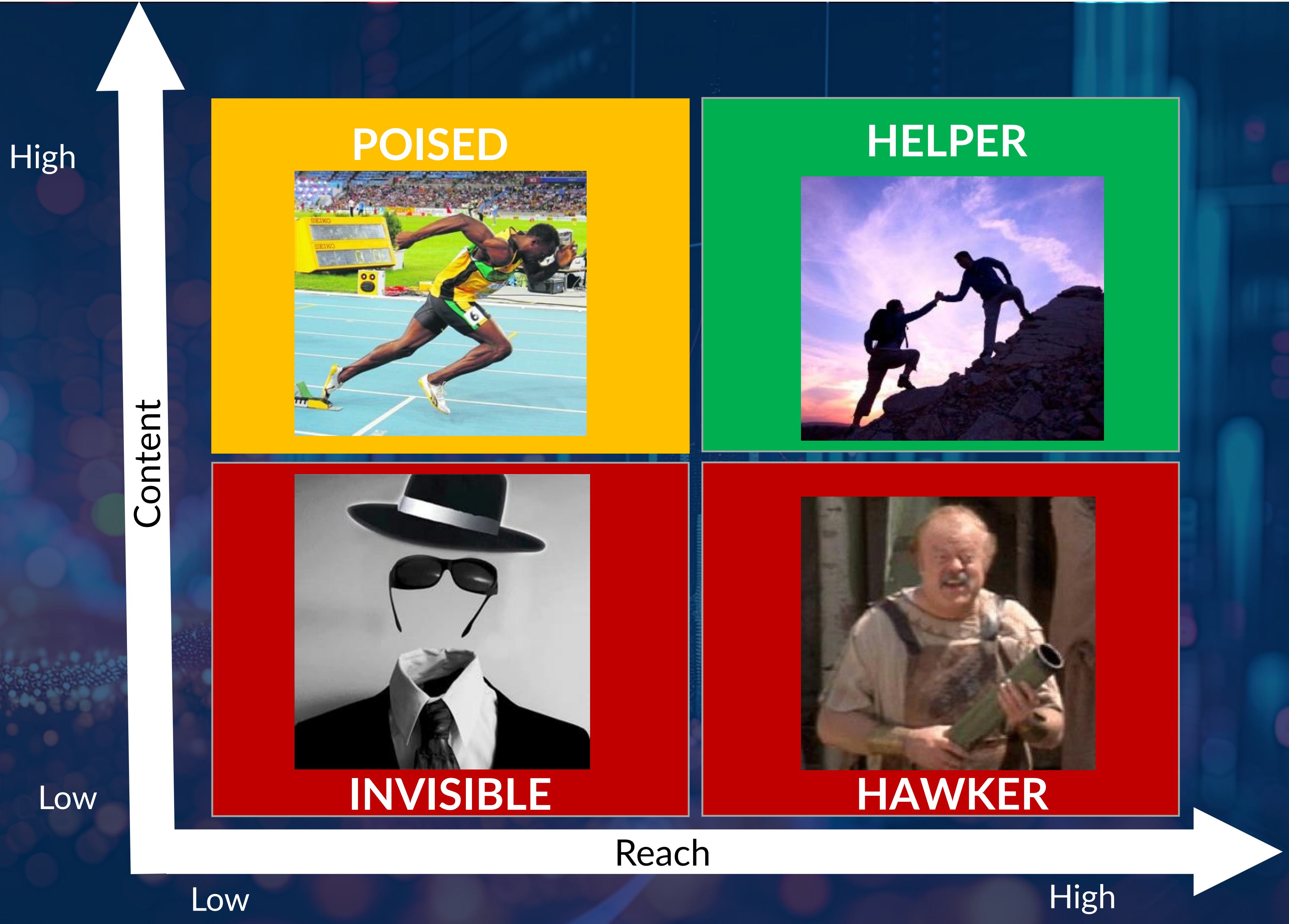
RESOURCED
DATA / ANALYTICAL
NETWORKED

Reach

Low

High


High
GENUINE
EARNS TRUST
IRRESISTABLE
Content
Low
Reach
Low
High


High
Content
Low
POISED
HELPER
INVISIBLE
HAWKER
Reach
Low
High

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Opportunistic in High Value M&A

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Opportunistic in High Value M&A

Merger Agreement	Key Decisions Made and Execution Plan	Promises Kept to Stakeholders
Value Identification	**Merger Planning**	**Value Realization**
• Merger Strategy • Merger Planning • Candidate Identification and Outreach • Detailed Value Driver Assessment and Strategic Vision • Financial Modeling • Due Diligence • Negotiations, Including Governance Structure • HR Management and Communications Plan • Deal Structuring • Regulatory Planning	• Integration Plan and Priorities including systems and key operating model decisions • HR Policies and Standards • Communications Protocol and Plan Execution • Risk Management Approach • Vendor Management and Contract Negotiations	• Strategic Vision Execution • Integration Execution • Systems Conversion • Process Improvement and Education • Enhanced Organization Alignment and Training • Expanded Products and Improved Service

Building the Smarter Bank

Hyper Efficient

Groundbreaking efficiency will be the hallmark of the Smarter Bank, driven by a combination of digital self-service, process automation and artificial intelligence.

Differentiated

To compete with non-traditional banks, the Smarter Bank will need to shrug off plain vanilla “sameness” and forge distinct competitive positions and segmented brands.

Nimble

Forget annual planning cycles. Banks that intend to survive in a technology-first era understand they are in a constant “release” environment and must continually balance structure with “getting stuff out the door fast”. Agility matters.

Data-Driven

Banks will need to take inspiration from trailblazer organizations that know how to drive value by leveraging data to make better, faster, and more informed decisions.

Opportunistic

Whether it’s M&A, talent carve-outs, new market entries, or new lines of business, Smarter Banks will be the ones that know when to move and look for opportunities – particularly when the industry is inward-focused and risk-averse.

Thank you

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