

Issues & Answers



August 2024

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It's That Time of Year Again



*By Glen Simecek,
President & CEO,
Washington Bankers
Association*

It seems like summer has just started, and we're already into August, with the end of the season all too

much in sight.

The signs are everywhere you look. Families are taking vacations before turning their attention to back-to-school sales. Football players at all levels are practicing for the upcoming season. Campaign signs have become a regular part of the landscape, and we hardly notice them anymore.

Of course, another unmistakable sign of the upcoming fall is the work of WBA volunteers and staff gearing up for November's elections and our subsequent advocacy efforts. What's a little different this year is that we'll be employing two different

strategies for our outreach to incumbent state lawmakers and candidates for the legislature, depending on geography.

Next month in Spokane and the Tri-Cities, we will host our traditional Legislative Roundtable meetings. These sessions are an excellent opportunity for local bankers in those communities to connect – or re-connect – with their elected representatives.

We provide a briefing on our legislative agenda for the coming year and answer any questions the lawmakers might have. But even more important are the informal conversations that the meeting format allows. They are a great way to learn more about how lawmakers spend their time when they're not walking the marble halls of Olympia. There's almost always a "friend of a friend" relationship or a shared hobby that gets uncovered in the process, and these connections can be extremely valuable. Registration for these two events,

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The official publication of the Washington Bankers Association is sponsored by Vericast and WBA Professional Services.

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September 17 in Kennewick and September 18 in Spokane is now open online: votervoice.net/WABANKERS/Surveys/11207/Respond.

While our Roundtables in these two Eastern Washington markets have continued to thrive, we have noticed some slippage in lawmaker attendance at Western Washington venues over the past few years. With that in mind, we are adjusting our strategy for the wet side of the Cascades.

Rather, rather than inviting many legislators to a single session at a specific time, we will arrange branch visits with smaller groups of lawmakers. With additional timing and locational flexibility, we believe this approach will effectively reach more legislators.

The smaller format will offer all the benefits of our larger roundtables but will allow the legislators to meet more of your team members and see the services they provide to our customers and our communities. These days, when many people conduct their banking remotely, it's good to remind them just how important in-branch services remain.

Now is a great time to reach out to legislators and candidates because they are all out and about actively campaigning. If you need assistance setting up an in-branch session with some of your elected officials, just call our office, and we will lend a hand.

Whether at a Roundtable or during a branch visit, we'll be discussing WBA's legislative agenda for the 2025 session. That agenda will be finalized at the annual strategy session of our Government Relations Committee, which will be held in mid-August. This is when the committee reviews last year, the outcomes of the primary election and most likely topics and issues for the coming year.

Finally, our advocacy efforts are not limited just to Olympia. On September 23-25, we will conduct our annual visit to "the other Washington." It's a fast-paced agenda with timely and vital information from regulators and opportunities to engage our Congressional delegation and their staff.

The calendar may read August, but our attention is focused farther ahead. We hope you'll join us for one of many of these events!

Contact Us

Contact the Washington Bankers Association at 601 Union Street, Suite 1720, Seattle, WA 98101

Call us at (206) 447-1700 and visit us on the web at [wabankers.com](https://www.wabankers.com).

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On the Cover

A Taylor's checkerspot butterfly sits on a flower at Joint Base Lewis-McChord in Washington.
Photo courtesy of USFWS - Pacific Region/flickr.com

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Join the 2024 Legislative Roundtables in Spokane & Tri-Cities this September

We are thrilled to announce the upcoming 2024 Legislative Roundtables in Spokane and Tri-Cities, an essential event for all Washington banking professionals.

These roundtables offer a unique opportunity to engage directly with legislators, discuss pressing industry issues, and shape the future of banking in our state.

This year, we will host the Tri-Cities event at the Springhill Suites in Kennewick on September 17, followed by the Spokane event on September 18 at the Spokane Central Library.

The schedule includes a legislative briefing with the WBA advocacy team to share important updates about the latest in the Legislature and what policies

and issues are impacting the industry. Lawmakers will then join the group for a networking lunch, during which bankers are encouraged to share insights into their community work and business.

Why Attend?

Attending the Legislative Roundtables is crucial for staying informed and proactive in the ever-evolving banking landscape. Here are some compelling reasons to join:

- **Influence Policy Decisions:** Directly impact decisions that shape the banking sector.
- **Network with Legislators and Peers:** Build valuable relationships with key policymakers and fellow bankers.
- **Stay Informed:** Get the latest updates on legislative developments and their implications.
- **Advocate for the Banking Community:** Share your insights and experiences to help advocate for the industry's future.

A Call to Western Washington Bankers

In addition to attending the Roundtables, we encourage bankers in Western Washington to host branch visits for lawmakers.

These visits give legislators a firsthand look at community banks' day-to-day operations and the vital role they play in local economies.

Hosting a visit can foster stronger relationships with policymakers, enhance their understanding of the challenges and opportunities facing the banking industry, and ensure that the voices of local bankers are heard in legislative discussions.

If you are interested in hosting a visit or learning more, please get in touch with Megan Managan at megan@wabankers.com.

Take advantage of this opportunity to make your voice heard and contribute to the future of banking in Washington. Register now to secure your spot and be part of this vital conversation!



2024

LEGISLATIVE ROUNDTABLES

September 17 • Tri-Cities • Springhill Suites Kennewick
September 18 • Spokane • Spokane Central Library

Register online at:

<https://votervoice.net/WABANKERS/Surveys/11207/Respond>

PNW CAPITOL HILL VISIT

September 23-25 • Dupont Circle Hotel

REGISTRATION NOW OPEN: www.eventleaf.com/e/2024PNWCHV



Elevate Banking Expertise: Credit Analyst Development Program

In today's rapidly evolving financial landscape, continuous professional development is not just beneficial; it is necessary for maintaining the competitive edge of our banking workforce. Recognizing this imperative, the Washington Bankers Association (WBA) proudly presents the 2024 Virtual Credit Analyst Development Program (CADP).

This year, we are delighted to announce the expansion of the program's reach, with 16 other state banker associations joining us in offering this transformative educational opportunity to their members.

The CADP is meticulously designed to cater to a wide array of banking sector professionals, including credit analysts, credit officers, commercial loan officers, loan review officers, branch managers, and management trainees. The program aims to forge a strong foundation for the next generation of banking professionals by enhancing their understanding and skills across critical areas of banking operations.

Program Highlights

The program is structured around several key sessions, each focusing on a fundamental area of banking:

The Role of a Credit Analyst: Participants will start by taking a deep dive into the pivotal role credit analysts play in the credit underwriting process, emphasizing their critical role in risk management.

Accounting Basics/Refresher: A comprehensive session on accounting principles ensures that participants have a solid grasp of the financial statement dynamics crucial for practical credit analysis.

Employing Basic Financial Analysis Tools: This module introduces comparative and cash flow analyses, among other tools, fostering a more nuanced approach to financial scrutiny.

Basic Personal & Business Tax Return Analysis: Tax returns are often complex, so this session is dedicated to demystifying personal and business tax structures.

Loan Structure, Documentation, and Compliance: This session covers the essentials of loan structuring and compliance and prepares participants to manage vibrant loan portfolios effectively.

Each module is led by seasoned professionals and thought leaders in the banking industry, such as Jeffery Johnson, President of Bankers Insight Group, Richard Mayeda, Senior Credit Officer at First Financial Northwest Bank, and David Osburn, Founder of Osburn & Associates. Their expertise provides par-



icipants with real-world insights and actionable knowledge.

Why Bankers Should Attend

Attending the CADP invests in a banker's professional growth and operational proficiency. The program refreshes and expands participants' knowledge and equips them with practical tools to enhance decision-making and risk management in their daily roles. Moreover, the program's virtual format ensures accessibility for all banking professionals across participating states, allowing them to benefit from this high-caliber training without the need to travel.

A Collaborative Endeavor

The collaboration with other state banker's associations underscores a collective commitment to elevating the standards of the banking profession nationwide. By sharing resources and expertise, we ensure that more banking professionals have access to top-tier professional development, strengthening the entire sector.

We invite all interested banking professionals to attend this comprehensive training program. Together, we can continue to advance our knowledge, sharpen our skills, and uphold the highest standards of professionalism in the banking industry.

For more information and to register, please visit wabankers.com/cadp. Let's build a stronger future for our industry together!

Events Calendar

September 23-25 – PNW Capitol Hill Visit

September 30 – CBA Women in Banking Forum

October 1-4 – CBA Bankers Summit

October 7 – Credit Analyst Development Program

October 17 – Retail Branch Manager Development Program

October 29 – Understanding Bank Performance Program

January – 2025 Executive Development Program

February – Virtual Commercial Lending Development Program

To register or to learn more about any of the listed events, please visit www.wabankers.com/calendar.

AI and Generative AI Use Cases in Banking: 6 Real-World Examples

By Mary Ellen Biery, Senior Strategist & Content Manager, Abrigo

The excitement kicked up by generative AI, or GenAI, has some banks exploring its uses. Credit unions are jumping in too. Others are steering clear until the dust settles. Nevertheless, understanding the technology is crucial. Knowing how AI and GenAI are being used by peers and fraudsters will help financial institution leaders and management vet potential solutions and watch for risks.

Banks and credit unions want to serve their clients better and improve their services and products. They also want to simplify or eliminate mundane, repetitive tasks. Generative AI is expected to be able to help in these areas. Yet 30% of financial services leaders ban the use of generative AI tools within their companies, according to a recent survey by American Banker publisher Arizent.

Stay up to date with free resources on managing risk and driving growth.

Even if a financial institution isn't yet using the technology, it can learn from peers. Seeing generative AI use cases can help bankers, risk managers, and financial crime professionals better understand it. They can more easily consider how to harness GenAI's power to enhance their operations, compliance, risk management, and member or customer experience.

Defining Generative AI for Banking

Generative AI is a class of artificial intelligence (AI) models that can create new content—text, images, audio, or video—from existing data. It's showing up in music and entertainment, education, healthcare, and marketing.

A common example of a generative AI-driven tool that many in the financial services industry are familiar with is ChatGPT, which can produce coherent and diverse texts on various topics.

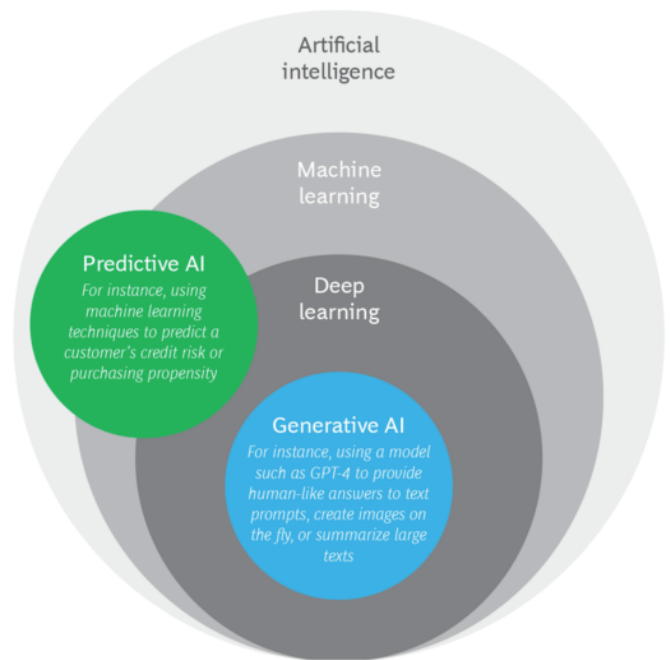
A more precise definition of generative AI is included in the Biden Administration's recent Executive Order, which defines generative AI as "the class of AI models that emulate the structure and characteristics of input data in order to generate derived synthetic content. This can include images, videos, audio, text, and other digital content."

Many financial institutions have been using artificial intelligence (AI) for years, particularly in supporting cybersecurity and anti-fraud efforts. But Boston Consulting Group (BCG) says generative AI serves a fundamentally different purpose than predictive AI, which is the powerful tool with which many financial institutions are already familiar.

Examples of AI use cases in banking

Predictive AI, which can use machine learning techniques, addresses various prediction and classification challenges such as risk monitoring, optimal pricing, and product propensity modeling, BCG says. It is comparable to the left side of the human brain, which is wired specifically for logic, measurement, and calculation. "This left brain comprises algorithms that assign probabilities, categorize outcomes, and support decisions," the firm says. Generative AI, on the other hand, "acts as the right brain, wired to excel at creativity, expression and a holistic perspective—the sorts of skills required to generate plausibly human-sounding responses in an automated chat."

An example of a use case for predictive AI is Signature Bank of Georgia's addition of AI-driven check fraud detection software



Source: BCG analysis.

that finds fraud faster. The software evaluates over 20 unique features of each check coming in to provide financial institutions with a risk score indicating the probability of a fraudulent check.

Another example of using predictive AI is small business lending software that incorporates AI-driven lending intelligence. Abrigo Small Business Lending Intelligence powered by Charm provides loan rating risk scores, the probability of default, and how the score was calculated. The engine leverages self-learning AI to continuously monitor a wide range of current and historical data, loan performance, accounting, and macroeconomic data from more than 1,200 institutions.

Predictive AI use continues to expand in financial institutions. But in recent years, generative AI has seen much fanfare – and investment.

The Hype and Concern Around Generative AI Use in Banking

One reason banking professionals have heard so much enthusiasm around using generative AI is its potential financial impact on the industry.

In "Capturing the full value of generative AI in banking," McKinsey estimates that GenAI could add the equivalent of between \$200 billion and \$340 billion in value annually across the banking industry. That's equivalent to 9% to 15% of operating profits, the report notes. The greatest absolute gains forecast (largely from increased productivity) are tied to corporate and retail banking.

Understandably cautious

However, as noted above, not all financial institutions are jumping into GenAI with both feet. The American Banker/Arizent survey found that nearly three-quarters (72%) of community banks (those below \$10 billion in assets) and 54% of credit unions

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Commencement Bank Attends Empowering Youth Lunch

Commencement Bank recently attended the 2024 Empowering Youth Luncheon.

This event celebrates the College Success Foundation Scholars and alums, serving underrepresented students facing systemic barriers to college access. CSF Scholars are young people from low-income families, students of color, foster youth, and first-generation college students.

Olympia Federal Savings Donates to GRuB

Olympia Federal Savings announced that its June Two Cents partner, GRuB, received a donation of \$2,906.

The organization helps provide food, education, and health systems options to help people to learn and thrive.



Mountain Pacific Bank Hosts Shred Day at Burlington Branch

Mountain Pacific Bank hosted a shred day at its Burlington Branch in late June.

The event allowed residents to bring sensitive documents to be shredded safely.



Baker Boyer Bank Volunteers at Christian Aid Center

The Baker Boyer Bank team recently volunteered at the Christian Aid Center to help those in need.

The team prepared, cooked, and served food with the organization, which provides two meals daily, all year long.



First Fed Bank Supports Fourth of July Parade

First Fed Bank and the Washington Diamonds Drill Team sponsored the Grand Ole Fourth of July Parade this summer.

The bank celebrated the holiday with the team by walking in the parade.



Washington Trust Bank Sponsors Champagne and Croquet Event

Washington Trust Bank recently sponsored this year's Champagne and Croquet event, supporting Communities in Schools of Spokane County.

The event featured a croquet competition, helping local students achieve their full potential.



Cashmere Valley Bank Supports Warrior Football Golf Tournament

Cashmere Valley Bank recently supported the Warrior Football Golf Tournament at the Sun Country Golf Course in Kittitas County.

The event supported the Cle Elum/Roslyn high school football team and allowed members of the CVB team to golf and have fun for the community.

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Yakima Federal Savings Participates in Pasco Fourth of July Parade

The Yakima Federal Savings team participated in the Pasco Fourth of July Parade.

Penny Piggybank, the bank's mascot, was on hand with employees who handed out sunglasses and chocolate coins and provided fun via a bubble machine.



KeyBank North Sound Team Participates in Bellingham Pride

The KeyBank North Sound team in the Bellingham area recently participated in the Bellingham Pride parade.

WaFd Bank Donates to ROOTS Young Adult Shelter

WaFd Bank recently made a \$2,000 donation to ROOTS Young Adult Shelter in Seattle.

The organization partners with young adults experiencing



homelessness and helps them gain access to services and shelter. It is a low-barrier shelter, providing case management, meals, and support for those in need.



Bank of the Pacific Supports NeighborWorks of Grays Harbor

Bank of the Pacific recently provided a \$7,500 donation to NeighborWorks of Grays Harbor.

The organization helps provide housing counseling and other services to coastal county residents.

The bank has been a longtime supporter of the organization.



Kitsap Bank Volunteers at Hopelink

The Kitsap Bank Bellevue team recently volunteered at Hopelink.

The group packed 324 boxes in less than two hours for

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Industry News

New Hires

Kyle Harrington
Senior Vice President and Chief Financial Officer at Yakima Federal Savings

Rene Wang
Senior Financial Advisor at Wells Fargo

Mike Nelson
Vice President, Learning and Development Manager at Kitsap Bank

Dax Crager
Customer Service Representative at Olympia Federal Savings

James Vanderholm
Senior Vice President and Chief Financial Officer at Olympia Federal Savings

La'Ondre Jones
Customer Service Representative at Olympia Federal Savings

Promotions

Scott Newman
Chief Audit Executive at Banner Bank

Linda Smith
Executive Vice President and Chief Credit Officer at Kitsap Bank

Louise Zahller
Relationship Manager at Washington Trust Bank

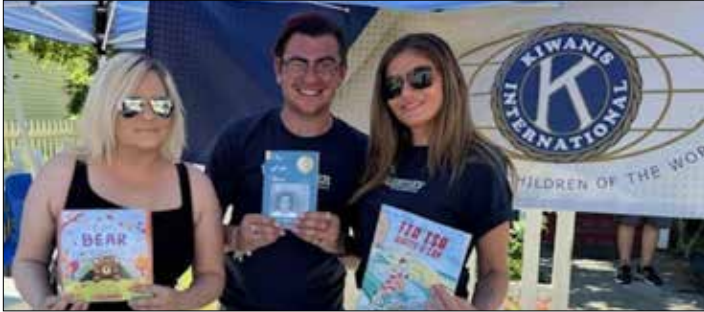
Bryan McDonald
CEO of Heritage Bank

Matt Mullet
President at 1st Security Bank of Washington

Have Industry News to share with WBA? Email megan@wabankers.com or call (206) 344-3472.

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needy families. Hopelink then delivers the boxes to those in need.



1st Security Bank of Washington Sponsors Goldendale Community Days

1st Security Bank of Washington recently sponsored the 2024 Goldendale Community Days event.

Held over the Fourth of July, the event brought together the community to celebrate the holiday.

JPMorgan Chase Teaches Financial Education at Elementary School Summer Program

A JPMorgan Chase community manager recently hosted a financial education program for River Ridge Elementary School students as part of the summer program.

Students learned about personal finances, which helped build a foundation of skills necessary later in life.



Umpqua Bank Donates \$1 Million to MultiCare Mary Bridge Children's Hospital

The Umpqua Bank Charitable Foundation recently donated \$1 million to the MultiCare Mary Bridge Children's Hospital to support the construction of a new pediatric hospital.

The new 82-bed facility will help improve access to care for children in the South Sound and will include a pediatric surgical center, ambulatory building for specialty care, and more.

"We're grateful for Umpqua Bank's partnership to construct our new hospital campus as we deepen our impact for Pierce County families and beyond," said Jeff Poltawsky, president and market leader of Mary Bridge Children's Hospital & Health Network, in a press statement. "With this community support, we can provide world-class pediatric care in a local facility designed just for kids. This will lessen the travel burden on families who need specialty care and rehabilitation therapies."

"Access to quality health care for children is one of the most pressing needs facing families," added Clint Stein, CEO of Umpqua Bank and Columbia Banking System, in a release. "The addition of a dedicated facility for Mary Bridge Children's Hospital in Tacoma will significantly expand access to critical health care resources in the South Sound

region where our company is headquartered. As long-time members of this community, we are honored to continue supporting MultiCare's services."



JPMorgan Chase Volunteers at Food Lifeline

The JPMorgan Chase Seattle Commercial Banking team recently volunteered at Food Lifeline Hunger Solution Center.

The team sorted and packed over 3,000 boxes of wonton and 10,000 pounds of mandarins, helping with Food Lifeline's daily distribution of over 282,000 meals.



Liberty Bank Sponsors Leadership Kitsap Celebration

Liberty Bank sponsored the 2024 Celebration of Leadership this summer, organized by Leadership Kitsap.

Galina Georgieva, VP/relationship manager II at the bank, is a distinguished alumna and current board member of the non-profit organization.

Leadership Kitsap fosters and empowers educated, prepared, and engaged community leaders.



Washington Trust Bank Supports Teen & Kids Closet

Washington Trust Bank recently attended the third annual Bourbon, Bacon, and Brews fundraiser supporting the Teen & Kid Closet.

The organization provides new or gently used clothing to needy children and focuses on youth in foster care or those living in poverty.

Olympia Federal Savings Sponsors Thurston County Chamber 150th Anniversary Event

Olympia Federal Savings recently sponsored the Thurston

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County Chamber of Commerce's 150th Anniversary event. The event was held at the port of Olympia, where residents could celebrate the chamber's anniversary.



Commencement Bank Supports Pediatric Interim Care Center's Annual Luncheon

The Commencement Bank team recently supported the Pediatric Interim Care Center at its annual luncheon. The event raises money to provide medical care for fragile infants and helps fill the gap between hospital and home.



Washington Trust Bank Donates to Boys & Girls Clubs of Bellevue

Washington Trust Bank recently announced a \$10,000 donation to Bellevue's Boys & Girls Clubs. The organization serves over 16,000 youth across 18 clubs and provides 348 programs.

Heritage Bank Supports Boys & Girls Clubs of Snohomish County

Members of the Heritage Everett, Mukilteo, Mill Creek, Shoreline, and Lynnwood branches hosted an art supply donation event throughout July. The branches encouraged residents to donate items like markers, chalk, bubbles, and coloring books for use at the clubs throughout the school year.

WaFd Participates in Annual Obliterate

WaFd Bank sponsored and participated in the annual Obliterate event this summer. The event supported Fred Hutch's cancer research and included a mini-bike race to get things started, and bankers biked and walked to support the cause. This year, the bank raised over \$20,000 for the cause.



U.S. Bank Volunteers with YWCA

Recently, U.S. Bank employees from Bellevue volunteered with the YWCA. The long-time YWCA partner helped clean up and beautify the grounds at the Family Village in Issaquah in mid-july.



Washington Trust Bank Donates to Everett Public Schools Foundation

Washington Trust Bank recently donated to the Everett Public Schools Foundation. The bank provide a \$12,000 donation to help the college career and life readiness program offered by the district. The program empowers students with skills and resources to succeed in college, career, and beyond.

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Attrition to Acquisition: The Evolution of Banking Loyalty

The financial services industry faces a powerful convergence of opportunities, challenges, and conflicting narratives in 2024. Vericast's Financial trendwatch draws on wide-ranging and robust data from our Awareness-to-Action Survey to deliver a pulse check on consumer behavior, uncovering the layers of complexity that define customer acquisition and loyalty. It also explores the digital transformation of traditional banking practices and delves into the enigmatic, yet increasingly influential Generation Z. Financial trendwatch offers marketers actionable intelligence, expert observations, and penetrating insights, empowering financial institutions to lead with forward-thinking strategies that resonate with a diverse customer base.

Redefining loyalty in financial services

This section explores the shifting landscape of customer loyalty in the financial services sector. It highlights the influences on consumer decisions regarding their primary financial institutions. It focuses on key demographic trends and the factors that drive changes in loyalty and switching behavior.

Customer loyalty in financial services is not extinct but has transformed. Financial institutions that adapt by offering value, technological advancements, and personalized rewards can effectively attract and retain customers. This new era isn't about the death of loyalty; it's about its transformation and the strategic initiative and response that can turn change into opportunity.

Balancing financial wellness and loyalty rewards

Despite the belief that customer loyalty is waning, 52% of financial institution customers consider themselves very loyal, primarily turning to their primary institution for financial needs.

- **Financial Wellness Focus:** 76% of customers seek ways to save money and increase earnings. Financial institutions should look to prioritize customer well-being, time, and money savings to encourage higher loyalty
- **Reward Expectations:** A significant 77% of customers expect to be rewarded for their loyalty.
- **Market Opportunity:** A large majority of ZIP codes have shown a decrease in banking loyalty compared to last year. Now is the time for institutions to capture new customers, with many seeking the best deals.

Loyalty has decreased in 78% of ZIP codes this year, according to S&P's Capital IQ Pro Data Navigator. That's a pretty big change. Cost-conscious customers are looking for the best financial deals. This presents a ripe opportunity for institutions

to attract a customer base ready to move for better offers," said Chris Phelan, Director of Sales Strategy & Analytics at Vericast.

Branches: still a cornerstone in consumer banking

Investigating current consumer perspectives, Vericast analysis reveals the relevance of branch locations in the decision-making process for selecting financial institutions. It addresses the nuanced balance between the convenience of digital platforms and the continued importance of physical proximity for banking services.

- **Branch Significance:** Despite a digital shift, 39% of consumers consider proximity to home as a crucial factor, while convenient hours and locations are important for 32%.
- **Experience Enhancement:** A sweeping 95% of banks are investing in initiatives to improve in-branch experiences, aspiring for more immersive and personalized customer engagements.
- **Workplace Banking:** A significant portion of consumers (36%) favor institutions with branches near their work, with 29% emphasizing the importance of convenient ATM access.
- **Generational Perspectives:** Despite their increasing preference for digital channels, the strategic presence of ATMs and branch services remains critical for Gen Z and millennials (27% claim its importance), particularly as cash usage experiences a resurgence for transactions in services like dining out.

Communication Preferences

Nearly half (49%) still prefer branch interactions, although Gen Z's preference is lowest (38%). Financial offers are more likely to elicit a response (62%) when institutions have nearby branches.

The significance of branch locations is not diminished but redefined in today's banking sector. Institutions that blend the convenience of digital services with the personal touch of physical locations can cater to a broader spectrum of customer preferences, ultimately driving loyalty and engagement.

- **Physical Meet Digital:** While the need for branch locations persists among consumers, 25% of Gen Z would opt for a financial institution that offers a completely online account opening process.
- **Location and Life Changes:** The choice of financial provider is often reconsidered following a move, with 21%

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reported they either have no plans to use generative AI or are still learning and collecting information on the technology. That compares to 39% of global or national banks with more than \$10 billion in assets.

Financial institutions have several reasons they may be reluctant to embrace generative AI. Here are some of the factors leading to caution, as well as additional measures to consider:

Institutions take seriously their unique relationships with clients and the trust involved. They know consumers must be comfortable with the technology's use. In addition, the institution must ensure adequate risk control to reassure them that client assets are protected.

Another reason for reluctance about generative AI is the highly regulated nature of banking. For example, banks and credit unions must comply with strict data privacy laws and requirements for transparent AI. They must also ensure that generative AI solutions or models do not produce biased outcomes.

Finally, many financial institutions have limited resources for technology, which could damp enthusiasm for generative AI. Many banks and credit unions are prioritizing investments for digital transformation. Financial institution leaders can leverage the AI capabilities of their existing tools even as they identify the budget, talent, and infrastructure to invest in additional generative AI solutions.

Despite being cautious, many financial institutions have already begun using generative AI and looking for additional uses that will improve client experiences and staff efficiency.

GenAI uses cases among banks and credit unions

Here's a quick look at some generative AI use cases being employed at banks and credit unions:

1. GenAI use case for understanding financial institution data: Southwestern National Bank used to spend hours gathering data and working in spreadsheets to create a geographic concentration report for the OCC examiners. Using Abrigo Connect, a business intelligence solution, the bank can use natural language when searching for data to help with regulatory examinations, board reporting, or weekly management and risk reporting. Now, Southwest National uses Connect to generate a report in seconds to show examiners the loan concentrations across its markets. The same solution can help Southwestern examine efficiency within operations and improve credit and portfolio risk monitoring.
2. GenAI use case for resolving financial institution member or customer needs faster: Pentagon Federal Credit Union (PenFed) provides the status of loan applications, product and servicing information, and technical support to members nearly 40,000 times a month using a Salesforce Einstein-powered chatbot. The chatbot generates answers to members' questions and now resolves 20% of member cases on first contact, according to a report on CIO.com. The reduced pressure on its call center has allowed PenFed to cut its time to answer calls by a minute, to just under 60 seconds, despite increased membership.
3. GenAI use case for fostering relationship banking: Abrigo client BAC Community Bank in Stockton, Calif. (\$800m deposits) uses an app that answers customer questions and matches them with a BAC banker as their assigned contact.
4. GenAI use case for sniffing out fraud in emails and instructions: JPMorgan is reportedly using large language models to fight fraud and other attacks embedded in email and other financial communication. Its technology can detect signals for fraudulent emails or fraudulent instructions for a wire. MasterCard is reportedly trying to better protect from fraud its cardholders and the financial institutions using its network with its proprietary generative artificial intelligence model. The GenAI model uses the 125 billion transactions on MasterCard's network each year to identify fraudulent patterns so financial institutions identify more fraud while spending less time assessing specific transactions.

5. GenAI use case for training employees and making them more productive: SouthState Bank, another Abrigo client, trains its enterprise version of ChatGPT only on bank documents and data. No customer data is fed into the system and it's not available to anyone outside the bank, which has \$45 billion of assets. Employees are asking the system questions about the bank's 400-page commercial loan policy and 600-page branch policies and procedures. A new teller who needs to reissue an ATM card can ask the system how to do it; employees summarize regulatory documents or sets of policies; marketers create copy and bankers compose emails with it. "In our couple months of rolling it out, we get a five to eight X boost in productivity just by saving time," Nichols told American Banker. "It normally takes an employee 12 to 15 minutes to figure out the correct answer. That gets reduced to seconds."
6. GenAI use case for resolving bank transaction/fraud disputes: Financial institutions have been beta testing Salesforce's genAI-powered Transaction Dispute Management in "human in the loop" or "copilot" mode with human agents. Fraud dispute resolution is often a huge expense for banks and credit unions and one that causes a lot of client frustration, Tech Target notes in a recent report. The technology is a bot that helps with dispute acknowledgment, case opening, resolution, and closure by invoking policies, procedures, history, and knowledge bases. The goal is consistency and transparency in resolving transaction disputes and improving retention by resolving employee frustrations.

Resources on genAI in banking

Bankers are under immense regulatory pressure, so learning more about genAI and how regulators view it can help in any plans to use it. Here are several resources on generative AI and regulators' views:

Learn what Gartner says about emerging generative AI applications and their associated risks and benefits: Innovation Insight: What Banking CIOs Must Know When Adopting Generative AI (gartner.com)

Read about exploring generative AI in this article by Abrigo Chief Technology Officer Ravi Nimalikanti: "A thoughtful approach to generative AI."

See how to implement generative AI with speed and safety in this article by McKinsey & Co.

Read how the Financial Stability Oversight Council described the risks and benefits of artificial intelligence in its Annual Report.

See President Biden's Executive Order on the safe, secure, and trustworthy development and use of artificial intelligence.

Read the Bank Policy Institute's guidance for governance and risk management frameworks for Navigating artificial intelligence in banking.

Consider the Treasury Department's report on how genAI and AI generally are redefining cybersecurity and fraud in the financial services sector: Managing intelligence-specific cybersecurity risks in the financial services sector.

Read a reminder that creditors must provide accurate and specific reasons for adverse decisions on credit, even if made by complex algorithms: CFPB guidance on credit denials by lenders using artificial intelligence.

Conclusion

Generative AI will continue to attract investment dollars and attention from financial services companies and other industries as businesses continue efforts to use technology to improve efficiency, products and services, and performance. Understanding what genAI is, how credit unions and banks are using it now, and how to tap into additional resources on genAI will help leaders explore the potential for it within their own financial institutions.

Mary Ellen Biery is Senior Strategist & Content Manager at Abrigo, where she works with advisors and other experts to develop whitepapers, original research, and other resources that help financial institutions drive growth and manage risk.

The Future of Banking Jobs: Key Trends

By Rachel Selvaggio, Director, BankTalentHQ

As we continue into the second half of 2024, the banking industry is undergoing profound transformations driven by technology and evolving consumer expectations. These changes are reshaping banking careers, creating new opportunities and emphasizing specialized skills. Here are the key trends defining the future of banking jobs:



1. Fintech Integration

Traditional banks are increasingly collaborating with fintech startups to innovate and enhance services. This partnership accelerates technological advancements and creates demand for professionals skilled in both finance and technology. Reports from KPMG and Finance Magnates highlight the growing importance of fintech integration in shaping the banking sector's future.

2. Automation and AI

Automation and Artificial Intelligence (AI) are revolutionizing banking operations by streamlining processes and reducing costs. The rise of AI, Machine Learning (ML), and Robotic Process Automation (RPA) is driving demand for specialists who can implement and manage these technologies. Companies like LeadSquared emphasize the critical role of AI in improving customer experiences and operational efficiencies.

3. Digital Banking

Consumer preferences for personalized, digital-first banking experiences are driving the adoption of digital banking solutions. This trend forces cybersecurity experts to ensure data protection and UX/UI designers to create intuitive digital interfaces. Insights from KPMG and Finance Magnates underscore how digital transformation is reshaping job roles within banking institutions.

4. Open Banking and APIs

Open Banking initiatives are fostering a more interconnected financial ecosystem, enabling third-party developers to build applications around banking services. This shift is creating opportunities for developers and IT professionals skilled in API integration and management. Finance Magnates reports on the transformative impact of Open Banking on job opportunities in the banking industry.

5. Sustainability and ESG

Environmental, Social, and Governance (ESG) considerations are becoming integral to banking strategies. Banks are increasingly focusing on sustainable finance practices such as green lending and ESG investing. Professionals with expertise in sustainable finance are in high demand as institutions align with global sustainability goals. Insights from Finance Magnates highlight the growing importance of ESG criteria in shaping banking careers.

6. Digital Identity Solutions

Advancements in digital identity verification technologies, including blockchain and biometrics, are enhancing security and efficiency in banking operations. There is a rising demand for specialists who can implement secure digital identity solutions to protect customer data and streamline authentication processes. Finance Magnates discusses the transformative potential of digital identity solutions in banking jobs.

7. Customer Experience Metrics

Customer experience (CX) has become a competitive differentiator for banks. Institutions are leveraging data analytics and customer feedback to enhance service delivery and retention rates. Roles such as data analysts and CX managers are critical in interpreting customer insights and driving improvements in banking services. LeadSquared highlights the pivotal role of CX metrics in shaping job roles within the banking industry.

Embracing the Future of Banking Careers

The evolving trends in banking highlight a dynamic job market where digital fluency and customer-centricity are crucial. Professionals looking to excel in banking careers should focus on developing skills in fintech integration, AI and automation, digital banking, sustainability, digital identity solutions, and customer experience management.

In conclusion, the future of banking jobs promises abundant opportunities for those who adapt to technological advancements and evolving consumer expectations. By staying informed and proactive in acquiring relevant skills, individuals can position themselves for success in the ever-changing landscape of banking careers.

This article draws insights from authoritative sources such as KPMG, Finance Magnates, and LeadSquared, providing a comprehensive look at the transformative trends shaping banking careers.

For further exploration of banking careers and industry trends, visit Bank Talent HQ – BankTalentHQ.com

Rachel Selvaggio, with over seven years in the banking industry, leads strategic development and stakeholder management as Director at BankTalent HQ and the Illinois Bankers Association. She drives impactful initiatives and fosters key partnerships, leveraging her MBA and recognized leadership.

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contemplating new financial institutions during significant life changes.

- **Strategic Branch Distribution:** The reduction of branches nationally underlines the need for strategic outreach, as each remaining branch serves a larger population, presenting both opportunities and challenges in a competitive landscape.

“The banking landscape has seen a reduction of 7,000 branches in the past five years. With fewer branches serving more people, the strategic importance and potential reach of each location have grown, increasing both the opportunities and competitive challenges,” said Phelan.

Decoding channel communication preferences

Current trends across the industries we serve revealed a revived sense of openness to receiving marketing offers via mailboxes and inboxes. Our study examined the receptiveness of different generations to various marketing approaches, emphasizing the importance of a strategic omnichannel approach.

- **Engagement Receptivity:** A sizable 71% of consumers welcome offers from financial institutions, indicating a heightened receptivity compared to the previous year.
- **Generational Trends:** Among those with existing bank or credit union accounts, a majority of Gen Z (81%) and millennials (82%) show the highest openness to financial marketing offers.
- **Offer Opportunities:** Direct mail, including postcards, appeals to 44% of those who are receptive to receiving offers, while 46% are open to email offers. Based on bank customers who are receptive to receiving financial institution offers.
- **Social Media Impact:** Gen Z exhibits a strong preference for social media ads (26%), double the average receptivity, suggesting potential for targeted social strategies
- **Optional Media Mix:** Incorporating digital strategies alongside direct mail can significantly enhance engagement, with our data showing a roughly 39% incremental lift in household response rates when adopting this multi-channel approach.

Full-Spectrum Financial Communications

Effective communication in the financial sector is not a one-size-fits-all approach. It requires an intricate understanding of channel preferences across generations, combined with a strategic mix of direct mail and digital media to maximize reach and engagement.

At Vericast, we understand that diverse media strategies are key to successful financial marketing. Coupled with our recognition of the critical importance of acquisition, we've developed Checking Engine, a tailored solution that combines direct mail and digital media strategies to resonate across different generations, maximizing customer engagement and optimizing acquisition rates.

The effectiveness of marketing in financial services increasingly depends on an omnichannel strategy. This approach involves a synchronized media selection that aligns with the overarching goals of the institution and caters to the varied preferences of its audience.

Financial services can create a seamless consumer experience that resonates across multiple platforms by leveraging a combination of direct mail and digital channels.

A deeper understanding of generational communication preferences is vital in crafting these strategies. The digital savvy

Of younger demographics, particularly Gen Z and millennials points to a strong preference for digital ads and email communications.

Recognizing and responding to these preferences with tailored marketing approaches enables financial institutions to connect more effectively with these key consumer segments, setting the stage for enhanced engagement and long-term loyalty.

Stephenie Williams, Vice President of Product and Strategy of Financial Services, emphasizes the importance of a balanced channel strategy, noting, “An omnichannel strategy is essential for engaging diverse consumer segments effectively. Integrating digital with direct mail offers a comprehensive way to enhance visibility and drive meaningful action.”

Rethinking the Role of Interest Rates

While interest rates have traditionally been a primary factor in financial decision-making, modern trends indicate a shift in mindset as consumers are placing more value on savings, non-interest-based rewards, communication options, and customer service. This section examines the various incentives that influence consumers to open new accounts and the distinctions among generations.

- **Varied Incentives:** Consumers weigh a variety of factors: 35% value the absence of monthly fees and the availability of cash incentives, 29% prefer no minimum balance requirements, 25% prioritize interest rates, including APR and APY, and 21% appreciate ATM fee refunds.
- **Rate Considerations:** Although 26% of consumers cite better rates as a consideration for switching banks, close behind are cash incentives (25%) and major life changes (21%).
- **Perceived Issues:** Low rates on interest-bearing accounts are a lesser concern for Gen Z, mentioned by only 8%.
- **Gen Z Preferences:** Gen Z shows equal willingness to switch for better technology and rates (25%), with a notable emphasis on customer service (22%).

A Holistic Approach to Banking Choices

Interest rates, while significant, are just one component of the Decision-making process for consumers. A multi-faceted approach that addresses varied customer needs and builds brand loyalty can lead to sustained growth and differentiation in the marketplace.

- **Value Propositions Beyond Rate:** Financial institutions can distinguish themselves by focusing on customer service, account protection, and accessibility for advice and interaction beyond just competitive rates.
- **Brand Strength and Customer Acquisition:** While cash incentives and competitive rates can attract new customers, long-term investment in branding can negate the need for rate chasing, setting a financial institution apart from the competition.

The ultimate debate: product vs. Brand

The longstanding debate in marketing — whether to lead with product or brand — remains complex within the banking industry. Vericast research explores the consumer response to banking offers, the impact of brand familiarity, and how a financial institution's identity can influence product appeal.

- **Brand Familiarity:** A significant portion of consumers

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(67%) are more responsive to offers from banks they recognize.

- **Brand Influence:** While the product offers to attract attention, an institution's distinctive brand and culture are what ultimately resonate with consumers. Identifying as innovation or education-focused or known for competitive rates and low fees can define the market position.
- **Top Offers:** The highest receptivity is toward checking account offers (36%), followed by savings accounts (33%) and card purchase incentives (31%).

Crafting marketing strategies in the banking sector requires a deep understanding of the preferences across generations. Knowing the types of banking offers that resonate with each age group and aligning them with an institution's established brand is a cornerstone for developing impactful marketing campaigns. This marketing synergy between generational desires and brand strengths is what can set a financial institution apart in a crowded marketplace.

At the same time, brand and product integration are fundamental to successful consumer engagement. This approach ensures that customers are immediately drawn to the tangible benefits of the products, while also forming a lasting connection with the brand's identity. It's a harmonious blend that delivers not just short-term acquisition wins but also promotes long-term loyalty.

The social media age

While it's often thought that social media is the go-to for modern financial advice, particularly among Gen Z, the reality is more subtle. This trendwatch section explores the platforms where different generations seek financial guidance and the potential for financial institutions to engage through influencer marketing.

- **Social Media Influence:** Gen Z's preference for platforms like tiktok and youtube reveals demand for engaging, educational, financial content. 26% of Gen Z turns to these video-based platforms in comparison with the overall respondents' ranking of 7%.
- **Executive Perspectives:** More than a third (37%) of banking executives recognize influencer marketing as a potent tool for forging authentic consumer connections.
- **Generational Sources:** Financial advice is sought across various channels, with a significant reliance on personal networks and traditional financial advisors, especially among older generations.

Swipe Right

Embracing the digital dialogue, financial institutions can capitalize on the trend of social media as a source of financial wisdom.

By crafting relatable content and forging partnerships, institutions not only meet Gen Z where they are but also lead trending topics in financial education and empowerment.

To engage with and guide younger audiences, financial institutions should consider a strategic approach to content on social media through financial hacks and savings tips. Partnering with influencers can help financial institutions grab attention and establish trust and relatability, particularly with Gen Z consumers who value advice from familiar faces on their favorite platforms.

While Gen Z might seem enigmatic, closer examination reveals clear preferences and priorities in their banking habits. The final chapter of trendwatch dives into what Gen Z values in their financial institutions and how they differ from previous generations.

- **Financial Frustrations:** A notable 72% of Gen Z have encountered issues with their primary financial institutions, with high ATM fees, inconvenient locations and hours, and a lack of financial education topping their list of grievances.
- **Proactive and Personalized:** This generation appreciates proactive outreach from banking staff, lower loan rates, and personalized offers more than any other age group.
- **Personalized Banking Experience:** Gen Z places a premium on personal interactions and video banking options, signaling a desire for both high-tech and high-touch banking services.

Not Just Another Demographic

Gen Z is a significant gauge of where the financial industry is heading. Their distinct preferences for technology, transparency, and personalized services demand a shift in how financial institutions approach banking. By understanding and adapting to these preferences, financial institutions can unlock the potential of serving this tech-focused, highly collaborative, self-reliant, and pragmatic group shaping the future of financial services.

As Vericast further explored Gen Z's banking behavior, it became evident that their digital fluency deeply influences their expectations and banking choices.

- **Prioritizing Gen Z's Financial Goals:** Align services and marketing efforts with Gen Z's top financial priorities for 2024, such as credit card openings, savings accounts, and investment apps.
- **Engagement and Education:** Financial institutions should focus on engaging Gen Z with educational resources and content that address their unique needs and pain points.
- **Flexibility in Banking:** Gen Z notably exhibits the most interest in initiating checking or savings accounts and is more inclined to transfer their accounts to a different financial institution.
- **Prioritizing Gen Z Financial Goals:** For 2024, building up savings is Gen Z's top financial goal, with 43% prioritizing this objective. Additionally, Gen Z's ambitions include opening a new credit card (27%, compared to 13% across all generations), starting a savings account (23% vs. 12%), and investing in stocks through platforms like Acorns, Robinhood, or Invest (20% vs. 12%).
- **Adapting to Digital Preferences:** While a majority of Gen Z (61%) still prefer traditional banks for their financial transactions, nearly a third (29%) are leaning toward online-only banks, which is a marked increase from the 17% average across all generations.

Strategy is about data, precision, and efficiency. The trendwatch report, with its clear industry intelligence and expert analysis, empowers financial marketers and executives to transform today's challenges and narratives into tomorrow's opportunities. Vericast guides financial institutions to spend their marketing dollars wisely, focusing resources on targeted, responsive initiatives that reach the people most likely to benefit from their products and services, ensuring maximum impact and value from every dollar spent.

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JPMorgan Chase Partners with Seattle University for Liberty Project Wave

JPMorgan Chase in Seattle recently partnered with the Seattle University Liberty Project Wave kick-off.

The program brings together small business owners and entrepreneurs participating in the new business cohort.

Chase participates by offering a financial literacy workshop as part of the program.



Bank of the Pacific Volunteers at Bald Eagle Days

The Bank of the Pacific Cathlamet team recently volunteered at Bald Eagle Days.

The event celebrates the area every summer, featuring a parade, fair, and art contest.

U.S. Bank Volunteers at Food Lifeline



This summer, local U.S. Bank team members volunteered at Food Lifeline.

The group worked at the Hunger Solution Center, packing and sorting food that would later be delivered to one of the over 400 access sites throughout Western Washington.

If you have WBA member news to share, please email it to Megan at megan@wabankers.com. Submissions are run on a space-available basis.



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