



FOCUS ON BUSINESS VALUE  
2022 Crowe Financial Services Conference

# Operational Resiliency

Banking as a Service/New Business Models and Digital Transformation/Tech

November & December 2022

Presented by:

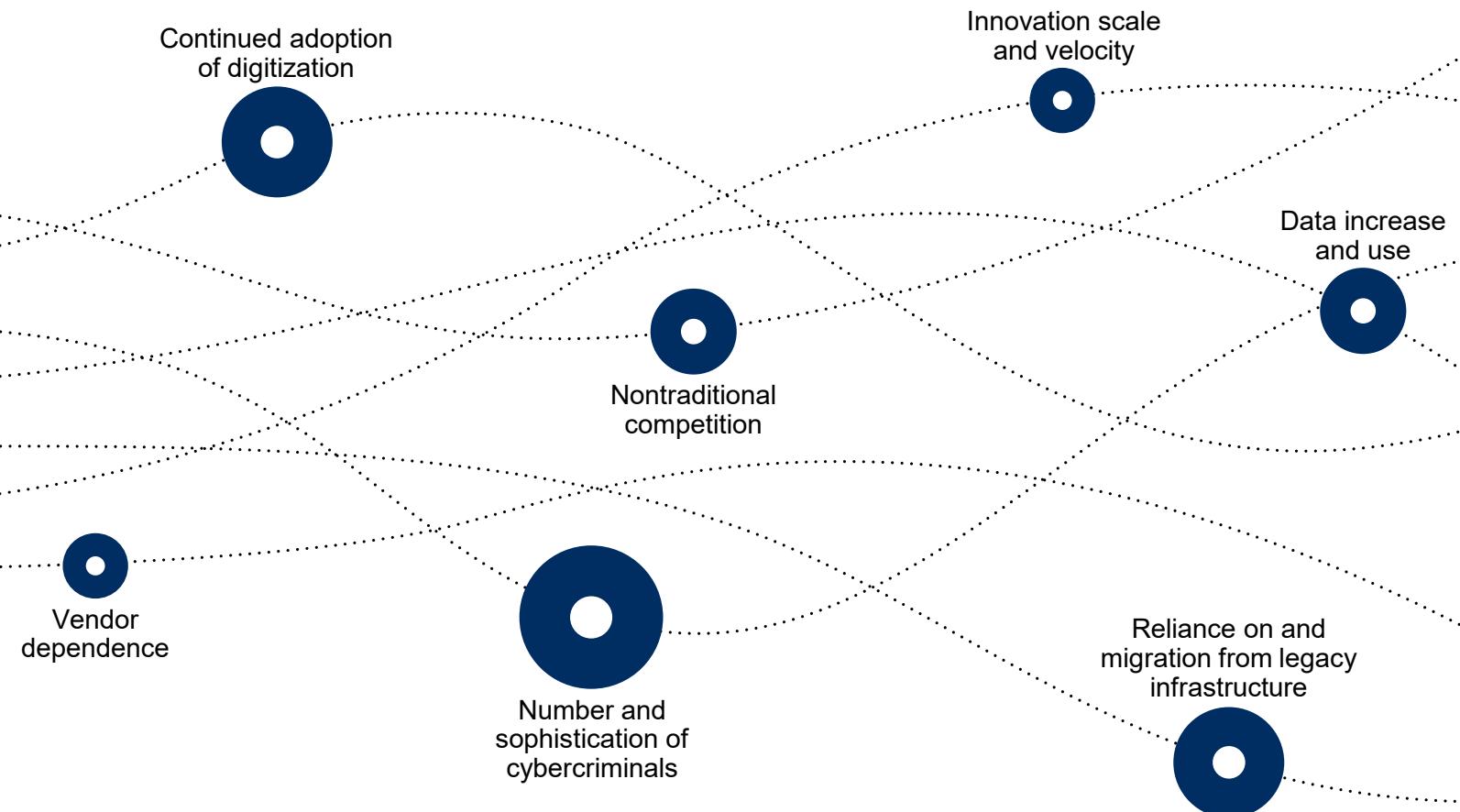
Crowe Industry Specialists

# Agenda

- A hot take on operational resilience
- Breaking down the things going on around us that threaten, or enable, our resilience
- Trends creating significant opportunities and risks:
  - **Trend #1:** New banking business model and Banking as a Service (BaaS)
  - **Trend #2:** Fintech encroachment
- Questions & Discussion
- BREAK



# The environment contains plenty of pressing disruptions.







# What is Operational Resilience?

“The ability of a company to build confidence and trust in its capability to adapt to changing circumstances”



# The degree of change is higher than ever

## Degree of market change

Reposition existing products, services and capabilities



Advance several new offerings and market segments to drive new growth



Complete business model transformation

## Degree of organizational change

Align existing roles and responsibilities to key objectives



Realign within your organization to drive strategic growth



Revolutionize roles, positions and organizational purpose

## Strategy approach

Define objectives and priorities for the year, aligned to vision

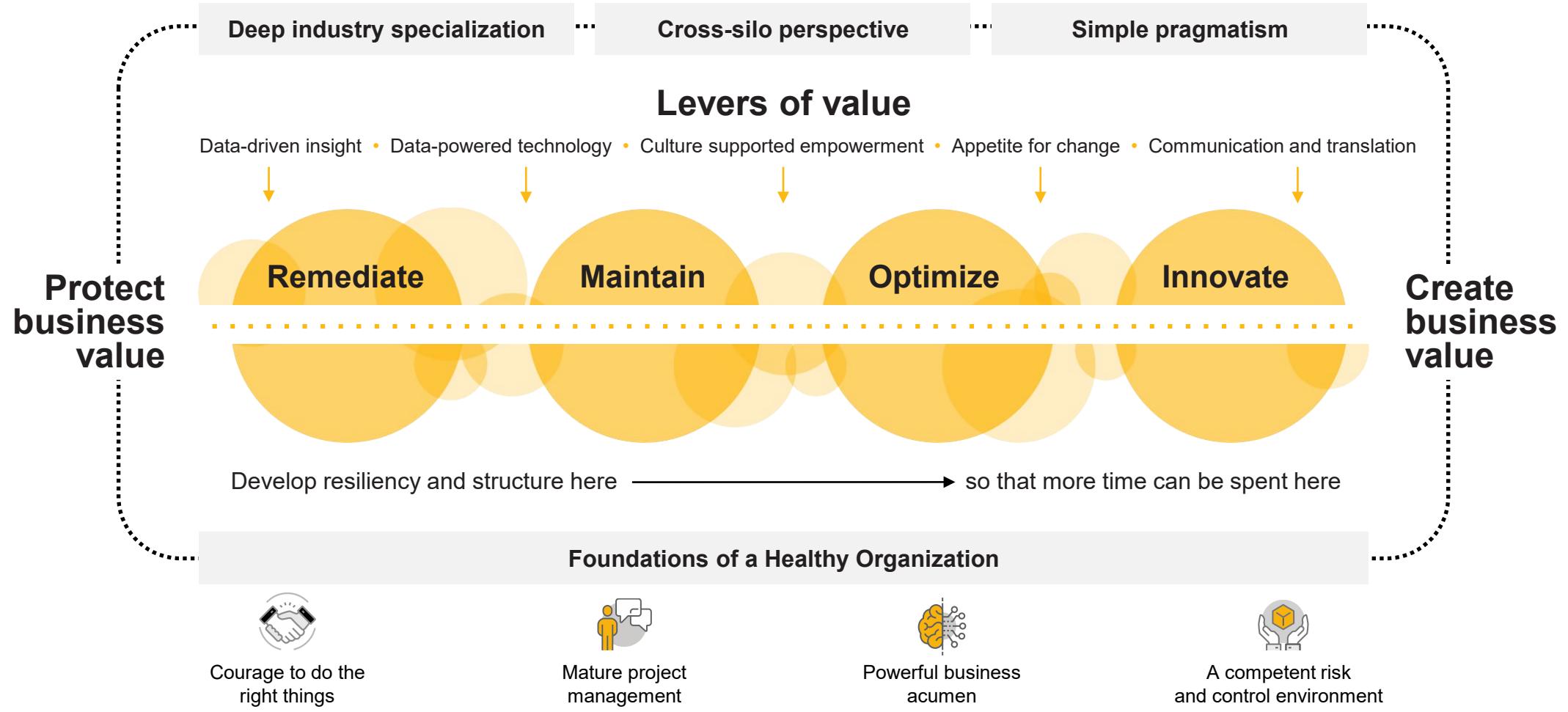


Refine and mature approach to identifying your uniqueness and value



Continuously execute and refine an agile strategy

# This constant change requires ability to pivot, quickly.



# Foundations of a healthy organization.

Operational resiliency requires a set of foundational capabilities to react to business changes.

- ✓ Courage to do the right thing in the face of change.
- ✓ Mature project management function that can quickly organize and execute on an objective and plan.
- ✓ Powerful business acumen that can effectively assess impact of a change to the organization.
- ✓ A competent risk and control environment that can assess events against a risk and control framework.



# Business levers that create value

Certain business levers better enable you to react and pivot across the value spectrum.



## Strategy

Clear set of choices that define how you will create a competitive advantage



## Data Driven Insight

Identification of trends and patterns derived through empirical methods over gut reaction



## Enabling Technology

Technology that enables you to connect dots between trends, risks, controls and processes.



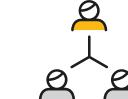
## Culture

A culture and set of values that grounds decision making and direction in the face of constant change



## Appetite for Change

A organizational desire what you want to accomplish, and a understanding of the boundaries to get there



## Communication & Translation

Transparent communication and feedback upwards and downward through organization.

# Exercise

## Context Map

# Consider the contexts that can influence the direction of your business.

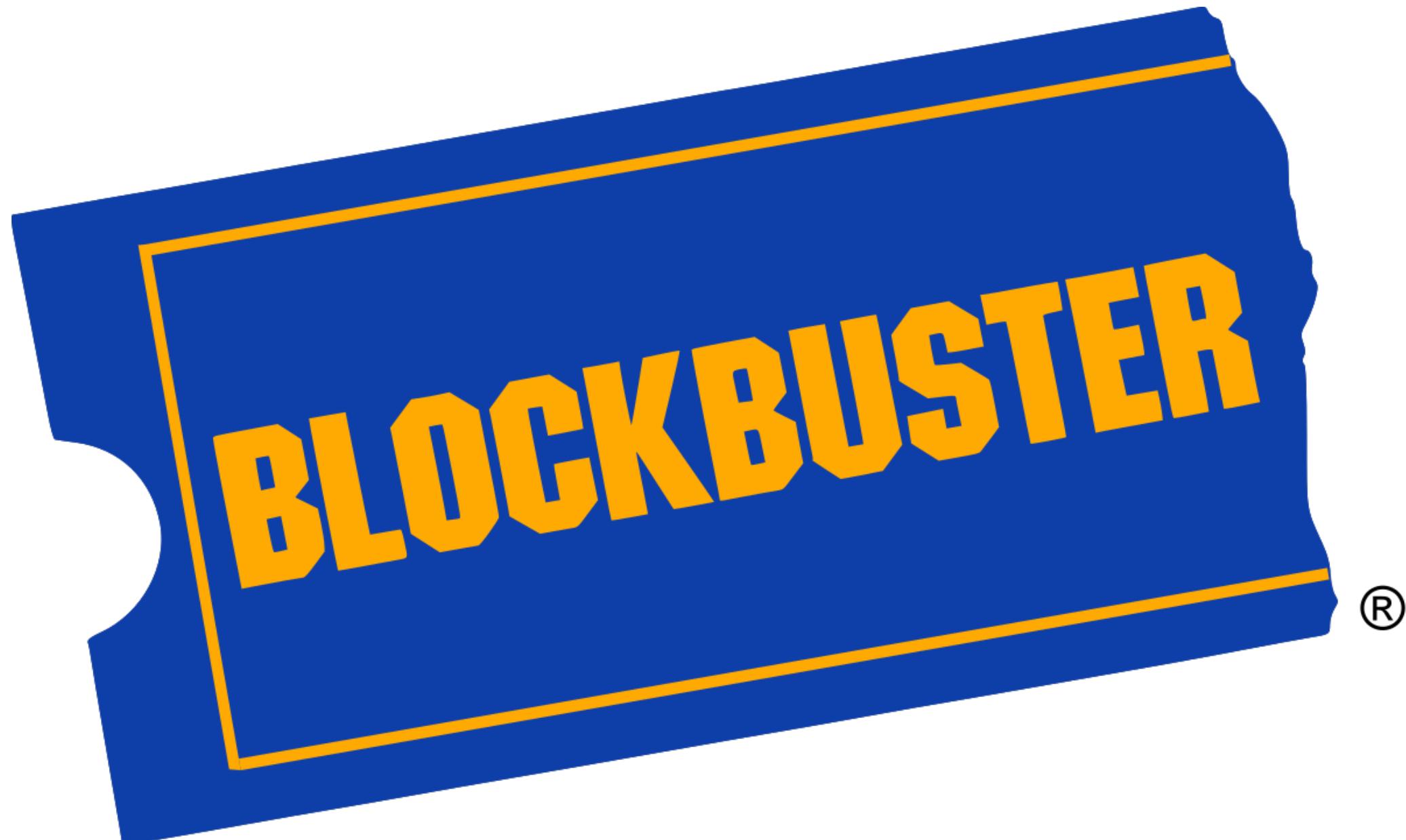


# **Group Exercise #1**

## **Context Shifts**

# Trend #1

Banking as a  
Service & New  
Business Models



# BaaS & New Business Models

Knowing your customers is not a competitive advantage, finding ways to be unique and value is

- ✓ U.S. banks' noninterest income rose by 17.2% from the first quarter of 2019 to the 2022 first quarter (S&P Global)
- ✓ 85% of respondents to a 2021 survey said they were or are planning to enter the BaaS market (Finestra)
- ✓ Shift of 10% in revenues during 2014 to 2021 from balance sheet business model sources to origination and distribution business models (McKinsey)
- ✓ Increasing focus on particular market segments to need for people or originations with a "common set of jobs to be done"





# Protecting Value

New business models, such as BaaS, open new channels and value, but not without risk – particularly as your banking charter is exposed to new channels



## Critically challenge your strengths

Simply having strong customer relationships is rarely a core strength in today's environment – what are you great at where do you need to invest or enhance capabilities?



## Put Risk Front and Center

When extending offerings through new business models or through BaaS, don't lose sight of risk and compliance blocking and tackling. It's the #1 reason new business models fail

# Creating Value

Showing unique value in a sea of banks, financial services companies, and fintechs is vital to maintaining growth and profitability.



## Be great at strategy

Defining, iterating and experimenting on strategy as a core competency is foundational to growth. Make the investments in the people, tools and resources to be best in class in formulating and influencing your strategy.

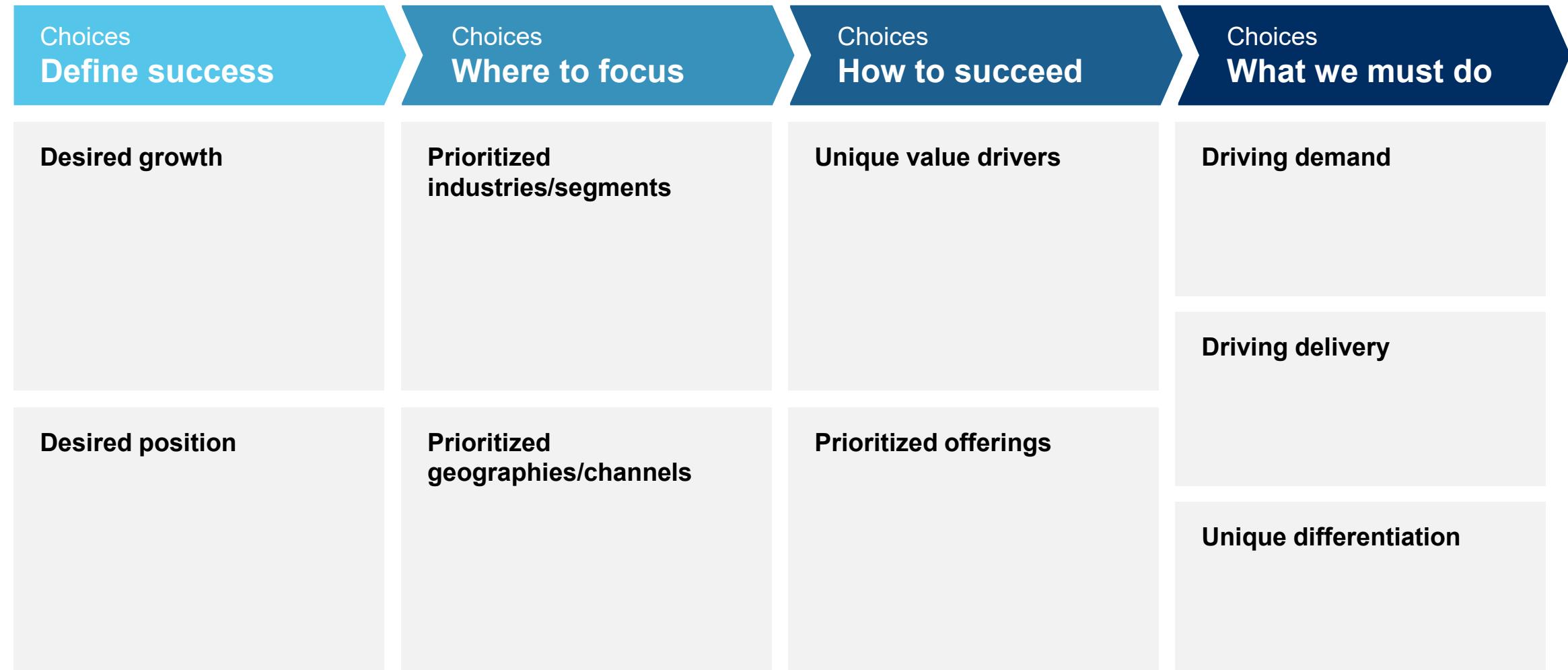


## Be unique & valuable

Invest in intensely listening to your customers, understanding their jobs, their pains and what is unique and valuable to them. Find the strategy where a unique and valuable offering aligns with your capabilities.



# Know your strategy when entering a new business model



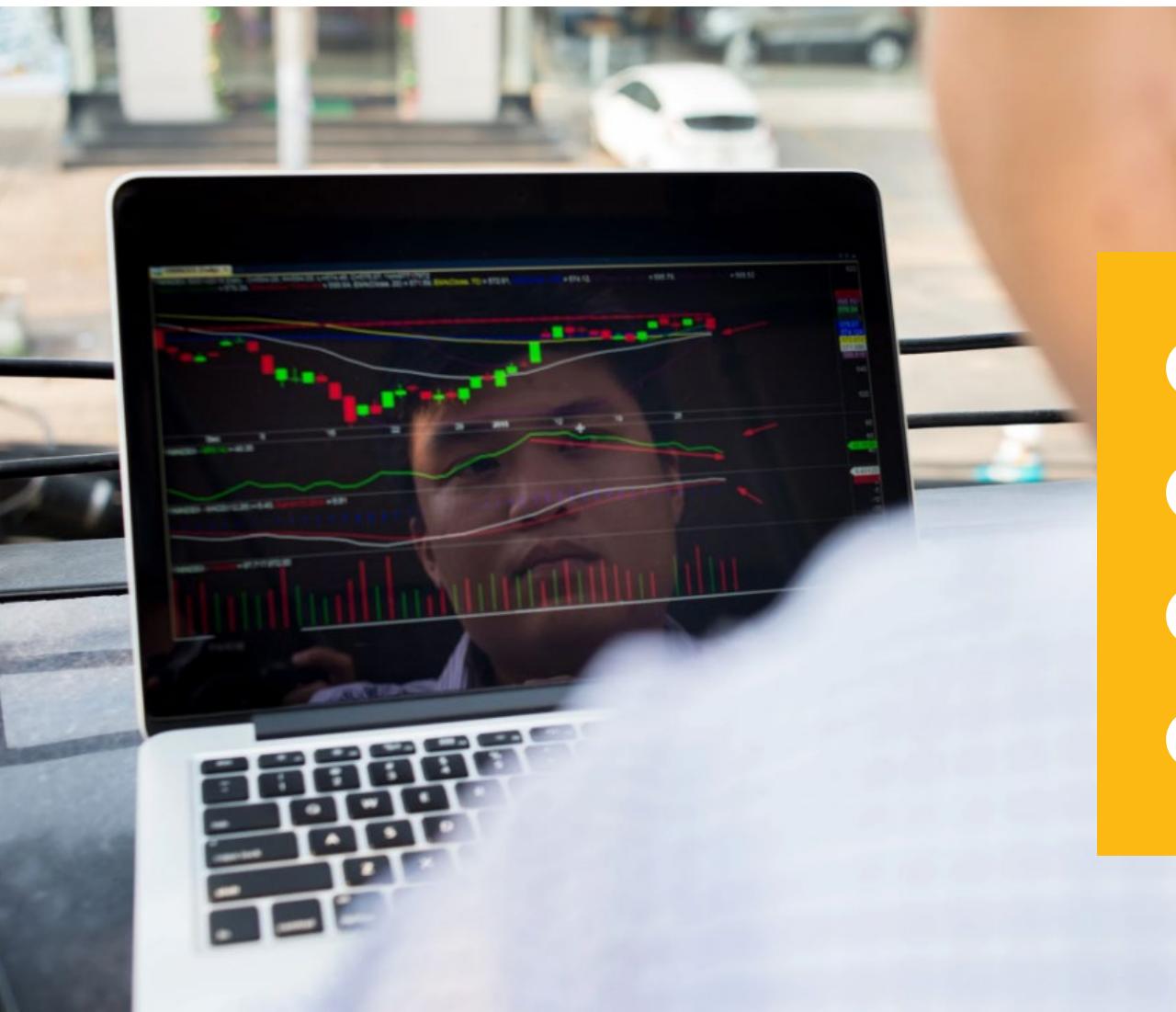
## Trend #2

Technology  
encroachment on  
traditional banking  
space

# Polaroid



# Technology Encroachment



Bank competitors look very different, and many don't know banking

- ✓ \$100B in global fintech investment this year, although declining in recent quarters outside of wealth tech (CB Insights)
- ✓ Major tech players (Apple, Amazon, Facebook) are advancing financial services products
- ✓ Partnerships having more near-term success than attempts to disaggregate banking system as we know it
- ✓ Increasing regulatory pressure and perceived risks tied to key tech areas



# Protecting Value

You uniquely understand the rigor that comes with being a bank, use it to your advantage



## Use risk and compliance to your advantage

Managing risk and compliance is hard, and your teams are good at it. Leverage your deep knowledge and a bit of ingenuity to enable new products and services while maintaining sound compliance.



## Invest in data management

No technology strategy stands up against bad data. Critically challenge and address the availability, accuracy and integrity of your data. Good data enables desired outcomes.

# Creating Value

Finding ways to co-exist in the ecosystem rather than trying to displace or disaggregate it can support substantial value.



## Be great at partnering

Don't throw your traditional vendor management approach at a strategic tech relationship, view them as a partner and understand the value that comes with each party.

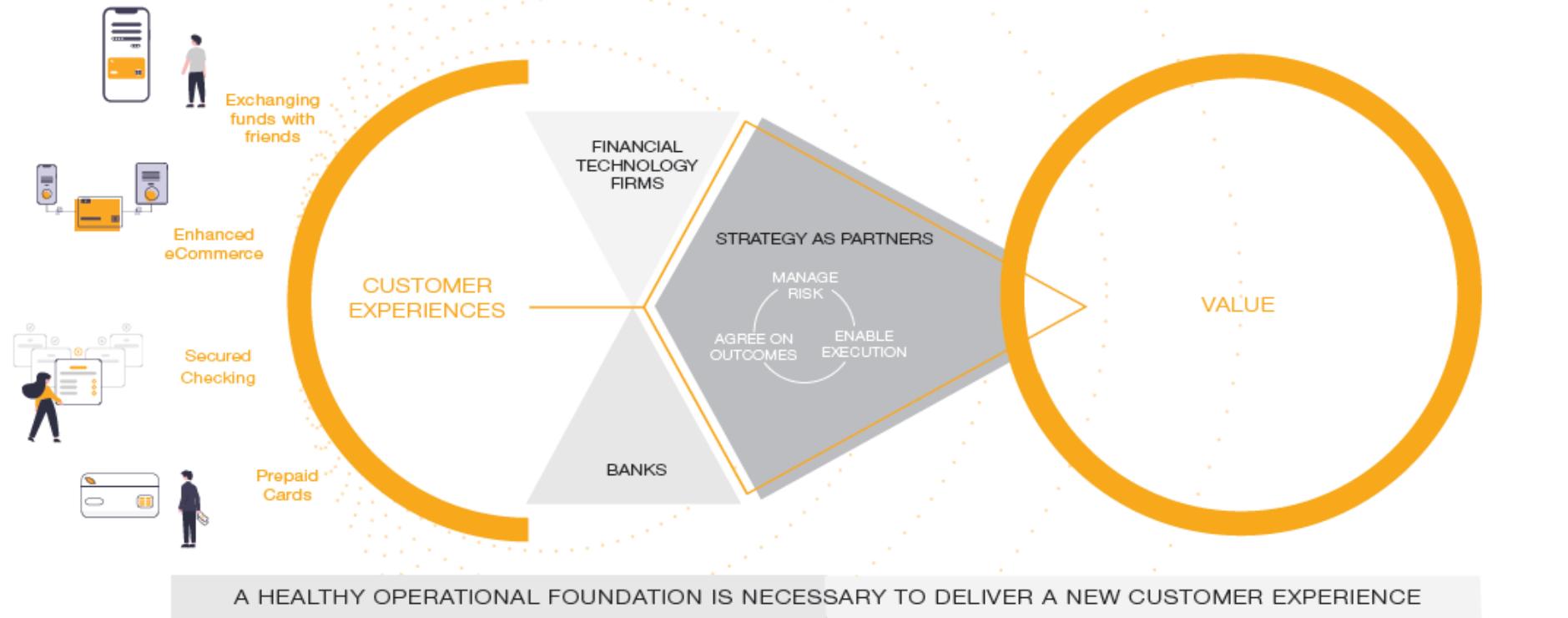


## Seek Difficult Capabilities

Some of the most promising tech solution enable capabilities and reach not otherwise available in market. Invest in capabilities you can manage, partner where its difficult..



# Partnering Perfectly



Market Growth	Data Governance	Fraud
Customer Success	Information Security & Privacy	Reputation
Financial Modeling	Third Party	Continuity & Recovery
Legal	Compliance	Change Management & Resiliency
Enterprise Architecture	Financial Crime	Internal Audit



# Thank you

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