



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:

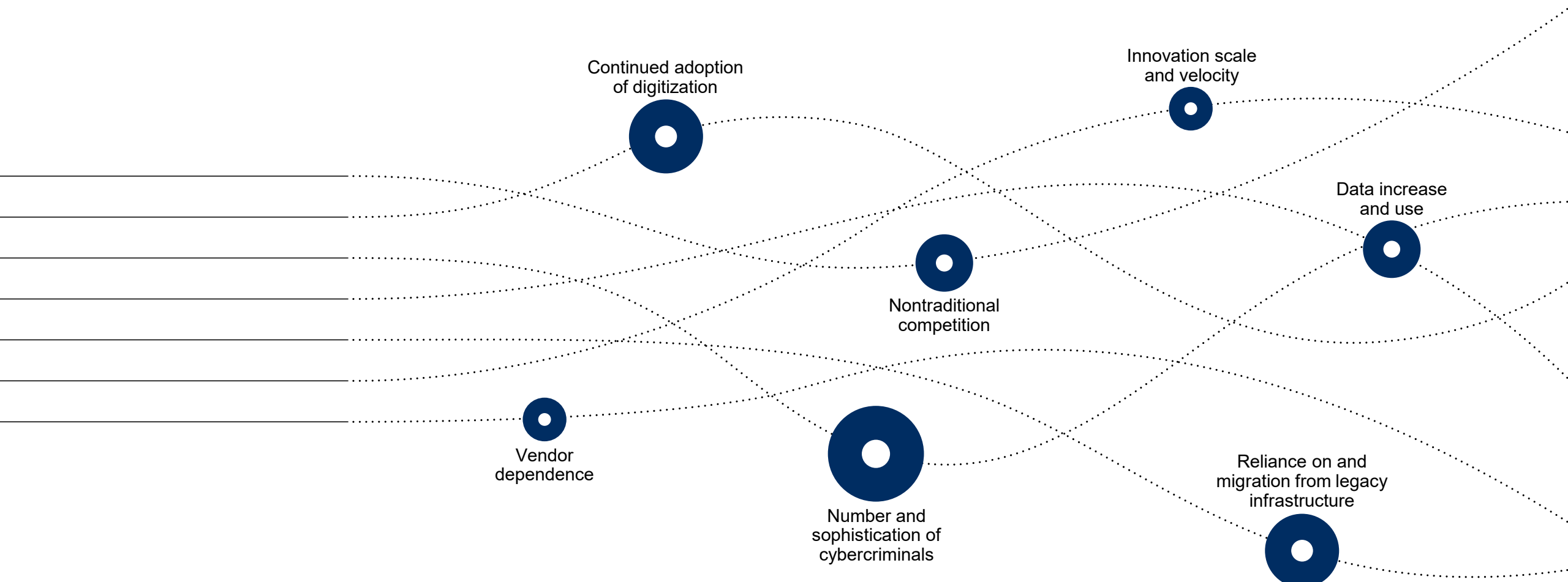
Crowe Industry Specialists

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

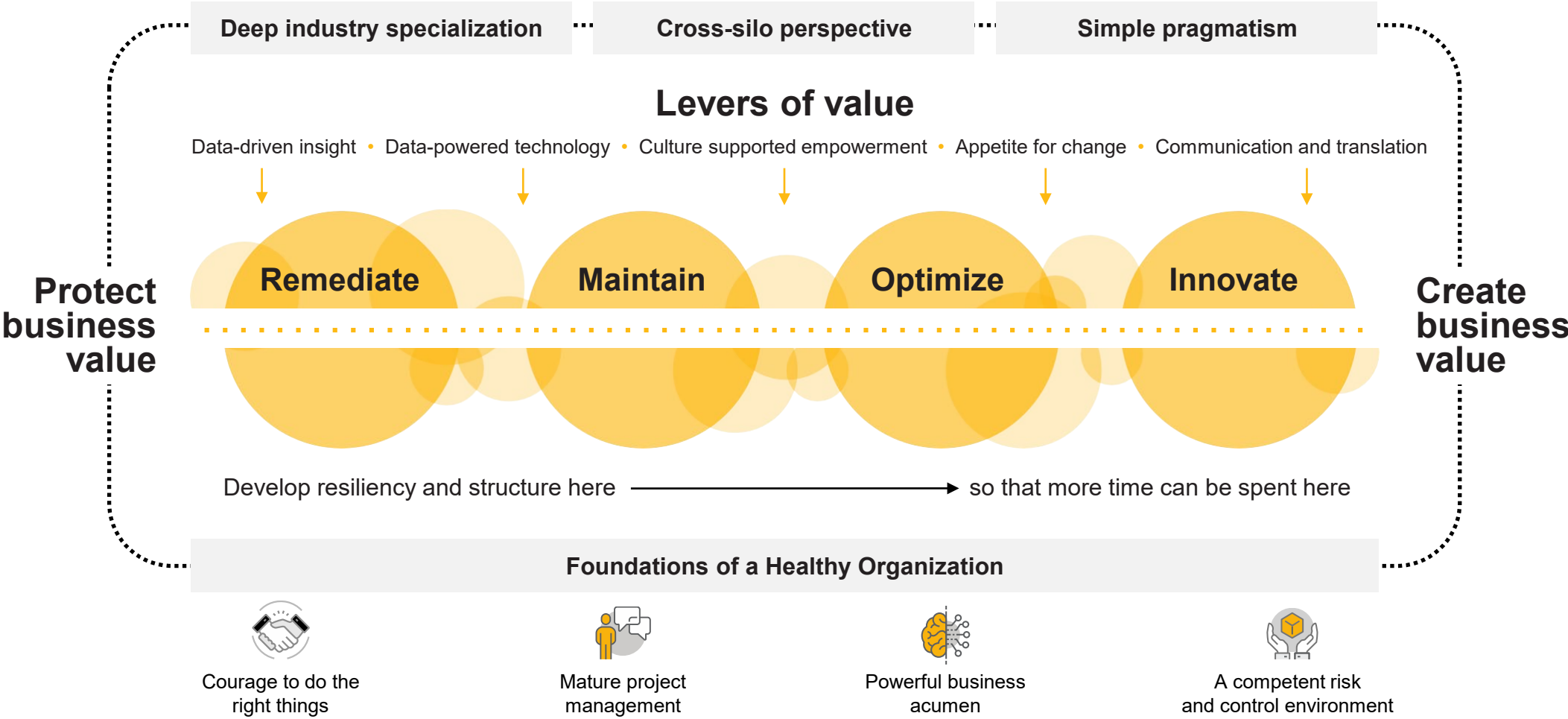


Refine and mature approach
to identifying your uniqueness
and value



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.



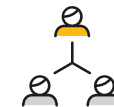
Culture

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.

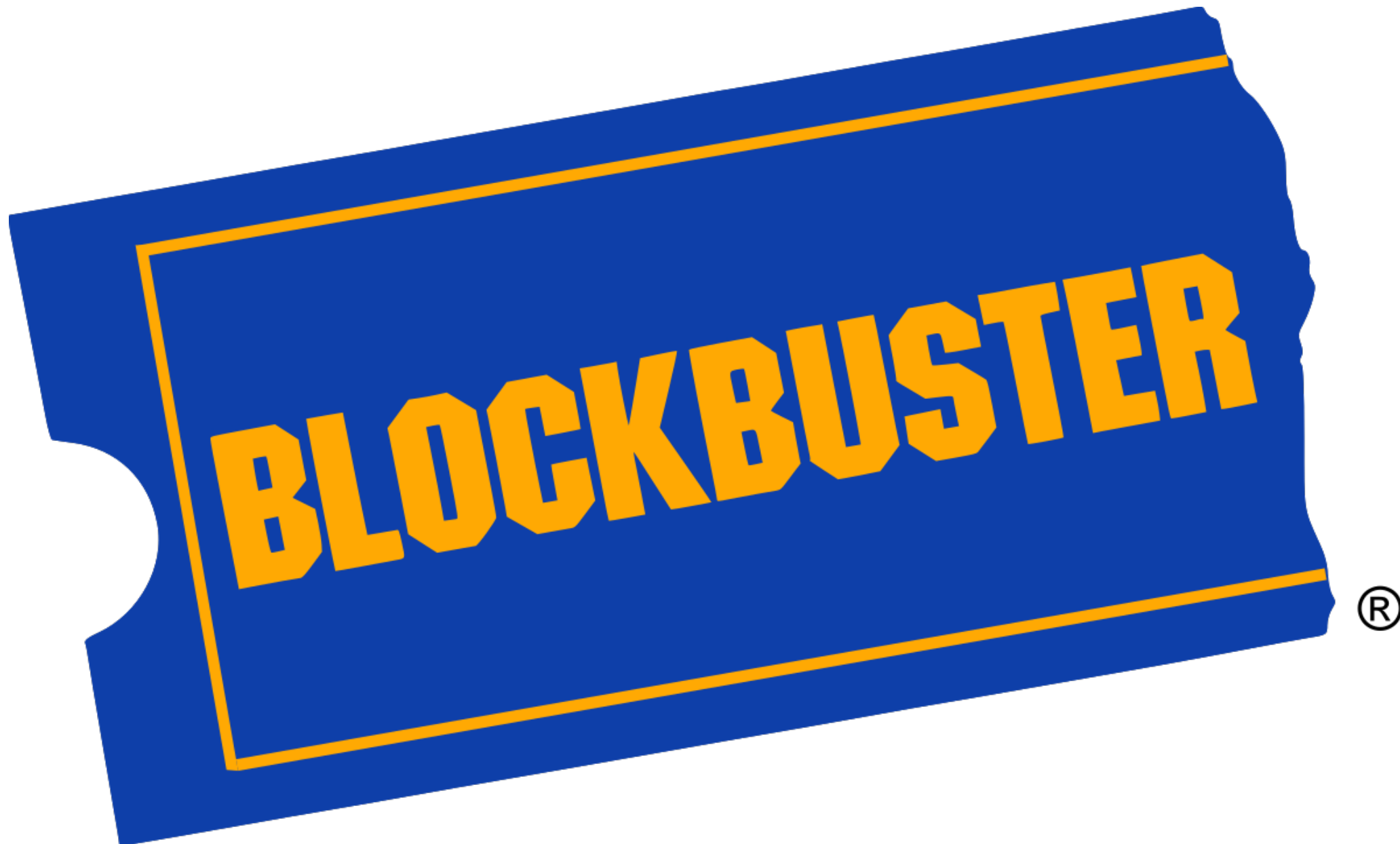


Group Exercise #1

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.

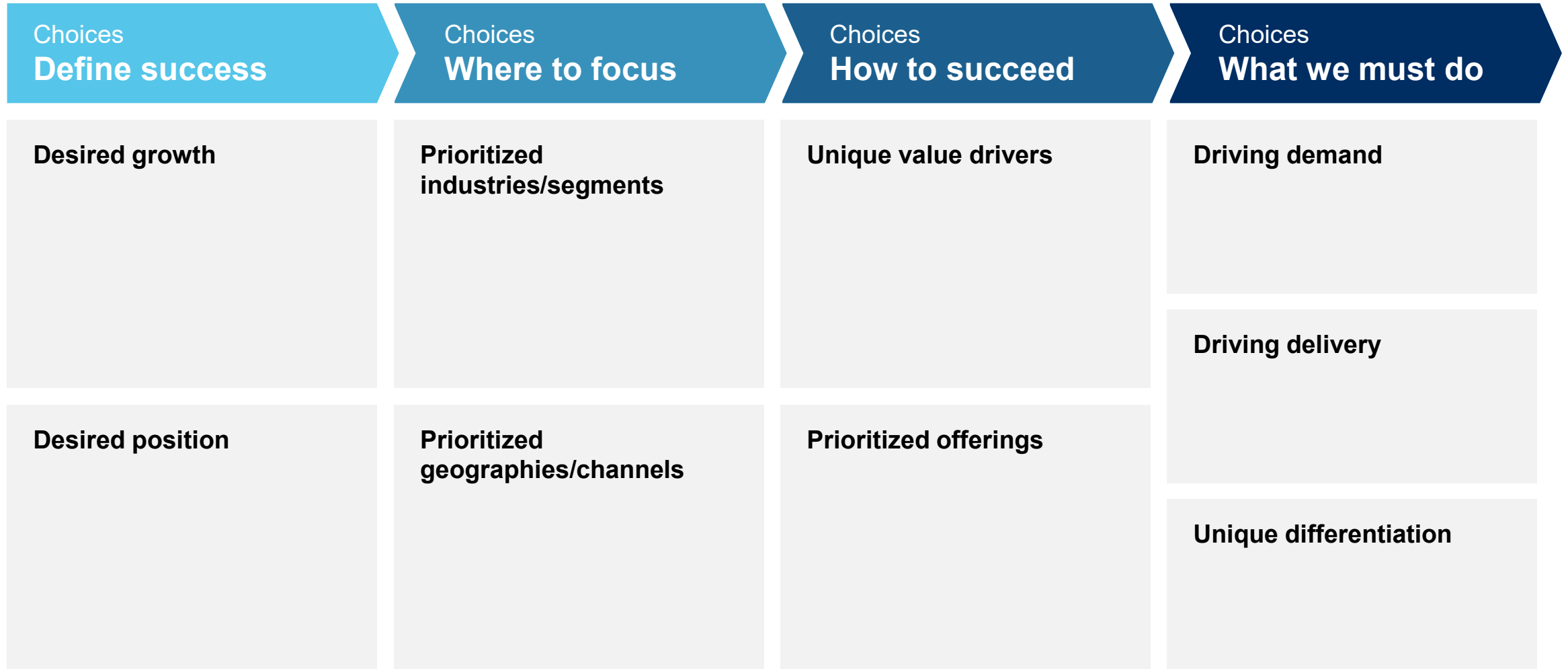


Be unique & valuable

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.

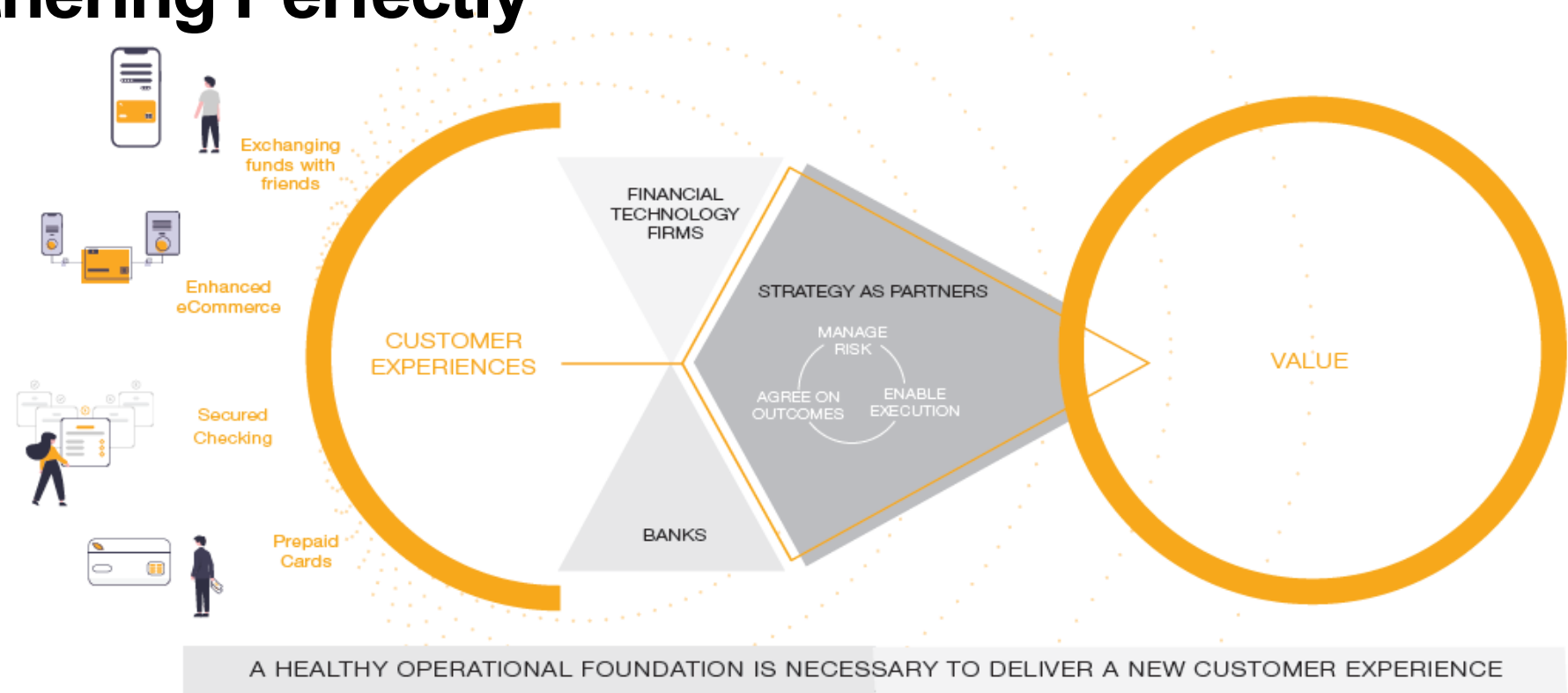


Seek Difficult Capabilities

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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