Advice to Bankers of 1863

Let no loans be made that are not secured beyond a reasonable contingency.

Distribute your loans rather than concentrate them in a few hands.
Treat your customers liberally, bearing in mind the fact that a bank prospers as its customers prosper, but never permit them to dictate your policy.

"If you doubt the propriety of discounting an offering, give the bank the benefit of the doubt and refuse to do so; then, if you still doubt the propriety of doing it, if you have reasonable cause to believe the responsibility, close his account and deal with the individual under the impression that you can prevent him from cheating you. The risk in such cases is greater than the profits.

Pay your officers such salaries as will enable them to live comfortably and respectably, without stealing. Extraordinary remuneration is generally leads to crime. A man cannot be a safe officer of a bank who spends more than he earns.

The capital of a bank should be a reality, not a fiction; and it should be owned by those who have money to lend, and not by borrowers. The capital of a bank should be owned by the management, residing within the control, the creation of a capital, as a capital, within the control of the management, which control is the assurance of their circulation, or any other artificial means, and in his efforts to do this, he confidently expects the co-operation of all the well-managed banks.

"Pursue a straightforward, upright, legitimate banking business. Never be tempted by the pernicious system of 'sacred institutions,' or what may be properly termed under the National Banking Law, 'the sacred, legitimate banking, and 'splendid financiers' in banking are only 'snakes in the grass to common men' or rascals.

It's Game Day!
Game Day
• Anticipation
• Optimism
• Uncertainty

Now it’s Game Time
How To Win?

Moment of Significant Consequence

Moments in History
• First Flight
• Assembly Line
• Amazon.com
• iPhone
• Trump Presidency

Business Economy
Optimism High, But Mixed

Optimistic but Mixed
• Healthcare Reform
• Infrastructure Spending
• Tax Relief
• Trade Agreements
• Financial Regulation
Banking Industry

Optimistic High, But Cautious

Optimistic but Cautious

- Rates
- Yield Curve
- Regulation
- Economy

Our Starting Point

Regulation

Politics

Economy

The U.S. economy remains almost comatose. The current slump already ranks as the longest period of sustained weakness since the Great Depression … will take years to work out.

Among the dislocations: the job drought, the debt hangover, the [banking] collapse, the real estate depression, the health-care cost explosion, and the runaway federal deficit.

— TIME magazine’s description of the dismal state of the U.S. economy

September, 1992
Positioning to Win!

Strong Game Conditions
- Wages (finally) rising
- Unemployment low
- Manufacturing and Non-manufacturing showing acceleration
- Corporate Tax Reform
- Infrastructure Spending
- Regulatory Easing

What Worries the Fans
- Trade Policy
- Inflation
- Strong Dollar
- Banking Regulation

Game Changer
- Artificial Intelligence
- Automation / Robotics versus Jobs
- Service Models

Being Where the Puck... is going to be!
Our Role as Leaders

Inside Our Companies
Outside Our Companies
Inside Our Bank

Leadership

Qualities and characteristics for CEO & C-level company leadership (Top 10)

- Leadership & management style: 17%
- Values driven: 16%
- Oriented to action, execution, results: 14%
- Visionary and long-range thinker: 14%
- Innovative thinker: 14%
- Communications skills: 14%
- Business experience: 14%
- Thinking style: 12%
- Strategic vision: 10%

Note: Total exceeds 100% due to multiple responses

Leadership Traits

Life Long Learners
VISIONARIES
Empathy
Great Communicators
Strategic
INTEGRITY

Leadership Challenges

Looking Ahead

Top 3 organizational challenges for 2025

1. Ensuring a strong work-life balance among your employees and executives
2. Building a diverse workforce
3. Adapting company culture to work and management styles of the Gen-X, the next generation of leaders

Note: Total exceeds 100% due to multiple responses

Leadership Talent

Looking Ahead

- Diversifying C Suite
- Building a diverse work force
- Ensuring work-life balance

As Gen-Xers (born 1965-1976, aged 49-61 in 2025) assume executive positions, they will usher in new corporate cultures and management styles.

A new generation of women executives will hold 40% to 50% of C-level and corporate board positions.

Our Role as Leaders

Inside Our Companies
Outside Our Companies
Inside Our Bank
Representing Our Industry

• Setting Aside Competition to Drive Change
• Invest Politically
• Reputation Protection & Development

Advocating for Civic Initiatives

• The Itasca Project
• New Version of the “Club Table”
• Civic is Greater than the “City”

Giving Back to our Communities

• Growing Jobs and Communities
• Advocating for Volunteerism and Engagement
• Financial Support for Philanthropies

Our Role as Leaders

Inside Our Companies

Outside Our Companies

Inside Our Bank

Employee Engagement

• Future Vision
• Careers vs. Jobs
• Purpose

OUR PURPOSE, OUR VALUES

We invest our hearts and minds to power human potential.

We do the right thing.
We power potential.
We stay a step ahead.
We draw strength from diversity.
We put people first.
Customer Preferences

- Federal Reserve Board of Governors 2016 survey:
  - 87% of adults have a mobile phone
  - 77% of mobile phones are smartphones with internet capabilities
  - 53% of smartphone owners used one or more mobile banking offerings in 2015
  - 28% of smartphone users used mobile payment functions to:
    - Pay Bills
    - Make Internet Purchases
    - Complete In-store Purchases

Customer Preferences

- Changing Behaviors
- Safety / Soundness
- Cascading Wealth
- Increasing Interest Rates

Customer Preferences

Evolution

- Product Innovation and Delivery Channels Across Business Lines
- Invested heavily in marketing, strategy, and data analytics to better understand how customers respond best to new offerings
- “Big Data” use is driving many innovations in product development and marketing strategies
- Industry innovation has also increased competition from FinTech firms that are non-banks
Risk Perspectives

- Changing Demands
- FinTech
- New Skill Sets
- Cyber Security

Risk Perspectives

- Banks' risk profiles impacted by product innovation and business line delivery channel evolution
- Increasing customer demands:
  - Next new product
  - Speed to market
  - Immediate access to funds and in money movement
  - Targeted product development and marketing
  - Knowing habits and anticipating wants
- FinTech firms introducing new and nimble competitors

Risk Perspectives

- FinTech firm competition has made banks better
- New skill sets and disciplines for banking practices:
  - Model Risks
    - Number of models rising dramatically
    - Model complexity is also increasing as models are required to "learn" customer behavior
    - Models are also used in risk management practices
  - Increased dependence on models creates increased level of scrutiny
  - Cyber Security risk spans across all risk management disciplines.

Board Education

Credible Challenge
Education and Training
Strategic Planning
Succession

Board Education

FinTech – A World of Opportunity

- Not a threat, but a complement to the industry
- Helping to drive change in consumer behavior
- Consortiums in place to address industry needs (Zelle)
- Banks have the customers, deposits, security, and regulation
- Looking for opportunities to partner or buy, rather than build

Cybersecurity
Regulator Partnership

- Credible Challenge
- Safety and Soundness
- Strategic Guidance
- Shared Responsibility

It’s Game Day!

Old Fashioned, Simple Banking

New Fashioned, Simple Banking

Advice To Bankers of 1865

- Stay true to our roots
- Be the lifeblood of society
- Work for the betterment of all
- Work together as a full industry
- Balance constituents
- Reflect the correct virtues
- Rebuild our legacy