



American Millennials and Banking

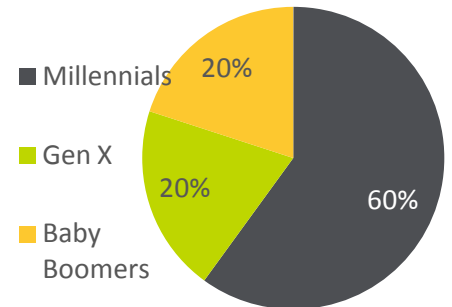
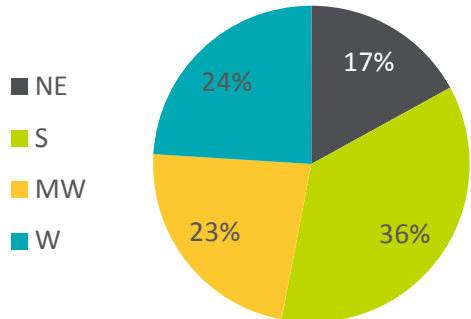
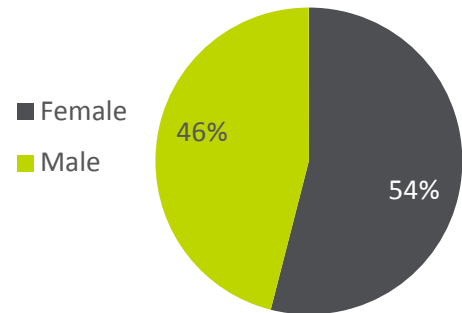
A Cross-Generational Study

Enhanced Topline Report 2014



RESEARCH BACKGROUND

- This research study is part of an ongoing strategy by the Independent Community Bankers of America (ICBA) to understand the changing attitudes, perceptions and behaviors of Americans when it comes to banking and finances.
- In this particular case, the focus is on American Millennials (aged 19-37), but this study has also included sub-samples of American Gen Xers (aged 38-49) and American Baby Boomers (aged 50-68) for comparative purposes.
- A short 10-minute survey was developed by research partners Conversion and strategic partners The Center for Generational Kinetics and deployed online, including mobile phones, to a sample universe of over 1 million Americans using both opt-in and “stream” sampling to provide this study with a robust and statistically accurate end sample size.
- The survey was fielded July 2014 and derived a total sample, post-cleaning, of 1,008 Americans—providing this study with an aggregate margin of error of +/- 3%, 19 times out of 20. The Millennial sample of 597 provides a margin of error of +/- 4%, 19 times out of 20.
- All results are regionally representative as per most recent population estimates.



STUDY HIGHLIGHTS



HIGHLIGHTS SYNOPSIS

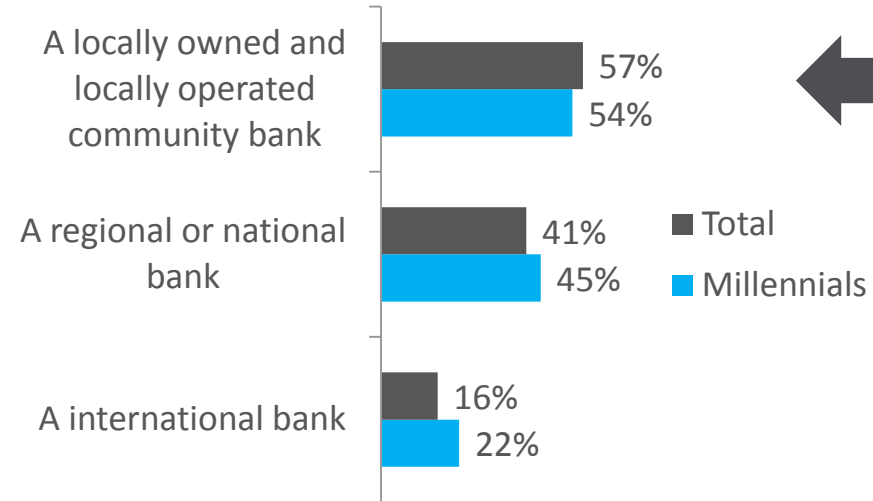
- ❑ This study has revealed the changing face of banking and financial services in America.
- ❑ Antipathy towards Wall Street and larger banks in general, coupled with a Millennial-driven focus on starting up one's own business, is making locally owned and operated independent community banks alluring to ALL generations.
- ❑ In fact, for those currently considering starting up their own business (30% in total, 36% for Millennials) local independent community banks are THE top choice for Americans when looking for a small business loan; truly an impressive and surprising statistic – and one of many found in this study.
- ❑ This study has quantified how deeply important entrepreneurial culture is to the Millennial generation in particular and, in turn, it has identified the great opportunities available for independent community banks to bring this generation HOME to a type of bank one can actually have a relationship with.
- ❑ Millennials are hungry for financial knowledge across the board; filling this need should definitely be a key component of any financial institution eager to engage with this rising population of self-styled entrepreneurs. Make no mistake, this is destined to become a key battleground for banks of all sizes – getting ahead, and staying ahead, of this important shift in the economy is going to be crucial for any bank.



A MAJORITY OF AMERICANS WOULD PREFER TO WORK WITH LOCALLY OWNED AND LOCALLY OPERATED COMMUNITY BANKS TO HANDLE THEIR FINANCIAL NEEDS

- This represents a great opportunity for independent community banks in America as the actual mix of accounts currently held at various types of banks is quite different (65% regional or national banks, 38% locally owned / operated banks and 11% international banks).
- Millennials are interested in learning more about local banks at 52%, vs. 43% and 45% for Gen X and Boomers, respectively.

Q1A,B,C Given the right circumstances, I would prefer to work with _____ to handle my financial needs

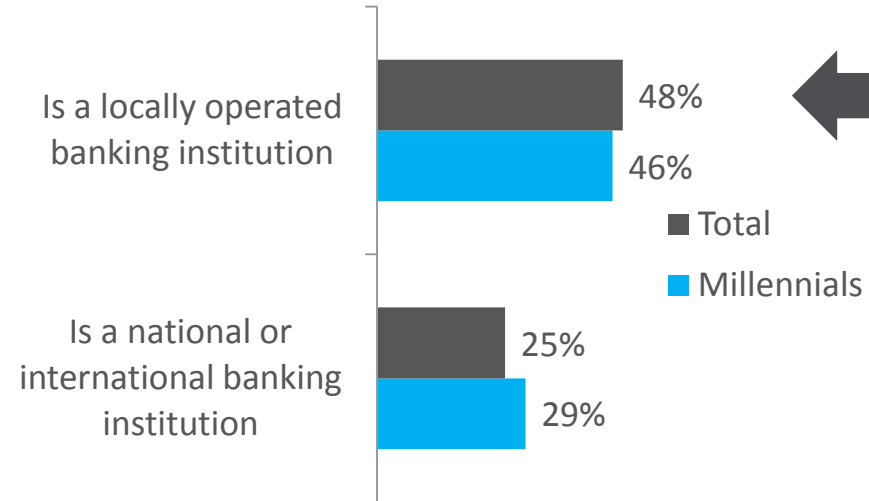




BEING A LOCALLY OPERATED BANKING INSTITUTION IS ALMOST TWICE AS IMPORTANT TO AMERICANS AS BEING A NATIONAL OR INTERNATIONAL BANKING INSTITUTION

- Between trust in Wall Street averaging 13% and, on the flip side of that equation, fully two thirds (66%) of Americans agreeing they “wish relations with banks and financial institutions were more personal,” it should be no surprise that Americans place more importance on a bank being locally operated.
- Still, the fact that locally operated banks perform SO well in this study compared to national and international banking institutions is quite remarkable – and another rallying cry for independent community banks.

Q8LM Importance of ..“Is a locally operated banking institution.”...“Is a national or international banking institution.”

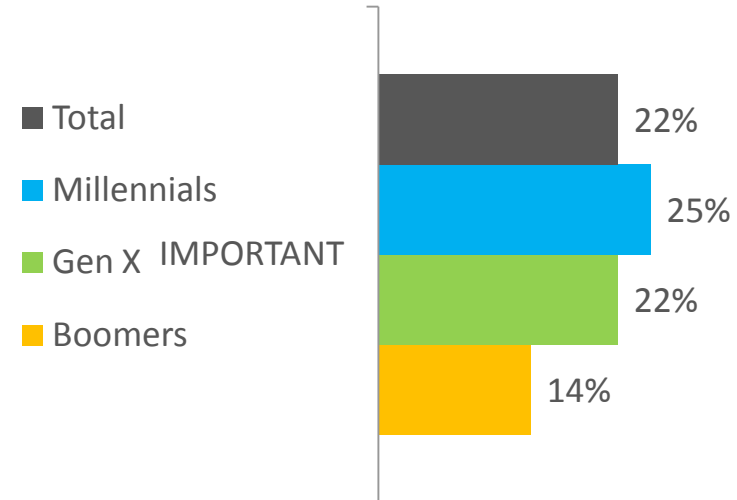




COMPARED TO OTHER GENERATIONS STUDIED, MILLENNIALS PLACE THE HIGHEST AMOUNT OF IMPORTANCE ON A BANK BEING FAMILY-OWNED

- 1 in 4 Millennials, often very brand-focused traditionally, place importance on a bank being family-owned – and are actually leading the charge from a generational perspective.
- 68% of Americans place importance on developing “a relationship with my bank or financial institution” (64% Millennials, 73% Gen X, 74% Boomers)

Q8S Importance of...“Is family-owned.”

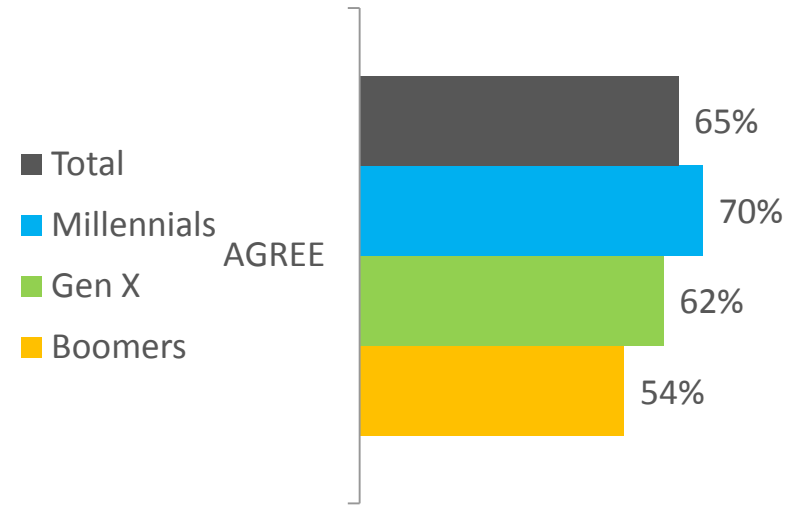




MILLENNIALS ARE VERY THIRSTY FOR FINANCIAL KNOWLEDGE

- There are some in the financial industry who like to characterize Millennials as being not interested in financial knowledge – this should put that perspective on the defensive.
- Entrepreneurial knowledge is VERY important to Millennials, but so is investing and financial planning knowledge. Many are preparing to take the reins of their careers and of their financial health – independent community banks are very well positioned to support Millennials in this quest.

Q1E I wish I knew more about finances in general. Top2box

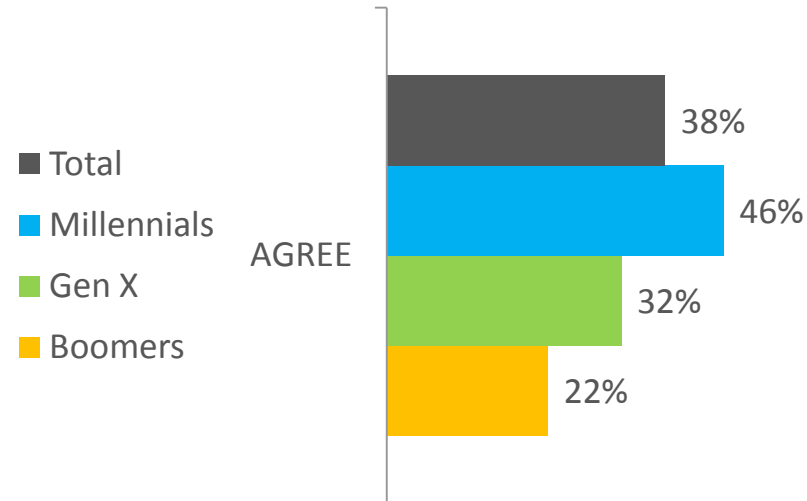




MILLENNIALS ARE, BY FAR, THE GENERATION MOST INTERESTED IN LEARNING ABOUT STARTING UP AND RUNNING A SUCCESSFUL SMALL BUSINESS

- It's not just hearsay or groupthink, Millennials ARE truly interested in entrepreneurial knowledge—much more so than other generations. Some might link this to their relative lack of experience in business as a generation BUT Millennials are actually “out-self-earning” the other generations (see next slide).
- Millennials place less importance on banks that understand “the financial needs and pressures of big business” (45%) than on “understanding the financial needs and pressures of small businesses and entrepreneurs” (53%).

Q1F *I am interested in learning about starting up and running a successful small business.*
Top2box

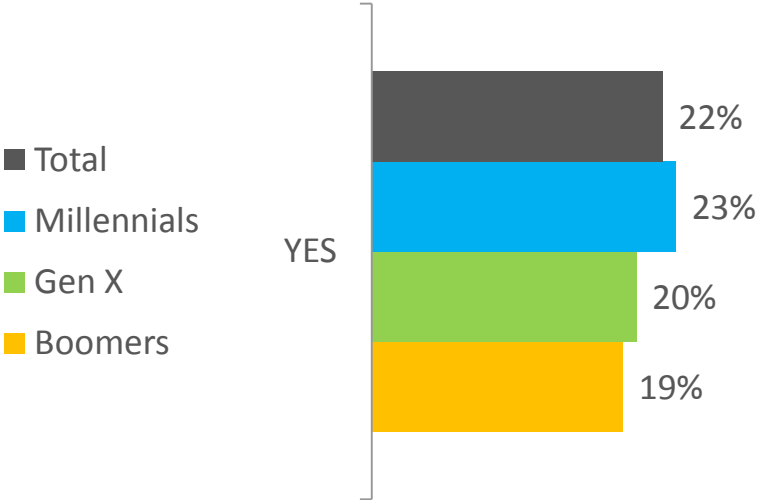


ALMOST A QUARTER OF MILLENNIALS EARN AT LEAST PART OF THEIR INCOME FROM A BUSINESS THEY OWN OR HAVE A STAKE IN



- Millennials, the youngest earning generation in America, is already earning income via entrepreneurial means at a rate that is slightly higher than all other earning generations in America.
- One can only expect that this figure will increase as Millennials mature and become more proficient, and more comfortable, at running their own businesses.
- This represents long-term opportunity for independent community banks as America's chief small business lenders.

Q2 Is some or all of your current income generated from a business (or businesses) you personally own or have a stake in?

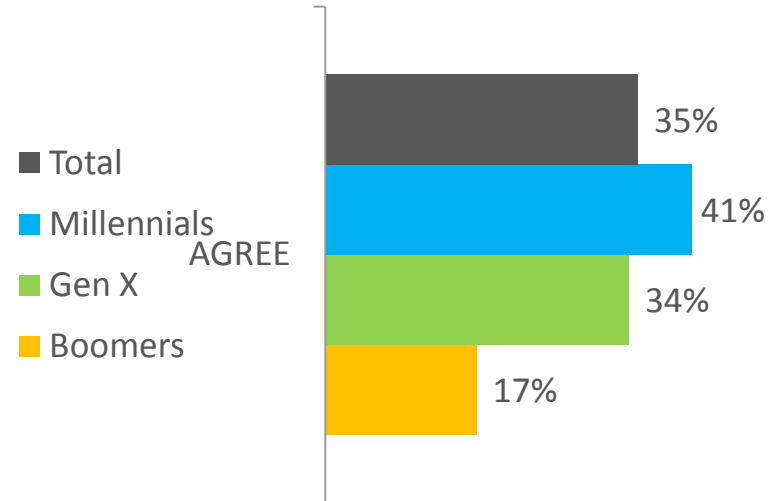




FULLY 4 IN 10 MILLENNIALS ARE VERY INTERESTED IN STARTING UP THEIR OWN BUSINESS – THE HIGHEST OF ALL GENERATIONS

- And the entrepreneurial / small business trend amongst Millennials continues...
- Our experience with Millennials has routinely highlighted their self-starter and DIY zeal when compared to previous generations during their early earning years.
- Part of this has to do with their timing (advent of digiculture), their business heros (many self-modeled mavericks) and a landscape of linked social cues that link “striking your own path”, economically and beyond, to success vs. the “cubicle farms” that Gen X’ers begrudgingly accepted and the “stable career jobs for life ” that the Boomers benefited so greatly from.
- Of course, the slow recovery post-recession also has a great deal to do with this, as does a Western move away from a manufacturing economy .

Q1Y I am very interested in starting up my own business. Top2box

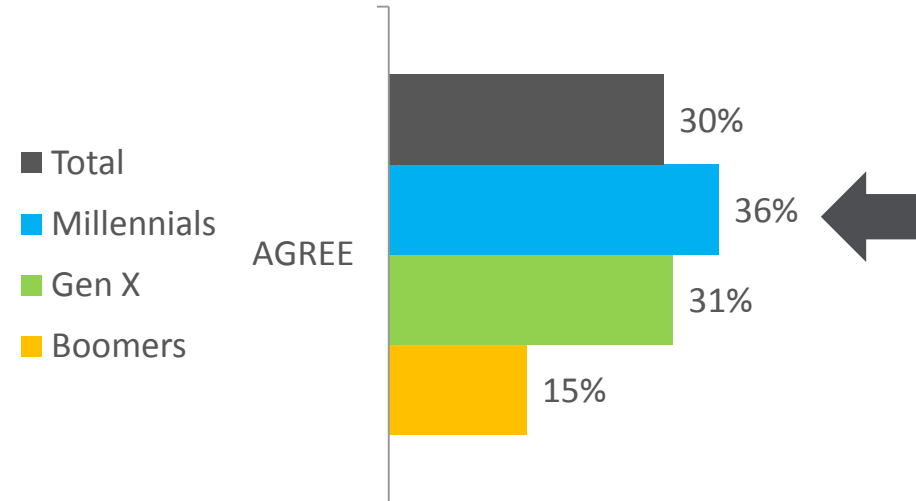




IMPORTANTLY, OVER A THIRD OF MILLENNIALS ARE CURRENTLY CONSIDERING STARTING UP THEIR OWN BUSINESS – THE HIGHEST OF ALL GENERATIONS STUDIED

- This is another blockbuster highlight re: Millennials as MAJOR small business prospects and clients.
- As a whole, this trend is significantly driven by males (37% vs. 25%) and, comfortingly, by those already earning some or all of their income from their own business.
- Urban respondents are significantly more focused on self-starting than their suburban and rural counterparts—39% vs. 28% and 23%, respectively.
- Political affiliation shows negligible impact.

Q5 Are you currently considering stating up your own business? Or, if you already own at least one business are you currently considering starting up another one?

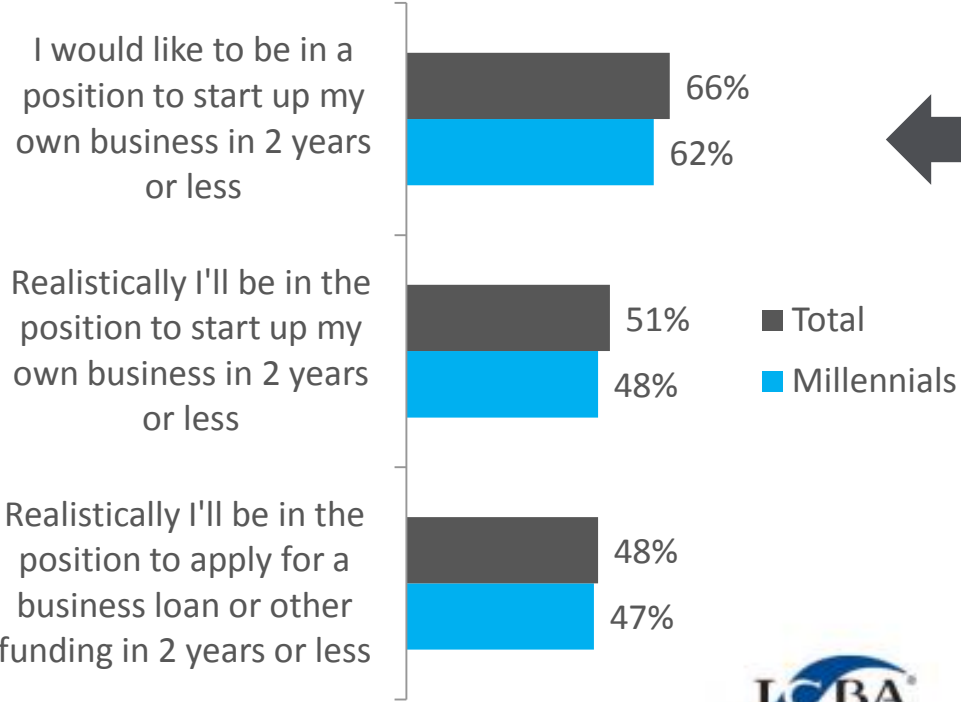


OVER 60% OF MILLENNIALS CURRENTLY INTENDING TO START THEIR OWN BUSINESS HOPE TO DO SO WITHIN THE NEXT 2 YEARS



- The economic opportunity presented to those supporting the entrepreneurially-minded in our society is both significant and imminent.
- Further, even as respondents think about this “realistically,” we still see overall expectations for starting up and, pointedly, finding funding, coming in at the 50% level – that’s a lot of potential self-owned business customers.

Q6,7, 7x1 Timelines for starting up own business – only asked of those who indicated current intent to start up their own business (or start up another business if they already own at least one)

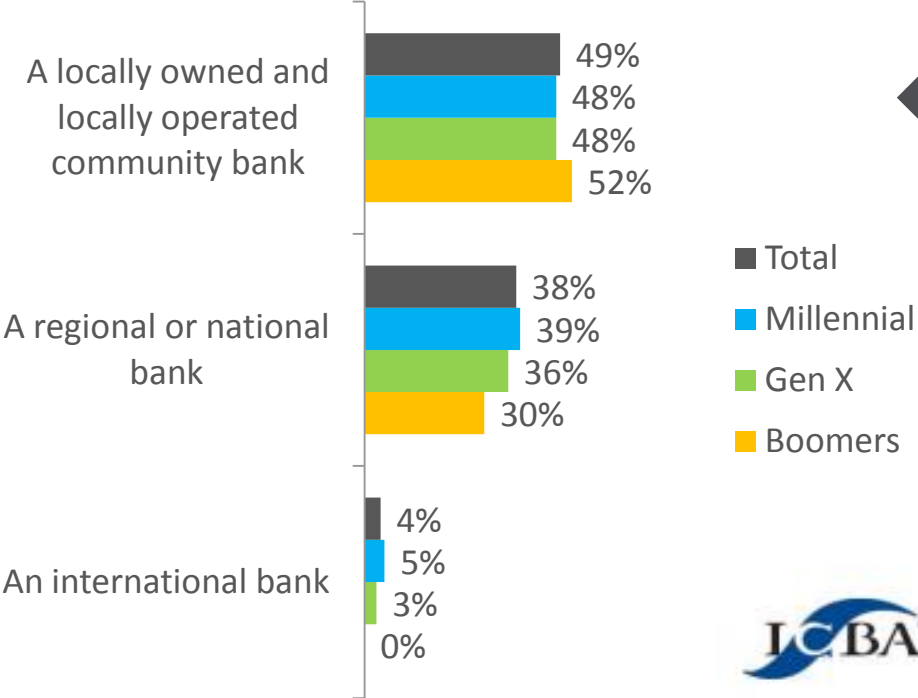


LOCALLY OWNED AND OPERATED BANKS ARE THE FIRST CHOICE OF ALL AMERICANS FOR A BUSINESS LOAN OR OTHER FUNDING



- Surely this will be of interest to the independent community banking landscape, indeed the entire financial industry.
- This trend is driven most by having an account at a locally owned and operating bank in the first place and, in turn, by those who live in a rural area (64% vs. 50% urban and 42% suburban).
- The gap between regional / national banks and locally owned community banks gets a bit tighter as we move into where respondents think they will most likely RECEIVE a business loan from.

Q7x2 Where will you most likely go FIRST for a business loan or other funding? Only asked of those who indicated current intent to start up their own business (or start up another business if they already own at least one)

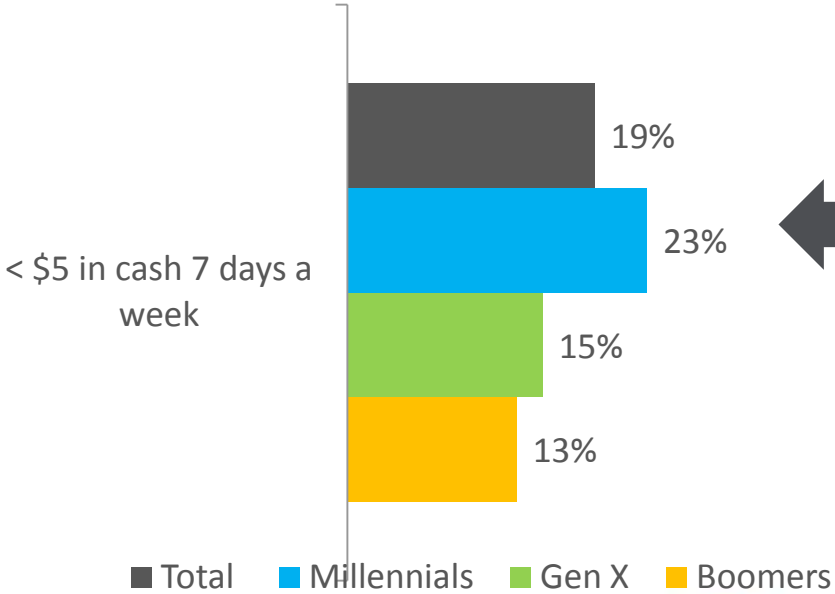


ALMOST A QUARTER OF MILLENNIALS REPORT CARRYING LESS THAN \$5 CASH SEVEN DAYS A WEEK



- Well, we're not a cashless society fully YET...but, on average, 1 in 5 Americans is not carrying much cash, if any, on their person on any given day – with Millennials leading the cash-free charge in a big way.
- Rural and suburban respondents drive this trend significantly as well; more uses for cash downtown.

Q12 On average, how many days per week do you carry less than \$5 in cash in your wallet or purse?



MOBILE BANKING IS EXCEPTIONALLY IMPORTANT TO MILLENNIALS



- To no one's surprise, but still very important as a view to the next level of personal banking, we see the continuing rise of the mobile phone as our culture's most significant and indispensable consumer technology.
- For no generation is this more important than for Millennials; their lives becoming ever more entwined with their cells.
- It's all going in this direction—the world in the palm of your customer's hand.

Q1K *Mobile banking is very important to me.*
Top2box

