CBA QUARTERLY

Second Quarter 2021

The Official Magazine of the Connecticut Bankers Association

NEW NORMAL IN BANKING

IN THIS ISSUE:

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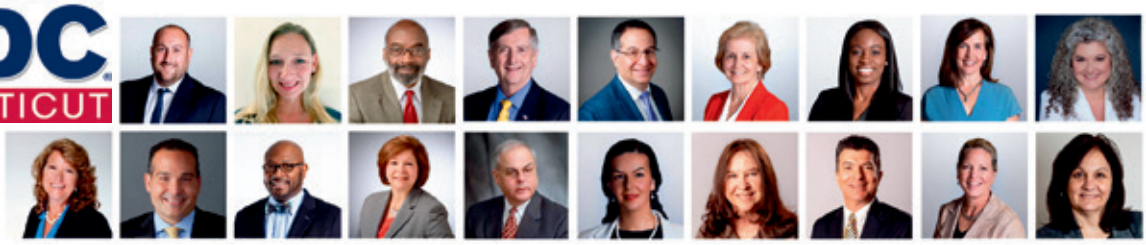

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The mission of the Connecticut Bankers Association is to represent the financial institutions in the state of Connecticut and to serve as the voice of its members in matters of their common interest.

The Connecticut Bankers Association shall support and promote legislative and regulatory actions at the state and federal level that benefit the general welfare of its member institutions, the banking industry and the people of the state of Connecticut.

The Connecticut Bankers Association shall encourage and facilitate the interchange of information and ideas among its members. The Association shall serve the collective needs of its members through development of educational programs and providing cost-effective services.

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CHAIR'S NOTE

Lessons learned from the pandemic

Cynthia (Cindy) Merkle
Chair, Board of Directors
Connecticut Bankers Association
President & CEO, Union Savings Bank

Plato, the ancient Greek philosopher, wrote: "Necessity is the mother of invention."

That proverb comes to mind when I think about how our industry has responded to the pandemic. Connecticut bankers were driven by the innate service attribute to help our customers, assure uninterrupted access to their accounts, and continue to provide them with new products and services…albeit, in a different way.

The pandemic challenged us to respond innovatively and pushed us to do so expeditiously. The questions that we must now ask ourselves are: What worked? What didn't? What do we keep and what do we leave behind?

As COVID-19 engulfed us, there was an initial "scramble" to keep things operational and stabilize our environment. Thankfully, many banks had either already instituted or been working on digital capabilities that strengthened their pandemic response.

Contactless and instant issue debit cards offered another layer of safety at the point of purchase and quicker access to customer accounts, when needed. The use of virtual meeting platforms not only provided "facetime" opportunities among bank management but also kept us connected with our employees as many worked from home to stay safe.

Technology enabled us to expand our call center capacity, which to no surprise experienced unprecedented volume. Employees working from home were able to field calls remotely in a seamless manner. We also accelerated the conversion from desktop to secure laptop operating systems. Of course, online and mobile banking, ATMs and ITMS, and the tried-and-true drive-up windows provided our customers with uninterrupted access to their accounts, and reinforced that banks never closed and were there for their customers.

Connecticut bankers were resilient, decisive, and effective. Stated simply, we stayed connected. Internally and externally. Of course, as with change of any kind, there were challenges.

Working remotely made it hard to maintain a collegial, team-based operating culture. Pre-pandemic, we often bemoaned the countless meetings that filled our schedules and the daily interruptions; now, we craved some "live" time. And although the virtual meeting platforms allowed us to see each other, it also made us a bit too accessible, causing virtual meeting overload. We found that remote working at times extended the workday presenting a challenge to work/life balance and contributing to fatigue.

Supporting the community in the way that banks have done so traditionally…the combination of time, talent, and treasure…was difficult. Nonprofits were hit hard by the pandemic as they pivoted to address escalating community needs in a locked-down environment. Connecticut bankers were there with funding, but the missing ingredient was in-person volunteering. Yet we found creative ways to continue to help these organizations when they needed us. And we still do.

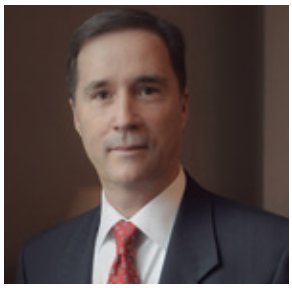
So, what next?

We've learned that communication is key, that our industry has gotten better at it, and that it must continue.

Moving forward, it is imperative that we complete an assessment of the pandemic-related changes we've made to determine what should stay, what should go, and what else is needed…and include our employees' voices in that assessment.

Specifically, we'll need to define what back-to-work looks like: the right combination of safe in-office and remote working, which may become a hybrid that best meets our customers' needs and expectations while offering flexibility to, and empowerment of, our team members.

We adapted, changed, and learned from this pandemic. Let's not lose that. I'm sure that the Connecticut banking industry is better because of this experience.



From the President's Desk

As the state continues its re-opening since more than a year of pandemic restrictions, we can now look ahead to what a transition to normal business operations might look like. With that in mind, our newly formed CBA Quarterly Editorial Advisory Board selected "The New Normal in Banking" as the theme of this issue.

While our industry is ahead of the curve in planning and dealing with the return to work, questions continue about how we, our customers, and other businesses will react in the short and long term to the easing of restrictions. We've seen the restaurant and hospitality industry struggle with getting employees back to work, due to unemployment benefits being more attractive than regular wages. Remote working appears here to stay at different levels for different industries. Commercial landlords and their creditors are closely watching and hoping for office spaces to reopen. And what will those offices look like, if and when they do reopen, with health and safety taking a priority when redesigning work space? With vaccination rates in Connecticut well over 80% and heading towards that magic "herd immunity" number, we're all hoping that will have a positive impact to keep everyone safe, while driving the state's economy forward. At the same time, the Covid variants, particularly in the Midwest, may slow or reverse the relaxation of restrictions in certain states. This is likely why Governor Lamont continues to seek extension of his emergency powers, and the elimination of all restrictions may take longer than we think.

From a data perspective, industry surveys, both internal and external, indicate that workplace flexibility will be increasingly important going forward. As is no surprise, during the pandemic, the percentage of US bank employees working at least partly from home nearly doubled, according to a survey by American Banker. That survey also showed that seven in 10 bank employees believe their employer will allow some workplace flexibility in the future. Meanwhile, a separate survey of bank executives by Accenture found that nearly 80 percent would prefer their employees to spend up to four or five days in the office after the pandemic ends. At the same time, nearly two-thirds of bank executives say their companies will reduce their office and branch space over the next nine months.

Whatever model or methods are chosen, all banks recognize that this is a relationship business and that fostering those relationships with customers and businesses is crucial, whether that is achieved in-person, virtually, or by a combination of the two. You'll find many of the above questions, challenges, and related opportunities covered in the pages of this edition of CBA Quarterly.

As for the CBA, all team members are back in our office in Farmington and working to carefully transition back to in-person events for the membership. After that long hiatus, it's clear that member banks are looking forward to the collegial atmosphere and benefits that face-to-face meetings bring.

We've seen just that at the CBA's first in-person event at the New Leader Awards reception and banquet on June 10th at Mohegan Sun. Bank leadership, New Leader Award recipients and their families gathered in a long overdue and celebratory occasion. Seeing each other in person highlighted how much we missed our personal interactions and networking opportunities.

Also held the very next day, was the six-month delayed BankWorld trade show at the Mohegan Sun, which finally allowed bankers to engage with vendors and service providers and see the latest products for themselves. Thanks go to our partner, American Business Media, for making this event a success, while ensuring expected safety protocols. Look for the "new normal" 2022 BankWorld coming up in just six months on Jan. 14, 2022.

Our signature talent development offering, the Connecticut School of Financial Management (CSFM) held its in-person graduation of 44 students on June 23rd, and will return to its three-day in-person resident session this September at the Trumbull Marriott.

Of course, we are happy to report that the largest event of the year the CBA's 122nd Annual Meeting & Conference, will take place in-person from October 14-17 at The Broadmoor Resort, in Colorado Springs, CO. The CBA recently sent out its Annual Meeting & Conference brochure and there are still a small number of rooms available. This is an event and location that senior management, directors, and associate members won't want to miss.

As the CBA rolls out its fall programs, you'll see a steadily increasing number of in-person events. However, with our newly developed ability to offer virtual programming via Zoom and other platforms, we will continue to select certain events to be held virtually for ease of attendance, the wishes of regulators, and, when we move towards the winter months, weather conditions.

As we remain hopeful that we can put the pandemic and its restrictions into the rearview mirror, the CBA looks forward to seeing all our members again at educational programs, networking events, fundraisers, and other social gatherings. It has been a long time coming and now that the clouds are starting to clear, we can all look forward to brighter days ahead.

Thomas S. Mongellow
President & CEO
Connecticut Bankers Association

Biden Regulatory Priorites Start To Emerge

Art Corey
Vice President & General Counsel
Connecticut Bankers Association

As we move past the first six months of the Biden presidency, the administration's regulatory priorities for the banking industry are taking shape. Though few initiatives have been formalized, it seems clear that the federal bank regulatory agencies ("Agencies") will likely return to, and possibly even expand, the more progressive regulatory approach of the Obama administration.

Agency Leadership

The administration's nomination of Rohit Chopra to lead the Consumer Financial Protection Bureau suggests the Bureau will assume the type of aggressive consumer protection posture last seen under Richard Cordray, the Bureau's first Director. Chopra, currently serving as Commissioner of the Federal Trade Commission, was an assistant director and student loan ombudsman at the Bureau under Cordray. He also helped Senator Elizabeth Warren (before she was a Senator) set up the Bureau. Under Chopra's leadership, we are likely to again see frequent multi-million-dollar enforcement actions from the Bureau. The Bureau is also focused on providing Covid-related relief to homeowners and was expected to issue a final rule amending RESPA's Regulation X in July.

At the FDIC, the picture is a little more interesting, with politics likely to surround the setting of the agency's agenda if Chair Jelena McWilliams, a Trump appointee, stays on the Board (as of the writing of this column, she planned to serve out her term, which ends in 2023). McWilliams will have to navigate a shift in the Board to the left, however, with Democrats holding a majority of the Board's five seats. Earlier this year, Obama-appointee Martin Gruenberg was joined on the Board by the acting heads of the CFBP (Dave Uejio) and OCC (Michael J. Hsu), who were appointed by the Biden administration. (The CFPB and OCC have permanent seats on the Board.)

At the OCC, it is unclear whether Hsu has a leg up on the permanent position, but Biden is under a lot of pressure to choose a Comptroller who will play a key role in addressing diversity, equity, and inclusion issues.

Biden is also under considerable pressure from the left side of his party to replace Fed Chairman Jerome Powell, whose term expires in February of 2022, with a progressive nominee. While the party's progressive wing acknowledges Powell's leadership in shaping the Federal Open Market Committee's maximum employment strategy to one that brings benefits to low- and moderate-income communities, they don't think he has gone far enough. Biden is also under pressure to find a nominee who will focus the Fed on climate change risks.

Competition

On July 9, President Biden issued an executive order ("Order") that fulfilled a campaign promise to promote competition in the banking industry. Biden has been critical of bank mergers and in the Executive Order encourages the Agencies to bring greater scrutiny to their review of merger applications. The White House said in a statement accompanying the Order that bank mergers had disproportionately affected "communities of color and rural areas." The statement also said: "Excessive consolidation raises costs for consumers, restricts credit for small businesses and harms low-income communities."

The Order also encourages the CFPB to issue a rule that would allow customers to more easily switch banks by facilitating "the portability of consumer financial transaction data …." How that suggestion will be interpreted by the CFPB is unclear at this point, but it sounds like it could be a heavy lift for banks from an IT perspective.

Diversity, Equity, and Inclusion

CFPB Acting Director David Uejio recently wrote that racial equity will be among the CFPB's top priorities, and that fair lending enforcement will also be a major focus. He has asked the CFPB's division of research, markets, and regulations to prepare an analysis of barriers to racial equity in consumer finance that will be used in determining future rulemaking priorities.

The Community Reinvestment Act (CRA) will certainly come under increased scrutiny by the Biden Administration. As a candidate, Biden promised to expand the CRA to apply to mortgage and insurance companies. He also proposed adding a requirement for financial services institutions to provide a statement outlining their commitment to the public interest. Candidate Biden also vowed to close what he described as loopholes institutions may use to avoid lending and investing in certain communities.

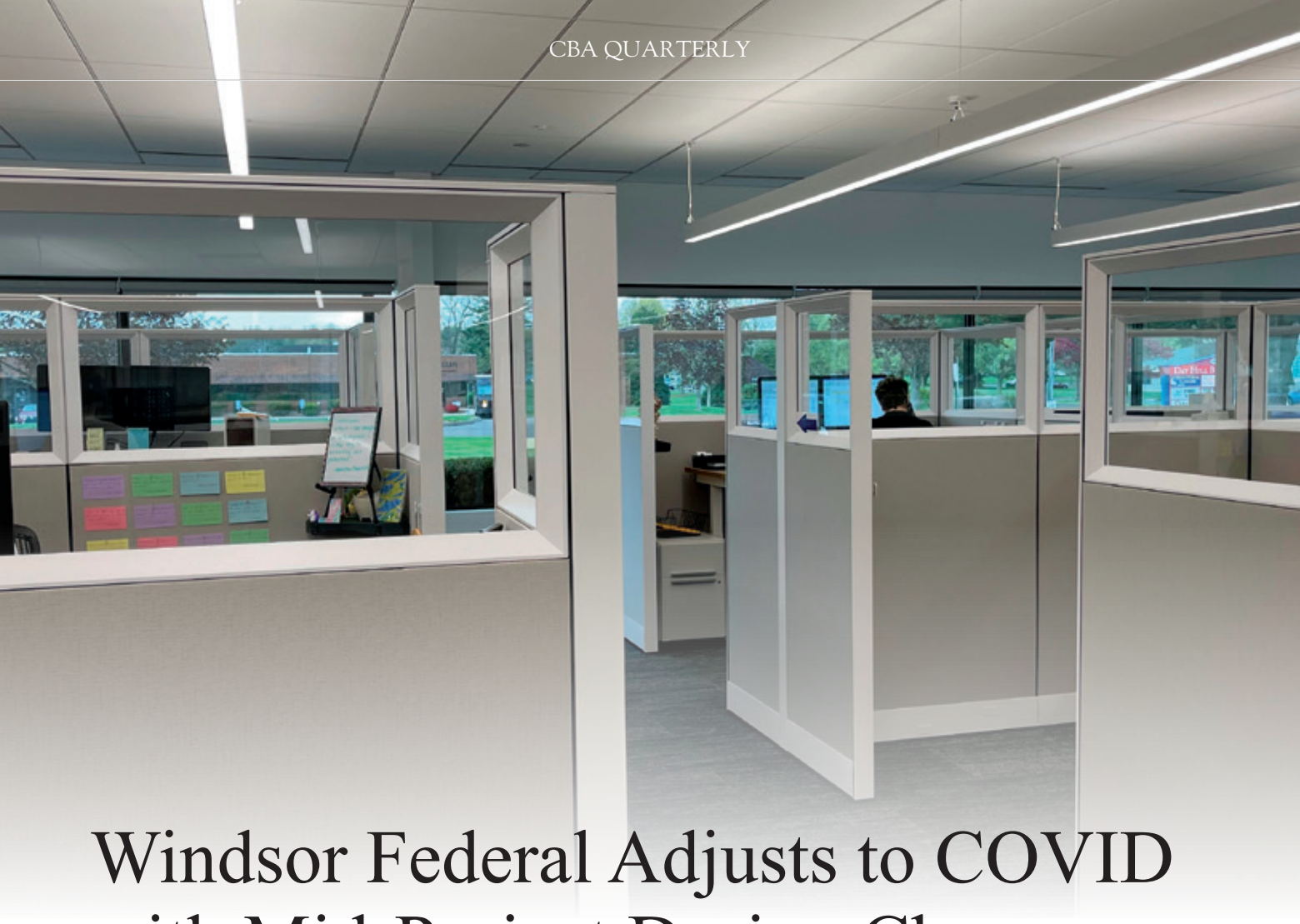
With regard to CRA modernization, Fed Chair Powell said in a recent speech to the National Community Reinvestment Coalition that he wants to see the Fed partner with the OCC and FDIC to update the Agencies' CRA rules. The OCC announced on May 18 that it was "reconsidering" its June 2020 final rule on CRA modernization.

Climate Change

The Biden administration and the Agencies are also likely to focus on the impact of climate change on financial institutions. On May 20, President Biden issued an Executive Order on Climate-Related Financial Risk for the federal government, which suggests this issue will be a top priority. Indeed, the Agencies have already begun to prioritize climate change risks. Last December the Federal Reserve announced that it had joined a global coalition of central bankers and regulators to address the risks presented by climate change for the financial sector.

In a statement issued at the conclusion of his first day on the job, Acting Comptroller Hsu said, "Climate change poses new risks and challenges for banks, and we need to make sure they understand those risks and are capable of managing them." FDIC Chair Jelena McWilliams issued a statement on March 31 solely focused on climate change. She said that "FDIC supervisors have long expected financial institutions to consider and appropriately address potential

Continued on page 26



Windsor Federal Adjusts to COVID with Mid-Project Design Changes To Promote Health and Safety

By Susan Kiddy, Communications Officer, Windsor Federal Savings

George Hermann, President & CEO of Windsor Federal, announced plans for a new administrative office building to bank employees at their November 2019 annual meeting. He shared a vision of a collaborative, open-space design which would be housed in the former Branford Hall Career Institute building at 995 Day Hill Road in Windsor. The floorplan was the product of a collaborative effort between the personnel that would occupy the building, per insight collected through internal surveys and wish lists, and the design team at Hartford-based Tecton Architects.

A few short months later, just as renovations got underway, COVID-19 hit. As not much was known about the virus at the time, the team dove into researching and went back to the drawing board to determine where and how to implement the best safety features with the health of employees at top of mind. Despite design challenges and delays in sourcing materials, Windsor Federal welcomed employees to the new building at the start of this year.

Careful consideration was given to the building's design and safety features, from floor to ceiling, while remaining true to the intended collaborative feel. Flooring was upgraded to Kinetex, which is easily sanitized and commonly used in healthcare settings. Workspace partitions, initially planned to be four feet tall, were raised to six feet and feature microbial fabric wraps and glass screens to allow for both protection and natural light. Bathrooms feature touchless sinks, toilets, and soap and paper towel dispensers. A water line upgrade was necessary to install auto-flush toilets. Wide halls provide space for employees to pass each other comfortably, and arrows on walls designate one-way walkways. Handwashing sinks are located just inside the employee entrances and hands-free sanitizing stations are placed throughout the building. Closet doors feature anti-microbial hardware finishes and elbow pulls for hands-free opening. Sanitizing wipes are located in common spaces for employees to wipe down appliances like copy machines and the microwave after use. In addition to installing MERV 13 filters in the HVAC system, every workstation has its own desktop HEPA filter for additional protection.

As the state continues to reopen with more people being vaccinated and

restrictions lifting, construction is resuming in the board room, training room, and lounge that were left unfinished due to the uncertainly around the pandemic and how post-pandemic life would look. Hermann recently addressed employees with this news, expressing that he is eagerly awaiting the full completion of the space and being able to welcome them and board members to in-person meetings, training events, and gatherings.

Windsor Federal anticipates a return to normal operations around Labor Day; around half of the staff has been working remotely. While things around the office return to a semblance of "normalcy," the precautions we've been practicing over the past year are sure to remain, like washing hands, sanitizing surfaces, and being more vigilant about one's – and each other's - health overall.

Providing employees with a healthy and safe environment in which they can thrive has always been top priority for our organization, and we are even more sensitive to meeting those needs after the experiences of the past year. We want our employees to feel comfortable coming to the office every day. The investments made in safety features have resulted in a more secure and functional work environment than we envisioned and gives us peace of mind as we navigate through the remainder of the pandemic and beyond.

Susan Kiddy is the Communications Officer at Windsor Federal. She is responsible for internal and external communications as well as marketing support. She has been with the bank for three years and was named a 2020 New Leader in Banking.

Business Almost as Usual

How Westfield Bank is Navigating the 'New Normal'

By Jim Hickey, Special Contributor

Westfield Bank has faced plenty of adversity in its 168-year history, including wars, economic crises, and other momentous events. The coronavirus pandemic has been the bank's most unique test in current times experienced by management, employees, and customers.

Perhaps most challenging is the fact that there was really no precedent for a health crisis of this magnitude in our modern global economy. The last pandemic occurred over 100 years ago, but so much has changed in terms of the business climate and healthcare advances since 1918. Further complicating matters was the fact that so much was unknown at the outset and information was changing quickly as the outbreak progressed and spread from country to country.

"We knew the pandemic had the potential to create economic challenges, so the first step we took was to activate plans we have in place to manage capital and liquidity effectively through emergencies and business disruptions," said James C. Hagan, President and Chief Executive Officer. "We were unsure of the extent of the economic impact, and we wanted to be prepared."

In the early stages of the outbreak, the bank's senior management team developed a plan to deliver banking services that kept customers and employees safe and complied with all CDC and state guidelines—no small task amid a healthcare crisis that was developing rapidly.

"The Bank's top priority has always been the safety of its customers, employees, and communities," said Kevin C. O'Connor, Executive Vice President and Chief Banking Officer. "It was clear that mitigating the spread of COVID-19 required limited personal contact, face coverings, and increased sanitization efforts, so we made the decision to close our branch lobbies in mid-March of 2020, while we took steps to make changes to our lobbies, platform and teller areas, including ordering equipment and signage, and installing safety glass, all part of a comprehensive plan to keep all of our employees and customers safe."

As the pandemic evolved, the bank became actively involved in helping local businesses secure Paycheck Protection Program (PPP) Loans. Its commercial lending team worked tirelessly, underwriting 2,046 loans totaling over $294 million and offering loan deferrals to borrowers in need.

"I am so grateful for the hard work and dedication of our employees during the pandemic," said Hagan. "They rolled up their sleeves, worked long hours, and went above and beyond to help customers secure PPP financing."

With traditional in-lobby banking limited to appointment-only temporarily, the Bank began a heightened campaign to communicate the convenience and safety of its online and digital banking products, offered expanded services at its drive-up windows, and provided online tools to help educate customers on services like online banking and bill pay, mobile banking, mobile wallet, Zelle®, WB CardControl, and more.

"What became clear early on was the value of the bank's investment in our digital banking platform," said O'Connor. "Adoption and usage rates for digital banking services among customer segments that had not previously banked that way have increased dramatically and we are receiving positive feedback from these customers about how much they enjoy the convenience and ease of digital banking."

The bank continues to monitor activity trends of traditional and digital channels. And through its latest "Bank your way" campaign, it reiterates the importance of customers banking the way they are most comfortable—whether that's in-person, online, or via its mobile banking app.

"Prior to the pandemic and since its onset, we have continued to invest in digital banking channels to meet customer needs. As we move forward, we want our customers to know that they can bank with us the way they feel most comfortable—whether that's in-person or via technology," said O'Connor. "Our lobbies are fully open with safety protocols in place and our digital banking platform offers customers the ability to conduct their banking on their own schedule."

Hagan said he remains optimistic about the future.

"These have been trying times, but the resilient spirit that defines the communities we serve will help us as we navigate the new normal. I remain confident that we'll emerge from this crisis stronger than ever and with a deeper appreciation for what's truly important—friends, family, and community."

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New Normal for Banking: Faster Shift to Digital Services

By Sean Carter, CEO & President, NEACH Payments Group

A year ago, every aspect of everyday life, including banking, began facing a challenge not seen in a century. The COVID-19 pandemic forced businesses to go remote, consumers to stay home, and financial institutions to limit in-person activity. At the time of this writing, the COVID-19 numbers are back on the rise, but there is a sense that with the vaccines more readily available that we are closer to getting back to a "new normal".

What does "new normal" mean for banking? We know that consumers and businesses had to operate differently due to the pandemic as evidenced Nacha's announcing an increase of over 2 billion transactions in ACH items from 2019 to 2020. According to a study[1] done by the Center for Payments™, there were services being offered in 2020 due to the pandemic that may not have otherwise come to light. The theme in all of the services that were offered is that they are electronic payment types. Writing and receiving paper checks was not an option for some in 2020 and the shift to electronic payments became necessary.

As a result of branches being closed or operating on a limited basis, we also saw a shift to digital account openings. The Center for Payments™ study found that 64.1% of respondents had planned to add online account opening in 2020. However, 33% had planned to add the service, but accelerated the program roll out due to COVID-19. Out of necessity, a small number of respondents added the service as a result of the impacts on branch activity due to the pandemic.

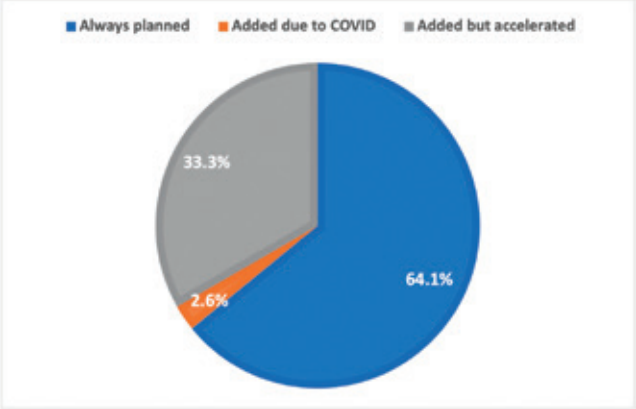


Exhibit 1 shows the effect of COVID-19 for adding Online Account Opening for consumers in 2020.

Source: DIGITIZING PAYMENTS: The Online Account Opening Experience conducted by the Center for Payments™, 2020.

The research also indicates the barriers to adding the service, see Exhibit 2. Not surprisingly, the risk involved was the highest response, however, technology, cost and staff resources registered a reasonable percentage.[2] In fact a small percentage of the financial institutions that stated that they don't offer online account opening previously did offer the product. The survey does shed some light on how the risks can be managed and identifies what financial institutions are doing to combat the risks.

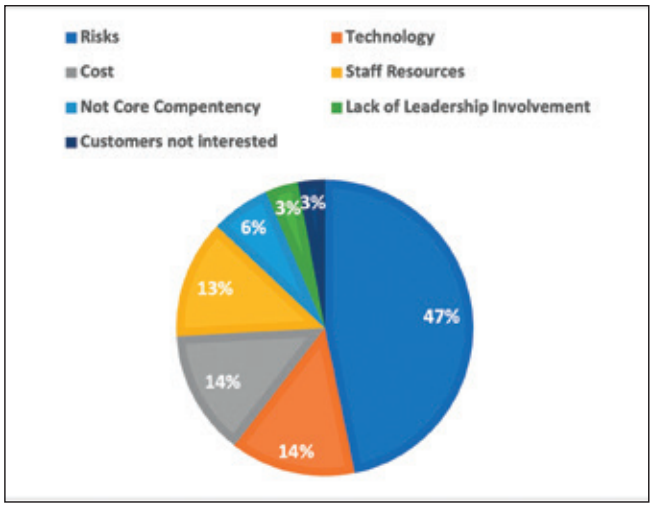


Exhibit 2: Barriers for organizations who are not currently offering consumer online account opening.
Source: DIGITIZING PAYMENTS: The Online Account Opening Experience conducted by the Center for Payments™, 2020.

The data seems to indicate that financial institutions of all shapes and sizes moved online account opening to the front of the line because of the pandemic. How does your institution match up with these respondents? In addition, after seeing these results, do you change your thinking about the importance of consumer online account opening? Finally, after seeing the obstacles, how does one overcome them if you want to move ahead?

Online account opening is just one example of a service moving from in-person to electronic. Many of the issues faced offering this service will echo with other services. Lessons learned from the COVID-19 pandemic could include that it's better to confront the overarching issues now, get one service out there, and use the knowledge gained from the experience to make the second and third easier to implement. The services that were on the 'nice to have' list have moved to the 'we'd better get them' list.

There is a strong chance by the end of 2021 we will reach enough immunity that the "new normal" can be achieved. The pandemic may have fundamentally changed how business is done as well as the expectations of the public. The shift to electronic payments and digital account openings may be part of the new normal.

After such a world altering event it's unlikely that things will go back to the way they were. We all have adapted in different ways and now have to see how our payments strategy will evolve to be successful in the "new normal".

[1] *The survey centered primarily on Online Account Opening, however, it mentioned other newly offered products and services. There were 525 participants from across the country. They included banks (62%), credit unions (33%), savings banks (4%), and other (2%) in asset size from under $500 million to $5 billion or more. The largest respondent functional area was overwhelmingly Operations (74%), followed by Risk Management/Fraud (36%), Product Management (30%), Compliance (28%), among others.*

Respondents listed multiple answers for this question.

The Loyalty Factor: Translating Relationships into Non-Interest Income

By Achim Griesel and Sean Payant, Haberfeld

2020 challenged our industry in ways previously unknown. We began the year expecting our biggest challenge would be continued growth of deposits at reasonable rates. Today, we are faced with three challenges: a prolonged low-rate environment with continued margin compression, keeping branches open and serving our communities, and an increasing number of customer transactions moving to the digital arena.

Much has been written lately regarding the validity of the branch in the current environment. Has community banking been changed forever based on consumers' digital behaviors? Possibly. Is some of this for the best? Definitely. Does the branch still have value? Absolutely! Unless your strategic plan is to shutter your branches and vacate your communities, we encourage you to keep reading.

Margin compression is real. So, what can you do? You can offset a portion of it by shifting your deposit mix toward low- or non-interest-bearing deposits. Adding long-term, low-rate deposit relationships should always be the foundation of any strategy, and community bank data shows your branches are the key to shifting your deposit mix.

While new core relationships are strategic in managing and maintaining your margins, they are also a key driver of additional non-interest-income (NII); this is a critical component in the shorter term. Financial institutions must increase their NII to offset some of the challenges on the interest income/margin side. To accomplish growing those new relationships you must do three things.

1) Add new customer relationships into your organization
2) Serve all of your customers better than any other financial institution
3) Make them loyal customers by increasing relational intensity

The Loyalty Factor

Adding more relationships should be data driven, and the data shows the checking account and the branches are key. Looking at data from over 100 community-based financial institution, and over 2.5 million households/businesses illustrate this point.

The vast majority, or 72%, of consumer and business relationships at community financial institutions begin with a checking account.

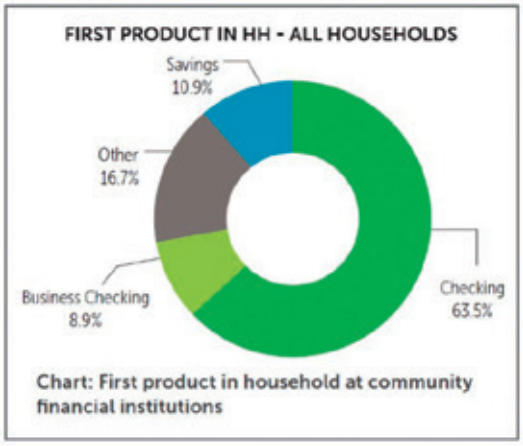


Chart: First product in household at community financial institutions

In other words, the checking account provides the best opportunity to ***create customer loyalty;*** it is the gateway to primary financial institution (PFI) status, allowing your bank first right of refusal on other products and services 68% of the time.

Even during the pandemic, and with limited access to branch networks, client data shows over 90% of new PFI relationships have come through branch channels (in-person, appointments, drive-thru, telephone). The value of your branches cannot be ignored.

The more customer loyalty you build, the more interest income and NII they generate. With consumer and business customers having almost six products and services with their PFI – the math works. Most importantly, the more loyal customers you have, the better your bank will perform now and in the future.

Segmenting data from several million customers based on their tenure with the community financial institution shows that loyal customers, over their lifetime, generate dramatically more NII.

In addition, annual NII contribution peaks once customers have been with their PFI for a few years. Further analysis of the data explains why the checking account revenue stream does not continue to grow. It is driven by customer age demographics. In general, more mature customers tend to drive more checking deposits than checking NII.

Years household has been with institution	Annual NII per household	Lifetime NII per household
<1 year	$166	$81
1-3 years	$206	$480
3-7 years	$233	$1,362
7+ years	$218	$4,241

Creating Loyalty

In order to create loyalty, it is imperative your organization be positioned to capture new customers when they are ready to switch. Up to 12% of current retail and business customers are consistently switching financial institutions. A recent study published by The Financial Brand indicated this number could be as high as 22% post-COVID, driven by big banks failure to adequately serve customers during the pandemic.

So how do you position your organization for growth?

1) *Checking Product:* Simplify your checking product offerings. Confusing products do not create value, and in turn, develop customer loyalty.
2) *Processes:* Remove barriers. Your account opening polices and customer identification program (CIP) practices often inhibit growth rather than encouraging it. Read them for yourself.
3) *Promotion:* If your bank isn't using targeted, data-driven print and digital marketing to grow PFI customers, you are missing opportunities.
4) *People:* Your team members must be equipped with the skills and the product knowledge to develop relationships with customers – customer loyalty is created through customer connections.

The Bottom Line

To create loyalty, you have to get the new customer first and the checking account is the key to the PFI relationship. Once you have them, products, processes, promotion and people move up the loyalty ladder. As with any strategy, there is no silver bullet, but rather, your bank should be looking for a long-term, loyalty payoff.

Achim Griesel is President and Dr. Sean Payant serves as the Chief Strategy Officer at Haberfeld, a data-driven consulting firm specializing in core relationships and profitability growth for community-based financial institutions. Achim can be reached at 402.323.3793 or achim@haberfeld.com. Sean can be reached at 402.323.3614 or sean@haberfeld.com.

Upcoming CBA Sponsorship Opportunities

- **Director and Trustee College** - Tuesday, September 8, 2021 (9:00 a.m. - 3:00 p.m.)
- **CBA Annual Golf Tournament** - Monday, September 13, 2021 (11:00 a.m. - 6:00 p.m.)
- **Asset/Liability Management Seminar** - Tuesday, September 21, 2021 (8:30 a.m. - 12:30 p.m.)
- **CBA Annual Meeting and Conference** - October 14-17, 2021
- **BankWorld®** - January 14, 2022

Mark your calendars now! Sponsorship details will be released shortly.

Connecticut Bankers Association

Practicing Data Privacy in an Age of Sharing

By Andy Lin, Wolf & Company

In this day and age, if you hold any form of personal data, you could be sitting on a fortune. Traditionally, the majority of organizations focusing on this information have been large data corporations (Big Data). However, organizations of all shapes and sizes are now looking to monetize the data they hold—and few industries have more valuable data than financial services. But this rush to exploit data can have unintended consequences if not done carefully, and understanding the difference between data privacy and data security is crucial when pursuing these initiatives.

Privacy Matters

In most organizations, data security receives the lion's share of attention. Protecting systems from theft, outages, and other threats is a clear business priority. Since the early days of technology advancement, there's been a race for corporate security teams to create and implement new protective measures to thwart the evolving techniques of cyber attackers. This constant battle has led to the creation of an entire industry surrounding data security.

But data security doesn't equate to data privacy, and the privacy industry isn't nearly as mature. So why does privacy matter?

Many organizations collect massive amounts of data. Websites track mouse movements, applications store user-specific information, and smartphones hold a wealth of telemetries. To the untrained ear, the terms "privacy" and "security" might be hard to differentiate. But data security, which relates to the practice of protecting data from unauthorized access, doesn't dictate the proper use of that data. Privacy generally focuses on the knowledge and consent of a data subject around what information is collected and how it can be used or shared.

Consider a bank collecting a new customer's non-public personal information (NPPI) to open a deposit account for them. They've collected the necessary data to perform the agreed-upon service, but the bank later sells the customer's data to an advertising agency. The bank has maintained the data's security but not its privacy, and many would agree that (even aside from regulatory issues) this is a breach of trust.

Many related situations will fall into some gray area between agreeable or disagreeable bank initiatives. What if the bank analyzes a customer's demographic information to recommend additional products or partner referrals? What if the bank monitors the customer's account for activity with competitors, then offers products and discounts to take over that business? What if the bank outsources this type of analysis to a third party? There aren't always clear answers, and this is the essence of the privacy controversies we see today.

Despite lengthy, fine-print privacy notices, consumers and end users often don't understand how an organization is using their information and might not always be comfortable with it. This can quickly turn into a public relations nightmare, or worse.

More Than Just A Trend

In 2018, the European Union's General Data Protection

Regulation (GDPR) took effect and became the first major legislation that sought to modernize privacy regulations. Then in 2020, the California Consumer Privacy Act (CCPA) took effect. Both of these acts represented a fundamental shift in the concept of data ownership and consent. Data subjects are now given more visibility and more say in how their data is collected and used, and many other countries and states will likely follow suit.

So how will the recent prioritization of privacy affect your organization's strategy?

Historically, banks and credit unions have adhered to the Gramm-Leach-Bliley Act (GLBA) for customer data privacy. However, GLBA is from the 20th century and doesn't effectively address modern data management concerns. While the CCPA and similar upcoming legislation in other states carve out exemptions for GLBA, forward-looking institutions may want to adopt a more robust privacy program to prepare for strategic initiatives, especially those involving fintech and data monetization. With data privacy coming into the spotlight, acting now to get ahead of the risk is crucial.

Implementing a Data Privacy Framework

Building a privacy program based purely on a regulatory compliance checklist can meet your immediate requirements, but you'll eventually outgrow it. To develop an effective privacy program, you need to understand your data and its complete lifecycle. Your inventory and classification should be able to answer questions such as:

Collecting – Is this information personally identifiable? Was consent given to collect this information? What was the purpose of collecting this data? What are the regulatory requirements?

Storing – How is the data being stored? Is data being inventoried? Is there reasonable assurance that the data is secured?

Processing – Is ownership retained during the process? Are there data loss prevention solutions in place?

Using – Is the data being used as it was intended? Is selling and sharing this information allowed? Is there transparency on how the data is being used? Is this use ethical?

Destroying – Is retaining this information necessary? Is there a record of this data being destroyed? What assurance is provided that the data has been destroyed?

Then consider where the risk lies. Data can carry many types of inherent risk beyond just regulatory requirements, such as reputation, market, and customer service risk. Once you have all of this information, you can compare the controls in place over the data at specific storage locations throughout its lifecycle against the data's risk.

Accepted Frameworks and Standards

There are several privacy frameworks available for organizations who want to formalize the program, and they're each targeted towards different needs and reporting requirements. Some of the more notable frameworks include:

Institute of Standards and Technology (NIST) Privacy Framework

Adaptable based on size and industry, and adjustable across maturity levels

Composed of three parts: Core, Profiles, and Implementation Tiers

The Core outlines activities that can be implemented to manage privacy risk, and it also prioritizes communication across stakeholders. These are divided into categories and subcategories based on each function.

A Profile represents the current privacy activities versus that of the desired targets. Profiles are developed based on an understanding through the Core.

Implementation Tiers address the current and target profile. Similar to the NIST Cybersecurity Framework (CSF), these tiers reflect progression through more advanced control processes.

Self-assessed, voluntary management tool that targets privacy aspects through enterprise risk management (ERM)

ISO/IEC 27701 For Privacy Information Management Systems (PIMS)

Allows for certification of the organization's PIMS

Describes technical and organizational controls across 14 broad categories

Extends the Information Security Management System (ISMS) defined by ISO/IEC 27001

Maps GDPR compliance requirements

Provides guidance on how to create, implement, and maintain PIMS

American Institute of Certified Public Accountants (AICPA) Privacy Management Framework (PMF)

Adapted based on Generally Accepted Privacy Principles (GAPP)

Addresses the business activities that involve collecting, creating, using, storing, and transmitting personal information

Can be attested within System and Organization Controls (SOC) reports when including the privacy principal

Nine components including:

- Access
- Agreement, notice, and communication
- Collection and creation
- Data integrity and quality
- Disclosure to third parties
- Management
- Monitoring and enforcement
- Security for privacy
- Use, retention, and disposal
- Conclusion

Financial institutions hold a wealth of data, and the ways they use that data will come into sharp focus in the coming years. Data monetization will likely play a role in business strategy, and the ever-increasing capabilities of fintech may lead you into unfamiliar territory. How will you balance privacy commitments with your business goals? Fortunately, data privacy guidelines are starting to catch up with our technology, and an experienced professional can help you navigate it all.

Andy Lin is a Staff Member in Wolf's Advisory Group and serves on the Firm's Information Technology (IT) Audit Team, where he performs audit services for the information systems of financial institution clients. He has significant experience evaluating systems and processes, reviewing effectiveness of controls, examining management over informational assets, and determining policy compliance with regulatory requirements. Andy also has significant expertise in network architecture, threat intelligence, and application security.

Andy lives in Quincy, Massachusetts. When he's not at Wolf, he enjoys traveling, hiking, long-distance running, and visiting local markets.

Optimizing PIN Networks for New Forecasts: Planning for Post-Pandemic Consumer Payments

by Bob Koehler, Executive Vice President, Strategic Resource Management

The winds have shifted since 2020 made game-changing waves in debit card usage on multiple fronts, including:

- In-person versus online spending
- Categories of merchants patronized
- Contactless/mobile app adoption

Each of these factors carries implications for banks, credit unions, and other card issuers and their existing revenue models. Below are a few opportunities and recalibrations to consider for your next PIN network vendor negotiation.

The Eye of The Storm

Card issuers have multiple paths to revisiting their underlying cost structures and optimizing program strategies in their PIN networks. These ideas may come in handy during their next conversations with PIN network vendors, including Maestro, Interlink, Star, NYCE, Pulse, Accel and SHAZAM (to name a few).

To ride the wave of this incoming spending spree, consider the following to recalibrate revenue strategies.

Getting the Message on Renegotiation

As a requirement of 2010's Durbin Amendment, the Federal Reserve issues an annual report detailing the prevailing interchange rates at each debit network. These rates and metrics have been remarkably stable over the past few years

Optimization is not a simple matter of selecting the lowest average rate on the Fed table, however. Each institution's experience will differ based on the spending patterns and merchant choices of its cardholders, the interaction between the various networks and the primary card brand, and the payment routing decisions of the merchants themselves. Still, the data provides a valuable starting point.

It's important to note the Durbin Amendment's exemption to its revenue constraints for institutions with less than $10 billion in assets. Debit transactions on cards issued by financial institutions above this threshold are "covered" by the amendment. According to the Fed's data, debit interchange rates at Exempt FIs (under $10 billion) are roughly double those generated at covered ones. This creates a meaningful revenue opportunity for smaller institutions.

The Fed reports that 64% of debit transactions were covered by Durbin in 2019 - a striking reflection of industry consolidation given that only 160 US institutions (including 14 credit unions) have reached the $10 billion milestone. This means that more than 10,000 smaller banks and credit unions are competing for the remaining 36% of transactions.

When More Options Deliver Less Revenue

Consider the benefits of "exempt" status for a community bank or credit union. For example, an FI handling 250,000 debit card transactions per month, an improvement of just 5 cents per transaction (about 12 basis points) equates to $150,000 over the course of a year. Such gains are quite achievable if contract terms have not been renegotiated for several years.

Another opportunity for exempt FIs is in revisiting their debit network options. We've found that many FIs keep too many alternative networks on the list after a succession of mergers or a bygone need to shore up coverage from the days of less mature networks.

Issuers enabling more than the one alternative provider mandated by Durbin generate smaller bundles of transactions for network suitors - diluting their negotiating leverage. Such network reductions have no impact on account holders, who will not see any difference in processing time on their transactions – whether they swipe, dip, or tap their incoming storm of post-pandemic payments.

The Bottom Line

Card dynamics will continue to change, and each bank or credit union's portfolio optimization strategy will depend on its geographic footprint, merchant composition, and other unique factors.

To strategically ride the coming waves of payments transactions, FIs should ensure their network agreements are appropriately recalibrated.

Long-range Forecast for a Post-Pandemic Branch

By Gregg Rosen, President, NES Group & Stephanie Kessler, Creative Director, ReVive by Triad

"I lost my debit card," the customer exclaimed in a panic as he entered the branch.

This conversation overheard on a recent renovation site visit got us thinking – there are so many reasons customers still visit a bank branch. They visit for advice, for money management, for simple transactions – and on this specific day, for the reassurance that his identity was secure and he'd have a card in hand to buy groceries later.

Of course, what consumers want in a retail experience has significantly changed since the pandemic for every industry – not just banking. Touchless checkout and curbside pickup have become the norm.

Before the pandemic, financial institutions spent a lot of time and energy making changes to their in-branch experience to better align with the needs of customers and employees. So how can you ensure the right balance of relationships, technology, and safety? Here's our forecast for building the most effective post-pandemic branch.

Transform into an advisory center

Education. Relationships. Brand awareness. The branch remains a destination where consumers can talk to an expert about something precious to their lives, their financial well-being. Banks and credit unions that approach operations and renovations with this philosophy will be well-positioned for the post-pandemic economy.

Many of our clients have shifted focus from transactions to advisory relationships. The pandemic helped this along with new appointment scheduling technology. This allows the ability to manage branch traffic and personalize information for conversations in advance. Now, staff can easily schedule the appointment with the right specialist while providing that personalized experience we know customers and members crave.

Make in-branch technology more human

One of the most important services a financial institution provides is trust. One of the main reasons customers still like the idea of branches is because they give them that sense of trust. Even if they don't regularly visit, the fact that they know they can is comforting. Psychologically, their money has a "place" – a physical location they can visit, providing a sense of security.

So it's crucial to balance relationships and technology, so your longtime customers feel just as comfortable visiting as the Gen Z crowd. You can make even the most advanced technology more human through branding the customer journey. Today's ATMs and ILTs offer excellent opportunities to add warmth with a custom-designed surround. Banks can also equip their branch staff with tablets to facilitate account openings or deploy remote agents with 2-way video and meet each customer where they want to be met.

Capitalize on the increase of drive-through transactions

When the pandemic forced branch lobbies to close, drive-up banking grew - and we expect this trend to continue. The convenient experience that a drive-through offers makes it a crucial channel for the customers that want options.

The drive-through should be an extension of the in-branch experience. Consider upgrading your drive-up by replacing an ATM with an ITM (Interactive Teller Machine). ITMs pair the functionality of a traditional ATM with enhanced self-service transaction capabilities and access to a live teller if necessary. This can provide the 24-hour banking experience customers now expect – even when the branch isn't open. Ensure your drive-up has curb appeal by matching banners, canopies, bollards, and signage to your interior for a seamless customer journey.

And don't forget about your employees

Your employees are some of your most important customers, so be sure when designing your post-pandemic experience, you take into account ways to motivate, energize, and support your team. From designated employee gathering spaces to inspirational signage and innovation rooms, customize your employee journey to improve retention and satisfaction.

Good news for the future

The banking industry will never stop evolving. It's clear that customers want advice, convenience, and consistent service.

So what's next? We know there is no one-size-fits-all approach for branches, especially with our current environment. Our team is ready to help you leverage consumer insights to redefine your customer journey.

BANKERS ON THE MOVE


Courtney Biernesser


Konstantin Grinberg


Eileen Piotroski


Michael Rauh


Jen Seuferling


Glenn Campbell

Tiffani Valentin


Bob Long


Dave Metzgar


Charles B. Carroll Jr


Matt Scott


Curtis Wiles, Jr.


Jason Apruzzese


Christopher Curtis


Jennifer Rowland


Mark C. Yanarella


Jenny Driscoll


Tim Hussey


Cory Serrano


Ken Weinstein


Steven Zarrella


Leslieanne Black


Dawn Classen


Deborah Kane


Matthew Lyman


Paul Mclaughlin, Jr.


Maura A. Malo,


James Rusiecki, Jr., Ctp


Nathan Samara


Steven Zarrella


Aidan Gilligan


Steve Brandfield


Machayla Karcheski


Doug Cahill


Kimberly Downey


Anique Morrison


Lesa Vanotti


Dianne Cerruto


Michael Sweeney


Richard Browning


Adrian Gould

Bankwell

Courtney Biernesser was promoted to senior vice president, director of human resources.

Konstantin Grinberg joined as first vice president, C&I relationship manager.

Centreville Bank

Eileen Piotroski was named mortgage loan originator for the residential lending group.

Chelsea Groton Bank

Michael Rauh, president and CEO, was appointed to the ABA board of directors and several committees.

Jen Seuferling was promoted to cash management officer.

Essex Savings Bank

Tim Furgueson was selected to the 2021 Forbes Best-In-State Wealth Advisors List, which honors top performing wealth management and financial planning advisors.

Glenn Campbell was named as senior vice president, chief lending officer.

Sean Flynn was selected as a Member of the 2021 Fairfield County Business Journals Forty Under Forty list.

First County Bank

Westfair Communications, publisher of the Fairfield County Business Journal awarded ***Tiffani Valentin*** a 2021 40 under 40 Award.

Bob Long was named as vice president, relationship manager.

First County Advisors, the Wealth Management division of First County Bank, announced the retirement of its founder and leader, ***Dave Metzgar***, CFP, CFTA who will continue to oversee the transition, until officially retiring at the end of May. ***Charles B. Carroll Jr.*** CFP will be taking over for Dave as the head of First County advisors.

Ion Bank

Matt Scott was promoted to credit officer.

Curtis Wiles, Jr. was named credit officer.

Jason Apruzzese was promoted to senior vice president.

Christopher Curtis was named senior vice president.

Jennifer Rowland was promoted to vice president.

Mark C. Yanarella retired from board of directors completing a fifty-year career.

Jewett City Savings Bank

Jenny Driscoll was promoted to vice president.

Keybank

Tim Hussey was named senior relationship manager.

Cory Serrano was named as senior enterprise payments advisor.

Newtown Savings Bank

Ken Weinstein, President & CEO of Newtown Savings Bank, was recently elected to serve as a vice chairman of America's Mutual Banks (Amb), a national association of prominent mutual banks dedicated to the preservation and advancement of mutuality for depository institutions.

Northwest Community Bank

Steven Zarrella, was promoted to executive vice president, chief loan officer and was inducted into the 2021 Northwest Connecticut Chamber of Commerce Hall of Fame.

Leslieanne Black was promoted to executive vice president, chief financial officer & treasurer.

Dawn Classen was promoted to senior vice president, senior human resources officer.

Barbara Fradette was promoted to senior vice president, corporate secretary.

Deborah Kane was promoted to senior vice president, credit risk manager.

Matthew Lyman was promoted to senior vice president, residential mortgage operations manager.

Paul Mclaughlin, Jr. was named executive vice president, chief retail banking officer.

Maura A. Malo was promoted to executive vice president, chief operating officer & regulation officer.

James Rusiecki Jr. CTP, was named executive vice president, director of treasury management and operations.

Nathan Samara was promoted to senior vice president, chief information officer.

Salisbury Bank

Aidan Gilligan was promoted to vice president, commercial loan officer and received the "Employee of the Year" award.

Steve Brandfield joined as senior wealth director.

Machayla Karcheski received the "Rookie of the Year" award.

Doug Cahill and ***Kimberly Downey*** were recognized for volunteering on behalf of the bank throughout the year, and both received the "Volunteer of the Year" award.

With great pride and a heartfelt thank you, the "President's Award" Was Presented to the ***Frontline Employees*** of the bank. Together, this group of devoted individuals stepped up and became the backbone of Salisbury Bank's success during a time when teamwork was essential. They have shown up for work and faced a new set of rules during a time when fear and uncertainty has been predominant. It has been nothing short of inspiring to see the staff at the bank's branches, and all those who came to work ready to face the challenges of this pandemic, set aside their fears to serve the needs of customers.

Anique Morrison was named vice president, commercial loan officer.

Torrington Savings Bank

Lesa Vanotti, President and CEO, was named a 2021 women in business honoree by the Hartford Business Journal.

Dianne Cerruto was promoted to vice president, compliance & BSA officer.

Michael Sweeney was named vice president, commercial loan officer.

Richard Browning was promoted to assistant vice president, business relationship officer.

Westfield Bank

Adrian Gould was appointed assistant vice president and branch manager of the bank's Enfield office.

Covid Vaccinations: To Require Or Not Require

By Patrick J. McHale, Partner, Kainen, Escalara. & McHale P.C.

On December 16, 2020, the United States Equal Employment Opportunity Commission ("EEOC") issued new guidance that indicates employers may generally require employees to be vaccinated against COVID-19, as long as certain conditions are met. Further, the EEOC has advised that requiring an employee to show proof of receipt of a COVID-19 vaccination is permissible.

The EEOC explained that federal law allows an employer to have a qualification standard that includes "a requirement that an individual shall not pose a direct threat to the safety and health of individuals in the workplace".

Despite the recent EEOC guidance, employers may be obligated to provide exemptions or accommodations to employees with disabilities that may prevent them from obtaining a vaccination, pregnant employees and employees with religious objections to vaccines.

Exceptions

The EEOC has indicated "if a safety-based qualification standard, such as a vaccination requirement, screens out or tends to screen out an individual with a disability, the employer must show that an unvaccinated employee would pose a direct threat due to a significant risk of substantial harm to the health or safety of the individual or others that cannot be eliminated or reduced by reasonable accommodation". Employers are required to conduct individualized assessments of four (4) factors in determining whether a direct threat exists: the duration of the risk; the nature and severity of the potential harm; the likelihood that the potential harm will occur; and the imminence of the potential harm.

An employer cannot exclude an employee who cannot be vaccinated due to a disability from the workplace unless there is no way to provide a reasonable accommodation (absent undue hardship) that would eliminate or significantly reduce the risk. The employer must offer a reasonable accommodation to the employee, such as wearing a mask or working remotely, as long as the accommodation would be effective at reducing the risk and would not cause undue hardship for the employer.

Likewise, if an employer is on notice that an employee has a sincerely held religious belief, practice, or observance that prevents the employee from receiving the vaccination, the employee must be willing to provide a reasonable accommodation for the religious belief unless it would pose an undue hardship under Title VII of the Civil Rights Act.

However, if an employee cannot get vaccinated for COVID-19 because of a disability or sincerely held religious belief, and there is no reasonable accommodation possible, then it would be lawful for the employer to exclude the employee from the workplace. The EEOC points out that the right to exclude a worker from the workplace does not necessarily mean that the employer can automatically terminate the employment of that employee. For example, the employer may be obligated to offer the employee leave under other laws or the employer's existing leave policy.

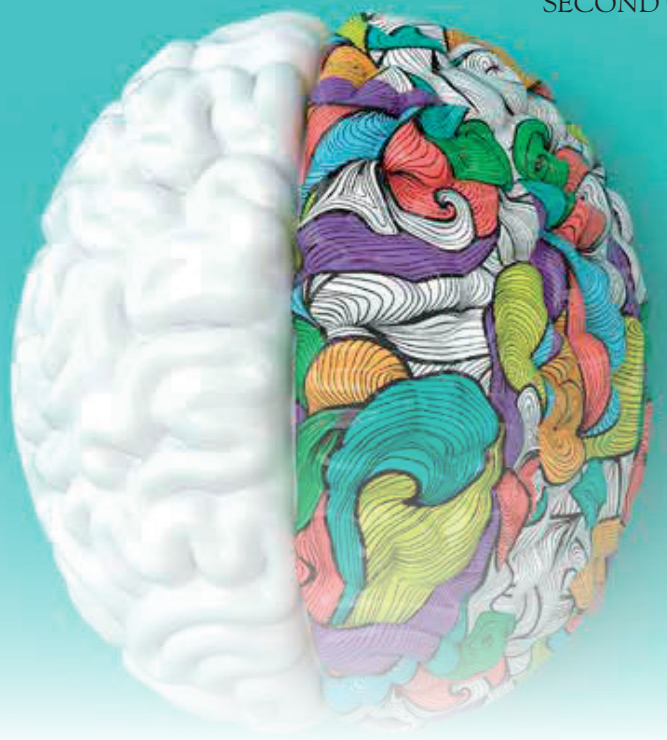
Under both disability and religious discrimination laws, determining whether a reasonable accommodation exists requires an individualized, fact-based and interactive process between employers that adopt mandatory vaccine policies and individual employees who raise objections.

Employers that adopt mandatory vaccine policies and receive requests from employees for accommodations or exemptions should consult with legal counsel before responding.

Recommendation

Now that vaccinations are widely available for the general population, the question of a mandate is one employers need to decide. While the EEOC's guidance indicates that requiring a vaccine is legal, employers need to ask whether they should require them. For example, if the predictions that up to thirty percent (30%) of the workforce will decline a vaccine are accurate, does the employer want to be in the position of giving those workers the ultimatum of getting the vaccine or losing their jobs? We believe the best practice, at least for non-healthcare employers and those with other at-risk workers, may be to encourage but not mandate the vaccine as a job requirement. Employees who are not vaccinated may be required to wear a mask while at work or to work remotely. Employers may encourage employees to be vaccinated by allowing paid time off for that purpose and paying for any costs incurred by the employee. Employers can also provide a financial incentive for employees to be vaccinated. Like with other areas of the law, even though something may be legally permissible, employers need to consider whether enforcing their rights to the full extent of the law is both practical and advisable.

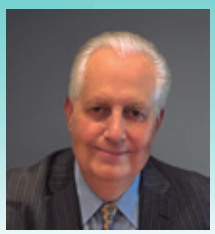
If you have any questions regarding the circumstances under which a COVID-19 vaccination may be mandated or if you need assistance developing an appropriate COVID-19 vaccination policy, please consult with employment counsel for legal advice.



Brand Perception

THE ART OF SURVIVIAL DURING A GLOBAL PANDEMIC

by James G. Caliendo
President & CEO, PWCampbell



James G. Caliendo

A few years ago, my daughter was getting married. After spending the day touring different venues, she came home and exclaimed that she found the perfect place. I asked her the cost per plate, the capacity, the availablity – all the information that a father needs to know before footing the bill, but all to which she did not know. Better yet, she never thought to ask. When I asked her how she was able to determine this venue was "the place" without knowing any of the facts, she responded by telling me it was all in the look. She made the decision within five minutes of walking in, based solely on aesthetic appeal. The venue was recently renovated, immaculately clean, and really portrayed something out of a fairy tale. So strong was the perception of the venue that it trumped costs and logistics. Too expensive? "We'll make it work." Awkward hours? "We'll make it work." Awful food? "We'll bring in a caterer." It is simply amazing how we as consumers are willing to make sacrifices to our convenience and our wallets when dealing with something that we perceive to be great.

Perception is powerful. It can question our reasoning and alter our judgement, even when we know our perception may be wrong. It latches on to our psyche and drives us to make decisions – both rational and irrational. How many times have you driven out of your way to go to a restaurant based on a review, or a past experience? How many restaurants did you pass along the way to get there? How many times have you made an expensive purchase on something you thought would be revolutionary – a TV, a laptop, a phone, or a car? How many less expensive models did you pass up to buy it? Whether we have to have it, have to drive it, or have to be married in it, the way we perceive something to be will dictate our drive to engage with it as consumers.

Branches are exactly the same way, and the perception that you give your consumers will dictate your success in the industry. If your branch is outdated, lacking in technology, not operationally logical, cluttered, or unbranded, you need to understand the message that you are sending your consumers. Throw a global pandemic into the mix and that message is magnified tenfold. For example, in normal times, an outdated branch may give the perception of being behind the times, or maybe "just getting by," but during a pandemic, it serves doubt on whether or not you will even make it out alive. Everything you have done/will do right now is under a microscope. Make the wrong move, and you can very well be feeling the repercussions of a bad decision for years to come. However, make the right move, and you will be set up for success by capturing market share and outperforming your competitive set.

That sounds like a lot of pressure, but it is a lot easier than you think. The key is all in perception. The goal is to drive the perception that you are here to stay, and that your institution is financially sound – sound enough to withstand the hardships and mounting pressure of anything, even a global pandemic. And the best way to do that is by making investments in your branches now. Whether it be improvements to the space, expanding to a new location, or integrating technology, you need to show your consumers and your community that you are here to win.

Some Things To Consider

Next Gen Banker

Statistically speaking, millennials and Gen X make up the overwhelming majority of the U.S. workforce. Whether we like it or not, this next-gen banker is on the rise, and on the prowl. Understand that your outdated branch could be the deciding factor between attracting, retaining, or losing new customers for years to come. Invest in capital improvements to renovate, modernize, or reimagine your space to appeal to the new age consumer while still appealing to your existing customer base.

Pandemic Response

The pandemic has caused trying times for businesses all over the globe. We are hearing stories every day of local businesses constantly having to adjust their daily operations while learning to adapt to shifting consumer behaviors. Some businesses have been forced to close their doors permanently as a result of the ever-changing mandates. Your customers will be looking very closely at what you do now more than ever to assess your stability, and even the smallest misstep will be scrutinized.

Something Is Better Than Nothing

A lack of action in your branches now will give off a perception that your brand is remaining complacent – a losing

strategy for future growth and survival. Complacency means uncertainty, and uncertainty leads to worry. By not investing now, the message you are sending to your consumers is "we are going to wait it out and see if we can survive first" – not the message you want to send to your existing and potential consumer base. On the flip side, investing in your branches now screams "we are here for the long haul." And this is especially true when your competition is not spending. It shows stability as well as success. It is a sure-fire way to enhance the perception of your institution.

BEEF UP TECH

Specifically, enhancing your technology profile within your branches sends a clear message to consumers: "We see future in our institution." By adopting and integrating technology in the branch, not only are you enhancing the overall customer experience, but the perception is that you are future proofing your branches to meet the needs of the modern banker and the industry for years to come. The underlying message is that you will continue to be there as a stronghold in the community. From digital signage to iPad integration, touchscreen kiosks and more, the opportunities are endless. Pick one or pick them all and run with it.

STOP WORKING IN YOUR BRANCHES

And start working on your branches. Read that again. The biggest and most common mistake that CEOs and executives make, especially in stressful times, is that they get so caught up in the day-to-day that they lose sight of the long term vision and strategic mission of the brand. Remember, the vision and perception come from the top down, so leading by example is a must. If you want to drive a positive perception to your consumers, establishing one for your employees is equally important, as they are the ones on the front line driving the customer journey.

In the end, it is important not to lose sight of the end goal of the brand: to grow. And investing in your branches especially at a time like this is the best way to show it. As the saying goes, "the best defense is a stronger offense." Act now, invest in your branches, and push the positive perception that will continue to generate return for years to come.

James G. Caliendo is a former bank executive and now President and CEO at the 110 year old design-build and retail services firm. In the past 20 years alone, under Jim's direction, PWCampbell has worked with over 500 financial institutions influencing millions of square feet of retail and operational space to create engaging, impactful and scalable solutions for every sized facility project.

ASSOCIATE MEMBER NOTES

COCC Announced that Walden Savings Bank has selected them as its next core partner.

Hosted its second annual CEO Technology Symposium, welcoming clients for a program designed to shine a light on industry trends and their impact on future strategy. Designed especially for the senior leadership of community banks and credit unions, COCC's Symposium series gave bankers the opportunity to hear from industry experts about the insights innovations impacting an ever-changing financial technology landscape. Banking executives also got the chance to see how COCC is providing the emerging solutions necessary to help meet their strategic plans.

COCC welcomed Galion Building & Loan Bank as the newest member of their Cooperative.

NES Group and Ion Bank joined forces earlier this year to complete another exceptional project. Ion Bank opened their 19th branch in Unionville, expanding their presence in the Farmington Valley as it is their second location in Unionville.

NEWCLEUS

Jonathan Barnes joined as vice president of business development.

WOLF & COMPANY P.C.

Glenn Hoffman joined the advisory group working with clients in the financial services and healthcare industries evaluating, designing, and implementing effective information technology (IT) programs and controls to help mitigate risks and protect their organization.

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climate risks that could arise in their operating environment as a meaningful safety and soundness concern." We note that state legislatures and banking agencies, including in Connecticut, are eyeing climate change initiatives, as well.

Abusive Practices

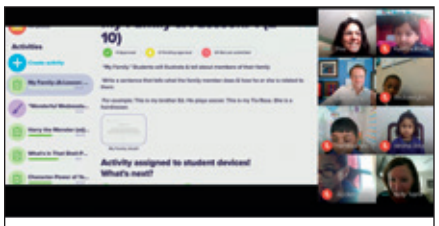
The CFPB recently rescinded a Trump administration policy statement that restricted the CFPB's enforcement and supervisory authority with regard to abusive practices. In its statement the CFPB said it "intends to exercise its supervisory and enforcement authority consistent with the full scope of its statutory authority under the Dodd-Frank Act as established by Congress." Reading between the lines, it looks like there will be a renewed focus on abusive practices, and the CFPB's actions could set the tone for the other Agencies. Overdraft programs have received a lot of attention recently from legislators and regulators and could very well be at the top of the Agencies' list of products to review for abusive practices.

Small Business Loan Disclosures

In July of 2020 a bill was introduced in Congress that would have required lenders to provide Truth in Lending-like disclosures for small business loans. Similar legislation has recently popped up in state legislatures. On the heels of laws passed by California and New York, the Connecticut legislature tried its hand in 2021, but the legislation met an early demise. Unlike the Connecticut bill and the California and New York laws, the federal bill did not contain an exemption for depository institutions. Given the attention it is getting, this could become a perennial issue for Congress.

While the Administration's agenda is coming into focus, we encourage you to stay tuned for further developments. As leadership appointments are finalized, we expect the Agencies to move their agendas forward much more assertively.

Bank of America teammates participated in CT Food Bank/Foodshare's virtual Race Against Hunger 5K during Global Service Month.



Bank of America teammates volunteered with Junior Achievement of Southwest New England teaching financial literacy to local elementary school students.

Bankwell supported LiveGirl, Inc. with a $5,000 donation.

Chelsea Groton Bank introduced Chelsea|LIVE Video Banking, a new digital personal experience that gives members the flexibility to bank when, where, and how it's most convenient.

Chelsea Groton Bank provided their annual Money Madness one-day seminar for hundreds of area high school students as a week-long virtual experience. Five area schools participated: Fitch High School, Griswold High School, Ledyard High School, Montville High School, and Norwich Free Academy.

Chelsea Groton Bank kicked off their 8-week "CU Grow: Online Small Business Bootcamp" with a FREE small business series, designed for aspiring and established entrepreneurs.

Chelsea Groton Bank was once again awarded the highest (5-Star) rating for financial strength and stability from the Nation's Premier Bank Rating Firm, BauerFinancial, Inc. This is the 108th consecutive quarter that Chelsea Groton Bank has earned this top rating, which makes it a "Best of Bauer Bank". This distinction is reserved solely for institutions that have earned Bauer's highest, 5-Star rating, consistently for 25 consecutive years or longer.

Chelsea Groton collected non-perishable food items for the Gemma E. Moran United Way/ Labor Food Bank.

Essex Savings Bank will be distributing $147,748 to support local non-profits and civic groups in 2021 through its Community Investment Program..

First County Bank awarded $1,000 to the latest winners of the FirstPrize $avings account drawing.

First County Bank sponsored the annual Maple Sugar Festival at the Stamford Museum and Nature Center. The three-day event which marked the end of the sugaring season was well attended with over 2,000 people.

Just weeks after opening its first branch office in North Haven, **Guilford Savings Bank** awarded a total of $20,000 in donations to North Haven-area non-profit organizations. These donations are just one way GSB is positioning itself as a community bank — and a community partner.

With construction now complete, **Guilford Savings Bank's** newest branch office officially opened in March, bringing more community banking to North Haven.

COMMUNITY CORNER

The Ion Bank Foundation announced the winners of its Community Awards Program. The program encourages customers to vote for a local charity to receive a grant from the Foundation. Grants totaling $70, 025 resulted from 2,732 customer votes for 201 non-profit organizations.

The Ion Bank Foundation donated $10,000 to the Unionville Museum's fundraising campaign for a new addition.

KeyCorp received two national honors that highlighted its longstanding commitment to diversity, equity, and inclusion. The recognition Key Bank received included Best Places to Work for LGBTQ Equality and 2021 Bloomberg Gender-Equality Index.

KeyBank, the Official Retail Bank of UConn Men's Basketball, partnered with Husky Ticket Project to present "UConn Day" to the students of E.B Kennelly School in Hartford. KeyBank provided pizzas and ice cream to more than 400 students and 120 staff members, including 20 University of Connecticut Neag School of Education students completing their year-long teaching internships at Kennelly School. KeyBank's involvement in this year's event was part of the bank's KeyBank Assists program, launched a year ago to support local businesses and communities impacted by the COVID-19 pandemic.

KeyBank made a $3,000 donation to the Husky Ticket Project, which to date has raised more than $80,000 to give disadvantaged elementary and middle school students the opportunity to experience college basketball. The Husky Ticket Project will provide tickets and transportation to bring Kennelly School students to Gampel Pavilion in Storrs to visit the campus and see a game during the 2021-2022 season.

Laurel Road, a brand of **KeyBank,** launched Laurel Road for Doctors, a digital bank tailored to physicians and dentists with products and services designed to provide the financial help and peace of mind they need through each career stage.

KeyBank earned #23 place on the 2021 DiversityInc "Top 50 Companies for Diversity" list, improving 12 spots from #35 in 2020. This year's recognition marks the 12th time and 8th consecutive year KeyBank was named a Top 50 Company.

KeyBank was named #4 on the Top Companies for Executive Diversity Councils – improving 19 spots from #23 last year.

KeyBank was named #7 on the Top Companies for Philanthropy – improving 17 spots from #24 last year.

KeyBank was named #21 on the Top Companies for Employee Resource Groups.

KeyBank was named a Top Company for ESG.

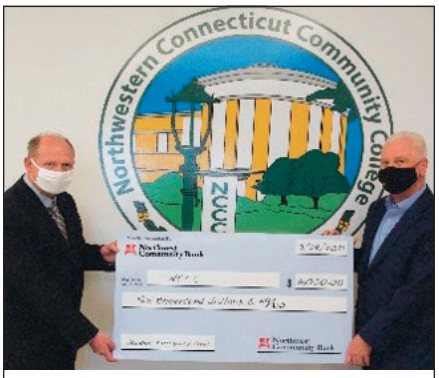
Liberty Bank coined a new initiative – 1,000 Thanks Campaign – to recognize small business partners and the valuable teammates who help them succeed. Earlier this year, Liberty launched a program for business owners to nominate their teammates who went above and beyond to strengthen and sustain local businesses in the face of COVID-19.

More than 500 nominations were submitted by the Bank's business customers throughout the state. In March, three extraordinary individuals were chosen and each received a $1,000 check as a "Thank you." Winners were celebrated for their unique and impactful stories, for helping their employers thrive in challenging times, and for providing one-of-a-kind customer experiences.

New Haven Bank received an overall rating of "Outstanding" from its primary regulator, the Federal Reserve Bank of Boston, and its state regulator, State of Connecticut, Department of Banking for its Community Reinvestment Act (CRA) Performance Evaluation. This honor is the highest possible rating that can be given.

New Haven Bank announced the following community charitable activities:

- Bronze Sponsor of United Way's Read Across America 2021.
- Donor to Women of the Village.
- Friend Sponsor of the Leap Year Event 2021.
- Supporter of the Junior Achievement 2021 Virtual Business Hall of Fame.
- Stay Home Sponsor of the New Reach No Show Gala.
- Bag Drop Sponsor of the Goodwill of Southern New England 37th Annual Golf Classic.
- Sponsor of Marrakech's 50 Years of Embracing Human Potential Great Give Campaign.



Northwest Community Bank donated $6,000 to Northwestern Connecticut Community College to help fund the Northwestern Student Emergency Fund.

Newtown Savings Bank partnered with *Bank on Connecticut* and the Cities For Financial Empowerment (CFE) Fund in their statewide effort to promote safe and affordable Bank On certified accounts.

Newtown Savings Bank employees volunteered to pick up food from donating stores like Costco and deliver to The Community Action Agency of Western CT's food pantry in Danbury.

Patriot Bank team provided a $5,000 donation in honor of Peter Weinberg, former Controller, to Person-to-Person of the Greater Stamford and Greater Norwalk areas which provides financial assistance along with food and clothing to those in need.

Salisbury Bank announced its 2021 Community Shred "Drive-thru" Days schedule. Community Shred "Drive-thru" Days include Free Shred Days as part of the Bank's commitment to help in the fight against identity theft, and a Food Drive to support local food pantries in the area.

Despite the challenges of 2020, **Salisbury Bank and Trust Company** recently completed construction of a state-of-the-art Operations Center in Lakeville, CT, that now houses the Bank's operational staff.

Savings Bank of Danbury delivered 56 employee-made "spring buddy baskets" to the Greater Waterbury Interfaith Ministries and The Children's Center of New Milford.

Savings Bank of Danbury employees made Valentine greetings and handed them out to essential workers as a "Thank You".

The **Savings Bank of Danbury** Foundation Committee announced that 92 non-profit agencies received over $225,000 in grants in the areas of Affordable Housing, Arts and Culture, Community and Economic Development, Education and Health and Human Service.

Savings Bank of Danbury employees were treated to a drive up dinner as a thank you for their hard work and dedication.

COMMUNITY CORNER

Roberto Espinal from the **Savings Bank of Danbury** participated in a recent Mattatuck Museum Virtual Murder Mystery. Roberto is standing next to the portrait of the character he portrayed – Dr. Lemuel Hopkins.

In response to COVID related community needs and in efforts to help its customers, **Thomaston Savings Bank** introduced their new initiative, The Community Kitchen Project that pairs a selection of the Bank's restaurant customers with area crisis intervention and food security organizations in their community. The Bank purchased meals from the restaurants, who prepared and delivered the food to the selected organization based on their needs. This gave their restaurants some welcomed business while helping to ensure the selected non-profits were able to feed their guests.

Agencies include:

- Greater Waterbury Interfaith Ministries
- Community Kitchen of Torrington
- Prudence Crandall Center
- Brian's Angels Homeless Outreach
- Safe Haven of Greater Waterbury
- St. Vincent DePaul Mission of Waterbury Shelter
- FISH (Friends in Service to Humanity Torrington Shelter)
- Susan B. Anthony Project – Torrington
- St. Vincent DePaul Mission of Bristol

Restaurants Include:

- Emily's Catering Group, LLC
- 50 Central, LLC
- The Goose & The Gander, Inc.
- Patti's Place, LLC

Thomaston Savings Bank announced the launch of a new product, the Uncommon Account, geared toward serving unbanked and underbanked consumers. The Uncommon Account joined the Bank's product suite as part of the Cities for Financial Empowerment Fund's (CFE Fund) national Bank On initiative.

The Lions Low Vision Centers (LLVC) received a $1,500 grant from **Thomaston Savings Bank Foundation,** a longtime supporter of this nonprofit service. This grant will provide continued financial support for the Saint Mary's Hospital Health & Wellness Center in Waterbury and Saint Mary's Physical Therapy of Naugatuck.

Union Savings Bank was recognized as a "Top Pandemic Performer," ranking second in Connecticut by Banking Northeast magazine using the latest results from the Rivel Banking Benchmarks survey. USB was the top-ranked bank in Fairfield and Litchfield counties.

Michele Bonvicini, Director of Community Relations at **Union Savings Bank** visited Trumbull Middle School to present an award to one of the winners of the Ellis Island Essay Contest in partnership with the Ridgefield Playhouse Arts in Education program.

Union Savings Bank contributed a $5,000 donation in benefit of the Roxbury Ambulance Association in response to replenishing medical supplies lost as a result of a fire.

Jeff McDonough, Director of Human Resources at **Union Savings Bank** (bottom right) was appointed board chair of Ann's Place, a community organization that provides complimentary programs to cancer patients and their families.

Union Savings Bank volunteers continue to participate at the Walnut Hill Community Church Food Pantry in their bi-weekly distribution which serves nearly 600 families each time the pantry is hosted.

Union Savings Bank team members partnered with Junior Achievement of Greater Fairfield County in delivering a new model of their financial literacy program called "More Than Money" to the 6th grade students at Rogers Park Middle School.

In honor of Black History Month, **Union Savings Bank** purchased and donated books written by black authors to the children at Brooker Memorial in Torrington and at South Street Elementary School in Danbury.

Union Savings Bank presented the 2020 Community Hero Award to Judy Figueroa, Certified Retirement Administrator for her dedication to the community but most especially in championing a food pantry at her church, serving more than 500 families twice a month since the onset of the pandemic.

Olya Conterez and Jen Tomaino from **Union Savings Bank** turned extra time at home into an opportunity to crochet baby hats for the preemies supported by The Tiny Miracles Foundation.

Union Savings Bank was again proud to sponsor the annual Housatonic Resources Recovery Authority awards ceremony celebrating young artists who shared their recycling insights around the theme of "Recycle Right".

Union Savings Bank once again partnered with the Greater Danbury Chamber of Commerce as the lead sponsor of Leadership Danbury which acquaints the participants with processes and issues critical to the community.

On Denim Day observed on April 28 this year, **Union Savings Bank** stood together to bring awareness to sexual violence and to promote education and prevention in their community.

Webster Bank will be merging with Sterling Bancorp in the fourth quarter of 2021.

Connecticut Bankers Association

Calendar of Events

2021

September 8	Director's College *Virtual*
September 13	CBA Annual Golf Tournament *Shuttle Meadow Country Club*
September 12-14	CSFM Resident Session *Trumbull Marriott*
September 21	ALM Seminar *TBD*
October 14-17	CBA Annual Meeting and Conference

2022

January 13	New Leaders in Banking
January 14	BankWorld 2022
March 22	FDIC Redlining Workshop *Courtyard Marriott Cromwell*
April 3-5	CSFM 2022 BankSim
April 6	CSFM 2022 Graduation
May 17	Director Symposium *Aqua Turf*

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