Bank Director

Breakout V:
Embracing Your Competitive Edge by Bringing Your Digital Transformation Strategy to Life

John Behringer
RSM US LLP

Bill McDonald
Greenwoods State Bank

#AOBA23

THE POWER OF BEING UNDERSTOOD

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EMBRACING YOUR COMPETITIVE ADVANTAGE BY BRINGING YOUR DIGITAL TRANSFORMATION STRATEGY TO LIFE

Acquire or Be Acquired

January 29, 2023

With you today

John P Behringer john.behringer@rsmus.com

Partner, RSM US LLP 312.634.5905

John is the National Financial Institutions Sector leader for RSM and serves as the Risk Consulting Financial Services Industry leader. He has over 20 years of experience working exclusively with financial institutions ranging from community banks to some of the largest global banks in the world. John is recognized for his deep subject matter expertise in the areas of credit and operational risk and controls over financial reporting along with his experience assisting clients with M&A transactions and remediation and resolution of regulatory matters.

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With you today

Bill McDonald, CEO and Chairman

Greenwoods State Bank

Bill has been in the business of banking since 1985. After 25 years of experience in public accounting, Bill joined the Greenwoods team in June of 2010. Since, he has expanded Greenwoods to become the bank Southern Wisconsin knows and trusts. Bill is the frontrunner of a growing and dynamic financial institution that is a premier bank for entrepreneurs. He has made sure that Greenwoods will always be the bank that has a brilliant team, while remaining personally accessible in a moments notice.

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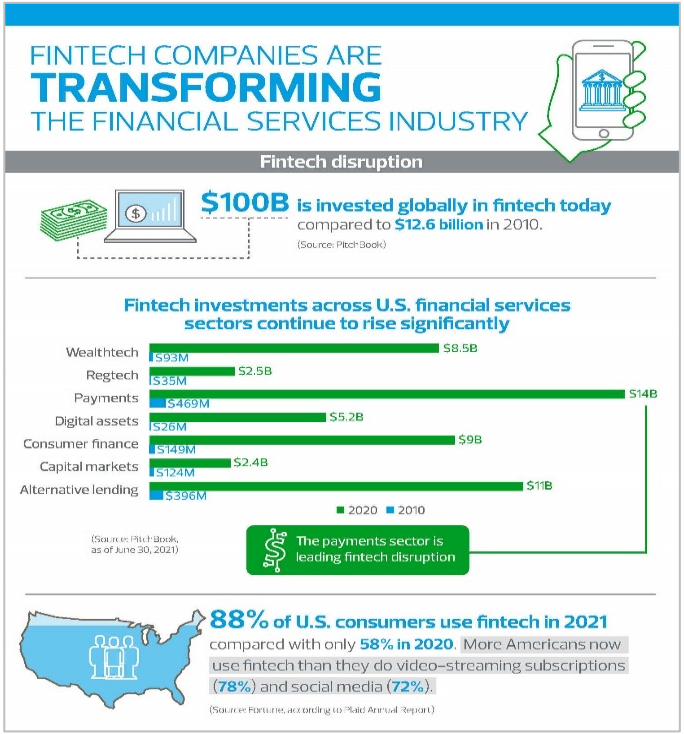
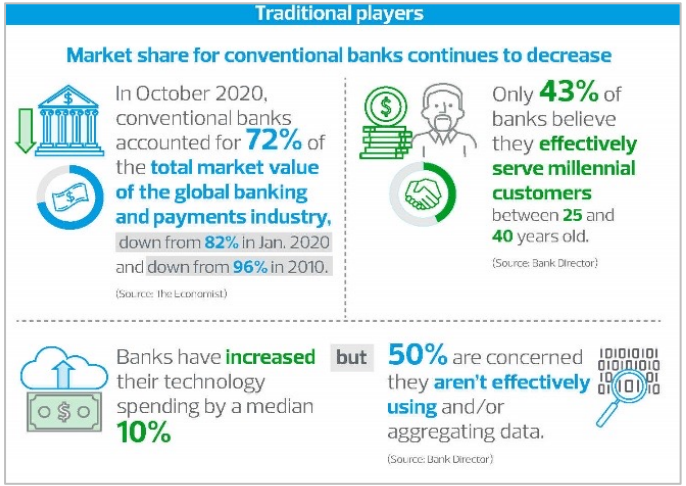
FINTECH AS A MOVEMENT

FinTech as the driver for automation





FINTECH AS A MOVEMENT

And how to build a road map for the path forward

> *"When most people think about fintech, they think about startup companies disrupting the landscape of financial services," says Peter Brady, RSM US national financial services leader. "And while that's true, the bigger story is in how the landscape is responding to the fintech companies."*

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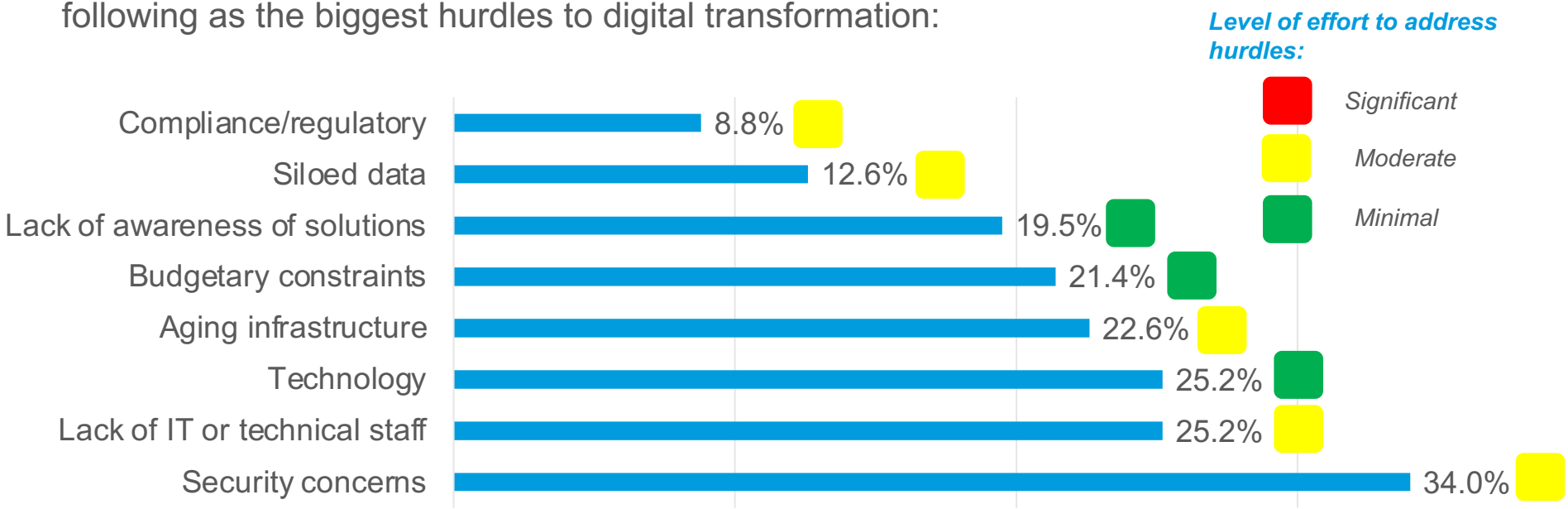
Digital transformation hurdles

According to a report by Genesys and BankingDive, bank respondents indicated the following as the biggest hurdles to digital transformation:



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Proven automation technologies

Robotic Process Automation

- A set of modular software programs (or “bots”) to complete structured, repeatable, and logic-based tasks by mimicking the actions taken by existing human staff.

AUTOMATION ANYWHERE · UiPath · appian · Microsoft

Procure to Pay / AP Automation

- AP automation automates the process from invoice receipt to payment processing with supporting workflows
- P2P automation focuses on PO through requisitioning processing

coupa · avidxchange · basware · Bill.com

Data Blending

- Software that easily preps, blends, and analyze all of their data using a repeatable workflow, then deploy and share analytics at scale for deeper insights

rapidminer · alteryx The Thrill of Solving

Expense Automation

- Software to streamline and automate employees turning in expense reports and how you approve, review, archive, and manage them.

certify · SAP Concur · Expensify

Document Extraction Automation

- Software that combines OCR & Computer vision to extract data from structured and semi structured documents.

ABBYY · Microsoft · KOFAX · AUTOMATION ANYWHERE · Financial Services · appian

Close Automation

- Software designed to automate and control the entire financial close process.

BLACKLINE · FloQast

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THE DIGITAL TRANSFORMATION JOURNEY

Considerations for effective automation and digital transformation

- What are we trying to accomplish?
  - Does automation reduce friction resulting in improved customer/user experience?
  - What is the associated market opportunity or efficiency gain we capture?
  - Are we automating a bad process?
- What is the ROI?
  - New business or increased profitability
  - Improved efficiencies and risk mitigation
  - Higher level of customer/user satisfaction
- How viable is the proposed project/change?
  - Will our customers engage?
  - Will our employees adopt? Is it too much change at once?
  - How does this fit into our current process/workflow/culture?
  - Can we manage the growth?

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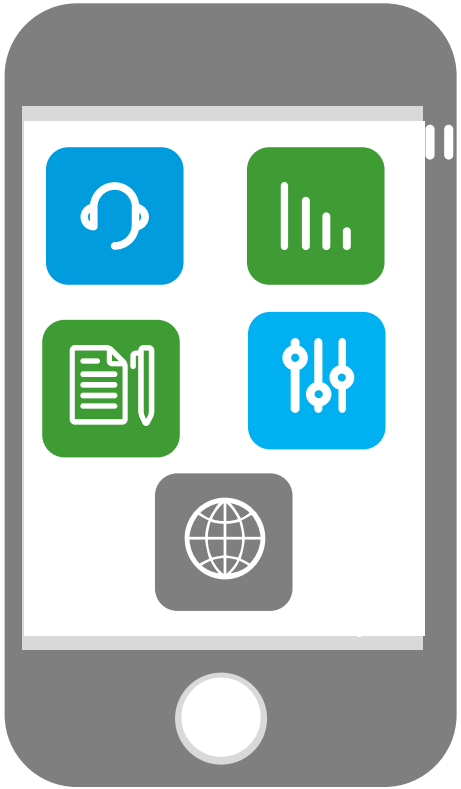
Where to begin your digital transformation journey



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Building an effective digital transformation strategy

Many institutions struggle with digital transformation due to the lack of an effective strategy. A common struggle is due to a lack of governance over the transformation process. A solution to this common challenge is to establish a digital transformation strategy that governs the institution's process for evaluating, prioritizing and executing digital transformation projects.

The use of a model transformation framework, as outlined below, provides an excellent starting point for identifying and evaluating digital transformation opportunities, wholistically, across the enterprise.

Customer Experience	Financial Reporting	Compliance	Credit and Loan Ops	Retail
• Self-service • Account updates • Mobile banking • Call center • Fraud prevention	• Reconciliations • Journal entries • Regulatory reporting • Payables • Expense reimbursement	• BSA/AML • Lending compliance • Deposit compliance • Fair lending • CRA	• Loan approval • Application status • Servicing • Underwriting • Loan monitoring	• Online account opening • Wealth management and trust • Digital assets • Business banking

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Key questions to consider when evaluating process automation

- Does the process require a high volume of manual tasks or multiple parties to execute the tasks?
- Require use of spreadsheets or documents?
- How does task hand-off occur between parties?
- Is the current process prone to errors?
- Does the process require a complete and accurate audit trail for record keeping and compliance?
- Are tasks associated with the process time-sensitive or have an impact on other processes/systems?
- Does the process lack standardization and transparency?

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Automation development and implementation framework

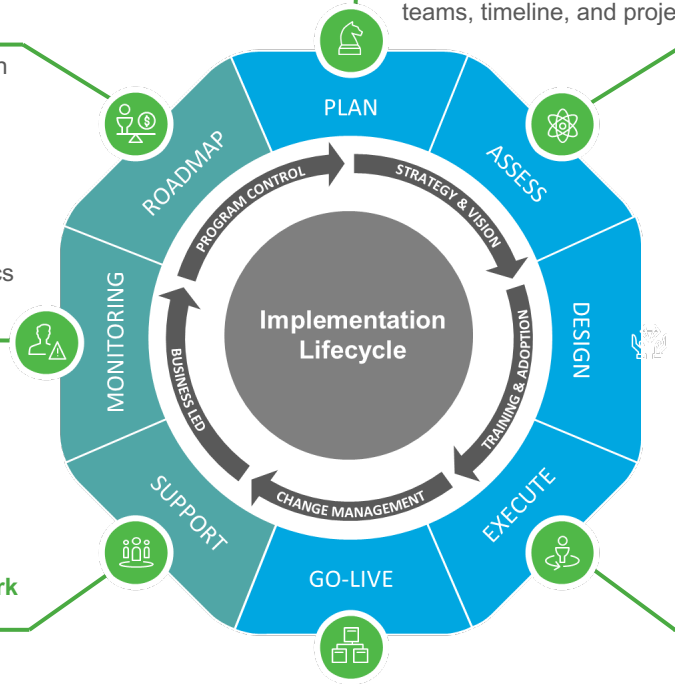
Establish framework for the automation implementation including objectives, teams, timeline, and project governance structure.

Evaluate business unit usage and develop a plan for **optimization and expansion** to realize the company's digital transformation vision and business goals.

Understand the current state and **identify process gaps** that can be resolved with an automated process

Establish and track key KPI's to provide metrics for further visibility into the business.

Leverage best practices to establish a "fit for purpose" system design that **meets business requirements** and is **scalable** for future growth.



Execute a**utomation support strategy** and establish the proper **external support framework** required.

Configure the applications and integrations according to system design; **validate, test, and resolve** any defects identified; **migrate** the approved configuration to the Production environment.

Assess user readiness and **deploy solution**

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EQUIPMENT FINANCE USE CASE

Equipment finance case study

Client Challenges/Issues

- Demand & Volume
- High Manual Effort
- IT Services Provider

Key Activities Performed

- Proof of Concept
- Build & Implementation
- Training UAT Go-Live

Impact & Results

- Credit Decisioning within minutes
- Automated loan packet generation
- Borrower E-signature via DocuSign

Key Capabilities

Broker and Salesperson Portal: Create Equipment Financing Application, Create Vendors, and fix applications requiring attention.

Approval Workflows: Route application or newly created vendors for approval.

Automatic Credit Score Retrieval and decisioning: Integration with **Equifax** and **PayNet** allows for auto credit report and score retrieval and decisioning based on score.

Automatic Loan Packet Generation and Routing Via DocuSign: Auto generate Loan funding packet upon approval and route via **DocuSign** for borrower signature.

Loan Boarding: Simplified loan boarding with screen that presents all data that is required to be entered in **Fiserv** for boarding. Embedded integration for automatic Loan Boarding to Fiserv.

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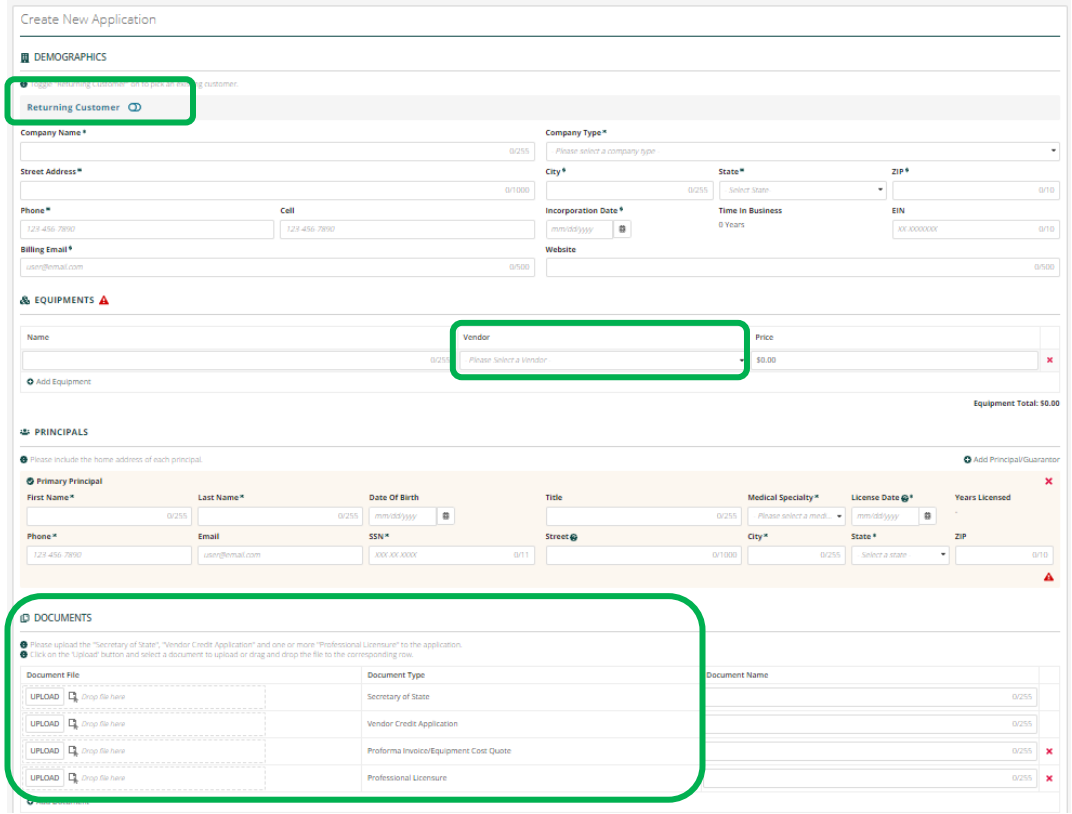
Application

Business Value:

- Promoting data integrity and accuracy upfront
- Allowing the system to define borrower Tier
- Allowing the system to define data and documentation requirements
- Full view into the application history
- Centralized document retention associated to application
- Streamlining the down stream credit decisioning process by providing complete applications
- Commenting for additional context

Key Controls:

- Vendor approvals for new vendors
- Sales personnel cannot approve applications they have submitted
- Audit history into all actions and comments made to the application
- Returning customer check to prevent duplicative borrower entries
- Data validations on text entries



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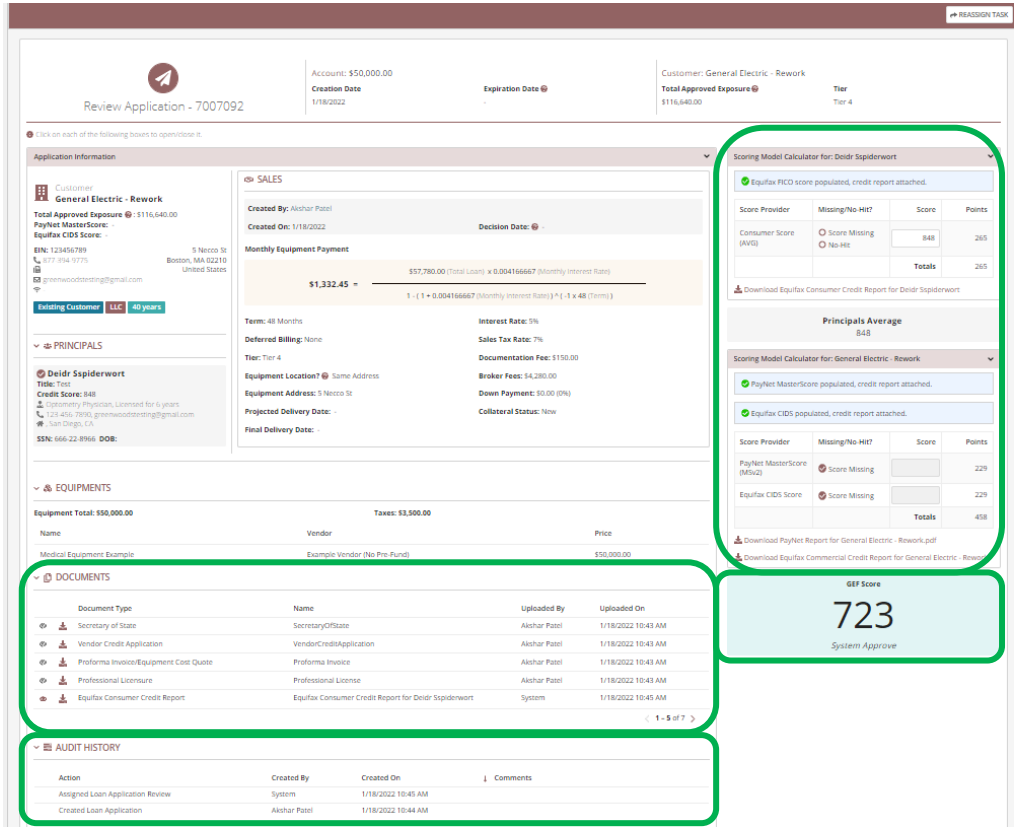
Credit Analyst

Business Value:

- Centralized view of all data points for speed to decision and minimized data entry
- Automatic credit score and report pulls
- Central point of access for all associating documents
- Audit history
- Ability to send back application for re-work or more information, limiting external communications
- Automatic decision notification to sales representative

Key Controls:

- Credit Analysts are assigned individual review tasks and no two can work on the same task
- View of total approved exposure amount by borrower across all applications
- Ability to re-assign tasks as necessary



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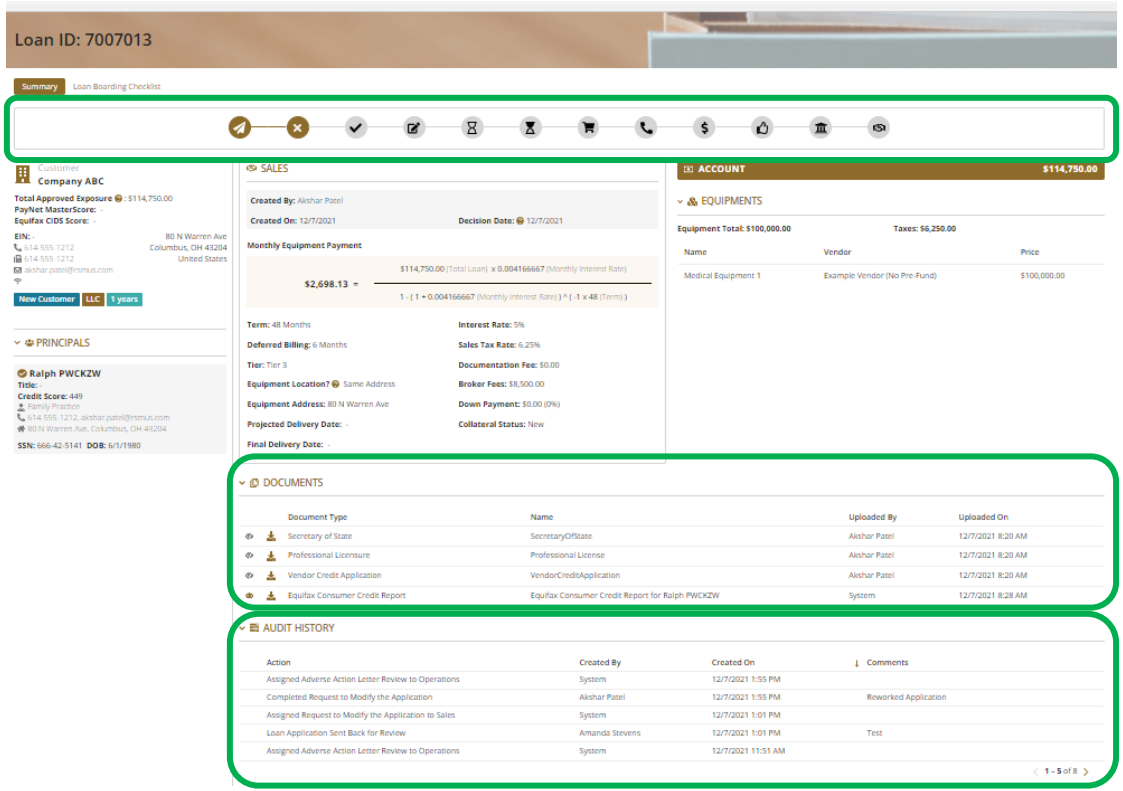
Compliance & Finance

Business Value:

- Centralized access to all applications
- View of all documents generated by Quercus
- Status of each application
- Ability to view full audit history throughout the lifecycle of the application
- Mirror core banking system for easy data viewing and entry

Key Controls:

- Read-only view into compliance and finance functionality



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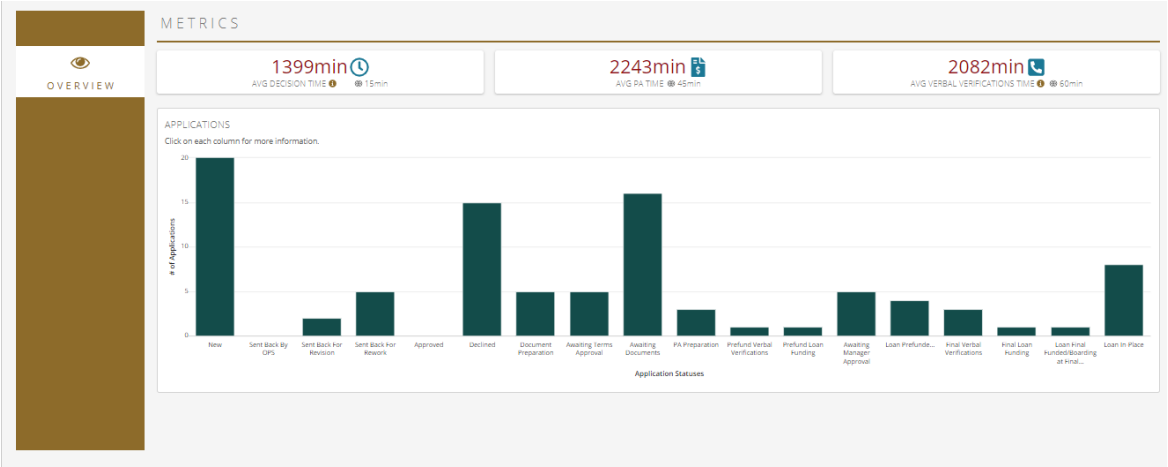
Dashboarding & Reporting

Business Value:

- Line of sight to all activities and status
- View of KPIs to identify bottle necks
- Drill down capabilities into detailed levels



Search Loan Applications | SEARCH | STATUS | Any | TIER | Any | CREATED ON | Any - Any

Loan ID	Customer	EIN	Account	Total Approved Exposure	Tier	Status	Created On
7007001	Shawnee Veterinary Hospital	867523090	$209,952.00	$340,200.00	Tier 2	Final Loan Funding	12/6/2021 11:27 AM
7007002	Shawnee Veterinary Hospital	867523090	$58,320.00	$340,200.00	Tier 2	Declined	12/6/2021 11:28 AM
7007003	Shawnee Veterinary Hospital	867523090	$11,664.00	$340,200.00	Tier 2	Declined	12/6/2021 11:42 AM
7007004	Covenant Family Dental Center	123456789	$22,356.00	$22,356.00	Tier 2	Loan In-Place	12/6/2021 11:59 AM

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THANK YOU FOR YOUR TIME AND ATTENTION

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