

Banking in Wisconsin: A Call for Optimism

The banking industry in Wisconsin is alive and well, and bankers need to hear that!

By Peter J. Wilder

Marketplace lenders, fintech, M&A/consolidation, aging executives, scale, regulatory burden, compressing margins, credit unions, big banks, the de novo drought, Basel III, the demise of the branch model, the pace of technological change... Each of these buzz phrases highlights a potential threat to our industry, and they are the subject of nearly every article you read and every speech you hear lately. These threats can become self-fulfilling prophecies if those in the industry lose perspective. So here are just a few reasons why Wisconsin bankers should remain optimistic.

Historical Perspective

For starters, our industry has helped build the greatest economic engine and standard of living our planet has ever seen. On a local level, go to any town, village or city in Wisconsin and look around. Your banking ancestors had a hand in nearly every piece of development, every business and every home you see. We should all take a little time to reflect on and appreciate our own history because it has made the State of Wisconsin one of the greatest places in the world to live, work and raise a family.

It is true that our industry is in the midst of a once-in-a-generation inflection point that is teeming with changes. But change is constant. When many of our current CEOs were starting out, you were still updating your savings account balances with passbooks. Today you are depositing checks with your smartphone. What a shift we have seen in just the last generation! And we will shift again as the next generation develops into the C-suite.



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Talent and Succession

Finding and training our industry's future executives is one of the great industry issues of our time. And no state has responded better than Wisconsin.

Wisconsin hosts one of the premier professional banking schools in the country, the Graduate School of Banking at UW-Madison. Moreover, the WBA has instituted and continues to develop multiple programs aimed specifically at the next generation of bank leaders, including the School of Bank Management, Leadership Development for Community Bankers in conjunction with UW-Madison's School of Business, and BOLT (among others). Now, Marquette University is in the midst of developing a banking program for undergraduates.

Clearly, the industry is well-aware of the talent and succession issues at hand, and some of the most powerful and influential institutions in our state (WBA, UW, GSB and Marquette) are pouring time and resources into addressing them. That sets Wisconsin apart as a real leader in the movement to develop talent for the banking industry, and it should make us all feel great that a foundation is being laid in our backyard for a very bright future.

Consolidation and Scale

M&A activity has increased significantly among Wisconsin community banks over the last three years. However, only a small fraction of banks in our

state have been involved in a deal. Thus, while mergers get a lot of press, they are not the norm.

The job of executives and board members is to create shareholder value. Mergers can be fabulous ways to bring value to your shareholders and even to your customers and communities, but there are other viable paths to creating shareholder value as well. Some can be much less expensive and risky, like expanding your sources of non-interest income or returning excess capital to shareholders. Boards have many tools at their disposal to drive shareholder value, and no single strategy is right for every bank.

While merging to achieve size and scale may result in some efficiencies, there are plenty of very small community banks in Wisconsin and across the country that generate exceptional returns for their shareholders. And there are also plenty of midsize and large community banks that do not. The point is, your board and management team has a lot of latitude to decide how best to pursue value for your shareholders, and Wisconsin has seen many banks that have been successful both with and without the use of M&A as part of their strategic plan.

The Numbers

Although some uncertainty still remains, the economy has recovered. It was only a few years ago that the Great Recession brought regulatory

enforcement actions, failures and sleepless nights to bankers everywhere. Now, banks in Wisconsin are able to focus on growth and strategic initiatives rather than just surviving. Loan growth—though tepid in many regions—is a reality. Capital levels are strong, asset quality is sound, and the overwhelming majority of Wisconsin banks are profitable. This stable platform has Wisconsin banks poised to facilitate additional growth for local businesses, which will in turn create jobs and strengthen local communities.

Forward

The Wisconsin banking industry has reason to be full of optimism, and bankers should not lose sight of what makes being a banker in Wisconsin great. Our industry has benefitted for many years from exceptional leadership from trade association executives, industry-focused service providers and, of course, bankers themselves. It is critical that Wisconsin banks thrive and that they continue their mission of stimulating economic growth in communities across the state, in spite of the fact that challenges abound, just as they always have. So next time you hear a commentator who is bearish on the banking industry, just remember Wisconsin's motto: Forward!

Wilder is an attorney with Godfrey & Kahn, S.C., a WBA Bronze Associate Member.

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