DEBT STRUGGLES, RECORD SAVINGS AND ISOLATION: THE SHIFTING LANDSCAPE IN THE FINANCIAL SERVICES SECTOR

THE SHIFTING FINANCIAL LANDSCAPE IS HAVING A DUAL IMPACT: IT IS BOTH THREATENING FUTURE CUSTOMER RELATIONSHIPS AND FUELING NEW RELATIONSHIP OPPORTUNITIES IN THE FINANCIAL SERVICES SECTOR

LOWER SPENDING AND COVID-RELATED GOVERNMENT PAYMENTS HAVE HELPED KEEP THE INCIDENCE OF CREDIT CARD DEBT FLAT. THE INCIDENCE OF CARD DEBT, THOUGH, IS CONSISTENTLY HIGHER FOR THOSE WITH JOB/WAGE LOSS AND WILL LIKELY RISE.

The incidence of Cardholders with debt is flat/slightly down due, in part, to drastically lower spending in March-May and the arrival of stimulus checks beginning in April.

Those with Job Loss/Wage Reduction also held steady in their incidence of debt (though at higher levels). Again, this likely held steady due to lower spending and COVID-related government payments.

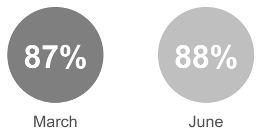
What has persisted is a much higher likelihood for those struggling with Job Loss/Wage Reductions to have missed card payments.

As the pandemic continues, incidence of card debt and missed payments will likely rise, especially if:

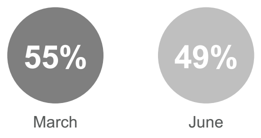
- Supplemental unemployment payments ending in July are not replaced.
- COVID-19 spikes slow or reverse the reopening and unemployment starts to rise again.

PROPORTION OF CARDHOLDERS CARRYING DEBT WAS ESSENTIALLY FLAT THROUGH THE SHUTDOWN

Incidence of Having at Least One Credit Card: Total

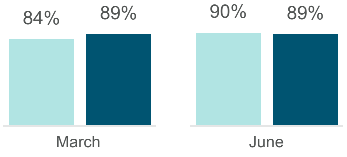


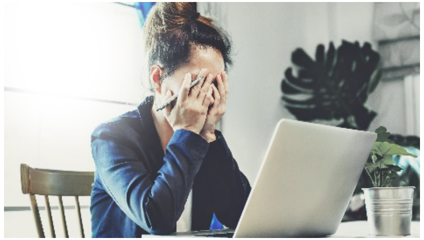
Percent of Cardholders with Card Debt: Total



CARDHOLDERS STRUGGLING WITH JOB LOSS/WAGE REDUCTION ARE 1.5X MORE LIKELY TO CARRY CARD DEBT AND 15X MORE LIKELY TO HAVED MISSED A PAYMENT

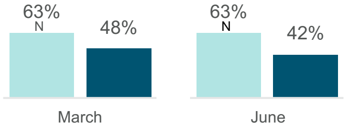
Incidence of Having at Least One Credit Card: by Financial Situation



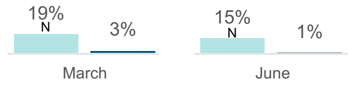


Have Job Loss/Wage Reduction (L) | No Job Loss/Wage Reduction (N)

Percent of Cardholders with Card Debt: by Financial Situation



Skipped/Late Card Payment Past Month: by Financial Situation



Have Job Loss/Wage Reduction (L) | No Job Loss/Wage Reduction (N)

Source:
Burke COVID-19 March R&D, sample size: n=301 (Job Loss: 134 No Job Loss: 167)
Burke COVID-19 June R&D, sample size: n=295 (Job Loss: 97 No Job Loss: 172)
Q: Thinking of your personal finances, which of the following do you currently have?
Q: In the past month, have you skipped, paid late or cancelled any of the following?

Statistically Different at 95% confidence level: L/N

AS THE PANDEMIC CONTINUES, THE NEGATIVE ASPECTS OF CUSTOMER RELATIONSHIPS (LATE NOTICES/FEES, DAMAGED CREDIT, FORECLOSURES) WILL BE MAGNIFIED FOR CUSTOMERS WHO ARE STRUGGLING FINANCIALLY

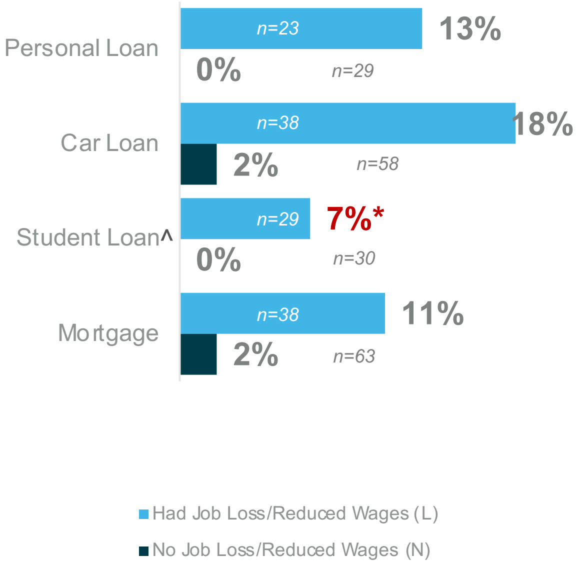
Incidence of missed payments will likely rise if:

- Supplemental unemployment payments ending in July are not replaced.
- COVID-19 spikes slow or reverse the reopening.

THOSE STRUGGLING WITH JOB LOSS/REDUCED WAGES ARE, NOT SURPRISINGLY, MUCH MORE LIKELY TO MISS LOAN AND BILL PAYMENTS

In the past two months, have you skipped a payment, paid late or defaulted on any of the following?

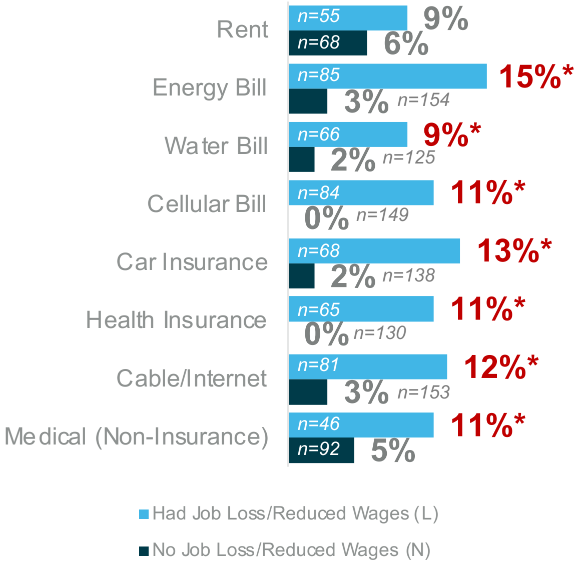
(Paid Late/Skipped a Payment, Among Those with the Payment)



^Reporting of missed payments may be lower due to CARES Act suspension of payments, interest and collections on government-held federal Student Loans.

In the past month, have you skipped a payment, paid late or cancelled any of the following?

(Paid Late/Skipped a Payment, Among Those with the Payment)



*Statistically Different at 95% confidence level

Burke SINCE 1931

ON THE FLIP SIDE, PANDEMIC-INDUCED PERSONAL SAVINGS IS UNPRECEDENTED. THERE IS A SHORT WINDOW OF OPPORTUNITY FOR FINANCIAL INSTITUTIONS TO ENCOURAGE SAVERS TO RETAIN SOME OF THOSE FUNDS.

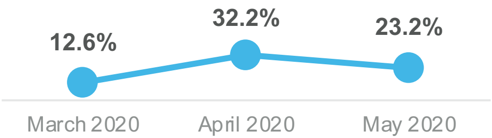
The surprising and swift-moving impact of the pandemic has shown consumers the need to prepare for future emergencies.

With COVID-induced savings, customers already have in hand the base for increasing rainy day funds. Before purse strings loosen and the importance of adequate emergency funds fades, now is the time to help customers use their current savings to build future security.

PERSONAL SAVING AT RECORD RATES EARLY IN THE SHUTDOWN

Source: Bureau of Economic Analysis, US Department of Commerce

Personal Monthly Saving Rate

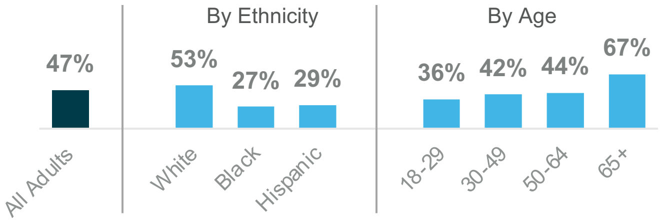


Anxiety, uncertainty, stimulus checks, stay at home orders and low consumer spending all contributed to record setting personal savings rates in April and May

FEWER THAN HALF HAVE EMERGENCY FUNDS THAT WOULD LAST THREE MONTHS

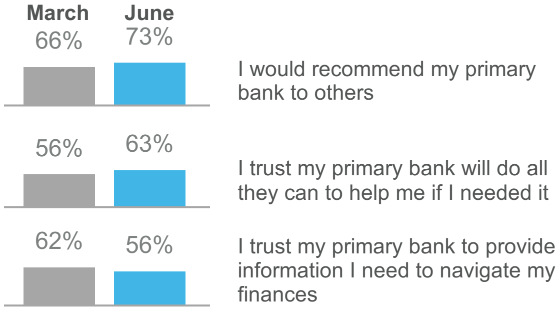
Source: PEW Research Center, April 2020

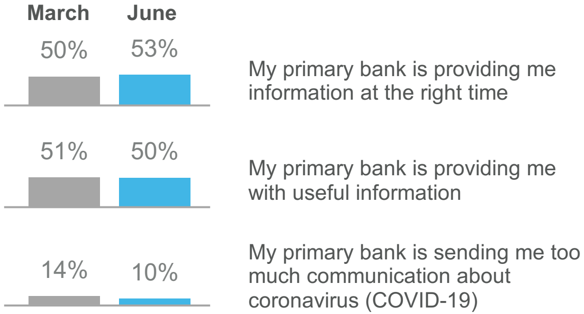
% Saying They Have Rainy Day Funds to Cover Expenses for Three Months



BANKS HAVE GENERALLY MAINTAINED CUSTOMER TRUST THROUGHOUT THE PANDEMIC

Source: Burke COVID-19 March R&D, sample size: n=294
Burke COVID-19 June R&D, sample size: n=290
Q: Thinking about your current personal finances, how much do you agree or disagree with each of the following?





THE STABILITY OF INCIDENCE AND SHARE OF ONLINE BANKING DURING THE PANDEMIC SUGGESTS THAT, EVEN AMONG THE DIGITALLY-DRIVEN, A PORTION OF BANKING REQUIRES SOME PERSONAL INTERACTION.

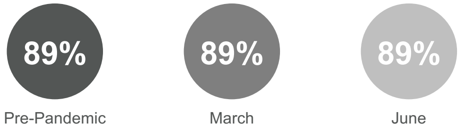
The pandemic did little to change online banking behavior, likely because incidence and share of banking was already relatively strong.

Among the last Gen X holdouts, the pandemic did appear to change behavior. Gen X incidence in June rivaled Millennials/Gen Z. However, average share of use remained flat.

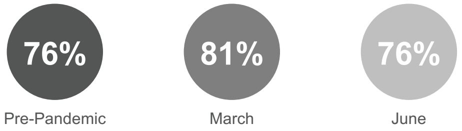
For all age groups, share of online banking among users has remained stable throughout the pandemic. This suggests that a portion of banking still requires some personal interaction (i.e., via phone or in local branches).

OVERALL INCIDENCE AND SHARE FOR ONLINE BANKING HAS BEEN FLAT THROUGH THE PANDEMIC

Incidence of Online Banking: Total

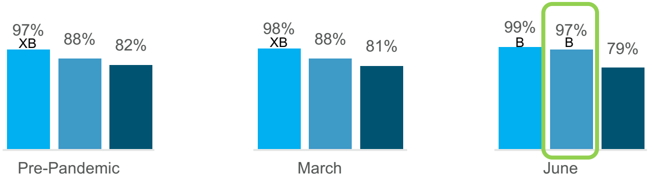


Average Share of Use (Among Users): Total

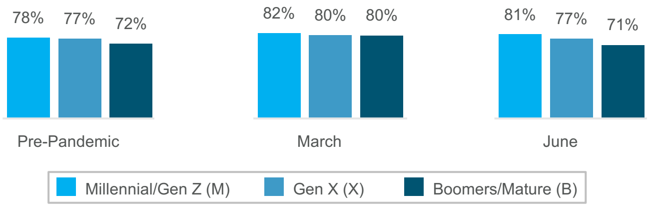


WHILE GEN X ONLINE INCIDENCE DID INCREASE THROUGH THE PANDEMIC, AVERAGE SHARE WAS FLAT. INCIDENCE AND SHARE WAS UNCHANGED FOR BOOMERS

Incidence of Online Banking: Generational



Average Share of Use (Among Users): Generational



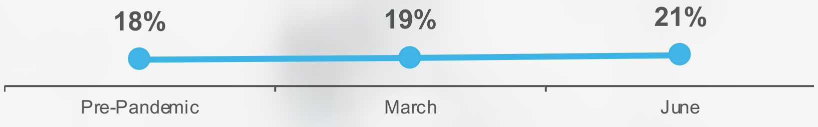
Source:
Burke COVID-19 March R&D, sample size: n=294 (Mill/Gen Z: 104, Gen X: 81, Boom/Mat:: 109)
Burke COVID-19 June R&D, sample size: n=290 (Mill/Gen Z: 84, Gen X: 72, Boom/Mat:: 134)
Q: Approximately what percentage of your personal banking did you conduct online?

Statistically Different at 95% confidence level: M/X/B

AND PERSONAL INTERACTION IS EVEN MORE IMPORTANT FOR OLDER CUSTOMERS LESS LIKELY TO BE ONLINE. LOWER CUSTOMER INTERACTION DUE TO THE PANDEMIC APPEARS TO HAVE NEGATIVELY IMPACTED STRONG RELATIONSHIPS WITH THIS GROUP.

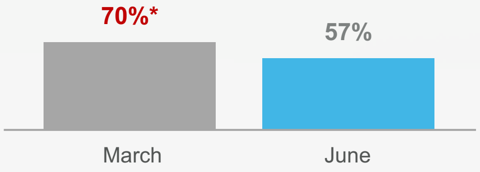
EVEN WHEN FORCED TO STAY AT HOME DUE TO HEALTH RISKS, 20% OF BOOMERS/MATURES DID NOT ADOPT ONLINE BANKING BEHAVIORS

Percent Not Using Online Banking



THERE HAS BEEN A FALL OFF IN TRUST AMONG THE BOOMERS/MATURE AGE GROUP

I trust my primary bank to provide information I need to navigate my finances



*Statistically Different at 95% confidence level

Source:
Burke COVID-19 March R&D, sample size: Boom/Mat:: 109)
Burke COVID-19 June R&D, sample size: Boom/Mat:: 134)
Q: Approximately what percentage of your personal banking did you conduct online?
Q: Thinking about your current personal finances, how much do you agree or disagree with each of the following

KEY TAKE-AWAYS AND OPPORTUNITIES

	TAKE-AWAY	OPPORTUNITY
01.	Uncertainty about the length of the pandemic, the trials of balancing reopening the economy with controlling outbreaks, and the difficulty in divining the long-term impact COVID-19 will have on consumer and social behavior makes it difficult to plan for both the short- and the long-term.	***Hope for the best but plan for the worst.*** Strategize what changes need to be in place to best manage and even thrive in the ongoing crisis. Rather than look at these measures as temporary, consider what pandemic-based behaviors could be here to stay in the "new normal" (social distancing, more time at home, explosive growth of online transactions) and be prepared to lean into and even leverage those behaviors.
02.	The 40/60 split between those who suffered (may be still suffering) from record unemployment versus those who have not likely means there is a need to take a segmented approach to current and future customers. Those most financially impacted by the pandemic tend to be younger. As such, they will have an ever growing share of influence over the future economy and within a future customer base.	***Look at ways to support those struggling with credit card debt, loan payments, etc., due specifically to the pandemic***. This goes beyond any temporary measures offering short-term relief. Look at what programs can be developed/ramped up to help these customers rebuild damaged credit or manage longer-term payments on debt that may have ballooned during the crisis. Not only will this help the economy in the long-run, it could also help build a loyal customer base for the future.
03.	The pandemic has formed a "perfect storm" to drive record setting savings while clearly demonstrating the need to plan for the unexpected.	***Act quickly to help customers strategize about how to keep some of their new savings for the long haul***. Communicating about these strategies before the crisis is over will help customers balance a desire to satisfy their pent up demand against the opportunity to build a more financially stable future.

TAKE-AWAY	OPPORTUNITY
04. 20% of Boomers/Matures are unlikely to ever adopt online banking, even when they are at high risk to venture out. A lack of in-person interaction may be contributing to lower rates of trust that their bank is supporting their information needs. This may worsen as the pandemic continues to keep these customers at home.	***Consider programs to reach out directly to banking customers that fall into this group.*** Even if they are not all high value customers, their friends and family may be. Additionally, a well constructed program could have community outreach and public relations value.
05. Record-setting COVID-19 spikes and continued intent to social distance require vigilance around best practices.	***Continue to encourage best practice measures in all locations even if local ordinances do not mandate compliance.*** Consider how the network of convenient branch offices might support vaccination efforts when vaccines become available.