



THOUGHT LEADERS

BANKING

Demand for new products drives technology investments at region's banks



ALL PHOTOS: JOED VIERA

Technology dominated the discussion among nine banking executives July 11 at Hodgson Russ LLP in Buffalo. The roundtable discussion was part of the Thought Leaders series sponsored by the law firm.

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Ask a roomful of Western New York bankers about changes in the industry and you'll likely hear the same word.

Technology.
Technology.
Technology.

In order to meet customer demands, most banks are investing in digital technology at a rapid clip. If not, they risk falling behind and losing business.

Bank of America is among those spending the most. The Charlotte, North Carolina-based lender is the third largest deposit-taker in Western New York.

Michael Nowicki, commercial banking market executive for Upstate New York and Western Pennsylvania, said the bank spends \$3 billion a year on coding alone.

"The exciting side of this industry

is what's going on with technology right now and developing products and services that deliver technology anytime, anywhere," said Nowicki, who is based in Buffalo. "Banks are becoming technology companies and that's really exciting."

He was among a group of bankers who gathered July 11 for a Business First "Thought Leaders" discussion about banking. The event – hosted by Hodgson Russ LLP at the law firm's headquarters in Buffalo – was also attended by:

- ▶ Justin Bigham, executive vice president, chief financial officer and treasurer of Five Star Bank
- ▶ Anthony Delmonte Jr., president and CEO of Bank of Akron
- ▶ Chris Fattey and Jodyann Galvin, partners at Hodgson Russ
- ▶ Martin Griffith, president of Bank on Buffalo
- ▶ Richard Hamister, senior vice president and New York region president of Northwest Bank

▶ Chris Kania, group vice president at M&T Bank

▶ Dale McKim III, chief risk officer of Evans Bank N.A.

▶ J. Theodore Smith, Upstate New York regional executive and senior vice president of commercial banking at Citizens Bank N.A.

▶ John Wright, senior vice president and business banking sales leader at KeyBank N.A.

Technology spending is at the forefront for most financial institutions these days in an effort to get more efficient. Some are doing the work in-house and others, especially small institutions, rely on vendors and other partners because the cost of developing the technology themselves is prohibitive.

According to research by UBS, JPMorgan Chase & Co. and Bank of America – the two largest banks in the country – spend the most on technology. JPMorgan's technology budget topped \$11 billion while Bank of Amer-

ica's IT budget reached \$10 billion.

Some lenders are acquiring parts or all of fintech companies and products. In 2017, KeyBank bought HelloWallet, a software-based personal financial management tool. This past spring, Key completed the acquisition of a digital lending platform from Laurel Road Bank in Connecticut.

M&T Bank has been vocal about the need to enhance its technology capabilities. The Buffalo-headquartered bank plans to create 1,000 technology jobs in Buffalo and 200 in Delaware as part of an effort to do more technology work internally and rely less on third-party vendors.

But those vendors – including certain fintech companies – are essential for other institutions. Citizens Bank has 15 fintech relationships and "probably will bring on more every year," Smith said.

Citizens is not alone. Some of its smaller counterparts – Northwest Bank, Bank on Buffalo and Bank of

with JUSTIN BIGHAM, ANTHONY DELMONTE JR., MARTIN GRIFFITH, RICHARD HAMISTER, CHRIS KANIA, DALE MCKIM III, MICHAEL NOWICKI, J. THEODORE SMITH and JOHN WRIGHT



“Know who you are and know how you can serve (customers).”

JUSTIN BIGHAM, EVP, CFO, treasurer, Five Star Bank



“(Recent market-place changes) have made us focus more on our brand.”

ANTHONY DELMONTE JR., president/CEO, Bank of Akron



“I always felt that in some cases this market was over-branched but under-banked.”

MARTIN GRIFFITH, president, Bank on Buffalo



“I don’t think a couple of banks will end up dominating as much as they have in the past.”

RICHARD HAMISTER, senior vice president, NY region president, Northwest Bank



“With today’s technology advancements, other banks and non-banks don’t have to be in the community.”

CHRIS KANIA, group vice president, M&T Bank



“Focus on what you’re good at. That’s how smaller players will find success.”

DALE MCKIM III, chief risk officer, Evans Bank NA



“Competition is good. We all push each other and make each other better.”

MICHAEL NOWICKI, commercial banking market executive, Bank of America



“It’s a very competitive marketplace. Banks are stronger now than they have ever been.”

J. THEODORE SMITH, Upstate NY regional executive, Citizens Bank



“(The local competition) makes you come with your A-game every day.”

JOHN WRIGHT, senior vice president, business banking sales leader, KeyBank NA

Akron – have similar strategies. “When you look at smaller banks, part of the challenge is keeping up with digital technology and mobile banking and all of those capabilities that the Bank of Americas of the world are at the front end of,” Griffith said. “How do we keep up on the IT front? The more successful we are in doing that, the better we’ll be able to compete.”

Bank on Buffalo is a startup lender that entered the market in fall 2016. A division of CNB Bank in Clearfield, Pennsylvania, it opened three branches in Erie County and one temporary branch in Niagara County as construction moves forward on a permanent branch in Niagara Falls. Griffith said the new office will be the first truly wireless branch in CNB’s entire network.

Part of that process is working closely with the bank’s core processor to make sure it can handle the change, he said.

Bank of Akron is one of the smallest lenders in the market. Delmonte said his \$320 million-asset organization has no ability to compete on the technology front with the likes of Bank of America, whose assets top \$2 trillion.

The bank focuses on other strengths instead, what some in the room referred to as “staying in your lane.”

“I’m not spending even \$3 on coding. I have three guys in IT,” Delmonte said. “For us, it’s all about knowing who you are. We still see that when business



Panelists said the region’s diverse economy is one of the reasons for the strength of the banking industry.

owners are making decisions and making big purchases, they want to talk to somebody.”

When it comes to technology advancements in the industry, Bigham said the key is being able to be nimble enough to respond to change. He pointed to the fact that the first iPhone was launched 12 years ago – and look how far mobile phones have come since then.

“Where will we be 12 years from now? I have no idea,” he said. “It’s pretty remarkable how short of a period of time it’s been and where we are now.”

► CLOSER LOOK AT THOUGHT LEADERS

Thought Leaders is an ongoing series of discussions with Western New York business leaders and attorneys at Hodgson Russ LLP.

Through the year, leaders in diverse industries meet for a roundtable discussion moderated by Business First journalists. Excerpts from the conversation are published after the roundtable.

Discussions are held in the law firm’s Pearl Street offices in Buffalo.

► HODGSON’S TAKE



“With the (presidential) election in 2020, the likelihood of no regulatory change is pretty much nil.”

CHRIS FATTEY, partner, Hodgson Russ LLP