



VIEW*S* & VISIONS

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The Change Challenges of Today's Banking Industry

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Richard M. Adams is chairman and CEO of United Bankshares, West Virginia's largest headquartered company and the 42nd largest banking company in the United States. United maintains dual headquarters in West Virginia and Washington, D.C.

A Parkersburg native, he is a graduate of West Virginia University and the Stonier Graduate School of Banking at Rutgers University.

Mr. Adams is a board member of the West Virginia United Health System and the West Virginia Chamber of Commerce. He is a past chairman of the West Virginia Chamber of Commerce, the West Virginia Business Roundtable, West Virginia KIDS COUNT and the West Virginia Bankers Association. He has also served on the board of the Federal Reserve Bank.

Mr. Adams has been inducted into the West Virginia University Business Hall of Fame, and has been honored as a recipient of the Governor's "Distinguished West Virginian Award," the WVU "Most Loyal West Virginian Award," the *Ernst & Young* "Lifetime Achievement Award," and the "Who's Who in West Virginia Business Award," sponsored by *The State Journal*. He was selected by Morningstar Inc. as one of three nominees nationwide for their CEO of the Year award.

One thing experience has taught me is that change is a constant. To be successful in business or in your personal life, you must always be as prepared as possible to successfully manage change.

In my banking career, I have seen tremendous change in our industry and I see tremendous change ahead. Areas I would emphasize looking forward as change challenges would be the global economy, technology, cyber risk, consolidation, competition and regulation. United is a listed company. Almost daily the market value of our company is influenced by the global markets. What happens in China can have an impact on United Bankshares Inc. (UBSI).

As we all know, technology has had a very significant influence on how we do business and live our lives. One of the biggest transformations in the banking industry was the introduction of ATMs in the late 1960s. The ATM, for the first time, moved the customer out of the branch and away from personal interaction. We are now in the digital revolution. There is no question, the future of banking is being technologically driven. By 2014, seven of 10 U.S. adults had smartphones. These devices are changing the way our customers shop, communicate, consume news, listen to music and of course, bank.



One of the greatest risks to the new world of technology is cyber risk. The data breach at JP Morgan Chase in 2014, believed to have compromised data associated with more than 83 million accounts, is a great example of the risks to all banks from cyber attacks. The attack targeted nine additional major financial institutions.

Another significant change in the banking industry, both past and future, is consolidation. In 1984, there were some 15,000 banks in the United States. Today, there are approximately 6,200. Increased competition from non-bank competitors continues to be an ongoing challenge to the industry. However, without a doubt, the regulatory burden is banking's No. 1 change challenge. We can well remember the fourth quarter of 2008 – the Great Recession – clearly, the greatest economic crisis in my lifetime. While very few commercial banks were involved in the subprime fiasco, the industry has been targeted by legislation and regulation that





have hurt the economy and the banking industry. Congress has a great track record of punishing many for the mistakes of a few – overreacting, over-regulating and continuing to attack the competitiveness of American business. There is no other industry that has done more for America, community by community, than America's banks. The Dodd-Frank Act is a great example of more unreasonable regulation and more big government. The Act is 2,319 pages. This compares with the 31 pages it took to create the entire Federal Reserve. While there are positives in the Act, much of this legislation is unnecessary and very costly.

Commercial banks are in a business to make a market return for their shareholders. If the returns aren't there, allocation of capital is a concern. For capital, banks must compete with much less regulated industries. Banks create jobs. Banks help build a strong economy and strong communities. Banks are in the business to make their customers and communities successful.

In summary, our industry has seen dramatic change and we expect to see even more dramatic change in the future. At United Bankshares, the current administration has also experienced great change – building

the company from a single-office, \$100 million bank in Parkersburg, West Virginia, to a \$12.6 billion regional banking company with 129 offices in five states and the nation's capital. While much has changed, what *hasn't* changed is our commitment to our employees, customers, shareholders and the communities we serve – as well as our commitment to our core values of integrity, teamwork, hard work and caring. ▾