



FINANCIAL SERVICES

WE DON'T COAST. WE CAPITALIZE.



DEVELOPMENT STRATEGY



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EXECUTIVE SUMMARY

Greater Omaha enjoys a strong national reputation as a leader in Financial Services – and we are poised to grow this dynamic industry cluster to even greater heights with:

- More than 60 percent higher concentration of corporate financial services talent that is consistently recognized among the best of the best
- Growing wave of FinTech startups driving an innovative culture
- Sizable, supportive education and training infrastructure to serve the needs of the industry

Since our founding in 1854, Omaha has excelled in financial services. Banking was the first to make its mark with the 1857 debut of First National Bank. Today, it is the largest privately held bank in the nation and one of the largest credit card issuers.

Insurance moved into the market next with the advent of Woodmen of the World in 1890. Mutual of Omaha opened its doors shortly after, setting its course to become a modern day Fortune 500.

This tradition of financial services success continues to this day with payment companies: First Data, PayPal and TSYS maintaining large

regional presences here and employing 7,000+ individuals. More than \$1 trillion of credit card transactions are routed through Greater Omaha each year, adding further credence to the region's financial powerhouse status. In addition, TD Ameritrade is a homegrown Fortune 1000 firm headquartered in Omaha.

Our experience and specialization in **banking, insurance** and **payments** provides the foundation to capture an even bigger share of the financial services market and enhance our reputation as one of the nation's most dynamic environments for financial service business growth and prosperity. The Greater Omaha

Economic Development Partnership is committed to expanding this sector in both jobs and investment by deploying a targeted growth plan aimed at expanding current companies, sprouting startups and attracting new complementary businesses to the area.

Chmura Economics, JobsEQ cluster analysis, retrieved September 14, 2015



VISION

Greater Omaha will be the Financial Services capital of the central United States, offering businesses the best workforce, a welcoming business community, the most reliable telecommunications and a competitive cost environment.





GOALS



1 GROW THE
SUPPLY CHAIN



2 EXPAND TALENT
PIPELINE



3 ACCELERATE FINANCIAL
TECH STARTUPS

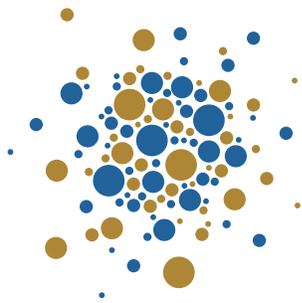


4 BRAND GREATER
OMAHA AS A LEADER
IN FINANCIAL
SERVICES SECTOR



CURRENT ENVIRONMENT

To combat shrinking margins, the Financial Services industry has smartly sought out lower cost locations for many of its operations. Companies such as Citi Bank, Pacific Life, Fidelity Investments and others are moving more jobs to the Midwest due to our lower labor costs, lower taxes, lower lease rates and lower overall cost of doing business. These factors – plus our skilled talent and supportive business environment – make a compelling case for investment in a region well equipped to support a rapidly expanding and evolving Financial Services industry.



Strong clusters exist in **Financial Services** and **Insurance Services** sectors, employing a combined **28,910 individuals²** and a **location quotient of 1.62³**.



The presence of U.S. Strategic Command at Offutt Air Force Base, along with data centers that include Google, Yahoo!, Travelers Insurance and Fidelity Investments, demonstrates the fiber connectivity of **Greater Omaha and the region's leadership in cybersecurity.**

² U.S. Cluster Mapping, Omaha Economic Area, http://www.clustermapping.us/region/economic/omaha_council_bluffs_fremont_ne_ia, retrieved February, 2016

³ EMSI



BANKING

Banks in Greater Omaha have outperformed their national competitors and had record-breaking profits in 2014. This type of growth is happening despite the long-running low-interest-rate market that is hindering revenue growth.

Strong management and more conservative loan underwriting throughout the region are two of the reasons Midwest banks frequently outperform their competition. This type of business performance highlights the strength of both Greater Omaha's banking sector and its overall economy.

Banking will face significant opportunities and challenges over the next decade. The shifting financial needs of the Boomers and Millennials,

along with a growing global middle class, will drive industry innovation, including new ways to interact with consumers. Ten thousand Baby Boomers retire every day⁴ and Millennials are entering peak earning years. These demographic shifts are triggering a change in what is expected from a banking experience from both retail and business banking.

We are home to many banks and startups that are leading industry innovation, which is making information easier to access and ultimately, attracting new customers.

4 Pew Research Center, "Baby Boomers Retire", Dec. 29, 2010



Current Environment

INSURANCE

Greater Omaha understands insurance. Both Nebraska and Iowa offer a premium tax rate of 1 percent, which is among the lowest in the country, though, our high concentration of knowledge workers in the insurance industry is our top competitive advantage. Within a 25-mile radius of our city center, more than 3,400 professionals hold a series 6/7 license.⁵ We particularly stand out in insurance underwriters and actuaries with location quotients of 3.49 and 1.82 respectively. This talent combined with the region's low cost of doing business have helped attract and grow the local insurance sector.

The University of Nebraska – Lincoln is home to one of 16 centers of actuarial excellence in the United States helping to maintain a pipeline of qualified talent.

36 insurance companies are either headquartered, domiciled or maintain a large regional presence here.

-
- Ability Insurance Co.
 - Acceptance Casualty Insurance Company
 - Aetna Health
 - ALFAC Incorporated
 - Amerisafe
 - Berkshire Hathaway Life Insurance Company
 - Blue Cross and Blue Shield of Nebraska
 - Censtat
 - Central States Indemnity
 - Columbia Insurance Group
 - Coventry Health Care of Nebraska
 - CSI Life Insurance
 - Delta Dental of Nebraska
 - EMC Insurance Company
 - Fidelity National Title Group
 - Globe Life and Accident Insurance Company
 - HUB International Limited
 - Landmark Life Insurance Company
 - Lenders Protection Assurance Company
 - Liberty National Life Insurance Company
 - Medico Corp Life Insurance Company
 - Markel
 - Mutual of Omaha Insurance Company
 - National Fire & Marine Insurance Company
 - National Indemnity Company
 - Oak River Insurance Company
 - Omaha Life Insurance Company
 - Pacific Life Insurance Company
 - Physicians Mutual Insurance Company
 - Preferred Professional Insurance Company
 - Redwood Fire and Casualty Insurance Company
 - Travelers Indemnity Company
 - United American Insurance Company
 - United Healthcare of the Midlands
 - Woodmen of the World Life Insurance Society
 - Zurich American Insurance Company
-



PAYMENTS

We are home to regional operations for First Data, PayPal and TYSYS, leaders in the payment processing sector. Each year, these firms process more than \$1 trillion in payment transactions — all routed through Omaha. The discipline to efficiently and securely process these private transactions is at the core of their business.

These companies are also at the forefront of the industry's next fundamental change — the move to mobile payments. For example, First Data has provided the technical expertise behind ApplePay. This move to mobile is in full motion with 80 percent of retailers anticipated to incorporate mobile point-of-sale devices by 2018, according to Business Intelligence.

This growth has been well funded by venture capitalists, angel investors, banks and others over the last several years. In 2014, payment and lending captured 79 percent of the FinTech investment in the United States.⁶ One of the drivers in this large market share of investment is the increasing presence of digital commerce. As consumers continue to demand easier and more seamless online payment experience, startups and industry leaders have risen to meet the demand. The quick scalability of these products has been shown time and time again. Additionally, startups that have been able to simplify the cumbersome processes of lending capital have also found increased success. In some cases, these lending startups have changed how and who lends money.

We will continue to be a major leader in this field. The data centers of the region, workforce skilled in this sector and innovation happening will continue to drive growth right here.

Payment Companies in Greater Omaha

- ACI Worldwide Inc.
- CSG International
- First Data Corporation
- First National Bank
- PayPal
- PaySAFE
- TD Ameritrade
- TSYs Merchant Solutions, LLC

⁶ Business Insider, "FinTech Ecosystem Report", Dec 2015



INDUSTRY CHALLENGES

Looking to the future, the financial services' industry has significant opportunities to adapt to a changing world. The shifting demographics of consumers will provide new growth. From a global perspective, the drive to capitalize on the growing middle class presents opportunities to capture new market share. None of these opportunities come without challenges, and Greater Omaha is uniquely positioned to assist the industry in overcoming these challenges.





REGULATION

As the world economy continues to evolve in the aftermath of the Great Recession, while simultaneously trying to adapt to new technology, it is hard to find an industry that has seen more regulatory change than Financial Services. Both banking and insurance have new requirements for liquidity, reduction in traditional revenue generators and increased compliance, which can be seen in Dodd-Frank Wall Street Reform and Consumer Protection

Act and Basel III. On a global scale, the concerns regarding regulation are most pronounced in North America.

We work with our Financial Services firms to ensure our region maintains a regulatory environment that allows industry to thrive. For example, both Iowa and Nebraska State Insurance Commissioners have been recognized for business-friendly departments by National Association of Insurance Commissioners.



Industry Challenges

CYBERSECURITY

Cybersecurity is a concern for everyone in the globally connected world. No company or consumer is immune to major data breaches. An accounting of recent corporate victims reads like a who's who of Fortune 500 companies: JP Morgan Chase (the U.S.'s largest bank, 76 million records stolen); Anthem (the second-largest health insurer in the U.S., up to 80

million records); LexisNexis and Home Depot (56 million records). Target's infamous breach in 2014 was achieved through software installed on point-of-sale card swiping machines. In the case of United Parcel Service (UPS), malware was discovered in the card processing systems at 51 branches in 24 states. The scope of the number of records stolen has not been made public.

In the United States, payment security is being increased with the introduction of the EMV chips in credit cards as a replacement for the magnetic strip. Implementation began in 2015 and likely will not be complete until 2017. The upgrade of both the card and the point-of-sale terminals will be a costly investment for retailers and





card issuers alike but will cost much less than the \$7.9 billion in credit card fraud seen in 2014 alone⁷.

This is just one example of the ways the financial service industry will continue to adapt to address the issues of cybersecurity and fraud as hackers find new ways to attack and collect data.

Nebraska University Center for Information Assurance (NUCIA) and their Security Technology Education and Analysis Laboratories (STEAL), located in Omaha, are training the next generation of cybersecurity experts and providing secured digital-environment for testing and cutting-edge developments.

CONSUMER EXPERIENCE

The way consumers interact with financial institutions has drastically changed over the last 10 years and will change more rapidly moving forward. There were 1,614 bank branches closed in the United States in the first half of 2014⁸. This is representative of increases in mobile banking and the digitization of personal and business finances. Consumers expect easy interfaces with their mobile and wearable devices. By 2020, the majority of consumers will have grown up online and on smartphones⁹. Creating a thriving consumer interface model will spur greater innovation, providing firms — established and startup—a new opportunity to differentiate themselves in what has been seen as a mature industry.

Companies like D3 Banking, an Omaha startup, that focus on user experiences across platforms will play an important role in moving the industry forward.

7 Business Insider, "Card fraud cost the US billions each year", Dec. 18, 2015

8 Deloitte 2015 Banking Outlook

9 First Data, "Cards and Payments: Seeing Past the Hi-Tech Hype", 2014



MARKET SCOPE

BANKING

The current opportunities for the banking industry are numerous. Disruptive technologies and changes in consumer behaviors are important trends that rise to the top of mind when thinking about strategic growth for this sector in the Greater Omaha.

When looking to the future of banking, we can learn from the past. The once novel, automated teller machines (ATMs) laid the ground work for the trajectory of where mobile banking is headed. According to the Federal Deposit Insurance Corporation (FDIC), gross

deposits have increased in the U.S. by \$5.5 trillion between 2000 and 2013.¹⁰ Yet, the number of bank branches has been stable over the same period. Just as customers have transitioned from bank branches to ATMs, they are now moving to mobile.

As this transition continues to accelerate, banks will need fewer retail bankers and more individuals to support their digital platforms. Banks will continue to move these back office operations to the Midwest, including Greater Omaha.

Bank of the West, one of the largest banks in the country, employs more than 1,000 individuals in Greater Omaha.

Looking to 2020, banking leaders believe changing behaviors of customers will have the largest impact on retail banking. Banking insiders speculate that by 2020, the revenue from retail banking will decrease from 35 percent of revenue to just 16 percent.¹¹ In spite of that decrease, industry



BANK BRANCHES



ATM



MOBILE



assets are forecast to climb to an estimated \$163,058 billion in 2017.¹² This leads to an opportunity for banks to invest in technology and data to retain the loyalty of customers and create a more holistic customer experience.

During the Great Recession, we proved to be an incredibly stable market for banking. This stability and existing consumer loyalty coupled with the innovation of both the local tech startups and corporate banks will provide opportunities for growing partnerships and investment in new technologies and consumer testing.

“While FinTech firms and banks will continue to be pitted against each other in the media, by Congress, in banking c-suites and by regulators in 2016, the smart banks will partner with FinTech solution providers.”

– David Gerbino, Financial industry consultant and FinTech advisor

¹⁰ Investopedia.com, “The Future of Mobile Banking”, March 20, 2015

¹¹ Investopedia.com, “The Future of Mobile Banking”, March 20, 2015

¹² InformationWeek, “Mobile Banking Trends for 2014”, February 20, 2014



INSURANCE

Long viewed as steady the insurance industry is headed into an era of innovation and change. In particular, rapidly changing demographics are driving demand for different types of insurance interaction. Focus will shift from the agents to online, from investment opportunities to catastrophe coverage. Agents and brokers alike will do well to simplify their processes and create accessibility through more digital platforms.¹³

In order to prepare for and adapt to this change, successful insurers may need to look to outside innovators to solve many of these new challenges. Minimizing costs will drive decision-making as payouts for catastrophic events continues to increase.

Merger and acquisitions has been a leading trend in the insurance sector over the last year. In 2015, the industry saw mergers like Aetna/Humana, Anthem/Cigna and Centene/HeathNet. This is a trend likely to continue for the short term. Even when the dust

starts to settle, the effects of fewer and larger insurance companies in the field will impact the industry.

Both of these driving forces, increased digitization and increase M&A activity, create an opportunity for more centralized back office operations. **In Greater Omaha, insurance companies can minimize their costs by tapping into wage rates 8 percent below the national average and a concentration of knowledge workers.** Within a 25-mile radius of our city center, more than 3,400 professionals hold a Series 6/7 license.¹⁴

**GREATER OMAHA EMPLOYEED
13,790
IN INSURANCE FIELD WITH A
LOCATION QUOTIENT OF
1.22¹⁵**

Greater Omaha FinTech Startups

- ATS Secured
 - D3 Banking
 - FTNI
 - PaySafe
 - Prairie Cloudware, Inc.
 - PrairieSmarts, LLC
 - Social Money (recently acquired by Q2)
 - The Core Point
 - Threadworks
 - Vendorin, Inc.
-



PAYMENTS

According to the Federal Reserve Bank, "more than 120 billion non-cash electronic transactions take place a year, and both consumers and merchants want faster and more convenient options for paying for goods and transferring money."¹⁶ The demand for safe, efficient ways to handle transactions continues to grow. At the same time, if consumers are truly advancing toward a future free of paper money, they will need to have a positive experience in brand interactions. The companies that plan to dominate this market will need to ensure their brand value is above reproach.

- "McKinsey expects annual global payments revenues to increase at a relatively stable annual rate of 6 percent... exceeding \$2 trillion by 2020"¹⁷

- "The mobile point-of-sale (mPOS) is going to have a massive impact on the payments-hardware and payments-software industry. By 2019 it is forecasted that nearly 80 percent of US retailers will have implemented an mPOS device."¹⁸

Greater Omaha is home to major operations for both global e-commerce and mobile payments with industry leaders such as First Data, PayPal, TSYS and TD Ameritrade, along with other supply chain partners like CSG and ACI Worldwide.

THESE COMPANIES ARE HELPING SHAPE THE CONSUMER EXPERIENCE, EMPLOYING MORE THAN 18,550 INDIVIDUALS IN THE REGION.

Clear growth opportunities in both e-commerce and mobile payments mean we must continue to support

current employers with necessary workforce and foster innovation that will undoubtedly drive even more change. As the nation's primary payment and financial transactions hub, we are positioned to lead the charge for stronger payment security, faster processing and better innovation in the field.

As innovation in this space accelerates, the next big idea or disruptive technology could drastically change the industry. More than one-third of the world's 37 largest FinTech unicorns, startups valued over \$1 billion, focus on payments. **With 10 financial technology startups and industry giants in Greater Omaha, we are uniquely positioned to support the industry's next wave and innovate the disruptive models yet to be created.**

¹³ Intuit, "Intuit 2020 Report: The future of financial services", April 2011

¹⁴ FINRA, 2015

¹⁵ EMSI, 2016

¹⁶ Reuters, "UPDATE 1-Fed's Powell says payment technologies should account for possible risks", June 25, 2015

¹⁷ Global payments 2015: A healthy industry confronts disruption McKinsey

¹⁸ Business Insider, "The Payments Industry Explained", May 15, 2015



SUMMARY

Greater Omaha has long been home to a thriving Financial Services industry. These companies helped shape our past and will propel us forward.

The implementation of a focused plan will position us as the Financial Services capital of the central United States. It is critical that the plan is centered on the strength of the banking, insurance and payments sectors already rooted in the region.

A significant opportunity exists to assist these anchor tenants with their plans to expand while simultaneously working to attract additional companies to our region. All stakeholders will need to be involved for this strategy to successfully achieve the outlined vision.





STRATEGIC PLAN

VISION

Greater Omaha will be the Financial Services capital of the central United States, offering businesses the best workforce, a welcoming business community, the most reliable telecommunications and competitive cost environment.





How Do We Get There?

1 GROW THE SUPPLY CHAIN

- Work with anchor companies to identify specific voids in the supply chain
- Engage with state economic development departments to develop targeted incentive tools to accelerate industry growth
- Work with the Commissioners of Insurance to identify target states with high retaliatory tax rates and companies within those states that would benefit significantly from a move to Greater Omaha
- Create customized marketing materials that outline the benefits and cost savings of relocating to the region
- Send recruitment teams, including area business leaders, to identified companies within targeted states to make the case to relocate to our region

2 EXPAND TALENT PIPELINE

- Create targeted, rapid response programming to meet the immediate talent needs of existing and new Financial Services companies
- Better connect financial services employers to educational institutions to create distinct pipelines from the classroom to the job
- Vertically integrate the program into businesses through internship or work-study relationships as well as planned pathways from area high schools
- Support regional companies with talent recruitment at targeted campuses across the Midwest



3

ACCELERATE FINTECH STARTUPS

- Support an existing incubator in developing an expertise in FinTech
- Identify local investors with capacity and interest in investing in the sector; reach out to the coasts to identify venture funds with sector specialization
- Develop business cases for startups to expand to the region
- Work with anchor companies to increase 'first customer' opportunities for regional startups and those recruited to the market
- Sponsor StartUp Week focused on FinTech opportunities

4

BRAND GREATER OMAHA AS A LEADER IN FINANCIAL SERVICES SECTOR

- Apply "We Don't Coast" message to Financial Services
- Capitalize on the region's safe and secure advantages
- Seek out opportunities to present strategy to external audiences
- Initiate a conference or series of seminars that complement industry sectors in our region and attract industry experts from outside of the area
- Engage elected officials and state governmental agencies to promote policies that further enhance the competitive advantage the region holds in this sector
- Build off success of data center attraction to bring related Financial Services functions to the region



Participants

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OMAHA
WE DON'T COAST[®]
30+ COMMUNITIES THAT MAKE OMAHA - GREATER OMAHA

WE CAPITALIZE

We're driven by the pioneering spirit, founded and inspired by those who've taken nothing — and turned it into something. Today, we're home to some of the biggest names in financial services. Their stories of growth and well-earned success embody the unrelenting optimism of our community. A place that, through its friendly business climate, highly-motivated workforce and steady economic growth, is designed to yield a powerful return. We're living proof that you don't need a Wall Street address to be the smartest kid on the block.

