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The Impact of Driverless Cars

une 28, 2018

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Presenters



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Moderator **Sheila Easley** Director, Financial Services Division Harland Clarke



THE BIG IDEA

Changing attitudes toward vehicle ownership and driving +

Advances in technology and infrastructure

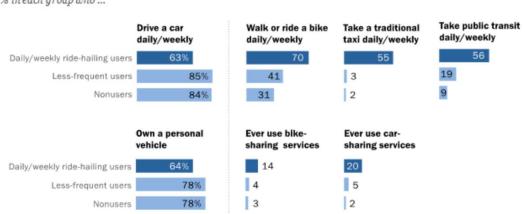
Could have a big impact on loan portfolios, non-interest income and membership/customer levels



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Shift from "ownership" to "access"

- Vehicle leases are soaring—across vehicle makes and price points
- More drivers rely on ride hailing and short- and long-term car sharing
- Owning a car is no longer a key indicator of adulthood and independence.



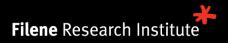
Frequent ride-hailing users less likely to own or drive a car, more likely to use a range of other transit options

% in each group who ...

Source: Survey conducted Nov. 24-Dec. 21, 2015.

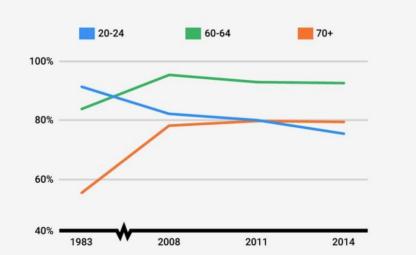
"Shared, Collaborative and On Demand: The New Digital Economy"

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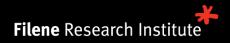
DECLINING DRIVERS LICENSES

- The percentage of adults with a driver's license has been shrinking annually in nearly every age category.
- One exception: drivers age 70+. For them, a driver's license means freedom and mobility.



PERCENTAGE OF LICENSED DRIVERS PER AGE-GROUP

Source: <u>http://www.horsepoweronline.com/2016/11/americans-show-declining-interest-in-</u> <u>drivers-licenses/percentage-of-licensed-drivers/</u>



ADOPTION PREDICTED FOR 2050

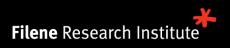
Exhibit

Although autonomous vehicles *do* face hurdlesmany believe widespread adoption is nearly inevitable.

The self-driving vehicle revolution 2050 An illustration of potential growth 2030 2015 2020 Era 2: Era 3: Consumers begin to Fully autonomous vehicles AVs become the primary (AVs) being developed for adopt AVs means of transport consumers AVs are already a reality 4 The after-sales service AVs free up to 50 minutes in industrial fleets landscape is reshaped a day for drivers 2 Car OEMs begin to Insurers shift from 8 Parking space is assess strategic impact covering individuals reduced by billions of to covering technical square meters 3 New mobility models failures 9 Vehicle crashes fall by begin to emerge 6 Supply chain and 90%, saving billions of logistics are redefined dollars 10 AV technology accelerates development of robots for consumer use

https://www.mckinsey.com/industries/automotive-and-assembly/our-insights/tealset automotive-and-assembly/our-insights/tealset automotive-automotive-automotive-automotive-automotive-automotive-automotive-automotive-automotive-automotive-automotive-automotive-automotive-automotive-automotive-automotive-automotive-automotive-automotive-automotive-automotive-automotive-automotive-automotive-automotive-automotive-automotive-automotive-automotive-automotive-automotive-automotive-automotive-automotive-automotive-automotive-automotive-automotive-automotive-automotive-automotive-automotive-automotive-automotive-automotive-automotive-automotive-automotive-automotive-automotive-automotive-automotive-automotive-automotive-automotive-automotive-automotive-automotive-automotive-automotive-automotive-automotive-automotive-automotive-automotive-automotive-automotive-automotive-

McKinsey&Company

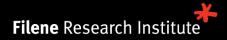


WHAT'S AT RISK?

The potential loss of:

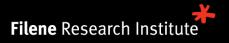
- 35% (on average) of loan portfolios
- Non-interest income for complementary products (e.g., auto insurance and debt protection)
- A gateway product for new member relationships

https://www.mckinsey.com/industries/automotive-and-assembly/our-insights/ten-ways-autonomous-driving-could-redefine-the-automotive-world



FINANCIAL INSTITUTION IMPLICATIONS

- Prepare for a changing vehicle marketplace
- Get innovative with financing—develop models for leasing and car sharing
- Create new insurance offerings—meet consumers' changing vehicle insurance needs
- **Research the fleet market**—experiment with a pivot away from individual ownership toward fleet models
- Leverage reputation for cooperation and trust—these are critical differentiators in the access economy





Type your question in the chat panel

Amy Eagan Impact Manager

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