

# 2022 Risk Survey

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Bank Director reaches the leaders of the institutions that comprise America's banking industry. Since 1991, Bank Director has provided board-level research, peer insights and in-depth executive and board services. Built for banks, Bank Director extends into and beyond the boardroom by providing timely and relevant information through *Bank Director* magazine, board training services and the financial industry's premier event, Acquire or Be Acquired. For more information about Bank Director, visit [www.bankdirector.com](http://www.bankdirector.com).

**Bank**Director.

### About Moss Adams LLP

With more than 3,800 professionals across 30-plus locations, Moss Adams provides the world's most innovative companies with specialized accounting, tax, and consulting services to help them embrace emerging opportunity. We serve over 400 banks and other financial institutions in all stages of the growth cycle helping our clients navigate an evolving regulatory environment, maintain profitability, and manage risk throughout each phase of their business's growth. Discover how Moss Adams is bringing more West to business. For more information visit [www.mossadams.com/fs](http://www.mossadams.com/fs).



## EXECUTIVE SUMMARY



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**Despite geopolitical turmoil following Russia's invasion of Ukraine, the Federal Reserve opted to raise interest rates 25 basis points in March — its first increase in more than three years — in an attempt to fight off a high rate of inflation that saw consumer prices rising by 7.9% over the preceding year, according to the Bureau of Labor Statistics.**

"Inflation remains elevated, reflecting supply and demand imbalances related to the pandemic, higher energy prices, and broader price pressures," the central bank said in a statement. The Federal Open Market Committee (FOMC) is the policymaking body within the Fed that sets rates, and Fed Chairman Jerome Powell remarked further that the FOMC will continue to act to restore price stability.

"We are attentive to the risks of further upward pressure on inflation and inflation expectations," Powell said, adding that the FOMC anticipates a median inflation rate of 4.3% for 2022. He believes a recession is unlikely, however. "The U.S. economy is very strong and well-positioned to handle tighter monetary policy."

Six more rate hikes are expected in 2022, which overshoots the aspirations of the directors, CEOs, chief risk officers and other senior executives responding to Bank Director's 2022 Risk Survey, conducted in January. Respondents reveal a high level of anxiety about interest rate risk, with 71% indicating increased concern. When asked about the ideal scenario for their institution, almost three-quarters say they'd like to see a moderate rise in rates in 2022, by no more than one point — significantly less than the 1.9% anticipated by the end of the year.

Moss Adams LLP sponsors Bank Director's annual Risk Survey, which also focuses on cybersecurity, credit risk, business continuity and emerging issues, including banks' progress on environmental, social and governance (ESG) programs. More than half of the respondents say their bank doesn't yet focus on ESG issues in a comprehensive manner, and just 6% describe their ESG program as mature enough to publish a disclosure of their progress.

Developments in this area could be important to watch: The term ESG covers a number of key risks, including climate change, cybersecurity, regulatory compliance with laws such as the Community Reinvestment Act and operational risks like talent.

"Finding employees is becoming much harder and has us [looking] at outsourcing (increased risk) or remote workers (increased risk)," writes one survey respondent. Workers want to work for ethical companies that care about their employees and communities, according to research from Gallup. Could a focus on ESG become a competitive strength in such an environment?

## KEY FINDINGS

### ➔ Top Risks

Respondents also reveal increased anxiety about cybersecurity, with 93% saying that their concerns have increased somewhat or significantly over the past year. Along with interest rate risk, regulatory risk (72%) and compliance (65%) round out the top risks. One respondent, the CRO of a Southeastern bank between \$1 billion and \$5 billion in assets, expresses specific concern about “heightened regulatory expectations” around overdraft fees, fair lending and redlining, as well as rulemaking from the Consumer Financial Protection Bureau around the collection of small business lending data.

### ➔ Enhancing Cybersecurity Oversight

Most indicate that their bank conducted a cybersecurity assessment over the past year, with 61% using the Cybersecurity Assessment Tool offered by the Federal Financial Institutions Examination Council (FFIEC) in combination with other methodologies. While 83% report that their program is more mature compared to their previous assessment, there’s still room to improve, particularly in training bank staff (83%) and using technology to better detect and/or deter cyber threats and intrusions (64%). Respondents report a median budget of \$200,000 for cybersecurity expenses in fiscal year 2022, matching last year’s survey.

### ➔ Setting ESG Goals

While most banks lack a comprehensive ESG program, more than half say their bank set goals and objectives in several discrete areas: employee development (68%), community needs, investment and/or volunteerism (63%), risk management processes and risk governance (61%), employee engagement (59%), and data privacy and information security (56%).

### ➔ Protecting Staff

More than 80% of respondents say at least some employees work remotely for at least a portion of their work week, an indicator of how business continuity plans have evolved: 44% identify formalizing remote work procedures and policies as a gap in their business continuity planning, down significantly compared to last year’s survey (77%). Further, banks continue to take a carrot approach to vaccinations and boosters, with most encouraging rather than requiring their use. Thirty-nine percent require, and 31% encourage, employees to disclose their vaccination status.

### ➔ Climate Change Gaps

Sixteen percent say their board discusses climate change annually — a subtle increase compared to last year’s survey. While 60% indicate that their board and senior leadership team understand the physical risks to their bank as a result of more frequent severe weather events, less than half understand the transition risks tied to shifts in preferences or reduced demand for products and services as the economy adapts.

# RISK HEATMAP

## 1. Have your concerns about the following risk categories increased or decreased over the past year?

Compliance



Consumer



Credit



Cybersecurity

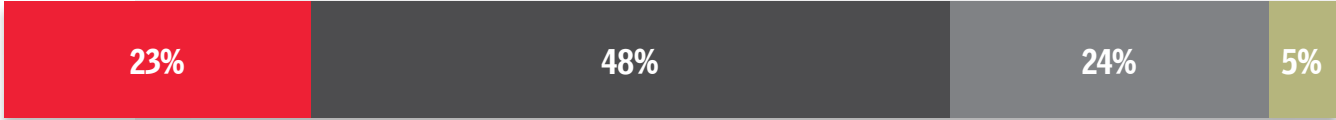


Environmental/climate risk



- Increased significantly
- Increased somewhat
- No change
- Decreased somewhat/significantly

Interest rate risk



Legal



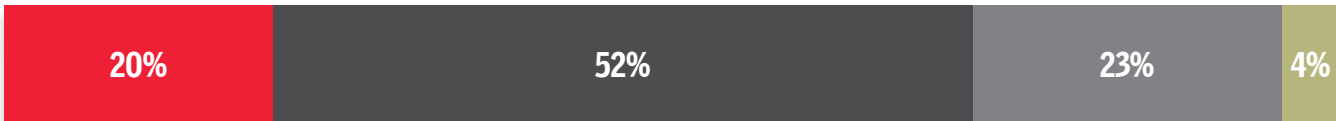
Liquidity



Operational



Regulatory



Reputational



Strategic

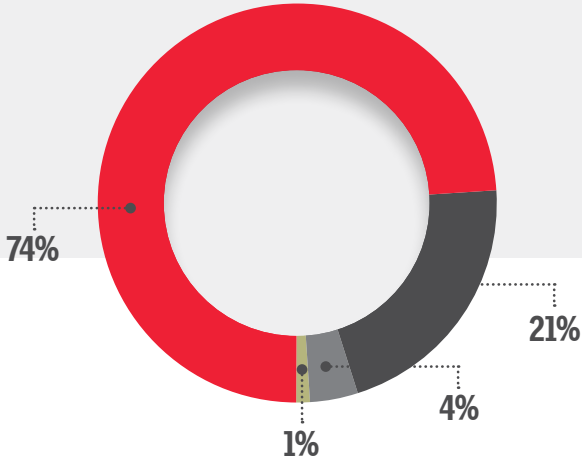


- Increased significantly
- Increased somewhat
- No change
- Decreased somewhat/significantly

# THE LOAN PORTFOLIO

## 2. Considering interest rates in 2022 and their impact on your financial institution, do you hope the Federal Reserve’s Federal Open Market Committee will ...?

*CISOs, CIOs and CTOs weren’t asked this question.*



- Raise interest rates moderately by the end of 2022, by no more than one point
- Raise interest rates significantly by the end of 2022, between one and three points
- Maintain the federal funds rate at current levels through 2022, between 0% and 0.25%
- Raise interest rates dramatically by the end of 2022, by more than three points

### 3. Has your bank adjusted concentrations in its loan portfolio in the following areas in response to strategic shifts or economic changes?

CISOs, CIOs and CTOs weren't asked this question.

Agriculture



Commercial & industrial



Commercial real estate



Construction and development loans



Consumer loans



- Increased
- Didn't change
- Decreased
- Not applicable



Mortgage/home equity loans



SBA or other small business loans



Loans to the energy sector



Loans to the hospitality industry



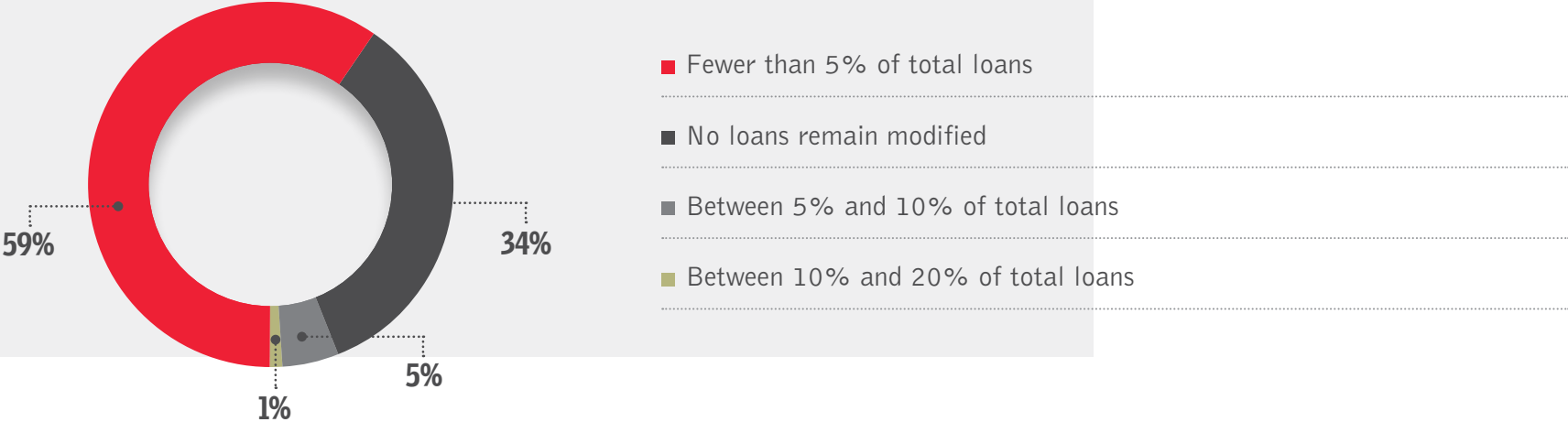
Loans to the healthcare sector



- Increased
- Didn't change
- Decreased
- Not applicable

# 4. Thinking about loans modified due to the Covid-19 pandemic, what percentage of your bank's total loans remained modified through the end of 2021?

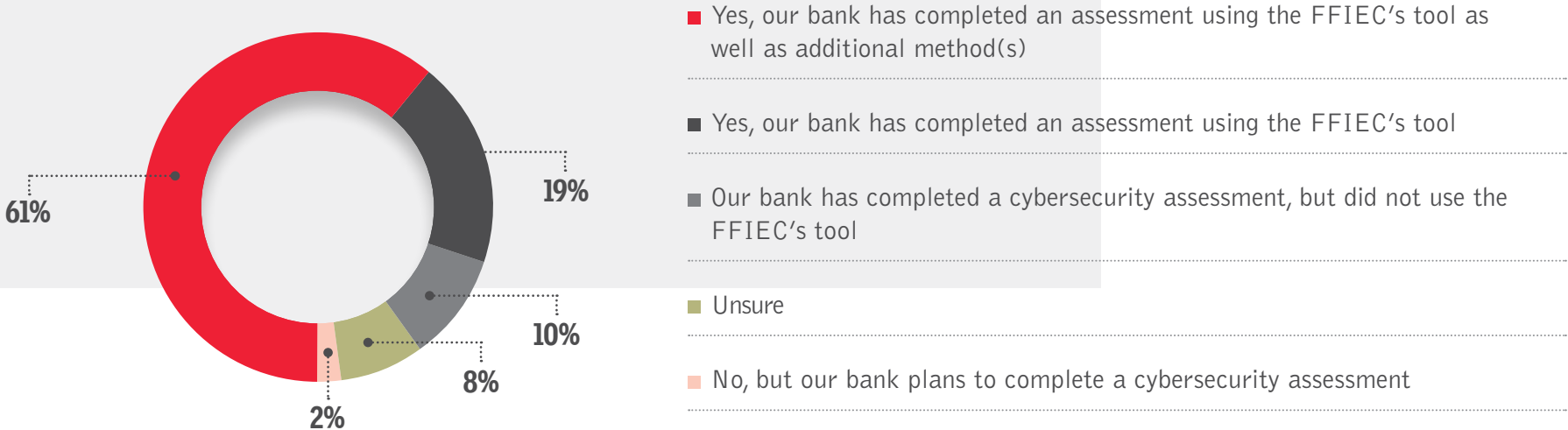
Numbers don't add up to 100% due to rounding. CIOs, CTOs and CISOs were not asked this question.



# CYBER THREATS & BUSINESS CONTINUITY

## 5. Has your bank conducted a cybersecurity assessment using the FFIEC Cybersecurity Assessment Tool (CAT) or another methodology over the past 12 months?

Chief credit officers and chief lending officers were not asked this question.



## 6. Overall, did the maturity of your bank's cybersecurity program increase in 2021, compared to your bank's previous assessment?

Question asked of respondents indicating that their bank completed a cybersecurity assessment. Numbers don't add up to 100% due to rounding.



# 7. Where do you see room to improve your bank's cybersecurity program?

Respondents were asked to select all that apply. Chief credit officers and chief lending officers were not asked this question.



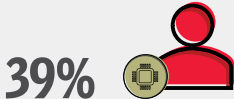
Training for bank staff



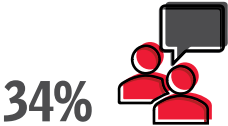
Technology to better detect and/or deter cyber threats and intrusions



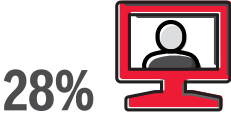
Internal controls



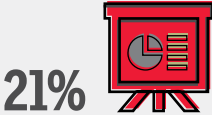
Attracting/retaining quality cybersecurity personnel



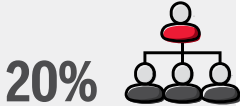
Better internal communication



Better cybersecurity monitoring for staff working remotely



More board expertise/training



Increased governance/oversight by the board



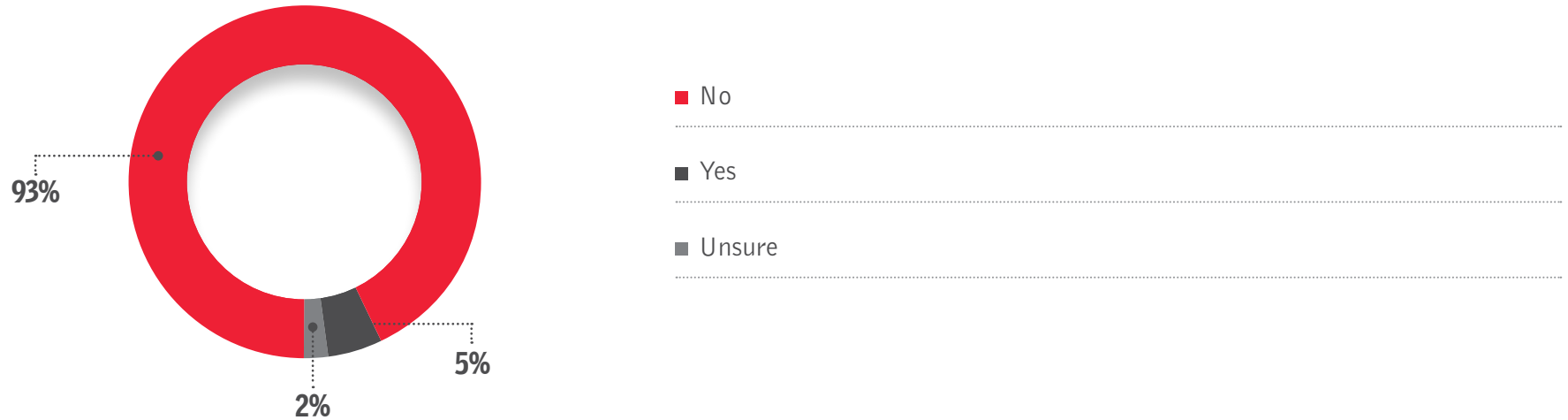
Better communication with external groups



Other

## 8. Has your bank experienced a data breach or ransomware attack within the past two years (2020-2021)?

Chief credit officers and chief lending officers were not asked this question.



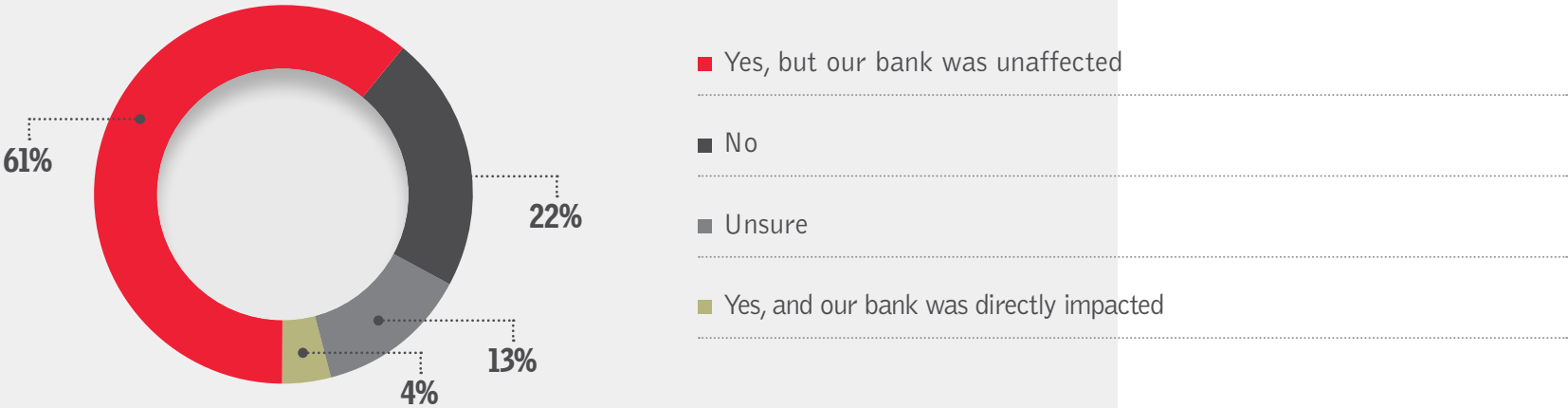
## 9. Please share or estimate the total cost to your bank as a result of the cyberattack experienced by your bank in 2020-21.

Question only asked of respondents indicating that their bank has experienced a data breach or ransomware attack.

**\$250,000**  
**Median Cyberattack Cost**

### 10. Has one or more of your bank’s vendors experienced a data breach or ransomware attack within the past two years (2020-2021)?

Chief credit officers and chief lending officers were not asked this question.



### 11. Did your bank update its third-party vendor management policies, processes and/or risk oversight in response to these recent cyberattack(s) affecting your vendor(s)?

Question asked of respondents indicating that a vendor experienced a data breach or cyberattack.



## 12. Are any of the following activities part of the board's oversight of the bank's cybersecurity risk management program?

Respondents were asked to select all that apply. Chief credit officers and chief lending officers were not asked this question.

79% 

Participates in board-level training to understand the cyber risks facing the bank

75% 

Ensures management continually works to improve the cybersecurity program

71% 

Understands and is apprised of deficiencies in the bank's cybersecurity risk program

	Total
Participates in board-level training to understand the cyber risks facing the bank	79%
Ensures management continually works to improve the cybersecurity program	75%
Understands and is apprised of deficiencies in the bank's cybersecurity risk program	71%
Understands the impact a cyber incident would have on the bank's financial position	67%
Reviews current and needed resources and tools as part of the budget process	65%
Incorporates cyber threat analysis as part of the enterprise risk management function	58%
Reviews/approves a cyber risk appetite statement	57%
Considers short and long-term perspectives when developing its cybersecurity strategy	50%
Reviews detailed metrics or scorecards that outline cyber incidents	42%
Uses data and relevant metrics to facilitate strategic decisions and monitor cyber risk	35%
Holds business units accountable for managing related cyber risks	31%
Considers the impact of the bank's cyber risks to other critical entities (such as telecommunications or energy)	31%
Benchmarks cybersecurity staffing against peer institutions	17%
None of the above	2%

### 13. How much has your bank budgeted for cybersecurity expenses, including personnel and technology, for fiscal year 2022?

Chief credit officers and chief lending officers were not asked this question.

**\$200,000**  
Median Cybersecurity Budget

### 14. Where do you see room to improve your bank's pandemic/business continuity plan?

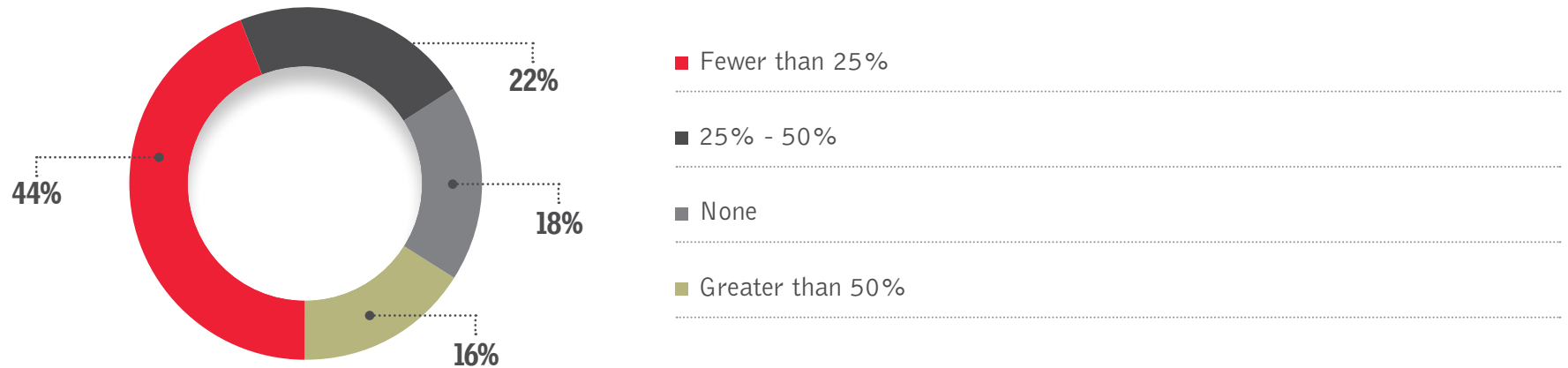
Respondents were asked to select all that apply.

	Total
Educating and training employees	56%
Formalizing remote work procedures/policies	44%
Measuring the risks to the institution	38%
Ensuring the bank's IT infrastructure can adapt in a crisis	38%
Monitoring threats	37%
Working with service providers/vendors	36%
Documenting and defining the bank's strategic response	35%

	Total
Providing better tools and/or resources to staff	32%
Ensuring appropriate oversight	30%
Developing a comprehensive framework to continue critical operations	26%
Creating an effective testing program	25%
Communicating with stakeholders, including shareholders/owners, customers and employees	25%
Communicating with regulators	15%
Coordinating with government agencies	10%



### 15. What percentage of your bank’s employees currently work remotely for at least a portion of their regular work week?

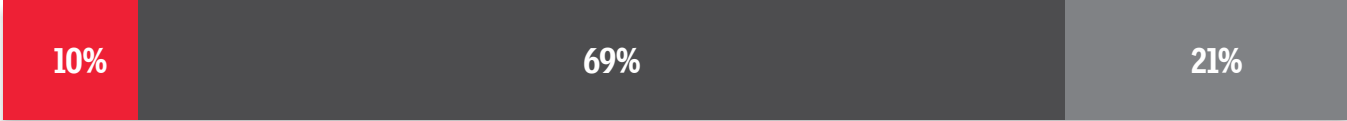


### 16. To your knowledge, what percentage of your bank’s employees are currently vaccinated against Covid-19?

**75%**  
 Median Vaccination Rate

# 17. Has your bank required or encouraged employees to receive the Covid-19 vaccine or booster, or are employees required or encouraged to disclose their vaccination status to human resources or their supervisor?

Covid-19 vaccine



Covid-19 booster



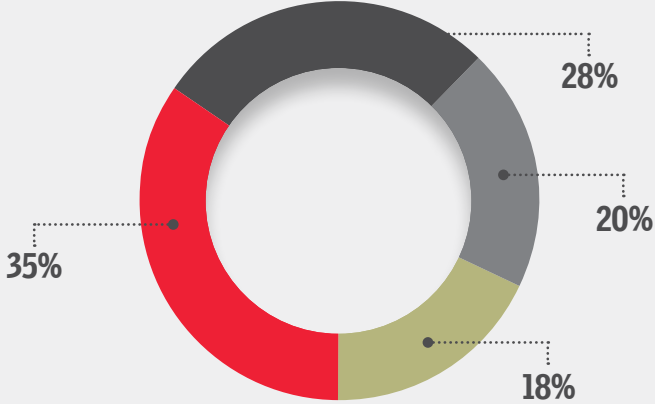
Disclosure of vaccination status



- Require
- Encourage
- Don't require/encourage

# 18. Are masks generally required in the bank's offices or branches?

Numbers don't add up to 100% due to rounding.



- Masks are required of all employees
- We don't currently require any employees to wear masks
- Masks are only required of unvaccinated employees
- Masks are only required in markets where state and local laws require them

# EMERGING ISSUES

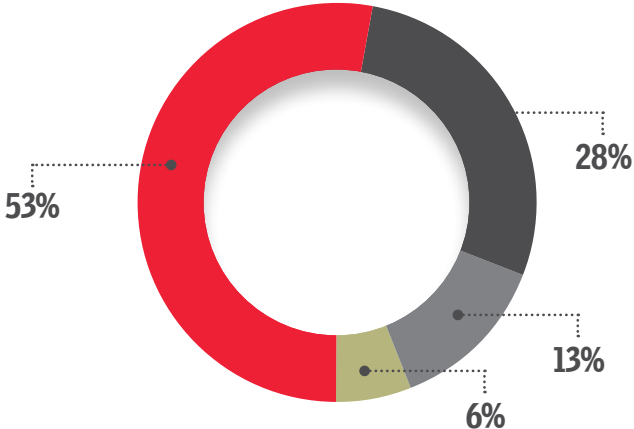
## 19. Do your board and executive team regularly discuss long-term prospects for your bank and the industry, looking ahead at the next five to ten years to consider strategic risks and opportunities?

Question asked of CEOs, CFOs and independent board members.

- Yes, we discuss these risks and opportunities frequently (more than once a year)
- Yes, we discuss these risks and opportunities at least annually
- No, we don't discuss strategic risks



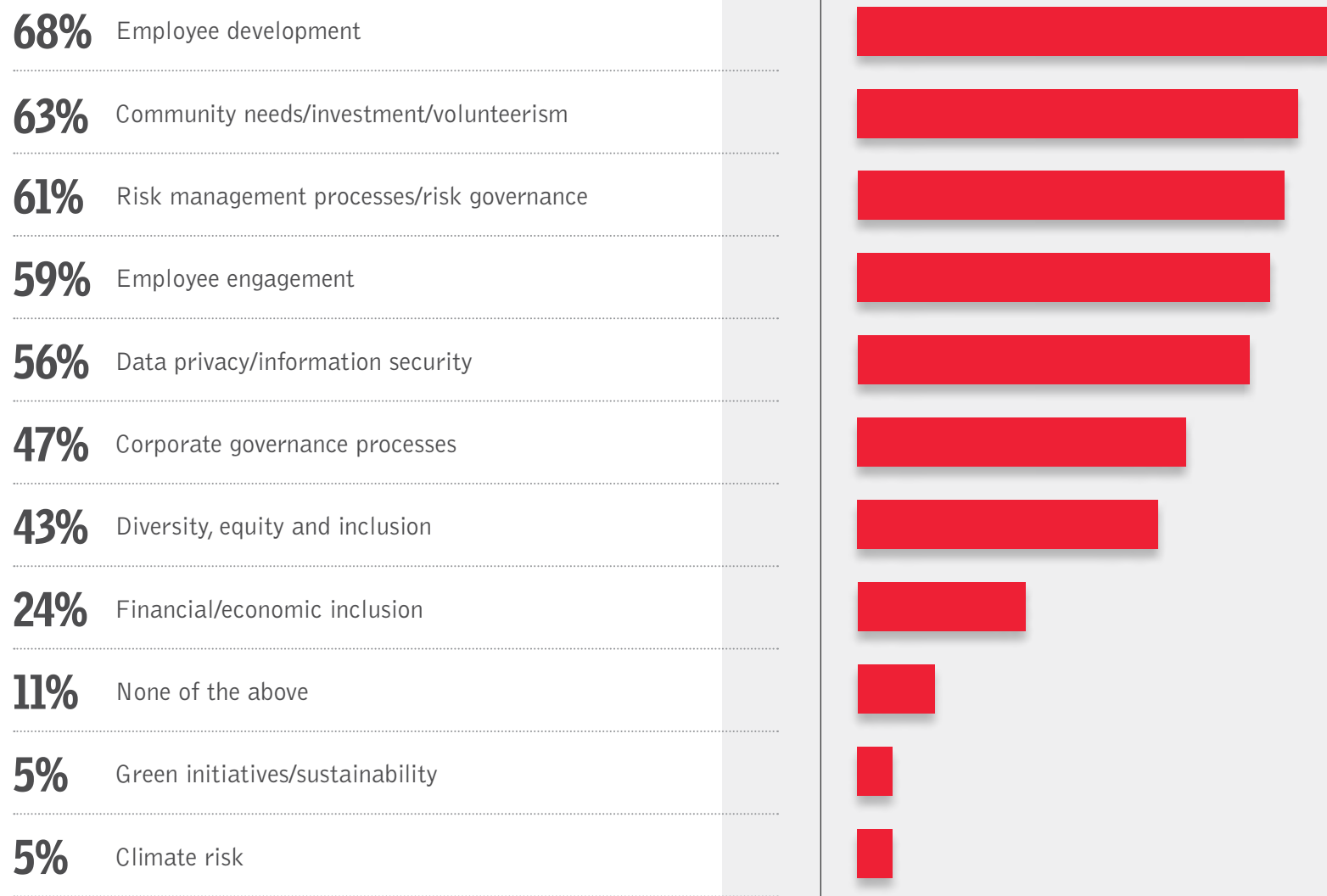
## 20. How would you describe the maturity of your bank's environmental, social and governance (ESG) initiatives?



- We don't yet focus on ESG issues in a comprehensive manner
- We're gaining an understanding of our current state and setting goals around desired ESG targets
- We're making progress toward established goals, but don't yet disclose our progress
- We publicly disclose our progress to all company stakeholders through a comprehensive report or similar means

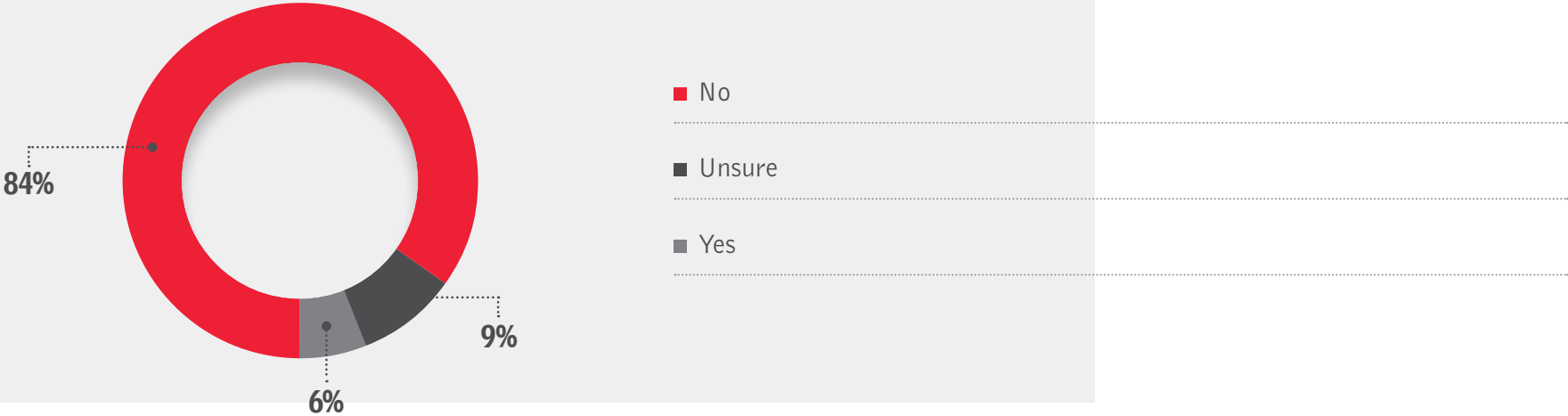
## 21. Has your bank set goals and objectives in any of the following areas?

Respondents were asked to select all that apply.



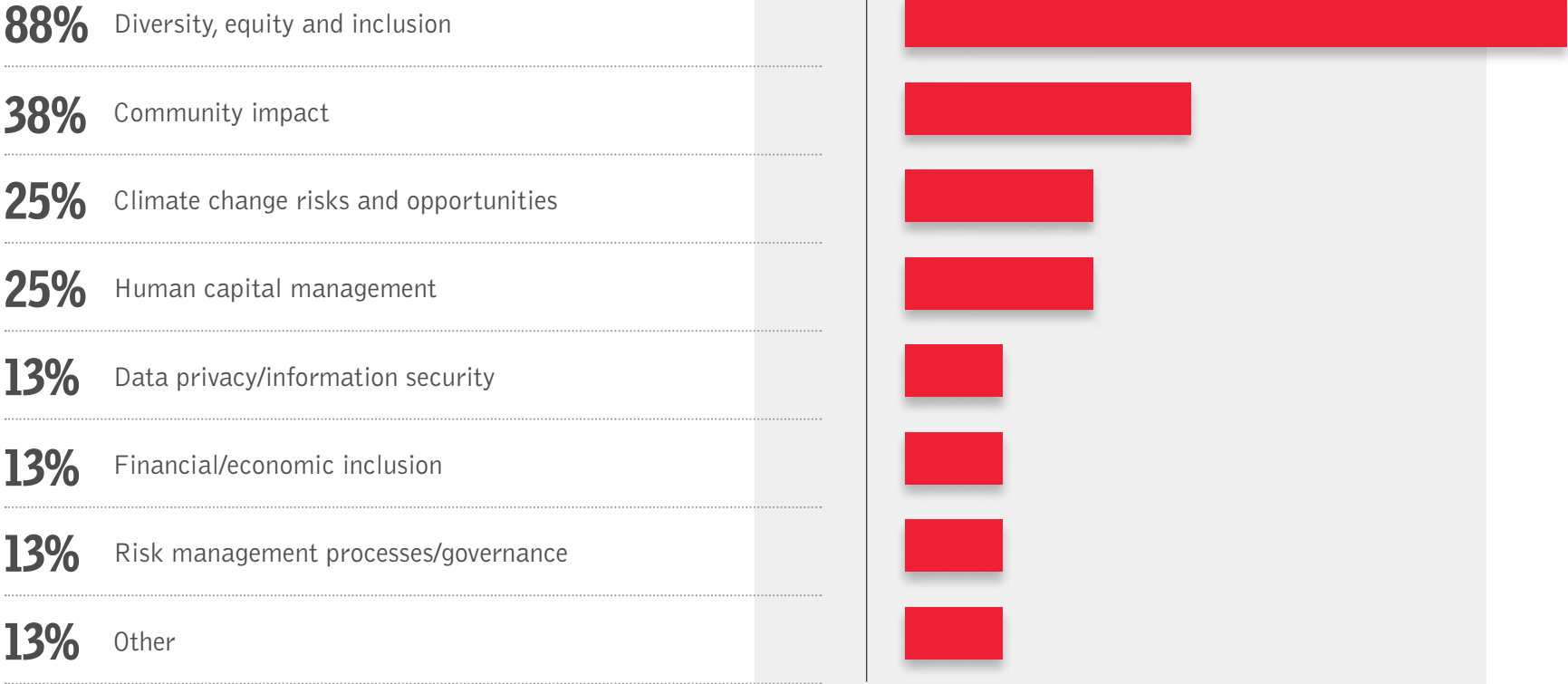
## 22. Are investors or other company stakeholders asking for more disclosure about your bank's ESG initiatives?

Question asked of CEOs, CFOs, COOs and independent board members. Numbers don't add up to 100% due to rounding.



## 23. In which areas are investors or other company stakeholders seeking more disclosure?

Question only asked of CEOs, CFOs, COOs and independent board members indicating that investors and other stakeholders were seeking more disclosure. Respondents were asked to select all that apply.



## 24. At least annually, does the board discuss climate change as part of its analysis and understanding of the risks facing the institution?

Question asked of CEOs, CFOs, COOs, chief risk officers and independent board members.



## 25. Climate change broadly impacts the financial industry in two ways: PHYSICAL risks, as a result of more frequent severe and/or adverse weather events, and TRANSITION risks, due to shifts in preferences or reduced demand for certain products and services in response to mitigating or adapting to climate change. Do you believe that your board and senior leadership team adequately understand the physical and transition risks facing the bank tied to climate change?

CISOs, CIOs and CTOs were not asked this question. Numbers don't add up to 100% due to rounding.

Physical risks



Transition risks





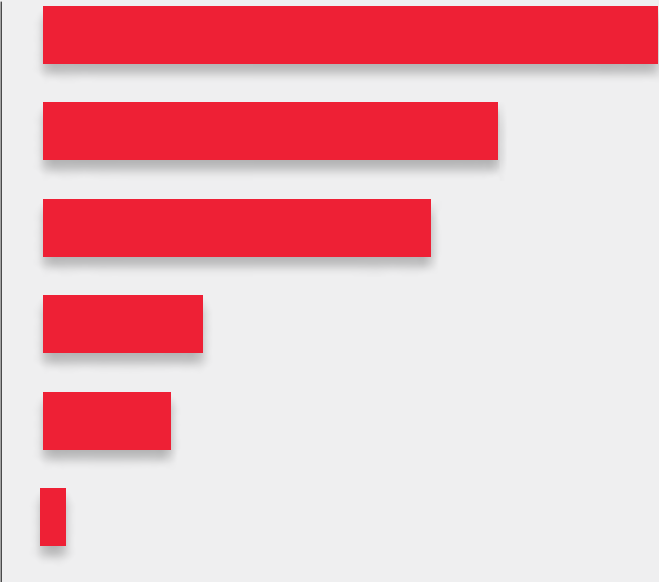
## 26. Has a natural disaster, such as a hurricane, tornado, flood or fire, impacted part of your bank’s geographic footprint within the past two years?



## 27. Which of the following types of natural disasters have affected your bank’s market(s) in the past two years?

Question asked of respondents indicating that a natural disaster impacted part of their institution’s geographic footprint. Respondents were asked to select all that apply.

- 73%** Hurricane/tornado/severe storm
- 54%** Winter storm/ice
- 46%** Flooding
- 19%** Wildfire/fire
- 15%** Drought
- 3%** Other



## 28. Please share or estimate the total cost to your bank – in terms of damage to buildings, lost productivity etc – incurred due to the natural disasters that have affected your institution over the past two years.

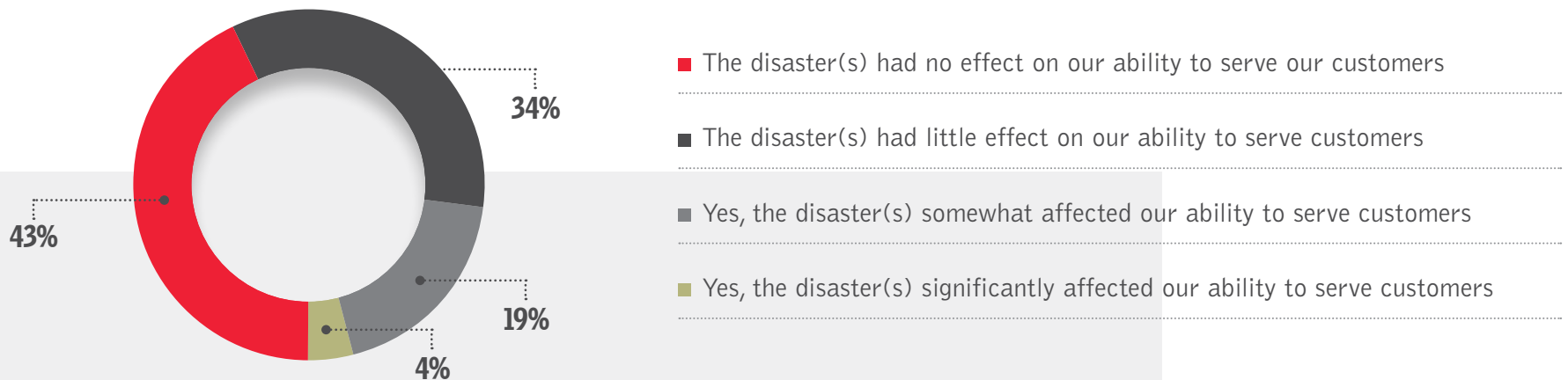
Question asked of CEOs, CFOs, COOs, CROs and board members indicating that a natural disaster impacted part of their bank’s geographic footprint.

**\$100,000**

**Median Cost of Natural Disasters**

## 29. Did the natural disasters over the past two years impact your ability to serve customers in your geography?

Question asked of CEOs, CFOs, COOs, CROs and independent board members indicating that a natural disaster impacted part of their institution’s geographic footprint.



### 30. Over the past 12 months, has your bank made changes to products and services offered to consumers in response to Biden administration initiatives or expectations of a tighter regulatory environment?

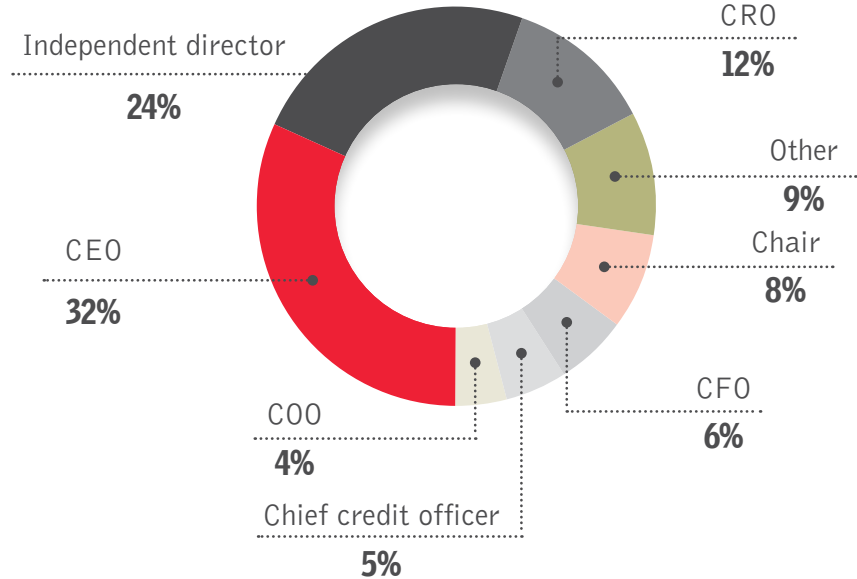
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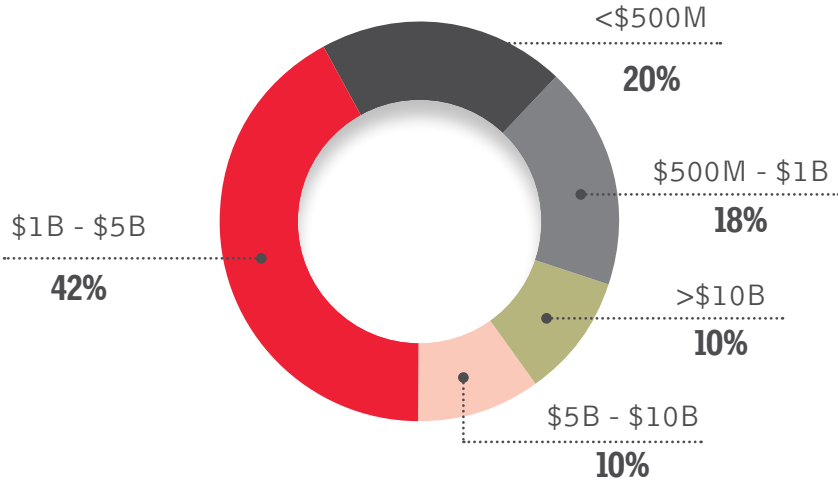
# ABOUT THE SURVEY

Bank Director’s 2022 Risk Survey, sponsored by Moss Adams, surveyed 222 independent directors, chief executive officers, chief risk officers and other senior executives of U.S. banks below \$100 billion in assets to gauge their concerns and explore several key risk areas, including credit risk, cybersecurity and emerging issues such as ESG. The survey was conducted in January 2022.

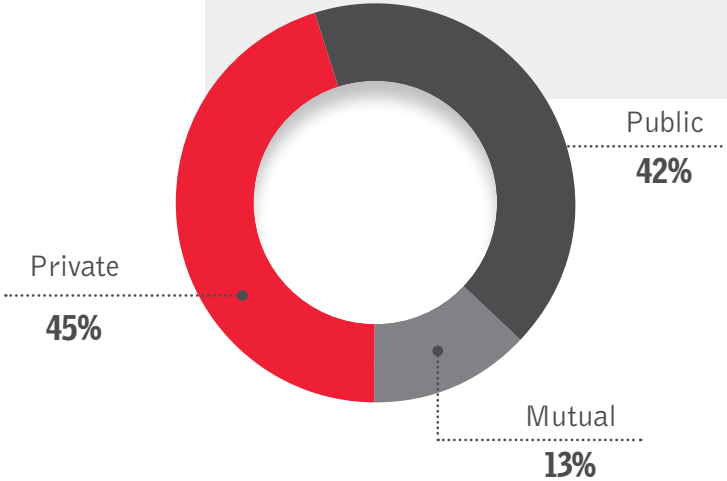
## TITLE



## ASSET SIZE

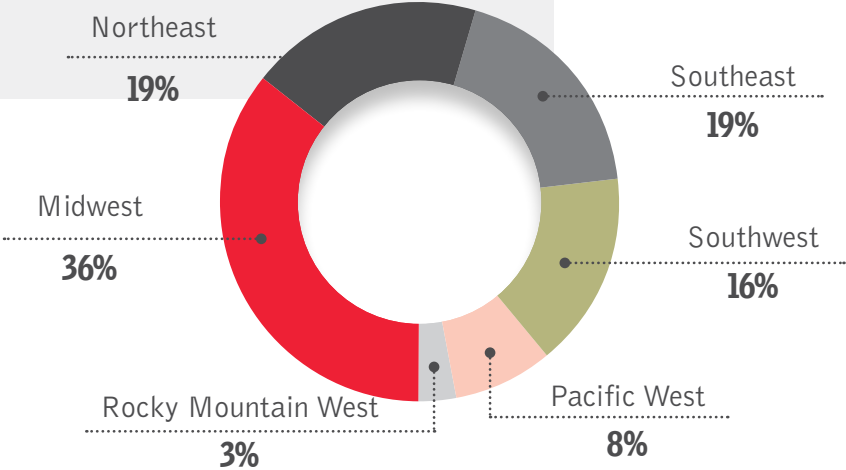


# OWNERSHIP STRUCTURE



# REGION\*

Numbers don't add up to 100% due to rounding.



\*Regions defined as follows: Midwest (IL, IN, IA, KS, MI, MN, MO, NE, ND, OH, SD, WI); Northeast (CT, ME, MA, NH, NJ, NY, PA, RI, VT); Pacific West (AK, CA, HI, OR, WA); Rocky Mountain West (CO, ID, MT, NV, UT, WY); Southeast (AL, AR, DE, DC, FL, GA, KY, LA, MD, MS, NC, SC, TN, VA, WV); Southwest (AZ, NM, OK, TX)