

# 2023 Risk Survey

*Exclusive Full Report: Bank Services Members*

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## EXECUTIVE SUMMARY



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**In 2023, the overarching question on bank leaders' minds is how their organization will fare in the next economic downturn.**

**That manifested in increased concerns around interest rates, liquidity, credit and consumer risk, and other issues gauged in Bank Director's 2023 Risk Survey, sponsored by Moss Adams LLP. And it's a theme that Craig Sanders, a partner at Moss Adams, hears more frequently now in conversations with bankers. They wonder whether the next downturn will be a "big R or little r" recession, and "if we hit another big recession, what is the consumer impact on their institution?" he says.**

Over the past year, respondent concerns about interest rate risk (91%), credit risk (77%) and liquidity (71%) all increased markedly. Bank executives and directors also identify cybersecurity (83%) and compliance (70%) as areas where their concerns have increased, but managing the balance sheet has become, by and large, their first priority.

Following a series of interest rate increases by the Federal Open Market Committee through early 2023, bankers have been focused on selectively raising deposit rates and controlling their cost of funds. Notably, the 2023 Risk Survey was fielded in January, before a run on deposits imperiled several institutions and regulators began closing banks in March, such as the \$209 billion SVB Financial Corp., parent of Silicon Valley Bank.

Bank leaders name deposit pricing (51%) and talent retention (50%) among the top strategic challenges their organization faces in 2023. Sixty-one percent say their bank has experienced some deposit loss, with minimal to moderate impacts on their funding base, and another 11% say that deposit outflows had a significant impact on their funding base.

Net interest margins improved for a majority (53%) of bank leaders taking part in the survey, but respondents are mixed about whether their bank's NIM will expand or contract over 2023.

Three-quarters of bank executives and board members report that business clients remain strong in spite of inflation and economic pressures, although some are pausing growth plans. As commercial clients face increasing costs of materials and labor, talent pressures and shrinking revenues, that's having an impact on commercial loan demand, some bankers say. And as the Federal Reserve continues to battle inflation against an uncertain macroeconomic backdrop, half of respondents say their concerns around consumer risk have increased, a significant shift from last year's survey.

## KEY FINDINGS

### ➔ Deposit Pressures

Asked about what steps they might take to manage liquidity, 73% of executives and directors say they would raise interest rates offered on deposits, and 62% say they would borrow funds from a Federal Home Loan Bank. Less favored options include raising brokered deposits (30%), the use of participation loans (28%), tightening credit standards (22%) and using incentives to entice depositors (20%). Respondents say they would be comfortable maintaining a median loan-to-deposit ratio of 70% at the low end and 90% at the high end.

### ➔ Strategic Challenges Vary

While the majority of respondents identify deposit pricing and/or talent retention as significant strategic challenges, 31% cite slowing credit demand, followed by liquidity management (29%), evolving regulatory and compliance requirements (28%) and CEO or senior management succession (20%).

### ➔ Continued Vigilance On Cybersecurity

Eighty-nine percent of respondents say their bank has completed a cybersecurity assessment, with most banks using the tool offered by the Federal Financial Institutions Examination Council. Respondents cite detection technology, training for bank staff and internal communications as the most common areas where they have made changes after completing their assessment. Respondents report a median of \$250,000 budgeted for cybersecurity-related expenses.

### ➔ Stress On Fees

A little over a third (36%) of respondents say their bank has adjusted its fee structure in anticipation of regulatory pressure, while a minority (8%) did so in response to direct prodding by regulators. More than half of banks over \$10 billion in assets say they adjusted their fee structure, either in response to direct regulatory pressure or anticipated regulatory pressure.

### ➔ Climate Discussions Pick Up

The proportion of bank leaders who say their board discusses climate change at least annually increased over the past year to 21%, from 16% in 2022. Sixty-one percent of respondents say they do not focus on environmental, social and governance issues in a comprehensive manner, but the percentage of respondents from public banks that disclose their progress on ESG goals grew to 15%, from 10% last year.

### ➔ Stress Testing Adjustments

Just over three-quarters of respondents say their bank conducts an annual stress test. In comments, offered before the Federal Reserve added a new component to its stress testing for the largest banks, many bank leaders described the ways that they've changed their approach to stress testing in anticipation of a downturn. One respondent described adding a liquidity stress test in response to increased deposit pricing and unrealized losses in the securities portfolio.

# RISK HEATMAP

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

Compliance							
Bank Asset Size	>\$10B	\$5B-\$10B	\$1B-\$5B	\$500M-\$1B	\$250M-\$500M	<\$250M	Total
Increased significantly	14%	42%	21%	18%	11%	32%	21%
Increased somewhat	59%	33%	49%	58%	57%	24%	49%
No change	27%	17%	31%	23%	29%	44%	29%
Decreased somewhat	-	8%	-	3%	4%	-	2%

Consumer							
Bank Asset Size	>\$10B	\$5B-\$10B	\$1B-\$5B	\$500M-\$1B	\$250M-\$500M	<\$250M	Total
Increased significantly	9%	8%	14%	3%	15%	8%	10%
Increased somewhat	55%	33%	33%	55%	30%	40%	40%
No change	36%	58%	51%	43%	56%	52%	49%
Decreased somewhat	-	-	1%	-	-	-	1%

**Credit**

Bank Asset Size	>\$10B	\$5B-\$10B	\$1B-\$5B	\$500M-\$1B	\$250M-\$500M	<\$250M	Total
Increased significantly	18%	-	17%	5%	19%	12%	13%
Increased somewhat	77%	75%	58%	63%	56%	76%	64%
No change	5%	25%	21%	30%	26%	12%	21%
Decreased somewhat	-	-	5%	3%	-	-	3%

**Cybersecurity**

Bank Asset Size	>\$10B	\$5B-\$10B	\$1B-\$5B	\$500M-\$1B	\$250M-\$500M	<\$250M	Total
Increased significantly	41%	50%	32%	33%	52%	48%	39%
Increased somewhat	41%	50%	49%	45%	33%	40%	44%
No change	18%	-	19%	23%	15%	12%	17%

**Environmental/climate risk**

Bank Asset Size	>\$10B	\$5B-\$10B	\$1B-\$5B	\$500M-\$1B	\$250M-\$500M	<\$250M	Total
Increased significantly	5%	-	3%	3%	11%	4%	4%
Increased somewhat	27%	50%	28%	23%	19%	24%	27%
No change	55%	42%	62%	68%	59%	68%	61%
Decreased somewhat	14%	8%	4%	5%	4%	-	5%
Decreased significantly	-	-	4%	3%	7%	4%	3%

<b>Interest rate risk</b>							
<b>Bank Asset Size</b>	<b>&gt;\$10B</b>	<b>\$5B-\$10B</b>	<b>\$1B-\$5B</b>	<b>\$500M-\$1B</b>	<b>\$250M-\$500M</b>	<b>&lt;\$250M</b>	<b>Total</b>
Increased significantly	50%	42%	49%	35%	56%	56%	48%
Increased somewhat	41%	50%	39%	55%	37%	40%	43%
No change	9%	8%	10%	10%	7%	4%	9%
Decreased somewhat	-	-	3%	-	-	-	1%

<b>Legal</b>							
<b>Bank Asset Size</b>	<b>&gt;\$10B</b>	<b>\$5B-\$10B</b>	<b>\$1B-\$5B</b>	<b>\$500M-\$1B</b>	<b>\$250M-\$500M</b>	<b>&lt;\$250M</b>	<b>Total</b>
Increased significantly	5%	-	-	5%	-	8%	3%
Increased somewhat	9%	50%	28%	15%	37%	16%	25%
No change	73%	50%	68%	80%	63%	72%	70%
Decreased somewhat	14%	-	4%	-	-	4%	3%

<b>Liquidity</b>							
<b>Bank Asset Size</b>	<b>&gt;\$10B</b>	<b>\$5B-\$10B</b>	<b>\$1B-\$5B</b>	<b>\$500M-\$1B</b>	<b>\$250M-\$500M</b>	<b>&lt;\$250M</b>	<b>Total</b>
Increased significantly	18%	17%	15%	15%	27%	25%	18%
Increased somewhat	55%	25%	64%	43%	46%	50%	53%
No change	23%	50%	19%	33%	23%	25%	25%
Decreased somewhat	5%	8%	1%	10%	4%	-	4%

**Operational**

Bank Asset Size	>\$10B	\$5B-\$10B	\$1B-\$5B	\$500M-\$1B	\$250M-\$500M	<\$250M	Total
Increased significantly	9%	-	8%	-	4%	4%	5%
Increased somewhat	64%	25%	44%	35%	37%	48%	43%
No change	23%	67%	45%	58%	56%	48%	48%
Decreased somewhat	5%	8%	4%	8%	4%	-	4%

**Regulatory**

Bank Asset Size	>\$10B	\$5B-\$10B	\$1B-\$5B	\$500M-\$1B	\$250M-\$500M	<\$250M	Total
Increased significantly	23%	25%	18%	15%	15%	16%	18%
Increased somewhat	50%	58%	47%	45%	48%	48%	48%
No change	23%	8%	35%	40%	37%	32%	33%
Decreased somewhat	5%	8%	-	-	-	4%	2%

**Reputational**

Bank Asset Size	>\$10B	\$5B-\$10B	\$1B-\$5B	\$500M-\$1B	\$250M-\$500M	<\$250M	Total
Increased significantly	-	-	3%	-	-	8%	2%
Increased somewhat	38%	25%	17%	13%	22%	12%	19%
No change	52%	67%	76%	78%	70%	80%	73%
Decreased somewhat	10%	8%	4%	10%	4%	-	5%
Decreased significantly	-	-	1%	-	4%	-	1%

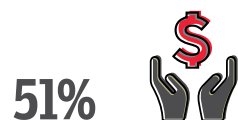


<b>Strategic</b>							
<b>Bank Asset Size</b>	<b>&gt;\$10B</b>	<b>\$5B-\$10B</b>	<b>\$1B-\$5B</b>	<b>\$500M-\$1B</b>	<b>\$250M-\$500M</b>	<b>&lt;\$250M</b>	<b>Total</b>
Increased significantly	9%	17%	10%	3%	7%	13%	9%
Increased somewhat	50%	17%	45%	53%	56%	63%	49%
No change	36%	58%	39%	43%	37%	25%	38%
Decreased somewhat	5%	8%	5%	3%	-	-	3%
Decreased significantly	-	-	1%	-	-	-	1%

# STRATEGIC CHALLENGES

## 2. What do you see as the three most significant strategic challenges for your organization over the next 18 months?

Respondents were asked to select no more than three options.



Deposit pricing



Attracting and/or retaining talent



Slowing credit demand

Bank Asset Size	>\$10B	\$5B-\$10B	\$1B-\$5B	\$500M-\$1B	\$250M-\$500M	<\$250M	Total
Deposit pricing	41%	33%	56%	40%	68%	48%	51%
Attracting and/or retaining talent	55%	58%	50%	58%	39%	40%	50%
Slowing credit demand	23%	17%	28%	43%	32%	36%	31%
Liquidity management	36%	25%	30%	25%	43%	16%	29%
Evolving regulatory or compliance requirements	32%	67%	26%	25%	18%	28%	28%
CEO and/or senior management succession	9%	-	23%	13%	21%	36%	20%
Inability to keep pace with technological advances in banking	27%	25%	19%	15%	14%	20%	19%
Attracting customers under the age of 40	14%	8%	15%	35%	14%	8%	18%
Diversifying revenue	27%	25%	14%	15%	4%	20%	16%
Declining asset quality	-	8%	17%	15%	21%	-	13%
Augmenting staff with technology/automation	18%	17%	10%	10%	4%	4%	10%
Differentiating our brand in the marketplace	5%	17%	8%	5%	4%	24%	9%

### 3. How would you characterize the impact of inflation and/or economic uncertainty on your bank’s business customers?



Bank Asset Size	>\$10B	\$5B-\$10B	\$1B-\$5B	\$500M-\$1B	\$250M-\$500M	<\$250M	Total
Businesses remain strong, but some are pausing growth plans	95%	75%	69%	73%	79%	79%	75%
Businesses are generally strong and growing despite economic pressures	5%	8%	26%	20%	7%	17%	18%
Business clients are increasingly stressed	-	17%	5%	8%	14%	4%	7%

### 4. Does your bank conduct an annual stress test?



Bank Asset Size	>\$10B	\$5B-\$10B	\$1B-\$5B	\$500M-\$1B	\$250M-\$500M	<\$250M	Total
Yes	77%	83%	78%	77%	71%	68%	76%
We conduct a stress test, but it is infrequent	14%	8%	14%	8%	7%	8%	11%
No	5%	8%	5%	13%	14%	16%	9%
Unsure	5%	-	3%	3%	7%	8%	4%

## THE BALANCE SHEET

### 5. Considering the continued rise in interest rates in 2022, what has been the impact so far on deposit retention at your bank?

Chief technology officers were not asked this question.



Bank Asset Size	>\$10B	\$5B-\$10B	\$1B-\$5B	\$500M-\$1B	\$250M-\$500M	<\$250M	Total
We have experienced some deposit loss, with minimal to moderate impacts on our funding base	76%	55%	61%	58%	54%	67%	61%
We have experienced little to no deposit loss	19%	36%	30%	32%	31%	21%	28%
We have already experienced significant deposit loss that could affect our funding base	5%	9%	10%	11%	15%	13%	11%

## 6. How have rising interest rates affected your bank’s net interest margin?

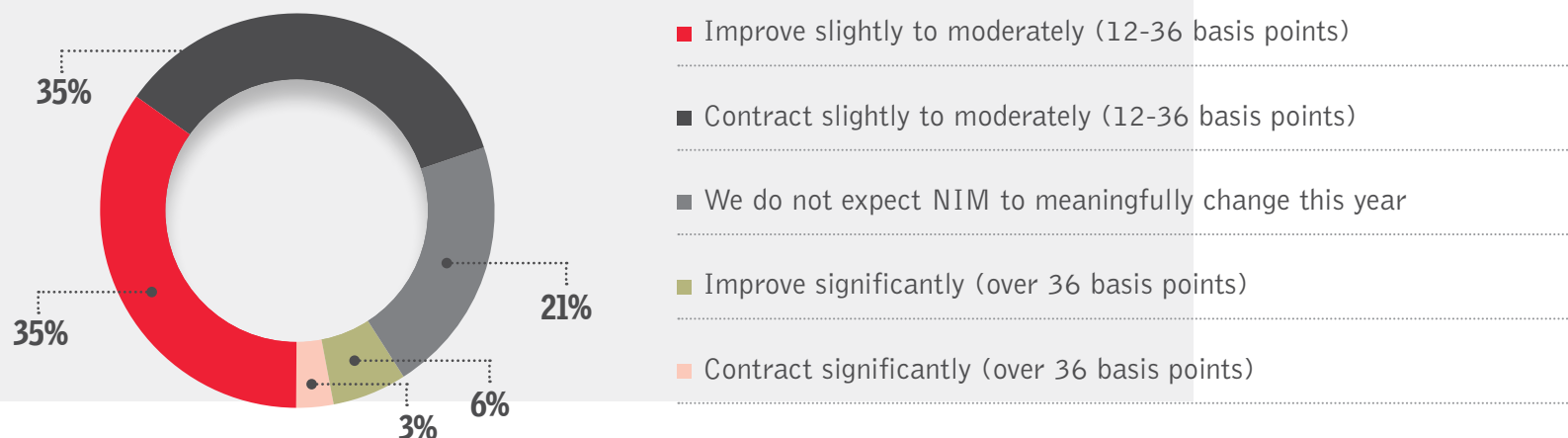
Chief technology officers were not asked this question. Numbers don’t add up to 100% due to rounding.



Bank Asset Size	>\$10B	\$5B-\$10B	\$1B-\$5B	\$500M-\$1B	\$250M-\$500M	<\$250M	Total
Net interest margin has improved	57%	64%	56%	63%	31%	46%	53%
NIM has contracted	29%	18%	27%	18%	39%	25%	26%
Rising interest rates have so far had little impact on the bank’s NIM	14%	18%	17%	18%	31%	29%	20%

## 7. Based on interest rate increases in 2022 and projections by the Federal Open Market Committee, how do you expect your bank's net interest margin to change in 2023?

Chief technology officers were not asked this question.



Bank Asset Size	>\$10B	\$5B-\$10B	\$1B-\$5B	\$500M-\$1B	\$250M-\$500M	<\$250M	Total
Improve slightly to moderately (12-36 basis points)	29%	55%	39%	37%	23%	29%	35%
Contract slightly to moderately (12-36 basis points)	43%	46%	36%	24%	46%	29%	35%
We do not expect NIM to meaningfully change this year	24%	-	19%	29%	19%	25%	21%
Improve significantly (>36 basis points)	5%	-	6%	8%	4%	13%	6%
Contract significantly (>36 basis points)	-	-	1%	3%	8%	4%	3%

## 8. What is the lowest loan-to-deposit ratio you would be comfortable maintaining at your financial institution in 2023?

Median values reported. Chief technology officers were not asked this question. \*Indicates a count of less than 10 within a category.

70%

Lowest Loan-to-Deposit Ratio

Bank Asset Size	>\$10B	\$5B-\$10B*	\$1B-\$5B	\$500M-\$1B	\$250M- \$500M	<\$250M	Total
Lowest loan-to-deposit ratio	75%	67.5%	75%	70%	72.5%	70%	70%

## 9. What is the highest loan-to-deposit ratio you would be comfortable maintaining at your financial institution in 2023?

Median values reported. Chief technology officers were not asked this question. \*Indicates a count of less than 10 within a category.

90%

Highest Loan-to-Deposit Ratio

Bank Asset Size	>\$10B	\$5B-\$10B*	\$1B-\$5B	\$500M-\$1B	\$250M- \$500M	<\$250M	Total
Highest loan-to-deposit ratio	95%	90%	95%	90%	90%	90%	90%



## 10. Considering interest rates in 2022 and your bank's loan-to-deposit ratio, what actions do you see your organization taking to manage liquidity in 2023?

Respondents were asked to select all that apply. Chief technology officers were not asked this question.

- 73%** Raise interest rates offered on deposits

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- 62%** Borrow funds from a Federal Home Loan Bank

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- 30%** Raise brokered deposits

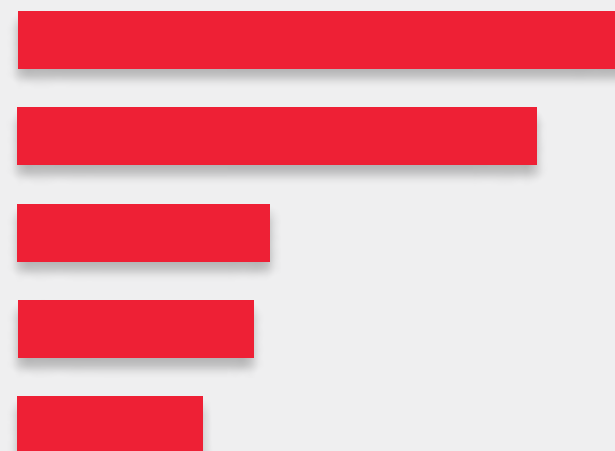
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- 28%** Use participation loans

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- 22%** Tighten credit standards or slow lending

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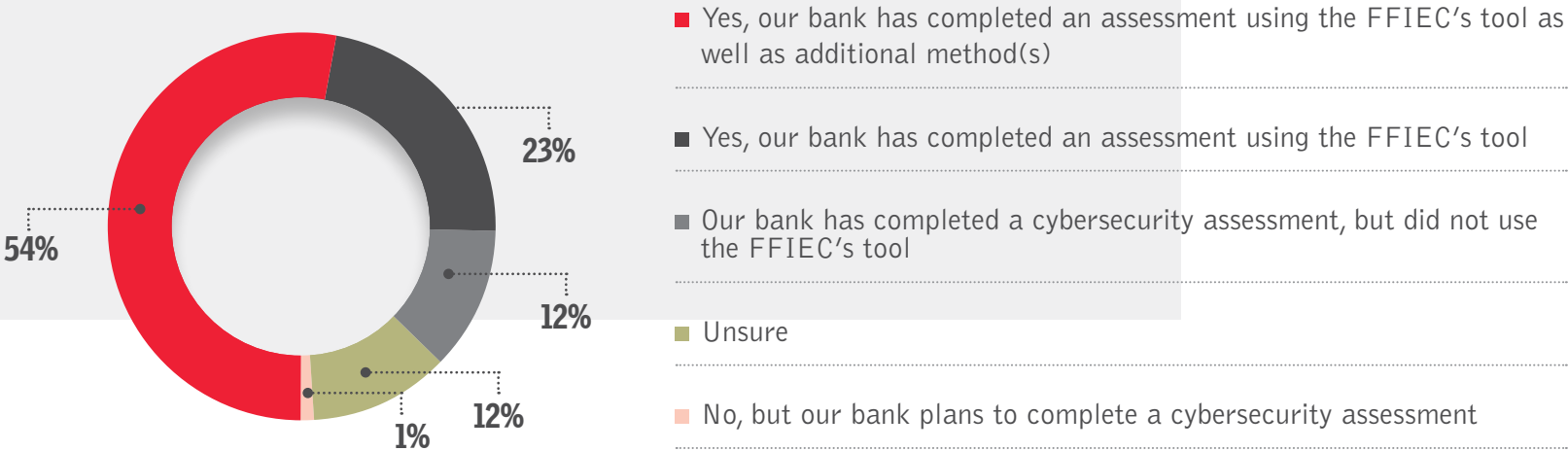



Bank Asset Size	>\$10B	\$5B-\$10B	\$1B-\$5B	\$500M-\$1B	\$250M-\$500M	<\$250M	Total
Raise interest rates offered on deposits	71%	73%	76%	68%	69%	74%	73%
Borrow funds from a Federal Home Loan Bank	67%	55%	58%	71%	54%	65%	62%
Raise brokered deposits	29%	27%	31%	26%	27%	35%	30%
Use participation loans	5%	9%	32%	34%	27%	39%	28%
Tighten credit standards or slow lending	24%	18%	25%	16%	31%	9%	22%
Offer other incentives to depositors	29%	27%	14%	29%	12%	22%	20%
Securitize and sell loans	29%	9%	16%	11%	-	9%	13%
None of the above	5%	9%	6%	13%	12%	9%	8%

# CYBERSECURITY & RELATED RISKS

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

Chief lending officers and chief credit officers were not asked this question. Numbers don't add up to 100% due to rounding.



Bank Asset Size	>\$10B	\$5B-\$10B	\$1B-\$5B	\$500M-\$1B	\$250M-\$500M	<\$250M	Total
Yes, our bank has completed an assessment using the FFIEC's tool as well as additional method(s)	79%	60%	48%	66%	52%	27%	54%
Yes, our bank has completed an assessment using the FFIEC's tool	5%	-	31%	11%	24%	41%	23%
Our bank has completed a cybersecurity assessment, but did not use the FFIEC's tool	16%	30%	6%	9%	24%	9%	12%
Unsure	-	10%	15%	14%	-	18%	12%
No, but our bank plans to complete a cybersecurity assessment	-	-	-	-	-	5%	1%

## 12. Where has your bank made changes, or where do you plan to make changes, to the cybersecurity program as a result of this assessment?

Question only asked of respondents indicating that their bank has completed a cybersecurity assessment. Chief lending officers and chief credit officers were not asked this question.

Improved detection technology							
Bank Asset Size	>\$10B	\$5B-\$10B	\$1B-\$5B	\$500M-\$1B	\$250M- \$500M	<\$250M	Total
Made changes	71%	67%	59%	68%	58%	44%	61%
Plan to make changes	12%	22%	15%	21%	16%	19%	17%
Do not plan to change	18%	11%	26%	11%	26%	38%	23%

Training for bank staff							
Bank Asset Size	>\$10B	\$5B-\$10B	\$1B-\$5B	\$500M-\$1B	\$250M- \$500M	<\$250M	Total
Made changes	77%	89%	52%	80%	65%	56%	65%
Plan to make changes	12%	11%	19%	13%	15%	13%	15%
Do not plan to change	12%	-	30%	7%	20%	31%	20%

Increased governance/oversight by the board							
Bank Asset Size	>\$10B	\$5B-\$10B	\$1B-\$5B	\$500M-\$1B	\$250M- \$500M	<\$250M	Total
Made changes	65%	22%	30%	41%	26%	31%	36%
Plan to make changes	6%	22%	11%	-	26%	-	10%
Do not plan to change	29%	56%	59%	59%	47%	69%	55%

**More board expertise/training**

Bank Asset Size	>\$10B	\$5B-\$10B	\$1B-\$5B	\$500M-\$1B	\$250M- \$500M	<\$250M	Total
Made changes	35%	38%	32%	31%	32%	38%	33%
Plan to make changes	29%	38%	17%	24%	32%	19%	23%
Do not plan to change	35%	25%	52%	45%	37%	44%	44%

**Better internal communication**

Bank Asset Size	>\$10B	\$5B-\$10B	\$1B-\$5B	\$500M-\$1B	\$250M- \$500M	<\$250M	Total
Made changes	65%	88%	38%	67%	50%	50%	53%
Plan to make changes	12%	-	30%	17%	20%	31%	22%
Do not plan to change	24%	13%	32%	17%	30%	19%	25%

**Better communication with external groups**

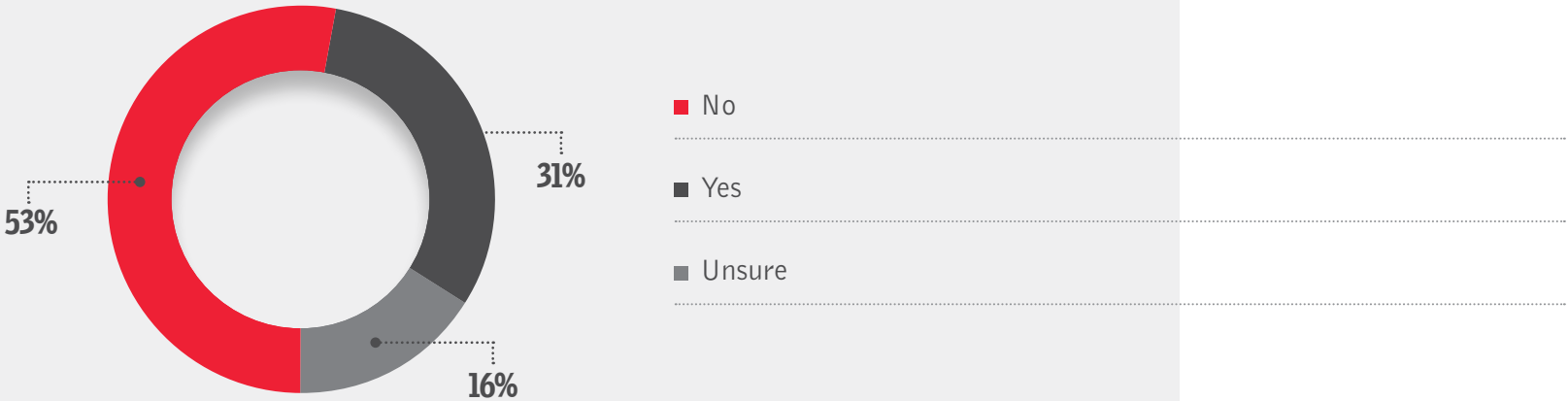
Bank Asset Size	>\$10B	\$5B-\$10B	\$1B-\$5B	\$500M-\$1B	\$250M- \$500M	<\$250M	Total
Made changes	29%	63%	23%	37%	16%	31%	29%
Plan to make changes	29%	13%	32%	17%	37%	19%	27%
Do not plan to change	41%	25%	45%	47%	47%	50%	45%

<b>Internal controls</b>							
<b>Bank Asset Size</b>	<b>&gt;\$10B</b>	<b>\$5B-\$10B</b>	<b>\$1B-\$5B</b>	<b>\$500M-\$1B</b>	<b>\$250M- \$500M</b>	<b>&lt;\$250M</b>	<b>Total</b>
Made changes	65%	63%	52%	60%	58%	40%	55%
Plan to make changes	18%	38%	28%	17%	21%	13%	22%
Do not plan to change	18%	-	20%	23%	21%	47%	22%

<b>Attracting/retaining quality cybersecurity personnel</b>							
<b>Bank Asset Size</b>	<b>&gt;\$10B</b>	<b>\$5B-\$10B</b>	<b>\$1B-\$5B</b>	<b>\$500M-\$1B</b>	<b>\$250M- \$500M</b>	<b>&lt;\$250M</b>	<b>Total</b>
Made changes	53%	75%	37%	35%	15%	19%	35%
Plan to make changes	18%	13%	20%	14%	45%	19%	22%
Do not plan to change	29%	13%	43%	52%	40%	63%	43%

### 13. Has your bank experienced increased regulatory scrutiny of its third-party risk oversight?

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



Bank Asset Size	>\$10B	\$5B-\$10B	\$1B-\$5B	\$500M-\$1B	\$250M-\$500M	<\$250M	Total
No	53%	40%	49%	57%	52%	64%	53%
Yes	37%	50%	35%	23%	24%	27%	31%
Unsure	11%	10%	15%	20%	24%	9%	16%

# 14. How much has your bank budgeted for cybersecurity expenses, including personnel and technology, for fiscal year 2023?

Median values reported. Respondents were asked to enter a value greater than zero or leave the field blank. Chief lending officers and chief credit officers were not asked this question. \* Indicates a count of 10 or less within that category.

\$250,000

**Median Cybersecurity Budget**

Bank Asset Size	>\$10B*	\$5B-\$10B*	\$1B-\$5B	\$500M-\$1B	\$250M- \$500M	<\$250M	Total
Median cybersecurity budget	\$3,000,000	\$300,000	\$325,000	\$300,000	\$137,500	\$125,000	\$250,000

# EMERGING ISSUES

## 15. Has your bank reduced its reliance on fee income, particularly overdraft fees, due to regulatory pressure?

Chief technology officers were not asked this question.



Bank Asset Size	>\$10B	\$5B-\$10B	\$1B-\$5B	\$500M-\$1B	\$250M-\$500M	<\$250M	Total
We have discussed our fee structure but have made no changes	29%	27%	44%	47%	35%	57%	42%
Yes, we have adjusted fees in anticipation of regulatory pressure	38%	55%	32%	40%	42%	22%	36%
No, we have not discussed or changed our fee structure	14%	9%	16%	8%	15%	22%	14%
Yes, we have adjusted some of our bank's fee structures due to direct pressure from regulators	19%	9%	9%	5%	8%	-	8%



# 16. Is your bank headquartered in a state where the use of marijuana is...?\*



Bank Asset Size	>\$10B	\$5B-\$10B	\$1B-\$5B	\$500M-\$1B	\$250M-\$500M	<\$250M	Total
Fully legal	39%	40%	46%	32%	25%	22%	36%
Approved for medicinal use only	39%	10%	30%	37%	29%	57%	35%
Illegal	22%	50%	23%	32%	46%	22%	29%

\*When respondents answered this question, marijuana was fully legal in Alaska, Arizona, California, Colorado, Connecticut, Illinois, Maine, Maryland, Massachusetts, Michigan, Missouri, Montana, New Jersey, New Mexico, New York, Nevada, Oregon, Rhode Island, Vermont, Virginia and Washington; approved for medicinal use only in Alabama, Arkansas, Delaware, Florida, Hawaii, Louisiana, Minnesota, Mississippi, New Hampshire, North Dakota, Ohio, Oklahoma, Pennsylvania, South Dakota, Utah, and West Virginia; and illegal in Georgia, Idaho, Indiana, Iowa, Kansas, Kentucky, Nebraska, North Carolina, South Carolina, Tennessee, Texas, Wisconsin, Wyoming.

# 17. Would your bank be willing to serve marijuana businesses, including dispensaries, assuming it were legal to do so?



Bank Asset Size	>\$10B	\$5B-\$10B	\$1B-\$5B	\$500M-\$1B	\$250M-\$500M	<\$250M	Total
Yes, we have discussed it, but don't yet work with these businesses	33%	40%	52%	42%	50%	22%	43%
Unsure	33%	50%	26%	29%	29%	35%	30%
No	33%	10%	16%	24%	17%	44%	23%
Yes, we already bank marijuana businesses	-	-	6%	5%	4%	-	4%

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



Ownership Structure	Public	Private	Mutual	Total
We don't yet focus on ESG issues in a comprehensive manner	39%	76%	58%	61%
We're gaining an understanding of our current state and setting goals around desired ESG targets	27%	14%	19%	19%
We're making progress toward established goals, but don't yet disclose our progress	19%	8%	19%	13%
We publicly disclose our progress to all company stakeholders through a comprehensive report or similar means	15%	2%	4%	7%

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

Respondents were asked to select all that apply.

**68%** Employee development

**68%** Community needs/investment/volunteerism

**62%** Employee engagement

**59%** Risk management processes/risk governance



Ownership Structure	Public	Private	Mutual	Total
Employee development	67%	69%	69%	68%
Community needs/investment/volunteerism	69%	66%	69%	68%
Employee engagement	53%	69%	58%	62%
Risk management processes/risk governance	56%	65%	46%	59%
Data privacy/information security	56%	63%	35%	56%
Diversity, equity and inclusion	48%	33%	62%	42%
Corporate governance processes	57%	30%	39%	41%
Financial/economic inclusion	26%	27%	23%	26%
None of the above	16%	7%	12%	11%
Green initiatives/sustainability	10%	3%	8%	6%
Climate risk	5%	4%	4%	5%

## 20. Are any of the following company stakeholders asking for more disclosure about your bank's environmental or social initiatives?

Respondents were asked to select all that apply.

**73%** None of these parties are asking for this information

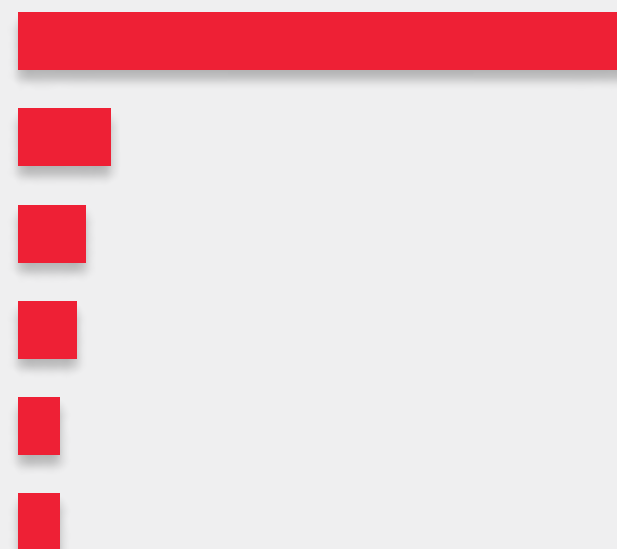
**11%** Unsure

**8%** Employees

**7%** Regulators

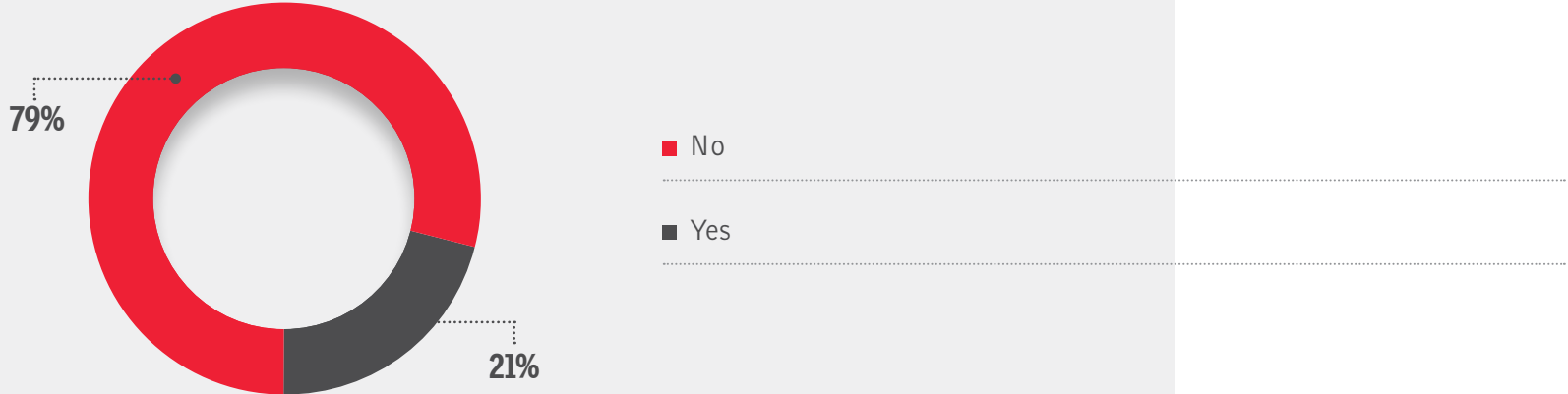
**5%** Investors

**5%** Community stakeholders



Ownership Structure	Public	Private	Mutual	Total
None of these parties are asking for this information	62%	82%	64%	73%
Unsure	15%	7%	16%	11%
Employees	10%	4%	16%	8%
Regulators	8%	7%	8%	7%
Investors	10%	2%	-	5%
Community stakeholders	7%	4%	4%	5%
Business clients	5%	2%	4%	3%
Retail customers	2%	2%	4%	2%

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



Bank Asset Size	>\$10B	\$5B-\$10B	\$1B-\$5B	\$500M-\$1B	\$250M-\$500M	<\$250M	Total
No	47%	80%	81%	79%	92%	86%	79%
Yes	53%	20%	19%	21%	8%	14%	21%

Ownership Structure	Public	Private	Mutual	Total
No	79%	80%	81%	79%
Yes	21%	20%	19%	21%

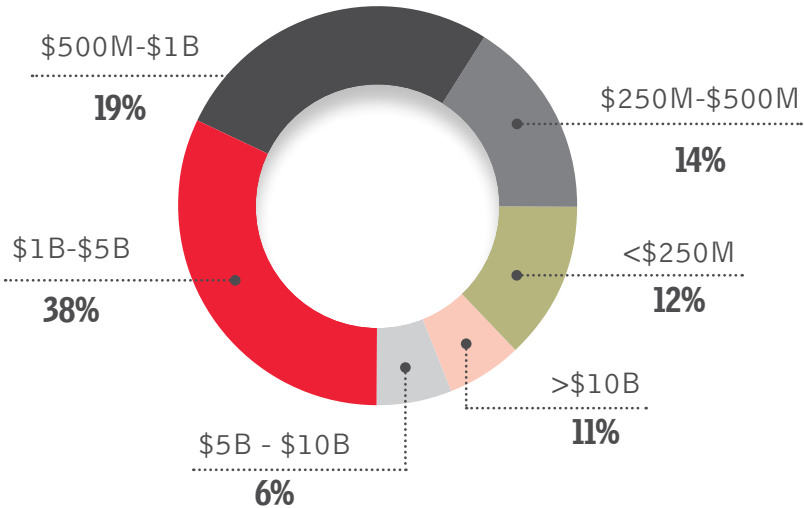
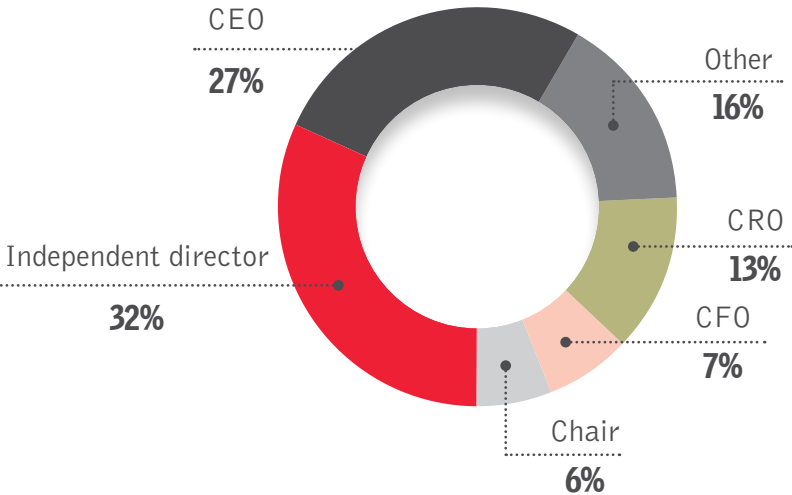
# ABOUT THE SURVEY

Bank Director’s 2023 Risk Survey, sponsored by Moss Adams, surveyed 212 independent directors, chief executive officers, chief risk officers and other senior executives of U.S. banks below \$100 billion of 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 2023.

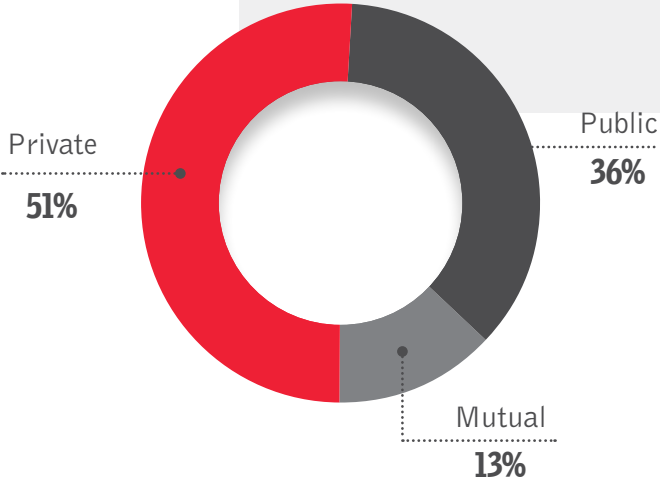
## TITLE

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

## ASSET SIZE

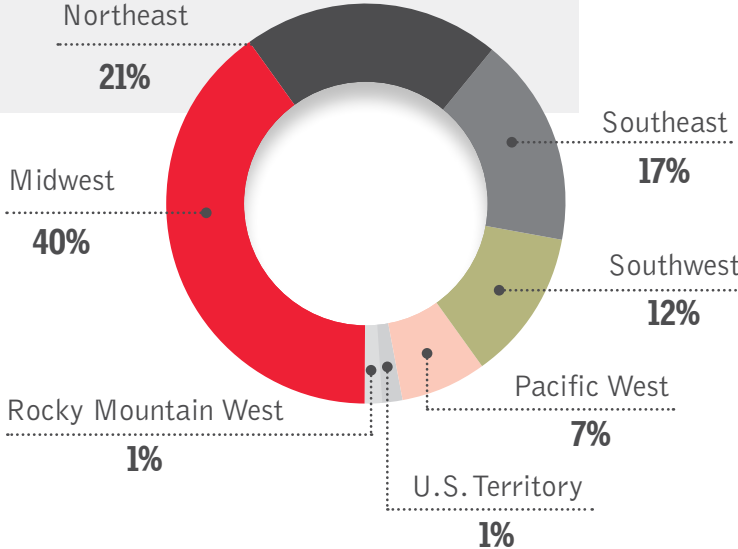


# OWNERSHIP STRUCTURE



# 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)