

2025 Risk Survey

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EXECUTIVE SUMMARY

Cybersecurity and fraud are top of mind for bank leaders this year, as the industry grapples with rising volumes of fraud attempts and evolving threats.

Eighty-four percent of the bank CEOs, senior executives and directors responding to Bank Director's 2025 Risk Survey, sponsored by Moss Adams, name cybersecurity as a top risk for their institution, and 69% say the same of fraud. The survey was conducted in January.

Almost all respondents (94%) say that their bank or its customers have been directly affected by check fraud over the past 18 months. Most report experiencing elder financial abuse (70%) or digital payments fraud (61%).

Fraud involving artificial intelligence or deepfake media was much less common (15%). Craig Sanders, a partner with Moss Adams, believes that could increase in the years to come with the widespread, cheap availability of generative AI capabilities. AI could already be a factor in more common types of fraud, such as elderly abuse, where scammers can mimic a loved one's voice to get them to send money.

Worries about more traditional risks, such as asset quality, appear less pervasive. In spite of concerns about commercial real estate, particularly the office sector, 72% of respondents say they plan to grow CRE loans in 2025; just 19% reduced CRE concentrations in the past year. A majority (68%) plan to increase commercial and industrial lending.

But continued high interest rates continue to challenge financial institutions. "We identified certain credits which we anticipate marginal or insufficient cash flow due to macroeconomic conditions," wrote the CEO of a small midwestern bank. "While short-term rates have declined, long-term rates continue to climb."

KEY FINDINGS

→ Fighting Fraud

Large majorities say their bank has implemented ongoing staff education (86%) and improved training (82%) to address fraud in 2024; 71% regularly communicate to customers about scams and threats. Smaller percentages say they have improved internal controls (42%) or implemented specific customer education on AI fraud and deepfake media (30%).

→ Protecting The Bank From Cyberattacks

A majority say their institution conducted a tabletop exercise of its cybersecurity incident response plan over the prior 12 months. Seventy percent say their cybersecurity insurance premiums have increased over the past 18 months.

→ Applying Stress Test Data

Almost three-quarters say their bank performs an annual stress test. As a result of their latest stress test, 53% say they adjusted their liquidity plan or policy, 44% adjusted their asset/liability management strategy and 39% adjusted their capital plan or policy.

→ Regulators Focusing On Liquidity

The percentage of bank leaders who cite liquidity management among their top strategic challenges this year fell to 17%, from 32% a year ago. Liquidity remains a key focus for regulators, with 62% naming it as an area of heightened attention on their last exam.

→ Strengthening BSA/AML Compliance

Thirty-one percent say their bank saw heightened regulatory attention on Bank Secrecy Act and anti-money laundering compliance in their latest exam, up from 20% last year. Over the past 18 months, 46% say their bank has invested in technology to boost its BSA/AML compliance function, and 41% added staff in that area. Forty-two percent improved training for frontline employees.

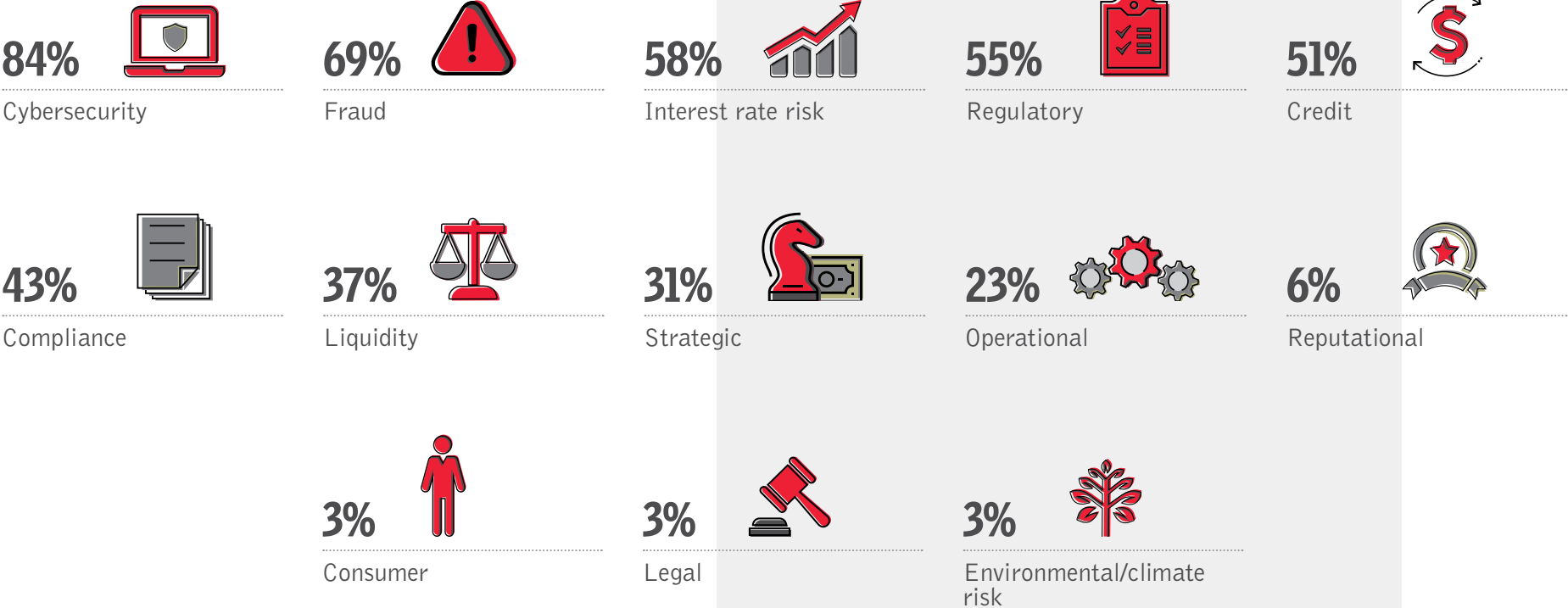
→ Diminishing Deposit Woes

Concern about deposit pricing dramatically fell off over the past year; 37% cite it as a strategic challenge over the next 18 months, compared with 64% who said the same in 2024. Most respondents expect core deposits to moderately increase (56%) or remain stable (32%) in 2025.

RISKS & STRATEGIC CHALLENGES

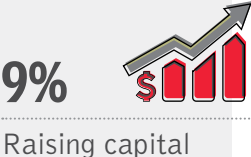
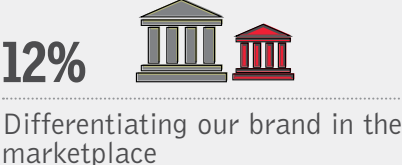
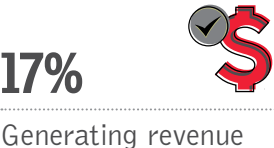
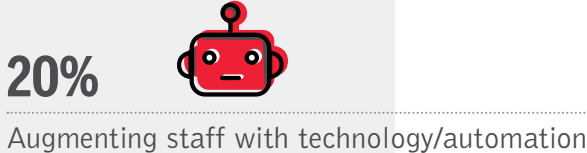
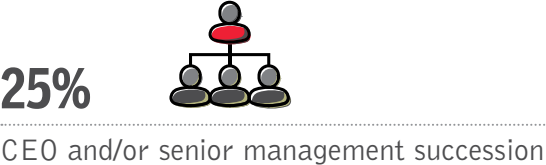
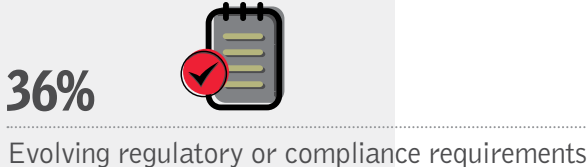
1. With respect to your bank, which five risk categories are you most concerned about for 2025?

Respondents were asked to select no more than five options.



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

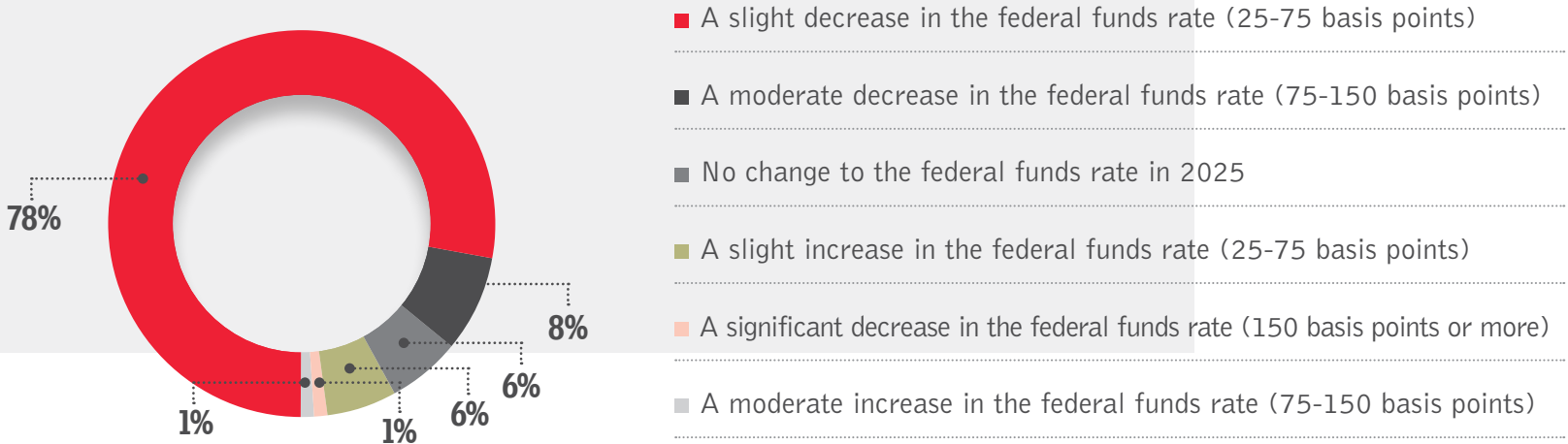
Respondents were asked to select no more than three options.



THE BALANCE SHEET

3. Of the following interest rate scenarios, which do you believe is most likely by the end of 2025?

Question not asked of chief technology officers or chief information security officers.



4. Has your bank's leadership incorporated multiple interest rate scenarios into its planning for 2025?

Question not asked of CTOs or CISOs.



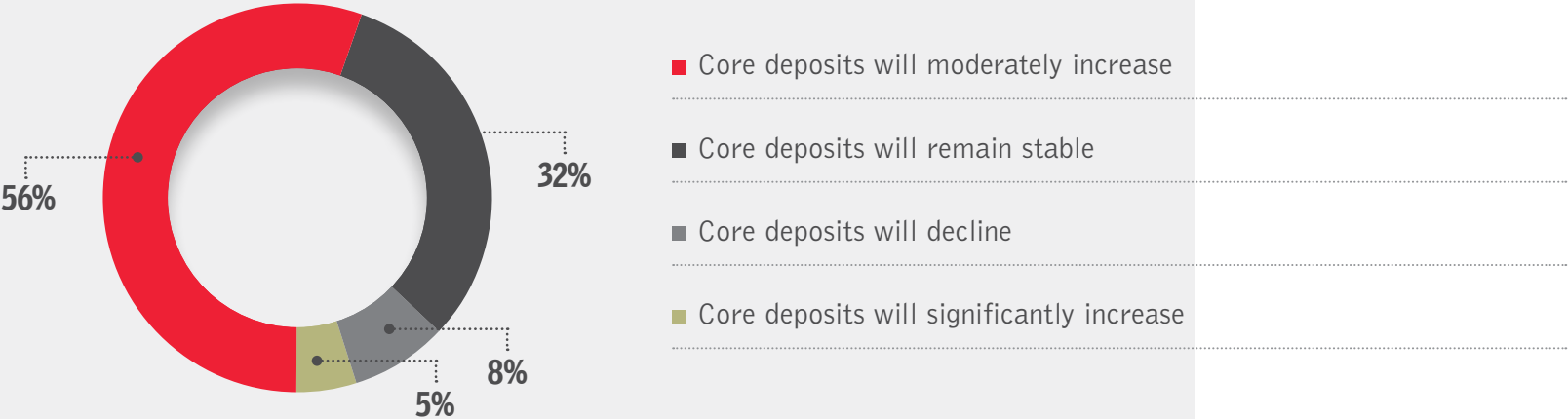
5. Does your bank expect to grow loans in any of the following categories in 2025?

Respondents were asked to select all that apply. Question not asked of CTOs or CISOs.



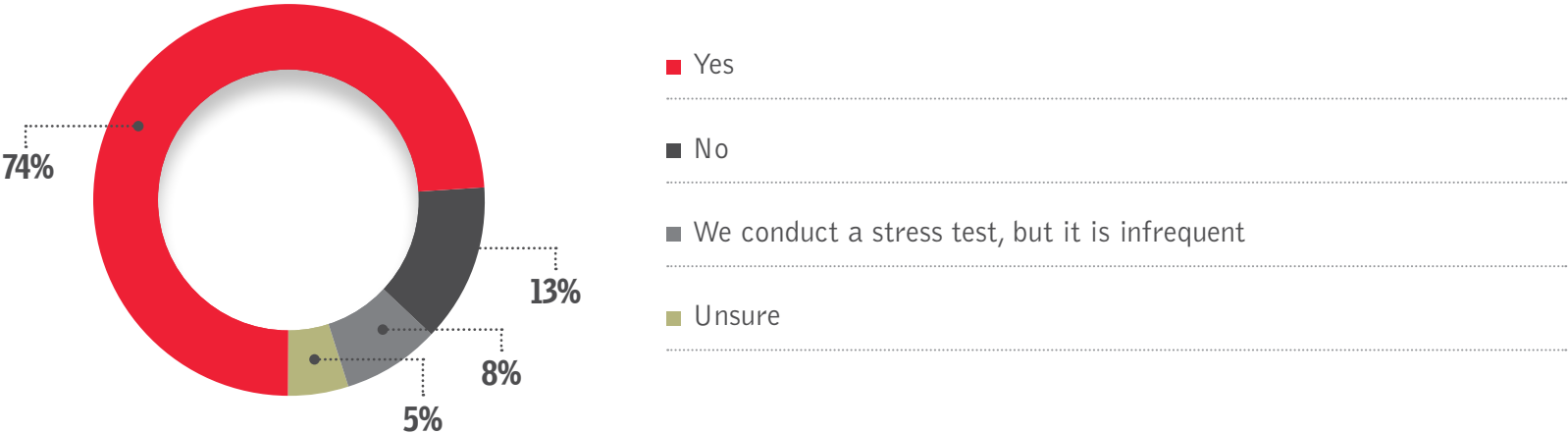
6. Which of the following best describes your expectations for how core deposits at your bank will move in 2025?

Question not asked of CTOs or CISOs. Numbers don't add up to 100% due to rounding.



7. Does your bank conduct an annual stress test?

Question not asked of CTOs or CISOs.



8. How has your bank used the results of its most recent stress test over the past year?

Respondents were asked to select all that apply. Question not asked of CTOs or CISOs. Question asked of respondents whose bank conducts an annual stress test.

- 53%** We've adjusted our liquidity plan and/or policy
- 44%** We've adjusted our asset/liability management strategy
- 39%** We've adjusted our capital plan and/or policy
- 38%** We're proactively managing certain commercial real estate credits
- 33%** We're taking a careful look at loans set to renew in the next six to 12 months
- 30%** We've rebalanced our securities portfolio
- 24%** We're planning for elevated credit losses in certain categories
- 13%** We're proactively managing certain agricultural credits



9. Did your bank reduce concentrations in its loan portfolio in any of the following areas in 2024?

Respondents were asked to select all that apply. Question not asked of CTOs or CISOs.

65% My bank has not reduced concentrations in its loan portfolio



19% Commercial real estate



12% Construction and development loans



5% Mortgage/home equity loans



4% Consumer loans



3% Other



3% Agriculture



2% Commercial & industrial



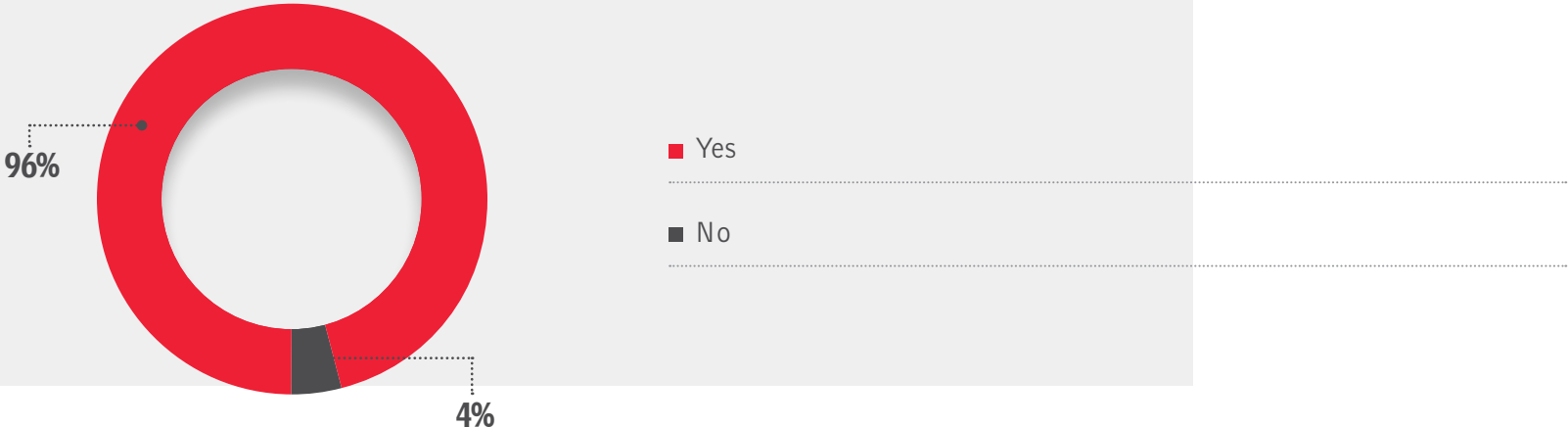
1% SBA or other small business loans



REGULATORY RISK

10. Has your bank undergone a regulatory exam in the past 18 months?

Question only asked of CEOs, chief financial officers, chief risk officers, chief compliance officers, chairs and independent directors.



11. In what areas did your bank see heightened attention from its regulators on its last exam?

Respondents were asked to select all that apply. Question only asked of CEOs, CFOs, CROs, chief compliance officers, chairs and independent directors whose bank had undergone a regulatory exam in the prior 18 months.

	Total
Liquidity planning/strategy	62%
Interest rate sensitivity	33%
Bank Secrecy Act/anti-money laundering regulations	31%
Cybersecurity	30%
Capital planning/strategy	28%
Asset quality	28%
Asset/liability management	25%
Vendor oversight of third and/or fourth parties	24%
Earnings	20%
Management	19%
Market risk sensitivity	18%
Community Reinvestment Act compliance	17%
Regulators did not indicate heightened attention in any specific area	9%
Other	7%
Overdraft or other consumer fees	6%
Efficiency	1%

12. Over the past 18 months, has your bank made any of the following changes to its BSA/AML compliance program?

Respondents were asked to select all that apply. Question only asked of CEOs, CFOs, CROs, chief compliance officers, chairs and independent directors.

46% Invested in technology to boost the BSA/AML function



42% Improved training for frontline employees



41% Added BSA/AML compliance staff



39% Improved internal controls



33% Enhanced BSA/AML reporting to the board



26% Enhanced customer due diligence



21% Increased independent review and testing



15% Our bank hasn't made any of these changes



8% Implemented direct reporting to the board from the BSA/AML function



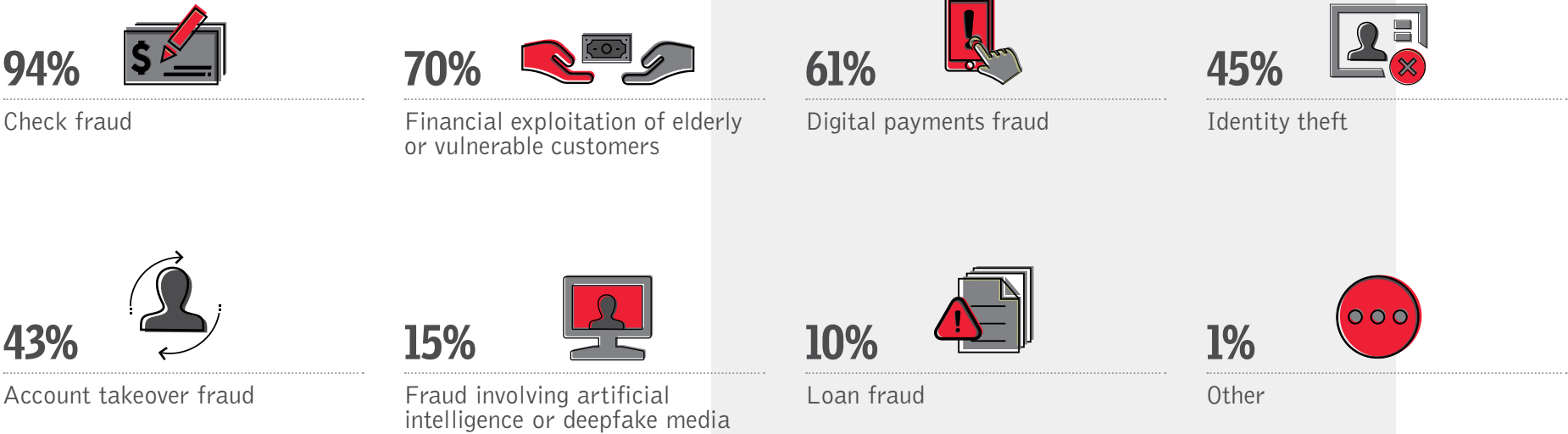
1% Other



CYBERSECURITY & FRAUD

13. Has your bank or have its customers been directly impacted by any of the following types of fraud over the past 18 months?

Respondents were asked to select all that apply. Question only asked of CEOs, CROs, CTOs and CISOs.



14. What kinds of changes did your bank make to address fraud concerns in 2024?

Respondents were asked to select all that apply. Question not asked of chief credit officers, chairs or independent directors.

86% Ongoing staff education about the latest scams/threats

82% Improved training for bank staff

71% Regular communication to customers about relevant scams/threats

42% Improved internal controls

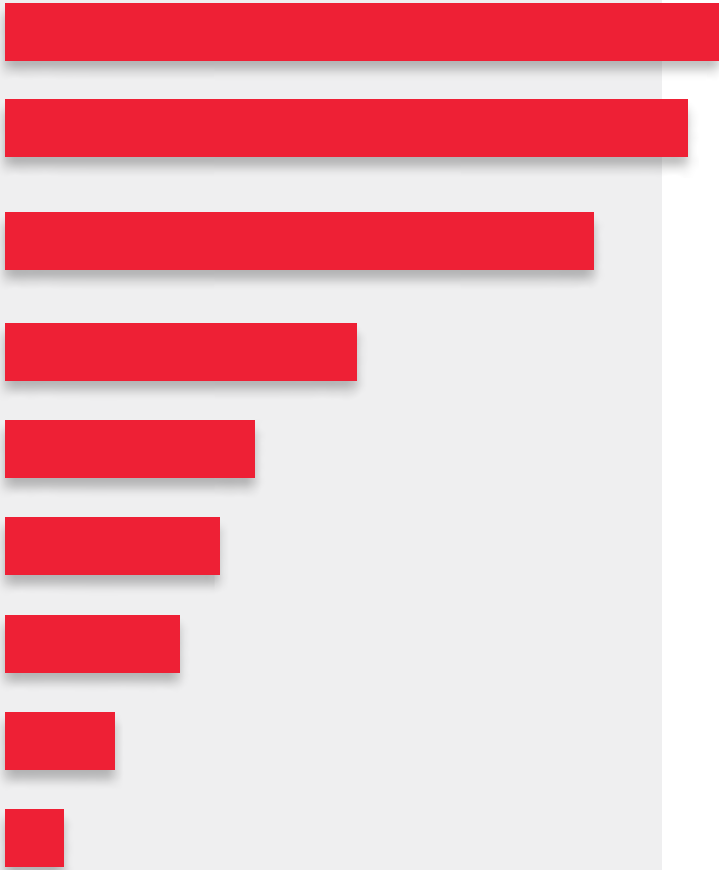
30% Customer education on AI fraud and deepfake media

26% More board expertise and/or education

21% Specific staff education on AI fraud and deepfake media

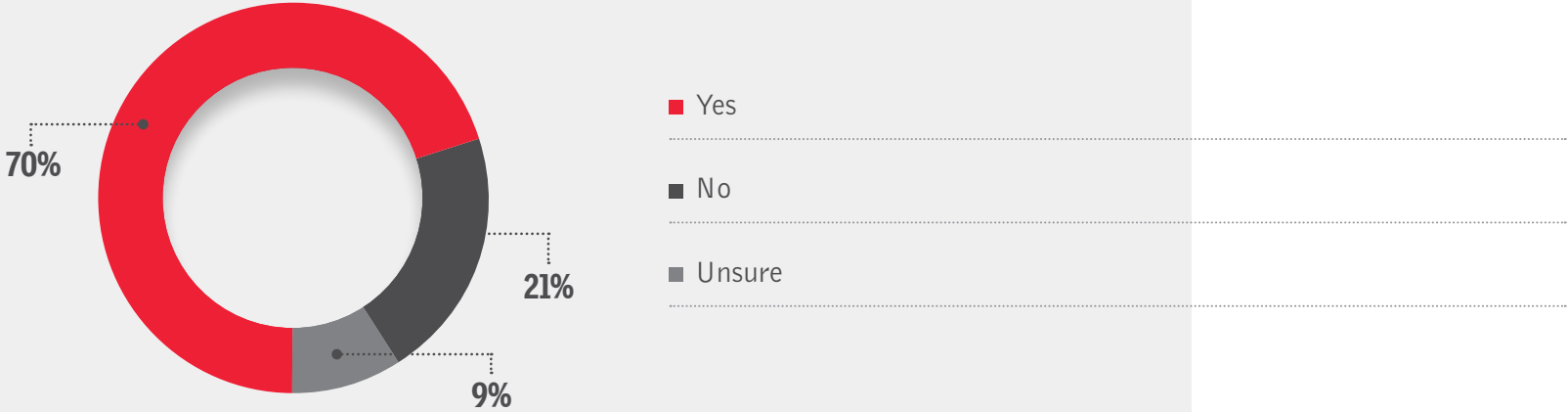
13% Added more cybersecurity personnel

7% Other



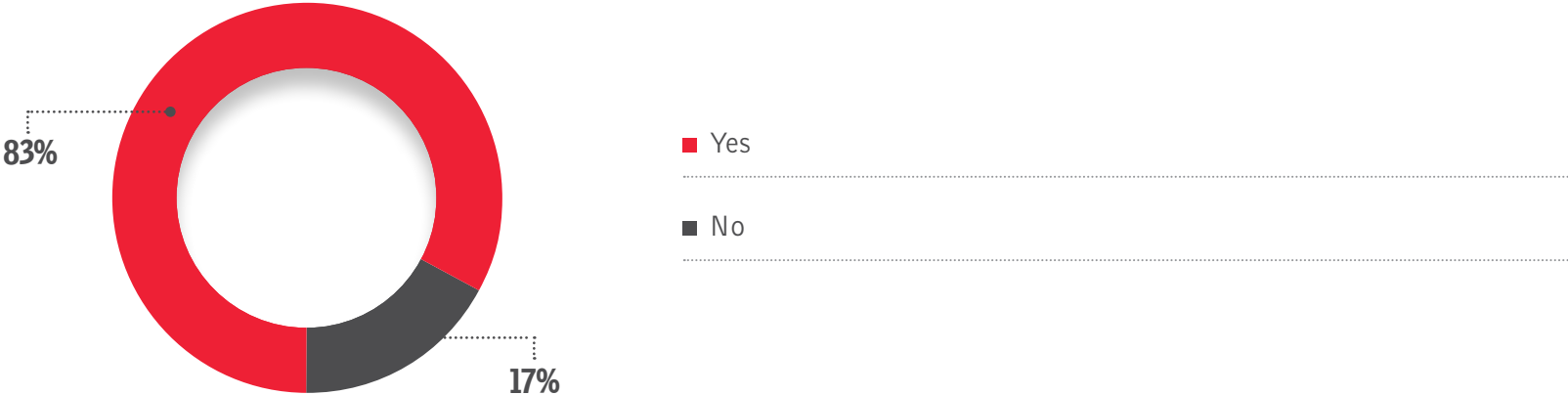
15. Have your bank's cybersecurity insurance premiums increased over the past 18 months?

Question only asked of CEOs, CROs, CISOs and CTOs.



16. Has your bank conducted a tabletop exercise of its cybersecurity incident response plan within the past 12 months?

Question only asked of CEOs, CROs, CISOs and CTOs.

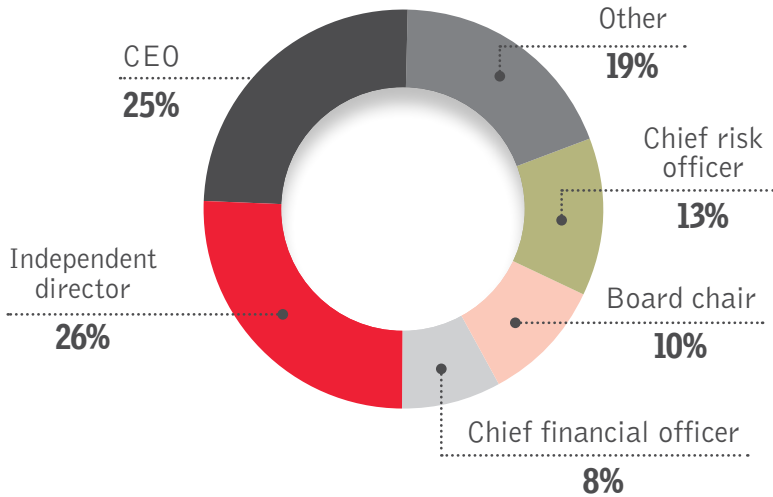


ABOUT THE SURVEY

Bank Director’s 2025 Risk Survey, sponsored by Moss Adams, surveyed 269 independent directors, chief executive officers, chief risk officers and other senior executives of U.S. banks below \$100 billion in assets to understand how they’re thinking about key areas of concern, such as cybersecurity, fraud and credit risk. The survey was conducted in January 2025.

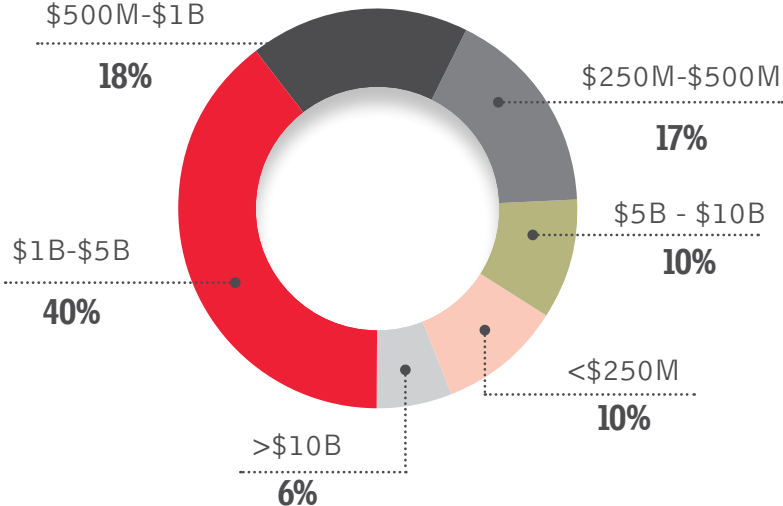
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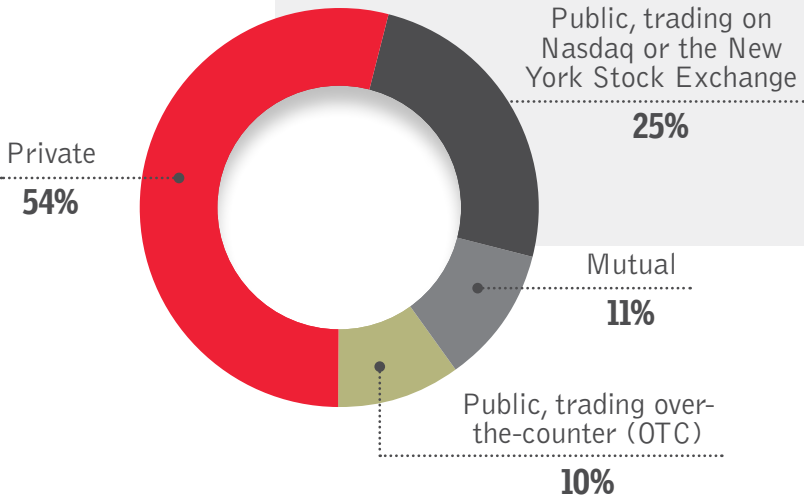


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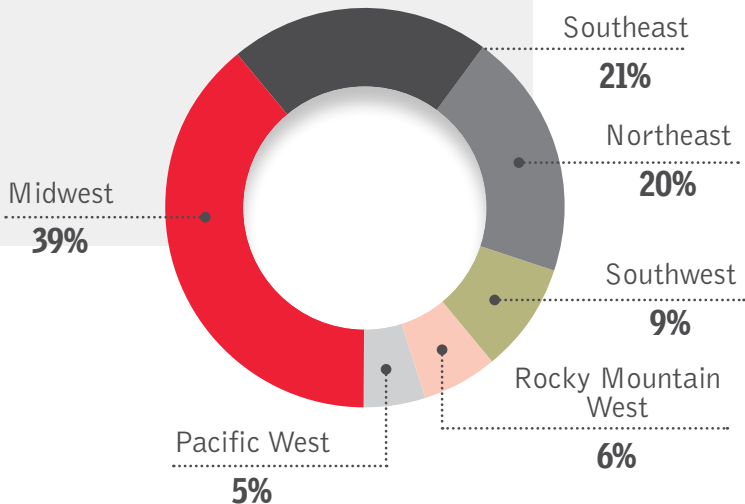
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OWNERSHIP STRUCTURE



REGION*



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