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Uncertainty. That's how major, global financial organizations have summarized the past year.

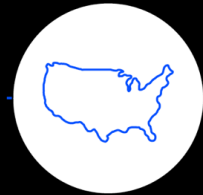
According to the International Monetary Fund, global economic output contracted because of downturns in China and Russia. In the U.S., consumer spending fell below expectations. Inflation rocked the U.S. and major European economies, causing financial conditions to worsen for families and businesses. The Eurozone is heading into a recession, and the U.S. could follow.



249

financial institutions surveyed

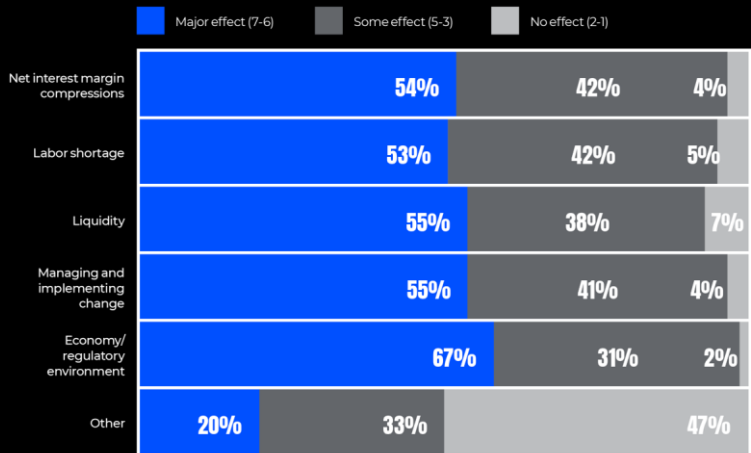
Across **39** states



We surveyed banks across the United States to learn how they will overcome obstacles and serve their communities.

What effect do the following factors have on achieving your goals?

Rated on a scale of 1-7, with 1 being "no effect at all" and 7 being a "major effect."



Other responses included items such as culture, coronavirus, competition, data and retention.

Strategic priorities for financial institutions

- 1 Talent management**
- 2 Digital customer engagement**
- 3 New revenue streams**
- 4 Digital efficiency**
(labor-replacing and/or staff-augmenting technologies)

Regional banks cited slightly different priorities. After talent management, they are focused on data analytics/AI, embedded banking and cloud adoption.

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Priority No. 1

Managing talent in a record tight labor market

How important is talent management for your bank?

Importance Level	Percentage
Extremely important	71%
Somewhat important	29%
Not important	0%

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Respondents were asked to rank the top 3 ways they are currently working to address employee recruitment/retention.

1

Increased wages

2

Increased benefits, perks

3

Career development pathing & leadership development

7

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Priority No. 2

Improving customer engagement in a digital world

Within the next four years, Gen Z will become the largest consumer group in the country. It already has \$44 billion in spending power — and it's significantly underbanked. Less than half of Gen Z has an account with a traditional financial institution.

Gen Zers that have banking accounts have high expectations. They want interactions to be simple and transparent. They want to complete rote transactions autonomously. But when they need help, they expect 24/7/365 service.

54%

of banks introduced instant payments services over the past three years.

47%

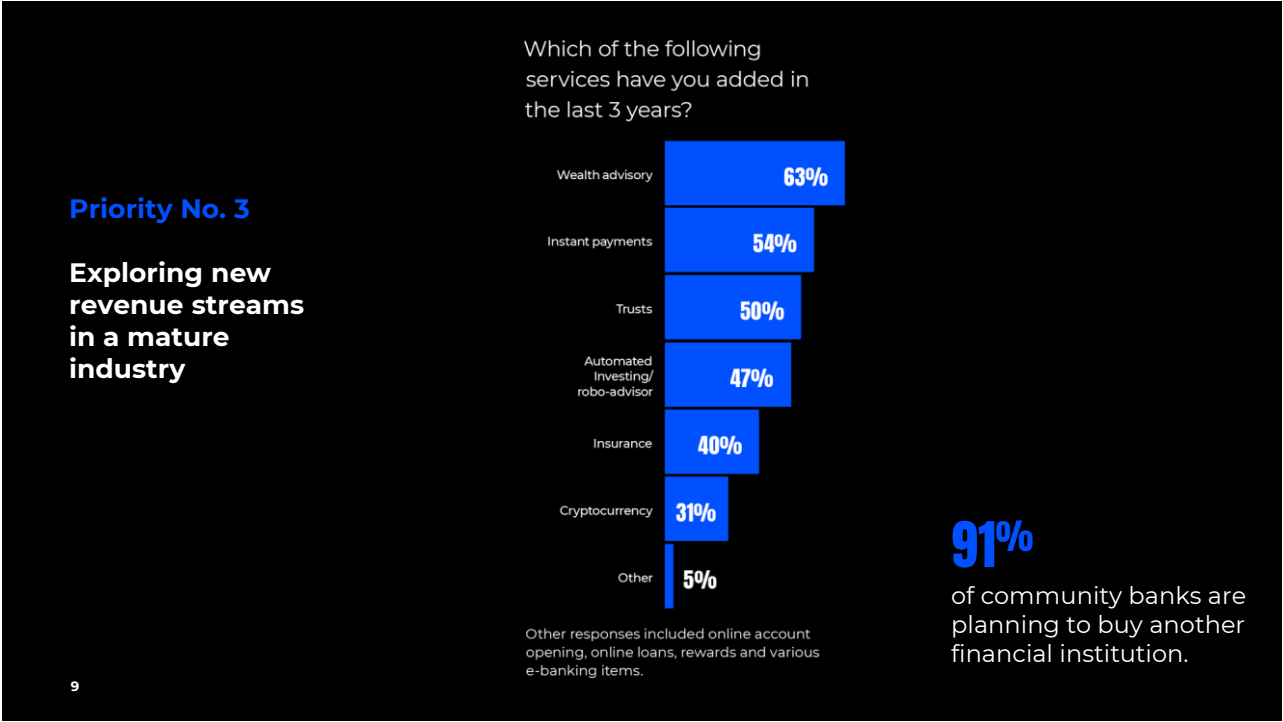
added automated investing or robo-advisor services

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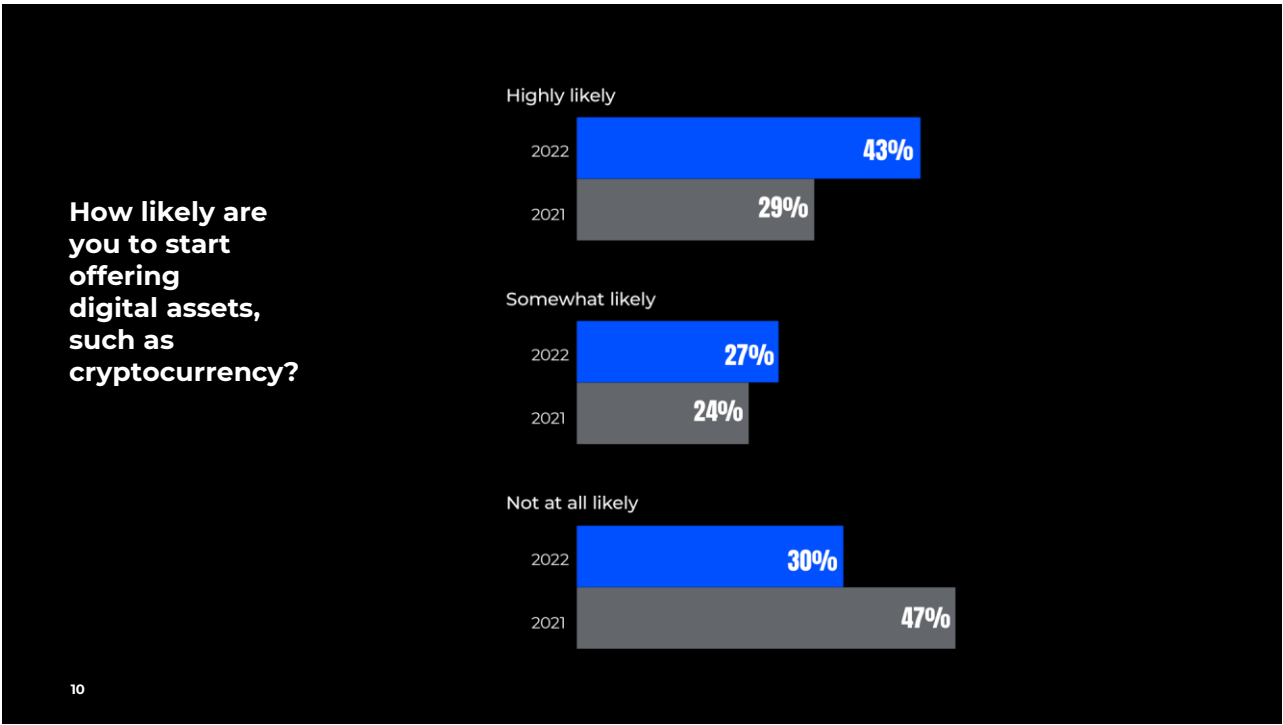
started cryptocurrency solutions.

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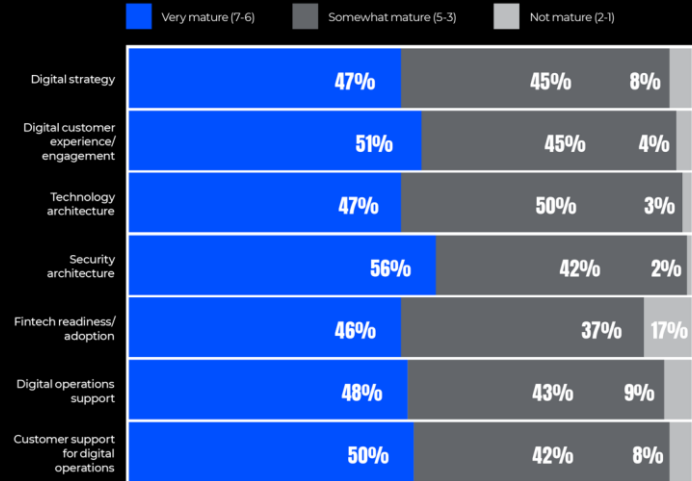
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Priority No. 4

Creating digital efficiencies in a process-heavy business

Please rate your institution's maturity level in the following digital transformation categories.

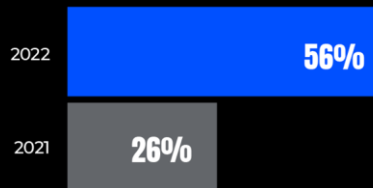
Rated on a scale of 1-7, with 1 being "Not mature at all" and 7 being "Very mature."



For many banks, support comes from their core provider.

However, many are starting to revisit those relationships.

Percentage of banks looking for a new core provider



For banks, digital transformation means:

- 1** **Faster loan approvals and account-opening processes**
- 2** **Engaging with customers digitally**
- 3** **Payment transactions**

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Overcoming uncertainty takes preparation. Financial institutions have to plan for many possible risks, threats and outcomes.

Bank's reported top concerns

1 Cybersecurity	2 Meeting customer needs
3 Employee recruitment/retention	4 Retaining market share

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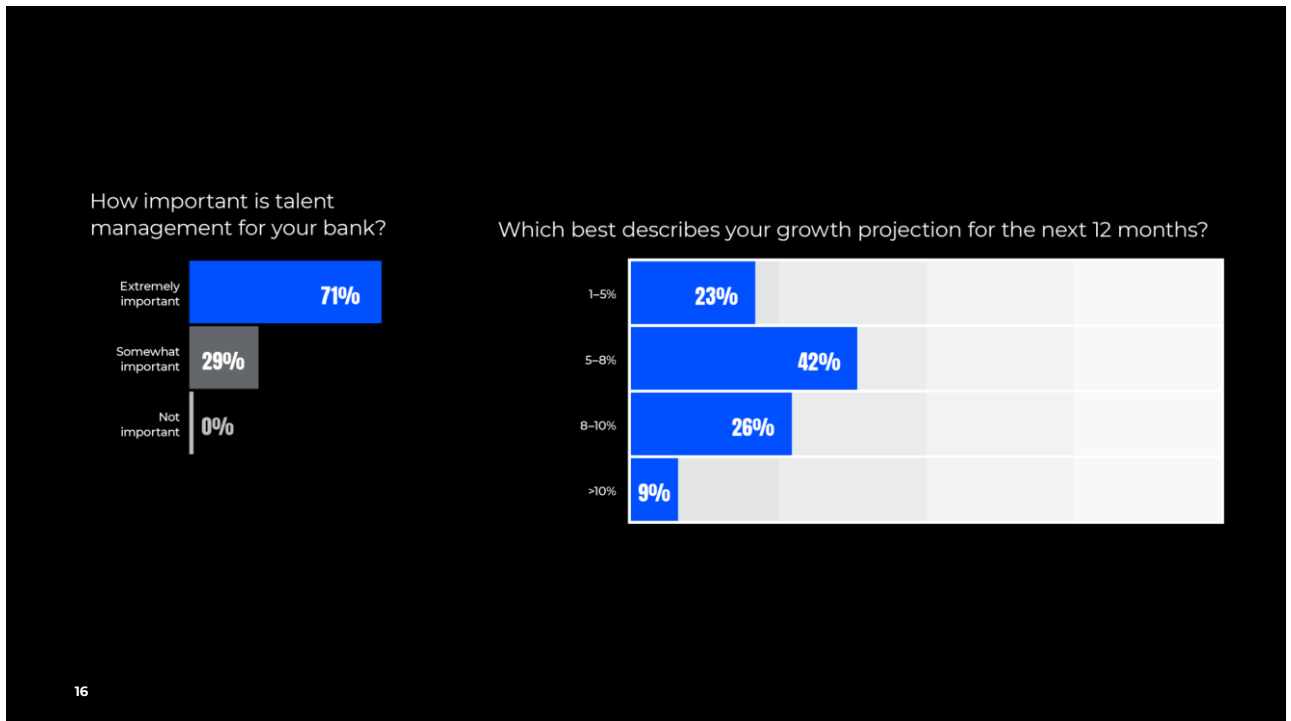
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**Appendix:
The raw data**

- Wipfli received survey response from 249 bank leaders in 39 states.
- The survey was emailed and the answers were collected in November 2022. All responses were confidential and anonymous.

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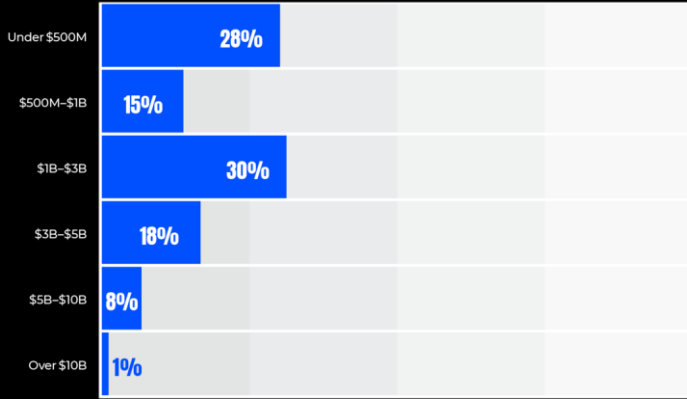
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What is your current asset size?



Are you planning to buy or sell?

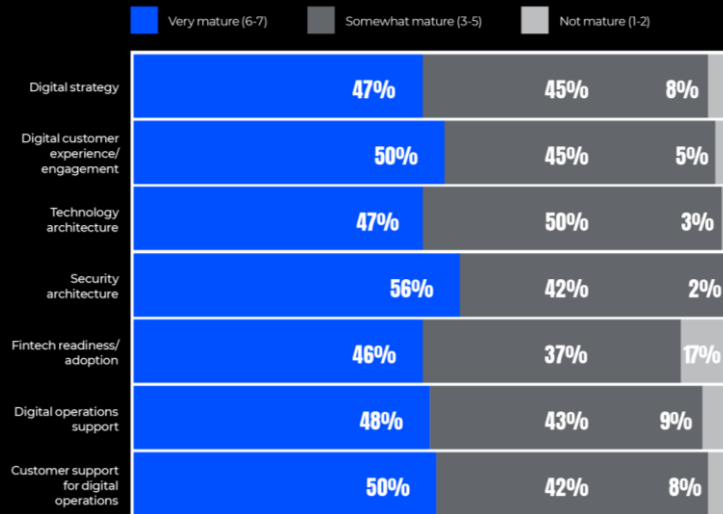


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Please rate your institution's maturity level in the following digital transformation categories.

Rated on a scale of 1-7, with 1 being "not mature at all" and 7 being "very mature."

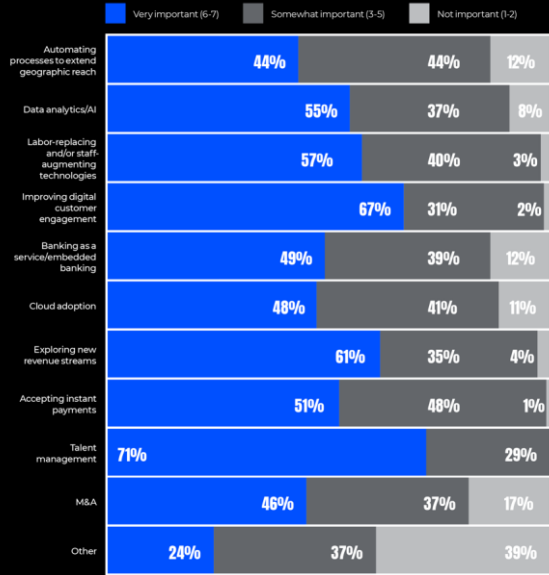


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Of the following strategies, which are the most important for your bank in 2023?

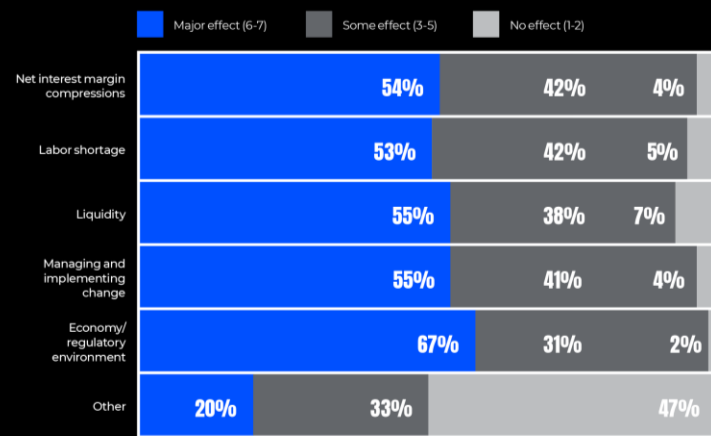
Rated on a scale of 1-7, with 1 being "not important at all" and 7 being "very important."



Other responses included items such as business lending, customer satisfaction, post M&A integration and trust accounts.

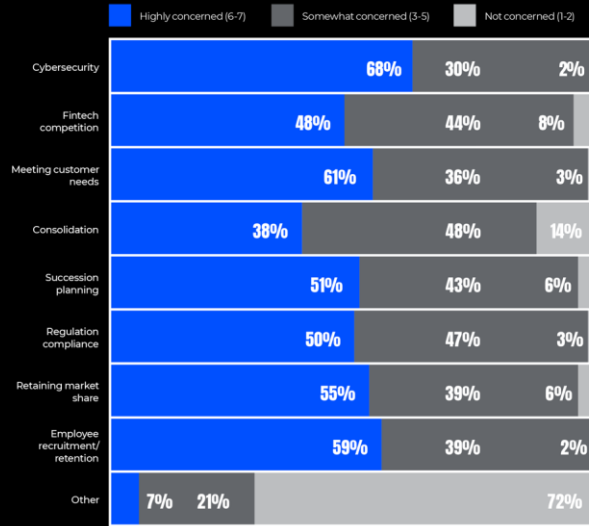
What effect do the following factors have on achieving your goals?

Rated on a scale of 1-7, with 1 being "no effect at all" and 7 being a "major effect."



Other responses included items such as culture, coronavirus, competition, data and retention.

How concerned are you about the following?
 Rated on a scale of 1-7, with 1 being "not concerned" and 7 being "highly concerned."



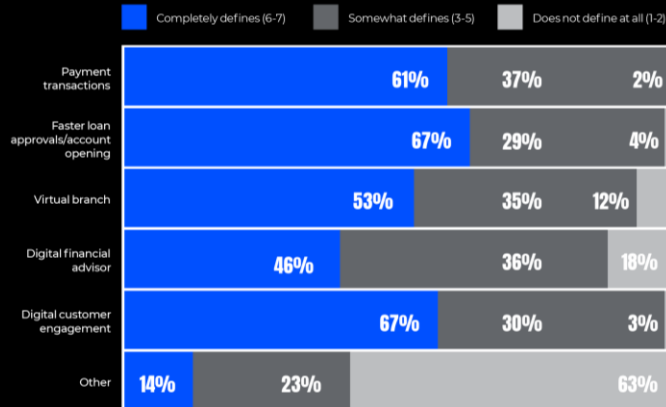
Other responses included concerns about culture, customer complaints, data, fraud, regulations, CECL and COVID-19.

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An uncertain economy, fintech competition and growing customer needs require banks to be more and more nimble and forward thinking. Of the following, which most closely defines digital transformation to you?

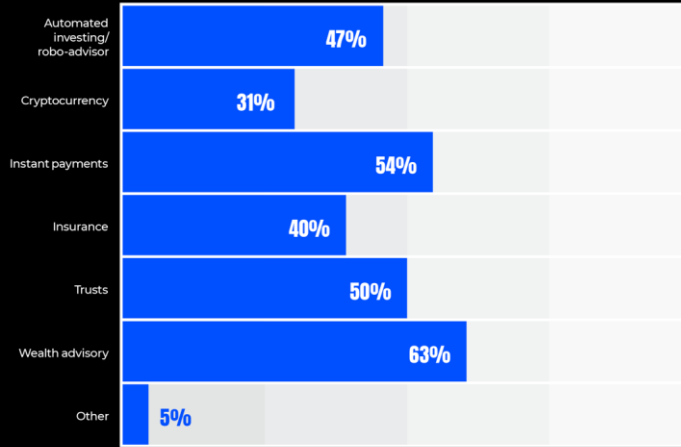
Rated on a scale of 1-7, with 1 being "does not define at all" and 7 being "completely defines."



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Which of the following services have you added in the last 3 years?



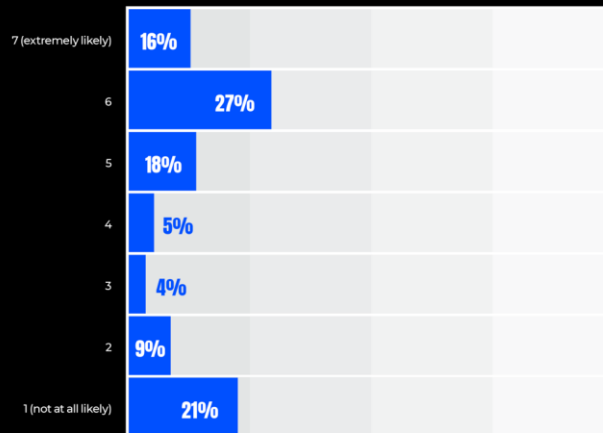
Other responses included online account opening, online loans, rewards and various e-banking items.

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What is the likelihood that you will be offering digital assets (e.g., cryptocurrency, bitcoin, etc.) or related services (e.g., credit, custody or conversion) to your customers in the next 12 to 18 months?

Rated on a scale of 1-7 with 7 being "extremely" likely and 1 being "not at all" likely.

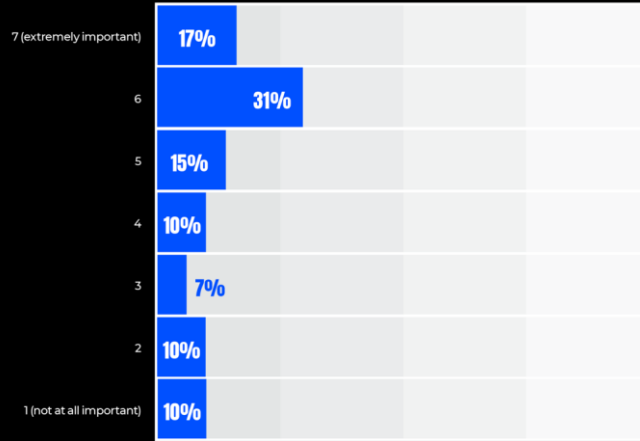


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How important is ESG (environmental, social and corporate governance) reporting to your bank?

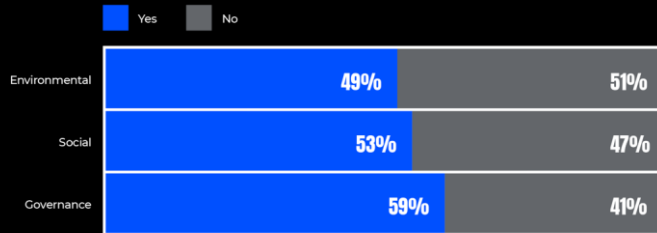
Rated on a scale of 1-7 with 7 being "extremely" important and 1 being "not at all" important.



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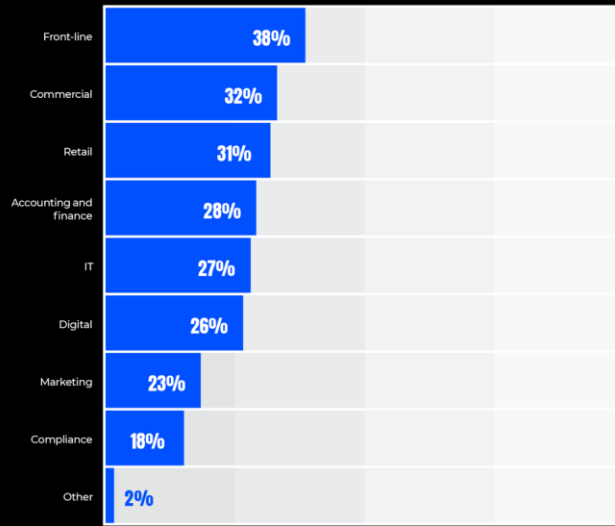
Are you having difficulty quantifying any of the following ESG components at your bank?



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For which positions are you experiencing a labor shortage?



Other responses include positions such as wealth, credit and loan support