

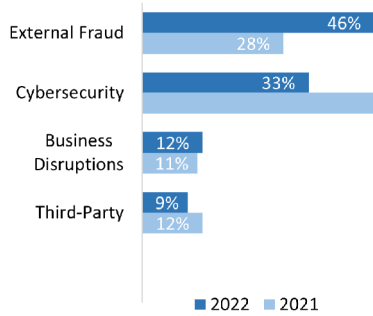
Key Findings from Federal Reserve Financial Services Financial Institution Risk Officer Survey (2022)

Survey of 246 senior risk officers and risk management professionals

In 2022, external fraud risk emerged as a key concern rising above cybersecurity, which the survey identified as the top operational risk in 2021. Institutions also reported external business and political environments as significant risk factors. Detailed questions associated with the FraudClassifierSM Model were also included for the first time to help institutions classify drivers of fraud more consistently across payment types and across institutions to track trends over time.

1. External fraud is the top concern of payments risk management.

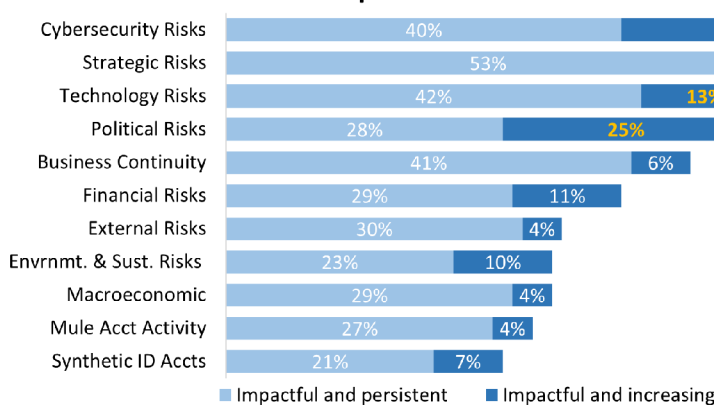
Top Operational Risks



- External fraud replaced cybersecurity (2021) as the top operational risk in 2022.
- Business disruptions and third-party (vendors and partners) traded places between 2021 and 2022
- Internal fraud was the lowest operational risk (0%) both in 2021 and 2022.

2. When asked what impacts their payments risk profile at increasing levels, 1 in 4 respondents cited cybersecurity and political uncertainty as concerns.

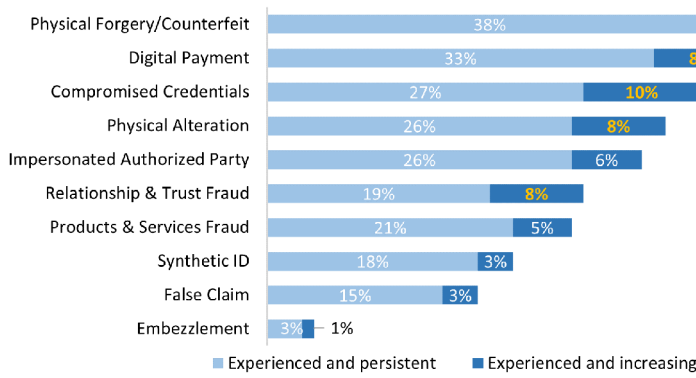
2022 Impactful Areas on Risk Profiles



- Cybersecurity, strategy, technology, and political risks continue to impact more FIs.
- When comparing persistent to increasing risks, political risks had the more notable increase in 2022 (28% persistent vs 25% increasing) as institutions acknowledge the changing environment.

3. Increases of fraud in physical forgery and digitally originated payments reflect the broader industry move to doing more business in person and virtually, respectively.

2022 Fraud Events Experienced

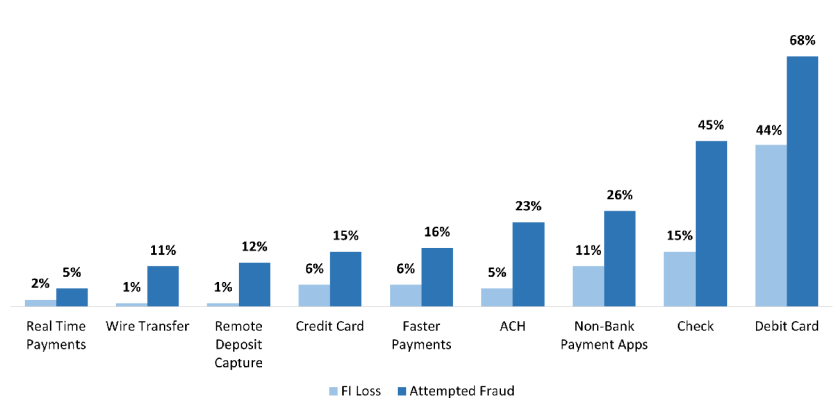


- Fraud related to digital payments (compromised credentials, digital payment, relationship and trust) saw increases with 9% of FIs on average.
- Increasing fraud related to check (physical forgery/counterfeit and physical alteration) were experienced by 10% of FIs on average.

4. 68% of financial institutions frequently experience attempted fraud in debit cards with less than half experiencing frequent losses with debit cards.

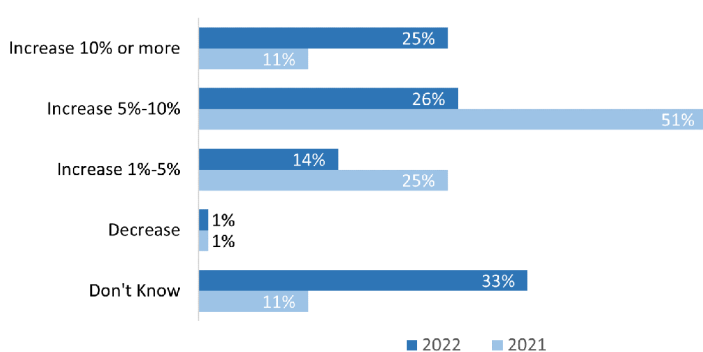
- Fraud was most frequently attempted in debit card, check and non-bank payment apps.
- Losses were most frequently experienced by FIs in debit card (44%), check (15%) and non-bank payment apps transactions (11%).
- Payment rails with lower loss incidence relative to attempts were check and ACH.

Financial Institutions Frequently Experiencing Fraud and Losses



5. Most financial institutions are planning to increase their risk/fraud tool investment by at least 5% in the next two years.

Risk and Fraud Tool Investment



- More respondents indicated plans to increase their investment by 10% in 2022 (25% vs 11%).
- Respondents were less certain about future tool investments and spending in 2022 (33% vs 11%) consistent with the business environment uncertainty.

Respondent Profile

Bank	74%	Assets over a Billion	69%
Credit Union	22%	Assets \$100M - \$1 Billion	19%
Service Providers	4%	Assets under \$100M	8%
		Service Providers	4%

Note: This annual survey was conducted by Federal Reserve Financial Services which provides Cash, Check, FedACH®, and Funds services. The research, statements and findings contained in this summary should be treated as marketing information and not independent research. The sampling margin of error is +/- 6% at a 95% confidence level. Readers should look at a variety of information sources when assessing the potential insights at an industry level and at the level of their organizations and should not rely on any single source. The insights are more helpful when looking across multiple years.

*Visit FRBservices.org or FedPaymentsImprovement.org to learn about the FraudClassifierSM Model