

2021 BANKING PRIORITIES

Executive Report





DIGITAL DEMANDS

Bankers believe that digital channel usage is accelerating beyond previous expectations, with no foreseeable limit. But they are less certain about their ability to meet this customer demand for digital.

CSI's 2021 Banking Priorities Survey, our largest to date, reveals that bankers understand the imperative of digital transformation and have made major strides toward this work-in-progress. The outstanding challenge for them is building a comprehensive plan for achieving this transformation and protecting their digital environments from the corresponding growth in cybersecurity threats.

This executive report highlights how bankers view a range of issues and priorities that all share one common denominator—digital demands—including:

- COVID-19
- Evolving Banking Strategies
- Tech Innovations
- Cyber Threats
- Regulatory Compliance

To help financial institutions meet this incredible challenge, our report also provides bankers with *Key Strategy Markers* for creating and implementing their institution's comprehensive plan for digital transformation and cybersecurity protection.

A BANKER'S SURVEY

According to last year's Banking Priorities Survey, institutions started the new decade by identifying digital transformation as the key to driving relationship retention, customer acquisition, efficiency and profitability. However, few institutions met all their digital transformation goals.

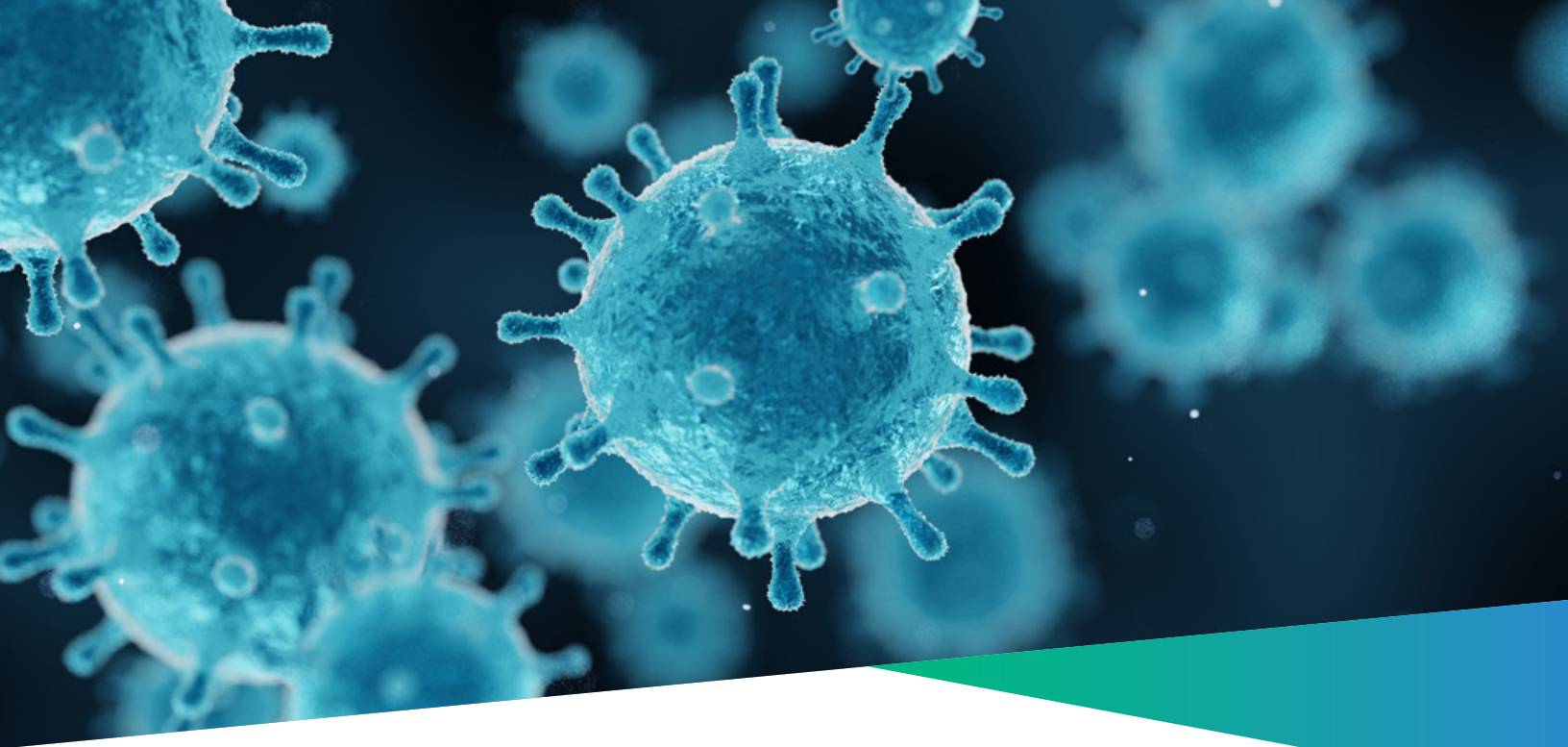
In 2020, the COVID-19 pandemic forced institutions to quicken their digital pace. But even with that accelerated activity, clear-cut strategies for achieving complete digital transformation remain difficult for many institutions.

By contrast, consumers—even those previously reluctant to try digital channels—now demand digital offerings that are convenient, frictionless and secure. The true challenge for financial institutions in 2021 is tackling the disparity between today's institutional reality and the customer expectations made apparent throughout this year's survey data.

The Most Revealing Findings of Our 2021 Survey:

Our 2021 survey uncovered some surprising—and not so surprising—data around the banking industry's top priorities:

- **Forever Changed:** Even when the pandemic is over, bankers almost unanimously agree that digital channel usage will remain high.
- **Pandemic Performance:** A generally successful pivot was overshadowed by an average customer transition to digital. This performance presents a challenge going forward.
- **Cybersecurity Surge:** As the demand for digital banking grows, so does the need for protecting bank and customer data. As a result, banks voted cybersecurity 2021's most important issue.
- **General Performance:** Like last year, bankers are most confident about compliance readiness and customer retention. They are least secure about data usage, the key to digital transformation.
- **Future Growth:** Bankers say that increasing market share depends on enhancing and optimizing current digital channels. However, they rated their transition during the pandemic as average.
- **Tech Priorities:** Predictably, the top technologies that bankers plan to prioritize this year revolve around digital transformation.
- **Paper Dilemma:** Many institutions continue to print bank statements and miss opportunities for cost savings and a consistent customer experience.
- **Data Privacy:** COVID-19 pushed more work and other activity to the digital realm. This generates potential implications for data privacy, this year's most critical regulatory issue.



COVID-19: A Test for the Ages

When stay-at-home orders were issued, business continuity and recovery measures faced a real-world test on an unprecedented scale.

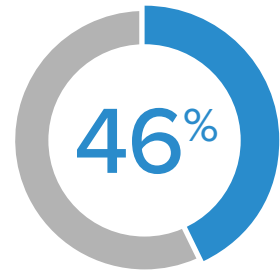
Although experts had long advised financial institutions to plan and prepare for pandemic scenarios, no one envisioned the likes of COVID-19, which was not limited to a certain geographic or demographic sector. The pandemic affected every branch and business location, every board member and employee, every third-party vendor and supplier and every business and retail customer.

Financial institutions proved their agility by quickly adapting to the evolving situation and meeting customer needs. But that successful pivot exposed one undeniable truth: to customers, digital banking is now just banking, regardless of institutional readiness.



GAUGING THE EXTERNAL IMPACT OF A PANDEMIC

According to one survey of U.S. bank customers, **46% of consumers** increased their digital usage during the pandemic.¹



In CSI's survey, when bankers answered whether they expect digital channel use to increase at their institution even after the virus stabilizes, **97% acknowledged an irrevocable change in consumer behavior.**

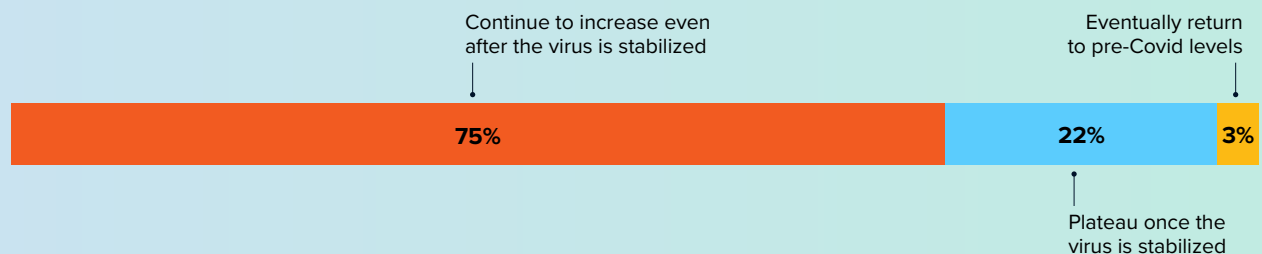
An Unstoppable Shift: Three-fourths (75%) say digital channel usage will continue to climb.

An Eventual Plateau: Only one-fifth (22%) expect digital channel usage to level off.

A Short-term Blip: Just 3% envision a return to pre-COVID levels of digital channel usage.

✓ **Key Strategy Marker:** *Digital transformation needs to occur sooner rather than later.*

DIGITAL CHANNEL USAGE



RATING THE INTERNAL RESPONSE

Survey participants rated their bank's response to the COVID-19 pandemic in five areas on a scale from 1 to 5, with 1 being slow/ineffective and 5 being fast/exceptional.

MAKING THE GRADE

4.3/5



Maintaining In-Branch Safety

Likely due to their following widespread public health guidance on creating safe environments, bankers gave themselves an exceptional 4.3 out of 5. Almost half of all respondents gave themselves a 5-star rating, the equivalent of an A grade, and 88% gave themselves an A or B.

4.3/5



Paycheck Protection Program (PPP) Loan Disbursement

Another high mark, bankers rated themselves a 4.3 out of 5 on administering PPP loans, with 56% giving themselves an A and 84% giving themselves an A or B. These high marks are fitting: industry stats reveal that community banks accounted for almost half of all PPP loans stemming from the Coronavirus pandemic.

4.1/5



Overall Response to COVID-19

Bankers praised their overall response to the global pandemic with a 4.1 out of 5 rating. 34% logged an A, and 52%, a B for their efforts.

DECENT GRADE, NEEDS IMPROVEMENT

3.8/5



Transitioning to Digital Channels

With a rating of 3.8, bankers think they were marginally successful in transitioning customers to digital channels. About a quarter of bankers (27%) claimed an exceptional performance and nearly as many (23%) gave themselves a C.

Key Strategy Marker:

Gain a better understanding of digital channels and how customers want to use them.

3.7/5



Managing a Remote Workforce

Overall, bankers scored a 3.7 on remote workplace management. But one-third gave themselves a C, D or F. This may be due to lingering cybersecurity issues, such as patch administration and vulnerability scanning challenges related to home-office usage.

Key Strategy Marker:

Conduct a cybersecurity debrief to identify all challenge areas and share it with senior management. Review all internal controls, especially those that changed during the pandemic, to make sure all networks, devices, accounts and systems are adequately protected.



EVOLVING BANKING STRATEGIES: Today and Tomorrow

As bankers consider their current and future performance, there is no denying the dominance of digital channels.

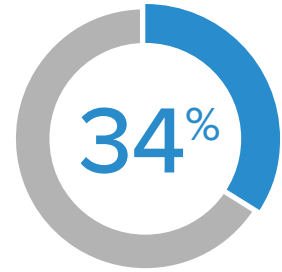
PREDICTING THE UPCOMING CHALLENGES

Bankers reveal the issues that will most affect the financial industry in 2021.

THE TOP THREE

Cybersecurity Threats

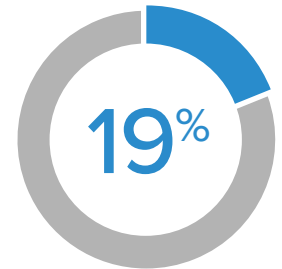
As more users adopt digital channels, cybercriminals follow. As a result, **over one-third of bankers (34%)** identified cybersecurity as the top industry issue. That is only slightly less than the next two issues combined (36%).



- ✓ **Key Strategy Marker:** *Cybersecurity frameworks help identify strengths and weaknesses so that budget dollars are allocated where they are most needed to achieve robust cybersecurity.*
- ✓ **Key Strategy Marker:** *Conducting due diligence on the cybersecurity posture of third-party service providers and vendors is a must, starting with those providing mission-critical functions.*

Meeting Customer Expectations

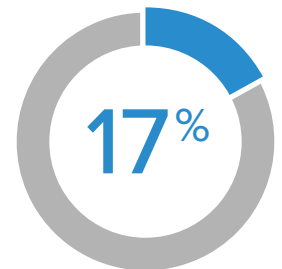
With more customers using digital channels—some for the first time, **19% of bankers** rank meeting customer expectations as the biggest issue for 2021.



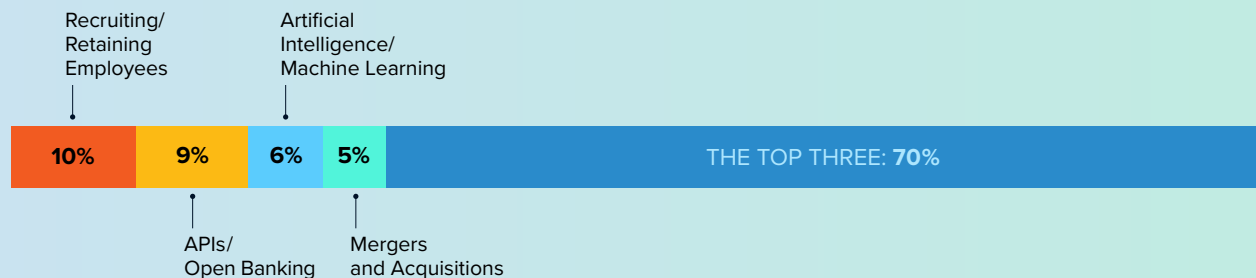
- ✓ **Key Strategy Marker:** *Technologies such as passive biometrics and behavioral analytics help your institution simultaneously secure digital channels, mitigate fraud and meet customer demand for a fast and frictionless experience.*

Regulations

Regulatory agencies are struggling to keep pace with technological advancements. Consequently, **17% of bankers** name regulatory change as the top issue.



THE REST AT LESS THAN 10% EACH



ASSESSING CURRENT PERFORMANCE

For the second year in a row, bankers rated their institution's current performance in key areas (5 being the highest score). Their responses reveal slightly better results over last year in each category.

MAKING THE GRADE

4.1/5



Compliance Readiness

Bankers rated themselves 4.1 out of 5 on compliance readiness, as opposed to 3.9 out of 5 in last year's survey, when this category occupied the number two spot.

4.1/5



Retaining Current Customers

Bankers remain confident in customer retention, rating themselves a 4.1. Despite 2020's unique challenges, this score was higher than last year's (4 out of 5).

MORE ROOM FOR IMPROVEMENT

2.8/5



Collecting and Utilizing Customer Data

Bankers only scored themselves a 2.8 out of 5 in this category, although data utilization is at the core of digital transformation. Without it, cybersecurity, customer acquisition and retention will suffer.

✓ **Key Strategy Marker:**

Collect data on typical customer behavior to automatically detect suspicious activity that could isolate fraud from genuine customer activity.

✓ **Key Strategy Marker:**

Use existing customer data to simplify new account acquisitions, such as automatically pre-filling all known information about an existing customer into the online account opening forms.

✓ **Key Strategy Marker:**

Utilize customer relationship management (CRM) tools to organize customer activity and data into an easy-to-digest format to enhance digital channels and frontline staff interactions.

DECENT GRADE, NEEDS IMPROVEMENT

Cybersecurity Readiness

3.9/5 ★★★★★

In-Branch Experience

3.6/5 ★★★★★

Digital Transformation

3.5/5 ★★★★★

Attracting New Customers

3.4/5 ★★★★★

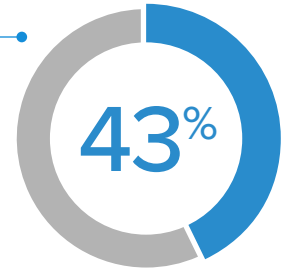
PLANNING TO INCREASE MARKET SHARE

Coinciding with their top strategy to increase market share, **almost two-thirds of bankers say they will either enhance current digital channels or invest in new digital technologies**, an area that proved challenging during the pandemic.

Top Choice

43% of bankers will enhance or optimize current digital channels to increase market share.

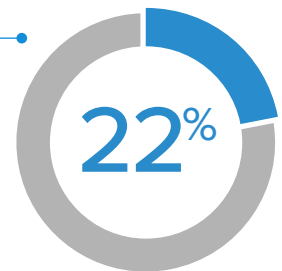
- ✓ **Key Strategy Marker:** Reframe the thought process. Decide how your institution can best grow market share from a banking perspective first, such as going after a new customer segment, geographic market or product type. Then decide how to utilize digital channels to achieve that objective.



Second Place

22% of bankers favor investing in new digital technologies.

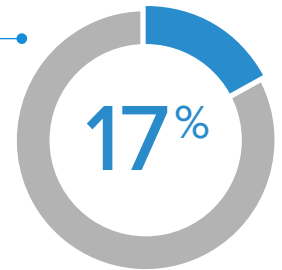
- ✓ **Key Strategy Marker:** To capture a new geographic market, consider a digital bank spin-off that features its own distinct brand that exclusively provides digital channels.



Distant Third

Only 17% of bankers plan to utilize customer data to increase their market share. But if they don't understand how to optimize customer data, growth will remain elusive.

- ✓ **Key Strategy Marker:** Digital is all about understanding and meeting immediate customer demand. Institutions need to be able to interpret all the data they collect through CRM tools so they can proactively match products or services to individual consumer needs and identify desirable products and services to introduce to their entire footprint.



Honorable Mentions





TECH INNOVATIONS: Major Investments and Easy Wins

Technology facilitates a seamless digital experience. But achieving digital transformation isn't just about investing in new technology. It is also about optimizing and marketing the technology that you already offer, such as remote deposit capture and digital statements.

PRIORITIZING TECHNOLOGIES IN 2021

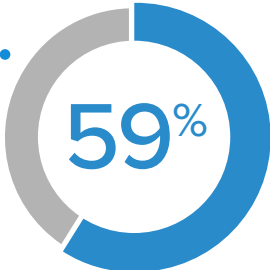
In terms of the top three technologies institutions plan to prioritize in 2021, banks are looking for those that expand their geographic footprints and customer relationships.

THE TOP THREE

Digital Account Opening

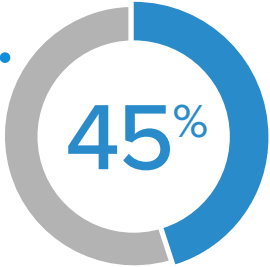
At **59%**, the majority of bankers will prioritize digital account opening.

✓ **Key Strategy Marker:** *Even when the pandemic is stabilized and branches fully re-open, you still need to give customers the ability to open accounts solely through digital means without calling or visiting a branch.*



Mobile Banking App

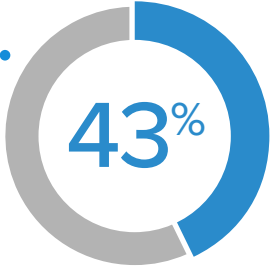
At **45%**, a significant number of bankers view mobile banking apps as the priority.



Customer Relationship Management (CRM) and Digital Lending

Tied for third place at **43%**, many bankers plan to harness customer data through CRM or improve digital lending.

✓ **Key Strategy Marker:** *Better utilization of CRM to filter out and manage household needs/wants and capture existing customer data enhances the customer experience delivered through digital channels, like your digital account opening tool and mobile app.*



THE REMAINING PRIORITIES

(Bankers were asked to choose three answers)

Data Analytics and Reporting	37%
In-branch Technologies	32%
Online Chat/Video/Bot	28%
Digital Statements	14%



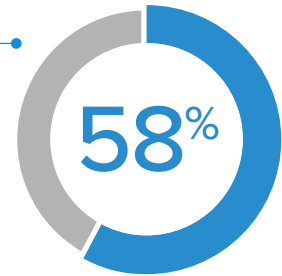
INVESTING IN THE PUBLIC CLOUD

When asked about plans to invest in the public cloud for IT infrastructure in 2021, many bankers expressed a lack of understanding for what IBM calls “one of the most important shifts in the history of enterprise computing.”² For reference, three of the best-known examples of public cloud usage are Microsoft Office 365, Google Drive and Apple iCloud.

Don't Yet Know Enough

Over half of bankers (58%) say they don't have enough information about investing in the public cloud.

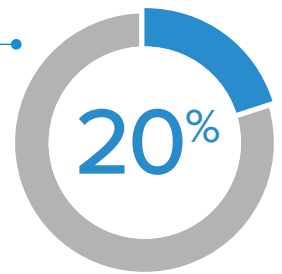
✓ **Key Strategy Marker:** *The public cloud can reduce the costs of an IT infrastructure that currently maintains in-house data servers. So, it is worthwhile to weigh the benefits of adoption, but that exercise needs to be conducted thoughtfully, in consultation with your core provider, and with cybersecurity in mind.*



Currently Evaluating

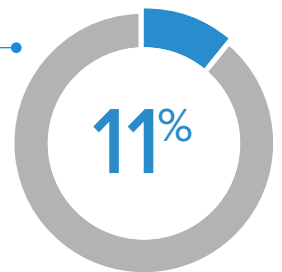
One-fifth of bankers (20%) are in the midst of weighing the pros and cons of a public cloud migration.

✓ **Key Strategy Marker:** *CISOs can help educate their boards and senior management about the public cloud by identifying all the ways it can be used, such as with Office 365.*



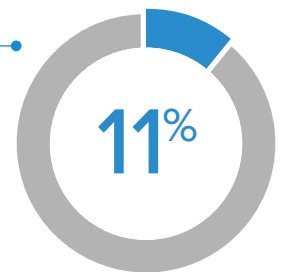
Not a Good Fit

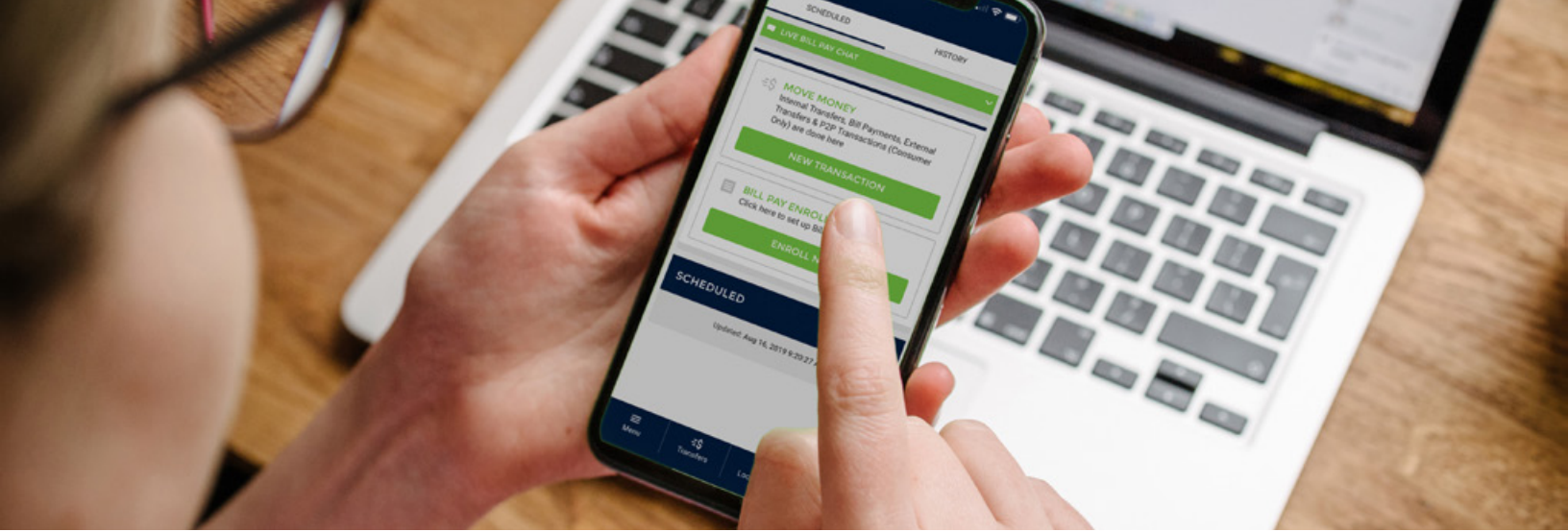
Just over one-tenth of bankers (11%) say they have evaluated the public cloud and determined it is not right for their institution.



Already Actively Using

About 11% say they have already moved to, or are in the midst of, actively moving their IT infrastructure into the public cloud.





FOCUSING ON PAYMENTS TECHNOLOGY

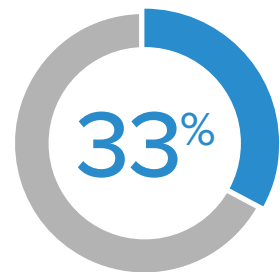
Drilling into payments priorities in 2021, the top two answers—P2P and real-time payments—mirror last year’s responses. These two closely connected technologies help banks meet the growing customer demand for same-day payment capability.

THE TOP CHOICES

Person-to-Person Payments (P2P)

By most accounts, more consumers are using P2P as a result of the pandemic “because it offers an incredibly easy way to casually exchange funds without making physical contact.”³ This helps explain why **33% of bankers** plan to prioritize it.

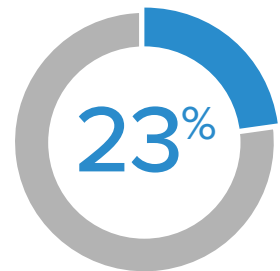
✓ **Key Strategy Marker:** *Although payment activity is not a direct revenue opportunity, P2P is crucial to meeting customer expectations and avoiding lost relationships to third-party providers like Venmo.*



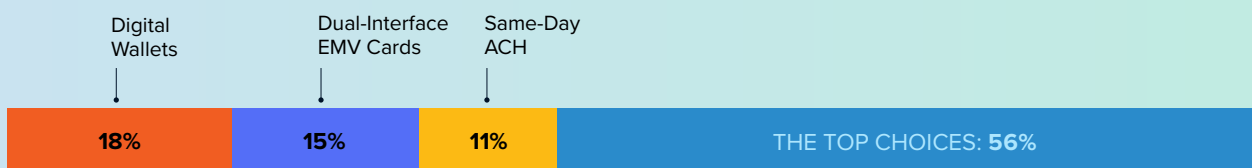
Real-Time Payments

23% of bankers plan to prioritize this technology—which includes networks such as RTP® from The Clearing House—that allows for faster payments.

✓ **Key Strategy Marker:** *Customers generally don’t understand the difference in payment velocity. They just want near-instant payment capability.*



THE REMAINING PRIORITIES



ADDRESSING STATEMENT DELIVERY

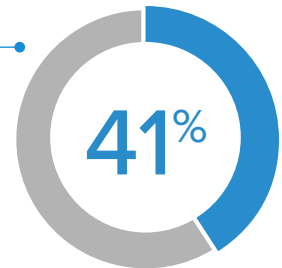
When it comes to monthly statements, **close to 80% of institutions still print at least half of them**. So, flipping that equation and converting most, if not all, customers to digital statements is one way to optimize existing digital technology for an easy win.

Now is an ideal time to advocate for this conversion since most customers, especially those who are elderly, have already pushed their digital banking boundaries.

Roughly Even

As many as 41% of bankers indicate their statement delivery is divided evenly between print and digital.

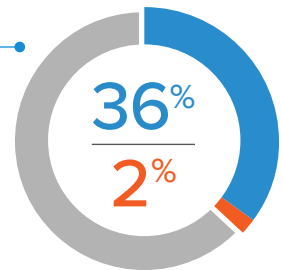
✓ **Key Strategy Marker:** *Make the digital statement option highly visible to all customers. With younger customers especially, it's a way to showcase the range of your value-added digital services.*



Mostly Print and Print Only

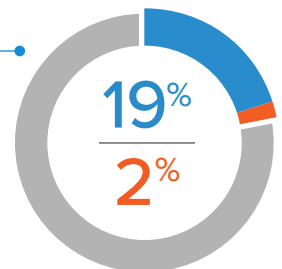
Over one-third of banks still **primarily (36%) or solely (2%)** deliver paper statements.

✓ **Key Strategy Marker:** *Digital transformation won't be fully achieved until you are able to change the customer mindset about paper statements. One approach is to encourage digital statements with rewards, or discourage paper statements by charging a fee.*



Mostly Digital and Digital Only

19% of banks primarily or solely (2%) deliver digital statements.





CYBER THREATS: More to Lose, More to Protect

As more customers use digital channels and more employees work remotely, cyber criminals take advantage of this increased exposure. Cybersecurity must take center stage in digital transformation to combat this reality.

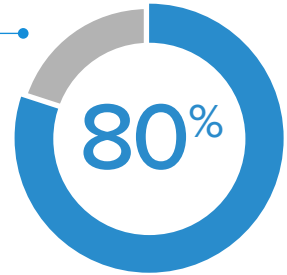
IDENTIFYING THE GREATEST CYBER THREAT

Though a variety of cyber threats exist for financial institutions, most bankers agreed on which will be most prevalent in 2021.

THE TOP ANSWER

Over 80% of bankers identified some form of social engineering as the top cybersecurity threat:

- Customer-targeted phishing: **34%**
- Employee-targeted phishing: **32%**
- Social engineering as a whole: **14%**



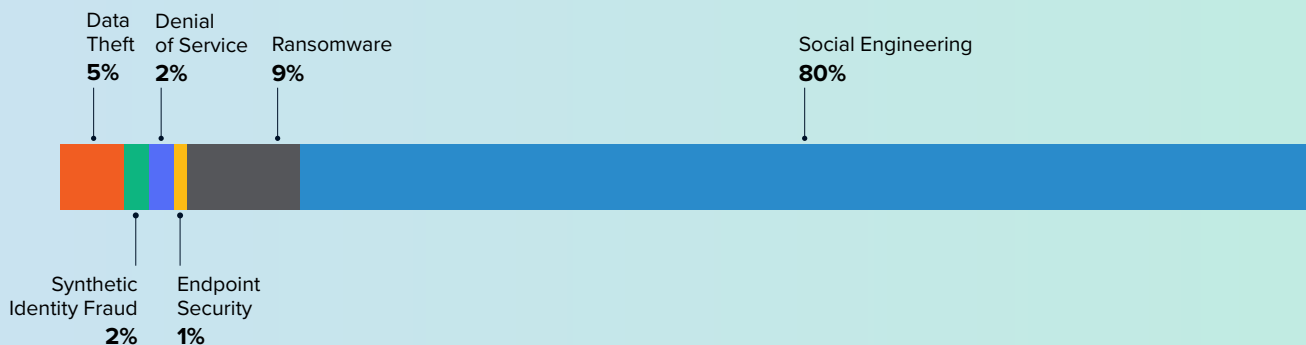
DISTANT SECOND

Only 9% of bankers identified ransomware as the top threat, despite [reports of elevated ransomware attacks during the pandemic](#), “as cyber criminals take advantage of the security vulnerabilities and disruption caused by the massive movement toward working from home and they find ransomware increasingly profitable.”⁴

✓ **Key Strategy Marker:** Every banker should ask themselves if they are prepared right now for what they would do if every system in their institution were encrypted and inaccessible because of a ransomware attack.



THE REMAINING OPTIONS



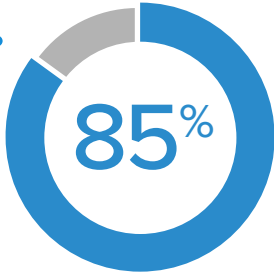
TACKLING THE CYBER THREAT

The top three tactics that institutions plan to utilize to assess and strengthen their cybersecurity posture range from cybersecurity training to improved business continuity planning. These responses indicate a need for a robust, well-rounded approach to threats.

THE TOP THREE

Cybersecurity Training

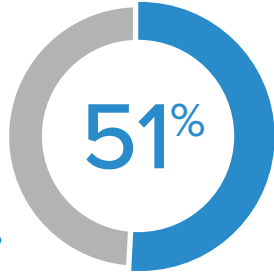
Between employee/customer cybersecurity training (61%) and employee/board education (24%), **almost 85% of bankers** plan to deploy this tactic to improve cybersecurity.



- ✓ **Key Strategy Marker:** Effective training must break through the white noise of cybersecurity messages that bombard employees, customers and even board members. It should explain how and why systems are secured and what each individual should do to keep them secure.
- ✓ **Key Strategy Marker:** Boards that include a member with experience in cybersecurity and information technology can help translate the technical aspects of cybersecurity into the larger business conversation.
- ✓ **Key Strategy Marker:** Strategically placed cybersecurity ambassadors and reward incentives can be used to help educate employees about the importance of cybersecurity and motivate them do their part.

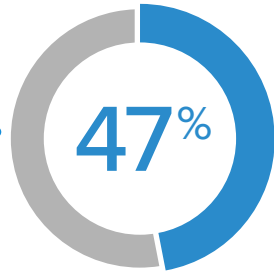
Penetration Testing

More than half (51%) of bankers will also use this tactic.



Routine Social Engineering Exercises

47% of bankers include these exercises in their top three tactics.



THE REMAINING TACTICS

Recurring Vulnerability Scanning	43%
Cybersecurity Audit	35%
Incident Response Plan Testing	26%
Improved Business Continuity Planning	14%

- ✓ **Key Strategy Marker:** Incident Response Planning is the key to being prepared to handle unexpected crises.





REGULATORY COMPLIANCE: The Ever-Present Backdrop

As institutions move toward digital banking, all of the same rules and regulations apply.

UNDERSTANDING THE REGULATORY HORIZON

Bankers ranked regulatory issues from most to least important.

ABOVE AVERAGE IMPORTANCE

4.6/5



Data Privacy

Bankers view data privacy (4.6 out of 5) as the top regulatory compliance issue of 2021, likely because they must leverage customer data to digitally transform.

✓ **Key Strategy Marker:**

Customers generally don't understand why financial institutions need their data to deliver a better customer experience. Educate them. For example, explain that access to geolocation data allows you to offer on-the-spot discounts or rewards.

4.1/5



BSA/AML Modernization

At 4.1 out of 5, bankers indicate that BSA/AML compliance is still top of mind.

AVERAGE IMPORTANCE

Vendor Management

3.8/5 ★★★★★

CECL

3.4/5 ★★★★★

LESS IMPORTANT

Sanctions Compliance

2.6/5 ★★★★★

Marijuana Banking

2.5/5 ★★★★★

THE OVERALL SURVEY TAKEAWAY

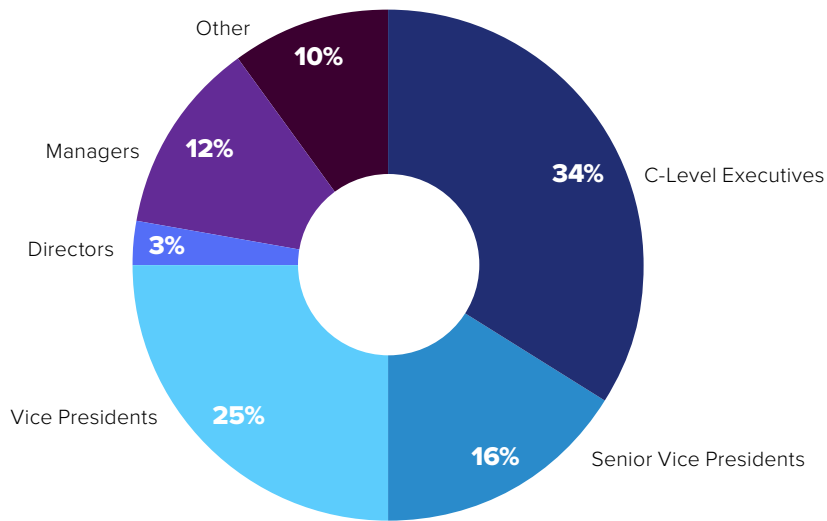
The 2021 Banking Priorities Survey indicates that bankers need a thoughtful strategy to succeed in a future inextricably bound to the digital realm. Without it, they risk everything in an ever more competitive and evolving environment, where consumers fully expect their financial institution to offer the latest in convenient and secure digital banking channels and products.



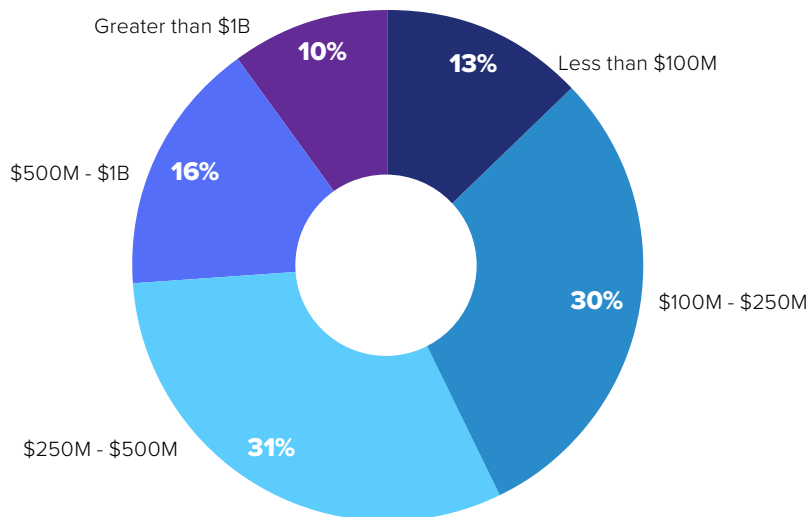
ABOUT CSI's 2021 BANKING PRIORITIES SURVEY

In December 2020, CSI conducted its sixth annual Banking Priorities Survey to gain bankers' perspectives regarding the industry's direction entering 2021.

A 20% increase in survey participation yielded responses from 272 bankers from across the country at the following levels:



Their institutions range in asset size from less than \$100 million to greater than \$1 billion, as follows:



For more information about the 2021 Banking Priorities Survey or for help meeting the digital demands of your customers and protecting your digital environment from cyber threats, visit CSI at www.csiweb.com/contact-us.



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For more information about CSI, visit www.csiweb.com.

RESOURCES

¹PYMNTS.com, [Digital Banking Gaining Scores of New Users](#)

²IBM.com, [Public Cloud](#)

³PYMNTS.com, [How the Pandemic Has Helped Push P2P Payments Mainstream](#)

⁴American Banker, [5 ransomware trends that should alarm banks](#)



APPENDIX

CSI's annual Banking Priorities Survey poses questions to banking executives, designed to reveal the top financial industry issues and trends this year. In the following pages, you'll find charts containing the complete results of the survey.

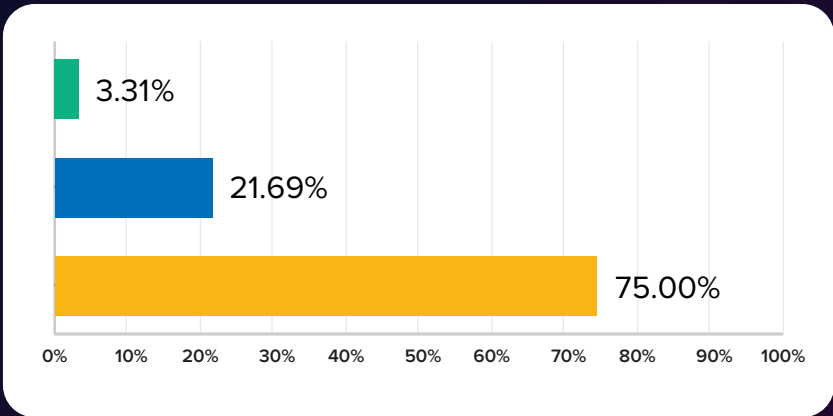


The volume of digital banking users has surged due to COVID-19. Moving forward, I believe that digital channel usage at my institution will:

Eventually Return to Pre-Covid Levels

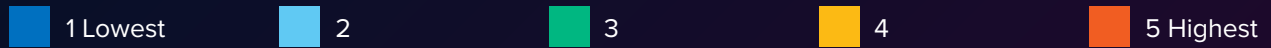
Plateau Once the Virus is Stabilized

Continue to Increase Even After the Virus is Stabilized





Please rate your bank's response to the COVID-19 pandemic in the following areas (1-5, with 1 being slow/ineffective and 5 being fast/exceptional):



Maintaining In-Branch Safety



Paycheck Protection Program (PPP) Loan Disbursement



Overall Response to COVID-19



Transitioning to Digital Channels

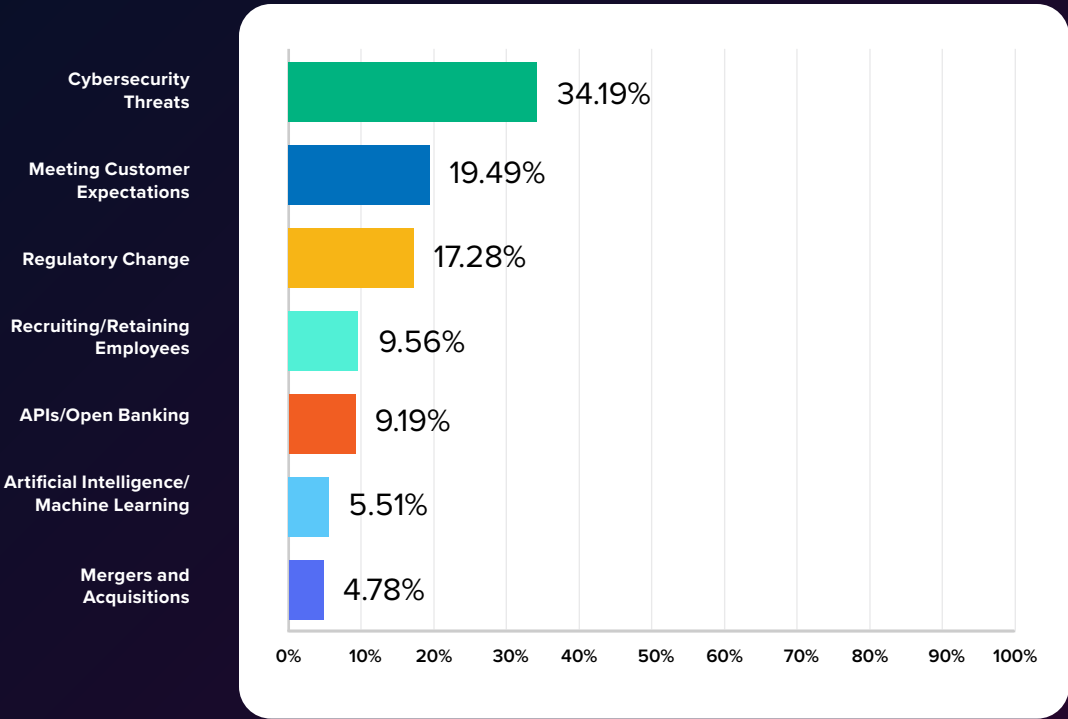


Managing a Remote Workforce



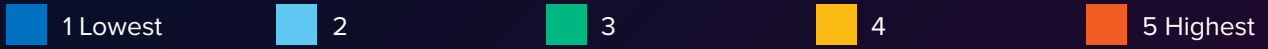


Which one issue will most affect the financial industry in 2021?





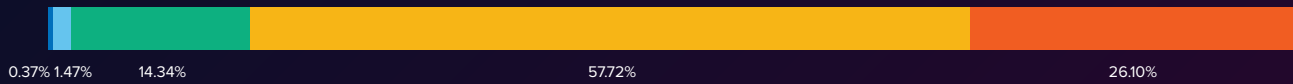
How would you rate your bank's current performance in the following areas? (1-5, with 5 being the highest)



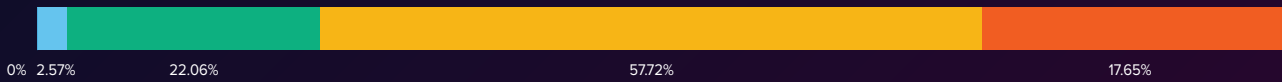
Compliance Readiness



Retaining Current Customers



Cybersecurity Readiness



In-Branch Experience



Digital Transformation



Attracting New Customers



Recruiting and Retaining Talent

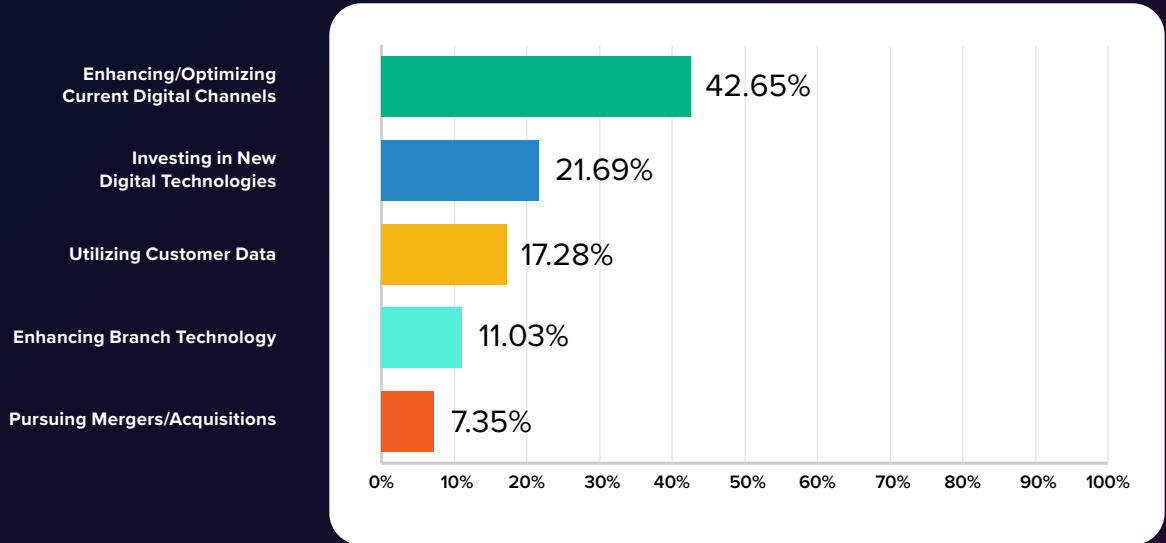


Collecting and Utilizing Customer Data



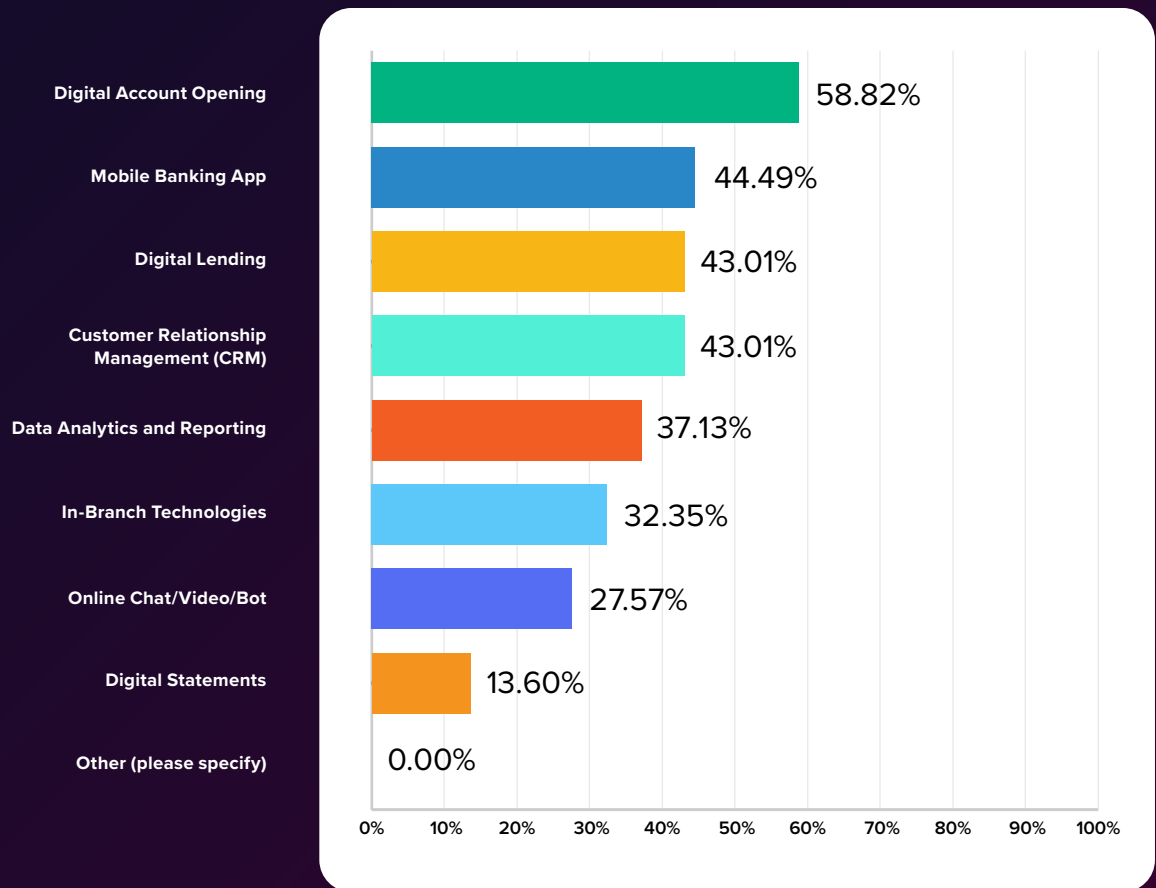
Q5

What is your institution's top strategy to increase market share in 2021?



Q6

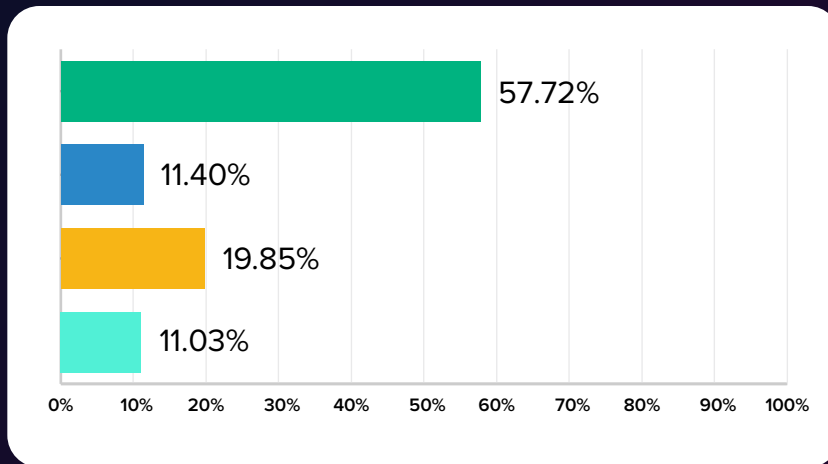
What are the top 3 technologies your institution will prioritize in 2021?



Q7

Does your institution plan to invest in the public cloud for IT infrastructure in 2021?

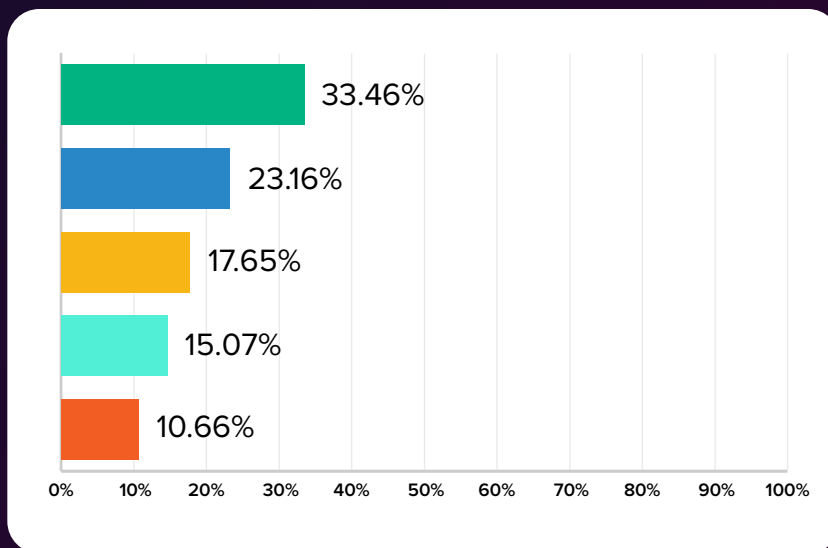
- I don't know/
Don't have enough information
- We've evaluated the public cloud
and feel it's not right for us
- We are evaluating the pros and
cons of a public cloud migration
- We have already moved/are
actively moving our IT infrastructure
into the public cloud



Q8

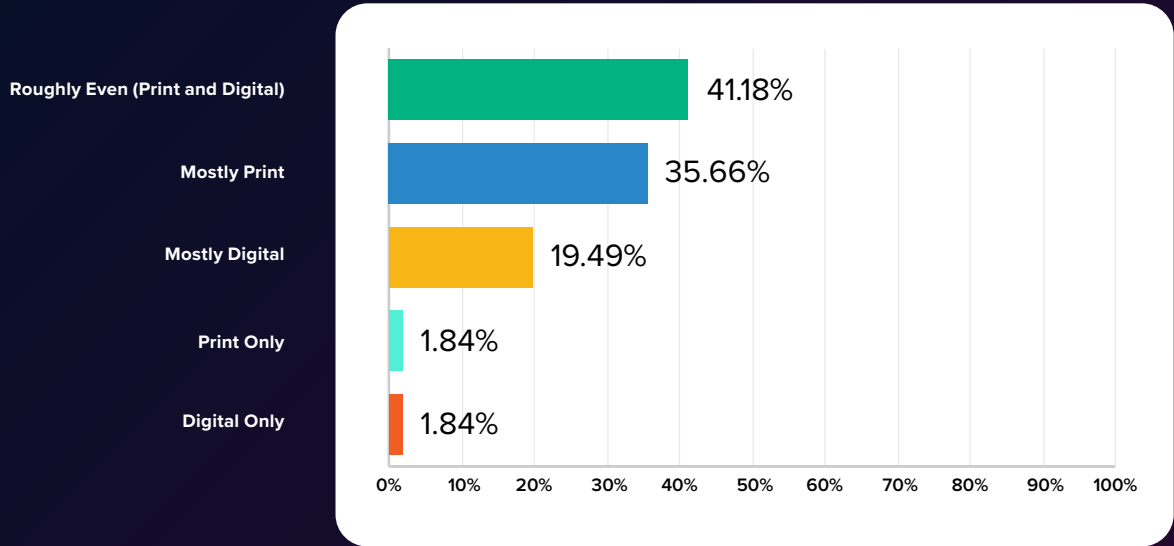
Which payments technology will be your highest priority in 2021?

- P2P
- Real-Time Payments
- Digital Wallets
- Dual-Interface EMV Cards
- Same-Day ACH



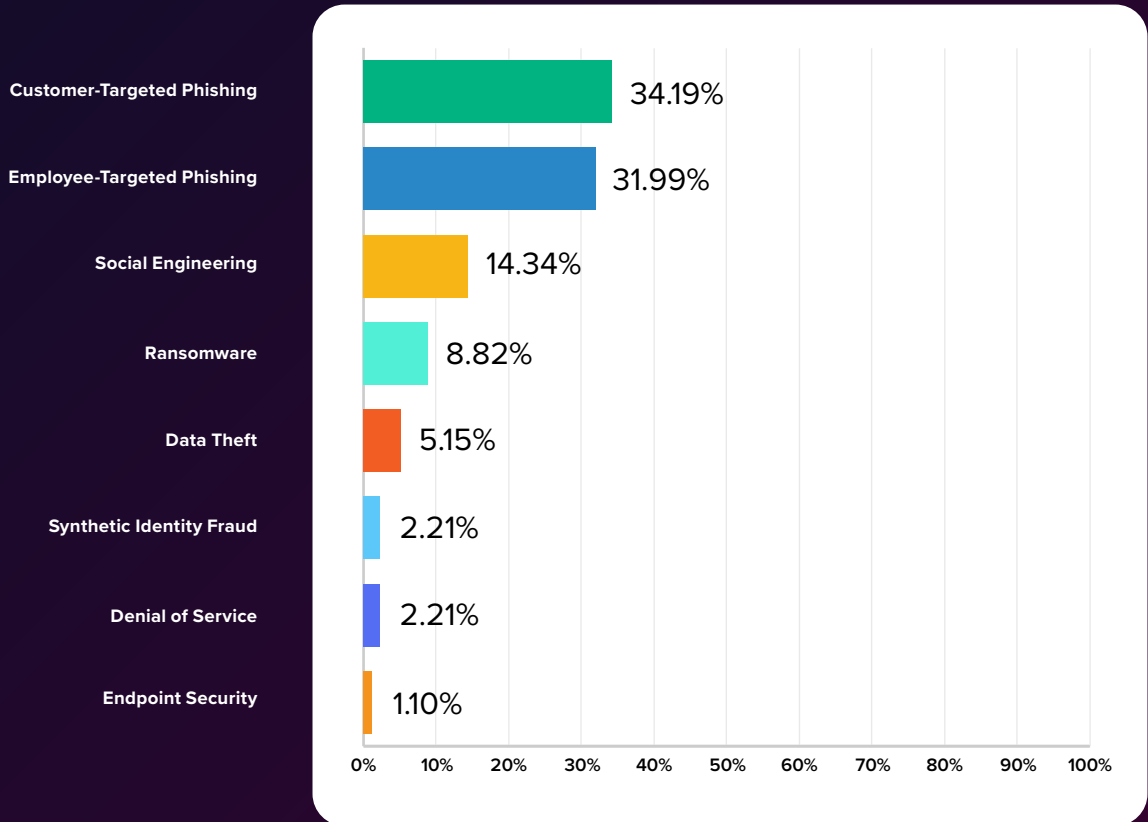
Q9

Which of the following best describes your current bank statement delivery?



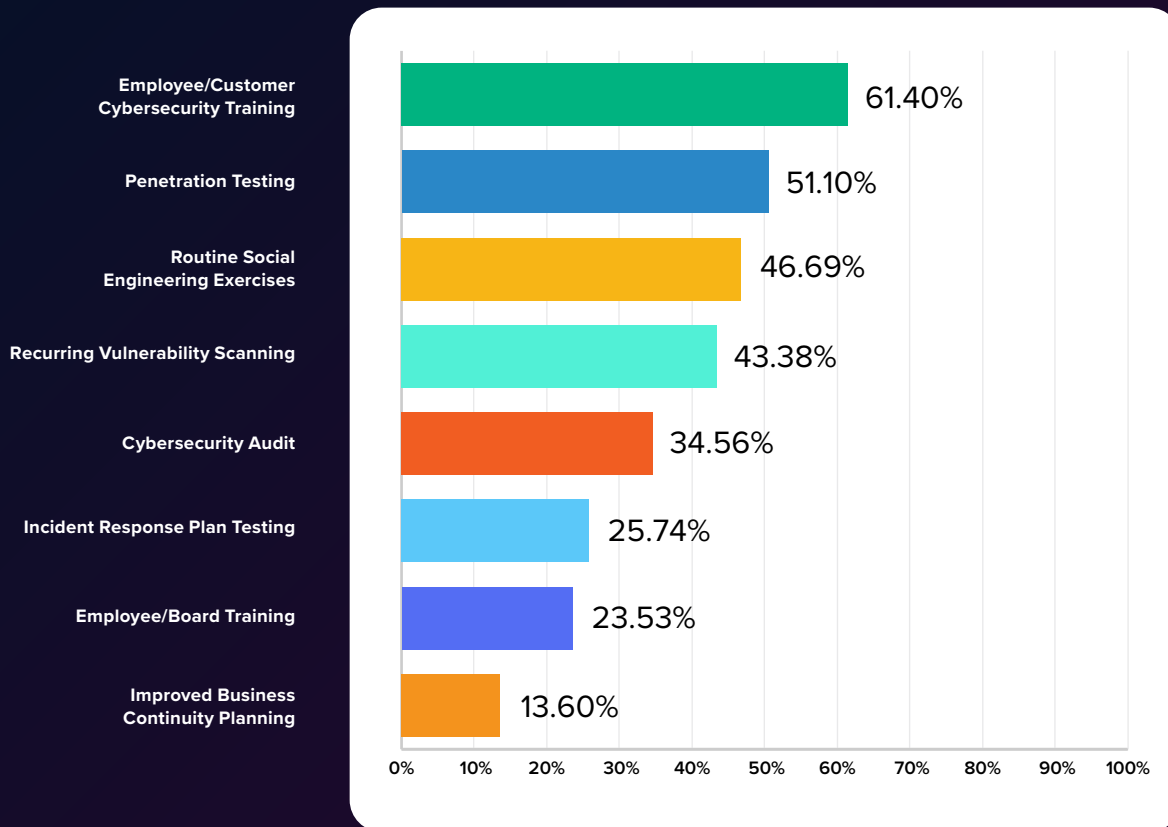
Q10

What is the greatest cybersecurity threat to your institution in 2021?



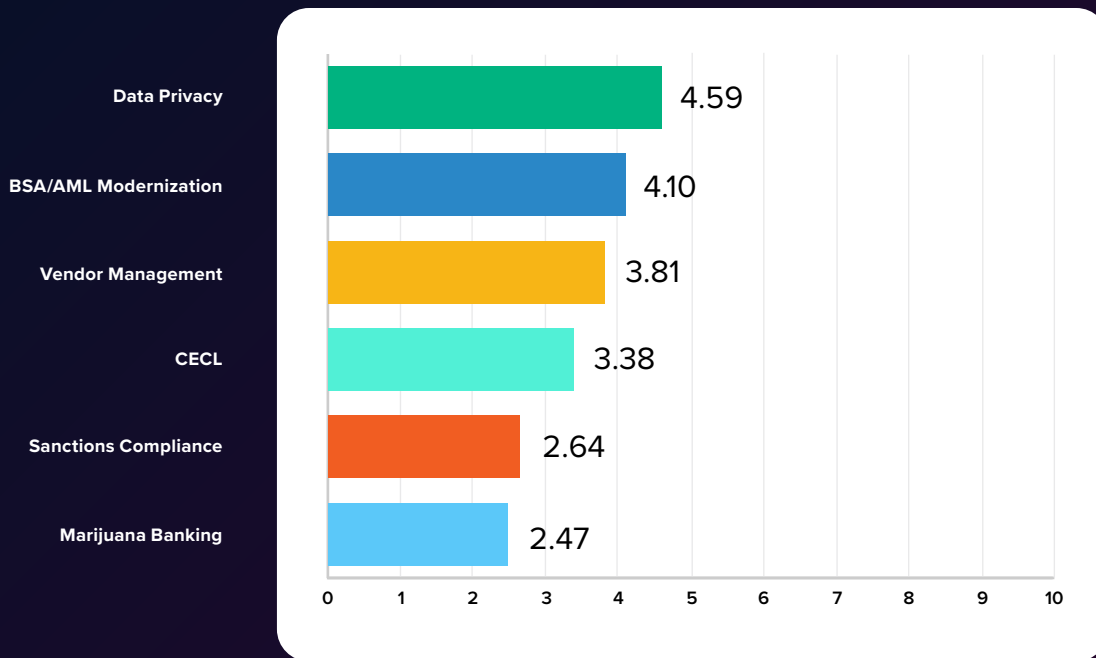
Q11

What are the top 3 tactics you will utilize to assess and strengthen your cybersecurity posture in 2021?



Q12

Please rank the following regulatory issues from greatest to least importance for your institution:



Q13

Which best describes your institution?

