

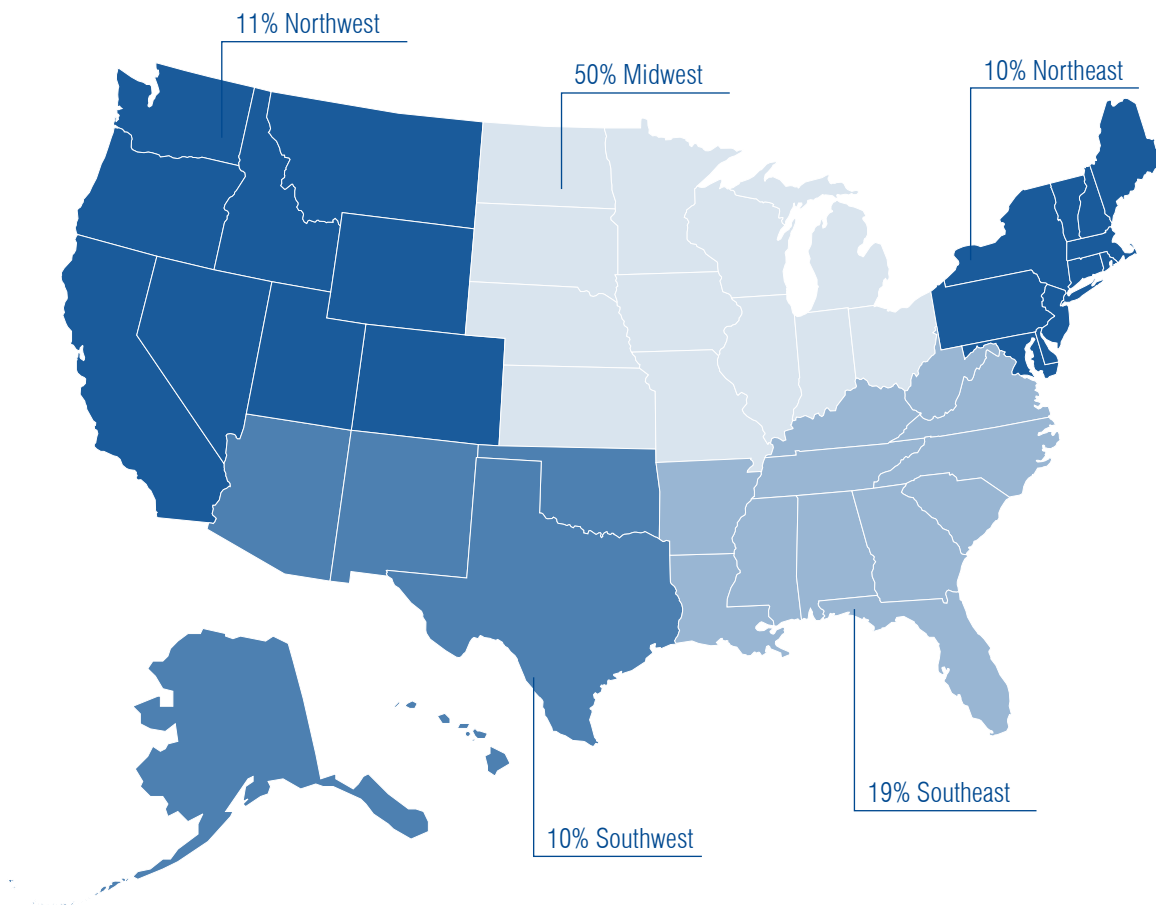
2008 ICBA Community Bank Technology Survey Results

Survey
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■ Respondent Profile



Asset Size Ranges

Under \$50 million	16%
\$51 – \$100 million	23%
\$101 – \$250 million	35%
\$251 – \$500 million	16%
\$501 – \$1 billion	7%
\$1 – \$3 billion	3%

■ PART 1. Technology Leadership and Planning

	All Responses	Banks to \$100 Million in Assets	Banks \$100 to \$500 Million in Assets	Banks Exceeding \$500 Million in Assets
1. Who leads your bank's information technology (IT) operations?				
IT Manager	28%	26%	32%	20%
Chief Information Officer (CIO) or EVP/SVP/VP of Information Systems	20%	9%	22%	47%
Chief Operating Officer (COO) or EVP/SVP/VP of Operations	20%	23%	18%	20%
Chief Financial Officer (CFO) or EVP/SVP/VP of Finance	11%	13%	11%	3%
Network Administrator	6%	6%	7%	1%
Function outsourced to third party	3%	6%	1%	0%
Other	12%	17%	9%	9%
2. Who does your bank's IT leader report to?				
President/CEO	64%	77%	60%	45%
Chief Operating Officer (COO) or EVP/SVP/VP of Operations	15%	8%	16%	31%
Chief Financial Officer (CFO) or EVP/SVP/VP of Finance	13%	5%	18%	16%
Other	8%	10%	6%	8%
3. Is your bank's technology ahead of or behind where you would like it to be?				
Far behind	1%	1%	1%	0%
Less than desired	24%	25%	23%	19%
On target	59%	60%	60%	57%
Better than expected	13%	13%	12%	16%
Far ahead and advancing	3%	1%	4%	8%
4. What long term technology decisions (in the next 24 months) does your bank face? (multiple responses permitted)				
Keeping customers' personal information safe	81%	82%	79%	83%
Keeping up with emerging technology	66%	60%	69%	71%
Keeping IT systems available or minimizing disruptions (business continuity)	63%	58%	65%	66%
Making technology investment most efficient (improving our return on investment)	62%	60%	62%	70%
Keeping technology affordable	60%	67%	58%	49%
Managing risks	60%	61%	60%	61%
Protecting information assets (infrastructure security)	56%	56%	56%	61%
In-house versus outsourcing core processing	10%	12%	10%	8%
5. What are your bank's technology concerns? (multiple responses permitted)				
Managing risks	81%	82%	80%	78%
Protecting data and infrastructure	74%	74%	75%	74%
Adding value to organization	52%	47%	54%	58%
Detecting fraud	51%	57%	49%	39%
IT strategic planning	48%	47%	49%	45%
Making better use of information	42%	37%	45%	48%
Managing change	41%	43%	40%	34%
Aligning IT and business	33%	27%	36%	46%
Improving IT quality	32%	34%	31%	34%
Attracting, developing, and retaining IT professionals	12%	8%	13%	22%
Understanding the business	6%	8%	5%	5%

■ PART 2. Technology Infrastructure

TECHNOLOGY SPENDING

All Responses	Banks to \$100 Million in Assets	Banks \$100 to \$500 Million in Assets	Banks Exceeding \$500 Million in Assets
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6. How much (as a percentage of total noninterest expenses) does your bank spend on technology?

Less than 5%	12%	15%	12%	7%
5% – 9%	32%	30%	32%	36%
10% – 14%	29%	27%	31%	26%
15% – 24%	14%	16%	13%	12%
Greater than 25%	3%	4%	2%	3%
Don't know	10%	8%	10%	16%

7. Is your bank's 2008 technology budget more or less than your bank's 2007 budget?

More	48%	44%	50%	53%
Less	9%	9%	10%	8%
Same	28%	31%	26%	28%
Don't know	15%	16%	14%	11%

8. For each area, identify whether your bank's IT spending will increase, decrease, or remain the same over the next 24 months

	Increase	Decrease	Remain the Same
Security	57%	1%	39%
Compliance	54%	0%	41%
Fraud detection	51%	0%	44%
Network infrastructure	47%	4%	44%
Business Continuity	46%	2%	47%
Communications	37%	7%	53%
Online banking	37%	4%	55%
Core processing	37%	5%	54%
Using IT to differentiate from competitors	32%	1%	60%
Mobile banking	30%	1%	53%
Branch network	29%	4%	61%
Lending	28%	2%	64%
Payments	18%	4%	72%
Accounting	14%	2%	78%

TECHNOLOGY PROVIDERS AND PRODUCTS

9. To which vendor does your bank outsource its core processing? (top five in alphabetical order)

Financial Solutions
 Fiserv/ITI/Precision
 Jack Henry
 Metavante
 Open Solutions/Bisys

10. Which core processing software does your bank use? (top five in alphabetical order)

BancPac
 Bankway
 CIF20/20/Silverlake
 Fiserv/ITI/Precision
 Harland

11. How does your bank perform the functions noted below?

	In-house	Outsourced to Core Processor	Outsourced to Another Vendor	Not Applicable
Asset/Liability management	63%	6%	26%	2%
Credit analysis/behavior scoring	56%	2%	18%	18%
Image archiving	49%	32%	10%	5%
Fraud detection	42%	21%	25%	7%
Image check clearing	34%	37%	22%	4%
Telephone banking	28%	29%	19%	19%
Merchant remote deposit capture	15%	22%	16%	42%
Internet banking	11%	49%	32%	4%
ATM processing	9%	34%	49%	4%
Mobile banking	3%	5%	3%	84%

12. Please list the technologies that your bank is planning to implement within the next 24 months. (top ten responses)

1. Mobile banking
2. Merchant capture
3. Document imaging/archiving/retrieval
4. Branch capture
5. Check 21/check image exchange
6. Internet banking/bill payment
7. Online account opening/online applications
8. Online statements
9. Voice over IP
10. Virtual servers/virtualization

■ PART 3. Internet and Mobile Banking

All Responses	Banks to \$100 Million in Assets	Banks \$100 to \$500 Million in Assets	Banks Exceeding \$500 Million in Assets
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13. How does your bank connect to the Internet?

Full T1	38%	27%	44%	47%
DSL	30%	44%	26%	4%
Cable	9%	11%	8%	2%
Shared T1	8%	8%	8%	3%
T3	4%	1%	2%	20%
Satellite	1%	1%	1%	0%
Other	7%	4%	7%	19%
No answer	3%	4%	4%	5%

14. Please indicate the statement best describing your bank's e-mail capability.

All staff have e-mail addresses	65%	58%	67%	75%
Some staff have e-mail addresses	31%	35%	30%	20%
Shared e-mail addresses for all staff	1%	3%	0%	0%
No e-mail capability	0%	0%	0%	0%
No answer	3%	4%	3%	5%

15. Does your bank maintain an Internet banking site that allows your customers to conduct banking transactions?

Yes	89%	82%	93%	93%
No, but plan to within 24 months	4%	7%	2%	1%
No, not planning to	4%	8%	2%	1%
No answer	3%	3%	3%	5%

16. If your bank offers Internet banking, please identify its functionalities. (multiple responses permitted)

Internet Banking Functionalities — Consumers

View check images	76%	63%	81%	91%
Pay bills electronically	66%	54%	71%	80%
Update account information	55%	56%	53%	66%
Apply for loans	8%	6%	9%	15%
Apply for credit cards	7%	6%	6%	16%
Open deposit accounts	5%	3%	5%	11%
Aggregate financial information from other sites	4%	3%	4%	9%
Online brokerage	2%	1%	2%	7%
Provide insurance quotes	1%	1%	1%	5%

Internet Banking Functionalities — Businesses

Pay bills electronically	20%	18%	22%	16%
Apply for loans	12%	5%	14%	23%
Update account information	6%	8%	5%	3%
View check images	6%	7%	6%	5%
Open deposit accounts	4%	1%	4%	11%
Apply for credit cards	2%	1%	2%	5%
Aggregate financial information from other sites	2%	2%	1%	2%
Online brokerage	1%	0%	2%	2%
Provide insurance quotes	0%	0%	0%	2%

■ PART 4. Information Security

17. Is your bank planning to add the following functionalities to your Internet banking website?

	Currently Offer	Plan to Offer Within 24 months	No Interest
Offer customer service FAQ area	18%	23%	56%
Live chats with CSRs	1%	12%	84%
Online blogging for customers	0%	4%	93%
Facebook/MySpace sites	0%	2%	95%
Virtual world sites	0%	1%	96%

18. Who is your bank's Internet banking vendor? (top five in alphabetical order)

Digital Insight
Fidelity Info Services/Certegy
Fiserv/ITI/Precision
Funds Express
Jack Henry

All Responses	Banks to \$100 Million in Assets	Banks \$100 to \$500 Million in Assets	Banks Exceeding \$500 Million in Assets
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19. Approximately what percentage of your bank's DDA customers (business and consumer) are registered for online banking?

	All Responses	Banks to \$100 Million in Assets	Banks \$100 to \$500 Million in Assets	Banks Exceeding \$500 Million in Assets
0% – 10%	16%	18%	14%	12%
11% – 20%	31%	28%	33%	29%
21% – 50%	35%	30%	39%	39%
51% and over	5%	5%	4%	7%
Don't offer	4%	8%	1%	0%
Don't know	9%	11%	9%	13%

20. If your bank offers banking through a cell phone or mobile device, please indicate the functions that can be performed.

Mobile Banking Functionalities — Consumers

	All Responses	Banks to \$100 Million in Assets	Banks \$100 to \$500 Million in Assets	Banks Exceeding \$500 Million in Assets
View account balances	7%	5%	8%	12%
View account transactions	7%	5%	8%	12%
Make one-time transfers	7%	5%	8%	11%
Make one-time bill payments	3%	2%	4%	4%
No answer	93%	95%	92%	88%

Mobile Banking Functionalities — Businesses

	All Responses	Banks to \$100 Million in Assets	Banks \$100 to \$500 Million in Assets	Banks Exceeding \$500 Million in Assets
View account balances	2%	1%	1%	5%
Make one-time bill payments	2%	1%	2%	2%
View account transactions	1%	1%	1%	5%
Make one-time transfers	1%	1%	1%	5%
No answer	98%	99%	98%	95%

21. Does your bank have formal written policies for the areas noted below? (multiple responses permitted)

	All Responses	Banks to \$100 Million in Assets	Banks \$100 to \$500 Million in Assets	Banks Exceeding \$500 Million in Assets
Acceptable Internet use/security	92%	89%	94%	93%
Network security	90%	86%	93%	91%
IT business continuity plan — data security	89%	85%	92%	90%
IT business continuity plan — data security breaches	80%	73%	84%	87%
IT service provider selection and/or contract maintenance	65%	59%	69%	73%
Technology planning	51%	43%	56%	63%

All Responses	Banks to \$100 Million in Assets	Banks \$100 to \$500 Million in Assets	Banks Exceeding \$500 Million in Assets
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22. Which technologies does your bank use to defend against intrusions? (multiple responses permitted)

	In-house/Outsourced		In-house/Outsourced		In-house/Outsourced		In-house/Outsourced	
Patch management	58%	27%	46%	33%	62%	26%	78%	11%
Intrusion detection service (IDS)	27%	53%	23%	53%	28%	52%	30%	56%
Intrusion prevention service (IPS)	23%	50%	19%	48%	26%	51%	25%	53%
Website defacement monitoring	15%	40%	14%	34%	15%	45%	18%	41%

23. In the last 12 months, has your bank had any of the following? (multiple responses permitted)

An external penetration test	79%	71%	83%	88%
An internal network security assessment	76%	70%	79%	86%
Website security assessment	43%	31%	50%	57%
Social engineering test	30%	17%	36%	52%

24. Does your bank perform 24/7 network security monitoring?

Yes, outsourced to a security monitoring company	53%	46%	58%	58%
Yes, monitored in-house	20%	21%	19%	23%
No	20%	26%	18%	7%
No answer	7%	7%	5%	12%

25. Which of the following sources does your bank use to learn about computer or physical vulnerabilities? (multiple responses permitted)

Third-party vendor	64%	66%	63%	60%
Microsoft or other technology provider websites	58%	46%	65%	68%
Federal government websites	31%	24%	34%	40%
Security research websites	30%	17%	37%	51%
Intrusion protection websites	27%	16%	31%	42%
Financial Services Information Sharing & Analysis Center	26%	18%	30%	32%
Don't know	6%	9%	4%	5%

26. Does your bank stay apprised of computer or physical vulnerabilities via an e-mail notification service?

Yes	65%	56%	68%	80%
No	21%	27%	19%	3%
Don't know	14%	17%	13%	17%

27. Does your bank have wireless networks?

Yes	10%	8%	11%	15%
No	83%	86%	83%	74%
Don't know	7%	6%	6%	11%

28. Which of the following online banking authentication technologies is your bank currently using or planning to evaluate in the next 24 months? (multiple responses permitted)

	Currently Using	Plan to Evaluate Within 24 months	No Interest	Don't Know	No Answer
Shared secrets	70%	5%	10%	6%	9%
Customer verification techniques	28%	11%	24%	22%	15%
Internet Protocol Address (IPA) — location and geo-location	20%	7%	35%	23%	15%
Tokens	19%	15%	39%	13%	14%
Mutual authentication	18%	8%	31%	27%	16%
Biometrics	10%	15%	44%	15%	16%
Out-of-band authentication	7%	4%	46%	27%	16%
Non-hardware-based — one-time-password scratch card	1%	2%	64%	16%	17%

	All Responses	Banks to \$100 Million in Assets	Banks \$100 to \$500 Million in Assets	Banks Exceeding \$500 Million in Assets
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29. Please identify your bank's top data security concerns. (multiple responses permitted)

ID theft	81%	85%	80%	69%
Virus attacks	63%	69%	60%	55%
Hacker attack	61%	63%	62%	47%
Phishing/pharming, etc.	59%	62%	58%	56%
Internal/employee breach	50%	41%	53%	68%
Data compromised by third party service provider	49%	44%	51%	58%
Human engineering (e.g., telephone, walk-ins, dumpster diving, etc.)	44%	41%	47%	45%
Physical intrusion	25%	27%	24%	24%
Denial of service attack	19%	16%	20%	21%
Web defacement/altering	15%	14%	16%	13%

The survey, conducted in June 2008, was sent to 8,258 community banks and generated 1,280 responses, nearly 16 percent!

Questions or comments regarding this survey can be directed to cary.whaley@icba.org or donna.smith@plantemoran.com.