PRESS RELEASES

Interest Rate Increases Lead Community Banker Concerns

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Washington, D.C. – Community bankers are feeling the impact of high interest rates and the threat of cyber-attacks, according to the 2023 Annual Survey of Community Banks, released today by the Conference of State Bank Supervisors (CSBS).

This is the tenth year of the survey, which canvassed 462 community banks with less than $10 billion in total assets. The survey captures community bankers' views on key risks, compliance costs, technology, competition, and liquidity and funding, among other areas. The findings have implications for researchers, regulators, bankers and policymakers.

Net interest margins, cost of funds and core deposits rated as the highest external concerns for community bankers. More than 86% of respondents named cost of funds as either extremely or very important, up from the 48% who said so last year. Core deposits were not far behind, with 83% of respondents naming core deposit growth extremely or very important, up from 38% a year ago. However, while the majority of respondents viewed the challenges created by inflation as likely to persist, three-quarters viewed these challenges as manageable.

Meanwhile, community bankers ranked cybersecurity threats as their top internal concern once again. And 83% of respondents cited liquidity concerns as extremely or very important compared to 35% a year ago. Nearly all banks surveyed identified adopting new or emerging technologies as important but cited costs and implementation as the largest impediments, followed by core service provider limitations.

CSBS released the survey at the Community Banking Research Conference, co-sponsored by CSBS, the Federal Reserve System and the FDIC, in St. Louis.

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The Conference of State Bank Supervisors (CSBS) is the national organization of bank regulators from all 50 states, American Samoa, District of Columbia, Guam, Puerto Rico and U.S. Virgin Islands. State regulators supervise roughly three-quarters of all U.S. banks and a variety of non-depository financial services. CSBS, on behalf of state regulators, also operates the Nationwide Multistate Licensing System to license and register non-depository financial service providers in the mortgage, money services businesses, consumer finance and debt industries.

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