



2022 Community Bank Case Study Competition

Background

Banks provide credit and financial services in the United States. Community banks play a vital role in sustaining their local economies and are key providers of banking services in rural communities across the country. Over the past decade, community banks have continued to report positive financial performance, including improving pretax return on assets (ROA) ratios and strong asset quality.¹

Today's community banks face a multitude of challenges, including low interest rates, competition from other financial institutions and non-bank financial service providers, regulatory reporting requirements, succession issues, and new technologies. Consolidation in the community bank industry is an ongoing concern. Since 2012, the number of community banks has declined by a third, from 6,712 to 4,488 community banks. The steady decline in the number of community banks and their share of U.S. banking assets have raised questions about the future of community banking.²

For the 2022 CSBS Community Bank Case Study Competition, teams will be asked to (1) analyze the banking environment over the last ten years to identify the most significant developments for community banks and (2) attempt to predict the most significant changes that will impact the industry over the next ten years.

Through this retrospective and forward-looking study, we hope to get a better understanding of how community banks are positioning themselves for success and sustainability in a fast-changing banking environment.

Questions – 2022 Community Bank Case Study Competition

Part I: FINANCIAL ANALYSIS

Using the FFIEC 041/051 Call Report, Uniform Bank Performance Report (UBPR), and other publicly available data sources, students should analyze and provide an analysis of the following:

- Earnings Performance
- Loan Portfolio Composition
- Asset Growth
- Capital Levels
- Liquidity

To facilitate uniform analyses amongst teams, this financial analysis should be completed on a year over year basis covering five years.

¹ "Coming off the recession that ended in 2009, community bank pretax ROA ratios steadily improved, increasing from 1.05 percent in 2012 to 1.44 percent in 2019." FDIC Community Banking Study (December 2020) Chapter 1: Community Bank Financial Performance available at <https://www.fdic.gov/resources/community-banking/report/2020/2020-cbi-study-full.pdf>.

² See Community Banks' Ongoing Role in the U.S Economy (June 24, 2021), available at <https://www.kansascityfed.org/documents/8159/erv106n2hanauerlytlesummersziadeh.pdf>.



Part II: LOOKING BACK

1. Describe the community bank's profile ten years ago and how it has changed over the past decade. Teams may consider and discuss the following:
 - a. The institution's size (e.g., average assets, geography, etc.)
 - b. The institution's business model and strategic priorities
 - c. Staffing and other operational aspects
 - d. Products and services offered
2. Discuss some of the challenges faced by the community bank? What issues were of most concern to the bank these past ten years? For example, changes in regulations, law, competitors, etc.
3. What one great story does the bank have that exemplifies a community bank serving its community in the past ten years?

Part III: LOOKING FORWARD (address the questions most pertinent to the institution)

1. How does the bank expect to change in the next decade? For example, is the bank evaluating how cryptocurrency, climate-related risks, and changes in the workforce will impact its business model?
2. Who does the institution see as its competitors in the future and what steps is the bank taking to remain competitive as consumer preferences for banking products and services change?
3. Community banks highlight "relationships" as the key differentiator between their business model and that of larger banks and fintechs. How can a community bank quantify the value of relationships and what steps is the bank taking to ensure that the relationship-based model is still relevant in the face of new technologies?
4. Community banks serve as important credit sources for local communities and underserved groups.
 - a. What are ways your institution supports the communities they serve and how does it anticipate serving the community in the next ten years?
 - b. Since 2008, banks have dealt with intense regulatory activity. Keeping up with these changes has been a challenge for all banks, but particularly community banks. How does the bank foresee these developments impacting its future operations?³ What concerns does the institution have (e.g., compliance, operational costs)?
5. What did community banks learn from the COVID-19 pandemic that they have subsequently built into their business models and how has that experience shaped future strategy?

³ See FDIC Community Banking Study (December 2020) Chapter 5: Regulatory Change and Community Banks, available at <https://www.fdic.gov/resources/community-banking/report/2020/2020-cbi-study-full.pdf>.