



2024 Community Bank Case Study Competition Topic

Responding to the 2023 Bank Closures and the Role of Social Media in Banking

BACKGROUND

Banks play a critical role in the United States economy by providing credit and financial services to businesses and consumers. Community banks play an especially important role in our nation's financial system. In addition to sustaining their local economies, community banks also serve as key providers of banking services, particularly in rural communities across the country.

In 2023, the banking sector experienced a tumultuous period, as three large regional banks failed. While community banks stayed resilient and largely avoided the perils of their larger counterparts, community bank CEOs followed the bank closures closely, and learned some significant lessons.

For the 2024 CSBS Community Bank Case Study Competition, teams will be asked to learn about the closures of Silicon Valley Bank, Signature Bank, and First Republic Bank by first selecting a community bank to study, and then determining what lessons their chosen institution learned from the afore mentioned 2023 regional failures. Additionally, teams will be asked to determine what makes their selected case study bank different from the institutions that failed in 2023. Moreover, teams will be tasked with identifying how their case study bank handles risks through asset and liability management. Teams will also be asked to identify their case study bank's expectations for regulatory and supervisory changes, as well as how their selected institution uses social media in their daily operations.

Through this case study competition, we hope to gain a better understanding of how community banks are ensuring that they remain safe and resilient financial pillars of their respective communities.

Questions – 2024 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 evaluate and provide an analysis of the following for their selected case study bank:

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

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

PART II: Responding to the 2023 Bank Closures (for each section below, address the questions most pertinent to your selected case study bank)

Bank Niches

- What characteristics defined the banks that closed in 2023? How is your bank different?
- What type of communities does your institution serve? Do they have a specialty (such as lending to farmers)?
- Did your bank hear from or do any outreach to customers in the aftermath of the 2023 bank closures?
- How does your bank think about uninsured deposits, and what services do they offer their large depositors?

Asset and Liability Management (ALM)

- What is asset and liability management, and does your bank have a special group that is responsible for focusing on it (such as an ALCO committee)? Why is asset and liability management important to your institution?
- Has bank management made any changes to their liquidity planning in the aftermath of the bank closures? Does your bank have a contingency funding plan? How does such a plan help your institution? Does your bank test their borrowing lines?
- What are your bank's funding sources? What are the pros and cons of each?
- How does your institution plan for interest rate risk? Is your institution asset or liability sensitive? Does your institution model their interest rate risk? If yes, how many basis points up or down does the model test for?
- Does your institution invest in securities? What is your bank's investment strategy? Do they have preferred investments?
- Has your bank made use of the Federal Reserve's Bank Term Funding Program? Why or why not?

Regulatory Risk

- What regulatory or supervisory changes does your case study bank's management expect coming out of these closures?
- If your bank could make one regulatory change, what would it be and why?
- Was there a regulatory change in the past that management worked through that was particularly difficult to comply with? Are there current regulatory proposals that they are tracking?
- How does bank management prepare for an examination? Do they anticipate making changes in that preparation based on recent events?

PART III: Social Media (for the selection below, address the questions most pertinent to your selected case study bank)

The Role of Social Media in Banking

- What role does your case study bank's management believe social media play in the 2023 institution closures?
- Does your bank use social media to communicate with customers?
- Does your bank track their customers' comments on social media?
- Does social media factor into your bank's communication plan?
- Can social media help drive profitability at the bank?
- What social media do you believe the bank should utilize and why?
- What are potential risks the bank should consider when it comes to social media?