



## The Goals Of The Community Bank Index

by [Steve Brown](#) Topics: [performance](#), [strategic planning](#)

**Summary:** In an effort to get an ongoing pulse on the nation's community banks, the CSBS is creating a sentiment index. We tell you what this will measure and how it can be used.

Every New Year people set goals they want to attain and 2019 is probably no different from prior years for most community bankers. Of note, however, research shows only 8% of people actually achieve their goals, so focus is critical if you want to achieve yours. Good luck in 2019!

Though the number of banks in the US has declined over the past few decades, community banks remain an important part of the banking industry. Community banks number about 5,000 vs. roughly 14,000 some 30Ys ago, but remain the only physical banking option for 20% of the counties in the country.

In an effort to get an ongoing pulse on the nation's community banks, the Conference of State Bank Supervisors (CSBS) is creating a sentiment index that will measure both the overall health as well as the thinking of community bank executives.

The basis for the new index is the annual survey of community banks conducted by CSBS and the Fed, which the organization says it will use as a starting point in determining how to construct and compute a comprehensive index.

Executives at community banks will be asked a collection of 11 questions that will aim to measure their mindset regarding competition, M&A within the sector, new products and markets, banking risk factors, technology investments and their thoughts on the economy.

To calculate the index, CSBS will deduct the number of negative responses given by bankers from the number of positive responses that they provide and will then add 100 to make it easy for people to understand. Scores of 100 will indicate a neutral sentiment level among bankers.

Specific questions executives will be asked to answer regarding competition within the industry include whether or not their banks are easing up on loan terms because of competition and whether they are worried about competition from outside of their local markets. Other topics include whether or not they are adding or eliminating services or products; how important they perceive new technology to be in order to meet the desires of customers; do they find it necessary to be technology leaders; and whether or not they perceive certain bank activities to be risky.

Given the contraction that has occurred in the industry over the past 30Ys, the index will also take M&A activity within the sector into consideration. Specifically, executives will be asked to share whether or not they have received merger offers and, if so, are they giving serious consideration to such offers; also, are they making offers to acquire any of their competitors.

According to the CSBS, the plan is to initially put the index out 1x each year. By looking at answers to the above collection of questions, the CSBS believes it will be able to conclude what the overall sentiment of the community banking sector is, what conditions exist within specific markets and what

potential impact they could have on banks' growth prospects and chances of long-term success within the communities where they operate.

This is especially important as community banks continue to expand and grow. With this important benchmark, you will be able to gauge the health of your institution compared to your cohorts and perhaps even plan a little better than before.

# BANK NEWS

## Greater Competition

After pulling its application in July to strengthen certain areas, online lender [Square has now reapplied](#) for a special industrial lending license from the FDIC. If granted, the license would allow Square to accept government insured deposits. It already provides small business loans through its division, Square Capital.

## M&A Activity

1) Ameris Bank (\$11.4B, GA) will acquire Fidelity Bank (\$4.8B, GA) for \$750.7mm in stock (100%) or 1.76x tangible book. 2) Wintrust Financial (\$30B, IL) will acquire 1031 exchange intermediary firm Elektra Holding Co (IL) for about \$51.9mm in cash (100%). 3) GNB Bank (\$629mm, KS) will acquire The First National Bank of Girard (\$80mm, KS) for an undisclosed sum in cash (100%). 4) Colony Bank (\$1.2B, GA) will acquire Calumet Bank (\$228mm, GA) for \$34.1mm in cash (45%) and stock (55%) or 1.72x tangible book. 5) Stock Yards Bank & Trust Co (\$3.3B, KY) will acquire King Southern Bank (\$195mm, KY) for \$28mm in cash (100%) or 1.77x tangible book.

## Rate Hikes

Chair Powell said the FOMC has "reached the bottom end of the range" of estimates related to reaching a neutral interest rate level.

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