



## CSBS Community Banking Update

🔒 cyber security   performance   funding

**Summary:** The 2019 CSBS community banking survey has some valuable insights. We provide them to you today.

It is said that internal surveys typically get about a 35% response rate vs. about 10% or so for external surveys. Experts say surveys should take <5 minutes to complete.

Speaking of surveys, we note that funding and cybersecurity are leading concerns for community banks, according to the [2019 annual community bank survey](#) by the Conference of State Bank Supervisors (CSBS).

This represents a notable shift from previous years where regulatory compliance costs were top of mind. Here are some highlights from the survey:

This year, about 35% of banks said the cost of funding was the factor expected to affect future profitability most. It was higher than loan demand (32%), operating costs (13%), loan rates (11%) and regulatory costs (4%).

This remains important given its key as a valuation driver for banks, even as rates seem to be coming down (or holding flat at least), given how fast loans/assets are prepaying.

Indeed, almost one-third of bankers ranked either core deposit growth (23%) or the cost of funds (8%) as their biggest challenge. Other highly ranked challenges included regulation (16%), competition (15%), loan demand (12%) and keeping or attracting qualified employees (10%).

To be sure, there's hefty competition among banks for core deposits. Nearly 92% of respondents cited competition as important or very important factor in their capability to attract and retain core deposits. For transition deposits, location also continues to be a primary factor in competition.

When it comes to retaining core deposits, community banks cited several challenges, including a generational shift in customers' attitudes and practices about savings. What's more, 18% of bankers ranked depopulation as an important impediment and 12% noted it was very important.

On the cybersecurity front, 71% of bankers described this type of threat as a very important risk. Note that this is a level significantly higher than the second-ranked factor of credit at 45%. Interestingly, some banks said they would like to see tougher legislation on data breaches and cybercrimes. Many also thought potentially even a national standard for data protection and security breaches across major industries would be good.

Efforts to boost customer knowledge, heightened cybersecurity training, information sharing and bank examinations by trained cyber-specialists were among other ideas cited for bolstering cybersecurity.

It's also worth noting that while compliance costs weren't considered by banks to be as pressing a concern in this year's survey as last year's, inferred compliance costs for community banking rose 4% to \$4.9B in 2018. About 40% of bankers said they believed costs would continue to go up, while 5% predicted costs would drop.

We know it is tough out there. But, we are here to support you. Let us know how we can help with [our solutions](#).

## OUTSOURCE ALM SERVICES AND REST EASY

Regulators have raised the bar on [interest rate risk and liquidity analysis](#), yet there is more to do than there are hours in a day. To see how easy it is to outsource & get expert help, contact us today.

*Copyright 2021 PCBB. Information contained herein is based on sources we believe to be reliable, but its accuracy is not guaranteed. Customers should rely on their own outside counsel or accounting firm to address specific circumstances. This document cannot be reproduced or redistributed outside of your institution without the written consent of PCBB.*