



# Community Bank Case Study Competition Topics 2025: The impact of interest rates and inflation on the business of banking. Planning for the future (branch strategy, technology, and regulatory burden).

## **BACKGROUND**

Banks play a critical role in the U.S. 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.

Since 2020, the banking sector has experienced a major shift in the interest rate environment, and major technological innovations that have reverberated through the business community. For the 2025 CSBS Community Bank Case Study Competition, teams will be asked to learn about how banks approach interest rate risk, and the impact of inflation, by first selecting a community bank to study, and then determining what lessons their chosen institution learned from the precipitous rise in rates since 2020. Additionally, teams will be asked to investigate where technology factors into their bank's strategies, and how the bank views branches moving forward.

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 – 2025 Community Bank Case Study Competition

### **PART I: FINANCIAL ANALYSIS**

Using the Federal Financial Institutions Examinations Council (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: Interest Rate Environment and Inflation** (for each section below, address the questions most pertinent to your selected case study bank)

**Overview:** Bankers contend with macro risks that drive business decisions, with inflation and interest rates being prime examples. Since the beginning of the pandemic, both factors have shifted considerably. Use the



questions below to help guide your conversation with bank leadership to better understand how they track these macro risks, how it impacts their business, and how they manage the risk associated with these changes.

- What is asset and liability management, and does your bank have a special group that is responsible for focusing on it, such as an Asset-Liability Committee (ALCO)? Why is asset and liability management important to your institution?
- 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?
- How has the current interest rate environment impacted the bank's plans? Were there any negative impacts from the rapid rise in rates such as in their securities portfolio?
- Does your institution invest in securities? What is your bank's investment strategy? Do they have preferred investments?
- How has inflation impacted the banks' operations and the community?
- Has inflation affected borrowers' ability to repay loans? Has credit quality become an issue for borrowers? Has the bank changed its underwriting standards in recent years?

### **Part III: Branch Strategy**

**Overview:** Technology has changed the business of banking, with many customers able to do their banking activities on their mobile phones. Bank branches still play a pivotal role for many banks. Use the questions below to facilitate your conversation with bank leadership about their branch strategy. Please share what you think is the appropriate strategy for your generation and what your team learned about branches that surprised you.

- How many bank branches does the institution have?
- Has the bank closed or opened any branches in the past few years?
- How do branches factor into the institution's strategic plan?
- What strategies does the bank use to increase branch efficiency? Are there specific design characteristics? How do staff greet customers?
- What are the demographics of those that use branches on a regular basis?
- Have you ever been into a bank branch? Do you see the need for branches shifting?
- What does bank management think of interactive teller machines? Is this something they would consider in the future? Why or why not?

**PART IV: Technology** (for the selection below, address the questions most pertinent to your selected case study bank)

**Overview:** Technology has changed the business of banking, allowing for new business lines, marketing opportunities, and an improved customer experience in banking. Use the below questions to help guide your conversation with bank leadership and learn more about their technology strategy.

- Does the bank have any technology partners?



- If yes, how did they find those partners? What services do those partners provide?
- If no, why does the bank not need technology providers? Does their core service provider have the tools they need?
- How did the institution choose their core service provider?
- What due diligence did the bank carry out on the partners? What does their third-party risk management look like?
- What are the upsides of technology partners? What risks exist?
- Does bank management use or plan to use generative AI? Why or why not?
- What other technology is impacting the future of banking?

### **Part V: Regulatory Burden**

**Overview:** Regulatory and supervisory changes often follow issues in the banking system. In 2023, several large banks closed in connection with the collapse of Silicon Valley Bank. 2024 was a particularly active year for bank regulators, with more than 4,000 pages of rulemaking proposed. Use the questions below to better understand regulatory compliance and learn about an important issue for bankers.

- How does the bank approach compliance?
  - Does the institution have dedicated staff, or a team dedicated to compliance? If not, how do they make necessary changes?
  - How does the bank implement regulatory changes and how do they brief their board?
- How does the institution approach working with its regulators and preparing for an examination?
- What regulations does the institution find most difficult to comply with?
- How do regulations impact the bank's strategic planning?
- Does the institution track regulatory actions closely?
- What message does the bank have for policymakers concerning regulatory burden?