



2025 CSBS Annual Survey of Community Banks: Key Findings

Joey Samowitz, Kathleen Navin, and Tom Siems

October 7, 2025





Overview of Key Findings

- Community bankers ranked net interest margins and core deposit growth as the most important external risks facing their banks.
- Regulation fell to the sixth spot in the 2025 ranking of external risks.
- Bankers reported adhering to safety and soundness practices accounted for the largest share of total compliance expenses, followed by money laundering and consumer protection standards.
- Cybersecurity once again took the top spot among internal risks, followed by technology implementation and costs.





Overview of Key Findings

- Signs of mergers and acquisitions activity picked up in this year's survey with more respondents indicating seriously considering acquisition offers.
- Credit and debit card fraud was both the most common type of fraud reported and the largest source of dollar losses, followed by check fraud then identity theft and account takeover, respectively.
- Community bankers generally supported a change to the current deposit insurance framework, with targeted unlimited coverage and increased coverage as the most popular solutions.





Net Interest Margins and Core Deposit Growth

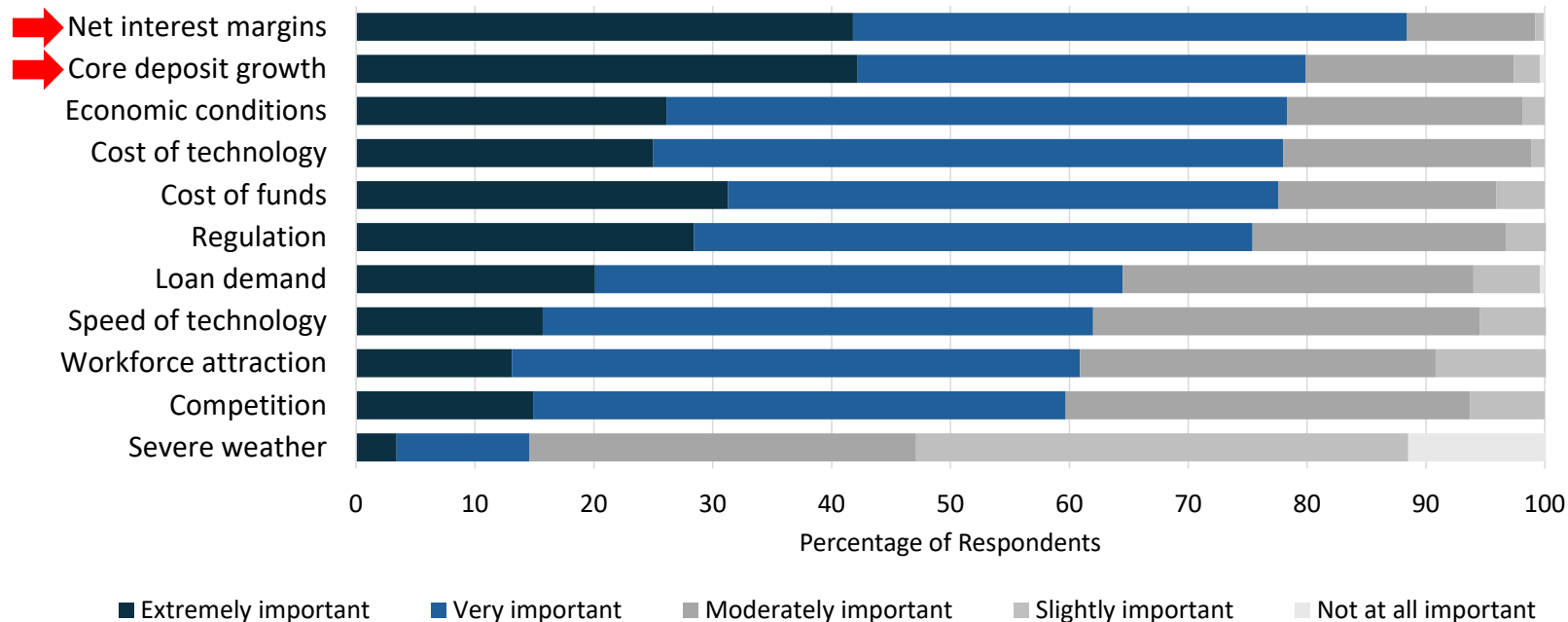
“A tidal wave [is] coming toward community banks. Margin pressure, efficiency challenges, technology, talent costs, and compliance constitute the wave.”

– Lloyd Hamm Jr., River Run Bancorp
Newburyport, Massachusetts





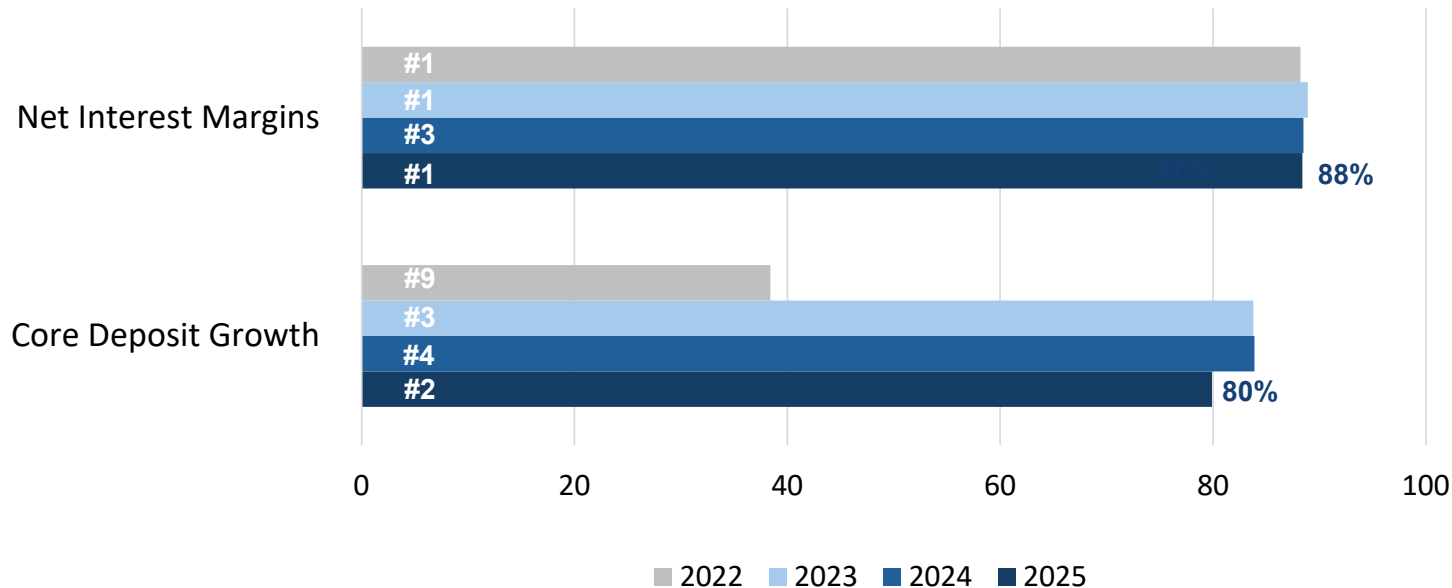
How important are the following external risks to your bank today?





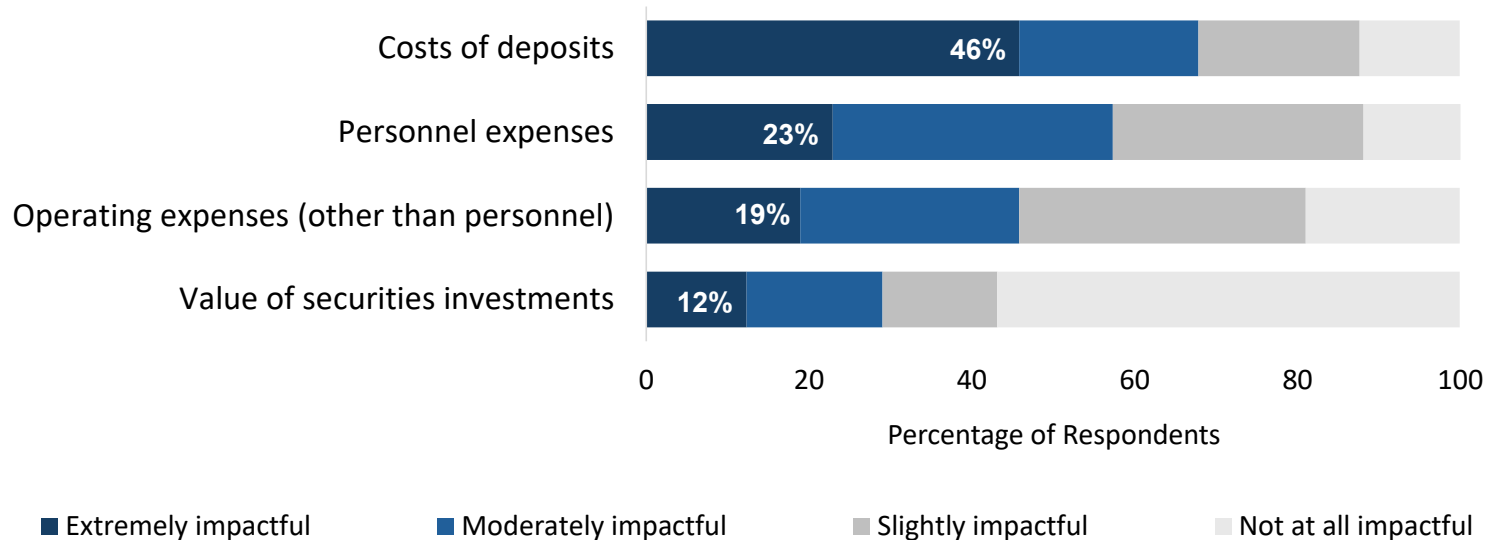
How important are the following risks to your bank today?

Percentage of Respondents Reporting "Extremely Important" and "Very Important"



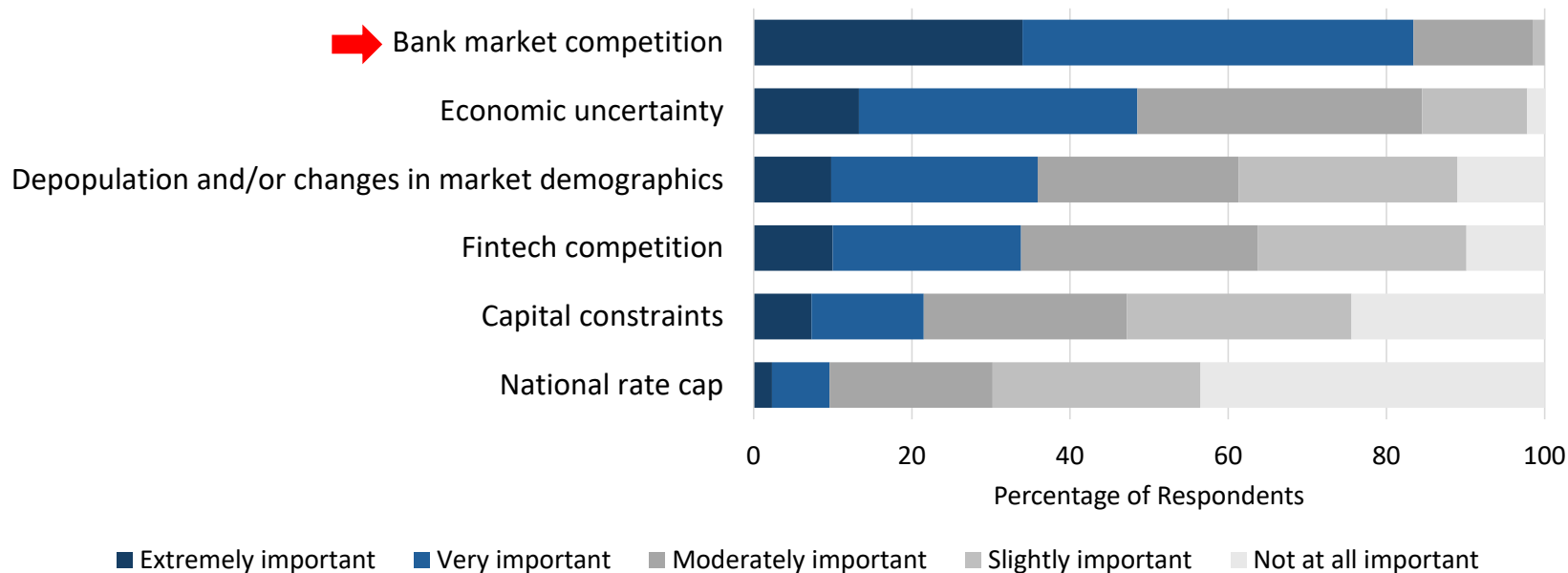


How would you rank the following effects of inflation on your bank in terms of level of impact?



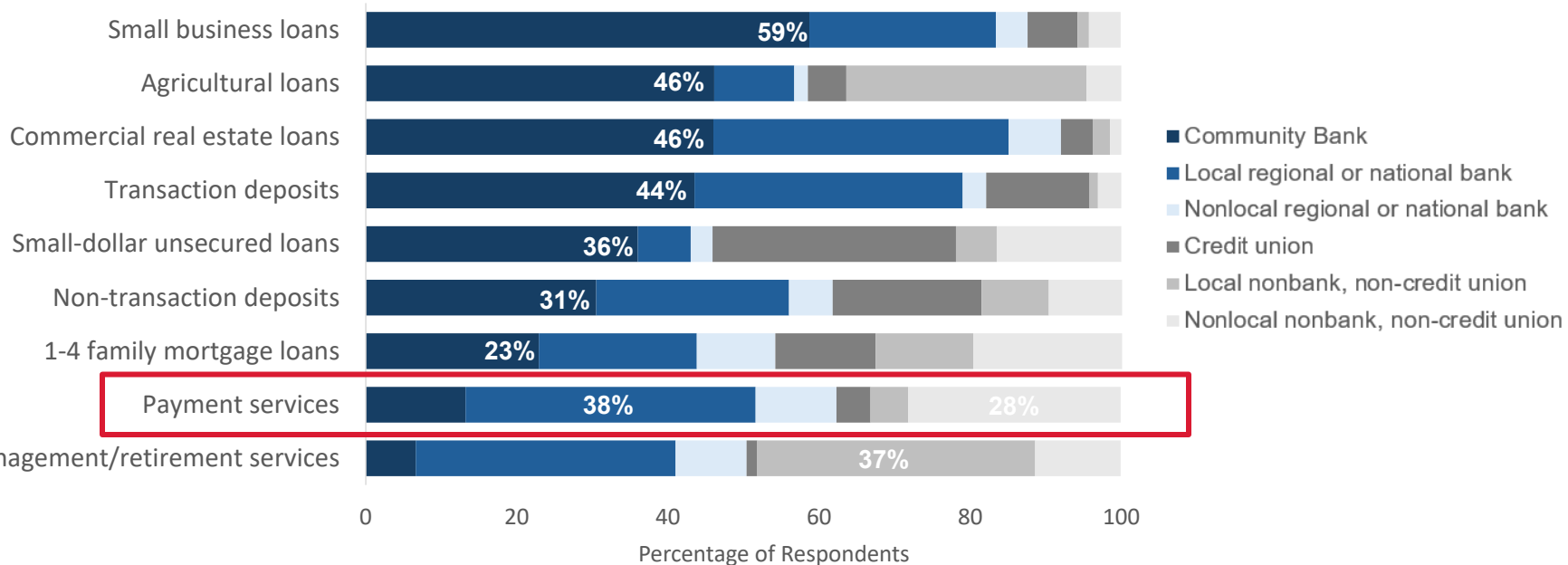


How important are each of the following potential challenges to attracting and retaining core deposits?



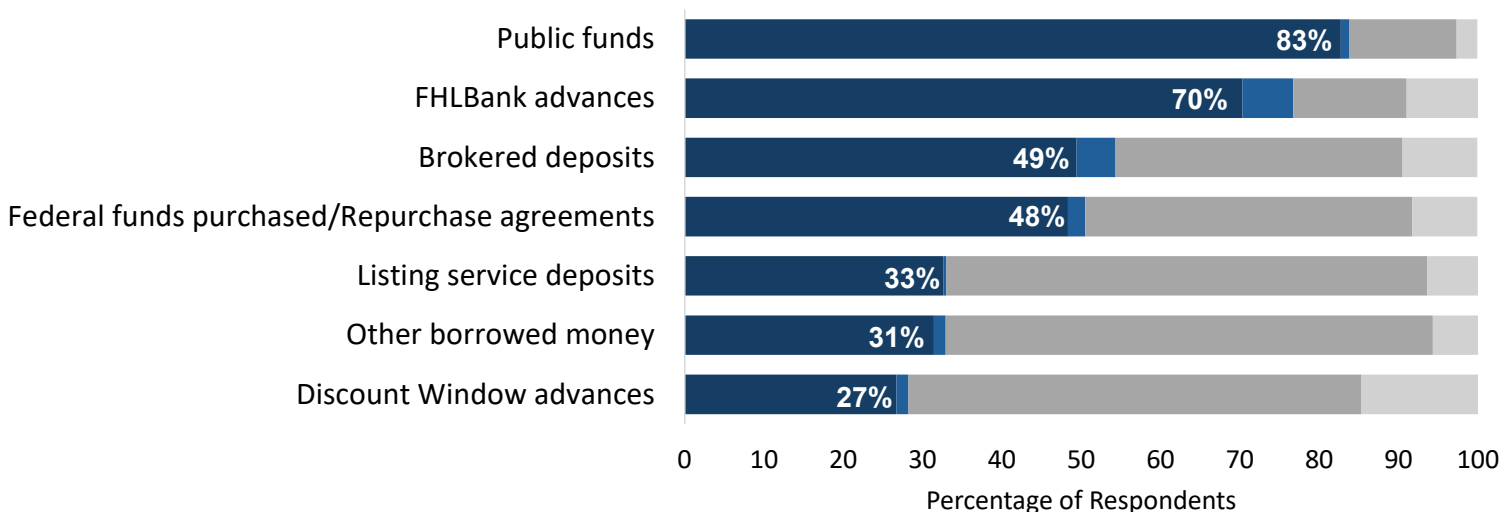


Who is your primary competitor for the following products and services?





What are your institution's intentions regarding the following wholesale funding sources?



■ Currently utilize and will continue to utilize at or near current levels

■ Do not utilize and do not plan to utilize in the next 12 months

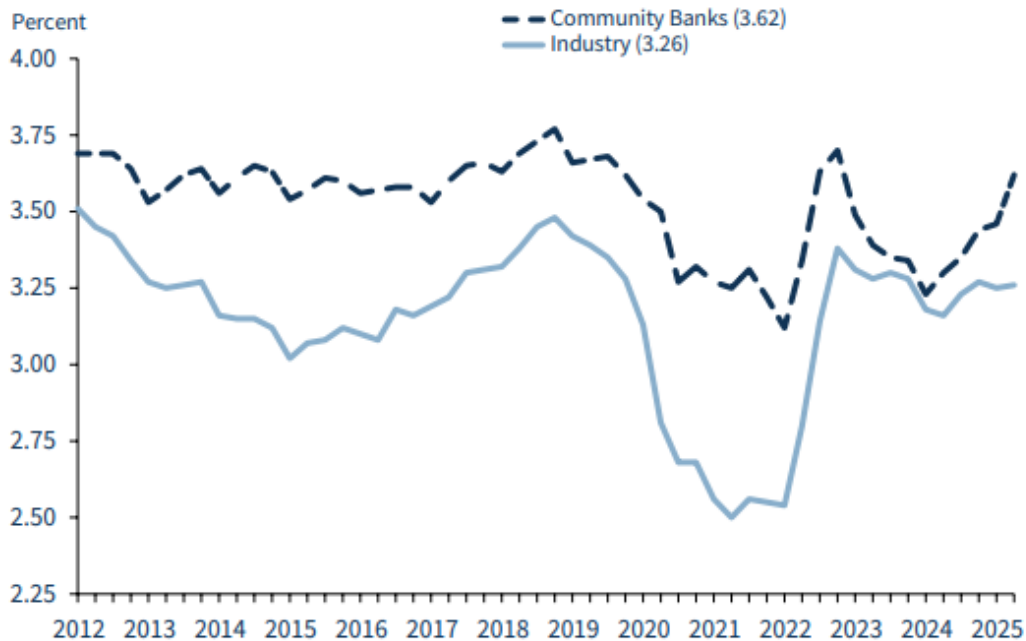
■ Currently utilize but plan to exit or substantially limit in the next 12 months

■ Do not utilize but plan to utilize in the next 12 months





Net Interest Margin



Source: FDIC.





FRED  10-Year Treasury Constant Maturity Minus Federal Funds Rate



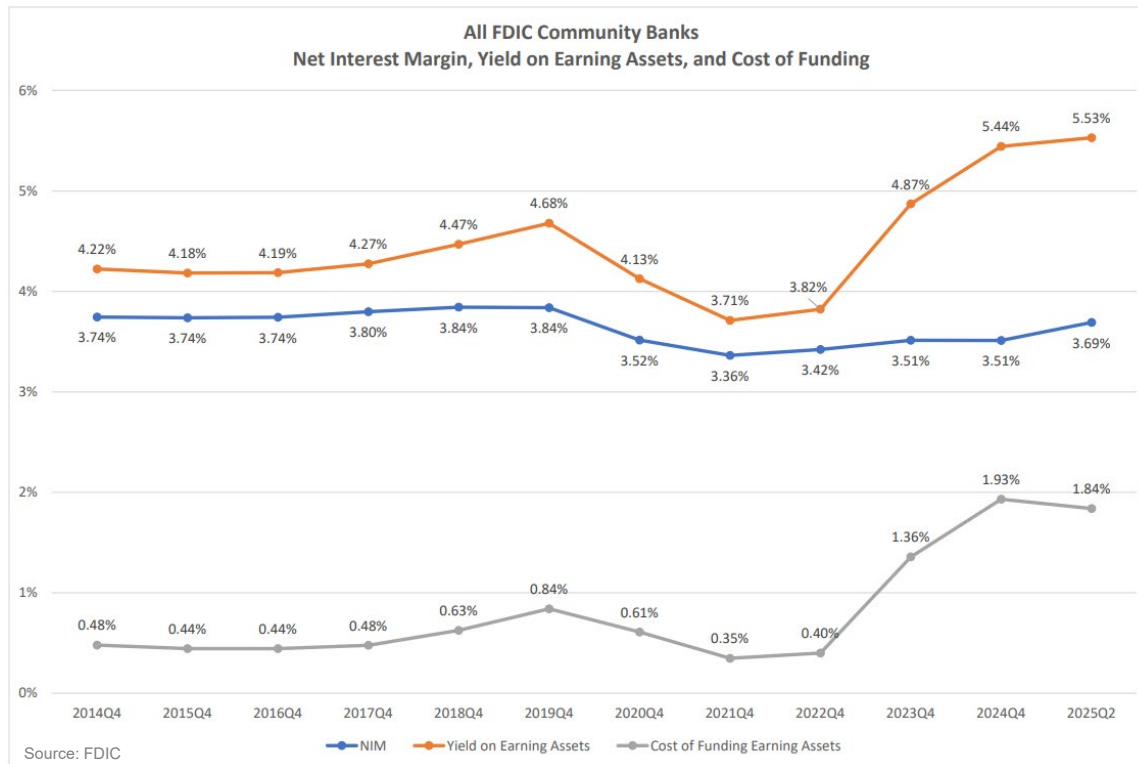
Source: Federal Reserve Bank of St. Louis via FRED®

Shaded areas indicate U.S. recessions.

fred.stlouisfed.org

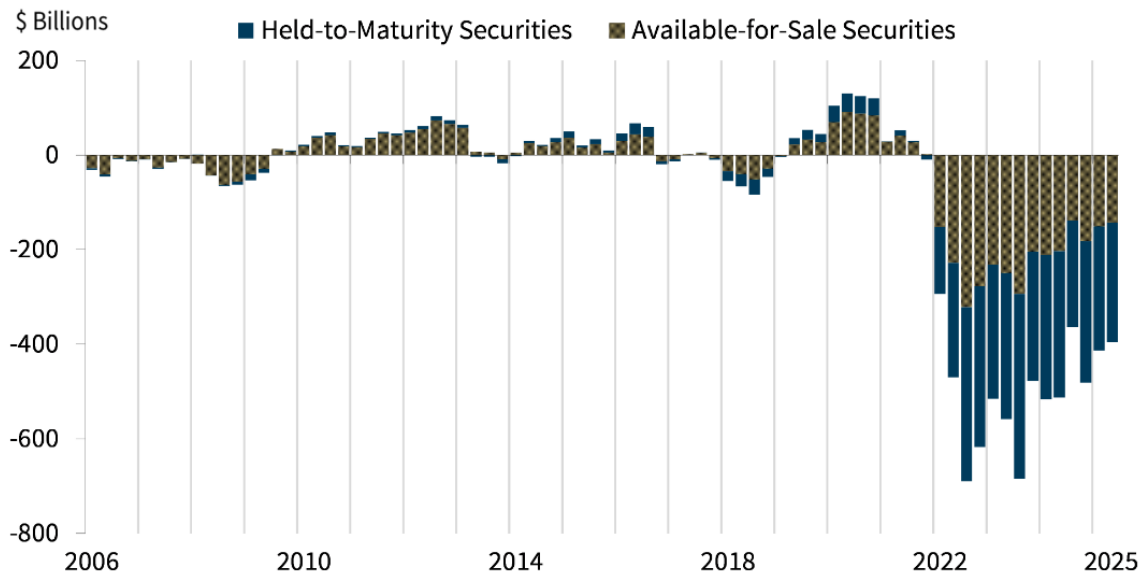
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Unrealized Gains (Losses) on Investment Securities



Source: FDIC.

Note: Insured Call Report filers only. Unrealized losses on securities solely reflect the difference between the market value and book value of non-equity securities as of quarter end. This chart does not reflect unrealized gains or losses in other parts of the balance sheet.





Regulation and Compliance

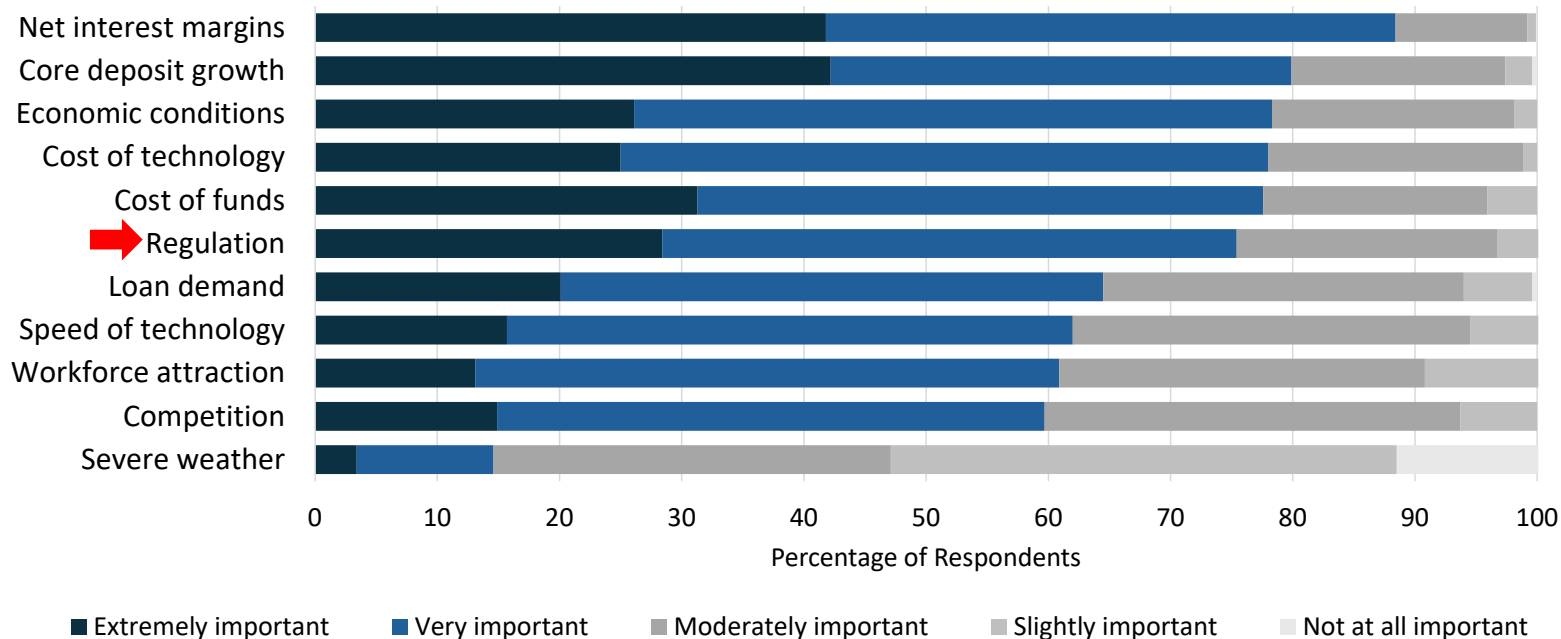
“The rapid shifts in expectations, interpretations, and reinterpretations have been more onerous for us in the last few years than I can remember. It’s been very challenging and has consumed significant time and energy.”

– Clayton Legear, Merchants & Marine Bancorp Inc.
Pascagoula, Mississippi





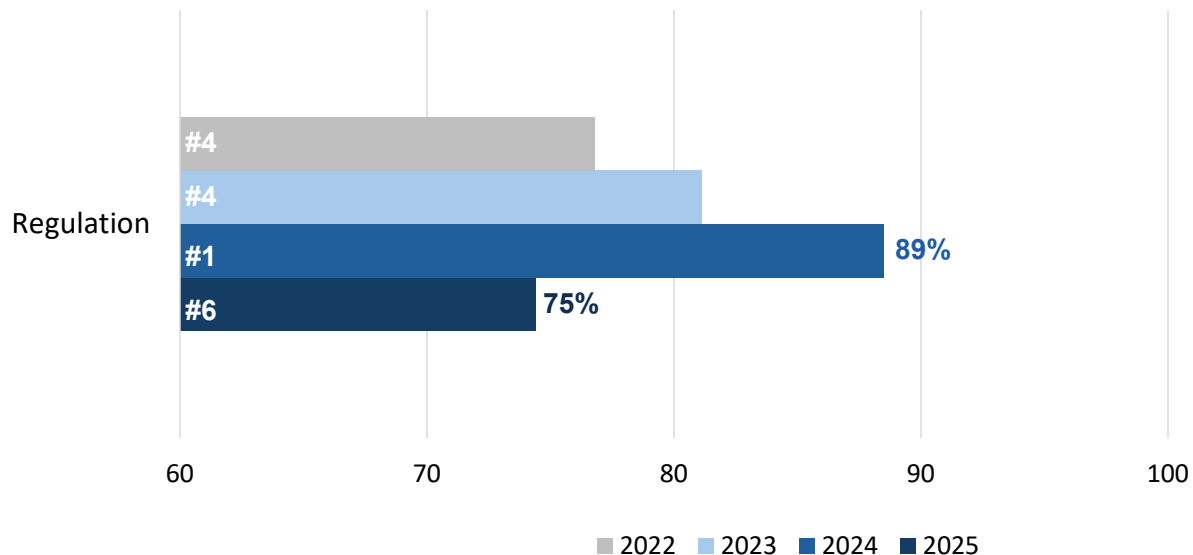
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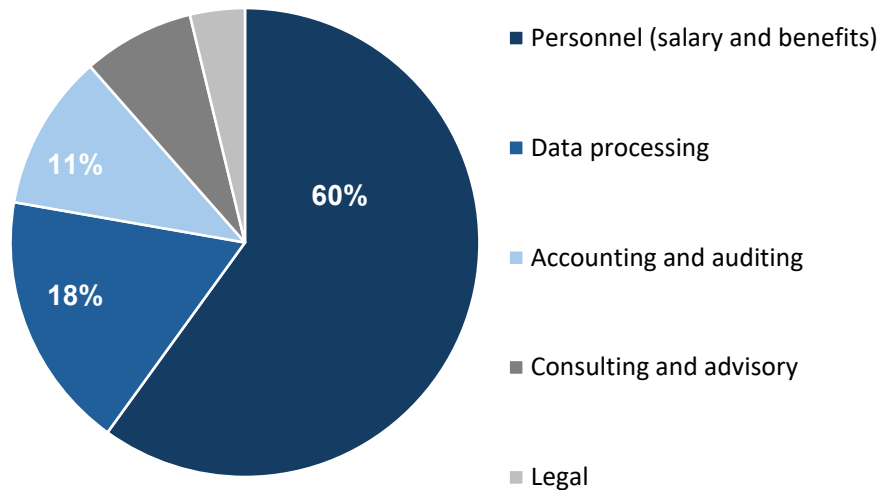
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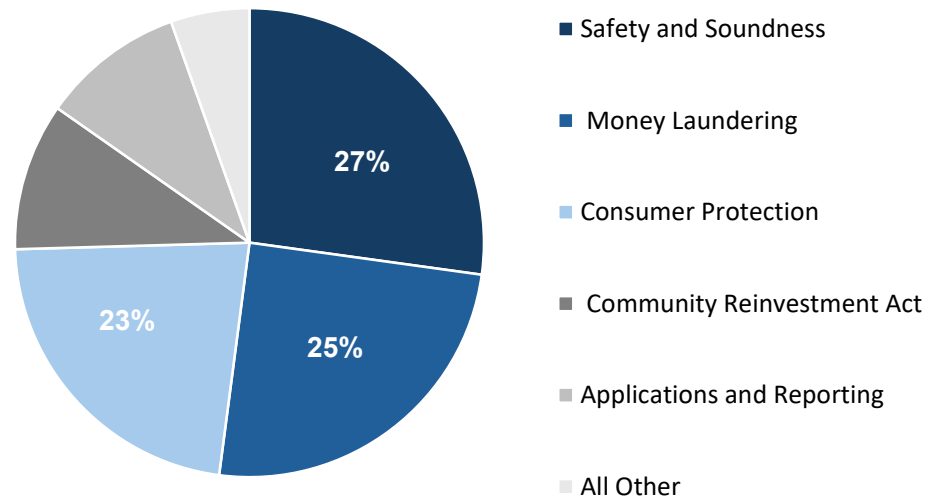




Share of Total Compliance Costs Allocated to Expense Categories

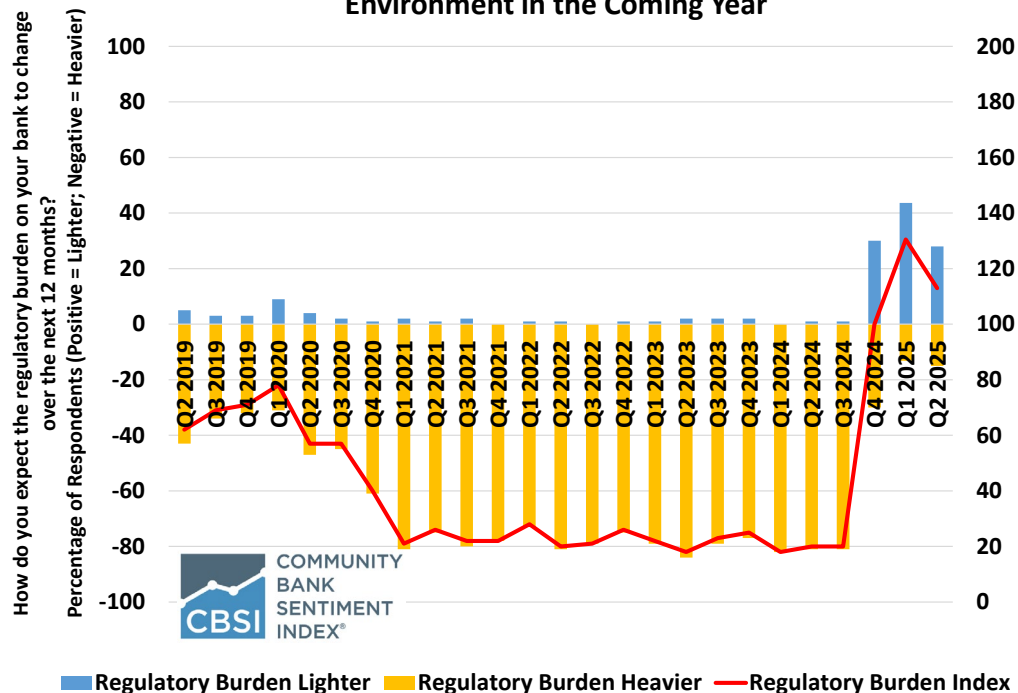


Share of Compliance Costs by Regulation, Law, or Reporting Standards





CBSI Regulatory Burden Indicator Signals a Lighter Regulatory Environment in the Coming Year





Research Question

What Effect Do Banking Regulations Have on Banks of Different Asset Sizes?

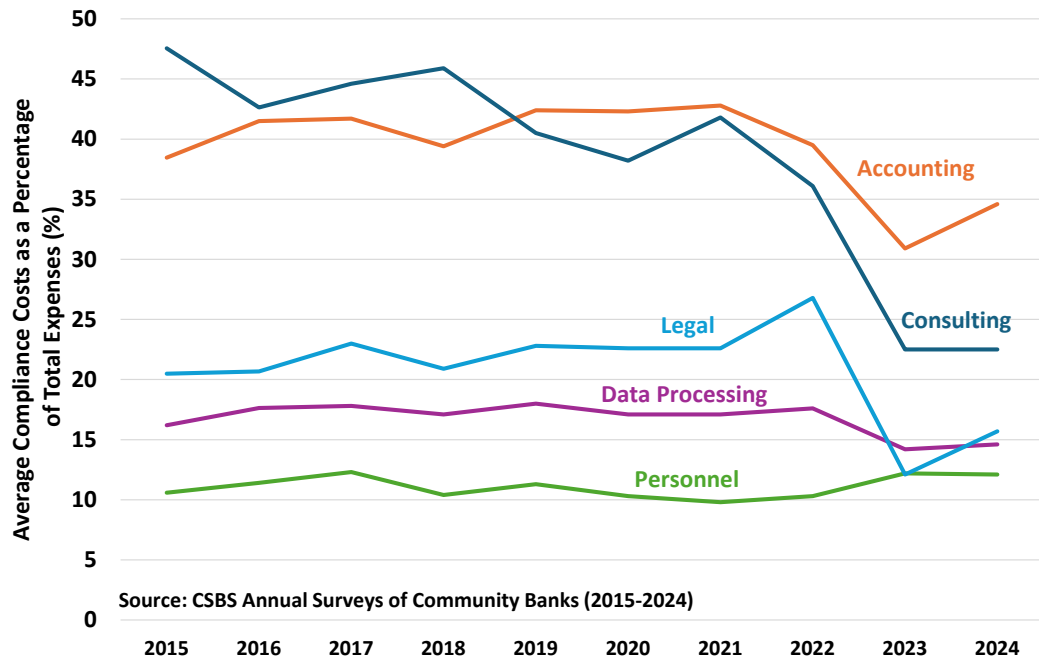
Gap in the Literature

**Lack of Cost Data to Empirically Test
Regulatory Burden on Banks of Different Sizes**



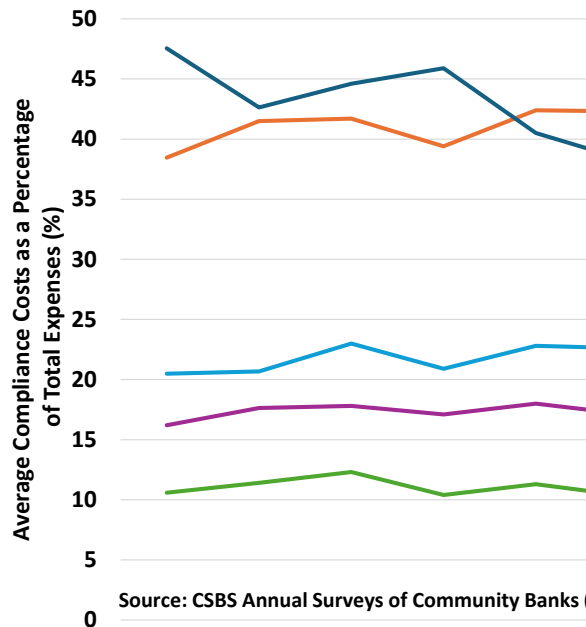


Average Compliance Costs as a Percentage of Total Expenses by Category

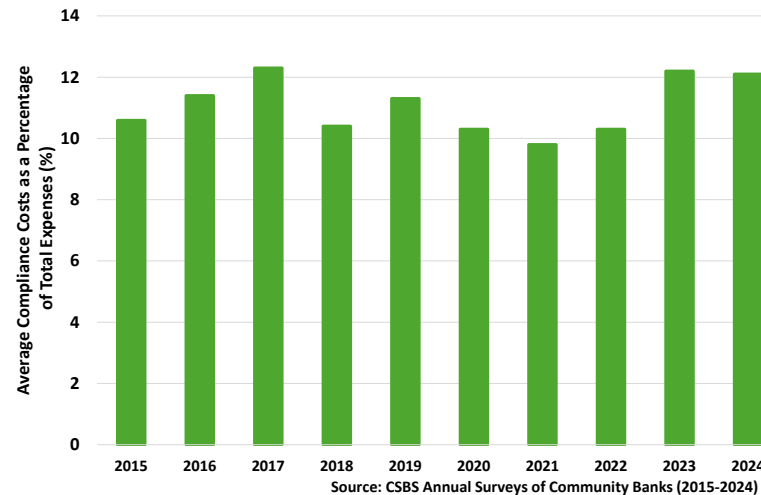




Average Compliance Costs as a Percentage of Total Expenses by Category

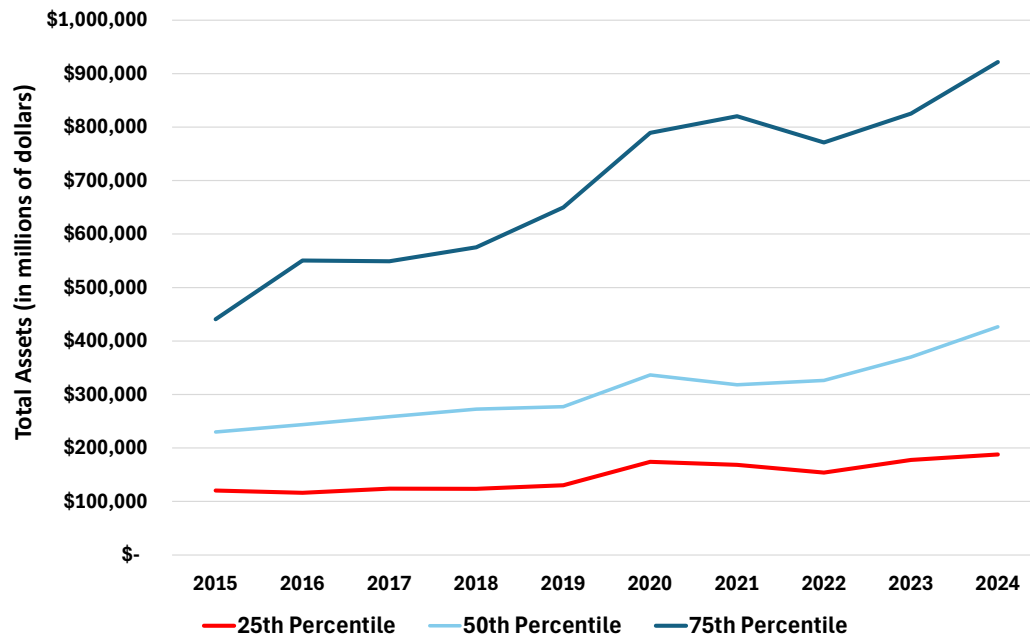


Average Personnel Compliance Costs as a Percentage of Total Personnel Costs



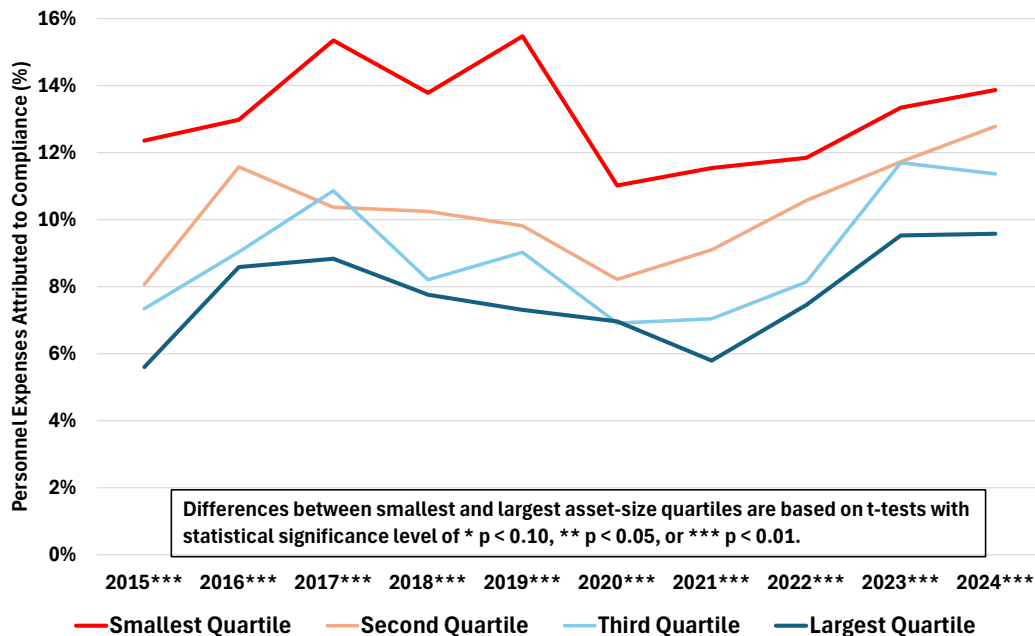


Asset Quartile Cut-offs for Community Banks Responding to the CSBS Annual Surveys



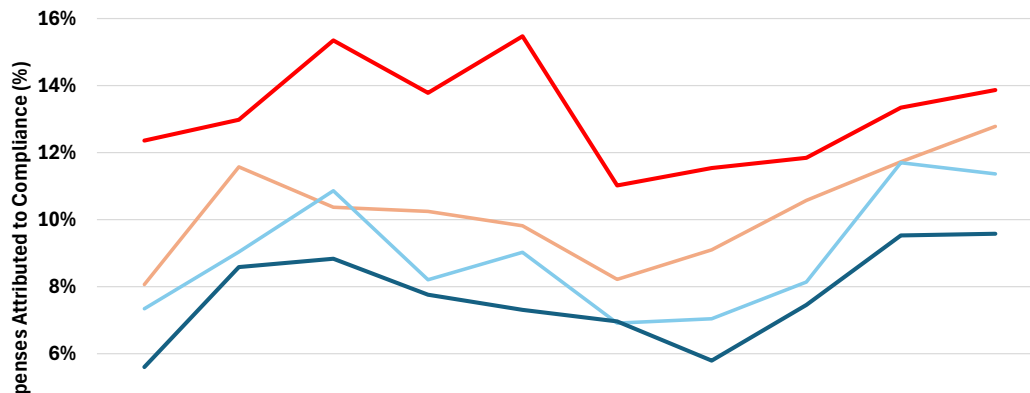


Community Bank Personnel Expenses Attributed to Compliance





Community Bank Personnel Expenses Attributed to Compliance

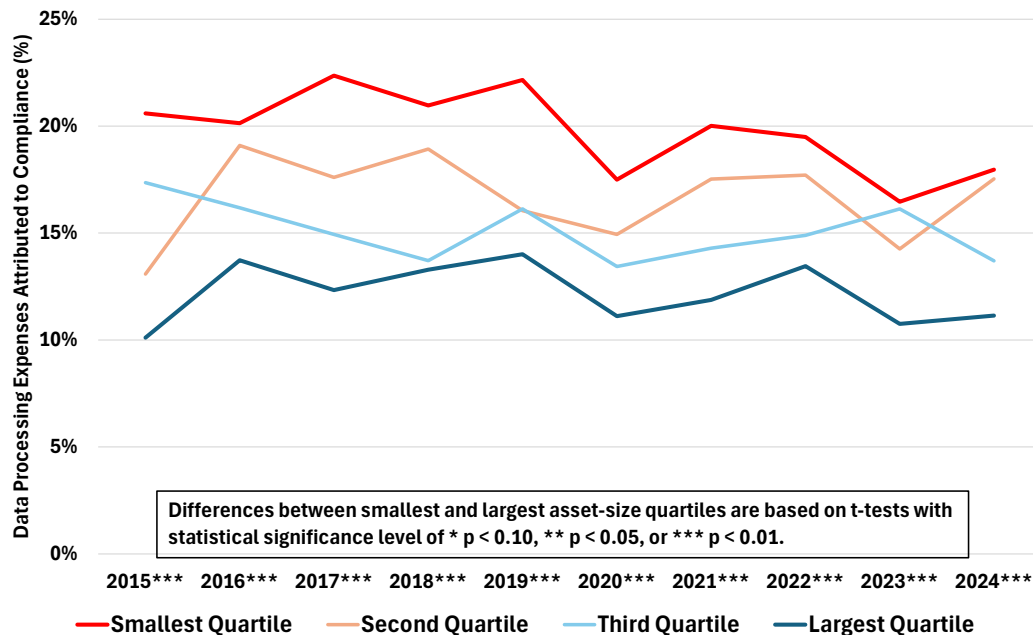


	Personnel (%)									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Smallest Quartile	12.4%	13.0%	15.3%	13.8%	15.5%	11.0%	11.5%	11.8%	13.3%	13.9%
Second Quartile	8.1%	11.6%	10.4%	10.2%	9.8%	8.2%	9.1%	10.6%	11.7%	12.8%
Third Quartile	7.3%	9.0%	10.9%	8.2%	9.0%	6.9%	7.0%	8.1%	11.7%	11.4%
Largest Quartile	5.6%	8.6%	8.8%	7.8%	7.3%	7.0%	5.8%	7.5%	9.5%	9.6%
	***	***	***	***	***	***	***	***	***	***
Difference (Small minus Large)	6.8%	4.4%	6.5%	6.0%	8.2%	4.1%	5.7%	4.4%	3.8%	4.3%



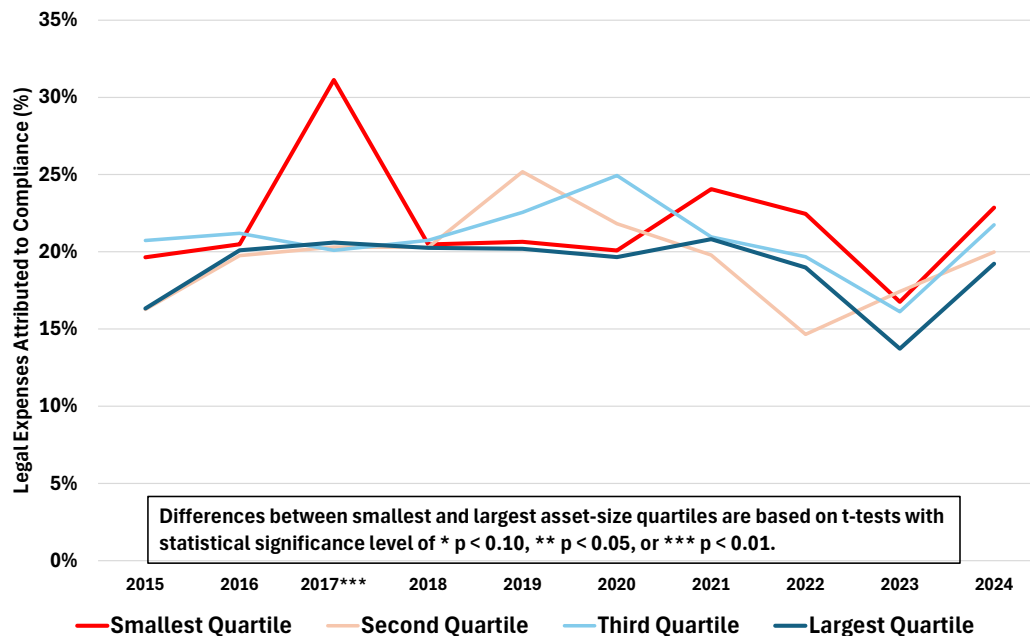


Community Bank Data Processing Expenses Attributed to Compliance



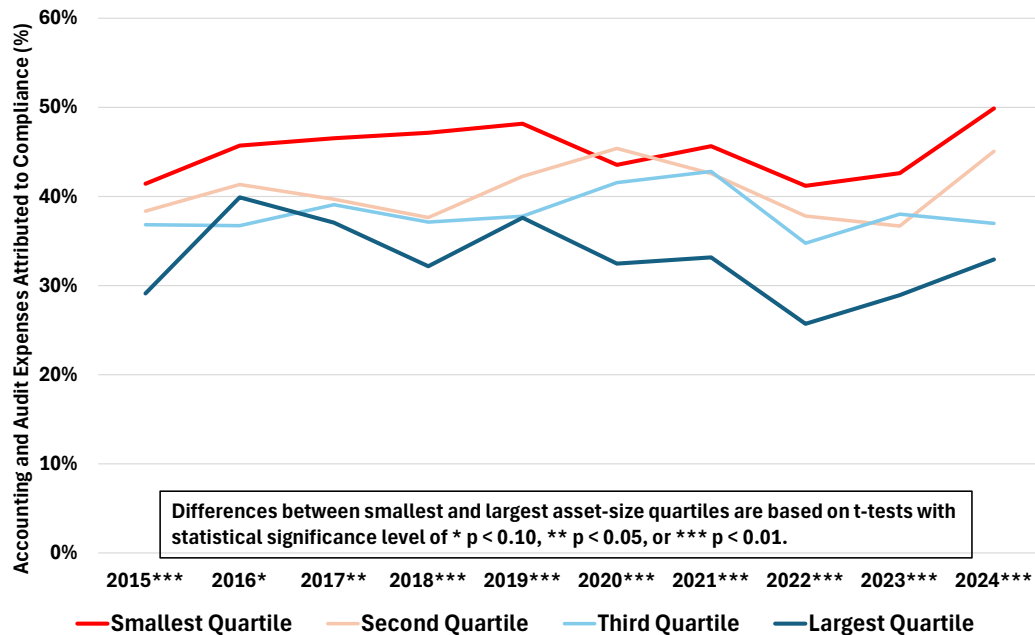


Community Bank Legal Expenses Attributed to Compliance



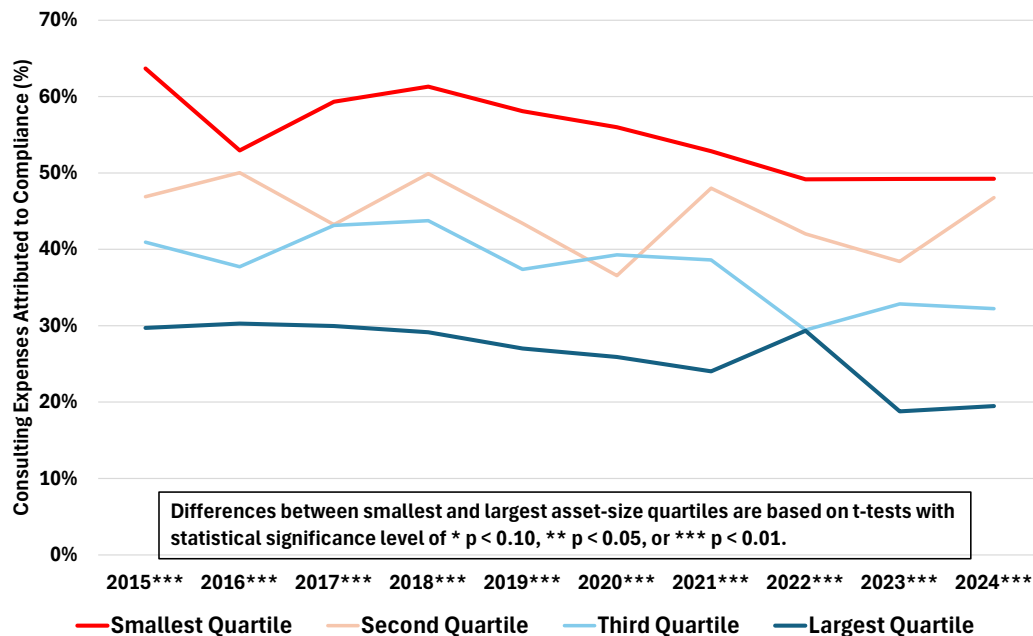


Community Bank Accounting and Audit Expenses Attributed to Compliance





Community Bank Consulting Expenses Attributed to Compliance





The Results So Far...

- Data-driven evidence that the smallest community banks are disproportionately burdened by regulatory compliance pressures
- These smaller community banks also have:
 - Higher capital
 - More liquidity
 - More Ag/Farm real estate and do not lend as much in CRE, C&D, or C&I
 - Lower asset quality
 - And generally, have wider NIMs and lower profitability (but not statistically significantly different every year)





Conference of State
Bank Supervisors

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RESEARCH

CSBS Working Paper 2501 - Compliance Costs

[View Research](#)

Do Banking Regulations Disproportionately Impact Smaller Community Banks?

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July 29, 2025

Abstract

Bank regulatory compliance has long been viewed as a fixed cost disproportionately affecting smaller banks, yet few studies have quantitatively tested the magnitude of this burden using robust empirical methods. This study investigates whether smaller community banks incur a higher regulatory compliance cost burden relative to larger institutions by analyzing self-reported cost estimates from the Conference of State Bank Supervisors' (CSBS) Annual Surveys of Community Banks from 2015 to 2024. By pairing survey data with corresponding financial information from bank Call Reports and grouping banks by asset size quartiles, the analysis estimates compliance costs as a percentage of five key noninterest expense categories—personnel, data processing, legal, accounting and auditing, and consulting. Results show that, across all ten years and all expense categories except legal, smaller banks consistently report statistically higher compliance cost burdens compared to larger banks. These findings offer strong empirical validation for policy concerns that current regulatory frameworks impose excessive burdens on small banks, which has potentially accelerated industry consolidation, limited new bank formation, and reduced access to banking services in rural and underserved communities. The results support the need for proportional regulation that is tailored according to size, business model, risk profile, and complexity, as well as targeted compliance relief, and incentives for technology adoption. Future research is recommended to further investigate causality, regulation-specific burdens, and the operational consequences of disproportionate compliance costs.

*Chief Economist, Conference of State Bank Supervisors. The views stated herein are those of the author and are not necessarily those of the Conference of State Bank Supervisors or its members.





Cybersecurity

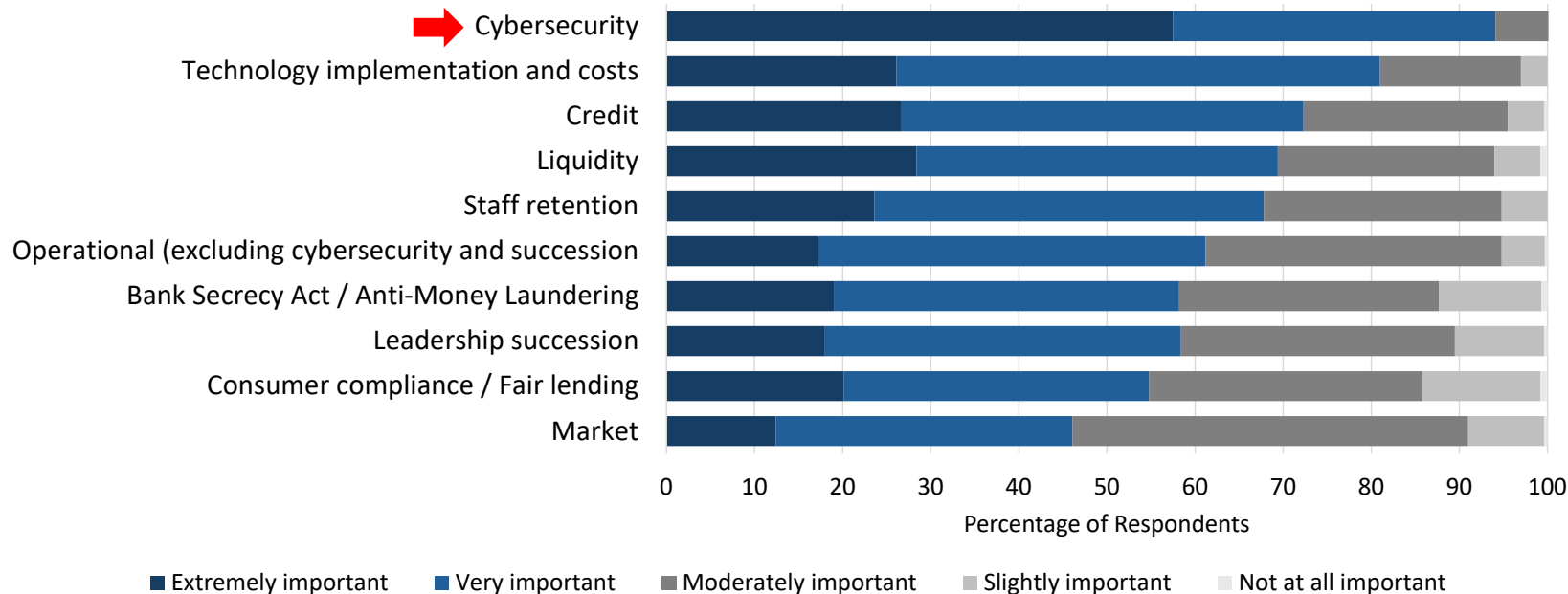
“Unfortunately, people are probably the weakest link. You can have the best designed systems and controls, but you can’t stop somebody from opening an attachment or clicking on a link.”

– Lindsay Spitzer, Bluff View Bank
Galesville, Wisconsin





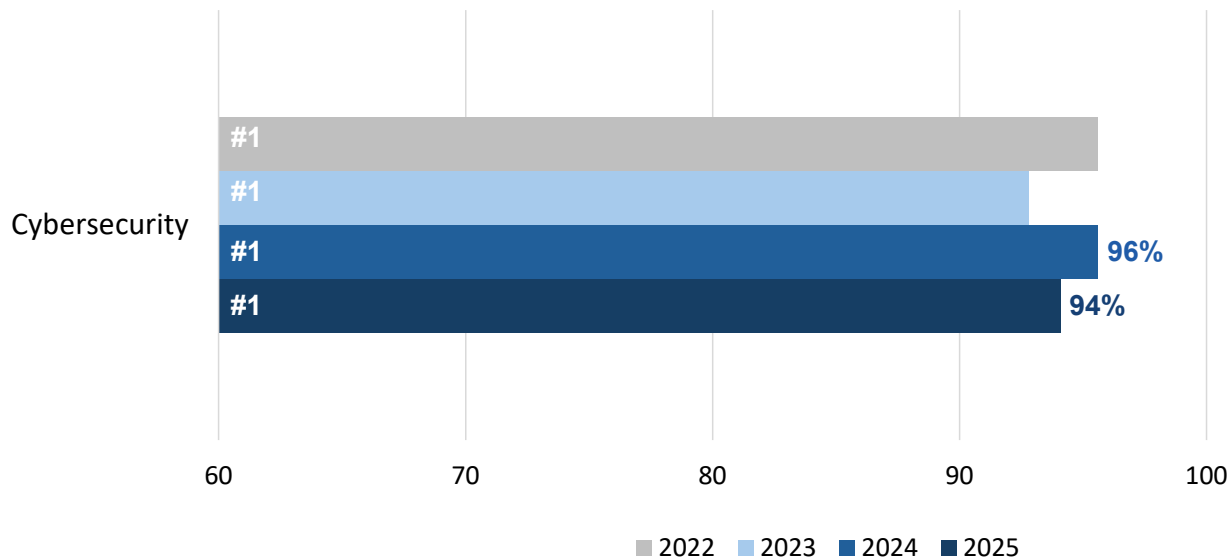
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Percentage of Respondents Reporting "Extremely Important" and "Very Important"





Some Sobering Statistics

- 75% of surveyed businesses say fraud has negatively impacted revenue; 13% reported losing 10-20% of their revenue to fraud. (US Fraud Industry Pulse Survey 2025)
- Voice cloning is now the top attack vector. 77% of victims reported a financial loss. (Deepfake Statistics 2025: AI Fraud Data and Trends, Deepstrike)
- Fraud losses in the US from generative AI will climb from \$12.3 billion in 2023 to \$40 billion by 2027. (Deloitte Center for Financial Services)





Technology Implementation and Costs

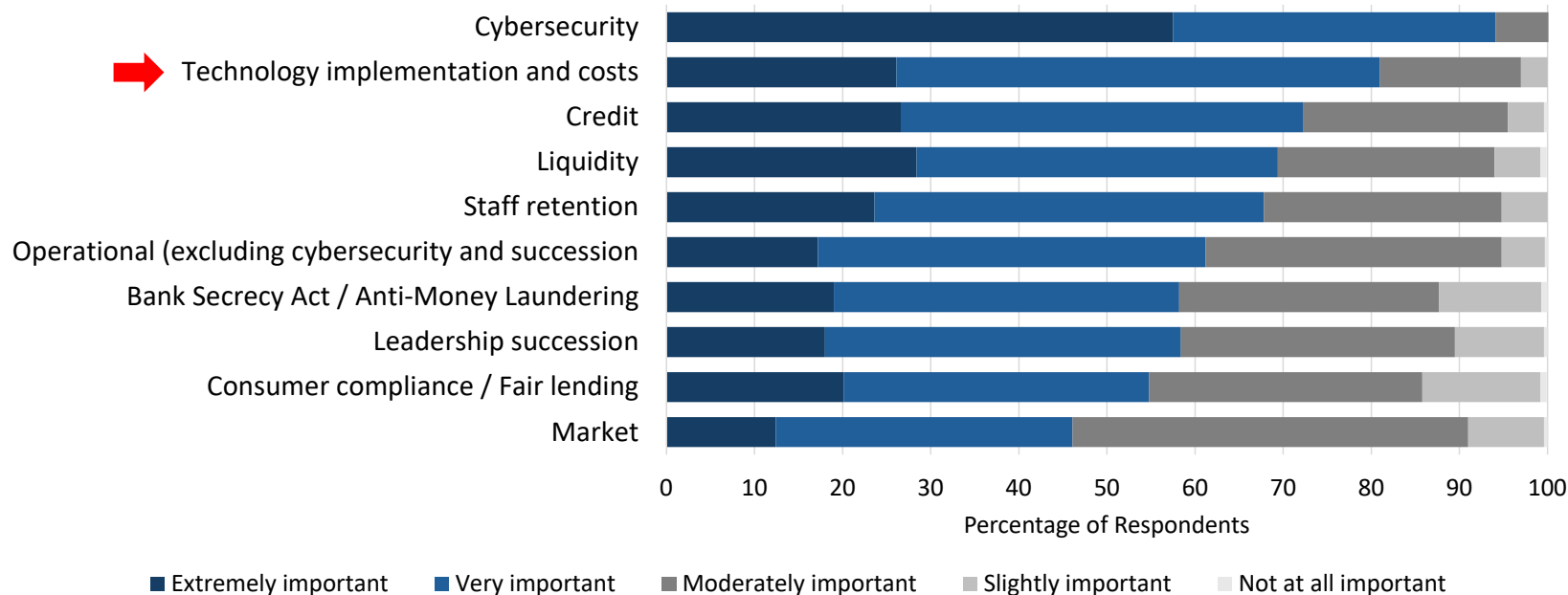
“Hopefully, with the help of AI or other technology we will be able to slow down the increased cost of ongoing and increasing regulation.”

– Mark Packard, Central Bank
Provo, Utah





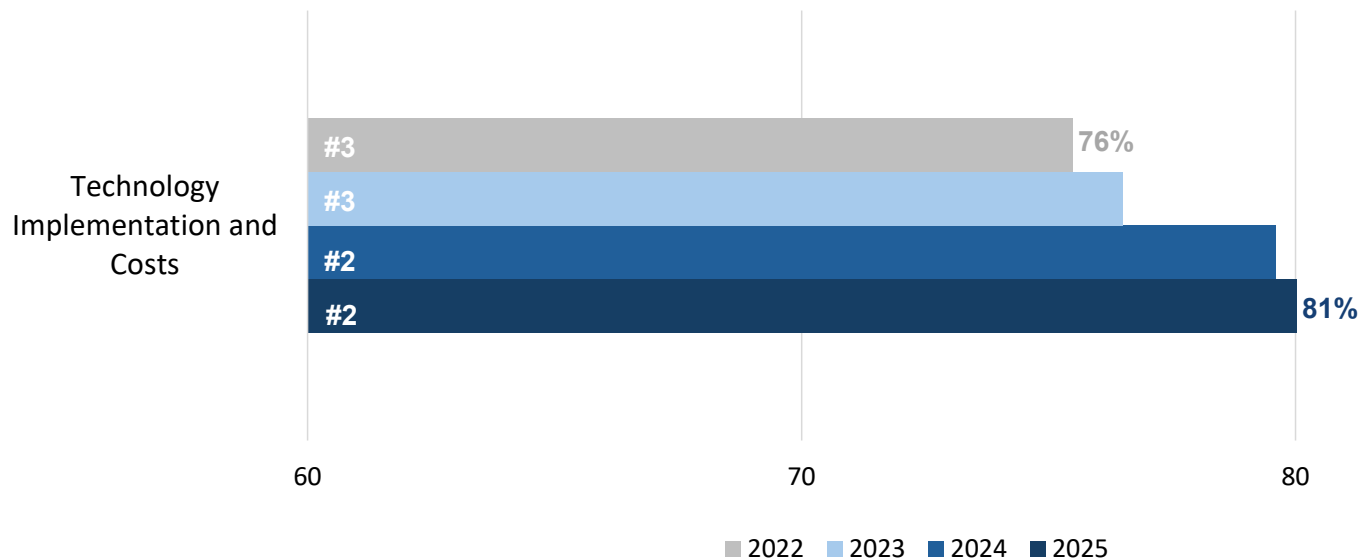
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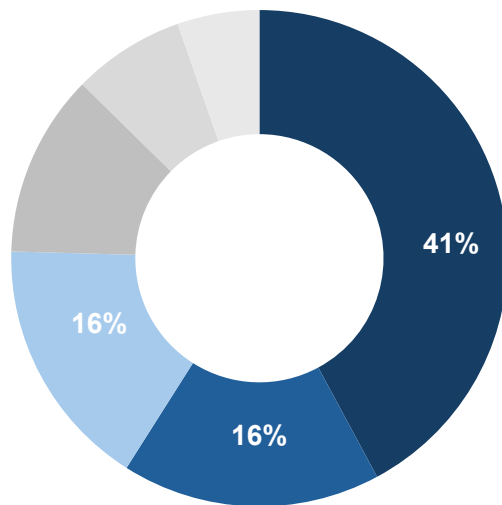
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What is the most significant impediment to adopting new technologies?



■ Cost or ability to implement

■ Cybersecurity risks

■ Limitations of core service provider

■ Cost or ability to maintain

■ Identifying skilled staff

■ Assessing the risk of a third-party provider outside of Core Service Provider (CSP) (eg, fintech firm)





Mergers & Acquisitions (M&A)

“On the M&A side, it’s primarily about valuations. The indices for small and large banks are still down and not aligned with the fundamentals.”

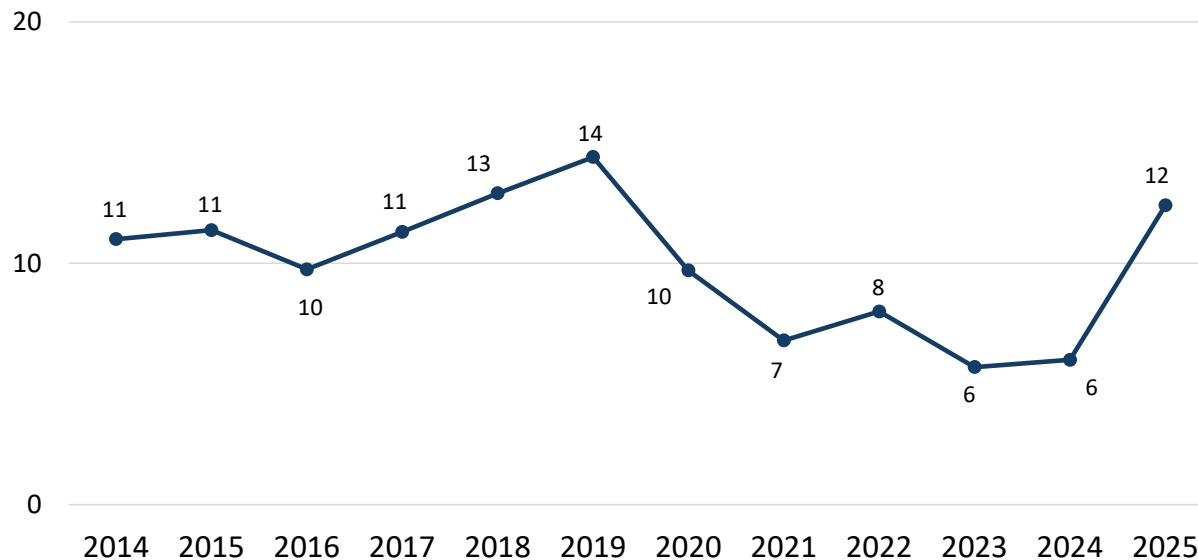
– Noor Menai, CTBC Bank USA
Los Angeles, California





Have you received and seriously considered accepting an acquisition or merger offer in the last 12 months?

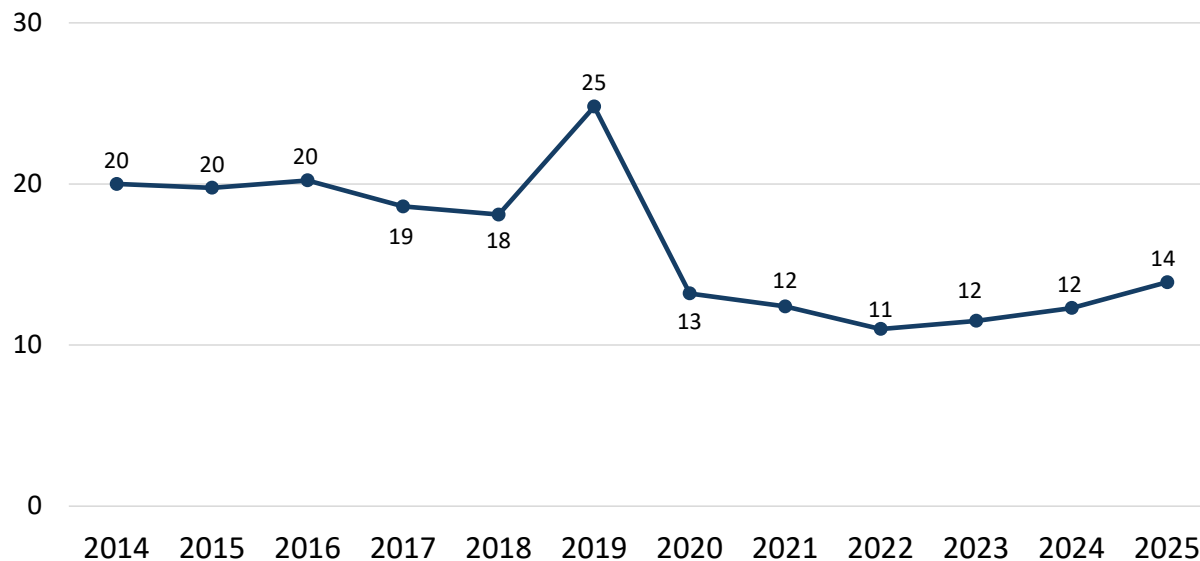
Percentage of respondents reporting "Yes"





Have you made an offer to acquire or merge with a target institution in the last 12 months?

Percentage of respondents reporting "Yes"





Fraud

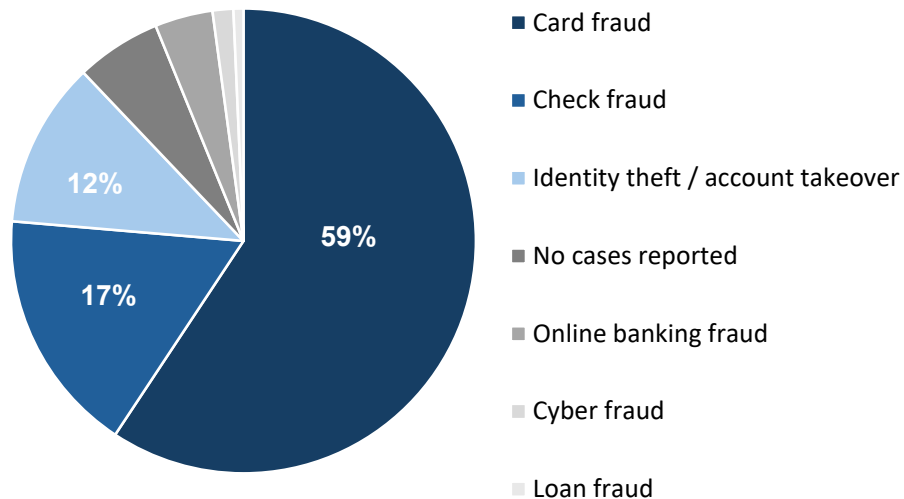
“Recently, along with hundreds of other banks, we were targeted by AI assisted fraudsters who obtained customer data from outside sources and purchased lists. They knew exactly who our customers were.”

– Lloyd Hamm Jr., River Run Bancorp
Newburyport, Massachusetts

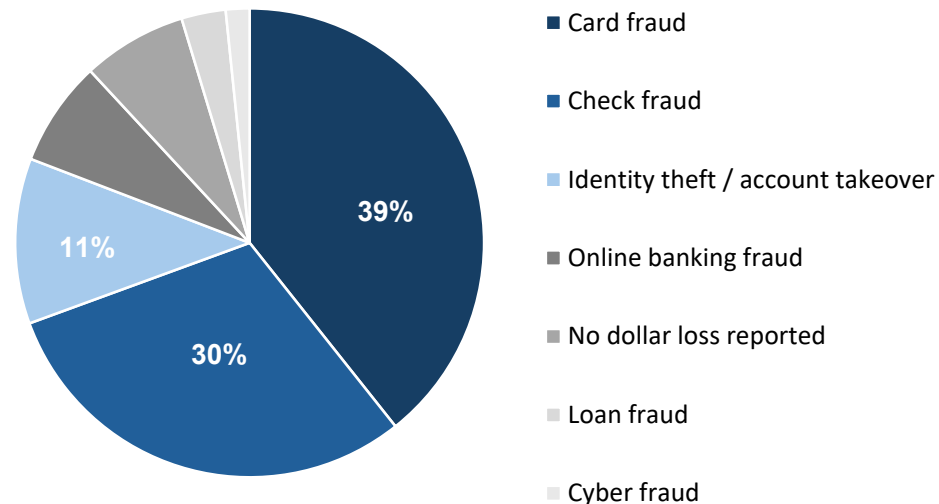




Share of Total Fraud Cases by Fraud Type



Share of Total Dollar Losses from Fraud by Type





Deposit Insurance

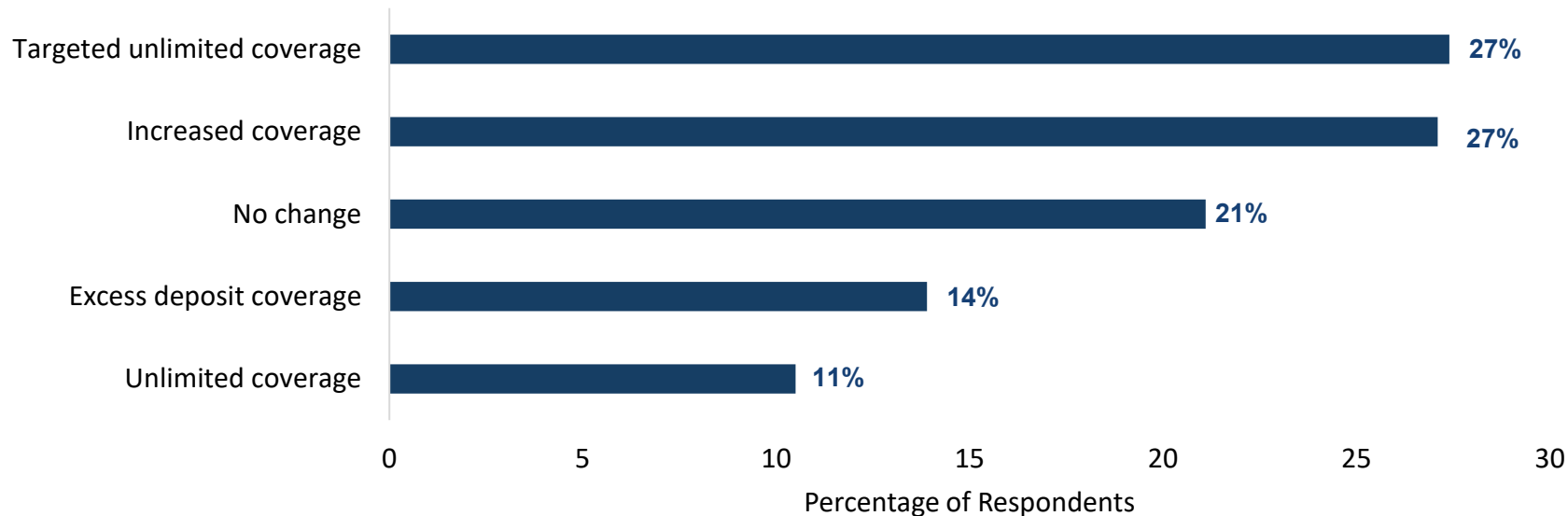
“Small businesses in rural Arkansas should not feel compelled to leave their community banking partners simply because they worry the federal government will not protect their funds unless they are placed with a ‘too big to fail’ institution.”

– Arkansas Commissioner Susannah Marshall
House Financial Services Testimony, February 2025





If you were to update the deposit insurance rules, which of the following solutions would you prioritize?





Questions?

***For more on the 2025 Annual Survey of Community Banks,
visit <https://www.csbs.org/survey>***

