

Key Trends Shaping Community Banks: Insights from the Fall Banking Conference Season

By Chris Jacobsen, Managing Director

The landscape of the community banking sector is evolving at a rapid pace. As CEOs, CFOs, and Directors look to the future, they're grappling with both familiar challenges and emerging opportunities. TKG had the opportunity to speak at several community bank conferences, and with leaders who shared their recent successes, ongoing challenges, and the opportunities they're capitalizing on. From margin compression to leadership transitions and increased M&A activity, these themes are shaping the future of community banking.

Margin Compression: Navigating New Rate Challenges

While the recent rate cut from the Federal Reserve signals potential relief on the horizon for net interest margins, the competitive landscape to attract and retain deposits remains intense. Banks are feeling the squeeze as depositors continue to seek higher returns, limiting the ability of institutions to reduce deposit rates in line with the falling Fed Funds rate. This imbalance has exacerbated margin compression, as banks face rising funding costs without the corresponding lift in asset yields. In this environment, maintaining profitability will require strategic management of both sides of the balance sheet, focusing on optimizing product profitability and improving operational efficiency.

Banks that succeed will focus on profitability measurement to determine which products and services drive the most value. Moreover, reassessing asset-liability management strategies will be critical, particularly in managing the risks associated with fluctuating interest rates and competitive pressures. Several community banks acknowledged that despite these challenges, there's an opportunity to rethink pricing models and deepen customer relationships through more personalized offerings and better relationship management.

Leadership Transitions, Succession Planning, and Talent Retention

Another prominent concern shared at recent conferences was leadership transition and talent retention. Many community banks acknowledged the need for effective succession planning. At the same time, the competition for skilled professionals, especially in areas like technology, compliance, and risk management, continues to grow, making talent retention a critical challenge and success factor.

Leaders I spoke with underscored the importance of preparing the next generation of bank executives to manage the increasingly complex regulatory and economic landscape. Succession planning goes beyond merely identifying future leaders; it requires a thoughtful

TEACHING & SPEAKING ENGAGEMENTS

PICPA Insurance & Financial Institutions Conference

Webcast • November 13
Banking Industry Update

CONFERENCES, CONVENTIONS & OTHER EVENTS

Northern NJ Community Bankers October Meeting

Sanzari's New Bridge Inn
Milford, NJ • October 31

New York Bankers Financial Services Forum

The Ritz Carlton Amelia Island
Amelia Island, FL • November 4-6

IFI Luncheon Meeting

The 1912 Club
Plymouth Meeting, PA
November 14

NJ Bankers Half-day CFO Conference with NY/NJ FMS

The Park Avenue Club
Florham Park, NJ • November 20

IFI/Philadelphia FMS Joint Holiday Party

The Inn at Villanova
Radnor, PA • December 5

NY/NJ FMS Holiday Gala Celebration

Ill Villagio
Carlstadt, NJ • December 12

Maryland Bankers First Friday Economic Outlook Forum

Hilton Baltimore BWI Hotel
Linthicum Heights, MD
January 3

Virginia Chamber of Commerce Financial Forecast

Greater Richmond Convention Center
Richmond, VA • January 9

Bank Director Acquire or Be Acquired

JW Marriot Phoenix Desert Ridge
Phoenix, AZ • January 26-28

Performance Measurement



Strategic Management



Profit & Process Improvement



Management Advisory



Financial Advisory



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development process that equips emerging talent with the skills to drive strategic growth. Many banks are investing in leadership development programs, while others are seeking to recruit externally to inject new perspectives into their executive ranks.

Creating a culture that attracts and retains top talent is essential. Community banks that fail to prioritize employee engagement risk higher turnover, which can disrupt operations and erode customer trust. Building a robust leadership pipeline and fostering a workplace that values continuous development are critical to long-term success.

M&A and Consolidation: A Rising Wave

As we have seen in recent months, merger and acquisition activity is on the rise again, driven by recent performance pressures that have driven down net interest margins to unsustainable levels, increasing regulatory demands, and the need for operational scale. Several CEOs we spoke with acknowledged that while they've managed to maintain profitability, consolidation offers a path to greater efficiency and competitiveness in an industry that's becoming increasingly complex.

For many, M&A is seen as a solution to achieve scale, solve for succession, expand geographic reach, or strengthen product offerings. However, the process of merging two institutions presents its own challenges—particularly in aligning corporate cultures and maintaining customer relationships post-merger. Regulatory scrutiny also remains a key consideration, requiring banks to approach M&A opportunities with careful planning and attention to detail. As consolidation continues to accelerate, community banks must ensure they are proactive rather than reactive. Those who pursue M&A should do so with a clear strategic vision and an emphasis on cultural fit to avoid the potential pitfalls of integration.

How The Kafafian Group Can Help

In today's complex banking environment, actionable insights are key to maintaining a competitive edge—because Knowledge is Profit. TKG specializes in delivering data-driven solutions that empower community banks to navigate the challenges of margin compression, leadership transitions, and increased M&A activity.

TKG's comprehensive profitability measurement systems help banks pinpoint the products and services that drive the greatest value, enabling leadership teams to make informed decisions about pricing, portfolio management, and cost efficiency. Our expertise extends beyond the numbers—we work with you to streamline operations and optimize processes to help you protect and grow your margins.

For banks facing leadership transitions, TKG offers tailored succession planning and leadership development services. We collaborate with your board and executive team to ensure a smooth transition of leadership, while strengthening your talent pipeline to secure the bank's future.

When it comes to M&A, TKG's advisory services guide your institution through every phase of the process—from identifying and evaluating potential partners to executing the transaction and navigating post-merger integration. Our deep industry expertise ensures your bank is well-prepared to achieve long-term success through strategic consolidation.

The Kafafian Group is your trusted partner in turning knowledge into profit. Reach out today to explore how we can help your institution navigate the challenges ahead and capitalize on new opportunities.

About the Author

Chris Jacobsen is a seasoned Community Banker and turnaround specialist with over three decades of experience in the industry. Serving in key roles, including Chief Operating Officer, Chief Retail Officer and SVP Business Strategy, Chris has played a pivotal role in developing sales cultures that have achieved notable milestones. Chris has been an instrumental leader in the success of three high performing banks, leading to recognition in the Philadelphia Business Journal Soaring 76, inclusion in the ABA Top 200 Community Banks, and acknowledgment as part of the Piper Sandler Sm-All Stars Class of 2021, ranking 33rd among the highest-performing small-cap banks in the nation. Now a Managing Director of the Kafafian Group since 2023. TKG is a finance, strategy, and operations consulting firm that specializes in performance measurement, profitability outsourcing, strategic and business planning, regulatory assistance, profit and process improvement, and investment banking advisory services for the financial industry.



TKG, as part of our consulting and advisory engagements, frequently evaluates our industry, its trends, successes, and challenges. We are pleased to share our thoughts with you, our valued clients and friends, in the form of this periodic newsletter. If you would like to discuss anything further, or learn more about our performance measurement, strategic planning, regulatory assistance, process improvement or financial advisory services, please call us at 973.299.0300 or visit us at [kafafiangroup.com](https://www.kafafiangroup.com).