THE

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KANSAS BANKERS ASSOCIATION

Meet 2021-22 Chairman

Mike Ewy

OFFICIAL PUBLICATION OF KANSAS BANKERS ASSOCIATION | JULY/AUGUST 2021

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Q&A with Incoming Chairman: Mike Ewy

Mike, Christopher, Kirsten, and Leslie Ewy

How is your last name pronounced?

AV. My ancestry has been traced back to Austria. The pronunciation of my last name has been a good conversational topic my entire life.

Tell us about your family.

I am so lucky that my wife, Leslie, settled for me. I'm the son of a teacher, and I married a teacher. Leslie has taught since graduating from Oklahoma State. She left the classroom seven years ago and is currently the coordinator for Parents as Teachers. I must give my wife most of the parenting credit. Luckily, the kids didn't pay that much attention to me.

Our daughter, Kirsten, will be 26 in August. She works for Ignite Medical Resort in the Kansas City area.

Our son, Christopher, is 23 and a recent graduate from Kansas State University with a business degree. He just began his career with RTS Financial in Overland Park.

How did you become a banker? Did you always aspire to be part of the financial industry?

I did. I became interested in banking because of my dad's friend, Lendell Bass. Lendell was the president of Hanston State Bank during my high school years. I thought what he did was pretty cool. When a sponsor was needed, Lendell was always there, representing Hanston State Bank. Lendell recommended that mom and dad mortgage some farm ground to buy stock in the Hanston State Bank. It turns out that was a pretty good recommendation.

At a high school graduation party, Lendell asked if I would like to work at the bank as a teller over the summer. I thought that sounded like more fun than driving the tractor in circles, and my dad said OK because he knew it would save him equipment repair bills. When I went to college that fall, I went with a community banking career in mind.

Describe your educational background. What did you study?

I grew up on a farm in a small town of about 200 people. There were 14 students in my graduating class and maybe 75 students total in the high school. I attended Barton County Community College and then transferred to Kansas State University.

One of the classes I took for my first-semester finance degree at Kansas State University was a macroeconomics class called Money and Banking. I had enrolled late (that's another story for another day), so I bombed my first test and ended up making a D in the class. Maybe I should have dropped the class, but money was tight, and I did not want to waste any. I now wear that D as a symbol of a rite of passage, and, hopefully, I won't be evicted as the chair of the KBA once this story gets out.

I like numbers, and I love budgeting. I still have the spiral notebook with my first budget, which I used in 1980 when I was at Kansas State. My son is into budgeting, and he likes discussing the finer points of budgeting with me. My daughter, not so much.

In 1995, I graduated from the Southwestern Graduate School of Banking at Southern Methodist University in Dallas.

Are there any specific individuals who had a major impact on your career, and how?

I have already told you about Lendell, but my dad was a big influence on my banking career, too. My dad was a quiet guy, but I didn't realize until I had been working for 10 years or so how much he had taught me about banking while making me fix fences. I told a story at my rehearsal dinner about how my brother and I were supposed to be walking the hedge post fence line to make sure all the posts were solid. It was a hot day, so we decided to drive along with the AC going and just look at the fence. We missed some broken posts that were held up straight by the barbed wire, and dad let us know he was not happy. Later, my best man made me a gift that had a fence on it. Three posts were all straight, but the middle one was broken off. Attached was a quote that read, "never be deceived by what you see from a distance," and was signed Ralph Ewy. My dad passed away, way too young, in 2004.

Studies show that our brains are 80% developed by age three. My parents deserve the credit for any success I have, and the jury is still out on whether the other 20% of my brain will ever develop.

Lendell Bass (left) with Mike Ewy (right)

Mike Ewy's parents, Donna and Ralph Ewy

What is the most rewarding part of your career?

Helping my community and customers. My definition of a community bank is a small bank in a small community. Community banking allows you to get involved in a significant way to help your community. I learned early in my career being involved was fun, so I decided to stay with it.

One of my longtime friends and I talked about how cool it would be if we owned a bank together someday and have the bank name on the high school football field scoreboard. We both grew up in small towns and knew the importance of having a local bank. After the acquisition of Community State Bank, I sent him a picture of the local scoreboard. To us, the scoreboard picture is a symbol of what it means to be a community bank.

For the last 30 years, my avocation has been trying to help create housing in the communities where I have lived. All three communities I have lived in during that time all struggled with the availability of housing infrastructure. In Coffeyville, we have our share of jobs with good people coming and going from those jobs, but new houses are desperately needed. In 2004 while I was chair of the area Chamber, we successfully facilitated the building of 14 new homes. Currently, I am involved in another project underway with two homes under construction.

How has retail banking changed in the last five years?

I learned early how banking commercial customers was a good way to generate revenue. Digital banking services are very expensive. We provide them, but I am not sure I have figured out how to make money with them.

Retail banking was not something I focused on until arriving in Coffeyville, but customers now want to pay bills online and use their phones to deposit checks. As a bank, I never wanted us to be on the bleeding edge of technology, but I also did not want us to be left behind. Our bank now offers pretty much all of the bells and whistles of digital banking.

What ideas would you like to share about the future of the financial industry and any leadership books you have enjoyed?

I should admit I have never had an original idea. I have borrowed just about every idea I have used.

Continued on page 8

My whole **career**, I've struggled with whether I am a **micromanager**. What I hope I am is a **hands-on manager.** I try to **lead my team** by attempting to **live** what I am asking my team to do. That usually means **going the extra mile** to **do the right thing**.

Continued from page 7

One of the things I try to be is a sponge. When I hear a banker who seems to know what they are talking about, I check their call report numbers to find out if they really do, and then I absorb everything I can from the good ones.

With a higher-than-normal case of ADD, I struggle with sitting down to read, but I like to listen to audiobooks while driving. I recommend:

- Seven Habits of Highly Effective People by Stephen Covey
- The 4 Disciplines of Execution by Chris McChesney
- Books by John Maxwell

I have tried to listen to a lot of books about leadership. I only had one class at K-State about management, but I stumbled into a management position at age 27. At 61, I am still trying to learn how to be a better manager.

What have been some of the major challenges in creating a balance in customer branch and digital-based transactions?

My elevator speech about our bank is we offer the best of both worlds when it comes to balancing technology and customer service. Some of our customers do as much banking as possible digitally, and others still come into the bank every day to get their cash to buy a round of coffee for their friends.

I am proud of our community banks and the services we offer. Most of us have all the bells and whistles, but we still have someone to answer the phone if you call the bank.

What is the secret to creating a culture within a banking organization where customer satisfaction is the focal point?

Ken Blanchard and a couple of others wrote a book called Leadership by the Book that is based on the teachings of Jesus Christ. It had one of the best definitions I have heard about servant leadership. Jesus was a servant leader. I have also been lucky to be a Rotary member, and our motto is Service Above Self.

My whole career, I've struggled with whether I am a micromanager. What I hope I am is a hands-on manager. I try to lead my team by attempting to live what I am asking my team to do. That usually means going the extra mile to do the right thing.

What is the biggest impact of being a KBA member? What makes it beneficial?

I moved back to Kansas and became a KBA member in 2000. Since then, we have utilized the health insurance plan, fidelity bonds and D&O insurance. The legislative arm is also valuable. A lot of things go on behind the curtain that one typically doesn't get to see unless they are going through the officer chairs.

Are you involved in any civic or charitable organizations?

One of the best and worst things I do is get too involved. Like most community bankers, I would guess there might only be a couple of organizations in town that I haven't been active with.

If you look back at your career and life, what would be three things that you have learned and would pass onto a younger person within the banking industry?

- Be a sponge and never stop learning. When I was about to graduate from the Southwestern Graduate School of Banking, I had an instructor who challenged us to continue pursuing additional education. He suggested the Certified Financial Planning program, so I did that.

- Don't take yourself seriously. Stay humble and stay teachable. Sometimes you will be thrust into positions you have not been trained for, and you will have to do the best you can.
- Pay it forward. However, sometimes you won't realize the influence you have in a specific moment. For example, there was a young girl years ago who worked in the loan department I managed. I got a graduation announcement from her years after I left that bank. In the announcement, she wrote, "I wanted you to see this as you're the reason I finished college." I don't remember the specific conversation when she felt encouraged to push through for her degree.

What are some professional moments that make you the proudest?

I started my career with the federal land bank. 1982 wasn't the best year in the history of our Midwest economy, so I was very lucky to get one of only the six jobs offered for the four-state area it served. I received great credit analysis training, and after about five years, I went looking for a banking job and had to move to Oklahoma to find it. I worked for 13 years in Oklahoma before finding my way back across the state line, albeit just barely.

When I got to Coffeyville in 2000, there were no locally owned banks. People perceived one of the banks as being local, but it had actually been owned out of state since the 1970s.

After a little less than three years, I was lucky enough to put together a group of investors and acquired Community State Bank. I am proud to say our bank has been locally owned now for almost 20 years. The Coffeyville community deserved having a local bank, and I appreciate how they responded to it.

Was there an "aha" moment in your career that defined you?

I guess I'm still being defined, but as I mentioned earlier, owning a community bank has always been one of my goals ever since meeting Lendell Bass and seeing his business relationship with my dad. I was able to buy five shares of the Hanston State Bank in 1987 and remain a shareholder in that holding company. Thanks to reading the Seven Habits of Highly Effective People, I have had a family mission statement that has helped balance the way I look at my life.

Some of the previous KBA chairs and presidents are my acquaintances and friends. I appreciate everyone who has served before me, and I am doing this to honor their service to Kansas banks. I hope I am able to serve Kansas bankers well.

What is your favorite way to spend your free time? Any unusual hobbies?

Golf is probably my No. 1 hobby, and I am trying to play 300 different courses. I have about 260 on my list so far. I also enjoy an occasional Harley ride with my biker friends.

I'm not sure if this qualifies as an unusual hobby, but I know it drives my wife and my biker friends crazy when they have to stop for me to buy a bumper sticker to add to my collection. I mean, who does not have a KSU Powercat or a Grab a Cup of Coffeyville sticker on their garage fridge, right?

Time's Up:

Congress Must Stop Credit Union Purchases of Taxpaying Banks

By Rob Nichols, President and CEO, American Bankers Association

After tapering off during the pandemic, the trend of credit unions buying taxpaying community banks is back — and credit unions are becoming more aggressive than ever in their pursuit of acquisition targets. The first half of 2021 has already seen two precedent-shattering deals: Jacksonville, Florida-based VyStar Credit Union's acquisition of a $1.6 billion Georgia bank is by far the largest purchase of a bank purchase by a credit union to date. And more recently, the announcement by Iowa-based Green State Credit Union that it would simultaneously acquire not one but two community banks in the Midwest.

Acquisitions like these are bad for taxpayers, a bad deal for communities, and a bad deal for consumers.

They erode state and federal tax bases at a fundamental level, diverting funds away from essential infrastructure projects and other government initiatives. Perhaps even more egregiously, in the case of VyStar — which paid an 80% premium on its acquisition transaction — is the fact that the firm's tax-exempt status means American taxpayers effectively subsidized the purchase.

Analysis by the Government Accountability Office shows that credit unions are now serving more middle- and upper-income customers rather than customers of "small means" — the congressional mandate behind the credit union tax exemption. Rather than focusing on low-to-moderate-income communities sharing a common bond, credit unions increasingly target a wealthier client base, market wealth management services, luxury goods financing and commercial banking services. This is not what credit unions were created to do.

Consumers also lose out when credit unions gobble up community banks, given that credit unions are not held to the same rigorous regulatory standards as banks when it comes to consumer protection or community reinvestment.

These deals are also bad for the credit union industry itself, as small credit unions are increasingly forced to compete with an expanding cadre of large, growth-oriented firms. Yet despite all this, credit unions continue to persist in their pursuit of community bank acquisitions, aided and abetted by the National Credit Union Administration, which went so far as to attempt to formally codify this process with a proposed rulemaking last year – a step ABA vigorously opposed.

These efforts represent yet another assault on the statutory definition of "credit unions" enshrined in the Federal Credit Union Act that has been going on for years. It's even been acknowledged at the highest levels of the leadership of the NCUA's. One need look no further than former NCUA Chairman Mark McWatters' warning that the agency he once led has become "inappropriately emboldened" and has allowed the institutions it is charged with supervising to creep far beyond their statutory boundaries.

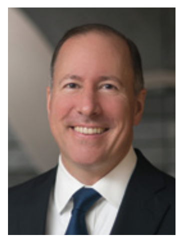
It's time for Congress to step in.

Lawmakers must determine whether these types of acquisitions — and the negative consequences that follow — align with the public policy goals Congress intended when it created the credit union tax exemption in the first place.

Until they do, the banking industry must continue to push back — as it has in states like Iowa and Colorado, where state regulators have determined that local statutes do not allow credit unions to acquire state-chartered banks. ABA will continue its advocacy against these types of mergers — as we did in a recent letter to the OCC, highlighting the particular threat they pose to the mutual bank business model.

> Lawmakers must **determine** whether these types of **acquisitions** — and the negative **consequences** that follow — align with the **public policy** goals **Congress** intended when it **created** the **credit union tax** exemption in the first place.

We will continue to make these arguments loudly and often because we know that when tax-exempt credit unions overtake taxpaying banks, everyone loses.



Email Rob Nichols at nichols@aba.com.

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Introducing Martech Without the Migraine

By Neal Reynolds, President, BankMarketingCenter.com

Just in case you stepped away from your computer for a few minutes, marketing technology — or martech — describes the software and technology used to attract and retain customers. There's been a lot of talk about it, and rightfully so. According to HubSpot's recent article, "What Marketing Leaders are Investing in This Year," 60% of marketers indicated that they are set to increase their marketing technology spending in the next 12 months. The reason, of course, is that investments in marketing technology are the solution du jour when it comes to a financial institution's ability to, as HubSpot puts it, "retain and delight their audiences and react at speed when necessary. And the options are vast. As of 2020, there were 8,000 different martech tools to choose from, ranging from data analytics platforms to CRMs, to internal team collaboration tools."

Now, the need for better data analytics, automated processes and collaboration tools has been around for quite some time. With the changes we're seeing from COVID-19, and the trend toward virtual officing, that need has increased significantly. The processes, and the personnel, that facilitated the conception and execution of marketing messaging no longer live under one roof. With stakeholders scattered – the usual players such as product development, sales, brand and creative – it's just no longer possible to simply get together in a conference room and "hammer things out."

What's the solution? Marketing technology. Well, unfortunately, it's not quite as simple as that. As Laurie Busby pointed out in her Financial Brand article, "Marketing Automation Doesn't Have to End in Costly Failure," marketing automation can, unfortunately, end in costly failure. "Some financial institutions are so eager to enter the martech world that they let themselves be sold deluxe software packages and empty promises. Many such teams sign on with tech-giant platforms that charge monstrous upfront costs and require exhaustive training. Months later — sometimes longer — these institutions still won't have the software up and running. Without the right support, these once enthusiastic folks find themselves stuck wading through massive "bloatware" platforms. No one on their teams has the bandwidth to train new users properly, let alone manage. Worst of all, they find themselves no closer to their goals and can't demonstrate any ROI to their key stakeholders."

First Interstate, a community bank headquartered in Billings, Montana with more than 150 offices across Idaho, Montana, Oregon, South Dakota, Washington and Wyoming, solved this challenge with a private label portal from BankMarketingCenter.com.

"As a large community regional bank with a diversified suite of financial products and services, we knew that we needed a way to get branded, compliant, approved messaging out into the marketplace in an efficient, cost-effective manner," said Sara Becker, senior vice president and director of marketing and communications at First Interstate. "That led us to BankMarketingCenter.com and the development of a private label portal."

First Interstate's portal is a custom-designed, automated system that organizes assets, streamlines the review process, tracks projects at every stage of development, archives the entire project process from start to finish, offers high-quality templates along with thousands of images, and ensures both information accuracy and brand standards compliance.

"Anything going through our agency was expensive and had a long turnaround time; sometimes as long as two weeks," said Rhianna H. Tretin, marketing and PR specialist at First Interstate. "And, we could never be sure that the information in those materials was current and compliant. When we access materials in the portal, we know that the information in those templates is current and that it meets compliance demands."

BankMarketingCenter.com allows First Interstate Bank to get its marketing message out quickly, efficiently, and always on-brand. The bank's 1,200 users can access approved, branded materials through the portal and customize them in seconds to target their local markets and then have them downloaded or electronically delivered to the approved vendor. The software also builds in controls from a budget and compliance standpoint since there are levels of access and approval for different users. Once a marketing product is ordered, the technology automatically routes the request through marketing/compliance for approval. Once approved, the product is sent directly to the bank's approved printer or media outlet.

By working with BankMarketingCenter.com, First Interstate Bank can maintain control of its brand image and empower team members at the local level with high-quality, professionally created ads and marketing materials they can customize. The portal has helped the bank save thousands of dollars in marketing costs, facilitate compliance, and respond more quickly to demands for marketing materials. And the bank anticipates that this trend will continue as it expands its use of the customized private label portal.

Busby concludes with this thought: "That is why when choosing a platform and package, you must not only consider your marketing needs, but also ensure that meeting them with martech falls within the scope of your department's capabilities. Throughout the selection process, remember your end goal: You are aiming for better, personalized communication and smarter use of your team's capabilities. The right software is out there — you just may need to poke around before you find it."

We couldn't agree more.

Neal Reynolds, President, BankMarketingCenter.com

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KANSAS BANKERS ASSOCIATION

EDUCATION CALENDAR

Conferences | Schools
Seminars/Workshops | Sunflower Webinars

August 2021

- **18 - 20** - **MOKAN Trust Conference** – Kansas City
- **19** - **Hot Topics to Improve Efficiency and NIE** – Topeka
- **23 - 27** - **School of Trust & Financial Services** – Manhattan
- **24 & 25** - **Supervisor Boot Camp** – Topeka

September 2021

- **8 - 10** - **YBOK Fall Conference** – Wichita
- **8 - 10** - **Advanced Agricultural Lending School** – Wichita
- **8** - **CFO Discussion Forum** - Topeka
- **13 - 17** - **Bank Compliance School** – Manhattan
- **14** - **CECL Program** – Wichita
- **15** - **CECL Program** – Hays
- **16** - **CECL Program** – Overland Park
- **21** - **Driving Strategic Value**
- **30** - **BSA/AML** – Salina

October 2021

- **4 - 8** - **Advanced School of Banking** - Nebraska
- **7 - 8** - **Annual Conference for Lenders** – Manhattan
- **13** - **Information Technology Discussion**– Topeka
- **13** - **Compliance Update School** - Manhattan
- **14** - **Compliance Update School** - Nebraska
- **14** - **Managing Problem Loans & Bankruptcy**– Live
- **20 - 21** - **KBA Trust Conference**– Lawrence
- **21** - **Deposit Trends & Strategy Outlook**
- **25 - 29** - **Commercial Lending Schools** - Manhattan

November 2021

- **3 - 4** - **Economic Outlook & Risk Management Conference** – Wichita
- **9** - **IT Audit Seminar**– Salina
- **15** - **IRA Basic** – Wichita
- **16** - **IRA Advanced** – Dodge City
- **17** - **IRA Advanced** – Hays
- **18** - **IRA Advanced** – Manhattan
- **19** - **IRA Basic** – Overland Park

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COVID-19 LOAN MODIFICATIONS

MORE THAN JUST FINANCIAL REPORTING ISSUES

By Pat Rohan, Managing Director, FinPro's Regulatory Team

Many banks across the country are at risk of CAMELS downgrades, increased deposit insurance assessment premiums, and regulatory enforcement actions due to inadequate risk management practices for their COVID-19 Loan Modification Program.

Loan modifications have been part of most banks' lending operations for many years. Before the coronavirus, such modifications were often prompted by a borrower's "financial distress." Banks would attempt to work with the financially distressed borrower by granting a "concession" that the bank otherwise would not consider other borrowers with a similar risk profile. An example of such a loan modification might be an interest rate reduction. Generally speaking, this type of loan modification would be categorized as a Troubled Debt Restructure ("TDR") under accounting literature (ASC 310-40) and reported as such in Call Reports.

When the country became engulfed with the coronavirus, both Congress (Section 4013 of the CARES Act, extended by Section 541 of the Consolidated Appropriations Act 2021) and the Regulators (April 2020 Interagency Guidance) issued information to guide banks on TDR designations for COVID-19 related loan modifications. It is critical for bankers to understand that while Section 4013 and the April 2020 Interagency Guidance both discuss the applicability of TDRs, they have materially different requirements (modification duration, date of record for current/delinquency status, etc.) for determining when the TDR designation is necessary. FinPro urges all banks to specifically designate whether the COVID-19 Loan Modification was approved under Section 4013 of the CARES ACT or under the April 2020 Interagency Guidance. This documentation should be in each loan modification file and address the following items:

- Was borrower impacted by COVID-19? **Yes/No**
- Was the modification pursuant to Section 4013? **Yes/No**
  - If yes, was the loan current as of December 31, 2019? **Yes/No**
  - If yes, was the loan modification between March 1, 2020 and the earlier of 60 days after the termination of the national emergency or January 1, 2022? **Yes/No**
- Was the modification pursuant to the Interagency Guidance? **Yes/No**
  - If yes, was the loan current at time of modification? **Yes/No**
  - If yes, was the loan modification short term (i.e., 6 months)? **Yes/No**

Also, remember that banks must maintain records on the number and dollar amount of loan modifications approved under Section 4013 and under the Interagency Guidance and report this data to the board of directors on a regular basis.

Over the course of the last year, bank regulators have issued several additional Interagency documents that include guidelines on Loan Modifications. These documents have encouraged banks to work with borrowers who have been negatively impacted by COVID-19. However, these guidelines also consistently reference "prudent" efforts to work with borrowers and modify loan terms and further state that examiners will not criticize "prudent" efforts to modify terms on existing loans. The basic focus of "prudent" efforts to modify loan terms implies that the bank is acting to enhance the collectability of modified loans and is doing what is in the bank's best interests and not just what is in the borrower's best interests, although hopefully in most cases these interests will be the same.

And while there have been changes in the requirements for designating modified loans as "TDRs," other important considerations have not changed.

Banks must properly "Risk Rate" COVID-19 loan modifications and incorporate such risk ratings into their ALLL/ACL calculations. Loans modified under Section 4013 or the Interagency Guidance pertain ONLY to borrowers who have been impacted by the coronavirus. By definition, these borrowers have financial performance less robust than before COVID-19. In some cases, these borrowers may have serious cash flow problems driven by the coronavirus that impact their ability to service their debt. It is incumbent on banks to accurately "Risk Rate" these borrowers at the time of loan modification and on a regular basis going forward. FinPro has observed that some banks have internally "risk rated" their COVID-19 loan modifications to a "watch" category where more severe risk ratings may be warranted. In May 2020, the regulators issued "Interagency Guidance on Credit Risk Review Systems" which every bank should be familiar with. The argument that banks and examiners should not adversely classify loans because the borrower has been negatively impacted by COVID-19 will not prevail.

As stated earlier, these new risk ratings must be incorporated into the ALLL/ACL calculations. One "best practice" observed for community banks across the country is to establish a "homogenous pool sub-tier" within the ALLL/ACL methodology to break out all such loan modifications within each homogenous pool. Noteworthy, this approach is

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often used in conjunction with a new "COVID-19 Q-Factor" that many banks now incorporate into their ALLL/ACL methodology. Some banks have actually appended a one- or two-digit code to COVID-19 loan modifications to ensure easy identification over time.

The rules for placing credits on nonaccrual have not changed. For regulatory reporting purposes, an asset is to be reported as being in nonaccrual status if: (1) it is maintained on a cash basis because of deterioration in the financial condition of the borrower, (2) payment in full of principal or interest is not expected, or (3) principal or interest has been in default for a period of 90 days or more unless the asset is both well secured and in the process of collection. Further details can be found in the Call Report instructions.

Corporate Governance is critical to avoid CAMELS downgrades and enforcement actions. Corporate Governance starts with a comprehensive documentation process. As noted earlier, banks must maintain records of all COVID-19 loan modifications, specifically noting whether such modifications were executed under Section 4013 of the CARES Act or the Interagency Guidance. Remember, modifications cannot fall under both categories since they have different (and competing) requirements. This information should be reported to the board of directors on a regular basis. Similarly, management must inform the Board of Risk Rating trends for COVID-19 loan modifications and how such ratings have impacted the Bank's ALLL/ACL. In cases where a bank has a significant volume of modified loans, stress testing of these loans as well as other loans in the bank's portfolio is a critical element in evaluating risk. And perhaps most importantly, the bank needs to have loan workout officers with the skill sets required to deal with troubled credits. While this may result in increased expenses, the benefits of having the right staff in place will most likely result in less expense than the losses which could result from missteps in collecting problem credits. These actions, together with updated policies and procedures to incorporate coronavirus actions, robust MIS and Risk Management practices and comprehensive Internal Controls, will properly prepare banks to address regulatory concerns.

Of course, there will undoubtedly be situations where the decision on whether to downgrade a credit to classified status or place a credit on nonaccrual is a close one. This decision can be complicated in cases where payments on credit have been deferred and are not yet scheduled to begin. As a result, the ability of the borrower to perform on even modified terms has yet to be demonstrated. In these cases, some banks have

Rarely, if ever, **have** regulators criticized a **bank for aggressively** placing loans on nonaccrual **or adversely classifying** them.

conservatively opted to place such loans on nonaccrual, in part to prevent having to ultimately reverse income that would continue to be accrued. Typically, these credits will also be downgraded to adversely classified status.

The safest course of action to avoid regulatory criticism would be to take the conservative approach. Rarely, if ever, have regulators criticized a bank for aggressively placing loans on nonaccrual or adversely classifying them. However, a bank can expect criticism if a regulator thinks the bank has been too slow to do so. And regulators will be less aggressive in dealing with a bank if management can demonstrate a willingness and ability to identify problems and put plans in place to deal with them.

Why is all of this of significant importance? In June 2020, the regulators issued "Interagency Examiner Guidance for Assessing Safety and Soundness Considering the Effect of the COVID-19 Pandemic on Financial Institutions." FinPro recommends that this document be shared with every bank's senior management and board of directors. Included in this document are some statements regarding CAMELS ratings and how regulators will deal with a bank as follows:

"When assigning the composite and component ratings, examiners will review management's assessment of risks presented by the pandemic, considering the institution's size, complexity and risk profile. When assessing management, examiners will consider management's effectiveness in responding to the changes in the institution's business markets and whether the institution has addressed these issues in its longer-term business strategy."

"An examiner's assessment may result in downgrading component or composite ratings for some institutions. In considering the supervisory response for institutions accorded a lower rating, examiners will give appropriate recognition to the extent to which weaknesses are caused by external economic problems related to the pandemic versus risk management and governance issues."

"When considering whether to take a formal or informal enforcement action in response to issues related to the pandemic, the agencies will consider whether an institution's management has appropriately planned for financial resiliency and continuity of operations; implemented prudent policies; and is pursuing realistic resolution of the issues confronting the institution."

In other words, if banks can demonstrate that they are taking "prudent" actions to deal with borrowers adversely impacted by COVID-19, regulators will take that into consideration in deciding how to respond to asset quality issues that arise as a result.

Pat Rohan is a Managing Director on FinPro's Regulatory Team. Prior to joining FinPro, Pat had a 32-year career with the FDIC that included six years as the Regional Director (Division of Supervision) for the Boston Region. He earned a juris doctor degree from Loyola University School of Law and is also a graduate of the Stonier Graduate School of Banking. Pat holds a license to practice law in the State of Illinois.

The Bank Exam Prep Center is provided by the Coalition of Bankers Associations to help member banks prepare for upcoming examinations. We ask every bank to complete our anonymous Post Exam Survey after each examination so we can help bankers identify hot topics and exam trends, and regulators resolve inconsistent application of exam practices from agency to agency and region to region. For more information, go to allbankers.org.

KBA Leadership Back on the Road Again ...

By Mary Taylor, KBA SVP-Communications & Marketing

Farmers State Bank, Phillipsburg

Farmers and Merchants Bank, Cawker City

Farmers Bank & Trust, Colby

2021 No-Ties Tour

After what seemed an eternity, the KBA leadership team finally hit the road to visit Kansas bankers in their hometowns this summer. Due to the COVID-19 pandemic restrictions, staff relied on phone calls and Zoom meetings to connect with bankers working tirelessly amid such an unusual 2020. While these forms of communication suffice, there are absolutely no better conversations than those had between the walls of Kansas community banks.

What we discovered in these discussions reinforced the depth of the dedication our bankers have for their communities. During the height of the pandemic, many not only dealt with their own personal pandemic-related struggles but were also the backbone of their communities, graciously helping each and every customer who called or visited their bank. From lobby closures to reduced staff to the challenging Paycheck Protection Program, our Kansas bankers were truly fighting the front lines, and we are grateful to call them our friends and family.

We have enjoyed the amazing beauty of our great state as we have collectively traveled thousands of miles. Thank you, Kansas bankers, for your strength, dedication and unwavering commitment to your customers and communities. Our travels are not yet complete, so stay tuned for more in the next issue of *The Kansas Banker.*

Solutions North Bank, Stockton


Golden Belt Bank, Hays

First National Bank, Dighton

Centera Bank, Sublette

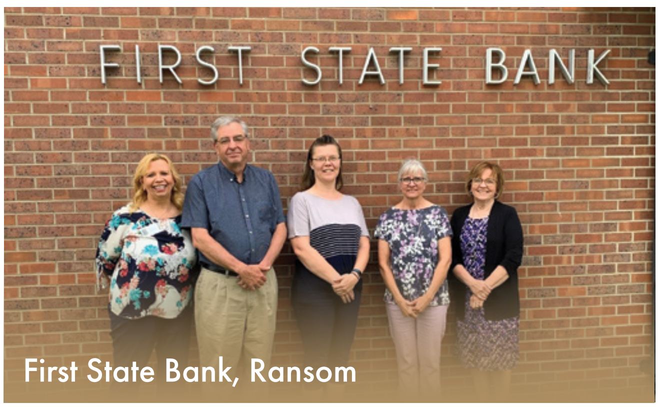
Valley State Bank, Syracuse

The Bank, Oberlin

Bank of Protection, Protection

Fusion Bank, Larned


Leonard Wolfe, Chairman & CEO of United Bank & Trust highlights the Pony Express Memorial located in Marysville to KBA Chairman Johnathon Johnson



First State Bank, Ransom


Peoples Bank, Coldwater

First State Bank, Norton

BankWest Of Kansas, Goodland

Ford County State Bank, Spearville


Community National Bank, Seneca

First National Bank, Cimarron

First National Bank, Scott City


Bison State Bank, Bison

First State Bank, Ness City

Fidelity State Bank & Trust Co., Dodge City

Bennington State Bank, Salina

Citizens State Bank, Hugoton

Fowler State Bank, Fowler

Western State Bank, Garden City

Southwind Bank, Russell

Johnson State Bank, Johnson

First State Bank, Healy


First National Bank & Trust, Phillipsburg

Farmers & Merchants Bank, Colby

First Bank Kansas, Salina

The Bank of Tescott, Tescott

Bank of Hays, Hays

Farmers State Bank, Bucklin

Kearny County Bank, Lakin

First National Bank, Spearville

Grant County Bank, Ulysses

First National Bank, Johnson

Farmers National Bank, Phillipsburg

2021 **BLOK Training Resumes**

After being sidelined by the COVID-19 pandemic in 2020, members of the BLOK Class picked up right where they left off with a successful Session II in Wichita July 14-16. The 20-member class was welcomed by a panel discussion featuring 2013 KBA Chairman Frank Carson (Chairman, Carson Bank, Mulvane) and 2010 KBA Chairman Jeannette Richardson (Vice Chairman, Prairie Bank of Kansas, Hutchinson). They shared their insights on leadership in their banks and communities, what led them to serve on the KBA Board of Directors, and their take on banking industry trends. After the first day of training, the class members were treated to a hospitality reception to reconnect after the 17-month hiatus since the first session in February 2020.

The following day began bright and early with an engaging leadership training session facilitated by Ted Garnett, President of PS Culture Matters. Garnett encouraged participants to evaluate their respective banks' mission statements. He stressed that all banks should value their customers; therefore, each bank must identify and communicate what differentiates them in the marketplace. Garnett gave compelling examples of the power of setting lofty goals. To gain practical experience, he challenged BLOK class members to set two lofty, five-to-seven-year goals and commit them to someone who matters, both personally and professionally. Garnett also taught participants conceptual tools to improve leadership skills within their bank teams to get results. Through hands-on group exercises, the class learned that the number one leadership skill is listening, and the number one group skill is consensus.

The class was assigned a book report project based on Leadership and Self-Deception written by The Arbinger Institute. Each individual was to read the book, implement a tool taught in the reading and report back at Session IV the lesson learned and how it impacted their personal and professional relationships.

Members of the 2021 BLOK class are:

Chris Bartlett
First National Bank of Kansas, Waverly

Lance Caldwell
IntraFi Network, Overland Park

Heather Campbell
KCoe Isom, LLP, Wichita

Ed Dewey
GNBank, NA, Bucklin

Andrew Ellner
Country Club Bank, Olathe

Tricia Fowler
Heartland Tri-State Bank, Arlington

Lacey Frehe
United Bank & Trust, Seneca

Alex Jones
Bank of Commerce, Neodesha

Denise Kissinger
INTRUST Bank, N.A., Lawrence

Christopher Kuckelman
Exchange Bank & Trust, Lansing

Jim Metz
Citizens State Bank & Trust Co., Lincoln

David Moore
Central National Bank, Lawrence

Kaylene Plummer
Farmers State Bank, Westmoreland

Brian Schwarz
First Bank Kansas, Salina

Jeff Steiner
FHLBank Topeka, Topeka

Grady Trumble
Legacy Bank, Wichita

Kelly VanZwoll
Kansas Bankers Association, Topeka

Brian Whitesell
Landmark National Bank, Manhattan

Blake Yakel
Equity Bank, Wichita

Aaron Zadina
Centera Bank, Greensburg

Thank you to our 2021 BLOK Sponsors:
Bankers' Bank of Kansas, CalTech, Central States Capital Markets, LLC, FHLBank Topeka, IntraFi Network, INTRUST Bank, N.A., KBA Insurance, Inc., Professional Bank Consultants, LLC.

Jeannette Richardson (center: Prairie Bank of Kansas, Hutchinson) and Frank Carson, III (right; Carson Bank, Mulvane) share leadership lessons with the BLOK Class during a panel moderated by KBA SVP-Government Relations Alex Orel (left).

Brian Schwarz (First Bank Kansas, Salina), Andrew Ellner (Country Club Bank, Olathe), and Kaylene Plummer (Farmers State Bank, Westmoreland) confer on a group exercise emphasizing the barriers that come with working in professional teams.

Lacey Frehe (United Bank & Trust, Seneca), Chris Bartlett (First National Bank of Kansas, Waverly), Chris Kuckelman (Exchange Bank & Trust, Lansing), and Brian Schwarz (First Bank Kansas, Salina) strategize during a group activity.

Ted Garnett facilitates a group activity teaching the importance of peer-to-peer accountability.

Lance Caldwell (IntraFi Network, Overland Park), Heather Campbell (KCoe Isom, Wichita), Blake Yakel (Equity Bank, Wichita), and David Moore (Central National Bank, Lawrence) learn to communicate a vision.

The BLOK Class discusses the importance of both having mentors and being a mentor.

Ed Dewey (GNBank, N.A., Bucklin) learns to trust his classmates during an exercise. Surrounding him are Denise Kissinger (INTRUST Bank, N.A., Lawrence), Jeff Steiner (FHLBank Topeka, Topeka), Jim Metz (Citizens State Bank & Trust Co., Lincoln), and Aaron Zadina (Centera Bank, Greensburg).

Kevin Bomhoff with the Kansas Leadership Center emphasizes that leadership is a role that anyone within the bank can take on.

take a closer look

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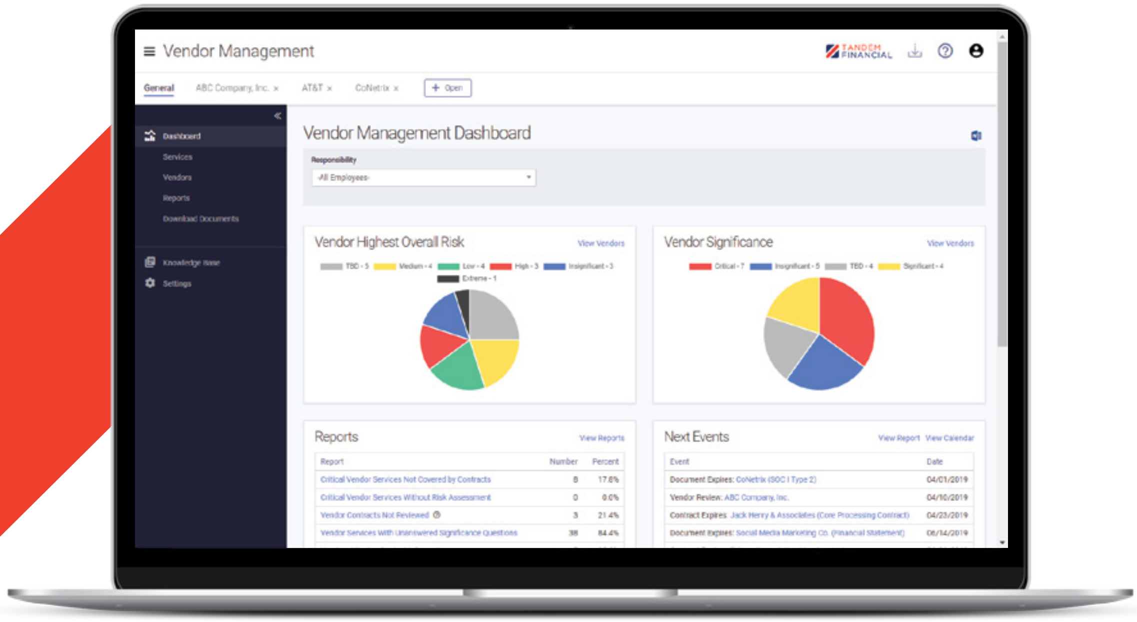

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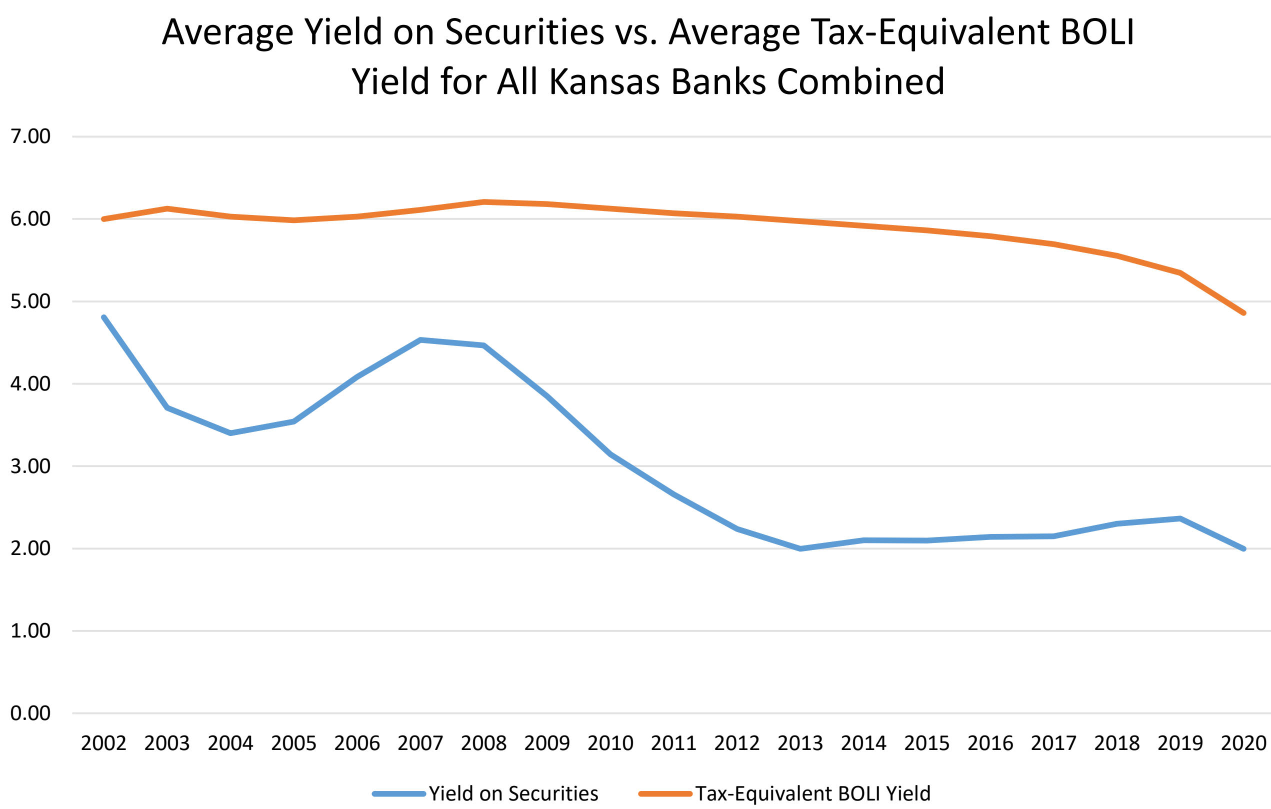

Tax-equivalent BOLI yield assumes a 28% tax rate and past performance on an actual BOLI policy on a 40-year-old male. Yield on securities calculated using the average yield on debts and securities for all Kansas banks combined.

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Five Ways Kansas Banks Can Better Handle Day-To-Day Employee Matters

By Josh Heck, Marketing Manager, Syndeo

Like most business leaders, you or another member of your leadership team has had to deal with issues involving employees.

It could be someone not following your organization's dress code. Perhaps one of your employees is habitually late to work or is not performing job functions up to organizational expectations. Maybe it is employee insubordination. In some cases, the complication may involve a conflict between employees.

Issues like these are problematic and can certainly affect your company as a whole if left unresolved. However, addressing employee relations problems does not have to be overwhelming for leaders in your company.

The following are five tips from Syndeo, a Wichita-based outsourced human resources provider, to help Kansas banks handle matters of employee relations.

1. **Ensure managers and supervisors are appropriately trained and equipped to handle employee issues.**

   Training can be done with the help of an external third party or through internal human resources personnel. Either way, the objective is to empower managers and supervisors to handle day-to-day employee matters independently.

   Connor Cross, Director of HR for Syndeo, says training should incorporate an overview of strategies for progressive discipline, which is designed to address issues consistently and work with employees on ways to resolve them. Cross says the supervisory training should also incorporate overviews of employment laws and ways banks can avoid potential legal issues regarding how employee issues are handled.

2. **Utilize an employee handbook and clearly defined policies to give your bank a framework to set organizational expectations.**

   Implementing an employee handbook requires more than downloading a generic template. Cross says employee handbooks should be tailored to meet your organization's needs and treated as a living document that can be modified to ensure it is an accurate reflection of your bank's actual practices. A strong employee handbook will also outline the policies and procedures for your bank and ensure progressive discipline is handled consistently and employment laws are applied correctly.

   Additionally, handbooks help employees be familiar with industry-specific policies and regulations.

3. **Address employee issues in a timely manner.**

   Letting issues go unresolved for long periods can make matters worse. Do some employees have difficulty getting to work on time or dress in a manner that does not align with your bank's dress code? Cross says to address the issue and do not let employees assume the unwanted behavior is acceptable because nothing is said to address the situation.

4. **Handle matters – that do not involve gross misconduct – through coaching and level-setting expectations.**

   Be willing to demonstrate you are eager to work with your employees to resolve issues. Addressing employee relations matters does not have to be controversial.

   "It's just a conversation," Cross says. "Managers and supervisors should be clear on how the behavior is not meeting the bank's standards, what the expectations are going forward and how the manager/supervisor can help the employee meet the expectations."

That can be all it takes in many instances for a behavior correction. Having frank conversations can lead to improved supervisor-employee understanding. Cross says many employee issues can be handled through coaching before the situation gets to a point where progressive discipline is needed.

5. **Document. Document. Document.**

The importance of proper documentation cannot be understated when dealing with employee relations matters. Even the simplest of employee conversations or coaching sessions should be documented in a personnel file. Include the date and what was discussed.

Create standardized documents as a way to create uniformity throughout your bank, particularly when multiple locations are involved. Cross says standardized documentation gives managers and supervisors helpful talking points to work through with an employee. Standardized documentation can also help protect your organization and mitigate claims of wrongful termination or discrimination.

As the Heartland's leading employer services company, Syndeo partners with local business owners to help them minimize risk, improve efficiency and maximize profitability, allowing them the freedom to focus on growth and fulfilling their mission. Syndeo fulfills its mission by taking on all HR responsibilities for our clients' workforce, including employee relations, benefits, risk management and payroll. Winner of the 2020 and 2021 Best of HR Services Award through ClearlyRated for providing superior client service.

Josh Heck is Syndeo's marketing manager. He can be reached at jheck@syndeohro.com or (316) 440-9940.

BRIEFLY IN KANSAS BANKING

CBW Bank Receives Flint Factor Award

Pictured left to right: Diana Fuhrken; Amanda Nioce; Angela Langley; Suchitra Padmanabhan, CBW Bank President & CEO; and Doug Wareham, KBA President & CEO.

CBW Bank in Weir was recently presented with KBA's Flint Factor Award. This award is given to bankers/banks who go above and beyond. As a CDFI institution, CBW helped their fellow Kansas bankers by accepting PPP applications this past spring when other funding was exhausted. Thank you, CBW Bank!

ESB's Eric Porter Earns Spot On Independent Banker 40 Under 40 List

ESB Financial has announced that Eric Porter, VP Commercial Lender, has been recognized as an emerging community bank leader by Independent Banker magazine, the award-winning monthly publication of the Independent Community Bankers of America. This award recognizes up-and-coming innovators, influencers, and civic servants who represent the future of community banking.

Porter graduated from ESU in 2012 with a degree in Business Administration with a focus in Economics and Finance. He joined ESB Financial in 2017 after several years of working in community banking. He believes that community banking means offering all the services large banks offer but with a more personal connection to the client. Porter is also a member of the Young Bankers Officers of Kansas, which is for young bank professionals dedicated to improving their knowledge and understanding of the Kansas banking industry.

Olpe State Bank to Merge with Citizens State Bank of Gridley

CITIZENS STATE BANK

Olpe State Bank announced its intent to merge with Citizens State Bank of Gridley. The announcement was made by Citizens Bank President Bruce Trimble and Ople State Bank Chairman of the Board Joe Wendling. The Board of Directors of Olpe State Bank was committed to seeking a merger partner that shared their commitment to rural communities. Upon completion, the Olpe community will have the added convenience to conduct their banking business at any of Citizens State Bank's nine additional locations. Customers will continue to work with the same familiar staff at the Olpe location.

First Bank Kansas Named 2021 Top-Scoring Bank in America by Forbes

First Bank Kansas has been recognized on the Forbes list of America's Best-In-State Banks 2021, ranking number one in Kansas and the top-scoring bank overall in America. Forbes presents this distinguished award based on data produced in collaboration with the market research firm Statista.

Cooper Celebrates 70 Years in Banking

KBA President Doug Wareham joined by Jim Cooper, Chairman of Patriots Bank, and State Senator Caryn Tyson at Mr. Cooper's 70-Years in Banking Celebration held on July 1st in Garnett.

Joining Jim Cooper for his 70-year banking career celebration are members of the Cooper family. From left to right: Katelin Shane (Cooper), daughter Iris, Matthew Murray, Jill Murray, Karen Rumble, Jim Cooper, Scott Cooper, Hattie Shane, Cameron Cooper, Terri Cooper, Warren Shane, Kelsey Cooper, Carston Cooper.

Taylor Hight, President and CEO of American Bank of Baxter Springs, Nominated to State Banking Board

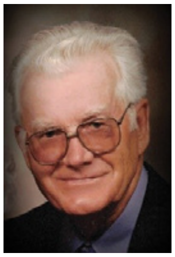
Taylor Hight, President and CEO of American Bank of Baxter Springs, was nominated to the State Banking Board. He will replace Casey Lair, President for First Neodesha Bank, who has served his full term. Born and raised in southeast Kansas, Hight completed his undergraduate and master's degrees at Pittsburg State University and earned his J.D. from Washburn University School of Law. Hight started with the bank in 2012, and he worked as an in-chamber research attorney at the Kansas Court of Appeals. Hight is an active member of the Kansas Bankers Association and has served as a KBA Employee Benefits Committee member.

Rod George Retires from BSB

The Bennington State Bank announces that Rod George, loan officer, senior vice-president, retired June 30 after 29 years of dedicated service. George began his career at BSB in 1992 as a loan officer. During his tenure, George served in several capacities in Minneapolis, Wamego and Bennington. "Rod's talents have served BSB and our customers extremely well over the years. His contributions to the bank have made an indelible impact on generations of employees and customers," stated BSB President/CEO Darren Gragg. "Words cannot express our gratitude to Rod," said BSB President Emeritus Burke Matthews.

Milan Levi Henne

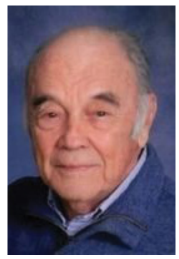
November 12, 1928 – June 27, 2021



Milan graduated from Roxbury High School in 1946. He served in the United States Marine Corps, playing French Horn in the First Marine Division Band and graduated from Kansas State University in 1953. During his banking career of 65 years, Milan served as Director and Chairman of the Board of the Roxbury State Bank, and was also a member of the KBA's 50 Year Club. He was a longstanding member of the Roxbury United Parish Church and served as treasurer, Board Chairman, and adult Sunday School teacher. Milan was also heavily involved in the community, serving on the boards of the Roxbury School, Lindsborg Community Hospital, and Dickinson County Rural Water District #2. In addition, Milan was a member of the Roxbury American Legion and read the names of veterans during Memorial Day remembrances at the Valley View Cemetery in Roxbury for many years. He married Nadine B. Ingram June 1, 1952, in Canton, KS. She preceded him in death November 22, 2015.

George Walden

December 24, 1931 – June 25, 2021



George Walden, 89, Chairman of the Board of Garden Plain State Bank, died, June 25, 2021. George was born in 1931 in Carroll, IA, to George and Helen Walden, who preceded him in death. George was a graduate of the University of Creighton and the Graduate School of Banking at the University of Wisconsin-Madison. He was the former President of the Community Bankers Association of Kansas and a former Chairman and Director of Bankers' Bank of Kansas. George was a proud veteran of the United States Navy, serving during the Korean War.

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