

## EMPLOYEE OF THE QUARTER

Congratulations, Julie Lyman, BBOK safekeeping assistant, for being selected employee of the quarter by your peers.

Many nominations for Julie echoed the following sentiment: "Julie's work ethic and values are a great inspiration to those working around and with her. She shows genuine care and concern when helping customers. She goes to great lengths to get the answers they need."



Julie is now eligible for BBOK's 2011 Employee of the Year award. Good luck, Julie!

## YOU'VE MADE THE CUT. JOIN US OCT. 3!

More than 100 Kansas community bankers are expected to attend BBOK's annual Customer Appreciation Golf Tournament this fall. We invite you to mark your calendar now to join us for 18 holes of fun and relaxation Monday, Oct. 3, at Crestview Country Club in Wichita, Kan.

INVESTMENTS

LENDING

OPERATIONS

This BBOK newsletter includes pertinent information for key bank officers. Please route to the following department heads:

BANKERS' BANK of KANSAS, N.A.  
555 N. Woodlawn, Bldg. 5 / P.O. Box 20810 / Wichita, KS 67208-6810

# THE KANSAS CORRESPONDENT

from BANKERS' BANK of KANSAS

SECOND QUARTER 2011



**BBOK Operations Team Members** Front row (l-r): Ashley Smith, electronic funds assistant; Michelle Rosas, electronic funds assistant; Ann Sathngam, AAP (accredited ACH professional), operations supervisor; Linda Miller, DDA assistant; Leota Terrill, bank reconciliation manager Back row (l-r): Krystal Midkiff, electronic funds assistant; Sharla Cook, account manager; Tracy Stewart, AAP, electronic funds assistant; Candice Jackson, AAP, electronic funds assistant; Lisa Valentine, senior vice president of operations

## A WELL-OILED MACHINE

Focused and committed are adjectives customer banks often use to describe the BBOK operations department. This knowledgeable team manages a high-volume workload with ease, keeping customers informed of regulatory changes and finding solutions to their daily needs. Operations team members are responsive, resourceful and supportive. They're BBOK's behind the scenes, "go to" problem solvers for customer banks.

### A BROAD SPECTRUM OF RESPONSIBILITIES INCLUDES:

- Servicing more than 300 customer banks
- Assisting more than 5,300 incoming calls per month
- Clearing and settling 2.4 million imaged checks per month
- Processing 11,000 wires per month
- Conducting 274 cross border payments per month across 112 countries
- Processing more than 2.8 million ACH entries per month

"The operation team's attention to customer support has helped BBOK develop KIX (Kansas Image eXchange) into the region's leading image exchange network," says BBOK Senior Vice President of Operations Lisa Valentine.

While the image exchange industry is reaching maturity, BBOK continues to experience small gains in exchange volume. The operations team continues to explore expansion with regional exchange partners to further enhance the value of the KIX network.

Maintaining BBOK's high-bar standards, the operations help desk team answers every customer call personally, finding solutions quickly. They set and monitor service expectations regularly.

"Our goal is to exceed customer expectations. We're constantly looking ahead for innovative ways to deliver BBOK services," says Valentine.

A Well-Oiled Machine, continued on page 5.

## LETTER FROM BRUCE

Summer is certainly upon us. It's the season for bankers to gather and share at the Community Bankers Association and Kansas Bankers Association annual meetings. We commend the men and women who devote their time to our industry's associations.



Barry Linnens, president of Cottonwood Valley Bank, Cedar Point, Kan., handed leadership reins over to Roger Brown, president of Citizens State Bank, Cheney, Kan., at the CBA convention in Overland Park, Kan., on July 15.

The KBA is expected to install John Lehman, president of The First National Bank of Girard, Girard, Kan., as its new chairman, taking the gavel from John Boyer, president of KANZA Bank, Kingman, Kan., at its Management Conference at the Broadmoor Hotel in Colorado Springs, Colo., on August 6.

Needless to say KBA President Chuck Stones and CBA President Shawn Mitchell represent our interests well in Topeka and Washington.

As our second quarter statement of condition details, BBOK continues to show relative strength in Earnings and Capital. We have a lot to be thankful for and believe BBOK is positioned for improvement in all meaningful categories by year end.

As we move from summer to fall we look forward to a new planning season. We anticipate exciting enhancements to ABIL Web in 2012 and the continued opportunity to serve our customers and communities.

Don't forget to block Oct. 3 on your calendar. We hope you can join us for our annual customer appreciation golf tournament and BBOK "state of the union" address.

Working diligently forward,

## BANKERS' BANK OF KANSAS, N.A. Condensed Statement of Condition

JUNE 30, 2011 (UNAUDITED)

ASSETS	
Due from Banks	6,432,756.43
Securities & Time Deposits	1,409,701.64
Net Loans	96,486,113.56
Federal Funds Sold	11,960,000.00
FRB/FHLB Bank Stock	398,050.00
Net Fixed Assets	1,853,669.39
Other Assets	6,242,240.24

**TOTAL ASSETS** 124,782,531.26

LIABILITIES	
Total Deposits	105,035,057.83
Federal Funds Purchased	0.00
FHLB Advances	1,975,000.00
Other Liabilities	898,694.95

**TOTAL LIABILITIES** 107,908,752.78

EQUITY CAPITAL	
Common Stock	750,000.00
Surplus	3,478,000.00
Undivided Profits	12,618,627.82
Net Unrealized Gain (Loss) on Securities	27,150.66

**TOTAL EQUITY CAPITAL** 16,873,778.48

**TOTAL LIABILITIES & EQUITY CAPITAL** 124,782,531.26

Securities in Safekeeping	4,835,223,118.53
Agent Federal Funds/ EBA Balances	530,057,000.00
Loans Sold	197,414,624.60

**TOTAL FUNDS UNDER MANAGEMENT** 5,687,477,274.39

YTD Statement of Income	June 2011	June 2010
Net Interest Income	2,586,121.78	2,609,536.53
Other Income	3,369,845.35	3,255,322.76
Other Expense	4,386,715.66	4,341,045.05
Net Operating Income	1,569,251.47	1,523,814.24
Provision For Loan Losses	750,000.00	925,000.00
Provision For Taxes	291,173.69	210,076.58
Net Income After Provisions	528,077.78	388,737.66

Capital Ratios	BBOK	Well Capitalized Per Reg F
Total Risk-Based Capital Ratio	16.73%	>10.00%
Tier 1 Risk-Based Capital Ratio	15.46%	>6.00%
Leverage Ratio	13.41%	>5.00%
Past Due & Non-Accrual Loans to Total Loans	4.97%	

## USDA LOAN: A WIN-WIN DEAL

The Conservation Reserve Program (CRP), first enacted in the 1980s, was established to help reduce soil erosion, improve water quality and increase wildlife habitat. The program encourages farmers to convert highly erodible cropland or other highly environmentally sensitive acreage to vegetative cover with native grasses, wildflowers and trees.

As new CRP contract renewal requirements begin to take effect, Sharp Bros. Seed Company (SBSC) of Healy, Kan., knows it needs to be prepared to meet an increase in demand for grass and wildflower seed. This increase will require an expansion of SBSC's borrowing needs for the next several years.

SBSC's community banker, George von Leonrod, vice president at First National Bank in Dighton, Kan., contacted BBOK Vice President Tim Binns to discuss the expanded credit needs of SBSC. A meeting with BBOK resulted in First National Bank and SBSC completing an application for a USDA-guaranteed term loan. The loan was processed by BBOK. Approval for the loan was received in June and the loan is expected to close by the end of July.

"Sharp Bros. is a significant employer in the area and will supply a major portion of the CRP seed for Kansas and the surrounding states. With BBOK's assistance, we were able to meet the needs of our customer," says von Leonrod.



*Pictured left to right: Tyler Sharp and Daniel Sharp, Sharp Bros. Seed, Tim Binns, BBOK, and Brandon Prough, USDA.*

"We enjoy working with community banks and using government loan programs to create win-win situations for the bank and the borrower," says Binns.

The USDA's rural development loan program guarantees loans up to \$10 million. Its purpose is to strengthen existing private credit structure by guaranteeing quality loans that improve the economic climate of rural areas and create lasting benefits.

*For more information about the USDA's rural development loan program, contact your BBOK calling officer at 800.999.5725.*

## MUNICIPAL MARKET AT A GLANCE

*By Jerry Welsch, FBBS Senior Vice President of Municipal Bond Trading and Underwriting*

As we enter the second half of 2011 a few things are readily apparent: 1) The dire predictions of a rash of defaults have failed to materialize. Actually, the budgets of many state and local governments have improved this year as tax receipts have increased and some of the tough budgetary decisions have been made. California, the state that has become the poster child for what was wrong in the municipal market, just recently moved from negative to stable by Standard & Poor's, 2) With interest rates falling since early February 2011, and with supply severely muted, the municipal market as measured by total return just finished the second quarter with its best gains since 1992, and 3) In what has become a rather large taxable municipal market, spreads have decreased dramatically over the past six months as new supply has all but disappeared, but more importantly, the perceived risk in the municipal market has become much less. With rates falling most of the first half of 2011, and with spreads narrowing, bank portfolios have gotten quite a boost so far this year.

The municipal market is very different than it was three or four years ago. Then, the monoline bond insurers insured 50 to 60 percent of all new issues each and every year. What that meant was the bond insurers that handed out AAA ratings extracted insurance premiums from the market, taking, in effect, yield away from the investors. With municipal insurance companies unable to secure a AAA rating, many more issues now come to market on their own merit, putting yield into the investor's pocket. The market has become very diverse, with many different ratings on new issues and the perceived risk associated with different states. Buyers of municipal bonds must constantly try to balance the reach for

yield with the amount of risk they are willing to take. With the downfall of the monoline insurance companies, the diversity in the municipal market has not been this high in many years.

Opportunities in the municipal market to increase yield without increasing risk dramatically abound. I like to say how every bond has a story to tell and bonds from what are considered high yielding states (Calif., Ariz., Nev., Mich., Ill., etc.) are all around and get dragged down because of the state they are issued in. I can tell you not all are bad. Some in fact are very good and yield far more than they should. The word *opportunity* comes to mind.

Going forward in the municipal world, and given recent proposals by regulators, I would advise buying general obligation bonds and revenue bonds that are considered essential service, such as revenue bonds for water and sewer, other utilities and schools. If you have not begun to buy taxable munis, it's important to note that they have a lower default risk than corporate bonds, yet they yield more. At the present time, tax-free yields are at record highs in relation to treasury securities. In this world of historically low taxable rates, municipal bonds, both tax-free and taxable, may be the answer to increasing the yield on your bond portfolio.

First Bankers' Banc Securities hopes to soon offer you a service that will meet recent regulatory requirements regarding the analysis of your municipal portfolio. *In the meantime, please contact Greg Bernard, Michael Lauth, Eric Seifert or Jay Wombolt at 866.530.2846, or call your BBOK calling officer for assistance in this vibrant and ever-changing market.*

**WE LIKE WHAT WE DO.**

Employee stability is critical to supporting community banks with solid expertise. We're proud to celebrate our January-June BOK employee anniversaries and appreciate what the collective tenure of these team members means to our 293 customer banks.

**BOK EMPLOYEE ANNIVERSARIES  
JAN.-JUNE 2011**

EMPLOYEE NAME	YEARS OF SERVICE
Mike Ray	19
Cheryl Warashina	18
Jay Olsen	15
Bruce Schriefer	15
Chris Gilbert	13
Calvin Coady	13
Sharla Cook	13
Ann Sathngam	12
Linda Watson	12
Cathy Gaines	11
Craig Ellis	9
Dennis Willey	6
Joy Holden	6
Shasta Jenkins	6
Brent Beckman	6
Lisa Isham	6
Stacy Thomison	5
Karen Trammell	4
Amanda Lowry	4
Christy Simonsen	4
Jeanne Dailey	3
Karen Schultz	3
Ashley Smith	3
Linda Miller	3
Jennifer Edens	2
Sandy Huxman	2
<b>Total Years of Service</b>	<b>213</b>



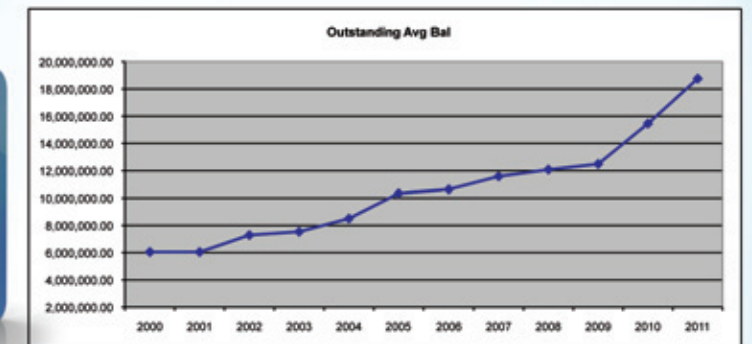
A Well-Oiled Machine, continued from page 1.

Part of that support includes current programming updates to ABIL Web for a new wires format scheduled for release in November. (Watch for more information.)

No matter your bank's need, BOK operations staff members are ready to help. You can rely on them to help you keep your bank's day-to-day operations running like a well-oiled machine.

"We have a responsibility to understand and remain current with changes in the industry. We make every effort to be leaders in this area," says Valentine.

**BANKS INCREASINGLY TURN TO BOK FOR CREDIT CARD SERVICES**



BOK's credit card program is experiencing significant growth. Our portfolio's outstanding balance has increased \$3 million since this time last year. With news reports saying consumers are spending less you may be wondering what is causing the growth? BOK Vice President of Bank Card Services Christy Simonsen says multiple factors contribute:

- **Economy**—In contrast to many other credit card providers, our delinquencies and charge-offs remain low. BOK's average delinquency rate is 1.34 percent, well below the national average of 3.89 percent. This allows us to continue our focus on service and growth.
- **Confidence/Personal Services**—Customers prefer to work with their community bank for the personal service and assistance they've come to appreciate. They feel more confident knowing their needs are met by a neighborhood banker they trust.
- **Cost-effective Resource**—Many banks are selling their existing card portfolio to BOK to utilize our extensive resources and expertise. This allows the bank to focus on their core banking products and services while BOK serves as a "back office." When BOK buys a portfolio, the selling bank is able to retain all information about their customers and there is always the option to repurchase the accounts in the future if needs change.
- **Better Solutions/Competitive Terms**—
  - ▲ A low, competitive rate
  - ▲ No fee on a balance transfer—available when you need it, not just during a promotion
  - ▲ No risk-based rate increases—BOK never increases your rate because of credit score or payment history
  - ▲ No annual fee on consumer cards
  - ▲ Free ScoreCard® Rewards on Platinum accounts

Simonsen adds, "We're seeing an increase simply because banks and their customers like our product and we support it with personal customer service."

For more information about bank card services, call your BOK calling officer, or contact Christy Simonsen at 800.675.6284 or csimonsen@bbok.com.

**OUR GROWTH CONTINUES. BOK'S CREDIT CARD PORTFOLIO OUTSTANDING BALANCE HIT A NEW RECORD HIGH!**

**\$18,761,179.12**

(JULY 5, 2011)