

THIRD
QUARTER
2017



THE KANSAS CORRESPONDENT

BANKERS' BANK OF KANSAS

NEW OPPORTUNITIES FOR CREDIT CARD GROWTH

The introduction of an enhanced credit card platform has resulted in more sales opportunities for banks that offer BBOK Bank Card programs. All BBOK cardholders – consumer and business – were converted to Base2000 this summer. The customer banks noticing the biggest advantage, however, are those with commercial customers seeking multiple credit card accounts for their employees. With complete online access, company administrators can fully manage individual card settings, such as changing credit limits per card or adding new employee cards, without the assistance of Bank Card.

The new features help banks level the playing field. Recently, The Bennington State Bank, has reached out to businesses who previously declined its credit card program due to lack of internal management capabilities. Of those, several are in various stages of converting their portfolio to The Bennington State Bank.

“BBOK has always provided us credit card expertise. Now we have the technological capabilities to tailor the card offering to our customers’ needs,” says Clark Renfro, The Bennington State Bank EVP. “Our commercial customers look to us to offer competitive services, not just for loans and deposits but across all banking functions.”

Renfro says the business card program has a winning combination of rewards, progressive technology and knowledgeable customer support. He believes as his business lenders continue to look for opportunities to help their customers outside the traditional loan arena, the credit card program will grow.

“Our customers can come into our bank and find the same services they can in a bank in New York or Los Angeles, at the customer service level of a hometown bank. It puts us at an advantage that is hard to beat.”

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A LETTER FROM BBOK PRESIDENT/CEO CALVIN COADY

Challenges continue to reward us.

Our third quarter income was bolstered by a recovery of nonaccrual interest. The revenue we gained is important, but the lessons we learned are invaluable. The true bounty of this quarter is the solid growth and performance across all lines of business: commercial loans, credit cards, operational and investment services. Solid relationships with our valued stakeholders – customers, partners and employees – allows us to build opportunities amidst the challenges of our consolidating market.



Early next year you will receive our customer survey. We use the survey to measure how well our products and services meet the needs of your bank. Your answers from the 2016 survey offered constructive feedback that led to department adjustments and enhancements such as the new Bank Card platform. We look forward to hearing from you again.

Thank you for your continued support.

Happy holidays! ❁

18th Annual Bankers' Bank of Kansas Open



The golf team that took this year's bragging rights consisted of: **Chuck Wilson, Community Bank of the Midwest, Great Bend; Chuck Fellhoelter, Community Bank of the Midwest, Great Bend; Ron Carr, Conway Bank, Wichita; Mike Sikes, BBOK**

The 18th annual BBOK Customer Update and Golf Tournament was our largest turn out yet by customers and partners from around the state. A welcome from Chairman Barry Linnens was followed by updates from Calvin Coady. The overarching theme: Every decision BBOK makes is focused on shareholder-driven goals of profitability, customer service, safety and soundness.

After lunch, bankers enjoyed the golf course at Rolling Hills Country Club. We appreciate everyone who joined us for this memorable day. **To see photos, visit bbok.com.**

CHRIS GILBERT AT EPCOR

The EPCOR Payments Conference in Overland Park gathered payments professionals for three days and 20 sessions focused on the latest happenings in payments technology.

Chris Gilbert participated in a panel on Faster Payments alongside peers from Keybank, Commerce Bank and UMB Bank.



CONDENSED STATEMENT OF CONDITION

SEPTEMBER 30 • 2017

ASSETS	
Due from Banks	19,645,613.83
Securities & Time Deposits	8,360,528.75
Net Loans	122,371,368.86
Federal Funds Sold	9,764,000.00
FRB/FHLB Bank Stock	429,350.00
Net Fixed Assets	1,222,346.67
Other Assets	10,495,688.12
TOTAL ASSETS	172,288,896.23

LIABILITIES	
Total Deposits	130,768,957.74
Federal Funds Purchased	7,618,000.00
FHLB Advances	6,000,000.00
Other Liabilities	2,847,091.09
TOTAL LIABILITIES	147,234,048.83

EQUITY CAPITAL	
Common Stock	750,000.00
Surplus	3,478,000.00
Undivided Profits	20,833,168.31
Net Unrealized Gain (Loss) on Securities	(6,320.91)
TOTAL EQUITY CAPITAL	25,054,847.40

TOTAL LIABILITIES & EQUITY CAPITAL	172,288,896.23
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Securities in Safekeeping	6,274,239,309.73
Agent Federal Funds/EBA Balances	407,310,000.00
Loans Sold	98,059,978.00
TOTAL FUNDS UNDER MANAGEMENT	6,951,898,183.96

YTD STATEMENT OF INCOME	SEPT 2017	SEPT 2016
Net Interest Income	4,612,884.85	3,905,713.36
Other Income	6,132,764.25	5,778,324.71
Other Expense	8,146,870.14	7,810,081.98
Net Operating Income	2,598,778.96	1,873,956.09
Provision For Loan Losses	315,000.00	105,000.00
Provision For Taxes	791,320.67	611,513.13
Net Income After Provisions	1,492,458.29	1,157,442.96

CAPITAL RATIOS	BBOK	WELL CAPITALIZED PER REG F
Total Risk-Based Capital Ratio	18.66%	11.25%
Tier 1 Risk-Based Capital Ratio	17.40%	9.25%
Common Equity Tier 1 Ratio	17.40%	7.75%
Leverage Ratio	14.79%	5.00%
Past Due & Non-Accrual Loans to Total Loans	.03%	



In your honor and to express our appreciation for your business, BBOK and our employees are continuing the tradition of making a donation to

EmberHope and the Wichita Children’s Home.

Warmest wishes this holiday season and many, many thanks for a wonderful year.

From all of us at BBOK

Q&A WITH BBOK INVESTMENT CREW



Julie Lyman and **Tonya Rolo** have been serving BBOK customers for 25 years combined. They are dedicated to delivering an exceptional level of customer care. Mike Norris, BBOK vice president, recalls a recent bank visit when the customer prospect asked a specific question that required investment expertise. Mike offered to call the office and Julie was able to answer the banker's question in a matter of minutes. When the call concluded, he simply stated that he would not have been able to call his current provider and get an answer so succinctly.

While it made an incredible impression on the prospect, Julie treated the interaction as simply doing what she enjoys – providing solutions to customers. Julie and Tonya's expertise in Safekeeping and Fed Funds help BBOK customers simplify investment back office functions, operate more efficiently and perform more profitably.

Q: What benefits do banks receive by managing their funding through BBOK?

Tonya: We know our customers and how they prefer to manage their resources, which helps us make opportunities available to them quickly and easily. We are working each day to get them the best rates and also to provide them with personalized, proactive customer care. Situations change by the minute, and we pride ourselves on being detailed and organized so we can stay on top of anything our customers need throughout the day.

Q: Why should a bank use BBOK for their full suite of investments such as Safekeeping, Fed Funds, Bond Accounting, and Cash Management/Sweep?

Julie: Although some banks choose to have a single service with BBOK, the banks that get the most benefit do all through BBOK. We can provide an invisible flow for customers, and have

quick response if any issues arise during the processing day.

Tonya: We monitor our customers' position throughout the day, and when they personally want to see where they stand, their activity is accessible through ABIL. This eliminates the need to notify different institutions of daily activity.

Julie: And pledging and safekeeping changes are automatically updated on bond accounting reports.

Tonya: The more pieces we know about wiring and borrowing needs, investment preferences, etcetera, the more helpful we can be to our banks to help them streamline the process. When banks are settling their daily business, the simplicity of ABIL pays off. It is so much easier to go to one place to see their full financial picture. If they are on automatic sweep, their money moves overnight to earn interest.

Q: What kind of reporting is provided?

Julie: ABIL has lots of real-time information such as receipts, credit advices and daily balances.

Tonya: We provide a report showing evaluated upstream banks quarterly. Borrowing limit letters are provided twice a year.

Q: What is one thing you feel customers should know about the investment crew?

Julie: There is a high level of cross-training going on in our department which benefits the customer tremendously. We have seasoned employees with years of experience. We also have incredible young talent, Ashley and Jesus, who have come in and made an immediate positive impact for our customers.

Tonya: I agree with Julie. We are a cohesive unit and our staff is a wealth of information to banks in all areas of Safekeeping, Fed Funds, CDs and Bond Accounting.

BBOK PROMOTES ANN SATHNGAM

Ann Sathngam has been an efficiency seeker for BBOK since 1999. Her backend accounting system knowledge and its interconnectivity across the entire bank makes her an invaluable asset to the BBOK team. Ann was recently promoted to assistant vice president.



Ann's extensive knowledge of various data sources, such as BBOK's ABIL system and the Federal Reserve Bank, has allowed her to help develop new and innovative processes as they relate to providing account information to customers. Her accomplishments span nearly every bank department: assisting IT staff to develop a new Federal Reserve Reconciliation program, helping electronic banking modify FRB billing for a seamless transition for customers, and managing finance staff. The constant in everything she does is her dedication to the betterment of BBOK for our customers and staff.

"Ann is well respected by every department in the bank. She is a go-to for staff when operations questions arise," says Calvin Coady, BBOK President/CEO. "She proactively applies her analytical prowess to ensure a customer's financial data is accurate and readily available."

BBOK is stronger because Ann is on our team. Please join us in wishing her congratulations!

INTRODUCING CARD@ONCE FROM HARLAND CLARKE

For nearly 13 years, BBOK and Harland Clarke have worked together, sharing customer care and product innovation philosophies. Similar to BBOK, Harland Clarke dedicates time and energy developing solutions to help banks expand and grow. They continue evolving with the industry by investing in technology to help banks with governance, compliance and loan acquisition, and adding products beyond check printing.

Instant-issue cards is one such product that quickly moved from a marketing trend to expected solution for community banks. With Harland Clarke's Card@Once® solution, banks can instantly issue a secure EMV debit card to account holders. In an instant gratification world, leaving the bank with a working debit card is priceless.

The Card@Once solution features the only PCI Certified instant-issue machine on the market, compatible with internet accessible software and a bank's current debit card program. The printer is compact and easy to use with a price point considerably lower than competitors'. This cost effective solution is low-maintenance and easy to manage. Harland Clarke check customers get an added advantage with partnership credits that help off-set the investment.

Implementing the service is seamless. A Harland Clarke implementation specialist assists banks from set-up to employee training. Estimated completion is 12 weeks.

All Harland Clarke's services are backed by tenured associates with extensive experience in banking like Brandon Jameson. Jameson started his career at US Bank in Kansas City. He worked with large and small community banks. He recognizes the challenges community banks face and is motivated to be an advocate for his customers. He is diligent in learning what a bank needs and then working to find a solution. Since 2012, he has used this mindset at Harland Clarke to strengthen bank relationships across the state. "I consider myself not as a rep. from Harland Clarke to the banks, but as a rep. from the banks to Harland Clarke," says Jameson.

If you're interested in enhancing your customers' experience with Card@Once or discovering why more than 115 banks partner with Harland Clarke through BBOK, contact your BBOK calling officer at 800.999.5725 or Brandon Jameson at Harland Clarke at 316.765.1582.



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

- ☐ OPERATIONS
- ☐ LENDING
- ☐ INVESTMENTS

Do you know a college student looking to gain hands-on banking experience through a paid internship? BBOK is now taking applications for our 10-week summer 2018 internship program. Applications and a letter of endorsement from a BBOK shareholder must be submitted by **Dec. 18, 2017**. For more information, contact Peg Baldwin at 800.999.5725.