

SECOND  
QUARTER  
2020



# THE KANSAS CORRESPONDENT BANKERS' BANK OF KANSAS

## THE CREDIT CARD EVOLUTION

Numerous studies have reported a significant increase in the usage of online and mobile banking, mobile wallets and other cashless payment options due to the pandemic. With most banks and retail businesses partially or fully closed, customers either accelerated their use of online shopping or tried it for the first time, including shopping for bank products. Although the behavior shift was forced for many, consumers across all demographics report they are likely to continue using online channels for shopping and banking. Digital banking and contactless payments continue to be important factors as financial institutions focus on creating exceptional experiences for their customers.

BBOK's new online application platform is now fully functional. Banks have received a custom branded link to be placed on their websites. The most successful card programs display this link in a prominent position to highlight the convenience of an online application and provide information about the features and benefits of credit cards as their customers shop for

bank products online. The online application is optimized for use on any device and provides cardholders a seamless, digital experience with quicker decisions.

With our migration to contactless cards in motion, we were able to accelerate the roll-out to accommodate consumer preferences for contactless payments. Several pilot banks have started the reissuing process and all cardholders will begin receiving contactless cards starting in Q4 2020.

We are excited to announce BBOK has partnered with Trellance, who specializes in data-analytics and credit card marketing, to bring our credit card banks new marketing programs designed to acquire more cardholders and encourage increased card usage. Additional details on this new program coming soon!

***There is significant momentum happening in BBOK's Card Services, if you are not offering a community bank card, now is a perfect time to add cards to your product mix. For more information, contact Lea Gubitz at 1.800.675.6284.***

# A LETTER FROM BBOK PRESIDENT/CEO CALVIN COADY

*This past quarter has been interesting to say the least.*

Our financial results remain positive – primarily driven by PPP loan activity. The BBOK lending team and personnel from other departments processed nearly 700 loans for 36 banks totaling approximately \$44,000,000. That activity temporarily expanded our balance sheet and bolstered income. More importantly, we were able to help our customer banks with director loans and overflow, allowing bank staff to focus on solidifying customer relationships and matching demand.



The challenges of the past quarter will ripple through the economy and continue to expose weaknesses and risk. In response, we are taking a cautious financial approach, increasing ALLL provision by \$350,000 and tying that increase to loans requesting payment modifications. While we remain hopeful the economy will bounce back quickly and the stimulus is sufficient, we believe in the importance of strong reserves to prepare for adversity. We believe in maintaining our position as a trusted partner that delivers strong financial strength to Kansas community banks.

From an operating standpoint approximately 70% of our staff are working remote. Overall, our pandemic plan was well executed. We continue to address gaps when presented and make modifications where necessary. Through this time, we have also been able to complete some strategic initiatives which expedite processes, such as our automated underwriting system in the Bank Card department.

Through these challenges our budget is staying close to projection. The balance of the year remains somewhat unpredictable. One thing I can ensure is that a considerable amount of time will be spent focused on the future by:

- Investing and testing new marketing solutions for our Bank Card program.
- Processing PPP loan forgiveness.
- Preparing for the new banking future and workplace accommodations.

We truly miss visiting our bank partners in person but look forward to staying in touch with you via WebEx video conference, phone or email. I firmly believe within the challenges we face there are unlimited opportunities. Our two outstanding interns have shown that the bankers of tomorrow are eager to make their mark in our industry.

*Thank you for your continued trust in us.*

**CONDENSED STATEMENT OF CONDITION**  
**JUNE 30 • 2020**

**ASSETS**

Due from Banks	15,417,631.49
Securities & Time Deposits	2,748,239.53
Net Loans	156,967,528.53
Federal Funds Sold	36,536,000.00
FRB/FHLB Bank Stock	703,350.00
Net Fixed Assets	1,077,314.44
Other Assets	8,723,782.11
<b>TOTAL ASSETS</b>	<b>222,173,846.10</b>

**LIABILITIES**

Total Deposits	182,815,569.93
Federal Funds Purchased	0.00
FHLB Advances	7,000,000.00
Other Liabilities	3,692,882.90
<b>TOTAL LIABILITIES</b>	<b>193,508,452.83</b>

**EQUITY CAPITAL**

Common Stock	750,000.00
Surplus	3,478,000.00
Undivided Profits	24,437,153.54
Net Unrealized Gain (Loss) on Securities	239.73
<b>TOTAL EQUITY CAPITAL</b>	<b>28,665,393.27</b>

**TOTAL LIABILITIES  
& EQUITY CAPITAL**

Securities in Safekeeping	7,588,427,999.00
Agent Federal Funds/EBA Balances	1,302,578,000.00
Loans Sold	138,160,291.39

**TOTAL FUNDS  
UNDER MANAGEMENT**

9,251,340,136.49

**YTD STATEMENT OF INCOME**

	<b>JUN 2020</b>	<b>JUN 2019</b>
Net Interest Income	2,739,767.93	3,143,380.07
Other Income	4,936,992.55	4,011,111.67
Other Expense	5,867,251.28	5,685,811.89
Net Operating Income	1,809,509.20	1,468,679.85
Provision For Loan Losses	585,000.00	210,000.00
Provision For Taxes	276,195.91	300,916.06
Net Income After Provisions	948,313.28	957,763.79

**CAPITAL RATIOS**

	<b>BBOK</b>	<b>WELL CAPITALIZED PER REG F</b>
Total Risk-Based Capital Ratio	17.37%	12.50%
Tier 1 Risk-Based Capital Ratio	16.11%	10.50%
Common Equity Tier 1 Ratio	16.11%	9.00%
Leverage Ratio	14.51%	5.00%
Past Due & Non-Accrual Loans to Total Loans	0.0543%	

**UNAUDITED BOOK VALUE**

\$1,325.63

Visit [bbok.com](http://bbok.com)



# MEASURING SATISFACTION

The biennial customer satisfaction survey continues to help BBOK understand how our bank partners perceive their correspondent relationship. 28% of BBOK customer banks responded to the survey. 94% of respondents said they were satisfied or very satisfied with BBOK as their correspondent partner.

We utilize the feedback to review current processes and adjust where necessary to maintain high satisfaction levels in all departments. Your time participating in the survey and thoughtful insight are much appreciated. **Thank you for being a customer.**



# PANDEMIC TEACHES VALUABLE LESSONS TO STUDENTS



**Brady Rockers and Reece Kay**

For college students throughout the country, an internship during the coronavirus pandemic has become a crash course in adaptability. While many companies chose to cancel their program or move to an online environment, BBOK strongly believed an in-office bank exposure program was still the best way for interns to develop and learn about bank operations.

In June, Brady Rockers, a finance senior from KU, and Reece Kay, a business management senior from WSU, began their internship at BBOK. Both were born into banker families, had previous bank experience and were interested in gaining a deeper understanding of the different areas in a bank to help them decide their career path.

“We felt it was important to give the students as close as possible the internship we promised them when they were hired in January,” says Peg Baldwin, BBOK senior vice president and internship program lead. “With 70% of BBOK’s workforce working remotely at least part of the week, it has been somewhat of a challenge to maintain the high standard we have set for the program. Right now, the most valuable lesson we are demonstrating each day is that bank employees are flexible and willing to do whatever it takes to maintain customer care regardless of environmental obstacles. We truly believe this year’s program is an accurate reflection of what the workplace of the future is going to look like.”

Brady and Reece are spending six weeks at BBOK, participating in the internal workings of a correspondent bank. They have witnessed traditional day-to-day activities alongside the adapted normal – team meetings with everyone in their office communicating through WebEx instead of in person, training in the conference room to allow for six feet distancing while sharing a screen, calling customers versus in-branch visits.

With their college careers ending soon, Brady and Reece say they would like to pursue a career in banking and hope to establish themselves in a small Kansas community. However, keeping their options open in terms of career path remains important during the job hunt, both say, “we know lots of recent graduates still looking for work. It is a tough market so we must remain flexible or else we risk getting stuck. Who knows what it will look like for us when we graduate but we know this internship at BBOK has given us a great opportunity to witness how, as an employee, we can adapt quickly and remain highly productive in the midst of the pandemic. That experience is invaluable.”

*Have you considered creating an internship program but struggled with where to start? BBOK believes in the value of exposing young adults to the many opportunities banking provides for a fulfilling career. We are happy to share our internship model with you. Contact Peg Baldwin at 1.800.999.5725.*



## ON-DEMAND LENDING SUPPORT

This spring the Paycheck Protection Program taxed resources in banks throughout the country and in Kansas. With limited funds available, banks acted swiftly to assist their customers – researching program specifics, educating customers on eligibility, reallocating staff, working additional hours, and utilizing their trusted partner relationships to process as many loans as possible in a short time frame.

Acting as an ancillary lending department for 36 Kansas banks, BBOK led the application processing and approval, creating the notes and providing all the documentation to banks for final signatures. Instead of spending hours on the application process, partnering with BBOK allowed bank lenders to spend time with their customers to help the business navigate the financial implications of the shutdown.

Working as a team, BBOK and the banks helped nearly 700 customers obtain government assistance during an eight-week period.

As businesses resume activity, BBOK is now guiding banks and borrowers through the loan forgiveness process in hopes that most loans will be 100% forgiven.

*If you or your bank have questions about the PPP forgiveness process, please contact Tim Binns at 1.800.999.5725.*



# GO DIGITAL

and be the first to get news from BBOK.

## SIGNUP TODAY AT

[bbok.com/news-updates/](https://bbok.com/news-updates/)



# BANKERS' BANK — OF KANSAS —

555 N. Woodlawn, Building 5 | P.O. Box 20810 | Wichita, KS 67208

316.681.2265 | 1.800.999.5725 | fax 316.681.0127

[www.BBOK.com](http://www.BBOK.com) | *Member FDIC*

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

- OPERATIONS
- LENDING
- INVESTMENTS
- COMPLIANCE