

To: House Financial Institutions Committee

From: Shawn Mitchell, President and Chief Executive Officer
Community Bankers Association of Kansas

Date: January 20, 2015

RE: Current state of financial institutions in Kansas

Chairman DeGraaf and Members of the House Financial Institutions Committee,

Thank you for the opportunity to appear before the committee today and provide you with a brief idea of whom the Community Bankers Association of Kansas (CBA) represents as well as our perspective on the current state of financial institutions in Kansas. My name is Shawn Mitchell and I am President and Chief Executive Officer of the CBA. As a community banker for more than 15 years, before joining the CBA 6 years ago, I've seen firsthand the important role local banks play throughout Kansas. Our business depends on building and maintaining personal relationships with our customers, supporting other small businesses that in turn provide jobs, services and help our communities prosper. Whether it's donating toward Little League uniforms or cooking hamburgers at community events, community banks are continually involved in improving the day-to-day life of every member of their local community. We believe passionately in the vital importance of our community banks in Kansas. CBA is a statewide organization of locally owned and operated banks intent on preserving local credit for local development. CBA member banks are as diverse as Kansas itself, as varied as the economies and the aspirations of the communities we serve.

Community bankers maintain that customers and communities are best served by local investment of deposit dollars, local lending decisions and local ownership of financial institutions. Community banks play a significant role in local economic development efforts, stimulating the economy to produce jobs and new opportunities. As a group, community banks are the primary lenders to agriculture, small business, individuals and families.

All financial institutions around the country have been subject to greater scrutiny, criticism, and *substantial government intervention* in the past few years due to the Wall Street mega banks creating an environment where their employees were incented to take on substantial

risk to increase profits for the firm and then rewarded for their risky actions. Community banks differ from that philosophy in that we incent our staffs to minimize risk and maximize community development. Our common philosophy is clear, if our local community flourishes, then we shall also. We support many of the federal activities to promote financial institution stability. The continued dishonest practices and total disregard of sound banking principles by the Wall Street mega-banks have unfortunately created a regulatory environment that is not just punishing them it is significantly harming community banks. The mega-banks simply hire more attorneys and accountants to handle new regulation while our local community banks, who do not have the luxury of doing so, struggle to keep up with the ever increasing burdens. However, our Kansas community banks are strong and resilient, refusing to let Wall Street ruin Main Street!

To assist in giving you a little perspective on the state of banking in Kansas I have provided a copy of our "Kansas Banking Report" with YTD December 31st data for all Kansas commercial & savings institutions for the past 20 years (1993 to 2013). This demonstrates how our Kansas community banks have been performing.

Kansas community banks, whether located in small towns, suburbs, or big city neighborhoods, create growth in our towns and cities by funding small business and using local dollars to help families purchase a home, finance college and build financial security. Retaining and refocusing local deposits allows community banks to focus attention on the needs of local families, businesses and farmers. Working with our neighbors and serving as community partners has allowed community banks to remain relatively un-affected by the global financial turmoil.

Thank you for your time and attentiveness. I would be happy to stand for questions at the appropriate time.



Community Bankers
Association of Kansas

Kansas Banking Report

Kansas Banking Benchmarks -- All Kansas Commercial & Savings Institutions

	12/31/2013	12/31/2012	12/31/2011	12/31/2010	12/31/2009	12/31/2008	12/31/2007
	\$ in 000's	\$ in 000's	\$ in 000's	\$ in 000's	\$ in 000's	\$ in 000's	\$ in 000's
Kansas Banking Indicators	Total (Sum)	Total (Sum)	Total (Sum)	Total (Sum)	Total (Sum)	Total (Sum)	Total (Sum)
Number of Institutions	290	300	318	326	339	348	357
Number of Employees	14,672	15,388	14,957	15,399	15,543	16,160	16,788
Total Assets	\$63,305,300	\$63,566,330	\$61,920,016	\$62,961,623	\$62,319,086	\$62,981,198	\$62,602,440
Total Deposits	\$48,871,440	\$48,930,451	\$47,051,181	\$48,083,244	\$47,534,754	\$46,689,064	\$46,579,742
Net Loans & Leases	\$35,557,307	\$34,507,922	\$33,327,678	\$35,278,975	\$37,611,505	\$40,843,669	\$40,751,908
Net Interest Income	\$1,760,759	\$1,796,053	\$1,811,520	\$1,844,441	\$1,939,003	\$2,016,532	\$1,994,300
Total noninterest income	\$676,273	\$791,157	\$604,009	\$755,902	\$668,077	\$636,480	\$687,160
Net Income (Year-to-date)	\$660,560	\$534,446	\$447,411	\$306,744	\$147,313	\$437,528	\$679,160
Total Equity Capital	\$7,329,276	\$7,408,346	\$7,242,138	\$7,057,004	\$6,220,587	\$6,234,960	\$6,287,306

	%	%	%	%	%	%	%
Kansas Banking Performance Ratios							
Unprofitable Institutions	5.52%	5.33%	8.49%	15.95%	19.17%	15.80%	5.04%
Institutions with earnings gains	46.90%	60.67%	67.30%	58.59%	34.51%	46.55%	62.18%
Net Interest Margin	3.05%	3.16%	3.23%	3.14%	3.41%	3.55%	3.57%
Return on Assets	1.06%	0.87%	0.74%	0.48%	0.24%	0.71%	1.13%
Return on Equity	9.07%	7.35%	6.33%	4.62%	2.38%	7.16%	11.22%
Net charge-offs to loans	0.21%	0.50%	0.67%	1.27%	1.36%	0.76%	0.23%
Efficiency ratio	70.24%	68.82%	70.52%	68.03%	65.60%	62.70%	62.69%
Loss allowance to loans	1.47%	1.68%	1.81%	1.97%	1.81%	1.34%	1.10%
Noncurrent loans to loans	1.28%	1.79%	2.23%	3.58%	3.33%	2.07%	1.22%
Net loans and leases to deposits	72.76%	70.52%	70.83%	73.37%	79.12%	87.48%	87.49%
Equity Capital to assets	11.58%	11.65%	11.70%	11.21%	9.98%	9.90%	10.04%

Kansas Banking Benchmarks -- All Kansas Commercial & Savings Institutions

	12/31/2013	12/31/2012	12/31/2011	12/31/2010	12/31/2009	12/31/2008	12/31/2007
	\$ in 000's	\$ in 000's	\$ in 000's	\$ in 000's	\$ in 000's	\$ in 000's	\$ in 000's
Kansas Lending Indicators	Total (Sum)	Total (Sum)	Total (Sum)	Total (Sum)	Total (Sum)	Total (Sum)	Total (Sum)
Net Loans & Leases	\$35,557,307	\$34,507,922	\$33,327,678	\$35,278,975	\$37,611,505	\$40,843,669	\$40,751,908
All real estate loans	\$24,846,738	\$24,262,156	\$23,331,636	\$24,815,177	\$26,587,593	\$28,321,981	\$28,112,548
Construction and land development	\$1,461,610	\$1,445,251	\$1,692,076	\$2,682,012	\$3,799,303	\$5,611,765	\$6,294,089
Commercial real estate	\$7,071,457	\$6,856,774	\$6,606,545	\$7,189,234	\$7,426,839	\$7,375,112	\$7,143,479
1-4 family residential	\$12,480,394	\$12,373,790	\$11,683,005	\$11,581,665	\$12,132,242	\$12,176,131	\$11,738,853
Farm loans	\$3,186,167	\$3,002,612	\$2,889,325	\$2,870,382	\$2,844,285	\$2,928,898	\$2,966,404
Commercial & industrial loans	\$5,469,708	\$5,280,721	\$5,186,103	\$5,610,430	\$5,821,773	\$6,786,909	\$6,711,765
Loans to individuals	\$1,693,926	\$1,685,382	\$1,704,887	\$1,822,103	\$2,177,356	\$2,269,772	\$2,427,429



Community Bankers
Association of Kansas

Kansas Banking Report

Kansas Banking Benchmarks -- All Kansas Commercial & Savings Institutions

	12/31/2006	12/31/2005	12/31/2004	12/31/2003	12/31/2002	12/31/2001	12/31/2000
	\$ in 000's	\$ in 000's	\$ in 000's	\$ in 000's	\$ in 000's	\$ in 000's	\$ in 000's
Kansas Banking Indicators	Total (Sum)	Total (Sum)	Total (Sum)	Total (Sum)	Total (Sum)	Total (Sum)	Total (Sum)
Number of Institutions	362	371	372	380	380	390	393
Number of Employees	16,519	16,741	16,586	16,041	15,540	15,119	15,179
Total Assets	\$59,222,860	\$60,548,434	\$57,818,701	\$53,056,383	\$51,362,255	\$48,449,038	\$49,333,482
Total Deposits	\$44,003,356	\$44,513,448	\$42,418,217	\$39,327,178	\$37,625,327	\$35,862,249	\$37,064,792
Net Loans & Leases	\$37,858,774	\$38,758,702	\$35,774,070	\$31,475,541	\$30,607,746	\$30,009,805	\$31,160,458
Net Interest Income	\$1,913,941	\$1,920,908	\$1,792,427	\$1,626,205	\$1,692,992	\$1,596,344	\$1,737,011
Total noninterest income	\$610,321	\$714,314	\$624,962	\$598,001	\$506,971	\$462,331	\$458,362
Net Income (Year-to-date)	\$685,144	\$728,132	\$440,977	\$531,005	\$571,298	\$517,979	\$593,941
Total Equity Capital	\$5,825,167	\$5,833,128	\$5,570,803	\$5,274,624	\$5,280,018	\$4,936,699	\$4,933,275

	%	%	%	%	%	%	%
Kansas Banking Performance Ratios							
Unprofitable Institutions	4.14%	3.23%	5.11%	5.00%	5.00%	7.44%	4.07%
Institutions with earnings gains	62.15%	62.53%	58.87%	47.89%	58.42%	52.05%	69.21%
Net Interest Margin	3.60%	3.51%	3.42%	3.36%	3.69%	3.71%	3.93%
Return on Assets	1.20%	1.24%	0.78%	1.02%	1.16%	1.12%	1.26%
Return on Equity	12.23%	12.73%	8.00%	9.93%	11.26%	10.78%	12.48%
Net charge-offs to loans	0.13%	0.18%	0.28%	0.33%	0.35%	0.38%	0.28%
Efficiency ratio.	60.75%	59.48%	72.69%	62.84%	59.37%	58.49%	55.07%
Loss allowance to loans	1.13%	1.15%	1.21%	1.32%	1.26%	1.17%	1.20%
Noncurrent loans to loans	0.66%	0.65%	0.66%	0.89%	0.86%	0.83%	0.64%
Net loans and leases to deposits	86.04%	87.07%	84.34%	80.04%	81.35%	83.68%	84.07%
Equity Capital to assets	9.84%	9.63%	9.63%	9.94%	10.28%	10.19%	10.00%

Kansas Banking Benchmarks -- All Kansas Commercial & Savings Institutions

	12/31/2006	12/31/2005	12/31/2004	12/31/2003	12/31/2002	12/31/2001	12/31/2000
	\$ in 000's	\$ in 000's	\$ in 000's	\$ in 000's	\$ in 000's	\$ in 000's	\$ in 000's
Kansas Lending Indicators	Total (Sum)	Total (Sum)	Total (Sum)	Total (Sum)	Total (Sum)	Total (Sum)	Total (Sum)
Net Loans & Leases	\$37,858,774	\$38,758,702	\$35,774,070	\$31,475,541	\$30,607,746	\$30,009,805	\$31,160,458
All real estate loans	\$25,857,009	\$26,766,962	\$24,136,004	\$20,468,048	\$19,769,110	\$19,263,216	\$19,674,085
Construction and land development	\$5,142,967	\$4,934,904	\$3,618,789	\$2,653,592	\$2,398,125	\$2,015,974	\$2,100,751
Commercial real estate	\$6,586,251	\$7,456,692	\$7,061,544	\$5,732,567	\$5,002,594	\$4,300,494	\$4,295,815
1-4 family residential	\$11,391,221	\$11,662,756	\$10,883,416	\$9,786,388	\$10,232,809	\$11,002,395	\$11,430,191
Farm loans	\$2,856,616	\$2,763,693	\$2,743,450	\$2,570,749	\$2,598,320	\$2,691,557	\$2,607,890
Commercial & industrial loans	\$6,249,495	\$6,397,617	\$5,943,152	\$5,404,757	\$5,068,339	\$4,671,212	\$4,996,479
Loans to individuals	\$2,383,416	\$2,486,937	\$2,622,088	\$2,802,281	\$2,889,954	\$3,141,329	\$3,541,476

Kansas Banking Report

Kansas Banking Benchmarks -- All Kansas Commercial & Savings Institutions

	12/31/1999	12/31/1998	12/31/1997	12/31/1996	12/31/1995	12/31/1994	12/31/1993
	\$ in 000's	\$ in 000's	\$ in 000's	\$ in 000's	\$ in 000's	\$ in 000's	\$ in 000's
Kansas Banking Indicators	Total (Sum)	Total (Sum)	Total (Sum)	Total (Sum)	Total (Sum)	Total (Sum)	Total (Sum)
Number of Institutions	404	411	422	438	455	482	515
Number of Employees	15,060	14,843	14,463	14,239	15,285	15,906	16,018
Total Assets	\$45,045,827	\$42,359,304	\$39,592,862	\$36,404,590	\$38,967,418	\$38,292,483	\$37,622,702
Total Deposits	\$35,082,850	\$35,035,251	\$32,893,899	\$30,751,639	\$32,620,749	\$31,561,656	\$31,519,969
Net Loans & Leases	\$27,503,637	\$25,127,137	\$23,610,568	\$20,452,889	\$20,986,401	\$20,283,696	\$19,150,120
Net Interest income	\$1,585,022	\$1,521,744	\$1,418,605	\$1,301,367	\$1,364,067	\$1,361,184	\$1,359,254
Total noninterest income	\$414,089	\$387,394	\$357,207	\$351,611	\$402,928	\$355,967	\$337,810
Net Income (Year-to-date)	\$503,442	\$467,821	\$441,743	\$345,003	\$388,767	\$376,221	\$384,116
Total Equity Capital	\$4,546,942	\$4,207,222	\$3,909,700	\$3,690,130	\$3,843,341	\$3,602,043	\$3,489,974

	%	%	%	%	%	%	%
Kansas Banking Performance Ratios							
Unprofitable Institutions	2.23%	2.43%	2.13%	3.20%	2.64%	1.87%	2.33%
Institutions with earnings gains	53.47%	59.37%	71.33%	67.12%	64.84%	43.98%	48.35%
Net Interest Margin	3.94%	4.04%	4.19%	4.03%	3.92%	3.95%	4.01%
Return on Assets	1.17%	1.16%	1.21%	0.99%	1.03%	1.01%	1.04%
Return on Equity	11.38%	11.54%	12.03%	9.72%	10.49%	10.69%	11.58%
Net charge-offs to loans	0.30%	0.37%	0.33%	0.48%	0.24%	0.23%	0.46%
Efficiency ratio.	56.67%	57.28%	57.71%	63.52%	61.80%	63.83%	63.73%
Loss allowance to loans	1.28%	1.36%	1.32%	1.43%	1.58%	1.61%	1.75%
Noncurrent loans to loans	0.63%	0.70%	0.73%	0.92%	0.86%	0.88%	1.38%
Net loans and leases to deposits	78.40%	71.72%	71.78%	66.51%	64.33%	64.27%	60.76%
Equity Capital to assets	10.09%	9.93%	9.87%	10.14%	9.86%	9.41%	9.28%

Kansas Banking Benchmarks -- All Kansas Commercial & Savings Institutions

	12/31/1999	12/31/1998	12/31/1997	12/31/1996	12/31/1995	12/31/1994	12/31/1993
	\$ in 000's	\$ in 000's	\$ in 000's	\$ in 000's	\$ in 000's	\$ in 000's	\$ in 000's
Kansas Lending Indicators	Total (Sum)	Total (Sum)	Total (Sum)	Total (Sum)	Total (Sum)	Total (Sum)	Total (Sum)
Net Loans & Leases	\$27,503,637	\$25,127,137	\$23,610,568	\$20,452,889	\$20,986,401	\$20,283,696	\$19,150,120
All real estate loans	\$16,836,625	\$14,855,491	\$14,003,207	\$11,927,255	\$11,909,842	\$11,550,475	\$11,000,016
Construction and land development	\$1,659,536	\$1,227,324	\$1,016,303	\$827,953	\$792,464	\$828,618	\$618,946
Commercial real estate	\$3,621,929	\$3,016,881	\$2,736,410	\$2,378,226	\$2,405,853	\$2,348,270	\$2,248,615
1-4 family residential	\$9,906,905	\$9,082,303	\$8,901,338	\$7,474,948	\$7,382,059	\$7,082,420	\$6,917,417
Farm loans	\$2,547,956	\$2,542,960	\$2,420,678	\$2,066,812	\$2,226,290	\$2,282,743	\$2,252,367
Commercial & industrial loans	\$4,424,086	\$4,125,394	\$3,883,842	\$3,303,127	\$3,503,939	\$3,290,354	\$3,091,960
Loans to individuals	\$3,436,042	\$3,259,200	\$3,007,609	\$3,028,339	\$3,288,073	\$3,205,433	\$2,794,338