



Date: August 13, 2020

To: 2020 Special Committee on Economic Recovery

From: Alex Orel, SVP-Government Relations

Kansas Bankers Association

Re: Economic Sector Overview

Dear Madam Chair and Members of the Committee:

I am Alex Orel appearing on behalf of the Kansas Bankers Association (KBA), which was organized in 1887 and whose membership includes 99% of the 220 banks and savings & loans headquartered in Kansas. Our membership also includes 19 out-of-state commercial banks operating in Kansas. The Kansas banking industry employs more than 14,700 Kansans that provide financial services across the state. Our organizational mission statement is:

“Together we support our member banks and bankers with leadership, advocacy and education to benefit the communities and customers they serve.”

Before COVID fully hit, Kansas bankers were doing everything in their power to help their customers survive, from delaying loan payments to waiving fees. When the CARES Act passed Kansas bankers were vital players in the disbursement of the stimulus checks and the implementation of the Paycheck Protection Program (PPP). Kansas banks acted as the main facilitator between their customers and the Small Business Administration and were working around the clock to get those PPP applications submitted and processed in quick manner. In fact, Kansas ranked third in the nation with 78% of our businesses receiving enough money to cover their eligible payrolls and that was just after round one.

As I mentioned yesterday, the pandemic and resulting shutdowns and restrictions most affected our small business customers. Those who suffered the most were the small business that were not deemed “essential” while their larger competitors continued to operate or had an internet presence. In the communities that our bankers serve, there are some areas that are less impacted than others, but entertainment and hospitality continue to be very much impacted. Many of these businesses will not reopen.

At this point, there are too many factors in play to predict how long it will take our sector to recover. However, one thing is clear—the likelihood for business failure continues to rise the longer this situation persists.

The Kansas banking industry is ready, willing and able to help serve our customers through this pandemic. Because of programs like the Paycheck Protection Program, banks are well capitalized and are able to help their most vulnerable customers, but the need for long term solutions is desperately needed.

State Banking Performance Summary FDIC-Insured Institutions

	Commercial Banks Kansas September 30, 2019			Commercial Banks Kansas December 31, 2019			Commercial Banks Kansas March 31, 2020		
	All Institutions	Assets less than \$100 million	Assets greater than \$100 million	All Institutions	Assets less than \$100 million	Assets greater than \$100 million	All Institutions	Assets less than \$100 million	Assets greater than \$100 million
<i>(dollar figures in millions)</i>									
Number of institutions reporting	220	94	126	219	93	126	215	89	126
Total employees (full-time equivalent)	12,493	1,160	11,333	12,511	1,123	11,388	12,477	1,068	11,409
AGGREGATE CONDITION AND INCOME DATA									
Net income (year-to-date)	584	31	553	773	44	729	179	11	168
Total assets	63,749	4,983	58,766	65,121	5,007	60,113	66,216	4,726	61,490
Earning assets	59,247	4,648	54,600	60,685	4,661	56,024	61,719	4,425	57,294
Total loans & leases	42,227	3,025	39,202	42,604	2,962	39,643	42,970	2,810	40,161
Other real estate owned	82	13	69	85	11	74	81	11	71
Total deposits	52,056	4,141	47,915	53,472	4,192	49,281	54,324	3,950	50,373
Equity capital	7,598	651	6,947	7,620	654	6,966	7,759	614	7,145
PERFORMANCE RATIOS (YTD, %)									
Yield on earning assets	4.66	4.64	4.66	4.63	4.61	4.63	4.38	4.48	4.37
Cost of funding earning assets	1.00	0.79	1.02	0.98	0.78	1.00	0.84	0.77	0.84
Net interest margin	3.66	3.85	3.64	3.65	3.84	3.63	3.54	3.71	3.52
Noninterest income to avg. earning assets	1.11	0.72	1.15	1.12	0.75	1.15	1.12	0.45	1.18
Noninterest expense to avg. earning assets	3.05	3.18	3.04	3.07	3.22	3.06	3.02	3.03	3.01
Net charge-offs to loans & leases	0.17	0.47	0.14	0.23	0.43	0.22	0.27	-0.06	0.30
Credit-loss provision to net charge-offs	186.56	149.78	196.04	150.72	131.75	153.66	192.66	-221.51	186.35
Net operating income to average assets	1.21	0.78	1.25	1.19	0.83	1.22	1.04	0.87	1.05
Retained earnings to average equity	4.42	3.42	4.51	3.59	3.24	3.62	4.24	3.22	4.33
Pre tax return on assets	1.43	0.93	1.47	1.39	1.00	1.43	1.25	1.00	1.27
Return on assets	1.25	0.83	1.28	1.23	0.88	1.26	1.09	0.89	1.10
Return on equity	10.79	6.80	11.19	10.61	6.88	10.97	9.29	6.89	9.50
Percent of unprofitable institutions	4.55	10.64		4.57	8.60	1.59	4.19	8.99	0.79
Percent of institutions with earning gains	64.09	58.51	68.25	68.95	63.44	73.02	47.44	33.71	57.14
CONDITION RATIOS (%)									
Net loans and leases to assets	65.35	59.61	65.83	64.54	58.10	65.08	63.98	58.34	64.42
Loss allowance to:									
Loans and leases	1.35	1.80	1.31	1.34	1.77	1.31	1.40	1.87	1.37
Noncurrent loans and leases	126.13	79.31	134.54	137.23	78.18	148.50	125.94	74.71	134.79
Noncurrent loans & leases to									
total loans & leases	1.07	2.27	0.98	0.98	2.26	0.88	1.11	2.51	1.02
Nonperforming assets to assets	0.84	1.64	0.77	0.77	1.56	0.71	0.85	1.71	0.79
Core deposits to total liabilities	76.75	78.06	78.64	77.52	79.14	77.39	77.93	78.33	77.90
Equity capital to total assets	11.92	13.06	11.82	11.70	13.06	11.59	11.72	12.99	11.62
Leverage (Core capital) ratio	11.08	12.56	10.95	11.02	12.72	10.87	11.04	12.51	10.92
Total capital/risk-weighted assets-NA 2020	15.61	20.54	15.25	15.49	20.82	15.11			
Gross 1-4 family mortgages to gross assets	12.60	15.06	12.39	12.31	15.11	12.08	12.21	15.43	11.96

Source: Call Report and Thrift Financial Report
Prepared by the FDIC-Division of Insurance and Research

State Banking Performance Summary
FDIC-Insured Institutions

	Commercial Banks Kansas March 31, 2018			Commercial Banks Kansas March 31, 2019			Commercial Banks Kansas March 31, 2020		
	All Institutions	Assets less than \$100 million	Assets greater than \$100 million	All Institutions	Assets less than \$100 million	Assets greater than \$100 million	All Institutions	Assets less than \$100 million	Assets greater than \$100 million
<i>(dollar figures in millions)</i>									
Number of institutions reporting	235	108	127	224	99	125	215	89	126
Total employees (full-time equivalent)	12,065	1,368	10,897	12,086	1,231	10,855	12,477	1,068	11,409
AGGREGATE CONDITION AND INCOME DATA									
Net income (year-to-date)	172	16	157	175	13	162	179	11	168
Total assets	58,082	5,942	52,141	60,524	5,404	55,120	66,216	4,726	61,490
Earning assets	54,316	5,557	48,759	56,514	5,059	51,454	61,719	4,425	57,294
Total loans & leases	36,743	3,473	33,270	39,362	3,153	36,209	42,970	2,810	40,161
Other real estate owned	103	15	87	85	13	72	81	11	71
Total deposits	47,241	5,022	42,219	49,671	4,553	45,117	54,324	3,950	50,373
Equity capital	6,353	695	5,658	6,990	676	6,313	7,759	614	7,145
PERFORMANCE RATIOS (YTD, %)									
Yield on earning assets	4.16	4.21	4.15	4.57	4.52	4.58	4.38	4.48	4.37
Cost of funding earning assets	0.60	0.49	0.61	0.94	0.71	0.97	0.84	0.77	0.84
Net interest margin	3.56	3.72	3.54	3.63	3.82	3.61	3.54	3.71	3.52
Noninterest income to avg. earning assets	0.95	0.52	1.00	0.96	0.62	0.99	1.12	0.45	1.18
Noninterest expense to avg. earning assets	2.98	2.95	2.96	3.01	3.01	3.01	3.02	3.03	3.01
Net charge-offs to loans & leases	0.04	0.07	0.04	0.10	0.23	0.09	0.27	-0.06	0.30
Credit-loss provision to net charge-offs	438.91	159.49	487.15	393.10	156.34	447.26	192.66	-221.51	186.35
Net operating income to average assets	1.18	1.05	1.20	1.15	1.00	1.16	1.04	0.87	1.05
Retained earnings to average equity	5.64	5.09	5.70	4.30	4.92	4.23	4.24	3.22	4.33
Pre tax return on assets	1.33	1.14	1.35	1.24	1.10	1.25	1.25	1.00	1.27
Return on assets	1.19	1.05	1.21	1.16	0.99	1.18	1.09	0.89	1.10
Return on equity	10.82	8.94	11.05	10.19	8.07	10.42	9.29	6.89	9.50
Percent of unprofitable institutions	2.55	4.63	0.79	4.46	7.07	2.40	4.19	8.99	0.79
Percent of institutions with earning gains	69.36	64.81	73.23	56.70	49.49	62.40	47.44	33.71	57.14
CONDITION RATIOS (%)									
Net loans and leases to assets	62.37	57.49	62.93	64.13	57.37	64.80	63.98	58.34	64.42
Loss allowance to:									
Loans and leases	1.40	1.64	1.37	1.39	1.66	1.36	1.40	1.87	1.37
Noncurrent loans and leases	141.81	157.36	140.09	132.14	115.09	134.24	125.94	74.71	134.79
Noncurrent loans & leases to									
total loans & leases	0.99	1.04	0.98	1.05	1.44	1.02	1.11	2.51	1.02
Nonperforming assets to assets	0.80	0.87	0.80	0.82	1.08	0.80	0.85	1.71	0.79
Core deposits to total liabilities	77.39	81.55	76.92	77.33	80.21	77.05	77.93	78.33	77.90
Equity capital to total assets	10.94	11.69	10.85	11.55	12.52	11.45	11.72	12.99	11.62
Leverage (Core capital) ratio	10.65	11.84	10.51	10.98	12.38	10.84	11.04	12.51	10.92
Total capital/risk-weighted assets-NA 2020	15.59	19.62	15.19	15.65	20.36	15.26			
Gross 1-4 family mortgages to gross assets	11.85	15.08	11.49	12.12	14.81	11.86	12.21	15.43	11.96

Source: Call Report and Thrift Financial Report
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