ISSUE 1 | 2019

# UTAH BANKER

OFFICIAL PUBLICATION OF THE UTAH BANKERS ASSOCIATION


## 2019: DIFFERENT APPROACH, SAME AGENDA

The Utah Bankers Association represents fifty regional, community and industrial banks throughout Utah and is the voice for Utah's banking industry and its employees.

# UTAH BANKERS ASSOCIATION

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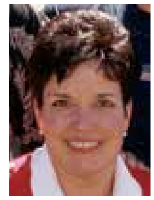
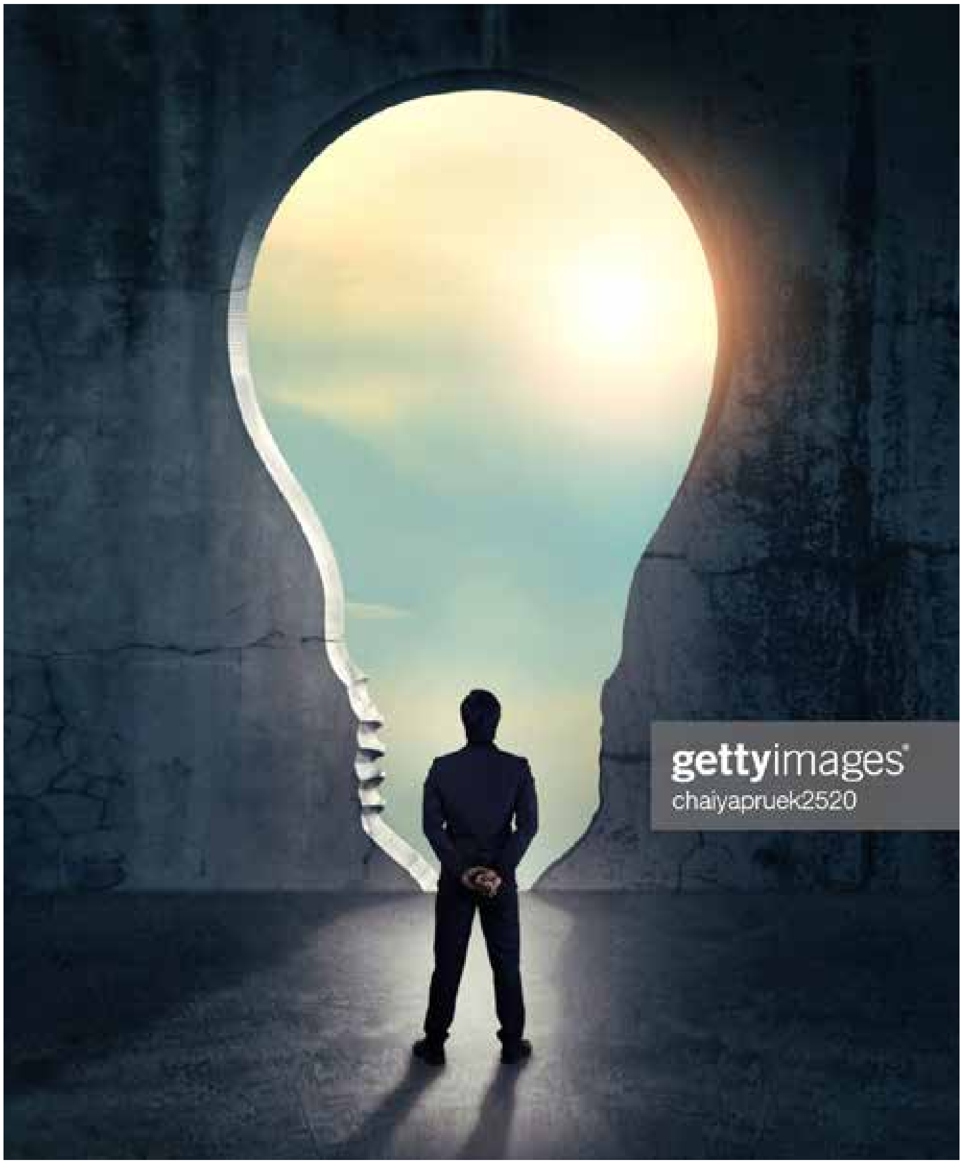
# New Beginnings



By Wendy Holloway




Happy New Year! New Years is a time of new beginnings, starting over, and making changes. I always approach this time of year with anticipation and excitement, feeling like I can turn a new leaf on some aspects of my life. This year it is particularly significant for me as I retire after 35 years at the Utah Bankers Association and 45 years in the banking industry. I am looking forward to finally having time for many things that have been put on the back burner as I focused my attention on a career and being a working mother and wife. I look forward to having time to do charity work that I never quite had time for, work on home improvements, and spend much more time doing the creative things that I love so much. I also anticipate some serious traveling and spending lots more time with family and friends. It is exciting and exhilarating to think about the possibilities.

Along with excitement comes the anxiety and fear associated with any major change. Banking and all of the exceptional people that I have worked with over my career are an integral part of who I am. I feel so fortunate to say at this point in my life that I have truly loved my job, the work I do, and the the people I work with and for. As I walk away from that I sometimes wonder who I will be and how I will adjust to my new reality. And then I look back on the lessons that I have learned from each of you that I have encountered along the way. Banking and bankers have never failed to face challenges head-on with excitement, innovation and hard work. Here are just a few of the many lessons I have learned from working in this incredible industry over the course of my life.

**Embrace Change –** Take the ups and downs of business and life as an opportunity for innovation and growth. In 2009, at the time of the Great Recession, a number of banks closed their doors, but Utah banks hunkered down, evaluated their strengths, adjusted their direction, and moved on to become stronger than ever. That change has made Utah the greatest state for banking in the country.

**Stick to Your Values –** Whatever you do, "Remember Who You Are" (a reminder I received on a regular basis from my grandmother). Utah's banks followed this advice to the T. I remember asking a community banker about foreclosures and he assured me that they had followed a strict loan policy and that it was paying off in minimal delinquencies and foreclosures. That little bank continues to be a leader in community banking today. I also saw Utah banks put people over profit, taking care of employees and customers to the best of their ability in a challenging time.

**Build Relationships –** One of the great treasures of my career has been the opportunity of working with and for Howard Headlee. Howard is a brilliant guy, a political mastermind, and is someone who serves the banking industry with passion and energy. Utah banks couldn't be in better hands.  Howard has taught me the value of reaching out and building relationships with bankers, legislators and regulators on a local and national basis.  As a result, there are few people in this country more able to influence the direction of the banking industry and protect the interests of UBA member banks. Plus, he is just plain smart! He never stops reading, learning and asking questions.  Utah banks are lucky to have him on their team and I have been lucky to have him as a mentor and friend.

**Care About What You Do –** According to Steve Jobs, "The only way to do great work is to love what you do!" I have certainly learned a thing or two about being passionate from the bankers that I have worked with over the years. My husband, Michael, shudders when someone mentions "the disreputable and evil banking industry" because he knows I just can't let it pass. I have had some of my best soapbox moments defending banking and bankers. I can only say that the bankers I have worked with are passionate about serving their customers, building their communities and providing jobs and sharing the wealth. Don't get me started – we don't have time.

While I am talking about people who care about what they do I can't miss the opportunity to mention the members of the UBA staff that I have had the great privilege to work with. Becky Wilkes, Lindsay Scott and Sara Matute are three of the most passionate, hard-working, and smart women that you will ever meet. They love their jobs, the bankers they work with and for, and being part of the team that serves you as bankers. They are dedicated, determined, and willing to do whatever it takes to get the job done. I am a better person for my relationships with each of them. I will desperately miss working with them daily but will always cherish their friendship and the wisdom I gained from sharing a career with them.

So, as I approach what will probably be one of the greatest transitions of my life, I am well prepared. I learned from each of you to embrace change, to be creative and innovative in approaching it, to make new friends and keep the old, to be passionate about whatever it is I am doing, and to serve others with love and dedication. Thank you for all of the wonderful memories, relationships, and opportunities you have given me. I am proud to have built an amazing career in the world's greatest industry. ■

# 2019: Different Approach, Same Agenda

By Rob Nichols, President and CEO, American Bankers Association


Significant progress at the regulatory agencies as well as the passage and implementation of long-sought bipartisan regulatory reform made 2018 a breakthrough year in many ways. The new year brings fresh challenges, including how to maintain momentum for policy improvements in the face of a newly divided Congress.

But as I have said on many occasions, the fundamental business of banking — from the deployment of credit to the building of communities — does not belong to one party. Banking issues can and should be bipartisan. So while our tactics might change with the new dynamic in Washington, our agenda hasn't, and won't.

ABA will actively advocate on a range of policy issues in 2019, including additional regulatory reforms that didn't make it into S. 2155, such as exam-fairness provisions that would establish deadlines for banking agencies to issue exam reports and create an independent examination review and appeal process. Other topics we think are ripe for bipartisan action include:

### Bank Secrecy Act Reform

There is growing consensus that now is the time to update the compliance structure surrounding the nation's anti-money laundering rules, which has not changed since 1970.

We will be working to build bipartisan support for BSA/AML reform, including updated Suspicious Activity Report and Currency Transaction Report thresholds, further modifications to customer due-diligence rules and better communication between banks and law enforcement.

### Cannabis Banking

As cannabis is now legal in some form in 33 states, the growth in dispensaries as well as numerous fast-growing offshoot businesses is putting our industry in an untenable position. A bank might choose not to serve a marijuana grower or dispensary since cannabis remains illegal under federal law, yet still face significant legal, operational and regulatory risk if it offers services to a customer with a tangential connection to cannabis. We've heard many stories, like the bank that was told by its regulator not to lend any more to a local mall owner after it leased space to a cannabis dispensary.

This conflict between federal and state law is reaching a tipping point, and we believe Congress and regulators must provide greater legal clarity. Watch for hearings, likely to begin with the House Financial Services Committee, and for the introduction of bills that address banks' challenges. While ABA is not weighing in on the societal, cultural or moral aspects of this issue, we do want legal protections for banks providing services in states where cannabis is legal.

### CECL Accounting Standard

Understanding the impact that the Financial Accounting Standards Board's Current Expected Credit Loss accounting standard will have when fully implemented is a significant challenge. But we know that the standard's upfront loss recognition changes the economics of lending and could force hundreds of banks to raise capital or limit their product offerings. For this reason, ABA is advocating that a thorough quantitative impact study be conducted before allowing the standard to take effect.

*But as I have said on many occasions, the fundamental business of banking — from the deployment of credit to the building of communities — does not belong to one party.*

The standard is scheduled to take effect in 2020 for Securities Exchange Commission registrants, 2021 for non-registrant banks with outside equity/debt holders, and 2022 for privately held and mutual banks.

**Community Reinvestment Act Modernization**

Regulations implementing the Community Reinvestment Act have not kept pace with changes in banking and technology, and the Office of the Comptroller of the Currency has taken the lead in modernizing them. The comment period following OCC's issue of an Advance Notice of Proposed Rulemaking closed in November 2018, with some 300 banks weighing in. That kind of engagement will be needed again in 2019, when we expect the banking agencies to jointly issue a proposed rule. This is a once-in-a-generation opportunity to move CRA into the future, but it will face substantial headwinds from those who fear (wrongly) that modernization will reduce banks' commitment to their communities. We will be working to allay those fears and make the case for commonsense improvements.

Fortunately or unfortunately, banking always has a full pipeline of issues demanding attention. So while those above seem ripe for action in the coming months, ABA will be advocating on a host of other, equally important issues, from data security and housing finance reform to flood insurance and student debt concerns.

Your continued engagement will be the key to advancing any of these issues, and creating smarter, more effective bank regulation. ■

E-mail Rob Nichols at nichols@aba.com.

# 2018 EDP Graduates Honored

2018 EDP Graduates

Graduates of the 6th class of the UBA Executive Development Program were honored at the UBA 8th Annual Bank Executive Winter Conference in Salt Lake City November 30. This is the sixth commencement in a program developed by the UBA to enhance and expand future banking executives understanding of all aspects of finance and leadership.

The Executive Development Program is a comprehensive course designed to cultivate the next generation of banking leaders. Exceptional instructors, with years of industry insights and experience, facilitate interactive course sessions that focus on the important economic, regulatory and competitive pressures facing the industry today.

Each month throughout 2018, the bankers attended daylong classes on a wide range of banking topics. According to UBA President Howard Headlee, "The cross-disciplinary curriculum provides a 30,000-foot perspective of the banking industry." "The course provides broad exposure to different disciplines within banking organizations," Headlee said. It also provides the bankers with introductions to colleagues at other banking institutions and future networking opportunities.

The graduates joined their classmates along with their respective bank management at a lunch honoring them during the UBA's Bank Executive Winter Conference November 30. ■

For further information on the Executive Development Program, contact Becky Wilkes, Senior Vice President at 801-214-7724, bwilkes@uba.org.

Compliance Alliance

# COMMERCIAL LOANS AND THE FCRA

By Victoria E. Stephen, Deputy General Counsel, Compliance Alliance

The Fair Credit Reporting Act, or FCRA for short, basically regulates the furnishing and collecting of credit information and imposes certain disclosure requirements in connection with accessing credit reports. The FCRA itself is a statute and only a few parts of the statute have implementing regulations, so it can be particularly tricky to interpret at times.

One of the most common questions we get on the Compliance Alliance Hotline is whether the FCRA applies to commercial loans. Unfortunately, there's not a straightforward answer to this like there is for Regulations X or Z. Although the FCRA is generally limited to consumer purpose transactions, it also applies in some cases to commercial purpose transactions involving a consumer.

You might be asking, if there is a "consumer," how can this possibly be a commercial loan? Well, the answer is that the statute defines "consumer" very simply—just as an "individual":

*...§ 603. Definitions; rules of construction [15 U.S.C. § 1681a] (c) The term "consumer" means an individual.*

As you can see, there's no requirement that the individual be obtaining a product or service specifically for a consumer purpose. Likewise, the term "consumer report" includes other purposes besides just personal, family, or household purposes:

*(d) Consumer Report (1) In general. The term "consumer report" means any written, oral, or other communication…used or collected in whole or in part for the purpose of serving as a factor in establishing the consumer's eligibility for*
*(A) credit or insurance to be used primarily for personal, family, or household purposes;*
*(B) employment purposes; or*
*(C) any other purpose authorized under section 604 [§ 1681b].*

Does this mean that the bank has to have a permissible purpose before pulling a credit report on an individual guarantor for a loan to a business entity? The answer to this is conclusively 'yes'—there always has to be some permissible purpose before pulling any consumer report on any individual. The question is whether the application itself is enough of a permissible purpose, since the individual is just a guarantor. For this, we turn to the Federal Trade Commission's (FTC) "Tatelbaum Opinion" which ultimately concludes that if an individual has any kind of personal liability on a business loan, including just a guarantee, there would be permissible purpose under the FCRA by means of the application for credit.

What about during the term of the loan though? Many banks regularly pull consumer reports on individuals throughout the term of the loan, and there's a question as to whether the need to review itself constitutes a permissible purpose. In the "Gowen Opinion," the FTC concludes that in order to have

*The general rule in the FCRA is that if the bank obtains a consumer report and takes adverse action based (in whole or in part) on any information in the report, it must give the consumer an adverse action notice. The catch here is how the FCRA defines an "adverse action."*

valid permissible purpose, the bank would need to have some authority to change the terms of the loan as a result of the review; for example, if the bank had the authority to terminate or freeze the loan if the report contained certain negative information. On the other hand, if the bank is just "reviewing" the report so as to potentially offer the borrower different terms, then it would generally not be allowed, "unless the contract expressly provides for such action."

As a caveat, however, these opinions are only informal guidance that are not binding on the FTC, and further, interpretive authority for the FCRA technically transferred to the Consumer Financial Protection Bureau (CFPB) pursuant to the Dodd-Frank Act. While plenty of banks do rely on them, we would still recommend getting written authorization from the individual to pull credit. In fact, we'd recommend this in every case, for any consumer report pulled. This way, the bank can rely on that written authorization as valid permissible purpose to pull the consumer report, rather than having to justify that one of the other permissible purposes apply. Said another way, the bank always has a permissible purpose to obtain a consumer report if the individual authorizes this in writing. (For reference, the full list of permissible purposes can be found in § 604(a) of the FCRA).

Besides permissible purpose questions, the other common question we get on the Hotline is whether an adverse action notice has to be provided in a commercial context. The general rule in the FCRA is that if the bank obtains a consumer report and takes adverse action based (in whole or in part) on any information in the report, it must give the consumer an adverse action notice. The catch here is how the FCRA defines an "adverse action." The definition is based on Regulation B's (12 CFR § 1002) definition of "adverse action," which does not include guarantors:

*…Under section 701(d)(6) of the ECOA and § [1002.2(c)] of Regulation B, only an applicant can experience adverse action. Further, a guarantor or co-signer is not deemed an applicant under § [1002.2(e)]. …*

Luckily, the FTC clarifies this in the "Stinneford Opinion." If the consumer is only a guarantor (or acting in a similar capacity in which she or he is only secondarily liable on the business-purpose loan), then an adverse action notice would not be required to be provided to the guarantor. This is true even if the application is being denied based on information from the consumer report of the guarantor. On the other hand, if the individual is a co-borrower (or acting in a similar capacity in which she or he is primarily liable on the loan), then a FCRA adverse action notice would be required.

If trying to figure out the difference between the two sounds like way too much work, the bank is welcome to provide an adverse action notice in both cases. Note, however, that any time the bank provides multiple FCRA adverse action notices, each individual should receive a separate adverse action notice with the credit score disclosures associated with just her or his own report. In other words, the individual should never receive the credit score information of another co-applicant.

Although the focus of this article is the FCRA, we always get a follow-up question regarding whether a Reg. B adverse action notice is required, even if a FCRA adverse action is not. According to Reg. B, the bank may provide the adverse action notice only to the primary applicant, if there is one, but it also does not prohibit the bank from providing a notice to each applicant if it chooses.

As always, Compliance Alliance and TBA members are welcome to contact us with any other questions by email at hotline@compliancealliance.com, or by calling 888-353-3933, or chatting in on the website. Non-members should direct inquiries to the Membership Team at info@compliancealliance.com ■

Victoria E. Stephen, CRCM, serves as Associate General Counsel for Compliance Alliance and was recently appointed as the supervising attorney of Hotline. While receiving her Bachelor of Business Administration in Banking Finance from The University of Texas McCombs School of Business, Victoria worked in both deposit and lending services. She continued her interest in financial services at the University of Texas School of Law by focusing on secured transactions, taxation, contracts, and corporate governance.

Victoria has since worked in corporate tax law, mergers and acquisitions, and performed legal research on a range of regulatory issues. Since joining the Compliance Alliance team in 2015, Victoria has written many articles for a variety of publications, and spoken at a number of compliance schools and conferences. Victoria heads our team of hotline attorneys who assist members with the spectrum of regulatory compliance questions on a daily basis, and serves as Editor of Compliance Alliance's monthly Access Magazine, which you can access here.

# GOOD NEWS FOR BANKS:

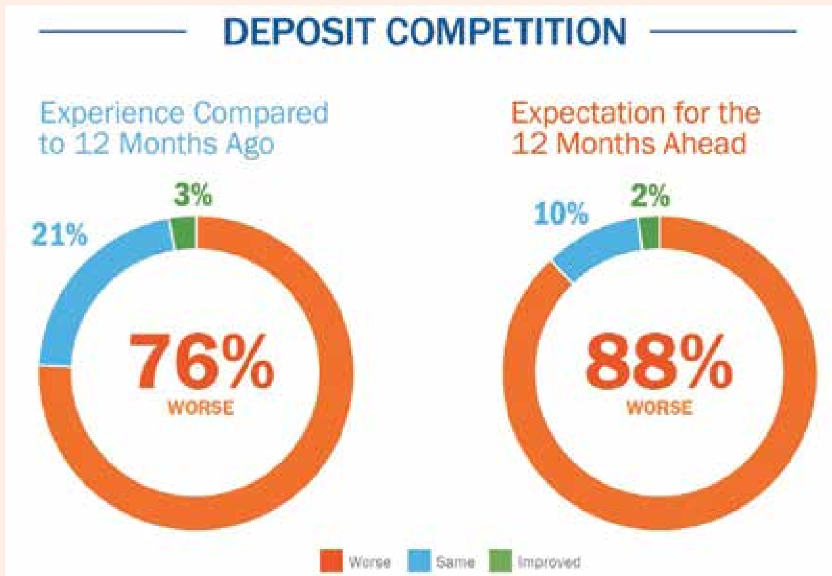
## CONGRESS MAKES WAY FOR RECIPROCAL DEPOSITS

By Glenn Martin, Regional Director, Promontory Interfinancial Network, LLC

A lesser-known provision of a new law just changed the market for deposits, and it could not have come at a better time for banks, especially community banks. The provision, which is part of the regulatory relief package for banks just signed by President Trump, provides that most reciprocal deposits are no longer treated as brokered. As a result, well-capitalized banks can now attract more large-dollar, local relationships and, in turn, have more cost-effective funding on hand to finance lending in their communities.

In recent months, U.S. banks have been bracing for increased competition for customer deposits. According to the Bank Executive Business Outlook Survey (2018, Q1) a record number of bank respondents (76 percent) reported facing more competition for deposits over the past year and almost 90 percent believe it is only going to get tougher.[1]

In fact, the combination of rate hikes (more are expected later this year) and the Federal Reserve's $1.5 trillion reduction of its balance sheet should continue to push deposit costs upward. With the Fed not reinvesting the principal proceeds from maturing securities, liquidity will be pulled from the markets and banking system, reversing the impact of the first and second Quantitative Easing. And banks are bracing themselves for more competition from the nation's largest banks, as well as from non-traditional players that include the likes of fintech companies, Goldman Sachs's Marcus, and the potential entry of Amazon.




Source: Bank Executive Business Outlook Survey 1st Quarter, 2018

### Reciprocal Deposits

Fortunately, the enactment of the Economic Growth, Regulatory Relief, and Consumer Protection Act should offer banks some relief. This important new law provides that most reciprocal deposits are no longer considered brokered deposits.

Reciprocal deposits are deposits that a bank receives through a deposit placement network in return for placing a matching amount of deposits at other network banks. Although there are a number of providers, the leading reciprocal deposit placement network in the United States is operated by Promontory Interfinancial Network, LLC, which invented reciprocal deposits and offers two of the nation's largest reciprocal deposit placement services: Insured Cash Sweep®, or ICS®, and CDARS®.

### The Economic Growth, Regulatory Relief, and Consumer Protection Act

This new law recognizes something that many in the banking sector have long understood – reciprocal deposits behave as core deposits in that they are "sticky" (CDARS deposits reinvest at a rate of approximately 80%, for example), and that the institution accepting the deposit maintains the relationship with the depositor.[2]

Specifically, the law amends section 29 of the Federal Deposit Insurance Act so that, subject to the definitions, terms, and conditions of the Act as amended:

- If a bank is well capitalized and has a composite condition of outstanding or good (CAMELS 1 or 2), its reciprocal deposits up to the lesser of $5 billion or 20% of the bank's total liabilities are no longer considered brokered. Reciprocal deposits over these amounts are allowed, but the incremental amount (overage) is treated as brokered.
- If a bank drops below well capitalized, the bank no longer requires a waiver from the FDIC to continue accepting reciprocal deposits, so long as the bank does not receive an amount of reciprocal deposits that causes its total reciprocal deposits

to exceed a specified previous average. As before, interest rate restrictions apply while the bank is less than well capitalized.

Banks now have a much larger, approved source of stable deposits that can be tapped. This means banks can help even more customers—including businesses (large and small), nonprofits, municipal governments, financial advisers, and even individuals—to safeguard their funds, potentially at even higher levels. All at the same time attracting locally priced, large-dollar deposits, which can be used to reinvest in the bank's community.

Furthermore, banks can use reciprocal deposits to replace more expensive deposits, like routinely collateralized deposits that come with tracking burdens, and those from listing services (generally associated with wholesale pricing and no loyal or local customer relationship).

### Making the Most of This New Opportunity

Now is the time to act by taking advantage of this important change in banking law. Read more about the new law and about the nation's largest, most well-known reciprocal deposit services by visiting promnetwork.com. For more information, contact Glenn Martin at gmartin@promnetwork.com. ■

[1] The Bank Executive Business Outlook Survey is a publication of Promontory Interfinancial Network, LLC

[2] Promontory Interfinancial Network calculates the reinvestment rate as the percentage of the aggregate balance of CDARS deposits that are reinvested through CDARS within 28 days of maturity.

# Pacific Coast Banking School Announces New Graduates for 2018


Pacific Coast Banking School (PCBS) is pleased to announce the graduating Class of 2018. These executives completed a rigorous three-year graduate-level educational program designed for leaders in the financial services industry. Participants attended a two-week resident session each August on the University of Washington campus in Seattle, Washington, and completed five written extension assignments and an original management thesis. In addition to earning a graduate level certificate in the business of banking they also receive a Foster School of Business Executive Education Certificate in Executive Leadership Training from the University of Washington.

This year's graduating class consisted of 223 individuals representing a diverse mix of financial institutions from thirty-six states, Guam and the Marshall Islands. Forty-one high-achievers were named to the honor roll. Fourteen people had their management reports selected for inclusion in the PCBS Lending Library. Nine received Citations for their papers, whose confidential nature precluded them from being in the Lending Library.

Additionally, one student received the Kermit O. Hanson Award for Excellence, which is awarded for the highest academic achievement at PCBS. Congratulations to Jacob Payne of U.S. Bank, for this outstanding achievement.

Congratulations also go out to the following students who received the distinction of Honor Roll, Library or Citation awards:

- **Hector Avila** Wells Fargo Bank, N.A.
- **Julia Beattie** People's Bank of Commerce
- **J. Phillip Bridge** Heritage Bank
- **Kelli Jo Woodson Buettner** FCS Financial, ACA
- **Addie Stephens Carlisle** U.S. Bank, N.A.
- **Makena Kai Carr** KeyBank, N.A.
- **Kirk S. Colburn** Partners Bank of California
- **Brenden P Craig** First Interstate Bank
- **Ben Crowl** 1st Security Bank of Washington
- **Amanda M. Daeges** U.S. Bank, N.A.
- **Genie M. Del Secco** Summit State Bank
- **Sarina Demers** Torrey Pines Bank
- **David Michael Dirlam** National Bank of Arizona
- **Derrick K. Do** East West Bank
- **Chris Edwards** TrailWest Bank
- **Ruth D. Edwards** Bank of Marin
- **Jennifer Faller** Federal Deposit Insurance Corporation
- **Daniel P. Glaeser** Montecito Bank & Trust
- **Marina Harland** U.S. Bank, N.A.
- **Brandon Shiro Higashi** Central Pacific Bank
- **Andy Jamison-LeGere** On Point Community Credit Union
- **Scott A. Johnson** Wells Fargo Bank, N.A.
- **Sangsoo Kim** Citizens Business Bank

- **Joel P. Kola** First Interstate Bank
- **Lindsay A. Lawrence** First Foundation Bank
- **Sarah Leary** Bank of the West
- **Andrew T Leikin** HomeStreet Bank
- **Matt Mandigo** Wells Fargo Bank, N.A.
- **Matthew C. Marr** Banner Bank
- **Robert Mellish** Heritage Bank
- **David Morgan** Bank of Commerce
- **Feiran H Mulvihill** East West Bank
- **Eric Michael Niedbalski** U.S. Bank, N.A.
- **Chad T. Orrock** U.S. Bank, N.A.
- **Jacob Payne** U.S. Bank, N.A.
- **Jason Petz** Bank of the West
- **Peggy Pierson** Federal Deposit Insurance Corporation
- **Andy Pohlman** Peoples Bank
- **Tracy Ruelas-Hashimoto** Santa Cruz County Bank
- **Kyle J. Shelly** American Savings Bank, FSB
- **Joel T. Stafford** Pacific Premier Bank
- **Jason Stanley** HomeStreet Bank
- **Bradley R Stevens** Washington Trust Bank
- **Michael Tottori** First Hawaiian Bank
- **James Tunca** Idaho Department of Finance
- **Heather Van Hooser** Mabrey Bank
- **Christopher Vignoles** Federal Reserve Bank of San Francisco
- **Judith Welsh** Wells Fargo Bank, N.A.
- **Adam White** Pacific Premier Bank

PCBS proudly presents the members of the class of 2018 who join the ranks of over 11,000 prestigious Pacific Coast Banking School alumni:

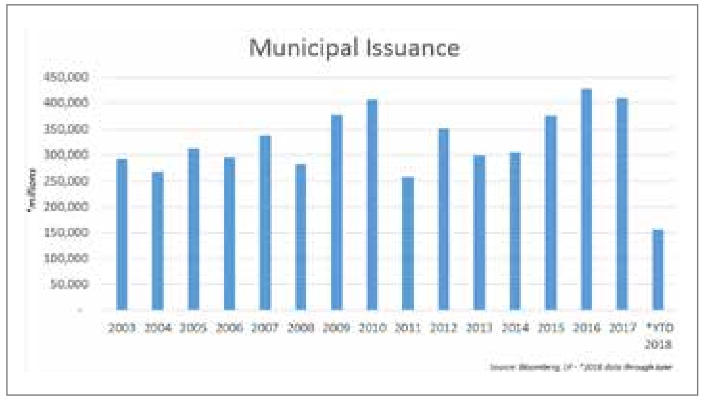
- **Jacob D. Despain** Zions First National bank
- **Darren R. Dyren** Cache Valley Bank
- **Jordan Harrison** First National Bank of Layton
- **Michael Jensen** Brighton Bank
- **Scott A. Johnson** Wells Fargo Bank, N.A.
- **Monika Kaminski** Zions First National Bank
- **Sudha Karg**i Zions Bancorporation
- **Frances Larsen** Zions Bancorporation
- **Jason Morrell** Cache Valley Bank
- **Darreb Nate** Bank of American Fork
- **Zachary Nelson** Zions First National Bank
- **Sherrie Rees** Medallion Bank
- **Spencer R. Richens** Bank of Utah
- **Sam K. Tateoka** Zions Bankcorporation
- **Scott Wakefield** Wells Fargo Bank, N.A.
- **Steve Winters** Bank of American Fork
- **Chad D. Witcher** Zions First National Bank

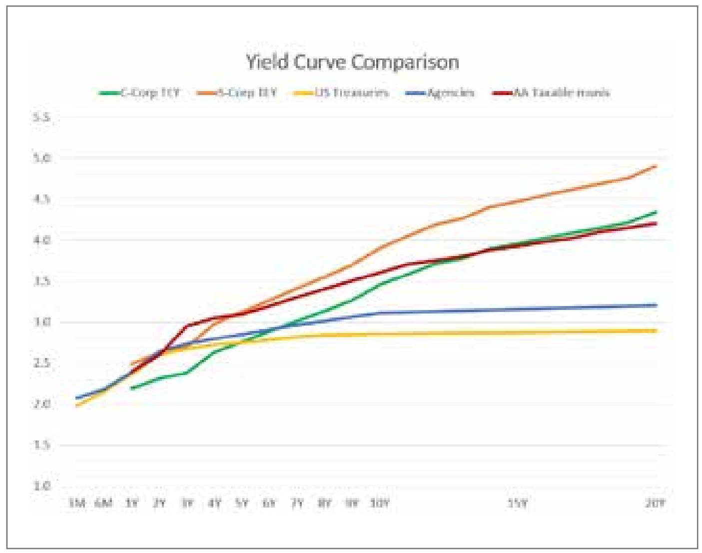
# Need Liquidity?
## Sell Short Municipals

By Drew Simmons, Senior Vice President, The Baker Group

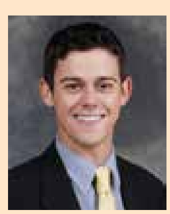

If there's one theme for 2018 that has resonated throughout the banking sector, it's been the system wide liquidity crunch. Most financial institutions are experiencing loan demand that the market hasn't seen since 2005-06, right before the Great Recession. However, funding these loans has been a challenge. This is a natural phenomenon of the economic cycle. Interest rates, especially on the short end, have been on the rise and the result is less cash flow available to capture better reinvestment rates when deploying assets. It stands to reason that if rates have been significantly rising on the short end of the curve, the corresponding price depreciation of those assets should translate into the biggest losses. However, that's only what's happening with the Treasury Curve which remains very flat. Municipals on the other hand, continue to benefit from a much steeper curve, providing value when allocating longer dated Munis (Figure 1).


Moreover, shorter Munis are holding up quite well in the face of higher short term Treasury rates. The reason for this? Supply. Over the next month, more than $30 billion are scheduled to mature or be called. Compared with only $22.6 billion of issuance coming to the market, this has left investors clamoring for product. To date, municipal supply is down about 17% from the same time last year (Figure 2).




The Muni-to-Treasury yield ratios are highlighting this price behavior. Shorter term ratios are nearing the lowest levels on the year. As shown in Figure 3, both the 1yr and 5yr Muni to Treasury ratios are the lowest since September 2017. Historically, bonds are considered rich when the Muni-to-Treasury ratios are below 80% and cheap when they trade above 80%. Financial institutions experiencing liquidity needs should look to shorter term municipal bonds to raise funds. This is especially the case with C-Corp banks at a 21% tax bracket that are seeing negative tax-equivalent spreads to Treasuries for Municipals inside 6yrs. If loan demand isn't currently a need, buying longer dated Municipals takes advantage of the widest spreads on the curve. ■

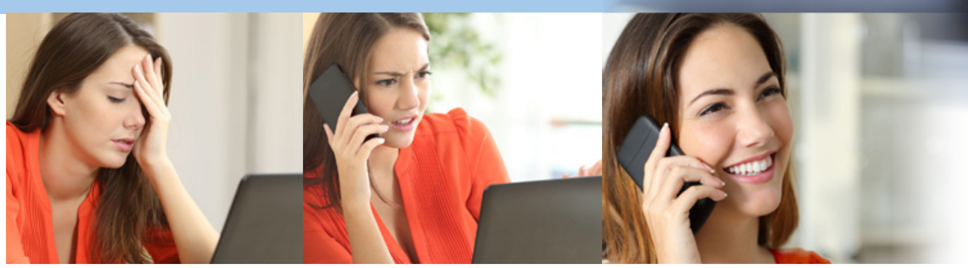



Drew Simmons serves as Senior Vice President at The Baker Group, where he works with community bank needs pertaining to interest rate risk, asset/liability management, and fixed income portfolio management. He created the firm's municipal credits database, and is a frequent speaker at banking schools and financial seminars.
Contact: 800-937-2257, drew@GoBaker.com.

# Hanging Up Happy:
## *How to Turn Contact Centers into Customer Satisfaction Centers*

By Terri Panhans
Vice President
Harland Clarke Contact Center Solutions

What's most important to your financial institution? My bet is that growth and customer satisfaction are vying for the top spot. Of course, the two are inextricably linked. Satisfied customers are loyal. They are more likely to engage deeply with your institution and turn to you for more products and services. Satisfied customers help build your reputation — *and grow your business.*



We also know that satisfaction is particularly important when it comes to problem resolution. According to J.D. Power's 2017 U.S. Retail Banking Satisfaction Study, "Unsuccessful problem resolution is highly correlated with low levels of satisfaction and high levels of customer attrition." The study says that overall satisfaction among customers whose problem was not resolved was only 564 points on a 1,000-point scale, and only 20 percent of these unsatisfied customers said they would reuse that bank.

But when the problem is resolved, the satisfaction score rises to 812 — and loyalty increases to 58 percent.[1]

*Where do account holders go when they have a problem to resolve?*

The contact center.

## Call Value = Strategic Value

Account holders like to make transactions digitally, but when they need to fix a problem, they want to talk to a person. In fact, according to Nielsen, that's what contact centers are for. Most consumers seek to resolve any questions or issues they have with their accounts on the phone with the contact center.[2]

There's no substitute for a live human. Gallup reports one of the most powerful drivers of customer engagement is contact center interaction with a live person, second only to an in-person branch visit. Account holders who experience a satisfactory interaction with a contact center are 14 times more likely to be engaged with their bank — and that's just with a satisfactory experience.[3]

So, while call volume may be declining, call *value* has never been more important.

How do you promote and increase call value? It starts with retooling your strategy.

A recent Harvard Business Review article got to the heart of this idea with its exhortation to executives that to change your strategy, you have to change the way you think. Herb Kelleher of Southwest Airlines explained his company's business as follows, "I tell my employees that we're in the service business and it's incidental that we fly airplanes." As Kelleher told the Harvard Business Review, "Other carriers fly airplanes that carry people. Southwest serves people using airplanes."[4]

**Similarly,** *the business of your contact center is to provide satisfaction — to ensure that your account holders are happy when they hang up.*

## Satisfaction: The #1 Indicator of Success

How could you apply Kelleher's thinking to your business? Certainly you are providing financial services, but you are also in the business of helping your account holders reach their goals. Indeed, that might be your primary service, at least in the same terms as Herb Kelleher's way of thinking.

Similarly, the business of your contact center is to provide satisfaction — to ensure that your account holders are happy when they hang up.

ContactBabel's 2017 U.S. Contact Center Decision-Makers' Guide explains this change in mindset: "Historically, the success of contact centers was measured in terms of efficiency: average handle time, calls per hour, etc. In recent years, the focus upon customer satisfaction has grown to such an extent that it is now seen industry-wide as the number one indicator of success, being consistently voted more important than increasing revenues, decreasing costs or hitting target metrics."

Indeed, Deloitte's 2017 Global Contact Center Survey shows that close to 90 percent of companies name improving customer experience as a strategic focus, with just 3 percent naming revenue growth as the primary driver for their contact centers.[5]

If you embrace this idea — and my colleagues and I at Harland Clarke Contact Center Solutions certainly do — you can approach your financial institution's contact center strategy with a service focus in mind. The question then becomes, how can we use contact center resources to proactively nurture and enhance customer satisfaction? How can we ensure account holders are happy when they hang up?

2 Nielsen, The Evolution of Modern Banking, March 19, 2014
3 Clayton, Lee, "Bank Call Centers May Be the Key to Revenue Growth," Gallup, September 30, 2013.
4 Mark Bonchek and Barry Libert, "To Change Your Strategy, First Change How You Think," May 17, 2017
5 Deloitte, 2017 Global Contact Center Survey

## Delivering on the Promise via Outsourcing

As the role of the contact center evolves and becomes more sophisticated, outsourcing becomes a competitive advantage. More than a short-term staffing fix (not that there's anything wrong with that!) using an outside contact center resource becomes an extension of your business and brand.

The key to outsourcing is, of course, choosing the right supplier. A strong outsourcing supplier can provide benefits beyond just staffing and capacity, including customer satisfaction must-haves such as:

**Quick issue resolution:** 365 days a year, during and after hours, an industry-specialized, experienced and dedicated frontline team can anticipate account holder questions and swiftly solve problems. This is what your account holders want.

**High-touch service:** Credit card activation and online and mobile conversions are two instances when personal contact smooths change. Loan acquisition and lead generation are other areas where a human touch makes a big difference in response. Account holders like hearing from you with offers that meet their needs.

**Quality assurance:** Customer satisfaction is optimized when best practices are followed and key learnings are continuously incorporated to meet performance standards. Look for a resource that includes call quality monitoring and feedback to ensure consistency and performance calibration.

## Maintain Control of the Customer Experience

It is understandable that financial institutions want to maintain control of the customer experience. Before hiring Harland Clarke, many of our clients ask three questions to clarify how this can happen with an outsourced contact center supplier:

### 1. *Aren't our own personnel better suited than an outsourced resource to handle this type of inbound or outbound calling?*

It's a great question, and at its core reflects fear about turning over the brand to non-employees — a reasonable concern.

The answer comes down to two things: time and focus. Your in-house teams, whether they are your own contact center employees or your branch personnel, are already fully occupied with their day-to-day jobs. Trying to make outbound calls — or handling an influx of inbound calls due to a conversion, for example — results in frustration and sub-par service. Contracting with an outside resource allows your in-house personnel to focus on what they do best.

More and more, we're seeing our clients moving various types of transactions to us — specifically, outreach that aligns with their strategic growth initiatives. By using an outsourced resource, you benefit from focus that delivers the best opportunity for success.

### 2. *How can you, a third-party contact center supplier, accurately and consistently represent my brand?*

The answer here is about experience and training. If you choose a supplier with a long history in managing the way financial institutions do business and market to customers, there won't be any messaging problems. They'll get it.

Plus, if your outsourced supplier is focused on financial services, as we are at Harland Clarke, its executives and managers will have valuable insights and proven strategies that can only come from years of experience serving your industry.

Financial institutions also worry about security. Choosing a reputable contact center supplier that specializes in financial services means sharing your sensitivity around customer data. Security must be a core competency, especially today.

Harland Clarke is recognized in the financial services industry for data integrity and stringent security measures in everything we do. We safeguard hundreds of thousands of account holders' information. At our contact centers, we enforce a highly secure, paperless environment to protect this sensitive data.

## 3. *Why would I incur the extra cost of outsourcing when I have resources in house?*

The ROI on customer satisfaction is well understood in terms of value. According to Datamark, "After conducting a cost-benefit analysis, organizations typically find contact centers can be managed better, and customer satisfaction improved by outsourcing ..."[6] When evaluating outside resources, ask for models that show potential ROI.

If customer service is important to you, you must have the resources to support it — and a strong service strategy is more than a staffing solution. An effective service strategy for inbound and outbound events should take into consideration wide areas of support: project planning and management; forecasting; training; telecom capacity; call routing; quality assurance; communications and more. Factoring in all of these requirements, outsourcing can be highly cost-effective.

You can't afford missed opportunities, especially in today's competitive environment. Use contact center outsourcing as a strategic advantage to support your customer service goals — and ensure that your account holders hang up happy.

## Choose Wisely

A strong outsourcing provider can provide benefits beyond staffing. Look for an experienced vendor that can enhance your customer experience and provide:

- **Deep understanding of financial services**
- **Alignment with your brand**
- **Skilled contact center personnel with a customer service mindset**
- **Security protocols**
- **Seamless integration**
- **Project management, measurement and reporting**

*Harland Clarke is a leading provider of best-in-class marketing solutions for financial institutions of all sizes. Combining more than a century of experience in the financial services industry with state-of-the-art contact center operations, Harland Clarke Contact Center Solutions offers inbound and outbound marketing and support for clients of all sizes — more than 20 million contacts per year.*

For more information, visit www.harlandclarke.com/ContactCenter or contact us at 1-800-351-3843 or contacthc@harlandclarke.com.

Follow Harland Clarke on LinkedIn and on Twitter @HarlandClarke.

Have a question for Terri? Contact her at Terri.Panhans@harlandclarke.com.

# RAISING WHOLESALE FUNDS: "THINGS ARE SELDOM WHAT THEY SEEM"

By John Biestman, CFA, Vice President/Senior Relationship Manager at the Federal Home Loan Bank of Des Moines

### A Case of Comparing Funding Rates

Devotees of Gilbert and Sullivan may recall the line, "Things are seldom what they seem, skim milk masquerades as cream." These cautionary words also apply to the need to dig below the surface when comparing rates on different sources of wholesale funding.

Consider the case of a community financial institution that wishes to raise $1 million in the wholesale funding markets. There are two choices under consideration:

Posted Bullet 15-month FHLB Des Moines Bullet Advance: 2.70%

Posted Brokered 15-month CD: 2.60%

On the basis of rate, favoring the 15-month brokered CD would appear to be a no-brainer, right? Hold on.

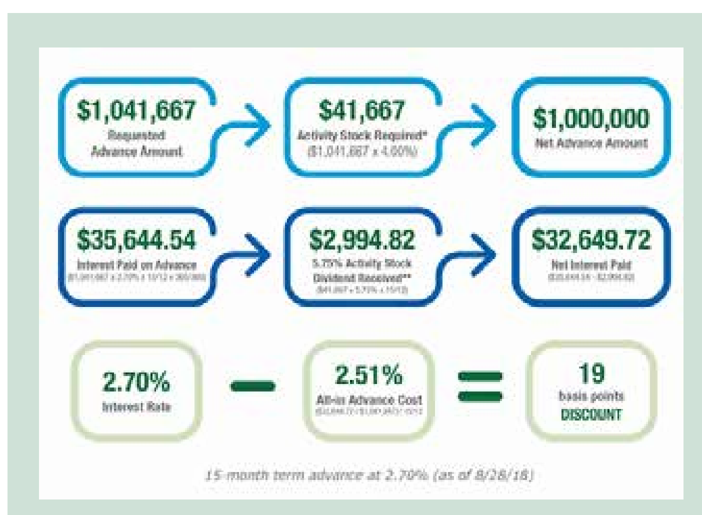
### The Dividend Impact on All-In Wholesale Funding Rates

With the exception of Federal Home Loan Bank advances, other sources of wholesale funding do not entail investments or receipt of cash dividends. For example, the Federal Home Loan Bank of Des Moines currently requires its members to invest 4.00% of drawn advances in the form of activity-based stock. This class of stock currently supports an annualized dividend rate of 5.75%. A financial institution could assign a cost of funding the activity-based stock that would likely be below the dividend return. The cost of funding the activity-based stock could, as an example, be represented by such assumed benchmarks as a hurdle rate of capital or an alternative investment. Effectively, this spread could be thought of as cash consideration that could be applied as a discount to a posted advance rate.

### Dividend-Adjusting: The Mechanics

Going back to the example of a 15-month posted advance rate of 2.70%, let's build a case for estimating the impact of the positive spread generated on the activity stock investment, per Figure 1.

Figure 1: Derivation of Discount on Advance Rate Derived from Dividend Yield Spread




■ Raising Wholesale Funds— *continued on page 20*

Raising Wholesale Funds— *continued from page 19*

## DIVIDEND DISCOUNT CALCULATOR

| | INPUTS/ASSUMPTIONS |
|---|---|
| Advance Amount | $1,000,000 |
| Term of Advance (in months) | 15 |
| Advance Rate | 2.70% |
| 1-Month Advance Rate[1] | 2.17% |
| Cost of Funds[2] | 0.50% |
| Dividend on Activity Stock[3] | 5.75% |

[1]Enter the projected average 1-month advance rate over the life of the Advance Amount

[2]Enter your institution's projected average cost of funds over the life of the Advance Amount

[3]Enter the projected average Dividend on Activity Stock over the life of the Advance Amount

*Assumes funds invested in activity stock are free, i.e. zero cost of funds*

| | | | | |
|---|---|---|---|---|
| Advance Amount | 1,000,000 | 2.70% | 15 | 34,218.25 |
| Cash For Required Stock | 40,000 | 0.00% | | - |
| Total Interest Paid | | | | 34,218.25 |
| Dividend on Activity Stock | 40,000 | 5.75% | 15 | 2,875.00 |
| Net Interest Paid | | | | 31,343.75 |
| | | | All-in Rate | **2.41%** |
| | | | Basis Points Saved | 29 |

*Assumes funds invested in activity stock are at member's cost of funds*

| | | | | |
|---|---|---|---|---|
| Advance Amount | 1,000,000 | 2.70% | 15 | 34,218.25 |
| Cash For Required Stock | 40,000 | 0.50% | 15 | 253.47 |
| Total Interest Paid | | | | 34,472.22 |
| Dividend on Activity Stock | 40,000 | 5.75% | 15 | 2,875.00 |
| Net Interest Paid | | | | 31,597.22 |
| | | | All-in Rate | **2.43%** |
| | | | Basis Points Saved | 27 |

*Assumes funds invested in activity stock is borrowed from the FHLB at the 1-month advance rate*

| | | | | |
|---|---|---|---|---|
| Advance Amount | 1,000,000 | 2.70% | 15 | 34,218.25 |
| Cash For Required Stock | 41,667 | 2.17% | 15 | 1,145.91 |
| Total Interest Paid | | | | 35,364.66 |
| Dividend on Activity Stock | 41,667 | 5.75% | 15 | 2,994.79 |
| Net Interest Paid | | | | 32,369.86 |
| | | | All-in Rate | **2.49%** |
| | | | Basis Points Saved | 21 |

*Assumes funds invested in activity stock is borrowed from the FHLB at the same cost as the advance the member is taking down*

| | | | | |
|---|---|---|---|---|
| Advance Amount | 1,000,000 | 2.70% | 15 | 34,218.25 |
| Cash For Required Stock | 41,667 | 2.70% | 15 | 1,425.78 |
| Total Interest Paid | | | | 35,644.53 |
| Dividend on Activity Stock | 41,667 | 5.75% | 15 | 2,994.79 |
| Net Interest Paid | | | | 32,649.74 |
| | | | All-in Rate | **2.51%** |
| | | | Basis Points Saved | 19 |

With collective assumptions (we'll get to them in a minute), we can see that in order to derive $1,000,000 in net advance proceeds, 4.00% of the grossed-up $1,041,667, or $41,667 would be required as a purchase of activity stock. Once cash dividends on the activity stock are deducted from interest paid on the advance, $32,649.72 would represent the net payment amount. Dividing by the gross amount of advances, we can assume that the all-in advance rate is 2.51%, rather than the posted level of 2.70%.The yield is nine basis points below that of the brokered CD with a comparable maturity.

Now for the assumptions embedded within the above calculation. First, the methodology assumes that the level of the 5.75% dividend will remain static for the life of the 15-month advance. The dividend rate can vary. Hence, we might consider projecting the average dividend on activity stock over the life of the advance. Second, we have assumed that a borrower's cost of funds is invested in the required activity stock. So, depending on the borrower's preference, there are effectively four differing assumptions that can be made in terms of the cost of investing funds in FHLB Des Moines activity stock: invested funds:

i) Zero cost. This option may be less of a reasonable assumption, especially in the current rising rate environment.
ii) Funds invested in FHLB Des Moines activity stock are equivalent to the borrower's general cost of funds.
iii) Assignment of a specific funding cost benchmark such as the federal funds, a specific advance rate or a borrower's cost of deposits. Ideally, if a borrower were to choose a specific cost benchmark, the duration of the benchmark would ideally coincide with that of the activity stock.
iv) Invested funds are sourced from FHLB Des Moines at the same cost as the advance. Such an assumption would suppose that a borrower uses a portion of the financing to purchase the required activity stock.

With the assistance of a dividend calculator available from FHLB Des Moines, Figure 2. demonstrates that, depending upon which cost of funds assumption is used, assuming a static dividend rate of 5.75%, the discount from posted advance levels would range between 19 basis points (as is assumed in Figure 1.) to 29 basis points.

Figure 2. Discount Off of Posted Advance Rates Using Various Cost of Funds Assumptions

### A Dividend-Adjusted Comparison of Wholesale Funding Sources

Under the more conservative cost of funding assumption (where funds invested in activity stock are assumed to be sourced at the same rate as the advance), the all-in rate on the 15-month bullet advance is calculated at 2.51%, versus the posted brokered CD rate of 2.60%. Aside from the adjusted rate comparison, there are qualitative differences between the two funding sources that may be highlighted, as illustrated in Figure 3.

| FEATURE | FHLB ADVANCES | BROKERED DEPOSITS |
|---|---|---|
| Price | Posted Rates | Under Best Efforts, May Receive Portion of Agreed Rate, Remainder at a Higher Rate |
| Availability | Immediate | Could Lag Depending Upon When Funds are Procured, if Best Efforts |
| Rate Structure | Fixed, Variable or Custom Structured | Fixed |
| Collateral Required | Yes | No |
| Rate-Reducing Cash Dividend | Yes | No |
| Prepayment/Restructure | Yes | Depends |
| Symmetrical Feature | Yes | No |
| Sourced from Member-Owned Cooperative/Strategic Partner | Yes | No |

Figure 3. Key Feature Differences Advances vs. Brokered CD's

Depending upon the interest rate environment or location on the yield curve, dividend-adjusted advance rates may or may not be comparable. You'll never know unless you run the dividend adjustment calculation.

Run your own customized scenario by accessing this tool: http://www.fhlbdm.com/dividend-tool

It pays to dig beneath the surface. When it comes to wholesale funding rates, what you see may not necessarily be what you get! ■

# RETHINKING CECL - INNOVATIVE INSIGHTS TO DRIVE BUSINESS, NOT JUST YOUR RESERVE

By Jeff Goldstein SVP, Regional Manager, PCBB

Can CECL help your bank be more innovative? Yes. In fact, we have found that there are ways to leverage the CECL transition for more groundbreaking strategic planning.

Most community bankers are starting to prepare for CECL by collecting additional loan data. Yet, the plethora of data collected can not only be used for CECL calculations but also for strategic planning. Whether you have been thinking of M&A, adding new business units or discontinuing products, the data itself, and the technology used with the data, allow you to be more proactive, shrewd and thoughtful about your strategic planning.

### Use the data for achieving long-term goals

Some banks may feel that they cannot capture all the data, and so they don't have the benefit of leveraging enough information for their strategic planning. However, backfilling with industry data and dynamically grouping loans for CECL makes it possible to look at different characteristics and run various "what-if" scenarios to gain a deeper understanding of long-term trends.

The resulting trends will help you better assess which long-term goals are more realistic and which ones need more research. For example, your data may tell you that a specific lending team's results are not as strong as expected, or trends may indicate certain niche markets are no longer as viable.

### Use your time more wisely

With CECL, you need to gather and automate your data. Once you have done that, not only will you be able to more easily figure out your reserve, but you will also be able to put more energy into areas you didn't have as much time for before, such as customer profitability. Management can now dig deeper and


look further into relevant innovations and industry trends, and determine how it wants to incorporate both.

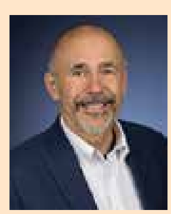
### Use greater transparency to your strategic planning benefit

One of the outcomes of CECL is greater transparency—for your bank, the auditors and the examiners. So, you will definitely need to be well-versed on how you calculate your reserve. But, not only that, this transparency gives you the detail and insight you need to justify your strategic plans to your board. All the data will be clean, properly linked and readily available. If your board questions a strategic direction, you will immediately have the "drill-down" data needed to back up those decisions.

We all need to transition to CECL. However, using the data gathered for CECL and applying deeper insights for strategic planning allows banks to position themselves ahead of the business curve.

If you are looking for the right technology to help you gather your data, provide you with the depth and transparency you need, and facilitate more robust strategic planning, PCBB has a solution for you. Let us know how we can help you with CECL as well as with innovative insights for strategic planning. ■

For more information on CECL and how to leverage the data, visit the CECL Resource Library or contact Jeff Goldstein.



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Dedicated to serving the needs of community banks, PCBB's comprehensive and robust set of solutions includes: cash management, international services, lending solutions and risk management consulting services, including CECL.

# CECL Solution

## Built by Our Bank for Your Bank

PCBB

***Performing ALLL for over 15 years***

As a bank, PCBB is in a unique position to understand the needs of community based financial institutions. PCBB's CECL solution can support both standards in parallel—ALLL and CECL.

### Key Benefits:

- Full-service, web-based solution
- Data augmentation as needed
- Simultaneous support of all CECL methods
- Portfolio segmentation to match loss methods
- Tiered reporting to meet your audience needs
- PCBB experts help you every step of the way

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# BANK KUDOS

**ALLY BANK**

**Ally Bank Surprises, Delights With Customer-Centric Giveaway**
Ally Bank, Member FDIC, goes to great lengths to provide award-winning customer service. In fact, each client service call ends with "Is there anything else I can help you with today?" As a company that obsesses over its customers, Ally Bank asked what would happen if we were able to go above and beyond to deliver what our customers wanted on a personal level, no matter what they needed help with.

During a single day in early November, Ally Bank went one step further showing it is not just business as usual when customers answer that basic question. Ally Bank granted wishes big and small – from $25 gift cards to the largest surprise: a $55,000 donation to assist a customer who works for a non-profit organization provide holiday baskets for lower income families in her neighborhood. The company also paid to have an elderly customer's yard work done and provided money so a New Jersey woman could visit her partner in the Netherlands who she hasn't seen in two years.

"As an online only bank, our customer service associates are an essential part of the customer experience and they take our 'Do It Right' philosophy to heart every single day," said Diane Morais, President of Consumer and Commercial Banking Products at Ally Bank. "These actions illustrate the human element when you call Ally Bank and highlight the great work by our team in taking care of our most important asset – our customers."

**BANK OF UTAH**

**Bank of Utah Hosts Seventh Annual 'Warm Bodies, Warm Souls' Coat Drive**
Bank of Utah, Arctic Circle Restaurants and Red Hanger are co-sponsoring the seventh annual Warm Bodies, Warm Souls coat drive Nov. 19 – Dec. 14. The public is encouraged to collect new or gently-used coats, hats, scarves, gloves, socks and blankets and drop them off at any of Bank of Utah's 15 locations, Arctic Circle's 35 restaurants from Tremonton to Spanish Fork, or Red Hanger's 21 locations along the Wasatch Front. Donations will be distributed to:

- Joyce Hansen Hall Food Bank - Ogden
- The Lantern House - Ogden
- Cache Community Food Pantry - Logan
- Tremonton Community Pantry - Tremonton
- Family Support Center - Brigham City
- Community Action Services and Food Bank - Orem
- Crossroads Urban Center - Salt Lake City
- The Road Home - Salt Lake City
- Bountiful Community Pantry - Bountiful
- Hope Pregnancy Center - St. George

To urge participation from the community, Arctic Circle is offering a coupon for a free Double Cheese Burger to those who donate at their restaurants and Red Hanger will give customers a certificate for a free shirt cleaning for donating at their dry cleaner locations. Bank of Utah will offer donators their choice of the two coupons for donating at the bank branches.

**Bank of Utah Hosted Uplifting Fall Author Events Featuring Olympic Champion Noelle Pikus-Pace**
Bank of Utah hosted four Fall Author Events in October in Salt Lake, Ogden, Logan and Provo featuring Winter Olympics skeleton champion, Noelle Pikus-Pace. Pace shared the inspiring story of her 12-year journey to the Olympic podium. Approaching speeds of 85 mph on a small sled, head first with her face just inches from the ice, Pikus-Pace has competed and won events all over the world, becoming one of the greatest athletes in the history of the sport. Approximately 500 customers and members of the business community attended the lively and uplifting presentations.

At the Bank of Utah events, two-time Olympian and World Champion Pikus-Pace shared highlights from her critically-acclaimed book, Focused: Keeping Your Life On Track One Choice At a Time, featuring the highs and lows she has experienced on her path to success. Pikus-Pace's touching personal stories, such as the terrible leg injury she suffered just three months before the Olympic Games, were used to illustrate how anyone can overcome adversity and keep a healthy perspective on what matters most. As a testimony to her passion and determination, Pikus-Pace continued to overcome every obstacle, with her most recent athletic victory being the Silver Medalist of the 2014 Sochi Olympic Winter Games.

**Bank of Utah to Acquire American Bank of Commerce**
On Sept. 14, 2018 BOU Bancorp, Inc., the holding company for Bank of Utah, announced plans to purchase AmBancorp, the holding company for American Bank of Commerce (AmBank). Douglas L. DeFries, president and CEO of BOU Bancorp, Inc. announced that both boards of directors have unanimously approved the merger and a definitive agreement has been signed, which will be subject to approval by regulators and AmBancorp shareholders. The transaction is expected to close in fourth quarter 2018. The three AmBank locations, with over $75 million in deposits, will bear the Bank of Utah name in Lindon, Provo and Heber City, Utah following the purchase. This will be the fifth acquisition in Bank of Utah's history.

Bank of Utah currently operates 14 full-service bank branches, additional mortgage offices in St. George, Price, Logan and Sandy, Utah, and trust services in both Ogden and Salt Lake City. The merger will increase Bank of Utah's presence in Utah and Wasatch Counties.

"The union of these two great Utah organizations will provide a strong set of local banking experts and the most up-to-date products and services for individuals and businesses in what will be 17 deposit branches from Logan to Provo," said DeFries. "We are very pleased to create a stronger, independent, Utah-based network of retail bank branches, with combined assets of over $1.4 billion."

"The partnership with Bank of Utah allows our trusted bankers to continue offering locally-processed and financed commercial and residential loans, with the significant new benefit of more robust cash management services and greater choice in deposit accounts and online banking," noted Leonel E. Castillo, president and CEO of AmBancorp. "Further, our customers will now enjoy trust services, including self-directed IRAs, insurance offerings, wealth management, larger lending limits and other excellent services. We are confident that our customers and staff will experience a smooth transition and will soon greatly appreciate the new opportunities available."

BOU Bancorp, Inc. was advised in the transaction by Keefe, Bruyette & Woods, A Stifel Company, as financial advisor, and Hunton Andrews Kurth LLP as legal counsel. AmBancorp was advised by Sandler O'Neill + Partners, L.P. as financial advisor and Jones Waldo Holbrook & McDonough, PC as legal counsel.

**CENTRAL BANK**

**Central Bank Launches New Modern, Community-Focused Website**
Central Bank is pleased to unveil its all-new redesigned website, now live at cbutah.com. In an effort to better serve the customers of Central Bank, the completely revamped website incorporates a clean and modern design that is mobile-friendly, easy to use, and community-focused.

With a fresh look and feel, the new site allows users to navigate through Central Bank's available products and services with ease. With a homepage and navigation that noticeably differs from most financial institution websites, users can simply choose between "Personal Banking" and "Business Banking" and be directed to where they need to go faster than ever. The mobile-responsive design of the website also gives users a seamless transition from desktop to mobile browsing.

"We're really excited for our new website to launch because we know it will benefit both our customers and the community. As we've worked to redesign the website, we thought about the customer's user experience every step of the way. We knew the website needed to be modern, convenient and easy to navigate, mobile-friendly, and focused on the community—and I think we have accomplished all of those goals with our new website," said Mark Packard, Bank President.

Central Bank's new website will be updated on a regular basis with news of product launches, community events, career opportunities, and highlights of local business customers. Visitors are encouraged to explore the website at www.cbutah.com. Central Bank has served the communities of Utah County for over 127 years and currently operates 11 locations from the Point of the Mountain to Payson. Central Bank offers all modern banking services and conveniences—mobile banking, online bill pay, advanced technology ATMs, and online financial management through its new platform, Money Management—all without parting from its relationship-based service. Member FDIC. Equal Housing Lender.

**FIRST NATIONAL BANK**

**Community Icon, First National Bank of Layton, Named Among Top Extraordinary Banks in the USA Second Year in a Row**
FIRST NATIONAL BANK OF LAYTON, a Utah icon, was just named one of the top extraordinary banks in the United States by The Institute for Extraordinary Banking™ for the second year in a row. First National was recognized with the Institute's Above-and-Beyond Customer Service Banky™ Award for consistently creating "WOW!" experiences for their clients

Bank Kudos — *continued on page 26*

as a result of their exemplary focus on customers and amazing results. Bank CEO and President, John Jones, remarked, “On numerous occasions, I have had customers mention to me or to other employees how much they love First National and that they would never bank anywhere else. That comes as a result of being consistent with our vision - everyone comes in as a customer and leaves as a friend. The value for our customers isn’t just the terms on their deposit or loan account, it’s the relationship they have with their banker. It’s not about the transaction, it’s about the relationship. We believe that if we are passionate about their success, we will both succeed.” The Extraordinary Banking™ Awards highlight the vital, yet often overlooked, role that local community banks play in our economy. Without a thriving local banking industry, our small businesses and families become nothing more than numbers inside “too big to fail” institutions. The Extraordinary Banking™ Awards recognize the best of what community banks offer to our cities, towns, and nation.

**KEYBANK**

**Key Investment Services Names Mark Williamson SVP, Sales Manager**

Key Investment Services LLC (KIS) has named Mark Williamson Senior Vice President and Sales Manager for its Colorado and Utah markets. As Sales Manager, Williamson is responsible for overseeing a regional team of financial advisors to help clients meet their investment goals. In this role, he will focus on recruiting, developing and retaining KIS sales staff, while maintaining and growing internal and external partner relationships.

Williamson’s financial services career spans more than 18 years in the securities industry. Joining KIS as a financial advisor in 2006, Williamson grew to manage over $100 million in assets and eventually served as a Vice President in KeyBank’s Portland, Maine region.

Key Investment Services LLC, a FINRA registered broker/dealer, supports Community Banking clients with dedicated financial advisors across Key’s geographies. Through KIS, Key ensures that clients are aligned more closely with the proper delivery channels, offering a comprehensive set of investment and insurance solutions.


**KeyBank Participates in Utah Governor’s Summit**
KeyBank Utah was recently invited to be a part of the 44th Annual Golden Key Awards and the First Annual UTBLN Disability: Governor’s Summit In Salt Lake City with community partner, First Step House.

The panel conversation took attendees through Key’s partnership with First Step House from start to finish, which culminated in the largest grant ever awarded by KeyBank in the State of Utah. Terry Grant, Utah Market President and Debbie Trujillo, Regional Corporate Responsibility Officer for KeyBank, took to the stage with First Step House to participate in the engaging conversation. The KeyBank Foundation awarded a grant in the amount of $200,000 to First Step House. This three year community impact grant supports the program launch of the new Employment Preparation and Placement program, an innovative, evidence-based approach to improve hiring opportunities for people managing substance abuse and co-occurring behavioral health conditions, including homelessness and past criminal involvement.

**KeyBank Donates $45,000 to Local Education Initiatives**
KeyBank recently made donations totaling $45,000 in support of local education initiatives. The grants were made to American Indian Services, Westminster College Center for Entrepreneurship and the Salt Lake Community College, all of which strive to provide lifelong opportunity through education.

KeyBank donated $10,000 to the American Indian Services Scholarship Program, which provides Native American students with financial support to attend college, maintain enrollment and graduate from college. A $25,000 grant from KeyBank to the Westminster College Center for Entrepreneurship will help local students from all disciplines gain the skills they need to be successful entrepreneurs and leaders. And a $10,000 donation from KeyBank to the Salt Lake Community College Partnership for Accessing a College Education (PACE) program will be used to help increase the high school graduation rates and college participation rates of underrepresented minorities, economically disadvantaged, and first-generation college-bound students in the state of Utah.

“Education is a pillar of Key’s overall corporate giving strategy, but more importantly, giving to these outstanding educational programs helps make a real difference in the lives of local students, their families, and future generations,” said Terry Grant, president of KeyBank’s Utah market. “Any day we get to present a check to help further the educational pursuits of local students is a good day.”


**KeyBank Makes Grants in Support of Workforce Development**

Furthering its partnership with Red Barn Farms, KeyBank has made a $10,000 donation in support of the organization’s reintegration project. Red Barn Farms is a men’s residential, multi-year training school focused on correcting unhealthy behaviors while teaching integrity, responsibility, discipline and good work ethic. The goal of the reintegration project is to reintegrate 600 people with a history of addiction and trauma back into the local community workforce.

Also in support of building a stronger local workforce, KeyBank donated $10,000 to the Columbus Foundation’s Community Employment Department. This grant is earmarked to provide effective, coordinated vocational support that results in job placements for local individuals with disabilities, with a focus on those with an autism spectrum disorder or moderate cognitive and/or physical disabilities.

**KeyBank Awards The Road Home $20,000 Grant**

KeyBank recently made a $20,000 donation to The Road Home to help supplement the cost of case management for the residents of the organization’s 201-unit Palmer Court apartments. Palmer Court provides individuals and families who have experienced chronic homelessness and a disabling condition with a permanent supportive housing opportunity. Case managers provide onsite supportive services to help residents remain stable in housing by connecting them with mainstream resources, substance abuse treatment, mental health assessment and treatment, job training and development, childcare services, housing assistance, and other supports, as needed.

“We have been a longtime and loyal supporter of The Road Home,” said Terry Grant, president of KeyBank’s Utah market. “The work they do to help individuals and families experiencing homelessness is a credit to our entire community and it is an honor to be able to help support their mission however we can.”

## STATE BANK OF SOUTHERN UTAH

**State Bank of Southern Utah Opens New Filmore Branch**

State Bank of Southern Utah is proud to announce that we have opened a new branch in Fillmore, UT! Fillmore is our 13th location and opened the same week we celebrated 61 years of being in business. We have a great staff to provide friendly, hometown service to our customers from all over Millard County.

## TAB BANK

**TAB Bank Partners with Utah Food Bank’s Mobile School Pantry Program**

TAB Bank has partnered with the Utah Food Bank and their Mobile Food Pantry program at Vae View Elementary School in Layton. The Utah Food Bank’s Mobile Food Pantry program provides emergency food assistance to struggling families who might not otherwise seek help. TAB Bank volunteers supply students and their families in need with monthly mobile food pantry services right at their school. The Utah Food Bank’s Mobile School Pantry truck arrives at the school each month where TAB Bank volunteers unpack boxes from the truck, separate and place food items in plastic bags, and then distribute the bags to students and their families. These efforts have provided food for at least 120 households each month.

## PEOPLE’S INTERMOUNTAIN BANK

John W. Allen, Vice President and Loan Officer at People’s Town & Country Bank, a Division of People’s Intermountain Bank, just celebrated the completion of his 50th year in the banking industry. – Congratulations to him.

## ZIONS BANK

**Zions Bancorp CEO Named ‘Banker of the Year’**


Zions Bancorporation Chairman and CEO Harris Simmons was named 2018 “Banker of the Year” by American Banker. The publication cited Simmons’ “knack for public policy, dedication to technological improvements …, and willingness to tear up a business model that he and his father built” among the reasons Simmons was chosen for the top honor. Simmons has been at the helm of Zions Bancorporation for nearly three decades. Under Simmons’ leadership, the company recently completed a corporate restructuring, consolidating seven bank charters into one.

**Zions Ranks as Top SBA Lender for 25 Years**

Zions Bank has ranked as the state’s top provider of SBA 7(a) loans for the 25th consecutive year. During the SBA’s fiscal year that ended Sept. 30, 2018, Zions Bank approved 207 SBA

Bank Kudos — *continued on page 28*

Bank Kudos — *continued from page 27*

7(a) loans in the district, totaling more than $38.8 million and representing 20 percent of the 997 SBA-backed loans approved in Utah.

Capital provided through Zions Bank's loans to Utah businesses allowed them to grow so that they could hire 547 new employees and maintain 1,119 positions in 2018, according to SBA data. Fifty-two percent of loans approved this year by Zions were to women- and minority-owned businesses.

**Zions Bank Employees Honor Military Veterans**

Zions Bank employees across Utah and Idaho paid tribute to military veterans in November with branch exhibits and face-to-face recognitions.

At the Bountiful branch, retired Sg. Maj. Theodore "Bud" Benard, a World War II veteran with a long and decorated military career, was recognized for his military service. Other Zions Bank branches, including those in Bountiful, Burley, Payson, Riverton, Salt Lake City and Sandy, set up displays featuring military uniforms, historic photos and other memorabilia.

Zions Bank has a proud track record of supporting the military community through banking services, employment opportunities and veteran-owned business partnerships.

**Zions Celebrates 10 Years of Financial Literacy in Utah Classrooms**

Marking 10 years of financial literacy in Utah classrooms, Zions Bank President and CEO Scott Anderson delivered a birthday cake — with an extra serving of financial wisdom — to Corner Canyon High School students in November.

While tackling money-related topics isn't always a piece of cake, Zions Bank employees across Utah delivered cupcakes to financial literacy classes in 2018 to support and encourage financial education efforts.

Anderson was joined by Pat Jones, CEO of the Women's Leadership Institute and a former state legislator championing financial education, to talk with students about the progress of financial education in Utah classrooms and deliver an interactive lesson on credit card spending.

**Zions CIO Honored by Women Tech Council**

Chief Information Officer Jennifer Smith was recognized for her leadership in technology by the Women Tech Council on Oct. 24.

In an industry where only 10 percent of CIOs are female, Smith is the first female CIO at Zions Bancorporation. She provides executive leadership for the implementation of Zions' core banking system replacement, the largest project in the company's history. The issues of aging underlying core technology plague the banking industry, and Zions is the first in the United States to undertake this transformation. Zions was awarded Celent's Model Bank Core Transformation Award for this game-changing effort.

# UTAH CEO, LEN WILLIAMS, APPOINTED TO FDIC ADVISORY COMMITTEE ON COMMUNITY BANKING

The Federal Deposit Insurance Corporation (FDIC) recently announced that Len Williams, CEO and president of People's Utah Bancorp (Nasdaq: PUB), has been appointed to the FDIC Advisory Committee on Community Banking. He is one of 18 representatives from around the country who advise the FDIC on a broad range of community bank policy and regulatory matters.

"Community banks play a critically important role in the financial system and economy of the United States," said FDIC Chairman Jelena McWilliams. "We are fortunate to have such highly respected professionals who are willing to volunteer their time and talents to provide input on the issues most important to community banks. I look forward to working with the Advisory Committee members."

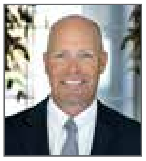
Williams has served as CEO and president of People's Utah Bancorp and as CEO of People's Intermountain Bank since January 2018. He has also been a director of People's Utah Bancorp and People's Intermountain Bank since March 2017. Previously, he was a director, President and Chief Executive Officer of Home Federal Bancorp, which was a Nasdaq-listed company from 2008 until the company was sold in 2014.

About People's Utah Bancorp

People's Utah Bancorp is the holding company for People's Intermountain Bank. People's Intermountain Bank is a full-service community bank providing loans, deposit and cash management services to individuals and businesses. The Bank offers its clients direct access to decision makers, unparalleled responsiveness, seasoned relationship managers, and technology solutions. People's Intermountain Bank has 26 locations in three banking divisions, Bank of American Fork, Lewiston State Bank, and People's Town & Country Bank; a leasing division, GrowthFunding Equipment Finance; and a mortgage division, People's Intermountain Bank Mortgage. The Bank has been serving communities in Utah and southern Idaho for more than 100 years. More information about PUB is available at www.peoplesutah.com


# BANKERS ON THE MOVE

Brad Carter has been hired as a Mortgage Loan Officer at Central Bank. Carter has more than 28 years of experience in the banking and mortgage industry and will be a great asset to Central Bank's Mortgage Department

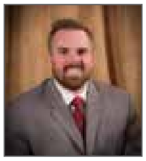


Matt Carter has been hired to serve as a Senior Loan Officer at Central Bank's American Fork Office. Carter has worked in the banking and finance industry for more than 20 years and has accumulated extensive experience in commercial and SBA lending that will be beneficial to both Central Bank and the American Fork community.

Nick Carter is the Commercial Lender located at the new Fillmore branch of State Bank of Southern Utah. Nick has extensive experience in agriculture as well as banking, and is ready and eager to serve State Bank's customers covering all of Millard County.

Brian Cheney has been appointed Controller at Central Bank. Cheney is a Certified Public Accountant and has worked in public accounting for over 7 years as a Lead Auditor. Cheney's knowledge and leadership experience will benefit Central Bank greatly in his new role as Controller.

Kimberlynn Christensen has joined State Bank of Southern Utah as Branch Operations Manager in our new Fillmore branch location. Kimberlynn's extensive industry and branch management experience has been a tremendous asset to getting a new branch location staffed and running smoothly from opening day. Kimberlynn brings great passion and enthusiasm for this branch and serving State Bank's Millard County customers.



Eric DeFries, Bank of Utah, has advanced to team lead over the bank's residential construction and consumer loan portfolios. DeFries has served as vice president of consumer and mortgage finance manager for Bank of Utah since 2013, and earlier as assistant vice president, secondary marketing manager and secondary marketing analyst.

David Duncan joined State Bank of Southern Utah in August as Branch Administration Manager. David has spent the last 14 years in a variety of key positions, including service center and operations management and brings great value, experience, and insight to State Bank's operations. David will lead our retail banking operations for all 13 branches.

Cari Fullerton, Commercial Lending Team Leader for Bank of Utah, has been named Senior Credit Administrator and will become part of the Bank's senior management team. She will oversee loan operations and loan servicing and will be assuming credit risk management responsibilities.

Wayne Guest joins Central Bank as a Mortgage Loan Officer. Wayne brings a lot to the table as a Mortgage Officer with his Bachelor's Degree in Business Management and over 15 years of business and sales experience.

Bankers on the Move— *continued on page 32*

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Robb Kerry has been promoted to executive vice president, chief credit officer & enterprise risk officer at EnerBank. In his new role, Kerry is responsible for all aspects of consumer and commercial credit risk within the bank's portfolio of unsecured home improvement loans. Additionally, he will assume responsibility for creating and developing an enterprise risk management program. He joined EnerBank in 2015 as senior vice president and chief credit officer.

Brennan Knutson has joined State Bank of Southern Utah as Card Program Manager, replacing our retiring manager. Brennan will lead the way in advancing State Bank's card offerings to our customers. Brennan brings a very diverse skill set from seven years of banking experience. He is an experienced lender and trainer, and played a key role in implementing many new programs at a previous institution.

Matt Packard, CEO of Central Bank, has been nominated as a Board Member for the American Banking Association. Packard has worked in the banking industry for over 42 years, making him a remarkable source of knowledge and a veteran in the Utah banking community.

Rob Pedersen is currently Chief Credit Officer of Sallie Mae Bank and received a promotion to Vice President. Rob has been with the Bank since June 2011. He is responsible for providing an effective credit risk management oversight framework and ensuring that credit risk is managed in a safe and sound manner. Rob is also actively engaged in the Salt Lake banking community, volunteers on the Board of multiple charitable bodies and in 2017 was named a Banker of the Year by NeighborWorks Salt Lake in 2017.

Dirk Samson, twenty-year trust services veteran, has joined Bank of Utah to serve as a personal trust officer in Ogden and Salt Lake. Samson, who holds a BBA in Finance from Grand Valley State University and is a Certified Trust and Financial Advisor (CTFA), is a board member of the Ching Farm Animal Sanctuary.

Roger G. Shumway, Bank of Utah's Executive Vice President and Chief Credit Officer, will now oversee wealth management, collections and special projects and will be transitioning his credit risk management responsibilities over the next year. Shumway has played a key role in supporting the development of lending programs during his 22-year tenure at Bank of Utah.

Jared Silverio joins Central Bank as their Secondary Market and SBA Officer. Silverio has experience working at other Utah banks and has amassed a great understanding of both SBA and commercial lending in the last 15 years. His experience in these various capacities are welcomed at Central Bank and will be of great value.

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