
AMERICAN BANKER®
BANKER OF THE YEAR
Beth Mooney, KeyCorp
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BEST IN BANKING 2017

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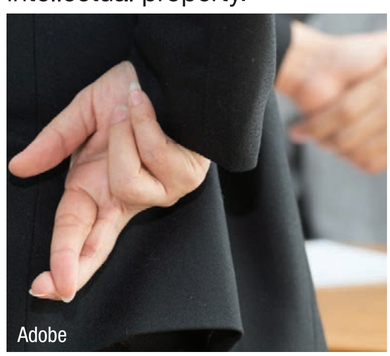
MOST SHARED

Large banks make awful partners, fintechs say

Though they won't name names, fintech leaders claim top-tier U.S. banks string them along, fail to communicate, don't pay anything and, worst of all, brazenly steal their intellectual property.



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BANKERS OF THE YEAR

Read more about Ng and Scully online

It's not every day that a banker uses the word "selflessness" when listing the principles that employees must adhere to at work. Get a longer version of the Dominic Ng and Mary Ann Scully profiles at our website.

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HERE'S TO THE PEOPLE *who bring out our best.*

Webster salutes all the honorees in this year's Best in Banking. In the spirit of recognizing those at their best, we are pleased to congratulate Webster directors Larry Morse and Lauren States for being named to *Savoy Magazine's* "2017 Most Influential Black Corporate Directors." They contribute business acumen, deep experience and a rich understanding of community to the board's deliberations, including with regard to the principles of corporate social responsibility. We are inspired by their remarkable achievements and appreciative for their contributions to Webster's growth and progress.

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Editor's Note

BY BONNIE McGEER

One Lender's Mobile Mortgage Lessons

When Nima Ghamsari, co-founder and chief executive of Blend, started to pitch a more mobile-friendly mortgage process to lenders a few years ago, most brushed off the idea.

"A lot of lenders said mobile and mortgages don't really fit together, a mortgage being one of the biggest life decisions somebody's going to make in maybe their entire life," he said. "Why would they want to do that on a mobile device?"

But Mary Vacca, the director of innovation execution at Movement Mortgage, listened. "What was it that you saw?" Ghamsari asked her during a panel discussion at the Digital Lending and Investing conference in New York in early November. "Why was mobile so important to you early on?"

People want what's convenient, Vacca said, and though that might not be mobile every time, they expect to have the option. "We've quickly become a culture that is expecting an Amazon Prime and an Uber experience everywhere we go."

Movement, of Indian Land, S.C., is the seventh-largest purchase originator in the country, and its work with Blend led to the "Easy App" it began offering borrowers about a year ago. Use of the app is driven by customer demand, Vacca said. "It's not our loan officers pushing it."

In terms of Movement embracing mobile, Vacca described application program interfaces, or APIs, as indispensable. "We don't have a huge IT team. We didn't have the infrastructure or quite frankly the budget to invest heavily. And by having APIs available, we've gone from zero to hero just in the last 24 months," she said.

"It opens up technology to the smaller companies who might not be able to invest in committing to a huge end-to-end solution."

Movement's experience also offers some other lessons for lenders considering mobile mortgages.

Vacca does not see the Easy App as a way to cut headcount for Movement, a nationwide mortgage lender with roughly 5,000 employees. "The No. 1 expectation from all demographics of people is still to have that relationship – very much so," she said.

Rather Vacca views the app as a tool to help loan officers as much as borrowers. Instead of having to do "10 texts, emails or calls to the loan officer at 8 o'clock at night" while they're filling out an application, customers get a guided experience within the app, she said.

Vacca cited several stats that suggest the app is a success. More than half of the mortgage volume Movement has originated over the past five months started in its Easy App, and files started in the app are spending half a day less in processing. Customers also are asked to rate their experience at the end of every application, and the scores have never dipped below a 9 on a 10-point scale, which bodes well for both referrals and repeat business, she said.

In recent months Movement started shifting its focus to giving its sales force greater mobile capability. Now its employees can pull credit from their phone, look at documents or data that a customer has submitted, and send an invite to new borrowers who might be standing in an open house ready to apply and need to find out if they qualify. "That's the real power, I think, not just the end consumer perspective, but enabling your own employees to do their job wherever they are through that mobile interface," Vacca said.

Movement's strategy is to customize its loan process by using assorted vendors for whatever new functionality it decides to add – "plug and play" Vacca said.

Though having more moving parts might seem more complicated, Vacca believes it is simpler and speedier. This approach avoids a long implementation that culminates in a war room and a "go, no-go" decision. "With APIs, as soon as you start plugging, even if 90% still remains to be plugged in, you can go ahead and start using the data that's coming through, which is a big game changer," she said.

She expects small and midsize banks to increasingly move toward this "best of breed" approach.

Her advice to others trying to keep up with the rapid pace of technology is not to try to do everything at once. Instead pick a few things and pursue them with "focused intensity."

"The world is changing so quickly and exponentially – this whole digital space. Everybody feels like, if they don't jump on the bandwagon now, they're going to get left behind. To a degree, that's true," she said. "But pick the one or two focus areas that you really want to succeed in next year and just go for it."□

Briefings

BRANCH STRATEGY | MARIJUANA BANKING

A Gift of Bank Branches Gives Rural Area Hope

Payday lenders would be the only option in these towns, if Regions hadn't donated its unprofitable branches to a credit union

By Laura Alix

WHEN REGIONS FINANCIAL DECIDED to close its Moorhead and Itta Bena branches in Mississippi, it faced an uncomfortable issue: Doing so would leave two disproportionately poor and underserved communities without a financial institution of any kind.

Not wanting payday lenders to be the only option for financial services in those towns, Regions donated its branches to the $247 million-asset Hope Credit Union, and kicked in another $500,000 to help Hope get up and running as fast as possible.

"If we would have just simply left, it would have left the community with no bank at all," said Arthur DuCote, the Mississippi area president for Regions. "We of course did not want to do that."

These aren't the first branches the $123 billion-asset Regions, of Birmingham, Ala., has donated to the credit union. Over the years, Regions has given eight branches to Jackson, Miss.-based Hope, which is also certified as a community development financial institution.

The donation earned Regions a grant from the CDFI Fund's Bank Enterprise Award program as well as Community Reinvestment Act credit.

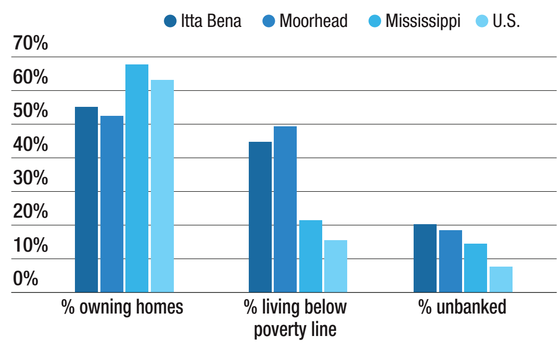
Bill Bynum, Hope's chief executive,

estimates that roughly 40% of the credit union's members never had a bank account before joining Hope, and that 85% of its mortgages go to first-time homebuyers.

Moorhead is in a census tract with a poverty rate of 48.4% and an unemployment rate of more than 24%. The Itta Bena branch is in a census tract with a 40.2% poverty rate and a 15% unemployment rate. Being present in those communities makes it easier for the credit union to work with local economic development organizations on job creation, while also sending a message to residents that it wants their business.

Rural challenge

The branches Regions donated to Hope Credit Union are in Itta Bena and Moorhead, two of Mississippi's poorest communities



Source: U.S. Census Bureau, Prosperity Now

"Having a presence in these communities helps tremendously," Bynum said. "We have found that by sitting down with these individuals, by providing a solution to their financial needs, we've been able to help a lot of people climb out of debt traps, become first-time homebuyers, and get into the economic mainstream."

Access to banking services has long been a challenge for rural households and has become even more so as banks continue to close unprofitable branches and invest more resources in digital and mobile channels.

Though mobile and digital channels can be valuable tools for bank customers in rural areas, advocates say that a physical presence in the community is important for reaching the unbanked and the underbanked. It helps bankers to better develop relationships with members of the community, and it gives them access to "soft information" to help evaluate potential borrowers who might not look so good on paper.

"When you think about places like the Delta that are persistently poor and underserved, people still have to go into those branches and you as a financial institution really have to go where the people live," said Jessica Shappley, vice president of policy at the Hope Institute, Hope Credit Union's policy arm. "To be sustainable in those communities, you have to physically be there and get to know who these members are."

Other banks in the Mississippi Delta region have come up with their own creative solutions to meet the needs of low-income residents. Often, their efforts focus on helping customers climb out of or avoid the debt traps frequently associated with payday lending.

The Bank of Anguilla offers small-dollar installment loans at an interest rate of around 14%. The bank charges no processing fees on loans under $1,000 and a $50 processing fee for loans over that amount, said CEO Andy Anderson.

"We will make loans for any amount. We make a lot of loans of $250 or $300 for gas bills, electric bills, funeral clothes. We do all of that," he said.

The $2.7 billion-asset BankPlus in Belzoni has earned numerous accolades over the past 10 years for its CreditPlus program, which is specifically targeted to unbanked and underbanked people who might otherwise turn to payday lenders.

People who register for the CreditPlus program must complete a three-hour financial literacy seminar to qualify for a $500 or $1,000 loan at 5% interest. Half of the loan is deposited into a savings account or certificate of deposit, which is then returned to the customer once they've paid off the loan over the course of 12 or 24 months.

Though some customers take the course, get the loan only and never make their first payment, CEO William Ray said that around three-quarters of people who enroll in CreditPlus "are serious and sincere and committed to improving their credit." He estimates that BankPlus has about 6,000 deposit accounts associated with people who joined for the CreditPlus program.

The course is usually offered at a neutral site, like a church or community center, which can be more inviting to people who might not be comfortable walking into a branch. Still, Ray said that branches remain vital to these communities.

"The bank being there to initially open that account and to have a person to talk to and help when there's a question or a problem or a concern is hard to replace," he said.

A Solution for Pot Banking?

California treasurer suggests a state-backed bank

CALIFORNIA'S STATE TREASURER IS open to the idea of a state-backed bank to serve the cannabis industry.

The recommendation was one of several Treasurer John Chiang and his office's Cannabis Banking Working Group included in a report on how the state could address the lack of banking services available to marijuana businesses. The release of the report in early November coincides with state efforts to prepare for the legalization of marijuana sales.

"It is unfair and a public safety risk to require a legal industry to haul duffel bags of cash to pay taxes, employees and utility bills," Chiang said. "The reliance on cash paints a target on the back of cannabis operators and makes them and the general public vulnerable to violence and organized crime."

Per a 2016 voter referendum, California will legalize recreational marijuana on Jan. 1, making it the eighth – and the largest – state to permit commercial sales. Chiang's office estimated that legalized adult cannabis use would generate annual sales of more than $7 billion and annual tax revenues exceeding $1 billion.

But the federal prohibition of marijuana means banks are still wary of that business, however profitable it may be. The problem for pot sellers is that cash-based businesses tend to be magnets for violent crime.

A state-backed financial institution could be part of the solution, the report said. That institution could broadly support underserved groups, including the marijuana industry, or it could narrowly focus just on that industry.

The hurdles to establishing a state-backed financial institution are substantial, the report conceded. These include the difficulty of obtaining deposit insurance, regulatory approvals and access to Federal Reserve money transfer systems.

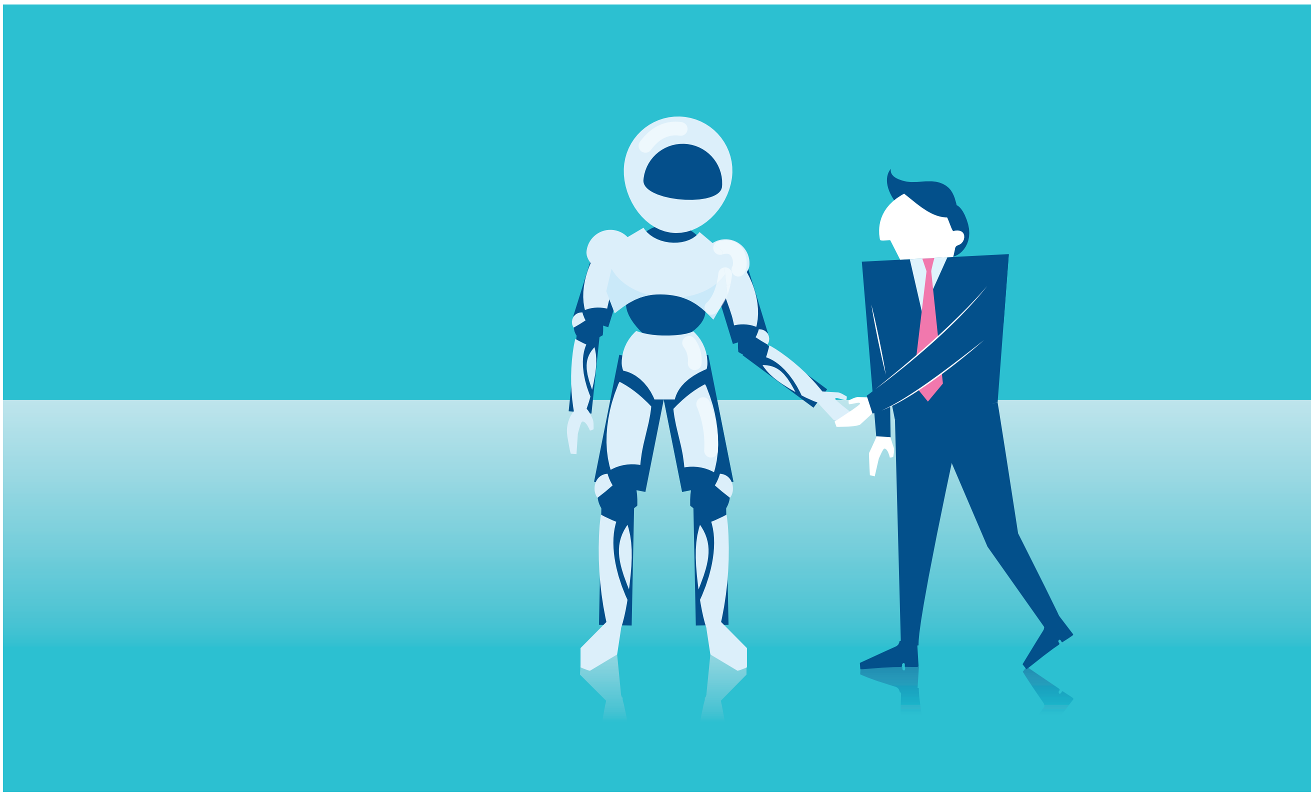
The report's authors also floated the idea of the state backing a privately owned bankers' bank or corporate credit union focused on serving pot businesses.

Additionally, the report suggested that state and local agencies could contract with armored car services to collect taxes and licensing fees. The state also could create an online portal that would help financial institutions fulfill their "know your customer" duties before accepting deposits from those businesses. And finally, California could organize a multistate consortium that would aim to educate, share information and advocate for policy changes at the congressional level.

Chiang suggested that the ideal solution – the removal of federal roadblocks to banking the pot industry – remains a long shot. "The reality is that a definitive, bullet-proof solution will remain elusive until the federal government removes cannabis from its official list of banned narcotics, or Congress approves safe harbor legislation protecting banks that serve cannabis businesses from prosecution," he said.

– Laura Alix

BankTechnology



Bank Helps Startup Launch ‘Smart’ Checking Account

The future of banking looks a lot like this, North Dakota community bank believes

By Penny Crosman

A FINTECH STARTUP IS PARTNERING with a community bank in Fargo, N.D., to offer a new digital banking account.

Douugh has built an artificial intelligence engine designed to help consumers regain financial health, which is intended to be a key differentiator for those who use its account.

“We’re trying to build a smart bank account,” said Andy Taylor, the founder and chief executive of Douugh, which is based in San Francisco. “The ability to tack on deposits and issue a debit card is crucial to that.”

That’s where the $1.2 billion-asset Choice Financial comes in. Douugh does not have a bank charter and needs the backing of one to offer deposit products.

The two companies will jointly launch a checking account and debit card with Douugh’s branding and AI-based virtual assistant, which is called Sophie.

Douugh, which went live in August, uses artificial intelligence to help consumers reduce their student loan and credit card debt. Sophie will analyze customers’ financial positions and be able to do things like pay bills, automatically save, and track and manage spending and savings goals.

Besides being a partner on the digital

account, Choice also invested in Douugh to support the startup's expansion. In all Douugh has raised $2.5 million to date.

Tim Heilman, chief information officer at Choice, said its own approach to banking aligns well with Douugh's aspirations of improving consumers' financial health. "To partner with someone who has the same vision and same thoughts about the future of banking was really intriguing for us," Heilman said.

The feeling was mutual. Taylor said that Douugh had spoken with large banks about partnerships, but found Choice to be a better fit. "We find there are a lot of good conversations that happen, but in reality, do big banks want to change?" Taylor said. "Are they ready to risk cannibalizing themselves and their credit card books? Having a small bank like Choice that's come from the roots of community banks and still live and breathe those principles is a breath of fresh air."

Choice has an FIS core system. It's built the ability to plug in programs like Douugh's through APIs. The partners plan to launch an iOS app in February.

The next step will be to create a credit card debt consolidation product that "can truly release people from the clutches of compounding interest," Taylor said.

"The average credit card carries 12 fees," Taylor said. "We look at that and say, 'that's wrong.' We want to build a product that has a single fee that's really understandable to the customer. Our goal is to be responsible in how we lend and help you pay it off quickly, not pay the minimum. We're going to be on a mission to educate customers about just how evil these credit cards are and what they're doing to society."

More than 6,000 people have registered for Douugh's beta program. With Choice signed up, the two companies will be able to start pitching the product more aggressively.

"We're building a community that will help us curate and co-create and push this out for us," Taylor said. "There will be a viral element."

Live Oak Bets on APIs

Joint venture with First Data shows momentum of bank-fintech collaboration

LIVE OAK BANCSHARES IN WILMINGton, N.C., is eager to continue its run of successful technology ventures.

The $2.1 billion-asset company, which formed and spun off nCino, a cloud-based software firm that helps banks manage loans and operations, is moving forward with Apiture, an open API banking platform it recently created with First Data.

Apiture – the first three letters in the name are a nod to APIs, for application programming interfaces – represents "where the industry is going," said Neil Underwood, Live Oak's president. The industry has been focused on using APIs to connect in a safe and secure manner with other applications, such as Amazon's Alexa or person-to-person payment technology.

"It has become cool to talk about how applications get access to a bank's information," Underwood said. "You're talking about transaction data, how something like robo-advisers or Mint would gain access to a bank's information. A lot of industry churn is around who the data belongs to and how you access it securely."

Partnerships between banks and tech companies are likely to continue because each side brings strengths to the table, industry experts said. But there are also risks to these deals, and most partnerships will likely be less involved than the one with Live Oak and First Data.

"We're seeing banks around the world partner with fintech companies," said David Albertazzi, a senior analyst at Aite Group, who expects the trend to continue because the relationships are complementary.

Live Oak was drawn to First Data's strong leadership team and innovative products, such as Clover. First Data appreciated Live Oak's experience as a digital-only bank that has created some of its own technology. Apiture is a joint venture, with Live Oak and First Data each owning a 50% stake.

"We came to realize we had a similar vision on how the market will evolve," said Chris Cox, Apiture's president and First Data's former head of digital banking. "Our visions were very well aligned."

While the partnership is likely more ambitious than what most banks would be comfortable doing, there are other options for those looking to work more closely with a fintech company, said Daniel Latimore, senior vice president at Celent.

A relationship can be as simple as transactional partnerships between customers and vendors, Latimore said. Then there can also be more of an adviser-client relationship, followed by a formalized joint venture like the one created by Live Oak and First Data.

"Clearly over the last several years we've seen much more of an acceptance that banks will work with fintech," Latimore said.

Banks and fintech companies may decide to collaborate because they have matching skills. For instance, banks are experienced with the regulatory landscape and have a known brand and client base. Fintech companies are often nimbler and are more willing to innovate and experiment, industry experts said.

"These partnerships are the way to go," said Chip MacDonald, a lawyer at Jones Day. "The banks need the technology and the technology people need the banks and their customers. There's a lot of motivation for the two sides to get together."

Still, there are challenges. It is likely that fintech companies will become increasingly regulated. And with any partnership, "some of the risk is that potential goals and business models may not align," Albertazzi said. *– Jackie Stewart*

BANKER OF THE YEAR: KeyCorp's Beth Mooney

All along Beth Mooney had been steadfastly defending the unpopular acquisition of First Niagara. Now she is starting to prove the naysayers wrong, with some early success in delivering on the promises of that deal. She also stands out for her commitment to doing right by employees, customers and communities.

BY ALAN KLINE

PHOTOGRAPHY BY DAVID YELLEN

When KeyCorp announced in October 2015 that it was buying First Niagara Financial Group in Buffalo, N.Y., for $4.1 billion, the reaction from investors ranged somewhere between disappointment and shock.

Though flush with capital that it needed to put to work, Key to that point had given little indication that it was interested in pursuing acquisitions. Investors, who hate surprises to begin with, viewed the price tag – roughly 170% of First Niagara's book value – as too high and the projected revenue gains and cost savings as overly optimistic. They were particularly spooked by the anticipated dilution to tangible book value that Key officials said would take roughly a decade to earn back.

Yet despite the howls of protest – bank investor and blogger Tom Brown called the deal "a ticking time bomb of value destruction" – Key Chairman and Chief Executive Beth Mooney never wavered in her belief that acquiring the $39 billion-asset First Niagara was the right move for Key and its shareholders in the long term.

So far she has proven the critics wrong, and her early success in delivering on the promises of the First Niagara acquisition, combined with the strong leadership Mooney has shown on multiple fronts, have made her American Banker's selection for its 2017 Banker of the Year.

Mooney became chairman and CEO in 2011 after previously running Key's community banking unit. In her first five years at the helm of the Cleveland company she had won praise from investors for overseeing a successful cost-cutting program, beefing up commercial banking capabilities and enhancing its consumer lending by bringing its credit card business, which it had previously outsourced, in-house.

Having made history as the first female CEO of a top 20, U.S.-based bank, Mooney went on to earn a reputation as one of industry's most ethical and civic-minded leaders. On her watch, Key significantly increased its investments in community revitalization and developed a suite of products and services geared toward underserved consumers. These commitments have helped Key earn an outstanding Community Reinvestment Act rating from federal regulators in every year that Mooney has been CEO, as well as numerous awards for citizenship and corporate responsibility.

Even so, an ill-advised acquisition can doom a CEO's legacy and tarnish a company's image, and with skepticism about the First Niagara deal weighing on Key's stock, Mooney and other top executives moved quickly to calm investors' nerves.

The market overlap was a main selling point of the deal. Key and First Niagara were competitors in upstate New York, so their combination promised to significantly boost Key's deposit share in such markets as Buffalo, Syracuse, Rochester and Albany, while providing meaningful cost savings through the consolidation of overlapping branches and back-office operations.

In meeting after meeting with uneasy shareholders, Mooney also stressed that the deal would give Key a toehold in attractive markets where it had little name recognition, including Philadelphia, Pittsburgh and southern New England. It would accelerate its expansion in indirect auto lending and mortgages, business lines where Key had surprisingly little presence for a bank its size. Perhaps most important, it would give Key $29 billion in low-cost deposits and an additional 1 million retail and commercial customers to whom it could offer its products and services.

Like all banks, Key was under intense pressure to boost its top-line revenue, improve returns on assets and equity and reduce its efficiency ratio. The acquisition, Mooney argued, would help the bank reach its performance goals faster than it would otherwise.

Eventually, Mooney won over most of the skeptics. Shareholders overwhelmingly approved the merger in March 2016, and the sale closed in early October. Though some observers say the jury is still out and Mooney herself insists that there is plenty of room for improvement, the early results have been promising.

Now with $137 billion of assets, Key has already hit several of its post-merger performance targets – a return on tangible common equity of above 13% and an efficiency ratio of under 60%, to name two – and the company now projects it will eclipse its stated annual cost savings of $400 million a year by another $50 million. Key's quarterly profits have roughly doubled this year when compared with 2016, and its stock price is up nearly 50% since the deal closed, outperforming many of its regional peers during that span.

Mooney said she can understand why investors reacted negatively to the deal. It was the most significant acquisition in Key's history and among the largest announced since the financial crisis, and Mooney said shareholders needed assurance that she and her team were up to the task of managing the integration. The merger agreement also surprised the market, and some investors simply needed time to let it sink in, she said.

"We had not talked about being acquisitive and we had said that we had everything we needed to succeed, but this was a unique and compelling opportunity," Mooney explained during a recent interview in her office on the 56th floor of the KeyBank Tower in downtown Cleveland. "The market didn't see it coming, but we squared our shoulders and went out and explained the rationale for it. And what investors are telling me today is that it does appear that it was the right thing for our company."

With First Niagara in the fold, Key is a more balanced franchise than it was 14 months ago, with revenue from loans and deposits now more evenly split between commercial and consumer banking, said Don Kimble, Key's chief financial officer. "We were too heavily tilted toward commercial and, as a general rule, the top-performing banks are more balanced," Kimble said.

The better news is that Key is still a long way away from completely reaping the benefits of the deal, said Marty Mosby, an analyst at Vining Sparks who closely follows large banks. "It takes three to five years to fully realize all of the synergies that you are going to get out of an acquisition," Mosby said. Given the new markets it is in and the large base of customers it inherited, "Key has more to work with than other banks," Mosby added.

BUILDING A LEGACY

But success is not solely defined by financial metrics and returns to shareholders. Particularly in the wake of the financial crisis, it is also defined by a bank's commitment to doing right by employees, customers and communities, and few CEOs have taken these responsibilities as seriously as Mooney.

Key's commitment to building a diverse, inclusive and engaged workplace is evident in the high percentage of women and minorities now populating its leadership ranks and board of directors. Women and minorities make up 36% of Key's leadership team and 44% of its board.

Its commitment to consumers, particularly those in lower-income brackets, is evident in the types of products it has rolled out in recent years. These include small-dollar loans, totally free checking with no minimum balance required and an overdraft-protection product that limits the fee to 10% of the amount of the overdraft and caps it at $10. (Most banks charge an average of around $30, regardless of the overdraft amount.)

And its commitment to communities is evident in initiatives like Key's five-year plan to invest $16.5 billion in community development across its 16-state footprint. A large chunk of the funds will be earmarked for affordable housing, an area in which Key has significantly ramped up

its capabilities over the last three years as housing costs in many urban markets have soared.

Mooney is quick to deflect credit for such initiatives. Bruce Murphy, Key's head of corporate responsibility, and Dennis Devine, its co-head of community banking, spearheaded the consumer-banking strategy, and Angela Mago, Key's co-head of corporate banking, has been the driving force behind the affordable housing push, she said.

But Alexander "Sandy" Cutler, Key's lead director and longest-serving board member, said it is Mooney who sets the tone for the company and its roughly 19,000 employees. "Beth has a clearly defined set of personal and business ethics," he said. "She runs by the credo of doing business right."

Trina Evans, the head of Key's corporate center and its chief of staff, agreed, adding that Mooney wants to leave a legacy that goes far beyond being the first female CEO of a major U.S. bank. "For Beth, this job is a dream come true, but she's never forgotten that with opportunity comes an obligation," Evans said. "She wants to leave the company better than how she found it, for employees, shareholders, clients and communities."

LEADING FROM THE BACK

The story of Mooney's ascent to the highest levels of banking is familiar to readers of American Banker. Three times she was named our Most Powerful Woman in Banking, and in past interviews and speeches she has talked candidly about how, even as a young woman in a male-dominated industry, she aspired to someday occupy the corner office.

In a speech at the Most Powerful Women in Banking awards gala in 2014, Mooney said that her "lightbulb moment" came nearly three decades ago after she and a group of other senior women at the former Bank One had dinner at the home of then-CEO John McCoy.

"The group was abuzz in collective admiration of his wife, Jane McCoy. Her grace, her charm, her social position, they all wanted to be her," Mooney recalled during the speech. "I fell silent. What was going through my head … changed my career and my life. I realized that I didn't want to be Jane McCoy. I wanted to be John McCoy. I wanted to be a CEO. A bank CEO."

Mooney, now 62, had held a number of high-level commercial and retail banking posts during a career that began in the late 1970s, and before joining Key in 2006 she served as chief financial officer at the former AmSouth Financial.

Cutler, a Key director since 2000 and a former Eaton Corp. chairman and CEO, said that prior management and the board had viewed Mooney as CEO material back when she was being recruited to run the community banking unit.

"Beth can lead from the front, but she can also lead from the back," Cutler said. "She has tremendous confidence in the quality of her people, and she's very comfortable having them out front making the decisions while she is in the background providing support and counsel. There are very few leaders who I think really understand how to lead from the back."

Kimble, whom Mooney recruited away from rival Huntington Bancshares in 2013, agreed that Mooney is unlike some other CEOs he has worked with in that she prefers to listen before she speaks. "I've been to many meetings over the years where [senior leaders] would wait for the CEO to say what his opinion is and then jump on board, but Beth wants to hear what everyone else has to say first," Kimble said. "She doesn't push the decision-making to others, but she does want the team to collaborate and come up with the right solution as opposed to waiting for her to come up with it."

BALANCING ACT

This collaborative approach extends to Key's relationship with banking regulators. Unlike many bankers, who might view regulatory agencies as obstacles to their business plans, Mooney views them as "another set of eyes that can make the organization better," Cutler said.

That is not to say she supports all the regulations that have taken effect since the financial crisis. In late October, Mooney was one of 19 regional bank CEOs to sign a letter addressed to the Senate Banking Committee that urged lawmakers to scrap the $50 billion-asset threshold at which banks are deemed systemically important and replace it with an indicator test that bases a bank's risk to the financial system on its business model, not its size.

"A response to the financial crisis was required, but I do think some of what has been enacted is not aligned with where the risk is," Mooney said. "Banks are well capitalized, they are profitable, they have all done significant work in improving their risk profiles, so this is probably an appropriate time to go in and say, where at the margin can we make it a more effective regulatory regime?"

Still, Mooney views regulators as a constituent, just as she views employees, customers, communities and shareholders as constituents. Having a healthy relationship with regulatory agencies "makes Key a better bank," she said.

Mooney talks often about the importance of balancing the needs and concerns of all stakeholders. In the lead-up to the financial crisis, many banks "lost their way," she said, by focusing too much on the demands of shareholders and not enough on needs of customers, employees and communities.

This is why Mooney, not long after taking the helm at Key, formed a corporate responsibility group that now oversees many of its philanthropic, community development and other initiatives that are part of "being a great bank," Mooney said. This effort was turbocharged last year when Key unveiled its $16.5 billion community investment plan. The bulk of that effort is centered on small-business, mortgage and community-development lending, though it also sets aside funds for research and development of digital products geared toward low- and moderate-income consumers.

There is a business case to be made for these efforts. Key has said that the "hassle-free" checking account it introduced in 2014 has been effective in attracting new customers who have gone on to use other products and services, and its expansion in affordable housing financing was driven by what Mago, the co-head of corporate banking, saw as a significant unmet need in the marketplace.

With rents rising in many markets and most new apartment construction targeting high earners, the supply of workforce housing is shrinking rapidly. Mago and her team responded to this dynamic by expanding Key's capabilities in financing the development and acquisition of affordable rental housing and taking the business nationwide.

"It just made sense. There are way too many people in the country spending way too much of their income on rent, and we can't do enough" to address the problem, Mago said.

It's an investment that is clearly paying off for Key and its shareholders. In 2016, Key was the No. 5 affordable housing lender in the country by total dollar volume, according to Affordable Housing Finance, an industry trade publication. It ranked No. 14 in 2015 and was not even among the top 25 in 2014.

Key's success in this business is a shining example of "balancing mission with margin," Mooney said, borrowing a phrase coined by Murphy, its head of corporate responsibility.

"We will be judged by shareholder metrics, but that starts with doing the right things, the right way," Mooney said. "If we really put our customers, our employees, our communities first, do the right things by them, then our shareholders win."

CLOSING THE DEAL

Perhaps Key's biggest challenge going forward is making good on its commitment to generate meaningful, organic revenue gains from the First Niagara acquisition. Though the company has made some small business-line acquisitions in capital markets and merchant processing in recent months, Mooney has told investors repeatedly that it would pursue no whole-bank purchases that might distract from fully realizing the deal's value for shareholders.

"We are not done with this journey – it is incumbent upon us to create an organic-growth story from here," Mooney said. "That is our top priority." Another priority is returning more capital to investors through share repurchases and increased dividend payouts, she added.

The dilution to tangible book value remains a concern and investors will be watching closely to see if Key is able hit its revenue targets and, perhaps, earn it back in less than 10 years. (Vining Sparks' Mosby said that it typically takes three to five years for an acquiring bank to earn back the dilution to book value.)

Brown, who is not a Key investor but has been critical of the acquisition, noted that rules around purchase accounting and loan-loss provisioning may be giving Key a boost to net income that it may not be able to sustain as the accounting benefits fade in a few years.

For her part, Mooney said that Key "staked its reputation" on the First Niagara deal and that she is holding all senior leaders, herself included, accountable for making sure the company delivers on its promises. Nowhere will that be truer than in mortgage lending, a business in which Key had been a relatively minor player before the acquisition. The Buffalo-based mortgage leadership has been hiring staff, developing a new underwriting platform and refining Key's servicing capabilities. Once all the elements are in place, Key intends to begin rolling out its new lending platform nationwide sometime in 2018.

"I've told our mortgage team that they have three priorities," Mooney said. "Get it right, get it right and get it right." □

EAST WEST'S Dominic Ng

By Kate Berry

For a banker whose business model depends on trade with China, it would be understandable if Dominic Ng is nervous about President Trump's periodic threats to impose tariffs or sanctions on Chinese goods.

But the longtime chairman and chief executive of East West Bancorp sees no cause for alarm.

During his 26 years at East West, he's built it from a $600 million-asset bank into a $36.3 billion-asset California powerhouse with a seat on the front lines of U.S.-China relations. For U.S. businesses that want to trade with China or Chinese companies looking to expand in the states, East West is often their first stop.

Despite the heated political rhetoric about globalization and manufacturing jobs being shipped overseas, trade with China will continue to rise unabated, Ng said, and that bodes well for his bank.

"Chinese companies are here, they are establishing a base here, they are hiring people, and there's really no turning back," the 59-year-old Ng said in an interview from East West's headquarters in Pasadena, Calif. "The increase in trade and investment with China never stops."

From his seventh-floor office with views of the marble dome of Pasadena City Hall, Ng described how he transformed a small savings bank catering to Chinese immigrants into a strong regional performer by focusing on increasing revenues, year in, year out.

His track record is impressive. Under his leadership, East West has hit a new earnings record every year from 1991 to 2017, with three exceptions: 1996, and 2008 and 2009 during the financial crisis (2008 was the only year in which the bank lost money).

This year has continued that remarkable trend. East West's profit increased 31%, to $420.7 million, in the first nine months of the year compared with the same period last year.

In the third quarter, earnings rose 20% from a year earlier, to $132.7 million. Total loans for the quarter went up 15%, to $28.5 billion, while total deposits hit a record $31.3 billion, up 10%. The adjusted net interest margin fattened by 30 basis points, to 3.46%.

"We have consistently been producing numbers like a growth company," Ng said. "What matters is how many customers are coming in and how many we are maintaining."

For building East West into one of the nation's most profitable regional banks while remaining disciplined on credit and effective in executing on his vision, American Banker is recognizing Ng for being a "Consistent Performer" as part of our 2017 Banker of the Year awards.

Ebrahim Poonawala, head of U.S. midcap banks at Bank of America Merrill Lynch Global Research, called Ng one of the most well-regarded bankers with a view into China.

"He has transformed what was a Chinese-American bank into a pretty substantial player in terms of lending and cross-border activity in China," Poonawala said. "If you think about the banking landscape and the top 50 banks, how many CEOs have been at the head of the bank for more than 20 years?"

East West's focus on Chinese companies clearly has been a tailwind for growth in recent years, "but they've also been a big player in helping U.S. companies get better traction in China," said Aaron James Deer, managing director of equity research at Sandler O'Neill & Partners. "They are facilitating trade in both directions."

Trade rhetoric

Though there was concern that the Trump administration would create uncertainty for East West's import-export business, Ng thinks the changes

are all positive. Trump has not imposed any tariffs or punitive measures against China. Instead, after years of negotiations, the United States has started selling natural gas, beef and rice to the Chinese.

"If you look at nothing else, the only thing different from the Obama era is that we've opened up three more channels to China," Ng said. "Everybody expected something bad to happen, but if you look at the facts, it's the other way around."

Ng called the Trump administration "a little chaotic," but attributed some of the negativity to "noise in the media," which tends "to cover conflict," he said. "There is no question that Commerce Secretary Wilbur Ross and Treasury Secretary Steven Mnuchin are interested in investments in China."

Bridge strategy

Ng's advice for anyone launching a banking career is to find a business model that is "expandable, profitable and sustainable."

When he joined East West as CEO in 1991 – he previously spent 10 years as a certified public accountant with Deloitte & Touche, and worked at a local venture capital firm, Seyen Investment – he was adamant that it had to go beyond just serving Chinese immigrants. That business model seemed too confining. "I felt very strongly that the better calling was to be a bridge between China and the U.S.," Ng said.

During his tenure, East West has expanded dramatically, partly through acquiring other banks. Since 1991, it has bought nine institutions, including two failed banks.

The purchase in 2009 of United Commercial Bank in San Francisco doubled East West's size, catapulting it ahead of City National Bank, now part of RBC, to become the largest bank in Los Angeles. At the time, East West added 63 branches and got a rare banking license in China with offices in Shanghai, Hong Kong and Shantou, China. (Today East West has more than 130 branches, including 10 in China.)

Challenges

There has been some trouble along the way. East West took a hit in 2008, when construction and land loans to homebuilders in Riverside and San Bernardino counties soured. Ng took chargeoffs ahead of schedule and raised capital, despite protests from some investors. Doing so allowed East West to recover and return to profitability in 2009, though not at record levels.

While housing problems weren't a surprise, Ng was shocked in 2015 when the Federal Reserve issued an enforcement action for noncompliance with the Bank Secrecy Act and anti-money laundering compliance rules. "I was a bit lost as to what exactly the regulators wanted me to do," he said.

Once he started digging, however, he discovered East West's systems needed updating. "I was not up to par in that area and when I looked at our peers, they were all driving BMWs and Mercedes and we were the only ones driving a low-end Toyota," he said.

Ng tripled the staff working on BSA issues to 120 people, doubled compliance staff and increased internal audit staff even as technology expenses climbed. Still, the bank's efficiency ratio remains in the low 40s. "We are very frugal, but we never fail to spend if we feel like we need to," he said. □

HOWARD BANK'S

Mary Ann Scully

By John Reosti

For years, Mary Ann Scully viewed the creation of Howard Bank as the crowning achievement of a notable and lengthy banking career.

The Ellicott City, Md., bank has grown from a de novo with a single office in August 2004 into a $1.1 billion-asset, publicly traded company with more than a dozen branches across six Maryland counties.

"It still gives me chills some days to drive past one of our locations and look at the sign," said Scully, Howard's chairman, president and chief executive. "Starting a bank is like giving birth. It's creating something."

That sentiment notwithstanding, Scully found a way in August to supplant Howard's formation as her professional hallmark, agreeing to buy 1st Mariner Bank in Baltimore in a deal that would double the asset size of her bank. She also intends to move Howard's headquarters to Baltimore, giving the city its first marquee hometown lender since M&T bought Provident Bankshares in 2009.

For Scully, the moves will launch a new chapter in a 44-year banking career, while distinguishing her as the woman who returned "big-time banking" to the Charm City by the Chesapeake Bay – and she has great ambitions once Howard settles into its new hometown. "My goal is to have a bank in Baltimore that's like the banks of the 1970s and 1980s," able to service the needs of any company in the city, Scully said.

Scully's passion for the careworn metropolis surprised Robert Kunisch, 1st Mariner's CEO. "I didn't know how involved she was in the community until I started working with her," said Kunisch, who is set to become Howard's president after the merger closes. "She's a great innovator and entrepreneur."

Founding Howard and buying 1st Mariner were both products of Scully's vision, said Charles Schwabe, a longtime colleague who now serves as Howard's chief risk officer. "She's a tremendous leader and a person you want to work for," Schwabe said.

Her combination of vision, charisma and chutzpah, and her ability to successfully grow her startup bank, even though the financial crisis took out so many others like it, led American Banker to recognize Scully for being an "Enterprising Builder" as part of its 2017 Banker of the Year awards.

Breaking into the boys' club

After graduating from Seton Hill University in Greensburg, Pa., in 1973, Scully planned to attend law school, but wanted to take a break from studying for a couple of years first.

As she began her job hunt, "people told me to look at insurance companies and banking because they had the best training programs," she said.

Scully eventually accepted an offer from First National Bank of Maryland.

At the time Baltimore had 1 million residents and at least a half dozen banks with $1 billion or more in assets. The city's population today is closer to 600,000 and out-of-state banks have scooped up its largest local institutions. Scully plans to do her part to reverse those trends. Buying 1st Mariner "brings back something that I remember," she said. "In Baltimore, that means a lot."

Scully's local prominence is noteworthy, especially given that four decades earlier, at First National, she was blocked from entering a com-

mercial banker training program, she believes due to her gender.

"I was explicitly told when I said I wanted to be commercial banker that it was not in the cards and that you had to have a master's degree in business before you could do that," she said.

Years later – after attending night school – Scully "arrived in the credit department, MBA in tow. No surprise, there were all these guys there who didn't have master's degrees."

Scully steadily climbed the ranks at First National, which rebranded itself as Allfirst Bank in 1999. She moved from a leadership post in the international banking division to the mergers-and-acquisition team, where she helped engineer the 1998 purchase of the $6 billion-asset Dauphin Deposit Bank in Harrisburg, Pa.

Scully rounded out her 30 years at Allfirst by overseeing its community and middle-market banking operations.

A critical turning point

Scully might have spent her entire career at Allfirst if not for its fraud scandal in 2002.

Allfirst's demise is well chronicled. After topping $15 billion of assets, the company was rocked by the revelation that currency trader John Rusnak had racked up an incredible $691 million in losses over a five-year period, mostly by trading in Japanese yen.

The losses hit Allfirst, by that time a unit of Allied Irish Banks, like a tsunami. Scully, an executive vice president, played a crucial role keeping the company afloat. The network of 200-plus branches she was running provided the liquidity that Allfirst relied on to keep functioning. "Those were scary meetings with regulators proving that we were going to be able to fund ourselves," she said.

When M&T bought Allfirst for $3.1 billion in April 2003, Scully opted not to stay. Instead, she made what she termed her "most profound career-related decision," founding a community bank.

The key to the plan's success lay in Howard County's geography. Though it was a prosperous and growing suburb nestled between Washington and Baltimore, it had been largely overlooked as banks instead stumbled over each other to carve out niches across the Potomac River in affluent northern Virginia.

"They heard the sirens across the river," Scully said of other banks.

"I remember at the time saying to people, has anybody noticed that Howard County and Anne Arundel County have demographics very similar to Fairfax and Loudoun counties?"

Scully and Schwabe, an Allfirst colleague she recruited, drafted a compelling business plan. She raised nearly $17 million, a then-record for a Maryland de novo. The bank opened on Aug. 9, 2004.

Howard weathered typical de novo growing pains before hitting its stride a year after opening. It raised another $5 million in 2005 and reached profitability late in 2006. Then the housing market imploded and the Great Recession hit.

Howard lost $2 million in 2009 before bouncing back the following year. It hasn't looked back, earning more than $30 million over the past eight years.

The 1st Mariner deal is transformative, getting Howard to 27 branches, $2.1 billion in assets and $1.6 billion in loans, said Joe Gladue, an analyst at Merion Capital Group. "Alone, neither Howard nor 1st Mariner was a linchpin in the Baltimore market," Gladue said. "The combination moves them closer to that status."

Schwabe said it is all systems go to execute on Scully's vision of being that linchpin. "That's what we're talking about, being the best business bank in Baltimore," he said. □

AMARILLO NATIONAL 'S

Richard Ware

By Jackie Stewart

You could say Richard Ware took up banking at a very early age.

Ware was a fifth-grader at Wolflin Elementary in Amarillo, Texas, when he started making lunch-money loans to classmates. Lunch cost a quarter at that time, and Ware expected his borrowers to pay him back with a nickel in interest the next day. He reckons he made about $2 before the principal shut the operation down.

“I guess he thought it was usury or something,” Ware said.

Decades later, and Ware, 71, has come full circle. As chairman and president of Amarillo National Bank, he is working to make sure children in his hometown have money for school lunches – minus the excessive interest rates – through charitable giving.

“We want to do a lot of good for the community and feel like we've made a difference,” said Ware, who is the fourth generation of his family to run the bank. “Our legacy is the bank. If we pass it on, then we have fulfilled our obligation.”

Over roughly 35 years, Ware has helped transform Amarillo National from a small bank with less-than-spectacular returns into a dominant player in its hometown with nearly $4 billion in assets and performance metrics that top industry averages. Ware, who also stands out for his unique leadership style and unabashed love of banking, has kept the bank family-owned through turbulent times, including the commercial real estate crisis in Texas during the 1980s.

For all of this, American Banker is recognizing Ware for being a “Thriving Family Operator” as part of the 2017 Banker of the Year awards.

“I think the Ware family represents what's good about community banking,” said Don Powell, a former chairman of the Federal Deposit Insurance Corp. who competed against Ware while running First National Bank of Amarillo. “They have a long history of serving the community and they were a good competitor.”

“He truly wrote the book on community banking,” said William Ware, an executive vice president at Amarillo National and one of Richard Ware's triplet sons. “It is always about the big picture and not the next quarter.”

A real family affair

It's easy to see how Ware's rich laugh and self-deprecating humor would put any client – from the wealthiest cattle rancher to a grandmother looking to buy a car – at ease. Over a lunch of tuna salad in Amarillo National's executive dining room, he is eager to share tales about his bank's history.

Ware describes how his ancestors moved from Georgia to west Texas during the Civil War to escape the advance of General Sherman. The family bought Amarillo National in 1909, and the Wares have maintained 100% ownership ever since.

Ware, who became president in 1982 and chairman in 2014, likes to joke that his family had to own a bank because no one else would hire them. (There is no chief executive. Nobody at the bank has a “chief” title, because Ware believes that would not suit a family business.)

Ware shifts to discuss his push in the early 1980s for an executive dining room in the bank's headquarters, a story that illustrates some of those family dynamics. The room is a marketing tool; bankers bring clients there to impress them. With dark wood-paneled walls, delicate china place settings and a plush red carpet, it gives the sense of dining at a powerhouse institution in London during the go-go '80s rather than a small bank in a town with a population just shy of 200,000.

All of the Texas banks had them back then, and Ware had wanted one

too. But the Texas banking crisis was looming and his father, Tol, was reluctant to spend the money. Ware was able to get the higher end look he wanted by calling his mother and asking her to do the decorating, forcing his father to relent.

Later, as Ware walks around the branch located on the first floor of Amarillo National's headquarters, he points out different features on display. There are antique pistols once owned by distant relative Dick Ware, a Texas Ranger, and by the infamous outlaw that he is known for shooting and killing in 1878, Sam Bass.

There is a picture of Amarillo National's first hot-air balloon. Ware's brother, Bill, an executive at the bank until his death in 2012, insisted on buying and flying the balloon – until a crash convinced him to bring on a professional operator.

Amarillo National is in the midst of its 125th anniversary, and that milestone has Ware feeling more nostalgic than usual, he explains when asked about his love of history. "I guess I believe the old standard that if you don't learn from history you're doomed to repeat it," Ware said.

There's more to it than that. The stories and keepsakes show Ware's outsized love for his family history and the bank, and it is easy to see that the line between the two is often blurred.

"Dad lives and breathes the bank, the employees, the community," William Ware said.

As children, Richard Ware and his brother Bill ran their own "bank" out of their parents' basement. Ware National Bank had its own letterhead, deposit slips and checks. The brothers took in money from their parents and the family's gardener.

Years later, while completing his MBA at the Wharton School at the University of Pennsylvania, Ware wrote his thesis on how to improve Amarillo National's profitability. Its return on assets was hovering around 0.75% at the time.

Ware knew the bank could do better.

First, he saw the potential for making bigger loans. His grandfather, who grew up in the Great Depression, had been a cautious lender who held onto a conservative philosophy from the 1930s until the 1970s.

Ware also pressed for a cost accounting system that allowed branch managers and department heads to get involved with the budgeting process. In addition to added authority, those employees were given incentives to keep costs in check. Today, a quarter of their yearend bonus is tied to such efforts. As a result, the bank has been within 1% of its budget every year for the last 15 years, Ware said.

The final change involved gaining market share. The two brothers did the tedious work of calling potential prospects. Over time, they were able to chip away at the competition.

The bank also took advantage of disruption, like when Powell's First National Bank of Amarillo was sold in 1993. Ware, who hosted a party to celebrate his competitor's sale, still has the oar and life preserver – a cheeky nod to buyer Boatmen's Bancshares – that he carried around during the celebration. Those artifacts can be found in his office bathroom.

Dominant market player

Amarillo National holds nearly half of the deposits in its hometown, or more than double the share of runner-up Happy State Bank, according to June 30 data from the Federal Deposit Insurance Corp. Bank of America, Wells Fargo and

JPMorgan Chase collectively have 17%.

Ware isn't content, though.

After Bank of America, which has been rightsizing its branch network in recent years, closed an office across from Amarillo National's headquarters, Ware's team posted signs welcoming any of the banking giant's customers.

Market share is of utmost importance to Ware, who follows a simple credo to "get all the good business in town." Poaching business eventually translates into higher profit, so Ware is fine with sacrificing short-term gains for a longer-term relationship. This especially rings true in commercial lending, where he is willing to make "good loans no matter the pricing," as long as it boosts market share.

"Other banks are maybe worried that their earnings won't be up next quarter," Ware said. "We didn't worry about that. That gets back to market share and that focus."

Of course it is easier to take a longer-term view when your family owns the bank, eliminating the need to field questions from anxious analysts and investors.

Still, remaining privately held by a single family is a testament to Amarillo National's success, said Curtis Carpenter, managing director at Sheshunoff & Co. Investment Banking in Austin, Texas. The bank must rely on retained earnings to build capital, which it has been able to do by staying profitable.

Amarillo National's return on assets totaled 1.82% at June 30, compared with an average of 1.09% for institutions with $1 billion to $5 billion of assets, according to FDIC data. Return on equity of 15.07% is also higher than the 9.8% average for banks in that same size range.

"One of their hallmarks is just how profitable they are," Carpenter said. "When making as much as they have made, you can retain it rather than paying it all out in dividends. That has served them well."

The bank's success is especially noteworthy because of a choice to focus mostly on Amarillo and Lubbock. That's unusual for most growing Texas banks, which typically enter cities like Dallas, Austin or Houston to pursue bigger loans.

"Usually it slows a bank's growth rate if they don't expand into the bigger markets," said Dory Wiley, president and chief executive of Commerce Street Holdings. "The temptation is to move into these other markets. It is unusual to stay so highly focused, but it has worked well for them."

Amarillo National had considered big-city expansion, eventually shrugging it off. "We aren't smart enough" to make it in those cities, Ware joked before seriously adding that such a move could force his bank to take on business other banks might pass on just to gain market share.

Local knowledge and relationships are priceless in Amarillo, with Ware recalling a recent hunting trip his executives took with about 20 bank clients. Why go elsewhere when the bank already knows everyone in west Texas so well?

"Here we're dealing with the top four guys in every industry," Ware said.

Big-bank ideas

Much of Ware's philosophy was influenced by Walter Wriston, a former chairman and CEO at Citicorp who was a pioneer in areas like ATMs and interstate banking. Ware met Wriston while playing tennis in California.

That match also introduced Ware to Wriston's tennis partner, Al Haig. The meeting sparked long friendships with Wriston and Haig, who had been a former chief of staff for Presidents Richard Nixon and Gerald Ford and secretary of state in the Reagan administration. (Haig died in 2010.)

Ware's personal ties to U.S. politics don't end there. Earlier this year, he married Katherine Harris, who, as Florida's secretary of state, certified George W. Bush's narrow victory over Al Gore, which all but determined the 2000 presidential election. A former state legislator, Harris unsuccessfully ran for the Senate in 2006.

Today, Ware is most interested in talking about the banking values he garnered from Wriston.

"Big-city philosophies can be translated and travel well," Ware said, noting that Amarillo National has adopted these ideas – with a "local touch."

Wriston, for instance, believed that risk is inherent and can't be avoided, making it vital to take it into account when setting interest rates. Amarillo National has followed that philosophy in areas such as auto lending, where it refuses to automatically reject borrowers with credit issues.

"We'll make some bad loans to get to some good loans," Ware said. "You just price for risk."

The bank steers clear of other types of loans, like those for non-owner-occupied real estate, because of Ware's belief that an institution can't price for the risk tied to such credits.

Retail banking is a big part of Amarillo National's business plan. Credit cards, auto loans and other consumer credits make up roughly a fifth of total loans. The bank also originates mortgages.

"You have an obligation to the community to do it," Ware said. "If you're nimble, you can make money at it."

Ware's banking philosophy has contributed to Amarillo National's strong reputation in Texas banking. A loan from the bank is almost viewed as a strong endorsement for the borrower, Wiley said.

"Amarillo National is just a good operator," said Chris Williston, president and

CEO of the Independent Bankers Association of Texas. "They block and tackle. They're just a very traditional community bank that reinvests ... and keeps their roots local. That has contributed to their success."

Making banking fun

While Ware might be a hard-charging competitor outside the office, he tries to foster an environment of levity within his bank. The employees like to say they take their customers' money seriously but not themselves.

Ware began cultivating a relaxed atmosphere more than two decades ago after meeting with Herb Kelleher, a former CEO of Southwest Airlines who encouraged his employees to inject fun into their workdays.

Amarillo National's headquarters boasts a bright décor with beautiful blue high wingback chairs, colorful wallpaper and canvasses displaying employees dressed up in costumes and sitting in dunking booths. Guests to the executive floor are offered a beverage by almost everyone they meet. During meetings, employees come out from behind their desks to sit next to their guests.

The bank is also known for perks such as bonuses, parties and charitable giving that have enticed some employees to stay on for decades.

Tracy Hayhurst, a vice president, has been at the bank for 43 years, with all but six months of that time spent as Ware's assistant. She touts the camaraderie and family atmosphere that Ware, who she considers among her best friends, has helped foster. "If you're happy and having fun all day, every day, you're a better employee," Hayhurst said.

Amarillo National strives to treat customers the same way. It has a simple philosophy: Be nice to everyone and don't steal.

One of the bank's clients was a single mom with two jobs who needed her bank statements before mediating her divorce. An employee took the papers to her so she wouldn't have to leave work to get them.

Another employee recalled helping an 89-year-old woman who was buying her granddaughter a car. The woman was concerned about getting the title and tags, so someone at the bank took her to the tax office to help her get the paperwork sorted out.

"We've always seen Richard leading by example," said Terri Boswell-Williams, senior vice president of operations. "He has shown us that it's much easier to handle any situation when you're treating people with respect. It just comes naturally for him, which makes it easy for us to mirror."

What the future holds

Despite Amarillo National's success, it faces many of the challenges plaguing other small banks. Amazon is moving into the grocery business, which is a core business segment for the bank, and the regulatory burden is a headache.

Then there's the question of succession. Roughly a third of bankers said succession was important or very important when considering offers to buy their banks, according to a recent survey conducted by the Federal Reserve and the Conference of State Bank Supervisors.

"There are plenty of people that would like to buy" Amarillo National, Wiley said. "It has a great deposit base and a great history."

While Ware has not publicly discussed his plans for the future, two of his sons, Patrick and William, are poised to eventually run the bank. (The other son is a cowboy, and an older sister lives in Dallas.)

Like their father, the younger Wares have fond childhood memories at the bank that include playing with the copy machines and throwing things off the third-floor balcony. They have cleaned windows, painted stripes in the parking lot and have rolled $7 million in pennies as commercial tellers during a bank promotion.

Patrick is more analytical, while William is more outgoing. They aren't planning any big changes when their father steps aside, though they will aim to keep up with changing technology.

"Dad has been a driving force for all of the bank's growth over the years," said Patrick Ware, an executive vice president. "Hopefully we're taking some queues from him. ... I think he's trained us well enough that we won't destroy his legacy."

Assuming the bank stays in the family, odds are that it will eventually be run by a woman for the first time. Six of Ware's seven grandchildren are girls. That could be a refreshing change for the bank.

"There's a personal touch and a warmth that's hard for some guys to generate," Ware said. "That's really important for what we're trying to do."

The biggest challenge might involve keeping the family interested in owning a bank instead of cashing out. Richard Ware's father once was the bank's only owner; now there are seven shareholders as ownership has been passed down through recent generations. That number could continue to rise.

Talking business around the dinner table, with the grandchildren present, helps keep the family interested and involved. Having kids visit the bank and eventually working in entry level jobs is another way to instill a sense of duty and responsibility.

"We just try to run a good bank," Ware said. "Everyone in the family is on board with that. We're just trying to save it for the next generation." □

BANKUNITED'S

John Kanas

By Kristin Broughton

It would be easy to assume that, after 45 years in banking, John Kanas is preparing to ease into a quiet retirement. But that's not part of the plan.

Kanas made that clear in an interview at BankUnited's corporate offices on Long Island.

He was telling the story of his crisis-era recapitalization of the company, which is based in Miami, when his longtime assistant, Kathy, opened his office door. An interior designer named Vinny had arrived to see him, she said.

"Vinny, where are ya?" Kanas shouted, jovially.

The designer walked in carrying samples of flooring trim, a catalog of office chairs and renderings of an unfinished office space. He began discussing the finishing touches on what will soon be Kanas' personal office, where he will spend time working on his next act in finance.

The new digs are in a 200-year-old sawmill near Westhampton Beach in New York, which Kanas bought and renovated. His face lit up as he discussed the details, particularly the installation of a glass floor, offering a view of the stream that flows beneath the mill and out to the neighboring bay. "You can actually see the fish swimming through," Kanas said.

Kanas wants to do "one more thing" before he fully calls it quits, though he has not yet decided what that will be. Among his options: working with a private equity firm – and potentially alongside a "very large, very substantial" fund – to invest in distressed assets. Taking a more active stake in his investments is also on the table.

After relinquishing the chief executive title at BankUnited late last year, Kanas remains chairman, a role he intends to keep for the foreseeable future. Under a consulting agreement, which expires at the end of 2018, Kanas devotes half of his time to meeting with clients, employees and his longtime deputy Raj Singh, who succeeded him as CEO.

"Instead of yanking me out, it's about extracting myself slowly, and getting people used to it," Kanas said.

When he does exit, he will have made an indelible mark not just at his current company but on the industry – first as an ambitious, acquisition-savvy regional bank CEO who built a bank with industry-leading profitability; and later as one of the central characters in the story of banking's post-crisis recovery.

For his accomplishments in building strong companies, and for his well-deserved reputation as a first mover in an industry filled with followers, American Banker is honoring Kanas with its lifetime achievement award for 2017.

Looking back at Kanas' career, it's hard not to be struck, most of all, by his keen sense of timing.

Kanas sold his first company – North Fork Bank, where he was CEO for 30 years – to Capital One in December 2006, when bank valuations were at a peak. He commanded a price of about $15 billion for the roughly $60 billion-asset North Fork, just months before the stock market tanked as the mortgage crisis unfolded.

After a brief stint working for Capital One, Kanas returned to the industry as a bank investor. As one of only a few willing buyers of failed banks early in the crisis, in late 2008 and early 2009, he used his leverage to negotiate a highly lucrative loss-sharing deal with the Federal Deposit Insurance Corp.

That deal allowed Kanas and

a group of investors to recapitalize BankUnited, and grow it into what is now a high-performing regional bank.

Those who know Kanas attribute his good fortune, in part, to his independent streak. He often moves quickly and confidently, before others would dare. "He is good at seeing through the BS that can permeate the industry," said Mark Fitzgibbon, an analyst with Sandler O'Neill. "He zigs when everyone else zags."

Kanas, for his part, points to the large amount of time he spends listening – to colleagues, employees and competitors – and simply studying the business. Good luck and health, of course, are also factors.

Perhaps most important, though, when it came time for Kanas to make the biggest decisions of his career, such as selling his company, he had decades of experience under his belt – and wisdom that comes from having previously made mistakes.

Consider that in the early 1990s, North Fork – widely regarded as a marquee brand – almost failed. Kanas had built up a booming business in making speculative commercial real estate loans on Long Island, as development in the area was ramping up. When the market overheated and prices collapsed, North Fork almost went under.

"I was a kid," Kanas said. "It's hard for you to believe that what you've been doing so well for so long isn't going to work anymore."

The experience helped him get through the next big bubble: the subprime mortgage meltdown. Having been stung by bad loans the first time around, Kanas moved swiftly to sell his company after he grew worried about North Fork's exposure to shoddy mortgages.

"Hey listen, there's a big benefit to being 70 years old," Kanas said. "Most of the reason I stay out of trouble now is that I've made all of those mistakes earlier in my life, and I don't do them twice."

North Fork on the brink

A distinguishing feature of the companies Kanas has built is their impressive returns.

In the late 1990s and early 2000s, North Fork's return on equity consistently hovered around 20% – well above the 10% mark that analysts estimate as the industry's average cost of capital. Its return on assets was around 2% during the time. Returns began to slide in the mid-2000s, however, shortly before the sale.

BankUnited also has produced top marks. The once-failed bank has more than held its own during the recent period of relatively slow growth. As of mid-2017, its return on equity was 10%, in line with the industry's top-performing companies.

For Kanas, learning how to build a highly profitable bank involved some tough life lessons.

Asked about his biggest failure as a CEO, Kanas spoke in candid detail about the near-failure of North Fork.

Thinking back to that period, he remembers regularly waking up at night in a panic, covered in sweat. It was a "tough time, mentally," he said, as he realized he had made bad loans across his local community.

"I remember one night, in the middle of the night, my wife saw me changing my shirt because I woke up in a cold sweat and couldn't get back to sleep," Kanas said. "She said, 'Stop feeling sorry for yourself. You're a smart guy. You built this company so far, and you're the only one who can put it back together.' "

At its worst point, North Fork had more in nonperforming commercial real estate loans than it had in equity capital, according to Kanas. Its share price had plummeted to about $2 from $25, he said.

Newspapers were running negative headlines, and the company's shareholders were angry. Kanas was also personally insolvent, having thrown all of his investments into the stock of his company.

"A lot of borrowers – I don't want to say speculators – but they were taking risks, and we went right along with them," said John Bohlsen, who served on North Fork's board at the time and, for decades, was one of Kanas' closet deputies.

"There was nobody to shift the blame to," Kanas said. "I was in charge of the company all that time and supervised that activity."

It was Kanas' first big challenge as a bank CEO, after nearly two decades.

He hired a woman who had made a name for herself cleaning up banks in Texas during the savings and loan crisis of the mid-1980s. Together, they assembled a team of workout specialists.

Kanas handed over the day-to-day responsibilities to Bohlsen and spent the next two years working out loans.

Though the experience proved valuable, his belated recognition of the risk is a regret. "I should have abandoned that strategy long before I did," Kanas said. "It almost cost us our corporate life."

When he talks to young employees, he said he always shares this lesson: "Never, never, never give up. If you're honest and competent, and if you return to work, you can fix just about anything."

'Gentleman bankers don't do these kinds of things'

After getting North Fork back on solid ground, Kanas embarked on a streak of acquisitions and became one of the industry's most well-respected dealmakers.

In the years following the early-1990s recession, Kanas scooped up several small savings banks on Long Island that struggled to recover. Doing so provided him with a big base of cheap deposits – and fuel for North Fork's rapid asset growth at the time.

In total, Kanas completed 12 acquisitions before he sold North Fork in 2006, according to the FDIC. The deals allowed him to grow his company from a tiny community bank to one with nearly $60 billion in assets – what today would be considered a systemically important financial institution.

He created a "regional powerhouse," Fitzgibbon said. "It was really remarkable."

Kanas insisted that building a big bank wasn't one of his primary ambitions. It just happened slowly over time.

"The theory was always, if you just pile on one good acquisition after another, that eventually you'll have a larger, high-performing bank," Kanas said.

In addition to buying whole banks, North Fork developed a side business of investing in banks that it identified as potential sellers.

Kanas made headlines with a particularly aggressive investment in the early 2000s: his hostile and complicated attempt at a takeover of Dime Savings Bank in New York City.

"I was unbridled in those days," Kanas said, laughing. "I got called a lot of names in the business, and would get letters from people that would say, 'Gentleman bankers don't do these kinds of things.' "

North Fork bought a "large piece" of Dime at the time at just under $20 per share, Kanas said. With an additional $250 million in financing from FleetBoston, now part of Bank of America, North Fork made an unsolicited takeover offer.

Dime's board rejected North Fork's bid. Looking to stay independent – and get away from Kanas – the company pursued an acquisition of Hudson United, a small bank in New Jersey.

The Hudson merger agreement was eventually terminated, after Dime shareholders voted it down. Dime's share price, however, which had tumbled amid drama, remained stubbornly low.

"Our investment got cut in half, which we were very unhappy with," Kanas said.

So Kanas mounted a proxy fight against the company, calling on shareholders to vote against several board members.

Tensions between the two companies escalated. In the summer of 2000, Dime held its annual meeting at Chelsea Piers, along the Hudson River in New York. When North Fork executives arrived at the building, they were blocked from entering, according to Kanas.

So he responded with a banker's bravado: by renting a boat and pulling it up to the dock outside of the meeting. Once there, North Fork executives hooked up their computers so that they could keep tabs on the vote results, he said.

Kanas was ultimately allowed to enter the meeting, where he spoke out in favor of his company buying Dime.

North Fork later that year cashed out its shares and dropped its bid, after Dime's stock price climbed on the heels of a $238 million investment from Warburg Pincus, the private equity firm.

Dime was sold later, in January 2002,

to Washington Mutual, the thrift company that collapsed during the crisis and was taken over by JPMorgan Chase.

Asked whether he burned bridges in the industry from the hostile confrontation with Dime, Kanas said: "I'm sure, but not intentionally. It was not something that the banking community thought was particularly acceptable."

North Fork becomes a seller

Kanas' final bank acquisition at North Fork raised alarm bells in its C-suite – and ultimately pushed him to sell the company he had spent three decades building.

North Fork in February of 2005 acquired GreenPoint Bank, a move that added branches in New York City, as well as a specialty in residential mortgages.

"We bought it for two reasons – we liked the business at the time, and they had a substantial deposit base," Kanas said.

But Kanas and his team soon grew uncomfortable with risk-taking in GreenPoint's mortgage unit, particularly after sitting down with brokers to learn how the loans were structured. GreenPoint specialized in jumbo loans, as well as Alt-A mortgages, which didn't fully document a borrower's income or assets.

"We saw how they were putting packages together, and became really nervous, and as time went on, we became even more nervous with the business they were doing," Bohlsen said.

Kanas reasoned that if the mortgage market turned, North Fork would be highly exposed to losses. So he told the board that it was time to find a buyer.

He spent most of 2005 meeting with big-bank CEOs who had previously expressed interest in acquiring North Fork. Capital One ultimately prevailed. Like many of its big-bank peers at the time, it was bulking up on home loans.

Several months after the deal closed, in August 2007, Capital One closed down the GreenPoint mortgage unit, as the subprime mortgage meltdown began rippling through the economy.

Fitzgibbon said North Fork's acquisition of GreenPoint was somewhat of a blemish on Kanas' otherwise remarkable streak as a regional bank CEO and dealmaker.

By the same token, though, Kanas' decision to sell North Fork shortly after the GreenPoint acquisition reflects his hard-earned understanding of how suddenly markets can turn – just like they did in the early 1990s.

"Absolutely, having the background of having almost failed" gave Kanas the confidence to pull the trigger on the Capital One sale, Bohlsen said.

Rebuilding BankUnited

After a short stint at Capital One, Kanas became an investor during the financial crisis, partnering with WL Ross – the private equity firm founded by Secretary of Commerce Wilbur Ross – to hunt for failed banks.

But Kanas returned to banking business in a big way in May 2009, when he and a group of investors won a bid to buy BankUnited, one of the biggest lenders in Florida, after it had collapsed under the weight of bad mortgages.

Kanas said he was grilling hamburgers one evening in his backyard on Long Island when he got a phone call from Sheila Bair, chairman of the FDIC at the time. Bair told him that his investor group – which also included firms such as Blackstone – had won its bid for BankUnited. In order to take it over, Kanas would have to be in Florida by the next morning.

"I got on a plane and flew down in the middle of the night," Kanas said.

The next morning was like nothing he had ever experienced. Kanas recalled showing up at a hotel ballroom that served as the command center for the FDIC, which had spent the previous evening putting "Closed" signs on BankUnited's branches.

The agency walked him through the logistics of where to go and what to do. Within hours, Kanas and two of his deputies – Bohlsen and Singh – arrived at BankUnited's headquarters, where a crowd of protesters and police officers had gathered.

They took the elevator to the executive suite, and the reality of the whirlwind acquisition began to set in.

"We walk in at 8 o'clock in the morning, and take the elevator upstairs and say, Which way is the men's room? How did I get a good cup of coffee in here?" Kanas said, laughing as he recalled the excitement he felt.

He and his team got to work right away, shifting BankUnited's strategy away from residential mortgages and focusing on business lending instead. They also recruited scores of new lenders, including by posting newspaper ads – like one in American Banker – calling on unhappy Florida bankers to quit their jobs and defect to BankUnited.

"That was probably the most exciting thing that I've ever been through in business," Kanas said.

What may have been most crucial was that Kanas had negotiated a loss-sharing agreement, under which the FDIC agreed to share 80% of the first $4 billion in losses, and 95% of any further losses.

The agreement gave Kanas and his team runway to grow. Just over a year later, in early 2011, he took the company public, and the private-equity backers eventually sold their stakes. He then came back to his home turf, expanding to New York in March of 2013, and buying the $490 million-asset Herald National.

So far, the Herald deal has been

BankUnited's only bank acquisition since the crisis.

Though Kanas initially intended to grow BankUnited through acquisitions – as he had with North Fork – he was ultimately stymied by a tough market. There were no attractive targets selling for the right prices in Florida.

"It was frustrating to him," said Fitzgibbon. "The regulatory environment changed after the last recession" in a way that stifled bank deals.

Looking ahead to what's next

As Kanas looks toward his next venture, he is leaving BankUnited in solid shape.

The company, now run by Singh, has carved out a commercial niche in its East Coast markets, and expanded its loan book at a time when growth has been hard to come by. At midyear, loans were growing at a double-digit pace from a year earlier.

Still, challenges lurk on the horizon. Regulators have recently raised red flags about commercial real estate concentrations across the industry – a big business for BankUnited. Pressure to curb the portfolio's growth may put a damper on the company's ability to grow loans in years ahead.

BankUnited, along with several New York lenders, has also run into problems with its taxi portfolio, as the rise of car-sharing apps, such as Uber and Lyft, has driven down the value of medallions.

As of June 30, chargeoffs in the company's taxi book climbed by more than fivefold from a year earlier, to about $6 million.

For Kanas, the recent problems with taxi lending only underscore the importance of remaining agile. For years, of course, medallion prices soared, as yellow cabs had a monopoly in the New York City market.

"Nobody had ever heard of Uber, right?" Kanas said, chuckling.

But the world changes quickly – and, to stay successful in banking and finance, you have to keep up.

"You have to keep checking your own pulse once in a while, to make sure it's still beating," Kanas said. □

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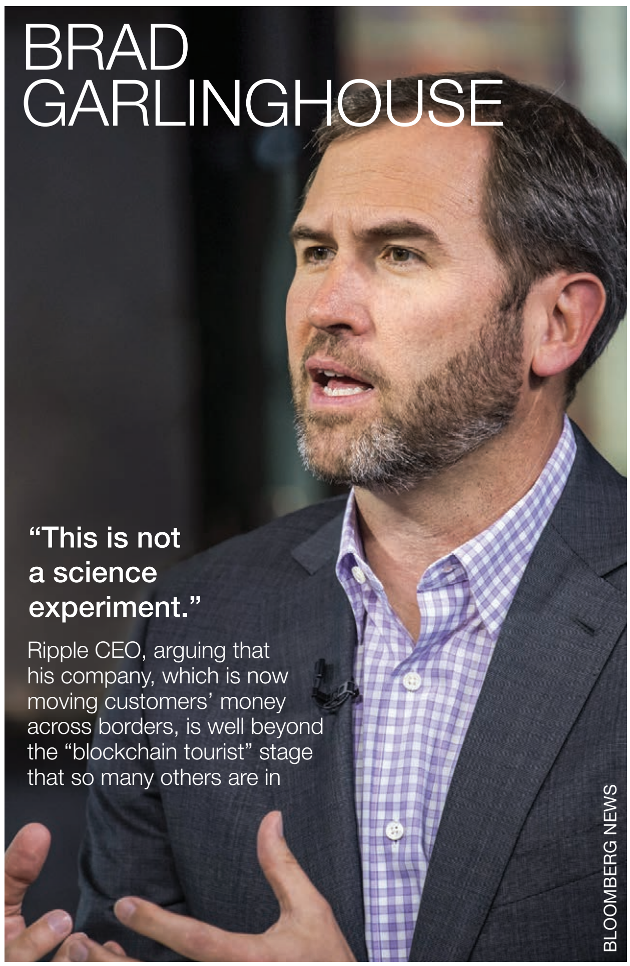

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