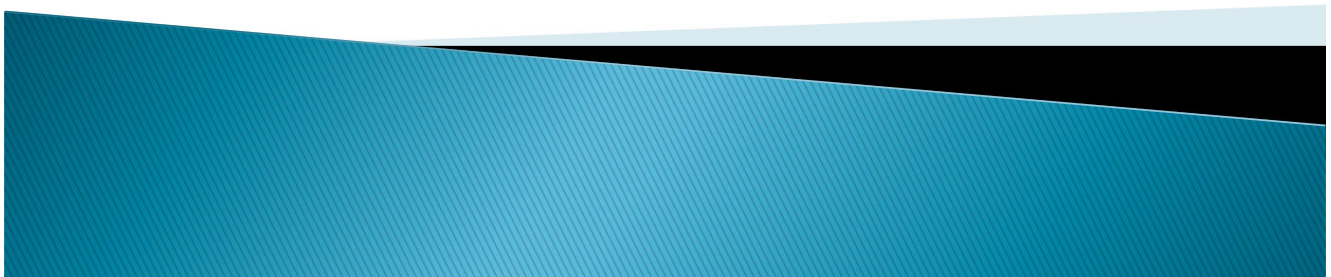


The Board's Role In A High-Performing Bank

VBA/MBA Convention

June 7, 2026

Presented By: David L. Kemp, BMI



State at a Glance, VA

	VA	National
▶ Population (7/25)	8,880,107	341,784,857
▶ Change (4/2020)	2.9%	3.1%
▶ Median Household Inc.	\$93,170	\$80,734
▶ Per Capita Inc.	\$50,666	\$44,673
▶ Median Home Value	\$383,700	\$332,700
▶ Home Ownership Rate	67.3%	65.2%
▶ High School Grads	91.6%	89.6%
▶ College Grads or Higher	42.2%	35.7%

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State at a Glance, MD

	MD	National
▶ Population (7/25)	6,265,347	341,784,857
▶ Change (4/2020)	1.4%	3.1%
▶ Median Household Inc.	\$103,678	\$80,734
▶ Per Capita Inc.	\$52,979	\$44,673
▶ Median Home Value	\$419,900	\$332,700
▶ Home Ownership Rate	67.6%	65.2%
▶ High School Grads	91.1%	89.6%
▶ College Grads or Higher	43.4%	35.7%

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UBPR Analysis

State Averages 3/31/26

BK's: VA

- 53 – 2026
- 56 – 2025
- 56 – 2024
- 56 – 2023

#BK's: MD

- 19 – 2026
- 22 – 2025
- 20 – 2024
- 22 – 2023

▶ National Peer: \$300M – \$1B

- 1,280

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UBPR Analysis

	<u>VA Avg</u>	<u>MD Avg</u>	<u>National Avg</u>
▶ In Income	5.11	5.16	5.34
▶ In Expense	1.56	1.48	1.65
▶ NIM	3.74	3.79	3.86
▶ NII	0.61	0.43	0.50
▶ ROA	1.10	1.04	1.31
▶ ACL	1.08	1.16	1.27
▶ Past Due/ NA	0.67	0.74	0.64
▶ Tier 1 Capital	11.53	10.75	10.94
▶ Cash Dividends	33,70	27.59	39.48

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UBPR Analysis

	<u>VA Avg</u>	<u>MD Avg</u>	<u>National Avg.</u>
▶ Loan Growth	5.83%	5.01%	6.25%
▶ Personnel Exp	1.47	1.45	1.48
▶ Occ Expenses	0.25	0.23	0.26
▶ Other Expenses	0.98	0.84	0.80
▶ Eff Ratio	64.7%	62.0%	61.0%
▶ Avg Per Exp	\$113.5	\$126.7	\$107.3
▶ Assets Per FTE	8.14	8.62	7.54
▶ Loan Yield	6.11	6.14	6.57

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UBPR Analysis

	<u>VA Avg</u>	<u>MD Avg</u>	<u>National Avg</u>
▶ DDA	22.87	22.10	22.03
▶ MM Accts	15.95	19.59	14.22
▶ Other Savings	9.47	11.41	9.15
▶ TD @ Limits	16.76	16.65	17.22
▶ TD Above Limits	6.48	4.71	8.01
▶ ROE	10.08	9.98%	13.05%
▶ Return on Div	2.97%	1.96%	4.46%

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Getting New Directors On Board!

- ▶ Most banks will need to replace 3 or more Directors over the next five years.
- ▶ Directors responsibilities are divided into three broad categories:
 - 1. Fiduciary
 - 2. Advisory
 - 3. Strategy

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Fiduciary Responsibilities

- ▶ Approval of bank policies
 - Loan
 - Investment
 - Regulatory
 - Ethics
- ▶ Shareholders interest
 - Dividends
 - Stock valuation
- ▶ Governance/Oversight
 - Selection of executive management
 - Review and approval regulatory exams
 - Audit controls

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Advisory Responsibilities

- ▶ Advisory
 - Approval of bank budgets
 - Oversight of compensation strategy
 - Approval of CEO'S compensation package
 - Serve as a sounding board for succession plan(s)
 - Consultation for executive management promotions/hires
 - CEO performance evaluations
 - Customer feedback

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Strategic Responsibilities

- ▶ Participation in development of bank's strategic plans
 - Setting major goals and objectives
- ▶ Buy, Sell, Independence
- ▶ Growth
 - Organic, Acquisitions
- ▶ Capital strategy
 - Dividend payout
 - New equity
- ▶ Community involvement

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What Happened?

- ▶ The banking industry has gone through a period of survival, and now it enters a period of renewed focus on the **customer**.
- ▶
- ▶ **The question of the day?:**
- ▶ *“What products or services can we provide our Customers; that our Customers will perceive enough value that they will pay us enough \$\$, that we can provide our shareholders with an acceptable return on their investment”*
- ▶ *Don't let regulators run your Bank!!*

Qualities of Winning Bank's

- ▶ The best run Bank's in the country are also the top performing Bank's, as Management and the Board provide clear strategic direction. Some of the shared qualities are:
- ▶ **1. A laser like Customer focus**
 - Defines its target customers & markets
 - Service always matters
- ▶ **2. A disciplined and aggressive credit culture**
 - Credit quality is a first consideration
- ▶ **3. A desire to be the Employer of choice**
 - Recruits talent at every level of the Bank
 - Compensation is designed to maximize bank performance

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Winning Bank's

- ▶ **4. Innovation is encouraged**
 - Technology is not seen as the end-game but as a tool that is to be used
 - Good ideas can come from anywhere within the company

- ▶ **5. The Board will exercise its independence**
 - The Board provides strategic direction
 - The Board provides management with informal & formal feedback
 - The Board will use outside resources when necessary
 - Auditors, Attorneys, Consultants

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Talent Acquisition & Development

- ▶ **Who do we hire?**
 - Personality profiling
 - Leadership traits
 - Self starter
 - Strong communication skills
 - People skills
 - Intellectual curiosity
- ▶ **Staff development**
 - Mentoring high potential Team Members (Board)
 - Internal & External training, developmental assignments
 - Leadership training

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Talent

- ▶ Identify, Recognize, Reward high performers
- ▶ Identify, Coach, Remove under performers
- ▶ Develop relationships with local Colleges & Universities
 - Internship programs

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Building an Effective Team

- ▶ The board and management must be on the same page, if the bank is to be successful.
- ▶ **“A HOUSE DIVIDED AGAINST ITSELF CANNOT STAND”**
 - Abraham Lincoln, 1858

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