ANB Bank

January 19, 2021

Ms. Ann E. Misback
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Ave., NW
Washington, DC
20551

RE: Comment on Docket No. R-1731/RIN No. 7100-AG01

Dear Ms. Misback:

We are the leaders of ANB Bank (ANB), a family/employee-owned commercially-focused community bank serving Colorado, Wyoming and Kansas. ANB's parent company, Sturm Financial Group, Inc. (SFG), is a single-purpose, non-complex holding company.

We appreciate the opportunity to offer comment on the recent interim final rule moving back the measurement dates for certain asset-size thresholds, thereby postponing the requirement for parent companies to meet consolidated capital levels by one year[1].

In its interim rule, the Board of Governors correctly noted that:

- Community banking organizations (CBO's) played a major and critical role in extending PPP loans to small businesses, which drove such banks' total assets rapidly higher;
- Notwithstanding the growth, risk profiles of such CBO's have not materially changed; and
- Compliance costs, particularly the requirement to raise additional Tier 1 common equity at the parent level, are significant.

We applaud the Board's action and request that the threshold to meet consolidated capital requirements be further extended, either by:

- **Extending the corresponding asset measurement date to at least December 31, 2022;**
- **Or, preferably, raising the asset threshold for consolidated capital requirements to $5Bn.**

We base our above recommendation on the following:

- A second round of PPP loans has just been initiated, and while CBO's want to fully participate and be helpful to the economic recovery, the upcoming March 31, 2022 deadline for consolidated capital creates challenges.

---

[1] For organizations that crossed the $3Bn asset-size threshold in 2020

3033 East 1st Avenue, Suite 300 • Denver, CO 80206 • (303) 394-5002 • Member FDIC Equal Housing Lender

- The fundamental purpose of bank holding companies is to assemble financing to provide as Tier 1 common equity to their bank subsidiaries.
    - The incremental net revenue associated with most stimulus-related asset growth is very low, roughly 1.00%. Such modest revenue is impossible to square with offering equity investors at the parent level a competitive return on their incremental investment.
- However, the debt markets do offer affordable financing to parent companies, which enables them in turn to downstream the funds as vital Tier 1 common to the bank subsidiaries.
- Thus, our recommendation does not affect capital ratios of the bank subsidiaries, nor does it pose any risk to the Deposit Insurance Fund.

Another round of fiscal stimulus has just been enacted, which, combined with the rapid expansion of the money supply, will continue to swell community bank balance sheets, and accentuate these issues even further.

The above-recommended action will take the pressure off in the near term, and support the Board's commitments to both a) maintaining a robust community banking sector, and b) enabling the swiftest possible economic recovery from the economic damage wrought by the pandemic.

Thank you. We look forward to the Board's recognition of these realities.

Sincerely,

Koger L. Propst
Chief Executive Officer
ANB Bank and Sturm Financial Group, Inc.

Susan M. Sturm
Chief Financial Officer
ANB Bank and Sturm Financial Group, Inc.