

The Margin of Leadership

**How the Best Banks Win by
Leading, Not Reacting**

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Reacting

By Frank Hopkins

Foreword

I didn't write this book because I had something clever to say. I wrote it because I couldn't stay silent.

Over the years, I've sat across the table from bank CEOs who are doing everything "right" on paper—checking all the boxes, hitting their compliance targets, executing their strategic plans—and still wondering why their teams feel sluggish, why their margins are thin, or why they're losing talent they thought they'd never lose.

I've watched boards confuse calm with clarity, culture with comfort, and survival with success.

And I've seen the same thing play out again and again: behind every spreadsheet, every performance slide, every talking point in a quarterly report—is a leadership system quietly shaping everything.

That's what this book is about.

Because the truth is, most banks don't have a strategy problem. They have a leadership problem. And that problem shows up everywhere: in misaligned pricing, bloated expense structures, risk avoidance masquerading as caution, and cultures that sound better on the website than they feel in the room.

We've come to accept these breakdowns as normal. But they're not. They're the byproduct of leaders who were never taught—and never challenged—to lead with courage, clarity, and conviction.

That's why I wrote this.

Because I believe leadership is sacred.

Because I believe the health of a bank is a reflection of the integrity of its leaders.

Because I believe our communities still need banks that are deeply human, fiercely disciplined, and driven by something more than quarterly optics.

This book is not a technical manual. It's a mirror. It's a blueprint for leaders who are ready to stop managing noise and start building institutions that last.

If you're looking for a shortcut, you won't find it here. But if you're ready to tell the truth about your leadership system—and take full ownership of the bank you're becoming—then you're exactly who I wrote this for.

Because in the end, performance is not just financial. It's personal. It's cultural. It's moral.

And the leadership you build is the bank you become.

—Frank Hopkins

CEO, Hopkins Leadership

Author, *The Margin of Leadership*

Introduction

Leadership Is What Separates the Banks That Last

Let me level with you.

Banking isn't complicated. It's hard—but it's not complicated. You take in deposits, lend money, manage risk, and try to create long-term value for your shareholders, your customers, and your communities. But here's what most people still don't get: **it's not the business model that separates great banks from average ones. It's the leadership.**

We've been working with community banks a while now. We've seen bull markets mask bad decisions, and we've seen rising rate environments make weak banks look smart—for a while. But cycles always turn. And when they do, the truth comes out. *Fast*. The banks with disciplined leadership, clear strategy, and operational rigor don't just survive. They accelerate. The others scramble to explain what went wrong.

Let's stop pretending the numbers just "happen."

Net interest margin, efficiency ratio, return on assets, loan-to-deposit ratio, fee income, NPAs—these are not just financial metrics.

They are leadership outcomes.

I don't care what the rate environment looks like. I don't care how competitive your market is. You either build a leadership culture that makes smart, aligned, forward-

looking decisions—or you don't. And if you don't, it shows up everywhere: in sloppy pricing, bloated expense structures, weak credit performance, disengaged employees, and missed opportunities.

Let's be blunt.

Too many executive teams hide behind market conditions.

Too many boards accept mediocrity dressed up in quarterly commentary.

Too many banks wait until performance slips before they start asking the real questions.

Not the smartest question.

Not the easiest question.

The real question: *Are you leading well—or just managing the noise?*

If your bank is underperforming, it's not because the formula is broken. It's because your leadership system is. And the only way to fix it is to stop blaming the environment and start owning the outcomes.

This book isn't about finance. It's about guts. Discipline. Clarity. The kind of leadership it takes to build a bank that outperforms when it matters most.

So if you're reading this to find a clever trick, close it now.

But if you're ready to look in the mirror and build a bank that actually leads—through cycles, through change, through pressure—then let's get started.

Because in the end, banking isn't just about capital.

It's about character... Your character.

That's right, I just wrote that it is about YOUR character as the leader.

And your leadership is what determines whether your bank thrives—or just survives.

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Chapter 1

Margin Is a Leadership Decision

At first glance, Net Interest Margin looks like a math problem.

Simple enough:

$$\text{NIM} = \frac{\text{Interest Income} - \text{Interest Expense}}{\text{Average Earning Assets}} \times 100$$

It's easy to assume this is a finance department issue—a yield curve conversation, a spreadsheet problem, a quarterly update.

But that's the surface-level view. Underneath, this isn't about accounting. This is about leadership.

If you run a bank, you don't get to shrug when NIM compresses and blame the rate environment. Sure, you can't control the Fed. But you can control how you respond. That delta between reacting and leading? That's where your margin lives—or dies.

Let's run a thought experiment. Two banks. Same market. Same size. Same curve. Same access to wholesale funding. Same competitive pressures. But different leadership.

Bank A posts a NIM of 3.88%. Bank B comes in at 3.12%. That's a 76 basis point spread—enough to move the needle on earnings, talent retention, growth strategy, and shareholder confidence. And here's the truth no one wants to say out loud: the difference isn't luck. **It's leadership.**

Bank A's team has clarity. They know how they price, and why. They've trained their lenders to sell value, not just rate. They're aligned across treasury, lending, and retail. They fund with discipline. They protect yield. They adapt when conditions change. They say no when others say yes too easily. They lead.

Meanwhile, Bank B drifts. They follow the market. They chase volume. They accept too many pricing exceptions. They treat funding costs like a fixed variable instead of something to be influenced. The result? Thinner margins, more stress, and less room to maneuver when things get tight.

Now, let's back up and ask: what actually drives NIM? On paper, it's influenced by things like loan pricing, deposit costs, balance sheet composition, and the interest rate environment. But peel that back, and what you find is this: most of these levers are pulled—or left untouched—by leadership decisions.

Loan pricing? That's strategic. Your philosophy, your risk appetite, your margin targets—those don't fall from the sky. They're set in your office or the boardroom and modeled by the executive team. Deposit pricing? That's cultural. Your brand, your service model, your willingness to match or lead the market—again, all leadership calls. Funding mix, asset

allocation, credit risk appetite, tech investment, team alignment—it's all leadership.

Some variables are external. You don't control the rate environment. You don't get to choose whether the curve steepens or flattens. But you do get to choose how fast and how well you respond.

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Let's quantify it. If you isolate what's controllable, it's fair—conservative even—to say that 60–75%¹ of NIM performance is leadership-dependent. That's not a guess. It's a working truth for anyone who's led through multiple cycles.

And it shows up in the details. Do your leaders empower relationship managers to make pricing decisions based on value—or do they default to matching the competition? Does your treasury team have a seat at the strategic table, or are they reacting after the fact? Are your credit and lending teams aligned around long-term customer value, or fighting each other to hit monthly numbers?

Do you price to protect margin, or to chase volume? Do you have the courage to hold the line on pricing when competitors blink? Do you know what it costs you every time someone discounts a deal just to get it done?

These questions aren't academic. They shape the daily behavior of your team. They drive your earnings and define your culture. And most importantly, they reveal what kind of leadership system you've built—or tolerated.

A weak leadership system creates noise. Silos emerge. Decisions get made in isolation. Treasury pulls one way,

retail another. Credit policy gets soft. Exceptions become the rule. And over time, you become Bank B—stuck explaining away poor performance as market-driven.

A strong leadership system creates coherence. Everyone knows the pricing strategy. Margin targets are clear. Risk is managed, not avoided. Cross-functional teams collaborate. Lending, pricing, and operations are rowing in the same direction. And when pressure hits, you don't panic—you adjust, adapt, and execute.

This isn't about being the smartest bank on the block. It's about being the most aligned. The most disciplined. The most courageous.

Here's how that breaks down for NIM:

Primary Driver	Leadership Control	Estimated Influence
Loan Pricing Policy	High	15-20%
Deposit Pricing Strategy	High	10-15%
Asset Mix / Capital Allocation	Medium-High	10-15%
Interest Rate Responsiveness	Medium	5-10%
Credit Risk Tradeoffs	Medium	5-10%
Cross-Functional Execution	High	10-15%
Market Forces / Macro Rates	None	25-40%

NIM ≠ just rates—it's the reflection of discipline, clarity, and alignment. All leadership behaviors. Remember, isn't just a finance issue. It's a leadership referendum.

Let me say it plainly: *margin is a test of your leadership team's collective will and clarity.* It reveals whether your strategy is more than a slide deck. Whether your people are connected to the mission. Whether you make tradeoffs with intention—or just react to the noise.

So what should you be asking inside your bank?

Are we clear on our pricing philosophy?

Do we have the *guts* to hold the line when others cave?

Is our funding strategy built for durability, or convenience?

Are we using data to inform pricing and relationship management—or are we still flying blind?

Are our teams aligned, or just coexisting under the same logo?

You don't have to control everything to win. But you do have to control what you can.

You can't always control the rate environment. But you can always control how well your leadership system responds to it.

And in banking—as in life—those who lead with discipline, foresight, and resolve tend to outperform.

Because at the end of the day, margin isn't just about spread.

It's about leadership

10 NIM questions to consider relating to discipline, pricing, value creation and strategic clarity:

- *Do we have a clearly defined pricing philosophy—and is it applied consistently?*
- *Do our lenders understand how to sell value instead of competing on rate?*

- *How often do we grant pricing exceptions—and do we track their impact?*
- *Are we coaching relationship managers to protect margin—or just close deals?*
- *Does treasury have a strategic voice in pricing and product design?*
- *Are we adapting fast enough when market conditions change?*
- *Are we aligning pricing decisions with long-term client value?*
- *Do we know what margin we're willing to walk away from—and do we?*
- *Are our front-line teams equipped with the data to make pricing decisions confidently?*
- *Do we review and discuss NIM performance as a leadership issue—not just a finance report?*

NIM ≠ just rates—it's the reflection of discipline, clarity, and alignment. All leadership behaviors.

Chapter 2

The Efficiency Ratio Is a Mirror for Leadership

There's a number on every bank's income statement that most CEOs know by heart. It gets reviewed every quarter, plotted on charts, and compared against peers. Boards ask about it. Analysts watch it. But here's the thing: most people still get it wrong.

The **Efficiency Ratio** isn't just a number. *It's a mirror.*

$$\text{Efficiency Ratio} = \frac{\text{Non-Interest Expense}}{\text{Net Interest Income} + \text{Non-Interest Income}} \times 100$$

On the surface, it looks just like a cost metric. It's calculated as non-interest expense divided by the sum of net interest income and non-interest income. The math is simple. The story it tells is not.

When the ratio is low, people say your bank is “lean” or “disciplined.” When it's high, they talk about overhead, cost structure, or non-performing assets. But very few say what

needs to be said: your *Efficiency Ratio* is a reflection of leadership. Not just decisions made—but clarity, courage, and discipline sustained over time.

You can't fake your way to a strong Efficiency Ratio. You can't spin it in a board meeting or explain it away in a press release. The number is too clean. Too revealing. It shows exactly how well you turn revenue into performance. It shows whether your leadership team can maintain focus in the face of complexity, whether you have the discipline to prioritize what matters, and whether you're willing to confront waste.

Most inefficiencies *aren't* caused by market forces. They're caused by leadership behavior. And most cost problems aren't really about costs—they're about drift. They're about not making the hard decisions when they needed to be made. They're about letting legacy systems and legacy thinking stay in place because no one had the will to challenge them.

That's why we say this: 70 to 85 percent of your Efficiency Ratio is leadership-driven.

Let's look at what actually impacts the ratio. First, there's your cost structure—how you staff, who you hire, and the organizational model you as the leader allow to exist. Then, there's productivity—how clearly roles are defined, how performance is measured, how incentives are aligned. Next comes revenue diversification—whether you've got a real strategy to grow non-interest income or whether you're still expecting loan growth to carry the weight. Add to that your branch footprint, your technology execution, your process discipline, your appetite for accountability.

Now, ask yourself—how many of those things are really external? How many are dictated by regulation, inflation, or the competitive environment?

Primary Drivers of Efficiency Ratio	Leadership Control	Estimated Influence on Efficiency
Cost Structure / Staffing Model	High	20-25%
Operational Discipline	High	15-20%
Strategic Prioritization /Resource Allocation	High	10-15%
Technology & Process Innovation	Medium	10-15%
Revenue Mix / Margin Expansion	Medium	10-15%
External Compliance / Inflation	None	15-30%

A few, maybe. But the vast majority? That's all you and your team. It's your executive team. That's your leadership system.

When we look at a bank with a weak Efficiency Ratio, we don't look at the budget. We start with the leadership structure. We ask: who owns productivity? Who's responsible for streamlining operations across functions? Who is empowered—and expected²—to challenge legacy systems and eliminate unnecessary work?

What we've seen, over and over again, is that inefficient banks don't just have a cost problem—they have a *focus* problem. They try to do too many things. They invest without conviction. They add staff without sharpening accountability. They tolerate manual workarounds. They keep vendors in place no one's questioned in years. They build complexity faster than they build clarity.

And the worst part? They usually don't even know they're doing it. Because inefficiency creeps in slowly. A new system here. An extra FTE there. A process added without replacing the old one. Over time, the organization becomes cluttered—not with bad people or bad intentions—but with unchecked complexity.

In contrast, the high-performing banks run differently. Their leadership teams are aligned³. Their goals are clear. They don't try to do everything. They focus on what moves the needle. They build technology around real use cases. They cut what no longer serves them. They invest with purpose—and they follow through. They don't let old processes hang around just because someone built a spreadsheet that makes them tolerable.

These banks treat their Efficiency Ratio like a leadership scoreboard. They know it's not about pinching pennies—it's about making bold, smart choices. They look at every dollar through the lens of strategic return. They know that cutting cost at the expense of service, culture, or future growth is just as irresponsible as letting waste pile up. It's not austerity—it's intentionality.

Let me be even more direct. If your headcount is growing and revenue isn't, that's a *leadership failure*. If your tech investments aren't driving process improvement, that's a *leadership failure*. If no one can explain why you're still paying a legacy vendor, or why three departments are doing overlapping work—that's a *leadership failure*.

And failure is fixable. But only if you're willing to stop blaming the ratio and start owning the reflection it provides.

The most effective leadership teams we know regularly ask each other: What are we doing that no longer adds value? What can we stop doing to free up capacity? Where are we protecting old systems, roles, or beliefs that are holding us back? Where have we chosen comfort over clarity?

They treat simplification as a strategic imperative—not a budget season tactic.

They invest in digital fluency—not just digital tools.

They design for scale—not just for survival.

They train their managers to lead for output—not activity. They hold their teams accountable not for hours worked or forms submitted, but for impact delivered.

They walk into every strategic planning session asking: “Are we focused enough?” Not “Are we busy enough?”

That mindset—more than any single decision—is what drives a strong Efficiency Ratio.

So here’s the truth: if your ratio is creeping up, your problem isn’t expense. Your problem is leadership. You’ve let complexity settle in. You’ve failed to ask the hard questions. You’ve lost focus.

The good news? You can fix it.

But you don’t fix it with spreadsheets. You fix it with courage. With clarity. With a leadership team that’s willing to look at the mirror the Efficiency Ratio provides—and see the truth.

Because in the end, the number won’t lie. It reflects how well you lead.

And how well you lead will determine whether your bank thrives—or just survives.

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10 Efficiency Ratio questions to consider relating to Focus, simplification, investment discipline, and execution integrity:

- *Are we actively managing our asset mix to optimize ROA?*
- *How disciplined are we in pruning low-return business lines?*
- *Are we over-relying on NIM to drive ROA—or are we diversifying income?*
- *Do we evaluate ROA at the product and customer segment level?*
- *How often do we revisit capital allocation to ensure alignment with strategy?*
- *Are we measuring the return on new initiatives—or just hoping they work?*
- *Do we understand the cost-to-serve for each major business segment?*
- *Are we growing assets faster than earnings—and why?*
- *Are we pricing risk correctly—or chasing volume to hit top-line targets?*
- *When ROA drops, do we ask what leadership behavior allowed it?*

Efficiency Ratio is a reflection of leadership. Not just decisions made—but clarity, courage, and discipline sustained over time.

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Chapter 3

Return on Assets Is a Report Card for Leadership

Return on Assets might be the cleanest number in banking. One figure. One ratio. One reality check.

Net income divided by average total assets.

$$\text{ROA} = \frac{\text{Net Income}}{\text{Average Total Assets}} \times 100$$

At a glance, it tells you how efficiently your bank turns assets into profit. But if you know what to look for, it tells you much more than that. ROA is a scorecard—a cumulative, unflinching assessment of whether your leadership team is doing its job.

It's not just about income or assets. It's about whether the people leading the bank are thinking clearly, deploying

capital wisely, managing risk with discipline, and holding themselves accountable for results.

You don’t get to fake a strong ROA. You earn it—with judgment, discipline, and execution.

Let’s be honest: 70 to 80 percent of your ROA is a reflection of leadership choices. Not market conditions. Not rate movements. Not luck. Leadership.

ROA reflects whether your team is making the right strategic decisions—and making them consistently. Are you allocating capital to the highest-performing assets? Are you managing credit quality and pricing risk with maturity? Are you investing in business lines that deepen customer relationships and grow fee income—or are you over relying on NIM and hoping the rate environment bails you out?

The asset mix on your balance sheet? That’s not random. It reflects a thousand small decisions: which products you emphasize, how much liquidity you hold, how much you chase securities versus originate loans. Strategic banks think in terms of risk-adjusted return. Average banks just try to hit the next growth target.

Primary Drivers of ROA	Leadership Control	Estimated Influence on ROA
Capital Allocation Decision	High	20-25%
Asset Quality Management	Medium-High	15-20%
Fee Income Development	Medium-High	10-15%
Expense Management	High	10-15%
Pricing & Spread Optimization	Medium	10-15%

Primary Drivers of ROA	Leadership Control	Estimated Influence on ROA
Economic & Market Environment	None	20-30%

Loan quality? Credit culture? Those aren't outcomes—they're leadership behaviors. If your ROA is eroding because of rising credit costs, that's not a mystery. It's a sign your underwriting standards are inconsistent, your tolerance for exceptions is too high, or your risk posture is misaligned with your reality. None of those are accidents. They're choices—either made consciously or allowed through neglect.

Fee income generation is another bellwether. If you've got a well-rounded, diversified income stream, it usually means your bank has done the hard work—building product sets that add value, investing in relationships, and resisting the temptation to chase yield at the expense of customer loyalty. If you're light on fee income, it's not because there's no opportunity. It's because you haven't made it a priority.

And let's talk about cost structure. If your operating efficiency is poor, that drag hits ROA hard. But again, this isn't a cost problem—it's a leadership problem. Do you run lean with discipline, or do you allow organizational bloat? Are you continuously evaluating the return on each business line, or are you letting underperformance linger? Are your investments aligned with long-term value, or are they just legacy weight?

Strong ROA tells a story. It means your capital is being deployed into productive, well-managed assets. It means your teams are aligned, your credit discipline is sound, your revenue strategy is working, and your structure supports—not stifles—performance.

But a weak ROA? That tells a different story.

Maybe you're chasing volume instead of pricing risk. Maybe you're stuck in a bloated operating model with too much fixed cost and too little clarity. Maybe your asset growth has outpaced your income, and you haven't stopped to ask why. Maybe your capital is tied up in low-return assets because you're playing defense, not offense. Maybe you're still waiting for rising rates to save you, instead of building a resilient, diversified model that performs in *any* environment.

If ROA is underwhelming, something in your leadership system isn't working.

That might mean you've spread decision-making across too many silos—so no one owns the full performance picture. Or it could mean you've got strategy without accountability. Or ambition without focus. Or activity without results.

One of the biggest red flags? *When the board gets surprised.* When they see loan growth but don't see earnings follow. That's when the alarm bells go off. It means leadership was chasing volume without protecting margin. It means risk wasn't priced correctly. It means the growth wasn't built on value—it was built on velocity.

These aren't financial slip-ups. They're strategic missteps. And they're avoidable.

The truth is this: banks with strong ROA don't just run well—they lead well.

They allocate capital with purpose. They make decisions based on real return—not optics. They know which products to scale, which relationships to deepen, and which business lines to let go of. They operate with long-term conviction, not

short-term fear. And they make hard decisions, early—before problems show up on the bottom line.

What do those banks look like?

They have a clear asset mix strategy.

They run lean but strong.

They build credit culture like it's sacred.

They measure return on *everything*—not just at the enterprise level, but down to the product, the initiative, the segment.

They don't allow dead weight to hang around.

They don't chase yield. They create it.

And they don't hope for growth. They plan it, measure it, and deliver it.

Now, ask yourself: is *your* ROA where it should be?

If not—where are you over-leveraged? Where are you overbuilt? Where are you underperforming because no one's had the courage to challenge the status quo?

These are leadership questions. Not accounting ones.

Because here's the final word: ***ROA is your report card for enterprise-level leadership maturity.*** It reflects whether your team is deploying assets wisely, managing risk soundly, and driving execution with focus.

You can't hide from it. And you shouldn't try to.

If the number's strong, it means your team is making smart decisions, aligning strategy with structure, and delivering results. If it's weak, the fix isn't a financial adjustment—it's a leadership reckoning.

The number doesn't lie.
It reflects how wisely you lead.

10 ROA questions to consider relating to Strategic capital allocation, portfolio discipline, risk-return judgment:

- *Are we actively managing our asset mix to optimize ROA?*
- *How disciplined are we in pruning low-return business lines?*
- *Are we over-relying on NIM to drive ROA—or are we diversifying income?*
- *Do we evaluate ROA at the product and customer segment level?*
- *How often do we revisit capital allocation to ensure alignment with strategy?*
- *Are we measuring the return on new initiatives—or just hoping they work?*
- *Do we understand the cost-to-serve for each major business segment?*
- *Are we growing assets faster than earnings—and why?*
- *Are we pricing risk correctly—or chasing volume to hit top-line targets?*
- *When ROA drops, do we ask what leadership behavior allowed it?*

ROA isn't just about income or assets. It's about whether the people leading the bank are thinking clearly, deploying capital wisely, managing risk with discipline, and holding themselves accountable for results.

Chapter 4

LDR—The Ratio That Reveals the Soul of Leadership

Most bankers think of Loan-to-Deposit Ratio as a technical metric—a data point for liquidity, a regulatory consideration, maybe something to explain to the board when it drifts too far in either direction.

But that's surface-level thinking. LDR isn't just a financial ratio. It's a pulse check on leadership.

Think about what LDR actually shows: how much of your funding base—the lifeblood of your bank—is being deployed into loans. Too low, and you're underutilizing capital. Too high, and you're flirting with instability. Either way, LDR doesn't just report what's happening in the balance sheet—it reflects how well your leadership team is functioning behind the scenes.

The formula is simple:

$$\text{LDR} = \frac{\text{Total Loans}}{\text{Total Deposits}} \times 100$$

But the behaviors underneath it are anything but.

Strong, balanced LDR isn't an accident. It's the outcome of **cross-functional trust, strategic patience, operational clarity, and disciplined execution**—in other words, real leadership. It tells you whether your leaders are working together—or pulling in different directions. Whether you're growing for the right reasons—or just chasing short-term optics. Whether risk is priced and funded responsibly—or whether your culture tolerates friction, fantasy, or both.

When LDR is aligned, it means the bank is being led with intentionality. Lending is growing—but not racing ahead of deposits. Deposits are coming in—not just through pricing games, but through long-term relationships, brand trust, and smart product design. Treasury and lending aren't just coexisting—they're collaborating. Your Asset-Liability Committee (ALCO) isn't a check-the-box meeting—it's where real decisions get made, based on real dialogue, real risk awareness, and real coordination.

But when LDR starts to slip out of bounds, the diagnosis isn't just financial. It's cultural.

We've seen it more than once: rapid loan growth without a funding strategy to match. Pressure to hit production targets that don't take deposit capacity into account. ALCOs that exist in name only. Retail teams that don't even know what the lending group is targeting. Treasury treated like a back-office function instead of a strategic partner.

That's not a liquidity problem. That's a **leadership breakdown**.

Let's call it what it is: **LDR is a reflection of how well your leadership system functions under stress**. Not just during good times—when everyone looks aligned—but when the pressure is on, when the board is watching, when rates shift, when earnings dip.

It's in these moments that leadership maturity is revealed.

Because leadership isn't just about setting targets. It's about aligning people behind shared objectives—then building the trust, systems, and discipline to deliver on them together. And when lending, treasury, and finance don't share the same strategy—or worse, don't trust each other—the cracks show up in your LDR. Every time.

Let's get specific.

Primary Drivers of LDR	Leadership Control	Estimated Influence on LDR
Loan Growth Strategy	High	15-20%
Deposit Acquisition Strategy	High	15-20%

Primary Drivers of LDR	Leadership Control	Estimated Influence on LDR
ALCO Alignment / Funding Mix	Medium-High	10-15%
Liquidity Planning	Medium	10-15%
Deposit Behavior / Seasonality	Low	10-15%
Market Competition / Rate Pressure	None	25-35%

If your loan officers are driving aggressive production, but the funding side of the house doesn't have the tools, the pricing authority, or the marketing budget to keep pace—your LDR starts to balloon. That's not bad execution. That's poor cross-functional planning.

If you're leaning heavily on wholesale or brokered deposits to fund loan growth, it often means the leadership team didn't ask the hard questions: Are we pricing too aggressively? Are we funding this growth sustainably? Do we understand the liquidity risk we're creating?

If you're letting growth outpace infrastructure—if your strategic plan assumes "they'll come" without a proactive, tested deposit acquisition strategy—that's not visionary. That's sloppy. And LDR will call you out for it.

What's driving all of this? Leadership behavior.

It's whether your C-suite works like a team or a set of parallel silos.

It's whether your executive conversations surface reality—or protect comfort.

It's whether you reward coordination—or just production.

It's whether your strategic plan is aligned from top to bottom—or just a presentation deck.

Here's what a healthy LDR *actually* signals:

It means your leadership team is disciplined. They're not chasing growth just to make the numbers look better next quarter. They're asking, "Can we fund this?" before they say, "Let's go after it." They're willing to grow slower if it means growing smarter. They know that sustainable growth isn't just about loans—it's about liquidity, trust, and long-term customer engagement.

It also means they're aligned. Treasury isn't an afterthought. Lending isn't acting like it's the only game in town. Retail and marketing understand what's being built on the lending side—and they're supporting it with deposit generation, relationship pricing, and customer retention efforts.

But more than anything, it means they're **leading together**. Not just executing their own functions—but making enterprise-level decisions with shared accountability.

When LDR is out of whack, you see the opposite:

You see decisions made in silos.

You see departments protecting their turf instead of serving the mission.

You see production goals that ignore funding realities.

You see ALCO become a formality—late to react, disconnected from the front lines.

You see a culture that chases growth, then scrambles to fix the funding gaps it created.

That's not banking. That's *babysitting a balance sheet*.

And when the pressure hits—whether from regulators, liquidity stress, or market shifts—you don't have time to fix trust issues. You either have an aligned, disciplined leadership culture—or you don't.

So if your LDR is starting to drift, don't just look at the deposit desk.

Look at your leadership system.

Ask:

Are we growing faster than we can fund?

Is there shared ownership of our balance sheet strategy?

Are our lending, treasury, and finance teams working in lockstep—or out of sync?

Is ALCO asking the right questions—or just reviewing charts?

Do our incentives drive collaboration—or conflict?

Because if they're not aligned now, they won't align under stress.

And the ratio won't lie.

Loan-to-Deposit Ratio isn't just about liquidity. It's about integrity—of systems, of culture, and of leadership.

It tells you whether your team is flying in formation—or whether each unit is following its own flight path, hoping not to crash.

A well-led bank builds discipline into its growth.

A poorly led one builds fragility into its balance sheet.

One will weather the storm.

The other will wonder what went wrong.

So no, LDR is not just technical. It's cultural.
It's not just math. It's trust.
It's not just deposits and loans. It's leadership.

And that's why, if you're serious about performance, about resilience, and about running a real bank—**you'd better be serious about what this ratio is trying to tell you.**

10 LDR questions to consider relating to Cross-functional trust, funding alignment, and enterprise strategy execution:

- *Are we growing loans faster than we can fund them?*
- *Do lending, treasury, and finance operate from a shared plan—or separate playbooks?*
- *Does our ALCO function drive decisions—or just review data?*
- *Are we building deposits through relationship strength—or rate shopping?*
- *Is our growth strategy grounded in liquidity capacity—or wishful thinking?*
- *Are our deposit goals realistic—and owned across the organization?*
- *Do retail and lending teams collaborate—or operate in silos?*
- *How often do we discuss LDR as a leadership metric—not just a liquidity ratio?*
- *Are we aligning incentives to encourage sustainable growth—or fast numbers?*
- *Are we proactively scenario-planning for LDR stress—or just hoping?*

*Loan-to-Deposit Ratio isn't just about liquidity.
It's about integrity—of systems, of culture, and
of leadership.*

NPA—Where Leadership Integrity Shows Up

There's a point in banking where the numbers get personal. It's not just about margin or earnings anymore—it's about the calls your people made when no one was watching. About what your systems tolerated. About whether your leaders had the guts to say, "*That deal's not right,*" even when everyone else wanted to push it through.

That's what Non-Performing Assets reveal. Not just credit risk. Leadership integrity.

We define NPAs as loans that are 90 days or more past due, or placed on non-accrual. They show up on a spreadsheet. But make no mistake—those numbers carry fingerprints. They point directly to the kind of credit culture you've built—or failed to build.

$$\text{NPA Ratio} = \frac{\text{Non-Accruing Loans} + \text{OREO} + 90+ \text{ Day Delinquencies}}{\text{Total Loans} + \text{OREO}} \times 100$$

And while market cycles matter, 80 to 90 percent of what drives your NPA level is leadership behavior.

Let's break that down.

It starts with underwriting. Are your standards tight? Are they clearly understood across the bank? Are you lending into markets and sectors that align with your risk appetite—or are you stretching just to chase yield? Do your RMs (relationship managers) know where the boundaries are, or are exceptions handed out like candy?

Weak NPAs start with weak decisions.

Period.

But it doesn't stop there. Because loans don't go bad the day they're booked. They go bad slowly—and they go bad when no one's looking closely enough. So the next question is: how well are you monitoring performance?

Do your relationship managers follow up with rigor? Are your early warning systems working? Is someone flagging issues before they become headlines—or are you waiting until the loan is already upside down?

Strong leadership cultures don't avoid red flags—they surface them. Early, often, and without fear.

And that's the real tell: escalation. In healthy banks, people speak up when something doesn't look right. They challenge deals that feel thin. They dig in when payment patterns shift. They don't say, "Well, he's a long-time client, I'm sure it'll work out." They say, "Let's get ahead of this now."

In weak cultures, it's the opposite. Risk is downplayed. Exceptions become the rule. Loan officers are pressured to "*get it done*," and credit review becomes the enemy instead of the ally. Early signs are swept aside as "relationship issues." And by the time someone rings the alarm bell, it's too late.

Let me be clear: NPAs are not just operational outcomes. They are cultural artifacts.

When NPAs are low and stable, it tells you a lot about the leadership team:

- *They've created a clear, shared credit philosophy.*

- *Their underwriters and loan officers are well-trained and well-supervised.*
- *They hold the line—even when growth targets get tough.*
- *They’ve empowered credit review to function independently.*
- *They run post-mortems when things go wrong—not to blame, but to learn.*

That’s what mature leadership looks like.

Primary Drivers of NPAs	Leadership Control	Estimated Influence on NPAs
Credit Culture & Underwriting Standards	High	20-25%
Consistency in Credit Decisions	High	20-25%
Early Identification / Monitoring	High	15-20%
Escalation / Workout Rigor	Medium-High	10-15%
Growth Risk Appetite	Medium	10-15%
External Credit Environment	None	10-20%

But when NPAs start to climb, or when they spike with every economic bump, that’s a red flag that goes beyond the credit file.

It means leadership might be chasing volume without enough discipline.

It means there’s inconsistency in how credit decisions are made—or enforced.

It means underperformance is being tolerated—rationalized, ignored, or quietly passed along.

Worse, it often signals that people don't feel safe speaking the truth. That they're managing up, not managing risk. That the system punishes transparency more than it rewards it.

When that's the case, the rot is deeper than a few bad loans. You've got a cultural problem. A leadership problem. One that's compounding beneath the surface.

Look at the warning signs:

- *Repeated credit exceptions with no clear trail.*
- *Lending teams pushing deals through without real underwriting conversations.*
- *Credit review being siloed—or resented.*
- *No post-analysis of charged-off loans.*
- *No one owning the credit story after origination.*

These aren't credit risks. They're leadership risks. They reflect a system that avoids hard conversations, bends standards to meet goals, and refuses to confront underperformance head-on.

Here's what we've learned over decades in business: no amount of process can overcome a weak culture. You can have the best credit policy in the world, but if your leadership team won't enforce it—or worse, subtly rewards breaking it—you're going to see it in your NPA line. Guaranteed.

On the other hand, when a leadership team has high standards, lives by them, and expects others to do the same? NPAs stay manageable—even in tough cycles.

It's not about being perfect. It's about being honest.

Because that's what strong credit cultures do. They name the problem early. They get ahead of it. They face reality, not fiction. They look at every loan as a stewardship decision—not a sales transaction.

They also make sure the right people have the authority and backing to say “no.” And they don't throw those people under the bus when they do.

That's leadership. That's discipline. That's courage.

So if your NPAs are trending up, you need to ask harder questions than “What's wrong with these borrowers?”

You need to ask:

- *Are we enforcing consistent credit standards—or are they optional?*
- *Do we train our people to monitor performance, or just close deals?*
- *Are we holding leaders accountable for credit performance—or just growth?*
- *Do we have psychological safety in our culture—or fear of rocking the boat?*
- *Are we learning from mistakes—or hiding them?*

Because when leadership avoids these questions, the loans keep going bad—and no one knows why until the charge-off hits.

But when leadership owns the credit story—top to bottom—you see the results. Not just in lower NPAs, but in stronger portfolios, healthier client relationships, and a team that doesn't flinch when it's time to face the facts.

NPAs are where leadership integrity shows up. Not just in the numbers—but in the stories behind them. In the choices made, the standards upheld, and the accountability enforced.

So don't look at NPAs as just another risk metric.

Look at them as a leadership mirror.

And ask yourself: Are you seeing what you need to see—or only what you want to?

10 NPA questions to consider relating to Credit culture, risk discipline, escalation norms, and leadership accountability:

- *Do we apply credit standards consistently across the bank?*
- *Are credit exceptions documented, tracked, and reviewed—or forgotten?*
- *Do we review charged-off loans to learn from our missteps?*
- *Are red flags surfaced early—or ignored to protect relationships?*
- *Do RMs and credit work as partners—or as opposing camps?*
- *Is our culture one where saying “no” is supported—or punished?*

- *Are leaders reinforcing credit culture—or undermining it with mixed signals?*
- *How often do we challenge borderline deals—or just rationalize them?*
- *Is our early warning system real—or just a checkbox?*
- *Do we treat NPAs as a finance problem—or a leadership integrity issue?*

NPAs are not just operational outcomes. They are cultural artifacts.

Chapter 6

Fee Income—Where Leadership Thinks Beyond the Margin

Most banks talk about fee income like it's a footnote. Something nice to have. A supplement to interest margin. A rounding error on the way to earnings.

That mindset is exactly why most banks never fully unlock their growth potential.

Because here's the truth: **fee income is leadership imagination, priced.**

It's the clearest indicator of whether your leadership team can think beyond the traditional levers. Beyond the balance sheet. Beyond the rate game. It tells you if your bank is playing offense—or just managing yield.

$$\text{Fee Income \%} = \frac{\text{Non-Interest Income}}{\text{Total Revenue}} \times 100$$

Strong fee income isn't about charging more. It's about offering more. It's about delivering value your customers are willing to pay for—because they see it, feel it, and trust it.

It starts with your product and service innovation. Banks that lead in fee income don't wait for the market to shift—they get there first. They invest in wealth, in trust, in treasury management, in payments. Not as side businesses, but as core engines of value. And they don't bolt them on—they build them in.

Leadership shows up in whether those services are integrated into the customer experience—or isolated in silos. It shows up in how product teams work with frontline bankers. In whether relationship managers are trained to have strategic conversations—or just quote loan rates.

If your fee income is growing, you can almost guarantee your leadership team is doing a few things well.

They've got a clear strategy. Not just for today, but for five years out. They know their customer segments—and how to deepen relationships in each one. They've invested in digital experiences that make it easy for customers to access services, self-serve, and engage. They've aligned incentives to reward collaboration, not competition. They've built confidence in pricing—because they believe in the value they're delivering.

And maybe most importantly, **they've fostered a culture of shared ownership.** Fee income isn't seen as someone else's problem—it's part of how the whole organization succeeds.

Now flip it.

If your fee income is flat—or worse, declining—what does that say about your leadership?

It says you're relying too heavily on Net Interest Margin to carry the load. It says your teams may be stuck in old habits: quoting rates, offering discounts, avoiding the deeper relationship conversations because they feel uncomfortable—or undertrained.

It says there's likely misalignment in how your teams are rewarded. Salespeople are guarding their books. Advisory teams are fighting for access. No one owns the customer

holistically. Fee-generating units are underinvested in—or treated like boutique businesses that “do their own thing.”

Worse, it says your leaders may not be thinking boldly enough. That they haven’t challenged the assumption that value only comes from spread. That they’ve allowed the phrase “We don’t want to nickel-and-dime people” to stand in for a real fee strategy.

That’s not client-centricity. That’s fear masquerading as humility.

Customers aren’t opposed to paying fees—**they’re opposed to paying for nothing.** When you deliver real value, the conversation changes. And great leaders know how to build cultures where value creation is front and center.

That means equipping teams to think beyond products. To think in terms of lifetime value, advisory impact, bundled services. It means giving them language, training, and permission to solve real problems—not just quote rates and close loans.

It also means having the discipline to hold the line on pricing. If your first instinct is to waive a fee to “keep the relationship,” your team doesn’t believe in the value—or worse, doesn’t understand it.

Leadership has to own that. Because pricing without confidence is just erosion. And when erosion becomes habit, your bank is leaking revenue and missing the opportunity to build loyalty through meaningful service.

Fee income is also a test of cross-functional maturity. You cannot grow fee income at scale if your bank is siloed.

I don't care how good your trust department is, or how innovative your treasury product might be—if the commercial team doesn't know when or how to introduce it, you've lost. If retail bankers don't understand the full scope of what you offer, they can't deliver it. If marketing is misaligned with product, and operations is left out of the loop, the customer experience breaks—and the revenue with it.

Primary Drivers of Fee Income	Leadership Control	Estimated Influence on Fee Income
Fee Product Strategy / innovation	High	20-25%
Cross-Selling Culture	High	15-20%
Relationship Management Depth	Medium-High	10-15%
Pricing Clarity / Waiver Policy	Medium	10-15%
Staff Execution / Incentives	Medium	10-15%
Market Demand / Regulatory Constraints	Low	10-15%

That's what makes fee income such a powerful leadership metric. It doesn't just measure product success. It measures how well your bank thinks, moves, and grows as a system.

And when that system works—when leaders align vision, incentives, training, and execution—you see the difference.

- You see fee income rising as a share of total revenue.
- You see deeper client relationships.
- You see smoother onboarding, less churn, more share of wallet.
- You see teams who collaborate instead of compete.

You see leadership that isn't just managing a portfolio—but building a future.

So if you're not seeing that? If fee income is underwhelming or stagnant? Don't look at your products first.

Look at your leadership.

Ask:

Do we have a clearly articulated non-interest income strategy?

Are our teams trained to sell value—or stuck in a rate mindset?

Are incentives designed to promote collaboration—or protect turf?

Do we invest in scalable services—or just keep patching legacy systems?

Is fee income owned by leadership—or delegated and forgotten?

Because here's the bottom line: **fee income is your bank's ability to create and capture value beyond the loan.** And if your leadership team can't see that, can't align around it, or can't execute on it, you'll never build resilience.

You'll be stuck in the spread game, dependent on rates, always chasing margin—and wondering why earnings never quite reach their potential.

But the banks that lead? They're building something different. Something better. Something more valuable.

They're building models where relationships generate revenue.

Where advisory matters.

Where customer value drives enterprise value.

That's not just sales. That's leadership.

And that's the future.

10 Fee Income questions to consider relating to Value creation, innovation, advisory mindset, and cross-functional alignment:

- *Do we have a long-term strategy for non-interest income—or just a target?*
- *Are our fee-based services positioned as core offerings—or bolt-ons?*
- *Are product and relationship teams aligned—or competing for the customer?*
- *Do our bankers understand how to position advisory solutions—or just loans?*
- *Are we building services our customers value—or avoiding the fee conversation?*
- *Do we regularly evaluate fee revenue contribution by segment?*
- *Are we waiving fees reactively—or holding the line with confidence?*
- *Are incentives aligned to promote cross-sell—or protect silos?*
- *Is leadership investing in scalable, recurring fee-generating models?*
- *Are we actively shifting the mindset from transactions to relationships?*

Chapter 7

Engagement—Where Leadership Integrity Shows Its Face (LSES)

We like to talk about culture like it's soft. Like it's optional. Like it's the dessert after the main course of strategy and execution.

That's a mistake.

Culture is not a feeling. It's a result. And it tells you—loud and clear—whether your leadership system has integrity or not.

Engagement is the same. When employees are engaged, they're not just happier—they're sharper. They think like owners. They take initiative. They speak up. They stretch. They stay. But when they check out—when they start going quiet, going through the motions, or heading for the door—it's rarely about the job. It's about leadership.

$$\text{LSES} = \frac{\sum \text{Engagement Item Scores}}{\text{Number of Items}}$$

Let's get one thing straight: ***80 to 90 percent of engagement outcomes are leadership-driven.***

Not HR-driven.

Not policy-driven.

It's Leadership-driven.

You can't blame the economy, or remote work, or generational shifts. People don't disengage in a vacuum. They disengage because they don't trust the people leading them. They don't see the point. They don't feel heard. Or they don't believe what they're being told.

And the longer you allow that to happen, the faster your bank culture erodes—from the inside out.

When we look at a bank with low engagement, we don't ask about comp or benefits. We ask about leadership behavior. We want to know what kind of conversations are happening—or not happening. We want to know if the senior team is aligned on strategy—or just saying they are. We want to know whether managers are actively coaching their people—or just clocking in. We want to know whether employees understand how their work connects to the bank's mission—or whether they're just executing tasks without context.

Because here's the hard truth: **low engagement is rarely about the work. It's about the environment leadership creates around the work.**

And that environment shows up in all kinds of subtle, powerful ways.

Are your managers checking in regularly—or only when there's a problem?

Are teams recognized when they do exceptional work—or only corrected when they fall short?

Are you surfacing tough feedback—or silencing it with bureaucracy or blame?

Are people encouraged to share new ideas—or trained to play it safe?

When engagement is high, the answers to those questions are clear. You see it in how people talk to and about

leadership. You see it in the energy in the room—even in the Zoom room. You see it in the way people raise concerns, challenge each other respectfully, and take pride in what they're building.

That doesn't happen by accident. It happens because leaders at every level have earned trust. They've communicated clearly. They've shown up consistently. They've created psychological safety, not just talked about it. And they've connected the dots between what the bank is trying to achieve and what each person is doing to move it forward.

That's not "soft." That's high-performance infrastructure. That's the kind of leadership that sustains results through thick and thin.

Now flip the script.

When engagement is low—or worse, volatile—you're watching a trust issue unfold in real time.

People don't know where the organization is going. Or they don't believe it'll get there.

They hear the phrase "people first," but don't see it in decisions.

They give feedback, but nothing changes.

They watch underperformance go unaddressed while their own contributions go unrecognized.

They see values posted on the wall—but not practiced in the room.

That gap between what leadership says and what it does? That's where disengagement grows.

And once it starts growing, it doesn't stay small.

It spreads. It shows up in survey results. In attrition. In missed goals. In the hallway conversations—or the Slack threads—where people stop expecting leadership to act and start finding workarounds.

And here's what makes it worse: when leaders refuse to look in the mirror.

When they blame turnover on “the market.”

When they write off disengagement as “entitlement.”

When they keep asking for “more accountability” without recognizing the accountability starts with them.

That's not leadership. That's avoidance.

Because true leadership culture isn't about controlling people—it's about creating clarity, consistency, and trust. It's about earning the right to be followed.

Ask yourself:

- Are our leaders visible and clear in how they communicate vision and priorities?
- Do our managers invest in people development—or just task management?
- Is feedback welcomed—or feared?
- Is recognition part of the culture—or an afterthought?
- Do we hold leaders accountable for living the values—or just for hitting the numbers?

Because when engagement is strong, none of that is in question. The culture is felt. The trust is real. The values aren't just words—they're norms.

But when it’s weak, the silence is deafening.

You see it in the survey comments.

You feel it in team meetings.

You hear it when the best people leave—and the reason is always “it just didn’t feel right anymore.”

That’s not just about morale. That’s about missed potential. And it's on leadership to fix it.

Primary Drivers of Engagement	Leadership Control	Estimated Influence on Engagement
Trust in Leadership / Communication	High	20-25%
Role Clarity / Strategic Connection	High	15-20%
Growth & Development Opportunity	High	10-15%
Psychological Safety & Inclusion	High	10-15%
External Labor Market Pressures	Low	5-10%

Here’s what we tell every executive team we work with: **Employee engagement is not a bonus metric. It’s a core operating indicator of your leadership system’s health.**

You can’t separate culture from performance. You don’t get execution without trust. You don’t get discretionary effort without clarity. You don’t get innovation without psychological safety. And you sure as hell don’t get loyalty without consistency.

So if engagement is slipping, the question isn't "What's wrong with the team?"

It's: "Where has leadership become unclear, inconsistent, or untrustworthy?"

Fix that, and you'll see the culture come back to life.

Ignore it, and you'll watch the whole system degrade—even if the balance sheet looks fine.

Because culture isn't what you say. It's what your people experience.

And engagement is how they vote.

10 Engagement & Culture questions to consider relating to Trust, communication, alignment, and leadership credibility:

- *Are our leaders walking the talk—or just reciting the values?*
- *Do employees feel safe bringing up hard truths—or do they stay silent?*
- *Are we investing in manager development—or just promoting on performance?*
- *Are recognition and feedback part of our culture—or an afterthought?*
- *Do people understand how their work connects to strategy?*
- *Are we addressing disengagement head-on—or rationalizing it?*
- *Are we rewarding collaboration—or competition?*

- *Do we regularly check alignment between leadership messaging and behavior?*
- *Is underperformance handled consistently—or selectively tolerated?*
- *Are we building a culture of ownership—or one of compliance?*

*Employee engagement is not a bonus metric. It's
a core operating indicator of your leadership
system's health.*

Afterword

The Leadership You Build Is the Bank You Become

Let's end where we began. This book wasn't about banking metrics. It was about the leadership system underneath them.

If you take nothing else from these pages, take this: your financial outcomes are the shadow of your leadership behavior. Every ratio, every result, every trend line is shaped by the clarity, courage, and consistency of the people in charge.

You can't delegate culture. You can't spreadsheet your way out of drift. You can't coach accountability into existence from the sidelines. You either lead with intention—or you let the system decay into noise, complexity, and confusion.

But here's the good news. *Leadership isn't magic*. It's a decision. It's a discipline. It's a system you choose to build—or not.

And the banks that win long-term? They choose to build it. They align around strategy. They tell the truth about performance. They simplify what's gotten bloated. They hold the line on standards when it's tempting to cave. They build trust—not with slogans, but with consistency.

That's the work in front of you.

Not a prettier dashboard. Not another strategic offsite. Not a tighter budget. Real leadership work. The kind that demands clarity. The kind that requires coherence. The kind that dares to ask, What are we tolerating that's quietly undermining everything we say we stand for?

Because at the end of the day, this business isn't just about lending or deposits or margins.

It's about integrity. It's about alignment. It's about leadership.

And your bank—every metric, every meeting, every decision—is the reflection of what you lead, what you allow, and what you believe.

So lead like it matters. Because it does.

If this book hit home for you, don't keep it to yourself. Share it with another bank leader who's ready to move beyond excuses and start leading with clarity.

If you want to talk about what leadership looks like inside your bank—or what it could look like—reach out directly at frank@hopkinsleadership.com or visit hopkinsleadership.com.

We work with leaders who are serious about building banks that last.

Let's build something worth leading.

Appendix A: Endnotes & Source References

This appendix includes the foundational works that have shaped the concepts, frameworks, and leadership attribution models presented in this book.

A.1 – Leadership & Organizational Strategy

1. Anderson, R., & Adams, W. (2016). *Mastering Leadership: An Integrated Framework for Breakthrough Performance and Extraordinary Business Results*. Wiley.
2. Anderson, R., & Adams, W. (2019). *Scaling Leadership: Building Organizational Capability and Capacity to Create Outcomes That Matter Most*. Wiley.
3. Kegan, R., & Lahey, L. L. (2016). *An Everyone Culture: Becoming a Deliberately Developmental Organization*. Harvard Business Review Press.
4. Lencioni, P. (2012). *The Advantage: Why Organizational Health Trumps Everything Else in Business*. Jossey-Bass.
5. Collins, J. (2001). *Good to Great: Why Some Companies Make the Leap... and Others Don't*. HarperBusiness.
6. Pink, D. H. (2009). *Drive: The Surprising Truth About What Motivates Us*. Riverhead Books.
7. Laloux, F. (2014). *Reinventing Organizations: A Guide to Creating Organizations Inspired by the Next Stage of Human Consciousness*. Nelson Parker.

8. Leadership Influence Breakdown by Core Bank Metrics
Estimated % of Performance Driven by Executive Team
Leadership Behavior: *Estimates are built from a synthesis of strategic attribution modeling, banking best practices, and real-world leadership decision authority within community financial institutions. While not drawn from a single quantitative study, these ranges provide a practical and defensible framework to illustrate how much bank performance is actually driven by leadership behavior, alignment, and discipline.*

A.2 – Banking Strategy & Performance Measurement

9. Bhattacharya, H. (2001). *Banking Strategy, Credit Appraisal, and Lending Decisions: A Risk-Return Framework*. Oxford University Press.
10. Mishkin, F. S. (2015). *The Economics of Money, Banking, and Financial Markets* (10th ed.). Pearson.
11. Bossidy, L., Charan, R., & Burck, C. (2002). *Execution: The Discipline of Getting Things Done*. Crown Business.
12. Charan, R. (2011). *Boards That Deliver: Advancing Corporate Governance from Compliance to Competitive Advantage*. Jossey-Bass.
13. The “11th man” concept comes from military and intelligence strategy, where it’s used to illustrate a deliberate dissenting role in decision-making. Here’s the core of it: *If ten people in a room all agree on something, it’s the responsibility of the 11th man to disagree—to challenge the consensus, explore what others might be missing, and prepare for the worst-case scenario. This isn’t about being contrarian for the sake of it. It’s about institutionalizing critical thinking—especially when*

groupthink or overconfidence threatens strategic clarity. In leadership and team dynamics, adopting an 11th man mindset serves as a form of constructive disruption. It surfaces blind spots. It pressures-test assumptions. And it increases resilience by helping organizations prepare for scenarios they'd rather ignore. Why it matters for leadership:

- It prevents groupthink - Consensus can be seductive and dangerous.
- It builds anti-fragility - Challenging assumptions helps you adapt and prepare for disruption.
- It promotes intellectual humility - If everyone could be wrong, then space must be made for dissent.

A.3 – Regulatory & Industry Guidance

14. Federal Financial Institutions Examination Council (FFIEC). *Call Report Instructions*. <https://www.ffiec.gov>
15. Office of the Comptroller of the Currency (OCC). *Comptroller's Handbook*. <https://www.occ.treas.gov/publications>
16. Federal Deposit Insurance Corporation (FDIC). *Risk Management Manual of Examination Policies*. <https://www.fdic.gov>
17. Independent Community Bankers of America (ICBA). *Community Bank Performance Benchmarks*. <https://www.icba.org>
18. Bank Director. *Annual Survey Reports and Strategic Planning Research*. <https://www.bankdirector.com>
19. BAI. *Leadership & Strategy Insights for Community Banks*. <https://www.bai.org>
20. Clarity and Alignment: *For clarity, you team must answers these questions identically:*

- *What do we do.*
- *What are our core values.*
- *Why do we exist as an organization.*
- *What are our strategic Anchors (how will we succeed).*
- *What is the most important thing we need to accomplish in X-time frame.*
- *Who specifically is responsible for what in achieving that goal.*

Note: These works directly informed the ideas presented in Chapters 1 through 7, including the leadership attribution models for NIM, Efficiency Ratio, ROA, LDR, NPAs, Fee Income, and Engagement. For full diagnostic and influence tables, refer to Appendix B & C.

Appendix B: Leadership Influence Diagnostics by Performance Metric

This appendix includes the strategic attribution tables and leadership influence models referenced in Chapters 1–7. Each table shows the primary performance drivers of a bank metric, their level of leadership control, and the estimated influence leadership behavior has over that outcome.

B.1 – Net Interest Margin (NIM)

Chapter Reference: Chapter 1 – Margin Is a Leadership Decision
Estimated Leadership Influence: 60–75%

Primary Drivers of NIM	Leadership Control	Estimated Influence
Loan Pricing Policy	High	15–20%
Deposit Pricing Strategy	High	10–15%
Asset Mix / Capital Allocation	Medium-High	10–15%
Interest Rate Responsiveness	Medium	5–10%
Credit Risk Tradeoffs	Medium	5–10%
Cross-Functional Execution	High	10–15%
Market Forces / Macro Rates	None	25–40%

B.2 – Efficiency Ratio

Chapter Reference: Chapter 2 – The Efficiency Ratio Is a Mirror for Leadership

Estimated Leadership Influence: 70–85%

Primary Drivers	Leadership Control	Estimated Influence
Cost Structure & Staffing Model	High	20–25%
Operational Discipline	High	15–20%
Strategic Prioritization	High	10–15%
Tech & Process Innovation	Medium	10–15%
Revenue-to-Expense Strategy	Medium	10–15%
Inflation & Regulatory Pressures	None	15–30%

B.3 – Return on Assets (ROA)

Chapter Reference: Chapter 3 – ROA Is a Report Card for Leadership

Estimated Leadership Influence: 70–80%

Primary Drivers	Leadership Control	Estimated Influence
Capital Allocation Decisions	High	20–25%
Asset Quality & Credit Culture	Medium-High	15–20%
Fee Income Generation	Medium-High	10–15%
Expense & Productivity Discipline	High	10–15%
Margin & Pricing Strategy	Medium	10–15%

External Market Conditions	None	20–30%
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B.4 – Loan-to-Deposit Ratio (LDR)

Chapter Reference: Chapter 4 – LDR: The Ratio That Reveals the Soul of Leadership

Estimated Leadership Influence: 60–75%

Primary Drivers	Leadership Control	Estimated Influence
Loan Growth Strategy	High	15–20%
Deposit Acquisition Strategy	High	15–20%
ALCO Alignment & Funding Mix	Medium-High	10–15%
Liquidity Planning	Medium	10–15%
Customer Behavior / Seasonality	Low	10–15%
Market Competition	None	25–35%

B.5 – Non-Performing Assets (NPAs)

Chapter Reference: Chapter 5 – NPAs: Where Leadership Integrity Shows Up

Estimated Leadership Influence: 80–90%

Primary Drivers	Leadership Control	Estimated Influence
Credit Standards & Culture	High	20–25%
Underwriting Consistency	High	20–25%

Risk Monitoring & Early Warning	High	15–20%
Escalation & Loan Review	Medium-High	10–15%
Growth vs. Risk Balance	Medium	10–15%
Macro Credit Environment	None	10–20%

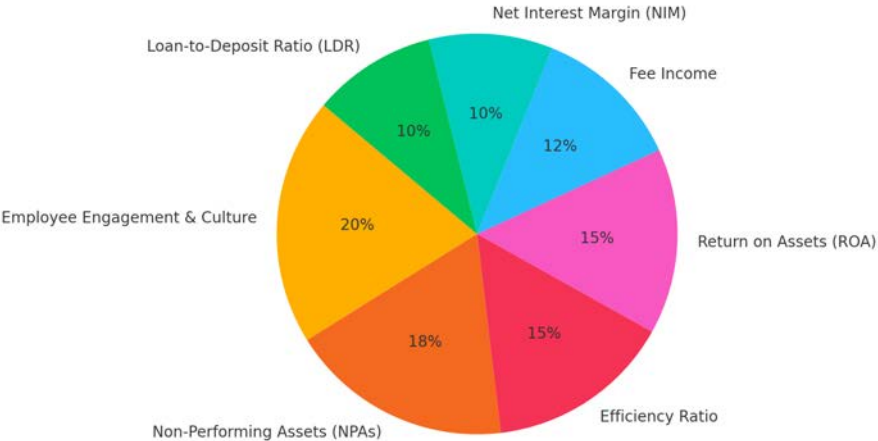
B.6 – Fee Income (Non-Interest Revenue)

Chapter Reference: Chapter 6 – Fee Income: Where Leadership Thinks Beyond the Margin

Estimated Leadership Influence: 70–85%

Primary Drivers	Leadership Control	Estimated Influence
Fee Product Strategy	High	20–25%
Cross-Sell Culture & Coordination	High	15–20%
Relationship Management & Advisory	Medium-High	10–15%
Pricing Clarity & Waiver Discipline	Medium	10–15%
Frontline Enablement & Execution	Medium	10–15%
Customer Demand / Market Limits	Low	10–15%

Relative Contribution of Leadership to Bank Performance Metrics



B.7 – Employee Engagement & Culture

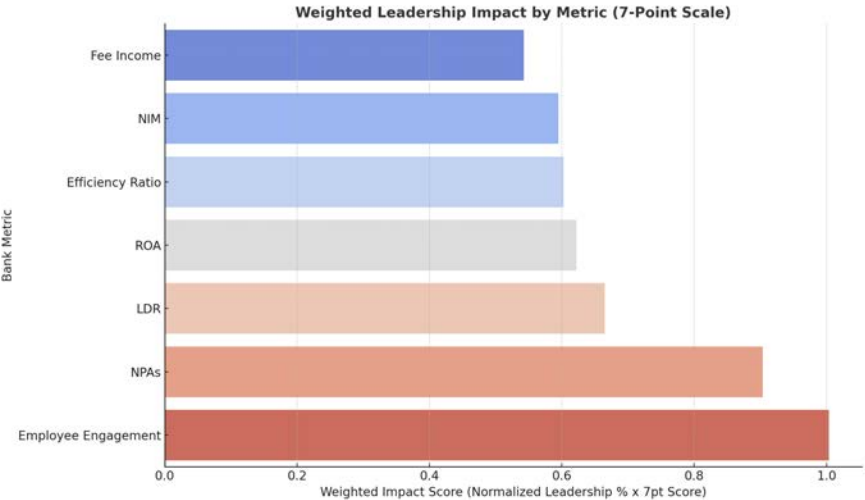
Chapter Reference: Chapter 7 – Engagement: Where Leadership Integrity Shows Its Face
Estimated Leadership Influence: 85–95%

Primary Drivers	Leadership Control	Estimated Influence
Trust in Leadership	High	20–25%
Clarity of Expectations	High	15–20%
Recognition & Feedback	High	10–15%
Growth & Development	High	10–15%
Psychological Safety	High	10–15%

External Job Market

Low

5–10%

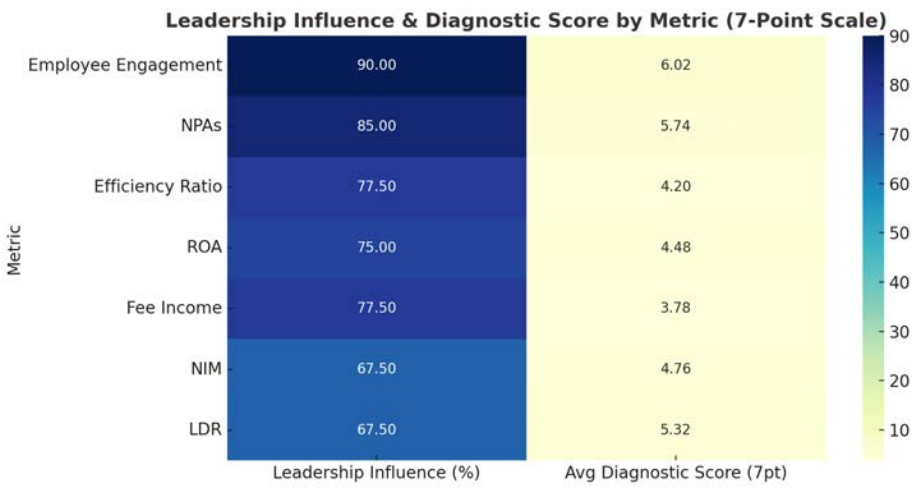


Appendix C: Leadership Influence Charts by Performance Metric

This chart illustrates the **estimated percentage of each core banking metric that is directly influenced by leadership behavior and decisions**. While external factors like market rates and regulation matter, the chart emphasizes that **the majority of performance outcomes—especially across NIM, Efficiency, ROA, LDR, NPAs, Fee Income, and Engagement—are leadership-driven**.

Each metric is weighted by its **leadership dependency**, based on observed patterns across high-performing and underperforming banks. This visual makes one point clear:

Leadership is the leading indicator—and the leverage point—for every meaningful performance outcome in banking.



This chart combines two key insights for each core banking metric:

1. **Leadership Influence** – An estimate of how much each metric is shaped by leadership decisions, behavior, and alignment (expressed as a percentage).
2. **Diagnostic Score** – The actual average score from your leadership team’s diagnostic responses, reflecting how well the bank is currently leading in that area (typically on a 7-point scale).

Together, the chart reveals not just *how much leadership matters*, but *how well your leadership system is currently performing* where it matters most.

High influence, low score? That’s a red flag—and a leadership opportunity.

High influence, high score? That’s your strength—protect it and build from it.

This is where insight becomes action.

This chart illustrates the **proportional impact of leadership across key bank performance metrics**, helping you see where leadership has the greatest leverage to drive outcomes. Unlike charts that isolate technical or market variables, this one centers on what’s within your control: the **leadership system**—your clarity, discipline, alignment, and execution.

Each metric (NIM, Efficiency, ROA, LDR, NPAs, Fee Income, Engagement) is shown as a slice of the overall leadership contribution pie, emphasizing that while all areas are affected by leadership, **some depend on it more than others.**

This is not about what’s measured—it’s about what’s *movable*. The chart highlights where improving leadership will yield the biggest return on effort.

It's not just a performance breakdown. *It's a blueprint for where to lead with intention.*

Appendix C: Recommended Reading: Leadership That Moves Numbers

These books have influenced the principles in *The Margin of Leadership*—and offer deeper insight into the connection between leadership behavior, team alignment, and performance outcomes. Each one has something to say about clarity, courage, systems thinking, and the discipline required to lead a bank that thrives.

Leadership & Organizational Health

- **Mastering Leadership** – *Robert J. Anderson & William A. Adams*
A foundational work connecting inner leadership maturity to outer business performance.
- **Scaling Leadership** – *Robert J. Anderson & William A. Adams*
Explores how leadership systems evolve as organizations grow—and what happens when they don't.
- **The Advantage** – *Patrick Lencioni*
The definitive guide to organizational health. Clear, practical, and brutally honest about what makes teams work.
- **An Everyone Culture** – *Robert Kegan & Lisa Lahey*
Explores the power of building deliberately developmental organizations—where growth is baked into the culture.

- **The Five Dysfunctions of a Team** – *Patrick Lencioni*
A leadership parable on trust, conflict, commitment, accountability, and results.

Execution, Focus & Performance

- **Execution: The Discipline of Getting Things Done** – *Larry Bossidy & Ram Charan*
Sharp, no-excuse thinking about how real leaders drive performance and stay focused on what matters.
- **Good to Great** – *Jim Collins*
Still one of the best explanations of leadership discipline, strategic clarity, and level-five humility in business.
- **What the CEO Wants You to Know** – *Ram Charan*
A concise guide to business fundamentals—perfect for leaders who want to sharpen their strategic lens.

Culture, Engagement & Accountability

- **Drive** – *Daniel H. Pink*
A deep dive into what actually motivates people—critical reading for anyone leading high-accountability teams.
- **Reinventing Organizations** – *Frederic Laloux*
Provocative and expansive thinking on organizational evolution and self-management.
- **The 4 Disciplines of Execution** – *Chris McChesney, Sean Covey, Jim Huling*
A tactical guide to turning strategy into action—with clear frameworks for focus, accountability, and rhythm.

Banking, Strategy & Financial Leadership

- **The Economics of Money, Banking, and Financial Markets** – *Frederic S. Mishkin*

For leaders who want a more sophisticated grasp of how the financial environment shapes opportunity and risk.

- **Banking Strategy, Credit Appraisal, and Lending Decisions** – *H. R. Bhattacharya*

A practical look at risk-return frameworks in bank leadership.

- **Boards That Deliver** – *Ram Charan*

A strategic guide to making your board a competitive advantage—not just a governance necessity.

Leadership That Lasts

The best bank leaders don't chase trends—they master the fundamentals. These books will sharpen your edge, expand your perspective, and deepen your capacity to build a team that doesn't just manage the bank... but *leads it*.

About the Author



Frank Hopkins is the CEO of Hopkins Leadership, a boutique advisory firm that helps community bank executives build high-performance leadership cultures that actually drive results. A trusted partner to CEOs and boards, Frank brings a no-nonsense approach to leadership development—cutting through complexity, exposing the real issues, and equipping banks to lead with clarity, courage, and conviction. Hopkins Leadership combines deep strategic insight with an unflinching commitment to accountability, helping banks turn good intentions into measurable impact.

*The Margin of Leadership: A Leadership Framework for
Community Bank CEOs.*