

Bank Owner

The magazine of the Bank Holding Company Association



SCENES FROM THE BHCA FALL SEMINAR

PLUS: Holding Company List for Wisconsin

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Mission Statement:

The Bank Holding Company Association, the premier national organization for bank holding company owners, directors and employees, provides education and networking opportunities to those who work in, or serve, the financial services industry. Through seminars, webinars, printed materials and other means, the association supports the vitality of bank holding companies.

Our organization:

The Bank Holding Company Association, founded in 1981, welcomes Members from around the country. Holding companies of all sizes from throughout the Midwest make up a majority of the current membership. Companies that serve bank owners, their holding companies and banks, are welcomed as Associate Members. The BHCA is run by a board of directors and a managing director.

Our magazine:

Bank Owner magazine is the quarterly publication of the BHCA. It is your best source for information about bank holding company and bank ownership issues. The magazine also is your best source for BHCA information, including upcoming events. Members receive the magazine in the mail and have access to an online version in the members-only section of our web site, www.theBHCA.org. The magazine also is distributed to bank owners and holding company professionals who are excellent candidates for membership.

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CONTENTS

Columns:

President's Observations:

A look at changes to the BHCA Board of Directors, and gratitude as the year draws to a close4

By Paul Means

Down to Business:

Election results portend change in the banking industry; many thanks to our sponsors and members.....5

By Tom Bengtson

Seminar Coverage Features:

Even with market size remaining constant, there are ways to grow your business.....6

By Justin Dullum

It's the little things that make a big difference when it comes to improving efficiency...7

By Elizabeth Wheeler

Want to make the most of your business plan? Simplify it.8

By Elizabeth Wheeler

New tools designed to help bankers, farmers mitigate risk in challenging times9

By Justin Dullum

President of Minneapolis Federal Reserve Bank explains effort to find solution to Too-Big-To-Fail problem10

By Neel Kashkari

Snapshot: 2016 BHCA Fall Seminar in pictures12

Departments:

Associate Member Listing2

Holding Company Transaction Report.....13

Fed Notes:

Can a holding company own real estate? Column reviews the do's and don'ts14

By Steve Mumm

Welcome New Members15

Holding Company List:

Wisconsin16

Thank you, it's been a great year with more to come

We are coming to the close of 2016; I can't believe how fast time flies! My term as BHCA president will conclude on Dec. 31. I have enjoyed filling this post. We have a solid board of directors and the association is as strong as ever.

If you attended our annual meeting prior to the start of our Fall Seminar on Oct. 4, you may recall that we have a couple of people leaving the BHCA board of directors on Dec. 31, and three others who will be joining the board beginning Jan. 1. Bruce Ferden of Frandsen Financial in Arden Hills, Minn., is concluding his second term on the board, as is Larry Peterson of First Financial Services, Inc., in Moose Lake, Minn. Bruce was the BHCA president in 2012 and Larry has served as Treasurer since 2011. Both provided tremendous service to the association and their participation at our board meetings will be missed.

Joining our board in the coming year are: Tim Siegle, president of First Holding Company of Cavalier, Inc., Cavalier, N.D.; Rick Wall, vice president of Highland Bancshares, Inc., Minnetonka, Minn., and Michael Segner, president and CEO of Green Circle Investment Company in Clive, Iowa. I am so pleased these fellow bankers are joining our board. Each is from a different state, which is important given that we try to have our board reflect the geographic differences among our membership. We also work to achieve a balance of banks according to asset size and market size. Each term is a three-year commitment.

In 2017, I will move to the Immediate-Past President's role, as Chad Bergan of Dacotah Banks, Inc., Aberdeen, S.D., will become president. Vice president is Brenda Johnson, Charter Bankshares, Inc., Eau Claire, Wis., and Mary Jayne Crocker, of Bridgewater Bancshares is set to become Treasurer. The entire 2016 board is listed in the column alongside this article.

Good board participation is essential to a successful association. If you have been a BHCA member for a while and you are wondering how to take your membership to the next level, I encourage you to consider serving on the board. We have four regularly-schedule meetings during the year when we help plan the seminars, consider additional services, and otherwise plan for the future of the association. If board service sounds like it would be a fit for you, please contact our Managing Director, Tom Bengtson.

My favorite part of BHCA membership is the opportunity to visit with people at the seminars. Some of the people I don't see any other time, so I really appreciate the fact that the seminars bring us together. The other thing I really like about the seminars is the education is aimed at senior managers and owners. Each seminar has presentations designed to answer ownership questions, like how should I approach estate planning or what can I do to improve our chances of staying independent? And there are plenty of sessions about ways to improve profitability, utilize technology more advantageously, minimize risk and reach more customers. Much of this information I share with colleagues when I get back to the bank after the seminar.

You will find coverage of our Fall Seminar in this magazine. I found several of the presenters to have interesting messages. We opened strong with back to back messages from David Furnace and Lynn David. Furnace, in particular, had good information about the number of people who use branches and how to market to increase that number. More people in the door means more opportunities to provide additional products. It's a simple message but one worth thinking about.

I thought Joe Calloway had a great message about the impact of simplicity. Stevie Ray pushed us out of the comfort zone, getting us to stand up and interact with the others at our table to improve



By Paul Means
Great River Holding Company
Baxter, Minn.

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President's Observations, Continued on page 15

Politics set stage for interesting drama in coming year

Did you factor in a Trump presidency as you did your strategic planning for next year? The election of Donald J. Trump as the 45th president of the United States certainly sets a different tone for the country than what we've experienced during the last eight years. That new tone may have a significant impact on the business climate, consumer attitudes, and economic outlook. The president will have a friendly House and Senate to work with, so there could be some real changes coming.

Trump has talked about lowering tax rates across the board, repealing the Affordable Care Act, and paring back regulatory burden for most industries, including banking. I was at a meeting in September where U.S. Rep. Steve King (R-Iowa) talked about the campaign. He said Mike Pence told him Trump will issue a moratorium on new regulations, something Pence did when he was governor of Indiana.

The *American Banker* newspaper agrees that reg relief will be a key Trump theme. A Nov. 9 story quoted the head of PricewaterhouseCoopers' financial services practice saying "Clearly, there is going to be an easing of regulation." And the ICBA in its post-election analysis said: "ICBA believes that unified Republican control of the executive and legislative branches presents a unique opportunity for enacting significant community bank regulatory relief."

Trump said during his campaign that he would repeal the Dodd-Frank Act. I suspect he will work with Congress on this and it looks like Jeb Hensarling (R-Texas) will remain the House Financial Services Committee chair. His Financial Choice Act, a bill introduced last summer, would give well-capitalized and managed community banks the opportunity to opt out of most of Dodd-Frank and the Basel III capital rules. It also will be interesting to see whether Richard Cordray retains his role as director of the Consumer Financial Protection Bureau. His term runs to 2018 but the Court of Appeals for the District of Columbia Circuit recently ruled the CFPB director serves at the pleasure of the president.

I wrote an editorial recently about a proposed change in the Internal Revenue code which would disallow any discount for minority shares of a family-owned business for the purposes of figuring estate or gift taxes. This rule will be devastating for many businesses, including community banks, because it will substantially increase the tax associated with the transfer of the business from one generation to the next. The rule has not been finalized but was expected to be finalized once a hearing on the matter was held. President Obama proposed eliminating the valuation discount in previous budgets, but Congress always rejected it. Advancing the concept through the IRS rule-making process may turn out to be a dead end also, since the new

Congress is certain to overturn it with new laws governing estate and gift taxes.

There are going to be a lot of moving pieces with respect to public policy in 2017, so it will be important for bankers to stay on top of the developments, and reach out to elected officials as appropriate. Trump made some positive comments about community banks during the campaign, so perhaps he understands the crucial role you play in our country.



By Tom Bengtson
BHCA Managing Director

Fall Seminar notes

I want to take this opportunity to thank our many sponsors who helped to make our 2016 Fall Seminar such a success. Sponsorship support is essential to the success of our events. Sponsor support makes it possible for us to bring in top speakers from around the country. Furthermore, it offsets a number of production expenses which allows us to offer our seminars at comparatively modest registration rates. All of our sponsors are shown with their logos in this edition of *Bank Owner*. Be sure to take note and when you see folks from these companies in the future, let them know you appreciate their support of the Association.

We value all of our Associate Members, and each edition of *Bank Owner* features a complete list of them with contact information. If you need a particular service or specialized product for your bank, please consider reaching out to one of our Associate Members to meet your need.

I also want to thank the 30 people who attended our Fall Seminar through their affiliation with the Risk Management Association. We invited members of the group to join us for our luncheon presentation, featuring Federal Reserve Bank of Minneapolis President Neel Kashkari. This is the second time we have partnered with RMA on our seminar, and my sense is it's a win-win.

Dues change

This is the time of year we invite our members to renew their membership for the coming year. You should have received a notice in the mail recently about your 2017 membership.

Dues for Bank Holding Company Association members have been the same for many years. Earlier this year, at my urging, the BHCA board decided to update our dues structure which

How to land new customers in a fixed market

David Furnace, CEO of Haberfeld Associates, Inc., Lincoln, Neb., told bankers at the Fall Seminar of the Bank Holding Company Association that small institutions have some great advantages when it comes to capturing new customers.

Furnace began by exploring disadvantages. The community banking industry, for starters, is shrinking. The number of financial institutions (banks and credit unions) with fewer than \$1 billion in assets has dropped to 12,000 from 17,000 since 2006. The top 30 institutions in the country by size have 60 percent of the market share of deposits, and that figure is slowly rising.

"I don't see anything that is going to significantly change that tide of declining institutions," Furnace said. "*De nos* vos are a thing of the past."

Furnace listed a number of places community banks simply cannot go toe-to-toe with big banks: marketing dollars, product offerings, pricing on deposits and technology, among them. So with a decline in the number of banks and operational disadvantages how do community banks stay in the game?

Furnace then presented four key dynamics that bankers need to keep in mind to "win the war for customers."

First, smaller banks have a capacity advantage, Furnace said.

"You have lots of excess capacity," he said. "You build these really expensive factories you call branches and then run them at a fraction of the number of widgets they could process." Furnace estimated many smaller banks could easily double the capacity of customers processed at a given location without pressuring the bank's seams, and still maintain a high level of service.

Second, the market for customers is mostly fixed. Only 10 percent to 15 percent of households change banks in a given year.

Third, getting people to switch banks with things like offers of cash or other incentives is difficult at best. "Here's what we say: stop trying," Furnace said. "Don't try to get anyone to switch. It's too hard and complex and expensive. But what you can do is profound in its impact: try to get people to pick you."

Fourth is customer economics. Furnace presented statistics his firm culled from its banking research data base showing average customers have moderate levels of deposits and debt. Checking and savings accounts aren't currently costly to the bank and the average of \$10,000 in loans can only yield 3 percent to 4 percent. "Come up with some way to quantify, looking at household averages, what a household is worth," Furnace said. "I'm doing this with a backdrop of tremendous excess capacity."

With these dynamics in mind, Furnace laid out strategies banks can employ to increase deposit share. "It's hundreds of little things that go into whether you have an average result or a spectacular result," he said.

For marketing, Furnace said a bank needs a compelling offer with a perfect message delivered to the right prospect at the best possible time. And the message needs to be designed to steal market share.

Bank branches tend to be in good, high profile locations. Furnace urged bankers to use those spaces, pay attention to signage, and present them as a sort of living ad. "We are in a retail business, so we can do some of the things the better retailers do, including lever-

aging all those eye balls that go by your branches," Furnaces said.

Furnace is a believer in buy backs, by which customers looking to switch banks are offered a reward for destroying their existing bank cards and checks at the branch. This isn't something that will happen with most customers, but Furnace said it is effective for those who procrastinate making a decision.



Of course, you can always just throw a party. "Put some balloons up," Furnace said. "Do something a couple of times a year. You'll be surprised at how much it energizes your staff. We've seen banks get weeks' worth of new customers in a single day this way."

Marketing must be an ongoing outreach program, not an event, Furnace said. "Marketing is a strategy you have to deploy with a specific ROI in mind." Customers looking for a change already have a couple of banks in mind. "You have to make sure you're one of those two," he said.

Furnace also stressed target marketing – digital and direct mail both – as smart ways to keep a bank brand in front of people. These are opportunities to demonstrate to potential customers how a bank is conveniently located.

"Map where all your customers are and map where you've attained new customers in the last six months," Furnace said. "That's demonstrated convenience."

By Justin Dullum

Ideas offered for increasing efficiency ratios

Income opportunities along with expense-cutting ideas were presented by Lynn David at the Bank Holding Company Association's Fall Seminar in October.

David, CEO of Community Bank Consulting Services, Inc., provided a plethora of tips to help community banks increase their profitability during his one-hour presentation on unlocking the efficiency ratio. High on his list were improved customer service and increased sales.

"Growth in deposits will come from customer service," he proposed. Great customer service includes opening at least five minutes before and closing five minutes after the posted hours, he said. If the staff is already in position and ready to go, why not help that car waiting at the drive-through early and get them on their way? If you can help someone who shows up five minutes after closing, help them if possible, he urged.

He then related his own experience 15 years ago when he had sold a car and needed to get the title from his safe deposit box at the bank. He was delayed because of a car accident. David called the bank and said he'd be five minutes late and asked if they could let him in. The customer service representative said it was impossible because the bank doors and vault were both locked at 5 p.m. "I get there at five minutes after 5:00," he said. "There must have been ten people in that lobby; no one looked my way."

"At that moment, I, my wife and my children had 13 relationships with that bank," he said. It took two years, but David moved every one of those banking relationships because of that one interaction.

Another practice to improve service is to use the "stand, meet, and greet" philosophy where you get out from behind your desk to greet the customers, invite them to your office, and ask them to take a seat. At the conclusion of the interaction, if it's a new account, ask customers if they have a moment. If they do, introduce them to a loan officer. And when all is done, then walk them to the door.

David also emphasized the need to increase banks' customer base while increasing the number of product relationships current customers have with the bank. He encouraged bankers to see their branches as retail outlets.

When David asked how many of the banks represented at the seminar had a senior retail sales officer who was a member of senior management, not one hand went up. "Sales is not a dirty word," he said. "You need this position; it doesn't matter what size your bank is."

David also suggested giving everyone in the bank sales training, even those who work in the backroom. Provide them with information on expectations for how to dress and act. Tell them what questions to ask a prospective customer, he said, and even train them on proper phone technique.

And then make sure the staff has the right sales tools like brochures, not just required disclosures. One such tool was a "placemat," an 11-inch by 17-inch sheet of paper that bankers can use to walk customers through various products to help them decide which ones are best for them. However, "try to keep this as simple as you can," he said. Limit it to the essentials of the products and don't list the benefits that all the products share like ATM

access or phone banking.

Of course, cross-selling was mentioned as 30 percent of customers are single-service households. This means there is a "tremendous opportunity to cross-sell to current customers," he said.

And finding out which of your products is most profitable for you is key. "Fifteen years ago, we lost a very valuable tool when the Federal Reserve System discontinued the



Lynn David

functional cost analysis," David said. "There are people out there who can help us understand this but we need to understand this today" — what's the relative profitability of a \$10,000 interest-bearing NOW account versus a \$5,000 non-interest bearing free checking account — "so we can sell profitable products."

To test your employees' customer service and knowledge of products, David suggested the use of mystery shopping by phone and in-person. When his company does mystery shopping at banks, "The average grade from mystery shops is no better than a C at handling telephone calls, yet that's the first impression people get," he said. And often bankers get a "deer in the headlights" look when asked about business deposit products. He also mentioned that bank employees, when asked about interest rates for buying a car, tell the shopper that they are better off going to the dealer.

Calloway calls bankers to simplify

Joe Calloway, author, consultant, and executive in residence at Belmont University's Center for Entrepreneurship, Nashville, Tenn., opened his presentation at the Bank Holding Company Association's Fall Seminar in October by comparing apples to apples. Literally.

On his opening slide were assembled several red apples and a green one. "If these are banks," Calloway queried, "which one do you want to be?" Banks are always trying to differentiate themselves from the competition, but "how do you truly differentiate yourself? What's the difference between a good company and a great company?" he asked.

Calloway admitted he didn't have any magic bullets. "To thrive in business, you have to choose to," he said. The keys to success "are pretty obvious; they're not secret. It's a matter of the decisions we make and whether we choose to do them," he said. He then quoted from a story in *Fortune* magazine on the world's most successful businesses: "The key to performing like one of the world's most successful businesses is to do several easily identifiable things." Calloway then added, "It's not that they're easy to do, but they are easily identifiable."

One of those keys is innovation, which rarely happens as a result of a retreat or time away, he said. "Innovation generally comes when you're mowing your yard, and you think about something that happened yesterday and you say, 'Wait a minute...'" Innovation is adapted innovation. You see that idea over there, and you bring it over here."

Calloway encouraged bankers to work that into their weekly staff or senior leadership meetings. Have a different person each week give a five-minute report every Monday morning on an idea

they saw "out there" that they can use at the bank. "Your best idea likely will not come from studying your competition. Your best idea will likely come from some entity that has absolutely nothing to do with banking," he said.

Calloway then listed three companies that people see as innovative and would like to emulate: Apple, Amazon, and Google.

What are the business premises of each of those three? Apple, he said, makes products that are simple and easy to use. Amazon makes it easy, perhaps too easy, to buy something. Google — "their whole premise is to make the internet easier to use," he said. "What do Apple, Amazon and Google do that we can do?"

For starters, he asked, "How easy are we to do business with? How easy do we make it to work with each other?"

Another key to becoming a great business is to continue getting better. One survey done by the Association for Corporate Growth asked how important respondents felt continuous improvement was to corporate growth on a scale of one to 10. The average score was 8.9. Then they were asked how good companies are at doing that? The response averaged 3.8. Calloway then quoted an Army maxim: we get hurt by what we know and don't do.

So why don't businesses continue getting better? "It's when you're successful that you fall prey to that trap of complacency. If you're successful, it means you know what used to work," he said, because the market continues to change and evolve.

Another sign of a successful company is the ability to make things simple. Calloway quoted Steve Jobs, the "Obi-Wan

of simplicity," who said, "Simplicity and focus have become my mantra. It's not easy. You have to work really, really hard to get your thinking clean enough to make things simple, but it's worth the hard work because, if you can make things simple, you can move mountains."

"You're not innovative when you complicate something; you're innovative when you simplify something," Calloway said.

Calloway told the story of the eight-man rowing team from Great Britain in the 2000 Olympics. It was a good team, but not gold-medal good. "So 18 months before the competition, the team members filtered everything they did — how should we eat, sleep, train — through one question: will it make our boat go faster? What can you do, as a leader, to simplify things at your bank?" He provided an example from Doug Rathbone, former CEO of Nufarm in Melbourne, Australia, who said: "The price we pay for making things too complicated is immeasurable. It slows us down. It makes for bad decisions and scatters our efforts." Calloway emphasized the point by asking: "What question can you ask to help you simplify? What's your filter?"

So many CEOs of struggling businesses tell Calloway that he wouldn't believe how complicated their business is, whereas those doing well say, "At the end of the day, this is really a pretty



Joe Calloway

Ag conditions require defensive strategies

Current ag lending statistics resemble what was happening in the early 1980s, a period that ended disastrously for many farmers and their lenders. Are today's ag lenders and farmers headed for a similar fate? John Blanchfield, Agricultural Banking Advisory Services, and former director of the American Bankers Association's Center for Agricultural and Rural Banking, told attendees at the Fall Seminar of the Bank Holding Company Association that the answer should be "no" and that bankers need to be aware of the tools at their disposal should risk grow. Many of these tools were created to avoid another all-out crisis.

Parallels to the pre-nose dive of the 1980s do exist, Blanchfield said. The ag industry has been mostly stable and even prosperous for a lengthy period, but the market is trending downwards. One key difference is the number of ag banks has dwindled dramatically over the last two decades, yet lending levels remain the same. Banks make larger loans and, therefore, have more concentrated risk.

"Most of you looking at acquisition see a lot of agriculture on the books of a bank and wonder if you want to be involved with this," Blanchfield said, adding that 2016 will be the third straight year of declining farm incomes. "It's a decline off the most spectacular farm boom in the history of this country except for the beginning of the twentieth century."

Blanchfield pointed out that farmland values, having been at historic highs in some Midwest states like Iowa and Nebraska, are also beginning to dip, while others appear to be at unsustainable growth levels which will inevitably turn at some point.

Another element of the last ag collapse was rising interest rates exacerbating decreased real estate value and income. Blanchfield considers this conflagration of factors a possibility, even though he believes interest rates cannot possibly rise to the double digit levels of yore. Thankfully, bankers who lived through the last ag crisis took steps to prevent or at least mitigate the damage should a similar environment emerge. Bankers have more tools at their disposal, like chapter 12 bankruptcy for farmers, and the disposition of the farmers themselves has changed.

"Farmers are much more business oriented today," Blanchfield said. That also means farmers are less emotional about their business, and for example are more open to the idea of filing for bankruptcy, if necessary. "How many of you had customers in the 1980s who would do anything to avoid filing bankruptcy? It was a huge, negative deal. They couldn't go to church. They'd have to move out of town. I'm telling you, this new generation of farmer is a business person and if bankruptcy exists to help get them through a bad time they're going to take it."

Blanchfield also noted what he called "the crown jewel" of tools ag bankers have but don't use nearly enough when trouble looms: the secondary market for farm real estate mortgages. Farmer Mac was created, in part, as a way to transfer risk, Blanchfield said.

"I think many ag lending community banks today resemble savings and loan institutions of the early 1980s," Blanchfield said. "Funded short, lending long. If this industry is going to move into the 21st century banks have to think differently about the amount of risk

associated with a lending and portfolio holding strategy on farm real estate."

Bankers cannot think of the secondary market as a dumpster for bad loans, however. Given the size of many ag loans, Blanchfield said taking a cut on income from a good loan by placing it in the secondary market before trouble occurs is advisable. That is how the system is meant to operate, he said.

Farmers also are capable of producing much more thorough and accurate business statements today than they were in the 1980s, and Blanchfield said bankers shouldn't be afraid to push a customer for better data out of fear they will flee to a competitor.

Blanchfield said no one doubts the trouble brewing in ag lending will continue on through 2017. Having the right tools in place and the willingness to use them before real problems develop will be the key to keeping the bank and the customers in business for the long run.

"It's fun to be the money guy when times are great and not so fun when it's not. Give your customers a reason to be with your bank," Blanchfield said. "Knock on wood, so far the regulators are saying and doing the right things. I've not met a single banker yet who has been spanked for their ag loans or restructures and working with their customers. That's a positive. I'm looking for every positive I can."



John Blanchfield

By Justin Dullum

Fed President explains TBTF study initiative

Editor's note: Neel Kashkari, president of the Federal Reserve Bank of Minneapolis, spoke to BHCA members at the Fall Seminar on Oct. 4 in Bloomington, Minn. He talked about the bank's year-long initiative to come up with recommendations for addressing the problem of too-big-to-fail. Here are excerpts from his comments:

Coming out of the financial crisis there was a big push for regulatory reform. Dodd-Frank was passed just after the financial crisis, and people have been very busy implementing it. Eight years later, I don't think we've solved the problem of too-big-to-fail. We have a lot of new regulations, a lot of new rules and restrictions. The biggest banks are bigger than they were before. If they ever run into trouble today, you are kidding yourself if you think that we can put one of those banks through bankruptcy. What we learned in 2008 is these big banks have this problem of "contagion." We don't know how to solve the problem of contagion.

So what is that problem?

If you were the bond-holder of one very large bank, and you see your friend — he is the bond-holder of another very large bank. His bank just went through resolution and his bonds were haircut. You become terrified because you believe you might be next. And so what do you do? You say "I'm going to pull out of that bank any way that I can." You either pull deposits if you are a depositor, or sell your bonds, or pull whatever liquidity you can. It's like a fire that ravages out of control through the financial system. And that problem of contagion is what was so difficult for us to solve in 2008.

A lot of the new reforms that have

been put into place do not address contagion. Neither do proposals for a souped-up bankruptcy process for big banks. Neither do living wills. The idea that you are going to haircut the bond of a big bank in a financial crisis is not credible. And that is why I am deeply skeptical that the new reforms can work.

One of the new reforms that they talk about is TLAC — the "total loss absorbing capacity" of a big bank. If a big shock hits the banking sector and the equity capital is wiped out, the theory is you have got these long-term bonds that could be haircut to recapitalize the bank as it goes through resolution. But it doesn't solve the contagion problem because if you're the bondholders of another bank and your debt just got converted to equity, you are terrified.

And we are seeing this in real time. There are some big Italian banks under a lot of stress. Europe just put these new rules in place two years ago and already the Italian bonds are at risk of being converted to equity and the Italian government officials are saying, "Oh my gosh, we can't do that. We can't impose these losses on these debt-holders." We are seeing, real-time, repeated examples that converting debt to equity in a crisis does not work.

We have a real life example in the United States. In 2001, Fannie and Freddie started issuing subordinated debt with the specific purpose that it would be available to recapitalize Fannie and Freddie if they were to run into trouble. And if you were a buyer of Fannie and Freddie subordinated debt in 2001 or 2002 you were rewarded with a premium yield in exchange for the ad-

ditional risk you were taking. Well, what happened in 2008? Those bonds were protected. I was in the room when that decision was made. Those bonds were protected because the whole system was at risk and the fear was if we haircut Fannie and Freddie's subordinated debt it is going to freak out other fixed-income security holders. So we just have to protect everybody to put out the crisis.

Some of these new regulatory constructs can work if one bank runs into trouble but the system is otherwise fine. But what we experienced in 2008 was a systemic crisis. It's a little bit like mad cow disease. You know the herd was infected; you don't know which cow was infected. What do you do? They ended up slaughtering the whole herd because they can't tell. That's what we experienced in 2008.

The reforms that have been passed, Dodd-Frank, have made the problem of too-big-to-fail worse by creating greater advantages for big banks. For a small bank to add one compliance officer is very different than for a big bank to add one compliance officer. So perversely, the regulations that have been passed have increased the advantages the big banks have over the small banks.

When I travel around the district, I hear it every day: "We can't afford to be stand-alone anymore. We are going to have to merge. We simply cannot afford the compliance requirements that are being imposed on us." These are the small banks, which are not risky, which are not at risk of bringing down the financial system. I view Dodd-Frank as very well intentioned. I am not saying there is no good in it. There are some good parts of it — more capital, better

liquidity, etc., but there are some unintended consequences. Most importantly, however, is it has not addressed the problem of too-big-to-fail.

I feel like I wouldn't be doing my job if I didn't stand up and say, "No, the biggest banks are still too-big-to-fail. We need to address this once and for all."

In 2009, 2010, when Dodd-Frank was being debated, there were some bold transformational ideas out there. People had talked about breaking up the banks or regulating the big banks so much that they virtually can't fail, like a nuclear reactor. You all know that if a nuclear reactor melts down it is devastating for society. That doesn't mean we eliminate all nuclear reactors, but we just regulate the heck out of them to really reduce the chances that one of them could get into trouble. We could do that to the big banks too.

These transformational options were taken off the table in 2009, 2010. I think the thinking was that the economy was too fragile at that time to do something that transformational. So they said let's just keep the system together the way it is now — and that is what Dodd-Frank is, belt and suspenders — but try to keep the system the same as it was before. In my judgment it hasn't worked. It hasn't solved the problem. Now is the time to reconsider some of those transformational solutions and that is what we have been doing at the Minneapolis Fed.

We are going to release our recommended plan by the end of the year. The purpose of this is to give the American people an alternative and



The Federal Reserve Bank of Minnesota, headed by Neel Kashkari (above), released its proposal for resolving Too-Big-To-Fail on Nov. 16. Read the proposal at www.mpls.frb.org. The bank is accepting public comments through Jan. 17, 2017.

lay out the trade-offs.

We could have a financial system with very few regulations and we'd have strong economic growth but we might experience more frequent and more severe financial crises. Or we could have a safer financial system but maybe we have slightly lower economic growth but one that has fewer downside shocks. The question is, what are the trade-offs between safety and costs, and which of those two systems gives us a better overall long-run growth rate for the U.S. economy? These are the tradeoffs that ultimately the public needs to make.

What we are trying to do in Minneapolis is lay out those options so that it is not simply Dodd-Frank and the status quo or nothing. Here are some options, and here are the costs of those options. Here are the benefits of those options. And, then, ultimately the public needs to make that call. ■

Efficiency, Continued from page 7

"You're basically telling people, 'We don't want your business,'" he said.

David urged the BHCA audience to conduct a customer traffic flow analysis at their banks. "Do you have the right hours of operation in each branch? Do you have the right number of people as tellers or in new account areas?" he asked. To do this, David has each employee track his or her tasks in two-minute increments for four weeks.

After doing this with a client in 2015, a bank with 25 locations and an average efficiency ratio of 48 percent was able to decrease hours from 1 to 17 hours at 24 locations. Only one location maintained its hours. Teller staffing could be reduced by 23 full-time equivalents. After all changes were made, David conservatively estimated the bank, between salary and benefits, reduced expenses by \$1,085,000.

When checking with the bank CEO several weeks later, David asked how the changes were being received by customers. The CEO replied he had no bad news. The bank had totally eliminated overtime, and the CEO couldn't think of one instance where a customer pushed back. "Why? Because the hours were adjusted to fit the pattern at each location that was there," David said.

By Elizabeth Wheeler

SNAPSHOT

2016 BHCA Fall Seminar



Holding Company Transaction Report

Here are selected recent bank holding company filings with the Federal Reserve Banks of Chicago, Minneapolis, Kansas City and St. Louis.

▷ Farmers & Merchants Agency, Inc., Pierz, Minn., authorized to merge with Eden Valley Bancshares, Inc., Eden Valley, Minn., and thereby acquire State Bank in Eden Valley.

▷ Fort Madison Bank & Trust Co., Fort Madison, Iowa authorized to merge with Keokuk Savings Bank and Trust Company, Keokuk, Iowa, and thereby establish branches.

▷ Midwest Bank Group, Inc., Detroit Lakes, Minn., has elected to become a financial holding company.

▷ West Bancorporation, Inc., West Des Moines, Iowa, has elected to become a financial holding company.

▷ First Midwest Bancorp, Inc., Itasca, Ill., filed to acquire via merger Standard Bancshares, Inc., Hickory Hills, Ill., and thereby acquire Standard Bank and Trust Company, Hickory Hills. In addition, Standard Bank and Trust Company filed to merge into First Midwest Bank, Itasca. As a result of the merger, First Midwest Bank will establish 33 branches.

▷ The Stephen L. LaFrance, Jr. GW Investments Trust and others filed to acquire Greenwood's Financial Group, Inc., Lake Mills, Wis., and thereby join the ex-

isting LaFrance Family Control Group that was approved to acquire 10 percent or more of Greenwood's Financial Group, Inc., which controls The Greenwood's State Bank, Lake Mills.

▷ Gerald F. Fitzgerald, Jr., Palatine, Ill., and others filed to retain and acquire 25 percent or more of LaSalle Bancorp, Inc. and thereby control Hometown National Bank, LaSalle, Ill.

▷ Mid Illinois Bancorp, Inc., ESOP, Peoria, Ill., filed to increase its ownership of Mid Illinois Bancorp, Inc., Peoria, from 25.24 percent to 30 percent, and thereby increase its ownership of South Side Trust and Savings Bank, Peoria.

▷ River Holding Company, Stoddard, Wis., filed to merge with Sparta Union Bancshares, Inc., Sparta, Wis., and thereby acquire Union National Bank and Trust Company, Sparta.

▷ David Ryan Feriancek, Saint Joseph, Minn., as a trustee of the Stearns Financial Services, Inc., Employee Stock Ownership Plan and Trust, Saint Cloud, Minn., (ESOP), filed to acquire control of the ESOP, and thereby gain control of Stearns Financial Services, Inc., Saint Cloud. Stearns Financial controls Stearns Bank N.A., Saint Cloud, Stearns Bank of Upsala N.A., Upsala, Minn., and Stearns Bank of Holdingford N.A., Holdingford, Minn.

▷ Notification submitted by Rhonda Rainforth, O'Neill, Neb., and others to acquire control of Citizens National Corporation, Wisner, Neb., as members of the Kvols /Ott/Cheney Family Group. Citizens National Corp controls Citizens State Bank, Wisner, and Cass County State Company, parent of Cass County Bank, Inc., both of Plattsmouth, Neb.

▷ Arbor Bancorp, Inc., Ann Arbor, Mich., filed to acquire via merger Birmingham Bloomfield Bancshares, Inc., Birmingham, Mich., and thereby acquire Bank of Birmingham.

▷ Notification submitted by Kara L. Marshall Kelley, Omaha, Neb., as trustee of various trusts, and others to acquire control of Hometown Banc Corp, Grand Island, Neb., parent of Five Points

Bank, Grand Island, and Five Points Bank of Hastings, Neb.

▷ Flagship Financial Group, Inc., Eden Prairie, Minn., authorized to merge with Landmark Investor Group, Inc., Eden Prairie, and thereby acquire Landmark Community Bank, N.A., Isanti, Minn.

▷ Northern Interstate Financial, Inc., Norway, Mich., filed to merge with C.F.C. Bancorp, Inc., Crystal Falls, Mich., and thereby acquire First National Bank of Crystal Falls.

▷ Cornerstone Bank, York, Neb., authorized to purchase The State Bank of Hildreth, Neb., and establish a branch.

▷ First State Bancshares, Inc., New London, Wis., filed to merge with Rudolph Bancshares, Inc., Rudolph, Wis., and thereby control Farmers and Merchants Bank, Rudolph.

▷ Sullivan Bancshares, Inc., Sullivan, Ill., filed to merge with Moultrie Bancorp, Inc., and thereby acquire Hardware State Bank, both of Lovington, Ill. Sullivan Bancshares, Inc. Employee Savings & Retirement Plan, Sullivan, filed to become a bank holding company by acquiring up to 32.90 percent of Sullivan Bancshares, Inc., and thereby acquire First National Bank of Sullivan.

▷ Goering Management Company, LLC, and Goering Financial Holding Company Partnership, LP, both of Moundridge, Kan., filed to acquire additional shares, for a total ownership of up to 65 percent of Bon, Inc., parent of The Citizens State Bank, both in Moundridge.

▷ American Heritage Holding Company, Saint Cloud, Minn., authorized to acquire Avon Bancshares, Inc., Avon, and thereby acquire Avon State Bank.

▷ United Community Bancorp, Inc., Chatham, Ill., filed to merge with Illini Corp, Springfield, and thereby control Farmers State Bank of Camp Point, Camp Point, and Illini Bank, Springfield.

▷ First Merchants Corporation, Muncie, Ind., filed to acquire 12.11 percent of Independent Alliance Banks, Inc., Fort Wayne, Ind.

▷ Monona Bankshares, Inc., Monona, Wis., filed to merge with MCB Bankshares, Inc., and thereby acquire Middleton Community Bank, both of Middleton, Wis.

▷ Currie Bancorporation, Inc., Currie, Minn., filed to acquire First State Bank of Okabena, Minn.

▷ Big Mac Bancshares, Inc., Hoxie, Kan., filed to acquire Financial Shares, Inc., Morland, Kan., and thereby acquire Citizens State Bank, Morland, Kan.

▷ Farmers and Merchants Bancorp, Inc., Hannibal, Mo., filed to become a bank holding company through the conversion of its thrift subsidiary, F&M Bank and Trust Company, Hannibal, into a state non-member bank.

▷ Sunflower Reincorporation Sub, Inc., Salina, Kan., filed to become a bank holding company through the acquisition of Sunflower Financial, Inc., parent of Sunflower Bank, NA, both in Salina. Immediately thereafter, Sunflower Reincorporation Sub, Inc., would merge with Strategic Growth Bank Inc., El Paso, Texas, and its subsidiaries, Strategic Growth Bancorp Inc., parent of Capital Bank SSB, both in El Paso, Texas; and First National Bancorp Incorporated, parent of The First National Bank of Santa Fe, both in Albuquerque, N.M.

▷ Treynor Bancshares, Inc., Treynor, Iowa, filed to acquire up to an additional 14 percent (for aggregate ownership up to 34 percent) of TS Contrarian Bancshares, Inc., Treynor, and thereby increase its ownership of Bank of Tioga, N.D.

▷ Treynor Bancshares, Inc., and TS Contrarian Bancshares, Inc., both of Treynor, Iowa, filed to acquire First National Bank and Trust Company, Clinton, Ill.

▷ Big Muddy Bancorp, Inc., Dutton, Mont., filed to acquire S.B.T. Financial, Inc., Townsend, Mont., and thereby acquire The State Bank of Townsend.

▷ Notification submitted by Otten Investments, LP, Norfolk, Neb., and Jarvis Otten, Norfolk, Neb., to acquire FEO Invest-

BHCs can hold real estate, but there are considerations

By Steve Mumm

We frequently receive questions from bank holding companies about their ability to invest in real estate. Some investments in real estate are permissible for BHCs. However, section 4 of the Bank Holding Company Act limits the types of real estate activities in which a BHC can engage. This article distinguishes between permissible and impermissible real estate investments for BHCs.

The Board of Governors of the Federal Reserve System (the Board) has previously determined that land investment and development generally is not a permissible activity for a BHC. However, the Board has also determined that a BHC may, directly or through a company, hold or operate properties used wholly or substantially by the BHC or any of its banking or nonbanking subsidiaries in their operations. The BHC may also acquire property for future use by the BHC or its subsidiaries.

The Board has established criteria for determining if an investment meets the “substantial use” criterion. Normally, the organization can assume the investment is permissible if it utilizes 50 percent or more of the property’s useable square footage for banking activities. The Federal Reserve System will review investments in property where usage of such property by subsidiary banks, the BHC, or nonbank subsidiaries is less than 50 percent to determine its permissibility. Generally speaking, a BHC and its subsidiary bank(s) or nonbanks must utilize at least 25 percent of the property initially and have definite plans to increase use to at least 50 percent within five years for an investment to be permissible. Use of the property by the banking organization can include storage of organization records or bank or company parking facilities in addition to providing banking premises.

In acquiring real property for future use, a BHC must have definite plans for use of the property by the BHC or a subsidiary within a reasonable period of time, typically five years. Property may not be acquired by a BHC and indefinitely warehoused until a need develops.

Section 4(c)(2) of the Act permits a BHC or any of its subsidiaries to acquire assets, including real property, in satisfaction of debts previously contracted (DPC) in good faith. The BHC must dispose of the assets within two years from the date they were acquired. A BHC may request the Board’s approval of additional time to dispose of the property for up to three additional years, or a total of five years. Further, the Board may permit additional extensions for up to five years (for a total of 10 years) in certain circumstances. Transfers of the property within the BHC organization do not extend any period of divestiture of the property. That is, in most cases where a subsidiary bank has held property for the statutory holding period, a BHC may not shift the property to another subsidiary or to the BHC to avoid disposing of the property.

Similarly, section 4(c)(1)(D) of the Act allows a BHC to establish a subsidiary to hold real estate acquired DPC by itself or by any of its banking subsidiaries, for the purpose of disposing of the real estate. Permissible activities of this liquidating subsidiary include completion of a real estate development project and other activities necessary to make the real estate saleable.

However, investing funds to change substantially the nature of the asset to increase its value would generally be viewed as engaging in real estate development, which is not permissible. For example, the BHC may complete construction of a building that has been started but it may not prepare raw land for development or begin construction of new structures. This section also cannot be used to extend the time under which a BHC

Fed Notes, Continued on page 15

Fed Notes is provided through a partnership the Bank Holding Company Association shares with the Federal Reserve Bank of Minneapolis. If there are topics you would like to see addressed in this column, please contact Ron Feldman, senior vice president, Federal Reserve Bank of Minneapolis, at 612-204-5176 or ron.feldman@mpls.frb.org

Fed Notes, Continued from page 14

may indirectly hold DPC property. In addition, when real property is transferred between separate entities within the BHC organization, the Board expects that the property will be transferred at a value no greater than the fair market value at the time of the transfer and that the transfer will be made in a normal arm's-length transaction. □

Steve Mumm is the manager of the applications/surveillance section of the Division of Supervision, Regulation and Credit at the Federal Reserve Bank of Minneapolis.

President's Observations, Continued from page 4

our communication skills. And John Blanchfield did a good job reminding us how important agriculture and ag credit services are to the economy across this region.

The breakout sessions are always a highlight. Josh Miller and Jim Sheriff did a good job telling us about captive insurance companies. Sherry Jessen had practical tips for negotiating better contracts. Mark Dietzen and Bryan Freeman offered useful observations about cyber insurance; and Vicki Turnquist, a former banker, offered some great insights into her professional journey which included starting, running and selling a bank. I don't think any other group offers the depth of education that is commonly offered through the BCHA.

I want to encourage BHCA members to visit our website at www.theBHCA.org where you will find handouts from many of the Fall Seminar speakers. Reviewing these documents is a great way to make the most of the Fall Seminar, even if you weren't able to attend!

I am very excited about 2017 when the Spring and Fall Seminars will take place at a new venue – the Hyatt Regency Bloomington-Minneapolis located at 3200 East 81st Street. This is a brand new hotel with a modern design that is going to be perfect for our seminars. Watch the mail and your email in the coming months for information about our Spring Seminar; the dates are May 1-2, 2017. If it has been a while since you have been to a seminar, this is one you will want to attend. The Fall Seminar dates are Oct. 2-3.

Sincerely I thank you for giving me the opportunity to serve as BHCA president. It has been a real privilege. Best wishes through the end of 2016 and here's looking forward to a great 2017. □

Down to Business, Continued from page 5

will result in an increase in dues of about 6 percent for some members. Most importantly, the number of asset categories was expanded, reflecting an increase in the average size of BHCA members. You might be interested to know that we have seven holding company members with assets of less than \$50 million, and 11 members with assets ranging from \$1 billion to \$5 billion; four have assets of greater than \$5 billion. Most of our members fall in the \$100 million to \$250 million category.

I know you have many options for joining membership groups. Your membership in the Bank Holding Company Association is highly prized. We do not take your membership for granted. We take care to spend every dues dollar carefully. Please contact me if you have ideas for new or improved services, or if you have any BHCA-related concerns.

Thank you very much for your support. Best wishes for a happy holiday season. I look forward to a bright 2017 for all of us. □

New to BHCA

The Bank Holding Company Association is pleased to welcome the following new Associate Members:

The Baker Group

Gerry Hart

Associate Partner

Oklahoma City, Okla.

The Baker Group is one of the nation's largest independently owned securities firms specializing in asset/liability and investment portfolio management for community financial institutions. We've helped our clients improve decision-making, manage interest rate risk, and maximize investment portfolio performance since 1979. Our proven approach of total resource integration for community financial institutions utilizes software and products developed by Baker's Software Solutions combined with the firm's investment experience and advice.

UMB Financial

Stephen DuMont

Investment Officer

Kansas City, MO

UMB's Institutional Banking Division provides integrated investment products and services to community banks, municipalities and various other institutions across the country.

Innovation, Continued from page 8

simple business. It's uncanny almost how consistent those statements are."

Old Dominion Freight Lines, "logistically, you can't get more complicated," Calloway said, but if you ask them, they will tell you they don't have one thousand things to do. They have three things to do:

- Pick it up when you said you would.
- Deliver it when you said you would.
- Deliver it intact and all there.

There are a lot of moving parts, Calloway said, but the three statements provide a simple, easy-to-understand focus that unites everyone.

"How do you make that happen? You make it important; you become intentional," he said. Avoid the temptation to just react. "Be the best at what matters most. And leadership is who drives that train."

By Elizabeth Wheeler

WISCONSIN BANK HOLDING COMPANIES

HOLDING COMPANY, LOCATION Subsidiary Bank, Location	CONSOLIDATED ASSETS*	SUBSIDIARY ASSETS*	HOLDING COMPANY, LOCATION Subsidiary Bank, Location	CONSOLIDATED ASSETS*	SUBSIDIARY ASSETS*
1.ASSOCIATED BANC-CORP., GREEN BAY ASSOCIATED BANK, N.A., GREEN BAY	29,038,699	28,942,051	32.COMMERCE FIN'L HOLDINGS, INC., WEST BEND COMMERCE STATE BANK, WEST BEND	467,724	467,900
2.JOHNSON FINANCIAL GROUP, INC., RACINE JOHNSON BANK, RACINE	4,434,943	4,371,824	33.FIRST MENASHA BANCSHARES, INC., NEENAH FIRST NATIONAL BANK - FOX VALLEY, NEENAH	458,548	458,548
3.NICOLET BANKSHARES, INC., GREEN BAY NICOLET NATIONAL BANK, GREEN BAY	2,254,910	2,253,650	34.DELLS BANCSHARES, INC., WISCONSIN DELLS BANK OF WISCONSIN DELLS	454,781	454,781
4.FIRST BUSINESS FIN'L. SERVICES, INC., MADISON ALTERRA BANK, LEAWOOD, KS FIRST BUSINESS BANK, MADISON FIRST BUSINESS BANK - MILWAUKEE, BROOKFIELD	1,819,069	301,488 1,246,038 307,271	35.RIDGESTONE FIN'L. SERVICES, INC., BROOKFIELD RIDGESTONE BANK, BROOKFIELD	445,387	444,580
5.NEB CORP., FOND DU LAC AMERICAN BANK, FOND DU LAC NATIONAL EXCHANGE B&T, FOND DU LAC	1,809,208	451,447 1,347,843	36.DENMARK BANCSHARES, INC., DENMARK DENMARK STATE BANK, DENMARK	442,347	424,690
6.TRI CITY BANKSHARES CORP., OAK CREEK TRI CITY NATIONAL BANK, OAK CREEK	1,310,246	1,308,889	37.NORTHERN BANKSHARES, INC., MCFARLAND MCFARLAND STATE BANK, MCFARLAND	427,100	424,524
7.BANK FIRST NATIONAL CORP., MANITOWOC BANK FIRST NATIONAL, MANITOWOC	1,302,438	1,299,687	38.DMB CORP., INC., DE FOREST DMB COMMUNITY BANK, DE FOREST	416,284	415,141
8.COUNTY BANCORP, INC., MANITOWOC INVESTORS COMMUNITY BANK, MANITOWOC	1,160,589	1,153,041	39.NW BANCSHARES, INC., CHIPPEWA FALLS NORTHWESTERN BANK, CHIPPEWA FALLS	412,398	412,326
9.CENTRE 1 BANCORP, INC., BELOIT FIRST NATIONAL B&T CO., BELOIT	1,121,416	1,117,561	40.SECURITY FINANCIAL SERVICES CORP., DURAND SECURITY FINANCIAL BANK, DURAND	406,888	406,945
10.RIVER VALLEY BANCORP., INC., WAUSAU RIVER VALLEY BANK, WAUSAU	1,100,576	1,100,803	41.BARABOO BANCORP., INC., BARABOO BARABOO NATIONAL BANK, BARABOO	405,737	405,477
11.OCONOMOWOC BANCSHARES, INC. FIRST BANK FINANCIAL CENTRE, OCONOMOWOC	1,010,918	1,010,457	42.BOSCOBEL BANCORP, INC., BOSCOBEL COMMUNITY FIRST BANK, BOSCOBEL LIVINGSTON STATE BANK, LIVINGSTON	404,074	237,625 166,449
12.BANKMANAGERS CORP., MILWAUKEE PARK BANK, MILWAUKEE	868,201	865,192	43.FIRST BERLIN BANCORP, INC., BERLIN FIRST NATIONAL BANK OF BERLIN	392,388	392,388
13.CHARTER BANKSHARES, INC., EAU CLAIRE CHARTER BANK, EAU CLAIRE	833,139	832,635	44.BOSSHARD BANCO, LTD., LA CROSSE FIRST NATIONAL BANK OF BANGOR INTERCITY STATE BANK, SCHOFIELD	388,061	225,551 162,510
14.S.B.C.P. BANCORP, INC., CROSS PLAINS STATE BANK OF CROSS PLAINS	799,666	799,666	45.PDS BANCORP, INC., PRAIRIE DU SAC BANK OF PRAIRIE DU SAC	384,580	384,444
15.PSB HOLDINGS, INC., WAUSAU PEOPLES STATE BANK, WAUSAU	790,126	789,893	46.WOODTRUST FINANCIAL CORP, WIS. RAPIDS WOODTRUST BANK, WISCONSIN RAPIDS	375,866	374,798
16.PARK BANCORP., INC., MADISON PARK BANK, MADISON	776,711	775,561	47.ROYAL BANCSHARES, INC., ELROY ROYAL BANK, ELROY	358,922	354,129
17.CITIZENS COMM. BANCORP, INC., EAU CLAIRE CITIZENS COMMUNITY FEDERAL N.A., ALTOONA	723,009	723,009	48.UNION BANCORP., INC., UNION GROVE COMMUNITY STATE BANK, UNION GROVE	355,216	322,513
18.CITIZENS BANK HOLDING, INC., MUKWONAGO CITIZENS BANK, MUKWONAGO	692,272	692,272	49.ABBY BANCORP, INC., ABBOTSFORD ABBYBANK, ABBOTSFORD	342,315	342,026
19.UNITED BANCORP., OSSEO FARMERS STATE BANK, STICKNEY, SD UNITED BANK, OSSEO CLARKE COUNTY STATE BANK, OSCEOLA UNITED COMMUNITY BANK, POYNETTE LINCOLN COMMUNITY BANK, MERRILL	690,365	113,173 250,371 103,716 163,232 57,364	50.CHIPPEWA VALLEY AGENCY, LTD., BRUCE CHIPPEWA VALLEY BANK, WINTER	341,938	341,789
20.BLACKHAWK BANCORP, INC., BELOIT BLACKHAWK BANK, BELOIT	664,606	664,226	51.JEWEL BOX FIN'L SERVICES, INC., COLUMBUS FARMERS & MERCHANTS UNION BANK, COLUMBUS	338,891	339,132
21.PEOPLES BANCORP, INC., PRAIRIE DU CHIEN PEOPLES STATE BANK, PRAIRIE DU CHIEN	664,437	664,437	52.BOSP BANCSHARES, INC., SUN PRAIRIE BANK OF SUN PRAIRIE	335,496	335,140
22.SWORD FINANCIAL CORP., HORICON HORICON BANK, HORICON	619,782	617,922	53.COULEE BANCSHARES, INC., LA CROSSE COULEE BANK, LA CROSSE	334,088	334,058
23.CIB MARINE BANCSHARES, INC., WAUKESHA CIBM BANK, CHAMPAIGN, IL	615,707	614,368	54.FIRST BANCORP., INC., LA CROSSE STATE BANK FINANCIAL, LA CROSSE	327,393	326,755
24.BANKERS' BANCORP., INC., MADISON BANKERS' BANK, MADISON	612,788	610,293	55.HAYWARD BANCSHARES, INC., EAU CLAIRE PEOPLES BANK MIDWEST, HAYWARD	327,330	326,352
25.NATCOM BANCSHARES, INC., SUPERIOR NATIONAL BANK OF COMMERCE, SUPERIOR	561,151	560,971	56.MOUND CITY FIN'L. SERVICES, INC., PLATTEVILLE MOUND CITY BANK, PLATTEVILLE	321,586	321,438
26.RIVER HOLDING CO., STODDARD RIVER BANK, STODDARD WISCONSIN RIVER BANK, SAUK CITY	556,133	446,258 109,875	57.CAPITOL BANKSHARES, INC., MADISON CAPITOL BANK, MADISON	310,154	309,862
27.WAUPACA BANCORP., INC., WAUPACA FIRST NATIONAL BANK, WAUPACA	514,429	514,429	58.CHOICE BANCORP, INC., OSHKOSH CHOICE BANK, OSHKOSH	303,473	303,400
28.PORT BANCSHARES, INC., PORT WASHINGTON PORT WASHINGTON STATE BANK, PORT WASHINGTON	509,024	507,056	59.FIRST AMERICAN BNKSHRS, INC., FT ATKINSON PREMIERBANK, FORT ATKINSON	303,329	299,965
29.STEPHENSON NAT'L BANCORP, INC., MARINETTE STEPHENSON NATIONAL B&T, MARINETTE	487,042	484,123	60.IXONIA BANCSHARES, INC., IXONIA IXONIA BANK, IXONIA	302,743	301,369
30.DAIRY STATE BANCORP, INC., RICE LAKE DAIRY STATE BANK, RICE LAKE	486,741	486,686	61.LUXEMBURG BANCSHARES, INC., LUXEMBURG BANK OF LUXEMBURG	296,287	295,804
31.MONONA BANCSHARES, INC., MONONA MONONA STATE BANK, MONONA	468,868	469,053	62.WHITewater BANCORP., INC., WHITewater FIRST CITIZENS STATE BANK, WHITewater	295,560	292,293
			63.MCB BANCSHARES, INC., MIDDLETON MIDDLETON COMMUNITY BANK, MIDDLETON	293,166	293,138

Source: Regulatory financial reports filed by bank holding companies and banks, data as of June 30, 2016.
*Dollar amounts in thousands

WISCONSIN BANK HOLDING COMPANIES

HOLDING COMPANY, LOCATION Subsidiary Bank, Location	CONSOLIDATED ASSETS*	SUBSIDIARY ASSETS*	HOLDING COMPANY, LOCATION Subsidiary Bank, Location	CONSOLIDATED ASSETS*	SUBSIDIARY ASSETS*
64.LAKE SHORE III CORP., GLENWOOD CITY HIAWATHA NATIONAL BANK, HAGER CITY UNION BANK OF BLAIR	285,811	180,073 105,738	97.PESHTIGO NATIONAL BANCORP., INC., PESHTIGO PESHTIGO NATIONAL BANK, PESHTIGO	195,036	196,361
65.MONTFORT BANCORP., INC., PLATTEVILLE CLARE BANK, N.A., PLATTEVILLE	285,751	282,785	98.OOSTBURG BANCORP., INC., OOSTBURG OOSTBURG STATE BANK, OOSTBURG	193,764	191,845
66.BOSSHARD FINANCIAL GROUP, INC., LA CROSSE FARMERS STATE BANK-HILLSBORO GRAND MARSH STATE BANK, GRAND MARSH	285,161	150,916 134,077	99.WOODFORD BANCSHARES, INC., MONROE WOODFORD STATE BANK, MONROE	192,977	192,813
67.MAUSTON BANCORP., INC., LA CROSSE BANK OF MAUSTON	282,663	282,663	100.FNB HARTFORD BANCORP., INC., HARTFORD FIRST NATIONAL BANK OF HARTFORD	191,121	191,214
68.FIRST NAT'L. BANCORP OF RIVER FALLS, INC. FIRST NATIONAL BANK OF RIVER FALLS	280,564	280,564	101.INDEPENDENT BANCORP., LTD., LITTLE CHUTE BLC COMMUNITY BANK, LITTLE CHUTE	190,290	190,290
69.M.S.B. BANCORP., INC., MARION PREMIER COMMUNITY BANK, MARION	278,896	278,896	102.FIRSNABANCO, INC., VIROQUA CITIZENS FIRST BANK, VIROQUA	182,866	182,866
70.SOUTHPORT FINANCIAL CORP., KENOSHA SOUTHPORT BANK, KENOSHA	278,271	277,913	103.SECURITY BANK SHARES, INC., IRON RIVER SECURITY BANK, NEW AUBURN SECURITY STATE BANK, IRON RIVER	179,050	94,912 84,301
71.HOMETOWN BANCORP, LTD., FOND DU LAC HOMETOWN BANK, FOND DU LAC	275,284	273,975	104.SHELL LAKE BANCORP, INC., SHELL LAKE SHELL LAKE STATE BANK, SHELL LAKE	178,973	178,965
72.WEST POINTE BANCSHARES, INC., OSHKOSH WEST POINTE BANK, OSHKOSH	274,166	274,128	105.FARMERS STATE BANCORP., INC., WAUPACA FARMERS STATE BANK OF WAUPACA	176,073	176,073
73.FIRST STATE BANCSHARES, INC., NEW LONDON FIRST STATE BANK, NEW LONDON	272,321	271,801	106.B & E INVESTMENTS, INC., ARCADIA STATE BANK OF ARCADIA	172,389	172,344
74.PEOPLES COMM. BANCSHARES, INC., MAZOMANIE PEOPLES COMMUNITY BANK, MAZOMANIE	262,320	262,320	107.NO. WIS. BANK HOLDING CO., INC., LAONA LAONA STATE BANK, LAONA	172,373	172,373
75.OAK FINANCIAL, INC., FITCHBURG OAK BANK, FITCHBURG	257,490	259,776	108.FIRST AMERICAN INVESTMENT, INC., HUDSON FIRST AMERICAN BANK, N.A., HUDSON	171,683	171,709
76.BANCORP OF NEW GLARUS, INC., NEW GLARUS BANK OF NEW GLARUS	256,738	256,094	109.TOMAH BANCSHARES, INC., TOMAH TIMBERWOOD BANK, TOMAH	170,496	168,700
77.CALUMET BANCORP., INC., CHILTON STATE BANK OF CHILTON	255,440	255,440	110.WAUMANDEE BANCSHARES, LTD., WAUMANDEE WAUMANDEE STATE BANK, WAUMANDEE	170,393	170,370
78.PARTNERSHIP COMM. BNSHRS, INC., CEDARBURG PARTNERSHIP BANK, CEDARBURG	253,395	252,061	111.MARKESAN BANCSHARES, INC., MARKESAN MARKESAN STATE BANK, MARKESAN	168,240	168,240
79.KUJAWA FAMILY HOLDINGS, INC., BERLIN FARMERS & MERCHANTS BANK, BERLIN	251,927	250,176	112.MAUNESHA BANCSHARES, INC., WATERLOO FARMERS & MERCHANTS STATE BANK, WATERLOO	166,211	165,746
80.AMERICAN NATIONAL BANCORP, INC., APPLETON AMERICAN NATIONAL BANK-FOX CITIES, APPLETON	249,695	249,561	113.GEBS CO, INC., MONDOVI ALLIANCE BANK, MONDOVI	164,521	164,521
81.OREGON BANCORP, INC., LA CROSSE OREGON COMMUNITY BANK, OREGON	242,449	242,023	114.GREENWOODS FIN'L GROUP, INC., LAKE MILLS GREENWOOD'S STATE BANK, LAKE MILLS	163,956	163,895
82.BAY AREA BANKING SHARES, INC., ASHLAND NORTHERN STATE BANK, ASHLAND	239,086	238,631	115.SBN COMMUNITY BANCORP, INC., NEWBURG STATE BANK OF NEWBURG	163,667	163,667
83.UNION BANCORP OF EVANSVILLE, INC. UNION BANK & TRUST CO., EVANSVILLE	231,349	231,335	116.COMM. BANCSHARES OF WIS., INC., GRAFTON CORNERSTONE COMMUNITY BANK, GRAFTON	163,349	163,166
84.RIVER CITIES BANCSHARES, INC., WIS. RAPIDS RIVER CITIES BANK, WISCONSIN RAPIDS	230,724	230,724	117.CITIZENS BNCSHRS OF WOODVILLE, INC., HUDSON CITIZENS STATE BANK, HUDSON	159,287	158,661
85.PEOPLES BANCSHARES, INC., ELKHORN PEOPLES BANK, ELKHORN	230,661	230,322	118.PORTAGE COUNTY BANCSHARES, INC., ALMOND BANCROFT STATE BANK, BANCROFT PORTAGE COUNTY BANK, ALMOND	156,790	68,989 87,801
86.WIS. BANK SERVICES, INC., BLACK RIVER FALLS JACKSON COUNTY BANK, BLACK RIVER FALLS	230,402	228,930	119.AMBANC FIN'L SERVICES, INC., BEAVER DAM AMERICAN NATIONAL BANK OF BEAVER DAM NECEDAH BANK, NECEDAH	154,061	119,057 34,304
87.DAIRYLAND BANK HOLDING CORP., LA CROSSE BANK OF ALMA	224,661	224,661	120.BALDWIN BANCSHARES, INC., BALDWIN FIRST BANK OF BALDWIN	151,059	150,760
88.NORTHWEST WIS. BANCORP, INC., EAU CLAIRE STERLING BANK, BARRON	220,732	220,651	121.F & M BANKSHARES, INC., MARINETTE FARMERS & MERCHANTS BANK & TRUST, MARINETTE	146,977	143,212
89.CAPITAL COMMERCE BANCORP, INC., MILWAUKEE SECURANT BANK & TRUST, MILWAUKEE	212,506	212,840	122.WOLF RIVER BANCORP, INC., HORTONVILLE WOLF RIVER COMMUNITY BANK, HORTONVILLE	142,042	141,391
90.NEKOOSA PORT EDWARDS BANCORP., INC. NEKOOSA PORT EDWARDS STATE BANK, NEKOOSA	210,380	210,380	123.NATIONAL BANCSHARES WAUPUN, INC., WAUPUN NATIONAL BANK OF WAUPUN	141,680	141,679
91.CLAYTON BANKSHARES, INC., LA CROSSE CITIZENS STATE BANK - LA CROSSE	209,022	209,022	124.AUGUSTA FINANCIAL CORP., AUGUSTA UNITY BANK, AUGUSTA	138,445	138,420
92.SB BANCORP, INC., DE FOREST SETTLERS BANK, DE FOREST	205,226	205,131	125.HOME BANCORP WISCONSIN, INC., MADISON HOME SAVINGS BANK, MADISON	138,180	138,180
93.KIMBERLY LEASING CORP., AUGUSTA UNITY BANK, RUSH CITY	200,194	199,713	126.PARK FALLS AGENCY, INC., PARK FALLS FIRST NATIONAL BANK OF PARK FALLS	138,030	137,179
94.CITIZENS BANCSHARES OF LOYAL, INC., LOYAL CITIZENS STATE BANK OF LOYAL	199,478	199,478	127.ADVANTAGE COMM. BANCSHARES, INC., WAUSAU ADVANTAGE COMMUNITY BANK, DORCHESTER	137,383	137,216
95.ONE CORP., NEW RICHMOND FIRST NATIONAL COMMUNITY BANK, NEW RICHMOND	198,551	198,343	128.DEERFIELD FINANCIAL CORP., MADISON BANK OF DEERFIELD	132,674	132,022
96.F. & M. BANCORP OF TOMAH, INC., TOMAH FARMERS & MERCHANTS BANK, TOMAH	196,825	198,405			

Source: Regulatory financial reports filed by bank holding companies and banks, data as of June 30, 2016.
*Dollar amounts in thousands

WISCONSIN BANK HOLDING COMPANIES

HOLDING COMPANY, LOCATION Subsidiary Bank, Location	CONSOLIDATED ASSETS*	SUBSIDIARY ASSETS*	HOLDING COMPANY, LOCATION Subsidiary Bank, Location	CONSOLIDATED ASSETS*	SUBSIDIARY ASSETS*
129.PB HOLDINGS OF MARSHFIELD, LLC, WAUSAU PIONEER BANK, AUBURNDALE	131,575	131,575	152.G. W. BANCORP., INC., GREENLEAF GREENLEAF WAYSIDE BANK, GREENLEAF	83,143	82,462
130.CITIZENS FINANCIAL CORP., FORT ATKINSON BADGER BANK, FORT ATKINSON	130,297	130,153	153.INTEGRITY FIRST BANCORP., INC., WAUSAU INTEGRITY FIRST BANK, WAUSAU	82,090	82,021
131.WAUKESHA BANKSHARES, INC., WAUKESHA SUNSET BANK & SAVINGS, WAUKESHA	127,873	126,181	154.PINERIES BANKSHARES, INC., STEVENS POINT PINERIES BANK, STEVENS POINT	80,995	80,995
132.LAYTON PARK FINANCIAL GROUP, INC., WEST ALLIS LAYTON STATE BANK, WEST ALLIS	122,880	122,966	155.DAIRYLAND BANCORP, INC., BRUCE DAIRYLAND STATE BANK, BRUCE	80,947	80,577
133.CITIZENS BANCORP, INC., CADOTT CITIZENS STATE BANK, CADOTT	119,878	119,551	156.EAGLE BANCSHARES, INC., CASHTON BANK OF CASHTON	79,701	79,699
134.SPARTA UNION BANCSHARES, INC., SPARTA UNION NATIONAL BANK & TRUST CO., SPARTA	119,097	119,094	157.FS BANCSHARES, INC., MARKESAN FARMERS STATE BANK, MARKESAN	76,883	76,445
135.WISCUB, INC., PEWAUKEE CLEVELAND STATE BANK, CLEVELAND	118,284	105,744	158.ROSHOLT BANCORP, INC., ROSHOLT COMMUNITY FIRST BANK, ROSHOLT	76,050	75,523
136.MILTON BANCSHARES, INC., MILTON BANK OF MILTON	110,632	109,821	159.PFSB BANCORP., INC., PIGEON FALLS PIGEON FALLS STATE BANK, PIGEON FALLS	74,346	74,311
137.STRATFORD BANCSHARES, INC., STRATFORD STRATFORD STATE BANK, STRATFORD	110,380	109,543	160.BRAD, INC., BLACK RIVER FALLS BLACK RIVER COUNTRY BANK, BLACK RIVER FALLS	73,330	73,330
138.CAMERON BANCORP, INC., CAMERON COMMUNITY BANK OF CAMERON	109,166	109,166	161.PIONEER ACQUISITION CORP., LADYSMITH PIONEER BANK OF WISCONSIN, LADYSMITH	70,451	70,187
139.SPENCER BANCORP., INC., SPENCER HERITAGE BANK, SPENCER	104,917	104,846	162.COLLINS BANCORP, INC., COLLINS COLLINS STATE BANK, COLLINS	67,365	67,365
140.RICHLAND COUNTY BNCSHRS, INC., RICHLAND CTR RICHLAND COUNTY BANK, RICHLAND CENTER	100,618	100,618	163.RW BANCORP., LTD., REESEVILLE STATE BANK OF REESEVILLE	67,039	67,039
141.GALE BANK HOLDING CO., INC., GALESVILLE BANK OF GALESVILLE	94,699	94,699	164.NORTHERN FINANCIAL CORP., INDEPENDENCE INDEPENDENCE STATE BANK, INDEPENDENCE	64,851	64,875
142.FLORENCE BANCORP., INC., FLORENCE STATE BANK OF FLORENCE	94,678	94,380	165.HEADWATERS BANCORP, INC., LAND O'LAKES HEADWATERS STATE BANK, LAND O'LAKES	64,492	64,492
143.BANNER BANCORP, LTD., BIRNAMWOOD BANNER BANKS, BIRNAMWOOD	93,891	93,686	166.BSB COMMUNITY BANCORP., INC., BENTON BENTON STATE BANK, BENTON	62,355	60,958
144.COMMERCIAL BANCSHARES, INC., WHITEWATER COMMERCIAL BANK, WHITEWATER	93,377	93,303	167.BONDUEL BANCORP, INC., BONDUEL BONDUEL STATE BANK, BONDUEL	57,016	57,016
145.BROGAN BANKSHARES, INC., KAUKAUNA BANK OF KAUKAUNA	92,896	92,896	168.M.S. INVESTMENT CO., NEW BERLIN MITCHELL BANK, MILWAUKEE	56,702	50,667
146.OAKFIELD BANCORP., INC., OAKFIELD BANK OF OAKFIELD	88,334	87,621	169.HUSTISFORD COMM. BANCORP., INC., HUSTISFORD HUSTISFORD STATE BANK, HUSTISFORD	52,939	52,321
147.CAPRICE CORP., AUGUSTA UNITY BANK NORTH, RED LAKE FALLS, MN	86,312	86,307	170.GOLDEN OAK BANCSHARES, INC., SPARTA PARK BANK, HOLMEN	52,922	52,922
148.FIDELITY BANCORP, INC., MEDFORD FIDELITY NATIONAL BANK, MEDFORD	86,010	84,977	171.ONTARIO BANCORP., INC., ONTARIO BANK OF ONTARIO	38,722	38,658
149.BAY BANCORP., INC., GREEN BAY BAY BANK, GREEN BAY	84,569	84,569	172.SOUTHWESTERN WIS. BANCSHARES, INC., HIGHLAND HIGHLAND STATE BANK, HIGHLAND	32,909	32,738
150.RIVER FALLS BANCSHARES, INC., RIVER FALLS RIVER FALLS STATE BANK, RIVER FALLS	84,471	84,477	173.RUDOLPH BANCSHARES, INC., RUDOLPH FARMERS AND MERCHANTS BANK, RUDOLPH	30,149	30,149
151.FOX RIVER FINANCIAL CORP., BURLINGTON FOX RIVER STATE BANK, BURLINGTON	84,134	84,081	174.TIGERTON BANCORP, INC., TIGERTON FIRST NATIONAL BANK IN TIGERTON	21,966	21,872

Source: Regulatory financial reports filed by bank holding companies and banks, data as of June 30, 2016. *Dollar amounts in thousands

Transaction Report, Continued from page 13

ments, Inc., parent of Elkhorn Bank & Trust, both of Norfolk.

▷ The Margaret Parker Platter Charitable Trust, Osceola, Mo., filed to become a bank holding company through the acquisition of 26.03 percent of SCC Bancshares, Inc., parent of St. Clair County State Bank, both of Osceola.

▷ The Johnson Financial Group, Inc., Voting Trust has filed to join the existing Johnson Family Control Group that was ap-

proved on Jan. 31, 2012, to acquire 25 percent or more of Johnson Financial Group, Inc., and thereby acquire Johnson Bank, both of Racine, Wis.

▷ Change in Control Notice filed by Alix E. Behm, Willmar, Minn., to acquire 25 percent or more of Kandiyohi Bancshares, Inc., Willmar, and thereby gain control of Home State Bank, Litchfield, Minn.

▷ First York Ban Corp, York Neb., filed to acquire Swedlund Management Company, and thereby acquire Murray State Bank, both of Murray, Neb. Cornerstone Bank,

York, filed to merge with Murray State Bank, and establish a branch in Murray.

▷ Wintrust Financial Corp., Rosemont, Ill., filed to merge with First Community Financial Corp., Elgin, and thereby acquire First Community Bank; and for Wintrust's subsidiary, St. Charles Bank & Trust Company, St. Charles, to merge with First Community Bank and thereby establish branches.

▷ Central Kansas Bancshares, Inc., Woodbine, Kan., filed to become a bank holding company through the acquisition of The

Citizens State Bank and Trust Company, Woodbine. Central Kansas Bancshares, Inc., filed to acquire Roxbury Bank, Roxbury, Kan.

▷ The Judy Svajgr Trust dated June 24, 1983, Cozad, Neb., and others, filed to acquire Midwest Banco Corporation, and thereby acquire First Bank and Trust Company, both of Cozad, Neb. In addition, the Rebecca Akers Irrevocable Trust, Cozad, and others request approval to control Midwest Banco Corporation. ■

*The Bank Holding Company Association
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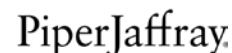
Platinum Level



Gold Level



Silver Level



BANK OWNER

7400 Metro Blvd., #217
Minneapolis, MN 55439

BHCA Calendar

SAVE THE DATES:

The Bank Holding Company Association

SPRING SEMINAR is set for Monday-Tuesday, **MAY 1-2, 2017**

FALL SEMINAR is set for Monday-Tuesday, **OCT. 2-3, 2017**

We are excited to announce a **NEW VENUE** for the seminars.

Both 2017 seminars take place at the brand new Hyatt Regency
Bloomington-Minneapolis Hotel, located at 3200 East 81st Street,
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