Bank Owner

www.theBHCA.org — Spring 2013

The magazine of the Bank Holding Company Association

INSIDE:

Key ratios and red flags

Credit risk management starts at board level

Change in Bank Control Act considerations

Hold company lists for Montana, Wyoming

Banking on HIGH PERFORMANCE

Plan now to attend SPRING SEMINAR

The Bank Holding Company Association

Our mission:

The mission of the Bank Holding Company Association is to provide educational information through seminars, forums and publications useful to bank owners and holding company managers.

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 10-member 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.

The Bank Holding Company Association
7400 Metro Blvd., Suite 217
Minneapolis, MN 55439
Tel. (952) 835-2248
Toll Free: (800) 813-4754
Fax: (952) 835-2295
www.theBHCA.org

Bank Owner is published quarterly by the Bank Holding Company Association. Managing Director Tom Bengtson serves as editor. Contact him at (952) 835-2248 or 1-800-813-4754 or via e-mail at info@theBHCA.org.

Bank Owner

Spring 2013

CONTENTS

The BHCA is your best option for director education

By Douglas Farmer
Golden Oak Bancshares, Inc., Holmen, Wis.

This is a very exciting time to be president of the Bank Holding Company Association. We have several initiatives planned for 2013, including our two annual seminars, several webinars, and this magazine, now in its second year. We are in the midst of a major membership drive, so if you receive a phone call from the BHCA office, please take time to consider our invitation to join the association. There has never been a better time to be involved with the BHCA.

We take director education very seriously, and in this edition of *Bank Owner*, you will find two articles specifically aimed at directors. One article is on the topic of risk management, and the other provides an overview of the financial ratios directors should be monitoring. Both these articles are based on webinars BHCA presented recently for outside directors. If you missed those webinars you can go back and listen to them by logging into the "members only" section of the www.theBHCA.org web site.

I recently came across another interesting resource for directors. The Federal Reserve Board publishes a useful newsletter called *Community Banking Connections*. A recent edition featured an article by Kevin Moore, a senior vice president at the Federal Reserve Bank of Kansas City. His article, "The importance of effective corporate governance," contained excellent information for community bank directors, whether that be at the bank level or holding company level.

"I would argue that the boards of directors of many of these banks were not sufficiently engaged or informed to question the adequacy of capital and risk management programs needed to enable their banks to weather a prolonged downturn," he says about banks that struggled or failed during the recent financial crisis.

Referencing the Office of the Inspector General's standard review of each bank failure case, Moore noted the OIG "criticized failed banks' boards of directors and management for embarking on growth strategies without sufficient consideration of the risks involved and for not ensuring that these banks' risk management processes, internal controls and capital were sufficient to mitigate the increased risk exposure."

He goes on to say: "Board and management oversight is the fundamental element of ensuring a safe and sound bank. Put another way, director oversight is the primary driver that keeps a bank moving in a positive direction, and it is a critical component of banks' success."

Moore's article outlines four main areas of responsibility for boards of directors:

- Establishing the bank's risk philosophy, including both the aggregate level of risk and tolerance for risk;
- Ensuring that the bank has an appropriate risk management framework to manage and mitigate risk;
- Setting the bank on the right course by determining the bank's overall business strategy; and
- Monitoring implementation of the strategy to ensure that the bank's strategic objectives are being accomplished within the parameters of its risk management framework.

The Bank Holding Company Association takes director education very seriously. Our seminars always including information useful to directors; in fact, outside directors of member holding companies even get a reduced registration rate.

Be sure to mark the dates Monday and Tuesday, May 6-7, 2013 on your calendar. Those are the dates of this year's Spring Seminar. Plan to bring one or more of your directors. ▯

The following companies are Associate Members of the Bank Holding Company Association:

Allied Solutions LLC
St. Paul, Minn.
Greg Rueter, regional VP
651-366-6988

Allison-Williams Company
Minneapolis
Greg Larson, senior vice president
612-317-4710

Associated Insurance Agents, Inc.
Brooklyn Center, Minn.
Kris St. Martin
bank program director
763-549-2267

Bank Financial Services Group
Edina, Minn.
Mark Blake, partner
800-931-7782

Barack Ferrazzano
Chicago
Joseph Ceithaml, attorney
312-629-5143

Baune Dosen & Co., LLP
Minneapolis
Brad Reich, partner
952-473-2002

BMO Capital Markets
Milwaukee
Jason Mork, director-fixed income
414-212-4212

Brady, Martz & Associates, P.C.
Bismarck, N.D.
John Mongeon, CPA
701-223-1717

CASE
Anoka, Minn.
Troy Case, president
763-323-1048

CBC Innovis
Sioux Falls, S.D.
Jim Loomis, account executive
877-304-6490

CliftonLarsonAllen, LLP
Minneapolis
Terry Enger, CPA
executive principal
612-376-4500

Commerce Street Capital LLC
Maple Grove, Minn.
Rick Foggia, managing director
763-657-7624

Commercial Credit Reports
Hendersonville, Tenn.
Debbie Golbach
director-national groups
615-590-4200 ext. 4107

Country Club Bank Capital Markets Group
Prairie Village, Kan.
Joshua Kiefer, investment officer
800-288-5489

David R. Peltz & Company, P.C., LTD
Minneapolis
David R. Peltz, CPA, president
952-525-0336

Dougherty Funding, LLC
Minneapolis
Jerry Tabolich, executive vice president/ COO
612-317-2000

Eide Bailly
Minneapolis
Linda Koerselman, CPA Partner
952-944-6166

Equias Alliance
Prior Lake, Minn.
Eric Hilgenberg, consultant
952-435-7737

Executive Compensation Institute
Minneapolis
Thomas Lynch, wealth coach
952-885-2727

Federal Home Loan Bank of Des Moines
Des Moines, Iowa
Dan Laird, vice president/ member services
800-544-3452

Fifth Third Bank
Chicago
Brian Riley, correspondent banker
312-704-4117

FiServ
West Des Moines, Iowa
Jeff Williams, vice president/ regional sales manager
515-224-8396

Fortress Partners Capital Management
Hartland, Wis.
Jon Bruss, managing principal
262-369-1095

Fredrikson & Byron, P.A.
Minneapolis
Karen Grandstrand, partner
612-492-7000

FTN Financial
Memphis, Tenn.
Sally Pace, senior vice president
800-456-5460

Gray Plant Mooty
Minneapolis
Sally Stolen Grossman, attorney
612-632-3000

Global Adjusters Debt Collection
Burnsville, Minn.
Gerald Raley, president
952-895-8300

Hays Companies
Minneapolis
Blake Martin, vice president
612-486-4733

HTG Architects
Eden Prairie, Minn.
Jeff Pflipsen, partner
952-278-8880

Insurance Strategies, Inc.
Elm Grove, Wis.
Deb Forsaith, president
800-236-6866

J.T. Miller Company, Inc.
Minneapolis
Dirk J. Miller, president
763-512-1950

Leonard, Street and Deinard
Minneapolis
Adam D. Maier, attorney
612-335-1412

Lindquist & Vennum, PLLP
Minneapolis
J. Kevin Costley, attorney
612-371-3211

Mackall, Crounse & Moore, PLC
Minneapolis
Timothy D. Moratzka
attorney
612-305-1400

McGladrey & Pullen, Inc.
Minneapolis
Craig Murphy, managing director
612-376-9295

Midwest Financial Search
St. Paul, Minn.
Paul Bees, partner
651-690-4050

Modern Banking Solutions
Ralston, Neb.
Robert Neville, president
402-592-5500

Northland Securities, Inc.
Minneapolis
Linda Knutson
senior vice president
612-851-5992

Oak Ridge Financial
Minneapolis
Craig Mueller
senior vice president
763-923-2205

Olson & Burns, P.C.
Minot, N.D.
Richard Olson, attorney
701-839-1740

OneBeacon Professional Insurance
Minnetonka, Minn.
Craig Collins
president, financial services
866-827-0861

Principal Financial Group
Minnetonka, Minn.
Matt B. Costello, financial advisor
952-277-4298

Promontory Interfinancial Network
Des Moines, Iowa
Steve Davis, regional director
515-240-5451

Quazar Capital Corporation
Minneapolis
Bruce Behm, president
763-550-9000

Raymond James & Assoc., Inc.
Chicago
Eric Radzak, vice president
312-612-7751

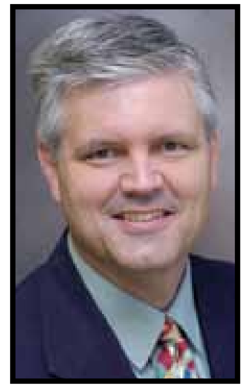
The Baker Group
Oklahoma City, Okla.
Gerry Hart, account executive
405-415-7200

Wilary Winn LLC
St. Paul, Minn.
Douglas Winn, president
651-224-1200

Winthrop & Weinstine, P.A.
Minneapolis
Edward J. Drenttel
attorney/shareholder
612-604-6400

Wipfli
Minneapolis
David Saber, senior consultant
952-548-3400

Speakers offer timeless advice for better living, leadership



By Tom Bengtson
BHCA Managing Director

Over the years, I have had the opportunity to hear many excellent speakers. Two speakers who stand out in my mind are David Zach, a Milwaukee-based futurist, and Andy Hickman, a motivational speaker from Texas. Both made points that have stuck with me.

Zach commented that people typically start their day getting the news. They watch the morning news programs on television as they eat breakfast and prepare to go off to work, or they read the morning newspaper. News is a summary of things that change.

Zach said that rather than focusing so much on things that change, we should spend time thinking about things that don't change, about the things in life that are permanent. That's a significant suggestion. That's not the kind of thing I typically hear at a banking convention.

Consider the kinds of things that change, that fill our newspapers everyday: what team won last night, where the bad weather is expected to strike next, which government official is saying what, and what celebrity is getting married or divorced. Now think about the things that don't change: truth, beauty, right, wrong, and a desire for happiness, fulfillment and love. These things are permanent. They don't change so they don't get much attention in the media but Zach says we should give them a lot of attention.

I think it is a great message. Sometimes, we focus so much on the things that change that we forget about the permanent things altogether. That's a mistake. It is the permanent things that give the changing things context. If we don't consider the permanent things, our consideration of the changing things could get off base.

Zach concluded his presentation with a few suggestions about how to get more out of life. His top two suggestions: start smoking and start drinking! He was kidding, of course, and his suggestions drew a big laugh from the crowd, but these two tips were not without their point.

Smokers, he said, take breaks and that's a good thing. Too many people work all day without ever taking a break. In fact, some people even boast about never taking a break but the fact is, we all need to take breaks. Even if only for two or three minutes, a break refreshes, it gives you a chance to stretch, it rests your eyes. If you go outside, the fresh air surely will do you good.

Furthermore, Zach noted that people who smoke bond with other people with whom they would otherwise never mingle. In the break room or outside the back entry to the office building, you may find the CEO or other high-level manager chatting with an entry-level employee as they both smoke a cigarette.

With respect to drinking, he encouraged it in the context of a meal. He said people should go out to lunch more often. "The average American spends less than 15 minutes having lunch, and people usually eat lunch alone at their desk," Zach said. Most people spend far more time with their computer at work than they do with another person, Zach observed.

The point is, make time to visit with other people. Don't discount the pleasure of a good meal. Take time to enjoy the beautiful things in life, including good food and conversation. Furthermore, make an effort to enjoy these things in the company of others. "Go out for lunch," Zach encouraged. "When you break bread, you break barriers."

Hickman spoke about leadership and he outlined the following three characteristics of leadership that I thought really hit the nail on the head:

1) *Your checkbook and calendar reveal what you value*. He noted that a lot of people say they value family, yet their money and time goes into everything but family. He suggested that everyone conduct a personal audit of their checkbook (particularly with respect to discretionary spending) and their calendar. See if the information revealed is consistent with what you say is important. "If there is misalignment, then make a change," he said.

2) *Encourage others.* He reminded his audience that words matter a lot. People listen to what you are saying, even if they pretend they are not paying attention. You can make a huge impact on your environment at home or at work with the words you use. Build people up and you make a great environment; criticize unnecessarily and you dampen everyone's energy. "Since you have complete control over what you say, why not choose to say things that encourage others?" he asked.

3) *Superficial qualities do not make a leader.* Hickman noted that the world tries to tell us that you have to be extremely intelligent, good-looking, and have money in order to be a leader. But, in fact, the greatest leaders in history — Abraham Lincoln, Mother Teresa and Martin Luther King, for example — had none of these qualities. More importantly, their actions were consistent with their message and they encouraged others.

If you are looking for additional wisdom from great conference speakers, be sure to join us at the BHCA Spring Seminar, May 6-7 at the Minneapolis Airport Marriott Hotel in Bloomington, Minn. Seminar information and registration form are printed in this edition of *Bank Owner*. ▯

Banking on high performance, register now for BHCA Spring Seminar

Bank owners and holding company professionals are invited to "Banking on High Performance," the Spring Seminar of the Bank Holding Company Association set for Monday and Tuesday, May 6-7, 2013 at the Minneapolis Airport Marriott Hotel in Bloomington, Minn., across from the Mall of America.

This is a must-attend meeting for bank owners and bank holding company presidents and senior officers. This seminar also is ideal for outside directors who serve on the board of a bank or bank holding company.
There are five general session educational presentations, in addition to four roll-up-your-sleeves breakout sessions to choose from. And because nobody can be in more than one place at a time, we record the breakout sessions and make them available to seminar registrants through the BHCA web site, www.theBHCA.org.

David Mead opens our two-day event with an after-dinner presentation on May 6 that will challenge you to think about why you do what you do. His presentation, called "Start with Why," will help you create a culture at your organization that leaves every employee feeling fulfilled by what they do. Mead explains how your organization can become more effective by clarifying the "why" behind its actions. He will help you lead your organization with trust and authenticity that are vital to success. Based on the best-selling book by Simon Sinek, Mead's presentation will give you plenty to think about long after hearing him speak.

Paul Danola will open our Tuesday morning general session with outside-the-box ideas for revitalizing your business model. He will tear apart the traditional community bank strategic plan and offer insights for rewriting it to fit today's high performing environment. Danola is a practice manager and senior consultant at CCG Catalyst, a Phoenix-based bank consulting group.

Then, **John Freechack** of the Chicago law firm Barack Farrazzano, and **Allen Laufenberg** of the investment banking firm Stifel Nicolaus Weisel, will team to discuss what bank management and their boards need to know for 2013. In addition to coordinating the firms' banking practice, Freechack has advised hundreds of financial institutions on mergers and acquisitions, as well as securities and corporate matters. Laufenberg is managing director at SNW, which recently merged with Keefe, Bruyette & Woods. He advises banks on a wide range of strategic alternatives including raising regulatory capital as well as M&A activities.

In addition, **David Kemp** will offer a look into the future of community banking. President of Bankers Management, Inc., Kemp has more than 30 years of management experience in consulting, training credit administration and new business development. He is an expert in commercial lending, consumer lending, portfolio management, real estate lending, workouts, and director responsibilities. Kemp will look at the forces driving bank performance, interest income, fee income, risk management, and product offerings.

Bank owners everywhere are looking for ways to make the most of electronic delivery of products and services. Our

Spring Seminar News, *Continued on page 18*

Key ratios and red flags: A primer on numbers

Editor's note*: The following is adapted from a BHCA webinar delivered Dec. 4, 2012.*

EACH MONTH, BOARD MEMBERS should be reviewing the comparative balance sheets and income statements for your organization. The challenge here is how much information to review. How condensed should the information be?

The answer depends on the make-up of your organization and where the risks may lie. If you have a mortgage operation or a certain area that you want to pay more attention to, you may ask for more information on a comparative basis; regarding other parts of the bank, you may prefer to review only very condensed information.

From an income statement standpoint, I would recommend at a minimum that board members look at the current month's information, the year-to-date information, the information which compares those numbers to the current budget, and then compares those numbers with results from prior years. Ideally, those numbers also would include projections about what management expects in the coming months.

Regarding the balance sheet, you would like to look at information from the most recent month, in addition to information from the previous year because that might be comparable to a business cycle your organization might have. It is important to look at the balance sheet on an annual basis, year-to-year. Furthermore, it is good to pull together information that might be helpful for making projections.

A lot of times, I get asked: what's important? How big of an item should I be concerned about? As a rule of thumb, a 10 percent variance is significant enough on any given balance sheet item, from either budget or from year-to-year, or the previous month; same thing is true of an income statement deviation.

Another document you should consider is the uniform bank performance report, or UBPR. That document will group you into a peer group based on the size of your bank, location of your bank, and the number of locations that you have. It allows you to compare yourself to peer groups on a number of different ratios. The thing to remember about peer group information is that it is only as good as what you know about that peer group. Another thing to remember about these peer groups is that they are made up of banks throughout the country, not just your market.

One thing you can do is go to the FDIC website and create your own custom peer group, whether that be banks in your county or in the geographic disbursement that you choose. Many banks that I work with will use that FDIC tool to make specific comparative documents that they can look at on a quarterly basis.

Some ratios and trends you are going to pay attention to every month are capital, asset quality, earnings, liquidity, sensitivity to risk, and ultimately growth.

Over the last five years, many banks have managed capital very closely. There are three key capital ratios.

The first is the "leverage ratio." That is basically your equity at the bank divided by average outstanding assets. The next two are risk-weighted capital ratios. It is the "Tier 1" capital number which is essentially your bank's equity divided by risk-weighted assets. Then, "total capital" is another capital ratio we look at. The primary difference between Tier 1 capital and total capital for most banking organizations is the add-back to the allowance for loan losses to the numerator. You get to add that allowance for loan losses to Tier 1 capital to get total capital but the denominator remains the same which is risk-weighted assets.

Every quarter your bank does a risk weighting of every asset on the balance sheet. Weighting is determined by guidelines that are set by the regulatory agencies for preparation of the call report. We do not get to pick and choose what we think the risk weighting is for those assets; they are fairly well pre-defined for us.

The intent of the risk weighting is to try to make better relative comparisons from bank to bank regardless of the kind of assets they hold. For example, if I am a bank that has 100 percent of my assets invested in Ginnie Mae securities, versus another bank that has 100 percent of its assets invested in commercial loans, you can obviously see where the risk is. That's what risk weighting does. It says this bank has significantly less assets at risk than the other bank. It tries to normalize the actual risk within the organization.

Neil Falken, CPA, CMA, is a partner at CliftonLarsonAllen in Minneapolis. He can be reached at neil.falken@cliftonlarson-allen.com. The entire hour-long webinar recording is available in the "members only" section of www.theBHCA.org.

every board should be counting

By Neil Falken

The minimum ratios to be considered well-capitalized for banks across the country are: leverage ratio of 5 percent, Tier 1 risk-based capital of 6 percent, and total risk-based capital of 10 percent. During the last five years the general public heard a lot about how badly banks were performing but to clarify 96 percent of banks in the United States are still well capitalized. That means that only 4 percent of the banks in the country are something less than well-capitalized. That just shows that in the last five or six years our banks have remained relatively strong in the eyes of the regulatory capital environment.

Obviously, if your ratios start falling below the well-capitalized thresholds, you have a bright red flag. If your ratios decline significantly from peer groups you also have a red flag. If we also see that our capital growth rate is less than our total asset growth, that's a red flag. If we are growing our assets such that they are out-running our capital – perhaps our earnings aren't keeping up or our capital contributions aren't keeping up to maintain that asset growth, that can be a red flag. That happened to many organizations over the last few years because they grew so fast. When your capital growth rate is less than your total asset growth rate, that is a red flag.

You want to be paying attention to loan growth. Now, in most of our banks across the country today, loan growth is slow but no matter what, pay attention to loan growth.

Another thing to watch for is changes in the loan portfolio's composition. It can be a pretty gradual change but take note if you start to see that the bank is moving away from one category, perhaps consumer loans, and toward more loans in another category, say commercial real estate loans.

Also, be sure to note the yields on those loans. If you start to see fluctuation, either up or down, significantly in loan yields, it can certainly generate questions that you should ask yourself as a board member. What is taking place in those loan yields?

Obviously if you have non-current loans to total loans, that is a key component to look at. How many past-due loans, how many loans do you have that are 90 days past due, and are they increasing?

A key ratio is the allowance for loan losses as a percent of total loans. Thirty years ago 1 percent was kind of a benchmark for the allowance for loan and lease losses to total loans. Today, I would say there is no benchmark. The ratio is so dependent upon the portfolio at each bank. I have seen ALLL numbers range anywhere from 1 percent up to as much as 5 percent.

The other important number to keep an eye on is the number of non-current loans as a percentage of your allowance for loans and lease losses. Back in 2006 the number we looked at had a great coverage ratio because we had a lot of allowance and very few non-current loans. During the last few years that number has changed dramatically because now we have more non-current loans. We have more non-current loans and we have not adjusted our allowance along with those non-current loans.

Another one we have heard a lot about is the Texas ratio. When it was created it was meant to show the potential of a bank failing. That's nonperforming assets plus OREO divided by your tangible capital plus allowance for loan and lease losses. Years ago if the ratio was over 100 percent, we worried about the organization failing. That isn't as true today.

Red Flags:

- Increase in loans to total assets
- Significant change in the portfolio composition
- Plus or minus in percentage of ALLL to total loans
- Significant increase in loan yields (does it mean we are taking on more risk?)
- Increasing levels of past due/non-performing loans
- Significant increase in ALLL provisions
- Stable/declining ALLL balance as loans increase (is the allowance keeping pace with the loan volume?)
- Annual charge-offs are greater than ALLL balance (are the problem loans being identified? If there were surprises, why?)
- Increase in OREO

Banking on HIGH Performance

The Bank Holding Company Association Spring Seminar is set for Monday and Tuesday, May 6-7, 2013 at the Minneapolis Airport Marriott Hotel in Bloomington, Minn.

Register online today at
www.theBHCA.org
or call 1-800-813-4754

Fredrikson & BYRON, P.A.

CliftonLarsonAllen

McGladrey

WINTHROP WEINSTINE
ATTORNEYS AND COUNSELORS AT LAW
A firm difference.®

LINDQUIST&VENNUM

BONUS EVENT: Nice Fish

Join your BHCA friends Tuesday, May 7, for a backstage tour, dinner and show at the Guthrie Theatre in downtown Minneapolis. We will see the world premier of Nice Fish, which centers on two men who have gone ice fishing on the last day of the season; the ice is melting and the DNR is watching. And the last blizzard of the season is about to begin.

REGISTRATION FEES:

Members and guests:
Monday evening…$75
Tuesday seminar…$225

Directors from member institutions:
Monday evening…$50
Tuesday seminar..$125

Non-members:
Monday evening…$125
Tuesday seminar…$350

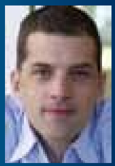
Tuesday evening at the Guthrie
(includes transportation, backstage tour, dinner and show ticket)…$125

Minneapolis Airport Marriott Hotel
2020 East American Blvd.
Bloomington, MN
952-854-7441
Call to reserve your hotel room before April 15 to get your discounted room rate.

Bank Holding Company Association
7400 Metro Blvd., No. 217
Minneapolis, MN 55439
952-835-2248 or 800-813-4754

Our line-up of high-performing speakers includes:

▷ **David Mead**, an organizational development consultant who is helping companies around the world identify why they do what they do in order to help them do what they do better.



▷ **Paul Danola**, a Catalyst Consulting Group expert, will tear apart the traditional community banking business plan and offer insight for rewriting it to fit today's high performing environment.

▷ **David Kemp**, president of Bankers Management, Inc., will leverage his 30-plus years of bank experience to offer insight into the future of the industry and what it means for the owners of community banks.

▷ **John Freechack** of Barack Ferrazzano and **Allen Laufenberg** of Stifel Nicolaus Weisel will team to discuss what bank management and their boards need to know for 2013.

▷ **Rick Kupchella**, the award winning television journalist, will explain how his innovative "Bring Me The News" internet enterprise is navigating the transition from traditional to new media.

BHCA

Bank Holding Company Association
Spring Seminar Registration ~ May 6-7, 2013

Two ways to register: Complete this form and return with your check, or register online and pay by credit card at **www.theBHCA.org**

Personal Information:

Name ______________________________

Company Name ______________________________

Address ______________________________

City ______________ State ____________ ZIP ________

Guest Name(s) ______________________________

____

____

Are you a BHCA member or associate member? **Yes**____ **No**____

REGISTRATION OPTIONS:

Monday, May 6 – Reception, Dinner and Program

Fee Schedule Per Person:		Number	Amount
Members, Associate Members and their Guests:	$75	_____	_____
Outside directors from member institutions:	$50	_____	_____
*Non-members:	$125	_____	_____

Tuesday, May 7 – Seminar

Fee Schedule Per Person:		Number	Amount
Members, Associate Members and their Guests	$225	_____	_____
Outside directors from member institutions	$125	_____	_____
*Non-members	$350	_____	_____

Tuesday evening at the Guthrie Theatre		Number	Amount
Includes transportation, dinner and one ticket to "Nice Fish"	$125	_____	_____

Memberships dues, if applicable — Amount

Annual dues for ***new members only***: _____

Total amount enclosed: $________

Please indicate dietary restrictions here: ______________________________

For overnight hotel reservations, contact the Minneapolis Airport Marriott Hotel direct at 952-854-7441. The room rate is $146 per night if you register before April 15.

The cost of the meals, entertainment and breaks included in the registration fee for this meeting are estimated at $50 for the Monday evening session and at $75 for the Tuesday seminar session. This information is provided for your tax records in keeping with IRS deductibility provisions.

Cancellation Policy: Paid registrants who cancel their seminar registration at least 72 hours before the program will receive a full refund; if fewer than 72 hours, a $50 administrative fee will be deducted.

Mail completed registration form with your check to:

Bank Holding Company Association
7400 Metro Blvd., No. 217
Edina, MN 55439

For additional information, call
952-835-2248 or **1-800-813-4754**
Fax: 952-835-2295

www.theBHCA.org

Not yet a member of BHCA?

*If you are not currently a BHCA Member or Associate Member, you may choose to pay the non-member rate, **or become a member with this registration and pay the member rate.** Include your 2013 dues to begin your membership immediately.

Member dues are as follows (select one):

- ❑ For bank holding companies with assets of less than $50 million: **$400**
- ❑ For bank holding companies with assets of $50 million to $100 million: **$500**
- ❑ For bank holding companies with assets of $100 million to $250 million: **$600**
- ❑ For bank holding companies with assets of $250 million to $500 million: **$750**
- ❑ For bank holding companies with asset over $500 million: **$1,000**
- ❑ Associate membership (companies that are not bank holding companies): **$500**

Credit risk management starts at the board level

By Jeff Judy

***Editor's note**: The following is adapted from a BHCA webinar delivered Dec. 11, 2012.*

MEMBERS OF THE BOARD of directors at any bank must take an interest in the credit portfolio; after all, it generally is the primary source of revenue generation for the bank. Furthermore, it is the primary source of risk.

Commercial credit has been around for 2,800 years. The basic principles haven't changed during that time but the approaches have. There are essentially three approaches: character, collateral and cash flow. Cash flow is the key analytical approach all banks should be taking.

Cash flow analysis is not about the cash. Cash flow analysis is about borrowers' behavior. It is about the borrower's ability to repay. Bankers need to be able to explain a borrower's behavior with respect to behaviors that will affect his ability to repay.

Remember that yesterday's loan is repaid with today's cash; today's loan will be repaid with tomorrow's cash.

We work in a very unique business. Banking is the only business where you need to get your product back to be successful. Money is our basic product and it doesn't belong to us. It belongs to the depositors. We pay rent to the depositors. We sublet it to the borrowers. It's our job to make sure we get it back from the borrowers so we can make it available to those depositors when they demand it. So keep in mind that banking is really a business focused on the future.

In the past, the banking industry has gotten into trouble because we managed according to best practices when we should be managing to best outcomes. The best practice at one bank is not necessarily the best outcome for another bank. We need to start focusing on best outcomes.

Also in the past, trouble has come up because we didn't understand concentrations. In order to understand concentrations, you need to understand "covariance." The definition of covariance is the interrelationship of credits within the portfolio. For example, you may have made several loans to a real estate developer. If the developer comes under pressure so do all the subcontractors, general contractors, mortgage brokers, construction suppliers, etc. If you step back and look at your portfolio, think about how all the credits within your portfolio are related, directly or indirectly, with each other because as any one suffers, that suffering will eventually pass down through the other credits in your portfolio.

Throughout the past decades, it seems we also have had trouble remembering the credit paradox. The credit paradox says that we are trying to find that sweet spot between the appropriate amount of growth and the appropriate amount of quality. It is a lot harder to find than one might think.

Pay attention to credit culture

Sadly, too many boards don't pay enough attention to their credit culture. And the credit culture starts at the board level. We need to start thinking about making credit a strategic event, not a tactical event. We need to stop thinking about loan policy and start thinking about credit policy. A loan policy implies that all you are doing is trying to make loans. A credit policy implies you are trying to manage credit risk. We need to have more emphasis on the future. It seems we spend a lot of time talking about what's happened in the past. It is future events that are going to create the actual ability to repay.

The main point is that in order to get back on track we need to make sure we return to the basics of good sound credit.

Commercial credit is the financing of the borrower's cash shortfall. The primary issue in credit risk management is understanding where and why the borrower ran out of their own cash. Next, we need to ask, is it appropriate for us to be financing that type of shortfall? And lastly, we need to ask, what needs to occur to reverse the shortfall? Obviously, we don't get repaid if they never fix the shortfall. Once again, the focus is on financing the cash shortfall, importantly, focusing on our ability to get the cash back.

Second, hopefully you can get your people to understand that they are not making a loan decision; they are making a portfolio decision. Every time a banker says "yes" or "no" to a credit, they are changing the financial fortunes of the institution. Say "no" to a credit you should have said "yes" to and you miss access to that income stream. Say "yes" to a credit you should have said "no" to and you potentially run the risk of generating a charge-off.

Jeff Judy is a consultant to the banking industry. He can be reached via his website at www.jeffjudy.com. The entire hour-long webinar recording is available in the "members only" section at www.theBHCA.org.

Banking is all about risk intermediation. In today's world, everything we touch inside a financial institution on behalf of a customer has risk embedded in it. We need to make sure that we are focusing on how to intermediate those risks.

Risk is a fact of life. If you are aware of the events that will create risk, then you can implement the necessary mitigation steps. The risks that tend to get us into the biggest trouble are the ones we haven't thought about, didn't recognize, or recognized but didn't properly mitigate. Credit risk management is about the proper identification of risks and the proper mitigation of the risks.

With risk always comes opportunity, depending on your ability and willingness to deal with the risks. Banking isn't so much about just avoiding risk or just taking risk as it is about mitigating risk. At the transaction level we can mitigate risk through collateral. At the portfolio level we can mitigate it with derivatives. Or we can transfer risk through the use of participations. Another possibility is to insure against risk through a range of government programs, such as SBA guarantees.

The risk appetite

Every bank has a certain appetite for risk. It is the board's job to establish the risk appetite for the bank. The board needs to make sure the bank eats according to the desired appetite.

The government limits risk in the form of legal lending limits. You cannot control the legal lending limit, but you can control the house limit. Every bank sets its own limit on how much it can lend. This is the first place you as board members need to look to see whether the bank is eating according to the desired appetite. If my bank has a $5 million legal lending limit and a $4.999 million house limit, it is exhibiting a very voracious appetite. I don't have a problem with a voracious appetite but as a board member you need to be sure you are applying appropriate controls; you cannot let that appetite get out of control.

Concentration limits are another way to limit the risk. Let's make sure we don't take more risk than we can afford. Embedded in concentration is the covariance concept, so be sure you are not only looking at individual industry codes when you review loan files but look at the interrelationship of those industry codes with each other.

Individual lending authority is how we limit credit risk at the transaction level. Once again, let's ask ourselves, what type of risk appetite do we want to have? Consider the bank with a $5 million legal lending limit. If you give loan officers the authority to make loans up to $4.999 million I guarantee that you are going to get a lot of very large credits that contain a lot of risk.

If you are trying to grow the bank you are going to need smaller lending limits. Credit risk actions tend to be counter-intuitive. If I am trying to grow the bank, then I want to have low lending authorities because if you try to grow the bank and you give your officers high lending authorities you are creating the opportunity for them to take on significantly large pieces of risk that may or may not fit your desired outcome.

Be proactive

You need to proactively manage the portfolio risk. It is my experience that if you wait to react to something you will not like what happens. If you do not take control of the credit it will take control of you.

Next, you want to make sure you get adequate compensation for the risk taken. Too often, bankers lower their rates just to get a deal. If you need a certain yield to be adequately compensated for your risk, why do you want to give up that yield just to get the credit? What you are saying is you are willing to take the risk but you are not willing to get paid for it. If that thing blows up, there is not going to be enough allowance to make up the shortfall.

Timely capitalization of market inefficiencies may be one of the greatest opportunities you have, and the number you need to watch is your efficiency ratio. The 10 percent rule says for every 10 percent differential in efficiency ratio a bank enjoys a 15 to 25 basis point pricing advantage. So if you are the typical community bank with an efficient ratio of about 60 percent and you are going head-to-head against that big regional where they are running an efficiency ratio of about 40 percent, there is a differential of 20 percent. That means that big bank can price the same loan that you offer at 30 to 50 basis points less and still generate the same return as you. So let's be careful when we are out there competing that we understand that we are competing on an apples-to-apples basis.

We need to manage the bank for consistent profitability over the long term. Credit should always be strategic. Credit policy is your strategic plan for your credit business. Operate within your competency.

Reinforce good credit risk management by reinforcing the message. You don't just send out a memo saying we are going to do good credit risk management. You need to talk about it every day. If you find things not done appropriately you need to deal with them right now. ▯

Fed Notes

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

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

Change in Bank Control Act: What you need to know

By Steve Mumm

Federal Reserve Bank of Minneapolis applications staff frequently receive questions on what triggers the need for an existing or proposed shareholder to file a notice of change in control with the Federal Reserve System. This article discusses the circumstances when a filing (i.e., a notice of change in control) under the Change in Bank Control Act (CIBCA) is required to be submitted to the Federal Reserve and the factors we must consider in analyzing the filing.

Filing Requirements

Under CIBCA, the term "control" has a broader meaning than majority control. A person, or persons acting in concert, must give the Federal Reserve 60 days' prior written notice *before* making an acquisition that would result in control of 25 percent or more of any class of voting securities of a bank holding company. A Fed Notes article by Dan Hanger that appeared in the winter 2012 edition of *Bank Owner* includes a discussion of when persons are deemed to be acting in concert. Examples of control would include, but are not limited to, outright ownership or the power to vote shares held in a trust. In addition, a prior notice of change in control filing would be required, by a person (or persons acting in concert) making an acquisition that would result in control of 10 percent or more of any class of voting securities of a bank holding company if: 1) the bank holding company is publicly traded or 2) no other person (does not include groups acting in concert) will control a greater percentage of that class of voting securities.

A "person" includes an individual, trust or any other form of entity. Please note that entities that are considered to be "companies" such as a corporation or business trust may be required to file under the Bank Holding Company Act rather than CIBCA to acquire control of a bank holding company. The term "acquisition" includes a purchase, assignment, transfer, pledge and an increase in percentage resulting from a stock redemption.

While the above discussion refers to "voting securities," acquisitions of "nonvoting" shares also have the potential to trigger a filing requirement under CIBCA. For example, a notice of change in control may be required if voting rights are conferred on otherwise nonvoting shares by the occurrence of certain conditions or the nonvoting shares are immediately convertible to voting shares.

Certain transactions are exempt from the prior notice filing requirements. Examples include:

- an acquisition by a person who has continuously controlled the bank holding company since it started business,
- an increase in ownership by a person previously authorized to control and who has continuously controlled the bank holding company (continuous control since earlier authorization),
- acquisitions subject to approval under the Bank Holding Company Act or Bank Merger Act,
- an acquisition of control via a revocable proxy for a meeting, or
- a stock dividend/split if the percentage stays substantially the same.

In addition, for some types of transactions a post notice is required within 90 calendar days of the acquisition of control rather than a prior notice. These transactions include acquisitions through inheritance, bona fide gift, or in satisfaction of a debt previously contracted in good faith.

Factors Considered

The factors the Federal Reserve must consider in acting on a notice of change in control include:

- the effect of proposed acquisition of control on competition
- the financial condition of the acquiring person(s)
- the future prospects of the bank holding company and its subsidiaries; and
- the competence, experience, and integrity of the acquiring person(s) and the proposed management personnel.

Our review of the notice of change in control may include conducting a name check on the acquiring person. A name check is a procedure whereby background information on an individual is requested from other regulatory and investigative authorities. We will determine whether a name check is necessary based on a review of the acquiring person's background, including their Interagency Biographical and Financial Report. This form is required to be completed along with the Interagency Notice of Change in Control form when filing a notice of change in control. ▯

Holding Company Transaction Report

Here are selected first quarter 2013 bank holding company filings with the Federal Reserve Banks of Chicago, Minneapolis, Kansas City and St. Louis.

▷ Van Buren Bancorporation, Keosauqua, Iowa, authorized to acquire First Iowa State Bank, Albia.

▷ WBSB Bancorp, MHC, West Bend, Wis., authorized to convert from mutual to stock form and to merge with WBSB Bancorp, Inc., West Bend; for WBSB Bancorp, Inc., to merge with and into Westbury Bancorp, Inc.; and for Westbury Bancorp to become a savings and loan holding company by acquiring Westbury Bank, West Bend.

▷Stanley Dickson, Jr., Gross Pointe Park, Mich., and others propose to acquire control of FNBH Bancorp, Inc., Howell, Mich., and thereby control First National Bank in Howell.

▷ Union Financial Corporation, Lake Odessa, Mich., proposes to form a new Michigan limited liability company subsidiary to be called Union Consulting, LLC. It will provide regulatory compliance consulting services to unaffiliated community banks.

▷ Wintrust Financial Corporation, Rosemont, Ill., filed for prior approval to acquire First Lansing Bancorp, Inc., Lansing, Ill., and thereby acquire First National Bank of Illinois, Lansing.

▷ Change in Control notice filed by Richard Lee Newman, Mayville, N.D., to acquire 25 percent or more of Full Service Insurance Agency Inc., Buxton, N.D., and thereby gain control of First State Bank, Buxton.

▷ Change in Control notice filed by Andrew W. Schmidt and Edward K. Massee, both of Appleton, Minn., to acquire shares of MPS Investment Company, Appleton, which owns Farmers and Merchants State Bank of Appleton.

▷ Baylake Corporation, Sturgeon Bay, Wis., formed a single-member limited liability company subsidiary named Admiral Asset Management, LLC, Green Bay, Wis. It will be conducting traditional registered investment advisory services through its registered investment adviser representatives. These services will be provided to customers of Baylake Bank, Sturgeon Bay.

▷ Jacksonville Bancorp, Inc., Jacksonville, Ill., proposes to become a bank holding company though the termination of the savings and loan holding company election by its subsidiary savings association, Jacksonville Savings Bank, Jacksonville.

▷ Trident SBI Holdings, L.P., and others filed to acquire 10 percent or more of Standard Bancshares, Inc., and thereby acquire control of Standard Bank and Trust Company, both of Hickory Hills, Ill.

▷ State Bankshares, Inc., Fargo, N.D., filed to acquire Business Bancorporation, Inc., Minnetonka, Minn., and thereby acquire The Business Bank, Minnetonka.

▷ Thomas Winkels and others filed to acquire or retain 25 percent or more of Sterling Financial Group, Inc., Rochester, Minn. SFG controls Sterling State Bank, Austin, Minn.

▷ Eagle Bancshares, Inc., Eagle, Neb., filed to become a bank holding company through the acquisition of Eagle State Bank, Eagle, Neb.

▷ Ameriprise Financial, Inc., Minneapolis, authorized to deregister as a savings and loan holding company.

▷ BBIG Holdings, LLC, Lincoln, Neb., authorized to become a bank holding company by acquiring shares of Hilltop Bancshares, Inc., Bennington, and its subsidiary, Bank of Bennington.

▷ A group consisting of the Robert M. Wrobel Trust, Glencoe, Ill., and others propose to acquire more than 25 percent of Amalgamated Investments Company, Chicago, and thereby acquire Amalgamated Bank of Chicago.

▷ Cabool State Bank ESOP, Cabool, Mo, filed to acquire up to 1.58 percent (for total control of up to 29.38 percent) of Cabool Bancshares, Inc., Cabool, and thereby increase its indirect control of Cabool State Bank.

▷ Murphy-Wall Bancorp, Inc., Pinckneyville, Ill., filed to acquire Elkville State Bank, Elkville.

▷ Palmer Bancshares, Inc., Palmer, Kan., filed to become a bank holding company through the acquisition of Bank of Palmer, Kan.

▷ Notice submitted by Dalene M. Selko, to acquire Selko Banco, Inc., parent of Bank of Mead, Neb.

▷ Lake Shore III Corporation, Glenwood City, Wis., filed to become a bank holding company by acquiring Hiawatha National Bank, Hager City, Wis.

▷ Change in control notice filed by James and Nita Wallenfelsz, both of North Oaks, Minn., to acquire 25 percent or more of N.A. Corporation, Roseville, Minn., and thereby gain control of North American Banking Company, Roseville.

▷ First Dakota Financial Corporation, Yankton, S.D., and First Dakota National Bank granted waiver of application to acquire Bank 360, Beresford, in connection with its merger with and into First Dakota National Bank, Yankton.

▷ Hope Bancshares, Inc., Hope, Kan., authorized to acquire ABM Holding Company, Miltonvale, Kan., and its subsidiary, The Citizens State Bank.

MONTANA BANK HOLDING COMPANIES

HOLDING COMPANY, LOCATION Subsidiary Bank, Location	CONSOLIDATED ASSETS*	SUBSIDIARY ASSETS*
1. GLACIER BANCORP, INC., KALISPELL	**7,434,102**	
GLACIER BANK, KALISPELL		7,397,642
2. FIRST INTERSTATE BANCSYSTEM, INC., BILLINGS	**7,306,257**	
FIRST INTERSTATE BANK, BILLINGS		7,282,110
3. STOCKMAN FINANCIAL CORP., MILES CITY	**2,146,739**	
STOCKMAN BANK OF MONTANA, MILES CITY		2,140,437
4. MOUNTAIN WEST FINANCIAL CORP., HELENA	**638,568**	
MOUNTAIN WEST BANK, N.A., HELENA		633,730
5. INTER-MOUNTAIN BANCORP., INC., BOZEMAN	**574,200**	
FIRST SECURITY BANK, BOZEMAN		570,371
6. MONTANA SECURITY, INC., HAVRE,	**457,186**	
INDEPENDENCE BANK, HAVRE		456,900
7. YELLOWSTONE HOLDING COMPANY, COLUMBUS	**444,763**	
YELLOWSTONE BANK, LOUREL,		444,763
8. BITTERROOT HOLDING COMPANY, LOLO	**412,636**	
BITTERROOT VALLEY BANK, LOLO		371,466
WEST ONE BANK, KALISPELL		41,383
9. GUARANTY DEVELOPMENT COMPANY, LIVINGSTON	**320,795**	
AMERICAN BANK, BOZEMAN		311,521
10. THE BRIDGER COMPANY, BRIDGER	**314,941**	
BANK OF BRIDGER, N.A., BRIDGER		314,475
11. FARMERS STATE FINANCIAL CORP., VICTOR	**309,518**	
FARMERS STATE BANK, VICTOR		309,335
12. FIRST NATIONAL BANCORP, INC., MISSOULA	**287,235**	
FIRST MONTANA BANK, INC., LIBBY		285,182
13. FIRST COMMUNITY BANCORP, INC., GLASGOW	**223,363**	
FIRST COMMUNITY BANK, GLASGOW		223,364
14. FLATHEAD HOLDING COMPANY OF BIGFORK	**211,047**	
FLATHEAD BANK OF BIGFORK		206,563
15. TETON BANCSHARES, INC., FAIRFIELD	**191,915**	
TETON BANKS, FAIRFIELD		191,915
16. MONTANA COMMUNITY BANKS, INC., RONAN	**179,543**	
COMMUNITY BANK, INC., RONAN		179,542
17. BIG SKY HOLDING COMPANY, STANFORD	**140,213**	
BASIN STATE BANK, STANFORD		140,010
18. 1ST UNITED BANCORP., INC., SIDNEY	**136,704**	
1ST BANK, SIDNEY		136,166
19. PRAIRIE BANCSHARES CORP., SHELBY	**131,324**	
THE FIRST STATE BANK OF SHELBY		131,425
20. UNITED BANCORP., BAKER	**126,427**	
BANK OF BAKER		124,859
21. FS BANCO, INC., MALTA	**125,575**	
THE FIRST STATE BANK OF MALTA		122,333
22. MSB FINANCIAL, INC., MANHATTAN	**123,966**	
MANHATTAN BANK, MANHATTAN		123,892
23. COUNTRICORP, WHITE SULPHUR SPRINGS	**123,833**	
BANK OF THE ROCKIES, N.A., WHITE SULPHUR SPRINGS		123,052
24. JACKASS CREEK LAND & LIVESTOCK CO, ENNIS	**123,535**	
FIRST MADISON VALLEY BANK, ENNIS		123,115
25. FORSYTH BANCSHARES, INC., FORSYTH	**121,889**	
FIRST STATE BANK OF FORSYTH		109,202
26. GREAT NORTHERN BANCSHARES, INC., KALISPELL	**111,847**	
THREE RIVERS BANK OF MONTANA, KALISPELL		111,412
27. VALLEY BANCSHARES, INC., KALISPELL	**106,040**	
VALLEY BANK OF KALISPELL		106,040
28. CBT CORP., INC., BIG TIMBER	**97,190**	
CITIZENS BANK & TRUST COMPANY, BIG TIMBER		97,179
29. TWINCO, INC., TWIN BRIDGES	**78,151**	
RUBY VALLEY NATIONAL BANK, TWIN BRIDGES		77,729
30. TREASURE BANCORP, INC., PLENTYWOOD	**74,083**	
MONTANA STATE BANK, PLENTYWOOD		73,377
31. WESTERN HOLDING COMPANY OF WOLF POINT	**73,388**	
WESTERN BANK OF WOLF POINT		74,173
32. BUTTE BANK SHARES, INC., BUTTE	**71,571**	
FIRST CITIZENS BANK OF BUTTE		68,262
33. ABSAROKEE BANCORP., INC., ABSAROKEE	**67,308**	
UNITED BANK, ABSAROKEE		67,309
34. MILK RIVER BANQUO, INC., MALTA	**66,675**	
FIRST SECURITY BANK OF MALTA		33,056
VALLEY BANK OF GLASGOW		33,498
35. VALLEY HOLDING COMPANY, RONAN	**65,706**	
VALLEY BANK OF RONAN, RONAN		65,686
36. BOZEMAN BANCORP, INC., BOZEMAN	**65,253**	
BANK OF BOZEMAN, BOZEMAN		65,081
37. ANTLER LAND COMPANY, HARDIN	**63,115**	
LITTLE HORN STATE BANK, HARDIN		62,883
38. FLINT CREEK HOLDING COMPANY, PHILIPSBURG	**59,224**	
FLINT CREEK VALLEY BANK, PHILIPSBURG		59,224
39. GARFIELD COUNTY BANCSHARES, INC., JORDAN	**53,485**	
GARFIELD COUNTY BANK, JORDAN		51,077
40. COMMUNITY FIRST BANCORP, GLENDIVE	**49,079**	
COMMUNITY FIRST BANK OF GLENDIVE		48,802
41. S.B.T. FINANCIAL, INC., TOWNSEND	**48,888**	
THE STATE BANK OF TOWNSEND		48,795
42. CENTRAL MONTANA BANCORP., ROUNDUP	**48,721**	
FIRST SECURITY BANK OF ROUNDUP		47,924
43. FREEDOM BANCORP., COLUMBIA FALLS	**46,167**	
FREEDOM BANK, COLUMBIA FALLS		46,167
44. F.S.B. HOLDING COMPANY, HELENA	**41,564**	
FIRST SECURITY BANK OF HELENA		41,382
45. BANCORP OF MONTANA HOLDING CO., MISSOULA	**39,577**	
BANK OF MONTANA, MISSOULA		39,215

*Source: Regulatory financial reports filed by bank holding companies and banks, data as of June 30, 2012. *Dollar amounts in thousands*

MONTANA BANK HOLDING COMPANIES

HOLDING COMPANY, LOCATION Subsidiary Bank, Location	CONSOLIDATED ASSETS*	SUBSIDIARY ASSETS*
46. SALISH AND KOOTENAI BANCORP., POLSON	30,484	
EAGLE BANK, POLSON		30,486
47. DUTTON BANCORP., INC., DUTTON	28,680	
DUTTON STATE BANK, DUTTON		28,680
48. FIRST SECURITY GROUP, DEER LODGE	28,468	
FIRST SECURITY BANK OF DEER LODGE		27,685
49. SANDQUIST CORP., DEER LODGE	26,016	
PEOPLES BANK OF DEER LODGE		26,017
50. FLATHEAD LAKE BANCORP., INC., POLSON	23,147	
FIRST CITIZENS BANK OF POLSON, N.A.		23,831
51. W.C. EDWARDS HOLDING CO., INC., DENTON	20,511	
FARMERS STATE BANK OF DENTON		20,507
52. LINCOLN HOLDING COMPANY, LINCOLN	15,863	
FIRST BANK OF LINCOLN		15,808

*Source: Regulatory financial reports filed by bank holding companies and banks, data as of June 30, 2012. *Dollar amounts in thousands*

WYOMING BANK HOLDING COMPANIES

HOLDING COMPANY, LOCATION Subsidiary Bank, Location	CONSOLIDATED ASSETS*	SUBSIDIARY ASSETS*
1. MIDLAND FINANCIAL CORP., CASPER	611,273	
HILLTOP NATIONAL BANK, CASPER		607,931
2. BANCSHARES OF JACKSON HOLE, INC.	562,615	
BANK OF JACKSON HOLE		556,283
3. FIRST NATIONAL BANK OF GILLETTE H.C.	467,427	
FIRST NATIONAL BANK OF GILLETTE		460,857
4. CONVERSE COUNTY CAPITAL CORP., DOUGLAS	376,553	
THE CONVERSE COUNTY BANK, DOUGLAS		376,050
5. RSNB BANCORP, ROC K SPRINGS	360,766	
RSNB BK, ROCK SPRINGS		360,503
6. FINANCIAL SECURITY CORP., BASIN	303,842	
SECURITY STATE BANK, BASIN		303,842
7. WHEATLAND BANKSHARES, INC., WHEATLAND	271,488	
FIRST STATE BANK, WHEATLAND		271,249
8. FIRSTIER II BANCORP., CHEYENNE	249,601	
FIRSTIER BANK, KIMBALL		247,713
9. TETON FINANCIAL SERVICES, LLC, WILSON	226,047	
ROCKY MOUNTAIN BANK, JACKSON		226,003
10. FIRST NAT'L. BUFFALO BKSHRS, INC., BUFFALO	223,567	
FIRST NORTHERN BANK OF WYOMING, BUFFALO		222,983
11. JONAH BANKSHARES, CASPER	214,724	
JONAH BANK OF WYOMING, CASPER		214,724
12. CARBON COUNTY HOLDING COMPANY, RAWLINS	173,302	
RAWLINS NATIONAL BANK, RAWLINGS		149,146
13. FIRST CAPITAL WEST BANKSHARES, INC., LARAMIE	167,001	
CAPITAL WEST BANK, LARAMIE		166,702
14. SUNDANCE BANKSHARES, INC., SUNDANCE	144,450	
SUNDANCE STATE BANK, SUNDANCE		144,450
15. NE WYOMING BANK CORP., INC., NEWCASTLE	144,440	
FIRST STATE BANK OF NEWCASTLE		144,358
16. FIRST WYOMING BANCORP., LARAMIE	129,989	
WYOMING STATE BANK, LARAMIE		129,989
17. FARMERS STATE BANKSHARES, INC., CHEYENNE	129,879	
WYOMING BANK & TRUST, CHEYENNE		129,289
18. RAWLINS BANKSHARES, INC., RAWLINS	122,584	
BANK OF COMMERCE, RAWLINS		122,445
19. STAR VALLEY BANCSHARES, INC., AFTON	114,859	
THE BANK OF STAR VALLEY, AFTON		115,103
20. WYOMING NATIONAL BANCORP., INC., RIVERTON	114,500	
WYOMING COMMUNITY BANK, RIVERTON		114,485
21. UCSB FINANCIAL CORP., MOUNTAIN VIEW	110,530	
UINTA BANK, MOUNTAIN VIEW		102,042
22. HULETT BANCORP, HULETT	67,705	
SUMMIT NATIONAL BANK , HULETT		67,702
23. BANKERS CAPITAL CORP., LUSK	54,990	
LUSK STATE BANK, LUSK		54,975
24. COWBOY STATE BANCORP, INC., RANCHESTER	40,322	
COWBOY STATE BANK, RANCHESTER		40,267
25. COMMUNITY BANKSHARES OF WYO., GUERNSEY	30,880	
OREGON TRAIL BANK, GUERNSEY		30,880
26. COMMERCIAL BANCORP, PINE BLUFFS	24,553	
FARMERS STATE BANK, PINE BLUFFS		22,583

*Source: Regulatory financial reports filed by bank holding companies and banks, data as of June 30, 2012. *Dollar amounts in thousands*

New to BHCA

Join the growing list of Bank Holding Company Association Members and Associate Members. The value of the education members receive through our seminars, publications and unparalleled networking opportunities far exceeds our modest annual dues.

The Bank Holding Company Association welcomes the following holding companies which recently have joined the association:

John C. Burgeson, Chairman & CEO
Iowa State Bank Holding Company
Des Moines, Iowa

Kellen Shebeck, president
Meegan Heidebrink, vice president
Underwood Bancshares, Inc.
Underwood, Minn.

James P. Stein, Chairman
Central Bancshares, Inc.
Muscatine, Iowa

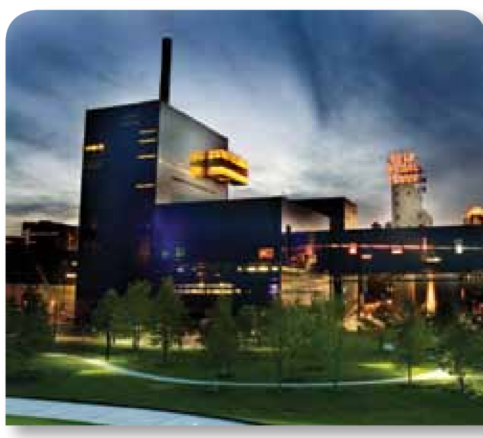
In addition, we are pleased to welcome the following new Associate Members:

Eric Radzak, Vice President
Raymond James & Associates, Inc., Chicago
Raymond James is a leading, full-service investment banking firm whose services include strategic planning, capital formation through public and private offerings, and M&A advisory services, including sales and divestitures, fairness opinions and valuations.

Timothy D. Moratzka, Attorney
Mychal Bruggeman, Attorney
Mackall, Crounse & Moore, PLC, Minneapolis
Mackall, Crounse & Moore, a dynamic mid-sized law firm founded in 1918, has substantial experience in the representation of banks and financial institutions, both large and small.

Spring Seminar News, *Continued from page 7*

seminar closes with a fascinating look at one company that is on the leading edge of internet delivery. **Rick Kupchella**, the award-winning television journalist, will explain how his innovative “Bring Me The News” internet enterprise is navigating the transition from traditional to new media.



Although the educational portion of the seminar ends at 3 p.m. on Tuesday, May 7, you are welcome to join your BHCA colleagues for dinner and a show that evening. Purchase tickets to be part of a BHCA group traveling to the **Guthrie Theatre**. Our group will get a private escorted backstage tour, seeing close-up where the sets and costumes are made, as well as other interesting facets of this world-famous theatre. Then, it will be time for dinner at the elegant Sea Change restaurant. After dinner, we will see the world premier presentation of **Nice Fish**, a locally-inspired drama/comedy. Bus transportation means you don’t have to fight with traffic or worry about parking. If you are coming in from out of town, plan to bring your spouse and stay an extra night.

Throughout the seminar, there will be ample time for networking. There is no other event that gives participants the opportunity to visit with so many bank owners and holding company officers. We understand that the networking is as important as the education at a BHCA seminar.

In addition to inviting your colleagues at your holding company or bank, be sure to invite your outside directors to attend the seminar. This is an outstanding forum for outside directors to fine-tune their directorship skills. Outside directors of BHCA member institutions receive a special discounted rate to attend the seminar.

If you are coming in from out of town, be sure to make your hotel reservation before April 15. Our discounted room rate is guaranteed only through that date. The phone number to the Minneapolis Airport Marriott Hotel is printed on the seminar registration form in this edition of *Bank Owner*. Register today by filling out the form and sending it in with your check. Or, if you like, register online at www.theBHCA.org where you have the option of paying by credit card. Either way, don’t delay. The BHCA seminar is your best two days in banking! ▯

The BHCA: A UNIQUE VALUE
for bank owners, officers and directors

If you are a bank owner, the Bank Holding Company Association is the *right* organization for you. Whether your ownership consists of a few shares or 100 percent, you will find BHCA membership delivers unique value to bank owners like you.

Seminars

Members receive discounted registration fees on BHCA's annual Spring and Fall Seminars.
The BHCA seminars consistently deliver informative presentations from industry experts, consultants and analysts. They educate as well as entertain. Break-out sessions give seminar participants the opportunity to go in-depth on very specific topics to bank owners, such as succession planning, tax issues, merger and acquisition preparation, legal/accounting issues and more.

Networking

Get access to other bank owners.
One of the most valuable features of our twice-a-year seminars is the opportunity to visit with other bank owners between scheduled presentations.
It has been said that more merger and acquisition deals have been initiated at BHCA seminars than almost anywhere else.
No other group brings together so many bank owners from across the Upper Midwest.

Insight

Appreciate our regional focus.
With holding company members from Minnesota, Wisconsin, North Dakota, South Dakota, Iowa and Illinois, the BHCA brings together bank owners, directors and officers with common regional interests, but if you don't want to talk to a competitor, you can always find similarly-situated members from outside your holding company's trade area.

Access

Gain access to regulators.
BHCA frequently hosts events featuring representatives from the Federal Reserve, Federal Deposit Insurance Corp., Office of the Comptroller of the Currency, and state regulatory agencies.
Forums permit anonymous questions, as well as opportunities for you to visit directly with regulators.

Gain access to experts.
The BHCA features a healthy associate membership sector, providing bank owners with access to attorneys, accountants, investment professionals, consultants and others who can address virtually any need a bank owner may have.

Read what some long-time BHCA members have to say:

Serious, useful education…

"We chose to join BHCA in about 1990, shortly after we formed a new holding company to purchase a divested First Bank System bank in 1987. We were new at the process and thought that joining BHCA would be a great educational experience. Since that time several of us have managed to attend nearly every seminar.

Ideas we implemented from the seminars include mandatory retirement of both bank and holding company directors, general director responsibilities, audit and compliance committee ideas, and excellent presentations by economists over the years to assist us in funds management. And, of course, there is always the exchange of ideas with fellow bankers." - *Gary Paulson, First Holding Company, Park River, N.D.*

Building relationships…

"I have been a member of the Bank Holding Company Association for more than 20 years, during which I have attended Spring and Fall Seminars regularly. The value of this association is the great contacts and speakers who inevitably become business relationships. The BHCA brings together bank owners who have the same problems and concerns within their own organization. I challenge bankers to find a better value for an annual membership which is as little as $400." - *Douglas Jilek, Prairie Bancshares, Inc., Lester Prairie, Minn.*

A great value…

"Our holding company is a charter member of the BHCA. The association provides excellent value as evidenced by the networking opportunities, top-notch speakers, and the wide range of educational opportunities available through the concurrent breakout sessions. In this day of aggressive cost-cutting, our BHCA membership is a certain renewal!" - *Pat Gates, Security Financial Services, Inc., Hibbing, Minn.*

Membership:

Annual dues to the Bank Holding Company Association range from $400 to $1,000 per year, depending on the size of your organization.

For more information, please call us at 952-835-2248 or 1-800-813-4754

www.theBHCA.org

BANK OWNER
7400 Metro Blvd., #217
Minneapolis, MN 55439

CALENDAR

Note these dates

April 25	Webinar: *Strategies for succession planning*
May 6-7	2013 Spring Seminar, Bloomington, Minn.
May 7	Dinner and a show — “Nice Fish” at the Guthrie Theatre
May 30	Webinar: *Unique approaches to bank acquisitions*
June 13	Webinar: *Considerations for managing the OREO on your books*
July 17	Regulatory Panel and Golf (joint event with ICBM)
July 18	Webinar: *What to consider when raising capital*
Oct. 3-4	Fall Seminar
TBA	Outside directors’ webinar series

Register for events online at www.theBHCA.org