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Bank Owner

The magazine of the Bank Holding Company Association

Fall Seminar Report

FDIC Director Thomas Hoenig urges simplification of new capital requirements

Economist warns of fiscal cliff

Bair offers insight into regulatory agencies

Making the most of your holding company

List: Iowa holding companies

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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.

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On The Cover:
FDIC Director Thomas Hoenig (center) is greeted by BHCA leadership during the group's Oct. 5 Fall Seminar at the Minneapolis Airport Marriott Hotel in Bloomington, Minn. From left are: Managing Director Tom Bengtson; Vice President Douglas Farmer, Golden Oak Bancshares, Inc., Holman, Wis.; Hoenig; board member William Rosacker, United Bankers' Bank, Bloomington, Minn., and President Bruce Ferden, Frandsen Financial, Arden Hills, Minn.

Save The Dates!
The 2013 BHCA Spring and Fall Seminars are set for the Minneapolis Airport Marriott Hotel in Bloomington, Minn., on Monday and Tuesday, May 6-7, and on Thursday and Friday, Oct. 3-4.

2012 was an excellent year for BHCA, leadership in place to keep trend positive

By Bruce Ferden
Frandsen Financial Corporation, Arden Hills, Minn.

As we near the close of 2012, I look back at the year with pride as I think about the Bank Holding Company Association. We had two very successful seminars, offered numerous educational webinars, co-sponsored an informative joint program with the Independent Community Bankers of Minnesota, and turned our membership newsletter into this magazine.

Perhaps you remember our Spring Seminar, when we heard from University of Minnesota Football Coach Jerry Kill, TV personality Joe Schmit and some of the leading industry consultants in the country. Our Fall Seminar was just as compelling with powerful presentations by Col. Steve Russell and FDIC Director Thomas Hoenig. The attendance at both meetings was high (more than 220 registrants per seminar) and support from our sponsors was also noticeably strong.

Our webinars clearly are meeting a need with more than a dozen organizations purchasing a pass to all four presented so far this year. With individual registrations, we averaged about 25 people on each webinar. A separate series of three webinars set for this month caters specifically to outside directors. We look forward to making webinars a key part of the value proposition to a BHCA membership.

Membership in the BHCA is up about 15 percent this year, with 192 members, associate members and reciprocal members recorded as of Nov. 26. Membership is rising and there is still hope that we will enter the new year with more than 200 members. All of our associate members are listed on page 2; please thank them for their support when you encounter any of these firms. Also, in this edition you will see the names of members who have joined the association within the last three months. Be sure to welcome them.

At the end of this year, two of our board members will be completing their service to the BHCA. Charles Robasse of Wabasso Bancshares in Wabasso, Minn., is completing his second three-year term. Chuck served as our treasurer for part of that term. Also leaving the board at the end of the year is Douglas Jilek of Prairie Bancshares in Lester Prairie, Minn. Douglas is our immediate past president. He provided outstanding leadership for us. I will miss working directly with both Chuck and Doug.

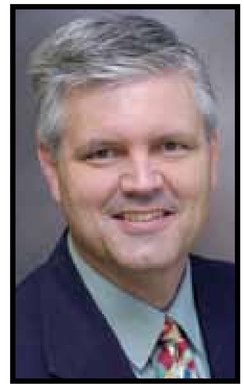
We are fortunate to have two excellent new board members joining us on January 1. Chad Bergan of Dacotah Banks, Inc., in Aberdeen, S.D., and Randy Newman of Alerus Financial Corporation in Grand Forks, N.D., will both begin three-year terms. I know that Chad and Randy will both make positive contributions to the BHCA board and I look forward to serving with them. Active volunteer participation is essential to the success of our organization.

My service as BHCA president concludes on Dec. 31. Beginning Jan. 1, your president will be Douglas Farmer of Golden Oak Bancshares of Holmen, Wis. He has a long history of service to the association and will do an excellent job. Bill Rosacker, president of United Bankers Bank in Bloomington, Minn., will be vice president in 2013. Bill has attended hundreds of programs during his career, and he has hosted numerous industry events through his own bank. That experience should prove very valuable in his BHCA leadership role. Finally, Larry Peterson of First Financial Services, Inc., Moose Lake, Minn., has agreed to serve another year as BHCA treasurer. I will continue to serve on the board as immediate past president. I am looking forward to working with this outstanding leadership team.

It is not too early for you to mark your calendars for the 2013 seminars, which will both take place at our usual meeting place, the Minneapolis Airport Marriott Hotel in Bloomington, Minn., across from the Mall of America. The Spring Seminar takes place Monday and Tuesday, May 6-7, and the Fall Seminar is set for Thursday and Friday, Oct. 3-4.

Thank you for your support. Best wishes for a wonderful holiday season and a fantastic 2013.

Former FDIC Chairman shares many insights in worthwhile read



By Tom Bengtson
BHCA Managing Director

If you have time to read a dense, 365-page book, I encourage you to read Sheila Bair's "Bull by the Horns: Fighting to Save Main Street from Wall Street and Wall Street from Itself." Bair provides fascinating insight into the world of bank regulation during her tenure as FDIC Chairman, 2006-2011.

I was struck by her depiction of the U.S. Department of the Treasury and its leader Tim Geithner. According to Bair, his primary regulatory objective is to preserve Citigroup. While Bair writes that she worked to end bank bailouts, she suggests that Treasury likes bailouts because it gives the government the opportunity to pick winners (Citigroup) and losers (Lehman Brothers) among troubled institutions. Although she speaks highly of Ben Bernanke, she said the Fed often sided with Treasury to protect Citi from more aggressive efforts to force it to raise capital or improve its management.

She describes TARP as a bait and switch, where Congress authorized $700 billion to be used for the purchase of troubled assets. But as soon as TARP became law, Treasury turned it into a capital injection program. Bair opens her book with a detailed description of the historic Oct. 12, 2008 meeting at the Treasury where then-Treasury Secretary Hank Paulson handed out capital to nine institutions, with Citi getting the biggest chuck at $25 billion. Investment banks Merrill Lynch, Goldman Sachs and Morgan Stanley each got $10 billion. "My strong suspicion was that they were making those capital injections to provide cover for propping up the investment banks and Citi," Bair writes.

Tension between the FDIC and Treasury also manifests itself at the regulatory level in spats with both of Treasury's financial institution regulators, the Office of Thrift Supervision and the Office of the Comptroller of the Currency. She describes problems at Washington Mutual that went unaddressed by the OTS. Wachovia also had problems, which she traced back to its purchase of California thrift Golden West in 2006. Bair said the regulators refused to downgrade the troubled institutions. "It was clear to me that the OCC and OTS were reluctant to downgrade their larger institutions. Downgrading a bank was, to some extent, an acknowledgment of weakness in the examination program," Bair writes. Later she writes: Comptroller "John Dugan clearly did not want the embarrassment of a major national bank being closed on his watch." Bair adds this biting insight: "Indeed, months later, after massive bailouts were required to stabilize two of his largest charters, Citigroups and BofA, he would publicly criticize community bank failures for causing losses at the FDIC while boasting that none of his major banks had been closed."

Perhaps you, like me, remember listening to Dugan at the ICBA convention in Orlando in 2010 when he commented that only 33 of the 195 banks to fail since the financial crisis were national banks, accounting for a little less than 13 percent of the cost to the Deposit Insurance Fund. I remember thinking, "yeah, but what about the money you used to prop up Citi?" Bair was also at that convention and apparently had a similar question.

Congress, of course, phased the OTS out of existence when it merged it into the OCC in the Dodd-Frank Act.

Bair also explains how the nation's largest banks were able to create structured investment vehicles off balance sheet, where they recorded many of their mortgage-backed securities. Bair is dismayed at the OCC and the Fed for allowing Citi and others to engage in this kind of accounting, which allowed them to present rosier call report data to the public and the FDIC. Bair said that had the FDIC known the true state of their balance sheets, it would have had the authority to charge them a higher deposit insurance premium. As it was, the FDIC did not have all the facts and undercharged the biggest banks, meaning that community banks proportionately paid too much.

There are many other interesting battles she describes in this book, including efforts in the Basel III debate to raise capital requirements for the world's largest banks, or the effort to encourage mortgage servicers to modify mortgages before moving so quickly to foreclosure, or the seeming incongruity between President Obama, who seemed genuinely interested in ending bank bailouts, and his Treasury Secretary, who embraced bailouts as a key policy tool.

Bair concludes her book with a series of interesting policy proposals, things such as assessing a tax on the largest financial institutions, keeping the Consumer Financial Protection Bureau, and eliminating the OCC. Policy experts on the staff of the various industry trade groups and on the banking committees in Congress, I am sure, are studying these.

But for me, the lasting concept to come out of Bair's writing is her discussion of TARP and that October meeting where Treasury handed out all the money. Her summary of the entire ordeal is significant: "Looking back," she writes on page 118, "I don't think the capital investments would have been necessary if the government had had the legal tools to wind down the truly sick institutions in an orderly fashion. Citi, Merrill and AIG (which was being bailed out in a separate effort run by Treasury and the Fed) were insolvent and should have been put into our bankruptcy-like resolution process, but we didn't have the legal authority at the time."

Dodd-Frank ultimately gave the FDIC that authority; if another crisis comes, it will be interesting to see how smoothly the agency is able to use it.

In community banking circles, Basel III is anathema

Basel III emerged an easy target for bankers and industry experts who spoke to them at the BHCA Fall Seminar conducted Oct. 4-5 in Bloomington, Minn. Former FDIC regulator Scott Polakoff called Basel III the "worst piece of regulation to ever come out of Washington," while consultant J. Michael Woody said its certain implementation was just one more example of how regulators have chipped away at the community banking franchise. Meanwhile, FDIC Director Thomas Hoenig, an outspoken critic of the complex capital requirements that could burden many community bankers right out of business, laid out his vision for a simplified risk assessment structure that he said would reground the industry according to its original mission.

Hoenig's concern over Basel III extends beyond its potential effect on community bankers. From a supervisory perspective, he said, capital's purpose is to allow bankers a cushion: "You allocate it; that is your role." With Basel III taking a standardizing approach with all commercial banks without regard to size, the process of allocating capital becomes "too complex" for bankers — and worse for regulators. "It's a difficult document to understand, making it difficult to enforce," said Hoenig, who admitted to having read the entire 900-page regulation.

"I think it's extremely important that we change the discussion of capital to something meaningful," Hoenig said. "Not the formulas but the tangible meaning of capital." Hoenig proposes a return to a tangible-equity-to-tangible-assets approach. He also said the industry needs to be restructured to remove investment banking and trading activities from the safety net.

Commercial banking had been relatively stable in the period between the Great

Piegza expects fiscal cliff to have significant negative effect on U.S. economy

Austerity measures for the United States are almost a guarantee if the future unfolds according to **Lindsey Piegza's** vision. Speaking to the Bank Holding Company Association the same day the U.S. government released a report showing a dip in the jobless rate to 7.8 percent for September — the first report revealing unemployment rates lower than 8 percent in more than three years — the FTN Financial economist said the employment picture remains disappointing. More troubling than stubborn unemployment, though, is the prospect of tumbling over the "fiscal cliff," she said.

The Congressional Budget Office is downplaying the affect of the fiscal cliff, Piegza said, even though it admits the economy will surely fall into negative territory as a result of an expected 6 percent drop in growth. "The problem is the CBO is using a baseline of 6 percent GDP for Q1," Piegza explained. "But we're stuck at 2 percent growth and it's very difficult to justify a [2013] starting point of 6 percent.

"Even if you start at a more reasonable point, say 2.5 percent, and apply 6 percent negative impact as a result of the fiscal cliff, you're talking about a very clear negative first half with a loss of 4 percent growth," Piegza said. The difference between the CBO's projections and Piegza's, in terms of lost jobs is significant — CBO says about 600,000 jobs could be lost while Piegza said the unemployment rate could spike to 15 percent with around 4 million jobs lost over a two- to three-year period, nearly half of those coming from the public sector. "There's no monetary policy to compensate for the negative ramifications of the fiscal cliff."

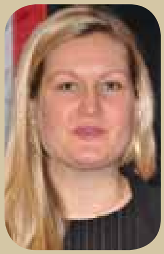
Although Congressional action to lessen the impact of the fiscal cliff seems likely, Piegza said compromise will still result in a drag on the economy. "Washington is between a rock and a hard place," Piegza said. "They all want to put additional policies in place to stimulate the economy, yet they still want to cut the deficit, and while the American people have made jobs their No. 1 issue, they view reining in government spending to be a close second."

Piegza ran through the numbers that account for a $607 billion impact: $399 billion in tax hikes coming from expiration of Bush-era tax cuts, expiration of payroll tax cuts, and expected increases due to implementation of parts of the Affordable Health Care Act. Automatic spending cuts will amount to $208 billion, including automatic cuts to defense, Medicare and other programs.

"The Fed is essentially throwing up its hands at this point," Piegza said. In light of the issue, monetary policy becomes moot. In a normal recovery, easing works, but it has not in this recovery, she explained. Easing has not translated into money or credit growth and Piegza called the FMOC "fractured."

"All we've been doing is pushing on a string," Piegza said. "Loan demand has not aligned with positive GDP growth and the vast majority of the loan growth we did see was to take advantage of the 100 percent accelerated depreciation and a good portion of that was for farm equipment."

The fiscal cliff will be the start of austerity measures in the United States, Piegza promised. Already, the negative effects are impacting growth as we approach the fourth quarter with businesses being cautious and consumers paying down debt and saving more. Piegza said to expect a different flavor of austerity measures in the United States compared to Europe. "I expect a one-time purge and then three to four quarters for recovery," she explained.



Piegza added that she expects the Fed to continue easing; already it has extended its rate pledge from 2014 to mid-2015. The Fed's action toward continued easing includes $40 billion in mortgage backed securities purchases, $45 billion in principal pre-pay reinvestment and extension of the U.S. Treasury portfolio. "The fed will have to unwind these programs slowly, probably over one to two years," Piegza predicted. "It may be 2017 before we see a Fed in neutral stance." ■

Depression and 1999, Hoenig explained, because deposit insurance neutralized the fear that can impact the markets. "The founders knew that we ought to keep this very narrow and so that is why we spun out activities such as investment banking, and the brokering and trading activities that are part of investment banking, outside of the safety net," Hoenig explained. Even with the industry upheavals in the 1980s, the industry had remained relatively stable.

"In the late 1990s, because of this stability, the argument was made, 'well everything can be brought into the safety net' and of course, what you did was change the dynamics of the market very dramatically. If you are in the trading business without deposit insurance you can go into the market and go short, just like a hedge fund, and if the price goes up, you could make a margin call and they'd wipe you out in about a half a second. But as a commercial bank, with access to deposit insurance, you're issued brokered deposits, your deposits are all insured, you go to the discount window and you discount various assets, you bring liquidity in to cover the margins and perhaps you double down. So you can see the risk mounting. And that is how JP Morgan found itself, because it had such access."

Banking is designed as a vehicle to augment the payments system and for the intermediation process — not for investment banking or broker-dealer activities, Hoenig argued. "Prior to 1999, the United States had the most successful and innovative capital markets in the world," Hoenig said. "So it doesn't mean the end of it; I think that industry should operate outside the safety net." Such separation would bring parity between community banks and the nation's largest commercial banks, Hoenig insists.

When the crisis was emerging in 2007, risk-based assets to total assets was about 75 percent. "Total Tier 1 capital of the 10 largest banks was 11 percent and the tangible-equity-to-tangible-asset ratio was less than 3 percent," Hoenig said. "In a crisis, no one cares about your future tax benefit and no one cares about your goodwill. They care about tangible equity," Hoenig said. The result was a thin margin for error, a dangerous outcome, and a politically unpopular taxpayer bailout.

Now comes Basel III and Hoenig says it's not the answer to avoiding the next crisis. "My concern with Basel III goes beyond its effect on you; my concern goes with the whole industry because it is not simple. The standardized approach is incredibly complicated, it's not understandable and because of that it will be very difficult to enforce because you can go in and argue about every calculation," Hoenig said. A return to tangible-equity-capital-to-assets is a better plan, he said, and it would open dialogue between the industry and its supervisory framework to settle two points. "I would start well above the current proposal of 3 percent," he said. "I would start closer to 10 percent, which is close to where most community banks are." The debate then needs to shift, he said, not just to find the right number but for the good of the industry, and to figure out a transition period adequate for banks to reach that level.

The thing that hurt growth the most in 2008 were capital ratios (tangible capital and tangible assets) at 3 percent or less, Hoenig said. "When you have a downturn in that environment your capital is gone immediately so there is no cushion and you have to implode your balance sheet to survive," he said. "You have to have a longer term outlook in terms of capital."

Facing the inevitable...

Hoenig's common-sense approach to regulatory analysis, while refreshing, doesn't guarantee bankers can expect equanimity from their field examiners. Polakoff, who spent 22 years with the FDIC before becoming a consultant for FinPro of Liberty Corner, N.J., pointed to two reports released in 2011, one by the Office of the Inspector General and the other by the General Accountability Office, that determined the "regulatory process had better outcomes when regulators took the most forceful action available."

While Polakoff said his experience leads him to believe that is not a true statement, he admitted that examiners don't take criticism well and they will succumb to this type of approach if they are getting beat up. "If you believe your examiner is behaving irrationally, or different from the last time they visited, this is why," Polakoff said, adding that the problems of the post Dodd-Frank, Basel III era are exacerbated by the speed in which rules are issued or changed; he said regulators have a propensity to address financial markets with complexity. "Complexity is Basel III," Polakoff said. "Simplicity is a better approach."

Enterprise risk management, a single-model forward-looking CAMELS-plus approach to analyzing institutional and credit risk would be one way to help a regulator better understand your bank and neutralize potential conflicts during an exam, Polakoff explained. "We want you to self-examine your institution and from that create a storyline to give examiners," he said. ERM allows two views of the institution: the regulator's view and the owners' view. "When you limit yourself to one view," Polakoff said, "you miss opportunities to develop a solid risk management program."

One of the problems bankers face before being able to implement ERM is getting the data they need out of loan files and into a database. Resolving this issue could be critical, Polakoff said. If Basel III becomes effective for community banks, he said, bankers will be scrambling and will immediately find themselves at "a competitive disadvantage."

...and then what?

J. Michael Woody echoed the call for bankers to modify their business strategies in light of Basel III. "I'm not sure the community banking business model works anymore," Woody said. "Are we serving the community, our shareholders, or the U.S. government?"

Speaking two weeks before the Oct. 22 comment period closed, Woody said he expected the capital standards in the proposed Basel III to become a "dictate written in blood" by

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Seminar coverage, *continued on page 7*

the time examiners come into the bank. "Every banker in this room is searching for loan volume to turn around declining net interest margins," Woody said. "When Basel III comes, you'll probably have to put up 200 percent capital to make a construction loan!" Woody predicted many community bankers would eventually withdraw from commercial real estate, the market that built their franchises.

Woody encouraged bankers looking to survive Basel III to revisit the opportunities offered them through Gramm-Leach-Bliley. Insurance, brokerage and trust services offer bankers an opportunity to counter declines in fee income they suffer as a result of leveling mortgage originations and the political hot-potato — overdraft protection.

"We are missing a huge opportunity in wealth management," Woody said of the growing demographic of elderly who are not only willing and able to pay for bank services, but would appreciate the contact from their local banker.

Woody encouraged bankers who revisit their wealth management strategy to consider putting the subsidiary company into the bank holding company. Doing so not only helps with issues of liability, Woody said, but the subsidiary's earnings aren't "as politically vulnerable to regulators," and you can capitalize the subsidiary with outside investments.

Another growth strategy brought to the floor was mining credit files to pursue replacement lending opportunities. Woody believes bankers can grow their loan portfolio by 20 percent by approaching their top 100 borrowers and offering them new deals. "Pour over those credit files and do replacement lending," Woody preached. "Who's got credit card debt? Who's refinancing? Call them and offer them a lower rate. Twenty percent of your loan portfolio is begging to be picked up if you just aggressively attack those people," Woody advised. And if customers decline these offers, Woody said bankers have still created value through making the contacts.

Large and regional banks want community banks' depositors, Woody said, not because they need or want their deposits but so they can cross-sell the myriad of other products they offer. It's in a community banker's best interest to reach out to top customers then, even if in doing so you have to cut their loan rate, he said.

Col. Steve Russell (right) is greeted by BHCA President Bruce Ferden, Frandsen Financial, Arden Hills, Minn. During his after-dinner presentation, Russell described the capture of Saddam Hussein.

Assessing the franchise

Community banks tout their people as being the great differentiator between them and the nation's largest banks. Citing FDIC data for banks with $1 billion in assets or less, Woody noted that the industry today manages far greater assets with fewer employees than it did in 2001. Collectively about 350,000 employees manage $1.4 trillion in assets now versus 467,000 employees managing $1.3 trillion at the end of 2001.

Citing additional data culled from the FDIC in this same peer group, Woody said:

• Securities have increased to $321 billion from $300 billion in 2001, indicating reduced loan demand.

From left: David Hibbs, ICBA, Urbandale, Iowa; Bob Perez, Federal Home Loan Bank of Des Moines; Roger Berglund, Dakota Western Bancshares, Bowman, N.D., and Joe Lempe, Ramsey Financial Corporation, Fargo, N.D.

• Non-current loans and leases at $24 billion have improved substantially in 18 months when they were at $32 billion, but are three times higher than the $8 billion they were at the end of 2001.

• Banks are showing that they are much more liquid today, with FHLB advances at $48 billion compared to $71 billion at the end of 2001.

• Banks are much more careful now about extending lines of credit as current unused loan commitments stand at $266 billion compared to the end of 2001, when unused loan commitments topped $727 billion.

• 29 percent of assets held by banks now have a duration of five years or more, compared to 2001, when only 18 percent of assets had a duration of five years or more. Of this statistic, Woody said: "We as a group are taking on significantly more risk than we were 10 years ago."

• Service charges on deposit accounts have decreased dramatically, from $4.3 billion in 2001 to $1.6 billion today. "That's been our mother's milk of non-interest operating income," he said.

• Pre-tax net operating income has declined to $6.7 billion from $17.6 billion in 2001, a trend Woody called "troubling."

Looking solely at banks under $1 billion in Minnesota, other real estate owned has declined by 25 percent in the last 18 months. He also noted the trend toward increasing the duration of assets is especially pronounced in Minnesota. Also in the state, long-term assets held five years or more have increased to $9.4 billion today from $5.5 billion in 2001.

Finally, Woody noted the decline in interest income at Minnesota banks. Total interest income at Minnesota banks under $1 billion as of 2010 was $2.5 billion compared to total interest income of $1 billion today. Over the same period, net interest income has declined from $1.8 billion to $863 million.

By Jackie Hilgert

From left are: Dennis Meyer, Northern Financial Corporation, Independence, Wis.; Greg Raymo, First Rushmore Bancorporation, Inc., Worthington, Minn., and Barb Raymo.

From left are: Dirk Gasterland, Coulee Bancshares, LaCrosse, Wis.; William Rosacker, United Bankers' Bank, Bloomington, Minn., and Roger Berglund, Dakota Western Bancshares, Bowman, N.D.

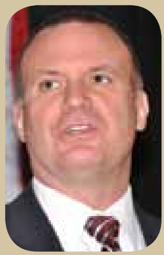
Scott Coleman (left) of the Minneapolis law firm Lindquist and Vennum visits with Roger Monson of Bell State Bank & Trust, Fargo, N.D.

From left are: Sharon Lake, Grand Timber Bank, McGregor, Minn., and Clay Hestdalen and Dave Threlkeld, both with the FHLB of Des Moines, Iowa.

Ken Bezdicek (center), Anchor Bancorp., Inc., Arden Hills, Minn., visits with Joseph Ceithaml (left) of the law firm Barack Ferrazzano, and Tony Crea, Frandsen Financial, Arden Hills.

Regulators turn up the heat

Basing his comments on more than two decades of employment with the FDIC, **Scott Polakoff** cautioned bankers to avoid getting into regulatory cross-hairs during their next exam. "Regulators have moved the needle on troubled bank status," said Polakoff, a consultant with New Jersey-based FinPro. "We have clients that wouldn't have been a problem bank 20 years ago but because they aren't pristine now they end up being a problem bank." Polakoff said bankers who want to avoid trouble should take a proactive approach to management by considering both their corporate structure and their charter choice.



Corporate Structure: Make sure the bank holding company structure adds value to the bank. In the pre-Dodd-Frank era it was easy to make a case for bank holding companies, said Polakoff, who called BHCs "spectacular vehicles." Regulators, meanwhile, may ask you to articulate why the structure makes sense for you, he advised. "Be sure your strategies allow you to identify why a BHC makes sense so you can explain it," he said.

Charter choice. "Can you explain why the expense of a national charter makes sense?" Polakoff asked. Acknowledging that the OCC is staffed with some remarkable examiners, Polakoff also said in the post-Dodd-Frank era, many of the benefits of being a national bank have been diluted. He advised bankers to perform their fiduciary duties to determine if the cost associated with annual OCC assessments was worth the benefit it provides them. "If you are a nationwide mortgage lender, it makes sense; if not, be sure the cost is worth the rewards."

Polakoff admitted he likes state charters over national charters and he said the industry can expect to see more charter conversion activity. "We have had situations where state examiners take a realistic view, the federal regulators are more aggressive, and the compromise is somewhere in the middle," Polakoff said. The OCC, meanwhile, will always pull problems back to Washington, D.C., he said.

Polakoff said he believes Congress and federal regulators are out of touch with community banking. "Here-in lies the danger," he said. Because local examiners aren't let into the discussions occurring on the national level, they don't approach regulations as fluid documents. "They read the black and white and they implement the regulations," Polakoff said. When an examiner looks at a new rule as if it's written in blood, it could "turn your life upside down." ■

Fall Seminar breakout session speakers ask whether an SBIC

Small Business Investment Companies have been around for more than 50 years, yet they are often overlooked as an investment opportunity for community banks. Greg Larson and Cedric Long, both from Minneapolis-based Allison-Williams Company, an institutional investment firm, encouraged bankers to consider whether an SBIC might be appropriate for them. Larson and Long spoke during one of the breakout sessions at the BHCA Fall Seminar, Oct. 5. Allison-Williams Company is a BHCA associate member.

"SBICs represent a high return activity that can significantly increase earnings from a modest capital investment," Larson told bankers. "Unleveraged SBIC averages return 8 to 12 percent. In the leveraged SBIC, the industry average returns are 12 to 16 percent."

Long explained that SBIC funds are sanctioned by the Small Business Administration. "SBIC funds are basically private equity or mezzanine type funds. There are a lot of different funds with different strategies. It is not really venture capital. These are funds that typically invest in up-and-running, established companies with good revenue, earnings, and positive cash flow," said Long, noting that the funds are intended to provide additional capital to help growing companies grow more.

The funds need to have at least $5 million in private capital, with the government matching every dollar of private investment with $2 to $3. Most funds run $50 million to $150 million. Long explained that the SBA licenses the funds, conducting a significant review prior to licensing. "Then on an ongoing basis they do continuous examination to evaluate these funds for regulatory compliance. So that is a benefit to you as a limited partner or investor in SBIC funds," Long said. "You have that additional evaluation by the government on an ongoing basis which you wouldn't have in a regular private equity event."

Over the years SBICs have provided about $60 billion to more than 100,000 companies. In 2011, the funds provided about $2.8 billion to 1,400 companies. In 2010, SBIC investments helped companies create about 46,000 jobs, Long said. "There are many funds out there available. In the year 2010, there were about 300 SBICs operating in 43 states. There are a number in Minnesota, many in the Midwest. In 2010, twenty-three new funds were licensed with more than $600 million in investible capital. At this time, there are approximately 50 new funds that are going through the process of application and approval."

Banks can invest in SBIC funds. "This program is custom tailored for banks," Long said. A bank can invest up to 5 percent of capital and surplus in an SBIC fund. "Capital consideration for banks is important. SBICs fall into the category of non-financial equity investments," Long said. "They earn a 100 percent risk weight... There is a potential capital deduction if all non-financial equity investments — SBIC's and other things — together would exceed 15 percent of a bank's Tier 1 capital."

Long and Larson also noted the strength of an SBIC investment in terms of fulfilling Community Reinvestment Act obligations. "Bank regulators presume that any loan or investment made by an SBIC fund promotes economic development by definition," Long said, "therefore, they qualify for CRA."

Even if the fund's investment area doesn't perfectly match your bank's market, regulators may view SBIC investment as a posi-

Encouraging new level of engagement, Chapman shares leadership message

Bank owners and holding company managers can energize their organizations by taking steps to engage their employees beyond traditional levels, asserted Richard Chapman at a BHCA Fall Seminar breakout session. Chapman, the former president of Bank Compensation Strategies, is a consultant with the investment banking firm O'Meara/Ferguson. Chapman frequently speaks on leadership and is currently writing a book on the topic to be called "True Line of Sight."

Noting that as many as 70 percent of the people in the workforce regularly tell pollsters they don't like their work, Chapman challenged his audience to engage those workers more fully. He said fully engaged employees are happier and more productive. Chapman said it is up to us to empower our employees so they feel engaged.

"People want to be around attractive people, so be an attractive person," Chapman said. "What makes someone attractive? It's the primary virtues you probably learned as a young person: wisdom, justice, temperance and fortitude. People who exhibit these qualities attract the attention of those around them."

Real leaders, he said, want their employees to succeed. "I love to be around people who want me to succeed, who are interested in my life and empower me to do things," Chapman said. "Think about ways you can serve, give, equip and empower. Be an attractive person."

Chapman explained that many people in the workforce have

fund may be a good fit for your organization

tive for CRA. The key, Long said, is that the investment footprint must include your bank's market area. "Federal regulators do not distinguish between direct and indirect investments and that's why SBICs qualify. You are not directly making loans, you are investing in a fund that makes loans or makes mezzanine loans and in some cases makes equity investments and that indirect investment will still qualify for CRA," Long explained.

Larson reminded bankers that an SBIC offers an investment, and the bank's principal is at risk. "You need to evaluate the risk and returns thoroughly, recognizing investment capital is a risk; it is not SBA guaranteed just because the SBA takes care of the program," Larson said. "The SBA is sponsoring this from an administrative standpoint and this is a long term program that they have operated, but there is no SBA guarantee."

The presenters explained a bank's SBIC investment should be consistent with the bank's financial condition, risk profile, risk tolerance and the industry sector's geography and investment types.

"Leverage can increase your term but also increases the risk and delays the return on capital; that is why there is a difference in the unleveraged fund verses the leveraged fund," Larson said. "The subsidy that the SBA offers to the fund in its two-thirds financing is substantial but it also creates substantial risk because the government is the first one out.

"Equity funds generally pose a greater risk then debt funds; some SBICs invest in pure equity, some invest in pure debt and there are some that invest in a combination. You need to take a look at the prospectus and talk with fund managers about what that process is and what their investment policy is. Then you also need to understand the liquid nature of the investments," Larson said. "These aren't public companies, they are private companies. You typically lock up the capital for a 10-year period and it is very difficult to wiggle out of them."

Larson encouraged bankers to carefully consider an investment in an SBIC. "The way to buy an SBIC is not to just go out and look at a prospectus and then buy it and then reverse engineer it. That is like a crapshoot," he said. Due diligence is the first order of the day, Larson said. "Visit with other banks that have been involved with SBICs and develop a strategy so that the management team has an understanding of what an SBIC is, how it operates, how the accounting works, how the valuations work and those kind of questions and have those answered, present them to your board of directors. Make sure your directors understand what you are undertaking and then create a policy that puts limits on and puts oversight and governance for the directors so they can control the program," he said.

"It is very important to have your bank do some of its own due diligence and review the fund to insure it is a good fund and to insure it is the right fund for you and your bank given your parameters and risk tolerances," Long said. "Usually the fund partners or their investment banker will put together an overview presentation. That is really a great place to start to understand the people, the fund, the strategy, what type of fund is it, what type of investments is it going to make, track record of the people and from there you can determine if you want to look further. The private placement memorandum is really the key legal document for a fund such as this, like any other private equity fund." ■

insecurities or fears which make them defensive about their work. Often, their fears are unfounded, but they limit an employee's productivity because such employees work with one hand and protect their turf with the other. Managers who are able to eliminate that fear empower employees to work with both hands and office productivity doubles.

Chapman said the best way to eliminate fear is to communicate a clear sense of purpose. People grow skeptical when they are unsure about their management's intentions. When a manager makes his or her intentions clear, employees generally respond positively. "Drive fear out of your organization by engaging your employees with a sense of mission or purpose," Chapman said.

Chapman cited survey information which noted about 80 percent of employees working at Fortune 500 companies could not articulate their purpose. "I ask you, can you articulate the purpose of your organization, really?" Calling "character, mission and culture the strength of any organization," he said "mission is the sustainer of any organization." He said an organization's culture is "either working for you or against you," and he said managers who engage their employees with a sense of purpose are most likely to win the culture they need to succeed.

Closing his presentation with a quote from European philosopher Albert Schweitzer, Chapman quoted: "Life's greatest tragedy is what dies inside of a man while he is still alive." Chapman said a leader's challenge is "helping people to grow, change and transform. It is about engaging that energy that is in their life that is dormant today; leadership's greatest challenge is to help your people come alive. Engage them in the life of your organization."■

Understand key concepts to make the most of your HC charter

By Dan Hanger

One of the primary reasons for having a bank holding company over a family owned institution is to assist ownership with estate planning. Often the mechanisms used for intergenerational ownership transfers require applications or notices to be filed with the Federal Reserve System. This article highlights some of the most common types of transactions and identifies the related regulatory filing.

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

Transfers to trusts

One mechanism for ownership transfers involves individuals who own shares of BHC stock transferring such shares to a trust. Since a trust is a separate entity, a transfer of BHC or bank shares to a trust can result in filing requirements under the Bank Holding Company Act and/or the Change in Bank Control Act depending upon the nature of the trust.

BHC Act considerations – If a trust is deemed to be a "company" under the BHC Act it may need to file an application to become a bank holding company depending upon the percentage of BHC or bank shares it owns. A trust will be considered to be a "company" under the BHC Act if the Federal Reserve finds that a trust is being operated as a business trust. To help determine if a trust is being operated as a business trust, the Federal Reserve reviews the nature and value of assets in the trust as well as whether the trust engages directly or indirectly in any business activities. Also, the absence of a clause requiring the trust to terminate within 21 years and 10 months after the death of grantors or beneficiaries of the trust living on the effective date of the trust or within 25 years will result in the trust being considered a "company."

CIBC Act considerations – If a trust is not considered to be a "company" under the BHC Act, it is subject to the requirements of the CIBC Act. Any person (or persons acting in concert, a concept discussed later in this article) acquiring control of a BHC or state member bank must give prior notice to the Federal Reserve. This requirement also applies to trusts and their trustees. A notice under the CIBC Act is required when a person (or persons acting in concert) would own, control, or hold with power to vote 25 percent or more of the voting shares, or 10 percent or more of the voting shares and no other shareholder controls more shares.

In practice, the Federal Reserve Board exempts some transfers from individuals to living trusts from the notice requirements of the CIBC Act if the transfer meets certain criteria.

Because a trust's status under the BHC Act and CIBC Act requires a close review of the trust instrument and its assets, we encourage individuals to contact staff of the Applications section prior to transferring shares to a trust. We can then decide if the circumstances warrant reviewing the trust to determine whether any issues are raised under either the BHC Act or the CIBC Act.

Acting in concert

One aspect of the CIBC Act that frequently raises questions relates to the application of the concept of "persons acting in concert." The Federal Reserve Board has defined rebuttable presumptions of concerted action. As a practical matter, it is very difficult to rebut one of these presumptions successfully. The most applicable presumptions for estate planning are the following:

- An individual and the individual's immediate family ("immediate family" is defined broadly in the regulation)
- A person and any trust for which the person serves as trustee
- A company and any controlling shareholder, partner, trustee, or management official of the company if both own voting securities of the banking organization
- A person joining a control group is subject to the CIBC Act and may be required to file a notice of change in control to join the control group.

Gifting

The Federal Reserve has received questions about filing or notification requirements when a BHC shareholder transfers shares via a gift. In general, the acquisition of voting securities as a bona fide gift is exempt from the prior notice requirements of the CIBC Act. Notice should be given to the Reserve

Bank within 90 calendar days after the acquiring person has either acquired control of the banking organization or joined a group that controls the banking organization as a result of a gift. Depending on the facts of the specific situation, the Reserve Bank may request an after-the-fact notice of change in bank control or potentially no additional information.

Non-voting common stock

Finally, controlling shareholders sometimes use non-voting common stock as an estate planning tool. The Federal Reserve is aware of situations where this practice has resulted in non-voting common stock becoming the largest element of a BHC's equity capital. The Board's Capital Adequacy Guidelines provide that voting common stock should generally be the dominant element in Tier 1 capital; the guidelines further state that banking organizations should avoid over-reliance on non-voting elements in Tier 1 capital. These guidelines explicitly apply to BHCs with consolidated assets exceeding $500 million and to smaller BHCs meeting certain criteria (such as significant nonbanking or off-balance-sheet activities). Small BHCs are strongly encouraged to maintain capital structures that are in compliance with the guidelines. BHCs seeking to expand will find that their acquisition proposals raise financial issues and may face processing delays if their capital structure relies overly on other elements besides voting common stock.

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

Holding Company Transaction Report

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

▷ Notice filed by the Job family and individually by Stuart L. Job and Susan Job Hollingshead, for approval to gain control of Duclarkee, Inc., Knoxville, Iowa, and thereby Iowa State Savings Bank, Knoxville.

▷ Greenwoods Financial Group, Inc., Lake Mills, Wis., is seeking prior approval for the acquisition of up to 100 percent of Bank of Monticello, Wis.

▷ Cattail Bancshares, Inc., Atwater, Minn., filed to acquire Citizens State Bank of Waverly, Minn.

▷ Forstrom Bancorporation, Inc., Clara City, Minn., filed to acquire Murdock Bancor, Inc., Mendota Heights, Minn., and thereby acquire First State Bank of Murdock, Minn.

▷ Independent Bancshares, Inc., Clarkfield, Minn., filed to acquire Security State Bank of Fergus Falls, Minn.

▷ Voting Trust and David E. Kirschner, Springfield, Ill., filed to join the existing Kirschner Family Control Group through the acquisition of Town and Country Financial Corporation, Springfield, and thereby to acquire shares of Town and Country Bank, Springfield, and Logan County Bank, Lincoln, Ill.

▷ Centra Ventures, Inc., Foley, Minn., filed to acquire Richmond Bank Holding Company, Richmond, Minn., and thereby acquire State Bank of Richmond.

▷ Heartland Financial USA, Inc., Dubuque, Iowa, filed to acquire Heritage Bank, NA., Phoenix, Ariz.

▷ BBJ Incorporated, Ord, Neb., filed to acquire City National Bancshares, Inc., Greeley, Neb., and CNB Community Bank and to engage in insurance activities through acquisition of the assets of McQuillan Insurance Agency, a division of City National Bancshares.

▷ Central State Bank, Elkader, Iowa, filed to merge with Farmers Savings Bank, Walford, Iowa.

▷ First State Bancorp of Monticello, ESOP, Monticello, Ill., filed to increase its ownership of First State Bancorp of Monticello, Inc., from 25.51 percent to 100 percent, and thereby increase its ownership of First State Bank, Monticello, and First State Bank of Bloomington, Ill.

▷ Notice by the Selken Family to gain control of Keystone Community Bancorporation, Keystone, Iowa, and thereby control Keystone Savings Bank, Keystone, Iowa.

▷ Notice of Change in Control filed by the Philip G. Amundson 2012 Irrevocable Grantor Trust, Sioux Falls, S.D.; Matt Amundson, trustee, Hendricks, Minn., Angie Mixner, trustee, Sioux Falls, and Blair Folkens, trustee, Brandson, S.D., to acquire 25 percent or more of Beulah Bancorporation, Inc., Sioux Falls, and thereby acquire First Security Bank - West, Beulah, N.D., and Valley Bank and Trust, Mapleton, Iowa.

▷ Robert B. Flood, Jr., Marquette, Mich., and Susan Flood-Dziubinski, Crystal Falls, Mich., each propose to acquire control of 25 percent or more of C.F.C. Bancorp, Inc., Crystal Falls, and thereby acquire First National Bank of Crystal Falls.

▷ Change in Control notice filed by Brooke L. Distad, Kasson, Minn., and Jeffrey C. Palmer, Mantorville, Minn., to acquire 25 percent or more of Palmer Bancshares, Inc., Kasson, and thereby gain control of Kasson State Bank, Kasson.

▷ Notice of Change in Control filed by Jill M. Frei Trust, Wagner, S.D., to acquire control of Commercial Holding Company, Wagner, and thereby acquire control of Commercial State Bank of Wagner.

▷ Change in Control Notice filed by Howard J. Rubin, Minneapolis, as trustee of the Jeanie Rae Thorson 2012 Generation Skipping Trust, the Kristi Jo Jacobsen 2012 Generation Skipping Trust, and the Barbara Kay Billings 2012 Generation Skipping Trust, Minneapolis, to acquire 25 percent or more of First LeRoy BanCorporation, Inc., LeRoy, Minn., and thereby acquire First State Bank Minnesota, LeRoy.

▷ Change in Control Notice filed by Paul Arnold Domke, Tulare, S.D.; Rodney Domke, Highmore, S.D.; Scott Allen Domke, Redfield, S.D.; and Naomi Ruth Reinhardt, Wessington, S.D., to acquire control of Wessington Bankshares, Inc., Wessington, and thereby acquire control of Heartland State Bank, Redfield.

▷ Otto Bremer Foundation, St. Paul, Minn., and Bremer Financial Corporation filed to acquire Paul Wagner Insurance Agency, Glenwood City, Wis.

▷ Central State Bank, Elkader, Iowa, filed to merge with Farmers Savings Bank, Walford, Iowa.

▷ Notice filed by Roger D. Underwood and Michael L. Underwood, both of Guthrie Center, Iowa, to gain control of Guthrie County Bancshares, Inc., Guthrie Center, Iowa and thereby Guthrie County State Bank, Panora, Iowa.

▷ The Miller Family 2012 Trust U/A Dated Dec. 21, 2012, St. Cloud, Minn., filed to become a savings and loan holding company through the acquisition of 31.14 percent of Liberty Financial Services of St. Cloud, Inc., a unitary savings and loan holding company that owns Liberty Savings Bank, FSB, St. Cloud.

▷ Notice filed by Kyle Burch, Parkville, Mo., and Michele Jones, Overland Park, Kan., to acquire control of Platte County Bancshares, Inc., Platte City, Mo., parent of Platte Valley Bank of Missouri, Platte City, Mo.

IOWA BANK HOLDING COMPANIES

HOLDING COMPANY, LOCATION Subsidiary Bank, Location	CONSOLIDATED ASSETS*	SUBSIDIARY ASSETS*
1. HEARTLAND FINANCIAL USA, INC., DUBUQUE	**4,427,684**	
ARIZONA BANK & TRUST,PHOENIX, AZ		268,104
DUBUQUE BANK & TRUST CO.,DUBUQUE		1,385,410
GALENA STATE BANK & TRUST CO., GALENA, IL		309,515
MINNESOTA BANK & TRUST, EDINA, MN		101,704
NEW MEXICO BANK & TRUST, ALBUQUERQUE, NM		998,024
RIVERSIDE COMMUNITY BANK, ROCKFORD, IL		360,654
ROCKY MOUNTAIN BANK, BILLINGS, MT		443,493
SUMMIT BANK & TRUST, BROOMFIELD, CO		102,875
WISCONSIN BANK & TRUST, MADISON, WI		497,372
2. BTC FINANCIAL CORP., DES MOINES	**3,098,097**	
BANKERS TRUST CO., DES MOINES		2,683,968
BANKERS TRUST CO.,CEDAR RAPIDS		408,534
3. HILLS BANCORP., HILLS	**2,052,449**	
HILLS BANK & TRUST CO., HILLS		2,052,729
4. MIDWESTONE FINANCIAL GROUP, INC., IOWA CITY	**1,707,394**	
MIDWESTONE BANK, IOWA CITY		1,690,759
5. NORTHWEST FINANCIAL CORP., ARNOLDS PARK	**1,431,173**	
FIRST NATIONAL BANK IN CRESTON		210,495
FIRST NATIONAL BANK, SIOUX CENTER		252,308
NORTHWEST BANK, SPENCER		959,670
6. WEST BANCORP., INC, WEST DES MOINES	**1,350,019**	
WEST BANK, WEST DES MOINES		1,338,039
7. STARK BANK GROUP, LTD., FORT DODGE	**1,279,219**	
FIRST AMERICAN BANK, FORT DODGE		1,275,582
8. ATBANCORP, DUBUQUE	**1,259,254**	
AMERICAN BANK & TRUST WISCONSIN, CUBA CITY, WI		132,660
AMERICAN TRUST & SAVINGS BANK, DUBUQUE		866,004
UNITED AMERICAN BANK, SAN MATEO, CA		261,230
9. IDA GROVE BANCSHARES, INC., IDA GROVE	**1,173,321**	
UNITED BANK OF IOWA, IDA GROVE		1,172,357
10. AMES NATIONAL CORP., AMES	**1,157,724**	
BOONE BANK & TRUST CO., BOONE		120,662
FIRST NATIONAL BANK AMES		578,862
REL NCE STATE BANK, STORY CITY		209,415
STATE BANK & TRUST CO., NEVADA		152,127
UNITED BANK & TRUST, N.A., MARSHALLTOWN		110,607
11. FIRST CITIZENS FINANCIAL CORP., MASON CITY	**1,146,351**	
FIRST CITIZENS NATIONAL BANK, MASON CITY		996,169
KANABEC STATE BANK, MORA, MN		139,527
12. BANK IOWA CORP., WEST DES MOINES	**1,118,712**	
BANK IOWA, WEST DES MOINES		1,108,548
13. NATIONAL BANCSHARES, INC., BETTENDORF	**1,018,800**	
NATIONAL BANK , MOLINE, IL		1,009,645
14. OHNWARD BANCSHARES, INC., MAQUOKETA	**894,347**	
FIRST CENTRAL STATE BANK, DE WITT		271,920
GATEWAY STATE BANK, CLINTON		123,372
MAQUOKETA STATE BANK, MAQUOKETA		307,736
OHNWARD BANK & TRUST, CASCADE		189,527
15. VAN DIEST INVESTMENT CO., ANKENY	**850,566**	
COMMUNITY STATE BANK, N.A., ANKENY		553,806
FIRST STATE BANK, WEBSTER CITY		295,513
16. AMBANK CO., INC., SIOUX CENTER	**812,760**	
AMERICAN BANK, N.A., LE MARS		238,123
AMERICAN STATE BANK, CENTER		562,484
17. RIVER VALLEY BANCORP, INC., DAVENPORT	**794,050**	
FREEDOM BANK, STERLING, IL		76,239
VALLEY BANK, FORT LAUDERDALE, FL		111,518
VALLEY BANK, MOLINE, IL		602,805

HOLDING COMPANY, LOCATION Subsidiary Bank, Location	CONSOLIDATED ASSETS*	SUBSIDIARY ASSETS*
18. CENTRAL BANCSHARES, INC., MUSCATINE	**740,985**	
CENTRAL STATE BANK, MUSCATINE		335,166
FARMERS & MECHANICS BANK, GALESBURG, IL		280,091
FREEDOM SECURITY BANK, CORALVILLE		79,107
WEST CHESTER SAVINGS BANK, WASHINGTON		51,322
19. TWO RIVERS FINANCIAL GROUP, INC., BURLINGTON	**701,522**	
TWO RIVERS BANK & TRUST, BURLINGTON		678,687
20. FIDELITY CO., DUBUQUE	**678,410**	
COMMUNITY STATE BANK, TIPTON		107,380
FIDELITY BANK & TRUST, DUBUQUE		565,957
21. GOODENOW BANCORP., OKOBOJI	**665,200**	
BANK MIDWEST, SPIRIT LAKE		664,613
22. NEIGHBOR INSURANCE AGENCY, INC., MARION	**654,138**	
FARMERS STATE BANK, MARION		654,037
23. CARROLL COUNTY BANCSHARES, INC.,CARROLL	**631,787**	
CARROLL COUNTY STATE BANK, CARROLL		346,322
CITIZENS STATE BANK, FORT DODGE		134,317
COMMUNITY BANK , NEVADA		150,426
24. LINCOLN BANCORP, REINBECK	**605,149**	
LINCOLN SAVINGS BANK, CEDAR FALLS		590,779
25. VOGEL BANCSHARES, INC., ORANGE CITY	**481,040**	
IOWA STATE BANK, REMSEN		130,669
IOWA STATE BANK, HULL		349,074
26. FIDELITY BAN CORP, INDEPENDENCE	**480,612**	
BANKIOWA, CEDAR RAPIDS		479,377
27. LUANA BANCORP., LUANA	**477,789**	
LUANA SAVINGS BANK, LUANA		478,110
28. COMMERCIAL FINANCIAL CORP., STORM LAKE	**467,691**	
CENTRAL BANK, STORM LAKE		458,113
29. DUNN INVESTMENT CO., MANCHESTER	**465,384**	
FARMERS & MERCHANTS SAVINGS BANK, MANCHESTER		338,700
SECURITY SAVINGS BANK, EAGLE GROVE		125,741
30. CEDAR VALLEY BANKSHARES, LTD., CHARLES CITY	**432,110**	
FIRST SECURITY BANK & TRUST CO., CHARLES CITY		431,819
31. IOWA FIRST BANCSHARES CORP., MUSCATINE	**431,791**	
FIRST NATIONAL BANK IN FAIRFIELD		131,761
FIRST NATIONAL BANK OF MUSCATINE		298,941
32. AMBANK HOLDINGS, INC., DAVENPORT	**420,826**	
AMERICAN BANK & TRUST CO., N.A., DAVENPORT		420,116
33. HOW-WIN DEVELOPMENT CO., CRESCO	**413,598**	
C US BANK, CRESCO		366,062
34. PEOPLES BANCORP., ROCK VALLEY	**408,261**	
PEOPLES BANK, ROCK VALLEY		361,088
35. OGDEN BANCSHARES, INC., BOONE	**408,110**	
VISIONBANK OF IOWA, AMES		406,046
36. PILOT BANCORP, INC., PILOT GROVE	**408,014**	
PILOT GROVE SAVINGS BANK, PILOT GROVE		408,014
37. FSB FINANCIAL SERVICES, INC., WATERLOO	**406,847**	
FARMERS STATE BANK, WATERLOO		402,139
38. CORNERSTONE FIN'L SVCS GROUP, INC, OTTUMWA	**404,062**	
SOUTH OTTUMWA SAVINGS BANK, OTTUMWA		321,615
WEST LIBERTY STATE BANK, WEST LIBERTY		81,978

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

IOWA BANK HOLDING COMPANIES

HOLDING COMPANY, LOCATION Subsidiary Bank, Location	CONSOLIDATED ASSETS*	SUBSIDIARY ASSETS*
39. DENTEL BANCORP., VICTOR	385,733	
CORYDON STATE BANK, CORYDON		84,966
FIRST STATE BANK, COLFAX		71,487
MAXWELL STATE BANK, MAXWELL		26,109
PANORA STATE BANK, PANORA		66,931
POCAHONTAS STATE BANK, POCAHONTAS		87,480
VICTOR STATE BANK, VICTOR		48,562
40. W.J. YOUNG & CO., CLINTON	375,492	
CLINTON NATIONAL BANK, CLINTON		375,492
41. GNB BANCORP., GRUNDY CENTER	357,052	
ACKLEY STATE BANK, ACKLEY		153,970
GNB BANK, GRUNDY CENTER		200,739
42. GREENE INVESTMENT CO.,JEFFERSON	347,394	
AUDUBON STATE BANK, AUDUBON		90,304
HOME STATE BANK, JEFFERSON		170,421
SOUTH STORY BANK & TRUST, SLATER		85,780
43. RIGLER INVESTMENT CO., NEW HAMPTON	345,491	
STATE BANK & TRUST CO., NEW HAMPTON		344,112
44. MIDSTATES BANCSHARES, INC., HARLAN	340,933	
MIDSTATES BANK, N.A., COUNCIL BLUFFS		336,121
45. SECURITY AGENCY, INC., DECORAH	335,220	
DECORAH BANK & TRUST CO., DECORAH		334,092
46. GREEN BELT BANCORP., IOWA FALLS	332,901	
GREEN BELT BANK & TRUST, IOWA FALLS		331,950
47. PSB CORP., WELLSBURG	332,716	
DENVER SAVINGS BANK, DENVER		132,060
FIRST STATE BANK, SUMNER		106,081
PEOPLES SAVINGS BANK, WELLSBURG		94,171
48. HERKY HAWK FINANCIAL CORP., MONTICELLO	327,727	
CITIZENS STATE BANK, MONTICELLO		326,059
49. COMMUNITY FINANCIAL CORP., EDGEWOOD	326,712	
COMMUNITY SAVINGS BANK, EDGEWOOD		326,423
50. IOWA STATE BANK HOLDING CO., DES MOINES	323,297	
IOWA STATE BANK, DES MOINES		322,842
51. PRIMEBANK, INC., LE MARS	317,390	
PRIMEBANK, LE MARS		317,388
52. EASTER ENTERPRISES, INC., SPENCER	311,605	
FARMERS TRUST & SAVINGS BANK, SPENCER		311,518
53. FIRST OF WAVERLY CORP., WAVERLY	299,307	
FIRST NATIONAL BANK, WAVERLY		297,440
54. GRINNELL BANCSHARES, INC., GRINNELL	294,717	
GRINNELL STATE BANK, GRINNELL		260,209
55. LARCH BANCORP., INC.,LARCHWOOD	291,230	
EXCHANGE STATE BANK, LUVERNE, MN		134,755
SECURITY SAVINGS BANK, LARCHWOOD		155,933
56. MID-IOWA BANCSHARES CO.,ALGONA	273,715	
IOWA STATE BANK, ALGONA		273,602
57. MBT CORP., FOREST CITY	273,711	
MANUFACTURERS BANK & TRUST CO., FOREST CITY		273,711
58. COMMUNITY NATIONAL BANCORP., WATERLOO	268,880	
COMMUNITY NATIONAL BANK, WATERLOO		228,377
COMMUNITY BANK[1], AUSTIN, MN		39,409
59. LIBERTY FINANCIAL SERVICES, INC., SIOUX CITY	259,607	
LIBERTY NATIONAL BANK, SIOUX CITY		256,589

HOLDING COMPANY, LOCATION Subsidiary Bank, Location	CONSOLIDATED ASSETS*	SUBSIDIARY ASSETS*
60. ARNESON BANCSHARES, INC.,CLEAR LAKE	255,229	
CLEAR LAKE BANK & TRUST CO., CLEAR LAKE		254,600
61. PREMIER FINANCIAL CORP., DUBUQUE	250,987	
PREMIER BANK, DUBUQUE		249,533
62. PREMIER HOLDINGS, LTD, ROCK VALLEY	250,174	
PREMIER BANK, ROCK VALLEY		250,160
63. C-B-G, INC.[2], WEST LIBERTY	248,620	
COMMUNITY BANK & TRUST CO., MUSCATINE		244,248
64. PELLA FINANCIAL GROUP, INC., PELLA	245,513	
MARION COUNTY STATE BANK, PELLA		244,379
65. GUARANTY BANKSHARES, LTD, CEDAR RAPIDS	244,979	
GUARANTY BANK & TRUST CO., CEDAR RAPIDS		239,519
66. TREYNOR BANCSHARES, INC.,TREYNOR	244,865	
TREYNOR STATE BANK, TREYNOR		241,758
67. ALBRECHT FINANCIAL SERVICES, INC., NORWALK	244,348	
CITY STATE BANK, NORWALK		243,238
68. GREEN CIRCLE INVESTMENTS, INC., CLIVE	243,845	
PEOPLES TRUST & SAVINGS BANK, CLIVE		243,705
69. FNC, INC., STORM LAKE	242,984	
CITIZENS FIRST NATIONAL BANK, STORM LAKE		209,814
70. KERNDT BANK SERVICES, INC., LANSING	240,070	
KERNDT BROTHERS SAVINGS BANK, LANSING		240,070
71. COUNTRY BANCORP., CRAWFORDSVILLE	239,082	
CENTER POINT BANK & TRUST CO., CENTER POINT		31,535
EXCHANGE STATE BANK, SPRINGVILLE		41,416
HIAWATHA BANK & TRUST CO., HIAWATHA		37,281
PEOPLES SAVINGS BANK, CRAWFORDSVILLE		29,748
PEOPLES TRUST & SAVINGS BANK, RIVERSIDE		25,038
WALKER STATE BANK, WALKER		43,655
WHITE STATE BANK, SOUTH ENGLISH		33,054
72. LEROY C. DARBY, INC., ELKADER	231,369	
FREEDOMBANK, ELKADER		230,884
73. ANITA BANCORP., ATLANTIC	227,060	
ROLLING HILLS BANK & TRUST, ATLANTIC		224,576
74. INDEPENDENCE BANCSHARES, INC., INDE.	225,033	
NORTHEAST SECURITY BANK, SUMNER		123,068
SECURITY STATE BANK, INDEPENDENCE		100,616
75. CLARKEL, INC., KESLEY	223,573	
IOWA STATE BANK, CLARKSVILLE		219,526
76. W.S.B., INC., WASHINGTON	222,492	
WASHINGTON STATE BANK, WASHINGTON		222,442
77. WFC, INC., WAUKON	221,084	
WAUKON STATE BANK, WAUKON		221,084
78. OAKLAND FINANCIAL SERVICES, INC., OAKLAND	218,559	
ARBOR BANK, NEBRASKA CITY, NE		217,012
79. FIRST FONTANELLE BANCORP., FONTANELLE	213,351	
FIRST NATIONAL BANK, FONTANELLE		212,797
80. KOSS-WINN BANCSHARES, INC., BUFFALO CENTER	210,350	
FARMERS TRUST & SAVINGS BANK, BUFFALO CENTER		210,218

1- Community Bank, Austin, Minn., merged into Community National Bank, Waterloo, Iowa, effective July 1, 2012.
2- C-B-G, Inc., also owns a minority interest in Washington Bancorp, Washington, Iowa.

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

IOWA BANK HOLDING COMPANIES

HOLDING COMPANY, LOCATION Subsidiary Bank, Location	CONSOLIDATED ASSETS*	SUBSIDIARY ASSETS*
81. HTB, INC., OSAGE	207,137	
HOME TRUST & SAVINGS BANK, OSAGE		207,136
82. IOWA COMMUNITY BANCORP, INC., CRESTON	201,062	
IOWA STATE SAVINGS BANK, CRESTON		200,739
83. FIRST COMMUNITY BANCSHARES CORP., ANAMOSA	199,697	
CITIZENS SAVINGS BANK, ANAMOSA		120,007
FIRST COMMUNITY BANK, MILTON, WI		79,690
84. F&M BANCSHARES, INC., BURLINGTON	195,630	
FARMERS & MERCHANTS BANK & TRUST, BURLINGTON		194,904
85. VILLAGE INVESTMENT CO., LIBERTYVILLE	195,410	
LIBERTYVILLE SAVINGS BANK, FAIRFIELD		194,644
86. GLENWOOD BANCORP., GLENWOOD	189,378	
FRONTIER SAVINGS BANK, COUNCIL BLUFFS		33,043
GLENWOOD STATE BANK,GLENWOOD		155,545
87. PERRY INVESTMENT CO., PERRY	188,448	
RACCOON VALLEY BANK, PERRY		188,448
88. MILFORD BANCORP., MILFORD	185,413	
UNITED COMMUNITY BANK, MILFORD		185,038
89. FARMERS & MERCHANTS BANCORP., WINTERSET	184,736	
FARMERS & MERCHANTS STATE BANK, WINTERSET		184,633
90. LEE CAPITAL CORP., FORT MADISON	180,570	
LEE COUNTY BANK & TRUST, N.A., FORT MADISON		161,607
91. STATE CENTER FINANCIAL, INC., STATE CENTER	178,358	
CENTRAL STATE BANK, STATE CENTER		172,857
92. WHITNEY CORP. OF IOWA, ATLANTIC	175,726	
FIRST WHITNEY BANK & TRUST, ATLANTIC		168,736
93. COMMUNITY GRAIN CO., CARROLL	172,938	
IOWA SAVINGS BANK, CARROLL		172,507
94. TALEN, INC., TRAER	172,633	
FARMERS SAVINGS BANK & TRUST, TRAER		170,847
95. WHITMORE CO., INC., CLARINDA	170,413	
FIRST FEDERAL SAVINGS BANK OF CRESTON		72,416
PAGE COUNTY STATE BANK, CLARINDA		97,022
96. BRADLEY BANCORP, INC., CENTERVILLE	169,345	
IOWA TRUST & SAVINGS BANK, CENTERVILLE		169,338
97. HARDIN COUNTY BANCORP., ELDORA	167,661	
HARDIN COUNTY SAVINGS BANK, ELDORA		166,715
98. STORM LAKE SECURITY BANCORP., STORM LAKE	164,011	
SECURITY TRUST & SAVINGS BANK, STORM LAKE		163,999
99. MARJON BANCORP., INC., COLESBURG	162,750	
FARMERS SAVINGS BANK, COLESBURG		162,709
100. FAYETTE BANCORP., MARION	160,399	
CITIZENS SAVINGS BANK, HAWKEYE		28,564
MAYNARD SAVINGS BANK, MAYNARD		52,003
SECURITY STATE BANK, WAVERLY		77,948
101. TITONKA BANCSHARES, INC., TITONKA	158,622	
TITONKA SAVINGS BANK, TITONKA		159,010
102. NORTHWOOD FIN'L. SVCS CORP., NORTHWOOD	157,464	
NORTHWOODS STATE BANK, MASON CITY		157,463
103. LOGAN INVESTMENT CORP., KEOKUK	157,179	
STATE CENTRAL BANK, KEOKUK		157,177
104. EMMETSBURG BANK SHARES, INC., EMMETSBURG	156,440	
IOWA TRUST & SAVINGS BANK, EMMETSBURG		155,172
105. FARMERS STATE BANCSHARES, INC., MASON CITY	155,541	
FARMERS STATE BANK, NORTHWOOD		155,464
106. COMMUNITY BANCSHARES CORP, INDIANOLA	154,546	
COMMUNITY BANK, INDIANOLA		154,546
107. AJJ BANCORP, ELKADER	153,751	
CENTRAL STATE BANK, ELKADER		153,751
108. DIXON BANCSHARES, INC., ROLFE	152,457	
CITIZENS STATE BANK, SHELDON		108,040
ROLFE STATE BANK, ROLFE		43,659
109. FREEDOM HOLDINGS CO., WEST DES MOINES	152,088	
FREEDOM FINANCIAL BANK, WEST DES MOINES		151,542
110. VANDERBILT HOLDING CO., INC., FAIRFAX	151,774	
FAIRFAX STATE SAVINGS BANK, FAIRFAX		151,658
111. KINGSLEY BANC CORP, KINGSLEY	151,202	
KINGSLEY STATE BANK, KINGSLEY		151,202
112. FIRST IOWA STATE SHARES, INC., ALBIA	148,178	
FIRST IOWA STATE BANK, ALBIA		148,178
113. PIONEER DEVELOPMENT CO., SERGEANT BLUFF	147,389	
PIONEER BANK, SERGEANT BLUFF		146,461
114. VAN BUREN BANCORP., KEOSAUQUA	146,779	
COMMUNITY FIRST BANK, KEOSAUQUA		146,288
115. OSCEOLA BANCORP., OSCEOLA	145,405	
AMERICAN STATE BANK, OSCEOLA		145,403
116. FORT MADISON FINANCIAL CO., FORT MADISON	145,344	
FORT MADISON BANK & TRUST CO., FORT MADISON		145,344
117. CITY STATE BANCORP., INC., CENTRAL CITY	144,460	
CITY STATE BANK, CENTRAL CITY		144,460
118. CFB HOLDING CO., CLINTON	144,425	
CITIZENS FIRST BANK, CLINTON		144,406
119. CENTRAL SOUTH BANCORP., INC., INDIANOLA	143,028	
PEOPLES SAVINGS BANK, INDIANOLA		143,189
120. FIRST BELMOND BANCORP., BELMOND	141,072	
COMMUNITY BANK OF OELWEIN		85,854
FIRST STATE BANK, BELMOND		86,008
121. IOWA RIVER BANCORP, INC., MARSHALLTOWN	141,003	
PINNACLE BANK, MARSHALLTOWN		141,765
122. J.E. COONLEY CO., HAMPTON	140,217	
UNITED BANK & TRUST CO., HAMPTON		139,799
123. FTS FINANCIAL, INC., WILLIAMSBURG	138,530	
FARMERS TRUST & SAVINGS BANK, WILLIAMSBURG		138,399
124. CAPITAL BANCSHARES, INC., PRIMGHAR	137,399	
SAVINGS BANK, PRIMGHAR		137,398
125. LIBERTY BANCORP., DURANT	137,057	
LIBERTY TRUST & SAVINGS BANK, DURANT		136,576
126. FIRST STATE BANCSHARES, INC., IDA GROVE	136,242	
FIRST STATE BANK, IDA GROVE		136,242
127. COMMUNITY STATE BANCORP., SPENCER	135,443	
COMMUNITY STATE BANK, SPENCER		133,447

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

IOWA BANK HOLDING COMPANIES

HOLDING COMPANY, LOCATION Subsidiary Bank, Location	CONSOLIDATED ASSETS*	SUBSIDIARY ASSETS*
128. GARRETT BANCSHARES, LTD, BLOOMFIELD	**132,849**	
SUCCESS BANK, BLOOMFIELD		116,113
129. MEDIAPOLIS BANCORP., MEDIAPOLIS	**131,685**	
MEDIAPOLIS SAVINGS BANK, MEDIAPOLIS		131,642
130. WHEATLAND BANCORP., WHEATLAND	**128,505**	
FIRST TRUST & SAVINGS BANK, WHEATLAND		128,248
131. A M SAYLOR, INCORPORATED, HAMPTON	**126,793**	
FIRST NATIONAL BANK OF HAMPTON		126,565
132. JOHNSTON GROWTH CORP., JOHNSTON	**126,255**	
CHARTER BANK, JOHNSTON		126,200
133. DE WITT BANCORP. INC., DE WITT	**124,830**	
DE WITT BANK & TRUST CO., DE WITT		123,688
134. DANVILLE BANCSHARES, INC., DANVILLE	**121,558**	
DANVILLE STATE SAVINGS BANK, LONDON		121,546
135. FIRST STATE ASSOCIATES, INC., HAWARDEN	**120,083**	
FARMERS STATE BANK, MARION, SD		72,249
FIRST STATE BANK, HAWARDEN		46,870
136. COMMERCIAL BAN CORP,CARROLL	**119,050**	
COMMERCIAL SAVINGS BANK, CARROLL		119,050
137. CHEBELLE CORP., BELLE PLAINE	**118,268**	
CHELSEA SAVINGS BANK, BELLE PLAINE		118,267
138. GUTHRIE CTY BANCSHARES, INC.,GUTHRIE CTR	**117,960**	
GUTHRIE COUNTY STATE BANK, PANORA		117,330
139. BARLOW BANKING CORP., IOWA FALLS	**114,924**	
IOWA FALLS STATE BANK, IOWA FALLS		114,998
140. LONE TREE SERVICE CO., LONE TREE	**114,700**	
FARMERS & MERCHANTS SAVINGS BANK, IOWA CITY		114,443
141. FNB BANSHARES, INC., WEST UNION	**113,840**	
FIRST NATIONAL BANK OF WEST UNION		113,501
142. KSB. LTD., KEOKUK	**113,806**	
KEOKUK SAVINGS BANK & TRUST CO.,KEOKUK		114,492
143. BEAMAN BANCSHARES, INC., MARSHALLTOWN	**112,425**	
FARMERS SAVINGS BANK, MARSHALLTOWN		112,420
144. SAC CITY LIMITED, CARROLL	**109,911**	
IOWA STATE BANK, SAC CITY		109,535
145. SOMERS BANCORP., SOMERS	**108,640**	
HEARTL& BANK, SOMERS		108,638
146. IOWA STATE FINANCIAL SERVICES CORP., FAIRFIELD	**108,481**	
IOWA STATE BANK & TRUST CO., FAIRFIELD		80,383
LINN COUNTY STATE BANK, COGGON		28,625
147. DUCLARKEE, INC., KNOXVILLE	**108,459**	
IOWA STATE SAVINGS BANK, KNOXVILLE		106,916
148. LEIGHTON INVESTMENT CO., PELLA	**107,533**	
LEIGHTON STATE BANK, PELLA		107,139
149. WHITTEMORE BANCSHARES, INC., WHITTEMORE	**106,762**	
FARMERS STATE BANK, ALGONA		98,622
150. SECURITY FINANCIAL, INC., FARNHAMVILLE	**104,940**	
SECURITY SAVINGS BANK, GOWRIE		104,940
151. IT&S OF IOWA, INC., OSKALOOSA	**104,542**	
FIRST NATIONAL BANK MIDWEST, OSKALOOSA		104,064

HOLDING COMPANY, LOCATION Subsidiary Bank, Location	CONSOLIDATED ASSETS*	SUBSIDIARY ASSETS*
152. FOUNTAIN VIEW BANCORP, INC., SIGOURNEY	**104,488**	
KEOKUK COUNTY STATE BANK, SIGOURNEY		101,036
153. WASHINGTON BANCORP., WASHINGTON	**104,289**	
FEDERATION BANK, WASHINGTON		104,289
154. FIRST STATE BANK HOLDING CO., LYNNVILLE	**102,071**	
FIRST STATE BANK, LYNNVILLE		101,804
155. MID AMERICA BANKS, INC., COLLINS	**100,540**	
EXCHANGE STATE BANK, COLLINS		99,891
156. TAMA COUNTY ABSTRACT CO., TOLEDO	**99,500**	
STATE BANK OF TOLEDO		98,631
157. ST. ANSGAR BANCORP., SAINT ANSGAR	**99,093**	
ST. ANSGAR STATE BANK, SAINT ANSGAR		98,040
158. J. CARLIAH. BANCORP., EARLING	**98,774**	
FARMERS TRUST & SAVINGS BANK, EARLING		90,433
159. NEWELL BANCSHARES, INC., NEWELL	**97,513**	
FIRST COMMUNITY BANK, NEWELL		97,513
160. MOUNT VERNON BANCORP, MOUNT VERNON	**97,220**	
MOUNT VERNON BANK & TRUST CO., MOUNT VERNON		97,220
161. WEST BEND BANCORP., WEST BEND	**96,965**	
WEST IOWA BANK, WEST BEND		95,821
162. FSB BANCORP, WEVER	**95,364**	
FARMERS SAVINGS BANK, WEVER		95,364
163. DUNLAP IOWA HOLDING CO., DUNLAP	**94,702**	
COMMUNITY BANK, DUNLAP		93,662
164. SSB HOLDING CO., INC., WEST DES MOINES	**94,075**	
STATE SAVINGS BANK, WEST DES MOINES		94,076
165. FNB HOLDING CO., WEST DES MOINES	**94,010**	
FIRST BANK, WEST DES MOINES		93,986
166. C.S.B. HOLDING CORP., WYOMING	**92,212**	
CITIZENS STATE BANK, WYOMING		92,212
167. KEYSTONE COMMUNITY BANCORP., KEYSTONE	**91,974**	
KEYSTONE SAVINGS BANK, KEYSTONE		83,471
168. PEOPLES TRI-COUNTY BANCORP., ALBIA	**89,415**	
PEOPLES STATE BANK, ALBIA		89,413
169. SOLON FINANCIAL, INC., SOLON	**89,317**	
SOLON STATE BANK, SOLON		89,309
170. BEDFORD BANCORP, INC., BEDFORD	**87,722**	
STATE SAVINGS BANK, CRESTON		87,722
171. BURT BANCSHARES, INC., BURT	**87,626**	
SECURITY STATE BANK, ALGONA		87,546
172. NORTHSTAR BANCSHARES, INC., ESTHERVILLE	**86,330**	
NORTHSTAR BANK, ESTHERVILLE		86,330
173. OLD O'BRIEN BANC SHARES, INC.,SUTHERLAND	**85,381**	
SECURITY STATE BANK, SUTHERLAND		85,338
174. F.S. BANCOR, INC., MITCHELLVILLE	**85,288**	
LEGACY BANK,ALTOONA		82,876
175. SWEA CITY BANCORP., INC., ESTHERVILLE	**82,700**	
BANK PLUS, ESTHERVILLE		82,365

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

IOWA BANK HOLDING COMPANIES

HOLDING COMPANY, LOCATION Subsidiary Bank, Location	CONSOLIDATED ASSETS*	SUBSIDIARY ASSETS*
176. BELLEVUE BANCORP., INC., BELLEVUE	**81,551**	
BELLEVUE STATE BANK, BELLEVUE		81,544
177. EVANS BANCSHARES, INC., EVANSDALE	**80,556**	
FIRST SECURITY STATE BANK, EVANSDALE		80,307
178. MORNING SUN BANK CORP., MORNING SUN	**79,892**	
IOWA STATE BANK, WAPELLO		78,997
179. FOSTOR BANKSHARES, INC., FOSTOR	**79,839**	
FARMERS SAVINGS BANK, FOSTOR		79,839
180. CNB CORP., SHENANDOAH	**79,465**	
CITY NATIONAL BANK OF SHENANDOAH		81,256
181. HEARTWAY BANCORP., WAYLAND	**78,617**	
WAYLAND STATE BANK, MOUNT PLEASANT		78,616
MWA BANCORP., ESTHERVILLE		77,568
EMMET COUNTY STATE BANK, ESTHERVILLE		77,734
182. PINNACLE BANCORP, INC., SIOUX CITY	**77,394**	
PINNACLE BANK SIOUX CITY		77,394
183. UNITED IOWA BANCSHARES, INC.,NEWTON	**77,204**	
FIRST NEWTON NATIONAL BANK, NEWTON		77,128
184. HAMPTON BANCO, INC., HAMPTON	**76,501**	
HAMPTON STATE BANK, HAMPTON		76,345
185. MANNING FINANCIAL SERVICES, INC,.MANNING	**75,676**	
FIRST NATIONAL BANK OF MANNING		74,033
186. EVERLY BANCORP., EVERLY	**75,567**	
STATE BANK, SPENCER		68,468
187. HALBUR BANCSHARES, INC., ESTSIDE	**73,839**	
WESTSIDE STATE BANK, WESTSIDE		73,665
188. MADISON HOLDING CO., WINTERSET	**73,365**	
UNION STATE BANK, WINTERSET		72,738
189. MECHANICSVILLE BANCSHARES, INC.	**70,389**	
BRIDGE COMMUNITY BANK, MOUNT VERNON		70,542
190. LAURENS BANCORP, LTD, LAURENS	**67,336**	
LAURENS STATE BANK, LAURENS		67,336
191. GREENFIELD BANCORP., LTD , GREENFIELD	**66,934**	
UNION STATE BANK, GREENFIELD		66,930
192. PRAIRIE VIEW BANKSHARES, INC., BRUNSVILLE	**66,856**	
IOWA PRAIRIE BANK, BRUNSVILLE		66,520
193. STATE BANCO, LTD, SPIRIT LAKE	**66,197**	
STATE BANK, SPIRIT LAKE		66,138
194. FMSB BANCORP, NEOLA	**65,368**	
FARMERS & MERCHANTS STATE BANK OF NEOLA		59,890
195. MALVERN BANCSHARES, INC., MALVERN	**65,209**	
MALVERN TRUST & SAVINGS BANK , MALVERN		65,208
196. WEST IOWA BANC CORP,MARCUS	**65,063**	
FARMERS STATE BANK, MARCUS	64,451	
197. MAXIMUM BANCSHARES, INC., WEST DES MOINES	**60,378**	
FIDELITY BANK, WEST DES MOINES		60,342
198. R&J FINANCIAL CORP., ELMA	**60,101**	
PEOPLES SAVINGS BANK, ELMA		59,887
199. GIBSON INVESTMENT CO., CLIVE	**59,821**	
PATRIOT BANK, BROOKLYN		59,821
200. BLUE GRASS BANCORP., INC., CORNING	**58,234**	
OKEY-VERNON FIRST NATIONAL BANK, CORNING		57,384
201. CJSB BANCORP., COLUMBUS JUNCTION	**57,329**	
COLUMBUS JUNCTION STATE BANK, COLUMBUS JUNCTION		57,329
202. RAKE BANCORP., RAKE	**57,326**	
STATE SAVINGS BANK, RAKE		57,072
203. BENZ HOLDING CO., MELVIN	**56,448**	
MELVIN SAVINGS BANK, MELVIN		56,448
204. KENNEDY BANCSHARES, INC., BANCROFT	**55,834**	
FARMERS & TRADERS SAVINGS BANK, BANCROFT		55,834
205. D&D BANCSHARES, INC., LA PORTE CITY	**54,327**	
CEDAR VALLEY BANK & TRUST, LA PORTE CITY		54,127
206. TWIN CEDARS BANCORP., BUSSEY	**53,437**	
STATE BANK OF BUSSEY		53,438
207. SAN BANCORP, SANBORN	**53,340**	
SANBORN SAVINGS BANK , SANBORN		52,894
208. D.W. HEINEKING, INC., HUBBARD	**53,091**	
SECURITY STATE BANK, HUBBARD		52,956
209. GILMAN INVESTMENT CO, OSKALOOSA	**52,620**	
CITIZENS SAVINGS BANK, MARSHALLTOWN		52,471
210. DRAKE HOLDING CO., RADCLIFFE	**50,847**	
SECURITY STATE BANK, RADCLIFFE		50,687
211. SLOAN STATE CORP., SLOAN	**50,027**	
SLOAN STATE BANK, SLOAN		49,945
212. TERRY BANCORP., WALFORD	**46,182**	
FARMERS SAVINGS BANK, WALFORD		45,984
213. CITIZENS HOLDING CO., SAC CITY	**45,671**	
CITIZENS BANK, SAC CITY		45,790
214. SWISHER BANKSHARES, INC., SWISHER	**45,001**	
SWISHER TRUST & SAVINGS BANK, SWISHER		45,001
215. FT BANCSHARES, INC., AUREL	**44,762**	
FIRST TRUST & SAVINGS BANK, MARCUS		44,358
216. YALE BANCORP., YALE	**43,265**	
FARMERS STATE BANK, YALE		43,259
217. ALTON BANCORP., ALTON	**42,523**	
COMMUNITY BANK, ALTON		42,455
218. EXCHANGE FINANCIAL, INC., ADAIR	**42,318**	
EXCHANGE STATE BANK, ADAIR		42,256
219. VAN FINANCIAL CORP., BREDA	**42,106**	
BREDA SAVINGS BANK, BREDA		42,099
220. ROYAL BANCSHARES, INC., ROYAL	**41,934**	
HOME STATE BANK, ROYAL		41,899
221. BLAIRSTOWN BANCORP, INC., BLAIRSTOWN	**41,408**	
BENTON COUNTY STATE BANK, BLAIRSTOWN		40,997
222. PLEASANTVILLE BANCORP., PLEASANTVILLE	**41,379**	
PLEASANTVILLE STATE BANK, PLEASANTVILLE		41,006
223. FIRST NATIONAL BANCORP, FARRAGUT	**40,170**	
FIRST HERITAGE BANK, SHENANDOAH		40,170
224. LITTLE SIOUX BANCSHARES, INC., SIOUX RAPIDS	**39,787**	
FIRST STATE BANK, SIOUX RAPIDS		35,203

*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, webinars and unparalleled networking opportunities far exceeds our modest annual dues. Join today.

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

Bob Vogel, President
Market Bancorporation, Inc.
New Market, Minn.

John W. Geelan, President
Whittemore Bancshares, Inc.
Whittemore, Iowa

Michael Vekich, Chairman
HF Financial Corp.
Sioux Falls, S.D.

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

Joseph Ceithaml, Attorney
Barack Ferrazzano, Chicago

Barack Ferrazzano provides a wide range of business-oriented legal services to some of the most respected and well-known companies in America and around the world. All of our lawyers share the same vision: to provide the quality of service offered by the most well-regarded large firms with the flexibility and cultural advantages of a smaller one.

Bruce Behm, President
Quazar Capital Corporation, Minneapolis

Quazar Capital Corporation is a private investment banking firm specializing in merger and acquisition services including sell-side and buy-side advisory. Quazar was founded in 1990 by Bruce Behm, a former banker.

Matt B. Costello, Financial Advisor
Principal Financial Group, Minnetonka, Minn.

We at Principal Financial Group help business owners build and secure plans in the areas of succession, estate, retirement, investment and deferred compensation.

Kris St. Martin, Bank Program Director
Associated Insurance Agents, Inc.
Brooklyn Center, Minn.

Associated Insurance Agents is a privately held independent agency established in 1982. The agency employs a team of 50 professionals. Associated Insurance Agents' success is based on a philosophy of being a trusted advisor and risk manager for its clients. The professionals at AIA deliver a complete array of insurance services including business, personal, life, health, benefits, surety, risk management, and claims services.

IOWA BANK HOLDING COMPANIES

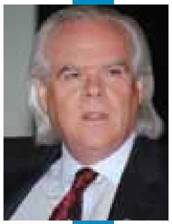
HOLDING COMPANY, LOCATION Subsidiary Bank, Location	CONSOLIDATED ASSETS*	SUBSIDIARY ASSETS*
225. ROG-LEE INCORPORATED, MANSON	39,620	
MANSON STATE BANK , MANSON		39,598
226. GARNAVILLO BANK CORP. , GARNAVILLO	37,899	
GARNAVILLO SAVINGS BANK, GARNAVILLO		37,623
227. LEDYARD BANCORP., INC., LEDYARD	37,811	
STATE BANK OF LEDYARD		37,814
228. APM BANCORP, INC.,BUFFALO	36,597	
BUFFALO SAVINGS BANK,		36,239
229. DELHI BANCSHARES, INC., MARION	36,335	
HERITAGE BANK, MARION		36,037
230. FSB OF VICTOR, INC., VICTOR	36,030	
FARMERS SAVINGS BANK, VICTOR		36,013
231. ARENDTS, INC., MONTEZUMA	34,712	
PEOPLES SAVINGS BANK, MONTEZUMA		34,460
232. WAPELLO BANKSHARES, INC., WAPELLO	34,273	
STATE BANK OF WAPELLO		34,272
233. MONONA BANCORP., ONAWA	34,040	
BLENCOE STATE BANK, ONAWA		34,021
234. LOWDEN BANCSHARES, INC., LOWDEN	33,763	
AMERICAN TRUST & SAVINGS BANK, LOWDEN		33,674
235. BANKERS EQUITY CORP., SLOAN	33,263	
PALO SAVINGS BANK, PALO		33,152
236. JEMS, INC., LAKE VIEW	31,922	
FARMERS STATE BANK, LAKE VIEW		31,889
237. CENTURY BANCSHARES, INC., SCHALLER	30,073	
STATE BANK OF SCHALLER		29,971
238. LOGAN BANCORP., INC., LOGAN	29,643	
FIRST NATIONAL BANK OF LOGAN		29,395
239. PEOPLES HOLDING CORP., WINFIELD	27,963	
PEOPLES STATE BANK, WINFIELD		27,900
240. UNION BANCORP., DEFIANCE	26,570	
DEFIANCE STATE BANK, DEFIANCE		26,555
241. HARTWICK BANCSHARES, INC., HARTWICK	25,904	
HARTWICK STATE BANK, HARTWICK		25,984
242. MONROE BANCSHARES, LTD ,MONROE	23,620	
MONROE STATE BANK, MONROE		23,618
243. KELLONTO BANKSHARES CORP.,ELGIN	22,279	
ELGIN STATE BANK,ELGIN		22,278
244. FARMERS & TRADERS BANCORP., INC., DOUDS	21,651	
FARMERS & TRADERS SAVINGS BANK, DOUDS		19,579
245. SHIELDS AGENCY, INC., ROWLEY	15,538	
ROWLEY SAVINGS BANK, ROWLEY		15,534
246. DYSART BANCSHARES, INC., DYSART	13,909	
DYSART STATE BANK, DYSART		13,909

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

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

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.

Access

Gain access to regulators and expert. 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. Further, 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.

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.

www.theBHCA.org

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