theBHCA.org — Winter 2019

Bank Owner

Bank Holding Company Association Magazine

FALL SEMINAR COVERAGE:

- FINDING THE RIGHT M&A PARTNER
- MERGERS OF EQUALS
- TITLE ISSUES IN M&A
- TCF LEADER: *BE GREAT AT SOMETHING*
- BE GUIDED BY YOUR 'TRUE NORTH'

REFLECTING ON A STRONG 2019

PREPARING FOR A GREAT 2020

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The Bank Holding Company Association exists to provide education and business connections critical to the vitality of bank holding companies.

Found in 1981, the BHCA 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 *Bank Owner* magazine is the quarterly publication of the BHCA. The magazine 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 website, theBHCA.org. Managing Director Tom Bengtson serves as editor. Contact him at (952) 835-2248 or 1-800-813-4754 or email us at info@thebhca.org.

Cover art by Ellen D. Photography

BHCA has grown stronger throughout the year; outlook is positive

By Rick M. Wall
Highland Bancshares, Inc.
Minnetonka, Minn.

2019 has been a great year for the Bank Holding Company Association. It has enjoyed strong attendance and achieved high marks for the programming at the seminars. It has taken the time to plan for the future, completing a strategic planning session and developing a better focus on the purpose and mission of the association. In 2019, it has continued to strengthen its balance sheet and has the capacity to weather some economic headwinds. Most importantly the Association has continued to grow its membership base in the face of an industry where the number of bank holding companies is declining. Much of this work has been done by Tom Bengtson and his staff at NFR Communications. Through his leadership the organization has continued to offer valuable contacts and insight to its members.

2020 looks like it will be another good year for the association. First, I'm pleased that the board has negotiated a new five-year agreement with NFR to manage the association. The five-year agreement replaces the current three-year agreement that expires this month. The new contract encourages Tom and his group to continue to offer meaningful and relevant programing to help our members as bank owners, executive operators and directors, the opportunity to network and learn about what's happening in our rapidly changing industry. It also incentivizes NFR to continue to innovate and offer new products, such as the National Holding Company Directory launched in 2019. Secondly, in 2020 Harry Wahlquist ascends to the president's chair of the association, bringing his enthusiastic and gregarious charm, love of banking and Pioneer Banker level of experience. A strong champion of community banking, Harry is a great person to lead the board in 2020.

In order to align ourselves with the way most associations operate, such as the MBA, ABA and ICBM, the BHCA has changed its dues methodology to a sliding scale and abandoned the tiered billing approach. In the new system, each bank is charged based on its June 30 call report assets. In comparing the cost of the Bank Holding Company Association to other industry groups, it's clear that BHCA is a very good value providing a lot of insight and information at a relatively low cost. Given the steady membership increase, our members are proving that they are getting value from the association.

Because networking is one of the most highly rated benefits of being a BHCA member, I encourage each one of you to reach out to a non-BHCA member and encourage them to join or attend a seminar. More owners, executives and board members will make networking even more valuable. Tom, his staff and the BHCA board do a good job of encouraging members to join but there are still about 70 percent of the bank holding companies in our Upper Midwest primary market area that are not members. I'd love to have them join us and experience the benefits of being members.

While banking continues to offer plenty of challenges, from advances in Fintech, a flat yield curve, continued unfair competition from tax-free competitors, regulatory changes, the uncertainty of a long-lived economic expansion, cyber risk, and many others, the BHCA will be here trying to help each of us work through the obstacles and capitalize on our opportunities.

With this column I conclude my service as president of the BHCA. It has been a great year and I sincerely appreciate the support of my colleagues on the board and the entire membership of the organization. Best wishes to each of you for the remainder of 2019, and best wishes for a great 2020. ■

As plans for 2020 take shape, we can celebrate a successful 2019

By Tom Bengtson
BHCA Managing Director

The year is winding down, which means we are well on our way to planning BHCA events for 2020. This year has been stellar for the association, with two well-attended seminars in the Twin Cities, in addition to a strong one-day event in Kansas City last spring. 2019 is also the year that we introduced a new printed directory of holding companies across the nation. That product was well-received and we look forward to producing the 2020 edition in time for Spring Seminar distribution.

The 2020 Spring Seminar, set for May 4-5, is going to include a new event. We will be hosting a luncheon in advance of the seminar's 3 p.m. opening on Monday, May 4. The luncheon will be presented in honor of next generation banking leaders. We will have a speaker and honor several outstanding mid-career industry leaders. This will be an opportunity for bank owners and other BHCA members to bring along directors and key staff, who might benefit from exposure to the BHCA and its membership.

The Fall Seminar is set for Oct. 5-6; we will continue to explore the topic of mergers and acquisitions from the perspective of banks seeking expansion and working to perservere their independence. We have had very strong attendance the last three years with this topic; clearly there is a great level of interest. As an organization that focuses on ownership issues, the BHCA is uniquely positioned to provide this education. We view providing such an education as a serious responsibility.

Both 2020 seminars will take place at the Minneapolis Airport Marriott hotel in Bloomington, Minn. After a three-year run at the Hyatt, we are returning to the Marriott, where the BHCA seminars were conducted for several years. The Marriott is a great host, and the hotel has been thoroughly updated since we last conducted a seminar there. Networking time is an extremely important part of the seminar schedule, and the Marriott has excellent space for our receptions and between-session conversations. The parking at the Marriott is easy, and as you know, the hotel is convenient to the airport and the Mall of America.

We didn't have a theater night with the 2019 Fall Seminar, but make plans now to be part of the theater night Tuesday, May 5 at the Spring Seminar when we will be taking in The Music Man at the Chanhassen.

Our one-day events are growing in popularity. For the last two years, we have partnered with the Stinson law firm to host a bank owners' boot camp. I am pleased to announce that we will be jointly presenting a one-day seminar on Tuesday, April 7 at the Stinson offices in Kansas City, Mo. Watch for more information on this event in the coming months. This is a great way to benefit from BHCA education if you work in Kansas, Missouri, Iowa, Nebraska or other state convenient to Kansas City.

Furthermore, we are in discussion about possibly hosting one-day seminars in other locations during April. It would be premature to announce anything now, but my hope is by the end of the year, we will have one or two other events scheduled for major metro areas in the Midwest/Central states. Watch for information as it becomes available.

One of the many things I love about serving as managing director of the BHCA is working with a board of directors. For nine years, I have been blessed to work with great bankers who agree to volunteer their time to serve on the BHCA board. It is a real privilege to sit down at a table with these folks and discuss the details of association and industry business. You get to see a side of a person that you typically otherwise don't see. People have ideas and reactions that stimulate great discussions. I have really appreciated watching the BHCA leaders in action. Everyone runs a meeting slightly differently, but I have been impressed by the leadership style of each of the leaders of the association over the past decade. Rick Wall of Highland Bancshares, Inc., Minnetonka, Minn., who is concluding his year as BHCA president in a few weeks, demonstrated excellent leadership, instigating important discussions about strategic planning, contracts, dues and other key membership issues. I learn from each board member, and especially from the presidents.

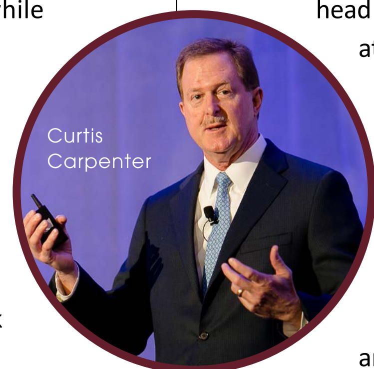
According to the BHCA bylaws, board members are eligible to serve two consecutive three-year terms. At the annual meeting conducted at the Fall Seminar in October, three current board members nearing the end of their first term, applied to serve a second term. Brenda Johnson of Charter Bankshares, Inc., Eau Claire, Wis., Tim Siegle, First Holding Company of Cavalier, Inc., Cavalier, N.D., and Mike Segner of WCF Bancorp., Webster City, Iowa, were all re-elected, so

Down to Business, *Continued on page 9*

By Alaina Webster

With industry pressure mounting, best deals are still dependent on finding the right partner

As of this writing in late October, 2019 has seen 175 bank mergers, with 264 predicted by year's end, according to data from Sheshunoff & Co., an investment banking firm that specializes in mergers and acquisitions. Speaking at the Bank Holding Company Association's Fall Seminar in Minneapolis, Sheshunoff's Curtis Carpenter and John Adams noted that while the M&A market is certainly healthy and active at the moment, the numbers are not out of the ordinary.


Curtis Carpenter

"When you look at the pace of bank mergers going all the way back to before the [financial] crisis, the average of the past 13 years has been 266 bank charters exiting the industry every year," Carpenter said.

This steady M&A activity is decreasing the number of banks throughout the nation and creating a larger class of mid-size or regional banks, those with assets of $1 billion or more.

"We lost well over half of the banks that were under $200 million before the financial crisis," Carpenter said. "The industry is migrating toward a larger asset size. The average community bank is larger than it's ever been, and it gets larger every year as banks on the smaller end are merging into banks on the larger scale."

And whether it's because of regulatory hurdles (an issue during the Obama administration) or a dearth of interested shareholders willing to wait to turn a profit (a current issue), *de novo* activity hasn't gained speed following the Great Recession and isn't expected to.

"One thing we're seeing right now is investor groups looking at [*de novos*] and seeing all the capital that's needed to create a *de novo*, regulatory pressure, and [investors aren't] going to be making any money for five years or so," said Kirk Hovde, managing principal and head of investment banking at Hovde Group, LLC., who also presented at the Fall Seminar. "Why do that when there are still smaller banks out there that you can acquire for $150 million to $200 million and use it as a platform and inject less capital to finance and grow that bank?"

The combination of steady M&A activity and the almost nonexistent *de novo* market will lead to a much smaller number of banks by 2029, Sheshunoff estimates. For example, Minnesota currently has 286 chartered institutions, but the firm estimates it will have just 166 banks 10 years from now. Texas, which currently houses 433 banks, will have only 251, and South Dakota, which today has 63 banks, will see the number of institutions shrink to 37.

What's trending in M&A activity today? According to Carpenter and Adams, it's a mix of timeless factors that rarely change, regardless of the economy, political shifts or regulatory changes and a few new players entering the arena.

Management succession and talent acquisition

"Management succession is the No. 1 reason that a bank hires us to find them a buyer," said Carpenter. "Over half of the time, it's because of a management succession issue. Second is changing demographics. People in rural communities — you have kids who grew up in those communities who often live in the big city. They don't want to come back and run the bank."

In a recent survey of bank CEOs conducted by Sheshunoff, staffing challenges or succession issues were ranked as the "biggest long-term concern" by 36 percent of respondents.

"I think all of you out there can say that hiring good and new talent … is difficult to come by," said Hovde. "So when you can take another bank that's got a good, young core group of bankers, not just to run your bank but at every level, that's a pretty attractive thing to acquire. The difficult part is, can you ever put a number on that, and say this is how much value that creates? If you're saying there are 20 open positions at your institution, it's going to be hard to fill that organically."


John Adams

Adding to the strain of changing demographics and an aging C-suite workforce, historically low unemployment has led to an extremely tight labor market, making acquiring talent via merger that much more appealing.

Sustainability

The trend toward larger institutions should come as no surprise, particularly as many community banks report feeling too small to remain competitive.

"We have a 21 percent corporate tax rate. We've got a more favorable interest rate environment than we've had in a long time. We've got asset quality that is the cleanest we have seen in at least 15 years. We've got a favorable regulatory environment," Carpenter said. "Really, every light on the dashboard is green for community banks, and yet even still only about 50 percent are earning a 1 percent or higher ROI, which equates to around 10 or 11 percent ROE. So you can imagine the half of the industry that is not earning a 1 percent return on assets is thinking about aligning with someone. That discussion is occurring in boardrooms."

Sheshunoff's CEO survey found that 31 percent of respondents believed they were not large enough to be competitive, and a survey of attendees at the 2019 *Bank Director* "Acquire or Be Acquired" conference found that 38 percent felt their institutions had limited deposit growth capabilities, and 32 percent were struggling to keep pace with technological change.

"It's getting harder and harder to be competitive on technology costs," Hovde said. "When you've got JP Morgan spending $10 billion a year on tech, how are you supposed to compete on the tech side of things when you're up against that? If you're a $100 million bank that is focusing on your core business, you're kind of viewing tech as, 'Hey, I'll just go with whatever my core processor tells me to do.'"

Both tech and deposit concerns can be addressed through the right merger, however.

"Deposits are king in the industry right now," Carpenter said. "A lot of smaller, rural banks have got them, and that has been beneficial to rural bank pricing.

"The premium being paid for deposits has accelerated far faster than the increase in the Fed funds rate, and so even with the Fed turning rates down slightly recently, and perhaps going forward, we don't think the premium on deposits is going to slip that much," he continued.

Marrying a rural bank with strong deposits to a larger bank with more capital and better tech capabilities can be a win for both institutions.

"I had a bank back in '15 that had a 35 percent loan-to-deposit ratio and about 30 basis point cost of funds," Hovde told the assembly. "At the time, it wasn't extremely attractive because people were saying, 'we need loans.' Now, I would love to be selling that bank because you'd have every single bank out there in the market saying, 'I'm buying that. I'm going to compete with the next person to get those deposits.'"

Credit unions acquiring banks

While the vast majority of M&A activity is still bank on bank, the increase in the number of banks being purchased by credit unions can't be ignored. According to Sheshunoff's data, from 2014 to 2017, credit unions only bought seven banks. In 2018 and 2019 alone, that number almost tripled as credit unions purchased 19 banks.

"Credit unions cannot issue stock, so they can't raise capital," Carpenter said. "The only capital they have to spend is the capital that has accumulated on their balance sheets. They're very regulatory conscious. They don't want to strain their capital. So, they're conservative in that way, but they are not conservative on pricing. If they want a particular transaction, if there's a particular strategic initiative that they accomplish by doing a transaction, their question is what's the price to get the deal done?"

The political and regulatory differences between banks and credit unions notwithstanding, as Hovde pointed out, "If you want to get out, if your shareholders want to get out all cash, credit unions' cash is worth the same as your cash."

Carpenter acknowledged that bank/credit union mergers are complex, but he, too, pointed out that there may be benefits to such partnerships.

"[Credit unions] don't look at price per share. They don't look at EPS accretion, and they don't look at tangible book value dilution," he said. "They just want to know, 'What's the highest price that somebody could pay in this market? And we want to go a little higher.' Not a bad buyer to match up with."

Plus, as Adams pointed out later in the presentation, "Consolidation reduces the number of traditional buyers … so you have to take that into consideration."

"Boards are kind of left with the same strategic options they've always had," Carpenter said, summing up the presentation. "But with the change in the industry, it kind of changes the focus, the status quo. A lot of community banks are making more money in 2019 than they have made in a decade, and they're loving the profitability, and the status quo looks better to them than it's looked in quite a while. But there may be some clouds on the horizon.

"Is it the right time to sell?" Carpenter posed hypothetically. "One of the things you may have heard us saying is that a lot of this is determined by whom you pair up with. The timing to sell a bank can be driven by the buyer's availability and partnering with the right buyer, maybe even waiting for a key buyer to finish doing a transaction so you can be the next one in the queue." ■

By Alaina Webster

A 'merger of equals' is easier said than done

Mergers of equals (MOEs) have become something of a "unicorn" in banking circles. They're rare.

"Mergers of equals — always a popular topic at conferences, always a popular topic among bankers," said Curtis Carpenter of Sheshunoff & Co., at the BHCA Fall Seminar. "We know it's very difficult to see them through to the finish, mostly because of social issues."

Later in the day, during a Q&A with Karen Grandstrand of Fredrikson & Byron, Craig Dahl, president and CEO of Detroit-headquartered TCF Financial Corp., described his organization's merger with Chemical Bank.

"Dave Provost, who was the CEO of Chemical, told me that he's been called by other bank CEOs about how [the merger] went, and he said, 'Well, have you ever heard of a reverse mortgage? … This is like a reverse divorce. You think, who gets the house, who gets the boat, who keeps the puppy. If you agree on all that up front, then you have a chance to do a deal,'" Dahl shared.

He explained that since Chemical is a combination of 12 different banks, it didn't come to the deal with a single culture. But TCF had a culture, driven by its national lending business, and it was important to recognize this as the combination of the businesses progressed.

"On legal day one, every team member had a delivery on their desk," he said. "A postcard from me and a video. There was some swag with it, and there was the opportunity to go to our gift shop and buy a present, all of that. We had a video that talked about 'We are one TCF' where we interviewed about 40 team members, 20 from each bank, and again that was available on that day. Just trying to get them to talk about the cultures because it is going to be a combination of both banks … the best of all the banks now."

During their presentation, Craig Mueller and David Stieber of Oak Ridge Financial shared the story of an agreement they had recently tried to facilitate for an out-of-state buyer. According to Stieber, the pro forma checked all the boxes, and it looked like an all-cash deal was coming together. However, as the two banks explored their credit cultures more thoroughly, they discovered that the seller primarily dealt in commercial real estate lending while the buyer focused on agricultural, and commercial and industrial lending. The two policies didn't align, and had the banks combined, all lenders would have been reassigned away from CRE, a plan destined to fail.

Karen Grandstrand, Fredrikson & Byron and Craig Dahl, president and CEO of TCF Financial Corp., present at the BHCA 2019 Fall Seminar.

"Learn all about the target and culture to see if it's a good fit. You aren't just buying assets and assuming liabilities," Stieber said. "Credit culture match is critical for success."

"It all comes down to the cultural management," said Kirk Hovde, managing principal and head of Investment Banking for Hovde Group, LLC. "Trying to get [two banks] to mesh doesn't always work. MOEs can work and work very well, and the economics always work out really well and make a ton of sense, but it's day two and beyond that's hard to execute. That's always something you want to be aware of."

Management issues often plague MOEs as well. "You can't pick a management team and have it all from one side and then argue that it's an MOE," Dahl said.

However, sometimes mergers create what Dahl termed "natural openings." When TCF and Chemical merged, Chemical's chief credit officer was retiring, and its auditor resigned, creating openings for TCF employees to move into those roles. "Not everything has been done on this 50/50 approach," he said, "but that has been on our mind."

Mergers of equals are, at the end of the day, compromises, and like most compromises, they involve sacrifice on both sides.

"The more unhappy both sides are, the better job we did because at the end of the day, the only way you can measure it is if you say, 'I got everything I wanted,' then that means they got nothing that they wanted, and that's going to impact you down the road," Dahl said. "We've been very careful on how we've aligned the leadership and done that." ■

Title issues not to be ignored in bank M&A

Once an acquiring bank gets an agreement signed, a series of events unfold to drive the acquirer toward closing. One of the earliest issues an acquiring bank needs to address is issues related to title, said Scott Coleman, attorney with Ballard Spahr.

An acquiring bank should verify that the target bank does in fact have a good title. "While the seller will frequently make representations and warranties that the title is clean and unencumbered, and will make representations and warranties regarding compliance with zoning ordinances, there are still issues that usually come up in just about every transaction we do," Coleman said. "We see the parties agree that there is going to be a title commitment or, depending on your jurisdiction, an attorney's title opinion that is issued so that buyer can assure itself that when it takes ownership it will have clean title."

In the scheme of things, issues of title might seem small, but it is important to start early, Coleman advised, especially if the target has multiple locations. He advised bankers to use one title company for all locations and make sure it is a title company they are comfortable using.

"We had a transaction where we had multiple different title companies that the seller had worked with in each of the locations where they had operations," Coleman said. The result: A lot of waiting and communicating with three companies that had different rules.

"The carriers might be different, and it just adds a little bit to the timing and complexity," Coleman said.

Bankers were cautioned to be alert to how communications between buyer and seller representatives has changed. "It used to be we get the title, we review it, we might write a nice letter with a couple paragraphs or we'd identify some objections," Coleman said. These days, real estate attorneys have gotten formulaic, something Coleman considered in positive terms. "It keeps costs down."


Scott Coleman

Both buyers and sellers need to recognize the volleying between attorneys: In the case of exception letters raising objections, "it goes to the opposing counsel and their real estate attorney writes a letter back that sounds very negative and very hostile, saying we denied the right to cure this objection. We deny any right to cure that objection.

"And you think, 'well, have they changed their mind on the transaction? Are they hostile? Why are they being so aggressive?'"

The bottom line, Coleman said, is this is all part of the formula. And despite how it sounds, it's efficient. "In most cases, a lot of the title objections can be dealt with through the title company either through adding an endorsement to the coverage or just providing an affidavit." The attorneys might seem like they are fighting, but they aren't, Coleman said. ■

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they will start a second term starting on Jan. 1. (Siegle is leaving First Holding Company of Cavalier and will be joining Ameri Financial Group, Inc., Stillwater, Minn., on Jan. 1.) I am always glad when board members elect to serve a second term because we only meet four times per year and it takes a while before one grows sufficiently familiar with the role to truly make the most of the opportunity.

At our October board meeting a few weeks after the annual meeting, the board elected the leadership for 2020: Harry Wahlquist of Midwest Bancorporation, Inc., Eden Prairie, Minn., is president; Mary Jayne Crocker, Bridgewater Bancshares, Inc., Bloomington, Minn., is vice president; Jeffrey Weldon, CLA, Minneapolis, is treasurer and Rick Wall is immediate past president. These are all highly accomplished professionals with deep knowledge of the industry and I look forward to working with them in the coming year.

It's been a great year. Let's make the most of the remainder of 2019 and I look forward to serving you in 2020! ■




Scenes from the 2019 Fall M&A Seminar, Oct. 7-8
Hyatt Regency | Bloomington, Minn.













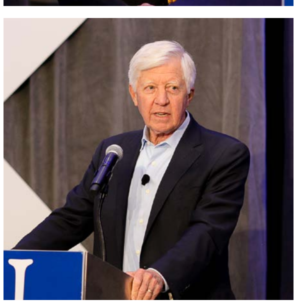
































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By Mara Gawarecki

TCF's Dahl: Banks need 'something great' to stay independent

Banks need to hone a distinctive, high-quality product or characteristic that sets them apart in order to stay independent, according to Craig Dahl, president and CEO of TCF Financial Corporation. Addressing attendees at the Bank Holding Company Association's Fall Seminar, Dahl identified four areas to focus on: products, diversification, technology and cyber.

Perfecting a core product offering as a distinguishing factor is crucial, Dahl said. "You have to have a product that you're really good at. You have to have something that is your core go-to, but yet it can't be the only thing you do."

Hyperspecialization without balance isn't the way to stay strong and independent, Dahl said, citing TCF's decision to focus on its equipment and inventory financing lines without ignoring other areas. "The success of our equipment finance business, the success of our inventory finance business have come on the backs of being very focused on what we're going to do," he said. "But that was not everything. That's 40 percent of what we do; it's not 100 percent. If you have the chance to remain independent there's something you have to be great at, but you can't ignore the other things as well."

"YOU HAVE TO HAVE A PRODUCT THAT YOU'RE REALLY GOOD AT. YOU HAVE TO HAVE SOMETHING THAT IS YOUR CORE GO-TO, BUT YET IT CAN'T BE THE ONLY THING YOU DO."

With technology, banks need to understand their own needs as well as what their budgets can reasonably buy, Dahl said: "If you're going to have Grade A everything, you're going to spend to get there." Banks and their boards should identify what their particular customers and business models call for before going all-in on the cutting edge of technology adoption.

Of the four, cyber is the piece that most keeps Dahl himself up at night because of how little he knows about it. "In all the rest of the banking business, if you bring me into a meeting where there is a problem, I think I could add value in that discussion," he said. "If you bring me into the room with a cyber discussion, the phrase 'I don't know what I don't know' is absolutely appropriate."


Craig Dahl

That's where a bank's board can come in. "My view of the role of the directors is to bring them in and maximize the skills that they can bring," Dahl said. "[They're] going to bring their level of experience and expertise and that's what we're looking for."

All told, complementary profiles — in technology, product lines, market areas and culture — were what made TCF's merger of equals with Michigan's Chemical Financial work so well, Dahl said. The merger, which closed at the beginning of August, created a $47 billion company which dovetailed together nicely from the characteristics of its component banks.

"We had complementary businesses and adjacent markets; we don't have identical businesses in common markets," Dahl said. TCF's core was old, but it offered easy digital access and products while Chemical's core was new and its digital product offerings were stale and generic, Dahl said. "We have a tremendous organization coming out of this transaction." ■

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BHCA

By Jackie Hilgert

George urges bankers to live up to their 'True North'

Bill George, above, author of *True North*, speaks to the attendees of this year's Fall Seminar, encouraging bankers to reflect on their values and to remember that community banks are the backbone of society. Attendees received a free copy of his book.

With the acknowledgement that community bankers are the backbone of the nation and provide the fuel to keep the economy chugging along, former Medtronic CEO Bill George said he'd like to see banking restored to its roots. Those roots, George explained, were the connections to communities and the relationships that have been forged, especially when banks provide businesses with "help in time of need."

George delivered the luncheon address at the Bank Holding Company Association Fall Seminar Oct. 8.

With a nod to the cliché about banks only providing money to those who don't need it, George encouraged bankers to consider the small businesses that need capital to grow into a mid-size and, eventually, a large business. "In many ways, we've really gotten away from that," he said. "We've gotten away from relationship banking in favor of transaction banking. We've decided there's so much money in transactions … and who wants to spend the time on building relationships?"

Wells Fargo got into its current trouble for this very reason, George said. Calling Wells Fargo his "bank of 40 years," when the focus shifted to transactions, the institution got into trouble. He called that breach of trust "unbelievable."

Equally dismaying were those creative financial instruments (such as credit default swaps) that led to the financial crisis. George sat on the board of Goldman Sachs when AIG, Merrill Lynch and Lehman Brothers imploded, a "white-knuckle experience," he said.

"There's plenty of money to be made in community banking, as the super-regionals are showing, but you have to stay true to what you are," George said, adding a call for bankers to revive the vitality of local communities.

George called on community bankers to rally their civic and business leaders and politicians, especially in rural communities, to bring businesses back into those towns and stem the brain-drain that has long been underway as young people migrate to urban areas. "Assert the community's assets. You can bring all the interests together," he preached. "That's your role."

George said he believes customers want to do business with people they trust, people who reflect their values, and people who invest in the personal touch. ■

A look at the Fed's main types of data collections — Supervisory, Structure and Financial

Many readers will be familiar with the required Supervisory, Structure, and Financial reports filed by holding companies and their subsidiary banks and nonbanks. However, the majority may be unfamiliar with the data we collect through voluntary reports and surveys. This article summarizes the primary voluntary reports and surveys collected by the Statistical & Structure Reporting unit at the Federal Reserve Bank of Minneapolis and our colleagues at the other 11 Reserve Banks.

The voluntary data collections highlighted below help the Federal Reserve economists and statisticians create financial estimates of the broader banking industry. The Federal Reserve regularly reviews the pool of potential respondents and requests participation by commercial banks in these important sources of economic data. Unlike the institution-specific Supervisory and Structure data that are made available to the general public, the data collected through these voluntary surveys and reports are released on an aggregated basis only. These results are used by government and industry leaders to make policy and business decisions.

More details about these voluntary data collections, with the exception of the Senior Loan Officer Opinion Survey (FR 2018), are available on the Federal Reserve's Report Forms website at https://www.federalreserve.gov/apps/reportforms/default.aspx. The published statistical releases and details on the Senior Loan Officer Opinion Survey (FR 2018) can be found on the Board of Governors' Data page at https://www.federalreserve.gov/data.htm.

Weekly Report of Selected Assets and Liabilities of Domestically Chartered Commercial Banks and U.S. Branches and Agencies of Foreign Banks (FR 2644) is the source of data used to construct the weekly publication of the Assets and Liabilities of Commercial Banks in the United States (H.8) statistical release, which is the only source for high-frequency data detailing bank credit and the balance sheets of commercial banks in the United States. Data from this report are used to analyze current money and bank developments, including the monitoring of credit and funding conditions. Users include Board staff and the Federal Open Market Committee (FOMC), other government agencies, the banking industry, the financial press, and the broader financial community.

Survey of Terms of Bank Lending to Farmers/Prime Rate Supplement (FR 2028b/s) measures the cost of credit and lending terms of commercial banks and is used to analyze financial developments in the agriculture sector. A link to the Agricultural Finance Databook (E.15), published quarterly on the Federal Reserve Bank of Kansas City's website, can be found on the Data page referenced above. The U.S. Department of Agriculture (USDA) uses the data in charts of two quarterly interest rate series published in the USDA's Agriculture Charts and Agricultural Finance Outlook. The data are used in estimating the price indexes and income accounts for which the USDA is responsible.

Small Business Lending Survey (FR 2028D) measures the impact of bank lending to small businesses. Survey responses have shown that banks are critical for employment and economic growth at the local, regional, and national levels because they are a primary source of funding for these businesses. The survey also contributes to a better understanding of the role of community banks in providing loans to small businesses and on small business access to credit in local communities. A link to the survey results, published quarterly on the Federal Reserve Bank of Kansas City's website, can be found on the Data page.

Quarterly Report of Interest Rates on Selected Direct Consumer Installment Loans (FR 2835) collects interest rate information on consumer installment loans for new automobiles and on loans for other consumer goods and personal expenditures. The data are included in the commercial bank component of the aggregate consumer installment credit series and the domestic nonfinancial debt aggregate, and are used to construct the flow of funds accounts. Aggregate data on most common rates are published in the monthly Consumer Credit (G.19) statistical release.

Quarterly Report of Credit Card Plans (FR 2835a) collects information on two measures of credit card interest rates. One measure is the average nominal finance rate for all accounts. The other – average computed interest rates – is derived from two items: total finance charges assessed to cardholders during the period and the total of balances on which the finance charges were determined. The data are used to better assess the current conditions of the credit card market and are included in the commercial bank component of the aggregate consumer installment credit series. Aggregate data on most common rates are published in the monthly Consumer Credit (G.19) statistical release.

Fed Notes, *Continued on page 17*

Holding Company Transaction Report

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

▷ Notice filed by William H. Davis, Fairview Park, Ohio, individually, and acting in concert with William A. Minnich, Lakewood, Ohio, to acquire Anchor Bancorporation, Inc., and thereby control Anchor State Bank, both of Anchor, Ill.

▷ Notice filed by the Michael C. Martin Gift Trust and others to join the Martin Family Control Group, and retain and acquire control of 10 percent or more of Arbor Bancorp, Inc., and thereby control Bank of Ann Arbor, both of Ann Arbor, Mich.

▷ Bank Iowa, West Des Moines, Iowa, filed to merge with First State Bank of Colfax, Iowa.

▷ Notification filed by Andrew R. Bosshard, as trustee of the Alexandra Tana Bosshard Irrevocable Trust of 2018, and others to acquire 10 percent or more of Bosshard Financial Group, Inc., La Crosse, Wis., and join the Bosshard Family Group which controls 25 percent or more of Bosshard Financial Group, Inc., and thereby control Oregon Community Bank of Oregon, Wis., and Farmers State Bank of Hillsboro, Wis.

▷ First Midwest Bancorp, Inc., Chicago, filed to merge with Bankmanagers Corp., and thereby acquire Park Bank, both of Milwaukee. In addition, First Midwest Bancorp, Inc.'s subsidiary bank, First Midwest Bank, Chicago, filed to merge with Park Bank. As a result of the merger, all five offices of Park Bank will become branches of First Midwest Bank.

▷ Charles S. Lichtigman and others filed to acquire FirState Bancorp, Inc., and thereby control 1st State Bank of Mason City, both of Mason City, Ill.

▷ Northstar Financial Group, Inc., Bad Axe, Mich., filed to acquire 90.7 percent of West Michigan Community Bank, Hudsonville, Mich.

▷ Waterman Acquisition Group, LLC, Wilmette, Ill., filed to become a bank holding company by acquiring Waterman State Bank, Waterman, Ill.

▷ Eagle Bancorp Montana, Inc., Helena, Mont., filed to merge with Western Holding Company of Wolf Point, Mont., and thereby acquire Western Bank of Wolf Point. Opportunity Bank of Montana, Helena, filed to merge with Western Bank of Wolf Point and establish branches. In addition, Eagle Bancorp Montana, Inc., will acquire Western Holding Company of Wolf Point's subsidiary Western Financial Services, Wolf Point.

▷ Keweenaw Financial Corporation, Hancock, Mich., filed to merge with North Star Financial Holdings, Inc., and thereby acquire Main Street Bank, both of Bingham Farms, Mich.

▷ Bank of Commerce, Chanute, Kan., filed to merge with Chetopa State Bank & Trust Co., Chetopa, Kan., and First Neodesha Bank, Neodesha, Kan.

▷ CCB Financial Corp, Kansas City, Mo., filed to acquire by merger Prairie Star Bancshares, Inc., parent of Bank of the Prairie, both in Olathe, Kan. Country Club Bank, Kansas City, Mo., filed to merge with Bank of the Prairie, Olathe.

▷ Change in control notice submitted by John Houghton and others to become members of the Houghton Family Group and to acquire control of PBT Bancshares, Inc., parent of Peoples Bank and Trust Company, both in McPherson, Kan.

▷ Change in control notice submitted by Todd E. Domer and Marilyn K. Domer both of Topeka, Kan., to retain shares of Spearville Bancshares, Inc., parent of First National Bank of Spearville, both in Spearville, Kan.; and to be approved as members of the Domer Family Group.

▷ Point Financial Services, Inc., Forreston, Ill., filed to acquire The Poplar Grove State Bank, Poplar Grove, Ill.

▷ Viking Financial Corp, Alexandria, Minn., filed to convert Viking Bank, Alexandria, from a federal savings association to a national banking association, in connection with the merger of First State Bank of Ashby, Minn., with and into Viking Bank.

▷ Central Bancompany, Inc., Jefferson City, Mo., filed to acquire Platte County Bancshares, Inc., Platte City, Mo., and thereby acquire Platte Valley Bank of Missouri. There was also a companion filing by Platte Acquisition Corporation, Jefferson City, to become a bank holding company by acquiring Platte County Bancshares, Inc.

▷ Community Bancshares of America, Inc., Kansas City, Mo., filed to become a bank holding company through the acquisition of Northeast Kansas Bancshares, Inc., parent of Kendall State Bank, both in Valley Falls, Kan.; and to engage in general insurance activities through the acquisition of Northeast Kansas Bancshares, Inc., Valley Falls, Kan.

▷ Cornerstone Bank, York, Neb., filed to merge with Security Home Bank, Malmo, Neb., and to operate a branch in Malmo. Immediately prior, First York Ban Corp, York, filed to acquire through its subsidiary, Cornerstone Bank, 100 percent of Malmo Bancorp, Inc., parent of Security Home Bank, both of Malmo.

▷ Notice submitted by Thomas H. Olson, Jr., Lincoln, Neb., to acquire First National Financial Corporation, parent of Bank of Estes Park, both in Estes Park, Colo. Olson also filed to acquire the First Nebraska Bancs, Inc., Sidney, Neb., parent of Points West Community Bank, Sidney, Nebraska; and Points West Community Bank, Windsor, Colo. He also filed to acquire voting shares of O&F Cattle Company, parent of Nebraska State Bank, both in Oshkosh, Neb.

▷ Newport Trust Co, Minneapolis, as trustee of the Citizens State Bank of Loyal Stock

Bonus Plan & Trust, Loyal, Wis., and others filed to acquire 10 percent or more of Citizens Bancshares of Loyal, Inc., Loyal, which controls Citizens State Bank of Loyal.

▷ FFBW, Inc., Brookfield, Wis., filed to become a savings and loan holding company by acquiring First Federal Bank of Wisconsin, Waukesha, in connection with the merger of FFBW, Mutual Holding Company into FFBW, Inc., both headquartered in Brookfield.

▷ Ames National Corporation, Ames, Iowa, authorized to acquire Iowa State Savings Bank, Creston.

▷ Bancommunity Service Corporation, St. Peter, Minn., authorized to acquire State Bank of Belle Plaine, Minn.

▷ Grove Financial Group, Inc., Excelsior, Minn., authorized to become a bank holding company through the acquisition of First State Bank of Grove City, Minn.

▷ Westbrand, Inc., Minot, N.D., authorized to acquire Black-Ridge Financial, Inc., West Fargo, N.D., and thereby acquire Black-RidgeBANK, Fargo, N.D.

▷ First Option Bank, Osawatomie, Kan., authorized to merge with Pony Express Community Bank, Saint Joseph, Mo.

▷ Central Bancshares, Inc., Muscatine, Iowa, filed to acquire Walcott Trust & Savings Bank, Walcott, Iowa. Central Bancshares, Inc., also filed to acquire Hail, Inc., Walcott, Iowa, and engage in insurance in small towns.

▷ Wintrust Financial Corp, Rosemont, Ill., filed to acquire SBC Incorporated, and thereby acquire Countryside Bank, both of Countryside, Ill. In addition, Wintrust Financial Corp's subsidiary, Hinsdale Bank & Trust Company, Hinsdale, Ill., filed to merge with Countryside Bank, Countryside. As a result of the merger, all offices of Countryside Bank will become branches of Hinsdale Bank & Trust Company.

▷ Notice submitted by Ross M. Tessendorf, Blair, Neb., and others to acquire shares of Bellwood Community Holding Company, parent of Bank of the Valley, both in Bellwood, Neb.

▷ Bern Bancshares, Inc., Bern, Kan., filed to acquire up to 7 percent of UBT Bancshares, Inc., Marysville, Kan., and thereby acquire United Bank & Trust, Marysville.

▷ First State Bancshares, Inc., New London, Wis., authorized to merge with Pioneer Bancorp, Inc., Auburndale, Wis., and acquire Pioneer Bank.

▷ Frandsen Financial Corporation, Arden Hills, Minn., authorized to acquire Peoples Bank Midwest, Hayward, Wis.

▷ Change in control notice filed by Joseph Naiberg, Andover, Minn., and Kenneth Osowski, Lino Lakes, Minn., to gain control of Frandsen Financial Corporation, Arden Hills, Minn., and thereby gain control of Frandsen Bank and Trust, Lonsdale, Minn.

▷ Change in control notice submitted by Ryan G. Tessendorf, Columbus, Neb.; and Wendy K. Matthews, Bemidji, Minn., as a family group acting in concert, to acquire shares of Bellwood Community Holding Company, parent of Bank of the Valley, both in Bellwood, Neb.

▷ Brodhead Bancshares, Inc., Brodhead, Wis., authorized to acquire Farmers and Merchants Bank of Orfordville, Wis., and for The Bank of Brodhead, to merge with FMBO and thereby establish a branch.

▷ Fidelity Financial Corporation, Wichita, Kan., authorized to become a bank holding company upon the conversion of its subsidiary, Fidelity Bank, Wichita, from a federal savings bank to a commercial bank.

▷ Meta Financial Group, Inc., Sioux Falls, S.D., authorized to become a bank holding company through the conversion of MetaBank, Sioux Falls, from a federal savings bank to a national bank (to be named MetaBank, National Association); and election to become a financial holding company.

▷ Lake Shore III Corporation, Glenwood City, Wis., authorized to acquire First American Bank, National Association, Hudson, Wis.

▷ Lincoln Investment Company, Lennox, S.D., filed to acquire certain assets of Berens Insurance Agency, Inc., Parker, S.D., and thereby engage in general insurance activities in a community that has a population not exceeding 5,000.

▷ Central Bank of the Midwest, Lee's Summit, Mo., filed to merge with Bank Liberty, Liberty, Mo., and establish several branches.

▷ Brian G. Wurst, Lamar, Colo., and others filed to acquire shares of Whitcorp Financial Company, Leoti, Kan., and thereby control Western State Bank, Garden City, Kan., and Frontier Bank, Lamar, Colo., and to be approved as a member of the Whitham Control Group which controls Whitcorp Financial Company.

▷ The Bridger Company, Bridger, Mont., authorized to acquire First Security Bank of Malta, Mont., and Valley Bank of Glasgow, Mont.

▷ FSB Holdings, Inc., Fairview, Ill., authorized to become a bank holding company by acquiring Fairview State Banking Company, Fairview.

▷ Plains Commerce Financial, Inc., Hoven, S.D., authorized to become a bank holding company by acquiring Plains Commerce Bank, Hoven. ■

Fed Notes, *Continued from page 15*

Senior Loan Officer Opinion Survey (FR 2018) provides qualitative and limited quantitative information on bank credit availability and loan demand, as well as on evolving developments and lending practices in the U.S. loan markets. A portion of each survey typically covers special topics of timely interest; therefore, a sample form is not included on the Board of Governors' website. Staff at the Federal Reserve Banks review the survey responses, which are collected up to six times per year, and staff at the Board review and summarize the aggregated survey results in a public release made available on the Data page. The aggregated survey results are also discussed in the Board's semiannual Monetary Policy Report to Congress and used in other academic research.

Now that you know more about the importance of these voluntary data collections, we hope that your banking organization will be receptive to our requests for participation. If you are interested in participating in a voluntary data collection or would like additional information, please contact the Statistical & Structure Reporting unit at 888-887-0926 or mpls.statistics@mpls.frb.org. ■

New to BHCA

The Bank Holding Company Association welcomes these new Holding company and Associate Members:

Cameron Bancorp, Inc.
Ted Gerber, Managing Director
Grantsburg, Wis.
Community Bank of Cameron

Citizens Community Bancorp, Inc.
Jim Broucek, EVP/CFO
Eau Claire, Wis.
Citizens Community Federal N/A

First Bancshares, Inc. of Cold Spring
Gerald Reiter, Director; Jacob Reiter, Director
Cold Spring, Minn.
Granite Community Bank

First Kansas Bancshares
R.A. Edwards, Pres., Laura Meyer Dick, VP
Hutchinson, K.S.
First National Bank of Hutchinson

Fountain View Bancorp, Inc.
Terence Greenley, Pres., Tom Bates, VP
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With offices in Wausau, Eau Claire, and Green Bay, Wis., Ruder Ware represents banks, bank owners, and bank holding companies in connection with organization, acquisition and divestiture transactions, ownership and corporate governance, regulatory, and succession planning matters.

In other news…

BHCA partners on Empowering Women luncheon

The Bank Holding Company Association partnered with one of its associate members, CBIZ, and Bank on Women, Inc., to co-sponsor the Empowering Women in Banking luncheon on Nov. 20. The event, which attracted more than 100 people, was held at the Town & Country Club in St. Paul, Minn.

The event featured a panel of banking industry experts sharing thoughts on the importance of preparing women for leadership positions in the industry. The panel was made up of Joel Johnson, executive vice president and human resources director for Sunrise Bank, St. Paul; Marci Malzahn, founder and president of Malzahn Strategic, Maple Grove, Minn.; Erin Procko, president of Minneapolis and Twin Cities banking director at Bell Bank, and Terri Spiro, CEO of Cecil Bank and co-founder of Bank of Women. Sunrise Bank, Malzahn Strategic and Bell Bank are BHCA members.

The panel was moderated by Tom Bengtson, managing director of the BHCA.

Best wishes…

Kelly Bauer, who joined NFR Communications in April 2017, and has served as associate managing director for the Bank Holding Company Association, has left the company to take a job in event planning for the J.W. Marriott Hotel in Bloomington, Minn. Her last day with the BHCA was Nov. 6.

Bankers honored

Several bankers from BHCA member institutions recently were honored as "Top Women in Finance" for 2019 by the Twin Cities publication, *Finance & Commerce*. This honors program recognizes women who are making an impact not only in their professions but also in their communities in Minnesota.

The following were among those honored:

Sara Ausman, Alerus, **Aleesha Webb**, Village Bank, **Rachel Bauer**, Bell Bank, **Katie Wahlquist**, Star Bank, **Katie Lorensen**, Alerus, **Mary Stoick**, Sunrise Banks, **Cristen Purdy**, Choice Bank, **Chris Niskanen**, Bank of Elk River

Honored from BHCA Associate members were **Nicole Hittner** of Ballard Spahr and **Rhonda Skoby** of Dorsey & Whitney.

Two Minnesota banks, both members of the Bank Holding Company Association, recently were recognized by Twin Cities Business magazine in its Family Business Awards program. **Highland Bank**, which is part of Highland Bancshares, Inc., Minnetonka, Minn., and **Star Bank**, which is part of Midwest Bancorporation, Inc., Eden Prairie, Minn. The Wall Family, including BHCA President Rick Wall, was honored from Highland Bank, and the Wahlquist family, including BHCA Vice President Harry Wahlquist, was honored from Star Bank.

Wahlquist also recently was honored by Greenspring Media (*Minnesota Monthly*) when he was named to the list of "Minnesota 500 Most Powerful Business Leaders."

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