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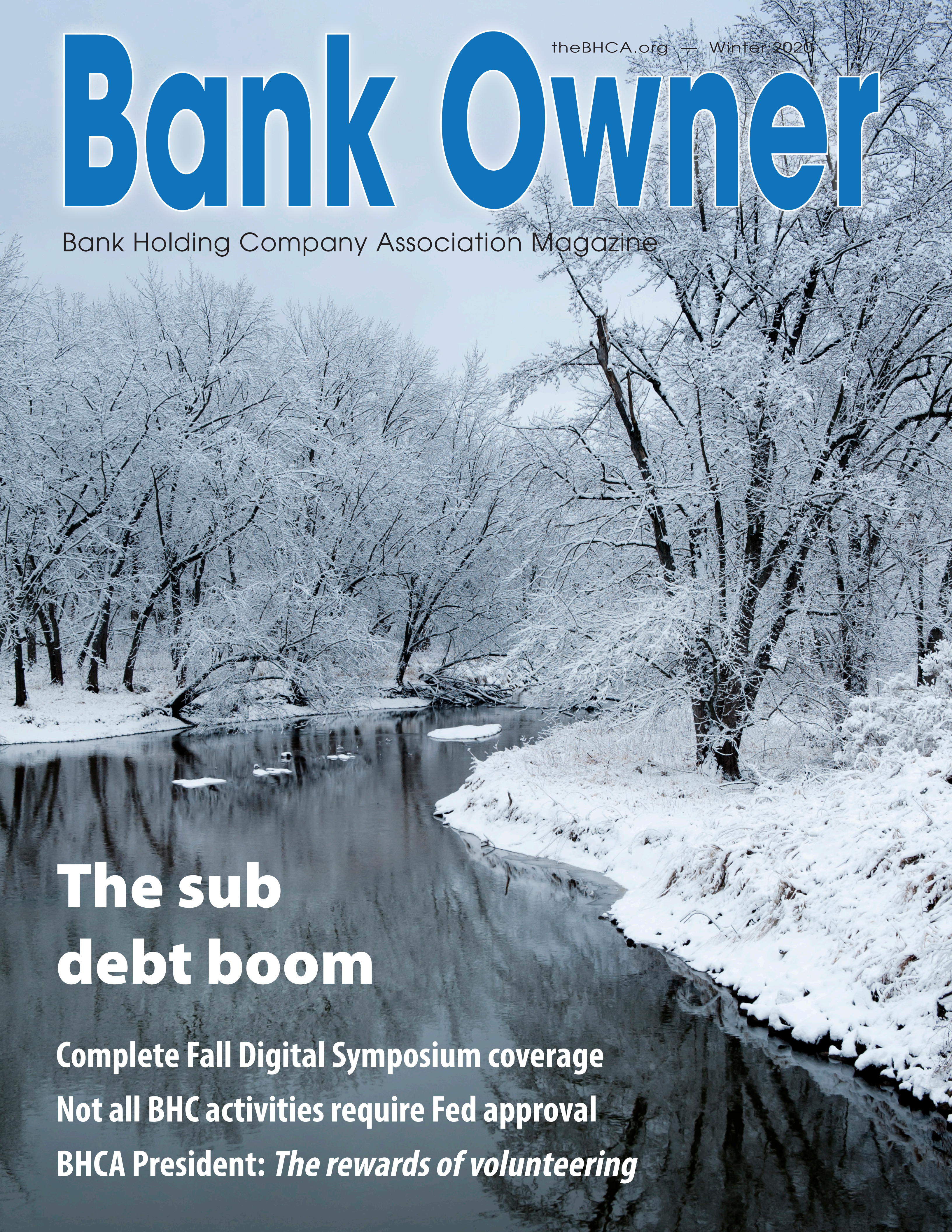
Bank Owner

Bank Holding Company Association Magazine



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Founded 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.

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Bank Owner

Winter 2020

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Volunteer service is rewarding, and a great way to support your industry

By Harry Wahlquist
Midwest Bancorporation, Inc.
Eden Prairie, Minn.

Another year is coming to a close, and I can't believe how quickly this one flew by. It was a strange year with all the pandemic restrictions, but I thoroughly enjoyed this opportunity to serve as your president of the Bank Holding Company Association.

I have been in this industry for a long time, and I have found one of the most rewarding parts of my career has been the opportunity to give back, to volunteer, to get active in the various associations for the good of the industry, our colleagues, our customers and society overall. We can do a lot of good by coming together, sharing experiences, exchanging ideas and working together for the common good.

If you have been active in an industry group, I want to thank you for going the extra mile. It takes some extra effort to prepare for meetings, engage in the discussions and otherwise participate in association activities. Three cheers for you if you are among those who regularly contribute to the banking profession in this way.

If you are not in the habit of volunteering for the industry let me encourage you to do so. About one in four people perform some kind of volunteer work on a regular basis, and much of that volunteer effort is devoted to a professional group or trade association.

One of the top reasons to get involved with the BHCA or other association is to help others. You might not realize it, but when you come to a BHCA event, your presence actually adds value to the event. When others come and visit with you during the networking time, there is an opportunity for information sharing that simply cannot be replicated in other settings. If you take it a step further and get involved with a committee or board, you are using your unique experience and knowledge in an important way.

Being active in an association is also a great way to build or develop your skills. You may get to take on problems that you might not otherwise ever encounter. For example, the BHCA board recently developed an antitrust policy for the association. My experience with antitrust issues was almost non-existent but serving on the BHCA board helped me learn about this issue from the legal experts who regularly deal with this.

Getting active in an association is also an excellent way to build your network. There is no better way to meet people. Most BHCA events provide plenty of time for networking. I have made numerous friends and acquaintances at hundreds of industry events over the course of my career. You can never have too many friends! There is nothing I appreciate more than the ability to pick up the phone when I have a question and talk to another banker who may have dealt with the same problem. Associations are great for helping you establish these valuable relationships. How else are you going to find bankers out of your market area who are willing to help you?

And one last reason to get involved with an association: It is great to feel as if you are part of something that is bigger than yourself. While you are important in your bank and in your community, you actually play an important role on a much larger stage. As a banker, you are part of an industry that is essential to our country and our world. You help many, many people, who in turn, help many more people. One small thing that you do at your bank can ripple

President's Observations, *Continued on page 19*

Despite obstacles, 2020 was a great year for BHCA

Despite the obstacles created by the pandemic, 2020 was a very productive year at the Bank Holding Company Association. Many of you participated in our first ever Fall Digital Symposium, which replaced our traditional fall seminar in early October. With nearly 200 attendees participating over four consecutive days, the symposium was our biggest event of the year. While it went well, we also learned in the process and should we need to host other digital events, I look forward to using this recently gained experience.

Here is a list of some of the other accomplishments in 2020:

- Redesigned our website, www.theBHCA.org, making it more user friendly.
- Partnered with Baker Tilly to offer members a new dashboard that provides census and FDIC data by state.
- Worked with legal counsel to create a new antitrust policy for the association.
- Published our second annual national directory of bank holding companies.
- Trained new staff (Paula Norris) and brought additional staff (Jackie Hilgert and Taylor Cabine) to the BHCA service team.
- Published a print membership directory and four editions of *Bank Owner* magazine.
- Conducted our first-ever virtual annual meeting.

Sadly, we planned a couple events in the early part of the year that ended up being cancelled. The April one-day Boot Camp in Kansas City and the traditional Spring Seminar set for early May we cancelled soon after the scope of the pandemic became apparent. There was a lot of work that took place to explore options for making an in-person meeting possible. Ultimately, we decided to go with the all-digital format we used for the symposium. We will monitor the situation carefully in the coming months as we make plans for events in 2021. You can be assured that we will not do anything that might endanger the health and safety of any of our members or guests.

My goal as managing director is to deliver as much value as possible to you, our members each and every year. Some years there are more obstacles than others, but regardless, we always work to deliver the best membership experience possible. As we make plans for 2021, we will keep you apprised of the events and others services offered. Some will be BHCA staples, but there may be new offerings as well.

As the end of the year approaches, you will be receiving a notice about your dues for 2021. While I appreciate that budgets are tight and that you need to look at every expenditure carefully, I encourage you to maintain your membership in the BHCA. I am confident that if you participate in our events and use our services, the return on your dues investment will prove very attractive.

Meet the new board members

It is my pleasure to introduce you to the two BHCA members who will be joining the association's board of directors on January 1, 2021, starting three-year terms. **John F. Healey** of Crown Bankshares, Edina, Minn., and **Scott Bullinger** of American Bancor Ltd of Dickinson, N.D., were elected at the association's annual meeting, conducted on Oct. 28.

By Tom Bengtson
BHCA Managing Director

Healey is chair of Crown Bank, a $243 million community bank started in 2000. He has served on the bank's board of directors since its inception.

"We continue transforming the culture and financial performance of the bank and holding company evidenced by exceptional new hires, record low past dues, phenomenal regulatory relationships, growth during recession and more," said Healey, who has been chair since September 2018.

Healey was involved in the formation of Crown Bank and Crown Bankshares, Inc. He led the charter application and approval process, site selection and lease negotiations. He has served on many committees at both the bank and holding company level.

Healey has an MBA and an undergraduate degree from the Carlson School of Management at the University of Minnesota. He is a graduate of the Minnesota Bankers Association's Commercial Lending School. He has a Minnesota real estate broker license, is a member of Mensa International, and previously served on the board of the Minnesota Multi-Housing Association.

Bullinger, CPA, is chief financial officer and vice president of internal operations. He serves on several board committees for American Bancor, Ltd., American Trust Center, American Ag Center, American

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A CAPITAL OPTION

Holding companies find sub debt attractive in current conditions

By David Fettig

When the COVID-19 pandemic began taking an economic toll in the United States in March 2020, it would have taken a pair of seriously rose-colored glasses to look into the future and predict that the banking industry would be mostly sitting pretty. But that is what happened, at least through the end of the year.

Unlike the previous economic crisis just over 10 years ago, and the recessions that preceded it, the current downturn has mostly spared the banking industry. Indeed, though it is not necessarily reflected in the share prices of publicly traded institutions, many U.S. banks have strong balance sheets and are poised for growth. And that includes community banks. In the words of Fred Lewis, president and CEO of Northshore Bank in Duluth, Minn., "challenges and opportunity often go hand-in-hand."

So how can small bank holding companies (BHCs) and their subsidiary banks increase capital levels to address both organic and strategic growth? Economies ebb and flow in business cycles, along with a host of economic data that rise and fall with the times, including interest rates. Every so often these dynamics line up to make a particular form of debt attractive to small BHCs, and right now stars have aligned for subordinated debt (otherwise known as sub debt). BHCs across the country are issuing this somewhat obscure form of debt at rates that many observers haven't seen in years.

What is sub debt?

Sub debt is so named because it is subordinate to, or junior to, more senior loans or securities. This means that the purchaser of sub debt stands behind other forms of debt in the case of borrower default—everyone else gets paid first. In other words, sub debt holders often are left holding the proverbial bag if an issuer, for example, files for bankruptcy. (The one exception being equity holders, who are the last in line if the issuing firm is publicly held.)

Given this risk, sub debt issuers have to pay an interest rate that is attractive to potential sub debt buyers, or creditors. It is this cost of issuing sub debt—the interest rate that must be paid—that largely drives market activity. In a low interest rate environment that is all but guaranteed by the Federal Reserve for the near term, sub debt becomes an attractive option for BHCs to increase their capital base.

So, what would a sub debt issuance look like for a small BHC? Scott Martorana, executive managing partner of FinPro, Inc., in Gladstone, N.J., offers a simple descriptive scenario. A BHC may offer $10 million in sub debt, paying an interest rate of 5 percent. This means that each year the BHC will owe $500,000 in interest payments to debt holders. To ensure that it has those interest payments available, the BHC will want to hold, say, about 18 to 24 months of interest payments in reserve; let's call it $1 million. That allows the BHC to hand off $9 million to its subsidiary bank, which shows up as equity capital on the bank's balance sheet. "That $9 million will then support additional growth at the bank level," Martorana said, "or if you are anticipating loan losses, or whatever you need capital for, you now have that $9 million at the bank level." To that point, if we assume an 8 percent leveraged capital ratio, the bank could conceivably grow by $112 million.

In reality, many BHCs are paying lower rates than 5 percent, a fact that is driving many to the sub debt market. One interesting note about those BHCs, according to Martorana, is that the sub debt is the only debt they hold; that is, the debt is subordinated in name only—there is no senior debt on the books. These BHCs, in other words, are in good shape.

Another common element of sub debt, according to Adam Maier, attorney at Stinson LLP in Minneapolis, is that many of the purchasers of the debt are other community banks, along with other accredited investors. That was certainly the case for Lewis and Northstar Bank of Duluth, which issued $15 million of sub debt at 4.75 percent this summer and was oversubscribed within 24 hours—all to community banks. "These aren't shadow banks," Lewis said of the investors in sub debt. "This is about community banks supporting other community banks."

Why the surge in interest in sub debt?

Maier, like Martorana, has seen an "inordinately high" number of sub debt deals this year, and said a BHC often considers such a move for three reasons:

To strengthen its capital position, especially in light of uncertainties within its loan portfolio caused by the pandemic.

For organic growth. "They may see a lot of opportunities with their communities and they want to make sure that they have the capital available to increase their loan portfolio," Maier said.

To grow strategically. There may be possible acquisitions within their regional markets, Maier said, and BHCs will want capital available "to pounce on those opportunities when they come up."

Organic and strategic growth were strong motivators for Donald Gibson, president and CEO of Greene County Corp. in Catskill, N.Y., which issued sub debt for the first time in 2020 (a $20 million issuance). There has been lots of M&A activity in Greene County's region, Gibson said, and his institution has benefited from that activity, to the tune of 12 straight years of record income growth. "We've been fortunate," Gibson said, and strategic, taking advantage of M&A activity to secure its own opportunities.

Like Northstar, Greene County also sold its debt to other community banks, and Gibson echoes Lewis's motivation: "If we're going to pay out 4.75 percent, it might as well be to the benefit of other community banks," Gibson said. He calls those fellow banks "allies," noting that the decreasing numbers of community banks in recent years means that they need to stick together and support each other.

It is hard to gauge how much sub debt has been issued by community banks, as national data are not aggregated

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Capital option, *Continued from page 7*

and many deals go unreported, but Martorana and Maier both note that activity within their firms is unusually high, and even a cursory review of news releases and media stories would affirm that observation. While we do not know the full extent of sub debt issuances, according to S&P Market Intelligence, from May through August of this year there were 66 reported sub-debt issuances totaling $3.9 billion. During the same period in 2019, there were just 13 issuances totaling $832.5 million.

What steps should an interested BHC take?

How should a BHC go about investigating sub debt? Most importantly, according to Chris Floyd, president and CEO of First National Bank of Syracuse in Syracuse, Kan., is to "surround yourself with good advisors." That expertise usually comes from outside the organization and from firms that specialize in such deals. If a bank has a strong team, a good loan portfolio, and a solid plan for growth, it should have success, Gibson said. The process of issuing sub debt is not necessarily difficult, Gibson and others noted, but outside expertise is likely essential.

However, before making a move to sub debt, BHCs and their boards of directors need to engage in a sort of internal due diligence, according to FinPro's Martorana. "They need to understand why they need the sub debt," he said. "You don't raise sub debt just to raise it." And you don't raise more than you need, he added, otherwise you are just adding costs. Maier of Stinson LLP echoes that advice. "It's [sub debt] a market that any sized bank can play in, but have a good story to tell. Investors want to know that you are poised for success."

Sub debt is a market that any sized bank can play in, but have a good story to tell. Investors want to know that you are poised for success.

Adam Maier

While the times may be right for BHCs to consider sub debt, there is always the possibility of storm clouds forming on the horizon. However, to the surprise of many, those storm clouds have not yet appeared. "I thought we were going to be dealing with enforcement orders and prompt corrective action and all the things that happened 10 to 12 years ago," Maier said about the beginning of the pandemic-driven recession. But he is optimistic. Bank balance sheets and loan portfolios are strong, interest rates persistently low, and banks seem both poised for growth and prepared for another economic downturn, if it arrives.

Gibson's biggest fear concerns the small businesses in his region and whether the local economy experiences another shutdown. Many, especially those businesses within service industries like restaurants and hotels, will likely close in such a case. Most have survived thus far, he said, but they cannot go on like this forever. "It's frustrating and scary for them because they have no control over these events," Gibson said.

Uncertain economy looms

Lewis agrees, and adds commercial loans to the worry list. If the recovery lags or another downturn hits, will commercial loans sour? Will future aid from the federal government, if it arrives, continue to serve as a bridge to better days? While Lewis offers no answers to these questions, he is hopeful about the prospects of businesses in his northern Minnesota region—at least for now.

These concerns may actually fuel more sub debt issuances into 2021, according to Martorana, referring back to the first reason that BHCs may consider such debt: defensive capital. "Everyone in the country expects there will be more delinquencies and loan losses later this year and into next year," he said. Loan forbearances and other programs have delayed this phenomenon, Martorana said, but it's coming.

When the economy does soften further—if it does—and when banks' portfolios are challenged—if they are—then sub debt may provide an affordable capital buffer to weather the storm. In the meantime, in a period of organic and strategic growth for many BHCs, sub debt may also offer an efficient opportunity for BHCs to strengthen their positions. Either way, according to Maier, BHCs will want to have capital "ready to go." ■

David Fettig is a freelance writer, a former communications executive with the Federal Reserve Bank of Minneapolis, and a former editor of BankBeat *magazine.*

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By Tom Bengtson

Modest M&A deal pace expected to accelerate into 2021

The pandemic has slowed the pace of bank deals to less than half the rate experienced in recent years, but still the industry may see 100 deals in 2020, commented investment bankers from Hovde Financial at the Fall Digital Symposium hosted by the Bank Holding Company Association. Kirk Hovde, Managing Principal & Head of Investment Banking, and Curtis Carpenter, Senior Managing Director/Investment Banking, addressed nearly 200 bankers attending the Oct. 5 session of the symposium, which was devoted to mergers and acquisitions.

Many of the issues that typically drive M&A activity, however, remain significant to community bankers, Carpenter said. "Because there will only be 100 deals in 2020, it feels like in 2021 and 2022 there is going to be a surplus of sellers in the market. The market appears to be setting up for a lot of activity as the pandemic wanes."

Carpenter said lack of leadership succession is a common factor driving many deals. Citing a survey conducted in January across bank owners, Carpenter also said many bankers cited difficulty keeping up with technology as a reason to consider selling their banks. The pandemic, Carpenter observed, has intensified the focus on the need for state-of-the-art technology for delivering banking services.

Two other factors could influence some bank owners to consider selling in the coming years. In a low interest rate environment, deposits are less valuable. Some community banks located in rural areas that may have appeared attractive in recent years because of their significant deposit levels, may no longer be so appealing. Also, banks with healthy investment portfolios might find investment portfolio performance diminishing as securities reprice in the coming years to reflect a lower-rate environment. Carpenter cited an example of a rural bank that currently is making good income from its securities portfolio. Senior managers became concerned when they projected what kind of income that portfolio might be generating five years from now.

"We continue to think there is going to be an uptick in M&A activity," Carpenter said.

Carpenter said 70 whole bank deals had been completed so far in 2020, putting the industry on pace to complete 101 deals for the full year, down substantially from the 253 deals completed in 2018 and the 257 deals completed last year. So far this year, 29 of the deals have involved banks in the Midwest, the most active region in the country. A north-south pathway running through the center of the country is home to a disproportionately high number of banks, with Minnesota, Iowa, Missouri, Illinois, Kansas and Texas all boasting more than 200 banks. If the pace of deals returns to pre-pandemic levels where 5 percent of the banks are lost to M&A each year, the map will change dramatically in the coming decade, leaving only Texas and Illinois with more than 200 banks.

Curtis Carpenter

The nationwide average price-to-tangible-book value on the deals done this year equals 139 percent, or in the Midwest, 122 percent. Pre-pandemic pricing was stronger than pandemic-era pricing. Since mid-March, average price-to-tangible book value on deals nationwide has been 118 percent or specifically 105 percent in the Midwest. Whereas banks were attracting strong core deposit premiums— 6 percent nationwide and 2.2 percent in the Midwest — the pandemic has deflated that metric, with 3.7 percent nationwide and only 0.4 percent in the Midwest since mid-March.

Hovde noted that pricing of bank stocks lags the rest of the market. He said the SNL U.S. Bank & Thrift index, for example, is running 37 percent behind the S&P 500 index. It's a troubling trend for bank owners, given the indexes were essentially equal at year-end 2019. Banks in the S&P 500 are reporting prices that are 13.9 times earnings, which is far lower than companies are reporting in the consumer discretionary sector (35.4x), information technology (25.9x), industrials (23.3x) and others.

Hovde said stock prices are affecting prices of banks across the board. He said that as of Sept. 18, there were only 11 banks with a price-to-tangible-book value greater

M&A Deal Pace, *Continued on page 14*

By Tom Bengtson

Bankers shine light on details of recent deals

The first day of the Bank Holding Company Association Fall Digital Symposium featured a panel of three bankers who recently completed acquisitions. Peter Johnson, president and CEO of Eagle Bancorp., Helena, Mont., spoke about his holding company's acquisition of Western Holding Company of Wolf Point, Mont. Mike Daniels, president of Nicolet Bancshares, Inc., Green Bay, Wis., described his company's acquisition of Advantage Community Bank of Dorchester, Wis., and its aborted effort to acquire Commerce State Bank of West Bend, Wis. And, Greg Kistler, president and CEO of Central Bancshares, Inc., Muscatine, Iowa, shared thoughts about his company's purchase of Walcott Trust & Savings Bank.

Eagle Bancorp Montana, Inc., is the holding company for Opportunity Bank of Montana. Established in 1922, it is the fourth-largest bank in Montana. Founded as a thrift, it converted to a bank charter in 2014. The bank has transitioned away from the mortgage-based loans it funded as a thrift, and today is focused on commercial and agricultural lending.

In addition to completing the acquisition of Western Holding Company of Wolf Point in January, 2020, Eagle Bancorp Montana earlier completed deals to acquire State Bank of Townsend in January, 2019, and Ruby Valley Bank, Twin Bridges, in January of 2018.

Peter Johnson

"I knew the CEOs of the banks," Johnson said. "All three had succession issues of some kind." As a public company, Johnson said Eagle Bancorp Montana was able to offer the sellers an opportunity to monetize their investment.

The acquisition of the Wolf Point bank provided significant liquidity as Wolf Point had a low loan-to-deposit ratio. Furthermore, the acquisition deepend Opportunity Bank's ag lending business.

"We have done three acquisitions in a row now," Johnson said. "We have a team that can execute. We have good relationships with our regulators. We can assure a seller that we can get a deal done."

Mike Daniels

Daniels commented: "What a difference a month can make." On Feb. 17, Nicolet announced an all-stock acquisition of Commerce State Bank for $130 million. At the time, Nicolet's stock was trading at $72.32. On March 2, Nicolet announced another deal — this one an all-cash deal to purchase Advantage Community Bank.

"We were feeling pretty darn good," Daniels commented. "Shortly after that, the world went to hell in a handbasket."

On March 18, Nicolet implemented its COVID-19 protocols, including limiting customer branch visits to appointments only, closing some branches, and setting up many employees to work from home. By March 25, Wisconsin implemented its "Safer at Home" order. Nicolet's share price by then had dropped to $53.51.

With Nicolet's share price depressed, leadership from both institutions elected to terminate the deal on May 18. The original agreement included a collar on the share price of $62. Meanwhile, the Advantage deal proceeded, closing on August 21.

Daniels said he was concerned about credit quality and whether it would deteriorate as the pandemic progressed. The Commerce deal represented a new market (Sheboygan and northern Milwaukee) for Nicolet, which raised the stakes, he said. The Advantage deal offered an opportunity to go deeper in a market where it was already operating (Wausau). Daniels said by mid-May, it didn't seem likely its stock price would rebound soon, and the bank wasn't willing to pay more for the acquisition.

"On May 18, we both saw the best thing for us to do was to run our own banks," Daniels said. "We weren't going to put a deal together at any price. Our shareholders have expectations. We felt it best to do something early so we could tend to our people."

Bankers Shine Light, *Continued on page 14*

By Jackie Hilgert

Regulators expect trouble to make landfall for banks, eventually

The conditions at banks are strong right now, reported James LaPierre, regional director of the FDIC's Kansas City office, during the BHCA Fall Symposium. But 2021 will likely bring the industry some troubles, he predicted.

Preparing a bank for the fallout of this pandemic is "like preparing for a hurricane," LaPierre said. Bankers are doing a lot of "watchful waiting."

James LaPierre

That's a stark difference from the downturn of 2008-09, when housing and commercial real estate was a huge problem for banks, the regulator said. "This time, things are not as clear."

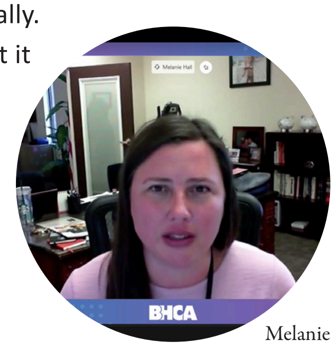
For instance, hotels in resort areas saw strong demand in the summer months whereas hotels in downtowns that rely on convention or business travelers have been hurt, he explained. Likewise, demand for retail space is down, but warehouse space is at a premium because of online ordering.

The banks LaPierre said he sees having problems are those that were having problems prior to the pandemic. Banks have increased their provisions from two years ago, he said. "Banks are preparing. Past-due ratios are down. It's wait-and-see at this point."

LaPierre's comments came on the third day of the Oct. 5-8 Digital Symposium. Joining the session were: Melanie Hall, chief regulator for the State of Montana and chair-elect of the Conference of State Bank Supervisors; Nathan Perry, associate deputy comptroller of the central distinct of the OCC; Max Zappia, deputy commissioner of commerce for the state of Minnesota, and Christine Gaffney, senior vice president of supervision, regulation and credit for the Federal Reserve Bank of Minneapolis.

The analogy of awaiting a hurricane and its potential devastation resonated with Hall, a native of New Orleans who lived through Hurricane Katrina. "We think of hurricanes as something that happen to someone else," Hall said.

Federal government stimulus has thus far kept most people and many businesses afloat, Hall said, but trouble will "come to all people eventually. We need to be ever vigilant that it could come to our banks."

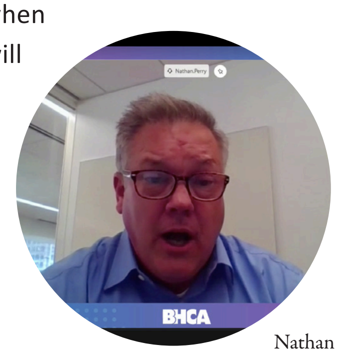


Melanie Hall

Many states have used federal CARES Act funds to help small businesses and keep their economies from faltering. Montana has directed stimulus dollars to pay interest on small business loans, Hall said, effectively "buying people time to get their businesses on track."

Calling the current crisis "different" from past downturns, Perry said the OCC has instructed its people to carry the following message to bankers: Prepare for winter.

Typically, an early concern when the economy heads south is "will there be a run on the bank?" Perry explained. This time around, he said: "People were more concerned about stocking up on toilet paper.



Nathan Perry

"I've been amazed at how well our banks pivoted, first to remote operations to where we are today," Perry said. Banks have done a good job of reducing their concentrations, Perry said.

OCC exams never ceased, even as banks shut their branches. "We are not behind at all on our examination schedule," he said.

The industry, according to Perry, has not suffered a deterioration in its numbers. There remains a record high number of 1- and 2-rated banks, and the "industry entered [the pandemic] in a strong way."

Not that vulnerabilities do not exist. "This recession is a credit risk event," Perry said. Credit risk is trending up.

Regulators Expect Trouble, *Continued on page 15*

By Jackie Hilgert

Government support for economy is on the mark

What impact will the outcome of the 2020 presidential election have on the pace of economic recovery? Not much, said KC Mathews, executive vice president and chief investment officer for UMB Financial, Kansas City, Mo. "Monetary policy and fiscal policy are paramount" to a robust economy, Mathews said during his economic outlook, presented on Day Four of the BHCA Fall Digital Symposium.

KC Mathews

"Markets don't have to like the president, [and] they don't have to like what's going on in [Washington] D.C.," Mathews said, "as long as they don't hinder economic growth and earnings." He pointed to the annualized return on the S&P — 11 percent over the last 75 years and 10.5 percent over the past 30 years — to support his opinion.

More concerning to Mathews than who won the White House is the surge of the coronavirus, and more specifically, the rate of hospitalizations and deaths, which generally lag two weeks behind a positive test. With consumer spending accounting for 70 percent of GDP, and 40 percent of all consumption driven by people ages 55 and older, and 20 percent of consumption driven by people older than 65, a virus that threatens the elderly will dampen economic activity. "We have to watch that closely."

Consumer confidence went off a cliff when the economy shut down last spring. "The stock market was down. Housing prices went down. We were not confident about anything," Mathews said. Driving uncertainty was the massive job losses that accompanied the shutdowns. Unemployment spiked to 15 percent in April, far exceeding the 10 percent unemployment rate experienced during the worst of the Great Recession when 665,000 people filed initial unemployment claims. By contrast, in the period between March and April 2020, 7 million Americans filed initial unemployment claims.

The jobless rate has since modulated to 7.9 percent at the end of September, but Mathews cautioned that while temporary layoffs have been dropping, permanent job losses were on the rise.

The economic recovery the United States has experienced in the third quarter is due, Mathews said, to government stimulus payments. Extended or enhanced unemployment benefits, along with the Paycheck Protection Program, mitigated a lot of pain. "It was the right thing to do, provide the economy with a crutch" Mathews said. "Without it, you might have had a severe recession, perhaps even a depression."

Without an additional round of stimulus, Mathews sees a significant negative impact on the economy. When income drops, spending follows. The uncertainty of future stimulus is worrying. "Permanent layoffs are starting to creep up."

Another benefit of stimulus payments and accommodative policies by the banking industry can be seen in the rate of 60-day mortgage delinquencies, which were lower in May of 2020 (1.14%) than in May 2019 (1.35%).

When should bankers expect economic growth to reach pre-recession levels? Given the 31.4 percent contraction of GDP in the second quarter, and the third quarter rebound of 38 percent, Mathews cautioned against too much optimism.

We won't see double-digit growth in the 4th quarter," Mathews predicted. Alerting to the possibility of a double-dip recession, and much hinging on whether Congress delivers a second round of stimulus, Mathews predicted it would be another two years before the economy fully rebounded to where it was one year ago, when the country enjoyed $19.2 trillion in economic activity. "Even with a really good third quarter, we have a long way to go."

Hamline University's David Schultz, a professor of political science, followed Mathews with an outlook of his own, focused on American politics and the election. While polarization defines the modern political landscape, Schultz said there have been times in history when the country was more divided than now, such as during the 1960s and during the American Civil War.

The problem stems from a shift from coalitional politics to ideological politics, Schultz said. "It's more like a Europe-

Government to Support Economy, *Continued on page 15*

M&A Deal Pace, *Continued from page 10*

than 2.00x. That's down from 60 institutions at the end of 2019, and down from 150 institutions at the peak, which was August 31, 2018. Hovde said 91 percent of banks currently are trading below 150 percent of tangible book valve.

Hovde encouraged bankers to think about where earnings are going to come from in the coming years. Net interest margins are thin and getting thinner. Some banks have done well this year with income from mortgage operations and fees related to the Paycheck Protection Program. However, as those opportunities cycle through, banks may have to deal with a less-dynamic economy. He said organic growth is likely to become more difficult to achieve. "One way to do better is to focus on that efficiency ratio," he said.

Many banks are leveraging opportunities in the subordinated debt market to prepare for uncertainties in the coming months, Hovde said. So far this year, banks have issued $2.4 billion in subordinated debt.

"Subordinated debt has gotten extremely cheap for banks," Hovde said, citing recent interest rates under 4 percent. He said many banks are getting rates in the high fours and low fives. "This is a very attractive instrument for banks; they are getting Tier II capital treatment, it's uncollateralized; you typically get a 10-year term with the first five years fixed and then it floats for five years. It's cheaper than most other forms of capital." (See feature beginning on page 6.)

He said banks are taking on the debt to guard against deteriorating credit conditions, to give them flexibility to buy shares back, and to aid in acquisitions where the market price of the stock is so low it makes sense to pay with cash.

Hovde and Carpenter closed their presentation with these summarizing observations:

- Pent up seller demand will fuel a rebound in M&A deal activity.
- M&A pricing will follow the market for publicly traded banks.
- There is still an opportunity to sell for stock now and ride the buyer's stock up.
- The value of deposits has fallen with zero interest rates.
- Rural banks with low loan-to-deposit ratios are facing steady declines in profitability absent a change in the yield curve.
- Banks with loan demand are in much better position than peers.
- Expect more mergers of equals until the market for bank stocks improves.
- Subordinated debt remains a great tool.
- We are in the lowest tax environment we will be in for the rest of our lifetimes. ■

Bankers Shine Light, *Continued from page 11*

Central Bancshares, Inc., is a $1.1 billion holding company for two banks: CBI Bank & Trust in Muscatine and F&M Bank in Dalesburg, Ill. Since 2012, Central Bancshares has completed three whole bank acquisitions, two branch acquisitions and one brokerage acquisition. Walcott Trust and Savings Bank had $125 million in assets and offices in Walcott and Davenport, Iowa.

Kistler said his company is both proactive and reactive. "We identify banks in close proximity to our footprint that might be interested in talking to us, and try to reach out to them. And, when banks come up for sale, we react," Kistler said. "Walcott was an example of both. We had contacted them in the past. They hired an adviser, and we reacted to that."


Greg Kistler

Kistler said ownership succession was an issue for the seller. Walcott ownership also was concerned about being large enough to remain competitive.

Central Bancshares has a low dividend payout ratio, Kistler explained, which reflects the ownership's philosophy of building retained earnings for the long run. It had been three years since its last acquisition, and Kistler said the holding company hopes to continue the pattern: Buy a bank and spend a couple years to integrate the acquisition. ■

Regulators Expect Trouble, *Continued from page 12*

But capital is at an all-time high, so the industry entered the downturn in a strong way. Perry encouraged bankers to continue to work with customers who need deferrals or work-outs. "Not only is it good public policy; it's also a good way to protect bank assets.

"Our examiners will focus on credit risk assessment and you should too," Perry said.

The Minnesota economy is being challenged, said Zappia, who reported his agency had reduced assessments and exam rates in 2020. "We are not seeing adverse exam findings," Zappia said, adding there were no banks being added to its watch list as a result of the pandemic. The biggest concerns in Minnesota are the state of agriculture and commercial real estate, Zappia said.

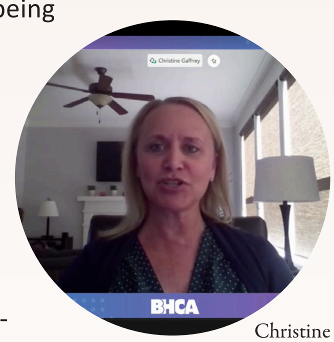
Max Zappia

"Almost all CRE will have to see a widespread realignment, with landlords needing to reduce rents by about 20 percent."

But echoing LaPierre's observations, Zappia reported that local tourism was strong. "Multi-family lending will be a problem," he said, "but it probably will not be an issue for community banks."

Zappia and Perry encouraged bankers to document their decisions, even those made on the fly. "From a legal standpoint, every time there is a problem loan, that loan file becomes legal documentation," Perry said. "Support those decisions and document them."

Gaffney briefly touched on the Paycheck Protection Program Liquidity Facility, which is being run out of the Minneapolis Fed on behalf of the entire Federal Reserve Bank system. Roughly 20 percent of PPP funds were pledged to the PPPLF. The program, which serves non-depository institutions and fintech companies and has been extended to the end of 2020, has processed more than 14,000 loans through more than 800 entities.



Christine Gaffney

PPP funds have changed the balance sheets of many banks, Hall said, acknowledging that exams capture a "point in time."

"We are trying to ensure our regulatory response is not to have ratings that reflect this temporary status," Hall said. ■

Government to Support Economy, *Continued from page 13*

an model. It's not just ideology. The centers of the two parties have moved farther apart, and they've purified," Schultz said. "You don't find moderate Republicans or conservative Democrats."

The result is less opportunity for compromise. Swing voters are also diminishing, representing 5 percent or less of eligible voters. And, the swing they make is no longer between parties but instead a swing between voting and not voting.

In the current election, Schultz said the race would hinge on seven states, and within those states, the result would be decided by 11 counties.

Schultz attributed the shift to ideological politics to the Baby Boomers. Millennials and Gen Z are now 37 percent of the population and "they turned out in huge numbers to vote." Schultz said he believes the cohort replacement underway will lead to less divisiveness in the years to come. "Younger generations are more liberal, tolerant and secular," Schultz said.

David Schultz

If there's a power shift, issues to watch for include a second round of stimulus, possible reinstatement of the Volcker Rule, passage of the Safe Banking Act, and further action on revising the CRA. "But nothing will change unless they get rid of the filibuster rule," Schultz said. "If you like stalemate, you will love next year." ■

By Anna Cushing

Build core earnings on core relationships

Despite the pandemic, banks are flush with deposits, and loan demand has been reasonable, said Tom Hershberger of Cross Financial, a banking industry consultant based in Lincoln, Neb. The Paycheck Protection Program, he added, has been broadly beneficial.


Tom Hershberger

"Money isn't the problem," said Hershberger, speaking on Day 2 of the BHCA Fall Digital Symposium. But with conditions changing as a result of the pandemic, how can bankers capitalize on what they already have?

"Don't underestimate the power of caring for what we've already invested in," Hershberger said. The more intimately bankers know their consumers' situations, the more awareness and connection exists, the better customer needs can be met, he said.

When it comes to the bottom line, when retention is solid and brand identity is strong, price sensitivity is lower and products are more widely used, Hershberger explained. This leads to lower acquisition costs, reduced cost of funds, increased loan yield and fee income.

"If we do a great job with advocacy, we migrate to that brand preference," Hershberger said. "And invariable, market share is going to tie to brand preference and existing relationships."

Ultimately, relationship expansion with existing customers costs less than new customer acquisition. Bolstering existing customer relationships, Hershberger said, can build a valuable foundation for future relational multiplication.

From there, bankers must better understand and predict customer needs: To save, manage, borrow and protect. "The needs are critical," Hershberger said. If the products are the focus, employees will remain in silos. With this shift in perspective, the purpose of deposits is to help customers save, manage and protect. Loans help people borrow and manage. Investments and insurance help customers save and protect. Wealth management helps a customer save, protect and manage.

"Think about building out from where the customer's at, and build models, delivery channels and support systems that help everybody accomplish critical pieces."

In order to further enhance customer relationships beyond retention, bankers can:

Move from transaction competency to relationship priorities. Building efficiency and effectiveness has to be directed by the customer, not banking operations, Hershberger said. People still need advice from people they trust. "Just like mobile banking won't build a relationship –– it might facilitate really great transactions at the place where the customer wants it –– but the customer still wants the relationship side to work," he said.

Make staff development a priority. Personal growth is cultural growth. "Enhance product knowledge and create experts," Hershberger said. Coaching and mentoring, too, should be a daily practice, and expectations should rise at the same rate as accountability. "It's not enough to say, 'go provide great service to our customers,'" Hershberger said. "Help employees own the satisfaction of their customers."

Improve holistic data management. Take the time to understand the data. Bankers can capitalize on their current data systems at all levels: Transaction, account, customer and relationship data. "Each one of those levels helps you understand a little more about the customer." Data analytics offers novel opportunities to improve relationship profiling and performance tracking. Bankers can identify customer tendencies and struggles, and provide solutions. "We want data to help us with what we're trying to accomplish through personalization," Herberger said.

Enhance delivery channel performance, and let the old indicate the new. Technology delivers transactions, but humans carry relationships, Hershberger said. "Improve what we currently have, evaluate what's emerging, but

Core Earnings, *Continued on next page*

By Anna Cushing

High tech, high touch: Synthesized strategies

At Alerus Bank, Grand Forks, N.D., the digital strategy is their customer strategy. "My Alerus" is the bank's digital solution that centralizes operations and services, and was created for customers to understand their overall financial wellness.

Jon Hendry

In lieu of wealth management advisors, retirement experts and commercial bankers, Alerus has overall financial advisors, and one online portal for operations and services. "We need to centralize operations, not have different operational groups between different areas," said Jon Hendry, Chief Information Officer of Alerus, on the second day of the Bank Holding Company Association's Fall Digital Symposium.

And people still want relationships; they don't just want technology, Hendry said. "They want financial advice when they want ease of access to information … and simple and quick answers."

"My Alerus" synthesizes client needs with the bank's technology by bringing all of the bank's solutions and all of the customer's information together on one dashboard, with one password. This strategic design is driven by the bank's initiative to improve clients' financial wellbeing.

Utilizing demographic and account information, My Alerus evaluates the "fitness" of customers when it comes to emergency savings, debt management, retirement planning, insurance management and health savings. "We've created somewhat of a gamification around it," Hendry said. "You can log on every day, and your score will change based on your balances."

And what that strategy does for the bank, Hendry said, is it draws customers back to the site. The site offers opportunities for clients to set goals, retirement plans and risk appetites, and furthermore, offers guidance. "It's not just an aggregation site, it's a truly interactive solution that allows people to work with their financial resources," Hendry said.

The site launched a year ago, meaning the bank has one year of client feedback and data to analyze. "We watch how people use this site every month; we use Google analytics to understand what people are clicking on and what they like," Hendry said. "Utilizing data drives what we're going to do going forward." ■

Core Earnings, *Continued from previous page*

don't jump on every new thing… Study customer preferences and evaluate successful retail functionality." In order to evaluate emerging channels, the best indication is often what's working well today, Hershberger said.

Integrate business development and service environments. Even post-PPP, businesses still need help, and their needs have to be met. "This is a monster business development opportunity," Hershberger said. "We have to do our absolute best to identify the people, the products, the support systems, and be proactive about how we can help."

And ultimately, these aren't ways to put out a fire; they're ways to fan a flame. Now is the time to connect with tenured deposit customers, preemptively offer solutions, and ensure employees know their stuff to offer best-fit solutions, Hershberger urged.

The customers who are the most loyal are the ones who had a banker stick with them through a tough time, Hershberger said. "We can control the cost of funds and the stability of those funds if we just stay connected with a customer base who wants us to care for them" Hershberger said. ■

By Anna Cushing

Clarifying data help banks proceed with confidence

An effective strategic plan requires vision, commitment and knowledge, said Tim Kosiek, a CPA and a partner with Baker Tilly.

"If you think about that today, … given what we've been through and what's in front of us simply in the next 90 days, vision isn't very clear," Kosiek said on the second day of the BHCA Fall Digital Symposium. With a presidential transition and COVID cases on the rise, strategic planning processes will be "challenging, if not very, very difficult."

And uncertainty makes commitment harder to come by. Knowledge, however, is often derived from experience and information, provided by data, of which we have plenty, Kosiek said. The key to efficiently using data as part of a bank's analytical strategy, Kosiek said, is ensuring it's reliable, relevant and actionable.

"It's [the data] you have that defines who you are and what you can do," Kosiek said. "The depth of information you have with regard to your customers and the marketplace is something that you own, and something you should use in your strategic planning process."

Kosiek described an experience with a $5 billion bank that sought to align deposit market share with census data. As the bank analyzed its market share data alongside population information from the census, it became clear that populations were declining in the places the bank was investing the most. The data also pointed out areas of population growth where the bank could be investing more.

Tim Kosiek

"At the end of the day, they were using that data in part to educate and support their M&A strategies," Kosiek said.

When it comes to using data to enhance loan strategies in a season of uncertainty, Kosiek advises bankers to segment their loan portfolios, and notice where the direct and indirect credit risk is.

Many restaurants, clothing stores, motels and hotels, and other loan portfolio segments have been significantly affected by the pandemic. From a credit quality standpoint, many larger organizations are concluding that there's trouble on the horizon, Kosiek said, and have consequently increased their allowance for loan losses. There will likely be requests for loan modifications and loss mitigation strategies in that "at-risk" segment of bankers' loan portfolios.

"From a strategic standpoint, data analytics may give you a leg up on understanding how to respond to those circumstances," Kosiek said. The granularity of data can offer a less cloudy perspective amid uncertainty, enhancing vision, and fostering confidence, he said.

There's something substantive to making a confident commitment to a plan, Kosiek said, "to be able to articulate … that we make our decisions based on real information, real data." ■

"It's [the data] you have that defines who you are and what you can do. The depth of information you have with regard to your customers and the marketplace is something that you own, and something you should use in your strategic planning process."

Tim Kosiek

President's Observations, *Continued from page 4*

through the community far beyond your immediate sphere of influence. Meeting and interacting with bankers from outside your region is a reminder that it's a big world out there.

If you haven't been active in the BHCA or any other association, I encourage you to get involved. I want to thank the other bankers who served on the BHCA board of directors with me this year, and I want to thank all of you who participated in a BHCA event this year. And let me give a special shout out to Scott Bullinger and John Healey who were elected at our annual meeting to begin three-year board terms on January 1. We appreciate your willingness to serve in this way!

We don't know what's going to happen in 2021, but I am confident you will get more out of it if you put more into it. So I encourage you to get involved. Take your association involvement to the next level. Best wishes for the remainder of 2020 and for a great 2021! ■

Down to Business, *Continued from page 5*

Bank Center, United Community Bank and Beartooth Bank.

Bullinger joined American Bancor, Ltd as a financial analyst in 2006, became vice president of internal operations in 2008, and was appointed CFO in 2010. "My role today varies from investor relations to our consolidated tax returns and financial statement audits to a general oversight role of the internal and financial operations of the consolidated company," Bullinger said.

"Most recently, my time has been focused on acquisition activities and we have been fortunate enough to have been involved as the acquirer in six acquisitions since 2010. I have held a seat on the boards of directors for the three most recent acquisitions that were not merged into our lead bank."

He has an MBA from the University of North Dakota, and a Bachelor of Science degree in accounting from Dickinson State University. He is an alum of the Graduate School of Banking, Madison, Wis., the Dakota School of Banking sponsored by the North Dakota Bankers Association, the Community Leadership Institute sponsored by the Dickinson Area Chamber of Commerce, and the Rural Leadership North Dakota program sponsored by NDSU Extension Service.

I am also pleased to announce the executive committee of the BHCA Board, beginning January 1. **Mary Jayne Crocker,** Bridgewater Bancorporation, Bloomington, Minn., will be president; **Tim Siegle,** Ameri Financial Group, Inc., Lino Lakes, Minn., is vice president and **Jeff Weldon,** Crosstown Holding Company, Blaine, Minn., remains the association's Treasurer. **Harry Wahlquist,** Midwest Bancorporation, Inc., Eden Prairie, Minn., who is the current BHCA president, will become the immediate-past president.

Rick Wall, Highland Bancshares, Inc., Minnetonka, Minn., was elected to begin a second board term, starting on Jan. 1, 2021.

Board service sincerely appreciated

And I extend my sincerest thanks to two bankers who will conclude their service to the association at the end of this year: **Paul Means** of Great River Holding Company, Baxter, Minn., and **Mike Finley,** Janesville Holding Company, Janesville, Minn. Both provided tremendous expertise at our board meetings and applied their thoughtful experience to all of our discussions and decisions. Means is a past BHCA president. Thanks very much to both!

As we close out 2020, I wish all BHCA members, associate members and friends the very best for the remainder of the year and for the new year to come. I look forward to a great 2021 together! ■

By Julie Randall

What can a bank holding company do without notifying the Fed?

Filing requirements for bank holding companies (BHCs) proposing to acquire nonbanking assets or directly engage in nonbanking activities can be perplexing. Some nonbanking assets/activities are permissible and some are not, many are subject to restrictions, and some require a BHC to become a financial holding company. Furthermore, while BHCs generally must obtain permission from the Federal Reserve System under section 4 of the Bank Holding Company Act (BHC Act) before acquiring nonbanking assets or directly engaging in nonbanking activities, there are a number of exceptions to the filing requirements.

This article describes several of the most common exceptions, which are often misunderstood but account for a significant amount of nonbanking activities conducted by BHCs in the Ninth Federal Reserve District. You can find the remaining exceptions in section 4 of the BHC Act or section 225.22 of the Board of Governors' Regulation Y.

Accompanying this article, please see a note from Rachel Robison regarding faster turnaround times for BHCs that consult with the Federal Reserve System regarding proposed dividends.

Servicing activities

BHCs, either directly or through one or more nonbank subsidiaries, can hold or operate properties for their subsidiary banks, provide accounting, data processing, and similar operational or administrative services to these banks, and liquidate certain assets they hold. Servicing activities often will not require a BHC to file notice under section 4. However, a BHC may be expected to file under section 4 if it is purchasing assets from its subsidiary banks for liquidation, particularly if the BHC is in less than satisfactory condition. Even when a BHC is not required to file notice under section 4, BHCs should be aware of restrictions on the servicing activity. For example, a BHC that holds property for the use of a subsidiary bank must be in compliance with the BHC Act's requirement that the property must be "used wholly or substantially" by the subsidiary bank. If the property is held by the BHC, the subsidiary bank is typically expected to use at least 50 percent of it, which is more than what the bank may be required to use if it directly holds the property.

Debts previously contracted

A BHC can acquire a nonbanking asset (e.g., a loan, property, or voting shares of an

Good news regarding dividend consultations

By Rachel Robison

When a bank holding company considers declaring and paying a dividend that exceeds current period earnings, it should consult with its Reserve Bank contact, according to the guidance in SR Letter 09-4 (Applying Supervisory Guidance and Regulations on the Payment of Dividends, Stock Redemptions, and Stock Repurchases at Bank Holding Companies). The Reserve Bank appreciates the willingness of BHCs in the Ninth District to engage in these consultations.

I'm excited to share some good news: dividend-related consultations have now been fast-tracked, and often the Reserve Bank will respond within two or five days after receiving an inquiry. Attachment C to SR 09-4 provides more information, including the circumstances in which BHCs can expect a two- or five-day response.

When submitting a consultation request, a BHC should describe whether the BHC qualifies for expedited consultation. If the BHC does not qualify for a two-day response, it should also provide sufficient analysis for Reserve Bank staff to evaluate the request. This analysis should include (with respect to the consolidated BHC organization, as applicable): the level and trend of noncurrent assets; criticized and classified assets; the adequacy of the organization's allowance for loan and lease losses; potential risk resulting from asset concentrations; and prospective earnings relative the organization's capital position, including consideration of current economic conditions. The Reserve Bank may require additional time if the consultation request does not sufficiently cover these factors. ■

Rachel Robison is an examiner with the Federal Reserve Bank of Minneapolis. She is responsible for the Minneapolis Fed's supervision of small shell holding companies.

entity) in the course of foreclosing upon or collecting a debt previously contracted and can hold the asset for up to two years before divesting of it. If circumstances warrant extensions of the holding period, the Federal Reserve Bank of Minneapolis (Reserve Bank) can extend this period for up to a total of 10 years. Often, a subsidiary bank will transfer assets it has acquired through the foreclosure or collection process to its parent BHC to strengthen the subsidiary bank's books. These transfers are generally permissible, although they must comply with the requirements of sections 23A and 23B of the Federal Reserve Act and follow appropriate accounting principles. However, if the subsidiary bank plans to transfer the asset to its parent BHC because it has exceeded a holding period under state law, note that the Reserve Bank will deem the BHC to have held the asset since the date that the subsidiary bank acquired the asset, not the date of the transfer.

Acquisitions of securities by a subsidiary bank

Securities acquisitions by a subsidiary bank generally do not require its parent BHC to file if the securities are permissible for BHCs under section 4(c)(5) of the BHC Act. (This section permits BHCs to acquire securities that are eligible for investment by national banks.) However, this general exception does not allow state-chartered banks to make certain investments in operating subsidiaries. If a BHC's subsidiary bank is a state-chartered bank and it acquires less than 100 percent of the shares of an operating subsidiary, the BHC may be required to file under section 4 of the BHC Act. This situation commonly arises when a state-chartered bank has partnered with other banks or third-party firms to invest jointly in an entity. For example, a state-chartered bank may enter into a purchase agreement with other banks in the area to establish a data-processing subsidiary or with third-party firms to own an asset-based lending company.

These are only a few of the filing exceptions associated with nonbanking acquisitions and activities permissible under section 4 of the BHC Act. Whether or not an exception applies to a potential acquisition or activity frequently depends on the particular facts and circumstances. Because of the complexity involved in making these determinations, we strongly encourage BHC management and their representatives to consult with Mergers and Acquisitions staff of the Reserve Bank early in the decision making process. Inquiring whether a filing is required, before the acquisition is completed or the activity is conducted, can not only spare BHCs from needless filings but can also prevent inadvertent violations of the BHC Act. ■

Julie Randall is Senior M&A Analyst with the Federal Reserve Bank of Minneapolis.

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.

▷ Heritage Bancshares Group, Inc., Spicer, Minn., has elected to become a financial holding company.

▷ FWB Financial Inc., Chicago, filed to become a bank holding company through the acquisition of FW Bank, Chicago, a *de novo* bank

▷ Notice filed by Marilyn L. Cravens Stock Trust, Sanborn, Iowa, and others to acquire more than 25 percent of Milford Bancorporation, Milford, Iowa, and thereby control United Community Bank, Milford.

▷ Notice filed by The Sundae M. Haggerty Irrevocable Bank Trust, Dakota Dunes, S.D., and others to acquire 25 percent or more of Pioneer Development Company, Sergeant Bluff, Iowa.

▷ Notice filed by the Richard J. Katz Trust No. 101, and others to acquire and retain 25 percent or more of Resource Bancshares, Inc., and thereby control Resource Bank, National Association, both of DeKalb, Ill.

▷ Charter Bank, Eau Claire, Wis., filed to purchase the Chetek branch of Bank First National Association, Manitowoc, Wis.

▷ Todd J. Zaun, Sartell, Minn., and others filed to retain or acquire 25 percent or more of Farmers & Merchants Agency, Inc., and thereby retain or acquire shares of Farmers & Merchants State Bank of Pierz, both of Pierz, Minn.

▷ PB Bancshares, Inc., Maplewood, Minn., filed to become a bank holding company by acquiring Premier Bank, Maplewood.

▷ Security Bancshares Company, Glencoe, Minn., filed to acquire up to 15.27 percent of Flagship Financial Group, Inc., Eden Prairie, Minn., and thereby acquire, Flagship Bank Minnesota, Wayzata.

▷ One American Financial Corporation, Sioux Falls, S.D., authorized to become a bank holding company by acquiring One American Bank, Sioux Falls.

▷ Equity Bank, Andover, Kan., authorized to acquire Almena State Bank, Almena, Kan., which was closed Oct. 23 by regulators.

▷ First State Bank Nebraska, Lincoln, authorized to merge with Plattsmouth State Bank, Plattsmouth.

▷ First Secure Bank Group, Inc., Sugar Grove, Ill., filed to acquire Wonder Bancorp, Inc., and thereby acquire State Bank, both of Wonder Lake, Ill.

▷ Haviland Bancshares, Inc., ESOP, Haviland, Kan., filed to increase its ownership from 27.87 percent to 31.70 percent of Haviland Bancshares, Inc., parent of The Haviland State Bank, both in Haviland.

▷ Security Financial Services Corporation, Durand, Wis., authorized to acquire Jackson County Bank, Black River Falls.

▷ Midwest Bancorporation, Inc., Poplar Bluff, Mo., filed to acquire, through merger, Poplar Bluff Banc Company, Poplar Bluff, and thereby acquire First Midwest Bank of Poplar Bluff.

▷ First Western Bank and Trust, Minot, N.D., authorized to merge with BlackRidgeBANK, Fargo, N.D.

▷ Northwood Financial Services Corporation, Northwood, Iowa, filed to acquire Titonka Savings Bank, Titonka, Iowa.

▷ First Holding Company of Park River, Inc., Park River, N.D., filed to acquire Ramsey National Bank, Devils Lake, N.D.

▷ Napoleon Bancorporation, Inc., Napoleon, N.D., through its subsidiary, Stock Growers Insurance Agency, Inc., filed to purchase the assets and assume certain liabilities of Sargent County Insurance & Real Estate, Inc.

▷ The Stein Bank Stock Trust, Spearville, Kan., filed to acquire Spearville Bancshares, Inc., parent of First National Bank of Spearville.

▷ First York Ban Corp, York, Neb., authorized to acquire Tilden Bancshares,Inc., Tilden; and for First York's subsidiary, Cornerstone Bank, York, to acquireThe Tilden Bank, Tilden.

▷ AgCom Holdings, Inc., Holstein, Iowa, filed to become a bank holding company by acquiring Maxwell State Bank, Maxwell, Iowa.

▷ Bank Forward ESOP and Trust, Fargo, N.D., filed to acquire up to 36 percent of Security State Bank Holding Company, Fargo, and thereby increase control of Bank Forward, Hannaford, N.D.

▷ First Holding Company of Park River, Inc., Park River, N,D., filed to acquire Ramsey National Bank, Devils Lake, N.D.

▷ Notice filed by Aaron C. Espinoza and others to acquire control of Newburg Insurance Agency, Inc., Rolla, Mo.

▷ Bern Bancshares, Inc., Bern, Kan., filed to acquire up to 7.00 percent of UBT Bancshares, Inc., Marysville, Kan., and thereby acquire United Bank & Trust, Marysville.

▷ First National Bank, Waverly, Iowa, filed to retain its membership in the Federal Reserve System and its stock in the Federal Reserve Bank of Chicago following its conversion from a national banking association to a state-chartered bank.

▷ Rhineland Bancshares, Inc., Rhineland, Mo., filed to acquire Clifford Bancshares, Inc., Troy, Mo., and thereby indirectly acquire CBC Bank, St. Peters, Mo.

▷ Frandsen Bank & Trust, Lonsdale, Minn., authorized to merge with Peoples BankMidwest, Hayward, Wis., and thereby establish branches.

▷ Bank Fund IX, LP and Bank Fund X LP, both of Chicago, filed to acquire 10 percent or more of First Business Financial Services, Inc. Madison, Wis.

▷ Huron National Bank, Rogers City, Mich., filed to retain its membership in the Federal Reserve System and its stock in the Federal Reserve Bank of Chicago following its conversion from a national banking association to a state-chartered bank

▷ The Reisher Family Foundation, Lakewood, Colo., filed to become a bank holding company through the acquisition of 16.95 percent of FirstBank Holding Company, parent of FirstBank, both of Lakewood, Colorado; and to elect to become a financial holding company. ■

Antitrust policy adopted

The Bank Holding Company Association Board of Directors has adopted the following Antitrust policy. The policy was finalized and adopted on Oct. 28, 2020. Please contact Managing Director Tom Bengtson if you have questions or comments. He can be reached at Tom@theBHCA.org.

The Bank Holding Company Association (BHCA), a Minnesota nonprofit corporation, is a trade association of bank holding companies. The BHCA exists to provide education and business connections critical to the vitality of bank holding companies. The BHCA is committed to strict compliance with all federal and state antitrust law, rules and regulations.

Antitrust laws are meant to prevent anti-competitive practices and other business decisions that may restrain competition. The BCHA will not play any role in the competitive decisions of its members and will not take any actions that restrain competition among bank holding companies or that harm customers. The BHCA, its board of directors, seminars and events shall not be used to bring about any understanding or agreement among competitors regarding prices, discounts, pricing methods, profits, profit margins, market share, allocation of territories or customers, or any other activity deemed to violate antitrust laws. Each participant in BHCA activities is responsible for compliance with all federal and state antitrust laws, rules and regulations.

All BHCA board meetings shall be regularly scheduled and conducted in accordance with an agenda prepared in advance of the meeting. The meeting agenda will alert participants to the business of the meeting and allow them to prepare for the meeting. The advance meeting agenda will also notify participants of any potentially antitrust sensitive topics and allow them to consult legal counsel prior to the meeting. The advanced agenda may be subject to change according to feedback from the participants.

Each year, a copy of this policy will be distributed to all board members and BHCA staff. ■

New to BHCA

The Bank Holding Company Association welcomes:

Higgins Bancorporation, Inc.
Mark E. Toombs, President
Rosemount, Minn.
First State Bank of Rosemount

BANK OWNER

Bank Holding Company Association
945 Winnetka Ave. N., Suite 145
Minneapolis, MN 55427

JOIN TODAY!

BHCA

BANK HOLDING COMPANY ASSOCIATION

The BHCA exists to provide education and business connections critical to the vitality of bank holding companies.

INSIGHTS | NETWORKING | SEMINARS

39
Years the BHCA has been serving bank holding companies

200+
BHCA Holding Company and Associate Members

1,200
Bank owners, directors, officers and vendors who attended a BHCA event in the past two years

CONTACT US!

Tom Bengtson, Managing Director

T: 952-835-2248, or toll free: (800) 813-4754
E: info@thebhca.org
www.thebhca.org

Modest dues based on the size of your organization.