Minnesota Grown

State Bank of Faribault sows the seeds of agricultural innovation

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Welcome to the autumn edition of IMPACT, your quarterly membership magazine. In this issue, we get a look at an indoor farming operation that owes its success to innovative cultural practices, and the ownership at State Bank of Faribault, which provided the facility Living Greens Farm needed to get business growing. This feature is sponsored by SHAZAM.

With the support of John Carlander and State Bank of Faribault, a start-up indoor farm has been able to scale its operations and make an impact in the fresh produce market. The result? Find Living Greens Farm’s fresh produce at a store near you.

Convention Coverage
Board elections and a call to advocacy are just a few highlights of this year’s annual convention.

News and Notes
United Bankers’ Bank names new president/CEO, Congressman visits Star Bank, move by NCUA raises eyebrows, and more.

On the Cover: John Carlander (left), State Bank of Faribault, and entrepreneur Dana Anderson, provide an insider’s look at the produce operation at Living Greens.
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**The Bottom Line**

ICBM is investing in its commitment to better serve member banks and promote the industry. We count the ways!

**Chairman’s Corner**

Bernie Gaytko recalls his unusual path into banking, and the mentors who helped along the way.

**From ICBA**

Jim Reber unpacks some of the mystery behind investments.

**Calendar**

The fourth quarter offers a full slate of Network events.

**ICBM Services**

The payroll services offered by the Press Gold Group are garnering interest among members.

**New Associate Members**

Listing of new companies uniquely situated to help your bank.

**Data**

Quarterly snapshot of Minnesota community banks.
We’re committed to making a difference for you

CBM is almost 59 years old but, in some ways, it’s like we are just getting started. We are the best of what we’ve always been yet striving each day to be so much more. What’s the bottom line? We are a stronger, healthier association today and I’m delighted to share some highlights with you.

Staff
The group of people serving you is truly exceptional! We might be relatively small in number (10), but we are resourceful, committed — and big in our impact. Thank you, staff!

Membership
We recently finished dues billing. After adjusting for M&A, we saw a 99 percent renewal rate and continue to include 70 percent of Minnesota’s community banks in our membership. We want to grow that number, for sure, but we are undoubtedly a leading community bank trade association in the nation.

Financial Health
ICBM has a balanced budget and approximately 18 months of liquid, operating reserves. About 30 percent of our total revenue is member dues — the balance is non-dues revenue. Both are healthy financial metrics for a trade association.

Political Action Committee (PAC)
Our PAC auction at the convention raised nearly $23,000! A big thanks to everyone who donated cash and gifts, and bought items. Our PAC is well-positioned to continue forming strong connections on both sides of the aisle during the 2020 election cycle. Also, watch for more information about our PAC Directors Club, which is an easy way for directors to support the only community bank-focused PAC in Minnesota.

Professional Connections
Providing meaningful connections and professional development for our members is at the center of what we do. The most recent example is our annual convention in Bemidji where we had nearly 300 attendees connect with colleagues and other industry professionals to sharpen their skills and expand their knowledge while also having some fun. Find an opportunity that works for you to participate in our events and education. I promise you’ll derive more value from your membership.

Facilities
During the last 10 months, many of you have had a chance to visit our new office. It was designed and built out with you at the top of our priority list. Now, our members have a bright and comfortable experience when onsite, but we also added the technology to effectively connect members remotely when that’s the best option.

Technology
We are in the process of converting to a new association management system. While this system will provide improvements internally, members will see improved registration, more personalization of member profiles and content and a chance to build online professional communities.

(CONTINUED ON PAGE 22)
It was an honor to receive the chair’s gavel from 2018–2019 chair Lon Rylander at Convention on Aug. 1–3 in Bemidji. I feel privileged to have worked with Lon and past leaders like Rick Gobell, James Kramer, Dennis Martinson, Steve Olson, Nancy Skophammer, Harry Wahlquist, Scott Wakefield and Noah Wilcox — who now is slated to represent Minnesota community banking as the incoming chairman of the ICBA.

I also feel fortunate that others helped guide me to a career as a community banker. I did not start in banking. Graduating from the University of St. Thomas in St. Paul, I started my career with Nestle Foods in its sales and management training program in Fargo, N.D., and climbed the ladder to become a regional sales manager for a five-state area prior to joining the Borden Food Company.

Banking entered my radar when my father-in-law, Richard Sankovitz, began his succession planning by asking me to consider a career in banking. The decision to move back to Minnesota, to my wonderful wife Ann’s hometown of Waseca, came with the birth of our first son, Michael. By that time, Ann and I lived in Buffalo, N.Y., and had moved across the Midwest with stops in Cincinnati, Columbus Indianapolis, Cleveland and Boston. We brought Michael home to an empty house with family far away, only able to greet their first grandchild through phone calls and camcorder videos. The plea to move to Waseca struck a nerve; that was 24 years ago.

Since coming to help lead a community bank, I have focused on training opportunities — a graduate school of banking, industry training with our association, and postgraduate school at St. Thomas — to compensate for my lack of banking knowledge. I’ve gained the most from wonderful mentors like my father-in-law, Richard, our past president, Mike Halvorson, and my brother-in-law, Tom Sankovitz, who came into the bank a few years before me as the chief financial officer. They gave me the freedom, flexibility and support that helped me learn and grow as the president/CEO of the First National Bank of Waseca, and as a leader on the executive committee of ICBM.

Now, as ICBM chair, I am excited about the opportunities ahead of us. Strategic investments and thoughtful planning under the leadership of a former community banker, Jim Amundson, have resulted in a great team of passionate and dynamic individuals to run our organization. We have moved into a new office complex to make your association more visible and usable; we have rebranded our insurance company to better align with our goals, and we have built stronger relationships with our legislators and business partners. I see opportunities to attract new, young leadership to our banks and instill in them the passion and training to make them lifelong community bankers, and to make our voices heard at the capital.

As our industry shrinks through mergers and acquisitions, our representation with our legislators has never been more important. In

(CONTINUED ON PAGE12)
A best-selling book from the 1990s, “Why Things Are,” took a humorous look at curiosities originating from everyday existence, with the modest goal of answering “every essential question in life.” This column has a more ambitious purpose: To clarify a few of the phenomena surrounding your investment in bonds. So, put on your seat belts as we head out for a ride on the fixed-income highway.

**Why do continuously callable bonds have a higher yield than bonds with only one call date?** An investor in a callable bond does two things simultaneously when he or she makes the purchase. First, the buying of the bond from the issuer. The second, the selling of the right to prepay the debt early to the issuer. For bonds with multiple call dates, the issuer pays something for each right. In aggregate, the value of all the call options as of the issue date is reflected in the higher yield compared to a non-callable bond, or one with only one call date.

**Why do mortgage-backed securities priced at 100.00 have different yields than the stated coupon?** For this answer, we must do a two-step move. First, let’s review what bond-equivalent yield (BEY) means. The yield on a bond has a standard calculation that assumes semi-annual interest payments in arrears (meaning at the end of the period), and principal at maturity date. For example, if you buy a new two-year agency bond, your first interest date will be exactly six months from the original settlement date.

Mortgage-backed securities (MBS) differ in two ways. First, some interest payments are received monthly, which is good from a BEY standpoint. However, MBS also have this nice little convention known as “delay days” before any principal or interest are paid. That’s bad for BEY purposes. Most mortgage securities have delay days ranging from 45 to 85 days. Factoring in the delay of both principal and interest over a period of time probably means the bond-equivalent yield for a mortgage will be less than the coupon, at par.

**Why do tax-free bonds have lower price volatility than taxable bonds?** The best way to illustrate this is to take a hypothetical taxable bond, like a 10-year Treasury note, and compare it to a 10-year tax-free bond. At the end of August, the 10-year Treasury yields (conveniently) 1.50 percent, and 10-year high-quality munis yield about 1.65 percent (for a tax-equivalent yield of 2.05 percent).

If rates rise 100 basis points (1.0 percent), the Treasury will then yield 2.50 percent and its price will decline 8.7 percent. The muni will only have to drop by 6.9 percent for its tax-equivalent yield to get to the 3.05 percent that the market will likely require. It’s worth noting that the two bonds’ volatilities have become more alike since tax reform at the end of 2017. Stated another way, muni price volatilities have increased as tax rates have fallen.

**Why is the duration of a bond shorter than its average life?** The most commonly used measurement for price volatility of a fixed-rate security is duration. It is the weighted average period of time to receive all the principal and interest on a bond. Average life, on the other hand, is a tool used in many cases to forecast cash flows on mortgage securities and is the weighted-average

(continued on page 12)
Entrepreneur Dana Anderson (left) walks John Carlander, State Bank of Faribault, through the indoor growing operation of Living Greens Farm, which operates in a building the bank had repossessed and sold to Anderson at a loss.
Faribault community bank sows the seeds of agricultural innovation

By Christina Capecchi

The hard part was done. At least it seemed that way.

Dana Anderson had put in the brain-busting, soul-searching work of innovation, creating a technology that could rewrite the rules of agriculture through aeroponics, growing plants in the air with nutrient-rich mist and no soil.

Like so many new ideas, it was first tested in the pegboard laboratory of a garage. Anderson, a 40-something Minnesota native, believed indoor vertical farming could be revolutionary in a state where crops grow only a few months a year — not to mention the sustainability implications for a planet where almost every single piece of farmable land is already being cultivated.

After several years of research and mechanical trial-and-error, Anderson had invented an approach he wanted to patent. It could give Midwesterners access to fresh greens year round — lettuce and herbs grown without pesticides, herbicides or GMOs.

“At first we were trying to get the plants to do what we told them to do,” Anderson said. “And then we had to migrate. The plants had to tell us what they wanted.”

It was 2012, and Anderson felt ready to graduate from the garage. But that presented a new challenge: Taking his big idea and finding a space to scale and sell it. The Prior Lake inventor found himself at a crucial juncture.

That’s when the State Bank of Faribault entered the picture. They had an intriguing prospect: A 45,000-square-foot industrial plant on the north side of town, near Interstate 35. It had been used by Cako, a company that made plastic cake covers and had since closed its doors, and had gone into foreclosure. The State Bank of Faribault had repossessed the plant.

Could this be the place? Could Anderson possibly swing it, having already invested more than he expected to get to that point? Would the bank see beyond his present reality — two entrepreneurs and not a single customer — and buy into his vision?

The person holding the key, the bank president, happened to have all the right sympathies and sensibilities. John Carlander is the third generation to run the community bank, now a century old with assets exceeding $200 million.

Growing up in Faribault, Carlander had imagined being a community banker as a 5-year-old when he tagged along with his dad on Saturdays to role play at the bank, where he had his own little desk.

He could see what an anchor the bank was, perched on the downtown’s main street with its familiar green signage and American flag. Locals popped in for many reasons: For cash, for conversation, for coloring contests.

Early on Carlander came to

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understand how a community bank could serve a town — and not just any town, his town. He heard his grandpa’s mantra, “It’s better to give than to receive.” That belief was woven into the bank’s mission, inspiring staff members to get involved in hundreds of community service projects over the years.

Today, in addition to running the State Bank of Faribault, Carlander works as a grain farmer. And in 2012 he was also serving on an economic development advisory committee for the city, which bent his ear to Anderson’s cause.

He may have been at an early stage of his dream, which he would call Living Greens Farm, but the material Anderson shared with the bank was impressive: A detailed business plan and thoughtful projections.

“What we liked about it was somebody coming from outside our community and wanting to relocate here and create jobs,” Carlander said. “We wanted to help make that dream come true.”

But to do that, it became clear, Carlander would have to put his money where his mouth is, taking a substantial loss on the property.

Advice from his grandpa came to mind. “I can remember my grandfather telling me: ‘John, your first loss is your least loss.’ Any time you have commercial real estate, the holding costs are very expensive — especially the real-estate taxes, the insurance. It’s a toxic asset not earning you anything. You have to take all that into consideration.”

Ultimately, the bank sold the property to Anderson at a $100,000 loss, according to Carlander. They gave him a business loan at a good rate and allowed him to use the 5,000 square feet he needed and lease the remaining 40,000 square feet.

Anderson was filled with gratitude. “It seemed like they were doing it with the consciousness of economic development,” he said. “But this bank was willing to stick its neck out to support new ventures and help the community grow. And for what? An idea.”

Anderson recognized what a rare opportunity he had been given. “A large national bank would never do that. It’s only something a small community bank would do. That’s the advantage of a community bank: That relationship. Banking is so impersonal these days. This wasn’t. This was community-centric.”

Living Greens Farm officially launched the day Anderson purchased the property. The bank’s generous arrangement gave life to the start-up, Anderson said. “We were able to be cash-flow positive at a vital time.”

Beyond the financial support was the moral support, which Anderson described as “good will and collaboration” — a shot in the arm.

Carlander and his staff went far beyond the standard loan support, helping him build his network. A member of the bank’s board went on to join the Living Greens board and proved instrumental to its growth.

“It was important for us to be proactive in reaching out and welcoming him into the community,” Carlander said.

Their support of Anderson paid off. At its new home, Living Greens Farm flourished. Anderson said he “can’t even imagine” achieving its early success without the plant, where he and his engineer were able to build full-scale prototypes and win over major investors.

“If people would have had to come to my garage to consider investing in this, it probably wouldn’t have gone anywhere. It allowed us to

(continued on page 12)
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to me that taking a loss is seen by the seller as admission of a bad purchase. The overwhelming majority of losses realized, though, are market driven. I think we agree that bankers aren’t market-timers. So, by being more inclined to take gains, portfolio managers can neatly stack their aggregate sales in the “win” column.

There are just two problems with the inclination to sell at gains rather than losses: Selling the winners means your portfolio yield is probably going down, and you’ve triggered immediate tax liability. I would suggest, especially in a robust earnings year like 2019, that a bank work with its tax accountant and brokers to devise an income-deferral strategy. Higher yields mean more future income. And that falls into the “long-term vision” compartment.

Find Living Greens Farm’s fresh salad mixes at Cub Foods, Hy-Vee and Walmart stores.

Chairman’s Corner
(CONTINUED FROM PAGE 6)

In addition to drawing on the experiences of our past chairs, my goals are to increase attendance at ICBA’s Capital Summit in Washington, D.C., and our annual visit to St. Paul over the next few years. I would like to personally challenge all of you to seriously consider attending or sending someone from your bank to one or both events.

I look forward to getting to know each of you better over the next year and encourage you to please reach out to me anytime to offer your feedback on how we can improve our association and continue our positive momentum.

From ICBA
(CONTINUED FROM PAGE 7)

time to receive principal only. Since most MBS are backloaded with principal on their paydown schedules, average lives are almost always longer than duration for a given bond.

Duration is useful for estimating how much a bond’s value will change given a change to market rates. A duration of 3.0 means that the price will decline about 3 percent, given a 1 percent increase in the market yield. Concepts like effective duration and convexity also factor into this discussion, but that’s another story for another day.

Why are bankers more inclined to sell at gains rather than losses? I’m no shrink, but there is an element to behavior that psychologists refer to as “compartmentalization.” It seems to me that taking a loss is seen by the seller as admission of a bad purchase. The overwhelming majority of losses realized, though, are market driven. I think we agree that bankers aren’t market-timers. So, by being more inclined to take gains, portfolio managers can neatly stack their aggregate sales in the “win” column.

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### Upcoming ICBM Networks

- **Ag Network**
  - Tuesday, November 19
  - Mankato

- **CEO Network**
  - Tuesday, November 19
  - Mankato

- **HR Network**
  - Thursday, November 14
  - ICBM Headquarters in Bloomington

- **Marketing Network**
  - Wednesday, November 6
  - ICBM Headquarters in Bloomington

- **Technology Network**
  - Tuesday, November 5
  - ICBM Headquarters in Bloomington

- **CCO Network**
  - Tuesday, December 3
  - ICBM Headquarters in Bloomington

- **HR Network**
  - Thursday, November 14
  - ICBM Headquarters in Bloomington

- **Technology Network**
  - Tuesday, November 5
  - ICBM Headquarters in Bloomington

Visit ICBM’s website for more details on upcoming events.

www.icbm.org

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Bernie Gaytko president and CEO of First National Bank of Waseca, was elected chair of the Independent Community Bankers of Minnesota on August 3rd at our annual convention in Bemidji.

“Having spent the past nine years as an ICBM Board member, I am blessed to have had the privilege of working with leaders like Doug Jilek, Nancy Skophammer, James Kramer, Dennis Martinson, Alvin Kooiman, Noah Wilcox, Rick Goebell, Harry Wahlquist, Scott Wakefield, Lon Rylander,” Gaytko said. “I have learned a lot from these great community bank leaders about leading with compassion and humor, the importance of advocacy for our industry, and unwavering love for, and dedication to, community banking. I consider it my honor and privilege to help lead ICBM as its chairman.”

Minnesota community bankers also elected their 2019-2020 executive committee members. In addition to Chair Gaytko, they are: Treasurer Mark Toombs, The First State Bank of Rosemount; Vice Chair Anita Drentlaw, New Market Bank, Elko New Market; Chair Elect Al Berube, Farmers and Merchants State Bank of New York Mills; Past Chair Lon Rylander, First State Bank of Ashby, and ICBM President/CEO Jim Amundson.

Gaytko has helped lead the $135 million First National Bank since 2001. He was convinced by his father-in-law to join the bank in 1995. He joined as vice president of ICBM's 2019-2020 executive committee, from left, are: Chairman Bernie Gaytko, First National Bank of Waseca; Past Chair Lon Rylander, First State Bank of Ashby; Treasurer Mark Toombs, The First State Bank of Rosemount; Vice Chair Anita Drentlaw, New Market Bank, Elko New Market; Chair Elect Al Berube, Farmers and Merchants State Bank of New York Mills; and ICBM President/CEO Jim Amundson.
ICBM Chair promotes year-round advocacy

marketing after beginning his career as a sales manager with Nestle.

While he praised recent improvements made by ICBM, Gaytko emphasized the opportunities that remain, particularly for in-person advocacy and membership growth.

“I’ve been involved with the D.C. summit for about five trips to Washington, and the one thing that I found on my visits out there is how important it is to be in front of your legislators,” Gaytko said. “It’s one thing writing a letter and filling out a form letter. It’s another thing going in person and shaking their hand, letting them know who you are.”

That impact is equally visible on the state and local level, Gaytko added, and he wants to grow the number of people who participate in ICBM’s Washington and state advocacy trips. Advocacy, however, can’t be done once annually, he warned. It’s about year-round interactions with legislators. “I think when the next crisis hits banking, it’s going to be that much more important that we’re entrenched in our advocacy efforts before that happens,” he said.

Involving younger bankers in advocacy and other industry efforts from the beginning are vital to raising the next generation of leaders, Gaytko said. “You have to spark that passion for community banking like my father-in-law did in me 24 years ago,” he said. “I want to try to engage them. I look around at the young talent that we have and I keep pushing all of my managers to get them to a networking event, have them meet people that are doing the same thing in other banks.”

Building comradery with peers will encourage young bankers to get involved and stay involved in banking, Gaytko said. “That’s where you get the stickiness.”

Much like having multiple products with a bank decreases the likelihood a customer will leave, being involved in the industry in different ways increases the likelihood young employees will stick around. “If you have them attending networking events, additional training, the Lead conference that we’re doing — those are the stickiness factors that are important for them when they come back to the bank,” he said.

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UBB names new president

Dwight R. Larsen, with more than 30-plus years of experience in bank management, regulatory affairs and education, became the new president/CEO of United Bankers’ Bank, Bloomington.

“This is an incredible honor and exciting opportunity for me to lead the finest correspondent banking team in the nation,” Larsen said. “Right from its inception as America’s first bankers’ bank, UBB has led the way with so many product, service and technology innovations. Not only do I intend to continue that tradition,” Larsen said, “my goal is to take UBB even further and become the nation’s premier bankers’ bank.”

Larsen is already a familiar name and face to many in the banking community. He held several positions at UBB from 2000 to 2016, including roles overseeing compliance services, trust services, HR consulting services and the stock valuation services of BankValue Advisory Services.
Under Larsen’s direction, BankValue expanded its bank stock valuations, market analysis, and merger and acquisition consulting service to customers throughout UBB’s 15-state market area. Dwight was also the chair of UBB’s Asset Liability Management and Enterprise Risk Management committees.

From 1986 to 2000, and again for the past two years, Larsen has served as a national bank examiner with the Office of the Comptroller of the Currency (OCC). There he built extensive knowledge in risk management and effective corporate governance working with banks of every size and with every level of management and operations.

Larsen dedicated his first 30 days on the job, which officially started on Monday, Aug. 26, to “listening, listening and listening again,” he said, “including a series of meetings with staff and executive leadership at UBB, our Board of Directors, our customers and community bank leadership.”

Congressman Dean Phillips visits Star Bank

Congressman Dean Phillips visited the Eden Prairie location of Star Bank on July 2. The meeting was more than just a friendly call on a local business in his district. According to Star Bank President/CEO Harry Wahlquist, Congressman Phillips’ goal was to learn about community banking as a member of the House Financial Services Committee. He also wanted to learn more about the issues that affect Star Bank and its customers in Minnesota’s 3rd Congressional District.

Wahlquist planted the seed for a visit during ICBM’s trip to Washington, D.C., for ICBA’s Capital Summit held April 28 through May 1. “The highlight of the trip was what ended up a private sit-down with Congressman Phillips,” Wahlquist said. “Scott Beuning (Tradition Capital Bank,
based in Wayzata) and I were scheduled to meet with Phillips at his office. We arrived a little earlier than our fellow Minnesota community bankers and just happened to meet Congressman Phillips outside his building. He ushered us through security and before we knew it just the three of us were visiting in his office."

During their meeting, Congressman Phillips expressed his desire to learn more about banking issues. "I suggested we do a lunch-and-learn at Star Bank when he was home in our district," Wahlquist said. "Then, he contacted us about eight weeks ago to pick a date."

During the meeting, Wahlquist and ICBM President/CEO Jim Amundson walked Phillips through the history and Congressional intent for credit unions and Farm Credit. They also introduced the Congressman to ICBA’s legislative agenda, Community Focus 2020. "We had a wonderful exchange of information," Wahlquist said. "It was scheduled to go an hour, but it ended up stretching to 90 minutes. He even indicated he’d love to do it again."

Star Bank’s meeting with Phillips shows that an advocacy relationship is just like any other, said Amundson. "We can build these relationships, and they do affect lawmakers’ opinions, especially with the steep learning curve that confronts them when they enter the office," he said. "We can only capitalize on opportunities like Star Bank did if we show up."

ICBM member raises issue, prompts ICBA letter

Erik Myhre, CEO of Community First Bank, noticed an unusual collaboration between the National Credit Union Administration and the Small Business Administration. Earlier this year, the two groups signed a memorandum of understanding that would “help credit unions better understand and make use of SBA-backed loans and resources.”

Myhre raised his concerns with ICBM President/CEO Jim Amundson, who passed them along to national leadership at the Independent Community Bankers of America.

The move prompted action from ICBA, with the organization sending a letter to the SBA urging it to terminate this type of collaboration with the NCUA. Addressing Acting Administrator Chris Pilkerton, ICBA wrote that credit union participation in SBA programs violates the spirit of the Small Business Act, which encourages private enterprise and free competition.

Notably, Congress “did not want non-profit companies to ‘double-dip’ federal subsidies: once, by receiving a tax exemption subsidy, then once again, by receiving a 7(a) loan subsidy,” ICBA wrote. "As you are likely aware, credit unions receive a federal subsidy through their tax exemption. When credit unions compete with private enterprises, such as community banks, the subsidy bestows a competitive advantage over private enterprises, which is at odds with the contention that Congress does not want government subsidies to displace private, conventional lenders."

ICBM Board appoints Think Mutual’s Paul Mackin as Director-at-Large

On June 1, Paul Mackin began a three-year term as a director-at-large on ICBM’s board of directors. Mackin is president/CEO of Think Mutual Bank, a position he has held since 2008; he brings 35 years of experience to ICBM’s board.

“As the leader of a $1.6 billion community banking organization, Paul brings great insight on ways ICBM can serve larger community banks in the state,” said ICBM President/CEO Jim Amundson. “Paul had been back less than a month at our June board meeting
and he is already making positive contributions. We’re all thankful he is willing to help lead ICBM as a board member once again.”

Mackin, who has served as a director-at-large before, is one of two at-large directors. ICBM’s bylaws allow for up to three directors of this type. Jenn Spartz of Woodland Bank, Grand Rapids, served as a director-at-large until this year; she was elected in January to represent ICBM District 9.

Earlier this year, four other Minnesota community bankers began their terms on ICBM’s board.

Bill LaVigne, chief operating officer at The Bank of Elk River, was elected to represent District 5. He took the seat vacated by Anita Drentlaw, president/CFO of New Market Bank, Elko New Market, when she was elected to the executive committee at Convention in August 2018.

Tiffany Baer Paine, president/CEO of Security Bank USA, Bemidji, was elected in District 10. Baer Paine previously served a 3-year term on the ICBM board as an at-large director.

Peter Nelson, president of Glenwood State Bank, and Erik Myhre, CEO of Community First Bank, were re-elected to represent District 7 and District 8, respectively.

“Serving on the ICBM board is a valuable and important way that community bankers further the mission of this association and promote the future success of our industry,” Amundson said. “Thank you to all our board members for your service to our industry.”

(Continued on next page)
DIF refunds triggered for community banks

The FDIC Deposit Insurance Fund reserve ratio surpassed 1.38 percent, triggering approximately $764 million in ICBA-advocated assessment credits for community banks with less than $10 billion in assets. The FDIC will start applying the credits this month to offset the 2019 second-quarter bank assessments.

A provision of the Dodd-Frank Act of 2010 requires larger banks to offset the cost of increasing the DIF reserve ratio from 1.15 percent to 1.35 percent on banks under $10 billion. These assessment credits will be automatically applied each quarter that the reserve ratio is at least 1.35 percent.

“At the time of the original debate, the Deposit Insurance Fund was in negative territory amid the fallout of the Wall Street financial crisis,” ICBA President and CEO Rebeca Romero Rainey said. “Looking at the big picture, ICBA fought hard to ensure that most community banks wouldn’t be stuck footing the cost of a crisis they didn’t cause.”

Minnesota banks pull in $463 million in second quarter

The 287 FDIC-insured banks in Minnesota had net income of $463 million in the second quarter, up from $220 million in the first quarter but down from $480 million a year ago.

They had a return on assets of 1.25 percent, up from the first quarter’s 1.21 percent but down from 2018’s 1.31 percent. “The state also lost one bank over those three months. One year ago, there were 300 FDIC-insured institutions in Minnesota.”

Nationwide, the 4,873 FDIC-insured community banks reported net income of $6.9 billion in second-quarter 2019, up $522.7 million or 8.1 percent from a year earlier. That’s better than the 4.1 percent growth in net income industry-wide.

The FDIC’s Problem Bank List declined from 59 to 56 banks, the lowest number since the first quarter of 2007. Merger transactions absorbed 60 institutions, five new banks opened, and one institution failed.

The Bottom Line
(CONTINUED FROM PAGE 5)

Impact

If you are reading this, you are holding a copy of IMPACT Magazine — an asset designed specifically to provide member value. Not only are we sharing important industry information, but we are also highlighting the great work of our members and getting our professionally written pieces published more broadly. What a great way for us to tell the community banking story outside our industry!

Member Services

We are growing and improving the experience for associate members and endorsed providers. We’re more focused than ever on productive relationships with reputable companies who provide valuable products and services and unique benefits to our members. We believe we can help you cover the cost of your membership dues, so put us to the test.

Thank You

Thank you for being part of ICBM! Our work is on your behalf and we’re committed to making a difference. I hope you are seeing the best of what we’ve always been but also some positive changes. If we can ever be of assistance, don’t hesitate to call me at 651-789-3985.
Member honored

Community First Bank, Menahga, was honored for its 120-year anniversary at the Independent Community Bankers of Minnesota’s Convention on Aug. 2.

To commemorate the bank’s commitment to providing community banking services, Community First received a flag and display case from Jim Amundson, ICBM President/CEO.

The American flag has long been a symbol of freedom, prosperity and independence, and it serves as a reminder of achieving and protecting those values. In that spirit, ICBM recognizes member banks that represent those same values and have succeeded in doing so for a century or more.

Since the presentation program began in 2004, ICBM has marked member banks’ milestone anniversaries by honoring them with flags and display cases built by veterans at the Minnesota Veterans Home in Hastings.

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Community banks attracted to new endorsed payroll service
By Greg McCurry

Since ICBM announced its endorsement of Press Gold Group’s payroll services in August, three community banks have signed on, four are receiving demonstrations, and 11 are reviewing the offering. Why has it had so much interest in its first 30 days? It’s because it is transparent about its cost. It also often provides upgraded functionality and saves our members money.

As we help our members assess what they are getting from their payroll providers, we’re finding that our members benefit in various ways from working with Press Gold Group, which is a locally owned, Minnesota-based company. One bank that recently signed up was able to move to twice-a-month payroll without doubling their cost. These are the kinds of win-win scenarios — for employers and employees — that this endorsed service can provide.

“The ICBM Services board seeks to answer one very important question when we’re considering a new endorsed product or service: Does the provider offer enough value at the right price point for our banks to seriously consider using them?” asked Bill LaVigne, CCO at The Bank of Elk River, and Chair of ICBM Services during the vetting process. “In the case of Press Gold, the answer was ‘yes,’ that’s why they received our endorsement.”

ICBM Services board members all indicated their respective community banks could save on payroll expenses if they took advantage of the ICBM Services negotiated pricing.
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tel: 952-835-9090  
5201 Eden Ave, Ste 250  |  Edina, MN 55346  
contact: Karen Post  
email: karen.post@aemcpas.com  
website: www.aemcpas.com  
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website: www.aeebinc.com  
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website: www.ceterafinancialinstitutions.com  
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220 South Sixth St, Ste 300  |  Minneapolis, MN 55402  
contact: Joshua Juergensen  
email: joshua.juergensen@CLAconnect.com  
website: icbm.org/CECL/  
  ▶ CECL Calculator and Implementation Consulting

Computer Services, Inc (CSI)  
tel: 800-545-4274  
2901 Technology Dr  |  Paducah, KY 42001  
contact: Bill Evers  
email: bevers@csiweb.com  
website: www.csiweb.com  
  ▶ Board and employee portals

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tel: 952-303-5566  
574 Prairie Center Dr, Ste 135-103  |  Minneapolis, MN 55344  
contact: Dean Schumann  
email: dean.schumann@fredmaradvisors.com  
website: www.fredmaradvisors.com  
  ▶ IT consulting services

Fringe Benefits Design of MN, Inc  
7760 France Ave S, Ste 950  |  Bloomington, MN 55435  
contact: Todd Mathison  
email: todd.mathison@fbdmn.com  
website: www.fbdmn.com  
  ▶ Multi-employer 401(k) plan

Harland Clarke  
tel: 612-801-4513  
16669 Javelin  |  Lakeville, MN 55044  
contact: Michelle Giesen  
email: michelle.giesen@harlandclarke.com  
website: www.harlandclarke.com  
  ▶ Check printing services, direct marketing, and forms

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contact: Client Relations  
email: bancard@icba.org  
website: www.icbabancard.org  
  ▶ Total card management

ICBA Mortgage  
tel: 800-253-5356  
1615 L St NW, Ste 900  |  Washington, DC 20036  
contact: Ron Haynie  
email: mortgage@icba.org  
website: www.icbamortgage.com  
  ▶ Access to secondary markets, long term financing options

ICBA Securities  
tel: 800-422-6442  |  fax: 901-762-5333  
775 Ridge Lake Blvd, Ste 175  |  Memphis, TN 38120  
contact: Jim Reber  
email: jreber@icbasecurities.com  
website: www.icbasecurities.com  
  ▶ Investment products, services, and education programs

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3600 Minnesota Dr, Ste 150  |  Edina, MN 55435  
contact: Mike Chapman  
email: mkec@emergentnetworks.com  
website: www.emergentnetworks.com  
  ▶ Encrypted e-mail solutions

Press Gold Group  
tel: 952-746-2475  
4510 W 77th St., Ste. 101  |  Edina, MN 55435  
contact: Carl Pressman  
email: carlp@pressgoldgroup.com  
website: http://pggpayroll.com/  
  ▶ Payroll

SHAZAM  
tel: 866-468-1497  |  fax: 515-248-5828  
6700 Pioneer Parkway  |  Johnston, IA 50131  
contact: John Peck  
email: jpeckb@shazam.net  
website: www.shazam.net  
  ▶ Electronic fund transfer product and services
endorsed services (CONTINUED)

SPEDCO
tel: 651-631-4900 | fax: 651-631-9498
3900 Northwoods Dr, Ste 225 | Arden Hills, MN 55112
contact: Jonathan Sage-Martinson
e-mail: jonathan.sagemartinson@spedco.com
website: www.spedco.com

› SBA support

The Sisk Company, Inc
tel: 817-735-4884
4055 International Plaza, Ste 440 | Fort Worth, TX 76109
contact: Jeff Sisk
e-mail: js@siskcompany.com
website: www.siskcompany.com

› Club account services

Total Networx
tel: 952-400-6500 | fax: 952-400-6501
417 W Travelers Trail | Burnsville MN 55337
contact: Todd Messner
e-mail: tmessner@totalnetworx.com
website: www.totalnetworx.com

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contact: Erik Buoen
e-mail: ebuoen@travelers.com
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### Top 25 QCBI Banks ROAA (S-Corps)

<table>
<thead>
<tr>
<th>Rank</th>
<th>Bank Name</th>
<th>Total Assets*</th>
<th>ROAA</th>
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<tr>
<td>1</td>
<td>State Bank of Wheaton</td>
<td>$79,462</td>
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<td>Prinsbank, Prinsburg</td>
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<td>Farmers And Merchants State Bank of Blooming Prairie</td>
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<td>Farmers And Merchants State Bank of Pierz</td>
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<td>Ultima Bank MN, Winger</td>
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<td>First Farmers &amp; Merchants National Bank, Luverne</td>
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<td>Premier Bank MN, Farmington</td>
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<td>$151,061</td>
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<td>24</td>
<td>Visionbank, Saint Louis Park</td>
<td>$87,142</td>
<td>2.03%</td>
</tr>
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<td>25</td>
<td>Farmers State Bank of Hartland</td>
<td>$159,581</td>
<td>2.01%</td>
</tr>
</tbody>
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*Most recent quarter (MRQ) ROAA (stated) for S-Corp status institutions only

### Top 25 QCBI Banks ROAA (C-Corps)

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<thead>
<tr>
<th>Rank</th>
<th>Bank Name</th>
<th>Total Assets*</th>
<th>ROAA</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Stearns Bank, Saint Cloud</td>
<td>$2,252,763</td>
<td>2.37%</td>
</tr>
<tr>
<td>2</td>
<td>Premier Bank, Maplewood</td>
<td>$635,632</td>
<td>1.98%</td>
</tr>
<tr>
<td>3</td>
<td>Park State Bank, Duluth</td>
<td>$138,898</td>
<td>1.97%</td>
</tr>
<tr>
<td>4</td>
<td>Frost State Bank, Frost</td>
<td>$53,194</td>
<td>1.87%</td>
</tr>
<tr>
<td>5</td>
<td>American Bank of the North, Nashwau</td>
<td>$512,237</td>
<td>1.71%</td>
</tr>
<tr>
<td>6</td>
<td>Home FSB, Rochester</td>
<td>$721,666</td>
<td>1.68%</td>
</tr>
<tr>
<td>7</td>
<td>Bridgewater Bank, Saint Louis Park</td>
<td>$2,118,160</td>
<td>1.57%</td>
</tr>
<tr>
<td>8</td>
<td>Hometown Bank, Redwood Falls</td>
<td>$334,271</td>
<td>1.53%</td>
</tr>
<tr>
<td>9</td>
<td>United MN Bank, New London</td>
<td>$310,930</td>
<td>1.53%</td>
</tr>
<tr>
<td>10</td>
<td>Sentry Bank, Saint Joseph</td>
<td>$220,966</td>
<td>1.52%</td>
</tr>
<tr>
<td>11</td>
<td>Sherburne State Bank, Becker</td>
<td>$121,164</td>
<td>1.50%</td>
</tr>
<tr>
<td>12</td>
<td>Union B&amp;T, Minneapolis</td>
<td>$159,167</td>
<td>1.43%</td>
</tr>
<tr>
<td>13</td>
<td>Community Resource Bank, Northfield</td>
<td>$314,825</td>
<td>1.42%</td>
</tr>
<tr>
<td>14</td>
<td>Merchants Bank, Winona</td>
<td>$1,795,053</td>
<td>1.40%</td>
</tr>
<tr>
<td>15</td>
<td>First State Bank of Bigfork</td>
<td>$78,888</td>
<td>1.37%</td>
</tr>
<tr>
<td>16</td>
<td>First State Bank of WY, Wyoming</td>
<td>$180,884</td>
<td>1.33%</td>
</tr>
<tr>
<td>17</td>
<td>Currie State Bank, Currie</td>
<td>$83,532</td>
<td>1.30%</td>
</tr>
<tr>
<td>18</td>
<td>Lake Community Bank, Long Lake</td>
<td>$116,752</td>
<td>1.30%</td>
</tr>
<tr>
<td>19</td>
<td>Stearns Bank of Upsala</td>
<td>$78,342</td>
<td>1.28%</td>
</tr>
<tr>
<td>20</td>
<td>Lakeview Bank, Lakeville</td>
<td>$102,958</td>
<td>1.28%</td>
</tr>
<tr>
<td>21</td>
<td>Pine Country Bank, Little Falls</td>
<td>$173,962</td>
<td>1.27%</td>
</tr>
<tr>
<td>22</td>
<td>Progrowth Bank, Nicollet</td>
<td>$120,848</td>
<td>1.26%</td>
</tr>
<tr>
<td>23</td>
<td>MN B&amp;T, Edina</td>
<td>$631,339</td>
<td>1.25%</td>
</tr>
<tr>
<td>24</td>
<td>American Heritage National Bank, Long Prairie</td>
<td>$351,435</td>
<td>1.20%</td>
</tr>
<tr>
<td>25</td>
<td>Woodlands National Bank, Hinckley</td>
<td>$210,400</td>
<td>1.20%</td>
</tr>
</tbody>
</table>

*Most recent quarter (MRQ) ROAA (stated) for C-Corp status institutions only

*dollars in thousands
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• Create a plan for implementing the new standard
• Evaluate CECL models, including data requirement identification and retention

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